

Integra Indocabinet

Indonesia's export champion

Earnings upgrade

We upgrade 2021F-23F earnings by +18%/+19%/+15% respectively on the back of higher building components (BC) and furniture demand. We expect BC and furniture's utilization rate to increase from 59%/65% in 2020 to 85%/76% respectively in 2023F. We also assume WOOD to expand its BC's capacity by +20% and furniture by +10% in 2021F on the back of anticipation of strong demand from grabbing China import market share. We expect 2021F-22F earnings to grow by +35%/+19% YoY respectively.

Grabbing opportunity from US-China conflicts

Ever since the start of the US-China trade war back in 2018, furniture and BC from China have become more expensive (figure 1). As a result, China's furniture sales contribution for the export market fell from 38% in 2018 to only 6% in 2M21 (figure 2). We expect this decline is a continued structural trend as US companies are strengthening their relationships with non-China suppliers. It is worth noting that 6% of US furniture market share is equivalent to \$825mn (or Rp12trn) as of 2020, which is substantially large for Indonesian players, where currently Indonesia itself only has a 4.4% market share or \$605mn. We believe with WOOD's capability to provide competitive prices, ample capacity to cater demand and credibility that has been shown to US clients, will be one of the winner of this situation. We expect WOOD's revenue to grow by +32%/+20%/+15% in 2021F-23F. Worth noting that WOOD currently has an order book of Rp3.4trn per 6M21 (+Rp765bn on Jun 21) with a delivery rate of 1,500-2,000 containers per month with a value of \$15k-\$20k/container for BC and \$20k-\$30k/container for furniture.

Fresh money to support company's growth

WOOD issued Rp600bn worth of bonds recently (9% for 1 year and 10.25% for 3 years), with almost 2x oversubscribed. In our view, with the results of good financial reports and improving operating cash flow, it is rational to expect the phase-2 bonds (~Rp400bn) would be oversubscribed. Hence, we might expect a lower interest rate. With a total issuance of Rp1tn, the company is going to use it for refinancing (Rp600bn) and working capital (Rp400bn).

Maintain BUY rating for WOOD with higher TP of Rp1,300

We maintain our BUY call and raise TP to Rp1,300 (from Rp900) as we roll over our TP to end of 2022, raise 2022F earnings by +19%, and maintain our target P/E of 17x. Our TP implies ~+1 Stdev. We believe WOOD deserves to trade at premium vs its historical as we expect the company to record earnings CAGR of +22.5% in 2020-23F and we expect the company's cash conversion cycle to be better from 437 days in 2020 to 366 days in 2022F. The stock currently trades at an attractive 10.2x 2022 P/E and 1.3x P/BV, a hefty 47/68% discount to global furniture and building component peers. Key risks include: 1) Slowdown in US new home sales and furniture, 2) Delay in shipment, and 3) Weather and operational disruption.

Company Data

Year end Dec	2019	2020	2021	2022F	2023F
Revenue (IDR bn)	2,136	2,968	3,906	4,691	5,373
Net Profit (IDR bn)	217	314	410	487	551
Core EPS (IDR)	33	48	65	77	87
EPS growth	-12%	46%	35%	19%	13%
BVPS	424	476	540	617	703
EV/ EBITDA (x)	12.4	10.0	8.4	7.5	6.8
Core P/E (x)	23.9	16.3	12.1	10.2	9.0
P/ BV (x)	1.9	1.7	1.5	1.3	1.1

BUY (Maintained)

Target Price IDR1300 (+65 ups.%)
Previous TP IDR900
Current Price IDR785



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Stock Data & Indices

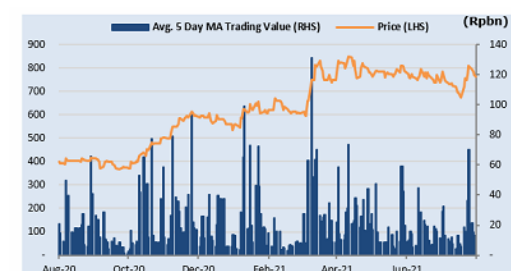
Bloomberg Code	WOOD.IJ
JCI Group	JAKCONS
MSCI Indonesia	No
JII	No
LQ45	No
Kompas 100	No

Key Data

Issued Shares (mn)	6,306.3
Free Float (est)	23.1%
Mkt. Cap (IDRbn)	4,950.4
Mkt. Cap (USDmn)	345.3
ADTV 6 month (IDRbn)	20.2
52 Wk-range	900 / 346

