



**INDOCEMENT**  
HEIDELBERGCEMENT Group



# PT Indocement Tunggal Prakarsa Tbk Q1 2019 Financial Results

# Agenda



**Indocement Fact Sheet & Indocement Today**

**Current Domestic Market Condition**

**Financial Update Q1 2019**

**Investment Strategy**

**Outlook 2019**

# Indocement: A Well Positioned Player

## Favorable regional exposure

- Presence in strongly growing markets West and Central Java
- Strong RMC position in Jakarta with pull-through on CEM

## Innovative ways to maintain cost efficiency

- Innovative ways to maintain competitive cash cost, while still maintaining high product quality, environmental, social, and governance
- Absence of interest costs further enhances our competitiveness

## Best access to market

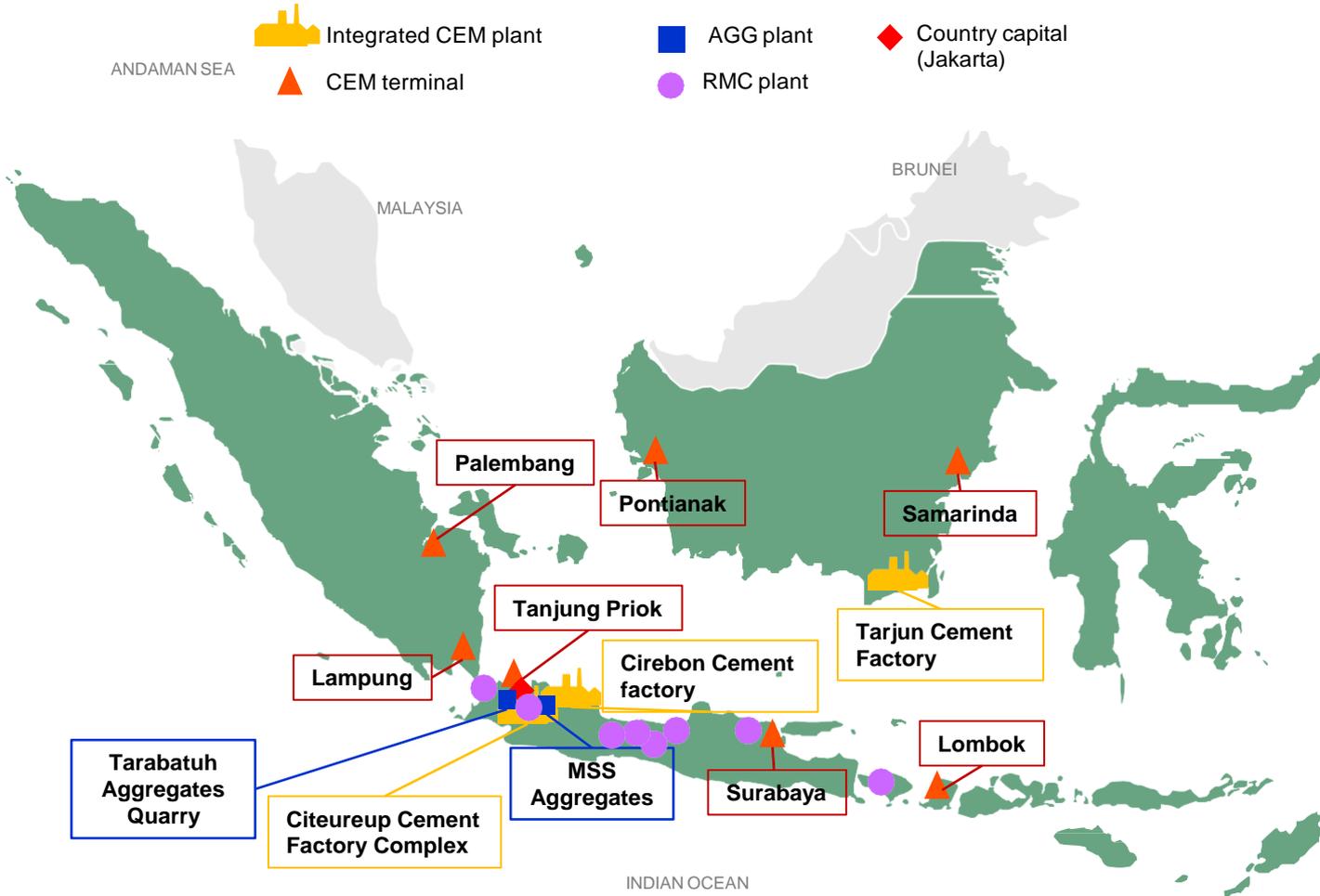
- Strong distributors' network and strategic terminals location, in addition to our Plant proximity to home market area
- Tiga Roda awarded Best Brand for 11<sup>th</sup> consecutive year

## Further potential from market upswing

- Supply-demand gap set to reduce
- Multiplier effect to private sectors after massive infrastructure built
- Favorable macroeconomic drivers population: growth & urbanization
- Consolidation imminent: smaller players operating at cash losses

**Strong position with further upside potential**

# Strong Footprint in West Java as a Key Advantage



Asset base
25.5 mt CEM capacity
2.8 mt AGG capacity
44 RMC plants

13 CEM plants	8 CEM terminals	2 AGG plants	44 RMC plants	18 distributors	172 warehouses
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# Brand is a very Important Marketing Tool in Indonesia

Our premium brand	Perception	Award
	<ul style="list-style-type: none"> <li>• “Tiga Roda” brand is perceived to have best quality &amp; service in the country.</li> <li>• “Top Brand” for eleven years.</li> <li>• In 2018, we won in three categories: cement, white cement and mortar.</li> </ul>	

## Results of the Top Brand survey 2018

Cement		White cement		Mortar	
Brand	Votes	Brand	Votes	Brand	Votes
Tiga Roda	56%	Tiga Roda	48%	Tiga Roda	57%
Semen Gresik	21%	Mortar Utama	20%	Mortar Utama	24%
Holcim	10%	Semen Gresik	10%	Mortar Merapi	3%

**“Tiga Roda” is the strongest brand in Indonesia**

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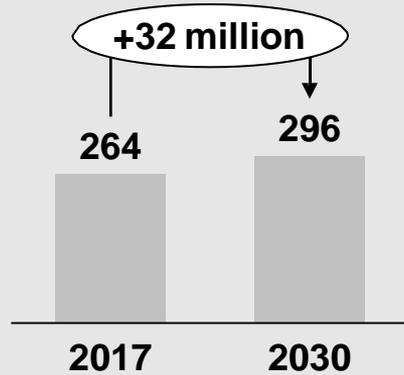
**Financial Update Q1 2019**

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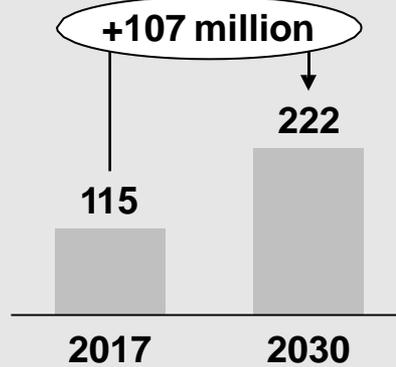
# Indonesia – Favorable Macroeconomic Environment

## Strong population growth



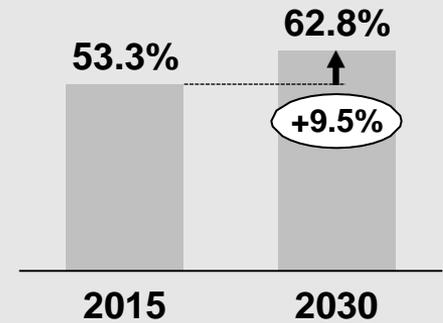
One of the fastest growing countries globally

