

# Earnings Call Q3 2023 PT Indocement Tunggal Prakarsa Tbk.

3 November 2023



Tarjun Plant

## ■ Key indicator for Q3 2023:

- Domestic cement market YTD weakened -0.6% from combination of pressure in bag market -3.7% and growth in bulk market +8.3%
- Indocement recorded domestic sales volume (cement & clinker) at 13,294k ton or +7.1%, the growth was mainly contributed from Maros operation. Export was 445k ton or +61.7% with clinker shipments to Bangladesh and Brunei Darussalam (from Tarjun plant) and to Australia and Philippines (from Maros plant)
- Our overall domestic market share was at 27.6% with Java 34.1% and outside Java 20.8%
- Net Revenues grew +10.9% YoY to IDR 12,927.7bio from higher volume +8.3% and consolidated price +2.4%
- Increase in Cost of Revenues +7.6% YoY lined up with higher sales volume, mainly contributed from increase in raw material & manufacturing overhead costs with some offset from lower energy cost (DMO coal)
- Margin recovery in Gross Profit from 29.5% to 31.6% and EBITDA from 17.5% to 19.6%
- Indocement signed a *Conditional Purchase Agreement* to acquire 100% shares of PT Semen Grobogan with closing expected by 30 November 2023 and effective takeover on 1 December 2023

## ■ Sustainability:

- CO<sup>2</sup> emission Scope 1 Specific NET was 545 kg CO<sup>2</sup>/t cement equivalent vs. FY2022 at 587 kg CO<sup>2</sup>/t cement equivalent → inline with our 2030 target of 490 kg CO<sup>2</sup>/t cement equivalent
- NO<sup>x</sup>, SO<sup>2</sup>, and dust emissions are well below standard regulation

# Agenda

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## Market Overview

- Cement Market Evolution
- Cement Market Volume & Growth Distribution
- Java-Outside Java & Bag-Bulk Markets

2

## Financial Performance

- Financial result
- Cost Control & Margin Development
- Balance Sheet

3

## Operational Performance & Strategy

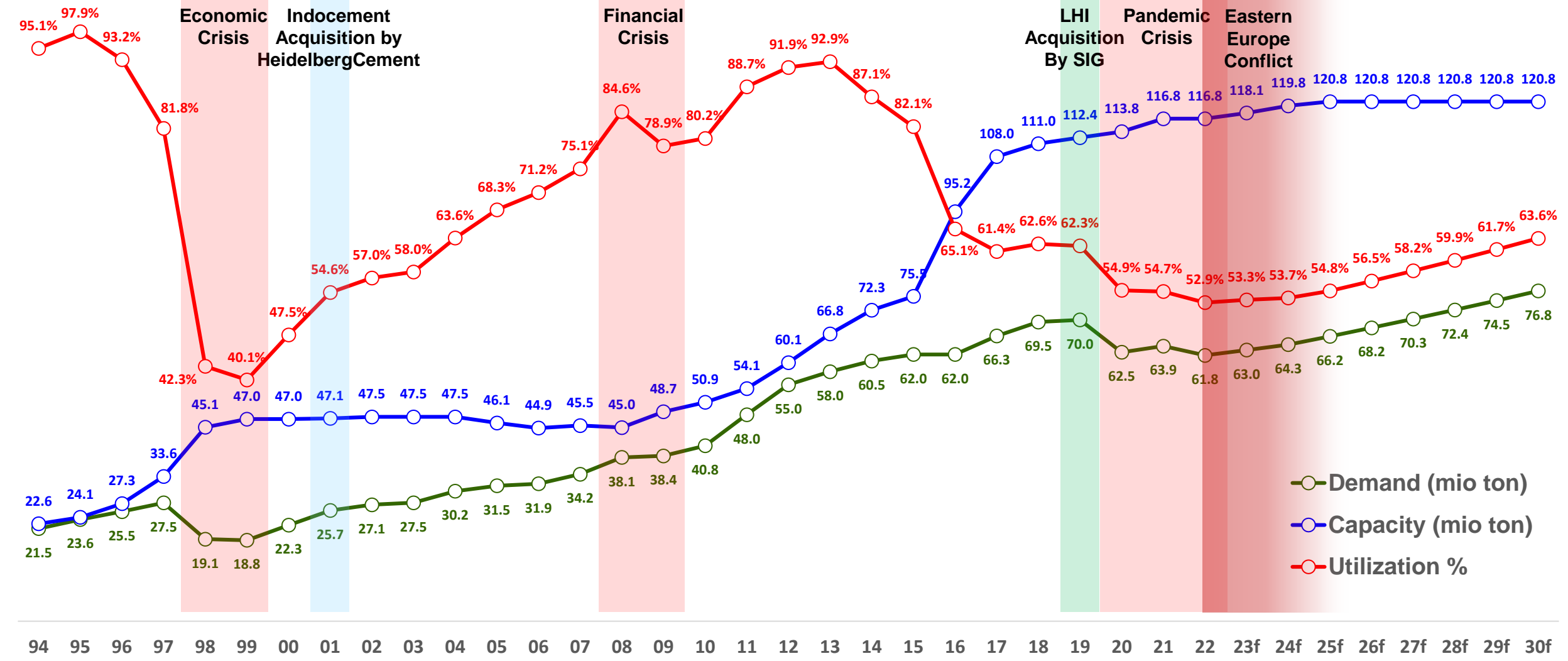
- Emission Reduction
- Logistics Synergies
- Outlook

