

# PT Panca Mitra Multiperdana

## Securing Future Growth Opportunities



16 October 2020

PT Panca Mitra Multiperdana (PMMP) processes high-quality shrimps, which mainly consist of two species of shrimps (black tiger and vannamei). PMMP has three kinds of product-lines: raw, cooked, and value-added shrimps products. The company was established in 2004, providing frozen shrimp from Indonesia, exporting them to major markets like the US, Japan, and Europe. PMMP is headquartered in Surabaya and has 7 processing plants, 5 of them located in Situbondo, East Java, and 2 plants located in Tarakan, North Borneo. Looking at the huge market potential in the value-added shrimp industry, PMMP is expanding its manufacturing output capacity to seize the opportunities. The company is targeting IDR 306–382bn IPO proceed, in which 70% of the proceed will be used for purchasing new facilities, while the rest will be used for working capital.

**Growth potential in global shrimp industry.** The global shrimp market size reached a volume of 5.1mn tons in 2019 with a CAGR of 10% in 2017-2019. Going forward, IMARC group forecast the global shrimp market to reach 7.3mn tons in 2025 with a 6.1% CAGR in FY20-25F, driven by growing household income and rising recognition value of shrimp on its health benefits. Lately, the US's (the biggest country for world's shrimp consumption) tariff on Chinese good provides opportunities to other shrimp exporting countries such as Indonesia, Vietnam, and Thailand. In addition, India as the biggest shrimp exporters has been pending its shrimp export subsidy (Merchandise Exports from India Scheme) since Jan-20, which creates opportunities for Indonesia to grab more market share in the US market.

**Seizing the opportunity from rising value-added shrimp consumptions.** Looking at the opportunity from the rising trend of value-added shrimp, while considering tight competition with India on raw shrimp products, PMMP has been trying to increase the contribution of its value-added products to its total sales. As of 1H20, the company recorded value-added shrimp contribution at 15.9%. Going forward, we forecast the company to achieve 30.9% of revenue contribution from value-added products in FY22F. To support its plan, PMMP will expand its plant capacity by building TMM 1A and PMMP 3 plants which focus on the value-added product. TMM 1A plant began construction in 2H20 and is expected to start operation in 1H21, while PMMP 3 plant will be constructed in 1Q21 and schedule to operate in 1Q22. Thus, PMMP's total production capacity will increase to 33.4 kt/year (vs. 25.1 kt/year in 2020). To note, 5 out of 7 PMMP's plants are operated at Situbondo, which is the region with the lowest labor wage in Java; hence, it provides a competitive advantage to PMMP in terms of labor cost.

**Top-line growth paired with improvement on margin.** Going forward, we forecast PMMP's revenue and sales volume to reach USD 203.2mn and 23.5kt in FY22F with 12.5% and 14.9% CAGR in FY19-22F, respectively. Meanwhile, the GPM increases from 20.6% in FY19 to 21.2% in FY22F as the revenue and sales volume contribution of value-added product rise from 11.7% and 13.5% in FY19 to 30.9% and 34.9% in FY22F, respectively. Moreover, one of the main company's strategies is to improve its inventory turnover which would ease company's working capital needs, thus resulting in debt reduction. Based on our estimate, we forecast the company to lower its inventory days from 470 days in FY19 to 377 days in FY22F, while DER declines from 3.56 in FY19 to 1.21 in FY22F. Hence, the company's NPM will improve from 4% in FY19 to 7.2% in FY22F. In-line, ROE should rise from 12.5% in FY19 to 14.0% in FY22F.

### Richardson Raymond

Deputy Head of Research

+62 21 392 5550 ext. 159

[richardson.raymond@sinarmassekuritas.co.id](mailto:richardson.raymond@sinarmassekuritas.co.id)

### Andrianto Saputra

Equity Analyst

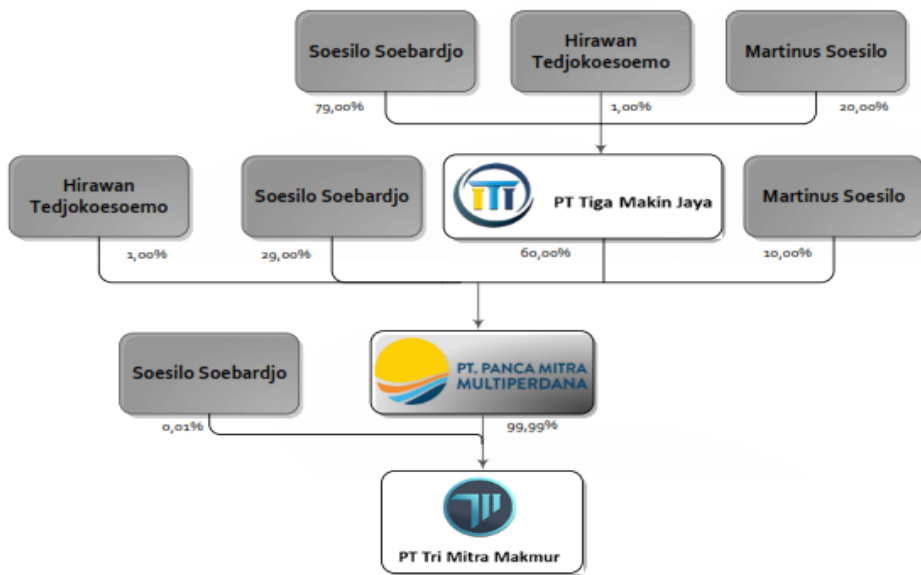
+62 21 392 5550 ext. 159

[andrianto.saputra@sinarmassekuritas.co.id](mailto:andrianto.saputra@sinarmassekuritas.co.id)

## Company Background

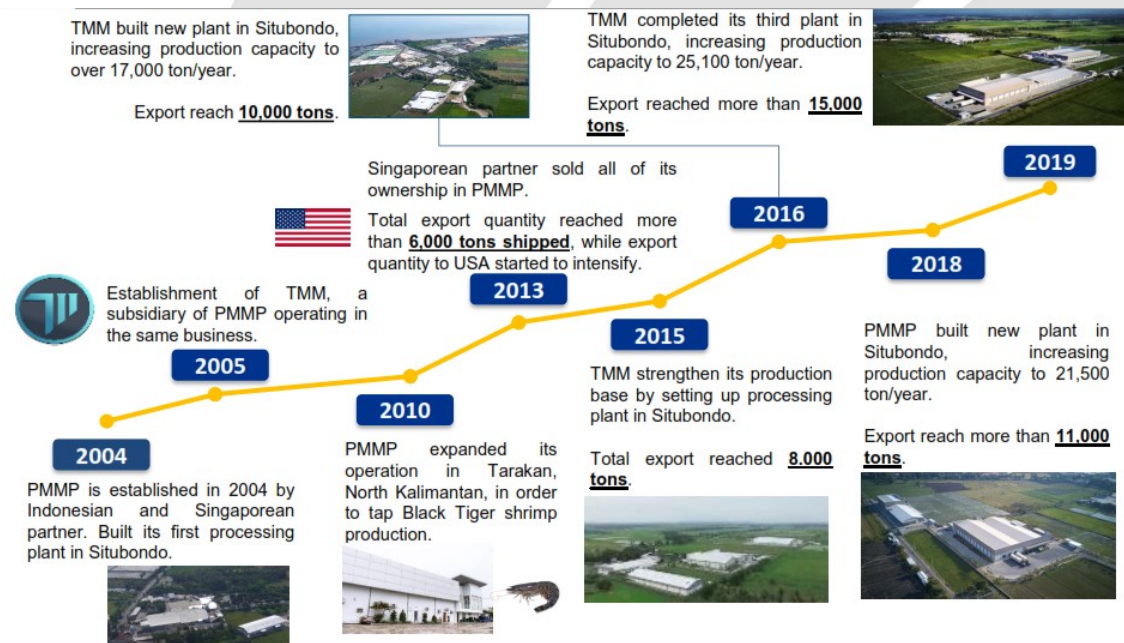
**The company's brief summary.** PT Panca Mitra Multiperdana (PMMP) is a leading shrimp exporter in Indonesia (2<sup>nd</sup> rank based on total volume exported in 2019). The company was established in 2004, providing frozen shrimp products from Indonesia and exporting them to its major market (US and Japan). PMMP processed Black Tiger and Vannamei shrimp species, which then processed further to produce raw, cooked, and value-added shrimp products. PMMP is headquartered in Surabaya and Situbondo and has 7 strategically-located processing plants, where 5 plants are located in Situbondo, East Java, and 2 plants located in Tarakan alongside our subsidiary Tri Mitra Makmur (TMM). PMMP has attained the highest standard in food safety and good manufacturing process, as the company has the largest number in output volume of Best Aquaculture Practises (BAP) 4-star certified shrimps plants among Indonesian exporters.

### PT Panca Mitra Multiperdana ownership structure



Source: Company data

### Historic milestones

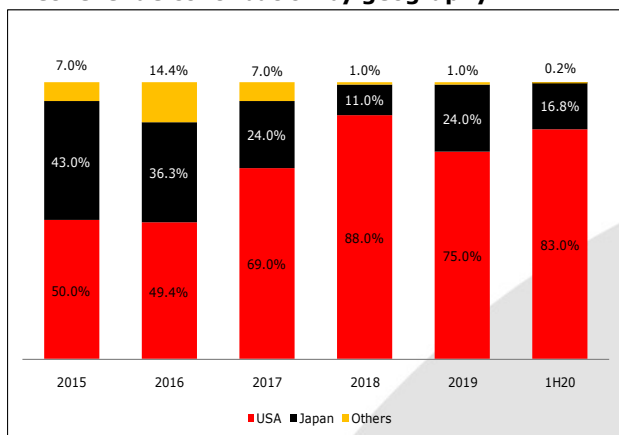


Source: Company data

**Revenue contribution overview.** PT Panca Mitra Multiperdana exports about 98% of its products to the US and Japan market, dominated by giant retail companies such as Walmart, Blue Sea, Certifresh, and CP Food in the US market, while for Japan market there were Maruha Nichiro & Marubeni. The sales contribution from the US and Japan reaches up to 83% and 16.8%, respectively in 1H20. In terms of the customer portfolio, around 90% of PMMP's customer was a retailer company and the rest 10% is food services, restaurants, and others.

