

PT Semen Indonesia (Persero), Tbk

BUY

Cement, Equity
16 March 2022

Price **IDR. 6,465**
Target **IDR. 10,700**
JKSE Index **6,918.185**



Stock code
Bloomberg code **SMGR JI**
Market cap (in Bn) **39,590**
52-week high **11,900**
52-week low **6,550**
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
2021 **14,300**
2022F (6m-avg) **14,352**

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Investment Considerations

Recovery continues

- In 2021, Domestic cement sales volume maintained single digit growth of +4.3% YoY to 65.2 million tones (mt) but volume is still -6.8% below the pre-pandemic demand.
- Domestic cement sales volume continues to recover in January 2022 with +8% YoY growth driven by strong bulk market growth of +16.1%. The bag market also grew +5.8% YoY in January 2022.
- SMGR total sales volume slightly decreased -0.6% YoY because of a decrease in export sales -2.8% YoY and a decrease in Vietnam cement sales -29.6% YoY. But SMGR domestic sales maintained positive growth of +2.1% YoY to 2.47 mt.
- For 4Q2021, SMGR booked sales of IDR 9.26 trillion, higher QoQ from an ASP hike in 4Q2021.
- With slightly increased sales volume and the ASP hike in 2021 due to higher coal prices, SMGR booked full year sales of IDR 34.9 trillion, a slight decline of -0.6%.
- We expect demand will continue to recover as January's domestic sales shows higher growth.

Lower Finance Cost, Higher tax

- SMGR booked net income of IDR 2.02 trillion, down -27.6% mainly due to higher tax. In October 2021, the government announced the cancellation of the corporate tax reduction from 2022 onward, so instead of 20%, it will remain at 22%. NPM also decreased to 5.8% from 7.9% in 2020. For 4Q2021, SMGR booked lower net income, down -49% YoY but higher +7% QoQ with a better NPM of 36.4%.
- Coal prices remain high which led to an increase in SMGR's fuel costs by +15.5% YoY. This resulted in a decline in gross profit -6% YoY to IDR10.9 trillion with a lower gross profit margin of 31.3% from 33% in 2020.
- SMGR finance costs continue to decrease -30% YoY to IDR 1.62 trillion due to a decrease in the interest bearing debt as SMGR repaid IDR 7.3 trillion of debt in 2021.
- SMGR managed lower operating expenses, down by -8% mainly from a decrease in transportation costs and lower accruals. As a result, profit before tax slightly decreased by -1% with a stable OPM of 9.9%.
- As we expect cement demand will continue to recover and SMGR will be able to minimize the impact of fuel costs. We are forecasting SMGR bottom line for 2022F to reach IDR 2.89 trillion which is 43% YoY growth.

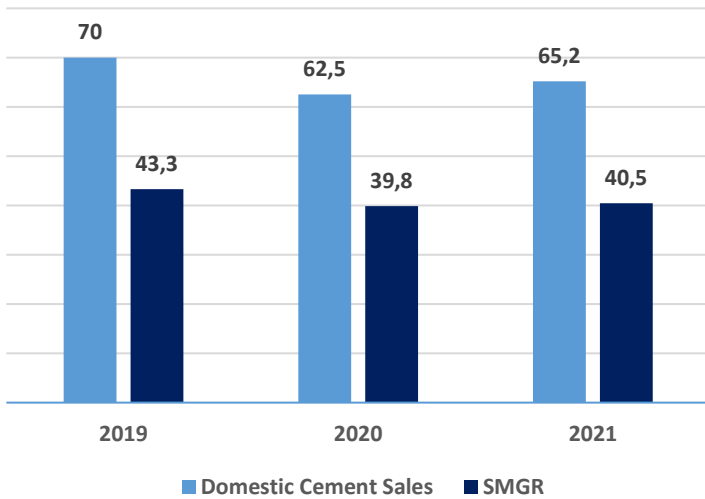
Valuation: Maintain BUY, TP 10,700 with 66% upside

- We are now targeting SMGR to trade at 19x PE in 2023F. Target price is IDR 10,700 which represents +66% upside. We maintain our BUY recommendation.

