



**INDOCEMENT**  
HEIDELBERGCEMENT Group

## **PT INDOCEMENT TUNGGAL PRAKARSA Tbk.** **H1 2020 Financial Results**



**Continuous  
Improvement:**  
**Leaner and Greener**



## Indonesia Cement Industry



Financial Update H1 2020



Investment Strategy



Outlook

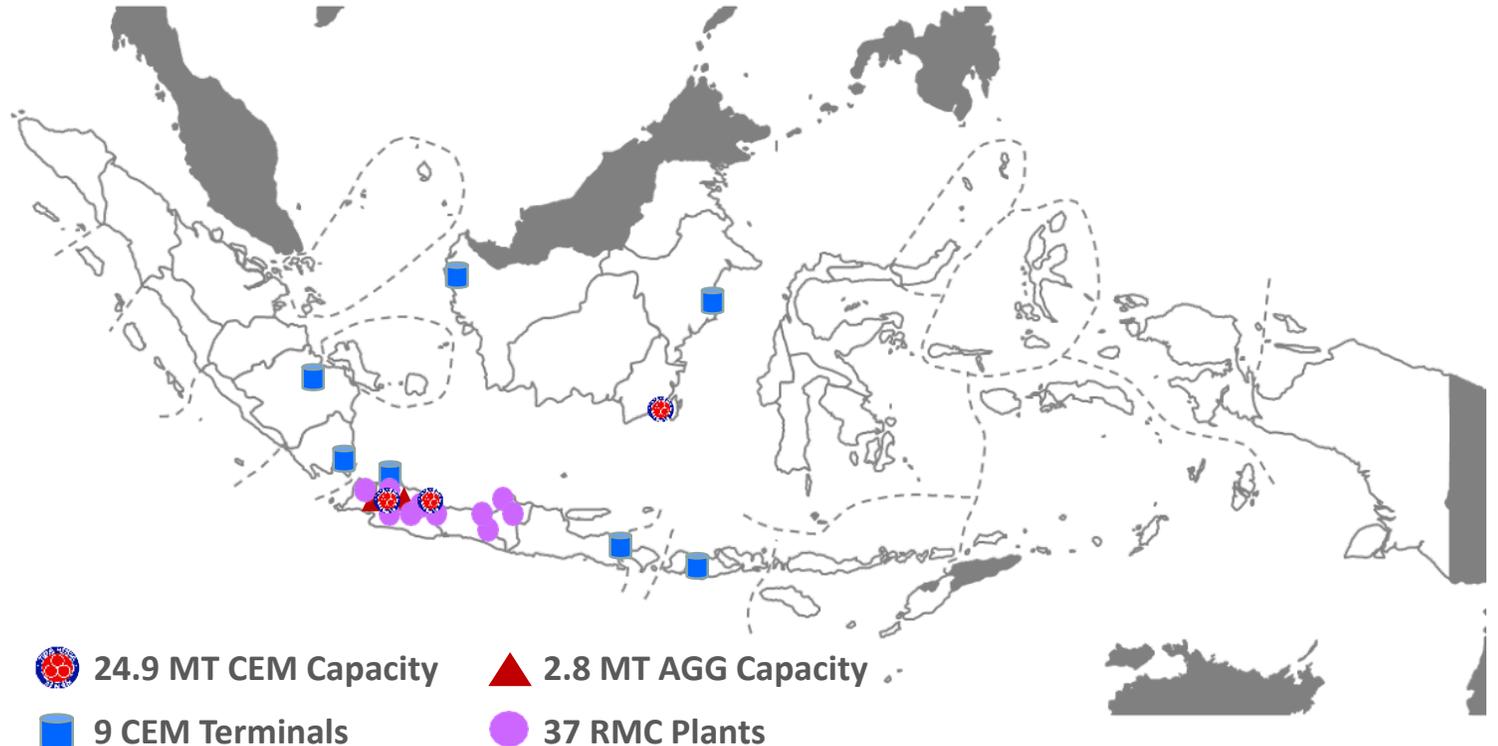
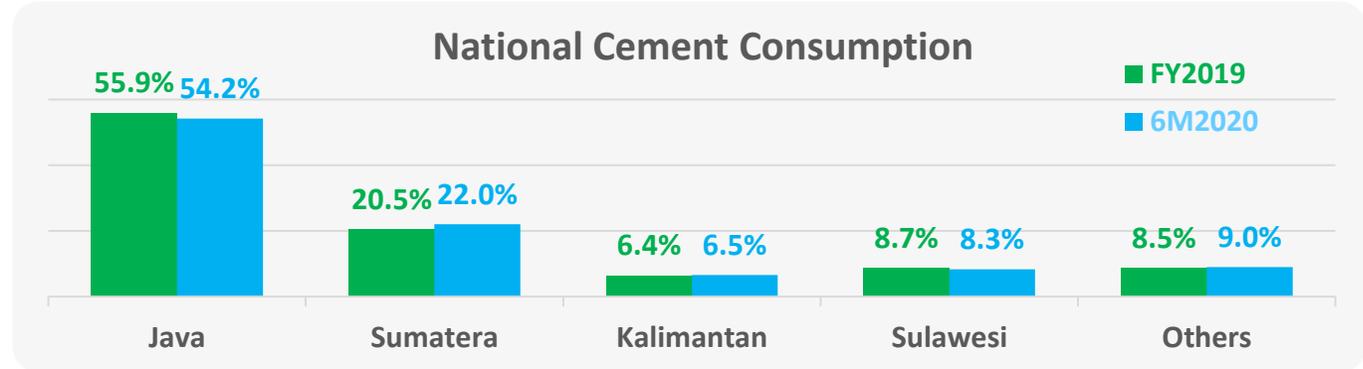


