



BUY

Target Price : IDR11,300

Stock Data

Current Price	: 10,000
52wk Range H-L	: 11,850 – 8,975
Share Outstanding	: 3.68 Bn
Free Float	: 42.2%
Mkt Capitalization (IDR tn)	: 36.7

Major Shareholders

Birchwood Omnia Ltd	: 51.0%
Public	: 42.2%
Treasury Stock	: 6.8%



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PT Indocement Tunggal Prakarsa Tbk (INTP IJ)

Basic Industrial Sector

Positioned Ahead of The Upturn

INTP's earnings performance in 1Q23 excelled from previous year

- In 1Q23, INTP managed to secure a revenue of IDR4.2tn, surging +19.3% YoY (vs IDR3.6tn in 1Q22), reflecting 24.3%/24.5% of consensus'/MNCS's estimates. The growth was propped up by gains from all segments; cement sales soared 19.1% YoY, and ready-mix rose 20.3% YoY.
- On a QoQ basis the revenue slipped -9.0%, followed by a -25.0% contraction in gross profit, as well as a decline of -30.5%/-58.5% in operating profit/net profit, respectively. This was expected, however, due to the seasonality feature that has been displayed consistently over the previous years.
- All in all, the net profit came in at a staggering IDR371.4bn or grew 103.4% YoY (vs IDR182.6bn in 1Q22), accompanied by solid operating margin/net profit margin of 10.5%/8.7%, reflecting 18.5%/18.5% of consensus'/MNCS's estimates.
- Furthermore, in 1Q23 the volume increased by 3.3%, with a 0.2% hike in the bag market and a 13.6% increase in the bulk market.
- In a bag market side, INTP recorded -18.6% YoY in Java due to stiff competition from newcomer Semen Grobogan. While outside Java +41.3%, thanks to additional sales from Maros operation in South Sulawesi.

Conservative on ASP and Potential Demand from East Indonesia

- We expect 2Q23 volume to recover and rise faster than last year due to increased governmental investments before the 2024 election and a higher rate of infrastructure and commercial construction, including some effects from the development of Kalimantan's new capital city.
- Due to its significant market penetration in the Ex-Java market via leased Bosowa facility in Maros-South Sulawesi (3.5 ton/year capacity) and grinding facility in Banyuwangi (1.8 ton/year capacity), we see INTP's sales volume to be stable around 17-18mn in FY23E/FY24F.
- We estimate stable ASP with 3%-4% increase in FY23E and FY24F. Retail prices have increased by more than 30% since the start of 4Q21 as a result of the high energy costs experienced by cement producers. With this situation, we believe that there is no pressing need for management to raise ASP, we assumption are based on: 1) Declining coal price of more than -30% YTD and is expected to continue easing in 2H23E and FY24F from records highs in FY22; 2) Management's expectations of a modest domestic cement consumption growth in FY23F-24F (64mn/66mn ton) due to lower purchasing power impacted by higher interest rates. The DMO price is, however, still favorable to the cement manufacturers. In light of these recent developments, it is anticipated that coal prices will exert less influence on the selling price over the course of this year. Overall, we estimated the revenue to reach IDR17.3tn/IDR17.9tn and the net income to reach IDR2.0tn/IDR2.4tn due to the company's robust cement sales volume growth and market share expansion.

Valuation and Recommendation: BUY at Target Price IDR11,300

We recommend **BUY** for **INTP** with a **target price of IDR11,300 (13% upside)**, implying a PE of 18.2x/15.1x and EV/EBITDA of 9.3x/7.5x for FY23E/FY24F. INTP is currently traded at the -1STD of its 5-year P/E band average. Risks to our call include: 1) Overcapacity situation, 2) High coal price 3) Price war with newcomers.

