

PT Semen Indonesia (Persero), Tbk

HOLD

Cement, Equity
6 November 2018

Price **IDR. 9,600**
Target **IDR. 11,200**
JKSE Index **5,920.594**



Stock code
Bloomberg code **SMGR JI**
Market cap (in Bn) **57,535.7**
52-week high **11,775**
52-week low **6,500**
6-m avg.dail.val (IDR) **8,497**
Free Float (%) **48.99%**

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

USD/IDR-YE
2017 **13,480**
2018F (6m-avg) **14,597**

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Investment Considerations

Expecting 34% growth in profit

- SMGR's revenue increased +4.4% to IDR 21.45 trillion in line with sales volume growth. While cost of revenue also increased +3.9% to IDR 15.1 trillion inline with the increase in sales volume and mainly from fuel, raw material, and distribution costs.
- Efficiency and restructuring in SMGR's logistic supply resulted in lower operating expenses (opex) in 9M2018 by -9.8% YoY to IDR 3.7 trillion from 4.1 trillion. The impact comes from: 1) decrease in transportation expenses by -16.6%. 2) promotion expenses decreased by -19% YoY. 3) Salary expenses decreased by -12%YoY, and 4) Business trip expenses decreased by -13% YOY.
- So SMGR booked an operating profit increase of +36% YoY to IDR 2.6 trillion. And the bottom line increased 43% to IDR 2.1 trillion.
- We assume the lower opex will continue until the end of year. And we expecting bottom line to increase 34% in 2018F to IDR 2.7 trillion from 2 trillion last year.

Stable Sales Volume

- SMGR sales volume including Thang Long Cement in Vietnam reached 23.8 million tons (mt) an increase of +4.9% yoy in 9M2018. Industry domestic sales volume was 49.76 million tons (mt), or stable (+4.9%) compared to 9M2018. SMGR's domestic volume only increased by 1.2% YoY.
- The lower growth in domestic sales is due to SMGR's decision to increase selling prices since November 2017.
- We expect an improvement in cement demand from a pickup in infrastructure development in the last quarter of 2018. In addition, the latest mortgage policy is expected to boost the property market and help a recovery in cement demand.

Valuation: TP 11,200 with 17% upside

- Assuming lower opex in 2018 and improving cement demand in 4Q2018, We are targeting SMGR share price to reach IDR 11,200 with 24.6x PE.
- Using a DCF valuation with WACC at 9.6%, we estimate SMGR shares will rise by 17% within a year. As the price already increase in October (+22%), we recommend to HOLD.

Financial Highlights	2014A	2015A	2016A	2017A	2018F	2019F
Revenue (IDR Bn)	26,987	26,948	26,134	27,814	31,337	33,358
EBITDA (IDR Bn)	8,697	7,648	7,085	5,456	6,160	6,441
Net Income (IDR Bn)	5,566	4,521	4,522	2,014	2,695	2,869
EPS (IDR)	938	762	762	340	454	484
EBITDA Margin (%)	32.2%	28.4%	27.1%	19.6%	19.7%	19.3%
ROA (%)	16.2%	11.3%	10.2%	4.1%	5.3%	5.5%
ROE (%)	23.2%	17.8%	17.0%	7.0%	8.9%	9.2%

Source: Company and Binaartha

Table: SMGR's Strategic Projects

Strategic Projects	Capacity	Investment	Construction		Start up Commercial
			Start	Completion	
Packing Plant - North Maluku	500,000 ton/year	IDR 66 Bio	Jan-17	Q2-2018	Q2-2018
Packing Plant - Bengkulu	300,000 bags 200,000 bulk	IDR 75 Bio	Feb-17	1H2018	1H2018
Waste Heat Recovery Power Generation - Tuban Plant	30.6 MW	IDR 574 Bio	Q2-2016	Q1-2018	Q2-2018

Source: Company

Table: SMGR's Sales Volume Domestic and Export 9M2018

	August			September			Year to Date		
	2018	2017	Chg (%)	2018	2017	Chg (%)	2018	2017	Chg (%)
Domestic	2,597,844	2,668,771	(2.7)	2,695,520	2,513,297	7.3	19,621,890	19,392,703	1.2
Export	306,117	205,219	49.2	223,955	125,890	77.9	2,220,132	1,525,075	45.6
Total	2,903,961	2,873,990	1.0	2,919,475	2,639,187	10.6	21,842,022	20,917,778	4.4
TLCC									
- Domestic	147,788	153,710	(3.9)	134,394	132,460	1.5	1,225,432	1,400,991	(12.5)
- Export	53,710	10,200	426.6	34,350	-	-	689,228	335,192	105.6
Total Group	3,105,459	3,037,900	2.2	3,088,219	2,771,647	11.4	23,756,682	22,653,961	4.9

Source: Company

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2014A	2015A	2016A	2017A	2018F	2019F	2020F
Revenue	26,987	26,948	26,134	27,814	31,337	33,358	36,612
Cost of revenue	(15,388)	(16,302)	(16,278)	(19,854)	(22,563)	(24,018)	(26,361)
Gross Profit	11,599	10,646	9,856	7,960	8,774	9,340	10,251
Operating Expense	(5,028)	(5,036)	(4,955)	(5,382)	(5,327)	(5,671)	(6,224)
Operating Profit	6,571	5,610	4,901	2,578	3,447	3,669	4,027
Other Income	520	241	184	169	188	200	220
Profit Before Tax	7,091	5,851	5,085	2,747	3,635	3,870	4,247
Taxes	(1,517)	(1,325)	(550)	(704)	(909)	(967)	(1,062)
NIAT	5,574	4,525	4,535	2,043	2,726	2,902	3,185
Non-controlling Interest	(8)	(4)	(13)	(29)	(31)	(33)	(37)
Net Income	5,566	4,521	4,522	2,014	2,695	2,869	3,149
EPS (In IDR)	938	762	762	340	454	484	531
EBITDA	8,697	7,648	7,085	5,456	6,160	6,441	7,050

