

PT Semen Indonesia (Persero), Tbk

BUY

Investment Considerations

Slight Volume Growth

- In 1H2020, Domestic cement sales dropped -6.4% YoY to 27.6 million tons. But in June, domestic cement sales increased +32.3% YoY to 4.97 million tons.
- Despite the negative domestic growth due to the covid-19 outbreak, SMGR recorded a 1.9% YoY volume growth to 18.1 million tons in 1H2020. The positive growth is from the consolidation of PT Solusi Bangun Indonesia (SBI) and supported by an increase in regional sales volume by 29% YoY.
- With positive growth in 1H2020, SMGR and SBI combined are still the market leaders in Indonesia with a 53.1% market share.
- We are expecting SMGR sales volume in 2H2020 will grow faster than 1H2020 as we expect an economic recovery after re-opening and Indonesia Government infrastructure projects will continue.

1H2020 Results: double digit profit growth

- SMGR revenue was slightly lower -2.0% YoY to IDR 8.58 trillion from IDR 16.02 trillion in 1H2020 due to lower domestic sales which have a higher selling price compared to regional sales.
- Lower coal prices have resulted in a cost of revenue decline of -4.05% YoY to IDR 11.2 trillion. Costs were also positively impacted by the rerouting of SMGR's distribution network since February 2020.
- Lower cost of revenue in 1H2020 resulted in single digit growth in gross profit +3.2% YoY to IDR 4.81 trillion from IDR 4.66 trillion in 1H2019 and a gross profit margin increase of 1.5% to 30%.
- The EBITDA margin also increased 2.3% YoY to 21.7%.
- After last year's refinancing and lower interest rates in 2020, SMGR interest expense decreased -20% YoY in 1H2020. As a result, SMGR maintained a double-digit profit growth of 26.3% YoY to IDR 612.4 billion. The net profit margin also increased 0.8% to 3.8%.
- After the 1H2020 result we are reducing our forecast for revenue in 2020F to IDR 39.81 trillion but we still expect double-digit profit growth.

Valuation: Maintain BUY, TP 12,270 with 30% upside

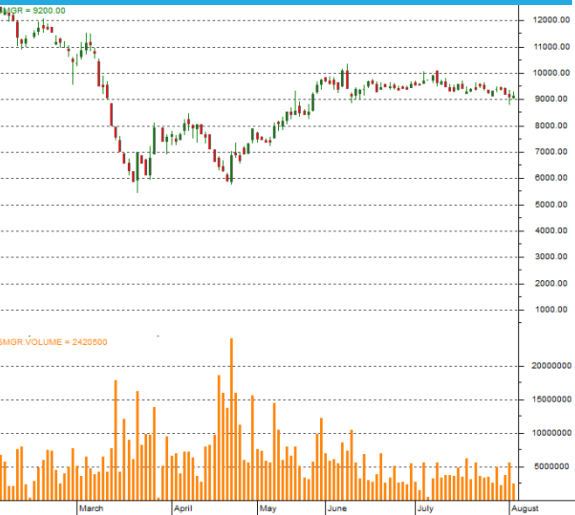
- We are now targeting SMGR to trade at 20x PE in 2021F. Target price is IDR 12,270 which represents +30% upside. We maintain our BUY recommendation.

Financial Highlights	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (IDR Bn)	26.134	27.814	30.688	40.368	39.810	44.406
EBITDA (IDR Bn)	7.085	4.963	6.690	8.712	8.525	10.099
Net Income (IDR Bn)	4.522	1.621	3.079	2.392	2.819	3.672
EPS (IDR)	762	273	519	403	475	619
EBITDA Margin (%)	27,1%	17,8%	21,8%	21,6%	21,4%	22,7%
ROA (%)	10,2%	3,3%	6,0%	3,0%	3,5%	4,4%
ROE (%)	17,0%	5,7%	9,9%	7,4%	8,5%	10,8%

Source: Company and Binaartha

Cement, Equity
6 August 2020

Price	IDR. 9,450
Target	IDR. 12,270
JKSE Index	5,127.051



Stock code	SMGR JI
Bloomberg code	56,050
Market cap (in Bn)	13,500
52-week high	5,475
52-week low	9,092
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

