

Semen Indonesia Tbk (SMGR IJ)

Lower Financial Costs, Boosts Performance

Company Update | August 16, 2021

BUY

Target Price (IDR)	12,275
Consensus Price (IDR)	12,000
TP to Consensus Price	+2.3%
Potential Upside	+38.3%

Shares data

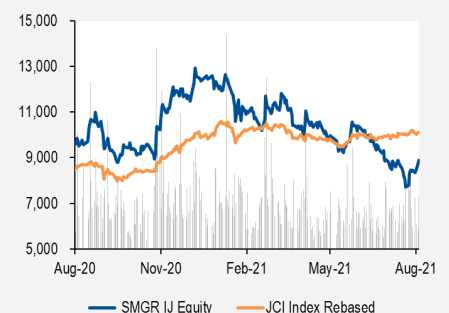
Last Price (IDR)	8,875
Price Date as of	Aug 13, 2021
52 wk Range (Hi/Low)	13,000 / 7,675
Free Float (%)	48.9
Outstanding sh.(mn)	5,932
Market Cap (IDR bn)	61,688
Market Cap (USD mn)	4,314
Avg. Trd Vol - 3M (mn)	4.19
Avg. Trd Val - 3M (bn)	43.71
Foreign Ownership	22.7%

Basic Industry

Cement

Bloomberg	SMGR IJ
Reuters	SMGR.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-29.4%	3.2%	-10.6%	-8.7%
Rel. Ret.	-30.0%	1.1%	-14.0%	-25.9%

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SMGR's revenue and profit in 2Q21 both grew 9.3% YoY and 4.2% YoY. Export sales volume increased 35.5% YoY. However, domestic sales went down 1.5%. We believe that SMGR should maximize its domestic sales, as we predict that export sales will tend to slow due to lockdowns in some export destination regions.

2Q21 Performance in Line with Our Projections

- SMGR's revenue in 2Q21 went up 9.3% YoY to IDR8.13 trillion or 2.1% higher than our projection. Meanwhile, 1H21 revenue was recorded at IDR16.21 trillion (+1.2% YoY vs IDR16.02 trillion 1H20)
- Revenue from the cement sales in 2Q21 increased 5% YoY. Followed by clinker and ready mix which also grew 34% YoY and 5% YoY.
- 2Q21 cost of revenue was 9.7% higher YoY, in line with sales volume growth. However, margin remains flat.
- Financial costs fell 28% YoY, resulting in 2Q21 profit at IDR344 billion or +4.2% YoY. This figure is +0.2% of our estimates.

Export Sales Volume Jumps 35.5% YoY

- Total sales volume in 1H21 reached 19.15 million tons, or up 5.7% YoY.
- Domestic sales volume was slightly lower by -1.5% YoY, while export jumped 35.5%.
- Meanwhile 2Q21 ASP was booked at IDR860,000/ton (-0.4% YoY, +3% QoQ)
- In 2H21 we estimate a 6%-8% sales volume increase, with predominantly coming from the domestic area. We see this due to the threat of delta variant spread in some export destinations, such as China that implemented lockdown on June 2021.

Utilize Right Issue Fund for Early Repayment

- SMGR through its subsidiary, SMCB, successfully finalized a partnership with Taiheiyu, through the right issue scheme with a total funding of IDR3.1 trillion. The fund raised will be used for early debt repayment with total of IDR4.9 trillion.
- This suppressed debt in 2Q21 by 27% YoY. Thus, this year we estimated that DER may fall to 57% (vs 67.2% FY20).

Maintain BUY rating with TP of IDR12,275

- We do not make significant revisions on our FY21 estimate, as the company's performance in 2Q21 is in line with our projections
- Thus, we maintain buy and TP of 12,275. Based on forward P/E 21.6x (0.4 SD of 3-year average) with a potential upside of 38.31%.
- Currently, SMGR is traded at P/E level of 17.69x.

Semen Indonesia Tbk | Summary

	2020A	2021F	2022F	2023F
Revenue	35,172	37,257	39,195	41,503
Growth	-12.9%	5.9%	5.2%	5.9%
Net Profit	2,792	2,956	3,377	3,758
EPS (IDR)	471	498	569	634
P/E	26.4x	24.6x	21.6x	19.4x
P/BV	2.1x	1.9x	1.8x	1.7x
EV/EBITDA	10.6x	10.9x	9.7x	9.2x
ROE	8.0%	8.1%	8.7%	9.2%
DER	0.7x	0.6x	0.5x	0.4x
Dividend Yield	0.3%	1.5%	1.6%	1.9%

