

PT. Indocement Tunggal Prakarsa Tbk.

BUY

Investment Consideration

October Volume Decline

- Domestic cement sales volume weakened -16.5% in October to 5.47 million tons with a contraction in bag volume of -22.6% but a slight increases in bulk sales of +2.5%. For January – October, domestic cement sales volume contracted -1.1% YoY with a contraction in bag sales volume of -6.6% and growth in bulk sales volume of +18.2%.
- INTP had a -20% YoY sales volume decrease due to the higher bag cement price. Bag sales volume decreased -27% while bulk sales volume decreased slightly -0.6%. For January to October, INTP’s total sales volume contracted -3.6% YoY with bag sales volume down by -3.6% YoY and bulk sales up by +15.3% YoY.
- With 12.4 mt cement sales volume in 9M2022, INTP revenue grew +9.9% to IDR 10.6 trillion, while for 3Q2022 INTP revenue grew by +21% YoY or +42% QoQ to IDR 4.75 trillion, higher growth compared to other quarters.
- We maintain our forecast for positive sales volume growth in 2022FY and single digit growth for 2023F 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 again in 2H 2022.

3Q2022: Triple digit growth QoQ

- After a lower bottom line profit in 1Q2022 and 2Q2022 due to cost pressure from coal prices, INTP recorded triple digit profit growth of +501% QoQ to IDR 655 billion with a higher NPM of 13.8% in 3Q2022 from 3.3% in 2Q2022 as INTP started to get coal at the DMO price in 3Q2022. For 9M2022, INTP’s bottom line profit still decreased by -22% YoY to IDR 947 billion but with a NPM increase to +8.1%.
- Energy costs rose +23% YoY to IDR 1.41 trillion in 3Q2022, but the increase is now slowing in line with securing 50% of coal supply at DMO prices. For 9M2022, fuel and power costs rose +33% YoY, a lesser increase compared to 1H2022’s +40% YoY.
- This resulted in a gross profit increased of +107% QoQ or +12% YoY to IDR 1.67 trillion with a higher GPM of 35.2%.
- We expect INTP will maintain better margins in the 4Q2022 and 2023F as a result of securing more DMO coal while selling prices have been increased several times in 9M2022.
- With a good 3Q2022 result, we revise up our 2022F profit forecast to IDR 1.6 trillion which is still a decrease of -9.6% YoY.

Valuation: Upgrade to BUY with TP 12,440

- We are now targeting INTP to trade at 26x 2023F PE within a year. Target Price is IDR 12,440 which represents +25% upside. We upgrade our recommendation to BUY.

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	3.150	3.412
Net Profit (IDR Bn)	1.860	1.146	1.835	1.806	1.788	1.617	1.761
GPM (%)	34,7%	28,8%	34,5%	36,1%	34,7%	31,0%	31,0%
NPM (%)	12,9%	7,5%	11,5%	12,7%	12,1%	9,9%	9,9%
EPS (IDR)	505	311	499	491	486	439	478
PBV (x)	3	3	3	2	2	2	2
PER (x)	43	59	38	29	25	28	26
ROE (%)	6,44%	4,12%	6,62%	6,61%	6,84%	5,72%	5,96%
ROA (%)	7,57%	4,93%	7,95%	8,15%	8,67%	7,00%	7,37%

Source: company & Binaartha

29 November 2022
Basic Industry – Cement

Price IDR 9,925

Target Price IDR 12,440

JKSE Index 7,017.358



Stock Information

Bloomberg Code INTP IJ
Market Cap (IDR bn) 36,536
52-week high (IDR) 12,500
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) 15,450

Analyst
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Table: Income Statement QoQ & YoY in IDR Billion

