

PT Semen Indonesia (Persero), Tbk

BUY

Cement, Equity
28 May 2020

Price	IDR. 9,275
Target	IDR. 14,300
JKSE Index	4,641.555



Stock code	SMGR IJ
Bloomberg code	52,642
Market cap (in Bn)	13,500
52-week high	5,475
52-week low	10,288
6-m avg.dail.val (IDR)	48.99%
Free Float (%)	

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

USD/IDR-YE	
2019	13,970
2020F (6m-avg)	14,517

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Investment Considerations

Expecting Lower Demand

- The covid-19 outbreak has led to the delay of many property and infrastructure project.
- This will likely hurt cement demand because cement demand growth has been dominated by bulk to support infrastructure project.
- Lower demand will be compounded by more competition in the coming quarters as new players enter the market this year.
- We are expecting cement demand to decline more than 10%-20% in line with delayed government projects.

Slightly Increase in April

- SMGR sales volume in April 2020 showed a slight improvement despite slower domestic demand. SMGR sales volume in April grew +0.47% YoY and has increased +5.35% year to date in 2020 compared to same period last year. Sales volume in March decreased -1.99% YoY.
- Domestic sales volume in April declined -6.81% YoY and for the year to date has decreased by -5.22% YoY.
- SMGR sales volume in 1Q2020 has not yet been affected by Covid-19, so we expect lower utilization from lower demand will have an impact in 2Q2020, 3Q2020 and 4Q2020 mainly in Java area.

1Q2020 Results: Above expectation

- In 1Q2020, SMGR revenue grew 5.57% YoY to IDR 8.58 trillion from IDR 8.17 trillion in 1Q2019 in line with higher sales volume of 7% YoY.
- Lower cost of revenue in 1Q2020 resulted in double digit growth in gross profit of 22% YoY to IDR 2.7 trillion from IDR 2.2 trillion in 1Q2019. In line with the increased in the gross profit margin to 31.5% from 27.2% in 1Q2019.
- EBITDA also increased 25.5% YoY to IDR 2 trillion from 1.6 trillion, with a higher EBITDA margin of 23.6%.
- Profit before tax increased 57% YoY to IDR 713 billion, in line with lower finance costs which were down -13.4% YoY to IDR 552 billion from 637 billion in 1Q2019.
- Net income recorded double digit growth of 66.5% YoY to IDR 446.5 billion.
- As we see slow cement demand in the next quarters, we expect single digit growth for the bottom line and lower margins in 2020F.

Valuation: Maintain BUY, TP 14,300 with 54% upside

- We are targeting SMGR share price to reach IDR 14,300 which is a valuation of 31x PE within a year.

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	8.144	8.683
Net Income (IDR Bn)	5.566	4.521	4.522	1.621	3.079	2.392	2.599	2.736
EPS (IDR)	938	762	762	273	519	403	438	461
EBITDA Margin (%)	32,2%	28,4%	27,1%	17,8%	21,8%	21,6%	19,6%	19,8%
ROA (%)	16,2%	11,3%	10,2%	3,3%	6,0%	3,0%	3,2%	3,3%
ROE (%)	23,2%	17,8%	17,0%	5,7%	9,9%	7,4%	7,8%	8,1%

Table: Semen Indonesia Group Sales Volume Domestic and Export March – April 2020FY

	March			April			YTD		
	2020	2019	Chg YoY (%)	2020	2019	Chg YoY (%)	2020	2019	Chg YoY (%)
Semen Indonesia (Include SBI)									
Domestic	2.490.257	2.750.342	-9,5%	2.419.221	2.516.121	-3,9%	10.291.515	10.034.501	2,6%
Export	389.072	277.489	40,2%	440.569	325.285	35,4%	1.461.477	1.153.970	26,6%
Total	2.879.329	3.027.831	-4,9%	2.859.790	2.841.406	0,6%	11.752.992	11.188.471	5,0%
TLCC									
Domestic	153.670	131.508	16,9%	133.444	117.301	13,8%	437.165	369.547	18,3%
Export	65.450	2.033	3119,4%	66.722	87.300	-23,6%	239.151	240.450	-0,5%
Total	219.120	133.541	64,1%	200.166	204.601	-2,2%	676.316	609.997	10,9%
Total Group (SMGR)	3.098.449	3.161.372	-2,0%	3.059.956	3.046.007	0,5%	12.429.308	11.798.468	5,3%

Source: Company and ASI

Table: Domestic Cement Sales Volume by Area April 2020FY

Area	April		Chg YoY (%)	Year to Date		Chg YoY (%)
	2020	2019		2020	2019	
Jakarta	200.709	226.995	-11,6%	985.371	981.803	0,4%
Banten	188.940	265.279	-28,8%	918.695	1.078.125	-14,8%
West Java	734.140	840.151	-12,6%	3.258.900	3.577.788	-8,9%
Central Java	633.857	619.438	2,3%	2.349.964	2.482.806	-5,4%
Yogyakarta	73.362	140.131	-47,6%	300.468	526.147	-42,9%
East Java	580.989	625.596	-7,1%	2.600.359	2.745.891	-5,3%
Total Java	2.411.997	2.717.590	-11,2%	10.413.757	11.392.560	-8,6%
Sumatra	1.077.047	1.002.668	7,4%	4.242.916	4.244.611	0,0%
Kalimantan	277.970	313.506	-11,3%	1.284.207	1.387.892	-7,5%
Sulawesi	394.018	390.719	0,8%	1.730.782	1.726.549	0,2%
Nusa Tenggara	223.008	289.677	-23,0%	1.066.701	1.206.968	-11,6%
Maluku & Irian J.	129.695	102.202	26,9%	679.110	531.260	27,8%
Total Indonesia	4.513.735	4.816.362	-6,3%	19.417.473	20.489.840	-5,2%
Export Cement	19.300	115.052	-83,2%	214.375	431.207	-50,3%
Export Clinker	568.819	543.441	4,7%	1.760.399	1.648.904	6,8%
Total Export	588.119	658.493	-10,7%	1.974.774	2.080.111	-5,1%
Grand Total	5.101.854	5.474.855	-6,8%	21.392.247	22.569.951	-5,2%

