

PT Indah Kiat Pulp & Paper Tbk (INKP)

Pulp and paper

Better consumer spending around the corner

13 April 2022

Recommendations : BUY

Stock

Price 12/04/2022 (Rp)	7,675
12M target price (Rp)	9,300
Capital gain potential	21%

Stock Data

Outstanding shares	5,470,982,941
Market cap (Rp)	42,673,666,939,800
Weight vs IHSG (%)	0.52

Shareholders (%)

Purinus Ekapersada (Purinus)	53,25%
Public	46,75%
Outstanding Shares (unit)	5,470,982,941

Price Performance

52-week high/low	Rp10,275 /Rp6,200
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Capital gain/(loss) (in %)

1 month	3 month	6 month	1 Year	YTD
(5.17)	(7.96)	(12.11)	(19.38)	(0.32)

Summary of Financial Performance

In US\$ mn	2021A	2022E	2023F
Revenue	3,516.6	3,747.9	3,959.3
Operating Income	859.0	839.2	837.2
OPM (%)	24.43%	22.39%	21.14%
EBITDA	1,134.9	868.0	784.0
EV to EBITDA (x)*	4.75	6.16	6.77
Net Income	527.1	534.0	545.0
NPM (%)	34.93%	33.90%	33.25%
EPS (Rp)	1,379	1,397	1,426
EPS Growth (%)	79.2%	1.3%	2.1%
Price Earnings (x)*	5.69	5.62	5.51
Price to Book (x)*	0.63	0.57	0.52
Price to Sales (x)*	0.85	0.80	0.76
Return on Equity (%)	11.08%	10.14%	9.43%
Return on Assets (%)	5.87%	5.66%	5.40%
Tot Debt/Equity (x)	0.72	0.64	0.61

*) based on market price (12/04/2022) at Rp7,675

Sources :Company, Bloomberg and KB Valbury Sekuritas

Analyst(s)

Alfiansyah

Devi Harjoto

Laba bersih INKP tumbuh 79,2% YoY pada 2021 menjadi USD527,1 juta
Outlook positif dari tren belanja e-commerce baik dari global dan domestic
Rekomendasi "BUY" dengan target harga Rp9.300 per saham

Performa pendapatan dan efisiensi mendorong laba bersih

Laba bersih INKP naik 79,2% YoY pada 2021 menjadi USD527,08 juta (+26.2% QoQ), yang ditopang oleh kenaikan pendapatan 17,8% YoY pada 2021 menjadi USD3,62 miliar (+17,8% QoQ). Sementara itu, GPM meningkat dari 28,9% pada 2020 menjadi 34,9% pada 2021 ditengah pertumbuhan beban pokok yang cenderung efisien yakni 7,8% YoY. Kemudian, beban operasional tumbuh terkendali 11,5% YoY pada 2021 dari beban penjualan dari freight. Sehingga, margin operasional meningkat dari 17,8% pada 2020 menjadi 24,4% pada 2021. Namun, INKP mencatat kenaikan beban keuangan 22,3% YoY menjadi USD241,3 juta. Sementara itu, INKP berhasil membalik rugi kurs USD3,12 juta pada 2020 laba kurs USD12,7 juta menjadi 2021. Dari segi neraca, net gearing membaik dengan 0,5x pada 2021.

Didorong oleh segmen kertas industri dan tissue

Performa pendapatan INKP yang meningkat didorong oleh penjualan dari kertas industri dan tissue tumbuh 28,7% YoY pada 2021. Hal ini mendorong kontribusi kertas industri dan tissue yang meningkat dari 38,1% pada 2020 menjadi 41,7% pada 2021. Disusul oleh segmen kertas budaya yang tumbuh 13,7% YoY pada 2021, namun kontribusinya menurun dari 30,1% pada 2020 menjadi 29,0% pada 2021. Kemudian, segmen pulp hanya tumbuh 8,5% YoY pada 2021, dengan kontribusi mencapai 29,3% turun dibandingkan 31,8% pada 2020. Dari segi profitabilitas, margin kertas budaya dan pulp meningkat dari 18,8% pada 2020 menjadi 27,2% pada 2021. Sedangkan, margin untuk segmen kertas industri bertambah dari 16,7% pada 2020 menjadi 20,6% pada 2021.

Adanya lockdown di Cina dapat berpotensi menurunkan penjualan ekspor

Kami memperkirakan pertumbuhan penjualan INKP sebesar 7% YoY pada 2022, dengan kontribusi ekspor dan pasar lokal stabil. Akan tetapi, kami melihat adanya peluang permintaan Cina yang berkurang pada 1H22, ditengah adanya lockdown yang dilakukan pemerintah Cina di Shanghai yang menjadi basis industri. Cina memperkirakan pertumbuhan PDB tahun ini lebih rendah 5,5% YoY tahun ini karena adanya resiko dari reformasi struktural dan kebijakan zero covid-19 policy. Namun, disisi lain, kami memperkirakan adanya tren belanja e-commerce baik dari global maupun domestic, juga adanya perpindahan penggunaan dari plastik ke kertas untuk alasan lingkungan, ditambah dengan rencana pajak plastik mendorong permintaan dalam jangka panjang. Di sisi lain, kami memperkirakan adanya tantangan dari kenaikan harga komoditas dapat berpotensi mengoreksi margin INKP. Adapun, kenaikan inflasi dapat menjadi ancaman yang dapat menurunkan daya beli, sehingga menurunkan penggunaan kertas.

