

PT Semen Indonesia (Persero), Tbk

BUY

Cement, Equity
9 November 2021

Price **IDR. 9,575**
Target **IDR.12,850**
JKSE Index **6,632.297**



Stock code
Bloomberg code **SMGR IJ**
Market cap (in Bn) **56,790**
52-week high **13,000**
52-week low **7,675**
6-m avg.dail.val (IDR) **10,080**
Free Float (%) **48.99%**

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

USD/IDR-YE
2020 **14,175**
2021F (6m-avg) **14,352**

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Investment Considerations

Recovery continues

- Domestic cement sales volume continues to grow +5.5% YoY to 46.9 million tones (mt) in 9M2021, while for September domestic sales increased +4.1% to 6.43 mt.
- Cement sales volume continues to recovery in 4Q2021 too as the October domestic sales recorded +10%-11% YoY.
- For 3Q2021 SMGR sales volume increased +13.3% QoQ but was still lower compared to -2.8% YoY to 10.7 mt.
- While for 9M2021, SMGR total sales volume maintained positive growth of +2.5% YoY to 29.88 mt. SMGR's Export sales grew +14.8% YoY to 6.6 mt but domestic sales were slower -0.6% to 23.22 mt.
- With higher sales volume, SMGR booked sales of IDR 9.1 trillion lower -5% YoY from a lower ASP because of a price war in the domestic market. For 9M2021 SMGR sales slightly decreased -1.1% to IDR 25.3 trillion.
- The management increased ASPs in October and plans another increase in November to offset higher coal prices.
- We expect higher sales growth in 4Q2021 as October sales shows double-digit growth and most infrastructure projects are continuing in 4Q2021.

Lower Margins

- Due to higher material prices especially coal prices, SMGR margins decreased in 3Q2021.
- SMGR booked lower net profit -36% YoY to IDR 593 billion with a lower NPM of 6.5% from 9.7% last year. For 9M2021, net profit decreased 29.7% YoY to IDR 1.38 trillion with a lower NPM of 5.5%.
- Inline with higher coal prices, SMGR fuel and energy costs increased +4% YoY. Cost of sales also increased +2.8% YoY to IDR 17.8 trillion in 9M2021.
- Gross profit decreased -9.6% YoY to IDR 7.4 trillion with a lower gross profit margin of 29.4% in 9M2021.
- SMGR finance costs continue to decrease in 9M2021 to IDR 1.26 trillion from 1.75 trillion. Operating expenses were -10% lower YoY.
- Operating profit margin still decreased though to 8.4% from 9% in 9M2020.
- We are forecasting SMGR bottom line for 2021F will still be positive with growth of +1.4% YoY to IDR 2.83 trillion helped by a higher ASP and higher sales volume in 4Q2021.

Valuation: Maintain BUY, TP 12,850 with 34% upside

- We are now targeting SMGR to trade at 25x PE in 2022F. Target price is IDR 12,850 which represents +34% 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	38.508	41.515
EBITDA (IDR Bn)	7.085	4.963	6.690	8.745	8.906	9.870	10.409
Net Income (IDR Bn)	4.522	1.621	3.079	2.392	2.792	2.830	3.051
EPS (IDR)	762	273	519	403	471	477	514
EBITDA Margin (%)	27,1%	17,8%	21,8%	21,7%	25,3%	25,6%	25,1%
ROA (%)	10,2%	3,3%	6,0%	3,0%	3,6%	3,6%	3,7%
ROE (%)	15,6%	5,7%	9,9%	7,4%	8,2%	8,0%	8,4%

Table: Income Statement YoY & QoQ in IDR Billion

Income Statement (IDR Bn)	1Q2021	2Q2021	3Q2021	QoQ	9M2020	9M2021	YoY
Revenue	8.076.719	8.136.625	9.117.117	12%	25.624.933	25.330.461	-1%
Cost of revenue	-5.770.128	-5.854.666	-6.261.419	7%	-17.394.205	-17.886.213	3%
Gross Profit	2.306.591	2.281.959	2.855.698	25%	8.230.728	7.444.248	-10%
Operating Expense	-1.636.382	-1.758.449	-1.928.619	10%	-5.921.959	-5.323.450	-10%
Profit Before Tax	670.209	523.510	927.079	77%	2.308.769	2.120.798	-8%
Taxes	-224.088	-180.702	-272.257	51%	-767.639	-677.047	-12%
NIAT	446.121	342.808	654.822	91%	1.541.130	1.443.751	-6%
Non-controlling Interest	4.242	1.251	-61.537	-5019%	667	-56.044	-8502%
Net Income	450.363	344.059	593.285	72%	1.541.797	1.387.707	-10%
EPS	76	134	100	-25%	260	234	-10%
GPM	28,6%	28,0%	31,3%		32,1%	29,4%	
OPM	8,3%	6,4%	10,2%		9,0%	8,4%	
NPM	5,6%	4,2%	6,5%		6,0%	5,5%	

