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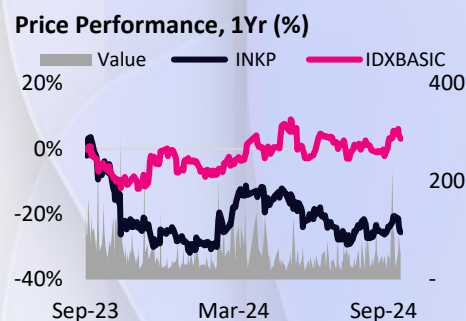


**Stock Rate**  
Industry **Buy**  
Neutral

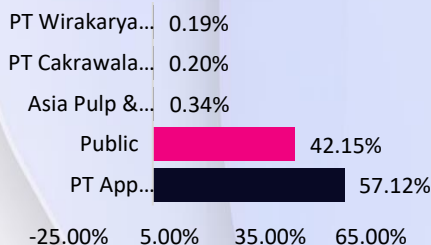
Fair Value **IDR 11,075**  
vs. Last Price **+34.7%**

**Stock Data**  
Ticker Code **INKP**  
Sub Sector **Industrial Goods**  
Sector **Basic Material**

Market Cap (IDR.Tn) **45.40**  
Shares Issued (Mn) **5,470**  
AVG 3M Turnover (IDR Mn) **52,278**



**Shareholders Composition**



**PT Indah Kiat Pulp & Paper Tbk (INKP)**  
**Good Momentum, INKP Its Time To Recover**

**Increases Production, INKP Targeting Global Market.** PT Indah Kiat Pulp and Paper Tbk (INKP) is further strengthening its position as a leader in the pulp and paper industry in Indonesia. With an investment of USD3.6Bn, INKP is building a new production facility in Karawang which is projected to increase production capacity to 3.9 million Tn/year. This expansion is in line with the increasing global demand for environmentally friendly industrial paper products as an alternative to plastic. Currently INKP has production facilities in 3 locations with a total production capacity of >7 million Tn/year.

**Impressive Improving Margin.** INKP recorded 6M24 Net profit at US\$ 279 Mn better 4% y/y, 13% q/q than (6M23 at US\$ 269 Mn), this made the margin competitive again, Net Profit Margin Improv 17% (Vs 14% 6M23). However, revenue remained slow -17% y/y, -1% q/q at US\$ 1,603 Mn (Vs 1,931 at 6M23). The slowdown in total sales was contributed by the decline in sales of the main segments, Cultural Paper & Pulp -17% y/y, Export side -24% y/y

**Key Takeaways**

- **INKP is pursuing a strategy of optimization with the goal of achieving a more competitive performance 2024F.** This is being supported by a number of factors, including increased pulp demand, higher pulp prices, operational efficiency and market expansion.
  - **Sales:** INKP is targeting sales of US\$3.6 billion by 2024, representing an 11% increase compared to 2023.
  - **Net Profit:** INKP is targeting net profit of US\$380 million by 2024, representing a 13% increase compared to 2023 and also margin optimization.

**Recommendation "BUY"**

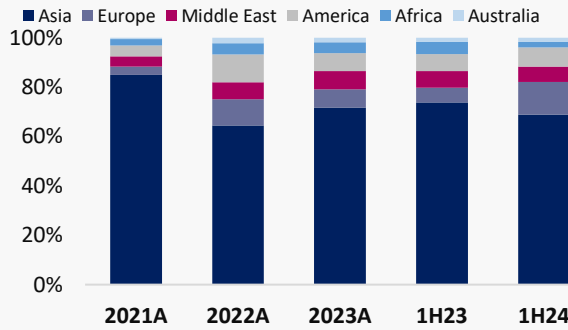
INKP is currently trading at 6.6x PE and 0.45x PBV, which we consider quite low. This is considering INKP is currently trading close to the average PE ratio over the past 5y and close to the average PE Std. Dev. at 7.6x. Likewise with the PBV ratio, INKP is currently trading around the area of -1 PBV Std. Dev. over the past five years at 0.48x. We currently give this company a Trading Buy rating with three different price targets. These are a bull case price target at IDR 15,200, a base case price target of IDR 11,075 & the last one is the Bear Case target of IDR 7,300.

