

Semen Indonesia Tbk (SMGR)

Facing Higher Costs

While SMGR recorded significant growth in 3Q21, YTD performances were slightly down compared to last year. The cement industry is faced with higher coal prices; which posed significant challenges to its profitability. Going forward, SMGR will still rely on the possible extension on favourable government incentives, such as: Cap on coal prices and Government-borne VAT on houses.

Solid Performance despite Lower Margins

- SMGR booked an impressive performance on a quarterly basis, with 3Q21 Revenue of IDR 9.1 trillion (up 12.1% qoq). This also resulted in a significant net profit jump of 72.7% QoQ to IDR 594 bn.
- However, 9M21 revenue slightly down by 1.1% YoY to IDR 25.3 tn (vs IDR 25.6 tn in 9M20); which formed roughly 70.5% of our FY21 forecast. Meanwhile, net income also dropped to IDR 1.39 Tn (-10.0% yoy)
- Margins were down across the board in 9M21; with GPM, OPM, and NPM each decreased by 2.7%/2.0%/0.5% respectively. We believe that higher coal prices in 3Q21 was the main catalyst that caused profitability to contract.

Counting on Special Coal Price for Cement Industry

- Currently, the Value Added Tax (PPN) borne by the government scheme for landed house, is scheduled to end in December 2021. We view that an extension for this program could be a potential positive catalyst for SMGR.
- Moreover, the government has allocated IDR 384.8 trillion for Infrastructure Budget in 2022. While we believe that the budget size is adequate, it is still lower by 7,8% compared to 2021 allocation.
- The main headwind for SMGR is higher coal price; which poses a challenge to its margin. However, the Ministry of Energy & Mineral Resources has issued regulation to cap coal prices at USD 90/ton for Cement and Fertilizer industries up until March 2022.
- In addition, Coal Reference Price (HBA) is set at USD 159.79/ton in December 2021; down 25.7% from its peak of USD 215/ton in November.

Maintain BUY with Lower Target Price

- We maintain our BUY call for SMGR; adjusting our target price to IDR 9,500/share. Our TP reflects a 2022F P/E of 17.5x (-1 STD from its 3-year average). Key risks to our call include: 1) Coal prices remain high; 2) No further incentives for property sector; and 3) Re-tightening of social restrictions which could slowdown economic recovery.

Semen Indonesia Tbk | Summary

	2020/12A	2021/12E	2022/12E	2023/12E
Sales	35,172	36,107	37,720	39,334
<i>Sales Growth</i>	-12.9%	2.7%	4.5%	4.3%
Net profit	2,792	2,872	3,228	3,517
EPS (IDR)	471	484	544	593
P/E	26.4x	19.6x	17.5x	16.0x
P/BV	2.1x	1.5x	1.4x	1.3x
EV/EBITDA	10.6x	8.9x	8.1x	7.8x
ROE	8.0%	7.8%	8.3%	8.6%
DER	0.7x	0.6x	0.5x	0.4x
Dividen Yield	0.3%	2.0%	2.0%	2.3%
BVPS (IDR)	6,011	6,349	6,705	7,087
EBITDA margin	25.8%	23.9%	24.5%	24.2%
NPM	7.9%	8.0%	8.6%	8.9%
ROE	8.0%	7.8%	8.3%	8.6%
DPS (IDR)	40	188	194	218

Source: Company Data, Bloomberg, NHKSI Research
Please consider the rating criteria & important disclaimer

BUY

Target Price	9,500
Consensus Price (IDR)	11,200
TP to Consensus Price	-15.2%
Potential Upside	+25.4%

Shares data

Last Price (IDR)	7,575
Price date as of	December 16, 2021
52 wk range (Hi/Lo)	13,000 / 7,500
Free float	48.9%
Outstanding sh.(mn)	5,931
Market Cap (IDR bn)	44,931
Market Cap (USD mn)	3,129
Avg. Trd Vol - 3M (mn)	17.2
Avg. Trd Val - 3M (bn)	146.7
Foreign Ownership	21.8%

Consumer Non-Cyclicals

Food and Beverages

Bloomberg	SMGR IJ
Reuters	SMGR.JK

Share Performance



	YTD	1M	3M	12M
Abs. Ret	-39.0%	-17.4%	-13.2%	-39.8%
Rel. Ret	-49.3%	-16.5%	-21.1%	-47.5%

