



INDOCEMENT
HEIDELBERGCEMENT Group

PT INDOCEMENT TUNGGAL PRAKARSA Tbk. **Q1 2020 Financial Results**



**Continuous
Improvement:**
Leaner and Greener



Indocement Fact Sheet & Indocement Today



Current Domestic Market Condition



Financial Update Q1 2020



Investment Strategy



Outlook



Q & A



INDONESIA AT GLANCE

Strong Footprint in West Java as Key Advantage for Indocement

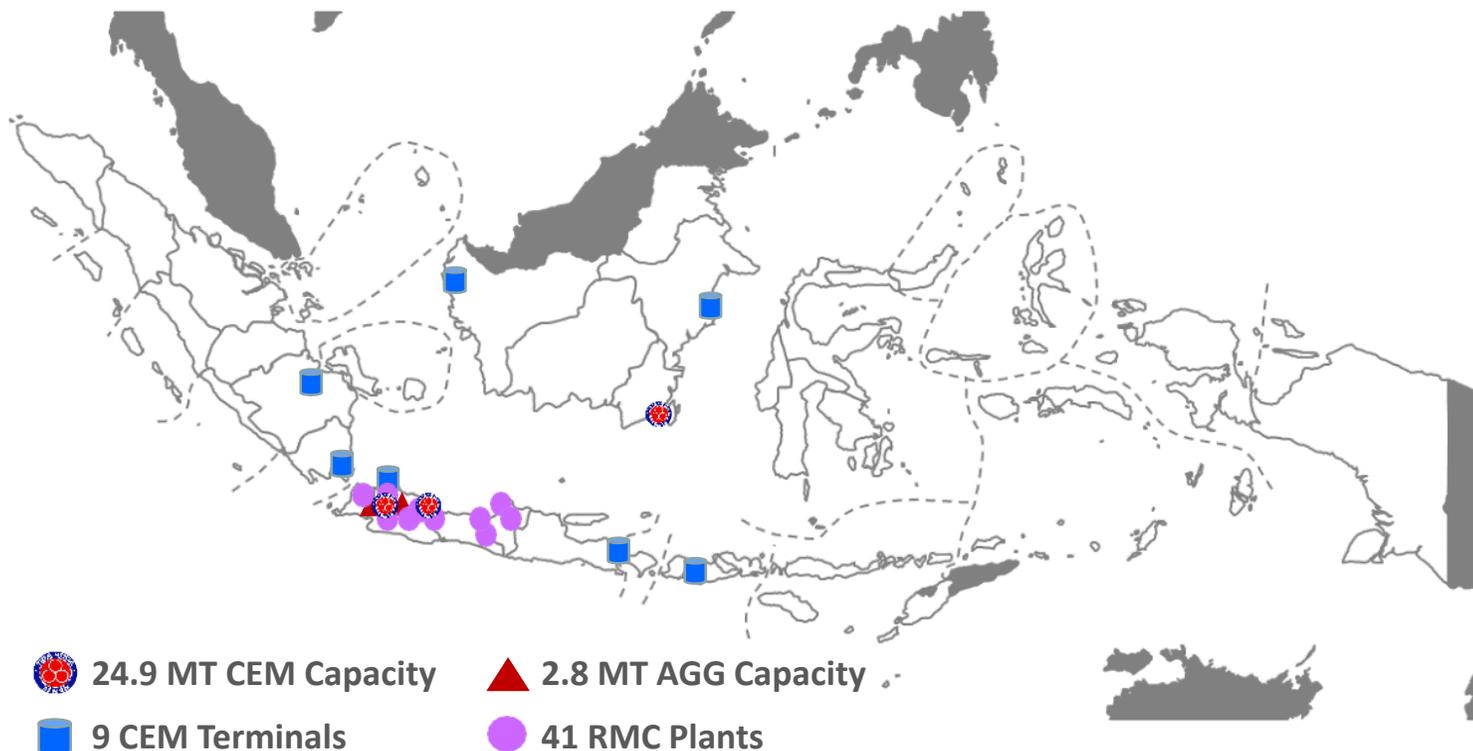
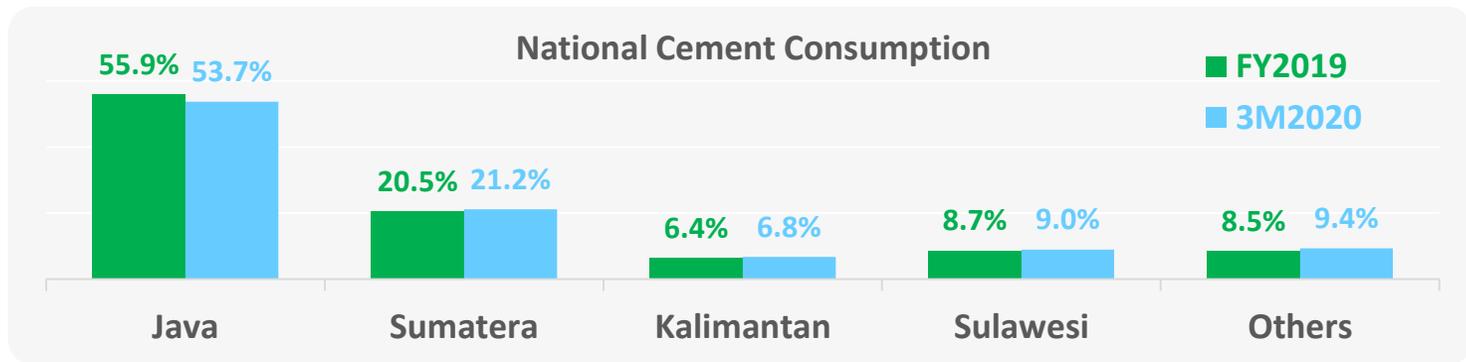


Indonesia Facts

Capital City : **Jakarta**
 Population : **~ 261.1 Million**
 Density : 138/km2 (357/sq mi)
 GDP (2019E) : USD 1,100 Trillion
 GDP Per Capita : **USD 4,120**
 IDR/USD Rate : ~13,500-14,500

Cement Industry

No. of Companies : 16
 Cement Capacity : **~115 MTY**
 ITP Cement Capacity : 24.9 MTY
 Domestic Consumption : **~70MT (2019A)**
 Bag - Bulk Ratio : **~77-23**
 Cement Consumption : ~262 kg/capita
 Main Players : **Semen Indonesia, Indocement, Conch, Bosowa, Cemindo**



TIGA RODA FAMILY



Portland Composite Cement (PCC). Designed for general constructions such as houses, high-rise buildings, bridges, concrete roads, pre-cast and pre-stressed concrete. PCC has equivalent strength with Portland Cement Type I.

Portland Cement (PC). Indocement produces Portland Cement (PC) Type I, II, and V. PC Type I is high-quality cement suitable for a wide variety of applications, such as construction of high-rise buildings, bridges, and roads. PC Type II has a good durability against moderate sulfate content. PC Type V has a good durability against high sulfate content.



