

Impack Pratama Industri

Target Price: IDR4,500 | BUY

Ceaselessly Striving for Innovation

Andre Benas

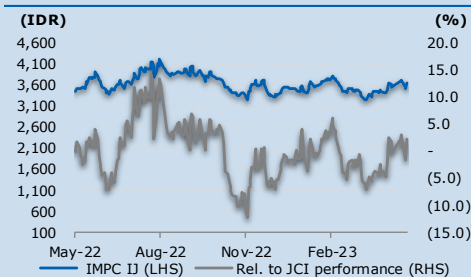
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Current Price: IDR3,860

Upside/Downside: 17%

12M PRICE PERFORMANCE



Source: Bloomberg

STOCK PERFORMANCE

	YTD	1M	3M	12M
Absolute	9.7%	13.5%	4.0%	11.9%
JCI Return	-2.1%	-1.3%	-2.5%	1.6%
Relative	11.7%	14.9%	6.6%	10.2%

Source: Bloomberg

MARKET DATA

12M price range (IDR)	:	3,160 - 4,230
12M PE range (x)	:	47.9 - 88.7
Outstanding shares (mn)	:	4,934
Market cap (IDRbn)/(USDmn)	:	19,043 / 1,291
Avg daily turn. (IDRbn/USDmn)	:	26.3 / 1.8

Source: Bloomberg

SHAREHOLDERS

PT Tunggal Jaya Investama	:	43.9%
PT Harimas Tunggal Perkasa	:	43.9%
Public (less than 5%)	:	12.2%

Source: Bloomberg

Revenue Continues to Grow, Despite High Base. We continue our coverage of IMPC, with TP of IDR4,500 (17% upside from current price). IMPC continues to flourish in 1Q23, even stronger than excellent FY22 performance. 1Q23 net profit rose by more than 47%, reaching IDR120 billion, representing 30% of our estimation. We expect IMPC revenue to top IDR3.3 tn in FY23, with annual net profit of IDR377 bn. Gross profit in 1Q23 expanded to 40.7%, up from 34.1% last year, while our expectation for FY23 is around 37%. Margin expansion was enabled by lower PVC price in early 2023, while the top line dipped slightly below profitability, due to “hangover” bite from last year’s inventory. Management expects sales will rebound after Lebaran, as they observe working days to revert to normal.

PVC Price is relative stable with potential margin expansion. PVC resin, as biggest IMPC raw material, lingers in a bearish mode, currently trading around USD883 per ton (past three months). This price is notably lower compared to average of USD1300-ish last year; Management expects this current price will stick around this level at least through 1H23. Therefore, we anticipate an expanded margin as IMPC will carry around 2-3months of Resin inventory before they need to start repurchasing fresh stock. With IMPC sales volume slightly muted during 1Q23, we do not foresee any sudden impetus to repurchase PVC resin, which might impair the margin during 2Q23. Looking back to 2014, IMPC gross margin was at a 37% level, a time when PVC price was also around this level. However, the volume and new products that IMPC offered during those years were totally different compared to what IMPC has on display right now.

Roofing will continue to dominate IMPC sales, while new product launches will continue

In FY22, roofing products continued to dominate IMPC revenue, contributing around 77% of IMPC revenue, up 2% from the FY21 figure of 75%. Domestic sales became the major contributor to IMPC revenue, as domestic revenue grew from IDR1.5 tn to IDR2.0 tn in FY22. Management continued to focus on domestic operations, despite export revenue expanding from IDR649 bn to IDR708 bn in FY22. It is expected that the roofing market will grow by CAGR of 7% between 2021 and 2026, and we think IMPC is poised at a sweet spot of the roofing market in Indonesia. Another area that we point to as a growth channel for IMPC is the ceiling market. In FY23, they will focus on promoting Adaron or UPVC ceilings, as a replacement for gypsum in Indonesia. In terms of pricing, the Adaron should be at a lower pricing point compared to gypsum – and more customizable as well. Additionally, IMPC has secured a new plot of land in Kawasan Industri Terpadu Batang, where it expects to install 3 lines of Alredon, 2 Lines of Alderon roofing and 10 lines of UPVC ceiling. At this level, their capacity is only around 70% of total capacity, and with the new factory kicking in by 1Q24, we expect them to ramp up more sales, especially to eastern Indonesia and export markets.

