

Friday, 14 February 2020

BUY
Maintain

Last price (IDR) 11,175
Target Price (IDR) 17,500
Upside/Downside +56.6%
Previous Target Price (IDR) 17,500

Stock Statistics

Sector Cement
Bloomberg Ticker SMGR IJ
No of Shrs (mn) 5,932
Mkt. Cap (IDRbn/USDmn) 66,285/4,840
Avg. daily T/O (IDRbn/USDmn) 66.7/4.9

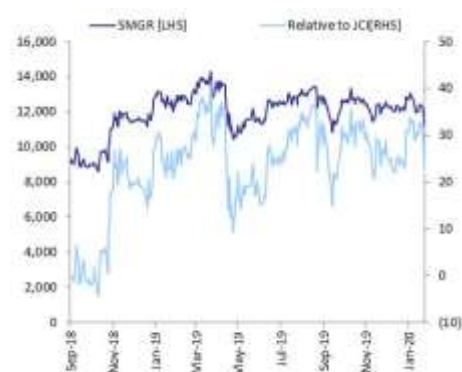
Major shareholders (%)

Government 51.0
Public 49.0

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	298.2	397.8	559.0
Consensus	344.7	531.8	682.4
Danareksa/Cons	(13.5)	(25.2)	(18.1)

SMGR relative to JCI Index



Source : Bloomberg



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Semen Indonesia (SMGR IJ)

Supported by solid export sales

SMGR booked cement sales volume in Jan 20 of 3.36mn tons, or +34.5%yoy on the back of consolidation with SBI but -14.6%mom due to the extreme weather in Indonesia which caused floods in many areas. Domestic cement sales were down 6.2%yoy while exports jumped by 30.1%yoy. SMGR's domestic sales amounted to 55% of the national cement consumption. Its Jan 2020 sales are in-line with our forecast as they are 7.8% of our FY target.

Strong yearly sales growth thanks to consolidation with SBI. Semen Indonesia Group (SMGR) sold 3.36mn tons of cement in Jan 20. This includes sales of SBI and TLCC. The sales grew by +34.5%yoy thanks to consolidation with SBI. The SBI sales have been consolidated since Feb 19. However, on a monthly basis, the sales were down by 14.6%mom due to soft domestic sales and weak sales from TLCC. Sales from TLCC contributed ~5% of the group's sales.

Soft sales in the domestic market due to the bad weather. In the domestic market, the group sold 2.86mn tons of cement in Jan 20, accounting for 55.1% of the domestic consumption. This figure is -6.2%yoy and -17.6%mom which, we believe, reflects the impact of extreme weather and heavy rainfall that caused flooding in many areas in Jan 2020. SMGR recorded strong export performance, by comparison. Exports in Jan 20 reached 0.32mn tons, or up by 30.1%yoy and 47.2%mom.

SMGR's Jan sales are in-line with our expectation. Historically, SMGR's sales in 1Q are 33% of the full year figure, with sales in Jan reaching 21.4% of the 1Q result and 7.1% of the full year number. The sales in Jan 20 are 7.8% of our FY target of 43.0mn tons (+1%yoy). We expect normalizing and drier weather in the coming months to support cement sales.

The bad weather hit sector sales in Jan 20. Domestic cement consumption in Jan 20 reached 5.20mn tons, or -7.5%yoy and -20.5%mom hit by extreme weather. Based on sales area, only Eastern Indonesia booked positive yearly growth of +25.5%yoy, while other regions booked negative growth. However, consumption in Eastern Indonesia accounted for only 4% of the domestic market. By contrast, sales in Java, the biggest market, dropped by 9.6%yoy, while Sumatra sales were down by 10.5%yoy. Both areas contributed ~75% of the market turnover.

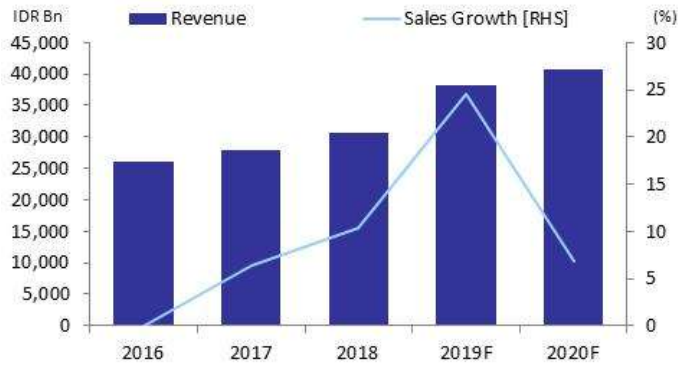
Maintain BUY. SMGR is traded at EV/ton of USD129, below its historical avg. of USD138. SMGR's EV/ton is also lower than INTP's USD147, but higher than SBI's USD79.

