

**PT Semen Indonesia (Persero), Tbk**

**BUY**

Cement, Equity  
24 March 2023

Price	IDR.	6,250
Target	IDR.	9,940
JKSE Index		6,691.611



<b>Stock code</b>	
Bloomberg code	SMGR IJ
Market cap (in Bn)	42,197.1
52-week high	8,277
52-week low	5,834
6-m avg.dail.val (IDR)	6,950
Free Float (%)	48.99%

<b>Major Share Holders (%)</b>	
Government RI	51.01%
Public	48.99%

<b>USD/IDR-YE</b>	
2022	15,592
2023F (6m-avg)	15,294

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**Investment Considerations**

**Sales volume under pressure**

- SMGR recorded lower sales volume inline with lower domestic demand in 2022. Domestic cement sales volume weakened -3.4% YoY to 63.03 million tones (mt) led by a contraction in bag sales volume of -8.7% YoY due to price increases, while the bulk market maintained growth of +14.5%.
- SMGR's total sales contracted -12.9% YoY to 36.92 mt. Domestic cement sales contracted -7.2% YoY to 31.6 mt in 2022, while regional sales contracted -36.4% YoY to 5.28 mt.
- For January – February 2023 cement sales, the domestic market was still under pressure with volume declining -2.6% YoY to 9.39 mt, due to prolonged heavy rains in February, while the bag market weakened -6.5% YoY and the bulk market grew by +10.2%.
- SMGR's cement sales in January – February 2023 decreased slightly by -0.2%. Domestic sales volume contracted -3.9% YoY to 4.83 mt while export sales increased +33.5% YoY to 1.07 mt.
- Inline with the decline in sales volume, SMGR booked revenue of IDR 36.38 trillion, down slightly by -0.9% YoY due to an ASP increase in 2022 of +8.4% for domestic prices, and an export ASP increase of +25.5%.
- We expect domestic demand will recover with ongoing infrastructure projects in 2H2023 while Lebaran and fasting in March – April will lead to temporarily lower demand. We expect top line growth of +15% YoY to IDR 38.8 trillion in 2023F.

**4Q2022: Soften Margin**

- SMGR booked net income of IDR 715 billion, +8% YoY but -13% QoQ in the 4Q2022 due to a higher ASP and higher fuel and distribution costs. This resulted in a lower NPM compared to 3Q2022 of 6.4%. For 2022FY, SMGR net profit increased +15.5% YoY to IDR 2.36 trillion while the NPM increased to 6.5%.
- SMGR's COGS increased +10% YoY to IDR 7.7 trillion in 4Q2022 due to higher fuel and distribution costs. This resulted in a lower gross profit, down -22% YoY but +14% QoQ to IDR 3.33 trillion.
- SMGR managed to lower operating expenses by -12% YoY in the 4Q2022 mainly from lower transportation, promotion and labor costs.
- SMGR profit after tax slightly increased +14% from lower tax expenses in 4Q2022.
- With higher cement prices and lower coal prices in 2023, we are forecasting SMGR bottom line profit for 2023F to reach IDR 2.7 trillion which is +15.7% YoY growth.

**Valuation: Maintain BUY, TP 9,940 with 59% upside**

- We are now targeting SMGR to trade at 25x PE in 2023F. Target price is IDR 9,940 which represents +59% upside. We maintain our BUY recommendation.

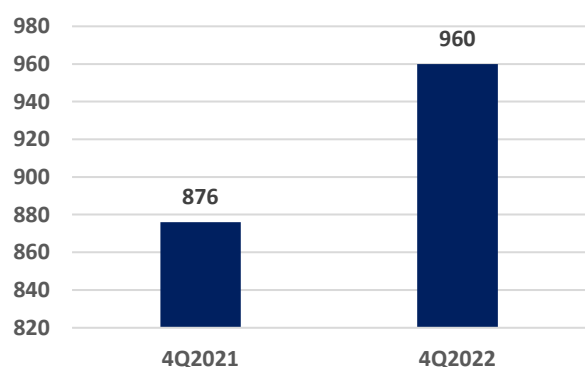
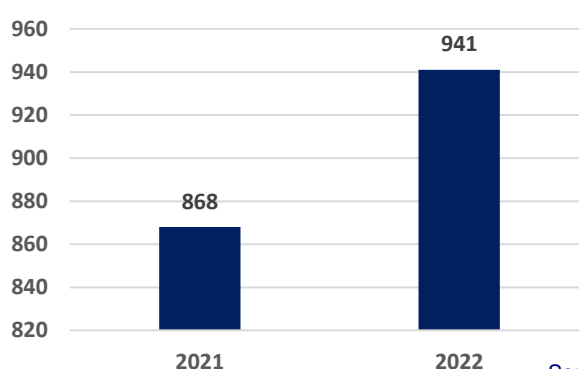
Financial Highlights	2019A	2020A	2021A	2022A	2023F	2024F
Revenue (IDR Bn)	40.368	35.172	36.702	36.379	38.799	41.472
EBITDA (IDR Bn)	8.745	8.906	8.433	6.860	7.836	6.457
Net Income (IDR Bn)	2.392	2.792	2.047	2.365	2.735	2.924
EPS (IDR)	403	471	344	397	405	433
EBITDA Margin (%)	21,7%	25,3%	23,0%	18,9%	20,2%	15,6%
PBV (x)	2,2	2,2	1,1	0,9	1,8	1,7
PER (x)	29,8	26,4	21,1	15,5	24,5	23,0