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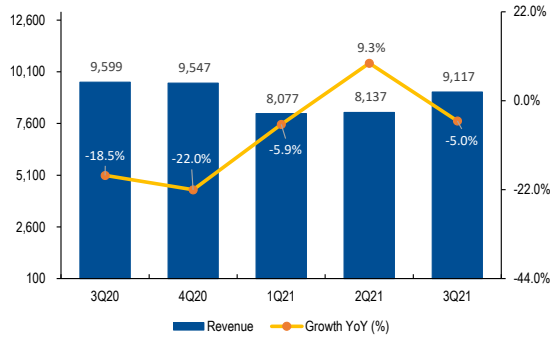
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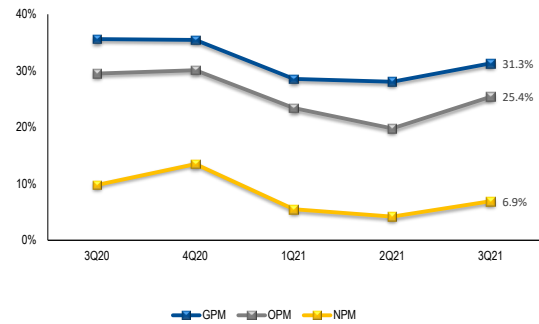
Performance Highlights

Revenue Growth



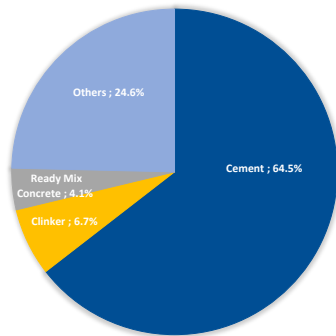
Source: Bloomberg, NHKSI Research

Profitability Margin



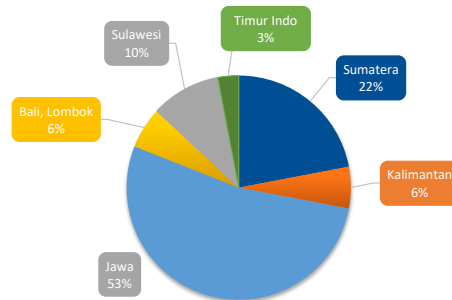
Source: Bloomberg, NHKSI Research

Revenue Breakdown 9M21 (by Segment)



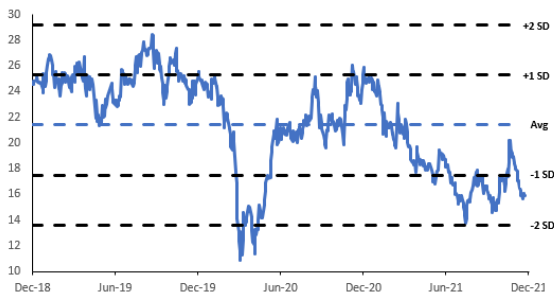
Source: Company Data, NHKSI Research

Domestic Demand Spread



Source: Company Data, NHKSI Research

SMGR Blended Forward P/E Ratio (3-year)



Source: Bloomberg, NHKSI Research

SMGR Price/Book Value Ratio (3-year)



