

# Semen Indonesia Tbk (SMGR IJ)

## Ekspor Perlu Digenjot

Kinerja SMGR secara kuartalan masih mencatatkan kenaikan tetapi secara periode tahunan di 9M19 masih mencatatkan hasil yang lebih rendah dibandingkan 9M18. Walaupun pendapatan 9M19 meningkat, beban keuangan yang melonjak menekan laba bersih SMGR. Ekspor harus digenjot oleh SMGR di tengah konsumsi domestik yang terus menurun.

### Pelemahan Kinerja Masih Terjadi

Pada 9M19, SMGR berhasil mencatatkan pendapatan sebesar Rp28,1 triliun (+31,1% YoY) walaupun volume penjualan hanya mencatatkan 22,7 juta ton (-3% YoY). Kinerja 9M19 ditopang oleh kenaikan *blended* ASP (+47,1% YoY). Namun, beban keuangan SMGR melonjak menjadi Rp2,3 triliun (+235,5% YoY) akibat proses *re-profiling* utang yang dilakukan usai akuisisi SMCB. Beban keuangan yang membengkak merupakan faktor utama yang menggerus laba bersih SMGR menjadi Rp1,2 triliun (-38,3% YoY).

### Potensi Peningkatan Margin

SMGR berhasil membukukan peningkatan margin pada 3Q19, dengan GPM di level 32,4% (vs. 29,8% pada 2Q19), OPM di level 16,7% (vs. 11,7% pada 2Q19), dan NPM di level 6,8% (vs. 3,0% pada 2Q19). Kenaikan tersebut masih berpotensi meningkat lebih besar pada 4Q19 yang ditopang oleh peningkatan ASP, penurunan harga batu bara dunia, dan nilai Rupiah yang relatif stabil.

### Ekspor Masih Bisa Digenjot

Nilai Rupiah yang relatif stabil juga berdampak positif bagi pendapatan dari ekspor yang saat ini berkontribusi 6,7% bagi pendapatan SMGR. Jika melihat kinerja 2Q18, SMGR mampu menggenjot ekspor mencapai 13,7%. Ekspor ke negara seperti Tiongkok dan Filipina masih memiliki potensi untuk ditingkatkan melalui produk TLCC di Vietnam sehingga dampak dari penurunan konsumsi di pasar domestik dapat diperkecil. Kami memproyeksi pada 2019F, SMGR masih mampu membukukan pendapatan sebesar Rp38,7 triliun dan pendapatan 9M19 sudah mencapai 72,6% dari target kami.

### Mempertahankan Rating HOLD dengan Target Harga Rp14.300

Kami meyakini kinerja SMGR masih akan melemah, setidaknya hingga akhir tahun karena beberapa faktor seperti: 1) kondisi pasar semen di Indonesia yang *oversupply*; 2) proyek pembangunan properti yang menyerap hampir 70% produk semen masih akan lesu; 3) pemotongan suku bunga bersama relaksasi LTV belum mampu meningkatkan daya beli di sektor properti; dan 4) efisiensi biaya yang belum maksimal. Berdasarkan faktor tersebut, kami mempertahankan rekomendasi HOLD dengan target harga lebih tinggi di level Rp14.300 atau potensi *upside* 11,5% berdasarkan estimasi yang menggunakan metode *forward P/E* 27,5x (+0,5 SD). Saat ini, SMGR diperdagangkan dengan *P/E* 2019F 40,7x.