Performance (%)

	YTD	1m	3m	12m
Absolute	40.2	5.4	1.9	97.2
Relative to JCI	36.4	2.8	-2.0	77.4



Income Statement

Year end Dec (Rp bn)	2019	2020	2021	2022F	2023F
Revenue	2,136	2,968	3,906	4,691	5,373
Gross Profit	744	997	1,244	1,456	1,631
Operating Profit	490	642	773	879	978
EBITDA	592	733	871	980	1,083
Net Interest expense/(Exp)	-219	-242	-235	-256	-273
Gain/(loss) Forex	-5	3	0	0	0
Total other Income (Expense)	13	12	0	1	2
Pre-tax Profit	284	412	538	623	705
Income Tax Expense	-66	-98	-128	-135	-153
Minority Interest	0	0	0	0	0
Net profit	217	314	410	487	551
Core profit	209	305	410	488	552

Balance Sheet

Year end Dec (Rp bn)	2019	2020	2021	2022F	2023F
Cash and equivalents	24	42	199	357	609
Other curr asset	3,028	3,351	3,803	4,380	4,875
Net fixed asset	2,365	2,334	2,367	2,366	2,361
Other asset	102	222	222	266	319
Total asset	5,519	5,949	6,590	7,368	8,164
ST debt	2,091	2,200	2,228	2,433	2,603
Other curriab	263	351	424	485	538
LT debt	211	124	254	278	300
Other LT Liab	252	245	245	245	245
Minority interest	2,818	2,919	3,150	3,441	3,686
Total Liabilities	9	10	11	11	12
Shareholders Equity	2,692	3,019	3,429	3,916	4,467
Net Debt/(Cash)	2,279	2,282	2,283	2,355	2,294
Total cap employed	3,164	3,398	3,938	4,450	5,023
Net Working capital	697	842	1,349	1,818	2,342

Cash Flow

Year end Dec (Rp bn)	2019	2020	2021	2022F	2023F
Net profit	217	314	410	487	551
Depr / Amort	102	95	97	101	105
Chg in Working Cap	-737	-39	-409	-546	-442
Others	11	-199	30	30	0
CF's from oprs	-406	171	128	72	213
Capex	-522	-44	-130	-100	-100
Others	234	-128	0	-44	-53
CF's from investing	-208	-141	-130	-144	-153
Net change in debt	597	21	158	230	191
Others	-23	-33	0	1	1
CF's from financing	574	-11	158	231	192
Net cash flow	-40	18	156	158	252
Cash at BoY	64	24	42	199	357
Cash at EoY	24	42	199	357	609
Free Cashflow	-928	127	-2	-28	113

Ratio Analysis

Year end Dec(Rp bn)	2019	2020	2021	2022F	2023F
Profitability					
Gross Margin	35%	34%	32%	31%	30%
Opr Margin	23%	22%	20%	19%	18%
EBITDA Margin	28%	25%	22%	21%	20%
Net Margin	10%	11%	10%	10%	10%
ROE	8%	11%	13%	13%	13%
ROA	4%	5%	7%	7%	7%
Stability (x)					
Current ratio	1.3	1.3	1.5	1.6	1.7
Net Debt to Equity	0.8	0.8	0.7	0.6	0.5
Net Debt to EBITDA	3.8	3.1	2.6	2.4	2.1
Interest Coverage	2.2	2.7	3.3	3.4	3.6
Efficiency (days)					
Account Payable	42	39	39	39	39
Account Receivable	160	85	75	75	75
Inventory Day	465	391	340	330	320

