

TRIM Result Commentary

LSIP: Strong 1H11 Results

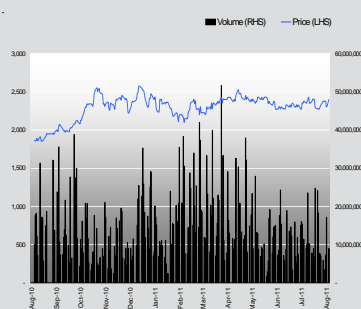
Maintained

BUY

Share Price : Rp2,400
Sector : CPO
Price Target : Rp2,875 (15.6%)

Stock Data

Reuters Code : LSIP.JK
Bloomberg Code : LSIP.IJ
Issued Shares (mn) : 6,822.8
Mkt Cap (Rpbn) : 16,519
Average Daily T/O : 15.3m
52-Wk range : Rp1,460/Rp2,600



Company Description:

PT PP London Sumatra Indonesia Tbk established in 1906 and has evolved over time to become a diversify national plantation company, which focus its business on palm oil, rubber, tea, cocoa. Acquired by Indofood Group through its subsidiary, Salim Ivomas Pratama in Oct'07.

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Above Our Expectation, Maintain BUY. Despite of the lower ASP, LSIP managed to maintain its excellent 1Q11 performances due to its higher CPO production in 2Q11 (+26.6% QoQ). LSIP booked Rp2.3tr of revenue, increased 52.1% YoY, in line with our FY11 estimate of Rp4.5tr. Along with the absence of forex loss, company's net margin improved for both QoQ and YoY basis. As such, 1H11 net profit stood at Rp886.3tr, jumped 112.1% YoY and making up 61.3% of our FY11 estimate. We maintain our earnings forecast as well as our BUY recommendation on the counter.

FFB Production Continued to Recover. FFB harvested from nucleus reached 590.0k tons, up 15.3% YoY, represented 44.9% of our 2011 estimate. FFB purchased from plasma and third parties jumped 58.8% YoY to reach 270.8k tons while OER slightly decreased to 23.2% from 23.4% in 1H10. As a result, CPO production reached 199.4k tons, up 25.2% YoY and 26.6% QoQ, making up 49.4% of our 2011 estimate. On overall, LSIP performance was relatively in line with our estimation considering its seasonality. Similar with other planters, we believe that CPO production to keep getting stronger in 2H11, except in Aug'11 due to Ramadhan and Lebaran.

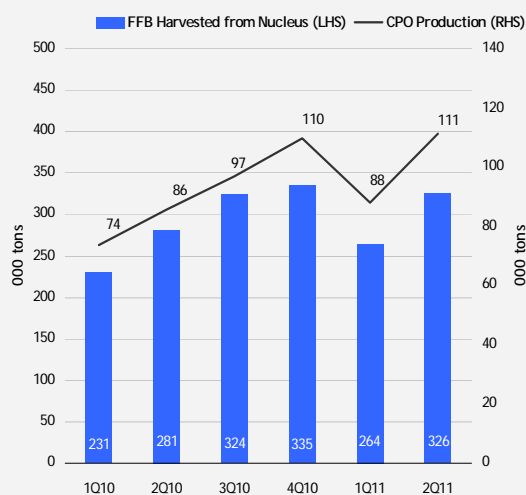
Rubber Weakened but Seed Sales Improved. Finished good rubber production decreased 25.3% YoY to 7,932 tons due to less crop purchased from plasma and third parties. On the other hand, germinated seed sales remain strong with 11.8mn seeds sold in 1H11, increased 60.7% YoY and already account for 64.8% of 2010 sales number.

Re-Measurement on Planted Area. The company's total planted area was declined from 101,705ha in Dec'10 to become 99,386ha in Jun'11. The decreasing planted area was mainly caused by the implementation of a new block management system in order to increase control effectiveness. Therefore, management has re-measured the net planted area per block and such measurement will not impact company's FFB production.