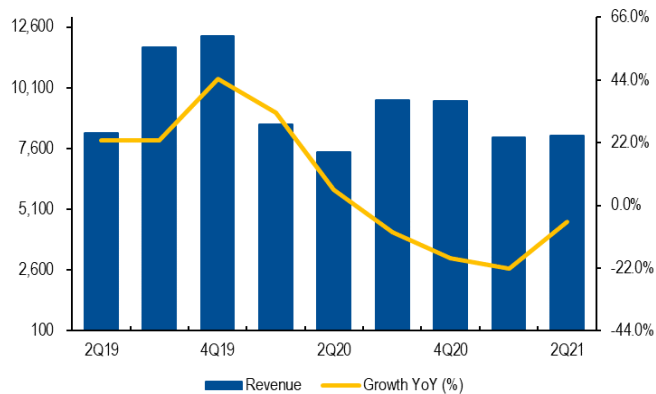
Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

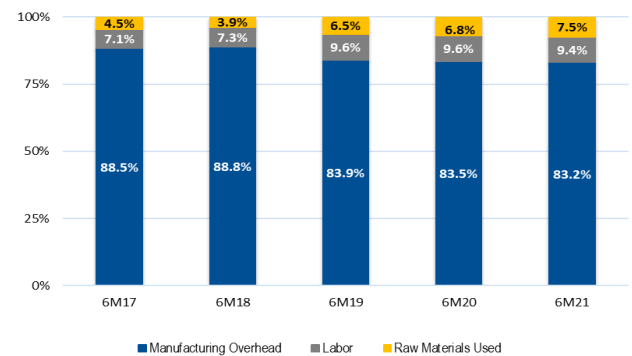
Performance Highlights in Chart

SMGR Quarterly Revenue (IDR bn) | 2Q19 - 2Q21



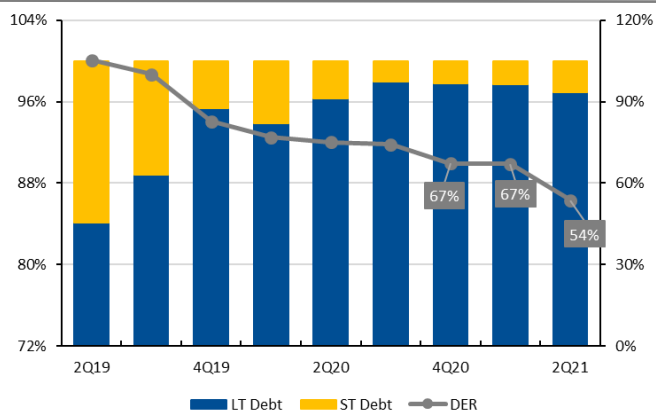
Source: Company Data, NHKSI Research

Manufacturing Cost Breakdown



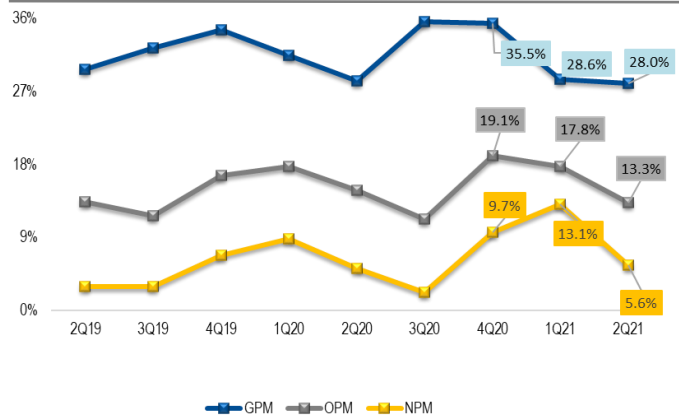
Source: Company Data, NHKSI Research

Debt Portion



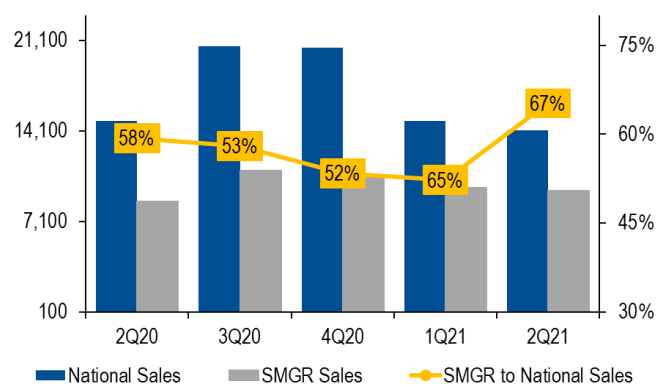
Source: Company Data, NHKSI Research

Margin Ratios



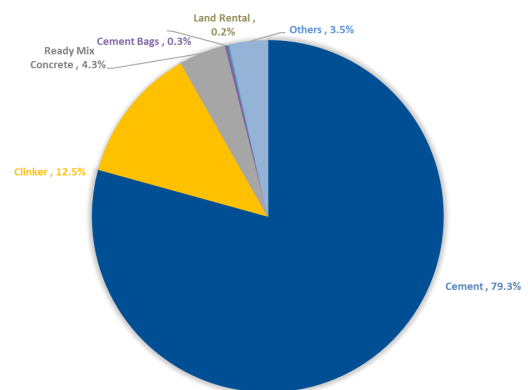
Source: Company Data, NHKSI Research

Domestic Sales Volume (Tons) & Market Share



Source: Company Data, NHKSI Research

2Q21 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	3,681	5,602	2,453	206	18.02%	8.4%	8.9%	17.8x	1.6x
INDOCEMENT TUNGGAL PRAKARSA TBK	2,720	1,964	1,018	133	15.47%	13.1%	8.3%	20.3x	1.7x
SOLUSI BANGUN INDONESIA TBK	1,210	1,489	739	57	-4.83%	7.7%	11.1%	18.1x	1.9x
SEMEN BATURAJA TBK	428	412	126	10	-	8.3%	4.5%	40.2x	1.8x
Malaysia									
CAHYA MATA SARAWAK BHD	279	1,109	250	61	87.70%	24.4%	9.2%	12.7x	0.4x
Thailand									