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	72%
Public	28%

SWOT Analysis

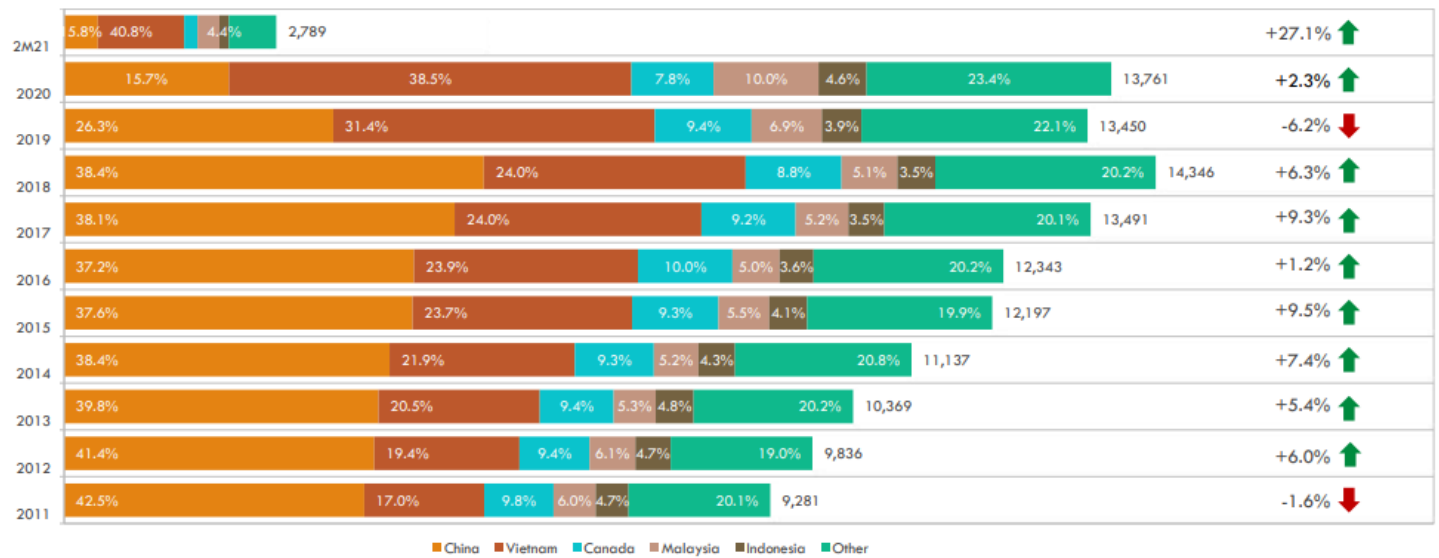
Strength One of the largest and most vertical wooden furniture manufacturer with high expertise	Weakness Weak distribution channel may hamper inter-city domestic delivery
Opportunity Strong US and China market is conducive for Integra's sales	Threat Rising wood price due to factory closures in China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

Figure 1. China’s furniture and BC export tariff to US

Products	China			Others		Potential Market
	Trade war tariff	Anti dumping duty	Anti subsidy duty	General	GSP	
Wood mouldings and Millwork	25%	45%-232%	21%-252%	3.20%	Free	\$1.3bn
Wooden cabinets and Vainities	25%	49%-262%	21%-293%	Free	Free	\$8.7bn
Hardwood Playwood	25%	184%	195%	8%	Free	\$2.9bn

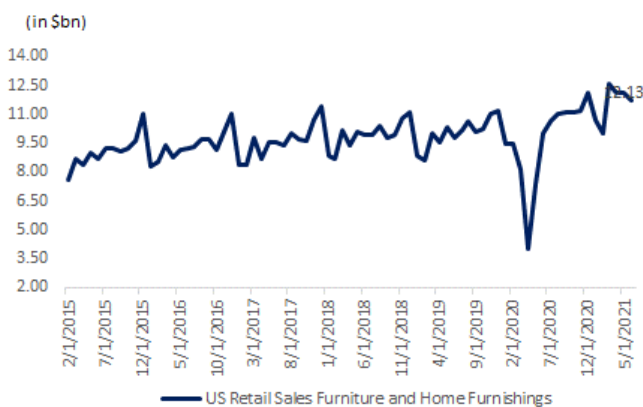
Source: UNComtrade, the company, Trimegah Research

Figure 2. US wooden furniture market share and value (2011-2M21)



