

# Impack Pratama Industri

## Expanding Foothold in Building Materials

Impack Pratama Industri (IMPC) is a leading building materials producer since 1981. IMPC's revenue are divided into 5 segments as of 12M20: 1) Roofing (71%), 2) Façade (10%), 3) Material (7%), 4) Pipe (1%), 5) Trading (10%), and 5) Real Estate (1%). As of 2020, around 31% of the company's sales are from overseas sales, whereas the remaining 69% are from domestic sales. The roofing segment primarily sells various types of roof from different materials such as Polycarbonate (PC), Polyvinyl Chloride (PVC, uPVC) and Fibre Reinforced Plastic (FRP) that are used as roofs for pedestrian bridge or factory (IMPC holds popular brand names such as Alderon, SolarTuff, etc). The façade segment sells Aluminium Composite Panel (ACP) and Impraboard, of which ACP can be used as wall layers in high-rise buildings. Furthermore, IMPC also sells other retail/home improvement products such as sealant, polymer resin and also ore raw materials (Refer to figures 2 – 8 for IMPC's complete product suite)

### More focused on export market, particularly roofing segment

In 2021, IMPC will focus on **1)** Increasing its ANZ (Australia and New Zealand) market share for its roofing and pipe sales **2)** Increase ACP sales, particularly the fire-retardant ACP as it is one of IMPC's most popular products. As of 9M20, for the roofing segment the company holds a 26% and 50% market share in Australia and New Zealand, respectively. Furthermore, IMPC is one of the companies that sells fire-retardant ACP, which is a regular requirement for buildings/office spaces. The product has also been installed in several MRT stations in Jakarta. In FY20, roofing and pipe contributed to 71% and 1% of IMPC's revenues, respectively.

### Impressive 1Q21 results

IMPC's 1Q21 revenue reached Rp552bn (-2% QoQ, +34% YoY) and net profit amounting to Rp62bn (+64% QoQ, +4% YoY) on the back of increases in ASP and volume (Alderon product line saw an ASP increase in Jan and Mar 2021). This is impressive considering the quarter's revenues and profit reached 29% and 40% of FY21 guidance, respectively. Furthermore, during the quarter, the company also reduced its ST bank loans and hence its interest expenses declined quite significantly (Figure 9). Going forward, the deleveraging should have a positive impact and lead to a significant increase in the bottom-line.

### Initiate BUY with a IDR2,000 TP

We initiate a **Buy** rating on IMPC with a TP of IDR2,000 (+18% ups). We derive our price target using DCF valuation method with 8.3% WACC and 5.0% LTG. The TP is set on the back of 1) Stable margins and ASP outlook 2) Gradual reduction in debt position, which leads to lower interest expenses and higher profitability and 3) Increase in contribution from export façade segment. Key risk to our call is FX risk for IMPC's overseas sales and market risk for raw materials prices.

### Company data

Year end Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Revenue (IDR bn)	1,496	1,798	1,900	2,136	2,331
Net Profit (IDR bn)	93	116	166	177	174
EPS (IDR)	19	24	34	37	36
EPS Growth (%)	-12%	24%	43%	6%	-1%
P/E (x)	38	63	55	62	50
PBV (x)	3.9	4.5	4.2	4.1	3.9
DPS (Rp)	-	10	15	16	8
Div. Yield (%)	0.0%	0.8%	1.2%	1.4%	0.7%

## BUY (Initiation)

Target Price 2,000 (+18% ups)  
 Previous TP N/A  
 Current Price IDR1,700

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### Stock Data & Indices

Bloomberg Code	IMPC.IJ
JCI Group	JAKBIND
MSCI Indonesia	NO
JII	NO
LQ45	NO
Kompas 100	NO

### Key Data

Issued Shares (mn)	4,833.5
Free Float (est)	8.2
Mkt. Cap (IDRbn)	8,217.1
Mkt. Cap (USDmn)	580.4
ADTV 6 months (IDRbn)	2.3
52 Wk-range	1,750 / 1,070

### Performance (%)

	YTD	1m	3m	12m
Absolute	28.3	14.9	16.4	57.4
Relative to JCI	28.4	16.4	20.1	27.4

### Income Statement

Year end Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Revenue	1,496	1,798	1,900	2,136	2,331
Gross profit	495	651	582	672	707
Operating profit	216	238	287	267	264
EBITDA	282	302	422	412	421
Interest income (expense)	-9	6	6	6	6
Pretax profit	134	176	222	235	232
Income tax expense	-41	-60	-55	-59	-58
Minority interest	-11	-9	-13	-14	-14
Net profit	93	116	166	177	174

### Company Background

Impack Pratama Industri (IMPC) is a leading building materials producer since 1981. IMPC's revenue are divided into 5 segments as of 12M20: 1) Roofing (71%), 2) Façade (10%), 3) Material (7%), 4) Pipe (12%), 5) Trading (10%), and 5) Real Estate (1%). As of 2020, around 31% the company's sales are from overseas sales, whereas the remaining 69% are from domestic sales.

