

Tuesday, 09 November 2021

BUY
Maintain

Last price (IDR) 815
Target Price (IDR) 1,200
Upside/Downside +47.2%
Previous Target Price (IDR) 1,200

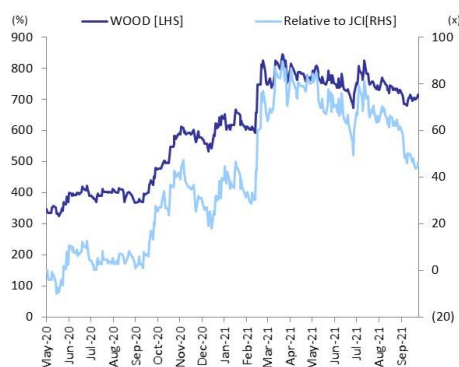
Stock Statistics

Sector Consumer
Bloomberg Ticker WOOD IJ
No of Shrs (mn) 6,307
Mkt. Cap (IDRbn/USDmn) 5,185/368
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)

Robust performance

Integra reported solid 3Q21 earnings growth of 77% yoy and 12% qoq, leading to 9M21 net profits of IDR356bn, +88% yoy. Solid top line growth was driven by exports with sales of building components supporting the robust performance in 9M21. The 9M21 net profits are 82% of our FY21 forecast, i.e. in line.

Robust 9M21 top line growth of 89.6% yoy. Integra reported 3Q21 revenues of IDR1.38tn, +86% yoy and +12.4% qoq, leading to a 9M21 top line of IDR 3.5tn, +89.6% yoy. In 9M21, exports provided a 96% contribution to the top line, posting 113% yoy growth. By product category, building components (61% of the top line) reported 150% yoy growth in 9M21, followed by furniture (38% of revenues) with 50% yoy growth. In 9M21, the company reported sales orders of IDR4.5tn. The company expects another strong quarter in 4Q21.

In line to achieve our FY21 forecast. In 3Q21, Integra reported improved gross margins of 35.2%. However, with a higher contribution from lower-margin building components, Integra reported a lower gross margin of 32.9% in 9M21. Meanwhile, opex was higher, mostly driven by higher courier and export expenses given the shortage of shipping containers. Note that the company helps its buyers in export markets and offsets the higher expenses to sales. The strong top line supported the 9M21 operating profits growth of 52.4% yoy. In turn, this filtered through to robust 9M21 net profits of IDR356bn, +88% yoy. The 9M21 net profits are 82% of our FY21 forecast, i.e. in line. In the past, 9M earnings were around 76-84% of the yearly figure.

Earnings CAGR of 22.3% estimated for 2021-23. We expect strong earnings CAGR on the back of growing revenues with steady margins going forward. We also foresee a balanced revenues contribution between building components (1-2 months revenues recognition) and furniture (3-6 months) to sustain margins and improve cash flow.

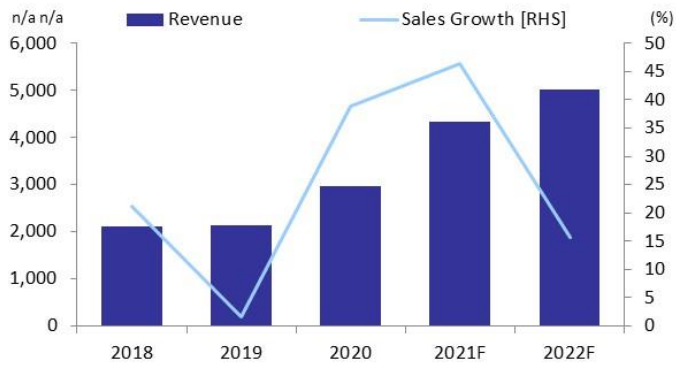
Maintain BUY. For 2021, we estimate strong FY21 top and bottom-line growth of 46% yoy and 39% yoy, respectively. In our view, strong order books from the US market for furniture and building material products will persist with Indonesia well placed to fill the gap left by Chinese producers and increase its 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 9.4x, 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)	23.6	16.4	11.8	9.4	7.8
PBV (x)	1.9	1.7	1.5	1.3	1.1
Dividend yield (%)	0.0	0.0	0.3	0.5	0.6
EV/EBITDA (x)	12.7	10.1	8.5	7.1	6.1

