

PT Semen Indonesia (Persero), Tbk

BUY

Cement, Equity
20 March 2020

Price **IDR. 5,875**
Target **IDR. 14,000**
JKSE Index **4,105.422**



Stock code
Bloomberg code **SMGR JI**
Market cap (in Bn) **37,368,6**
52-week high **14,450**
52-week low **6,125**
6-m avg.dail.val (IDR) **11,864**
Free Float (%) **48.99%**

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

USD/IDR-YE
2019 **13,970**
2020F (6m-avg) **14,054**

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Investment Considerations

Expecting lower 1Q sales volume

- Domestic sales volume in February 2020 showed a slight improvement with domestic demand growth at -2,81% compared to -9,94% YoY in January and -6,68% YoY for the two months to 5.44 mt.
- Total group SMGR cement sales in February decreased slightly, -5,88% to 2,91 mt from 3,09 mt.
- Total group SMGR in January (which excludes SBI sales volume in January 2019) grew +34,5% YoY to 3,36 mt.
- We expect 1Q2020 cement demand will grow more slowly from the impact of the COVID-19 virus plus heavy rainfall. We have revised our forecast from moderate growth to negative growth for cement demand in 2020F.

2019FY Results: Revenue Increased

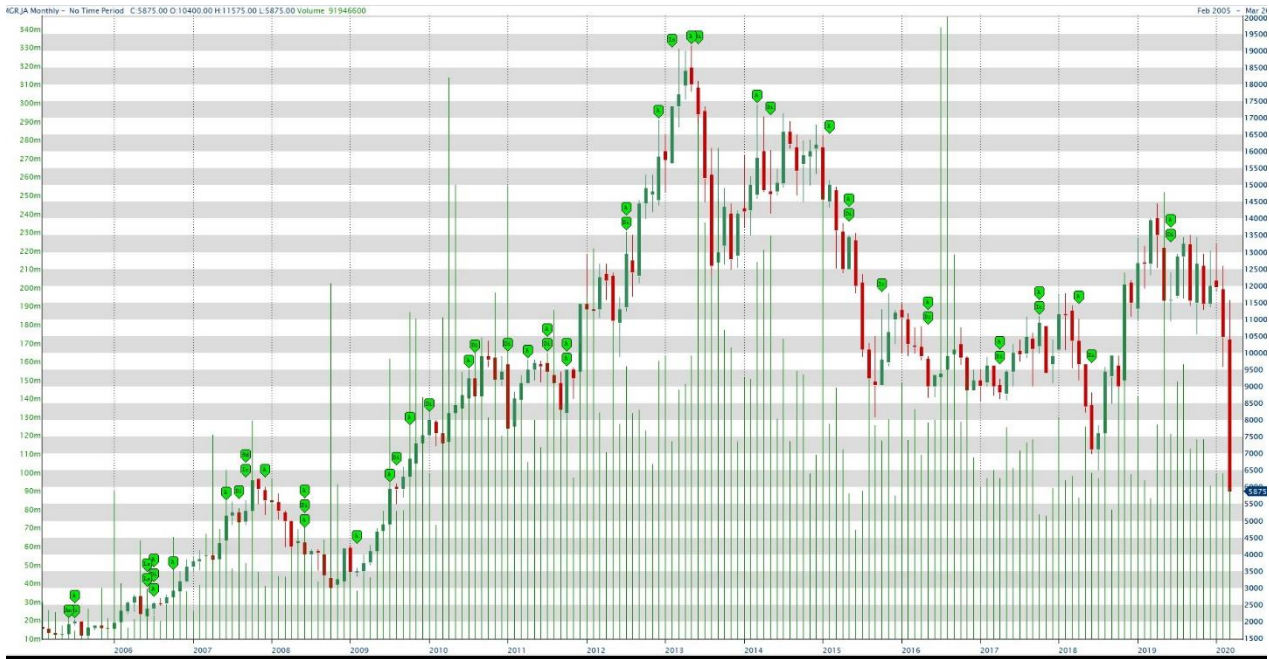
- In 2019FY, SMGR had double digit growth in revenue of 31.5% yoy to IDR 40.4 trillion from IDR 30.69 trillion in 2018. This is higher than our forecast of IDR 33 trillion.
- SMGR also enjoyed a gross profit increase of 36% yoy to IDR 12.7 trillion from IDR 9.33 trillion in 2018. The Gross profit margin slightly increased to 31.5% from 30.4%.
- Despite the higher revenue, SMGR is still overshadowed by higher energy and finance costs. Finance costs were IDR 3.2 trillion or up 234% because of the loans for the SBI acquisition. This led to a decrease in profit before tax of -22.1% YoY to IDR 3.1 trillion from 4.1 trillion in 2018.
- Net income also decreased by -22.3% yoy to IDR 2.39 billion from IDR 3.08 trillion in 2018.
- Despite the higher finance costs, we expect net income 2020F will increase slightly to IDR 2.58 trillion.