SIAM CITY CEMENT PUB CO LTD	1,437	2,589	1,336	141	32.91%	10.5%	13.0%	11.1x	1.4x
Philippines									
HOLCIM PHILIPPINES INC	847	862	584	68	27.07%	11.6%	11.6%	13.1x	1.5x
China									
ANHUI CONCH CEMENT CO LTD-H	32,962	30,790	27,694	5,322	11.10%	19.2%	23.3%	5.3x	1.1x
CHINA NATIONAL BUILDING MA-H	11,206	69,919	36,961	1,965	11.52%	5.3%	14.7%	5.8x	0.8x
HUAXIN CEMENT CO LTD-B	5,251	6,730	4,682	888	5.72%	19.0%	26.2%	4.1x	1.0x
India									
ULTRATECH CEMENT LTD	28,831	11,780	5,960	736	-5.08%	12.3%	13.1%	40.2x	4.8x
SHREE CEMENT LTD	12,868	2,941	1,816	308	48.83%	17.0%	16.0%	41.7x	6.2x
AMBUJA CEMENTS LTD	10,683	5,437	3,252	319	12.91%	9.8%	10.1%	33.5x	3.5x

Unit: USD mn, %, X

Source: Bloomberg, NHHKI Research

Valuation Highlights in Charts

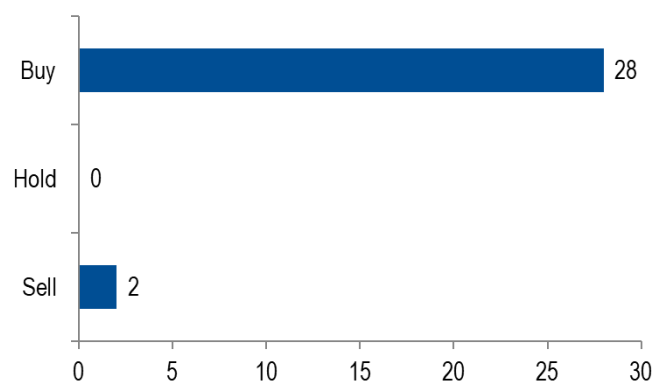
3-Years Forward P/E Band



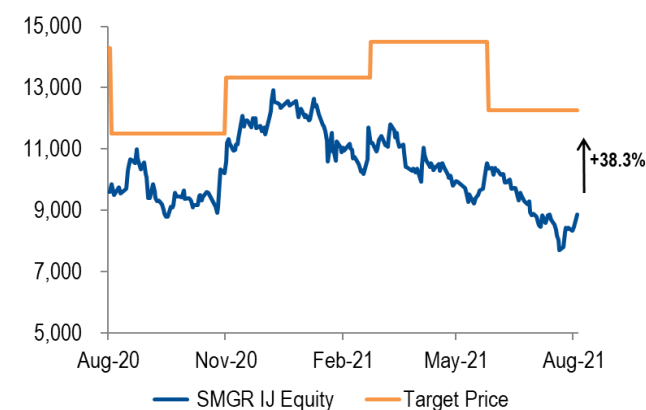
3-Years Dynamic Forward P/E band



Analysts' Recommendation



Closing and Target Price Update



Rating and Target Price Update

Target Price

Date	Rating	Target Price	Last Price	Consensus	Potential Upside	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%
16/08/2021	Buy	12,275 (12 Month)	8,875	12,000	38.3%	2.3%

