

BUY | TP : IDR12,700
INTP Stock Price Data

Last Price	:	IDR11,000
52wk High	:	IDR11,850
52wk Low	:	IDR9,000
Share Out	:	3.7bn
Market Cap	:	IDR41.2tn

INTP Stock Price Performance

1-Day	:	-1.5%
1-Week	:	+0.0%
1-Month	:	+6.5%
3-Month	:	+8.1%
Year-to-Date	:	+11.4%

Shareholders

Government	:	51.0%
Treasury	:	6.8%
Public (<5%)	:	42.2%

PT Indocement Tunggal Prakarsa Tbk (INTP IJ)

Improved Margin in 1H23

INTP's earnings performance in 1H23 excelled from the previous year

- In 1H23, INTP managed to secure a revenue of IDR7.9tn, surging +15.3% YoY (vs IDR6.9tn in 1H22), reflecting 45.6%/46.0% of consensus'/MNCS's estimates. INTP recorded domestic sales at 8,061k ton or grew by 7.2% YoY, mainly contributed from Maros operation. On the export front, there were 299k tons shipped, reflecting an 81.4% YoY increase, primarily driven by clinker shipments to Bangladesh and Brunei.
- The market share on the whole escalated from 24.7% to 27.4%. There was a significant surge in market share outside of Java, rising from 14.5% to 20.6%, while the market share within Java remained relatively steady at 33.9%.
- The rise in the Cost of Revenues by 7.7% YoY corresponds with the elevated sales volume, primarily due to increased raw material and manufacturing overhead costs. However, this was partially counteracted by reduced energy expenses related to DMO coal.
- Notably, there was an improvement in both Gross Profit margin, increasing from 25.6% to 30.5%, and EBITDA margin, progressing from 13.3% to 18.6%.
- All in all, the net profit came in at a staggering IDR698.4bn or grew 139.6% YoY (vs IDR291.5bn in 1H22), accompanied by solid operating margin/net profit margin of 10.3%/8.8%, reflecting 34.6%/34.8% of consensus'/MNCS's estimates. Not much changes on the balance sheet position as INTP remain in net cash position.

Sales volume expected to improve in 2H23

- We estimate INTP's sales volume to reach the level of ~17-18mn tons in FY23E, 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. INTP also plans on expanding Maros' market penetration to Eastern Indonesia and increase the export share. Management's expectations of a modest domestic cement consumption growth in FY23F-24F (64mn/66mn ton) were due to a lower purchasing power impacted by higher interest rates.
- Aside from that, INTP is actively executing various strategic initiatives aimed at making investments for the future. They are dedicated to broadening their strategies for sustainable development, distribution channels, and process automations. This includes actively seeking investments and potential synergies to enhance the scaling of distribution routes and logistics.
- Lower coal prices and increasingly accessible DMO coal supply will lift off cost burdens for cement players. However, during the winter season coal, higher coal consumption is poised to tighten the supply conditions and raise prices.

Potential cost pressures from impending regulations

- The planned ODOL (Over Dimension & Over loading) regulation poses as the main risk for the cement industry. It is expected to be enacted about a year post 2024 general elections. Management faces this regulation by planning alternative transportation modes for logistics and to accommodate distributions.
- Implementation of carbon tax poses as another risk as it should raise power generation costs derived from steam-powered generators. It is yet unclear how big of an impact on the fuel and power costs will the carbon tariff impose due to the undisclosed nominal. Management shares the view that potential rises in power costs are to be anticipated, and we believe this particular section of the industry's business is to be underlined from here onwards considering fuel and power accounts for ~50% of the total cost of revenue.

Valuation and Recommendation: BUY with a TP IDR12,700

We recommend BUY for INTP with a target price of IDR12,700 (13.4% upside), implying a PE of 24.2x/19.9x and EV/EBITDA of 12.0x/9.7x 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.


Research Analyst

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Key Financial Highlight	FY20	FY21	FY22	FY23E	FY24F
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	3,136.5	3,625.6
EBITDA Margin (%)	22.3	21.3	19.8	18.1	20.3
Net Income (IDR Bn)	1,806.3	1,788.5	1,842.4	1,706.8	2,071.5
ROA (%)	6.6	6.8	7.2	6.6	7.4
ROE (%)	8.1	8.7	9.4	8.8	9.5
PE (x)	22.8	23.1	22.4	24.2	19.9
PBV (x)	1.9	2.0	2.1	2.1	1.9

