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IMPACT PRATAMA INDUSTRY

SURVIVING A TOUGH EXPORT PHASE

Investment thesis:

- Export Struggles Amidst a Strong Domestic Market** - Despite a flat YoY growth in 1Q24, IMPC achieved revenue growth of IDR690 bn (-7.3% QoQ / +6.8% YoY) in 2Q24. Total sales for 1H24 amounted to IDR1.4 tn (+3.2% YoY), with a decline in overseas sales to IDR311 bn (-6.7% YoY), while domestic sales increased to IDR1.2 tn (+6.7% YoY). Roofing segments grew YoY in 2Q24 and 1H24, with total sales of IDR1.2 tn (+6.3% YoY) in 1H24. Regionally, domestic roofing sales increased (+9.1% YoY), primarily in Jabodetabek, whereas overseas sales declined (-3.8% YoY) in 1H24. Facade and pipe sales rose to IDR95 bn (+19.6% YoY) and IDR69 bn (+18.4% YoY) respectively, with the notable growth in facade driven by the reclassification of transactions from related parties to third parties following the acquisition of Mulford Holdings in June 2024. Conversely, material sales fell to IDR129 bn (-8.8% YoY) in 1H24, with declines observed in both domestic and overseas markets.
- Margin Expansion Driving Overall Profitability** - Gross profit was IDR278 bn (-11.8% QoQ / +7.5% YoY) in 2Q24 and IDR594 bn (+5.7% YoY) in 1H24, with margins of 40.3% (flat YoY) and 41.4% (+98 bps YoY) for 1H24. Opex-to-sales increased to 17.6% in 2Q24 (vs.14.9% in 1Q24) but remained lower in 1H24 at 16.2% (vs. 17.1% in 1H23). This contributed to EBIT and net profit growth to IDR361 bn (+11.3% YoY) and IDR267 bn (+25.4% YoY) in 1H24, with margins of 25.2% (+184 bps YoY) and 18.6% (+330 bps YoY) respectively.
- Leveraging Acquisitions and Synergies for Business Expansions** - IMPC remains committed to expanding its business through strategic acquisitions, enhancing margins, and maximizing synergies within the corporate group. In June 2024, IMPC acquired 100% of Mulford Holdings Pty Ltd, a prominent distributor of plastic sheets for signage and construction materials in Australia and New Zealand, established in 1946. Mulford Holdings operates 14 distribution centers across both countries and serves over 8,300 customers annually. This acquisition is anticipated to contribute additional revenue potentially reaching hundreds of billions in the upcoming years, with an estimated IDR400 bn projected for FY24. Furthermore, management is confident that the synergies from this acquisition and the vertically integrated supply chain will significantly enhance the Company's EBITDA over the next five years. Additionally, the Company has entered into a Loan Agreement with Bank BCA to support further acquisition initiatives.

Valuation & Recommendation:

- Facing Stock Price Pressures, NEUTRAL** - Domestic sales, especially in roofing, have grown due to the support of the opening of the sixth factory in KITB, Central Java, which began operations in February 2024 with a 40% utilization rate in 2Q24. The company is also constructing its 13th and largest distribution center in Lippo Cikarang, West Java, which is 70% complete and expected to commence operations in 4Q24, enhancing future distribution and sales. Despite these efforts to expand market share, its stock price has faced continued pressure, declining by -10%/11% over the past 3M/6M. Following the latest results, we have slightly revised our 2023/2024 top and bottom line forecasts down by -7%/-13% and -2%/-9% respectively, due to a persistently weak consumer purchasing power. Consequently, we are downgrading our rating from ADD to **NEUTRAL**, with a lower target price of IDR350 (previously IDR410), derived from a 34.5x 2025 P/E (-1.0 s.d below the 5-year mean).

3M/12M Rating **NEUTRAL/NEUTRAL**
3M/12M TP **IDR320/IDR350**

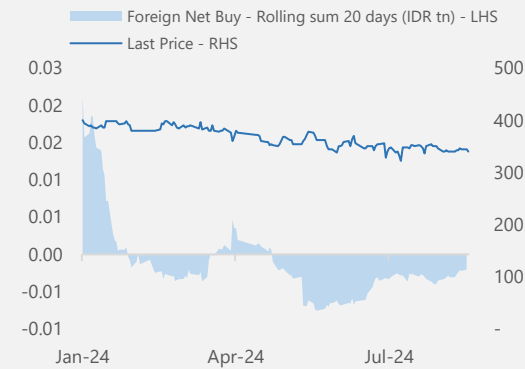
Stock Information

Ticker	IMPC
Share price	342
52-week range.	304 – 410
Share Out. (mn)	54.3
Market Cap. (IDR tn)	18.5
Daily turnover (bn)	1.8
Free Float (%)	12.1

Key Shareholders (%)

