

PT. Indocement Tunggal Prakarsa Tbk.

HOLD

Investment Consideration

1H2020: below expectation

- 1H2020, INTP net revenue of IDR 6.17 trillion was down -11.6% YoY from 1H2019's IDR 6.98 trillion.
- Recovery in June sales volume could not cover the decline in 1Q2020.
- After recording growth in 1Q, INTP net profit in 1H2020 declined -26.6% YoY to IDR 470 billion. The decline in net profit was inline with lower sales volume in 1H2020 and despite improving cost of revenues which declined -11.3% YoY.
- Lower costs were the result of lower coal prices and savings on fuel & power with a higher usage of low-calorific value (LCV) coal and of alternative fuels.
- Gross profit dropped -12.3% YoY to IDR 1.88 trillion from IDR 2.14 trillion in 1H2019 with a slightly lower gross profit margin of 30.4%.
- Operating profit dropped by -36% YoY to IDR 377.7 billion and the operating profit margin fell to 6.12% from 8.45% in 1H2019.
- However, despite the challenges, INTP still kept a clean balance sheet with no bank loans and a strong cash position as of 1H2020.
- As the 1H2020 result was lower than our expectation, We are reducing our forecasts for INTP's revenue for 2020F to IDR 14.1 trillion which is -11.7% YoY while net profit will reach IDR 1.5 trillion down by -15% YoY.

June Sales Rebound

- In June 2020, cement sales had positive growth due to the shifting of the Eid Al-Fitr holidays. Domestic cement sales increased +32.3% YoY to 4.97 million tons for the month of June.
- For the year to date, domestic cement sales still dropped -6.4% YoY to 27.57 million tons.
- INTP cement sales volume rebounded with June sales volume up +28.3% YoY to 1.33 million ton from 1.04 million tons in June 2019. For the Year to date, INTP sales volume still dropped by -12.4% YoY to 7.36 million tons.
- We expect an economic recovery after re-opening, and that 2H2020 cement demand will rebound as the Indonesia Government infrastructure projects continue.

Valuation: Hold with TP 14,000

- The 1H2020 was bellow our expectation and we revise our 2020F target.
- We are now targeting INTP to trade at 26x 2020F PE within a year. Target Price is IDR 14,000 which represents +18% upside. We downgrade our recommendation to HOLD.

Financial Highlights	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (IDR Bn)	15.362	14.431	15.190	15.939	14.068	15.353
EBITDA (IDR Bn)	5.151	3.480	2.699	3.483	3.021	3.778
Net Profit (IDR Bn)	3.870	1.860	1.146	1.835	1.567	1.990
GPM (%)	41,2%	34,7%	28,8%	34,5%	31,7%	32,5%
NPM (%)	25,2%	12,9%	7,5%	11,5%	11,1%	13,0%
EPS (IDR)	1.051	505	311	499	426	540
ROE (%)	12,84%	6,44%	4,12%	6,62%	5,58%	6,82%
ROA (%)	14,81%	7,57%	4,93%	7,95%	6,53%	8,03%

Source: company & Binaartha

4 August 2020
Basic Industry – Cement

Price IDR 11,900

Target Price IDR 14,000

JKSE Index 5,006.223



Stock Information

Bloomberg Code	INTP IJ
Market Cap (IDR bn)	44,082
52-week high (IDR)	22,700
52-week low (IDR)	8,650
Shares issued (mn)	3,681.2
6-m avg. daily Val (IDR)	12,641
Free float	49%

