Hold

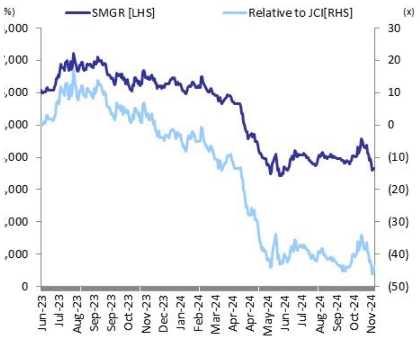
(Maintained)

Last Price (Rp)	3,630
Target Price (Rp)	▼ 3,900
Previous Target Price (Rp)	4,100
Upside/Downside	+7.4%
No. of Shares (mn)	5,932
Mkt Cap (Rpbn/US$mn)	21,531/1,374
Avg, Daily T/O (Rpbn/US$mn)	109.5/7.0
Free Float (%)	49.0
Major Shareholder (%)	
Government	51.0

EPS Consensus (Rp)

	2024F	2025F	2026F
BRIDS	197.2	270.2	343.6
Consensus	277.8	313.7	368.2
BRIDS/Cons (%)	**(29.0)**	**(13.9)**	**(6.7)**

SMGR relative to JCI Index



Source: Bloomberg

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Semen Indonesia (SMGR)

Trimming our FY24-26F estimate further amid lower LT volume growth

- **SMGR reported Rp720bn earnings in 9M24 (a miss at 44%/37% of our/cons FY24F est.), as higher ASP failed to offset higher tax expenses.**
- **We cut our sales vol. growth to -6%/+2.5%/+3% in FY24F/FY25F/ FY26F, amid weak domestic and export markets.**
- **We trimmed our EPS by 29%/22%/16% in FY24F/FY25F/FY26F and reiterate our Hold rating, with a 5% lower TP of Rp3,900.**

9M24: Weak Achievement due to non-operating items

9M24 net profit reached Rp720bn (-58% yoy), a miss at 44%/ 37% of FY24F our/cons, and even lower than our 3Q24E preview. 3Q24 net profit improved to Rp218bn (vs. Rp30bn in 2Q24). 9M24 sales volume reached 26.8 Mt (-5% yoy), with 3Q24 sales vol. at 9.9 Mt (+22% qoq), while ASP improved by 4% qoq in 3Q24. 3Q24 GPM/EBIT margin showed improvement by 130 bps/220 bps. Higher ASP offset a 1% qoq increase in COGS/t (Rp754k), whereas opex-to-revenue remained stable at 15% in 3Q24, in line with the past eight quarters' average. However, the overall improvement failed to offset non-operating (below EBIT) items and slightly higher tax bracket (~32% in 3Q24).

Trimming our FY24-26F estimate further due to Lower LT Vol

We cut our sales volume growth est. from +1%/+3%/+3.5% in FY24F/FY25F/ FY26F to -6%/+2.5%/+3%, due to weak domestic and export markes despite recovery in Sep24. SMGR admitted the export market is more challenging as China has entered the clinker export market, although mgmt. believes it could find another market, such as the US and Latin America. Nevertheless, we think export vol. would remain at risk, at least in the medium term. In the domestic market, we have not seen any near-term catalyst for recovery, with the 3mn house scheme still under discussion, and management tends to take a conservative approach on this. This led us to downgrade our revenue est. by -5%/-6%/-7% in FY24F/FY25F/FY26F, and our EPS by 29%/22%/16%. We keep our ASP growth assumption conservative at -3%/+0.5%/+0.5% growth, as we see limited change in Semen Merdeka's positioning despite mgmt's claim that it has increased prices three times YTD and expects more increases in Nov24.

Maintain Hold Rating with 5% lower TP of Rp3,900

We maintain a Hold rating with a 5% DCF-based TP of Rp3,900, amid weaker sales vol and less cost improvement initiatives. SMGR currently trades at EV/t of US$60.6, -1.5 std dev of its 5-year mean. Upside risks: 1) potential sales vol upside from 3m houses program; 2) Semen Merdeka' positioning moves to Tier-2. Downside risks: 1) Entry of new players; 2) Rising material price.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	36,379	38,651	36,159	37,287	38,766
EBITDA (Rpbn)	7,959	7,787	5,915	6,297	6,624
EBITDA Growth (%)	(7.9)	(2.2)	(24.0)	6.5	5.2
Net Profit (Rpbn)	2,365	2,170	1,170	1,603	2,038
EPS (Rp)	398.7	365.9	197.2	270.2	343.6
EPS Growth (%)	15.5	(8.2)	(46.1)	37.0	27.2
BVPS (Rp)	7,207.0	7,293.5	7,384.6	7,575.9	7,811.4
DPS (Rp)	172.6	279.1	106.1	78.9	108.1
PER (x)	9.2	10.0	18.6	13.5	10.7
PBV (x)	0.5	0.5	0.5	0.5	0.5
Dividen yield (%)	4.7	7.6	2.9	2.2	3.0
EV/EBITDA	4.1	3.9	4.6	3.8	3.1

