

Monday, 22 November 2021

BUY
Maintain

Last price (IDR) 850
Target Price (IDR) 1,200
Upside/Downside +41.2%
Previous Target Price (IDR) 1,200

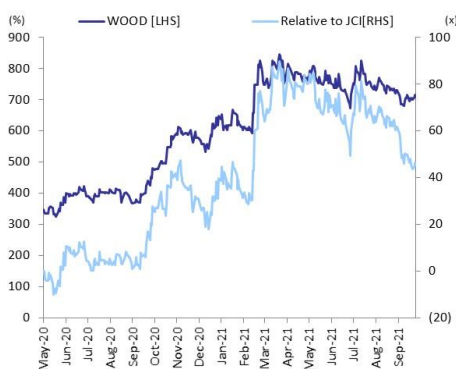
Stock Statistics

Sector Consumer
Bloomberg Ticker WOOD IJ
No of Shrs (mn) 6,307
Mkt. Cap (IDRbn/USDmn) 5,408/384
Avg. daily T/O (IDRbn/USDmn) 16.5/1.2

Major shareholders (%)

Integra Indo Lestari 71.9
Public 27.7

WOOD relative to JCI Index



Source : Bloomberg



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Integra Indocabinet (WOOD IJ)

Solid growth momentum

Integra will continue to record solid growth ahead, supported by higher market share in the US furniture and building components market and from economic recovery. Going into 2022, Integra plans to tap new clients in the US market, supporting double digit growth ahead. Additionally, having sizeable forest concessions will provide potential revenues from carbon trading in 2023. Maintain BUY.

Strong 10M21 sales orders to support robust FY21 revenues. By the end of October 2021, Integra reported strong 10M21 sales orders of IDR4.9tn. The strong performance in Oct 2021 led to 10M21 total revenues of IDR4.1tn (+90.1% yoy vs 9M21: IDR3.5tn). In 4Q21, higher revenues are expected in comparison to previous quarters following the demand surge from both furniture and the building components segment particularly the US market.

Potential revenues from carbon trading ahead. Having 163,425ha of FSC forest concessions and an additional 18,130ha of mangrove area, the company will verify its carbon units in 2022, scheduled for trading in 2023. Integra estimates these forest areas will generate approximately 3mtCO₂e of emissions reduction per year. This will generate potential revenues in 2023.

Optimistic of booking strong growth in 2022. The company sees significant potential in the US market. With regional competitors like Vietnam facing difficulties in securing raw materials, Integra stands to benefit given abundant raw materials in Indonesia. The ability to supply knock-down furniture is also WOOD's competitive advantage given its lower shipping costs. Integra also sees greater opportunity in the building components market. Going into 2022, the company will push further in the US downstream market to have more customers. This will support double digit growth in the company's top and bottom line in 2022.

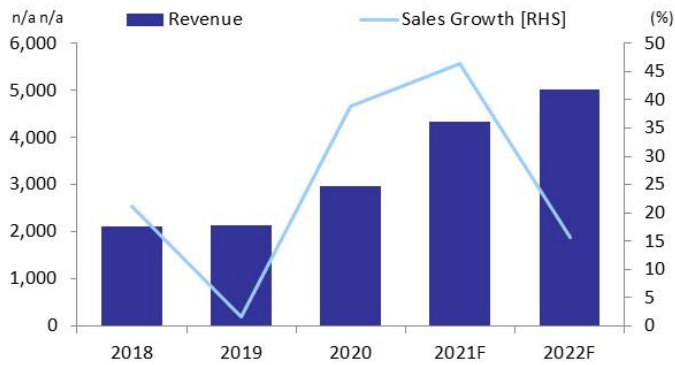
Maintain BUY. For 2021, we estimate strong top and bottom-line growth of 46% yoy and 39% yoy, respectively. In our view, strong order books from the US market for furniture and building material products will persist with Indonesia well placed to fill the gap left by Chinese producers and increase market share. Maintain BUY with a TP of IDR1,200 based on DCF valuation (WACC 9.6%, TG 3%). WOOD is currently trading at an attractive valuation of FY22F PE of 9.8x, still below its historical average of 12-15x and regional peers.

Key Financials

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Revenue (IDRbn)	2,136	2,969	4,344	5,029	5,533
EBITDA (IDRbn)	580	733	892	1,012	1,136
EBITDA Growth (%)	20.6	26.4	21.7	13.5	12.3
Net profit (IDRbn)	217	314	436	547	652
EPS (IDR)	34.5	49.8	69.1	86.8	103.3
EPS growth (%)	(9.1)	44.4	38.8	25.6	19.1
BVPS (IDR)	426.8	478.8	550.4	640.7	748.3
DPS (IDR)	0.0	0.0	2.5	3.5	4.3
PER (x)	24.6	17.1	12.3	9.8	8.2
PBV (x)	2.0	1.8	1.5	1.3	1.1
Dividend yield (%)	-	-	0.3	0.4	0.5
EV/EBITDA (x)	13.1	10.4	8.7	7.4	6.3

