

# Semen Indonesia Tbk (SMGR IJ)

## Production Cost Efficiency, FY20 Profit Grows

SMGR booked FY20 income of IDR35.17 trillion or down 12.9% YoY due to decrease in sales volume by 7.9%. However, SMGR successfully managed production costs to be more efficient, which resulted in net profit of IDR2.67 trillion or up by 12.8% YoY. We estimate SMGR's sales volume to increase in 2021 by 12%-15% YoY.

### Efficiency Boosts FY20 Profit

- FY20 revenue recorded at IDR35.17 trillion (-12.9% YoY vs IDR40.36 trillion FY19), while 4Q20 revenue was booked at IDR9.54 trillion (-22% YoY, -0.5% QoQ). This was due to the low sales volume and high rainfall in 4Q20.
- SMGR's earnings from the cement segment fell 12% YoY.
- Lower coal price in 2020, supported by production costs efficiency, pushed COGS down by 14.8% YoY.
- FY20 earning margin significantly jumped, GPM, OPM, and NPM each by 33.03%, 16%, and 7.6%. These figures were higher than in FY19 at 31.5%, 15%, and 5.9%.
- SMGR booked 4Q20 profit of IDR1.13 trillion (+4.5% YoY). While FY20 profit was booked at IDR2.67 trillion (+12.8% YoY vs IDR2.37 trillion in FY19) or 6.7% above our estimates.

### Domestic Sales Volume Falls, but Export Rises

- SMGR booked sales volume of 39.89 million tons (-7.9% YoY). The decline was caused by the fall in domestic sales (-13.2% YoY) due to low demand as economy declines and many infrastructure projects were delayed.
- On the other hand, export sales volume increased 23.1% supported by economic recovery in export target countries. SMGR begins to venture into new market countries such as Myanmar, Brunei Darussalam, and Taiwan.
- National cement demand fell 10.4% while production capacity increases by 2.7%, which led to oversupply in 2020.
- We are optimistic that the sales volume in FY21 will recover (+12% to 15% YoY), especially from the sales of bulk cement segments which will be mainly used for infrastructure projects. Positive sentiments from the property sector (LTV relaxation and VAT incentive) could potentially boost cement bag sales.

### Maintain BUY with TP at IDR14,500

- We maintain BUY rating by increasing the TP to IDR14,500 (previously IDR13,250) for the next 12 months.
- Our TP is based on forward P/E method of 27.7x (+0.7 SD average for the last 3 years)
- Our Buy call considers SMGR's capabilities to be cost efficient and good cash flow management. In addition, we believe that sales and performance of SMGR in 2021 will grow, supported by improving domestic and export destination country's economy.
- On the other hand, SMGR must be cautious to coal price hike this year which could result in increasing production costs.
- We revised up the estimated revenue/profit for FY21E to IDR40.48 trillion/IDR2.76 trillion (+3.4%/+12.1% from the previous projection)

### Semen Indonesia Tbk | Summary

	2019A	2020A	2021F	2022F
Revenue	40,368	35,172	40,488	42,968
Growth	31.5%	-12.9%	15.1%	6.1%
Net Profit	2,371	2,674	3,103	3,711
EPS (IDR)	400	451	523	626
P/E	30.0x	21.2x	27.7x	23.2x
P/BV	2.1x	1.6x	2.2x	2.1x
EV/EBITDA	11.2x	8.7x	11.6x	10.6x
ROE	7.1%	7.7%	8.4%	9.2%
DER	83%	67%	60%	55%
Dividend Yield	1.7%	0.4%	0.3%	0.4%

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

## BUY

Target Price (IDR)	14,500
Consensus Price (IDR)	14,138
TP to Consensus Price	+2.6%
vs. Last Price	+29.5%

### Shares data

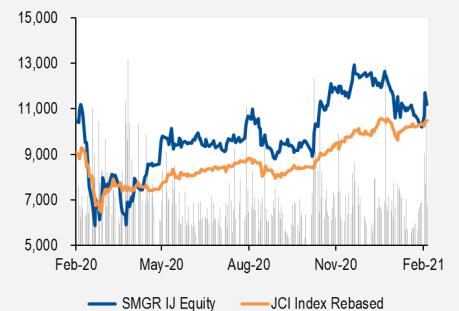
Last Price (IDR)	11,200
Price Date as of	Mar 5, 2021
52 wk Range (Hi/Lo)	13,250 / 5,475
Free Float (%)	48.9
Outstanding sh.(mn)	5,932
Market Cap (IDR bn)	65,395
Market Cap (USD mn)	4,562
Avg. Trd Vol - 3M (mn)	5.9
Avg. Trd Val - 3M (bn)	68.5
Foreign Ownership	22.2%

