

PT. Indocement Tunggal Prakarsa Tbk.

Investment Consideration

BUY

Seasonally Lower demand in April but should rebound in May

- Seasonally lower demand in April but should rebound in May. In the first quarter of 2023, domestic cement sales weakened by -6.5% YoY to 14.3 million tons. This was due to prolonged heavy rains and the fasting season, resulting in a bag market decline of -9.3%, while the bulk market grew by +2.1%.
- However, INTP's cement sales volume increased by 9.6% YoY to 4.3 million tons, with a small bag sales volume growth of +0.2% YoY (Java -18.6% YoY, outside Java +41.3% YoY), and the bulk market maintained growth of +13.6%.
- In April 2023, domestic cement sales were weaker due to the holiday season, with volume declining by -38.8% MoM or -31.0% YoY to 2.98 million tons. The bag market weakened by -33.8% YoY, and the bulk market weakened by -23.2%. This impacted lower January-April domestic volume by -4.2% YoY to 19.1 million tons.
- However, the decrease in INTP sales volume was not as significant in the domestic market, with a -12.3% YoY in April of 1.2 million tons, with bag sales volume decreasing by -13.7% and bulk sales volume by -8.5%.
- For May sales volume, there is likely to be an improvement as the Eid holiday fell at the beginning of May. We maintain our forecast for positive sales volume growth in 2023 as domestic demand is likely to recover with ongoing infrastructure projects, which will boost cement consumption.

Margin recovery continues

- In terms of margin recovery, INTP's margin continues to recover YoY due to lower coal prices, a 100% DMO price for coal, and an increase in the average selling price since last year.
- In the first quarter of 2021, INTP sales increased +19% YoY to IDR 4.24 trillion, in line with higher prices and volumes compared to last year.
- INTP's bottom line increased +103% YoY to IDR 371 billion, and the NPM increased to 8.7% from 5.1% in 1Q2022.
- Fuel and power costs decreased by -6.9% YoY to IDR 1.32 trillion, inline with the securing of 100% of coal supply at DMO prices, while raw material costs increased by +23.6% due to higher volumes.
- This resulted in a higher cost of revenue of +14% YoY, while gross profit still increased by +33% YoY to IDR 1.27 trillion with a higher GPM of 30.1%.
- We expect INTP to maintain better margins amid softer coal prices and a higher ASP, and we predict a INTP profit of IDR 1.95 trillion this year, which is an increase of +6.2% YoY.

Valuation: Maintain BUY with TP 13.300

- In terms of valuation, we are now targeting INTP to trade at a 23x 2024F PE within a year, with a target price of IDR 13,300, representing +38% upside. Therefore, we maintain our recommendation to BUY.

Financial Highlights	2020A	2021A	2022A	2023F	2024F
Revenue (IDR Bn)	14.184	14.772	16.328	17.990	19.576
EBITDA (IDR Bn)	3.317	3.339	3.344	3.497	3.786
Net Profit (IDR Bn)	1.806	1.788	1.843	1.957	2.130
GPM (%)	36,1%	34,7%	31,5%	31,0%	31,0%
NPM (%)	12,7%	12,1%	11,3%	10,9%	10,9%
EPS (IDR)	491	486	501	532	579
PBV (x)	2	2	2	2	2
PER (x)	29	25	21	25	23
ROE (%)	6,61%	6,84%	7,17%	7,01%	7,23%
ROA (%)	8,15%	8,67%	9,42%	9,04%	9,42%

Source: company & Binaartha

9 June 2023

Basic Industry – Cement

Price IDR 9,600

Target Price IDR 13,300

JKSE Index 6,666.330



Stock Information

Bloomberg Code	INTP IJ
Market Cap (IDR bn)	35,432
52-week high (IDR)	11,850
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)