### Balance Sheet

Year end Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Cash	218	237	430	459	534
Trade receivables	292	363	370	415	453
Inventory	573	604	722	802	890
Net fixed asset	852	908	897	876	847
Other assets	566	585	601	619	639
<b>Total assets</b>	<b>2,501</b>	<b>2,697</b>	<b>3,020</b>	<b>3,172</b>	<b>3,363</b>
Trade payables	118	178	195	214	236
Short-term debt	186	108	190	200	210
Long-term debt	601	589	589	589	589
Others	188	356	322	322	322
<b>Total liabilities</b>	<b>1,093</b>	<b>1,231</b>	<b>1,296</b>	<b>1,326</b>	<b>1,357</b>
Shareholder's equity	1,408	1,466	1,723	1,846	2,006
Minority interest	230	219	240	264	291
<b>Total equity</b>	<b>1,408</b>	<b>1,466</b>	<b>1,723</b>	<b>1,846</b>	<b>2,006</b>

### Cash Flow

Year end Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Net profit	93	116	166	177	174
Depreciation	60	64	134	146	157
Changes in working capital	25	119	-107	-106	-105
<b>Operating cash flow</b>	<b>178</b>	<b>299</b>	<b>193</b>	<b>216</b>	<b>226</b>
Capital expenditure	-154	-120	-123	-125	-128
Others	-82	-53	-16	-18	-20
<b>Investing cash flow</b>	<b>-236</b>	<b>-173</b>	<b>-139</b>	<b>-143</b>	<b>-147</b>
Net change in debt	27	-111	82	10	10
Changes in equity/capital	-57	-58	91	-54	-14
Others	26	63	-34	-	-
<b>Financing cash flow</b>	<b>-5</b>	<b>-107</b>	<b>139</b>	<b>-44</b>	<b>-4</b>
<b>Net cash flow</b>	<b>-62</b>	<b>19</b>	<b>193</b>	<b>29</b>	<b>75</b>
Free cash flow	281	218	237	430	459

