

May 29, 2013

Initial Public Offering Summary

Cement

Semen Baturaja (Persero)

Not Rated

Cementing Presence in Southern Sumatra

Offering Price Rp500-685
Number of Shares 2.34 bn
Target Proceeds Rp1.2-1.6 tn

Indicative Timetable

Book Building 29 May-7 Jun 2013
Effective Statement 18 Jun 2013
Offering Period 20, 21&24 Jun 2013
Allotment 26 Jun 2013
Distribution & Refund 27 Jun 2013
Listing 28 Jun 2013

Use of Proceeds (%)

New Mill Construction 100.0

Shareholders Post IPO (%)

Gov't of Rep. Of Indonesia 76.24
Public 23.76

▪ **State-owned Cement Company in Southern Sumatra**

The company was established in 1974 as private cement company prior fully acquired by the Government of Republic of Indonesia in 1991. It produces two types of cement: Ordinary Portland Cement (OPC) and Portland Composite Cement (PCC) with recent production capacity of 1.25 mn tons/year. Located in Southern Sumatra, the company has three facilities in Baturaja, South Sumatra (mill facilities with clinker and cement facilities of 1.2 mn tons/year and 550K tons/year respectively), Palembang, South Sumatra (head office and grinding and packaging facilities with capacity of 350K tons/year), and Panjang, Lampung (grinding and packaging facilities with capacity of 350K tons/year).

▪ **Eyeing Higher Market Share in Southern Sumatra Through Capacity Expansion**

In order to meet robust domestic cement demand, particularly in Southern Sumatra, the company is planning to expand its production capacity. Recently, it is constructing grinding facilities with a capacity of 750K tons/year that is expected to complete in mid this year. Using proceeds from IPO, which is estimated of Rp1.2-1.6 tn, it plans to construct new cement mill with a total capacity of 1.85 mn tons/year that is scheduled to commence operation in 4Q16. Through the capacity expansion, it expects to increase its market share in Southern Sumatra from around 29% in FYE13 to 51% in FYE18.

▪ **Sounds Fundamental**

The company booked growing performance over the last five years. During 2008-2012, operating revenue rose with CAGR of 8%. Manageable cost resulted gross profit grew higher at CAGR of 13%. At bottom line, net income increased with CAGR of 22%. Solid performance was also showed by its asset that grew with CAGR of 13% as well as equity of 34%. Higher equity translated to lower liabilities and interest bearing debt, which declined by 14% and 64% respectively. Therefore, by end of 2012, the company had almost no debt as only booked Rp3 bn compared to Rp158 bn in 2008.

▪ **Offers 23.76% Stake at Rp500-685/Share**

At the public expose, the company offers as much as 2,34 bn shares, which equals to 23.76% of total paid up capital, to public at price ranging from Rp500 – 685/share. Acting as lead underwriters are Bahana Securities, Danareksa Sekuritas, and Mandiri Sekuritas. Using historical revenue growth of 8%, we estimate FYE13 revenue to reach Rp1.19 tn and net income of Rp320 bn (assuming net margin of 27%) or lower than management's FYE13 revenue and net income forecast of Rp1.4 tn and Rp 375bn. Our estimates result PER'13 of 15.4-21.1x while average PER'13 of listed cement producers of 20.2x. Conclude the comparison, we see that the counter is offered at attractive price compared to industry. Therefore, it could be a choice of investment in the ISX.

Financial Summary (Rp billion)

FYE Dec	2008	2009	2010	2011	2012
Revenue	794	817	886	1,050	1,098
Gross Profit	297	353	392	429	490
Operating Income	216	247	288	307	367
Net Income	136	177	222	252	299
Total Asset	747	696	777	983	1,199
Total Liabilities	451	312	265	267	245
Total Equity	296	385	512	716	954
ROE (%)	46.0	46.1	43.3	35.1	31.3
ROA (%)	18.2	25.4	28.5	25.6	24.9

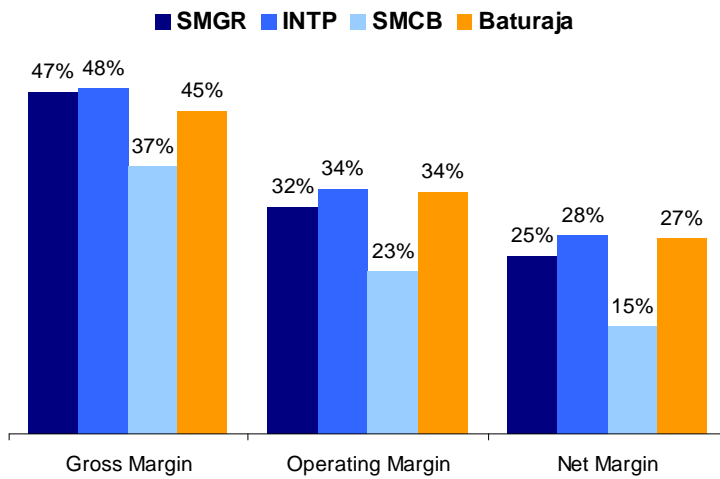
Source : Company Presentation

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Margins Comparison in FY12



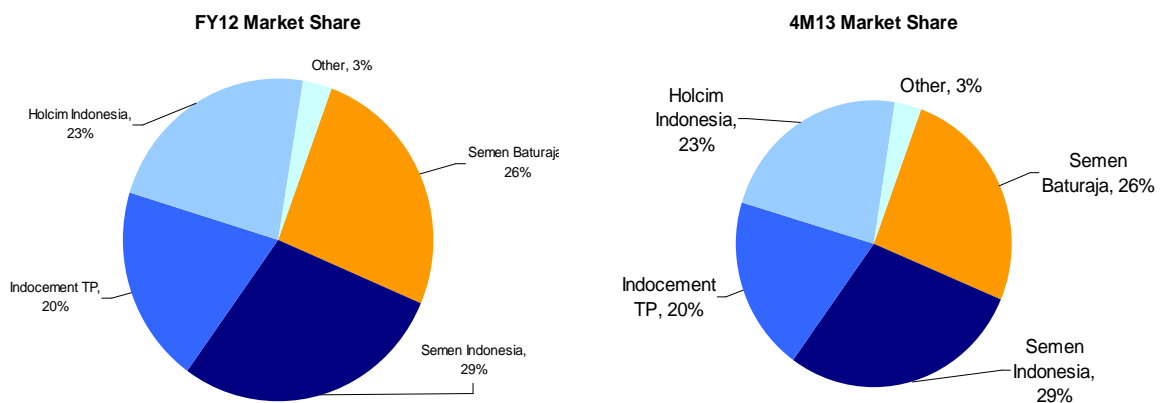
Source: Company Presentation, Sucorinvest

Baturaja Mill Facilities Map



Source: Company website

Semen Baturaja Market Share in FY12 and 4M13 for Southern Sumatera Area.



Source: ASI

Sucorinvest rating definition, analysts certification, and important disclosure**Ratings for Sectors**

- Overweight : We expect the industry to perform better than the primary market index (JCI) over the next 12 months.
Neutral : We expect the industry to perform in line with the primary market index (JCI) over the next 12 months.
Underweight : We expect the industry to underperform the primary market index (JCI) over the next 12 months.

Ratings for Stocks

- Buy : We expect this stock to give return (excluding dividend) of above 10% over the next 12 months.
Hold : We expect this stock to give return of between -10% and 10% over the next 12 months.
Sell : We expect this stock to give return of -10% or lower over the next 12 months.

Analyst Certification

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