

2Q21 result was in-line. In 2Q21, INTP booked revenue of IDR 3.2tn (-6.1% QoQ, +14.8% YoY), driven by the flat ASP growth (+0.8% QoQ, +4.7% YoY) with lower sales volume (-6.8% QoQ, +9.7% YoY) due to seasonality (fasting month and Ramadhan). On margin side, GPM dropped to 30.8% (vs. 29.0%/32.0% in 2Q20/1Q21) as the company recorded a higher fuel and power cost paired with a lower utilization rate, leading to a higher cash cost (+2.5% QoQ, +2.0% YoY). Opex to sales was at 23.2% as INTP could maintain their transportation cost to sales at 13.7% (vs. 15.9%/13.3% in 2Q20/1Q21), thanks to Tarjun plant. As a result, it brought operating profit to IDR 244bn (-33.0% QoQ/+101.7% YoY) with OPM of 7.6%. In all, INTP's top-line and bottom-line reached 43%/44% and 32%/32% of our/consensus estimate, in-line with our estimate as the historical 1H run-rate for top and bottom line was at 44% and 33%.

Sales volume starts to pick up. In 2Q21, INTP recorded cement sales volume of 3.6mn tons (+9.7% YoY), mainly driven by Ex-Java sales volume of 1.0mn tons (+11.5% YoY), while Java's sales volume at 3.6mn tons (+9.7% YoY), with market share of 25.4%. In all, 6M21 INTP sales volume was at 7.4mn tons, reaching 43% of our estimate or in-line with our estimate. Looking into 2H21, historically, the bulk cement demand will start to pick up in 2H, however, with the emergency PPKM implementation, we are of the view that the bulk cement recovery will be a bit delay. Nevertheless, we believe this policy will eventually provide positive impact for medium-long term toward national economic recovery. To note, during emergency PPKM, government permits for the construction sector continue to operate 100%, thus, it should give a tailwind during unfavorable conditions. In addition, we believe the bag cement consumption will remain strong due to the extension of VAT relaxation as many developers are ramping up their property construction. In all, with easing on emergency PPKM policy expectation, we believe it should give a tailwind into INTP as >75% INTP's revenue come from Java region. As a result, we believe that the 17.3mn cement sales is an achievable target in FY21E.

We reiterate our BUY RATING on INTP with a lower target price of IDR 15,600, derived from FY22F 13.7x EV/EBITDA (its 5-yr avg.). In all, we believe that the current bad news (muted bulk cement consumption, excluded from IDX30 index, carbon tax issue, and higher fuel and coal prices) has fully priced into INTP's share price (currently traded at FY22F 6.8x EV/EBITDA (-1.8SD from its 5yr-avg.). Downside risks to our call are: 1) prolonged economic recovery, 2) price war, and 3) higher input cost.

Highlights (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	15,939	14,184	15,440	16,643	17,620
% growth	4.9%	-11.0%	8.9%	7.8%	5.9%
Gross Profit	5,500	5,114	5,382	5,970	6,495
EBITDA	3,139	3,166	3,270	3,596	3,941
Net Profit	1,835	1,806	1,841	2,082	2,357
% growth	60.2%	-1.6%	1.9%	13.1%	13.2%
Gross Margin (%)	34.5%	36.1%	34.9%	35.9%	36.9%
Net Margin (%)	11.5%	12.7%	11.9%	12.5%	13.4%
EBITDA Margin (%)	19.7%	22.3%	21.2%	21.6%	22.4%
Return on Equity (%)	7.9%	8.0%	8.3%	9.3%	10.4%
Return on Assets (%)	6.6%	6.6%	6.8%	7.6%	8.4%
EPS	499	491	500	566	641

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Stock Information

Sector	Cement
Bloomberg Ticker	INTP IJ
Market Cap. (IDR tn)	32.4
Share Out./Float (mn)	3,681/1,803
Current Price	8,800
FY21E Target Price	15,600
Upside	77.3%