**Figure 1. Financial Highlight**

(USD Mn)	2022A	2023A	2024F	2025F	2026F
Revenue	4,003	3,479	3,533	3,623	3,787
Net Profit	858	411	654	646	697
EPS (Full)	2,429.69	1,165.55	1,853.52	1,829.07	1,973.31
EBITDA Margin	38%	29%	30%	29%	30%
NPM	21.4%	11.8%	18.5%	17.8%	18.4%
Div. Yield (%)	0.6%	5.8%	1.3%	1.4%	1.5%
ROE	15%	7%	10%	9%	9%
P/E (x)	3.59	7.19	5.97	6.05	5.61
P/BV (x)	0.56	0.54	0.71	0.71	0.71
EV/EBITDA (x)	3.18	3.76	5.12	4.72	4.02

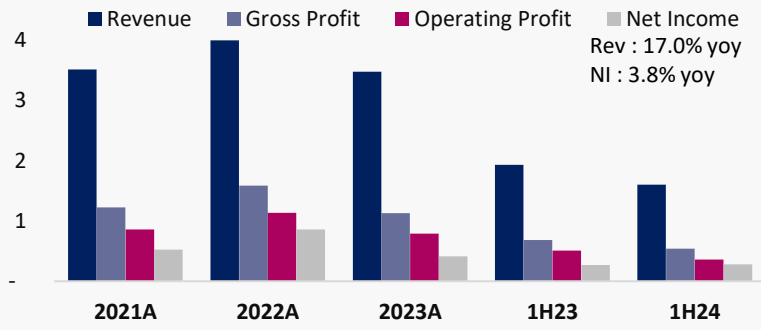
Source: Company and KSI Research

**Figure 2. Export Segmentations**



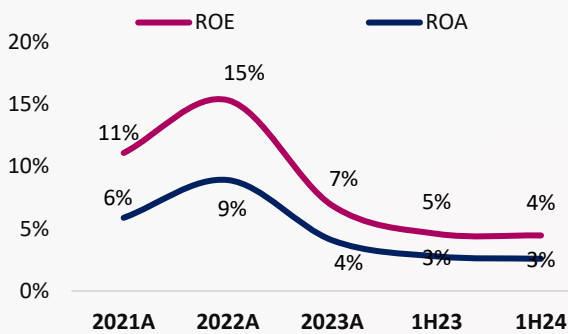
Source: Company and KSI Research

**Figure 3. Financial Highlight (USD Mn)**



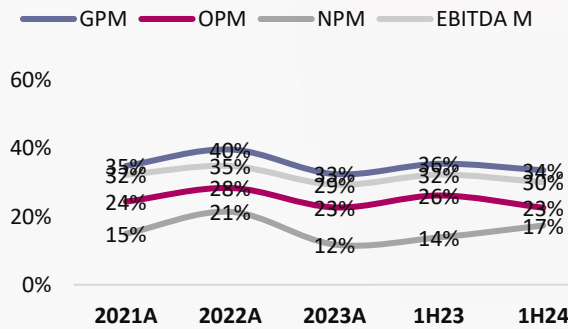
Source: Company and KSI Research

**Figure 4. ROE vs ROA**



Source: Company and KSI Research

**Figure 5. Margin Ratio**



Source: Company and KSI Research

**Financial Review**

**Revenue:** INKP recorded 6M24 revenue of US\$ 1,603 Mn or -17% y/y (Vs 6M23 of US\$ 1,931 Mn). this decline was due to the portion of export sales which fell to 55% in 6M24 (Vs 6M23 of 60%). in addition, the domestic sales segment also experienced a decline of 45% in 6M24 (Vs 40% in 6M23). On the other hand, INKP's business segments also experienced a decline, especially in Industrial Paper & Tissue & Others by -16% y/y to US\$ 494 Mn in 6M24 (Vs US\$ 590 Mn in 6M23). likewise, the main segment, Cultural Paper & Pulp, which contributed 69% of total sales, was still depressed by US\$ 1,109 Mn 17% y/y (Vs US\$ 1,342 Mn).

**Gross profit:** 6M24 gross profit of US\$539 million or -21% y/y (vs 6M23 US\$686 million). Gross profit margin down to 34% (vs 36% in 6M23)

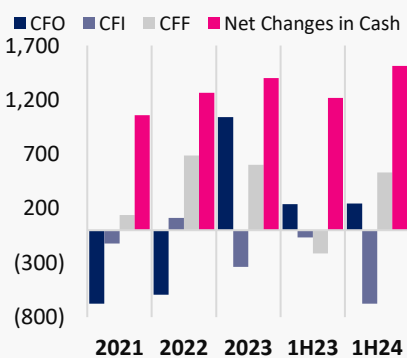
**Operating profit:** 6M24 operating profit of US\$ 367 Million or -27% y/y (vs 6M23 US\$ 507 Million). The Operating profit margin ratio also decreased to 23% (vs 6M23 of 32%).

