

PT. Indocement Tunggul Prakarsa Tbk.

SELL

Investment Consideration

2017FY Result

- During 2017FY INTP booked revenue of IDR 14.43 trillion a decrease of -6.1% yoy, 0.9% lower than our forecast for 2017F at IDR 14.56 trillion. Operating profit decreased -48.6% yoy to IDR 1.87 trillion, caused operating margin to drop to 13% in 2017 from 23% the previous year. Net profit fell -51.9% to IDR 1.86 trillion, lower than our forecast of IDR 2 trillion.
- The decrease in operating margin is in line with decreased revenue, tight competition, lower demand and the oversupply situation.
- Coal price increases caused higher production costs (+4.4%yoy).

Sales volume grew in 1Q2018

- INTP sales volume grew in the first quarter of 2018 by +9.8% to 4.1 million tons with +3.9% growth in bag and +31.1% growth in bulk.
- Bulk sales grew as private contractors take part in infrastructure projects and allow INTP to take a higher percentage of supply to these project.
- INTP Market share in Indonesia increased from 25.8% in March 2017 to 26.7% in March 2018. The improvement on market shares came from Jakarta, Banten, Central Java, West Java areas.
- As an adjustment from 1Q2018 sales volume INTP, we expect an improvement for sales volume in 2018. We are targeting INTP revenue in 2018 can reach IDR 15.5 trillion or 7% growth.

Valuation: Maintain SELL with Increasing TP 18,620

- Using DCF valuation with WACC at 12.01%, we are targeting INTP to trade at 33x 2018F PE within a year.
- Target Price is IDR 18,620 which represents -6.2% downside. SELL.

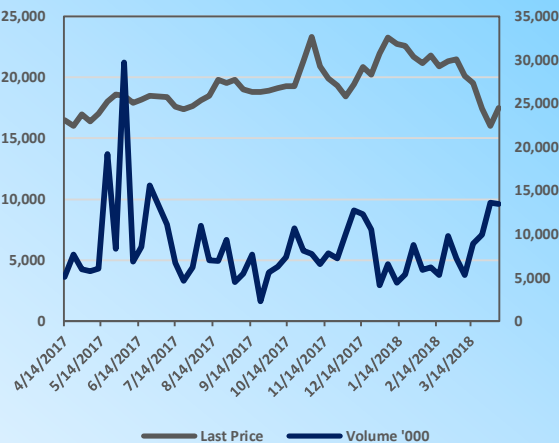
Financial Highlights	2013A	2014A	2015A	2016A	2017A	2018F	2019F
Revenue (IDR Bn)	18,693	19,996	17,798	15,362	14,431	15,501	16,560
EBITDA (IDR Bn)	7,458	7,689	6,618	5,151	3,480	3,789	4,012
Net Profit (IDR Bn)	5,014	5,274	4,357	3,870	1,860	2,059	2,200
EPS (IDR)	1,362	1,433	1,183	1,051	505	559	598
EBITDA Margin (%)	40%	38%	37%	34%	24%	24%	24%
ROE (%)	18.85%	18.26%	15.76%	12.84%	6.44%	6.75%	6.90%
ROA (%)	21.82%	21.28%	18.25%	14.81%	7.57%	8.08%	8.30%

12 April 2018
Basic Industry – Cement

Price IDR 19,850

Target Price IDR 18,620

JKSE Index 6,360.932



Stock Information

Bloomberg Code	INTP IJ
Market Cap (IDR bn)	69,575.3
52-week high (IDR)	23,950
52-week low (IDR)	15,550
Shares issued (mn)	3,681.2
6-m avg. daily Val (IDR)	20,448
Free float	49%

