Indonesia Company Update

Shariah Compliant

15 May 2025

Basic Materials | Forest Products & Paper

Pabrik Kertas Tjiwi Kimia (TKIM IJ)

Buy (Maintained)

Soft Shipment Volume In 2Q25; Keep BUY

Target Price (Return):	IDR8,475 (+47%)
Price (Market Cap):	IDR5,750 (USD1,081m)
ESG score:	3.1 (out of 4)
Avg Daily Turnover (IDR/USD)	4,196m/0.25m

- **Maintain BUY and IDR8,475 TP, 47% upside**. We cut our FY25F-26F EBIT by 13.9% and 31.6% on stagnant paper and packaging prices, and potential higher input cost of bleached hardwood kraft (BHK) pulp in 2026. However, we raise FY25F-26F earnings by 75% and 11.4% on lower opex and the strengthening of USD/IDR. Pabrik Kertas Tjiwi Kimia is trading at an attractive 3.3x 2025F P/E while our TP reflects 4.9x P/E – still cheap, at a 64% discount to peers.
- **OKI Pulp & Paper Mills' FY25F net profit to grow by 6% YoY on the strengthening USD...** Despite the flattish pulp prices which led to flattish topline growth, we expect OKI's FY25F earnings to remain resilient by 6% YoY in FY25F, supported mainly by a stronger USD. Note that OKI's USD/IDR was at IDR16,162 while our expectation for FY25 is at IDR16,913 (+4.84%), hence we estimate OKI to earn c.USD145m in forex gain which would support its net profit.
- **...resulting TKIM's FY25F earnings to grow by 11.3% YoY and core earnings by 13% YoY**. As 49% of OKI's bottomline contributes to TKIM's other income (without considering core net profit) estimated at c.USD254m (+5.8% YoY), we expect TKIM net profit to reach USD331m (+11.3% YoY) and core earnings (excluding forex gain) of USD296m (+13% YoY). However, we remain cautious on forex volatility on a quarterly basis. Note that 1Q25 USD/IDR was recorded at IDR16,588, while we expect 2Q25 to reach IDR16,467, (-0.7%), resulting in a forex loss for OKI. With 2Q25 pulp prices are on a declining trend and lower shipment volume, TKIM's earnings should decline in 2Q25 but rebound from 3Q25 onwards.
- **Restocking on easing US-China tensions should be reflected in 3Q25**. While the easing US-China trade tension will likely support pulp demand in China, we expect shipment volume in May and mid-June to remain soft compared to 1Q25. We believe the current inventory level in China for traders and buyers is still sufficient – reflected by the spread of resale and producer prices which fell to c.USD90/tonne below producer prices in May for BHK vs USD41/tonne in end-March. The impact of easing trade tensions on China pulp demand should be seen from end-June and shipment from July onwards.
- **Downside risks:** Weakening China economy, weakening CNY/USD, FX volatility, higher interest rates, post easing tension US-China trade war, and unfavourable regulations.
- **TP.** TKIM is trading at a 3.3x 2025F P/E (76% discount to the peer average). Our TP reflects 4.9x P/E – a 64% discount to peers, and with a 2% ESG premium. We maintain TP despite raising its earnings as growth is mainly on high volatility forex.

Analyst

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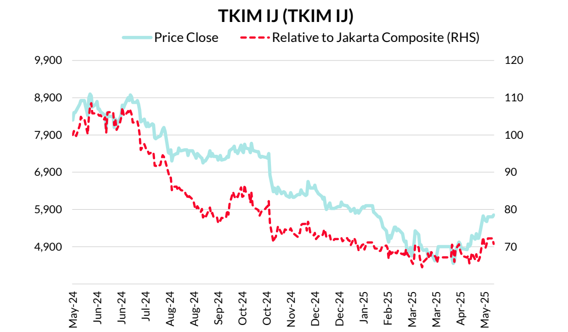
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(3.8)	14.4	12.2	(9.5)	(30.7)
Relative	(2.4)	4.8	7.1	(6.2)	(29.2)
52-wk Price low/high (IDR)					4,450 – 9,000



