

Impack Pratama Industri

Outstanding 1Q21 earnings, expect strong 2021's performance

May 28th 2021

Earnings in 1Q21 grew 61% yoy, driven by strong top line of IDR552 bn (+34% yoy). We raised 2021F/22F's earnings forecast by 5%/8% mainly on higher revenue from recent acquisition and contribution from new factory in East Java. We maintain BUY with higher TP of IDR2,100/share, based on +1SD of its 5-year historical mean of EV/EBITDA, justified by its strong EBITDA/earnings growth

Strong momentum resumed in 1Q21 IMPC booked record-high earnings in 1Q21 of IDR62 bn (+3.4% qoq; +61% yoy), beats our/consensus expectations by 12%. After record high revenue in 4Q20, the strong momentum continues in 1Q21 where revenue stood at IDR552 bn (-2.1% qoq; +34% yoy), which was the second highest revenue ever.

Net margin soften to 11.2% in 1Q21 (1Q20: 14.5%) solely due to lower other income of IDR7 bn (1Q20: IDR37 bn). However, excluding the other income (mostly forex gain of IDR52 bn), core profit would have grew by +145% yoy, while core net margin standing at 9.9% in 1Q21 (1Q20: 5.4%; 4Q20: 6.6%).

Dual benefit from rising export sales
IMPC's export sales continue to grow at IDR149 bn in 1Q21 (+25% yoy; +30% CAGR in 2017-2020), which now represents 26% of sales (vs. 2017: 21%).

The strong export contribution has helped its gross margin expanded to 37.7% in 1Q21 (1Q20: 36.6% and 4Q20: 36.9%), due to higher ASP from overseas subsidiaries has (See Fig. 4). Additionally, bigger export sales also

serve as natural hedge to IMPC's forex exposure coming from its material cost (30-40%) and debts (28%).

Raised 2021F/22F earnings by 5%/8%
We revised 2021F/22F earnings up by 5%/8 as we expect higher revenue of +9% for 2021F/22F from bigger export market and addition of new factory in East Java (Target operation: 2022) to capture Eastern Indonesia's market.

The new factory, located in Surabaya would increase Alderon production capacity by 30% (current utilization rate: 75-80%), which will also help reduce IMPC's logistic cost in the long-run.

Maintain BUY with TP of IDR2,100
We maintain our bullish stance on IMPC given outstanding 1Q21 result and stronger balance sheet (1Q21 net gearing of 33% vs. 37% in 2019). Along with the earnings upgrade, we also derived higher TP of IDR2,100, pegged at targeted 2021F EV/EBITDA of 23.6x, which is +1SD of its 5-years mean. We believe the rerating on its valuation is justified by its strong EBITDA/earnings growth projection of 18%/25% of CAGR in 2020-2023.

FINANCIAL HIGHLIGHTS

(IDR bn)	2019	2020	2021F	2022F	2023F
Revenue	1,496	1,798	2,057	2,395	2,736
EBITDA	275	303	394	454	528
Net income	104	125	174	215	268
EPS growth (%)	20.1	20.6	39.5	23.3	24.7
PER (x)	61.7	51.2	36.7	29.8	0.0
PBV (x)	4.5	4.4	4.0	3.7	0.0
EV/EBITDA (x)	25.2	22.7	17.5	15.0	0.0
Dividend yield (%)	1.2	0.1	0.8	1.1	1.3
Gearing (x)	0.5	0.5	0.4	0.3	0.2

BUY

Current Price	1,730
Price Target	2,100
Upside/Downside	+21.4%

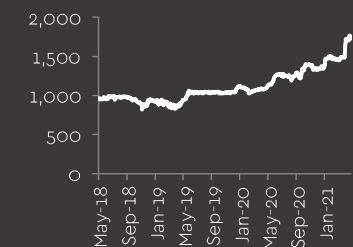
INDONESIA

BASIC INDUSTRY

Stock Data

Bloomberg Ticker	IMPC IJ
Outs. Share (bn)	4.8
Mkt Cap (Rp bn)	8,362
52 Week Range (Rp)	1080 - 1800
6M Avg Val (Rp bn)	2.6
YTD Returns (%)	30.6
Beta (x)	0.4

Share Price Performance (IDR/Share)



Share Performance (%)

