

Indocement Tunggal Prakarsa Tbk (INTP IJ)

Cement Sales Volume Increases

INTP booked 1Q21 revenue up 2.2% YoY. Meanwhile, profit fell 12.3% YoY due to the decline in other income and tax expense increases. On the other hand, 1Q21 sales volume was at 4.21 million ton or up 5.5% YoY. INTP was also making cost efficiency by increasing the use of LCV loan and alternative fuel. Meanwhile, INTP also expanded sales through a digital system to the market share throughout Indonesia.

Revenue from Cement Relatively Flat

- INTP's revenue in 1Q21 was IDR3.43 trillion (+2.2% YoY vs IDR3.36 trillion 1Q20). The revenue from the cement segment also only increased 1% YoY to IDR3.19 trillion, while the ready-mix segment was down 1% YoY to IDR238 billion.
- Although COGS increased 1.7% due to an increase in sales volume, GPM successfully went up 30bps to 32% (vs 31.7% 1Q20).
- Meanwhile the decline of other income caused EBT to decline by 4% YoY. The increase of tax expenses also caused 1Q21 profit to fall 12.3% YoY to IDR351 billion (vs IDR400 billion 1Q20).

Optimistic that Sales Volume will Increase

- INTP managed to book sales volume increase in 1Q21 to 4.21 million ton (+5.5% YoY), higher than the national cement sales volume growth which was recorded at 2.2% YoY to 14.87 million ton. Meanwhile in April 2021, national bulk and bag cement sales increased 13.8% YoY and 7.1% YoY.
- We estimate the bulk cement sales to continue to improve as infrastructure construction has resumed since the beginning of the year. Meanwhile, the increase in housing sales is also an indication of growing cement bag sales.
- Domestic ASP decreased to IDR823,000 (-1.9% YoY). We estimate that economic recovery will be able to increase FY21 sales volume to 16.2 million tons and ASP to increase by 2% -3%.

Improve Cost Efficiency

- As much as 12.2% of the fuel used comes from alternative fuels, while the remaining 87.8% comes from coal. In addition, 89% of the coal used is Low Calorie Value (LCV) coal.
- INTP will increase the use of LCV coal and alternative fuels to maintain the efficiency of fuel & power costs due to the rising trend in coal prices.
- In addition, INTP is also developing sales with a digital system to market segments throughout Indonesia. Thus, we estimate that it can increase OPM by 14% -16% FY21 (OPM 1Q21 - 11.5%).

Maintaining BUY Recommendation with TP of IDR15,600

- We recommend BUY for INTP with TP of IDR15,600 or potential upside of 31.92% last price, with a forward P/E of 26.4x (0.8 SD).
- Risks to our target price are: 1) the spread of new Covid-19 in Indonesia which slows down the economic recovery, 2) long rainy season which affects the volume of cement sales (BMKG estimates it to end in May-June), 3) volatility of coal prices.

Indocement Tunggal Prakarsa Tbk | Summary

	2020A	2021F	2022F	2023F
Revenue	14,184	14,633	15,365	16,133
Growth (%)	-11.0%	3.2%	5.0%	5.0%
Net Profit	1,806	1,977	2,174	2,520
Growth (%)	-1.6%	9.5%	10.0%	15.9%
EPS (IDR)	491	537	591	684
P/E	37.6x	35.0x	31.8x	27.4x
P/BV	3.1x	3.1x	3.0x	3.0x
EV/EBITDA	18.5x	17.6x	16.2x	14.5x
ROE (%)	8.0%	8.8%	9.5%	11.0%
DER (%)	0.02x	0.02x	0.02x	0.03x
Net Debt	-7,197	-7,322	-8,004	-8,445

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Company Update | May 24, 2021

BUY

Target Price (IDR)	15,600
Consensus Price (IDR)	16,446
TP to Consensus Price	-5.1%
vs. Last Price	+31.9%

