



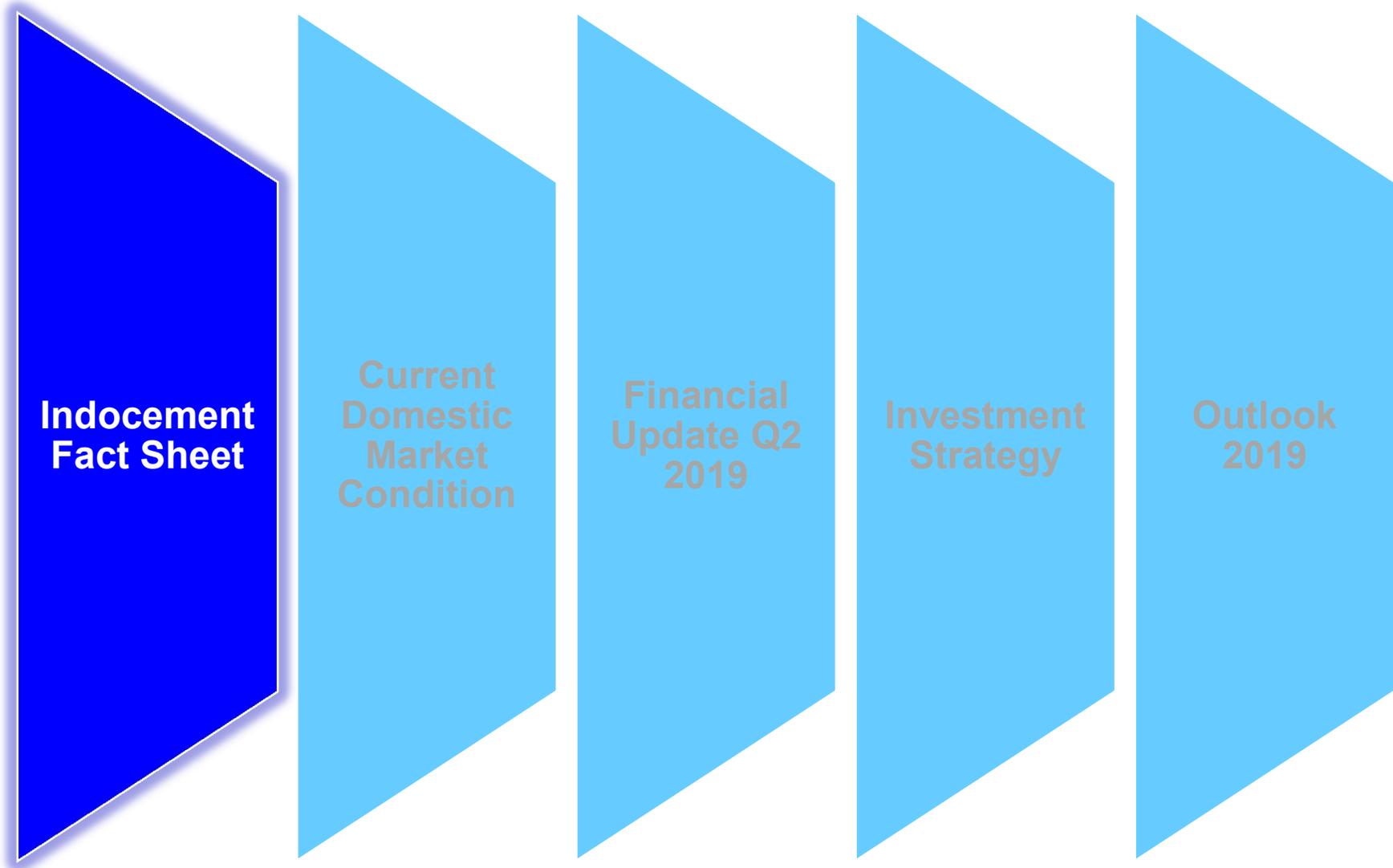
INDOCEMENT
HEIDELBERGCEMENT Group

PT Indocement Tunggul Prakarsa Tbk H1 2019 Financial Results



Tarjun Factory – South Kalimantan

Agenda



Indonesia at a Glance



Source: Indonesia Toll Road Network (2019), Ministry of Public Works - gis.bjpt.pu.go.id

| ITP ASSET BASE | |
|----------------|----------------------|
| | 25.5 MT CEM Capacity |
| | 7 CEM Terminal |
| | 2.8 MT AGG Capacity |
| | 42 RMC Plants |

| Indonesia Facts |
|--|
| Capital City: Jakarta |
| Population: ~ 261.1 Million |
| Density: 138/km ² (357.4/sq mi) |
| GDP (2019E): USD 1,100 Trillion |
| GDP Per Capita: USD 4,120 |
| IDR/USD Rate : ~14,000-14,500 |

| Cement Industry |
|--|
| No. of Companies : 16 |
| Cement Capacity: ~ 110 MTY |
| ITP Cement Capacity: 25 MTY |
| Domestic Consumption: ~ 70MT (2018A) |
| Bag - Bulk Ratio : ~ 75-25 |
| Cement Consumption (per capita): ~262 kg |
| Main Players: Semen Indonesia, Indocement, Conch, Bosowa, Cemindo |