Key Financial Highlight

Billion IDR	2020	2021	2022	2023E	2024F
Revenue (IDR Bn)	14,184.3	14,771.9	16,328.3	17,330.2	17,898.6
EBITDA (IDR Bn)	3,170.0	3,144.0	3,238.5	3,505.8	4,048.7
EBITDA Margin (%)	22.3	21.3	19.8	20.2	22.6
Net Income (IDR Bn)	1,806.3	1,788.5	1,842.4	2,004.1	2,411.5
ROA (%)	6.6	6.8	7.2	7.8	8.7
ROE (%)	8.1	8.7	9.4	10.3	11.2
PE (x)	20.4	20.6	20.0	18.4	15.3
PBV (x)	1.7	1.8	1.9	1.9	1.7

Sources: Company, MNCS

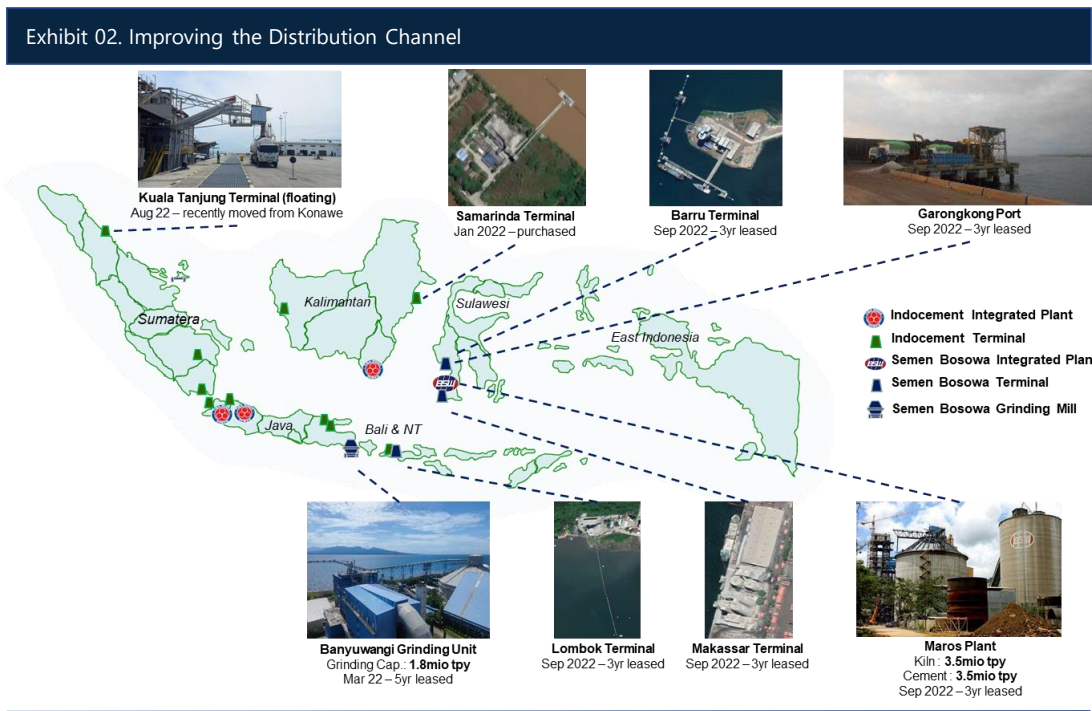
Margin improvements seen in 1Q23 vs 1Q22

Exhibit 01. MNCS Profitability Comparison with Peers

IDR bn	1Q23	4Q22	1Q22	% QoQ	% YoY	% MNCS	% Consensus
Revenue	4,245.7	4,667.3	3,557.7	-9.0%	19.3%	24.5%	24.3%
COGS	2,969.8	2,966.7	2,597.3	0.1%	14.3%		
Gross Profit	1,275.9	1,700.7	960.4	-25.0%	32.8%		
Gross Margin	30.1%	36.4%	27.0%				
Operating Profit	443.9	638.8	198.5	-30.5%	123.6%	18.3%	18.6%
Operating Margin	10%	14%	6%				
Pre-Tax Profit	468.2	1,083.2	229.6	-56.8%	103.9%	18.8%	18.6%
Net Profit	371.4	895.6	182.6	-58.5%	103.4%	18.5%	18.5%
Net Margin	8.7%	19.2%	5.1%				

