QUICK REVIEW (INTP)

INDOCEMENT TUNGGAL PRAKASA TBK.

November 24, 2020

MEGACAPITAL Sekuritas

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Recommendation

Recommendation : **BUY**

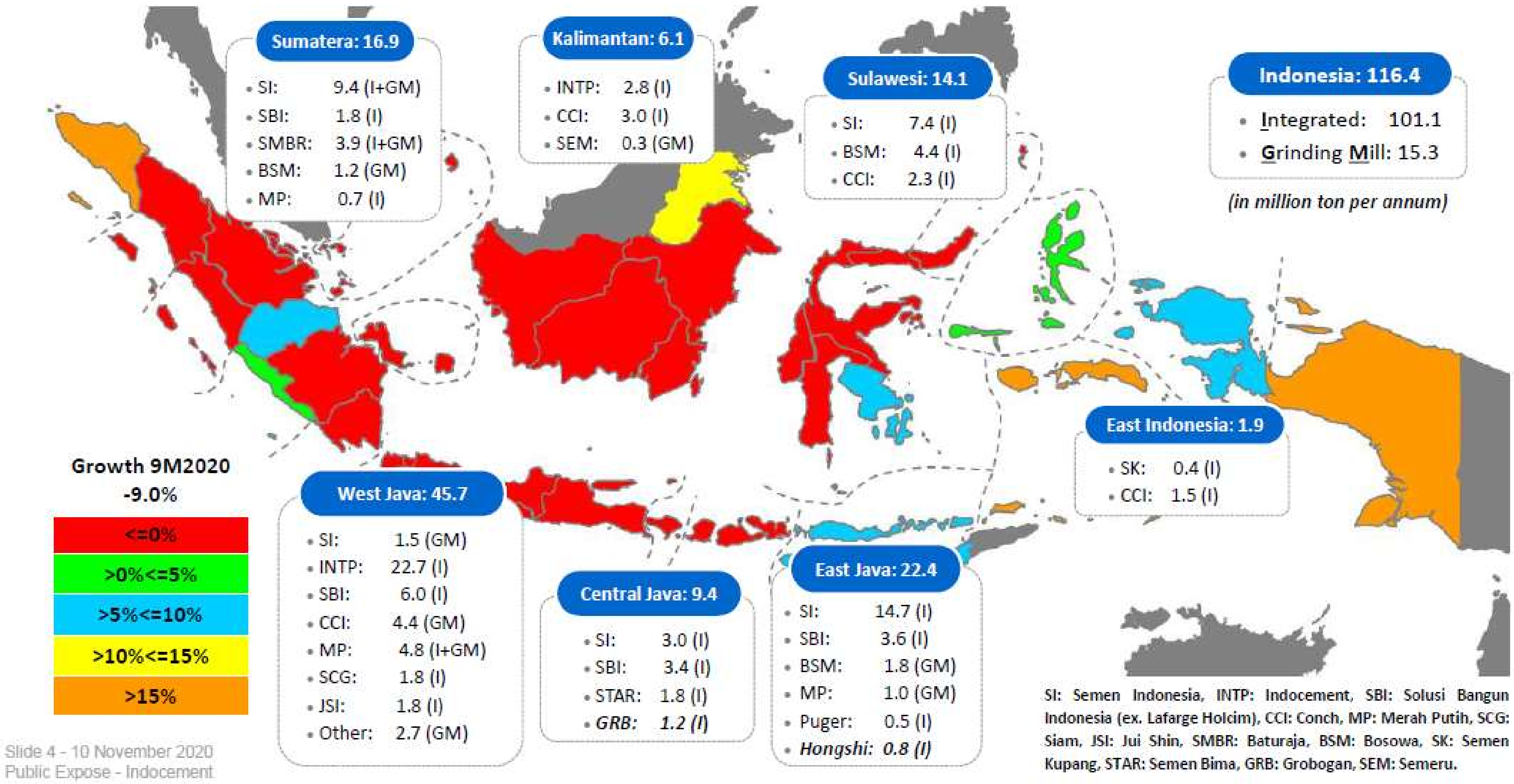
Fair Value : **IDR 17,175**

Current Price (23/11) : IDR 15,475

Company Description

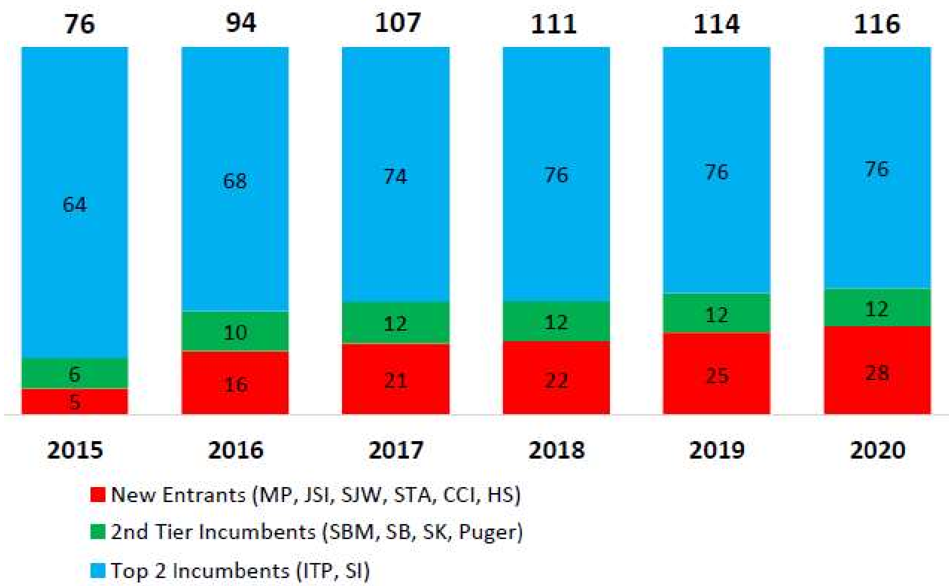
PT Indocement Tungga Prakasa Tbk is a producer of cement and specialty cement products. The company, through itss subsidiaries, manufactures and sells cement and ready-mix concrete. The Company also aggregates quarrying and trass.

Domestic Cement Landscape



Source: Company

Domestic Cement Capacity



Source: Asosiasi Semen Indonesia

1. Semen Indonesia + SBI (Ex Holcim): 44%

2. Indocement: 21%

3. Conch: 10%

4. Bosowa: 6%

5. Cemindo Gemilang (MP): 5%

6. Semen Baturaja: 3%

7. Panasia: 2%

8. Siam Cement: 2%

9. Juishin: 2%

10. Semen Kupang: <1%

Puger, Hao Han, Sun Fook and Semen Jakarta: 2%
(few currently are halted but included for total capacity purpose)

*Data above shows Estimated Capacity in mio ton & % Capacity Share

Source: Company

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Earnings Update

Earnings Results : 3Q 2020

In Billions of IDR	Q3 2020	Q3 2019	%YoY	Q3 2020	Q2 2020	%QoQ
Revenue	**3,974**	**4,365**	**-9.0%**	**3,974**	**2,812**	**41.3%**
- Cost of Revenue	2,417	2,830	-14.6%	2,417	1,997	21.0%
Gross Profit	**1,558**	**1,535**	**1.5%**	**1,558**	**815**	**91.0%**
- Operating Expenses	850	940	-9.6%	850	824	3.2%
Operating Income (Loss)	**737**	**612**	**20.3%**	**737**	**9**	**8503.2%**
- Non-Operating (Income) Loss	74	74	-0.6%	74	100	-26.3%
Pretax Income (Loss), GAAP	**810**	**693**	**16.9%**	**810**	**91**	**785.2%**
- Income Tax Expense (Benefit)	163	157	3.9%	163	22	645.3%
Net Income Avail to Common, GAAP	**647**	**536**	**20.7%**	**647**	**70**	**829.2%**

