

Indocement Tunggal

Prakarsa Tbk (INTP IJ)

Efisiensi Produksi Menopang Kinerja

Kinerja INTP pada 9M19 lebih baik dibandingkan 9M18, terlihat dari pendapatan yang meningkat 5,3% YoY disusul ASP domestik yang naik 8,1% YoY. Kinerja semakin diperkuat dengan efisiensi proses produksi. INTP masih harus bekerja keras untuk meningkatkan volume penjualan di tengah kondisi penurunan konsumsi semen nasional.

Kinerja Mulai Membaik

Pada 9M19, INTP berhasil membukukan pendapatan Rp11,3 triliun (+5,3% YoY) berkat kenaikan ASP domestik (+8,1% YoY) dan penggunaan bahan bakar yang lebih rendah (-8% YoY) sebagai usaha efisiensi produksi. Kondisi harga batu bara dunia yang lemah telah memperkecil porsi beban pokok terhadap pendapatan di level 67,6% (vs. 73,3% pada 9M18) dan biaya keuangan INTP Rp5,9 miliar (-70% YoY) sehingga menghasilkan laba bersih sebesar Rp1,1 triliun (+90,4% YoY). Pendapatan 9M19 INTP sudah mencapai 74,3% dari target kami di 2019F.

Volume Penjualan Melemah, Margin Meningkat

Hingga 9M19, INTP masih kesulitan untuk meningkatkan volume penjualan domestik di tengah penurunan konsumsi semen nasional (-2,2% YoY) sehingga hanya berhasil mencatatkan volume penjualan 13,4 juta ton (-1,9% YoY) dengan penjualan terlemah terjadi Jakarta dan Sulawesi. Namun, pada 3Q19, INTP mampu meningkatkan margin, tercatat OPM and NPM pada 3Q19 masing-masing menjadi 12,3% (vs. 6% pada 2Q19) dan 14,2% (vs. 7,5% pada 2Q19).

Jawa Barat Masih Menjadi Andalan

Kendati penurunan konsumsi semen nasional pada 9M19 di Pulau Jawa (-1,1% YoY) merupakan tantangan bagi industri semen, konsumsi semen nasional di Jawa Barat masih meningkat (+9% YoY). Solidnya penjualan semen di Jawa Barat menguntungkan INTP karena mayoritas pabrik semennya dengan total kapasitas sekitar 22,7 juta ton berada di Jawa Barat. Kami masih mempertahankan estimasi sebelumnya (9,6 juta ton-9,8 juta ton) terkait kontribusi penjualan di Jawa Barat, Jawa Tengah, dan Jawa Timur untuk 2019F, sebagai catatan, estimasi tersebut sudah menyertakan risiko tingginya curah hujan pada Oktober-Desember.

Mempertahankan Rating HOLD dengan Target Harga Rp21,000

Efisiensi biaya beserta fokus untuk melakukan *vertical integration* di segmen beton siap pakai dan tambang agregat menjadi katalis positif. Tetapi INTP belum cukup atraktif karena masih menghadapi *oversupply* dan musim hujan pada Q4 yang berpotensi menurunkan konsumsi semen nasional. Kami perkirakan industri semen akan membaik pada Q2 2020 dengan asumsi dampak relaksasi LTV yang akan menggerakkan proyek property, berpotensi menyerap semen dalam kapasitas lebih besar. Untuk itu, kami masih mempertahankan rekomendasi HOLD dengan target harga lebih rendah di Rp21,000 atau potensi *upside* 5,3% berdasarkan metode *forward P/E* 44,6x (-0,25 SD). Saat ini, INTP diperdagangkan dengan *P/E* 2019F 46,5x.

