

Friday, 24 January 2020

BUY
Maintain

Last price (IDR) 13,050
Target Price (IDR) 17,500
Upside/Downside +34.1%
Previous Target Price (IDR) 17,500

Stock Statistics

Sector Cement
Bloomberg Ticker SMGR IJ
No of Shrs (mn) 5,932
Mkt. Cap (IDRbn/USDmn) 77,406/5,675
Avg. daily T/O (IDRbn/USDmn) 70.9/5.2

Major shareholders (%)

Government 51.0
Public 49.0

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	298.2	397.8	559.0
Consensus	344.3	531.5	681.9
Danareksa/Cons	(13.4)	(25.2)	(18.0)

SMGR relative to JCI Index



Source : Bloomberg



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Semen Indonesia(SMGR IJ)

Year of consolidation

Semen Indonesia sold 42.61mn tons of cement in FY19, or +28.5%yoy on the back of consolidation with Solusi Bangun Indonesia (SBI). SMGR's sales accounted for 53.4% of the domestic cement consumption in FY19, the largest in the country. The sales volume is in-line with our target (103.1%). Excluding SBI, the sales volume reached 32.7mn tons (-1.4%yoy). We maintain our BUY call on SMGR.

Strong sales growth in FY19. Semen Indonesia (SMGR) sold 42.61mn tons of cement in FY19, or +28.5%yoy from 33.17mn tons in FY18. The strong sales were supported by consolidation with Solusi Bangun Indonesia (SBI) since Feb 19. The sales breakdown is as follows: 1) Semen Indonesia; sales in FY19 reached 30.48mn tons (-0.4%yoy) on the back of lower domestic sales (-2.2%yoy) but supported by higher export sales (+15.3%yoy), 2) Thang Long Cement (TLCC); 2.22mn tons of cement sold in FY19, or -14.0%yoy, and 3) SBI; 9.92mn tons of cement sold under SMGR's ownership in FY19 which contributed 23.3% of the total sales. Semen Indonesia and TLCC contributed 71.5% and 5.2% of the group's sales in FY19.

SMGR dominated the domestic cement market. In the domestic market, SMGR sold 36.35mn tons of cement domestically in FY19. This is +32.6%yoy on the back of consolidation with SBI. Hence, SMGR dominated the domestic market with market share of 53.4%, the largest in the country. Excluding SBI, the market share would be 38.4%. Domestic cement consumption in FY19 reached 69.8mn tons (+0.34%yoy) on the back of flattish sales in Java (-0.30%yoy) and lower sales in Sumatra (-4.41%yoy). Strong demand was seen in the eastern part of Indonesia. Cement consumption in Sulawesi grew by +8.15%yoy, while Nusa Tenggara and eastern Indonesia posted growth of +7.74%yoy and +13.8%yoy, respectively. However, the demand in these areas only accounted for 23.7% of the total demand.

Sales in Dec19 soared 36%yoy. On a monthly basis, SMGR sold 3.93mn tons of cement in Dec19. This is +36.0%yoy and -10.7%mom. Semen Indonesia itself sold 2.78mn tons of cement in Dec19 (+4.4%yoy and -12.5%mom), while TLCC sold 235,000 tons (+4.6%yoy and +55.1%mom), and SBI sold 913,000 tons (-7.6%yoy and -14.5%mom). The group contributed 53.1% of the domestic cement consumption in Dec19.

Maintain BUY. SMGR's cement sales of 42.61mn tons in FY19 are 103.1% of our target of 41.34mn tons. This is in-line with our target. SMGR is trading at EV/ton of USD148.3/ton, cheaper than INTIP's USD179.6/ton.

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)	47.8	25.1	43.8	32.8	23.3
PBV (x)	2.7	2.5	2.4	2.3	2.2
Dividend yield (%)	2.3	1.0	1.6	0.9	1.2
EV/EBITDA (x)	17.4	12.6	14.6	11.6	10.2

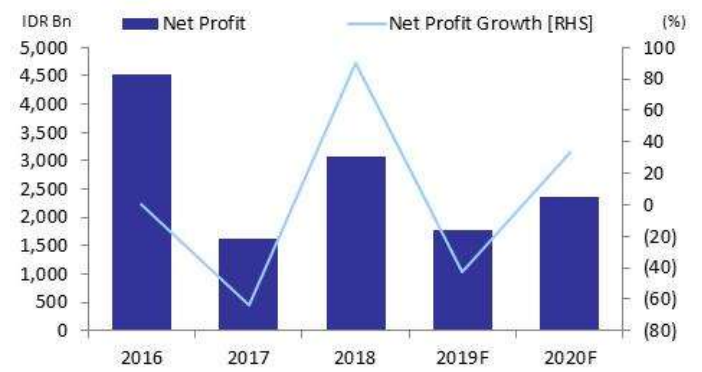
Source : SMGR, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



