

HOLD | TP : IDR4,000
SMGR Stock Price Data

Last Price	:	IDR3,690
52wk High	:	IDR7,250
52wk Low	:	IDR3,690
Share Out	:	6.7bn
Market Cap	:	IDR25.3tn

SMGR Stock Price Performance

1-Day	:	-1.1%
1-Week	:	-5.3%
1-Month	:	-19.9%
3-Month	:	-38.9%
Year-to-Date	:	-41.6%

Shareholders

Government	:	51.2%
Public (<5%)	:	48.8%

PT Semen Indonesia Tbk (SMGR IJ) Facing Challenges Head-On

1Q24 results: Revenue and bottom-line missing our target

- SMGR recorded a revenue of IDR8.4tn in 1Q24, marking a contraction of -6.3% YoY (vs IDR8.9tn in FY22) and reflecting 21.3%/20.8% of MNCS/Consensus estimates.
- This performance was influenced by the subdued revenue in the retail segment, which constitute to 73% of the domestic sales, in line with the softening demand. Despite a growth in the regional sales to 2,079 tons (vs 1,956k tons in 1Q23), the total sales volume declined -2.1% YoY in 1Q24.
- Following this, the costs for raw materials and fuels & energy also decreased in 1Q24, resulting in cheaper COGS (-4.9% YoY). Concurrently, SMGR successfully reduced its operating expense to IDR1.3bn (-4.3% YoY), which was driven by lower transportation & handing cost, promotion cost, and general & administration cost. As a result, SMGR recorded less total cost per ton at -2.8% YoY.
- The net profit plummeted by -16.0% YoY to IDR472bn with NPM of 5.6%, reflecting 20.5%/17.6% of MNCS/Consensus target.

Company Strategies: Keeping an Eye on the Balance Sheet and Sales Volume in FY24E

- We expect the potential of SMGR to focus on its balance sheet position to mitigate the uncertainty risk caused by the escalating geopolitical conflict. The cash flow management will also become the strategy of SMGR to maintain its liquidity and solvability. However, given the current situation, SMGR still preserves its effort in enhancing the retail segment market penetration for organic growth. As one most realistic strategy amidst the obscure condition, we have a positive view upon SMGR's ability to manage its cashflow to keep its DER healthy (0.36x in 1Q24).
- Should a setback in its margin happen, SMGR holds the possibility to adjust the ASP in the bag market and renew the pricing contract in the bulk segment. Additionally, to control its production costs, management plans to apply several strategies, such as: 1) efficiency in land and sea logistics costs; 2) secure the contract price of coal; 3) reduce its dependency on coal utilization; 4) maintain the other and fix costs. But we anticipate the risk of rising packaging costs, given the packaging is imported, while the IDR exchange rate remains under pressured.
- However, we estimate a probability that SMGR will cut its ASP due to declining volume, while supply may potentially increase with the new player entering Indonesian market (Hongshi Group). Therefore, we adjust our assumptions, with flat ASP (previously ~2%) and sales volume ranging within ~1.5-1.7% YoY in FY24E.

Valuation and Recommendation: **HOLD with a TP IDR4,000**

We change our recommendation rating from Buy to **HOLD** for SMGR. We believe that cement demand for SMGR will moderately and the uptrend of ASP will be limited. However, the main concern of oversupply is still intact. Thus, we give a HOLD recommendation with a target price (TP) of IDR4,000 per share for the next 12 months, indicating a potential upside of +6.4%. Our valuation implies 11.3x/10.6x of PE in FY24E/FY25F.


Research Analyst

M. Rudy Setiawan
muhamad.setiawan@mncgroup.com

Key Financial Highlight	FY21	FY22	FY23	FY24E	FY25F
Revenue (IDR Bn)	36,702.3	36,378.6	38,651.4	39,325.1	40,275.5
EBITDA (IDR Bn)	8,465.4	7,790.6	7,613.5	8,113.1	8,239.8
EBITDA Margin (%)	23.1	21.4	19.7	20.6	20.5
Net Income (IDR Bn)	2,046.7	2,364.8	2,170.5	2,299.1	2,451.7
ROA (%)	2.5	2.9	2.7	3.0	3.2
ROE (%)	4.8	5.0	4.5	5.3	5.5
PE (x)	11.6	11.0	11.9	11.3	10.6
PBV (x)	0.6	0.5	0.5	0.6	0.6