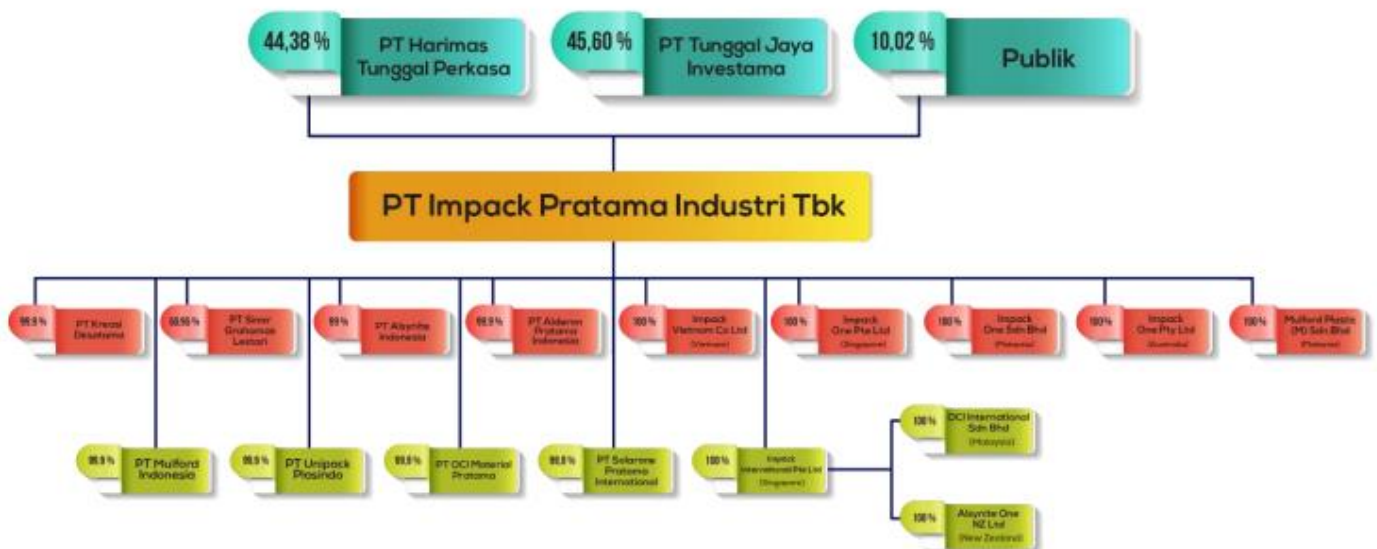
### Ratio Analysis

Year end Dec	2019A	2020A	2021F	2022F	2023F
<b>Profitability</b>					
Gross margin	33%	36%	31%	31%	30%
Operating margin	14%	13%	15%	12%	11%
Net margin	6%	6%	9%	8%	7%
ROA	4%	4%	6%	6%	5%
ROE	7%	8%	10%	10%	9%
<b>Stability</b>					
Net debt to equity	0.4	0.3	0.2	0.2	0.1
Net debt to EBITDA	2.0	1.5	0.8	0.8	0.6
Interest coverage ratio	23.3	38.9	47.0	43.6	43.2
<b>Efficiency</b>					
Receivable days	71	74	71	71	71
Inventory days	209	192	200	200	200
Payable days	43	57	54	53	53

## Company Overview

PT Impact Pratama Industry Tbk (IMPC.IJ) was established in 1981 and is currently operating as a producer and distributor of building materials and plastic products, and also engage in real estate business through its subsidiaries. The company's business lines are **1) Roofing 2) Façade 3) Material 4) Property and 5) Interior**. IMPC currently has 12 subsidiaries operating in Indonesia, Singapore, Vietnam, Malaysia, New Zealand, and Australia and operates 8 plants across the countries. Locally, IMPC has wide presence amounting to 18 distributors, 28 agents, and 3,534 retailers in 32 provinces. The company first started by being the first producer of *polypropylene twinwall sheet* in Southeast Asia. They then expanded production to *twinwall polycarbonate, corrugated vinyl sheet, vinyl compound, sealant, etc.* IMPC now owns ~85% market share of plastic roofing in Indonesia, 50% in New Zealand, 26% in Australia, and 25% in Vietnam.

