

# Impack Pratama Industri

## Leading player in building materials

### Not Rated

Current Price IDR1,475

*Impack Prama Industri (IMPC) is a leading building materials producer since 1981. IMPC's revenue is divided into 5 segments (sorted by % sales contribution in 9M20): 1) Roofing (71%), 2) Façade (10%), 3) Material (8%), 4) Trading (10%), and 5) Real Estate (1%). The company mainly serves retail customers at 75%, with the remaining 25% coming from projects. Geographical wise, 68% of IMPC sales coming from Domestic, whilst 19% from Australia and New Zealand, 7% from ASEAN, and 6% from others (see Figure 11,12, and 13 for more details). Management also has a strong commitment to ESG, as reflected in its recycled plastic roofing and solar dryer dome products (see p8 and 9 for more details).*

#### Stable margin on the back of strong brand name

IMPC recorded a stable GPM above 30% in the last five years, despite fluctuations in macroeconomic conditions and in prices of raw materials. Note that ~40-50% IMPC's production costs is raw materials, with *Polycarbonate Resin (PR)* as the main component and PR price is highly correlated with oil price. We note that IMPC's stable margin was due to IMPC's ability to pass the increase in raw material to customer, as their products has a strong brand name, higher quality and durability vs. its peers.

#### Company is optimistic on gaining more market share

IMPC's market share on roofing segments in Indonesia stood at 85%, New Zealand 50%, Australia 26%, Vietnam 25%, Malaysia 20%. Company is aiming to expand their market share through: 1) Continuous improvement of its distribution network and 2) introduce more innovative product range. To gain more market share this year, IMPC is planning to introduce new products, namely: Lasertuff, Alderone pipe, and LVT. In addition, IMPC is also planning to build a new plant and distribution center in East Java with capex requirement of ~IDR75bn and expected revenue contribution of ~IDR400bn starting 2022.

#### Beneficiary of rising middle-income and recovery in property sectors

75% of IMPC's total revenue is from retail segment and the company should benefit from long-term trend of rising middle-income and a potential recovery in property sector in the short-term. Increasing middle-income wealth will bring more demand for house renovation, as well as building materials. Low interest rate environment, several huge infra-completions, abundant middle-income saving and work from home trends will boost property demand that should benefit IMPC performance in 2021. IMPC guides revenue in 2021 at IDR1.9tn (+9% YoY), with net profit of IDR165bn (+32% YoY). To achieve this 2021 targets, the Company have several strategies such as: 1) taking market share of main competitor in AU and NZ (through acquisition of fiber glass and PC distributor in AU), 2) increase alderon, APC, and pipe sales.



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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)	7,129.4
Mkt. Cap (USDmn)	511.0
ADTV 6 months (IDRbn)	1.5
52 Wk-range	1495 / 1020

#### Performance (%)

	YTD	1m	3m	12m
Absolute	11.3	8.9	6.1	34.1
Relative to JCI	6.4	10.5	-8.0	27.2

#### Company data

Year end Dec (IDRbn)	2017	2018	2019	9M19	9M20
Revenue (IDR bn)	1,193	1,395	1,496	1,042	1,233
Net Profit (IDR bn)	87	86	104	56	87
EPS (IDR)	18	18	21	15	24
EPS Growth (%)	-15%	-1%	20%	34%	56%
P/E (x)	55	53	49	67	62
PBV (x)	3.7	3.3	3.6	3.7	4.8
DPS (Rp)	8	10	-	-	10
Div. Yield (%)	0.8%	1.1%	-	-	0.7%

### Income Statement

Year end Dec (IDRbn)	2017	2018	2019	9M19	9M20
Revenue	1,193	1,395	1,496	1,042	1,233
Gross profit	406	385	417	339	443
Operating profit	219	189	192	123	164
EBITDA	270	240	246	168	215
Interest income (expense)	- 45	- 76	- 72	- 53	- 51
Pretax profit	165	111	117	69	111
Income tax expense	- 39	- 20	- 12	- 24	- 33
Minority interest	23	4	19	- 10	- 9
Net profit	87	86	104	56	87

### Company Background

PT Impack 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 main products are 1) Roofing, 2) Facade, 3) Material, 4) Property, and 5) Interior.

