



IMPACT PRATAMA INDUSTRY

ROOFING DOMINANCE CONTINUES

Investment thesis:

- Domestic Sales Surge, Led by Roofing and Pipeline Segment Growth**
- IMPC recorded revenue of IDR774 bn in 4Q23 (+11.1% QoQ / -0.8% YoY) with domestic and overseas sales totaling IDR634 bn (+14.3% QoQ / +2.4% YoY) and IDR160 bn (-3.4% QoQ / -12.7% YoY), respectively. This resulted in FY23 revenue of IDR2.86 tn (+1.8% YoY), with domestic sales growing by 5.4% YoY and overseas sales declining by 7.4% YoY on a full-year basis. The positive growth in domestic sales in FY23 was mainly driven by roofing sales, which reached IDR1.8 tn (+6.3% YoY), and pipe sales reached IDR142 bn (+33% YoY). In contrast, domestic sales for facade and materials decreased by 11.5% YoY and 8.5% YoY, respectively. Overseas sales saw declines across all products, with roofing (-9.2% YoY), materials (-2% YoY), and facade (-31.2% YoY) showing decreases. Furthermore, domestic and export sales volumes grew by 13% YoY and decreased by -12% YoY respectively. This revenue results in line 98% with our estimates.
- Gross Profit Boosted by Falling Raw Material Prices** - The gross profit rose to IDR322 bn in 4Q23 (+10.3% QoQ / +10.0% YoY), primarily attributed to the decline in raw material prices, particularly in plasticized Poly Vinyl Chloride (UPVC). This resulted in FY23 gross profit reaching IDR1.17 tn, reflecting a robust 20.2% YoY growth. These factors combined led to FY23 gross margin expanding to 41.1%, up from 34.8% in FY22.
- Stable Opex-to-Sales Ratio Over the Year** - IMPC's operating expenses surged to IDR209 bn (+70% QoQ / +12.5% YoY) in 4Q23, primarily driven by the growth in salaries, wages, and benefits, along with marketing expenses and commissions. Annually, operating expenses grew by 7.2% YoY, totaling IDR570 bn in FY23. However, the opex-to-sales ratio for the full year of FY23 only increased by 90 bps to 19.9%. Despite this increase, IMPC' operating profit still managed to grow by 5.5% YoY in 4Q23 and an impressive 35.5% YoY for FY23. This led to an operating profit margin of 21.2%, significantly higher than the 15.9% recorded in FY22. Net profit in 4Q23 amounted to IDR90 bn (-29.5% QoQ / -11.3% YoY), bringing the FY23 net profit to IDR431 bn (+40% YoY) with a net margin of 15.1% (vs. 10.9% in 2022, in line with our 96% FY23 estimates).
- Alderon, a Promising Growth Driver** – UPVC roofing leads the company's sales contribution under the 'Alderon' brand as its flagship, representing approximately 70% of the UPVC roof market size, followed by Polycarbonate. Since 2015, the company has successfully increased the Alderon market size nearly 8 times, reaching almost IDR1 tn in market size currently. Management expects Alderon's growth to drive revenue growth over the next 5 years. Additionally, the company will continue to expand its range of UPVC products, including wall panels, walls, ceilings, and floors to reach a wider customer base.

Valuation & Recommendation:

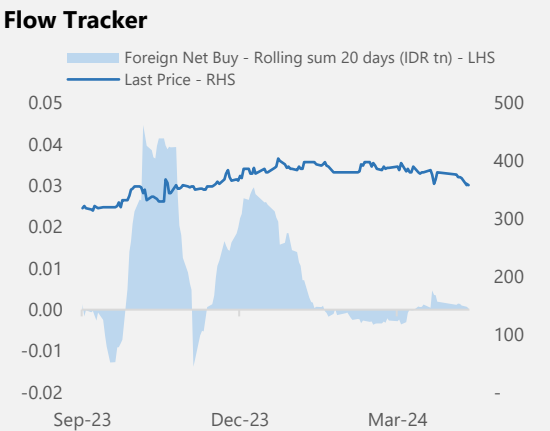
- Upgrade to BUY on potential recovery** - Following the flat revenue growth in 2023, the management anticipates a solid recovery in 2024F which will be largely driven by volume growth. Revenue growth in 1Q24F is likely to be at the low single digit due to the 'wait-and-see' mode during Jan-24, but gradual recovery has been seen in Feb-Mar 2024. The 1Q24F net profit is likely to come to around IDR120 bn, based on our calculation, assuming a 5% top-line growth. We have adjusted our 2024F top-line and bottom-line projections by 2/4%, respectively. We also upgraded our rating to **BUY** with a new TP of IDR425 (20% upside potential), derived from a 45x P/E (+1.5 sd above the 5-year mean).

