

Wednesday, 04 August 2021

BUY
Maintain

Last price (IDR) 9,900
Target Price (IDR) 15,400
Upside/Downside +55.6%
Previous Target Price (IDR) 16,800

Stock Statistics

Sector Cement
Bloomberg Ticker INTP IJ
No of Shrs (mn) 3,681
Mkt. Cap (IDRbn/USDmn) 36,444/2,515
Avg. daily T/O (IDRbn/USDmn) 37.0/2.6

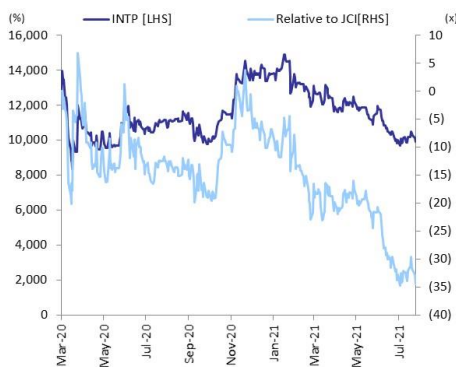
Major shareholders (%)

Birchwood Omnia Limited 51.0
Public 49.0

EPS Consensus (IDR)

	2021F	2022F	2023F
Danareksa	536.4	609.4	669.3
Consensus	485.1	550.4	599.9
Danareksa/Cons	10.6	10.7	11.6

INTP relative to JCI Index



Source : Bloomberg



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Indocement Tunggal Prakarsa (INTP IJ)

The transformation programs are bearing fruit

INTP booked strong 1H21 results thanks to the transformation carried out by the company in the past few years such as the digitalization program, the usage of alternative fuels, and the emission reduction program. The domestic cement market grew by +7.3%yoy in 1H21 as bagged cement sales grew by +10%yoy. Soft bulk cement sales are a reflection of the slow progress of infrastructure projects. While cement demand for infrastructure projects is expected to recover post the implementation of PPKM, the ongoing pandemic remains a major threat. We maintain our BUY call with a new TP at IDR15,400.

INTP's strong sales growth in 1H21 beat the sector. Cement demand improved in 1H21 with growth reaching +7.3%yoy supported by strong sales of bagged cement (+10%yoy), whereas bulk cement sales dropped by -1.4%yoy. As a result of the soft bulk cement sales, the portion of bagged cement sales rose to 79% from 77% in FY20 and 73% in FY19/FY18. This indicates that progress on infrastructure projects was still low in 1H21. Nonetheless, INTP's sales volume growth was higher than the sector's. Indeed, INTP's domestic sales grew by +9%yoy, while exports jumped by +513%yoy to 222k tons (2.7% of sales volume). This resulted in consolidated growth of +11.3%yoy.

Strong 1H21 results. The revenues in 1H21 jumped by +8.0%yoy, supported by higher sales volume as the ASP fell by -2.6%yoy. Lower transportation costs and delivery to customers resulted in a higher operating margin of 9.1% (1H20: 6.7%) thanks to the digitalization program that provides real time data in operations and marketing activities. The EBITDA margin improved to 19.2% (1H20: 15.5%). At the bottom line, INTP booked net income of IDR586.6bn (+24.8%yoy).

Management concerns in 2H21 center on high coal prices. In 1H21, the fuel and power costs rose by +2.6%yoy on a ton basis on the back of higher coal prices. The energy cost accounted for 45% of the manufacturing cost, while the coal cost accounted for 55% of the energy cost. INTP was able to mitigate the cost increase as the company used coal from its inventory, made use of alternative fuels, and used a higher portion of LCV. As of Jun21, 11.7% of the fuel mix was fulfilled by alternative fuels. The ratio increased from 9.3% in FY20. The portion of LCV used reached 87% of the total fossil fuel (FY20: 80%). High expected coal prices in 2H and the debts repayment schedule on small players opens the opportunity to increase ASP by the players.

