



**INDOCEMENT**  
HEIDELBERGCEMENT Group

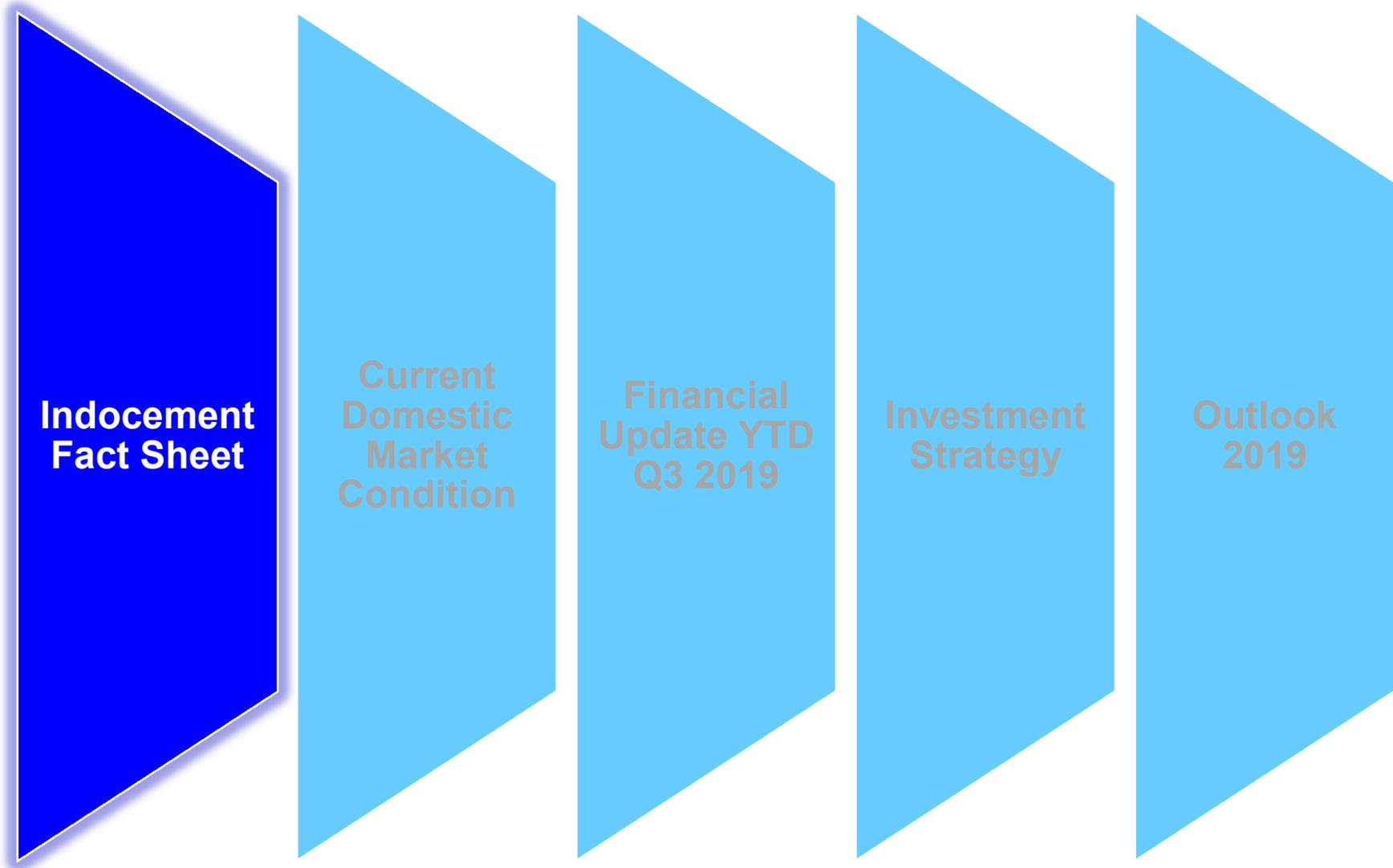
# PT Indocement Tunggal Prakarsa Tbk YTD Q3 2019 Financial Results



*Photo: Cirebon Quarry – Mountains Kromong*  
<https://www.quarrylifeaward.es/quarries/indonesia/cirebon-quarry>



# Agenda





# Indonesia at a Glance

Strong Footprint in West Java as Key Advantage for Indocement



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

**+2.1k km of toll roads are built from 2014 to 2019 with additional plan of 2.5k km from 2020-2024**

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

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

Cement Industry
No. of Companies : 16
Cement Capacity: ~ <b>110 MTY</b>
ITP Cement Capacity: 25.5 MTY
Domestic Consumption: ~ <b>70MT</b> (2018A)
Bag - Bulk Ratio : ~ <b>75-25</b>
Cement Consumption (per capita): ~262 kg
Main Players: <b>Semen Indonesia, Indocement, Conch, Bosowa, Cemindo</b>

