

Semen Indonesia Tbk (SMGR)

Tantangan Menciptakan Sinergi

Company Report | Dec 05, 2018

Hold

Dec 2019 TP (IDR)	13,500
Consensus Price (IDR)	12,025
TP to Consensus Price	+12.3%
vs. Last Price	+14.6%

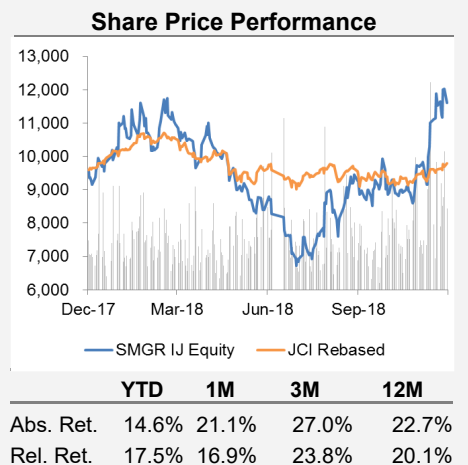
Shares data

Last Price (IDR)	11,775
Price date as of	Dec 04, 2018
52 wk range (Hi/Lo)	12,225/6,500
Free float (%)	48,99
Outstanding sh.(mn)	5,932
Market Cap (IDR bn)	71,327
Market Cap (USD mn)	4,977
Avg. Trd Vol - 3M (mn)	6.89
Avg. Trd Val - 3M (bn)	67.37
Foreign Ownership	25.8%

Basic Industry

Cement

Bloomberg	SMGR.IJ
Reuters	SMGR.JK



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Peningkatan Performa 3Q18

Pada periode 3Q18, penjualan dan laba bersih SMGR membumbung menjadi Rp8,15 triliun (+21,8% q-q) dan Rp1,1 triliun(+99,3% q-q). Prestasi ini disumbang oleh **kenaikan volume penjualan semen** sebesar 25% q-q menjadi 9,1 juta ton dan **penurunan biaya penjualan sebesar 48% q-q**. Melihat trend peningkatan volume penjualan sebesar 9,7% m-m dan 7,8% y-y pada Oktober, kami percaya SMGR akan menutup 2018 dengan performa cemerlang.

Akuisisi Penuh Tantangan

SMGR mengakuisisi 80,6% saham PT Holcim Indonesia Tbk (SMCB) dari kepemilikan LafargeHolcim senilai USD917 juta. Untuk membiayai akuisisi ini, SMGR mengambil fasilitas pinjaman sebesar US\$1,28 miliar. Akuisisi ini diprediksi akan memperkuat posisi SMGR sebagai pemimpin pasar.

Pada 9M18, SMCB masih membukukan kerugian senilai Rp 630 miliar dan mencatatkan utang senilai Rp8,6 triliun (1,33x DER). Hal ini akan memberatkan performa keuangan konsolidasi SMGR FY19. Di tengah kondisi *over-supply*, SMGR akan berhadapan dengan tantangan: perbaikan **performa anak usaha untuk menciptakan sinergi** dan **kewajiban membayar beban bunga serta pokok utang**.

Target Harga Rp13.500

Kami menggunakan estimasi *forward* P/E 2019E sebesar 19,9x (rata-rata 3 tahun) sebagai basis untuk memperoleh target harga Desember 2019. Target harga ini mengimplikasikan P/E 2018E sebesar 26,2x. Saat ini, SMGR diperdagangkan pada P/E 2018/E sebesar 26,6x.

Semen Indonesia Tbk | Summary (IDR bn)

