

PT Klinko Karya Imaji Tbk (KLIN)

Clean and Clear Path to Grow

Reliance
Sekuritas Indonesia

The expansion has just begun

KLIN expanded its business by opening a new factory in 2022, covering an area of 4,000m². The factory was relocated from Sidoarjo to Gresik, resulting in an increased production capacity of up to 125,000 units per month. Furthermore, after being listed on the IDX, KLIN allocated its IPO funds as follows: IDR 7.69 billion for office and factory construction, IDR 7.59 billion for capital expenditure, and IDR 4.52 billion for working capital. This allocation means that KLIN has fully utilized the entire net IPO fund of IDR 19.8 billion. We see the expansion reflected in the company's sales volume, which grew by +51% YoY in 2022, signaling the company's path towards unleashing growth.

Appreciate sustainable products

KLIN is a producer of cleaning equipment that uses recycled textile waste material as the main raw material, accounting for approximately 90% of its production, the company is able to absorb tons of textile waste every months from convection in the form of patchwork scraps left over from production. Despite the fact that the production is derived from textile waste, We believe that the product's quality is unquestionable, and consumers appreciate sustainability. In addition to this, we expect cost efficiency and a stable price of raw materials due to the use of recycled textile waste. Hence, management expects to continue this sustainable approach.

Performance 1H23 and expecting turnaround

KLIN reported 1H23 revenue of Rp5.07 billion (+65.5% YoY), we see growing revenue boosted by increase in sales volume from domestic and export following economic recovery. Despite, the company recorded a net loss of Rp1.27 billion in 1H23. However, Management guided that in 2H23 the company will boost its revenue to reduce loss by expanding to new distributors. The company has successfully added 5 new distributors this year, bringing the total to 26. Additionally, the company aims to increase sales by offering products using private labels to retail stores and expanding its exports. Notably, the company has successfully added a new destination in Malaysia for MR.DIY. Management expects the turnaround to be achieved in 2024, with a guided income of around Rp2 billion and a net profit margin (NPM) of 12%. We see the turnaround is achievable due to the increasing utilization after opening the new factory, as well as the favorable retail sector, while also expecting inflation to normalize.

Valuation, Buy rating with TP Rp65

We recommend a Buy rating and set a target price of Rp65. Our valuation approach is based on the DCF, using the following assumptions: terminal growth at 2.5% and WACC at 6.6%. Our TP reflects FY23F PBV ratio of 2.6x and FY24F PBV ratio of 2.5x. Key risks: macroeconomic downturn, forex exchange, lower selling quantity and higher cost than expected.

Key Metrics

At price IDR43/share	2021	2022	2023F	2024F	2025F
Revenue (IDRmn)	3,948,020	7,514,581	12,144,105	17,150,106	22,882,709
Gross Profit (IDRmn)	1,249,531	3,041,126	4,650,548	6,857,796	11,229,171
Net Profit (IDRmn)	273,575	(1,073,864)	(324,838)	787,748	3,087,750
Gross Profit Margin (%)	31.6%	40.5%	38.3%	40.0%	49.1%
Net Profit Margin (%)	6.9%	-14.3%	-2.7%	4.6%	13.5%
ROE (%)	2.5%	-3.2%	-1.0%	2.3%	8.4%
ROA (%)	1.1%	-2.4%	-0.7%	1.7%	6.1%
Current ratio (x)	1.8	5.4	6.8	6.9	7.7
BVPS	8.3	25.5	25.3	25.9	28.2
PBV ratio (x)	5.2	1.7	1.7	1.7	1.5
EPS	0.2	(0.8)	(0.2)	0.6	2.4
PE Ratio	205.5	(52.4)	(173.1)	71.4	18.2

Source: KLIN, Reli Research

BUY

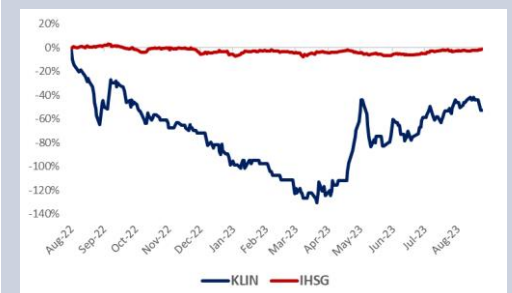
Target Price: IDR65
Upside : 50.1%

Last Price:	43
Ticker Code:	KLIN
Sector:	Consumer cyclicals
Sub Sector:	Home improvement retail
Shares:	1.3bn
Market Cap:	Rp56.2bn
YTD Low - High:	21 - 55