Rekomendasi BUY, tren penggunaan kertas kemasan di industri e-commerce

Kami merekomendasikan BUY dengan target harga Rp9.300 per saham, yang merepresentasikan valuasi PE'2022E pada level 5,62x. Rekomendasi kami berdasarkan beberapa faktor yakni 1) membaiknya performa seiring dengan perbaikan ekonomi global sehingga mendorong penjualan ekspor; 2) tren pertumbuhan belanja via online dan juga kesadaran ramah lingkungan yang tinggi yang menghindari plastik, juga kemungkinan penggunaan bea plastik mendorong permintaan terhadap kertas; 3) neraca yang terjaga sehingga memudahkan untuk berekspansi dan 4) penguatan USD. Namun, kami melihat beberapa resiko yakni 1) penjualan yang melemah dari Cina ditengah lockdown dan domestic karena kenaikan inflasi; 2) meningkatnya harga komoditas energy dan 3) kenaikan suku bunga FFR yang agresif, sehingga mendorong koreksi komoditas kertas.

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FINANCIAL OVERVIEW

Income Statement (US\$ mn)	FY2020	FY2021	YoY Change	3Q2021	4Q2021	QoQ Change
Revenue	2,986	3,517	17.8%	880	1,009	14.8%
Cost of Revenue	(2,123)	(2,288)	7.8%	(571)	(639)	11.9%
Gross Profit	863	1,123	42.4%	309	371	20.2%
Gross Margin (%)	28.9%	34.9%		35.1%	36.7%	
Operating Expenses	(331)	(369)	11.5%	(96)	(101)	5.7%
Operating Profit	531	859	61.7%	213	270	26.6%
Operating Margin (%)	17.8%	24.4%		24.2%	26.7%	
Non-Operating Income (Losses)	(148)	(196)	32.8%	(64)	(85)	31.5%
Pretax Income	383	663	72.8%	149	185	24.5%
Income Tax (Expense)/ Benefit	(90)	(136)	51.7%	(41)	(49)	20.2%
Profit for This Year	294	527	79.2%	107	136	26.2%
Net Profit (Losses)	294	527	79.2%	107	136	26.2%
Profit Margin (%)	9.8%	15.0%		12.3%	13.5%	

Sources : Company and KB Valbury Sekuritas

FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (US\$ mn)	2020A	2021A	2022E	2023F	2024F
Revenue	2,986.0	3,516.6	3,747.9	3,959.3	4,087.3
Revenue growth yoy	-7.4%	17.8%	6.6%	5.6%	3.2%
- Cost of Goods Sold	2,123.3	2,288.2	2,477.5	2,643.0	2,719.3
Gross Income	862.7	1,228.4	1,270.5	1,316.3	1,367.9
- Operating Expenses	331.4	369.4	431.3	479.1	499.5
Operating Income	531.3	859.0	839.2	837.2	868.4
Op income growth yoy	-5.2%	61.7%	-2.3%	-0.2%	3.7%
- Non Operating Gains (Losses)	(147.9)	(196.4)	(143.0)	(126.9)	(105.9)
EBITDA	813.8	1,134.9	868.0	884.0	989.0
Pretax Income	383.4	662.6	696.2	710.3	762.5
- Income Tax Expense	89.4	135.6	164.8	170.7	183.3
Profit for This Year	294.0	527.0	531.3	539.6	579.2
- Minority Interests	(0.0)	(0.0)	(2.7)	(5.5)	(8.8)
Net Income	294.1	527.1	534.0	545.0	588.0
Net income growth yoy	7.2%	79.2%	1.3%	2.1%	7.9%
EPS (IDR)	769	1,379	1,397	1,426	1,539
Dividends Per Share (IDR)	50	75	84	86	99

