

Integra Indocabinet

Strong result, even stronger prospects

Strongest result ever

Integra recorded a higher 3Q20 revenue of IDR751bn (+15% QoQ and +74% YoY) despite the Covid19 situation. The higher revenue mainly derived from strong demand from US market for both furniture and building components (BC) markets. In addition, its furniture and BC were up by 51%/98% vs 1Q20's numbers. This brings 9M20 revenue of IDR1.8trn (+34% YoY), above our unadjusted numbers. Gross margin (GPM) increased from 30% in 2Q20 to 35% due to economies of scale, while its operating margin up from 19% to 22% on the back of operating leverage. Even though during this tough condition, Integra still managed to book a strong net profit of IDR76bn (+35% QoQ, +29% YoY), bringing its 9M20 numbers at IDR190bn (+4% YoY), above. Note that this is Integra's strongest result ever since its IPO back in 2017.

Bearing fruit from last year's effort

According to the company's 9M20 press release, Integra has received a large demand from the export market, especially US, and improving domestic demand as we enter the last quarter of the year. Note that Integra's local market, which most projects comes from the local govt and they tend to spend all the remaining budget at the end of the year. We upgrade our 2020F numbers from IDR2.4trn to IDR2.6trn (+8%), in-line with Integra's current sales order and upgrade our 2021-22F revenue to IDR 3.1/3.5trn (both +3%) respectively. We also upgrade our net profit estimates for 2020F-22F to IDR268bn/316bn/365bn (+12%/+4%/2%), respectively as we believe its economies of scale has been running well and to sustain its growth going forward. Hence, we expect company to record net profit growth of 20% by next year. This is truly extraordinary considering the current situation in which most companies experience a decline in performance.

Potential earnings upside from selling un-used land bank

The fact that the company still own land available for sale of ~30ha which was bought in 2017, possibly worth IDR450bn due to its price has appreciated, and if sold at that price, it may result in IDR190-210bn of extraordinary gain. But note that it is difficult to sell land bank of that size of course during Covid19 pandemic, but it is reasonable to argue that Integra is likely to be able to sell this land bank when economy recovers - we have not included such potential gain in our estimates.

Maintain BUY rating for WOOD with higher TP of IDR 820

We maintain our BUY call and raise TP to IDR820 (from IDR630) as we roll-over our valuation to 2021F and raise 2021F earnings by +4%, while maintain our target P/E of 17x. The stock currently trades at an attractive 11.7x 2021 P/E and 1.1x P/BV, a hefty 32/61% discount to global furniture and building component peers. Key risks include: 1) Significant slowdown in US new home sales and furniture and 2) Weather and operational disruption.

Company Data

Year end Dec	2018	2019	2020F	2021F	2022F
Revenue (IDR bn)	2,101	2,136	2,658	3,092	3,488
Net Profit (IDR bn)	239	217	268	316	365
Core EPS (IDR)	37	34	40	48	56
EPS growth	3%	-9%	18%	20%	16%
BVPS	384	424	465	515	572
EV/ EBITDA (x)	10.1	9.6	8.3	8.0	7.5
Core P/E (x)	15.0	16.5	14.0	11.7	10.0
P/ BV (x)	1.5	1.3	1.2	1.1	1.0

BUY (Maintained)

Target Price IDR820 (+46 ups.%)
 Previous TP IDR630
 Current Price IDR560



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Stock Data & Indices

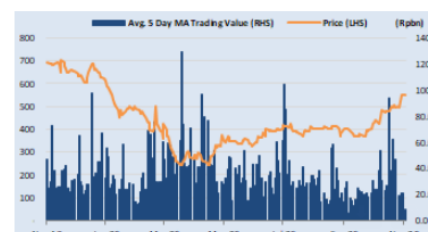
Bloomberg Code	WOOD.IJ
JCI Group	JAKCONS
MSCI Indonesia	No
JII	No
LQ45	No
Kompas 100	No

Key Data

Issued Shares (mn)	6,306.3
Free Float (est)	25.5%
Mkt. Cap (IDRbn)	3,531.5
Mkt. Cap (USDmn)	250.1
ADTV 6 month (IDRbn)	19.5
52 Wk-range	710 / 234

Performance (%)

