

Strong Earnings. In 3Q20, INTP recorded revenue of IDR 3.9tn (+41.3% QoQ/-9.0% YoY), driven by higher sales volume (+37.0% QoQ/-9.4% YoY) and higher blended ASP (+3.1% QoQ/+0.5% YoY). On margin side, GPM increased to 39.2%, mainly due to higher blended ASP, higher utilization rate at 70% (vs. 53% in 2Q20), and lower fuel and power cost (-16.5% YoY). Worth noting that INTP recorded lower cost/ton (-13.9% QoQ/-7.6% YoY). Opex to sales was at 21.2% (-345bps QoQ/-17bps YoY), and forming operating profit at IDR 736bn with OPM at 18.5%. Hence, INTP booked net profit of IDR 646bn (+826.9% QoQ/+20.7% YoY). In all, INTP posted 9M20's revenue/net profit of IDR 10.1tn/1.1tn (-10.6% YoY/-5.0% YoY), reaching 74.2%/91.7% of our estimate.

Upside risk on demand. INTP recorded 3Q20's sales volume at 4.5mn tons (+39.1% QoQ), surpassed 1Q20's performance (pre-Covid-19 level) at 3.8mn tons, with 26.2% of market share. As a result, INTP posted 9M20's sales volume at 12mn tons (-7.7% YoY) or outperformed the industry (-8.4% YoY). Going forward, given easing in PSBB, we believe that INTP is the most benefited from this event as ~75% of INTP's sales volume came from Java region. In addition, we view that the inorganic growth on cement demand which come from sovereign wealth fund (SWF) which will support national infrastructure projects. All these factors should give positive catalyst to INTP, thanks to its market dominance.

ASP hike paired with lower cost. In 3Q20, INTP posted higher blended ASP (+7.4% QoQ). Moreover, lower fuel and power cost (avg. YTD coal price at USD 58/Mt. and Brent oil price at USD 42.5/bbl) and higher utilization rate had resulted in lower 3Q20's cost/ton (-10.4% QoQ/-14.1% YoY). All these factors have benefited INTP's margin as 3Q20's GPM/EBITDA Margin/NPM expanded to 39.2%/26.3%/16.3%. Looking forward, we view that low coal price will persist until FY21F. As a result, **we revise our coal price assumption from USD 65/69/Mt. to USD 60/65/Mt. in FY20E/FY21F.** Hence, we upgrade our **EPS forecast by 23.9%/11.0% in FY20E/FY21F.** Our Sensitivity analysis shows that every 1% change in coal price will change our earnings forecast by 1.5%.

We maintain our BUY call on INTP with a higher TP of IDR 15,700, derived from DCF valuation and IDR 2.2mn EV/Ton. Given strong balance sheet, higher-margin, market dominance, and better cement outlook, we believe that INTP provides attractive risk and rewards. As of now, INTP is traded at 1.6mn EV/Ton (-1.3SD from its 5yr-avg.). Downside risks to our calls are longer than expected economic activity and higher coal prices.

Highlights (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	15,190	15,939	13,686	15,142	16,604
% growth	5.3%	4.9%	-14.1%	10.6%	9.7%
Gross Profit	4,369	5,500	4,788	5,429	5,799
Net Profit	1,145	1,835	1,510	1,779	1,832
% growth	-38.4%	60.2%	-17.7%	17.8%	3.0%
Gross Margin (%)	28.8%	34.5%	35.0%	35.9%	34.9%
Net Margin (%)	7.5%	11.5%	11.0%	11.7%	11.0%
Return on Equity (%)	4.8%	7.9%	6.6%	7.8%	7.9%
Return on Assets (%)	4.0%	6.6%	5.5%	6.6%	6.6%
EPS	311	499	410	483	498

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Stock Information

Sector	Cement
Bloomberg Ticker	INTP IJ
Market Cap. (IDR tn)	48.5
Share Out./Float (mn)	3,681/1,803
Current Price	13,175
FY20F Target Price	15,700
Upside	19.2%

Share Price Performance

52W High (12/09/19)	20,875
52W Low (20/03/20)	8,650
52W Beta	1.50
YTD Change	-36%

