

PT Semen Indonesia (Persero), Tbk

BUY

Cement, Equity
15 November 2023

Price	IDR.	6,225
Target	IDR.	8,800
JKSE Index		6,862.055



Stock code	SMGR JI
Bloomberg code	42,703.5
Market cap (in Bn)	8,277
52-week high	5,623
52-week low	48.99%
Free Float (%)	

Major Share Holders (%)	
Government RI	51.01%
Public	48.99%

USD/IDR-YE	
2022	15,592
2023F (6m-avg)	15,778

Analyst: Eka Rahmawati R
eka.rahmah@binaartha.com

Investment Considerations

Positive cement sales volume in 9M2023

- In September, domestic cement sales grew by +4.4% YoY to 6.11 million tonnes (mt), supported by continuous dry weather. The bag market increased slightly by +1.1%, while the bulk market maintained significant growth at +13.3%. The higher growth in the bulk market indicates sustained recovery in major construction projects, while the bag market remained flat due to retail customers switching to ready-mix products. For 9M2023, domestic cement demand slightly decreased by -0.6% YoY, totaling 45.3 mt, attributed to lower demand in the first half of 2023.
- However, SMGR outperformed with a 7% YoY increase in domestic cement sales, reaching 3.19 mt in September 2023. Total sales for SMGR increased by +2.3% YoY to 3.57 mt in September after impressive growth in August.
- Despite the overall domestic market's +0.7% YoY increase to 23.4 mt in 9M2023, SMGR's revenue reached IDR 27.66 trillion, reflecting a 4% YoY increase, driven by higher sales volume mainly from bulk and export. Export sales volume jumped by +62% YoY to 4.7 mt, with the majority sold to Australia, Bangladesh, Philippines, Taiwan, Sri Lanka, and Timor Leste.
- For 3Q2023, SMGR's revenue recorded +7% YoY or +31% QoQ, growth to IDR 10.6 trillion due to a higher ASP. ASP is also expected to increase in October due to higher costs.
- As the dry season continued in October, resulting in higher growth, and ongoing infrastructure projects will boost demand, we expect higher cement demand in 4Q2023.

Margins Improve in 3Q2023

- After a decline in 2Q2023, SMGR's bottom line profit and margin improved in 3Q2023, although still lower compared to 3Q2022.
- SMGR net income increased +1% YoY or +178% QoQ, primarily due to higher ASP and lower operating expenses (-7% YoY), offsetting the highest cost of revenue by +12% YoY in 3Q2023. The net profit margin (NPM) increased to 8% in 3Q2023, while it remained stable at 6.2% for 9M2023.
- Higher costs of revenue in 3Q2023, driven by increased raw material usage (+3% YoY) and higher fuel and energy costs (+17%), resulted in a lower gross profit, down by -3% YoY but still higher QoQ by +54% to IDR 3.02 trillion, resulting in a higher QoQ gross profit margin (GPM) of 28.5%.
- Considering the expected trends of higher cement prices and improving cement demand, SMGR's bottom-line profit is projected to reach IDR 2.5 trillion, representing a substantial 7% YoY growth.

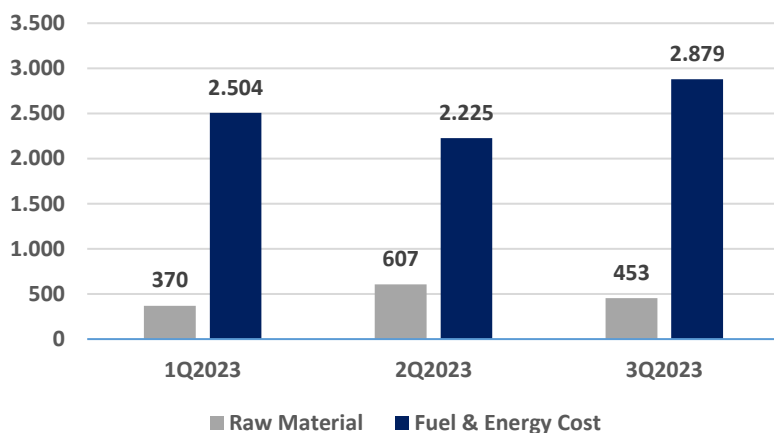
Valuation Maintain BUY, TP 8,800

- We maintain our BUY recommendation with a target price (TP) of IDR 8,800, indicating a potential 41% upside. This valuation is based on a 23x price-to-earnings (PE) ratio for 2024F.