Source: Bloomberg, MCS Research

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Earnings Update

Earnings Estimate : 4QE 2020

In Billions of IDR	Q4 2020 Est	Q4 2019	%YoY	Q4 2020 Est	Q3 2020	%QoQ
Revenue	**4,114**	**4,591**	**-10.4%**	**4,114**	**3,974**	**3.5%**
- Cost of Revenue	2,654	2,769	-4.2%	2,654	2,417	9.8%
Gross Profit	**1,460**	**1,823**	**-19.9%**	**1,460**	**1,558**	**-6.2%**
- Operating Expenses	927	1,117	-17.0%	927	850	9.0%
Operating Income (Loss)	**552**	**719**	**-23.3%**	**552**	**737**	**-25.1%**
- Non-Operating (Income) Loss	85	88	-3.2%	85	74	15.7%
Pretax Income (Loss), GAAP	**637**	**785**	**-18.8%**	**637**	**810**	**-21.3%**
- Income Tax Expense (Benefit)	119	125	-5.4%	119	163	-27.3%
Net Income Avail to Common, GAAP	**518**	**660**	**-21.4%**	**518**	**647**	**-19.8%**

Source: Bloomberg, MCS Research

Company Update

Pressure to Cement Industry Still Hard, Market Drops Up to 9%

PT Indocement Tunggal Prakarsa Tbk (INTP) said that throughout this year, the national cement sales growth was at a position of -9% until the end of September 2020. This is due to falling demand in the majority of Indonesian regions due to the Covid-19 pandemic.

Indocement President Director Christian Kartawijaya said cement sales this year only depend on demand, such as for infrastructure development in Sumatra, construction of smelters and infrastructure in Sulawesi and Papua.

However, the contribution of this region is still very small considering that domestic cement demand currently still depends on Java Island with a contribution of 54.7% this year, down from last year's 56.4% of total national cement consumption by the end of the same period.

(Source: CNBC Indonesia)

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Company Update

Indocement's (INTP) exports shot up

PT Indocement Tunggal Prakarsa Tbk. able to raise export sales this year along with the re-operation of the Tarjun Factory.

President Director of Indocement Tunggal Prakarsa Christian Kartawijaya said the company's product export shipments in September 2020 increased significantly by 464.56 percent to 44,341 tons from 7,854 tons in September 2019.

Thus, on a year-to-date basis, INTP export shipments as of September 2020 reached 86,000 tons.

(Source: Bisnis Indonesia)