Source: Company and Binaartha

**Table: SMGR Cement Sales in Ton**

	February			Year to Date			2022	2021	%
	2023	2022	%	2023	2022	%			
<b>Indonesia Facilities</b>									
Domestic	2.356.479	2.399.432	-1,8%	4.830.805	5.029.231	-3,9%	29.623.827	32.151.920	-7,9%
Export	578.579	417.533	38,6%	1.076.506	806.196	33,5%	3.607.787	6.107.743	-40,9%
	<b>2.935.058</b>	<b>2.816.965</b>	<b>4,2%</b>	<b>5.907.311</b>	<b>5.835.427</b>	<b>1,2%</b>	<b>33.231.614</b>	<b>38.259.663</b>	<b>-13,1%</b>
<b>Vietnam Facilities</b>									
Domestic	42.903	47.053	-8,8%	73.029	142.301	-48,7%	1.062.222	1.144.379	-7,2%
Export	66.350	79.650	-16,7%	105.850	121.600	-13,0%	618.318	1.065.574	-42,0%
	109.253	126.703	-13,8%	178.879	263.901	-32,2%	1.680.540	2.209.953	-24,0%
<b>TOTAL SMGR</b>	<b>3.044.311</b>	<b>2.943.668</b>	<b>3,4%</b>	<b>6.086.190</b>	<b>6.099.328</b>	<b>-0,2%</b>	<b>34.912.154</b>	<b>40.469.616</b>	<b>-13,7%</b>

Source: Company

**Chart: Blended ASP 4Q2021 vs 4Q2022**

**Chart: Blended ASP 2021 vs 2022**


Source: Company

**Table: Income Statement YoY & QoQ in IDR Billion**

Income Statement (IDR Bn)	1Q2022	2Q2022	3Q2022	4Q2022	QoQ	4Q2021	YoY
<b>Revenue</b>	<b>8.137</b>	<b>7.739</b>	<b>9.405</b>	<b>11.098</b>	<b>18%</b>	<b>11.372</b>	<b>-2%</b>
Cost of revenue	-5.881	-5.585	-6.472	<b>-7.763</b>	20%	<b>-7.089</b>	<b>10%</b>
<b>Gross Profit</b>	<b>2.256</b>	<b>2.154</b>	<b>2.933</b>	<b>3.335</b>	<b>14%</b>	<b>4.282</b>	<b>-22%</b>
Operating Expense	-1.527	-1.561	-1.764	<b>-2.526</b>	43%	<b>-2.866</b>	<b>-12%</b>
<b>Profit Before Tax</b>	<b>729</b>	<b>593</b>	<b>1.169</b>	<b>808</b>	<b>-31%</b>	<b>1.417</b>	<b>-43%</b>
Taxes	-205	-248	-305	<b>-41</b>	-86%	<b>-743</b>	<b>-94%</b>
<b>NIAT</b>	<b>523</b>	<b>345</b>	<b>864</b>	<b>767</b>	<b>-11%</b>	<b>673</b>	<b>14%</b>
Non-controlling Interest	-25	-15	-42	<b>-52</b>	23%	<b>-15</b>	<b>261%</b>
<b>Net Income</b>	<b>499</b>	<b>330</b>	<b>822</b>	<b>715</b>	<b>-13%</b>	<b>659</b>	<b>8%</b>
<b>EPS</b>	<b>84</b>	<b>56</b>	<b>138</b>	<b>118</b>	<b>-14%</b>	<b>110</b>	<b>8%</b>
<b>GPM</b>	<b>27,7%</b>	<b>27,8%</b>	<b>31,2%</b>	<b>30,0%</b>		<b>37,7%</b>	
<b>OPM</b>	<b>9,0%</b>	<b>7,7%</b>	<b>12,4%</b>	<b>7,3%</b>		<b>12,5%</b>	
<b>NPM</b>	<b>6,1%</b>	<b>4,3%</b>	<b>8,7%</b>	<b>6,4%</b>		<b>5,8%</b>	

