

1Q20 earnings preview. Monthly released sales volume data indicates high single digit top-line decrease in 1Q20. INTP's domestic cement sales volume declined by 6.5% YoY in 3M20, slightly steeper than industry which was down by 5.0% YoY. The combination of heavy rainfalls during the first two months of the year followed by PSBB implementation in March due to COVID-19 had challenged cement sales in the first quarter. Bulk sales face a more severe impact as it declined by 13.9% YoY, while bag dropped by 4.2% YoY. On the other hand, GPM should see quite significant expansion on YoY basis which is mainly driven by low coal and crude oil prices.

Outlook on 2020 performance. Given company's high exposure in West Java which turns as one of red-zone located areas, we expect company to see a deeper sales volume decline in FY20E compared to its biggest competitor which is more nationally spread. The company is currently shutting down 7 factories in Citeureup which contributes to 25% of INTP's sales as a respond to softer sales amidst the pandemic. Pricing in COVID-19 impact to company's performance, we lower our volume/ASP growth assumption for FY20 to -12%/0% and rebounded to 7%/0% in FY21F along with economic reopening. 2Q20 volume data is likely to be much weaker than that of in 1Q20 as it reflects the impact from fully implemented PSBB. Going forward, we expect that growth in bag sales would remain as the sector's driver as construction projects might face some delays given budget reallocation to other spending posts. Besides, lower energy prices, corporate tax cut, and company's cost cutting measures which include redesigning distribution channels and compensation cut should serve as catalysts for margins. Our sensitivity analysis suggests that every 1% drop in energy prices (oil and coal) translates to ~15bps hike in GPM.

Attractive valuation paired with healthy balance sheet. Supported with IDR 7tn in net cash as of FY19, we are of the view that the company should soundly pass through the operational obstacles brought by recent pandemic and has what it takes to participate in future industry consolidation offers. **We upgrade our call on INTP to BUY with FY20 target price of 16,200 on the back of the stock's undemanding valuation and solid balance sheet.** Our TP is derived from 50%/50% DCF valuation and IDR 2.3 mn EV/ton assumption. Share price currently provides attractive risk and reward profile, in our view, by trading at IDR 1.45 mn EV/ton, slightly discounted to SMGR which trades at IDR 1.51 mn EV/ton. Downside risks to our call: significant price disruption from foreign players, and prolonging COVID-19 pandemic.

Highlights (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	15,190	15,939	14,027	15,007	15,913
% growth	5.3%	4.9%	-12.0%	7.0%	6.0%
Gross Profit	4,369	5,500	5,364	5,470	5,739
Net Profit	1,145	1,835	1,705	1,838	1,917
% growth	-38.4%	60.2%	-7.1%	7.8%	4.3%
Gross Margin (%)	28.8%	34.5%	38.2%	36.5%	36.1%
Net Margin (%)	7.5%	11.5%	12.2%	12.2%	12.0%
Return on Equity (%)	4.8%	7.9%	7.4%	8.0%	8.3%
Return on Assets (%)	4.0%	6.6%	6.2%	6.8%	7.0%
EPS	311	499	463	499	521

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Sector	Cement
Bloomberg Ticker	INTP IJ
Market Cap. (IDR tn)	44.5
Share Out./Float (mn)	3,681/1,804
Current Price	12,100
52-week Target Price	16,200
Upside	33.9%

Share Price Performance

52W High (07/25/19)	22,875
52W Low (03/20/20)	8,650
52W Beta	1.5
YTD Change	-25.4%

Relative Valuations

EV/EBITDA	12.4x
Trailing P/E	24.3x
Forward P/E	23.6x
P/BV	1.9x

Earnings Revision

(IDR Bn)	Old		New		Changes	
	FY20	FY21	FY20	FY21	FY20	FY21
Revenue	16,903	17,759	14,027	15,007	-17.0%	-15.5%
Gross Profit	5,541	5,867	5,364	5,470	-3.2%	-6.8%
Operating Profit	1,890	2,031	1,808	1,932	-4.4%	-4.9%
Net Profit	1,787	1,936	1,705	1,838	-4.6%	-5.1%
EPS (IDR)	486	526	463	499	-4.7%	-5.0%
Gross Margin	32.8%	33.0%	38.2%	36.5%	5.5%	3.4%
Operating Margin	11.2%	11.4%	12.9%	12.9%	1.7%	1.4%
Net Margin	10.6%	10.9%	12.2%	12.2%	1.6%	1.3%

