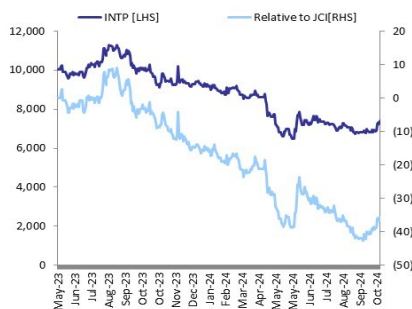


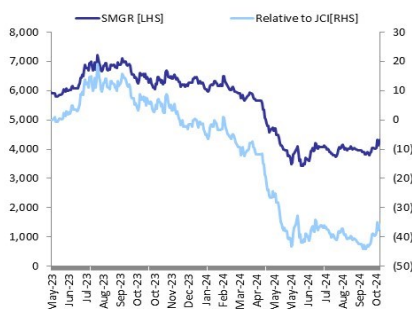
# Neutral

(Maintained)

## INTP relative to JCI Index



## SMGR relative to JCI Index



Source: Bloomberg

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# Cement

**3Q24 preview: expanding volume, stabilizing ASP; Expect SMGR to miss, INTP to meet cons. forecast**

- We expect SMGR/ INTP 9M24F to reach 47%/63% of our estimate vs. 72%/65% seasonality, hence potential miss for SMGR but inline for INTP.
- Sales volume expanded in 3Q24F vs. 1H24, and ASP is stabilizing with a noticeable rise in Sep24.
- The 3mn housing program would be the blue-sky scenario for the cement industry; we maintain a Neutral rating on the sector for now.

## 3Q24 preview: expecting SMGR to miss, while INTP may meet cons. f'cast

We expect SMGR/INTP sales vol. to grow by 21%/35% qoq in 3Q24F, (-4%/+9% yoy in 9M24F; flattish yoy if we compare INTP ex-Grobogan), driven by the bulk segment (especially due to infrastructure) and cement seasonality (2H > 1H performance). Meanwhile, on ASP, we expect 0%/+1% qoq improvement for SMGR/INTP, as our price tracker indicates most of the recovery just happened in Sep24 and the impact of a bigger bulk portion on total sales. Overall, we expect INTP's 3Q24F net profit to double on a qoq basis, whereas SMGR's would recover from only Rp30bn in 2Q24 to Rp274bn in 3Q24F. Nevertheless, due to a very weak 1H24, SMGR/INTP 9M24F NP would still decline -55%/-20% yoy. Our 3Q24 estimation indicates SMGR would miss our and consensus estimates (at 47%/37% of FY24F respectively, vs. seasonality of 72%), whereas INTP may meet (63%/64% of ours/consensus estimates, vs. seasonality of 65%).

## The blue-sky scenario: 3mn government housing program

As mentioned by several media outlets, the government is planning to continue the current 1mn housing program and extend the amount to 3mn housing. The scheme is not clear yet, but we believe it would be beneficial for the cement industry. The most optimistic scenario would be an additional ~1.9mn new housing from the current scheme, which could yield additional cement demand of 6-10mt/year on the industry level, assuming 3-5 ton of cement/house. This would translate into a 9-15% additional industry vol. demand per year. We estimate that for every 1% additional vol., SMGR/INTP's net profit would increase by 7%/1%. However, our scenario numbers could differ if the 3mn housing scheme includes houses that will be under renovation (which implies less cement is needed), and the actual scheme of this housing program would determine whether bag or bulk would benefit (hence, the impact on ASP).

## Maintain Neutral rating for the sector with INTP as top pick

We maintain our **Neutral** rating for the sector, with INTP remaining as our top pick. INTP has shown resilient volume and better price management despite volatility in industry-wide demand. We have a **Buy** rating for INTP with a DCF-based TP of **Rp 8,800**. INTP currently trades at an EV/t of US\$95, -1.5 std dev of its mean. Meanwhile, we have a **HOLD** rating for SMGR with a TP of **Rp4,100** (it currently also trades at EV/t of US\$61, -1.5 std dev of its mean). Upside risks to our call: 1) Clarification of the 3mn housing scheme; 2) ASP stabilization continues. Downside risks: 1) Price war on fighting brand level; 2) Entry of new players into the market.

Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%) 2025F
					2024F	2025F	2024F	2025F	
Indocement	INTP IJ	BUY	8,800	27,241.1	16.9	14.9	1.2	1.2	8.1
Semen Indonesia	SMGR IJ	HOLD	4,100	25,683.5	15.7	12.5	0.6	0.6	4.7

### Exhibit 1. INTP 3Q24 Estimates

(Rpbn)	3Q23	2Q24	3Q24F	QoQ, %	YoY, %	9M23	9M24F	YoY, %	FY24F (BRIDS)	A/F, %	FY24F (Cons)	A/C, %
Revenue	4,958	4,042	5,381	33.1	8.5	12,928	13,506	4.5	18,886	72	18,767	72
Gross profit	1,657	1,118	1,744	56.0	5.3	4,089	4,043	(1.1)	5,924	68	5,790	70
Operating income	686	262	754	187.9	9.9	1,515	1,330	(12.2)	1,995	67	1,982	67
EBITDA	984	587	1,119	90.7	13.8	2,211	2,392	8.2	3,422	70	3,537	68
Net income	569	197	573	191.5	0.8	1,267	1,008	(20.5)	1,611	63	1,582	64
<b>Margins, %</b>												
Gross margin	33.4	27.7	32.4			31.6	29.9		31.4		30.9	
Operating margin	13.8	6.5	14.0			11.7	9.8		10.6		10.6	
EBITDA margin	19.8	14.5	20.8			17.1	17.7		18.1		18.8	
Net margin	11.5	4.9	10.7			9.8	7.5		8.5		8.4	

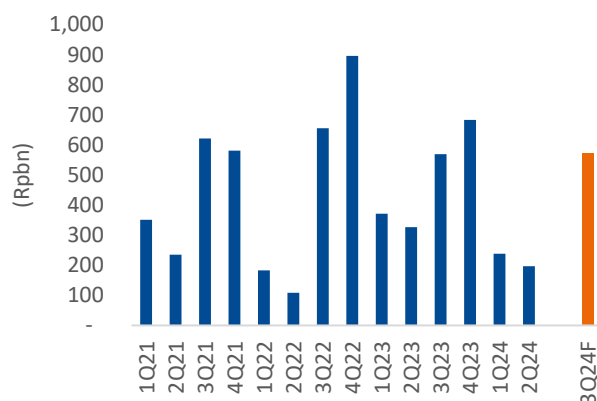
Source: Company BRIDS Estimates

### Exhibit 2. SMGR 3Q24 Estimates

(Rpbn)	3Q23	2Q24	3Q24F	QoQ, %	YoY, %	9M23	9M24F	YoY, %	FY24F (BRIDS)	A/F, %	FY24F (Cons)	A/C, %
Revenue	10,629	8,036	9,566	19.0	(10.0)	27,661	25,977	(6.1)	38,139	68	39,045	67
Gross profit	3,024	1,651	2,079	25.9	(31.3)	7,440	5,937	(20.2)	8,766	68	9,882	60
Operating income	1,496	338	520	54.0	(65.3)	3,366	1,770	(47.4)	3,121	57	3,856	46
EBITDA	2,319	1,202	1,366	13.7	(41.1)	5,714	4,260	(25.4)	6,457	66	7,301	58
Net income	848	30	274	825.2	(67.7)	1,714	776	(54.7)	1,636	47	2,089	37
<b>Margins, %</b>												
Gross margin	28.5	20.5	21.7			26.9	22.9		23.0		25.3	
Operating margin	14.1	4.2	5.4			12.2	6.8		8.2		9.9	
EBITDA margin	21.8	15.0	14.3			20.7	16.4		16.9		18.7	
Net margin	8.0	0.4	2.9			6.2	3.0		4.3		5.4	