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## Q&A



# Cement Market Evolution



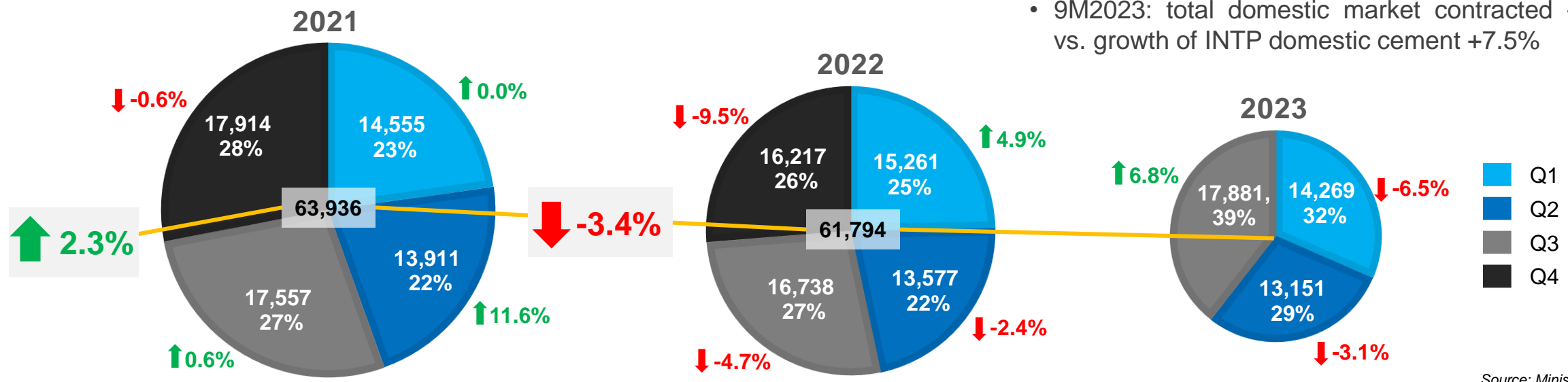
Source: Ministry of Industry with Internal Indocement Projection  
The capacity data could be revised based on industry update

CAGR	07A-10A	10A-13A	13A-16A	16A-19A	19A-22A	22A-25F	22A-25F
Demand	+6.1%	+12.5%	+2.2%	+4.2%	-3.5%	+2.7%	+3.0%
Capacity	+3.8%	+9.5%	+12.5%	+5.7%	+1.3%	+1.1%	-

# Cement Volume Development



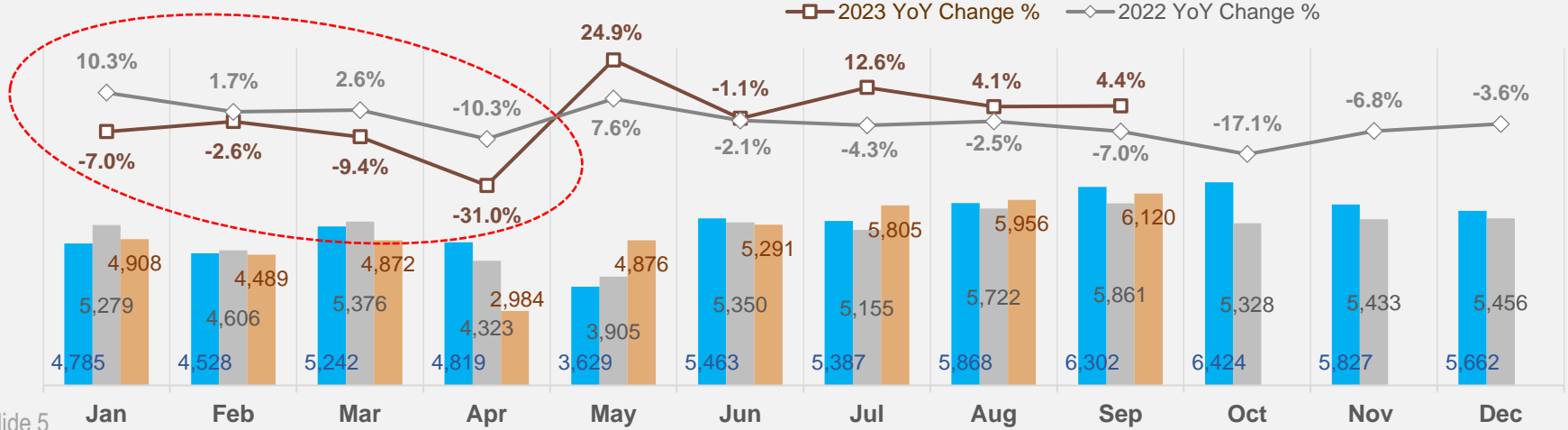
## Quarterly Market Volume (K ton)



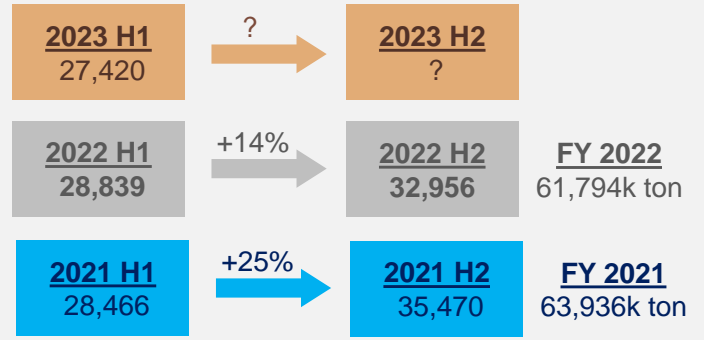
• 9M2023: total domestic market contracted -0.6% vs. growth of INTP domestic cement +7.5%

