

PT. Indocement Tunggal Prakarsa Tbk.

SELL

Investment Consideration

9M2018 Result

- INTP booked net revenue of IDR 10.77 trillion in 9M2018 +2.5% YoY.
- Cost of revenue grew +14.6%, and depressed gross profit to IDR 2.87 trillion which decreased -20.6% YoY. The Increases in cost of revenue is mainly due to higher fuel and power costs (+18.6%) and higher raw materials costs (+9.7%).
- Operating expenses were higher +9% YoY at IDR 2.38 trillion on an increase in delivery, loading and transportation expenses (+14% YoY).
- Higher operating expenses decreased operating income -64% from IDR 1.46 trillion to IDR 527 billion.
- INTP booked a bottom line profit of IDR 618 billion, which is a decrease of -56% YoY from IDR 1.4 trillion in 9M2017.
- After the 9M2018 earnings results we expect INTP's bottom line will still be affected by higher energy costs and higher opex in 2018F, and forecast INTP bottom line will decrease by -38.4% YoY to IDR 1.1 trillion.

Better than Industry in 9M2018

- INTP sales volume growth in 9M2018 was higher than Industry domestic sales volume which at 49.76 million tons (mt), grew +4.9% compared to 9M2018. INTP total sales volume grew in 9M2018 by +6.6% to 13.8 million tons (mt) while domestic sales volume contributed 13.7 (mt) and increased +7% YoY while export sales volume contributed 0.1 mt or decreased -30% YoY.
- We expect an improvement for sales volume in the last quarter of 2018 from a pickup in infrastructure development.

Valuation: Maintain SELL with TP 16,000

- Using a DCF valuation with WACC at 11%, we are targeting INTP to trade at 48x 2018F PE within a year.
- Target Price is IDR 16,000 which represents -7.8% downside. SELL.

Financial Highlights	2013A	2014A	2015A	2016A	2017A	2018F	2019F	2020F
Revenue (IDR Bn)	18,693	19,996	17,798	15,362	14,431	15,501	16,560	17,690
EBITDA (IDR Bn)	7,458	7,689	6,618	5,151	3,480	2,623	2,767	2,919
Net Profit (IDR Bn)	5,014	5,274	4,357	3,870	1,860	1,145	1,223	1,307
EPS (IDR)	1,362	1,433	1,183	1,051	505	311	332	355
EBITDA Margin (%)	40%	38%	37%	34%	24%	17%	17%	17%
ROE (%)	18.85%	18.26%	15.76%	12.84%	6.44%	4.28%	4.33%	4.49%
ROA (%)	21.82%	21.28%	18.25%	14.81%	7.57%	5.07%	5.28%	5.49%

Source: company & Binaartha

6 November 2018
Basic Industry – Cement

Price IDR 17,350

Target Price IDR 16,000

JKSE Index 5,920.594



Stock Information

Bloomberg Code	INTP IJ
Market Cap (IDR bn)	64,329.5
52-week high (IDR)	23,950
52-week low (IDR)	12,500
Shares issued (mn)	3,681.2
6-m avg. daily Val (IDR)	16,006
Free float	49%

Major share holders

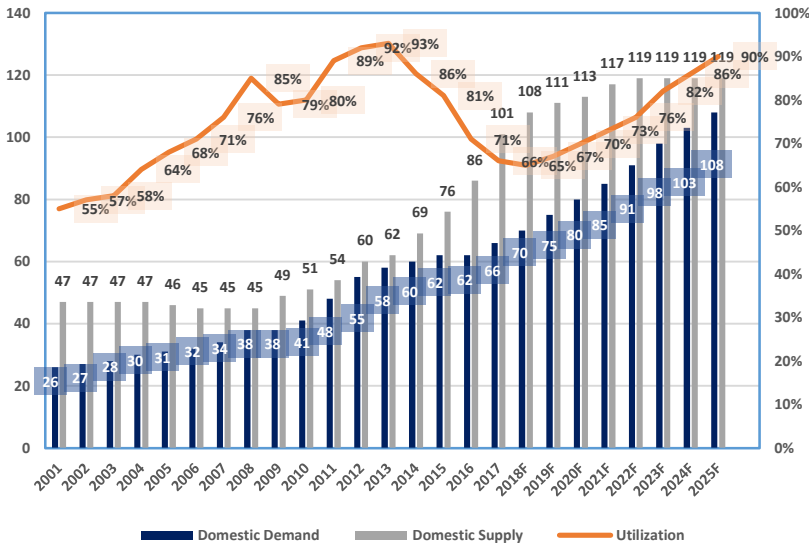
Birchwood Omnia Ltd	51%
Public	49%

USD/ IDR – YE (IDR)