Major Shareholders:

Anggun S. Supanji	63.6%
Sisse Paloma	15.9%

Relative performance vs IHSG:



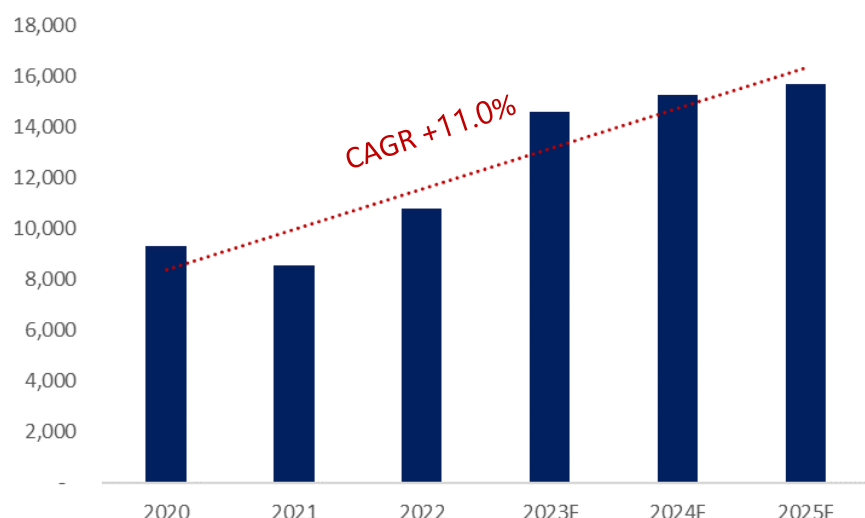
Brief Company Profile:

PT Klinko Karya Imaji Tbk (KLIN) was founded in 2016, in Gresik, East Java. It manufactures cleaning products containing recycled textile waste materials, in 90% of its products, as a commitment to sustainability. The raw materials are made of recycled textile waste, which is already coloured, so the manufacturing does not require a colouring process. The recycled materials are implemented through the application of yarns in products, such as mops, dusters, napkins, and doormats. Klinko products are distributed and used by several partners, including Hokky Mart, Mr. DIY, and ISS Indonesia.

Lukman Hakim

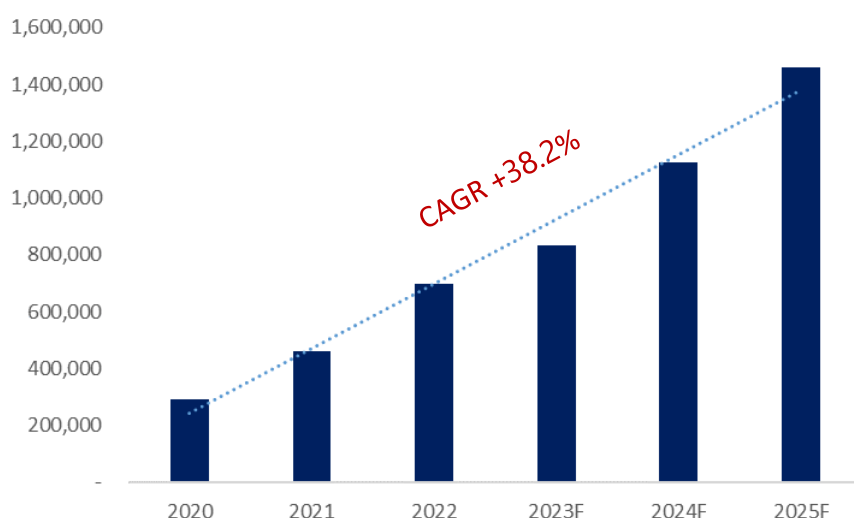
lukman@reliancesekuritas.com

Figure 1: ASP (IDR)



Source: KLIN, Reli Research

Figure 2: Sales volume



Source: KLIN, Reli Research

Figure 3: 1H23 performance and Runrate

1H23 Results (IDRk)	1H22	1H23	YoY (%)	2023F	Runrate (%)
Revenue	3,065,529	5,072,052	65.5%	12,144,105	41.8%
Gross profit	1,032,019	1,027,874	-0.4%	4,650,548	22.1%
Net Profit	15,758	(1,271,230)	-8167.1%	(324,838)	391.3%
GPM (%)	33.7%	20.3%		38.3%	
NPM (%)	1.5%	-123.7%		-7.0%	

