

BUY | TP : IDR7,000
SMGR Stock Price Data

| | | |
|------------|---|-----------|
| Last Price | : | IDR5,800 |
| 52wk High | : | IDR7,250 |
| 52wk Low | : | IDR5,625 |
| Share Out | : | 5.9bn |
| Market Cap | : | IDR38.9tn |

SMGR Stock Price Performance

| | | |
|--------------|---|--------|
| 1-Day | : | -0.4% |
| 1-Week | : | -2.1% |
| 1-Month | : | -11.6% |
| 3-Month | : | -6.9% |
| Year-to-Date | : | -9.8% |

Shareholders

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

PT Semen Indonesia Tbk (SMGR IJ)
Double-Digit Growth in Sales Volume
FY23 Results: Revenue Met Expectations, but Bottom-Line Fell Short of Our Target

- SMGR recorded a revenue of IDR38.7tn, marking a +6.2% YoY increase in FY23 (vs IDR36.4tn in FY22), reflecting 100.2%/99.9% of the MNCS/Consensus target.
- SMGR successfully booked a +6.2% YoY increase in revenue, driven by growth in both domestic and regional sales, aligning with the volume growth trend. Domestic sales increased by +3.4% YoY, while the international sales surged by +35.5% YoY in FY23.
- Sales volume increased by +10.0% YoY at 40.6mn tons with manageable blended ASP. This growth is supported by the uptick in regional sales volume, soaring by +42% YoY, attributed to ample coal supply.
- Furthermore, the domestic sales volume indicates recoveries in both bagged and bulk markets, growing at +0.2% YoY and +17.3% YoY, respectively, in FY23.
- The rise of sales volume in bulk segment is largely attributable to SMGR's dominance in the development of IKN and other national strategic projects. SMGR's sales volume surpassed national demand, resulting in market share increase of 0.6% to reach 50.5% in FY23.
- COGS grew by +10.8% YoY, aligning with the rise in sales volume and fuel price in 4Q22, subsequently impacting the costs of energy, transportation, and material, which were fully reflected in FY23. Consequently, the gross profit was pressured by -4.7% YoY to level IDR10.2tn (vs IDR10.7tn in FY22).
- Nevertheless, SMGR successfully decreased operating expense by -4.0% to IDR5.9tn in FY23 (vs IDR6.1tn in FY22). This reduction was mainly attributed to a -23.7% YoY decrease in transportation and handling costs, a result from the initiative of operational excellence in logistic.
- Net profit declined by -8.2% YoY to IDR2.2tn with NPM at 5.6%, representing 85.9%/77.7% of the MNCS/Consensus target.

ASP remains flat, while sales volume is covered by bulk segment

- Management anticipates a growth in the blended ASP within the range of 1%-1.5% for FY24E, considering the high competitiveness within Java Island with existing brand to compete in the retail segment. SMGR remains optimistic about its ability to manage ASP in key areas such as Sumatra.
- The sales volume will continue to be driven by the bulk segment, supported by the ongoing IKN development and other strategic national projects. Meanwhile, growth in the bag segment may be observed following a more certain economic transition under the new government. Factors that could support bag sales volume include: 1) manageable inflation; 2) and brighter outlook in property sector following the rate-cut realization.

Valuation and Recommendation: BUY with a TP IDR7,000

We believe demand for SMGR cement will increase moderately and the uptrend of ASP will be limited, supported by higher infrastructure investments. However the main concern of oversupply is still intact. Thus, we give a BUY recommendation with a target price (TP) of Rp7,000 per share for the next 12 months, indicating +20.7% potential upside. Our valuation implies 16.2x/15.3x of PE in FY24E/FY25F.


Research Analyst

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| Key Financial Highlight | FY21 | FY22 | FY23 | FY24E | FY25F |
|-------------------------|----------|----------|----------|----------|----------|
| Revenue (IDR Bn) | 36,702.3 | 36,378.6 | 38,651.4 | 40,068.9 | 41,037.9 |
| EBITDA (IDR Bn) | 8,465.4 | 7,790.6 | 7,613.5 | 8,806.5 | 8,950.4 |
| EBITDA Margin (%) | 23.1 | 21.4 | 19.7 | 22.0 | 21.8 |
| Net Income (IDR Bn) | 2,046.7 | 2,364.8 | 2,170.5 | 2,792.3 | 2,957.0 |
| ROA (%) | 2.5 | 2.9 | 2.7 | 3.6 | 3.9 |
| ROE (%) | 4.8 | 5.0 | 4.5 | 6.4 | 6.6 |
| PE (x) | 16.9 | 16.0 | 17.4 | 13.5 | 12.8 |
| PBV (x) | 0.8 | 0.8 | 0.8 | 0.9 | 0.8 |

