

PT. Indocement Tunggal Prakarsa Tbk.

Investment Consideration

BUY

Result: Below Expectation

- In 1Q2020, INTP booked net revenue of IDR 3.36 trillion down 10% YoY compared to 1Q2019's IDR 3.73 trillion. Lower cement sales in 1Q2020, down by -18%, were offset by higher average selling prices, up by +2.4%.
- INTP net profit recorded slight growth of +1% YoY to IDR 400.4 billion. The positive net profit growth was supported by cost efficiencies and lower income tax expenses.
- Cost of revenues decreased -11% YoY from lower coal prices and savings on fuel & power (-15.2%) with a higher usage of low-calorific value (LCV) coal and of alternative fuels.
- Gross profit dropped -9% YoY to IDR 1.06 trillion from IDR 1.16 trillion in 1Q2019 with a steady gross profit margin of 31%.
- Operating profit dropped slightly. Higher other operating profit came from exchange rate changes in 1Q2020. The net impact was a slight drop in operating profit by -2% YoY to IDR 386.3 billion from IDR 395 billion. The operating profit margin improved to 11.5% from 10.6% in 1Q2019.
- The 1Q2020 INTP result was below our expectation caused by the impact of the large-scale social distancing since March 2020 and resulting lower cement demand.
- We lower our INTP's revenue for 2020F to IDR 14.6 trillion or down -8.2% YoY.

Cement Sales Drop

- In May 2020, the cement industry was weak due to the Eid Al-Fitr holidays and implementation of large-scale social distancing.
- Domestic cement sales decreased -12.1% YoY to 22.57 million tons for the year to date. For the month of May, domestic cement sales dropped -39.5% YoY to 3,14 million tons.
- INTP cement sales volume drop was worse with year to date domestic sales volume down -18.1% YoY to 6.02 million ton from 7.36 million tons in January-May 2019. In May only, INTP sold 866 thousand tons, a drop of -40.6% YoY.
- We expect 2Q2020 cement demand will slow further from the impact of the large-scale social distancing and resuming lower cement demand. We are expecting cement demand will rebound in 2H2020 as Indonesia (especially Greater Jakarta and West Java) start to re-open and Government infrastructure development on major strategic projects continues.

Valuation: Maintain BUY with TP 15,700

- We are targeting INTP to trade at 28x 2020F PE within a year. Target Price is IDR 15,700 which represents +32% upside. Maintain buy.

Financial Highlights	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (IDR Bn)	15.362	14.431	15.190	15.939	14.627	15.951
EBITDA (IDR Bn)	5.151	3.480	2.699	3.483	3.458	3.874
Net Profit (IDR Bn)	3.870	1.860	1.146	1.835	1.925	2.067
GPM (%)	41,2%	34,7%	28,8%	34,5%	32,0%	32,5%
NPM (%)	25,2%	12,9%	7,5%	11,5%	13,2%	13,0%
EPS (IDR)	1.051	505	311	499	523	562
ROE (%)	12,84%	6,44%	4,12%	6,62%	6,83%	7,00%
ROA (%)	14,81%	7,57%	4,93%	7,95%	8,02%	8,28%

Source: company & Binaartha

6 July 2020
Basic Industry – Cement

Price IDR 11,850

Target Price IDR 15,700

JKSE Index 4,973.794



Stock Information

Bloomberg Code	INTP IJ
Market Cap (IDR bn)	43,620
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

