

# Panca Mitra Multiperdana

## Tailwinds Ahead

### 2Q21 Results Recap – Inline

PMMP posted 6M21 revenue/net income at USD85.6mn/USD6.1mn (+2.9% y-y/+16.7% y-y), in-line as it reached 46%/48% of our estimates. In 2Q21, the company's revenue decreased to USD 31.5mn (-42.1% q-q, -1.5% y-y), mostly due to seasonality (pantry stocking in 1Q). We expect PMMP to record better sales several quarters ahead. On a positive note, 2Q21 GPM increased to 23.3% (+320bps q-q/ +500bps y-y) as the company is shifting more from raw products to cooked/value added products, which generates a higher margin mix. On the other side, 2Q21 operating profit increased to USD4.1mn (-36.9% q-q, +29.5% y-y), mainly driven by lower GnA expenses of USD0.6mn (-58.9% q-q, -52.4% y-y). As a result, 2Q21 net profit recorded at USD1.6mn (-64.4% q-q, +15.8% y-y).

### Grabbing some of that pie from Vietnam and India

In Aug-21, PMMP has completed the construction of its 8<sup>th</sup> plant in Situbondo (East Java), which brings the company's total production capacity to 27.1kt/year (vs. 25.1kt/year in 2020). The 8<sup>th</sup> plant will operate by end of Sep-21, with ~70% of its annual production capacity already have reserved backlog demand. The 8<sup>th</sup> plant will focus on value-add products that produce higher margins. As a rule of thumb, GP margin of value-added shrimps is ~28%, cooked ~19% and raw is ~16%. We are not worried on additional capacity during an economic crisis in Indonesia as majority of its revenue its export (~95% of 2021 revenue). Also, according to the management, Indonesia's shrimp demand is strong coming from the U.S market as U.S shifted some of their orders from Vietnam and India to Indonesia (Vietnam and India's strict lockdowns are one of the culprits). As a major result from this, we expect PMMP's sales to be secured until 1H22. Therefore, we increased our FY22F revenue/net profit forecast by +2.4%/+4.1% respectively, resulting in FY22F revenue/net profit growth by +9.6%/+20.3% y-y respectively. Onwards, the company plans to develop the 9<sup>th</sup> plant with a 6.5k/year additional capacity; note that we have not included this in our model yet.

### Attractive valuation, maintain BUY with higher TP of IDR765

We raise our target price to IDR765/share (previously IDR545/share), implying a 8.3x 2022 P/E, a 25% discount to APEX's 11.1x 2022 P/E. APEX (Apex Frozen Food) has similar profitability to PMMP but operates at a lower leverage (Table 3). Overall, we believe PMMP's valuations will re-rate, reflecting the company's strong growth prospects and improving profit margins as a result of its focus on value-added products and better inventory management. Key risk to our call is delayed export delivery due to a global shipping container shortage.

### Company data

Year end Dec (USDmn)	2019A	2020A	2021F	2022F	2023F
Revenue (USD mn)	143	171	187	205	230
Net Profit (USD mn)	6	10	13	15	18
EPS (IDR)	41	63	77	93	108
EPS Growth (%)	-36%	56%	22%	20%	16%
P/E (x)	7.1	4.6	6.4	5.3	4.6
PBV (x)	0.9	0.7	1.1	0.9	0.7
EV/EBITDA (x)	7.4	5.9	4.5	3.8	3.6

## BUY (Maintain)

Target Price IDR765 (+53% ups.)  
 Previous TP IDR545  
 Current Price IDR494



### Kharel Devin Fielim

Kharel.devin@trimegah.com

### Willinoy Sitorus

willinoy.sitorus@trimegah.com

### Stock Data & Indices

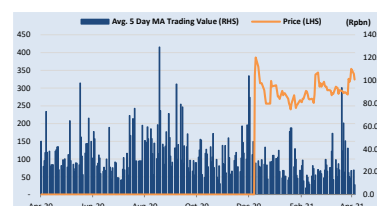
Bloomberg Code	PMMP.IJ
JCI Group	JAKCONS
MSCI Indonesia	NO
JII	NO
LQ45	NO
Kompas 100	NO