Oil Well Cement (OWC). A special type of cement for oil and natural gas drilling both onshore and offshore. OWC is mixed into slurry and then injected between the drilling pipe and oil well casing where it is able to set and harden thus bonding the pipe to the casing. OWC production meets the quality standards production of API (American Petroleum Institute).

White Cement. Used for architecture work, exterior and interior building decorations, including for general construction process. Indocement is the only clinker and white cement producer in Indonesia.



TR30 White Mortar. Used for skin-coating and tile grouting. The composition of TR30 White Mortar consists of “Tiga Roda” White Cement, lime (calcium carbonate) and other special additive materials. Using TR30 White Mortar produces a smoother surface with reduced cracking and surface peeling due to its plasticity and high adhesive properties. It is quick and easy to work with and is sparing in the use of materials. It can be used on concrete surfaces by adding a bonding agent.

Portland Pozzolan Cement (PPC). Made for general construction to meet the community needs for cement with guaranteed quality at an affordable price. Produced with Indocement standard technologies, equipment, and materials, therefore, it has consistent quality.



Duracem. Blended cement type by using slag (waste products from combustion in the steel industry) as an additive material, therefore, it is very environmentally friendly, and has the technical advantages such as low hydration heat, sulfate resistant, high durability, and has a longer compressive growth period, suitable for mass concrete projects, dam, jetty, and power plants. Duracem cement is distributed in bulk.

Ready-Mix Concrete. Produced by mixing PC with appropriate additives (sand and gravel) and water and is then delivered to the customer site by cement truck for pouring.



Aggregates. Used in RMC production process. New developed aggregates (andesite or crushed stone) in Bogor and Purwakarta Regencies, West Java, with reserves of 80 million tons of andesite, through the Company’s subsidiaries strengthen Indocement’s position in building materials supply.



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INDONESIA CEMENT LANDSCAPE 2020

Sumatera: 17.7

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

Kalimantan: 6.1

- INTP: 2.8 (I)
- CCI: 3.0 (I)
- SEM: 0.3 (I)

Sulawesi: 14.1

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

Indonesia: 117.1

- Integrated: 104.5
- Grinding Mill: 12.6

* In million ton per annum; including grinding mill capacity

East Indonesia: 1.9

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

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: 9.4

- SI: 3.0 (I)
- SBI: 3.4 (I)
- STAR: 1.8 (I)
- **GRB: 1.2 (I)**

East Java: 22.4

- SI: 14.7 (I)
- SBI: 3.6 (I)
- BSM: 1.8 (GM)
- MP: 1.0 (GM)
- Puger: 0.5 (I)
- **Hongshi: 0.8 (I)**

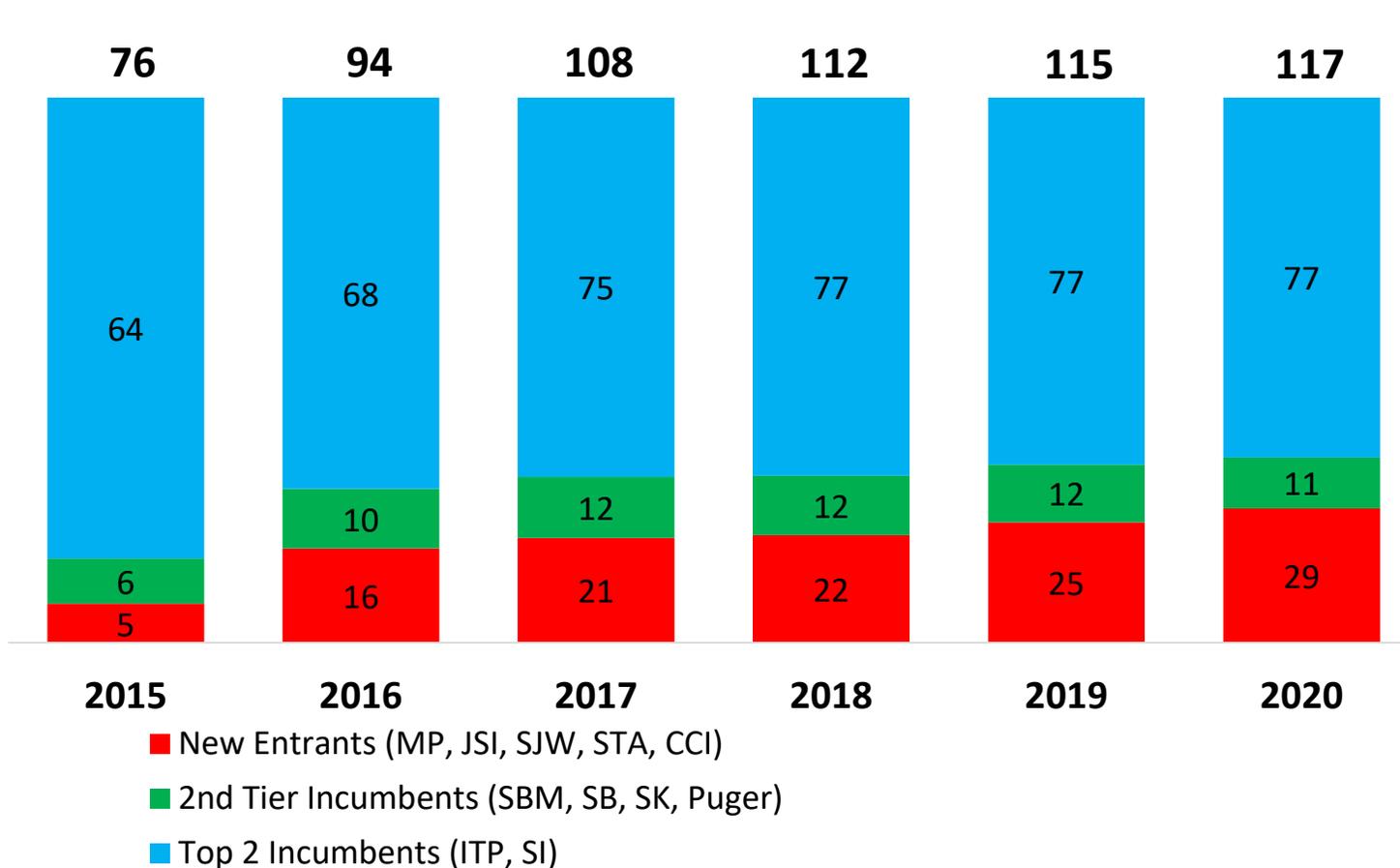
Growth 2019
+0.6%



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, STAR: Semen Bima, GRB: Grobogan, SEM: Semeru.

