

Earnings Call Q3 2023

PT Indocement Tunggal Prakarsa Tbk.

3 November 2023



Tarjun Plant

■ Key indicator for Q3 2023:

- Domestic cement market YTD weakened -0.6% from combination of pressure in bag market -3.7% and growth in bulk market +8.3%
- Indocement recorded domestic sales volume (cement & clinker) at 13,294k ton or +7.1%, the growth was mainly contributed from Maros operation. Export was 445k ton or +61.7% with clinker shipments to Bangladesh and Brunei Darussalam (from Tarjun plant) and to Australia and Philippines (from Maros plant)
- Our overall domestic market share was at 27.6% with Java 34.1% and outside Java 20.8%
- Net Revenues grew +10.9% YoY to IDR 12,927.7bio from higher volume +8.3% and consolidated price +2.4%
- Increase in Cost of Revenues +7.6% YoY lined up with higher sales volume, mainly contributed from increase in raw material & manufacturing overhead costs with some offset from lower energy cost (DMO coal)
- Margin recovery in Gross Profit from 29.5% to 31.6% and EBITDA from 17.5% to 19.6%
- Indocement signed a *Conditional Purchase Agreement* to acquire 100% shares of PT Semen Grobogan with closing expected by 30 November 2023 and effective takeover on 1 December 2023

■ Sustainability:

- CO² emission Scope 1 Specific NET was 545 kg CO²/t cement equivalent vs. FY2022 at 587 kg CO²/t cement equivalent → inline with our 2030 target of 490 kg CO²/t cement equivalent
- NO^x, SO², and dust emissions are well below standard regulation

Agenda

1

Market Overview

- Cement Market Evolution
- Cement Market Volume & Growth Distribution
- Java-Outside Java & Bag-Bulk Markets

2

Financial Performance

- Financial result
- Cost Control & Margin Development
- Balance Sheet

3

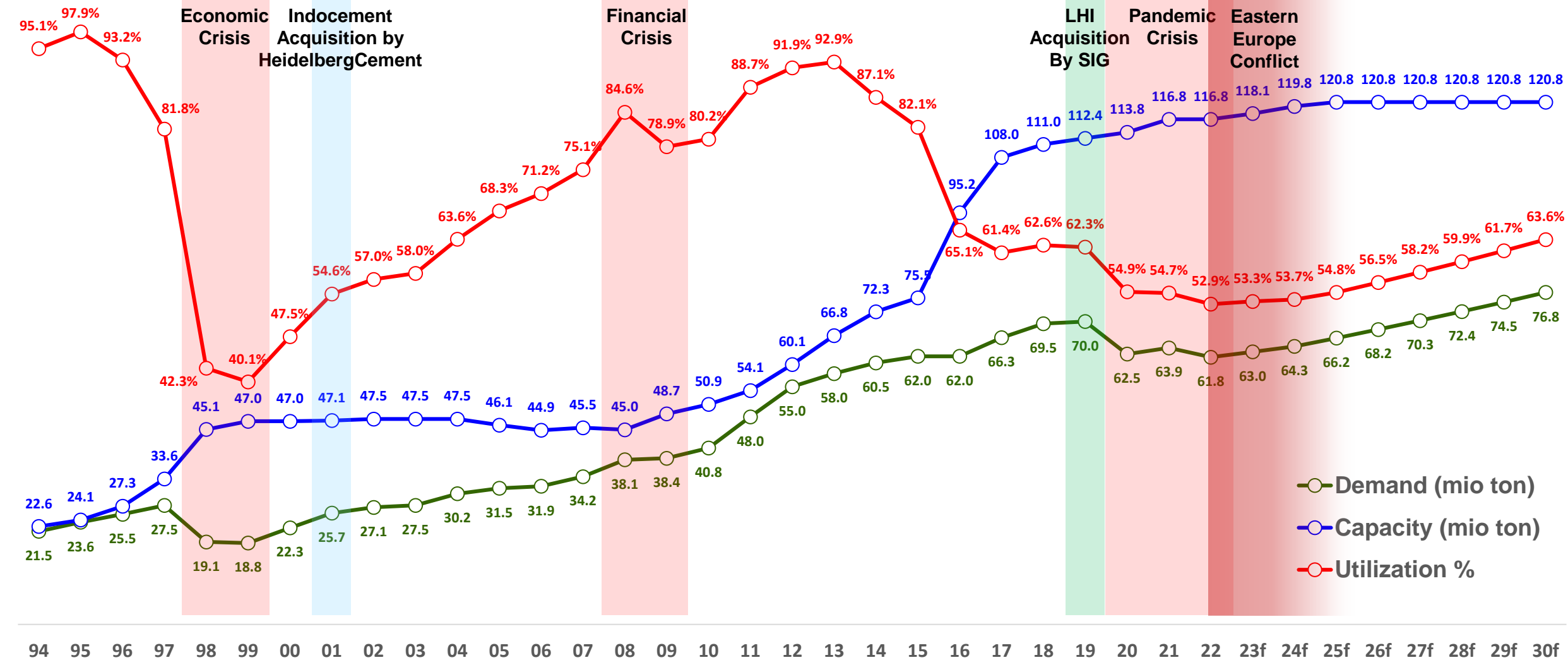
Operational Performance & Strategy

- Emission Reduction
- Logistics Synergies
- Outlook

4

Q&A

Cement Market Evolution

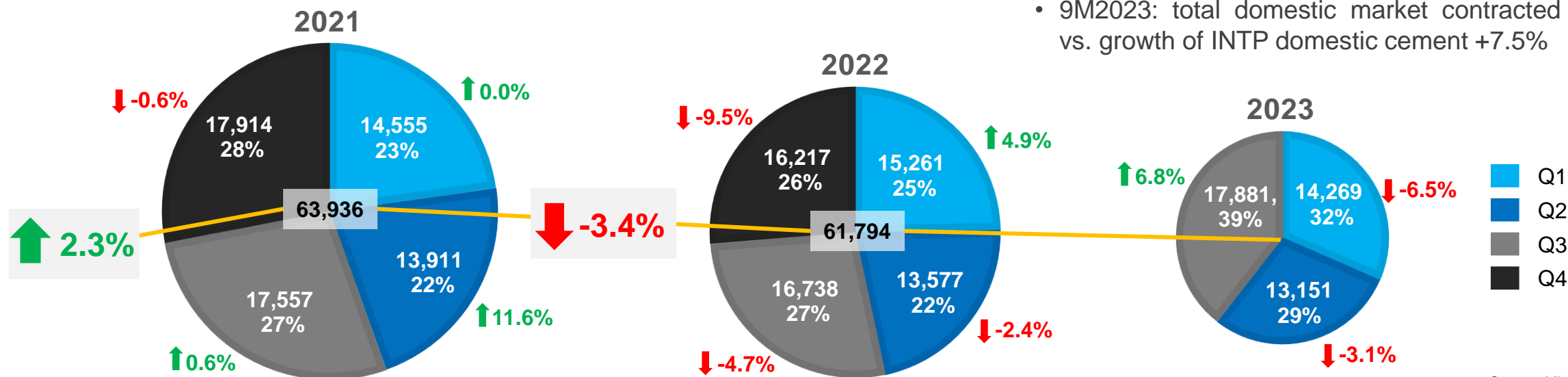


Source: Ministry of Industry with Internal Indocement Projection
The capacity data could be revised based on industry update

