

Equity Research

Initiating Report

Impack Pratama

IMPC got you covered

Dominant niche player with strong pricing power

We initiate coverage on Impack Pratama (IMPC) with BUY and target price of Rp10950 for 18% upside. IMPC is the market leader in manufacturing and distribution of polycarbonate roofing in Indonesia controlling 75% market share. The main user of IMPC's products is the residential housing market where polycarbonate roofing accounts for 5% of total construction cost for a home. As the market leader in polycarbonate roofing in Asia with an established brand of high quality products and long operating history (33 years), IMPC currently enjoys above average operating profit margin of 24% and relatively high ROIC of 26% compared to average industrial companies operating profit margin and ROIC at 13% and 19% respectively.

Almost non-existent competition in polycarbonate roofing

There are no real threats to the business in our view as the industry is still relatively small (US\$150mn) to attract meaningful competition coupled with IMPC's position as a strong operator. Chinese players have tried to penetrate the market but did not succeed due to their inferior quality. Despite lower pricing offered by the Chinese players, the cost saving for roofing in a typical home is not large enough for customers to switch. The bigger large multinational players are staying away because the polycarbonate market in Indonesia is too small compared to their current operations to justify their effort. Our checks with distributors in Jakarta also show that the polycarbonate roofing market remains uncontested.

Attractive long-term growth drivers despite short-term cyclical headwinds

The residential housing sector is going through a cyclical downturn due to higher interest rates, tighter monetary policy, rupiah volatility and uncertainty from government policy. However, we believe that the long term outlook is positive, with residential demand picking up eventually as the government cuts interest rates and raises the minimum house price for luxury tax in favor of the housing sector. We expect IMPC to grow their revenues by 15% per year from 2016 onwards due to this anticipated recovery, earning more from ventures into façade market and roofing for industrial warehouses, the latter a market that looks to grow faster than residential one.

18% upside based on sum-of-the-parts valuation

We value IMPC based on sum-of-the-parts, valuing the core business by DCF at Rp10530/share and the real estate at Rp430/share for 2016F. As Colliers expect office occupancy rate to drop until 2018 to 78%, we value the Altira office park remaining units to be sold by 2018 at a conservative average selling price of Rp28mn/sqm.

Key risks

As the sector expands, threat of new entrants might occur but we think this is unlikely to happen within the coming 5 years. Major risks include the residential property cycle downturn getting prolonged to next year and the property cycle in general not improving, while the office sector continuing to remain bad will threaten sales of office park. Illiquidity risk is also a main concern as IMPC's stocks are not actively traded in the market.

Key investment metrics

	2013	2014	2015F	2016F	2017F
Revenue (IDR bn)	1242	1413	1153	1409	1577
Operating Profit (IDR bn)	277	371	211	349	397
Net Profit (IDR bn)	142	177	86	187	215
Earnings Per Share (IDR)	327	404	178	390	447
EPS Growth (%)		23.6	-55.8	118.6	14.6
OPM (%)	22.3	26.2	18.3	24.8	25.2
NPM (%)	15.0	20.5	11.7	19.0	18.7
ROE (%)	27.0	35.3	15.0	27.2	26.0
ROA (%)	8.6	10.2	4.7	9.6	10.2
ROIC (%)	37.3	23.5	13.6	22.0	27.7
P/E (x)	28.4	23.0	52.0	23.8	20.7
P/B (x)	5.9	4.9	4.5	3.5	3.0

Source: Company, Sucorinvest estimates



BUY

Current price 9,275
Price target 10,950
Upside 17.7%

12 February 2016

INDONESIA

Basic Industry

Stock Data

Bloomberg Ticker	IMPC IJ
Outs. Share (bn)	0.48
Mkt Cap (USD bn)	0.33
52 Week Range (RP)	6,550-9,600
6M Avg Val (RPbn)	2.0
YTD Returns (%)	-0.5
Beta (x)	na

Share Price Performance



Share Performance (%)

Month	Absolute	Relative
3m	1.4	-4.3
6m	12.7	8.5
12m	36.8	54.6

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Investment thesis

Brand name trumps all

The name Impack Pratama is known all over Indonesia as the number one producer in terms of quality roofing for over 30 years, with nobody coming close to competing with IMPC in the country. Based on the company's experience, brand recognition in the industry is the most valuable product in the firm. This brand image is undoubtedly IMPC's largest asset.

Sole producer and distributor of premium roofing and façade

IMPC has been acquiring trademarks in addition to developing their own products to compete in the industry. The past 30 years have seen IMPC as the top dog in the polycarbonate roofing sheet products manufacturer and distributor. In 2014, the company ventured into and launched a premium aluminum composite panels (ACP) product. Additionally, IMPC also acquired Bayer Material Science assets from Australia for polycarbonate sheet products including its production equipment. In April 2015, IMPC acquired the Alderon uPVC roofing business and demand for this product has been increasing.

Huge market share in polycarbonate roofing in Indonesia

As of September 2015, IMPC conquers 70-75% of the polycarbonate roofing market in Indonesia as a result of its premium quality products and its long history. This is significant as IMPC's majority of recurring revenue from its products comes from this line of polycarbonate products. Additionally, IMPC controls 40-50% of the vinyl roofing market and 30-40% of the fiber reinforced polyester market. In 2014 and 2015, IMPC entered the aluminum composite panel and hybrid sealant market and to date has a 10-15% and 20% market share respectively. On top of all this, IMPC is the largest extruded building material manufacturer in Asia Pacific.

Wide distribution network across the archipelago

Retail wise, IMPC's subsidiary PT. Mulford Indonesia does the distribution, utilizing a total of 50 distributors across 13 cities in Indonesia. There is also more than 5000 retailers carrying IMPC's products across Indonesia. As for the project based one, PT. Alderon Pratama Indonesia handles the distribution.

Tried, tested and prevailed against China products

Around 10 years ago, the demand for polycarbonate roofing in Indonesia experienced a boom and as a result became a lucrative market. Chinese players have tried to enter the market but have all died since due to their inability to compete against IMPC's products. IMPC is strong in that the Indonesian market players cannot compete against IMPC's polycarbonate products but the market is still small for foreign players to enter.

Figure 1: SWOT Analysis

Strengths

- Brand name recognition
- Market leader in polycarbonate roofing
- Premium quality with high variety of products
- Management team with 33+ years experience

Opportunities

- uPVC is superior substitute in steel roofing market
- Overseas market potential still untapped
- Extra plants may mean new product lines

Weaknesses

- Competition still super tight in ACP market
- Existing production plants not fully utilized

Threats

- Sales stale if economy does not recover next year
- Consumer preference change in roofing products

Source: Sucorinvest

Competitive landscape

Unattractive for foreign firms, too powerful for local competitors

We gather that large foreign players find the polycarbonate roofing market unattractive to enter and compete in because of the small size. IMPC is too strong for local competitors, especially in terms of quality and price. Given that roofing is a niche market and the Indonesian market is willing to pay a premium for quality products, IMPC has a solid position in the market.

Potential market enlargement in the future

A greater part of the Indonesian warehouse and factory roofing market currently uses steel roofing. However, Alderon's uPVC roofing has many advantages on steel roofing such as the product's corrosion resistance, its insulation, soundproofing to rain, etc. Add endurance and a justified premium price, it is highly likely for property developers to switch from steel to uPVC roofing.

Fragmented suppliers and buyers

A leader in a niche market where suppliers and buyers are fragmented, IMPC has a high bargaining power over both parties. IMPC further underlines their advantage with the fact that although substitute products are available, none have IMPC's level of quality.