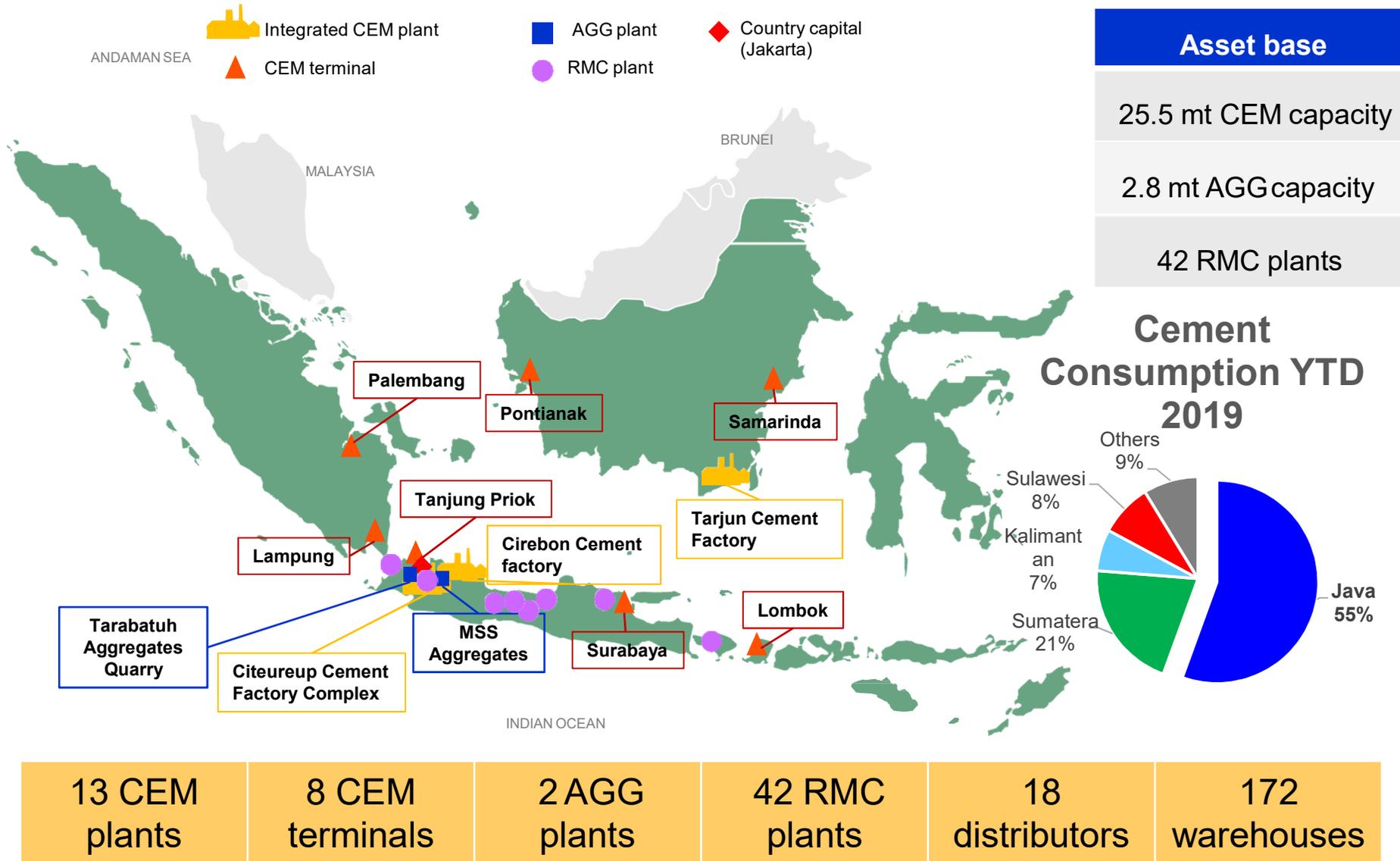
Indocement: Overview H1 2019

Strong position with further upside potential

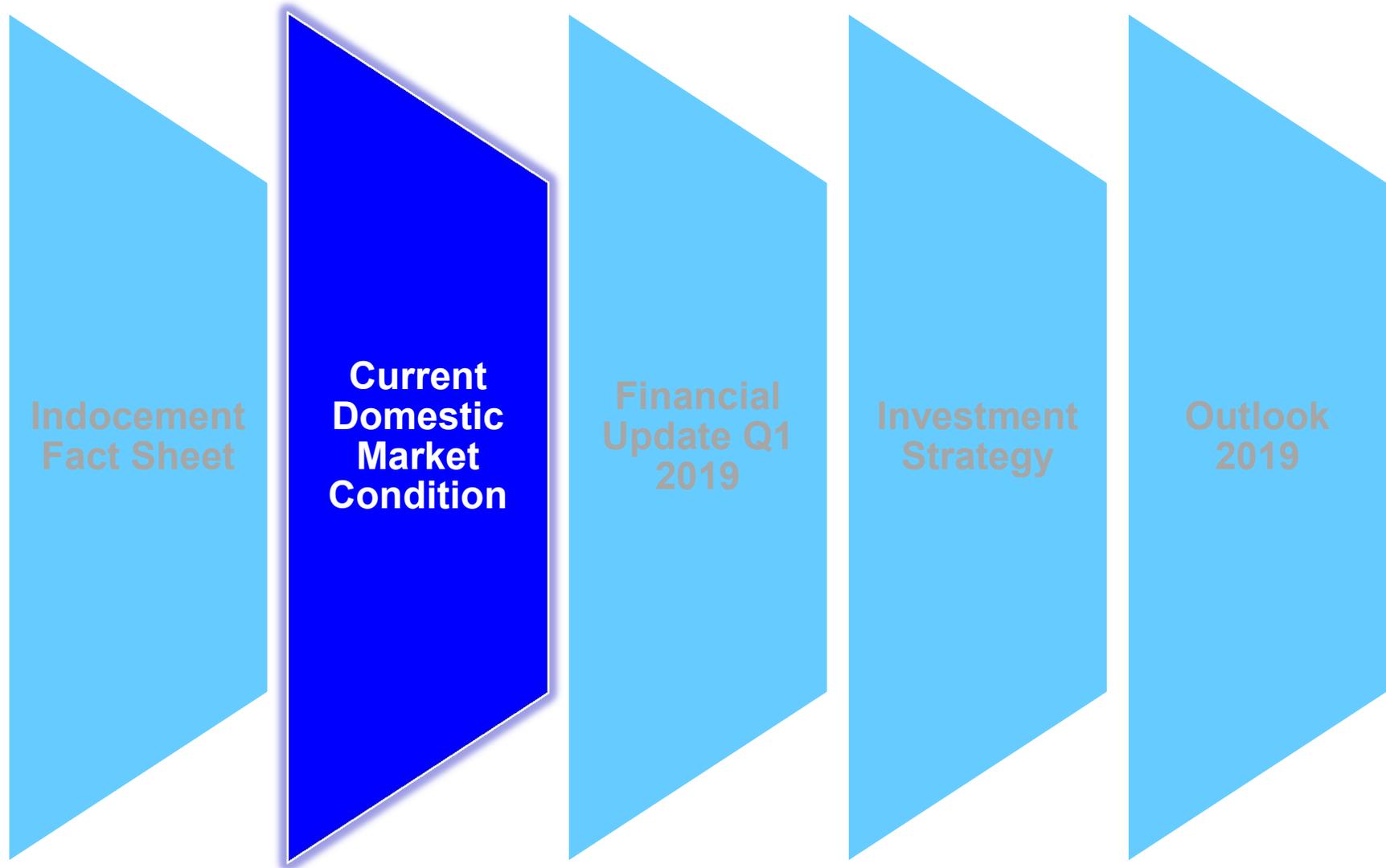
- Booked sales volume of -1.7%, surpassing national growth of -2.3%
- Market share increase from 26.1% to 26.3%
- Net Revenues increased by +7.7% to IDR 7.0 trillion due to higher average selling price by +6.9% coupled with higher sales volume by +0.7%
- EBITDA margin improved by 340 bps from 13.5% to 16.9%; Operating Income improved by 450 bps from 3.9% to 8.5%
- Dividends payout of IDR 550/share in June 2019
- Strong balance sheet with no debt and, cash & cash equivalent to IDR 5.7t



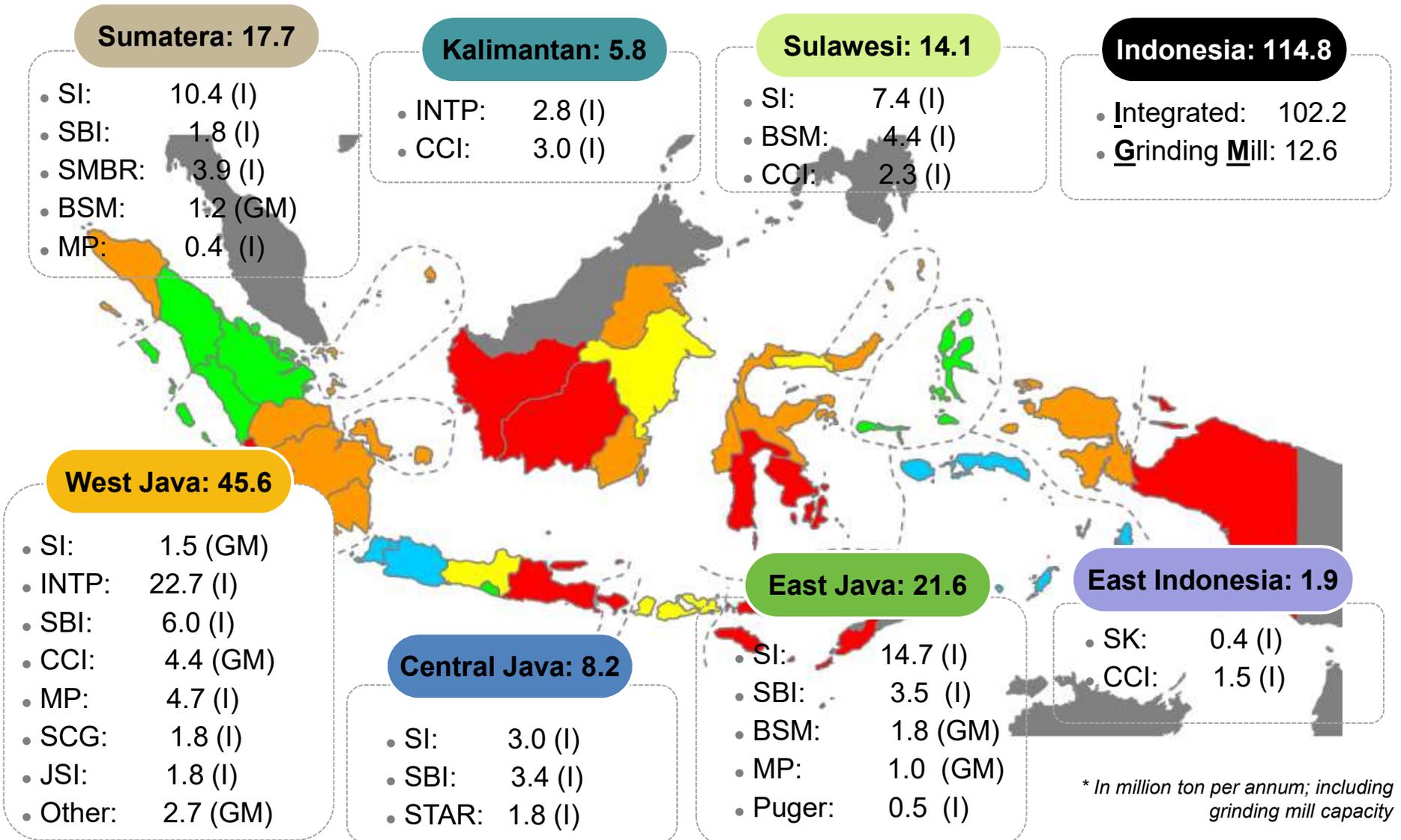
Strong Footprint in West Java as a Key Advantage



■ Agenda



Indonesia Cement Industry 2019 Landscape

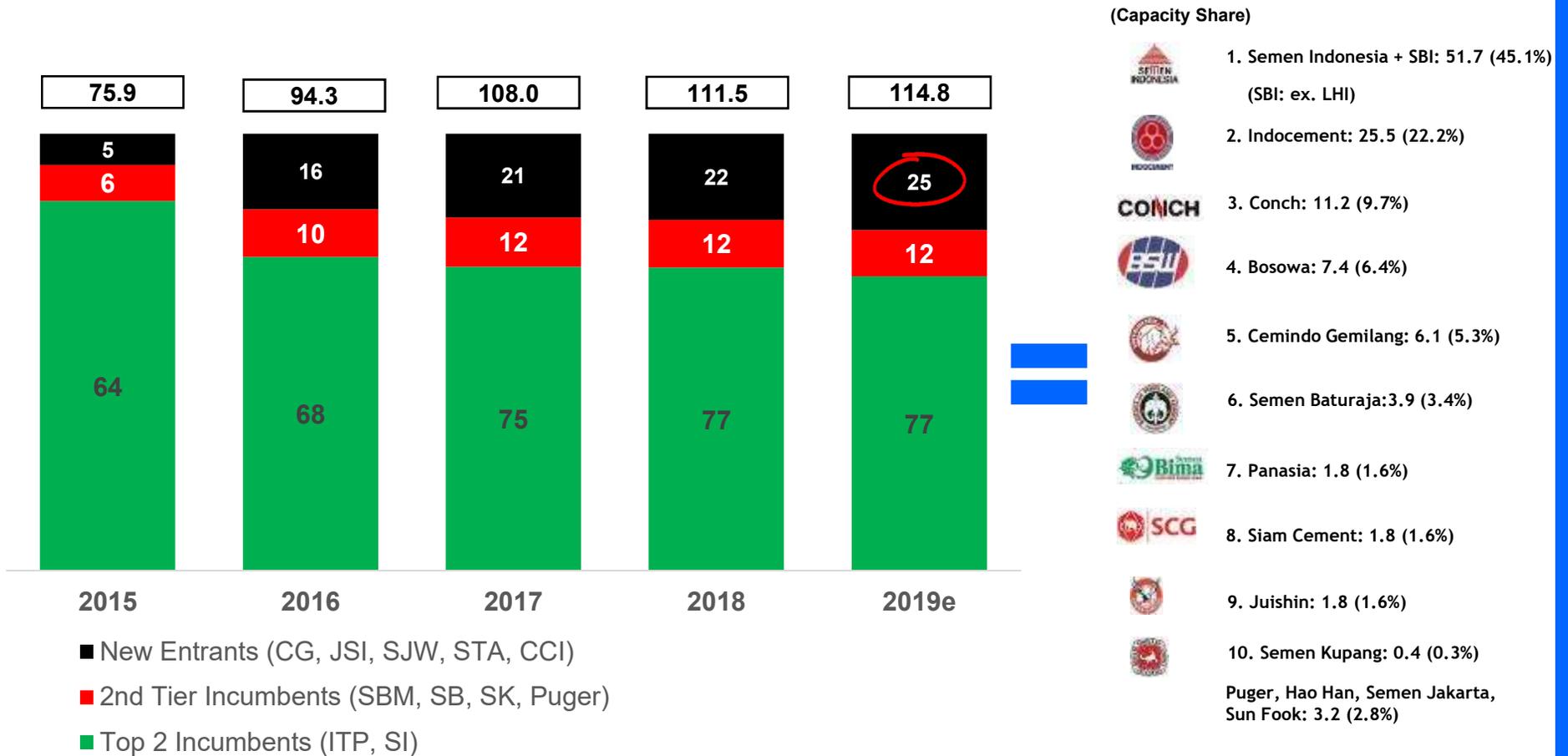


SI: Semen Indonesia, INTP: Indocement, SBI: Solusi Bangun Indonesia (ex. Lafarge Holcim), CCI: Conch, MP: Merah Putih, SCG: Siam, JSI: Jui Shin, SMBR: Baturaja, BSM: Bosowa, SK: Semen Kupang, Puger, STAR: Semen Bima, Other: Hao Han, Semen Jakarta, Sun Fook