CAGR	07A-10A	10A-13A	13A-16A	16A-19A	19A-22A	22A-25F	22A-25F
Demand	+6.1%	+12.5%	+2.2%	+4.2%	-3.5%	+2.7%	+3.0%
Capacity	+3.8%	+9.5%	+12.5%	+5.7%	+1.3%	+1.1%	-

Cement Volume Development

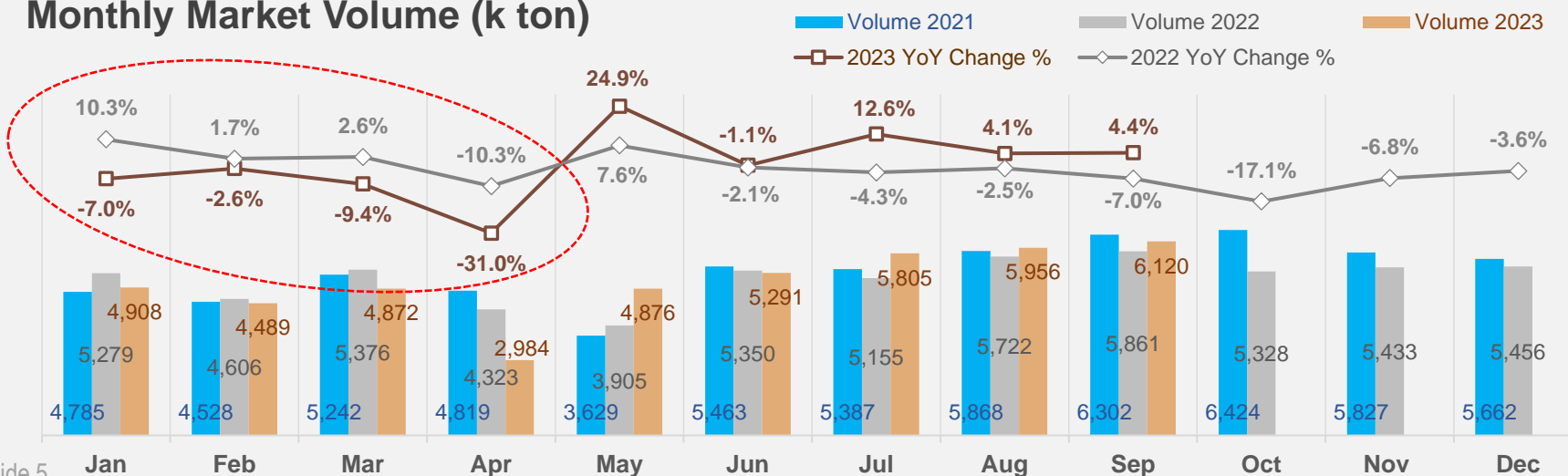
Quarterly Market Volume (K ton)



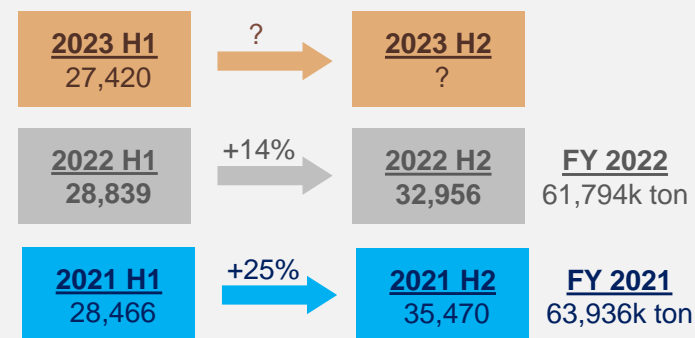
- 9M2023: total domestic market contracted -0.6% vs. growth of INTP domestic cement +7.5%

Source: Ministry of Industry

Monthly Market Volume (k ton)



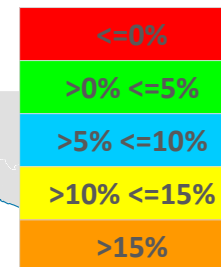
- YoY performance shows improvement after the first 4 months of 2023



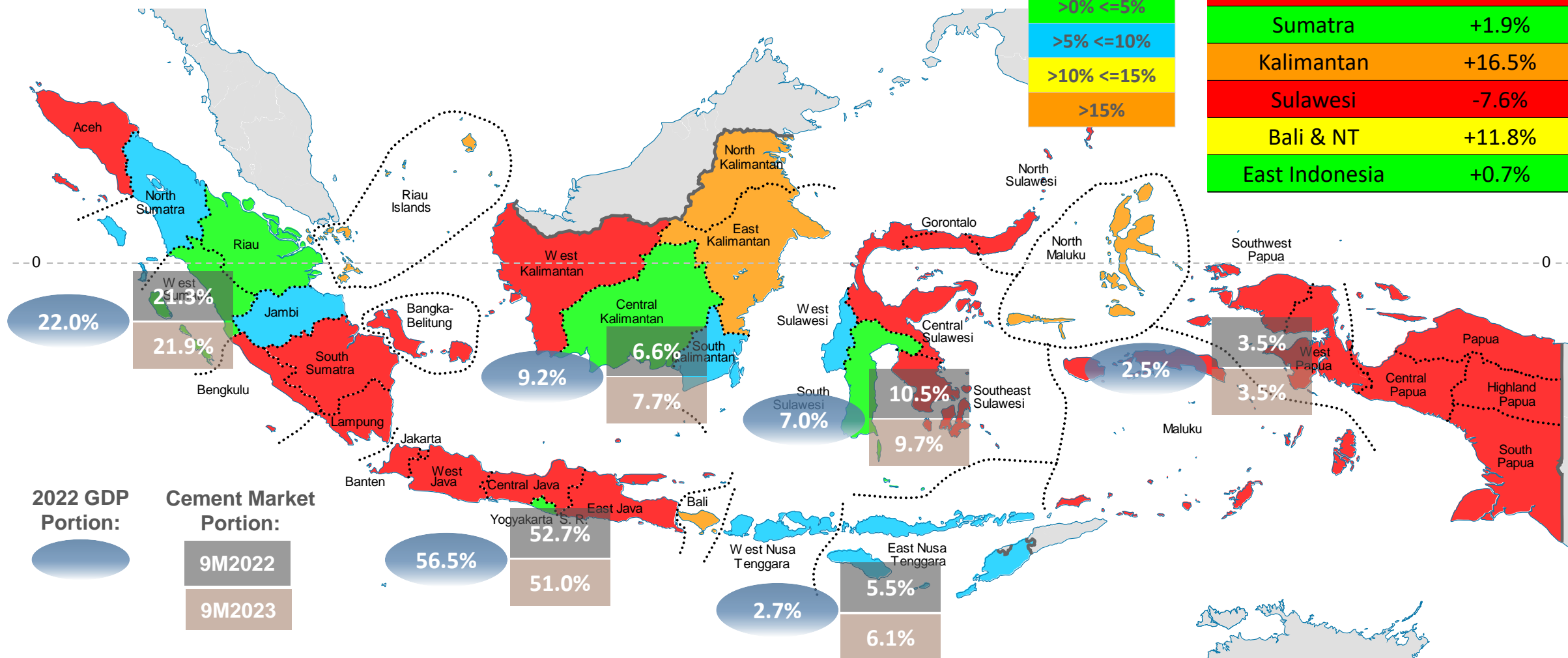
Cement Market Portion & Growth

- Higher market portion in Kalimantan was from bulk market growth +86.6% especially in East and North Kalimantan areas from new capital city development

