

BUY | TP : IDR8,450
SMGR Stock Price Data

Last Price	:	IDR6,850
52wk High	:	IDR8,300
52wk Low	:	IDR5,625
Share Out	:	5.9bn
Market Cap	:	IDR40.6tn

SMGR Stock Price Performance

1-Day	:	-2.92%
1-Week	:	+2.56%
1-Month	:	+1.53%
3-Month	:	+11.76%
Year-to-Date	:	+1.14%

Shareholders

Government	:	51.2%
Public (<5%)	:	48.8%

PT Semen Indonesia Tbk (SMGR IJ)
Expecting Better Performance in 2H23
1H23 results: growth still secured amid cost pressures

SMGR booked a revenue of IDR17.0tn in 1H23 or grew 2.0% YoY (vs IDR16.1tn in 1H22), reflecting 44.2%/44.0% from MNCS/consensus targets. Sales volume was stable at 17.9mn tons, bolstered by increased regional sales which improved 21.8% YoY. On the other hand, domestic sales slowed down by -4.3% YoY on the back lower 2Q23 sales as there were fewer working days during that period (both Eid-al-Fitr and Eid-al-Adha fell on 2Q23). The cost of revenue jumped 5.9% YoY to IDR12.6tn (vs IDR11.9tn in 1H22), as a result of inflated costs such as: 1) raw materials (+11.9% YoY); and 2) fuel and energy (+7.0% YoY). Notwithstanding, SMGR was able to minimize their opex by -9.5% YoY down to IDR2.8tn (vs IDR2.5tn in 1H22). Net profit came in at IDR866.2bn or increased 3.1% YoY (vs IDR840.1bn in 1H22), reflecting 32.3%/30.9% from MNCS target/consensus estimates.

Sales volume expected to improve in 2H23

We estimate SMGR's sales volume to reach the level of ~38mn tons in FY23E, based on our assessment of the property sector which is to remain stable in FY23E, with properties' marketing sales to at least match its FY22 levels. Within 10 months, the inflation rate has subsided to 3.52% in Jun-23 (vs 5.95% in Sep-22) and this progression is viewed to induce BI's rate cutting soon from its current 5.75% 7DRR. This is likely to spark positive sentiments for the bag market. Aside from that, the government's target of the finalization of 58 strategic national projects (PSN) with a contract outstanding of IDR420tn up to FY24F acts as an insurance for SMGR's bulk market demand. Furthermore, El Nino is also poised to bring conducive climate for construction works, implying a much seamless cement inventory turnover within the sector.

Prudent interest-bearing debt management

As of the 1H23, the total interest-bearing debt stood at IDR16.3tn, reflecting a decrease of 3.1% when compared to the position in FY22. This reduction was a result of the company's repayment of a portion of its long-term bank loan. The makeup of the total interest-bearing debt consisted of 50.3% from bank loans, 30.4% from corporate bonds, 4.9% from lease liabilities, and 14.4% from temporary syirkah funds. The Net Debt to Equity ratio experienced a slight uptick of 0.03x, while the Net Debt to EBITDA ratio saw a reduction of -0.09x during the 1H23 in comparison to the FY22 position. This decrease was aligned with the lower interest-bearing debt. Furthermore, the EBITDA to Interest ratio increased by 0.36x, reflecting a correlation with the diminished interest expense - 8.1%.

Valuation and Recommendation: BUY with a TP IDR8,450

We believe demand for SMGR cement will increase moderately and the up-trend of ASP will be limited, supported by higher infrastructure. However the main concern of oversupply is still intact. Thus, we give a **BUY** recommendation with a **target price (TP) of Rp8,450** per share for the next 12 months, indicating +23.3% potential upside. Our valuation implies 16.5x/14.3x of PE in FY23E/FY24F.