Valuation: Maintain BUY, TP 14,000 with 138% upside

- We are targeting SMGR share price to reach IDR 14,000 which is a valuation of 33x PE.
- We recommend Buy as SMGR price is now at the lowest level since 2009 and we believe the fundamental outlook is still promising.

Financial Highlights	2014A	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (IDR Bn)	26.987	26.948	26.134	27.814	30.688	40.368	41.590	43.781
EBITDA (IDR Bn)	8.697	7.648	7.085	4.963	6.690	8.712	9.240	9.693
Net Income (IDR Bn)	5.566	4.521	4.522	1.621	3.079	2.392	2.579	2.714
EPS (IDR)	938	762	762	273	519	403	435	458
EBITDA Margin (%)	32,2%	28,4%	27,1%	17,8%	21,8%	21,6%	22,2%	22,1%
ROA (%)	16,2%	11,3%	10,2%	3,3%	6,0%	3,0%	3,1%	3,2%
ROE (%)	23,2%	17,8%	17,0%	5,7%	9,9%	7,4%	7,8%	8,0%

Chart: SMGR's shares prices 2006-2020



Source: Cogencis

Table: SMGR + SBI Sales Volume Domestic and Export January – February 2020FY

	January			February			YTD		
	2020	2019	Chg YoY (%)	2020	2019	Chg YoY (%)	2020	2019	Chg YoY (%)
Semen Indonesia (Include SBI)									
Domestic	2.862.824	2.146.463	33,4%	2.519.214	2.621.574	-3,9%	5.382.037	4.768.037	12,9%
Export	321.931	210.918	52,6%	309.605	340.278	-9,0%	631.535	551.195	14,6%
Total	3.184.755	2.357.381	35,1%	2.828.819	2.961.852	-4,5%	6.013.572	5.319.232	13,1%
TLCC									
Domestic	72.715	80.198	-9,3%	77.337	40.541	90,8%	150.052	120.738	24,3%
Export	99.978	58.200	71,8%	7.001	92.917	-92,5%	106.979	151.117	-29,2%
Total	172.693	138.398	24,8%	84.338	133.458	-36,8%	257.031	271.855	-5,5%
Total Group (SMGR)	3.357.448	2.495.779	34,5%	2.913.157	3.095.310	-5,9%	6.270.603	5.591.087	12,2%

*Total Group (SMGR) January 2019 excluding SBI sales volume

Source: Company

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Revenue	26.948	26.134	27.814	30.688	40.368	41.590	43.781
Cost of revenue	-16.302	-16.278	-19.854	-21.357	-27.654	-28.697	-30.209
Gross Profit	10.646	9.856	7.960	9.331	12.714	12.893	13.572
Operating Expense	-5.036	-4.955	-5.874	-5.335	-9.608	-9.566	-10.070
Operating Profit	5.610	4.901	2.085	3.996	3.106	3.327	3.502
Other Income	241	184	169	109	90	83	88
Profit Before Tax	5.851	5.085	2.254	4.105	3.196	3.410	3.590
Taxes	-1.325	-550	-604	-1.019	-825	-853	-898
NIAT	4.525	4.535	1.650	3.086	2.371	2.558	2.693
Non-controlling Interest	-4	-13	-29	-7	21	21	22
Net Income	4.521	4.522	1.621	3.079	2.392	2.579	2.714
EPS (In IDR)	762	762	273	519	403	435	458
EBITDA	7.648	7.085	4.963	6.690	8.712	9.240	9.693

Source: Company and Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Net Income	4.521	4.522	1.621	3.079	2.392	2.579	2.714
Depreciation	1.427	1.637	1.953	1.626	2.311	2.405	2.504
Change in WC	1.486	577	-1.959	-1.196	2.060	2.639	-1.158
Cash From Operating Activities	7.434	6.736	1.615	3.509	6.763	7.623	4.060
Capex	-6.375	-7.877	-3.366	-1.507	-30.311	-3.072	-5.076
Cash From Investing Activities	-6.375	-7.877	-3.366	-1.507	-30.311	-3.072	-5.076
Long-term liabilities	-186	992	727	157	12.788	164	2.176
Bonds Payable	0	0	2.993	2	4.070	-2	0
Others Noncurrent Liabilities	261	396	998	-160	4.600	-1.864	268
Temporary Shirkah temporer Equity	-2.083	-1.388	-2.149	-389	2.000	-1.573	-1.916
Cash From Financing Activities	-2.009	-0	2.569	-391	22.222	-3.275	528
Net Changes in Cash	-950	-1.141	818	1.611	-1.327	1.275	-488
Beginning Balance	4.940	3.989	2.848	3.666	5.277	3.950	5.226
Ending Balance	3.989	2.848	3.666	5.277	3.950	5.226	4.738