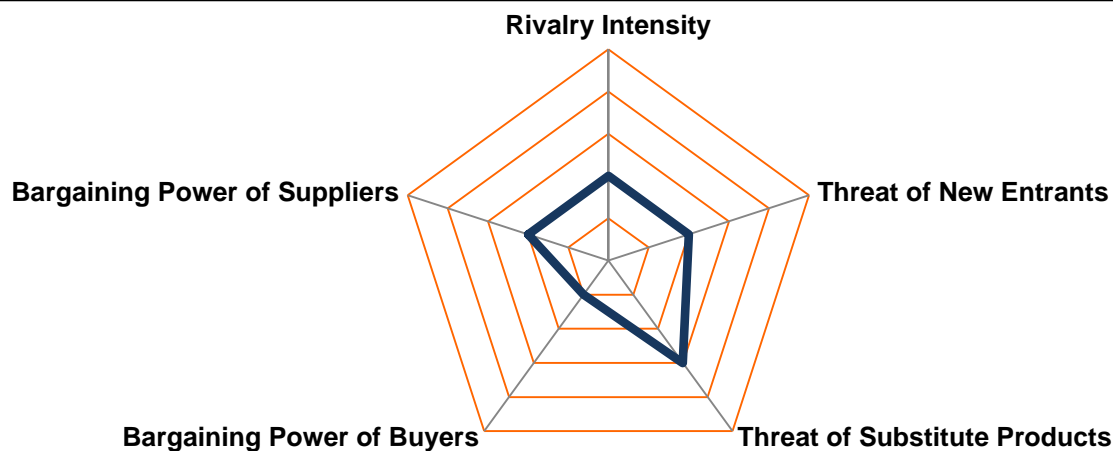
Competition in aluminum composite panel market still tough

In the ACP market, 11 year old veteran Seven Indonesia is the biggest player with 70% of market share. We gathered from IMPC management that Seven puts on a tough fight by means of price war, however for now IMPC is accruing market share by eating up the smaller players instead of competing directly with Seven.

Office space still experiencing a downturn

At first glance, the Altira office park sales does not look promising as office occupancy rates are falling due to a slowdown in the economy. Colliers is expecting vacancy rate to drop until 2018. However, we have visited the area and seen that Altira is in the high end premium space compared to other offices in the area. Along with its relatively cheap price, we expect the park to be fully sold by 2018.

Figure 2: Landscape Analysis



Source: Sucorinvest

Rivalry intensity

- No strong rivals in polycarbonate
- Quite competitive in ACP
- Strong market position as the market leader with 30+ years experience
- Brand name recognition

Threat of new entrants

- Medium barrier to entry in distribution
- Products can be imported from overseas, no need to be made
- Margins not lucrative for new entrants

Threat of substitute products

- Similar products unlikely as products are in a niche market
- ACP can still be substituted
- Product tech is high; more likely to substitute than be substituted

Bargaining power of buyers

- Few provide similar product
- High quality of product
- Most likely price insensitive since small but needed market

Bargaining power of suppliers

- Many competitive suppliers
- Not one supplier controls more than 10% of market share
- Prices follow the market, company less control over fluctuations

Channel checks show IMPC is still the most dominant brand

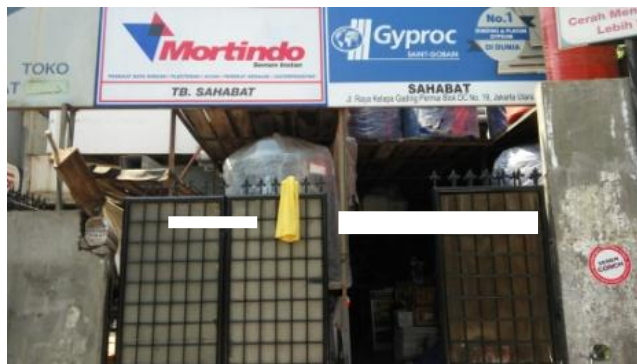
We visited a number of building material distributors around the Greater Jakarta area to understand the competitive landscape for roofing. It was evident that IMPC's polycarbonate roofing products were not only the best ones but often the only products available. When we went to a couple of building material stores that did not carry roofing products, the shopkeepers kindly directed us to the stores that carried "Solartuff", a product belonging to IMPC.

Figure 3: Building material store



Source: Sucorinvest

Figure 4: Building material store



Source: Sucorinvest

In the stores we visited, we found that IMPC has given product sample displays for customers to study. For first time buyers, we found these boards very useful for explaining the different types of products.

Figure 5: IMPC polycarbonate



Source: Sucorinvest

Figure 6: Product board version 2



Source: Sucorinvest

In one of the home building material stores, we saw Alderon products. After inquiry, we found out that the store had just only recently carried Alderon roofing and they are promoting the product quite heavily as a substitute for metal roofing for certain types of buildings such as factories and warehouses.

Figure 7: Alderon Billboard at Gajah Mada, Central Jakarta



Source: Sucorinvest

Our reviews have verified that currently warehouse space is a hot sector. After speaking to multiple industrial estate and warehouse agents, we gathered that there are buyers for warehouses on the waiting list since 2015, which means a huge number of warehouses to be built in 2016. When demand is high and supply is limited and expanding, the chance for Alderon to penetrate the market is huge.

We also are seeing Alderon billboards popping up around Jakarta such as near Gajah Mada and Soekarno-Hatta airport as they campaign to increase awareness. We believe sales for Alderon will be strong for this year for the aforementioned reasons.

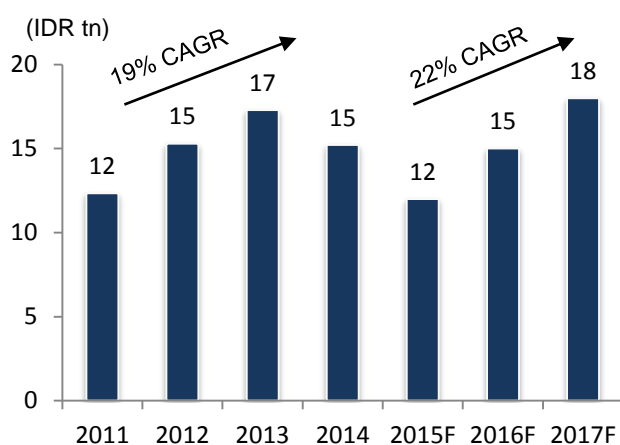
Growth drivers

Brighter outlook for residential properties

Polycarbonate roofing sales is still the majority of IMPC's revenue and most probably will continue to be. We believe that roofing demand as opposed to supply that will drive IMPC.

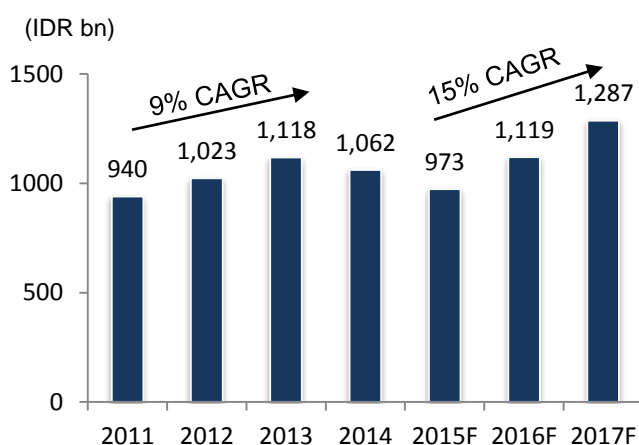
Car porches and canopies, thus residential settings, are the main structures that use polycarbonate roofing. As such, sales have been declining from the year 2013 due to a residential market downturn in the past two years. Taking a sample of six listed property companies, excluding apartments, the residential market posted a negative growth from 2013 to 2014, with the concern that the decline will continue in 2015.

Figure 8: Residential Marketing Sales



Source: ASRI, BSDE, CTRA, SMRA, LPKR, PWON, Sucorinvest

Figure 9: IMPC Core Business Revenue

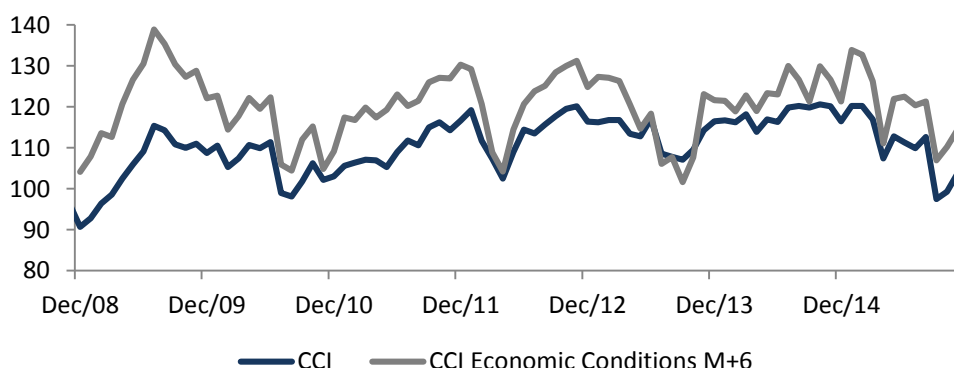


Source: Company, Sucorinvest

In 2011-2013, IMPC's CAGR grew by 9% when residential marketing sales reached 19% CAGR. Based on this, we believe that IMPC may grow 11% CAGR in 2016 and 2017 when growth projection for residential marketing sales is 22% CAGR from their Solartuff (canopy) products and the rest of IMPC products excluding Alderon. The remaining growth is projected to come from Alderon sales.