Q & A



# INDONESIA CEMENT INDUSTRY AT GLANCE

*Strong Footprint in West Java as Key Advantage for Indocement*



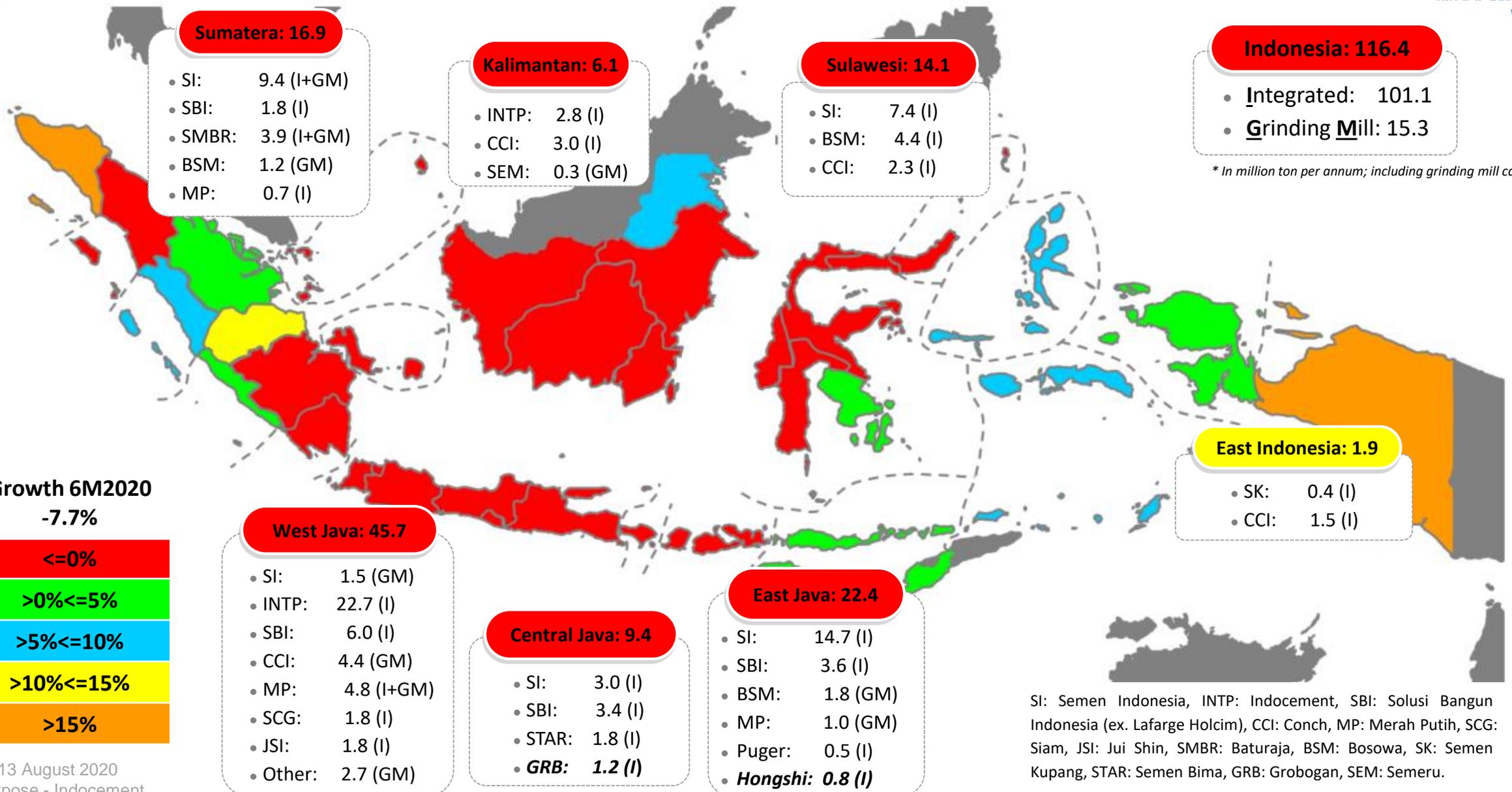
## Indonesia Facts

Capital City : **Jakarta**  
 Population : **~ 271 Million**  
 Density : 149/km2  
 GDP – Q1 2020 : USD 1,159 Trillion  
 GDP Per Capita : **USD 4,273**  
 IDR/USD Rate : ~14,000-15,000

## Cement Industry

No. of Companies : 16  
 Cement Capacity : **~116 MTY**  
 ITP Cement Capacity : 24.9 MTY  
 Domestic Consumption : **~65MT (2020est)**  
 Bag - Bulk Ratio : **~75-25**  
 Cement Consumption : ~238 kg/capita  
 Main Players : **Semen Indonesia, Indocement, Conch, Bosowa, Cemindo**

# INDONESIA CEMENT LANDSCAPE 2020



**Sumatera: 16.9**

- SI: 9.4 (I+GM)
- SBI: 1.8 (I)
- SMBR: 3.9 (I+GM)
- BSM: 1.2 (GM)
- MP: 0.7 (I)

**Kalimantan: 6.1**

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

**Sulawesi: 14.1**

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

**Indonesia: 116.4**

- Integrated: 101.1
- Grinding Mill: 15.3

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

**East Indonesia: 1.9**

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

**West Java: 45.7**

- SI: 1.5 (GM)
- INTP: 22.7 (I)
- SBI: 6.0 (I)
- CCI: 4.4 (GM)
- MP: 4.8 (I+GM)
- 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)**

