

# Indocement Tunggal Prakarsa Tbk (INTP IJ)

## Domestic Sales Slightly Depressed

Throughout 1Q22, INTP's revenue edged up 3.5% YoY, but profit fell to 48.0% YoY. The cost efficiency along with the use of alternative fuels and LCV have not been able to replace the 84% share of fossil fuels as of 1Q22. In order to strengthen its performance, INTP targets the alternative fuel portion to reach 25% in 2025. Meanwhile, total sales volume in 1Q22 fell by 3.4% YoY.

### Increase in Selling Price to Support Revenue

- The increase in selling prices for the 4Q21 period and around March 2022 supported net revenue to grow 3.5% YoY to IDR 3.6 trillion, although sales volume decreased by 3.4%. Meanwhile, the increase in cost of revenue was 11.1%, mostly from the increase in coal prices for the 1Q22 period, pressing GPM down 500 bps to 27.0%. NHKSI Research sees that the use of alternative fuels and LCV has not been effective in preventing margins decline.
- Meanwhile, the increase in operating expenses by 5.7% YoY to IDR 776.9 billion, was due to the high increase in both transportation costs and depreciation. The BI 7DRRR trend has been low at 3.50% since February 2021 also suppressed the Company's financial income.
- Sales of cement and ready mix were recorded at IDR 3.2 trillion (+2.7% YoY) and IDR 280.9 billion (+17% YoY). Meanwhile, 1Q22 profit was IDR 182.5 billion (-48.0% YoY Vs. IDR 351.3 billion 1Q21).

### Domestic Sales Slightly Depressed

- INTP's domestic sales volume declined by 2.0% YoY during 1Q22. Domestic sales were supported by domestic demand in line with the faster development of the Greater Jakarta and West Java regions. Domestic sales were better compared to export sales volume which fell 65.2% YoY. Some of INTP export destinations are Brunei Darussalam, Malaysia, and the Philippines.
- The increase in selling prices in 4Q21 and around March 2022 is in line with the volatility of coal prices. NHKSI Research is aware that this will affect the second tier (Semen Rajawali) and first tier (Semen Tiga Roda) segments.
- Domestically, 1Q22 cement sales volume grew 4.7% YoY, with Bulk cement growing 24.0% Vs. cement Bag edged down 0.6%. We see that bulk cement sales to recover, in line with the rapid development of industrial areas and continuous infrastructure development.

### Maintains BUY Recommendation with TP IDR 12,700

- NHKSI Research projects INTP's profit to grow FY22E, in line with the recovery of the cement industry. We maintain our BUY rating with a TP of IDR 12,700 or 33.6% upside potential from the last price, using the forward P/E method of 24.5x.
- Currently INTP is traded at a P/E of 18.3x. Meanwhile, the risks of revision to the target price are: 1) Decrease in people's purchasing power, in line with rising inflation, 2) Increase in interest rates, 3) Volatility of coal prices.

### Indocement Tunggal Prakarsa Tbk | Summary

	2021A	2022F	2023F	2024F
<b>Revenue</b>	14,772	15,043	15,795	16,585
<b>Growth (%)</b>	4.1%	1.8%	5.0%	5.0%
<b>Net Profit</b>	1,788	1,909	2,417	2,837
<b>Growth (%)</b>	-1.0%	6.7%	26.7%	17.4%
<b>EPS (IDR)</b>	486	518	657	771
<b>P/E</b>	24.9x	24.5x	24.5x	24.5x
<b>P/BV</b>	2.2x	2.2x	2.7x	3.3x
<b>EV/EBITDA</b>	11.6x	11.9x	12.1x	13.2x
<b>ROE (%)</b>	8.4%	9.1%	11.2%	13.2%
<b>DER (%)</b>	0.01x	0.01x	0.01x	0.01x
<b>Net Debt</b>	-7,197	-5,232	-7,453	-6,023

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Company Update | June 10, 2022

## BUY

<b>Target Price (IDR)</b>	<b>12,700</b>
Consensus Price (IDR)	12,673
TP to Consensus Price	+0.2%
Potential Upside	+33.6%

### Shares data

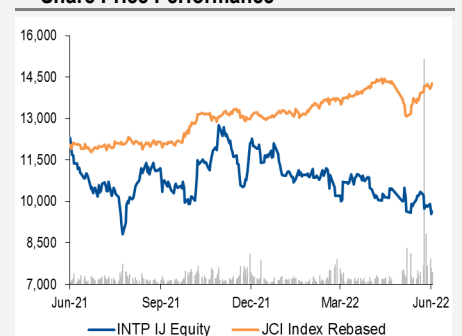
Last Price (IDR)	9,500
Price Date as of	June 9, 2022
52 wk Range (Hi/Low)	12,950/ 8,800
Free Float (%)	49.0
Outstanding sh.(mn)	3,681
Market Cap (IDR bn)	34,971
Market Cap (USD mn)	2,401
Avg. Trd Vol - 3M (mn)	7.13
Avg. Trd Val - 3M (bn)	71.26
Foreign Ownership	99.3%

