

PT Semen Indonesia (Persero), Tbk

BUY

Cement, Equity
5 March 2021

Price	IDR.11,200
Target	IDR.15,150
JKSE Index	6,290.799



Stock code	SMGR IJ
Bloomberg code	SMGR IJ
Market cap (in Bn)	63,319
52-week high	13,000
52-week low	5,475
6-m avg.dail.val (IDR)	10,805
Free Float (%)	48.99%

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

USD/IDR-YE	
2020	14,175
2021F (6m-avg)	14,046

Analyst: Eka Rahmawati R
eka.rahmah@binaartha.com

Investment Considerations

Cement Demand Decreased

- Domestic cement sales volume in 2020 declined by -10.4% YoY to 62,7 million tons (mt) from the impact of the Covid-19 outbreak which caused a slowdown in economic growth and the postponing of infrastructure projects.
- SMGR domestic sales decreased -13.2% YoY to 32.1 mt, lower than total domestic growth.
- However, SMGR was able to increase export sales 23.1% to 7.7 mt. SMGR expanded their export markets to new countries such as Myanmar, Brunei Darussalam and Taiwan while maintaining their existing export destinations in China, Australia, Bangladesh, and others.
- So, in total, SMGR sales volume recorded a -7.9% decrease to 39.8 mt.
- Domestic Cement demand was impacted by the reallocation of government funds from infrastructure to handling the pandemic.
- We conservatively expect flat cement demand in 2021 as the government will still be focused on managing the pandemic and the vaccine program, until next year.

Profit Above Expectation

- SMGR managed positive profit growth despite the demand decrease in 2020.
- SMGR revenue decreased -12.9% YoY to IDR 35.17 trillion from IDR 40.37 trillion in 2019 due to lower domestic sales volume.
- 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 COGS decrease by -14.8% YoY to IDR 23.5 trillion. The decrease also came from lower sales volume and a decline in the coal price.
- However, Gross profit still decreased -8.6% YoY to IDR 11.6 trillion but with a higher gross profit margin of 33% from 31.5% in 2019. The EBITDA margin also increased to 25.3% YoY from 21.7% in 2019.
- SMGR bottom line was above our expectation with double-digit profit growth of 16.7% YoY to IDR 2.79 trillion.
- We are forecasting SMGR bottom line 2021F to grow +18% YoY to IDR 3.29 trillion as cost efficiencies are expected to continue in 2021.

Valuation: Maintain BUY, TP 15,150 with 35% upside

- We are now targeting SMGR to trade at 24x PE in 2022F. Target price is IDR 15,150 which represents +35% 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	42.750	45.797
EBITDA (IDR Bn)	7.085	4.963	6.690	8.745	8.906	10.781	11.537
Net Income (IDR Bn)	4.522	1.621	3.079	2.392	2.792	3.296	3.710
EPS (IDR)	762	273	519	403	471	556	625
EBITDA Margin (%)	27,1%	17,8%	21,8%	21,7%	25,3%	25,2%	25,2%
ROA (%)	10,2%	3,3%	6,0%	3,0%	3,6%	4,0%	4,3%
ROE (%)	15,6%	5,7%	9,9%	7,4%	8,2%	9,3%	10,1%

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	42.750	45.797
Cost of revenue	-16.278	-19.854	-21.357	-27.654	-23.555	-29.070	-30.913
Gross Profit	9.856	7.960	9.331	12.714	11.617	13.680	14.884
Operating Expense	-4.771	-5.706	-5.226	-9.518	-8.128	-9.619	-10.304
Profit Before Tax	5.085	2.254	4.105	3.196	3.489	4.061	4.580
Taxes	-550	-604	-1.019	-825	-814	-893	-1.008
NIAT	4.535	1.650	3.086	2.371	2.674	3.168	3.572
Non-controlling Interest	-13	-29	-7	21	118	128	137
Net Income	4.522	1.621	3.079	2.392	2.792	3.296	3.710
EPS (In IDR)	762	273	519	403	471	556	625
EBITDA	7.085	4.963	6.690	8.745	8.906	10.781	11.537