## Key: growing middle class



Middle class will have doubled by 2030

## Upward trend in urbanization



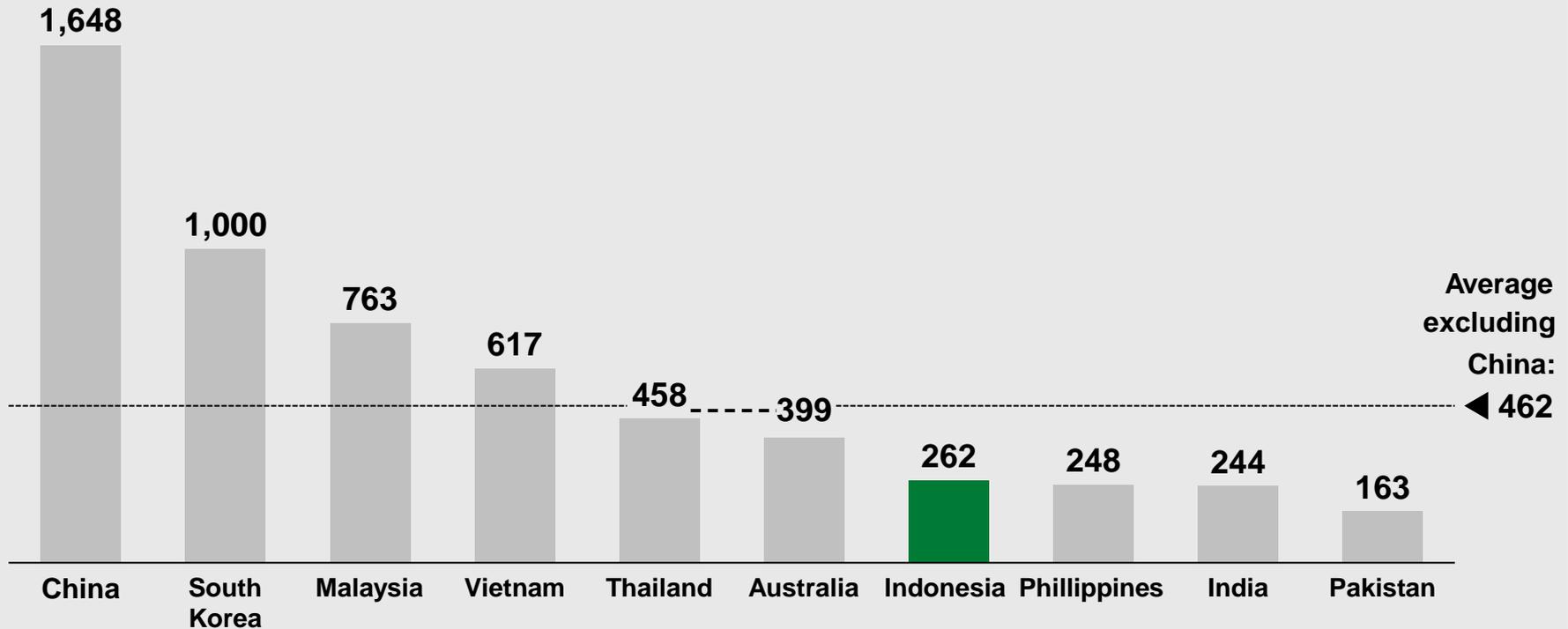
By 2050 almost 75% of the population will live in urban centers

Source: BCG

Significant long-term growth potential

# Long-term Potential of Indonesia is Clearly Visible

## Cement consumption per capita in kg



Source: government publications, June 2018

## Significant headroom for growth

# Continuous Contribution to Strategic Infrastructure Projects



**Trans Sumatera Toll Road**

## Infra. & Commercial

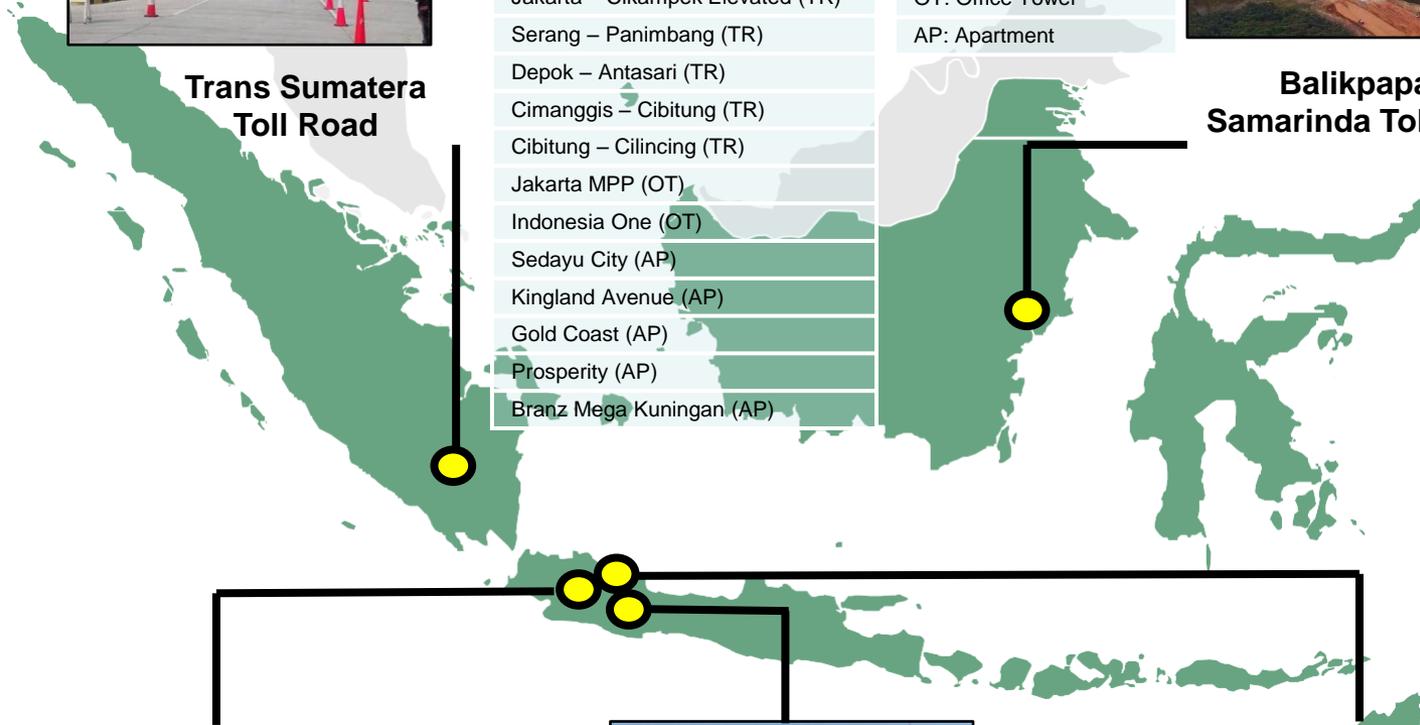
- Jepara Tanjung Jati (PP)
- Batang (PP)
- Patimban (PO)
- Jakarta – Cikampek Elevated (TR)
- Serang – Panimbang (TR)
- Depok – Antasari (TR)
- Cimanggis – Cibitung (TR)
- Cibitung – Cilincing (TR)
- Jakarta MPP (OT)
- Indonesia One (OT)
- Sedayu City (AP)
- Kingland Avenue (AP)
- Gold Coast (AP)
- Prosperity (AP)
- Branz Mega Kuningan (AP)

## Legend

- PP: Power Plant
- PO: Port
- TR: Toll Road
- OT: Office Tower
- AP: Apartment



**Balikpapan Samarinda Toll Road**



**Becakayu Toll Road**



**Trans Java Toll Road**



**Kertajati International Airport**

# Indonesia Cement Industry 2019 Landscape

## Sumatera: 17.7

- SI: 10.4 (I)
- SBI: 1.8 (I)
- SMBR: 3.9 (I)
- BSM: 1.2 (GM)
- MP: 0.4 (I)

## Kalimantan: 5.8

- INTP: 2.8 (I)
- CCI: 3.0 (I)

## Sulawesi: 14.1

- SI: 7.4 (I)
- BSM: 4.4 (I)
- CCI: 2.3 (I)

## Indonesia: 114.8

- Integrated: 102.2
- Grinding Mill: 12.6

## West Java: 45.6

- SI: 1.5 (GM)
- INTP: 22.7 (I)
- SBI: 6.0 (I)
- CCI: 4.4 (GM)
- MP: 4.7 (I)
- SCG: 1.8 (I)
- JSI: 1.8 (I)
- Other: 2.7 (GM)

## Central Java: 8.2

- SI: 3.0 (I)
- SBI: 3.4 (I)
- STAR: 1.8 (I)

