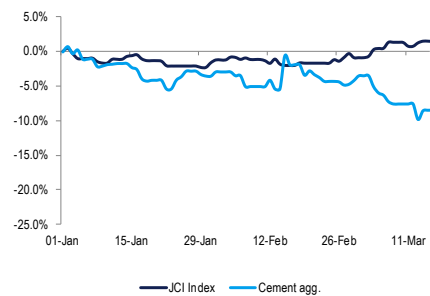


## Sector Update | 24 April 2024

## Sector Index Performance

	3M	6M	12M
Absolute	4.0%	12.1%	20.8%
Relative to JCI	-0.8%	10.5%	23.9%



## Summary Valuation Metrics

P/E (x)	2024F	2025F	2026F
INTP IJ	12.9	11.9	10.8
SMGR IJ	11.7	10.0	8.4
EV/EBITDA (x)	2024F	2025F	2026F
INTP IJ	6.7	6.4	5.9
SMGR IJ	5.3	4.9	4.5
Div. Yield	2024F	2025F	2026F
INTP IJ	2.9%	4.6%	5.5%
SMGR IJ	5.4%	6.2%	7.3%

## Tepid Mar24 volume but prolonged weakness may put pressure on ASP

- Overall domestic volume declined by -2% yoy/+10% mom, bulk remained the driver with +12% yoy/+10% mom. Bag at -7% yoy/+9% mom.
- SMGR dropped -5% yoy/+13% mom while INTP grew by +7% yoy/+6% mom – note that this due to inclusion of Grobogan volume YTD.
- Retail pricing has so far also been muted (mostly flat YTD). We expect demand to remain muted in Apr due to Lebaran seasonality.

## Overall volume remained weak due to fasting month

Overall domestic volume declined by -2% yoy/+10% mom to 4.9mt in Mar24. Bulk continued to be the major contributor at +12% yoy/+10% mom, bag volume remained weak at -7% yoy/+9% mom due to shorter working days (two long weekends in March) along with fasting month. In terms of region, Java experienced a decline of -3% yoy/+11% mom while ex-Java was flat yoy/+9% mom (driven by Kalimantan at +19% yoy/+9% mom). Cumulatively, 3M24 volumes was flat at 14.5mt.

## SMGR volume was dragged by weak Java growth

SMGR volume declined -5% yoy/+13% mom driven by volume drop in Java at -14% yoy/+14% mom while ex-Java grew +4% yoy/+12% mom. Kalimantan remained the growth driver at +34% yoy/+11% mom from demand in IKN. Bulk was growing at +4% yoy/+13% mom, but bag was weak as it dropped -8% yoy/+13% mom due to the fasting month and lesser working days. Cumulatively 1Q24 volumes reached 7.1mt or -4% yoy, still below its target of 2-3% yoy growth in FY24F.

## INTP volume growth was positive driven by bulk growth

INTP volume grew by +7% yoy/+6% mom due to the inclusion of Grobogan volume since Jan24. Volume was driven by bulk which grew +41% yoy/+16% mom vs. bag -4% yoy/+2% mom. Bulk was driven by infrastructure projects in West Java and Greater Jakarta as well as some volume in IKN. In terms of region, Java grew by +13% yoy/+8% mom vs. ex-Java -4% yoy/+2% mom largely due to the inclusion of Grobogan. Cumulatively 1Q24 volumes reached 4.2mt +7% yoy.

## Maintain Neutral as the sector is lacking catalyst but trading at attractive valuation

We believe that recent sell-off may have priced-in demand weakness, however we don't rule out the possibility of more aggressive pricing (either through fighting brand or lower main brand price) shall the weakness in demand prolong. This underpins our unchanged Neutral rating despite the attractive valuation as both stocks share price have retreated to 14 years low – a level that hasn't been seen since 2010. The sector now trades at 5.7x EV/EBITDA (vs. 11.1x 10Y average) and 50 EV/tonne (vs. c.US\$120/ton replacement costs).

