

Wednesday, 13 November 2019

**HOLD**  
**Maintain**

Last price (IDR) 20,600  
Target Price (IDR) 21,600  
Upside/Downside +4.9%  
Previous Target Price (IDR) 20,900

#### Stock Statistics

Sector Cement  
Bloomberg Ticker INTP IJ  
No of Shrs (mn) 3,681  
Mkt. Cap (IDRbn/USDmn) 75,833/5,396  
Avg. daily T/O (IDRbn/USDmn) 43.8/3.1

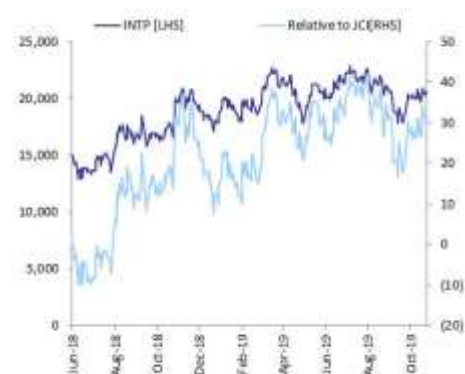
#### Major shareholders (%)

Birchwood Omnia Limited 51.0  
Mekar Perkasa 13.0

#### EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	441.6	495.3	557.1
Consensus	442.0	564.1	638.5
Danareksa/Cons	(0.1)	(12.2)	(12.7)

#### INTP relative to JCI Index



Source : Bloomberg



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## Indocement Tunggal Prakarsa (INTP IJ)

### Supported by a buoyant Sumatra market

**INTP booked strong Oct19 cement sales on the back of strong sales in Sumatra and Java. Sales in Oct19 reached 1.83mn tons, or +3.2%yoy and +12.1%mom. INTP maintained its market share at 25.0%. YTD, sales in 10M19 reached 14.4mn tons, or -1.5%yoy, hit by the weak sales in 1H19. The 10M sales are 81.5% of our FY target. We expect the FY19 cement sales to be flattish (-0.5%yoy) at 17.70mn tons.**

**Strong monthly sales, especially in Sumatera.** INTP booked strong cement sales in Oct19 aided by the resolution of political issues and the long dry season. Sales in Oct reached 1.83mn tons, or +3.2%yoy and +12.1%mom. The Oct monthly sales are the highest so far this year. INTP's market share improved slightly to 25.0% from 24.0% in the previous month. INTP maintained its market share in Java, taking 34.0% of the market. Sales in Java grew by 6.1%yoy and 6.7%mom. Strong sales growth was also seen in Sumatera, reaching +10.8%yoy and +12.5%mom, giving INTP higher market share at 11.9% vs. 10.2% in the previous year. Java and Sumatera accounted for 77.1% and 9.5%, respectively, of INTP's sales.

**YTD, INTP's sales reached 14.43mn tons in 10M19, or -1.5%yoy,** on the back of weak sales in 1H19. This sales number is 25.6% of the domestic market - relatively stable. INTP booked better sales growth in Java vis-à-vis the sector as INTP booked +1.0%yoy sales growth compared to a decline of -1.0%yoy by the sector. INTP's flattish sales in Sumatera also outperformed the sector as cement consumption in Sumatera was -6.0%yoy. Java and Sumatera accounted for 75.5% and 9.3% of INTP's sales volume.

**Domestic cement consumption.** Domestic cement consumption reached 7.32mn tons in Oct19, or +1.9%yoy and +7.6%mom, with the eastern part of Indonesia showing stronger growth than the western part. Sales in Sulawesi, Nusa Tenggara, and East Indonesia grew by 18.5%yoy, 13.2%yoy, and 6.2%yoy, respectively. However, those regions contributed only 17.5% of the domestic demand combined. YTD, cement consumption in 10M19 reached 56.36mn tons, or -1.1%yoy due to weak sales in Java and Sumatera.