**EBITDA:** 6M24 EBITDA of US\$ 483 Mn or -23% y/y (vs 6M23 US\$ 624 Mn). EBITDA margin ratio decreased to 30% (vs 6M23 of 32%)

**Net income:** in 6M24 showed an impressive performance at US\$ 279 Mn or 4% y/y (vs 6M23 US\$ 269 Mn). The net profit margin also increased to 17% (6M23 14%).

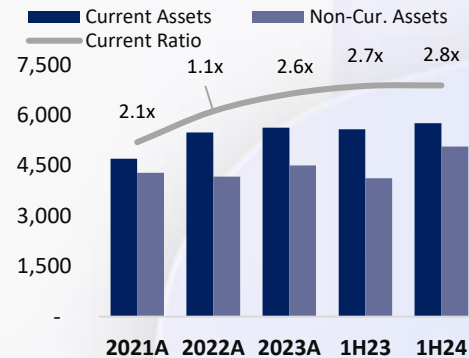
**Total assets:** The company's financial position has strengthened to US\$10,817Mn or 12% y/y in 6M24 (Vs 6M23 US\$9,687 Mn). In line with the increase in total assets, Cash and equivalents at the end of 6M24 increased 24% to US\$1,512 Mn (Vs 6M23 US\$1,219 Mn). Cash and cash equivalents represented 13% of total assets. Shareholders' equity stood at US\$6,263 Mn, growing 7% y/y (Vs US\$5,856 Mn). In addition, total liabilities increased to US\$4,554 Mn in 6M24, or 18% y/y (6M23 DER level also increased 73% vs 6M23 65%).

