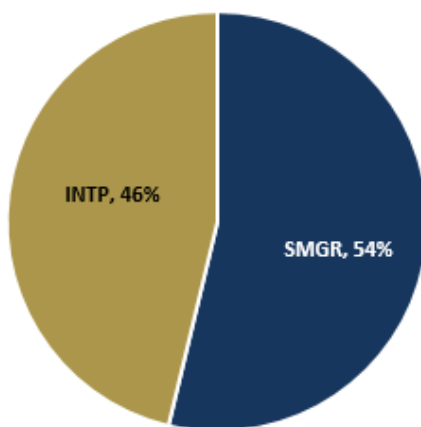


Neutral

Stock Recommendation

Ticker	Rating	Price (IDR)	TP (IDR)	Upside
SMGR	BUY	6,875	7,630	11.0%
INTP	BUY	10,350	12,200	17.9%

Sector Market Cap Weighting



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The Sun Has Finally Emerged

Domestic cement consumption rose +8.5% MoM in June. Despite the slight YoY drop (-1.1% YoY), domestic cement sales volume experienced positive MoM growth in Jun-23 (+8.5% MoM to 5.3 million tons), bringing its cumulative 1H23 sales figure to 27.4 million tons (-4.9% yoy). We believe that the decline in sales volume in 1H23 was mainly caused by the long Eid al-Adha holiday and transportation restrictions in various regions, which hindered sales. Bagged cement sales volume experienced no significant change in Jun-23, coming in at 3.8 million tons (+5.6% MoM, -4.5% YoY), while bulk cement sales volume spiked to 1.5 million tons (+16.8% MoM, +8.7% YoY). The two cement players under our coverage, INTP and SMGR, posted positive sales growth in Jun-23; INTP booked sales of 1.4 million tons in Jun-23 (+7.3% MoM, +3.5% YoY) with cumulative 1H23 sales of 7.5 million tons (+4.5% YoY), and SMGR posted 2.8 million tons in Jun-23 (+8.5% MoM, +11.2% YoY) with cumulative 1H23 sales of 14.2 million tons (+1.8% YoY).

2Q23 preview. In 2Q23, both SMGR and INTP managed to book domestic sales growth (+4.5% YoY and +7.8% YoY, respectively) despite weak industry demand, enabling both companies to book higher market share (SMGR: 51.8%, vs. 50.2% in 2Q22 [including SMBR]; INTP: 27.2%, vs. 24.0% in 2Q22). These numbers boosted our optimism about both companies' 2Q23 results, which will be released at the end of Jul-23; SMGR is projected to book sales of IDR 7.7 trillion (-13.6% QoQ, +5.4% YoY), and INTP is projected to post sales of IDR 3.4 trillion (-19.1% QoQ, +2.4% YoY) assuming a relatively stable ASP.

2H23 sales growth projection: +7.6% YoY. If we take a closer look at historical data, since 2018, 1H has contributed approximately 44-45% of full-year sales figures. We believe that domestic cement sales won't experience any significant changes in FY23 (projection: +1% YoY). Assuming that cement sales continues their trend and improve in 2H, we project cement sales to reach 36 million tons (+7.6% YoY) in 2H23, contributing 55-56% of full-year sales figure. One factor that might help boost cement sales in 2H23 is the election year, particularly the bulk cement (we expect more demand from existing government projects ahead of the election). Meanwhile, the bagged cement sales will remain relatively flat, mainly due to low demand.

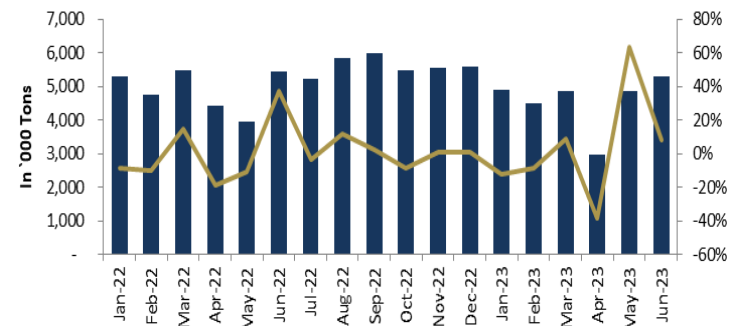
NEUTRAL. We reiterate our NEUTRAL rating for the cement sector; we project sales volume to remain flat throughout FY23F (-1.0 to +1.0% YoY). While bulk cement might experience positive growth, bagged cement sales might remain under pressure for a while. We have BUY recommendations for SMGR (TP: IDR 7,630; -1.0 SD below 5-year PER average) and INTP (TP: IDR 12,200; -0.7 SD below its 5-year PER average). Main risks: Fluctuations in cement demand, fuel and distribution costs.

