

# Integra Indocabinet

WOOD IJ / WOOD.JK

Company Update | BCAS Vignette | Retail Sector

**BUY**

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Current Price: IDR590

Target Price: IDR750

Upside potential: 27.1%

## Plenty of opportunity

### Impact of "Spillover" from US – China Trade War

Growth opportunity to persist with revenue likely to top IDR3tn (+17% YoY) in our projection (Company: IDR3.4tn) vs. IDR2.6tn in 2020, which will be underpinned by further demand from the export market (mainly to US) on 1) Wood moldings and millwork products as substituting for declining volume of Brazilian and Chinese products (approximately USD700-800mn per year), a manifestation of US protectionism, 2) Wooden cabinets and vanity products (potentially more than USD4bn as Chinese products dry up), 3) Furniture. Note that the US market, as the leading furniture importer, is the most important one for the furniture industry, contributing the largest portion, at ~USD25bn in 2019, with Indonesian wooden furniture accounting for more than half of total US furniture imports for the year. Here at home, there is ample room for expansion of the furniture industry, given it pitches in only ~1.2% of total GDP, and has sufficient raw material for the future. This is thus expected to drive the manufacturing segment, which will contribute >90% to total revenue in 2021.

### Demand booster deriving from shifting trend in US

The pandemic has inspired a fresh trend, as those who formerly commuted to work now need space for "work from home" policy imposed across US. One aspect is a new demand for more family space in suburban homes, given their lower prices and healthier ambience, compared to in living downtown in a major urban center. Cheaper mortgages are also picking up, which is expected to exert a knock-on effect, raising demand for better building materials and components, as well as furniture (particularly sourced online). As such, 4Q20 and 1Q21 orders are fully-booked: the Company is in fact focusing and working on 2Q21 order book, as they aim to increase their 2019 capacity of <100 containers/month and 2020 of >300 containers/month to 500-600 containers/month in 2021.

### Stable operating outlook

Post substantial IDR328bn 2019 capex covered expanded production capacity, 2020 & 2021 capex should be more modest, as Company machine purchases in 2020 and that of tools equipment next year will be contingent on demand uptick. WOOD has additionally exhibited a stronger operating cash flow generation, as the company managed to negotiate for faster payment on selected customers. On top of that, cost input such as Meranti price, has remained stable at IDR1.6m-1.8mn/m<sup>3</sup>, which should pave the way for gross margin to remain stable at 33.5% in 2021.

### Export play; BUY with TP of IDR750

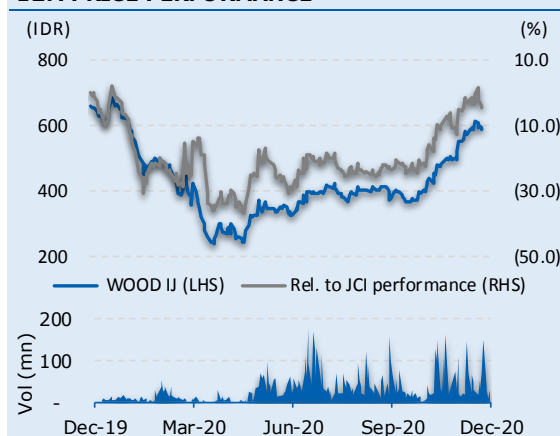
Stronger evident of spillover from the US export market and recovery in domestic demand should be supportive to 2021-22F earnings CAGR of 20%. We reinstate our coverage on WOOD and set a TP of IDR750, pegging the stock at 2021 PER of 14.0x at historical mean. Downside risks: Disruption in US policy, negatively affecting US export market, high volatility in USD / IDR currency, force majeure disasters (forest fire, flooding), impairing wood production.

### Exhibit 1. Financial Highlight

Year-end 31 Dec (IDRbn)	2018	2019	2020F	2021F	2022F
Revenue	2,101	2,136	2,649	3,099	3,564
EBITDA	386	389	452	532	620
EV/EBITDA (x)	13.8	15.3	13.2	11.2	9.6
Net Profit	239	217	261	329	395
BCAS/consensus (%)	-	-	103.1	107.8	111.1
EPS (IDR)	38	34	41	52	63
EPS Growth (%)	23.8	(9.7)	19.9	26.1	20.0
P/E (x)	15.4	17.1	14.3	11.3	9.4
DPS (IDR)	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-
BVPS	391	429	470	522	585
P/B (x)	1.5	1.4	1.3	1.1	1.0
ROE (%)	9.8	8.0	8.8	10.0	10.7
Net Gearing (%)	73.7	86.0	75.9	68.3	60.4

