

Thursday, 15 August 2019

HOLD
Maintain

Last price (IDR)	21,850
Target Price (IDR)	20,900
Upside/Downside	-4.3%
Previous Target Price (IDR)	20,900

Stock Statistics

Sector	Cement
Bloomberg Ticker	INTP IJ
No of Shrs (mn)	3,681
Mkt. Cap (IDRbn/USDmn)	80,435/5,647
Avg. daily T/O (IDRbn/USDmn)	40.0/2.8

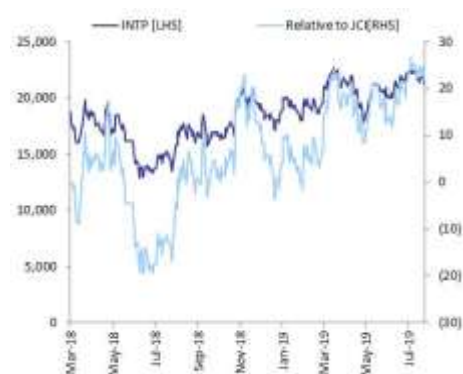
Major shareholders (%)

Birchwood Omnia Limited	51.0
Estimated free float	13.0

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	443.0	528.3	592.0
Consensus	447.7	592.4	712.0
Danareksa/Cons	(1.0)	(10.8)	(16.9)

INTP relative to JCI Index



Source : Bloomberg



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Indocement Tunggal Prakarsa (INTP IJ)

Cement sales normalized

INTP sold 1.71mn tons of cement in Jul19, the highest monthly sales this year. Sales grew by 0.8%yoy and 70.4%mom as demand normalized following the Lebaran Holidays in Jun19. Cumulatively, INTP's cement sales in 7M19 reached 9.42mn tons, or -1.4%yoy. This is in line with the domestic cement consumption which was -1.8%yoy to 35.82mn tons, dragged down by weak demand in 2Q19. As such, INTP managed to maintain its market share at 26.3% as of Jul19. Maintain HOLD.

Highest monthly sales so far this year. INTP booked cement sales in Jul19 of 1.71mn tons, the highest monthly sales so far this year. Sales grew by 0.8%yoy (Jul18: 1.70mn tons) and by 70.4%mom (Jun19: 1.00mn tons). Cement sales in West Java, INTP's main market with a 32% contribution, grew by 15.3%yoy and 86.0%mom. The strongest sales growth was seen in East Java (+24.2%yoy, +81.1%mom). East Java contributed 6.5% of the sales. INTP's sales in Jul19 accounted for 26.5% of the domestic market (Jun19: 26.9%), i.e. relatively stable.

Sales in 7M19 were -1.4%yoy. Cumulatively, INTP recorded sales of 9.42mn tons of cement in 7M19, or -1.4%yoy (7M18: 9.56mn tons), hit by weak sales in 2Q19. By region, only Nusa Tenggara and East Indonesia booked higher sales. Sales in Nusa Tenggara were +10.3%yoy, while East Indonesia sales grew by 47.1%yoy. These two regions only contributed 8.9% and 1.3% to sales, respectively. Sales in Java as INTP's main market were flattish at -0.4%yoy, while sales in Sumatra and Kalimantan were -5.9%yoy and -6.6%yoy, respectively. Java contributed 72.9% of the sales, while Sumatra and Kalimantan contributed 9.0% and 5.5%, respectively. INTP's market share as of Jul19 reached 26.3% (7M18: 26.2%).

Domestic cement consumption in 7M19 was -1.8%yoy. Indonesia cement consumption in 7M19 reached 35.82mn tons, or -1.8%yoy, dragged down by soft demand in 2Q19. Cement consumption in Jul19 reached 6.45mn tons, or +0.5%yoy and +73.0%mom underpinned by normalizing demand post the Lebaran Holidays in Jun19. Cement demand in Java, the largest market (58.3%) was +3.0%yoy and +89.0%mom.