Table 1. Valuation Highlights

Ticker	Rating	CP	TP	Upside (%)	P/E (X)		NP (IDRbn)		EPSG (%)		ROE (%)		ROA (%)	
		(IDR)	(IDR)		2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
SMGR	BUY	6,875	7,630	11.0	16.6	12.2	2,793	3,808	4.2	36.4	5.8	7.6	3.4	4.7
INTP	BUY	10,350	12,200	17.9	19.1	17.2	1,406	1,773	0.9	11.1	9.5	10.5	7.3	8.1
Sector					17.9	14.7			2.6	23.8	7.7	9.1	5.4	6.4

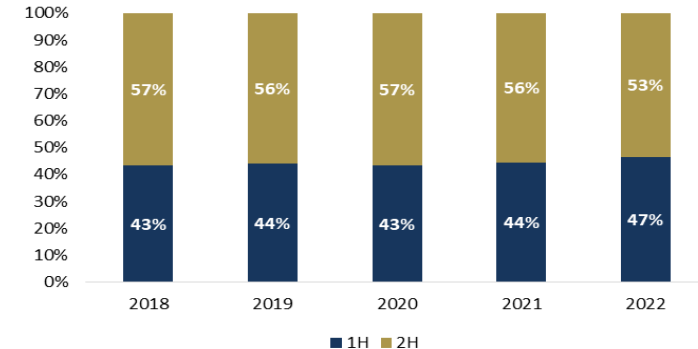
Source: Bloomberg, SSI Research (*Valuation at closing price 14/07/23)

Figure 1. Monthly National Cement Consumption



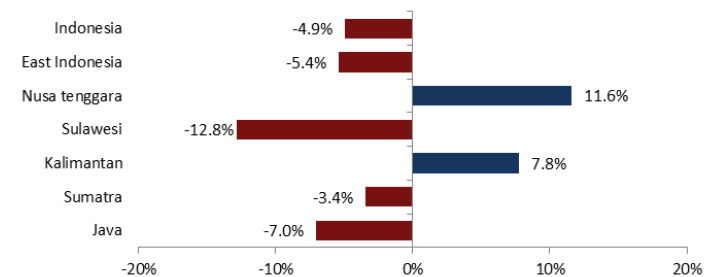
Source: ASI, SSI Research

Figure 2. 1H vs 2H Sales Volume



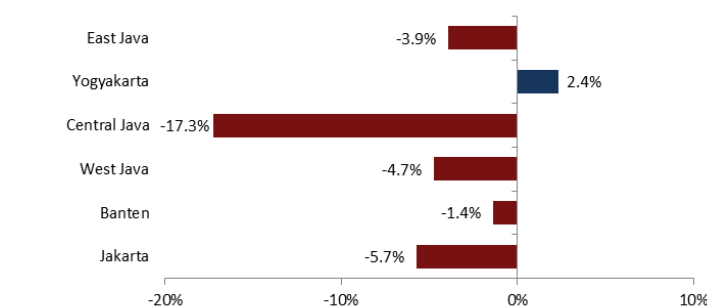
Source: ASI, SSI Research

Figure 3. National Cement Consumption by Region (1H23)



Source: ASI, SSI Research

Figure 4. Java Cement Consumption (1H23)