Income Statement (In IDR Bn)	1Q2022	2Q2022	3Q2022	QoQ	3Q2021	YoY	9M2021	9M2022	YoY
Revenue	3.558	3.353	4.750	42%	3.942	21%	10.609	11.661	10%
Cost of revenue	-2.597	-2.545	-3.076	21%	-2.444	26%	-7.016	-8.218	17%
Gross Profit	960	808	1.674	107%	1.498	12%	3.592	3.442	-4%
Operating Expense	-754	-680	-858	26%	-764	12%	-2.216	-2.292	3%
Operating Profit	207	128	816	538%	734	11%	1.376	1.150	-16%
Other Income	23	10	23	124%	75	-70%	164	56	-66%
Profit Before Tax	230	138	838	507%	809	4%	1.540	1.206	-22%
Taxes	-47	-29	-183	530%	-188	-2%	-332	-259	-22%
NIAT	183	109	655	501%	622	5%	1.208	947	-22%
Non-controlling Interest	0	0	0		0		0	0	
Net Income	183	109	655	501%	622	5%	1.208	947	-22%
EPS (In IDR)	50	30	178	501%	169	5%	328	257	-22%
GPM	27,0%	24,1%	35,2%		38,0%		33,9%	29,5%	
OPM	5,8%	3,8%	17,2%		18,6%		13,0%	9,9%	
NPM	5,1%	3,3%	13,8%		15,8%		11,4%	8,1%	

Source: company

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

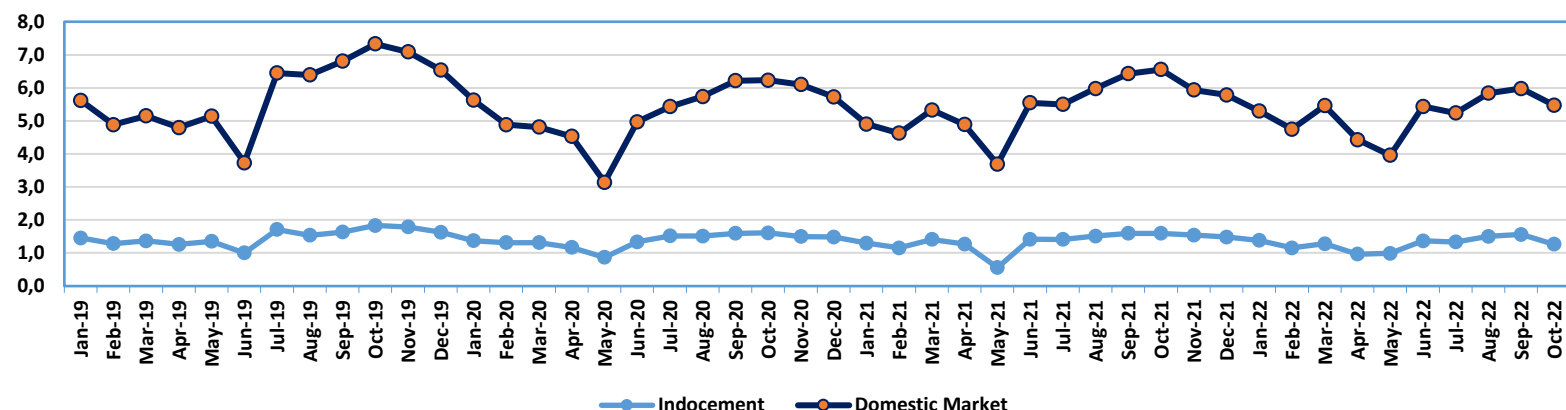


chart: Domestic Bag vs Bulk market in Million Tons

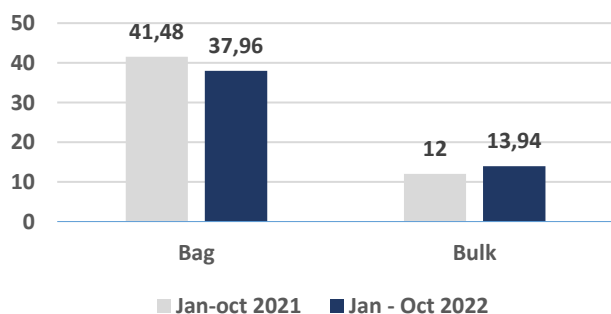
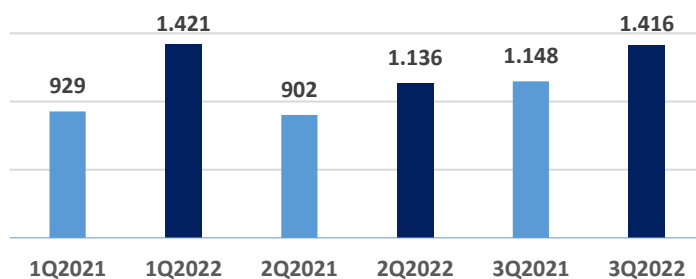


