

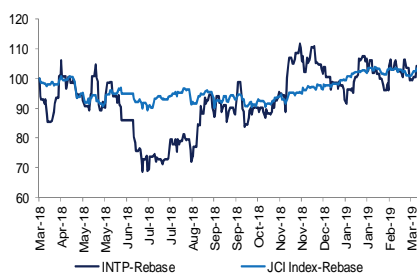
HOLD (Unchanged)

Stock Data

Target price (Rp)	Rp19,100
Prior TP (Rp)	Rp17,400
Shareprice (Rp)	Rp21,050
Upside/downside (%)	(9.3)
Sharesoutstanding (m)	3,681
Marketcap. (US\$ m)	5,480
Free float (%)	49.0
Avg. 6m dailyT/O (US\$ m)	2.3

Price Performance

	3M	6M	12M
Absolute (%)	11.8	27.6	27.8
Relative to JCI (%)	6.3	17.0	21.9
52w high/low (Rp)	21,050 - 12,875		



Major Shareholders

Birchwood Omnia Ltd.	51.0%
Oppenheimer Funds Inc.	3.4%
Standard Life Aberdeen PLC	3.4%

Estimate Change; Vs. Consensus

	2019F	2020F
Latest EPS (Rp)	337	444
Vs. Prior EPS (%)	(13.4)	(12.0)
Vs. Consensus (%)	(17.0)	(19.0)

Source: Bloomberg

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Volume-driven earning performance

- **FY18 net profit contracted (-38% yoy) though above market consensus.**
- **Modest volume growth with ASP upward inflection was in sight.**
- **Expects mild ASP growth and cautious on renewed competition.**
- **We maintain HOLD albeit with higher TP of Rp19,100 (from Rp17,400).**

Volume-driven earnings growth beating market estimates. Indocement (INTP) reported a contracted FY18 net profit of Rp1.1tn (-38% yoy) which was well above our (105%) and market estimates (115%). On the top-line, revenue turned upward to Rp15.1tn in FY18 (+5.3% yoy vs. FY17: -6% yoy) which was a pure volume-driven growth (+5.7% yoy) with a flattish blended ASP (-0.4% yoy). Production costs came higher at Rp10.8tn (+14.8% yoy) as packing costs jumped (+21% yoy) which was reasonably attributable to its terminal expansion in Sumatera and coal energy price also hiked (+22% yoy) in the light of higher coal price. Operating costs of Rp3.3tn exhibited a steady increase (+7% yoy). An outpacing costs growth relative to its revenue renders a lower profitability margins with GPM/EBITDA/OPM/NPM measured lower at 28.8%/15.4%/6.9%/7.5% (vs. FY17: 34.7%/21.6%/13.4%/12.9%). On quarterly basis, 4Q18 net profit was at Rp528bn (+1x qoq, +17% yoy) which was primarily driven by ASP in 4Q18.

Decent volume growth but ASP upward trend is evidenced. INTP booked FY18 domestic sales volume of 17.7mt (+5.7% yoy) which was exactly in-line with our forecast (99.7%). This is particularly a good sales performance as INTP kept the recovery momentum since last seen in FY17 (+4.2% yoy). On quarterly basis, 4Q18 sales volume slowed to 4.8mt (-2% qoq, +4% yoy vs. FY17: +1% qoq, +6% yoy) which was reasonable given several delayed infrastructure projects. In terms of pricing, FY18 blended domestic ASP came flat at Rp748k/t (-0.4% yoy) but the interesting thing to watch is 4Q18 ASP that increased to Rp798k/t (+6.6% qoq, +10% yoy) which was the first positive growth for the last two years. This might imply the price predatory environment is reaching its end as second-tier players are struggling to stay afloat within an oversupply industry with high debt burdens.