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3M/12M Rating ADD/BUY
3M/12M TP IDR400/IDR425

Stock Information	
Ticker	IMPC
Share price	358
52-week range.	304 – 430
Share Out. (mn)	54.3
Market Cap. (IDR tn)	19.4
Daily turnover (bn)	4.3
Free Float (%)	11.6

Key Shareholders (%)	
PT Harimas Tunggal Perkasa	43.9



Key Financial Highlights				
IDR bn	2023	2024F	2025F	
Revenue	2,860	3,382	4,021	
Gross Profit	1,176	1,387	1,649	
Operating Profit	606	710	844	
Net Profit	431	511	610	
Net Margin	15%	15%	15%	
EPS	7.9	9.4	11.2	
EPS Growth	40%	19%	20%	

Source: Bloomberg, SimInvest Research

Share Price Performance			
	3M	6M	12M
Absolute	-10%	6%	11%
Relative to JCI	-8%	0%	7%

Bloomberg ESG Rating	
Environmental	N/A
Social	N/A
Governance	N/A



Current Quarter Earnings & Full Year Earnings Review

IDR bn	4Q22	3Q23	4Q23	QoQ	YoY	2022	2023	YoY	2023F	%SIM
Revenue	780	697	774	11.1%	-0.8%	2,809	2,860	1.8%	2,917	98%
Gross Profit	293	292	322	10.3%	10.0%	979	1,176	20.2%	1,199	98%
Operating Profit	107	169	113	-33.2%	5.5%	447	606	35.5%	632	96%
Pretax Income	126	173	115	-33.8%	-9.3%	415	570	37.3%	588	97%
Net Profit	101	128	90	-29.5%	-11.3%	307	431	40.0%	447	96%
Revenue by Geography:										
Domestic	619	555	634	14.3%	2.4%	2,169	2,286	5.4%		
Overseas	183	165	160	-3.4%	-12.7%	711	658	-7.4%		
Sales Discount & Returns	(22)	(23)	(20)	N/A	N/A	(71)	(84)	N/A		
Revenue by Segment:										
Roofing	634	548	617	12.6%	2.7%	2,213	2,271	2.6%		
Facade	54	42	50	18.6%	8.4%	188	171	-8.9%		
Material	74	73	64	-11.6%	15.1%	299	278	-6.9%		
Pipes and Others	18	34	42	25.5%	-57.7%	109	140	28.4%		
Profitability:										
Gross Margin	37.6%	41.9%	41.6%			34.8%	41.1%		41.1%	
Operating Margin	13.7%	24.3%	14.6%			15.9%	21.2%		21.7%	
Net Margin	13.0%	18.3%	11.6%			10.9%	15.1%		15.3%	

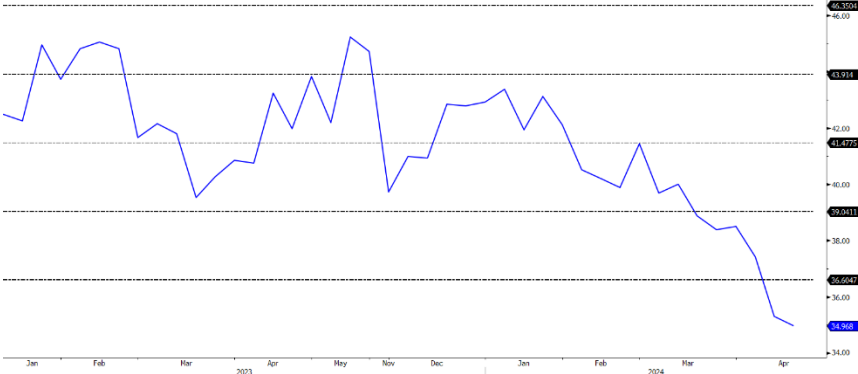
Source: Company, SimInvest Research

Changes in forecasts

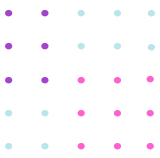
IDR bn	2024F			2025F		
	Old	New	Changes	Old	New	Changes
Revenue	3,311	3,382	2%	4,576	4,021	-12%
Gross Profit	1,324	1,387	5%	1,399	1,649	18%
Operating Profit	698	710	2%	846	844	0%
Net Profit	490	511	4%	609	610	0%
Profitability:						
Gross Margin	40%	41%		31%	41%	
Operating Margin	21%	21%		18%	21%	
Net Margin	15%	15%		13%	15%	

Source: Company, SimInvest Research

IMPC' P/E band



Source: Bloomberg, SimInvest Research

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BUY	: Share price may rise by more than 15% over the next 12 months.
ADD	: Share price may range between 10% to 15% over the next 12 months.
NEUTRAL	: Share price may range between –10% to +10% over the next 12 months.
REDUCE	: Share price may range between –10% to –15% over the next 12 months.
SELL	: Share price may fall by more than 15% over the next 12 months.

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