



## **SIG 1H 2024 Earnings Call**

**Date: Monday, August 5<sup>th</sup> 2024**

**Time 03:00 – 04.00 PM JKT Time Zone**

### **Panelists :**

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|------------------------------|---|
| Mr. Donny Arsal              | : President Director                            |
| Mr. Andriano Hosny Panangian | : Director of Finance & Portofolio Management   |
| Mrs. Febriandita Kusuma      | : SVP of Strategic Finance & Investor Relations |
| Mr. Rahmat Faizal            | : SVP of Corporate Sales & Related Business     |
| Mr. Andi Krishna A           | : SVP of Business Innovation                    |
| Mr. Joni Gunawan             | : SVP of Sales & Mega Distributor               |
| Mr. Gathut Wicaksono         | : SVP of Marketing and my colleagues            |

**Febriandita :** Good afternoon everyone. Thank you for joining our 1H24 result call today. We have published our result on Wednesday, 31 July 2024 through IDX as well as our website. And today, joining me in this 1H result call, I have my CEO Bapak Donny Arsal and then our Director of Finance and Portfolio Management, Bapak Andriano Hosny Panangian and then Director of Business and Marketing, Bapak Subhan, SVP of Marketing, Bapak Gathut Wicaksono, SVP of Sales, Bapak Joni Gunawan and Bapak Rahmat Faizal, SVP of Business Innovation, Bapak Andi Krishna and myself Febriandita, SVP of Strategic Finance and Investor Relations.

And to begin with, allow me to briefly update you with our 1H24 performance as well as our focus and initiatives. So maybe we can present our slides please.

So, our 1H24 performance remains positive amid declining demand in 1H, especially in the retail segment due to the election and long holidays with road restrictions that we all see in 1H24. Retail demand in Indonesia grew minus- almost -5% if we include- exclude Grobogan. So, it's recorded contracted by around -5%, yet if we see SIG retail sales volume can be maintained. The growth is not as impacted as in the industry for the retail market with a relatively stable market share in June 2024.

Meanwhile, if we see the bulk and regional segment, we are still recorded growth in terms of volume YoY. So, with this challenging demand and competition, especially in retail market, if we see in terms of ASP our fighting brand portion slightly increased by 1.3% YoY. Basically, it's to maintain our strong position in such challenging market as well as during the period of price increase that we conducted in May. And then bulk ASP recorded increased by around 1% YoY that we conducted in selective project where we have high share of wallets and ability to provide better services including terms of payment, delivery and continue of supply. And then the third in terms of export market, we are trying to boost more portion of cement which has better pricing versus clinker ASP.

So, in terms of the cost management side, operational excellence continued to be carried out to optimize our profitability. On COGS level, if we exclude labor costs, COGS recorded decreased by 1% YoY in line with the decrease in sales volume. If we break down the COGS component, we can see that variable cost per ton recorded decreased by 0.3% or relatively flat supported by lower fuel cost per ton as we were able to get coal from better source and lower fuel costs were also impacted by our initiatives to lower clinker factors. And then in terms of fixed cost absolute, exclude labor cost, recorded around 1.2% lower YoY, especially from

maintenance costs and general and administrative expenses in relation to production operation. And in terms of operating expensive- operating expenses sorry, exclude the labor costs, also recorded around 3.6% lower YoY from the operational efficiency initiative that we conducted and selective activities that we conduct in 1H24.

While if we see the component of labor costs, total labor costs from the COGS as well as OPEX recorded increased almost 10% mainly due to two things. The first one mainly related to the different calculation method for monthly income tax, which now is using The Average Effective Rate or in Indonesia we known as Tarif Efektif Rata-Rata (TER), according to the government regulation PP No. 58 2023 and Finance Ministry Regulation No. 168 2023. So last year, the employee income tax covered by the company and paid on the monthly basis were calculated using the progressive rate according to the amount of each employee salary. Since 2024, referring to the TER provisions, employee income tax is calculated using one average effective rate, so the tax paid that we paid monthly becomes higher compared to last year. However, on full year basis in December, the calculation will be carried out annually and referred to the same progressive tax rate as previous year. So, there will be no impact on labor costs from the implementation of this TER method on full year basis, as long as there is no change in salary. And other than that, the increase in labor cost impacted by the- contributed by the job grade and personal grade adjustment as well as annual leave payment which occurred in the 1H24.