Indocement Tunggal Prakarsa Tbk | Summary

| | 2018A | 2019F | 2020F | 2021F |
|------------|--------|--------|--------|--------|
| Sales | 15,190 | 15,272 | 15,660 | 16,130 |
| Growth (%) | 5.3% | 0.5% | 2.5% | 3.0% |
| EBITDA | 2,354 | 2,791 | 2,944 | 3,100 |
| Net Profit | 1,146 | 1,505 | 1,629 | 1,733 |
| EPS (IDR) | 311 | 409 | 442 | 471 |
| Growth (%) | -38.4% | 31.3% | 8.2% | 6.4% |
| P/E | 60.3x | 46.5x | 44.2x | 42.5x |
| P/BV | 3.0x | 3.1x | 3.1x | 3.1x |
| EV/EBITDA | 26.3x | 22.4x | 21.9x | 20.9x |
| ROE (%) | 4.8% | 6.6% | 7.1% | 7.4% |
| DER (%) | 0.5% | 0.5% | 0.5% | 0.5% |
| Net Debt | -7,110 | -7,468 | -7,565 | -8,747 |

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Hold

| | |
|-----------------------|--------|
| Dec 2020 TP (IDR) | 21,000 |
| Consensus Price (IDR) | 20,040 |
| TP to Consensus Price | +4.8% |
| vs. Last Price | +5.3% |

Shares data

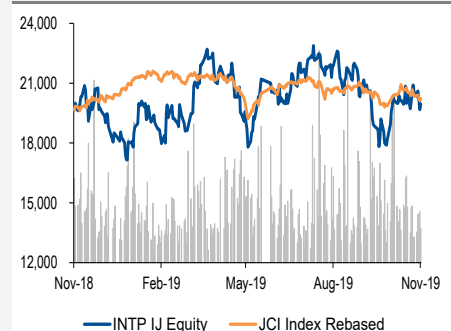
| | |
|------------------------|-----------------|
| Last Price (IDR) | 19,950 |
| Price Date as of | Nov 15, 2019 |
| 52 wk Range (Hi/Lo) | 22,875 / 16,725 |
| Free Float (%) | 49.0 |
| Outstanding sh.(mn) | 3,681 |
| Market Cap (IDR bn) | 76,938 |
| Market Cap (USD mn) | 5,465 |
| Avg. Trd Vol - 3M (mn) | 1.98 |
| Avg. Trd Val - 3M (bn) | 42.30 |
| Foreign Ownership | 99.9% |

Basic Industry

Cement

| | |
|-----------|---------|
| Bloomberg | INTP IJ |
| Reuters | INTP.JK |

Share Price Performance



| | YTD | 1M | 3M | 12M |
|-----------|-------|-------|------|-------|
| Abs. Ret. | 13.7% | -8.8% | 2.5% | 21.9% |
| Rel. Ret. | 12.9% | -7.7% | 4.1% | 16.9% |