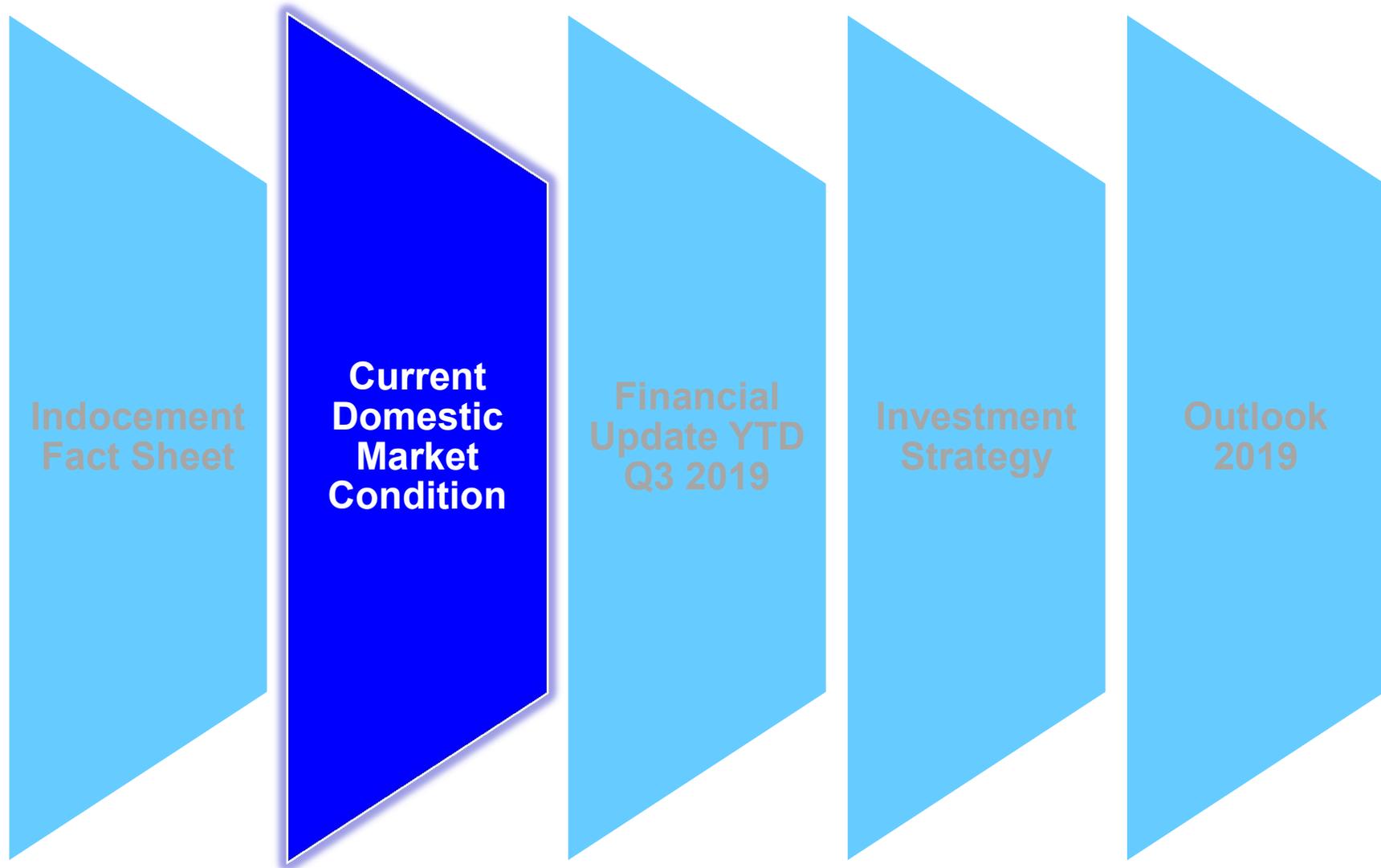


## Indocement Overview YTD Q3 2019

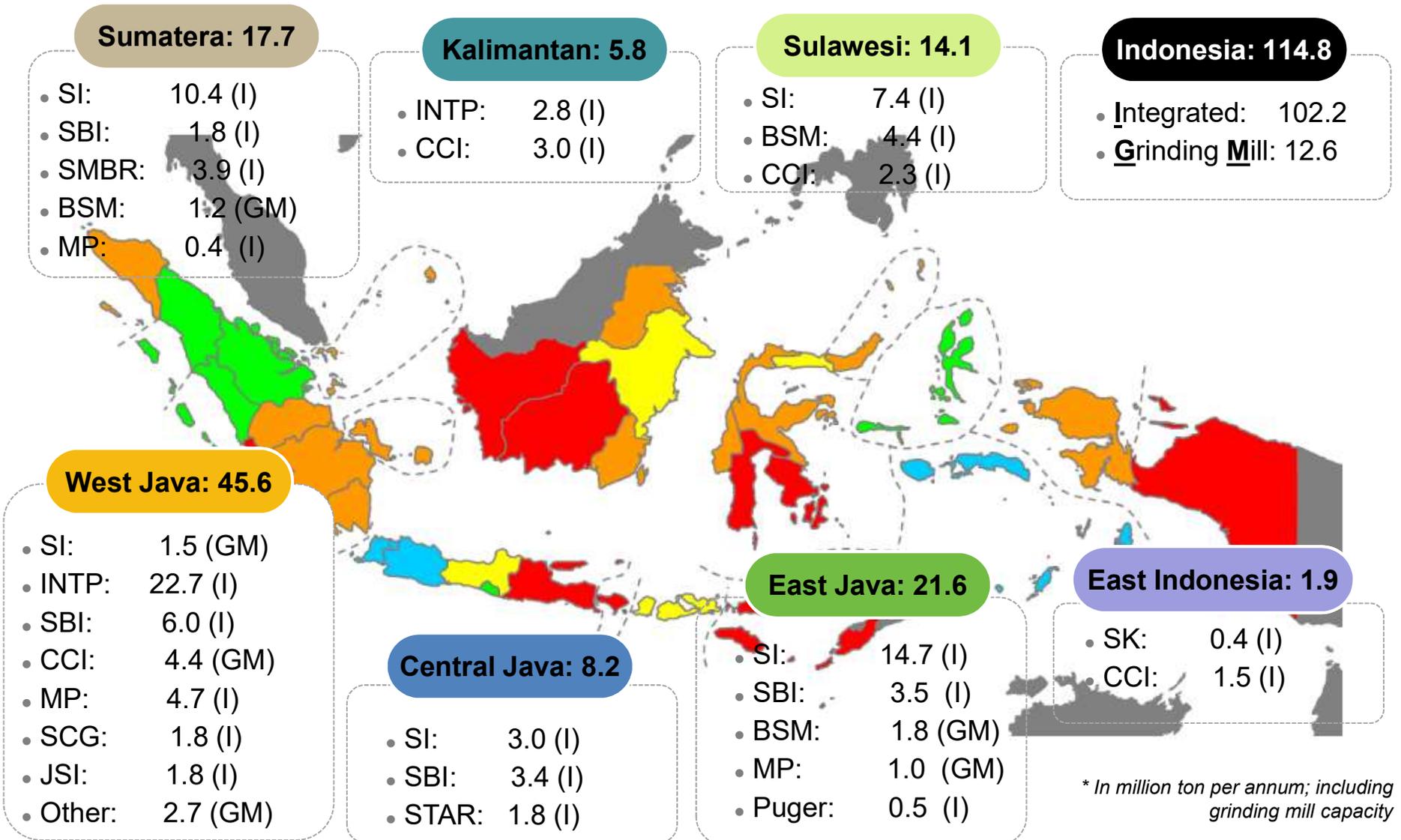
### Strong position with further upside potential

- Source of growth is now back to our home market – Western Java, +2.0% YoY growth compared to last year.
- Net Revenues increased by +5.3% to IDR 11.3 trillion due to higher average selling price (domestic) by +8.0% YoY combined with lower sales volume by -1.9%
- Margin continues to improve through lower coal price & operational efficiency
- Net Income increased of 90.4% from IDR 617.7bio to IDR 1,175.8bio
- Strong balance sheet with no debt and, cash & cash equivalent to IDR 6.0t
- Program Launch Initiative:
  - **TOKO CARE**: short training program for customers as well as prospective customers of material stores that targeted at mason/supervisor around the stores
  - **Tiga Roda Go Digital! TIRO SYSTEM**: a digital system to integrate entire sales process end-to-end, from supply, distribution, warehousing, inventory, sales, administration and customer service in Indocement and all distributors' network.

# Agenda



# Indonesia Cement Industry 2019 Landscape

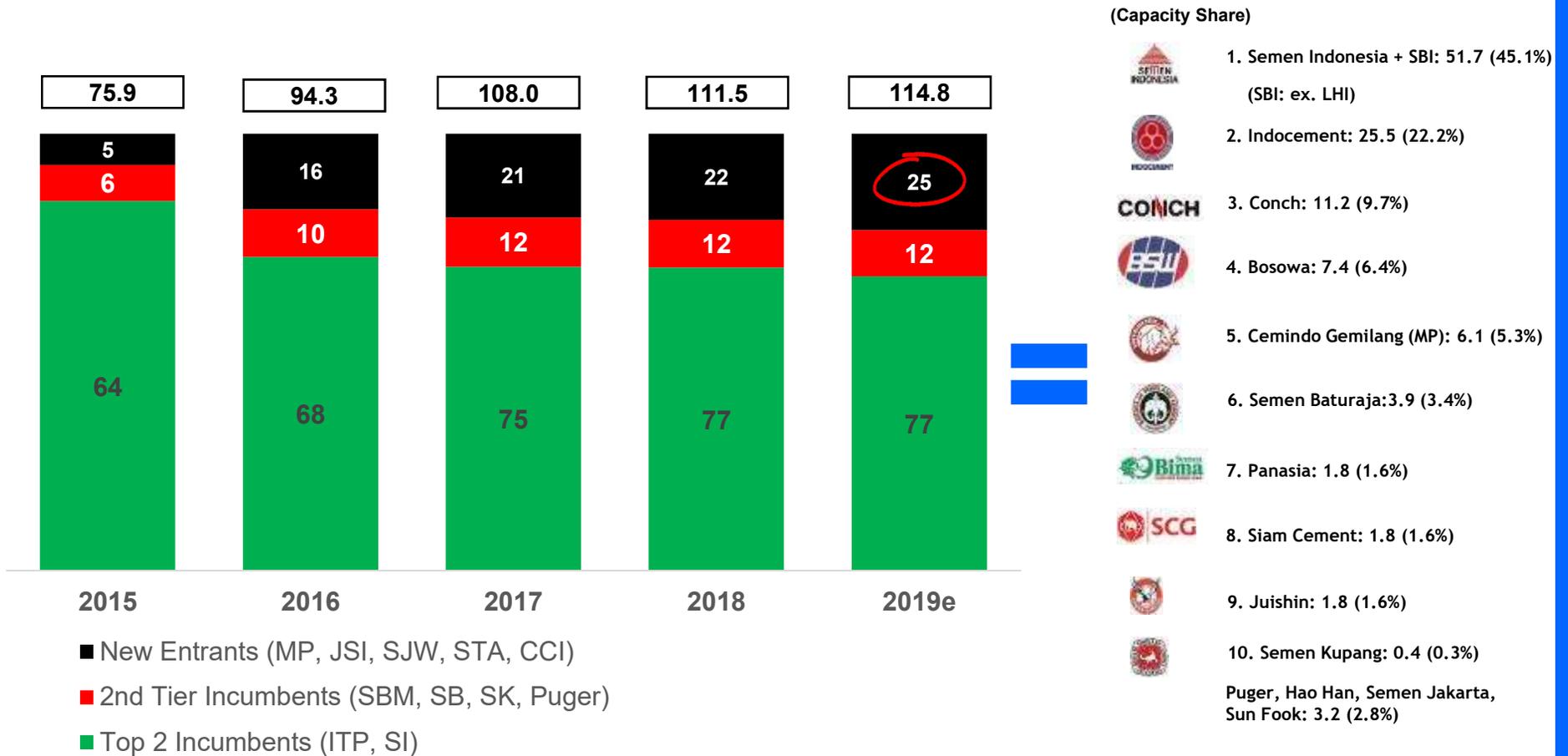


SI: Semen Indonesia, INTP: Indocement, SBI: Solusi Bangun Indonesia (ex. Lafarge Holcim), CCI: Conch, MP: Merah Putih, SCG: Siam, JSI: Jui Shin, SMBR: Baturaja, BSM: Bosowa, SK: Semen Kupang, Puger, STAR: Semen Bima, Other: Hao Han, Semen Jakarta, Sun Fook