Month	Absolute	Relative
3m	16.5	24.3
6m	24.5	23.1
12m	58.4	251

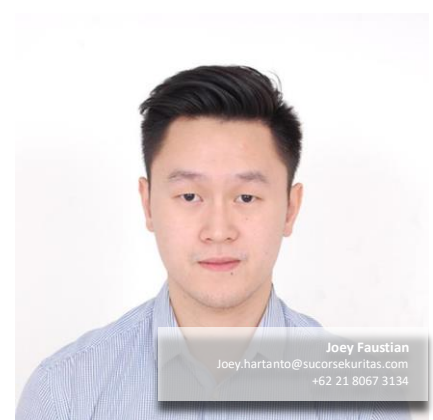


Fig 1: IMPC's 1Q21 financial result

(IDR bn)	1Q21	1Q20	yoy	1Q21	4Q20	qoq	% of Cons	% of Ours
Revenue	552	413	33.9%	552	564	-2.1%	27%	29%
COGS	(344)	(261)	31.6%	(344)	(356)	-3.2%		
Gross profit	208	151	37.9%	208	208	-0.1%	29%	32%
Opex	(117)	(96)	21.3%	(117)	(122)	-4.0%		
Operating profit	91	55	67.3%	91	87	5.5%	32%	33%
Other Income (Expense)	7	37	-81.7%	(51)	20	-352.7%		
Interest expense	(14)	(17)	-21.3%	(14)	(15)	-9.9%		
Income before tax	85	74	13.5%	85	76	11.2%		
Tax expense	(24)	(21)	14.1%	(24)	(20)	22.3%		
Minority interest	(2)	(7)	-75.2%	(2)	(1)	196.6%		
Net profit	62	60	3.4%	62	38	61.2%	37%	37%
Gross margin	37.7%	36.6%		37.7%	36.9%			
Operating margin	16.5%	13.2%		16.5%	15.4%			
Net margin	11.2%	14.5%		11.2%	6.8%			

Source: Company, Sucor Research

Fig 2: Forecast change

(IDR bn)	Old		New		% change	
	2021F	2022F	2021F	2022F	2021F	2022F
Revenue	1,894	2,205	2,057	2,395	8.6%	8.6%
Gross profit	656	759	763	866	16.3%	14.2%
Operating profit	280	321	300	346	7.1%	7.6%
Net income	166	199	174	215	5.3%	7.9%
Margins						
Gross margin	34.6%	34.4%	37.1%	36.2%		
Operating margin	14.8%	14.6%	14.6%	14.4%		
Net margin	8.7%	9.0%	8.5%	9.0%		

Source: Company, Sucor Research

Fig 3: Our vs. Consensus

(IDR bn)	Cons		Our		Difference	
	2021F	2022F	2021F	2022F	2021F	2022F
Revenue	2,012	2,282	2,057	2,395	2.2%	5.0%
Gross profit	724	853	763	866	5.4%	1.5%
Operating profit	284	299	300	346	5.7%	15.6%
Net income	167	201	174	215	4.5%	7.0%
Margins						
Gross margin	36.0%	37.4%	37.1%	36.2%		
Operating margin	14.1%	13.1%	14.6%	14.4%		
Net margin	8.3%	8.8%	8.5%	9.0%		

Source: Company, Sucor Research

Fig 4: Higher ASP from IMPC's overseas subsidiaries

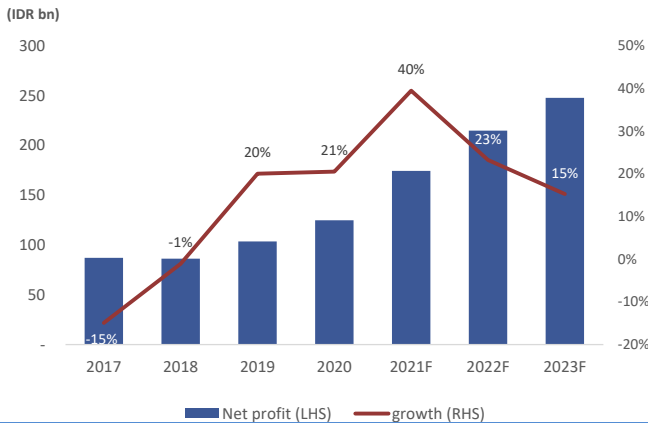
(IDR mn)	Price/ton		
	Domestic	Export	% Difference
Roofing			
PC	82	90	+9%
PVC	29	59	+102%
uPVC	21	45	+113%
FRP	27	86	+215%
Façade			
ACP	34	47	+38%
Impraboard	48	35	-28%
Material			
Sealant & Adhesive	24	57	+139%
PVC Compound	22	22	-1%

