



SIG 9M2022 Earnings Call

Date: Wednesday, 2 November 2022

Time: 02:00 – 03:00 PM JKT Time Zone

Panelists:

Mr. Andriano Hosny Panangian - Director of Finance and Risk Management

Mrs. Febriandita Kusuma - GM of Investor Relations

Mr. Radityo Widinugroho - Investor Relations Senior Officer

Radityo : Ladies and gentlemen, Good day and welcome to SIG 9M 2022 earnings call. Before we start, kindly fill the attendance list using the link provided on the chat box. Thank you.

We have released our 9M 2022 results on Monday 31 October of 2022 and the reports are available on our website at sig.id under the Investor Relation menu. My name is Radit, and I will be the moderator for today. Let me begin with a rundown of today's agenda, as well as some functions of Microsoft Teams platform. Today's call, will begin with an opening presentation delivered by our GM of Investor Relations, Ibu Febriandita, followed by a Q&A session. If you would like to ask a question, please press the raise hand button on the top right of your screen. When your name is called upon, I will proceed by giving you access to unmute your mic. Please remember to click the unmute button after that before speaking. Alternatively, you can type your question on the chat box.

On the line with us today, we have Bapak Andriano Hosny Panangian, Director of Finance and Risk Management, Ibu Febriandita Kusuma GM of Investor Relations, and the- colleagues of IR team. And let us begin the call. I would like to give the floor to Ibu Febriandita for the presentation. Thank you.

Febriandita : Thank you Radityo, and thank you all for joining earnings call today. We have a publish unaudited financial statements for the 9M 2022 period which can be accessed through IDX as well as on website sig.id.

Allow me to briefly present our 9M 2022 performance. As you know that main challenges in Indonesia cement industry are still continuing. National cement demand continued to be contracted by 3.6% up to September 2022, contributed by -8.8% lower bag demand year on year, while bulk demand still improving around 15% year on year. Competition also continued to be high from the economic players while coal price was still relatively high, around 75 to 90 USD per ton coal with 4200 calorific value. In responding to those challenges, we were focusing on managing the top line by passing through the increasing costs to the ASP, where we recorded 8% increase in blended domestic ASP and 25% increase in blended export ASP resulting 15% increase year on year in 9M 2022. As we have secured coal requirement at domestic price obligation for the rest of the year, we were able to manage the incremental our fuel and energy costs below the market price which enable us to maintain the increasing impact to the COGS. While efficiency efforts through clinker factor reduction and TSR increase are still on track in line with our de-carbonization targets. And as a result, in the next slide, we continuously reported strong performance in nine months financial results. Absolute EBITDA improved 0.6% year over year with 0.2% increased EBITDA margin to be 22.7%. Net profit and net profit margin recorded IDR 263 billion and 1% higher versus last year. So going into more detail on the nine-month performance, revenue was relatively stable as the decrease in sales volume were compensated

by the ASP increase. Domestic cement ASP YTD September increased 8% year on year while export ASP increased 25%. Despite significant increase in coal and fuel price, COGS only increased 1.6% as we have managed to secure coal for the rest of the year using domestic price obligation, as well as continuing to reduce clinker factor and increase Thermal Substitution Rate which not only supporting the de-carbonization target, but also helped us to maintain the incremental on production costs. Operating expenses consistently contribute to the improved performance as we recorded around 7% decrease mainly from lower transportation, promotion, and labor costs. And finance costs still significantly contribute to the net profit improvement, where such cost decrease by around 303 billion year on year. So thus, we record an increase in EBITDA and EBITDA margin, as well as increase in net profit and net profit margin for the 9M 2022 period.

Through our leadership in increasing value prices capability and managing fuel costs and overall cost of revenue, 9M performance was continuously better than our peers, our EBITDA, EBITDA margin, net profit, net profit margin for 9M 2022 period recorded growing year on year, while peers recorded decrease in profitability in such period. On the sustainability performance, as we are still on track in terms of managing financial performance, we are also continuously able to deliver improvement on sustainability performance, especially on de-carbonization initiatives. Average clinker factor on 9M 2022, recorded 1% lower year on year while Thermal Substitution Rate was increased 1.6% year on year, resulting 2.1% decrease in CO₂ emission intensities scope 1 to be 591 kilogram CO₂/ton cement equivalent. So, that was our brief update for the SIG 9M performance and we can now continue to the Q&A session. Thank you Radit.

Radityo : Thank you Bu Febri for the presentation. Ladies and gentlemen, if you have any questions, please press the raise hand button and I will mention your name and give you access to unmute yourself. And also you can type your question on the chat box.

We have a question coming from Madhav Mardha. Hello Madhav, you can unmute yourself and ask the question. Thank you.

Madhav : Yeah, hi. Can you hear me?

Radityo : Okay Madhav, we can hear you.

Madhav : Yeah, my question is, firstly, why is the bag cement demand so weak in Indonesia at this point, like what is driving down volumes for bag cement?

