Indah Kiat Pulp & Paper

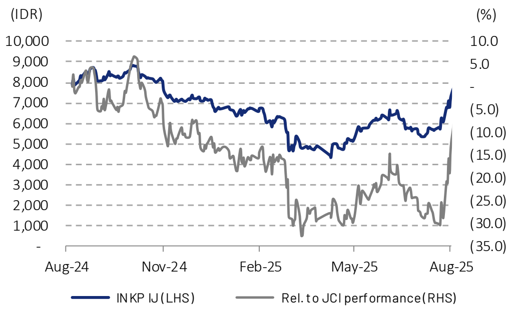
5 August 2025 | Equity Research | Basic Materials Sector

Company Update

BUY

Target Price	:	8,700
Current Price	:	7,700
Upside	:	13.0%

12M PRICE PERFORMANCE



Source: Bloomberg

STOCK PERFORMANCE

	YTD	1M	3M	12M
Absolute	13.2%	43.3%	43.3%	-2.5%
JCI Return	5.4%	8.7%	9.5%	4.7%
Relative	7.8%	34.5%	33.7%	-7.2%

Source: Bloomberg

MARKET DATA

12M price range (IDR)	4,220 - 9,000
12M PE range (x)	3.2 - 10.0
Outstanding shares (mn)	5,471
Market cap (IDRbn)/(USDmn)	42,127 / 2,570
Avg daily turn. (IDRbn/USDmn)	59.2 / 3.6

Source: Bloomberg

SHAREHOLDERS

APP Purinusa Ekapersada	56.6%
Others	43.4%

Source: Bloomberg, BCA Sekuritas

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Not this time

2Q25 Results: Performance Pressured, Below Ours and Cons

INKP's 2Q25 performance revealed mixed results, with 2Q25 revenue remaining solid at USD 781mn (-0.2% QoQ, -2.1% YoY) amid weak pulp price performance, while 1H25 revenue slipped to USD 1.6bn (-2.4% YoY; Ours: 41.0%, Cons: 39.8%) driven by relatively-sustainable pulp revenue at USD 525mn (+1.2% YoY) and industrial paper at USD 498mn (+0.9% YoY): this contributed c.65.4% of total revenue (1H24: 63.2%). However, relatively high material purchase costs, at USD 735mn (-0.1% YoY) pushed COGS to USD 1,089mn (+2.3% YoY), pressuring 1H25 gross profit. On the bottom line, a one-off forex translation loss of USD 56mn (vs. 1Q25 gain of USD 75mn) hammered 2Q25 net profit down to USD 24mn (-83.2% QoQ, -84.1% YoY), bringing 1H25 results to USD 164mn (-41.3% YoY), below both our (45.6%) and cons' (30.7%) estimates.

Pulp and Paper Market Loses Grip, Amid Weak Global Demand

Pulp and paper market price trends showed no signs of recovery, as sentiment remained wary. As of 31 Jul-25, BSK prices continued weak, at USD 727.8/t, sitting 16.6% below a 5-year average of USD 873/t, as 2Q25 avg. global pulp shipments fell to 4.3Mt (-9.9% QoQ, -2.7% YoY), with shipment-to-capacity operating rates declining to 81% (-1,150bps QoQ, -470bps YoY). This softening trend was compounded by China, as one of the largest contributors to pulp demand, accounting for approximately 44% of the total market, with 2Q25 avg. BSK demand falling to 530.8Kt (-33.0% QoQ, -7.7% YoY) and avg. global BSK shipments dropping to 1.65Mt (-14.7% QoQ, -7.3% YoY); this indicated persistent market pressure. However, 2Q25 avg. BHK global shipments remained relatively resilient, at 2.5Mt (-6.2% QoQ, +0.4% YoY) despite suffering two consecutive quarters of decline, from 4Q24 (3.1Mt) and 1Q25 (2.7Mt). Looking ahead, the pulp and paper market is predicted to remain weak for the remainder of 2025, driven by relatively soft economic performance in the U.S. with real 3Q25F GDP growth projections lowered to 1.3% (vs. 2Q25: 2.0%) and China's 3Q25F real GDP growth at 0.8% (vs. 2Q25: 1.1%).

