

Thursday, 21 March 2019

HOLD
Maintain

Last price (IDR) 19,525
Target Price (IDR) 18,700
Upside/Downside -4.2%
Previous Target Price (IDR) 18,700

Stock Statistics

Sector Cement
Bloomberg Ticker INTP IJ
No of Shrs (mn) 3,681
Mkt. Cap (IDRbn/USDmn) 71,876/5,066
Avg. daily T/O (IDRbn/USDmn) 32.0/2.3

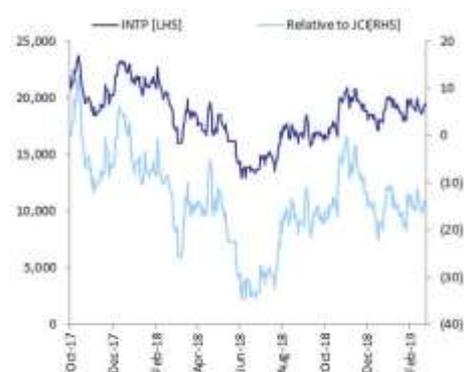
Major shareholders (%)

Birchwood Omnia Limited 51.0
Estimated free float 49.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	239.3	305.2	378.7
Consensus	290.1	405.7	547.3
Danareksa/Cons	(17.5)	(24.8)	(30.8)

INTP relative to JCI Index



Source : Bloomberg



Maria Renata

(62-21) 2955 5888 ext.3513

maria.renata@danareksa.com

Indocement Tunggal Prakarsa (INTP IJ)

Signs of improvement in 4Q18

INTP's 2018 earnings fell by 38.4%yoy to IDR1.1tn on flattish ASP and 5.7%yoy growth in sales volume. The result is above our forecast (129.1%) and slightly above the consensus (105.7%). Revenues grew by 5.7%yoy thanks to higher ASP in 4Q18 (+6.0%qoq and +9.2%yoy). Hence, margins improved in 4Q18. INTP's market share in 2018 was stable at 25.5%.

2018 earnings down by 38%yoy. INTP's 2018 net income declined by 38.4%yoy to IDR1.1tn from IDR1.9tn in 2017. The weak result reflects flattish revenues growth and lower gross profit margins. Nonetheless, the result is above our target (129.1%) and slightly above the consensus (105.7%). Revenues in 2018 grew by 5.3%yoy to IDR15.2tn on the back of higher sales volume. The revenues are in-line with our estimate (100.8%) and the consensus (101.8%).

Sales volume up by 5.7%yoy. INTP's cement sales in 2018 reached 17.7mn tons, +5.7%yoy from 16.8mn tons in 2017. All of INTP's cement was sold in Indonesia. In 2018, INTP exported only 47,702 tons of clinkers. INTP's cement market share in Indonesia was stable at 25.5% in 2018 vs. 25.3% in 2017. Bagged cement sales still dominated total sales with a contribution of 74.3%, while the remaining 25.7% of sales were bulk sales.

Flat ASP in 2018. Based on our calculations, ASP in 2018 were rather flattish (-0.6%yoy). Consequently, the gross profit margin dropped to 28.8% in 2018 from 34.7% in 2017. The operating margin was 6.9% (FY17: 13.4%) and the net profit margin was 7.5% (FY17: 12.9%).

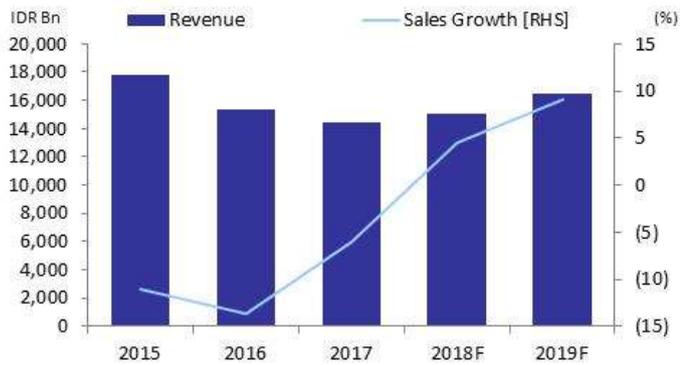
Better quarterly ASP. Revenues in 4Q18 were flat (+3.0%qoq) but rose 12.7%yoy on the back of higher selling prices. Sales volume in 4Q18 reached 4.92mn tons (-2.0%qoq, but +4.6%yoy). Based on our calculations, ASP in 4Q18 grew by 6.0%qoq and 9.2%yoy. Hence, margins improved in 4Q18 by 6%qoq, but were flat compared to 4Q17. The 4Q18 net profit reached IDR528bn, +101.2%qoq and +16.5%yoy.

