

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

**BUY**

Cement, Equity  
21 May 2021

Price	IDR. 9,475
Target	IDR.13,845
JKSE Index	5,797.597



<b>Stock code</b>	SMGR IJ
Bloomberg code	SMGR IJ
Market cap (in Bn)	56,050
52-week high	13,000
52-week low	8,300
6-m avg.dail.val (IDR)	11,211
Free Float (%)	48.99%

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

<b>USD/IDR-YE</b>	
2020	14,175
2021F (6m-avg)	14,557

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**Investment Considerations**

**Expecting higher demand**

- We expect higher sales volume for SMGR in 2Q2021 and in the 2H2021, as bulk sales demand has shown a recovery in April after months of contraction due to infrastructure projects re starting from the end of March 2021.
- In 1Q2021, Domestic cement sales volume increased by +2.2% YoY to 14.8 mt, while in April 2021, domestic cement market grew +8.6% MoM to 4.89 mt or +3.7% YTD to 19.76 mt. The Bulk market grew a double digit +13.8% YoY while the Bag market saw growth of +7.1%.
- SMGR domestic sales still decreased -8.4% YoY to 7.3 mt, but export sales increased by a double digit +58.1% YoY to 2.37 mt. So SMGR total sales volume growth was +2.1% to 9.7 mt in 1Q2021.
- The lower domestic sales volume in 1Q2021 is due to a decrease in bulk cement sales.

**1Q2021: Positive profit growth**

- With lower domestic sales volume in 1Q2021, SMGR booked revenue of IDR 8.07 trillion, down -5.9% YoY.
- However, SMGR was able to increase net profit +0.9% to IDR 450 billion with a slightly higher NPM of 5.6% from 5.2% in 1Q2020, mainly due to lower finance costs and lower corporate income tax.
- SMGR continues to manage their cost by maintaining cost efficiencies in coal consumption, electricity, and optimizing the utilization of Waste Heat Recovery Power Generation (WHRPG) which resulted in a cost of revenue decrease of -1.8% YoY to IDR 5.77 trillion. Fuel and energy costs decreased -3.6% YoY, raw material costs also declined -10.5% YoY, and manufacturing overheads were lower by -5.5%.
- Gross profit still decreased -14.7% YoY to IDR 2.3 trillion with a lower gross profit margin of 28.6% from 31.5% in 1Q2021. The EBITDA margin also slightly decreased to 23.3% YoY from 23.6% in 1Q2021.
- We are forecasting SMGR bottom line for 2021F to grow +20% YoY to IDR 3.34 trillion as cost efficiencies are expected to continue, together with higher volumes in the coming quarters.

**Valuation: Maintain BUY, TP 13,845 with 46% upside**

- We are now targeting SMGR to trade at 21x PE in 2022F. Target price is IDR 13,845 which represents +46% 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	10.955	11.940
Net Income (IDR Bn)	4.522	1.621	3.079	2.392	2.792	3.342	3.927
EPS (IDR)	762	273	519	403	471	564	662
EBITDA Margin (%)	27,1%	17,8%	21,8%	21,7%	25,3%	28,4%	28,8%
ROA (%)	10,2%	3,3%	6,0%	3,0%	3,6%	4,1%	4,7%
ROE (%)	15,6%	5,7%	9,9%	7,4%	8,2%	9,5%	10,7%

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	-26.570	-28.231
Gross Profit	9.856	7.960	9.331	12.714	11.617	11.937	13.285
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	4.236	4.982
Taxes	-550	-604	-1.019	-825	-814	-932	-1.096
NIAT	4.535	1.650	3.086	2.371	2.674	3.304	3.886
Non-controlling Interest	-13	-29	-7	21	118	39	42
Net Income	4.522	1.621	3.079	2.392	2.792	3.342	3.927
EPS (In IDR)	762	273	519	403	471	564	662
EBITDA	7.085	4.963	6.690	8.745	8.906	10.955	11.940

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	3.342	3.927
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	454	683
<b>Cash From Operating Activities</b>	<b>6.736</b>	<b>1.615</b>	<b>3.509</b>	<b>6.796</b>	<b>5.229</b>	<b>7.063</b>	<b>8.058</b>
Capex	-7.877	-3.366	-1.507	-30.344	-2.389	-4.674	-5.238
<b>Cash From Investing Activities</b>	<b>-7.877</b>	<b>-3.366</b>	<b>-1.507</b>	<b>-30.344</b>	<b>-2.389</b>	<b>-4.674</b>	<b>-5.238</b>
Long-term liabilities	992	727	157	12.788	-3.472	811	-524
Bonds Payable	0	2.993	2	4.070	4	-6	-64
Others Noncurrent Liabilities	396	998	-160	4.600	858	-492	571
Temporary Shirkah temporer Equity	-1.388	-2.149	-389	-1.237	-1.031	-2.037	-2.464
<b>Cash From Financing Activities</b>	<b>-0</b>	<b>2.569</b>	<b>-391</b>	<b>22.222</b>	<b>-3.859</b>	<b>-1.504</b>	<b>-2.480</b>
Net Changes in Cash	-1.141	818	1.611	-1.327	-1.020	885	341
Beginning Balance	3.989	2.848	3.666	5.277	3.950	2.931	3.816
Ending Balance	2.848	3.666	5.277	3.950	2.931	3.816	4.156