# Indonesia Cement Industry 2019 Capacity Share

Capacity in million Tons per Annum



**Capacity Grew by 3.0% YoY in 2019e**

Source: Asosiasi Semen Indonesia

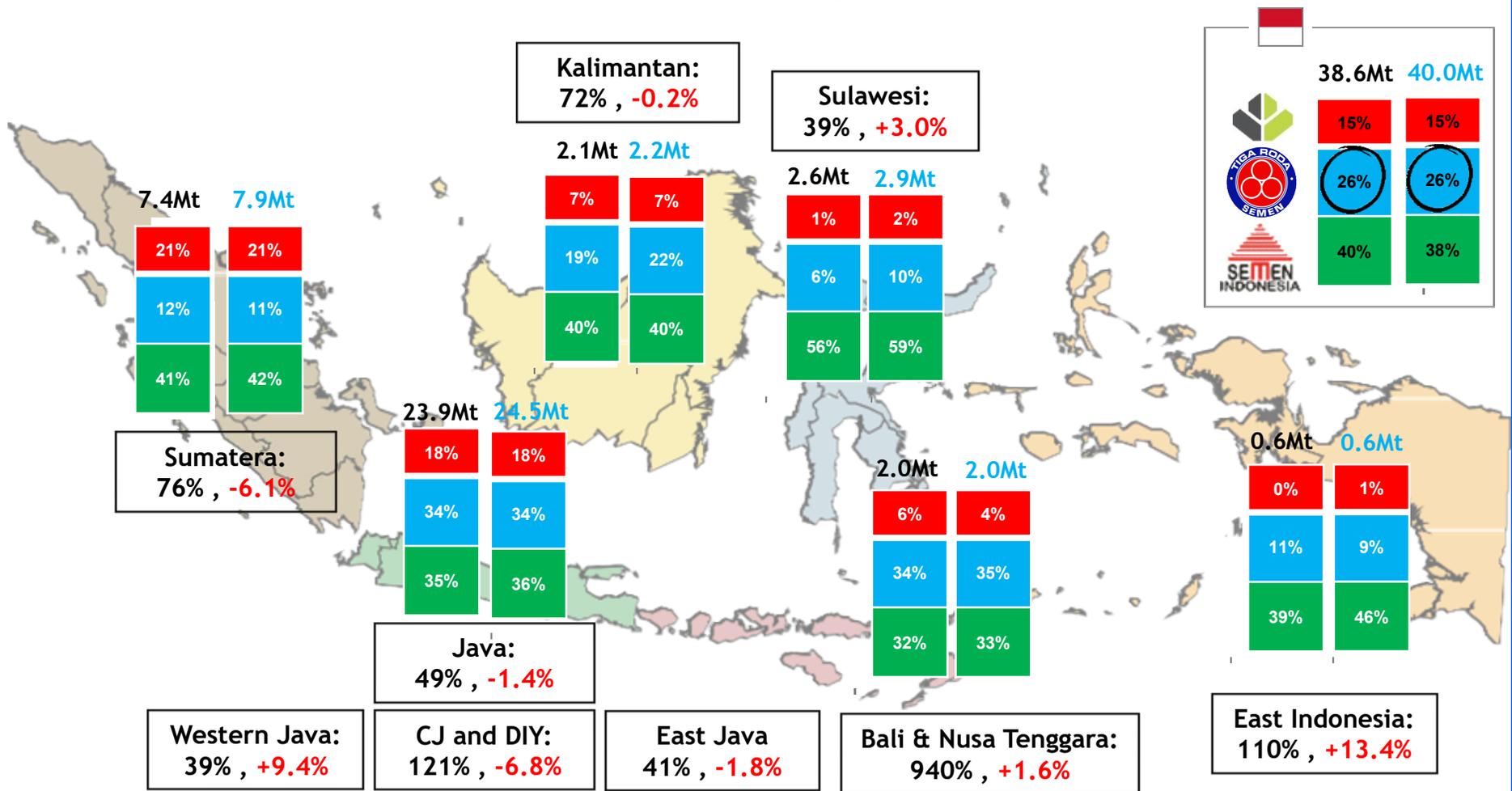


# Regional Shift of Demand:

*West Java remains strong with increasing demand at East side of Indonesia*

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

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



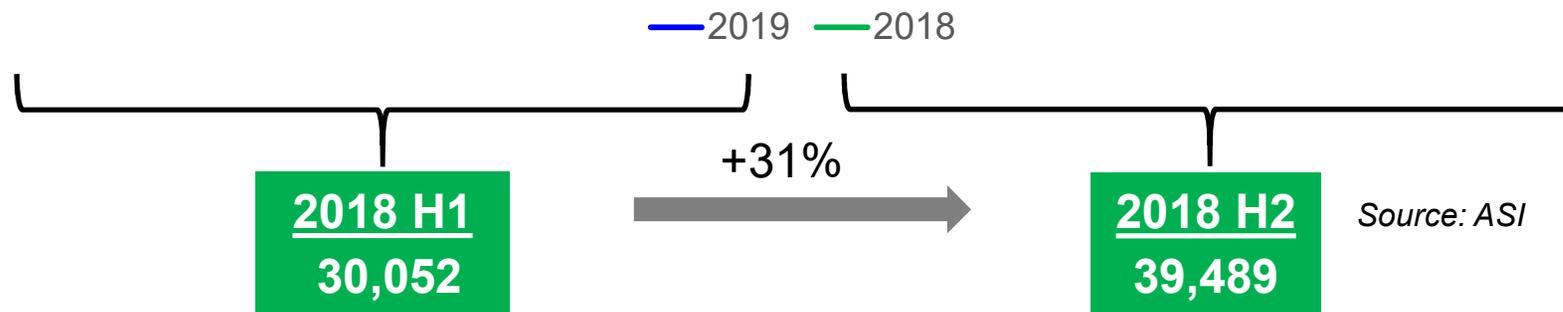
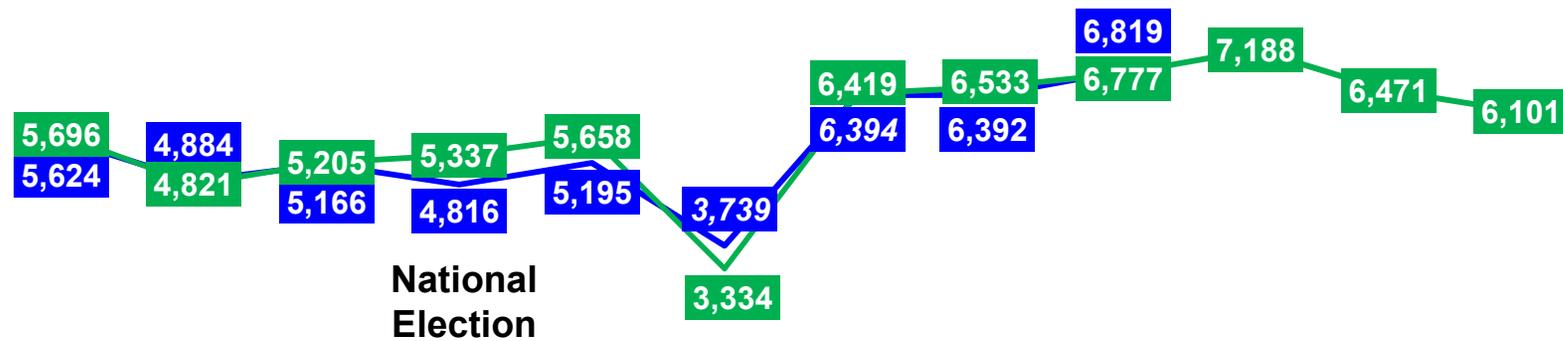
Source: Indonesia Cement Association

Note: Semen Indonesia acquired LafargeHolcim on 31<sup>st</sup> January 2019 & changed name to Solusi Bangun Indonesia



# Total September 2019 Volume is -1.5% YoY

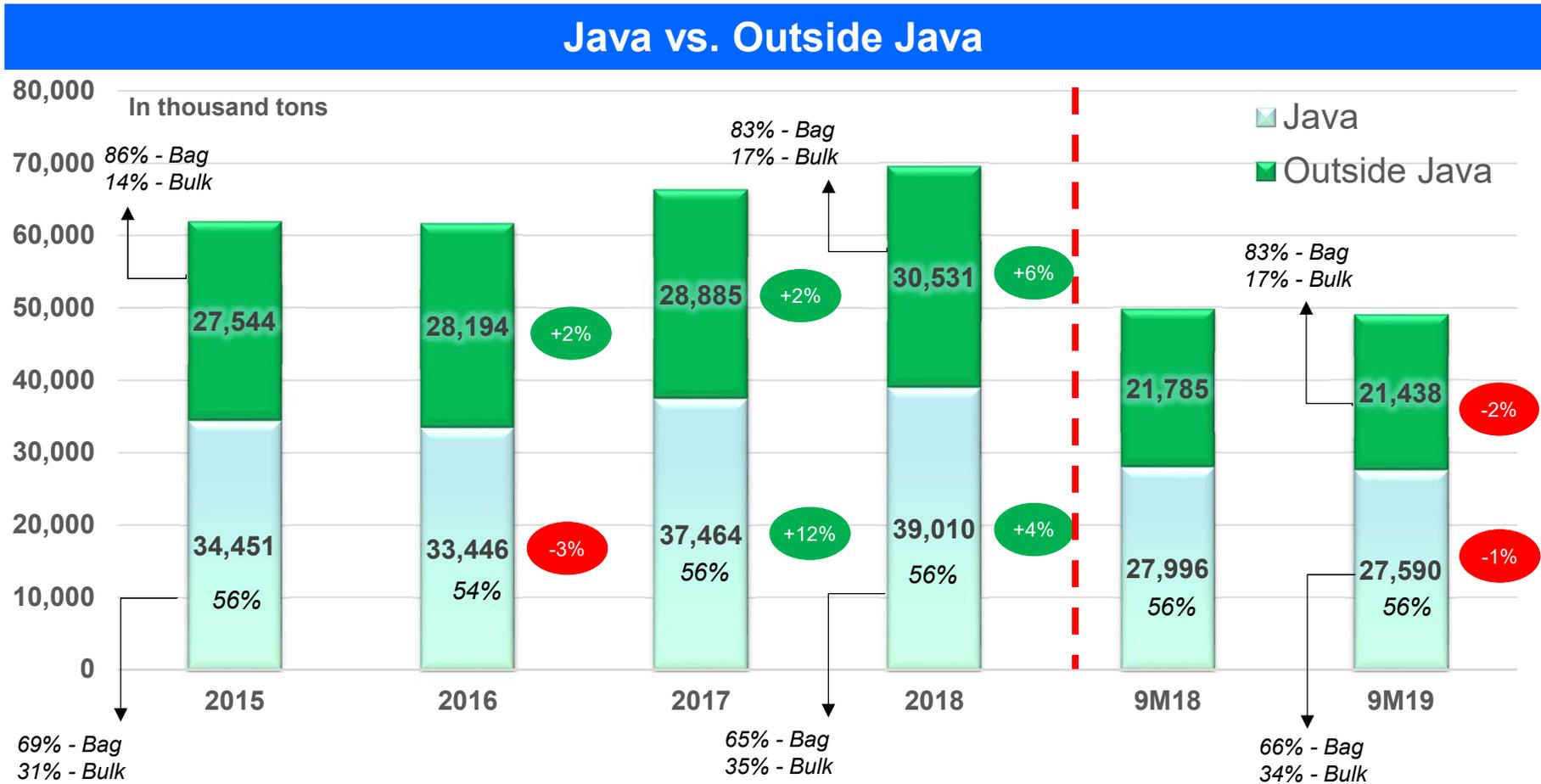
However volume in September started to show recovery