Sources: Company, BCA Sekuritas

### 12M PRICE PERFORMANCE



Source: Bloomberg

### STOCK PERFORMANCE

	YTD	1M	3M	12M
Absolute	-13.9%	18.5%	58.6%	-10.6%
JCI Return	-5.8%	8.6%	21.3%	-4.0%
Relative	-8.1%	9.9%	37.3%	-6.6%

Source: Bloomberg

### MARKET DATA

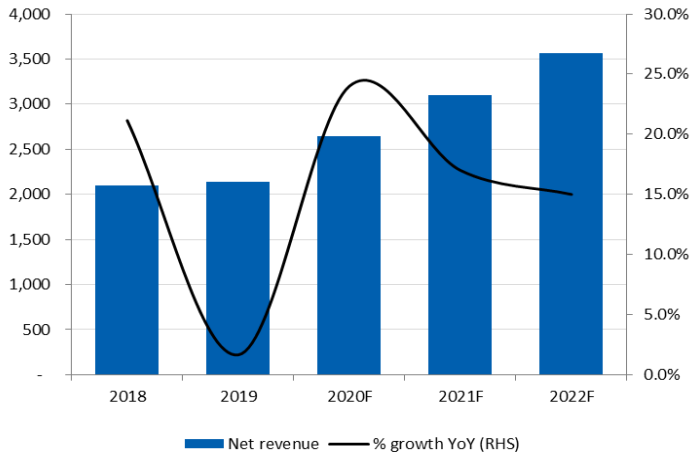
12M price range (IDR)	:	242 - 685
12M PE range (x)	:	10.0 - 11.4
Outstanding shares (mn)	:	6,306
Market cap (IDRbn)/(USDmn)	:	3,721 / 264
Avg daily turn. (IDRbn/USDmn)	:	20.7 / 1.5

