

Semen Indonesia Tbk (SMGR IJ)

Strong Cost Management



Company Update | June 3, 2022

BUY

Target Price (IDR)	9,500
Consensus Price (IDR)	9,916
TP to Consensus Price	-4.2%
Potential Upside	+32.4%

Shares data

Last Price (IDR)	7,175
Price Date as of	June 2, 2022
52 wk Range (Hi/Lo)	10,600 / 5,850
Free Float (%)	48.9
Outstanding sh.(mn)	5,931
Market Cap (IDR bn)	42,706
Market Cap (USD mn)	2,958
Avg. Trd Vol - 3M (mn)	13.55
Avg. Trd Val - 3M (bn)	89.04
Foreign Ownership	19.8%

Basic Industry

Cement

Bloomberg	SMGR IJ
Reuters	SMGR.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-1.0%	10.8%	6.7%	-31.2%
Rel. Ret.	-9.7%	11.5%	2.6%	-49.7%

Arief Machrus

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SMGR booked an income of IDR 8.1 trillion in 1Q22 or up 0.7% YoY. Cement sales, as the biggest contributor of 84.2% of total revenues, grew 5.7% YoY, supported by domestic sales volume and ASP increase. Meanwhile, clinker sales fell by 25.7% to IDR 680.1 billion. At the beginning of the year, the cement industry was still facing high competition as well as fuel and energy cost fluctuation.

Domestic Sales and ASP Increase Support Revenue

- SMGR's revenue increased 0.7% YoY to IDR 8.1 trillion in 1Q22. ASP increase mostly supported this growth compared to total sales volume that was down 5.8%.
- Domestic sales as the biggest contributor at 81.3% booked sales volume growth of 1.4% to 7.4 million ton, with positive domestic demand and the Company's focus on domestic market segment.
- Meanwhile, regional sales volume fell 29.1% YoY to 1.7 million ton. ASP increase affect SMGR's market share, as some competitors did not increase ASP.

Maintained Cost Increase

- The increase in coal commodity price throughout 1Q22 made SMGR's cost of revenue increase by 3.2% YoY to IDR 5.9 trillion. However, the Company managed to maintain fuel and energy costs, and other cost components.
- Amid an increase in fuel and energy costs of up to 27.9% YoY to IDR 2.4 trillion, SMGR was able to reduce other manufacturing expenses by more than 1% to IDR 2.2 trillion.
- Meanwhile, the decrease in raw material expenses was up to 28.5% YoY, is in line with the decrease in the Company's sales volume. SMGR was also able to reduce operating costs and financial expenses which fell by 5.7% and 26.2%, respectively.

Low Growing Asset

- Until 1Q22, the company's total value of assets was booked at IDR 76.5 trillion, slightly up compared to the total value of company's assets at the end of December 2021. Meanwhile the company's total liabilities were recorded at IDR 35.4 trillion, equity at IDR 39.4 trillion, and temporary syirkah funds at IDR 1.7 trillion.

Maintain BUY rating with TP of IDR 9,500

- We maintain our BUY recommendation for SMGR, with target price of IDR 9,500/share. Our TP reflects 2022F P/E 17.0x (-1 StD of 3-year average).
- Sentiments that support our recommendation include: 1). Profitability increases amid cost pressures, 2). Market leader with a number of trademarks.
- Meanwhile, we continue to monitor the risk of an increase in the BI 7DRRR which will increase the mortgage interest rate, and affect people's purchasing power for property.

Semen Indonesia Tbk | Summary

	2021A	2022F	2023F	2024F
Revenue	34,958	35,871	37,845	40,013
Growth	-0.6%	2.6%	5.5%	5.7%
Net Profit	2,082	3,322	3,550	3,918
EPS (IDR)	351	560	598	661
P/E	20.7x	17.0x	17.0x	17.0x
P/BV	1.1x	1.5x	1.5x	1.6x
EV/EBITDA	7.0x	8.9x	8.4x	8.6x
ROE	5.2%	8.5%	9.1%	9.5%
DER	0.3x	0.6x	0.5x	0.4x
Dividend Yield	2.6%	2.0%	2.3%	2.2%

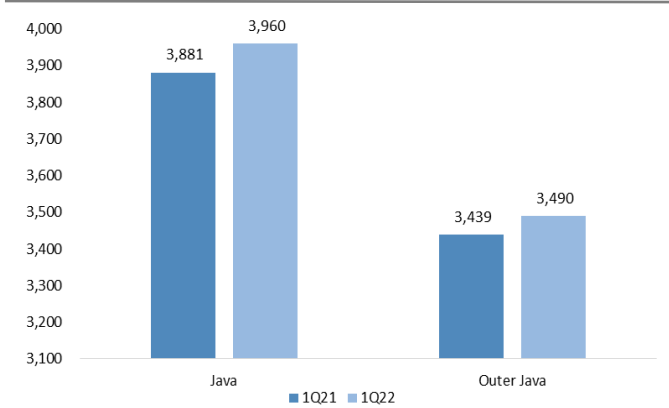
Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