INDONESIA CEMENT CAPACITY SHARE

Capacity in Million Tons per Annum



- 1. Semen Indonesia + SBI (Ex Holcim): 44%
- 2. Indocement: 21%
- 3. Conch: 10%
- 4. Bosowa: 6%
- 5. Cemindo Gemilang (MP): 5%
- 6. Semen Baturaja: 3%
- 7. Panasia: 2%
- 8. Siam Cement: 2%
- 9. Juishin: 2%
- 10. Semen Kupang: <1%

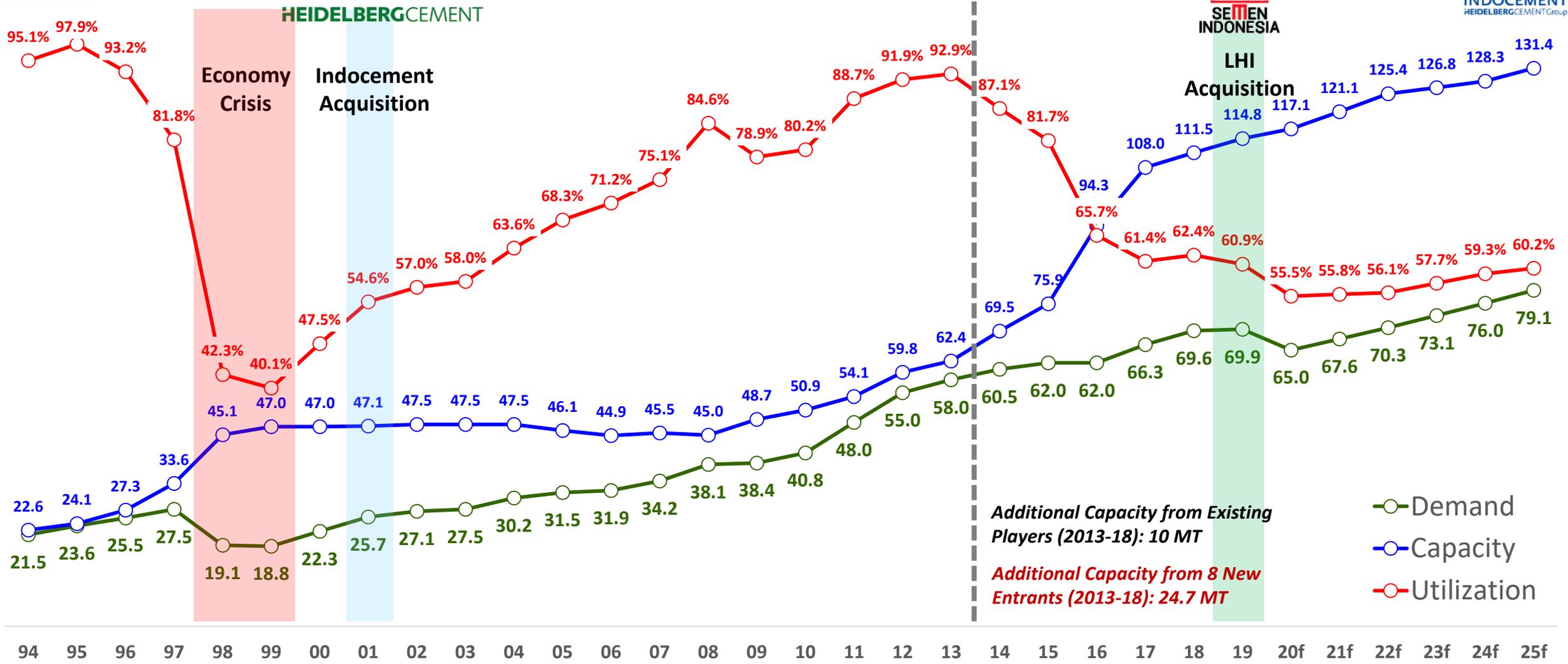
Puger, Hao Han & Sun Fook (stop operation) and Semen Jakarta: 2%

Source: Asosiasi Semen Indonesia

*Data above shows Estimated Capacity in mio ton & % Capacity Share

Capacity to grow by 1.7% in 2020 (estimated)

CEMENT MARKET EVOLUTION



Additional Capacity from Existing Players (2013-18): 10 MT
Additional Capacity from 8 New Entrants (2013-18): 24.7 MT

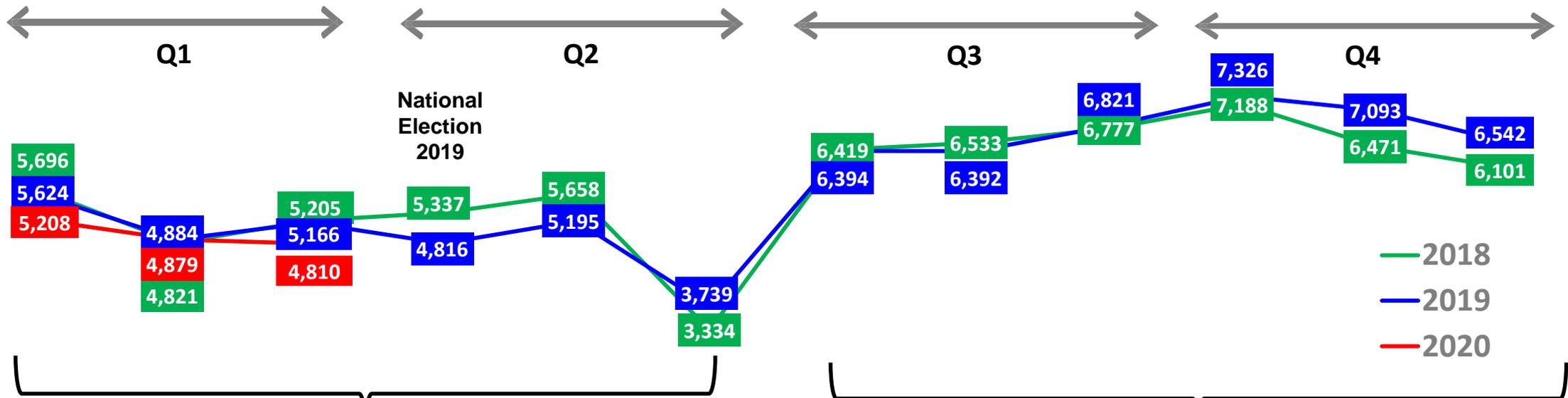
- Demand
- Capacity
- Utilization

CAGR	'07A-10A	'10A-13A	'13A-16A	'16A-19A	'19A-22F	'22F-25F
Demand	6.1%	12.5%	2.2%	4.1%	0.2%	4.0%
Capacity	6.5%	5.7%	13.0%	6.8%	3.0%	1.6%

INDONESIA MONTHLY SALES VOLUME



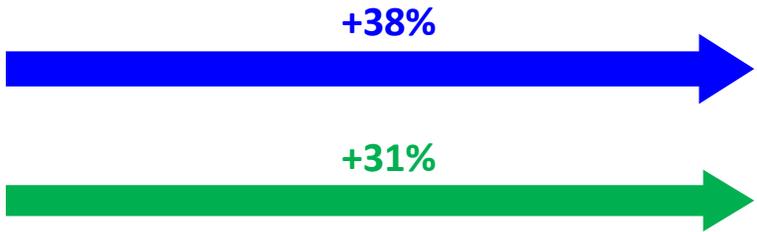
Total Volume of Q1 2020 declines -5% YOY