Sources: Company, Bloomberg and KB Valbury Sekuritas

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (US\$ mn)	2020A	2021A	2022E	2023F	2024F
Total Current Assets	4,341.6	4,702.1	5,133.7	5,798.4	6,563.3
+ Cash & Near Cash Items	871.4	1,059.5	1,042.0	1,210.1	1,388.0
+ Short Term Investments	846.4	0.0	0.0	0.0	0.0
+ Accounts & Notes Receivable	1,294.4	1,406.3	1,579.7	1,771.4	1,998.0
+ Inventories	364.9	441.6	496.0	556.2	627.4
+ Other Current Assets	964.5	1,794.8	2,016.0	2,260.7	2,549.9
Total Long-Term Assets	4,154.7	4,276.3	4,305.5	4,298.4	4,371.3
+ Property, Plant & Equip, Net	3,501.3	3,465.6	3,470.0	3,441.8	3,470.7
Property, Plant & Equip	9,013.0	9,251.6	9,449.9	9,632.3	9,781.7
Accumulated Depreciation	5,511.7	5,785.9	5,979.9	6,190.5	6,311.1
+ Other Long Term Assets	653.4	810.7	835.5	856.6	900.6
Total Assets	8,496.3	8,978.4	9,439.2	10,096.8	10,934.6
Total Current Liabilities	1,922.9	2,265.1	2,286.8	2,329.8	2,496.7
+ Accounts Payable	195.7	231.8	240.5	246.1	245.8
+ Short Term Borrowings	1,629.8	1,851.0	1,870.6	1,916.7	2,081.5
+ Other Short Term Liabilities	97.3	182.3	175.7	167.0	169.4
Total Long Term Liabilities	2,323.8	1,954.6	1,886.3	1,986.3	2,104.4
+ Long Term Borrowings	2,030.5	1,595.9	1,515.6	1,599.5	1,699.3
+ Other Long Term Borrowings	293.2	358.8	370.8	386.8	405.1
Total Liabilities	4,246.6	4,219.7	4,173.2	4,316.1	4,601.1
+ Share Capital & APIC	2,194.9	2,194.9	2,194.9	2,194.9	2,194.9
+ Retained Earnings	2,045.3	2,553.5	3,059.1	3,572.5	4,123.3
+ Other Equity	8.9	9.8	11.3	12.5	14.4
Equity Before Minority Interest	4,249.1	4,758.2	5,265.3	5,779.9	6,332.6
+ Minority Interest	0.6	0.5	0.7	0.8	0.9
Total Equity	4,249.6	4,758.7	5,266.0	5,780.7	6,333.5
Total Liabilities & Equity	8,496.3	8,978.4	9,439.2	10,096.8	10,934.6
Book Value Per Share (IDR)	11,121	12,453	13,780	15,127	16,574

Sources: Company, Bloomberg and KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year End Dec (US\$ mn)	2020A	2021A	2022E	2023F	2024F
Net Income	294.1	527.1	534.0	545.0	588.0
+ Depreciation & Amortization	282.5	275.8	194.0	210.6	120.6
+ Other Non-Cash Adjustments	(32.6)	(124.3)	(87.4)	(94.9)	(54.3)
Cash From Operating Activities	543.9	678.7	640.6	660.7	654.3
+ Disposal of Fixed Assets	(162.6)	(407.9)	(434.7)	(459.3)	(474.1)
+ Other Investing Activities	1.8	7.6	(144.8)	(121.2)	(224.0)
Cash From Investing Activities	(160.7)	(400.3)	(579.5)	(580.4)	(698.1)
+ Dividends Paid	(19.9)	(18.5)	(32.1)	(32.7)	(37.7)
+ Change in long Term Borrowing	88.8	159.8	19.6	46.1	164.8
+ Change in capital stock	(338.8)	(232.8)	(80.3)	83.9	99.8
+ Other Financing Activities	(16.3)	1.8	14.2	(9.5)	(5.2)
Cash From Financing Activities	(286.2)	(89.7)	(78.6)	87.8	221.7
Net Changes in Cash	97.0	188.7	(17.5)	168.1	178.0

Sources: Company, Bloomberg and KB Valbury Sekuritas

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RATIO ANALYSIS

Year End Dec	2020A	2021A	2022E	2023F	2024F
Valuation Ratios					
Price Earnings*	13.82	5.69	5.62	5.51	5.10
EV to EBIT*	11.30	6.27	5.03	5.34	4.86
EV to EBITDA*	7.38	4.75	6.16	6.77	5.45
Price to Sales*	1.36	0.85	0.80	0.76	0.73
Price to Book*	0.96	0.63	0.57	0.52	0.47
Dividend Yield*	0.48%	0.96%	1.07%	1.09%	1.26%
Profitability Ratios					
Gross Margin	28.89%	34.93%	33.90%	33.25%	33.47%
EBITDA Margin	27.25%	32.27%	23.16%	19.80%	24.20%
Operating Margin	17.79%	24.43%	22.39%	21.14%	21.25%
Profit Margin	9.85%	14.99%	14.25%	13.76%	14.39%
Return on Assets	3.46%	5.87%	5.66%	5.40%	5.38%
Return on Equity	6.92%	11.08%	10.14%	9.43%	9.28%
Leverage & Coverage Ratios					
Current Ratio	2.26	2.08	2.24	2.49	2.63
Quick Ratio	2.07	1.88	2.03	2.25	2.38
Tot Debt/Capital	0.90	1.15	1.13	1.17	1.26
Tot Debt/Equity	0.86	0.72	0.64	0.61	0.60
Others					
Asset Turnover	0.35	0.39	0.40	0.39	0.37
Accounts Receivable Turnover	2.31	2.50	2.37	2.24	2.05
Accounts Payable Turnover	15.25	15.17	15.58	16.09	16.63
Inventory Turnover	8.18	7.96	7.56	7.12	6.52

*) based on market price (12/04/2022) at Rp7,675

**) Estimate

Sources: Company, Bloomberg and KB Valbury Sekuritas

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