

PT Semen Indonesia (Persero), Tbk

BUY

Cement, Equity
6 September 2019

Price **IDR. 13,425**

Target **IDR. 16,700**

JKSE Index **6,306.803**



Stock code

Bloomberg code **SMGR JI**
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

2018 **14,390**
2019F (6m-avg) **14,065**

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Investment Considerations

1H2019 Results: a lower bottom line

- In 1H2019, SMGR had double digit growth in revenue of 22.9% yoy to IDR 16.35 trillion.
- COGS also grew 22.9%, but SMGR still enjoyed a gross profit increase of 22.8% yoy to IDR 4.66 trillion from IDR 3.79 trillion in 1H2019. The Gross profit margin was stable at 28.5%.
- Profit before tax decreased by -48.7% to IDR 1.32 trillion, impacted by higher finance costs (+256.2%) as result of higher loans after the acquisition of Solusi Bangun Indonesia (Holcim).
- The EBITDA margin decreased slightly -0.2% yoy to 19.4%. Net income also decreased by -50.1% yoy to IDR 485 billion.
- As SMGR is expecting a better bottom line 1-2 year ahead, we estimate 2019 SMGR net income will decrease by -50% YoY to IDR 1.54 trillion and then will get better in 2020F.

Expecting higher demand in the 2nd semester

- In the beginning of the second semester of 2019, demand for cement has shown a slight increase. In July 2019, Industry domestic sales volume was 6.45 million tons (mt) up slightly +0.5% YoY. SMGR domestic sales volume decreased -6.04% YoY to 2.35 mt impacted by decreases in West Java (-24.1%) and Jakarta (29.7%).
- For July 2019 Ytd, SMGR sales volume including Thang Long Cement in Vietnam and SBI reached 21.3 mt an increase of +20.5% yoy from 7M2018 (SBI not included). While Industry domestic sales volume was 35.82 mt, lower by -1.7% YoY. SMGR's domestic volume decreased by -5.84% YoY to 13.49 mt.
- We expect an improvement in cement demand in the second semester of 2019 as infrastructure projects continue and the new capital city is developed in East Kalimantan.
- As of July 2019, SMGR market share in Kalimantan was 46.3%. SMGR's high market share's in East Kalimantan is supported by their packing plants in Balikpapan and Samarinda.

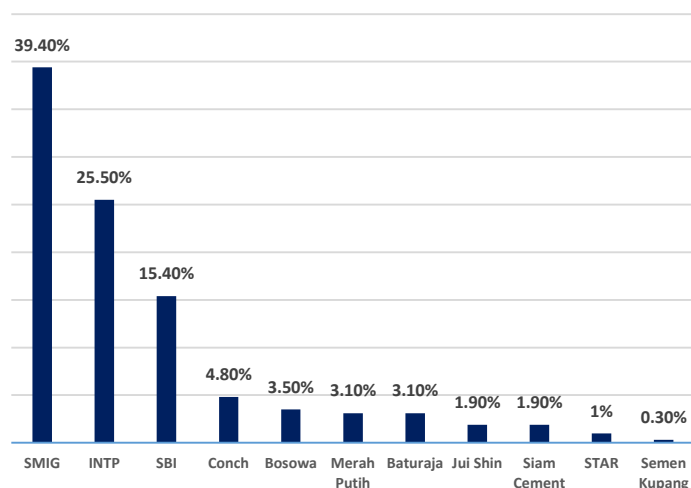
Valuation: Upgrade to BUY, TP 16,700 with 24.4% upside

- As our Domestic cement market shown signs of increasing and therefore assuming better sales in the second semester, we are targeting SMGR share price to reach IDR 16,700 which is a valuation of 37x PE.

Financial Highlights	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Revenue (IDR Bn)	26,987	26,948	26,134	27,814	30,688	34,683	39,450
EBITDA (IDR Bn)	8,697	7,648	7,085	4,963	6,690	5,842	7,310
Net Income (IDR Bn)	5,566	4,521	4,522	1,621	3,079	1,541	2,676
EPS (IDR)	938	762	762	273	519	260	451
EBITDA Margin (%)	32.2%	28.4%	27.1%	17.8%	21.8%	16.8%	18.5%
ROA (%)	16.2%	11.3%	10.2%	3.3%	6.0%	2.0%	3.4%
ROE (%)	23.2%	17.8%	17.0%	5.7%	9.9%	4.8%	8.2%

