

Friday, 16 August 2019

BUY
Maintain

Last price (IDR) 12,950
Target Price (IDR) 17,000
Upside/Downside +31.3%
Previous Target Price (IDR) 17,000

Stock Statistics

Sector Cement
Bloomberg Ticker SMGR IJ
No of Shrs (mn) 5,932
Mkt. Cap (IDRbn/USDmn) 76,813/5,381
Avg. daily T/O (IDRbn/USDmn) 88.1/6.2

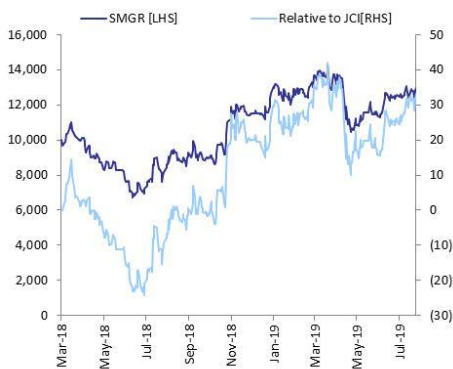
Major shareholders (%)

Republic of Indonesia 51.0
Estimated free float 49.0

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	616.6	673.5	768.7
Consensus	360.7	553.2	686.2
Danareksa/Cons	70.9	21.8	12.0

SMGR relative to JCI Index



Source : Bloomberg



Maria Renata
(62-21) 29 555 825
maria.renata@danareksa.com

Semen Indonesia (Persero)(SMGR IJ)

Still weak if SBI is excluded

Semen Indonesia Group booked cement sales in Jul19 of 3.82 mn tons, +27.7%yoy on the back of consolidation with SBI. However, excluding SBI, domestic cement sales were down by 6.0%yoy, worse than the industry's decline of -2.22%yoy. Group sales in 7M19 reached 21.26mn tons, +20.5%yoy. The group had a majority 53% of the domestic cement market.

Semen Indonesia Group (SMIG) booked cement sales in Jul19 of 3.82mn tons. Sales grew by +27.7%yoy on the back of consolidation with SBI and soared +66.0%mom as demand normalized post the Lebaran Holidays in Jun19. Excluding SBI, cement sales reached 2.88mn tons (-3.7%yoy and +65.9%mom) on the back of soft domestic sales by SMGR (-6.0%yoy to 2.35mn tons). SMIG's share of the domestic market reached 52.5% in Jul19, higher than the previous year's 37.5% before consolidation.

Sales in 7M19 reached 21.26mn tons in total, +20.5%yoy. Excluding SBI, the cumulative sales reached 16.56mn tons, or -6.1%yoy, on the back of soft domestic cement sales and lower sales from TLCC (-22.7%yoy to 1.19mn tons). SMGR's domestic cement sales in 7M19 reached 13.49mn tons, or -5.8%yoy, worse than the domestic consumption growth. Hence, SMGR's market share declined from 39.3% in 7M18 to 37.8% in 7M19. However, including SBI, SMIG still had a majority 53% of the domestic cement market.

Domestic cement consumption in 7M19 reached 35.67mn tons, or -2.20%yoy, dragged down by soft demand in 2Q19. Based on the region, the strongest demand growth occurred in East Indonesia (+11.49%yoy), followed by Nusa Tenggara (+3.18%yoy), Sulawesi (+2.48%yoy), Kalimantan (+0.20%yoy). However, sales in Java and Sumatra were -2.63%yoy and -6.42%yoy. Java contributed 56% of the domestic demand, while Sumatra contributed 21%. On a monthly basis, cement consumption in Jul19 reached 6.28mn tons (-2.22%yoy, +68.0%mom).

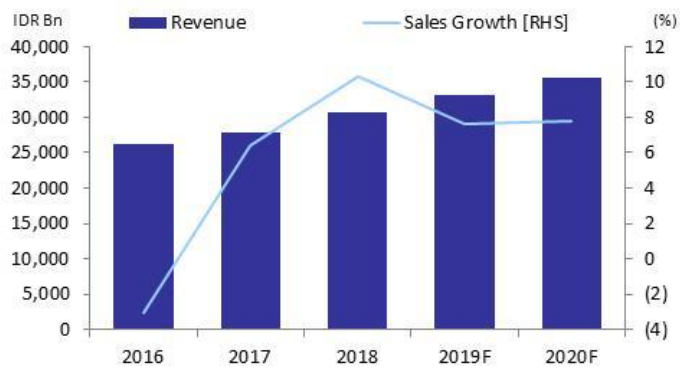
We might cut our 2019 sales volume target. Based on our current target of 34.16mn tons, given 3.04%yoy growth and excluding the consolidation of SBI, SMGR needs to sell 17.6mn tons of cement in the remaining 5 months of 2019, implying growth of +13.5%yoy. Assuming FY19 growth of -1.0%yoy to 2.0%yoy, SMGR would have to book 4.9%yoy to 11.3%yoy growth in the coming months.