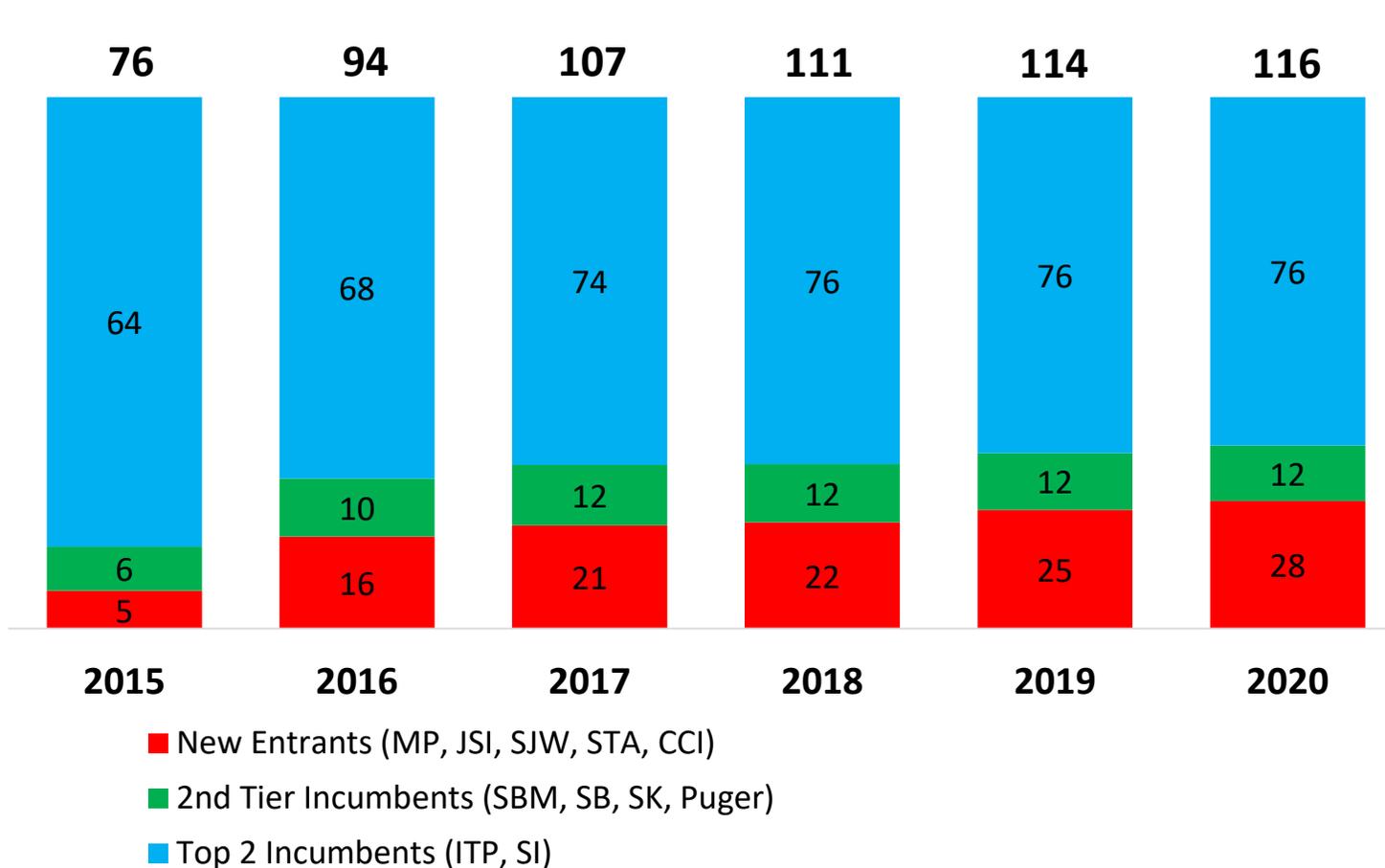
**Growth 6M2020**  
-7.7%



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



Source: Asosiasi Semen Indonesia

-  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 and Semen Jakarta: 2%**  
*(few currently are halted but included for total capacity purpose)*

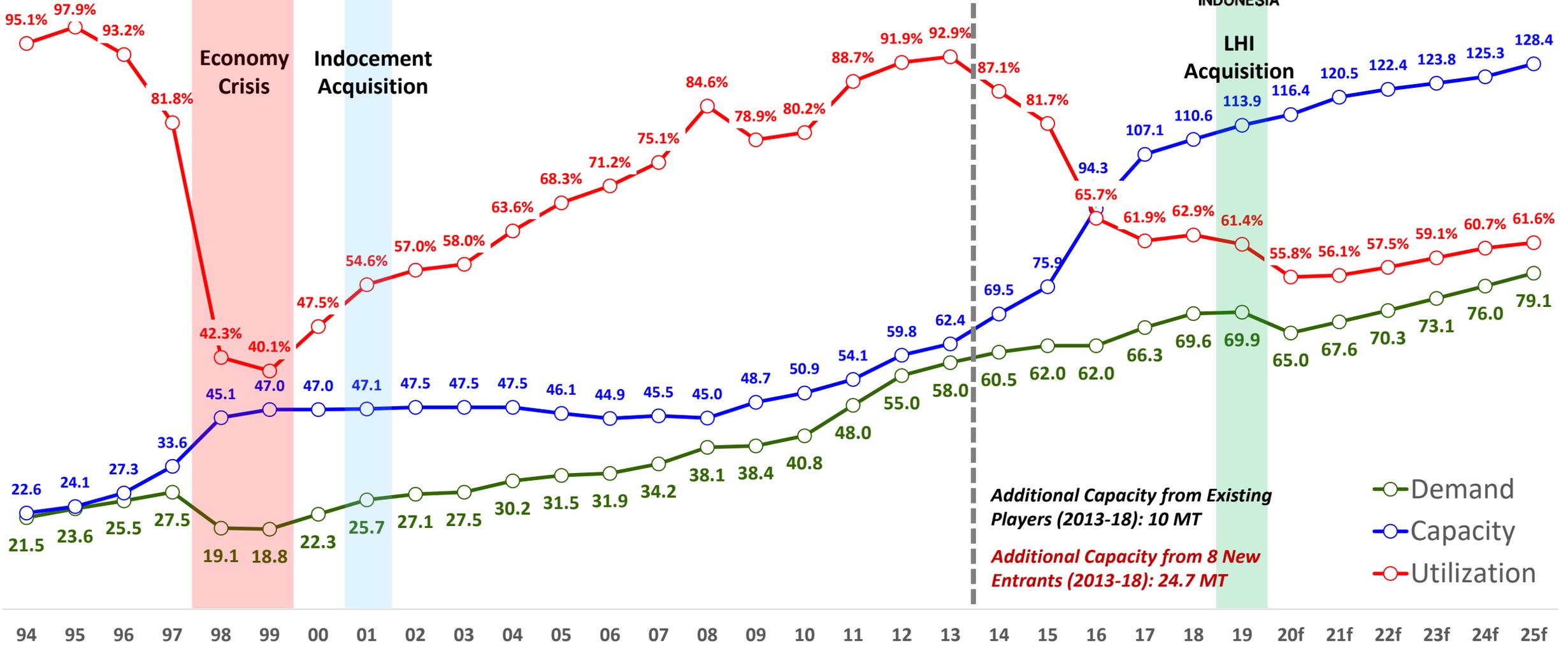
*\*Data above shows Estimated Capacity in mio ton & % Capacity Share*

