

Hold

(Downgraded)

Last Price (Rp)	3,780
Target Price (Rp)	4,100
Previous Target Price (Rp)	6,700
Upside/Downside	+8.5%
No. of Shares (mn)	5,932
Mkt Cap (Rpbn/US\$mn)	22,421/1,385
Avg, Daily T/O (Rpbn/US\$mn)	114.4/7.1
Free Float (%)	48.8
Major Shareholder (%)	
Government	51.0
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	275.9 347.3 409.1
Consensus	343.4 387.2 445.5
BRIDS/Cons (%)	(19.6) (10.3) (8.2)

SMGR relative to JCI Index



Source: Bloomberg

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Semen Indonesia (SMGR IJ)

Lowering FY24E/FY25E est. EPS by 20%-22 on weak ASP; downgrade rating to Hold

- SMGR's 1H24 results only reached 24%/22% of our/consensus estimate (miss), due to weak ASP (1H24/2Q24: -5% yoy/-6% yoy).
- Given the poor ASP hike deliveries in 2Q24, we downgrade our FY24E/FY25E ASP assumption to -3%/+1% from -1.5%/+1.5%.
- We cut our FY24E/FY25E NP by 22%/20% and our TP by 39% to Rp 4,100. We downgrade our rating for SMGR to Hold.

1H24 result: missed our and consensus estimates due to ASP contraction

SMGR 1H24 NP reached Rp501bn (-42% yoy, 24%/22% of our/consensus estimate – a miss to its seasonality of 38%, and weaker than our preview of Rp 763bn). 2Q24 NP only reached Rp30bn (-90% yoy). Sales vol (1H24/2Q24 sales vol: -1% yoy/+1% yoy) and ASP (-5% yoy/-6% yoy) showed weak trend. On a qoq basis, ASP declined by 3%, as the price hike at end of May (~3% ASP adjustment in bag price for 13 provinces) and 1% ASP adjustment on bulk price in 1H24 were not translated to ASP. We suspect that price increases were not executed effectively as the fighting brand is still relatively stable at 16%-18% of total volume in 2Q24 vs 1Q24, while the bulk ratio to total sales was at ~30% by 1H24. Costs were noticeably rising on raw material per ton (1H24/2Q24: +2%/+4% yoy) and labor per ton (1H24/2Q24: +7%/+2%).

Volume would remain solid, but ASP would remain under pressure

SMGR's management indicated that it is difficult for the bag segment to grow this year, given the current traction of the weak retail market and robust infrastructure pipeline. As of 1H24, the growth rate of bag/bulk segment for SMGR reached -4%/+6%. However, it still raised ASP on bag segment, with 3%-5% adjustment in Jul/Aug24 (including fighting brand), and it plans to increase further if the market allows. However, given the execution record in 2Q24, we see the risk of final ASP adjustment being less than planned. Thus, we downgrade our FY24/FY25E ASP assumption to -3%/+1% from -1.5%/+1.5%. However, we retain our Vol. growth assumption of 1%/3%, given bulk growth.

Trim to Hold with a lower TP of Rp 4,100; Volume growth to be the key catalyst

We cut our FY24E/FY25E revenue by -1%/-2% and NP by -22%/20%, reflecting our weak ASP assumption. We rollover our number to FY25E, cut our TP by 39% to Rp.4,100 (from Rp.6,700 prev.) and trim our rating to **Hold**. SMGR currently trades at an EV/t of USD57, -2 std dev of its 5-years mean, yet, we think the valuation reflects earnings risk in medium-term. Upside risks: 1) Better vol growth; 2) ASP hike as volume is growing. Downside risk: 1) Entrance of new players; 2) Higher fighting brand vol.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	36,379	38,651	38,139	39,690	41,488
EBITDA (Rpbn)	7,959	7,787	6,530	6,951	7,383
EBITDA Growth (%)	(7.9)	(2.2)	(16.1)	6.4	6.2
Net Profit (Rpbn)	2,365	2,170	1,636	2,060	2,426
EPS (Rp)	398.7	365.9	275.9	347.3	409.1
EPS Growth (%)	15.5	(8.2)	(24.6)	25.9	17.8
BVPS (Rp)	7,207.0	7,293.5	7,276.6	7,403.2	7,534.4
DPS (Rp)	172.6	279.1	292.7	220.7	277.8
PER (x)	9.5	10.3	13.7	10.9	9.2
PBV (x)	0.5	0.5	0.5	0.5	0.5
Dividen yield (%)	4.6	7.4	7.7	5.8	7.3
EV/EBITDA	4.2	4.0	4.4	3.6	3.0