Source: Ministry of Industry

## Monthly Market Volume (k ton)



• YoY performance shows improvement after the first 4 months of 2023



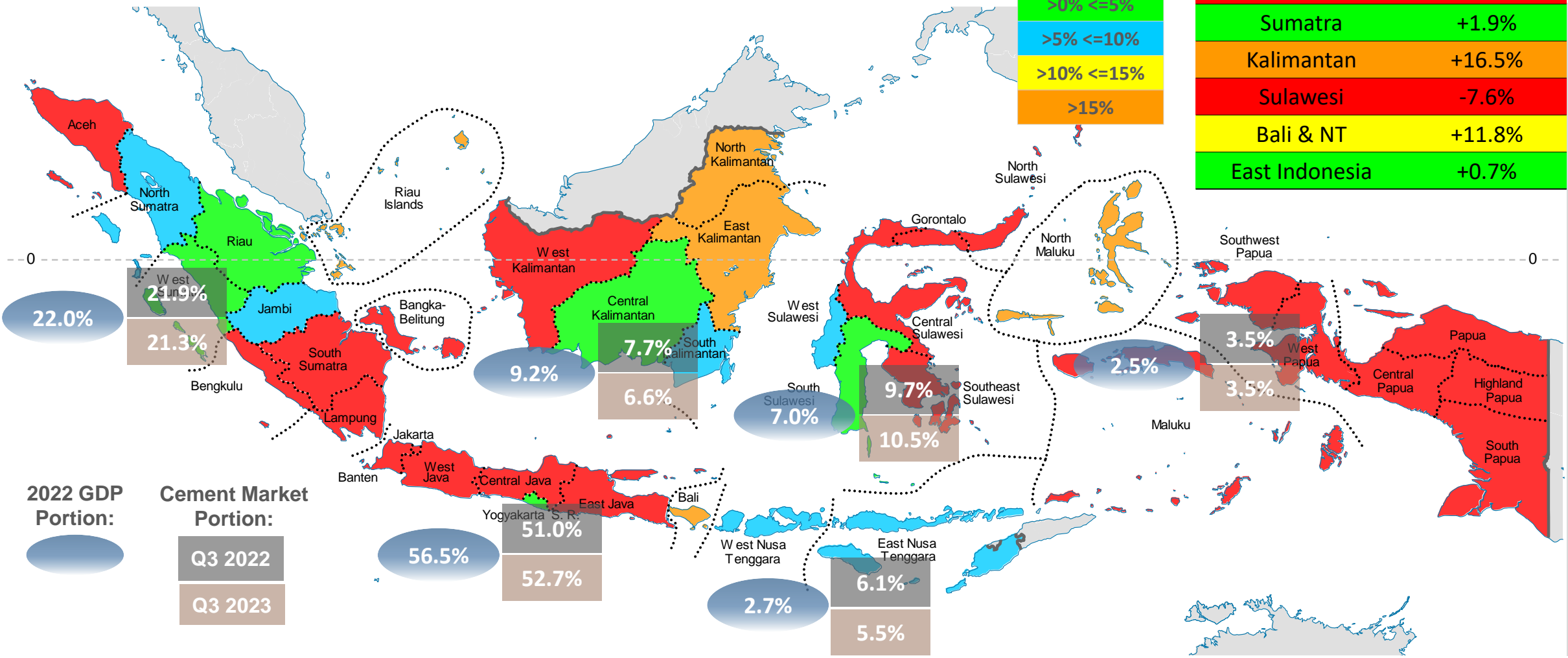
# Cement Market Portion & Growth

- Higher market portion in Kalimantan was from bulk market growth +86.6% especially in East and North Kalimantan areas from new capital city development

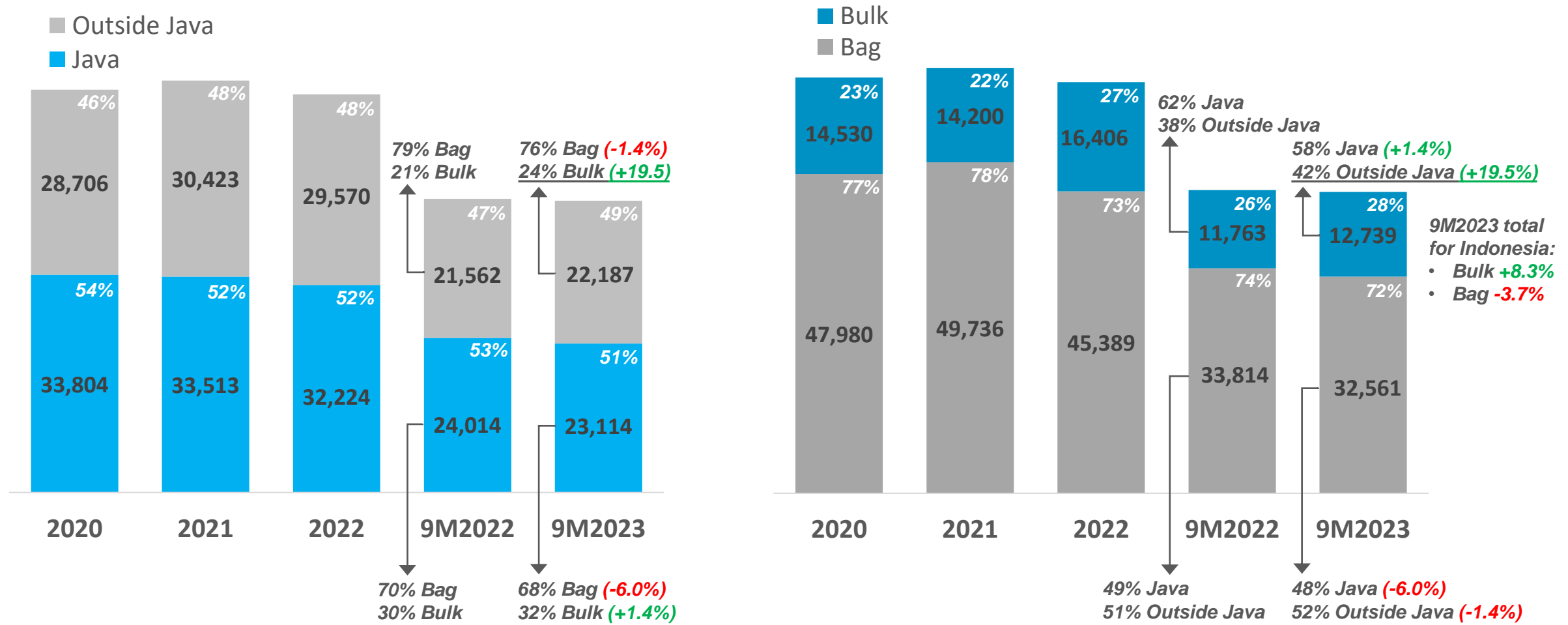
YoY Area Growth:



Area	9M2023 Volume
Java	-3.8%
Sumatra	+1.9%
Kalimantan	+16.5%
Sulawesi	-7.6%
Bali & NT	+11.8%
East Indonesia	+0.7%



# Java-Outside Java and Bag-Bulk Markets



Continuous strong bulk demand at outside Java



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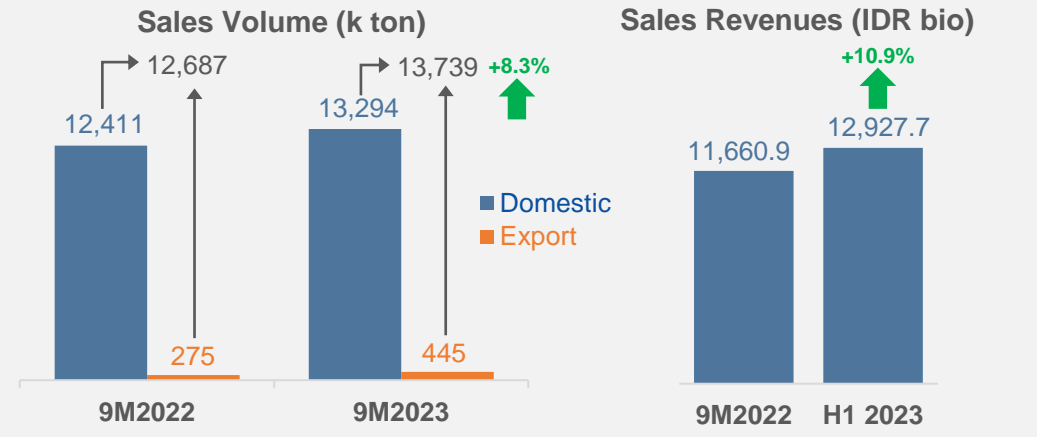
## Q&A



