

PT Semen Indonesia (Persero), Tbk

BUY

Cement, Equity
8 November 2022

Price IDR. 8,250
Target IDR. 10,955
JKSE Index 7,102.396



Stock code
Bloomberg code SMGR IJ
Market cap (in Bn) 38,850
52-week high 9,900
52-week low 5,850
6-m avg.dail.val (IDR) 6,950
Free Float (%) 48.99%

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

USD/IDR-YE
2021 14,310
2022F (6m-avg) 15,489

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Investment Considerations

Slowing demand amid prices hikes

- The slow demand for cement continued in September. Domestic cement sales volume had a higher YoY contraction of -7.0% YoY to 5.98 million tones (mt) led by a contraction in bag sales volume -12.8% YoY due to price increases while the bulk market maintained growth of +11.4%. For 9M2022, domestic cement sales volume contracted -1.1% YoY to 46.4 million tons with a contraction in bag volume of -6.6% but strong growth of bulk sales of +18.2%.
- SMGR's domestic cement sales also contracted -13.5% YoY to 2.78 mt in September. For 9M2022, SMGR's total sales volume decreased -12.9% YoY to 26.15 mt due to lower demand.
- Inline with the decline in sales volume, SMGR booked revenue of IDR 25.3 trillion, -0.2% YoY, while in 3Q2022 sales grew + 3.2% YoY to IDR 9.4 trillion from an ASP hike.
- After a price adjustment in October 2022 of around 2% -3% due to higher transportation cost, SMGR plans more increases in the 4Q2022.
- With higher cement prices, demand is likely to continue to weak, so we expect top line growth of just +2% YoY to IDR 35.7 trillion.

3Q2022: Higher Margin

- SMGR maintained positive growth of net income to IDR 822 billion, +149% QoQ or +38% YoY in the 3Q2022 due to a higher ASP. For 9M2022, SMGR net profit increased +19% YoY to IDR 1.65 trillion. This resulted in a higher NPM compared to other quarters in 2022 of 8.7%, which boosted the 9M2022 NPM to 6.5%.
- SMGR was able to manage fuel cost increases by buying coal at the lower DMO price and with that privilege SMGR's fuel & energy cost/ton increased only 28.4% while peers grew by 36.6% in 9M2022.
- SMGR's COGS/ton only increased +16.3% while peers grew +20.5%, so cost of revenue was stable at IDR 17.9 trillion in 9M2022. For 3Q2022, cost of revenue increased 3% YoY or +16% QoQ due to fuel costs and other manufacturing overheads. This resulted in a higher gross profit of +3% YoY or +36% QoQ to IDR 2.9 trillion.
- SMGR also managed to lower operating expenses by -9% mainly from lower transportation, promotion and labor costs. As a result, profit before tax slightly increased +97% YoY with a higher OPM of 12.4% compared to 10.2% last year.
- With the plan to hike prices again in 4Q2022 and the positive impact of buying coal at the lower DMO price, we are forecasting SMGR bottom line profit for 2022F to reach IDR 2.4 trillion which is +23% YoY growth.

Valuation: Maintain BUY, TP 10,955 with 33% upside

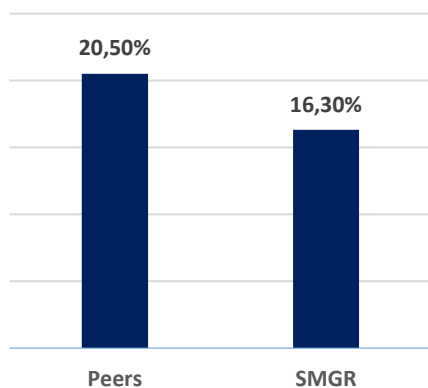
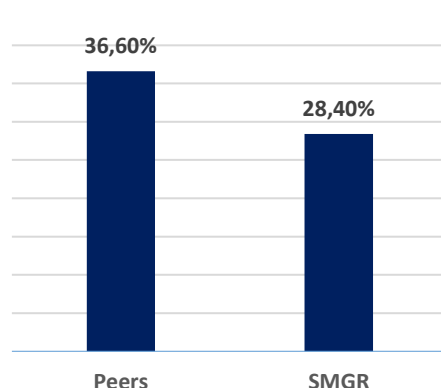
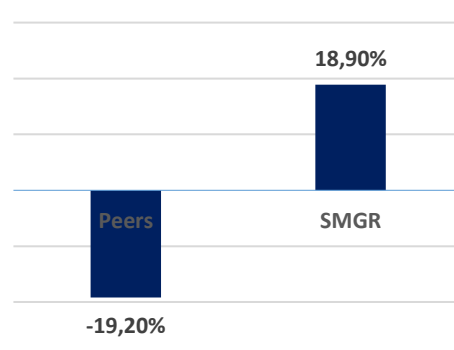
- We are now targeting SMGR to trade at 25x PE in 2023F. Target price is IDR 10,955 which represents +33% upside. We maintain our BUY recommendation.