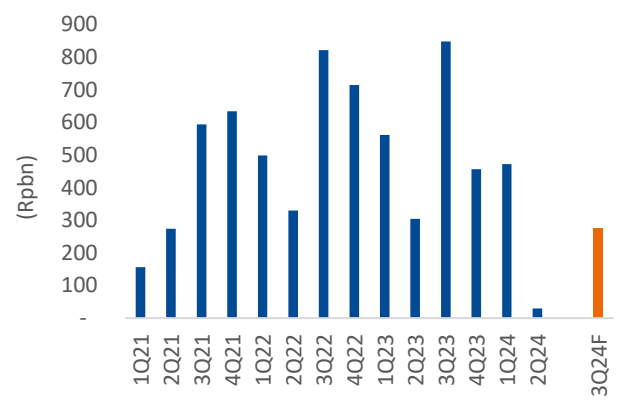
Source: Company BRIDS Estimates

### Exhibit 3. INTP Quarterly Net Profit



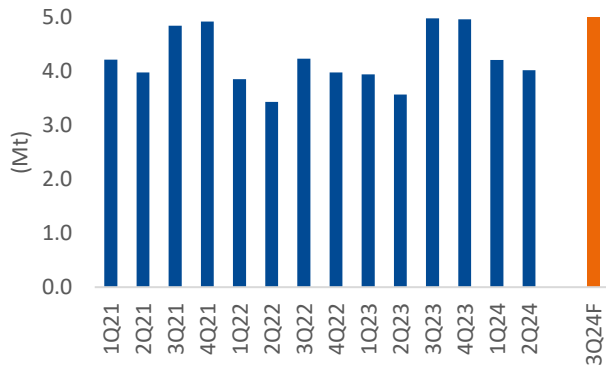
Source: Company, BRIDS Estimates

### Exhibit 4. SMGR Quarterly Net Profit



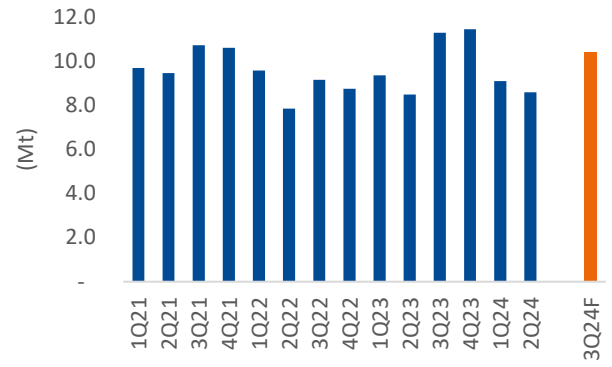
Source: Company, BRIDS Estimates

Exhibit 5. INTP Quarterly Sales Volumes



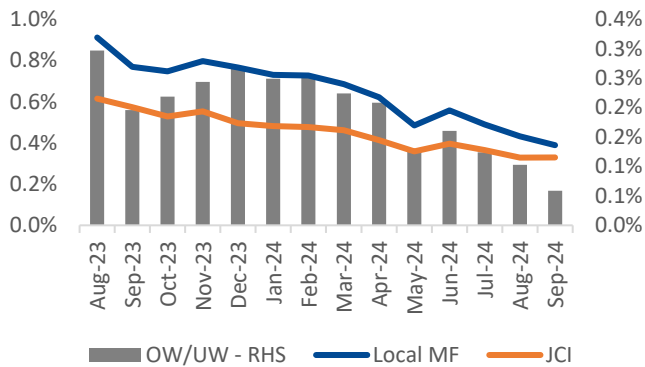
Source: Company, BRIDS Estimates

Exhibit 6. SMGR Quarterly Sales Volumes



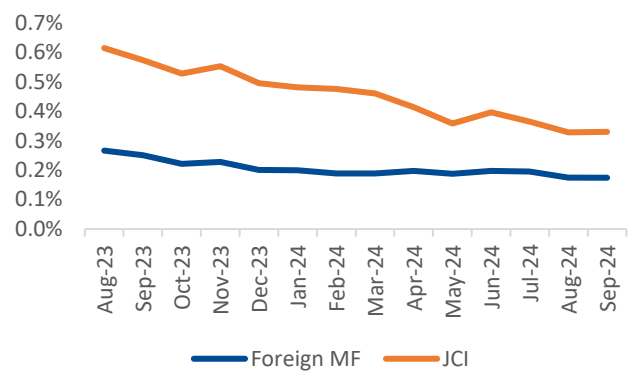
Source: Company, BRIDS Estimates

Exhibit 7. INTP Local Fund Ownership



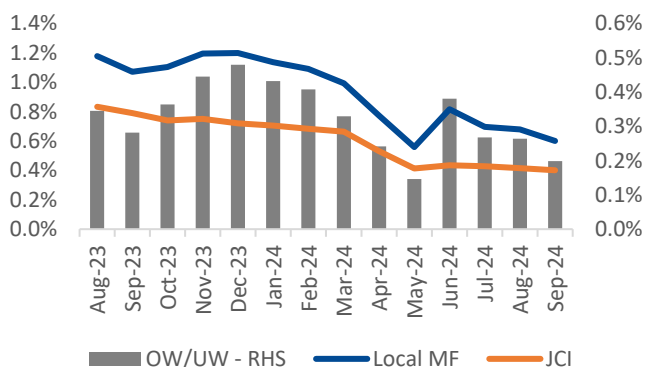
Source: KSEI, BRIDS

Exhibit 8. INTP Foreign Fund Ownership



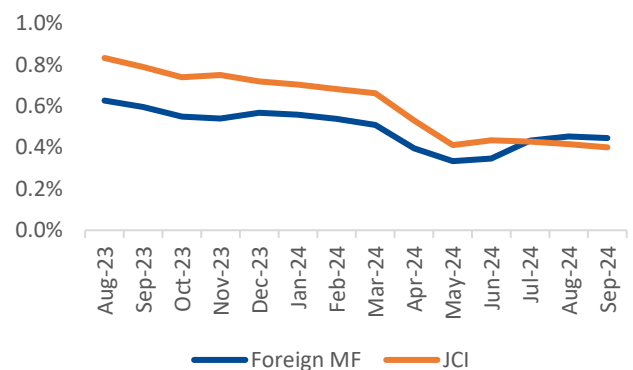