Indonesia Cement Industry 2019 Capacity Share

Capacity in million Tons per Annum



Capacity Grew by 3.0% YoY in 2019e

Source: Asosiasi Semen Indonesia

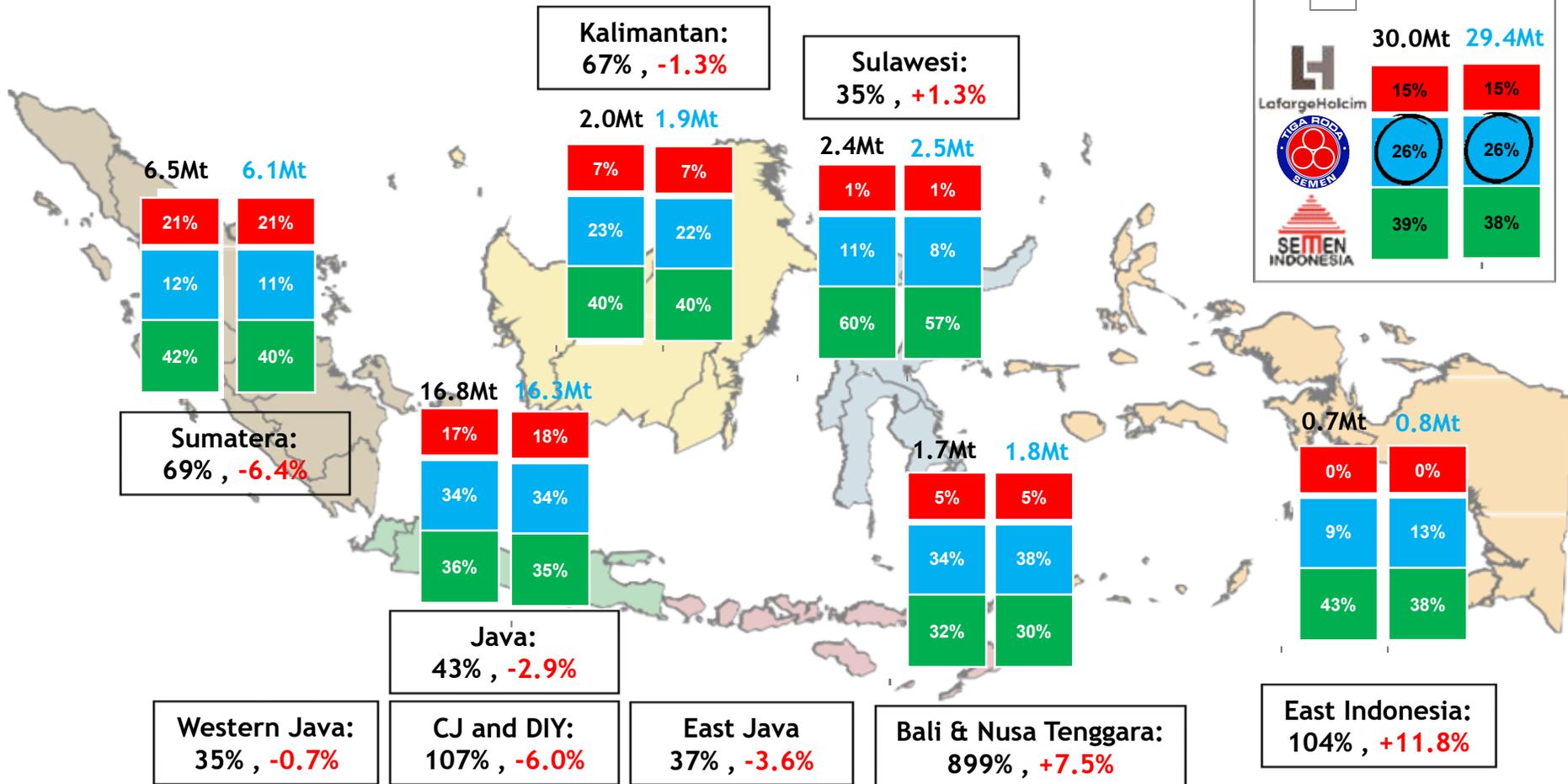


Regional Shift of Demand:

Better Growth Outlook in Central Java and Sumatera

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

Data in Box: Utilization Rate and Growth Rates YoY per area for YTD June 2019

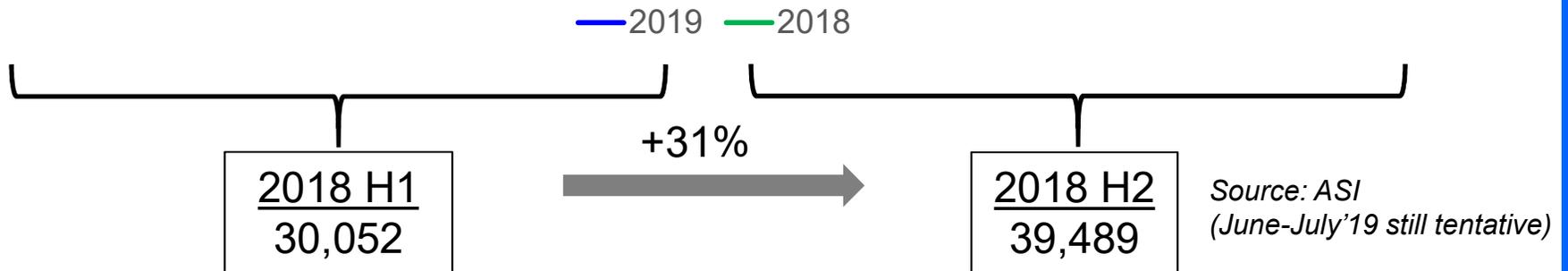
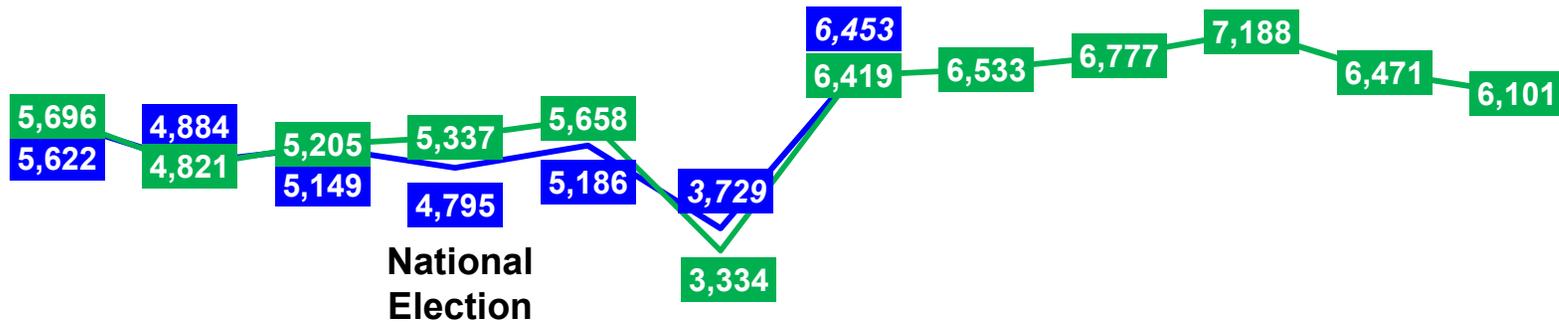