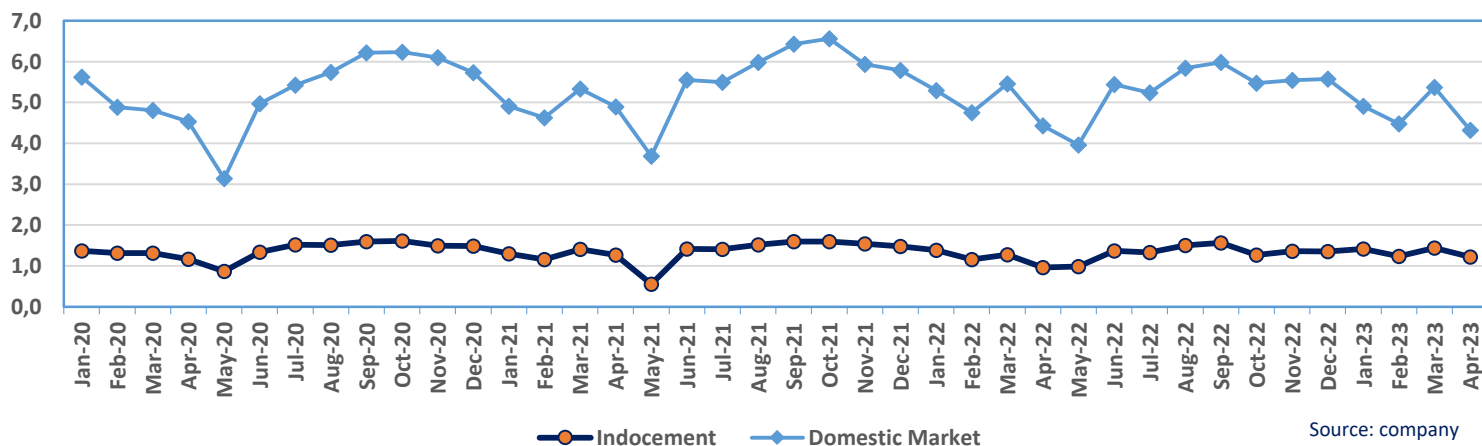
2022	15,592
2023F (6m-avg)	15,294

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Table: Income Statement QoQ &YoY in IDR Billion

Income Statement (In IDR Bn)	1Q2022	1Q2023	YoY	4Q2022	QoQ
Revenue	3.558	4.246	19%	4.667	-9%
Cost of revenue	-2.597	-2.970	14%	-2.967	0%
Gross Profit	960	1.276	33%	1.701	-25%
Operating Expense	-754	-835	11%	-625	34%
Operating Profit	207	441	113%	1.076	-59%
Other Income	23	27	20%	7	288%
Profit Before Tax	230	468	104%	1.083	-57%
Taxes	-47	-97	106%	-187	-48%
NIAT	183	371	103%	896	-59%
Non-controlling Interest	0	0		0	
Net Income	183	371	103%	896	-59%
EPS (In IDR)	50	108	118%	243	-56%

chart: Domestic Sales vs Indocement Sales 2020 – April 2023 in Million Tons



Source: company

chart: Fuel and Energy Cost in IDR Billion

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2019A	2020A	2021A	2022A	2023F	2024F
Revenue	15.939	14.184	14.772	16.328	17.990	19.576
Cost of revenue	-10.439	-9.071	-9.646	-11.185	-12.413	-13.507
Gross Profit	5.500	5.114	5.126	5.143	5.577	6.069
Operating Expense	-3.595	-3.238	-3.055	-2.917	-3.238	-3.524
Operating Profit	1.905	1.876	2.071	2.226	2.339	2.545
Other Income	370	272	163	63	108	117
Profit Before Tax	2.275	2.148	2.234	2.289	2.447	2.662
Taxes	-440	-342	-446	-447	-489	-532
NIAT	1.835	1.806	1.788	1.843	1.957	2.130
Non-controlling Interest	0	0	0	0	0	0
Net Income	1.835	1.806	1.788	1.843	1.957	2.130
EPS (In IDR)	499	491	486	501	532	579
EBITDA	3.483	3.317	3.339	3.344	3.497	3.786

