

Wednesday, 18 December 2019

BUY
Maintain

Last price (IDR) 12,275
Target Price (IDR) 17,500
Upside/Downside +42.6%
Previous Target Price (IDR) 17,500

Stock Statistics

Sector Cement
Bloomberg Ticker SMGR IJ
No of Shrs (mn) 5,932
Mkt. Cap (IDRbn/USDmn) 72,809/5,202
Avg. daily T/O (IDRbn/USDmn) 74.2/5.3

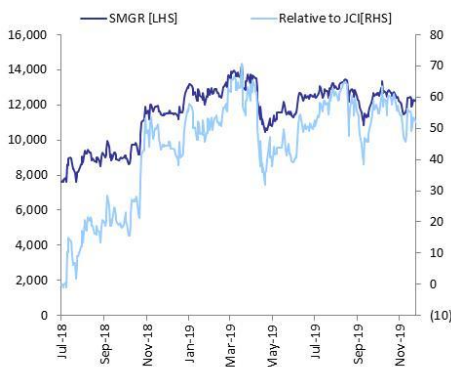
Major shareholders (%)

Government 51.0
Public 49.0

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	298.2	397.8	559.0
Consensus	333.4	527.0	680.0
Danareksa/Cons	(10.6)	(24.5)	(17.8)

SMGR relative to JCI Index



Source : Bloomberg



Maria Renata

(62-21) 5091 4100 ext. 3513

maria.renata@danareksa.co.id

Semen Indonesia(SMGR IJ)

On track to meet our targets

The group sold 4.40mn tons of cement in Nov19 (+44.2%yoy and -7.8%mom), contributing 53% of the domestic cement consumption. YTD, sales in 11M19 reached 38.68mn tons, +42.1% yoy on the back of consolidation with SBI. Excluding SBI, the sales volume stands at 29.68mn tons (-2.0%yoy) due to lower domestic sales from Semen Indonesia which fell by 3.2%yoy. The group's 11M19 sales figure is 93.6% of our full year target, meaning that 2.66mn tons of cement need to be sold in Dec19 to meet the target. We believe the FY target is achievable given that even with 39.5%mom lower sales in Dec19 the FY target would be met.

Semen Indonesia Group (SMIG) booked lower cement sales in Nov19 following the uptrend in the past 4 months. The sales in Nov19 of 4.40mn tons are 7.8%mom lower than the previous month's sales due to onset of the rainy season but still up 44.2%yoy on the back of consolidation with SBI. Excluding SBI, the sales in Nov19 reached 3.33mn tons (+9.2%yoy and -8.1%mom). The group sold 3.75mn tons in the domestic market, giving it 53.0% domestic market share.

Sales in 11M19 are 53.4% of the domestic consumption. YTD, SMIG sales in 11M19 reached 38.68mn tons, or +42.1%yoy supported by sales from SBI. Excluding SBI's sales, the sales figure would be 29.68mn tons, or -2.0%yoy due to soft sales in 1H19. The group accounted for 53.4% of the domestic cement consumption so far this year. The domestic sales of Semen Indonesia reached 24.26mn tons or -3.2%yoy, giving it lower market share at 38.4% vs. 39.5% last year. Thang Long (TLCC) sold 1.98mn tons of cement (-15.7%yoy) and contributed 5.1% of the group sales. SBI, meanwhile, sold 9.0mn tons of cement in Feb-Nov19 (-3.0%yoy). The sales from SBI have been consolidated since Feb19.

Domestic cement consumption. Domestic cement consumption in Nov19 reached 7.09mn tons (+9.4%yoy and -3.3%mom). YTD, total cement consumption in 11M19 reached 63.23mn tons, or -0.34%yoy on the back of the soft demand in 1H19.