### Basic Industry

#### Cement

Bloomberg	SMGR IJ
Reuters	SMGR.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	0.0%	5.4%	-4.1%	0.0%
Rel. Ret.	-11.3%	2.4%	-12.3%	-11.3%

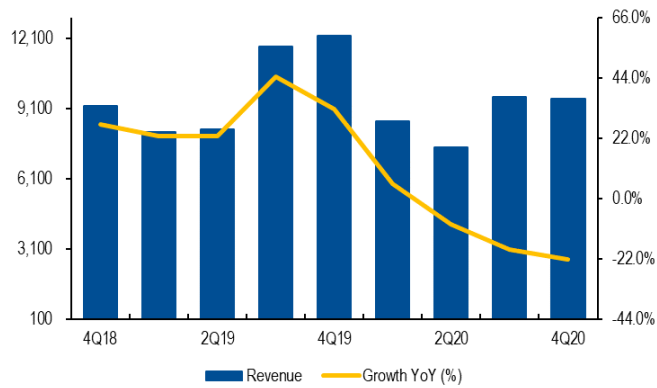
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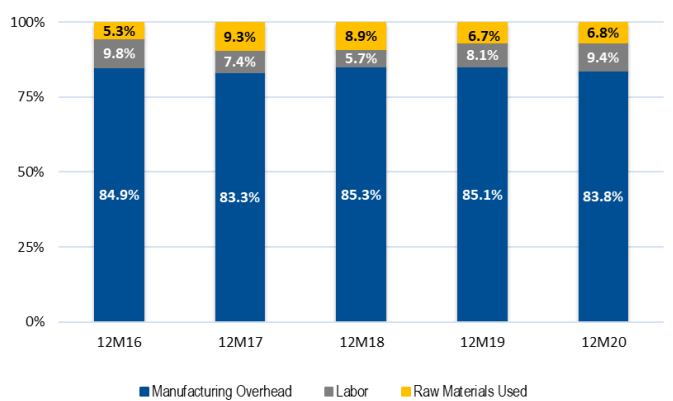
### Performance Highlights in Chart