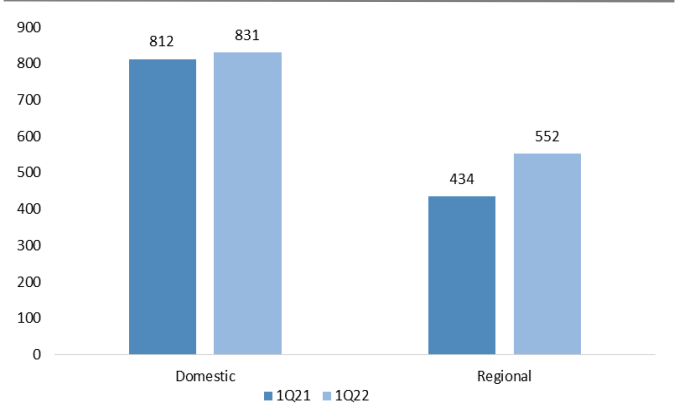
Performance Highlights in Chart

Sales Volume (thousand tons) | 1Q21 Vs. 1Q22



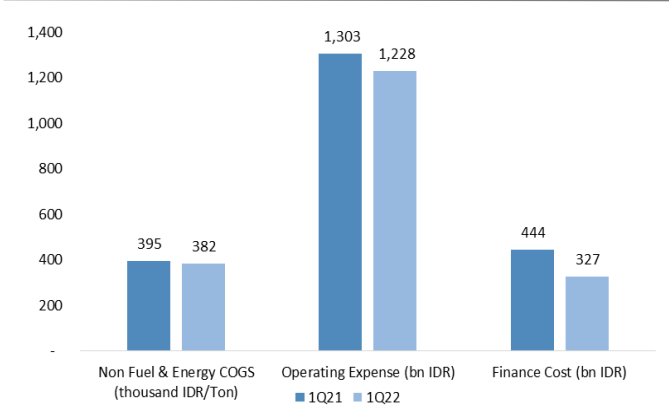
Source: Company Data, NHKSI Research

Average Selling Price (thousand IDR—nett) | 1Q21 Vs. 1Q22



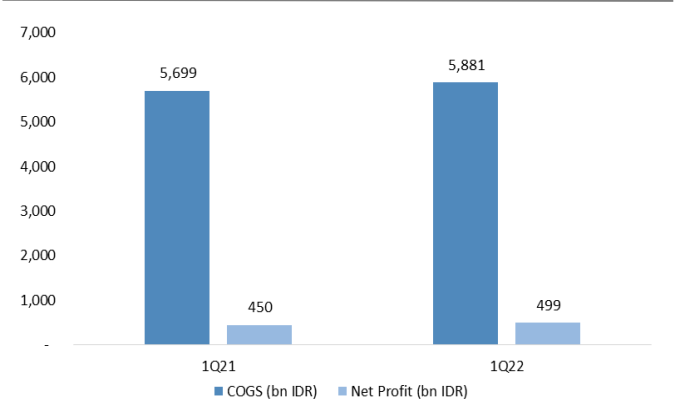
Source: Company Data, NHKSI Research

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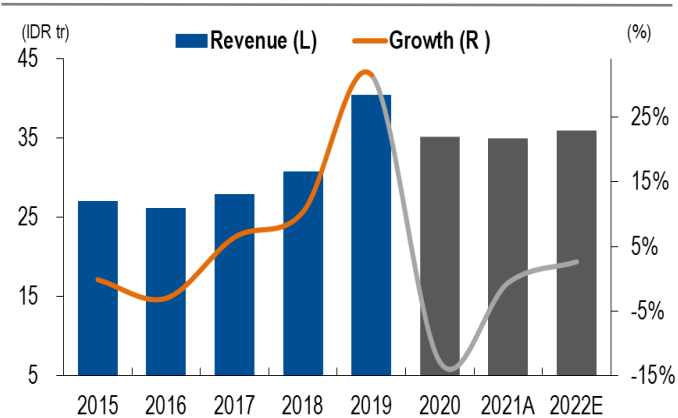
Source: Company Data, NHKSI Research