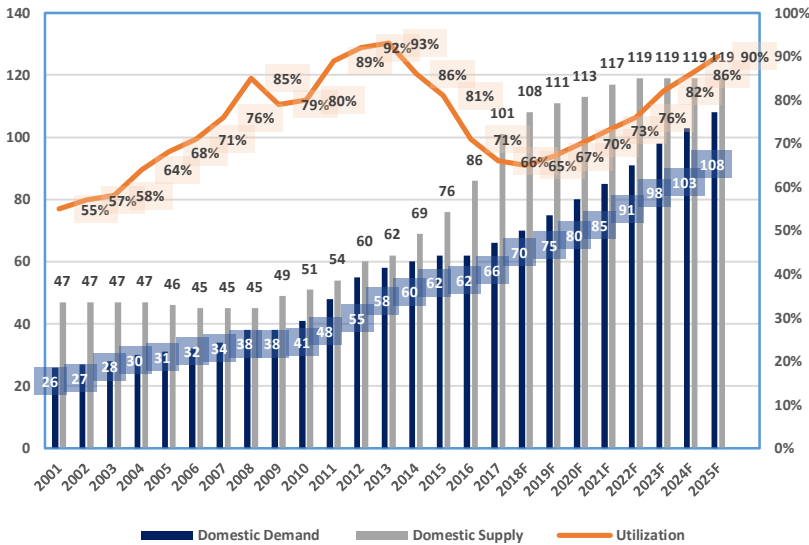
Major share holders

Birchwood Omnia Ltd	51%
Public	49%

USD/ IDR – YE (IDR)

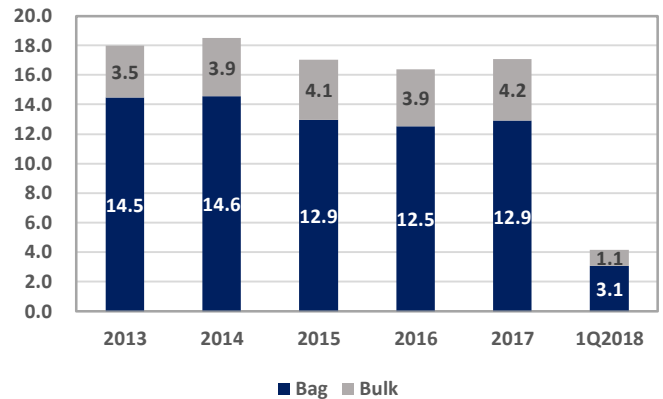
2017	13,480
2018F (6m-avg)	13,439

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



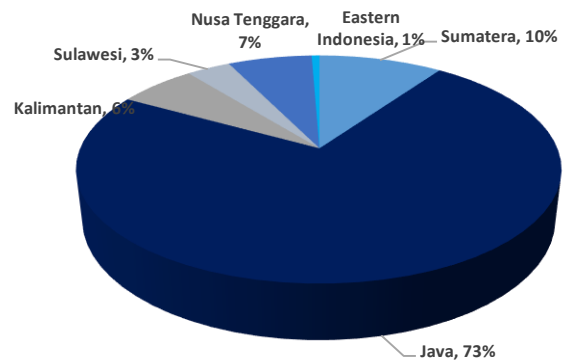
Source: company

chart: Bulk and Bag Sales Volume YoY in Million Tons



Source: company

chart: Sales Volume Breakdown by Area March YTD 2018



Source: company

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2013A	2014A	2015A	2016A	2017A	2018F	2019F
Revenue	18,693	19,996	17,798	15,362	14,431	15,501	16,560
Cost of revenue	(10,037)	(10,910)	(9,889)	(9,030)	(9,423)	(10,153)	(10,847)
Gross Profit	8,657	9,087	7,909	6,331	5,008	5,348	5,713
Operating Expense	(2,591)	(3,112)	(2,852)	(2,687)	(3,133)	(3,255)	(3,478)
Operating Profit	6,066	5,975	5,057	3,645	1,875	2,093	2,236
Other Income	531	815	588	502	413	450	480
Profit Before Tax	6,597	6,790	5,645	4,146	2,288	2,542	2,716
Taxes	(1,583)	(1,516)	(1,288)	(276)	(428)	(483)	(516)
NIAT	5,014	5,274	4,357	3,870	1,860	2,059	2,200
Non-controlling Interest	0	0	0	0	0	0	0
Net Income	5,014	5,274	4,357	3,870	1,860	2,059	2,200
EPS (In IDR)	1,362	1,433	1,183	1,051	505	559	598
EBITDA	7,458	7,689	6,618	5,151	3,480	3,789	4,012