Source: Company and Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	3.989	2.848	3.666	5.277	3.950	5.226	4.738
Trade Accounts Receivable	3.629	4.018	4.995	5.960	6.860	7.421	7.812
Inventories	2.409	2.671	3.686	3.544	4.642	5.201	5.475
Others Current Assets	512	835	1.454	1.227	1.207	1.549	1.630
Total Current Assets	10.539	10.373	13.802	16.008	16.659	19.397	19.656
NONCURRENT ASSETS							
Fixed Assets	25.168	30.847	32.523	32.749	56.602	59.007	61.511
Other Noncurrent Assets	2.447	3.007	2.744	2.399	6.547	4.808	4.876
Total Noncurrent Assets	27.614	33.854	35.267	35.148	63.149	63.815	66.387
TOTAL ASSETS	38.153	44.227	49.069	51.156	79.807	83.212	86.043
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Loans	139	819	602	84	3.264	6.434	5.500
Trade Account Payable	3.978	4.383	5.250	4.784	6.245	6.910	7.274
Others Current Liabilities	2.483	2.950	2.952	3.335	2.731	2.999	3.157
Total Current Liabilities	6.599	8.152	8.804	8.203	12.240	16.342	15.931
NONCURRENT LIABILITIES							
Long-term bank	2.997	3.988	4.715	4.872	17.660	17.823	19.999
Bond Payable	0	0	2.993	2.995	7.065	7.064	7.064
Others Noncurrent Liabilities	1.116	1.512	2.510	2.350	6.950	5.085	5.353
Total Noncurrent Liabilities	4.113	5.501	10.219	10.217	31.675	29.972	32.416
TOTAL LIABILITIES	10.712	13.653	19.022	18.420	43.915	46.315	48.347
Non-controlling interest	1.021	1.539	1.524	1.544	1.615	1.664	1.752
EQUITY	26.420	29.035	28.522	31.192	32.277	33.234	33.944
TEMPORARY SYIRKAH TEMPORER					2.000	2.000	2.000
TOTAL TEMPORARY SYIRKAH TEMPORER, LIABILITIES & EQUITY	38.153	44.227	49.068	51.156	79.807	83.212	86.043

Source: Company and Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Sales	-0,1%	-3,0%	6,4%	10,3%	31,5%	3,0%	5,3%
OP	-14,6%	-12,6%	-57,5%	91,6%	-22,3%	7,1%	5,3%
EBITDA	-12,1%	-7,4%	-30,0%	34,8%	30,2%	6,1%	4,9%
NP	-18,8%	0,0%	-64,1%	90,0%	-22,3%	7,8%	5,3%
EPS	-18,8%	0,0%	-64,1%	90,0%	-22,3%	7,8%	5,3%
Profitability							
Gross Profit Margin (%)	39,5%	37,7%	28,6%	30,4%	31,5%	31,0%	31,0%
Operating Margin(%)	20,8%	18,8%	7,5%	13,0%	7,7%	8,0%	8,0%
EBITDA margin(%)	28,4%	27,1%	17,8%	21,8%	21,6%	22,2%	22,1%
NET Profit margin(%)	16,8%	17,3%	5,8%	10,0%	5,9%	6,2%	6,2%
ROA(%)	11,3%	10,2%	3,3%	6,0%	3,0%	3,1%	3,2%
ROE(%)	17,8%	17,0%	5,7%	9,9%	7,4%	7,8%	8,0%
Stability							
Net debt/ equity (x)	0,1	0,2	0,3	0,3	0,9	0,9	1,0
Int. Coverage (x)	12,2	12,5	2,2	3,2	0,7	0,7	0,7
Current Ratio (X)	1,6	1,3	1,6	2,0	1,4	1,2	1,2
Per Share data (IDR)							
EPS	762	762	273	519	403	435	458
BV	4.288	4.478	4.809	5.259	5.442	5.603	5.723
SPS	4.543	4.406	4.689	5.174	6.806	7.012	7.381
EBITDA/share	1.289	1.195	837	1.128	1.469	1.558	1.634

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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