**Figure 1.** IMPC's business structure



Source: Company

**Figure 2.** IMPC's products and brands



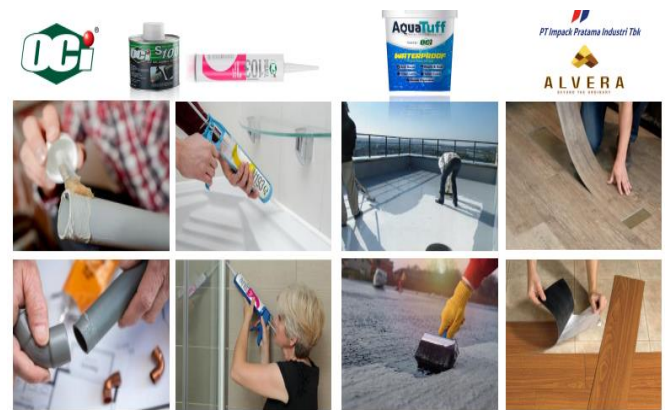
Source: Company

**Figure 3. IMPC Roofing Products**



Source: Company, Trimegah Research

**Figure 4. IMPC Retail/Home Improvements Products**



Source: Company, Trimegah Research

**Figure 5. IMPC Façade Products (Alcotuff ACP)**



Source: Company, Trimegah Research

**Figure 6. IMPC Façade Products (Impraboard)**



Source: Company, Trimegah Research

**Figure 7. IMPC Polymer Resin Products**



Source: Company, Trimegah Research

**Figure 8. IMPC Pipe Products**



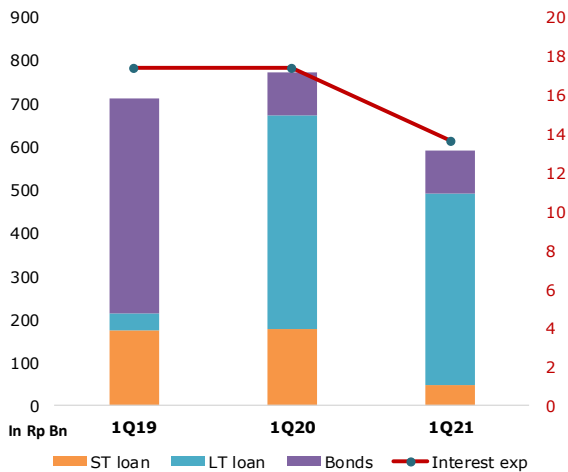
Source: Company, Trimegah Research

## Business Outlook

### 1) Impressive 1Q21 results could be signs for stellar FY21 performance

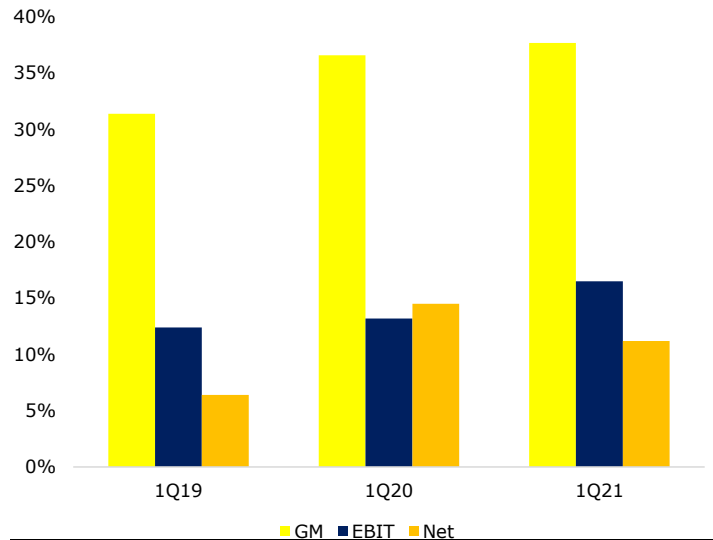
In 1Q21 IMPC booked an IDR552bn revenues (-2% QoQ, +34% YoY) and IDR60bn of profit (+58% QoQ, 13% YoY) in 1Q21. This is impressive considering the quarter's revenues and profit reached 29% and 36% of guidance, respectively. Furthermore, during the quarter, the company also reduced its ST bank loans and hence its interest expenses quite significantly (Figure 9). The company's revenues and net earnings guidance for FY21 are in the range of IDR1.9tn and IDR165bn, respectively.

Figure 9. Debt Breakdown



Source: Company, Trimegah Research

Figure 10. Gross, Operating, Net Margins

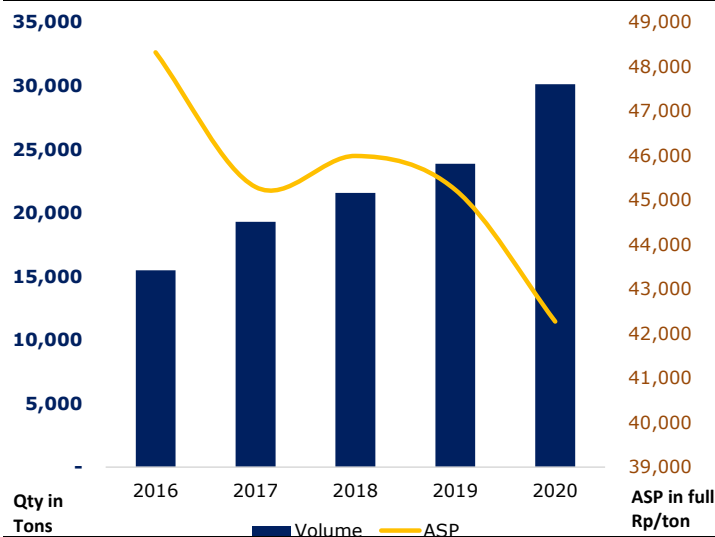


Source: Company, Trimegah Research

### 2) FY21 strategies put emphasis on international market expansion

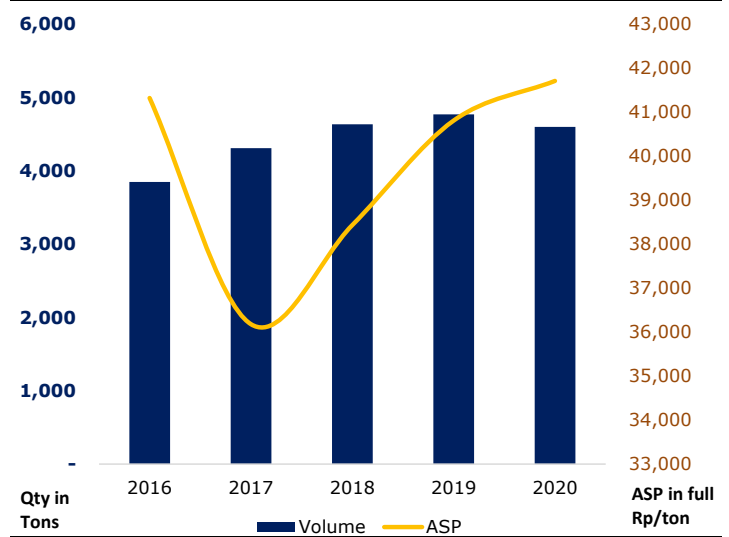
IMPC has made it clear that its FY21 strategies are to: **1)** Increase ANZ (Australia and New Zealand) market share for its FRP **2)** Increase Alderon roofing and pipe sales **3)** Increase ACP sales, particularly the fire-retardant ACP as it is one of IMPC's most popular products. The company has a sister company in Australia and has been a regular exporter to the country for the past years, so its market share in ANZ is quite significant (26% in Australia and 50% in New Zealand, as per our previous report). Furthermore, IMPC also sells Aluminum Composite Panel (ACP), with the product showing tremendous growth compared to Impraboard. The company is one of the few companies that sells fire-retardant ACP, which is regularly in high demand for high-rise buildings. The product has also been installed in several MRT stations in Jakarta.