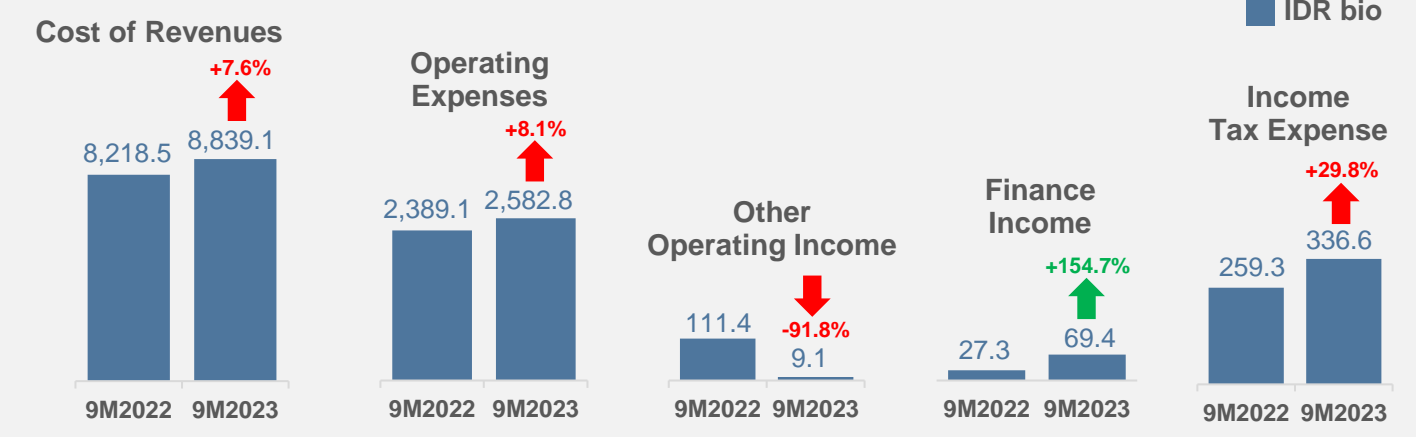
# Financial Result



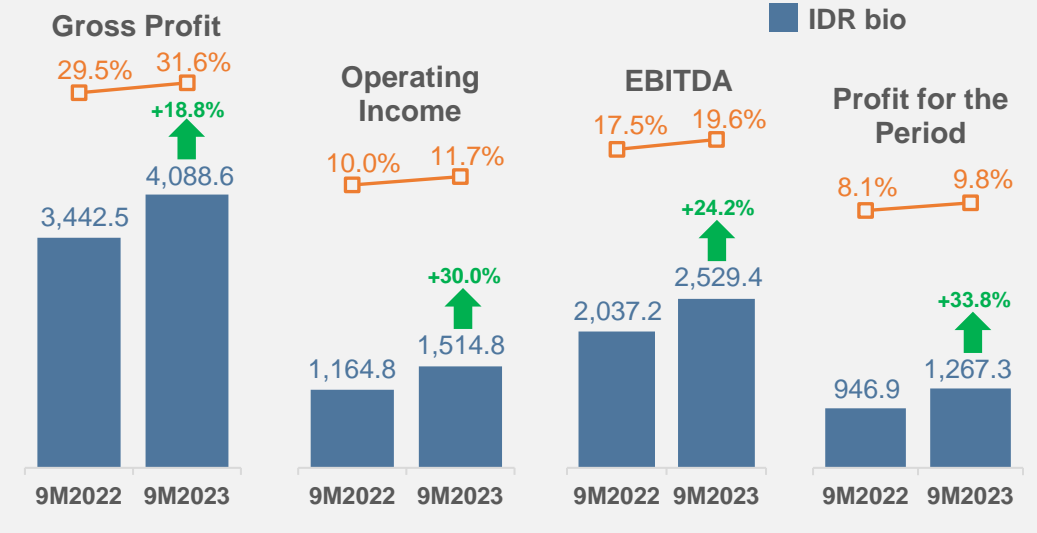
## Sales Result



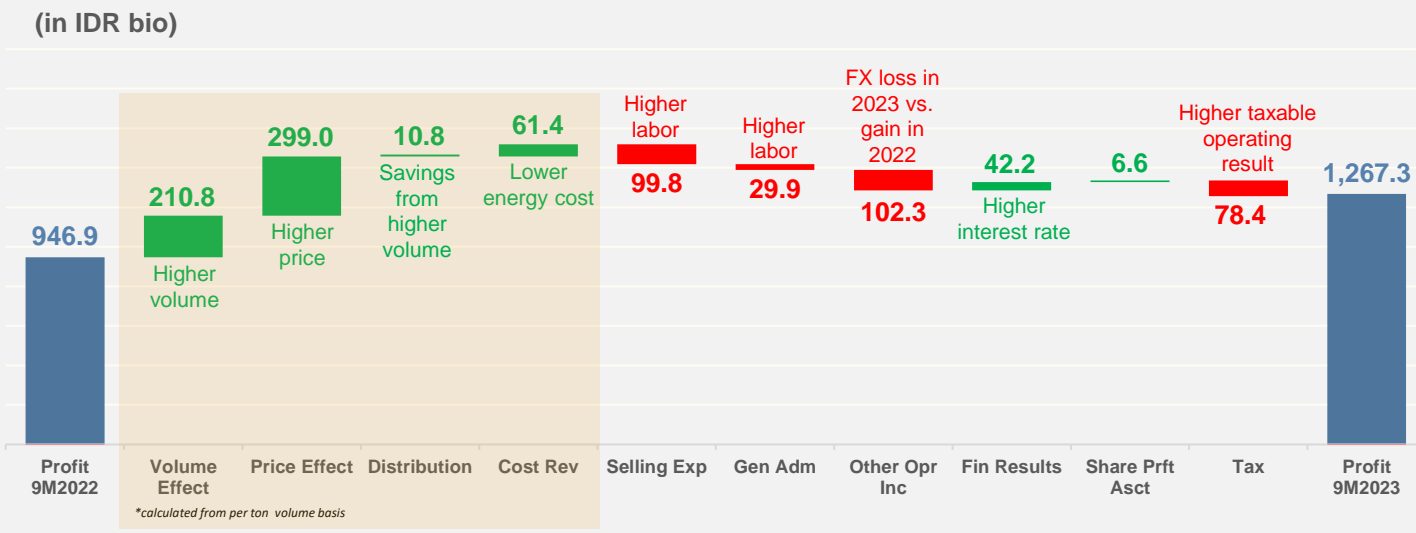
## Operating Driver



## Key Financial



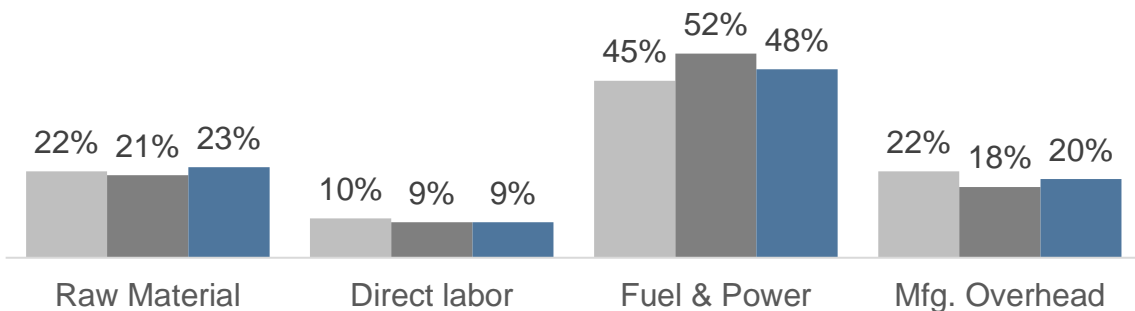
## Profit Bridging



# Cost Control and Margin Development

## 9M Manufacturing Cost

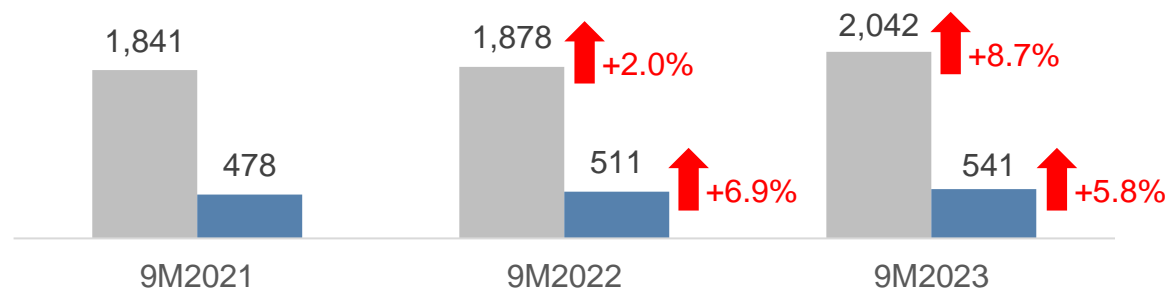
■ 2021 ■ 2022 ■ 2023



