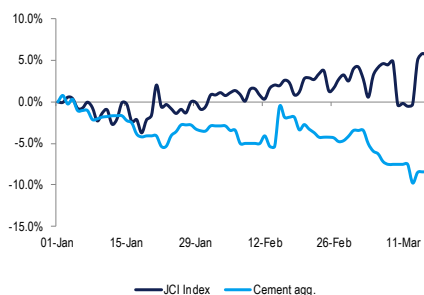


Sector Index Performance

	3M	6M	12M
Absolute	4.0%	12.1%	20.8%
Relative to JCI	3.0%	11.9%	24.5%



Summary Valuation Metrics

P/E (x)	2024F	2025F	2026F
INTP IJ	15.9	14.4	12.9
SMGR IJ	12.0	10.5	9.1
EV/EBITDA (x)	2024F	2025F	2026F
INTP IJ	7.6	7.1	6.6
SMGR IJ	5.0	4.7	4.5
Div. Yield	2024F	2025F	2026F
INTP IJ	1.8%	2.1%	4.3%
SMGR IJ	3.5%	4.4%	4.5%

Jun24 volume: expected muted growth especially bag amid price adjustment

- Overall domestic volume declined -1% yoy/-4% mom in Jun24. Java grew +2% yoy, while ex-Java declined -5%yoy. Bulk remained the driver.
- SMGR declined -1% yoy/flat mom while INTP grew by 6% yoy/-6% mom. Non big 2 volume declined by -10% yoy/-9% mom.
- We think weak bag demand was due to restocking activity in May prior to price adjustment in Jun. Maintain Neutral as we expect weak 2Q result.

Tepid Jun volume amidst restocking activity in May

Overall domestic volume declined -1% yoy/-4% mom to 5.4mt in Jun24. Bag declined by -5% yoy/-7% mom to 3.7mt amid restocking activity in May prior to price adjustment, while bulk grew +9% yoy/+3% mom to 1.7mt. Java grew by +2% yoy/-4% mom to 2.9mt while ex-Java declined by -5% yoy/-4% mom to 2.5mt, despite Kalimantan growing by +18% yoy/-1% mom. Cumulatively, 1H24 volumes grew by +2% yoy.

Sulawesi has been the drag for SMGR

SMGR volume declined by -1% yoy/ flat mom to 2.7mt, as the growth in Java at +4% yoy/+2% mom was unable to offset the decline in ex-Java at -6% yoy/-3% mom, as a slowdown in smelter project construction in Sulawesi dragged down volumes declining by -25% yoy/-7% mom. Bag declined by -4% yoy/-3% mom, while bulk grew +7% yoy/+7% mom. Cumulatively, 1H24 volumes reached 14.2mt -1% yoy below the FY24F target of +2 to 3% yoy. We observed that SMGR's retail prices rises across the board (both fighting and main brand) by 1.8-1.9% across Java with the highest increase in Central Java.

INTP volume showed growth due to Grobogan inclusion

INTP volume grew by +6% yoy/-6% mom to 1.5mt (note this also includes Grobogan). Java grew by +10% yoy/-6% mom while ex-Java declined by -1% yoy/-6% mom. Bag declined by -4% yoy/-10% mom, while bulk grew +35% yoy/+3% mom. Cumulatively 1H24 volumes grew by +10% yoy reaching 7.5mt. Similarly, we also observed that INTP's retail prices rises across the board (both fighting and main brand) by 1.6-2.0% across Java with the highest increase in Central Java.

Maintain Neutral as weak 2Q24 results may also drag down share price

We maintain Neutral on the sector despite attractive valuation of 5.2x EV/EBITDA (10Y average of 11.0x) as we are yet to see a clear recovery in the volume trend – note we deem Jun24 volume to be neutral as volume is generally weak following price adjustment. However, Jun-Nov24 is expected to have heavier rainfall due to La Nina. We are also concerned on possibly weak 2Q24 results due to weak volume/ASP and higher costs.

