

Semen Indonesia Tbk (SMGR IJ)

Bottom Line Growth Still Stagnant

Company Update | June 11, 2021

BUY

Target Price (IDR)	12,275
Consensus Price (IDR)	13,605
TP to Consensus Price	-9.8%
vs. Last Price	+18.9%

Shares data

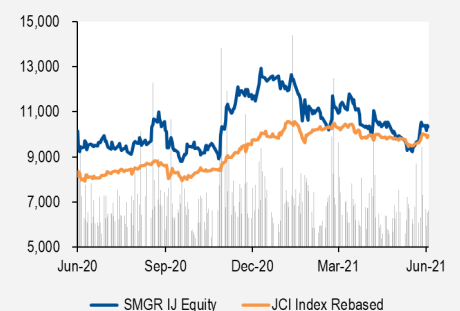
Last Price (IDR)	10,325
Price Date as of	June 10, 2021
52 wk Range (Hi/Lo)	13,000 / 8,600
Free Float (%)	48.9
Outstanding sh.(mn)	5,932
Market Cap (IDR bn)	61,688
Market Cap (USD mn)	4,314
Avg. Trd Vol - 3M (mn)	4.2
Avg. Trd Val - 3M (bn)	43.71
Foreign Ownership	22.7%

Basic Industry

Cement

Bloomberg	SMGR IJ
Reuters	SMGR.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-17.9%	3.8%	-8.6%	11.9%
Rel. Ret.	-17.9%	1.6%	-6.1%	-12.2%

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SMGR's top line was contracted by 5.9% YoY to IDR8.07 trillion. Meanwhile, decreasing interest and tax expenses increased profit by 0.9% YoY. However, regional sales volume in 1Q21 was up 2.1%. This year, SMGR launched two new products, Mortar Indonesia and PwrPro cement.

1Q21 Revenue Contracted

- SMGR recorded 1Q21 revenue of IDR8.07 trillion (-5.9% YoY vs IDR8.58 trillion 1Q20), suppressed by 10% YoY decline in the cement sales segment to IDR6.48 trillion.
- Meanwhile, clinker and ready mix concrete segments each booked IDR916 billion (+47% YoY) and IDR386 billion (-28% YoY)
- GPM declined to 28.6% (vs 31.5% 1Q20). Apart from the declining domestic sales (-8.4% YoY), we see the increasing coal price in 1Q21 (+52% ytd) also caused GPM to decrease.
- Decline in interest expenses (-27% YoY) and tax expenses (-22% YoY), resulted in a profit of IDR450 billion slight increase by 0.9% YoY (vs IDR446 billion 1Q20).

Launches New Product to Boost Performance

- SMGR's total sales volume increased 2.1% YoY to 9.69 million tons. But on the other hand, ASP fell 8% YoY.
- SMGR through its subsidiary PT Mitra Kiara Indonesia (MKI) released new products, Mortar Indonesia, and also released PwrPro cement which is the first HE (High Early) hydraulic cement in Indonesia.
- Thus, we estimated that the total sales volume in FY21 will grow around 6%.
- We expect the recovery in sales volume will start to be felt in 2H21. Along with the end of rainy season, recovery in the property and infrastructure sector will begin to accelerate.

Maintain BUY with TP at IDR12,275

- We maintain buy by revised down our TP to IDR12,275 (previously IDR14,500) for the next 12 months.
- Our TP is based on forward P/E 21.3x (0,45 SD last 3 years average) with 18.89% potential upside from the current price.
- We revise down the income and profit for FY21E to IDR37.08 trillion (-8.4%) and IDR38.94 trillion (-9.4%).
- We see that SMGR still has to be able to perform cost efficiency to maximize bottom line gains.
- Meanwhile, SMGR benefited from distribution channel that expands throughout Indonesia, and a market share of more than 50%, in order to market its new products.
- Risks to our TP change are: 1) coal prices volatility; 2) slow progress of infrastructure projects, 3) changes in government policy in the property and infrastructure sector.