Source: Company, BRIDS Estimates

Exhibit 1. 1H24 results summary

(Rpbn)	2Q23	1Q24	2Q24	QoQ, %	YoY, %	1H23	1H24	YoY, %	FY24 (BRIDS)	A/F, %	FY24 (Cons)	A/C, %
Revenue	8,097	8,375	8,036	(4.0)	(0.8)	17,032	16,411	(3.6)	38,660	42	39,637	41
Gross profit	1,970	2,207	1,650	(25.2)	(16.2)	4,416	3,857	(12.7)	9,385	41	10,365	37
Operating income	771	913	337	(63.1)	(56.3)	1,870	1,250	(33.2)	3,741	33	4,255	29
EBITDA	1,535	1,731	1,162	(32.9)	(24.3)	3,481	2,893	(16.9)	7,076	41	7,684	38
Net income	305	472	30	(93.7)	(90.3)	866	501	(42.1)	2,095	24	2,298	22

Margins, %

Gross margin	24.3	26.3	20.5			25.9	23.5		24.3		26.2	
Operating margin	9.5	10.9	4.2			11.0	7.6		9.7		10.7	
EBITDA margin	19.0	20.7	14.5			20.4	17.6		18.3		19.4	
Net margin	3.8	5.6	0.4			5.1	3.1		5.4		5.8	

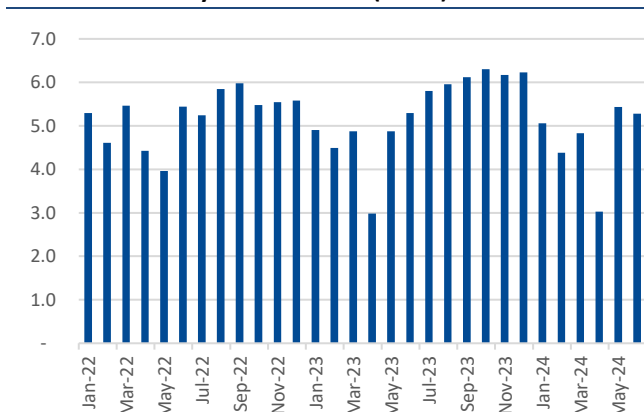
Source: Company, BRIDS Estimates

Exhibit 2. SMGR estimates revision

Rpbn	Old			New			%Changes			Consensus			% Diff ours vs cons.		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Revenue	38,660	40,412	42,430	38,139	39,690	41,488	-1%	-2%	-2%	39,636	41,446	43,265	-4%	-4%	-4%
Gross profit	9,385	9,920	10,513	8,766	9,208	9,688	-7%	-7%	-8%	10,365	10,986	11,566	-15%	-16%	-16%
Operating profit	3,741	4,195	4,682	3,121	3,483	3,857	-17%	-17%	-18%	4,255	4,537	4,892	-27%	-23%	-21%
EBITDA	7,076	7,589	8,134	6,457	6,878	7,310	-9%	-9%	-10%	7,684	8,208	8,571	-16%	-16%	-15%
Net profit	2,095	2,587	3,037	1,636	2,060	2,426	-22%	-20%	-20%	2,298	2,615	3,012	-29%	-21%	-19%
Gross Margin	24.3%	24.5%	24.8%	23.0%	23.2%	23.4%									
Operating Margin	9.7%	10.4%	11.0%	8.2%	8.8%	9.3%									
Net Margin	5.4%	6.4%	7.2%	4.3%	5.2%	5.8%									

