

Seizing Turnaround Momentum
8 December 2022



SEIZING TURNAROUND MOMENTUM

SMGR Capital increase through Pre-emptive rights
Semen Baturaja
ESG Initiative
Building Materials Expansion Program
Transaction Update

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SIG will leverage Rights Issue to grow value and return to shareholders through SMBR integration, ESG initiatives, and potential expansion in basic material business

Rights Issue Information

Total Proceed of Share Issuance

Additional capital up to 5.6 IDR Tn*

Objective

Net proceeds from the Rights Issue will be used to expand company's position in the cement market, ESG initiatives & basic material business

Shareholder type

Participation & Use of Proceed

A

Government of Indonesia



- Will exercise its rights through **share swap with its ownership on SMBR**
- SIG will receive **75.51% of SMBR ownership**



75.51%

SIG ownership in PT. Semen Baturaja Tbk (SMBR) post share swap

2.85 IDR Tn

SMBR valuation

based on fair value by independent appraiser & approved by Ministry of Finance through Finance Minister Decree

B

Public shareholder



- Will participate in cash
- SIG will receive gross proceeds from the public of up to 2.7 IDR Tn & use the proceeds to **expand further with potential acquisition in ESG initiatives & basic material business**



Supporting 1.68 IDR Tn CAPEX investment for ESG initiatives:

1. Thermal Substitution Ratio
2. Clinker Ratio



Potential expansion in integrated basic building material that has:

1. High EBITDA margin
2. Significant growth opportunity
3. High potential synergies

* Based on 100% participation and subscription

A Cement sub cluster SOE integration will support SIG in domestic market dominance

Overview of SMBR (2021)



53%

market share

South Sumatera market leader with “Semen Baturaja” brand



4.55 Mn Tons
Cement Capacity



2.7 Mn Tons
Clinker Capacity

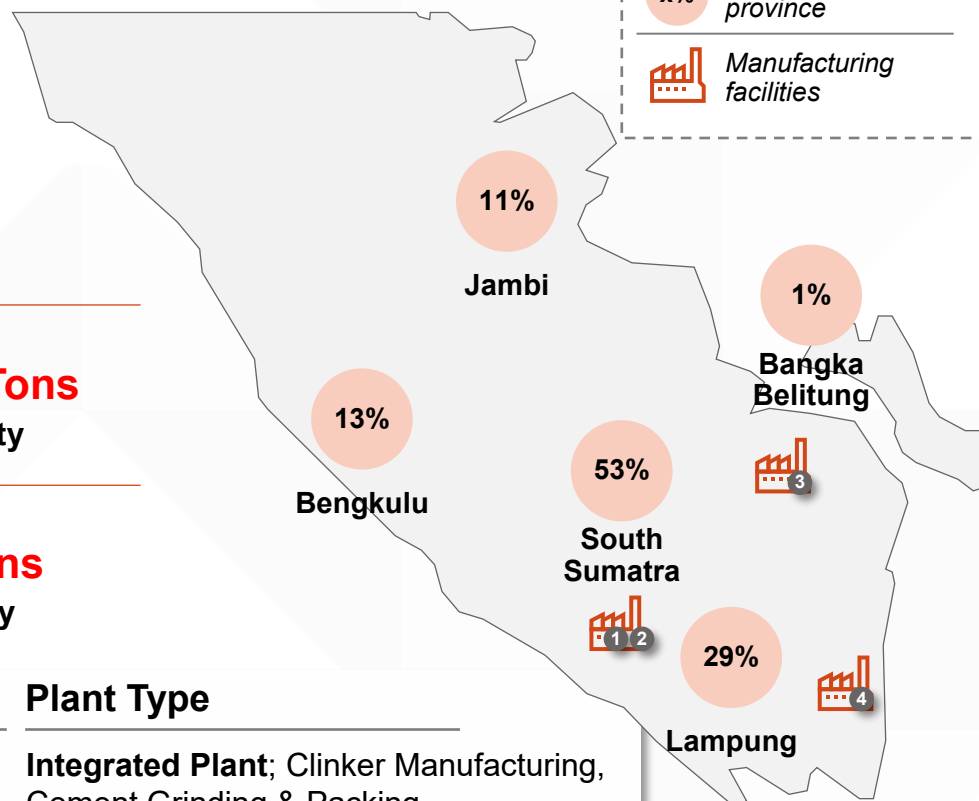
Legend:



Market share by province



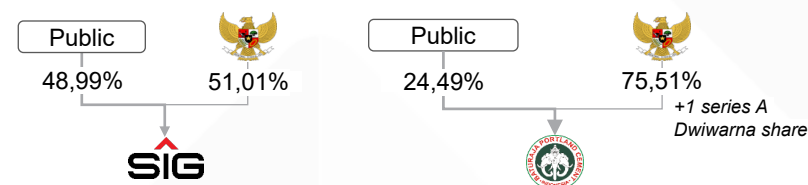
Manufacturing facilities



Integration Structure: SMBR Shares Transfer to SIG

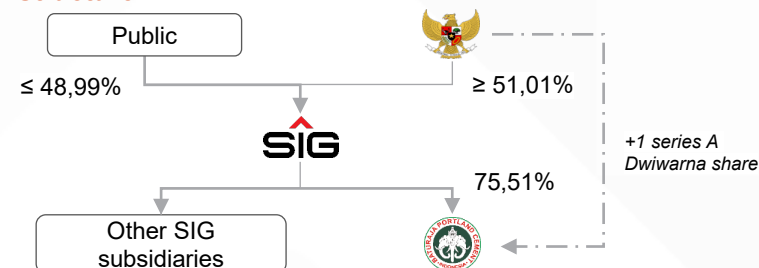
Share Swap Process

Current Structure



“government participation in the SIG rights issue transaction is carried out on a non-cash basis through the transfer of all state-owned Series B shares in SMBR..”

Final Structure



Plant	Plant Type
Baturaja Plant	Integrated Plant; Clinker Manufacturing, Cement Grinding & Packing
Palembang Plant	Cement Grinding and Packing
Panjang Plant	Cement Grinding and Packing

A Potential value creation from SMGR and SMBR integration

	Operational Metrics	Assumption	1-year Impact (IDR Bn)	5-year Impact (IDR Bn)
Sales & Marketing 	Increase Average Selling Price (ASP) Net	<ul style="list-style-type: none"> Change SMBR pricing strategy to align with SIG (main brand increase 2.2%, fighting brand increase 1.9%, every year) 	21	64
	Distribution Network Optimization (Cross-Selling)	<ul style="list-style-type: none"> Utilize distribution network and potential cross selling PoS expansion to increase market penetration 	32	256
Supply Chain Management 	Utilization optimization	<ul style="list-style-type: none"> Supply market from facilities with the lowest cost-to-serve to reach higher utilization 	113	789
	Reduce CTS/Ton	<ul style="list-style-type: none"> Shift production to be closer to customers to optimize distribution 		
Production 	Decrease PCC Clinker Factor	<ul style="list-style-type: none"> Decreasing SMBR PCC clinker factor from >70% to be at SIG level (~65%) 	13	94
	Increase TSR	<ul style="list-style-type: none"> Increase SMBR TSR usage from ~0.7% to reach SIG level of ~5% 	6	21
	Best practice sharing	<ul style="list-style-type: none"> Higher purified gypsum composition (from ~70% to ~90%) Using lower calorific coal Installing plant optimizer 	105	345
Procurement 	Best tariff & economies of scale	<ul style="list-style-type: none"> Utilizing best tariff across all plants Better bargaining power from consolidated demand 	23	87
Others 	Refinancing Potential	<ul style="list-style-type: none"> Potential decrease in SMBR interest rate (Δ of ~3%) 	34	113
			347	1,769

**>1.7
IDR Tn**

potential value
creation in 5
years

A Impact on Financials: SIG + SMBR will generate positive catalyst on overall SIG financial metrics

Key Financial Metrics*

	Unit	SIG	SIG + SMBR	% change
Revenue	IDR Bn	34,958	36,753	↑ 5%
EBITDA	IDR Bn	8,227	8,986	↑ 9%
EBITDA Margin	% of Revenue	23.5%	24.5%	↑ 1%
Net Income	IDR Bn	2,082	2,418	↑ 16%
Net Income Margin	% of Revenue	6%	6.6%	↑ 0.6%
ROIC	% of Invested Capital	6.4%	6.5%	↑ 0.1%



B Additional 1.68 IDR Tn CAPEX is required to achieve decarbonization & circular economy target

1.68 Trillion IDR

Green Capex required up to 2027

Processing facilities

Planned capacity scale up of alternative fuel & raw material processing facilities from 1.7 MT to 3.1 MT



Storage RDF
Capacity : ± 350 ton



Hopper RDF



V92-BC3
(Belt Conveyor)



V92-EW1
(Extraction Wheel)



V92-BC4
(Belt Conveyor)



V92-BC5
(Corrugated BC)



V92-MW1
(Diverter Gate)



V92-BC8



V92-SC1/2
(Screw Conveyor)



RDF form in SC



V92-BC9
(BC with WF)



V92-FV3
(Feeding point to ILC)

Environmental compliance

By replacing electric precipitator into bag house filter

TSR Target

Achieve **decarbonization target** and cost reduction of **20.15% Thermal Substitution Rate (TSR)** by 2030

Accumulated Benefits by year

0.68 Trillion IDR

(up to 2025)