Source: ASI

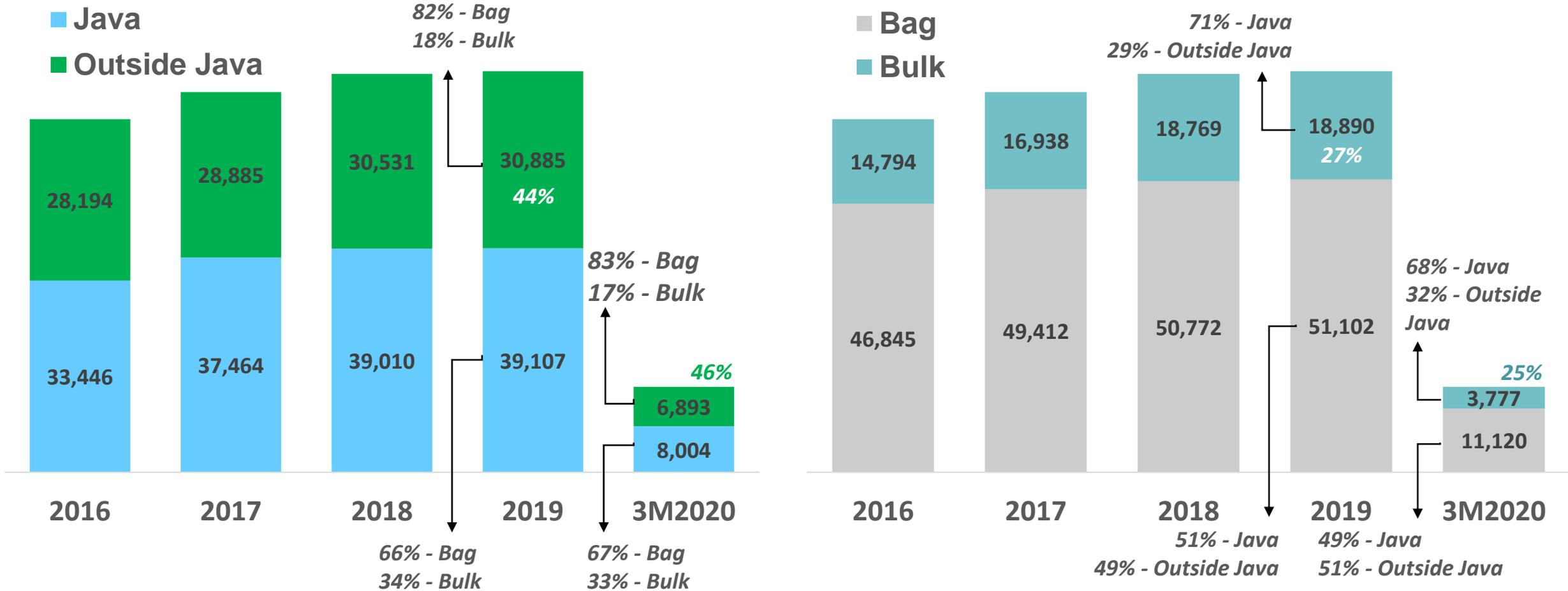
3M2020
14,897
3M2019
15,674
3M2018
15,722

2019 H1
29,424
2018 H1
30,052



2019 H2
40,569
2018 H2
39,489

(OUTSIDE) JAVA and BAG/BULK MARKET



- Outside Java market is 46% for 3M2020 vs. 44% of YTD 2019 driven mostly by growth in East region: Papua & Sulawesi.
- Turnaround for last year strong growth of Bulk market resulting Bulk market composition of 27% to 25% by 3M2020. Bulk market in Java region for the first quarter suffers from heavy rainfalls during first 2 months of 2020 then followed by impact of Covid19.



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Financial Attributes Sign Positive Signals

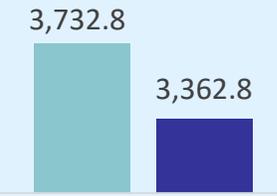
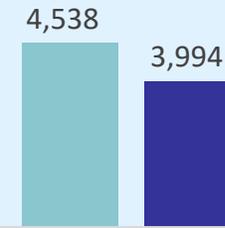
- Net Revenues % decreased less than sales volume (-9.9% vs. -12.0%) due to **higher average price in Q1 2020**
- Cost of Revenues decreased by -10.5% due to lower volume and **continuous savings in Fuel & Power**
- **Gross Profit improved by 50bps** from 31.2% to 31.7%
- **EBITDA improved by 50bps** from 18.9% to 21.4%
- **Improvement in Operating Income by 90bps** from 10.6% to 11.5%
- As a result ... **Net Income increased** from IDR 396.9bio to IDR 400.4bio
- **Cash position of IDR 7.8 trillion with 0 debt**

Q1 2019 Q1 2020

Operational Result

Decrease -12.0%

Decrease -9.9%



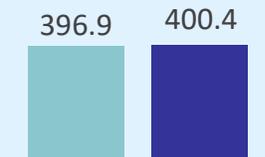
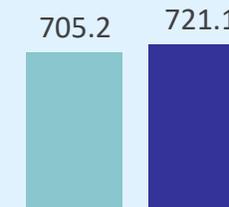
Sales Volume (k ton)

Revenue (IDR bio)

Financial (IDR bio)

Increase +2.3%

Increase +0.9%



EBITDA

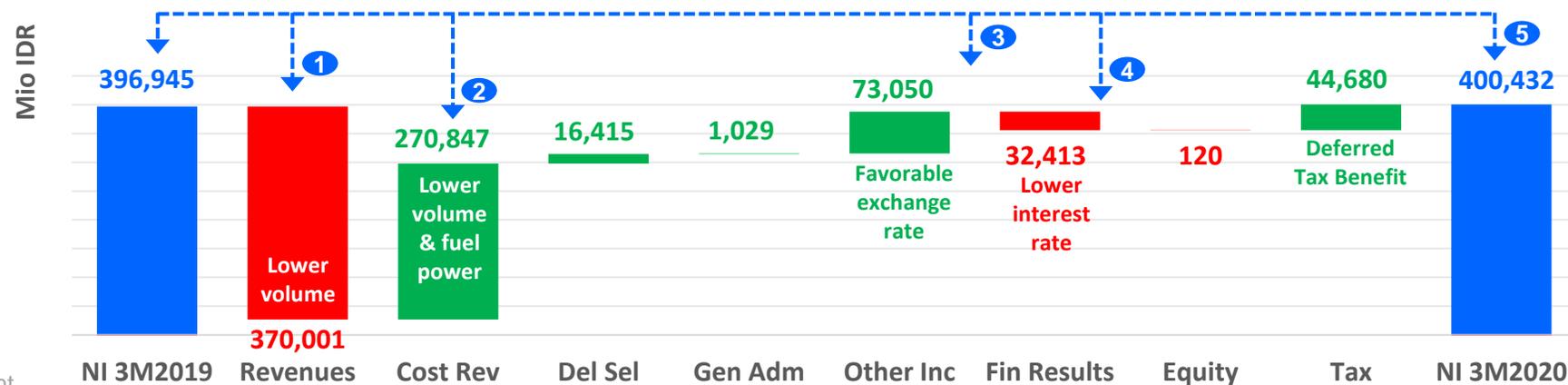
Net Income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



