

PT. Indocement Tunggal Prakarsa Tbk.

HOLD

25 August 2022
Basic Industry – Cement

Price	IDR	9,500
Target Price	IDR	10,870
JKSE Index		7,194.706



Stock Information

Bloomberg Code	INTP JJ
Market Cap (IDR bn)	34,235
52-week high (IDR)	12,950
52-week low (IDR)	8,975
Shares issued (mn)	3,681.2
Free float	49%

Major share holders

Birchwood Omnia Ltd	51%
Public	49%

USD/ IDR – YE (IDR)

2021	14,310
2022F (6m-avg)	14,885

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Investment Consideration

Sales contraction continues

- Despite a slight increase in domestic cement sales volume, INTP booked lower sales in 1H2022. Domestic cement sales grew +1.2% YoY to 29.36 million tons with a contraction in bag volume of -4% but strong growth of bulk sales of +21%.
- INTP's total sales volume contracted -6.2% YoY to 7.68 mt, while INTP's domestic sales volume contracted -5.6%. Export sales volume also dropped -25.9% YoY. In June INTP increased prices again for bag products due to the higher coal price, causing INTP's bag sales to contract more than the market, -10% compared to the market -7.9%.
- In July 2022, domestic sales volume continued to contract by -4.8% led by a contraction in the bag market of -10.2% YoY due to the price increases by other players. However, bulk sales did grow by +13.4% YoY.
- INTP sales also contracted by -5.6% YoY with bag sales down -10.3% while bulk sales grew by +11.9%.
- We maintain our forecast for positive sales volume growth in 2022FY as domestic demand is likely to recover with the bulk market expected to continue to growth inline with spending on infrastructure projects which has started in 2H 2022. But the market will remain overshadowed by rising costs such as higher coal prices..

2Q2022: Profit Drop

- INTP's profit and margins continued to be depressed by higher energy costs. In 2Q2022, INTP's revenue increased by +4% YoY but was lower -6% QoQ to IDR 3.35 due to the volume decline. For 1H2022, INTP revenue still grew +4% YoY to IDR 6.91 trillion.
- Energy costs rose +26% YoY to IDR 1.13 trillion in 2Q2022 due to the spike in coal prices. This resulted in a cost of revenue increase of +14% YoY. For 1H2022, fuel and power costs rose +39.6% YoY.
- This resulted in a gross profit decrease of -19% YoY to IDR 808 billion with a lower GPM of 24.1%.
- INTP net profit in 2Q2022 dropped by -54% YoY to IDR 109 billion. This resulted in a lower NPM of 3.3% from 7.3% in 2Q2021.
- After twice increasing prices in 1H2022 to mitigate margin contraction, INTP plans to raise the price again in 2H2022 to offset higher coal prices.
- As the 2Q2022 result was bellow our expectation, we revise our 2022F profit forecast to IDR 1.11 trillion which is a decrease of -38% YoY.

Valuation: Maintain to HOLD with TP 10,870

- We are now targeting INTP to trade at 33x 2023F PE within a year. Target Price is IDR 10,870 which represents +14% upside. We recommend to HOLD.

Financial Highlights	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Revenue (IDR Bn)	14.431	15.190	15.939	14.184	14.772	16.374	17.836
EBITDA (IDR Bn)	3.480	2.699	3.483	3.317	3.339	2.495	2.698
Net Profit (IDR Bn)	1.860	1.146	1.835	1.806	1.788	1.113	1.213
GPM (%)	34,7%	28,8%	34,5%	36,1%	34,7%	28,0%	28,0%
NPM (%)	12,9%	7,5%	11,5%	12,7%	12,1%	6,8%	6,8%
EPS (IDR)	505	311	499	491	486	302	329
ROE (%)	6,44%	4,12%	6,62%	6,61%	6,84%	4,00%	4,21%
ROA (%)	7,57%	4,93%	7,95%	8,15%	8,67%	4,82%	5,13%

Source: company & Binaartha

Table: Income Statement QoQ &YoY in IDR Billion

Income Statement (In IDR Bn)	1Q2022	2Q2022	QoQ	1H2021	1H2022	YoY	2Q2021	YoY
Revenue	3.558	3.353	-6%	6.667	6.911	4%	3.229	4%
Cost of revenue	-2.597	-2.545	-2%	-4.573	-5.142	12%	-2.234	14%
Gross Profit	960	808	-16%	2.094	1.769	-16%	995	-19%
Operating Expense	-754	-680	-10%	-1.452	-1.434	-1%	-748	-9%
Operating Profit	207	128	-38%	642	335	-48%	246	-48%
Other Income	23	10	-55%	89	33	-63%	45	-78%
Profit Before Tax	230	138	-40%	731	368	-50%	292	-53%
Taxes	-47	-29	-38%	-144	-76	-47%	-56	-48%
NIAT	183	109	-40%	587	292	-50%	235	-54%
Non-controlling Interest	0	0		0	0		0	
Net Income	183	109	-40%	587	292	-50%	235	-54%
EPS (In IDR)	50	30	-40%	0	0	-50%	64	-54%
GPM	27,0%	24,1%		31,4%	25,6%		30,8%	
OPM	5,8%	3,8%		9,6%	4,8%		7,6%	
NPM	5,1%	3,3%		8,8%	4,2%		7,3%	