### Balance Sheet

Year end Dec (IDRbn)	2017	2018	2019	9M19	9M20
Cash	355	281	218	223	286
Trade receivables	242	255	292	240	287
Inventory	521	544	573	591	588
Net fixed asset	742	757	852	811	945
Other assets	434	533	566	605	576
<b>Total assets</b>	<b>2,295</b>	<b>2,370</b>	<b>2,501</b>	<b>2,470</b>	<b>2,682</b>
Trade payables	105	78	118	137	139
Short-term debt	177	189	276	198	286
Long-term debt	544	532	464	539	507
Others	179	199	235	226	263
<b>Total liabilities</b>	<b>1,006</b>	<b>998</b>	<b>1,093</b>	<b>1,101</b>	<b>1,196</b>
Shareholder's equity	1,050	1,116	1,178	1,137	1,268
Minority interest	239	256	230	231	219
<b>Total equity</b>	<b>1,289</b>	<b>1,372</b>	<b>1,408</b>	<b>1,369</b>	<b>1,487</b>

### Cash Flow

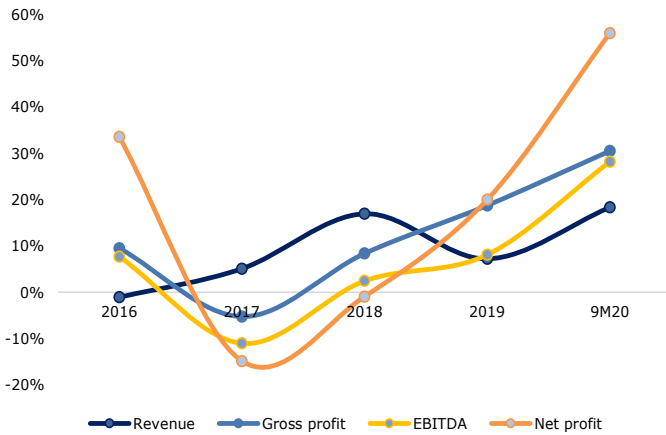
Year end Dec (IDRbn)	2017	2018	2019	9M19	9M20
Net profit	91	106	93	45	78
Depreciation	51	54	60	44	51
Changes in working capital	- 127	- 101	25	27	35
<b>Operating cash flow</b>	<b>15</b>	<b>59</b>	<b>178</b>	<b>116</b>	<b>165</b>
Capital expenditure	- 93	- 70	- 154	- 113	- 186
Others	- 38	- 41	- 82	- 90	- 52
<b>Investing cash flow</b>	<b>- 131</b>	<b>- 110</b>	<b>- 236</b>	<b>- 202</b>	<b>- 237</b>
Net change in debt	- 53	3	27	67	65
Changes in equity/capital	- 28	- 22	- 57	33	40
Others	30	- 4	26	- 9	30
<b>Financing cash flow</b>	<b>- 51</b>	<b>- 23</b>	<b>- 4</b>	<b>91</b>	<b>135</b>
<b>Net cash flow</b>	<b>- 166</b>	<b>- 74</b>	<b>- 62</b>	<b>5</b>	<b>63</b>
Free cash flow	- 116	- 52	- 58	- 86	- 73

### Ratio Analysis

Year end Dec	2017	2018	2019	9M19	9M20
<b>Profitability</b>					
Gross margin	32%	30%	33%	33%	36%
Operating margin	16%	14%	14%	12%	13%
Net margin	7%	6%	7%	5%	7%
ROA	4%	4%	4%	2%	3%
ROE	7%	6%	7%	4%	6%
<b>Stability</b>					
Net debt to equity	0.3	0.3	0.4	0.4	0.4
Net debt to EBITDA	1.5	1.8	2.0	3.1	2.4
Interest coverage ratio	2.5	2.7	2.9	2.3	3.2
<b>Efficiency</b>					
Receivable days	74	67	71	84	85
Inventory days	235	203	209	307	272
Payable days	47	29	43	71	64