1.68 Trillion IDR

(up to 2030)

Alternative Fuel & Raw Material (AFR) **utilization benefit**

Investment Return

8 years

Payback period

14-24%

IRR

ESG initiatives & Benefit



TSR

↑ 1%

40 Bn IDR Savings



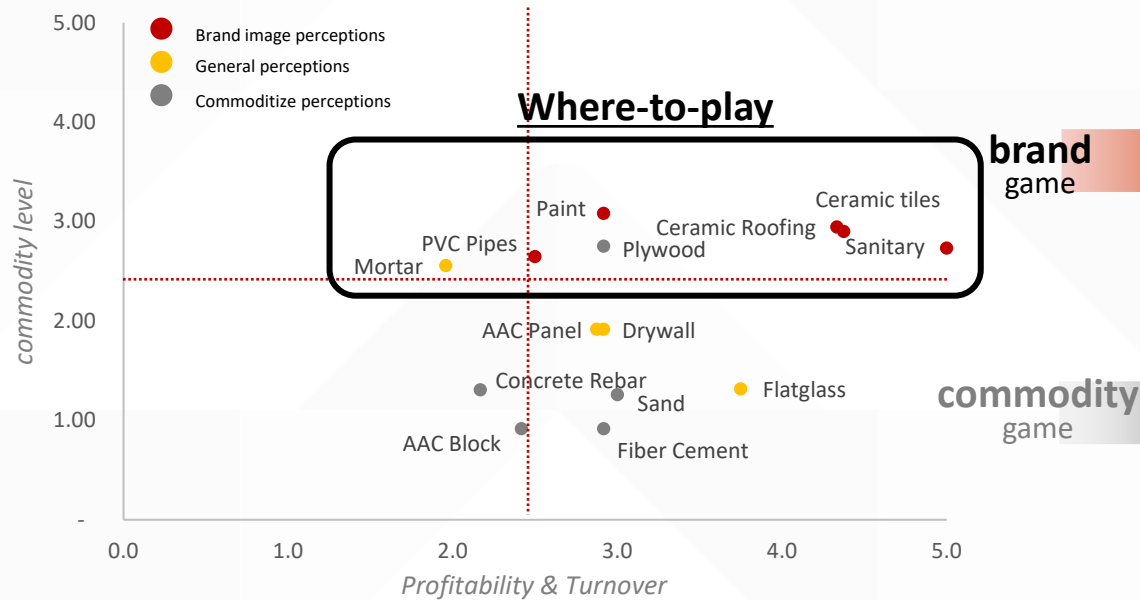
Clinker Ratio

↓ 1%

4,000 IDR / Ton savings

B Brand-focused building material business presents a lucrative potential investment for SIG to grow further and increase profitability

Building Material Business Potential (Brand vs Commodity)



Potential inorganic corporate action

- Higher margin
- Higher consumer loyalty
- Potential synergy with SIG market channel
- Lower profitability
- Easy-to-replace
- More generic product

Sample ID Building Material Company Key Financial Metrics FY2021 (A)

Key Financial Metrics	Sample ID Building Material Company
Revenue Growth over 3 years (CAGR)	10%
EBITDA Margin	28%
Net Income Margin	21%
ROE	20%
ROA	13%

Material Type by % of Building Material Cost (2021)