### Semen Indonesia Tbk | Summary

	2018A	2019F	2020F	2021F
Sales	30,688	38,758	39,955	40,754
Growth (%)	10.3%	26.3%	3.1%	2.0%
EBITDA	6,570	7,862	8,950	9,400
Net Profit	3,086	2,025	2,754	3,088
EPS (IDR)	520	341	464	521
Growth (%)	51.0%	-34.4%	35.9%	12.1%
P/E	22.6x	40.7x	31.2x	29.2x
P/BV	2.1x	2.5x	2.4x	2.4x
EV/EBITDA	11.6x	12.7x	12.0x	11.9x
ROE (%)	9.8%	6.1%	8.0%	8.5%
DER (%)	30.1%	66.0%	29.4%	35.7%
Net Debt	4,415	5,943	8,105	8,138

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

### Company Update | Nov 11, 2019

## Hold

Dec 2020 TP (IDR)	14,300
Consensus Price (IDR)	14,327
TP to Consensus Price	-0.2%
vs. Last Price	+11.5%

### Shares data

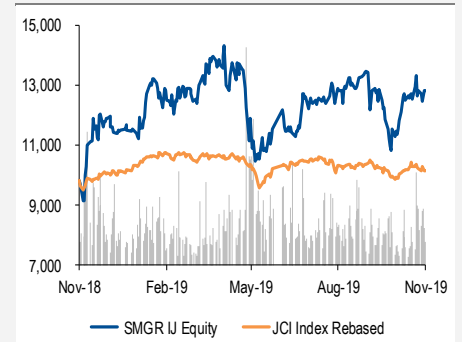
Last Price (IDR)	12,825
Price Date as of	Nov 8, 2019
52 wk Range (Hi/Lo)	14,450 / 9,000
Free Float (%)	48.9
Outstanding sh.(mn)	5,932
Market Cap (IDR bn)	71,327
Market Cap (USD mn)	4,977
Avg. Trd Vol - 3M (mn)	6.8
Avg. Trd Val - 3M (bn)	67.4
Foreign Ownership	25.8%

### Basic Industry

#### Cement

Bloomberg	SMGR IJ
Reuters	SMGR.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	11.8%	12.0%	-0.6%	31.9%
Rel. Ret.	11.8%	9.7%	1.0%	27.9%

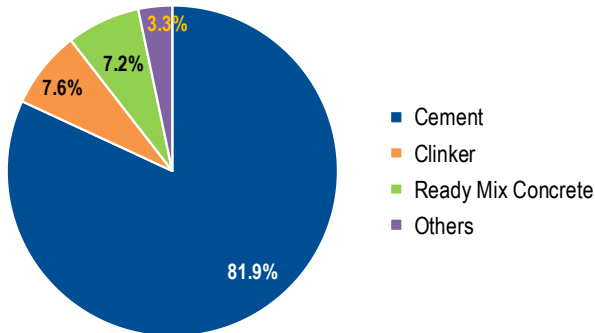
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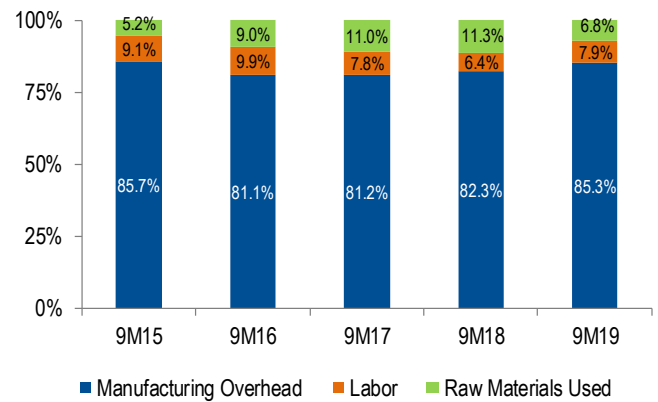
## Performance Highlights in Chart