Attentions zero in on price recovery as 2M18 volume growth slowed. Our attention now focuses on two points. First, the quality of ASP increase which particularly addresses its ability to adjust price upward without sacrificing its overall and regional market share (and hence its volume growth). 2M19 sales volume decelerated to 2.7mt relative to 2M18 (-0.9% yoy) where both years see same political events take place. We thus believe INTP sales volume growth will soften in FY19F (+5.1% yoy vs. FY18: 5.7%) with its Java's volume share should remain flat. In regard to INTP's terminal expansion, we slightly tweak our volume share forecast in Sumatera to 11% (from 10.9%). Second, renewed competition on Ex-Java and Sumatera region (c.18% of INTP's sales volume) by a well-established, second-tier player, we saw an aggressive expansion by Anhui Conch (3.3mtpa in Barru) in the pertaining region.

Valuation. We like INTP's initiative for a non-excessive capital spending (terminal addition) to expand presence without accessing debt is a right strategy. Our concern is on the absence of future sustained price recovery as this is critically important earnings driver given a lackluster in demand thus far. Valuation is not cheap either with forward EV/EBITDA of 30.7x (vs. SMGR: 11.8x). Thus, we maintain HOLD albeit with higher TP of Rp19,100 as we roll over our valuation base to FY19F and lower our risk-free rate to 8% (from 8.5%).

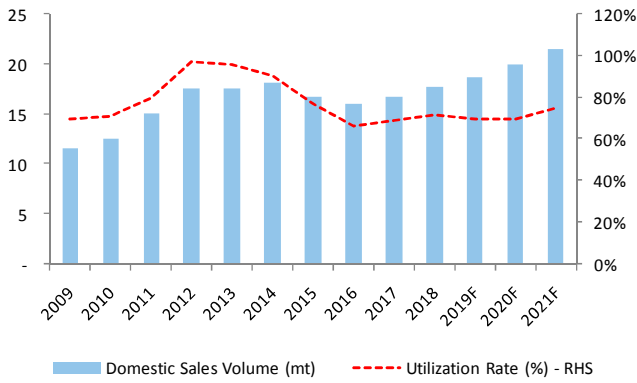
Year To 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue(RpBn)	14,431	15,190	16,386	18,245	20,288
EBITDA(RpBn)	3,117	2,338	2,331	3,011	3,502
EBITDA Growth (%)	(32.4)	(25.0)	(0.3)	29.2	16.3
Net Profit(RpBn)	1,860	1,146	1,239	1,638	1,977
EPS (Rp)	505	311	337	445	536
EPS Growth (%)	(51.9)	(38.4)	8.1	32.1	20.7
Net Gearing (%)	(33.3)	(30.6)	(23.2)	(21.6)	(20.5)
PER (x)	41.7	67.6	62.5	47.4	39.2
PBV (x)	2.7	2.8	2.9	2.8	2.7
Dividend Yield (%)	4.4	3.3	1.0	1.3	1.5
EV/EBITDA (x)	22.2	30.1	31.0	24.1	20.7

Source: INTP, IndoPremier

Share Price Closing as of : 22 March 2019

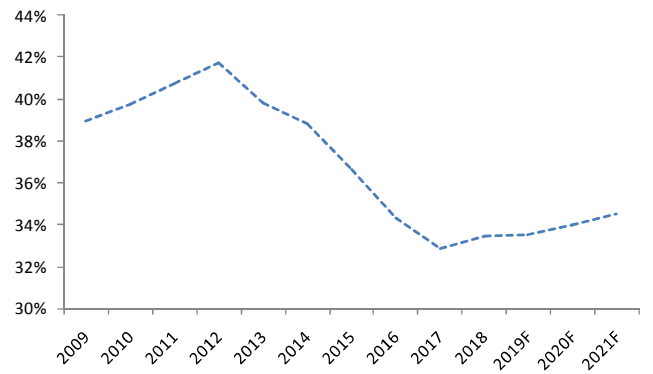
INTP Results Note

Fig. 1: Utilization rate flattens indicating demand pick-up...



