

Friday, 01 November 2019

HOLD
Maintain

Last price (IDR) 20,000
Target Price (IDR) 20,900
Upside/Downside +4.5%
Previous Target Price (IDR) 20,900

Stock Statistics

Sector Cement
Bloomberg Ticker INTP IJ
No of Shrs (mn) 3,681
Mkt. Cap (IDRbn/USDmn) 73,625/5,243
Avg. daily T/O (IDRbn/USDmn) 45.7/3.3

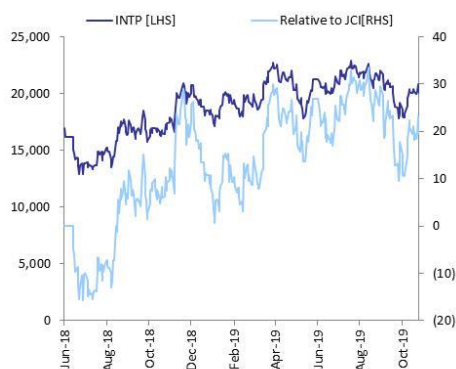
Major shareholders (%)

Birchwood Omnia Limited 51.0
Estimated free float 49.0

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	443.0	528.3	592.0
Consensus	436.5	558.9	638.2
Danareksa/Cons	1.5	(5.5)	(7.2)

INTP relative to JCI Index



Source : Bloomberg



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Indocement Tunggal Prakarsa (INTP IJ)

Strong results thanks to better margins

INTP's 9M19 earnings increased by +5.3%yoy to IDR1.2tn. The result is in-line with our expectations and the consensus as it is 72% of our full year target and the consensus. Revenues grew by 5.3%yoy, supported by higher ASP. Despite weak cement sales volume which was -2.3%yoy, revenues from cement sales grew by +7.0%yoy. ASP in 9M19 jumped by +9.5%yoy while on a q-o-q basis, the 3Q19 ASP grew by 4.3%yoy but were -2.1%qoq. INTP is a zero-debt company with cash of IDR6.0tn.

INTP booked 9M19 earnings of IDR1.2tn, or +90.4%yoy on the back of better margins. The result is 72% of our full year target and 73% of the consensus expectations. The result is in-line.

Revenues grew by +5.3%yoy to IDR11.3tn supported by higher ASP. The figure is 69% of our full year target and 71% of the consensus. Revenues from cement sales grew by 7.0%yoy to IDR10.1tn and contributed 89.3% of the revenues. Sales of ready mix (RMC) dropped by 6.7%yoy to IDR1.2tn and contributed 10.6% of the revenues. The remaining 0.2% sales contribution came from sales of aggregates which were -2.9%yoy.

INTP sold 12.6mn tons of cement in 9M19. This is -2.3%yoy on the back of weak domestic consumption which was -1.5%yoy adversely affected by the political year. However, INTP managed to keep its market share stable at 25.7% in 9M19 vs. 25.9% in 9M18. INTP's soft sales mainly owed to flattish sales in Java. INTP booked stable sales in Java at 9.46mn tons (+0.0%yoy), supported by higher sales in West Java (+5.8%yoy) but offset by lower sales in Jakarta (-12.7%yoy). Java accounted for 75.1% of the sales. Sales in Sumatra were flat (-0.9%yoy) and down in Nusa Tenggara (-1.3%yoy). Sumatra and Nusa Tenggara accounted for 9.4% and 7.7% of the sales.

Higher ASP. ASP continued to increase. Based on our calculation, cement ASP in 9M19 reached IDR804k/ton, up by 9.5%yoy. On a q-o-q basis, the ASP in 3Q19 grew by +4.3%yoy but were down by -2.1%qoq.

Margins improved, a healthy balance sheet and cash rich. The gross margin improved to 32.4% in 9M19 from 26.7% in 9M18 on the back of lower fuel costs (-10.2%yoy). The fuel costs are 40% of the COGS. Cash flow was positive IDR1.5tn. INTP has no debts with a cash position of IDR6.0tn as of Sep19.

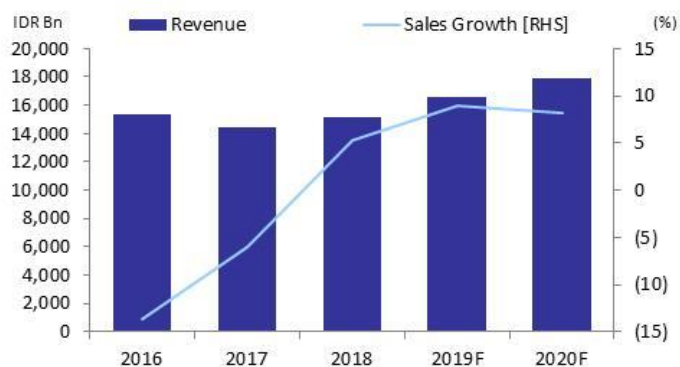
Valuation. INTP trades at USD190.61 EV/TON, higher than SMGR's USD144/ton. We have a HOLD call on INTP

