

MacVisit: PT Impack Pratama Industri

A story of substitutes

Key Points

- IMPC (Not Rated) is Indonesia's largest producer of plastic-based building materials. Around 20% of its revenues come from exports.
- Plastic-based roofings and ceilings have been taking market share from more traditional metal and gypsum options; IMPC is leading this trend.
- IMPC returned >500% since its 2014 IPO vs the JCI +39%. Having corrected 11% in 6M, it now trades ~22x PE and ~25x EV/EBITDA (vs. peers' 14x/8x)

- **Leading producer of plastic-based roofing and ceiling products.**

Established in 1981, IMPC manufactures and distributes polycarbonate (PC) and unplasticised polyvinyl chloride (uPVC) roofing and ceiling products, among others. The company has six manufacturing facilities in Java, serving both domestic and export markets (with products sold in at least 13 countries). CEO Mr. Haryanto Tjiptodihardjo has a controlling stake of ~87% via two entities, management has 1%, and institutional investors hold ~10% of the remaining ~12% free float.

- **Pricing power of well-used substitutes.** Use of uPVC roofing and ceiling products is growing, up >25% in FY16-23, against ~5% for metal roofing and gypsum ceilings. According to IMPC, it has a dominant market share in both the PC and uPVC roofing markets, of 90% and 70%, respectively. Management believes that, coupled with strong branding, this gives it pricing power over its products, which has been the major driving factor of recent rapid growth (i.e., EBITDA up 31% over FY21-23). With uPVC accounting for just 17%/44% of the roofing/ceiling market, the company sees ample upside for future growth. For FY24, IMPC guides for revenue/profit growth of 10%/28% YoY.

- **Valuations have come off recent highs.** IMPC's stock price has returned >500% since its 2014 IPO (vs the JCI +39% in that period). IMPC has corrected ~11% from its recent peak, bringing valuations down to ~25x EV/EBITDA, ~22x P/E and ~8x P/B (based on trailing figures) vs peers average of 14x PE and 8.3x EV/EBITDA. IMPC has a lower market cap and is less liquid than cement producers SMGR (OP) and INTP (N), and paint producer AVIA ([MacVisit: Avia Avian: A company of colour](#)). Its market cap is larger than ceramic producer ARNA (Not Rated).

- **Management's thoughts on competition, FX exposure.** Management notes a relatively benign competitive landscape, with no Chinese challengers and small domestic peers. Any change could affect profitability and growth prospects. Several key raw materials (i.e., resin, packaging and solvents) are linked to oil prices and need to be imported, creating some FX exposure. Any weakness in consumer purchasing power might impact demand for home renovations and/or construction.

Capital Goods ASEAN



Indra
Cahya, CFA

IMPC IJ		Not Rated
Stock Price	IDR	348
Market Cap	USD bn	1.08
ADTV (90 days)	USD mn	0.21
12M High	IDR	660
12M Low	IDR	422
P/E - Trailing	x	19.1
P/B - Trailing	x	3.1

as of close 12 Jul 2024

Source: FactSet, July 2024

in IDR bn unless otherwise stated

Dec FY	2021	2022	2023
Revenue [bn]	2,227	2,809	2,860
Revenue Growth	24%	26%	2%
EBIT [bn]	309	445	603
EBIT growth	33%	44%	36%
Reported Profit [bn]	192	307	431
Adjusted Profit [bn]	192	307	431
EPS rep [IDR]	4	6	15
EPS rep growth	-	60%	158%
EPS adj [IDR]	4	6	15
EPS adj growth	-	46%	158%
Net Debt / Equity (%)	29	14	8
ROA	6.9	9.8	12.2
ROE	14.1	17.6	20.1
PER rep (x)	64.2	55.5	26.1
PER adj (x)	58.6	55.5	26.1
EV / EBITDA (x)	32.2	32.3	29.9
P / BV (x)	8.3	8.6	9.3
Div Yield	0.9	0.9	4.0