Source: KSEI, BRIDS

Exhibit 9. SMGR Local Fund Ownership



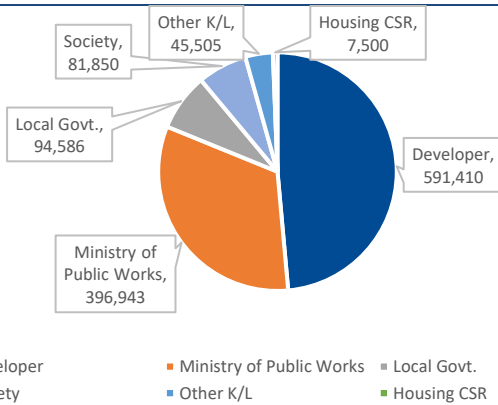
Source: KSEI, BRIDS

Exhibit 10. SMGR Foreign Fund Ownership



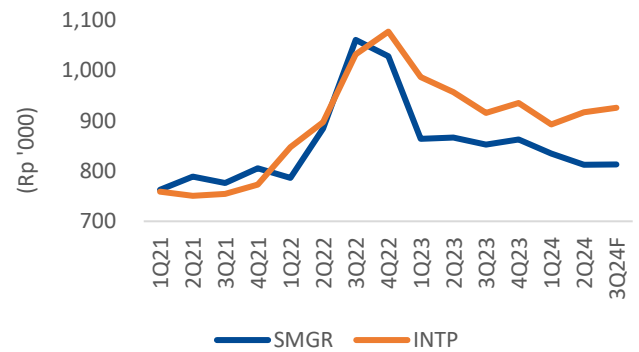
Source: KSEI, BRIDS

**Exhibit 11. 1Mn Housing Achievement in 2023**



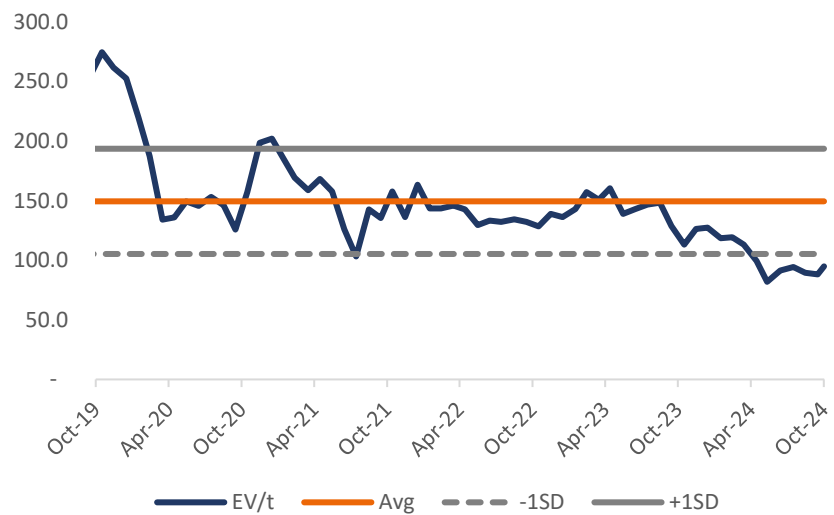
Source: MoPW, BRIDS

**Exhibit 12. SMGR & INTP Quarterly ASP**



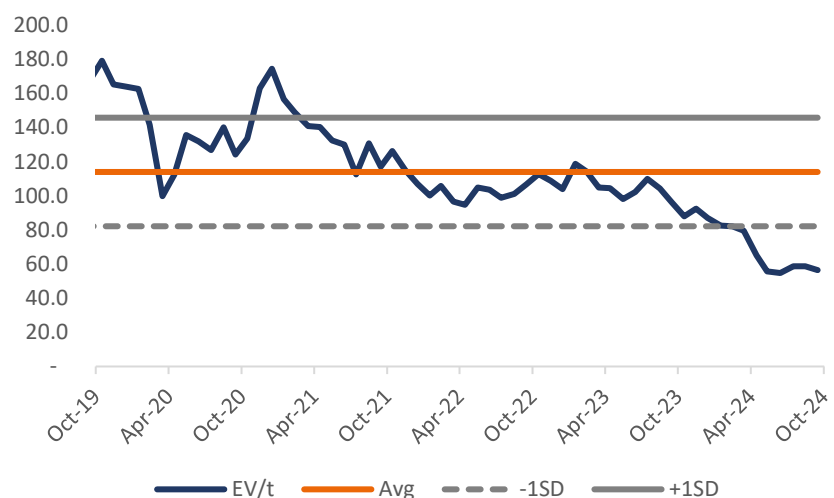
Source: Company, BRIDS Estimates

**Exhibit 13. INTP EV/t Band.**



Source: Company, BRIDS Estimates

**Exhibit 14. SMGR EV/t Band.**



Source: Company, BRIDS Estimates

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

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