Figure 11. Roofing Sales Volume and ASP



Source: Company, Trimegah Research

Figure 12. Façade Sales Volume and ACP



Source: Company, Trimegah Research

**3) 2021F Outlook: Beneficiaries of increasing middle-income wealth and recovery in property sectors post-pandemic**

We are currently on a liquidity abundant environment, with latest figure from Bank Indonesia indicates that money supply in December 2020 grew slightly faster at 12.4% YoY (vs. prev. month at +12.2% YoY). Prolonged pandemic that still makes people reluctant to go out normally and no-more overseas travel has resulting in increasing middle-income wealth. We should note that 75% of IMPC's sales coming from retail segments, thus an increase in middle-income wealth would bring more demand for house renovation and building materials.

In addition, we saw a quite significant shift on property sector that might boost property demand in 2021F, namely: **1)** Lower interest rate environment; **2)** Several huge infrastructure completions; **3)** abundance in middle-income saving, and 4) work from home trends. We saw that this should benefit IMPC performance in 2021F. Note that the Company aims to booked revenue in 2021F at IDR1.9tn (approx. +9%YoY) and Net Profit of IDR165bn (approx. +32% YoY). IMPC claims several strategies to achieve 2021F strategy such as: 1) Taking market share of the main competitor in Australia and New Zealand; 2) increase Alderon and pipe sales, and 3) increase in ACP sales.

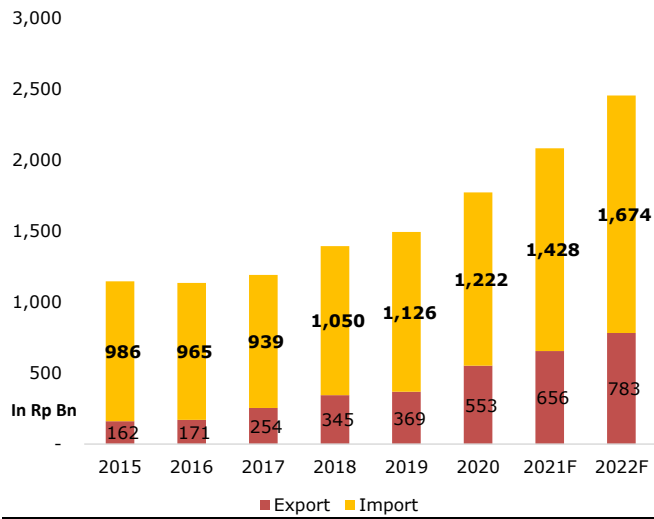
**4) Strong commitment on ESG + Solar Dryer Dome product that helping out the community**

The company is showing some serious commitment to sustainability which is reflected in: **1)** Setting long-term sustainability target with quantitative indicators aligned with SDGs, **2)** appointed a Sustainability Director to help shape the Company's future sustainability direction, and **3)** Being a finalist on Asia's Best First Time Sustainability Report. In addition, IMPC also introduce an innovative and environment friendly products, called "PET Plastic Roofing", that was made from recycled PET bottles. IMPC has use 3.5mn of single-use PET plastic bottle and has contributed revenue ~IDR1.0bn.

In 2017, the Company launched an attractive new product called Solar Dryer Dome that being used by farmers and fisherman to dry the crops and fish. Selling price for one unit of SDD ~IDR150mn, with the Company also collaborate with Ministry of Agriculture and Ministry of Forestry to helping out the farmer and fisher community. As of FY20, total beneficiaries of SDD products across Indonesia already reached 29,817 persons with 189 installed SDD across Indonesia.