Shares data

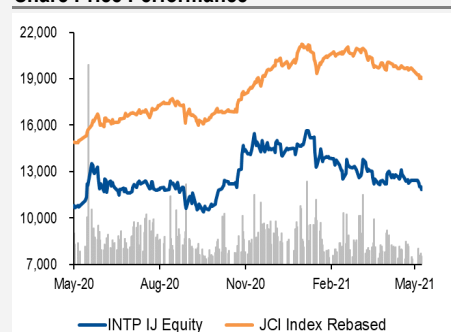
Last Price (IDR)	11,825
Price Date as of	May 21, 2021
52 wk Range (Hi/Lo)	15,975/ 10,125
Free Float (%)	49.0
Outstanding sh.(mn)	3,681
Market Cap (IDR bn)	43,531
Market Cap (USD mn)	3,032
Avg. Trd Vol - 3M (mn)	3.00
Avg. Trd Val - 3M (bn)	38.47
Foreign Ownership	97.8%

Basic Industry

Cement

Bloomberg	INTP IJ
Reuters	INTP.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-18.4%	-6.7%	-11.9%	9.7%
Rel. Ret.	-13.0%	-3.0%	-4.2%	-17.2%

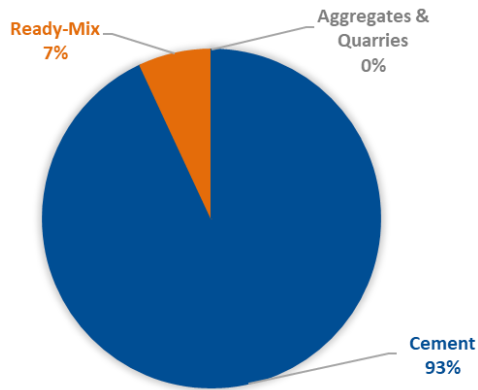
Ajeng Kartika Hapsari

(021) 5088 9130

ajeng@nhsec.co.id

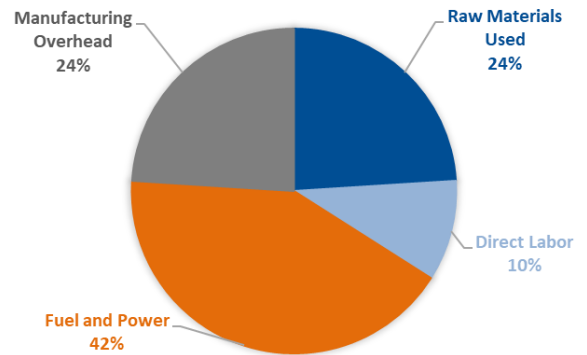
Performance Highlights in Charts

3M21 Revenue Breakdown



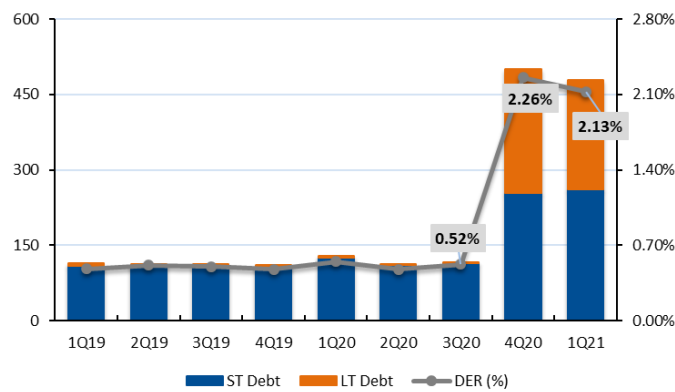
Source: Company Data, NHKSI Research

3M21 Manufacturing Cost Breakdown



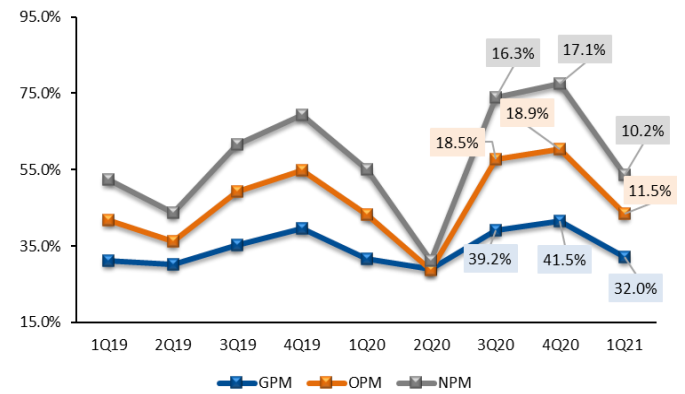
Source: Company Data, NHKSI Research

Debt Portion



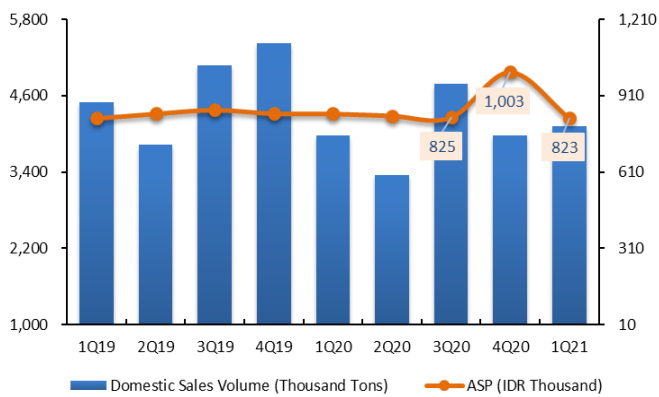
Source: Company Data, NHKSI Research

Margin Ratios



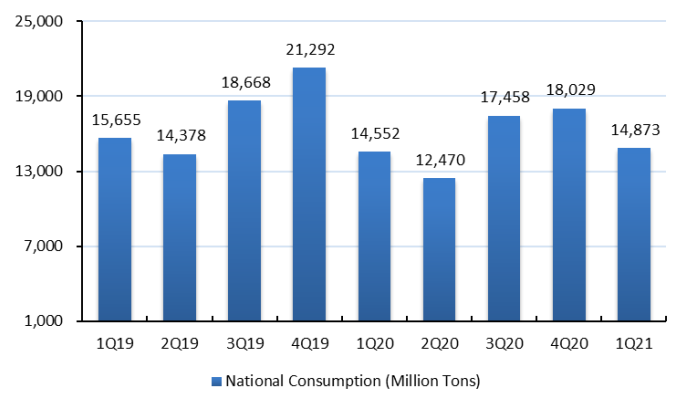
Source: Company Data, NHKSI Research

Domestic Sales Volume & Market Shares



Source: Company Data, NHKSI Research

National Consumption



Source: Company Data, NHKSI Research

Company Overview



PT Indocement Tunggal Prakarsa Tbk was founded in 1985 by merging six companies and eight factories in one integrated management, and in 1989 it performed an initial public offering, with INTP as its stock code. To date, INTP has 13 cement plants, with the total annual production capacities of 24.9 million tons. Ten plants are located in Citeureup factory complex, Bogor, West Java; two plants are located in the Palimanan Factory Complex, Cirebon, West Java; and another plant is located in the Tarjun factory complex, Kotabaru, South Kalimantan.