Paint
4.9%



Ceramic Roofing
3.8%



Ceramic Tiles
3.4%



Sanitary
2%



Plywood
1.7%



Mortar
1.5%



PVC
1.2%

Where-to-play

Rights issue update post OJK effective statement

OJK Effective Statement Issuance

2 December 2022

Additional Information

Number of shares issued

Maximum 846,215,318 new shares with nominal value of IDR 100 per share

Total Proceed

Maximum IDR 5,585 billion

Ratio

100,000,000 shares :
14,266,416 rights

Pricing

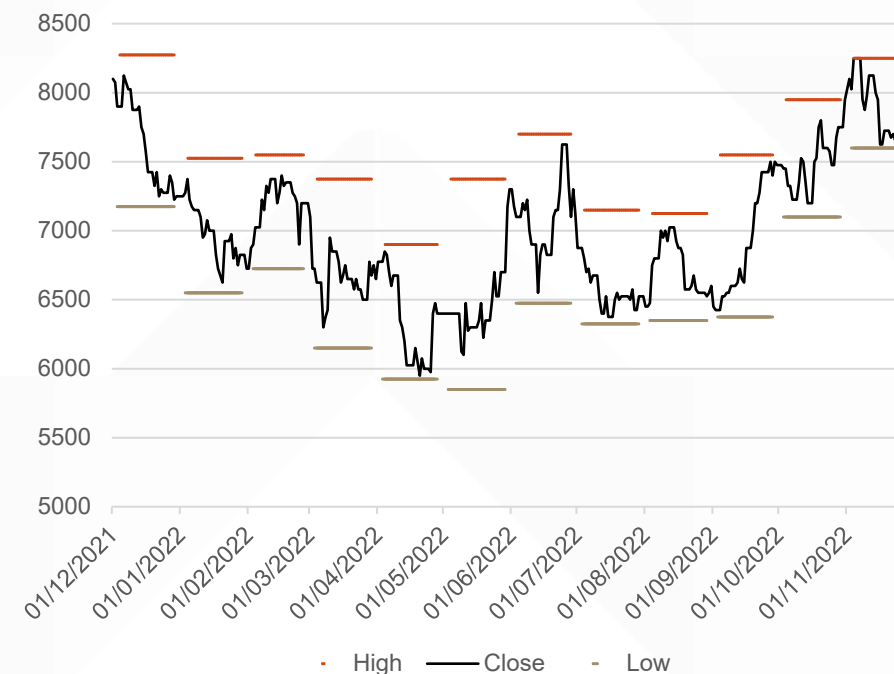
IDR 6,600 per share

Based on the last 10 years rights issue discount-to-TERP:

- **IDX listed companies discount** ranging between 10-30% with average discount rate of 13.7%.
- **SOE discount** ranging between 10-20% with average discount rate of 10%.

Historical Share Price

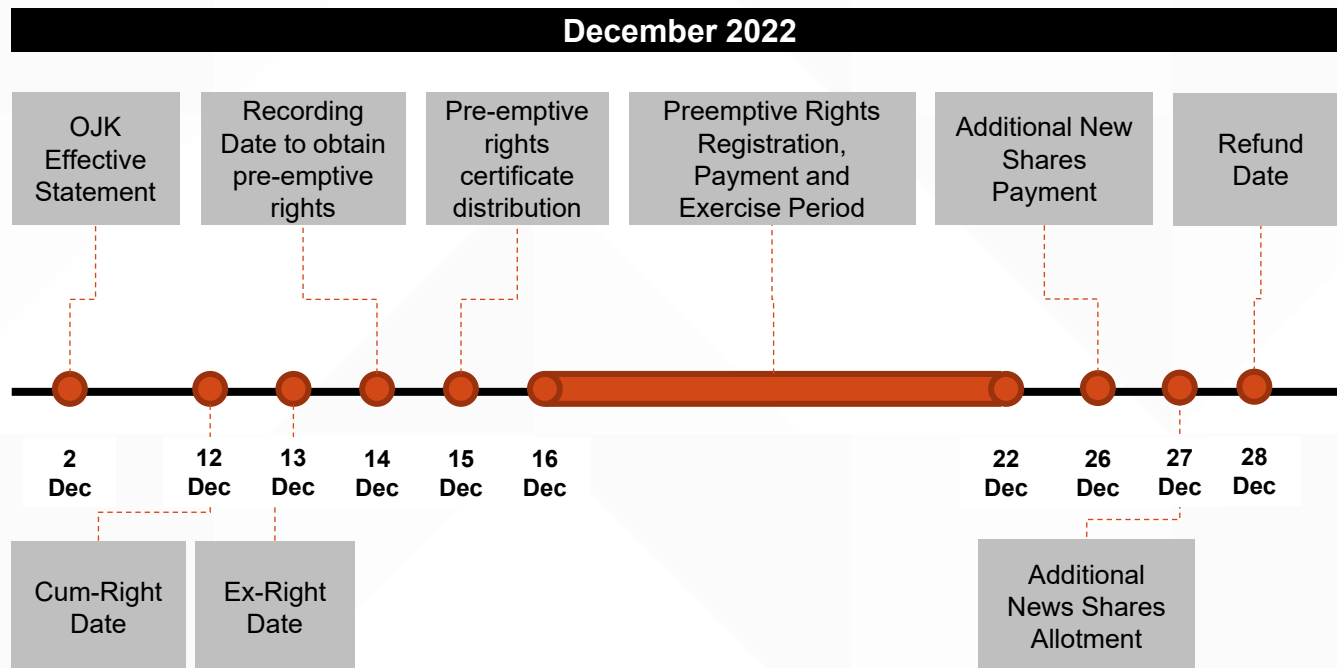
SMGR Share Price LTM



- SMGR price movement for the last 12 months (December 2021 - November 2022)

Rights issue timeline, additional new shares order mechanism and supporting institutions

Rights Issue Timeline



Additional New Shares order mechanism

- **Eligible Shareholders who exercise their Preemptive Rights** may order New Shares in excess of their rights.
- For the shareholders who choose to order additional New Shares, **the allotment mechanism will be carried out proportionally** based on the **number of pre-emptive rights that has been exercised** by them.

Supporting Institutions

Joint Lead Arrangers



Shares Registrar



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