

PT. Indocement Tunggal Prakarsa Tbk.

Investment Consideration

HOLD

2018FY Result: Better-than-expected

- INTP booked net revenue of IDR 16,92 trillion in 2018 +5.3% YoY. In line with growth in sales volume and a better ASP in 4Q2018. The achievement of 2018 was better-than our expectation of IDR 15.5 trillion.
- Cost of revenue increased +14.8% and depressed gross profit to IDR 4.37 trillion which is -12.7% YoY. Fuel and power costs were the biggest contributors at 45% of total cost of revenue and they increased +18% yoy in 2018.
- Operating expenses were slightly higher +5.2% YoY at IDR 3.3 trillion and so operating profit dropped -42.7% from IDR 1.87 trillion in 2017 to IDR 1.07 trillion in 2018.
- INTP booked a bottom line profit of IDR 1.15 trillion, which is a decrease of -38.4% YoY from IDR1.86 trillion in 2017. This is slightly higher than our expectation of IDR 1.14 trillion.
- For our 2019 forecasts, we expect INTP's bottom line will improve from a better ASP and higher sales volume. We forecast INTP bottom line will increase by +11.4% YoY to IDR 1.28 trillion in 2019.

January – February Cement Sales Flat

- INTP sales volume growth in January-February 2019 was slower than Industry domestic sales volume. INTP total sales volume was 2.7 million tons (mt), or negative growth of -0.9% compared to 2017, while Industry domestic sales volume of 10.5 million tons was flat YoY.
- INTP market share slightly decreased from 26.2% to 26.0%.
- We expect single digit growth of cement sales and an increases of ASP in 2019 as we expecting no new cement capacity (oversupply getting better). This will help INTP utilization to reach 67% in 2020F from 63% in 2017 and 2018.

Valuation: Upgrade to Hold with TP 21,400

- Using a DCF valuation with WACC at 10.8%, we are targeting INTP to trade at 61.7x 2019F PE within a year.
- Target Price is IDR 21,400 which represents +3.0% upside. HOLD.

Table: Income Statement YoY (in IDR Bn)

Income Statement (In IDR Bn)	2015A	2016A	2017A	2018A	2019F	2020F
Revenue	17,798	15,362	14,431	15,190	16,923	19,176
Cost of revenue	(9,889)	(9,030)	(9,423)	(10,821)	(12,184)	(13,807)
Gross Profit	7,909	6,331	5,008	4,369	4,738	5,369
Operating Expense	(2,852)	(2,687)	(3,133)	(3,295)	(3,672)	(4,161)
Operating Profit	5,057	3,645	1,875	1,074	1,066	1,208
Other Income	588	502	413	327	491	556
Profit Before Tax	5,645	4,146	2,288	1,401	1,557	1,764
Taxes	(1,288)	(276)	(428)	(255)	(280)	(318)
NIAT	4,357	3,870	1,860	1,146	1,277	1,447
Non-controlling Interest	0	0	0	0	0	0
Net Income	4,357	3,870	1,860	1,146	1,277	1,447
EPS (In IDR)	1,183	1,051	505	311	347	393
EBITDA	6,618	5,151	3,480	2,699	2,869	3,090

Source: company & Binaartha

26 March 2019
Basic Industry – Cement

Price IDR 20,775

Target Price IDR 21,400

JKSE Index 6,411.251



Stock Information

Bloomberg Code	INTP IJ
Market Cap (IDR bn)	64,329.5
52-week high (IDR)	21250
52-week low (IDR)	12,500
Shares issued (mn)	3,681.2
6-m avg. daily Val (IDR)	18,548
Free float	49%