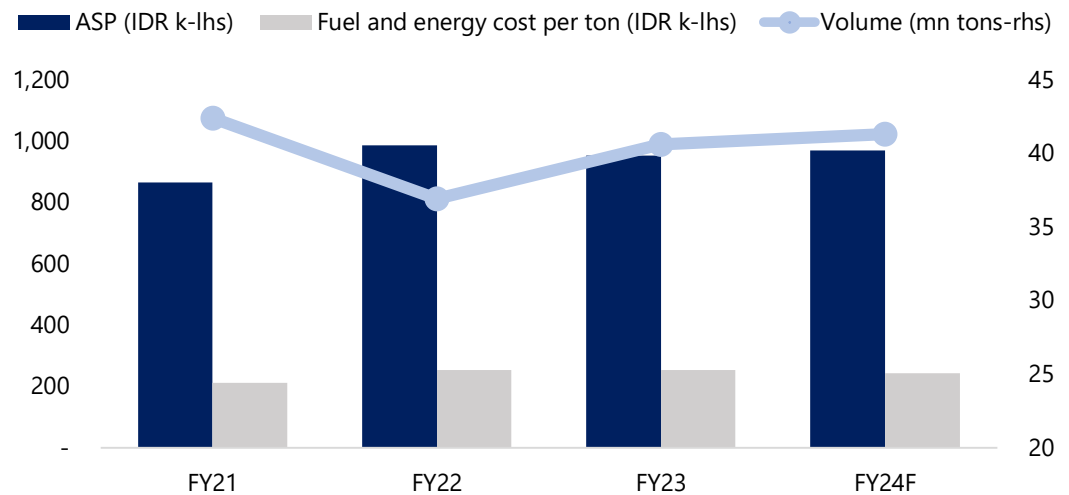
Sources : Bloomberg, MNCS Research

Exhibit 01. SMGR's FY23 net income results was below MNCS/consensus estimates

| | FY23 | FY22 | YoY | MNCS | Cons. | MNCS % | Cons.% |
|-------------------|-----------------|-----------------|--------------|-----------------|-----------------|---------------|--------------|
| Revenue | 38,651.4 | 36,378.6 | 6.2% | 38,565.4 | 38,679.4 | 100.2% | 99.9% |
| COGS | 28,474.4 | 31,953.7 | -10.9% | | | | |
| Op.Profit | 4,503.6 | 4,625.5 | -2.6% | 4,671.6 | 4,935.6 | 96.4% | 91.2% |
| Op. Margin | 11.7% | 12.7% | | | | | |
| PBT | 3,303.8 | 3,298.8 | 0.1% | 3,336.4 | 3,934.9 | 99.0% | 84.0% |
| Net Income | 2,170.5 | 2,364.8 | -8.2% | 2,527.6 | 2,807.5 | 85.9% | 77.3% |
| Net Margin | 5.6% | 6.5% | | | | | |