Balanced Sheet : Annual

In Billions of IDR	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Total Assets										
+ Cash, Cash Equivalents & STI	4,685	6,865	10,474	12,595	11,256	8,656	9,674	8,295	7,226	7,652
+ Accounts & Notes Receiv	1,355	1,936	2,455	2,519	2,671	2,535	2,605	2,485	2,966	2,984
+ Inventories	1,300	1,328	1,470	1,474	1,666	1,521	1,780	1,769	1,838	1,895
+ Other ST Assets	145	186	180	259	495	422	365	335	286	298
Total Current Assets	**7,485**	**10,315**	**14,579**	**16,846**	**16,087**	**13,134**	**14,425**	**12,883**	**12,316**	**12,829**
+ Property, Plant & Equip, Net	7,703	7,638	7,939	9,309	12,144	13,814	14,644	14,979	14,637	14,181
+ LT Investments & Receivables	0	0	0	0	4	4	19	19	18	15
+ Other LT Assets	159	199	237	452	650	687	1,063	983	817	682
Total Noncurrent Assets	**7,861**	**7,837**	**8,176**	**9,761**	**12,797**	**14,505**	**15,726**	**15,981**	**15,473**	**14,878**
Total Assets	**15,346**	**18,151**	**22,755**	**26,607**	**28,885**	**27,638**	**30,151**	**28,864**	**27,789**	**27,708**
Liabilities & Shareholders' Equity										
+ Payables & Accruals	1,052	1,377	1,866	2,087	3,022	2,494	2,974	3,180	3,556	3,546
+ ST Debt	257	45	52	67	49	60	70	88	111	107
+ Other ST Liabilities	39	55	500	586	190	133	143	211	258	221
Total Current Liabilities	**1,348**	**1,477**	**2,419**	**2,740**	**3,261**	**2,688**	**3,188**	**3,479**	**3,926**	**3,873**
+ LT Debt	113	131	108	93	76	61	37	20	5	4
+ Other LT Liabilities	785	809	809	797	971	1,024	787	808	636	750
Total Noncurrent Liabilities	**898**	**941**	**918**	**889**	**1,047**	**1,085**	**824**	**828**	**641**	**754**
Total Liabilities	**2,246**	**2,417**	**3,336**	**3,630**	**4,308**	**3,772**	**4,012**	**4,307**	**4,567**	**4,627**
+ Preferred Equity and Hybrid Capital	0	0	0	0	0	0	0	0	0	0
+ Share Capital & APIC	3,035	3,035	3,035	4,539	4,539	4,539	4,539	4,539	4,539	4,539
- Treasury Stock	0	0	0	0	0	0	0	0	0	0
+ Retained Earnings	8,542	11,167	14,848	18,202	20,154	19,541	21,883	20,323	18,892	18,703
+ Other Equity	1,500	1,505	1,505	206	116	214	284	306	210	162
Equity Before Minority Interest	13,077	15,706	19,388	22,947	24,577	23,866	26,139	24,557	23,222	23,080
+ Minority/Non Controlling Interest	23	28	31	30	0	0	0	0	0	0
Total Equity	**13,101**	**15,734**	**19,419**	**22,978**	**24,577**	**23,866**	**26,139**	**24,557**	**23,222**	**23,080**
Total Liabilities & Equity	**15,346**	**18,151**	**22,755**	**26,607**	**28,885**	**27,638**	**30,151**	**28,864**	**27,789**	**27,708**