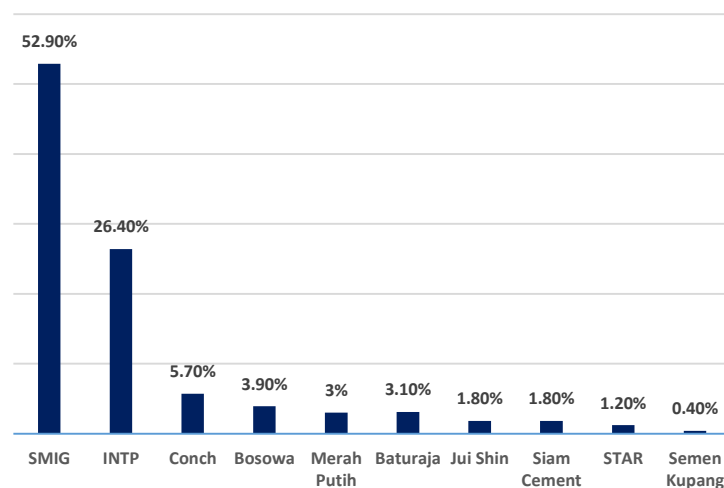
Source: Company and Binaartha

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 1Q2019

	June			July			YTD		
	2019	2018	Chg YoY (%)	2019	2018	Chg YoY (%)	2019	2018	Chg YoY (%)
Semen Indonesia									
Domestic	1,367,174	1,283,965	6.5%	2,353,795	2,505,014	-6.0%	13,492,054	14,328,526	-5.8%
Export	148,857	287,798	-48.3%	352,556	272,163	29.5%	1,879,108	1,775,363	5.8%
Total	1,516,031	1,571,763	-3.5%	2,706,351	2,777,177	-2.6%	15,371,162	16,103,889	-4.6%
TLCC									
Domestic	117,448	133,487	-12.0%	122,640	126,586	-3.1%	730,064	943,251	-22.6%
Export	102,490	82,442	24.3%	51,175	87,109	-41.3%	463,115	601,168	-23.0%
Total	219,938	215,929	1.9%	173,815	213,695	-18.7%	1,193,179	1,544,419	-22.7%
Total Group (SMGR)	1,735,969	1,787,692	-2.9%	2,880,166	2,990,872	-3.7%	16,564,341	17,648,308	-6.1%
SBI (ex-Holcim)									
Domestic	533,922	516,362	3.4%	940,551	979,953	-4.0%	5,396,424	5,533,443	-2.5%
Export	31,613	16,443	92.3%	0	50,316		240,060	353,690	-32.1%
Total	565,535	532,805	6.1%	940,551	1,030,269	-8.7%	5,636,484	5,887,133	-4.3%
SMGR+SBI	2,301,504	1,787,692	28.7%	3,820,717	2,990,872	27.7%	21,259,457	17,648,308	20.5%

Source: Company

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Revenue	26,987	26,948	26,134	27,814	30,688	34,683	39,450
Cost of revenue	(15,388)	(16,302)	(16,278)	(19,854)	(21,357)	(24,625)	(28,207)
Gross Profit	11,599	10,646	9,856	7,960	9,331	10,058	11,243
Operating Expense	(5,028)	(5,036)	(4,955)	(5,874)	(5,335)	(7,977)	(7,823)
Operating Profit	6,571	5,610	4,901	2,085	3,996	2,081	3,420
Other Income	520	241	184	169	109	69	158
Profit Before Tax	7,091	5,851	5,085	2,254	4,105	2,150	3,578
Taxes	(1,517)	(1,325)	(550)	(604)	(1,019)	(602)	(894)
NIAT	5,574	4,525	4,535	1,650	3,086	1,548	2,683
Non-controlling Interest	(8)	(4)	(13)	(29)	(7)	(7)	(8)
Net Income	5,566	4,521	4,522	1,621	3,079	1,541	2,676
EPS (In IDR)	938	762	762	273	519	260	451
EBITDA	8,697	7,648	7,085	4,963	6,690	5,842	7,310