**Figure 6. Cashflow Activities**



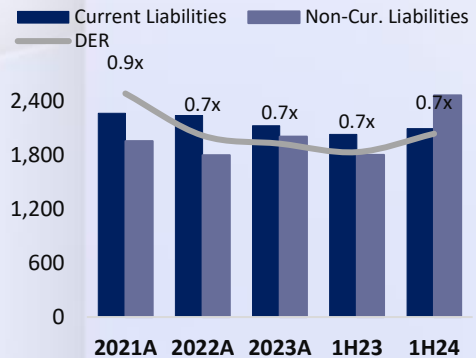
Source: Company and KSI Research

**Figure 7. Non vs Current Assets**



Source: Company and KSI Research

**Figure 8. Non Vs Current Liabilities**



Source: Company and KSI Research

**Figure 9. Financial Performances**

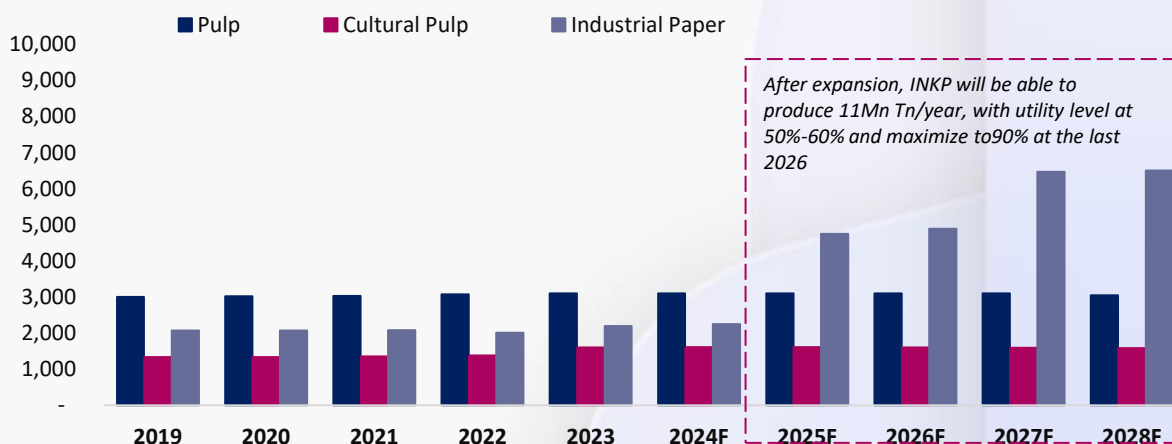
Unit: USD Million	FY22	FY23	y/y (%)	1H23	1H24	q/q (%)	y/y (%)
<b>Revenue</b>	<b>4,003</b>	<b>3,479</b>	<b>-13%</b>	<b>1,931</b>	<b>1,603</b>	<b>-1%</b>	<b>-17%</b>
<b>Gross</b>	<b>1,590</b>	<b>1,132</b>	<b>-29%</b>	<b>686</b>	<b>539</b>	<b>0%</b>	<b>-21%</b>
<i>GPM (%)</i>	<i>40%</i>	<i>33%</i>	<i>10%</i>	<i>36%</i>	<i>34%</i>		
G&Adm. Exp.	128	141	-31%	71	68	-3%	-4%
<b>Operation income</b>	<b>1,138</b>	<b>788</b>	<b>-27%</b>	<b>507</b>	<b>367</b>	<b>1%</b>	<b>-28%</b>
<i>OPM (%)</i>	<i>28%</i>	<i>23%</i>	<i>10%</i>	<i>26%</i>	<i>23%</i>		
<b>EBITDA</b>	<b>1,395</b>	<b>1,022</b>	<b>108%</b>	<b>624</b>	<b>483</b>	<b>-1%</b>	<b>-23%</b>
<i>EBITDA M (%)</i>	<i>35%</i>	<i>29%</i>	<i>-48%</i>	<i>32%</i>	<i>30%</i>		
Finance Costs	225	248	-42%	133	127	-2%	-5%
Finance Income	16	33	-52%	5	23	57%	360%
<b>Income Before Tax</b>	<b>1,052</b>	<b>550</b>		<b>336</b>	<b>339</b>	<b>12%</b>	<b>1%</b>
Income Tax	202.7	117		59	66	11%	12%
<b>Net Profit</b>	<b>858</b>	<b>411</b>		<b>269</b>	<b>279</b>	<b>13%</b>	<b>4%</b>
<i>NPM (%)</i>	<i>21%</i>	<i>12%</i>		<i>14%</i>	<i>17%</i>		

Source: Company and KSI Research

**Figure 10. Revenue breakdown (USD Mn)**

By Segment	FY22	FY23	y/y (%)	1H23	1H24	q/q (%)	y/y (%)
<b>Cultural Paper &amp; Pulp</b>	<b>2,555</b>	<b>2,375</b>		<b>1,342</b>	<b>1,109</b>	<b>2%</b>	<b>-17%</b>
<i>Contribution</i>	<i>64%</i>	<i>68%</i>	<i>-7%</i>	<i>70%</i>	<i>69%</i>	<i>-8%</i>	
<b>Indust. Paper &amp; Tissue &amp; Others</b>	<b>1,448</b>	<b>1,104</b>		<b>590</b>	<b>494</b>		<b>-16%</b>
<i>Contribution</i>	<i>36%</i>	<i>32%</i>	<i>-24%</i>	<i>30%</i>	<i>31%</i>		
	<b>4,003</b>	<b>3,479</b>		<b>1,931</b>	<b>1,603</b>		<b>-17%</b>

By Geography	FY22	FY23	y/y (%)	1H23	1H24	q/q (%)	y/y (%)
<b>Export</b>	<b>2,217</b>	<b>2,060</b>	<b>8%</b>	<b>1,155</b>	<b>880</b>	<b>7%</b>	<b>-24%</b>
<i>Contribution</i>	<i>55%</i>	<i>64%</i>	<i>-21%</i>	<i>60%</i>	<i>55%</i>		
<b>Domestic</b>	<b>1,786</b>	<b>1,420</b>		<b>776</b>	<b>722</b>	<b>-10%</b>	<b>-7%</b>
<i>Contribution</i>	<i>45%</i>	<i>36%</i>		<i>40%</i>	<i>45%</i>		
	<b>4,003</b>	<b>3,479</b>		<b>1,931</b>	<b>1,063</b>		<b>-17%</b>