Source: Bloomberg, MCS Research

Balanced Sheet : Quarter

In Billions of IDR	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Total Assets										
+ Cash, Cash Equivalents & STI	5,545	5,779	7,226	6,913	5,689	6,026	7,652	7,758	7,780	6,835
+ Accounts & Notes Receiv	2,522	3,143	2,966	3,108	2,709	3,175	2,984	2,577	2,299	2,855
+ Inventories	2,004	1,846	1,838	1,942	2,024	1,907	1,895	2,016	1,833	1,791
+ Other ST Assets	651	403	286	375	415	411	298	297	382	343
Total Current Assets	**10,721**	**11,171**	**12,316**	**12,337**	**10,837**	**11,518**	**12,829**	**12,649**	**12,294**	**11,823**
+ Property, Plant & Equip, Net	14,644	14,435	14,637	14,486	14,352	14,059	14,181	14,169	14,110	13,902
+ LT Investments & Receivables	18	18	18	18	18	16	15	15	15	16
+ Other LT Assets	1,077	1,011	817	702	647	785	682	547	619	597
Total Noncurrent Assets	**15,740**	**15,464**	**15,473**	**15,207**	**15,016**	**14,860**	**14,878**	**14,732**	**14,743**	**14,514**
Total Assets	**26,461**	**26,634**	**27,789**	**27,544**	**25,853**	**26,379**	**27,708**	**27,382**	**27,037**	**26,338**
Liabilities & Shareholders' Equity										
+ Payables & Accruals	3,034	2,914	3,556	2,873	3,048	3,002	3,546	2,769	2,401	2,892
+ ST Debt	106	114	111	109	108	109	107	125	110	114
+ Other ST Liabilities	182	222	258	307	182	210	221	309	200	203
Total Current Liabilities	**3,321**	**3,250**	**3,926**	**3,290**	**3,339**	**3,321**	**3,873**	**3,203**	**2,711**	**3,209**
+ LT Debt	8	4	5	5	5	4	4	3	3	2
+ Other LT Liabilities	796	781	636	630	673	682	750	693	786	781
Total Noncurrent Liabilities	**804**	**785**	**641**	**635**	**677**	**686**	**754**	**696**	**788**	**783**
Total Liabilities	**4,125**	**4,035**	**4,567**	**3,925**	**4,016**	**4,007**	**4,627**	**3,899**	**3,499**	**3,993**
+ Preferred Equity and Hybrid Capital	0	0	0	0	0	0	0	0	0	0
+ Share Capital & APIC	4,539	4,539	4,539	4,539	4,539	4,539	4,539	4,539	4,539	4,539
- Treasury Stock	0	0	0	0	0	0	0	0	0	0
+ Retained Earnings	18,102	18,364	18,892	19,289	17,508	18,044	18,703	19,104	19,173	17,979
+ Other Equity	305	304	210	211	211	211	162	160	174	174
Equity Before Minority Interest	22,336	22,600	23,222	23,618	21,837	22,372	23,080	23,483	23,538	22,345
+ Minority/Non Controlling Interest	0	0	0	0	0	0	0	0	0	0
Total Equity	**22,336**	**22,600**	**23,222**	**23,618**	**21,837**	**22,372**	**23,080**	**23,483**	**23,538**	**22,345**
Total Liabilities & Equity	**26,461**	**26,634**	**27,789**	**27,544**	**25,853**	**26,379**	**27,708**	**27,382**	**27,037**	**26,338**

Source: Bloomberg, MCS Research

Profit & Loss : Annual

In Billions of IDR	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020 Est	FY 2021 Est
Revenue	**17,290**	**18,691**	**19,996**	**17,798**	**15,362**	**14,431**	**15,190**	**15,939**	**14,264**	**15,457**
- Cost of Revenue	9,020	10,037	10,890	9,889	9,030	9,423	10,821	10,439	9,366	9,718
Gross Profit	**8,270**	**8,655**	**9,106**	**7,909**	**6,331**	**5,008**	**4,369**	**5,500**	**4,898**	**5,739**
+ Other Operating Income	101	136	197	128	77	76	68	56	144	92
- Operating Expenses	2,494	2,727	3,301	2,974	2,747	3,204	3,361	3,632	3,391	3,156
Operating Income (Loss)	**5,877**	**6,064**	**6,002**	**5,064**	**3,661**	**1,879**	**1,076**	**1,924**	**1,651**	**2,674**
- Non-Operating (Income) Loss	363	531	815	588	492	416	326	369	331	399
Pretax Income (Loss), Adjusted	**6,240**	**6,595**	**6,817**	**5,652**	**4,152**	**2,295**	**1,402**	**2,293**	**1,982**	**2,275**
- Abnormal Losses (Gains)	0	0	1	7	6	7	2	18	14	0
Pretax Income (Loss), GAAP	**6,240**	**6,595**	**6,815**	**5,645**	**4,146**	**2,288**	**1,400**	**2,274**	**1,996**	**2,275**
- Income Tax Expense (Benefit)	1,476	1,583	1,522	1,288	276	428	254	439	361	374
Income (Loss) from Cont Ops	**4,763**	**5,012**	**5,293**	**4,357**	**3,870**	**1,860**	**1,146**	**1,835**	**1,635**	**1,902**
- Net Extraordinary Losses (Gains)	0	0	0	0	0	0	0	0	0	0
Income (Loss) Incl. MI	**4,763**	**5,012**	**5,293**	**4,357**	**3,870**	**1,860**	**1,146**	**1,835**	**1,635**	**1,902**
- Minority Interest	3	2	3	0	0	0	0	0	0	0
Net Income, GAAP	**4,760**	**5,010**	**5,290**	**4,357**	**3,870**	**1,860**	**1,146**	**1,835**	**1,635**	**1,902**
- Preferred Dividends	0	0	0	0	0	0	0	0	0	0
- Other Adjustments	0	0	0	0	0	0	0	0	0	0
Net Income Avail to Common, GAAP	**4,760**	**5,010**	**5,290**	**4,357**	**3,870**	**1,860**	**1,146**	**1,835**	**1,635**	**1,902**