### Key Data

Issued Shares (mn)	2,353
Free Float (est)	15
Mkt. Cap (IDRbn)	795.3
Mkt. Cap (USDmn)	54.4
52 Wk-range	420/240

### Performance (%)

	YTD	1m	3m	12m
Absolute	32.8	16.4	25.9	N/A
Relative to JCI	31.0	20.7	29.7	N/A



### Income Statement

Year end Dec (USDmn)	2019A	2020A	2021F	2022F	2023F
Revenue	143	171	187	205	230
Gross profit	29	35	40	46	52
Operating profit	18	21	25	28	32
EBITDA	22	25	29	34	38
Interest income (expense)	(9)	(9)	(8)	(8)	(8)
Pretax profit	10	12	16	20	23
Income tax expense	(4)	(2)	(4)	(4)	(5)
Minority interest	-	-	-	-	-
Net profit	6	10	13	15	18

### Balance Sheet

Year end Dec (USDmn)	2019A	2020A	2021F	2022F	2023F
Cash	5	3	12	9	6
Trade receivables	22	24	26	28	32
Inventory	156	170	160	163	181
Net fixed asset	42	40	41	51	56
Other assets	13	11	9	9	9
<b>Total assets</b>	<b>237</b>	<b>248</b>	<b>248</b>	<b>260</b>	<b>284</b>
Trade payables	12	13	14	15	17
Short-term debt	161	152	141	136	139
Long-term debt	6	4	4	4	4
Others	12	14	11	12	13
<b>Total liabilities</b>	<b>191</b>	<b>183</b>	<b>170</b>	<b>167</b>	<b>173</b>
Shareholder's equity	46	65	78	93	111
Minority interest	0	1	2	3	4
<b>Total equity</b>	<b>46</b>	<b>65</b>	<b>78</b>	<b>93</b>	<b>111</b>

### Cash Flow

Year end Dec (USDmn)	2019A	2020A	2021F	2022F	2023F
Net profit	6	10	13	15	18
Depreciation	4	4	4	5	6
Changes in working capital	(25)	(14)	11	(4)	(19)
<b>Operating cash flow</b>	<b>(8)</b>	<b>3</b>	<b>25</b>	<b>17</b>	<b>6</b>
Capital expenditure	(10)	(2)	(6)	(15)	(11)
Others	(2)	0	-	-	-
<b>Investing cash flow</b>	<b>(12)</b>	<b>(2)</b>	<b>(6)</b>	<b>(15)</b>	<b>(11)</b>
Net change in debt	18	(9)	(11)	(5)	3
Changes in equity/capital	-	8	-	-	-
Others	-	-	-	-	-
<b>Financing cash flow</b>	<b>20</b>	<b>(3)</b>	<b>(11)</b>	<b>(5)</b>	<b>3</b>
<b>Net cash flow</b>	<b>(0)</b>	<b>(2)</b>	<b>8</b>	<b>(3)</b>	<b>(2)</b>
Free cash flow	(18)	1	19	2	(5)

### Ratio Analysis

Year end Dec	2019A	2020A	2021F	2022F	2023F
<b>Profitability</b>					
Gross margin	21%	21%	22%	23%	22%
Operating margin	13%	12%	13%	14%	14%
Net margin	4%	6%	7%	7%	8%
ROA	2%	4%	5%	6%	6%
ROE	12%	16%	16%	17%	16%
<b>Stability</b>					
Net debt to equity (x)	3.5	2.4	1.7	1.4	1.2
Net debt to EBITDA (x)	7.5	6.0	4.6	3.9	3.6
Interest coverage ratio (x)	2.1	2.4	3.0	3.4	3.7
<b>Efficiency</b>					
Receivable days	56	52	50	50	50
Inventory days	502	458	400	375	370
Payable days	39	35	35	35	35