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Fig. 1: Mar24 cement volume highlights

Domestic volume (in k tonnes)	Mar-24	Mar-23	yoy%	Feb-24	mom%	3M24	3M23	yoy%
Java total	2,513	2,603	-3%	2,271	11%	7,441	7,563	-2%
Ex Java total	2,390	2,394	0%	2,198	9%	7,098	7,023	1%
<b>Total</b>	<b>4,903</b>	<b>4,997</b>	<b>-2%</b>	<b>4,469</b>	<b>10%</b>	<b>14,539</b>	<b>14,587</b>	<b>0%</b>
Bag	3,369	3,629	-7%	3,079	9%	10,033	10,621	-6%
Bulk	1,534	1,368	12%	1,391	10%	4,507	3,965	14%

Source: Indonesia Cement Association, Indo Premier

**Fig. 2: Mar24 cement volume summary**

National cement volume summary (k tonnes)	Mar-24	Mar-23	yoy%	Feb-24	mom%	3M24	3M23	yoy%
Jakarta	213	214	0%	202	5%	618	607	2%
West Java	779	825	-6%	725	7%	2,316	2,442	-5%
Central Java	565	536	5%	517	9%	1,716	1,495	15%
Yogyakarta	77	86	-10%	74	5%	230	242	-5%
East Java	630	670	-6%	520	21%	1,828	1,942	-6%
Banten	248	272	-9%	234	6%	734	835	-12%
<b>Java total</b>	<b>2,513</b>	<b>2,603</b>	<b>-3%</b>	<b>2,271</b>	<b>11%</b>	<b>7,441</b>	<b>7,563</b>	<b>-2%</b>
Sumatra	1,054	1,068	-1%	933	13%	3,059	3,169	-3%
Kalimantan	433	363	19%	397	9%	1,265	1,032	23%
Sulawesi	431	485	-11%	406	6%	1,301	1,433	-9%
Bali + Nusa Tenggara	296	292	1%	312	-5%	962	839	15%
East Indo	175	186	-6%	150	17%	511	549	-7%
<b>Ex Java total</b>	<b>2,390</b>	<b>2,394</b>	<b>0%</b>	<b>2,198</b>	<b>9%</b>	<b>7,098</b>	<b>7,023</b>	<b>1%</b>
<b>Total</b>	<b>4,903</b>	<b>4,997</b>	<b>-2%</b>	<b>4,469</b>	<b>10%</b>	<b>14,539</b>	<b>14,587</b>	<b>0%</b>
Bag	3,369	3,629	-7%	3,079	9%	10,033	10,621	-6%
Bulk	1,534	1,368	12%	1,391	10%	4,507	3,965	14%
<b>Summary by player</b>								
SIG	2,456	2,583	-5%	2,172	13%	7,097	7,414	-4%
INTP	1,393	1,301	7%	1,312	6%	4,212	3,947	7%
<b>Big 2 total</b>	<b>3,850</b>	<b>3,883</b>	<b>-1%</b>	<b>3,484</b>	<b>10%</b>	<b>11,309</b>	<b>11,361</b>	<b>0%</b>
Non big 2 total	1,053	1,114	-5%	985	7%	3,230	3,226	0%

Source: Indonesia Cement Association, Indo Premier

**Fig. 3: Mar24 cement volume summary (Grobogan included)**

National cement volume summary (k tonnes)	Mar-24	Mar-23	yoy%
<b>Excluding grobogan</b>			
SIG	2,456	2,583	-5%
INTP	1,393	1,301	7%
<b>Big 2 total</b>	<b>3,850</b>	<b>3,883</b>	<b>-1%</b>
Non big 2 total	1,053	1,114	-5%
<b>Total</b>	<b>4,903</b>	<b>4,997</b>	<b>-2%</b>
<b>Including grobogan</b>			
SIG	2,456	2,583	-5%
INTP (incl Grobogan in Mar23)*	1,393	1,424	-2%
<b>Big 2 total</b>	<b>3,850</b>	<b>4,006</b>	<b>-4%</b>
Non big 2 total	1,053	1,114	-5%
<b>Total</b>	<b>4,903</b>	<b>5,120</b>	<b>-4%</b>

\*Estimated number for grobogan

Source: Indonesia Cement Association, Indo Premier

**Fig. 4: Cement forward EV/EBITDA – now trading at 5.8x FY24F EV/EBITDA vs. 10Y average of 11.1x EV/EBITDA**



Source: Bloomberg, Company, Indo Premier

**Fig. 5: Cement forward EV/tonne – now trading at US\$50 FY24F EV/tonne vs. 10Y average of US\$99 EV/tonne**



Source: Bloomberg, Company, Indo Premier

**Fig. 6: Peer comparison**

Ticker	Closing Price	P/E (x)			EV/EBITDA (x)			P/BV (x)		
		FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
INTP	8,225	12.9	11.9	10.8	6.7	6.4	5.9	1.2	1.2	1.1
SMGR	5,350	11.7	10.0	8.4	5.3	4.9	4.5	0.7	0.7	0.7

Source: Bloomberg, Company, Indo Premier

Share price closing as of: 24 April 2024

## SECTOR RATINGS

- OVERWEIGHT : An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
- NEUTRAL : A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
- UNDERWEIGHT : An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

## COMPANY RATINGS

- 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

## ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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