SMCB: The Outlier Metamorphosis

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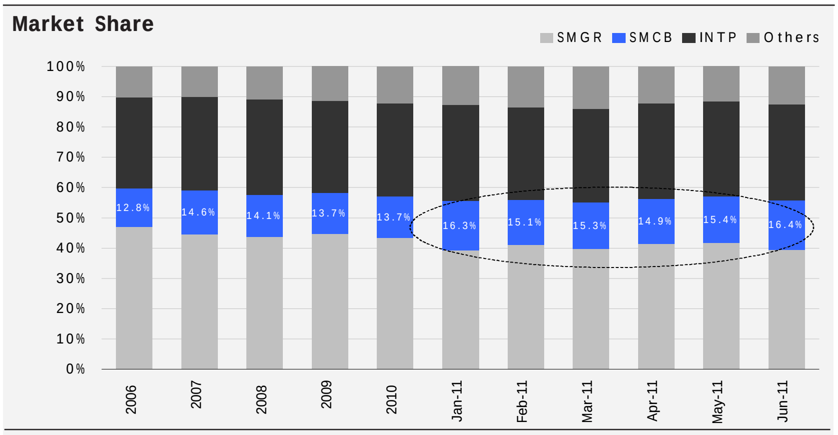
Revenue grew 24% YoY to Rp3.5tr, delivered 23% YoY increased in net profit as the result of more efficient cost. The revenue reflects 51% realization of FY11 consensus estimates, highest among peers that contribute 49% realization.

Being the Outlier...

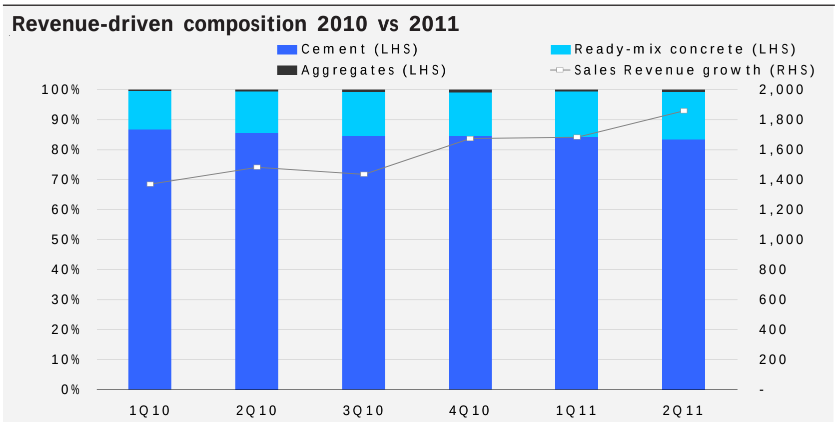
SMCB choose to implemented different strategy from its competitor in order to grab more market shares. Instead of raising its price, SMCB sacrificed its margin with lower its cement price for 6.9% YoY while SMGR increase the cement price for 2% YoY and INTP only decrease its product price 1.3% YoY. The strategy seems worked; result in 2% increased in market shares, to make SMCB market shares reached 16% in 1H11, highest achievement for the company. Hence, the company still delivers highest revenue growth on 24% YoY driven by volume growth to 3.5mn tons, compared to its competitor which revenue grew 17% YoY.



Source: ASI, TRIM Research

...to Give Outperform Result

The revenue contributor varies from the sales of cement, aggregates and ready-mix concrete. SMCB currently the leader in ready-mix concrete market; ready-mix sales increased 45% YoY to Rp547bn. The ready-mix revenue contribution reached 15% of company's total revenue, helping the overall margin to decrease only 10bps besides lower its cement price. Aggregate sales increase 30% YoY and cement sales increase 21% YoY. The industry cement sales, however, increase 13% YoY.



Source: Company, TRIM Research

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SMCB continued to outperform its competitor in matters of cost management. SMCB cost/mn ton decreased 2.3% YoY whiles the industry increase 8.2% YoY. Raw material and labor cost/mn tons decrease 7.7% and 4.2% YoY respectively. SMCB also reduce promotion expense for -27% YoY as they transfer it into lower selling price.

Valuation

SMCB currently traded in 16.6x FY11 PE, higher than the average industry which in 15.1x FY11 PE. The outperforming revenue and earnings growth has been price in by the market with its premium valuation.

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