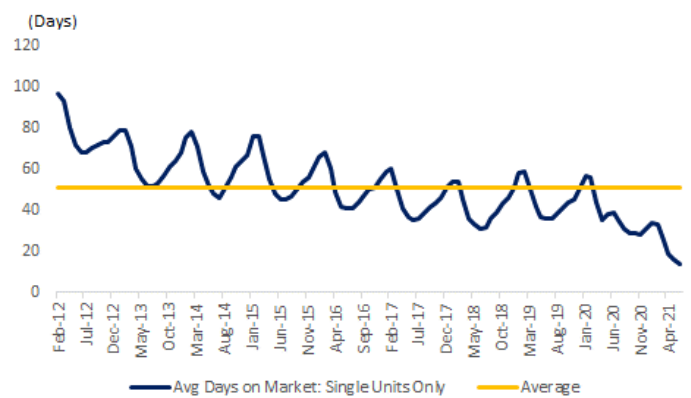
Source: UNComtrade, the company,

Figure 3. US retail sales furniture and home furnishings trends



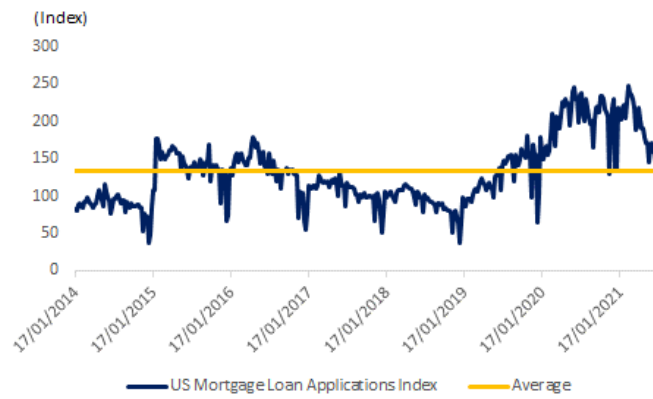
Source: Trimegah Research, Bloomberg

Figure 4. Home sales average days on market all residential trends



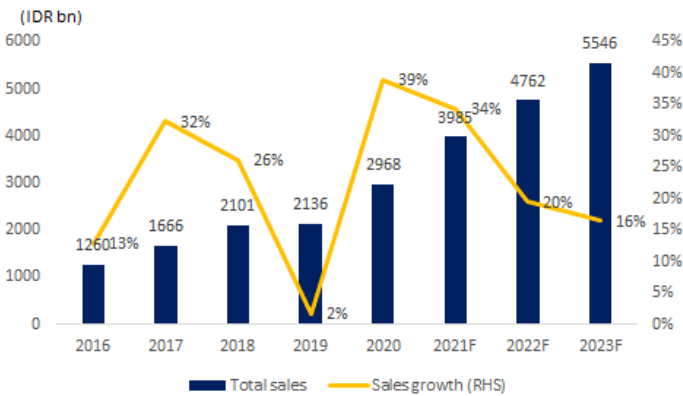
Source: Trimegah Research, Bloomberg

Figure 5. US' weekly mortgage loan applications index trends



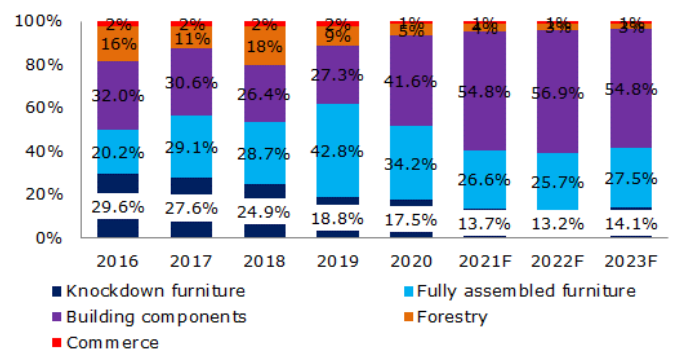
Source: Trimegah Research, CEIC

Figure 6. We expect company to grow more than double digit...



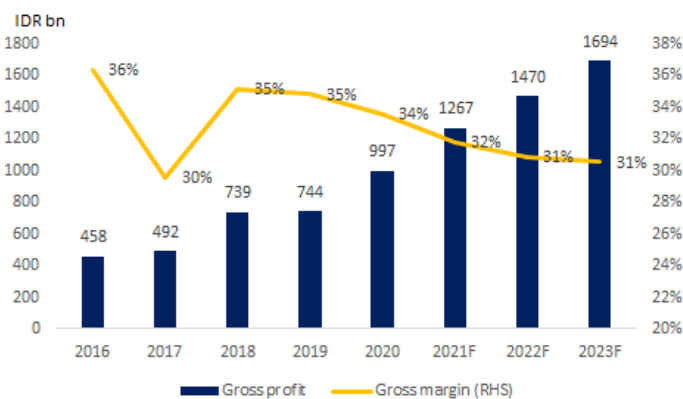
Source: Trimegah Research, Company's data

Figure 7. ... with building components as company's backbone



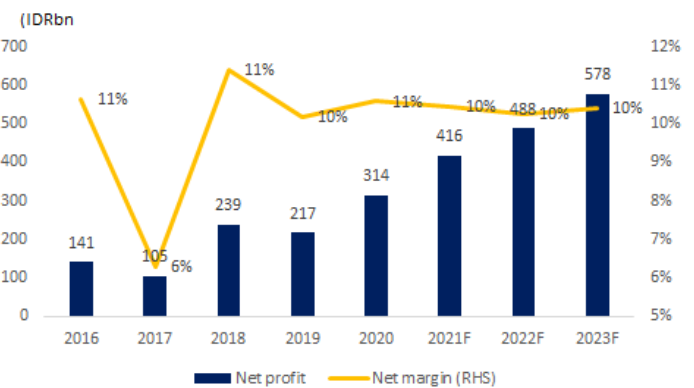
Source: Trimegah Research, Company's data