- Higher Raw Material was from higher price of limestone & gypsum
- Lower Fuel & Power from lower coal cost (DMO)
- Higher Mfg. Overhead was from additional scope of Maros operation

## Operating Expenses (bio IDR)

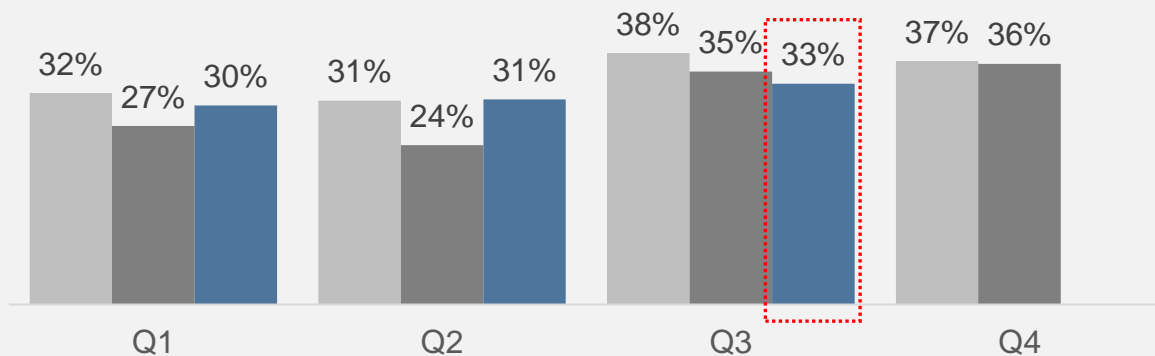
■ Delivery & Selling Expense ■ G&A Expense



- Higher Delivery & Selling Expense was from higher sales volume and labor cost from Maros operation
- Higher G&A Expense was from general increase in labor cost

