

PT Semen Indonesia (Persero), Tbk

BUY

Investment Considerations

Weak Volume but an ASP hike

- In 1Q2022, Domestic cement sales volume maintained single digit growth of +4.7% YoY to 15.6 million tones (mt). SMGR's domestic cement sales also maintained positive growth of +1.6% to 7.45 mt. while SMGR's regional sales decreased -29% YoY to 1.68 mt as SMGR focused on maintaining their domestic market share. SMGR's total sales volume decreased -5.8% YoY to 9.13 mt.
- January – April domestic sales volume increased 1.2% YoY to 19.9 mt but in April 2022, domestic sales volume contracted -9.5% due to the national holiday and Eid Al-Fitr celebration. Bag sales contracted -14.2% YoY while bulk sales grew +5.7% YoY. SMGR's sales volume in April also decreased -20.4% YoY to 2.58 mt. January-April SMGR total sales volume also decreased -9.01% YoY to 11.27 mt.
- Despite the decline in sales volume, SMGR booked revenue of IDR 8.13 trillion, which is a slight increase +0.7% YoY due to an ASP hike in 4Q2021. SMGR continued to increase their ASP in April due to higher coal prices. Despite the ASP hike in April, SMGR still has the lowest prices in the domestic market.
- After a decrease in domestic sales volume due to the holiday in April, demand is likely to normalize but performance will remain overshadowed by rising costs such as higher coal prices. We maintain our forecast for positive sales volume growth for 2022FY.

Stronger profit than peers

- Despite weak sales volume and coal price volatility, SMGR booked net income of IDR 498.5 billion, an increase of +11% YoY in 1Q2022, which is stronger compared to peers. SMGR was able to manage fuel cost increases by buying coal at the lower DMO price and with that privilege, SMGR's fuel & energy cost/ton increased only 35.9% while peers grew by 55.2%.
- NPM increased to 6.1% from 5.6% in 1Q2021.
- SMGR's COGS/ton growth only increased +9.6% while peers grew +14.5%, so cost of revenue only increased by +3.2% YoY. This resulted in a slight decline in gross profit of -2% YoY to IDR2.25 trillion.
- SMGR finance costs continued to decrease -26.2% YoY to IDR 327 billion due to lower debt. SMGR also managed to lower operating expenses, down by -5.7% mainly from lower promotion and labor costs. As a result, profit before tax slightly increased +9% with a higher OPM of 9.0%.
- 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 2.45 trillion which is +21% YoY growth.

Valuation: Maintain BUY, TP 10,700 with 47% upside

- We are now targeting SMGR to trade at 23x PE in 2023F. Target price is IDR 10,700 which represents +47% 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	38.490	43.634
EBITDA (IDR Bn)	4.963	6.690	8.745	8.906	8.185	8.628	9.437
Net Income (IDR Bn)	1.621	3.079	2.392	2.792	2.021	2.453	2.781
EPS (IDR)	273	519	403	471	341	414	469
EBITDA Margin (%)	17,8%	21,8%	21,7%	25,3%	23,4%	22,4%	21,6%
ROA (%)	3,3%	6,0%	3,0%	3,6%	2,6%	3,1%	3,4%
ROE (%)	5,7%	9,9%	7,4%	8,2%	5,6%	6,8%	7,5%

Source: Company and Binaartha

Cement, Equity
2 June 2022

Price	IDR. 7,300
Target	IDR. 10,700
JKSE Index	7,148.970



Stock code	SMGR IJ
Bloomberg code	SMGR IJ
Market cap (in Bn)	42,559
52-week high	10,600
52-week low	5,850
6-m avg.dail.val (IDR)	10,080
Free Float (%)	48.99%

Major Share Holders (%)

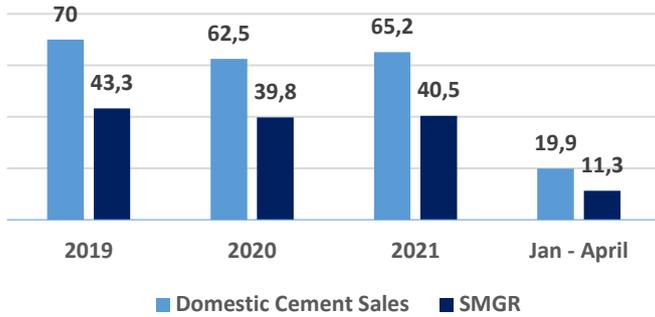
Government RI	51.01%
Public	48.99%

USD/IDR-YE

2021	14,300
2022F (6m-avg)	14,382

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Chart: Domestic Cement Sales and SMGR YoY in MT