Financial Highlights	2020A	2021A	2022A	2023F	2024F
Revenue (IDR Bn)	35.172	36.702	36.379	38.395	41.189
EBITDA (IDR Bn)	8.906	8.433	6.860	7.174	7.512
Net Income (IDR Bn)	2.792	2.047	2.365	2.532	2.795
EPS (IDR)	471	344	397	375	414
EBITDA Margin (%)	25,3%	23,0%	18,9%	18,7%	18,2%
PBV (x)	2,2	1,1	0,9	1,4	1,3
PER (x)	26,4	21,1	15,5	23,5	21,3

Table: SMGR Cement Sales in Ton

	August			September			Year To Date		
	2023	2022	%	2023	2022	%	2023	2022	%
Indonesia									
Facilities									
Domestic	3.071.995	2.884.639	6,5%	3.191.617	2.982.136	7,0%	23.439.954	23.267.080	0,7%
Export	695.535	159.150	337,0%	393.223	437.386	-10,1%	4.721.170	2.915.926	61,9%
	3.767.530	3.043.789	23,8%	3.584.840	3.419.522	4,8%	28.161.124	26.183.006	7,6%
Vietnam Facilities									
Domestic	63.895	106.834	-40,2%	51.569	69.055	-25,3%	535.221	855.534	-37,4%
Export	41.920	38.000	10,3%	18.850	86.100	-78,1%	506.812	524.698	-3,4%
	105.815	144.834	-26,9%	70.419	155.155	-54,6%	1.042.033	1.380.232	-24,5%
TOTAL SMGR	3.873.345	3.188.623	21,5%	3.655.259	3.574.677	2,3%	29.203.157	27.563.238	5,9%

Source: Company
Chart: SMGR raw material and fuel & energy cost (in IDR Billion)

Source: Company
Table: Income Statement YoY & QoQ in IDR Billion

Income Statement (IDR Bn)	1Q2023	2Q2023	3Q2023	QoQ	3Q2022	YoY	9M2022	9M2023	YoY
Revenue	8.935	8.097	10.629	31%	9.899	7%	26.600	27.661	4%
Cost of revenue	-6.489	-6.127	-7.605	24%	-6.787	12%	-18.704	-20.221	8%
Gross Profit	2.446	1.970	3.024	54%	3.112	-3%	7.897	7.440	-6%
Operating Expense	-1.643	-1.469	-1.789	22%	-1.914	-7%	-5.354	-4.900	-8%
Profit Before Tax	803	501	1.235	146%	1.198	3%	2.543	2.539	0%
Taxes	-220	-193	-333	73%	-307	8%	-767	-746	-3%
NIAT	583	309	902	192%	891	1%	1.775	1.794	1%
Non-controlling Interest	-21	-4	-55	1272%	-48	13%	-93	-80	-14%
Net Income	562	305	848	178%	843	1%	1.683	1.714	2%
EPS	95	34	126	273%	142	-12%	284	254	-11%
GPM	27,4%	24,3%	28,5%		31,4%		29,7%	26,9%	
OPM	9,0%	6,2%	11,6%		12,1%		9,6%	9,2%	
NPM	6,3%	3,8%	8,0%		8,5%		6,3%	6,2%	

Source: Company

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2019A	2020A	2021A	2022A	2023F	2024F
Revenue	40.368	35.172	36.702	36.379	38.395	41.189
Cost of revenue	-27.654	-23.555	-24.976	-25.701	-27.836	-29.862
Gross Profit	12.714	11.617	11.727	10.678	10.559	11.327
Operating Expense	-9.518	-8.128	-8.189	-7.379	-6.911	-7.414
Profit Before Tax	3.196	3.489	3.538	3.299	3.648	3.913
Taxes	-825	-814	-1.420	-800	-1.058	-1.057
NIAT	2.371	2.674	2.117	2.499	2.590	2.856
Non-controlling Interest	21	118	-71	-134	-58	-62
Net Income	2.392	2.792	2.047	2.365	2.532	2.795
EPS (In IDR)	403	471	344	397	375	414
EBITDA	8.745	8.906	8.433	6.860	7.174	7.512

Source: Company and Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2020A	2021A	2022A	2023F	2024F
Net Income	2.792	2.047	2.365	2.532	2.795
Depreciation	3.096	3.087	2.133	2.212	2.293
Change in WC	-660	2.530	-1.212	2.399	135
Cash From Operating Activities	5.229	7.664	3.286	7.142	5.223
Change in Non-current Assets	-2.389	-6.227	-633	-3.018	-3.875
Cash From Investing Activities	-2.389	-6.227	-633	-3.018	-3.875
Change in Long-term liabilities	-3.472	-4.091	-2.369	-857	-500
Change in Bonds Payable	4	-2.995	866	-3.360	0
Change in Others Noncurrent Liabilities	858	498	-765	522	850
Change in Temporary Shirkah temporer	-219	0	669	-450	0
Change in Equity	-1.031	5.175	2.000	-2.144	-1.447
Cash From Financing Activities	-3.859	-1.413	400	-6.290	-1.096
Net Changes in Cash	-1.020	24	3.052	-2.166	252
Beginning Balance	3.950	2.931	2.955	6.007	3.842
Ending Balance	2.931	2.955	6.007	3.842	4.093