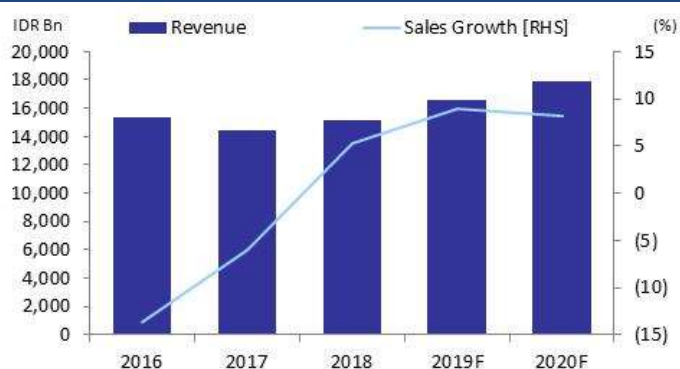
Maintain HOLD. Our current FY19F cement sales target is 18.49mn tons, implying 3.9%yoy growth. As such, cement sales in the period of Aug-Dec19 would need to grow by +10.0%yoy, translating into 1.81mn tons/month. Based on 0% to 3%yoy growth, cement sales in the remaining 5 months of the year should grow by 1.5% to 8.0%yoy. HOLD maintained on INTP.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	14,431	15,190	16,559	17,906	19,570
EBITDA (IDRbn)	3,106	2,006	2,964	3,520	3,799
EBITDA Growth (%)	(32.6)	(35.4)	47.8	18.8	7.9
Net profit (IDRbn)	1,860	1,146	1,631	1,945	2,179
EPS (IDR)	505.2	311.3	443.0	528.3	592.0
EPS growth (%)	(51.9)	(38.4)	42.3	19.2	12.1
BVPS (IDR)	6,670.7	6,308.1	6,439.8	6,525.1	6,588.8
DPS (IDR)	928.7	700.0	311.3	443.0	528.3
PER (x)	43.2	70.2	49.3	41.4	36.9
PBV (x)	3.3	3.5	3.4	3.3	3.3
Dividend yield (%)	4.3	3.2	1.4	2.0	2.4
EV/EBITDA (x)	23.2	36.5	24.4	20.3	18.6

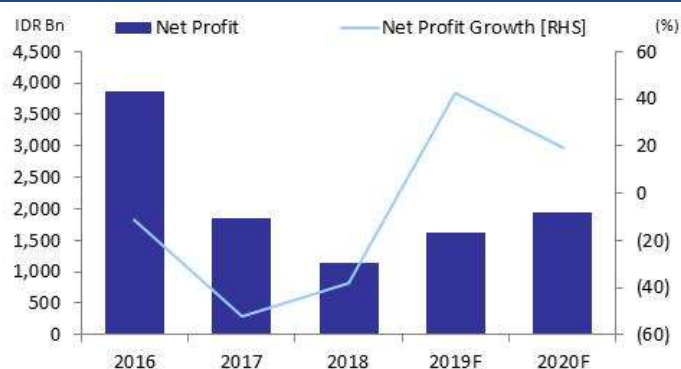
Source : INTP, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



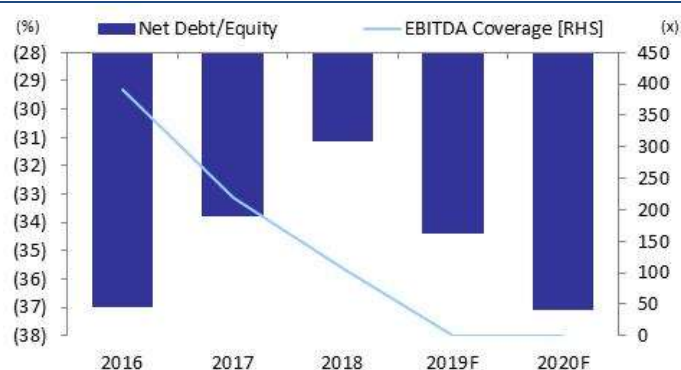
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



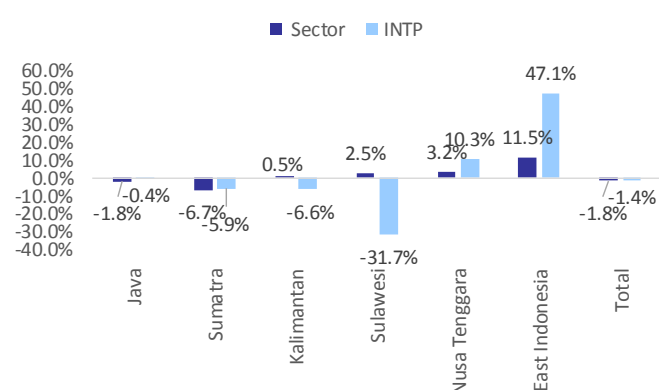
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



