

**BUY | TP : IDR7,850**
**SMGR Stock Price Data**

Last Price	:	IDR6,850
52wk High	:	IDR8,300
52wk Low	:	IDR5,625
Share Out	:	5.9bn
Market Cap	:	IDR43.7tn

**SMGR Stock Price Performance**

1-Day	:	+4.8%
1-Week	:	+6.2%
1-Month	:	+2.8%
3-Month	:	-8.5%
Year-to-Date	:	-1.5%

**Shareholders**

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

**PT Semen Indonesia Tbk (SMGR IJ)**
**Regional Sales Volume Grew 34.1% YoY**
**9M23 results: Growth recorded despite higher costs**

- SMGR recorded a revenue growth of IDR27.7tn in 9M23, or grew +4.0% YoY (vs IDR26.6tn in 9M22), reflecting 71.7%/71.5% of the MNCS/consensus target.
- Sales volume grew +5.9% YoY to 29.2mn tons alongside a blended ASP that grew +1% YoY, supported by the 34.1% YoY jump in regional sales that was mostly contributed by export from Indonesian facilities. The export sales were mostly sold to Australia, Bangladesh, Philippines, Taiwan, Sri Lanka and Timor Leste. Meanwhile, the domestic sales were stagnant at 23.4mn tons or edged +0.7% YoY (vs 23.3mn tons in 9M22).
- The cost of revenue had risen by +8.1% YoY to reach IDR20.2tn (vs IDR18.7tn in 9M22) due to the increases in several costs such as: 1) raw materials (+8.9% YoY) and 2) fuel and energy (+9.6% YoY). However, SMGR was able to trim down their selling expenses by -19.3% YoY to IDR1.8tn (vs IDR2.2tn in 9M22), specifically the transportation and handling costs (-29.1% YoY). Net profit was stable at IDR1.7tn, or edged +1.8% YoY, reflecting 63.9%/61.1% of the MNCS/consensus target.

**Softening our estimates on cost pressures**

In spite of the accommodating improvement in volume, we anticipate the costs to trail up as well due to the persisting pressure on USD/IDR rates. What SMGR is able to do includes securing their DMO quota, but the rising energy cost still has the potential to limit SMGR's performance. We revise the COGS to IDR27.5tn/28.7tn in FY23E/FY24F (from IDR27.1tn/28.0tn previously). We also revise the energy cost/ton to IDR281k/ton. Consequently, the GPM also shift to 28.7%/27.9% from the previous estimate of 29.7%/29.4%, implying a softened earnings projection of IDR2.5tn/IDR2.7tn in FY23E/FY24F (vs the previous IDR2.7tn/IDR3.1tn estimates).

**Potential from IKN and prudent debt management**

- We estimate SMGR's sales volume to reach ~38mn tons in FY23E, in alignment with management's guidance of an impending cement demand for the IKN project in the near term, potentially reaching 1.4mn tons. Moreover, the government is still targeting to complete their remaining 58 PSN, amounting to IDR420tn as a catalyst for cement players.
- As of 9M23, the total interest-bearing debt stood at IDR16.8tn, comprised of 48.3% of bank loans, 29.4% of corporate bonds, 8.6% of lease liabilities, and 13.7% of temporary syirkah funds. Net debt to equity in 9M23 slightly increased to 0.26x (vs 0.25x in FY22), SMGR also succeeded in maintaining the DER at the level of 0.39x.

**Collaboration with PLN for energy demands**

SMGR collaborates with PT Perusahaan Listrik Negara (Persero) Tbk in undertaking the solar panel project as a source of renewable energy. Around 5.4 MWp up to 32 MWp of solar energy will be used in every location during the initial phase of operations. The capacity will gradually be scaled to 541 MWp to cover 20% of the electricity needs. Taking into consideration that electricity generation is the second top constituent of SMGR's cost of revenue, this partnership is aimed at optimizing costs as well as to cut down their scope 2 CO2 emission intensities by 24% by FY30F.

