

**PT. Indocement Tunggal Prakarsa Tbk.**

**HOLD**

**Investment Consideration**

**Expecting lower 4Q2020 Demand**

- As of 9M2020, cement sales contracted -9% YoY to 49 million tons with bulk cement market contracting -20.4% and the bag market -4.9%. However September cement sales continue to show recovery with volume increasing +5.9% MoM.
- In September, INTP domestic cement sales volume decreased -2.9% and for 9M2020 volume decreased -7.7%, better than the overall market.
- In previous years October is normally the peak month of market volume and with the current situation (full-scale PSBB in Jakarta, many demos and year end holidays in December) we are expecting 4Q2020 cement demand will be lower compared to 3Q2020.
- With stable ASP, we are expecting INTP revenue in 2020 will reach IDR 14 trillion or down by -12% YoY.

**3Q2020: Margin improved**

- INTP recorded net revenue of IDR 10.15 trillion down -10.6% YoY.
- INTP net profit in 9M2020 declined -5% YoY to IDR 1.11 trillion. Gross profit dropped -6.5% YoY to IDR 3.44 trillion, Operating profit dropped by -7.8% YoY to IDR 1.11 trillion.
- The decline in 9M2020 was better compared to the 1H2020 amid margins were better in 3Q2020. INTP recorded a higher gross profit margin in 3Q2020 at 39%, compared to 1Q2020 32%, and 2Q2020 29%. The EBITDA margin was also higher in 3Q2020 at 26% compared to 2Q2020 8% and 1Q2020 21%.
- The better margins in 3Q2020 are as a result of lower raw material costs, lower coal prices and savings on fuel & power, leading to lower manufacturing costs.
- Although INTP has distributed a cash dividend in July 2020 of IDR 1.8 trillion, INTP has still kept a clean balance sheet with no bank loans and a strong cash position as of 9M2020.
- As INTP growth in 4Q2020 will not be as big as in 3Q2020, we are expecting INTP's net profit will reach IDR 1.7 trillion, down by -4% YoY.

**Valuation: Hold with TP 16,000**

- As we expect lower 4Q2020 cement demand and lower 2020F sales, we maintain our HOLD recommendation for INTP.
- We are now targeting INTP to trade at 32x 2021F PE within a year. Target Price is IDR 16,000 which represents +11% upside.

Financial Highlights	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (IDR Bn)	15.362	14.431	15.190	15.939	14.038	14.639
EBITDA (IDR Bn)	5.151	3.480	2.699	3.483	3.368	3.562
Net Profit (IDR Bn)	3.870	1.860	1.146	1.835	1.761	1.837
GPM (%)	41,2%	34,7%	28,8%	34,5%	33,9%	33,9%
NPM (%)	25,2%	12,9%	7,5%	11,5%	12,5%	12,5%
EPS (IDR)	1.051	505	311	499	478	499
ROE (%)	12,84%	6,44%	4,12%	6,62%	6,31%	6,34%
ROA (%)	14,81%	7,57%	4,93%	7,95%	7,34%	7,38%

Source: company & Binaartha

16 November 2020  
Basic Industry – Cement

Price IDR 14,400

Target Price IDR 16,000

JKSE Index 5,461.058



**Stock Information**

Bloomberg Code	INTP IJ
Market Cap (IDR bn)	53,010
52-week high (IDR)	20,875
52-week low (IDR)	8,650
Shares issued (mn)	3,681.2
6-m avg. daily Val (IDR)	14,274
Free float	49%