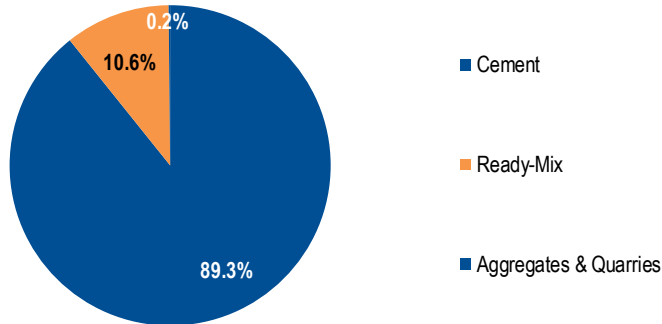
Meilki Darmawan

(021)797-6202, ext: 170

meilki.darmawan@nhsec.co.id

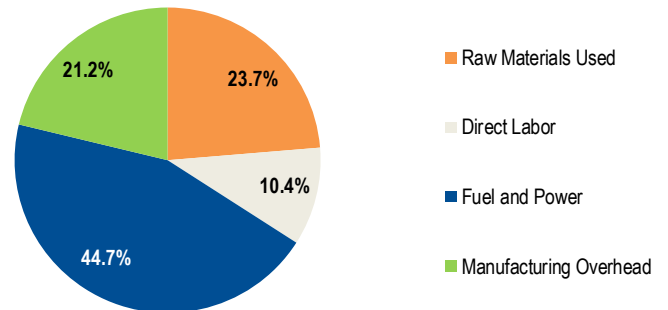
Performance Highlights in Charts

9M19 Revenue Breakdown



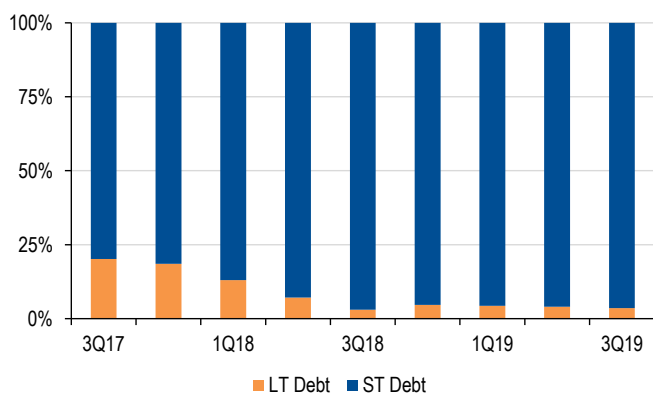
Source: Company Data, NHKS Research

9M19 Manufacturing Cost Breakdown



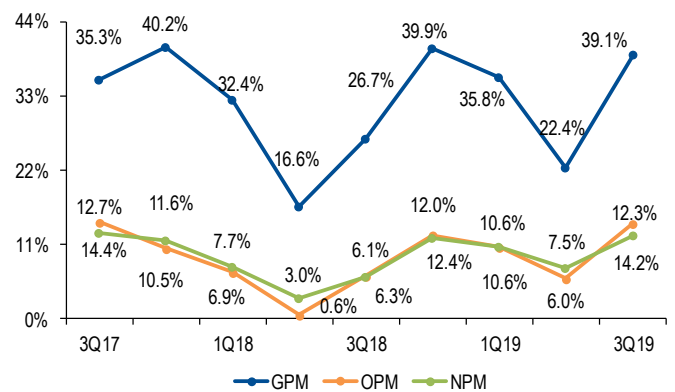
Source: Company Data, NHKS Research

Debt Portion



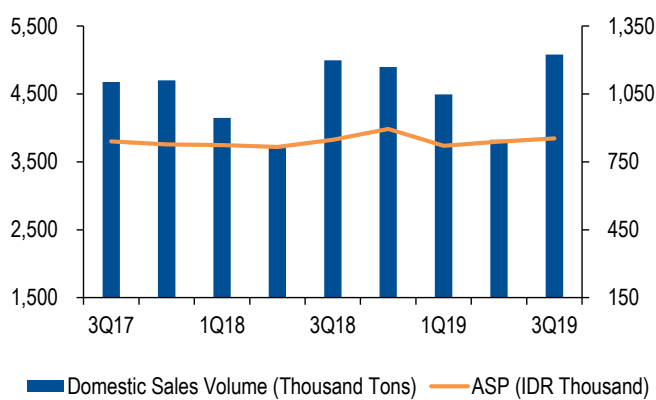
Source: Company Data, NHKS Research

Margin Ratios



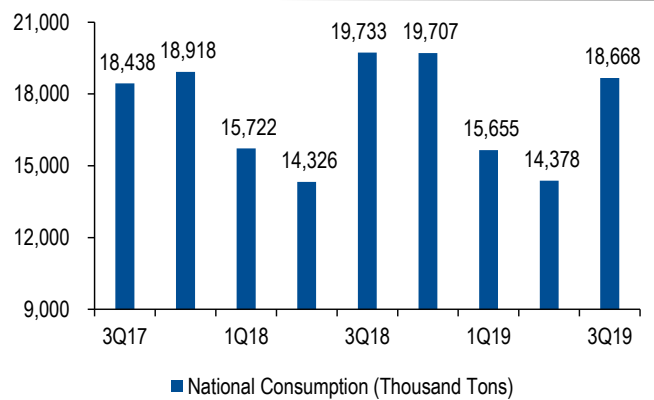
Source: Company Data, NHKS Research

Domestic Sales Volume & Market Shares



Source: Company Data, NHKS Research

National Consumption



Source: Company Data, NHKS Research

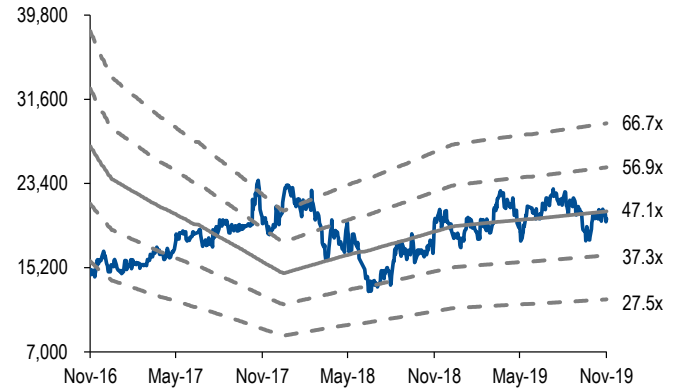
Valuation Highlights in Charts

3-Year Forward P/E Band



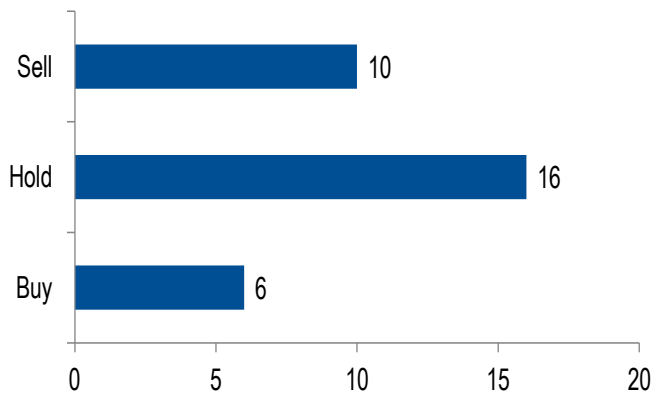
Source: Bloomberg, NHKS Research

3-Year Dynamic Forward P/E Band



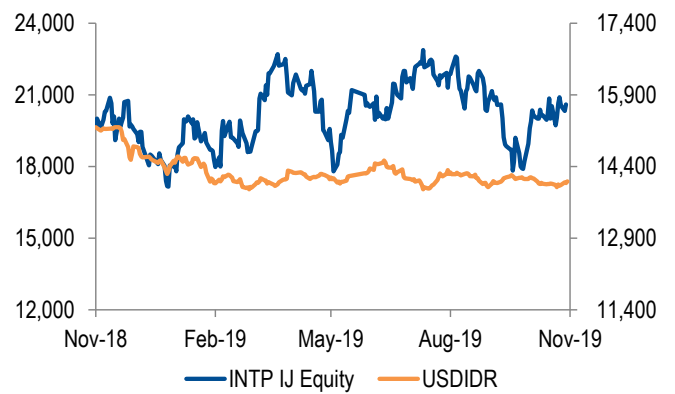
Source: Bloomberg, NHKS Research

Recommendations by Analysts



Source: Bloomberg, NHKS Research

Stock and USDIDR Correlated Negatively



