

PT Semen Indonesia (Persero), Tbk

BUY

Investment Considerations

2019FY: A Volume Decrease

- 2019, domestic cement demand had a slight increase +0.34% YoY to 69.77 mt from 69.5 mt in 2018. Export demand increased double digit +11.83% YoY to 6.36 mt from 5.69 mt in 2018.
- SMGR cement sales in December increased +4.38% YoY to 3.02 mt from 2.89 mt, but the full year 2019 domestic sales volume still decreased by -1.43% YoY to 32.7 mt.
- SBI (ex-Holcim) also had a slight decrease -2.46% YoY in cement sales to 10.86 mt in 2019, while December sales volume decreased -7.56% YoY to 0.91 mt.
- The SBI acquisition in 2019 brought total cement sales to 42.6 mt up 28.5%, compared to the previous year before the acquisition and we expect this will boost 2019 revenue.
- We also expect 1Q2020 demand of cement will grow slowly as the year has started with heavy rainfall which is expected to continue throughout the 1Q. We expect moderate growth for the cement industry in 2020 because of slow growth in the property sector.

9M2019: Cost Pressure

- In 9M2019, SMGR had double digit growth in revenue of 31.1% yoy to IDR 28.1 trillion from IDR 21.45 trillion in 9M2018. Despite the higher revenue, SMGR is still overshadowed by higher energy and finance costs.
- COGS grew 30%, but SMGR still enjoyed a gross profit increase of 34% yoy to IDR 8.47 trillion from IDR 6.33 trillion in 9M2019. The Gross profit margin was stable at 30.1%.
- Finance costs were IDR 2.38 trillion or grew 235% from loans for the SBI acquisition. This resulted in a decrease in profit before tax of -35% YoY to IDR 1.79 trillion from 2.74 trillion in 9M2018.
- Net income also decreased by -38% yoy to IDR 1.29 billion from IDR 2.09 trillion in 9M2018.
- As the finance costs will continue to weigh on SMGR's net income, we expect net income 2019 will decrease -33% to IDR 2.06 trillion.

Valuation: Maintain BUY, TP 17,000 with 38.2% upside

- As the Domestic cement market will grow moderately and assuming better revenue growth in 2019, we are targeting SMGR share price to reach IDR 17,000 which is a valuation of 36x PE.

Financial Highlights	2015A	2016A	2017A	2018A	2019F	2020F	2021F
Revenue (IDR Bn)	26,948	26,134	27,814	30,688	33,605	36,074	38,890
EBITDA (IDR Bn)	7,648	7,085	4,963	6,690	6,598	7,544	8,803
Net Income (IDR Bn)	4,521	4,522	1,621	3,079	2,056	2,814	3,228
EPS (IDR)	762	762	273	519	347	474	544
EBITDA Margin (%)	28.4%	27.1%	17.8%	21.8%	19.6%	20.9%	22.6%
ROA (%)	11.3%	10.2%	3.3%	6.0%	2.5%	3.5%	3.9%
ROE (%)	17.8%	17.0%	5.7%	9.9%	6.4%	8.6%	9.5%

Cement, Equity
30 January 2020

Price **IDR. 12,300**

Target **IDR. 17,000**

JKSE Index **6,113.045**



Stock code

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 (%)

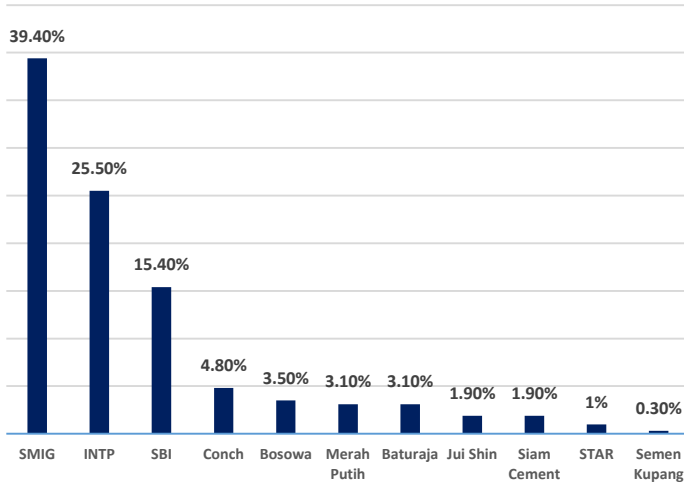
Government RI **51.01%**
Public **48.99%**