**Figure 11. INKP projected capacity (000, Tn)**


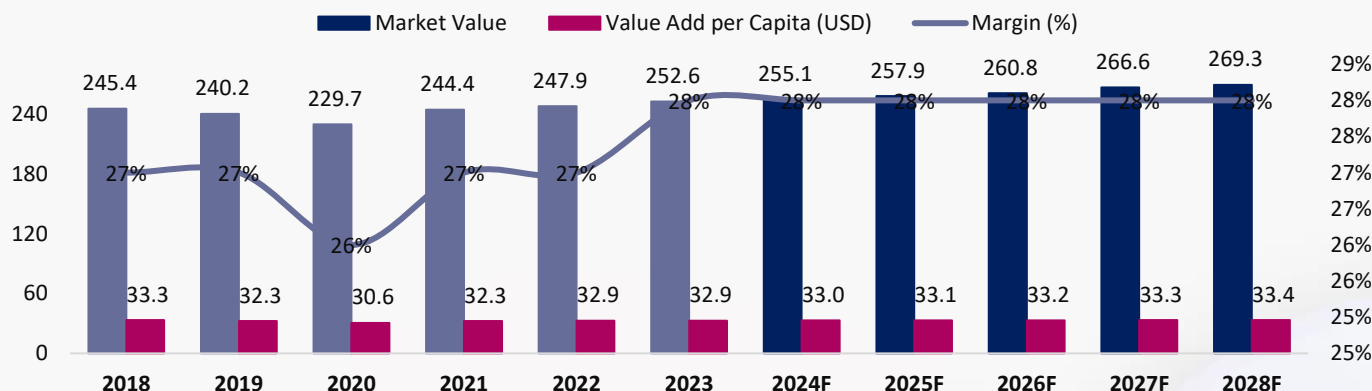
Source: Company and KSI Research

## Industry outlook

The value added in the pulp and paper market is projected to reach US\$255.1 billion by 2024, with an average compound annual growth rate of 1.09% expected (CAGR 2024-2029). Furthermore, the projected value added per capita in the Pulp & Paper market is expected to reach US\$32.9 by 2024, with the projected value added margin in the Pulp & Paper market reaching 28% by the same year.

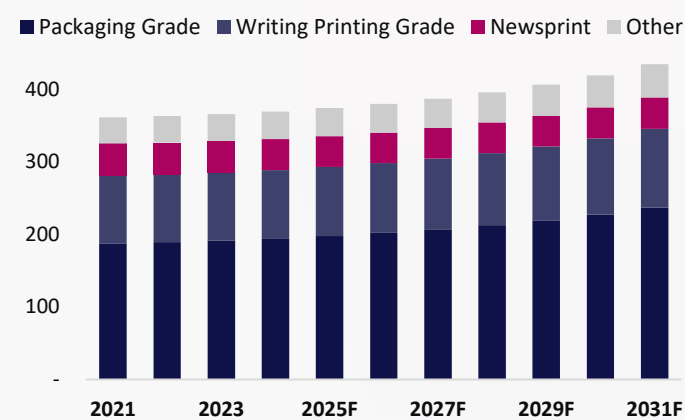
We anticipate that output in the Pulp & Paper market will reach US\$0.9 trillion by 2024. We anticipate a compound annual growth rate of 1.06% (CAGR 2024-2029). It is forecast that manufacturing intensity in the Pulp & Paper market will reach 1.0% by 2024. We anticipate that there will be 75,120 companies in the Pulp & Paper market by 2024. We anticipate a compound annual growth rate of 2.46% (CAGR 2024-2029).

**Figure 12. Pulp & Paper Market Value (USD Bn)**



Source: Statista and KSI Research

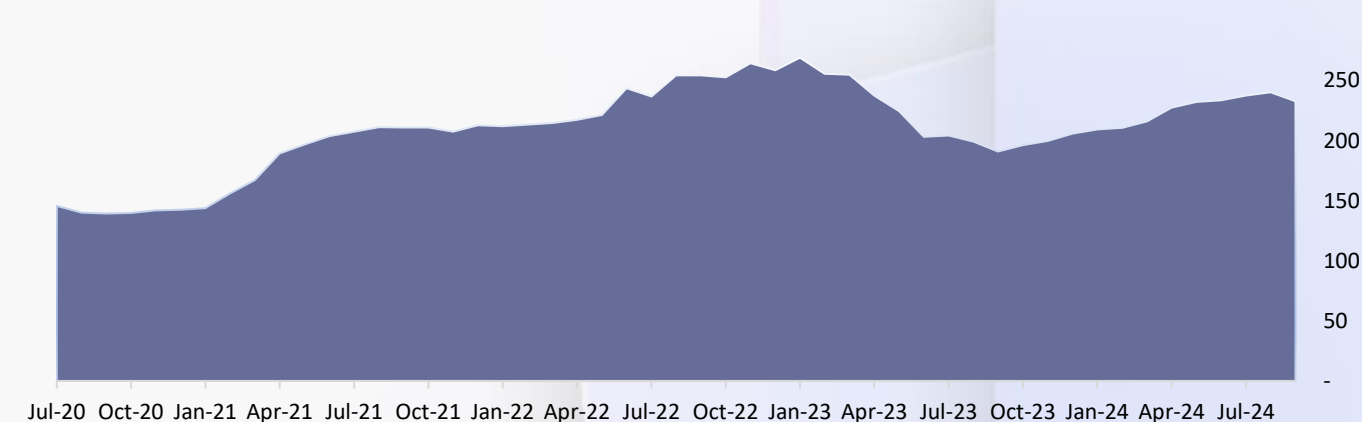
**Figure 13. Global Pulp and Paper Demand**



