

Wednesday, 22 January 2020

**BUY**  
**Upgrade**

Last price (IDR)	18,500
Target Price (IDR)	21,600
Upside/Downside	+16.8%
Previous Target Price (IDR)	21,600

**Stock Statistics**

Sector	Cement
Bloomberg Ticker	INTP IJ
No of Shrs (mn)	3,681
Mkt. Cap (IDRbn/USDmn)	68,103/4,982
Avg. daily T/O (IDRbn/USDmn)	42.1/3.1

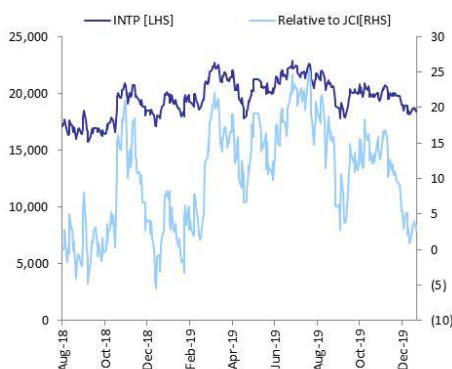
**Major shareholders (%)**

Birchwood Omnia Limited	51.0
Mekar Perkasa	13.0

**EPS Consensus (IDR)**

	2019F	2020F	2021F
Danareksa	441.6	495.3	557.1
Consensus	443.8	557.1	642.4
Danareksa/Cons	(0.5)	(11.1)	(13.3)

**INTP relative to JCI Index**



Source : Bloomberg



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# Indocement Tunggal Prakarsa (INTP IJ)

## Solid grounds for optimism

**INTP booked cement sales in FY19 of 17.85mn tons, similar to 2018's sales (+0.3%yoy). The flattish cement sales resulted in stable market share of 25.5% since INTP managed to maintain its sales in its home area, West Java and Java. The sales are in-line with our expectation (100.8%). We upgrade our recommendation to BUY, noting the stock's more attractive valuation since its premium over SMGR has narrowed significantly. We maintain our forecasts on INTP.**

**INTP managed to maintain its market share at 25.5% in FY19.** INTP booked cement sales in FY19 of 17.85mn tons, similar to 2018's sales (0.3%yoy higher). The sales growth is in-line with the domestic consumption, as domestic sales grew by 0.6%yoy. As a result, INTP's market share was stable at 25.5% in FY19 (FY18: 25.6%). INTP booked strong sales growth in its home area, West Java, at +9.4%yoy. However, INTP booked less sales in Jakarta, Central Java, and East Java. As a result, its sales growth in Java was only 2.3%yoy. Java contributed 74.9% of the sales while West Java contributed 30.9%. INTP has 34.2% market share in Java. INTP's FY19 cement sales of 17.85mn tons are in-line with our target of 17.70mn tons (100.8%).

**Sales in Dec19 grew by 6%yoy despite the monthly seasonality.** INTP sold 1.63mn tons of cement in Dec19, or +6.0%yoy but -8.9%mom. Sales in West Java were +14.9%yoy but -10.7%mom. Furthermore, sales in Java grew by +7.2%yoy but were down by -9.0%mom. INTP managed to maintain its market share in West Java at 46.9%, resulting in 34.0% market share in Java. In total, INTP's market share in Dec19 stood at 24.9% - relatively stable (Nov19: 25.2% and Dec18: 25.2%).

**Sluggish domestic sales led by flat demand in Java.** Domestic cement consumption in FY19 reached 70.0mn tons, slightly higher than FY18's (+0.6%yoy). The sluggish demand largely owed to flattish sales in Java which grew by only 0.2%yoy, while sales in Sumatra were down (-4.4%yoy). Java and Sumatra contributed 55.9% and 20.5% of the domestic demand. On a monthly basis, cement sales in Dec19 reached 6.54mn tons, or +7.2%yoy but -7.8%mom.

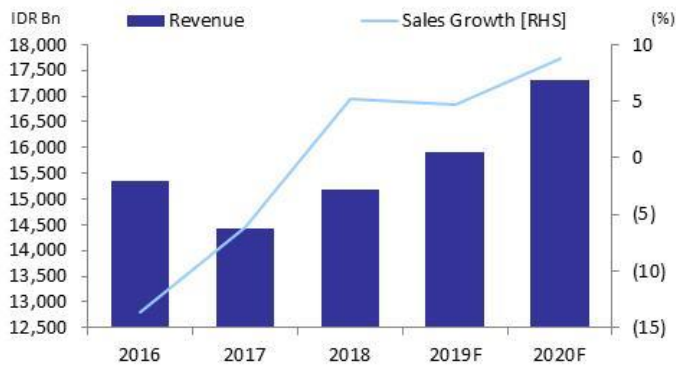
**Upgrade to BUY.** We upgrade our recommendation from HOLD to BUY on the back of: 1) the stock's attractive valuation since the EV/ton gap between INTP and SMGR is closer. Historically, INTP has traded at a 41% premium to SMGR's EV/ton (since 2015), but now the gap has narrowed to around 24%, 2) the underperformance of the share price over the past two years despite the margins improvement, 3) INTP is a zero debt company with plenty of cash (IDR6.0tn by Sep19), 4) normalizing earnings growth as we expect 2020 growth to still be in double digits territory, and 5) the positive outlook on stable ASP going forward with the likelihood of a price war quite remote.

