

Equity Research



Impack Pratama Industri

Maximizing The Market Penetration

July 20th 2022

For 2022, IMPC is conservatively targeting net profit to grow by 23.8% yoy to IDR260 bn. From 2019-1Q22, IMPC's product-line on the roofing segment, expanded its market share. With the company's key strategy to tap into Eastern Indonesia & SEA markets, inorganic growth strategy (targeting company with similar product line), and stronger capital base, IMPC is intact to book 23.9% CAGR 2022F-29F earnings. Maintain BUY with higher TP of IDR4,200/share based on 7-years DCF valuation.

Targeting 24% yoy earnings growth

IMPC is conservatively targeting net profit to grow by 23.8% yoy to IDR260 bn for 2022, driven by 16.7% growth of revenue. The revenue growth drivers are mostly coming from 10% volume growth and 4% yoy ASP increase in the roofing business from the recovery of the project-based business.

Continuous expansion

IMPC has several plans to increase its production capacity, a.) expansion of new uPVC factory in Cikarang (phase 1: 3,000 tonne capacity scheduled to operate on 3Q22, phase 2: 9,000 tonne capacity scheduled to operate on 1Q23), b.) expansion of the third FRP factory in Melbourne which add new capacity of 1,200 tonne in 1Q23, and c.) open a chance to expand the Alderon's factory into ASEAN countries. Noted that since Jun'22, IMPC started exporting Alderon product to Thailand.

Robust growth of market share

From 2019-1Q22, IMPC's product-line on the roofing segment expanded its market share. On highlight, market share of Polycarbonate product in Indonesia grew from 85% to 90%, while in Malaysia market it grew from 20% to

35%. On the other hand, market share for uPVC product in Indonesia grew from 50% to 70%.

Tapping into the underpenetrated Eastern Indonesia market

We believe the company will further tap into the East Indonesia market with the presence of newly uPVC factory in Surabaya (9,000 tonne annual capacity, ~58.8% of utilization in 2Q22; started to operate on 4Q21) and the new distribution center in Surabaya. In 1Q22, the revenue from Eastern Indonesia is ~IDR53 bn (+25% yoy), only contributed to 7.5% of total revenue. Within 3-4 years, IMPC's expect revenue from East Indonesia to contribute 40% of the domestic revenue.

Premium valuation justified by robust growth prospect

With the company's key strategy to tap into the Eastern Indonesia & SEA markets, M&A strategy (targeting company with similar product line), and stronger capital base, we believe IMPC to book 23.9% CAGR 2022-29 of net profit. We maintain our BUY rating with higher TP of IDR4,200/share based on 7-year DCF (WACC:10.8% and TG:6%), implying 29.1x 2023F EV/EBITDA.

BUY

Current Price	3,740
Price Target	4,200
Upside/Downside	+12.3%

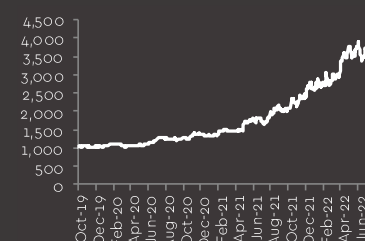
INDONESIA

Basic Industries

Stock Data

Bloomberg Ticker	IMPC JJ
Outs. Share (bn)	4.8
Mkt Cap (IDR bn)	18319.0
52 Week Range (IDR)	1710 - 3920
6M Avg Val (IDR bn)	16.3
YTD Returns (%)	48.6
Beta (x)	0.6

Share Price Performance (IDR/Share)

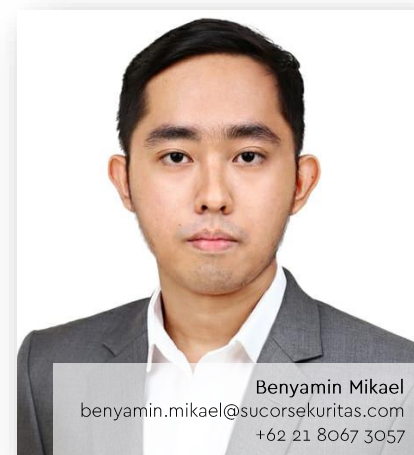


Share Performance (%)