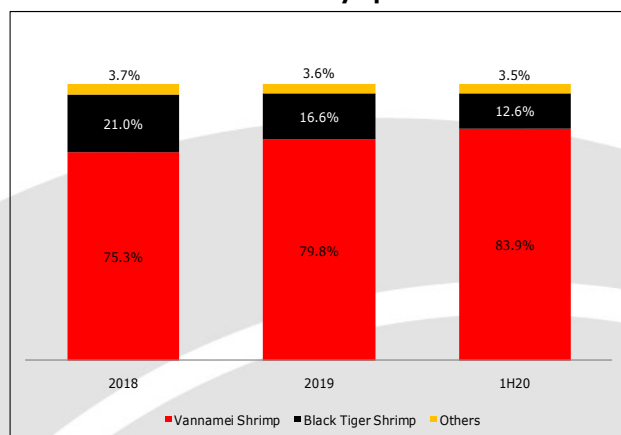
PMMP source its raw-unprocessed shrimp from two species which are the vannamei and black tiger shrimp. Vannamei shrimp is the primary contributor to the company's sales, accounting for 83.9% of total sales, while black tiger shrimp contributing about 12.6% of total sales in 1H20. Each species is divided into a raw, cooked, and value-added product. As of current, the cooked product is the biggest contributor to the company's revenue stream, accounting for 47.4% to the PMMP's total revenue in 1H20.

**Net revenue contribution by geography**



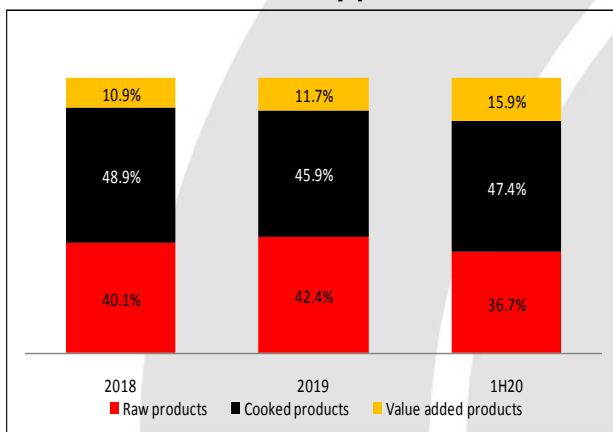
Source: Company data, Sinarmas Investment Research

**Net revenue contribution by species**



Source: Company data, Sinarmas Investment Research

**Net revenue contribution by product**



Source: Company data, Sinarmas Investment Research



## Types of Products

PMMP source its raw-unprocessed shrimp from two species which are the Vannamei and Black Tiger shrimp. The raw shrimp then processed to products the form of raw, cooked, and value-added products. Raw and value-added products are the uncooked shrimp that has been processed and packaged to suit customer's orders.

**Raw shrimps.** Raw products are the simplest product form that PMMP produces. The company sells it in a form of block frozen and individually quick freezing (IQF), where consumers buy and cook according to their own preference. PMMP produces 2 types of raw shrimps which are vannamei and black tiger shrimp. As of current, 36.7% of the company's revenue stream came from raw products in 1H20.

### Raw vannamei products



Peeled Deveined Tail On



Vannamei Headless Shell On



Easy Peeled

### Raw black tiger products



Headless



Peeled Deveined Tail On



Peeled Deveined

Source: Company data

**Cooked shrimps.** Cooked shrimp is one of PMMP's leading products, contributing to 47.4% of the company's total revenue in 1H20. The Cooked Products come in different variations including Cooked Easy Peeled, Cooked Peeled and Deveined.

### Cooked shrimp products



Cooked Peeled Deveined Tail On



Cooked Easy Peeled



Cooked Peeled and Deveined

Source: Company data

**Value-added products.** PMMP provides several value-added products such as Breaded (Ebi Furai), Sushi Ebi, Nobashi, and Cooked Shrimp Ring. The breaded products are hand-made with premium imported ingredients that are customizable by weight, length, and color of bread. The breaded product is also available in both Black Tiger and Vannamei. Sushi Ebi is steam cooked organically and chemical-free, often exported to sushi chains in Japan to be made into Nigiri and maki sushis. Nobashi and Skewers are fully customizable by their weight, length and piercing style. The Nobashi shrimp are raw peeled and stretched shrimps, usually processed further into tempura, breaded, or others before consumption.

### Value added shrimp products



Sushi Ebi



Breaded



Nobashi





























Cooked Shrimp Ring

Source: Company data

## Business Operations

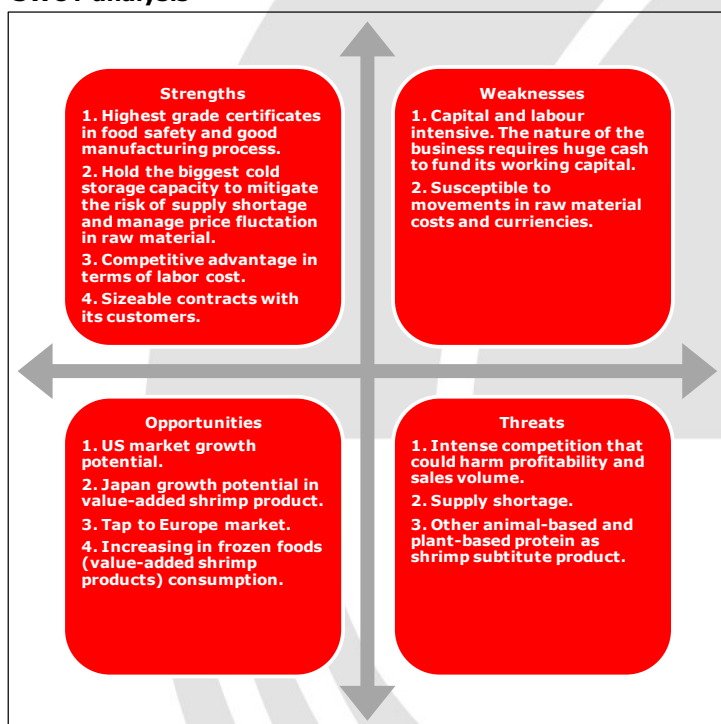
**Production facilities.** PT Panca Mitra Multiperdana has a total of 7 processing plants, 5 is located in Situbondo, East Java, and 2 in Tarakan, North Borneo. The production capacity reaches up to 25.1 kt per year, while company also has a total of 26 cold storages with an estimated capacity of 46 kt in total. In 1H20, company's total utilization rate stands at ~95%. The majority of the processing plants are used to process products that will be exported to US and Japan markets. To note, there are 2 plants in Situbondo that process the products exclusively for US and Japan exports under TMM, which is specialized in cooked and value-added product plants.

### Production facilities in 2020

Location	Situbondo					Tarakan	
Plant	PMMP 1	PMMP 2	TMM 1	TMM 2	TMM 3	PMMP	TMM
Production Capacity (Ton)	5,000	6,500	1,800	4,500	3,500	1,900	1,900
Cold Storage Capacity (Ton)	10,500	10,000	500	16,000	8,000	500	500
Goods Produced	 Raw  Cooked  Nobashi  Sushi Ebi	 Raw  Cooked	 Breaded  Raw Tempura	 Raw  Cooked	 Breaded  Cooked Shrimp Ring	 Raw	 Raw
Export Segmentation	 	 		 		 	 

Source: Company data

### SWOT analysis



Source: Sinarmas Investment Research



## Management Profiles

### Board of Commissioners



**Soesilo Soebardjo**  
**Commissioner since 2013**

37 Years of Experience

- 1980-1983: Head of human resources at PT Pelayaran Meratus
- 1984-1988: Plant manager at PT Laut Tambak Subur
- 1985-2004: Senior VP at PT Suri Tani Pemuka
- 2004-2013: Executive Officer at PT Panca Mitra Multiperdana
- 2013-now : President commissioner at PT Panca Mitra Multiperdana



**Suwarli**  
**Commissioner since 2020**

37 Years of Experience

- 1983-2016: Internal Audit Manager at PT Japfa Comfeed Indonesia
- 2020-now : Independent commissioner at PT Panca Mitra Multiperdana

### Board of Directors



**Martinus Soesilo**  
**Director since 2013**

14 Years of Experience

- 2006-2009: Relationship Manager at HSBC
- 2009-2013: General Manager at PT Panca Mitra Multiperdana
- 2013-now : CEO at PT Panca Mitra Multiperdana



**Hirawan Tedjokoesoemo**  
**Director since 2018**

21 Years of Experience

- 1982-1988: Manager at PT Adisatex
- 1988-1996: Manager at PT Nandi Amerta Agung
- 1990-1997: Director at PT Double Eight International
- 1997-2004: Manager at PT Suri Tani Pemuka
- 2004-now : Director at PT Panca Mitra Multiperdana



**Alin Rostanti**  
**Director since 2020**

22 Years of Experience

- 1998-2005: Staff Accounting at PT Panca Mitra Multiperdana
- 2005-2016: Accounting Manager at PT Panca Mitra Multiperdana
- 2016-2020: Head of Finance & Accounting at PT Panca Mitra Multiperdana
- 2020-now: Director at PT Panca Mitra Multiperdana



**Patrick Djuanda**  
**Director since 2020**

8 Years of Experience

- 2012-2013: Marketing at PT Qeun Interactive
- 2014-2018: Marketing Manager at PT Panca Mitra Multiperdana
- 2020-now: Director at PT Panca Mitra Multiperdana



**Suyud Kusrinto**  
**Director since 2020**

32 Years of Experience

- 1988-1990: Head of operation at PT Suri Tani Pemuka
- 1998-2002: Plant Manager at PT Panca Mitra Multiperdana
- 2005-2020: General Manager at PT Panca Mitra Multiperdana
- 2020-now : Director at PT Panca Mitra Multiperdana

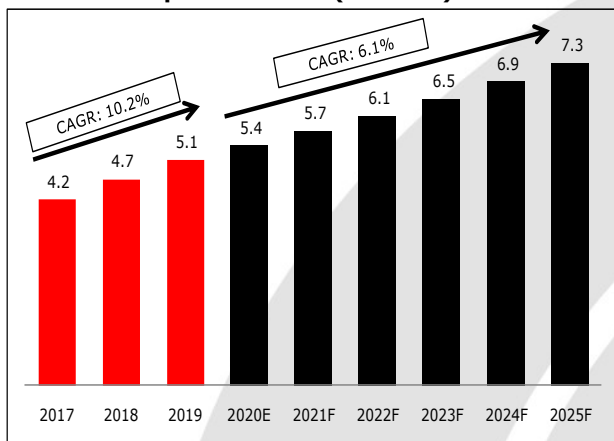
Source: Company data

## Industry Overview

**The global shrimp market.** According to IMARC Group research, the global shrimp market size reached a volume of 5.1mn tons in 2019, posted CAGR of 10% in 2017-2019. The recent growth in shrimp consumption is driven by growing household income and an increase in health awareness. Speaking of the market trend, frozen shrimp products have gained immense popularity among consumers, this can be accredited to their easy availability, longer shelf-life, and lower prices in comparison with fresh shrimp. IMARC Group forecasts global shrimp market size will reach 7.3mn tons of volume in 2025F, growing at 6.1% CAGR in FY20-FY25F.