Figure 4: Valuation

DCF (IDRk)	2023F	2024F	2025F	2026F	2027F	
EBIT	360,052	1,850,137	4,940,801	7,191,098	8,970,563	
Less: Taxes	(91,621)	(262,583)	(1,029,250)	(1,585,646)	(2,024,148)	
Plus: D&A	563,198	1,676,942	391,086	156,329	156,329	
Less: CapEx	3,737,613	(1,690,067)	(497,531)	(1,044,946)	(1,044,946)	
Changes in WC	(2,568,359)	(2,899,893)	(1,634,402)	(2,432,532)	(1,445,420)	
Unlevered FCF	2,000,883	(1,325,464)	2,170,704	2,284,304	4,612,378	116,446,227
Discount rate	0.94	0.88	0.83	0.77	0.73	0.73
PV of FCF	1,877,156.59	(1,166,610)	1,792,408	1,769,575	3,352,115	84,629,040
EV	92,253,686					
add: cash	2,415,464					
less: debt	(9,798,886)					
Equity value	84,870,264					
Equity value/Share (full ID)	65					

Figure 5: KLIN product and modern channel



Source: KLIN

Figure 6: KLIN E-Commerce



Source: KLIN

Figure 7: Financial summary

Income statement (IDRk)	2021	2022	2023F	2024F	2025F
Revenue	3,948,020	7,514,581	12,144,105	17,150,106	22,882,709
COGS	(2,698,489)	(4,473,455)	(7,493,556)	(10,292,310)	(11,653,538)
Gross profit	1,249,531	3,041,126	4,650,548	6,857,796	11,229,171
GS&A expense	(917,442)	(3,449,490)	(4,290,497)	(5,007,659)	(6,288,370)
Income from operations	332,090	(408,364)	360,052	1,850,137	4,940,801
Others expenses	(12,977)	(737,778)	(776,511)	(799,806)	(823,800)
EBT	319,113	(1,146,141)	(416,459)	1,050,331	4,117,001
Taxation	(45,538)	72,278	91,621	(262,583)	(1,029,250)
Net income	273,575	(1,073,864)	(324,838)	787,748	3,087,750

Balance sheet (IDRk)	2021	2022	2023F	2024F	2025F
Cash	103,268	133,218	2,415,464	181,096	1,457,879
Receivables	1,207,139	1,903,001	2,867,358	3,811,135	4,767,231
Inventories	2,889,926	4,421,113	6,244,630	8,291,027	9,063,863
Others	3,770,214	6,899,054	7,044,353	7,225,307	7,305,030
Assets	10,678,030	26,116,996	21,816,185	21,829,310	22,717,926
Others	5,561,148	5,141,408	5,087,953	5,026,485	4,935,517
Total assets	24,209,726	44,614,789	45,475,944	46,364,360	50,247,446
Payables	754,726	404,947	624,463	714,744	809,273
Others	3,600,404	1,620,310	1,620,310	1,620,310	1,620,310
Current maturities	186,907	440,401	487,508	488,021	522,671
LT Consumer finance payable	53,892	128,214	141,928	141,928	141,928
LT Lease liabilities	8,691,180	8,466,893	9,372,548	9,382,423	10,048,579
Employee benefit	39,651	188,458	188,458	188,458	188,458
Total liabilities	13,326,759	11,249,223	12,435,215	12,535,884	13,331,219
Share capital	10,400,000	13,075,000	13,075,000	13,075,000	13,075,000
Add paid-in capital	-	20,887,200	20,887,200	20,887,200	20,887,200
Retained earnings	491,805	(582,059)	(906,897)	(119,149)	2,968,601
Others	(8,837)	(14,574)	(14,574)	(14,574)	(14,574)
Equity	10,882,968	33,365,567	33,040,728	33,828,477	36,916,227