Source: company & Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2013A	2014A	2015A	2016A	2017A	2018F	2019F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	12,595	11,256	8,656	9,674	8,295	9,366	8,683
Trade Accounts Receivable	2,519	2,671	2,535	2,605	2,504	2,015	2,548
Inventories	1,474	1,666	1,609	1,780	1,769	1,522	1,690
Others Current Assets	259	494	335	365	316	310	331
Total Current Assets	16,846	16,087	13,134	14,425	12,883	13,214	13,253
NONCURRENT ASSETS							
Fixed Assets	9,305	12,144	13,814	14,644	14,979	16,205	17,479
Other Noncurrent Assets	456	655	691	1,082	1,001	1,075	1,149
Total Noncurrent Assets	9,761	12,798	14,505	15,726	15,981	17,280	18,628
TOTAL ASSETS	26,607	28,885	27,638	30,151	28,864	30,494	31,881
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term liability	94	123	114	106	141	194	207
Trade Account Payable	1,500	1,767	1,641	2,126	2,207	2,635	2,815
Others Current Liabilities	1,147	1,371	933	956	1,131	1,318	1,408
Total Current Liabilities	2,740	3,261	2,688	3,188	3,479	4,147	4,430
NONCURRENT LIABILITIES							
Long-term liability	334	377	700	787	808	831	908
Others Noncurrent Liabilities	556	463	385	37	20	30	27
Total Noncurrent Liabilities	889	840	1,085	824	828	861	935
TOTAL LIABILITIES	3,630	4,100	3,772	4,012	4,307	5,007	5,365
Non-controlling interest	0	0	0	0	0	0	0
EQUITY	22,978	24,785	23,866	26,139	24,557	25,486	26,516
TOTAL LIABILITIES & EQUITY	26,607	28,885	27,638	30,151	28,864	30,494	31,881

Source: company & Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2013A	2014A	2015A	2016A	2017A	2018F	2019F
Net Income	5,014	5,274	4,357	3,870	1,860	2,059	2,200
Depreciation	809	878	946	993	1,178	1,225	1,274
Change in WC	176	(59)	(220)	228	454	1,408	(439)
Cash From Operating Activities	5,999	6,093	5,082	5,091	3,492	4,693	3,035
Capex	(2,395)	(3,915)	(2,652)	(2,215)	(1,433)	(2,525)	(2,622)
Cash From Investing Activities	(2,395)	(3,915)	(2,652)	(2,215)	(1,433)	(2,525)	(2,622)
Long-term liabilities	41	43	323	87	21	23	76
Others Noncurrent Liabilities	(69)	(93)	(78)	(347)	(17)	9	(2)
Equity	(1,455)	(3,467)	(5,276)	(1,598)	(3,442)	(1,129)	(1,170)
Cash From Financing Activities	(1,484)	(3,517)	(5,030)	(1,858)	(3,438)	(1,097)	(1,096)
Net Changes in Cash	2,121	(1,339)	(2,601)	1,018	(1,379)	1,071	(683)
Beginning Balance	10,474	12,595	11,256	8,656	9,674	8,295	9,366
Ending Balance	12,595	11,256	8,656	9,674	8,295	9,366	8,683

Source: company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2013A	2014A	2015A	2016A	2017A	2018F	2019F
Revenue	8.11%	6.97%	-10.99%	-13.69%	-6.06%	7.42%	6.83%
OP	3.22%	-1.50%	-15.37%	-27.93%	-48.56%	11.62%	6.83%
EBITDA	0.79%	3.11%	-13.94%	-22.16%	-32.44%	8.87%	5.90%
NP	5.27%	5.18%	-17.39%	-11.16%	-51.95%	10.72%	6.83%
EPS	5.27%	5.18%	-17.39%	-11.16%	-51.95%	10.72%	6.83%
Profitability							
Operating Margin(%)	32.45%	29.88%	28.41%	23.72%	12.99%	13.50%	13.50%
EBITDA margin(%)	39.89%	38.45%	37.18%	33.53%	24.12%	24.44%	24.23%
NET Profit margin(%)	26.82%	26.37%	24.48%	25.19%	12.89%	13.28%	13.28%
ROA(%)	18.85%	18.26%	15.76%	12.84%	6.44%	6.75%	6.90%
ROE(%)	21.82%	21.28%	18.25%	14.81%	7.57%	8.08%	8.30%
Stability							
Tot debt/ equity (x)	0.158	0.165	0.158	0.153	0.175	0.196	0.202
Int. Coverage (x)	98	245	164	327	132	97	98
Current Ratio (X)	6.15	4.93	4.89	4.53	3.70	3.19	2.99
Per Share data (IDR)							
EPS	1,362	1,433	1,183	1,051	505	559	598
BV	6,242	6,733	6,483	7,101	6,671	6,923	7,203
SPS	5,078	5,432	4,835	4,173	3,920	4,211	4,498
EBITDA/share	2,026	2,089	1,798	1,399	945	1,029	1,090

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
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