And in terms of net finance costs, we recorded a decrease by almost 12% YoY mainly due to the repayment of 3.4 trillion rupiah of bond that we repay in May as well as higher interest income received in 1H24. And we also managed to maintain strong balance sheet and cash flow figure during 1H24. If you see that our total asset recorded around 78 trillion rupiah or around 3 trillion rupiah lower, mainly due to, or in line with, the lower cash balance for bond payment debt due in May 2024. And in terms of current ratio, it's recorded improved by 1.2- from 1.2 to 1.28 times, and interest-bearing debt also recorded lower versus 2023 position. Cash flow generated from operating activity remain quite high by 1 trillion rupiah despite a lower- despite the numbers is relatively lower compared to last year but it was due to the high base in 1H 2023, where we received 440 billion tax refund and interest compensation from tax overpayment in 2024. So in terms of cash conversion cycle, you can also see that it reduced from 35 days to 33 days. Solvability ratio also remains strong and improved with net debt to equity and net debt to EBITDA recorded lower compared to the 1H23.

We are continuously also committed to optimize our performance and value to stakeholders, by optimizing our top line and profitability through optimizing ASP. For retail market as you know that we have started to increase ASP for retail segments starting May 2024. In May we conducted price increase around 3% on MoM basis in 13 provinces where premium brand has strong market share including Riau Islands, Lampung, South Sumatra, most area of Java as well as Sulawesi. And then another price increase, we also have been conducted during July and continue gradually in August by around 3% to 5% in other districts within the previous 13 province that we have conducted ASP increase previously. And then in Q4, we also plan to be opportunistically conduct price adjustment in a wider market. While for bulk market, price increase will be conducted selectively in SIG stronghold market with the positive growth of market share and for customer where we provide- where we can provide better services including terms of payment, delivery and continuity of supply. While for export, we are focusing on increasing portion of cement export to the new customer or destination and manage ASP because cement ASP is higher compared to the clinker for export.

We also optimize our profitability through five main initiatives, including the first one is to optimize our support to new capital city or IKN, through consortium under PT KLN which established to provide clinker and materials for government projects funded by the state budget as well as collaboration with Bina Karya to support cement, building materials, and solution for non-state budget projects. So up until now, we have secured market share in IKN around 70% and we also see potential to supply other building material products, including aggregates, through cooperation with IUP holder or mining business permit holders. And in terms of the promoting green cement, we promote green cement consumption to the government and customers as a product that can support, first, Indonesian commitment to control global climate change, and the second, to be in line and support the Minister of PUPR instruction in regards to the use of non OPC cement for construction work in the Ministry of Public Housing (PUPR) and then Ministry of PUPR Regulation No. 21 2021 concerning the green building performance assessment. And then the fourth- the fourth one, the new one is the Minister of Industry Regulation No. 26 2024 regarding the mandatory implementation of- So this is the latest of 29 July, just being released by Minister of Industries, the Regulation for green cement regarding the mandatory implementation of Indonesia National Standard or SNI in cement product. So, I think we are quite advanced as all of our product has been fulfilled the SNI and it will be another challenge for the other players who have not yet completed their SNI. So, I think this is one advanced position for SIG.

So, in 2024, we have support 77 national infrastructure projects using green cement and conduct advocacy to IKN Investor forum as well in terms of the use of green cement in IKN projects. By using this green cement, we expect additional margin of around IDR 13,000 per ton, and with the government regulation that support green cement, as I mentioned before, and limited cement producers that currently have the capability in terms of available facility and standards required, we see that there's a potential to optimize our bulk market- our bulk market share going forward. And then the third initiative that we are promoting now is to support or promote backlog house solution using precise interlock brick which allow house construction to be done quicker and at more affordable costs and then this house can be more earthquake resistance and using environmental friendly materials. We already now currently have one facility with 2 million pieces capacity, or around 500 house per year, and in process to duplicate the facility in other two location- two locations in Indonesia: in central Java and Kalimantan plant potentially, where we already have potential cooperation to build the backlog housing in those related areas. And our fourth initiative is to complete the new jetty in Tuban to support cement export to West Coast of US with a higher ASP and margin more or less almost similar to domestic bulk ASP. And we expect to start to be able to export in December 2024 or January 2025 minimum per year around 500,000 tons, potentially to be upgraded to 700,000 to 1 million tons per year. And then our fifth initiative is to improve capability in provide and use solar energy for production. So, we plan to provide solar panel capability of up to 552 MWp in 2030, which expected to cover up to 20% of our electricity needs in 2030 with lower tariff and lower emission scope 2.