**Major share holders**

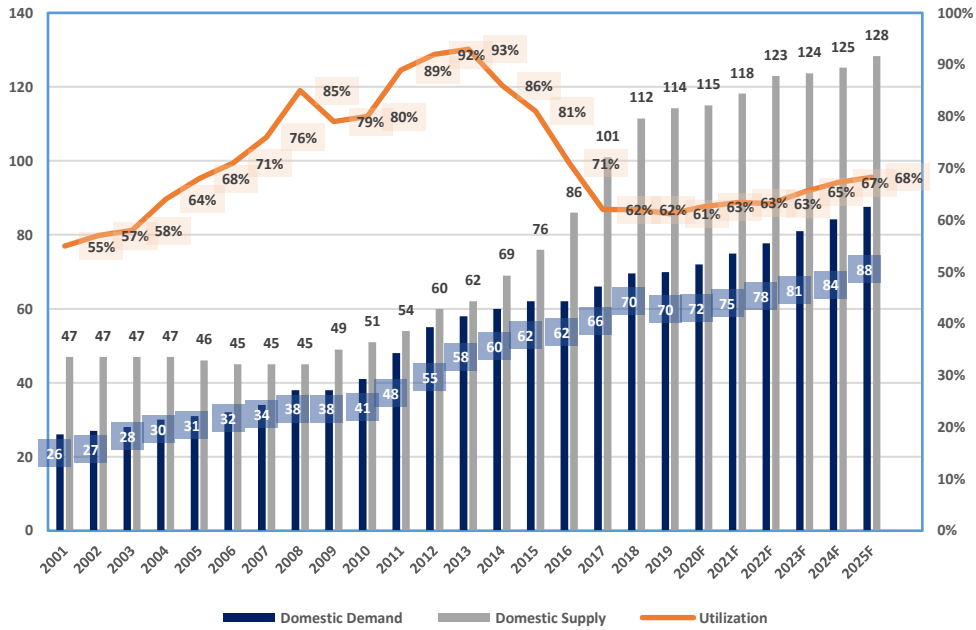
Birchwood Omnia Ltd	51%
Public	49%

**USD/ IDR – YE (IDR)**

2019	13,970
2020F (6m-avg)	14,585

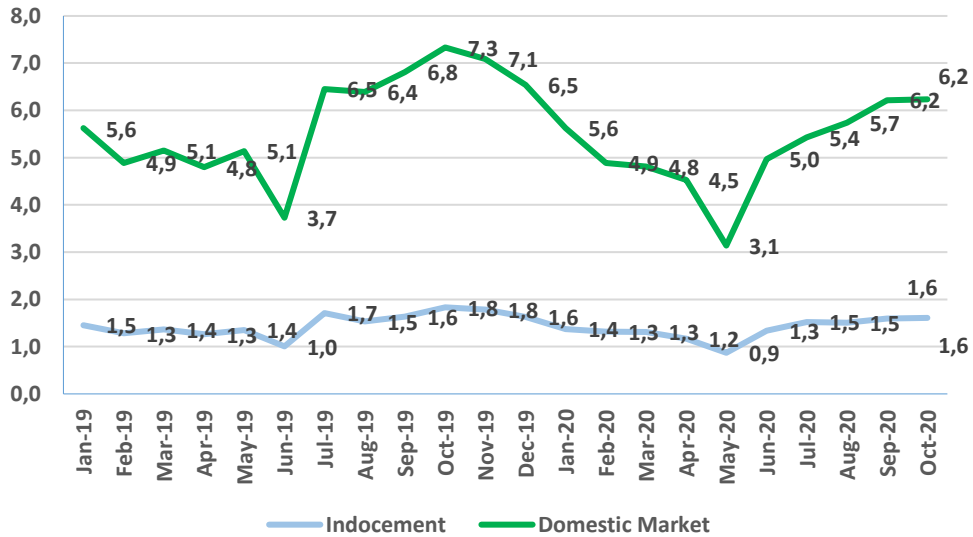
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chart: Domestic Cement Industry Supply and Demand YoY in Million Tons



Source: company

chart: Domestic Sales vs Indocement Sales 2019 – October 2020 in Million Tons



Source: company

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2016A	2017A	2018A	2019A	2020F	2021F
<b>Revenue</b>	<b>15.362</b>	<b>14.431</b>	<b>15.190</b>	<b>15.939</b>	<b>14.038</b>	<b>14.639</b>
Cost of revenue	-9.030	-9.423	-10.821	-10.439	-9.279	-9.676
<b>Gross Profit</b>	<b>6.331</b>	<b>5.008</b>	<b>4.369</b>	<b>5.500</b>	<b>4.759</b>	<b>4.963</b>
Operating Expense	-2.687	-3.133	-3.295	-3.595	-2.948	-3.074
<b>Operating Profit</b>	<b>3.645</b>	<b>1.875</b>	<b>1.074</b>	<b>1.905</b>	<b>1.811</b>	<b>1.888</b>
Other Income	502	413	327	370	337	351
<b>Profit Before Tax</b>	<b>4.146</b>	<b>2.288</b>	<b>1.401</b>	<b>2.275</b>	<b>2.148</b>	<b>2.240</b>
Taxes	-276	-428	-255	-440	-387	-403
<b>NIAT</b>	<b>3.870</b>	<b>1.860</b>	<b>1.146</b>	<b>1.835</b>	<b>1.761</b>	<b>1.837</b>
Non-controlling Interest	0	0	0	0	0	0
<b>Net Income</b>	<b>3.870</b>	<b>1.860</b>	<b>1.146</b>	<b>1.835</b>	<b>1.761</b>	<b>1.837</b>
EPS (In IDR)	1.051	505	311	499	478	499
<b>EBITDA</b>	<b>5.151</b>	<b>3.480</b>	<b>2.699</b>	<b>3.483</b>	<b>3.368</b>	<b>3.562</b>

Source: company &amp; Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2016A	2017A	2018A	2019A	2020F	2021F
Net Income	3.870	1.860	1.146	1.835	1.761	1.837
Depreciation	993	1.178	1.280	1.201	1.201	1.303
Change in WC	228	454	-55	-140	-203	102
<b>Cash From Operating Activities</b>	<b>5.091</b>	<b>3.492</b>	<b>2.370</b>	<b>2.896</b>	<b>2.759</b>	<b>3.241</b>
Capex	-2.215	-1.433	-772	-606	-2.341	-2.619
<b>Cash From Investing Activities</b>	<b>-2.215</b>	<b>-1.433</b>	<b>-772</b>	<b>-606</b>	<b>-2.341</b>	<b>-2.619</b>
Long-term liabilities	87	21	-239	17	-25	24
Others Noncurrent Liabilities	-347	-17	52	95	1	7
Equity	-1.598	-3.442	-2.481	-1.977	-844	-956
<b>Cash From Financing Activities</b>	<b>-1.858</b>	<b>-3.438</b>	<b>-2.668</b>	<b>-1.864</b>	<b>-868</b>	<b>-925</b>
<b>Net Changes in Cash</b>	<b>1.018</b>	<b>-1.379</b>	<b>-1.069</b>	<b>426</b>	<b>-449</b>	<b>-303</b>
Beginning Balance	8.656	9.674	8.295	7.226	7.652	7.202
Ending Balance	9.674	8.295	7.226	7.652	7.202	6.900