Source: Bloomberg, NHKS Research

Quarterly Review

| | 3Q18 | 4Q18 | 1Q19 | 2Q19 | 3Q19 | | | | | 4Q19E |
|-------------------------|-------|-------|-------|-------|--------|----------|--------|--------|----------|-------|
| | | | | | Actual | Estimate | Y-Y | Q-Q | Surprise | |
| Income statement | | | | | | | | | | |
| Sales | 4,288 | 4,417 | 3,733 | 3,250 | 4,365 | 3,980 | 1.8% | 34.2% | 9.7% | 3,924 |
| Gross Profit | 1,179 | 1,491 | 1,164 | 979 | 1,535 | 1,196 | 30.2% | 56.8% | 28.4% | 1,163 |
| EBIT | 272 | 547 | 395 | 195 | 618 | 190 | 127.4% | 216.8% | 224.7% | 296 |
| EBITDA | 616 | 868 | 702 | 470 | 911 | 14.4% | 47.9% | 93.8% | 58.6% | 708 |
| Net Profit | 263 | 528 | 397 | 243 | 536 | 241 | 104.0% | 120.4% | 121.9% | 329 |
| Margin | | | | | | | | | | |
| Gross Margin | 27.5% | 33.7% | 31.2% | 30.1% | 35.2% | 30.0% | 7.7% | 5.0% | 5.1% | 29.6% |
| EBIT Margin | 6.3% | 12.4% | 10.6% | 6.0% | 14.2% | 4.8% | 7.8% | 8.2% | 9.4% | 7.6% |
| EBITDA Margin | 14.4% | 19.6% | 18.8% | 14.5% | 20.9% | 14.4% | 6.5% | 6.4% | 6.4% | 18.0% |
| Net Profit Margin | 6.1% | 12.0% | 10.6% | 7.5% | 12.3% | 6.1% | 6.2% | 4.8% | 6.2% | 8.4% |