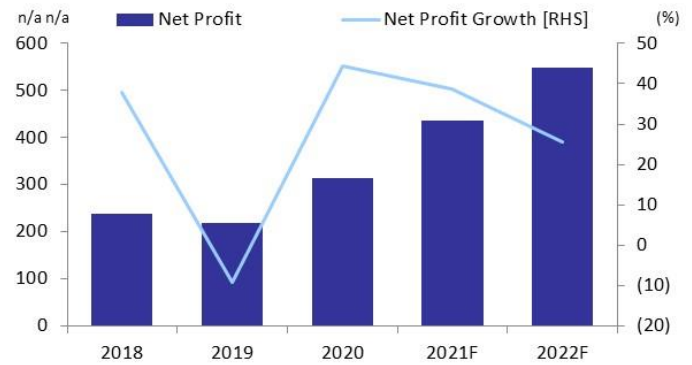
Source : WOOD, BRI Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



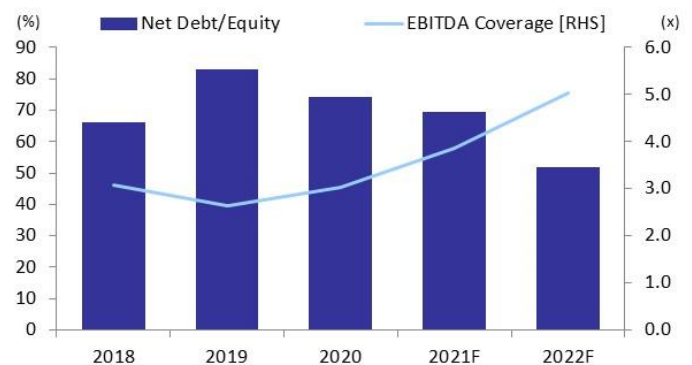
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



Source: Company, Danareksa Sekuritas estimates

Exhibit 5. Income Statement

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Revenue	2,136	2,969	4,344	5,029	5,533
COGS	(1,392)	(1,972)	(2,943)	(3,417)	(3,753)
Gross profit	744	997	1,401	1,612	1,780
EBITDA	580	733	892	1,012	1,136
Oper. profit	490	642	792	907	1,026
Interest income	1	0	0	1	1
Interest expense	(219)	(242)	(231)	(201)	(186)
Forex Gain/(Loss)	(5)	3	8	9	10
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	18	9	3	3	4
Pre-tax profit	284	412	572	718	855
Income tax	(66)	(98)	(136)	(171)	(203)
Minority interest	(1)	0	0	0	0
Net profit	217	314	436	547	652
Core Net Profit	223	311	428	538	641

Exhibit 6. Balance Sheet

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Cash & cash equivalent	24	42	58	185	345
Receivables	961	720	1,016	1,037	1,141
Inventory	1,776	2,113	2,494	2,848	3,127
Other Curr. Asset	291	518	623	621	683
Fixed assets - Net	2,365	2,440	2,491	2,535	2,557
Other non-curr.asset	102	116	129	85	91
Total asset	5,519	5,949	6,811	7,310	7,944
ST Debt	2,091	2,200	2,325	2,125	1,985
Payables	177	222	273	317	348
Other Curr. Liabilities	65	110	161	186	205
Long Term Debt	173	93	154	154	154
Other LT. Liabilities	311	294	417	477	522
Total Liabilities	2,818	2,919	3,329	3,259	3,214
Shareholder's Funds	2,692	3,019	3,471	4,040	4,719
Minority interests	9	10	10	10	10
Total Equity & Liabilities	5,519	5,949	6,811	7,310	7,944

Exhibit 7. Cash Flow

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Net income	217	314	436	547	652
Depreciation and Amort.	89	91	100	105	110
Change in Working Capital	(647)	(51)	(626)	(331)	(352)
Other Oper. Cash Flow	407	40	286	333	180
Operating Cash Flow	67	394	196	655	590
Capex	(579)	(301)	(151)	(150)	(132)
Others Inv. Cash Flow	57	132	0	1	1
Investing Cash Flow	(521)	(170)	(151)	(149)	(131)
Net change in debt	597	21	186	(200)	(140)
New Capital	0	(3)	0	0	0
Dividend payment	0	0	16	22	27
Other Fin. Cash Flow	(219)	(242)	(231)	(201)	(186)
Financing Cash Flow	377	(223)	(29)	(379)	(299)
Net Change in Cash	(77)	1	16	127	160
Cash - begin of the year	64	24	42	58	185
Cash - end of the year	24	42	58	185	345

Exhibit 8. Key Ratios

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Growth (%)					
Sales	1.7	39.0	46.3	15.8	10.0
EBITDA	20.6	26.4	21.7	13.5	12.3
Operating profit	3.6	30.9	23.3	14.5	13.2
Net profit	(9.1)	44.4	38.8	25.6	19.1
Profitability (%)					
Gross margin	34.8	33.6	32.2	32.1	32.2
EBITDA margin	27.1	24.7	20.5	20.1	20.5
Operating margin	22.9	21.6	18.2	18.0	18.5
Net margin	10.2	10.6	10.0	10.9	11.8
ROAA	4.3	5.5	6.8	7.8	8.5
ROAE	8.5	11.0	13.4	14.6	14.9
Leverage					
Net Gearing (x)	0.8	0.7	0.7	0.5	0.4
Interest Coverage (x)	2.2	2.7	3.4	4.5	5.5

Source : WOOD, Danareksa Estimates

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