So, I think that's what we want to update you today. So I think next I would like to give the opportunity to the floor if you have- Okay, I think we have-we also want to share one video about our initiative, especially our solution for backlog housing, so that you will have more understanding about initiative that we are pushing through this year.

**Hosny :** So basically we want to showcase the progress of the interlock brick house that we have built in the IKN sites, and this is just to showcase that with this capability and solution, we can provide a much faster construction period, a much efficient way of developing in a massive scale of housing development. Please, if we can showcase and share the video ya.

**(Video Playing)**

**Hosny :** As you see the progress, seven days and then eight days. So, it's finalized within 15 days.

**Febriandita :** So, you might see that even though- we're planning to provide this solution as a subsidized house, but you can see in the screen that it's not like the subsidized house, it's a proper house and we can- it's have a certain strength that it's not vulnerable to the earthquake and it's less costly for building such house with the interlock brick and faster in terms of process. And we have built one mock up in the IKN area and there is a potential for us to support the- to provide housing for the ASN or the civil workers in the IKN later on using this solution.

**Donny :** Well, actually the component of the cement of the construction, usually only 5%, but because we are using the interlock brick, the component composition is around 20% of the cement, actually means it's four times as the conventional house. And the other plus is we could build only in 15 days for the sample, or up to 21 days, compared to 45 days. And also we want to act as building material consolidator for the rest of the material, so we could guarantee in term of the pricing, quality and quantity in the long term, so we could managed to match the plafond of the budget for the government state budget also for the private sector development in the future. And all the requirement and certification already been gathered from the Ministry of Public Works so it's ready to launch and the machine now and also the, what do you call it, patent? The patent we have to give it to the state in order to make it available for everybody by using the e-catalog. Now our house already match the requirement, one is the more friendly for environmental and also friendly for earthquake actually. So it's already passed the QC. Now we want to duplicate the machine and facility to all our facilities that available around Indonesia to become what so called the primary area, they could develop and we could cooperate with the other partners like- we called plant is inti, and plasma.

And now we could duplicate in the building of the house, not only for subsidized one, also valid or it could manage for the private sector as well so that's the new game changer in the future. They could address the government intention to build the backlog, I don't know the exact number so we could find out, but we are ready to support with our excess capacity right now.

That's for additional information. Thank you.

**Febriandita :** Yeah, thank you Pak Donny and Pak Hosny. So next, I would like to give the opportunity to the floor, if you have any questions and as we conduct hybrid session today for participants that present offline, if you have questions you can raise your hand. And for participants that join online, if you want to ask questions, you can press the raise hand button on top right of your screen, I will mention your name and give you access to unmute your mic then you can click your unmute button before speaking or you can also type your questions in the chat box and I will read the questions for you. So, for you who wants to ask questions,



please raise your hand, click raise hand button or type your questions in the chat box.

We have one from online, Ong Chang Ki, I will allow you to unmute yourself.

**Ong Chang Ki** : Hi. Hi. Afternoon. Can you hear me? Can you hear me?

**Febriandita** : Yes, we can hear you.

**Ong Chang Ki** : Yes, thanks for the opportunity. I would just like to go back to your previous slide about the price increase that's taking place across the year. So, you have mentioned you have raised price a number of times for 13 different districts. So, year to date, how much of your bag volumes have seen price increases?

Yes, I understand you have raised prices for different provinces, different districts. But of the volumes that you saw, the bag volumes that you saw, how much have you actually raised prices?

**Febriandita** : Yes, as we mentioned before, we have raised price starting May and June gradually in 13 provinces with around 3% MoM basis so I think it's represent around- maybe later Subhan or Pak Gathut can add, it represents around 35% to 40% of the bag sales volume for SIG. Is that correct, Pak Gathut?

**Gathut** : Yes, at the time we increase our price in 13 provinces, mostly in Java island that we see that Java island is contribute around 30% of almost, but not all, Java ya, several Java and Sumatera and also in several Sulawesi. Among around 13 provinces we increased and continue to following months.