Semen Indonesia Tbk | Summary

	2020A	2021F	2022F	2023F
Revenue	35,172	37,089	38,946	41,162
Growth	-12.9%	5.5%	5.0%	5.7%
Net Profit	2,792	2,956	3,418	3,800
EPS (IDR)	471	498	576	641
P/E	26.4x	24.6x	21.3x	19.2x
P/BV	2.1x	1.9x	1.7x	1.6x
EV/EBITDA	10.6x	10.0x	9.5x	8.9x
ROE	8.0%	8.0%	8.5%	8.8%
DER	0.7x	0.6x	0.5x	0.4x
Dividend Yield	0.3%	0.4%	0.4%	0.5%

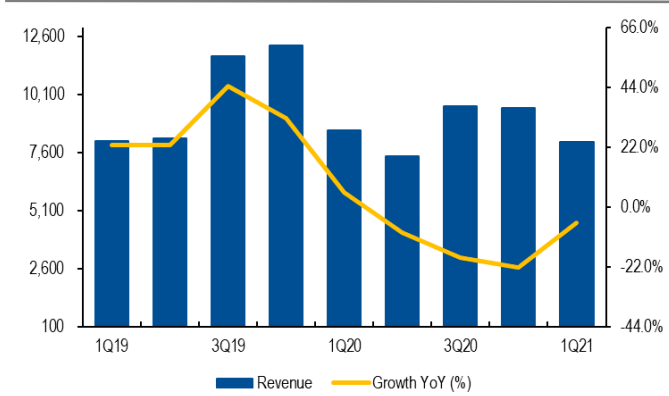
Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