Overall positive demand for remaining of 2019 is expected

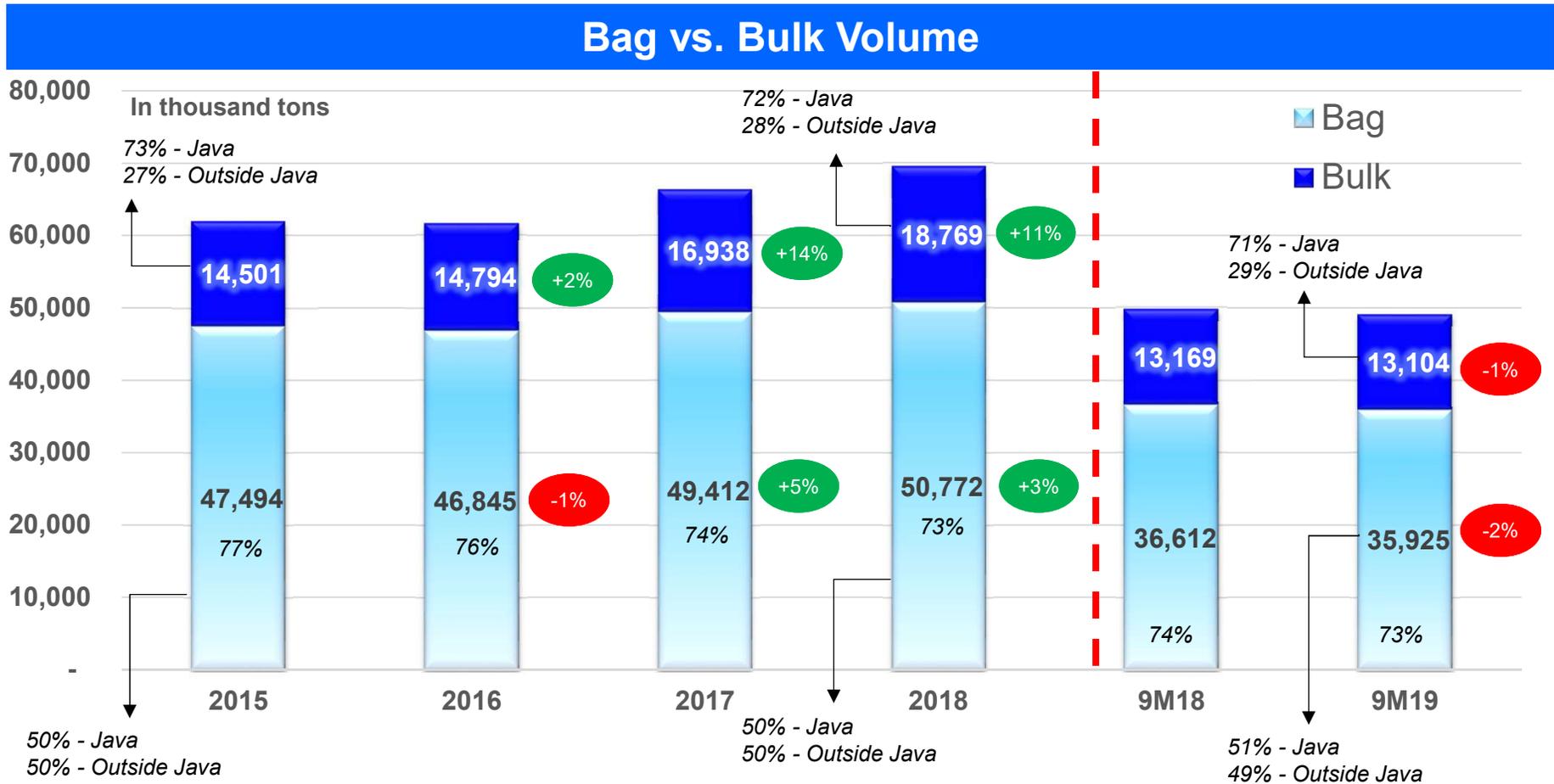
Total sales volume in 1<sup>st</sup> half of 2018 was +31% higher than 2<sup>nd</sup> half of 2018

# Demand shifts back to Java towards end of year



- **Java holds roughly 50% of Indonesia bag volume as of YTD Q3 2019, with about 40% of Java volume concentrated in overall western Java**

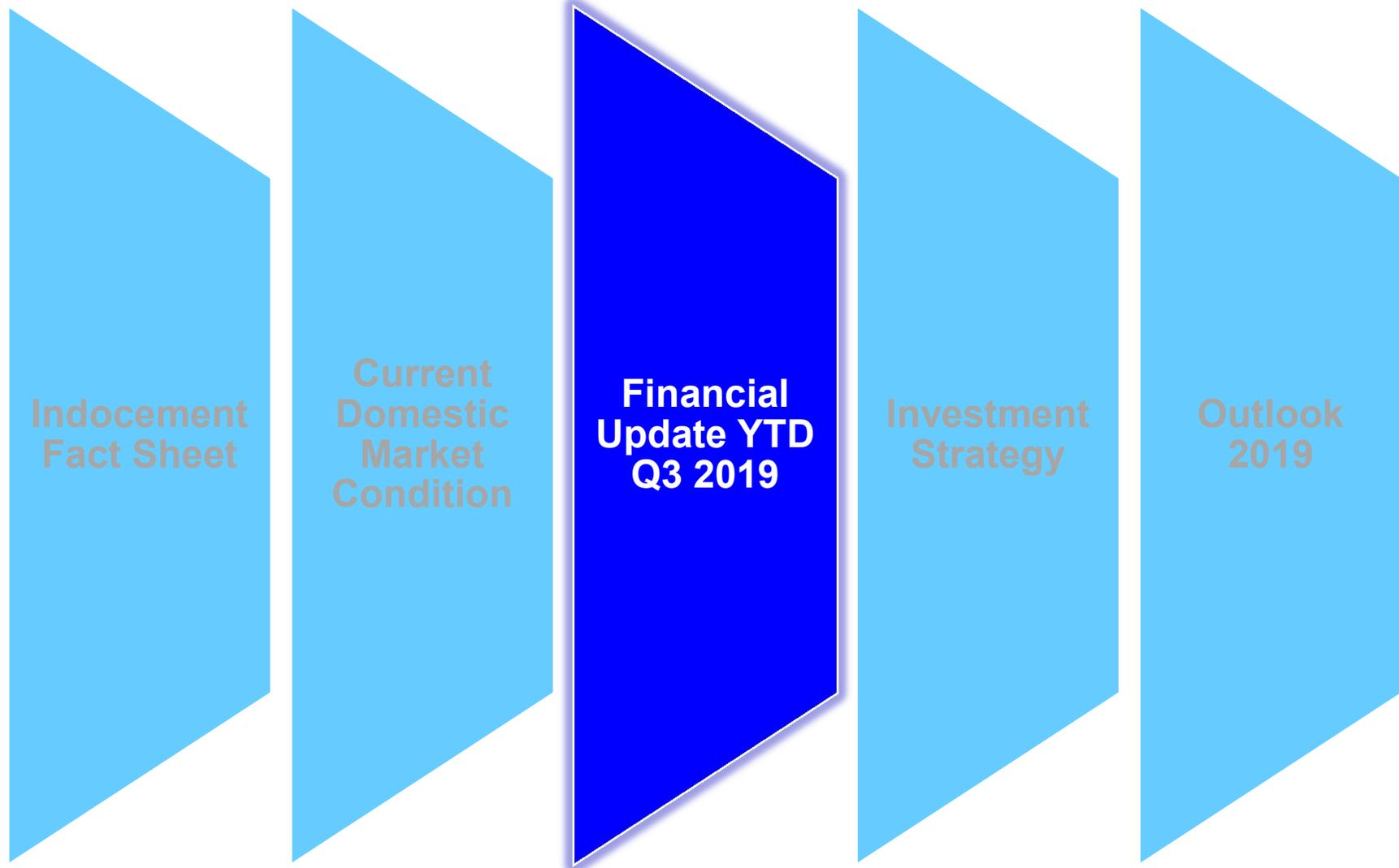
# Stronger demand for Bulk



- **Java holds roughly 70% of Indonesia bulk volume in YTD Q3 2019 in which overall Western Java captures about 60% of Java volume**
- **Stronger bulk demands remains for rest of the year**



# Agenda





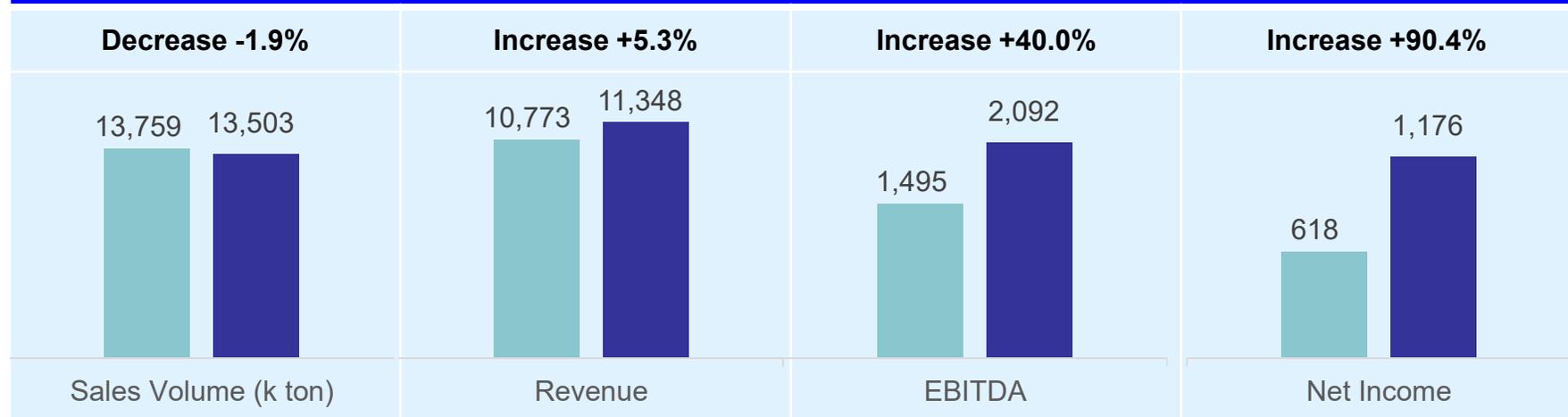
# Financial Highlights

## Financial Attributes

- Net Revenues increased by +5.3% to IDR 11.3 trillion vs. IDR 10.8 trillion
- Gross Profit improved by +27.8% to IDR 3.7 trillion vs. IDR 2.9 trillion
- Cost of Revenues of YTD Q3 2019 decreased by -2.8% due to lower sales volume of -1.9% coupled with lower Cost of Revenues per ton by -1.0% compared to same period last year, or from IDR 7,894 billion to IDR 7,670 billion.
- EBITDA margin improved by 450 bps from 13.9% to 18.4%;
- Operating Income improved by 580 bps from 4.9% to 10.7%
- Finance Income increased by +19.5% from IDR 225.2 billion to IDR 269.2 billion
- Net Income increased by +90.4% from IDR 617.7 billion to IDR 1,175.8 billion
- Cash position of IDR 6.0 trillion with 0 debt