Description	Q1 2020	Q1 2019	Variance	
	IDR Bio	IDR Bio	IDR Bio	%
Total Sales Volume (thousand tons)	3,994	4,538	-544	-12.0%
Domestic Sales Volume (thousand tons)	3,972	4,495	-522	-11.6%
Export Sales Volume (thousand tons)	21	43	-22	-50.3%
Net Revenues	3,362.8	3,732.8	-370.0	-9.9%
Cost of Revenues	-2,298.3	-2,569.1	270.8	-10.5%
Gross Profit	1,064.5	1,163.6	-99.2	-8.5%
<i>% of Net Revenues</i>	<i>31.7%</i>	<i>31.2%</i>		
Operating Expenses	-770.9	-788.4	17.4	-2.2%
Other Operating Expense - Net	92.9	19.8	73.1	368.9%
Operating Income	386.4	395.0	-8.7	-2.2%
<i>% of Net Revenues</i>	<i>11.5%</i>	<i>10.6%</i>		
EBITDA	721.1	705.2	15.9	2.3%
<i>% of Net Revenues</i>	<i>21.4%</i>	<i>18.9%</i>		
Finance Income - Net	67.7	100.1	-32.4	-32.4%
Equity in Net Earnings of Associated Companies - Net	4.2	4.3	-0.1	-2.8%
Income before Final Tax and Income Tax Expense	458.2	499.4	-41.2	-8.2%
Net Income for the Period	400.4	396.9	3.5	0.9%
Total Comprehensive Income for the Period	402.4	396.7	5.7	1.4%

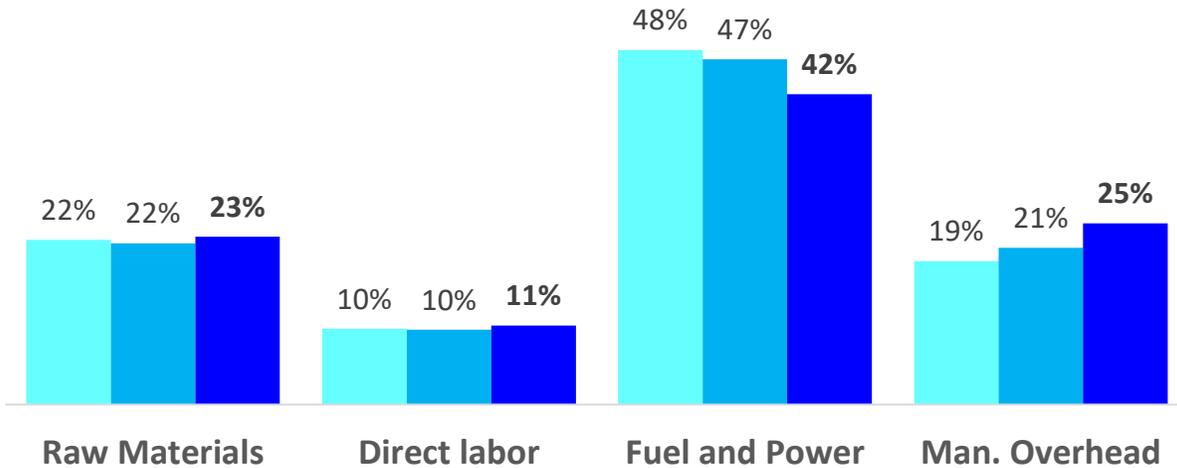
- Sales Volume decreased by -12.0% with revenues decreased of -9.9% due to higher ASP/ton by +2.4%
- Cost of Revenues decreased by -10.5% driven by lower volume including:
 - Fuel & Power cost -15.2%:
 - lower unit price of coal
 - higher usage of LCV coal
 - higher usage of alternative fuels
- Higher Other Operating was mainly due to favorable exchange rate during Q1 2020
- Lower Finance Income was due to lower interest rate
- Cost savings & price improvements contributed to the EBITDA improvement of 250bps from 18.9% to 21.4%



Operating Efficiencies & Cost Discipline

Q1 Composition of Manufacturing Cost

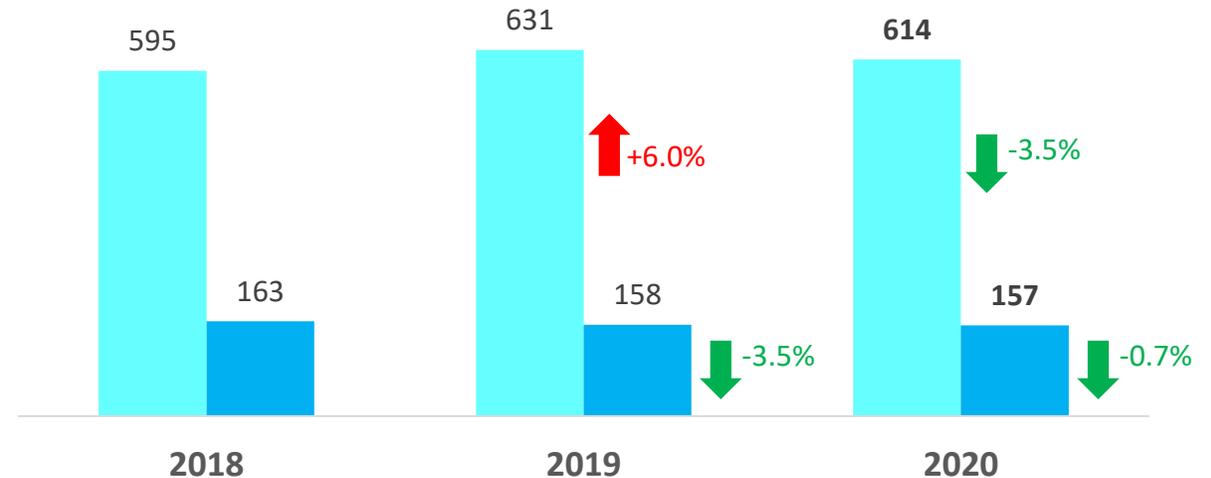
■ 2018 ■ 2019 ■ 2020



- Raw Materials & Direct Labor generally followed inflation & wage increase
- Low coal price and higher usage of low CV coal including higher alternative fuel reduced overall Fuel and Power cost
- Manufacturing Overhead increased due to repair & maintenance

Q1 Operating Expenses (bio IDR)