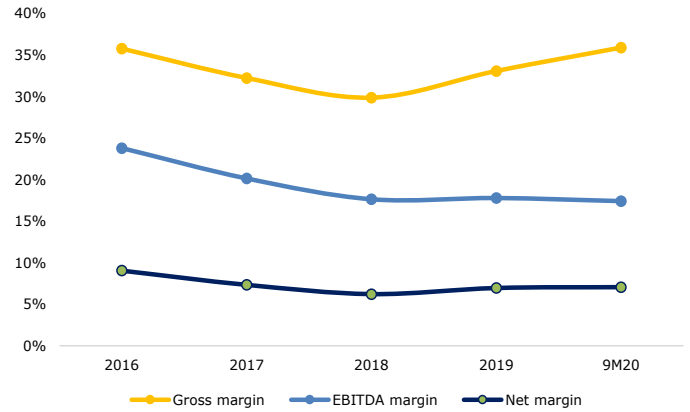
# IMPC At a Glance

**Figure 1. IMPC's growth ratios (%)**



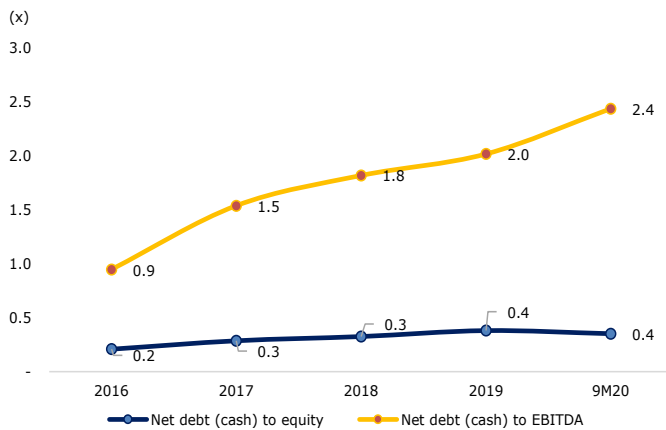
Source: Company, Trimegah Research

**Figure 2. IMPC's profitability ratios (%)**



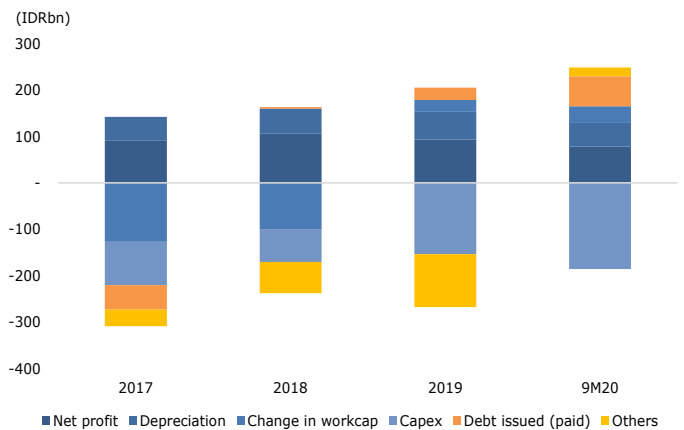
Source: Company, Trimegah Research

**Figure 3. IMPC's leverage ratios (x)**



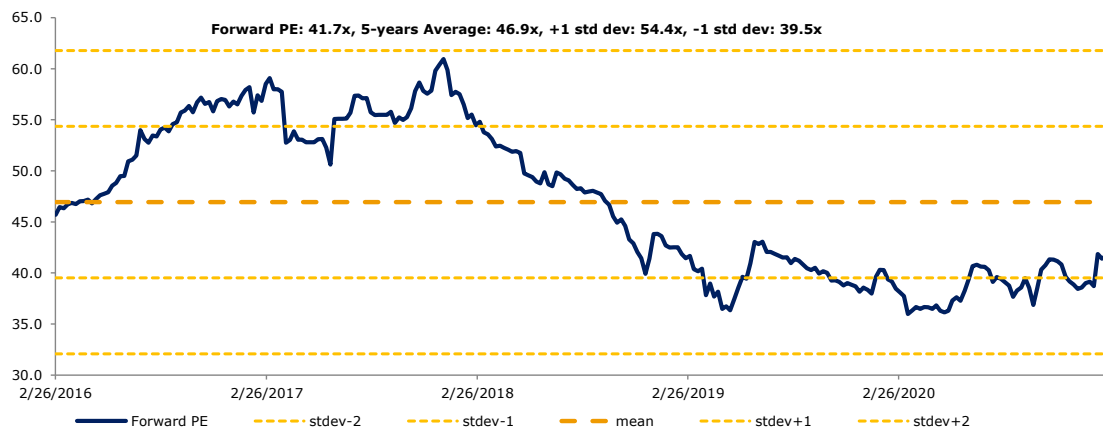
Source: Company, Trimegah Research

**Figure 4. IMPC's cash flow analysis**



Source: Company, Trimegah Research

**Figure 5. IMPC's 5-year historical PE band**

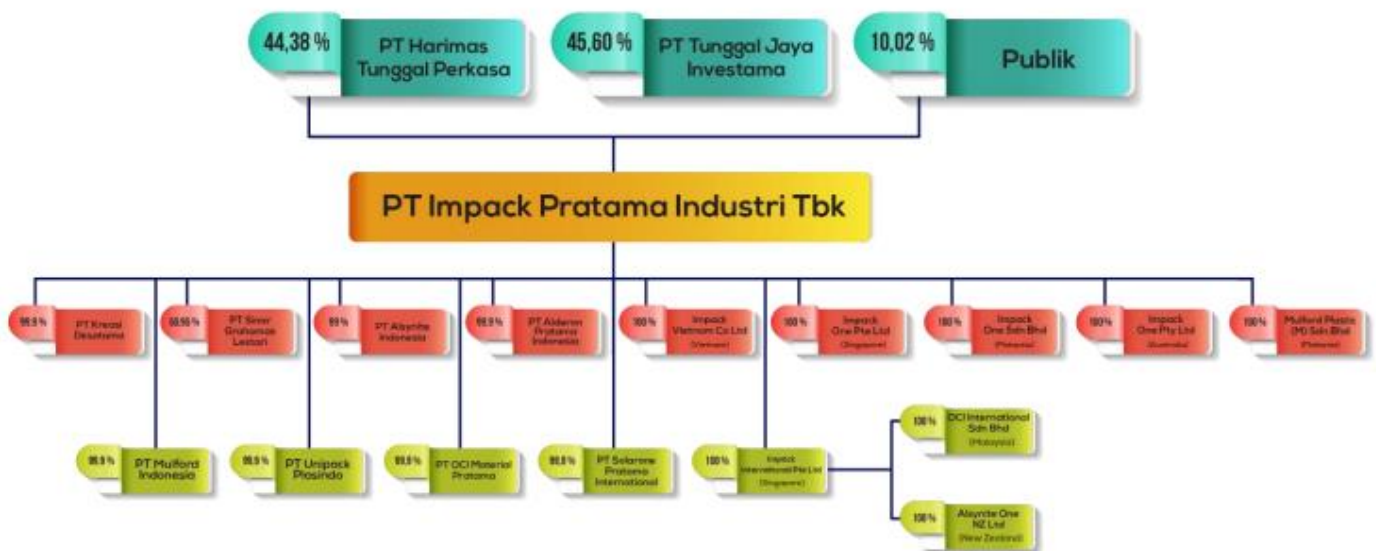


Source: Bloomberg, Trimegah Research

## Company Overview

PT Impack Pratama Industri 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 main products are 1) Roofing, 2) Façade, 3) Material, 4) Property, and 5) Interior. The company currently has 16 subsidiaries operating in Indonesia, Singapore, Vietnam, Malaysia, New Zealand, and Australia; and has 8 factories 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. Then, they expand production to twinwall polycarbonate, corrugated vinyl sheet, vinyl compound, sealant, and others. Now, IMPC owns ~85% market share of plastic roofing in Indonesia, 50% in New Zealand, 26% in Australia, and 25% in Vietnam (Figure 7).

**Figure 6.** IMPC's business structure



Source: Company

**Figure 7.** IMPC's market share

Products	Market Share				
	Indonesia	Malaysia	Vietnam	Australia	New Zealand
<b>Roofing</b>					
PC	85%	20%	25%	26%	50%
uPVC	50%				
FRP	30%	35%		20%	50%
<b>Façade</b>					
ACP	15%				
Impraboard	65%				
<b>Material</b>					
PVC Compound	60%				
Sealand & Adhesive	15%				
<b>Trading</b>					
Toilet Cubical	35%				