Source: Bloomberg, NHKSI Research

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2020/12A	2021/12F	2022/12F	2023/12F	2020/12A	2021/12F	2022/12F	2023/12F	
Sales	35,172	36,107	37,720	39,334	ROE	8.0%	7.8%	8.3%	8.6%
Growth	-12.9%	2.7%	4.5%	4.3%	ROA	3.5%	3.7%	4.2%	4.5%
COGS	(23,555)	(24,551)	(25,195)	(26,509)	Inventory Turnover	5.1x	4.8x	5.2x	5.3x
Gross Profit	11,617	11,557	12,525	12,825	Receivables Turnover	5.7x	5.7x	5.8x	5.8x
Gross Margin	33.0%	32.0%	33.2%	32.6%	Payables Turnover	3.9x	3.7x	3.8x	4.0x
Operating Expenses	(5,969)	(5,945)	(6,348)	(6,544)	Dividend Yield	0.3%	2.0%	2.0%	2.3%
EBIT	5,648	5,612	6,177	6,281	Payout Ratio	8.6%	38.9%	35.6%	36.7%
EBIT Margin	16.1%	15.5%	16.4%	16.0%	DER	0.7x	0.6x	0.5x	0.4x
Depreciation	(3,424)	(3,028)	(3,054)	(3,231)	Net Gearing	0.6x	0.5x	0.4x	0.4x
EBITDA	9,073	8,640	9,231	9,512	Equity Ratio	45.7%	48.6%	51.5%	53.8%
EBITDA Margin	25.8%	23.9%	24.5%	24.2%	Debt Ratio	30.7%	27.7%	24.7%	23.1%
Interest Expenses	(2,321)	(1,835)	(2,061)	(1,814)	Financial Leverage	226.9%	212.1%	199.7%	189.8%
EBT	3,489	3,913	4,322	4,714	Current Ratio	135.8%	129.0%	141.2%	155.4%
Income Tax	(814)	(1,036)	(1,144)	(1,247)	Quick Ratio	-5.6%	-5.9%	-13.0%	-8.4%
Minority Interest	(118)	50	50	50	Par Value (IDR)	100	100	100	100
Net Profit	2,792	2,872	3,228	3,517	Total Shares (mn)	5,932	5,932	5,932	5,932
Growth	17.7%	2.9%	12.4%	8.9%	Share Price (IDR)	12,425	9,500	9,500	9,500
Net Profit Margin	7.9%	8.0%	8.6%	8.9%	Market Cap (IDR tn)	73.7	56.3	56.3	56.3

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2020/12A	2021/12F	2022/12F	2023/12F	2020/12A	2021/12F	2022/12F	2023/12F	
Cash	2,991	2,390	2,063	1,974	Price/Earnings	26.4x	19.6x	17.5x	16.0x
Receivables	5,777	6,816	6,191	7,476	PE/EPS Growth	0.1x	0.7x	0.1x	0.2x
Inventories	4,548	5,703	3,980	6,117	Price/Book Value	2.1x	1.5x	1.4x	1.3x
Total Current Assets	15,625	16,322	16,933	17,904	EV/EBITDA	10.6x	8.9x	8.1x	7.8x
Net Fixed Assets	56,053	55,672	54,925	55,172	EV (IDR bn)	96,142	77,155	75,141	74,249
Other Non Current Assets	2,256	1,670	1,648	1,655	Sales CAGR (3-Yr)	8.1%	5.6%	-2.2%	3.8%
Total Non Current Assets	62,381	61,181	60,228	60,187	Net Profit CAGR (3-Yr)	36.3%	19.9%	36.1%	32.6%
Total Assets	78,006	77,503	77,161	78,091	Basic EPS (IDR)	470.65	484.21	544.26	592.88
Payables	6,521	6,582	6,696	6,403	BVPS (IDR)	6,011	6,349	6,705	7,087
Current Maturities of LT Debt/ST De	1,614	1,900	1,547	1,403	DPS (IDR)	40.3	188.3	193.7	217.8
Total Current Liabilities	11,506	12,657	11,992	11,518					
LT Debt	21,844	18,745	16,977	16,113					
Total Liabilities	42,353	39,844	37,388	36,058					
Capital Stock	593	593	593	593					
Retained Earnings	32,040	33,795	35,874	38,099					
Shareholders' Equity	35,653	37,659	39,773	42,034					

CASH FLOW STATEMENT					TOP OWNERSHIP				
(IDR bn)	2020/12A	2021/12F	2022/12F	2023/12F					
Operating Cash Flow	7,221	5,142	5,287	5,366	Shareholders %				
Investing Cash Flow	(2,251)	(2,389)	(2,124)	(3,183)	Rep. of Indonesia				51.0
Financing Cash Flow	(6,003)	(3,355)	(3,489)	(2,272)	Vanguard Group Inc				1.9
Net Changes in Cash	(1,033)	(601)	(327)	(90)	Schroder PIC				1.8
					Invesco Ltd				1.8
					Others				43.5
					By Geography %				
					Indonesia				78.2
					United States				9.2
					Luxembourg				6.4
					Others				6.3

Source: Bloomberg, 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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