Valuation. We roll over our valuation to 2022 and arrive at a new TP of IDR15,400 (WACC: 11.2% and TG: 3.0%). The 1H21 earnings are 30% of our FY target. We make slight changes in our forecast due to the update on the dividend payment. In this regard, INTP will distribute another IDR500/share of cash dividends on 10 Aug following the distribution of IDR225/share of interim dividends in Dec20. The dividends are coming from 100% of the 2020 earnings and IDR862.6bn from RE (4.75%).

Key Financials

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Revenue (IDRbn)	15,939	14,184	15,339	16,466	17,620
EBITDA (IDRbn)	3,198	3,362	3,390	3,673	3,813
EBITDA Growth (%)	59.4	5.1	0.8	8.4	3.8
Net profit (IDRbn)	1,835	1,806	1,974	2,243	2,464
EPS (IDR)	498.6	490.7	536.4	609.4	669.3
EPS growth (%)	60.2	(1.6)	9.3	13.6	9.8
BVPS (IDR)	6,269.7	6,024.1	5,835.5	5,908.6	5,968.5
DPS (IDR)	550.0	500.0	725.0	536.4	609.4
PER (x)	19.9	20.2	18.5	16.2	14.8
PBV (x)	1.6	1.6	1.7	1.7	1.7
Dividend yield (%)	5.6	5.1	7.3	5.4	6.2
EV/EBITDA (x)	9.0	8.6	8.4	7.6	7.1

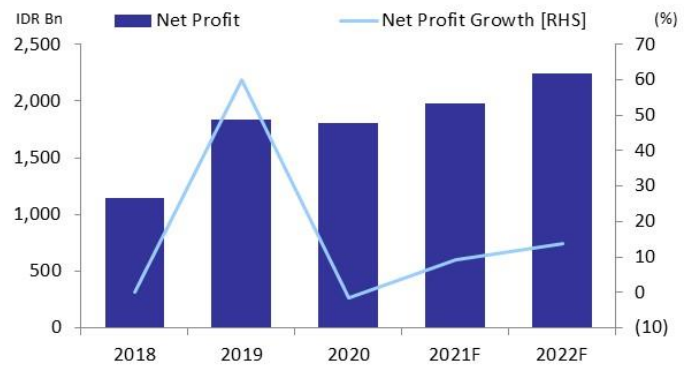
Source : INTP, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



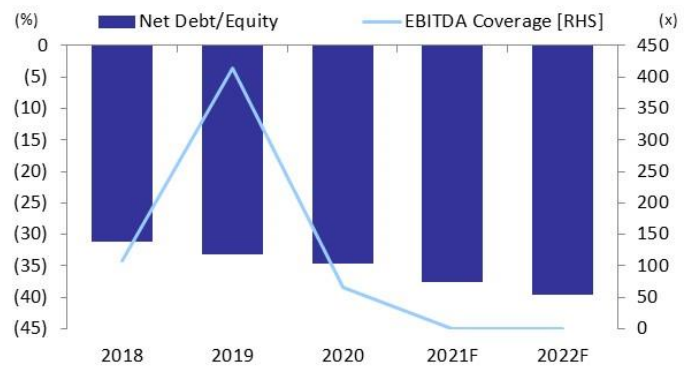
Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 3. Margins



Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



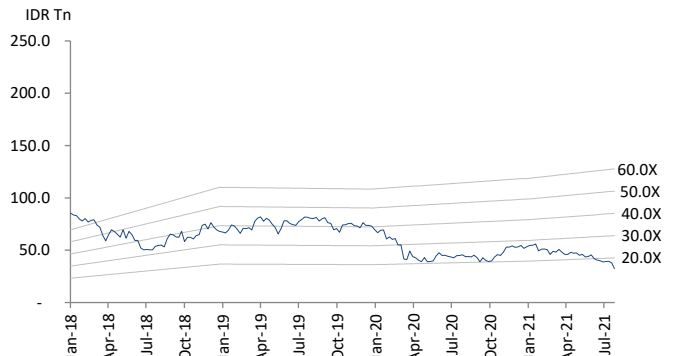
Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 5. PE Band Chart