Source: Company

Table: SMGR Cement Sales in Ton

	April			Year to Date		
	2022	2021	%	2022	2021	%
Indonesia Facilities						
Domestic	2.172.768	2.409.821	-9,8%	9.622.724	9.739.624	-1,2%
Export	407.528	833.812	-51,1%	1.657.253	2.656.873	-37,6%
	2.580.296	3.243.633	-20,5%	11.279.977	12.396.497	-9,0%
Vietnam Facilities						
Domestic	98.564	105.765	-6,8%	369.497	394.513	-6,3%
Export	120.739	116.482	3,7%	280.923	385.930	-27,2%
	219.303	222.247	-1,3%	650.420	780.443	-16,7%
TOTAL SMGR	2.799.599	3.465.880	-19,2%	11.930.397	13.176.940	-9,5%

Source: Company

Chart: COGS/ton Growth

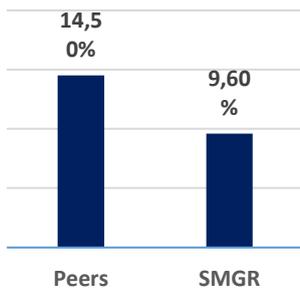


Chart: Fuel & energy Cost/ton Growth

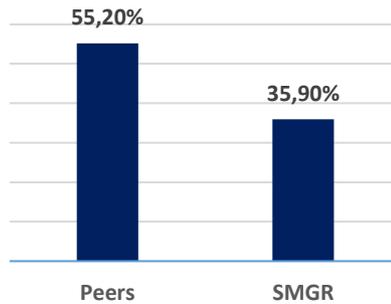
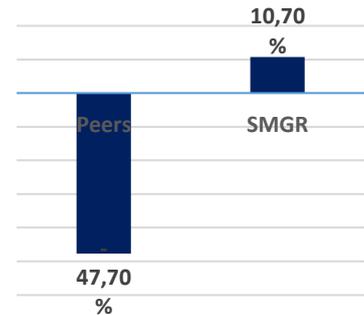


Chart: Net Profit Growth



Source: Company

Table: Income Statement YoY & QoQ in IDR Billion

Income Statement (IDR Bn)	1Q2021	1Q2022	YoY	4Q2021	QoQ
Revenue	8.076.719	8.136.705	1%	9.627.410	-15%
Cost of revenue	-5.770.128	-5.880.779	2%	-6.118.327	-4%
Gross Profit	2.306.591	2.255.926	-2%	3.509.083	-36%
Operating Expense	-1.636.382	-1.527.184	-7%	-2.159.744	-29%
Profit Before Tax	670.209	728.742	9%	1.349.339	-46%
Taxes	-224.088	-205.276	-8%	-710.743	-71%
NIAT	446.121	523.466	17%	638.596	-18%
Non-controlling Interest	4.242	-24.900	-687%	-5.113	387%
Net Income	450.363	498.566	11%	633.483	-21%
EPS	76	84	11%	107	-21%
GPM	28,6%	27,7%		36,4%	
OPM	8,3%	9,0%		14,0%	
NPM	5,6%	6,1%		6,6%	

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	38.490	43.634
Cost of revenue	-19.854	-21.357	-27.654	-23.555	-24.005	-27.713	-31.417
Gross Profit	7.960	9.331	12.714	11.617	10.953	10.777	12.218
Operating Expense	-5.706	-5.226	-9.518	-8.128	-7.483	-7.236	-8.203
Profit Before Tax	2.254	4.105	3.196	3.489	3.470	3.541	4.014
Taxes	-604	-1.019	-825	-814	-1.388	-992	-1.124
NIAT	1.650	3.086	2.371	2.674	2.082	2.550	2.890
Non-controlling Interest	-29	-7	21	118	-61	-96	-109
Net Income	1.621	3.079	2.392	2.792	2.021	2.453	2.781
EPS (In IDR)	273	519	403	471	341	414	469
EBITDA	4.963	6.690	8.745	8.906	8.185	8.628	9.437