Source: Company and Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2020A	2021A	2022A	2023F	2024F
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	2.931	2.955	6.007	3.842	4.093
Trade Accounts Receivable	6.038	5.691	5.521	5.183	5.355
Inventories	4.548	4.849	5.610	5.759	5.890
Others Current Assets	2.048	2.691	1.740	1.728	1.854
Total Current Assets	15.565	16.186	18.879	16.512	17.192
NONCURRENT ASSETS					
Fixed Assets	56.053	58.839	57.806	58.912	60.059
Other Noncurrent Assets	6.388	6.742	6.275	5.976	6.410
Total Noncurrent Assets	62.442	65.581	64.081	64.887	66.469
TOTAL ASSETS	78.006	81.766	82.960	81.400	83.661
LIABILITIES AND EQUITY					
LIABILITIES					
CURRENT LIABILITIES					
Short-term Loans	1.596	3.058	500	4.700	4.700
Trade Account Payable	6.828	7.855	8.096	7.103	7.414
Others Current Liabilities	3.082	3.719	4.465	3.456	3.707
Total Current Liabilities	11.506	14.632	13.061	15.258	15.821
NONCURRENT LIABILITIES					
Long-term bank	14.188	10.097	7.728	6.871	6.371
Bond Payable	7.069	4.074	4.940	1.580	1.580
Others Noncurrent Liabilities	7.808	8.306	7.541	8.063	8.913
Total Noncurrent Liabilities	29.066	22.478	20.210	16.514	16.865
TOTAL LIABILITIES	40.572	37.110	33.271	31.773	32.685
Non-controlling interest	1.480	4.362	4.491	4.607	4.943
EQUITY	34.173	38.514	42.748	43.020	44.033
TEMPORARY SYIRKAH TEMPORER	1.781	1.781	2.450	2.000	2.000
TOTAL TEMPORARY SYIRKAH TEMPORER, LIABILITIES & EQUITY	78.006	81.766	82.960	81.400	83.661

Source: Company and Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2020A	2021A	2022A	2023F	2024F
Sales	-12,9%	4,4%	-0,9%	5,5%	7,3%
OP	9,2%	1,4%	-6,8%	10,6%	7,3%
EBITDA	1,8%	-5,3%	-18,7%	4,6%	4,7%
NP	16,7%	-26,7%	15,5%	7,1%	10,4%
EPS	16,7%	-27,0%	15,4%	-5,5%	10,4%
Profitability					
Gross Profit Margin (%)	33,0%	32,0%	29,4%	27,5%	27,5%
Operating Margin(%)	9,9%	9,6%	9,1%	9,5%	9,5%
EBITDA margin(%)	25,3%	23,0%	18,9%	18,7%	18,2%
NET Profit margin(%)	7,9%	5,6%	6,5%	6,6%	6,8%
ROA(%)	3,6%	2,5%	2,9%	3,1%	3,3%
ROE(%)	8,2%	5,3%	5,5%	5,9%	6,3%
Stability					
Net debt/ equity (x)	0,7	0,4	0,3	0,3	0,3
Int. Coverage (x)	1,2	1,2	1,8	2,0	2,2
Current Ratio (X)	1,4	1,1	1,4	1,1	1,1
Per Share data					
EPS (IDR)	471	344	397	375	414
PBV (x)	2,2	1,1	0,9	1,4	1,3
PER (x)	26,4	21,1	15,5	23,5	21,3
EBITDA/share	1.501	1.417	1.151	1.063	1.113

Stock Ratings:

- Buy : a recommendation to purchase the security with upside potential of **20% or greater**
Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.
Sell : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

RESEARCH TEAM
(62 21) 520 6678 ext. 611

Disclaimer; PT Binaartha Sekuritas has compiled this report in good faith, using information believed to be reliable. PT Binaartha Sekuritas and its analysts take no responsibility for the accuracy of the information contained in this report. This report has been produced for distribution to clients of PT Binaartha Sekuritas only. This report is not an invitation to buy or sell any security. PT Binaartha Sekuritas may have used the information in this report prior to publication. The company or its clients may have positions in or may from time to time buy or sell the securities mentioned in this report or other related securities.