**Capacity to grow by 2.2% in 2020 (estimated)**

# CEMENT MARKET EVOLUTION



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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
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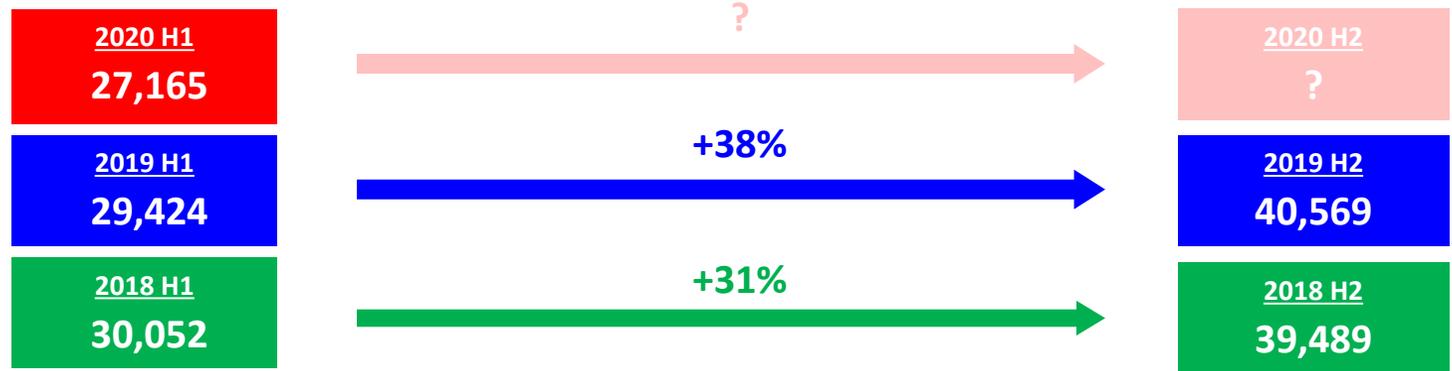
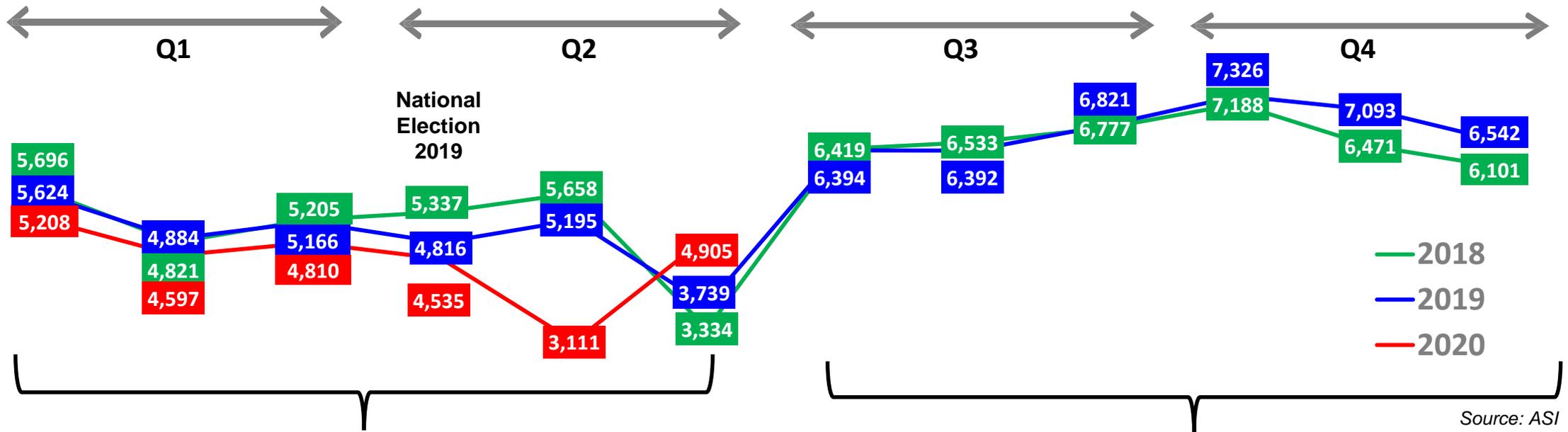
Demand 6.1% 12.5% 2.2% 4.1% 0.2% 4.0%

Capacity 3.8% 7.1% 14.7% 6.5% 2.4% 1.6%

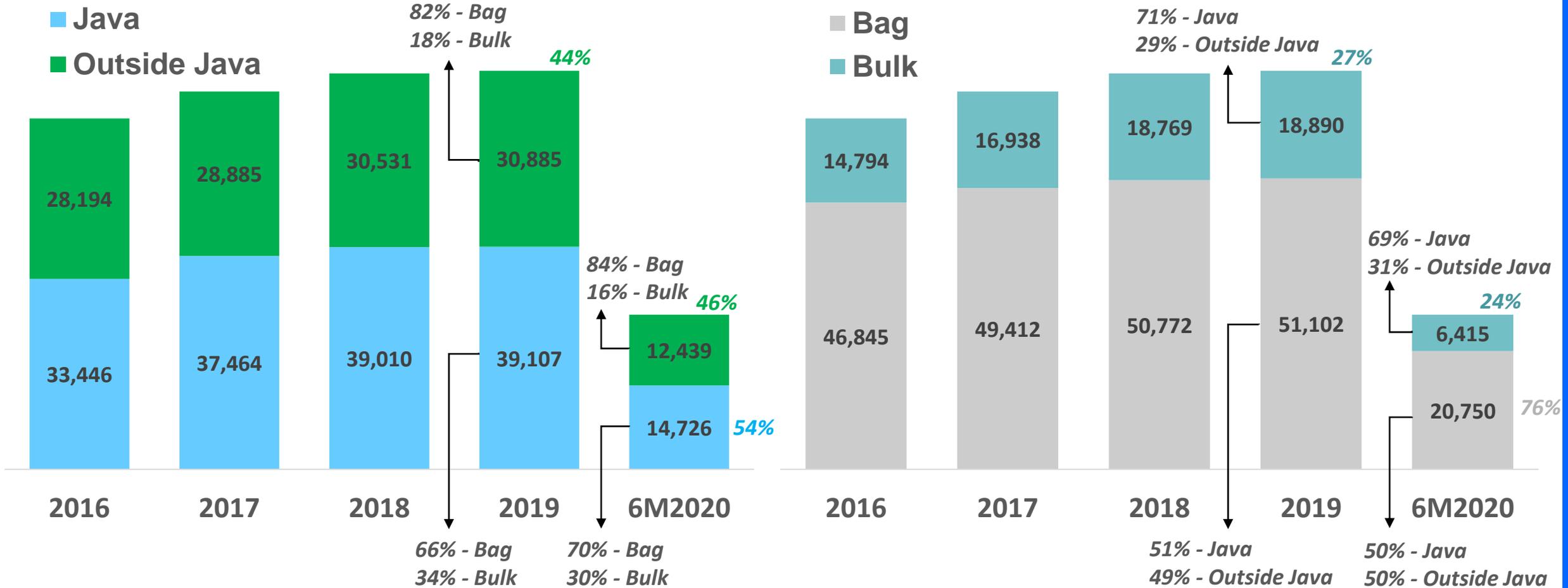
# INDONESIA MONTHLY SALES VOLUME



**Total Volume of 2020 H1 declines -7.7% YOY**



# (OUTSIDE) JAVA and BAG/BULK MARKET



- Outside Java market for 1<sup>st</sup> Semester of 2020 is at 46% higher than YTD 2019 of 44% driven by growth in East Indonesia region.
- **Bag market proves to be more resilient** with market portion of 76% vs. last year of 73%. Bulk market in Java region suffers from heavy rainfalls during the first 2 months of 2020 then followed by impact of Covid-19.