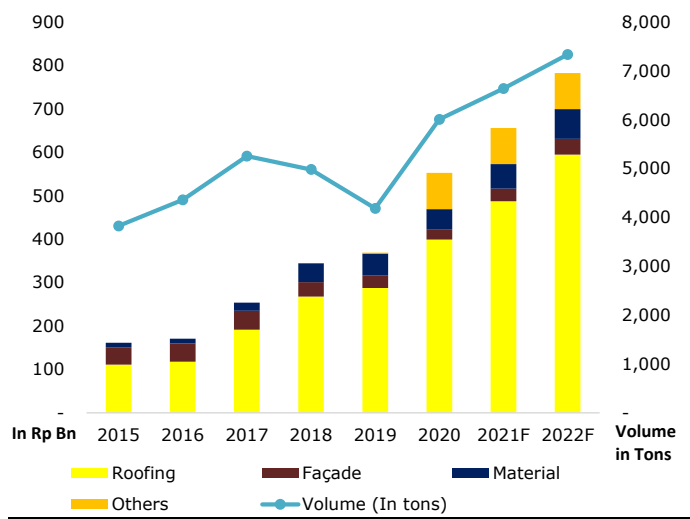
# Financials and Valuation

**Figure 13. Revenues from Exports and Imports**



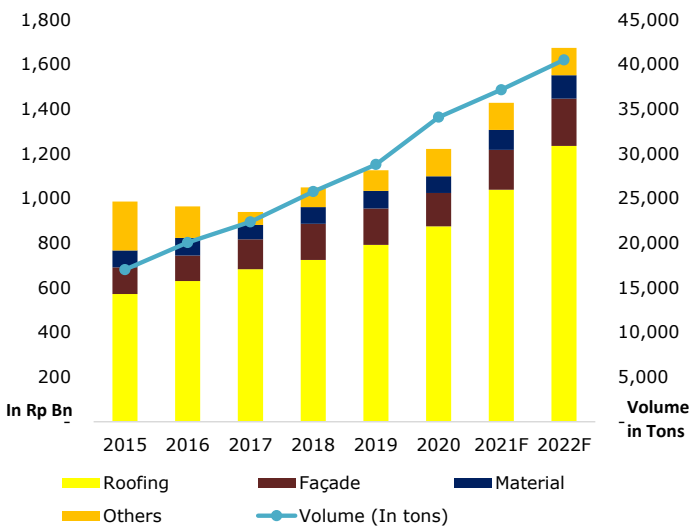
Source: Company, Trimegah Research

**Figure 14. Export Revenues Breakdown and Volume**



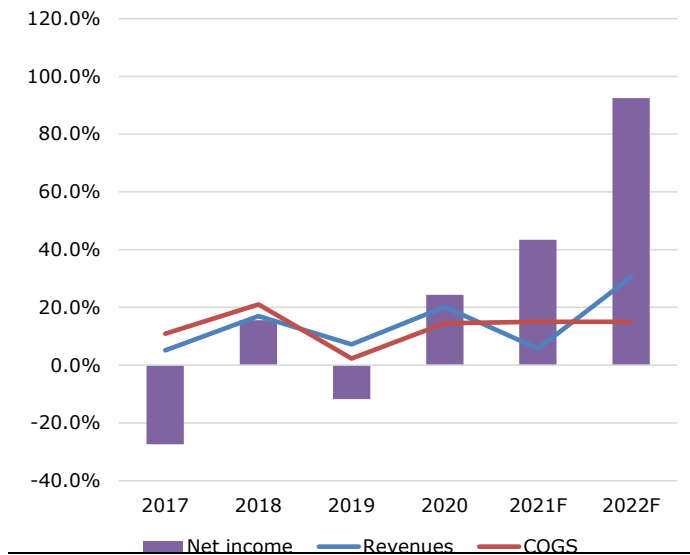
Source: Company, Trimegah Research

**Figure 15. Import Revenues Breakdown and Volume**



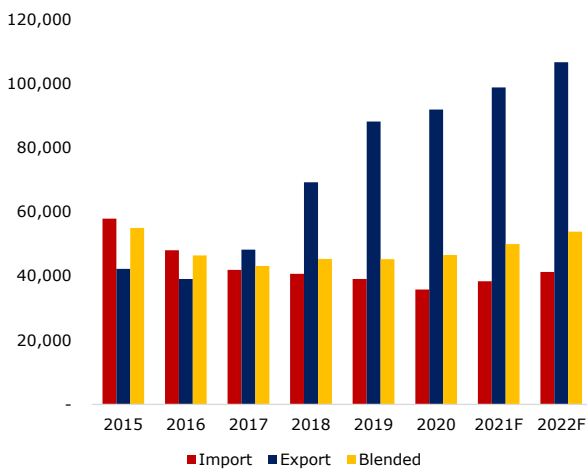
Source: Company, Trimegah Research

**Figure 16. Revenues, COGS, EBIT, Net Income Growth**



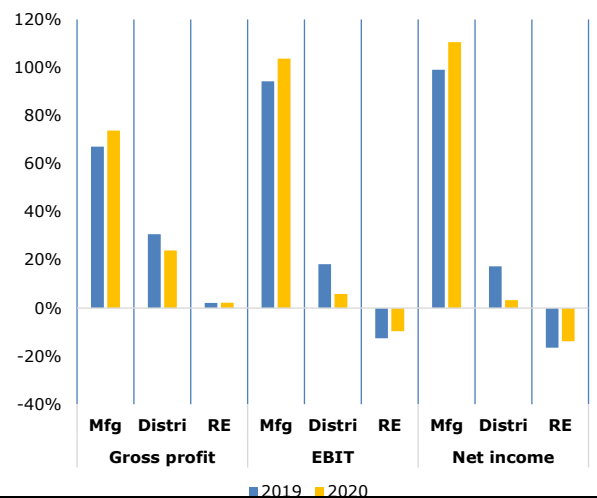
Source: Company, Trimegah Research

**Figure 17. ASP in Rp/Ton**



Source: Company, Trimegah Research

**Figure 18. GP, EBIT and Net Income Contribution**



Source: Company

Mfg: manufacturing segment; Distri: distribution segment; RE: real estate segment

**Figure 19. 1Q21 Results**

In IDR bn	4Q19	3Q20	4Q20	% QoQ	% YoY	2019A	2020A	% YoY
Revenues	453	465	564	21.2%	24.4%	1,496	1,798	20.2%
Gross profit	155	168	208	24.3%	34.1%	495	651	31.6%
Operating profit	83	93	74	-19.9%	-10.5%	238	238	0.0%
EBITDA	129	102	108	5.6%	-16.5%	275	302	9.7%
Net income	48	56	38	-32.4%	-20.9%	93	116	24.3%
Gross Margin	34.3%	36.0%	36.9%			33.1%	36.2%	
Operating Margin	18.3%	19.9%	13.1%			15.9%	13.2%	
EBITDA Margin	28.5%	22.0%	19.1%			18.4%	16.8%	
Net Margin	10.5%	12.0%	6.7%			6.2%	6.4%	
Cash	218	286	237			218	237	
Debt	755	734	643			755	643	