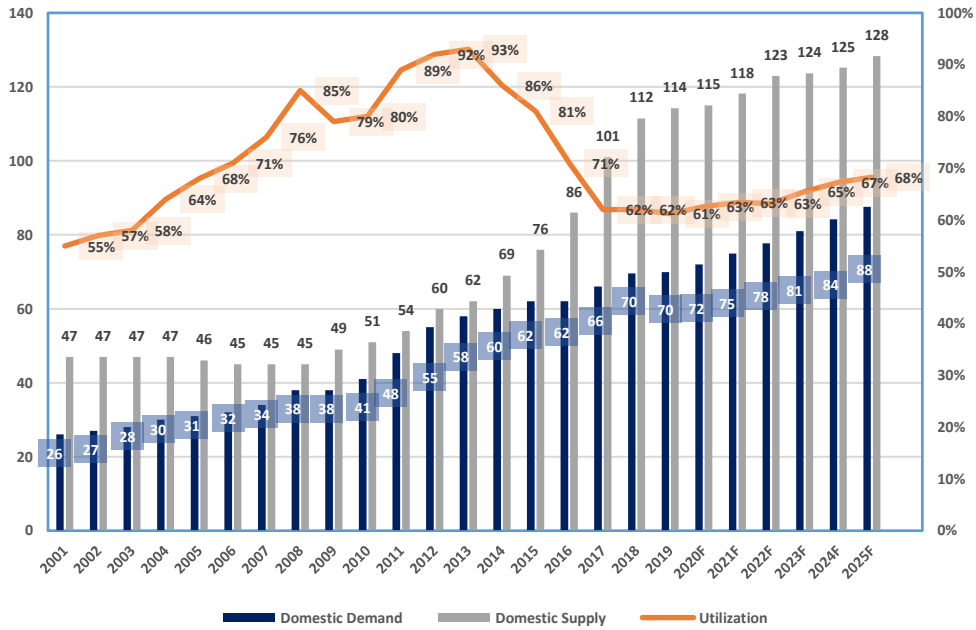
Birchwood Omnia Ltd	51%
Public	49%

USD/ IDR – YE (IDR)

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

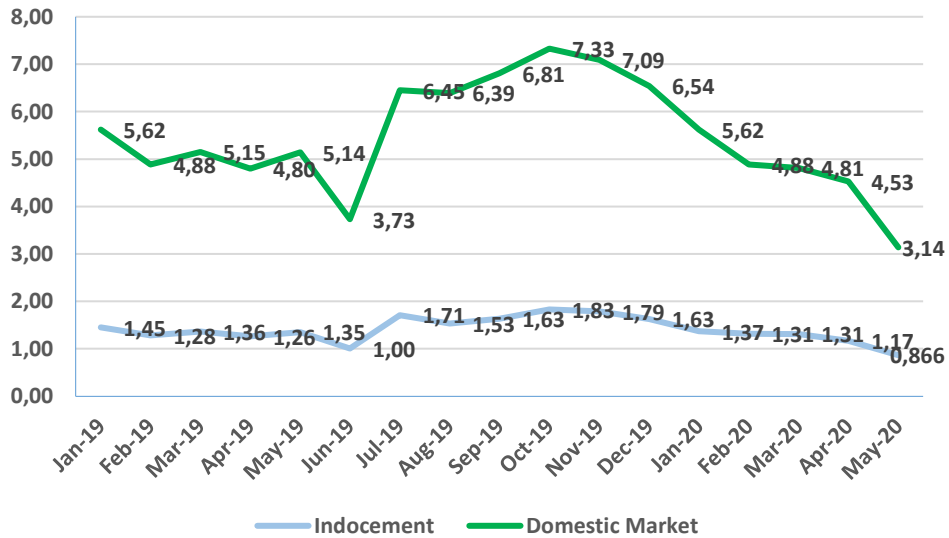
Analyst
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chart: Domestic Cement Industry Supply and Demand YoY in Million Tons



Source: company

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



Source: company

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2016A	2017A	2018A	2019A	2020F	2021F
Revenue	15.362	14.431	15.190	15.939	14.627	15.951
Cost of revenue	-9.030	-9.423	-10.821	-10.439	-9.946	-10.767
Gross Profit	6.331	5.008	4.369	5.500	4.681	5.184
Operating Expense	-2.687	-3.133	-3.295	-3.595	-2.779	-3.031
Operating Profit	3.645	1.875	1.074	1.905	1.901	2.153
Other Income	502	413	327	370	336	399
Profit Before Tax	4.146	2.288	1.401	2.275	2.238	2.552
Taxes	-276	-428	-255	-440	-313	-485
NIAT	3.870	1.860	1.146	1.835	1.925	2.067
Non-controlling Interest	0	0	0	0	0	0
Net Income	3.870	1.860	1.146	1.835	1.925	2.067
EPS (In IDR)	1.051	505	311	499	523	562
EBITDA	5.151	3.480	2.699	3.483	3.458	3.874