Pulp Pressure, Forecasts Trimmed

Looking ahead, given potential weak demand in the pulp and paper industry, we tone down our financial projection on INKP, adjusting 2025F revenue downward to USD 3.4bn (-11.6% from prev. +5.5% YoY) and 2026F to USD 3.6bn (-17.6% from prev. +6.8% YoY). The downward revision reflects cautious market sentiment and limited price recovery across key segments. As a result, we also trim our bottom-line estimates, with 25F net profit reduced to USD 351mn (-2.1% from prev. -17.2% YoY) and 26F revised to USD 433mn (-5.2% from prev. +23.2% YoY).

Maintain BUY with Lowered TP of IDR 8,700/sh

Valuation-wise, given the relatively cheap multiple, we maintain our **BUY** call on INKP, with a lowered **TP of IDR 8,700/sh (from IDR 8,800/sh)**, implying FY26F P/E of 6.5x. The valuation is based on a 5-year DCF-FCFF model (WACC: 12.0%, terminal growth: 2.0%), factoring in potential revenue upside from their upcoming new factory. Key risks remain: softening global pulp demand, macroeconomic volatility and ongoing unpredictable tariff war dynamics.

Forecast and Valuations	2023	2024	2025F	2026F	2027F
Revenue (IDR Bn)	3,479	3,196	3,370	3,599	4,119
EBITDA(IDR Bn)	1,022	880	912	993	1,152
EV/EBITDA (x)	4.5	6.1	5.7	5.1	4.2
Net Profit (IDR Bn)	411	424	351	433	565
EPS (IDR)	1,175	1,210	1,053	1,329	1,736
EPS Growth (%)	32.0	85.4	(13.0)	26.2	30.7
P/E Ratio (x)	6.3	6.1	7.1	5.6	4.3
BVPS (IDR)	17,133	18,271	20,203	21,976	23,663
P/BV Ratio (x)	0.43	0.41	0.37	0.34	0.31
DPS (IDR)	53.0	48.0	50.4	51.7	51.7
Dividend Yield (%)	0.7	0.6	0.7	0.7	0.7
ROE (%)	7.1	6.8	5.3	6.2	7.6
ROA (%)	4.2	3.9	3.0	3.8	4.9
Interest Coverage (x)	3.1	2.6	2.8	3.5	4.6
Net Gearing (%)	33.4	43.7	40.1	36.4	31.5