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	3.296	3.710
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	369	544
Cash From Operating Activities	6.736	1.615	3.509	6.796	5.229	6.932	7.701
Capex	-7.877	-3.366	-1.507	-30.344	-2.389	-4.526	-6.554
Cash From Investing Activities	-7.877	-3.366	-1.507	-30.344	-2.389	-4.526	-6.554
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	315	579
Temporary Shirkah temporer Equity	-1.388	-2.149	-389	-1.237	-1.031	-1.812	-2.263
Cash From Financing Activities	-0	2.569	-391	22.222	-3.859	-473	-2.272
Net Changes in Cash	-1.141	818	1.611	-1.327	-1.020	1.933	-1.124
Beginning Balance	3.989	2.848	3.666	5.277	3.950	2.931	4.863
Ending Balance	2.848	3.666	5.277	3.950	2.931	4.863	3.739

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
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	2.848	3.666	5.277	3.950	2.931	4.863	3.739
Trade Accounts Receivable	4.018	4.995	5.960	6.860	6.038	6.840	7.328
Inventories	2.671	3.686	3.544	4.642	4.548	5.127	5.560
Others Current Assets	835	1.454	1.227	1.207	2.048	1.648	1.915
Total Current Assets	10.373	13.802	16.008	16.659	15.565	18.478	18.541
NONCURRENT ASSETS							
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	6.013	7.396
Total Noncurrent Assets	33.854	35.267	35.148	63.149	62.442	63.700	66.807
TOTAL ASSETS	44.227	49.069	51.156	79.807	78.006	82.179	85.348
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
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	6.840	7.328
Others Current Liabilities	2.950	2.952	3.335	2.731	3.082	3.420	3.664
Total Current Liabilities	8.152	8.804	8.203	12.240	11.506	12.856	14.587
NONCURRENT LIABILITIES							
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	8.123	8.701
Total Noncurrent Liabilities	5.501	10.219	10.217	31.675	29.066	30.186	30.177
TOTAL LIABILITIES	13.653	19.022	18.420	43.915	40.572	43.042	44.764
Non-controlling interest	1.539	1.524	1.544	1.615	1.480	1.799	1.927
EQUITY	29.035	28.522	31.192	32.277	34.173	35.338	36.657
TEMPORARY SYIRKAH TEMPORER				2.000	1.781	2.000	2.000
TOTAL TEMPORARY SYIRKAH TEMPORER, LIABILITIES & EQUITY	44.227	49.068	51.156	79.807	78.006	82.179	85.348

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%	21,5%	7,1%
OP	-55,7%	82,1%	-22,1%	9,2%	16,4%	12,8%
EBITDA	-30,0%	34,8%	30,7%	1,8%	21,1%	7,0%
NP	-64,1%	90,0%	-22,3%	16,7%	18,0%	12,5%
EPS	-64,1%	90,0%	-22,3%	16,7%	18,0%	12,5%
Profitability						
Gross Profit Margin (%)	28,6%	30,4%	31,5%	33,0%	32,0%	32,5%
Operating Margin(%)	8,1%	13,4%	7,9%	9,9%	9,5%	10,0%
EBITDA margin(%)	17,8%	21,8%	21,7%	25,3%	25,2%	25,2%
NET Profit margin(%)	5,8%	10,0%	5,9%	7,9%	7,7%	8,1%
ROA(%)	3,3%	6,0%	3,0%	3,6%	4,0%	4,3%
ROE(%)	5,7%	9,9%	7,4%	8,2%	9,3%	10,1%
Stability						
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	0,9	1,0
Current Ratio (X)	1,6	2,0	1,4	1,4	1,4	1,3
Per Share data (IDR)						
EPS	273	519	403	471	556	625
BV	4.809	5.259	5.442	5.761	5.958	6.180
SPS	4.689	5.174	6.806	5.930	7.207	7.721
EBITDA/share	837	1.128	1.474	1.501	1.818	1.945

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
(62 21) 520 6678 ext. 611

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