Share Price Performance

52W High (19/01/21)	15,975
52W Low (30/07/21)	8,800
52W Beta	1.4
YTD Change	-39.2%

Relative Valuations

Trailing P/E	31.2x
Forward P/E	27.6x
EV/EBITDA	13.7x
P/BV	2.6x

INTP Q21 Earnings summary

IDR Bn	2Q20	1Q21	2Q21	%QoQ	%YoY	6M20	6M21	%YoY	% DH	% Cons
Net Revenues	2,812	3,438	3,229	-6.1%	14.8%	6,175	6,667	8.0%	43%	44%
COGS	(1,997)	(2,338)	(2,234)	-4.5%	11.9%	(4,295)	(4,573)	6.5%		
Gross Profit	815	1,100	995	-9.6%	22.0%	1,880	2,094	11.4%		
Operating Profit	121	364	244	-33.0%	101.7%	415	609	46.8%		
EBITDA	364	700	459	-34.5%	26.0%	989	1,159	17.1%		
Net Income	70	351	235	-33.0%	237.3%	470	587	24.8%	32%	32%
Margin										
Gross Margin	29.0%	32.0%	30.8%			30.4%	31.4%			
Opex to Sales	24.7%	21.4%	23.2%			23.7%	22.3%			
Operating Margin	4.3%	10.6%	7.6%			6.7%	9.1%			
EBITDA Margin	12.9%	20.4%	14.2%			16.0%	17.4%			
Net Margin	2.5%	10.2%	7.3%			7.6%	8.8%			
Revenue Contribution										
Java	2,083	2,545	2,384	-6.3%	14.4%	4,642	4,929	6.2%		
Ex Java	707	845	771	-8.7%	9.1%	1,481	1,616	9.1%		
Operational										
Sales Volume (mn tons)	3.3	3.9	3.6	-6.8%	9.7%	7.1	7.4	5.2%	43%	
Java Sales Volume (mn tons)	2.3	2.7	2.6	-6.9%	8.9%	5.1	5.3	2.9%		
Java Sales Volume (mn tons)	0.9	1.1	1.0	-6.7%	11.5%	1.9	2.2	11.4%		
Blended ASP (IDR k/ton)	859	892	899	0.8%	4.7%	873	896	2.6%		
Java ASP (IDR k/ton)	889	929	934	0.6%	5.0%	902	931	3.2%		
Ex-Java ASP (IDR k/ton)	759	759	743	-2.1%	-2.1%	767	751	-2.0%		
Cost/ton (IDR k/ton)	610	607	622	2.5%	2.0%	607	614	1.2%		

Source: Company Data, Sinarmas Investment Research

Income Statement (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	15,939	14,184	15,440	16,643	17,620
% growth	4.9%	-11.0%	8.9%	7.8%	5.9%
COGS	(10,439)	(9,071)	(10,057)	(10,673)	(11,125)
Gross Profit	5,500	5,114	5,382	5,970	6,495
% growth	25.9%	-7.0%	5.3%	10.9%	8.8%
Operating Expenses	3,503	3,154	3,346	3,638	3,852
Opex to Sales (%)	22.0%	22.2%	21.7%	21.9%	21.9%
Operating Profit	1,997	1,960	2,036	2,331	2,644
% growth	90.9%	-1.9%	3.9%	14.5%	13.4%
EBITDA	3,139	3,166	3,270	3,596	3,941
% growth	41.9%	0.8%	3.3%	10.0%	9.6%
Other Income	278	188	237	239	267
Net Financing	353	257	316	324	357
PBT	2,275	2,148	2,273	2,570	2,910
Tax	(440)	(342)	(432)	(488)	(553)
Minority Interest	-	-	-	-	-
Net Income	1,835	1,806	1,841	2,082	2,357
% growth	60.2%	-1.6%	1.9%	13.1%	13.2%