USD/IDR-YE

2019 **13,970**
2020F (6m-avg) **14,054**

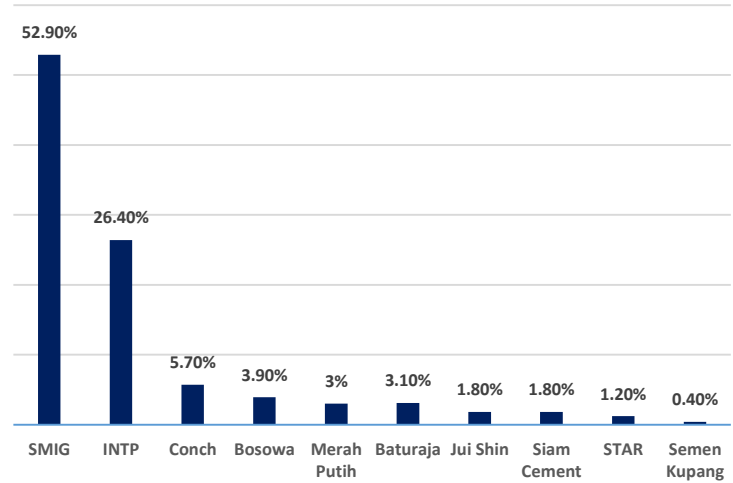
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Chart: Semen Indonesia Group Market Share Pre-Consolidation



Source: Company

Chart: Semen Indonesia Group Market Share Post-Consolidation



Source: Company

Table: SMGR + SBI Sales Volume Domestic and Export 2019FY

	November			December			YTD		
	2019	2018	Chg YoY (%)	2019	2018	Chg YoY (%)	2019	2018	Chg YoY (%)
Semen Indonesia									
Domestic	2,718,007	2,593,306	4.8%	2,563,581	2,368,972	8.2%	26,819,665	27,421,500	-2.2%
Export	461,806	250,130	84.6%	218,678	297,045	-26.4%	3,660,602	3,174,726	15.3%
Total	3,179,813	2,843,436	11.8%	2,782,259	2,666,017	4.4%	30,480,267	30,596,226	-0.4%
TLCC									
Domestic	130,142	137,261	-5.2%	121,075	140,676	-13.9%	1,355,784	1,683,117	-19.4%
Export	21,346	69,600	-69.3%	113,862	84,000	35.6%	859,575	891,807	-3.6%
Total	151,488	206,861	-26.8%	234,937	224,676	4.6%	2,215,359	2,574,924	-14.0%
Total Group (SMGR)									
	3,331,301	3,050,297	9.2%	3,017,196	2,890,693	4.4%	32,695,626	33,171,150	-1.4%
SBI (ex-Holcim)									
Domestic	1,035,882	1,020,882	1.5%	912,741	947,765	-3.7%	10,425,915	10,630,577	-1.9%
Export	31,616	39,535	-20.0%	0	39,600		432,101	501,534	-13.8%
Total	1,067,498	1,060,417	0.7%	912,741	987,365	-7.6%	10,858,016	11,132,111	-2.5%
SMGR+SBI	4,398,799	3,050,297	44.2%	3,929,937	2,890,693	36.0%	42,612,275	33,171,150	28.5%

Source: Company

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2015A	2016A	2017A	2018A	2019F	2020F	2021F
Revenue	26,948	26,134	27,814	30,688	33,605	36,074	38,890
Cost of revenue	(16,302)	(16,278)	(19,854)	(21,357)	(23,187)	(25,252)	(27,223)
Gross Profit	10,646	9,856	7,960	9,331	10,417	10,822	11,667
Operating Expense	(5,036)	(4,955)	(5,874)	(5,335)	(7,729)	(7,154)	(7,449)
Operating Profit	5,610	4,901	2,085	3,996	2,688	3,669	4,218
Other Income	241	184	169	109	138	144	156
Profit Before Tax	5,851	5,085	2,254	4,105	2,826	3,813	4,373
Taxes	(1,325)	(550)	(604)	(1,019)	(763)	(991)	(1,137)
NIAT	4,525	4,535	1,650	3,086	2,063	2,821	3,236
Non-controlling Interest	(4)	(13)	(29)	(7)	(7)	(7)	(8)
Net Income	4,521	4,522	1,621	3,079	2,056	2,814	3,228
EPS (In IDR)	762	762	273	519	347	474	544
EBITDA	7,648	7,085	4,963	6,690	6,598	7,544	8,803