Source: NHKSI Research, Bloomberg

Summary of Financials

INCOME STATEMENT				
(IDR bn)	2020/12A	2021/12F	2022/12F	2023/12F
Sales	35,172	37,257	39,195	41,503
Growth	-12.9%	5.9%	5.2%	5.9%
COGS	(23,555)	(25,169)	(26,095)	(27,835)
Gross Profit	11,617	12,088	13,100	13,668
Gross Margin	33.0%	32.4%	33.4%	32.9%
Operating Expenses	(5,969)	(6,231)	(6,654)	(6,993)
EBIT	5,648	5,857	6,446	6,674
EBIT Margin	16.1%	15.7%	16.4%	16.1%
Depreciation	(3,424)	(2,739)	(3,057)	(3,237)
EBITDA	9,073	8,596	9,503	9,912
EBITDA Margin	25.8%	23.1%	24.2%	23.9%
Interest Expenses	(2,321)	(2,009)	(2,062)	(1,818)
EBT	3,489	4,021	4,610	5,129
Income Tax	(814)	(1,074)	(1,231)	(1,370)
Minority Interest	(118)	(2)	(2)	(2)
Net Profit	2,792	2,956	3,377	3,758
Growth	17.8%	5.9%	14.3%	11.3%
Net Profit Margin	7.9%	7.9%	8.6%	9.1%

PROFITABILITY & STABILITY				
	2020/12A	2021/12F	2022/12F	2023/12F
ROE	8.0%	8.1%	8.7%	9.2%
ROA	3.5%	3.8%	4.4%	4.8%
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%	1.5%	1.6%	1.9%
Payout Ratio	8.6%	37.8%	35.0%	36.0%
DER	0.7x	0.6x	0.5x	0.4x
Net Gearing	0.6x	0.5x	0.4x	0.4x
Equity Ratio	45.7%	48.5%	51.6%	53.6%
Debt Ratio	30.7%	27.6%	24.8%	23.0%
Financial Leverage	226.9%	212.4%	199.8%	190.1%
Current Ratio	135.8%	125.4%	137.9%	149.3%
Quick Ratio	-5.6%	-10.2%	-10.6%	-14.4%
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	2,071	1,750	1,663
Receivables	5,777	6,650	6,667	7,473
Inventories	4,548	4,739	4,868	5,133
Total Current Assets	15,625	16,501	16,833	18,356
Net Fixed Assets	56,053	55,752	55,092	55,517
Other Non Current Assets	2,256	1,673	1,653	1,665
Total Non Current Assets	62,381	61,263	60,399	60,542
Total Assets	78,006	77,765	77,232	78,898
Payables	6,521	6,912	6,840	6,914
Current Maturities of LT Debt/ST De	1,614	1,902	1,551	1,410
Total Current Liabilities	11,506	13,158	12,210	12,291
LT Debt	21,844	18,761	17,018	16,199
Total Liabilities	42,353	40,074	37,363	36,639
Capital Stock	593	593	593	593
Retained Earnings	32,040	33,879	36,074	38,481
Shareholders' Equity	35,653	37,691	39,869	42,260

VALUATION INDEX				
	2020/12A	2021/12F	2022/12F	2023/12F
Price/Earnings	26.4x	24.6x	21.6x	19.4x
PE/EPS Growth	0.1x	0.4x	0.2x	0.2x
Price/Book Value	2.1x	1.9x	1.8x	1.7x
EV/EBITDA	10.6x	10.9x	9.7x	9.2x
EV (IDR bn)	96,142	93,901	91,856	90,961
Sales CAGR (3-Yr)	8.1%	6.7%	-1.0%	5.7%
Net Profit CAGR (3-Yr)	36.3%	21.1%	38.2%	35.6%
Basic EPS (IDR)	470.76	498.37	569.40	633.50
BVPS (IDR)	6,011	6,354	6,722	7,125
DPS (IDR)	40.3	188.3	199.3	227.8

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	4,937	5,439	5,613
Investing Cash Flow	(2,251)	(2,469)	(2,213)	(3,367)
Financing Cash Flow	(6,003)	(3,388)	(3,547)	(2,333)
Net Changes in Cash	(1,033)	(920)	(320)	(87)

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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