

PT Semen Indonesia (Persero), Tbk

BUY

Cement, Equity
10 August 2021

Price **IDR. 8,475**
Target **IDR.12,900**
JKSE Index **6,088.408**



Stock code
Bloomberg code **SMGR IJ**
Market cap (in Bn) **50,270**
52-week high **13,000**
52-week low **7,675**
6-m avg.dail.val (IDR) **10,080**
Free Float (%) **48.99%**

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

USD/IDR-YE
2020 **14,175**
2021F (6m-avg) **14,352**

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Investment Considerations

Positive Volume Growth

- Domestic cement sales volume increased +7.3% YoY to 29 million tones (mt) in 1H2021, and SMGR total sales volume maintained positive growth of +5.7% YoY to 19.2 mt with higher export sales, +35.5% to 4.8 mt but slightly lower domestic sales -1.5% to 14.3 mt. With this results, SMGR still has the largest market and capacity share.
- For 2Q2021 SMGR sales volume increased +9.7% YoY to 9.46 mt but still decreased -2.4% QoQ due to the Lebaran holidays and PPKM. The increase in 2Q2021 was boosted by higher export sales to 2.45 mt +19% YoY or +3.4% QoQ, while domestic sales decreased -4.3% QoQ to 7.01 mt but were still higher +6.8% YoY compared to last year.
- We expect flat growth for 3Q2021 cement sales volume, but we expect the recovery to continue after the easing of PPKM.

Margin Improve

- With higher sales volume in 2Q2021, SMGR booked revenue of IDR 7.6 trillion, or an increase of +12.7% YoY but still lower -11% compared to 1Q2021. For 1H2021, SMGR revenue slightly increased 1.2% YoY to IDR 16.2 trillion.
- SMGR net profit increased significantly +107.3% YoY to IDR 344 billion mainly due to lower finance costs in 2Q2021. This resulted in a higher NPM of 4.2% from 2.2% last year. For 1H2021, net profit increased +29.7% YoY to IDR 794.4 billion with a higher NPM of 4.9%.
- Inline with higher coal price, SMGR fuel and energy costs increased +4% YoY. Cost of sales also increased slightly +3.7% YoY to IDR 11.6 trillion in 1H2021.
- Gross profit still decreased -4.7% YoY to IDR 4.58 trillion with a lower gross profit margin of 28.3% in 1H2021.
- SMGR has managed their debt well, resulting in a 26.5% decrease in finance costs in 1H2021 to IDR 790 billion from 1.07 trillion.
- There was an increase in operating income of +16% YoY to IDR 1.99 trillion in 1H2021, while EBITDA increased +2.1% YoY to IDR 3.54 trillion and the EBITDA margin slightly increased to 21.9%.
- We are forecasting SMGR bottom line for 2021F to grow +6% YoY to IDR 2.96 trillion helped by continued operating cost efficiencies and lower finance costs.

Valuation: Maintain BUY, TP 12,900 with 52% upside

- We are now targeting SMGR to trade at 24x PE in 2022F. Target price is IDR 12,900 which represents +52% upside. We maintain our BUY recommendation.

Financial Highlights	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Revenue (IDR Bn)	26.134	27.814	30.688	40.368	35.172	38.508	41.515
EBITDA (IDR Bn)	7.085	4.963	6.690	8.745	8.906	10.080	10.689
Net Income (IDR Bn)	4.522	1.621	3.079	2.392	2.792	2.965	3.197
EPS (IDR)	762	273	519	403	471	500	539
EBITDA Margin (%)	27,1%	17,8%	21,8%	21,7%	25,3%	26,2%	25,7%
ROA (%)	10,2%	3,3%	6,0%	3,0%	3,6%	3,8%	4,0%
ROE (%)	15,6%	5,7%	9,9%	7,4%	8,2%	8,4%	8,8%

Source: Company and Binaartha

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Revenue	26.134	27.814	30.688	40.368	35.172	38.508	41.515
Cost of revenue	-16.278	-19.854	-21.357	-27.654	-23.555	-26.955	-29.061
Gross Profit	9.856	7.960	9.331	12.714	11.617	11.552	12.455
Operating Expense	-4.771	-5.706	-5.226	-9.518	-8.128	-7.702	-8.303
Profit Before Tax	5.085	2.254	4.105	3.196	3.489	3.851	4.152
Taxes	-550	-604	-1.019	-825	-814	-924	-996
NIAT	4.535	1.650	3.086	2.371	2.674	2.927	3.155
Non-controlling Interest	-13	-29	-7	21	118	39	42
Net Income	4.522	1.621	3.079	2.392	2.792	2.965	3.197
EPS (In IDR)	762	273	519	403	471	500	539
EBITDA	7.085	4.963	6.690	8.745	8.906	10.080	10.689

