

PT. Indocement Tunggal Prakarsa Tbk.

24 March 2020
Basic Industry – Cement

Price IDR 10,400

Target Price IDR 15,800

JKSE Index 3,989.517



Stock Information

Bloomberg Code	INTP IJ
Market Cap (IDR bn)	39,389
52-week high (IDR)	22,875
52-week low (IDR)	8,650
Shares issued (mn)	3,681.2
6-m avg. daily Val (IDR)	17,921
Free float	49%

Major share holders

Birchwood Omnia Ltd	51%
Public	49%

USD/ IDR – YE (IDR)

2019	13,970
2020F (6m-avg)	13,654

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Investment Consideration

BUY

2019FY: Higher profit

- INTP booked net revenue of IDR 15.94 trillion in 2019 +4.9% YoY led by a price recovery which started in the 2nd semester of 2018.
- INTP also managed their cost of revenue through various strategies.
- Cost of revenues decreased -3,5% YoY from lower coal prices, higher usage of low-calorific value (LCV) coal, and higher usage of alternative fuels; fuel costs decreased -10,1% YoY.
- Gross profit grew 26% YoY to IDR 5.5 trillion from IDR 4.37 trillion in 2018 and the gross profit margin improved from 28.8% in 2018 to 34.5% in 2019.
- Operating profit rose +77.3% YoY to IDR 1.9 trillion from IDR 1.07 trillion and the operating profit margin improved to 11.9% from 7.1% in 2018.
- INTP net profit was up +60.2% YoY to IDR 1.83 trillion, from IDR 1.14 trillion in 2018 and the net profit margin also improved from 7.5% to 11.5%.
- Good results in 2019FY were driven by a better average price, higher sales volume, and well managed fixed costs. We estimate 2020F, INTP bottom line profit will reach IDR 1.95 trillion.

February Volume Negative

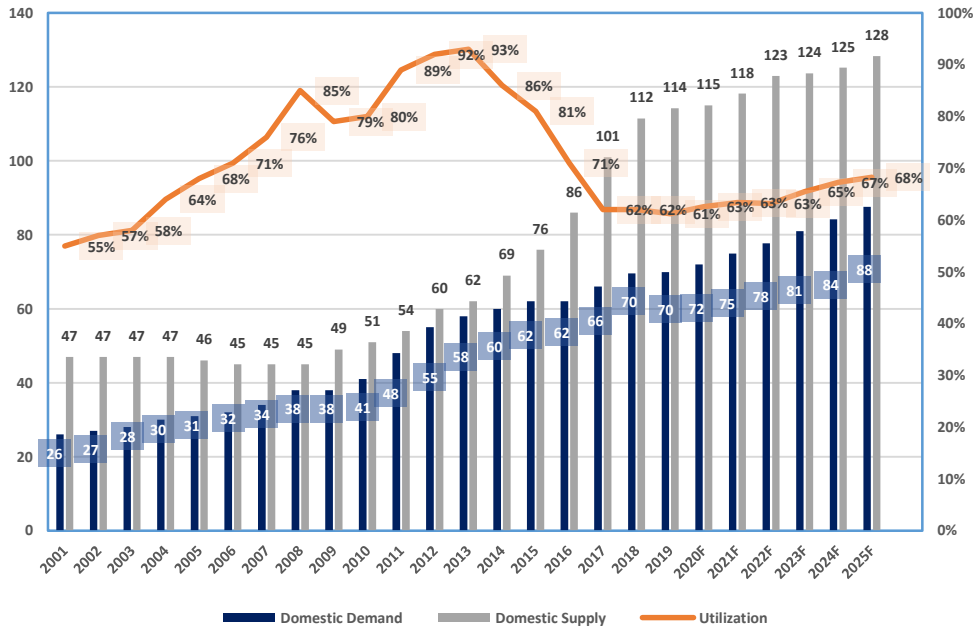
- In February 2020, the cement industry was still in the low season due to prolonged rains. Domestic cement sales YTD decreased -4,0% YoY to 4.64 million tons.
- For the month of February, domestic cement sales decreased slightly by -0.1% YoY to 4,87 million tons.
- INTP cement sales volume YTD decreased -12.4% YoY to 2.68 million ton from 3.06 million tons in 2018. In February only, INTP sold 1,31 million tons or a decrease of -7.5% YoY.
- We expect 1Q2020 cement demand will slow further from the impact of the COVID-19 virus plus heavy rainfall. We have revised our forecast from moderate growth to negative growth for cement demand in 2020F.