Financial Summary

Income Statement Year-end 31 Dec (USD Mn)	2023A	2024A	2025F	2026F	2027F
Revenues	**3,479**	**3,196**	**3,370**	**3,599**	**4,119**
COGS	2,347	2,177	2,338	2,468	2,779
Gross profit	**1,132**	**1,019**	**1,032**	**1,132**	**1,340**
SG&A	344	366	369	394	450
Operating Profit	**788**	**653**	**663**	**738**	**890**
EBITDA	**1,022**	**880**	**912**	**993**	**1,152**
Interest Expenses	33	52	48	30	22
Interest Incomes	(288)	(301)	(286)	(242)	(216)
Others	29	42	58	-	-
Pre-Tax Profit	**550**	**527**	**473**	**574**	**745**
Income Tax	138	103	122	141	179
Profit Incl. Minority	**411**	**424**	**351**	**433**	**565**
Minority Interest	(0)	(0)	(0)	(0)	(0)
Net Profit	**411**	**424**	**351**	**433**	**565**
Balance Sheets Year-end 31 Dec (USD Mn)	**2023A**	**2024A**	**2025F**	**2026F**	**2027F**
Cash and cash equivalents	1,400	1,769	1,182	678	679
Trade receivables	1,695	1,844	1,944	2,076	2,138
Inventories	370	416	446	471	515
Other current asset	2,159	2,212	2,329	2,483	2,686
Total Current Asset	**5,624**	**6,240**	**5,902**	**5,708**	**6,019**
Fixed assets	3,299	4,306	4,276	4,255	4,263
Other assets	1,202	1,231	1,300	1,392	1,592
Total assets	**10,125**	**11,777**	**11,477**	**11,355**	**11,873**
Trade payables	252	312	335	368	431
Other short term liabilities	161	144	152	162	185
Total current liabilities	**413**	**456**	**487**	**530**	**616**
Debt	3,403	4,570	3,888	3,282	3,110
Other long term liabilities	309	343	361	386	441
Total liabilities	**4,125**	**5,369**	**4,736**	**4,197**	**4,167**
Minority Interests	0	0	0	0	0
Equity	**6,000**	**6,408**	**6,740**	**7,157**	**7,706**
Cash Flow Statement Year-end 31 Dec (USD Mn)	**2023A**	**2024A**	**2025F**	**2026F**	**2027F**
Net Profit	**411**	**424**	**351**	**433**	**565**
Depreciation & Amort.	234	227	250	255	262
Working capital chg	(453)	(199)	(268)	(335)	(368)
Operating Cash Flow	**193**	**452**	**333**	**352**	**459**
Capital Expenditure	(271)	(1,233)	(219)	(234)	(270)
Investing Cash Flow	**(272)**	**(1,234)**	**(219)**	**(234)**	**(270)**
Dividend Paid	19	17	17	17	17
Net Borrowing	230	1,167	(683)	(606)	(172)
Financing Cash Flow	**214**	**1,151**	**(701)**	**(623)**	**(188)**
Net Changes	**135**	**369**	**(587)**	**(504)**	**2**
Cash at Beginning	1,265	1,400	1,769	1,182	678
Cash at Ending	**1,400**	**1,769**	**1,182**	**678**	**679**
Key Ratios	**2023A**	**2024A**	**2025F**	**2026F**	**2027F**
Gross Profit Margin (%)	32.5	31.9	30.6	31.4	32.5
Operating Margin (%)	22.6	20.4	19.7	20.5	21.6
EBITDA Margin (%)	29.4	27.5	27.1	27.6	28.0
Net Profit Margin (%)	11.8	13.3	10.4	12.0	13.7
Debt to Equity (%)	2.7	2.2	2.3	3.0	4.1
Net Gearing (%)	33.4	43.7	40.1	36.4	31.5
ROAE	7.1	6.8	5.3	6.2	7.6
ROAA	4.2	3.9	3.0	3.8	4.9

Exhibit 1. 2Q25 Earnings Results - 6M25 earnings missed both our estimate (45.6%) and the Street's (30.7%)

INKP IJ Profit and loss statement (USD mn)	2Q24	1Q25	2Q25	QoQ (%)	YoY (%)	6M24	6M25	YoY (%)	6M25/ BCAS	6M25/ Cons.
Revenue	**798**	**783**	**781**	**(0.2)**	**(2.1)**	**1,603**	**1,564**	**(2.4)**	**41.0**	**39.8**
COGS	528	549	540	(1.7)	2.3	1,064	1,089	2.3		
Gross profit	**270**	**234**	**241**	**3.1**	**(10.6)**	**538**	**475**	**(11.8)**	**40.2**	**36.4**
Opex	85	95	86	(9.8)	0.7	171	181	5.7		
EBIT	**184**	**139**	**155**	**12.0**	**(15.8)**	**367**	**294**	**(20.0)**	**37.7**	**34.1**
EBITDA	**240**	**192**	**209**	**8.9**	**(12.9)**	**482**	**402**	**(16.8)**	**36.2**	**33.7**
Other income/(expenses)										
Net interest income/(expense)	(60)	(59)	(59)	0.1	(1.2)	(115)	(118)	2.4		
Others	54	81	(52)	(165.1)	(196.3)	87	28	(67.5)		
Pre-tax profit	**179**	**160**	**44**	**(72.7)**	**(75.6)**	**338**	**204**	**(39.7)**		
Net profit	**148**	**140**	**24**	**(83.2)**	**(84.1)**	**279**	**164**	**(41.3)**	**45.6**	**30.7**
Gross margin (%)	*33.8*	*29.9*	*30.9*	1.0	(2.9)	*33.6*	*30.4*	(3.2)		
EBIT margin (%)	*23.1*	*17.7*	*19.9*	2.2	(3.2)	*22.9*	*18.8*	(4.1)		
Pre-tax margin (%)	*22.4*	*20.5*	*5.6*	(14.8)	(16.8)	*21.1*	*13.0*	(8.1)		
Net margin (%)	*18.6*	*17.9*	*3.0*	(14.9)	(15.6)	*17.4*	*10.5*	(6.9)		
Balance sheet (USD mn)	**Jun-24**	**Mar-25**	**Jun-25**							
Cash and equivalents	1,512	2,011	1,893							
Total assets	10,817	12,047	12,328							
Total liabilities	4,554	5,499	5,773							
Interest bearing liabilities	3,792	4,725	4,950							
Equity	6,262	6,548	6,555							
ROA (%)	5.5	4.7	*0.8*							
ROE (%)	9.5	8.6	*1.4*							
Net gearing (%)	*36.4*	*41.5*	*46.6*							