Additionally, the economy is set to pick up next year on the back of new policies to stimulate growth such as the tax amnesty, Bank of Indonesia projecting higher consumer confidence, and World Bank expecting increase in private consumption expenditure.

Figure 10: Consumer Confidence Index and Forecasts



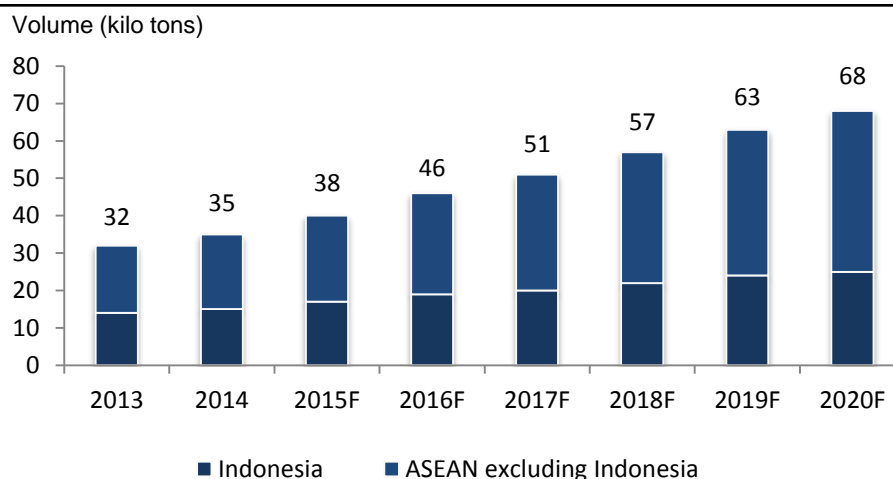
Source: Bloomberg, Sucorinvest

Recent economic pickup translates to better expectations in the coming six months and better consumer confidence index. As consumer spending increases in 2016 going forward, we project an increase in residential housing demand, as well as an 8% CAGR in residential homes sales in 2012-2018F.

IMPC's revenue from the core business having a strong correlation to residential housing sales will translate to an increase in IMPC's sales, and a 7.7% CAGR for IMPC's core sales in 2012-2018F, in our calculation.

In 2015, expectation for polycarbonate sheet demand in the Indonesian market is 17 kilo tons. With 70% market share, this means IMPC supplies 12 kilo tons to Indonesian consumers (IMPC capacity is 25 kilo tons).

Figure 11: Polycarbonate Market Outlook in Asia



Source: Company, Bayer Material Science, Sucorinvest

Demand for polycarbonate in ASEAN, including Indonesia, is 23 kilo tons for 2015. 2020 is when projection numbers hit IMPC's capacity of 25 kilo tons for Indonesia (43 kilo tons for ASEAN). This means there is a huge ASEAN polycarbonate market for IMPC to tap.

Although at the moment IMPC has factories in Indonesia and Vietnam only, it is trying to expand its reach, looking to export throughout Asia.

IMPC has only recently started to aggressively expand its export operations in Vietnam. To date, IMPC has around 30% market share in the polycarbonate market in Vietnam; expected number for 2016F is 40%. By 2020F, IMPC projects to capture the majority of the market in Vietnam in addition to exploring other South East Asian countries for expansion. Right now, IMPC is educating the consumers in Vietnam about the superiority of its products and the market has responded well in return.

As part of IMPC's strategy in diversifying its revenue sources, in Feb 2014, IMPC ventured into the ACP market and the sealant market a year later in Feb 2015. Usage of ACP in property sector includes both the interior and exterior parts of the building.

Figure12: Aluminum Composite Panel Samples



Source: Company

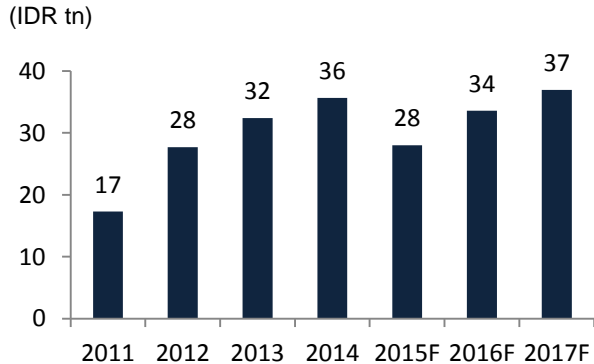
Figure 13: Red, Orange, Yellow ACP on shop houses



Source: Company

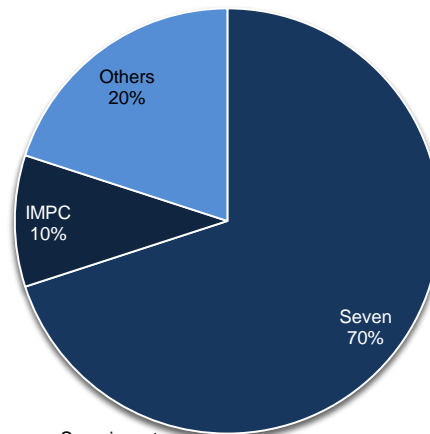
With property looking to pick up in the following years, the market for ACP products also increases proportionally. We project the improvement of property sector by using past data of total marketing sales from the top 6 firms (CTRA, SMRA, BSDE, ASRI, LPKR, PWON).

Figure 14: Marketing Sales



Source: ASRI, BSDE, CTRA, SMRA, LPKR, PWON, Sucorinvest

Figure 15: ACP 3Q15 Market Share



Source: Company, Sucorinvest

The ACP market is still tough to penetrate due to the strength, expertise and history of the main competitor, Seven Indonesia, who has 70% of the market. However, IMPC has been able to capture 10% of the market share after only a year (by September 2015) while smaller players currently compete for the remaining 20%. IMPC is set to gradually compete for a position in the ACP market, eating up smaller players at this point, instead of competing directly with Seven.

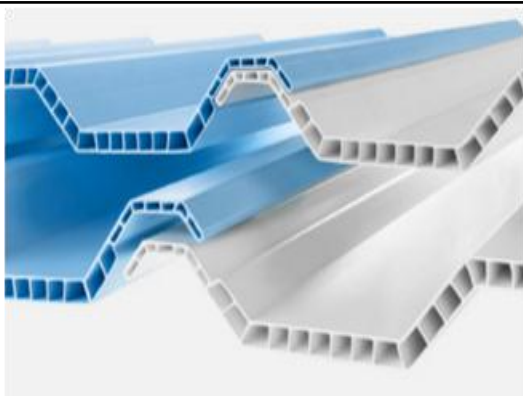
The skyrocketing e-Commerce industry

IMPC acquired Alderon, a uPVC roofing company, in April 2015. With Alderon already having an established position as the leader in corrugated roofing in Indonesia, IMPC no longer needs to educate the market about the product.

Alderon provides roofing for warehouses and factories, as well as substitute for the more traditional metal roofing, contributing 5% to core business revenue 5 months under IMPC. We view that uPVC roofing will contribute to at least 10-15% of revenue as the e-commerce industry pushes warehouse demand with their needs for storage.

Having multiple advantages over the traditional metal roofing, Alderon's opaque uPVC product has been a success in the market. Competition is dormant due to old players' inability to adapt in the previously uncontested market.