Source: company

chart: Domestic Sales vs Indocement Sales 2019 – July 2022 in Million Tons

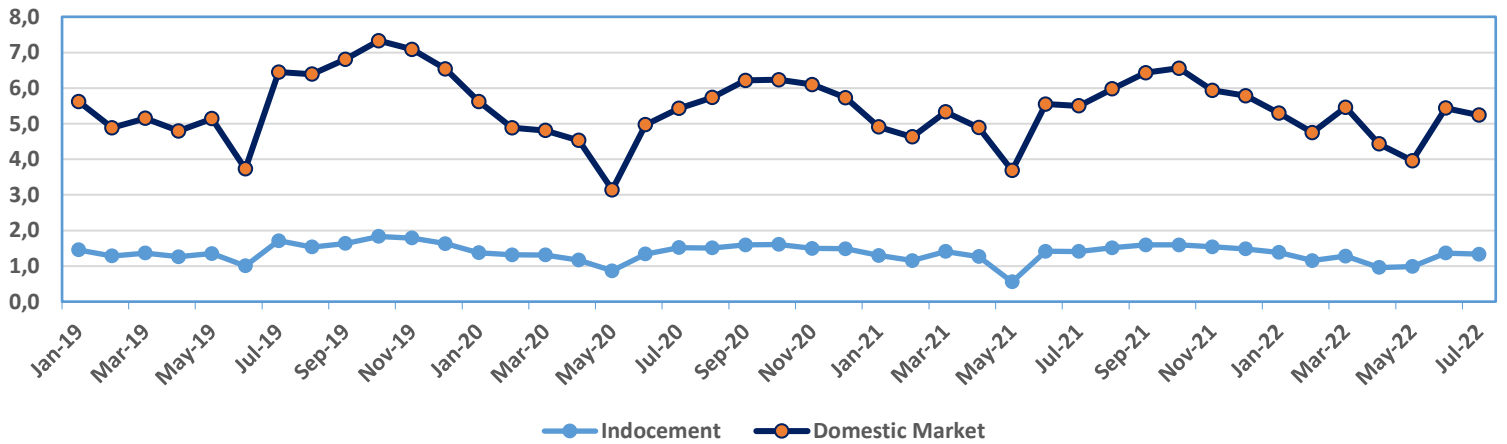


chart: Domestic Bag vs Bulk market in Million Tons

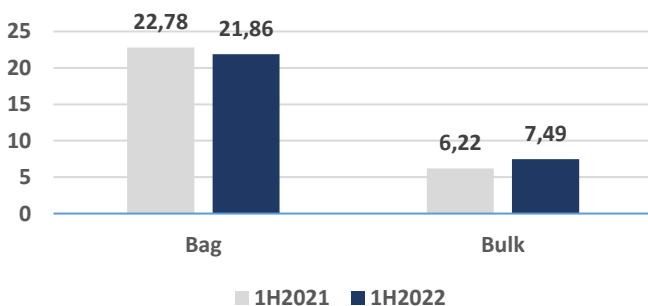
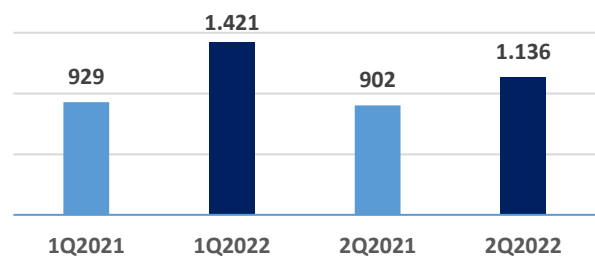


chart: Fuel and Energy Cost in IDR Billion



Source: company

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Revenue	14.431	15.190	15.939	14.184	14.772	16.374	17.836
Cost of revenue	-9.423	-10.821	-10.439	-9.071	-9.646	-11.789	-12.842
Gross Profit	5.008	4.369	5.500	5.114	5.126	4.585	4.994
Operating Expense	-3.133	-3.295	-3.595	-3.238	-3.055	-3.275	-3.567
Operating Profit	1.875	1.074	1.905	1.876	2.071	1.310	1.427
Other Income	413	327	370	272	163	82	89
Profit Before Tax	2.288	1.401	2.275	2.148	2.234	1.392	1.516
Taxes	-428	-255	-440	-342	-446	-278	-303
NIAT	1.860	1.146	1.835	1.806	1.788	1.113	1.213
Non-controlling Interest	0	0	0	0	0	0	0
Net Income	1.860	1.146	1.835	1.806	1.788	1.113	1.213
EPS (In IDR)	505	311	499	491	486	302	329
EBITDA	3.480	2.699	3.483	3.317	3.339	2.495	2.698