Source: Indonesia Cement Association

Note: Semen Indonesia acquired LHI on 31st January 2019

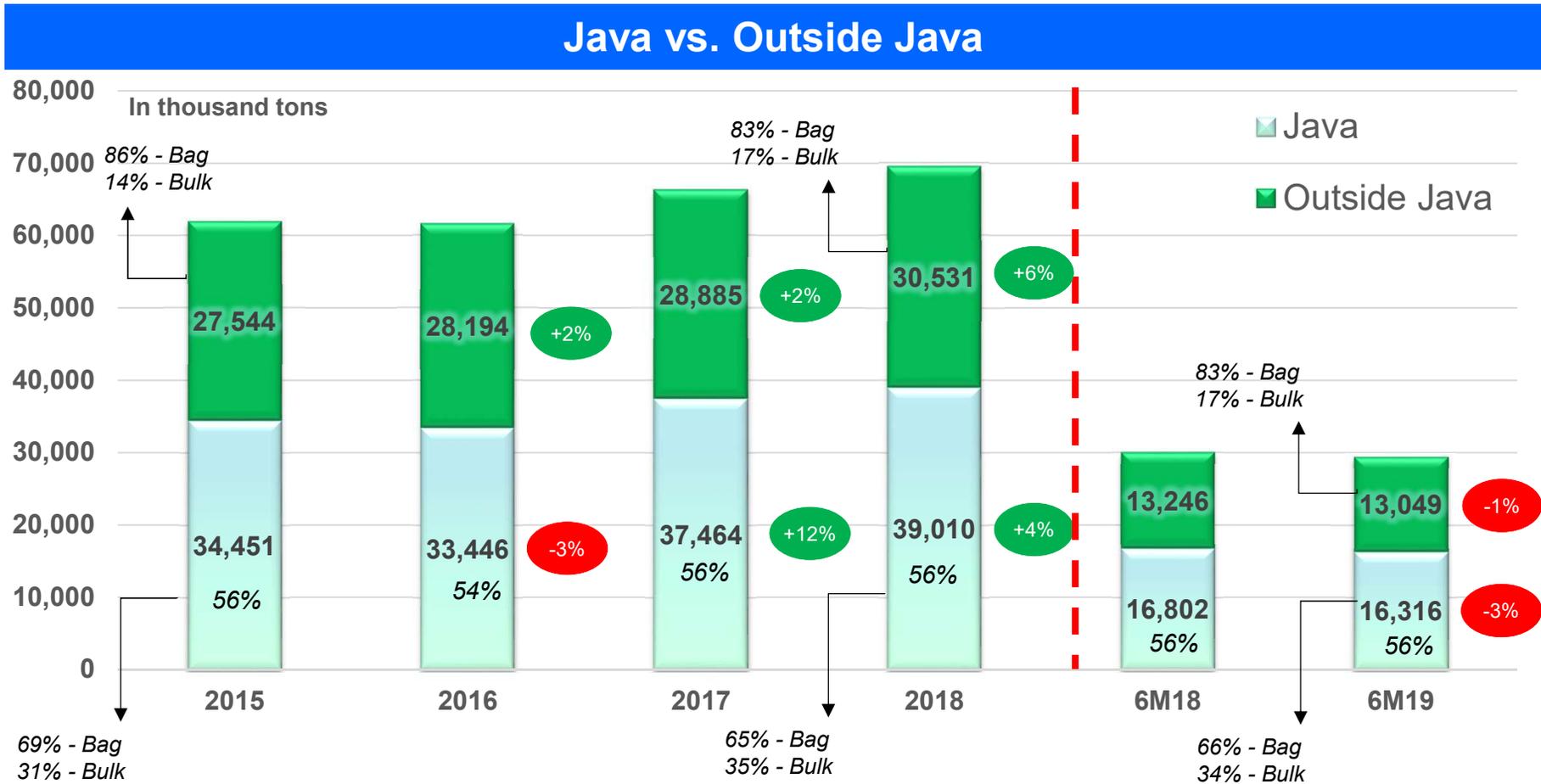


Rainy season combined with General Election and long school holiday dampened H1 cement domestic demand



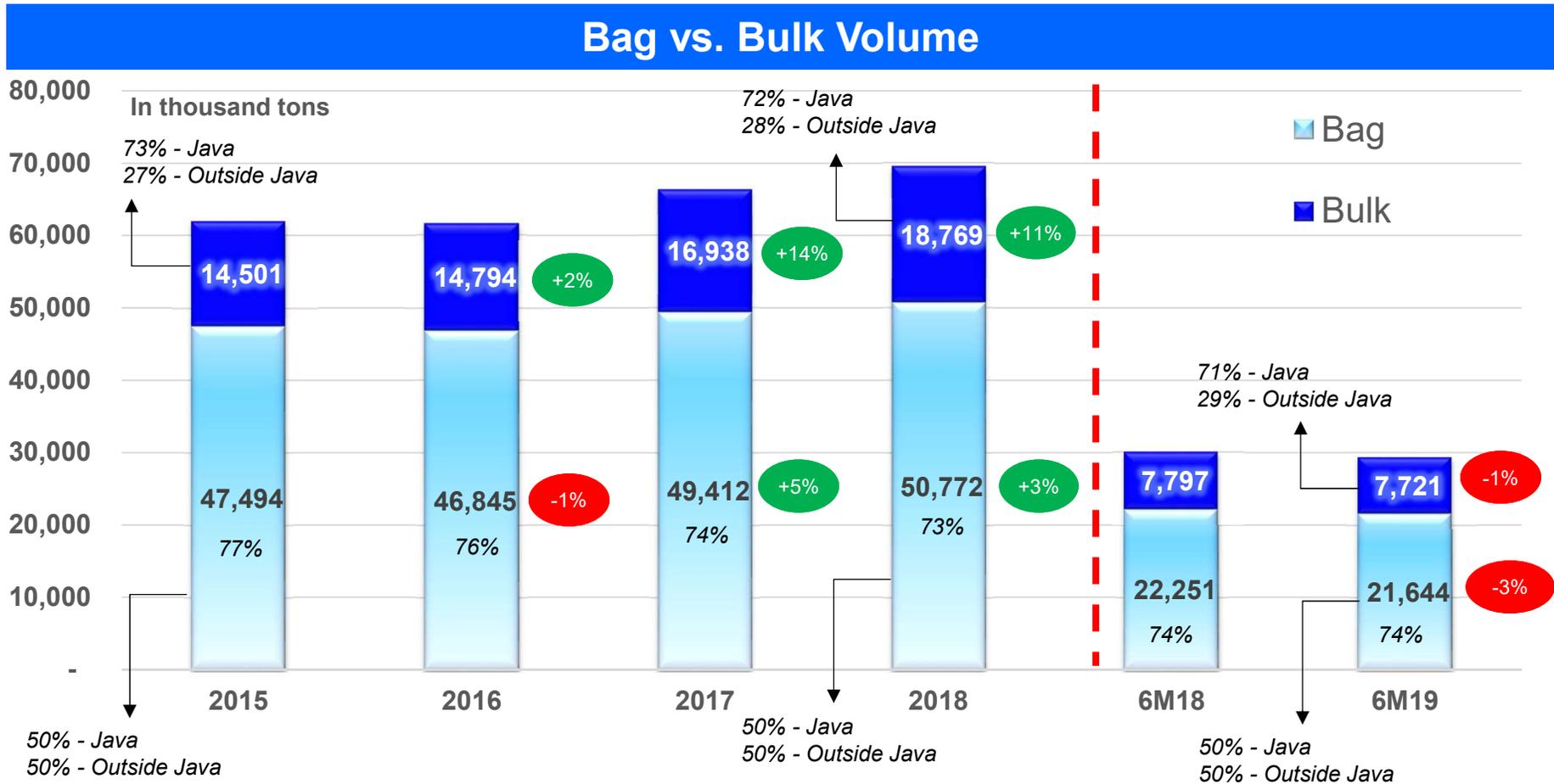
Demand is expected to improve in H2 2019
 Total sales volume in H2 2018 was +31% higher than H1 2018

Outside Java better than Java



- **Java holds 50% of Indonesia bag volume as of H1 2019, with near 50% volume concentrated in western Java**

Increasing bulk volume since 2017



- Java holds ~70% of Indonesia bulk volume in H1 2019
- Positive outlook is expected for bulk market on second half of 2019

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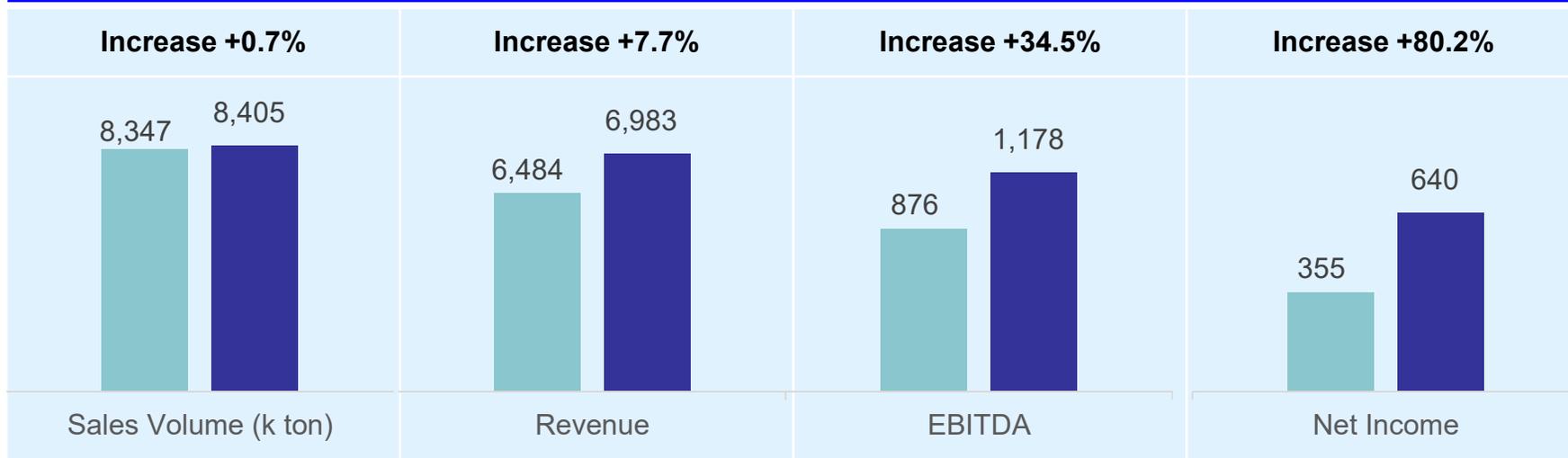
Financial Highlights

Financial Attributes

- Net Revenues increased by +7.7% to IDR 7.0 trillion
- Gross Profit improved by +26.1% to IDR 2.1 trillion vs. IDR 1.7 trillion
- Cost of Revenues in H1 2019 increased by +1.2% due to higher sales volume of +0.7% combined with higher Cost of Revenues per ton by +0.5% compared to same period last year, or from IDR 4,785 million to IDR 4,840 million.
- EBITDA margin improved by 340 bps from 13.5% to 16.9%;
- Operating Income improved by 450 bps from 3.9% to 8.5%
- Finance Income increased by +18.9% from IDR 166.0 billion to IDR 197.3 billion
- Net Income increased by +80.2% to IDR 640.0 billion vs. IDR 355.1 billion)

