



LONSUM

BUY

Target Price : IDR1,920

Stock Data

Current Price : 1,110
 52wk Range L-H : 840- 1,560
 Share Outstanding : 6.82 Bn
 Free Float : 40.41%
 Mkt Capitalization : 7,812 (IDR bn)

Major Shareholders

Vanguard Group : 1.15%
 Dimensional Fund Advisors : 1.01%
 Public : 97.84%

PT PP London Sumatra Indonesia Tbk (LSIP IJ)

Plantation Sector

Higher Expectations Ahead

Robust Performance in 1H21, but...

- LSIP IJ managed to book a stellar performance in 1H21 with a +39.03% YoY growth on the topline to IDR2.18 trillion, quite lower than our estimate (reaching 44.33%). Higher CPO sales volume (+7.64% YoY) contributes to the revenue growth, supported by the rally on average selling prices of CPO (+25% YoY) and FFB (+56% YoY).
- Cost was also successfully suppressed with efficiency which nearly doubling their gross margin at 34.68% (vs 17.63% in 1H20). Moreover, major decrease on fair value asset loss (-90.92% YoY) has boost operating profit by +692.29% YoY with OPM rose to 28.01% (vs 4.91% in 1H20).
- Therefore, net profit rose staggeringly by +444.87% YoY to IDR501.22 billion, reaching 47.66% of MNCS estimate, with net margin almost quadrupled to 23.02% from 5.87% in 1H20.

...We Expect More in 2H21E

- We note that the top and bottom line realization are somewhat below our estimate, caused by a weaker performance in the 2Q21, in which revenue and net profit fell by -17.94% QoQ/-31.37% QoQ.
- CPO production stood at 164 thousand tons in 1H21, only reaching 43% from our estimate of 378 thousand tons in FY21E. While, on a quarterly basis it tumbled by -9.30% QoQ.
- However, these issues are quite common, as we see that 2Q and 3Q performance are showing a weakening pattern in previous years while it will be made-up by the 4Q production (rainy season starts in 4Q). Therefore, we believe the 2H21E performance will come back stronger as we expect both revenue and net income to rise by +38.85% YoY/+51.09% YoY in FY21E.

CPO Price will remain on an Uptrend in FY21E

CPO price has stayed at MYR4,000/mt levels for quite a while now, precisely at MYR4,265/mt which grew by +55.83% YoY/+18.47% YTD. We see that several catalysts have brought the price back up, such as: 1) Strong demand from India and China; 2) New Levy Policy, as mentioned in our previous Plantation Sector Update Report. Thus, we decide to increase our average price estimate for FY21E to~MYR3,800/mt from MYR3,500/mt as we believe the price will stay high for the rest of the year.

Maintain BUY Recommendation on LSIP IJ with TP: IDR1,920

Our recommendation remains **BUY** for **LSIP IJ** with **TP: IDR1,920** which implied 1.31x/1.21x PBV in FY21E/FY22F. We still see a potential upside of +73% in the long run as we expect a decent performance supported by higher ASP in the FY21E while maintaining their liabilities at zero debt level. Lastly, the risk to our call is lower production due to the weather and the pandemic. LSIP is currently traded at -1STD with 0.80x PBV.

Key Financial Highlight

Billion IDR	FY18	FY19	FY20	FY21E	FY22F
Revenue	4,019.80	3,699.40	3,536.72	4,910.91	5,000.82
Net Income	331.32	253.90	696.01	1,051.63	1,203.41
EPS (IDR)	48.56	37.21	102.01	154.13	176.38
PE (x)	26.87	35.07	12.79	8.47	7.40
BVS (IDR)	1,220.63	1,245.21	1,360.75	1,467.36	1,583.37
PBV (x)	1.07	1.05	0.96	0.89	0.82
ROA (%)	3.30	2.48	6.37	8.61	9.30
ROE (%)	3.98	2.99	7.50	10.50	11.14
DER (x)	0.20	0.20	0.18	0.22	0.20