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	2.453	2.781
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	-322	165
Cash From Operating Activities	1.615	3.509	6.796	5.229	7.647	5.393	6.392
Change in Non-current Assets	-3.366	-1.507	-30.344	-2.389	-1.880	-5.180	-5.218
Cash From Investing Activities	-3.366	-1.507	-30.344	-2.389	-1.880	-5.180	-5.218
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	-102	-81
Change in Temporary Shirkah temporer			2.000	-219	0	219	0
Change in Equity	-2.149	-389	-1.237	-1.031	2.108	-2.992	-1.619
Cash From Financing Activities	2.569	-391	22.222	-3.859	-6.227	-905	-1.176
Net Changes in Cash	818	1.611	-1.327	-1.020	-460	-692	-1
Beginning Balance	2.848	3.666	5.277	3.950	2.931	2.470	1.778
Ending Balance	3.666	5.277	3.950	2.931	2.470	1.778	1.777

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	1.778	1.777
Trade Accounts Receivable	4.995	5.960	6.860	6.038	5.513	5.774	6.545
Inventories	3.686	3.544	4.642	4.548	4.615	4.828	5.473
Others Current Assets	1.454	1.227	1.207	2.048	2.672	2.591	3.136
Total Current Assets	13.802	16.008	16.659	15.565	15.270	14.971	16.932
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	6.802	6.851
Total Noncurrent Assets	35.267	35.148	63.149	62.442	61.234	63.153	64.925
TOTAL ASSETS	49.069	51.156	79.807	78.006	76.504	78.124	81.856
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Loans	602	84	3.264	1.596	2.999	3.699	4.699
Trade Account Payable	5.250	4.784	6.245	6.828	7.613	7.269	7.953
Others Current Liabilities	2.952	3.335	2.731	3.082	3.598	3.313	3.756
Total Current Liabilities	8.804	8.203	12.240	11.506	14.210	14.282	16.408
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	8.048	7.967
Total Noncurrent Liabilities	10.219	10.217	31.675	29.066	20.730	22.598	23.042
TOTAL LIABILITIES	19.022	18.420	43.915	40.572	34.940	36.880	39.450
Non-controlling interest	1.524	1.544	1.615	1.480	3.628	3.310	3.491
EQUITY	28.522	31.192	32.277	34.173	36.155	35.934	36.916
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	78.124	81.856

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%	10,1%	13,4%
OP	-55,7%	82,1%	-22,1%	9,2%	-0,5%	2,0%	13,4%
EBITDA	-30,0%	34,8%	30,7%	1,8%	-8,1%	5,4%	9,4%
NP	-64,1%	90,0%	-22,3%	16,7%	-27,6%	21,4%	13,4%
EPS	-64,1%	90,0%	-22,3%	16,7%	-27,6%	21,4%	13,4%
Profitability							
Gross Profit Margin (%)	28,6%	30,4%	31,5%	33,0%	31,3%	28,0%	28,0%
Operating Margin(%)	8,1%	13,4%	7,9%	9,9%	9,9%	9,2%	9,2%
EBITDA margin(%)	17,8%	21,8%	21,7%	25,3%	23,4%	22,4%	21,6%
NET Profit margin(%)	5,8%	10,0%	5,9%	7,9%	5,8%	6,4%	6,4%
ROA(%)	3,3%	6,0%	3,0%	3,6%	2,6%	3,1%	3,4%
ROE(%)	5,7%	9,9%	7,4%	8,2%	5,6%	6,8%	7,5%
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	1,4	1,5
Current Ratio (X)	1,6	2,0	1,4	1,4	1,1	1,0	1,0
Per Share data (IDR)							
EPS	273	519	403	471	341	414	469
BV	4.809	5.259	5.442	5.761	6.095	6.058	6.224
SPS	4.689	5.174	6.806	5.930	5.894	6.489	7.356
EBITDA/share	837	1.128	1.474	1.501	1.380	1.455	1.591

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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