■ H1 2018
 ■ H2 2019

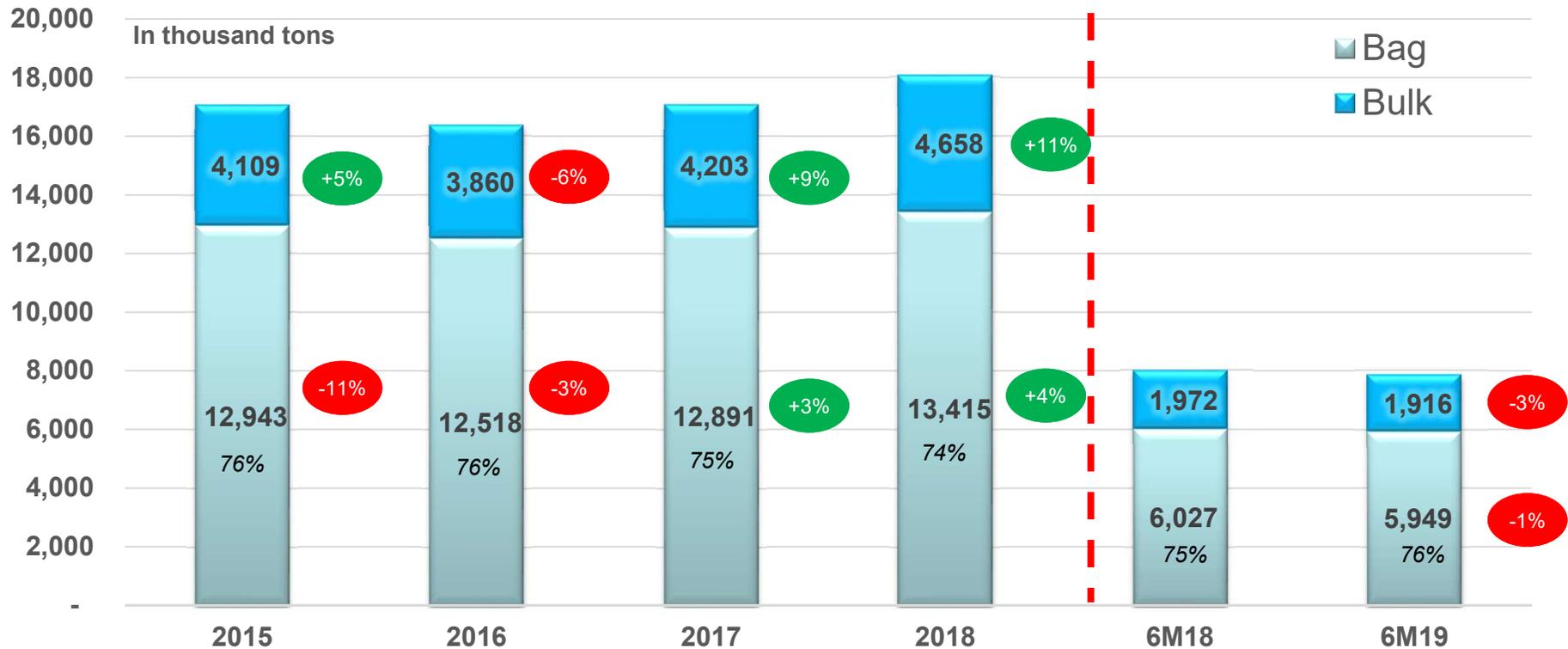
Operational Result (IDR bio)





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

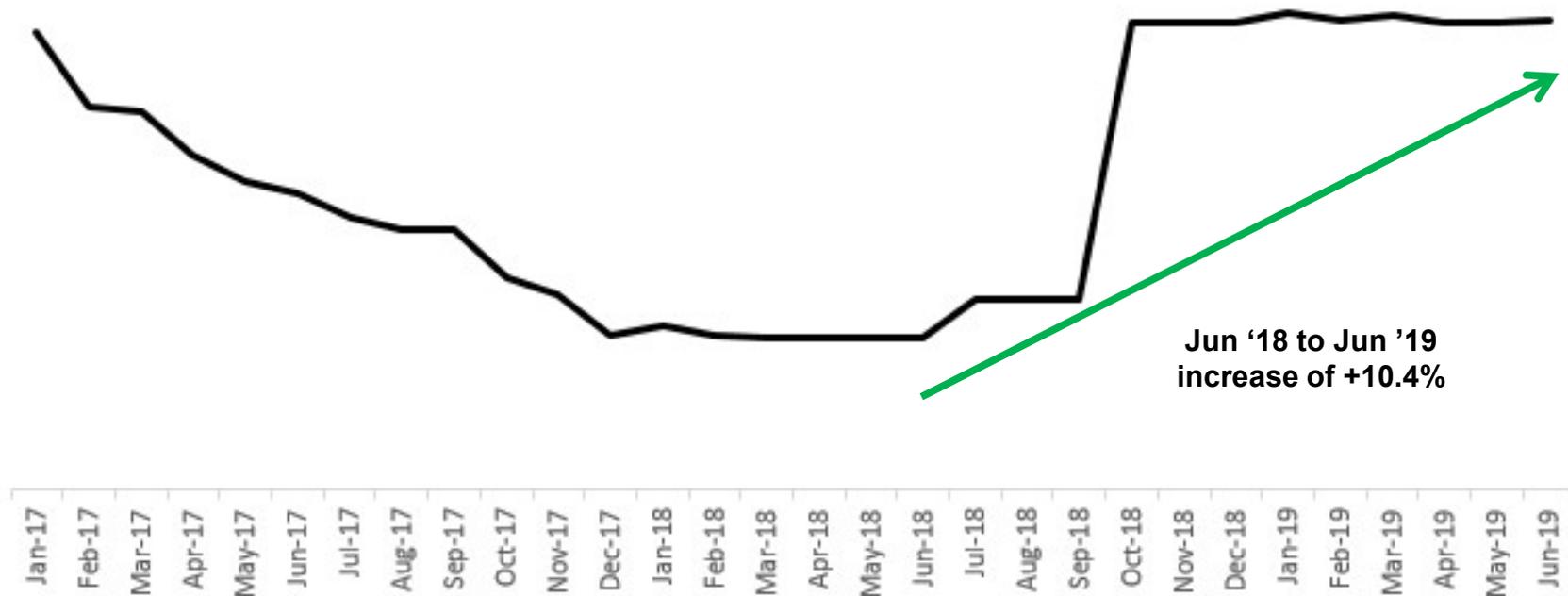
Bag/Bulk Sales Composition



- Composition of bag vs bulk sales for H1 2019 is 76% vs. 24%
- 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

Relatively Stable Pricing in H1 2019



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

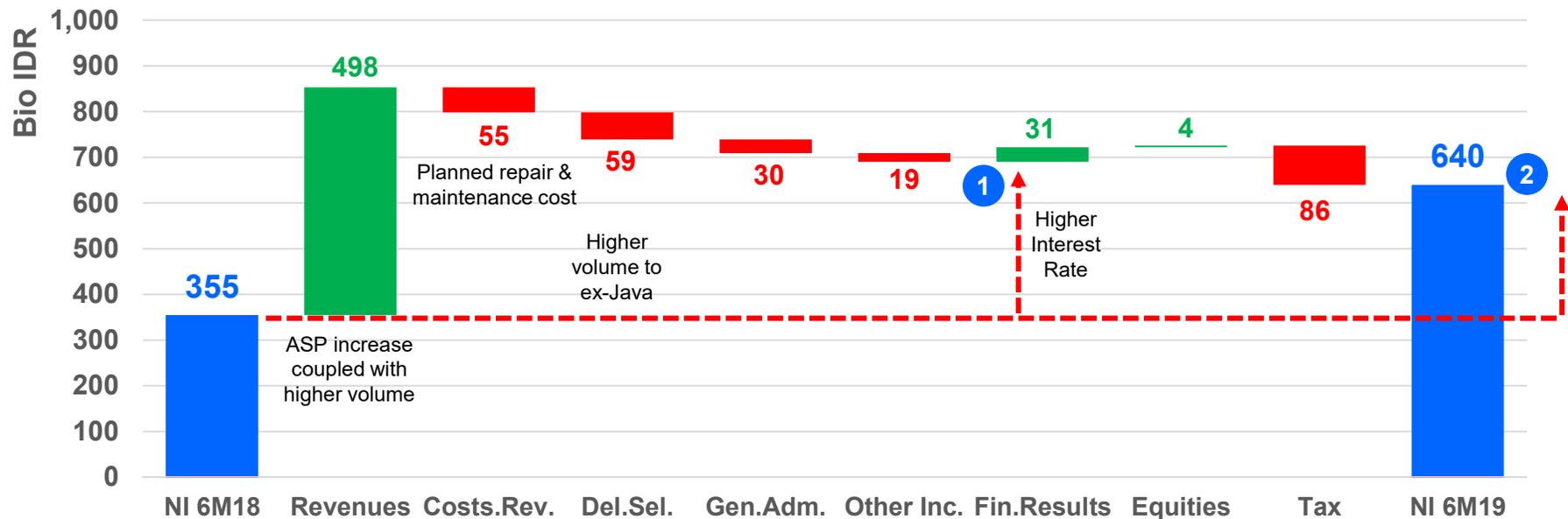
| Description | H1 2019 IDR Bio | H1 2018 IDR Bio | Variance | |
|---|--------------------|--------------------|--------------|---------------|
| | | | IDR Bio | % |
| Total Sales Volume (thousand tons) | 8,405 | 8,347 | 58 | 0.7% |
| Domestic Sales Volume (thousand tons) | 8,321 | 8,318 | 3 | 0.0% |
| Export Sales Volume (thousand tons) | 84 | 29 | 55 | 190.4% |
| Net Revenues | 6,982.6 | 6,484.4 | 498.2 | 7.7% |
| Cost of Revenues | -4,840.0 | -4,784.8 | -55.2 | -1.2% |
| Gross Profit | 2,142.6 | 1,699.6 | 443.0 | 26.1% |
| % of Net Revenues | 30.7% | 26.2% | | |
| Operating Expenses | -1,557.2 | -1,468.3 | -88.9 | 6.1% |
| Other Operating Expense - Net | 4.8 | 23.5 | -18.7 | -79.5% |
| Operating Income | 590.2 | 254.7 | 335.5 | 131.7% |
| % of Net Revenues | 8.5% | 3.9% | | |
| EBITDA | 1,178.2 | 876.1 | 302.0 | 34.5% |
| % of Net Revenues | 16.9% | 13.5% | | |
| Finance Income - Net | 197.3 | 166.0 | 31.3 | 18.9% |
| Equity in Net Earnings of Associated Companies - Net | 9.4 | 5.7 | 3.8 | 66.2% |
| Income before Final Tax and Income Tax Expense | 797.0 | 426.4 | 370.5 | 86.9% |
| Net Income for the Period | 640.0 | 355.1 | 284.9 | 80.2% |
| Other Comprehensive Loss for the Period, Net of Tax | -0.3 | 1.6 | -1.9 | 118.2% |
| Total Comprehensive Income for the Period | 639.7 | 356.7 | 283.1 | 79.4% |

EBITDA margin expansion from 13.5% to 16.9% attributed to:

- Higher ASP by +6.9%
- Higher volume by +0.7%
- Fuel & power cost per ton decrease by -10%