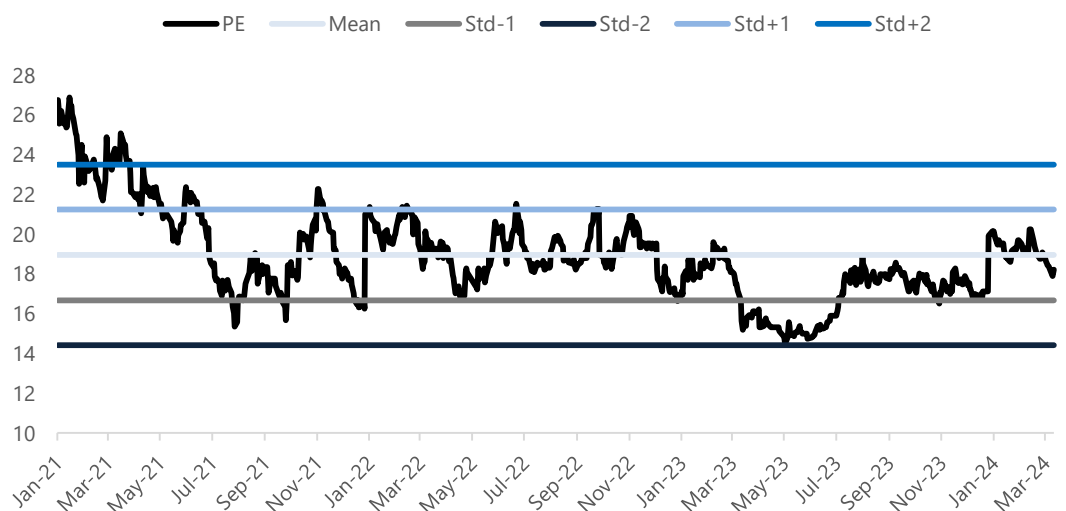
Sources : Company, Bloomberg, MNCS

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



Sources : Company, MNCS

Exhibit 03. SMGR's Currently Trading Near at -0.5 STD (5-Year Average) at 18.2x PE band



Sources : Bloomberg, MNCS

Exhibit 04. Financial Projections

| Income Statement | | | | | |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| in Billion IDR | FY21 | FY22 | FY23 | FY24E | FY25F |
| Revenue | 36,702.3 | 36,378.6 | 38,651.4 | 40,068.9 | 41,037.9 |
| COGS | (24,975.6) | (25,701.0) | (28,474.4) | (29,127.5) | (29,827.3) |
| Gross Profit | 11,726.7 | 10,677.6 | 10,177.0 | 10,941.4 | 11,210.6 |
| Selling Expense | (3,297.0) | (2,954.3) | (2,518.9) | (2,457.4) | (2,514.5) |
| G&A Expense | (3,193.5) | (3,154.2) | (3,345.7) | (3,412.4) | (3,542.1) |
| Operating Income | 5,236.1 | 4,569.1 | 4,312.4 | 5,071.6 | 5,154.0 |
| Finance Cost (Income) | (1,637.4) | (1,329.0) | (1,182.9) | (1,001.6) | (820.0) |
| Other income (Expense) | (61.1) | 58.7 | 174.3 | 6.9 | (7.4) |
| Profit Before Tax | 3,537.7 | 3,298.8 | 3,303.8 | 4,076.9 | 4,326.6 |
| Tax Income (Expense) | (1,420.5) | (799.8) | (1,008.2) | (1,174.6) | (1,246.5) |
| Minority Interest | (70.5) | (134.2) | (125.1) | (110.0) | (123.1) |
| Net Income | 2,046.7 | 2,364.8 | 2,170.5 | 2,792.3 | 2,957.0 |
| EPS (IDR) | 345.0 | 365.1 | 335.1 | 431.1 | 456.5 |

| Cash Flow | | | | | |
|-----------------------|------------------|------------------|------------------|------------------|------------------|
| in Billion IDR | FY21 | FY22 | FY23 | FY24E | FY25F |
| Net Income | 2,046.7 | 2,364.8 | 2,170.5 | 2,792.3 | 2,957.0 |
| D&A | 3,257.6 | 3,165.1 | 3,109.9 | 3,699.4 | 3,769.0 |
| Changes in WC | 1,196.0 | (351.5) | 210.3 | 2,097.8 | (17.7) |
| Change in others | (551.1) | 226.5 | (1,745.9) | (6.0) | (4.1) |
| Operating CF | 5,949.2 | 5,404.9 | 3,744.8 | 8,583.6 | 6,704.1 |
| Capex | (1,956.6) | (2,133.1) | (2,208.7) | (2,000.0) | (2,000.0) |
| Others | 10.9 | 1,896.8 | 1,838.1 | (43.2) | (29.5) |
| Investing CF | (1,945.6) | (236.3) | (370.7) | (2,043.2) | (2,029.5) |
| Dividend Paid | (1,116.9) | (1,024.1) | (1,655.4) | (2,233.9) | (2,069.9) |
| Net Change in Debt | (7,091.0) | (3,571.3) | (983.4) | (1,574.9) | (2,589.6) |
| Equity Fund Raised | 2,159.4 | 4,970.6 | 48.3 | (4,539.5) | - |
| Others | 1,730.7 | (2,491.6) | 148.8 | 16.5 | 11.3 |
| Financing CF | (4,317.8) | (2,116.3) | (2,441.7) | (8,331.8) | (4,648.2) |
| Cash at Beginning | 3,269.1 | 2,955.0 | 6,007.3 | 6,939.8 | 5,148.4 |
| Cash at Ending | 2,955.0 | 6,007.3 | 6,939.8 | 5,148.4 | 5,174.8 |