Major share holders

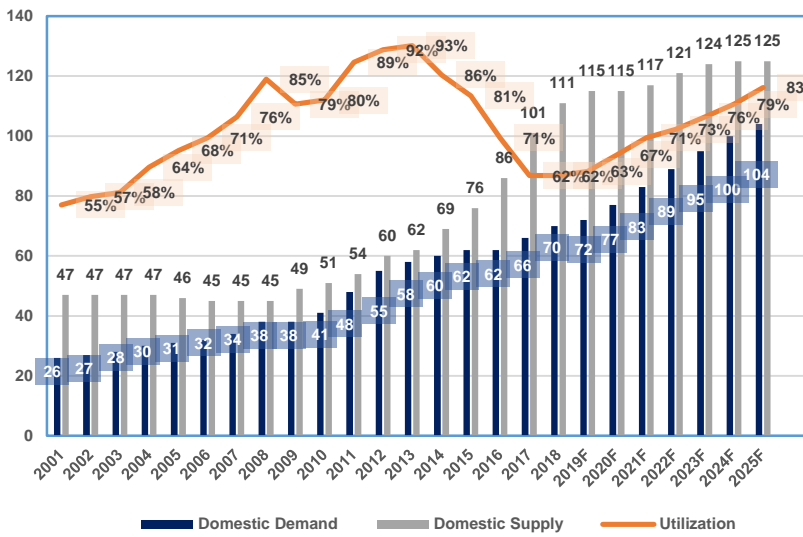
Birchwood Omnia Ltd	51%
Public	49%

USD/ IDR – YE (IDR)

2018	14,390
2019F (6m-avg)	14,228

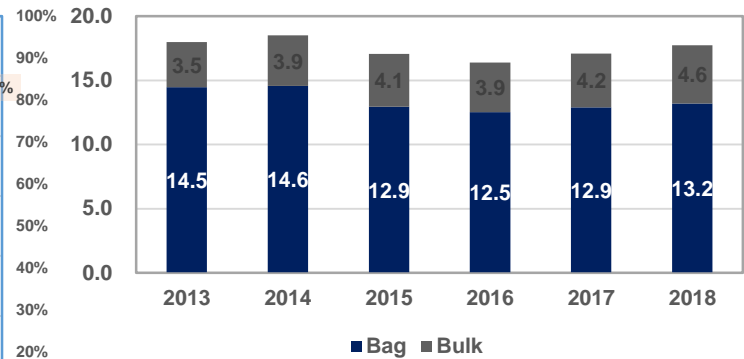
Analyst
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chart: Domestic Cement Industry Supply and Demand YoY in Million Tons