Valuation: Upgrade to BUY with TP 15,800

- We are targeting INTP to trade at 30x 2020F PE within a year. Target Price is IDR 15,800 which represents +52% upside.
- We are upgrading our target to BUY from HOLD, as INTP price is now at the lowest level since 2009 and we believe the fundamental outlook is still promising.

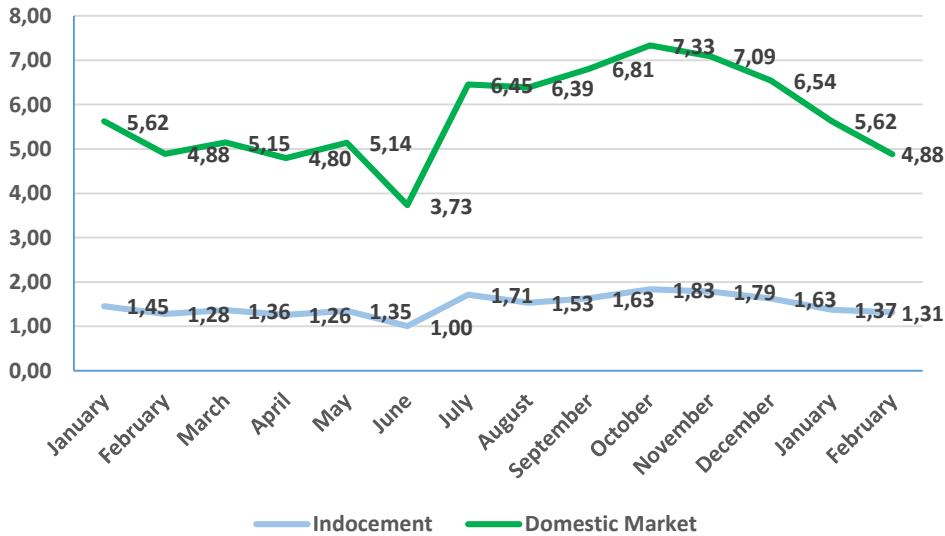
Financial Highlights	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (IDR Bn)	17.798	15.362	14.431	15.190	15.939	16.398	17.315
EBITDA (IDR Bn)	6.618	5.151	3.480	2.699	3.483	3.631	3.866
Net Profit (IDR Bn)	4.357	3.870	1.860	1.146	1.835	1.945	2.054
GPM (%)	44,4%	41,2%	34,7%	28,8%	34,5%	35,0%	35,0%
NPM (%)	24,5%	25,2%	12,9%	7,5%	11,5%	11,9%	11,9%
EPS (IDR)	1.183	1.051	505	311	499	528	558
ROE (%)	15,76%	12,84%	6,44%	4,12%	6,62%	6,77%	6,84%
ROA (%)	18,25%	14,81%	7,57%	4,93%	7,95%	8,11%	8,23%