INTP has a cement brand that is already well known to consumers, namely Tiga Roda cement. In 2017, INTP launched a new brand: Rajawali cement. In the same year, INTP through Tiga Roda brand launched a new product, namely, Tiga Roda Supeslag Cement—a type of environmental friendly portland cement producing lower carbon dioxide emissions.

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	3,032	1,964	980	121	-4.4%	12.3%	7.6%	24.8x	1.9x
SEMEN INDONESIA TBK	3,894	5,602	2,383	192	8.8%	8.1%	8.4%	20.0x	1.7x
SOLUSI BANGUN INDONESIA TBK	907	1,489	702	51	7.0%	7.2%	10.1%	17.7x	1.7x
SEMEN BATURAJA TBK	467	412	123	6	-	5.2%	2.7%	70.6x	2.0x
Malaysia									
CAHYA MATA SARAWAK BHD	412	1,109	268	46	22.1%	17.3%	7.2%	54.3x	0.6x
Thailand									
SIAM CITY CEMEN PUB CO LTD	1,728	2,589	1,343	118	16.6%	8.8%	11.4%	14.7x	1.6x
Philippines									
HOLCIM PHILIPPINES INC	721	862	522	50	-27.0%	9.7%	8.4%	14.0x	1.1x
China									
ANHUI CONCH CEMENT CO LTD-H	38,317	30,790	27,694	5,322	11.1%	19.2%	23.3%	5.7x	1.2x
CHINA NATIONAL BUILDING MA-H	10,951	69,919	36,961	1,965	11.5%	5.3%	14.7%	5.6x	0.8x
HUAXIN CEMENT CO LTD-B	6,383	6,730	4,682	888	5.7%	19.0%	26.2%	4.8x	1.2x
India									
ULTRATECH CEMENT LTD	26,295	11,780	6,026	736	-6.0%	12.2%	13.1%	36.0x	4.3x
SHREE CEMENT LTD	13,678	2,646	1,816	305	47.5%	16.8%	13.4%	43.6x	7.6x
AMBUJA CEMENTS LTD	8,760	5,437	3,252	319	12.9%	9.8%	10.1%	27.0x	2.8x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