Source: Company, Sucor Research

Fig 5: IMPC trades slightly above its 5-years historical EV/EBITDA average

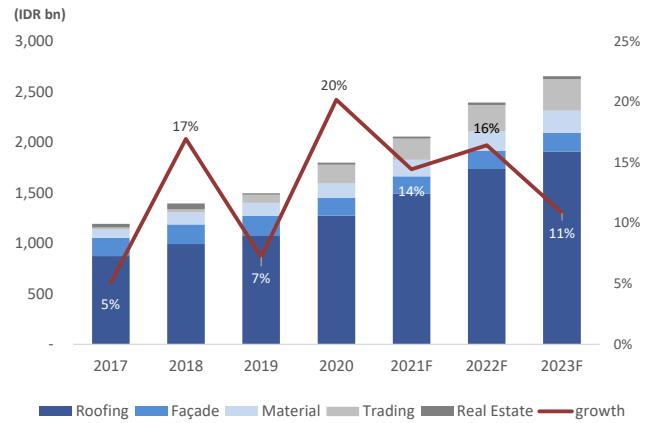


Fig 6: Earnings to grow by 25% CAGR in 2020-2023F



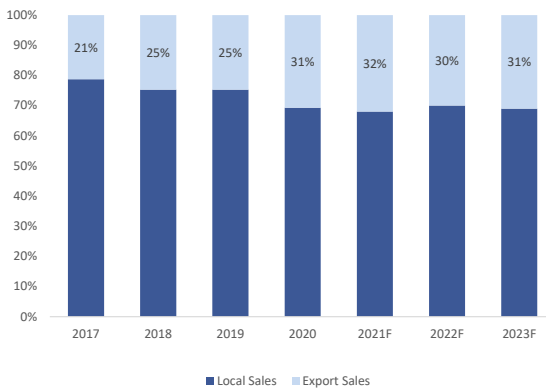
Source: Company, Sucor Research

Fig 7: Revenue to grow by 14% CAGR in 2020-2023F



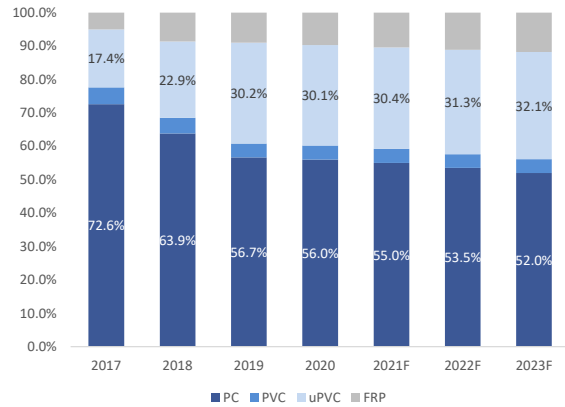
Source: Company, Sucor Research

Fig 8: Increasing export sales contribution 2017-2023F



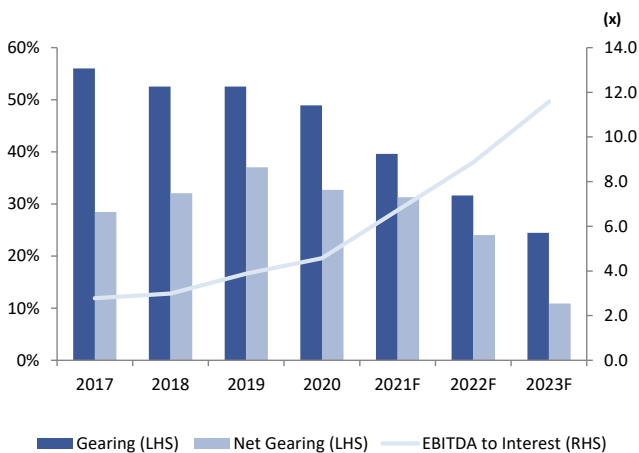
Source: Company, Sucor Research

Fig 9: Increasing contribution from uPVC (Alderon) 2017-2023F



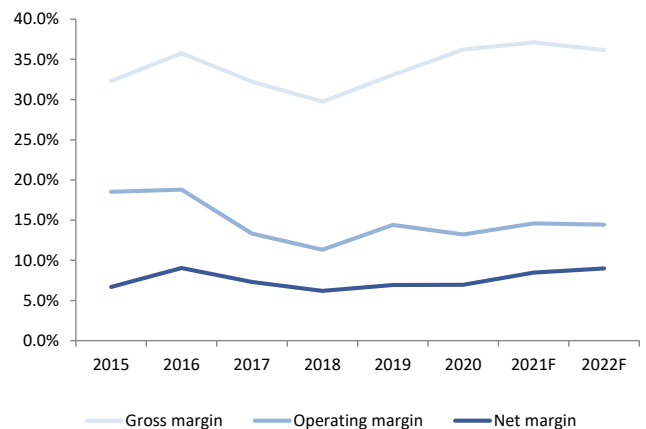
Source: Company, Sucor Research

Fig 10: Improving B/S and solvency ratio



Source: Company, Sucor Research

Fig 11: Margin expansion from increasing export sales and operating leverage



Source: Company, Sucor Research

APPENDIX

Fig 12: Income statement and balance sheet

Profit & Loss (IDR bn)	2019	2020	2021F	2022F	2023F	Balance Sheet (IDR bn)	2019	2020	2021F	2022F	2023F
Revenue	1,496	1,798	2,057	2,395	2,655	Cash and equivalents	218	237	133	133	259
Cost of revenue	(1,001)	(1,146)	(1,294)	(1,529)	(1,681)	Trade receivables	292	363	398	472	524
Gross profit	495	651	763	866	973	Inventories	573	604	624	661	620
Selling expenses	(125)	(212)	(230)	(255)	(298)	Net- Fixed assets	1,084	1,143	1,229	1,246	1,249
G&A expenses	(155)	(201)	(233)	(265)	(296)	Other assets	334	350	391	414	432
Operating profit	216	238	300	346	380	Total Assets	2,501	2,697	2,776	2,926	3,084
EBITDA	275	303	394	454	501	Trade payables	118	178	177	209	240
Other income	15	32	10	10	10	Short-term debt + CMLTD	276	307	226	246	283
Other Expense	(24)	(26)	(19)	(22)	(24)	Long-term debt	464	410	408	307	184
Finance expense	(71)	(66)	(59)	(51)	(43)	Other liabilities	235	337	364	415	468
Inc (Exp) from Associates	-	-	-	-	-	Total Liabilities	1,093	1,231	1,175	1,177	1,175
Pre-tax profit	135	177	233	283	322	Minority interest	230	219	211	205	192
Tax expense	(42)	(62)	(71)	(82)	(91)	Paid capital	217	217	217	217	217
Minority interest	(11)	(9)	(12)	(15)	(17)	Retained earnings	875	939	1,064	1,210	1,373