Financial Highlights	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Revenue (IDR Bn)	27.814	30.688	40.368	35.172	34.958	39.440	44.731
EBITDA (IDR Bn)	4.963	6.690	8.745	8.906	8.185	9.802	10.729
Net Income (IDR Bn)	1.621	3.079	2.392	2.792	2.021	2.891	3.279
EPS (IDR)	273	519	403	471	341	487	553
EBITDA Margin (%)	17,8%	21,8%	21,7%	25,3%	23,4%	24,9%	24,0%
ROA (%)	3,3%	6,0%	3,0%	3,6%	2,6%	3,7%	4,0%
ROE (%)	5,7%	9,9%	7,4%	8,2%	5,6%	8,0%	8,8%

Source: Company and Binaartha

Chart: Domestic Cement Sales and SMGR YoY in MT



Source: Company

Table: SMGR Cement Sales in Ton

	January		%
	2022	2021	
Indonesia Facilities			
Domestic	2.471.748	2.420.355	2,1%
Export	388.664	399.946	-2,8%
	2.860.412	2.820.301	1,4%
Vietnam Facilities			
Domestic	95.248	134.134	-29,0%
Export	41.950	60.850	-31,1%
	137.198	194.984	-29,6%
TOTAL SMGR	2.997.610	3.015.285	-0,6%

Source: Company

Table: Income Statement YoY & QoQ in IDR Billion

Income Statement (IDR Bn)	1Q2021	2Q2021	3Q2021	4Q2021	QoQ	4Q2020	YoY
Revenue	8.076.719	8.136.625	9.117.117	9.627.410	6%	9.546.735	1%
Cost of revenue	-5.770.128	-5.854.666	-6.261.419	-6.118.327	-2%	-6.160.362	-1%
Gross Profit	2.306.591	2.281.959	2.855.698	3.509.083	23%	3.386.373	4%
Operating Expense	-1.636.382	-1.758.449	-1.928.619	-2.159.744	12%	-2.206.492	-2%
Profit Before Tax	670.209	523.510	927.079	1.349.339	46%	1.179.881	14%
Taxes	-224.088	-180.702	-272.257	-710.743	161%	-46.668	1423%
NIAT	446.121	342.808	654.822	638.596	-2%	1.133.213	-44%
Non-controlling Interest	4.242	1.251	-61.537	-5.113	-92%	117.311	-104%
Net Income	450.363	344.059	593.285	633.483	7%	1.250.524	-49%
EPS	76	134	100	107	7%	211	-49%
GPM	28,6%	28,0%	31,3%	36,4%		35,5%	
OPM	8,3%	6,4%	10,2%	14,0%		12,4%	
NPM	5,6%	4,2%	6,5%	6,6%		13,1%	

Source: Company

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Revenue	27.814	30.688	40.368	35.172	34.958	39.440	44.731
Cost of revenue	-19.854	-21.357	-27.654	-23.555	-24.005	-27.214	-30.865
Gross Profit	7.960	9.331	12.714	11.617	10.953	12.226	13.867
Operating Expense	-5.706	-5.226	-9.518	-8.128	-7.483	-8.282	-9.394
Profit Before Tax	2.254	4.105	3.196	3.489	3.470	3.944	4.473
Taxes	-604	-1.019	-825	-814	-1.388	-986	-1.118
NIAT	1.650	3.086	2.371	2.674	2.082	2.958	3.355
Non-controlling Interest	-29	-7	21	118	-61	-67	-76
Net Income	1.621	3.079	2.392	2.792	2.021	2.891	3.279
EPS (In IDR)	273	519	403	471	341	487	553
EBITDA	4.963	6.690	8.745	8.906	8.185	9.802	10.729

Source: Company and Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Net Income	1.621	3.079	2.392	2.792	2.021	2.891	3.279
Depreciation	1.953	1.626	2.344	3.096	3.087	3.262	3.446
Change in WC	-1.959	-1.196	2.060	-660	2.538	-86	143
Cash From Operating Activities	1.615	3.509	6.796	5.229	7.647	6.066	6.867
Change in Non-current Assets	-3.366	-1.507	-30.344	-2.389	-1.880	-5.348	-5.222
Cash From Investing Activities	-3.366	-1.507	-30.344	-2.389	-1.880	-5.348	-5.222
Change in Long-term liabilities	727	157	12.788	-3.472	-5.683	1.970	525
Change in Bonds Payable	2.993	2	4.070	4	-2.995	0	0
Change in Others Noncurrent Liabilities	998	-160	4.600	858	343	96	-79
Change in Temporary Shirkah temporer			2.000	-219	0	219	0
Change in Equity	-2.149	-389	-1.237	-1.031	2.108	-3.348	-1.936
Cash From Financing Activities	2.569	-391	22.222	-3.859	-6.227	-1.062	-1.490
Net Changes in Cash	818	1.611	-1.327	-1.020	-460	-344	155
Beginning Balance	2.848	3.666	5.277	3.950	2.931	2.470	2.126
Ending Balance	3.666	5.277	3.950	2.931	2.470	2.126	2.281