Unit: IDR bn, %

Source: Company Data, NHKS Research

Earnings Revision

| | | 2019F | 2020F | 2021F |
|-------------------------|-----------|--------|--------|--------|
| Income Statement | | | | |
| Sales | -Revised | 15,272 | 15,660 | 16,130 |
| | -Previous | 15,272 | 15,660 | 16,129 |
| | -Change | 0.0% | 0.0% | 0.0% |
| Gross Profit | -Revised | 4,841 | 4,965 | 5,114 |
| | -Previous | 4,841 | 5,105 | 5,307 |
| | -Change | 0.0% | -2.8% | -3.6% |
| EBIT | -Revised | 1,505 | 1,621 | 1,742 |
| | -Previous | 1,241 | 1,723 | 1,936 |
| | -Change | 21.2% | -5.9% | -10.0% |
| EBITDA | -Revised | 2,791 | 2,944 | 3,100 |
| | -Previous | 2,527 | 3,046 | 3,293 |
| | -Change | 10.4% | -3.3% | -5.9% |
| Net Profit | -Revised | 1,505 | 1,629 | 1,733 |
| | -Previous | 1,345 | 1,749 | 1,933 |
| | -Change | 11.9% | -6.9% | -10.4% |
| Margin | | | | |
| Gross Margin | -Revised | 31.7% | 31.7% | 31.7% |
| | -Previous | 31.7% | 32.6% | 32.9% |
| EBIT Margin | -Revised | 9.9% | 10.4% | 10.8% |
| | -Previous | 8.1% | 11.0% | 12.0% |
| EBITDA Margin | -Revised | 18.3% | 18.8% | 19.2% |
| | -Previous | 16.5% | 19.4% | 20.4% |
| Net Profit Margin | -Revised | 9.9% | 10.4% | 10.7% |
| | -Previous | 8.8% | 11.2% | 12.0% |

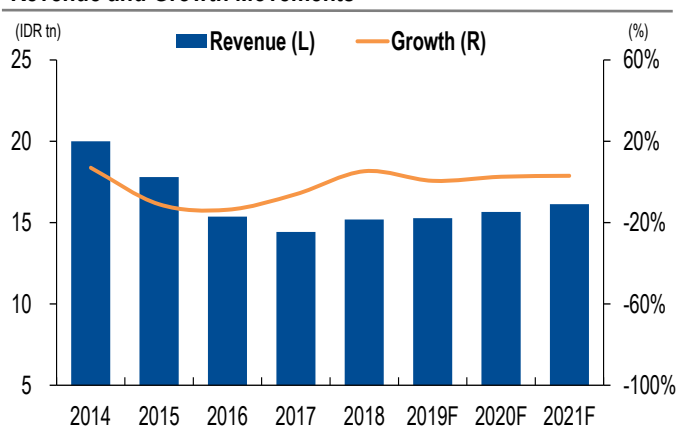
Unit: IDR bn, %

Source: Company Data, NHKS Research

Company Overview

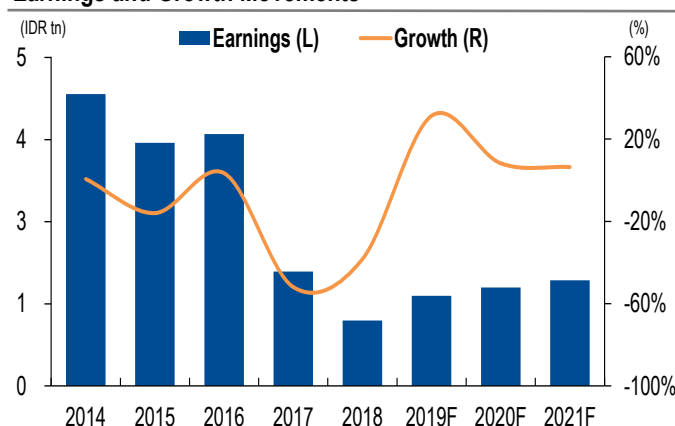
- PT Indocement Tunggal Prakarsa Tbk didirikan pada 1985 dengan meleburkan 6 perusahaan dan 8 pabrik dalam satu manajemen yang terintegrasi. Pada 1989, PT Indocement Tunggal Prakarsa Tbk melakukan IPO dengan kode INTIP.
- Saat ini, INTIP memiliki 13 pabrik dengan total kapasitas produksi per tahun mencapai 24,9 juta ton semen. Sepuluh pabrik berlokasi di Kompleks Pabrik Citeureup, Bogor, Jawa Barat; dua pabrik berlokasi di Kompleks Pabrik Palimanan, Cirebon, Jawa Barat; serta satu pabrik berlokasi di Kompleks Pabrik Tarjun, Kotabaru, Kalimantan Selatan.
- INTIP memiliki merek semen yang sudah terkenal, yaitu semen Tiga Roda. Pada 2017, INTIP meluncurkan merek baru, yaitu semen Rajawali dan juga meluncurkan semen protland, yaitu Tiga Roda Supeslag yang merupakan semen ramah lingkungan dengan emisi karbon dioksida yang lebih rendah.

