

PT Semen Indonesia (Persero), Tbk

BUY

Cement, Equity
9 September 2022

Price **IDR. 6,550**
Target **IDR. 9,800**
JKSE Index **7,232.017**



Stock code
Bloomberg code **SMGR JI**
Market cap (in Bn) **38,850**
52-week high **10,200**
52-week low **5,850**
6-m avg.dail.val (IDR) **6,652**
Free Float (%) **48.99%**

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

USD/IDR-YE
2021 **14,310**
2022F (6m-avg) **14,975**

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Investment Considerations

Sales Contraction Continues

- The Pressure on the cement market continued in July with a domestic cement sales volume contraction of -4.8% YoY to 5.2 million tones (mt) led by a contraction in bag sales volume -10.2% YoY due to further price increases. Domestic cement sales also contracted in June by -2.0%. For the 1H2022, domestic cement sales volume grew +1.2% YoY to 29.36 million tons with a contraction in bag volume of -4% but strong growth of bulk sales at +21%.
- SMGR's domestic cement sales also contracted -13% YoY to 2.63 mt in July, after a -17.6% contraction in June. For Jan – July, SMGR's total sales volume decreased -12.2% YoY to 19.7 mt. Fo the 1H2022, SMGR booked a -11.5% YoY decrease in sales volume from lower demand.
- Inline with the decline in sales volume, SMGR booked revenue of IDR 15.87 trillion, -2.1% YoY, while in 2Q2022 sales grew + 1.5% YoY to IDR 7.7 trillion from a higher ASP.
- As the coal price continues to increase, SMGR plans more ASP increases in the 2H2022.
- With higher cement prices, demand is likely to continue to decline, led by the bag market as costumers may shift to buying bulk cement.

Stronger profit than peers

- Despite lower sales volume and coal price volatility, SMGR maintained positive growth of net income to IDR 829 billion, +4% YoY in the 1H2022, which is stronger compared to peers. For 2Q2022, SMGR net profit decreased -4% YoY or -34% QoQ to IDR 330 billion with a stable NPM of 4.3%
- 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 30.6% while peers grew by 45.7% in 1H2022.
- SMGR's COGS/ton only increased +13.6% while peers grew +18.3%, so cost of revenue decreased -1% YoY in 1H2022. This resulted in a slight decline in gross profit of -4% YoY to IDR 4.41 trillion. For 2Q2022 gross profit decreased -6% YoY to IDR 2.15 trillion with a stable GPM of 27.8%
- SMGR also managed to lower operating expenses, down by -11% mainly from lower transportation, promotion and labor costs. As a result, profit before tax slightly increased +13% YoY with a higher OPM of 7.7% compared to 6.4% last year.
- With the plan to hike prices again in 2H2022 and the positive impact of buying coal at the lower DMO price, we are forecasting SMGR bottom line profit for 2022F to reach IDR 2.34 trillion which is +16% YoY growth.

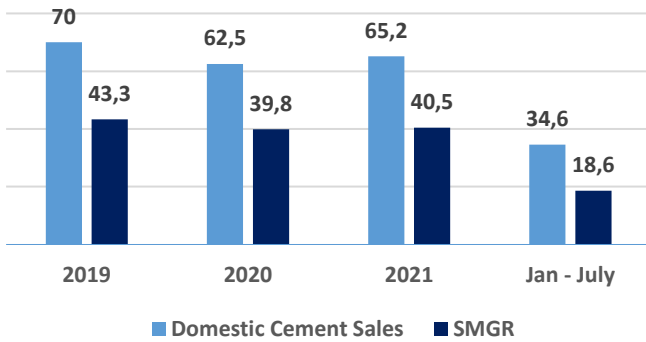
Valuation: Maintain BUY, TP 9,800 with 50% upside