Source: SMGR, BRIDS Estimates

Exhibit 1. SMGR's 3Q24/9M24 Earnings Result

SMGR 9M24 Results

Profit & Loss, Rpbn

(Rpbn)	3Q23	2Q24	3Q24	QoQ, %	YoY, %	9M23	9M24	YoY, %	FY24 (BRIDS)	A/F, %	FY24 (Cons)	A/F, %
Revenue	10,629	8,036	9,884	*23.0*	*(7.0)*	27,661	26,295	*(4.9)*	38,139	69	38,863	68
Gross profit	3,024	1,651	2,159	*30.7*	*(28.6)*	7,440	6,017	*(19.1)*	8,766	69	9,802	61
Operating income	1,496	338	632	*87.1*	*(57.8)*	3,366	1,882	*(44.1)*	3,121	60	3,806	49
EBITDA	2,319	1,202	1,318	*9.7*	*(43.1)*	5,714	4,213	*(26.3)*	6,457	65	7,308	58
Net income	848	30	218	*636.3*	*(74.3)*	1,714	720	*(58.0)*	1,636	44	1,970	37
Margins, %												
Gross margin	28.5	20.5	21.8	*1.3*	*(6.6)*	26.9	22.9	*(4.0)*	23.0		25.2	
Operating margin	14.1	4.2	6.4	*2.2*	*(7.7)*	12.2	7.2	*(5.0)*	8.2		9.8	
EBITDA margin	21.8	15.0	13.3	*(1.6)*	*(8.5)*	20.7	16.0	*(4.6)*	16.9		18.8	
Net margin	8.0	0.4	2.2	*1.8*	*(5.8)*	6.2	2.7	*(3.5)*	4.3		5.1	

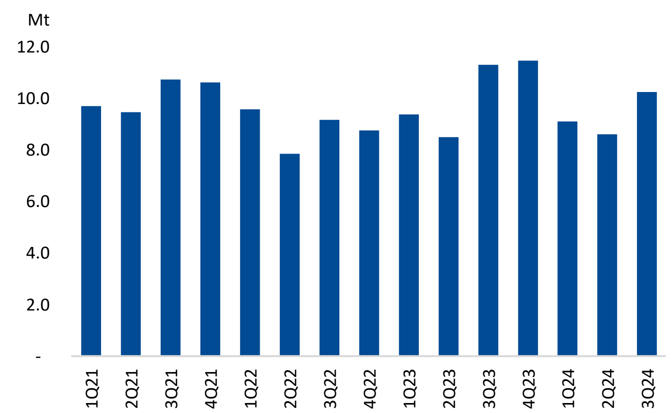
Source: Company, BRIDS Estimates

Exhibit 2. SMGR's Estimate 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	38,139	39,690	41,488	36,159	37,287	38,766	-5%	-6%	-7%	38,740	40,335	41,868	-7%	-8%	-7%
Gross profit	8,766	9,208	9,688	8,414	8,802	9,263	-4%	-4%	-4%	9,692	10,247	10,719	-13%	-14%	-14%
Operating profit	3,121	3,483	3,857	2,653	2,981	3,254	-15%	-14%	-16%	3,673	3,949	4,239	-28%	-25%	-23%
EBITDA	6,457	6,878	7,310	5,752	6,135	6,462	-11%	-11%	-12%	7,113	7,353	7,641	-19%	-17%	-15%
Net profit	1,636	2,060	2,426	1,170	1,603	2,038	-29%	-22%	-16%	1,967	2,205	2,458	-41%	-27%	-17%
Gross Margin	23.0%	23.2%	23.4%	23.3%	23.6%	23.9%									
Operating Margin	8.2%	8.8%	9.3%	7.3%	8.0%	8.4%									
Net Margin	5.4%	6.4%	7.2%	3.2%	4.3%	5.3%									