Source: Bloomberg, BRI Danareksa Sekuritas estimates

Exhibit 6. Share Price Chart



Source: Bloomberg, BRI Danareksa Sekuritas estimates

Exhibit 7. INTP 1H21 result summary

IDR Bn	2Q20	1Q21	2Q21	QoQ	YoY	1H21	YoY	BRIDS FY21F	1H21/ FY21F
				Chg %	Chg %		Chg %		Chg %
Revenue	2,812	3,438	3,229	(6.1)	14.8	6,667	8.0	15,339	43.5
Gross profit	815	1,100	995	(9.6)	22.0	2,094	11.4	5,535	37.8
Op profit	121	364	244	(33.0)	101.7	609	46.8	2,227	27.3
Net profit	70	351	235	(33.0)	238.0	587	24.8	1,974	29.7
GPM (%)	29.0	32.0	30.8	(1.2)	1.8	31.4	1.0	36.1	
OPM (%)	4.3	10.6	7.6	(3.0)	3.3	9.1	2.4	14.5	
NPM (%)	2.5	10.2	7.3	(2.9)	4.8	8.8	1.2	12.9	

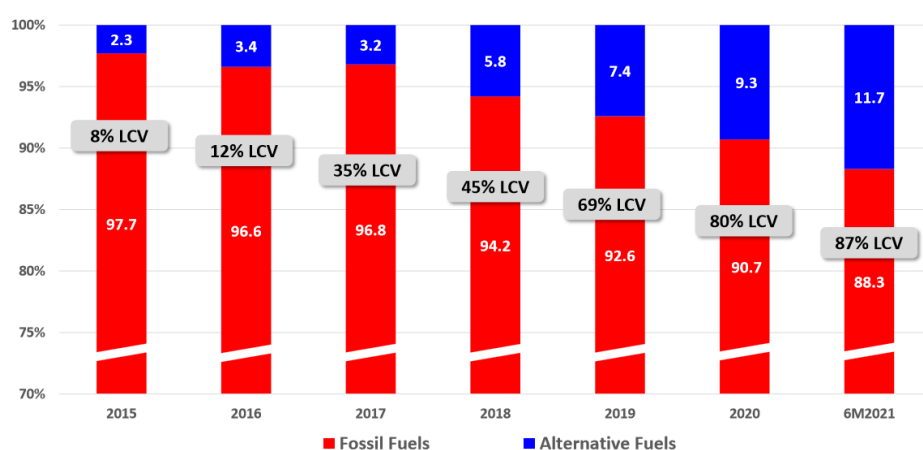
Source: BRI Danareksa Sekuritas estimates

Exhibit 8. Changes in our forecast

	2020	New		Old		Chg. (%)		YoY (%)	
		2021	2022	2021	2022	2021	2022	2021	2022
ASP growth (YoY%)	2.2%	2.0%	3.0%	2.0%	3.0%	nm	nm	nm	nm
Sales vol (mn tons)	17.1	17.7	18.4	17.7	18.4	0.0%	0.0%	3.5%	4.0%
Revenues	14,184	15,339	16,466	15,339	16,466	0.0%	0.0%	8.1%	7.3%
Gross profit	5,114	5,527	6,027	5,535	6,035	-0.1%	-0.1%	8.1%	9.0%
Operating profit	1,960	2,219	2,538	2,227	2,547	-0.4%	-0.3%	13.2%	14.4%
Net income	1,806	1,974	2,243	1,981	2,278	-0.3%	-1.5%	9.3%	13.6%
GPM (%)	36.1%	36.0%	36.6%	36.1%	36.7%				
OPM (%)	13.8%	14.5%	15.4%	14.5%	15.5%				
NPM (%)	12.7%	12.9%	13.6%	12.9%	13.8%				

Source: BRI Danareksa Sekuritas estimates

Exhibit 9. Fuel cost breakdown



Source: Company

Exhibit 10. Cash dividend distribution

In Bio IDR	2015	2016	2017	2018	2019	2020*
Net Income	4,357	3,870	1,860	1,146	1,835	1,806
Dividend**	1,528	3,420	2,577	2,025	1,841	2,669
% of Dividend Payout	35.1%	88.4%	138.6%	176.7%	100.3%	148%