Source: Company and Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	3.666	5.277	3.950	2.931	2.470	2.126	2.281
Trade Accounts Receivable	4.995	5.960	6.860	6.038	5.513	5.916	6.710
Inventories	3.686	3.544	4.642	4.548	4.615	4.947	5.611
Others Current Assets	1.454	1.227	1.207	2.048	2.672	2.655	3.215
Total Current Assets	13.802	16.008	16.659	15.565	15.270	15.645	17.817
NONCURRENT ASSETS							
Fixed Assets	32.523	32.749	56.602	56.053	54.720	56.351	58.074
Other Noncurrent Assets	2.744	2.399	6.547	6.388	6.514	6.970	7.023
Total Noncurrent Assets	35.267	35.148	63.149	62.442	61.234	63.321	65.097
TOTAL ASSETS	49.069	51.156	79.807	78.006	76.504	78.966	82.914
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Loans	602	84	3.264	1.596	2.999	3.999	4.999
Trade Account Payable	5.250	4.784	6.245	6.828	7.613	7.449	8.153
Others Current Liabilities	2.952	3.335	2.731	3.082	3.598	3.395	3.850
Total Current Liabilities	8.804	8.203	12.240	11.506	14.210	14.843	17.003
NONCURRENT LIABILITIES							
Long-term bank	4.715	4.872	17.660	14.188	8.505	10.475	11.000
Bond Payable	2.993	2.995	7.065	7.069	4.074	4.074	4.074
Others Noncurrent Liabilities	2.510	2.350	6.950	7.808	8.151	8.247	8.168
Total Noncurrent Liabilities	10.219	10.217	31.675	29.066	20.730	22.797	23.242
TOTAL LIABILITIES	19.022	18.420	43.915	40.572	34.940	37.640	40.245
Non-controlling interest	1.524	1.544	1.615	1.480	3.628	3.392	3.579
EQUITY	28.522	31.192	32.277	34.173	36.155	35.934	37.091
TEMPORARY SYIRKAH							
TEMPORER			2.000	1.781	1.781	2.000	2.000
TOTAL TEMPORARY SYIRKAH							
TEMPORER, LIABILITIES & EQUITY	49.068	51.156	79.807	78.006	76.504	78.966	82.914

Source: Company and Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Sales	6,4%	10,3%	31,5%	-12,9%	-0,6%	12,8%	13,4%
OP	-55,7%	82,1%	-22,1%	9,2%	-0,5%	13,7%	13,4%
EBITDA	-30,0%	34,8%	30,7%	1,8%	-8,1%	19,8%	9,5%
NP	-64,1%	90,0%	-22,3%	16,7%	-27,6%	43,0%	13,4%
EPS	-64,1%	90,0%	-22,3%	16,7%	-27,6%	43,0%	13,4%
Profitability							
Gross Profit Margin (%)	28,6%	30,4%	31,5%	33,0%	31,3%	31,0%	31,0%
Operating Margin(%)	8,1%	13,4%	7,9%	9,9%	9,9%	10,0%	10,0%
EBITDA margin(%)	17,8%	21,8%	21,7%	25,3%	23,4%	24,9%	24,0%
NET Profit margin(%)	5,8%	10,0%	5,9%	7,9%	5,8%	7,3%	7,3%
ROA(%)	3,3%	6,0%	3,0%	3,6%	2,6%	3,7%	4,0%
ROE(%)	5,7%	9,9%	7,4%	8,2%	5,6%	8,0%	8,8%
Stability							
Net debt/ equity (x)	0,3	0,3	0,9	0,7	0,4	0,5	0,5
Int. Coverage (x)	2,2	3,2	0,7	1,2	1,3	1,1	1,2
Current Ratio (X)	1,6	2,0	1,4	1,4	1,1	1,1	1,0
Per Share data (IDR)							
EPS	273	519	403	471	341	487	553
BV	4.809	5.259	5.442	5.761	6.095	6.058	6.253
SPS	4.689	5.174	6.806	5.930	5.894	6.649	7.541
EBITDA/share	837	1.128	1.474	1.501	1.380	1.653	1.809

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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