Source: Company and ASI

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	-28.489	-29.990
Gross Profit	10.646	9.856	7.960	9.331	12.714	13.101	13.791
Operating Expense	-5.036	-4.955	-5.874	-5.335	-9.608	-9.982	-10.507
Operating Profit	5.610	4.901	2.085	3.996	3.106	3.119	3.284
Other Income	241	184	169	109	90	291	306
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	42	44
Net Income	4.521	4.522	1.621	3.079	2.392	2.599	2.736
EPS (In IDR)	762	762	273	519	403	438	461
EBITDA	7.648	7.085	4.963	6.690	8.712	8.144	8.683

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	2.599	2.736
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	-874	360
Cash From Operating Activities	7.434	6.736	1.615	3.509	6.763	4.131	5.600
Capex	-6.375	-7.877	-3.366	-1.507	-30.311	-3.425	-5.279
Cash From Investing Activities	-6.375	-7.877	-3.366	-1.507	-30.311	-3.425	-5.279
Long-term liabilities	-186	992	727	157	12.788	164	1.176
Bonds Payable	0	0	2.993	2	4.070	-2	0
Others Noncurrent liabilities	261	396	998	-160	4.600	-295	-87
Temporary Shirkah temporer Equity	-2.083	-1.388	-2.149	-389	2.000	-1.261	-1.912
Cash From Financing Activities	-2.009	-0	2.569	-391	22.222	-1.395	-824
Net Changes in Cash	-950	-1.141	818	1.611	-1.327	-689	-503
Beginning Balance	4.940	3.989	2.848	3.666	5.277	3.950	3.262
Ending Balance	3.989	2.848	3.666	5.277	3.950	3.262	2.759

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	3.262	2.759
Trade Accounts Receivable	3.629	4.018	4.995	5.960	6.860	6.654	6.786
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	16.666	16.651
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	5.161	5.433
Total Noncurrent Assets	27.614	33.854	35.267	35.148	63.149	64.168	66.944
TOTAL ASSETS	38.153	44.227	49.069	51.156	79.807	80.834	83.594
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Loans	139	819	602	84	3.264	1.578	2.578
Trade Account Payable	3.978	4.383	5.250	4.784	6.245	7.486	7.443
Others Current Liabilities	2.483	2.950	2.952	3.335	2.731	2.999	2.890
Total Current Liabilities	6.599	8.152	8.804	8.203	12.240	12.063	12.910
NONCURRENT LIABILITIES							
Long-term bank	2.997	3.988	4.715	4.872	17.660	17.823	18.999
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	6.654	6.567
Total Noncurrent Liabilities	4.113	5.501	10.219	10.217	31.675	31.541	32.630
TOTAL LIABILITIES	10.712	13.653	19.022	18.420	43.915	43.604	45.540
Non-controlling interest	1.021	1.539	1.524	1.544	1.615	1.996	2.101
EQUITY	26.420	29.035	28.522	31.192	32.277	33.234	33.953
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	80.834	83.594

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%	0,4%	5,3%
EBITDA	-12,1%	-7,4%	-30,0%	34,8%	30,2%	-6,5%	6,6%
NP	-18,8%	0,0%	-64,1%	90,0%	-22,3%	8,7%	5,3%
EPS	-18,8%	0,0%	-64,1%	90,0%	-22,3%	8,7%	5,3%
Profitability							
Gross Profit Margin (%)	39,5%	37,7%	28,6%	30,4%	31,5%	31,5%	31,5%
Operating Margin(%)	20,8%	18,8%	7,5%	13,0%	7,7%	7,5%	7,5%
EBITDA margin(%)	28,4%	27,1%	17,8%	21,8%	21,6%	19,6%	19,8%
NET Profit margin(%)	16,8%	17,3%	5,8%	10,0%	5,9%	6,3%	6,3%
ROA(%)	11,3%	10,2%	3,3%	6,0%	3,0%	3,2%	3,3%
ROE(%)	17,8%	17,0%	5,7%	9,9%	7,4%	7,8%	8,1%
Stability							
Net debt/ equity (x)	0,1	0,2	0,3	0,3	0,9	0,8	0,8
Int. Coverage (x)	12,2	12,5	2,2	3,2	0,7	1,1	1,0
Current Ratio (X)	1,6	1,3	1,6	2,0	1,4	1,4	1,3
Per Share data (IDR)							
EPS	762	762	273	519	403	438	461
BV	4.288	4.478	4.809	5.259	5.442	5.603	5.724
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	1.373	1.464

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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