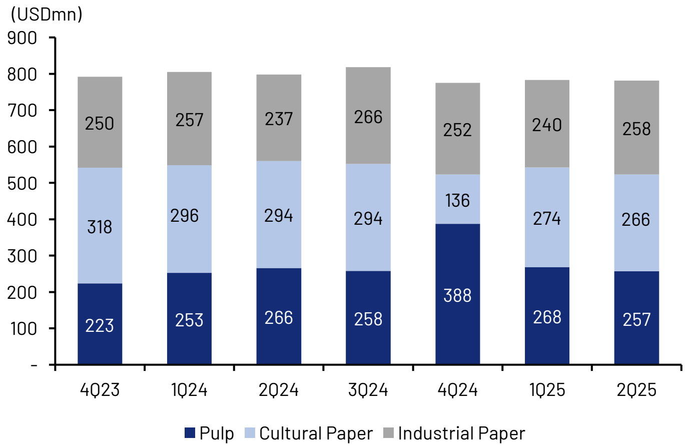
Sources: Company, BCA Sekuritas

Exhibit 2. Earnings Revision – *Due to the softening industrial outlook, we cut our 2025F and 2026F financial forecasts*

INKP IJ Earnings Revisions (USD mn)	2024	Previous		New		Changes (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Revenue	3,196	3,812	4,370	3,370	3,599	(11.6)	(17.6)
EBIT	653	780	923	663	738	(15.1)	(20.1)
EBITDA	880	1,109	1,296	912	993	(17.8)	(23.4)
Net profit	424	359	457	351	433	(2.1)	(5.2)
Revenue growth (%)	(8.1)	19.3	14.7	5.5	6.8		
EBIT growth (%)	(17.1)	19.5	18.4	1.5	11.3		
EBITDA growth (%)	(14.0)	26.1	16.8	3.7	8.8		
Net profit growth (%)	3.1	(15.4)	27.2	(17.2)	23.2		
EBIT Margin (%)	20.4	20.5	21.1	19.7	20.5		
EBITDA Margin (%)	27.5	29.1	29.7	27.1	27.6		
Net Profit Margin (%)	13.3	9.4	10.4	10.4	12.0		