| Balance Sheet | | | | | |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| in Billion IDR | FY21 | FY22 | FY23 | FY24E | FY25F |
| Cash & Equivalents | 2,955.0 | 6,007.3 | 6,939.8 | 5,148.4 | 5,174.8 |
| Trade Receivables | 5,690.9 | 5,521.3 | 5,787.9 | 4,885.1 | 5,031.4 |
| Inventory | 4,848.5 | 5,610.2 | 5,133.7 | 5,147.2 | 5,291.3 |
| Others | 2,691.1 | 1,740.1 | 1,921.5 | 1,940.9 | 1,954.2 |
| Current Assets | 16,185.5 | 18,879.0 | 19,783.0 | 17,121.6 | 17,451.6 |
| Fixed Assets - net | 58,839.1 | 57,806.0 | 56,771.0 | 55,071.6 | 53,302.6 |
| Other | 6,741.7 | 6,275.0 | 5,266.5 | 5,309.7 | 5,339.3 |
| Non-Current Assets | 65,580.8 | 64,081.0 | 62,037.6 | 60,381.3 | 58,641.9 |
| TOTAL ASSETS | 81,766.3 | 82,960.0 | 81,820.5 | 77,503.0 | 76,093.5 |
| Trade Payables | 7,855.3 | 8,095.9 | 8,096.3 | 9,304.8 | 9,577.4 |
| Short-term Debt | 3,984.3 | 1,274.5 | 5,193.4 | 2,785.5 | 2,279.1 |
| Other | 2,792.6 | 3,690.6 | 2,821.9 | 2,835.4 | 2,844.5 |
| Current Liabilities | 14,632.2 | 13,061.0 | 16,111.7 | 14,925.7 | 14,701.0 |
| Long-term Debt | 16,388.3 | 15,526.9 | 10,624.5 | 11,457.5 | 9,374.3 |
| Other | 7,870.8 | 7,132.7 | 7,283.4 | 7,299.9 | 7,311.1 |
| LT-Liabilities | 24,259.1 | 22,659.6 | 17,907.9 | 18,757.3 | 16,685.4 |
| Total Equity | 42,875.0 | 47,239.4 | 47,801.0 | 43,820.0 | 44,707.0 |
| TOTAL LIA & EQUITY | 81,766.3 | 82,960.0 | 81,820.5 | 77,503.0 | 76,093.5 |

| Ratios | | | | | |
|-----------------------------|---------|---------|---------|---------|---------|
| | FY21 | FY22 | FY23 | FY24E | FY25F |
| Revenue Growth (%) | 4.4 | (0.9) | 6.2 | 3.7 | 2.4 |
| Operating Profit Growth (%) | (7.8) | (11.2) | (2.6) | 13.4 | 1.5 |
| Net Profit Growth (%) | (26.7) | 15.5 | (8.2) | 28.6 | 5.9 |
| Current Ratio (%) | 110.6 | 144.5 | 122.8 | 114.7 | 118.7 |
| Receivable Days (x) | 56.6 | 44.0 | 45.0 | 44.5 | 44.8 |
| Inventory Days (x) | 70.9 | 64.0 | 65.0 | 64.5 | 64.8 |
| Payable Days (x) | 114.8 | 117.0 | 118.0 | 116.6 | 117.2 |
| Net Gearing Ratio (x) | 0.4 | 0.2 | 0.2 | 0.2 | 0.1 |
| DER (x) | 0.5 | 0.4 | 0.3 | 0.3 | 0.3 |
| Interest Coverage (x) | 2.9 | 3.2 | 3.2 | 4.1 | 5.1 |
| Dividend Yield (%) | 3.2 | 2.7 | 4.4 | 5.9 | 5.5 |
| Gross Profit Margin (%) | 32.0 | 29.4 | 26.3 | 27.3 | 27.3 |
| Operating Profit Margin (%) | 14.2 | 12.7 | 11.7 | 12.7 | 12.6 |
| EBITDA Margin (%) | 23.1 | 21.4 | 19.7 | 22.0 | 21.8 |
| Net Income Margin (%) | 5.6 | 6.5 | 5.6 | 7.0 | 7.2 |
| BVPS (IDR) | 7,227.6 | 7,292.4 | 7,379.1 | 6,764.5 | 6,901.5 |

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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