	YTD	1m	3m	12m
Absolute	-18.2	27.3	38.6	-18.8
Relative to JCI	-6.0	18.9	33.2	-9.1



Income Statement

Year end Dec (Rp bn)	2018	2019	2020F	2021F	2022F
Revenue	2,101	2,136	2,658	3,092	3,488
Gross Profit	739	744	894	979	1,076
Operating Profit	473	490	575	599	647
EBITDA	561	592	681	709	760
Net Interest expense/(Exp)	-156	-211	-240	-208	-203
Gain/(loss) Forex	1	-5	0	0	0
Total other Income (Expense)	7	5	20	15	14
Pre-tax Profit	325	284	355	406	458
Income Tax Expense	-83	-66	-86	-89	-92
Minority Interest	0	0	0	0	0
Net profit	239	217	268	316	365
Core profit	237	215	253	305	355
Dividend payout ratio	0%	0%	0%	0%	0%

Balance Sheet

Year end Dec (Rp bn)	2018	2019	2020F	2021F	2022F
Cash and equivalents	64	24	56	62	67
Other curr asset	2,262	3,028	3,062	3,221	3,521
Net fixed asset	1,933	2,363	2,377	2,383	2,384
Other asset	329	101	146	146	175
Total asset	4,588	5,515	5,641	5,812	6,148
ST debt	1,648	2,091	2,076	1,888	1,821
Other currliab	186	257	178	198	215
LT debt	58	211	171	192	212
Other LT Liab	247	252	252	252	252
Minority interest	2,138	2,812	2,677	2,531	2,500
Total Liabilities	10	10	11	12	13
Shareholders Equity	2,440	2,694	2,953	3,269	3,634
Net Debt/(Cash)	1,642	2,279	2,190	2,018	1,966
Total cap employed	2,754	3,167	3,387	3,726	4,112
Net Working capital	492	703	864	1,197	1,553

Cash Flow

Year end Dec (Rp bn)	2018	2019	2020F	2021F	2022F
Net profit	239	217	268	316	365
Depr / Amort	88	102	106	110	113
Chg in Working Cap	-600	-737	-8	-169	-313
Others	-142	11	-105	30	30
CF's from oprs	-414	-406	260	287	195
Capex	-260	-519	-120	-115	-115
Others	59	235	-45	0	-29
CF's from investing	-145	-208	-165	-115	-144
Net change in debt	385	597	-56	-166	-48
Others	253	-23	-7	1	1
CF's from financing	638	574	-63	-165	-47
Net cash flow	79	-41	32	7	5
Cash at BoY	54	64	24	56	62
Cash at EoY	133	24	56	62	67
Free Cashflow	-675	-926	140	172	80

Ratio Analysis

Year end Dec(Rp bn)	2018	2019	2020F	2021F	2022F
Profitability					
Gross Margin	35%	35%	34%	32%	31%
Opr Margin	23%	23%	22%	19%	19%
EBITDA Margin	27%	28%	26%	23%	22%
Net Margin	11%	10%	10%	10%	10%
ROE	11%	8%	9%	10%	11%
ROA	6%	4%	5%	6%	6%
Stability					
Current ratio	1.3	1.3	1.4	1.6	1.8
Net Debt to Equity	0.7	0.8	0.7	0.6	0.5
Net Debt to EBITDA	2.9	3.8	3.2	2.8	2.6
Interest Coverage	3.0	2.3	2.4	2.9	3.2
Efficiency					
Account Payable	21	42	21	21	21
Account Receivable	80	160	80	70	70
Inventory Day	384	465	430	390	380

Company Background

PT Integra Indocabinet Tbk is a vertically integrated wooden furniture manufacturer with products such as knock-down furniture, fully-assembled furniture and building components. Integra commands 5.2% market share