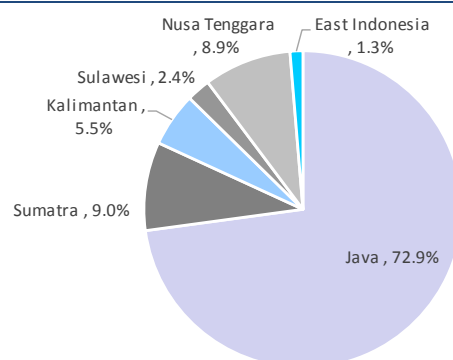
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. Cement Sales Growth based on Region



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. INTP Sales Distribution in 7M19



Source: Company, Danareksa Sekuritas estimates

Exhibit 7. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	14,431	15,190	16,559	17,906	19,570
COGS	(9,423)	(10,821)	(11,495)	(12,069)	(13,185)
Gross profit	5,008	4,369	5,064	5,836	6,385
EBITDA	3,106	2,006	2,964	3,520	3,799
Oper. profit	1,928	1,046	1,516	2,100	2,364
Interest income	416	332	361	245	267
Interest expense	(14)	(19)	0	0	0
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	12	13	14	14	15
Other Income (Expenses)	(53)	28	28	28	28
Pre-tax profit	2,288	1,401	1,919	2,386	2,674
Income tax	(428)	(255)	(288)	(441)	(495)
Minority interest	0	0	0	0	0
Net profit	1,860	1,146	1,631	1,945	2,179
Core Net Profit	1,860	1,146	1,631	1,945	2,179

Exhibit 8. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	8,295	7,226	8,153	8,907	9,841
Receivables	2,485	2,966	2,826	3,032	3,260
Inventory	1,769	1,838	1,953	2,052	2,217
Other Curr. Asset	335	286	593	605	611
Fixed assets - Net	14,979	14,637	13,915	13,454	12,979
Other non-curr.asset	1,001	836	853	877	903
Total asset	28,864	27,789	28,294	28,927	29,810
ST Debt	0	0	0	0	0
Payables	2,207	2,578	2,488	2,654	3,071
Other Curr. Liabilities	1,272	1,348	1,460	1,616	1,849
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	828	641	639	637	636
Total Liabilities	4,307	4,567	4,587	4,907	5,556
Shareholder's Funds	24,557	23,222	23,707	24,020	24,255
Minority interests	0	0	0	0	0
Total Equity & Liabilities	28,864	27,789	28,294	28,927	29,810

Exhibit 9. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	1,860	1,146	1,631	1,945	2,179
Depreciation and Amort.	1,178	959	1,448	1,421	1,435
Change in Working Capital	436	(78)	(154)	8	252
Other Oper. Cash Flow	(402)	(313)	(361)	(245)	(267)
Operating Cash Flow	3,072	1,714	2,563	3,129	3,599
Capex	(1,512)	(621)	(722)	(959)	(959)
Others Inv. Cash Flow	495	502	340	221	241
Investing Cash Flow	(1,017)	(119)	(382)	(738)	(718)
Net change in debt	1	8	(108)	(5)	(2)
New Capital	0	0	0	0	0
Dividend payment	3,419	2,577	1,146	1,631	1,945
Other Fin. Cash Flow	(15)	(95)	0	0	0
Financing Cash Flow	3,404	2,490	1,038	1,626	1,943
Net Change in Cash	5,459	4,085	3,219	4,016	4,823
Cash - begin of the year	9,674	8,295	7,226	8,153	8,907
Cash - end of the year	8,295	7,226	8,153	8,907	9,841

Exhibit 10. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	(6.1)	5.3	9.0	8.1	9.3
EBITDA	(32.6)	(35.4)	47.8	18.8	7.9
Operating profit	(46.7)	(45.7)	44.9	38.5	12.6
Net profit	(51.9)	(38.4)	42.3	19.2	12.1
Profitability (%)					
Gross margin	34.7	28.8	30.6	32.6	32.6
EBITDA margin	21.5	13.2	17.9	19.7	19.4
Operating margin	13.4	6.9	9.2	11.7	12.1
Net margin	12.9	7.5	9.8	10.9	11.1
ROAA	6.3	4.0	5.8	6.8	7.4
ROAE	7.3	4.8	7.0	8.1	9.0
Leverage					
Net Gearing (x)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)
Interest Coverage (x)	136.8	56.1	0.0	0.0	0.0

Source : INTP, Danareksa Estimates

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