Revenue and Growth Movements



Source: Company Data, NHKS Research

Earnings and Growth Movements



Source: Company Data, NHKS Research

Asia Pacific Companies Peers Analysis

| | Market Cap (USD mn) | Asset (USD mn) | Sales LTM (USD mn) | Net Profit LTM (USD mn) | Net Profit Growth LTM | Net Profit Margin | ROE LTM | P/E LTM | P/BV |
|---------------------------------|---------------------|----------------|--------------------|-------------------------|-----------------------|-------------------|---------|---------|------|
| Indonesia | | | | | | | | | |
| INDOCEMENT TUNGGAL PRAKARSA TBK | 5,374 | 1,926 | 1,101 | 119 | 59.1% | 10.8% | 7.8% | 44.4x | 3.4x |
| SEMEN INDONESIA TBK | 5,277 | 3,546 | 2,608 | 160 | -13.4% | 6.1% | 7.5% | 32.5x | 2.4x |
| SOLUSI BANGUN INDONESIA TBK | 710 | 1,294 | 750 | -4 | 91.4% | -0.6% | -1.0% | N/A | 1.5x |
| SEMEN BATURAJA TBK | 374 | 384 | 143 | 4 | -27.6% | 2.8% | 1.7% | 92.5x | 1.5x |
| Malaysia | | | | | | | | | |
| CAHYA MATA SARAWAK BHD | 607 | 1,015 | 431 | 53 | -14.6% | 12.2% | 8.8% | 11.6x | 1.0x |
| Thailand | | | | | | | | | |
| SIAM CITY CEMEN PUB CO LTD | 2,127 | 2,461 | 1,479 | 93 | -6.0% | 6.3% | 9.1% | 21.8x | 2.0x |
| Philippines | | | | | | | | | |
| HOLCIM PHILLIPINES INC | 1,809 | 901 | 612 | 51 | 34.7% | 8.4% | 11.2% | 34.2x | 3.5x |
| China | | | | | | | | | |
| ANHUI CONCH CEMENT CO LTD-H | 32,133 | 21,741 | 23,472 | 4,787 | 23.0% | 20.4% | 28.5% | 6.9x | 1.8x |
| CHINA NATIONAL BUILDING MA-H | 7,572 | 63,507 | 34,561 | 1,633 | 37.9% | 4.7% | 14.0% | 5.3x | 0.7x |
| HUAXIN CEMENT CO LTD-B | 5,121 | 4,821 | 4,494 | 962 | 49.0% | 21.4% | 38.1% | 4.1x | 1.4x |
| India | | | | | | | | | |
| ULTRATECH CEMENT LTD | 16,668 | 9,309 | 5,261 | 348 | 9.6% | 6.6% | 8.9% | 46.7x | 4.0x |
| SHREE CEMENT LTD | 9,640 | 2,235 | 1,796 | 144 | -27.3% | 8.0% | 10.8% | 68.7x | 7.1x |
| AMBUJA CEMENTS LTD | 5,484 | 5,358 | 3,810 | 319 | 43.6% | 8.4% | 10.1% | 18.0x | 1.8x |