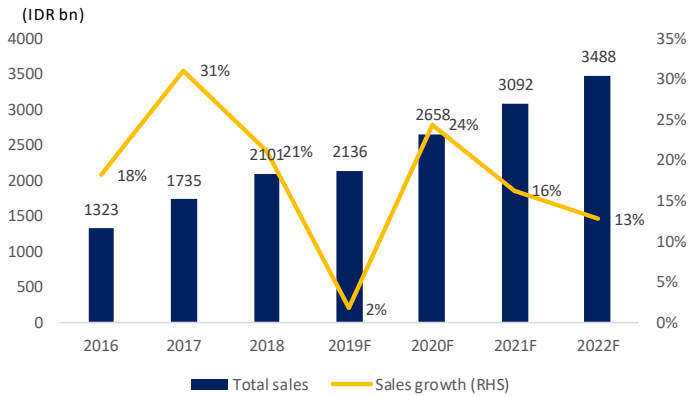
Major Shareholders

PT Integra Indo Lestari	79%
Public	21%

SWOT Analysis

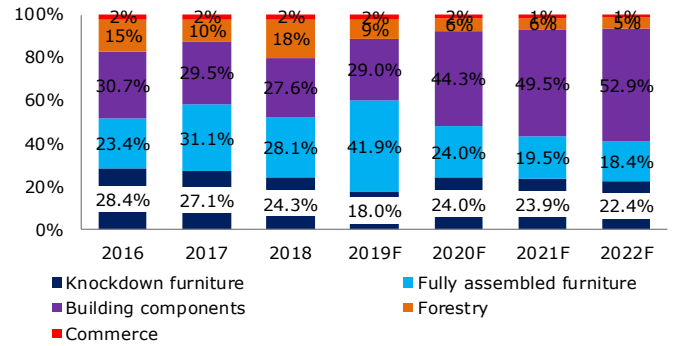
Strength One of the largest and most vertical wooden furniture manufacturer with high expertise	Weakness Weak distribution channel may hamper inter-city domestic delivery
Opportunity Strong US and China market is conducive for Integra's sales	Threat Rising wood price due to factory closures in China and expanding global economy

Figure 1. Integra sales and growth trends



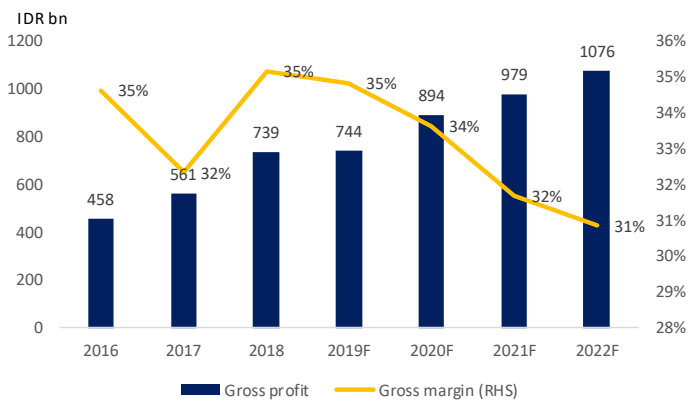
Source: Trimegah Research, Company's data

Figure 2. Sales breakdown



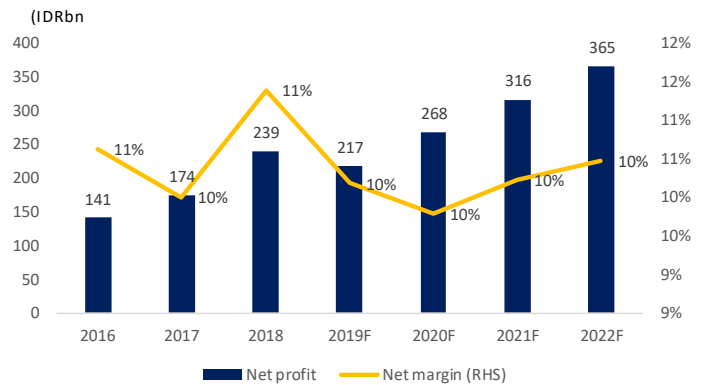
Source: Trimegah Research, Company's data

Figure 3. Gross profit and margin trends



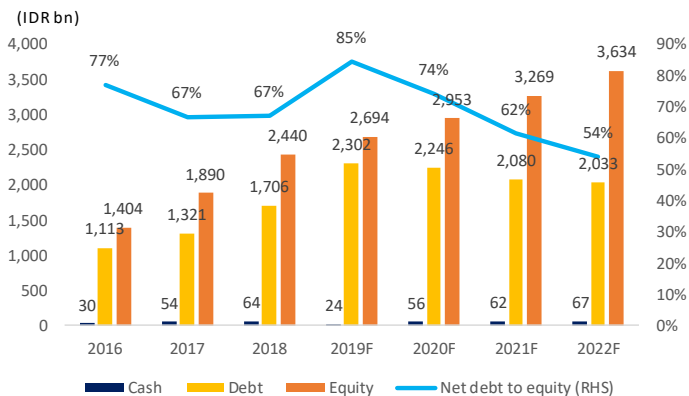
Source: Trimegah Research, Company's data

Figure 4. Net profit and net margin trends



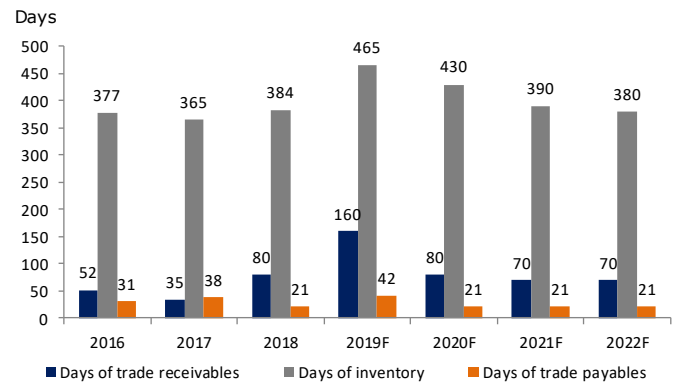
Source: Trimegah Research, Company's data