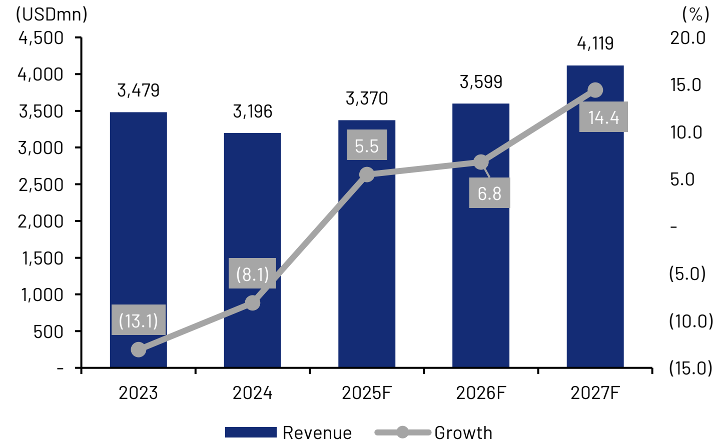
Sources: Company, BCA Sekuritas

Exhibit 3. Revenue Breakdown



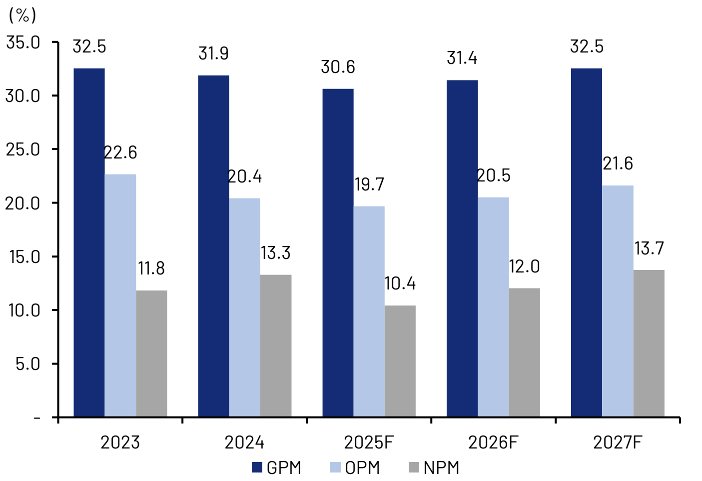
Sources: Company, BCA Sekuritas

Exhibit 4. Revenue and Growth



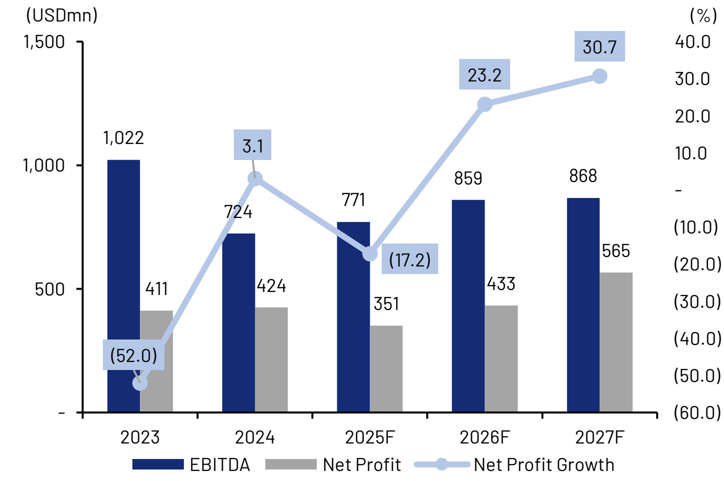
Sources: Company, BCA Sekuritas

Exhibit 5. Profitability Margins



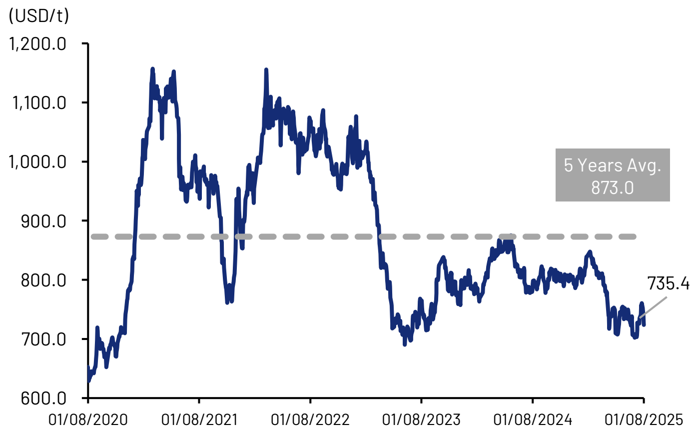
Sources: Company, BCA Sekuritas

Exhibit 6. EBITDA, Net Profit, and Net Profit Growth



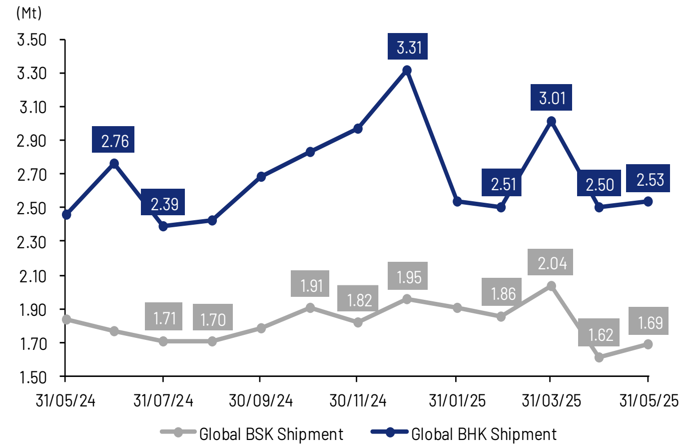
Sources: Company, BCA Sekuritas

Exhibit 7. 5-Years BSK Price