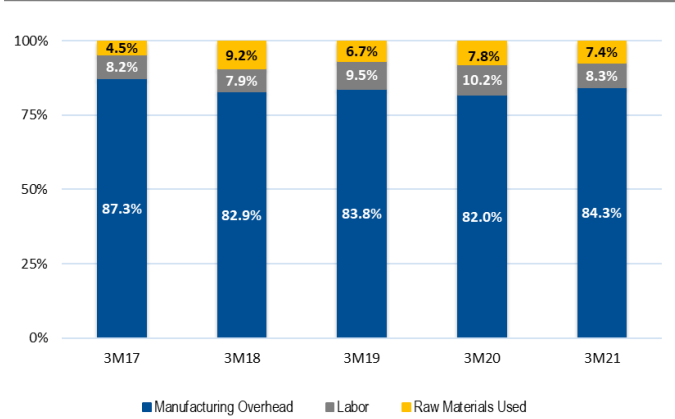
Performance Highlights in Chart

SMGR Quarterly Revenue (IDR bn) | 1Q19 - 1Q21



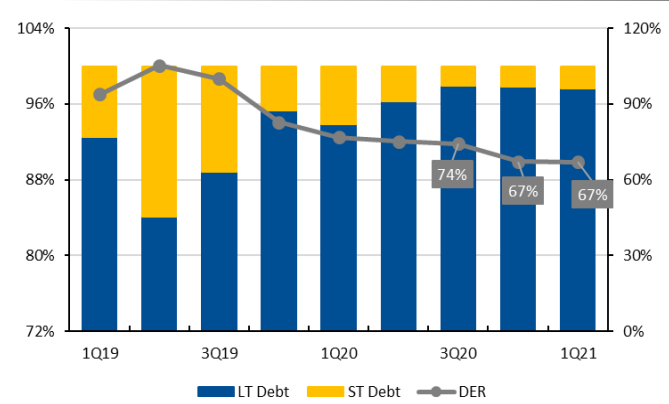
Source: Company Data, NHKSI Research

Manufacturing Cost Breakdown



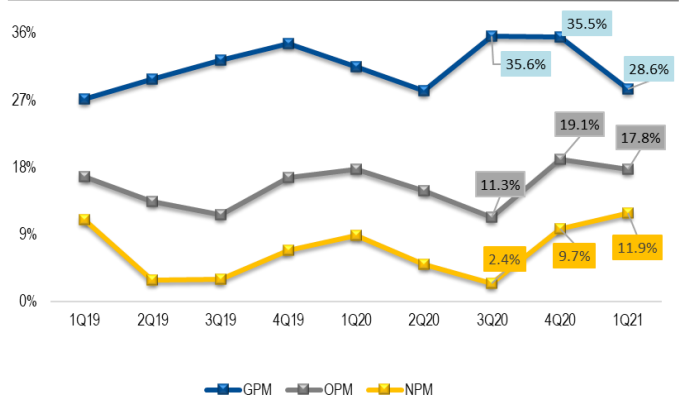
Source: Company Data, NHKSI Research

Debt Portion



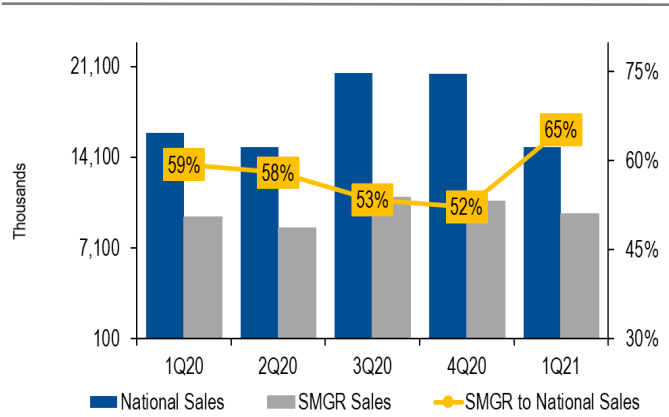
Source: Company Data, NHKSI Research

Margin Ratios



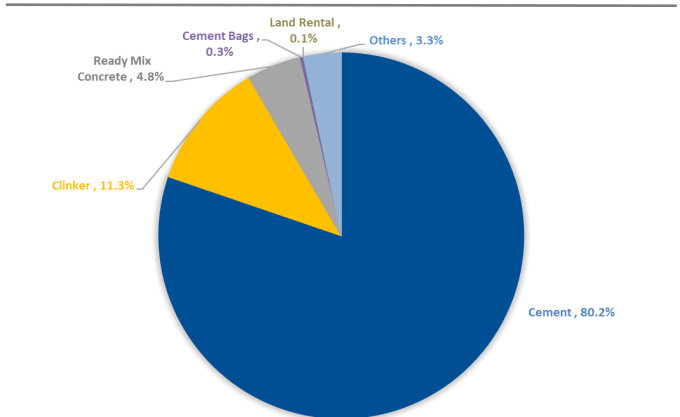
Source: Company Data, NHKSI Research

Domestic Sales Volume (Tons) & Market Share



Source: Company Data, NHKSI Research

1Q21 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

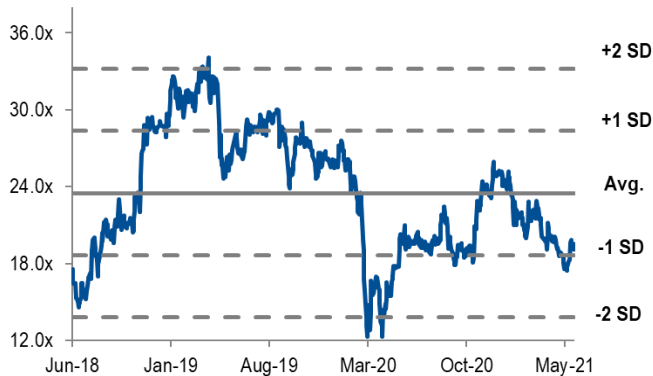
	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Profit Margin	ROE LTM	P/E LTM	P/BV
Indonesia									
SEMEN INDONESIA TBK	4,314	5,602	2,383	192	8.78%	8.1%	8.4%	22.1x	1.8x
INDOCEMENT TUNGGAL PRAKARSA TBK	3,005	1,964	980	121	-4.44%	12.3%	7.6%	24.5x	1.9x
SOLUSI BANGUN INDONESIA TBK	919	1,489	702	51	7.00%	7.2%	10.1%	17.9x	1.7x
SEMEN BATURAJA TBK	479	412	123	6	-	5.2%	2.7%	72.1x	2.0x
Malaysia									
CAHYA MATA SARAWAK BHD	394	1,109	250	61	87.70%	24.4%	9.2%	17.5x	0.6x
Thailand									
SIAM CITY CEMENT PUB CO LTD	1,702	2,589	1,333	126	36.14%	9.5%	12.1%	13.5x	1.6x
Philippines									
HOLCIM PHILIPPINES INC	907	862	522	50	-27.03%	9.7%	8.4%	17.6x	1.4x
China									
ANHUI CONCH CEMENT CO LTD-H	37,735	30,790	27,694	5,322	11.10%	19.2%	23.3%	5.2x	1.1x
CHINA NATIONAL BUILDING MA-H	10,793	69,919	36,961	1,965	11.52%	5.3%	14.7%	5.5x	0.8x
HUAXIN CEMENT CO LTD-B	5,967	6,730	4,682	888	5.72%	19.0%	26.2%	4.6x	1.1x
India									
ULTRATECH CEMENT LTD	26,596	11,780	6,026	736	-6.05%	12.2%	13.1%	36.5x	4.4x
SHREE CEMENT LTD	14,043	2,941	1,816	308	48.83%	17.0%	16.0%	44.8x	6.7x
AMBUJA CEMENTS LTD	9,096	5,437	3,252	319	12.91%	9.8%	10.1%	28.1x	2.9x

