

PT. Indocement Tunggal Prakarsa Tbk.

BUY

Investment Consideration

Expecting better demand in 2H2021

- Domestic cement sales increased +3.9% QoQ to 18.1 million tons (mt) in 4Q2020, higher growth than other quarters in 2020. However, 2020FY domestic sales volume still decreased by -10.4% YoY to 62.74 mt, with the bulk market contracting -22.2% and the bag market -6.1% YoY.
- In January – February 2021, domestic cement sales volume still decreased -9.2% YoY to 20 mt sales volume. Lower demand in early 2021 is the result of heavy rainfall accompanied by floods in some areas.
- We expect positive sentiment will impact the cement sector, such as the 2021 infrastructure budget which is higher by 38%, and the establishment of the Sovereign Wealth Fund to attract more investment in infrastructure projects, industrial estates, and the property sector.
- The recent down trend of daily new Corona cases and the vaccination process will also boost sentiment on higher cement demand.
- We are expecting cement demand to be lower in the 1H2021 but higher in the 2H2021.

2020FY results: cost efficiency

- INTP recorded net revenue in 4Q2020 of IDR 4.03 trillion, better other quarters in 2020, but still down -12.1% YoY. For 2020FY, INTP revenue decreased -11% YoY to IDR 14.2 trillion impacted by lower sales volume.
- INTP net profit in 4Q2020 increased +4.6% YoY or 6.6% QoQ to IDR 689 billion. While for 2020FY, INTP net profit decreased slightly -1.58% to IDR 1.81 trillion, with a better NPM of 12.7% from 11.5% in 2019 as they maintained costs.
- Gross profit in 2020 decreased -7% YoY to IDR 5.1 trillion, Operating profit decreased slightly -1.5% YoY to IDR 1.87 trillion.
- The decline in the bottom line was better compared to the decline in revenue because of efficiency in costs such as electricity and fuel.
- We are expecting INTP's 2021FY revenue and net profit will reach IDR 15 trillion and IDR 1.9 trillion or will grow slightly +5.8% and +7.5% respectively.

Valuation: Upgrade to Buy with TP 17,700

- As we expect slight growth both in sales and bottom line following more positive sentiment towards the cement sector, we upgrade our recommendation to BUY.
- We are now targeting INTP to trade at 30x 2022F PE within a year. Target Price is IDR 17,700 which represents +36% upside.

Financial Highlights	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Revenue (IDR Bn)	15.362	14.431	15.190	15.939	14.184	15.015	15.767
EBITDA (IDR Bn)	5.151	3.480	2.699	3.483	3.601	3.733	4.144
Net Profit (IDR Bn)	3.870	1.860	1.146	1.835	1.806	1.942	2.172
GPM (%)	41,2%	34,7%	28,8%	34,5%	36,1%	36,0%	36,0%
NPM (%)	25,2%	12,9%	7,5%	11,5%	12,7%	12,9%	13,8%
EPS (IDR)	1.051	505	311	499	491	528	590
ROE (%)	12,84%	6,44%	4,12%	6,62%	6,61%	6,82%	7,31%
ROA (%)	14,81%	7,57%	4,93%	7,95%	8,15%	8,42%	9,03%

25 March 2021
Basic Industry – Cement

Price IDR 13,000

Target Price IDR 17,700

JKSE Index 6,156.140



Stock Information

Bloomberg Code INTP IJ
Market Cap (IDR bn) 47,860
52-week high (IDR) 15,975
52-week low (IDR) 8,650
Shares issued (mn) 3,681.2
Free float 49%