Source: Company and Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2014A	2015A	2016A	2017A	2018F	2019F	2020F
Net Income	5,566	4,521	4,522	2,014	2,695	2,869	3,149
Depreciation	1,224	1,427	1,637	1,953	2,070	2,194	2,326
Change in WC	(869)	1,486	577	(1,987)	(21)	4	(46)
Cash From Operating Activities	5,920	7,434	6,736	1,979	4,744	5,067	5,428
Capex	(3,069)	(6,375)	(7,877)	(3,261)	(4,455)	(4,674)	(5,015)
Cash From Investing Activities	(3,069)	(6,375)	(7,877)	(3,261)	(4,455)	(4,674)	(5,015)
Long-term liabilities	54	(186)	992	727	248	(379)	1,159
Bonds Payable	0	0	0	2,993	0	0	0
Others Noncurrent Liabilities	294	261	396	500	244	146	234
Equity	(2,367)	(2,083)	(1,388)	(2,149)	(1,575)	(1,604)	(1,771)
Cash From Financing Activities	(2,020)	(2,009)	(0)	2,070	(1,083)	(1,838)	(377)
Net Changes in Cash	832	(950)	(1,141)	789	(794)	(1,445)	35
Beginning Balance	4,108	4,940	3,989	2,848	3,638	2,844	1,399
Ending Balance	4,940	3,989	2,848	3,637	2,844	1,399	1,434

Source: Company and Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2014A	2015A	2016A	2017A	2018F	2019F	2020F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	4,940	3,989	2,848	3,638	2,844	1,399	1,434
Trade Accounts Receivable	3,433	3,629	4,018	4,995	4,889	5,204	5,492
Inventories	2,812	2,409	2,671	3,686	3,917	4,170	4,393
Others Current Assets	465	512	835	1,483	1,410	1,501	1,648
Total Current Assets	11,649	10,539	10,373	13,802	13,060	12,273	12,967
NONCURRENT ASSETS							
Fixed Assets	20,221	25,168	30,847	32,523	34,593	36,787	39,113
Other Noncurrent Assets	2,445	2,447	3,007	2,638	2,953	3,240	3,603
Total Noncurrent Assets	22,666	27,614	33,854	35,162	37,547	40,027	42,716
TOTAL ASSETS	34,315	38,153	44,227	48,964	50,606	52,300	55,683
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	82	139	819	602	41	137	223
Trade Account Payable	3,247	3,978	4,383	4,927	4,562	4,857	5,126
Others Current Liabilities	1,945	2,483	2,950	3,274	4,231	4,503	4,760
Total Current Liabilities	5,273	6,599	8,152	8,804	8,834	9,497	10,109
NONCURRENT LIABILITIES							
Long-term bank	3,183	2,997	3,988	4,715	4,963	4,584	5,743
Bond Payable	0	0	0	2,993	2,993	2,993	2,993
Others Noncurrent Liabilities	856	1,116	1,512	2,012	2,256	2,402	2,636
Total Noncurrent Liabilities	4,039	4,113	5,501	9,721	10,213	9,979	11,373
TOTAL LIABILITIES	9,312	10,712	13,653	18,524	19,047	19,476	21,482
Non-controlling interest	960	1,021	1,539	1,524	1,409	1,549	1,779
EQUITY	24,042	26,420	29,035	28,915	30,150	31,275	32,422
TOTAL LIABILITIES & EQUITY	34,315	38,153	44,227	48,963	50,606	52,300	55,683

Source: Company and Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2014A	2015A	2016A	2017A	2018F	2019F	2020F
Sales	10.1%	-0.1%	-3.0%	6.4%	12.7%	6.4%	9.8%
OP	-1.5%	-14.6%	-12.6%	-47.4%	33.7%	6.4%	9.8%
EBITDA	6.1%	-12.1%	-7.4%	-23.0%	12.9%	4.6%	9.5%
NP	3.6%	-18.8%	0.0%	-55.5%	33.8%	6.4%	9.8%
EPS	3.6%	-18.8%	0.0%	-55.5%	33.8%	6.4%	9.8%
Profitability							
Operating Margin(%)	24.3%	20.8%	18.8%	9.3%	11.0%	11.0%	11.0%
EBITDA margin(%)	32.2%	28.4%	27.1%	19.6%	19.7%	19.3%	19.3%
NET Profit margin(%)	20.6%	16.8%	17.3%	7.2%	8.6%	8.6%	8.6%
ROA(%)	16.2%	11.3%	10.2%	4.1%	5.3%	5.5%	5.7%
ROE(%)	23.2%	17.8%	17.0%	7.0%	8.9%	9.2%	9.7%
Stability							
Net debt/ equity (x)	0.1	0.1	0.2	0.3	0.3	0.2	0.3
Int. Coverage (x)	14.6	12.2	12.5	2.7	6.0	7.7	6.7
Current Ratio (X)	2.2	1.6	1.3	1.6	1.5	1.3	1.3
Per Share data (IDR)							
EPS	938	762	762	340	454	484	531
BV	4,053	4,288	4,478	4,875	5,083	5,273	5,466
SPS	4,550	4,543	4,406	4,689	5,283	5,624	6,172
EBITDA/share	1,466	1,289	1,195	920	1,039	1,086	1,189

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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