Figure 8. Gross profit and margin trends



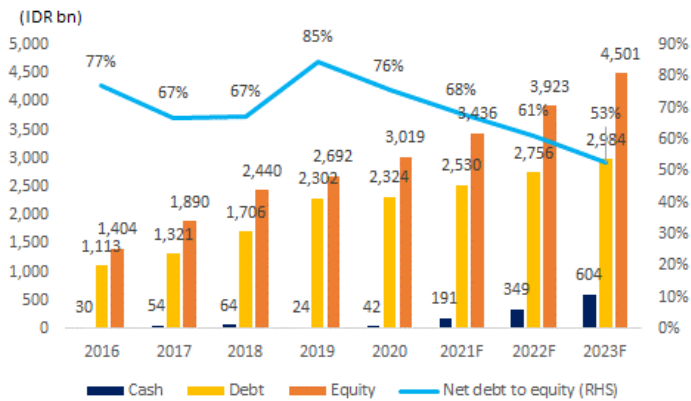
Source: Trimegah Research, Company's data

Figure 9. Net profit and net margin trends



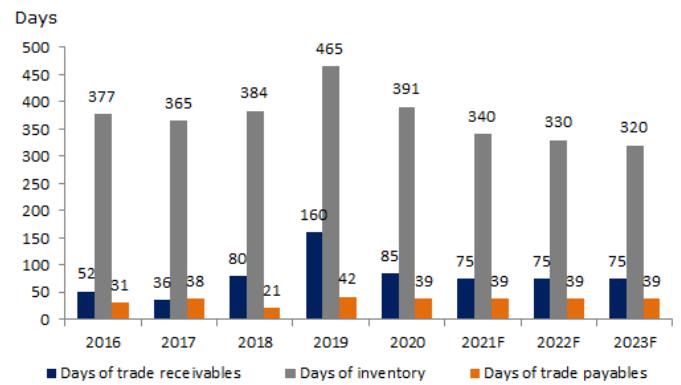
Source: Trimegah Research, Company's data

Figure 10. Cash, debt, equity, and net gearing trends



Source: Trimegah Research, Company's data

Figure 11. Working capital days trends



Source: Trimegah Research, Company's data

Figure 12. Change of estimates

	2021F	2022F	2023F	2021F	2022F	2023F	2021F	2022F	2023F
Revenue	3,906	4,691	5,373	3,357	3,790	4,038	16%	24%	33%
Gross profit	1,244	1,456	1,631	1,068	1,192	1,307	16%	22%	25%
Gross margin	31.8%	31.0%	30.4%	31.8%	31.4%	32.4%			
Operating profit	773	879	978	664	725	817	17%	21%	20%
Operating margin	20%	19%	18%	20%	19%	20%			
Net profit	410	487	551	348	410	480	18%	19%	15%
Net margin	10%	10%	10%	10%	11%	12%			