## East Java: 21.6

- SI: 14.7 (I)
- SBI: 3.5 (I)
- BSM: 1.8 (GM)
- MP: 1.0 (GM)
- Puger: 0.5 (I)

## East Indonesia: 1.9

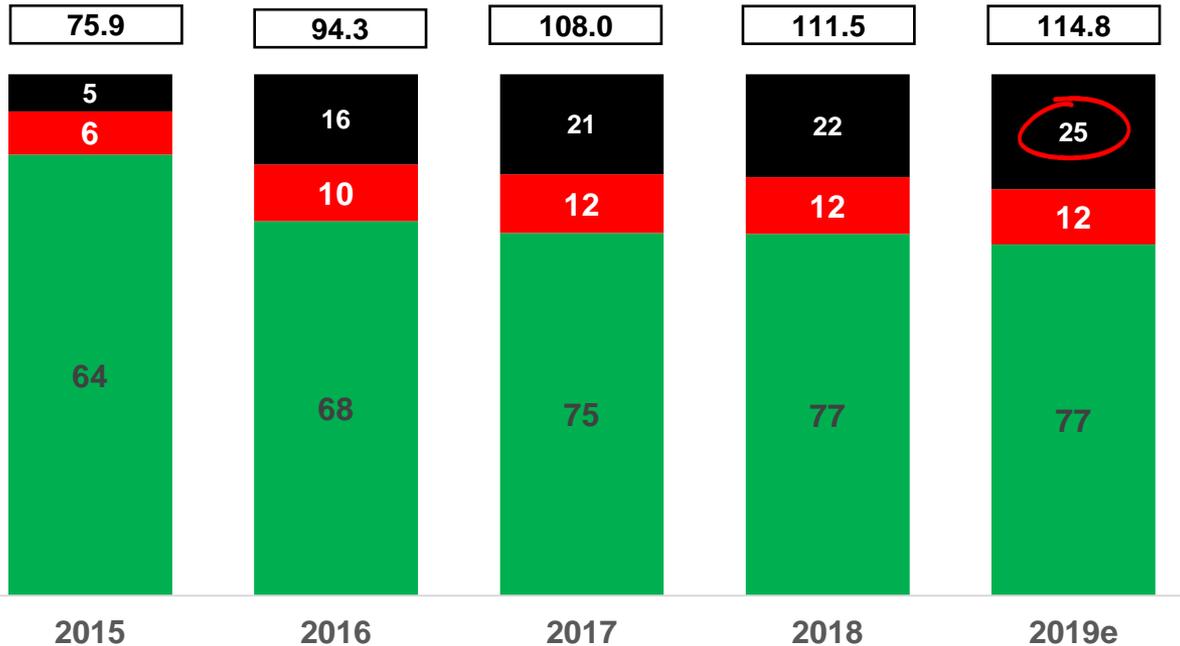
- SK: 0.4 (I)
- CCI: 1.5 (I)

\* In million ton per annum; including grinding mill capacity

SI: Semen Indonesia, INTP: Indocement, SBI: Solusi Bangun Indonesia (ex. Lafarge Holcim), CCI: Conch, MP: Merah Putih, SCG: Siam, JSI: Jui Shin, SMBR: Baturaja, BSM: Bosowa, SK: Semen Kupang, Puger, STAR: Semen Bima, Other: Hao Han, Semen Jakarta, Sun Fook

# Indonesia Cement Industry 2019 Capacity Share

Capacity in million Tons per Annum



- New Entrants (CG, JSI, SJW, STA, CCI)
- 2nd Tier Incumbents (SBM, SB, SK, Puger)
- Top 2 Incumbents (ITP, SI)

(Capacity Share)

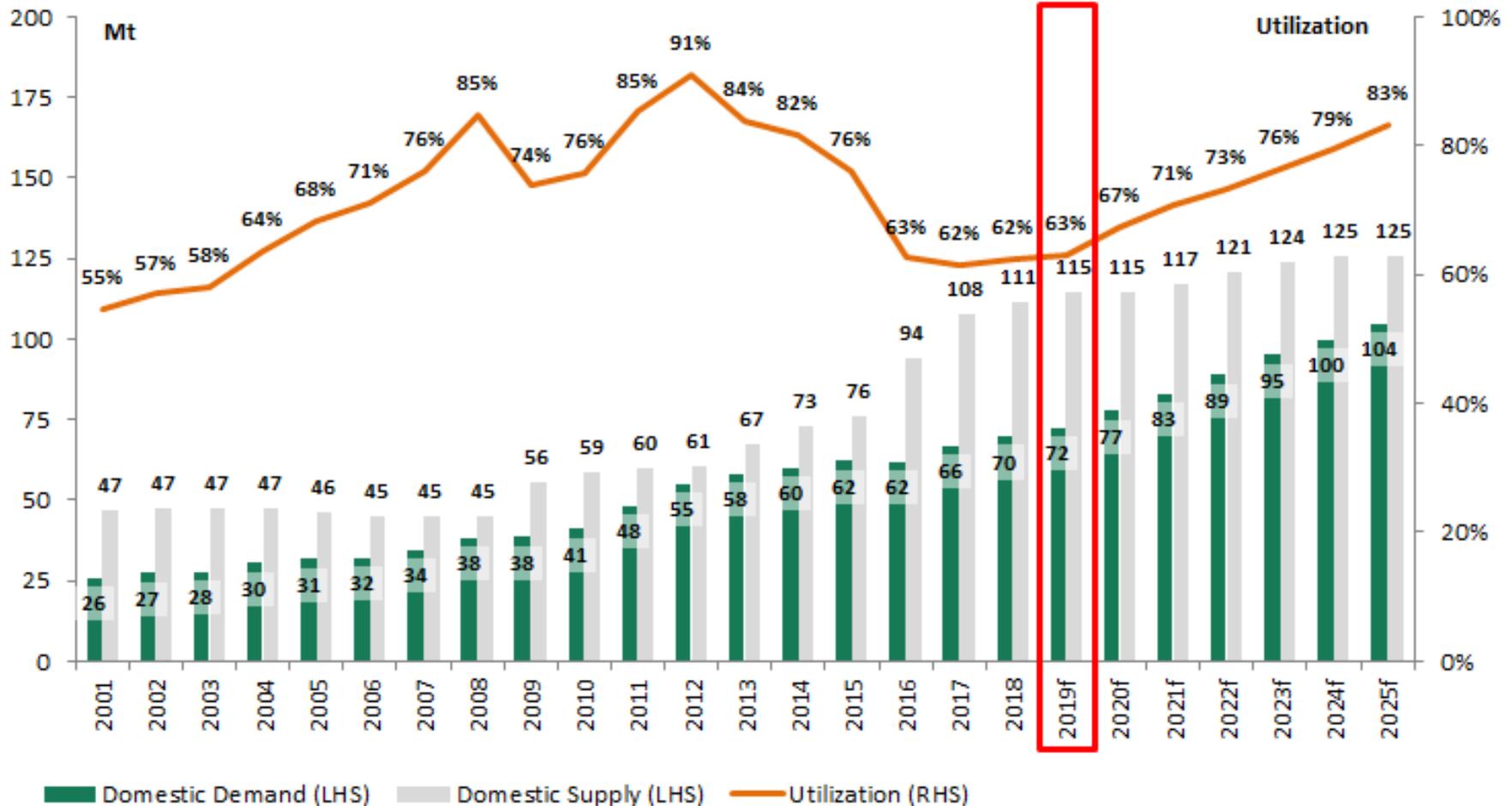
1. Semen Indonesia + SBI: 51.7 (45.1%)  
(SBI: ex. LHI)
  2. Indocement: 25.5 (22.2%)
  3. Conch: 11.2 (9.7%)
  4. Bosowa: 7.4 (6.4%)
  5. Cemindo Gemilang: 6.1 (5.3%)
  6. Semen Baturaja: 3.9 (3.4%)
  7. Panasia: 1.8 (1.6%)
  8. Siam Cement: 1.8 (1.6%)
  9. Juishin: 1.8 (1.6%)
  10. Semen Kupang: 0.4 (0.3%)
- Puger, Hao Han, Semen Jakarta, Sun Fook: 3.2 (2.8%)