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Fig. 1: Jun24 cement volume highlights

Domestic volume (in k tonnes)	Jun-24	Jun-23	yoy%	May-24 mom%	6M24	6M23	yoy%	
Java total	2,906	2,847	2%	3,018	-4%	14,914	14,571	2%
Ex Java total	2,447	2,577	-5%	2,550	-4%	13,643	13,481	1%
Total	5,353	5,423	-1%	5,568	-4%	28,556	28,052	2%
Bag	3,685	3,890	-5%	3,945	-7%	19,905	20,312	-2%
Bulk	1,668	1,533	9%	1,622	3%	8,651	7,740	12%

Source: Indonesia Cement Association, Indo Premier

Fig. 2: Jun24 cement volume summary

National cement volume summary (k tonnes)	Jun-24	Jun-23	yoy%	May-24	mom%	6M24	6M23	yoy%
Jakarta	221	233	-5%	233	-5%	1,173	1,156	1%
West Java	855	930	-8%	953	-10%	4,628	4,722	-2%
Central Java	701	603	16%	714	-2%	3,540	3,005	18%
Yogyakarta	93	89	4%	101	-8%	470	471	0%
East Java	755	719	5%	729	4%	3,667	3,698	-1%
Banten	281	272	3%	288	-2%	1,436	1,520	-6%
Java total	2,906	2,847	2%	3,018	-4%	14,914	14,571	2%
Sumatra	1,108	1,169	-5%	1,140	-3%	5,988	6,094	-2%
Kalimantan	473	401	18%	476	-1%	2,477	2,027	22%
Sulawesi	401	523	-23%	428	-6%	2,437	2,728	-11%
Bali + Nusa Tenggara	336	322	4%	347	-3%	1,826	1,632	12%
East Indo	129	162	-20%	160	-19%	916	999	-8%
Ex Java total	2,447	2,577	-5%	2,550	-4%	13,643	13,481	1%
Total	5,353	5,423	-1%	5,568	-4%	28,556	28,052	2%
Bag	3,685	3,890	-5%	3,945	-7%	19,905	20,312	-2%
Bulk	1,668	1,533	9%	1,622	3%	8,651	7,740	12%
Summary by player								
SIG	2,738	2,771	-1%	2,751	0%	14,018	14,228	-1%
INTP	1,497	1,410	6%	1,595	-6%	8,233	7,513	10%
Big 2 total	4,235	4,181	1%	4,346	-3%	22,251	21,741	2%
Non big 2 total	1,118	1,242	-10%	1,222	-9%	6,306	6,312	0%

Source: Indonesia Cement Association, Indo Premier

Fig. 3: Jun24 cement volume summary (Grobogan included)

National cement volume summary (k tonnes)	Jun-24	Jun-23	yoy%
Excluding grobogan			
SIG	2,738	2,771	-1%
INTP	1,497	1,410	6%
Big 2 total	4,235	4,181	1%
Non big 2 total	1,118	1,242	-10%
Total	5,353	5,423	-1%
Including grobogan			
SIG	2,738	2,771	-1%
INTP (incl Grobogan in FY23)*	1,497	1,533	-2%
Big 2 total	4,235	4,304	-2%
Non big 2 total	1,118	1,242	-10%
Total	5,353	5,546	-3%

*Estimated number for grobogan

Source: Indonesia Cement Association, Indo Premier

Fig. 4: Cement forward EV/EBITDA – now trading at 5.2x FY24F EV/EBITDA vs. 10Y average of 11.0x EV/EBITDA



Source: Bloomberg, Company, Indo Premier

Fig. 5: Cement forward EV/tonne – now trading at US\$45.8 FY24F EV/tonne vs. 10Y average of US\$96.7 EV/tonne



Source: Bloomberg, Company, Indo Premier

Fig. 6: Peer comparison

Ticker	Closing Price	P/E (x)			EV/EBITDA (x)			P/BV (x)		
		FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
INTP	7,400	15.9	14.4	12.9	7.6	7.1	6.6	1.2	1.1	1.1
SMGR	4,130	12.0	10.5	9.1	5.0	4.7	4.5	0.6	0.6	0.6

Source: Bloomberg, Company, Indo Premier

Share price closing as of: 15 July 2024

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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The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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