Source: Company internal estimate

**Figure 8. IMPC's products and brands**



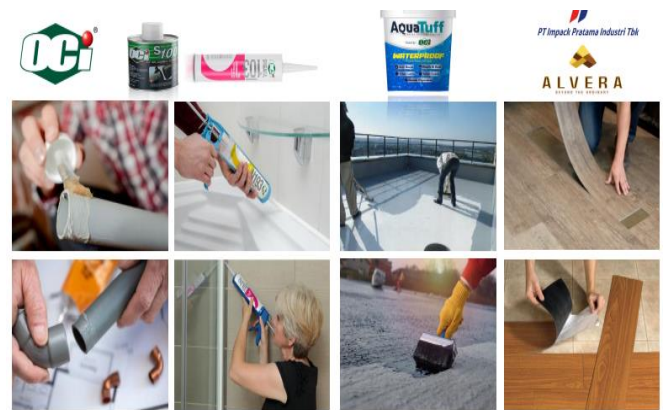
Source: Company

**Figure 9. IMPC products**



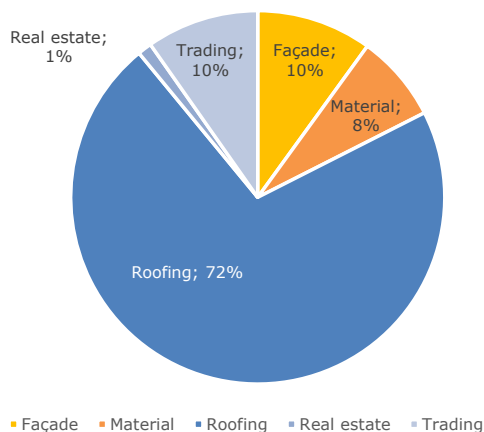
Source: Company

**Figure 10. IMPC products**



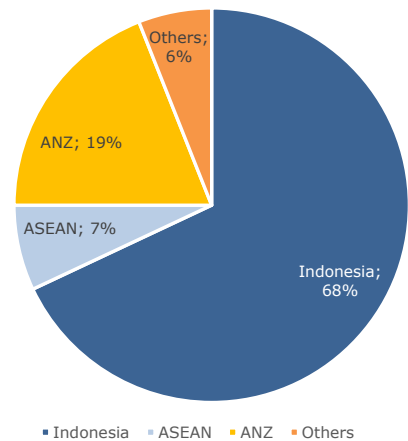
Source: Company

**Figure 11. IMPC revenue breakdown by product types (9M20)**



Source: Company

**Figure 12. IMPC revenue geographical breakdown (9M20)**



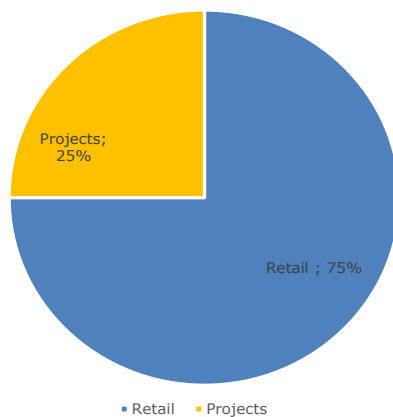
Source: Company

## Business Outlook

### 1) Strong brand name amongst building material players

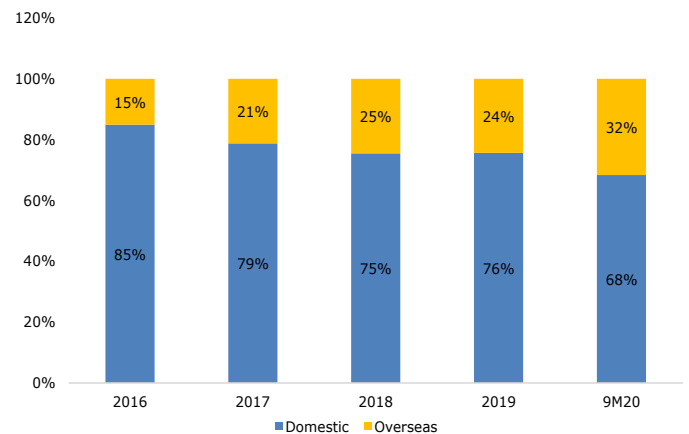
IMPC has a strong historical record as leading building material product since 1981, with its main products varies on roofing, façade, and material. As shown on Figure 7, IMPC is the leader in plastic roofing industry especially in PC & uPVC with current market share stood at 85% for PC and 50% for uPVC. In addition, IMPC also have a strong presence on overseas market with 32% of its sales in 9M20 coming from overseas market (Figure 14). The Company began to set foot on overseas market in Vietnam by 2013, followed by New Zealand in 2016, then Malaysia and Australia in 2020. Despite having a higher ASP vs. its peers, IMPC's products have a strong brand name among contractors and developers due to its quality and durability (IMPC provides a 10-15 years warranty on their product), in which these two factors are very crucial in building material business.