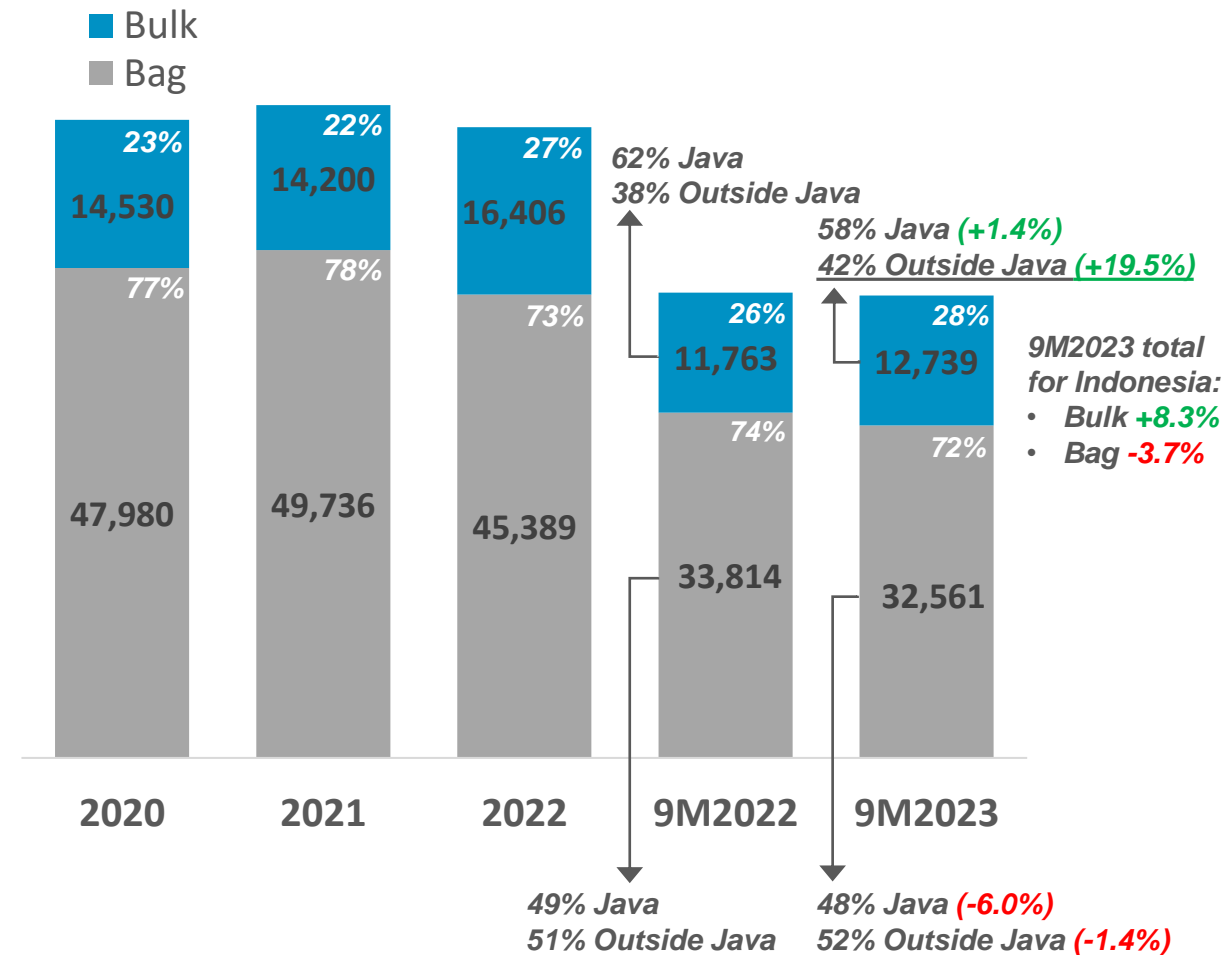
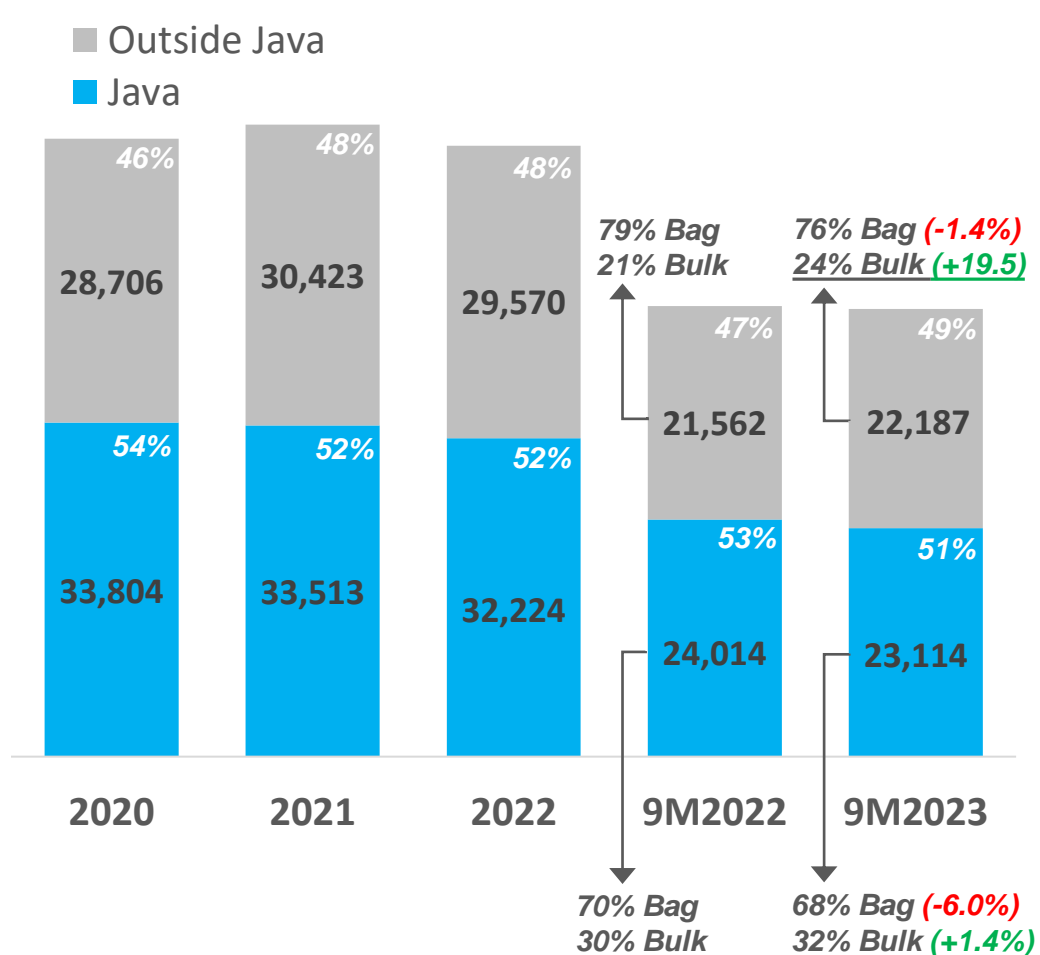
YoY Area Growth:



Area	9M2023 Volume
Java	-3.8%
Sumatra	+1.9%
Kalimantan	+16.5%
Sulawesi	-7.6%
Bali & NT	+11.8%
East Indonesia	+0.7%



Java-Outside Java and Bag-Bulk Markets



Continuous strong bulk demand at outside Java

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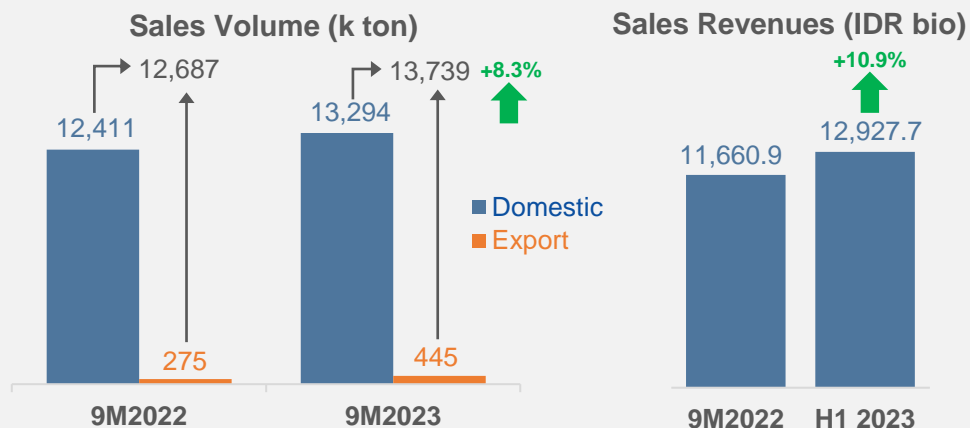
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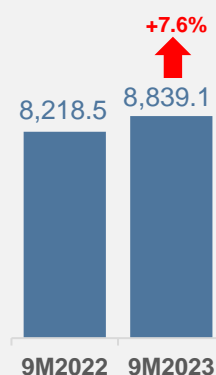
Financial Result