Research Analyst

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Key Financial Highlight	FY20	FY21	FY22	FY23E	FY24F
Revenue (IDR Bn)	35,171.7	36,702.3	36,378.6	38,565.4	39,739.5
EBITDA (IDR Bn)	10,062.4	8,465.4	7,790.6	8,768.7	8,974.8
EBITDA Margin (%)	28.6	23.1	21.4	22.7	22.6
Net Income (IDR Bn)	2,792.3	2,046.7	2,364.8	2,681.7	3,107.2
ROA (%)	3.4	2.5	2.9	3.3	3.9
ROE (%)	7.2	4.8	5.0	6.0	6.7
PE (x)	14.6	19.9	17.2	16.5	14.3
PBV (x)	1.0	0.9	0.9	1.0	1.0

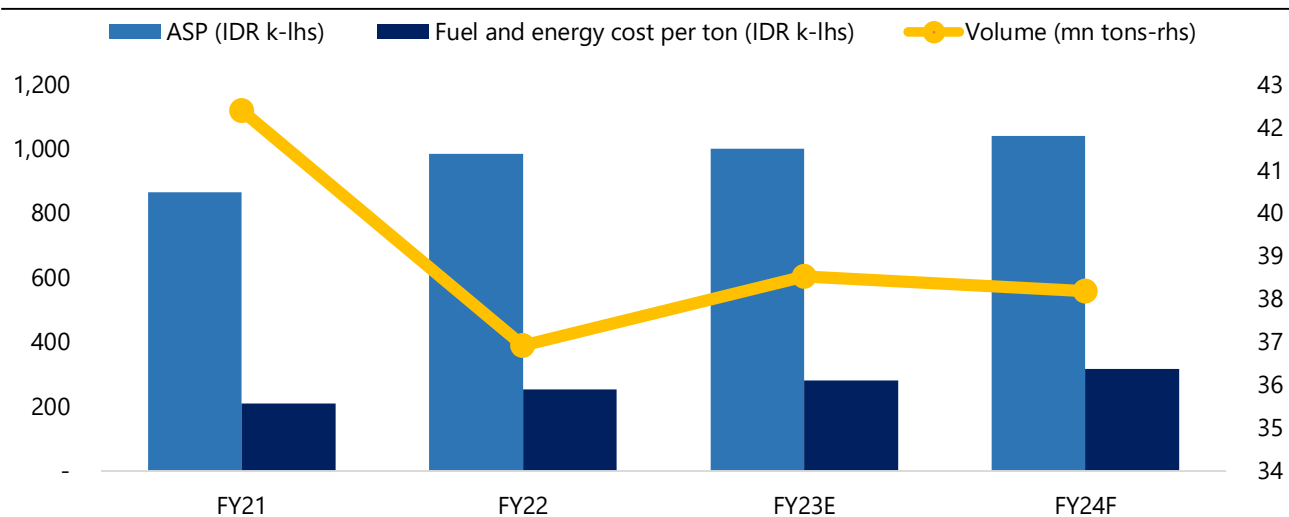
Sources : Bloomberg, MNCS Research

Exhibit 01. SMGR's 1H23 net income results was below MNCS/consensus estimates

	1H23	1H22	YoY	MNCS	Cons.	MNCS %	Cons.%
Revenue	17,031.8	16,700.9	2.0%	38,565.4	38,679.4	44.2%	44.0%
COGS	12,615.9	11,916.5	5.9%				
Op.Profit	1,877.3	2,066.7	-9.2%	4,875.0	4,935.6	38.5%	38.0%
Op. Margin	11.0%	12.4%					
PBT	1,305.3	1,352.4	-3.5%	3,539.9	3,934.9	36.9%	33.2%
Net Income	866.2	840.1	3.1%	2,681.7	2,807.5	32.3%	30.9%
Net Margin	5.1%	5.0%					