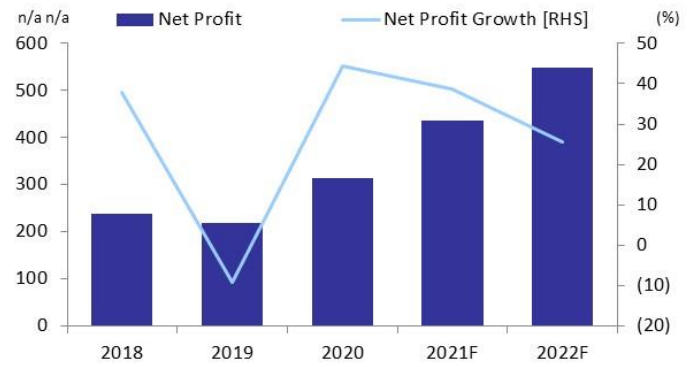
Source : WOOD, BRI Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



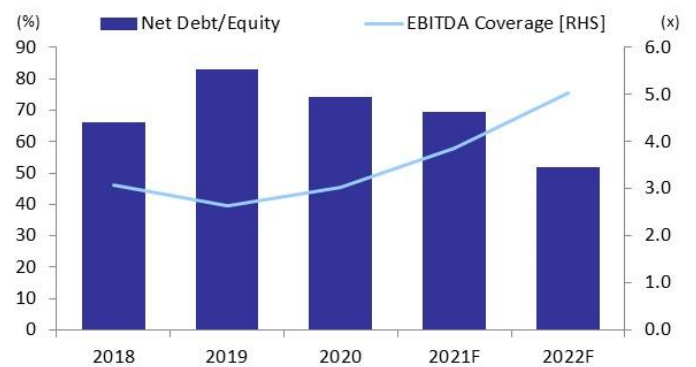
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



Source: Company, Danareksa Sekuritas estimates

Exhibit 5. 9M21 result

	3Q20	2Q21	3Q21	qoq	yoy	9M20	9M21	yoy	2021F	A/F
Revenue, IDR bn	743	1,228	1,381	12.4%	86.0%	1,857	3,521	89.6%	4,344	81%
Gross profit	257	372	486	30.5%	89.1%	614	1,160	88.8%	1,401	83%
Operating profit	177	209	238	14.0%	34.5%	417	636	52.4%	792	80%
Pretax profit	117	157	174	11.1%	49.0%	270	466	72.8%	572	
Net profit	76	120	134	11.8%	77.2%	189	356	88.1%	436	82%
Gross margin	34.6%	30.3%	35.2%			33.1%	32.9%		32.2%	
Opex to revenue	10.8%	13.3%	18.0%			10.6%	14.9%		14.0%	
Operating margin	23.8%	17.0%	17.2%			22.5%	18.1%		18.2%	
Pretax margin	15.7%	12.8%	12.6%			14.5%	13.2%		13.2%	
Net margin	10.2%	9.8%	9.7%			10.2%	10.1%		10.0%	
By divisions										
Revenue (IDR bn)										
Export	615	1,192	1,302	9.3%	111.8%	1,584	3,380	113.4%		
Domestic	128	36	79	116.3%	-38.4%	273	141	-48.5%		
By product category										
Furniture	339	550	394	-28.3%	16.3%	894	1,343	50.2%		
Building component	383	687	964	40.5%	151.9%	859	2,148	150.1%		

Source: Company, BRI Danareksa Sekuritas

Exhibit 6. 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 7. 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 8. 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 9. 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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