Source: Statista and KSI Research

By 2023, the packing grade segment is forecast to contribute approximately \$191.6 billion to the global pulp and paper industry, while the newsprint segment is expected to contribute around \$37.2 billion. It is anticipated that both segments will contribute more in the coming years. The packaging grade segment is forecast to achieve an average annual growth rate of 2-5%/y, while the tissue paper segment is projected to attain a potential compound annual growth rate (CAGR) of 2-4%/y. This growth can be attributed to the increasing demand for paper-based products, including packaging, tissue, and printing paper. This is driven by factors such as an increasing global population, economic growth, industrialization, urbanization, and growth in the e-commerce and retail sectors.

**Figure 14. US Producer Price Index: Pulp, Paper, and Allied Products: Woodpulp (I:USPPK11V)**



Source: ycharts.com and KSI Research

## Valuation & Dividend Potential

DCF (USD Mn)	2024F	2025F	2026F	2027F	2028F	2029F
EBIT	654	646	697	789	795	547
marginal tax rate	25%	25%	25%	25%	25%	25%
EBIT (1-tax)	490	483	521	591	595	410
+ D & A	231	245	249	323	341	352
- Capex	238)	(244)	(255)	(259)	(258)	(263)
Changes in working capital	839	702	727	928	991	689
<b>Free Cash Flow</b>	<b>1,322</b>	<b>1,187</b>	<b>1,243</b>	<b>1,583</b>	<b>1,670</b>	<b>1,188</b>
<b>Terminal Value</b>						<b>11,211</b>
Discount Factor	1.00	0.90	0.81	0.73	0.66	0.59
<b>Firm Value</b>	<b>12,953</b>	<b>Key Assumption</b>				
Cash	2,147	<b>Perpetuity Growth</b>				
Interest Bearing Debt	3,631	<b>Beta</b>				
<b>Equity Value</b>	<b>11,469</b>	<b>RF</b>				
Share	5,470.98	<b>RP</b>				
Fair Value (IDR) Asump USD (15.5K)	<b>32,494</b>	<b>Cost of Equity</b>				
Last Price	IDR 8,425	<b>Cost of Debt</b>				
Potential Upside (%)	285.7%	<b>WACC</b>				
		<b>11.15%</b>				

Multiple Valuation	Base Amount	Target Multiple	Value (Bn)	Weight (%)	The Value of the firm
PE (Net Income)	654	7.6	4,979	30%	1,494
PBV (Equity)	6,564	0.6	4,201	30%	1,260
DCF	11,469	1x	8,143	40%	3,257

Source: Bloomberg and KSI Research

<b>Total Value (USD Mn)</b>	<b>6,011</b>
Share (Mn)	5,471
<b>Margin Of Safety (%)</b>	<b>35%</b>
<b>Target Price by MoS (IDR)</b>	<b>11,075</b>
Last Price (18 Oct 24)	IDR 8,225
<b>Potential Upside (%)</b>	<b>34.7%</b>

Figure 15. Risk Reward (1:7.5x)