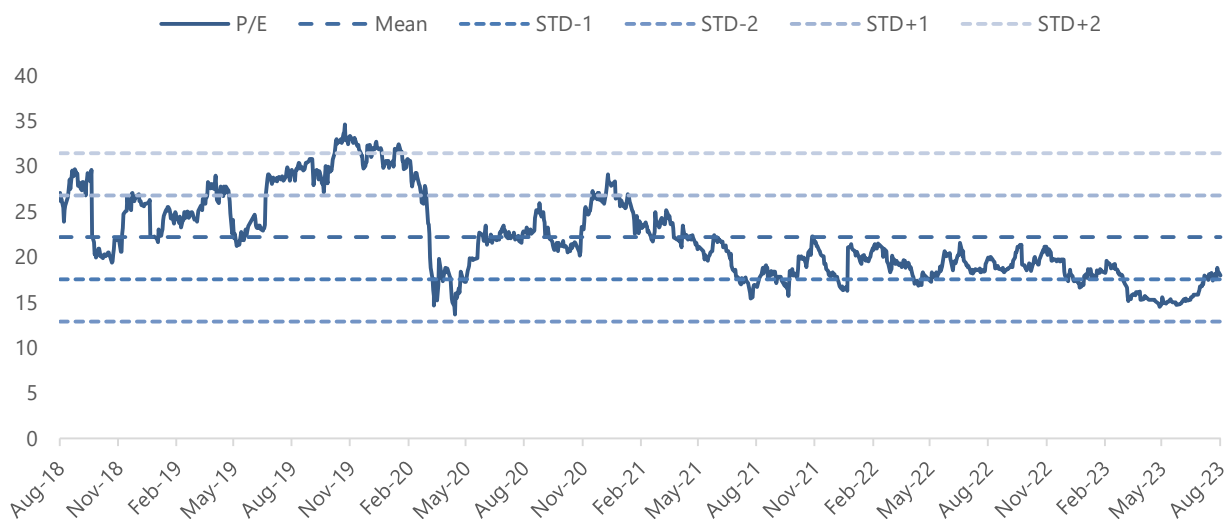
Sources : Company, Bloomberg, MNCS

Exhibit 02. SMGR sales volume, ASP and cost in FY21-FY24F



Sources : Company, MNCS

Exhibit 03. SMGR's Currently Trading Near at -1 STD (5-Year Average) at 17.9x PE band



Sources : Bloomberg, MNCS

Exhibit 04. Financial Projections

Income Statement					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Revenue	35,171.7	36,702.3	36,378.6	38,565.4	39,739.5
COGS	(23,347.6)	(24,975.6)	(25,701.0)	(27,119.8)	(28,051.1)
Gross Profit	11,824.0	11,726.7	10,677.6	11,445.6	11,688.4
Selling Expense	(3,009.8)	(3,297.0)	(2,954.3)	(3,149.9)	(3,182.9)
G&A Expense	(3,161.6)	(3,193.5)	(3,154.2)	(3,453.3)	(3,294.8)
Operating Income	5,652.7	5,236.1	4,569.1	4,842.3	5,210.7
Finance Cost (Income)	(2,106.7)	(1,637.4)	(1,329.0)	(1,312.5)	(1,116.1)
Other income (Expense)	(57.3)	(61.1)	58.7	10.0	6.9
Profit Before Tax	3,488.7	3,537.7	3,298.8	3,539.9	4,101.5
Tax Income (Expense)	(814.3)	(1,420.5)	(799.8)	(858.2)	(994.3)
Minority Interest	118.0	(70.5)	(134.2)	-	-
Net Income	2,792.3	2,046.7	2,364.8	2,681.7	3,107.2
EPS (IDR)	470.7	345.0	398.6	414.0	479.7

Balance Sheet					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Cash & Equivalents	3,269.1	2,955.0	6,007.3	4,750.3	5,308.8
Trade Receivables	5,926.6	5,690.9	5,521.3	6,022.5	5,879.3
Inventory	4,751.4	4,848.5	5,610.2	5,126.8	5,343.9
Others	2,344.0	2,691.1	1,740.1	1,808.3	1,823.5
Current Assets	16,291.1	16,185.5	18,879.0	17,707.9	18,355.4
Fixed Assets - net	60,282.2	58,839.1	57,806.0	56,012.3	54,283.4
Other	6,624.6	6,741.7	6,275.0	6,570.0	6,631.9
Non-Current Assets	66,906.8	65,580.8	64,081.0	62,582.2	60,915.3
TOTAL ASSETS	83,198.0	81,766.3	82,960.0	80,290.1	79,270.7
Trade Payables	6,797.9	7,855.3	8,095.9	7,669.8	6,148.2
Short-term Debt	2,575.8	3,984.3	1,274.5	3,326.3	3,011.3
Other	2,975.3	2,792.6	3,690.6	3,742.1	3,753.6
Current Liabilities	12,349.0	14,632.2	13,061.0	14,738.2	12,913.1
Long-term Debt	24,887.8	16,388.3	15,526.9	13,681.9	12,386.2
Other	7,217.0	7,870.8	7,132.7	7,378.7	7,398.3
LT-Liabilities	32,104.8	24,259.1	22,659.6	21,060.5	19,784.5
Total Equity	38,744.1	42,875.0	47,239.4	44,491.3	46,573.1
TOTAL LIA & EQUITY	83,198.0	81,766.3	82,960.0	80,290.1	79,270.7