- We are now targeting SMGR to trade at 22x PE in 2023F. Target price is IDR 9,800 which represents +50% 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 | 38.490 | 43.634 |
| EBITDA (IDR Bn) | 4.963 | 6.690 | 8.745 | 8.906 | 8.185 | 8.474 | 9.263 |
| Net Income (IDR Bn) | 1.621 | 3.079 | 2.392 | 2.792 | 2.021 | 2.343 | 2.656 |
| EPS (IDR) | 273 | 519 | 403 | 471 | 341 | 395 | 448 |
| EBITDA Margin (%) | 17,8% | 21,8% | 21,7% | 25,3% | 23,4% | 22,0% | 21,2% |
| ROA (%) | 3,3% | 6,0% | 3,0% | 3,6% | 2,6% | 3,0% | 3,2% |
| ROE (%) | 5,7% | 9,9% | 7,4% | 8,2% | 5,6% | 6,5% | 7,2% |

Source: Company and Binaartha

Chart: Domestic Cement Sales and SMGR YoY in MT



Source: Company

Table: SMGR Cement Sales in Ton

| | July | | | Year to Date | | |
|-----------------------------|------------------|------------------|---------------|-------------------|-------------------|---------------|
| | 2022 | 2021 | % | 2022 | 2021 | % |
| Indonesia Facilities | | | | | | |
| Domestic | 2.392.511 | 2.670.182 | -10,4% | 16.364.129 | 17.015.369 | -3,8% |
| Export | 238.557 | 355.441 | -32,9% | 2.292.038 | 4.205.748 | -45,5% |
| TOTAL | 2.631.068 | 3.025.623 | -13,0% | 18.656.167 | 21.221.117 | -12,1% |
| Vietnam Facilities | | | | | | |
| Domestic | 99.308 | 92.458 | 7,4% | 679.645 | 668.068 | 1,7% |
| Export | 49.000 | 105.602 | -53,6% | 400.598 | 593.889 | -32,5% |
| TOTAL | 148.308 | 198.060 | -25,1% | 1.080.243 | 1.261.957 | -14,4% |
| TOTAL SMGR | 2.779.376 | 3.223.683 | -13,8% | 19.736.410 | 22.483.074 | -12,2% |

Source: Company

Chart: COGS/ton Growth

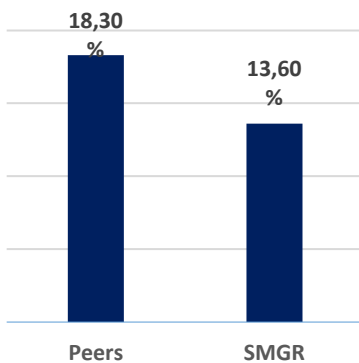


Chart: Fuel & energy Cost/ton Growth

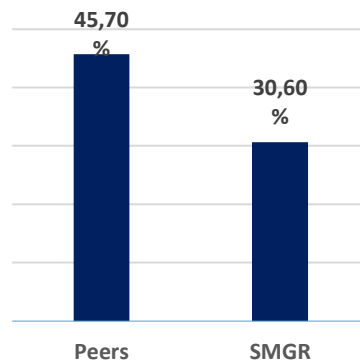
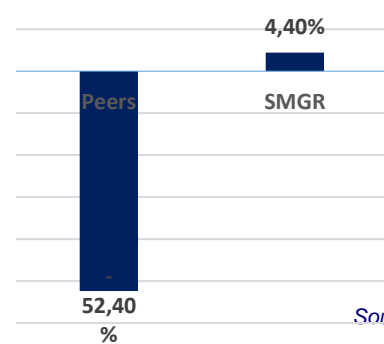