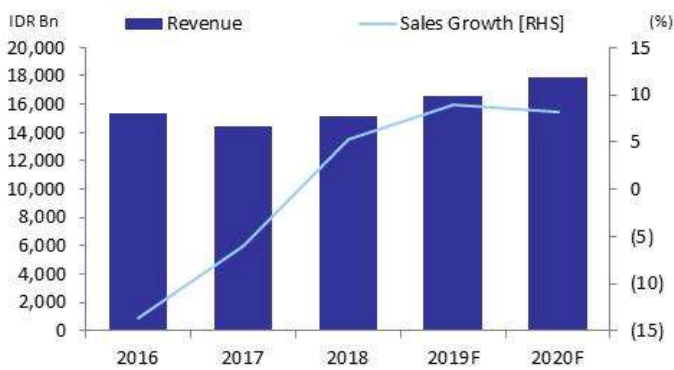
**Maintain HOLD.** We cut our FY19 sales volume estimate for INTP by 4.3% to 17.70mn tons given the weak sales in 1H19. Our new target is slightly lower than 2018's (-0.5%yoy). The 10M19 sales volume is 81.5% of our full year target. As such, INTP needs to sell 1.64mn tons/month in the remaining two months of the year, giving 3.9%yoy growth. We update our forecast following the 9M interim result. The 9M19 earnings are 72.3% of our new target. We roll over our DCF valuation and arrive at a new TP of IDR21,600.

#### Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	14,431	15,190	15,905	17,297	18,483
EBITDA (IDRbn)	3,106	2,006	2,957	3,370	3,644
EBITDA Growth (%)	(32.6)	(35.4)	47.4	14.0	8.1
Net profit (IDRbn)	1,860	1,146	1,626	1,823	2,051
EPS (IDR)	505.2	311.3	441.6	495.3	557.1
EPS growth (%)	(51.9)	(38.4)	41.9	12.2	12.5
BVPS (IDR)	6,670.7	6,308.1	6,438.4	6,492.1	6,553.9
DPS (IDR)	928.7	700.0	311.3	441.6	495.3
PER (x)	40.5	65.8	46.4	41.3	36.8
PBV (x)	3.1	3.2	3.2	3.2	3.1
Dividend yield (%)	4.5	3.4	1.5	2.2	2.4
EV/EBITDA (x)	21.6	34.0	22.7	19.7	18.0

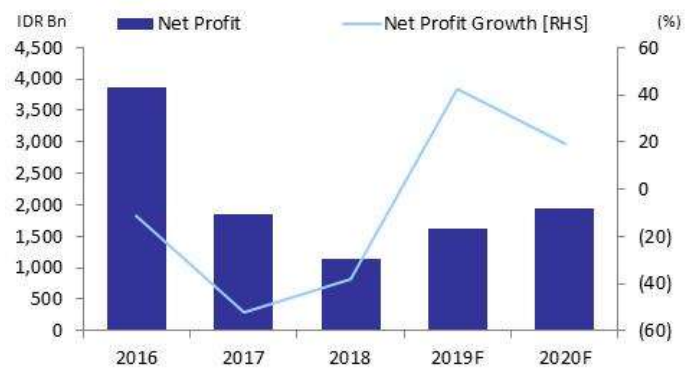
Source : INTP, Danareksa Estimates

**Exhibit 1. Revenues and Growth**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**



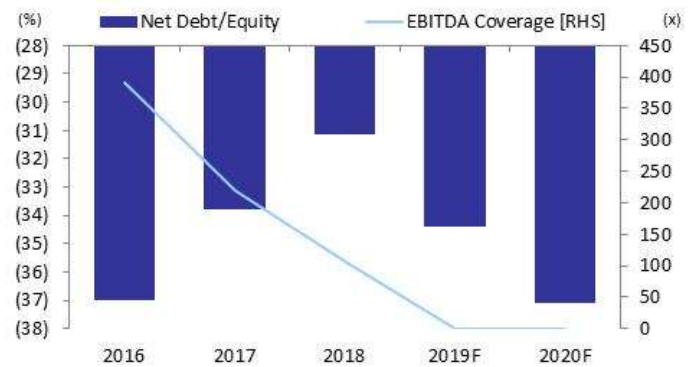
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. Margins**