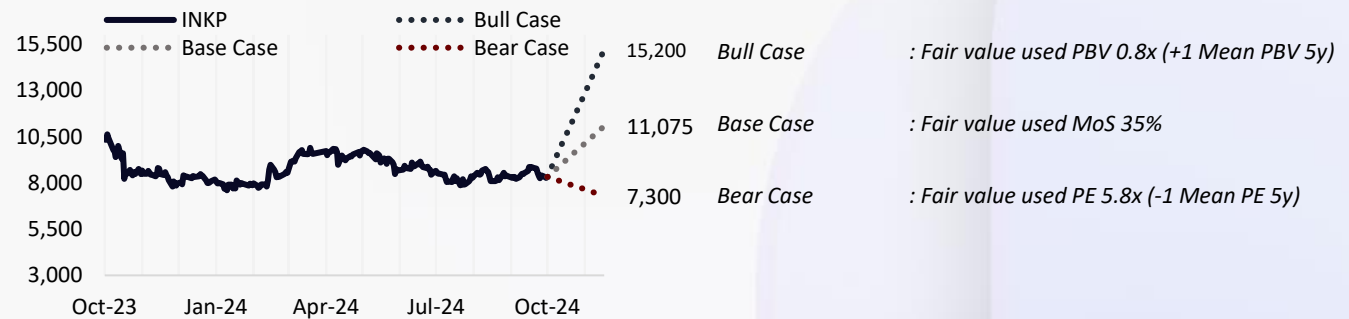


Figure 16. Historical PBV – 5Y



Figure 17. Historical PE – 5Y



## Financial Exhibits

Year-end (USD Mn)	2021A	2022A	2023A	2024F	2025F	2026F
<b>Revenue</b>	<b>3,517</b>	<b>4,003</b>	<b>3,479</b>	<b>3,533</b>	<b>3,623</b>	<b>3,787</b>
Costs of revenue	2,288	2,413	2,347	2,359	2,436	2,512
<b>Gross profit</b>	<b>1,228</b>	<b>1,590</b>	<b>1,132</b>	<b>1,174</b>	<b>1,187</b>	<b>1,275</b>
<b>Operating profit</b>	<b>859</b>	<b>1,138</b>	<b>788</b>	<b>821</b>	<b>804</b>	<b>880</b>
<b>EBITDA</b>	<b>1,147</b>	<b>1,534</b>	<b>1,022</b>	<b>1,052</b>	<b>1,049</b>	<b>1,129</b>
<b>Income before tax</b>	<b>663</b>	<b>1,048</b>	<b>550</b>	<b>874</b>	<b>862</b>	<b>930</b>
Tax expenses	136	190	138	220	217	234
Minority interests	-	(0.1)	-	-	-	-
<b>Net income</b>	<b>527</b>	<b>858</b>	<b>411</b>	<b>654</b>	<b>646</b>	<b>697</b>
<b>EPS (Full IDR)</b>	<b>1,375</b>	<b>2,440</b>	<b>1,158</b>	<b>1,854</b>	<b>1,829</b>	<b>1,973</b>

### Balance Sheet

Year-end (USD Mn)	2021A	2022A	2023A	2024F	2025F	2026F
Cash and equivalents	1,060	1,265	2,570	2,147	2,892	3,624
Account receivables	1,406	1,820	1,695	1,646	1,688	1,764
Inventories	442	487	370	1,632	1,685	1,737
Fixed assets	3,466	3,293	3,330	3,336	3,335	3,340
Other assets	2,605	2,776	2,160	2,233	2,289	2,393
<b>Total assets</b>	<b>8,978</b>	<b>9,641</b>	<b>10,125</b>	<b>10,994</b>	<b>11,889</b>	<b>12,859</b>
S-T liabilities	1,851	1,722	1,748	1,912	2,072	2,243
Other S-T liabilities	414	518	375	371	381	398
L-T liabilities	1,596	1,340	1,708	1,719	1,862	2,016
Other L-T liabilities	359	456	295	428	464	502
<b>Total liabilities</b>	<b>4,220</b>	<b>4,036</b>	<b>4,125</b>	<b>4,430</b>	<b>4,778</b>	<b>5,159</b>
<b>Equity</b>	<b>4,759</b>	<b>5,605</b>	<b>6,000</b>	<b>6,564</b>	<b>7,111</b>	<b>7,699</b>
<b>BVPS (Full IDR)</b>	<b>14,276</b>	<b>15,566</b>	<b>15,395</b>	<b>15,501</b>	<b>15,501</b>	<b>15,501</b>

