

PT Semen Indonesia (Persero), Tbk

HOLD

Cement, Equity
23 April 2019

Price	IDR. 13,175
Target	IDR. 14,800
JKSE Index	6,414.743



Stock code	SMGR IJ
Bloomberg code	SMGR IJ
Market cap (in Bn)	82,151.6
52-week high	14,450
52-week low	6,500
6-m avg.dail.val (IDR)	11,564
Free Float (%)	48.99%

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

USD/IDR-YE	
2018	14,390
2019F (6m-avg)	14,065

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Investment Considerations

2018FY higher margins

- In 2018FY, SMGR revenue increased 10.3% yoy to reach IDR 30.7 trillion inline with a 5.6% increase in sales volume.
- COGS grew 7.6% but lower than revenue growth because of the following cost initiatives: 1). centralizing coal procurement at the holding level to gain better pricing. 2). rerouting the distribution network to ensure margin optimization and lower costs. 3) reducing clinker costs. 3) operating the new WHRPG plant in Tuban. As a result, SMGR enjoyed a gross profit increase of 17.2% yoy to IDR 9.33 trillion from IDR 7.96 trillion in 2017.
- Although transportation expenses increased in the 4Q as the new ODOL (Overdimension & Overloading) policy has been applied since August 2018, overall operating expenses decreased by -12.9% yoy to IDR 4.45 trillion as selling expenses decreased by -7.2% and general and administration expenses decreased by -20.4%.
- The EBITDA margin increased by 3.8% yoy to 21.4%. Net income increased by 89.9% yoy.

Solusi Bangun Indonesia (SBI), (ex-Holcim) Acquisition

- After the acquisition of Holcim (now called PT Solusi Bangun Indonesia 'SBI'), SMGR has a total installed capacity of 50.7 mt and becomes one of the 15 largest cement companies in the world.
- The acquisition of SBI was at an implied EV/Capacity of USD 117/tonne, which is lower than the estimated greenfield investment cost for new plants in Indonesia of USD150-180/tonne and lafarge Holcim divestment in Asia of USD 130 - 177 / tonne.
- SBI will consolidate with SMGR starting from the 1Q2019 financial results.

First Quarter Sales Volume

- In the first quarter of 2019, SMGR sales volume including Thang Long Cement in Vietnam and SBI reached 8.89 million tons (mt) an increase of +19.24% yoy from 1Q2018 (SBI not included). While Industry domestic sales volume was 15.7 mt, relatively flat YoY growth of -0.4%. SMGR's domestic volume decreased by -3.48% YoY to 5.98 mt.
- The lower growth in domestic sales is due to the rainy season and upcoming general election which both dampened cement demand in 1Q2019.
- We expect an improvement in cement demand in the second semester of 2019 after the election and Lebaran.

Valuation: TP 14,800 with 12.3% upside

- Assuming cement demand will increase in the second semester of 2019, We are targeting SMGR share price to reach IDR 14,800 which is a valuation of 28.6x PE.
- Using a DCF valuation with WACC at 9.5%, we estimate SMGR shares will rise by 12.3% within a year. We recommend to HOLD.

Table: Financial Highlights

Financial Highlights	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Revenue (IDR Bn)	26,987	26,948	26,134	27,814	30,688	37,259	42,146
EBITDA (IDR Bn)	8,697	7,648	7,085	4,963	6,690	6,931	7,750
Net Income (IDR Bn)	5,566	4,521	4,522	1,621	3,079	3,625	4,101
EPS (IDR)	938	762	762	273	519	611	691
EBITDA Margin (%)	32.2%	28.4%	27.1%	17.8%	21.8%	18.6%	18.4%
ROA (%)	16.2%	11.3%	10.2%	3.3%	6.0%	6.7%	7.1%
ROE (%)	23.2%	17.8%	17.0%	5.7%	9.9%	11.3%	12.2%