9M19 Revenue Breakdown



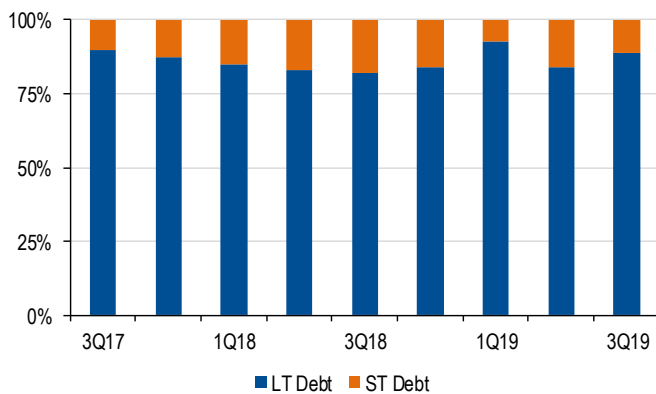
Source: Company Data, NHKS Research

9M19 Manufacturing Cost Breakdown



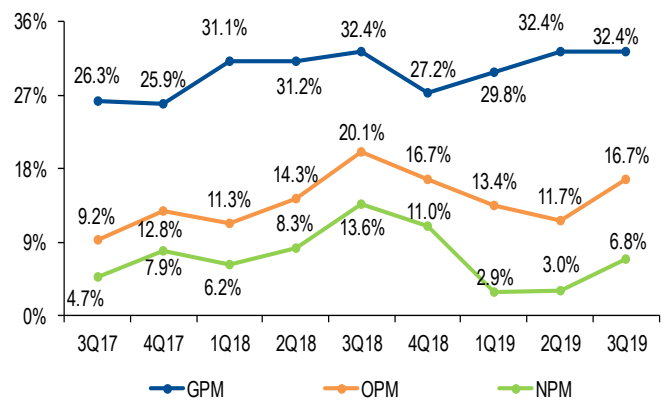
Source: Company Data, NHKS Research

Debt Portion



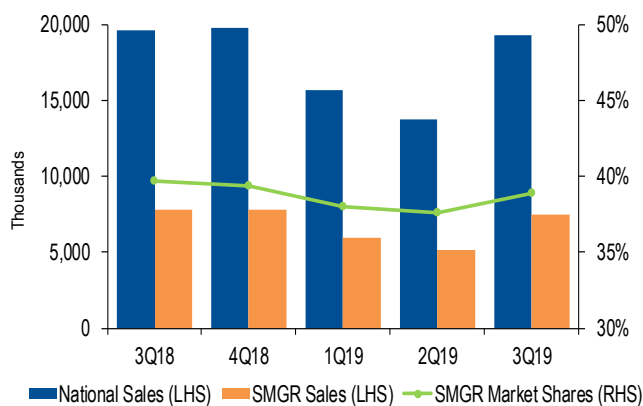
Source: Company Data, NHKS Research

Margin Ratios



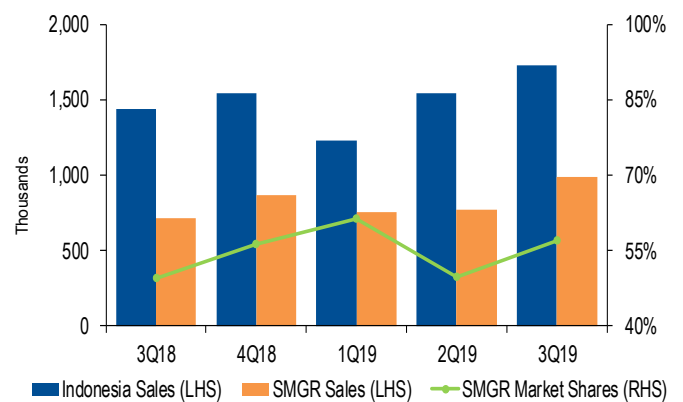
Source: Company Data, NHKS Research

Domestic Sales Volume (Tons) & Market Share



Source: Company Data, NHKS Research

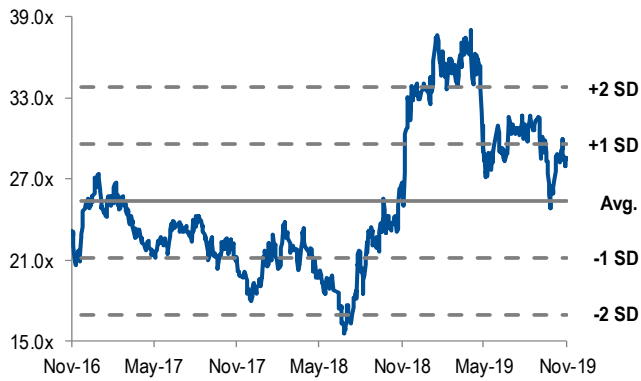
Export Sales Volume (Tons) & Market Share