### Basic Industry

#### Cement

Bloomberg	INTP IJ
Reuters	INTP.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-20.2%	-3.5%	-3.5%	-18.9%
Rel. Ret.	-29.5%	-7.6%	-9.1%	-38.8%

### Arief Machrus

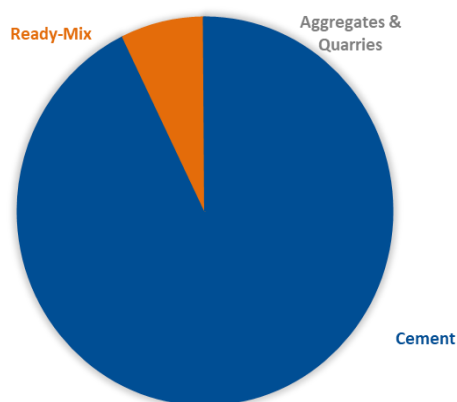
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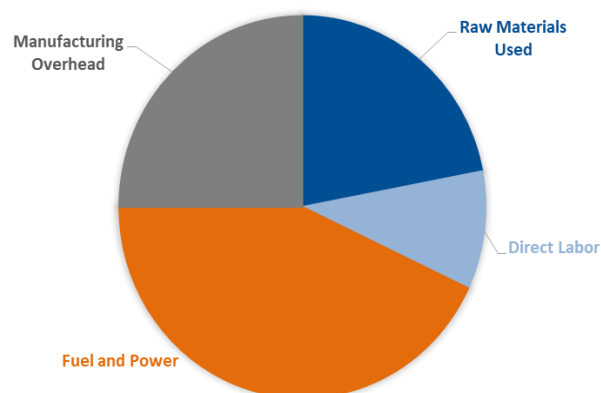
## Performance Highlights in Charts