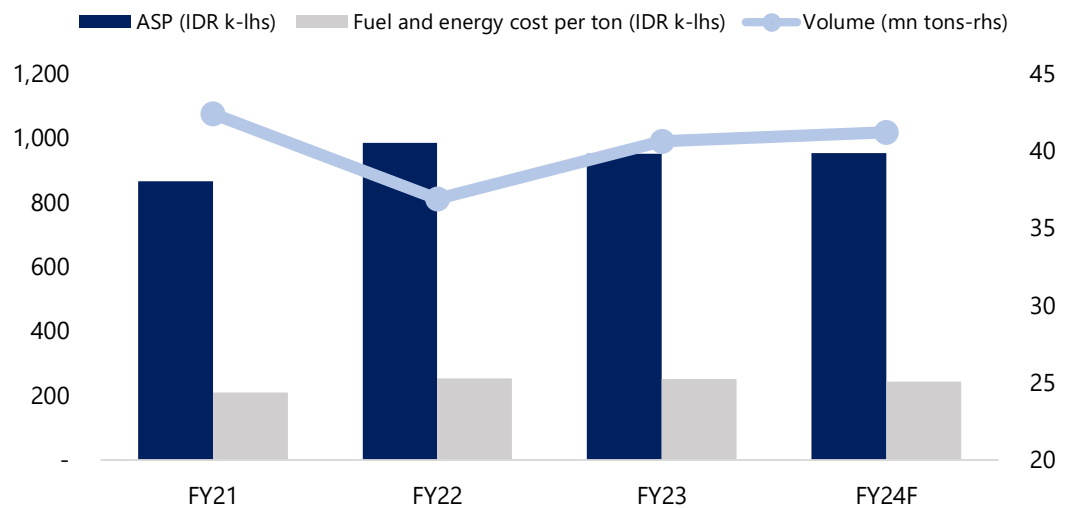
Sources : Bloomberg, MNCS Research

Exhibit 01. SMGR's 1Q24 net income results was below MNCS/consensus estimates

	1Q24	1Q23	YoY	MNCS	Cons.	MNCS %	Cons.%
Revenue	8,375.1	8,935.1	-6.3%	39,325.1	40,351.1	21.3%	20.8%
COGS	-6,168.5	-6,489.2	-4.9%				
Op.Profit	913.1	1,099.0	-16.9%	4,378.8	4,702.2	20.9%	19.4%
Op. Margin	10.9%	12.3%					
PBT	650.4	803.0	-19.0%	3,384.0	3,854.2	19.2%	16.9%
Net Income	471.8	561.6	-16.0%	2,299.1	2,682.2	20.5%	17.6%
Net Margin	5.6%	6.3%					