Relative Valuations

Trailing P/E	27.3x
Forward P/E	27.3x
P/BV	2.2x

INTP 3Q20 Earnings summary

IDR Bn	3Q19	2Q20	3Q20	%QoQ	%YoY	9M19	9M20	%YoY	% DH	% Cons
Net Revenues	4,365	2,812	3,974	41.3%	-9.0%	11,348	10,150	-10.6%	74.2%	70.9%
COGS	(2,830)	(1,997)	(2,417)	21.0%	-14.6%	(7,670)	(6,712)	-12.5%		
Gross Profit	1,535	815	1,558	91.0%	1.5%	3,678	3,437	-6.5%		
Operating Profit	618	(9)	736.0	na	na	1,209	1,114	-7.8%		
EBITDA	911	234	1,047	346.4%	14.9%	2,083	1,999	-4.0%		
Net Income	536	70	647	826.9%	20.7%	1,176	1,117	-5.0%	91.7%	83.8%
Margin										
Gross Margin	35.2%	29.0%	39.2%			32.4%	33.9%			
Opex to Sales	21.4%	24.7%	21.2%			22.0%	22.8%			
Operating Margin	14.2%	-0.3%	18.5%			10.7%	11.0%			
EBITDA Margin	20.9%	8.3%	26.3%			18.4%	19.7%			
Net Margin	12.3%	2.5%	16.3%			10.4%	11.0%			
Operational										
Sales Volume (mn tons)	5.1	3.4	4.6	37.0%	-9.4%	13.5	12.0	-11.3%		
Blended ASP (IDR k/ton)	856	834	860	3.1%	0.5%	840	847	0.8%		
Cost/ton (IDR k/ton)	494	531	457	-13.9%	-7.6%	513	510	-0.7%		

Source: Company Data, Sinarmas Investment Research

Earnings Changes

(IDR Bn)	Old		New		Changes	
	FY20	FY21	FY20	FY21	FY20	FY21
Revenue	13,686	15,142	13,686	15,142	0	0
Gross Profit	4,426	5,210	4,788	5,429	8.2%	4.2%
Operating Profit	1,203	1,640	1,564	1,859	30.1%	13.4%
Net Profit	1,218	1,602	1,510	1,779	23.9%	11.0%
EPS (IDR)	331	435	410	483	23.9%	11.0%
Gross Margin	32.3%	34.4%	35.0%	35.9%	2.6%	1.4%
Operating Margin	8.8%	10.8%	11.4%	12.3%	2.6%	1.4%
Net Margin	8.9%	10.6%	11.0%	11.7%	2.1%	1.2%

Source: Sinarmas Investment Research

Table 3: Earnings sensitivity to sales volume

	Old		New		Changes	
	FY20	FY21	FY20	FY21	FY20	FY21
Coal Price (USD/Mt.)	65	69	60	65	-7.7%	-5.8%
USDIDR	15,000	15,200	14,700	14,900	-2.0%	-2.0%