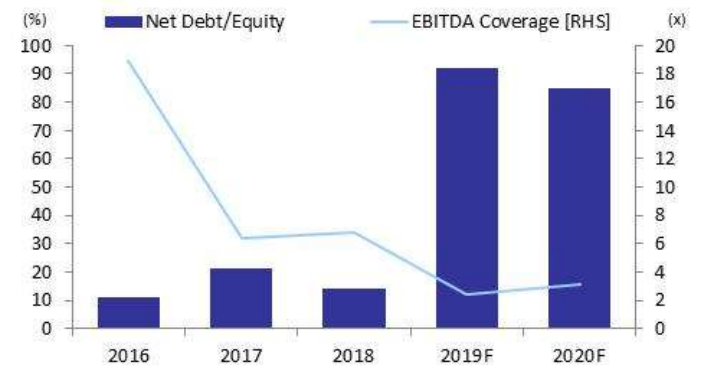
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



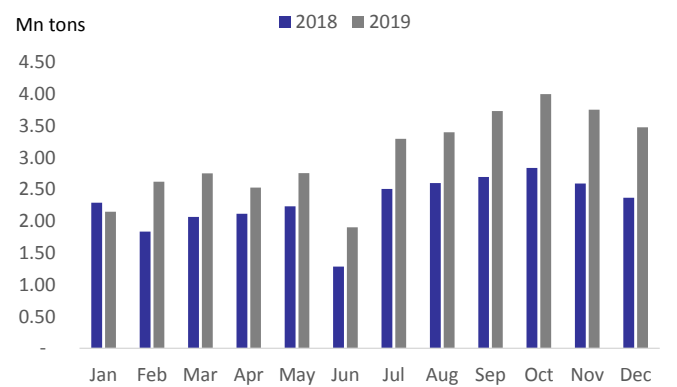
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



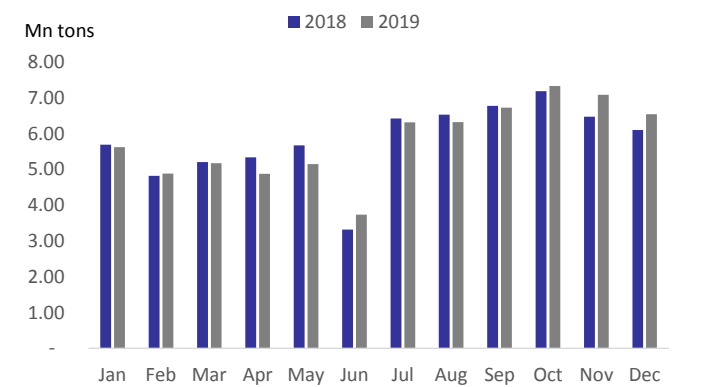
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. SMGR Domestic Monthly Cement Sales



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Domestic Monthly Cement Consumption



Source: Company, Danareksa Sekuritas estimates

Exhibit 7. SMGR sales breakdown

	Dec-18	Nov-19	Dec-19	%yoy	%mom	12M18	12M19	%yoy	FY19F	%
S. Indo.	2.67	3.18	2.78	4.4%	-12.5%	30.60	30.48	-0.4%	30.28	100.6%
Domestic	2.37	2.72	2.56	8.2%	-5.7%	27.42	26.82	-2.2%	26.92	99.6%
Export	0.30	0.46	0.22	-26.4%	-52.6%	3.17	3.66	15.3%	3.36	108.9%
TLCC	0.22	0.15	0.23	4.6%	55.1%	2.57	2.22	-14.0%	2.04	108.6%
SMGR + TLCC	2.89	3.33	3.02	4.4%	-9.4%	33.17	32.70	-1.4%	32.32	101.1%
SBI	0.99	1.07	0.91	-7.6%	-14.5%	11.13	9.11	-18.1%	9.02	101.0%
SMIG	2.89	4.40	3.93	36.0%	-10.7%	33.17	42.61	28.5%	41.34	103.1%

Source: Company

Exhibit 8. SMGR is trading at USD148.3 slightly higher its 5 yrs avg. EV/ton


Source: Bloomberg, Danareksa Sekuritas estimates

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

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