Source: Company and Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Net Income	4.522	1.621	3.079	2.392	2.792	2.965	3.197
Depreciation	1.637	1.953	1.626	2.344	3.096	3.267	3.448
Change in WC	577	-1.959	-1.196	2.060	-660	4.301	1.288
Cash From Operating Activities	6.736	1.615	3.509	6.796	5.229	10.534	7.933
Capex	-7.877	-3.366	-1.507	-30.344	-2.389	-4.289	-5.208
Cash From Investing Activities	-7.877	-3.366	-1.507	-30.344	-2.389	-4.289	-5.208
Long-term liabilities	992	727	157	12.788	-3.472	-2.189	-524
Bonds Payable	0	2.993	2	4.070	4	-3.006	-64
Others Noncurrent Liabilities	396	998	-160	4.600	858	-106	602
Temporary Shirkah temporer Equity	-1.388	-2.149	-389	2.000	-219	219	0
Cash From Financing Activities	-0	2.569	-391	22.222	-3.859	-6.742	-1.870
Net Changes in Cash	-1.141	818	1.611	-1.327	-1.020	-497	855
Beginning Balance	3.989	2.848	3.666	5.277	3.950	2.931	2.433
Ending Balance	2.848	3.666	5.277	3.950	2.931	2.433	3.289

Source: Company and Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	2.848	3.666	5.277	3.950	2.931	2.433	3.289
Trade Accounts Receivable	4.018	4.995	5.960	6.860	6.038	5.776	6.227
Inventories	2.671	3.686	3.544	4.642	4.548	4.618	5.040
Others Current Assets	835	1.454	1.227	1.207	2.048	963	1.038
Total Current Assets	10.373	13.802	16.008	16.659	15.565	13.790	15.594
NONCURRENT ASSETS							
Fixed Assets	30.847	32.523	32.749	56.602	56.053	57.687	59.411
Other Noncurrent Assets	3.007	2.744	2.399	6.547	6.388	5.776	5.812
Total Noncurrent Assets	33.854	35.267	35.148	63.149	62.442	63.463	65.223
TOTAL ASSETS	44.227	49.069	51.156	79.807	78.006	77.254	80.817
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Loans	819	602	84	3.264	1.596	5.096	6.596
Trade Account Payable	4.383	5.250	4.784	6.245	6.828	6.161	6.642
Others Current Liabilities	2.950	2.952	3.335	2.731	3.082	3.273	3.529
Total Current Liabilities	8.152	8.804	8.203	12.240	11.506	14.530	16.767
NONCURRENT LIABILITIES							
Long-term bank	3.988	4.715	4.872	17.660	14.188	11.999	11.475
Bond Payable	0	2.993	2.995	7.065	7.069	4.064	4.000
Others Noncurrent Liabilities	1.512	2.510	2.350	6.950	7.808	7.702	8.303
Total Noncurrent Liabilities	5.501	10.219	10.217	31.675	29.066	23.765	23.779
TOTAL LIABILITIES	13.653	19.022	18.420	43.915	40.572	38.295	40.546
Non-controlling interest	1.539	1.524	1.544	1.615	1.480	1.620	1.747
EQUITY	29.035	28.522	31.192	32.277	34.173	35.338	36.524
TEMPORARY SYIRKAH TEMPORER				2.000	1.781	2.000	2.000
TOTAL TEMPORARY SYIRKAH TEMPORER, LIABILITIES & EQUITY	44.227	49.068	51.156	79.807	78.006	77.254	80.817

Source: Company and Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2017A	2018A	2019A	2020A	2021F	2022F
Sales	6,4%	10,3%	31,5%	-12,9%	9,5%	7,8%
OP	-55,7%	82,1%	-22,1%	9,2%	10,4%	7,8%
EBITDA	-30,0%	34,8%	30,7%	1,8%	13,2%	6,0%
NP	-64,1%	90,0%	-22,3%	16,7%	6,2%	7,8%
EPS	-64,1%	90,0%	-22,3%	16,7%	6,2%	7,8%
Profitability						
Gross Profit Margin (%)	28,6%	30,4%	31,5%	33,0%	30,0%	30,0%
Operating Margin(%)	8,1%	13,4%	7,9%	9,9%	10,0%	10,0%
EBITDA margin(%)	17,8%	21,8%	21,7%	25,3%	26,2%	25,7%
NET Profit margin(%)	5,8%	10,0%	5,9%	7,9%	7,7%	7,7%
ROA(%)	3,3%	6,0%	3,0%	3,6%	3,8%	4,0%
ROE(%)	5,7%	9,9%	7,4%	8,2%	8,4%	8,8%
Stability						
Net debt/ equity (x)	0,3	0,3	0,9	0,7	0,6	0,6
Int. Coverage (x)	2,2	3,2	0,7	1,2	1,0	1,0
Current Ratio (X)	1,6	2,0	1,4	1,4	0,9	0,9
Per Share data (IDR)						
EPS	273	519	403	471	500	539
BV	4.809	5.259	5.442	5.761	5.958	6.158
SPS	4.689	5.174	6.806	5.930	6.492	6.999
EBITDA/share	837	1.128	1.474	1.501	1.699	1.802

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**.

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