Source: Sinarmas Investment Research

Income Statement (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	15,190	15,939	13,686	15,142	16,604
% growth	4.9%	-14.1%	10.6%	9.7%	7.1%
COGS	(11)	(10)	(9)	(10)	(11)
Gross Profit	4,369	5,500	4,788	5,429	5,799
% growth	-12.8%	25.9%	-13.0%	13.4%	6.8%
Operating Expenses	3,323	3,503	3,224	3,570	3,915
Opex to Sales (%)	21.9%	22.0%	23.6%	23.6%	23.6%
Operating Profit	1,046	1,997	1,564	1,859	1,884
% growth	-45.7%	90.9%	-21.7%	18.8%	1.3%
EBITDA	2,212	3,139	2,745	3,067	3,122
% growth	-25.8%	41.9%	-12.6%	11.7%	1.8%
Other Income	354,343	277,746	307,562	346,402	386,582
Net Financing	313,407	352,537	346,570	389,560	433,907
PBT	1,400	2,275	1,872	2,205	2,270
Tax	255	440	362	426	439
Minority Interest	0	0	0	0	0
Net Income	1,145	1,835	1,510	1,779	1,832
% growth	-38.4%	60.2%	-17.7%	17.8%	3.0%
Balance Sheet (IDR Bn)	2018	2019	2020E	2021F	2022F
Cash and Cash Equivalent	7,226	7,652	7,638	8,302	8,716
Trade Receivables	2,993	3,021	2,548	2,889	3,135
Inventories	1,838	1,895	1,596	1,717	1,936
Other Current Assets	7,478	7,905	7,906	8,569	8,991
Total Current Assets	12,316	12,829	12,058	13,183	14,071
Fixed Assets	14,637	14,080	13,935	13,412	12,931
Other Non Current Assets	836	798	798	798	798
Total Assets	27,789	27,708	26,791	27,393	27,800
Trade Payables	1,760	1,749	1,467	1,602	1,791
Bank Loans	0	0	0	0	0
Other Current Liabilities	2,166	2,125	1,816	2,013	2,179
Total Current Liabilities	3,926	3,873	3,282	3,615	3,970
Other Non Current Liabilities	641	754	754	754	754
Total Liabilities	4,567	4,627	4,036	4,369	4,724
Share & APIC	4,539	4,539	4,539	4,539	4,539
Retained Earnings	18,892	18,703	18,378	18,647	18,699
Non Controlling Interest	0	0	0	0	0
Other Components of Equity	-210	-162	-162	-162	-162
Total Equity	23,222	23,080	22,755	23,024	23,076
Total Equity & Liabilities	27,789	27,708	26,791	27,393	27,800

Source: Company data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019	2020E	2021F	2022F
Net Income	1,145	1,835	1,510	1,779	1,832
Depreciation	1,169	1,195	1,101	1,208	1,238
Chg. in NWC	187	148	-393	236	222
Chg. in Other CT Assets	-56	2	14	-1	9
Chg. in Other CT Liabilities	75	10	-212	107	111
CF from Operating	2,260	2,890	2,778	2,858	2,950
Capital Expenditure	827	638	956	684	757
Chg. in LT Assets	-166	-37	0	0	0
Chg in LT Liabilities	-187	113	0	0	0
CF from Investing	-848	-487	-956	-684	-757
Chg. in Share & APIC	0	0	0	0	0
Chg. in Debt	0	0	0	0	0
Dividends Paid	2,576	2,025	1,835	1,510	1,779
Others	96	48	0	0	0
CF from Financing	-2,480	-1,977	-1,835	-1,510	-1,779
Change in Cash	-1,069	426	-13	664	413
Beginning Cash	8,295	7,226	7,652	7,638	8,302
Ending Cash	7,226	7,652	7,638	8,302	8,716

Financial Ratio	2018	2019	2020E	2021F	2022F
Profitability					
ROE	4.8%	7.9%	6.6%	7.8%	7.9%
ROA	4.0%	6.6%	5.5%	6.6%	6.6%
Gross Margin	28.8%	34.5%	35.0%	35.9%	34.9%
Operating Margin	6.9%	12.5%	11.4%	12.3%	11.3%
EBITDA Margin	14.6%	19.7%	20.1%	20.3%	18.8%
Net Margin	7.5%	11.5%	11.0%	11.7%	11.0%
Liquidity					
Current Ratio	3.1	3.3	3.7	3.6	3.5
Valuation					
Price to Earning (PE)	39.4	24.6	29.9	25.4	24.7
Price to Book (PBV)	1.9	2.0	2.0	2.0	2.0
EV/EBITDA	27.4	19.9	13.7	12.1	11.8

Key Assumptions	2018	2019	2020E	2021F	2022F
Coal Prices (USD/Mt.)	89.8	80.4	60.0	65.0	69.0
USDIDR	14,248	14,140	14,700	14,900	15,000
Sales Volume Growth (YoY)	7.7%	0.4%	-15.0%	9.0%	7.5%
ASP Growth (YoY)	-1.9%	5.0%	1.0%	1.5%	2.0%
Market Share	26.0%	26.0%	25.7%	26.2%	26.8%

Source: Company data, Sinarmas Investment Research

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