Equity	1,408	1,487	1,466			1,408	1,466	
Gearing	0.54	0.49	0.44			0.54	0.44	
Net gearing	0.38	0.30	0.28			0.38	0.28	

In IDR bn	1Q20	4Q20	1Q21	% QoQ	% YoY	3M20	3M21	% YoY
Revenues	413	564	552	-2.1%	33.9%	413	552	33.9%
Gross profit	151	208	208	-0.3%	37.6%	151	208	37.6%
Operating profit	74	74	84	13.3%	13.6%	74	84	13.6%
EBITDA	78	108	114	5.5%	45.9%	78	114	45.9%
Net income	60	38	62	63.8%	3.9%	60	62	3.9%
Gross Margin	36.6%	36.9%	37.6%			36.6%	37.6%	
Operating Margin	17.9%	13.1%	15.2%			17.9%	15.2%	
EBITDA Margin	18.9%	19.1%	20.6%			18.9%	20.6%	
Net Margin	14.5%	6.7%	11.2%			14.5%	11.2%	
Cash	239	237	233			239	233	
Debt	730	643	513			730	513	
Equity	1,466	1,466	1,526			1,466	1,526	
Gearing	0.50	0.44	0.34			0.50	0.34	
Net gearing	0.33	0.28	0.18			0.33	0.18	

Source: Company



We came up with a TP of IDR2,000 (Rounded down from IDR 2,032) based on a DCF with an 8.3% WACC and a 5% long-term growth. We then round up the fair value by 31 to arrive at a valuation of IDR2,000/share. At that particular valuation level, it implies a 30x 2022 forward PE and 5x 2022 forward PB.

**Figure 20. DCF Table**

Beta	0.44	<b>WACC</b>	<b>8.3%</b>
Risk free rate	6.45%	Equity Weighting	74%
Expected Market Return	11.5%	Debt Weighting	26%
Market premium	5.0%		
Cost of Equity (CAPM)	<b>8.7%</b>	<b>LT Growth</b>	<b>5.0%</b>
After-tax cost of Debt	<b>7.50%</b>		
Cost of bonds	10.0%		
tax rate	25%		

