

Integra Indocabinet

WOOD IJ / WOOD.JK

Company Update | BCAS Virtue | Retail Sector

Opportunity appearing from Adversity

How to capitalize on “Spillover” from US - China Trade War

The ongoing US-China trade war is expected to endure into end-2021, which presents a positively catalyst for the Company to further carve out US market share from China’s portion, particularly for building components and knockdown products. The Company targets revenue to grow by +25% YoY vs. +89% YoY in 1Q21, showing potential adjustment upward toward year-end. In 2021, the Company plans to acquire a 1.7ha factory for the purpose of building component production capacity expansion (they have not yet disclosed any further details with regard to this expansion). Capex of IDR100-120bn would be allocated for this expansion and maintenance (typically about 60-70bn). Given potential strong demand, particularly coming from US market, we revise our assumption with result of increased earnings revision, growing by 34.9% YoY this year.

Anticipate strong 2Q21 results

By Apr-21, the Company had already secured IDR2tn in sales orders, to be delivered in Jun-Aug-21. May-21 sales order of IDR2.6tn is better than that of Apr-21, according to the Company. In May-21, WOOD registered revenue to reach of IDR378bn (+85.3% YoY) vs. IDR204bn in May-20, which brings 5M21 to IDR1.6tn (84.9% YoY) vs. 5M20 of IDR880bn) Therefore, we view strong revenue growth in 2Q21, underpinned by building components, especially Millworks while furniture products (in knockdown segment) will start contributing more toward 2H21. In line with company’s strategy to increase their capacity in building components (including Millwork) there should be more room for WOOD to expand their market share in Millwork products, on the back of even less competition in this segment (allowing them the opportunity to raise prices), thus potentially fattening margins.

Competition from Vietnam

The competition landscape reveals Indonesia’s position in this industry as more favorable than that of Vietnam (second-biggest exporter to US before US-China Trade War) as Indonesia has ample resources and relatively lower shipping cost to US, which places WOOD in better position to further seize US market share, going forward. Vietnam currently specializes in furniture segment (fully-assembled furniture) which should allow WOOD the opportunity boost market share in other product segments as well, such as Millworks.

Reiterate BUY stance with TP rising to IDR1,000

Ample growth opportunity from US export market arising from the lack of China contribution, along with recovery in domestic demand should be supportive of 2021-22F earnings CAGR of 23.8%. We reiterate BUY stance on WOOD, as we revise our assumption upward, resulting in an earnings increase of 28.9%. As such, we raise our TP to IDR1,000, implying 2021 and 2022 PER of 14.9x and 13.1x, respectively. Downside risks: Disruption in US policy, negatively affecting US export market, high volatility in USD / IDR currency, force majeure disasters (forest fires, flooding), impaired wood production.

Exhibit 1. Financial Highlights

Year-end 31 Dec (IDRbn)	2018	2019	2020	2021F	2022F
Revenue	2,101	2,136	2,969	3,698	4,017
EBITDA	473	592	733	874	953
EV/EBITDA (x)	13.5	11.8	9.5	8.3	7.4
Net Profit	239	218	314	424	482
BCAS/consensus (%)	-	-	-	-	-
EPS (IDR)	38	35	50	67	76
EPS Growth (%)	23.8	(9.6)	44.2	34.9	13.8
P/E (x)	19.8	21.9	15.2	11.2	9.9
DPS (IDR)	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-
BVPS	391	428	480	548	624
P/B (x)	1.9	1.8	1.6	1.4	1.2
ROE (%)	9.8	8.1	10.4	12.3	12.2
Net Gearing (%)	86.1	86.1	77.5	71.4	57.8