### Company Background

Panca Mitra Multiperdana (PMMP) was founded in 2004 and went public in Dec-20. Founded by Soesilo Soebardjo, who himself has more than 30 years of experience in the shrimp/aquaculture industry, the company processes and exports shrimp and shrimp-related products to USA, Japan and Europe. As of 2020, PMMP is the second biggest exporter of shrimp with 18.8k tons in export volume, holding 21% of local market share amongst the 5 biggest local shrimp exporters. The company's land size and cold-storage facilities are considered as the biggest with 46k tons of annual capacity and 25.1k tons of cold-storage facilities.

**Table 1. PMMP 2Q21 earnings recap**

USD Mn	2Q20	1Q21	2Q21	QoQ	YoY	6M20	6M21	YoY	% TRIM
Revenue	31.9	54.3	31.4	-42.1%	-1.5%	83.3	85.8	2.9%	46.0%
Gross profit	6.0	11.2	7.3	-34.5%	22.4%	16.7	18.5	10.8%	45.8%
Operating profit	3.2	6.5	4.1	-36.9%	29.5%	10.1	10.7	5.8%	43.1%
Net profit	1.4	4.5	1.6	-64.4%	15.8%	5.3	6.1	16.7%	48.0%
Core Profit	0.5	4.4	1.9	-56.3%	271.3%	5.2	6.3	21.2%	
Gross margin	18.8%	20.6%	23.3%			20.1%	21.6%		
Operating margin	10.0%	12.0%	13.1%			12.1%	12.4%		
Net profit margin	4.4%	8.3%	5.1%			6.3%	7.2%		

Source: Company, Trimegah Sekuritas

**Table 2. PMMP forecast revision**

Year end Dec (USDmn)	New Estimates			Old Estimates			% Changes in estimates	
	2021F	2022F	2023F	2021F	2022F	2023F	FY22F	FY23F
Revenue	186.6	205.3	230.3	186.6	200.5	229.9	2.4%	0.2%
Gross profit	40.5	46.2	51.8	40.5	44.6	51.5	3.8%	0.6%
Operating profit	24.7	28.1	31.6	24.7	27.0	31.3	3.9%	0.9%
EBITDA	29.1	33.6	37.8	29.1	32.5	37.5	3.3%	0.8%
Net profit	12.8	15.4	17.8	12.8	14.7	17.8	4.1%	0.0%
GPM	21.7%	22.5%	22.5%	21.7%	22.2%	22.4%	0.3%	0.1%
NPM	6.9%	7.5%	7.7%	6.9%	7.4%	7.7%	0.1%	0.0%

Source: Company, Trimegah Sekuritas

**Table 3. Peers Comparison Table**

Company	Cur. Market Cap (USDmn)	Fwd.			ROE (%)	Net debt/Equity (%)	Net. Margin (%)
		PE	PBV	EV/EBITDA			
<b>Regional peers</b>							
Avanti Feeds	1,053.6	19.1	4.7	13.1	25.3	(59.0)	7.0
Apex Food	118.8	11.1	1.7	9.1	16.2	35.9	5.9
Waterbase	65.6	24.6	2.5	13.8	10.4	(6.0)	2.8
<b>Average</b>	<b>412.7</b>	<b>18.2</b>	<b>3.0</b>	<b>12.0</b>	<b>17.3</b>	<b>(6.7)</b>	<b>5.2</b>
PMMP	85.7	5.4	0.9	8.1	15.8	219.0	6.9
% Premium (discount)	-79.2%	-70.4%	-70.1%	-32.0%	-8.5%	n.m	31.8%