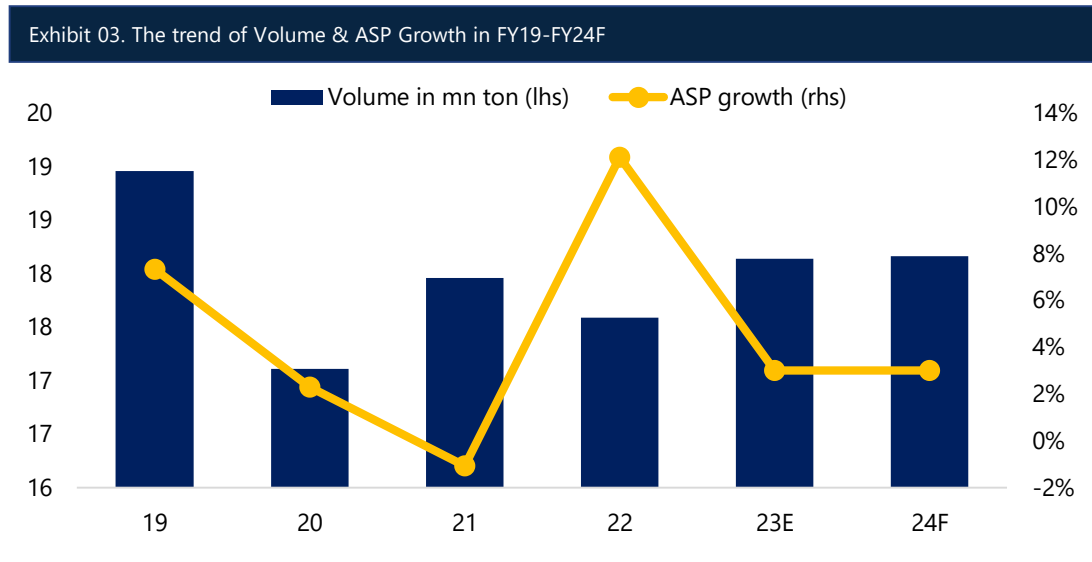
Sources : Company, MNCS

Maros operation aims to gain further traction in East Indonesia including higher volume on export



Sources : Company, MNCS

INTP's sales volume to remain stable in the 17-18mn range with a 3%-4% ASP increase in FY23E/FY24