Source: Company data, Sinarmas Investment Research

Income Statement (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	15,190	15,939	14,027	15,007	15,913
% growth	4.9%	-12.0%	7.0%	6.0%	6.0%
COGS	(10,821)	(10,439)	(8,663)	(9,537)	(10,174)
Gross Profit	4,369	5,500	5,364	5,470	5,739
% growth	-12.8%	25.9%	-2.5%	2.0%	4.9%
Operating Expenses	(3,323)	(3,503)	(3,556)	(3,539)	(3,752)
Opex to Sales (%)	21.9%	22.0%	25.4%	23.6%	23.6%
Operating Profit	1,046	1,997	1,808	1,932	1,987
% growth	-45.7%	90.9%	-9.5%	6.9%	2.9%
EBITDA	2,212	3,139	2,988	3,140	3,225
% growth	-25.8%	41.9%	-4.8%	5.1%	2.7%
Other Income	354	278	306	347	389
Net Financing	313	353	346	390	435
PBT	1,400	2,275	2,114	2,278	2,376
Tax	(255)	(440)	(409)	(441)	(459)
Minority Interest	-	-	-	-	-
Net Income	1,145	1,835	1,705	1,838	1,917
% growth	-38.4%	60.2%	-7.1%	7.8%	4.3%

Balance Sheet (IDR Bn)	2018	2019	2020E	2021F	2022F
Cash and Cash Equivalent	7,226	7,652	7,815	8,356	8,846
Trade Receivables	2,993	3,021	2,611	2,863	3,005
Inventories	1,838	1,895	1,554	1,686	1,823
Other Current Assets	260	261	279	274	278
Total Current Assets	12,316	12,829	12,260	13,179	13,952
Fixed Assets	14,637	14,080	13,935	13,428	12,940
Other Non Current Assets	836	798	798	798	798
Total Assets	27,789	27,708	26,993	27,405	27,690
Trade Payables	1,760	1,749	1,428	1,573	1,686
Bank Loans	-	-	-	-	-
Other Current Liabilities	2,166	2,125	1,861	1,995	2,088
Total Current Liabilities	3,926	3,873	3,289	3,568	3,775
Other Non Current Liabilities	641	754	754	754	754
Total Liabilities	4,567	4,627	4,043	4,322	4,529
Share & APIC	4,539	4,539	4,539	4,539	4,539
Retained Earnings	18,892	18,703	18,573	18,706	18,784
Non Controlling Interest	-	-	-	-	-
Other Components of Equity	(210)	(162)	(162)	(162)	(162)
Total Equity	23,222	23,080	22,950	23,083	23,162
Total Equity & Liabilities	27,789	27,708	26,993	27,405	27,690

Source: Company data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019	2020E	2021F	2022F
Net Income	1,145	1,835	1,705	1,838	1,917
Depreciation	1,169	1,195	1,101	1,209	1,238
Chg. in NWC	187	148	(350)	172	138
Chg. in Other CT Assets	(56)	2	17	(5)	5
Chg. in Other CT Liabilities	75	10	(183)	67	65
CF from Operating	2,260	2,890	2,955	2,947	3,078
Capital Expenditure	827	638	956	701	750
Chg. in LT Assets	(166)	(37)	-	-	-
Chg in LT Liabilities	(187)	113	-	-	-
CF from Investing	(848)	(487)	(956)	(701)	(750)
Chg. in Share & APIC	-	-	-	-	-
Chg. in Debt	-	-	-	-	-
Dividends Paid	2,576	2,025	1,835	1,705	1,838
Others	96	48	-	-	-
CF from Financing	(2,480)	(1,977)	(1,835)	(1,705)	(1,838)
Change in Cash	(1,069)	426	164	540	490
Beginning Cash	8,295	7,226	7,652	7,815	8,356
Ending Cash	7,226	7,652	7,815	8,356	8,846

Financial Ratio	2018	2019	2020E	2021F	2022F
Profitability					
ROE	4.8%	7.9%	7.4%	8.0%	8.3%
ROA	4.0%	6.6%	6.2%	6.8%	7.0%
Gross Margin	28.8%	34.5%	38.2%	36.5%	36.1%
Operating Margin	6.9%	12.5%	12.9%	12.9%	12.5%
EBITDA Margin	14.6%	19.7%	21.3%	20.9%	20.3%
Net Margin	7.5%	11.5%	12.2%	12.2%	12.0%
Liquidity					
Current Ratio	3.1	3.3	3.7	3.7	3.7
Valuation					
Price to Earning (PE)	50.3	31.4	33.8	31.4	30.1
Price to Book (PBV)	2.5	2.5	2.5	2.5	2.5
EV/EBITDA	26.5	18.7	19.6	18.7	18.2
Sales Volume Growth	7.7%	0.4%	-12.0%	7.0%	5.0%
ASP Growth	-1.9%	5.0%	0.0%	0.0%	1.0%
Market Share	26.0%	26.0%	25.4%	25.9%	26.4%

Source: Company data, Sinarmas Investment Research

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