**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

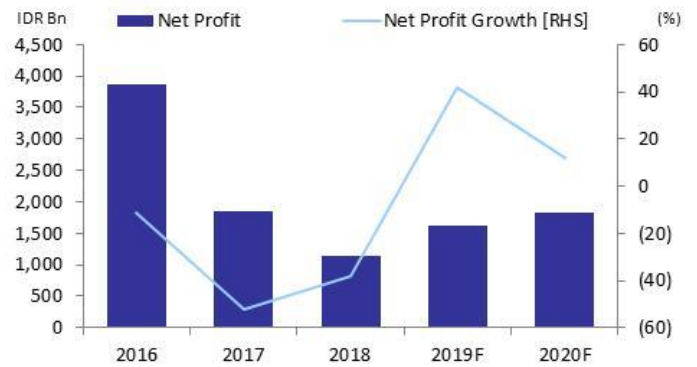
Source : INTP, Danareksa Estimates

**Exhibit 1. Revenues and Growth**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**



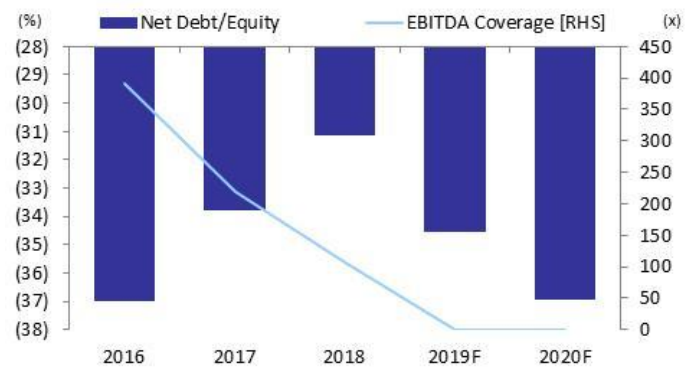
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. Margins**



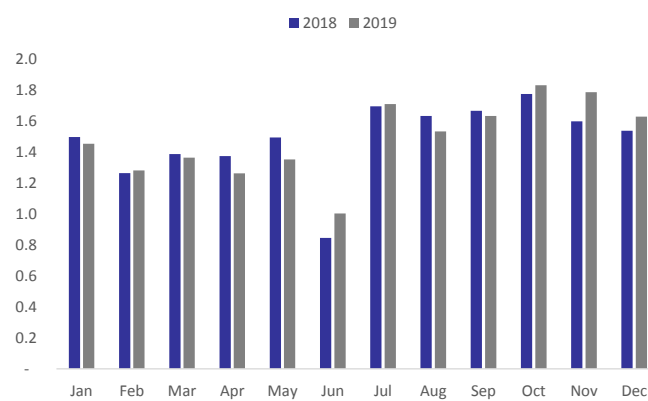
Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**



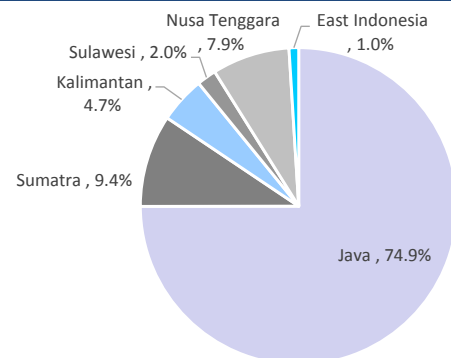
Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. INTP Monthly Cement Sales**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 6. INTP FY19 Market Breakdown**