Sources: Company, BCA Sekuritas

BUY

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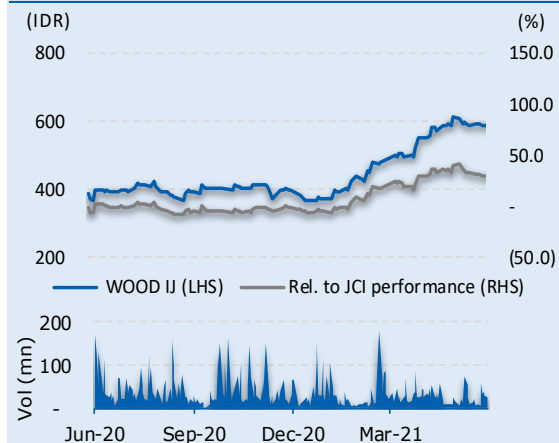
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Current Price: IDR780

Target Price: IDR1,000

Upside potential: 28.2%

12M PRICE PERFORMANCE



Source: Bloomberg

STOCK PERFORMANCE

	YTD	1M	3M	12M
Absolute	39.3%	0.6%	-1.3%	101.0%
JCI Return	0.9%	4.5%	-3.5%	23.7%
Relative	38.4%	-3.9%	2.2%	77.4%

Source: Bloomberg

MARKET DATA

12M price range (IDR)	:	368 - 850
12M PE range (x)	:	7.1 - 13.1
Outstanding shares (mn)	:	6,306
Market cap (IDRbn)/(USDmn)	:	4,919 / 341
Avg daily turn. (IDRbn/USDmn)	:	22.7 / 1.6