SMGR Quarterly Revenue (IDR bn) | 4Q18 - 4Q20



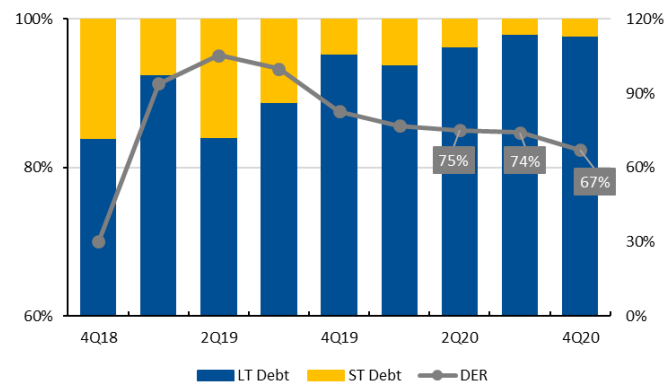
Source: Company Data, NHKSI Research

12M20 Manufacturing Cost Breakdown



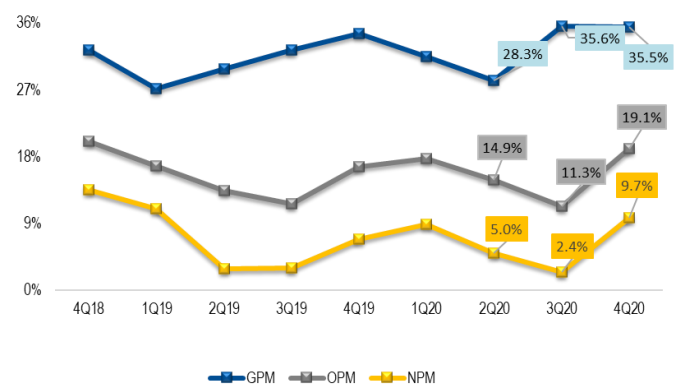
Source: Company Data, NHKSI Research

### Debt Portion



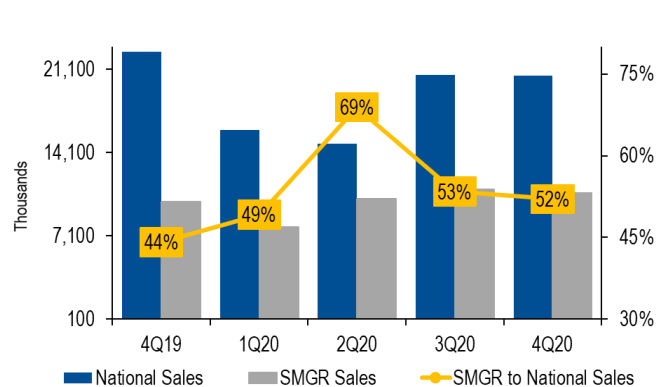
Source: Company Data, NHKSI Research

### Margin Ratios



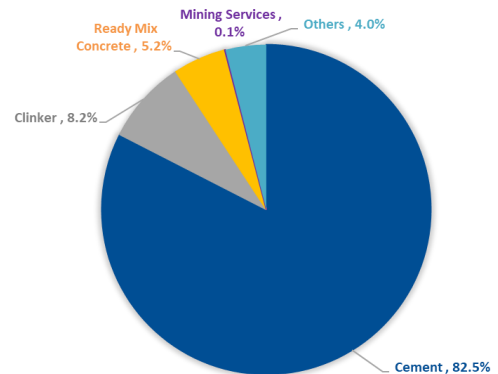
Source: Company Data, NHKSI Research

### Domestic Sales Volume (Tons) & Market Share



Source: Company Data, NHKSI Research

### FY20 Revenue Breakdown



Source: Company Data, NHKSI Research

## Company Overview



- PT Semen Indonesia (Persero) Tbk is a state-owned enterprise engaging in manufacturing building materials with cement as its product. The company was founded in 1957 in Gresik and became the first BUMN whose stocks listed on IDX.
- Until the end of 2018, the company owns and operates 5 integrated cement plants in Indarung (West Sumatra), Tuban (East Java), Pangkep (South Sulawesi), Rembang (Central Java) and Quan Ninh (Vietnam).
- The company has 4 leading product brands selling in domestic and foreign markets, namely Semen Gresik, Semen Padang, Semen Tonasa, and Thai Long Cement.
- On January 31, 2019, the company through its subsidiary PT Semen Indonesia Industri Bangunan officially acquired 80,6% ownership of Holderfin B.V. at PT Holcim Indonesia Tbk.
- PT Holcim Indonesia Tbk now is one of the company's subsidiary and changes its name into PT Solusi Bangun Indonesia Tbk.

### Asia Pacific Companies Peers Analysis

	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Profit Margin	ROE LTM	P/E LTM	P/BV
<b>Indonesia</b>									
SEMEN INDONESIA TBK	4,562	5,602	2,417	192	16.73%	7.9%	8.4%	23.4x	1.9x
INDOCEMENT TUNGGAL PRAKARSA TBK	3,390	2,001	1,019	123	4.24%	12.0%	7.9%	27.4x	2.2x
SOLUSI BANGUN INDONESIA TBK	917	1,489	695	45	30.44%	6.4%	8.9%	20.2x	1.7x
SEMEN BATURAJA TBK	648	402	119	(7)	-	-6.1%	-3.1%	-	2.8x
<b>Malaysia</b>									
CAHYA MATA SARAWAK BHD	585	1,114	268	46	22.11%	17.3%	3.2%	12.3x	0.9x
<b>Thailand</b>									
SIAM CITY CEMENT PUB CO LTD	1,523	2,589	1,343	118	16.58%	8.8%	11.4%	12.6x	1.4x
<b>Philippines</b>									
HOLCIM PHILIPPINES INC	815	-	525	42	-42.51%	7.9%	-	19.1x	-
<b>China</b>									
ANHUI CONCH CEMENT CO LTD-H	40,189	25,674	24,307	4,925	4.81%	20.3%	24.7%	6.3x	1.4x
CHINA NATIONAL BUILDING MA-H	11,652	64,128	35,277	1,662	6.21%	4.7%	13.3%	7.1x	0.9x
HUAXIN CEMENT CO LTD-B	6,192	5,263	4,194	788	-16.50%	18.8%	26.4%	5.2x	1.3x
<b>India</b>									
ULTRATECH CEMENT LTD	26,738	10,526	5,852	820	141.93%	14.0%	16.0%	33.6x	5.0x
SHREE CEMENT LTD	14,160	2,646	1,816	217	52.61%	11.9%	13.4%	65.9x	7.9x
AMBUJA CEMENTS LTD	7,935	5,437	3,309	319	12.91%	9.6%	10.1%	24.5x	2.5x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