Figure 13. IMPC sales channel



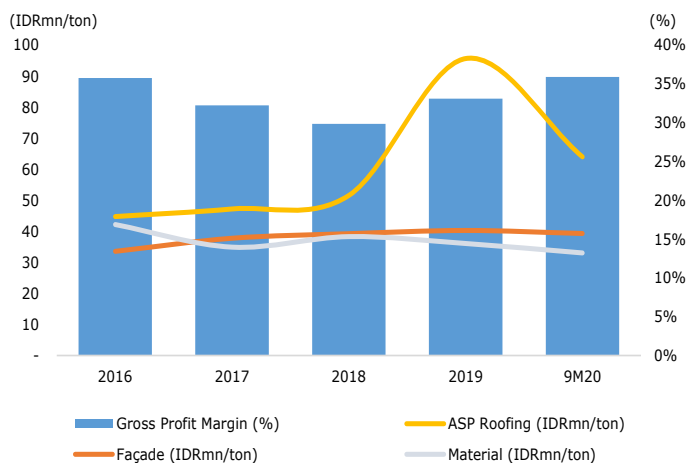
Source: Company

Figure 14. IMPC's sales geographical breakdown



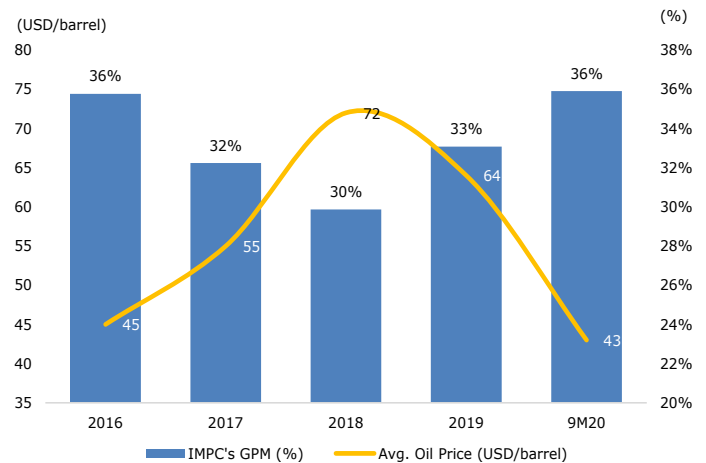
Source: Company

Figure 15. IMPC products' ASP/ton vs. GPM (%)



Source: Company

Figure 16. IMPC's GPM vs. oil price



Source: Company

### 2) Margin secured due to ability to pass on increasing costs to customers

IMPC's raw materials that account for ~40-50% of production costs was mainly coming from *Polycarbonate Resin*, in which the price is highly correlated with oil price. As seen on figure 16 above, the Company's GPM is highly correlated with oil price, but still maintained above 30% in the last five years. The main reasons behind maintained margin is IMPC's strong brand name that make it easier for the Company to pass the increasing in raw material prices directly to customer. IMPC already planning to increase PVC roofing ASP by 5% in February 2021 due to increasing oil prices— *note that PVC resin was bought at spot monthly price*. In addition, we saw that IMPC's stable margin was also a result of efficient production costs that comes from producing in a large volume— *IMPC already reach an economy of scale level*.

### 3) Should gain market share on the back of better distribution network and new product range

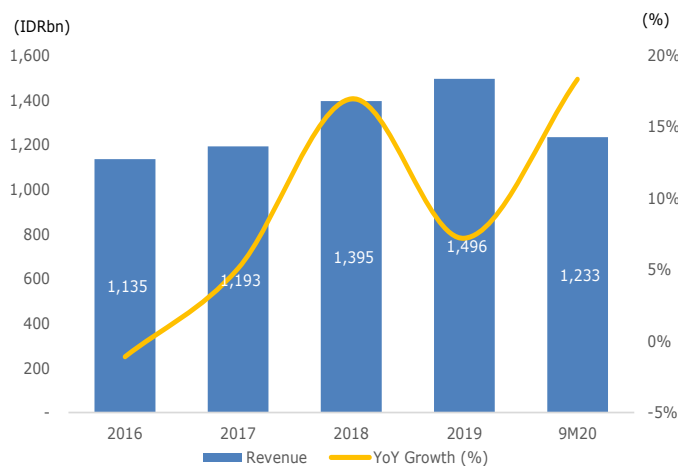
Despite already operating for almost 40 years, IMPC is still continue to expanding their market share through provide a better distribution network and introduce new innovative product range. To gain more market share this year, IMPC is expected to introduce new products, namely: 1) Lasertuff; 2) Alderone pipe, and 3) LVT.

As of 9M20, the Company's sales in Indonesia were mainly concentrated in Java at 80%, followed by Sumatera 15%, and other islands 5%. IMPC. For the Java Island, IMPC has a strong presence in West Java and Central Java, but only limited presence in East Java. Thus, the Company is aiming to develop new plant and distribution center in East Java (near Surabaya) and expected will be ready for use by 4Q21. Estimated capex for this project ~IDR75-80bn, with expected revenue contribution worth IDR300-400bn will begin to seen on 2022-2024. In addition, IMPC is also planning to acquire a fiber glass plant and polycarbonate distribution in Australia on 1Q21 and this will increase market share for roofing product in Australia to ~50-60% in the next few years.