■ YTD Q3 2018    
 ■ YTD Q3 2019

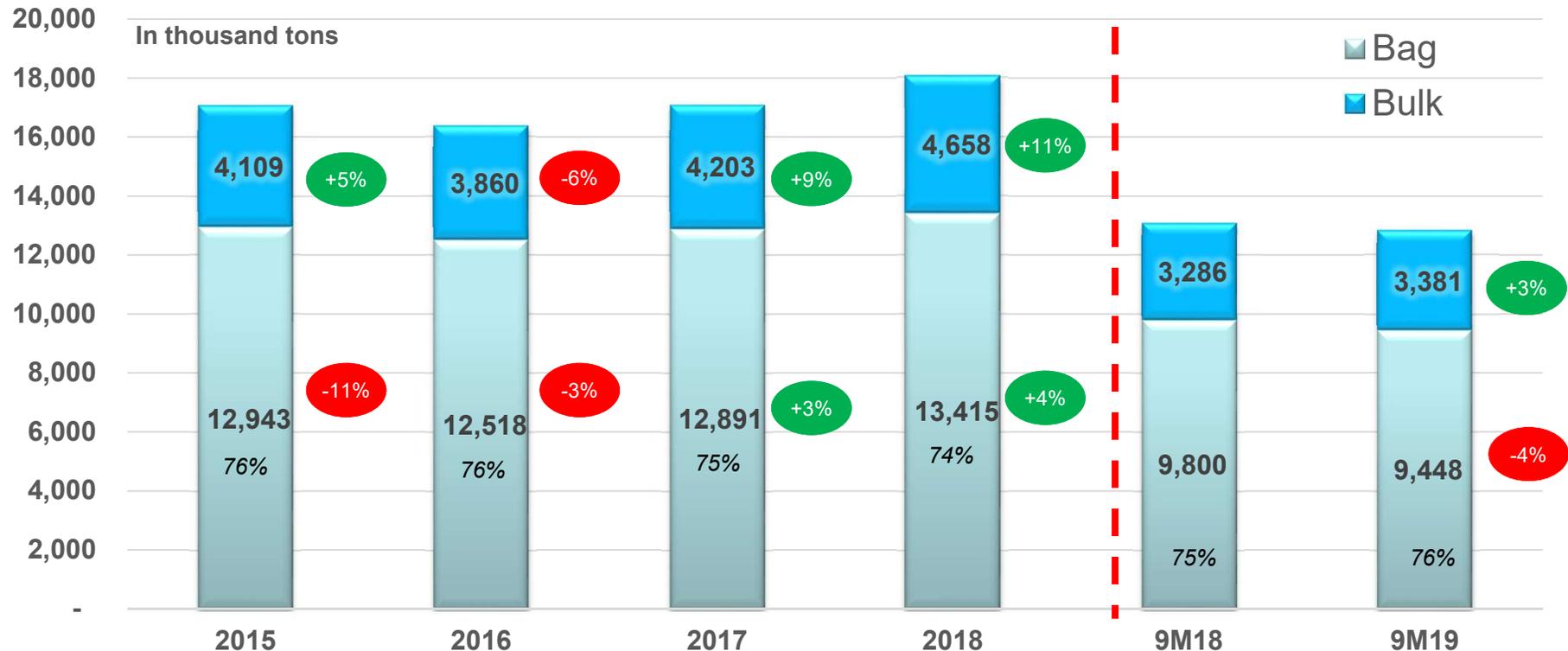
## Operational Result (IDR bio)





## Our home market West Java continues strong on Bulk

### Bag/Bulk Sales Composition

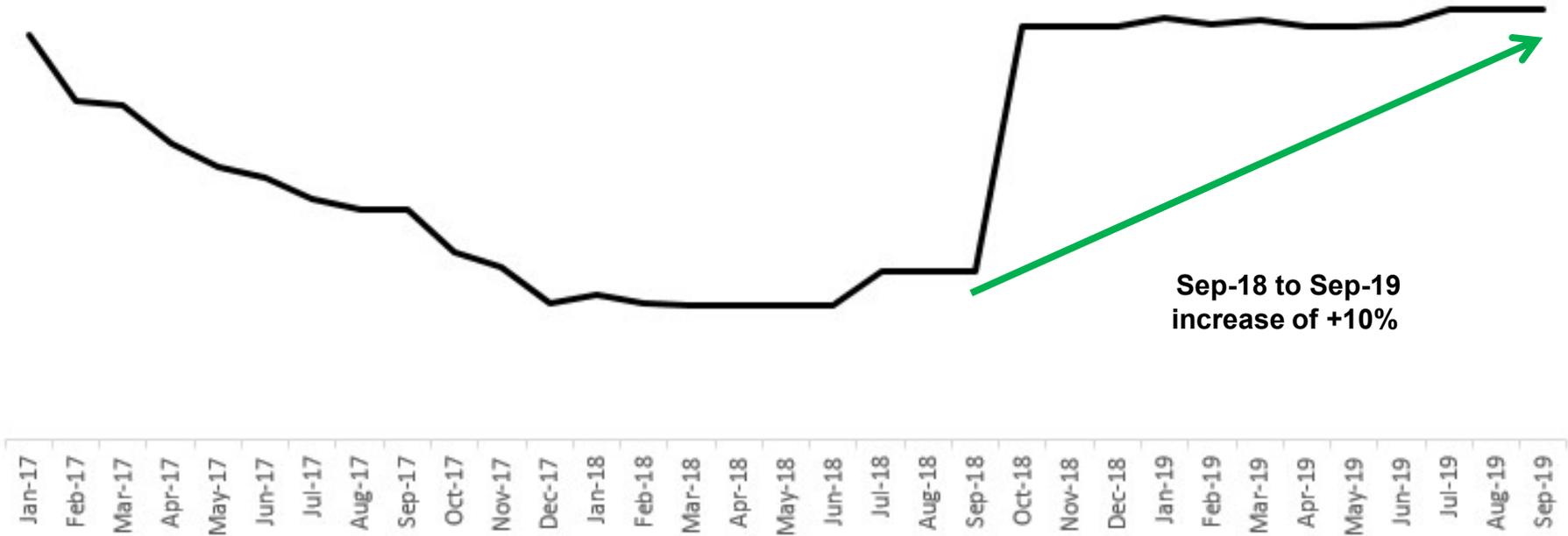


- **Composition of bag vs bulk sales for YTD Q3 2019 is 76% vs. 24%**
- **Indocement positions itself as a reliable partner for infrastructure and commercial projects providing quality bulk cement and concrete at timely delivery**



# Challenging Years, but The Worst is Left Behind

More Stable Pricing in 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!