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



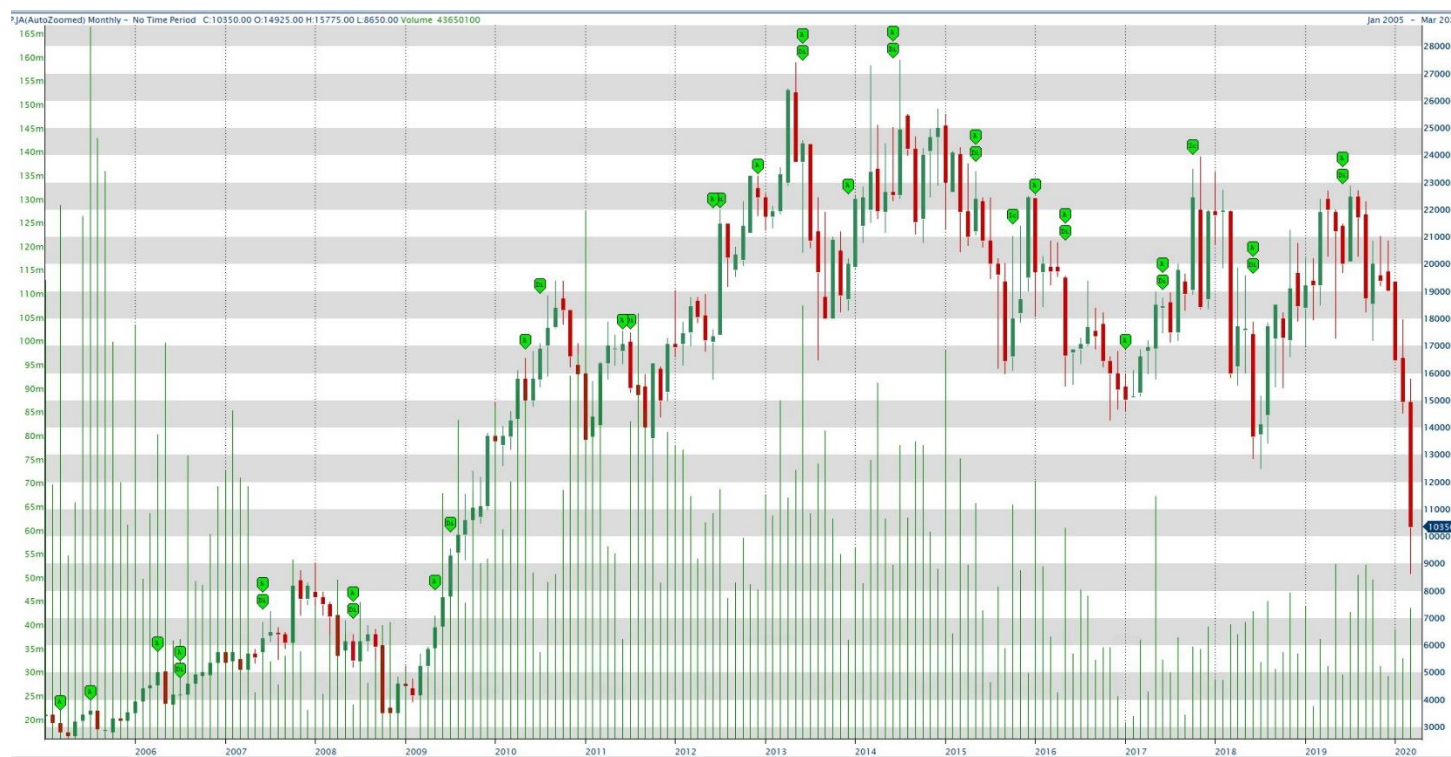
Source: company

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



Source: company

chart: INTP Shares Price YoY



Source: Cogencis

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Revenue	17.798	15.362	14.431	15.190	15.939	16.398	17.315
Cost of revenue	-9.889	-9.030	-9.423	-10.821	-10.439	-10.659	-11.255
Gross Profit	7.909	6.331	5.008	4.369	5.500	5.739	6.060
Operating Expense	-2.852	-2.687	-3.133	-3.295	-3.595	-3.706	-3.913
Operating Profit	5.057	3.645	1.875	1.074	1.905	2.033	2.147
Other Income	588	502	413	327	370	377	398
Profit Before Tax	5.645	4.146	2.288	1.401	2.275	2.411	2.545
Taxes	-1.288	-276	-428	-255	-440	-465	-491
NIAT	4.357	3.870	1.860	1.146	1.835	1.945	2.054
Non-controlling Interest	0	0	0	0	0	0	0
Net Income	4.357	3.870	1.860	1.146	1.835	1.945	2.054
EPS (In IDR)	1.183	1.051	505	311	499	528	558
EBITDA	6.618	5.151	3.480	2.699	3.483	3.631	3.866