\*As of 6 Sept-21

Source: Company, Bloomberg

## Research Team

<b>Willinoy Sitorus</b>	<b>Strategy, Banks &amp; Industrial</b>	<b>willinoy.sitorus@trimegah.com</b>	<b>+62-21 2924 9107</b>
Fakhrul Fulvian	Economics, Fixed Income	fakhrul.fulvian@trimegah.com	+62-21 2924 9097
Prasetya Gunadi	Banks and Financial-related	prasetya.gunadi@trimegah.com	+62-21 2924 9099
Darien Sanusi	Consumer Staples and Retail	darien.sanusi@trimegah.com	+62-21 2924 9106
Heribertus Ariando	Tobacco, Media and Healthcare	heribertus.ariando@trimegah.com	+62-21 2924 9060
Richardson Raymond	Telco, Tower, and Digital Media	richardson.raymond@trimegah.com	+62-21 2924 9136
Kharel Devin Fielim	Property, Construction and Infra	kharel.devin@trimegah.com	+62-21 2924 9103
Hasbie	Commodities-related and Small Caps	hasbie@trimegah.com	+62-21 2924 6322
Kenny Vincent	Economics, Fixed Income	kenny.vincent@trimegah.com	+62-21 2924 6325
Kimberly Bianca	Generalist	kimberly.bianca@trimegah.com	+62-21 2924 9088
Ahmad Alfanzrigel	Banks, Financial, and Fixed Income	ahmad.andriansyah@trimegah.com	+62-21 2924 9088

## Corporate Access

Nur Marini	Corporate Access	marini@trimegah.com	+62-21 2924 6323
------------	------------------	---------------------	------------------

## Institutional Sales Team

<b>Beatrix Susanto</b>	<b>Head of Institutional Sales</b>	<b>beatrix.susanto@trimegah.com</b>	<b>+62-21 2924 9086</b>
<b>Henry Sidarta, CFTe</b>	<b>Head of Institutional Dealing</b>	<b>henry.sidarta@trimegah.com</b>	<b>+62-21 3043 6309</b>
Raditya Andyono	Equity Institutional Sales	raditya.andyono@trimegah.com	+62-21 2924 9146
Calvina Karmoko	Equity Institutional Sales	calvina.karmoko@trimegah.com	+62-21 2924 9080
Dewi Yusnita	Equity Institutional Sales	dewi.yusnita@trimegah.com	+62-21 2924 9082
Morgan Gindo	Equity Institutional Sales	morgan.gindo@trimegah.com	+62-21 2924 9076
Gerry Benedict	Equity Institutional Sales	gerry.benedict@trimegah.com	+62-21 2924 9081

## Retail Sales Team

<b>Andrew Jatmiko</b>	<b>Head of Retail Equity Sales</b>	<b>andrew.jatmiko@trimegah.com</b>	<b>+62-21 3043 6310</b>
Hasbie Sukaton	Deputy Head of Retail Sales	hasbie.sukaton@trimegah.com	+62-21 2924 9088
Untung Wijaya	Area Manager (Indonesia Timur)	untung.wijaya@trimegah.com	+62-31 2971 8000
<b>Jakarta Area</b>			
Ignatius Candra Perwira	Kelapa Gading, Jakarta	ignatius.perwira@trimegah.com	+62-21 8061 7270
Ariffianto	BSD, Jakarta	ariffianto@trimegah.com	+62-21 5089 8959
<b>Sumatera</b>			
Juliana Effendy	Medan, Sumatera Utara	juliana.effendi@trimegah.com	+62-61 4100 0000
<b>Eastern Indonesia</b>			
Carlo Ernest Frits Coutrier	Makasar, Sulawesi Selatan	carlo.coutrier@trimegah.com	+62-411 3604 379
<b>East Java</b>			
Pandu Wibisono	Surabaya, Jawa Timur	pandu.wibisono@trimegah.com	+62-31 2973 18000
<b>Central Java, Area</b>			
Aloysius Primasyah	Semarang, Jawa Tengah	primasyah.kristanto@trimegah.com	+62-24 8600 2310
Laili Ma'muroh	Solo, Jawa Tengah	laili.mamuroh@trimegah.com	+62-271 6775 590
<b>West Java</b>			
Bhisma Herlambang	Bandung, Jawa Barat	bhisma.herlambang@trimegah.com	+62-22 8602 6290
Renny Nurhayati Hidayat	Cirebon, Jawa Barat	renny.nurhayati@trimegah.com	+62-231 8851 009