## Indonesia Cement Industry



## Financial Update H1 2020



## Investment Strategy



## Outlook



## Q & A

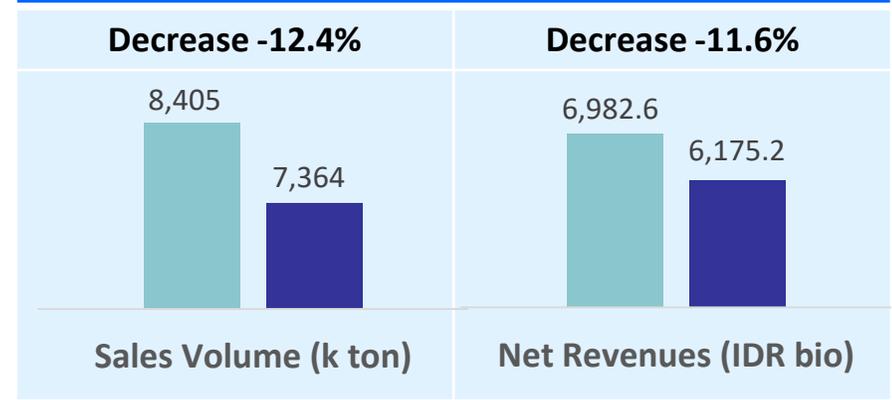


■ H1 2019      ■ H1 2020

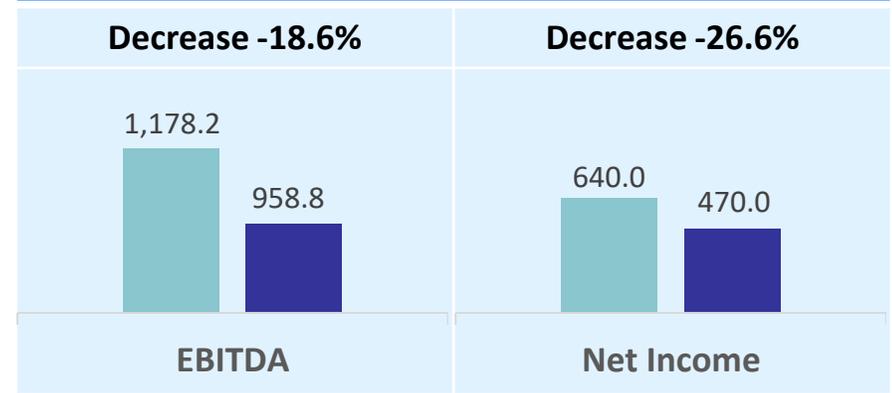
## Remain Alert & Cautious during Low Volume Season

- Net Revenues % decreased less than sales volume (-11.6% vs. -12.4%) due to **higher average price in 2020**
- Cost of Revenues decreased by -11.3% due to lower volume and **continuous savings in Fuel & Power**
- **Gross Profit reduced by 30bps** from 30.7% to 30.4%
- **EBITDA reduced by 140bps** from 16.9% to 15.5%
- Reduction in Operating Income by 240bps from 8.5% to 6.1% due to 1x provision on impairment loss for machinery and equipment in the amount of IDR 73.5bio. Without such provision, our **Operating Income is at 7.3%**
- This concluded to **lower Net Income** of IDR 470.0bio from IDR 640.0bio
- Maintain strong **Cash Position at IDR 7.8trn with 0 debt**