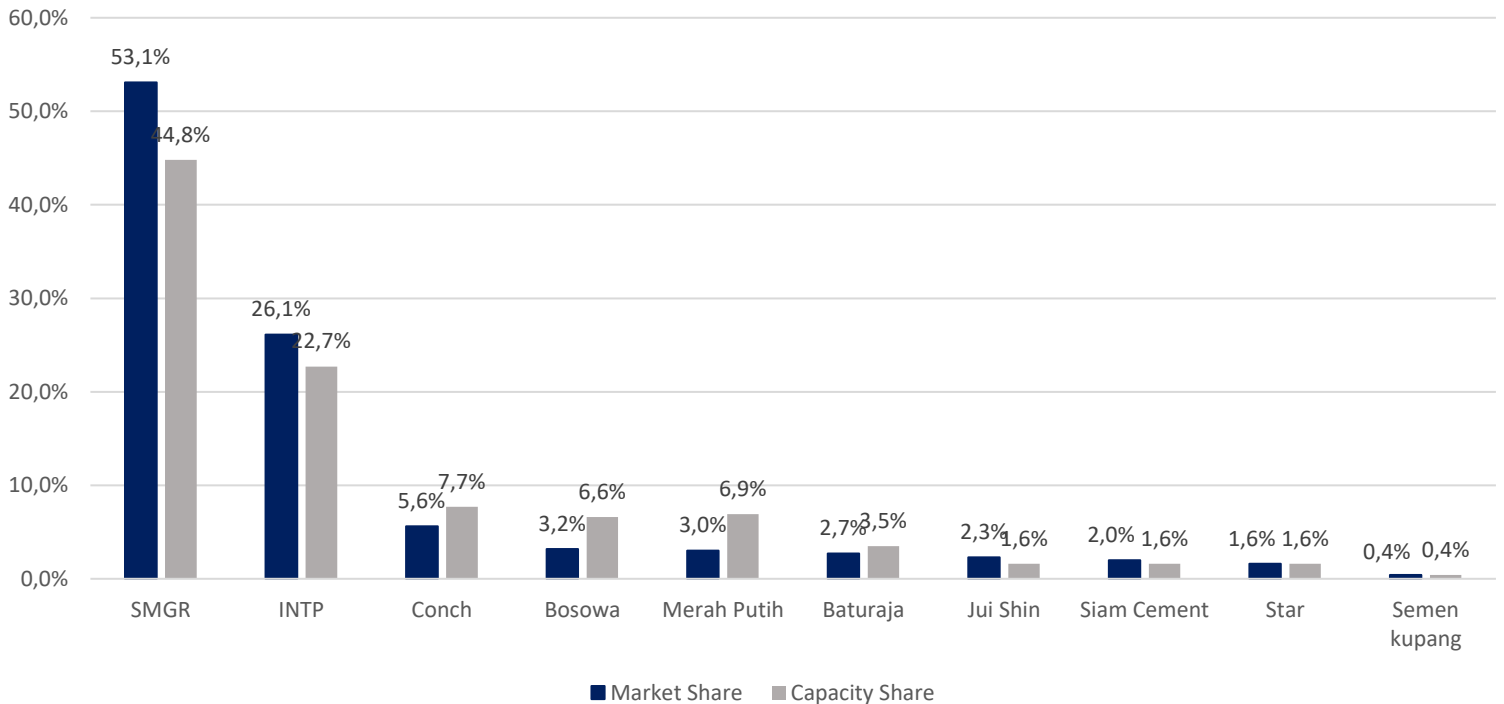
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Table: Domestic Cement Sales Volume by Area 1Q vs 2Q 2020FY