Sources : Company, MNCS

Exhibit 4. Financial Projections

Income Statement						Balance Sheet					
IDR Billion	2020	2021	2022	2023E	2024F	IDR Billion	2019	2020	2021	2022E	2023F
Revenue	14,184.3	14,771.9	16,328.3	17,330.2	17,898.6	Cash & Equivalents	7,697.6	6,141.3	4,525.5	4,203.3	6,400.2
COGS	(9,070.8)	(9,645.6)	(11,185.1)	(11,732.5)	(11,864.4)	Trade Receivables	2,584.7	2,586.8	2,651.7	3,112.8	3,199.4
Gross Profit	5,113.6	5,126.3	5,143.2	5,597.8	6,034.3	Inventory	1,823.8	2,267.4	2,830.7	2,635.8	2,405.4
OPEX	(3,153.5)	(3,218.7)	(3,334.3)	(3,341.8)	(3,381.8)	Others Current Assets	193.3	341.3	304.2	319.7	328.5
Other income (Expense)	(84.1)	163.3	417.6	174.1	256.9	Total Current Assets	12,299.3	11,336.7	10,312.1	10,271.6	12,333.4
Operating Income	1,875.9	2,070.9	2,226.5	2,430.1	2,909.4	Fixed Assets - net	14,397.1	14,342.4	14,894.9	14,939.2	14,919.9
EBITDA	3,170.0	3,144.0	3,238.5	3,505.8	4,048.7	Other Non-Current Assets	648.3	457.0	499.2	508.0	512.9
Finance Cost (Income)	334.5	182.0	61.5	60.9	88.8	Total Non-Current Assets	15,045.4	14,799.4	15,394.1	15,447.2	15,432.8
Other income (Expense)	(62.1)	(18.9)	1.3	(0.8)	(1.7)	TOTAL ASSETS	27,344.7	26,136.1	25,706.2	25,718.8	27,766.2
Profit Before Tax	2,148.3	2,234.0	2,289.3	2,490.2	2,996.4	Trade Payables	1,580.2	2,082.8	1,834.8	2,442.9	2,340.4
Tax Income (Expense)	(342.0)	(445.5)	(446.9)	(486.1)	(584.9)	Other Current Liabilities	2,635.7	2,563.8	2,987.4	2,986.3	2,924.4
Minority Interest	-	-	-	-	-	Total Current Liabilities	4,216.0	4,646.5	4,822.2	5,429.3	5,264.8
Net Income	1,806.3	1,788.5	1,842.4	2,004.1	2,411.5	Other Long-term Liabilities	952.5	868.6	1,317.1	923.0	874.5
EPS (IDR)	490.7	485.8	500.5	544.4	655.1	Total LT-Liabilities	952.5	868.6	1,317.1	923.0	874.5
						Total Equity	22,176.2	20,621.0	19,566.9	19,366.5	21,627.0
						TOTAL LIABILITY AND EQUITY	27,344.7	26,136.1	25,706.2	25,718.8	27,766.2
Cash Flow						Ratios					
IDR Billion	2019	2020	2021	2022E	2023F	IDR Billion	2019	2020	2021	2022E	2023F
Net Income	1,806.3	1,788.5	1,842.4	2,004.1	2,411.5	Revenue Growth (%)	(11.0)	4.1	10.5	6.1	3.3
D&A	1,294.1	1,073.2	1,012.0	1,075.7	1,139.3	Operating Profit Growth (%)	(1.5)	10.4	7.5	9.1	19.7
Changes in WC	302.4	56.7	-876.2	341.9	41.3	Net Profit Growth (%)	(1.6)	(1.0)	3.0	8.8	20.3
Others	540.7	-135.5	460.1	-16.5	-70.7	Current Ratio (%)	291.7	244.0	213.8	189.2	234.3
Operating CF	3,943.5	2,782.9	2,438.4	3,405.2	3,521.4	Receivable Days (x)	66.5	63.9	66.3	65.6	65.2
Capex	-1,611.0	-1,018.5	-1,564.6	-1,120.0	-1,120.0	Inventory Days (x)	73.4	85.8	87.0	82.0	74.0
Others	149.8	191.3	-42.2	-8.8	-5.0	Payable Days (x)	63.6	78.8	80.0	76.0	72.0
Investing CF	-1,461.2	-827.2	-1,606.7	-1,128.8	-1,125.0	Net Gearing Ratio (x)	(0.3)	(0.3)	(0.2)	(0.2)	(0.3)
Dividend Paid	-2,668.9	-1,840.6	-1,740.8	-2,204.5	-2,893.8	Dividend Yield (%)	7.3	5.0	4.7	6.0	7.9
Net Change in Debt	-	-	-	-	-	Gross Profit Margin (%)	36.1	34.7	31.5	32.3	33.7
Equity Fund Raised	-	-1,587.7	-1,155.1	-	2,742.8	Operating Profit Margin (%)	13.2	14.0	13.6	14.0	16.3
Others	232.5	-83.8	448.5	-394.1	-48.6	EBITDA Margin (%)	22.3	21.3	19.8	20.2	22.6
Financing CF	-2,436.4	-3,512.1	-2,447.5	-2,598.6	-199.6	Net Income Margin (%)	12.7	12.1	11.3	11.6	13.5
Cash at Beginning	7,651.8	7,697.6	6,141.3	4,525.5	4,203.3	BVPS (IDR)	6,024.1	5,601.6	5,315.3	5,260.9	5,874.9
Cash at Ending	7,697.6	6,141.3	4,525.5	4,203.3	6,400.2						

Sources : Company, MNCS

MNC Research Industry Ratings Guidance

OVERWEIGHT: Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

NEUTRAL: Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

UNDERWEIGHT: Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

BUY : Share price may exceed 10% over the next 12 months

HOLD : Share price may fall within the range of +/- 10% of the next 12 months

SELL : Share price may fall by more than 10% over the next 12 months

Not Rated : Stock is not within regular research coverage

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