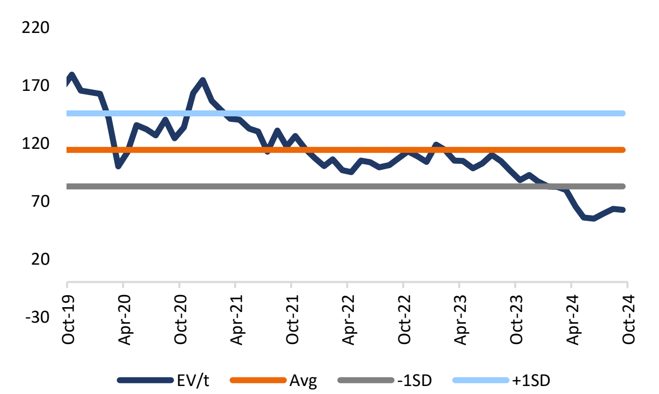
Source: Company, BRIDS Estimates

Exhibit 3. SMGR Quarterly Sales Volume, 1Q21-3Q24



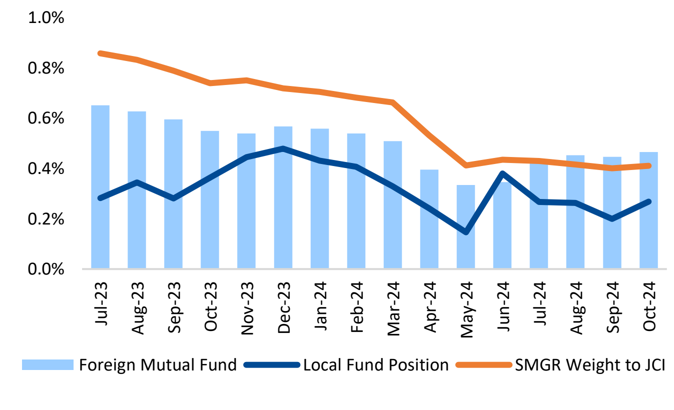
Source: Company, BRIDS Estimates

Exhibit 4. SMGR EV/t Band



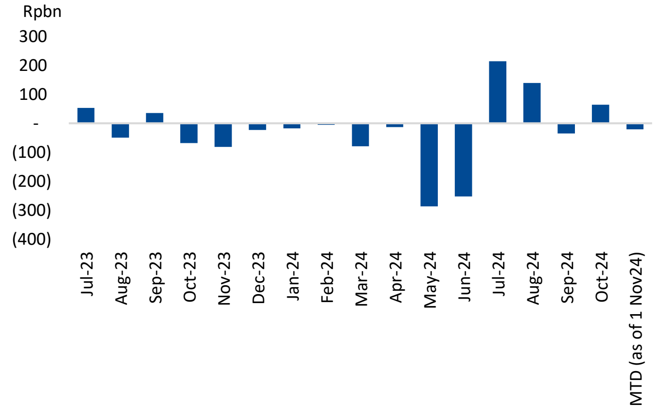
Source: Company, BRIDS Estimates

Exhibit 5. SMGR Weighting and Fund Position



Source: KSEI, BRIDS

Exhibit 6. SMGR Historical Foreign Flows (as of Nov 1, 24)



Source: IDX, BRIDS

Exhibit 7. SMGR Valuation Summary

	2024	2025	2026	2027	2028	2029
	0	0	1	2	3	4
EBIT * (1-tax)	1,990	2,236	2,440	2,739	2,621	2,621
Depreciation	3,099	3,154	3,208	3,297	3,387	3,476
Change in working capital	426	15	2	(22)	103	99
Capex	2,000	2,000	3,000	3,000	3,000	3,000
Minority interest	125	125	125	125	125	125
FCFF	**3,390**	**3,280**	**2,525**	**2,890**	**2,985**	**3,071**
Discount factor	1.00	1.00	1.14	1.29	1.46	1.66
Present value of FCFF	3,390	3,280	2,224	2,241	2,039	1,847
Terminal value		29,658	22,838	26,133	26,998	27,771
PV of terminal value		29,658	20,112	20,265	18,437	16,701

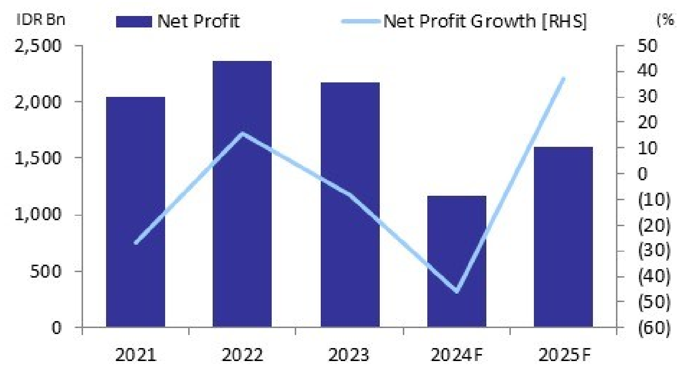
NPV	**IDR Bn**	**28,331**
Net debt (as of end 2025)	IDR Bn	1,961
Equity value	IDR Bn	26,370
Outstanding share	Bn sh	6.75
Equity value per share	IDR/sh	3,907
Target price	**IDR/sh**	**3,900**