### 4) 2020 review: silver linings of the pandemic + increasing contribution of newly acquired subsidiaries

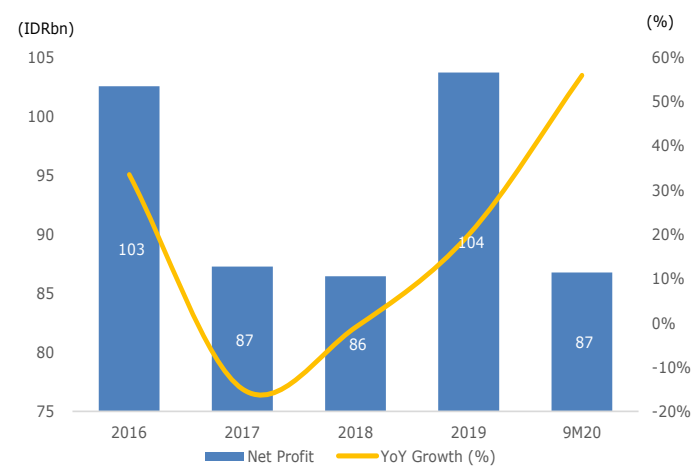
Despite the pandemic, IMPC has booked 9M20 net revenue of IDR1.2tn, +18% YoY, was mainly due to increase in export sales by 45% as the Company booked revenue contribution from the newly acquired companies (MPM and ImpackOne Pty Ltd) worth of ~IDR190bn. In addition, the pandemic that forced people to stay at home has drive them to do more house renovation, thus demand for building materials was increased and resulting increasing IMPC's local sales by +9% YoY in 9M20. The Company is aiming to book net revenue of ~IDR1.75tn in FY20, with net income ~IDR120bn-IDR125bn (~17-18% YoY). The Company also expect to pay dividend per share of IDR12 to IDR15 for FY20, or implies 0.8% or 1.0% dividend yield using closing price: Feb 10 (IDR1,460).

**Figure 17. IMPC revenue and revenue growth**



Source: Company

**Figure 18. IMPC net profit and net profit growth**



Source: Company

### 5) 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.

**Figure 19. IMPC’s production capacity**

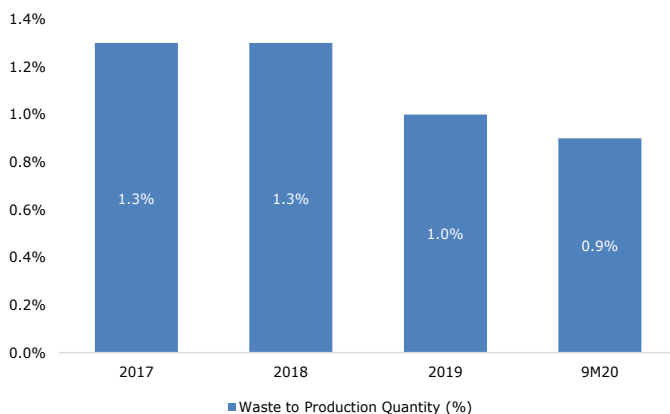
Type of Product	Facility	Location	Annual Prod. Capacity (Ton)
<b>Roofing</b>			
-PC	11 machines	Cikarang (DS II), Vietnam, & Malaysia	24,050
-PVC	2 machines	Karawang	3,000
-uPVC	16 machines	Cikarang (DS II)	31,896
-FRP	4 machines	Cikarang (Hyundai), New Zealand, Malaysia, Australia	3,871
-PET			
<b>Façade</b>			
-ACP	2 machines	Cikarang (Hyundai)	5,086
-Impraboard	3 machines	Cikarang (DS II)	6,279
<b>Material</b>			
-Sealant	4 machines	Cikarang (Hyundai)	1,740
-PVC Compound	4 machines	Karawang	4,968
-Aquatuff			
<b>Pipe</b>			
-uPVC	9 machines	Cikarang (Gaharu)	10,695

Source: Company

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

The Company show a serious commitment to sustainability, that reflecting in: 1) Set long-term sustainability target with quantitative indicators that 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. IMPC has managed a zero-waste program since 2017 and resulting a lower waste to production quantity at 0.9% in 9M20 (vs. 2019: 1.0%; 2018: 1.3%; 2017: 1.3%). 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.