Area	1Q			2Q			YTD		
	2020	2019	(%)	2020	2019	(%)	2020	2019	(%)
Jakarta	853.628	754.808	13,1%	502.335	578.450	-13,2%	1.355.963	1.333.258	1,7%
Banten	708.455	812.846	-12,8%	521.070	683.893	-23,8%	1.229.525	1.496.739	-17,9%
West Java	2.443.345	2.737.637	-10,7%	2.130.910	2.438.456	-12,6%	4.574.255	5.176.093	-11,6%
Central Java	1.714.406	1.863.367	-8,0%	1.732.883	1.842.137	-5,9%	3.447.289	3.705.504	-7,0%
Yogyakarta	227.106	386.017	-41,2%	202.542	317.319	-36,2%	429.648	703.336	-38,9%
East Java	2.019.370	2.120.293	-4,8%	1.641.285	1.871.877	-12,3%	3.660.655	3.992.170	-8,3%
Total Java	7.966.310	8.674.968	-8,2%	6.731.025	7.732.132	-12,9%	14.697.335	16.407.100	-10,4%
Sumatra	3.131.319	3.241.944	-3,4%	2.858.148	2.787.899	2,5%	5.989.467	6.029.843	-0,7%
Kalimantan	968.248	1.074.386	-9,9%	806.683	877.340	-8,1%	1.774.931	1.951.726	-9,1%
Sulawesi	1.240.284	1.335.830	-7,2%	1.009.181	1.125.172	-10,3%	2.249.465	2.461.002	-8,6%
Nusa Tenggara	833.293	917.291	-9,2%	738.960	879.875	-16,0%	1.572.253	1.797.166	-12,5%
East Indonesia	482.316	429.059	12,4%	385.356	348.074	10,7%	867.672	777.133	11,7%
Total Indonesia	14.621.770	15.673.478	-6,7%	12.529.353	13.750.492	-8,9%	27.151.123	29.423.970	-7,7%
Export Cement	195.075	316.155	-38,3%	119.193	232.350	-48,7%	314.268	548.505	-42,7%
Export Clinker	1.191.579	1.105.463	7,8%	2.223.741	1.154.481	92,6%	3.415.320	2.259.944	51,1%
Total Export	1.386.654	1.421.618	-2,5%	2.342.934	1.386.831	68,9%	3.729.588	2.808.449	32,8%
Grand Total	16.008.424	17.095.096	-6,4%	14.872.287	15.137.323	-1,8%	30.880.711	32.232.419	-4,2%

Source: Company and ASI

Chart: Market Leader in Indonesia as of 1H2020



Source: Company and ASI

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2016A	2017A	2018A	2019A	2020F	2021F
Revenue	26.134	27.814	30.688	40.368	39.810	44.406
Cost of revenue	-16.278	-19.854	-21.357	-27.654	-27.867	-31.084
Gross Profit	9.856	7.960	9.331	12.714	11.943	13.322
Operating Expense	-4.955	-5.874	-5.335	-9.608	-7.564	-8.437
Operating Profit	4.901	2.085	3.996	3.106	4.379	4.885
Other Income	184	169	109	90	-398	311
Profit Before Tax	5.085	2.254	4.105	3.196	3.981	5.195
Taxes	-550	-604	-1.019	-825	-1.194	-1.559
NIAT	4.535	1.650	3.086	2.371	2.787	3.637
Non-controlling Interest	-13	-29	-7	21	32	36
Net Income	4.522	1.621	3.079	2.392	2.819	3.672
EPS (In IDR)	762	273	519	403	475	619
EBITDA	7.085	4.963	6.690	8.712	8.525	10.099

Source: Company and Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2016A	2017A	2018A	2019A	2020F	2021F
Net Income	4.522	1.621	3.079	2.392	2.819	3.672
Depreciation	1.637	1.953	1.626	2.311	2.405	2.504
Change in WC	577	-1.959	-1.196	2.060	-695	66
Cash From Operating Activities	6.736	1.615	3.509	6.763	4.529	6.242
Capex	-7.877	-3.366	-1.507	-30.311	-4.833	-4.555
Cash From Investing Activities	-7.877	-3.366	-1.507	-30.311	-4.833	-4.555
Long-term liabilities	992	727	157	12.788	164	1.176
Bonds Payable	0	2.993	2	4.070	-2	0
Others Noncurrent Liabilities	396	998	-160	4.600	415	184
Temporary Shirkah temporer Equity	-1.388	-2.149	-389	2.000	-1.566	-2.645
Cash From Financing Activities	-0	2.569	-391	22.222	-989	-1.285
Net Changes in Cash	-1.141	818	1.611	-1.327	-1.293	403
Beginning Balance	3.989	2.848	3.666	5.277	3.950	2.657
Ending Balance	2.848	3.666	5.277	3.950	2.657	3.060