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)	39.6	64.2	45.1	37.9	33.8
PBV (x)	3.0	3.2	3.1	3.1	3.0
Dividend yield (%)	4.6	3.5	1.6	2.2	2.6
EV/EBITDA (x)	21.0	33.1	22.1	18.4	16.8

Source : INTP, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



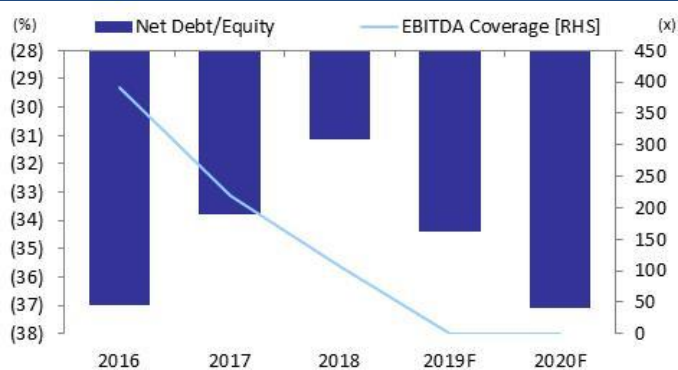
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



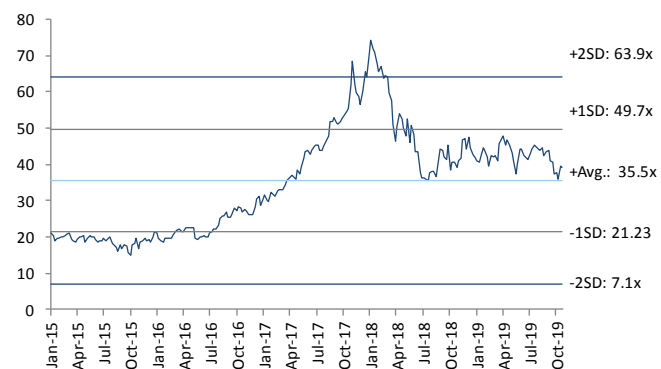
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



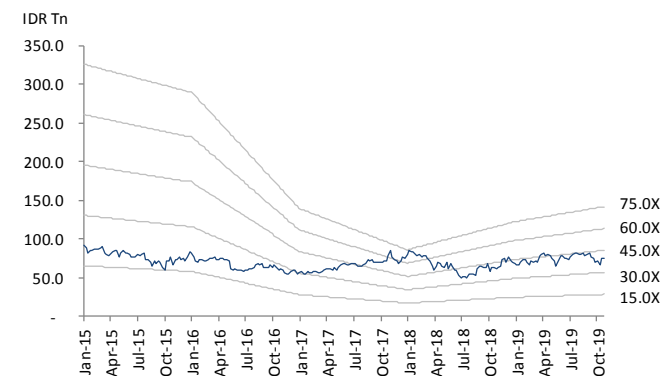
Source: Company, Danareksa Sekuritas estimates

Exhibit 7. PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. PBV Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 7. INTP 9M19 Result Summary

IDR Bn	3Q18	2Q19	3Q19	QoQ Chg %	YoY Chg %	9M19	YoY Chg %	Danareksa FY19F	9M19/ FY19F %
Revenue	4,288	3,250	4,365	34.3	1.8	11,348	5.3	16,559	68.5
Gross profit	1,179	979	1,535	56.8	30.2	3,678	27.8	5,064	72.6
Op. profit	265	195	595	205.0	124.2	1,185	138.6	1,516	78.2
Net profit	263	243	536	120.4	104.0	1,176	90.4	1,631	72.1
GPM (%)	27.5	30.1	35.2	5.0	7.7	32.4	5.7	30.6	1.8
OPM (%)	6.2	6.0	13.6	7.6	7.4	10.4	5.8	9.2	1.3
NPM (%)	6.1	7.5	12.3	4.8	6.2	10.4	4.6	9.8	0.5

Source: Danareksa Sekuritas estimate

Exhibit 8. Revenues and ASP breakdowns

in IDR Bn	9M18	3M19	6M19	9M19	% yoy	3Q18	2Q19	3Q19	%yoy	%qoq
Cement Sales	9,467	3,362	6,283	10,129	7.0%	3,796	2,921	3,846	1.3%	31.6%
Ready mix	1,288	365	689	1,202	-6.7%	486	324	513	5.5%	58.4%
Aggregate	18	6	10	17	-2.9%	7	5	7	1.9%	43.2%
Revenues total	10,773	3,733	6,983	11,348	5.3%	4,288	3,250	4,365	1.8%	34.3%
Cement Vol.	12.89	4.10	7.72	12.60	-2.3%	5.02	3.62	4.87	-2.9%	34.5%
ASP (IDR 000/ton)	734	820	814	804	9.5%	756	806	789	4.3%	-2.1%

Source: Danareksa Sekuritas estimate

Exhibit 9. 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 10. 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 11. 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 12. 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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