Capacity Grew by 3.0% YoY in 2019e

Source: Asosiasi Semen Indonesia

# Indonesia – Volume Growth Amidst Oversupply Market

Oversupply of 43 mtpa in 2019



Additional Capacity in 2019 – 3.3 mt:  
 Anhui Conch: 3.3 mt (Bolmong, Merak GM)

# Regional Shift of Demand:

## Better Growth Outlook in Central Java and Sumatera

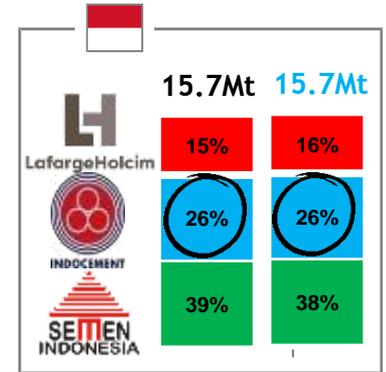


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Market shares based on cement domestic sales (Q1 2018, Q1 2019)

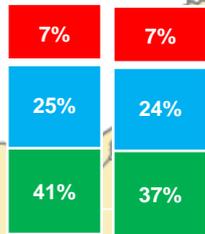
Data in Box: Utilization Rate and Growth Rates YoY per area for FY 2018

**Indonesia:**  
59% , -0.4%



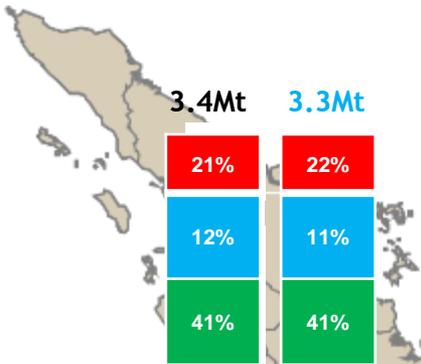
**Kalimantan:**  
80% , +4.0%

1.0Mt 1.1Mt



**Sulawesi:**  
41% , +5.1%

1.3Mt 1.3Mt



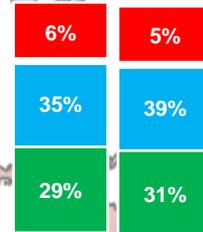
**Sumatera:**  
80% , -4.9%

8.8Mt 8.6Mt

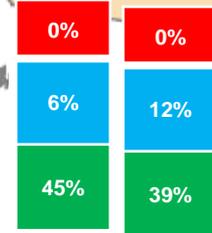


**Java:**  
50% , -1.7%

0.8Mt 0.9Mt



0.4Mt 0.4Mt



**East Indonesia:**  
124% , +5.2%

**Western Java:**  
41% , +0.6%

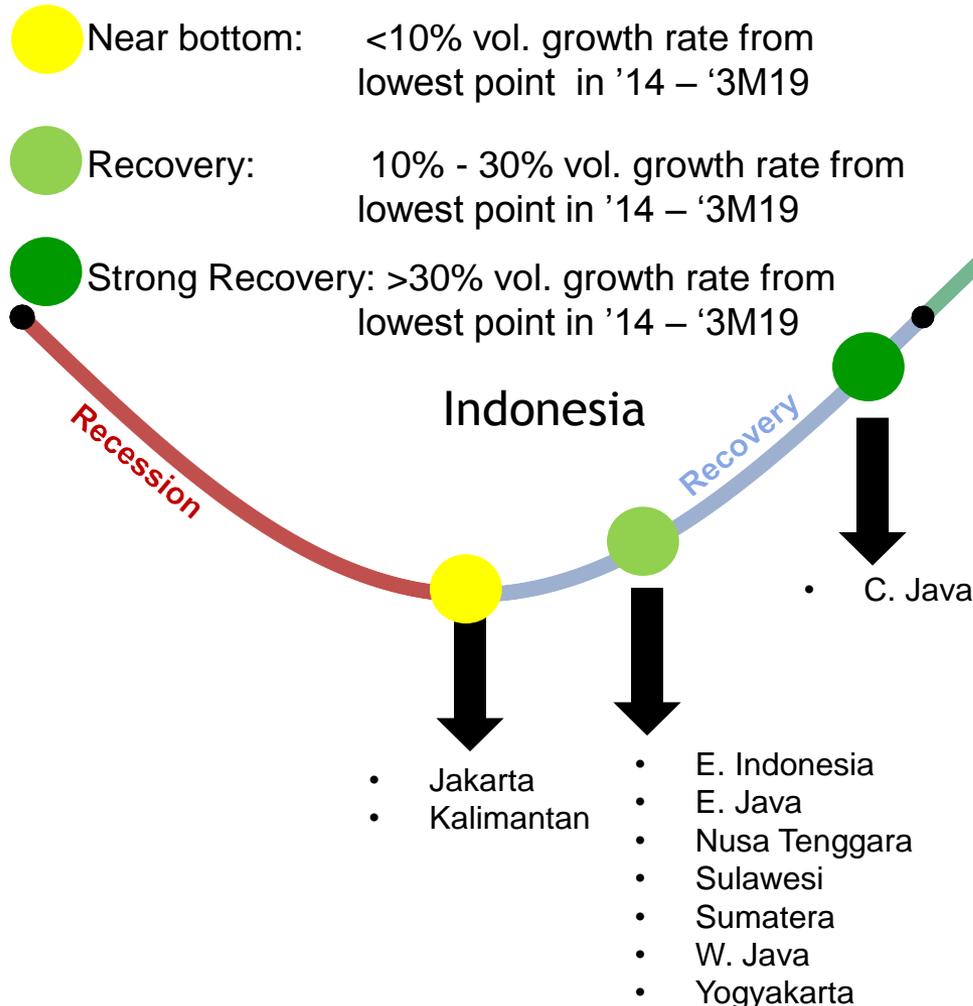
**CJ and DIY:**  
119% , -4.1%

**East Java**  
42% , -3.6%

**Nusa Tenggara:**  
997% , +15.7%

Source: Asosiasi Semen Indonesia

# Solid footing to capitalize on demand recovery in key markets

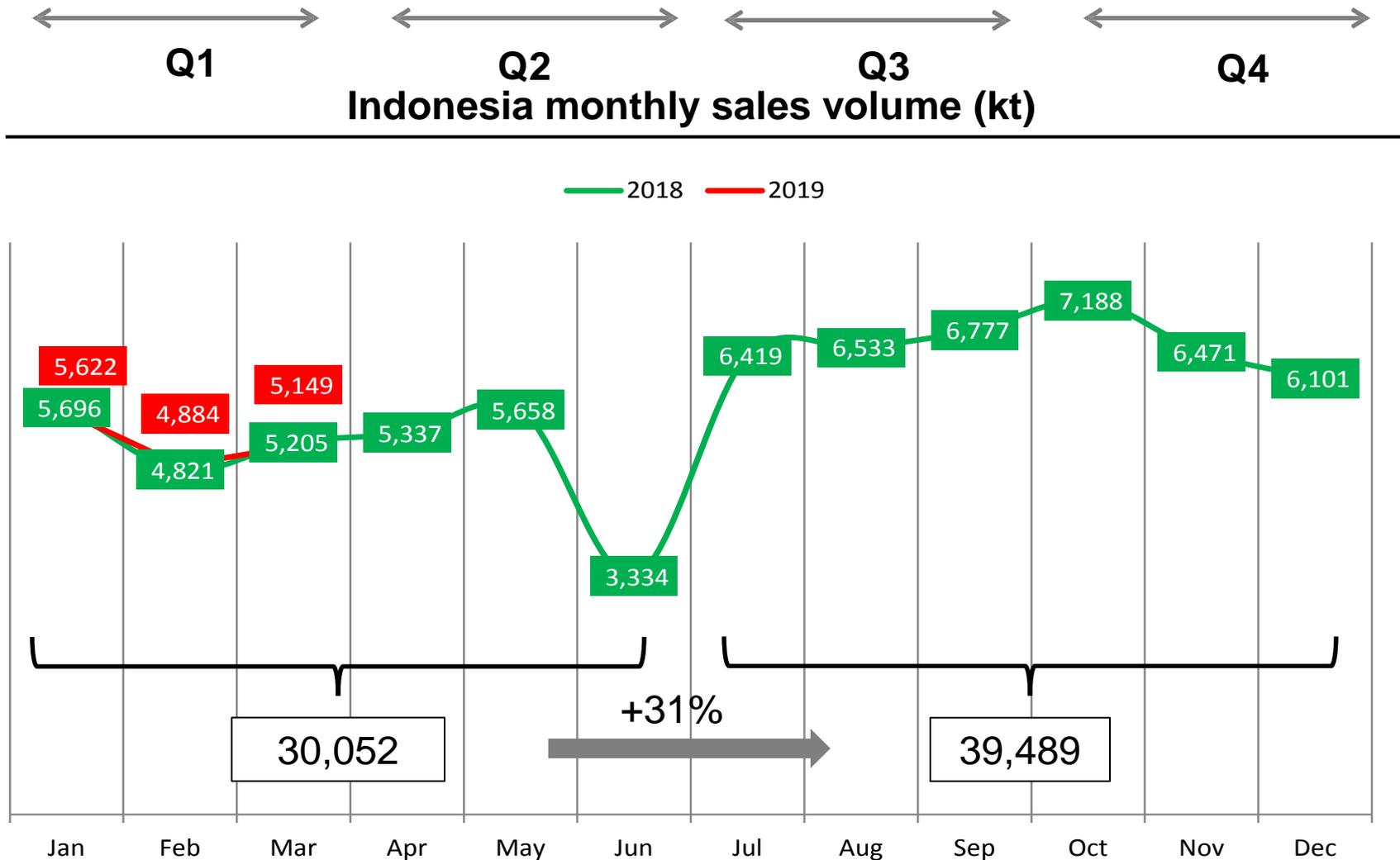