**Valuation and Recommendation: BUY with a TP IDR7,850**

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 IDR7,850** per share for the next 12 months, indicating +23.6% potential upside. Our valuation implies 20.1x/18.9x 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	8,565.3	8,420.9
EBITDA Margin (%)	28.6	23.1	21.4	22.2	21.2
Net Income (IDR Bn)	2,792.3	2,046.7	2,364.8	2,527.6	2,685.3
ROA (%)	3.4	2.5	2.9	3.1	3.4
ROE (%)	7.2	4.8	5.0	5.7	5.8
PE (x)	14.6	19.9	17.2	17.6	16.5
PBV (x)	1.0	0.9	0.9	1.0	1.0

Sources : Bloomberg, MNCS Research

### Exhibit 01. SMGR's 9M23 net income results was below MNCS/consensus estimates

	9M23	9M22	YoY	MNCS	Cons.	MNCS %	Cons.%
<b>Revenue</b>	<b>27,660.8</b>	<b>26,600.3</b>	<b>4.0%</b>	<b>38,565.4</b>	<b>38,679.4</b>	<b>71.7%</b>	<b>71.5%</b>
COGS	20,220.9	18,703.5	8.1%				
<b>Op.Profit</b>	<b>3,448.3</b>	<b>3,504.4</b>	<b>-1.6%</b>	<b>4,875.0</b>	<b>4,935.6</b>	<b>70.7%</b>	<b>69.9%</b>
Op. Margin	12.5%	13.2%					
<b>PBT</b>	<b>2,539.5</b>	<b>2,542.9</b>	<b>-0.1%</b>	<b>3,539.9</b>	<b>3,934.9</b>	<b>71.7%</b>	<b>64.5%</b>
<b>Net Income</b>	<b>1,714.0</b>	<b>1,682.9</b>	<b>1.8%</b>	<b>2,681.7</b>	<b>2,807.5</b>	<b>63.9%</b>	<b>61.1%</b>
Net Margin	6.2%	6.3%					

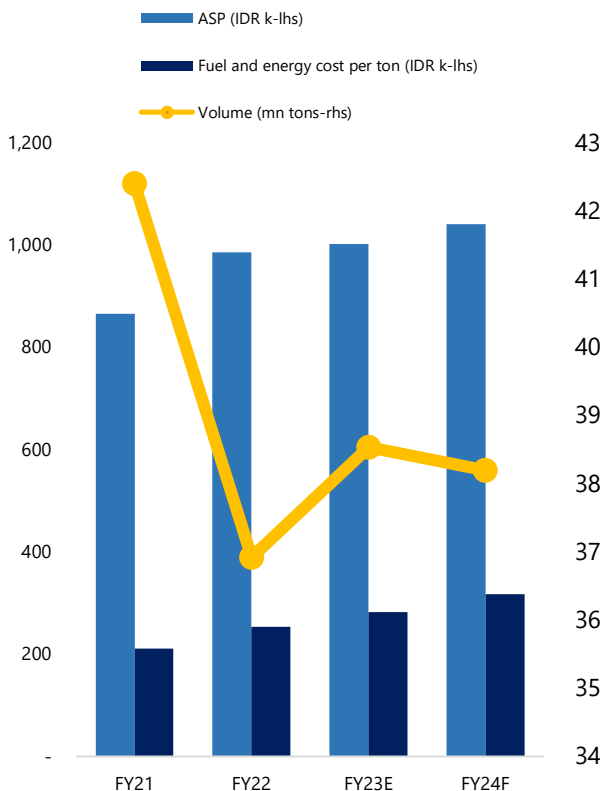
Sources : Company, Bloomberg, MNCS

### Exhibit 02. Change in our estimates

	IDR bn	Current		Previous		Changes	
		2023E	2024F	2023E	2024F	2023E	2024F
Revenue		38,565	39,740	38,565	39,739	0%	0%
COGS		27,505	28,665	27,120	28,051	1%	2%
Op.Profit		4,639	4,657	4,842	5,211	-4%	-11%
Net Income		2,528	2,685	2,682	3,107	-6%	-14%