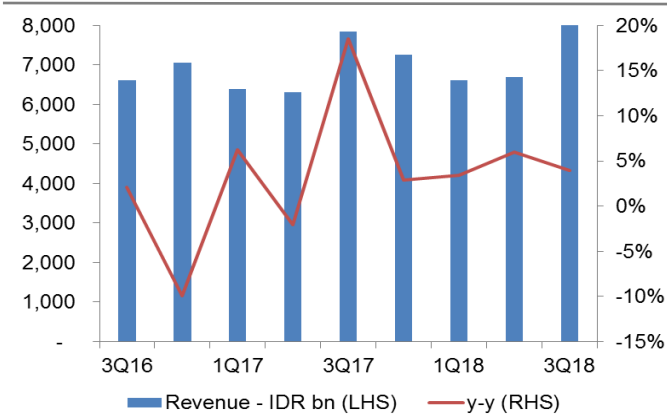
	2017	2018E	2019E	2020E
Sales	27,814	29,743	41,722	44,642
<i>Sales growth</i>	6.4%	6.9%	40.3%	7.0%
EBITDA	5,384	6,708	9,279	10,553
Net Profit	2,043	3,005	3,051	4,022
EPS (IDR)	344	507	514	678
<i>EPS growth</i>	-55.0%	47.1%	1.5%	31.8%
BVPS (IDR)	5,132	5,492	6,029	6,491
EBITDA margin	19.4%	22.6%	22.2%	23.6%
NPM	7.3%	10.1%	7.3%	9.0%
ROE	6.7%	9.5%	8.9%	10.8%
ROA	4.4%	6.0%	4.8%	5.4%
ROIC	9.3%	13.6%	8.4%	11.4%
P/E	28.7x	23.2x	22.9x	17.4x
P/BV	1.9x	2.1x	2.0x	1.8x
EV/EBITDA	12.4x	11.4x	10.4x	8.8x
DPS (IDR)	305	136	203	210
<i>Dividend yield</i>	3.1%	1.2%	1.7%	1.8%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