Unit: USD mn, %, X

Source: Bloomberg, NHKS Research

Summary of Financials

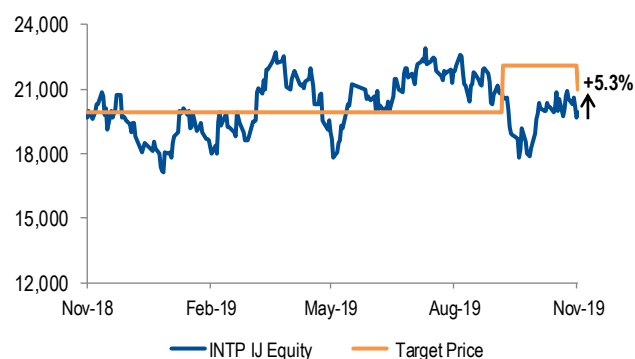
| INCOME STATEMENT | | | | | PROFITABILITY & STABILITY | | | | |
|--------------------------|---------------|---------------|---------------|---------------|---------------------------|----------|----------|----------|----------|
| (IDR bn) | 2018/12A | 2019/12F | 2020/12F | 2021/12F | | 2018/12A | 2019/12F | 2020/12F | 2021/12F |
| Sales | 15,190 | 15,272 | 15,660 | 16,130 | ROE | 4.8% | 6.6% | 7.1% | 7.4% |
| <i>Growth</i> | 5.3% | 0.5% | 2.5% | 3.0% | ROA | 4.0% | 5.5% | 5.9% | 6.2% |
| COGS | (10,821) | (10,431) | (10,695) | (11,016) | ROIC | 18.8% | 26.4% | 27.6% | 30.6% |
| Gross Profit | 4,369 | 4,841 | 4,965 | 5,114 | Cash Dividend (IDR bn) | 2,025 | 1,204 | 1,303 | 1,547 |
| <i>Gross Margin</i> | 28.8% | 31.7% | 31.7% | 31.7% | Dividend Yield | 3.0% | 1.7% | 1.8% | 2.1% |
| Operating Expenses | (3,295) | (3,336) | (3,343) | (3,371) | Payout Ratio | 176.7% | 80.0% | 80.0% | 89.3% |
| EBIT | 1,074 | 1,505 | 1,621 | 1,742 | DER | 0.5% | 0.5% | 0.5% | 0.5% |
| <i>EBIT Margin</i> | 7.1% | 9.9% | 10.4% | 10.8% | Net Gearing | 0.6% | 0.6% | 0.6% | 0.5% |
| Depreciation | (1,280) | (1,286) | (1,323) | (1,358) | LT Debt to Equity | 0.5% | 0.5% | 0.5% | 0.5% |
| EBITDA | 2,354 | 2,791 | 2,944 | 3,100 | Capitalization Ratio | 0.5% | 0.5% | 0.5% | 0.5% |
| <i>EBITDA Margin</i> | 15.5% | 18.3% | 18.8% | 19.2% | Equity Ratio | 83.6% | 83.7% | 83.3% | 84.0% |
| Interest Expenses | (19) | (12) | (16) | (17) | Debt Ratio | 0.4% | 0.4% | 0.5% | 0.4% |
| EBT | 1,400 | 1,891 | 2,013 | 2,145 | Financial Leverage | 118.6% | 119.6% | 119.7% | 119.5% |
| Income Tax | (254) | (386) | (384) | (412) | Current Ratio | 313.7% | 333.0% | 335.1% | 362.4% |
| Minority Interest | - | - | - | - | Par Value (IDR) | 500 | 500 | 500 | 500 |
| Net Profit | 1,146 | 1,505 | 1,629 | 1,733 | Total Shares (mn) | 3,681 | 3,681 | 3,681 | 3,681 |
| <i>Growth</i> | -38.4% | 31.3% | 8.2% | 6.4% | Share Price (IDR) | 18,450 | 19,000 | 19,550 | 20,000 |
| <i>Net Profit Margin</i> | 7.5% | 9.9% | 10.4% | 10.7% | Market Cap (IDR tn) | 67.9 | 69.9 | 72.0 | 73.6 |