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (USDm)	1,074	985	1,008	1,014	1,036
Recurring net profit (USDm)	160	289	331	236	406
Recurring net profit growth (%)	(65.1)	81.3	14.3	(28.6)	72.0
Recurring P/E (x)	6.77	3.73	3.27	4.58	2.66
P/B (x)	0.5	0.4	0.4	0.3	0.3
P/CF (x)	4.16	2.88	2.73	3.74	2.36
Dividend Yield (%)	0.5	0.4	0.5	0.5	0.5
EV/EBITDA (x)	12.24	12.61	10.76	11.06	10.46
Return on average equity (%)	7.5	11.7	11.6	7.6	11.8
Net debt to equity (%)	23.7	17.6	11.2	7.3	3.6

Source: Company data, RHB

Overall ESG Score: 3.1 (out of 4)

E Score: 3.2 (EXCELLENT)
S Score: 3.0 (GOOD)
G Score: 3.0 (GOOD)
Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis

In FY24, TKIM has successfully reduced its carbon intensity to 1.73 tCO2e to 1.77 tCO2e .

Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
Scope 1	1,992,750	1,886,214	1,931,183	na
Scope 2	209,799	155,018	144,423	na
Scope 3	na	na	na	na
Total emissions	2,202,549	2,041,232	2,075,606	na

Source: Company data, RHB

Latest ESG-Related Developments

In 2024, TKIM achieved a 2.26% reduction in carbon intensity, decreasing to 1.73 tCO2e per tonne from the 2023 baseline of 1.77 tCO2e per tonne. This improvement underscores the company's commitment to decarbonisation. TKIM has also secured Science Based Targets initiative (SBTi) validation, affirming its dedication to emission reductions. The company has set ambitious targets to reduce Scope 1 and 2 emissions by 54.6% and Scope 3 emissions by 32.5% by 2033, compared to the 2023 baseline.

The company is currently constructing a Waste Boiler facility designed to convert plastic waste into Refuse Derived Fuel (RDF). This RDF will serve as an alternative fuel for steam production, thereby reducing coal consumption and mitigating carbon emissions. The RDF power plant is anticipated to commence operations in 2025.

ESG Unbundled

Overall ESG Score: 3.1 (out of 4)

Last Updated:

E Score: 3.2 (EXCELLENT)

TKIM has achieved significant environmental management milestones, including ISO certifications and a reduction in GHG emission intensity by 15% YoY in 2023 through energy efficiency and renewable energy efforts. The company also prioritises usage of recycled paper and ensures its pulpwood suppliers adhere to sustainable forestry practices.

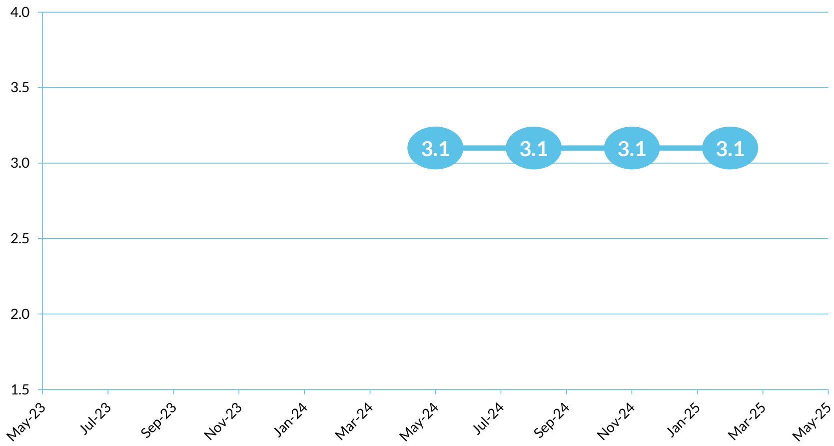
S Score: 3.0 (GOOD)

TKIM invests in employee development with an average of five hours of training per employee in 2023 and ensures workplace safety through SMK3 and K3 implementations. The company also commits to community empowerment, achieving a social ROI of IDR1.81 for every IDR1 invested in CSR programmes from 2021-2023.