Major share holders

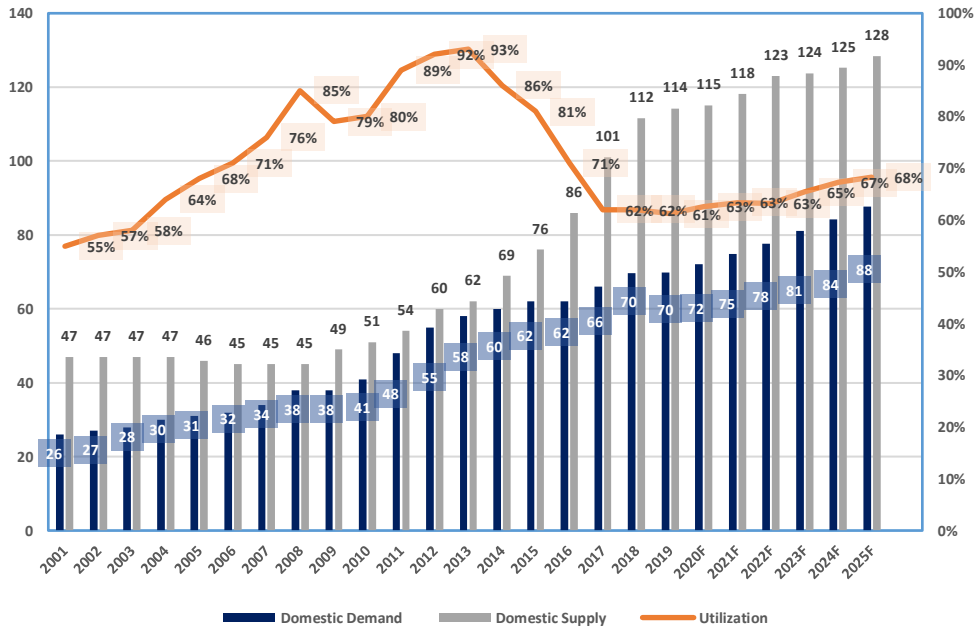
Birchwood Omnia Ltd 51%
Public 49%

USD/ IDR – YE (IDR)

2020 14,175
2021F (6m-avg) 14,276

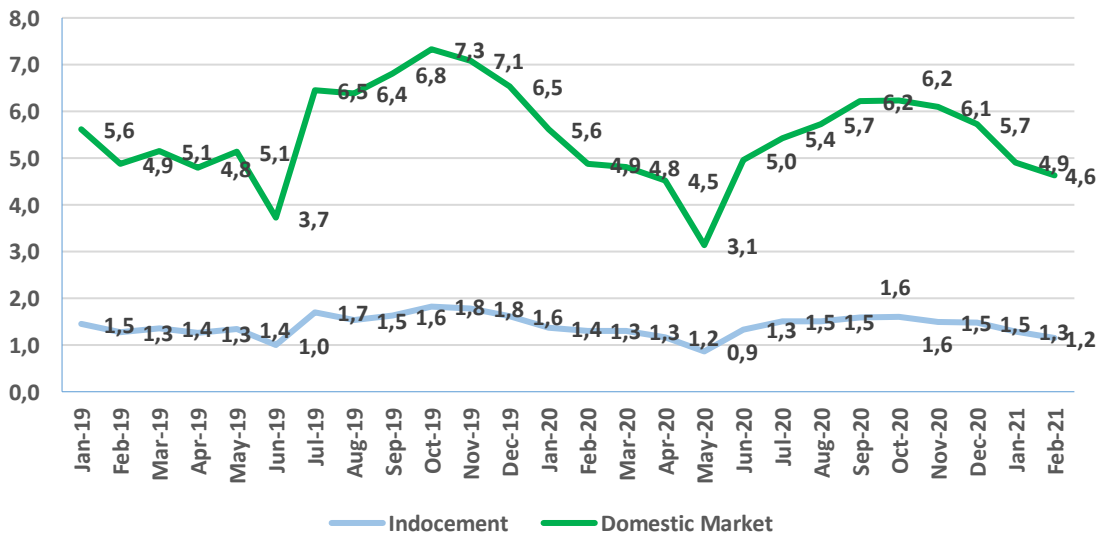
Analyst
eka.rahmah@binaartha.com

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



Source: company

chart: Domestic Sales vs Indocement Sales 2019 – February 2021 in Million Tons



Source: company

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Revenue	15.362	14.431	15.190	15.939	14.184	15.015	15.767
Cost of revenue	-9.030	-9.423	-10.821	-10.439	-9.071	-9.609	-10.091
Gross Profit	6.331	5.008	4.369	5.500	5.114	5.405	5.676
Operating Expense	-2.687	-3.133	-3.295	-3.595	-3.238	-3.393	-3.469
Operating Profit	3.645	1.875	1.074	1.905	1.876	2.012	2.207
Other Income	502	413	327	370	272	300	378
Profit Before Tax	4.146	2.288	1.401	2.275	2.148	2.312	2.586
Taxes	-276	-428	-255	-440	-342	-370	-414
NIAT	3.870	1.860	1.146	1.835	1.806	1.942	2.172
Non-controlling Interest	0	0	0	0	0	0	0
Net Income	3.870	1.860	1.146	1.835	1.806	1.942	2.172
EPS (In IDR)	1.051	505	311	499	491	528	590
EBITDA	5.151	3.480	2.699	3.483	3.601	3.733	4.144