## Operational Result



## Financial (IDR bio)

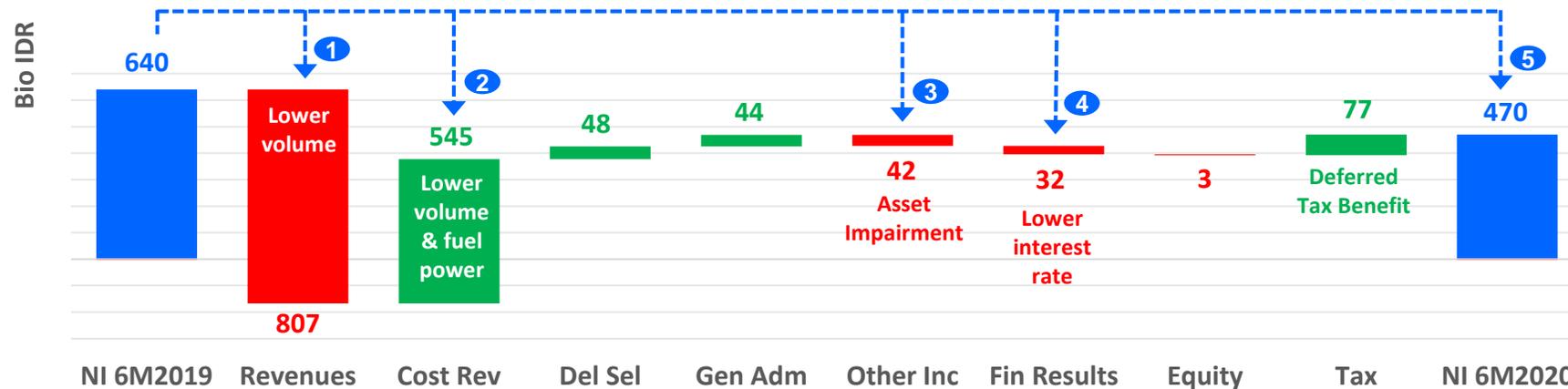


# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



Description	H1 2020 IDR Bio	H1 2019 IDR Bio	Variance	
			IDR Bio	%
Total Sales Volume (thousand tons)	7,364	8,405	-1,042	-12.4%
Domestic Sales Volume (thousand tons)	7,328	8,321	-994	-11.9%
Export Sales Volume (thousand tons)	36	84	-48	-57.0%
<b>Net Revenues</b>	<b>6,175.2</b>	<b>6,982.6</b>	<b>-807.4</b>	<b>-11.6%</b>
<b>Cost of Revenues</b>	<b>-4,295.3</b>	<b>-4,840.0</b>	<b>544.7</b>	<b>-11.3%</b>
<b>Gross Profit</b>	<b>1,879.9</b>	<b>2,142.6</b>	<b>-262.7</b>	<b>-12.3%</b>
<i>% of Net Revenues</i>	<i>30.4%</i>	<i>30.7%</i>		
<b>Operating Expenses</b>	<b>-1,465.3</b>	<b>-1,557.2</b>	<b>91.9</b>	<b>-5.9%</b>
<b>Other Operating Income (Charge) - Net</b>	<b>-36.8</b>	<b>4.8</b>	<b>-41.7</b>	<b>-865.0%</b>
<b>Operating Income</b>	<b>377.8</b>	<b>590.2</b>	<b>-212.4</b>	<b>-36.0%</b>
<i>% of Net Revenues</i>	<i>6.1%</i>	<i>8.5%</i>		
<b>EBITDA</b>	<b>958.8</b>	<b>1,178.2</b>	<b>-219.4</b>	<b>-18.6%</b>
<i>% of Net Revenues</i>	<i>15.5%</i>	<i>16.9%</i>		
<b>Finance Income - Net</b>	<b>165.2</b>	<b>197.3</b>	<b>-32.1</b>	<b>-16.3%</b>
<b>Equity in Net Earnings of Associated Companies - Net</b>	<b>6.8</b>	<b>9.4</b>	<b>-2.6</b>	<b>-27.7%</b>
<b>Income before Final Tax and Income Tax Expense</b>	<b>549.8</b>	<b>797.0</b>	<b>-247.2</b>	<b>-31.0%</b>
<b>Net Income for the Period</b>	<b>470.0</b>	<b>640.0</b>	<b>-170.0</b>	<b>-26.6%</b>
<b>Total Comprehensive Income for the Period</b>	<b>457.9</b>	<b>639.7</b>	<b>-181.9</b>	<b>-28.4%</b>

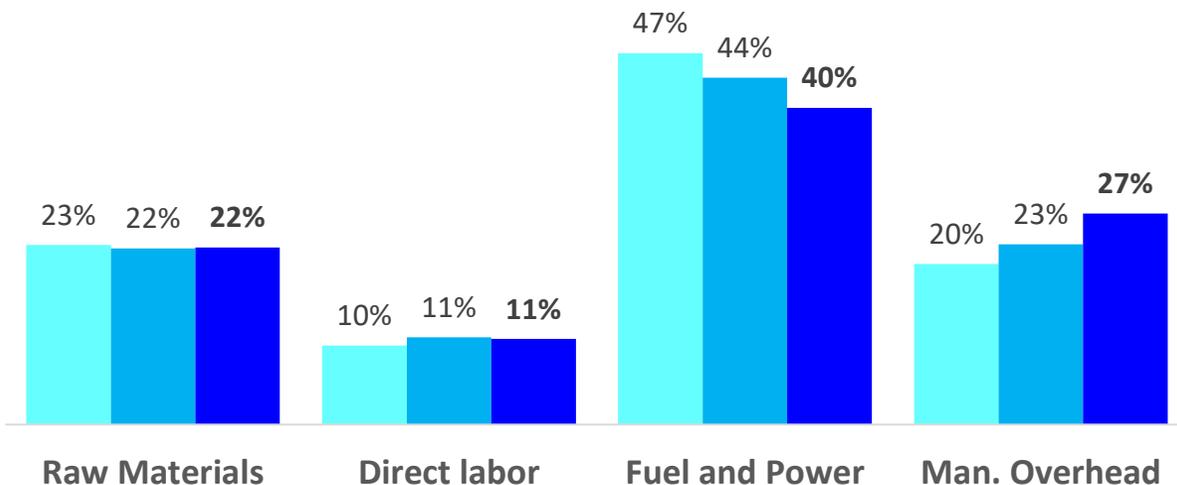
- Revenues decreased by -11.6% at lower rate than Sales Volume decreased of -12.4% due to slightly higher ASP/ton by +0.9%
- Cost of Revenues decreased by -11.3% driven mainly by lower volume and:
  - Lower Fuel & Power cost/ton of -5.5%:
    - lower unit price of coal
    - higher usage of LCV coal
    - higher usage of alternative fuels
- Lower Other Operating Income was mainly due to impairment loss for machinery & equipment of IDR 73.5bio
- Lower Finance Income was due to reduction of Interest Rate over past few months



# Operating Efficiencies & Cost Discipline

## H1 Composition of Manufacturing Cost

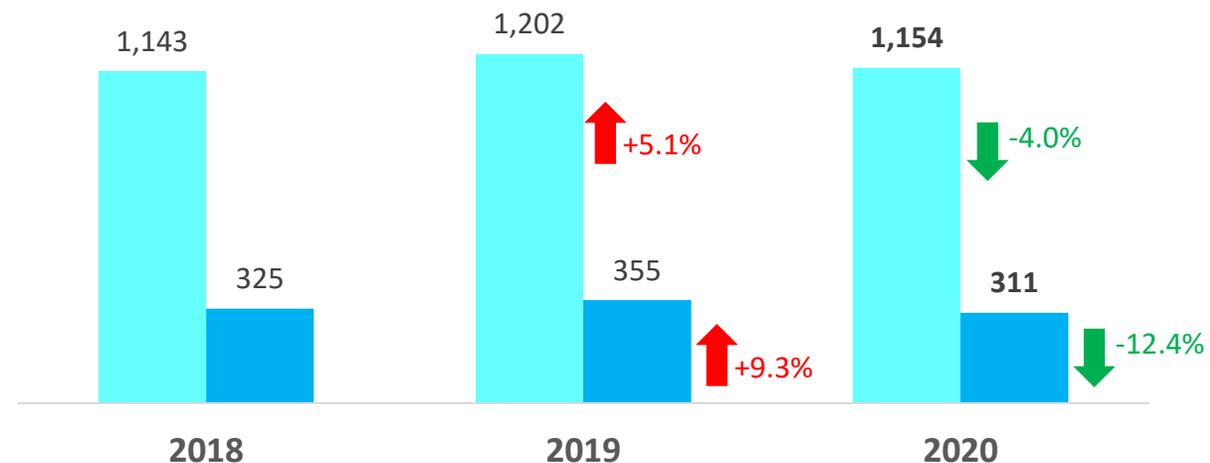
2018 2019 2020



- Raw Materials & Direct Labor generally maintain over the years
- Lower coal price with higher usage of low CV coal and alternative fuel reduced overall Fuel and Power cost
- Increase in Manufacturing Overhead is due to fixed cost components with lower volume of 2020