chart: Fuel and Energy Cost in IDR Billion



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	-11.298	-12.307
Gross Profit	5.008	4.369	5.500	5.114	5.126	5.076	5.529
Operating Expense	-3.133	-3.295	-3.595	-3.238	-3.055	-3.111	-3.389
Operating Profit	1.875	1.074	1.905	1.876	2.071	1.965	2.140
Other Income	413	327	370	272	163	82	89
Profit Before Tax	2.288	1.401	2.275	2.148	2.234	2.047	2.229
Taxes	-428	-255	-440	-342	-446	-430	-468
NIAT	1.860	1.146	1.835	1.806	1.788	1.617	1.761
Non-controlling Interest	0	0	0	0	0	0	0
Net Income	1.860	1.146	1.835	1.806	1.788	1.617	1.761
EPS (In IDR)	505	311	499	491	486	439	478
EBITDA	3.480	2.699	3.483	3.317	3.339	3.150	3.412

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	1.617	1.761
Depreciation	1.178	1.280	1.201	1.118	1.073	1.073	1.153
Change in WC	454	-55	-140	919	-163	-1.219	-158
Cash From Operating Activities	3.492	2.370	2.896	3.843	2.698	1.471	2.757
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	865	-953
Cash From Financing Activities	-3.438	-2.668	-1.864	-2.512	-3.428	1.208	-845
Net Changes in Cash	-1.379	-1.069	426	46	-1.556	498	-439
Beginning Balance	9.674	8.295	7.226	7.652	7.698	6.141	6.639
Ending Balance	8.295	7.226	7.652	7.698	6.141	6.639	6.201

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	6.639	6.201
Trade Accounts Receivable	2.504	2.993	3.090	2.621	2.587	2.947	3.210
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	12.370	12.443
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	28.277	29.547
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	1.965	2.140
Total Current Liabilities	3.479	3.926	3.873	4.216	4.647	3.962	4.316
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	5.174	5.636
Non-controlling interest	0	0	0	0	0	0	0
EQUITY	24.557	23.222	23.080	22.176	20.621	23.103	23.911
TOTAL LIABILITIES & EQUITY	28.864	27.789	27.708	27.345	26.136	28.277	29.547

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%	-5,12%	8,93%
EBITDA	-32,44%	-22,44%	29,05%	-4,77%	0,65%	-5,65%	8,31%
NP	-51,95%	-38,38%	60,16%	-1,58%	-0,99%	-9,59%	8,93%
EPS	-51,95%	-38,38%	60,16%	-1,58%	-0,99%	-9,59%	8,93%
Profitability							
GPM(%)	34,70%	28,76%	34,51%	36,05%	34,70%	31,00%	31,00%
Operating Margin(%)	12,99%	7,07%	11,95%	13,23%	14,02%	12,00%	12,00%
EBITDA margin(%)	24,12%	17,77%	21,85%	23,39%	22,60%	19,24%	19,13%
NET Profit margin(%)	12,89%	7,54%	11,51%	12,73%	12,11%	9,88%	9,88%
ROA(%)	6,44%	4,12%	6,62%	6,61%	6,84%	5,72%	5,96%
ROE(%)	7,57%	4,93%	7,95%	8,15%	8,67%	7,00%	7,37%
Stability							
Tot debt/ equity (x)	0,175	0,197	0,200	0,233	0,267	0,224	0,236
Int. Coverage (x)	132	61	237	35	57	54	61
Current Ratio (X)	3,70	3,14	3,31	2,92	2,44	3,12	2,88
Per Share data							
EPS (IDR)	505	311	499	491	486	439	478
PBV (x)	3	3	3	2	2	2	2
PER (x)	43	59	38	29	25	28	26
EBITDA/share	945	733	946	901	907	856	927

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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