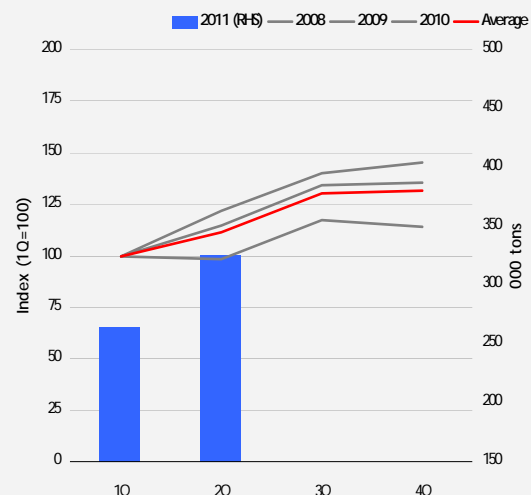
LSIP (1H11 Result)						
QoQ (Rpbn)	2Q11	1Q11	QoQg (%)	Qtr Margin (%)	2Q11	1Q11
Revenue	1,207	1,176	2.7			
GP	641	625	2.7	GPM	53.1	53.1
OP	529	528	0.1	OPM	43.8	44.9
NP	492	394	25.0	NPM	40.8	33.5
YTD YoY	1H11	1H10	YoYg (%)	YTD Margin (%)	1H11	1H10
Revenue	2,383	1,566	52.1			
GP	1,266	750	68.7	GPM	53.1	47.9
OP	1,057	571	85.2	OPM	44.4	36.4
NP	886	418	112.1	NPM	37.2	26.7
TRIM Est			Realization (%)	Margin (%)		
Revenue	4,471		53.3			
OP	1,739		60.8	OPM	38.9	
NP	1,446		61.3	NPM	32.3	
Bloomberg Est			Realization (%)	Margin (%)		
Revenue	4,479		53.2			
OP	1,811		58.4	OPM	40.4	
NP	1,448		61.2	NPM	32.3	

Source: Company, Bloomberg

Quarterly FFB and CPO Production

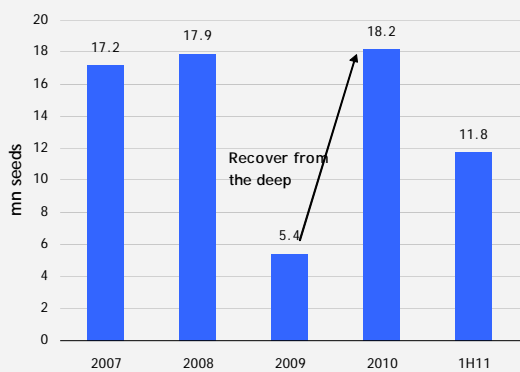


FFB Production Tends to Be Higher in 2H11

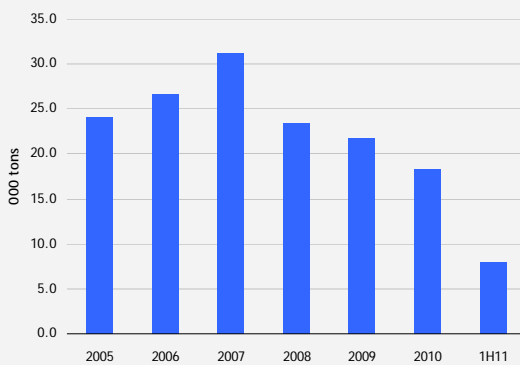


Source: Company, TRIM Research

Rubber Production

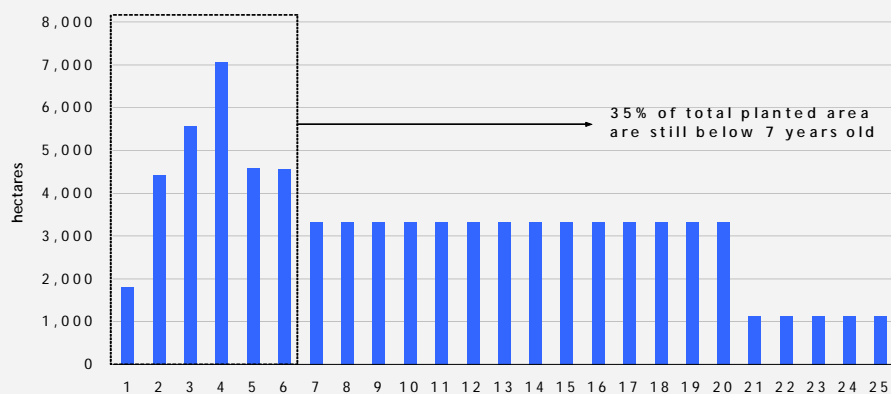


Germinated Seeds Sales



Source: Company, TRIM Research

Average Palm Tree Age at 11 Years Old



Source: Company, TRIM Research

Income Statement (Rpbn)