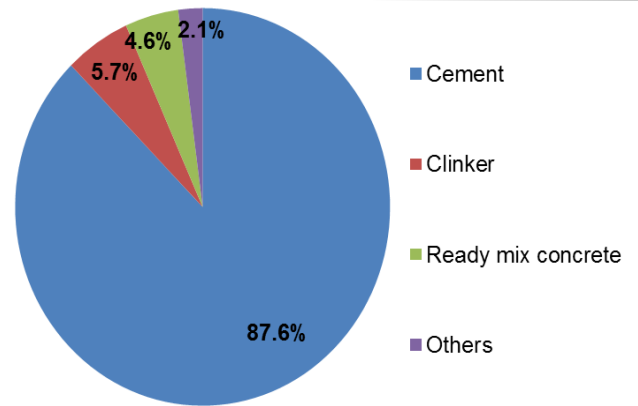
Performance Highlights

SMGR Revenue and Growth | 3Q16 - 3Q18



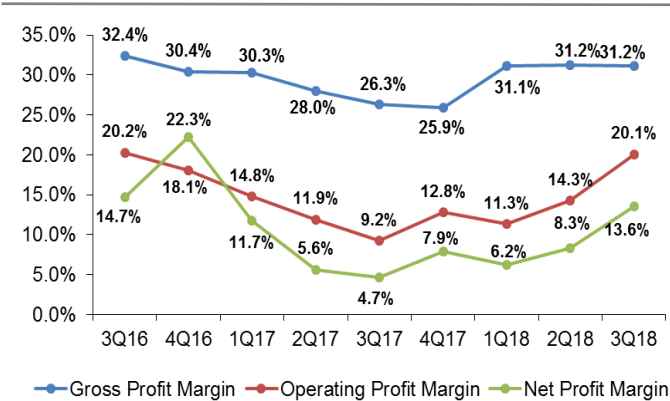
Source: Company, NHKS Research

Revenue (Third Parties) Breakdown | 9M18



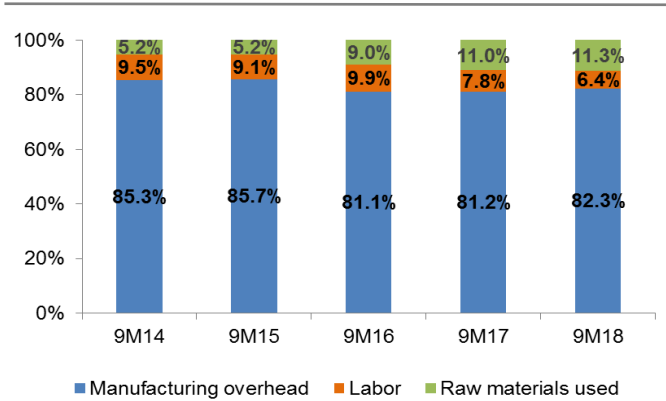
Source: Company, NHKS Research

Margin Ratio | 3Q16 - 3Q18



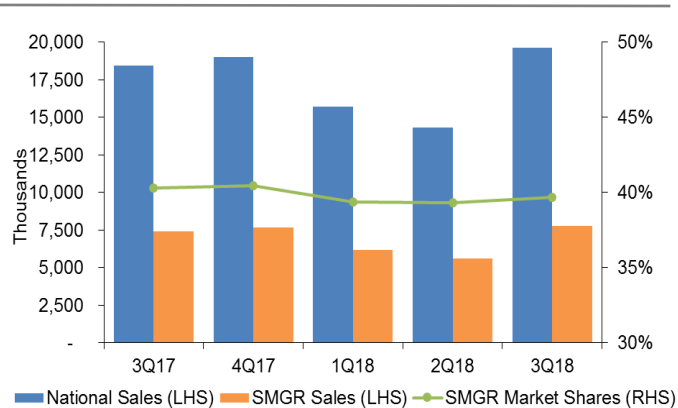
Source: Company, NHKS Research

Manufacturing Cost Breakdown | 9M14 - 9M18



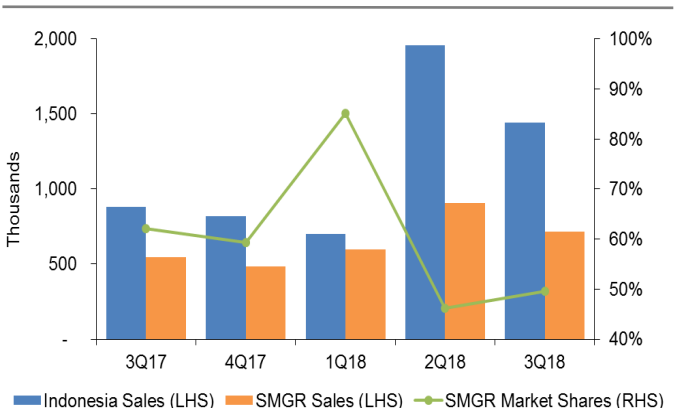
Source: Company, NHKS Research

Domestic Sales Volume (Tons) & Market share



Source: ASI, NHKS Research

Export Sales Volume (Tons) & Market Shares



Source: ASI, NHKS Research

3Q18 review (IDR bn)

	3Q17	4Q17	1Q18	2Q18	3Q18			4Q18E
					Actual	y-y	q-q	
Sales	7,838	7,262	6,618	6,691	8,147	3.9%	21.8%	8,288
Gross Profit	2,192	1,911	1,717	2,082	2,541	15.9%	22.0%	2,584
<i>Gross Margin</i>	28.0%	26.3%	25.9%	31.1%	31.2%	3.2%	0.1%	31.2%
EBIT	722	928	747	954	1,635	126.6%	71.4%	1,471
<i>EBIT Margin</i>	9.2%	12.8%	11.3%	14.3%	20.1%	10.9%	5.8%	17.7%
EBITDA	1,300	1,436	1,191	1,403	2,082	60.1%	48.4%	2,032
<i>EBIT Margin</i>	16.6%	19.8%	18.0%	21.0%	25.6%	9.0%	4.6%	24.5%
Net Profit	366	572	411	554	1,104	201.7%	99.3%	936
<i>Net Margin</i>	4.7%	7.9%	6.2%	8.3%	13.6%	8.9%	5.3%	11.3%

Source: Bloomberg, NHKS research

Earnings revision (IDR bn)

		2018E	2019F	2020F
Sales	Revised	29,743	41,722	44,642
	Previous	28,353	28,537	32,548
	Change	4.9%	46.2%	37.2%
Gross Profit	Revised	8,923	12,149	13,393
	Previous	10,012	10,043	11,258
	Change	-10.9%	21.0%	19.0%
Gross Margin	Revised	30.0%	29.1%	30.0%
	Previous	35.3%	35.2%	34.6%
	Change			
EBIT	Revised	4,807	6,264	7,175
	Previous	4,986	4,997	5,264
	Change	-3.6%	25.4%	36.3%
EBIT Margin	Revised	16.2%	15.0%	16.1%
	Previous	17.6%	17.5%	16.2%
	Change			
EBITDA	Revised	6,708	9,279	10,553
	Previous	7,834	8,169	8,753
	Change	-14.4%	13.6%	20.6%
EBITDA Margin	Revised	22.6%	22.2%	23.6%
	Previous	27.6%	28.6%	26.9%
	Change			
Net Profit	Revised	3,005	3,051	4,022
	Previous	3,764	3,687	3,987
	Change	-20.2%	-17.3%	0.9%
Net Margin	Revised	10.1%	7.3%	9.0%
	Previous	13.3%	12.9%	12.2%
	Change			