Source: Bloomberg, July 2024

Style

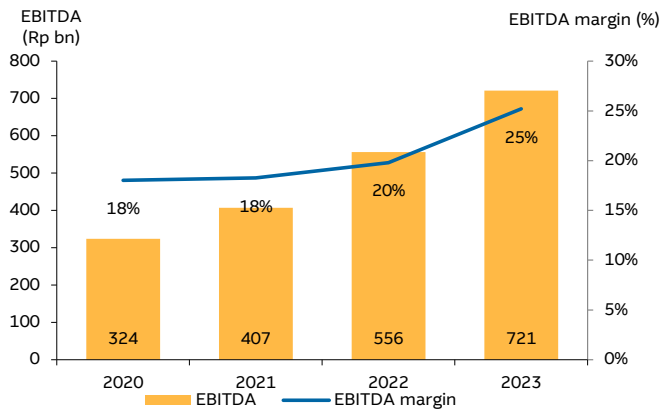
Thematic	Growth	Value	Event
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Company description

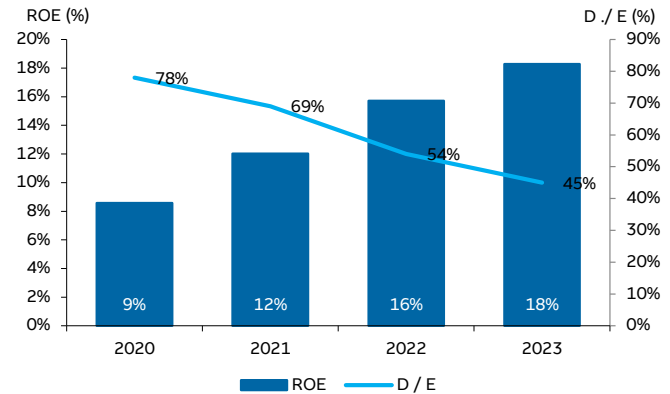
Impack Pratama Industri (IMPC) manufactures and distributes building materials, mainly plastic-based roofing and ceiling products. Impraboard, Solartuff and Alderon are among its well-known brands. Headquartered in Jakarta, IMPC markets its products domestically and abroad, including Australia, the UAE and Ghana.

Figure 1 - IMPC delivered ~31% EBITDA growth in FY21-23



Source: Company Data, July 2024

Figure 2 - Leverage has come down as ROE has improved



Source: Company Data, July 2024

Figure 3 - Impact Pratama Industry (IMPC IJ): IDR bn unless otherwise noted

Income Statement, Dec FY					Balance Sheet				
	2020	2021	2022	2023		2020	2021	2022	2023
Revenue	1,798	2,227	2,809	2,860	Cash	237	129	252	263
Cost of Service	1,104	1,379	1,772	1,622	Receivables	363	375	482	518
SG&A	376	447	488	525	Intentories	604	777	937	854
EBITDA	313	405	553	717	Investment	235	-	-	-
D&A in Cost of Service	43	49	58	62	Fixed Assets	968	1,230	1,421	1,514
D&A in Opex	37	42	43	44	Intangibles	183	201	212	208
EBIT	233	309	445	603	Other Assets	107	147	132	240
Net Interest expense	60	46	45	36	Total Assets	2,697	2,858	3,435	3,597
FX Gain / (loss)	(19)	3	(21)	5	Payables	259	390	490	473
Associate Income	-	-	-	-	Short Tern Debt	320	197	174	245
Other non operating income / loss	16	5	6	(7)	Long Term Debt	444	418	383	222
Pre-tax Profit	175	255	414	570	Other Liabilities	208	166	165	169
Income Tax	60	66	102	129	Total Liabilities	1,231	1,170	1,211	1,109
Minority interest	(9)	(3)	5	10	Shareholders Fund	1,247	1,477	2,008	2,273
Attributable Profit	125	192	307	431	Minority Interest	219	212	217	214
Basic Shares outstanding	53	53	54	54	Other	-	-	(0)	-
Diluted Shares outstanding	53	53	53	29	Total Equity	1,466	1,688	2,225	2,488
EPS (rep) [IDR]	2	4	6	15	Net Debt / Equity (x)	36	29	14	8
EPS (adj) [IDR]	2	4	6	15	Interest Cover (x)	4	6	10	16
Total DPS [IDR]	1	2	3	33	ROE (%)	10	14	18	20
					ROA (%)	5	7	10	12
					ROIC (%)	8	9	13	16