Source: Company Data, NHKS Research

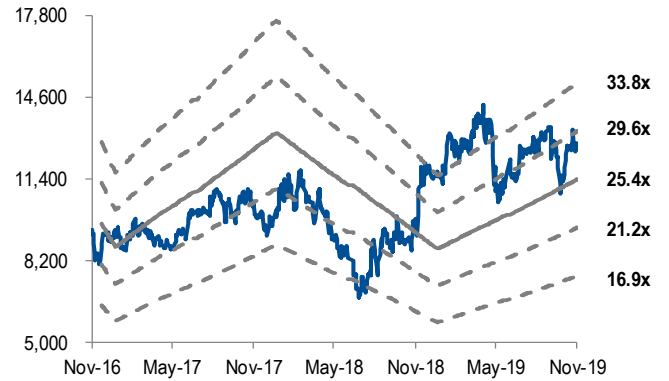
### Valuation Highlights in Chart

3-Year Forward P/E Band



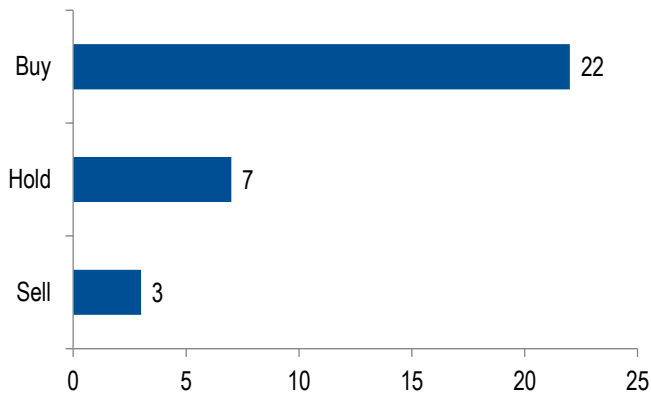
Source: Bloomberg, NHKS Research

3-Year Dynamic Forward P/E Band



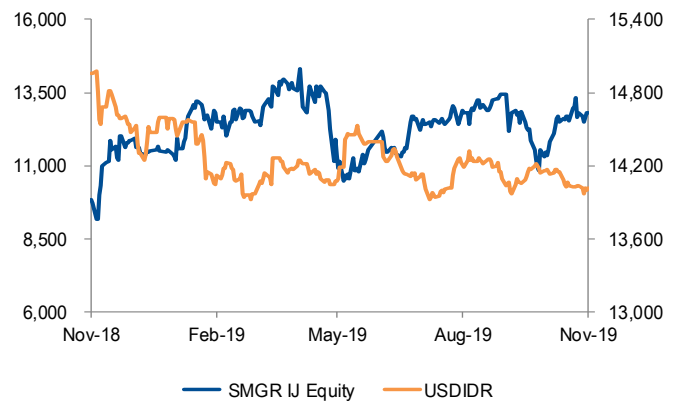
Source: Bloomberg, NHKS Research

Recommendations by Analysts



Source: Bloomberg, NHKS Research

Stock and USDIDR Correlated Negatively



Source: Bloomberg, NHKS Research

## Quarterly Review

	3Q18	4Q18	1Q19	2Q19	3Q19					4Q19E
					Actual	Estimate	Y-Y	Q-Q	Surprise	
<b>Income statement</b>										
Sales	8,147	9,232	8,127	8,224	11,772	8,224	44.5%	43.1%	43.1%	10,635
Gross Profit	2,541	2,991	2,214	2,451	3,811	2,451	50.0%	55.5%	55.5%	3,443
EBIT	1,635	1,545	1,092	958	1,961	958	19.9%	104.6%	104.6%	1,811
EBITDA	2,082	1,895	1,589	1,973	2,725	1,973	30.9%	76.8%	38.1%	2,008
Net Profit	1,104	1,016	238	243	806	243	-27.0%	231.7%	231.7%	739
<b>Margin</b>										
Gross Margin	31.2%	32.4%	27.2%	29.8%	32.4%	29.8%	1.2%	2.6%	2.6%	32.4%
EBIT Margin	20.1%	16.7%	13.4%	11.7%	16.7%	11.7%	-3.4%	5.0%	5.0%	17.0%