Source: Company & Binaartha

Table: SMGR + SBI Sales Volume Domestic and Export 1Q2019

	February			March			YTD		
	2019	2018	Chg YoY (%)	2019	2018	Chg YoY (%)	2019	2018	Chg YoY (%)
Semen Indonesia									
Domestic	1,856,142	1,835,118	1.1%	1,974,341	2,067,506	-4.5%	5,976,946	6,192,555	-3.5%
Export	300,772	173,750	73.1%	245,344	288,845	-15.1%	757,034	665,010	13.8%
Total	2,156,914	2,008,868	7.4%	2,219,685	2,356,351	-5.8%	6,733,980	6,857,565	-1.8%
TLCC									
Domestic	40,541	63,009	-35.7%	131,508	146,538	-10.3%	252,247	358,120	-29.6%
Export	92,916	34,433	169.8%	2,033	56,791	-96.4%	153,149	236,004	-35.1%
Total	133,457	97,442	37.0%	133,541	203,329	-34.3%	405,396	594,124	-31.8%
Total Group (SMGR)									
	2,290,371	2,106,310	8.7%	2,353,226	2,559,680	-8.1%	7,139,376	7,451,689	-4.2%
SBI (ex-Holcim)									
Domestic	765,432	721,844	6.0%	776,001	795,206	-2.4%	1,670,180	1,554,386	7.4%
Export	39,506	67,121	-41.1%	32,145	0		76,126	103,741	-26.6%
Total	804,938	788,965	2.0%	808,146	795,206	1.6%	1,746,306	1,658,127	5.3%
SMGR+SBI	3,095,309	2,106,310	47.0%	3,161,372	2,559,680	23.5%	8,885,682	7,451,689	19.2%

Source: Company

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Revenue	26,987	26,948	26,134	27,814	30,688	37,259	42,146
Cost of revenue	(15,388)	(16,302)	(16,278)	(19,854)	(21,357)	(26,082)	(29,502)
Gross Profit	11,599	10,646	9,856	7,960	9,331	11,178	12,644
Operating Expense	(5,028)	(5,036)	(4,955)	(5,874)	(5,335)	(6,483)	(7,333)
Operating Profit	6,571	5,610	4,901	2,085	3,996	4,695	5,310
Other Income	520	241	184	169	109	149	169
Profit Before Tax	7,091	5,851	5,085	2,254	4,105	4,844	5,479
Taxes	(1,517)	(1,325)	(550)	(604)	(1,019)	(1,211)	(1,370)
NIAT	5,574	4,525	4,535	1,650	3,086	3,633	4,109
Non-controlling Interest	(8)	(4)	(13)	(29)	(7)	(7)	(8)
Net Income	5,566	4,521	4,522	1,621	3,079	3,625	4,101
EPS (In IDR)	938	762	762	273	519	611	691
EBITDA	8,697	7,648	7,085	4,963	6,690	6,931	7,750

Source: Company and Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Net Income	5,566	4,521	4,522	1,621	3,079	3,625	4,101
Depreciation	1,224	1,427	1,637	1,953	1,626	1,706	1,791
Change in WC	(869)	1,486	577	(1,959)	(1,196)	(278)	(308)
Cash From Operating Activities	5,920	7,434	6,736	1,615	3,509	5,054	5,583
Capex	(3,069)	(6,375)	(7,877)	(3,366)	(1,507)	(3,994)	(3,973)
Cash From Investing Activities	(3,069)	(6,375)	(7,877)	(3,366)	(1,507)	(3,994)	(3,973)
Long-term liabilities	54	(186)	992	727	157	(288)	1,159
Bonds Payable	0	0	0	2,993	2	0	0
Others Noncurrent Liabilities	294	261	396	998	(160)	333	352
Equity	(2,367)	(2,083)	(1,388)	(2,149)	(389)	(2,565)	(2,318)
Cash From Financing Activities	(2,020)	(2,009)	(0)	2,569	(391)	(2,520)	(807)
Net Changes in Cash	832	(950)	(1,141)	818	1,611	(1,460)	803
Beginning Balance	4,108	4,940	3,989	2,848	3,666	5,277	3,817
Ending Balance	4,940	3,989	2,848	3,666	5,277	3,817	4,620