Source: company & Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2019A	2020A	2021A	2022A	2023F	2024F
Net Income	1.835	1.806	1.788	1.843	1.957	2.130
Depreciation	1.201	1.118	1.073	1.012	1.012	1.081
Change in WC	-140	919	-163	-415	-314	-10
Cash From Operating Activities	2.896	3.843	2.698	2.439	2.656	3.201
Change in Non-Current Asset	-606	-1.285	-827	-1.607	-2.065	-2.209
Cash From Investing Activities	-606	-1.285	-827	-1.607	-2.065	-2.209
Long-term liabilities	17	-16	-61	-125	30	36
Others Noncurrent Liabilities	95	214	-23	574	56	87
Equity	-1.977	-2.710	-3.344	-2.897	119	-1.151
Cash From Financing Activities	-1.864	-2.512	-3.428	-2.448	205	-1.028
Net Changes in Cash	426	46	-1.556	-1.616	796	-36
Beginning Balance	7.226	7.652	7.698	6.141	4.526	5.322
Ending Balance	7.652	7.698	6.141	4.526	5.322	5.286

Source: company & Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2019A	2020A	2021A	2022A	2023F	2024F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	7.652	7.698	6.141	4.526	5.322	5.286
Trade Accounts Receivable	3.090	2.621	2.587	2.686	3.055	3.272
Inventories	1.895	1.824	2.267	2.831	2.731	2.972
Others Current Assets	193	157	341	270	357	356
Total Current Assets	12.829	12.299	11.337	10.312	11.464	11.886
NONCURRENT ASSETS						
Fixed Assets	14.080	14.397	14.342	14.895	15.907	16.988
Other Noncurrent Assets	798	648	457	499	540	587
Total Noncurrent Assets	14.878	15.045	14.799	15.394	16.447	17.575
TOTAL ASSETS	27.708	27.345	26.136	25.706	27.911	29.461
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term liability	189	343	319	416	423	479
Trade Account Payable	2.516	2.319	2.955	2.583	2.699	2.936
Others Current Liabilities	1.169	1.553	1.373	1.824	1.742	1.896
Total Current Liabilities	3.873	4.216	4.647	4.822	4.864	5.312
NONCURRENT LIABILITIES						
Long-term liability	586	571	509	384	414	450
Others Noncurrent Liabilities	168	382	359	933	989	1.077
Total Noncurrent Liabilities	754	952	869	1.317	1.403	1.527
TOTAL LIABILITIES	4.627	5.168	5.515	6.139	6.267	6.839
Non-controlling interest	0	0	0	0	0	0
EQUITY	23.080	22.176	20.621	19.567	21.643	22.622
TOTAL LIABILITIES & EQUITY	27.708	27.345	26.136	25.706	27.911	29.461

Source: company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2019A	2020A	2021A	2022A	2023F	2024F
Revenue	4,93%	-11,01%	4,14%	10,54%	10,18%	8,82%
OP	77,36%	-1,53%	10,39%	7,51%	5,04%	8,82%
EBITDA	29,05%	-4,77%	0,65%	0,16%	4,57%	8,26%
NP	60,16%	-1,58%	-0,99%	3,02%	6,23%	8,82%
EPS	60,16%	-1,58%	-0,99%	3,02%	6,23%	8,82%
Profitability						
GPM(%)	34,51%	36,05%	34,70%	31,50%	31,00%	31,00%
Operating Margin(%)	11,95%	13,23%	14,02%	13,64%	13,00%	13,00%
EBITDA margin(%)	21,85%	23,39%	22,60%	20,48%	19,44%	19,34%
NET Profit margin(%)	11,51%	12,73%	12,11%	11,28%	10,88%	10,88%
ROA(%)	6,62%	6,61%	6,84%	7,17%	7,01%	7,23%
ROE(%)	7,95%	8,15%	8,67%	9,42%	9,04%	9,42%
Stability						
Tot debt/ equity (x)	0,200	0,233	0,267	0,314	0,290	0,302
Int. Coverage (x)	237	35	57	43	51	50
Current Ratio (X)	3,31	2,92	2,44	2,14	2,36	2,24
Per Share data						
EPS (IDR)	499	491	486	501	532	579
BV	6.270	6.024	5.602	5.315	5.879	6.145
Price	19.025	14.475	12.100	10.450	13.300	13.300
PBV (x)	3	2	2	2	2	2
PER (x)	38	29	25	21	25	23
EBITDA/share	946	901	907	908	950	1.028

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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