EBITDA Margin	25.6%	20.5%	19.6%	24.0%	23.1%	24.0%	-2.4%	4.4%	-0.8%	18.9%
Net Profit Margin	13.6%	11.0%	2.9%	3.0%	6.8%	3.0%	-6.7%	3.9%	3.9%	6.9%

Unit: IDR bn, %

Source: Company Data, NHKS Research

## Earnings Revision

		2019F	2020F	2021F
<b>Income Statement</b>				
Sales	-Revised	38,758	39,955	40,754
	-Previous	33,236	34,478	36,891
	-Change	16.6%	15.9%	10.5%
Gross Profit	-Revised	11,919	12,286	12,532
	-Previous	9,695	10,271	10,990
	-Change	22.9%	19.6%	14.0%
EBIT	-Revised	5,822	6,465	6,595
	-Previous	5,018	5,266	5,627
	-Change	16.0%	22.8%	17.2%
EBITDA	-Revised	7,862	8,950	9,400
	-Previous	7,059	7,299	7,713
	-Change	11.4%	22.6%	21.9%
Net Profit	-Revised	2,025	2,754	3,088
	-Previous	2,541	3,266	3,520
	-Change	7.6%	9.5%	9.5%
<b>Margin</b>				
Gross Margin	-Revised	30.8%	30.7%	30.7%
	-Previous	29.2%	29.8%	29.8%
EBIT Margin	-Revised	15.0%	16.2%	16.2%
	-Previous	15.1%	15.3%	15.3%
EBITDA Margin	-Revised	20.3%	22.4%	23.1%
	-Previous	21.2%	21.2%	20.9%
Net Profit Margin	-Revised	5.2%	6.9%	7.6%
	-Previous	7.6%	9.5%	9.5%