Month	Absolute	Relative
3m	6.0	15.7
6m	35.9	32.2
12m	118.2	92.7

FINANCIAL HIGHLIGHTS

(IDR bn)	2020	2021	2022F	2023F	2024F
Revenue	1,798	2,227	2,705	3,283	3,693
EBITDA	303	403	502	685	761
Net income	125	210	263	390	448
EPS growth (%)	20.6	68.0	25.0	48.4	15.0
PER (x)	144.4	86.0	68.8	46.4	40.3
PBV (x)	12.3	10.8	9.9	8.5	7.3
EV/EBITDA (x)	61.1	45.9	36.8	26.5	23.5
Dividend yield (%)	0.0	0.4	0.6	0.4	0.6
Gearing (x)	0.5	0.3	0.2	0.2	0.1



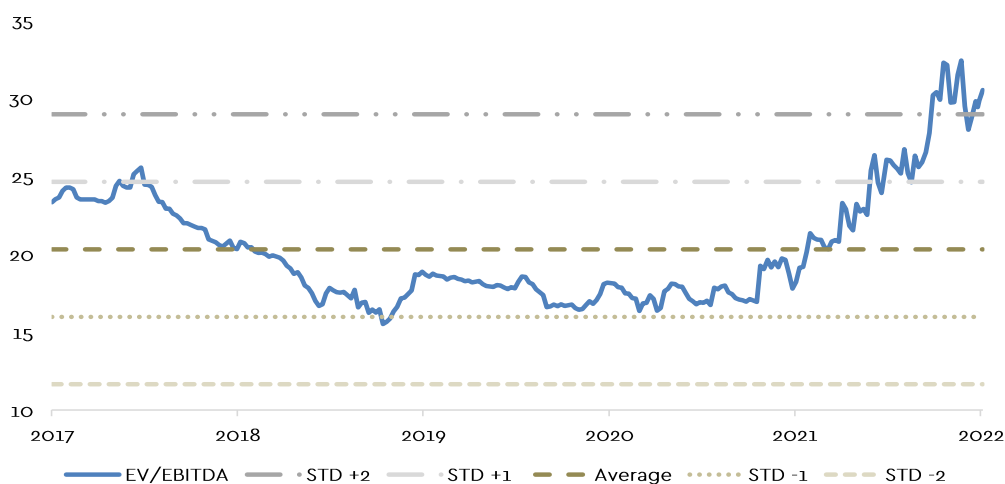
Benjamin Mikael
benjamin.mikael@sucorsekuritas.com
+62 21 8067 3057

Fig 1: Earnings Revision

(IDR bn)	Old		New		% change	
	2022F	2023F	2022F	2023F	2022F	2023F
Revenue	2,758	3,306	2,705	3,283	-1.9%	-0.7%
Gross profit	1,016	1,246	906	1,158	-10.8%	-7.0%
Operating profit	441	559	384	544	-12.8%	-2.7%
Net income	295	400	263	390	-11.0%	-2.6%
Margins						
Gross margin	34.6%	34.4%	33.5%	35.3%		
Operating margin	14.8%	14.6%	14.2%	16.6%		
Net margin	8.7%	9.0%	9.7%	11.9%		

Source: Sucor Research

Fig 2: IMPC's 5-year EV/EBITDA band



Source: Bloomberg, Sucor Research

Fig 3: Nationwide Production Facilities



Source: Company

Fig 4: IMPC's Production Capacity & Utilization

Type of Product	Location	No. of Line	Annual Capacity (Ton)	Total Production Annualized (Ton)	Utilization Rate (%)
Roofing					
PC	Indonesia	11	20,083	9,635	48.0%
	Vietnam	1	2,280	631	13.8%
	Malaysia	1	1,620	771	47.6%
PVC	Indonesia	2	3,000	720	24.0%
uPVC (Alderon)	Indonesia	26	45,858	30,845	67.3%
FRP	Indonesia	1	864	494	57.2%
	Malaysia	1	864	466	54.0%
	Australia	2	2,318	1,125	48.5%
	New Zealand	1	1,391	828	59.5%
Façade					
ACP	Indonesia	2	6,310	1,264	20.0%
Impraboard	Indonesia	4	8,246	3,399	41.2%
Material					
Sealant & Adhesive	Indonesia	5	2,070	719	34.8%
PVC Compound	Indonesia	3	4,500	2,183	48.5%
Pipe	Indonesia	8	11,472	3,933	34.3%