Sales Result

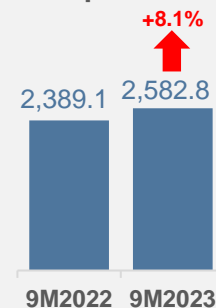


Operating Driver

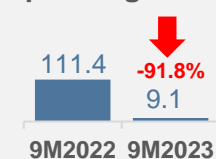
Cost of Revenues



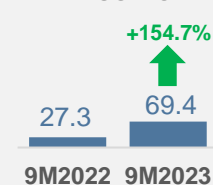
Operating Expenses



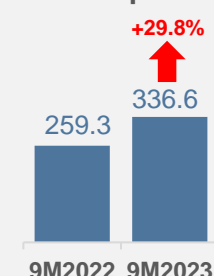
Other Operating Income



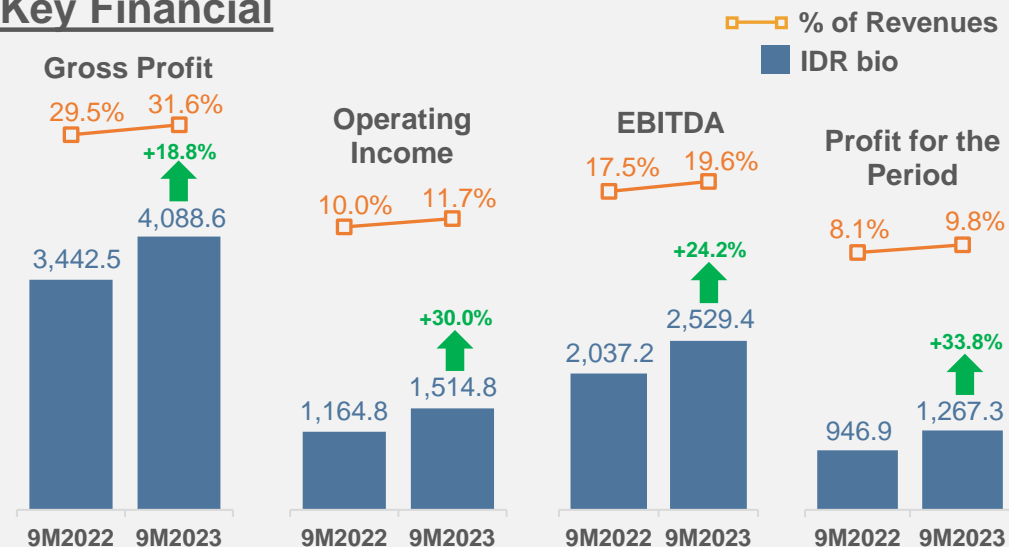
Finance Income



Income Tax Expense

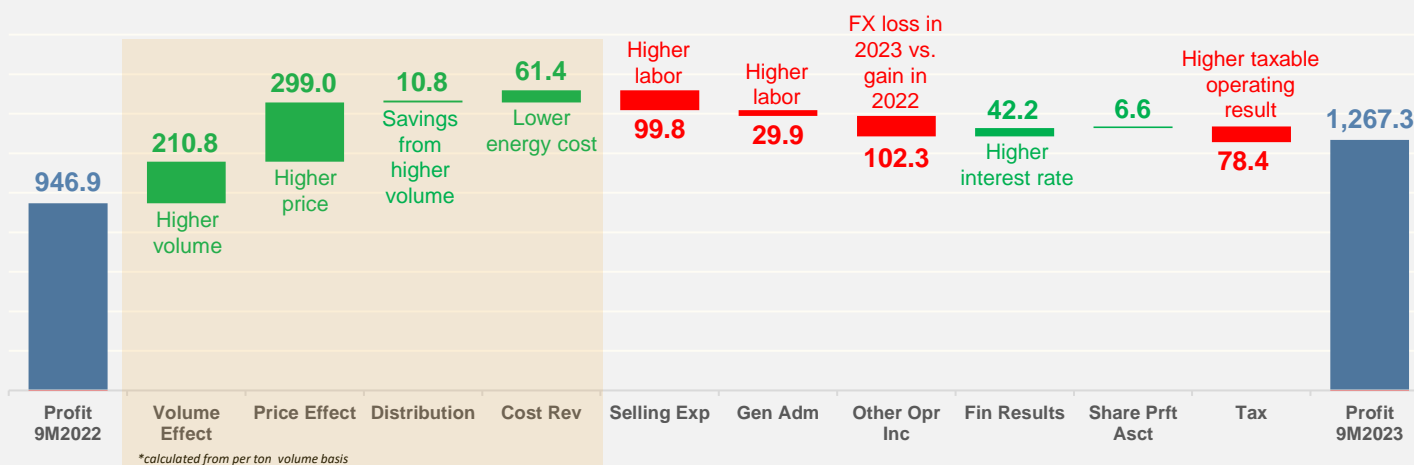


Key Financial



Profit Bridging

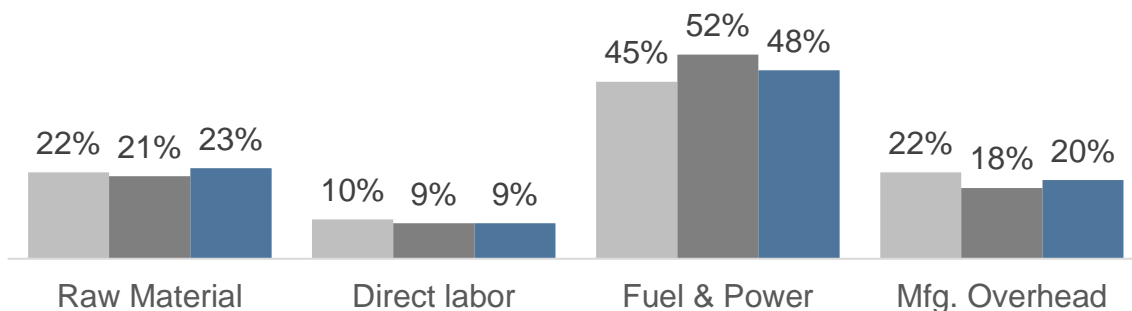
(in IDR bio)



Cost Control and Margin Development

9M Manufacturing Cost

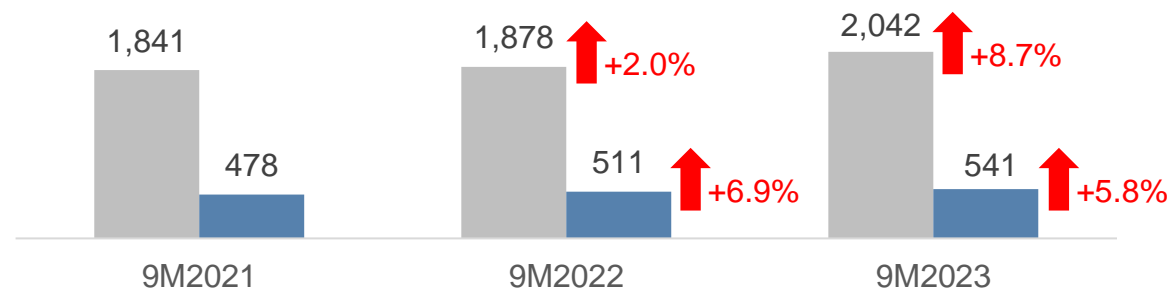
■ 2021 ■ 2022 ■ 2023



- Higher Raw Material was from higher price of limestone & gypsum
- Lower Fuel & Power from lower coal cost (DMO)
- Higher Mfg. Overhead was from additional scope of Maros operation

Operating Expenses (bio IDR)

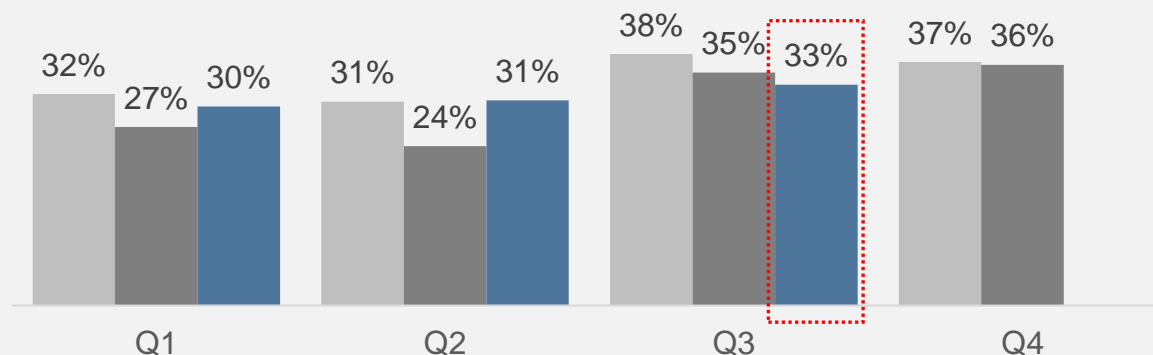
■ Delivery & Selling Expense ■ G&A Expense



- Higher Delivery & Selling Expense was from higher sales volume and labor cost from Maros operation
- Higher G&A Expense was from general increase in labor cost