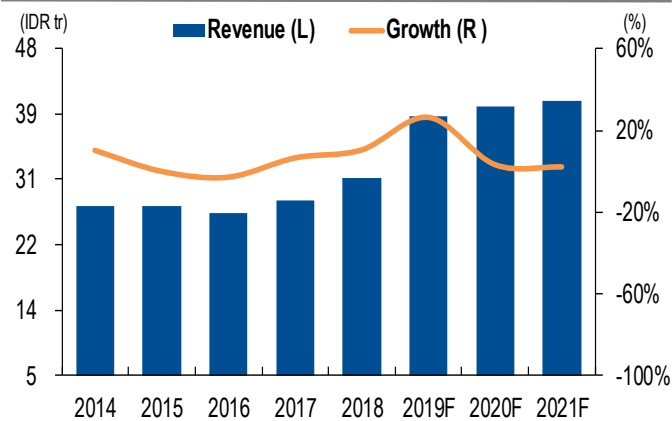
Unit: IDR bn, %

Source: Company Data, NHKS Research

## Company Overview

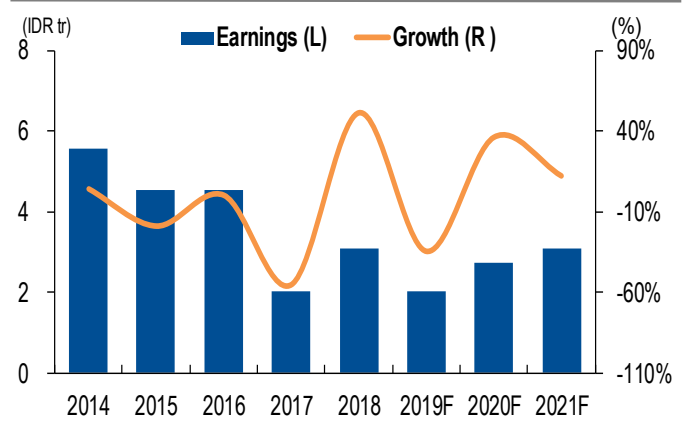
- PT Semen Indonesia (Persero) Tbk merupakan perusahaan BUMN yang bergerak di bidang industri bahan bangunan dengan semen sebagai produk utama. Perusahaan didirikan pada 1957 di Gresik dan jmenjadi perusahaan BUMN pertama yang *go public*.
- Sampai akhir tahun 2018, perusahaan memiliki dan mengoperasikan 5 pabrik semen terintegrasi di Indarung (Sumatera Barat), Tuban (Jawa Timur), Pangkep (Sulawesi Selatan), Rembang (Jawa Tengah), dan Quan Ninh (Vietnam).
- Perusahaan memiliki 4 merek produk unggulan yang tersebar di pasar domestik dan mancanegara, yaitu Semen Gresik, Semen Padang, Semen Tonasa, dan Thai Long Cement.
- Pada 31 Januari 2019, PT Semen Indonesia (Persero) Tbk melalui anak usahanya PT Semen Indonesia Indstri Bangunan resmi mengakuisisi 80,6% kepemilikan saham Holderfin B.V. di PT Holcim Indonesia Tbk.
- PT Holcim Indonesia Tbk saat ini telah menjadi anak usaha dan berganti nama menjadi PT Solusi Bangun Indonesia Tbk.

### Revenue and Growth Movement



Source: Company Data, NHKS Research

### Earnings and Growth Movement



Source: Company Data, NHKS Research

### Asia Pacific Companies Peers Analysis

	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Profit Margin	ROE LTM	P/E LTM	P/BV
<b>Indonesia</b>									
SEMEN INDONESIA TBK	5,365	3,546	2,608	160	-13.4%	6.1%	7.5%	33.0x	2.4x
INDOCEMENT TUNGGAL PRAKARSA TBK	5,362	1,926	1,101	119	59.1%	10.8%	7.6%	44.2x	3.4x
SOLUSI BANGUN INDONESIA TBK	720	1,294	750	-4	91.4%	-0.6%	-1.0%	N/A	1.5x
SEMEN BATURAJA TBK	396	384	143	4	-27.6%	2.8%	1.7%	97.7x	1.6x
<b>Malaysia</b>									
CAHYA MATA SARAWAK BHD	606	1,015	431	53	14.6%	12.2%	8.8%	11.5x	1.0x
<b>Thailand</b>									
SIAM CITY CEMENT PUB CO LTD	2,141	2,461	1,479	93	-6.0%	6.3%	8.6%	22.0x	2.0x
<b>Philippines</b>									
HOLCIM PHILIPPINES INC	1,857	901	612	51	34.7%	8.4%	11.2%	35.0x	3.6x
<b>China</b>									
ANHUI CONCH CEMENT CO LTD-H	32,856	21,741	23,472	4,787	23.0%	20.4%	28.5%	7.0x	1.8x
CHINA NATIONAL BUILDING MA-H	7,779	63,507	34,561	1,633	37.9%	4.7%	14.0%	5.4x	0.7x
HUAXIN CEMENT CO LTD-B	5,248	4,821	4,494	962	49.0%	21.4%	38.1%	4.2x	1.4x
<b>India</b>									
ULTRATECH CEMENT LTD	16,773	9,309	5,261	348	9.6%	6.6%	8.9%	46.7x	4.0x
SHREE CEMENT LTD	9,757	2,235	1,796	144	-27.3%	8.0%	10.8%	69.2x	7.2x
AMBUJA CEMENTS LTD	5,628	5,358	3,810	319	43.6%	8.3%	10.1%	18.4x	1.8x