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Revenue	3,200	3,593	4,471	4,596	4,560
% growth	(16.8)	12.3	24.5	2.8	(0.8)
Gross Profit	1,390	1,771	2,240	2,194	2,133
Opr Profit	1,019	1,400	1,739	1,659	1,590
EBITDA	1,177	1,603	1,990	1,944	1,874
% growth	(18.6)	36.3	24.1	(2.3)	(3.6)
Net int inc/(exp)	(34)	(1)	55	73	95
Gain/(loss) forex	15	(17)	-	-	-
Other inc/(exp)	8	1	-	-	-
Pre-tax Profit	1,008	1,382	1,794	1,732	1,684
Tax	(301)	(348)	(348)	(332)	(318)
Minority Int.	-	-	-	-	-
Extra. Items	-	-	-	-	-
Net Profit	707	1,033	1,446	1,401	1,366
% growth	(23.5)	46.1	39.9	(3.2)	(2.4)

Balance Sheet (Rpbn)

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Cash and Deposits	682	1,161	1,578	2,097	2,643
Other Current Assets	282	327	385	407	408
Net Fixed Assets	1,603	1,729	1,987	2,232	2,395
Other Assets	2,284	2,345	2,531	2,598	2,687
Total Assets	4,852	5,561	6,481	7,333	8,133
ST Debt	204	-	-	-	-
Other Current Liabilities	482	622	556	582	580
LT Debt	31	-	-	-	-
Other LT Liabs	322	386	340	344	339
Minority Interest	-	-	-	-	-
Total Liabilities	1,039	1,007	895	926	919
Shareholder's Equity	3,813	4,554	5,586	6,408	7,214
Net Debt/(cash)	(447)	(1,161)	(1,578)	(2,097)	(2,643)
Net Working Capital	278	866	1,407	1,922	2,471

Interim Results (Rpbn)

	2Q10	3Q10	4Q10	1Q11	2Q11
Sales	886	837	1,190	1,176	1,207
Gross Profit	426	405	616	625	641
Operating Profit	337	310	519	528	529
Net Profit	250	224	391	396	492
Gross Margins (%)	48.0	48.4	51.8	53.1	53.1
Opr Margins (%)	38.1	37.0	43.6	44.9	43.8
Net Margins (%)	28.2	26.8	32.9	33.7	40.8

Cash Flow (Rpbn)

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Net Profit	707	1,033	1,446	1,401	1,366
Depr/Amort	158	204	251	285	284
Chg in Working Capital	118	173	(285)	19	9
Others	12	(12)	14	(3)	(3)
CF's from oprs	995	1,398	1,426	1,701	1,657
Capex	(544)	(392)	(594)	(604)	(551)
Others	-	-	-	-	-
CF's from investing	(544)	(392)	(594)	(604)	(551)
Net change in debt	(713)	(235)	-	-	-
Others	(91)	(293)	(415)	(578)	(560)
CF's from financing	(804)	(528)	(415)	(578)	(560)
Net cash flow	(352)	478	418	518	546
Cash at BoY	1,034	682	1,161	1,578	2,097
Cash at EoY	682	1,161	1,578	2,097	2,643
Free Cashflow	452	1,006	832	1,097	1,107

Key Ratio Analysis

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Profitability					
Gross Margins (%)	43.5	49.3	50.1	47.7	46.8
Op Margins (%)	31.8	39.0	38.9	36.1	34.9
EBITDA Margins (%)	36.8	44.6	44.5	42.3	41.1
Net Margins (%)	22.1	28.8	32.3	30.5	30.0
ROE (%)	20.2	24.7	28.5	23.4	20.1
ROA (%)	14.5	19.8	24.0	20.3	17.7
Stability					
Current ratio (x)	1.4	2.4	3.5	4.3	5.3
Net Debt/Equity (x)	(0.1)	(0.3)	(0.3)	(0.3)	(0.4)
Int Coverage (x)	19.2	53.2	-	-	-
Efficiency					
A/P days	11.9	11.9	11.9	11.9	11.9
A/R days	7.3	8.3	8.3	8.3	8.3
Inventory days	38.2	38.2	38.2	38.2	38.2

Key Assumptions

Year end 31 Dec	2010	2011E	2012F	2013F
Total Planted Area (000 ha)	101.7	105.4	109.1	113.2
Total Matured Area (000 ha)	84.9	90.3	94.3	96.1
Total Immatured Area (000 ha)	16.8	15.1	14.7	17.1
FFB Production (000 tons)	1,170.4	1,314.2	1,422.1	1,458.9
FFB Yield (ton/ha)	18	18	19	19
OER (%)	23.1	23.4	23.0	23.4
CPO Production (000 tons)	365.7	403.5	430.1	449.5

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