Major share holders

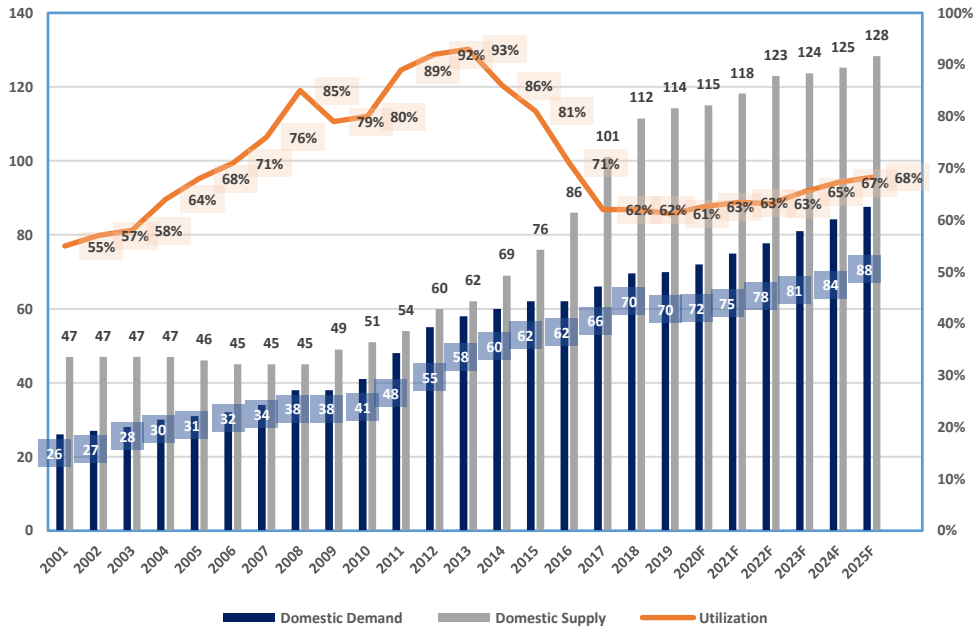
Birchwood Omnia Ltd	51%
Public	49%

USD/ IDR – YE (IDR)

2019	14,390
2020F (6m-avg)	14,713

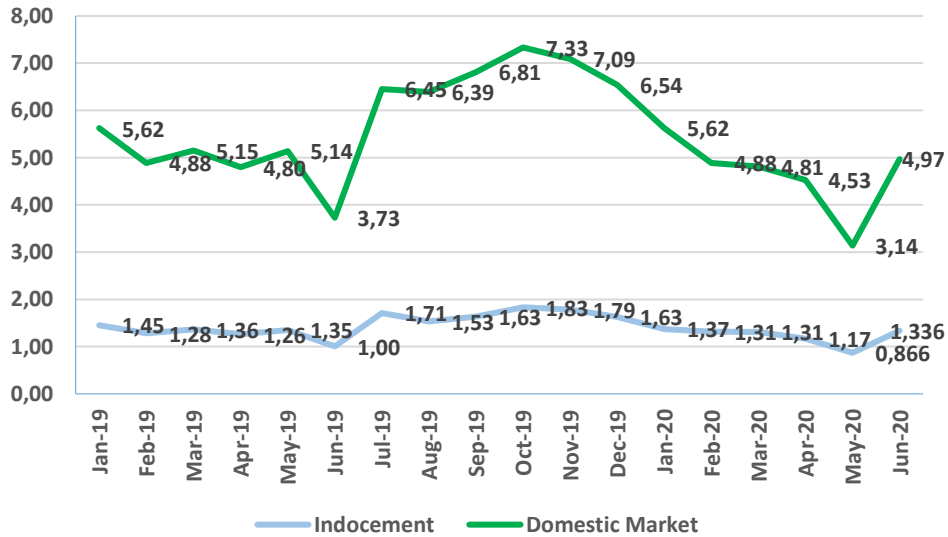
Analyst
eka.rahmah@binaartha.com

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



Source: company

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



Source: company

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2016A	2017A	2018A	2019A	2020F	2021F
Revenue	15.362	14.431	15.190	15.939	14.068	15.353
Cost of revenue	-9.030	-9.423	-10.821	-10.439	-9.609	-10.363
Gross Profit	6.331	5.008	4.369	5.500	4.460	4.990
Operating Expense	-2.687	-3.133	-3.295	-3.595	-2.954	-2.917
Operating Profit	3.645	1.875	1.074	1.905	1.505	2.073
Other Income	502	413	327	370	295	384
Profit Before Tax	4.146	2.288	1.401	2.275	1.801	2.456
Taxes	-276	-428	-255	-440	-234	-467
NIAT	3.870	1.860	1.146	1.835	1.567	1.990
Non-controlling Interest	0	0	0	0	0	0
Net Income	3.870	1.860	1.146	1.835	1.567	1.990
EPS (In IDR)	1.051	505	311	499	426	540
EBITDA	5.151	3.480	2.699	3.483	3.021	3.778

