

Friday, 14 February 2020

**BUY**  
**Maintain**

Last price (IDR) 15,725  
Target Price (IDR) 21,600  
Upside/Downside +37.4%  
Previous Target Price (IDR) 21,600

#### Stock Statistics

Sector Cement  
Bloomberg Ticker INTF JJ  
No of Shrs (mn) 3,681  
Mkt. Cap (IDRbn/USDmn) 57,887/4,227  
Avg. daily T/O (IDRbn/USDmn) 38.2/2.8

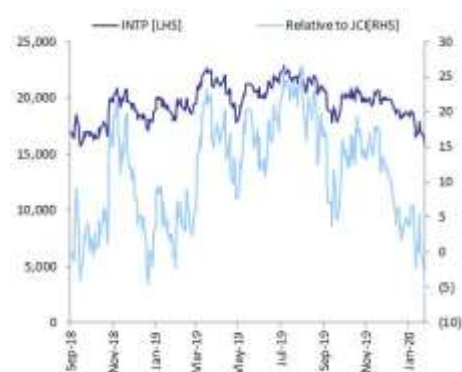
#### Major shareholders (%)

Birchwood Omnia Limited 51.0  
Mekar Perkasa 13.0

#### EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	441.6	495.3	557.1
Consensus	448.8	563.8	647.5
Danareksa/Cons	(1.6)	(12.2)	(14.0)

#### INTP relative to JCI Index



Source : Bloomberg



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## Indocement Tunggal Prakarsa (INTP JJ)

### Bad weather resulted in sluggish sales

The extreme weather and heavy rainfall which caused floods in many areas in Indonesia hit cement demand in Jan20. INTP booked cement sales of 1.30mn tons (-10%yoy and -20%mom) with sales sluggish in Java and Sumatra. Historically, sales in 1Q account for 23% of the full year sales, while sales in Jan contribute 8% of the full year sales and 35% of the 1Q sales. INTP's sales in Jan are 7% of our FY target. **Maintain BUY.**

**Floods in the western part of Java dragged down INTP's Jan sales volume.** The extreme weather in Jan and heavy rainfall which caused floods in many areas resulted in cement sales volume of 1.30mn tons for INTP, or -9.6%yoy and -20.1%mom. The sales volume in 6 selling regional areas recorded negative growth on both a yoy and mom basis. In Java, cement sales were -6.4%yoy. Most notably, sales were flat in Jakarta (+0.4%yoy), -10.7%yoy in Central Java and -4.1%yoy in West Java, INTP's main markets. Around 76% of INTP's turnover is in Java. Sales in Sumatra - which accounted for 9% of the sales - dropped 20.2%yoy. The Nusa Tenggara and Kalimantan markets accounted for 8% and 5% of the sales.

**Soft sales in January owed to extreme weather.** Nationwide, domestic cement sales in Jan 2020 reached only 5.20mn tons, or -7.4%yoy and -20.4%mom. Based on the area, only East Indonesia booked positive yearly sales at +25.5%yoy albeit -0.8%mom. However, sales in East Indonesia constituted only 4.0% of the national cement demand. Cement consumption in Java, the country's most populous island, was -9.9%yoy and -18.3%mom. Java accounted for 55% of the domestic demand. Furthermore, sales in Sumatra which accounted for 21% of the market were -8.9%yoy and -20.8%mom. Historically, sales in 1Q account for 23% of the FY sales, with Jan contributing ~8% to the FY sales or 36% of the 1Q sales.

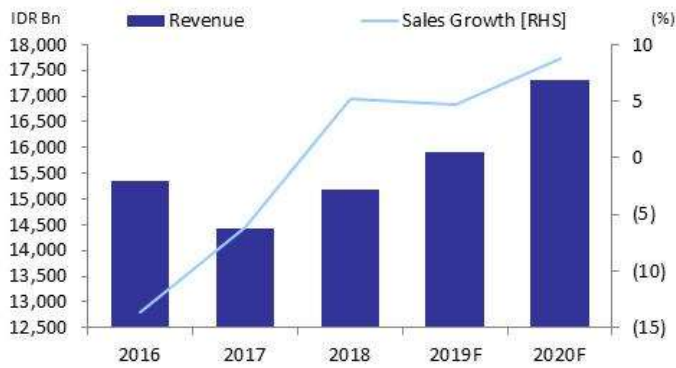
**Sales in Jan accounted for 7% of our target.** We expect INTP to sell more cement this year than in 2019. Our 2020 cement target is set at 18.4mn tons, representing growth of 4%yoy, compared to the flattish growth in FY19 of +0.3%yoy. Historically, INTP's cement sales in 1Q are 23% of the full year sales with sales in Jan contributing 8% of the FY sales and 35% of the 1Q sales. INTP's sales in Jan are 7.1% of our FY20 target.

**Maintain BUY.** INTP maintained market share at ~25% in Jan20. The ratio is stable compared to the previous month (24.9%) and the previous year (25.6%). INTP is trading at EV/ton of USD147, below its -1SD historical EV/ton at USD155.