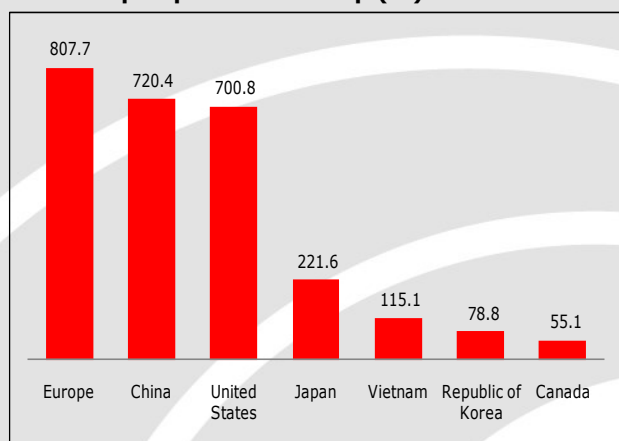
As of 2019, data from National Oceanic and Atmospheric Administration (NOAA) showed that Europe is the biggest importer of shrimp with a volume of 808 kt, then followed consecutively by China (720 kt), the US (700 kt), and Japan (222 kt), these major importers added up to a total volume of 2.4mn tons. While on the supply side, India has the biggest farmed shrimp production in the world, then followed by China, Ecuador, Vietnam, and Indonesia. They all became the top exporters of shrimp with a total volume of 2.0mn tons of shrimp in 2019. To note, the governments on these top exporter countries have an important role as they encouraging shrimp production by offering fiscal reliefs and incentives to farmers.

**Global shrimp market size (mn tons)**



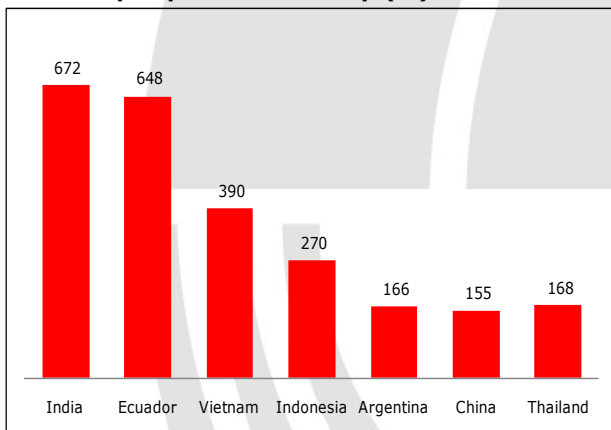
Source: IMARC Group, Sinarmas Investment Research

**World top importer of shrimp (kt) in 2019**



Source: NOAA, Sinarmas Investment Research

**World top exporters of shrimp (kt) in 2019**



Source: NOAA, Sinarmas Investment Research



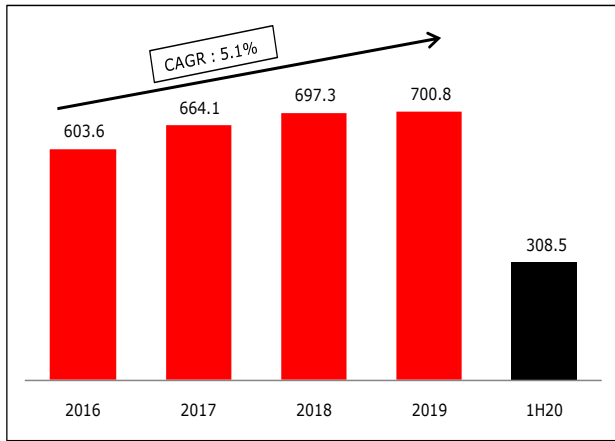
**Standardization of shrimp product.** To be able to globally export shrimp products, standardized food safety and good manufacturing process are required; and only a few companies have acquired this standardized creditability and global certification. These certifications can be an advantage to the company that accomplishes to meet the standards, considering the high requirements for global exports. For instance, the Europe market requires certification either from Aquaculture Stewardship Council (ASC), GLOBAL G.A.P, or British Retail Consortium (BRC).

**Growing US shrimp consumption.** According to Urner Barry Research, the US market demand for shrimp has been increasing over the past few years. As of 2018, US shrimp consumption per capita stood at 2.1 kg, growing at a CAGR of 4.8% in 2015-2018. To note, shrimps represent one of the most consumed seafood in the US, accounting for around 25%-30% of the entire seafood market in the country. One of the main drivers supporting US shrimp consumption is the rising recognition value of shrimp, which one of them is its numerous health benefits. Moreover, the US market also experiencing an increase in consumer demand for value-added and convenient shrimp products. Looking up to data from NFI (National Fisheries Institute of America), the amount of shrimp sold at retail has increased +50%, from 275mn pounds in 2014 to 415mn pounds in 2019. Meanwhile, the number of households buying shrimp increased from 44.2% in 2014 to 48.6% in 2019. Going forward, IMARC group estimated the US shrimp consumption will continue to grow with a CAGR of 2.3% in FY19-24F.

**US' shrimp export-import overview.** In 2019, US reported 700.8kt of total shrimp import (+0.5% YoY) with India as the top exporter. India's market share has increased by 482bps to 40.5% in FY19, which resulted from the effect of China tariffs, paired with subsidy support from India's government that have benefitted India's shrimp exporters. This situation also affected on China's total breaded shrimp export to US market that dropped to 18.9 kt (-39% YoY), while other countries were benefitted from the situation with Indonesia's total breaded shrimp export increased to 7.5 kt (+100.4% YoY), followed by Vietnam (+48.5% YoY) and Thailand (+36.2% YoY).

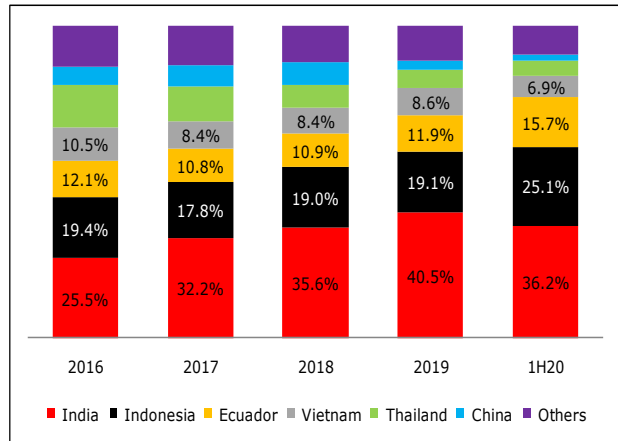
As of 1H20, India booked 111.5 kt of total shrimp export (-3.6% YoY), while the market share decreased to 36.2% (-431bps YTD), mainly due to the supply chain disruptions amid covid-19 outbreaks as well as India's government postponement of its shrimp export subsidy (Merchandise Exports from India Scheme) starting in Jan-20. On the breaded shrimp category, Indonesia recorded breaded shrimp export at 8.6 kt (+281.5% YoY) with 32.9%(+18.2% YTD) of market share. The increase in breaded shrimp demand is driven by shifting demand from raw shrimp to breaded shrimp amid covid-19 outbreaks as consumers prefer to cook-at-home, while hotels and restaurants were prohibited to operate.

### US's total shrimp import (kt)



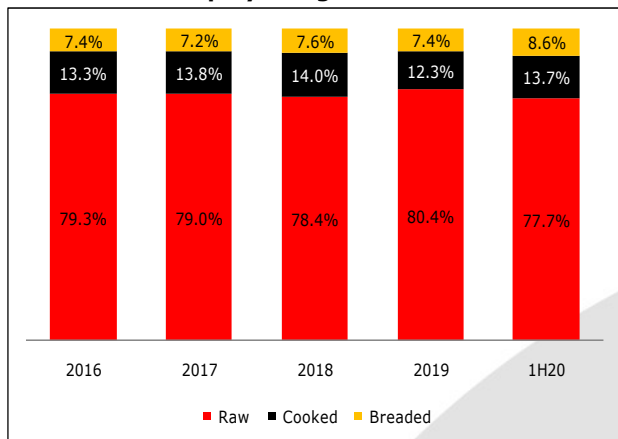
Source: Urner Barry, Sinarmas Investment Research

### US's top shrimp exporter by countries



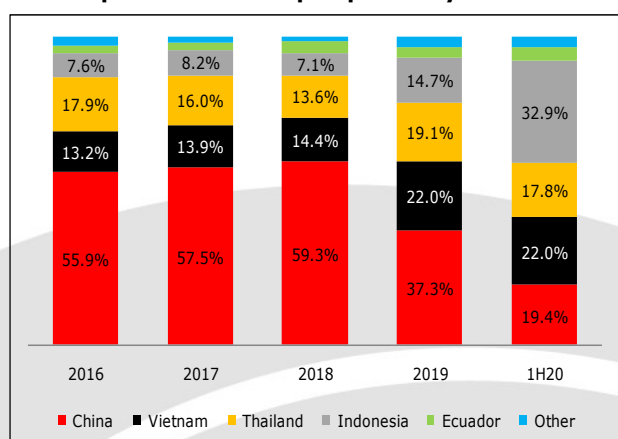
Source: Urner Barry, Sinarmas Investment Research

### US's total shrimp by categories



Source: Urner Barry, Sinarmas Investment Research

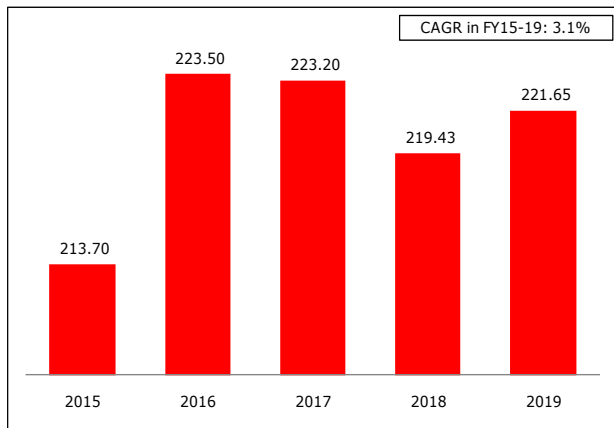
### US's top breaded shrimp exporter by countries



