

Higher CPO price paired with lower cash cost lifted the earnings.

LSIP posted FY20 revenue/net profit of IDR 3.5tn/696bn (-4.4% YoY/+174.1% YoY), achieving 96%/147% of our FY20 estimate. In 4Q20, LSIP recorded revenue of IDR 1.2tn (+76.9% QoQ/+13.1% YoY), driven by higher CPO ASP (+13.1% QoQ/+26.9% YoY) and CPO sales volume (+57.6% QoQ/-10.9% YoY). GPM rose to 46.8% (vs. 29.6%/24.0% in 3Q20/4Q19), supported by lower cash cost (-18.0% QoQ/-11.0% YoY) coupled with higher ASP (+5.0% QoQ/+24.0% YoY). Opex to sales was at 5.6% (-300bps QoQ/-130bps YoY), bringing operating profit to IDR 518bn (+10.1% QoQ/+17.3% YoY) with OPM of 41.2%. Hence, LSIP booked net profit of IDR 419bn (+126.4% QoQ/+108.1% YoY) with NPM of 33.3%.

Better FFB/CPO production guidance.

In FY20, LSIP recorded FFB/CPO production of 1.5/0.3mn tons (-14.7% YoY/-16.9% YoY), driven by prolonged dry weather in 3Q20 and the impact from 2019 El Nino event. On QoQ basis, FFB nucleus/external production showed a significant recovery of 30.9% QoQ/340.5% QoQ because of low base in 3Q20 paired with seasonality. For FY21E, LSIP guided a 0-5% growth of FFB nucleus. Despite a more mature age profile at 16.9 average paired with La Nina in 1Q21, we think it is an achievable target due to a low base in FY20.

Proxy on higher CPO price.

We reiterate our bullish stance on CPO outlook, supported by 1) CPO demand acceleration from B30 Mandate and leisure & hospitality industry recovery in FY21E, and 2) supply shortage that will continue to persist until 1H21 due to limitation of CPO production in Malaysia, and unusually heavy rains in SEA. Hence, we believe CPO price will sustain at > MYR 3,400/ton in FY21E. However, given a new levy scheme, we maintain our domestic CPO price forecast at MYR 3,050/ton in FY21E, translating to LSIP's CPO ASP at IDR 9,253/kg. With a higher CPO price, we revise up our FFB purchase assumption, resulting a higher cash cost of IDR 6,377/kg (+3.7%). However, LSIP was done a lot of efficiency on their G&A expenses (mostly came from employee benefit) in FY20, hence, we tone down our G&A expenses to sales at 6.7% (-180bps) in FY21E. Thus, it will translate to 0.5% incline to our EPS forecast in FY21E.

We maintain our BUY call on LSIP with a higher FY21F TP of IDR 1,600,

derived from USD 6,100 EV/Ha (+0.5SD from its-5y avg.). We believe that LSIP will be the best proxy to capture the high CPO price as LSIP is >80% pure upstream play. As of now, LSIP is trading at USD 5,000 EV/Ha, its 5yr-avg. Downside risks for our call are lower than expected CPO price and prolonged economic recovery.

Highlights (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	3,699	3,537	4,007	3,914	3,981
% growth	-8.0%	-4.4%	13.3%	-2.3%	1.7%
Gross Profit	562	1,076	1,099	1,021	1,108
Net Profit	254	696	668	600	661
% growth	-23.4%	174.1%	-4.0%	-10.2%	10.1%
Gross Margin (%)	15.2%	30.4%	27.4%	26.1%	27.8%
Net Margin (%)	6.9%	19.7%	16.7%	15.3%	16.6%
Return on Equity (%)	3.0%	7.8%	7.1%	6.2%	6.7%
Return on Assets (%)	2.5%	6.6%	6.0%	5.3%	5.7%
EPS (IDR)	37	102	98	88	97

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Sector	Plantation
Bloomberg Ticker	LSIP IJ
Market Cap. (IDR tn)	9.1
Share Out./Float (mn)	6,822/2,761
Current Price	1,335
FY21E Target Price	1,600
Upside	19.8%