Maintain BUY. We maintain our BUY call on SMGR given its dominant position in the domestic cement market. However, we are reviewing our cement sales target given the weak 7M19 cement sales.

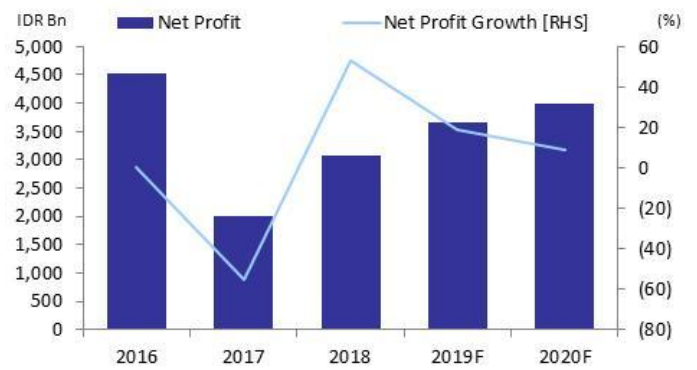
Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	27,814	30,688	33,037	35,614	38,609
EBITDA (IDRbn)	4,901	6,399	7,348	7,998	8,938
EBITDA Growth (%)	(25.9)	30.6	14.8	8.8	11.8
Net profit (IDRbn)	2,014	3,079	3,657	3,995	4,560
EPS (IDR)	339.5	519.1	616.6	673.5	768.7
EPS growth (%)	(55.5)	52.9	18.8	9.2	14.1
BVPS (IDR)	4,874.8	5,258.7	5,667.6	6,094.6	6,593.8
DPS (IDR)	304.9	139.4	207.6	246.6	269.4
PER (x)	38.1	24.9	21.0	19.2	16.8
PBV (x)	2.7	2.5	2.3	2.1	2.0
Dividend yield (%)	2.4	1.1	1.6	1.9	2.1
EV/EBITDA (x)	16.9	12.7	11.1	10.1	8.9

Source : SMGR, Danareksa Estimates

Exhibit 1. Revenues and Growth


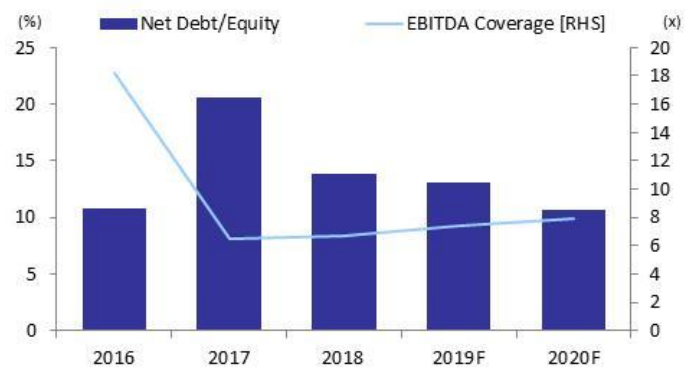
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth


Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins


Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level


Source: Company, Danareksa Sekuritas estimates

Exhibit 5. Semen Indonesia Group Sales Volume (in mn tons)

	Jul-19	Jun-19	Jul-19	%yoy	%mom	7M18	7M19	%yoy
S. Indo.	2.78	1.52	2.71	-2.6%	78.5%	16.10	15.37	-4.6%
Domestic	2.51	1.37	2.35	-6.0%	72.2%	14.33	13.49	-5.8%
Export	0.27	0.15	0.35	29.5%	136.8%	1.78	1.88	5.8%
TLCC	0.21	0.22	0.17	-18.7%	-21.0%	1.54	1.19	-22.7%
SMGR	2.99	1.74	2.88	-3.7%	65.9%	17.65	16.56	-6.1%
SBI	1.03	0.57	0.94	-8.7%	66.3%	5.89	5.64	-4.3%
SMIG	2.99	2.30	3.82	27.7%	66.0%	17.65	21.26	20.5%

Source: Company

SBI performance. SBI sold 0.94mn tons of cement in Jul19 (-4.0%yoy and +76.2%mom). Cumulatively, sales in 7M19 reached 5.64mn tons (-4.3%yoy), consisting of domestic sales of 5.40mn tons (-2.5%yoy) and exports of 0.24mn tons (-32.1%yoy). This translates into 15.1% domestic market share. SBI contributed 24.6% of SMIG's sales in Jul19 and 26.5% in 7M19.