Unit: USD mn, %, X

Source: Bloomberg, NHHKI Research

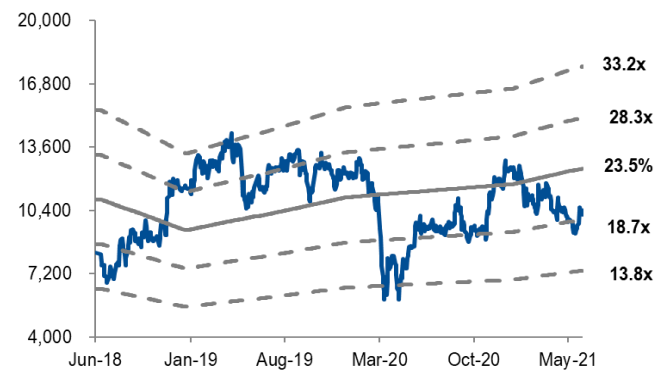
Valuation Highlights in Charts

3-Years Forward P/E Band



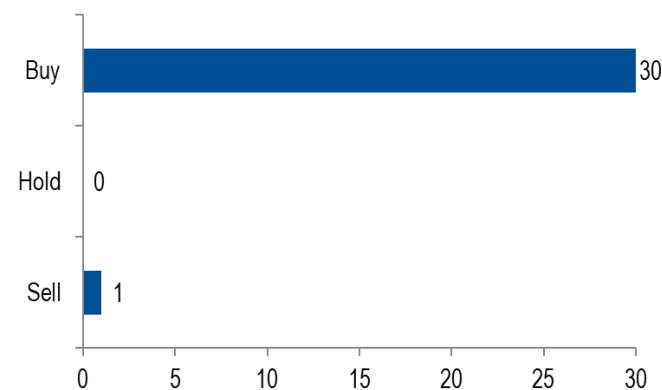
Source: Bloomberg, NHKSI Research

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%
11/06/2021	Buy	12,275 (12 Month)	10,325	13,605	18.9%	-9.8%

Source: NHKSI Research, Bloomberg

Summary of Financials

INCOME STATEMENT

(IDR bn)	2020/12A	2021/12F	2022/12F	2023/12F
Sales	35,172	37,089	38,946	41,162
Growth	-12.9%	5.5%	5.0%	5.7%
COGS	(23,555)	(24,879)	(25,836)	(27,459)
Gross Profit	11,617	12,210	13,109	13,703
Gross Margin	33.0%	32.9%	33.7%	33.3%
Operating Expenses	(5,969)	(6,263)	(6,658)	(6,998)
EBIT	5,648	5,946	6,452	6,705
EBIT Margin	16.1%	16.0%	16.6%	16.3%
Depreciation	(3,424)	(2,569)	(3,057)	(3,236)
EBITDA	9,073	8,515	9,508	9,941
EBITDA Margin	25.8%	23.0%	24.4%	24.2%
Interest Expenses	(2,321)	(2,190)	(2,108)	(1,898)
EBT	3,489	3,952	4,582	5,093
Income Tax	(814)	(996)	(1,154)	(1,283)
Minority Interest	(118)	(9)	(9)	(9)
Net Profit	2,792	2,956	3,418	3,800
Growth	17.8%	5.8%	15.6%	11.2%
Net Profit Margin	7.9%	8.0%	8.8%	9.2%

