



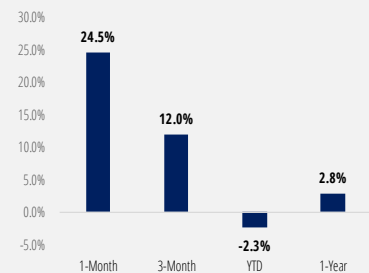
PT SEMEN INDONESIA, TBK.

Ticker: **SMGR**  
Last Price (27/11/20): **11,925**  
# Shares (million): **5,932**  
Market Cap (million rupiah): **70,733,376**

**RECOMMENDATION** **HOLD**  
12-Month Target Price **12,230**  
Upside Potential **2.6%**

**SHAREHOLDERS**  
Government of RI **51%**  
Public **49%**

**PRICE PERFORMANCE**



**SMGR vs. JCI (LAST ONE YEAR)**



**ANALYST**

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**EFFICIENCY MATTERS**

As of 9M20, SMGR posted a revenue of Rp25.6T (-8.9% Y/Y; 65.1% of 2020F estimate). We notice that despite ASP has slightly recovered in the 3Q20, it was not able to offset sluggish sales volume. EBITDA increased to Rp6.3T from Rp5.9T (+6.2% Y/Y), indicating that the efficiency efforts have been successful so far. SMGR's new profit stood at Rp1.5T (+19.1% Y/Y; 67.5% of 2020F estimate).

**CARRYING THE MARKET**

SMGR's YTD sales volume stood at 29.1 million tons, which declined by -2.9% (Y/Y) from 30 million tons in the same period last year. Despite the prolonged coronavirus pandemic, SMGR succeeded in maintaining its sales volume, better than that of industry at a contraction of -8.5% (Y/Y). However, if seen quarterly, 3Q20 sales volume only reached 11 million tons, down by -10% (Y/Y) from 12.2 million tons. The contraction is comparable to 3Q20 industry volume contraction at -9.7% (Y/Y). Going forward, we estimate SMGR's 12M20 sales volume change to align with the change in industry sales volume.

**STABLE MARGINS**

SMGR's 3Q20 GPM/EBITDA margin were recorded at 32.1%/24.4% vs. 2Q20 30%/21.7% vs. 1Q20 31.5%/23.6%: SMGR is seen to succeeded in taking advantage of decreasing raw material costs and enforcing efficiency efforts. In addition, the Company managed to decrease its finance expense to Rp553B in 3Q20 as a result of refinancing scheme and lower interest rates, which decreased the interest expenses from floating rate-based debts.

**PROTECTING THE TOP LINE**

According to our calculation, SMGR's 3Q20 ASP slightly rose by +1.7% (Q/Q) from 2Q20, albeit in the midst of tight competition, weak demand, and low industry utilization rate. Nevertheless, the increasing ASP is still lower than the ASP in 3Q19 by -8.0% (Y/Y). Next year, we expect ASP to improve, only if the pandemic ends, recovering purchasing power. In addition, the government's intention to increase infrastructure budget to Rp414T next year could become a catalyst for cement demand.

**VALUATION**

We maintain our BUY recommendation with 12-month target price of Rp12,230/share (previous TP: Rp12,230/share), which is based on EV/EBITDA target multiple of 11.7x near its 2-year average. We remain cautious on the possible weaker cement sales results going forward. TP reflects 12-month P/E and P/B of 24.5x and 2.0x, respectively.

Fiscal Year Ending	2018	2019	2020F	2021F	2022F
Revenues	30,688	40,368	39,341	41,296	42,831
EBITDA	6,506	8,833	8,165	8,552	8,855
Net Profit	3,079	2,392	2,286	3,005	3,044
EPS	519	403	385	507	513
BVPS	5,499	5,714	5,938	6,290	6,601
P/E (x)	23.0	29.6	30.9	23.5	23.2
P/B (x)	2.2	2.1	2.0	1.9	1.8
EV/EBITDA (x)	11.5	10.7	12.5	11.3	10.4