Maintain BUY. Semen Indonesia and TLCC sales in 11M19 are 91.8% of our FY19 target at 32.32mn tons (-2.5%yoy). Hence, sales of 2.65mn tons would be needed in Dec19 to meet our FY target. This figure is -8.5%yoy and -20.6%mom, which, we believe, is easy to meet. Meanwhile, our conservative sales target for SBI has almost been hit. SBI's 11M19 cement sales of 9.0mn tons is 99.8% of our FY target of 9.02mn tons. Hence, the consolidated 11M19 figure is 93.6% of our full year target which should be easily achievable as only 2.66mn tons need to be sold in Dec19 (-39.5%mom) to meet the FY target.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	27,814	30,688	38,201	40,802	43,581
EBITDA (IDRbn)	4,804	6,506	7,413	9,218	10,317
EBITDA Growth (%)	(30.0)	35.4	13.9	24.3	11.9
Net profit (IDRbn)	1,621	3,079	1,769	2,360	3,316
EPS (IDR)	273.3	519.1	298.2	397.8	559.0
EPS growth (%)	(64.1)	90.0	(42.6)	33.4	40.5
BVPS (IDR)	4,808.5	5,258.7	5,349.2	5,627.8	6,027.7
DPS (IDR)	304.9	135.8	207.6	119.3	159.1
PER (x)	44.9	23.6	41.2	30.9	22.0
PBV (x)	2.6	2.3	2.3	2.2	2.0
Dividend yield (%)	2.5	1.1	1.7	1.0	1.3
EV/EBITDA (x)	16.5	11.9	14.0	11.1	9.8

Source : SMGR, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



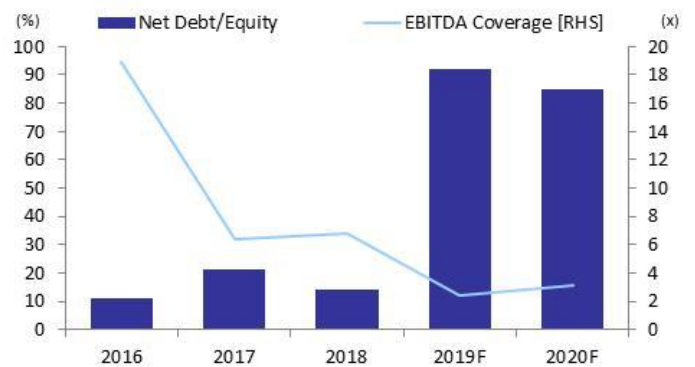
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



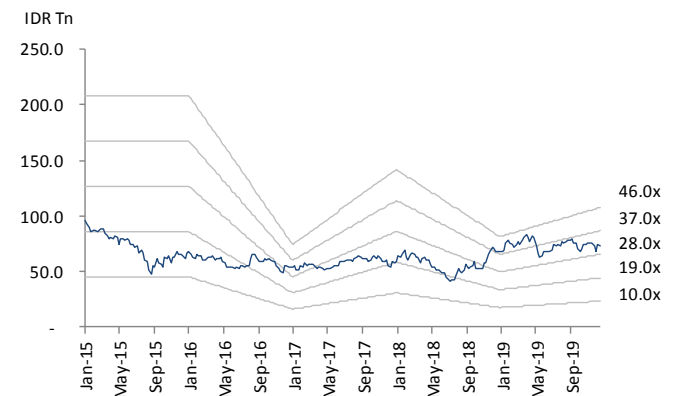
Source: Company, Danareksa Sekuritas estimates

Exhibit 7. PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. Share Price Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 7. Semen Indonesia Group sales breakdown

	Nov-18	Oct-19	Nov-19	%yoy	%mom	11M18	11M19	%yoy	FY19F	%
S. Indo.	2.84	3.34	3.18	11.8%	-4.9%	27.93	27.70	-0.8%	30.28	91.5%
<i>Domestic</i>	2.59	2.88	2.72	4.8%	-5.5%	25.05	24.26	-3.2%	26.92	90.1%
<i>Export</i>	0.25	0.47	0.46	84.6%	-0.9%	2.88	3.44	19.6%	3.36	102.4%
TLCC	0.21	0.28	0.15	-26.8%	-46.1%	2.35	1.98	-15.7%	2.04	97.1%
SMGR + TLCC	3.05	3.62	3.33	9.2%	-8.1%	30.28	29.68	-2.0%	32.32	91.8%
SBI (excl. Jan)	1.06	1.15	1.07	0.3%	-7.4%	10.15	9.00	-11.3%	9.02	99.8%
SMIG	3.05	4.77	4.40	44.2%	-7.8%	27.23	38.68	42.1%	41.34	93.6%

Source: Company

Exhibit 8. Sensitivity of the monthly cement sales in the remaining of the year

FY19 %yoy target	-3.0%	-2.5%	-1.0%	0.0%	1.0%	2.0%	3.0%
Sales vol. growth in Dec (%yoy)	-13.7%	-7.9%	9.4%	21.0%	32.5%	44.0%	55.6%
Earnings FY19 (IDR bn)	1,730	1,769	1,885	1,962	2,039	2,116	2,194
Chg. In earnings (%)	-2.2%		6.6%	10.9%	15.3%	19.7%	24.0%