Source: Urner Barry, Sinarmas Investment Research

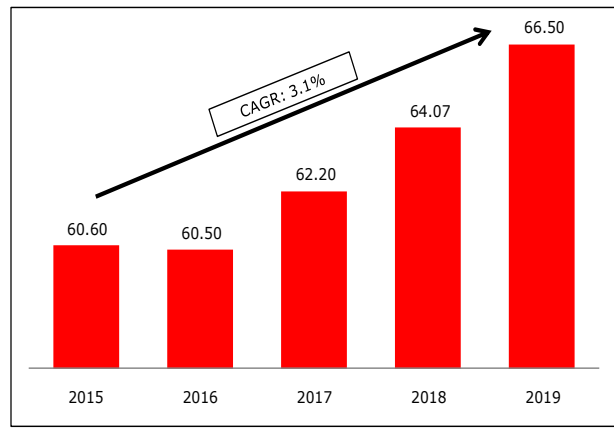
**Japan shifting demand toward value-added shrimp product.** Japan has one of the highest global per capita levels of fish and seafood consumption as it has traditionally played a key role in diets and as the major protein source. According to the Food and Agriculture Organization of the United Nations (FAO), Japan's import market demand for shrimp was at 221.6k tons of shrimps in 2019, showing a flat growth in the past four years. Though import demand remained flat in the last four years, we observe shifting consumer behavior toward value-added products which has been increasing since 2016. As of 2019, value-added shrimp import increased to 66.5k tons with CAGR of 3.1% in 2017-2019. The growing trend for convenient products such as ready-to-eat meals/semi-processed products will continue to drive value-added shrimp demand in Japan market, driven by an increased number of small and single-person households, and increased working class in Japan who prefers convenience and practicality. As a result, IMARC Group expects the frozen seafood market to grow at a CAGR of 2.5% in FY19-24F. On the other note, Japan's shrimp exporters were dominated by Vietnam, Thailand, India, and Indonesia, with 25%/17%/16%/15% of market share, respectively.

### Japan total import of shrimps (kt)



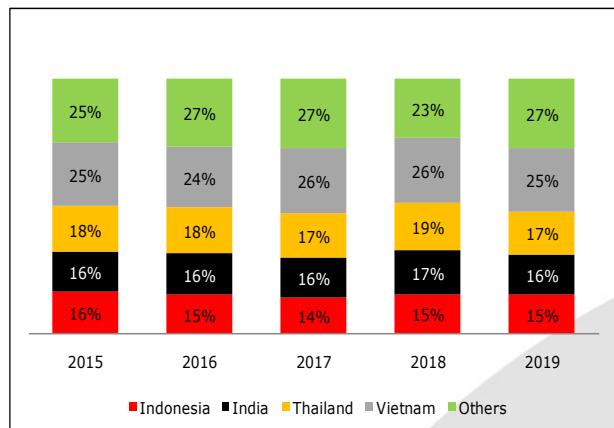
Source: FAO, Sinarmas Investment Research

### Japan's value-added shrimp import (kt)



Source: FAO, International Trade Center, Sinarmas Investment Research

### Japan's shrimp exporter by countries

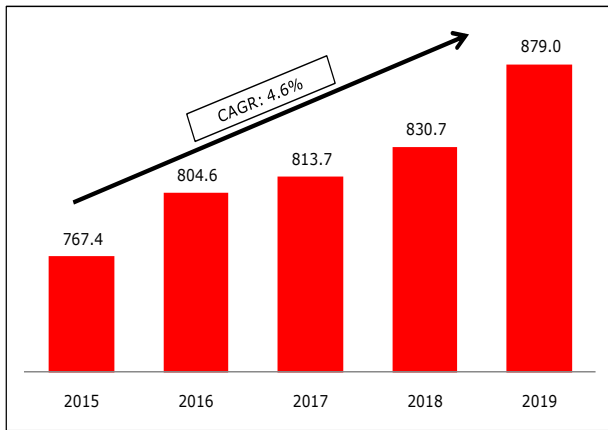


Source: FAO, ITC, Sinarmas Investment Research

### Overview of the European market: the largest shrimp importer.

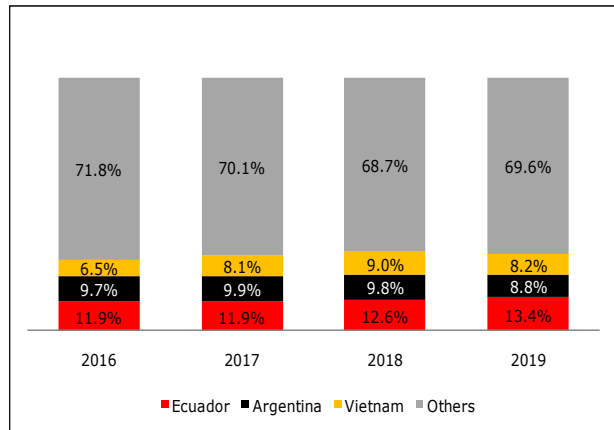
Based on EUMOFA (European Market Observatory for Fisheries and Aquaculture), the consumption of fish and seafood in Europe was 24.35kg per capita in 2017. While shrimp was the top 5<sup>th</sup> most consumed type of seafood. In addition, to fulfill the internal demand consumption, Europe needs to import 60% of the total supply in 2017 as shrimp was the top 6<sup>th</sup> imported product. As of 2019, Europe booked 879 kt of total shrimp import (+2.1% YoY), with Ecuador and Vietnam are the top two shrimp exporter to the EU, with a market share of 13.4% and 9.9% respectively. Going forward, IMARC group estimated the shrimp demand to reach a volume of 918 kt in 2024F, posting a CAGR of 1.1% in FY19-24F, driven by the growing middle class and rising awareness of the shrimp's health benefit.

### Europe total import of shrimps (kt)



Source: FAO, Sinarmas Investment Research

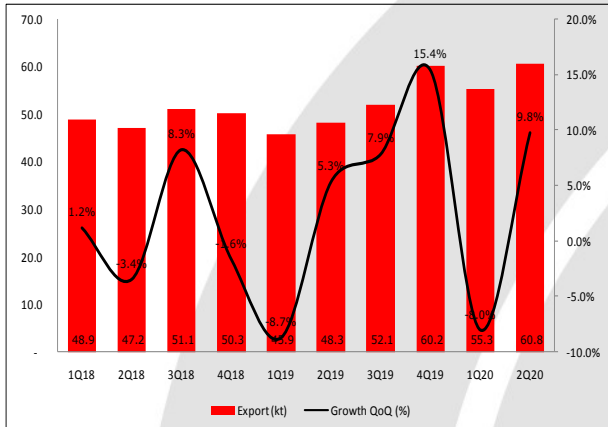
### Europe total import of shrimps by countries



Source: FAO, Sinarmas Investment Research

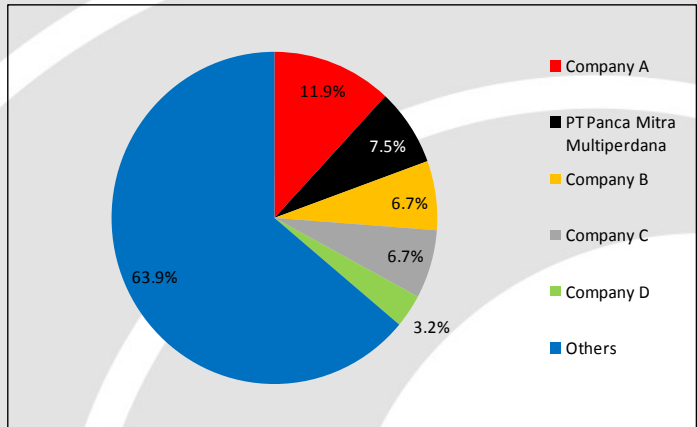
**Growing Indonesia's shrimp export.** In 2019, Indonesia's shrimp production was recorded at 1.05mn tons (+18.4% YoY), while export posted at 207.7 kt (+5.2% YoY). To note, the top 5 shrimp exporters in Indonesia only contributed to 36.1% of the total shrimp export in 2019. As of 1H20, Indonesia booked 116 kt of shrimp export (+23.2% YoY), driven by rising demand on long shelf-life products (frozen foods and canned foods). To capture this opportunity, the President of Indonesia aims to simplify the investment regulation in the aquaculture industry, paired with infrastructure development (harbor, aquaculture, etc.) to support both shrimp production and export. Going forward, the government has set the target for shrimp production and export to reach 1.52mn tons and 519 kt in 2024F, growing at a CAGR of 9.6% and 25.7% in FY19-24F, respectively.

### Indonesia's total shrimp export



Source: Ministry of Aquaculture, Sinarmas Investment Research

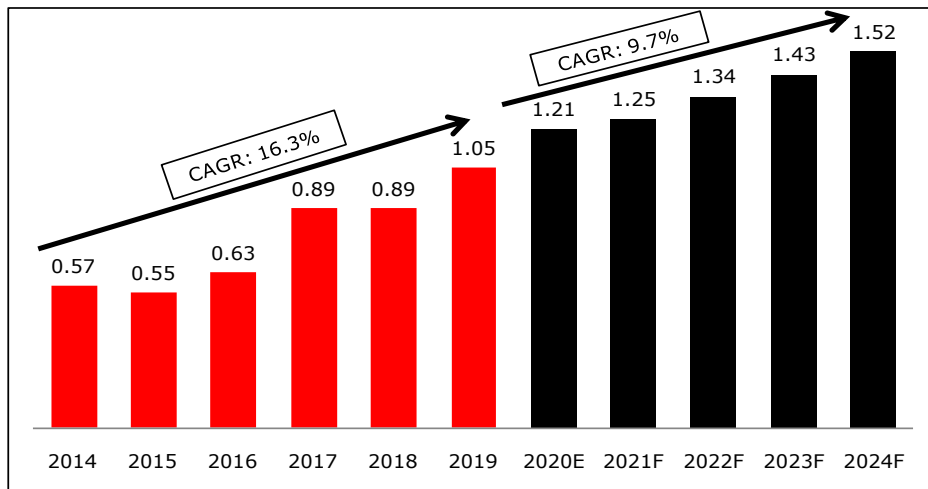
### Top 5 Indonesia exporter of shrimps in 2019