Financial Highlights	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Revenue (IDR Bn)	27.814	30.688	40.368	35.172	34.958	35.709	37.333
EBITDA (IDR Bn)	4.963	6.690	8.745	8.906	8.185	8.337	8.636
Net Income (IDR Bn)	1.621	3.079	2.392	2.792	2.021	2.482	2.595
EPS (IDR)	273	519	403	471	341	418	437
EBITDA Margin (%)	17,8%	21,8%	21,7%	25,3%	23,4%	23,3%	23,1%
PBV (x)	2,1	2,2	2,2	2,2	1,2	1,8	1,8
PER (x)	36,2	22,2	29,8	26,4	21,3	26,2	25,0

Source: Company and Binaartha

Table: SMGR Cement Sales in Ton

	September			Year to Date		
	2022	2021	%	2022	2021	%
Indonesia Facilities						
Domestic	2.789.215	3.225.095	-13,5%	21.861.454	23.219.979	-5,9%
Export	437.386	569.778	-23,2%	2.915.926	5.169.568	-43,6%
	3.226.601	3.794.873	-15,0%	24.777.380	28.389.547	-12,7%
Vietnam Facilities						
Domestic	69.055	67.275	2,6%	855.534	858.540	-0,4%
Export	86.100	118.156	-27,1%	524.698	768.544	-31,7%
	155.155	185.431	-16,3%	1.380.232	1.627.084	-15,2%
TOTAL SMGR	3.381.756	3.980.304	-15,0%	26.157.612	30.016.631	-12,9%

Source: Company
Chart: COGS/ton Growth

Chart: Fuel & energy Cost/ton Growth

Chart: Net Profit Growth

Source: Company
Table: Income Statement YoY & QoQ in IDR Billion

Income Statement (IDR Bn)	1Q2022	2Q2022	3Q2022	QoQ	3Q2021	YoY	9M2021	9M2022	YoY
Revenue	8.137	7.739	9.405	22%	9.117	3%	25.330	25.281	0%
Cost of revenue	-5.881	-5.585	-6.472	16%	-6.261	3%	-17.886	-17.938	0%
Gross Profit	2.256	2.154	2.933	36%	2.856	3%	7.444	7.343	-1%
Operating Expense	-1.527	-1.561	-1.764	13%	-1.929	-9%	-5.323	-4.853	-9%
Profit Before Tax	729	593	1.169	97%	927	26%	2.121	2.491	17%
Taxes	-205	-248	-305	23%	-272	12%	-677	-758	12%
NIAT	523	345	864	151%	655	32%	1.444	1.732	20%
Non-controlling Interest	-25	-15	-42	192%	-62	-31%	-56	-82	46%
Net Income	499	330	822	149%	593	38%	1.388	1.650	19%
EPS	84	56	138	149%	100	38%	234	278	19%
GPM	27,7%	27,8%	31,2%		31,3%		29,4%	29,0%	
OPM	9,0%	7,7%	12,4%		10,2%		8,4%	9,9%	
NPM	6,1%	4,3%	8,7%		6,5%		5,5%	6,5%	

Source: Company

Table: Income Statement YoY in IDR Billion

Income Statement (In IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Revenue	27.814	30.688	40.368	35.172	34.958	35.709	37.333
Cost of revenue	-19.854	-21.357	-27.654	-23.555	-24.005	-25.353	-26.506
Gross Profit	7.960	9.331	12.714	11.617	10.953	10.356	10.827
Operating Expense	-5.706	-5.226	-9.518	-8.128	-7.483	-6.785	-7.093
Profit Before Tax	2.254	4.105	3.196	3.489	3.470	3.571	3.733
Taxes	-604	-1.019	-825	-814	-1.388	-1.000	-1.045
NIAT	1.650	3.086	2.371	2.674	2.082	2.571	2.688
Non-controlling Interest	-29	-7	21	118	-61	-89	-93
Net Income	1.621	3.079	2.392	2.792	2.021	2.482	2.595
EPS (In IDR)	273	519	403	471	341	418	437
EBITDA	4.963	6.690	8.745	8.906	8.185	8.337	8.636

Source: Company and Binaartha

Table: Cash Flow YoY in IDR Billion

Cash Flow (In IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Net Income	1.621	3.079	2.392	2.792	2.021	2.482	2.595
Depreciation	1.953	1.626	2.344	3.096	3.087	3.262	3.446
Change in WC	-1.959	-1.196	2.060	-660	2.538	2.001	635
Cash From Operating Activities	1.615	3.509	6.796	5.229	7.647	7.744	6.676
Change in Non-current Assets	-3.366	-1.507	-30.344	-2.389	-1.880	-4.689	-4.720
Cash From Investing Activities	-3.366	-1.507	-30.344	-2.389	-1.880	-4.689	-4.720
Change in Long-term liabilities	727	157	12.788	-3.472	-5.683	-30	-475
Change in Bonds Payable	2.993	2	4.070	4	-2.995	0	0
Change in Others Noncurrent Liabilities	998	-160	4.600	858	343	-684	340
Change in Temporary Shirkah temporer			2.000	-219	0	219	0
Change in Equity	-2.149	-389	-1.237	-1.031	2.108	-3.259	-1.686
Cash From Financing Activities	2.569	-391	22.222	-3.859	-6.227	-3.754	-1.822
Net Changes in Cash	818	1.611	-1.327	-1.020	-460	-699	134
Beginning Balance	2.848	3.666	5.277	3.950	2.931	2.470	1.771
Ending Balance	3.666	5.277	3.950	2.931	2.470	1.771	1.905