Source: Company and Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2015A	2016A	2017A	2018A	2019F	2020F	2021F
Net Income	4,521	4,522	1,621	3,079	2,056	2,814	3,228
Depreciation	1,427	1,637	1,953	1,626	1,706	1,791	1,880
Change in WC	1,486	577	(1,959)	(1,196)	785	3,283	(250)
Cash From Operating Activities	7,434	6,736	1,615	3,509	4,547	7,888	4,858
Capex	(6,375)	(7,877)	(3,366)	(1,507)	(29,603)	(1,857)	(4,071)
Cash From Investing Activities	(6,375)	(7,877)	(3,366)	(1,507)	(29,603)	(1,857)	(4,071)
Long-term liabilities	(186)	992	727	157	16,635	(3,684)	2,176
Bonds Payable	0	0	2,993	2	4,069	0	0
Others Noncurrent Liabilities	261	396	998	(160)	4,371	(949)	(650)
Equity	(2,083)	(1,388)	(2,149)	(389)	(884)	(2,159)	(1,969)
Cash From Financing Activities	(2,009)	(0)	2,569	(391)	24,190	(6,792)	(443)
Net Changes in Cash	(950)	(1,141)	818	1,611	(866)	(761)	344
Beginning Balance	4,940	3,989	2,848	3,666	5,277	4,411	3,651
Ending Balance	3,989	2,848	3,666	5,277	4,411	3,651	3,995

Source: Company and Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2015A	2016A	2017A	2018A	2019F	2020F	2021F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	3,989	2,848	3,666	5,277	4,411	3,651	3,995
Trade Accounts Receivable	3,629	4,018	4,995	5,960	7,729	7,359	7,105
Inventories	2,409	2,671	3,686	3,544	5,041	4,786	4,923
Others Current Assets	512	835	1,454	1,227	1,445	1,343	1,448
Total Current Assets	10,539	10,373	13,802	16,008	18,626	17,139	17,471
NONCURRENT ASSETS							
Fixed Assets	25,168	30,847	32,523	32,749	57,332	59,123	61,003
Other Noncurrent Assets	2,447	3,007	2,744	2,399	5,713	3,987	4,299
Total Noncurrent Assets	27,614	33,854	35,267	35,148	63,045	63,111	65,302
TOTAL ASSETS	38,153	44,227	49,069	51,156	81,671	80,250	82,773
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Loans	139	819	602	84	4,310	6,434	5,500
Trade Account Payable	3,978	4,383	5,250	4,784	5,739	5,994	6,462
Others Current Liabilities	2,483	2,950	2,952	3,335	2,423	2,601	2,804
Total Current Liabilities	6,599	8,152	8,804	8,203	12,472	15,028	14,766
NONCURRENT LIABILITIES							
Long-term bank	2,997	3,988	4,715	4,872	21,507	17,823	19,999
Bond Payable	0	0	2,993	2,995	7,064	7,064	7,064
Others Noncurrent Liabilities	1,116	1,512	2,510	2,350	6,721	5,772	5,122
Total Noncurrent Liabilities	4,113	5,501	10,219	10,217	35,292	30,659	32,185
TOTAL LIABILITIES	10,712	13,653	19,022	18,420	47,763	45,687	46,951
Non-controlling interest	1,021	1,539	1,524	1,544	1,596	1,713	1,847
EQUITY	26,420	29,035	28,522	31,192	32,312	32,850	33,975
TOTAL LIABILITIES & EQUITY	38,153	44,227	49,068	51,156	81,671	80,250	82,773

Source: Company and Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2015A	2016A	2017A	2018A	2019F	2020F	2021F
Sales	-0.1%	-3.0%	6.4%	10.3%	9.5%	7.3%	7.8%
OP	-14.6%	-12.6%	-57.5%	91.6%	-32.7%	36.5%	15.0%
EBITDA	-12.1%	-7.4%	-30.0%	34.8%	-1.4%	14.3%	16.7%
NP	-18.8%	0.0%	-64.1%	90.0%	-33.2%	36.9%	14.7%
EPS	-18.8%	0.0%	-64.1%	90.0%	-33.2%	36.9%	14.7%
Profitability							
Gross Profit Margin (%)	39.5%	37.7%	28.6%	30.4%	31.0%	30.0%	30.0%
Operating Margin(%)	20.8%	18.8%	7.5%	13.0%	8.0%	10.2%	10.8%
EBITDA margin(%)	28.4%	27.1%	17.8%	21.8%	19.6%	20.9%	22.6%
NET Profit margin(%)	16.8%	17.3%	5.8%	10.0%	6.1%	7.8%	8.3%
ROA(%)	11.3%	10.2%	3.3%	6.0%	2.5%	3.5%	3.9%
ROE(%)	17.8%	17.0%	5.7%	9.9%	6.4%	8.6%	9.5%
Stability							
Net debt/ equity (x)	0.1	0.2	0.3	0.3	1.0	1.0	1.0
Int. Coverage (x)	12.2	12.5	2.2	3.2	1.0	1.5	1.3
Current Ratio (X)	1.6	1.3	1.6	2.0	1.5	1.1	1.2
Per Share data (IDR)							
EPS	762	762	273	519	347	474	544
BV	4,288	4,478	4,809	5,259	5,448	5,538	5,728
SPS	4,543	4,406	4,689	5,174	5,665	6,082	6,556
EBITDA/share	1,289	1,195	837	1,128	1,112	1,272	1,484

Source: Company and Binaartha

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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