## Gross Profit Margin

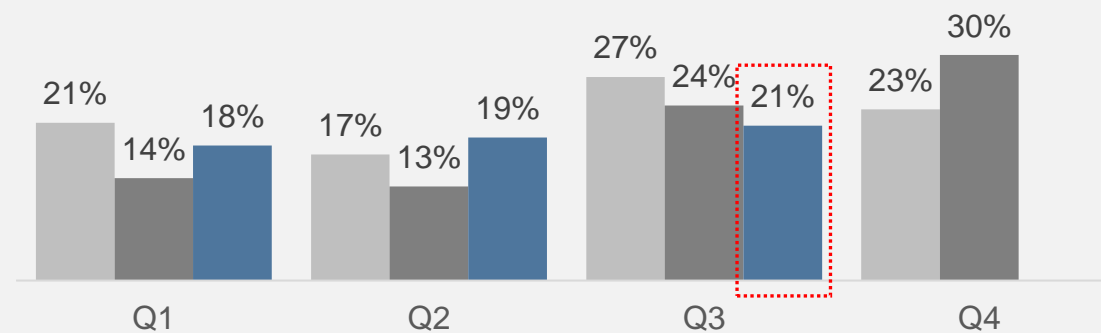
■ 2021 ■ 2022 ■ 2023



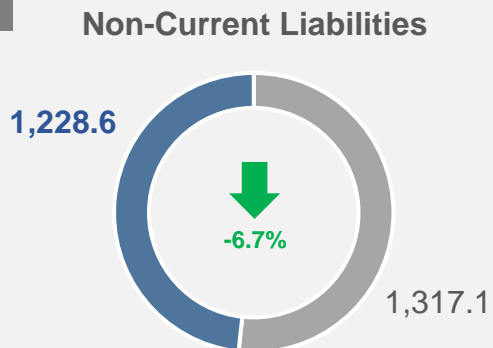
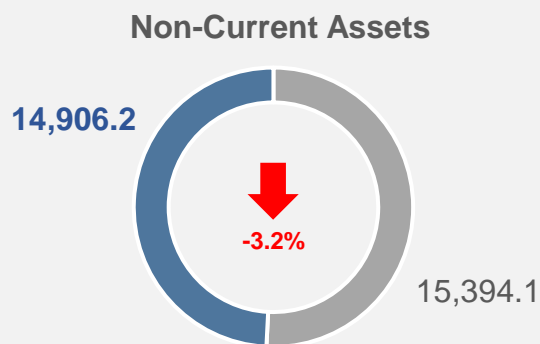
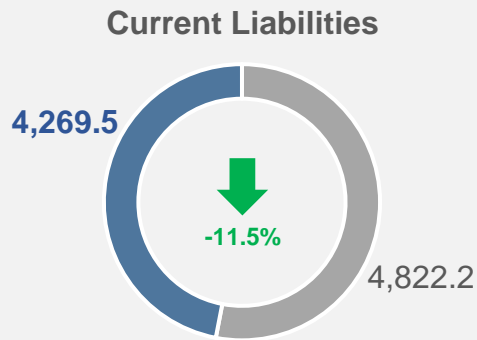
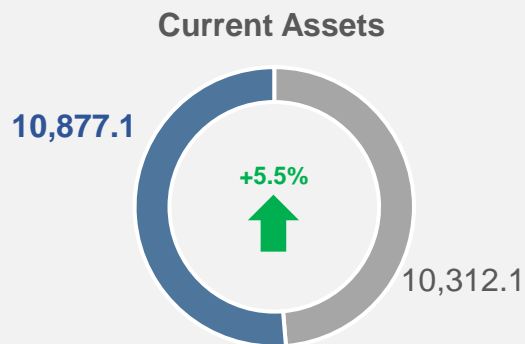
- Margin improvement from Q2 was due to volume recovery from the mid-year holiday season
- Lower margin % from Q3 last year was due to lower consolidated price from product mix (higher bulk composition, fighting brands, and export) and additional costs from overall Maros operation

## EBITDA Margin

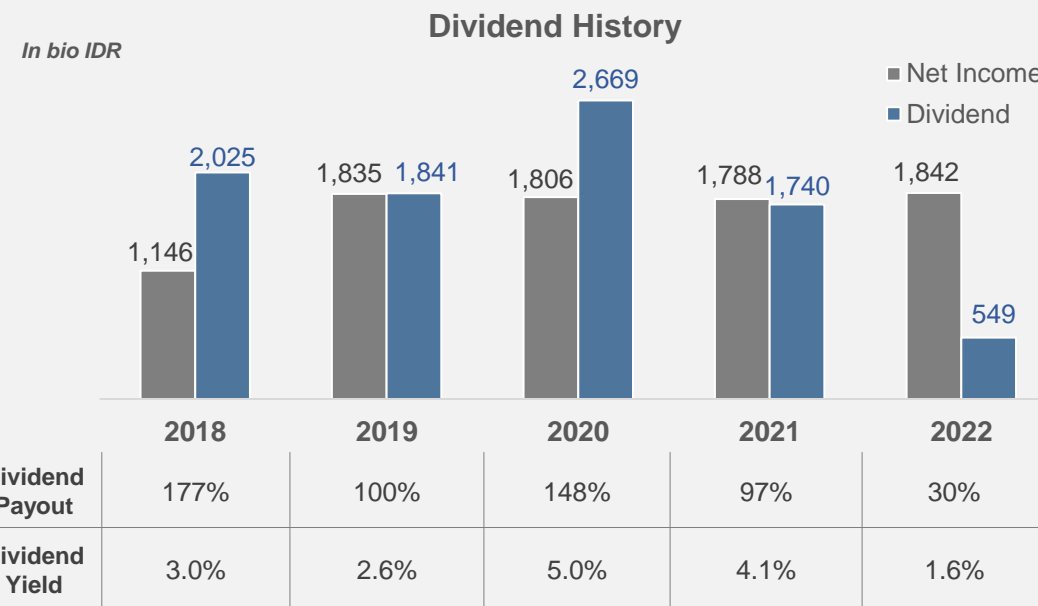
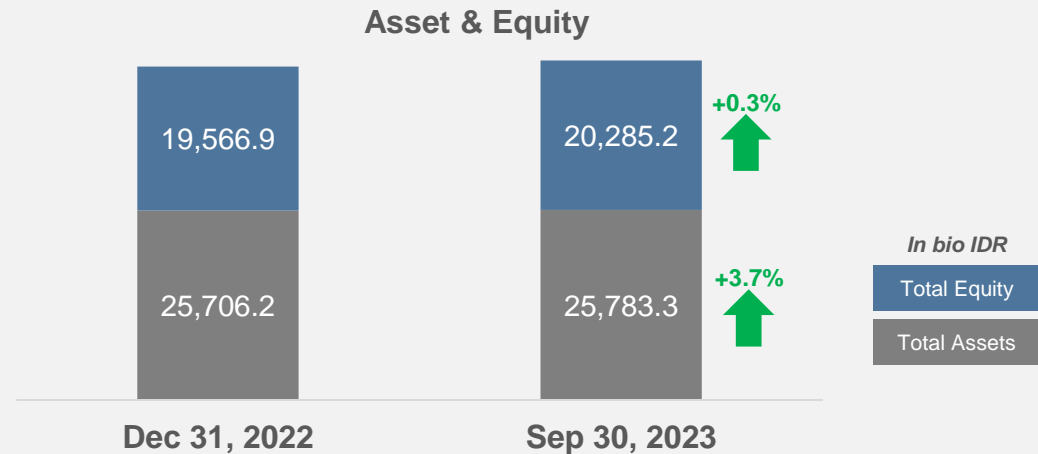
■ 2021 ■ 2022 ■ 2023



# Balance Sheet



*In bio IDR*  
**Sep 2023**  
 Dec 2022



	2018	2019	2020	2021	2022
<b>Dividend Payout</b>	177%	100%	148%	97%	30%
<b>Dividend Yield</b>	3.0%	2.6%	5.0%	4.1%	1.6%

\* Dividend is distributed at the following year

- Cash and Cash Equivalents of IDR 4.8tr as of 30 Sep 2023
- Capex spending plan for 2023 is IDR 1.2tr and 9M2023 spending was IDR 505bio