## APPENDIX

Figure A-1  
INCOME STATEMENT

in Billions Rp	2018	2019	2020F	2021F	2022F
Revenues	30,688	40,368	39,341	41,296	42,831
Cost of Revenues	(21,357)	(27,654)	(26,974)	(28,420)	(29,506)
Gross Profit	9,331	12,714	12,368	12,877	13,325
Operating Expenses	(4,557)	(6,621)	(6,373)	(6,607)	(6,853)
Others - Net of Expenses	107	92	197	310	321
<b>Operating Income</b>	<b>4,881</b>	<b>6,185</b>	<b>6,191</b>	<b>6,579</b>	<b>6,793</b>
Finance Income	182	218	201	122	239
Finance Cost	(959)	(3,205)	(3,341)	(2,674)	(2,955)
Equity in Net Earnings	2	(2)	49	47	50
<b>Pre-Tax Profit</b>	<b>4,105</b>	<b>3,196</b>	<b>3,099</b>	<b>4,074</b>	<b>4,127</b>
Income Tax	(1,019)	(825)	(775)	(1,019)	(1,032)
Minority Interest	7	(21)	39	51	52
<b>Net Profit</b>	<b>3,079</b>	<b>2,392</b>	<b>2,286</b>	<b>3,005</b>	<b>3,044</b>

Source: SMGR, MPIS Research

Figure A-2  
BALANCE SHEET

in Billions Rp	2018	2019	2020F	2021F	2022F
Cash and Cash Equivalents	5,254	4,018	2,441	4,788	7,012
Account Receivables	5,786	6,490	5,928	6,223	6,454
Inventories	3,544	4,642	4,508	4,750	5,255
Other Current Assets	1,506	1,509	1,574	1,652	1,713
<b>Current Assets</b>	<b>16,091</b>	<b>16,659</b>	<b>14,451</b>	<b>17,412</b>	<b>20,434</b>
Fixed Assets	32,392	56,602	53,879	51,201	48,574
Intangible Assets	1,085	4,260	11,059	10,942	10,804
Investment Properties	132	120	104	89	74
Other Non-Current Assets	1,084	2,167	2,164	2,271	2,356
<b>Non-Current Assets</b>	<b>34,693</b>	<b>63,149</b>	<b>67,206</b>	<b>64,504</b>	<b>61,808</b>
<b>Total Assets</b>	<b>50,784</b>	<b>79,807</b>	<b>81,657</b>	<b>81,916</b>	<b>82,242</b>
Account Payables	4,476	5,670	5,147	5,497	6,167
Short-term Loans	1,552	1,212	2,454	2,454	2,664
Current Maturities:	139	2,080	18,603	3,123	132
Other Current Liabilities	2,013	3,278	3,147	3,304	3,426
<b>Current Liabilities</b>	<b>8,180</b>	<b>12,240</b>	<b>29,352</b>	<b>14,377</b>	<b>12,389</b>
Long-term Loans	4,644	17,660	5,000	18,000	18,000
Bonds Payables	2,995	7,065	7,078	7,078	7,078
Finance Lease	273	24	371	383	409
Temporary Syirkah Funds	-	2,000	2,000	2,000	2,000
Non-Current Liabilities	2,076	6,925	2,636	2,767	3,212
<b>Non-Current Liabilities</b>	<b>9,989</b>	<b>33,675</b>	<b>17,084</b>	<b>30,228</b>	<b>30,699</b>
<b>Total Liabilities</b>	<b>18,169</b>	<b>45,915</b>	<b>46,436</b>	<b>44,605</b>	<b>43,089</b>
Capital Stock	593	593	593	593	593
Additional Paid-in Capital	1,458	1,458	1,458	1,458	1,458
Retained Earnings	28,614	29,774	31,103	33,194	35,035
Others	527	451	451	451	451
Minority Interest	1,423	1,615	1,615	1,615	1,615
<b>Total Equity</b>	<b>32,615</b>	<b>33,892</b>	<b>35,221</b>	<b>37,311</b>	<b>39,153</b>
<b>Total Liabilities &amp; Equity</b>	<b>50,784</b>	<b>79,807</b>	<b>81,657</b>	<b>81,916</b>	<b>82,242</b>