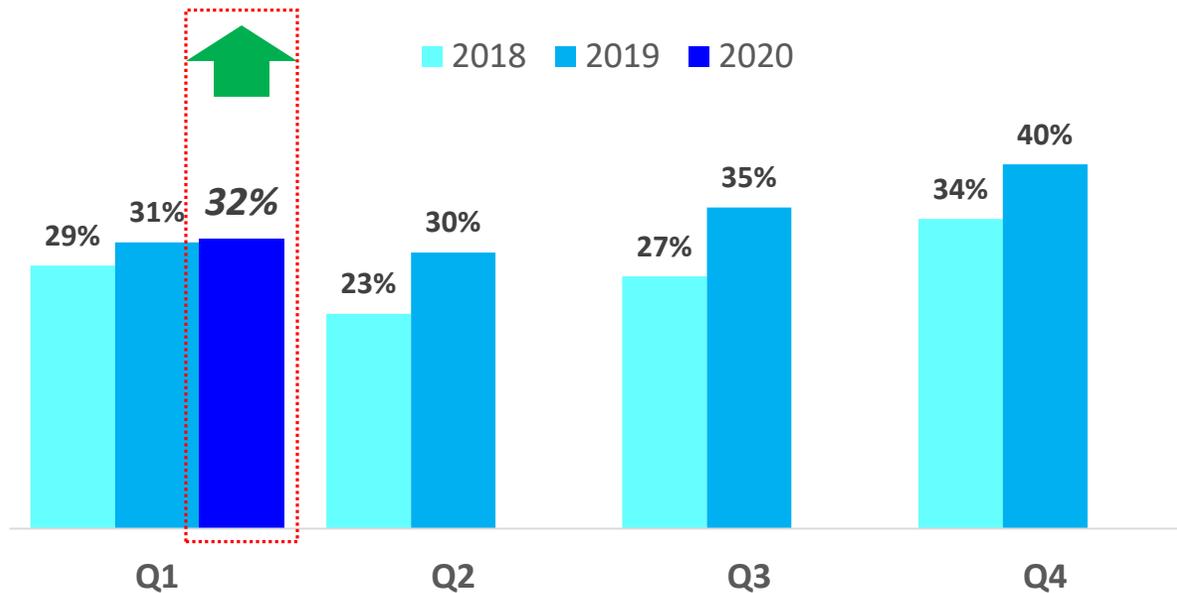
■ Selling Expense ■ G&A Expense



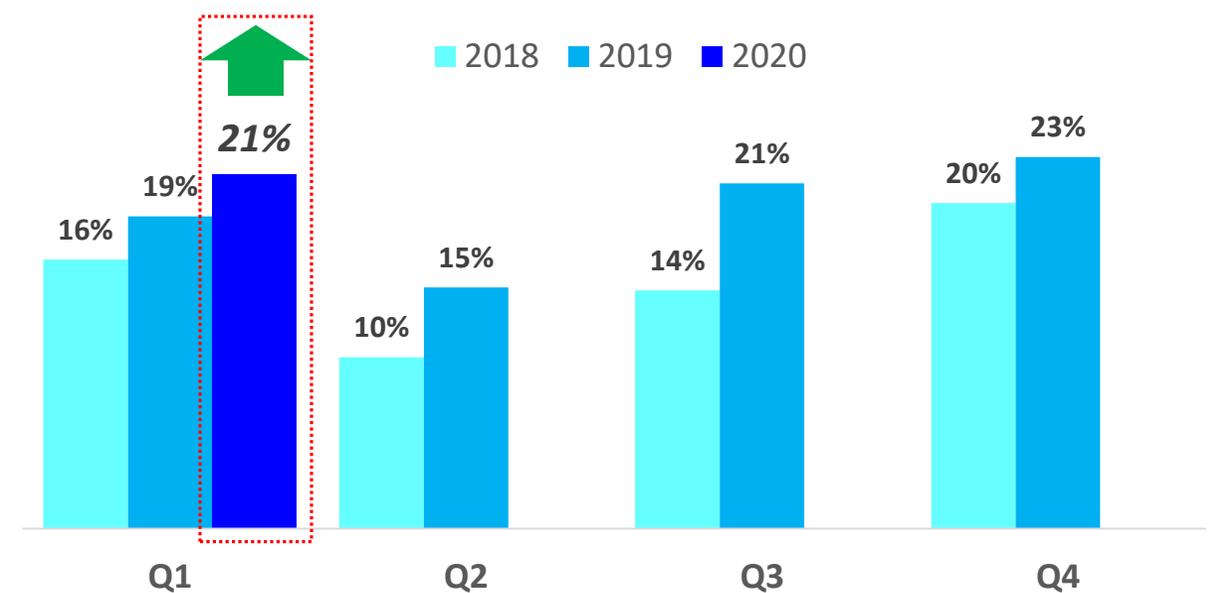
- Both expenses were lower generally due to lower sales volume of Q1 2020 vs. Q1 2019

Continue in Cost Leadership Maintaining Margin

Q1 Gross Margin Development



Q1 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**

**Pricing discipline points to sustainable recovery period
while continuing efforts on fixed cost efficiencies**

CONSOLIDATED BALANCE SHEET

Description	Mar 31, 2020	Dec 31, 2019	Variance	
	IDR Bio	IDR Bio	Bio IDR	%
Current Assets	12,649.4	12,829.5	-180.1	-1.4%
Non-Current Assets	14,732.2	14,878.3	-146.1	-1.0%
Current Liabilities	3,202.9	3,873.5	-670.6	-17.3%
Non-Current Liabilities	696.0	754.0	-58.0	-7.7%
Equity	23,482.7	23,080.3	402.4	1.7%
Total Assets = Total Liabilities + Equity	27,381.6	27,707.7	-326.1	-1.2%

- Cash and cash equivalents of IDR 7.8trn as of March 2020
- Capex update spending for 2020: IDR ~1.1trn
- Dividend Payment history:

<i>In Bio IDR</i>	2012	2013	2014	2015	2016	2017	2018	2019
Net Income	4,763	5,012	5,293	4,357	3,870	1,860	1,146	1,835
Dividend *	1,657	3,313	4,970	1,528	3,420	2,577	2,025	TBD
% of Dividend Payout	34.8%	66.1%	93.9%	35.1%	88.4%	138.6%	176.7%	TBD
% of Dividend Yield**	2.0%	4.5%	5.4%	1.9%	6.0%	3.2%	3.0%	TBD