Improved Profitability



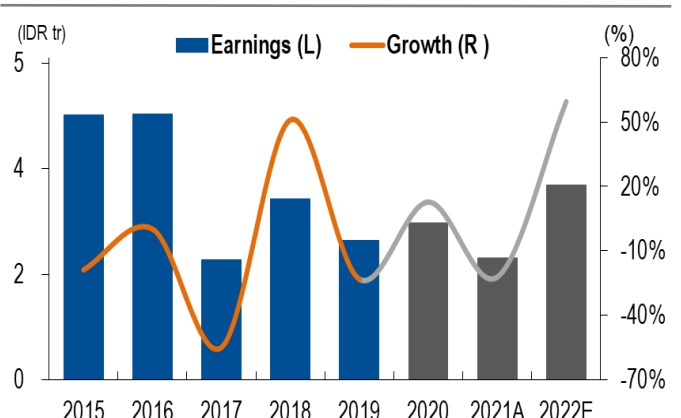
Source: Company Data, NHKSI Research

Yearly Revenue (trn IDR) | 2015 - 2022E



Source: Company Data, NHKSI Research

Yearly Earnings (trn IDR) | 2015 - 2022E



Source: Company Data, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F
Sales	34,958	35,871	37,845	40,013
Growth	-0.6%	2.6%	5.5%	5.7%
COGS	(24,005)	(24,432)	(25,301)	(27,001)
Gross Profit	10,953	11,439	12,545	13,011
Gross Margin	31.3%	31.9%	33.1%	32.5%
Operating Expenses	(5,979)	(5,820)	(6,257)	(6,559)
EBIT	4,974	5,619	6,288	6,453
EBIT Margin	14.2%	15.7%	16.6%	16.1%
Depreciation	(3,251)	(2,967)	(3,053)	(3,230)
EBITDA	8,225	8,586	9,341	9,683
EBITDA Margin	23.5%	23.9%	24.7%	24.2%
Interest Expenses	(1,628)	(1,660)	(2,083)	(1,833)
EBT	3,470	4,151	4,436	4,897
Income Tax	(1,388)	(830)	(887)	(979)
Minority Interest	61	1	1	1
Net Profit	2,082	3,322	3,550	3,918
Growth	-22.1%	59.5%	6.9%	10.4%
Net Profit Margin	6.0%	9.3%	9.4%	9.8%

PROFITABILITY & STABILITY

	2021/12A	2022/12F	2023/12F	2024/12F
ROE	5.2%	8.5%	9.1%	9.5%
ROA	2.7%	4.3%	4.5%	5.0%
Inventory Turnover	5.2x	4.8x	5.2x	5.3x
Receivables Turnover	6.2x	5.7x	5.8x	5.9x
Payables Turnover	3.4x	3.7x	3.8x	4.0x
Dividend Yield	2.6%	2.0%	2.3%	2.2%
Payout Ratio	53.6%	33.6%	39.1%	37.8%
DER	0.3x	0.6x	0.5x	0.4x
Net Gearing	0.3x	0.5x	0.4x	0.4x
Equity Ratio	52.0%	48.8%	51.2%	53.7%
Debt Ratio	18.1%	27.8%	24.6%	23.1%
Financial Leverage	204.8%	198.5%	200.1%	190.7%
Current Ratio	107.9%	133.8%	145.7%	162.6%
Quick Ratio	-6.9%	-5.7%	-11.8%	-8.3%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	5,932	5,932	5,932	5,932
Share Price (IDR)	7,250	9,500	10,152	11,206
Market Cap (IDR tn)	43.0	56.3	60.2	66.5

BALANCE SHEET

(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F
Cash	2,535	3,010	2,688	2,747
Receivables	5,513	6,734	6,214	7,417
Inventories	4,615	5,653	4,158	6,045
Total Current Assets	15,335	16,847	18,350	19,158
Net Fixed Assets	54,720	55,655	54,916	55,222
Other Non Current Assets	2,531	1,670	1,647	1,657
Total Non Current Assets	61,169	61,163	60,221	60,242
Total Assets	76,504	78,011	78,571	79,400
Payables	7,613	6,519	6,815	6,527
Current Maturities of LT Debt/ST De	407	1,921	1,222	1,163
Total Current Liabilities	14,210	12,590	12,591	11,780
LT Debt	12,936	18,944	17,378	16,588
Total Liabilities	36,721	39,951	38,364	36,771
Capital Stock	593	593	593	593
Retained Earnings	32,944	34,245	36,407	38,843
Shareholders' Equity	39,783	38,060	40,207	42,629

VALUATION INDEX

	2021/12A	2022/12F	2023/12F	2024/12F
Price/Earnings	20.7x	17.0x	17.0x	17.0x
PE/EPS Growth	-0.1x	0.0x	0.2x	0.2x
Price/Book Value	1.1x	1.5x	1.5x	1.6x
EV/EBITDA	7.0x	8.9x	8.4x	8.6x
EV (IDR bn)	57,947	76,714	78,493	83,701
Sales CAGR (3-Yr)	7.9%	5.3%	-2.1%	4.4%
Net Profit CAGR (3-Yr)	23.6%	25.9%	40.5%	39.5%
Basic EPS (IDR)	351.06	560.02	598.46	660.58
BVPS (IDR)	6,707	6,417	6,779	7,187
DPS (IDR)	188.3	188.3	233.9	249.9

TOP OWNERSHIP

Shareholders	%
Rep. of Indonesia	51.0
Schroder PIC	1.9
Vanguard Group Inc	1.7
Blackrock	1.5
Others	43.8
By Geography	%
Indonesia	80.3
United States	6.8
Luxembourg	6.6
Others	6.3

CASH FLOW STATEMENT

(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F
Operating Cash Flow	7,221	5,568	5,607	5,766
Investing Cash Flow	(2,251)	(2,372)	(2,133)	(3,242)
Financing Cash Flow	(6,003)	(3,176)	(3,796)	(2,465)
Net Changes in Cash	(1,033)	19	(322)	59

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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