Source: Trimegah Research

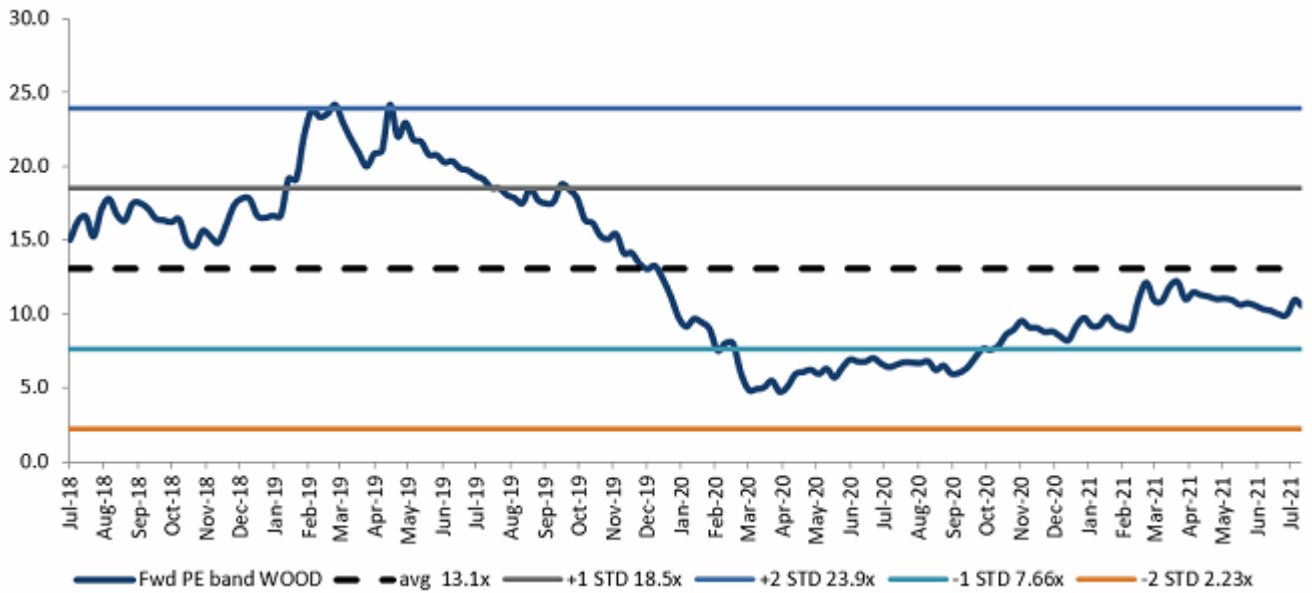
Figure 13. Peers comparison

Ticker	Market cap (USDMn)	PER (x)	PER (x)	PBV (x)	PBV (x)	EV/EBITDA (x)	EV/EBITDA (x)	ROE (%)	ROE (%)
		2021Y	2022Y	2021Y	2022Y	2021Y	2022Y	2021Y	2022Y
*as of 8/5/2021									
SUOFEIYA HOME COLLECTION C- 002572 CH Equity	2,849	13.15	11.27	2.60	2.26	8.38	7.24	20.37	20.77
JASON FURNITURE HANGZHOU C- 603816 CH Equity	6,982	27.50	22.70	5.60	4.79	19.03	15.54	20.46	21.34
WILLIAMS-SONOMA INC WSM US Equity	11,758	18.43	13.33	7.75	6.51	10.09	8.07	44.15	50.53
DEHUA TB NEW DECORATION-A 002043 CH Equity	1,155	12.65	10.19	3.24	2.62	8.31	6.48	26.24	26.52
FABRYKI MEBLI FORTE SA FTE PW Equity	355	11.26	10.43	1.98	1.94	7.99	7.77	18.60	24.70
GUANGZHOU SHANGPIN HOME CX 300616 CH Equity	2,096	24.02	20.35	3.31	2.89	17.54	14.83	14.22	14.47
HOWDEN JOINERY GROUP PLC HWDN LN Equity	7,783	23.02	22.47	6.48	5.70	13.46	13.03	30.50	27.68
CENTURY PLYBOARDS INDIA LTD CPBI IN Equity	1,284	53.08	35.34	7.77	6.39	29.80	22.47	15.12	19.35
GREENPLY INDUSTRIES LTD MTLM IN Equity	320	37.75	21.93	5.47	4.43	20.09	13.76	15.24	21.64
DONGWHA ENTERPRISE CO LTD 025900 KS EQUITY	1,371	27.37	23.04	2.45	2.20	12.58	11.03	9.76	10.41
Global average	3,595	24.8	19.1	4.7	4.0	14.7	12.0	21.5	23.7
INTEGRA INDOCABINET TBK PT WOOD IJ EQUITY	343	12.15	10.22	1.45	1.27	8.44	7.50	12.70	13.25
Premium (disc.)		-51%	-47%	-69%	-68%	-43%	-38%	-41%	-44%

Source: Trimegah Research, Bloomberg

Figure 14. WOOD's 3 years historical forward P/E

Valuation status	
Stocks	WOOD
Latest date	8/5/2021
Latest valuation	10.59
3-year average valuation	13.10
(disc)/premium to 3-year avg	-19%



Source: Trimegah Research, Bloomberg

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- Buy : Share price is expected to exceed more than 10% over the next 12 months
- Neutral : Share price is expected to trade within the range of 0%-10% over the next 12 months
- Sell : Share price is expected to trade below 0% over the next 12 months
- Not Rated : The company is not within Trimegah research

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Company Ticker	Disclosure (as applicable)
WOOD	5

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3. It received compensation for investment banking services from this company in the last 12 months.
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