Source: company & Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	8.656	9.674	8.295	7.226	7.652	7.429	7.276
Trade Accounts Receivable	2.535	2.605	2.504	2.993	3.090	3.009	3.035
Inventories	1.609	1.780	1.769	1.838	1.895	1.865	1.969
Others Current Assets	335	365	316	260	193	279	267
Total Current Assets	13.134	14.425	12.883	12.316	12.829	12.582	12.547
NONCURRENT ASSETS							
Fixed Assets	13.814	14.644	14.979	14.637	14.080	15.281	16.584
Other Noncurrent Assets	691	1.082	1.001	836	798	862	888
Total Noncurrent Assets	14.505	15.726	15.981	15.473	14.878	16.142	17.472
TOTAL ASSETS	27.638	30.151	28.864	27.789	27.708	28.725	30.019
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term liability	114	106	141	182	189	195	206
Trade Account Payable	1.641	2.126	2.207	2.578	2.516	2.537	2.749
Others Current Liabilities	933	956	1.131	1.165	1.169	1.248	1.305
Total Current Liabilities	2.688	3.188	3.479	3.926	3.873	3.980	4.260
NONCURRENT LIABILITIES							
Long-term liability	700	787	808	569	586	574	606
Others Noncurrent Liabilities	385	37	20	72	168	173	182
Total Noncurrent Liabilities	1.085	824	828	641	754	747	788
TOTAL LIABILITIES	3.772	4.012	4.307	4.567	4.627	4.727	5.049
Non-controlling interest	0	0	0	0	0	0	0
EQUITY	23.866	26.139	24.557	23.222	23.080	23.998	24.971
TOTAL LIABILITIES & EQUITY	27.638	30.151	28.864	27.789	27.708	28.725	30.019

Source: company & Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Net Income	4.357	3.870	1.860	1.146	1.835	1.945	2.054
Depreciation	946	993	1.178	1.280	1.201	1.201	1.303
Change in WC	-220	228	454	-55	-140	131	163
Cash From Operating Activities	5.082	5.091	3.492	2.370	2.896	3.277	3.520
Capex	-2.652	-2.215	-1.433	-772	-606	-2.465	-2.633
Cash From Investing Activities	-2.652	-2.215	-1.433	-772	-606	-2.465	-2.633
Long-term liabilities	323	87	21	-239	17	-12	32
Others Noncurrent Liabilities	-78	-347	-17	52	95	5	10
Equity	-5.276	-1.598	-3.442	-2.481	-1.977	-1.028	-1.081
Cash From Financing Activities	-5.030	-1.858	-3.438	-2.668	-1.864	-1.035	-1.040
Net Changes in Cash	-2.601	1.018	-1.379	-1.069	426	-223	-153
Beginning Balance	11.256	8.656	9.674	8.295	7.226	7.652	7.429
Ending Balance	8.656	9.674	8.295	7.226	7.652	7.429	7.276

Source: company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Revenue	-10,99%	-13,69%	-6,06%	5,26%	4,93%	2,88%	5,59%
OP	-15,37%	-27,93%	-48,56%	-42,71%	77,36%	6,74%	5,59%
EBITDA	-13,94%	-22,16%	-32,44%	-22,44%	29,05%	4,24%	6,47%
NP	-17,39%	-11,16%	-51,95%	-38,38%	60,16%	5,99%	5,59%
EPS	-17,39%	-11,16%	-51,95%	-38,38%	60,16%	5,99%	5,59%
Profitability							
GPM(%)	44,44%	41,22%	34,70%	28,76%	34,51%	35,00%	35,00%
Operating Margin(%)	28,41%	23,72%	12,99%	7,07%	11,95%	12,40%	12,40%
EBITDA margin(%)	37,18%	33,53%	24,12%	17,77%	21,85%	22,14%	22,33%
NET Profit margin(%)	24,48%	25,19%	12,89%	7,54%	11,51%	11,86%	11,86%
ROA(%)	15,76%	12,84%	6,44%	4,12%	6,62%	6,77%	6,84%
ROE(%)	18,25%	14,81%	7,57%	4,93%	7,95%	8,11%	8,23%
Stability							
Tot debt/ equity (x)	0,158	0,153	0,175	0,197	0,200	0,197	0,202
Int. Coverage (x)	164	327	132	61	237	99	117
Current Ratio (X)	4,89	4,53	3,70	3,14	3,31	3,16	2,95
Per Share data (IDR)							
EPS	1.183	1.051	505	311	499	528	558
BV	6.483	7.101	6.671	6.308	6.270	6.519	6.783
SPS	4.835	4.173	3.920	4.126	4.330	4.455	4.704
EBITDA/share	1.798	1.399	945	733	946	986	1.050

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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