Source: Company

Fig 5: IMPC's Market Share (1Q22)

Products	Market Share				
	Indonesia	Malaysia	Vietnam	Australia	NZ
Roofing					
PC	90%	35%	25%	40%	60%
uPVC	70%				
FRP	30%	60%		30%	60%
Façade					
Aluminium Composite Panel	15%				
Impraboard	65%				
Material					
PVC Compound	60%				
Sealant & Adhesive	15%				
Trading					
Toilet Cubical	35%				

Source: Company

Fig 6: IMPC's Peers Comparison

Company	Ticker	Market Cap (US\$m)	EVEBITDA		EBITDA Growth		P/E		EPS Growth	
			2022F (x)	2023F (x)	2022F (%)	2023F (%)	2022F (x)	2023F (x)	2022F (%)	2023F (%)
Impact Pratama Industri	IMPC IJ	1,208	36.8	26.5	24.6	36.5	68.8	46.4	25.0	48.4
Finolex Industries	FNXP IN	1,054	6.9	8.2	3.5	(16.1)	11.1	13.2	42.5	-33.1
Supreme Industries	SI IN	2,968	18.7	17.9	-3.3	4.6	25.7	25.0	(1.0)	(3.0)
Astral Ltd	ASTRA IN	4,459	44.8	39.5	17.2	17.8	70.5	61.7	19.6	18.9
Apollo Pipes Ltd	APOLP IN	230	19.9	15.3	25.8	28.6	34.1	25.4	11.8	49.0
Beijing Oriental Yuhong - A	002271 CH	16,074	15.1	11.7	19.3	29.9	19.9	15.6	20.8	28.1
Guangdong Dongpeng Holdings	003012 CH	1,377	7.5	6.4	146.3	16.6	11.8	9.2	424.4	28.3
Indocement Tungal Prakasa	INTP IJ	2,282	9.2	7.6	(3.4)	22.3	20.3	15.5	(4.2)	32.6
Semen Indonesia	SMGR IJ	2,576	6.7	6.2	0.8	8.7	14.4	11.7	33.2	22.5
Avia Avian	AVIA IJ	3,664	22.9	19.6	7.1	16.7	30.9	26.6	23.6	16.4
Average (Ex IMPC)			16.9	14.7	23.7	14.3	26.5	22.7	63.4	17.7

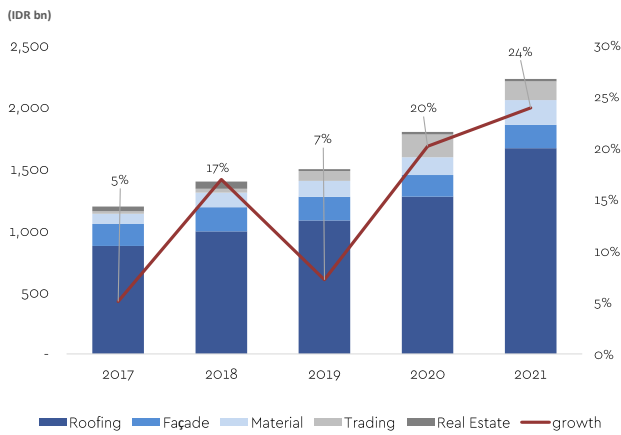
Source: Bloomberg

Fig 7: IMPC's DCF Valuation (WACC:10.8% and TG:6%)

(Rp bn)	2023F	2024F	2025F	2026F	2027F	2028F	2029F
EBIT	543.8	600.1	741.2	894.1	1,077.7	1,293.2	1,549.5
Tax	(105.2)	(118.4)	(141.9)	(167.5)	(197.7)	(233.4)	(275.6)
After tax cash flow	438.6	481.7	599.3	726.6	880.0	1,059.8	1,273.9
Depreciation and amort	141.3	160.6	191.5	225.2	265.0	311.8	366.9
Minority interest	(6.1)	(6.9)	(8.7)	(10.7)	(12.9)	(15.6)	(18.7)
Change in working capital	28.7	(11.1)	(114.3)	(78.6)	132.4	(63.4)	23.2
Net capital expenditure	(105.0)	(105.0)	(105.0)	(106.0)	(106.0)	(106.0)	(107.0)
FCF for the firm	497	519	563	757	1,158	1,187	1,538
Year	1	2	3	4	5	6	7
Discount factor	0.90	0.81	0.74	0.66	0.60	0.54	0.49
PV of FCF	449.0	423.1	413.9	502.2	694.1	641.7	751.0
Value of FCF in the forecasted period	3,875						
Value of FCF after the forecasted period	16,627						
Value of the firm	20,502						
(Net cash)/net debt 2023	100						
Interest bearing liability 2023	487						
Cash and equiv 2023	387						
Value of equity	20,402						
# of shares (bn shares)	4.8						
value of equity per share	4,224						
Target price	4,200						

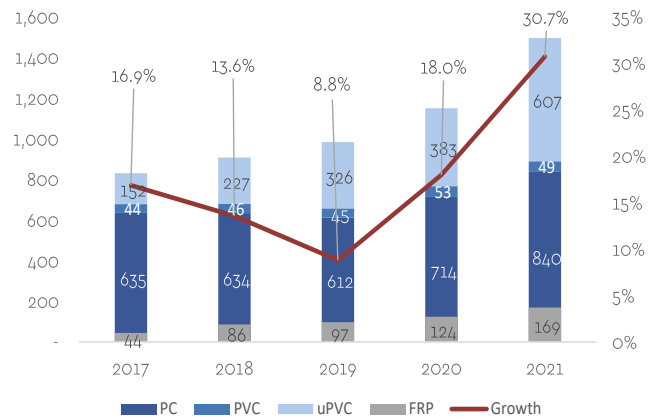
Source: Sucor Research

Fig 8: Revenue Growth



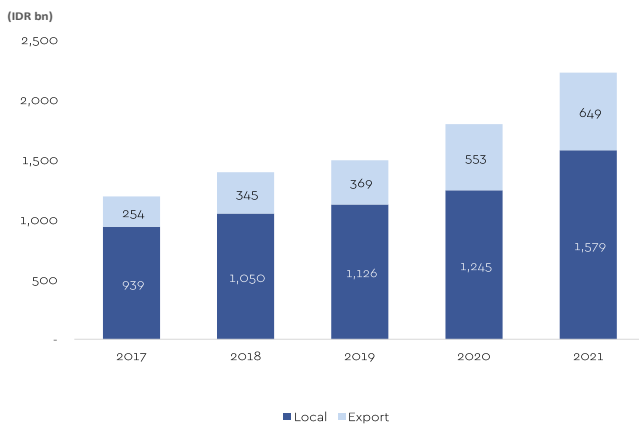
Source: Company, Sucor Research

Fig 9: Roofing Product Growth



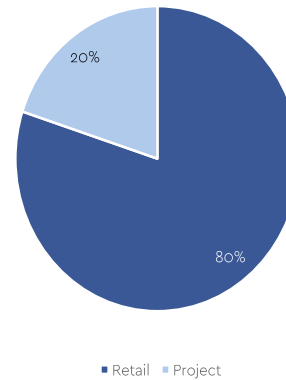
Source: Company, Sucor Research

Fig 10: Local VS Export sales



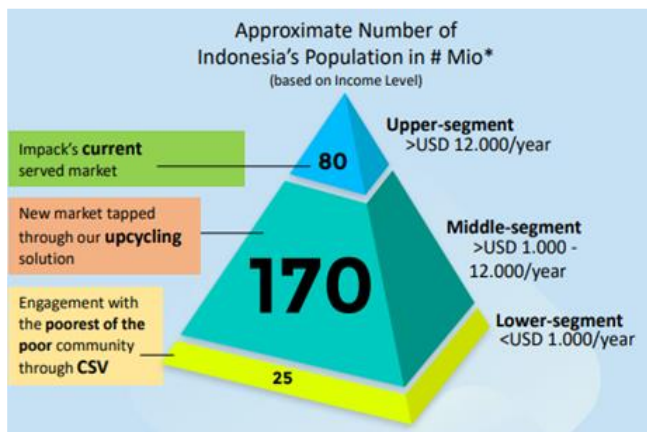
Source: Company, Sucor Research

Fig 11: Revenue From Retail VS Project



Source: Ministry of Trade, Sucor Research

Fig 12: ESG's Related Product to Tap Into Middle Segment Market



Source: Company, Sucor Research

Fig 13: IMPC's Leading Brand



Source: Company, Sucor Research

APPENDIX

Fig 14: Income statement and balance sheet

Profit & Loss (IDR bn)						Balance Sheet (IDR bn)					
	2020	2021	2022F	2023F	2024F		2020	2021	2022F	2023F	2024F
Revenue	1,798	2,227	2,705	3,283	3,693	Cash and equivalents	237	129	(47)	387	536
Cost of revenue	(1,146)	(1,420)	(1,799)	(2,125)	(2,411)	Trade receivables	363	375	422	459	517
Gross profit	651	808	906	1,158	1,282	Inventories	604	777	783	788	802
Selling expenses	(212)	(264)	(282)	(328)	(364)	Net- Fixed assets	1,143	1,159	1,240	1,262	1,279
G&A expenses	(201)	(212)	(240)	(287)	(317)	Other assets	350	423	486	534	568
Operating profit	238	332	384	544	600	Total Assets	2,697	2,861	2,884	3,430	3,702
EBITDA	303	403	502	685	761	Trade payables	178	245	310	367	416
Other income	32	12	3	3	4	Short-term debt + CMLTD	307	178	187	301	267
Other Expense	(26)	(16)	(12)	(19)	(18)	Long-term debt	410	380	186	186	63
Finance expense	(66)	(50)	(30)	(39)	(26)	Other liabilities	337	382	371	443	498
Inc (Exp) from Associates	-	-	-	-	1	Total Liabilities	1,231	1,185	1,054	1,297	1,243
Pre-tax profit	177	278	345	489	559	Minority interest	219	212	205	192	182
Tax expense	(62)	(71)	(87)	(105)	(118)	Paid capital	217	217	217	217	217
Minority interest	(9)	(3)	(4)	(6)	(7)	Retained earnings	939	1,154	1,311	1,622	1,953
Net profit	125	210	263	390	448	Other equities	91	93	98	102	106
EPS (IDR)	26	43	54	81	93	Total Equity	1,466	1,677	1,830	2,133	2,459

Source: Company, Sucor Research

Fig 15: Cash flow and key ratios

Cash Flow (IDR bn)						Key Ratios (%)					
	2020	2021	2022F	2023F	2024F		2020	2021	2022F	2023F	2024F
Net income	125	210	263	390	448	Revenue growth	20.2	23.9	21.5	21.4	12.5
Depreciation & amortization	71	76	77	83	88	EBIT growth	10.3	39.7	15.7	41.4	10.4
Change in working capital	30	(70)	(61)	26	(9)	EBITDA growth	10.3	32.8	24.6	36.5	11.0
Cash flow from operations	226	217	278	500	527	Net profit growth	20.6	68.0	25.0	48.4	15.0
Capex	(187)	(93)	(158)	(105)	(105)	Gross margin	36.2	36.3	33.5	35.3	34.7
Others	(50)	(27)	(16)	(15)	(13)	EBIT margin	13.2	14.9	14.2	16.6	16.3
Cash flow from investments	(236)	(119)	(174)	(120)	(118)	EBITDA margin	16.9	18.1	18.6	20.9	20.6
Changes in debt	(23)	(159)	(185)	114	(157)	Net margin	7.0	9.4	9.7	11.9	12.1
Changes in equity	(7)	(4)	(2)	(9)	(5)	ROA	4.6	7.3	9.1	11.4	12.1
Dividends paid	(53)	(38)	(106)	(79)	(117)	ROE	8.5	12.5	14.3	18.3	18.2
Others	113	(5)	14	27	20	Net gearing (x)	0.3	0.3	0.2	0.0	(0.1)
Cash flow from financing	30	(206)	(280)	54	(260)	Net debt/EBITDA (x)	1.6	1.1	0.8	0.1	(0.3)
Net Cash Flow	20	(109)	(175)	433	150	Interest coverage ratio (x)	3.6	6.7	12.9	14.0	22.8

Source: Company, Sucor Research

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rating definition,
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and important disclosure**

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- 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.
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- Sell : We expect this stock to give return of -10% or lower over the next 12 months

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Sales Office & Research

PT. Sucor Sekuritas

HEAD OFFICE

PT. Sucor Sekuritas
Sahid Sudirman Center, 12th Floor
Jl.Jend Sudirman Kav.86
Jakarta10220, Indonesia
Ph: (+621) 8067 3000
Fax: (+621) 2788 9288

JAKARTA

Ruko Inkopal Block A No. 23A
Jl.Boulevard Barat Raya
Jakarta Utara 14240
Ph: (+621) 4585 9114
Fax: (+621) 4585 9227

Kantor Cabang Pantai Indah Kapuk

Jl. Camar Indah 1 De No.8
RT 005/006 Kapuk Muara, Penjaringan Jakarta Utara 14460
Ph: (+621) 588 6010

GALERI INVESTASI

Universitas Tarumanegara
Fakultas Ekonomi
Lab. Pasar Modal Ged. A Lt.7
Jl. Tanjung Duren Raya No.1 Jakarta Barat 11470
Ph: (+621) 565 550 814
Fax: (+621) 565 5508

Altira (War Room@Cafe Rahasia Saham)

Altira Business Park, Pordium 3
Jl. Yos Sudarso Kav 85 No.15, Sunter, Jakarta Utara

TANGERANG

Kantor Cabang Serpong Ruko PDA No.9
Jl.Raya Boulevard Gading Serpong Tangerang 15339
Ph: (+621) 542 10990

GALERI INVESTASI

Swiss German University
EduTown BSD City
Fakultas Business Administration&Humanity
Tangerang 15339

PONTIANAK

Jl Teuku Umar
Pontianak Mall c23-24 Lt 2
PhL (+62561) 760001

SEMARANG

Jl. D.I Panjaitan 90 B
Kel. Jagalan
Kec. Semarang Tengah, Semarang 50135
Ph: (024) 86042220

GALERI INVESTASI

Universitas Pelita Harapan Fakultas Ekonomi
Jl. M.H Thamrin Boulevard 1100 Lippo Village Tangerang 15811
Ph: (+621) 547 0901

BANDUNG

Ruko Paskal Hyper Square Blok B No. 66
Jl. Hegarmanah No. 57 Bandung 40141
Ph: (+622) 203 3065
Fax: (+622) 203 2809

JAMBI

GALERI INVESTASI
Universitas Adiwangsa Jambi
Jl. Sersan Muslim No. 24, Thehok, Kec Jambi Selatan, Kota Jambi

SURABAYA

Gd. Spazio Lt 2 Unit 208
Jl. Mayjen Yono Soewoyo Kav.3 Graha Famili
Surabaya 60226
Ph: (+631) 600 39701

Surabaya 2

SCG Surabaya
Jl. Slamet No.37
Surabaya 60272
Ph: (+631) 547 9252
Fax: (+631) 547 0598

Surabaya 3

Ruko Pakuwon Town Square AA 2-50
Jl. Kejawen Putih Mutiara
Surabaya 60112
Ph: (+631) 5825 3448
Fax: (+631) 5825 3449

GALERI INVESTASI

Universitas Negeri Surabaya Gedung Bisnis Centre Fakultas
Ekonomi, Kampus Ketintang
Jl. Ketintang Surabaya 60231
Ph: (+631) 8297123

GALERI INVESTASI

Universitas Katolik Widya Mandala Fak. Bisnis
Jl. Dinoyo 42-44 Surabaya 60265
Ph: (+631) 567 8478