Ratio	2020	2021	2022	2023	Cash Flow	2020	2021	2022	2023
Revenue Growth	20%	24%	26%	2%	EBITDA	313	405	553	717
EBITDA Growth	14%	29%	37%	30%	Tax Paid	35	60	89	128
EBIT Growth	14%	33%	44%	36%	Chg in working cap	(42)	90	294	20
EPS Growth (adj)	21%	68%	46%	158%	Net Interest Paid	-	-	-	-
EBITDA Margin (%)	17%	18%	20%	25%	Other	(79)	(309)	(708)	(286)
EBIT Margin (%)	13%	14%	16%	21%	Cash Flow from Operation	227	245	229	579
Net Profit Margin (%)	7%	9%	11%	15%	Acquisitions	(119)	(103)	(188)	(168)
Payout Ratio (%)	23	55	53	38	Capex	(118)	(81)	(188)	(168)
PE (rep) (x)	51	64	55	26	Other	123	34	118	91
PE (adj) (x)	51	59	55	-	Cash Flow from Investing	(115)	(149)	(258)	(245)
EV / EBITDA (x)	22.9	32.2	32.3	29.9	Dividend (Ordinary)	(53)	(38)	(106)	(175)
EV / EBIT (x)	30.7	42.1	40.2	35.6	Equity Raised	5	9	0	-
Price / Book (x)	5.1	8.3	8.6	9.3	Debt Movement	(34)	(194)	(88)	(110)
Total Div Yield (%)	1.4	1.4	1.4	1.4	Other	-	-	325	(0)
					Financing Cashflow	(83)	(223)	130	(285)
					Net Chg in Cash / Debt	19	(127)	90	54
					Free Cashflow	109	165	41	411

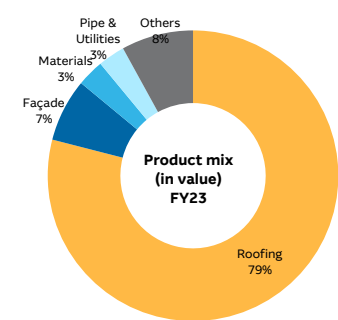
Source: Company Data, Bloomberg, July 2024

Company profile

Established in 1981, IMPC's core business revolves around the manufacturing and distribution of plastic (polymer)-based building materials, mainly for roofing and ceilings (accounting for ~79% of revenue). Supporting products include adhesives, pipes and other plastic-based materials. The company began to tap the export market in 1990s with its acquisition of Mulford Plastics, Australia and New Zealand's largest plastic distributor. Exports accounted for 20% of sales in 1Q24.

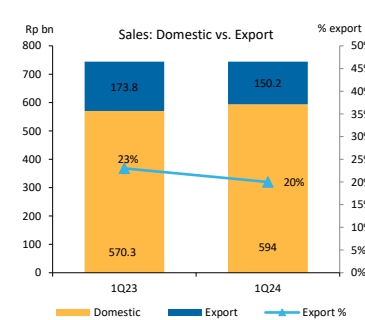
IMPC has 6 manufacturing facilities across Java - 4 in West Java, 1 in East Jave and 1 in Central Java. It also has branch offices in 4 countries (MY, VN, AU, NZ) and agencies in 9 others. IMPC listed in 2014, underwent a 1:10 stock split in 2016, and recently made a private placement (100mn new shares, ~2.07%, in FY23).