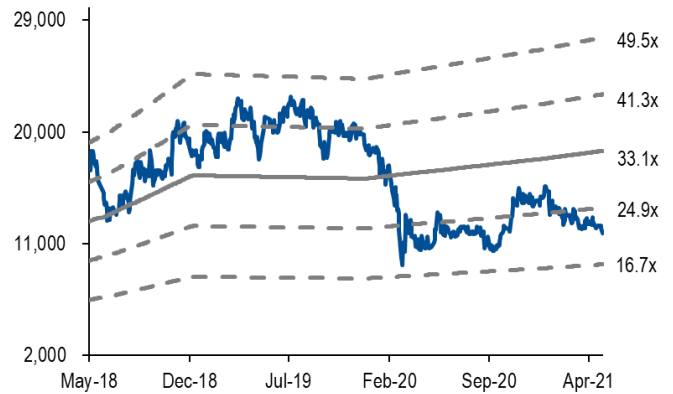
Valuation Highlights in Charts

3-Years Forward P/E Band



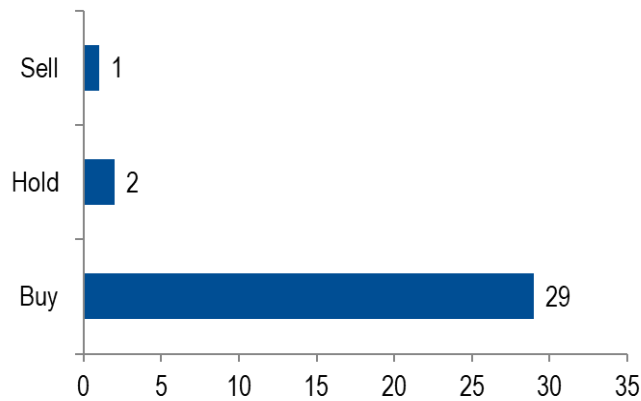
Source: Bloomberg, NHKSI Research

3-Years Dynamic Forward P/E band



Source: Bloomberg, NHKSI Research

Analysts' Recommendation



Source: Bloomberg, NHKSI Research

Closing and Target Price Update



Source: Bloomberg, NHKSI Research

Rating and Target Price Update

Target Price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
22/09/2019	Hold	22,075	20,575	19,589	+7.29%	+12.69%
18/11/2019	Hold	21,000	19,950	20,040	+5.26%	+4.79%
27/11/2020	Buy	18,775	14,700	15,502	+27.72%	+21.11%
24/05/2021	Buy	15,600	11,825	16,446	+31.92%	-5.14%