Source: Company

Exhibit 11. Income Statement

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Revenue	15,939	14,184	15,339	16,466	17,620
COGS	(10,439)	(9,071)	(9,812)	(10,439)	(11,146)
Gross profit	5,500	5,114	5,527	6,027	6,475
EBITDA	3,198	3,362	3,390	3,673	3,813
Oper. profit	1,997	1,960	2,219	2,538	2,790
Interest income	360	386	308	323	345
Interest expense	(8)	(51)	0	0	0
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	17	15	16	16	17
Other Income (Expenses)	(92)	(84)	(84)	(84)	(84)
Pre-tax profit	2,275	2,226	2,459	2,794	3,068
Income tax	(440)	(419)	(484)	(550)	(604)
Minority interest	0	0	0	0	0
Net profit	1,835	1,806	1,974	2,243	2,464
Core Net Profit	1,835	1,806	1,974	2,243	2,464

Exhibit 12. Balance Sheet

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Cash & cash equivalent	7,652	7,698	8,078	8,624	9,303
Receivables	2,984	2,585	2,753	2,910	3,066
Inventory	1,895	1,824	1,971	2,116	2,250
Other Curr. Asset	298	193	194	197	200
Fixed assets - Net	14,080	14,397	13,179	13,201	13,336
Other non-curr.asset	798	648	671	680	689
Total asset	27,708	27,345	26,846	27,727	28,844
ST Debt	0	0	0	0	0
Payables	2,516	2,319	2,285	2,545	3,023
Other Curr. Liabilities	1,358	1,896	2,155	2,518	2,941
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	754	952	924	913	909
Total Liabilities	4,627	5,168	5,365	5,977	6,873
Shareholder's Funds	23,080	22,176	21,482	21,751	21,971
Minority interests	0	0	0	0	0
Total Equity & Liabilities	27,708	27,345	26,846	27,727	28,844

Exhibit 13. Cash Flow

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Net income	1,835	1,806	1,974	2,243	2,464
Depreciation and Amort.	1,201	1,402	1,171	1,135	1,022
Change in Working Capital	(136)	771	(166)	335	615
Other Oper. Cash Flow	(353)	(335)	(308)	(323)	(345)
Operating Cash Flow	2,547	3,645	2,671	3,390	3,756
Capex	(634)	(1,711)	33	(1,157)	(1,157)
Others Inv. Cash Flow	388	527	300	314	335
Investing Cash Flow	(246)	(1,184)	332	(842)	(822)
Net change in debt	(6)	390	46	(28)	(11)
New Capital	0	0	0	0	0
Dividend payment	2,025	1,841	2,669	1,974	2,243
Other Fin. Cash Flow	155	67	0	0	0
Financing Cash Flow	2,174	2,298	2,715	1,946	2,232
Net Change in Cash	4,475	4,759	5,719	4,494	5,167
Cash - begin of the year	7,226	7,652	7,698	8,078	8,624
Cash - end of the year	7,652	7,698	8,078	8,624	9,303

Exhibit 14. Key Ratios

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Growth (%)					
Sales	4.9	(11.0)	8.1	7.3	7.0
EBITDA	59.4	5.1	0.8	8.4	3.8
Operating profit	90.8	(1.9)	13.2	14.4	9.9
Net profit	60.2	(1.6)	9.3	13.6	9.8
Profitability (%)					
Gross margin	34.5	36.1	36.0	36.6	36.7
EBITDA margin	20.1	23.7	22.1	22.3	21.6
Operating margin	12.5	13.8	14.5	15.4	15.8
Net margin	11.5	12.7	12.9	13.6	14.0
ROAA	6.6	6.6	7.3	8.2	8.7
ROAE	7.9	8.0	9.0	10.4	11.3
Leverage					
Net Gearing (x)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)
Interest Coverage (x)	258.1	38.4	0.0	0.0	0.0

Source : INTP, Danareksa Estimates

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