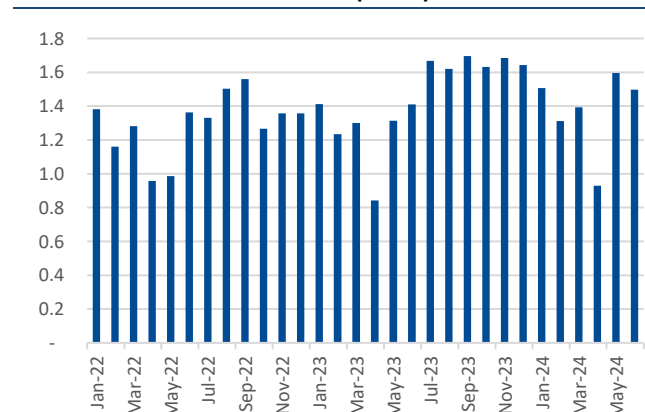
Source: BRIDS Estimates, Bloomberg

Exhibit 3. Industry Sales Volume (In Mt)



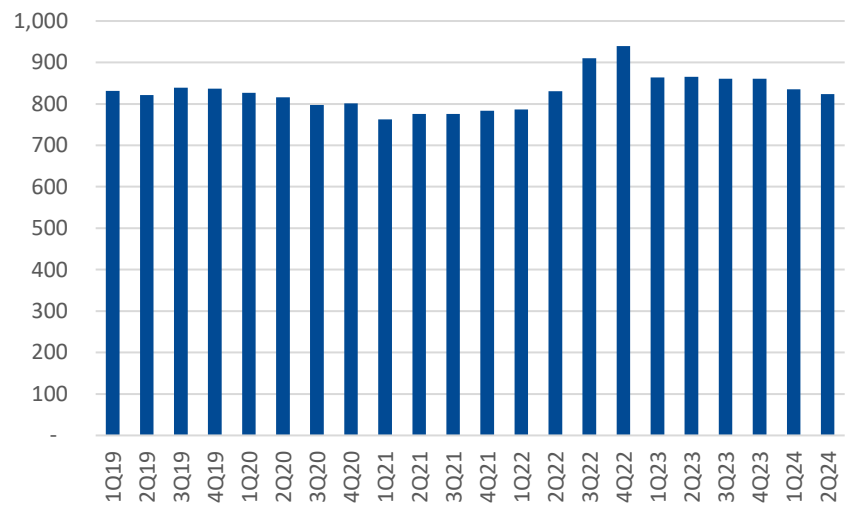
Source: ASI

Exhibit 4. SMGR Sales Volume (In Mt)



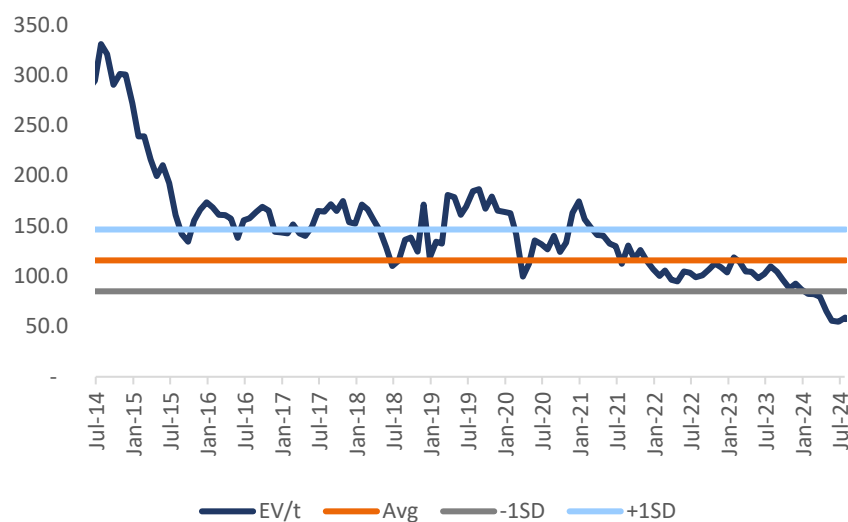
Source: Company

Exhibit 5. SMGR ASP (In '000 Rp)