Figure 5. Cash, debt, equity and net gearing trends



Source: Trimegah Research, Company's data

Figure 6. working capital days trends



Source: Trimegah Research, Company's data

Figure 7. Change of estimates

In IDRbn	New			Old			% Change		
	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F
Revenue	2,658	3,092	3,488	2,451	2,999	3,398	8%	3%	3%
Gross profit	894	979	1,076	790	947	1,054	13%	3%	2%
Gross margin	33.6%	31.7%	30.8%	32.2%	31.6%	31.0%			
Operating profit	575	599	647	480	568	624	20%	6%	4%
Operating margin	22%	19%	19%	20%	19%	18%			
Net profit	268	316	365	240	304	359	12%	4%	2%
Net margin	10%	10%	10%	10%	10%	11%			

Source: Trimegah Research

Figure 8. Integra 9M20 results

IDR bn	3Q19	2Q20	3Q20	QoQ	YoY	9M19	9M20	YoY	TRIM FY20F
Revenue	431	652	751	15%	74%	1,409	1,885	34%	77%
Gross profit	162	196	260	33%	61%	504	625	24%	79%
Operating profit	115	125	168	34%	45%	348	404	16%	84%
Net profit	59	56	76	35%	29%	182	190	4%	79%
Margin analysis:									
Gross	38%	30%	35%	4.52%	-2.91%	36%	33%		
Operating	27%	19%	22%	3.19%	-4.43%	25%	21%		
Net	14%	9%	10%	1.46%	-3.59%	13%	10%		
Cash	54	23	32			54	32		
Debt	2,218	2,278	2,275			2,218	2,275		
Equity	2,632	2,817	2,908			2,632	2,908		
Debt to equity	0.84	0.81	0.78			0.84	0.78		
Net debt to equity	0.82	0.80	0.77			0.82	0.77		

Source: Trimegah Research, Company's data

Figure 9. Peers comparison

	Ticker	Market cap (USDMn)	PER (x)		PBV (x)		EV/EBITDA (x)		ROE (%)		
			2020Y	2021Y	2020Y	2021Y	2020Y	2021Y	2020Y	2021Y	
			*as of 11/17/2020								
SUOFIYA HOME COLLECTION C-A	002572 CH Equity	3,832	21.90	19.07	4.06	3.60	14.20	12.13	18.96	18.80	
WILLIAMS-SONOMA INC	WSM US Equity	7,462	20.24	15.19	6.32	4.82	10.55	8.43	31.90	33.21	
DEHUA TB NEW DECORATION-A	002043 CH Equity	1,148	17.72	13.09	3.80	3.21	13.11	10.25	20.73	24.25	
DARE POWER DEKOR HOME CO L-A	000910 CH Equity	1,282	11.63	10.30	1.47	1.30	6.48	5.87	13.05	13.09	
FABRYKI MEBLI FORTE SA	FTE PW Equity	231	45.29	11.09	1.10	1.05	9.16	8.38	6.45	9.85	
GUANGZHOU SHANGPIN HOME CO-A	300616 CH Equity	1,841	31.76	20.84	3.16	2.79	20.11	13.53	9.52	13.51	
HOWDEN JOINERY GROUP PLC	HWDN LN Equity	4,932	34.24	21.05	5.48	4.73	18.14	13.31	17.14	23.40	
GREENPLY INDUSTRIES LTD	MTLM IN Equity	170	14.20	23.60	3.05	2.96	8.36	12.45	23.91	13.24	
DONGWHA ENTERPRISE CO LTD	025900 KS EQUITY	712	38.18	25.77	1.34	1.28	11.80	10.05	3.75	5.24	
LOUISIANA-PACIFIC CORP	LPX US EQUITY	3,541	8.53	10.40	3.11	2.45	4.91	5.84	37.46	23.17	
Global average		2,515	24.4	17.0	3.3	2.8	11.7	10.0	18.3	17.8	
INTEGRA INDOCABINET TBK PT	WOOD IJ EQUITY	244	14.03	11.66	1.20	1.09	8.33	8.00	9.48	10.16	
Premium (disc.)			-42%	-32%	-63%	-61%	-29%	-20%	-48%	-43%	

Source: Trimegah Research, Bloomberg

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- Neutral : Share price is expected to trade within the range of 0%-10% over the next 12 months
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Company Ticker	Disclosure (as applicable)
WOOD	-

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