Sources: Bloomberg, MNCS



Research Analyst

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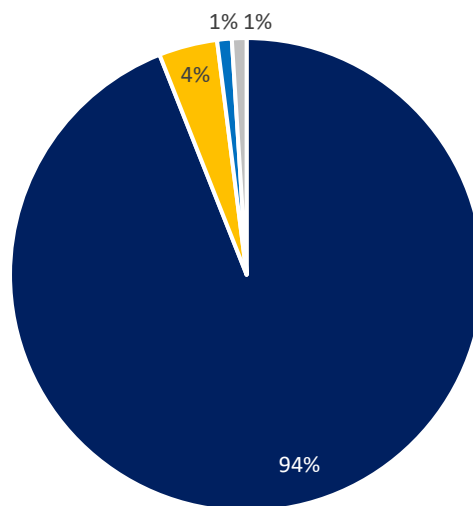
Exhibit 01. 1H21 Performance Realization on MNCS vs Consensus

IDR bn	1Q21	2Q21	% QoQ	1H20	1H21	% YoY	% MNCS	% Consensus
Revenue	1,195.71	981.21	-17.94%	1,565.83	2,176.92	39.03%	44.33%	49.48%
COGS	770.02	651.94	-15.33%	1,289.73	1,421.96	10.25%		
Gross Profit	425.69	329.27	-22.65%	276.10	754.96	173.43%		
Gross Margin	35.60%	33.56%		17.63%	34.68%			
Operating Profit	366.94	242.77	-33.84%	76.96	609.71	692.29%	49.88%	50.81%
Operating Margin	30.69%	24.74%		4.91%	28.01%			
Pre-Tax Profit	374.70	255.51	-31.81%	95.92	630.22	557.02%		
Net Profit	297.24	203.98	-31.37%	91.99	501.22	444.87%	47.66%	50.12%
Net Margin	24.86%	20.79%		5.87%	23.02%			

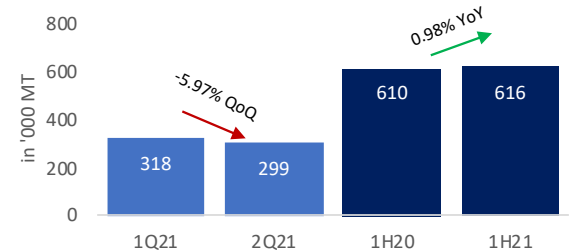
Sources : Company, MNCS

Exhibit 02. LSIP Revenue Breakdown and Production Trend

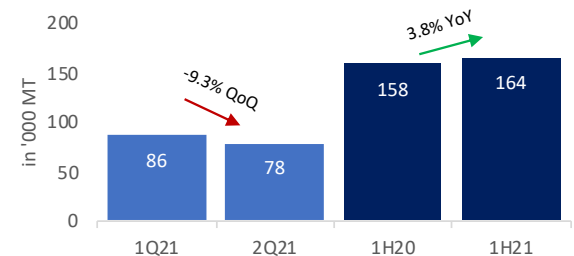
■ Palm Products ■ Rubber ■ Seeds ■ Others



FFB Production



CPO Production



Sources : Company, MNCS

Exhibit 03. LSIP is currently traded at -1STD with 0.80x PBV



Sources : Bloomberg, MNCS

Exhibit 04. Financial Projections

Billion IDR	Income Statement				
	FY18	FY19	FY20	FY21E	FY22F
Revenue	4,019.80	3,699.40	3,536.72	4,910.91	5,000.82
Cost Of Revenue	(3,336.81)	(3,137.91)	(2,460.93)	(3,281.67)	(3,189.60)
Gross Profit	682.99	561.49	1,075.80	1,629.24	1,811.22
Operating Expenses	(343.30)	(261.01)	(259.68)	(406.97)	(411.96)
Operating Profit	339.69	300.48	816.12	1,222.27	1,399.25
EBITDA	(866.51)	310.60	804.21	1,226.84	1,400.18
Finance Cost	(0.43)	(0.60)	(0.59)	(0.59)	(0.59)
Finance Income	71.10	66.52	50.89	84.38	95.03
Profit Before Income Tax	417.01	352.67	860.44	1,300.08	1,487.71
Income Tax Expenses	(87.63)	(100.11)	(164.95)	(249.23)	(285.20)
Profit of the Year	329.38	252.56	695.49	1,050.85	1,202.51
Minority Interest	1.94	1.27	0.52	0.79	0.90
Net Profit	331.32	253.90	696.01	1,051.63	1,203.41
EPS	48.56	37.21	102.01	154.13	176.38