Source: Bloomberg

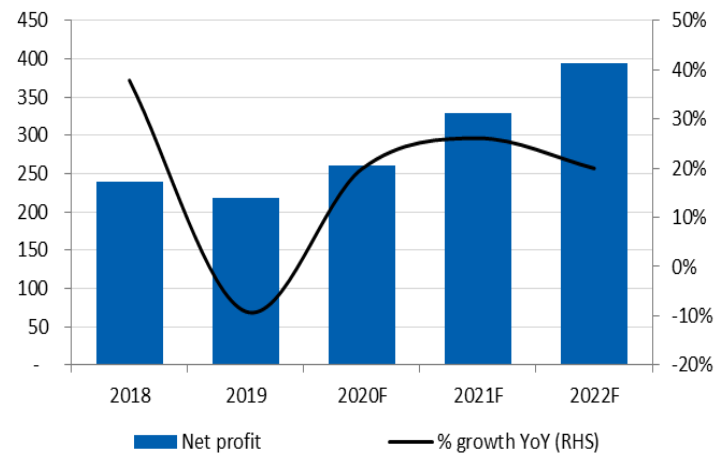
### SHAREHOLDERS

PT Integra Indoo Lestari	:	69.4%
Others	:	30.6%

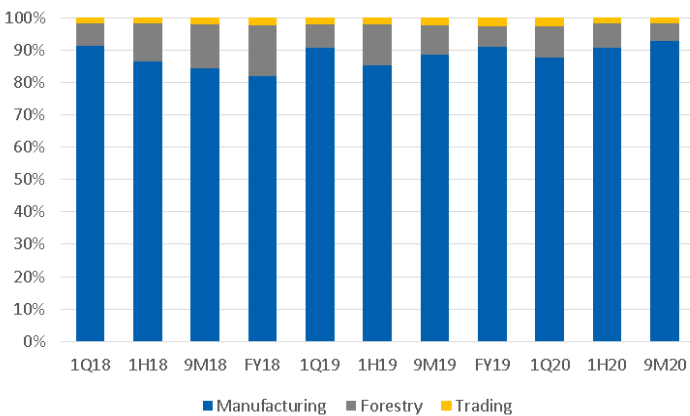
Source: Bloomberg

**Exhibit 2. Revenue (IDRbn) vs revenue growth**


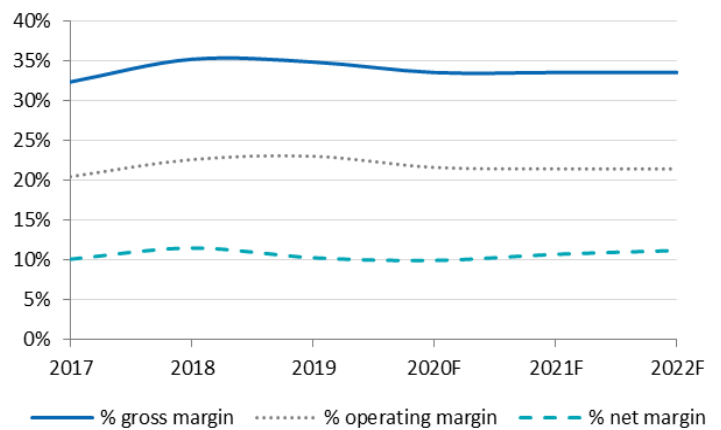
Sources: Company, BCA Sekuritas

**Exhibit 3. Net profit (IDRbn) vs net profit growth**


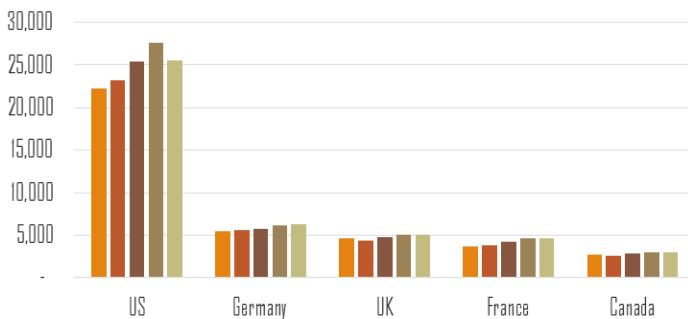
Sources: Company, BCA Sekuritas

**Exhibit 4. Revenue breakdown**


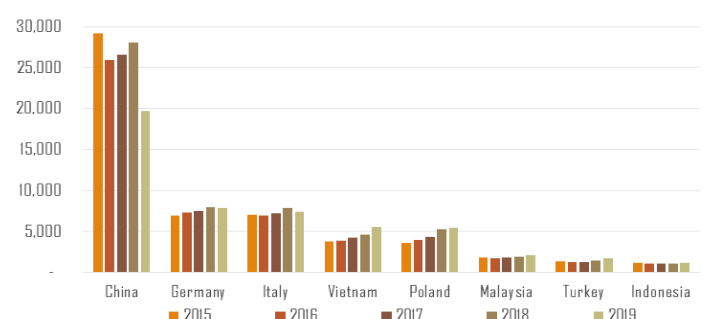
Sources: Company, BCA Sekuritas

**Exhibit 5. Margins**


Sources: Company, BCA Sekuritas

**Exhibit 6. Major furniture importing countries**


Sources: Company, BCA Sekuritas

**Exhibit 7. Major furniture exporting countries**


Sources: Company, BCA Sekuritas

**Exhibit 8. Earnings revision**

(IDRbn)	2020F			2021F			2022F		
	Old	New	Chg (%)	Old	New	Chg (%)	Old	New	Chg (%)
Net revenue	2,921	2,649	(9.3)	3,099	3,099	-	3,564	3,564	-
Gross profit	976	887	(9.1)	1,038	1,038	-	1,194	1,194	-
Operating profit	647	570	(11.8)	662	662	-	761	761	-
Net profit	368	261	(29.2)	329	329	-	395	395	-
Gross margin (%)	33.4	33.5	0.1	33.5	33.5	-	33.5	33.5	-
Operating margin (%)	22.1	21.5	(0.6)	21.4	21.4	-	21.4	21.4	-
Net margin (%)	12.6	9.8	(2.8)	10.6	10.6	-	11.1	11.1	-