### Revenue Breakdown



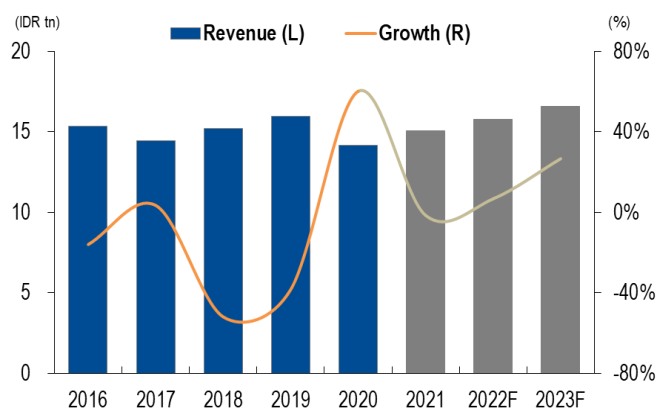
Source: Company Data, NHKSI Research

### Manufacturing Cost Breakdown



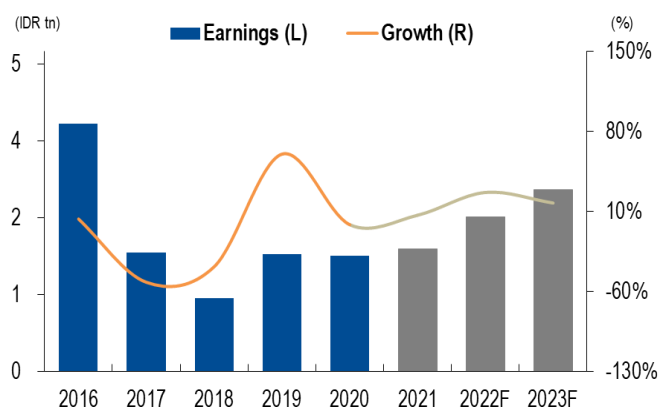
Source: Company Data, NHKSI Research

### Revenue Vs. Growth



Source: Company Data, NHKSI Research

### Earnings Vs. Growth



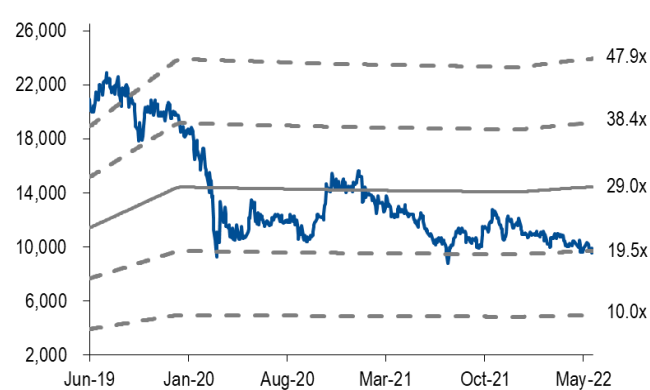
Source: Company Data, NHKSI Research

### 3-Years Forward P/E Band



Source: Company Data, NHKSI Research

### 3-Years Dynamic Forward P/E Band



Source: Company Data, NHKSI Research



## Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F		2021/12A	2022/12F	2023/12F	2024/12F
Sales	14,772	15,043	15,795	16,585	ROE	8.4%	9.1%	11.2%	13.2%
Growth	4.1%	1.8%	5.0%	5.0%	ROA	6.7%	7.4%	9.2%	10.7%
COGS	(9,646)	(9,580)	(9,672)	(9,685)	Inventory Turnover	4.7x	4.2x	4.4x	4.2x
Gross Profit	5,126	5,463	6,123	6,899	Receivables Turnover	5.7x	5.7x	5.7x	5.7x
Gross Margin	34.7%	36.3%	38.8%	41.6%	Payables Turnover	5.3x	6.3x	6.3x	6.3x
Operating Expenses	(3,055)	(3,438)	(3,343)	(3,630)	Dividend Yield	0.0%	0.0%	0.0%	0.0%
EBIT	2,071	2,025	2,780	3,270	Payout Ratio	102.9%	133.0%	71.2%	122.4%
EBIT Margin	14.0%	13.5%	17.6%	19.7%	DER	0.01x	0.01x	0.01x	0.02x
Depreciation	(1,253)	(1,456)	(1,492)	(1,529)	Net Gearing	0.01x	0.02x	0.02x	0.02x
EBITDA	3,324	3,481	4,272	4,798	Equity Ratio	78.9%	83.5%	80.2%	82.3%
EBITDA Margin	22.5%	23.1%	27.0%	28.9%	Debt Ratio	1.1%	1.1%	1.1%	1.2%
Interest Expenses	(32)	(86)	(30)	(28)	Financial Leverage	125.0%	123.2%	122.2%	123.1%
EBT	2,234	2,276	2,958	3,461	Current Ratio	244.0%	287.8%	266.6%	299.0%
Income Tax	(446)	(367)	(541)	(624)	Quick Ratio	195%	223%	220%	235%
Minority Interest	-	-	-	-	Par Value (IDR)	500	500	500	500
Net Profit	1,788	1,909	2,417	2,837	Total Shares (mn)	3,681	3,681	3,681	3,681
Growth	-1.0%	6.7%	26.7%	17.4%	Share Price (IDR)	12,100	12,700	16,085	18,879
Net Profit Margin	12.1%	12.7%	15.3%	17.1%	Market Cap (IDR tn)	44.5	46.8	59.2	69.5

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F		2021/12A	2022/12F	2023/12F	2024/12F
Cash	6,141	4,742	6,977	5,562	Price/Earnings	24.9x	24.5x	24.5x	24.5x
Receivables	2,587	2,688	2,851	2,965	PE/EPS Growth	-2.5x	0.4x	0.1x	0.1x
Inventories	2,267	2,247	2,152	2,412	Price/Book Value	2.2x	2.2x	2.7x	3.3x
Total Current Assets	11,337	9,936	12,237	11,194	EV/EBITDA	11.6x	12.2x	12.3x	13.4x
Net Fixed Assets	14,342	14,678	14,177	13,727	EV (IDR bn)	38,677	42,300	52,542	64,255
Other Non Current Assets	451	689	703	631	Sales CAGR (3-Yr)	0.8%	-0.3%	-0.3%	5.3%
Total Non Current Assets	14,799	15,459	14,972	14,449	Net Income CAGR (3-Yr)	-1.3%	18.5%	9.6%	16.2%
Total Assets	26,136	25,394	27,209	25,643	Basic EPS (IDR)	485.84	518.48	656.69	770.73
Payables	2,083	962	2,112	966	BVPS (IDR)	5,602	5,761	5,931	5,731
Other Liabilities	3,157	2,936	2,961	3,262	DPS (IDR)	1.6	1.5	1.5	1.5
Total Current Liabilities	4,647	3,453	4,590	3,744					
LT Debt	276	290	304	319					
Total Liabilities	5,515	4,187	5,377	4,547					
Capital Stock	1,841	1,841	1,841	1,841					
Retained Earnings	17,669	17,158	17,853	17,216					
Shareholders' Equity	20,621	21,207	21,832	21,096					

CASH FLOW STATEMENT					OWNERSHIP	
(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F	Shareholders	%
Operating Cash Flow	3,538	2,116	5,011	3,140	Birchwood Omnia Ltd	51.0
Investing Cash Flow	(662)	(1,307)	(998)	(996)	Vanguard Group Inc	1.6
Financing Cash Flow	(2,863)	(1,428)	(1,778)	(3,558)	Blackrock	1.3
Net Changes in Cash	14	(620)	2,235	(1,415)	Others	46.2

		By Geography		%
		United Kingdom		86.2
		United States		6.8
		Luxembourg		3.2
		Ireland		1.5
		Others		2.3

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%

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