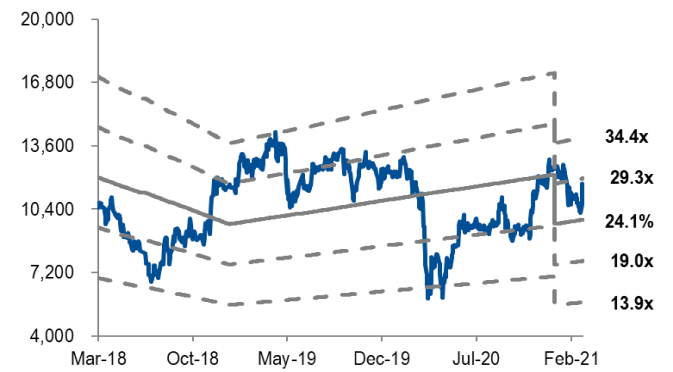
## Valuation Highlights in Charts

3-Years Forward P/E Band



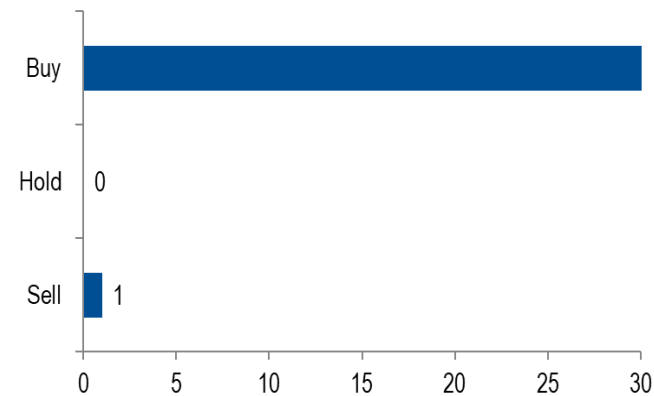
Source: Bloomberg, NHKSI Research

3-Years Dynamic Forward P/E band



Source: Bloomberg, NHKSI Research

Analysts' Recommendation



Source: Bloomberg, NHKSI Research

Closing and Target Price Update



Source: Bloomberg, NHKSI Research

## Rating and Target Price Update

Target Price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
11/08/2020	Buy	11,500 (12 Month)	9,500	11,343	21.1%	1.4%
16/11/2020	Buy	13,325 (12 Month)	11,200	11,934	19.0%	11.7%
08/03/2021	Buy	14,500 (12 Month)	11,200	14,138	29.5%	2.6%

Source: NHKSI Research, Bloomberg

## Summary of Financials

### INCOME STATEMENT

(IDR bn)	2019/12A	2020/12A	2021/12F	2022/12F
<b>Sales</b>	<b>40,368</b>	<b>35,172</b>	<b>40,488</b>	<b>42,968</b>
Growth	31.5%	-12.9%	15.1%	6.1%
COGS	(27,654)	(23,555)	(27,648)	(29,059)
<b>Gross Profit</b>	<b>12,714</b>	<b>11,617</b>	<b>12,841</b>	<b>13,909</b>
Gross Margin	31.5%	33.0%	31.7%	32.4%
Operating Expenses	(6,529)	(5,969)	(6,758)	(7,231)
<b>EBIT</b>	<b>6,185</b>	<b>5,648</b>	<b>6,083</b>	<b>6,677</b>
EBIT Margin	15.3%	16.1%	15.0%	15.5%
Depreciation	(2,495)	(3,424)	(3,021)	(3,072)
<b>EBITDA</b>	<b>8,680</b>	<b>9,073</b>	<b>9,104</b>	<b>9,750</b>
EBITDA Margin	21.5%	25.8%	22.5%	22.7%
Interest Expenses	(3,205)	(2,321)	(2,138)	(1,990)
<b>EBT</b>	<b>3,196</b>	<b>3,489</b>	<b>4,202</b>	<b>4,995</b>
Income Tax	(825)	(814)	(981)	(1,166)
Minority Interest	(21)	(118)	(118)	(118)
<b>Net Profit</b>	<b>2,371</b>	<b>2,674</b>	<b>3,103</b>	<b>3,711</b>
Growth	-23.2%	12.8%	16.0%	19.6%
Net Profit Margin	5.9%	7.6%	7.7%	8.6%