Figure 4 - Roofing products are IMPC's primary revenue stream



Source: Company data, July 2024

Figure 5 - Exports formed ~23%/~20% of sales in 1Q23/1Q24



Source: Company data, July 2024

Figure 6 - IMPC's footprint

Domestic	
Manufacturing facilities	6
Branches	12
Sub distributors / agents	183
Retailers	21,326
Regional	
Malaysia	3 branches
Vietnam	1 branch
Australia	11 branch
New Zealand	10 branches
9 other countries	agencies

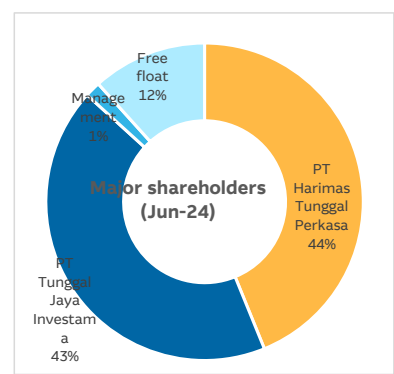
Source: Company data, July 2024

Shareholders

President Director Mr. Haryanto Tjiptodihardjo is the controlling shareholder with ~87% ownership via two entities - PT Harimas Tunggal Perkasa (~44%) and PT Tunggal Jaya Investama (43%). Management holds ~1%, while institutional investors hold ~10% of the remaining ~12% free float.

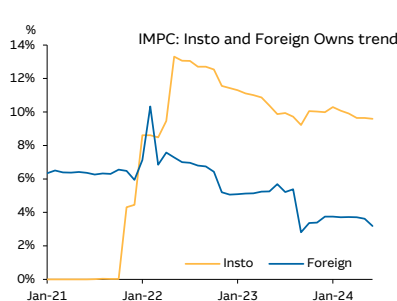
IMPC has a two-tier board with 9 seats, made up of 2 non-executive and 7 executive members. Mr. Kelvin Choon Jhen Lee, an Australian national, is the only independent member and chairs the audit and remuneration committees. Director Phillip Tjipto is the only member affiliated (son) with the President Director, according to the company.

Figure 7 - Family and management own ~88% of the company



Source: KSEI, July 2024

Figure 8 - Most of IMPC's free float is held by institutional investors



Source: KSEI, July 2024

Includes insurance, pension and mutual funds, and foundations.

Figure 9 - The board has 7 executive and 2 non executive members

Title	M/F	Name
Comissioners		
President	F	Lindawati
Independent	M	Kelvin Choon Jhen Lee
Director		
President	M	Haryanto Tjiptodihardjo
Director	F	Lisan
Director	M	David Herman Liasdanu
Director	M	Janto Salim
Director	M	Sugiarto Romeli
Director	M	Wira Yuwana
Director	M	Phillip Tjipto

Source: Company Data, July 2024

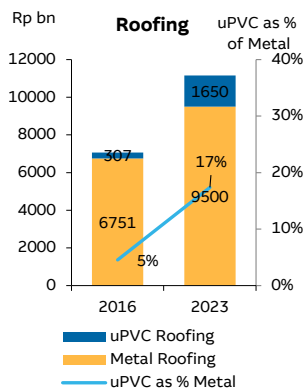
Growth formula: Price leadership in a winning substitute product

IMPC makes plastic-based roofing and ceiling products, specifically from polycarbonate (PC) and unplasticised polyvinyl chloride (uPVC). IMPC puts its share of the PC/uPVC roofing market at 90%/70%. Management believes, along with strong branding and a wide distribution network, this allows IMPC to command the highest pricing power for these product segments.

According to IMPC, compared to traditional materials (metal and gypsum) uPVC roofing is lighter and more easily recyclable, while still being robust and long-lasting. The uPVC roofing market grew by >25% in FY16-23, against ~5% pa for metal and gypsum roofing.