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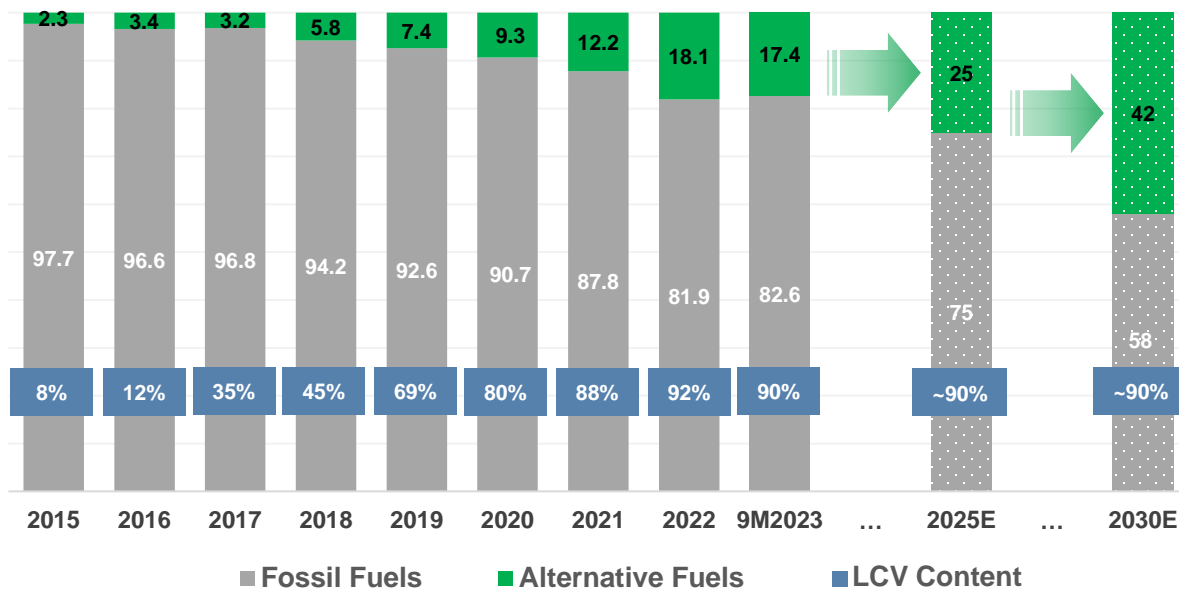
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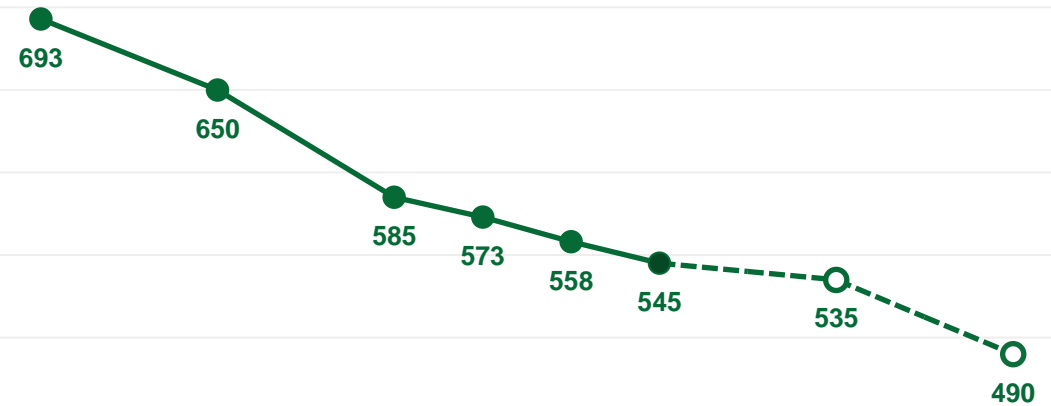
# Emission Reduction



## Fuel Consumption Rate %



## Scope 1 (Specific NET - kg CO<sub>2</sub>/t cement equivalent)

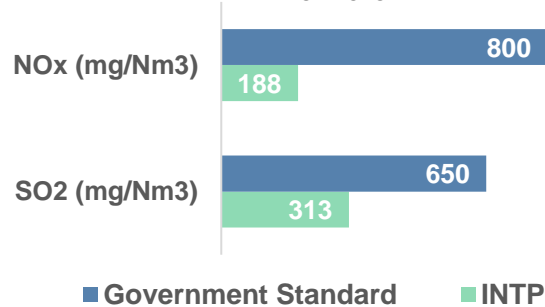


2010 ... 2015 ... 2020 2021 2022 9M2023 ... 2025E ... 2030E

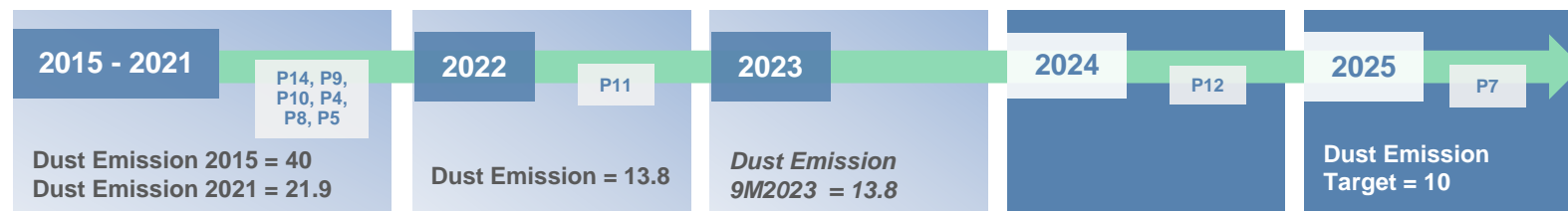
Green House Gas (GHG) emission is calculated based on the international reporting standards defined by World Business Council Sustainable Development (WBCSD) Cement Sustainability Initiative  
 > Scope 1: Emissions from operations that are owned or controlled by the reporting company