Source: Bloomberg, MCS Research

Profit & Loss : Quarter

In Billions of IDR	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020 Est	Q1 2021 Est
Revenue	**4,417**	**3,733**	**3,250**	**4,365**	**4,591**	**3,363**	**2,812**	**3,974**	**4,114**	**3,620**
- Cost of Revenue	2,927	2,569	2,271	2,830	2,769	2,298	1,997	2,417	2,654	2,417
Gross Profit	**1,491**	**1,164**	**979**	**1,535**	**1,823**	**1,064**	**815**	**1,558**	**1,460**	**1,203**
+ Other Operating Income	23	21	3	17	14	96	0	29	18	12
- Operating Expenses	961	790	785	940	1,117	790	824	850	927	853
Operating Income (Loss)	**552**	**395**	**198**	**612**	**719**	**371**	**9**	**737**	**552**	**362**
- Non-Operating (Income) Loss	88	104	102	74	88	72	100	74	85	90
Pretax Income (Loss), Adjusted	**640**	**499**	**300**	**687**	**808**	**443**	**92**	**811**	**637**	**451**
- Abnormal Losses (Gains)	1	1	2	6	23	15	0	1	0	0
Pretax Income (Loss), GAAP	**639**	**499**	**298**	**693**	**785**	**458**	**91**	**810**	**637**	**451**
- Income Tax Expense (Benefit)	111	102	54	157	125	58	22	163	119	83
Income (Loss) from Cont Ops	**528**	**397**	**243**	**536**	**660**	**400**	**70**	**647**	**518**	**368**
- Net Extraordinary Losses (Gains)	0	0	0	0	0	0	0	0	0	0
Income (Loss) Incl. MI	**528**	**397**	**243**	**536**	**660**	**400**	**70**	**647**	**518**	**368**
- Minority Interest	0	0	0	0	0	0	0	0	0	0
Net Income, GAAP	**528**	**397**	**243**	**536**	**660**	**400**	**70**	**647**	**518**	**368**
- Preferred Dividends	0	0	0	0	0	0	0	0	0	0
- Other Adjustments	0	0	0	0	0	0	0	0	0	0
Net Income Avail to Common, GAAP	**528**	**397**	**243**	**536**	**660**	**400**	**70**	**647**	**518**	**368**