## H1 Operating Expenses (bio IDR)

Selling Expense G&A Expense

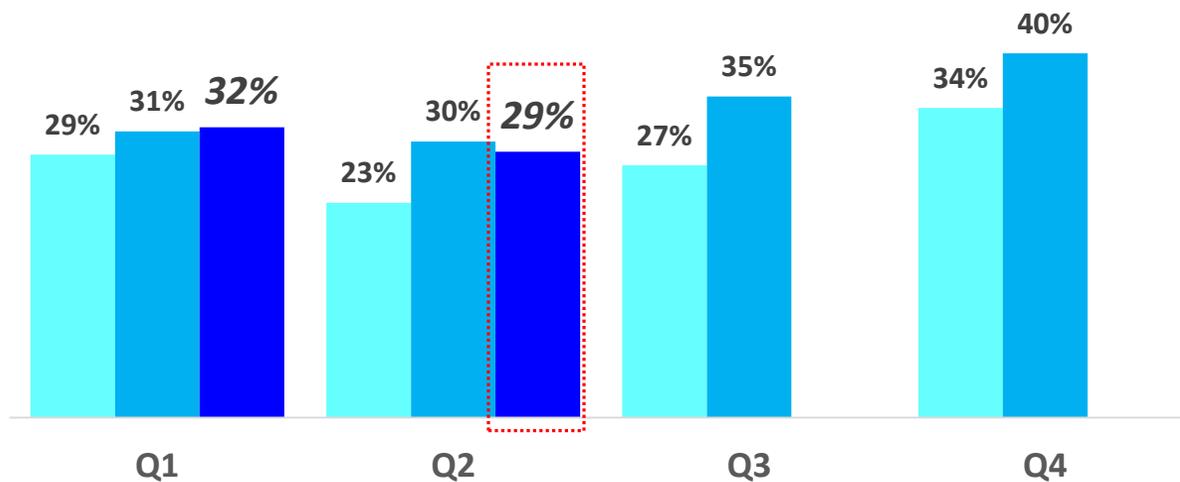


- Both expenses were lower in line with lower sales volume during H1 2020

# Monitor Fixed Cost to Improve Efficiency

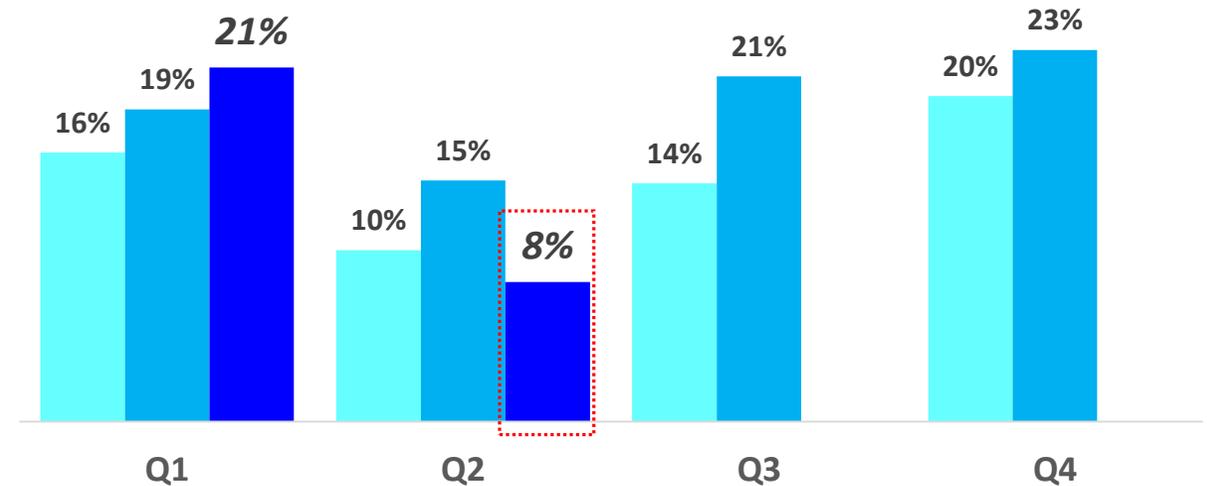
## Gross Margin Development

2018 2019 2020



## EBITDA Margin Development

2018 2019 2020



During low volume season with competitive environment, the Company continues to focus for:

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

## CONSOLIDATED BALANCE SHEET

Description	Jun 30, 2020	Dec 31, 2019	Variance	
	IDR Bio	IDR Bio	Bio IDR	%
<b>Current Assets</b>	<b>12,294.1</b>	<b>12,829.5</b>	<b>-535.4</b>	<b>-4.2%</b>
<b>Non-Current Assets</b>	<b>14,743.3</b>	<b>14,878.3</b>	<b>-135.0</b>	<b>-0.9%</b>
<b>Current Liabilities</b>	<b>2,710.9</b>	<b>3,873.5</b>	<b>-1,162.6</b>	<b>-30.0%</b>
<b>Non-Current Liabilities</b>	<b>788.4</b>	<b>754.0</b>	<b>34.4</b>	<b>4.6%</b>
<b>Equity</b>	<b>23,538.1</b>	<b>23,080.3</b>	<b>457.9</b>	<b>2.0%</b>
<b>Total Assets = Total Liabilities + Equity</b>	<b>27,037.4</b>	<b>27,707.7</b>	<b>-670.4</b>	<b>-2.4%</b>

- Cash and cash equivalents of IDR 7.8trn as of June 2020
- Capex update estimation for 2020 is IDR 1.1trn, spending up to Jun 2020 is at IDR 574bio
- From the Annual General Meeting of Shareholders on July 28<sup>th</sup>, 2020, it was decided total dividend to be distributed for 2020 is IDR 1,841bio or IDR500/share

<i>In Bio IDR</i>	2013	2014	2015	2016	2017	2018	2019	2020 H1
Net Income	5,012	5,293	4,357	3,870	1,860	1,146	1,835	470
Dividend *	3,313	4,970	1,528	3,420	2,577	2,025	1,841	N/A
% of Dividend Payout	66.1%	93.9%	35.1%	88.4%	138.6%	176.7%	100.3%	N/A
% of Dividend Yield **	4.5%	5.4%	1.9%	6.0%	3.2%	3.0%	2.6%	N/A