G Score: 3.0 (GOOD)

TKIM fosters a corporate culture aligned with good corporate governance principles, emphasising transparency, accountability, and diversity, and regularly assesses sustainability strategies through a management Board and specialised committees. It adheres to multiple international standards in quality, environment, safety, and social responsibility, and has a four-pillar approach in ethics and risk management overseen by dedicated divisions.

ESG Rating History



Source: RHB

Financial Exhibits

Asia
Indonesia
Basic Materials
Pabrik Kertas Tjiwi Kimia
TKIM IJ
Buy

Valuation basis

P/E

Key drivers

i. Higher pulp price;
ii. China's economy recovery;
iii. Integration of pulp production to limit BHK supply.

Key risks

i. Pulp & paper price volatility;
ii. Forex;
iii. Higher interest rate.

Company Profile

Pabrik Kertas Tjiwi Kimia, a subsidiary of APP Group, is one of Indonesia's leading paper and stationery manufacturers. The company produces a diverse range of high-quality paper products – including that for printing, writing, and specialty paper – and caters to the domestic and international markets. Renowned for its commitment to sustainability and innovation, it continues to strengthen its competitive position in the global paper industry.

Financial summary (USD)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Recurring EPS	0.05	0.09	0.11	0.08	0.13
DPS	0.00	0.00	0.00	0.00	0.00
BVPS	0.77	0.86	0.97	1.04	1.17
Return on average equity (%)	7.5	11.7	11.6	7.6	11.8

Valuation metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Recurring P/E (x)	6.77	3.73	3.27	4.58	2.66
P/B (x)	0.5	0.4	0.4	0.3	0.3
FCF Yield (%)	16.9	31.8	31.8	21.9	37.4
Dividend Yield (%)	0.5	0.4	0.5	0.5	0.5
EV/EBITDA (x)	12.24	12.61	10.76	11.06	10.46
EV/EBIT (x)	25.98	22.41	18.49	20.50	19.78

Income statement (USDm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover	1,074	985	1,008	1,014	1,036
Gross profit	142	148	157	146	146
EBITDA	134	123	132	119	116
Depreciation and amortisation	(71)	(54)	(55)	(55)	(55)
Operating profit	63	69	77	64	61
Net interest	(45)	(40)	(27)	(22)	(18)
Pre-tax profit	185	305	340	242	417
Taxation	(13)	(8)	(9)	(6)	(11)
Reported net profit	172	297	331	236	406
Recurring net profit	160	289	331	236	406

Cash flow (USDm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Change in working capital	24	6	5	(2)	(4)
Cash flow from operations	260	375	396	289	457
Capex	(77)	(32)	(51)	(52)	(53)
Cash flow from investing activities	(237)	(258)	(249)	(185)	(349)
Dividends paid	(5)	(5)	(5)	(5)	(5)
Cash flow from financing activities	(51)	(109)	14	(97)	(86)
Cash at beginning of period	205	177	185	346	352
Net change in cash	(28)	8	161	6	23
Ending balance cash	177	185	346	352	375

Balance sheet (USDm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total cash and equivalents	420	405	565	572	595
Tangible fixed assets	808	786	710	635	562
Total assets	3,610	3,856	4,126	4,268	4,592
Short-term debt	423	362	319	286	258
Total long-term debt	561	515	582	522	470
Total liabilities	1,224	1,177	1,122	1,033	956
Total equity	2,386	2,679	3,004	3,235	3,636
Total liabilities & equity	3,610	3,856	4,126	4,268	4,592