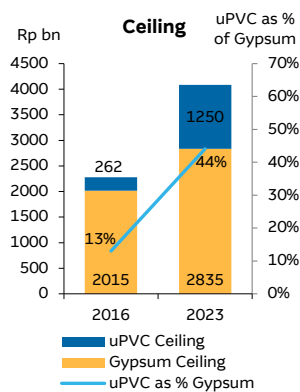
Management believes this drove recent growth (EBITDA growth of 31% in FY16-23) and that upside remains given uPVC only accounts for 17%/44% of the roofing/ceiling market. The company aims to grow FY24 revenue/profit to Rp3.15trn/Rp550bn (+10%/+28% YoY), with allocated capex of Rp325bn.

Figure 10 - Roofing market: FY16 vs. FY23



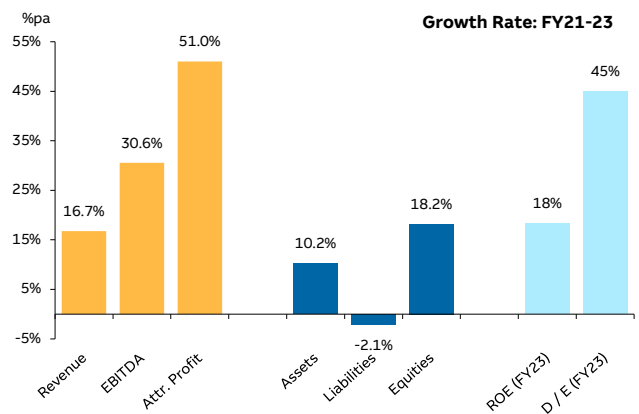
Source: Company data, July 2024

Figure 11 - Ceiling market: FY16 vs. FY23



Source: Company data, July 2024

Figure 12 - EBITDA grew ~31% in FY21-23; FY23 saw an 18% ROE



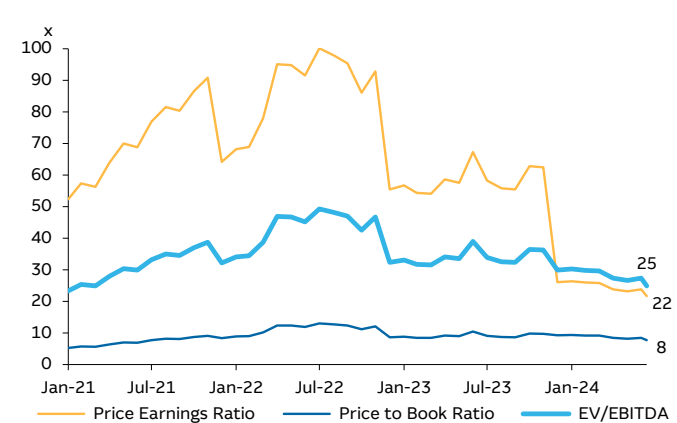
Source: Company data, July 2024

Multiples have come off from recent highs

Bloomberg shows IMPC trading at ~25x EV/EBITDA, ~22x P/E and ~8x P/B on trailing basis. Valuations have come off from 12 and 24 months ago (Figure 13). Peers (i.e. SMGR, INTP, AVIA and ARNA) trade at average PE 14x, EV/EBITDA of 8x and P/B 1.9x.

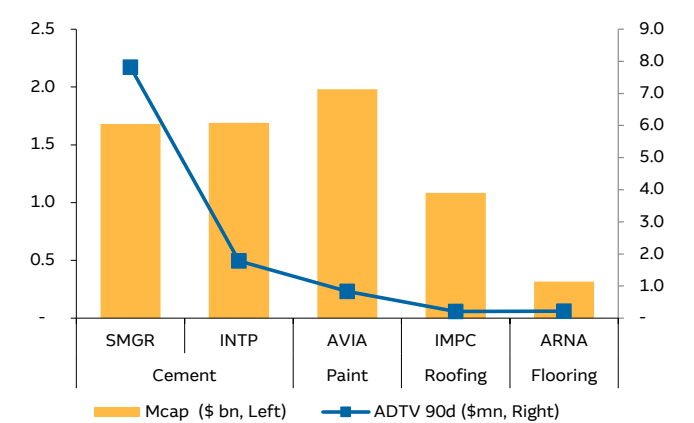
IMPC has a lower market cap and is less liquid than cement producers SMGR (OP) and INTP (N), and paint producer AVIA ([MacVisit: Avia Avian: A company of colour](#)). Its market cap is larger than ceramic producer ARNA (Not Rated).