### Cash Flows Statement

Year-end (USD Mn)	2021A	2022A	2023A	2024F	2025F	2026F
Net Income	527	858	411	654	646	697
Depreciation	280	261	234	231	245	249
Change in working capital	(1,484)	(1,712)	395	(2,147)	(848)	(941)
<b>Operating cash flow</b>	<b>(677)</b>	<b>(594)</b>	<b>1,040</b>	<b>(1,262)</b>	<b>43</b>	<b>5</b>
Capital expenditure	239	77	269	238	244	255
Others	(157)	(60)	(300)	137	(26)	(48)
<b>Investing cash flow</b>	<b>(122)</b>	<b>112</b>	<b>(337)</b>	<b>131</b>	<b>(25)</b>	<b>(54)</b>
Dividend paid	(19)	(18)	(18)	(38)	(40)	(43)
Net change in debt	(435)	(256)	369	10	143	154
Others	594	961	251	735	623	669
<b>Financing cash flow</b>	<b>140</b>	<b>687</b>	<b>602</b>	<b>708</b>	<b>727</b>	<b>781</b>
Change in cash	(658)	206	1,305	(423)	745	732
Beginning cash flow	1,718	1,059	1,265	2,570	2,147	2,892
Ending cash flow	1,059	1,265	2,570	2,147	2,892	3,624

Source: Company and KSI Research

## Key Ratios

Key Ratios	2021A	2022A	2023A	2024F	2025F	2026F
Revenue Growth (%)	18%	14%	-13%	2%	3%	5%
Gross Profit Growth (%)	42%	29%	-29%	4%	1%	7%
Operating Profit Growth (%)	62%	32%	-31%	4%	-2%	9%
EBITDA Growth (%)	36%	34%	-33%	3%	0%	8%
Net Profit Growth (%)	79%	63%	-52%	59%	-1%	8%
EPS Growth (%)	79%	63%	-52%	59%	-1%	8%
Gross margin (%)	35%	40%	33%	33%	33%	34%
EBITDA margin (%)	33%	38%	29%	30%	29%	30%
EBIT margin (%)	24%	28%	23%	23%	22%	23%
Pretax margin (%)	19%	26%	16%	25%	24%	25%
Net margin (%)	15.0%	21.4%	11.8%	19%	18%	18%
ROE (%)	11%	15%	7%	10%	9%	9%
ROA (%)	6%	9%	4%	6%	5%	5%
Current ratio (x)	2.45	2.65	2.90	3.06	3.18	3.36
Gearing (%)	72%	55%	58%	55%	55%	55%
LT D/Equity (x)	0.41	0.32	0.33	0.33	0.33	0.33
DER (x)	0.89	0.72	0.69	0.67	0.67	0.67
DAR (x)	0.47	0.42	0.41	0.40	0.40	0.40
AP turnover (days)	65	55	56	57	58	57
AR turnover (days)	146	166	178	170	170	170
Inventory turnover (days)	70	74	57	252	252	252
Cash Ratio	47%	56%	121%	94%	118%	137%
Sustainable Growth (%)	2%	6%	5%	0%	0%	100%
Earning Yield (%)	19.1%	27.8%	14.0%	22.3%	22.0%	23.7%
Dividend Yield (%)	0.7%	0.6%	5.8%	1.3%	1.4%	1.5%
PE (x)	5.69	3.59	7.19	5.97	6.05	5.61
PBV (x)	0.55	0.56	0.54	0.71	0.71	0.71
P/Sales (x)	0.85	0.77	0.85	1.11	1.08	1.03
EV/EBITDA (RHS)	4.70	3.18	3.76	5.12	4.72	4.02

Source: Company and KSI Research

## Kiwoom Sekuritas Guide to Sector/Industry/Stock Ratings

### Sector/Industry

OVERWEIGHT	: Sector & Industry Outlook has potential and good condition
NEUTRAL	: Sector & Industry Outlook Stable or tend to be stagnant
UNDERWEIGHT	: Sector & Industry Outlook has challenges and bad condition

### Stock

BUY	: Stock Performance > +15%	Over the next 12 month (excluding dividend)
TRADING BUY	: Stock Performance, range between +5% to +15%	Minor to Medium Term
HOLD	: Stock Performance, range between -10% to +15%	Over the next 12 month (excluding dividend)
SELL	: Stock Performance > -15%	Over the next 12 month (excluding dividend)
TRADING SELL	: Stock Performance, range between -5% to -15%	Minor to Medium Term
NOTE RATE	: Stock is not within regular research coverage	Over the next 12 month (excluding dividend)

### **OTHER DISCLOSURES**

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