Maintain BUY recommendation with TP of IDR4,500/sh. Our target price is derived from DCF-based TP of IDR4,500/sh, with an implied 2023/24F EV/EBITDA standing at 29.2x/23.7x. We perceive room for 17% upside, as it steady outperforms earnings growth.

Financial highlights	2020	2021	2022	2023F	2024F
Revenue (IDRbn)	1,798	2,227	2,809	3,351	4,055
Operating profit (IDRbn)	238	311	447	604	739
EBITDA (IDRbn)	302	382	524	688	848
Net profit (IDRbn)	125	192	307	377	498
EV/EBITDA (x)	57.3	45.9	33.4	29.2	23.7
EPS (IDR)	26	40	64	76	101
EPSG (%)	21	54	60	20	32
P/E (x)	154.2	100.4	62.7	52.2	39.5
BVPS	266	306	415	449	505
P/BV (x)	15.0	13.1	9.6	8.9	7.9
Net gearing (X)	29.6	25.5	11.3	19.6	17.3

Financial summary

Income Statement	2020	2021	2022	2023F	2024F
Year-end 31 Dec (IDRbn)					
Revenue	1,798	2,227	2,809	3,351	4,055
Cost of revenue	1,146	1,428	1,830	2,110	2,505
Gross profit	651	800	979	1,241	1,550
EBIT	238	311	447	604	739
EBITDA	302	382	524	688	848
Net interest income (expense)	(60)	(46)	(45)	(41)	(18)
Forex gain (loss)	19	-	-	5	5
Other incomes/ (expenses)	(19)	(10)	12	(8)	(10)
Income before Tax	177	255	414	561	717
Tax Expenses	(62)	(66)	(102)	(168)	(215)
Net Income	125	192	307	377	498
Balance Sheets	2020	2021	2022	2023F	2024F
Year-end 31 Dec (IDRbn)					
Cash and cash equivalents	237	129	204	88	173
Trade receivables	359	372	477	493	579
Inventories	604	777	937	1,172	1,391
LT Investments & LT Receivables	13	8	8	4	11
Fixed assets	908	920	1,088	1,117	1,134
Total assets	2,688	2,858	3,435	3,693	4,204
Short term liabilities	208	87	48	107	151
Other short term liabilities	400	552	669	614	743
Long term liabilities	410	418	383	416	453
Other long term liabilities	163	112	111	109	106
Total liabilities	1,181	1,170	1,211	1,246	1,453
Minority Interests	219	212	217	230	259
Equity	1,288	1,477	2,008	2,215	2,489
Total liabilities & Equities	2,688	2,858	3,435	3,691	4,201
Cash Flow Statement	2020	2021	2022	2023F	2024F
Year-end 31 Dec (IDRbn)					
Net income	125	192	307	377	498
Depreciations and Amortization	64	71	76	84	109
Change in working capital	17	(75)	(196)	(225)	(204)
Cash flows from operating activities	206	188	188	236	403
Capex	(120)	(83)	(245)	(112)	(126)
Others	(43)	(37)	(37)	(49)	(77)
Cash flows from investing activities	(164)	(120)	(282)	(161)	(203)
Net change in debt	(37)	(113)	(75)	93	81
Others	13	(15)	331	(145)	(27)
Cash flows from financing activities	(23)	(177)	170	(191)	(115)
Net change in Cash	19	(109)	75	(116)	84
Key metrics and ratios	2020	2021	2022	2023F	2024F
Gross margin (%)	36.2	35.9	34.8	37.0	38.2
EBITDA margin (%)	16.8	17.1	18.7	20.5	20.9
EBIT margin (%)	13.2	14.0	15.9	18.0	18.2
Net margin (%)	7.0	8.6	10.9	11.3	12.3
ROE (%)	10.1	13.9	17.6	17.9	21.2
ROA (%)	4.8	6.9	9.8	10.6	12.6
Current ratio (x)	2.1	2.2	2.4	2.7	2.6
Net Gearing (x)	29.6	25.5	11.3	19.6	17.3