Source: Company and Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	4,940	3,989	2,848	3,666	5,277	3,817	4,620
Trade Accounts Receivable	3,433	3,629	4,018	4,995	5,960	6,707	7,165
Inventories	2,812	2,409	2,671	3,686	3,544	4,471	5,058
Others Current Assets	465	512	835	1,454	1,227	1,490	1,686
Total Current Assets	11,649	10,539	10,373	13,802	16,008	16,485	18,529
NONCURRENT ASSETS							
Fixed Assets	20,221	25,168	30,847	32,523	32,749	34,455	36,246
Other Noncurrent Assets	2,445	2,447	3,007	2,744	2,399	2,981	3,372
Total Noncurrent Assets	22,666	27,614	33,854	35,267	35,148	37,436	39,618
TOTAL ASSETS	34,315	38,153	44,227	49,069	51,156	53,921	58,147
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	82	139	819	602	84	175	258
Trade Account Payable	3,247	3,978	4,383	5,250	4,784	5,589	5,900
Others Current Liabilities	1,945	2,483	2,950	2,952	3,335	4,099	4,636
Total Current Liabilities	5,273	6,599	8,152	8,804	8,203	9,863	10,794
NONCURRENT LIABILITIES							
Long-term bank	3,183	2,997	3,988	4,715	4,872	4,584	5,743
Bond Payable	0	0	0	2,993	2,995	2,995	2,995
Others Noncurrent Liabilities	856	1,116	1,512	2,510	2,350	2,683	3,035
Total Noncurrent Liabilities	4,039	4,113	5,501	10,219	10,217	10,262	11,773
TOTAL LIABILITIES	9,312	10,712	13,653	19,022	18,420	20,125	22,567
Non-controlling interest	960	1,021	1,539	1,524	1,544	1,770	2,102
EQUITY	24,042	26,420	29,035	28,522	31,192	32,027	33,477
TOTAL LIABILITIES & EQUITY	34,315	38,153	44,227	49,068	51,156	53,921	58,147

Source: Company and Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Sales	10.1%	-0.1%	-3.0%	6.4%	10.3%	21.4%	13.1%
OP	-1.5%	-14.6%	-12.6%	-57.5%	91.6%	17.5%	13.1%
EBITDA	6.1%	-12.1%	-7.4%	-30.0%	34.8%	3.6%	11.8%
NP	3.6%	-18.8%	0.0%	-64.1%	90.0%	17.7%	13.1%
EPS	3.6%	-18.8%	0.0%	-64.1%	90.0%	17.7%	13.1%
Profitability							
Operating Margin(%)	24.3%	20.8%	18.8%	7.5%	13.0%	12.6%	12.6%
EBITDA margin(%)	32.2%	28.4%	27.1%	17.8%	21.8%	18.6%	18.4%
NET Profit margin(%)	20.6%	16.8%	17.3%	5.8%	10.0%	9.7%	9.7%
ROA(%)	16.2%	11.3%	10.2%	3.3%	6.0%	6.7%	7.1%
ROE(%)	23.2%	17.8%	17.0%	5.7%	9.9%	11.3%	12.2%
Stability							
Net debt/ equity (x)	0.1	0.1	0.2	0.3	0.3	0.2	0.3
Int. Coverage (x)	14.6	12.2	12.5	2.2	3.2	9.5	8.6
Current Ratio (X)	2.2	1.6	1.3	1.6	2.0	1.7	1.7
Per Share data (IDR)							
EPS	938	762	762	273	519	611	691
BV	4,053	4,288	4,478	4,809	5,259	5,399	5,644
SPS	4,550	4,543	4,406	4,689	5,174	6,282	7,105
EBITDA/share	1,466	1,289	1,195	837	1,128	1,168	1,307

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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