Unit: USD mn, %, X

Source: Bloomberg, NHKS Research

## Summary of Financials

### INCOME STATEMENT

(IDR bn)	2018/12A	2019/12F	2020/12F	2021/12F
<b>Sales</b>	<b>30,688</b>	<b>38,758</b>	<b>39,955</b>	<b>40,754</b>
Growth	10.3%	26.3%	3.1%	2.0%
COGS	(21,357)	(26,839)	(27,669)	(28,223)
<b>Gross Profit</b>	<b>9,331</b>	<b>11,919</b>	<b>12,286</b>	<b>12,532</b>
Gross Margin	30.4%	30.8%	30.7%	30.7%
Operating Expenses	(4,450)	(6,097)	(5,821)	(5,936)
<b>EBIT</b>	<b>4,881</b>	<b>5,822</b>	<b>6,465</b>	<b>6,596</b>
EBIT Margin	15.9%	15.0%	16.2%	16.2%
Depreciation	(1,690)	(2,040)	(2,486)	(2,804)
<b>EBITDA</b>	<b>6,570</b>	<b>7,862</b>	<b>8,950</b>	<b>9,400</b>
EBITDA Margin	21.4%	20.3%	22.4%	23.1%
Interest Expenses	(959)	(3,272)	(3,079)	(2,762)
<b>EBT</b>	<b>4,105</b>	<b>2,748</b>	<b>3,734</b>	<b>4,187</b>
Income Tax	(1,019)	(719)	(978)	(1,096)
Minority Interest	7	(11)	(3)	(3)
<b>Net Profit</b>	<b>3,086</b>	<b>2,025</b>	<b>2,754</b>	<b>3,088</b>
Growth	51.0%	-34.4%	35.9%	12.1%
Net Profit Margin	10.1%	5.2%	6.9%	7.6%

### PROFITABILITY & STABILITY

	2018/12A	2019/12F	2020/12F	2021/12F
ROE	9.8%	6.1%	8.0%	8.5%
ROA	6.2%	3.4%	3.9%	4.0%
ROIC	13.8%	9.8%	9.9%	9.1%
Cash Dividend (IDR bn)	806	1,234	810	1,102
Dividend Yield	1.2%	1.5%	0.9%	1.2%
Payout Ratio	26.1%	60.9%	29.4%	35.7%
DER	30.1%	66.0%	74.6%	71.7%
Net Gearing	33.8%	74.0%	83.1%	79.5%
LT Debt to Equity	25.4%	54.4%	62.5%	59.2%
Capitalization Ratio	23.2%	39.8%	42.7%	41.8%
Equity Ratio	64.0%	48.7%	48.5%	46.6%
Debt Ratio	19.3%	32.1%	36.2%	33.4%
Financial Leverage	158.5%	181.1%	205.8%	210.5%
Current Ratio	195.1%	89.9%	81.8%	84.3%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	5,932	5,932	5,932	5,932
Share Price (IDR)	11,500	13,900	14,500	15,210
Market Cap (IDR tn)	68.2	82.4	86.0	90.2