*Figures are in IDR Bn*

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
EBIT	287	267	264	292	325
Effective tax rate	25%	25%	25%	25%	25%
<b>NOPAT</b>	<b>215</b>	<b>200</b>	<b>198</b>	<b>219</b>	<b>244</b>
Addback: depreciation	595	741	898	1,067	1,248
Less: capital expenditures	-123	-125	-128	-130	-133
Incr./Decr. in working capital	-107	-106	-105	-99	-108
<b>Free cash flow</b>	<b>580</b>	<b>710</b>	<b>863</b>	<b>1,057</b>	<b>1,251</b>
<b>PV of FCF</b>	<b>460</b>	<b>446</b>	<b>430</b>	<b>418</b>	<b>392</b>
Sum of PV of FCF	<b>2,146</b>				
Terminal value	<b>11,699</b>				
PV of terminal value	<b>7,834</b>				
Enterprise Value	9,980				
Add: cash	362				
Less: debt	519				
<b>Equity Value</b>	<b>9,824</b>				
Shares outstanding, 2021 (Bn of shares)	4.834				
Equity value/share	<b>2,032</b>				
Rounded	<b>2,000</b>				
Closing price on Monday, May 10th	1,700				
Upside	<b>18%</b>				

Source: Trimegah Research

## Profile of Board Members

Below is the profile of IMPC's board of commissioners and directors with their past relevant experiences in building materials industries:

### Board of Commissioners



**Handojo Tjiptodihardjo | President Commissioner**  
85 years, Appointed in 1997

Past experiences:

- Company's Commissioner (1988-1993)
- President Commissioner PT Cypress Adimulia (1998-present)
- President Commissioner PT Tunggal Jaya Investama (1999-2007)
- Director at PT Harimas Tunggal Perkasa (1988-2007)
- Company's Director (1981-1988)



**Cornelius Wielim Pranata | Independent Commissioner**  
55 years, Appointed in 2014

Past experiences:

- Director at Mooresrowland Corporate Advisory Pte. Ltd., Singapore (2003-2007)
- Associate Director at PricewaterhouseCoopers Corporate Finance, Singapore (2000-2003)
- Vice President at RGM International Pte. Ltd. (1999-2000)
- Corporate Director at PLB Engineering Bhd., Malaysia (1998-1999)

### Board of Directors



**Haryanto Tjiptodihardjo | President Director**  
57 years, Appointed in 1997

Past experiences:

- President Commissioner of PT Indah Cup Sukses Makmur (1996-2000)
- President Director of PT Kreasi Dasatama (1988-1996)
- Company's Director (1988-1993)
- Company's Commissioner (1986-1988)



**Nga Seg Min | Director**  
58 years, Appointed in 2013

Past experiences:

- President Director of PT Guru Indonesia (1995-2002)
- President Commissioner of PT Mulford Indonesia (2004-2009 and 2009-2014)
- Business Development Manager at PT Guru Indonesia (1991-1994)
- General Manager at Unitraco Pte. Ltd., Singapore (1987- 1991)
- Senior Accountant, Recovery at KPMG (1983-1987)



**Lindawati | Director**

52 years, Appointed in 2009

Past experiences:

- Director at PT Unipack Plasindo (1998-2009), Company's Accounting Manager (1995-2009), Internal Audit staff at PT Indocement Tunggul Prakarsa (1990-1995), and Auditor at KAP Hans Tuanokotta Mustofa (1988-1990)



**David Herman Liasdanu | Director**

53 years, Appointed in 2009

Past experiences:

- Company's PVD Head Division (2007-2009)
- Company's Internal Audit Manager (1999-2007)
- Senior Associate at PricewaterhouseCoopers FAS (1998-1999)
- Corporate Planning, Business Development and Credit Manager at PT Duta Anggada Realty (1997-1998)
- Deputy Accounting Manager at PT Sungai Budi Group (1994-1996)



**Janto Salim | Director**

52 years, Appointed in 2014

Past experiences:

- Director at PT Mulford Indonesia (2004-2009)
- Company's Marketing Manager (1994- 2004)
- Company's Export Sales Manager (1994-1996)
- Assistant Manager at PT Bank Bali (1993-1994)



**Allend Wibowo | Director**

44 years, Appointed in 2014

Past experiences:

- Company's Group Audit Operational Manager (May 2014 - August 2014)
- Regional Manager at PT Mulford Indonesia (2009-2011)
- Branch Manager at PT Mulford Indonesia (2006-2009)



**Lisan | Director**

42 years, Appointed in 2019

Past experiences:

- Manager for West Indonesia at PT Platinum Ceramics Industry (2004-2008)
- Director at PT Alsynite Indonesia (2008-2016)
- Director at PT Mulford Indonesia (2008- 2016)
- Assistant to the Finance and Accounting Director of the Company (2017-2019)

## Research Team

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## Corporate Access

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