Source: Company and Binaartha

Table: Statement of Financial Position YoY in IDR Billion

Statement of Financial Position (In IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	3.666	5.277	3.950	2.931	2.470	1.771	1.905
Trade Accounts Receivable	4.995	5.960	6.860	6.038	5.513	4.999	5.040
Inventories	3.686	3.544	4.642	4.548	4.615	4.479	4.683
Others Current Assets	1.454	1.227	1.207	2.048	2.672	1.785	1.680
Total Current Assets	13.802	16.008	16.659	15.565	15.270	13.036	13.308
NONCURRENT ASSETS							
Fixed Assets	32.523	32.749	56.602	56.053	54.720	56.351	58.074
Other Noncurrent Assets	2.744	2.399	6.547	6.388	6.514	6.310	5.862
Total Noncurrent Assets	35.267	35.148	63.149	62.442	61.234	62.661	63.935
TOTAL ASSETS	49.069	51.156	79.807	78.006	76.504	75.697	77.243
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Loans	602	84	3.264	1.596	2.999	2.500	2.500
Trade Account Payable	5.250	4.784	6.245	6.828	7.613	7.354	7.909
Others Current Liabilities	2.952	3.335	2.731	3.082	3.598	4.821	5.040
Total Current Liabilities	8.804	8.203	12.240	11.506	14.210	14.675	15.449
NONCURRENT LIABILITIES							
Long-term bank	4.715	4.872	17.660	14.188	8.505	8.475	8.000
Bond Payable	2.993	2.995	7.065	7.069	4.074	4.074	4.074
Others Noncurrent Liabilities	2.510	2.350	6.950	7.808	8.151	7.467	7.806
Total Noncurrent Liabilities	10.219	10.217	31.675	29.066	20.730	20.017	19.881
TOTAL LIABILITIES	19.022	18.420	43.915	40.572	34.940	34.692	35.330
Non-controlling interest	1.524	1.544	1.615	1.480	3.628	3.071	2.987
EQUITY	28.522	31.192	32.277	34.173	36.155	35.934	36.927
TEMPORARY SYIRKAH TEMPORER			2.000	1.781	1.781	2.000	2.000
TOTAL TEMPORARY SYIRKAH TEMPORER, LIABILITIES & EQUITY	49.068	51.156	79.807	78.006	76.504	75.697	77.243

Source: Company and Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Sales	6,4%	10,3%	31,5%	-12,9%	-0,6%	2,1%	4,5%
OP	-55,7%	82,1%	-22,1%	9,2%	-0,5%	2,9%	4,5%
EBITDA	-30,0%	34,8%	30,7%	1,8%	-8,1%	1,9%	3,6%
NP	-64,1%	90,0%	-22,3%	16,7%	-27,6%	22,8%	4,5%
EPS	-64,1%	90,0%	-22,3%	16,7%	-27,6%	22,8%	4,5%
Profitability							
Gross Profit Margin (%)	28,6%	30,4%	31,5%	33,0%	31,3%	29,0%	29,0%
Operating Margin(%)	8,1%	13,4%	7,9%	9,9%	9,9%	10,0%	10,0%
EBITDA margin(%)	17,8%	21,8%	21,7%	25,3%	23,4%	23,3%	23,1%
NET Profit margin(%)	5,8%	10,0%	5,9%	7,9%	5,8%	7,0%	7,0%
ROA(%)	3,3%	6,0%	3,0%	3,6%	2,6%	3,3%	3,4%
ROE(%)	5,7%	9,9%	7,4%	8,2%	5,6%	6,9%	7,0%
Stability							
Net debt/ equity (x)	0,3	0,3	0,9	0,7	0,4	0,4	0,4
Int. Coverage (x)	2,2	3,2	0,7	1,2	1,3	1,7	1,8
Current Ratio (X)	1,6	2,0	1,4	1,4	1,1	0,9	0,9
Per Share data							
EPS (IDR)	273	519	403	471	341	418	437
PBV (x)	2,1	2,2	2,2	2,2	1,2	1,8	1,8
PER (x)	36,2	22,2	29,8	26,4	21,3	26,2	25,0
EBITDA/share	837	1.128	1.474	1.501	1.380	1.406	1.456

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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