**Ong Chang Ki** : Yes and the bulk, the price has also increased?

**Gathut** : The bulk also increased but for selected account.

**Ong Chang Ki** : Okay, understood. Yeah, that's all for me. Just want to double check on this. Thank you.

**Febriandita** : Thank you, Chang Ki. Again, if you have a question, please raise your hand or for you who join online you can press raise hand button on top of right of your screen and I will allow you to unmute yourself or you can type your questions on the chat box and I will read that for you.

We have Vivek raised hands. You can unmute yourself.

**Vivek** : Can you hear me?

**Febriandita** : Yes, we can hear you.

**Vivek** : Yeah. Thank you so much for the presentation and for allowing me to ask questions. Just a couple of questions and one clarification to the previous participant. You mentioned there was a 13% MoM increase in the prices?

**Febriandita** : 13 provinces. So around 3% ASP increase in May MoM on 13 provinces.

**Vivek** : Oh sure Ma'am, thanks for that. Sorry, sorry about that. The first question I had was on demand. I just wanted to get your sense in terms of the increases that you've taken so far. How has demand responded on the bag side because obviously for the year bag demand has been quite weak? So just wanted to get a sense of how confident you are if taking further increases in the 2H of the year given that the bag part of the demand has actually been quite weak.

**Febriandita** : Pak Gathut?

**Gathut** : Yes. Thank you for the question. As we see that the following month, we see that there will be a better condition. As we know that there is some policies from the government. For example, as I know that in August government already for "pencairan bansos", we believe that will be contributed to retail demand. And also, as we see that IKN also is growth after August and then this completion of JTTS in Sumatra becoming the contribution for bulk cement as well. So, I think this is becoming the market driver for the following month, for the 2H so we do believe that it will be better. For example, in July we have already put our volume better than last year. So it means it's becoming a good signal for us that the following month will be better. Yeah, that's it.

**Febriandita** : Is it answer your question, Vivek, or do you have follow up questions?

**Vivek** : No, just the issue was, I mean, obviously bulk demand has been going pretty well, whether bag demand, you also have the confidence that that could, but that's fine.

The second clarification was, I think in one of the slides shown the different areas from where you can get the incremental demand growth. You've mentioned the IKN, you've mentioned the exports and you've mentioned a few other areas.

Yes, the slide. Just wanted to get a sense this potential demand impact that you're saying, when do you think we'll see the full effect of this? Is this going to happen in the next one, two years or will it take you some time for you to get this full demand benefit that you mentioned on the slide?

**Febriandita** : I think it might not be going to full impact for this year, especially for the housing solution ya, because currently we have one facility already and we plan to build two more facilities in 2024. And for one of each facilities can support around 500 houses and- but as Pak Donny mentioned earlier, that we are going to work with other parties, including the small medium enterprise to also support to make the facility available more wider, more nationwide later on, I think along with that, then our expected numbers of backlog house that we can support can increase gradually.

**Febriandita** : I think if Pak Andi can have something to add on that?

**Andi** : Yeah, thank you. To add the explanation regarding the housing solutions that we developed, particularly several years back and we already have the facility in Padang, so we plan to duplicate this facility in nine plant locations with inti and plasma approach. So, if you



see that there's a huge capacity in terms of volume brick that we can produce, up to 1 billion pieces yearly basis, and that capacity focus on our near to our plan in order to deliver the most efficient raw material, which is cement.

But the facility itself we will also engage with the UMKM, so in order to develop faster and this capacity, we plan to be achieved at around five years, maybe to add the explanations.

**Vivek** : Got it, sir. Thank you so much.

**Febriandita** : Thank you Vivek and for the next question, before I give to the online participant, if there's some of you from offline wants to raise questions?

Yeah. Okay, I will provide the opportunity again to the online participant. We have Naufal. You can unmute yourself, Naufal.

**Naufal** : Hi management. Thank you for your time. I have two questions from my end. Assuming unsupportive macro conditions sustains, what is the strategy going forward? And does SIG have any exposure to Japanese yen?

**Febriandita** : The first question. Can you repeat your first question?

**Naufal** : Oh, sorry. It was assuming unsupportive macro conditions sustains, what is the strategy going forward?

**Gathut** : Yes, thank you for the question. I think as previous explanation and several earning calls, that there are three main strategy right now we are applying a multi brand strategy that we are already try to revamp and also try to put some additional strategy in multi brand strategy. As you know that we have Semen Merdeka has becoming our strategic fighting brand that will replace our several fighting brands right now in the market.