2017	13,480
2018F (6m-avg)	14,597

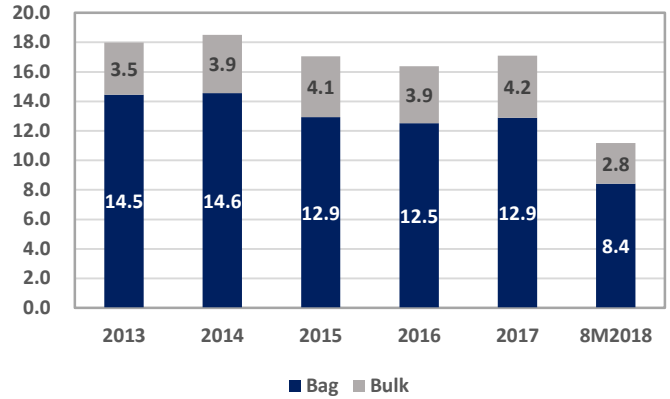
Analyst
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chart: Domestic Cement Industry Supply and Demand YoY in Million Tons



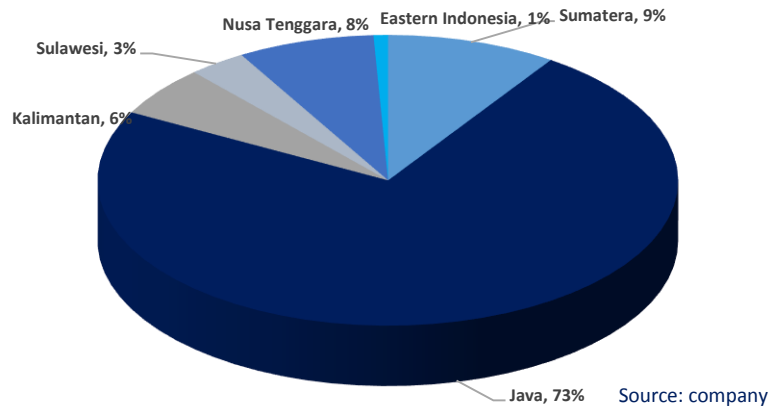
Source: company

chart: Bulk and Bag Sales Volume YoY in Million Tons



Source: company

chart: Sales Volume Breakdown by Area August YTD 2018



Source: company

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2013A	2014A	2015A	2016A	2017A	2018F	2019F	2020F
Revenue	18,693	19,996	17,798	15,362	14,431	15,501	16,560	17,690
Cost of revenue	(10,037)	(10,910)	(9,889)	(9,030)	(9,423)	(11,316)	(12,089)	(12,914)
Gross Profit	8,657	9,087	7,909	6,331	5,008	4,185	4,471	4,776
Operating Expense	(2,591)	(3,112)	(2,852)	(2,687)	(3,133)	(3,255)	(3,478)	(3,715)
Operating Profit	6,066	5,975	5,057	3,645	1,875	930	994	1,061
Other Income	531	815	588	502	413	450	480	513
Profit Before Tax	6,597	6,790	5,645	4,146	2,288	1,380	1,474	1,574
Taxes	(1,583)	(1,516)	(1,288)	(276)	(428)	(235)	(251)	(268)
NIAT	5,014	5,274	4,357	3,870	1,860	1,145	1,223	1,307
Non-controlling Interest	0	0	0	0	0	0	0	0
Net Income	5,014	5,274	4,357	3,870	1,860	1,145	1,223	1,307
EPS (In IDR)	1,362	1,433	1,183	1,051	505	311	332	355
EBITDA	7,458	7,689	6,618	5,151	3,480	2,623	2,767	2,919