Source: SMGR, MPIS Research

Figure A-3  
CASH FLOW STATEMENTS

in Billions Rp	2018	2019	2020F	2021F	2022F
Net Profit	3,079	2,392	2,286	3,005	3,044
Depreciation	1,671	13,588	3,651	3,683	3,719
Changes in NWC	(1,103)	654	(22)	(109)	(5)
Others	199	3,766	(4,286)	23	361
<b>Operating Cash Flow</b>	<b>3,846</b>	<b>20,400</b>	<b>1,629</b>	<b>6,603</b>	<b>7,119</b>
Investments	(1,323)	(40,960)	(7,713)	(874)	(938)
<b>Investing Cash Flow</b>	<b>(1,323)</b>	<b>(40,960)</b>	<b>(7,713)</b>	<b>(874)</b>	<b>(938)</b>
Changes in Debt	(417)	18,439	5,464	(2,468)	(2,755)
Changes in Equity	296	116	-	-	-
Dividends	(806)	(1,232)	(957)	(914)	(1,202)
Others	0	-	-	-	-
<b>Financing Cash Flow</b>	<b>(927)</b>	<b>17,324</b>	<b>4,507</b>	<b>(3,382)</b>	<b>(3,956)</b>
<b>Changes in Cash</b>	<b>1,596</b>	<b>(3,237)</b>	<b>(1,577)</b>	<b>2,347</b>	<b>2,224</b>

Source: SMGR, MPIS Research

Figure A-4  
RESULT COMPARISON

(Rp Billions)	3Q19	2Q20	3Q20	Q/Q	Y/Y	9M19	9M20	Y/Y	2020F	% of forecast
Revenues	11,772	7,446	9,599	28.9%	-18.5%	28,123	25,625	-8.9%	39,341	65.1%
Cost of Revenues	(7,961)	(5,338)	(6,181)	15.8%	-22.4%	(19,647)	(17,394)	-11.5%		
<b>Gross Profit</b>	<b>3,811</b>	<b>2,108</b>	<b>3,418</b>	<b>62.1%</b>	<b>-10.3%</b>	<b>8,476</b>	<b>8,231</b>	<b>-2.9%</b>	<b>12,368</b>	<b>66.6%</b>
Operating Expense	(1,957)	(1,176)	(1,582)	34.6%	-19.2%	(4,581)	(4,305)	-6.0%		
Others	107	(90)	(1)		-101.1%	116	26	-77.3%		
<b>Operating Income</b>	<b>1,961</b>	<b>843</b>	<b>1,835</b>	<b>117.8%</b>	<b>-6.4%</b>	<b>4,011</b>	<b>3,952</b>	<b>-1.5%</b>	<b>6,191</b>	<b>63.8%</b>
Financial Income	34	73	21	-71.0%	-37.2%	165	151	-8.4%		
Finance Costs	(875)	(596)	(553)	-7.2%	-36.8%	(2,380)	(1,758)	-26.1%		
Equity Net Profit	(0)	(5)	(23)	396.3%	33678.4%	(0)	(36)	7793.8%		
<b>Pre-tax Income</b>	<b>1,119</b>	<b>315</b>	<b>1,280</b>	<b>306.3%</b>	<b>14.4%</b>	<b>1,796</b>	<b>2,309</b>	<b>28.6%</b>	<b>3,099</b>	<b>74.5%</b>
Taxes	(314)	(134)	(345)	157.4%	10.1%	(509)	(768)	50.7%		
Minority Interest	(4)	15	6	-61.9%	-226.3%	(8)	(1)	-92.1%		
<b>Net Income</b>	<b>810</b>	<b>166</b>	<b>929</b>	<b>459.8%</b>	<b>14.7%</b>	<b>1,295</b>	<b>1,542</b>	<b>19.1%</b>	<b>2,286</b>	<b>67.5%</b>

Source: SMGR, MPIS Research

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