Valuation. We are reviewing our forecast and recommendation on INTP.

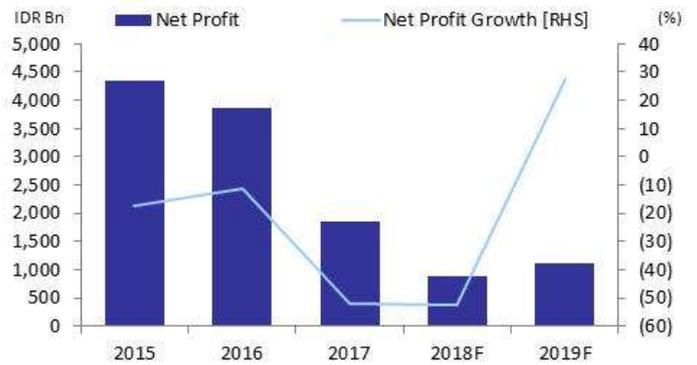
Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	15,362	14,431	15,076	16,442	17,879
EBITDA (IDRbn)	4,611	3,106	1,981	2,326	2,607
EBITDA Growth (%)	(22.7)	(32.6)	(36.2)	17.4	12.1
Net profit (IDRbn)	3,870	1,860	881	1,123	1,394
EPS (IDR)	1,051.4	505.2	239.3	305.2	378.7
EPS growth (%)	(11.2)	(51.9)	(52.6)	27.5	24.1
BVPS (IDR)	7,100.5	6,670.7	6,698.7	6,734.3	6,778.4
DPS (IDR)	414.9	928.7	211.4	269.6	334.5
PER (x)	18.6	38.6	81.6	64.0	51.6
PBV (x)	2.7	2.9	2.9	2.9	2.9
Dividend yield (%)	2.1	4.8	1.1	1.4	1.7
EV/EBITDA (x)	13.5	20.5	32.4	27.4	24.3

Source : INTP, Danareksa Estimates

Exhibit 1. Revenues and Growth


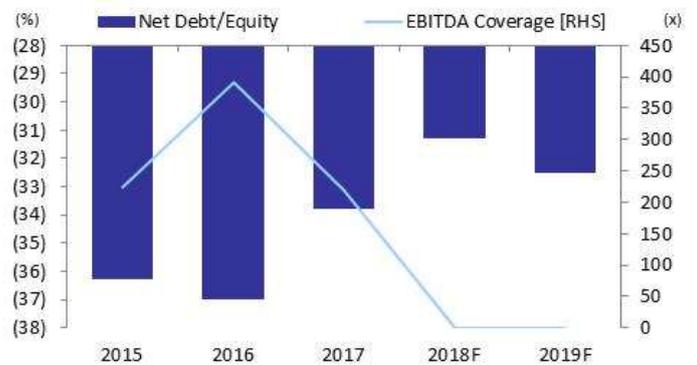
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth


Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins


Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level


Source: Company, Danareksa Sekuritas estimates

Exhibit 5. INTP Summary Result

IDR Bn	4Q17	3Q18	4Q18	QoQ	YoY	FY18	YoY	Danareksa FY18F	FY18/
				Chg	Chg		Chg		FY18F
				%	%		%		%
Revenue	3,919	4,288	4,417	3.0	12.7	15,190	5.3	15,076	100.8
Gross profit	1,383	1,179	1,491	26.4	7.8	4,369	(12.8)	4,122	106.0
Op. profit	474	265	550	107.1	16.0	1,046	(45.7)	717	145.9
Net profit	453	263	528	101.2	16.5	1,146	(38.4)	881	129.1
GPM (%)	35.3	27.5	33.7	6.3	(1.6)	28.8	(5.9)	27.3%	
OPM (%)	12.1	6.2	12.4	6.3	0.4	6.9	(6.5)	4.8%	
NPM (%)	11.6	6.1	12.0	5.8	0.4	7.5	(5.3)	5.8%	

Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	15,362	14,431	15,076	16,442	17,879
COGS	(9,030)	(9,423)	(10,954)	(11,717)	(12,528)
Gross profit	6,331	5,008	4,122	4,725	5,350
EBITDA	4,611	3,106	1,981	2,326	2,607
Oper. profit	3,618	1,928	717	1,022	1,355
Interest income	496	416	415	424	443
Interest expense	(12)	(14)	0	0	0
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	17	12	12	12	13
Other Income (Expenses)	27	(53)	0	0	0
Pre-tax profit	4,146	2,288	1,144	1,459	1,810
Income tax	(276)	(428)	(263)	(336)	(416)
Minority interest	0	0	0	0	0
Net profit	3,870	1,860	881	1,123	1,394
Core Net Profit	3,870	1,860	881	1,123	1,394

Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	9,674	8,295	7,717	8,058	8,466
Receivables	2,605	2,485	2,596	2,809	3,029
Inventory	1,780	1,769	2,010	2,158	2,322
Other Curr. Asset	365	335	578	593	608
Fixed assets - Net	14,644	14,979	14,972	14,693	14,399
Other non-curr.asset	1,082	1,001	1,217	1,262	1,312
Total asset	30,151	28,864	29,090	29,573	30,137
ST Debt	0	0	0	0	0
Payables	2,089	2,207	2,341	2,536	2,754
Other Curr. Liabilities	1,099	1,272	1,273	1,436	1,620
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	824	828	816	811	809
Total Liabilities	4,012	4,307	4,430	4,783	5,184
Shareholder's Funds	26,139	24,557	24,659	24,790	24,953
Minority interests	0	0	0	0	0
Total Equity & Liabilities	30,151	28,864	29,090	29,573	30,137

Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	3,870	1,860	881	1,123	1,394
Depreciation and Amort.	922	1,078	1,264	1,304	1,253
Change in Working Capital	218	436	(384)	(12)	6
Other Oper. Cash Flow	(485)	(402)	(415)	(424)	(443)
Operating Cash Flow	4,526	2,972	1,346	1,991	2,210
Capex	(1,758)	(1,412)	(1,257)	(1,025)	(959)
Others Inv. Cash Flow	111	495	199	379	393
Investing Cash Flow	(1,647)	(917)	(1,057)	(646)	(566)
Net change in debt	(14)	1	(88)	(12)	(5)
New Capital	0	0	0	0	0
Dividend payment	1,527	3,419	778	992	1,231
Other Fin. Cash Flow	(319)	(16)	0	0	0
Financing Cash Flow	1,194	3,403	690	980	1,227
Net Change in Cash	4,073	5,458	979	2,326	2,870
Cash - begin of the year	8,656	9,674	8,295	7,717	8,058
Cash - end of the year	9,674	8,295	7,717	8,058	8,466

Exhibit 9. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(13.7)	(6.1)	4.5	9.1	8.7
EBITDA	(22.7)	(32.6)	(36.2)	17.4	12.1
Operating profit	(28.1)	(46.7)	(62.8)	42.5	32.5
Net profit	(11.2)	(51.9)	(52.6)	27.5	24.1
Profitability (%)					
Gross margin	41.2	34.7	27.3	28.7	29.9
EBITDA margin	30.0	21.5	13.1	14.1	14.6
Operating margin	23.5	13.4	4.8	6.2	7.6
Net margin	25.2	12.9	5.8	6.8	7.8
ROAA	13.4	6.3	3.0	3.8	4.7
ROAE	15.5	7.3	3.6	4.5	5.6
Leverage					
Net Gearing (x)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)
Interest Coverage (x)	306.0	136.8	0.0	0.0	0.0

Source : INTP, Danareksa Estimates

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