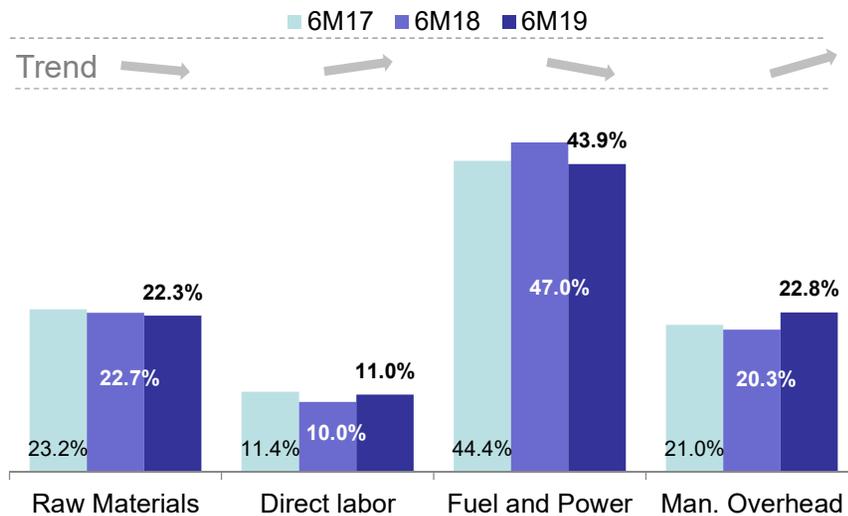
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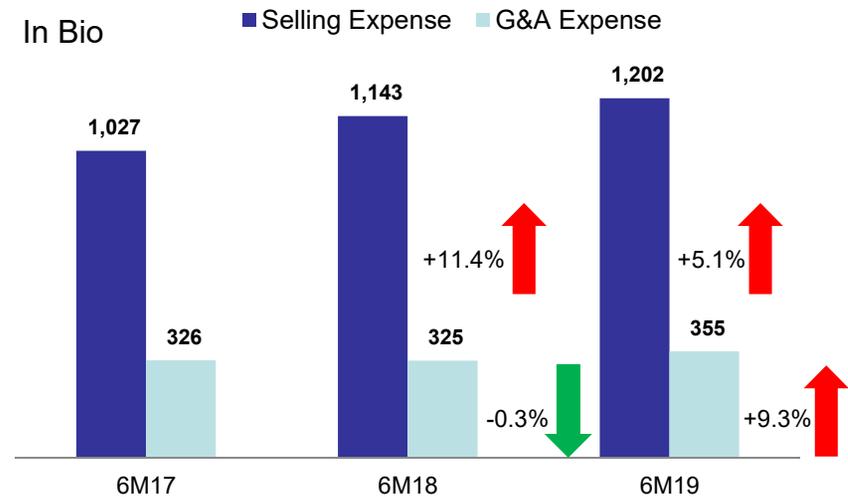
Strategic cost allocation to capitalize on growth market

Composition of Manufacturing Cost



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

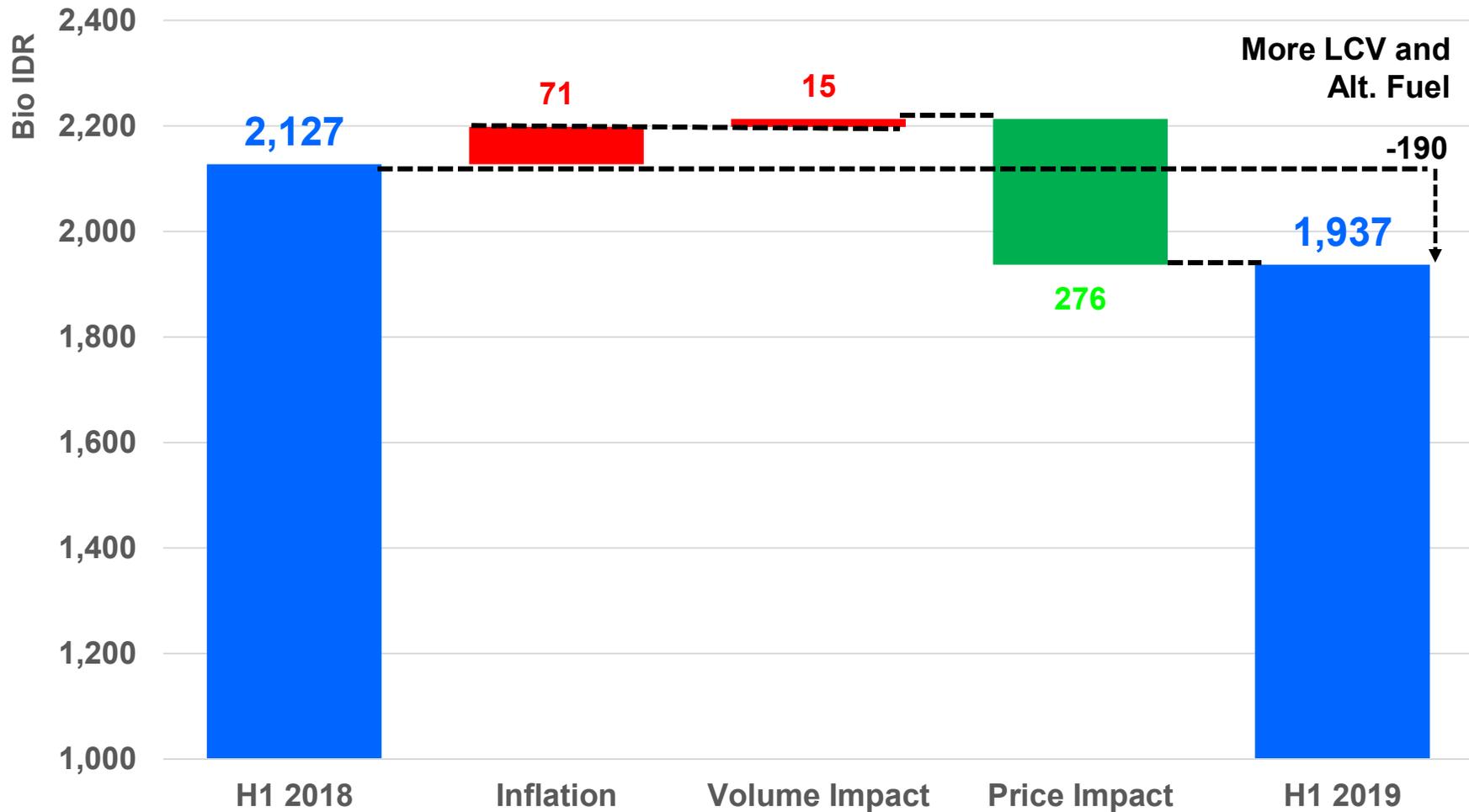
Operating Expenses



- Higher Selling Expenses can be attributed to higher sales volume outside Java offset by lower fuel price



Energy Cost Savings

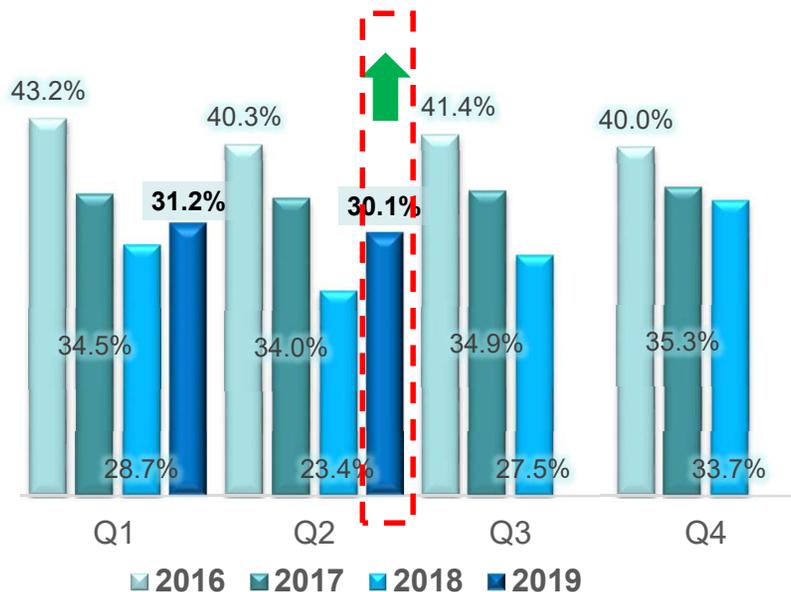


Energy cost expected to remains below prior year

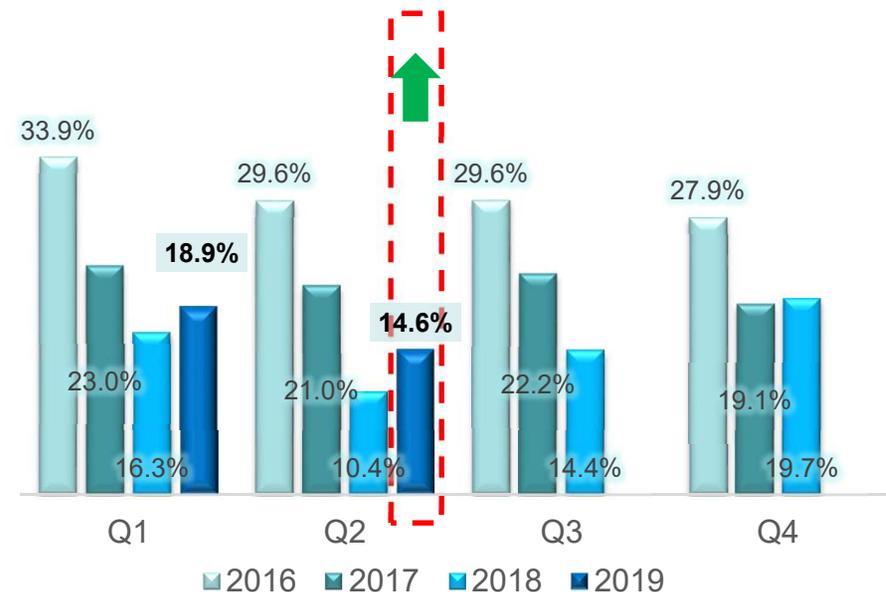
Continue in Cost Leadership to Maintain a Decent Margin