Source: Ministry of Aquaculture, Company Data, Sinarmas Investment Research



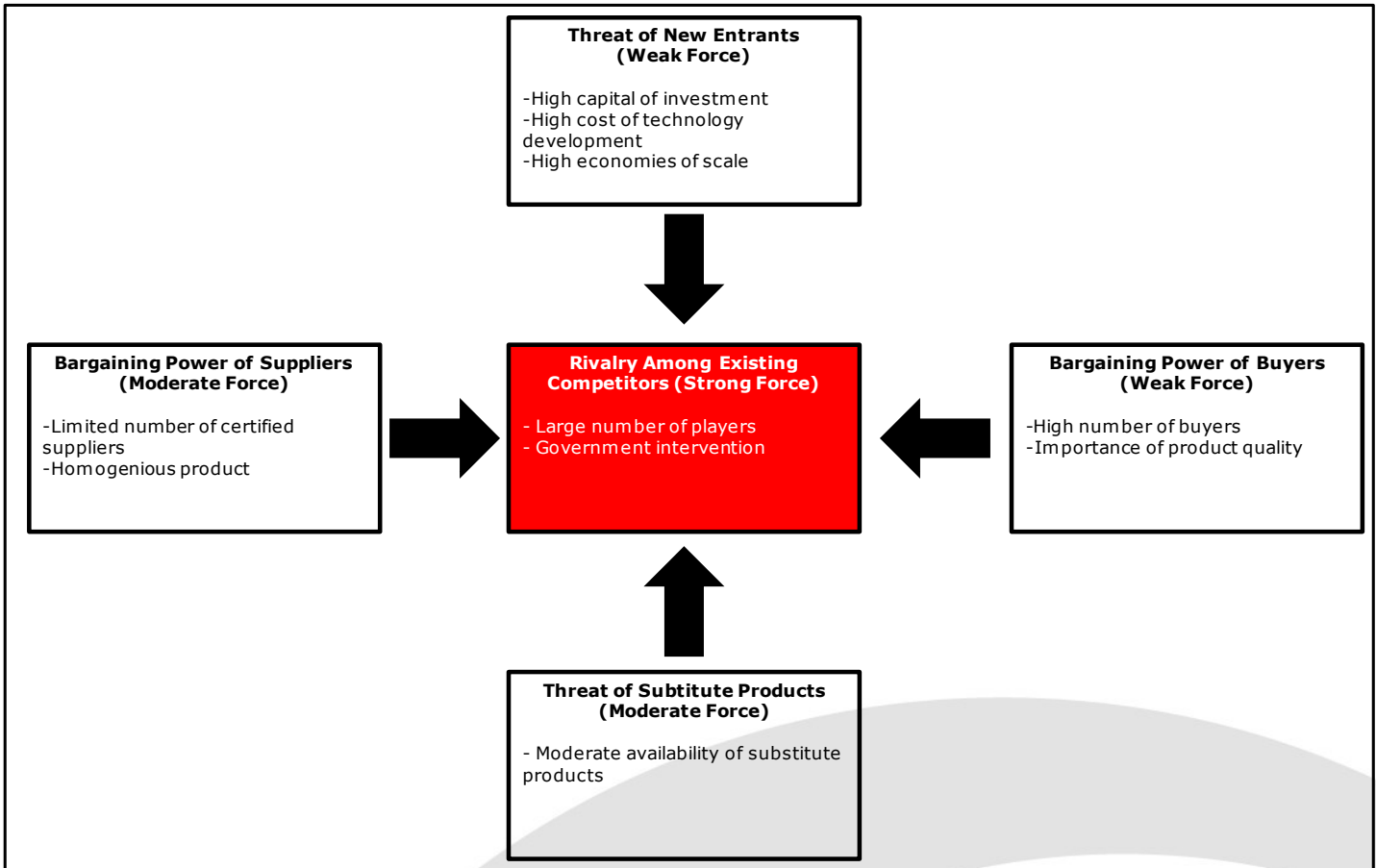
### Indonesia's shrimp production (mn tons)



Source: Ministry of Aquaculture, Sinarmas Investment Research

**Opportunity post-Covid-19.** During Covid-19 outbreaks, we are seeing a shift in demand for shrimp products, changing from raw products to value-added products. The reasons behind this trend are 1) hotels and restaurants are prohibited to operate, and 2) consumers aggressively do pantry stocking. During the recovery phase, there is a chance of the demand in the shrimp industry may be normalized as some demand for value-added shrimps might coming back to raw shrimps. However, we are of the view that consumers' preference for cooking-at-home will be sticky, which provides demand for value-added shrimp products.

## Porter's 5 Forces Analysis



Source: Sinarmas Investment Research

**Rivalry among existing competitors.** While Indonesia mainly exports shrimp to the U.S. and Japan, Indonesia is still behind India, Ecuador, and Vietnam in terms of the size of shrimp exports. Despite the similar labor cost between India and Indonesia, India's shrimp price (raw) remains to be the most competitive due to its government subsidy that focuses to boost shrimp production. However, the US government has been applying tariff on Indian shrimp to offset India's subsidy on its exporters.

**Threat of new entrants.** The investment cost in the food processing industry is relatively high, given its high price on the technology for its facilities and machine. In addition, knowledge and expertise become one of the key factors to tap into this market. Moreover, to be able to globally export shrimp products, standardized food safety and good manufacturing process are required; and only a few companies have acquired this standardized creditability and global certification. Therefore, there is a high barrier to entry in the industry.

**Threat of substitute products.** Plant-based protein such as soybean should become a threat for animal-based protein, mainly because it is more affordable. However, we see that shrimp products are considered a relatively cheaper type of animal-based protein, especially among fish and seafood. Moreover, consumers might also diversify into other animal-based protein.

**Bargaining power of buyers.** Due to a huge demand for shrimps in this industry, buyers have less bargaining power. In addition, the importance of product quality matters to meet the standards; thus, buyers are not price-sensitive and willing to pay a premium to get this product quality.

**Bargaining power of suppliers.** In order to achieve the desired product quality, the company often has to rely on certain suppliers that meet the particular product specification. In Indonesia, we see that only a few sizeable suppliers that could provide a certain quality of products, as well as there are only a few buyers that could absorb sizeable suppliers' products. As a result, we see the strong mutualism between buyers and suppliers that makes the bargaining power of suppliers become moderate.

**US market as the growth engine.** As PT Panca Mitra Multiperdana's main target market, the US market carries a promising demand growth potential for the shrimp industry. The rising recognition value of shrimp given its health benefits has been accelerating shrimp consumption from 1.8kg to 2.1kg per capita in 2015-2018. Going forward, IMARC Group forecasts that US shrimp industry will continue to expand by a CAGR of 2.3% in FY19-24F. In addition, we see the pending of MEIS (Merchandise Exports from India Scheme) from India's government may reduce India's shrimp export competitiveness, allowing Indonesian players to grab more market share. As a result, we believe that PMMP, with its high quality products and export expertise would be able to increase its US exposure.

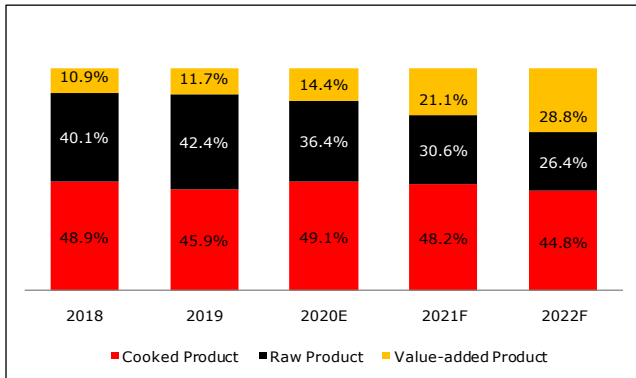
**Growing value-added shrimp demand.** Given a growing value-added shrimp demand in US and Japan, accelerated by Covid-19 outbreaks, we see a growing market for PMMP to expand their presence in these markets, given that their value-added product has achieved international-standard quality product since 2017. Hence, PMMP could seize this market as the company could fulfill this requirement. To note, in 2019, PMMP held 8kt of shrimp sales contracts from big buyers including top supermarket chain in the US and Japan (CP Foods—Walmart, Eastern Fish, Maruha, and Blue Sea), which accounted to 51.7% of PMMP's total sales, that supports its value-added product distribution

**Highest grade certification in aquaculture.** PMMP attained the highest standard in food safety and a good manufacturing process for the benefit of end consumers. As of 2019, PMMP has the largest number in input and output volume of Best Aquaculture practices (BAP) 4-star certified shrimps plants among Indonesian exporters. These standardization and quality assurance support PMMP to tap into the US, Japan, and Europe market. To note, PMMP aims to increase presence in the Europe market as PMMP holds ASC CoC and BRC certifications.

**Margin expansion due to higher contribution from value-added product.** Based on our industry analysis, we see that the rising demand in value-added shrimp products may boost PMMP's sales. PMMP has seen competition in plain-vanilla products (raw shrimps) mainly coming from India, due to their massive farm producing activities and government's subsidy. Rising competition paired with smaller margin forces company to shift their strategy toward value-added products. In addition, rising US-China tension provides opportunities for the company to seize US market especially toward value-added product market. To note, GPM on the raw shrimp products is at a range of 15%-20%, cooked products at 20%-25%, while value-added products at 25%-30%. The benefit of this strategy could already be seen on their margin expansion in FY19 where the company booked higher GPM at 21% (+260bps YoY) as contribution of cooked/value-added product rose to 42.4% (+230bps YTD)/11.7%(+80bps YTD). Going forward, as the company will continue to focus on these segments, we forecast margin to continue to improve.