Source: Company

Exhibit 9. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	27,814	30,688	38,201	40,802	43,581
COGS	(19,854)	(21,357)	(26,936)	(28,592)	(30,069)
Gross profit	7,960	9,331	11,264	12,211	13,513
EBITDA	4,804	6,506	7,413	9,218	10,317
Oper. profit	2,851	4,881	5,325	5,985	6,959
Interest income	169	182	184	54	53
Interest expense	(756)	(959)	(3,064)	(2,896)	(2,586)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	(10)	2	0	0	0
Other Income (Expenses)	0	0	0	0	0
Pre-tax profit	2,254	4,105	2,443	3,144	4,425
Income tax	(604)	(1,019)	(684)	(786)	(1,106)
Minority interest	(29)	(7)	9	2	(3)
Net profit	1,621	3,079	1,769	2,360	3,316
Core Net Profit	1,621	3,079	1,769	2,360	3,316

Exhibit 10. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	3,638	5,246	2,724	2,666	3,427
Receivables	4,995	5,960	6,558	7,010	7,495
Inventory	3,686	3,544	5,986	6,354	6,682
Other Curr. Asset	1,474	1,250	1,323	1,414	1,515
Fixed assets - Net	32,523	32,749	47,607	47,374	47,016
Other non-curr.asset	2,744	2,399	12,499	13,130	13,796
Total asset	49,069	51,156	76,755	78,010	79,995
ST Debt	1,921	1,724	5,751	4,751	4,721
Payables	5,250	4,784	5,920	6,265	6,573
Other Curr. Liabilities	1,634	1,695	1,671	1,589	1,511
Long Term Debt	8,099	8,140	27,681	27,681	26,711
Other LT. Liabilities	2,120	2,076	2,363	2,621	2,918
Total Liabilities	19,023	18,420	43,386	42,907	42,434
Shareholder's Funds	28,522	31,192	31,729	33,381	35,753
Minority interests	1,524	1,544	1,640	1,722	1,808
Total Equity & Liabilities	49,069	51,156	76,755	78,010	79,995

Exhibit 11. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	1,621	3,079	1,769	2,360	3,316
Depreciation and Amort.	1,953	1,626	2,088	3,232	3,358
Change in Working Capital	(2,088)	(1,002)	(2,002)	(648)	(683)
Other Oper. Cash Flow	1,632	1,013	3,091	3,153	2,884
Operating Cash Flow	3,117	4,716	4,946	8,096	8,876
Capex	(3,629)	(1,851)	(16,946)	(3,000)	(3,000)
Others Inv. Cash Flow	447	267	(9,794)	(551)	(584)
Investing Cash Flow	(3,182)	(1,584)	(26,740)	(3,551)	(3,584)
Net change in debt	6,824	0	27,656	(1,000)	(1,000)
New Capital	0	0	0	0	0
Dividend payment	(1,809)	(806)	(1,232)	(707)	(944)
Other Fin. Cash Flow	(1,082)	(563)	(3,064)	(2,896)	(2,586)
Financing Cash Flow	3,933	(1,369)	23,360	(4,603)	(4,530)
Net Change in Cash	3,868	1,763	1,566	(58)	761
Cash - begin of the year	2,834	3,638	5,246	2,724	2,666
Cash - end of the year	3,638	5,246	2,724	2,666	3,427

Exhibit 12. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	6.4	10.3	24.5	6.8	6.8
EBITDA	(30.0)	35.4	13.9	24.3	11.9
Operating profit	(45.5)	71.2	9.1	12.4	16.3
Net profit	(64.1)	90.0	(42.6)	33.4	40.5
Profitability (%)					
Gross margin	28.6	30.4	29.5	29.9	31.0
EBITDA margin	17.3	21.2	19.4	22.6	23.7
Operating margin	10.3	15.9	13.9	14.7	16.0
Net margin	5.8	10.0	4.6	5.8	7.6
ROAA	3.5	6.1	2.8	3.0	4.2
ROAE	5.6	10.3	5.6	7.2	9.6
Leverage					
Net Gearing (x)	0.2	0.1	0.9	0.8	0.7
Interest Coverage (x)	3.8	5.1	1.7	2.1	2.7

Source : SMGR, Danareksa Estimates

DISCLAIMER

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Danareksa Sekuritas and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of P.T. Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in this report is not to be taken as any recommendation made by P.T. Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regard to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.