Figure 16: Alderon Roofing



Source: Company

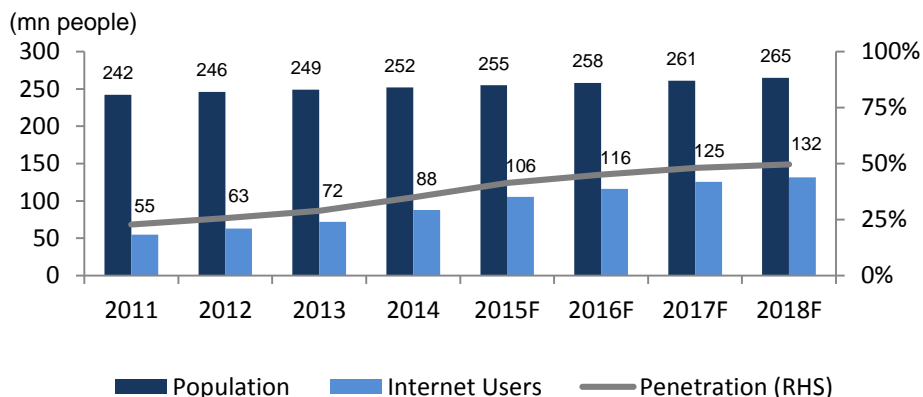
Figure 17: Alderon used for Warehouse Roofing



Source: Company

We believe that in the next couple of years, retail space will switch from brick and mortar shops to online shops, including the one in Indonesia. Sales from online marketing contributed to less than 1% in 2014 but we expect the growth to be astronomical, seeing as Indonesia experienced an enormous leap in numbers of internet users and internet penetration rate in the past five years, thereby boosting e-commerce.

Figure 18: Indonesia's Internet Penetration

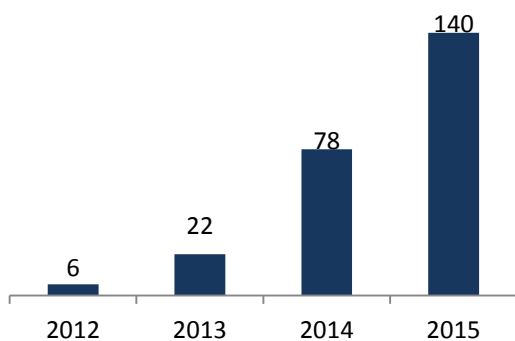


Source: Indonesian Internet Service Provider Association (APJII), Sucorinvest

In 2011, internet penetration was at 23% and is expected to be at around 40% by 2015. Given these numbers, we expect penetration rate to be at 50% by 2018 with a 13% CAGR in internet penetration over the 7 year span; a high growth rate which we predict will push e-commerce.

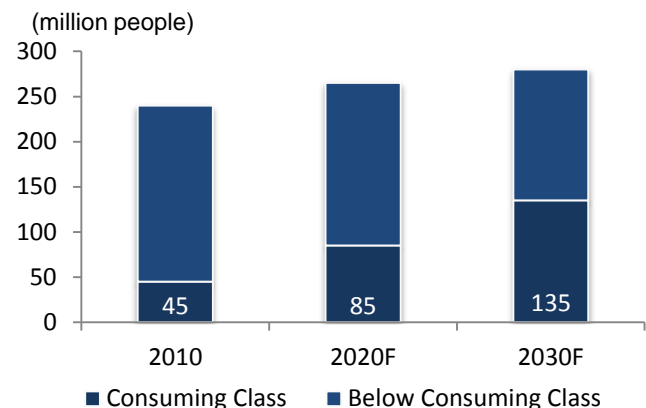
In America, Black Friday is the busiest shopping day of the year and is comparable to China's Singles Day. In Indonesia, our equivalent is the Harbolnas, which is different in that this event applies only to e-commerce websites. This event is representative of the growth of the e-commerce retail industry in Indonesia.

Figure 19: Number of HarBolNas participants



Source: HarBolNas Committee, Sucorinvest

Figure 20: Indonesia's Consuming Class



Source: McKinsey, Sucorinvest

From 6 online retailers in 2012, the number of participants in 2015 ballooned to a total of 140 participants, with expectation of further exponential growth next year. This reflects the skyrocketing growth of the e-commerce industry in Indonesia. McKinsey expects the Indonesian urban population to reach 164 million people by 2020, which supports our belief that e-commerce will be a future driver and major force in the industry.

An e-commerce boom means that warehousing demand is set to grow as well, as retailers do not set up shops but rather store products at a specific location. This translates to an increase in demand for warehouse roofing. Whether competition may be fierce or not, IMPC will likely benefit as they will look to supply warehouses nonetheless.

The cost to build a 1,000sqm warehouse on average is Rp8-10bn from which roofing makes up about 10% of total cost. We estimate that 150 warehouses and factories will need to be built over the next year, of which 10% we assume will use Alderon roofing, creating about Rp150bn incremental demand for Alderon roofing.

We found out from our discussion with warehouse builders that metal roofing is still the primary product used, although builders are willing to switch to Alderon due to its superior features of less heat absorbent, sound insulation, low maintenance cost, etc. With the product being pushed via advertisements and building material stores' displays, we strongly believe that Alderon will soon become a core part of IMPC's revenue.

Earnings Outlook

Rising productivity

We forecast growth in 2016 onwards to rebound as a result of the market recovering from its cycle. We believe that the 15% growth is feasible as not only revenue contribution from existing segments looks to grow, but new products also look to contribute to better revenue in comparison to this year where most products just started being in the market.

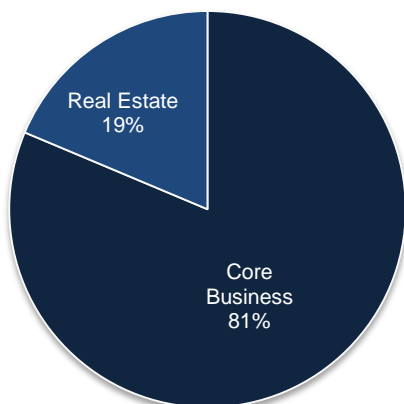
Figure 21: Income Statement Highlights

IDR bn	2013	2014	2015F	2016F	2017F
Core Business	1,118	1,062	973	1,119	1,287
Altira	123	352	180	290	290
COGS	817	885	781	877	991
Gross Profit	424	529	372	532	586
Operating Expenses	147	158	161	183	189
EBIT	277	371	211	349	397
D&A	44	(43)	45	65	68
EBITDA	321	328	256	414	465
Pre-tax Income	248	355	150	310	354
Income tax exp	62	66	15	43	59
Minority Interest	43	113	50	80	80
Net Profit	142	177	86	187	215

Source: Company, Sucorinvest

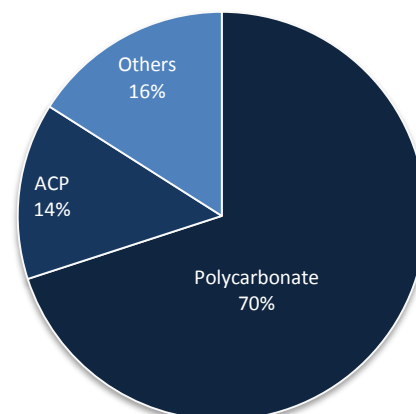
As of 9M15, the main business line of manufacturing and distributing roofing and façade products contributed about 81% of revenue, while the remainder was from sales of the Altira office park. Although IMPC has purchased 1.2ha of land beside its office park, it has no plans to develop the land bank. From our discussion and estimates, we view that the real estate business is for “extra profits” and thus can be considered a one-off project up to the year 2018.

Figure 22: Revenue Contribution (9M15)



Source: Company, Sucorinvest

Figure 23: Core Business Revenue Contribution by Type



Source: Company, Sucorinvest

In 2014 and 2015, IMPC did not fare as well as it did in the previous years due to the business cycle decline in the property market. Despite that, IMPC did not lose market share as they ventured into the façade market in addition to roofing. The façade market had two major players and IMPC looks to position itself to be a leader in the few years to come.

The market has never doubted IMPC's expertise as a polycarbonate producer in the years that the company has been in business; that polycarbonate product contributes the most sales at 71% seems to reflect this faith. Behind polycarbonate product are ACP and impraboard and materials such as sealtuff (the glue for ACP) at 14% and 6%, with vinyl, FRP and others contributing the least to revenue.

The majority of IMPC's polycarbonate sales have mostly taken place in Jakarta, followed by Surabaya and Bandung and the rest in the other parts of Indonesia. According to the management, the product sales distribution is similar for most products. For the new products, the top three cities make up most sales. As sales continues to dominate in these three cities, we can predict that the future trend will stay the same as Jakarta, Surabaya and Bandung will continue to make most parts of sales.

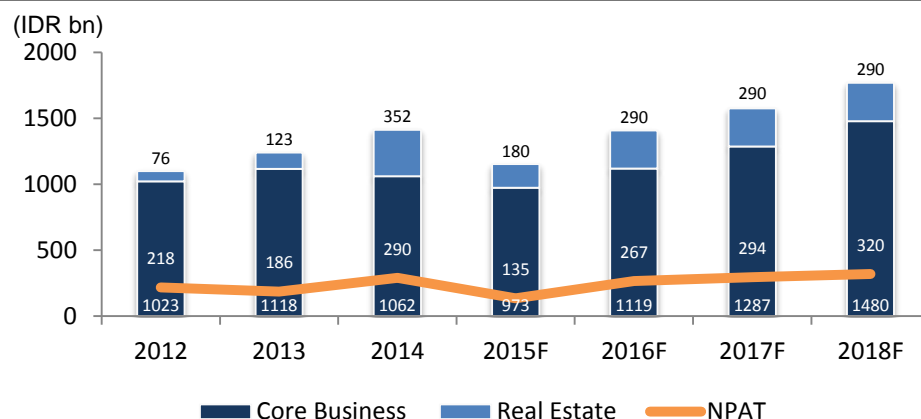
Figure 24: Polycarbonate Roofing Sales by City



Source: Company, Sucorinvest

We see that although there is a decline in net revenue and gross profit, IMPC was not reluctant to expand its business while retaining its existing market share. Though this year is relatively weaker, there is a huge upside potential in IMPC given its ongoing expansion plans.

Figure 25: Company Highlights

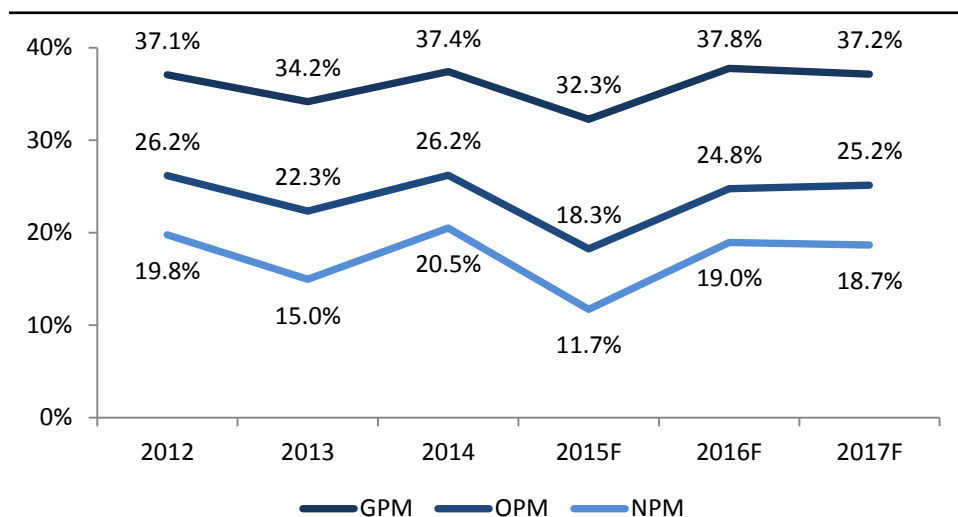


Source: Company, Sucorinvest

In 2014, IMPC still had a growth in net profit despite the contraction in the main business because of their side business of selling the Altira office park. Though main business is expected to contract once again this year, bottom line is not expected to contract by as much due to the office sales.

Historically, IMPC has very lucrative margins in comparison to other companies in Indonesia as a result of their market dominance and positioning. We expect margins to rebound in the coming years and get back to their long term historical average once the market recovery starts to roll into place starting next year.

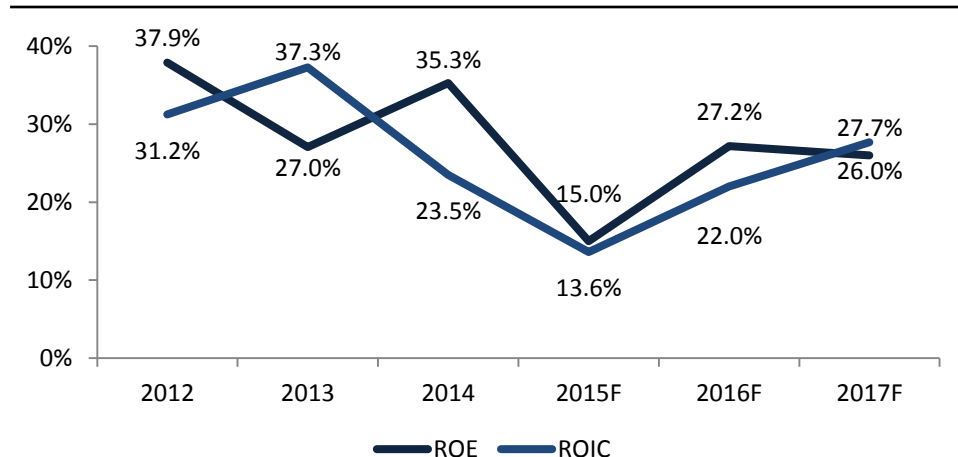
Figure 26: Historical and Projected Margins



Source: Company, Sucorinvest estimates

In 2014 and 2015, ROIC seems to be a little lackluster compared to 2013, likely due to IMPC's investments in buying land. Net profit margins have also dropped a bit as sales did drop, but we forecast a better outlook stimulated by growth and confidence in the economy.

Figure 27: Historical and Projected Returns



Source: Company, Sucorinvest estimates

Valuation

Core business

We arrive at a target price for IMPC at Rp10950/share with an upside potential of 18%, implying a 2016F PER of 24x and PB of 3.5x using current price. We value the company by using a sum-of-the-parts valuation approach where we valued the company's main business of manufacturing and distributing its products by DCF and their office park each by NAV.

Figure 28: DCF Valuation

DCF - Core Business	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Revenues	1,119	1,287	1,480	1,776	2,131	2,557	3,068
Gross Profit	358	412	474	622	746	895	1,074
Operating income	193	241	282	374	490	588	706
Less: taxes	43	59	68	95	123	131	159
After-tax operating income/NOPAT	150	182	214	279	367	457	547
Depreciation & amortization	65	68	87	78	86	94	104
Chg in working capital	(130)	(78)	6	26	31	87	104
Operating cashflow	345	328	295	330	422	464	546
Less: Capex	(107)	(115)	(105)	(99)	(107)	(120)	(135)
Free cash flow	238	213	190	232	315	344	412
Discounted FCFF	238	192	155	171	210	208	224
Terminal Value PV	4,161						
Net Debt and Minority Interest	468						
Equity Value	5,092						
Core Business equity value per share	10,535						
Equity Value for Real Estate	407						
Ownership Stake	51%						
Real Estate equity value per share	429						
Equity value per share	10,964						

Source: Sucorinvest

We valued the core business using DCF valuation which generated a price of Rp10535/share. Our DCF valuation comes under the assumption of a debt-to-equity ratio of 38% with a WACC of 10.7% and 5% terminal growth. We assume an equity beta of 1 with an equity risk premium of 5% with the 10 year bond rate for 2016F at 7%.

Altira office park

As of 9M15, IMPC has sold 16 floors from its Altira office tower and 41 units of its Altira office block, with 1 unit of the office block rented out. There are a remaining 13 floors of the tower and 39 units of the office block still to be sold. We believe the remaining units which total to 44,800 sqm of space are likely to be sold completely by 2019.

Figure 29: Altira

Remaining Land	Area (sqm)	Price/m2 (Rp mn)	Value (Rp bn)
Office Block	20,898	24	502
Towers	22,901	32	733
Total	43,799	28	1,234
Cost + Operating Expense	370		
OpEx	123		
Tax @ 5%	62		
NAV @ 60%	407		
% of Ownership	51%		
Value per share	433		

Source: Company Sucorinvest estimates

We arrive at a price of Rp433 to value the office park as the real estate building is a one off project and is intended to become extra revenue. We value the office space at the selling price of around Rp28mn/sqm and we assume that the units sold will equal to revenue at the rate of Rp290bn per year until 2019 at a total price of Rp1161bn.

Figure 30: Altira Park



Source: Sucorinvest

Figure 31: Alcolite used for Altira Tower



Source: Sucorinvest

Comparables

IMPC has been performing at above average in comparison to its competitors in the home improvement industry in Indonesia. Since it is the controlling player in the polycarbonate market, IMPC has been producing 23% ROE as of 3Q15, about 6% more than the industry average of 17%. However, historically ROE was better at 35% for 2014 with a drop in 2015 due to slowing sales. ROIC and OPM are also better at 26% and 24% than the industry standard at 19% and 13%, proving IMPC's capabilities to perform in the market.

Figure 32: Comparables

Name	IMPC	ARNA	AMFG	TOTO	KIAS	Average
Mkt Cap (IDR bn)	4,471	3,663	3,016	7,069	1,373	4,555
Sales - 3Yr Avg Gr (%)	14.6	20.5	12.2	15.3	11.8	15.7
EPS - Growth (%)	23.6	10.2	35.6	24.4	24.9	23.5
P/E (x)	22.9	32.2	7.3	26.9	N/A	22.3
P/B (x)	4.9	4.2	0.9	4.9	0.7	3.7
ROE (%)	23.4	13.4	13.1	19.1	-0.9	17.3
ROA (%)	10.4	8.8	10.3	11.4	-0.1	10.2
ROIC (%)	26.0	13.7	11.5	46.6	-2.0	19.2
OPM (%)	24.0	4.4	9.2	13.7	-45.0	12.8
NPM (%)	12.5	0.2	11.2	8.7	-34.0	8.2
Dvd 12M Yld (%)	N/A	2.4	1.1	1.7	1.7	1.7

Source: Bloomberg, Sucorinvest

Financial Summary

Figure 33: Income Statement Highlights

IDR bn	2013	2014	2015F	2016F	2017F
Core Business	1,118	1,062	973	1,119	1,287
Altira	123	352	180	290	290
COGS	817	885	781	877	991
Gross Profit	424	529	372	532	586
Operating Expenses	147	158	161	183	189
EBIT	277	371	211	349	397
D&A	44	(43)	45	65	68
EBITDA	321	328	256	414	465
Pre-tax Income	248	355	150	310	354
Income tax exp	62	66	15	43	59
Minority Interest	43	113	50	80	80
Net Profit	142	177	86	187	215

Source: Company, Sucorinvest estimates

Figure 34: Balance Sheet

IDR bn	2013	2014	2015F	2016F	2017F
Cash	370	392	170	339	470
Accounts Receivables	178	166	158	174	194
Goods Inventories	224	241	248	274	283
Real Estate Inventory	196	294	350	350	350
Advance Payments	43	94	237	116	65
Others	145	21	50	50	50
Total Current Assets	1,157	1,209	1,213	1,303	1,413
PPE - Net	435	398	433	475	522
Goodwill - Net	21	21	21	21	21
Intangibles - Net	-	67	102	102	102
Others	32	42	50	50	50
Total Non-Current Assets	488	528	605	647	695
Total Assets	1,645	1,737	1,818	1,950	2,107
ST Borrowing	275	287	300	250	150
Accounts Payable	116	114	95	116	173
Advance Payments	224	100	50	80	80
Current Maturities	35	31	30	30	50
Others	54	49	50	50	50
Total Current Liabilities	703	582	525	526	503
LT Borrowings	82	94	80	50	-
Others	103	76	100	100	100
Total Non-Current Liabilities	186	170	180	150	100
Total Liabilities	889	752	705	676	603
Common Shares	43	217	217	217	217
Minority Interests	70	163	212	292	372
Retained Earnings	620	561	634	765	915
Others	24	44	50	-	-
Total Equity	756	985	1,114	1,275	1,505

Source: Company, Sucorinvest estimates

Figure 35: Statement of Cash Flows

IDR bn	2013	2014	2015F	2016F	2017F
Cash Flows from Operating Activities					
Net Income	142	177	86	187	215
Depreciation Expense	44	(43)	45	65	68
NWC	5	63	239	(130)	(78)
Total	182	71	(108)	382	361
Cash Flows from Investing Activities					
Capex	(80)	80	(80)	(107)	(115)
Others	(3)	(77)	(98)	0	0
Total	(82)	4	(178)	(107)	(115)
Free Cash Flows	102	151	(188)	275	245
Cash Flows from Financing Activities					
Change in Equity	0	194	6	(50)	-
Dividend	(30)	(274)	(13)	(56)	(64)
Others	0	39	-	-	-
Change in Other Long-Term Liabilities	34	(27)	24	-	-
Change in Short-Term Debt	54	9	11	(50)	(80)
Change in Long-Term Debt	(12)	11	(14)	(30)	(50)
Change in minority interest	44	93	50	80	80
Total	90	46	65	(106)	(114)
Beginning Cash	304	370	392	170	339
Change in Cash	190	120	(222)	169	131
Ending Cash	370	392	170	339	470
Source: Company, Sucorinvest estimates					

Figure 36: Key Ratios

%	2013	2014	2015F	2016F	2017F
Gross Profit Margin	34.2	37.4	32.3	37.8	37.2
Operating Profit Margin	22.3	26.2	18.3	24.8	25.2
Net Profit Margin	15.0	20.5	11.7	19.0	18.7
ROIC	37.3	23.5	13.6	22.0	27.7
ROE	27.0	35.3	15.0	27.2	26.0
Net Debt/EBITDA	6.7	6.1	93.6	Net Cash	Net Cash
Source: Company, Sucorinvest estimates					

Appendix

Company Background

IMPC has been in the building materials and plastic industry as a manufacturer and distributor with over 33 years of experience. IMPC is highly reputable in providing quality and reliable materials, and is known all over Indonesia. The company also has operations overseas such as in Vietnam and is looking to expand its reach in other parts of Asia such as Malaysia in the near future.

The company has three main business areas comprising manufacture, distribution and real estate. The company has extensive history in manufacturing and distributing plastic building materials for the consumer's need such as fiberglass, polycarbonate, aluminum composite panel, ventilator and other plastic and non-plastic building materials.

IMPC manufactures and distributes all of its own products through its factories and subsidiaries. IMPC has three factories in Greater Jakarta with 44 million tons of production capacity. With the IPO proceeds, IMPC looks to acquire two pieces of land near its existing factories to build more factories as they anticipate more demand in the future.

In 2014, IMPC ventured into the real estate industry by building a business park consisting of a 32-floor office and 84-units office park in Sunter, Jakarta. The real estate business is not IMPC's main business but it remains a huge revenue and earnings contributor.

Company Products

The company currently specializes in manufacturing and distributing three product lines in the specialty building material industry. As of 9M15, 83% of the company's revenue comes from its main business and the rest comes from its real estate business. The three product lines are roofing, façade and materials.

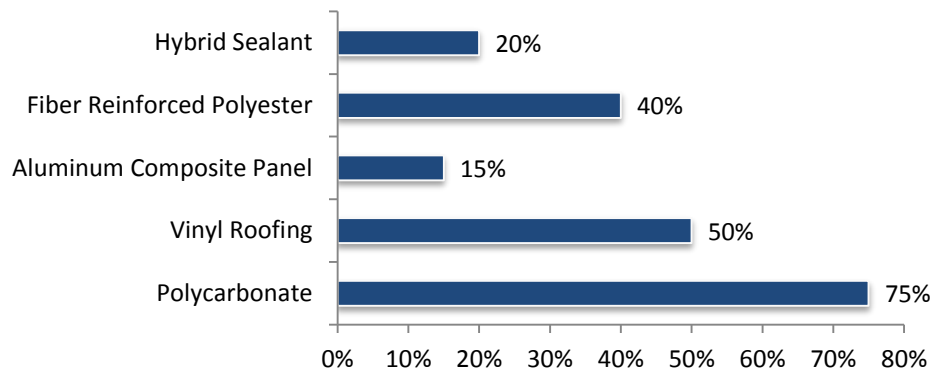
Figure 37: IMPC Brands



Source: Company

Over 50% of IMPC's sales turnover comes from their premium brands, some of which are listed below. They have other additional products but the sales contribution is not as significant.