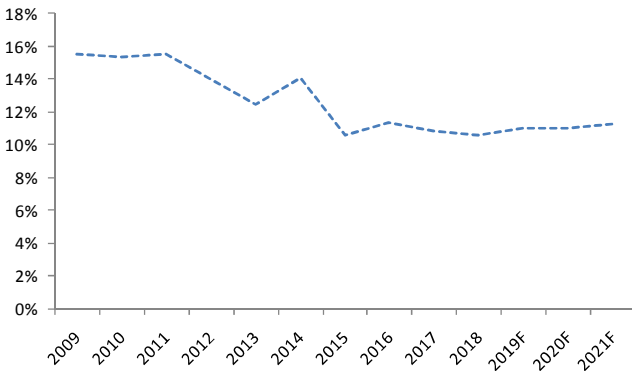
Source: INTP, Indo Premier

Fig. 2: ...which originates from Java as volume share ticked up



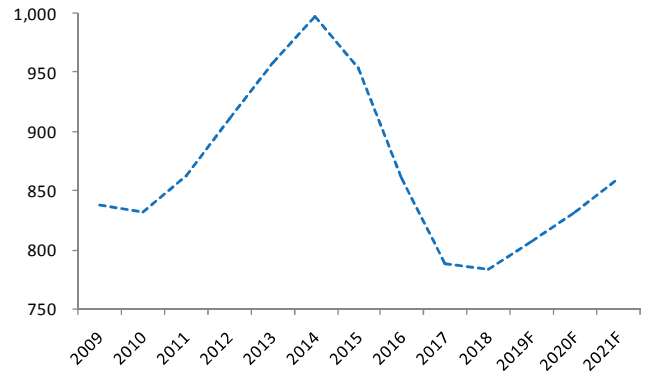
Source: INTP, Indo Premier

Fig. 3: Terminal addition should slightly spur Sumatera share



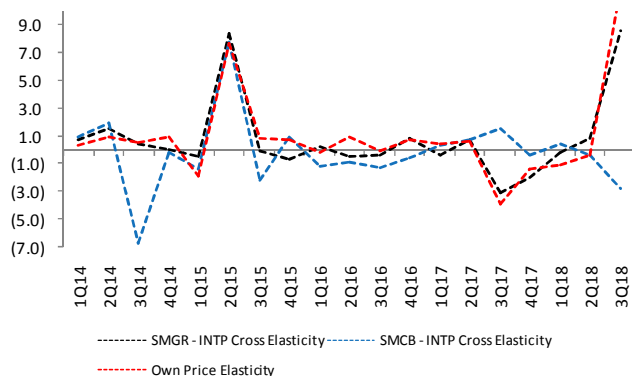
Source: INTP, Indo Premier

Fig. 4: Domestic blended ASP stopped its downtrend



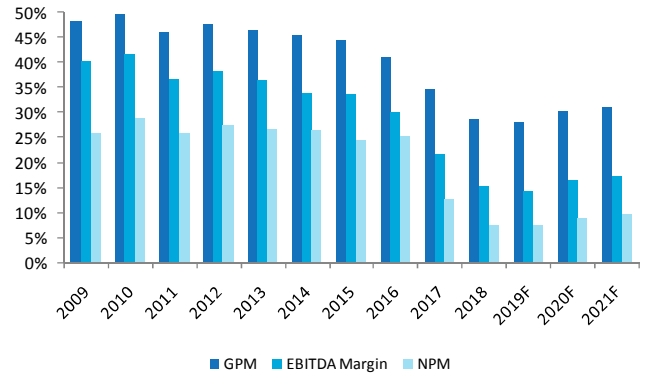
Source: INTP, Indo Premier

Fig. 5: Cross price elasticity across well-established players



Source: INTP, Indo Premier

Fig. 6: Profitability margins profile



Source: INTP, Indo Premier

INTP Results Note

Year To 31 Dec (RpBn)	2017A	2018A	2019F	2020F	2021F
Income Statement					
Net Revenue	14,431	15,190	16,386	18,245	20,288
Cost of Sales	(9,423)	(10,821)	(11,780)	(12,699)	(13,967)
Gross Profit	5,008	4,369	4,606	5,546	6,321
SG&A Expenses	(3,080)	(3,323)	(3,604)	(3,931)	(4,287)
Operating Profit	1,928	1,046	1,002	1,615	2,033
Net Interest	402	313	469	337	327
Forex Gain (Loss)	0	0	0	0	0
Others-Net	(41)	41	44	50	55
Pre-Tax Income	2,288	1,401	1,515	2,002	2,416
Income Tax	(428)	(255)	(276)	(364)	(440)
Minorities	0	0	0	0	0
Net Income	1,860	1,146	1,239	1,638	1,977
Balance Sheet					
Cash & Equivalent	8,295	7,226	5,189	5,037	4,979
Receivable	2,485	2,966	2,828	3,199	3,613
Inventory	1,769	1,838	2,001	2,157	2,372
Other Current Assets	335	286	311	337	370
Total Current Assets	12,883	12,316	10,330	10,729	11,334
Fixed Assets - Net	14,979	14,637	15,308	15,912	16,443
Goodwill	107	106	106	106	106
Non Current Assets	655	621	621	621	621
Total Assets	28,864	27,789	26,473	27,477	28,613
ST Loans	0	0	0	0	0
Payable	1,549	1,760	0	1,740	1,722
Other Payables	1,842	2,055	2,039	2,154	2,282
Current Portion of LT Loans	88	111	111	111	111
Total Current Liab.	3,479	3,926	3,925	4,004	4,115
Long Term Loans	20	5	0	0	0
Other LT Liab.	808	636	664	694	726
Total Liabilities	4,307	4,567	4,589	4,699	4,841
Equity	24,557	23,222	21,884	22,778	23,772