**Figure 20. Waste to Product Quantity Ratio (%)**



Source: Company

**Figure 21. PET Plastic Roofing**



Source: Company

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.

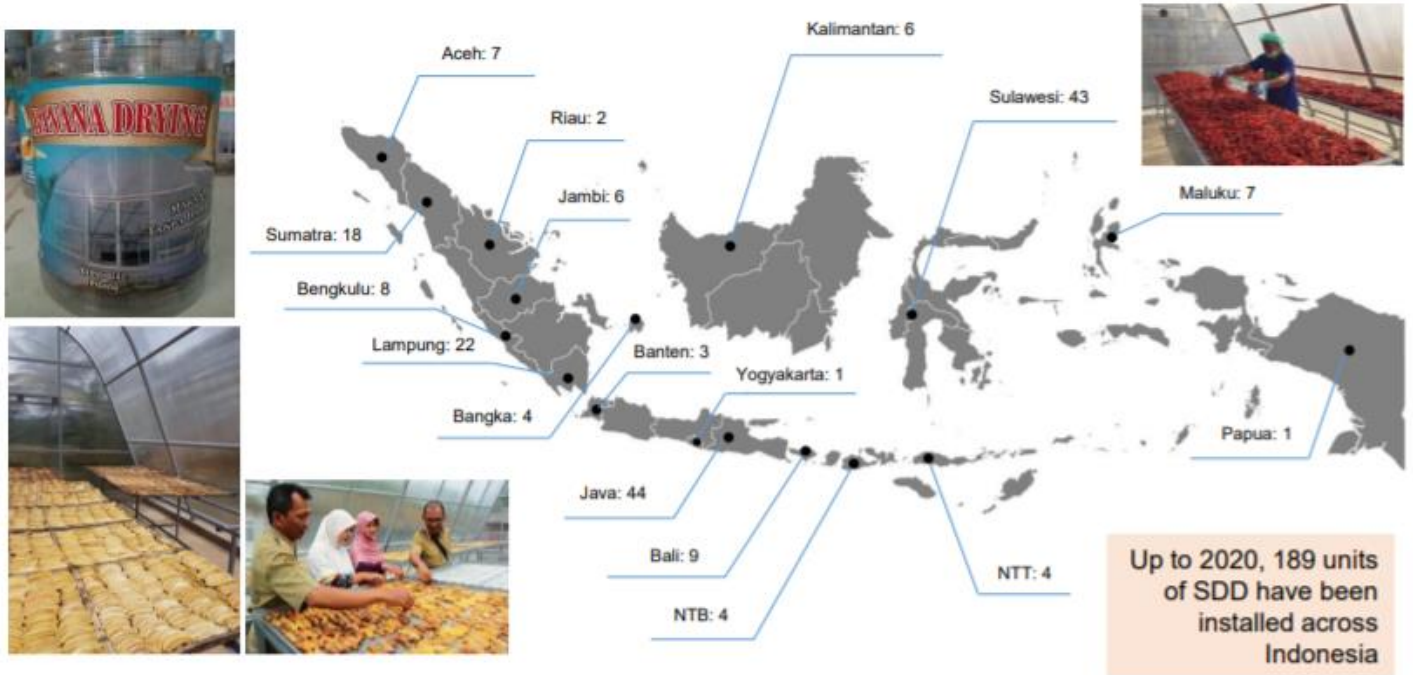


**Figure 22.** IMPC’s innovative products: Solar Dryer Dome



Source: Company

**Figure 23.** Total installed SDD across Indonesia



Source: Company

## 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)



**Kelvin Choon Jhen Lee | Independent Commissioner**

Appointed in 2020

Background:

- An Australian Citizen. Obtained Bachelor of Business Administration from Monash University, Melbourne Australia, in 1981.
- Obtained Master of Taxation Law from RMIT University, Melbourne Australia, in 1984

### 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)



**Wira Yuwana | Director**

Appointed in 2020

Background:

- An Indonesian citizen.
- Obtained a Bachelor of Electrical Engineering from Trisakti University in 1991
- Obtained Master of Science in Engineering Management from University of Portland state, USA in 1995



**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)



**Sugiarto Romeli | Director**

Appointed in 2020

Background:

- An Indonesian citizen.
- Graduated from Trisakti University Tourism Academy in 1987

## Research Team

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## Retail Sales Team

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