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	38.799	41.472
Cost of revenue	-27.654	-23.555	-24.976	-25.701	-27.159	-29.030
<b>Gross Profit</b>	<b>12.714</b>	<b>11.617</b>	<b>11.727</b>	<b>10.678</b>	<b>11.640</b>	<b>12.442</b>
Operating Expense	-9.518	-8.128	-8.189	-7.379	-7.760	-8.294
<b>Profit Before Tax</b>	<b>3.196</b>	<b>3.489</b>	<b>3.538</b>	<b>3.299</b>	<b>3.880</b>	<b>4.147</b>
Taxes	-825	-814	-1.420	-800	-1.048	-1.120
<b>NIAT</b>	<b>2.371</b>	<b>2.674</b>	<b>2.117</b>	<b>2.499</b>	<b>2.832</b>	<b>3.027</b>
Non-controlling Interest	21	118	-71	-134	-97	-104
<b>Net Income</b>	<b>2.392</b>	<b>2.792</b>	<b>2.047</b>	<b>2.365</b>	<b>2.735</b>	<b>2.924</b>
EPS (In IDR)	403	471	344	397	405	433
<b>EBITDA</b>	<b>8.745</b>	<b>8.906</b>	<b>8.433</b>	<b>6.860</b>	<b>7.836</b>	<b>6.457</b>

Source: Company and Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2019A	2020A	2021A	2022A	2023F	2024F
Net Income	2.392	2.792	2.047	2.365	2.735	2.924
Depreciation	2.344	3.096	3.087	2.133	2.212	2.293
Change in WC	2.060	-660	2.530	-1.212	1.305	-115
<b>Cash From Operating Activities</b>	<b>6.796</b>	<b>5.229</b>	<b>7.664</b>	<b>3.286</b>	<b>6.252</b>	<b>5.102</b>
Change in Non-current Assets	-30.344	-2.389	-6.227	-633	-3.081	-4.498
<b>Cash From Investing Activities</b>	<b>-30.344</b>	<b>-2.389</b>	<b>-6.227</b>	<b>-633</b>	<b>-3.081</b>	<b>-4.498</b>
Change in Long-term liabilities	12.788	-3.472	-4.091	-2.369	4.272	0
Change in Bonds Payable	4.070	4	-2.995	866	0	0
Change in Others Noncurrent Liabilities	4.600	858	498	-765	488	914
Change in Temporary Shirkah temporer	2.000	-219	0	669	-450	0
Change in Equity	-1.237	-1.031	5.175	2.000	-9.473	-1.616
<b>Cash From Financing Activities</b>	<b>22.222</b>	<b>-3.859</b>	<b>-1.413</b>	<b>400</b>	<b>-5.163</b>	<b>-702</b>
<b>Net Changes in Cash</b>	<b>-1.327</b>	<b>-1.020</b>	<b>24</b>	<b>3.052</b>	<b>-1.992</b>	<b>-98</b>
<b>Beginning Balance</b>	<b>5.277</b>	<b>3.950</b>	<b>2.931</b>	<b>2.955</b>	<b>6.007</b>	<b>4.015</b>
<b>Ending Balance</b>	<b>3.950</b>	<b>2.931</b>	<b>2.955</b>	<b>6.007</b>	<b>4.015</b>	<b>3.917</b>