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

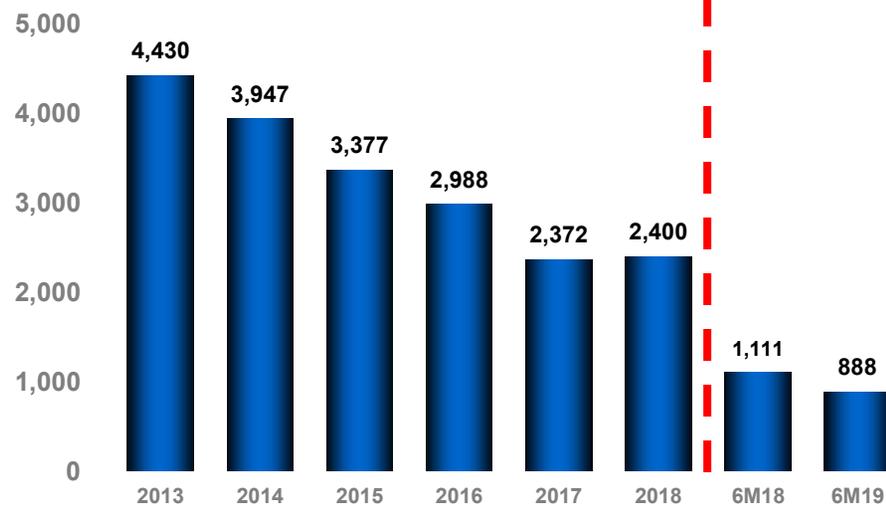
| Q3 '18 | Q4 '18 | Q1 '19 | Q2 '19 |
|---|---|--|--|
| <ul style="list-style-type: none"> Higher volume by +9% Higher blended ASP achieved due to second tier players having negative cash flow and no longer able to fight for market share | <ul style="list-style-type: none"> IDR appreciation Declining coal price Terminal in Lampung was commissioned Declining oil price | <ul style="list-style-type: none"> 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 Lower coal price and higher consumption of low CV coal reduces Fuel and Power cost | <ul style="list-style-type: none"> Despite lower volume YoY of -1.7%, it had surpassed the national growth of -2.3% 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 Lower coal price and higher consumption of low CV coal reduces Fuel and Power cost |
| <ul style="list-style-type: none"> IDR depreciation increased packaging cost Higher delivery expense to serve growing demand outside of home market | <ul style="list-style-type: none"> Slower growth of bulk cement from completed infrastructure projects | <ul style="list-style-type: none"> Lower sales volume related to wait-and-see mode during General Election and rainy season | <ul style="list-style-type: none"> About flat sales volume related to General Election and long EID & school holiday |
| <p>EBITDA of IDR 618.8 bio (-29.6% YoY)</p> | <p>EBITDA of IDR 870.8 bio (+16.6% YoY)</p> | <p>EBITDA of IDR 705.2 bio (+25.9% YoY)</p> | <p>EBITDA of IDR 473.2 bio (+34.5% YoY)</p> |



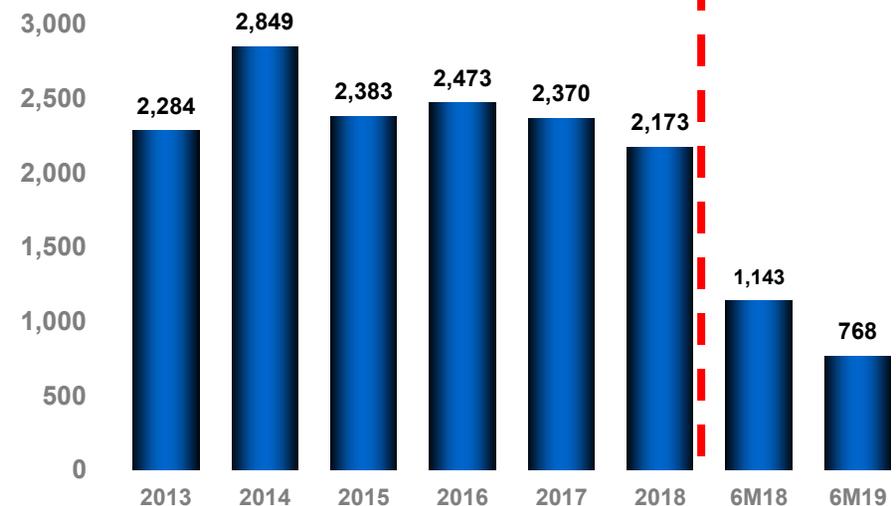
Indocement's Strategies under Current Tight Competition: Vertical Integration in Ready-Mix Concrete & Aggregates

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

RMC Sales Volume – '000 m3

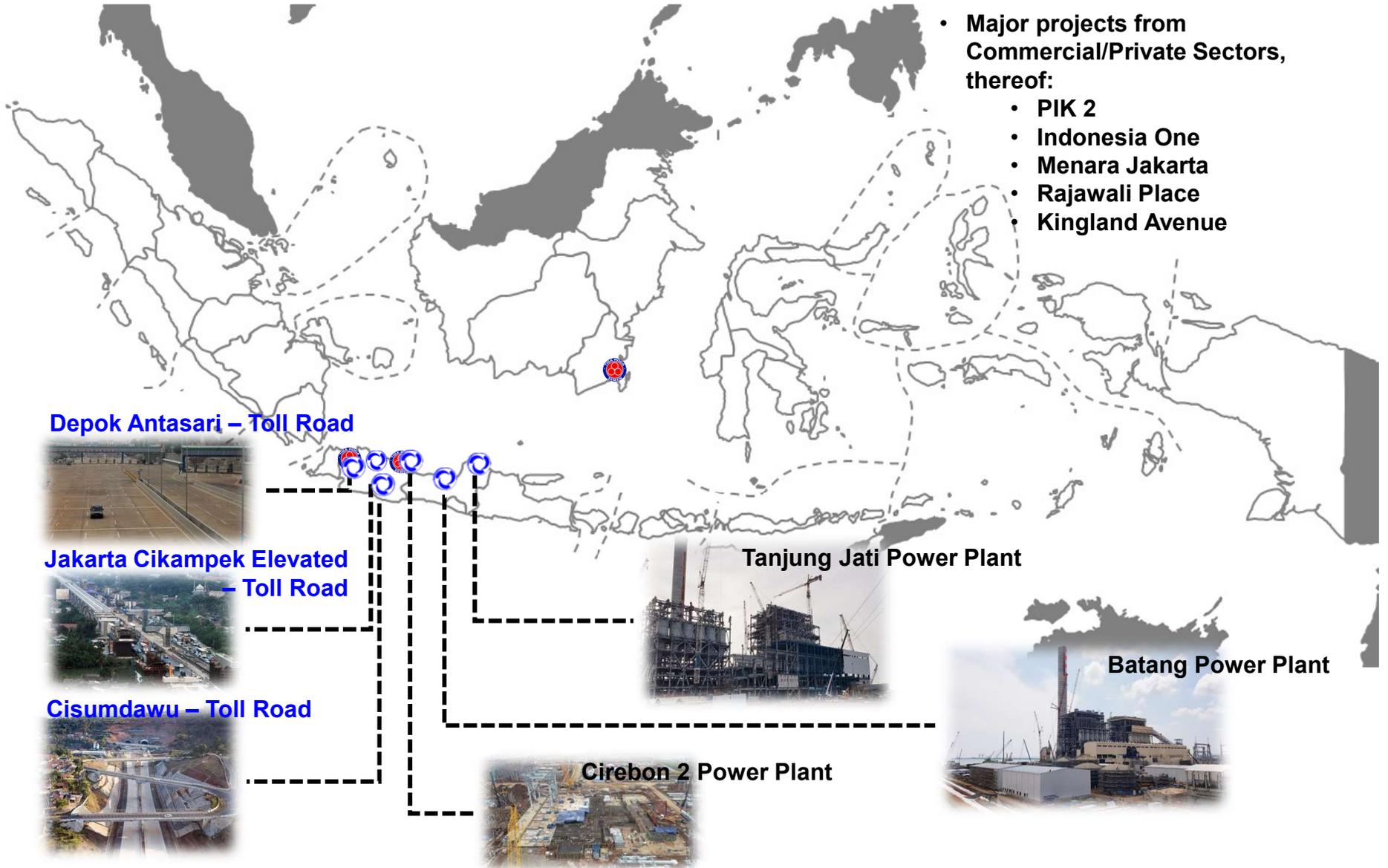


AGG Sales Volume – '000 t



Major ReadyMix Projects

- Major projects from Commercial/Private Sectors, thereof:
 - PIK 2
 - Indonesia One
 - Menara Jakarta
 - Rajawali Place
 - Kingland Avenue





Balance Sheet

| Description | Jun 30, 2019 | Dec 31, 2018 | Variance | |
|--|--------------|--------------|----------|--------|
| | IDR Bio | IDR Bio | Bio IDR | % |
| Current Assets | 10,836.6 | 12,315.8 | -1,479.2 | -12.0% |
| Non-Current Assets | 15,016.3 | 15,472.8 | -456.5 | -3.0% |
| Current Liabilities | 3,338.8 | 3,925.6 | -586.8 | -14.9% |
| Non-Current Liabilities | 677.4 | 641.3 | 36.1 | 5.6% |
| Equity | 21,836.7 | 23,221.6 | -1,384.9 | -6.0% |
| Total Assets = Total Liabilities + Equity | 25,852.9 | 27,788.6 | -1,935.7 | -7.0% |