Gross Profit Margin

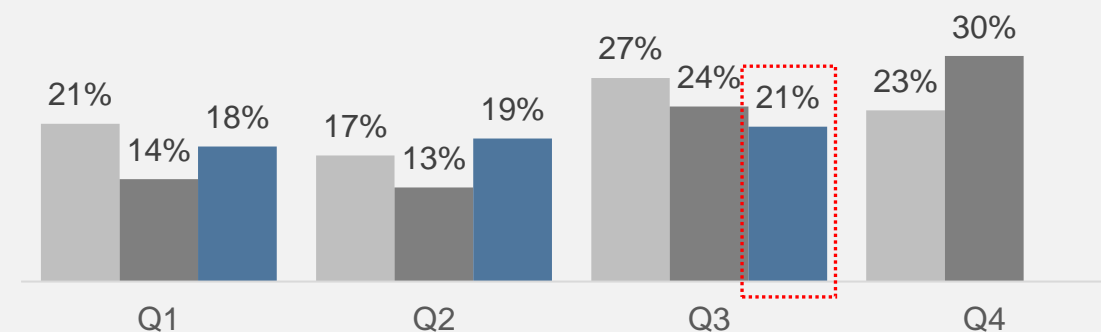
■ 2021 ■ 2022 ■ 2023



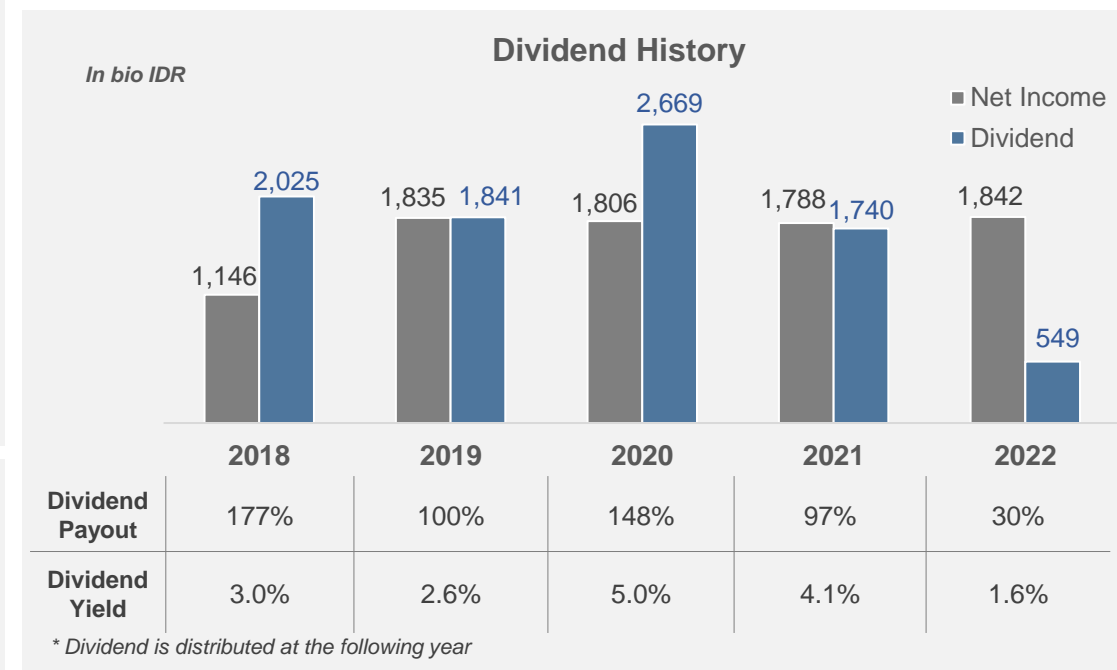
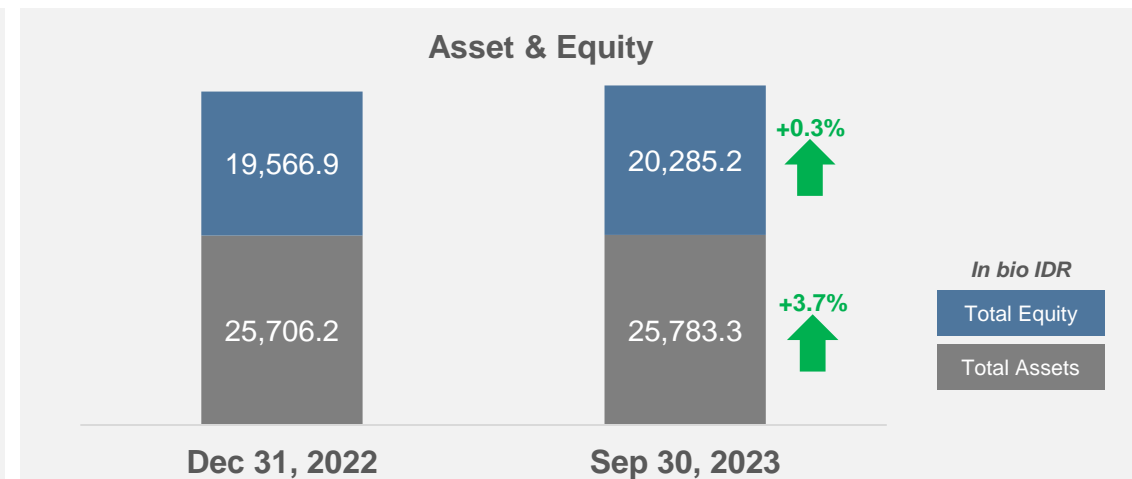
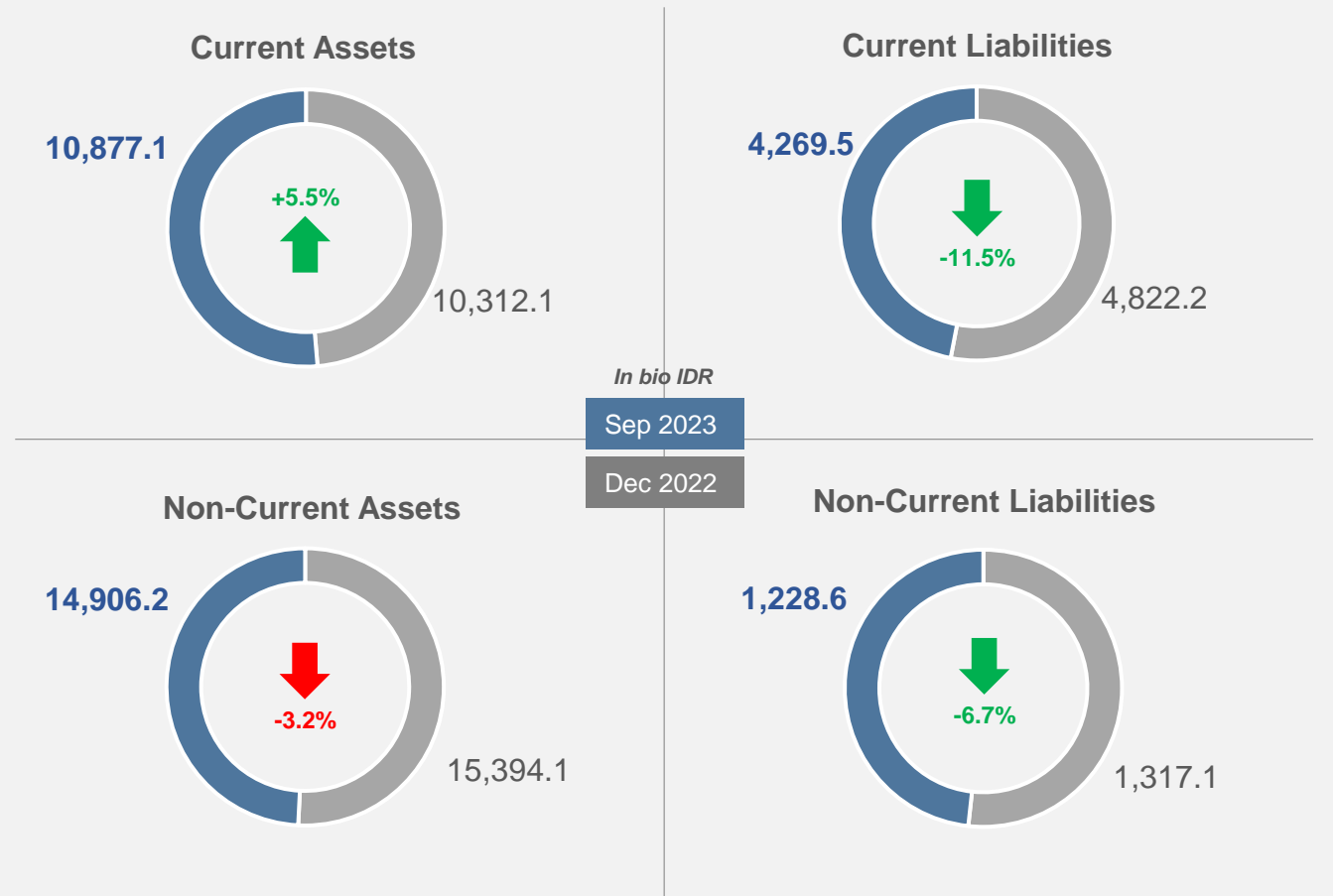
- Margin improvement from Q2 was due to volume recovery from the mid-year holiday season
- Lower margin % from Q3 last year was due to lower consolidated price from product mix (higher bulk composition, fighting brands, and export) and additional costs from overall Maros operation