Source: company &amp; Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2016A	2017A	2018A	2019A	2020F	2021F
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	9.674	8.295	7.226	7.652	7.202	6.900
Trade Accounts Receivable	2.605	2.504	2.993	3.090	2.576	2.566
Inventories	1.780	1.769	1.838	1.895	1.825	1.802
Others Current Assets	365	316	260	193	309	366
<b>Total Current Assets</b>	<b>14.425</b>	<b>12.883</b>	<b>12.316</b>	<b>12.829</b>	<b>11.912</b>	<b>11.634</b>
<b>NONCURRENT ASSETS</b>						
Fixed Assets	14.644	14.979	14.637	14.080	15.281	16.584
Other Noncurrent Assets	1.082	1.001	836	798	738	751
<b>Total Noncurrent Assets</b>	<b>15.726</b>	<b>15.981</b>	<b>15.473</b>	<b>14.878</b>	<b>16.018</b>	<b>17.335</b>
<b>TOTAL ASSETS</b>	<b>30.151</b>	<b>28.864</b>	<b>27.789</b>	<b>27.708</b>	<b>27.930</b>	<b>28.968</b>
<b>LIABILITIES AND EQUITY</b>						
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Short-term liability	106	141	182	189	168	176
Trade Account Payable	2.126	2.207	2.578	2.516	1.965	2.049
Others Current Liabilities	956	1.131	1.165	1.169	1.069	1.104
<b>Total Current Liabilities</b>	<b>3.188</b>	<b>3.479</b>	<b>3.926</b>	<b>3.873</b>	<b>3.203</b>	<b>3.329</b>
<b>NONCURRENT LIABILITIES</b>						
Long-term liability	787	808	569	586	562	586
Others Noncurrent Liabilities	37	20	72	168	168	176
<b>Total Noncurrent Liabilities</b>	<b>824</b>	<b>828</b>	<b>641</b>	<b>754</b>	<b>730</b>	<b>761</b>
<b>TOTAL LIABILITIES</b>	<b>4.012</b>	<b>4.307</b>	<b>4.567</b>	<b>4.627</b>	<b>3.933</b>	<b>4.090</b>
Non-controlling interest	0	0	0	0	0	0
<b>EQUITY</b>	<b>26.139</b>	<b>24.557</b>	<b>23.222</b>	<b>23.080</b>	<b>23.998</b>	<b>24.879</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>30.151</b>	<b>28.864</b>	<b>27.789</b>	<b>27.708</b>	<b>27.930</b>	<b>28.968</b>

Source: company &amp; Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2016A	2017A	2018A	2019A	2020F	2021F
Revenue	-13,69%	-6,06%	5,26%	4,93%	-11,93%	4,28%
OP	-27,93%	-48,56%	-42,71%	77,36%	-4,94%	4,28%
EBITDA	-22,16%	-32,44%	-22,44%	29,05%	-3,30%	5,75%
NP	-11,16%	-51,95%	-38,38%	60,16%	-4,04%	4,28%
EPS	-11,16%	-51,95%	-38,38%	60,16%	-4,04%	4,28%
<b>Profitability</b>						
GPM(%)	41,22%	34,70%	28,76%	34,51%	33,90%	33,90%
Operating Margin(%)	23,72%	12,99%	7,07%	11,95%	12,90%	12,90%
EBITDA margin(%)	33,53%	24,12%	17,77%	21,85%	23,99%	24,33%
NET Profit margin(%)	25,19%	12,89%	7,54%	11,51%	12,55%	12,55%
ROA(%)	12,84%	6,44%	4,12%	6,62%	6,31%	6,34%
ROE(%)	14,81%	7,57%	4,93%	7,95%	7,34%	7,38%
<b>Stability</b>						
Tot debt/ equity (x)	0,153	0,175	0,197	0,200	0,164	0,164
Int. Coverage (x)	327	132	61	237	90	96
Current Ratio (X)	4,53	3,70	3,14	3,31	3,72	3,50
<b>Per Share data (IDR)</b>						
EPS	1.051	505	311	499	478	499
BV	7.101	6.671	6.308	6.270	6.519	6.758
SPS	4.173	3.920	4.126	4.330	3.813	3.977
EBITDA/share	1.399	945	733	946	915	968

Source: company &amp; Binaartha

**Stock Ratings:**

- Buy : a recommendation to purchase the security with upside potential of **20% or greater**
- Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.
- Sel : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

**RESEARCH TEAM**  
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