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
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	2.848	3.666	5.277	3.950	2.931	3.816	4.156
Trade Accounts Receivable	4.018	4.995	5.960	6.860	6.038	6.161	6.642
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	2.118	2.283
<b>Total Current Assets</b>	<b>10.373</b>	<b>13.802</b>	<b>16.008</b>	<b>16.659</b>	<b>15.565</b>	<b>16.713</b>	<b>18.122</b>
<b>NONCURRENT ASSETS</b>							
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	6.161	6.227
<b>Total Noncurrent Assets</b>	<b>33.854</b>	<b>35.267</b>	<b>35.148</b>	<b>63.149</b>	<b>62.442</b>	<b>63.848</b>	<b>65.638</b>
<b>TOTAL ASSETS</b>	<b>44.227</b>	<b>49.069</b>	<b>51.156</b>	<b>79.807</b>	<b>78.006</b>	<b>80.561</b>	<b>83.761</b>
<b>LIABILITIES AND EQUITY</b>							
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Short-term Loans	819	602	84	3.264	1.596	2.596	3.596
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	3.466	3.736
<b>Total Current Liabilities</b>	<b>8.152</b>	<b>8.804</b>	<b>8.203</b>	<b>12.240</b>	<b>11.506</b>	<b>12.223</b>	<b>13.975</b>
<b>NONCURRENT LIABILITIES</b>							
Long-term bank	3.988	4.715	4.872	17.660	14.188	14.999	14.475
Bond Payable	0	2.993	2.995	7.065	7.069	7.064	7.000
Others Noncurrent Liabilities	1.512	2.510	2.350	6.950	7.808	7.316	7.888
<b>Total Noncurrent Liabilities</b>	<b>5.501</b>	<b>10.219</b>	<b>10.217</b>	<b>31.675</b>	<b>29.066</b>	<b>29.379</b>	<b>29.363</b>
<b>TOTAL LIABILITIES</b>	<b>13.653</b>	<b>19.022</b>	<b>18.420</b>	<b>43.915</b>	<b>40.572</b>	<b>41.602</b>	<b>43.338</b>
Non-controlling interest	1.539	1.524	1.544	1.615	1.480	1.620	1.747
<b>EQUITY</b>	<b>29.035</b>	<b>28.522</b>	<b>31.192</b>	<b>32.277</b>	<b>34.173</b>	<b>35.338</b>	<b>36.675</b>
<b>TEMPORARY SYIRKAH TEMPORER</b>				<b>2.000</b>	<b>1.781</b>	<b>2.000</b>	<b>2.000</b>
<b>TOTAL TEMPORARY SYIRKAH TEMPORER, LIABILITIES &amp; EQUITY</b>	<b>44.227</b>	<b>49.068</b>	<b>51.156</b>	<b>79.807</b>	<b>78.006</b>	<b>80.561</b>	<b>83.761</b>

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%	21,4%	17,6%
EBITDA	-30,0%	34,8%	30,7%	1,8%	23,0%	9,0%
NP	-64,1%	90,0%	-22,3%	16,7%	19,7%	17,5%
EPS	-64,1%	90,0%	-22,3%	16,7%	19,7%	17,5%
<b>Profitability</b>						
Gross Profit Margin (%)	28,6%	30,4%	31,5%	33,0%	31,0%	32,0%
Operating Margin(%)	8,1%	13,4%	7,9%	9,9%	11,0%	12,0%
EBITDA margin(%)	17,8%	21,8%	21,7%	25,3%	28,4%	28,8%
NET Profit margin(%)	5,8%	10,0%	5,9%	7,9%	8,7%	9,5%
ROA(%)	3,3%	6,0%	3,0%	3,6%	4,1%	4,7%
ROE(%)	5,7%	9,9%	7,4%	8,2%	9,5%	10,7%
<b>Stability</b>						
Net debt/ equity (x)	0,3	0,3	0,9	0,7	0,7	0,7
Int. Coverage (x)	2,2	3,2	0,7	1,2	1,0	1,1
Current Ratio (X)	1,6	2,0	1,4	1,4	1,4	1,3
<b>Per Share data (IDR)</b>						
EPS	273	519	403	471	564	662
BV	4.809	5.259	5.442	5.761	5.958	6.183
SPS	4.689	5.174	6.806	5.930	6.492	6.999
EBITDA/share	837	1.128	1.474	1.501	1.847	2.013

**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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