Figure 13 - IMPC trades at 22x PE, 25x EV/EBITDA, 8x P/B (trailing)



Source: Bloomberg, July 2024

Figure 14 - IMPC's liquidity is lower than cement (SMGR/INTP) and paint producer (AVIA), but higher than ceramic floor producer ARNA



Source: Bloomberg, July 2024

Risks to our view relating to SMGR and INTP

SMGR: downside risk: lower dividend payout ratio. Company sacrificing ASP in favour of market share. Higher transportation cost eroding EBITDA margin. Higher financing cost.

INTP : upside risk: extension of the Maros lease (instead of acquisition). Higher dividend payout ratio. Downside risk: higher costs as a result of growing sales in the non-home market. Rising balance sheet leverage, as the company is consolidating the market.

Analysts

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Recommendation definitions	Volatility index definition	Financial definitions
<p>Macquarie – Asia and USA Outperform – expected return >10% Neutral – expected return from -10% to +10% Underperform – expected return <-10%</p> <p>Macquarie – Australia/New Zealand Outperform – expected return >10% Neutral – expected return from 0% to 10% Underperform – expected return <0%</p> <p>During periods of share price volatility, recommendations and target prices may occasionally and temporarily be inconsistent with the above definitions.</p> <p>Recommendations – 12 months 12-month target – Expected share price in 12 months Valuation – The company's estimated fair value share price based on the disclosed valuation methodology Note: Quant recommendations may differ from Fundamental Analyst recommendations</p>	<p>This is calculated from the volatility of historical price movements.</p> <p>Very high – highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.</p> <p>High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.</p> <p>Medium – stock should be expected to move up or down at least 25–40% in a year.</p> <p>Low – stock should be expected to move up or down at least 15–25% in a year. * Applicable to select stocks in Asia/Australia/NZ</p> <p>Note: expected return is reflective of a Medium Volatility stock and should be assumed to adjust proportionately with volatility risk</p>	<p>All "Adjusted" data items have had the following adjustments made: Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests</p> <p>EPS = adjusted net profit / efpowa* ROA = adjusted ebit / average total assets ROA Banks/Insurance = adjusted net profit / average total assets ROE = adjusted net profit / average shareholders funds Gross cashflow = adjusted net profit + depreciation *equivalent fully paid ordinary weighted average number of shares</p> <p>All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).</p>

Recommendation proportions for quarter ending 30 June 2024

	AU/NZ	Asia	USA	
Outperform	58.02%	63.13%	71.91%	(for global coverage by Macquarie, 2.72% of stocks followed are investment banking clients)
Neutral	35.15%	24.76%	24.72%	(for global coverage by Macquarie, 2.61% of stocks followed are investment banking clients)
Underperform	6.83%	12.11%	3.37%	(for global coverage by Macquarie, 0.00% of stocks followed are investment banking clients)

Company-Specific Disclosures

Company Name	Disclosure
PT Impack Pratama Industri, Tbk (IMPC IJ)	None
Indocement Tunggal Prakarsa (INTP IJ) Neutral 12-month target:IDR8,600 Valuation: IDR 8,600 - DCF (WACC 11.8%, beta 1.0, ERP 4.8%, RFR 7.3%, TGR 3.0%) Price:IDR7,350	None
Semen Indonesia (SMGR IJ) Outperform 12-month target:IDR5,000 Valuation: IDR 5,000 - DCF (WACC 12.0%, beta 1.3, ERP 4.8%, RFR 7.5%, TGR 3.0%) Price:IDR4,060	None

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17 July 2024

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