Share Price Performance

52W High (21/01/21)	1,480
52W Low (20/03/20)	498
52W Beta	1.7x
YTD Change	-2.9%

Relative Valuations

EV/Ha	5,000
Trailing P/E	15.7x
Forward P/E	16.0x
P/BV	1.1x

LSIP 4Q20 Earnings Summary

(IDR Bn)	4Q19	3Q20	4Q20	QoQ	YoY	FY19	FY20	YoY	DH%	Cons%
Revenue	1,113	712	1,259	76.9%	13.1%	3,699	3,537	-4.4%	96%	99%
Gross Profit	268	211	589	179.2%	120.0%	562	1,076	91.6%		
Operating Profit	265	221	518	134.6%	95.5%	301	816	171.5%		
Net Profit	201	185	419	126.4%	108.1%	254	696	174.1%	147%	174%
Gross Margin	24.0%	29.6%	46.8%			15.2%	30.4%			
Operating Margin	23.8%	31.0%	41.2%			8.1%	23.1%			
Net Margin	18.1%	26.0%	33.3%			6.9%	19.7%			
		22.7%	17.1%							
Operational										
FFB Production (kt)	482	316	472	49.6%	-2.1%	1,737	1,481	-14.7%	101%	
CPO Production (kt)	112	69	104	49.4%	-7.4%	398	331	-16.9%	100%	
Cash cost* (IDR/kg)	5,321	5,776	4,738	-18.0%	-11.0%	5,693	5,719	0.4%	98%	
Sales Volume										
Blended* (kt)	159	87	141	63.1%	-11.0%	551	430	-21.9%	95%	
CPO (kt)	116	65	103	57.6%	-10.9%	418	325	-22.2%	93%	
PK and PK related products (ton)	173	94	179	90.0%	3.8%	549	477	-13.1%	96%	
ASP										
Blended (IDR/kg)	7,242	8,550	8,981	5.0%	24.0%	7,091	8,408	18.6%	108%	
CPO (IDR/kg)	7,482	8,399	9,495	13.1%	26.9%	6,810	8,563	25.7%	104%	
PK and PK related products (IDR/kg)	4,196	4,913	4,976	1.3%	18.6%	4,393	4,889	11.3%	118%	

Source: Sinarmas Investment Research. *Exclude OP Seeds

Earnings Changes

(IDR Bn)	Old		New		Changes	
	FY21	FY22	FY21	FY22	FY21	FY22
Revenue	3,988	3,917	4,007	3,914	0.5%	-0.1%
Gross Profit	1,131	1,079	1,099	1,021	-2.8%	-5.4%
Operating Profit	760	693	771	689	1.4%	-0.5%
Net Profit	665	624	668	600	0.5%	-3.8%
EPS (IDR)	98	92	98	88	0.5%	-3.8%
Gross Margin	28.4%	27.5%	27.4%	26.1%		
Operating Margin	19.1%	17.7%	19.2%	17.6%		
Net Margin	16.7%	15.9%	16.7%	15.3%		

Source: Sinarmas Investment Research

Key Assumption Changes

	Old		New		Changes	
	FY21	FY22	FY21	FY22	FY21	FY22
FFB Prod. (Ths Tons)	1,490	1,510	1,523	1,532	2.2%	1.4%
FFB Yield (Ha/Ton)	15.6	15.5	15.9	15.9	1.7%	2.8%
CPO Prod. (Ths Tons)	340	344	347	349	2.1%	1.5%
CPO ER	22.8%	22.8%	22.8%	22.8%	0.0%	0.0%
CPO Sales (Ths Tons)	356	361	347	349	-2.5%	-3.3%
CPO ASP (IDR/Kg)	9,253	8,954	9,253	8,954	0.0%	0.0%
Cash Cost (IDR/Kg)	6,151	6,032	6,388	6,320	3.9%	4.8%