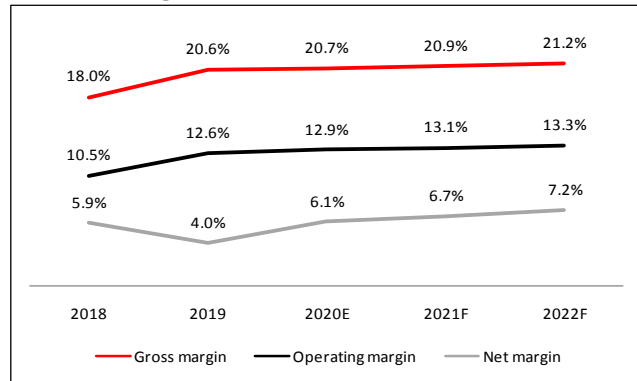


### PMMP's revenue stream



Source: Company data, Sinarmas Investment Research

### PMMP's Margin

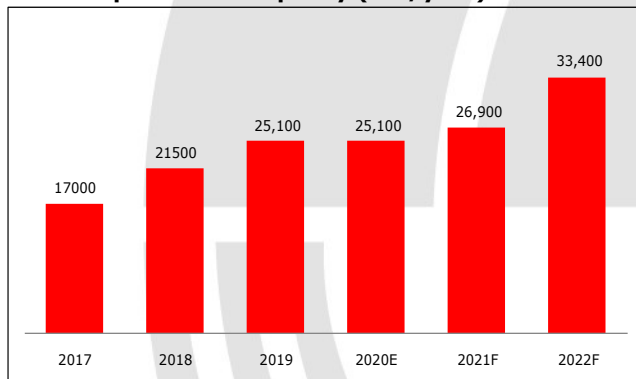


Source: Company data, Sinarmas Investment Research

**Increasing production capacity.** Given the huge market demand potential, especially for cooked and value-added products, PMMP aims to seize these opportunities by increasing its production capacity. In FY19, PMMP has completed the construction of the TMM3 plant in Situbondo, increasing its production capacity to 25.1k tons/year (+16.7% YoY). Despite higher capacity, as of 1H20, PMMP's utilization rate has already reached 94%. As a result, the company plans to purchase four additional units of equipment for PMMP 2, and establish TMM1A plant, and PMMP3 plant facilities to increase output for value-added products. TMM1A/PMMP3 plant is expected to be installed in 2H20/1H21 and is scheduled to start operation in 1H21/1Q22. This will bring company's production capacity to 33.4 kt/year (+10.0% CAGR from 2020-2022).

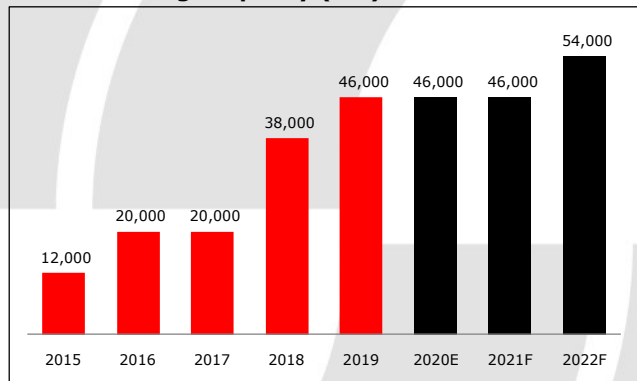
**Biggest cold storage.** One of the key risks for the shrimp processing industry is to securing raw shrimps availability. To note, the average PMMP's sales contract length is ranging from 6 months to 12 months, which is divided into multiple shipment schedule. Thus, PMMP is required to secure raw shrimp supplies to fulfill its commitment. To mitigate the risk of supply shortage, the company owns cold storage facilities with a total capacity of 46 kt as of 2020, which makes PMMP a shrimp processing company with the largest cold storage in Indonesia. In addition, PMMP plans to increase its cold storage facilities to 54 kt in 2021. With the ability to store its inventory up to 18 months, PMMP can anticipate a sudden increase in shrimp price and sales order. In all, this provides a competitive advantage for the company to deliver and fulfill market demand.

### PMMP's production capacity (ton/year)



Source: Company data, Sinarmas Investment Research

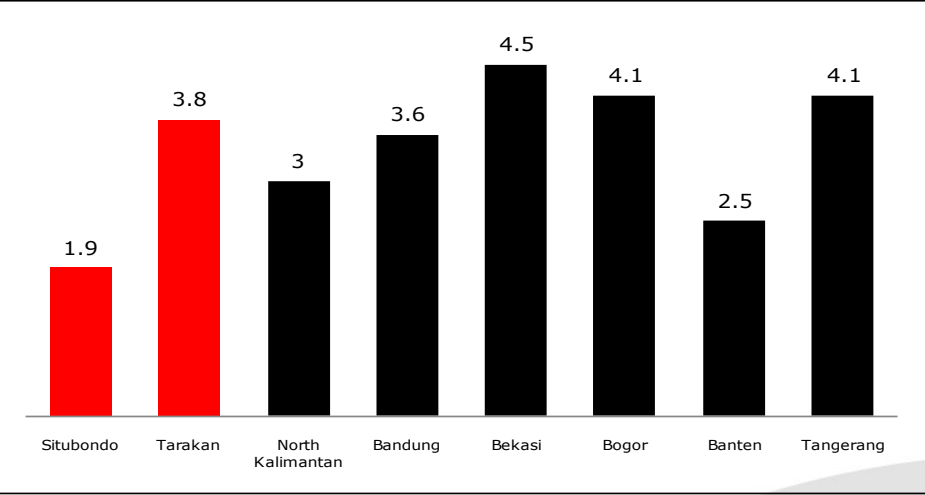
### PMMP's storage capacity (ton)



Source: Company data, Sinarmas Investment Research

**Affordable labor forces.** The shrimp processing industry is a labor-intensive industry in nature, which requires PMMP to have ~5,700 labor forces to operate. In 2019, 5 out of 7 of PMMP's plants are located in Situbondo region (East Java), which is the region with the lowest labor wage in Java. These provide PMMP with a competitive advantage in terms of labor cost, which is lower compared to other competitors that operate outside Situbondo region.

**Minimum wage in Indonesia (IDR mn/month)**



Source: BPS, Sinarmas Investment Research

## Key Risks

**Intensified competition.** An escalating competition from other major shrimp exporter countries might cause PMMP to lose market share or force the company to reduce prices to remain competitive, which could result in a decrease in company's profitability. To note, India plans to establish a processing base that might look to consolidate its growth by increasing its share of value-added export products. However, we are of the view that India might take some time to fully establish its value-added product as India still focuses on commodity product facilities, and still not ready yet for the expertise, and processing technology that meets global standards for the value-added category.

**Supply shortage.** The disease on shrimp cultivation (white spot syndrome virus (WSSV), infectious myonecrosis virus (IMNV), infectious hypodermal and hematopoietic necrosis virus (IHHNV), taura syndrome virus (TSV), and shrimp hemocyte iridescent virus (SIHV)) may cause harvest failure, resulting in limited shrimp availability. Hence, it may increase the company's COGS which could result in decreasing the profitability of the company. It is worth noting that the Indonesia government has issued guideline to ensure quality of brood stock used by farmers for cultivation. It also helps to reduce the rate of disease spread and prevent entry of diseases.

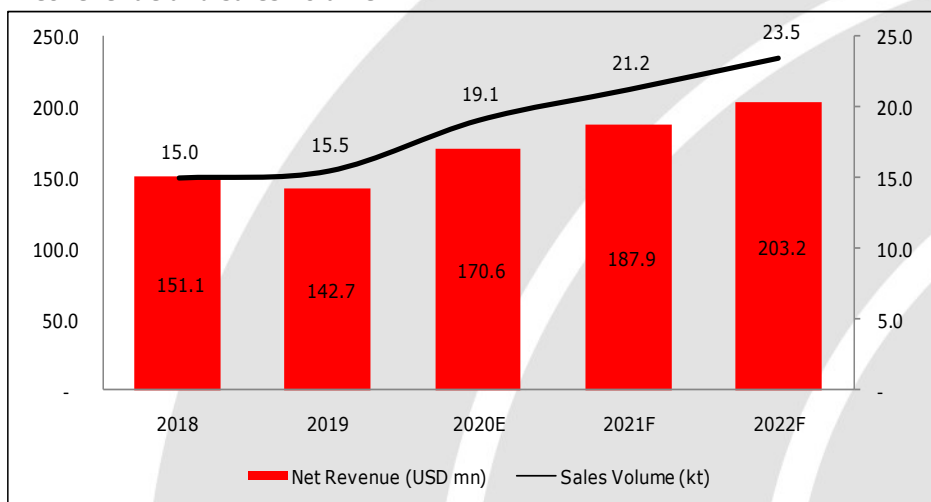
## Financial Outlook

**FY19 at a glance.** PT Panca Mitra Multiperdana booked revenue of USD 142.7mn (-5.6% YoY), mainly due to lower blended ASP (-8.6% YoY), despite slight growth in sales volume (+3.3% YoY). In terms of margin, GPM increased by 263bps to 20.6% due to a higher contribution from value-added products to total sales (11.7%, +80bps YoY). Opex to sales, on the other hand, increased by 51bps to 8.0% driven by higher GA expenses (+1.7% YoY). In all, net profit declined to USD 5.7mn (-35.8% YoY), driven by higher interest expense at USD 8.6mn (vs. USD 6.6mn in FY18) and tax expenses at USD 4.4mn (vs. USD 0.4mn in FY18).

**1H20 results.** In 1H20, PT Panca Mitra Multiperdana reported USD 83.3mn of revenue, growing by 12.6% YoY. GPM improved by 403bps to 20.1% as a result of higher contribution from higher-margin products (cooked and value-added products). Opex to sales increased to 7.0% (+25bps YoY) mainly due to higher selling expenses to sales at 5.1% (+36bps YoY). In all, net profit increased to USD 5.3mn from USD 265.7k in 1H19, driven by lower tax expenses (USD 219.5k in 1H20 vs. USD 2mn in 1H19).

**Top-line expansion.** Going forward, we believe that the company would be able to secure its top-line growth which are supported by 1) rising shrimp market demand, especially in value-added products, 2) expansion in production capacity, 3) plan to tap into new markets. To add, PMMP aims aiming to tap into the EU market to establish more growth on its revenue, while adding some diversification on its sales source. Therefore, we forecast PMMP's revenue/sales volume to grow by 19.9%/23.2% in FY20E, and 10.2%/11.4% in FY21F, respectively.