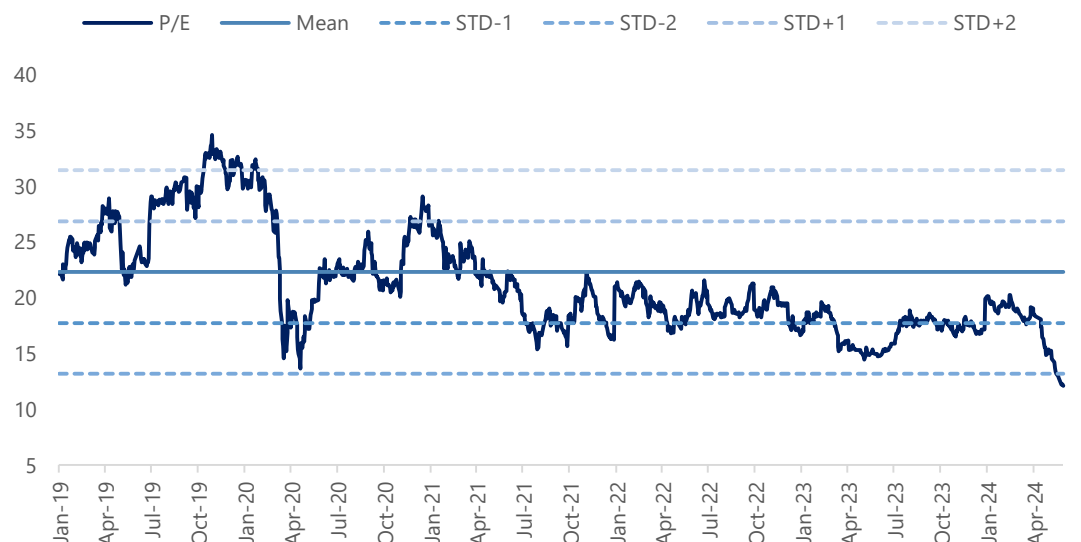
Sources : Company, Bloomberg, MNCS

Exhibit 02. SMGR sales volume, ASP and cost in FY21-FY24F



Sources : Company, MNCS

Exhibit 03. SMGR's Currently Trading Near at -2 STD (5-Year Average) at 12.1x PE band



Sources : Bloomberg, MNCS

Exhibit 04. Financial Projections

Income Statement					
in Billion IDR	FY21	FY22	FY23	FY24E	FY25F
Revenue	36,702.3	36,378.6	38,651.4	39,325.1	40,275.5
COGS	(24,975.6)	(25,701.0)	(28,474.4)	(29,088.7)	(29,787.6)
Gross Profit	11,726.7	10,677.6	10,177.0	10,236.4	10,487.9
Selling Expense	(3,297.0)	(2,954.3)	(2,518.9)	(2,451.5)	(2,508.5)
G&A Expense	(3,193.5)	(3,154.2)	(3,345.7)	(3,406.0)	(3,535.4)
Operating Income	5,236.1	4,569.1	4,312.4	4,378.8	4,444.0
Finance Cost (Income)	(1,637.4)	(1,329.0)	(1,182.9)	(1,001.6)	(819.8)
Other income (Expense)	(61.1)	58.7	174.3	6.8	(7.3)
Profit Before Tax	3,537.7	3,298.8	3,303.8	3,384.0	3,616.9
Tax Income (Expense)	(1,420.5)	(799.8)	(1,008.2)	(974.9)	(1,042.0)
Minority Interest	(70.5)	(134.2)	(125.1)	(110.0)	(123.1)
Net Income	2,046.7	2,364.8	2,170.5	2,299.1	2,451.7
EPS (IDR)	345.0	365.1	335.1	354.9	378.5

Cash Flow					
in Billion IDR	FY21	FY22	FY23	FY24E	FY25F
Net Income	2,046.7	2,364.8	2,170.5	2,299.1	2,451.7
D&A	3,257.6	3,165.1	3,109.9	3,699.4	3,769.0
Changes in WC	1,196.0	(351.5)	210.3	2,183.0	(15.1)
Change in others	(551.1)	226.5	(1,745.9)	(2.8)	(4.0)
Operating CF	5,949.2	5,404.9	3,744.8	8,178.6	6,201.6
Capex	(1,956.6)	(2,133.1)	(2,208.7)	(2,000.0)	(2,000.0)
Others	10.9	1,896.8	1,838.1	(20.5)	(29.0)
Investing CF	(1,945.6)	(236.3)	(370.7)	(2,020.5)	(2,029.0)
Dividend Paid	(1,116.9)	(1,024.1)	(1,655.4)	(1,839.2)	(1,716.2)
Net Change in Debt	(7,091.0)	(3,571.3)	(983.4)	(1,574.9)	(2,589.6)
Equity Fund Raised	2,159.4	4,970.6	48.3	(4,539.5)	-
Others	1,730.7	(2,491.6)	148.8	7.8	11.0
Financing CF	(4,317.8)	(2,116.3)	(2,441.7)	(7,945.8)	(4,294.8)
Cash at Beginning	3,269.1	2,955.0	6,007.3	6,939.8	5,152.1
Cash at Ending	2,955.0	6,007.3	6,939.8	5,152.1	5,029.9