Cash flow (IDRk)	2021	2022	2023F	2024F	2025F
Net income	273,575	(1,073,864)	(324,838)	787,748	3,087,750
Depreciation	42,383	379,356	563,198	1,676,942	(391,086)
Change in WC	(2,962,146)	(2,576,827)	(2,568,359)	(2,899,893)	(1,634,402)
Others	(184,090)	(5,108,355)	(145,299)	(180,954)	(79,723)
Cash from Operating	(2,830,278)	(8,379,690)	(2,475,298)	(616,157)	982,539
CapEx	(10,601,295)	(15,818,322)	3,737,613	(1,690,067)	(497,531)
Others	(5,551,033)	419,741	53,455	61,468	90,968
Cash from Investing	(16,152,328)	(15,398,581)	3,791,068	(1,628,599)	(406,562)
ST debt	144,137	253,494	47,107	514	34,650
LT debt	8,699,011	(149,964)	919,369	9,874	666,156
Equity	10,000,000	23,562,200	-	-	-
Others	3,149	142,491	-	-	-
Cash from financing	18,846,297	23,808,221	966,476	10,388	700,806
Total Increase in Cash	(136,310)	29,949	2,282,246	(2,234,368)	1,276,783
Cash at beginning of the year	239,578	103,268	133,218	2,415,464	181,096
Cash at end of the year	103,268	133,218	2,415,464	181,096	1,457,879

Head Office

Reliance Building
Soho Westpoint, Kota Kedoya
Jl. Macan Kav 4-5, Kedoya Utara
Kebon Jeruk
T. +62 21 2952 0558
F. +62 21 2911 9951

Research Team

Lukman Hakim, Sr. Research Analyst
lukman@reliancesekuritas.com

Ayu Dian, Research Analyst
ayu.fauzia@reliancesekuritas.com

Branch Office

Jakarta
Soho Westpoint, Kota Kedoya
Jl. Macan Kav 4-5 Kedoya Utara Kebon Jeruk
T. +62 21 2952 0558
F. +62 21 2911 9951

Bandung
Jl. PH.H. Mustofa No. 33,
Bandung, Jawa Barat 40115
T. +62 22 721 8200
F. +62 22 721 9603

Surabaya
Jl. Bangka No. 22
Surabaya 60281
T. +62 31 501 1128
F. +62 31 503 3196

Pontianak
Komp. Perkantoran Central
Perdana Blok A2-A3
Jl. Perdana – Kota Pontianak,
Kalimantan Barat 78124

Tasikmalaya
Ruko Tasik Indah Plaza No.21
Jl. KHZ Mustofa No. 345
Tasikmalaya 46121
T. +62 265 345001
F. +62 265 345003

Denpasar
Dewata Square Blok A3
Jl. Letda Tantular Renon
Denpasar 802361
T. +62 361 225099
F. +62 361 245099

Malang
Jl. Guntur No. 19
Malang 65112
T. +62 341 347 611
F. +62 341 347 615

Balikpapan
Ruko Puri Blok B No.9
Balikpapan baru
Kalimantan Timur
T. +62 542 8708347

Medan
Jl. Teuku Amir Hamzah
No.48-O
Medan 20117
T. +62 61 6638023

IDX Corner & Investment Gallery

Universitas Muhammadiyah Malang
Jl. Raya Tlogomas 246
Malang 65144
T. +62 341 464318-9
F. +62 341 460435

Universitas Pesantren Tinggi Darul Ulum
Komplek PP Darul Ulum
Peterongan, Jombang 61481
T. +62 321 873655
F. +62 321 876771

Universitas Galuh
Jl. RE Martadinata No. 150
Ciamis 46274
T. +62 265 776787

Universitas Surabaya
Jl. Ngagel Jaya Selatan No. 169
Surabaya 60294
T. +62 31 2981130
F. +62 31 2981131

STIESIA Surabaya
Jl. Menur Pumpungan 30
Surabaya
T. +62 31 5947505
F. +62 31 5932218

STIKOM BALI
Jl. Raya Puputan No. 86, Renon,
Denpasar Timur, kota Denpasar
Bali-80234
T. +62 361 244445

Universitas 17 Agustus 1945 Banyuwangi
Jl. Adi Sucipto 26 Banyuwangi
JawaTimur
T. +62 333 411248
F. +62 333 419163

Universitas Muhammadiyah Sidoarjo
Fakultas Ekonomi
Jl. Majapahit 666 B
Sidoarjo, JawaTimur
T. +62 31 8945444
F. +62 31 8949333

Universitas Siliwangi Tasikmalaya
Jl. Siliwangi No. 24
Tasikmalaya 46151
T. +62 265 330634

Analyst Rating

BUY : Expected return of 2x Risk Free or more within a 12-month period
NEUTRAL : Expected return between -1.9x and 1.9x Risk Free
SELL : Expected return of -2x Risk Free or more within a 12-month period
NON-RATED : Analysts do not express any trading recommendation

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