Source: company & Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2016A	2017A	2018A	2019A	2020F	2021F
Net Income	3.870	1.860	1.146	1.835	1.925	2.067
Depreciation	993	1.178	1.280	1.201	1.201	1.303
Change in WC	228	454	-55	-140	70	33
Cash From Operating Activities	5.091	3.492	2.370	2.896	3.195	3.403
Capex	-2.215	-1.433	-772	-606	-2.372	-2.656
Cash From Investing Activities	-2.215	-1.433	-772	-606	-2.372	-2.656
Long-term liabilities	87	21	-239	17	-1	53
Others Noncurrent Liabilities	-347	-17	52	95	-21	13
Equity	-1.598	-3.442	-2.481	-1.977	-1.007	-1.105
Cash From Financing Activities	-1.858	-3.438	-2.668	-1.864	-1.030	-1.039
Net Changes in Cash	1.018	-1.379	-1.069	426	-206	-291
Beginning Balance	8.656	9.674	8.295	7.226	7.652	7.446
Ending Balance	9.674	8.295	7.226	7.652	7.446	7.155

Source: company & Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2016A	2017A	2018A	2019A	2020F	2021F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	9.674	8.295	7.226	7.652	7.446	7.155
Trade Accounts Receivable	2.605	2.504	2.993	3.090	2.684	2.796
Inventories	1.780	1.769	1.838	1.895	1.755	1.914
Others Current Assets	365	316	260	193	249	246
Total Current Assets	14.425	12.883	12.316	12.829	12.134	12.110
NONCURRENT ASSETS						
Fixed Assets	14.644	14.979	14.637	14.080	15.281	16.584
Other Noncurrent Assets	1.082	1.001	836	798	768	818
Total Noncurrent Assets	15.726	15.981	15.473	14.878	16.049	17.402
TOTAL ASSETS	30.151	28.864	27.789	27.708	28.183	29.512
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term liability	106	141	182	189	293	319
Trade Account Payable	2.126	2.207	2.578	2.516	2.048	2.233
Others Current Liabilities	956	1.131	1.165	1.169	1.114	1.202
Total Current Liabilities	3.188	3.479	3.926	3.873	3.454	3.755
NONCURRENT LIABILITIES						
Long-term liability	787	808	569	586	585	638
Others Noncurrent Liabilities	37	20	72	168	146	160
Total Noncurrent Liabilities	824	828	641	754	731	798
TOTAL LIABILITIES	4.012	4.307	4.567	4.627	4.185	4.552
Non-controlling interest	0	0	0	0	0	0
EQUITY	26.139	24.557	23.222	23.080	23.998	24.960
TOTAL LIABILITIES & EQUITY	30.151	28.864	27.789	27.708	28.183	29.512

Source: company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2016A	2017A	2018A	2019A	2020F	2021F
Revenue	-13,69%	-6,06%	5,26%	4,93%	-8,23%	9,05%
OP	-27,93%	-48,56%	-42,71%	77,36%	-0,19%	13,25%
EBITDA	-22,16%	-32,44%	-22,44%	29,05%	-0,72%	12,03%
NP	-11,16%	-51,95%	-38,38%	60,16%	4,87%	7,41%
EPS	-11,16%	-51,95%	-38,38%	60,16%	4,87%	7,41%
Profitability						
GPM(%)	41,22%	34,70%	28,76%	34,51%	32,00%	32,50%
Operating Margin(%)	23,72%	12,99%	7,07%	11,95%	13,00%	13,50%
EBITDA margin(%)	33,53%	24,12%	17,77%	21,85%	23,64%	24,29%
NET Profit margin(%)	25,19%	12,89%	7,54%	11,51%	13,16%	12,96%
ROA(%)	12,84%	6,44%	4,12%	6,62%	6,83%	7,00%
ROE(%)	14,81%	7,57%	4,93%	7,95%	8,02%	8,28%
Stability						
Tot debt/ equity (x)	0,153	0,175	0,197	0,200	0,174	0,182
Int. Coverage (x)	327	132	61	237	98	108
Current Ratio (X)	4,53	3,70	3,14	3,31	3,51	3,23
Per Share data (IDR)						
EPS	1.051	505	311	499	523	562
BV	7.101	6.671	6.308	6.270	6.519	6.780
SPS	4.173	3.920	4.126	4.330	3.973	4.333
EBITDA/share	1.399	945	733	946	939	1.052

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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