Source: Company, BRIDS

Exhibit 6. EV/t Band



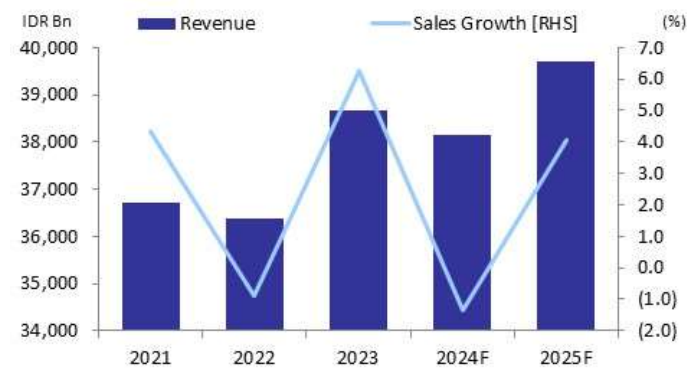
Source: Company, Bloomberg, BRIDS

Exhibit 7. Valuation Summary

		2025	2026	2027	2028	2029
EBIT * (1-tax)	+	2,613	2,893	2,778	2,617	2,404
Depreciation	+	3,394	3,453	3,549	3,645	3,741
Change in working capital	+	(10)	(14)	56	71	87
Capex	-	2,000	3,000	3,000	3,000	3,000
Minority interest	-	125	125	125	125	125
FCFF		3,872	3,206	3,257	3,207	3,107
Discount factor		1.00	1.13	1.28	1.46	1.65
Present value of FCFF		3,872	2,828	2,535	2,202	1,882
Terminal value		35,520	29,413	29,882	29,421	28,505
PV of terminal value		35,520	25,948	23,255	20,199	17,264
NPV			IDR Bn 30,583			
Net debt (as of end 2025)			IDR Bn 2,659			
Equity value			IDR Bn 27,923			
Outstanding share			Bn sh 6.75			
Equity value per share			IDR/sh 4,137			
Target price			IDR/sh 4,100			