Cash Flow					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Net Income	2,792.3	2,046.7	2,364.8	2,681.7	3,107.2
D&A	4,414.2	3,257.6	3,165.1	3,893.7	3,728.9
Changes in WC	1,581.6	1,196.0	(351.5)	(443.8)	(1,595.5)
Change in others	(132.7)	(551.1)	226.5	(16.7)	(3.7)
Operating CF	8,655.4	5,949.2	5,404.9	6,114.8	5,236.8
Capex	(8,094.7)	(1,956.6)	(2,133.1)	(2,100.0)	(2,000.0)
Others	(1,114.1)	10.9	1,896.8	(294.9)	(61.9)
Investing CF	(9,208.7)	(1,945.6)	(236.3)	(2,394.9)	(2,061.9)
Dividend Paid	(239.2)	(1,116.9)	(1,024.1)	(938.6)	(1,025.4)
Net Change in Debt	(2,578.3)	(7,091.0)	(3,571.3)	206.8	(1,610.6)
Equity Fund Raised	587.0	2,159.4	4,970.6	(4,491.1)	-
Others	2,102.5	1,730.7	(2,491.6)	245.9	19.6
Financing CF	(128.0)	(4,317.8)	(2,116.3)	(4,977.0)	(2,616.4)
Cash at Beginning	3,950.4	3,269.1	2,955.0	6,007.3	4,750.3
Cash at Ending	3,269.1	2,955.0	6,007.3	4,750.3	5,308.8

Ratios					
	FY20	FY21	FY22	FY23E	FY24F
Revenue Growth (%)	(12.9)	4.4	(0.9)	6.0	3.0
Operating Profit Growth (%)	(8.7)	(7.8)	(11.2)	5.4	7.6
Net Profit Growth (%)	16.7	(26.7)	15.5	13.4	15.9
Current Ratio (%)	131.9	110.6	144.5	120.1	142.1
Receivable Days (x)	61.5	56.6	44.0	57.0	54.0
Inventory Days (x)	74.3	70.9	64.0	69.0	69.5
Payable Days (x)	106.3	114.8	117.0	103.2	80.0
Net Gearing Ratio (x)	0.6	0.4	0.2	0.3	0.2
DER (x)	0.7	0.5	0.4	0.4	0.3
Interest Coverage (x)	2.4	2.9	3.2	3.1	3.9
Dividend Yield (%)	0.6	2.7	2.5	2.1	2.3
Gross Profit Margin (%)	33.6	32.0	29.4	29.7	29.4
Operating Profit Margin (%)	16.1	14.2	12.7	12.6	13.2
EBITDA Margin (%)	28.6	23.1	21.4	22.7	22.6
Net Income Margin (%)	7.9	5.6	6.5	7.0	7.8
BVPS (IDR)	6,531.2	7,227.6	7,963.3	6,868.2	7,189.5

Sources : Company, MNCS

MNC Research Industry Ratings Guidance

- **OVERWEIGHT** : Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL** : Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT** : Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

- **BUY** : Share price may exceed 10% over the next 12 months
- **HOLD** : Share price may fall within the range of +/- 10% of the next 12 months
 - **SELL** : Share price may fall by more than 10% over the next 12 months
 - **Not Rated** : Stock is not within regular research coverage

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