Source: NHKSI Research, Bloomberg

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2020/12A	2021/12F	2022/12F	2023/12F		2020/12A	2021/12F	2022/12F	2023/12F
Sales	14,184	14,633	15,365	16,133	ROE	8.0%	8.8%	9.5%	11.0%
<i>Growth</i>	-11.0%	3.2%	5.0%	5.0%	ROA	6.6%	7.2%	7.8%	8.9%
COGS	(9,071)	(9,304)	(9,547)	(9,754)	Inventory Turnover	4.9x	4.8x	4.4x	4.2x
Gross Profit	5,114	5,329	5,818	6,379	Receivables Turnover	5.1x	5.7x	5.7x	5.7x
<i>Gross Margin</i>	36.1%	36.4%	37.9%	39.5%	Payables Turnover	5.4x	6.3x	6.3x	6.3x
Operating Expenses	(3,238)	(3,215)	(3,478)	(3,665)	Dividend Yield	0.0%	0.0%	0.0%	0.0%
EBIT	1,876	2,114	2,340	2,714	Payout Ratio	147.8%	82.4%	82.1%	101.7%
<i>EBIT Margin</i>	13.2%	14.4%	15.2%	16.8%	DER	0.02x	0.02x	0.02x	0.03x
Depreciation	(1,402)	(1,403)	(1,437)	(1,473)	Net Gearing	0.03x	0.03x	0.03x	0.03x
EBITDA	3,278	3,517	3,777	4,186	Equity Ratio	81.1%	81.9%	81.3%	80.9%
<i>EBITDA Margin</i>	23.1%	24.0%	24.6%	25.9%	Debt Ratio	1.8%	1.9%	1.9%	2.0%
Interest Expenses	(51)	(37)	(51)	(44)	Financial Leverage	121.6%	122.7%	122.6%	123.3%
EBT	2,148	2,376	2,639	3,038	Current Ratio	291.7%	312.7%	319.0%	324.0%
Income Tax	(342)	(399)	(465)	(518)	Quick Ratio	248%	262%	268%	272%
Minority Interest	-	-	-	-	Par Value (IDR)	500	500	500	500
Net Profit	1,806	1,977	2,174	2,520	Total Shares (mn)	3,681	3,681	3,681	3,681
<i>Growth</i>	-1.6%	9.5%	10.0%	15.9%	Share Price (IDR)	18,450	18,775	18,775	18,775
<i>Net Profit Margin</i>	12.7%	13.5%	14.1%	15.6%	Market Cap (IDR tn)	67.9	69.1	69.1	69.1

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2020/12A	2021/12F	2022/12F	2023/12F		2020/12A	2021/12F	2022/12F	2023/12F
Cash	7,698	7,848	8,556	9,024	Price/Earnings	37.6x	35.0x	31.8x	27.4x
Receivables	2,585	2,547	2,841	2,816	PE/EPS Growth	-2.4x	0.4x	0.3x	0.2x
Inventories	1,824	2,088	2,254	2,343	Price/Book Value	3.1x	3.1x	3.0x	3.0x
Total Current Assets	12,299	12,787	13,971	14,518	EV/EBITDA	18.5x	17.6x	16.2x	14.5x
Net Fixed Assets	14,397	14,030	13,557	13,133	EV (IDR bn)	60,722	61,793	61,111	60,671
Other Non Current Assets	642	689	703	682	Sales CAGR (3-Yr)	-0.6%	-1.2%	-1.2%	4.4%
Total Non Current Assets	15,045	14,811	14,351	13,906	Net Income CAGR (3-Yr)	-1.0%	19.9%	5.8%	11.7%
Total Assets	27,345	27,598	28,323	28,424	Basic EPS (IDR)	490.69	537.09	590.55	684.49
Payables	1,580	1,377	1,658	1,442	BVPS (IDR)	6,024	6,140	6,254	6,248
Other Liabilities	3,087	3,093	3,092	3,400	DPS (IDR)	1.4	1.5	1.5	1.5
Total Current Liabilities	4,216	4,090	4,379	4,481					
LT Debt	501	526	552	580					
Total Liabilities	5,168	4,995	5,301	5,422					
Capital Stock	1,841	1,841	1,841	1,841					
Retained Earnings	17,637	18,188	18,577	18,536					
Shareholders' Equity	22,176	22,603	23,021	23,002					

CASH FLOW STATEMENT					OWNERSHIP				
(IDR bn)	2020/12A	2021/12F	2022/12F	2023/12F					
Operating Cash Flow	3,538	2,903	3,412	4,001	Shareholders				%
Investing Cash Flow	(662)	(1,024)	(974)	(1,021)	Birchwood Omnia Ltd				51.0
Financing Cash Flow	(2,863)	(1,729)	(1,729)	(2,512)	Invesco Ltd				2.8
Net Changes in Cash	14	150	709	468	Vabguard Group Inc				1.2
					Others				45.0
					By Geography				%
					United Kingdom				83.9
					United States				10.2
					Luxembourg				2.4
					Ireland				1.3
					Others				2.2

Source: Company Data, NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to +15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

DISCLAIMER

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.

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.