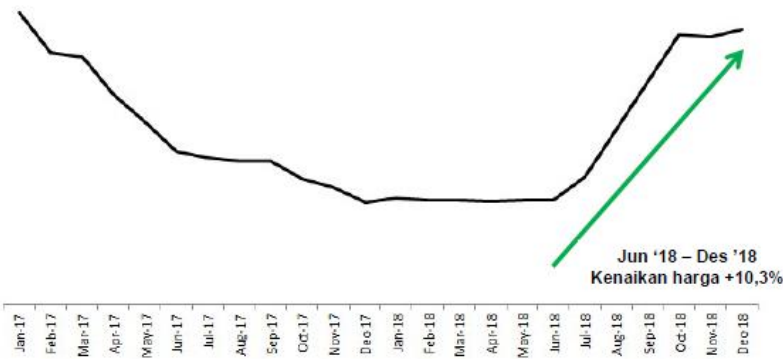
Source: company

chart: Bulk and Bag Sales Volume YoY in Million Tons



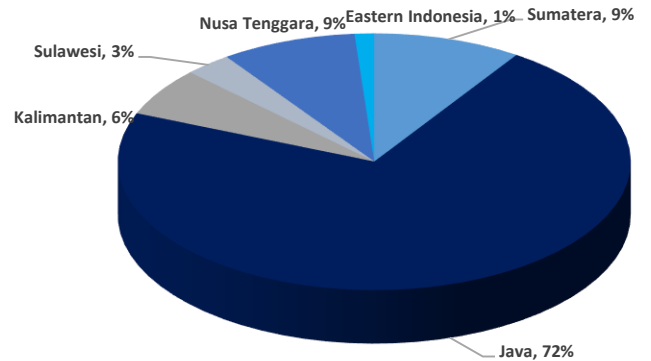
Source: company

chart: Tiga Roda ASP from January 2017 – Desember 2018



Source: company

chart: Sales Volume Breakdown by Area February YTD 2019



Source: company

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	11,256	8,656	9,674	8,295	7,226	6,835	5,993
Trade Accounts Receivable	2,671	2,535	2,605	2,504	2,993	3,046	3,452
Inventories	1,666	1,609	1,780	1,769	1,838	1,862	2,147
Others Current Assets	494	335	365	316	260	305	345
Total Current Assets	16,087	13,134	14,425	12,883	12,316	12,048	11,937
NONCURRENT ASSETS							
Fixed Assets	12,144	13,814	14,644	14,979	14,637	15,930	17,235
Other Noncurrent Assets	655	691	1,082	1,001	836	657	744
Total Noncurrent Assets	12,798	14,505	15,726	15,981	15,473	16,586	17,979
TOTAL ASSETS	28,885	27,638	30,151	28,864	27,789	28,634	29,916
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term liability	123	114	106	141	182	203	230
Trade Account Payable	1,767	1,641	2,126	2,207	2,578	2,623	2,972
Others Current Liabilities	1,371	933	956	1,131	1,165	1,298	1,471
Total Current Liabilities	3,261	2,688	3,188	3,479	3,926	4,124	4,673
NONCURRENT LIABILITIES							
Long-term liability	377	700	787	808	569	635	719
Others Noncurrent Liabilities	463	385	37	20	72	81	91
Total Noncurrent Liabilities	840	1,085	824	828	641	715	810
TOTAL LIABILITIES	4,100	3,772	4,012	4,307	4,567	4,839	5,483
Non-controlling interest	0	0	0	0	0	0	0
EQUITY	24,785	23,866	26,139	24,557	23,222	23,795	24,433
TOTAL LIABILITIES & EQUITY	28,885	27,638	30,151	28,864	27,789	28,634	29,916

Source: company & Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Net Income	5,274	4,357	3,870	1,860	1,146	1,277	1,447
Depreciation	878	946	993	1,178	1,280	1,292	1,305
Change in WC	(59)	(220)	228	454	(55)	76	(183)
Cash From Operating Activities	6,093	5,082	5,091	3,492	2,370	2,645	2,569
Capex	(3,915)	(2,652)	(2,215)	(1,433)	(772)	(2,406)	(2,698)
Cash From Investing Activities	(3,915)	(2,652)	(2,215)	(1,433)	(772)	(2,406)	(2,698)
Long-term liabilities	43	323	87	21	(239)	66	84
Others Noncurrent Liabilities	(93)	(78)	(347)	(17)	52	8	11
Equity	(3,467)	(5,276)	(1,598)	(3,442)	(2,481)	(704)	(808)
Cash From Financing Activities	(3,517)	(5,030)	(1,858)	(3,438)	(2,668)	(630)	(713)
Net Changes in Cash	(1,339)	(2,601)	1,018	(1,379)	(1,069)	(390)	(843)
Beginning Balance	12,595	11,256	8,656	9,674	8,295	7,226	6,835
Ending Balance	11,256	8,656	9,674	8,295	7,226	6,835	5,993

Source: company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Revenue	6.97%	-10.99%	-13.69%	-6.06%	5.26%	11.41%	13.32%
OP	-1.50%	-15.37%	-27.93%	-48.56%	-42.71%	-0.74%	13.32%
EBITDA	3.11%	-13.94%	-22.16%	-32.44%	-22.44%	6.29%	7.70%
NP	5.18%	-17.39%	-11.16%	-51.95%	-38.38%	11.41%	13.32%
EPS	5.18%	-17.39%	-11.16%	-51.95%	-38.38%	11.41%	13.32%
Profitability							
GPM(%)	45.44%	44.44%	41.22%	34.70%	28.76%	28.00%	28.00%
Operating Margin(%)	29.88%	28.41%	23.72%	12.99%	7.07%	6.30%	6.30%
EBITDA margin(%)	38.45%	37.18%	33.53%	24.12%	17.77%	16.95%	16.11%
NET Profit margin(%)	26.37%	24.48%	25.19%	12.89%	7.54%	7.54%	7.54%
ROA(%)	18.26%	15.76%	12.84%	6.44%	4.12%	4.46%	4.84%
ROE(%)	21.28%	18.25%	14.81%	7.57%	4.93%	5.37%	5.92%
Stability							
Tot debt/ equity (x)	0.165	0.158	0.153	0.175	0.197	0.203	0.224
Int. Coverage (x)	245	164	327	132	61	65	72
Current Ratio (X)	4.93	4.89	4.53	3.70	3.14	2.92	2.55
Per Share data (IDR)							
EPS	1,433	1,183	1,051	505	311	347	393
BV	6,733	6,483	7,101	6,671	6,308	6,464	6,637
SPS	5,432	4,835	4,173	3,920	4,126	4,597	5,209
EBITDA/share	2,089	1,798	1,399	945	733	779	839

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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