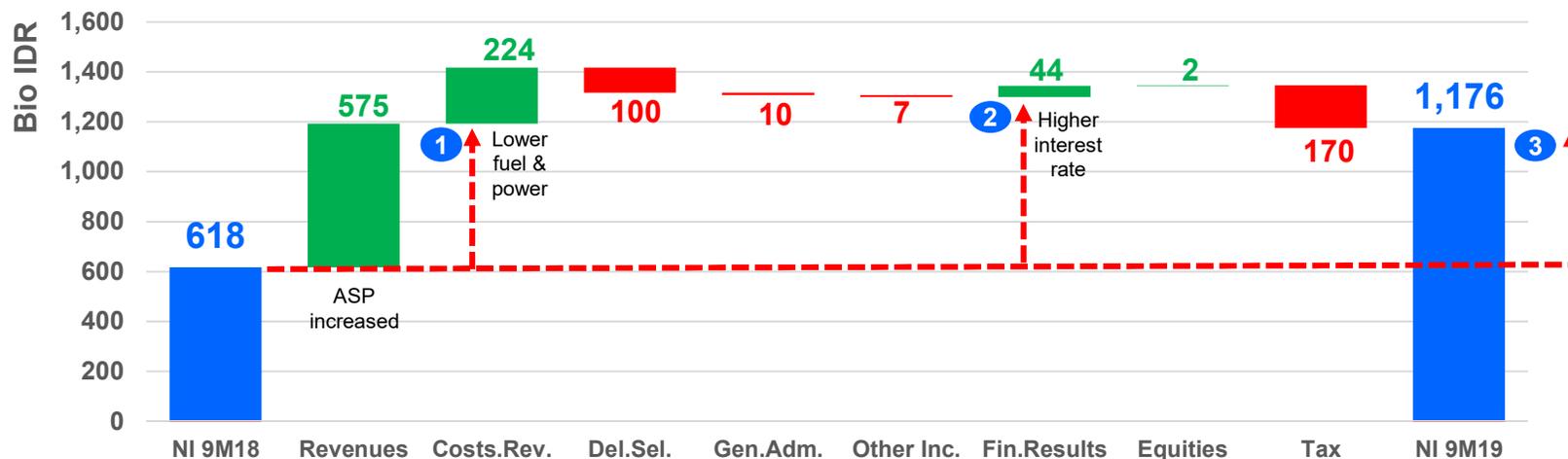


# Consolidated Statement of Comprehensive Income

Description	YTD Q3 2019 IDR Bio	YTD Q3 2018 IDR Bio	Variance	
			IDR Bio	%
Total Sales Volume (thousand tons)	13,503	13,759	-256	-1.9%
Domestic Sales Volume (thousand tons)	13,400	13,659	-259	-1.9%
Export Sales Volume (thousand tons)	103	100	3	2.9%
<b>Net Revenues</b>	<b>11,347.9</b>	<b>10,772.9</b>	<b>575.1</b>	<b>5.3%</b>
<b>Cost of Revenues</b>	<b>-7,670.3</b>	<b>-7,894.4</b>	<b>224.0</b>	<b>-2.8%</b>
<b>Gross Profit</b>	<b>3,677.6</b>	<b>2,878.5</b>	<b>799.1</b>	<b>27.8%</b>
<i>% of Net Revenues</i>	<i>32.4%</i>	<i>26.7%</i>		
<b>Operating Expenses</b>	<b>-2,492.1</b>	<b>-2,381.8</b>	<b>-110.3</b>	<b>4.6%</b>
<b>Other Operating Expense - Net</b>	<b>23.1</b>	<b>29.9</b>	<b>-6.8</b>	<b>-22.8%</b>
<b>Operating Income</b>	<b>1,208.6</b>	<b>526.7</b>	<b>681.9</b>	<b>129.5%</b>
<i>% of Net Revenues</i>	<i>10.7%</i>	<i>4.9%</i>		
<b>EBITDA</b>	<b>2,092.2</b>	<b>1,494.9</b>	<b>597.3</b>	<b>40.0%</b>
<i>% of Net Revenues</i>	<i>18.4%</i>	<i>13.9%</i>		
<b>Finance Income - Net</b>	<b>269.2</b>	<b>225.2</b>	<b>44.0</b>	<b>19.5%</b>
<b>Equity in Net Earnings of Associated Companies - Net</b>	<b>12.0</b>	<b>9.6</b>	<b>2.4</b>	<b>25.3%</b>
<b>Income before Final Tax and Income Tax Expense</b>	<b>1,489.7</b>	<b>761.5</b>	<b>728.3</b>	<b>95.6%</b>
<b>Net Income for the Period</b>	<b>1,175.8</b>	<b>617.7</b>	<b>558.1</b>	<b>90.4%</b>
<b>Other Comprehensive Loss for the Period, Net of Tax</b>	<b>-0.3</b>	<b>2.3</b>	<b>-2.7</b>	<b>-114.9%</b>
<b>Total Comprehensive Income for the Period</b>	<b>1,175.4</b>	<b>620.0</b>	<b>555.4</b>	<b>89.6%</b>

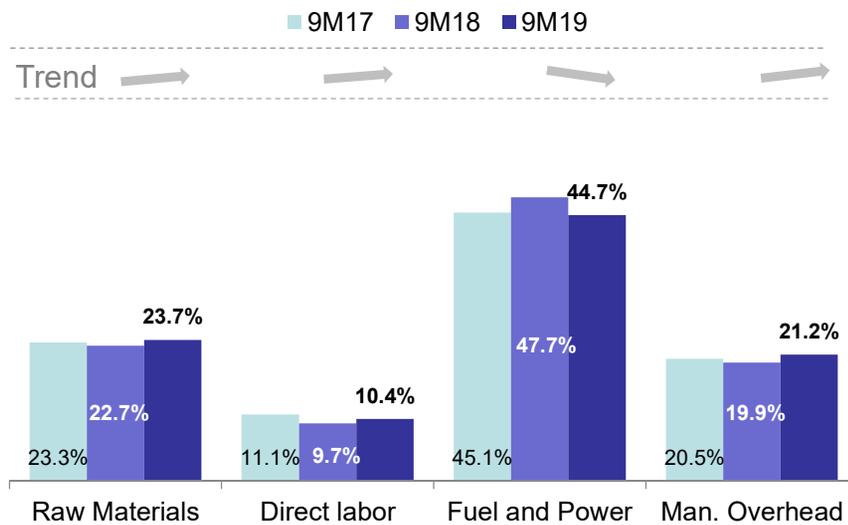
EBITDA margin expansion from 13.9% to 18.4% attributed to:

- Higher ASP (domestic) by +8%
- Fuel & power cost per ton decreased by -8%



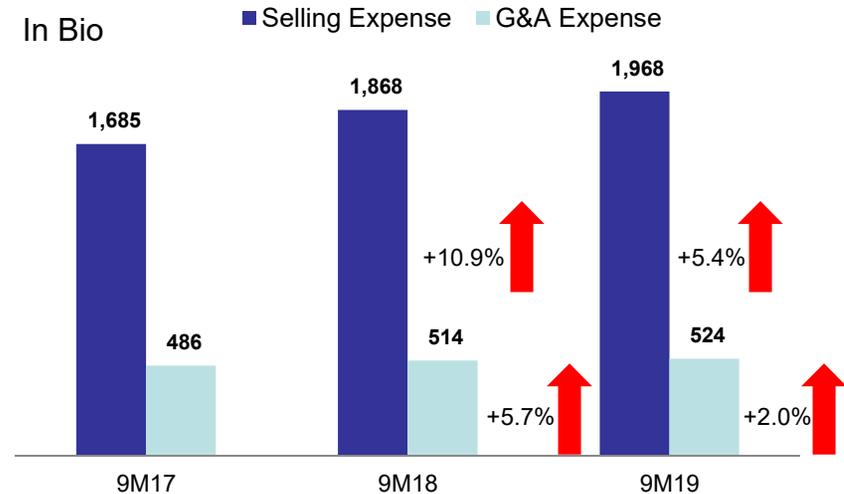
# Strategic cost allocation to capitalize on market growth

## Composition of Manufacturing Cost



- Raw Materials & Direct Labor generally follow inflation & wage increase
- Low coal price especially low CV coal reduced Fuel and Power cost
- Manufacturing Overhead increased was due to higher consumables related to repair and maintenance, including Tarjun overhaul

## Operating Expenses

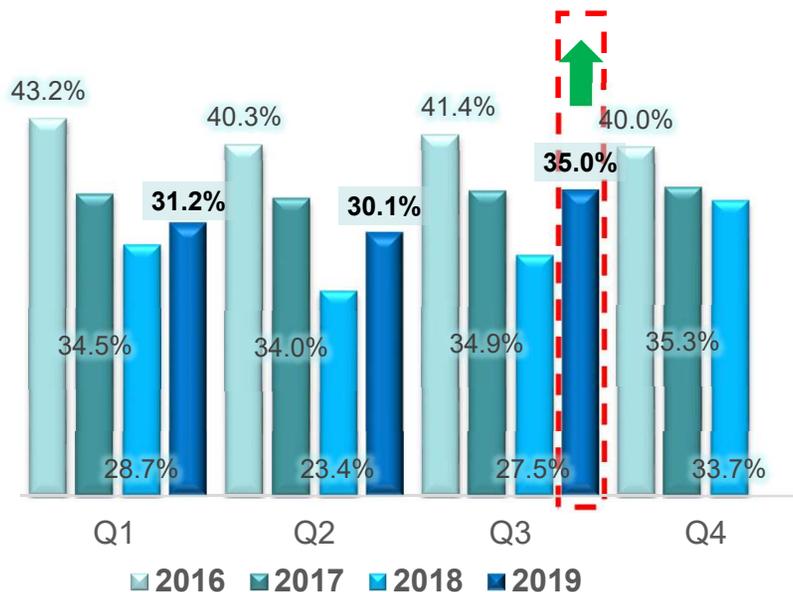


- Higher Selling Expenses can be attributed to general inflation and operation of new terminals (Lampung & Palembang) in 2018

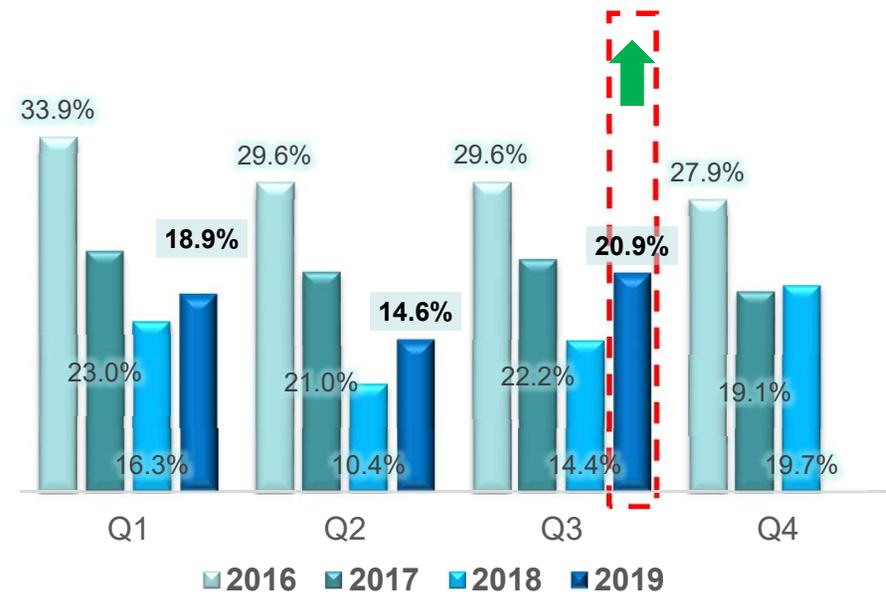
# Continue in Cost Leadership maintaining decent margin