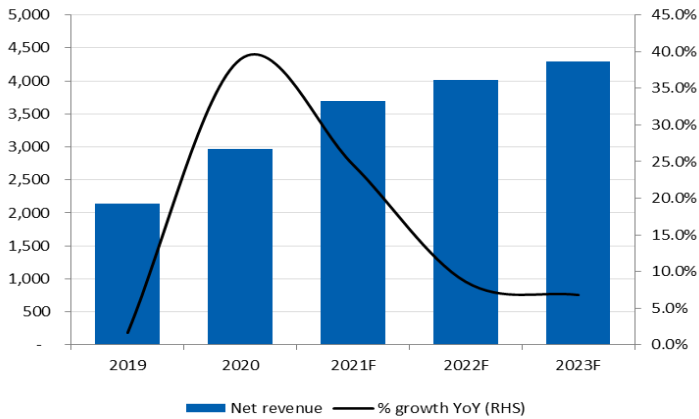
Source: Bloomberg

SHAREHOLDERS

PT Integra Indoo Lestari	:	69.4%
Others	:	30.6%

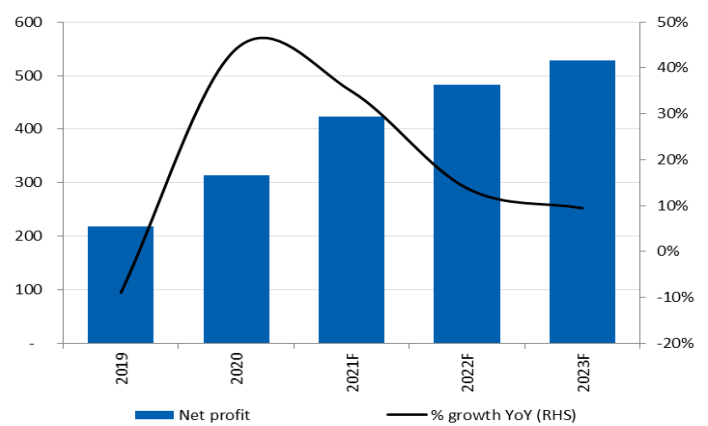
Source: Bloomberg

Exhibit 2. Revenue (IDRbn) vs. revenue growth



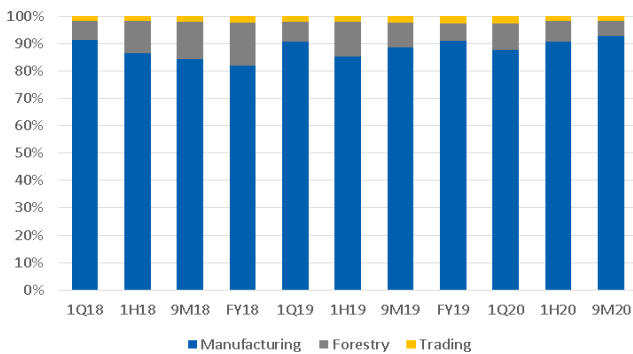
Sources: Company, BCA Sekuritas

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



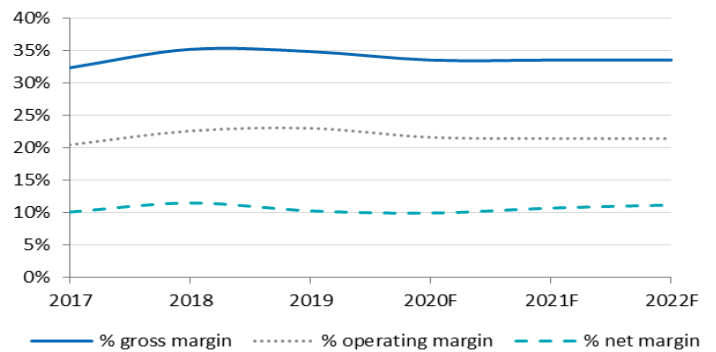
Sources: Company, BCA Sekuritas

Exhibit 4. Revenue breakdown



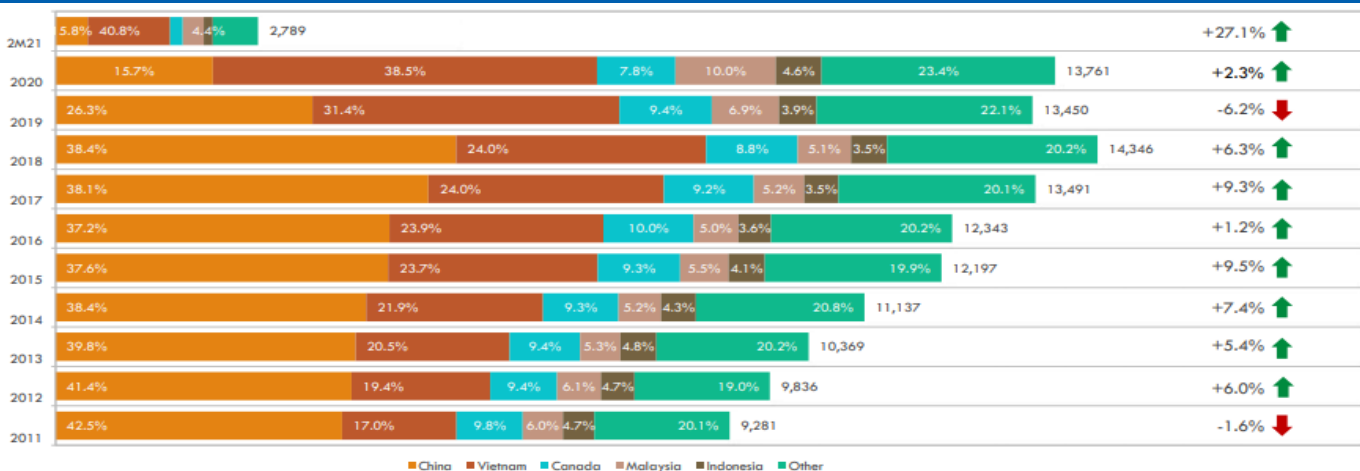
Sources: Company, BCA Sekuritas

Exhibit 5. Margins



Sources: Company, BCA Sekuritas

Exhibit 6. Major furniture exporting countries to United States



Sources: UNComtrade

Exhibit 7. Earnings revision

(IDRbn)	2021F			2022F		
	Old	New	Chg (%)	Old	New	Chg (%)
Net revenue	3,099	3,698	19.3	3,564	4,017	12.7
Gross profit	1,038	1,237	19.2	1,194	1,344	12.5
Operating profit	662	784	18.4	761	861	13.2
Net profit	329	424	28.9	395	482	22.2
Gross margin (%)	33.5	33.5	(0.0)	33.5	33.5	(0.0)
Operating margin (%)	21.4	21.2	(0.2)	21.4	21.4	0.1
Net margin (%)	10.6	11.5	0.8	11.1	12.0	0.9