### Net revenue and sales volume

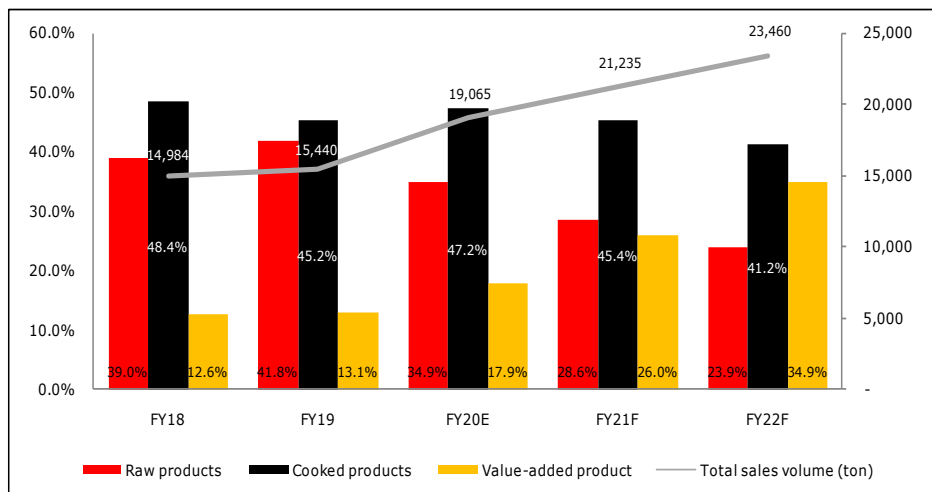


Source: Company as to historical data, Sinarmas Investment Research as to any forecast

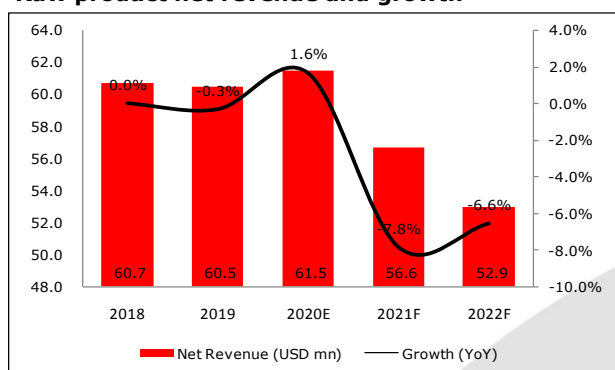
**Value-added product as the main growth engine.** In 1H20, PMMP recorded a higher contribution from value-added products line to its total sales, posted at 15.9%. In-line with the company's target to increase contribution from this segment. Given a higher demand for this segment, we forecast value-added product's revenue contribution will increase from 11.7% in FY19 to 30.9% in FY22F as sales growth for value-added products to reach 59.5% CAGR in FY19-22F.



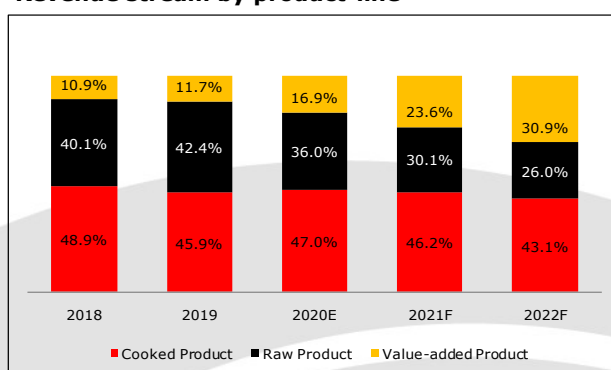
## PMMP's sales Volume



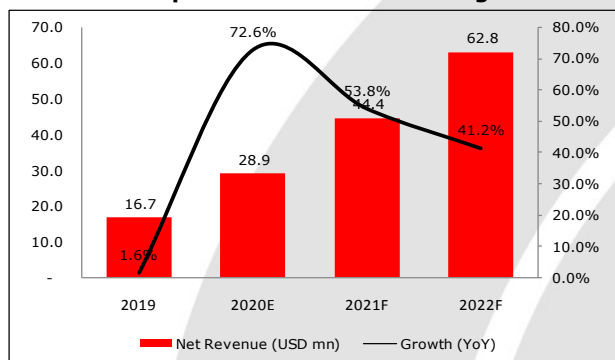
## Raw product net revenue and growth



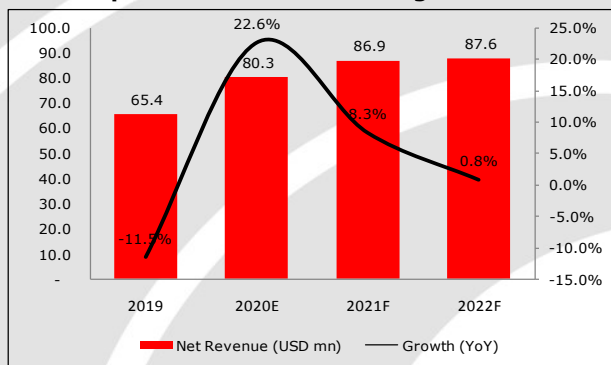
## Revenue stream by product-line



## Value-added product net revenue and growth



## Cooked product net revenue and growth

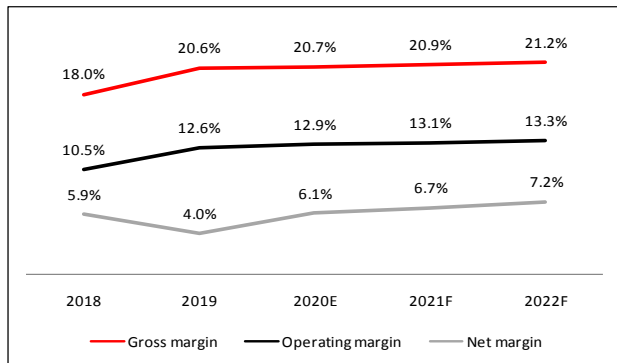


Source: Company as to historical data, Sinarmas Investment Research as to any forecast

Source: Company as to historical data, Sinarmas Investment Research as to any forecast

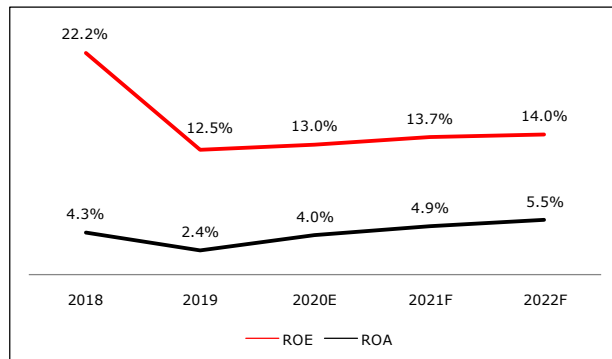
**Profitability improvement as GPM and NIM are set to pick up.** Our forecast on the company's gradual increase in profitability is driven by **1) increasing contribution from cooked and value-added products.** These product lines enjoy a 5-15% higher gross margin compared to the raw product (plain-vanilla). **2) stabilizing raw shrimp prices.** We expect the raw shrimp price which accounted for 80% of COGS to remain relatively stable in the near future and **3) improvement on leverage position.** As of 1H20, company's debt to equity ratio stood at 3.13x, mainly due to the higher needs of the working capital. Going forward, the company intends to increase its inventory turnover, which will ultimately result in debt reduction. All these measures would translate to improving GPM and NIM from 20.6% and 4.0% in FY19 to 21.2% and 7.2% in FY22F, respectively. As a result, ROE and ROA expand from 12.5% and 2.4% in FY19 to 14.0% and 5.5% in FY22F, respectively.

### Expanding margins



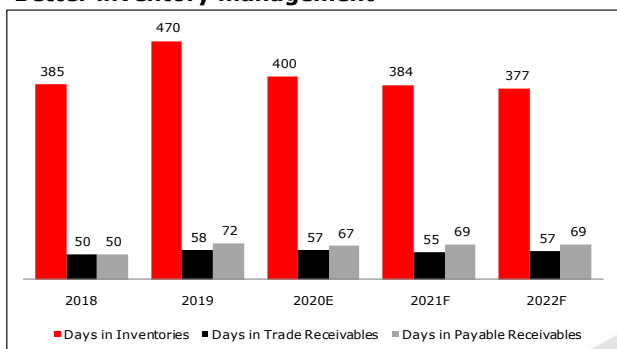
Source: Company as to historical data, Sinarmas Investment Research as to any forecast

### Expanding ROE and ROA



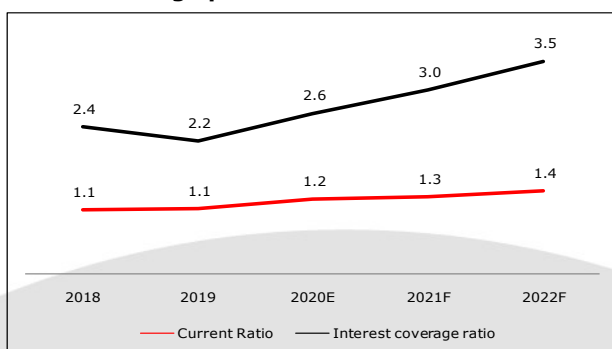
Source: Company as to historical data, Sinarmas Investment Research as to any forecast

### Better inventory management



Source: Company as to historical data, Sinarmas Investment Research as to any forecast

### Better leverage position



Source: Company as to historical data, Sinarmas Investment Research as to any forecast

## Valuation.

**IPO valuation.** We value PMMP at USD 82.6 — 103.3mn, implying a FY20E P/E 8.0-10.0x, which is comparably at a discount versus its global peers that currently trades at a weighted average FY20F P/E of 14.5x. In this IPO, PMMP will issue 25.0% new shares (floating), hence the IPO price will be at IDR 455—570 per share with USDIDR assumption at 14,800.