Source: Company and Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2017A	2019A	2020A	2021A	2022A	2023F	2024F
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	3.666	3.950	2.931	2.955	6.007	4.015	3.917
Trade Accounts Receivable	4.995	6.860	6.038	5.691	5.521	5.238	5.599
Inventories	3.686	4.642	4.548	4.849	5.610	5.147	5.685
Others Current Assets	1.454	1.207	2.048	2.691	1.740	1.746	1.866
<b>Total Current Assets</b>	<b>13.802</b>	<b>16.659</b>	<b>15.565</b>	<b>16.186</b>	<b>18.879</b>	<b>16.146</b>	<b>17.067</b>
<b>NONCURRENT ASSETS</b>							
Fixed Assets	32.523	56.602	56.053	58.839	57.806	58.912	60.059
Other Noncurrent Assets	2.744	6.547	6.388	6.742	6.275	6.038	7.097
<b>Total Noncurrent Assets</b>	<b>35.267</b>	<b>63.149</b>	<b>62.442</b>	<b>65.581</b>	<b>64.081</b>	<b>64.950</b>	<b>67.155</b>
<b>TOTAL ASSETS</b>	<b>49.069</b>	<b>79.807</b>	<b>78.006</b>	<b>81.766</b>	<b>82.960</b>	<b>81.096</b>	<b>84.222</b>
<b>LIABILITIES AND EQUITY</b>							
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Short-term Loans	602	3.264	1.596	3.058	500	500	500
Trade Account Payable	5.250	6.245	6.828	7.855	8.096	8.469	9.053
Others Current Liabilities	2.952	2.731	3.082	3.719	4.465	4.656	4.977
<b>Total Current Liabilities</b>	<b>8.804</b>	<b>12.240</b>	<b>11.506</b>	<b>14.632</b>	<b>13.061</b>	<b>13.625</b>	<b>14.529</b>
<b>NONCURRENT LIABILITIES</b>							
Long-term bank	4.715	17.660	14.188	10.097	7.728	12.000	12.000
Bond Payable	2.993	7.065	7.069	4.074	4.940	4.940	4.940
Others Noncurrent							
Liabilities	2.510	6.950	7.808	8.306	7.541	8.029	8.943
<b>Total Noncurrent Liabilities</b>	<b>10.219</b>	<b>31.675</b>	<b>29.066</b>	<b>22.478</b>	<b>20.210</b>	<b>24.969</b>	<b>25.883</b>
<b>TOTAL LIABILITIES</b>	<b>19.022</b>	<b>43.915</b>	<b>40.572</b>	<b>37.110</b>	<b>33.271</b>	<b>38.594</b>	<b>40.412</b>
Non-controlling interest	1.524	1.615	1.480	4.362	4.491	3.104	3.318
<b>EQUITY</b>	<b>28.522</b>	<b>32.277</b>	<b>34.173</b>	<b>38.514</b>	<b>42.748</b>	<b>37.398</b>	<b>38.492</b>
<b>TEMPORARY SYIRKAH</b>		<b>2.000</b>	<b>1.781</b>	<b>1.781</b>	<b>2.450</b>	<b>2.000</b>	<b>2.000</b>
<b>TEMPORER</b>							
<b>TOTAL TEMPORARY</b>							
<b>SYIRKAH TEMPORER,</b>	<b>49.068</b>	<b>79.807</b>	<b>78.006</b>	<b>81.766</b>	<b>82.960</b>	<b>81.096</b>	<b>84.222</b>
<b>LIABILITIES &amp; EQUITY</b>							

Table: Ratio Highlights YoY

Growth (% YoY)	2019A	2020A	2021A	2022A	2023F	2024F
Sales	31,5%	-12,9%	4,4%	-0,9%	6,7%	6,9%
OP	-22,1%	9,2%	1,4%	-6,8%	17,6%	6,9%
EBITDA	30,7%	1,8%	-5,3%	-18,7%	14,2%	-17,6%
NP	-22,3%	16,7%	-26,7%	15,5%	15,7%	6,9%
EPS	-22,3%	16,7%	-27,0%	15,4%	2,1%	6,9%
<b>Profitability</b>						
Gross Profit Margin (%)	31,5%	33,0%	32,0%	29,4%	30,0%	30,0%
Operating Margin(%)	7,9%	9,9%	9,6%	9,1%	10,0%	10,0%
EBITDA margin(%)	21,7%	25,3%	23,0%	18,9%	20,2%	15,6%
NET Profit margin(%)	5,9%	7,9%	5,6%	6,5%	7,1%	7,1%
ROA(%)	3,0%	3,6%	2,5%	2,9%	3,4%	3,5%
ROE(%)	7,4%	8,2%	5,3%	5,5%	7,3%	7,6%
<b>Stability</b>						
Net debt/ equity (x)	0,9	0,7	0,4	0,3	0,5	0,5
Int. Coverage (x)	0,7	1,2	1,2	1,8	1,6	182,4
Current Ratio (X)	1,4	1,4	1,1	1,4	1,2	1,2
<b>Per Share data</b>						
EPS (IDR)	403	471	344	397	405	433
PBV (x)	2,2	2,2	1,1	0,9	1,8	1,7
PER (x)	29,8	26,4	21,1	15,5	24,5	23,0
EBITDA/share	1.474	1.501	1.417	1.151	1.161	956

**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**  
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