Billion IDR	Cash Flow				
	FY18	FY19	FY20	FY21E	FY22F
Net Income	331.32	253.90	696.01	1,051.63	1,203.41
Depreciation	(1,206.20)	10.12	(11.91)	4.57	0.93
Change in Working Capital	(63.19)	(150.21)	59.93	(175.48)	(96.48)
Change in others	1,601.31	366.47	593.60	(2.53)	(23.73)
CFO	663.24	480.29	1,337.63	878.18	1,084.12
Capital Expenditure	(6,234.54)	1,925.96	3,323.58	(83.21)	(34.31)
Others	5,890.37	(2,787.44)	(3,725.06)	(636.55)	(41.64)
CFI	(344.17)	(861.49)	(401.48)	(719.75)	(75.95)
Net Change in Debt	-	-	-	-	-
Equity Fund Raised	-	-	-	-	-
Dividend Paid	(306.90)	(129.58)	(102.30)	(280.43)	(423.71)
Others	(11.41)	(5.59)	(217.05)	338.03	(38.89)
CFF	(318.31)	(135.17)	(112.89)	57.60	(462.60)
Net Cash Increase	0.76	(516.37)	823.26	216.03	545.57
Closing Balance	1,632.96	1,131.58	1,958.87	2,213.90	2,776.97

Billion IDR	Balance Sheet				
	FY18	FY19	FY20	FY21E	FY22F
Cash and cash equivalents	1,633.46	1,131.58	1,958.87	2,213.90	2,776.97
Trade Receivables	68.90	367.18	214.24	173.47	273.30
Inventory	488.71	341.85	364.23	647.21	637.76
Other Current Assets	252.96	351.89	382.93	531.72	541.46
Total Current Assets	2,444.03	2,192.49	2,920.28	3,566.31	4,229.49
Fixed Assets - net	6,234.54	6,311.11	6,313.30	6,317.75	6,345.42
Other Non-Current Assets	1,306.90	1,660.41	1,638.26	2,274.80	2,316.45
Total Non-Current Assets	7,593.27	8,032.83	8,002.51	8,643.51	8,712.82
TOTAL ASSETS	10,037.29	10,225.32	10,922.79	12,209.81	12,942.32
Trade Payables	355.58	327.59	367.64	504.12	492.61
Short-term Debt	-	-	-	-	-
Other current liabilities	169.24	139.21	229.37	305.87	297.28
Total Current Liabilities	524.81	466.81	597.01	809.99	789.89
Long-term Debt	-	-	-	-	-
Other Long-term liabilities	1,180.36	1,260.02	1,039.45	1,386.12	1,347.23
Total Long-term Liabilities	1,180.36	1,260.02	1,039.45	1,386.12	1,347.23
Total Equity	8,328.23	8,495.88	9,284.23	10,011.60	10,803.10
TOTAL LIABILITY AND EQUITY	10,037.29	10,225.32	10,922.79	12,209.81	12,942.32

Billion IDR	Ratios				
	FY18	FY19	FY20	FY21E	FY22F
Growth Year on Year					
Revenue Growth	-15.16%	-7.97%	-4.40%	38.85%	1.83%
Gross Profit Growth	-47.23%	-17.79%	91.60%	51.45%	11.17%
Operating Profit Growth	-62.43%	-11.54%	171.60%	49.77%	14.48%
Net Income Growth	-54.82%	-23.37%	174.13%	51.09%	14.43%
Profitability					
GPM	16.99%	15.18%	30.42%	33.18%	36.22%
OPM	8.45%	8.12%	23.08%	24.89%	27.98%
EBITDA Margin	-21.56%	8.40%	22.74%	24.98%	28.00%
NPM	8.24%	6.86%	19.68%	21.41%	24.06%
ROA	3.30%	2.48%	6.37%	8.61%	9.30%
ROE	3.98%	2.99%	7.50%	10.50%	11.14%
DER (x)	0.20	0.20	0.18	0.22	0.20
Current Ratio (x)	4.66	4.70	4.89	4.40	5.35
Quick Ratio (x)	3.24	3.21	3.64	2.95	3.86

Sources : Company, MNCS

MNC Research Industry Ratings Guidance

OVERWEIGHT: Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

NEUTRAL: Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

UNDERWEIGHT: Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

BUY : Share price may exceed 10% over the next 12 months

HOLD : Share price may fall within the range of +/- 10% of the next 12 months

SELL : Share price may fall by more than 10% over the next 12 months

Not Rated : Stock is not within regular research coverage

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