And then we have dynamic pricing as you know that we apply that the increase of the price is applied in several area with several criterias. So, it means we have like tools to put our price higher.

Yes, and the third thing is a micro market strategy. As we see that we have- all of island of Indonesia, we have a market so the market is very different, behavior, demographic and also the customer. So that's why we try to put our pricing on the behavior of the customer or the market. So, for example, as we say already before the first explanation that we, in July, increased 13 provinces. In August, we tried to increase 5 provinces. So, it means our strategic is based on the condition of the market then we go micro to the deep in the market. So, we do believe it will be not really impact to our competition so we try to make stabilize condition of competition so we do the micro market.

So, there is three big main strategies that we have already applied from the early year to the following years.

That's it. Maybe Mba Febri, is it enough?

**Hosny :** I think in addition to that, we have explained that in addition to the red ocean strategy, basically what Pak Gathut has mentioned, we already put forth our strategy in our blue ocean especially towards the sustainability whereby as you see, our capability to produce green cement has been supported by the government. And then it's also already in the regulation and instructions by the ministerial level. And I think this is one of a good momentum and potential for us to tap in a larger scale of market whereby because we are leading in this space towards- that has the capability and also ability to make sure that we are already compliance with the SNI and regulation. And we already be able to produce this type of green cement in all of our production facilities. And on top of that, the housing solution which basically can help solve the problem of the housing issue in Indonesia especially on the...what do you called? Housing for the low-income community and this is basically one of the main agenda and program of the government and also new government, which this will also become the catalyst towards increasing the economic capacity of the middle income. And we are also leading towards that and it's already being in the top level of the ministerial level for given the opportunity for us to provide this capability.

On top of that, as you know, export will always be a catalyst to balance out the supply and demand situation in domestic and we focus now not only expanding the export market and increasing the volume, but also increasing the proportion of export in terms of cement because cement has a lot higher profitability compared to clinker export and we have shown this year that we have increased the portion of our cement from previously only around 5% to 10%, now already increased closing to around 20% of the total export. With the initiation of our export to the US, which will we start, which we will start at the end of the year with a potential of starting 500k and can be up to 2 million ton because US is preparing for the next Olympic game in the next four years after Paris and LA is going to be the host so I think the west coast demand of cement will increase quite, quite, quite high for the next four years and we think that this is also a good momentum for us to support that.

I think that's our main agenda on the strategy, on top of the regular strategy that we have explained to you guys in regards to our ESG strategy, how to increase the thermal substitution rate, decarbonization up to the 2030, which up until now still progressing and still in line with the progress, plus the operational excellence that we've been doing so far in terms of managing all the main driver of the costs including the energy, fuel, electricity and also other drivers of the cost components.

And on your second questions, we don't have any exposures on Japanese yen, so far.

**Febriandita :** Thank you Pak Hosny. Hope that's answered your questions and the next question from Kharel, you can unmute yourself and raise your questions.

**Kharel :** Hi, thank you SIG team. Just one question from my side, is there any plans for share buybacks? Thank you.

**Hosny :** Shares buyback and dividend payment increase is in the program. We are looking into the market right now, but the problem is if we want to get the approval, we have to go for the extraordinary, EGMS and it's in the transition period so I think, I think there will be no decision made by the Minister of State-Owned Enterprises so far. So I think we're gonna wait and see until October, after October in regards to launching this program, but it's in our agenda already.



**Kharel :** Thank you. Thank you.

**Febriandita :** Okay, next I will read the question from the chat box. I have questions from Onkar. Could you throw some color on retail demand right now? What has been affecting this the last two years? And also what is your target for export volume this year and how was it in 2Q24? Maybe Pak Gathut or Pak Rafa can answer the questions regarding the first retail demand and what has been affecting the demand condition for the last two years and then followed by the export volume.