* To be distributed in the following year

** End of prior year stock price



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INDOCEMENT MASTER PLAN

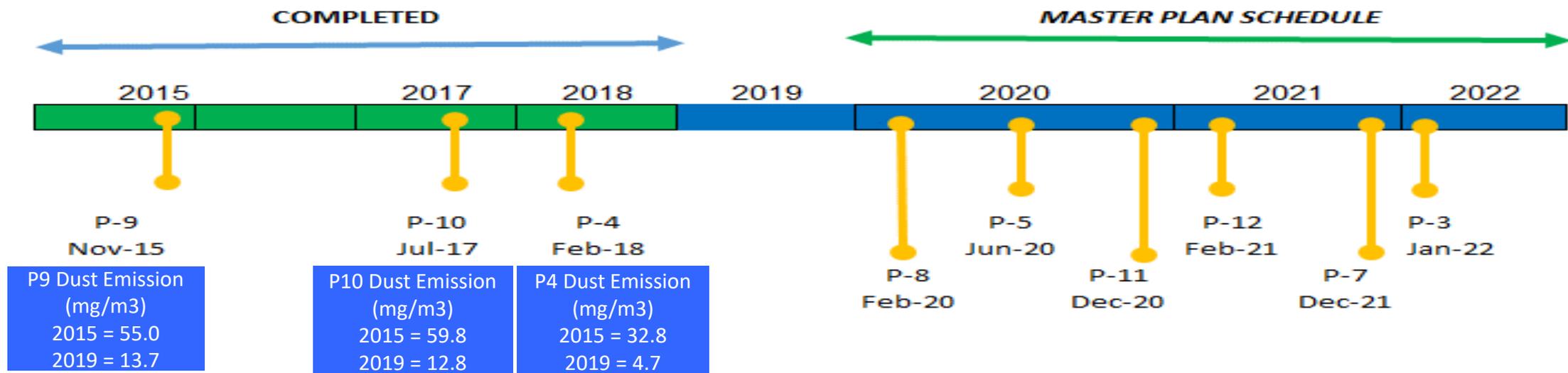
for Reducing Dust Emission



SUSTAINABILITY PROJECTS

- Environmental requirements becomes more stringent and authorities compliance focus increases
- New regulation require continues emission monitoring and **mandatory online reporting by end 2020**
- Majority of Indocement's main process filters are electrostatic precipitators (ESP) which, compared with today's industrial standards, is an older technology with higher particle emissions

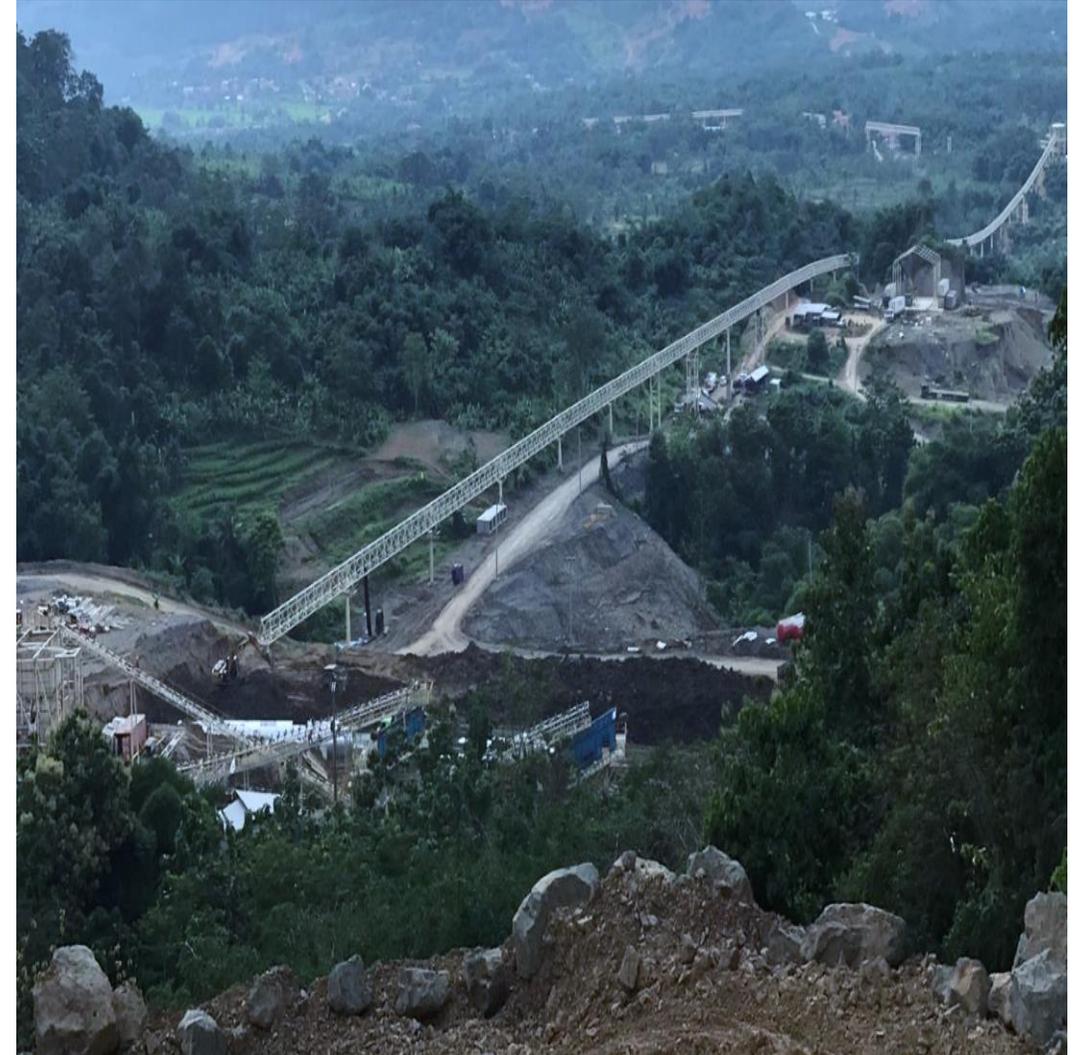
Master plan reducing dust emission by converting ESP to Fabric Bag house filters



NEW AGGREGATES QUARRY - PAMOYANAN PROJECT

close to Jakarta – Bogor – Cikampek area

- Ready for Commercial production by July 2020
- Production target is 100k ton/month of Aggregates product for the first year
- Annual production capacity of 2.5mio ton/year
- Ready to supply High Speed Railway, Jakarta-Cikampek Southern Part, Harbour Toll Road, etc



Tiga Roda Brand Marketing Campaign

- Introduced the new branded feature of Semen Tiga Roda . . . and updated our tagline



SELAMANYA **KOKOH** TERPERCAYA

- Aim to further strengthen Semen Tiga Roda brand equity as a leader in Indonesia's cement industry through content and media activities relevant to our target market
- Featuring our expertise and 45 years of experience in producing excellent quality cement products with best raw materials processed in a highly-integrated technology and a environmental-friendly environment, ensuring Semen Tiga Roda composition formula is consistently excellent; resulting in a cement brand that is long lasting, strong, and trusted by Indonesian customers

- New TV Commercial in 7 TV stations



<https://www.youtube.com/watch?v=e2w9ZB1Y-VE>

- New radio jingle in 7 cities
- Updated cement bag design & POS materials



Shifted into heavier digital marketing during Covid19 pandemic, in relevance to #dirumahaja

#Apresiasi Rumah: netizens expressing positive words to their house as a best place to be safe from Covid 19 pandemic.



https://www.instagram.com/p/B_TtJ2fg7IH/?igshid=luvbpb1zbxrl

#Masternyadirumahaja: netizens sharing their mastery during @home in a short video, and we convert 610 submitted video into donations to masons alumni of SETARA.