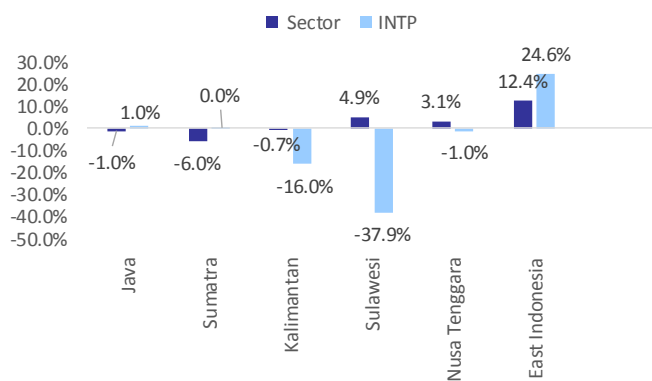
Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**



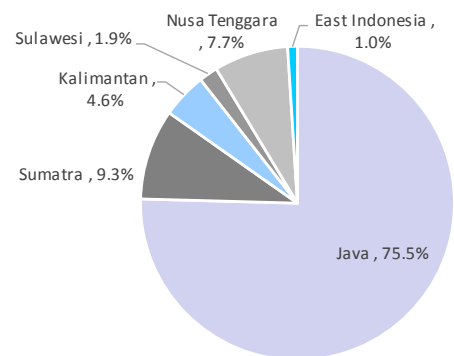
Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. 10M19 Growth breakdown**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 6. INTP YTD market breakdown**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 7. Changes in forecast**

	Old		New		Chg.		%yoy	
	2019	2020	2019	2020	2019	2020	2019	2020
Sales vol.(mn tons)	18.49	19.20	17.70	18.42	-4.3%	-4.1%	-0.5%	4.0%
ASP (%yoy)	4.0%	4.0%	3.0%	3.0%				
Revenues	16,559	17,906	15,905	17,297	-3.9%	-3.4%	4.7%	8.8%
Gross profit	5,064	5,836	4,983	5,630	-1.6%	-3.5%	14.0%	13.0%
Op. profit	1,516	2,100	1,510	1,950	-0.4%	-7.2%	44.3%	29.1%
Net profit	1,631	1,945	1,626	1,823	-0.3%	-6.2%	41.9%	12.2%
GPM (%)	30.6%	32.6%	31.3%	32.6%				
OPM (%)	9.2%	11.7%	9.5%	11.3%				
NPM (%)	9.8%	10.9%	10.2%	10.5%				

Source: Danareksa Sekuritas estimate

**Exhibit 8. Sensitivity of the monthly cement sales in the remaining of the year**

<b>FY19 % yoy target</b>	<b>-0.5</b>	<b>0.0%</b>	<b>1.0%</b>	<b>2.0%</b>
Monthly growth Nov-Dec19	3.9%	6.8%	12.4%	18.1%

Source: Danareksa Sekuritas estimate

### Exhibit 9. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
<b>Revenue</b>	<b>14,431</b>	<b>15,190</b>	<b>15,905</b>	<b>17,297</b>	<b>18,483</b>
COGS	(9,423)	(10,821)	(10,923)	(11,667)	(12,403)
<b>Gross profit</b>	<b>5,008</b>	<b>4,369</b>	<b>4,983</b>	<b>5,630</b>	<b>6,080</b>
<b>EBITDA</b>	<b>3,106</b>	<b>2,006</b>	<b>2,957</b>	<b>3,370</b>	<b>3,644</b>
<b>Oper. profit</b>	<b>1,928</b>	<b>1,046</b>	<b>1,510</b>	<b>1,950</b>	<b>2,209</b>
Interest income	416	332	361	246	265
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
<b>Pre-tax profit</b>	<b>2,288</b>	<b>1,401</b>	<b>1,912</b>	<b>2,237</b>	<b>2,516</b>
Income tax	(428)	(255)	(287)	(414)	(466)
Minority interest	0	0	0	0	0
<b>Net profit</b>	<b>1,860</b>	<b>1,146</b>	<b>1,626</b>	<b>1,823</b>	<b>2,051</b>
<b>Core Net Profit</b>	<b>1,860</b>	<b>1,146</b>	<b>1,626</b>	<b>1,823</b>	<b>2,051</b>