Sources: Company, BCA Sekuritas

**Exhibit 9. WOOD Financial Summary**

<b>Income Statement</b>					
<b>Year-end 31 Dec (IDRbn)</b>	<b>2018</b>	<b>2019</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>
<b>Revenue</b>	<b>2,101</b>	<b>2,136</b>	<b>2,649</b>	<b>3,099</b>	<b>3,564</b>
Cost of revenue	1,362	1,392	1,762	2,061	2,370
<b>EBITDA</b>	<b>386</b>	<b>389</b>	<b>452</b>	<b>532</b>	<b>620</b>
Depreciation	(88)	(102)	(118)	(130)	(142)
<b>EBIT</b>	<b>473</b>	<b>490</b>	<b>570</b>	<b>662</b>	<b>761</b>
Interest income	0	1	1	1	2
Interest expenses	(156)	(212)	(238)	(241)	(243)
Forex gain/(losses)	1	(5)	7	11	-
Other income/(expense)	6	9	7	6	6
<b>Pre-tax profit</b>	<b>325</b>	<b>284</b>	<b>348</b>	<b>438</b>	<b>526</b>
Taxes	(83)	(66)	(87)	(110)	(132)
Minority interests	3	1	-	-	-
<b>Net income</b>	<b>239</b>	<b>217</b>	<b>261</b>	<b>329</b>	<b>395</b>
<b>EPS (IDR)</b>	<b>38</b>	<b>34</b>	<b>41</b>	<b>52</b>	<b>63</b>
<b>Balance Sheets</b>					
<b>Year-end 31 Dec (IDRbn)</b>	<b>2018</b>	<b>2019</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>
Cash and equivalents	64	24	40	61	88
Accounts receivables	460	936	726	722	723
Inventories	1,432	1,776	1,931	2,044	2,188
L-T invest & receivables	-	-	-	-	-
Fixed assets	1,933	2,363	2,601	2,831	3,073
Other assets	699	417	555	582	611
<b>Total assets</b>	<b>4,588</b>	<b>5,515</b>	<b>5,852</b>	<b>6,240</b>	<b>6,683</b>
S-T liabilities	1,634	2,066	2,066	2,066	2,066
Other S-T liabilities	200	282	301	333	368
L-T liabilities	38	173	223	243	248
Other L-T liabilities	266	290	297	304	312
<b>Total liabilities</b>	<b>2,138</b>	<b>2,812</b>	<b>2,888</b>	<b>2,947</b>	<b>2,995</b>
Minority interests	10	10	10	10	10
<b>Equity</b>	<b>2,450</b>	<b>2,704</b>	<b>2,964</b>	<b>3,293</b>	<b>3,688</b>
<b>Total liabilities and equity</b>	<b>4,588</b>	<b>5,515</b>	<b>5,852</b>	<b>6,240</b>	<b>6,683</b>
<b>Cash Flow Statement</b>					
<b>Year-end 31 Dec (IDRbn)</b>	<b>2018</b>	<b>2019</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>
Net income	239	217	261	329	395
Depreciation	(88)	(102)	(118)	(130)	(142)
Change in working capital	(718)	(685)	(58)	(100)	(133)
<b>Operating cash flow</b>	<b>(566)</b>	<b>(569)</b>	<b>85</b>	<b>99</b>	<b>120</b>
Capital expenditure	(165)	(328)	(120)	(100)	(100)
Others	167	229	(5)	(5)	(6)
<b>Investing cash flow</b>	<b>2</b>	<b>(99)</b>	<b>(125)</b>	<b>(105)</b>	<b>(106)</b>
Dividend Paid	-	-	-	-	-
Net change in debt	371	568	50	20	5
Others	183	37	7	7	8
<b>Financing cash flow</b>	<b>554</b>	<b>605</b>	<b>57</b>	<b>27</b>	<b>13</b>
Change in cash	(10)	(64)	17	21	27
Beginning cash flow	(10)	64	24	40	61
<b>Ending cash flow</b>	<b>64</b>	<b>24</b>	<b>40</b>	<b>61</b>	<b>88</b>
<b>Key Ratios</b>					
<b>2018</b>	<b>2019</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>	
Gross margin (%)	35.2	34.8	33.5	33.5	33.5
EBITDA margin (%)	18.3	18.2	17.1	17.2	17.4
EBIT margin (%)	22.5	23.0	21.5	21.4	21.4
Pretax margin (%)	15.4	13.3	13.1	14.1	14.8
Net margin (%)	11.4	10.2	9.8	10.6	11.1
ROAE (%)	10.5	8.2	17.6	12.6	12.9
ROAA (%)	5.6	4.1	8.9	6.5	7.0
Current ratio (x)	1.3	1.3	1.3	1.4	1.4
Acid ratio (x)	0.3	0.4	0.3	0.3	0.3
Gearing (%)	76.6	86.9	77.2	70.1	62.8
Net gearing (%)	73.7	86.0	75.9	68.3	60.4
AR turnover (days)	54	119	100	85	74
Inventory turnover (days)	349	420	400	362	337
AP turnover (days)	27	31	33	33	33

Sources: Company, BCA Sekuritas

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