PT Harimas Tunggal Perkasa	43.9
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Flow Tracker



Source: Bloomberg

Key Financial Highlights

IDR bn	2023	2024F	2025F
Revenue	2,860	3,135	3,482
Gross Profit	1,176	1,285	1,428
Operating Profit	606	690	766
Net Profit	431	498	555
Net Margin	15%	16%	16%
EPS	7.9	9.2	10.2

Source: Bloomberg, SimInvest Research

Share Price Performance

	3M	6M	12M
Absolute	-10%	-11%	-1%
Relative to JCI	-13%	-14%	-11%

Source: Bloomberg, SimInvest Research

Bloomberg ESG Rating

Environmental	N/A
Social	N/A
Governance	N/A



Current Quarter Earnings Review

IDR bn	2Q23	1Q24	2Q24	QoQ	YoY	1H23	1H24	YoY	2024F	%SIM
Revenue	646	744	690	-7.3%	6.8%	1,390	1,434	3.2%	3,382	42%
Gross Profit	259	315	278	-11.8%	7.5%	562	594	5.7%	1,387	43%
Operating Profit	152	204	157	-23.2%	3.4%	325	361	11.3%	710	51%
Pretax Profit	130	190	158	-16.8%	21.1%	280	347	24.0%	685	51%
Net Profit	92	149	118	-20.3%	28.6%	213	267	25.4%	511	52%
Revenue by Geography:										
Domestic	505	621	551	-11.3%	9.1%	1,098	1,171	6.7%		
Overseas	159	150	160	6.6%	1.1%	333	311	-6.7%		
Sales Discount & Returns	(17)	(27)	(21)	-22.0%	20.8%	(41)	(48)	18.2%		
Revenue by Segment:										
Roofing	499	612	563	-8.0%	12.9%	1,106	1,175	6.3%		
Facade	34	41	53	30.0%	56.5%	79	95	19.6%		
Material	70	67	62	-8.3%	-11.6%	141	129	-8.8%		
Pipe and Others	29	32	37	17.9%	27.9%	58	69	18.4%		
Revenue by Contribution:										
Roofing	77%	82%	82%			80%	82%			
Facade	5%	6%	8%			6%	7%			
Material	11%	9%	9%			10%	9%			
Pipe and Others	5%	4%	5%			4%	5%			
Profitability:										
Gross Margin	40.1%	42.4%	40.3%			40.4%	41.4%			
Operating Margin	23.5%	27.5%	22.7%			23.4%	25.2%			
Net Margin	14.3%	20.0%	17.2%			15.3%	18.6%			

Source: Company, SimInvest Research

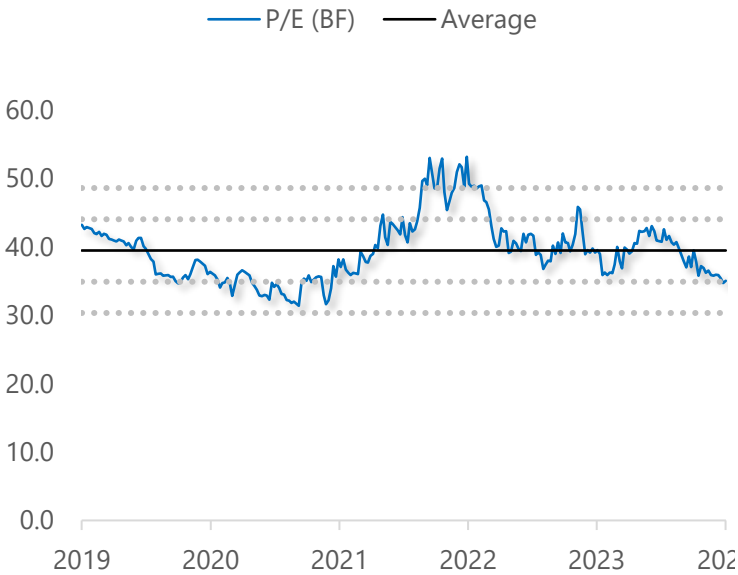
Changes in Forecast

IDR bn	2024F			2025F		
	Old	New	Changes	Old	New	Changes
Revenue	3,382	3,135	-7%	4,021	3,482	-13%
Gross Profit	1,387	1,285	-7%	1,649	1,428	-13%
Operating Profit	710	690	-3%	844	766	-9%
Net Profit	511	498	-2%	610	555	-9%
Profitability:						
Gross Margin	41%	41%		41%	41%	
Operating Margin	21%	22%		21%	22%	
Net Margin	15%	16%		15%	16%	

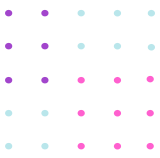
Source: SimInvest Research



IMPC P/E band



Source: Bloomberg, SimInvest Research

**SIMINVEST RATINGS GUIDE**

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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