Figure 38: IMPC Market Share



Source: Company, Sucorinvest

Throughout the years, IMPC's majority of sales come from the polycarbonate products in which they have about 70-75% market share. IMPC has around 40-50% market share in vinyl roofing and 30-40% in FRP. As for ACP and the sealant market which they entered in Feb 2014 and 2015, they have a 10-15% and 20% market share, which is quite high for a new player.

Product Description

1. Roofing

Polycarbonate roofing is IMPC's core product that contributes to the majority of sales. The product is used for a variety of applications such as roofing for buildings, canopies, walkways, car porch, greenhouse, partitions and skylights, among others. This is different from your typical everyday home and office roof as one of the main advantages is its design superiority combined with its practicality.

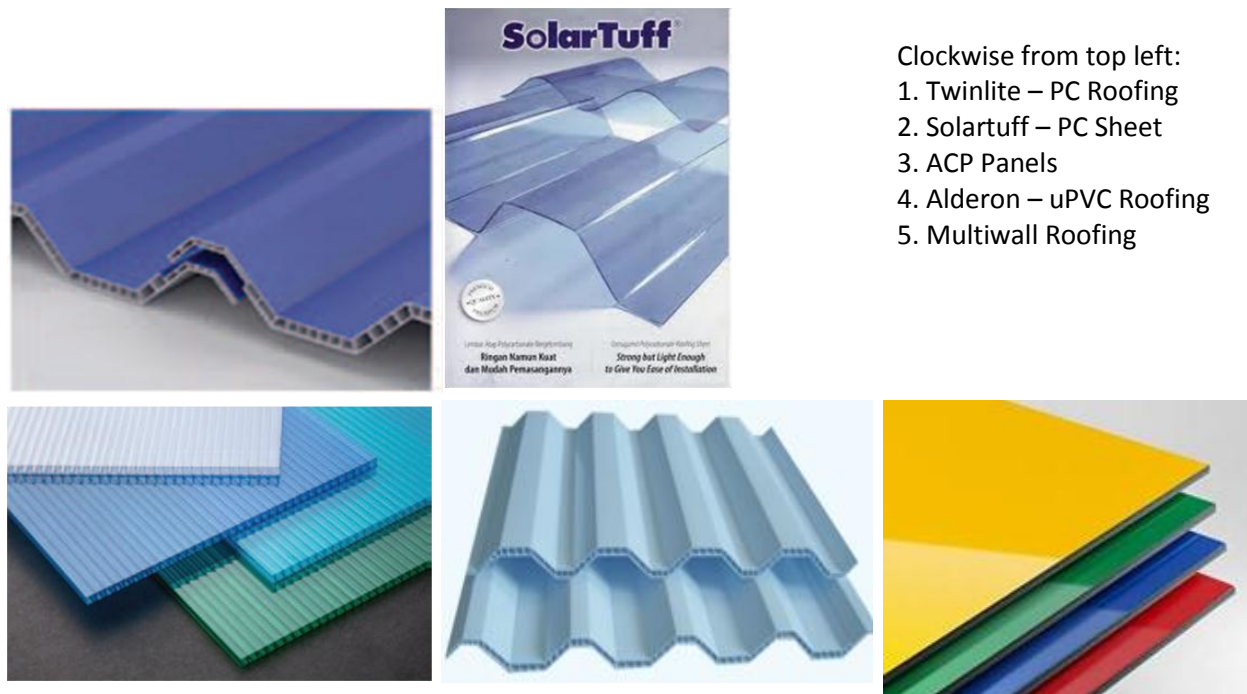
Other types of roofing include fiber reinforced polyester (FRP) and vinyl roofing used usually for chemical factories and warehouses, patios, car porch, walkways, greenhouses, gazebos, etc. All roofings are substitutes for steel roofing found in many warehouses.

Product advantages besides its design include its heat and noise reduction while still having light transmission. Also, durability and strength of the product with 10 and 15 years warranty makes the product justified at its premium pricing.

2. Façade

Facades made by IMPC consist of aluminum composite panels (ACP) and impraboard currently, along with its complementary product of the sealant which acts as the ACP glue. The façade products are used inside and outside of buildings for interior design and architectural purposes.

Figure 39: IMPC Core Business Products

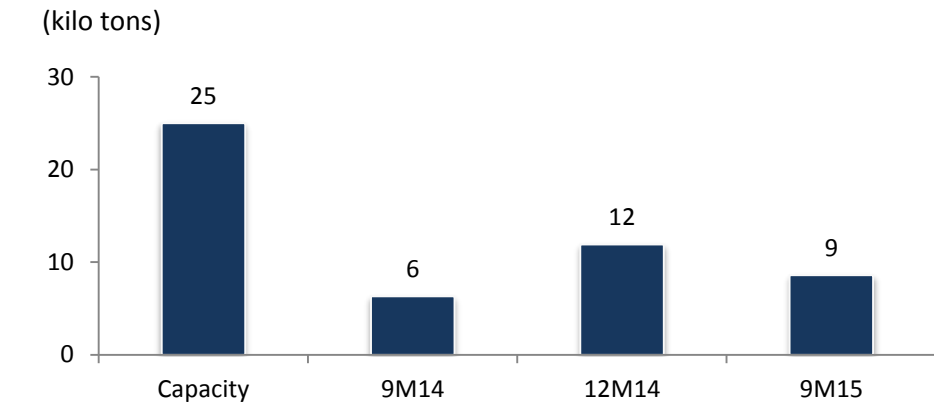


Source: Company

Manufacturing and Distribution

IMPC manufactures all of its products and distributes them to its own subsidiary and outside retailers across Indonesia. Current factory capacities stand at 25,000, 10,000, and 835 metric tons for polycarbonate, vinyl and FRP roofing products in Indonesia and Vietnam. Additionally, ACP capacity is at 2.5million sqm and sealant capacity is at 500 thousand liters.

Figure 40: Polycarbonate Roofing Production vs Capacity



Source: Company, Sucorinvest

Distribution wise, IMPC has PT. Mulford Indonesia which distributes IMPC's products to 50 different stores across 13 cities in Indonesia. There are more than 5000 retailers carrying IMPC's product in addition to its own subsidiary. Besides the aforementioned retail distribution network, IMPC has also a project based distribution network via its subsidiary PT. Alderon Pratama Indonesia.

PT. Mulford resides in 13 cities: DKI Jakarta, Karawaci, Bandung, Tasikmalaya, Cirebon, Purwokerto, Yogyakarta, Surabaya, Kediri, Medan, Pekanbaru, and Makassar. For the retail distribution network, the products that are popular are the roofing segment whereas in the project based distribution, the façade products are more popular.

Figure 41: IMPC Distribution Network



Source: Company

Product Usage

Clockwise from Top Left

1. Alderon – Warehouse
2. Alderon – Factory
3. ACP Signbond – Busway Tanjung Priok
4. Polycarbonate Solartuff – Car Factory
5. Polycarbonate Solartuff – Sampoerna Sport Club
6. FRP AlsyniteUltra – Nike Shoes Factory
7. Polycarbonate Twinlite – SPBU Total
8. ACP Ferrobond – Pluit Junction

Source: Company



Management Profile

Board of Commissioners

Handojo Tjiptodihardjo, President Commissioner

An Indonesian citizen, 80 years old, graduated from High School in 1952. He has served as the Company's President Commissioner since 2007 to date, Commissioner of PT Tunggal Jaya Investama (2007-present), Commissioner of PT Harimas Tunggal Perkasa (2007-present), President Commissioner of PT Impack Pratama Industri Tbk (August 2014-present), Commissioner of PT Impack Pratama Industri (1993-2011), Commissioner of PT Impack Pratama Industri (1988-2007, 2011-August 2014), Commissioner of PT Cypress Adimulia (1998-present), President Commissioner of PT Abadi Adimulia (1998-present), Commissioner of PT Tunggal Jaya Indah (1998-present), Director of PT Tunggal Jaya Investama (1999-2007), Director of PT Harimas Tunggal Perkasa (1988-2007), Director of PT Impack Pratama Industri (1981-1988), President Director of PT Cypress Adimulia (1977-1998), President Director of PT Abadi Adimulia (1973-1998), President Director of PT Tunggal Jaya Indah (1958-1998).