Source: NHKS research

Sekilas tentang SMGR

PT Semen Indonesia (Persero) Tbk merupakan Badan Usaha Milik Negara (BUMN), bergerak di bidang industri bahan bangunan dengan produk utama semen. Perusahaan mendaftarkan sahamnya ke bursa efek pada 1991 dengan kode saham SMGR dan menjadi perusahaan BUMN pertama yang *go public*. Di bawah bendera SMGR, perusahaan mengakuisisi dua perusahaan semen BUMN lainnya, yaitu PT Semen Padang (Persero) dan PT Semen Tonasa (Persero). Pada November 2018, SMGR mengumumkan akuisisi atas Holcim Indonesia, Tbk (SMCB); SMGR melalui akuisisi ini akan menjadi perusahaan semen terbesar di Asia Tenggara dan menguasai sekitar 55% pangsa pasar domestik. Saat ini, SMGR menguasai sekitar 40% pangsa pasar domestik.

Hingga akhir 2017, grup usaha SMGR memiliki pabrik semen terpadu di 4 lokasi dengan kiln sebanyak 15 unit, 26 pabrik semen, dan pabrik penggilingan di 3 lokasi. Selain itu, SMGR juga didukung oleh berbagai fasilitas distribusi, meliputi 26 pabrik pengemasan, 11 pelabuhan khusus, dan 17 gudang penyangga.

Daya Saing Industri Semen di Asia Pasifik

Jumlah populasi dan pembangunan infrastruktur serta bangunan menjadi katalis positif bagi industri semen. Hal ini terlihat jelas dari menjamurnya perusahaan semen di negara-negara padat penduduk seperti China, India, dan Indonesia. SMGR merupakan perusahaan semen dengan aset terbesar di Indonesia. Di tengah kondisi kelebihan pasokan SMGR memiliki kinerja terbaik dibandingkan perusahaan semen lokal lainnya. Kinerja cemerlang SMGR dibuktikan dengan kemampuannya membukukan performa *net margin* 9,2% dan ROE 9%.

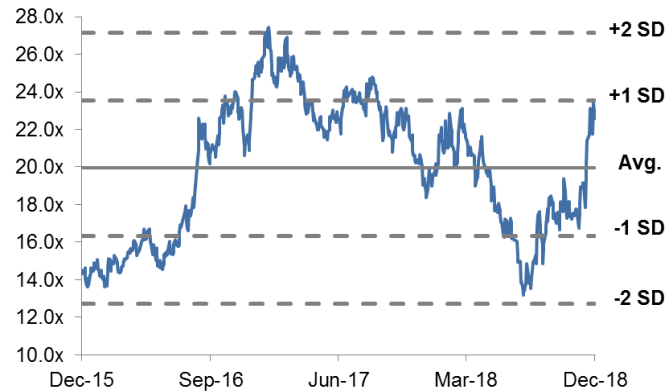
Asia Pacific Cement Sector Comparables

Company	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Margin	ROE LTM	P/E LTM	P/BV
Indonesia									
SEMEN INDONESIA	4,914	3,603	2,065	190	-13.46%	9.2%	9.0%	26.6x	2.3x
INDOCEMENT TUNGGAL	5,230	2,124	1,056	77	-49.70%	7.3%	4.6%	69.9x	3.3x
HOLCIM INDONESIA	1,004	1,444	710	(53)	4.14%	-7.5%	-10.6%	N/A	2.2x
SEMEN BATURAJA	1,326	372	138	6	-58.31%	4.2%	2.4%	245.6x	5.5x
Malaysia									
CAHYA MATA SARAWAK	872	997	447	68	10.65%	15.2%	11.6%	13.3x	1.5x
Thailand									
SIAM CITY CEMENT PUB	2,136	2,501	1,384	97	38.35%	7.0%	9.1%	22.3x	2.1x
Philippines									
HOLCIM PHILIPPINES INC	737	712	699	38	-48.34%	5.5%	9.1%	19.5x	1.8x
China									
ANHUI CONCH CEMENT	25,598	18,772	13,713	3,403	86.05%	24.8%	25.1%	8.7x	2.0x
CHINA NATIONAL BUILD-HUAXIN CEMENT CO LTD	6,551	53,359	26,073	1,069	133.51%	4.1%	11.2%	6.0x	0.7x
	3,563	4,687	3,840	679	231.08%	17.7%	34.4%	4.3x	1.3x
India									
ULTRATECH CEMENT	15,765	8,775	4,804	345	-18.15%	7.2%	8.8%	50.0x	4.2x
AMBUJA CEMENTS LTD	8,298	2,324	1,525	215	3.37%	14.1%	16.7%	42.3x	6.6x
SHREE CEMENT LTD	6,196	5,560	3,627	233	37.22%	6.4%	7.5%	28.8x	2.1x