\* To be distributed in the following year

\*\* End of prior year stock price



## Indonesia Cement Industry



## Financial Update H1 2020



## Investment Strategy



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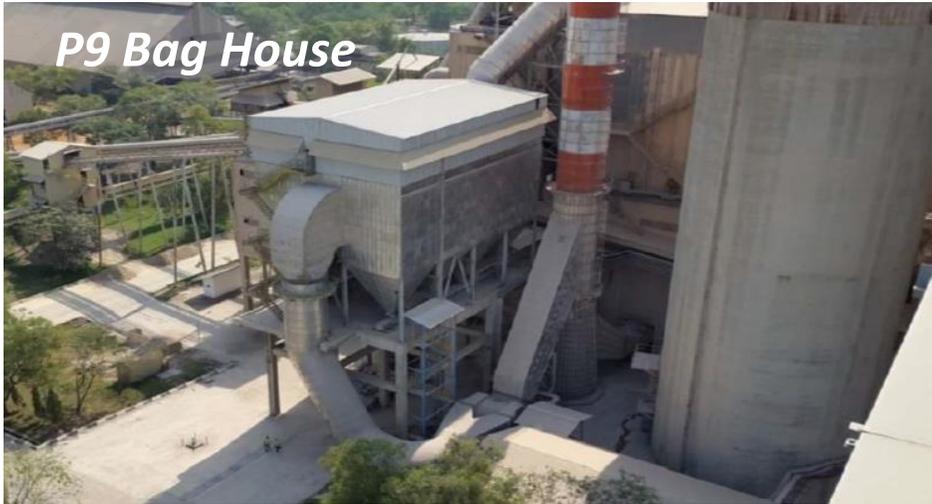


## Q & A

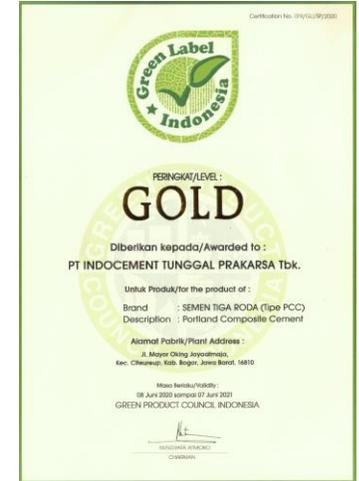


# INDOCEMENT SUSTAINABILITY PROJECT

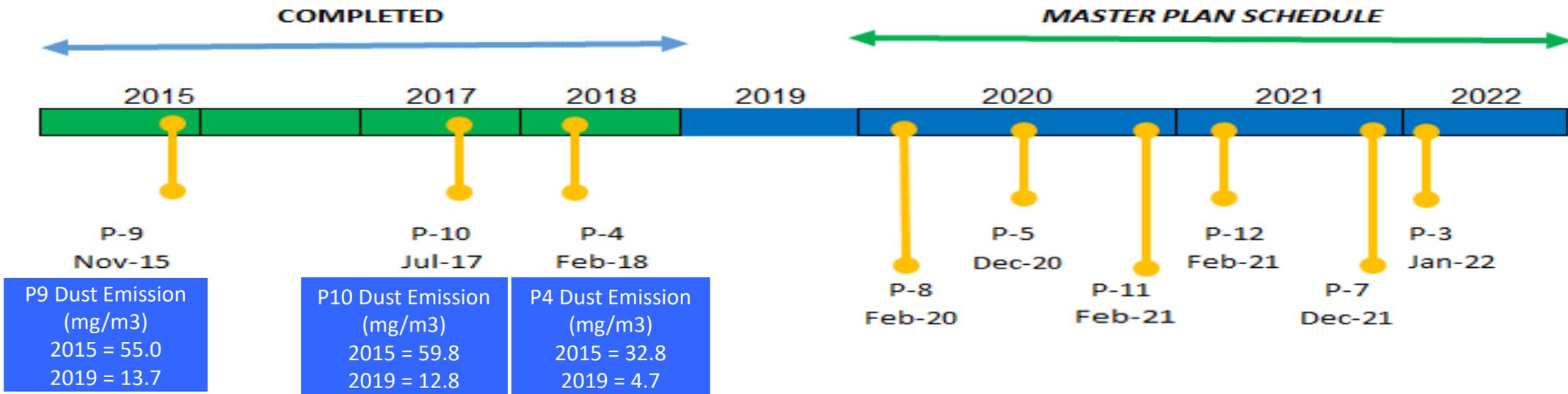
*for Reducing Dust Emission*



- New regulation require continues emission monitoring and **mandatory online reporting by end 2020**
- Indocement received Green Label Indonesia GOLD Certification for PCC Cement Type at Citeureup & Cirebon plants
- Green Label is a certification for environmental friendly and sustainable product that will eventually get priority to supply Government Projects and other Environmentally concern Projects



## Master plan reducing dust emission by converting ESP (Electrostatic Precipitator) to Fabric Bag House Filters



# NEW AGGREGATES QUARRY - PAMOYANAN PROJECT

*close to Jakarta – Bogor – Cikampek area*

- Ready for Commercial production on August 2020 (*revised*)
- Production target is 100k ton/month of Aggregates product for the first year
- Annual production capacity of 2.5mio ton/year
- Ready to supply strategic projects such as High Speed Railway, Jakarta-Cikampek Southern Part, Harbour Toll Road, etc



# NEW INSTANT CEMENT PRODUCT: GREY MORTAR



- **TIGA RODA Grey Mortar (Instant Cement Mix)** is to be launched within near future
- 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 (CaCO<sub>3</sub>)

## 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



Indonesia Cement Industry



Financial Update H1 2020



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Q & A

## CEMENT MARKET OUTLOOK

-  Full Year Demand growth is expected to be -7% to -10% in 2020 (NB: Growth YTD June 2020: -7.7%). Expected to have higher demand in H2/2020 by having relaxing of PSBB lockdown, but mitigated by lower demand in December due to Regional Election and the holiday shifting from last May (Idul Fitri)
-  Price is expected to stay flat, except probably some slight adjustment needed towards East and Central Java region in Q4 2020 after Hongshi & Semen Grobogan starts distributing their product estimated in Q4 2020.
-  Production cost will remain low following to lower Coal Purchase Index, except risk of stronger USD against IDR
-  From beginning of the year with policy rate of 5%, **BI has cut the rate 4x to 4.0% (in July)**. With reduction of tax on high end housing and LTV relaxation, this would help for 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!



## Indonesia Cement Industry



## Financial Update H1 2020



## Investment Strategy



## Outlook



## Q & A





DENGAN **MASTERTECH FORMULA**

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KOKOH  
TERPERCAYA**

**THANK YOU!**

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For further information please contact

PT Indocement Tunggal Prakarsa Tbk.

Wisma Indocemen, 8th Floor

Jl. Jend. Sudirman Kav 70 - 71

Jakarta 12910, Indonesia

Phone : +62 21 2512121

e-mail: [investor.relations@indocement.co.id](mailto:investor.relations@indocement.co.id).

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