Source: Bloomberg, MCS Research

Cash Flow : Annual

In Billions of IDR	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Cash from Operating Activities										
+ Net Income	3,225	3,597	4,760	5,010	5,290	4,357	3,870	1,860	1,146	1,835
+ Depreciation & Amortization	621	664	773	809	878	946	993	1,178	1,280	1,218
+ Non-Cash Items	456	376	125	417	829	231	1,304	244	434	490
+ Net Cash From Disc Ops	0	0	0	0	0	0	0	0	0	0
Cash from Operating Activities	**3,390**	**3,885**	**5,659**	**5,402**	**5,340**	**5,072**	**3,560**	**2,793**	**1,991**	**3,544**
Cash from Investing Activities										
+ Change in Fixed & Intang	436	512	961	2,005	3,407	2,728	952	774	513	1,034
+ Net Change in LT Investment	0	0	0	0	0	0	0	0	0	0
+ Net Cash From Acq & Div	0	0	0	0	0	0	0	0	0	30
+ Other Investing Activities	0	6	0	0	2	0	44	1	0	4
+ Net Cash From Disc Ops	0	0	0	0	0	0	0	0	0	0
Cash from Investing Activities	**436**	**506**	**961**	**2,005**	**3,405**	**2,728**	**996**	**774**	**513**	**1,060**
Cash from Financing Activities										
+ Dividends Paid	828	968	1,078	1,658	3,312	4,968	1,527	3,419	2,576	2,024
+ Cash From (Repayment) Debt	56	291	30	32	39	16	11	4	1	1
+ Cash (Repurchase) of Equity	0	0	0	0	0	0	0	0	0	0
+ Other Financing Activities	14	69	0	0	0	0	0	0	0	0
+ Net Cash From Disc Ops	0	0	0	0	0	0	0	0	0	0
Cash from Financing Activities	**898**	**1,190**	**1,108**	**1,690**	**3,351**	**4,984**	**1,538**	**3,423**	**2,577**	**2,025**
Net Changes in Cash	**2,061**	**2,180**	**3,610**	**2,121**	**1,339**	**2,601**	**1,018**	**1,379**	**1,069**	**426**

Source: Bloomberg, MCS Research

Cash Flow : Quarter

In Billions of IDR	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Cash from Operating Activities										
+ Net Income	91	263	528	397	243	536	660	400	70	647
+ Depreciation & Amortization	301	338	320	310	278	296	335	335	246	621
+ Net Cash From Disc Ops	105	262	707	747	392	197	1,042	555	5	327
Cash from Operating Activities	**287**	**338**	**1,556**	**40**	**913**	**634**	**2,037**	**180**	**321**	**941**
Cash from Investing Activities										
+ Change in Fixed & Intang	155	128	85	194	173	269	398	220	181	81
+ Net Change in LT Investment	0	0	0	0	0	0	0	0	0	0
+ Net Cash From Acq & Div	0	0	0	0	0	4	34	0	0	0
+ Other Investing Activities	0	0	0	0	0	30	34	0	0	10
+ Net Cash From Disc Ops	0	0	0	0	0	0	0	0	0	0
Cash from Investing Activities	**155**	**128**	**85**	**194**	**173**	**294**	**398**	**220**	**181**	**91**
Cash from Financing Activities										
+ Dividends Paid	2,576	0	0	0	2,024	0	0	0	0	1,840
+ Cash From (Repayment) Debt	0	0	0	0	0	0	0	1	1	1
+ Cash (Repurchase) of Equity	0	0	0	0	0	0	0	0	0	0
+ Other Financing Activities	0	0	0	0	0	0	0	0	0	0
+ Net Cash From Disc Ops	0	0	0	0	0	0	0	0	0	0
Cash from Financing Activities	**2,576**	**0**	**0**	**0**	**2,025**	**0**	**0**	**1**	**1**	**1,841**
Net Changes in Cash	**2,427**	**233**	**1,447**	**247**	**1,290**	**337**	**1,625**	**107**	**22**	**946**

Source: Bloomberg, MCS Research

Valuation

Valuation Metric Bands							12M Fwd Implied Price @		
Metric	Current	5Yr Avg	Band (x)	Avg+x	Avg-x	Est (IDR)	5Yr Avg	Avg+x	Avg-x
Current Price							14,250	14,250	14,250
LTM P/E	29.5x	33.2x	16.5	49.7x	16.7x	488.05	16,226	24,279	8,173.49
LTM P/BV	2.3x	2.7x	0.5	3.2x	2.2x	6342.59	17,375	20,546	14,203
LTM P/CF	15.1x	21.6x	7.8	29.4x	13.8x	834.12	18,000	24,506	11,494
LTM P/S	3.6x	4.2x	0.8	5.0x	3.4x	4165.74	17,421	20,754	14,088

Source: Bloomberg

MEGACAPITAL Sekuritas

Valuation

PER	EPS	Value
33.2x	IDR 517	**IDR 17,175**

PT. Mega Capital Sekuritas

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