Source: Bloomberg

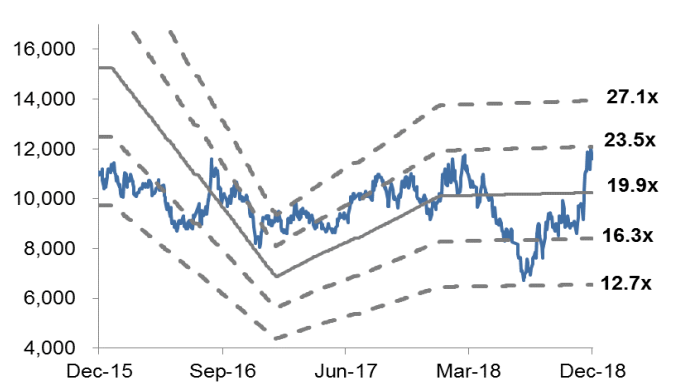
Multiple Valuation

Forward P/E band | Last 3 year



Source: NHKS research

Dynamic Forward P/E band | Last 3 year



Source: NHKS research

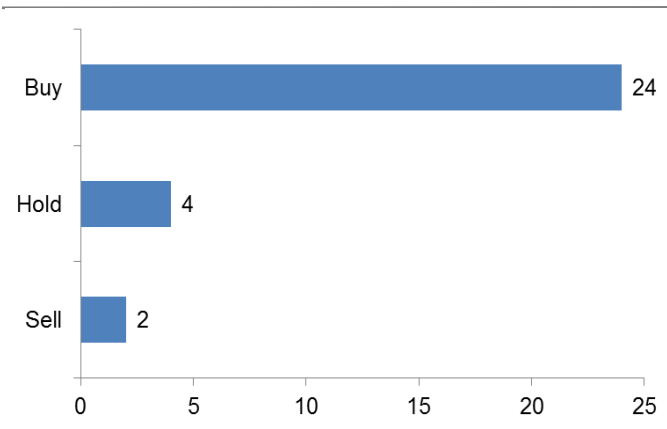
Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
12/04/2017	Buy	11,550 (Dec 2018)	9.000	10.771	+20.2%	+10.1%
12/05/2018	Hold	13,500 (Dec 2019)	11.775	12,025	+14.6%	+12.3%

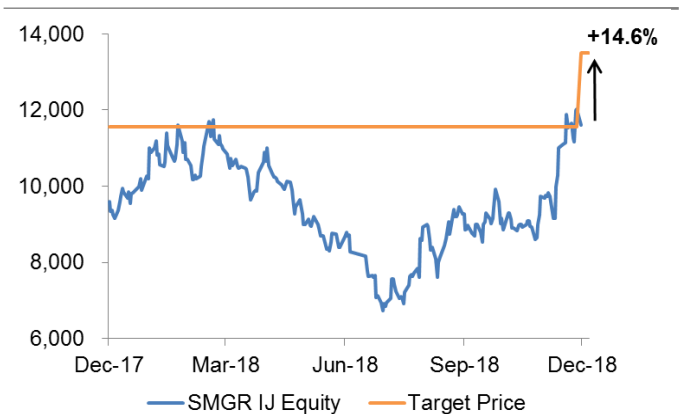
Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
 - Buy : Greater than +15%
 - Hold : -15% to +15%
 - Sell : Less than -15%