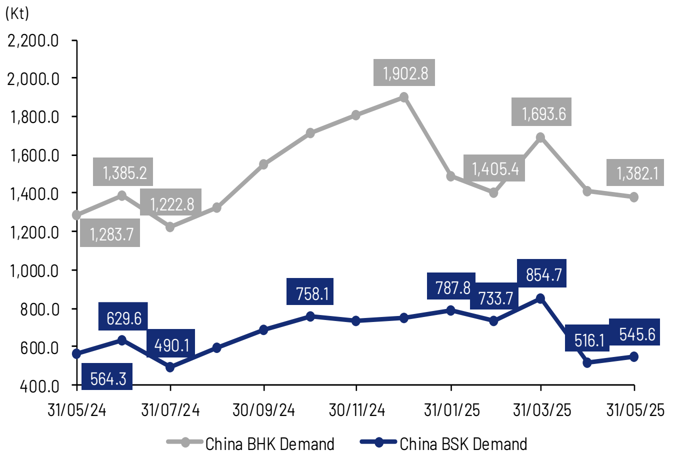
Sources: Bloomberg, BCA Sekuritas

Exhibit 8. Global BSK and BHK Shipment



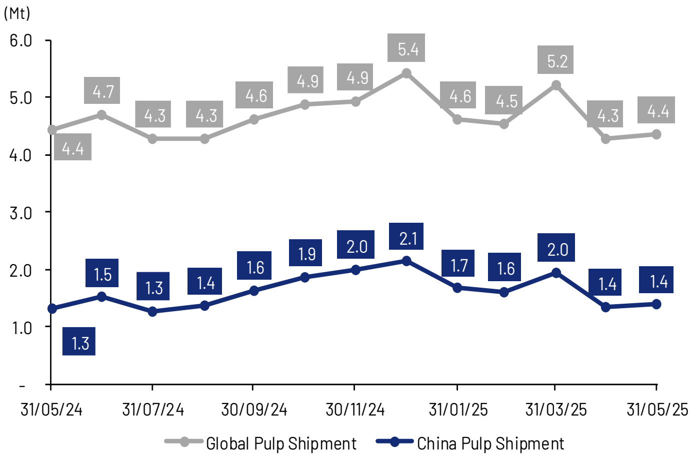
Sources: Bloomberg, BCA Sekuritas

Exhibit 9. China BSK and BHK Demand



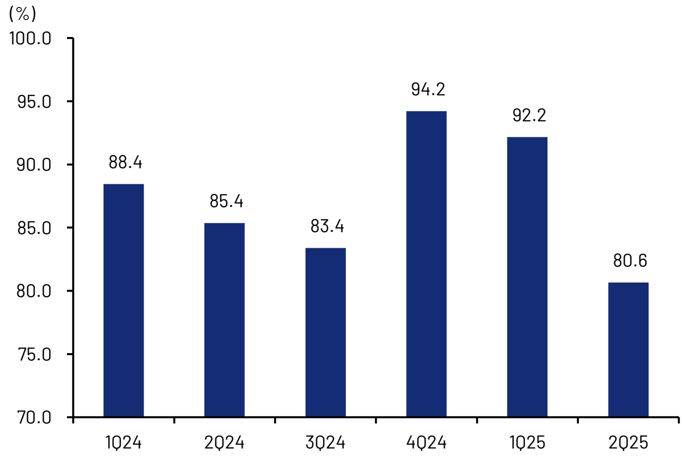
Sources: Bloomberg, BCA Sekuritas

Exhibit 10. Global and China Pulp Shipment



Sources: Bloomberg, BCA Sekuritas

Exhibit 11. Shipments-to-Capacity Operating Rate



Sources: Bloomberg, BCA Sekuritas

Exhibit 12. P/E Band

Sources: Bloomberg, BCA Sekuritas

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