Source: Company and Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2016A	2017A	2018A	2019A	2020F	2021F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	2.848	3.666	5.277	3.950	2.657	3.060
Trade Accounts Receivable	4.018	4.995	5.960	6.860	5.971	6.661
Inventories	2.671	3.686	3.544	4.642	4.379	4.885
Others Current Assets	835	1.454	1.227	1.207	1.482	1.654
Total Current Assets	10.373	13.802	16.008	16.659	14.490	16.259
NONCURRENT ASSETS						
Fixed Assets	30.847	32.523	32.749	56.602	59.007	61.511
Other Noncurrent Assets	3.007	2.744	2.399	6.547	6.569	6.116
Total Noncurrent Assets	33.854	35.267	35.148	63.149	65.576	67.627
TOTAL ASSETS	44.227	49.069	51.156	79.807	80.066	83.886
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Loans	819	602	84	3.264	1	1.001
Trade Account Payable	4.383	5.250	4.784	6.245	7.166	7.549
Others Current Liabilities	2.950	2.952	3.335	2.731	3.503	3.552
Total Current Liabilities	8.152	8.804	8.203	12.240	10.670	12.102
NONCURRENT LIABILITIES						
Long-term bank	3.988	4.715	4.872	17.660	17.823	18.999
Bond Payable	0	2.993	2.995	7.065	7.064	7.064
Others Noncurrent Liabilities	1.512	2.510	2.350	6.950	7.365	7.549
Total Noncurrent Liabilities	5.501	10.219	10.217	31.675	32.252	33.612
TOTAL LIABILITIES	13.653	19.022	18.420	43.915	42.922	45.714
Non-controlling interest	1.539	1.524	1.544	1.615	1.911	2.131
EQUITY	29.035	28.522	31.192	32.277	33.234	34.040
TEMPORARY SYIRKAH TEMPORER				2.000	2.000	2.000
TOTAL TEMPORARY SYIRKAH TEMPORER, LIABILITIES & EQUITY	44.227	49.068	51.156	79.807	80.066	83.886

Source: Company and Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2016A	2017A	2018A	2019A	2020F	2021F
Sales	-3,0%	6,4%	10,3%	31,5%	-1,4%	11,5%
OP	-12,6%	-57,5%	91,6%	-22,3%	41,0%	11,5%
EBITDA	-7,4%	-30,0%	34,8%	30,2%	-2,1%	18,5%
NP	0,0%	-64,1%	90,0%	-22,3%	17,8%	30,3%
EPS	0,0%	-64,1%	90,0%	-22,3%	17,8%	30,3%
Profitability						
Gross Profit Margin (%)	37,7%	28,6%	30,4%	31,5%	30,0%	30,0%
Operating Margin(%)	18,8%	7,5%	13,0%	7,7%	11,0%	11,0%
EBITDA margin(%)	27,1%	17,8%	21,8%	21,6%	21,4%	22,7%
NET Profit margin(%)	17,3%	5,8%	10,0%	5,9%	7,1%	8,3%
ROA(%)	10,2%	3,3%	6,0%	3,0%	3,5%	4,4%
ROE(%)	17,0%	5,7%	9,9%	7,4%	8,5%	10,8%
Stability						
Net debt/ equity (x)	0,2	0,3	0,3	0,9	0,7	0,8
Int. Coverage (x)	12,5	2,2	3,2	0,7	1,3	1,5
Current Ratio (X)	1,3	1,6	2,0	1,4	1,4	1,3
Per Share data (IDR)						
EPS	762	273	519	403	475	619
BV	4.478	4.809	5.259	5.442	5.603	5.739
SPS	4.406	4.689	5.174	6.806	6.712	7.486
EBITDA/share	1.195	837	1.128	1.469	1.437	1.703

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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