<https://www.instagram.com/p/CAhfxj2g7Ky/?igshid=1wanmcq45opzl>

Webseries on YouTube Channel: 4 episodes showcasing Semen Tiga Roda new branded features and the origin of Master Ali



<https://www.youtube.com/watch?v=rYYcs9JImT4&t=4s>

Achievements

- Highest Digital Organic Engagement 56.2%** for cement brand during 2020
- Significant growth in socmed follower:
 - 11%** growth from Dec 2019
 - 39%** growth from Dec 2019

Next...



stay tuned! more to come in
2nd semester

NEW INSTANT CEMENT PRODUCT: GREY MORTAR



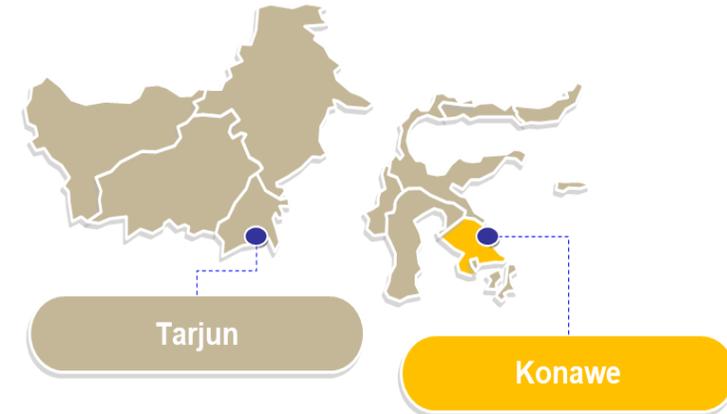
- **TIGA RODA Grey Mortar (Instant Cement Mix) will be released in July 2020**
- Target Production Capacity: 180k ton/year
- Target Market: Jabodetabek & other West Java region
- Source of Raw Materials: Internal Sourcing from Citeureup Quarry & Plant including Limestone sand (CaCO₃)

Project Rationale:

- **Huge demand** of instant cement is anticipated with lack of good & reliable quality supply
- **Better performance than** traditional mixing.
- High Quality materials available at plant
- TR 10 Mortar Serbaguna (multi purpose), TR 15 Thinbed, and TR 20 (Plester Plus) in addition to our current White Mortar product HC TR 30

NEW LT BULK CEMENT SUPPLY

Konawe Project (South East Sulawesi)



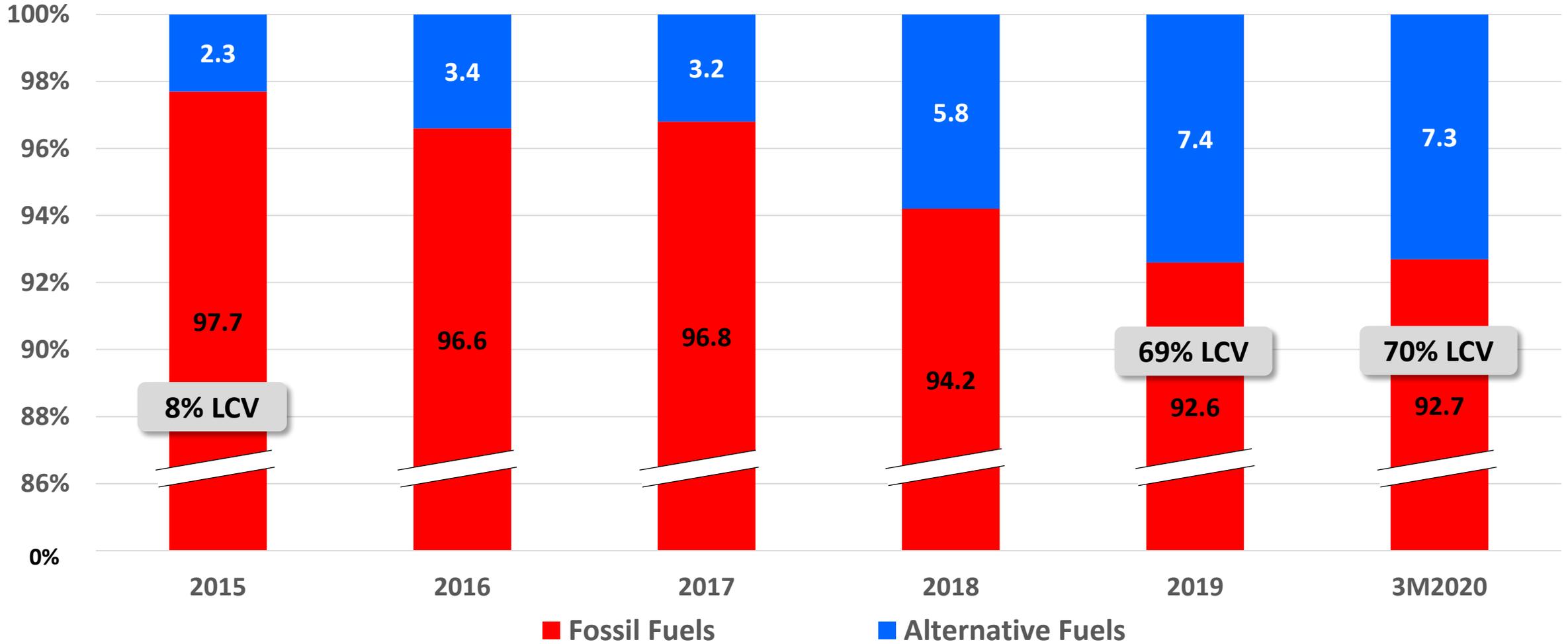
Relocation Floating Terminal to KONAWE:

- To supply for Nickel & Stainless Steel project in Konawe, South East Sulawesi, by using our Floating Terminal Quantum 1
- Volume: 20 - 30k tpm
- Project Period of 2 years with upfront payment on every shipment
- Currently there are 4 batching plants
- Jetty provided by project owner

Month	Output (ton)
March	4,445
April	9,589
May	13,953
June	18,078
TOTAL	46,064

Cost Efficiency Measure

Increasing Usage of Alternative Fuel



Continuous efforts on reducing coal as primary source of energy



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CEMENT MARKET OUTLOOK

- ✔ Full Year Demand growth is expected to be -5 to -10% in 2020 (NB: Growth YTD May 2020: -8.2%)
- ✔ Price is expected to stay flat, except probably some slight price adjustment needed in East Java region after Hongshi starts to sell bag cement in Q3 2020
- ✔ Production cost will remain low following to lower Coal Purchase Index, except risk of stronger USD against IDR
- ✔ **BI has cut its policy rate 3x this year to 4.25%** and with reduction of tax on high end housing and LTV relaxation → will help to have a rebounding demand for residential property



Delay implementation of **ODOL Policy (Over Dimension & Over Loading)** in 2023 is a good news for **Cement industry** → keep logistic cost under control!

With over supply condition continues of ± 40 mio ton and **additional of 2 new players this year, Hongshi in East Java and Semen Grobogan in Central Java**, market competitions in those areas are expected to escalate perhaps towards end of Q3 2020.





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DENGAN **MASTERTech FORMULA**

**SELAMANYA
KOKOH
TERPERCAYA**

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