Regions	Year-to-Date (in Tons)			
	2019	2018	Inc./Dec.	
Jakarta	1,058,253	1,213,489	-155,235	-12.8%
Banten	798,243	763,087	35,157	4.6%
West Java	2,427,283	2,282,815	144,468	6.3%
Central Java	1,864,193	2,099,477	-235,284	-11.2%
Yogyakarta	385,896	246,133	139,763	56.8%
East Java	2,104,044	2,182,135	-78,091	-3.6%
<b>Java</b>	<b>8,637,912</b>	<b>8,787,135</b>	<b>-149,223</b>	<b>-1.7%</b>
<b>Western Java</b>	<b>4,283,780</b>	<b>4,259,390</b>	<b>24,390</b>	<b>0.6%</b>
<b>Mid Java</b>	<b>2,250,089</b>	<b>2,345,610</b>	<b>-95,521</b>	<b>-4.1%</b>
Sumatera	3,265,089	3,433,522	-168,433	-4.9%
Kalimantan	1,069,654	1,028,905	40,750	4.0%
Sulawesi	1,335,830	1,271,445	64,385	5.1%
Nusa Tenggara	917,235	793,073	124,162	15.7%
East Indonesia	429,059	407,782	21,277	5.2%
<b>Outside Java</b>	<b>7,016,866</b>	<b>6,934,726</b>	<b>82,140</b>	<b>1.2%</b>
<b>Indonesia</b>	<b>15,654,778</b>	<b>15,721,861</b>	<b>-67,083</b>	<b>-0.4%</b>

Significant future potential as key markets are nearing bottom and enter recovery phase

Source: Indonesia Cement Association

# Rainy season, combined with General Election dampened demand in cement domestic market for Q1



Demand should improve in H2

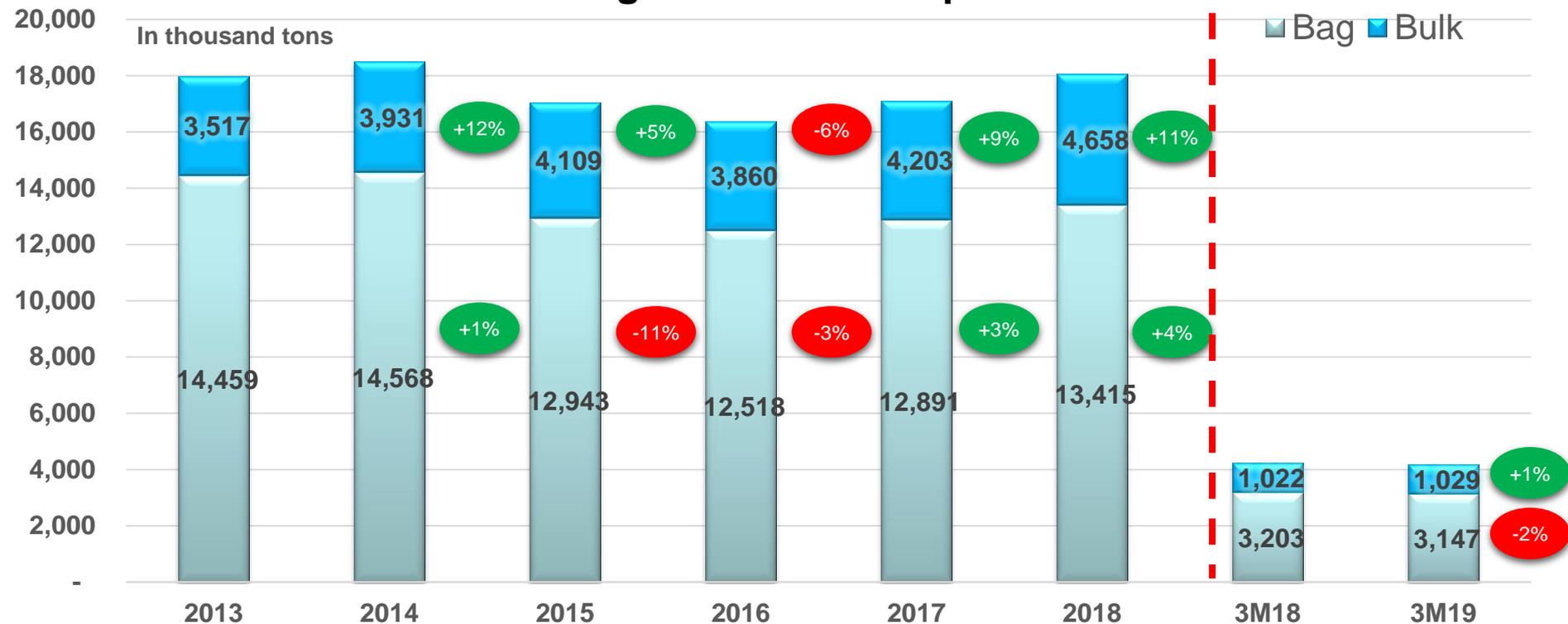
Total sales volume in H2 2018 was +31% higher than H1 2018