**Gathut :** Okay, thank you. For the retail market we see that the demand is not really as good as bulk as we see from YTD June, we still see that as Mba Febri said that we still have -0.9 but it's quite different with the bulk, almost two digits of the growth. So, I think for the next coming years the demand will be still becoming contribution of the positive of demand. Just we saw in our in several news that in the 2H the government will release acceleration of JTTS, Jalan Tol Trans Sumatera that contributed a big volume and also better ASP and also in several projects in Java. I think this is the contribution of demand of the retail. Bulk will be...the portion of our bulk will be more than 32%. For example, YTD June we see in our record that a portion of bag...in bulk around bulk around 32%. This is increased from previous period only 29% so it means that the bulk still very strong in contribution positive demand in following years, contributed also to retail.

**Febriandita :** Thank you Pak Gathut. I hope that answers your questions, Onkar, and the second question from Onkar regarding the target for export volume this year. I think for this year Pak Rafa later can add to that. We are still targeting to be able to export around 7 to 7.4 million tons this year. Up until 1H we have exported around 2.9 million tons and we are expecting better capability in terms of sending the product for export bag as well as bulk, as we see that in terms of demand there's still promising potentials that we can optimize. And the other thing that we also have to optimize is our capability to- our capability in terms of facility ya to provide the demand for export and to send the product in terms of our port as well as the delivery or the upcoming of the ship to our facilities. Maybe Pak Rafa if you want to add something on that? So that hopefully answered the question from Onkar.

And next question from Bavesh, in the presentation you mentioned that you are looking to increase price in bulk segment, can you share some more thoughts how will competition react and will government be fine if SIG taking up prices for supply to new capital city?

And then maybe next the second question is from Arnanto. What is the contribution of your fighting brand as the percentage of total volume and how big is the Semen Merdeka specifically? I think Pak Gathut maybe can answer the questions, both questions, Pak.

**Gathut :** Okay, thank you. We already applied some increase in bulk customer because you see that there is three segments in bulk market; industrial, ready mix and state-owned enterprises. The several of the segment is having a different approach. For example, they have different term of payment. So, I think- will government will be fine if SIG taking up the price? I think we already did because we already did to increase the price especially for new project in IKN.

So, the new price is quite different with the previous project in IKN. For example, the price of

VVIP is quite different ya Pak Rafa, right? So, I think it's okay because we see- we serve availability and also the quality of the product to accelerate all the process project in IKN and just a market condition- following market condition that is fine.

**Febriandita** : And then the contribution of the fighting brand?

**Gathut** : Okay. The contribution right now YtD around 20% to 25% as we see that right now from the fighting brand divide to a previous fighting brand, we call mostly Semen Padang, but we have new transition of the fighting brand is Semen Merdeka. Right now, already 60% will be transitioned to Semen Padang or fighting brand as a fighting brand in several areas in Java and also in Sulawesi, in Kalimantan as well. So, the portion of the fighting brand is around 25%, as we see that full year will be designed to run 26% for the fighting brand.

**Febriandita** : Thank you pak Gathut. I hope that answers questions from Bavesh and Arnanto.

And the last questions from the chat box from Aurelia. Looking at the 1H24 achievement with EBITDA margin of 17% is the guidance mentioned back in early June with regards to the volume growth of 2% to 3% and EBITDA margin maintained at 20% still holds? If yes, how can this be achieved?

**Hosny** : So basically I think the biggest momentum will come on the 2H. As you know, the momentum for us to increase prices happens at the late of May and we see that, it seems like the reaction from the market seems supporting our program and we are confident that this will be carried out further until the end of the year.

Plus in regards to our initiative, like we mentioned, the green cement initiative, our initiative to be aggressive on supporting the IKN project plus other big projects in Indonesia, like in Sumatra Tol Road and other big, other big projects. In addition to also our solution on the interlock brick, we are optimistic that we should be able to improve profitability during the 2H. So, I think up until now we see quite a good tailwind for us to be able to achieve our guidance like we mentioned before.

Thank you.

**Febriandita** : Thank you Pak Hosny. So there's no more questions from the online participant as well as from the chat box and again, if you have questions for the last sessions in the offline. Oh sorry. We have one more question from the online participants from Robin, you can unmute yourself Robin.

Yeah. Hello Robin. Hello Robin, you can ask your questions. Okay, so Robin put the question on chat box. Maybe you can type your question on chat box because we cannot hear you, Robin.

Oh okay, one more question from Aurelia. Can I also please check why Semen Merdeka as a transitioning fighting brand has price which is lower than- sorry, lower than Semen Padang as fighting brand? When will the Semen Merdeka price be increased as other fighting brand products?