Source: company & Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Net Income	3.870	1.860	1.146	1.835	1.806	1.942	2.172
Depreciation	993	1.178	1.280	1.201	1.402	1.402	1.539
Change in WC	228	454	-55	-140	919	154	-103
Cash From Operating Activities	5.091	3.492	2.370	2.896	4.127	3.499	3.608
Capex	-2.215	-1.433	-772	-606	-1.569	-2.875	-3.096
Cash From Investing Activities	-2.215	-1.433	-772	-606	-1.569	-2.875	-3.096
Long-term liabilities	87	21	-239	17	-16	30	30
Others Noncurrent Liabilities	-347	-17	52	95	214	-7	19
Equity	-1.598	-3.442	-2.481	-1.977	-2.710	-1.039	-1.201
Cash From Financing Activities	-1.858	-3.438	-2.668	-1.864	-2.512	-1.016	-1.152
Net Changes in Cash	1.018	-1.379	-1.069	426	46	-392	-640
Beginning Balance	8.656	9.674	8.295	7.226	7.652	7.698	7.306
Ending Balance	9.674	8.295	7.226	7.652	7.698	7.306	6.666

Source: company & Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	9.674	8.295	7.226	7.652	7.698	7.306	6.666
Trade Accounts Receivable	2.605	2.504	2.993	3.090	2.621	2.655	2.879
Inventories	1.780	1.769	1.838	1.895	1.824	1.843	1.936
Others Current Assets	365	316	260	193	157	150	158
Total Current Assets	14.425	12.883	12.316	12.829	12.299	11.954	11.638
NONCURRENT ASSETS							
Fixed Assets	14.644	14.979	14.637	14.080	14.397	15.799	17.338
Other Noncurrent Assets	1.082	1.001	836	798	648	719	738
Total Noncurrent Assets	15.726	15.981	15.473	14.878	15.045	16.518	18.076
TOTAL ASSETS	30.151	28.864	27.789	27.708	27.345	28.473	29.714
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term liability	106	141	182	189	343	363	382
Trade Account Payable	2.126	2.207	2.578	2.516	2.319	2.402	2.523
Others Current Liabilities	956	1.131	1.165	1.169	1.553	1.652	1.734
Total Current Liabilities	3.188	3.479	3.926	3.873	4.216	4.417	4.639
NONCURRENT LIABILITIES							
Long-term liability	787	808	569	586	571	601	631
Others Noncurrent Liabilities	37	20	72	168	382	375	394
Total Noncurrent Liabilities	824	828	641	754	952	976	1.025
TOTAL LIABILITIES	4.012	4.307	4.567	4.627	5.168	5.393	5.663
Non-controlling interest	0	0	0	0	0	0	0
EQUITY	26.139	24.557	23.222	23.080	22.176	23.079	24.051
TOTAL LIABILITIES & EQUITY	30.151	28.864	27.789	27.708	27.345	28.473	29.714

Source: company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Revenue	-13,69%	-6,06%	5,26%	4,93%	-11,01%	5,85%	5,01%
OP	-27,93%	-48,56%	-42,71%	77,36%	-1,53%	7,25%	9,71%
EBITDA	-22,16%	-32,44%	-22,44%	29,05%	3,40%	3,66%	10,99%
NP	-11,16%	-51,95%	-38,38%	60,16%	-1,58%	7,53%	11,83%
EPS	-11,16%	-51,95%	-38,38%	60,16%	-1,58%	7,53%	11,83%
Profitability							
GPM(%)	41,22%	34,70%	28,76%	34,51%	36,05%	36,00%	36,00%
Operating Margin(%)	23,72%	12,99%	7,07%	11,95%	13,23%	13,40%	14,00%
EBITDA margin(%)	33,53%	24,12%	17,77%	21,85%	25,39%	24,87%	26,28%
NET Profit margin(%)	25,19%	12,89%	7,54%	11,51%	12,73%	12,94%	13,78%
ROA(%)	12,84%	6,44%	4,12%	6,62%	6,61%	6,82%	7,31%
ROE(%)	14,81%	7,57%	4,93%	7,95%	8,15%	8,42%	9,03%
Stability							
Tot debt/ equity (x)	0,153	0,175	0,197	0,200	0,233	0,234	0,235
Int. Coverage (x)	327	132	61	237	35	102	113
Current Ratio (X)	4,53	3,70	3,14	3,31	2,92	2,71	2,51
Per Share data (IDR)							
EPS	1.051	505	311	499	491	528	590
BV	7.101	6.671	6.308	6.270	6.024	6.269	6.533
SPS	4.173	3.920	4.126	4.330	3.853	4.079	4.283
EBITDA/share	1.399	945	733	946	978	1.014	1.126

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
(62 21) 520 6678 ext. 611

Disclaimer; PT Binaartha Sekuritas has compiled this report in good faith, using information believed to be reliable. PT Binaartha Sekuritas and its analysts take no responsibility for the accuracy of the information contained in this report. This report has been produced for distribution to clients of PT Binaartha Sekuritas only. This report is not an invitation to buy or sell any security. PT Binaartha Sekuritas may have used the information in this report prior to publication. The company or its clients may have positions in or may from time to time buy or sell the securities mentioned in this report or other related securities.