# Agenda



# More bulk sales focus of Indocement - as Jakarta & West Java Projects started

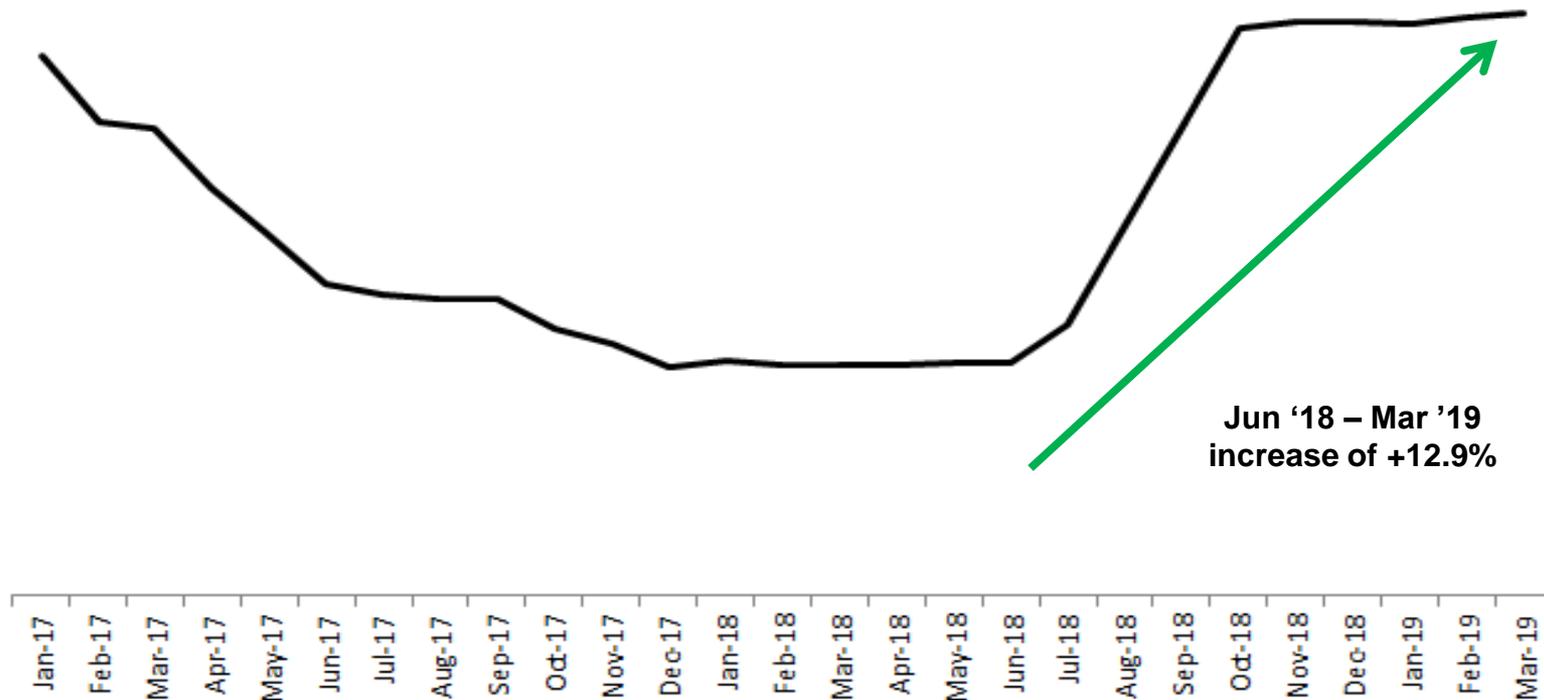
## Bag/Bulk sales composition



- **Composition of bag vs bulk sales for Q1 2019 is 75% vs. 25%**
- **Indocement positions itself as a reliable partner for infrastructure projects providing quality bulk cement and concrete at timely delivery**

# Challenging Years, but The Worst is Left Behind

Stable pricing and not declining in Q1 unlike previous quarters



Source: average of Tiga Roda selling price surveyed across retailers in Java

**Our dual-brand strategy has successfully stopped a falling trend in pricing!**

# Consolidated Statement of Comprehensive Income

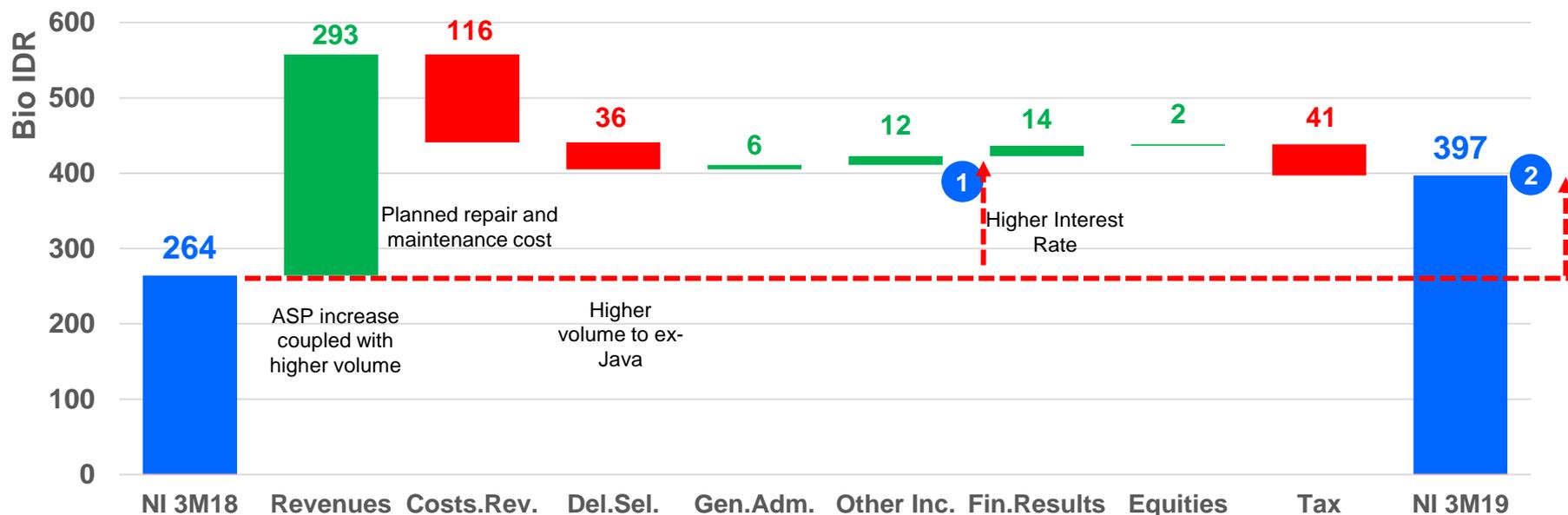
Description	Q1 2019 IDR Bio	Q1 2018 IDR Bio	Variance	
			IDR Bio	%
Total Sales Volume (thousand tons)	4,537.7	4,432.4	105.4	2.4%
Domestic Sales Volume (thousand tons)	4,494.5	4,420.2	74.4	1.7%
Export Sales Volume (thousand tons)	43.2	12.2	31.0	254.6%
Net Revenues	3,732.8	3,439.5	293.2	8.5%
Cost of Revenues	-2,569.1	-2,452.7	-116.5	4.7%
Gross Profit	1,163.6	986.8	176.8	17.9%
% of Net Revenues	31.2%	28.7%		
Operating Expenses	-788.4	-758.2	-30.2	4.0%
Other Operating Income - Net	19.8	8.0	11.8	146.4%
Operating Income	395.0	236.7	158.4	66.9%
% of Net Revenues	10.6%	6.9%		
EBITDA	705.2	560.1	145.0	25.9%
% of Net Revenues	18.9%	16.3%		
Finance Income - Net	100.1	86.2	13.9	16.1%
Equity in Net Earnings of Associated Companies - Net	4.3	2.6	1.7	64.5%
Income before Final Tax and Income Tax Expense	499.4	325.5	174.0	53.4%
Net Income for the Period	396.9	264.3	132.7	50.2%
Other Comprehensive Income for the Period, Net of Tax	-0.2	1.0	-1.2	-124.1%
Total Comprehensive Income for the Period	396.7	265.2	131.5	49.6%

EBITDA margin expansion from 16.3% to 18.9% attributed to:

- higher ASP by +8%
- higher volume by +2%
- fuel and power cost per ton decrease by -5.6%
- distribution cost per ton was flat as more sales to ex-Java (+3.5%) and declining sales in Java (-2.9%), offset by lower fuel price related to lower oil price and small savings from early logistics efficiency

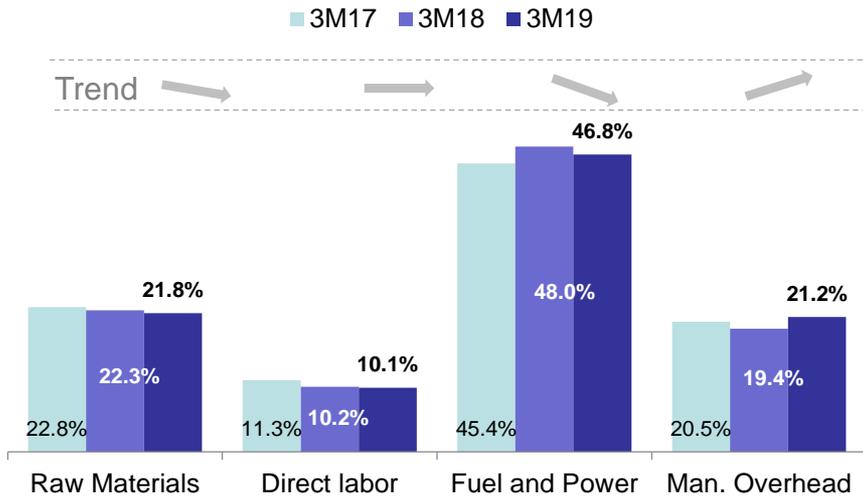
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2