Retained Earnings	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total SHE + Minority Int.	24,557	23,222	21,884	22,778	23,772
Total Liabilities & Equity	28,864	27,789	26,473	27,477	28,613

Source: INTP, Indo Premier

INTP Results Note

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Cash Flow					
Net Income (Excl.Extraordinary&Min.Int)	1,860	1,146	1,239	1,638	1,977
Depr. & Amortization	1,078	1,169	1,329	1,396	1,469
Changes in Working Capital	347	(120)	(26)	(447)	(519)
Others	(249)	(303)	(344)	(333)	(321)
Cash Flow From Operating	3,035	1,893	2,198	2,254	2,605
Capital Expenditure	(1,416)	(792)	(2,000)	(2,000)	(2,000)
Others	416	332	470	337	327
Cash Flow From Investing	(1,000)	(460)	(1,530)	(1,663)	(1,673)
Loans	1	8	(5)	0	0
Equity	0	0	0	0	0
Dividends	(3,419)	(2,577)	(743)	(983)	(1,186)
Others	(1,586)	(1,362)	(1,339)	894	994
Cash Flow From Financing	(5,004)	(3,931)	(2,087)	(88)	(192)
Changes in Cash	(2,968)	(2,498)	(1,420)	502	741
Financial Ratios					
Gross Margin (%)	34.7	28.8	28.1	30.4	31.2
Operating Margin (%)	13.4	6.9	6.1	8.9	10.0
Pre-Tax Margin (%)	15.9	9.2	9.2	11.0	11.9
Net Margin (%)	12.9	7.5	7.6	9.0	9.7
ROA (%)	6.3	4.0	4.6	6.1	7.0
ROE (%)	7.3	4.8	5.5	7.3	8.5
ROIC (%)	8.9	6.2	7.5	8.8	9.9
Acct. Receivables TO (days)	64.4	65.5	64.5	60.3	61.3
Acct. Receivables - Other TO (days)	0.0	0.0	0.0	0.0	0.0
Inventory TO (days)	5.3	6.0	6.1	6.1	6.2
Payable TO (days)	59.4	55.8	54.8	50.5	45.2
Acct. Payables - Other TO (days)	23.8	24.9	23.8	21.2	20.0
Debt to Equity (%)	0.4	0.5	0.5	0.5	0.5
Interest Coverage Ratio (x)	0.0	0.0	0.0	0.0	0.0
Net Gearing (%)	(33.3)	(30.6)	(23.2)	(21.6)	(20.5)

Source: INTP, Indo Premier

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INVESTMENT RATINGS

BUY : Expected total return of 10% or more within a 12-month period
HOLD : Expected total return between -10% and 10% within a 12-month period
SELL : Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION.

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