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	38.508	41.515
Cost of revenue	-16.278	-19.854	-21.357	-27.654	-23.555	-26.570	-28.646
Gross Profit	9.856	7.960	9.331	12.714	11.617	11.937	12.870
Operating Expense	-4.771	-5.706	-5.226	-9.518	-8.128	-8.087	-8.718
Profit Before Tax	5.085	2.254	4.105	3.196	3.489	3.851	4.152
Taxes	-550	-604	-1.019	-825	-814	-963	-1.038
NIAT	4.535	1.650	3.086	2.371	2.674	2.888	3.114
Non-controlling Interest	-13	-29	-7	21	118	-58	-62
Net Income	4.522	1.621	3.079	2.392	2.792	2.830	3.051
EPS (In IDR)	762	273	519	403	471	477	514
EBITDA	7.085	4.963	6.690	8.745	8.906	9.870	10.409

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	2.830	3.051
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	1.839	713
Cash From Operating Activities	6.736	1.615	3.509	6.796	5.229	7.936	7.212
Capex	-7.877	-3.366	-1.507	-30.344	-2.389	-4.674	-5.653
Cash From Investing Activities	-7.877	-3.366	-1.507	-30.344	-2.389	-4.674	-5.653
Long-term liabilities	992	727	157	12.788	-3.472	-2.189	-524
Bonds Payable	0	2.993	2	4.070	4	-3.006	-64
Others Noncurrent Liabilities	396	998	-160	4.600	858	279	632
Temporary Shirkah temporer Equity	-1.388	-2.149	-389	2.000	-219	219	0
Cash From Financing Activities	-0	2.569	-391	22.222	-3.859	-3.221	-1.514
Net Changes in Cash	-1.141	818	1.611	-1.327	-1.020	41	45
Beginning Balance	3.989	2.848	3.666	5.277	3.950	2.931	2.971
Ending Balance	2.848	3.666	5.277	3.950	2.931	2.971	3.017

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	2.971	3.017
Trade Accounts Receivable	4.018	4.995	5.960	6.860	6.038	5.969	6.435
Inventories	2.671	3.686	3.544	4.642	4.548	4.618	5.040
Others Current Assets	835	1.454	1.227	1.207	2.048	1.733	1.868
Total Current Assets	10.373	13.802	16.008	16.659	15.565	15.291	16.360
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	6.161	6.642
Total Noncurrent Assets	33.854	35.267	35.148	63.149	62.442	63.848	66.053
TOTAL ASSETS	44.227	49.069	51.156	79.807	78.006	79.139	82.413
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Loans	819	602	84	3.264	1.596	3.596	4.596
Trade Account Payable	4.383	5.250	4.784	6.245	6.828	6.161	6.642
Others Current Liabilities	2.950	2.952	3.335	2.731	3.082	3.273	3.529
Total Current Liabilities	8.152	8.804	8.203	12.240	11.506	13.030	14.767
NONCURRENT LIABILITIES							
Long-term bank	3.988	4.715	4.872	17.660	14.188	11.999	11.475
Bond Payable	0	2.993	2.995	7.065	7.069	4.064	4.000
Others Noncurrent Liabilities	1.512	2.510	2.350	6.950	7.808	8.087	8.718
Total Noncurrent Liabilities	5.501	10.219	10.217	31.675	29.066	24.150	24.194
TOTAL LIABILITIES	13.653	19.022	18.420	43.915	40.572	37.180	38.961
Non-controlling interest	1.539	1.524	1.544	1.615	1.480	4.621	4.982
EQUITY	29.035	28.522	31.192	32.277	34.173	35.338	36.471
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	79.139	82.413

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%	9,5%	7,8%
OP	-55,7%	82,1%	-22,1%	9,2%	10,4%	7,8%
EBITDA	-30,0%	34,8%	30,7%	1,8%	10,8%	5,5%
NP	-64,1%	90,0%	-22,3%	16,7%	1,4%	7,8%
EPS	-64,1%	90,0%	-22,3%	16,7%	1,4%	7,8%
Profitability						
Gross Profit Margin (%)	28,6%	30,4%	31,5%	33,0%	31,0%	31,0%
Operating Margin(%)	8,1%	13,4%	7,9%	9,9%	10,0%	10,0%
EBITDA margin(%)	17,8%	21,8%	21,7%	25,3%	25,6%	25,1%
NET Profit margin(%)	5,8%	10,0%	5,9%	7,9%	7,4%	7,4%
ROA(%)	3,3%	6,0%	3,0%	3,6%	3,6%	3,7%
ROE(%)	5,7%	9,9%	7,4%	8,2%	8,0%	8,4%
Stability						
Net debt/ equity (x)	0,3	0,3	0,9	0,7	0,6	0,6
Int. Coverage (x)	2,2	3,2	0,7	1,2	1,0	1,1
Current Ratio (X)	1,6	2,0	1,4	1,4	1,2	1,1
Per Share data (IDR)						
EPS	273	519	403	471	477	514
BV	4.809	5.259	5.442	5.761	5.958	6.149
SPS	4.689	5.174	6.806	5.930	6.492	6.999
EBITDA/share	837	1.128	1.474	1.501	1.664	1.755

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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