Source: BRIDS Estimates

Exhibit 8. Revenue and Growth



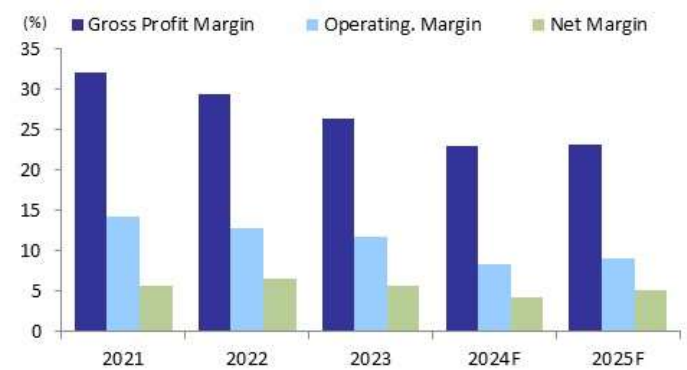
Source: Company, BRIDS Estimates

Exhibit 9. Net Profit and Growth



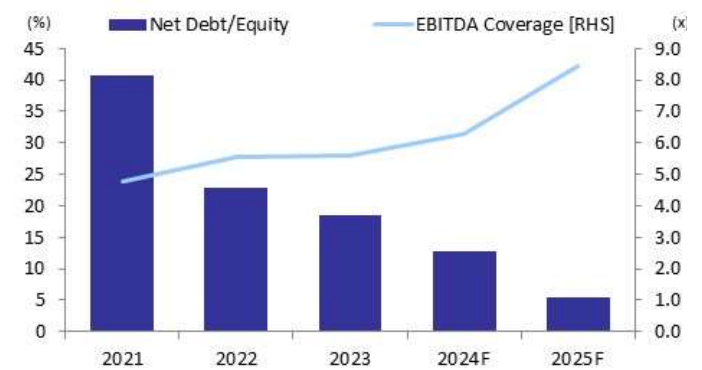
Source: Company, BRIDS Estimates

Exhibit 10. Margins



Source: Company, BRIDS Estimates

Exhibit 11. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 12. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	36,379	38,651	38,139	39,690	41,488
COGS	(25,701)	(28,474)	(29,373)	(30,482)	(31,800)
Gross profit	10,678	10,177	8,766	9,208	9,688
EBITDA	7,959	7,787	6,530	6,951	7,383
Oper. profit	4,625	4,504	3,194	3,556	3,930
Interest income	99	207	240	240	240
Interest expense	(1,428)	(1,390)	(1,036)	(825)	(702)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	2	(17)	(18)	(19)	(20)
Other Income (Expenses)	0	0	0	0	0
Pre-tax profit	3,299	3,304	2,381	2,953	3,448
Income tax	(800)	(1,008)	(619)	(768)	(896)
Minority interest	(134)	(125)	(125)	(125)	(125)
Net profit	2,365	2,170	1,636	2,060	2,426
Core Net Profit	2,323	2,027	1,582	2,005	2,372

Exhibit 13. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	6,007	6,940	7,867	10,039	10,944
Receivables	5,885	6,269	6,109	6,389	6,710
Inventory	5,610	5,134	5,681	5,896	6,151
Other Curr. Asset	1,317	1,381	1,519	1,671	1,838
Fixed assets - Net	57,806	56,771	54,987	53,145	52,245
Other non-curr.asset	6,275	5,267	5,424	5,598	5,788
Total asset	82,960	81,821	81,653	82,809	83,755
ST Debt	1,274	1,831	2,032	1,901	1,769
Payables	8,450	8,462	9,042	9,409	9,841
Other Curr. Liabilities	3,336	2,456	2,702	2,972	3,269
Long Term Debt	15,527	13,987	11,937	10,798	9,236
Other LT. Liabilities	7,133	7,283	8,012	8,813	9,694
Total Liabilities	35,721	34,020	33,725	33,892	33,809
Shareholder's Funds	42,748	43,261	43,162	43,912	44,691
Minority interests	4,491	4,539	4,766	5,005	5,255
Total Equity & Liabilities	82,960	81,821	81,653	82,809	83,755

Exhibit 14. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	2,365	2,170	1,636	2,060	2,426
Depreciation and Amort.	3,333	3,284	3,336	3,394	3,453
Change in Working Capital	200	(840)	301	(10)	(14)
Other Oper. Cash Flow	1,011	1,400	1,735	1,607	1,575
Operating Cash Flow	6,909	6,014	7,008	7,051	7,440
Capex	(2,300)	(2,249)	(1,552)	(1,552)	(2,552)
Others Inv. Cash Flow	1,573	1,198	92	77	61
Investing Cash Flow	(728)	(1,050)	(1,460)	(1,475)	(2,491)
Net change in debt	(6,202)	(917)	(5,197)	(1,561)	(2,408)
New Capital	4,841	0	0	0	0
Dividend payment	(1,024)	(1,655)	(1,736)	(1,309)	(1,648)
Other Fin. Cash Flow	(3,375)	(1,392)	(1,036)	(825)	(702)
Financing Cash Flow	(5,760)	(3,964)	(7,969)	(3,695)	(4,758)
Net Change in Cash	422	999	(2,421)	1,881	191
Cash - begin of the year	2,955	6,007	6,940	7,867	10,039
Cash - end of the year	6,007	6,940	7,867	10,039	10,944

Exhibit 15. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	(0.9)	6.2	(1.3)	4.1	4.5
EBITDA	(7.9)	(2.2)	(16.1)	6.4	6.2
Operating profit	(11.2)	(2.6)	(29.1)	11.3	10.5
Net profit	15.5	(8.2)	(24.6)	25.9	17.8
Profitability (%)					
Gross margin	29.4	26.3	23.0	23.2	23.4
EBITDA margin	21.9	20.1	17.1	17.5	17.8
Operating margin	12.7	11.7	8.4	9.0	9.5
Net margin	6.5	5.6	4.3	5.2	5.8
ROAA	2.9	2.6	2.0	2.5	2.9
ROAE	5.8	5.0	3.8	4.7	5.5
Leverage					
Net Gearing (x)	0.2	0.2	0.1	0.1	0.0
Interest Coverage (x)	3.2	3.2	3.1	4.3	5.6

Source : SMGR, BRIDS Estimates

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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