Source: ASI, SSI Research

Figure 5. Bagged Cement Sales Volume



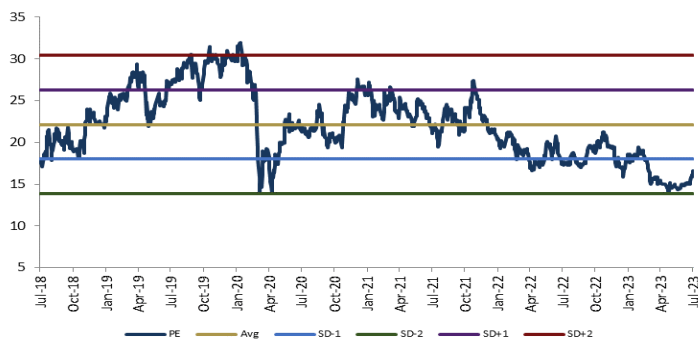
Source: ASI, SSI Research

Figure 6. Bulk Cement Sales Volume



Source: ASI, SSI Research

Figure 7. SMGR P/E Band



Source: ASI, SSI Research

Figure 8. INTP P/E Band



Source: ASI, SSI Research

Figure 9. Peers Comparison

Company Ticker	Country	Company Ticker	Market Cap (USD Mn)	PER (x)		EV/EBITDA (x)		PBV (x)		ROE (%)	
				2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
XINJIANG TIAN-A	CN	000877 CH	9,773	9.3	8.1	6.9	6.4	0.7	0.7	7.8	8.4
TANGSHAN JIDON-A	CN	000401 CH	2,735	10.6	10.1	6.7	5.7	0.6	0.6	4.8	6.0
CONCH CEMENT-H	CN	914 HK	16,479	5.8	5.1	3.0	2.7	0.5	0.5	8.9	9.6
CHINA NATL BDG-H	CN	3323 HK	4,830	4.3	3.2	7.8	6.8	0.3	0.3	6.7	8.9
CHINA NATL BDG-H	CN	3323 HK	4,830	4.3	3.2	7.8	6.8	0.3	0.3	6.7	8.9
AMBUJA CEMENTS	IN	ACEM IN	10,088	30.8	28.0	15.9	13.3	2.7	2.4	9.0	9.4
ACC LTD	IN	ACC IN	4,050	25.1	17.9	13.7	10.6	2.2	2.1	9.0	11.8
ULTRATECH CEMENT	IN	UTCEN IN	28,989	32.3	27.2	17.8	15.5	3.9	3.5	12.9	13.6
SHREE CEMENT	IN	SRCM IN	10,611	43.4	33.5	20.6	17.3	4.3	3.9	10.6	12.0
ASIA CEMENT CORP	TW	1102 TT	5,020	12.6	11.3	15.3	14.6	0.9	0.9	7.2	7.5
TAIWAN CEMENT	TW	1101 TT	8,510	25.6	20.6	18.5	14.5	1.2	1.1	5.1	6.0
SSANGYONG C&E CO	KR	003410 KS	1,997	19.3	17.6	8.7	8.7	1.6	1.6	8.3	9.2
SAMPYO CEMENT CO	KR	038500 KS	286	10.6	9.9	6.6	6.6	0.5	0.5	4.9	5.0
SIAM CEMENT PCL	TH	SCC TB	11,211	12.8	10.6	11.9	9.8	1.0	0.9	8.1	8.8
HOLCIM LTD	US	HOLN SW	39,672	11.8	11.1	6.2	6.0	1.2	1.1	10.2	10.5
HEIDELBERG MATER	DE	HEI GR	15,630	7.7	7.4	5.2	5.0	0.8	0.7	10.4	10.2
ADBRI LTD	AU	ABC AU	1,101	15.6	15.3	7.7	7.4	1.1	1.1	7.5	7.3
BORAL LTD	AU	BLD AU	3,219	38.7	28.8	11.9	10.3	2.3	2.2	6.3	8.3
EAGLE MATERIALS	US	EXP US	6,517	13.6	12.5	9.6	9.1	4.5	3.7	34.7	30.0
CEMEX SAB-CPO	MX	CEMEXCPO N	10,182	11.0	9.5	5.8	5.5	0.9	0.8	9.1	9.5
SEMEN INDONESIA	ID	SMGR IJ	3,036	16.1	13.6	7.0	6.6	1.0	1.0	6.3	7.2
INDOCEMENT TUNGG	ID	INTP IJ	2,523	17.6	15.5	9.2	8.4	1.7	1.7	9.6	10.8
Global Weighted Average			201,290	17.7	15.1	10.4	9.1	1.8	1.6	10.2	10.8

Source: Companies, Bloomberg, SSI Research (*Valuation at closing price 14/07/23)

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