**Gathut** : Yes, I think I would like to clarify the previous question, Mba Febri from the chat box.

There is from Aurelia ya? Sorry.

60% is transition from Semen Padang as the fighting brand so we not change any brand in Sumatra, mostly in Northern Sumatra, but in Java we will change Semen Padang to Semen Merdeka ya. So, Semen Padang have as a main brand in their own area but in Java they as fighting brand so we change in fighting brand. Right now, the performance is 60% transition.

Yes. In the first we come to the market our price is quite par same with NBC, near nest competition, based on the competition but in June we already increased around Rp 1000 to Rp 1500 increase our Semen Merdeka. And then we'll follow in August, we also increased Semen Merdeka as well. So, we see in several areas we will try, we see that the majority of Semen Merdeka is already in..on the table so it is time to ask to increase the price and we already did in June in several area in West Java and then in August, 1 week in August we are already increase the price of Semen Merdeka with also other main brand also increase in 1<sup>st</sup> of August.

**Febriandita** : Thank you. Hopefully that answer Aurelia's question.

And I have one more question on the chat box from Felicia. Can I just check to the 20% to 25% fighting brand, is it out of bag cement for total domestic cement? And with the fighting brand target for the year 26% which is higher than current condition, won't this negate the price increase that you did?

So, I think that 20% to 25% fighting brands is out of bag sales volume, right? Not total domestic demand ya. And with the fighting brand target 26% which is higher than current condition, won't this negate the price increase that you did?

We actually do not set maximum target ya. It would be according to the conditions of the competition currently maybe in some months the portion can reach 26% but in other months we can reduce that to less than 26% ya.

Hopefully that answer your question questions Felicia.

And Robin, maybe if you now can unmute yourself and ask your questions?

Okay, okay sorry, technical difficulties from Robin. So, from Robin, the question is what is management now most looking forward to as we enter 2H24 after groundbreaking 1H24 net profit? And do you have better insight on how much bottom-line impact we can expect from the green cement initiative? Is it actually regulated in government regulation and monitored? And do ASP hikes apply to main brand only or to fighting brand as well?

So maybe Pak Hosny you want to respond to the first one.

**Hosny** : Ya, I think in regards to the..

**Febriandita** : What is management now most looking forward to as we enter 2H24?

**Hosny** : So, basically in terms of the 2H bottom line, if we're talking about bottom line, we have several drivers. Number one is on the price increase and it's not only increasing the main brand

but also fighting brands or both. And we are basically utilizing our fighting brand on specific regions only that we think it is suitable to launch the fighting brand to fight in certain areas because we also have a target to maintain a good sound of numerical distributions in all of our region, the regions that we are competing on the retail side.

Second, basically on the initiatives that we are doing right now, although most of our initiatives are basically, are still in the, you know, starting period. So, for example, like the green cement, I think we will see a magnitude impact starting next year because there are a couple of steps that we have to do on the socializations, on the constructions, the community, even though the regulations are already all set, but we still have, we need time to basically launch this in a full scale.

But we also have other drivers. For example, our deleveraging, we have shown that we have been able to paid off the quite big amount of our obligations in IDR bond 3.4 trillion. We will have another 650 billion of repayment towards the end of the year. So, it will impact further decrease on the interest expenses that will also be a driver to increase our bottom line. So, we're targeting a slight increase in our bottom line compared to next- last year and I think with all of our initiative it is something that basically achievable to do.

And the next one is?

**Febriandita :** Do you have better insight on how much bottom line impact from green cement?

**Hosny :** Like I mentioned before, I think the impact magnitude will come from the rest of from the other initiative that we are doing. Basically, the price increase, also the deleveraging and also our other operational excellence program. I think green cement will impact- the magnitude will happen starting next year as I mentioned before.

**Febriandita :** And the third question, do ASP hikes apply to MB only or FB as well?

As we mentioned in presentation, both in main brand and fighting brand ya.

So, I think that's conclude all the questions today from the online and from the chat box. I would like to say thank you again for joining this call today. If you still have further questions you can always reach to us through email [investor.relations@sig.id](mailto:investor.relations@sig.id) and thank you all for the panelists and participants for joining today's earning calls and have a nice day everyone.

Thank you.

**[Call Ended]**