Source: Sinarmas Investment Research

Income Statement (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	3,699	3,537	4,007	3,914	3,981
Cost of Good Sold	(3,138)	(2,461)	(2,908)	(2,893)	(2,873)
Gross Profit	562	1,076	1,099	1,021	1,108
Operating Expenses	(361)	(266)	(335)	(338)	(345)
Other Income (Expenses)	100	6	7	7	7
EBIT	301	816	771	689	770
EBITDA	566	1,063	1,051	777	857
Net Financing Income (Expenses)	52	44	64	61	57
EBT	353	860	835	750	826
Tax Expenses	(100)	(165)	(167)	(150)	(165)
Net Income	254	696	668	600	661
EPS (IDR)	37	102	98	88	97

Balance Sheet (IDR Bn)	2019	2020	2021E	2022F	2023F
Cash & Equivalents	1,132	1,959	2,077	1,932	1,809
Trade Receivables	469	339	210	184	228
Inventories	342	364	380	342	329
Other Current Assets	250	258	160	182	173
Total Current Assets	2,192	2,920	2,827	2,639	2,539
Fixed Assets	6,311	6,313	6,733	7,115	7,482
Other Non Current Assets	1,722	1,689	1,627	1,618	1,619
Total Assets	10,225	10,923	11,187	11,371	11,640
Trade Payables	319	259	220	217	213
Other Current Liabilities	147	338	243	251	243
Total Current Liabilities	467	597	462	468	456
Debt	-	-	-	-	-
Other Non Current Liabilities	1,260	1,039	1,181	1,156	1,130
Total Liabilities	1,727	1,636	1,644	1,624	1,587
Share & APIC	1,713	1,713	1,713	1,713	1,713
Retained Earnings	6,775	7,560	7,816	8,020	8,326
Others	11	14	15	15	15
Total Equity	8,499	9,286	9,543	9,747	10,053
Total Liabilities & Equity	10,225	10,923	11,187	11,371	11,640

Source: Company data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2019	2020	2021E	2022F	2023F
Net Income	254	696	668	600	661
Dep. & Amortization	383	372	401	418	432
Chg. In NWC	(338)	230	77	49	(35)
CF from Operating	299	1,298	1,146	1,067	1,058
Capital Expenditure	(461)	(375)	(820)	(800)	(800)
Chg. in LT Assets	(363)	33	62	9	(1)
Others	80	(221)	142	(26)	(25)
CF from Investing	(744)	(563)	(616)	(817)	(826)
Chg. in Share & APIC	-	-	-	-	-
Chg. in Debt	-	-	-	-	-
Dividends Paid	(130)	(102)	(418)	(401)	(360)
Others	43	195	5	5	5
CF from Financing	(86)	92	(413)	(396)	(355)
Chg. in Cash	(532)	827	118	(145)	(123)
Beginning Cash	1,663	1,132	1,959	2,077	1,932
Ending Cash	1,132	1,959	2,077	1,932	1,809

Financial Ratio	2019	2020	2021E	2022F	2023F
Profitability					
Gross Margin	15.2%	30.4%	27.4%	26.1%	27.8%
Operating Margin	8.1%	23.1%	19.2%	17.6%	19.3%
EBITDA Margin	15.3%	30.0%	26.2%	19.8%	21.5%
Net Margin	6.9%	19.7%	16.7%	15.3%	16.6%
Liquidity					
Current Ratio (x)	4.7	4.9	6.1	5.6	5.6
Solvency					
Debt to Equity (x)	0.0	0.0	0.0	0.0	0.0
Debt to Assets (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
Price to Earnings (x)	43.0	15.7	16.3	18.2	16.5
Price to Book (x)	1.28	1.18	1.14	1.12	1.09

Key assumptions	2019	2020	2021E	2022F	2023F
FFB Prod. (Ths Tons)	1,752	1,481	1,523	1,532	1,543
FFB Yield (Ha/Ton)	17.1	15.1	15.9	15.9	16.0
CPO Prod. (Ths Tons)	398	331	347	349	352
CPO ER	23.0%	22.6%	22.8%	22.8%	22.8%
CPO Sales (Ths Tons)	418	325	347	349	352
CPO ASP (IDR/Kg)	6,810	8,563	9,253	8,954	9,053
Cash Cost (IDR/Kg)	5,693	5,719	6,388	6,320	6,199

Source: Company data, Sinarmas Investment Research

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