Chart: Net Profit Growth



Source: Company

Table: Income Statement YoY & QoQ in IDR Billion

| Income Statement (IDR Bn) | 1Q2022 | 2Q2022 | QoQ | 1H2021 | 1H2022 | YoY | 2Q2021 | YoY |
|---------------------------|--------------|--------------|-------------|--------------|--------------|------------|--------------|------------|
| Revenue | 8.137 | 7.739 | -5% | 16.213 | 15.876 | -2% | 8.137 | -5% |
| Cost of revenue | -5.881 | -5.585 | -5% | -11.625 | -11.466 | -1% | -5.855 | -5% |
| Gross Profit | 2.256 | 2.154 | -5% | 4.589 | 4.410 | -4% | 2.282 | -6% |
| Operating Expense | -1.527 | -1.561 | 2% | -3.395 | -3.088 | -9% | -1.758 | -11% |
| Profit Before Tax | 729 | 593 | -19% | 1.194 | 1.322 | 11% | 524 | 13% |
| Taxes | -205 | -248 | 21% | -405 | -453 | 12% | -181 | 37% |
| NIAT | 523 | 345 | -34% | 789 | 868 | 10% | 343 | 1% |
| Non-controlling Interest | -25 | -15 | -42% | 5 | -39 | -818% | 1 | -1264% |
| Net Income | 499 | 330 | -34% | 794 | 829 | 4% | 344 | -4% |
| EPS | 84 | 56 | -34% | 134 | 140 | 4% | 58 | -4% |
| GPM | 27,7% | 27,8% | | 28,3% | 27,8% | | 28,0% | |
| OPM | 9,0% | 7,7% | | 7,4% | 8,3% | | 6,4% | |
| NPM | 6,1% | 4,3% | | 4,9% | 5,2% | | 4,2% | |

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 | 38.490 | 43.634 |
| Cost of revenue | -19.854 | -21.357 | -27.654 | -23.555 | -24.005 | -27.790 | -31.504 |
| Gross Profit | 7.960 | 9.331 | 12.714 | 11.617 | 10.953 | 10.700 | 12.130 |
| Operating Expense | -5.706 | -5.226 | -9.518 | -8.128 | -7.483 | -7.313 | -8.290 |
| Profit Before Tax | 2.254 | 4.105 | 3.196 | 3.489 | 3.470 | 3.387 | 3.840 |
| Taxes | -604 | -1.019 | -825 | -814 | -1.388 | -948 | -1.075 |
| NIAT | 1.650 | 3.086 | 2.371 | 2.674 | 2.082 | 2.439 | 2.765 |
| Non-controlling Interest | -29 | -7 | 21 | 118 | -61 | -96 | -109 |
| Net Income | 1.621 | 3.079 | 2.392 | 2.792 | 2.021 | 2.343 | 2.656 |
| EPS (In IDR) | 273 | 519 | 403 | 471 | 341 | 395 | 448 |
| EBITDA | 4.963 | 6.690 | 8.745 | 8.906 | 8.185 | 8.474 | 9.263 |

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 | 2.343 | 2.656 |
| 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 | -322 | 165 |
| Cash From Operating Activities | 1.615 | 3.509 | 6.796 | 5.229 | 7.647 | 5.282 | 6.266 |
| Change in Non-current Assets | -3.366 | -1.507 | -30.344 | -2.389 | -1.880 | -5.180 | -5.218 |
| Cash From Investing Activities | -3.366 | -1.507 | -30.344 | -2.389 | -1.880 | -5.180 | -5.218 |
| Change in Long-term liabilities | 727 | 157 | 12.788 | -3.472 | -5.683 | 1.970 | 525 |
| 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 | -102 | -81 |
| Change in Temporary Shirkah temporer | | | 2.000 | -219 | 0 | 219 | 0 |
| Change in Equity | -2.149 | -389 | -1.237 | -1.031 | 2.108 | -2.881 | -1.538 |
| Cash From Financing Activities | 2.569 | -391 | 22.222 | -3.859 | -6.227 | -794 | -1.094 |
| Net Changes in Cash | 818 | 1.611 | -1.327 | -1.020 | -460 | -692 | -46 |
| Beginning Balance | 2.848 | 3.666 | 5.277 | 3.950 | 2.931 | 2.470 | 1.778 |
| Ending Balance | 3.666 | 5.277 | 3.950 | 2.931 | 2.470 | 1.778 | 1.732 |