## NO<sub>x</sub> & SO<sub>2</sub> Measurement

9M2023



## Replacing Electrostatic Precipitators with Bag Filters to Reduce Dust Emission

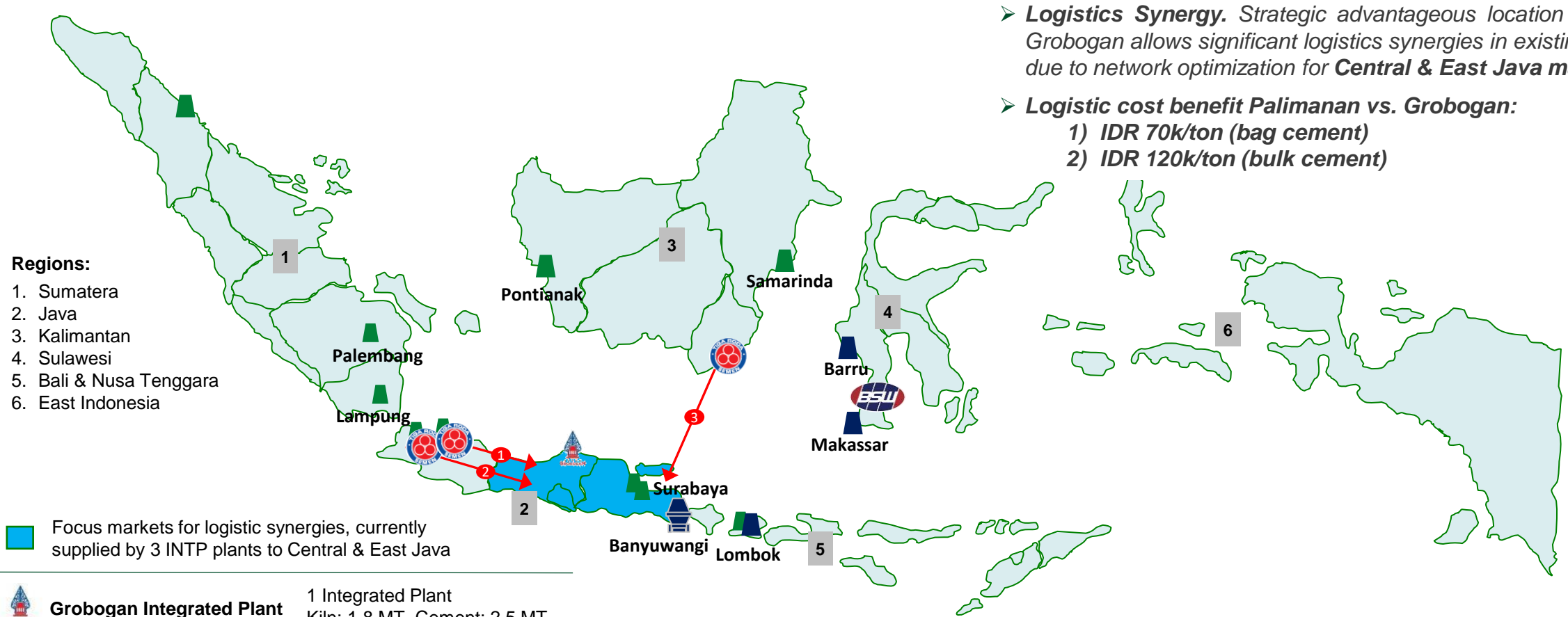


Note:

- The dust emissions are stated in mg/Nm<sup>3</sup>
- The measurement refers to local standard (PermenLHK No. 19 tahun 2017)
- Dust Emission (mg/m<sup>3</sup>) – (25°C, 1013 hPa) related to 10% OXYGEN

**Government Regulation for  
Dust Emission = 60 mg/Nm<sup>3</sup>**

# Logistics Synergies



- Regions:**
1. Sumatera
  2. Java
  3. Kalimantan
  4. Sulawesi
  5. Bali & Nusa Tenggara
  6. East Indonesia

Focus markets for logistic synergies, currently supplied by 3 INTP plants to Central & East Java

	<b>Grobon Integrated Plant</b>	1 Integrated Plant Kiln: 1.8 MT, Cement: 2.5 MT
	<b>SBM Integrated Plant</b>	1 Integrated Plant, 1 Grinding Unit, 3 Terminals
	<b>SBM Terminal</b>	
	<b>SBM Grinding Mill</b>	Kiln: 3.5 MT, Cement: 5.3 MT
	<b>ITP Integrated plant</b>	3 Integrated Plants, 9 Terminals.
	<b>ITP Terminal</b>	Kiln: 18.0 MT. Cement: 25.5 MT

- **Logistics Synergy.** Strategic advantageous location of Semen Grobogan allows significant logistics synergies in existing markets due to network optimization for **Central & East Java markets**
- **Logistic cost benefit Palimanan vs. Grobogan:**
  - 1) IDR 70k/ton (bag cement)
  - 2) IDR 120k/ton (bulk cement)



- PT SEMEN GROBOGAN:**
- A private company with one integrated CEM plant - 2.5 mt cement capacity & holds limestone reserve & resources for >50 years
  - Started its commercial production in January 2022
  - More than 90% of target sales are in Central Java region
  - The plant is strategically located close to key markets in Central Java, with the lowest weighted average logistics cost compared to all players
  - Active limestone quarry is located next and very close to the plant

- ✔ **National Cement Domestic volume is expected to grow up to 1% for full year 2023 due to weak growth of bag cement that is expected to continue, despite strong growth of bulk sales**
- ✔ **Lower coal price index and more accessible of DMO coals** continue to favor energy costs for cement players. On the other hand, global situation expected to cause higher WTI Fuel price that will cause our non-subsidized fuel and **the FX risk of weakening IDR against USD**
- ⚠ **Government Policy Changes: 1) ODOL (Over Dimension & Over-loading) policy** seems to be delayed in implementation and subject to the Road-Map as being prepared recently by the Government, **2) The plan of Carbon Tax implementation** for power plant might increase PLN electricity tariff expected in 2024
- ✔ **Our Samarinda Terminal will start to operate in full swing by December 2023 by having 4x2500 ton capacity and new 8 spouts packer → enable us to supply bulk cement to IKN (new capital city)**
- ✔ **Expected to have more Green Cement sales especially in bulk** (i.e.: Slag Cement & Hydraulic Cement). Also a new SNI for bag cement that allow us to introduce **new cement type to the market with lower clinker but same quality**
- ✔ **Maros plant operation will continue to strengthen our penetration to East Indonesia market and to expand export. The acquisition of PT Semen Grobogan, expected to close by 30 November 2023, will enable us to keep our strong position in Central Java market while enjoying benefit in both logistic cost and production cost efficiency (by using alternative fuel and alternative material)**
- ✔ **Future Investment:** focus in expanding our Sustainability Strategy and Digitalization/Automation process, including further synergy to enhance our distribution and logistics network

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Q & A





**INDOCEMENT**  
HEIDELBERGCEMENT Group

# Thank You

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