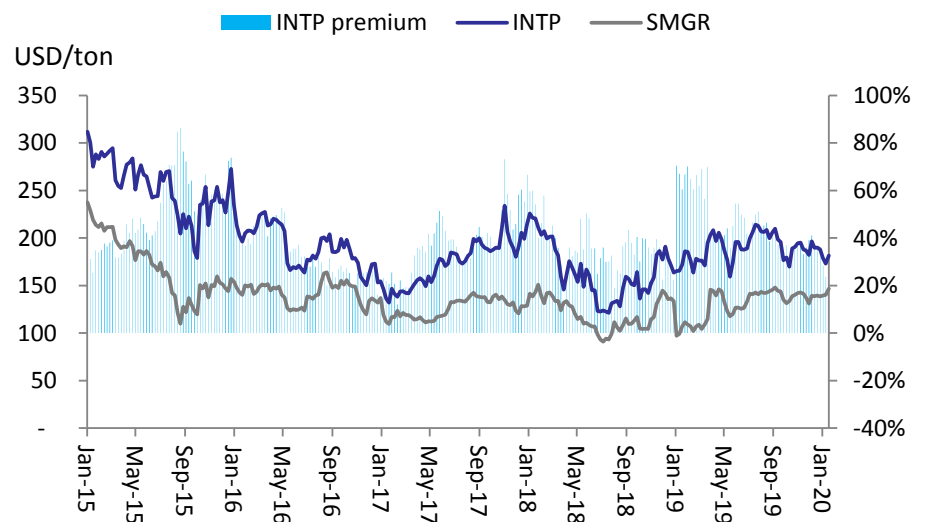


Source: Company, Danareksa Sekuritas estimates

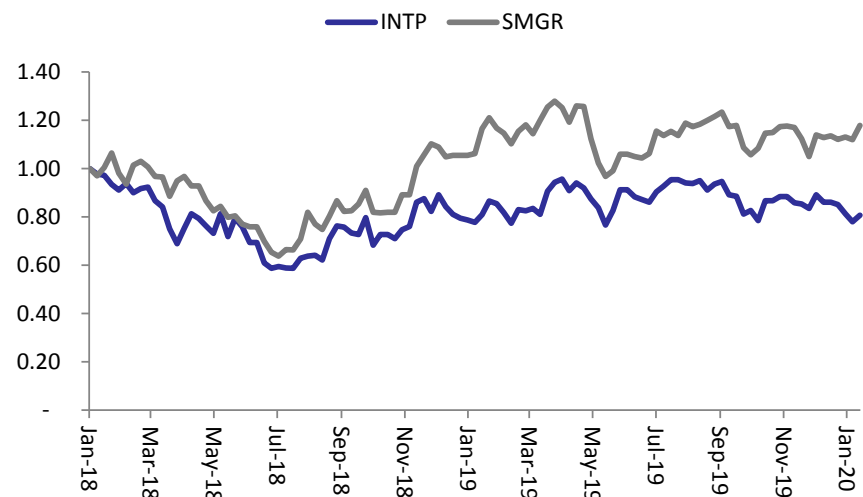
**Exhibit 7. INTP Cement Sales Breakdown**

Mn tons	Dec-18	Nov-19	Dec-19	% yoy	% mom	12M18	12M19	% yoy
Jakarta	0.15	0.18	0.17	10.9%	-8.4%	1.97	1.95	-1.3%
Banten	0.13	0.15	0.15	12.1%	-1.1%	1.45	1.49	2.7%
West Java	0.43	0.55	0.49	14.9%	-10.7%	5.04	5.52	9.4%
Central Java	0.27	0.30	0.28	1.6%	-8.5%	3.25	3.24	-0.4%
Yogyakarta	0.02	0.02	0.02	12.6%	-17.8%	0.22	0.23	3.3%
East Java	0.11	0.10	0.09	-18.3%	-11.4%	1.14	1.07	-6.2%
Java	1.11	1.30	1.19	7.2%	-9.0%	13.07	13.37	2.3%
Sumatra	0.13	0.18	0.16	23.2%	-10.3%	1.59	1.68	5.5%
Kalimantan	0.09	0.08	0.09	0.2%	17.6%	0.98	0.84	-14.2%
Sulawesi	0.04	0.03	0.05	9.1%	63.0%	0.55	0.35	-35.3%
Nusa Tenggara	0.14	0.18	0.13	-7.0%	-29.9%	1.39	1.41	1.8%
East Indonesia	0.02	0.02	0.02	-0.2%	10.2%	0.15	0.18	16.2%
<b>INTP - total</b>	<b>1.54</b>	<b>1.79</b>	<b>1.63</b>	<b>6.0%</b>	<b>-8.9%</b>	<b>17.80</b>	<b>17.85</b>	<b>0.3%</b>

Source: Company

**Exhibit 8. EV/TON Band Chart**


Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 9. INTP share price dropped by 20% since Jan18, while SMGR up by 17%**


Source: Bloomberg

### Exhibit 10. 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 11. 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 12. 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 13. 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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