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)	40.9	21.5	37.5	28.1	20.0
PBV (x)	2.3	2.1	2.1	2.0	1.9
Dividend yield (%)	2.7	1.2	1.9	1.1	1.4
EV/EBITDA (x)	15.1	10.9	13.1	10.4	9.1

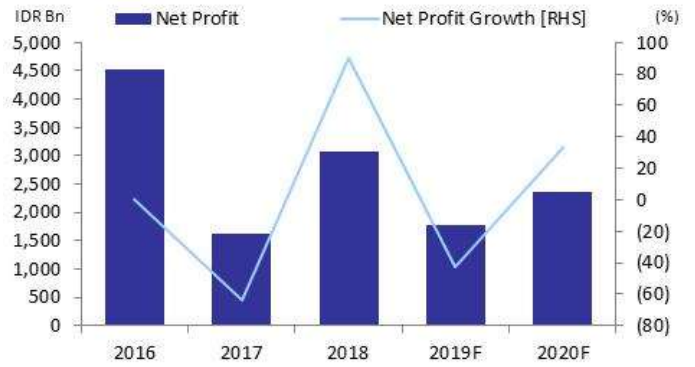
Source : SMGR, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



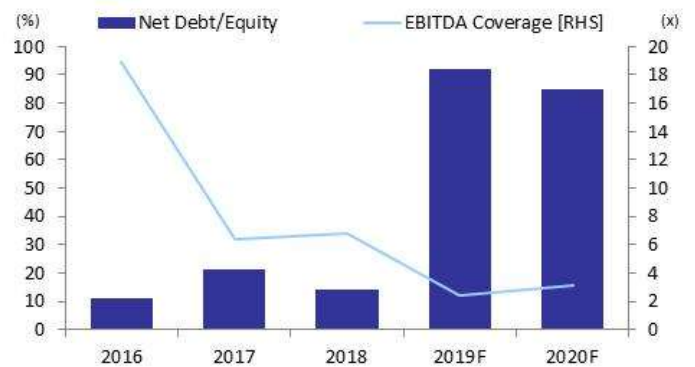
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



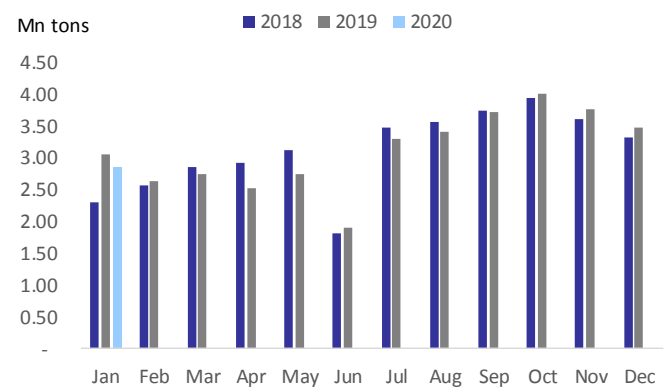
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. EV/TON Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. SMGR's Domestic Cement Sales



Source: Company, Danareksa Sekuritas estimates

Exhibit 7. SMGR Sales Breakdown

(mn tons)	Jan-19	Dec-19	Jan-20	%yoy	%mom	%	FY20F	%
Semen Indonesia + SBI	3.30	3.70	3.18	-3.5%	-13.8%	94.9%	40.9	7.8%
<i>Domestic</i>	3.05	3.48	2.86	-6.2%	-17.6%	85.3%	36.9	7.8%
<i>Export</i>	0.25	0.22	0.32	30.1%	47.2%	9.6%	4.0	8.1%
Thang Long Cement	0.14	0.23	0.17	24.8%	-26.5%	5.1%	2.1	8.3%
Total SMGR	2.50	3.93	3.36	34.5%	-14.6%	100.0%	42.96	7.8%

Source: Company

Exhibit 8. Domestic Cement Consumption

(mn tons)	Jan-19	Dec-19	Jan-20	%yoy	%mom	%
Java	3.16	3.49	2.86	-9.6%	-18.0%	55.0%
Sumatra	1.18	1.36	1.05	-10.5%	-22.3%	20.3%
Kalimantan	0.36	0.44	0.34	-6.7%	-23.2%	6.5%
Sulawesi	0.46	0.62	0.46	-0.1%	-25.5%	8.9%
Nusa Tenggara	0.29	0.43	0.28	-4.8%	-35.1%	5.3%
Eastern Indonesia	0.16	0.21	0.21	25.5%	-0.8%	4.0%
Indonesia	5.62	6.54	5.20	-7.5%	-20.5%	100.0%

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

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