Source: company & Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Net Income	1.860	1.146	1.835	1.806	1.788	1.113	1.213
Depreciation	1.178	1.280	1.201	1.118	1.073	1.073	1.153
Change in WC	454	-55	-140	919	-163	-1.580	-190
Cash From Operating Activities	3.492	2.370	2.896	3.843	2.698	607	2.176
Change in Non-Current Asset	-1.433	-772	-606	-1.285	-827	-2.181	-2.351
Cash From Investing Activities	-1.433	-772	-606	-1.285	-827	-2.181	-2.351
Long-term liabilities	21	-239	17	-16	-61	47	50
Others Noncurrent Liabilities	-17	52	95	214	-23	296	58
Equity	-3.442	-2.481	-1.977	-2.710	-3.344	1.368	-656
Cash From Financing Activities	-3.438	-2.668	-1.864	-2.512	-3.428	1.712	-548
Net Changes in Cash	-1.379	-1.069	426	46	-1.556	138	-722
Beginning Balance	9.674	8.295	7.226	7.652	7.698	6.141	6.279
Ending Balance	8.295	7.226	7.652	7.698	6.141	6.279	5.557

Source: company & Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	8.295	7.226	7.652	7.698	6.141	6.279	5.557
Trade Accounts Receivable	2.504	2.993	3.090	2.621	2.587	2.865	3.121
Inventories	1.769	1.838	1.895	1.824	2.267	2.456	2.675
Others Current Assets	316	260	193	157	341	327	357
Total Current Assets	12.883	12.316	12.829	12.299	11.337	11.928	11.710
NONCURRENT ASSETS							
Fixed Assets	14.979	14.637	14.080	14.397	14.342	15.416	16.569
Other Noncurrent Assets	1.001	836	798	648	457	491	535
Total Noncurrent Assets	15.981	15.473	14.878	15.045	14.799	15.907	17.104
TOTAL ASSETS	28.864	27.789	27.708	27.345	26.136	27.835	28.814
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term liability	141	182	189	343	319	196	214
Trade Account Payable	2.207	2.578	2.516	2.319	2.955	1.801	1.962
Others Current Liabilities	1.131	1.165	1.169	1.553	1.373	1.523	1.659
Total Current Liabilities	3.479	3.926	3.873	4.216	4.647	3.520	3.835
NONCURRENT LIABILITIES							
Long-term liability	808	569	586	571	509	557	606
Others Noncurrent Liabilities	20	72	168	382	359	655	713
Total Noncurrent Liabilities	828	641	754	952	869	1.212	1.320
TOTAL LIABILITIES	4.307	4.567	4.627	5.168	5.515	4.732	5.155
Non-controlling interest	0	0	0	0	0	0	0
EQUITY	24.557	23.222	23.080	22.176	20.621	23.103	23.660
TOTAL LIABILITIES & EQUITY	28.864	27.789	27.708	27.345	26.136	27.835	28.814

Source: company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Revenue	-6,06%	5,26%	4,93%	-11,01%	4,14%	10,84%	8,93%
OP	-48,56%	-42,71%	77,36%	-1,53%	10,39%	-36,75%	8,93%
EBITDA	-32,44%	-22,44%	29,05%	-4,77%	0,65%	-25,27%	8,15%
NP	-51,95%	-38,38%	60,16%	-1,58%	-0,99%	-37,75%	8,93%
EPS	-51,95%	-38,38%	60,16%	-1,58%	-0,99%	-37,75%	8,93%
Profitability							
GPM(%)	34,70%	28,76%	34,51%	36,05%	34,70%	28,00%	28,00%
Operating Margin(%)	12,99%	7,07%	11,95%	13,23%	14,02%	8,00%	8,00%
EBITDA margin(%)	24,12%	17,77%	21,85%	23,39%	22,60%	15,24%	15,13%
NET Profit margin(%)	12,89%	7,54%	11,51%	12,73%	12,11%	6,80%	6,80%
ROA(%)	6,44%	4,12%	6,62%	6,61%	6,84%	4,00%	4,21%
ROE(%)	7,57%	4,93%	7,95%	8,15%	8,67%	4,82%	5,13%
Stability							
Tot debt/ equity (x)	0,175	0,197	0,200	0,233	0,267	0,205	0,218
Int. Coverage (x)	132	61	237	35	57	37	42
Current Ratio (X)	3,70	3,14	3,31	2,92	2,44	3,39	3,05
Per Share data (IDR)							
EPS	505	311	499	491	486	302	329
BV	6.671	6.308	6.270	6.024	5.602	6.276	6.427
SPS	3.920	4.126	4.330	3.853	4.013	4.448	4.845
EBITDA/share	945	733	946	901	907	678	733

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**.

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