Key metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Revenue growth (%)	(6.1)	(8.3)	2.3	0.6	2.1
Recurrent EPS growth (%)	(65.1)	81.3	14.3	(28.6)	72.0
Gross margin (%)	13.2	15.0	15.6	14.4	14.1
Operating EBITDA margin (%)	12.5	12.5	13.1	11.7	11.2
Net profit margin (%)	16.0	30.2	32.8	23.3	39.2
Dividend payout ratio (%)	3.1	1.6	1.6	2.2	1.3
Capex/sales (%)	7.2	3.2	5.1	5.2	5.1
Interest cover (x)	1.28	1.46	1.92	1.80	1.91

Source: Company data, RHB

Figure 1: Changes to earnings estimates (TKIM)

	New			Old			New/old (%)		
	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F
Income statement (USDm)									
Total turnover	1,008	1,014	1,036	1,081	1,088	-	(6.8)	(6.8)	-
Gross profit	157	146	146	170	176	-	(7.4)	(16.8)	-
EBIT	77	64	61	89	94	-	(13.9)	(31.6)	-
Net Profit	331	236	406	189	212	-	75.0	11.4	-
Key metrics									
Revenue growth (%)	2.3	0.6	2.1	9.7	0.6	-			
Gross margin (%)	15.6	14.4	14.1	15.7	16.2	-			
EBIT margin (%)	7.6	6.3	5.9	8.2	8.6	-			
Net profit margin (%)	32.8	23.3	39.2	17.5	19.5	-			

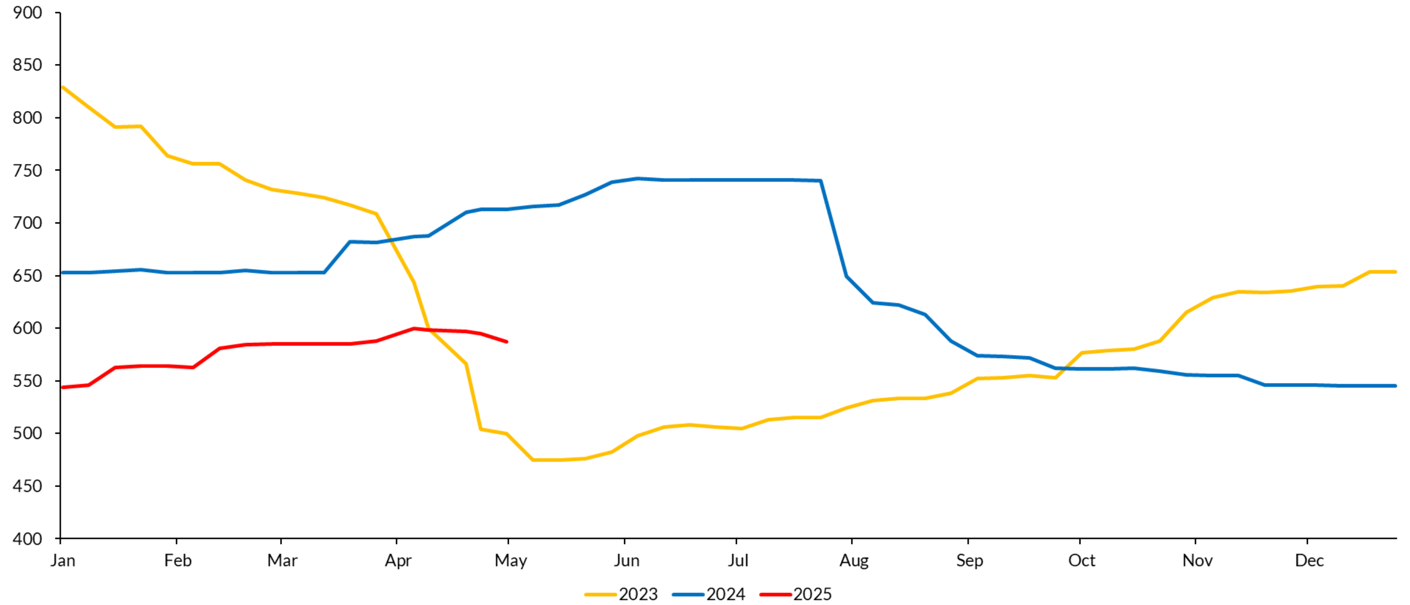
Source: Company data, RHB

Figure 2: Changes to earnings estimates (OKI)