Cornelius Wielim Pranata, Independent Commissioner

A Singaporean citizen, 50 years old, obtained his Bachelor of Business Administration degree in Finance from University of Toledo, Ohio, in 1988, and Master of Business Administration in Finance from University of Toledo, Ohio, in 1989. He has served as the Company's Independent Commissioner since 2014, Director of UOB Kay Hian Pte. Ltd., Singapore (2007-present), Director of Mooresrowland Corporate Advisory Pte. Ltd., Singapore (2003-2007), Associate Director in PricewaterhouseCoopers Corporate Finance, Singapore (2000-2003), Corporate Finance Group – Vice President in RGM International Pte. Ltd. (1999-2000), Corporate Director of PLB Engineering Bhd., Malaysia (1998-1999).

Board of Directors

Haryanto Tjiptodihardjo, President Director

An Indonesian citizen, 52 years old, earned Bachelor of Science in Industrial and Systems Engineering from University of Southern Carolina, USA, in 1983, and Master of Business Administration degree from Woodbury University, USA, in 1986. He has served as the Company's President Director since 1993, Director of PT Harimas Tunggal Perkasa (2007-present), Director of PT Tunggal Jaya Investama (2007-present), Commissioner of PT Unipack Plasindo (1999-present), Commissioner of PT Abadi Adimulia (1998-present), Commissioner of PT Sinar Grahama Lestari (1996-present), Commissioner of PT Indah Cup Success Makmur (1996-present), President Commissioner of PT Kreasi Dasatama (1996-present), Sales Division of PT Abadi Adimulia (1988-1996), President Director of PT Kreasi Dasatama (1988-1996), Director of PT Impack Pratama Industri (1988-1993), Commissioner of PT Impack Pratama Industri (1986-1988).

Lindawati, Director

An Indonesian citizen, 48 years old, obtained Bachelor of Economics majoring in Economics from Atmajaya University, 1990. He has served as the Company's Director since 2009, with responsibility in the fields of finance and accounting. In addition, he also serves as President Director of PT Unipack Plasindo (2009-present) and as Director of PT Unipack Plasindo (1998-2009), Accounting Manager of PT Impack Pratama Industri (1995-2009), Internal Audit of PT Indocement Tunggal Prakarsa (1990-1995), and Auditor of KAP Hans Tuanokotta Mustofa (1988-1990).

Janto Salim, Director

An Indonesian citizen, 47 years old, earned Bachelor of Business Administration majoring in Marketing from Texas Tech University, USA, 1990, Bachelor of Business Administration majoring in Management from Texas Tech University, USA, 1991, and Master of Science majoring in Interdisciplinary Studies from Texas Tech University, USA, 1992. He has served as the Company's Director since 2014 with responsibility in the field of marketing, and President Director of PT Mulford Indonesia (2009-present). He previously served as Director of PT Mulford Indonesia (2004-2009); Marketing Manager of PT Impack Pratama Industri (1994-2004); Export Sales Manager of PT Impack Pratama Industri (1994-1996), and Assistant Manager in PT Bank Bali (1993-1994).

Nga Seg Min, Director

A Malaysian citizen, 54 years old, earned his Bachelor of Accountancy majoring in Accounting from National University of Singapore, Singapore, 1983. He has served as the Company's Director since 2013, with responsibility in the fields of business development & strategic planning and marketing. He also serves as Director of Mulford International Pte. Ltd., Singapore (1990-present). Formerly, he was President Director of PT Guru Indonesia (1995-2002), Business Development Manager of PT Guru Indonesia (1991-1994), General Manager of Unitraco Pte. Ltd., Singapore (1987-1991), and Senior Accountant, Recovery KPMG (1983-1987).

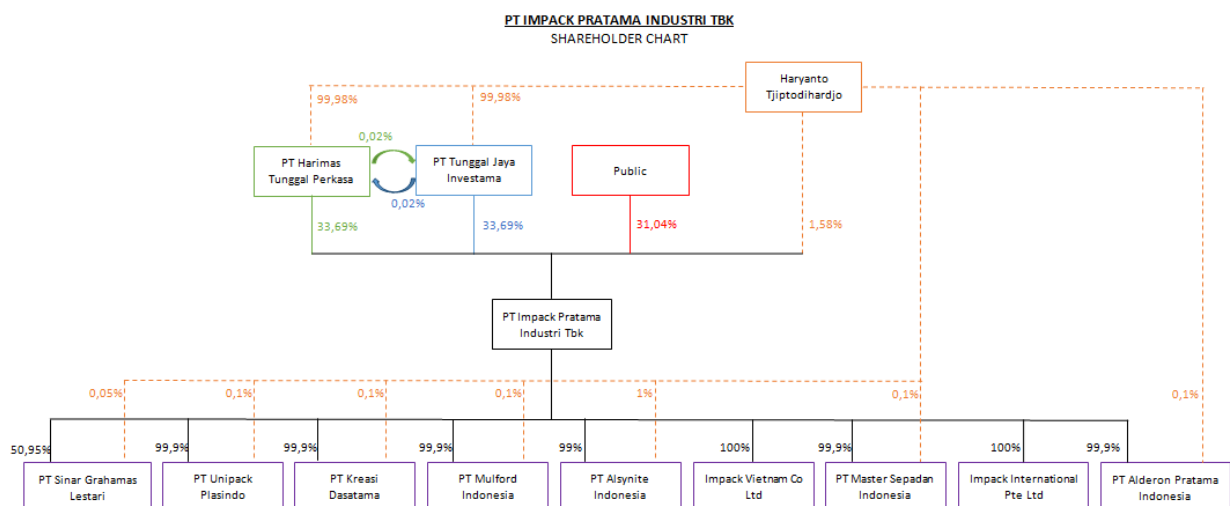
David Herman Liasdanu, Director

An Indonesian citizen, 49 years old, obtained his Bachelor of Economics majoring in accounting from University of Tarumanegara, 1990. He has served as the Company's Director since 2009 with responsibility in the field of general affairs and human resources. He also serves as Director of PT Sinar Grahama Lestari (2009-present). Previously, he served as PVD Head Division of PT Impack Pratama Industri (2007-2009); Internal Audit Manager of PT Impack Pratama Industri (1999-2007); Senior Associate Pricewaterhousecoopers FAS (1998-1999); Corporate Planning, Business Development and Credit Manager of PT Duta Anggada Realty (1997-1998); Deputy Accounting Manager of PT Sungai Budi Group (1994-1996); Senior Auditor at KAP KPMG Hanadi Sudjendro (1990-1994).

Paulus Allend Wibowo, Independent Director

An Indonesian citizen, 40 years old, earned his Bachelor of Electrical Engineering majoring in Computer and Control System from Christian University of Maranatha, Bandung, 1997. He has served as the Company's Independent Director since August 2014, with responsibility in the field of operations. Previously, he served as Group Audit Operational Manager of PT Impack Pratama Industri (May-August 2014); Regional Manager of PT Mulford Indonesia (2009-2011); Branch Manager of PT Mulford Indonesia (2006-2009), as well as Electronics, Electrical and IT Engineer, Production Manager, PPIC Manager, QA & PD Manager, Top Manager Representative of PT Multi Spunindo Jaya.

Figure 42: Shareholder Structure



Source: Company

Sucorinvest 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

Analyst Certification

The research analyst(s) primarily responsible for the preparation of this research report hereby certify that all of the views expressed in this research report accurately reflect their personal views about any and all of the subject securities or issuers. The research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

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