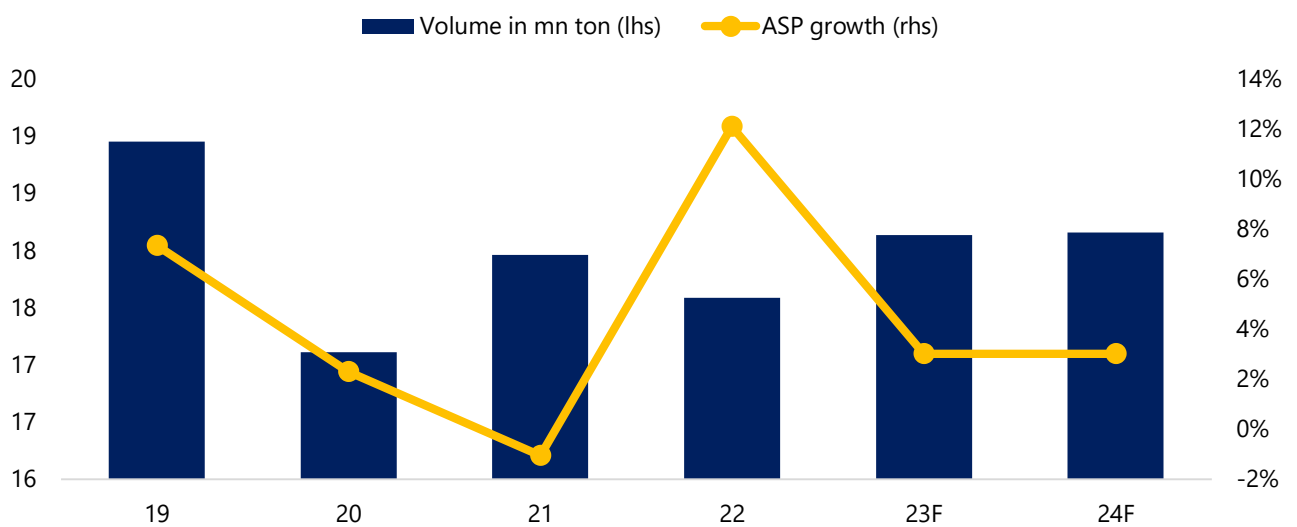
Sources : Bloomberg, MNCS Research

Exhibit 01. INTP's 1H23 net income results was below MNCS/consensus estimates (in IDR bn)

	1H23	1H22	YoY	MNCS	Cons.	MNCS %	Cons.%
Revenue	7,970.0	6,911.1	15.3%	17,330.2	17,464.2	46.0%	45.6%
COGS	5,538.0	5,142.3	7.7%				
Op.Profit	818.1	321.6	154.4%	2,430.1	2,375.9	33.7%	34.4%
Op. Margin	10.2%	4.6%					
PBT	882.8	367.7	140.1%	2,490.2	2,506.3	35.5%	35.2%
Net Income	698.4	291.5	139.6%	2,004.1	2,021.0	34.8%	34.6%
Net Margin	8.8%	4.2%					

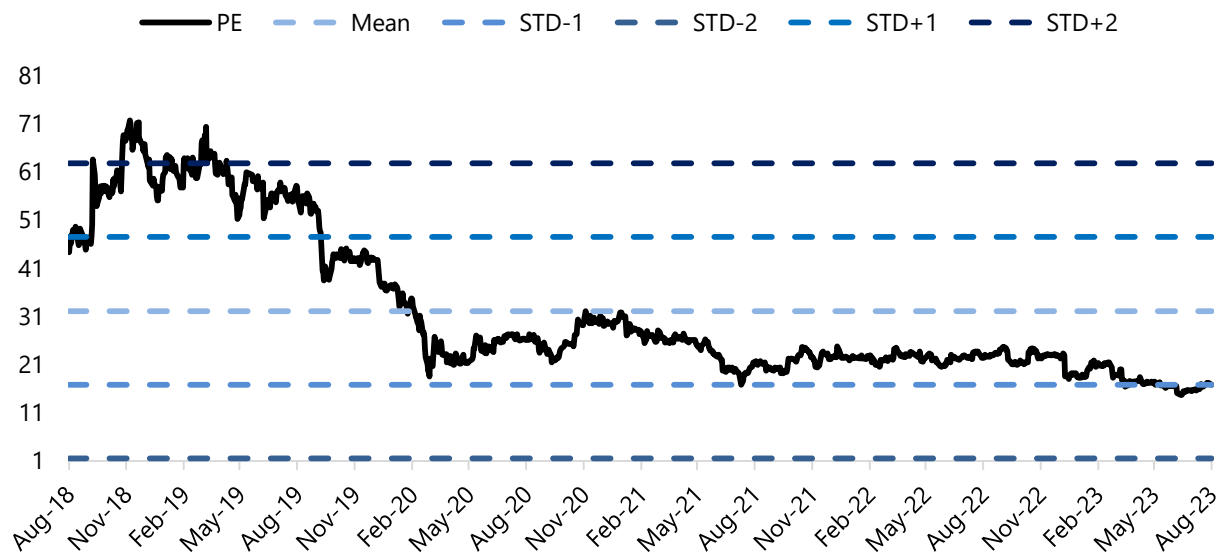
Sources : Company, Bloomberg, MNCS

Exhibit 02. INTP sales volume, and ASP in FY19-FY24F



Sources : Company, MNCS

Exhibit 03. INTP's Currently Trading Near at -1 STD (5-Year Average) at 16.8x PE band