### PMMP's Capital Structure

Holding	Par Value (USD)	# of shares (#)	Book Value (USD)	% shareholding
<b>Post Capital Restructuring (Before IPO)</b>				
PT Tiga Makin Jaya	88.2	120,000	10,587,760	60.0%
Soesilo Soebardjo		58,000	5,117,417	29.0%
Martinus Soesilo		20,000	1,764,627	10.0%
Hirawan Tedjokoesoemo		2,000	176,463	1.0%
<b>Total</b>		<b>200,000</b>	<b>17,646,266</b>	<b>100.0%</b>
<b>Post IPO</b>				
PT Tiga Makin Jaya	0.00882	1,200,000,000	10,587,760	45.0%
Soesilo Soebardjo		580,000,000	5,117,417	21.7%
Martinus Soesilo		200,000,000	1,764,627	7.5%
Hirawan Tedjokoesoemo		20,000,000	176,463	0.7%
Public		667,500,000	5,889,441	25.0%
<b>Total</b>		<b>2,667,500,000</b>	<b>23,535,707</b>	<b>100%</b>

Source: Company Data, Sinarmas Investment Research

### Peers Valuation

Company	Market Cap. (USD mn)	Enterprise Value (USD mn)	P/E		P/BV		EV/ EBITDA	FY20E			ROE		ROA	
			FY20E	FY21F	FY20E	FY21F		GPM	EBITDA Margin	NPM	FY20E	FY21F	FY20E	FY21F
Global Players														
Century Pacific Food Inc	1,260.0	1,270.0	15.7	14.3	2.8	4.5	9.8	24.0%	14.8%	7.76%	18.8%	17.6%	11.4%	12.1%
Thai Union Group PCL	2,090.0	3,870.0	14.2	12.9	1.3	2.0	13.1	15.9%	7.3%	3.02%	9.5%	9.9%	3.4%	3.7%
Asian Sear Corp PCL	181.5	263.8	9.0	8.8	1.7	2.4	9.8	8.0%	5.5%	1.62%	22.4%	18.4%	11.5%	10.3%
Weighted Mean			14.5	13.2	1.8	2.9	11.7	18.4%	9.9%	4.6%	13.5%	13.1%	6.7%	7.1%
Median			14.2	12.9	1.7	2.4	9.8	15.9%	7.3%	3.0%	18.8%	17.6%	11.4%	10.3%
PT Panca Mitra Multiperdana*	82.7	211.1	8.0	6.6	1.0	0.9	8.2	20.7%	15.1%	6.1%	13.4%	14.1%	5.7%	7.5%
PT Panca Mitra Multiperdana**	103.3	231.8	10.0	8.3	1.3	1.1	9.0	20.7%	15.1%	6.1%	12.6%	13.4%	5.6%	7.4%

Source: Bloomberg, Sinarmas Investment Research

### IPO Proceeds:

PT Panca Mitra Multiperdana expects to get IDR 306-382bn of IPO proceeds. The proceeds will be used for:

- **70% for capital expenditure.** Post-IPO, PMMP is planning to use the proceed for purchasing additional 4 units of Hardener Tunnel equipment for PMMP 2 and TMM 2, and establishment of TMM 1A and PMMP 3 to increase output for breaded product with total value of investment around USD 16.5mn. The newly installed equipment will boost the company's output capacity to 33,400 tons per year in 2022 (vs 25,100 tons per year in 2020).
- **30% for working capital.** Given a huge working capital to fulfill its daily operations, company requires a sizeable amount of working capital. New money injection from IPO proceeds will increase PMMP's liquidity, reflected to improvement on its current ratio from 1.1x to 1.2x.

Balance Sheet (USD Thousand)	2018	2019	2020E	2021F	2022F
Cash & Equivalents	4,766	4,580	28,715	6,157	5,978
Trade & Other Receivables	23,008	22,108	26,885	28,307	31,571
Inventories	135,745	155,711	148,248	156,469	165,488
Other Current Assets	9,975	12,604	12,604	12,604	12,604
<b>Total Current Assets</b>	<b>173,495</b>	<b>195,004</b>	<b>216,452</b>	<b>203,536</b>	<b>215,640</b>
Fixed Assets	35,424	41,949	43,827	51,991	51,247
Other Non Current Assets	710	208	208	208	208
<b>Total Assets</b>	<b>209,629</b>	<b>237,161</b>	<b>260,488</b>	<b>255,736</b>	<b>267,096</b>
Short Term Loans	143,482	160,539	147,842	129,708	126,259
Trade Payables	17,582	18,082	21,493	23,859	25,204
Other Current Liabilities	3,596	4,078	4,078	4,078	4,078
<b>Total Current Liabilities</b>	<b>164,661</b>	<b>182,699</b>	<b>173,414</b>	<b>157,645</b>	<b>155,541</b>
Long Term Loans	3,477	6,327	5,332	4,873	4,930
Other Non Current Liabilities	1,183	2,113	2,113	2,113	2,113
<b>Total Liabilities</b>	<b>169,321</b>	<b>191,140</b>	<b>180,859</b>	<b>164,632</b>	<b>162,584</b>
Share & APIC	25,751	25,751	49,025	49,025	49,025
Retained Earnings	14,557	20,270	30,604	42,080	55,487
<b>Total Equity</b>	<b>40,308</b>	<b>46,021</b>	<b>79,629</b>	<b>91,104</b>	<b>104,512</b>
<b>Total Equity &amp; Liabilities</b>	<b>209,629</b>	<b>237,161</b>	<b>260,488</b>	<b>255,736</b>	<b>267,096</b>

Income Statement (USD Thousand)	2018	2019	2020E	2021F	2022F
<b>Revenue</b>	<b>151,099</b>	<b>142,696</b>	<b>170,568</b>	<b>187,919</b>	<b>203,197</b>
% growth	19.9%	-5.6%	19.5%	10.2%	8.1%
Cost of Good Sold	(123,928)	(113,282)	(135,309)	(148,652)	(160,199)
<b>Gross Profit</b>	<b>27,171</b>	<b>29,414</b>	<b>35,258</b>	<b>39,267</b>	<b>42,998</b>
% growth	-1.7%	8.3%	19.9%	11.4%	9.5%
<b>Operating Expenses</b>	<b>(11,323)</b>	<b>(11,419)</b>	<b>(13,194)</b>	<b>(14,597)</b>	<b>(15,928)</b>
Opex to Sales	7.5%	8.0%	7.7%	7.8%	7.8%
<b>EBIT</b>	<b>16,044</b>	<b>18,870</b>	<b>22,229</b>	<b>24,880</b>	<b>27,252</b>
% growth	-11.0%	17.6%	17.8%	11.9%	9.5%
<b>EBITDA</b>	<b>18,216</b>	<b>21,605</b>	<b>25,686</b>	<b>29,007</b>	<b>31,814</b>
% growth	-7.5%	18.6%	18.9%	12.9%	9.7%
Interest Expenses	(6,663)	(8,684)	(8,451)	(8,201)	(7,707)
Other Income (Expenses)	196	876	165	209	182
<b>Profit Before Tax</b>	<b>9,381</b>	<b>10,186</b>	<b>13,779</b>	<b>16,679</b>	<b>19,544</b>
Tax Expense	(423)	(4,436)	(3,445)	(4,170)	(4,886)
<b>Net Income</b>	<b>8,958</b>	<b>5,750</b>	<b>10,334</b>	<b>12,509</b>	<b>14,658</b>
%growth	87.4%	-35.8%	79.7%	21.0%	17.2%

Source: Company as to historical data, Sinarmas Investment Research as to any forecast



Cash Flow (USD Thousand)	2018	2019	2020E	2021F	2022F
<b>Net Income</b>	<b>8,958</b>	<b>5,750</b>	<b>10,334</b>	<b>12,509</b>	<b>14,658</b>
Depreciation & Adjustments	2,368	3,611	3,622	4,336	4,744
Change in Working Capital	13,305	(3,656)	(6,599)	(25,411)	(14,387)
<b>Operating Cash Flow</b>	<b>24,631</b>	<b>5,705</b>	<b>7,356</b>	<b>(8,566)</b>	<b>5,016</b>
Capital Expenditure	(20,783)	(10,136)	(5,500)	(12,500)	(4,000)
Change in LT Assets	147	502	-	-	-
Others	(551)	930	-	-	-
<b>Investing Cash Flow</b>	<b>(21,188)</b>	<b>(8,704)</b>	<b>(5,500)</b>	<b>(12,500)</b>	<b>(4,000)</b>
Change in Debts	(2,578)	2,850	(995)	(459)	56
Dividends Paid	-	-	-	(1,033)	(1,251)
Others	528	(37)	23,273	-	-
<b>Financing Cash Flow</b>	<b>(2,050)</b>	<b>2,814</b>	<b>22,278</b>	<b>(1,492)</b>	<b>(1,195)</b>
Change in Cash	1,393	(185)	24,135	(22,558)	(179)
Beginning Cash	3,373	4,766	4,580	28,715	6,157
<b>Ending Cash</b>	<b>4,766</b>	<b>4,580</b>	<b>28,715</b>	<b>6,157</b>	<b>5,978</b>

Financial Ratios	2018	2019	2020E	2021F	2022F
<b>Liquidity</b>					
Current Ratio	1.1	1.1	1.2	1.3	1.4
Quick Ratio	0.2	0.2	0.4	0.3	0.3
<b>Profitability</b>					
Gross Profit Margin	18.0%	20.6%	20.7%	20.9%	21.2%
EBIT Margin	10.6%	13.2%	13.0%	13.2%	13.4%
EBITDA Margin	12.1%	15.1%	15.1%	15.4%	15.7%
Net Profit Margin	5.9%	4.0%	6.1%	6.7%	7.2%
<b>Solvency</b>					
Debt to Equity	3.65	3.63	1.92	1.48	1.26
Debt to Asset Ratio					
Interest Coverage	2.4	2.2	2.6	3.0	3.5
Net Debt to EBITDA	8.1	7.7	6.0	4.6	4.1

Source: Company as to historical data, Sinarmas Investment Research as to any forecast

## SINARMAS SEKURITAS INVESTMENT RATINGS GUIDE

**BUY:** Share price may rise by more than 15% over the next 12 months.

**ADD:** Share price may range between 10% to 15% over the next 12 months.

**NEUTRAL:** Share price may range between -10% to +10% over the next 12 months.

**REDUCE:** Share price may range between -10% to -15% over the next 12 months.

**SELL:** Share price may fall by more than 15% over the next 12 months.

### DISCLAIMER

This report has been prepared by PT Sinarmas Sekuritas, an affiliate of Sinarmas Group.

This material is: (i) created based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such; (ii) for your private information, and we are not soliciting any action based upon it; (iii) not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions expressed are current opinions as of original publication date appearing on this material and the information, including the opinions contained herein, is subjected to change without notice. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst (s) responsible for the preparation of this publication may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, integrating and interpreting market information. Research will initiate, update and cease coverage solely at the discretion of Sinarmas Research department. If and as applicable, Sinarmas Sekuritas' investment banking relationships, investment banking and non-investment banking compensation and securities ownership, if any, are specified in disclaimers and related disclosures in this report. In addition, other members of Sinarmas Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from companies under our research coverage. Further, the Sinarmas Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by Sinarmas Group), or derivatives (including options) thereof, of companies under our coverage, or related securities or derivatives. In addition, the Sinarmas Group, including Sinarmas Sekuritas, may act as market maker and principal, willing to buy and sell certain of the securities of companies under our coverage. Further, the Sinarmas Group may buy and sell certain of the securities of companies under our coverage, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Recipients should not regard this report as substitute for exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investments may go down as well as up and you may not get back the full amount invested.

Sinarmas Sekuritas specifically prohibits the redistribution of this material in whole or in part without the written permission of Sinarmas Sekuritas and Sinarmas Sekuritas accepts no liability whatsoever for the actions of third parties in this respect. If publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

### Additional information is available upon request.

Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual properties.

©Sinarmas Sekuritas(2020). All rights reserved.