### PROFITABILITY & STABILITY

	2019/12A	2020/12A	2021/12F	2022/12F
ROE	7.1%	7.7%	8.4%	9.2%
ROA	3.6%	3.4%	3.9%	4.5%
Inventory Turnover	6.8x	5.1x	5.8x	5.5x
Receivables Turnover	6.6x	5.7x	6.8x	6.8x
Payables Turnover	5.5x	3.9x	4.2x	4.2x
Dividend Yield	1.7%	0.4%	0.3%	0.4%
Payout Ratio	-0.5%	-2.4%	-2.5%	-2.2%
DER	82.7%	67.2%	60.0%	55.0%
Net Gearing	67.3%	57.4%	44.7%	36.3%
Equity Ratio	42.5%	45.7%	48.0%	49.9%
Debt Ratio	35.1%	30.7%	28.8%	27.4%
Financial Leverage	235.5%	218.8%	208.2%	200.5%
Current Ratio	136.6%	135.8%	145.1%	169.9%
Quick Ratio	-7.5%	-5.6%	-5.8%	-3.7%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	5,932	5,932	5,932	5,932
Share Price (IDR)	12,000	9,575	14,500	14,500
Market Cap (IDR tn)	71.2	56.8	86.0	86.0

### BALANCE SHEET

(IDR bn)	2019/12A	2020/12A	2021/12F	2022/12F
Cash	4,008	2,991	5,163	6,955
Receivables	6,490	5,777	6,126	6,462
Inventories	4,642	4,548	4,937	5,716
<b>Total Current Assets</b>	<b>16,716</b>	<b>15,625</b>	<b>18,600</b>	<b>22,837</b>
Net Fixed Assets	56,602	56,053	56,181	55,731
Other Non Current Assets	2,110	2,256	1,685	1,672
<b>Total Non Current Assets</b>	<b>63,091</b>	<b>62,381</b>	<b>61,705</b>	<b>61,058</b>
<b>Total Assets</b>	<b>79,807</b>	<b>78,006</b>	<b>80,305</b>	<b>83,895</b>
Payables	5,670	6,521	6,720	7,196
Current Maturities of LT Debt	2,080	1,614	1,937	1,957
<b>Total Current Liabilities</b>	<b>12,240</b>	<b>11,506</b>	<b>12,822</b>	<b>13,438</b>
LT Debt	24,750	21,844	20,464	20,187
<b>Total Liabilities</b>	<b>45,915</b>	<b>42,353</b>	<b>41,736</b>	<b>42,062</b>
Capital Stock	593	593	593	593
Retained Earnings	29,774	32,040	34,873	38,271
<b>Shareholders' Equity</b>	<b>33,892</b>	<b>35,653</b>	<b>38,569</b>	<b>41,834</b>

### CASH FLOW STATEMENT

(IDR bn)	2019/12A	2020/12A	2021/12F	2022/12F
Operating Cash Flow	5,609	7,221	6,070	4,811
Investing Cash Flow	(17,161)	(2,251)	(2,898)	(2,439)
Financing Cash Flow	10,285	(6,003)	(1,000)	(580)
<b>Net Changes in Cash</b>	<b>(1,267)</b>	<b>(1,033)</b>	<b>2,172</b>	<b>1,792</b>

Source: Company Data, NHKSI Research

### VALUATION INDEX

	2019/12A	2020/12A	2021/12F	2022/12F
Price/Earnings	30.0x	21.2x	27.7x	23.2x
PE/EPS Growth	-0.1x	0.2x	0.2x	0.1x
Price/Book Value	2.1x	1.6x	2.2x	2.1x
EV/EBITDA	11.2x	8.7x	11.6x	10.6x
EV (IDR bn)	96,827	79,237	105,547	103,488
Sales CAGR (3-Yr)	15.6%	8.1%	9.7%	2.1%
Net Profit CAGR (3-Yr)	-1.1%	34.3%	23.0%	42.6%
Basic EPS (IDR)	399.77	450.87	523.13	625.72
BVPS (IDR)	5,714	6,011	6,502	7,053
DPS (IDR)	207.6	40.3	45.5	52.8

### TOP OWNERSHIP

Shareholders	%
Rep. of Indonesia	51.0
Invesco Ltd	2.3
Vanguard Group Inc	1.7
Norges Bank	1.2
Others	43.8
By Geography	%
Indonesia	77.8
United States	9.7
Luxembourg	5.3
Norway	1.8

**NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings**

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
  - Buy : Greater than +15%
  - Overweight : +5% to +15%
  - Hold : -5% to +5%
  - Underweight : -5% to -15%
  - Sell : Less than -15%

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