## Disclaimer

This report has been prepared by PT Trimegah Sekuritas Indonesia Tbk on behalf of itself and its affiliated companies and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy. This report has been produced independently and the forecasts, opinions and expectations contained herein are entirely those of PT Trimegah Sekuritas Indonesia Tbk.

While all reasonable care has been taken to ensure that information contained herein is not untrue or misleading at the time of publication, PT Trimegah Sekuritas Indonesia Tbk makes no representation as to its accuracy or completeness and it should not be relied upon as such. This report is provided solely for the information of clients of PT Trimegah Sekuritas Indonesia Tbk who are expected to make their own investment decisions without reliance on this report. Neither PT Trimegah Sekuritas Indonesia Tbk nor any officer or employee of PT Trimegah Sekuritas Indonesia Tbk accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. PT Trimegah Sekuritas Indonesia Tbk and/or persons connected with it may have acted upon or used the information herein contained, or the research or analysis on which it is based, before publication. PT Trimegah Sekuritas Indonesia Tbk may in future participate in an offering of the company's equity securities.

This report is not intended for media publication. The media is not allowed to quote this report in any article whether in full or in parts without permission from PT Trimegah Sekuritas Indonesia Tbk. For further information, the media can contact the head of research of PT Trimegah Sekuritas Indonesia Tbk.

This report was prepared, approved, published and distributed by PT Trimegah Sekuritas Indonesia Tbk located outside of the United States (a "non-US Group Company"). Neither the report nor any analyst who prepared or approved the report is subject to U.S. legal requirements or the Financial Industry Regulatory Authority, Inc. ("FINRA") or other regulatory requirements pertaining to research reports or research analysts. No non-US Group Company is registered as a broker-dealer under the Exchange Act or is a member of the Financial Industry Regulatory Authority, Inc. or any other U.S. self-regulatory organization.

### INVESTMENT RATING RULE:

- 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 coverage

### Analysts Certification

The research analyst(s) of PT Trimegah Sekuritas Indonesia Tbk. primarily responsible for the content of this research report, in whole or in part, certifies that with respect to the companies or relevant securities that the analyst(s) covered in this report: (1) all of the views expressed accurately reflect his or her personal views on the company or relevant securities mentioned herein; (2) no part of his or her remuneration was, is, or will be, directly or indirectly, connected with his or her specific recommendations or views expressed in the research report; and (3) the report does not contain any material non-public information. The disclosure column in the following table lists the important disclosures applicable to each company that has been rated and/or recommended in this report:

Company Ticker	Disclosure (as applicable)
PMMP	-

### Trimegah Disclosure Data

Trimegah represents that:

1. Within the past year, it has managed or co-managed a public offering for this company, for which it received fees.
2. It had an investment banking relationship with this company in the last 12 months.
3. It received compensation for investment banking services from this company in the last 12 months.
4. It expects to receive or intends to seek compensation for investment banking services from the subject company/ies in the next 3 months.
5. It beneficially owns 1% or more of any class of common equity securities of the subject company.
6. It makes a market in securities in respect of this company.
7. The analyst(s) or an individual who assisted in the preparation of this report (or a member of his/her household) has a financial interest position in securities issued by this company. The financial interest is in the common stock of the subject company, unless otherwise noted.
8. The analyst (or a member of his/her household) is an officer, director, employee or advisory board member of this company or has received compensation from the company.