Pricing discipline point to sustain recovery period while continuing efficiency effort on fixed cost

### Gross Margin Development



### EBITDA Margin Development



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

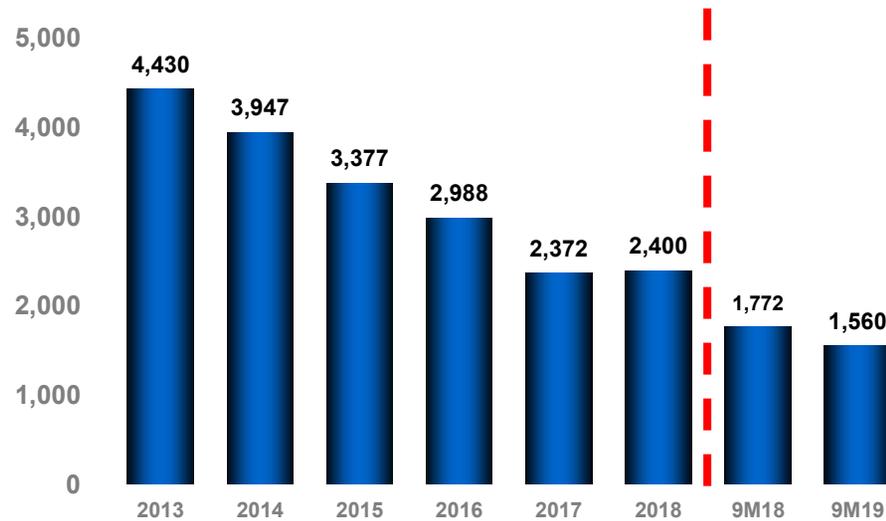
- **Operational Excellence program**
- **Fixed cost reduction program**
- **Managing efficient kiln utilization**



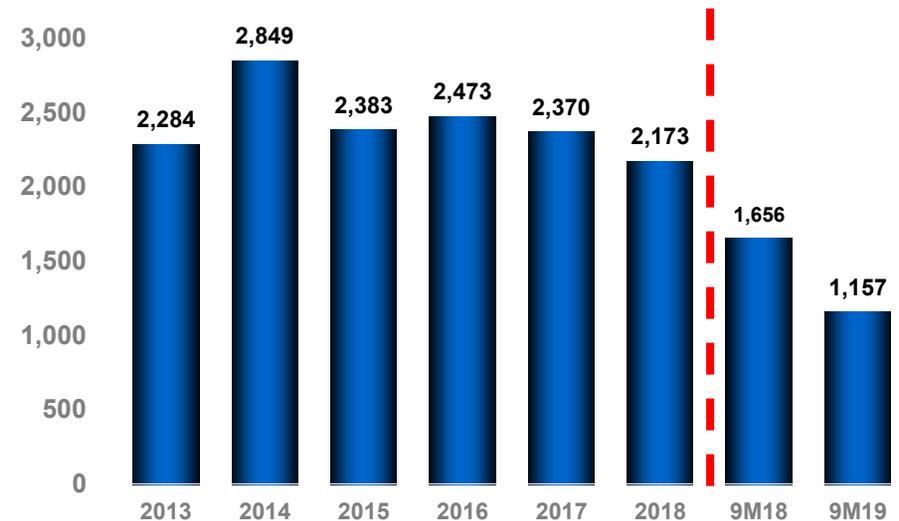
# Strategy under current tight competition

## Vertical Integration in Ready-Mix Concrete & Aggregates

RMC Sales Volume – ‘000 m3



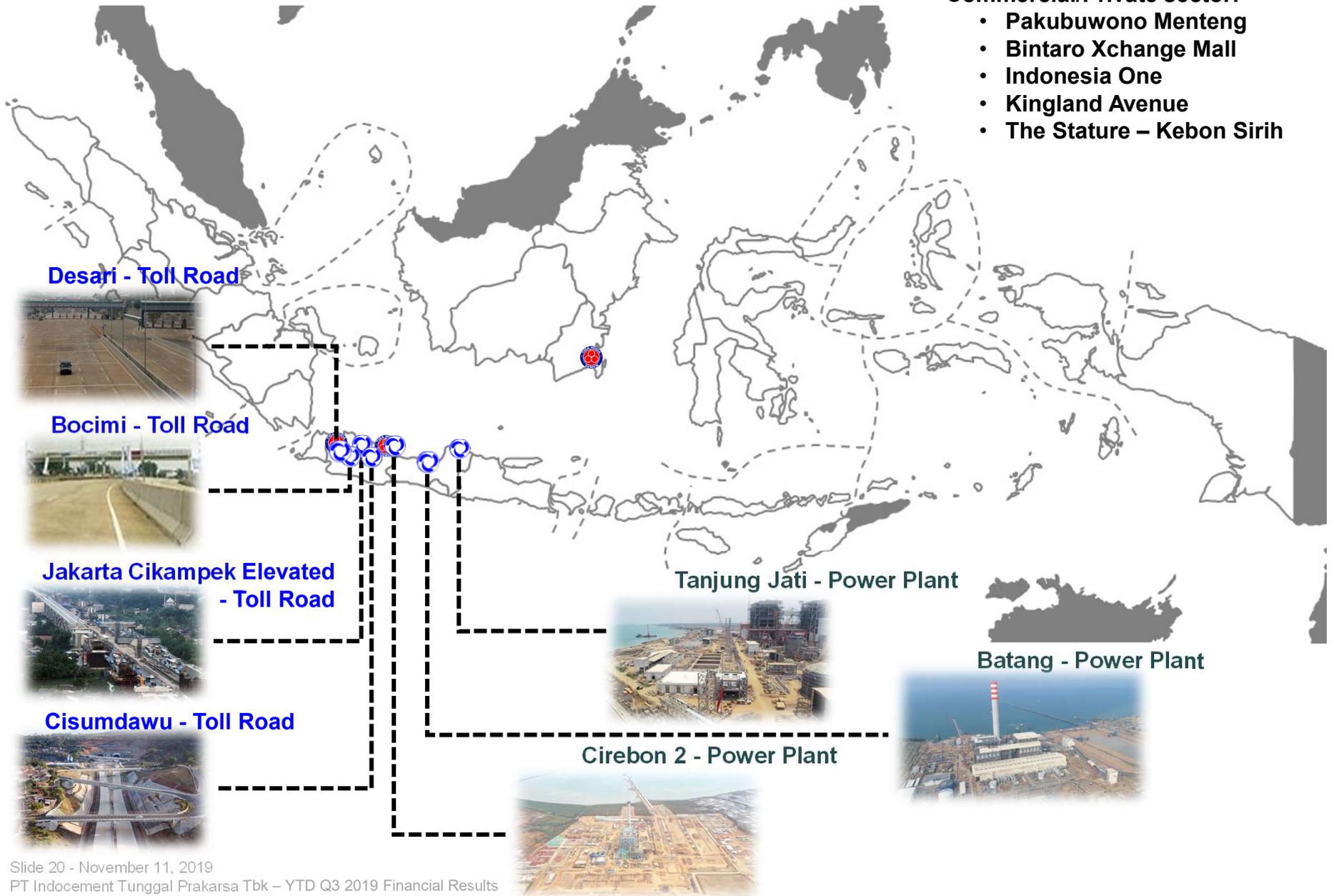
AGG Sales Volume – ‘000 t



**ReadyMix business** to continue focus on special infrastructure projects run by SOE/private companies/foreign contractors, including and stronger penetration into small medium enterprise markets

# Major ReadyMix Projects

- Major projects from Commercial/Private sector:
  - Pakubuwono Menteng
  - Bintaro Xchange Mall
  - Indonesia One
  - Kingland Avenue
  - The Stature – Kebon Sirih





## Persistence of strong Balance Sheet position

Description	Sep 30, 2019	Dec 31, 2018	Variance	
	IDR Bio	IDR Bio	Bio IDR	%
<b>Current Assets</b>	11,518.4	12,315.8	-797.4	-6.5%
<b>Non-Current Assets</b>	14,860.5	15,472.8	-612.3	-4.0%
<b>Current Liabilities</b>	3,320.5	3,925.6	-605.1	-15.4%
<b>Non-Current Liabilities</b>	686.0	641.3	44.7	7.0%
<b>Equity</b>	22,372.4	23,221.6	-849.2	-3.7%
<b>Total Assets = Total Liabilities + Equity</b>	26,378.9	27,788.6	-1,409.7	-5.1%

