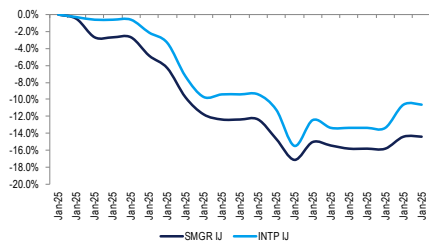


Sector Index Performance

	3M	6M	12M
Absolute	4.0%	12.1%	20.8%
Relative to JCI	1.8%	10.1%	16.6%



Summary Valuation Metrics

P/E (x)	2024F	2025F	2026F
INTP IJ	13.9	12.6	11.6
SMGR IJ	13.3	12.7	10.8
EV/EBITDA (x)	2024F	2025F	2026F
INTP IJ	6.4	6.0	5.7
SMGR IJ	4.7	4.7	4.5
Div. Yield	2024F	2025F	2026F
INTP IJ	1.7%	2.5%	4.5%
SMGR IJ	2.9%	3.0%	3.5%

Dec24 volume: steep yoy drop in demand especially for SMGR

- Overall domestic volume declined by -12% yoy (-7% mom) to 5.6mt in Dec24 with bag at -10% yoy while bulk at -15% yoy.
- SMGR volume fell by -20% yoy in Dec24 vs. INTP's +3% amid price increase, heavier rainfall and truck ban at the end of the year.
- Given the persistent weak purchasing power, we don't foresee demand to recover in FY25F while valuation continued to derate.

Steep drop in Dec24 volume

Domestic cement volume declined by -12% yoy/-7% mom to 5.6mt in Dec24 as bag market declined by -10% yoy (-6% mom), while bulk declined by -15% yoy (-8% mom). In terms of region, Java declined by -13% yoy (-8% mom), while ex-Java declined by -11% yoy (-7% mom). This was due to mixed factors from price increases, slow construction post regional election, truck ban at the end of the year and heavy rainfall. Cumulatively, overall domestic demand declined to 65mt (-1% yoy).

Base effect and price increase affected SMGR volume on both yoy/mom

Overall big 2 players' reported volume of 4.3mt (-12% yoy) in Dec24. SMGR volume declined by -20% yoy (-9% mom) partly due to high base effect (+14% yoy/+1% mom in Dec23). At the same time, our channel check suggests another round of prices increase in Dec24 (+0.5/0.6% mom for main/fighting brands), while other players have not adjusted prices in Dec24. INTP volume grew by +3% yoy (-4% mom) to 1.7mt amid addition of Grobogan.

On FY basis, SMGR volume was also the weakest – this may lead to increase in fighting brand proportion and/or tepid ASP outlook

Cumulatively, SMGR volume dropped by -5% yoy while INTP increased by +8% yoy; non-big 2 was at -1% yoy, led by Hongshi (+13% yoy) and Siam Cement (+4% yoy). Despite actively raising prices, we think SMGR strategy may not be sustainable during weak demand/purchasing period; and as such we expect price outlook to be relatively tepid in FY25F or even cutting price to regain back its market share.

1Q25 outlook will remain weak amid rainy season and low infra budget

We expect overall demand to remain weak in 1Q25 amid the aforementioned factors and we don't see tangible catalyst for both volume and ASP in the foreseeable future. Potential upside for demand will only come from the 3mn housing program. However, we believe that the risks is outweighing the upside and think that is best to avoid the sector until there is a budding sign of demand recovery.

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Fig. 1: Dec24 cement volume highlights

Domestic volume (in k tonnes)	Dec-24	Dec-23	yoy%	Nov-24	mom%	12M24	12M23	yoy%
Java total	2,815	3,223	-13%	3,054	-8%	33,630	33,674	0%
Ex Java total	2,808	3,149	-11%	2,987	-6%	31,378	31,879	-2%
Total	5,623	6,371	-12%	6,042	-7%	65,008	65,553	-1%
Bag	3,922	4,376	-10%	4,189	-6%	45,083	46,425	-3%
Bulk	1,701	1,996	-15%	1,853	-8%	19,925	19,128	4%

Source: Indonesia Cement Association, Indo Premier

Fig. 2: Dec24 cement volume summary

National cement volume summary (k tonnes)	Dec-24	Dec-23	yoy%	Nov-24	mom%	12M24	12M23	yoy%
Jakarta	206	247	-16%	222	-7%	2,602	2,672	-3%
West Java	890	990	-10%	930	-4%	10,461	10,779	-3%
Central Java	655	699	-6%	722	-9%	8,029	7,211	11%
Yogyakarta	82	88	-6%	87	-6%	1,063	1,026	4%
East Java	665	891	-25%	757	-12%	7,997	8,571	-7%
Banten	316	307	3%	336	-6%	3,478	3,417	2%
Java total	2,815	3,223	-13%	3,054	-8%	33,630	33,674	0%
Sumatra	1,349	1,363	-1%	1,330	1%	14,053	14,243	-1%
Kalimantan	518	610	-15%	537	-4%	5,764	5,177	11%
Sulawesi	440	550	-20%	513	-14%	5,386	6,199	-13%
Bali + Nusa Tenggara	325	379	-14%	392	-17%	4,084	3,954	3%
East Indo	176	247	-29%	215	-18%	2,091	2,306	-9%
Ex Java total	2,808	3,149	-11%	2,987	-6%	31,378	31,879	-2%
Total	5,623	6,371	-12%	6,042	-7%	65,008	65,553	-1%
Bag	3,922	4,376	-10%	4,189	-6%	45,083	46,425	-3%
Bulk	1,701	1,996	-15%	1,853	-8%	19,925	19,128	4%
Summary by player								
SIG	2,571	3,194	-20%	2,835	-9%	31,306	33,109	-5%
INTP	1,686	1,644	3%	1,750	-4%	18,929	17,458	8%
Big 2 total	4,257	4,838	-12%	4,585	-7%	50,236	50,567	-1%
Non big 2 total	1,366	1,534	-11%	1,457	-6%	14,773	14,986	-1%

Source: Indonesia Cement Association, Indo Premier

Fig. 3: Cement forward EV/EBITDA – now trading at 3.9x FY25F EV/EBITDA vs. 10Y average of 9.3x EV/EBITDA



Source: Bloomberg, Company, Indo Premier

Fig. 4: Cement forward EV/tonne – now trading at US\$36 FY24F EV/tonne vs. 10Y average of US\$91.5 EV/tonne



Source: Bloomberg, Company, Indo Premier

Fig. 5: Peer comparison

Ticker	Closing Price	P/E (x)			EV/EBITDA (x)			P/BV (x)		
		FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
INTP	6,100	13.9	12.6	11.6	6.4	6.0	5.7	1.0	0.9	0.9
SMGR	2,940	13.3	12.7	10.8	4.7	4.7	4.5	0.4	0.4	0.4

Source: Bloomberg, Company, Indo Premier

Share price closing as of: 20 January 2025

SECTOR RATINGS

- OVERWEIGHT : An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
- NEUTRAL : A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
- UNDERWEIGHT : An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

COMPANY RATINGS

- BUY : Expected total return of 10% or more within a 12-month period
- HOLD : Expected total return between -10% and 10% within a 12-month period
- SELL : Expected total return of -10% or worse within a 12-month period

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