PROFITABILITY & STABILITY

	2020/12A	2021/12F	2022/12F	2023/12F
ROE	8.0%	8.0%	8.5%	8.8%
ROA	3.5%	3.8%	4.3%	4.7%
Inventory Turnover	5.1x	5.4x	5.4x	5.6x
Receivables Turnover	5.7x	6.0x	5.9x	5.9x
Payables Turnover	3.9x	3.7x	3.8x	4.0x
Dividend Yield	0.3%	0.4%	0.4%	0.5%
Payout Ratio	8.6%	9.5%	8.7%	9.1%
DER	0.7x	0.6x	0.5x	0.4x
Net Gearing	0.6x	0.5x	0.4x	0.3x
Equity Ratio	45.7%	49.0%	52.2%	54.7%
Debt Ratio	30.7%	27.9%	25.1%	23.5%
Financial Leverage	226.9%	211.2%	197.6%	187.0%
Current Ratio	135.8%	134.1%	156.5%	180.9%
Quick Ratio	-5.6%	-10.2%	-9.9%	-13.9%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	5,932	5,932	5,932	5,932
Share Price (IDR)	12,425	12,275	12,275	12,275
Market Cap (IDR tn)	73.7	72.8	72.8	72.8

BALANCE SHEET

(IDR bn)	2020/12A	2021/12F	2022/12F	2023/12F
Cash	2,991	3,210	4,187	5,529
Receivables	5,777	6,594	6,639	7,385
Inventories	4,548	4,632	4,880	4,987
Total Current Assets	15,625	17,407	19,297	21,918
Net Fixed Assets	56,053	55,740	55,065	55,462
Other Non Current Assets	2,256	1,672	1,652	1,664
Total Non Current Assets	62,381	61,251	60,372	60,486
Total Assets	78,006	78,659	79,669	82,404
Payables	6,521	6,758	6,858	6,710
Current Maturities of LT Debt/ST De	1,614	1,944	1,619	1,503
Total Current Liabilities	11,506	12,984	12,330	12,116
LT Debt	21,844	19,172	17,762	17,267
Total Liabilities	42,353	40,140	38,056	37,359
Capital Stock	593	593	593	593
Retained Earnings	32,040	34,714	37,834	41,289
Shareholders' Equity	35,653	38,518	41,613	45,045

VALUATION INDEX

	2020/12A	2021/12F	2022/12F	2023/12F
Price/Earnings	26.4x	24.6x	21.3x	19.2x
PE/EPS Growth	0.1x	0.4x	0.1x	0.2x
Price/Book Value	2.1x	1.9x	1.7x	1.6x
EV/EBIT DA	10.6x	10.9x	9.5x	8.9x
EV (IDR bn)	96,142	93,225	90,241	88,269
Sales CAGR (3-Yr)	8.1%	6.5%	-1.2%	5.4%
Net Profit CAGR (3-Yr)	36.3%	21.0%	38.7%	36.1%
Basic EPS (IDR)	470.76	498.27	576.25	640.72
BVPS (IDR)	6,011	6,494	7,016	7,594
DPS (IDR)	40.3	47.5	50.3	58.1

TOP OWNERSHIP

Shareholders	%
Rep. of Indonesia	51.1
Invesco Ltd	1.8
Vanguard Group Inc	1.8
Schroder Investment Mgmt Group	1.6
Others	43.8
By Geography	%
Indonesia	77.3
United States	9.0
Luxembourg	6.1
Norway	1.8

CASH FLOW STATEMENT

(IDR bn)	2020/12A	2021/12F	2022/12F	2023/12F
Operating Cash Flow	7,221	4,766	5,479	5,655
Investing Cash Flow	(2,251)	(2,458)	(2,198)	(3,338)
Financing Cash Flow	(6,003)	(2,090)	(2,304)	(974)
Net Changes in Cash	(1,033)	219	977	1,342

Source: Company Data, NHKSI Research

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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