Source: company & 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	1.567	1.990
Depreciation	993	1.178	1.280	1.201	1.201	1.303
Change in WC	228	454	-55	-140	-94	47
Cash From Operating Activities	5.091	3.492	2.370	2.896	2.674	3.340
Capex	-2.215	-1.433	-772	-606	-2.342	-2.654
Cash From Investing Activities	-2.215	-1.433	-772	-606	-2.342	-2.654
Long-term liabilities	87	21	-239	17	-24	51
Others Noncurrent Liabilities	-347	-17	52	95	1	15
Equity	-1.598	-3.442	-2.481	-1.977	-649	-1.206
Cash From Financing Activities	-1.858	-3.438	-2.668	-1.864	-671	-1.140
Net Changes in Cash	1.018	-1.379	-1.069	426	-340	-455
Beginning Balance	8.656	9.674	8.295	7.226	7.652	7.312
Ending Balance	9.674	8.295	7.226	7.652	7.312	6.857

Source: company & Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2016A	2017A	2018A	2019A	2020F	2021F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	9.674	8.295	7.226	7.652	7.312	6.857
Trade Accounts Receivable	2.605	2.504	2.993	3.090	2.581	2.691
Inventories	1.780	1.769	1.838	1.895	1.829	1.890
Others Current Assets	365	316	260	193	310	384
Total Current Assets	14.425	12.883	12.316	12.829	12.032	11.822
NONCURRENT ASSETS						
Fixed Assets	14.644	14.979	14.637	14.080	15.281	16.584
Other Noncurrent Assets	1.082	1.001	836	798	739	788
Total Noncurrent Assets	15.726	15.981	15.473	14.878	16.020	17.371
TOTAL ASSETS	30.151	28.864	27.789	27.708	28.051	29.193
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term liability	106	141	182	189	281	307
Trade Account Payable	2.126	2.207	2.578	2.516	1.970	2.149
Others Current Liabilities	956	1.131	1.165	1.169	1.071	1.157
Total Current Liabilities	3.188	3.479	3.926	3.873	3.322	3.614
NONCURRENT LIABILITIES						
Long-term liability	787	808	569	586	563	614
Others Noncurrent Liabilities	37	20	72	168	169	184
Total Noncurrent Liabilities	824	828	641	754	732	798
TOTAL LIABILITIES	4.012	4.307	4.567	4.627	4.053	4.412
Non-controlling interest	0	0	0	0	0	0
EQUITY	26.139	24.557	23.222	23.080	23.998	24.781
TOTAL LIABILITIES & EQUITY	30.151	28.864	27.789	27.708	28.051	29.193

Source: company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2016A	2017A	2018A	2019A	2020F	2021F
Revenue	-13,69%	-6,06%	5,26%	4,93%	-11,74%	9,13%
OP	-27,93%	-48,56%	-42,71%	77,36%	-20,98%	37,68%
EBITDA	-22,16%	-32,44%	-22,44%	29,05%	-13,27%	25,08%
NP	-11,16%	-51,95%	-38,38%	60,16%	-14,64%	27,00%
EPS	-11,16%	-51,95%	-38,38%	60,16%	-14,64%	27,00%
Profitability						
GPM(%)	41,22%	34,70%	28,76%	34,51%	31,70%	32,50%
Operating Margin(%)	23,72%	12,99%	7,07%	11,95%	10,70%	13,50%
EBITDA margin(%)	33,53%	24,12%	17,77%	21,85%	21,47%	24,61%
NET Profit margin(%)	25,19%	12,89%	7,54%	11,51%	11,14%	12,96%
ROA(%)	12,84%	6,44%	4,12%	6,62%	5,58%	6,82%
ROE(%)	14,81%	7,57%	4,93%	7,95%	6,53%	8,03%
Stability						
Tot debt/ equity (x)	0,153	0,175	0,197	0,200	0,169	0,178
Int. Coverage (x)	327	132	61	237	80	104
Current Ratio (X)	4,53	3,70	3,14	3,31	3,62	3,27
Per Share data (IDR)						
EPS	1.051	505	311	499	426	540
BV	7.101	6.671	6.308	6.270	6.519	6.732
SPS	4.173	3.920	4.126	4.330	3.822	4.170
EBITDA/share	1.399	945	733	946	821	1.026

Source: company & 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
(62 21) 520 6678 ext. 611

Disclaimer; PT Binaartha Sekuritas has compiled this report in good faith, using information believed to be reliable. PT Binaartha Sekuritas and its analysts take no responsibility for the accuracy of the information contained in this report. This report has been produced for distribution to clients of PT Binaartha Sekuritas only. This report is not an invitation to buy or sell any security. PT Binaartha Sekuritas may have used the information in this report prior to publication. The company or its clients may have positions in or may from time to time buy or sell the securities mentioned in this report or other related securities.