Source: company & Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2013A	2014A	2015A	2016A	2017A	2018F	2019F	2020F
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents	12,595	11,256	8,656	9,674	8,295	3,935	5,145	3,731
Trade Accounts Receivable	2,519	2,671	2,535	2,605	2,504	3,255	2,484	3,110
Inventories	1,474	1,666	1,609	1,780	1,769	1,848	1,684	1,945
Others Current Assets	259	494	335	365	316	434	298	318
Total Current Assets	16,846	16,087	13,134	14,425	12,883	9,473	9,612	9,104
NONCURRENT ASSETS								
Fixed Assets	9,305	12,144	13,814	14,644	14,979	16,205	17,479	18,804
Other Noncurrent Assets	456	655	691	1,082	1,001	1,075	1,149	1,227
Total Noncurrent Assets	9,761	12,798	14,505	15,726	15,981	17,280	18,628	20,031
TOTAL ASSETS	26,607	28,885	27,638	30,151	28,864	26,753	28,239	29,135
LIABILITIES AND EQUITY								
LIABILITIES								
CURRENT LIABILITIES								
Short-term liability	94	123	114	106	141	119	162	173
Trade Account Payable	1,500	1,767	1,641	2,126	2,207	1,982	2,532	2,654
Others Current Liabilities	1,147	1,371	933	956	1,131	1,090	1,325	1,415
Total Current Liabilities	2,740	3,261	2,688	3,188	3,479	3,191	4,019	4,242
NONCURRENT LIABILITIES								
Long-term liability	334	377	700	787	808	831	908	959
Others Noncurrent Liabilities	556	463	385	37	20	131	140	150
Total Noncurrent Liabilities	889	840	1,085	824	828	962	1,048	1,109
TOTAL LIABILITIES	3,630	4,100	3,772	4,012	4,307	4,153	5,067	5,351
Non-controlling interest	0	0	0	0	0	0	0	0
EQUITY	22,978	24,785	23,866	26,139	24,557	22,600	23,172	23,784
TOTAL LIABILITIES & EQUITY	26,607	28,885	27,638	30,151	28,864	26,753	28,239	29,135

Source: company & Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2013A	2014A	2015A	2016A	2017A	2018F	2019F	2020F
Net Income	5,014	5,274	4,357	3,870	1,860	1,145	1,223	1,307
Depreciation	809	878	946	993	1,178	1,225	1,274	1,325
Change in WC	176	(59)	(220)	228	454	(1,238)	1,900	(684)
Cash From Operating Activities	5,999	6,093	5,082	5,091	3,492	1,133	4,397	1,948
Capex	(2,395)	(3,915)	(2,652)	(2,215)	(1,433)	(2,525)	(2,622)	(2,729)
Cash From Investing Activities	(2,395)	(3,915)	(2,652)	(2,215)	(1,433)	(2,525)	(2,622)	(2,729)
Long-term liabilities	41	43	323	87	21	23	76	51
Others Noncurrent Liabilities	(69)	(93)	(78)	(347)	(17)	111	9	10
Equity	(1,455)	(3,467)	(5,276)	(1,598)	(3,442)	(3,102)	(651)	(695)
Cash From Financing Activities	(1,484)	(3,517)	(5,030)	(1,858)	(3,438)	(2,968)	(565)	(634)
Net Changes in Cash	2,121	(1,339)	(2,601)	1,018	(1,379)	(4,360)	1,210	(1,415)
Beginning Balance	10,474	12,595	11,256	8,656	9,674	8,295	3,935	5,145
Ending Balance	12,595	11,256	8,656	9,674	8,295	3,935	5,145	3,731

Source: company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2013A	2014A	2015A	2016A	2017A	2018F	2019F	2020F
Revenue	8.11%	6.97%	-10.99%	-13.69%	-6.06%	7.42%	6.83%	6.83%
OP	3.22%	-1.50%	-15.37%	-27.93%	-48.56%	-50.39%	6.83%	6.83%
EBITDA	0.79%	3.11%	-13.94%	-22.16%	-32.44%	-24.62%	5.48%	5.50%
NP	5.27%	5.18%	-17.39%	-11.16%	-51.95%	-38.43%	6.83%	6.83%
EPS	5.27%	5.18%	-17.39%	-11.16%	-51.95%	-38.43%	6.83%	6.83%
Profitability								
Operating Margin(%)	32.45%	29.88%	28.41%	23.72%	12.99%	6.00%	6.00%	6.00%
EBITDA margin(%)	39.89%	38.45%	37.18%	33.53%	24.12%	16.92%	16.71%	16.50%
NET Profit margin(%)	26.82%	26.37%	24.48%	25.19%	12.89%	7.39%	7.39%	7.39%
ROA(%)	18.85%	18.26%	15.76%	12.84%	6.44%	4.28%	4.33%	4.49%
ROE(%)	21.82%	21.28%	18.25%	14.81%	7.57%	5.07%	5.28%	5.49%
Stability								
Tot debt/ equity (x)	0.158	0.165	0.158	0.153	0.175	0.184	0.219	0.225
Int. Coverage (x)	98	245	164	327	132	62	64	67
Current Ratio (X)	6.15	4.93	4.89	4.53	3.70	2.97	2.39	2.15
Per Share data (IDR)								
EPS	1,362	1,433	1,183	1,051	505	311	332	355
BV	6,242	6,733	6,483	7,101	6,671	6,139	6,295	6,461
SPS	5,078	5,432	4,835	4,173	3,920	4,211	4,498	4,806
EBITDA/share	2,026	2,089	1,798	1,399	945	713	752	793

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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