Exhibit 1. Adaron Plafon Variety



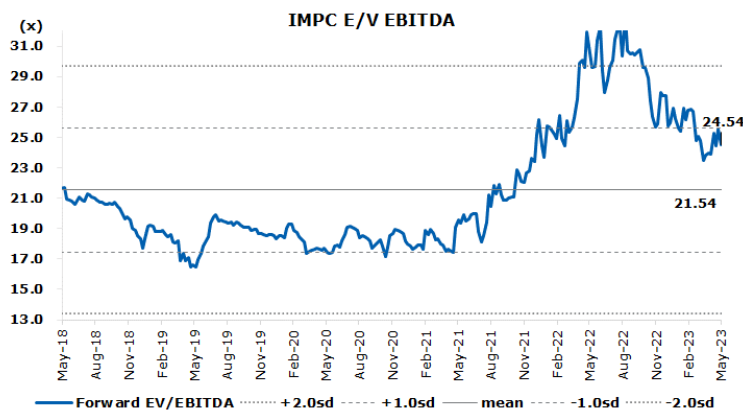
Sources: Company, Bloomberg, BCA Sekuritas

Exhibit 2. PVC resin price is in a consolidation trend



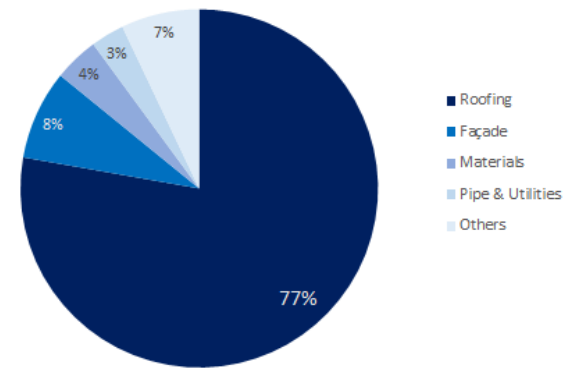
Sources: Company, Bloomberg, BCA Sekuritas