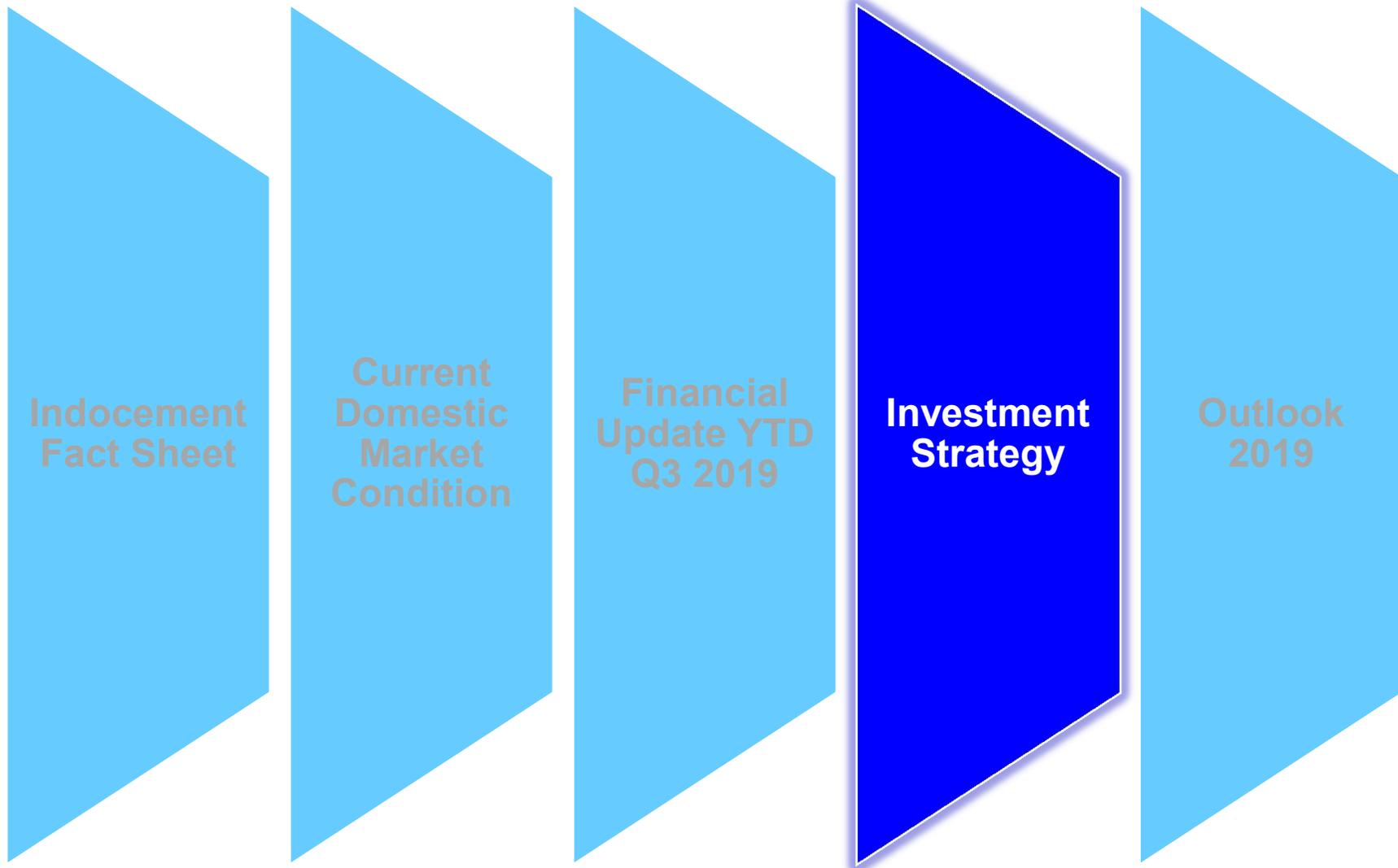
- Cash and cash equivalents at IDR 6.0 trn.
- Capital expenditures for YTD Q3 2019 was IDR 366 bio of total 2019 capex planned of IDR 891 bio
- Dividend Payment history:

In Bio IDR	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





# Indocement 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

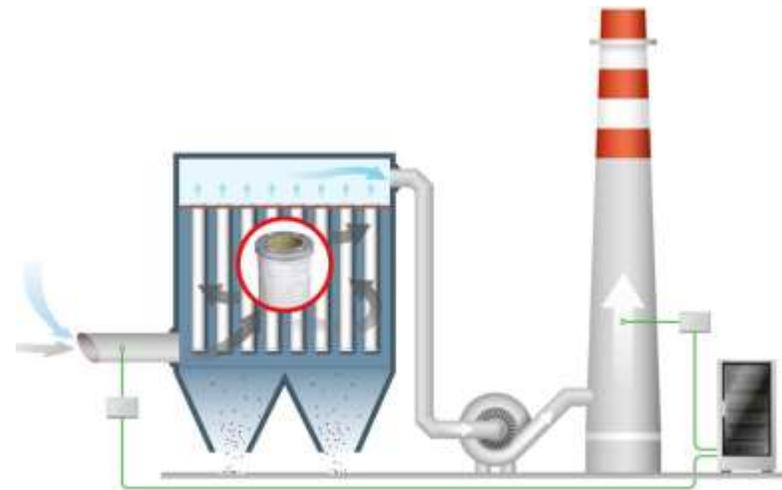
- Shared service center covers all business lines to enhance working capital management

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

## 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:

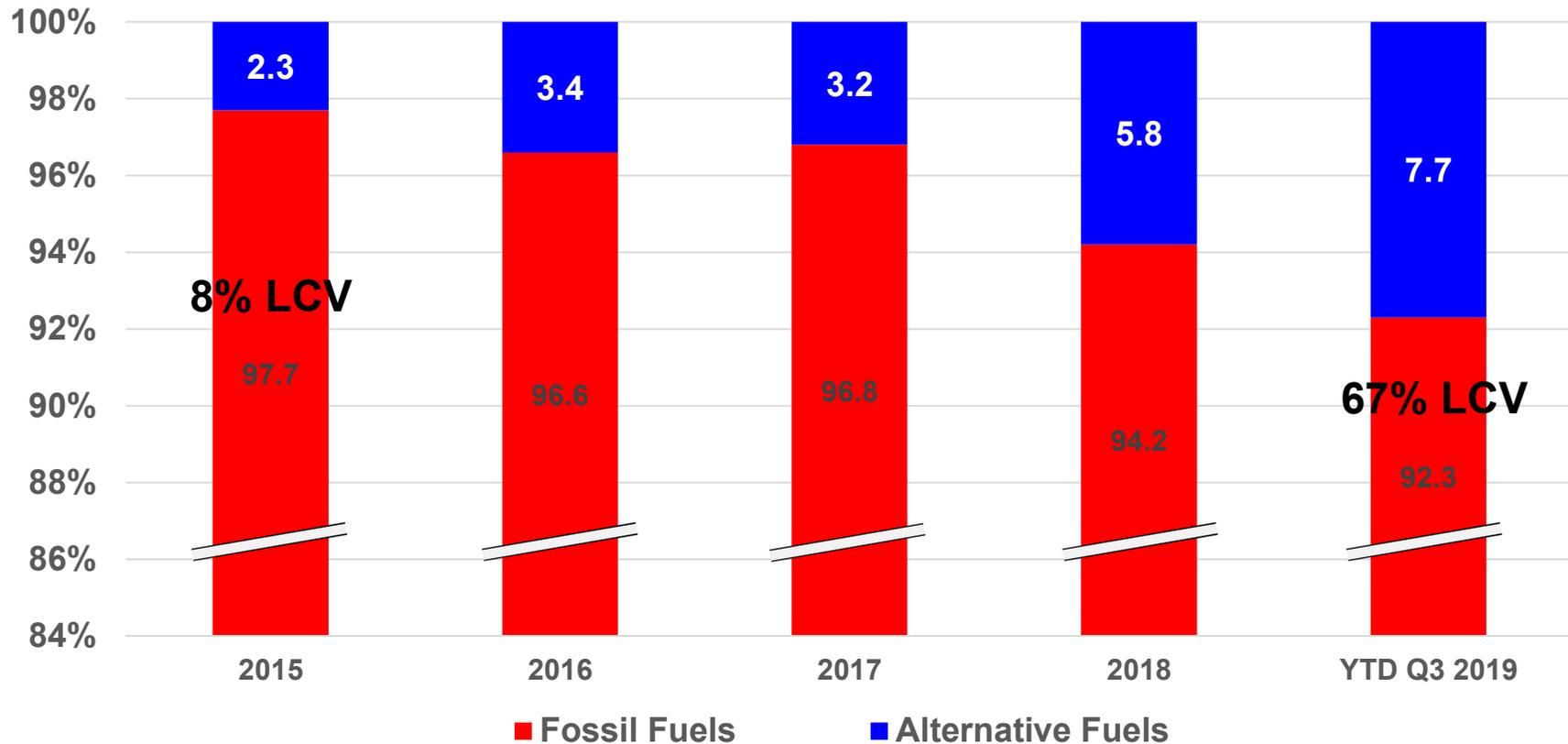
Location	Plant	Year	Status
Cirebon	P9	2015	Completed
Cirebon	P10	2017	Completed
Citeureup	P4	2017-2018	Completed
Citeureup	P8	2020	Scheduled
Citeureup	P5	2020	Scheduled
Citeureup	P11	2020	Scheduled
Tarjun	P12	2020	Scheduled
Citeureup	P7	2022	Scheduled
Citeureup	P3	2022	Scheduled





# Cost Efficiency Measure

*Increasing Usage of Alternative Fuel*



**Continuous effort on reducing coal as primary source of energy**

# Agenda

Indocement  
Fact Sheet

Current  
Domestic  
Market  
Condition

Financial  
Update YTD  
Q3 2019

Investment  
Strategy

Outlook  
2019



## Outlook of Indonesian Cement Market

- ✔ Foreseen positive growth in Q4 2019 due to stable political situation after inauguration of President and Vice President combined with dry season and most projects to maximize their 2019 budget spending this last quarter. However it is estimated that **full year growth to be flat at maximum.**
- ✔ Reduction of tax on high end housing and LTV relaxation including recent cut of BI interest rate are expected to increase demand market for residential property.
- ✔ Expectation for the new cabinet to provide **breakthrough steps that opened up Indonesia's economic opportunities to grow** amid on-going trade tension and global slowdown.
- ✔ 2020 is deemed to be a busy year for our home market in Jabodetabek and West Java areas as there are further continuation of various infrastructure constructions, e.g., integrated transportation modes, stadiums, roads including residential houses. Therefore, we are optimist to have **positive outlook growth for next year of 3% to 4%.**
- ⚠ **ODOL Policy (OverSize & OverDimension) which will increase all cement players trucking cost significantly.** More restriction & enforcement have been & will be applied more such as installation of Weigh in Motion (WIM) system at toll gates, system integration b/w Transportation Ministry & Police.
- ⚠ **With over supply condition continues of ±40mio ton, tight competition remains and pricing would continue to be one of key strategies for cement players.**



# THANK YOU!



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dalam jumlah besar?*



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*Better shelter for better life.*

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