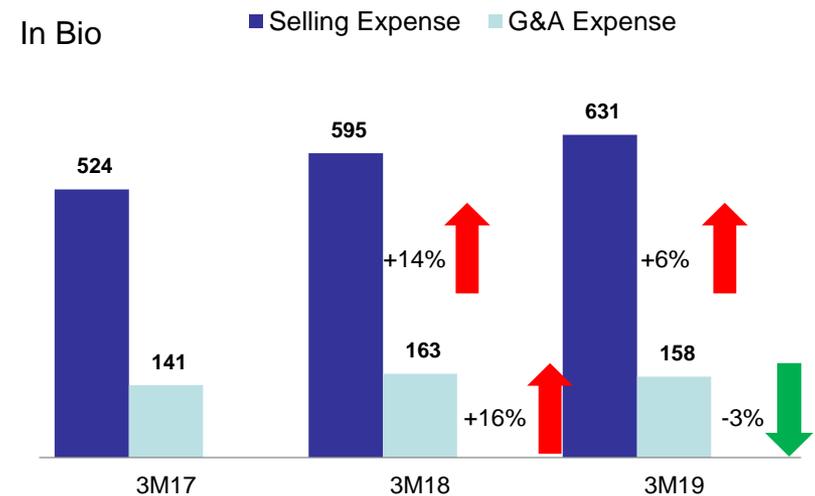
# Strategic cost allocation to capitalize on growth market

## Composition of Manufacturing Cost



- Low coal price especially low CV coal reduced Fuel and Power cost
- Natural attrition continue to reduce Direct Labor cost
- Direct ownership of raw materials ensure consistent supply at a competitive cost
- Manufacturing Overhead increased due to higher consumables related to planned repair and maintenance done in low season

## Operating Expenses



- Higher Selling Expenses can be attributed to higher sales volume outside Java offset by lower fuel price
- Lower General & Administrative Expenses following further cost savings

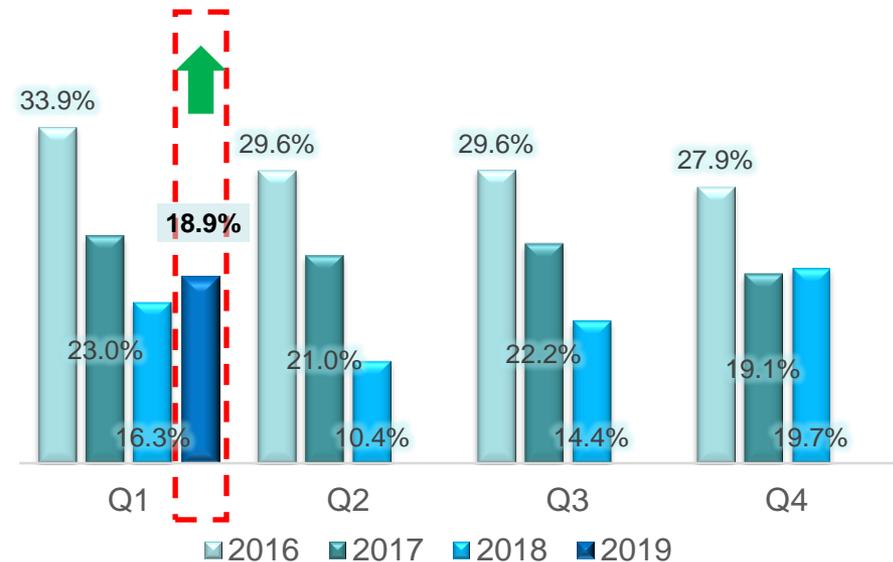
# Continue in Cost Leadership to Maintain a Decent Margin

Pricing discipline and stronger demand point to sustained recovery period  
 Strategic effort to capitalize on future growth while still managing fixed cost

## INTP Gross Margin Development



## INTP EBITDA Margin Development



Continuing competitive environment, Management focus in taking respective initiatives early on during the year:

- **Operational Excellence program**
- **Fixed cost reduction program**
- **Managing efficient kiln utilization**

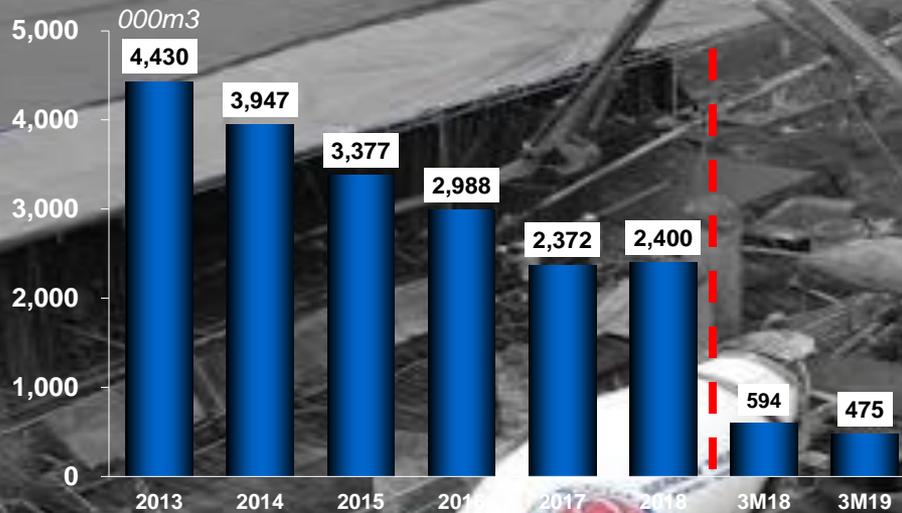
# Quarterly Result

Q2 '18	Q3 '18	Q4 '18	Q1 '19
<ul style="list-style-type: none"> <li>Terminal in Palembang was commissioned</li> </ul>	<ul style="list-style-type: none"> <li>Higher volume by +9%</li> <li>Higher blended ASP achieved due to second tier players having negative cash flow and no longer able to fight for market share</li> </ul>	<ul style="list-style-type: none"> <li>IDR appreciation</li> <li>Declining coal price</li> <li>Terminal in Lampung was commissioned</li> <li>Declining oil price</li> </ul>	<ul style="list-style-type: none"> <li>Higher blended ASP as a continuation from Q3 2018, as second tier players have negative cash flow and no longer able to fight for market share</li> <li>Lower coal price and higher consumption of low CV coal reduces Fuel and Power cost</li> </ul>
<ul style="list-style-type: none"> <li>Lower sales volume during EID holiday due to truck ban that causes effective day to be 1 week lower than last year</li> <li>Higher cost of production amidst rising coal prices</li> <li>High delivery expenses related to Tarjun plant overhaul prompting delivery to Eastern Indonesia from Citeureup</li> </ul>	<ul style="list-style-type: none"> <li>IDR depreciation increased packaging cost</li> <li>Higher delivery expense to serve growing demand outside of home market</li> </ul>	<ul style="list-style-type: none"> <li>Slower growth of bulk cement from completed infrastructure projects</li> </ul>	<ul style="list-style-type: none"> <li>Lower sales volume related to wait-and-see mode during General Election and rainy season</li> </ul>
<p><b>EBITDA of IDR 316.0 bio</b> <b>(-52.4% YoY)</b></p>	<p><b>EBITDA of IDR 618.8 bio</b> <b>(-29.6% YoY)</b></p>	<p><b>EBITDA of IDR 870.8 bio</b> <b>(+16.6% YoY)</b></p>	<p><b>EBITDA of IDR 705.2 bio</b> <b>(+25.9% YoY)</b></p>