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2017/12A	2018/12E	2019/12E	2020/12E		2017/12A	2018/12E	2019/12E	2020/12E
Sales	27,814	29,743	41,722	44,642	ROE	6.7%	9.5%	8.9%	10.8%
<i>Growth</i>	6.4%	6.9%	40.3%	7.0%	ROA	4.4%	6.0%	4.8%	5.4%
COGS	(19,854)	(20,820)	(29,573)	(31,250)	ROIC	9.3%	13.6%	8.4%	11.4%
Gross Profit	7,960	8,923	12,149	13,393	Cash Dividend (IDR bn)	1,807	805	1,201	1,245
<i>Gross Margin</i>	28.6%	30.0%	29.1%	30.0%	Dividend Yield	3.1%	1.2%	1.7%	1.8%
Operating Expenses	(4,616)	(4,116)	(5,885)	(6,218)	Payout Ratio	88.5%	26.8%	39.4%	31.0%
EBIT	3,344	4,807	6,264	7,175	DER	32.9%	31.5%	79.2%	54.4%
<i>EBIT Margin</i>	12.0%	16.2%	15.0%	16.1%	Net Gearing	36.7%	34.7%	90.1%	61.3%
Depreciation	(2,040)	(1,901)	(3,015)	(3,378)	LT Debt to Equity	29.0%	26.5%	70.2%	42.6%
EBITDA	5,384	6,708	9,279	10,553	Capitalization Ratio	24.8%	23.9%	44.2%	35.3%
<i>EBITDA Margin</i>	19.4%	22.6%	22.2%	23.6%	Equity Ratio	62.2%	63.6%	46.4%	53.0%
Interest Expenses	(756)	(960)	(2,607)	(2,228)	Debt Ratio	20.5%	20.0%	36.8%	28.8%
EBT	2,747	4,006	4,079	5,383	Financial Leverage	152.7%	159.0%	187.7%	201.6%
Income Tax	(704)	(995)	(1,041)	(1,337)	Current Ratio	156.8%	175.8%	74.6%	84.5%
Minority Interest	29	(24)	13	(24)	Par Value (IDR)	100	100	100	100
Net Profit	2,043	3,005	3,051	4,022	Total Shares (mn)	5,932	5,932	5,932	5,932
<i>Growth</i>	-55.0%	47.1%	1.5%	31.8%	Share Price (IDR)	9,900	11,775	11,775	11,775
<i>Net Profit Margin</i>	7.3%	10.1%	7.3%	9.0%	Market Cap (IDR tn)	58.7	69.8	69.8	69.8

BALANCE SHEET					VALUATION INDEX				
In IDR bn	2017/12A	2018/12E	2019/12E	2020/12E		2017/12A	2018/12E	2019/12E	2020/12E
Cash	3,666	4,827	3,958	893	Price /Earnings	28.7x	23.2x	22.9x	17.4x
Receivables	4,886	5,106	6,604	6,850	Price /Book Value	1.9x	2.1x	2.0x	1.8x
Inventories	3,686	3,504	4,867	5,407	Price/Sales	2.1x	2.3x	1.7x	1.6x
Total Current Assets	13,802	15,544	17,890	15,136	PE/EPS Growth	-0.1x	0.0x	1.5x	0.1x
Net Fixed Assets	32,523	33,087	48,755	47,538	EV/EBITDA	12.4x	11.4x	10.4x	8.8x
Other Non Current Assets	1,222	1,158	1,452	1,426	EV/EBIT	19.9x	16.0x	15.5x	12.9x
Total Assets	48,964	51,233	77,028	72,692	EV (IDR bn)	66,599	76,765	96,951	92,619
Payables	4,927	4,563	6,320	6,522	Sales CAGR (3-Yr)	1.0%	3.3%	16.9%	17.1%
Other Liabilities	1,956	1,960	3,437	3,546	EPS CAGR (3-Yr)	-28.4%	-12.8%	-12.4%	25.3%
LT Debt	8,099	7,937	14,104	13,127	Basic EPS (IDR)	344	507	514	678
Total Liabilities	18,524	18,654	41,269	34,192	Diluted EPS (IDR)	344	507	514	678
Capital Stock	593	593	593	593	BVPS (IDR)	5,132	5,492	6,029	6,491
Retained Earnings	26,733	28,934	30,848	33,625	Sales PS (IDR)	4,689	5,014	7,034	7,526
Shareholders' Equity	30,439	32,579	35,759	38,500	DPS (IDR)	304.7	135.7	202.5	210.0

CASH FLOW STATEMENT					OWNERSHIP			
In IDR bn	2017/12A	2018/12E	2019/12E	2020/12E	By Geography	% Shareholders	%	
Operating Cash Flow	2,745	3,964	6,077	7,400	Indonesia	74.2	Rep. of Indonesia	51.0
Investing Cash Flow	(3,490)	(2,176)	(27,702)	(1,822)	United States	11.4	Lazard Ltd	2.4
Financing Cash Flow	1,548	(628)	18,130	(8,643)	Luxembourg	5.0	BlackRock Inc	1.9
Net Changes in Cash	803	1,160	(3,494)	(3,065)	Ireland	1.8	Franklin Resources Inc	1.8

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