Source: Company and Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Net Income	5,566	4,521	4,522	1,621	3,079	1,541	2,676
Depreciation	1,224	1,427	1,637	1,953	1,626	1,706	1,791
Change in WC	(869)	1,486	577	(1,959)	(1,196)	1,295	2,317
Cash From Operating Activities	5,920	7,434	6,736	1,615	3,509	4,542	6,784
Capex	(3,069)	(6,375)	(7,877)	(3,366)	(1,507)	(26,651)	(3,720)
Cash From Investing Activities	(3,069)	(6,375)	(7,877)	(3,366)	(1,507)	(26,651)	(3,720)
Long-term liabilities	54	(186)	992	727	157	15,635	(2,684)
Bonds Payable	0	0	0	2,993	2	4,069	0
Others Noncurrent							
Liabilities	294	261	396	998	(160)	248	357
Equity	(2,367)	(2,083)	(1,388)	(2,149)	(389)	(318)	(2,118)
Cash From Financing Activities	(2,020)	(2,009)	(0)	2,569	(391)	19,633	(4,444)
Net Changes in Cash	832	(950)	(1,141)	818	1,611	(2,475)	(1,381)
Beginning Balance	4,108	4,940	3,989	2,848	3,666	5,277	2,802
Ending Balance	4,940	3,989	2,848	3,666	5,277	2,802	1,421

Source: Company and Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	4,940	3,989	2,848	3,666	5,277	2,802	1,421
Trade Accounts Receivable	3,433	3,629	4,018	4,995	5,960	6,482	6,419
Inventories	2,812	2,409	2,671	3,686	3,544	5,549	5,918
Others Current Assets	465	512	835	1,454	1,227	1,734	1,775
Total Current Assets	11,649	10,539	10,373	13,802	16,008	16,568	15,533
NONCURRENT ASSETS							
Fixed Assets	20,221	25,168	30,847	32,523	32,749	47,607	49,398
Other Noncurrent Assets	2,445	2,447	3,007	2,744	2,399	12,486	12,624
Total Noncurrent Assets	22,666	27,614	33,854	35,267	35,148	60,092	62,022
TOTAL ASSETS	34,315	38,153	44,227	49,069	51,156	76,660	77,555
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	82	139	819	602	84	4,310	6,434
Trade Account Payable	3,247	3,978	4,383	5,250	4,784	5,722	5,918
Others Current Liabilities	1,945	2,483	2,950	2,952	3,335	2,501	2,844
Total Current Liabilities	5,273	6,599	8,152	8,804	8,203	12,533	15,195
NONCURRENT LIABILITIES							
Long-term bank	3,183	2,997	3,988	4,715	4,872	20,507	17,823
Bond Payable	0	0	0	2,993	2,995	7,064	7,064
Others Noncurrent Liabilities	856	1,116	1,512	2,510	2,350	2,598	2,955
Total Noncurrent Liabilities	4,039	4,113	5,501	10,219	10,217	30,168	27,842
TOTAL LIABILITIES	9,312	10,712	13,653	19,022	18,420	42,701	43,037
Non-controlling interest	960	1,021	1,539	1,524	1,544	1,647	1,874
EQUITY	24,042	26,420	29,035	28,522	31,192	32,312	32,644
TOTAL LIABILITIES & EQUITY	34,315	38,153	44,227	49,068	51,156	76,660	77,555

Source: Company and Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Sales	10.1%	-0.1%	-3.0%	6.4%	10.3%	13.0%	13.7%
OP	-1.5%	-14.6%	-12.6%	-57.5%	91.6%	-47.9%	64.4%
EBITDA	6.1%	-12.1%	-7.4%	-30.0%	34.8%	-12.7%	25.1%
NP	3.6%	-18.8%	0.0%	-64.1%	90.0%	-49.9%	73.6%
EPS	3.6%	-18.8%	0.0%	-64.1%	90.0%	-49.9%	73.6%
Profitability							
Operating Margin(%)	24.3%	20.8%	18.8%	7.5%	13.0%	6.0%	8.7%
EBITDA margin(%)	32.2%	28.4%	27.1%	17.8%	21.8%	16.8%	18.5%
NET Profit margin(%)	20.6%	16.8%	17.3%	5.8%	10.0%	4.4%	6.8%
ROA(%)	16.2%	11.3%	10.2%	3.3%	6.0%	2.0%	3.4%
ROE(%)	23.2%	17.8%	17.0%	5.7%	9.9%	4.8%	8.2%
Stability							
Net debt/ equity (x)	0.1	0.1	0.2	0.3	0.3	1.0	1.0
Int. Coverage (x)	14.6	12.2	12.5	2.2	3.2	0.8	1.4
Current Ratio (X)	2.2	1.6	1.3	1.6	2.0	1.3	1.0
Per Share data (IDR)							
EPS	938	762	762	273	519	260	451
BV	4,053	4,288	4,478	4,809	5,259	5,448	5,503
SPS	4,550	4,543	4,406	4,689	5,174	5,847	6,651
EBITDA/share	1,466	1,289	1,195	837	1,128	985	1,232

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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