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 | 1.778 | 1.732 |
| Trade Accounts Receivable | 4.995 | 5.960 | 6.860 | 6.038 | 5.513 | 5.774 | 6.545 |
| Inventories | 3.686 | 3.544 | 4.642 | 4.548 | 4.615 | 4.828 | 5.473 |
| Others Current Assets | 1.454 | 1.227 | 1.207 | 2.048 | 2.672 | 2.591 | 3.136 |
| Total Current Assets | 13.802 | 16.008 | 16.659 | 15.565 | 15.270 | 14.971 | 16.887 |
| 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 | 6.802 | 6.851 |
| Total Noncurrent Assets | 35.267 | 35.148 | 63.149 | 62.442 | 61.234 | 63.153 | 64.925 |
| TOTAL ASSETS | 49.069 | 51.156 | 79.807 | 78.006 | 76.504 | 78.124 | 81.812 |
| LIABILITIES AND EQUITY | | | | | | | |
| LIABILITIES | | | | | | | |
| CURRENT LIABILITIES | | | | | | | |
| Short-term Loans | 602 | 84 | 3.264 | 1.596 | 2.999 | 3.699 | 4.699 |
| Trade Account Payable | 5.250 | 4.784 | 6.245 | 6.828 | 7.613 | 7.269 | 7.953 |
| Others Current Liabilities | 2.952 | 3.335 | 2.731 | 3.082 | 3.598 | 3.313 | 3.756 |
| Total Current Liabilities | 8.804 | 8.203 | 12.240 | 11.506 | 14.210 | 14.282 | 16.408 |
| NONCURRENT LIABILITIES | | | | | | | |
| Long-term bank | 4.715 | 4.872 | 17.660 | 14.188 | 8.505 | 10.475 | 11.000 |
| 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 | 8.048 | 7.967 |
| Total Noncurrent Liabilities | 10.219 | 10.217 | 31.675 | 29.066 | 20.730 | 22.598 | 23.042 |
| TOTAL LIABILITIES | 19.022 | 18.420 | 43.915 | 40.572 | 34.940 | 36.880 | 39.450 |
| Non-controlling interest | 1.524 | 1.544 | 1.615 | 1.480 | 3.628 | 3.310 | 3.491 |
| EQUITY | 28.522 | 31.192 | 32.277 | 34.173 | 36.155 | 35.934 | 36.871 |
| 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 | 78.124 | 81.812 |

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% | 10,1% | 13,4% |
| OP | -55,7% | 82,1% | -22,1% | 9,2% | -0,5% | -2,4% | 13,4% |
| EBITDA | -30,0% | 34,8% | 30,7% | 1,8% | -8,1% | 3,5% | 9,3% |
| NP | -64,1% | 90,0% | -22,3% | 16,7% | -27,6% | 15,9% | 13,4% |
| EPS | -64,1% | 90,0% | -22,3% | 16,7% | -27,6% | 15,9% | 13,4% |
| Profitability | | | | | | | |
| Gross Profit Margin (%) | 28,6% | 30,4% | 31,5% | 33,0% | 31,3% | 27,8% | 27,8% |
| Operating Margin(%) | 8,1% | 13,4% | 7,9% | 9,9% | 9,9% | 8,8% | 8,8% |
| EBITDA margin(%) | 17,8% | 21,8% | 21,7% | 25,3% | 23,4% | 22,0% | 21,2% |
| NET Profit margin(%) | 5,8% | 10,0% | 5,9% | 7,9% | 5,8% | 6,1% | 6,1% |
| ROA(%) | 3,3% | 6,0% | 3,0% | 3,6% | 2,6% | 3,0% | 3,2% |
| ROE(%) | 5,7% | 9,9% | 7,4% | 8,2% | 5,6% | 6,5% | 7,2% |
| Stability | | | | | | | |
| Net debt/ equity (x) | 0,3 | 0,3 | 0,9 | 0,7 | 0,4 | 0,5 | 0,5 |
| Int. Coverage (x) | 2,2 | 3,2 | 0,7 | 1,2 | 1,3 | 1,3 | 1,4 |
| Current Ratio (X) | 1,6 | 2,0 | 1,4 | 1,4 | 1,1 | 1,0 | 1,0 |
| Per Share data (IDR) | | | | | | | |
| EPS | 273 | 519 | 403 | 471 | 341 | 395 | 448 |
| BV | 4.809 | 5.259 | 5.442 | 5.761 | 6.095 | 6.058 | 6.216 |
| SPS | 4.689 | 5.174 | 6.806 | 5.930 | 5.894 | 6.489 | 7.356 |
| EBITDA/share | 837 | 1.128 | 1.474 | 1.501 | 1.380 | 1.429 | 1.562 |

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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