Balance Sheet (IDR Bn)	2019	2020	2021E	2022F	2023F
Cash and Cash Equivalent	7,652	7,698	7,377	8,125	8,916
Trade Receivables	3,021	2,621	2,938	3,132	3,307
Inventories	1,895	1,824	1,843	2,009	2,120
Other Current Assets	7,905	7,847	7,564	8,309	9,096
Total Current Assets	12,829	12,299	12,353	13,458	14,533
Fixed Assets	14,080	14,397	14,035	13,537	13,065
Other Non Current Assets	798	648	648	648	648
Total Assets	27,708	27,345	27,036	27,643	28,246
Trade Payables	1,749	1,580	1,690	1,813	1,898
Bank Loans	-	-	-	-	-
Other Current Liabilities	2,125	2,636	2,183	2,425	2,668
Total Current Liabilities	3,873	4,216	3,872	4,238	4,567
Other Non Current Liabilities	754	952	952	952	952
Total Liabilities	4,627	5,168	4,825	5,191	5,519
Share & APIC	4,539	4,539	4,539	4,539	4,539
Retained Earnings	18,703	17,637	17,672	17,912	18,188
Non Controlling Interest	-	-	-	-	-
Other Components of Equity	(162)	-	-	-	-
Total Equity	23,080	22,176	22,211	22,452	22,727
Total Equity & Liabilities	27,708	27,345	27,036	27,643	28,246

Source: Company data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2019	2020	2021E	2022F	2023F
Net Income	1,835	1,806	1,841	2,082	2,357
Depreciation	1,195	1,294	1,066	1,265	1,298
Chg. in NWC	148	(276)	176	188	137
Chg. in Other CT Assets	2	(104)	37	(3)	(2)
Chg. in Other CT Liabilities	10	539	(505)	195	179
CF from Operating	2,890	4,019	2,190	3,356	3,699
Capital Expenditure	638	1,611	704	766	826
Chg. in LT Assets	(37)	(150)	-	-	-
Chg in LT Liabilities	113	198	-	-	-
CF from Investing	(487)	(1,263)	(704)	(766)	(826)
Chg. in Share & APIC	-	-	-	-	-
Chg. in Debt	-	-	-	-	-
Dividends Paid	2,025	2,873	1,806	1,841	2,082
Others	48	162	-	-	-
CF from Financing	(1,977)	(2,710)	(1,806)	(1,841)	(2,082)
Change in Cash	426	46	(321)	748	791
Beginning Cash	7,226	7,652	7,698	7,377	8,125
Ending Cash	7,652	7,698	7,377	8,125	8,916

Financial Ratio	2019	2020	2021E	2022F	2023F
Profitability					
ROE	7.9%	8.0%	8.3%	9.3%	10.4%
ROA	6.6%	6.6%	6.8%	7.6%	8.4%
Gross Margin	34.5%	36.1%	34.9%	35.9%	36.9%
Operating Margin	12.5%	13.8%	13.2%	14.0%	15.0%
EBITDA Margin	19.7%	22.3%	21.2%	21.6%	22.4%
Net Margin	11.5%	12.7%	11.9%	12.5%	13.4%
Liquidity					
Current Ratio	3.3	2.9	3.2	3.2	3.2
Valuation					
Price to Earning (PE)	31.3	31.8	31.2	27.6	24.4
Price to Book (PBV)	2.5	2.6	2.6	2.6	2.5
EV/EBITDA	12.5	15.6	15.1	13.7	12.5
Key Assumptions					
Coal Prices (USD/Mt.)	80.4	60.2	75.0	70.0	70.0
USDIDR	14,140	14,529	14,000	14,500	14,500
Sales Volume Growth (YoY)	0.4%	-10.0%	5.3%	6.0%	4.0%
ASP Growth (YoY)	5.0%	0.0%	1.5%	1.7%	1.8%
Market Share	26.0%	26.0%	26.1%	26.1%	26.1%

Source: Company data, Sinarmas Investment Research

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