Exhibit 6. Cement Sales Volume Growth Target

FY19 %yoy target	-1.0%	0.0%	1.0%	2.0%	3.0%
Monthly growth Aug-Dec19	4.9%	7.0%	9.1%	11.3%	13.4%

Source: Danareksa Sekuritas estimates

Exhibit 7. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	27,814	30,688	33,037	35,614	38,609
COGS	(19,854)	(21,357)	(22,563)	(24,414)	(26,275)
Gross profit	7,960	9,331	10,474	11,199	12,333
EBITDA	4,901	6,399	7,348	7,998	8,938
Oper. profit	3,126	4,773	5,533	5,953	6,746
Interest income	169	182	157	202	235
Interest expense	(756)	(959)	(986)	(1,005)	(1,084)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	(10)	2	59	60	60
Other Income (Expenses)	218	107	112	116	121
Pre-tax profit	2,747	4,105	4,876	5,326	6,079
Income tax	(704)	(1,019)	(1,211)	(1,322)	(1,509)
Minority interest	(29)	(7)	(8)	(9)	(10)
Net profit	2,014	3,079	3,657	3,995	4,560
Core Net Profit	2,014	3,079	3,657	3,995	4,560

Exhibit 8. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	3,638	5,246	6,731	7,848	8,690
Receivables	4,995	5,960	5,843	6,298	6,828
Inventory	3,686	3,544	4,189	4,533	4,879
Other Curr. Asset	1,454	1,227	1,647	1,771	1,913
Fixed assets - Net	32,523	32,749	35,397	37,007	38,481
Other non-curr.asset	2,638	2,399	2,408	2,426	2,444
Total asset	48,964	51,156	56,246	59,914	63,265
ST Debt	1,795	1,635	1,341	1,466	4,604
Payables	5,250	4,784	5,966	6,455	6,947
Other Curr. Liabilities	1,759	1,783	1,630	1,679	1,732
Long Term Debt	8,099	8,140	9,999	10,395	7,023
Other LT. Liabilities	1,622	2,076	2,148	2,223	2,302
Total Liabilities	18,524	18,420	21,084	22,219	22,609
Shareholder's Funds	28,915	31,192	33,618	36,150	39,111
Minority interests	1,524	1,544	1,544	1,544	1,544
Total Equity & Liabilities	48,964	51,156	56,246	59,914	63,265

Exhibit 9. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	2,014	3,079	3,657	3,995	4,560
Depreciation and Amort.	1,775	1,626	0	0	0
Change in Working Capital	(2,069)	(999)	45	(372)	(463)
Other Oper. Cash Flow	588	777	829	803	848
Operating Cash Flow	2,308	4,483	4,531	4,426	4,944
Capex	(3,427)	(1,844)	(2,630)	(1,600)	(1,464)
Others Inv. Cash Flow	513	414	130	174	207
Investing Cash Flow	(2,915)	(1,430)	(2,499)	(1,426)	(1,257)
Net change in debt	3,759	(155)	1,599	509	(243)
New Capital	0	0	0	0	0
Dividend payment	1,809	827	1,232	1,463	1,598
Other Fin. Cash Flow	(541)	(462)	(914)	(929)	(1,005)
Financing Cash Flow	5,027	210	1,916	1,042	350
Net Change in Cash	4,421	3,262	3,948	4,043	4,038
Cash - begin of the year	2,834	3,638	5,246	6,731	7,848
Cash - end of the year	3,638	5,246	6,731	7,848	8,690

Exhibit 10. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	6.4	10.3	7.7	7.8	8.4
EBITDA	(25.9)	30.6	14.8	8.8	11.8
Operating profit	(37.1)	52.7	15.9	7.6	13.3
Net profit	(55.5)	52.9	18.8	9.2	14.1
Profitability (%)					
Gross margin	28.6	30.4	31.7	31.4	31.9
EBITDA margin	17.6	20.9	22.2	22.5	23.2
Operating margin	11.2	15.6	16.7	16.7	17.5
Net margin	7.2	10.0	11.1	11.2	11.8
ROAA	4.3	6.2	6.8	6.9	7.4
ROAE	7.0	10.2	11.3	11.5	12.1
Leverage					
Net Gearing (x)	0.2	0.1	0.1	0.1	0.1
Interest Coverage (x)	4.1	5.0	5.6	5.9	6.2

Source : SMGR, Danareksa Estimates

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