Exhibit 3. EV/EBITDA, currently trading at 21.54x



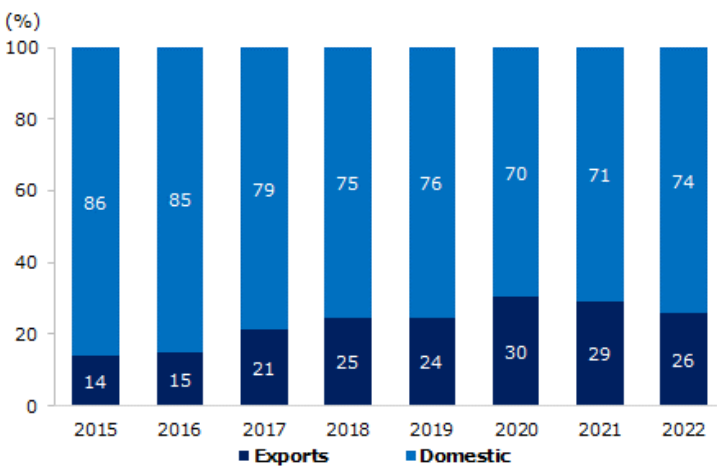
Sources: Company, BCA Sekuritas

Exhibit 4. FY22 Sales Product Mix – dominated with Roofing



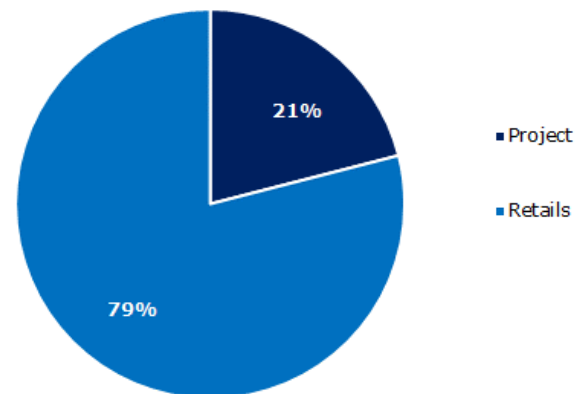
Sources: Company, BCA Sekuritas

Exhibit 5. Sales by Market



Sources: Company, BCA Sekuritas

Exhibit 6. Sales Customer by Type



Sources: Company, BCA Sekuritas

Exhibit 7. Peers Multiple

Ticker	Company Name	Mkt Cap	P/E (x)		EPS Growth (%)		EV/EBITDA (x)		EBITDA Margin (%)		EBITDA gwt (%)		P/B (x)		ROE (%)	
		(USDmn)	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Indonesia																
IMPC IJ	Impack Pratama Industri Tbk PT	1,337	46.5	38.3	20.0	32.0	25.7	21.4	20.5	20.9	31.3	23.3	8.9	7.9	17.9	21.2
AVIA IJ	Avia Avian Tbk PT	2,834	29.4	29.4	-	16.1	18.0	15.5	26.8	27.9	15.7	15.9	4.1	3.7	16.2	18.0
Weighted avg. country		1,337	34.9	32.3	6.4	21.2	20.5	17.4	24.8	25.6	20.7	18.3	5.6	5.1	16.7	19.1
India																
FNXP IN	Finolex Industries Ltd	1,539	10.9	10.9	-	(75.4)	33.9	14.2	6.7	15.2	(70.0)	138.4	2.9	2.7	7.0	13.7
SI IN	Supreme Industries Ltd	4,718	40.7	40.7	-	(9.4)	31.4	23.3	12.1	14.7	(8.4)	34.7	8.3	6.9	19.2	22.1
ASTRA IN	Astral Ltd	5,557	85.4	85.4	-	(8.7)	54.0	41.6	14.6	16.2	2.8	30.0	15.2	12.5	17.0	20.9
APOLP IN	Apollo Pipes Ltd	334	50.1	50.1	-	(41.6)	38.3	19.8	7.2	11.3	(29.0)	93.3	5.8	4.6	5.6	14.1
Weighted avg. country		12,148	57.6	57.6	-	(18.3)	42.3	30.4	12.4	15.3	(11.7)	47.3	10.7	8.9	16.3	20.3
China																
002271 CH	Beijing Oriental Yuhong Waterproof Technology Co Ltd	11,198	33.6	33.6	-	82.4	12.8	9.8	15.6	16.7	60.7	30.3	2.4	2.1	13.0	15.3
003012 CH	Guangdong Dongpeng Holdings Co Ltd	1,471	34.3	34.3	-	207.6	7.9	6.7	14.2	14.6	n.a.	18.8	1.2	1.1	8.6	10.5
Weighted avg. country		12,669	33.7	33.7	-	96.9	12.2	9.5	15.4	16.5	53.7	29.0	2.3	2.0	12.5	14.8
Vietnam																
BMP VN	Binh Minh Plastics JSC	294	8.0	8.0	-	(4.1)	4.7	4.9	18.0	16.4	(11.0)	(2.5)	2.4	2.4	24.7	24.0
Weighted avg. country		294	8.0	8.0	-	(4.1)	4.7	4.9	18.0	16.4	(11.0)	(2.5)	2.4	2.4	24.7	24.0
Weighted avg. Country (ex.Indonesia)		3,587	45.0	45.0	-	40.0	26.7	19.5	14.0	15.9	(12.4)	52.0	6.4	5.3	14.5	17.5

Sources: Company, Bloomberg, BCA Sekuritas

Exhibit 8. IMPC DCF Valuation

Assumption	
Market price	3,940
# of shares, bn	5
Market cap (bn)	19,438
Debt 2023F	435
Cash 2023F	88
Net debt/(cash) 2023F	346
Enterprise value	19,784
Proportion of Equity	98%
Proportion of Debt	1.8%
Cost of Equity	10.2%
Risk Free Rate	6.53%
Beta	0.7
Equity Risk Premium	5.38%
Aftertax Cost of Debt	5.6%
Cost of Debt	7.5%
1- Tax Rate	75.0%
WACC	10.17%
Terminal Growth	5.50%

	2022	2023F	2024F	2025F	2026F	2027F
Operating cash flow	188	236	403	673	1,053	1,560
Capex	(256)	(120)	(132)	(109)	(114)	(120)
FCFF	(69)	116	271	564	938	1,440
Terminal value						32,556
FCF + TV	(69)	116	271	564	938	33,997
Discount Factor	1.00	0.91	0.82	0.75	0.68	0.62
PV of FCF + TV	-	(69)	105	223	422	20,950
Enterprise value		22,337				
Net debt (cash)		346				
Shareholder value		21,991				
Minority interests %		0.016				
Shareholder value - controlling		21,638				
# shares		4.93				
TP 2023F (IDR)		4,500				

Sources: Company, BCA Sekuritas

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