Sources: Company, BCA Sekuritas

Exhibit 8. WOOD Financial Summary

Income Statement					
Year-end 31 Dec (IDRbn)	2018	2019	2021F	2021F	2022F
Revenue	2,101	2,136	2,969	3,698	4,017
Cost of revenue	1,362	1,392	1,972	2,461	2,673
EBITDA	473	592	733	874	953
Depreciation	-	102	92	90	92
EBIT	473	490	642	784	861
Interest income	0	1	0	(0)	(0)
Interest expenses	(156)	(219)	(242)	(241)	(241)
Forex gain/(losses)	1	(5)	3	6	4
Other income/(expense)	6	18	9	10	10
Pre-tax profit	325	284	412	558	635
Taxes	(83)	(66)	(98)	(134)	(152)
Minority interests	3	1	0	0	0
Net income	239	218	314	424	482
EPS (IDR)	38	35	50	67	76
Balance Sheets					
Year-end 31 Dec (IDRbn)	2018	2019	2020F	2021F	2022F
Cash and equivalents	64	24	42	(201)	(10)
Accounts receivables	460	936	687	1,014	1,102
Inventories	1,432	1,776	2,113	2,433	2,643
L-T invest & receivables	-	-	-	-	-
Fixed assets	1,933	2,363	2,334	2,364	2,392
Other assets	702	420	772	811	852
Total assets	4,592	5,519	5,949	6,421	6,978
S-T liabilities	1,593	2,066	2,170	2,170	2,170
Other S-T liabilities	207	288	380	381	409
L-T liabilities	78	173	93	93	93
Other L-T liabilities	266	290	275	282	288
Total liabilities	2,145	2,818	2,919	2,927	2,961
Minority interests	10	9	10	10	10
Equity	2,447	2,701	3,030	3,454	3,936
Total liabilities and equity	4,592	5,519	5,949	6,380	6,897
Cash Flow Statement					
Year-end 31 Dec (IDRbn)	2018	2019	2020F	2021F	2022F
Net income	239	218	314	424	482
Depreciation	-	102	92	90	92
Change in working capital	(713)	(695)	(235)	(675)	(300)
Operating cash flow	(473)	(376)	171	(161)	274
Capital expenditure	(253)	(532)	(63)	(120)	(120)
Others	164	229	(118)	(11)	(12)
Investing cash flow	(89)	(303)	(181)	(131)	(132)
Dividend Paid	-	-	-	-	-
Net change in debt	371	568	24	-	-
Others	807	47	4	8	8
Financing cash flow	1,178	615	28	8	8
Change in cash	616	(64)	19	(284)	150
Beginning cash flow	(10)	64	(10)	42	(201)
Ending cash flow	64	24	42	(201)	(10)
Key Ratios					
	2018	2019	2020F	2021F	2022F
Gross margin (%)	35.2	34.8	33.6	33.5	33.5
EBITDA margin (%)	22.5	27.7	24.7	23.6	23.7
EBIT margin (%)	22.5	22.9	21.6	21.2	21.4
Pretax margin (%)	15.4	13.3	13.9	15.1	15.8
Net margin (%)	11.4	10.2	10.6	11.5	12.0
ROAE (%)	12.2	9.8	12.5	17.9	15.1
ROAA (%)	5.6	4.1	5.4	8.3	8.3
Current ratio (x)	1.3	1.3	1.3	1.5	1.7
Acid ratio (x)	0.3	0.4	0.3	0.3	0.4
Gearing (%)	89.5	87.0	79.0	65.5	57.5
Net gearing (%)	86.1	86.1	77.5	71.4	57.8
AR turnover (days)	54	119	100	100	100
Inventory turnover (days)	349	420	361	361	361
AP turnover (days)	27	31	34	34	34

Sources: Company, BCA Sekuritas

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