	New			Old			New/old (%)		
	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F
Income statement (USDm)									
Total turnover	1,667	1,766	2,168	1,709	2,011	-	(2.4)	(12.2)	-
Gross profit	781	845	1,122	828	949	-	(5.7)	(10.9)	-
EBIT	607	659	904	606	678	-	0.2	(2.8)	-
Net Profit	519	418	747	315	354	-	64.8	18.0	-
Key metrics									
Revenue growth (%)	0.3	5.9	22.8	2.8	17.7	-			
Gross margin (%)	46.8	47.9	51.7	48.4	47.2	-			
EBIT margin (%)	36.4	37.3	41.7	35.5	33.7	-			
Net profit margin (%)	31.1	23.7	34.5	38.0	17.6	-			

Source: Company data, RHB

Figure 3: China's BHK market price, 2023 to Apr 2025 (USD/tonne)



Source: Bloomberg, RHB

Figure 4: Peer comparison

Company	Ticker	Mkt cap (USDm)	P/E (x)		P/BV (x)		Div yield (%)		ROE (%)	
			2025F	2026F	2025F	2026F	2025F	2026F	2025F	2026F
Integrated										
UPM-Kymmene Oyj	UPM FH	14,911	14.7	10.6	1.2	1.2	5.9	6.3	8.0	11.4
Suzano	SUZB3 BZ	12,004	5.2	6.3	1.5	1.3	3.8	3.5	33.2	23.6
Klabin	KLBN11 BZ	4,362	13.3	9.9	2.6	2.1	5.8	6.1	29.6	28.3
Empresas CMPC	CMPC CI	3,978	9.4	8.4	0.5	0.5	3.4	4.3	5.6	7.3
Indah Kiat Pulp & Paper	INKP IJ	1,918	4.6	4.0	0.3	0.3	0.8	0.8	3.5	3.7
Weighted average			**10.4**	**8.5**	**1.4**	**1.3**				
Non-Integrated										
Smurfit WestRock	SW US	24,002	15.2	12.4	1.3	1.3	3.8	3.8	8.4	10.0
International Paper Co	IP US	25,339	21.0	14.2	1.4	1.4	3.9	3.9	6.8	8.9
Stora Enso Oyj	STERV FH	8,280	18.2	11.7	0.7	0.7	3.0	4.1	3.4	5.8
Graphic Packaging Holding Co	GPK US	7,016	11.1	9.5	2.1	1.8	1.9	2.0	19.6	21.1
Oji Holdings Corp	3861 JT	4,539	10.4	9.0	0.6	0.5	3.7	3.7	5.5	6.1
Metsa Board Oyj	METSA FH	1,486	27.0	14.9	1.1	1.1	3.5	-	3.4	7.2
Nine Dragons Paper Holdings	2689 HK	1,840	10.5	6.8	0.3	0.3	1.0	1.9	2.6	4.0
Pabrik Kertas Tjiwi Kimia	TKIM IJ	1,082	3.4	4.7	0.4	0.3	0.5	0.5	11.6	7.6
Nippon Paper Industries Co	3863 JT	830	34.6	7.3	0.3	0.2	1.0	1.4	0.8	3.4
Weighted average			**17.0**	**12.2**	**1.3**	**1.2**				
Global weighted average			**13.7**	**10.1**	**1.3**	**1.2**				

Source: Bloomberg, RHB

Recommendation Chart

Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-01-20	Buy	8,475	5,950
2024-05-27	Not Rated	na	8,425

Source: RHB, Bloomberg

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Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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Take Profit:	Target price has been attained. Look to accumulate at lower levels
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