Net profit	104	125	174	215	248	Other equities	86	91	107	117	127
EPS (IDR)	21	26	36	45	-	Total Equity	1,408	1,466	1,600	1,749	1,909

Source: Company, Sucor Research

Fig 13: Cash flow and key ratios

Cash Flow (IDR bn)	2019	2020	2021F	2022F	2023F	Key Ratios (%)	2019	2020	2021F	2022F	2023F
Net income	104	125	174	215	248	Revenue growth	7.2	20.2	14.4	16.4	10.8
Depreciation & amortization	56	71	73	81	84	EBIT growth	36.4	10.3	26.2	15.2	9.8
Change in working capital	33	30	(84)	(65)	30	EBITDA growth	27.4	10.3	29.9	15.2	10.3
Cash flow from operations	193	226	164	231	363	Net profit growth	20.1	20.6	39.5	23.3	15.3
Capex	(143)	(187)	(160)	(98)	(88)	Gross margin	33.1	36.2	37.1	36.2	36.7
Others	(33)	(50)	(8)	(12)	(9)	EBIT margin	14.4	13.2	14.6	14.4	14.3
Cash flow from investments	(176)	(236)	(168)	(110)	(97)	EBITDA margin	18.4	16.9	19.2	19.0	18.9
Changes in debt	19	(23)	(83)	(81)	(86)	Net margin	6.9	7.0	8.5	9.0	9.3
Changes in equity	(12)	(7)	9	2	(2)	ROA	4.1	4.6	6.3	7.4	8.0
Dividends paid	(78)	(53)	(49)	(69)	(85)	ROE	7.4	8.5	10.9	12.3	13.0
Others	48	56	23	27	33	Net gearing (x)	0.4	0.3	0.3	0.2	0.1
Cash flow from financing	(23)	(27)	(100)	(121)	(140)	Net debt/EBITDA (x)	1.9	1.6	1.3	0.9	0.4
Net Cash Flow	(6)	(37)	(104)	(0)	126	Interest coverage ratio (x)	3.0	3.6	5.1	6.8	8.8

Source: Company, Sucor Research

Fig 14: IMPC's rating calls



Source: Sucor Research

Sucor Sekuritas rating definition, analysts certification, and important disclosure

Ratings for Sectors

- Overweight : We expect the industry to perform better than the primary market index (JCI) over the next 12 months.
- Neutral : We expect the industry to perform in line with the primary market index (JCI) over the next 12 months.
- Underweight : We expect the industry to underperform the primary market index (JCI) over the next 12 months

Ratings for Stocks

- Buy : We expect this stock to give return (excluding dividend) of above 10% over the next 12 months.
- Hold : We expect this stock to give return of between -10% and 10% over the next 12 months.
- Sell : We expect this stock to give return of -10% or lower over the next 12 months

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