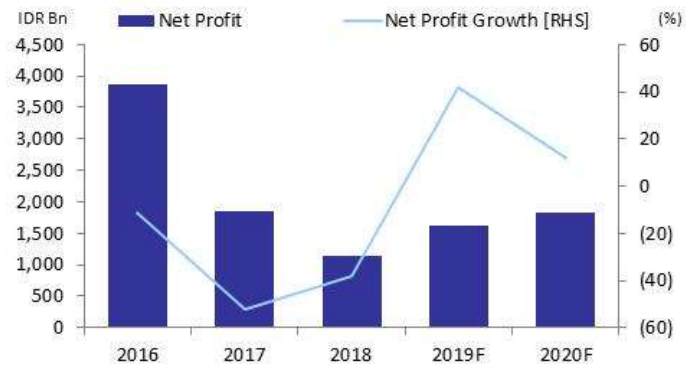
#### Key Financials

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)	31.1	50.5	35.6	31.8	28.2
PBV (x)	2.4	2.5	2.4	2.4	2.4
Dividend yield (%)	5.9	4.5	2.0	2.8	3.1
EV/EBITDA (x)	16.0	25.3	16.8	14.6	13.2

Source : INTP, Danareksa Estimates

**Exhibit 1. Revenues and Growth**


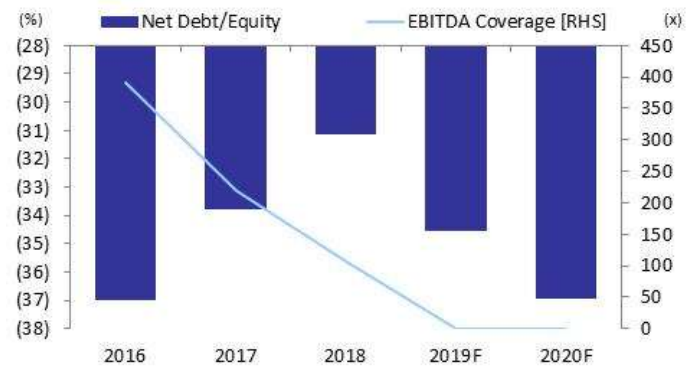
Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**


Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. Margins**

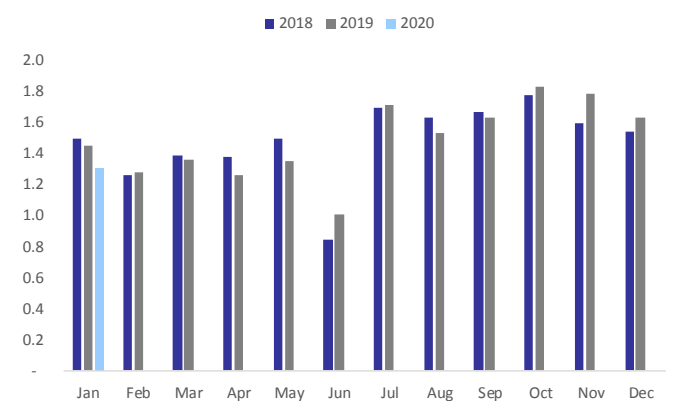

Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**


Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. EV/TON Band Chart**


Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 6. Monthly INTP Cement Sales**


Source: Company, Danareksa Sekuritas estimates

**Exhibit 7. INTP Sales Breakdown**

<b>Mn tons</b>	<b>Jan-19</b>	<b>Dec-19</b>	<b>Jan-20</b>	<b>% yoy</b>	<b>% mom</b>	<b>%</b>
Jakarta	0.14	0.17	0.15	0.4%	-13.7%	11.2%
Banten	0.12	0.15	0.12	-4.7%	-19.3%	9.1%
West Java	0.41	0.49	0.39	-4.1%	-19.8%	30.1%
Central Java	0.25	0.28	0.23	-10.7%	-18.3%	17.4%
Yogyakarta	0.01	0.02	0.02	14.4%	-8.6%	1.3%
East Java	0.11	0.09	0.08	-20.3%	-4.4%	6.5%
Java	1.05	1.19	0.98	-6.4%	-17.1%	75.5%
Sumatra	0.14	0.16	0.11	-20.2%	-27.7%	8.7%
Kalimantan	0.09	0.09	0.06	-30.7%	-31.6%	4.9%
Sulawesi	0.04	0.05	0.03	-33.0%	-41.4%	2.1%
Nusa Tenggara	0.11	0.13	0.10	-9.1%	-21.5%	7.7%
East Indonesia	0.02	0.02	0.02	-12.1%	-5.7%	1.2%
<b>INTP - total</b>	<b>1.44</b>	<b>1.63</b>	<b>1.30</b>	<b>-9.6%</b>	<b>-20.1%</b>	<b>100.0%</b>

Source: Company

### Exhibit 8. 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 9. 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 10. 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 11. 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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