Source : MNCS

### Exhibit 03. SMGR sales volume, ASP and cost in FY21-FY24F



Sources : Company, MNCS

### Exhibit 04. SMGR's Currently Trading Near at -1 STD (5-Year Average) at 17.3x PE band



Sources : Bloomberg, MNCS

**Exhibit 05. Financial Projections**

Income Statement					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
<b>Revenue</b>	<b>35,171.7</b>	<b>36,702.3</b>	<b>36,378.6</b>	<b>38,565.4</b>	<b>39,739.5</b>
COGS	(23,347.6)	(24,975.6)	(25,701.0)	(27,505.5)	(28,665.3)
<b>Gross Profit</b>	<b>11,824.0</b>	<b>11,726.7</b>	<b>10,677.6</b>	<b>11,059.9</b>	<b>11,074.3</b>
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)	(3,271.1)	(3,234.6)
<b>Operating Income</b>	<b>5,652.7</b>	<b>5,236.1</b>	<b>4,569.1</b>	<b>4,638.9</b>	<b>4,656.8</b>
Finance Cost (Income)	(2,106.7)	(1,637.4)	(1,329.0)	(1,312.5)	(1,119.0)
Other income (Expense)	(57.3)	(61.1)	58.7	10.0	6.9
<b>Profit Before Tax</b>	<b>3,488.7</b>	<b>3,537.7</b>	<b>3,298.8</b>	<b>3,336.4</b>	<b>3,544.6</b>
Tax Income (Expense)	(814.3)	(1,420.5)	(799.8)	(808.9)	(859.3)
Minority Interest	118.0	(70.5)	(134.2)	-	-
<b>Net Income</b>	<b>2,792.3</b>	<b>2,046.7</b>	<b>2,364.8</b>	<b>2,527.6</b>	<b>2,685.3</b>
EPS (IDR)	470.7	345.0	398.6	390.2	414.5

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
<b>Current Assets</b>	<b>16,291.1</b>	<b>16,185.5</b>	<b>18,879.0</b>	<b>17,707.9</b>	<b>18,355.4</b>
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
<b>Non-Current Assets</b>	<b>66,906.8</b>	<b>65,580.8</b>	<b>64,081.0</b>	<b>62,582.2</b>	<b>60,915.3</b>
<b>TOTAL ASSETS</b>	<b>83,198.0</b>	<b>81,766.3</b>	<b>82,960.0</b>	<b>80,290.1</b>	<b>79,270.7</b>
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
<b>Current Liabilities</b>	<b>12,349.0</b>	<b>14,632.2</b>	<b>13,061.0</b>	<b>14,738.2</b>	<b>12,913.1</b>
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
<b>LT-Liabilities</b>	<b>32,104.8</b>	<b>24,259.1</b>	<b>22,659.6</b>	<b>21,060.5</b>	<b>19,784.5</b>
<b>Total Equity</b>	<b>38,744.1</b>	<b>42,875.0</b>	<b>47,239.4</b>	<b>44,491.3</b>	<b>46,573.1</b>
<b>TOTAL LIA &amp; EQUITY</b>	<b>83,198.0</b>	<b>81,766.3</b>	<b>82,960.0</b>	<b>80,290.1</b>	<b>79,270.7</b>

Cash Flow					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Net Income	2,792.3	2,046.7	2,364.8	2,527.6	2,685.3
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)	(407.7)	(1,614.0)
Change in others	(132.7)	(551.1)	226.5	(16.7)	(3.7)
<b>Operating CF</b>	<b>8,655.4</b>	<b>5,949.2</b>	<b>5,404.9</b>	<b>5,996.9</b>	<b>4,796.4</b>
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)
<b>Investing CF</b>	<b>(9,208.7)</b>	<b>(1,945.6)</b>	<b>(236.3)</b>	<b>(2,394.9)</b>	<b>(2,061.9)</b>
Dividend Paid	(239.2)	(1,116.9)	(1,024.1)	(884.7)	(886.1)
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
<b>Financing CF</b>	<b>(128.0)</b>	<b>(4,317.8)</b>	<b>(2,116.3)</b>	<b>(4,923.1)</b>	<b>(2,477.2)</b>
Cash at Beginning	3,950.4	3,269.1	2,955.0	6,007.3	4,686.3
<b>Cash at Ending</b>	<b>3,269.1</b>	<b>2,955.0</b>	<b>6,007.3</b>	<b>4,686.3</b>	<b>4,943.5</b>

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)	1.0	0.4
Net Profit Growth (%)	16.7	(26.7)	15.5	6.9	6.2
Current Ratio (%)	131.9	110.6	144.5	119.3	138.8
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	3.0	3.5
Dividend Yield (%)	0.6	2.7	2.5	2.0	2.0
Gross Profit Margin (%)	33.6	32.0	29.4	28.7	27.9
Operating Profit Margin (%)	16.1	14.2	12.7	12.1	11.8
EBITDA Margin (%)	28.6	23.1	21.4	22.2	21.2
Net Income Margin (%)	7.9	5.6	6.5	6.6	6.8
BVPS (IDR)	6,531.2	7,227.6	7,963.3	6,852.7	7,130.4

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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