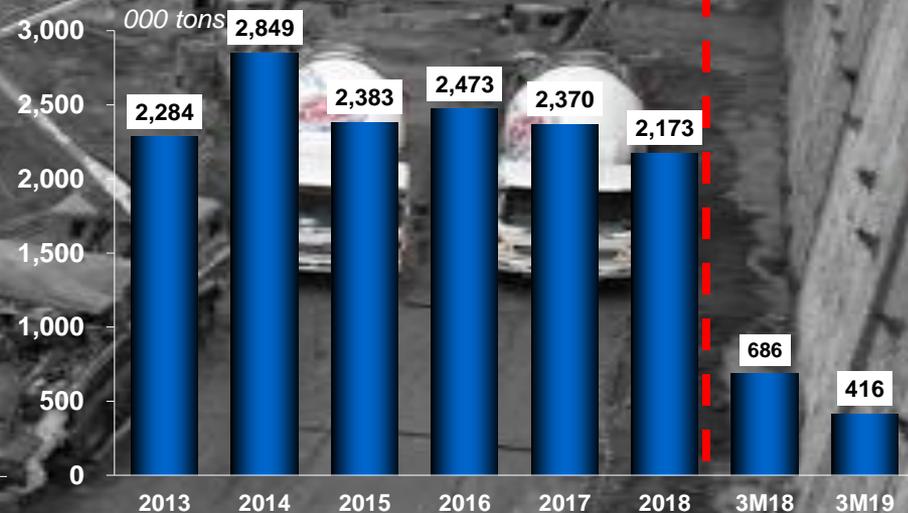
# Indocement's Strategies under Current Tight Competition: Vertical Integration in Ready-Mix Concrete & Aggregates

Focused Ready-Mix Concrete business particularly high-grade quality in order to meet the increase demand of infrastructure development in Indonesia.

### RMC Sales Volume



### AGG Sales Volume



# Balance Sheet

Description	Mar. 31, 2019	Dec. 31, 2018	Variance	
	IDR Bio	IDR Bio	IDR Bio	%
<b>Current Assets</b>	12,337.0	12,315.8	21.2	0.2%
<b>Non-Current Assets</b>	15,206.5	15,472.8	-266.2	-1.7%
<b>Current Liabilities</b>	3,289.8	3,925.6	-635.8	-16.2%
<b>Non-Current Liabilities</b>	635.4	641.3	-5.9	-0.9%
<b>Net Equity</b>	23,618.3	23,221.6	396.8	1.7%
<b>Total Assets = Total Liabilities + Equity</b>	27,543.5	27,788.6	-245.0	-0.9%

- Cash and cash equivalents at IDR 7.0 trn.
- Capital expenditures for Q1 2019 was IDR 71.9 bio, out of total capex planned in 2019 of IDR 891 bio
- Dividend Payment history:

<i>In Bio IDR</i>	2012	2013	2014	2015	2016	2017	2018
EBITDA	6,650	6,874	6,879	6,011	4,649	3,065	2,366
Net Income	4,763	5,012	5,293	4,357	3,870	1,860	1,146
Capex	1,063	2,200	3,865	2,644	1,839	1,547	953
Dividend*	1,657	3,313	4,970	1,528	3,420	2,577	TBD
% of Div. Payout	34.8%	66.1%	93.9%	35.1%	88.4%	138.6%	TBD
% Div. Yield**	2.7%	4.1%	6.0%	1.8%	4.7%	4.7%	TBD

\* To be distributed in the following fiscal year

\*\* End of prior year stock price

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# Vision 2020 – To be the prominent cement producer in Indonesia

## ❖ Highest operating margin in the industry

- Turn around in selling price
- Cost leadership

## ❖ Highest customer satisfaction & increase market share

- “Sales is a Science” program to increase our sales and create customer value
- “Customers’ Choice” due to quality and on-time delivery services
- “Dual-brand strategy” to keep high market share in home market in Java

## ❖ Stronger vertical integration

- Expanded aggregates position
- Strong RMC business in Java with a significant pull-through in cement

## ❖ Digitalized supply chain

- Enhance end-to-end supply chain to optimize logistic & distribution cost

## ❖ Generate higher cash flow

- Shared service center covers all business lines to enhance working capital management

**Keep position as “Strong & Trusted” products with the prominent quality and services**

## Clear drivers of future growth



## Potential market consolidation as an additional upside

### Newcomers operate at cash losses

Unfavorable cost structure due lower capacity and inferior equipment

Interest to be paid on debt-financed investment

Weak pricing & energy cost inflation



**No sustainable business model**

### Top tier consolidation in Q1; others still possible

Newcomers actively look for buyers for their assets

Consolidation will clearly improve the pricing in the market

We cautiously check the possible options in the market



**We will participate the consolidation only if there is a clear value creation, limited operational risks and a reasonable price**

**Newcomers under cash pressure as market turned down since they commissioned new capacities**

# Controlling Dust Emission

- Replace Kiln Electrostatic Precipitators (EP) to Bag House to reduce dust emission
- Target of dust emission by installing bag house <math>< 10 \text{ mg/Nm}^3</math> (Government regulation <math>< 65-75 \text{ mg/Nm}^3</math>)
- Total capex spending 2017 – 2019 for Bag House: IDR 280.2 bio
- Filter Bag Installation Project:

Location	Plant	Year	Status
Cirebon	P9	2015	Completed
Cirebon	P10	2017	Completed
Citeureup	P4	2017-2018	Completed
Citeureup	P8	2019	Scheduled
Citeureup	P11	2020	Scheduled
Tarjun	P12	2020	Scheduled
Citeureup	P7	2021	Scheduled
Citeureup	P3	2022	Scheduled



# Cost Efficiency Measure

## Increasing Usage of Alternative Fuel

- Signed agreement with Governor of West Java on Sept. 4, 2018 to purchase 500 ton of *Refuse Derived Fuel*, converted from 1,500 ton of municipal waste. The usage of RDF will reduce reliance to coal as a source of fuel
- Close distance between RDF collection to Citeureup plant of only 6.6 km

Sources	2015	2016	2017	2018	Q1 2018	Q1 2019	2030
Coal	96.3%	95.5%	95.8%	93.5%	94.8%	92.5%	70.0%
Natural Gas	0.5%	0.2%	0.4%	0.2%	0.5%	0.1%	
Fuel Oil	0.9%	0.9%	0.6%	0.5%	0.5%	0.8%	
Tire	0.2%	0.0%	0.0%	0.7%	0.5%	0.9%	
Rice Husk	0.6%	1.9%	1.5%	2.3%	1.3%	2.6%	30.0%
Sawdust	1.0%	0.4%	0.5%	0.6%	0.6%	0.7%	
Sludge & Waste Fuel	0.3%	0.1%	0.4%	0.3%	0.0%	0.4%	
Other AF	0.3%	1.0%	0.7%	1.9%	1.8%	2.1%	
<b>Total</b>	<b>100.0%</b>						

Raw Coal Mixed	2015	2016	2017	2018	Q1 2018	Q1 2019
- LCV	7.8%	12.4%	35.2%	45.0%	36.2%	65.2%
- MCV	58.7%	54.2%	44.7%	37.5%	47.4%	15.8%
- HCV	33.5%	33.4%	20.1%	17.5%	16.5%	19.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>



# Agenda



**Indocement at Glance**

**Current Domestic Market Condition**

**Financial Update Q1 2019**

**Investment Strategy**

**Outlook 2019**

## Outlook of Indonesian Cement Market

- ✓ National cement consumption growth started **to turn positive and grew by 5% in 2018** (versus 7.6% in 2017) and **expected to grow by 6-8% in 2<sup>nd</sup> half and 3-4% in Full Year of 2019**
- ✓ Consumption in 2019 will be driven by infrastructure projects ***plus commercial and residential projects started in H2/2019 (after Election & Idul Fitri) as multiplier effects factor after infrastructure projects completed.*** Reduction of tax on high end housing and LTV relaxation will eventually improve residential property demand market
- ✓ Serve domestic clinker demand to some Grinding Mills in West Java at “good price” and also export market out of Tarjun to Asian Market such as China & Philippines
- ✓ Our costs expected to be helped by stronger Rupiah and relatively lower level of Coal & Fuel in H1/2019 and expected to remain relatively the same in H2/2019
- ! **ODOL Policy (Oversize & Overdimension): If ODOL Policy is applied, it will increase all cement players trucking cost significantly**
- ! **Over supply will continue in next few years, but pricing tend to stabilize in 2019 and expected to increase in 2<sup>nd</sup> Half** as newcomers have difficulty in their cash flow to serve their debt



*THANK YOU*

*Better shelter for better life...*

   [harmoni3roda](#)



Indocement's Palimanan Factory