### BALANCE SHEET

(IDR bn)	2018/12A	2019/12F	2020/12F	2021/12F
Cash	5,277	6,630	6,917	7,203
Receivables	5,786	7,692	6,203	7,970
Inventories	3,544	5,542	3,825	5,730
<b>Total Current Assets</b>	<b>16,008</b>	<b>21,571</b>	<b>19,870</b>	<b>25,053</b>
Net Fixed Assets	32,749	44,193	50,166	52,354
Other Non Current Assets	1,056	1,547	1,505	1,571
<b>Total Assets</b>	<b>51,156</b>	<b>68,674</b>	<b>72,954</b>	<b>80,371</b>
Payables	4,476	7,341	4,842	7,584
Other Liabilities	2,003	3,285	3,785	5,929
LT Debt	8,140	8,694	10,755	10,647
<b>Total Liabilities</b>	<b>18,420</b>	<b>35,253</b>	<b>37,559</b>	<b>42,944</b>
Capital Stock	593	593	593	593
Retained Earnings	28,614	29,228	31,171	33,158
<b>Shareholders' Equity</b>	<b>32,736</b>	<b>33,421</b>	<b>35,395</b>	<b>37,428</b>

### VALUATION INDEX

	2018/12A	2019/12F	2020/12F	2021/12F
Price/Earnings	22.1x	40.7x	31.2x	29.2x
Price/Book Value	2.1x	2.5x	2.4x	2.4x
Price/Sales	2.2x	2.1x	2.2x	2.2x
PE/EPS Growth	0.0x	-0.1x	0.1x	0.2x
EV/EBITDA	11.3x	12.7x	12.0x	11.9x
EV/EBIT	15.2x	17.1x	16.6x	16.9x
EV (IDR bn)	74,344	99,488	107,132	111,530
Sales CAGR (3-Yr)	4.4%	14.0%	12.8%	9.9%
EPS CAGR (3-Yr)	8.0%	-0.3%	-3.7%	15.1%
Basic EPS (IDR)	520	341	464	521
Diluted EPS (IDR)	520	341	464	521
BVPS (IDR)	5,519	5,635	5,967	6,310
Sales PS (IDR)	5,174	6,534	6,736	6,871
DPS (IDR)	135.8	208.1	136.6	185.7

### CASH FLOW STATEMENT

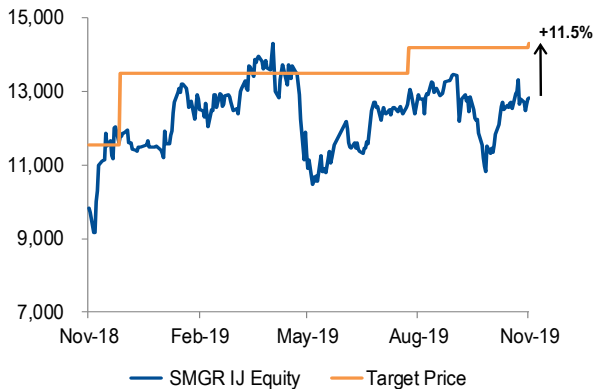
(IDR bn)	2018/12A	2019/12F	2020/12F	2021/12F
Operating Cash Flow	4,462	4,066	5,239	5,893
Investing Cash Flow	(1,790)	(13,745)	(8,519)	(4,984)
Financing Cash Flow	(1,065)	11,032	3,567	(623)
<b>Net Changes in Cash</b>	<b>1,608</b>	<b>1,353</b>	<b>287</b>	<b>286</b>

### TOP OWNERSHIP

By Geography	% Shareholders	%
Indonesia	78.2	Rep. of Indonesia 51.0
United States	9.9	Vanguard Group Inc 1.8
Luxembourg	4.6	Lazard Ltd 1.5
Ireland	1.7	Blackrock 1.4

Source: Company Data, NHKS Research

## Closing and target price update



Source: Bloomberg, NHKS Research

## Rating and target price update

Date	Rating	Target price	Consensus
2017.08.03	Hold	IDR11,900	IDR9,969
2017.12.04	Buy	IDR11,550	IDR10,771
2018.12.04	Hold	IDR13,500	IDR12,025
2019.08.02	Hold	IDR14,200	IDR13,699
2019.11.11	Hold	IDR14,300	IDR14,327

Source: NHKS Research

## NHKS stock ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Buy: greater than +15%, Hold: -15% to +15%, Sell: less than -15%.
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