Sources : Bloomberg, MNCS

Exhibit 04. Financial Projections

Income Statement					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Revenue	14,184.3	14,771.9	16,328.3	17,330.2	17,898.6
COGS	(9,070.8)	(9,645.6)	(11,185.1)	(12,101.8)	(12,237.9)
Gross Profit	5,113.6	5,126.3	5,143.2	5,228.4	5,660.7
Operating Expense	(3,153.5)	(3,218.7)	(3,334.3)	(3,341.8)	(3,431.4)
Other Income (Expense)	(84.1)	163.3	417.6	174.1	256.9
Operating Income	1,875.9	2,070.9	2,226.5	2,060.8	2,486.3
EBITDA	3,170.0	3,144.0	3,238.5	3,136.5	3,625.6
Finance Cost (Income)	334.5	182.0	61.5	60.9	89.5
Other Income (Expense)	(62.1)	(18.9)	1.3	(0.8)	(1.9)
Profit Before Tax	2,148.3	2,234.0	2,289.3	2,120.8	2,573.9
Tax Income (Expense)	(342.0)	(445.5)	(446.9)	(414.0)	(502.4)
Net Income	1,806.3	1,788.5	1,842.4	1,706.8	2,071.5

Cash Flow					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Net Income	1,806.3	1,788.5	1,842.4	1,706.8	2,071.5
D&A	1,294.1	1,073.2	1,012.0	1,075.7	1,139.3
Changes in WC	302.4	56.7	(876.2)	335.9	45.3
Others	540.7	(135.5)	460.1	(16.5)	(70.7)
Operating CF	3,943.5	2,782.9	2,438.4	3,101.9	3,185.4
Capex	(1,611.0)	(1,018.5)	(1,564.6)	(1,120.0)	(1,120.0)
Others	149.8	191.3	(42.2)	(8.8)	(5.0)
Investing CF	(1,461.2)	(827.2)	(1,606.7)	(1,128.8)	(1,125.0)
Dividend Paid	(2,668.9)	(1,840.6)	(1,740.8)	(1,877.5)	(2,485.8)
Equity Fund Raised	-	(1,587.7)	(1,155.1)	-	2,742.8
Others	232.5	(83.8)	448.5	(394.1)	(48.6)
Financing CF	(2,436.4)	(3,512.1)	(2,447.5)	(2,271.6)	208.4
Cash at Beginning	7,651.8	7,697.6	6,141.3	4,525.5	4,227.0
Cash at Ending	7,697.6	6,141.3	4,525.5	4,227.0	6,495.9

Balance Sheet					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Cash & Equivalents	7,697.6	6,141.3	4,525.5	4,227.0	6,495.9
Trade Receivables	2,584.7	2,586.8	2,651.7	3,112.8	3,199.4
Inventory	1,823.8	2,267.4	2,830.7	2,718.8	2,481.1
Others	193.3	341.3	304.2	319.7	328.5
Total Current Assets	12,299.3	11,336.7	10,312.1	10,378.3	12,504.8
Fixed Assets - net	14,397.1	14,342.4	14,894.9	14,939.2	14,919.9
Other	648.3	457.0	499.2	508.0	512.9
Total Non-Cur. Assets	15,045.4	14,799.4	15,394.1	15,447.2	15,432.8
TOTAL ASSETS	27,344.7	26,136.1	25,706.2	25,825.4	27,937.6
Trade Payables	1,580.2	2,082.8	1,834.8	2,519.8	2,414.1
Other	2,635.7	2,563.8	2,987.4	2,986.3	2,924.4
Total Cur. Liabilities	4,216.0	4,646.5	4,822.2	5,506.2	5,338.5
Total LT-Liabilities	952.5	868.6	1,317.1	923.0	874.5
Total Liability	5,168.4	5,515.2	6,139.3	6,429.2	6,213.0
Total Equity	22,176.2	20,621.0	19,566.9	19,396.2	21,724.7
TOT LIA & EQUITY	27,344.7	26,136.1	25,706.2	25,825.4	27,937.6

Ratios					
	FY20	FY21	FY22	FY23E	FY24F
Revenue Growth (%)	(11.0)	4.1	10.5	6.1	3.3
Operating Profit Growth (%)	(1.5)	10.4	7.5	(7.4)	20.6
Net Profit Growth (%)	(1.6)	(1.0)	3.0	(7.4)	21.4
Current Ratio (%)	291.7	244.0	213.8	188.5	234.2
Quick Ratio (%)	248.5	195.2	155.1	139.1	187.8
Receivable Days (x)	66.5	63.9	66.3	65.6	65.2
Inventory Days (x)	73.4	85.8	87.0	82.0	74.0
Payable Days (x)	63.6	78.8	80.0	76.0	72.0
Dividend Yield (%)	6.5	4.5	4.2	4.6	6.0
Gross Profit Margin (%)	36.1	34.7	31.5	30.2	31.6
Operating Profit Margin (%)	13.2	14.0	13.6	11.9	13.9
EBITDA Margin (%)	22.3	21.3	19.8	18.1	20.3
Net Income Margin (%)	12.7	12.1	11.3	9.8	11.6
EPS (IDR)	490.7	485.8	500.5	463.7	562.7
BVPS (IDR)	6,024.1	5,601.6	5,315.3	5,268.9	5,901.5

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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