### Exhibit 10. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	8,295	7,226	8,192	8,835	9,775
Receivables	2,485	2,966	2,715	2,929	3,079
Inventory	1,769	1,838	1,856	1,990	2,088
Other Curr. Asset	335	286	573	588	582
Fixed assets - Net	14,979	14,637	13,915	13,454	12,979
Other non-curr.asset	1,001	836	853	877	903
<b>Total asset</b>	<b>28,864</b>	<b>27,789</b>	<b>28,105</b>	<b>28,672</b>	<b>29,406</b>
ST Debt	0	0	0	0	0
Payables	2,207	2,578	2,364	2,565	2,888
Other Curr. Liabilities	1,272	1,348	1,400	1,571	1,754
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	828	641	639	637	636
<b>Total Liabilities</b>	<b>4,307</b>	<b>4,567</b>	<b>4,404</b>	<b>4,773</b>	<b>5,279</b>
Shareholder's Funds	24,557	23,222	23,701	23,899	24,127
Minority interests	0	0	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>28,864</b>	<b>27,789</b>	<b>28,105</b>	<b>28,672</b>	<b>29,406</b>

### Exhibit 11. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	1,860	1,146	1,626	1,823	2,051
Depreciation and Amort.	1,178	959	1,448	1,421	1,435
Change in Working Capital	436	(78)	(109)	12	265
Other Oper. Cash Flow	(402)	(313)	(361)	(246)	(265)
<b>Operating Cash Flow</b>	<b>3,072</b>	<b>1,714</b>	<b>2,602</b>	<b>3,010</b>	<b>3,486</b>
Capex	(1,512)	(621)	(722)	(959)	(959)
Others Inv. Cash Flow	495	502	340	222	239
<b>Investing Cash Flow</b>	<b>(1,017)</b>	<b>(119)</b>	<b>(382)</b>	<b>(737)</b>	<b>(720)</b>
Net change in debt	1	8	(108)	(5)	(2)
New Capital	0	0	0	0	0
Dividend payment	3,419	2,577	1,146	1,626	1,823
Other Fin. Cash Flow	(15)	(95)	0	0	0
<b>Financing Cash Flow</b>	<b>3,404</b>	<b>2,490</b>	<b>1,038</b>	<b>1,621</b>	<b>1,821</b>
<b>Net Change in Cash</b>	<b>5,459</b>	<b>4,085</b>	<b>3,258</b>	<b>3,894</b>	<b>4,587</b>
Cash - begin of the year	9,674	8,295	7,226	8,192	8,835
Cash - end of the year	8,295	7,226	8,192	8,835	9,775

### Exhibit 12. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
<b>Growth (%)</b>					
Sales	(6.1)	5.3	4.7	8.8	6.9
EBITDA	(32.6)	(35.4)	47.4	14.0	8.1
Operating profit	(46.7)	(45.7)	44.3	29.1	13.3
Net profit	(51.9)	(38.4)	41.9	12.2	12.5
<b>Profitability (%)</b>					
Gross margin	34.7	28.8	31.3	32.6	32.9
EBITDA margin	21.5	13.2	18.6	19.5	19.7
Operating margin	13.4	6.9	9.5	11.3	12.0
Net margin	12.9	7.5	10.2	10.5	11.1
ROAA	6.3	4.0	5.8	6.4	7.1
ROAE	7.3	4.8	6.9	7.7	8.5
<b>Leverage</b>					
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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