EBITDA Margin

■ 2021 ■ 2022 ■ 2023



Balance Sheet



- Cash and Cash Equivalents of IDR 4.8tr as of 30 Sep 2023
- Capex spending plan for 2023 is IDR 1.2tr and 9M2023 spending was IDR 505bio

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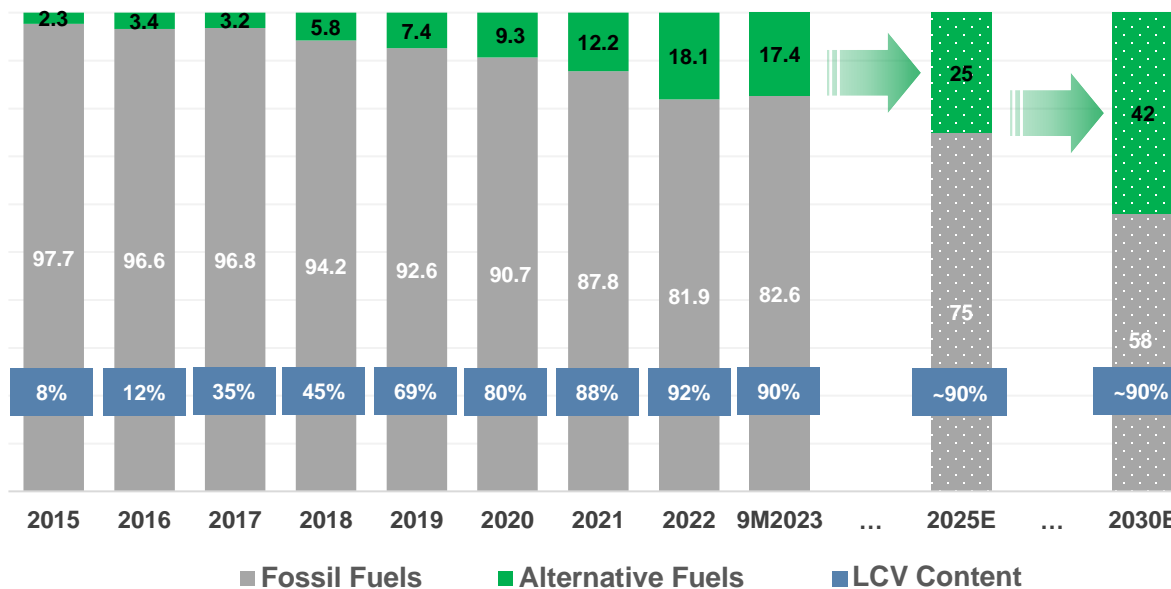
4

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Emission Reduction

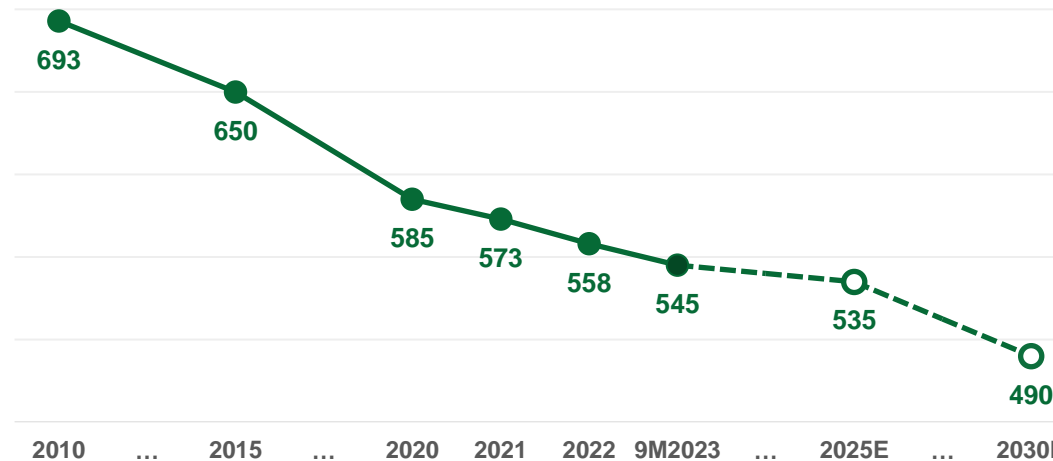


Fuel Consumption Rate %



Scope 1

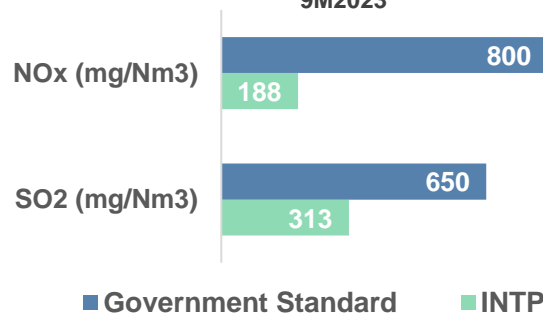
(Specific NET - kg CO₂/t cement equivalent)



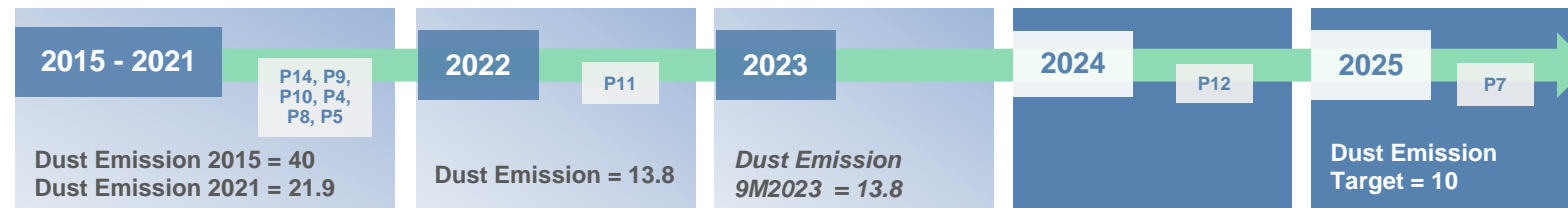
Green House Gas (GHG) emission is calculated based on the international reporting standards defined by World Business Council Sustainable Development (WBCSD) Cement Sustainability Initiative
 ➤ Scope 1: Emissions from operations that are owned or controlled by the reporting company