Source: BRIDS Estimates

Exhibit 8. Revenue and Growth

Source: Company, BRIDS Estimates

Exhibit 9. Net Profit and Growth

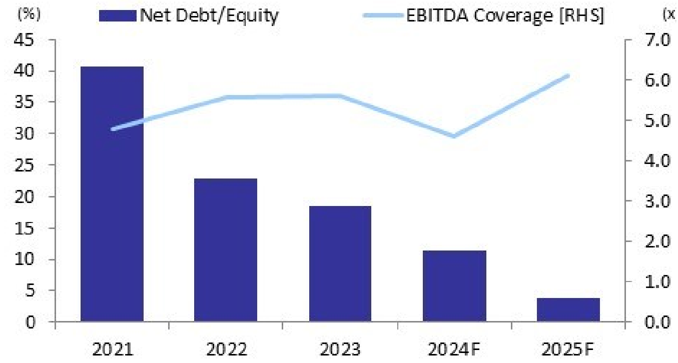


Source: Company, BRIDS Estimates

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**	**36,159**	**37,287**	**38,766**
COGS	(25,701)	(28,474)	(27,746)	(28,486)	(29,503)
Gross profit	**10,678**	**10,177**	**8,414**	**8,802**	**9,263**
EBITDA	**7,959**	**7,787**	**5,915**	**6,297**	**6,624**
Oper. profit	**4,625**	**4,504**	**2,816**	**3,144**	**3,416**
Interest income	99	207	240	240	240
Interest expense	(1,428)	(1,390)	(1,287)	(1,030)	(713)
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**	**1,750**	**2,335**	**2,923**
Income tax	(800)	(1,008)	(455)	(607)	(760)
Minority interest	(134)	(125)	(125)	(125)	(125)
Net profit	**2,365**	**2,170**	**1,170**	**1,603**	**2,038**
Core Net Profit	**2,365**	**2,170**	**1,170**	**1,603**	**2,038**

Exhibit 13. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	6,007	6,940	5,897	8,237	9,532
Receivables	5,885	6,269	5,819	6,037	6,312
Inventory	5,610	5,134	5,366	5,510	5,706
Other Curr. Asset	1,317	1,381	1,519	1,671	1,838
Fixed assets - Net	57,806	56,771	55,224	53,622	52,966
Other non-curr.asset	6,275	5,267	5,424	5,598	5,788
Total asset	**82,960**	**81,821**	**79,315**	**80,747**	**82,222**
ST Debt	1,274	1,831	3,168	2,923	2,678
Payables	8,450	8,462	8,564	8,822	9,165
Other Curr. Liabilities	3,336	2,456	2,702	2,972	3,269
Long Term Debt	15,527	13,987	8,302	7,276	5,827
Other LT. Liabilities	7,133	7,283	8,012	8,813	9,694
Total Liabilities	**35,721**	**34,020**	**30,747**	**30,805**	**30,633**
Shareholder'sFunds	42,748	43,261	43,802	44,937	46,333
Minority interests	4,491	4,539	4,766	5,005	5,255
Total Equity & Liabilities	**82,960**	**81,821**	**79,315**	**80,746**	**82,222**

Exhibit 14. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	2,365	2,170	1,170	1,603	2,038
Depreciation and Amort.	3,333	3,284	3,099	3,154	3,208
Change in Working Capital	200	(840)	426	15	2
OtherOper. Cash Flow	1,011	1,400	1,987	1,812	1,586
Operating Cash Flow	**6,909**	**6,014**	**6,683**	**6,584**	**6,834**
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)	(7,697)	(1,561)	(2,408)
New Capital	4,841	0	0	0	0
Dividend payment	(1,024)	(1,655)	(629)	(468)	(641)
Other Fin. Cash Flow	(3,375)	(1,392)	(1,287)	(1,030)	(713)
Financing Cash Flow	**(5,760)**	**(3,964)**	**(9,614)**	**(3,059)**	**(3,762)**
Net Change in Cash	**422**	**999**	**(4,392)**	**2,049**	**581**
Cash - begin of the year	2,955	6,007	6,940	5,897	8,237
Cash - end of the year	6,007	6,940	5,897	8,237	9,532

Exhibit 15. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	(0.9)	6.2	(6.4)	3.1	4.0
EBITDA	(7.9)	(2.2)	(24.0)	6.5	5.2
Operating profit	(11.2)	(2.6)	(37.5)	11.7	8.7
Net profit	15.5	(8.2)	(46.1)	37.0	27.2
Profitability (%)					
Gross margin	29.4	26.3	23.3	23.6	23.9
EBITDA margin	21.9	20.1	16.4	16.9	17.1
Operating margin	12.7	11.7	7.8	8.4	8.8
Net margin	6.5	5.6	3.2	4.3	5.3
ROAA	2.9	2.6	1.5	2.0	2.5
ROAE	5.8	5.0	2.7	3.6	4.5
Leverage					
Net Gearing (x)	0.2	0.2	0.1	0.0	0.0
Interest Coverage (x)	3.2	3.2	2.2	3.1	4.8

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