Balance Sheet					
in Billion IDR	FY21	FY22	FY23	FY24E	FY25F
Cash & Equivalents	2,955.0	6,007.3	6,939.8	5,152.1	5,029.9
Trade Receivables	5,690.9	5,521.3	5,787.9	4,794.4	4,937.9
Inventory	4,848.5	5,610.2	5,133.7	5,140.3	5,284.2
Others	2,691.1	1,740.1	1,921.5	1,930.8	1,943.8
Current Assets	16,185.5	18,879.0	19,783.0	17,017.6	17,195.8
Fixed Assets - net	58,839.1	57,806.0	56,771.0	55,071.6	53,302.6
Other	6,741.7	6,275.0	5,266.5	5,287.1	5,316.0
Non-Current Assets	65,580.8	64,081.0	62,037.6	60,358.7	58,618.6
TOTAL ASSETS	81,766.3	82,960.0	81,820.5	77,376.3	75,814.4
Trade Payables	7,855.3	8,095.9	8,096.3	9,292.4	9,564.7
Short-term Debt	3,984.3	1,274.5	5,193.4	2,785.5	2,279.1
Other	2,792.6	3,690.6	2,821.9	2,828.3	2,837.3
Current Liabilities	14,632.2	13,061.0	16,111.7	14,906.3	14,681.1
Long-term Debt	16,388.3	15,526.9	10,624.5	11,457.5	9,374.3
Other	7,870.8	7,132.7	7,283.4	7,291.2	7,302.3
LT-Liabilities	24,259.1	22,659.6	17,907.9	18,748.7	16,676.6
Total Equity	42,875.0	47,239.4	47,801.0	43,721.3	44,456.8
TOTAL LIA & EQUITY	81,766.3	82,960.0	81,820.5	77,376.3	75,814.4

Ratios					
	FY21	FY22	FY23	FY24E	FY25F
Revenue Growth (%)	4.4	(0.9)	6.2	1.7	2.4
Operating Profit Growth (%)	(7.8)	(11.2)	(2.6)	(2.0)	1.3
Net Profit Growth (%)	(26.7)	15.5	(8.2)	5.9	6.6
Current Ratio (%)	110.6	144.5	122.8	114.2	117.1
Receivable Days (x)	56.6	44.0	45.0	44.5	44.8
Inventory Days (x)	70.9	64.0	65.0	64.5	64.8
Payable Days (x)	114.8	117.0	118.0	116.6	117.2
Net Gearing Ratio (x)	0.4	0.2	0.2	0.2	0.1
DER (x)	0.5	0.4	0.3	0.3	0.3
Interest Coverage (x)	2.9	3.2	3.2	3.6	4.4
Dividend Yield (%)	3.2	2.7	4.4	7.1	6.6
Gross Profit Margin (%)	32.0	29.4	26.3	26.0	26.0
Operating Profit Margin (%)	14.2	12.7	11.7	11.2	11.1
EBITDA Margin (%)	23.1	21.4	19.7	20.6	20.5
Net Income Margin (%)	5.6	6.5	5.6	5.8	6.1
BVPS (IDR)	7,227.6	7,292.4	7,379.1	6,749.3	6,862.8

Sources : Company, MNCS

MNC Research Industry Ratings Guidance

- **OVERWEIGHT** : Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL** : Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT** : Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

- **BUY** : Share price may exceed 10% over the next 12 months
- **HOLD** : Share price may fall within the range of +/- 10% of the next 12 months
 - **SELL** : Share price may fall by more than 10% over the next 12 months
 - **Not Rated** : Stock is not within regular research coverage

PT MNC SEKURITAS

MNC Bank Tower Lt. 15 – 16
Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340
Telp : (021) 2980 3111
Fax : (021) 3983 6899
Call Center : 1500 899

Disclaimer

This research report has been issued by PT MNC Sekuritas, It may not be reproduced or further distributed or published, in whole or in part, for any purpose. PT MNC Sekuritas has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; PT MNC Sekuritas makes no guarantee, representation or warranty and accepts no responsibility to liability as to its accuracy or completeness. Expression of opinion herein are those of the research department only and are subject to change without notice. This document is not and should not be construed as an offer or the solicitation of an offer to purchase or subscribe or sell any investment. PT MNC Sekuritas and its affiliates and/or their offices, director and employees may own or have positions in any investment mentioned herein or any investment related thereto and may from time to time add to or dispose of any such investment. PT MNC Sekuritas and its affiliates may act as market maker or have assumed an underwriting position in the securities of companies discusses herein (or investment related thereto) and may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies.