SIG FY2021 Earnings Call
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Panelists:
Mr. Doddy Sulasmono Diniawan - Director of Finance
Mr. Adi Munandir - Director of Marketing & Supply Chain
Mr. Andriano Hosny - SVP of Finance
Mr. Rahman Kurniawan - SVP of Sales
Ms. Ami Tantri - SVP of SMO & IR
Ms. Johanna Daunan – SVP of Marketing
Ms. Febriandita Kusuma - GM of Investor Relations
Mr. Radityo Widinugroho - Investor Relations Officer
Ms. Khalisha Anjani - Investor Relations Officer (Moderator)

Khalisha: Hello, good morning ladies and gentlemen. Welcome to SIG's Full Year 2021 Earning's Call. We released our results yesterday, on Tuesday, 1st of March, and the reports are available on our website at sig.id under the Investor's tab.

My name is Khalisha and I will be your moderator for today. Let me begin by explaining the run down of today's agenda as well as the functions on this platform. Today's call will begin with an opening statement delivered by Ms. Febriandita from Investor Relations. Followed by a Q&A session. If you would like to ask a question, please press the "raise hand" function, if your name is called upon, I will then proceed by allowing you to unmute your mic. Please also remember to click "unmute" on your mic before speaking. Before we start, could you kindly please fill in the attendance list through the link shared in the chat box by my colleague, Nurina. Thank you

On the line with us today we have:

Mr. Doddy Sulasmono Diniawan - Director of Finance
Mr. Adi Munandir - Director of Marketing & Supply Chain
Mr. Andriano Hosny - SVP of Finance
Mr. Rahman Kurniawan - SVP of Sales
Ms. Ami Tantri - SVP of SMO & IR
Ms. Febriandita Kusuma - GM of Investor Relations
Ms. Johanna Daunan – SVP of Marketing
my colleague, from Investor Relations,
Mr. Radityo Widinugroho - Investor Relations Officer

Let us begin our call for today, I would now like to give the floor to Ibu Febri for opening statements.

Febriandita: Thank you Khalisha. Good Morning everyone. I am Febriandita, from Investor Relation of SMGR, and again thank you for joining our earnings call today. Allow me to briefly update you with the result summary:

As the market background, in 2021 we experienced national demand growth of 4.3% YoY, however the demand growth was still lower compared to the pre-pandemic level which has increased the competition intensity. Meanwhile we were also affected by the significant increase in coal price.

Our sales volume increased 1.6% mainly driven by regional sales growth of 7.7% in line with the increased economic activity in various export destination countries. Domestic sales volume remained relatively flat due to increasing and aggressive competition from low-priced cement players, including the new entrant.

Total revenue was recorded at 34.96 trillion rupiah, a 0.6% decrease compared to the previous year, while cost of revenue increased by 2.8% Year on Year, mainly due to the increase in fuel cost, in line with the significant increase in coal price throughout 2022. We have conducted various efforts to minimize the impact of the coal price increase by:

- improving plant capabilities to absorb coal with even lower calories, as has been used in several of the newest SIG plants,
- increase the use of alternative fuels from industrial waste and municipal waste to replace or reduce coal consumption, and optimizing the coal consumption index by maintaining stable coal quality that we consume.
- And in addition, the integration of coal procurement in the group that has been implemented, has provided better bargaining position for SIG, in terms of price, supply, as well as quality.

Despite those challenges, we were able to record profitability in 2021 with EBITDA at 8.2 trillion rupiah, or 9.3% lower Year on Year, and Net Income at 2.02 trillion rupiah or 27.6% lower compared to 2022. The decrease in net income was also impacted by the cancelation of the corporate tax rate reduction to 20% starting 2022 based on the Law on the Harmonization of Tax Regulations ratified on October 2021, which then caused us to make 291 billion rupiah adjustments on the deferred tax liabilities.

On the debt side, through discipline cash management, interest bearing debt recorded a decrease of around 7.1 trillion rupiah, and followed by a decrease in financial expenses of 693 billion rupiah, thus improving the quality of SIG leverage ratio with net debt/EBITDA of 1.96x as of December 2021, down from 2.51x as of December 2020 and Net Debt/Equity of 0.45x or 0.22x lower compared to last year.

So that was the summary of the SMGR Full Year 2021 result, Pak Doddy and Pak Adi, is there any statements or information that you might want to add before we move on to Q&A?

Doddy: Bu Febri, please.

Febriandita: OK Pak, then we can continue to the Q&A. I give back to Khalisha. Thank you.

Khalisha: Thank you Bu Febri for the brief presentation. To our audience, if you have any questions, please press the "raise hand" function and then I will unmute you. You only need to select the small icon in the platform with the "raise hand" button.

We have our first question from Tansino. I will allow you to unmute your mic. Please unmute yourself before you speak.

Tansino: Hi thanks Khalisha & team. Can you hear me?

Khalisha: Yes. We can.

Tansino: Hi. Uhm, ya. Just- just three questions from my side. First one is, were you able to procure coal at the 90 bucks per ton which is the cap introduced by government and if yes, how much approximately out of your total coal consumption? Second is how much coal price do you need to see for average this year in order to maintain your EBITDA margin? And lastly, my question is if you could- you know- give us some insight as to your much higher effective tax rate of 40% for last year? Thank you.

Febriandita: Thank you Tansino. Maybe Pak Doddy and Pak Hosny can respond the three questions regarding coal- coal price and the tax rate, Pak. Thank you.

Hosny: Thanks Febri. Pak Doddy, shall I answer the question, Pak?

Doddy: Ya Pak Hosny, please.

Hosny: Thank you so much Tansino, so basically getting a DMO price is very difficult, that's number one. But we are able to manage until the first quarter, based on the inventory that we have from the end of December, we still have enough inventory. And plus we also can get the DMO price but not much. So approximately only about 1 million ton, which is not enough. But with the remaining inventory level that we have from December I think should be sufficient to get the production up and running until Q1. But again, we don't expect this DMO price to be something benef- you know easy for us- you know.. continuously after Q1, because its very difficult to get that price to be honest, realistically in the market.

Number two, in terms of the coal price, we expect coal price composite hovering around 800-850 thousand rupiah. We foresee that as something reasonable although we are also seeing- you know- market dynamic right now, because of the geopolitical condition and also the Ukraine and Russia war, so we are watching that closely on the impact to the commodity price. But fortunately we are able to you know.. gain tractions to most of our major suppliers and I think we should be able to- you know get a decent price from our suppliers.

Now on the tax side, so I wanna explain you this ya

Tansino: --Uhm, sorry. Pak Doddy, whilst- whilst we are on the coal, I think you mentioned 800 to 900 thousand rupiah per ton, is it?

Hosny: 800 to 850 thousand composite price per ton.

Tansino: This is equivalent to what calorific value ya?

Hosny: This is actually the four-two, which we are using right now.

Tansino: 4,200. OK, got it.

Hosny: Ya. Ya OK. Alright.

Tansino: Sorry pak.

Hosny: OK, can we move to the tax question?

Tansino: Yes, please.

Hosny: Ok, so tax. The impact is this ya. So if we are going back to 2020, we have recorded a-you know tax expense of 814 billion, right? 23% effective tax rate at that time. So basically what happened is that if we normalize, we normalize- we take out the components the- you know, onetime non-recurring components, if we take out there are three. Number one is basically the adjustment from the impact of the regulation number 2, 2020 which basically the government at that time uhm plan or impose reductions of tax rate from 22 to 20% from 2022 onwards. Ok? Now whats the implication to us? Because we acquired Holcim back in 2019, we have to do a price purchase allocation, I think you all know how to- you know, the mechanics right. We have to do the purchase price allocation and there will be a fair value adjustment happening at the consolidation level. Now, at that time we are using a 25% interest rate based on the previous regulation before COVID. Ok? So we recorded that already, before 2020, which is basically back in 2019. Now in 2020 due to that new regulation whereby the government impose a new -you know-reductions on tax, that means we have to adjust our fair value adjustment on the PPA, which in the fair value adjustment there is this-what they call a deferred tax liability. Now because of the tax imposed reduced to 20% from 2022 onwards, that means we have to adjust the tax- deferred tax liability and we have to reverse back, ok? The implication is 672 billion, ok? So we take that out, 672 billion from the 2020 tax.

What's the second? The second item is basically because in 2020 we also have an adjust- an audit adjustment on our investment on TLCC Vietnam, which we have to impair a bit on the intangible asset there. Then we have implication also on the deferred tax asset, ya. So there is a positive impact on the deferred tax asset. So.. Sorry, negative impact. So its 154 billion. Plus the item number three is that the- we have to incur tax assessment letter from the tax office around 124 billion. So total we have- if we normalize everything, the impact is around 393.6 billion. So if we normalize, we should be able to notes around 1.2 trillion of tax expense back in 2020, which is around 35%, not 23%, OK? Now, in 2021 the issue is that the government again revise and impose a new regulation number 7/2021 which basically revoke the reduction from-from 22% to 20% becoming stable at 22%. Now again we have to adjust our fair value adjustment on our PPA of acquisition Holcim, which we have to adjust again the deferred tax liability and incur back around 291 billion rupiah. Ok? That's item number one, 291 billion rupiah we have to basically incur at to our normalized tax. Second, basically we have this again, assessment tax letter from the regula- from the tax office based on the audit that they did in 2016, we have to incur around 26 billion and we have a right off of tax asset from one of our ready mix company, due to the fiscal lost that we cannot recover from the projections of our ready mix company around 39 billion. So if you add up 291 billion, 26 billion, 39 billion normalize sum is around 356 billion. So if you take out 356 billion from 1.387 billion, our normalize tax has to be 1.031 trillion- 1 point… around 1 trillion, which is actually around 30% effective tax rate. Why there is- you know- a reduction-- from 35% to 30% normalized tax from 2020 to 2021? Due to two things. Number one, basically the implication on the reduction of tax from the previous one is 25% to 22% and plus we also have managed to reduce more of our loan for the acquisition of Holcim, thereby the impact of the non-deductible interest expense is-has reduced. So we're foreseeing whenever we will be able to reduce our debt for the Holcim acquisition, we should be able to-you know- reduce more on the effective tax rate of SIG group. I've told last time in our call that basically the target of the- you know effective tax rate is around 28-29% but again since this is a consolidation level, so it depends on how the each of the individual subsidiaries performance and we consolidate the negative performance can impacted to the whole effective tax rate. So that's actually the explanation on the tax rate. I think later on Febri can share the details ya, what im saying. We have the data already. Thanks.

Tansino: Thank you. Thank you, Pak. Very comprehensive answer there. So just a follow up question on the- on the coal. Uhm I think that you mentioned that-that-that you are confident that you could procure at-at good prices. What's the reason behind it, Pak? Especially given the market is very tight at this moment.

Hosny: Ya I think two things. Number one, second largest coal consumer, definitely we have extensive bargaining power to the supplier. Number two is that we are also, you know, actively you know, approaching the association and also government arms to help us also to basically you know manage this coal situation.

Tansino: OK. Just a follow up on that, Pak. Do you get better pricing from- you know- from from your brother and sister- you know-another SOE, SOE coal for example Pak?

Hosny: OK, we consume specific caloric value. Unfortunately, our brother they focus on higher caloric value. So- but we are now in discussion with them to get- you know- some quota for us.

Tansino: OK awesome, Thank you, that's very clear. Thank you.

(overlapping)

Hosny: And it will be easy also because- you know- our CEO has moved to the holding company of that, right?

Tansino: Yeah, exactly. OK, understood. Thank you, Pak.

Khalisha: Thank you Tansino for the question and thank you Pak Hosny for the answer. Next we have a question from Akshay, I will allow you to unmute yourself.

Akshay: Thank you, Khalisha. And thanks to the SMGR team for the presentation. I just have a few questions; I'll start with the first two for now. You mentioned that the composite for coal was about 850 thousand rupiah. What was the average coal price that you saw for 2021 and also for fourth quarter 2021? And then in terms of the DMO that you set for the first quarter 2022, what was the average coal price in rupiah terms uhm that you received? That's the first one, thanks.

Hosny: Hi Akshay, so let me answer that. So 2021 the average composite is around 710 thousand because you know until the first half we still get you know the previous price, the lower price of coal and basically the higher price of coal kicks in mostly in q4 2021 whereby in average q4 2021 is around 950 thousand rupiah but again the first quarter we see that basically the price is up now already going down, and we expect we should be able to get an average of around 890 thousand, basically we can get you know below that but we still have the inventory level that we stock up using the higher price in December, that's why I think around 890 to 900 thousand in average ya for first quarter.

Akshay: Got it. Got it. Thanks. And then also on the debt repayment, my second question is there anymore plans to repay debt in.. for this year? Especially the debt for Holcim, so it can have an impact on the tax rate?

Hosny: Ok so, we have a bond, IDR bond maturing in June, which is around 3 trillion IDR. We are now focusing to concentrate our liquidity to pay that mature bond, 3 trillion, plus again- you know expectation of dividen coming up in April or maybe beginning of May. So that's actually our focus first for doing that to major cash incur items this first. Second half we're going to see the market if let's say the market picks up quite well and we have- we have ample of liquidity, definitely we'll do another round of early repayment but again we couldn't tell how much because I think there are- there will be a working capital financing management that we need to do but it's still possibility towards the payment of the 3 trillion IDR bond. So that's the plan.

Akshay: Got it. And then, thanks for that. I just have two more questions. Quick ones. On the ASP hike done by the SIG group on the 4th quarter, is this going to be maintained throughout 2022? And have you seen other players and smaller players as well do these similar hikes so far?

Hosny: Maybe Pak Rahman can answer that. Please Pak Rahman. Or Pak Adi.

Adi Munandir: Ya thank you very much. Regarding the ASP that we have been increased last year, most definitely we are going to maintain the level of this price and looking at the current situation on the increasing of coal price I think there is some increasing prices on the other player also. So there are some indication that another player will increase also the price. So we are looking on the market dynamics and- and any opportunity to maintain position or even to push furthermore on the other increase the incrementof the ASP, whenever is possible, ya. Thank you.

Akshay: Got it. Got it. Thanks very much and my last question is on the volume growth, are you still targeting 4-5% domestic volume growth for 2022? And how has the Feb volume been so far if you can share? Thanks.

Adi Munandir: Ya the market growth for 2022 is still around 3-5% this year and maybe mba Jo can give more detailed information on that one.

Johanna Daunan: OK pak. Yes in regards to the market growth actually it depends because in 2000.. last year we see that there are some deterioration during the delta period so we really need to watch out on that impact. In regards to the… and also the government projects we see that its slightly declining from last year in terms of the budget but we still see quite a large number of government budget is being spent this year. So 3-5% is what we are looking at considering there are several factors that can be in effect that could influence that. Uhm, yes. Is that answering your question?

Akshay: Yes. Yes. Thanks. I just want to check on the Feb volume so far? If you can give some colour on that February volume.

Johanna Daunan: Oh OK. So at this moment of time we are still growing around -maybe Pak Rahman can see- we still growing around 2% in terms of the- compared to last year. We need to see because January and February is considered slow month. I mean in terms of the seasonality so it's usually in terms of the seasonality its declining. Also we have some impact in regards to we still have some effect in regards to our price increase in quarter 4. But in general we still see growth compared to last year.

Akshay: Got it. Thank you very much for answering the questions. That's it from me.

Johanna Daunan: You're welcome.

Akshay: Thank you.

Khalisha: Thank you Bu Jo, Pak Hosny and Pak Adi. Next we have a question from Andreas. I will allow you to unmute yourself.

Andreas: Hello. Thank you so much for the opportunity. I want to ask a couple questions. First, could you Pak please elaborate more on the competitive landscape, in particular about the fighting brands and the Java market. And the second one, did you guys have any problems or are you probably expecting one regarding the coal and supply and the third one is probably do you have any updates regarding the rights issue? Thank you.

Adi Munandir: Ya thank you very much for the questions Andreas. Regarding the competitive landscape in Java market, in general this year is going to be another episode for SIG because of the increasing competitions since there are- there's one new player coming in in the market and there are- so there are 2 players already located in our home market in Eastern part of Java. And most of the players are eco players, proposing a very low price. So the situation right now with the new players and also the under capaci-under utilization almost all the player have made them more aggressive basically. And the coal impact is not quite equal for all players, so everybody will have different kind of urgency in terms of price increase.

Responding to that situation basically SIG have tried to implement new strategy since last year, because conventionally we are responding to any price movement by adjusting our price from one single brand usually we are implementing in each market, but since last year 2021 we have implemented the multibrand strategy and we have been trial this strategy in the first quarter basically in 2021 and the strategy has shown its effectiveness basically since quarter 2 in 2021, where we are able to maintain the release and also stop the decrement of the market share and maintain our sales and also somehow limit the movement of the new players. So we have seen that this strategy is effective and we are trying to find another way to optimize this strategy so we can minimize the risk and any negative impact on the implementation of the multibrand strategy.

Ok this year our priority is to maintain our home market in Java by optimizing our multibrand strategy in selected area, there are going to be some maneuver to somehow respond and minimize the risk, minimize the damage coming from new players. So its going to be a very close monitor and coordination how to maintain the portion of the fighting brands and implementing the right amount and right form of programmes, for example we are now implementing the bundled program where the distributors and our partners are only selling the- our fighting brand combined with the target for the main brands, so by doing so we are able to maintain the performance for the main brand and also the fighting brands. But the fighting brands that we have right now also are we are using it also for another strategic purpose, something like trying to penetrate new retailers in stores that we haven't been able to supply at the old- old days, so we are trying to develop our- increasing our distribution fundamentals by increasing the numeric distributions. So by doing so we are creating a better performance in terms of distribution absorptions and also creating entry barrier in most of the retailers because now SIG product are going to fill the all of the layers of the products. So I think the competition in Java are increasing, the maneuver from the eco players are going to have some kind of push in terms of low utilization and coal price increase situation. But SIG also have another advantage basically, once we have done the price increment in quarter 4 2021, so we are in a new position with a better price level and hopefully it will become our advantage in order to gain a better performance in the market. So like I mentioned earlier, another player are facing the coal price push right now and some have announce the intention to increase the price by having that kind of situation there is going to be a correction in the price disparity in the market and hopefully will also increase our volume release. Generally that is the situation in the competition landscape in Java and what we are going to do to respond to the situation and make a strategic move to maintain our dominance in the market. Maybe Pak Rahman and Bu Jo would like to add some information on that questions?

Pak Rahman: Yes, thank you Pak Adi. Regarding the competition, we can assume that the multibrand strategy has found a way to lock the new intruders in the market as shown as Pak Adi explained and also as the data shown in Java, in West- Central Java and East Java, and that information that we have to put in place also that at the end, those who doesn't have- those who don't have integrated plant will be slowly- they will be kicked out from the market because the competition among those who have cement plant in that location we have seen that in Sulawesi, eastern part of Indonesia, which is now basically dominated by SIG and Conch and East Java also soon will be like that. Those who come only with packing plant, terminal, cement terminal, or even grinding plant, they will find it difficult to compete with the players that having integrated plant in the location. Not to mention the coal price also make it worse in their cost and transportation. That's the additional information.

Febri: and maybe..

(overlapping)

Andreas: Thank you Pak Rahman.

Febri: and maybe for the next question related to the plan on rights issue, if Bu Ami can answer to that question, bu?

Ami Tantri: Ya, on the rights issue, right. The- what you call- the idea of having SMBR- to be included within SMGR actually pretty- pretty old idea to have SMGR as the holding company, we already have Semen Tonasa, Semen Padang, Semen Gresik and we also acquired Holcim or SBI 2 years ago,-and then that actually led SMBR out. Well its not confirmed yet but the --- sorry, I was disconnected a little bit. – The government inject their ownership of SMBR in would be replaced with SMGR shares, so that's one thing. So it's not going to be like cash transaction, we're not really buying SMBR shares but a swap- the government swap SMBR shares into SMGR shares. Then there is a possibility that the minority shareholders would take part of rights issue which actually currently thinking of using the fund to invest it on ESG related investments but that's still very early stage. The uhm what you call- the – its already ministrial decree so you have to do it and the timeline is going to be in the second half of this year and that we are actually required a shareholders meeting in SMGR as well as SMBR to get minority shareholder approvals. That's what we stand right now for the time being. And we will update you later on if we hear actually more news on that one. I think that's the best thing I can answer Feb.

Febriandita: Thank you, Bu. Khalisha, maybe we can move on to the next question. Or if still … OK.

Khalisha: Thank you to the panelist for answering all the questions. Before we move on to the next- to the next questions from the participants here, there is a question on the chat box from Vivek that I will read out.

"Would – Can you please elaborate on your cost initiatives that you have focused on in the second half of 2021? Number 2, can you touch upon on your coal sourcing strategy for 2022? And if you will get any benefits from the recent government measures and number 3 can you talk about volume trends year-to-date? Thank you."

Hosny: OK Khalisha, so I think I'll answer the cost initiative that we did ya, for the second half 2021.

Khalisha: OK Pak.

Hosny: So basically looking at the market conditions and the cost push from coal which is uncontrollable for us, so definitely what we are trying to do at that time is basically to manage the operational expenses which I think we were able to you know manage that quite well. As you can see we were able to reduce a bit on the operational expenses and also trying to optimize the- you know- cost of goods manufactured by optimizing the clinker factors and also the maintenance of the facilities. Now on the supplies of coal, we should be- we are quite, what do you call- confident to get the smooth supply, because as per February, majority of our coal needs is already under medium term agreement with an IUP- direct IUP owner to supply around- you know- 80% of our requirement. Although we don't lock the price, but at least we get you know- mutual agreement with IUP owner to supply us and I think we should be able to get the sources that we need for the production this year.

I think those are the things that I can answer, I think there is another question regarding to marketing, I guess ? Yes, Khalisha?

Febri: Volume trend. Yes, volume trend maybe Pak Adi or Pak Rahman could respond to that question, Pak? Thank you.

Adi Munandir: I think the question already been answered by Bu Johanna on the previous session, Bu Febri regarding the volume.

Febri: Oh ya, right. Right. So basically Year-to-Date is still positive even though there is some impact on the price differentiation after we adjust the price in fourth quarter. Maybe we can move on to the next question Khalisha.

Khalisha: OK bu. Next question we have from Robin from Mandiri Sekuritas. I will allow to you unmute yourself.

Khalisha: Hello? Robin?

Robin: Oh Hi. Hi Khalisha, can you hear me?

Khalisha: Yes I can.

Robin: Hi, thank you to the SIG team. A few questions from me. Perhaps if you can start with the DMO follow up to the points earlier. How much is one million tonnes of coal compared to annual usage and will the DMO be likely to be extended on given coal price where it is right now? And I think basically everyone else in the cement indu- association is not been able to obtain coal supplies at the DMO price so considering the dynamics would you be able to provide color on the likelihood of its extension and in regards to the IUP owner for which is supplying 80% of coal needs, is that separate or is that the same sort of the supplier of the DMO coal? And sort of- perhaps in some relation to that, could you sort of reconfirm guidance on the 2022 margins and sort of confirm that effective tax rate this year is likely to be 28-29%? Perhaps I'll stop here first before I move on to my other questions. Thank you.

Hosny: Ya so I think I've explained previously that getting a DMO is not easy and DMO is actually only until first quarter this year. We be able to get around only 1 million but then it's not sufficient for the whole requirement for production until first quarter but we still have – you know- inventory from our December coal so I think we should be OK until first quarter, but again I think this DMO things is- is-is-is a dilemma in the market because OK its one thing to you know- there is a price cap, but then getting the supply is not easy right from-from realistically from the market. So sometimes it can be detrimental also for-for us because in one thing we have to get the DMO price but to- in other thing we have to run production and couldn't get the supply because there is no one that can supply using the DMO price, so I think- I don't think that this is something you know worth to continue and I think just make market mechanisms going forward. I think that's the thing from the coal spectrum.

Now on the- on the- on the agreement that we did with the IUP owner and the DMO suppliers, I don't know how the relevant of that information for you but I think the point is that we should be able to get the supply smoothly for this year and I think we are trying as best as we can to get benefit from this DMO regulations until first quarter. I think that's the thing that we have done and so far we don't have any problems on our productions due to coal until now.

Second on the guidance on EBITDA margin, so I think the- the cost pressure of the coal will be happenedfully this year. We already anticipated using you know- looking at the market and trying to increase ASP also starting from q4- beginning of q4 2021 and as Pak Adi said previously we are actually tactically doing that also, looking at the situation in the market deeply. So I think we should be able to at least- you know -even though we couldn't get the EBITDA margin target as per 2020 and 2021, but we should be able to get around 21-22% of EBITDA margin I think for this 2022 and I guess for the tax efficient, hopefully there is no further change in regulation by the government this year, otherwise we have to impose another adjustment on the fair value adjustment but normally I think its around ya, 28-29% should be, because we will reduce more on the debt due to acquisition this year.

Robin: Thank you Pak Hosny. Perhaps some follow up questions from me. Basically last month the guidance was that volume growth will be in the range of 3-6% depending on how the Omicron variant phase, but now looks like we are sort of passed the peak, so are we not sort of seeking to be more upbeat on that? And next up is basically on market share, there was some controversy regarding the sort of January reported volumes based on the association reported volumes but irregardless of that I think market share can be seen to be on a falling trend, so that to what level can we expect this sort of trend to continue before strategies might change and last question from me would be on confirmation on the sort of balance on the Holcim acquisition loan as of the end of 2021. Thank you

Hosny: I think the first two questions I will let Pak Adi or Pak Rahman answer that. Please, thanks.

Johanna: Maybe I will try to answer the question on the market share first.

Adi Munandir: Yes bu, silahkan.

Johanna: OK. So yes, there is a controversy regarding the- the reporting. So I think what- what we- what we need- need to state in the also association need to state is that the association data is mainly self-reporting data which is compiled based on the voluntarily data information by each of the players, so regardless of the – its not being checked by the tax report or so whatever, it’s just mainly a self-reporting data. So I think we also need to take caution on that, also considering that majority of the players are not public- public govern – public companies, so so basically the report is- we need to take cautious. So we need- we also see this, regardless of that, we see this on a monthly basis, and if you can see that they are quite erratic trend if you want to see it in detail, for example often time Conch does not report in 2 months and then just reporting directly in the other month, so that makes the trend quite erratic. Secondly we see that Jui Shin has not submitted their report since 2019 and we’re still using their 2019 data. So that basically we also need to take cautious in the terms of reading the self-reporting data on the association. However regardless of that, we see that the trend for the eco players as you mentioned is increasing, and we see this trend since the quarter-semester 1 of 2021, which we respond with our fighting brand. So we see that it would be our goal to still maintain our 50% market share because we see that this needs to be taken into operational level and not only we set the pricing in the headquarter, but also we need to see as Pak Adi and Pak Rahman mentioned how we operate this in the distributors and the retailers level. But I think in general I think I can say that we are still aiming at 50% market share and but also taken into account how we can sort of maintain our profitability, because we need to see in a more granular level as for instance we don’t have to respond to Singa Merah which is located in Jember at the same price in Jogjakarta for example. So that is what we need to see to get the nice balance between profitability and market share, but in general we are still aiming to 50% market share this year. Maybe Pak Adi want to add to that?

Adi Munandir: Ya so basically, regarding the priority ya, we’re trying to increase our EBITDA margin also at the same time we are trying to maintain our market dominance, especially in our home market. So aiming for the 50% but trying to find the right balance, the most optimum level between maintaining the market dominance and the profitability. Definitely profitability is the priority but we are going to still maintain market dominance in home market and try to increase any opportunity exist in the micro level- micro market level. This is the way we manage the whole thing. Thank you

Hosny: OK, so last question ya on the debt level on the Holcim related acquisition, so after the mandatory tender offer back in mid 2019, our Holcim acquisition debt, it was 13.4 trillion. End of 2021 it has been reduced to 8.2 trillion. So almost around 5.2 trillion we have reduced the debt from after the MTO back in 2019.

Robin: OK. Thank you very much Pak Hosny, Pak Adi and Bu Jo.

Khalisha: Thank you to all the panelists for the answers and next we have Onka from Goldman Sachs. I will enable you to unmute your mic.

Onka: Uh.. Hello. Can you guys hear me?

Khalisha: Yes, we can.

Onka: Ya, thank you. Thanks for taking my question. Just a quick one, apologies if this already had been asked before. Can you just remind us about the ASP increases that you did late last year and what will be the total ASP impact this year in YOY percentage terms? And also can you throw some light on what is the mix of the main and budget brands in terms of both revenue and volume please for 2021? Thank you.

Adi Munandir: Bu Johanna, can you give the details?

Johanna Daunan: Oh OK. Alright so the uhm.. so the ASP, in consolidated wise, uhm we have managed to increase around 5% until December in quarter 4, however we also need to note that we- as I mentioned before we are quite, we are in a fighting mode in terms of if you can see the quarter 3 for example we are basically in fighting mode with the eco players because especially in the bulk segment, so as you know bulk consist of 25% of the total consumption of cement and this is the area where they basically quite easily get in to because this is mainly a B2B industry. So our price is quite deteriorating in terms of the bulk segment because we need to maintain our volume. That’s why the trend in quarter 4 is basically rectifying the decline in the bulk segment also in quarter 3. But coming to that question we see that we in terms of the impact of the quarter 4 increase we still see Year-on-Year, year-on-year basis we’re still higher by 2.5% in terms of consolidated domestic price. So this is a good- good thing for us because we can monetize in terms on that growth and will be more so in terms of quarter 3, because quarter 3 last year we were basically in fighting mode with the eco brands in terms of the bulk segment, so we see that and we still that we keep on increasing in January and February slight increase so we are still maintaining that traction.

In terms of the fighting brand so full year our fighting brand composition is around 7% of the total volume. We see- I think several- several of the analyst also ask me why do we see a steep increase in quarter 4, basically it’s because of the- the price increase that we did. The price increase that we did as you saw that not translate that’s not been followed that well either by Indocement or by the eco players, that’s why the composition would slightly increase in terms of our regular 7% position in the composition I mean. Is that answering your question?

Onka: Ya. Ya Thank you. Just one follow up. So for this year, for 2022 would the ASP as a whole will be up close to 4%? Would that be a safe assumption to? Because you already assume 5% 4Q as you mentioned before, so will 4% for the entire year be a safe assumption?

Jo: Well up to now we are managing 2.5, so we still need to see how the year progressing because with the current under-utilization situation we need also to as I mentioned to really have a close watch between the balance between the volume and price. But I think the current trend in terms of increasing in several areas for example Sumatera, there is still a chance that we can still increase more.

Onka: OK. No. Sorry my question was so you increase 5% in 4Q and you are continuing to increase that number into 1Q or is it just 2.5% YoY in the year so far?

Johanna Daunan: No. Obviously we need to because of the coal trend we need to see because we also need to increase our profitability. So what im saying is that we're still looking for opportunity to increase. So there will be more increases in the future we'll see, especially usually we our regular price increase happens in quarter 3 and quarter 4, so if- if- if the demand allows we can can also increase more in second semester.

Onka: OK. So let me ask this another way, what is your revenue guide for this year? What revenue growth are you aiming for this year? For 2022?

Johanna Daunan: Pak Adi maybe you want to answer that question or it actually depends- it actually depends on the combined volume and price because the increase in price alone, if it doesn't followed by the volume, that would be making us off balance like we see in November for instance, we're losing market share, our apa namanya- our fighting brand composition increases, so that's why it has a negative impact on the revenue. So again, its very hard to answer because we need to see the market dynamics.

Onka: Ok. Ok. But 3-5% volume growth stands right?

Johanna Daunan: Yes. Correct.

Onka: So if even with a 0% ASP increase you would have a revenue growth of around 4% right? Is that the right assumption?

Johanna Daunan: Ya, we need to see. Because if we want to- for example the coal price persisting then we need to increase more of the pricing that could impact on our volume.

Onka: Got it. Got it. Thank you

Johanna Daunan: You're welcome. Have a nice day. Bye bye.

Khalisha: Thank you Bu Jo for the answer, now we have next question from Bob Setiadi, I'll allow you to unmute yourself, Bob.

Hello? Bob?

Bob you will first need to click the unmute button.

Hello?

Since we can't hear you, you could also write your question in the chat box and I will read it to the panelists.

Febriandita: Khalisha you can, maybe you can read one question from the chat box?

Khalisha: OK, I will do that in the mean time. We have a question from Anti from Schroders. "Hi, thank you for the presentation, can I ask about the export outlook?"

Febriandita: Pak Rahman if you want to respond to the question regarding the export Pak?

Rahman: Ya, first of all export is actually not as our primary or main object, export only use when we have an idle capacity. From the market perspective, regional demand is still there, we still have inquiry from China, Australia, India sub-continent like Bangladesh, Sri Lanka. So that's still continue, and we even have manage the price to increase to $2-$3 since q4 for export. On top of that we also have improved our port capacity as well as the loading rate so we become much more flexible in export, depending on domestic market.

Febriandita: Thank you Pak Rahman.

Rahman: OK.

Febriandita: And I think Bob already chat the question Khalisha.

Khalisha: So the question from Bob is; number 1 how much is the fighting brand percentage do you expect for 2022 and also how would- how would it impact your overall margin? And number 2, has there been any impact from Taiheiyo entrance to Solusi Bangun Indonesia?

Febri: Yes Pak Adi or Bu Jo can you answer the question?

Johanna Daunan: OK. Alright. In regards to fighting brand, at the moment we're still looking at how we can optimize by 7% in terms of the composition, but again also it also depends in terms of in regards to the movement of the competitor. Right now we are focusing on Central and East Java because its mainly the main interest area of our new competitors namely Grobogan and Singa Merah. So they announced their total capacity is around each 3 million tons per year, so that in composite in total is 6 million per annum on the new capacity coming in. So just to illustrate what is the impact, the potential impact of these new competitors if they manage to disburse 100% of capacity it could impact around 9% in total of the market share- of the national market share. So we wanna really see this in a very detailed manner because as I said we need to execute the fighting brand as cautios as possible. So yes we still aiming at 7% but we need to see the aggresivity of the competitors, and then respond accordingly. That's basically what I can answer right now. Is that answering your question, Bob?

Khalisha: I think Bob has some trouble with his microphone. Thank you Bu Jo for the answer. That concludes our call for today. The transcript for this call will be available on the website shortly. Thank you for – thank you to our panelist for answering those questions, and thank you to all the participants for joining us today, if there are any further questions please don't hesitate to contact the investor relations team. It was a pleasure to have you with us and before we end this call maybe Pak Doddy would like to deliver some closing remarks?

Doddy: OK thank you Khalisha. Thank you everyone for participating in today's meeting. Hopefully in the- this year SIG will perform even better to meet the expectations of its stakeholders. See you at the next meeting and don't forget to keep safe and stay healthy. Thank you.

Khalisha: Thank you Pak Doddy and thank you all. Good afternoon.

All (in unison): Thank you. Good afternoon. Bye bye.