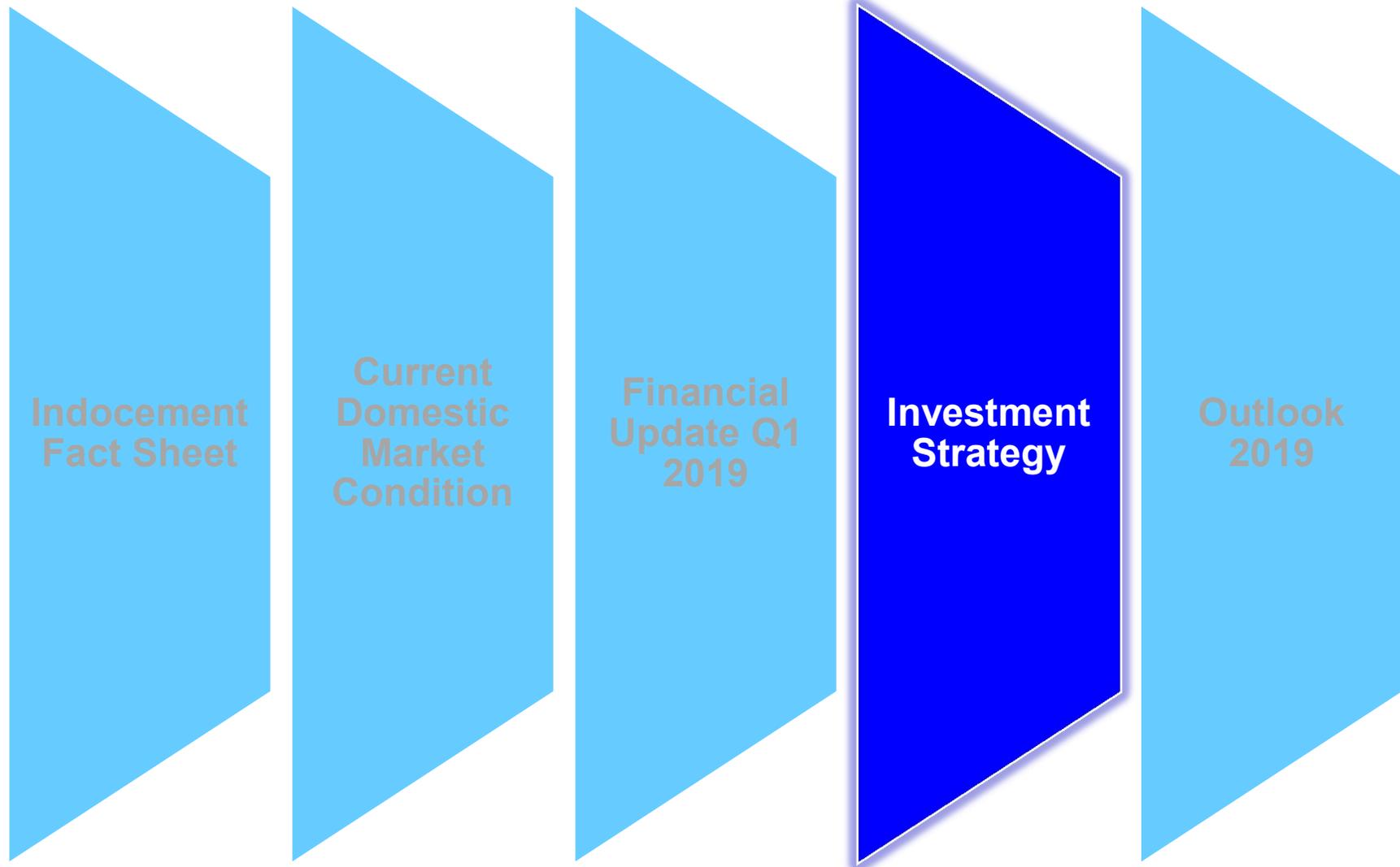
- Cash and cash equivalents at IDR 5.7 trn.
- Capital expenditures for H1 2019 was IDR 179 bio from of total 2019 capex planned of IDR 891 bio
- Dividend Payment history:

| <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 | 2,025 |
| % of Div. Payout | 34.8% | 66.1% | 93.9% | 35.1% | 88.4% | 138.6% | 177% |
| % Div. Yield** | 2.7% | 4.1% | 6.0% | 1.8% | 4.7% | 4.7% | 3.0% |

* To be distributed in the following fiscal year

** End of prior year stock price

Agenda





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

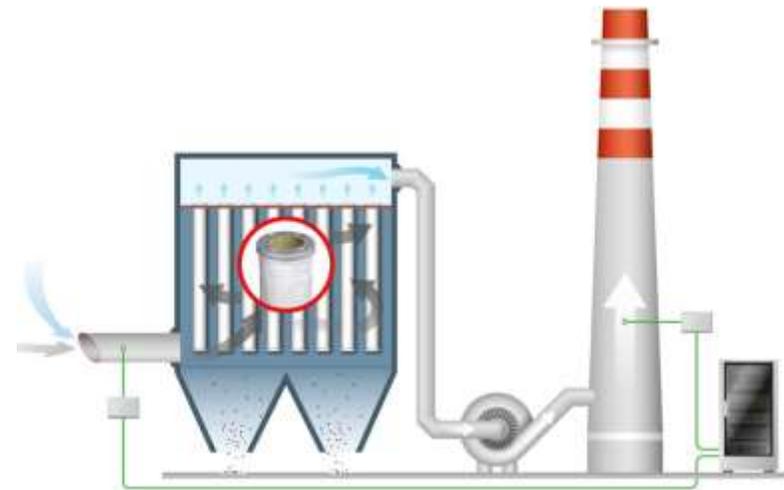
Clear drivers of future growth



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:

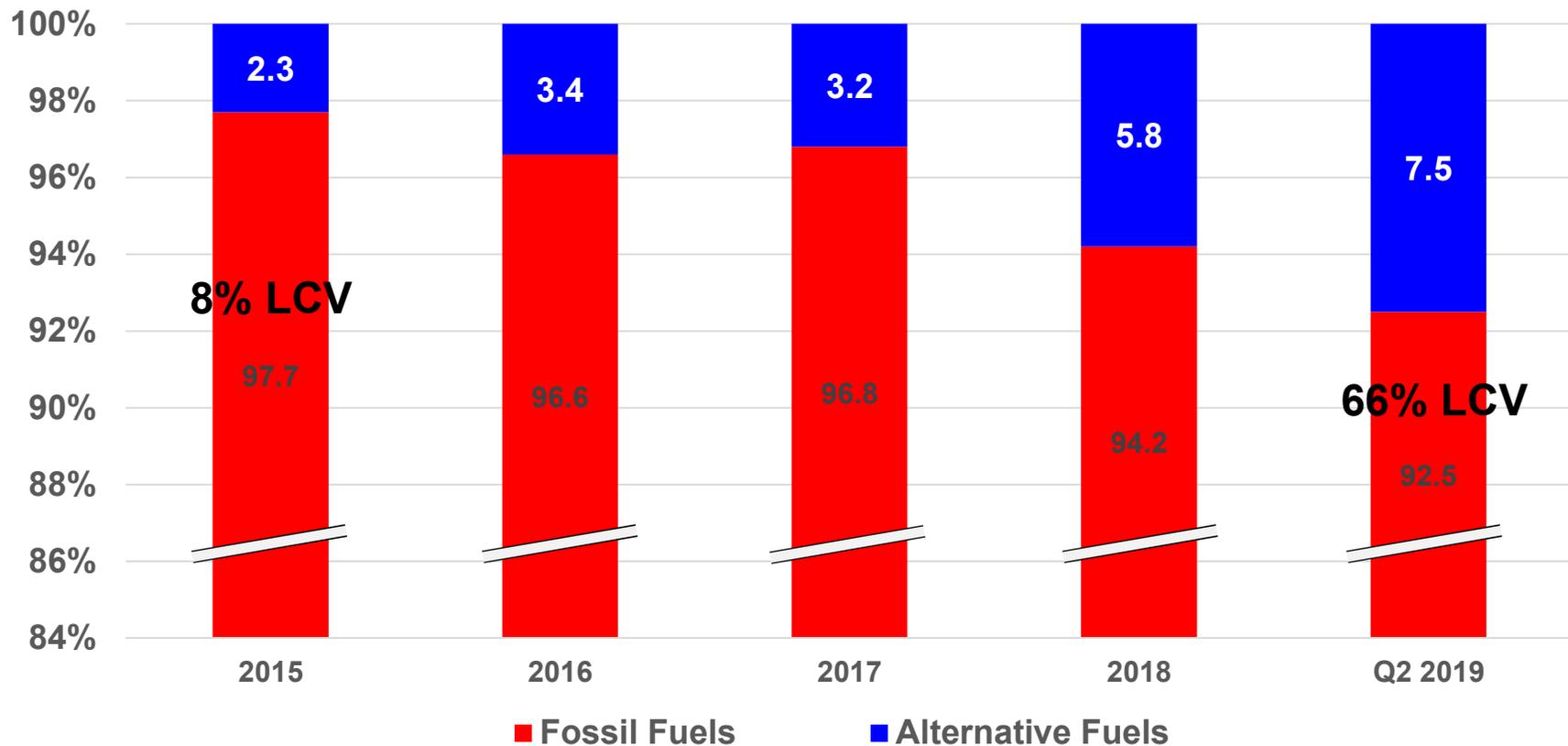
| Location | Plant | Year | Status |
|-----------|-------|-----------|-----------|
| Cirebon | P9 | 2015 | Completed |
| Cirebon | P10 | 2017 | Completed |
| Citeureup | P4 | 2017-2018 | Completed |
| Citeureup | P8 | 2019 | Scheduled |
| Citeureup | P5 | 2020 | Scheduled |
| Citeureup | P11 | 2020 | Scheduled |
| Tarjun | P12 | 2020 | Scheduled |
| Citeureup | P7 | 2021 | Scheduled |
| Citeureup | P3 | 2022 | Scheduled |





Cost Efficiency Measure

Increasing Usage of Alternative Fuel



- Focus on reducing coal as primary source of fuel source
- Clear strategy on cost efficiency

Agenda





Outlook of Indonesian Cement Market

-  National cement consumption growth started **to turn positive and grew by 5% in 2018** (vs. 7.6% in 2017) however for H1 2019 vs. same period last year it took downturn of -2.3%. By YTD July 2019, it continued to show recovery but still showed negative of growth of -1.8%. Nevertheless, with completion of general election, EID and school holiday, market for remaining H2 2019 is **expected to show positive growth and for Full Year to be flat**

-  Consumption in H2 2019 will be driven by infrastructure projects ***plus commercial and residential projects as multiplier effects factor after infrastructure projects completed.*** Reduction of tax on high end housing and LTV relaxation including relatively stable BI interest rate are expected to increase demand market for residential property

-  Serve domestic clinker demand to some Grinding Mills in West Java at “good price” and also export market from Tarjun plant to Asian Market such as China & Philippines

-  Our costs are expected not to have high hiked due to expected more stable exchange rate & still relatively lower level of Coal & Fuel 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 likely to increase in H2 2019 in some areas** as newcomers have difficulty in their cash flow to serve their debt



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