NO_x & SO₂ Measurement

9M2023



Replacing Electrostatic Precipitators with Bag Filters to Reduce Dust Emission

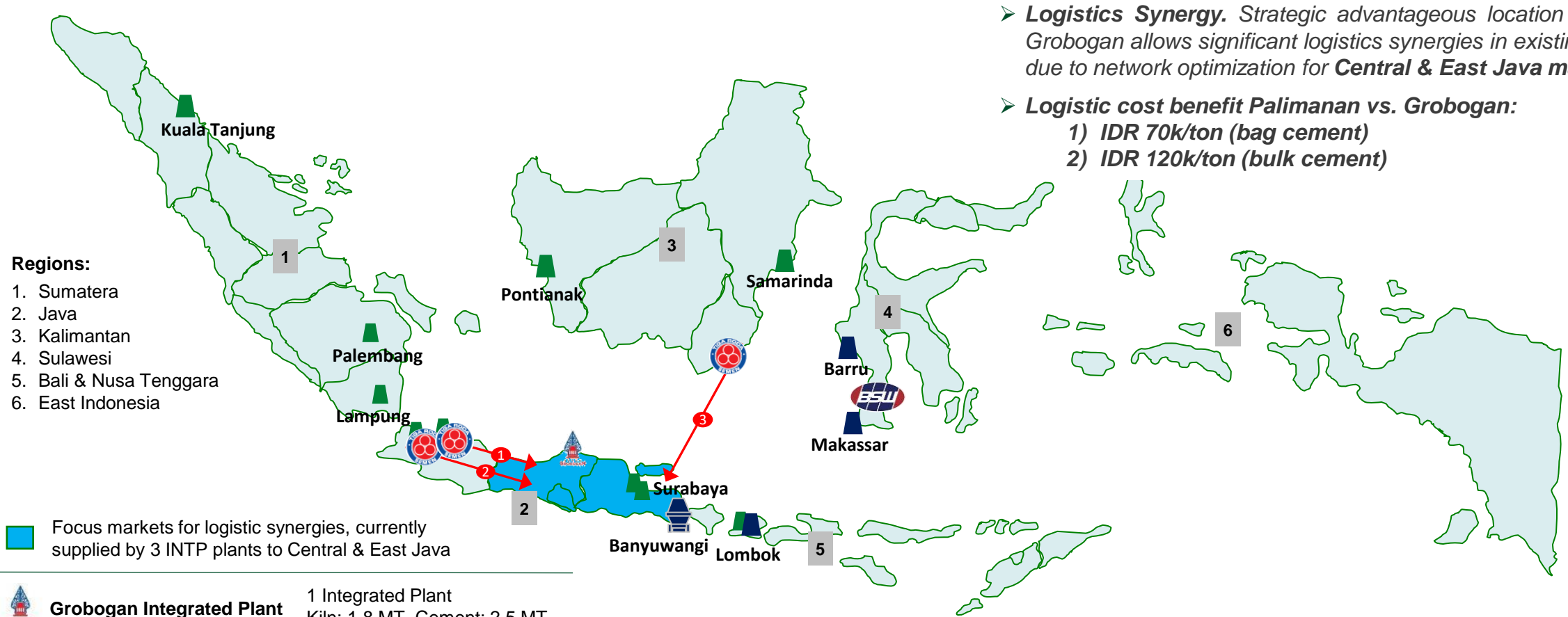


Note:

- The dust emissions are stated in mg/Nm³
- The measurement refers to local standard (PermenLHK No. 19 tahun 2017)
- Dust Emission (mg/m³) – (25°C, 1013 hPa) related to 10% OXYGEN







**Government Regulation for
Dust Emission = 60 mg/Nm³**

Logistics Synergies



- Regions:**
- 1. Sumatera
 - 2. Java
 - 3. Kalimantan
 - 4. Sulawesi
 - 5. Bali & Nusa Tenggara
 - 6. East Indonesia

- **Logistics Synergy.** Strategic advantageous location of Semen Grobogan allows significant logistics synergies in existing markets due to network optimization for **Central & East Java markets**
- **Logistic cost benefit Palimanan vs. Grobogan:**
 - 1) IDR 70k/ton (bag cement)
 - 2) IDR 120k/ton (bulk cement)

	Grobogan Integrated Plant	1 Integrated Plant Kiln: 1.8 MT, Cement; 2.5 MT
	SBM Integrated Plant	1 Integrated Plant, 1 Grinding Unit, 3 Terminals
	SBM Terminal	
	SBM Grinding Mill	Kiln: 3.5 MT, Cement: 5.3 MT
	ITP Integrated plant	3 Integrated Plants, 9 Terminals.
	ITP Terminal	Kiln: 18.0 MT. Cement: 25.5 MT



- PT SEMEN GROBOGAN:**
- A private company with one integrated CEM plant - 2.5 mt cement capacity & holds limestone reserve & resources for >50 years
 - Started its commercial production in January 2022
 - More than 90% of target sales are in Central Java region
 - The plant is strategically located close to key markets in Central Java, with the lowest weighted average logistics cost compared to all players
 - Active limestone quarry is located next and very close to the plant

- ✓ **National Cement Domestic volume** is expected to grow up to 1% for full year 2023 due to weak growth of bag cement that is expected to continue, despite strong growth of bulk sales
- ✓ **Lower coal price index and more accessible of DMO coals** continue to favor energy costs for cement players. On the other hand, global situation expected to cause higher WTI Fuel price that will cause our non-subsidized fuel and **the FX risk of weakening IDR against USD**
- ! **Government Policy Changes:** 1) **ODOL (Over Dimension & Over-loading) policy** seems to be delayed in implementation and subject to the Road-Map as being prepared recently by the Government, 2) **The plan of Carbon Tax implementation** for power plant might increase PLN electricity tariff expected in 2024
- ✓ **Our Samarinda Terminal will start to operate in full swing by December 2023 by having 4x2500 ton capacity and new 8 spouts packer → enable us to supply bulk cement to IKN (new capital city)**
- ✓ **Expected to have more Green Cement sales especially in bulk** (i.e.: Slag Cement & Hydraulic Cement). Also a new SNI for bag cement that allow us to introduce **new cement type to the market with lower clinker but same quality**
- ✓ **Maros plant operation will continue to strengthen our penetration to East Indonesia market and to expand export. The acquisition of PT Semen Grobogan, expected to close by 30 November 2023, will enable us to keep our strong position in Central Java market while enjoying benefit in both logistic cost and production cost efficiency (by using alternative fuel and alternative material)**
- ✓ **Future Investment:** focus in expanding our Sustainability Strategy and Digitalization/Automation process, including further synergy to enhance our distribution and logistics network

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4

Q & A



INDOCEMENT
HEIDELBERGCEMENT Group

Thank You

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