| BALANCE SHEET | | | | | VALUATION INDEX | | | | |
|-----------------------------|---------------|---------------|---------------|---------------|-------------------|----------|----------|----------|----------|
| (IDR bn) | 2018/12A | 2019/12F | 2020/12F | 2021/12F | | 2018/12A | 2019/12F | 2020/12F | 2021/12F |
| Cash | 7,226 | 7,588 | 7,691 | 8,859 | Price/Earnings | 59.3x | 46.5x | 44.2x | 42.5x |
| Receivables | 2,966 | 2,514 | 2,978 | 2,679 | Price/Book Value | 2.9x | 3.1x | 3.1x | 3.1x |
| Inventories | 1,838 | 1,639 | 1,926 | 1,746 | Price/Sales | 4.5x | 4.6x | 4.6x | 4.6x |
| Total Current Assets | 12,316 | 12,051 | 12,889 | 13,571 | PE/EPS Growth | -0.2x | 0.1x | 0.5x | 0.7x |
| Net Fixed Assets | 14,637 | 14,315 | 13,932 | 13,542 | EV/EBITDA | 25.8x | 22.4x | 21.9x | 20.9x |
| Other Non Current Assets | 730 | 691 | 831 | 862 | EV/EBIT | 56.6x | 41.5x | 39.7x | 37.2x |
| Total Assets | 27,789 | 27,148 | 27,744 | 28,067 | EV (IDR bn) | 60,809 | 62,475 | 64,403 | 64,878 |
| Payables | 1,760 | 1,555 | 1,844 | 1,657 | Sales CAGR (3-Yr) | -5.1% | -0.2% | 2.8% | 2.0% |
| Other Liabilities | 2,691 | 2,744 | 2,652 | 2,724 | EPS CAGR (3-Yr) | -32.6% | -27.0% | -4.3% | 14.8% |
| LT Debt | 116 | 120 | 126 | 112 | Basic EPS (IDR) | 311 | 409 | 442 | 471 |
| Total Liabilities | 4,567 | 4,419 | 4,622 | 4,494 | Diluted EPS (IDR) | 311 | 409 | 442 | 471 |
| Capital Stock | 1,841 | 1,841 | 1,841 | 1,841 | BVPS (IDR) | 6,308 | 6,174 | 6,281 | 6,404 |
| Retained Earnings | 18,892 | 18,400 | 18,825 | 19,255 | Sales PS (IDR) | 4,126 | 4,149 | 4,254 | 4,382 |
| Shareholders' Equity | 23,222 | 22,729 | 23,122 | 23,573 | DPS (IDR) | 550.0 | 327.1 | 354.0 | 420.2 |

| CASH FLOW STATEMENT | | | | | TOP OWNERSHIP | | |
|----------------------------|----------------|------------|------------|--------------|----------------|----------------|----------------------------|
| (IDR bn) | 2018/12A | 2019/12F | 2020/12F | 2021/12F | By Geography | % Shareholders | % |
| Operating Cash Flow | 1,985 | 3,731 | 2,451 | 3,470 | United Kingdom | 79.6 | Birchwood Omnia Ltd 51.0 |
| Investing Cash Flow | (505) | (1,330) | (1,118) | (1,007) | United States | 14.2 | Invesco Ltd 3.4 |
| Financing Cash Flow | (2,579) | (2,019) | (1,230) | (1,295) | Ireland | 1.6 | Standard Life Aberdeen 2.8 |
| Net Changes in Cash | (1,099) | 383 | 103 | 1,168 | Luxembourg | 1.6 | Blackrock 1.4 |

Source: Company Data, NHKS Research

Closing and target price update



Source: Bloomberg, NHKS Research

Rating and target price update

| Date | Rating | Target price | Consensus |
|------------|--------|--------------|-----------|
| 2015.07.11 | Buy | IDR23,300 | IDR22,514 |
| 2016.01.29 | Buy | IDR24,250 | IDR19,811 |
| 2016.12.22 | Buy | IDR20,050 | IDR16,150 |
| 2017.08.10 | Hold | IDR19,275 | IDR15,214 |
| 2017.11.22 | Hold | IDR21,575 | IDR18,134 |
| 2018.11.13 | Hold | IDR19,950 | IDR16,346 |
| 2019.09.22 | Hold | IDR22,075 | IDR19,589 |
| 2019.11.18 | Hold | IDR21,000 | IDR20,040 |

Source: NHKS Research

NHKS stock ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Buy: greater than +15%, Hold: -15% to +15%, Sell: less than -15%.
- This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

DISCLAIMER

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein. All rights reserved by PT NH Korindo Sekuritas Indonesia.