Febriandita : Okay, maybe later Pak Hosny may want to add something, so it's still continuing on what happened in the first half. The first half until June, we see that it's already weak, for bag demand mainly because people start to be more active going out, not anymore work from home. So last year, lots of renovation going on, despite the situation with the Covid that bag demand increased quite significantly, if we compared to the bag demand last year. So this year, when people start to focus more on other types of consumption, spending more on the- for leisure, traveling and transportation, so not so much this year, on the renovation and property as well. And most of the property actually, properties itself this year, actually, inventory property. So it's already been completed in the previous year or on the like, more than a half finished. So not so much needed or consumed bag cement. So, I think that's what affecting the demand for bag, and then because people also would like to be more cautious and to saving more this year, because they see that what could happen in outlook 2023. I think that's also impacted the bag demand.

Madhav : And in terms of outlook for recovery for the next one or two years, you know, Indonesia, like I would think like India is, it's under penetrated market and there's a lot of new houses that should be built. So I mean, when do you think demand growth comes back?

Hosny : Yeah, this is Hosny. Just like Febri explained. So we see post COVID I think the way that people consumed this year is more to travelling, leisure and fulfill their basic needs, while the property market, this is filled with inventory of properties which already finished or semi-finished. Next year I will say it's a political year in Indonesia. I will say that basically next year with all these economic situations going on in Indonesia, inflation push, I think it's going to be if there's an increase, still going to be a gradual increase. But I think the big momentum will come in 2024 onwards. So I would say it's starting 2024-2025 after the election, the new office is coming to the administration. And I will say, it will also boost the infrastructure projects in Indonesia. And that's actually the biggest matter to increase again the demand. And I was hoping that because we're still underpenetrated, we're still optimistic on 3-5% growth on the next two to three years, I mean, it could be possible magnitude situation, because you know the market has been very soft since after the pandemic until, I would say, next year.

Madhav : Got it. And my second question was more on the margin side. So despite new competition, and coal price volatility, we've managed the margins quite well, which is very commendable. So how should we think about, like competitive intensity? Like do we think the two new entrance from last year ramped up their capacities? Or do you think there could be some more pressure from that side next year, or just broadly how you're thinking about pricing power and competitive intensity, and then the impact how it has on margin?

Hosny : So, I don't think there will be a new capacity coming up in the market. There will be no further installations of new capacity in the next two to five years. Purchasing power wise since, you know, the requirements for cement, as long as we still have the development in property and also the infrastructure and considering also the price for cement in Indonesia per capita is still very low. I would say there is still quite a big purchasing power in the market. And it's- for us, we already find the most optimum way of operating this business, in terms of the cement business itself because it has been going on. And we've tested and we've actually done a lot of new processes in our operations. So, we are very confident that we should be able to manage cost management and as also been described in our previous meetings, that we have one of the pillars on strategies to strengthen our backbone in how we manage the market and control the market up to the stores level, optimizing it with the supply chain, as you also already heard on the news that we are also working together with financial institution to support financing of the stores up to the retail level. So it will give multiplier effects in terms of purchase power and will also improve margin furthermore, when we see this an opportunity to increase price in line with the increase in the demand going forward. So, we're pretty confident in terms of managing the industry.

Madhav : Understood, and just the last question from my side. I think we have secured supply for coal under the DPO for CY 22. That's fine understanding as we go into CY 23. Do we continue to have the low price coal available? Like how should we think about it? And does that hold true for the entire cement industry in Indonesia? Or will we get, sort of, more preference on supply of this DPO?

Hosny : Okay, so there's no question anymore in terms of the fulfillment condition. We already completed to 100% and next year up until now we should be able to reach up to 65% of completion on getting the DMO price for the next year. And for us, as long as we are able to manage the

overall costs, and manage the top line in terms of how we deliver the products, provide solutions to the customers and also ensure that all the supply chain is even more efficient. I think, for us, in terms of the coal price is no longer any issue of how it impacted our profitability. And I think, up until nine months, we already be able to maintain our profitability. And I think our four pillar strategy is actually going to the right track, to the right direction. So I would say, we make sure we are ready to basically face whatever the new challenges in market and try to maintain or even increase further our profitability margin.

Madhav : Okay, and the carbon tax implementation. Is there a timeline? Do we know that if 23,24 like, is there a specific timeline?

Hosny : So basically, there are two milestones. The first milestone is until 2030. Until 2030, basically the mechanic is that we have to reach below the two-degree scenario, which is already in our ESG framework. And actually it's going to the right directions with programs to increase our TSR- thermal substitution rate, also reduce our clinker factor. As long as we can reach that, we are good to mitigate the impact of the carbon tax whenever the government planned to implement it. Up until now we still don't know, but our focus is to get to below the two-degree scenario by 2030. So that's our focus. We don't want to know when the government- even if they weren't, they will implement or even not, but what we focus is actually on 2030 get below two-degree scenario. And then after that, we have the 2060, which is the net zero. That's when we have to make sure that our debit side and our credit side on the carbon is actually mapping to become zero. Some of the initiatives that we are looking- we haven't, you know, put that as a definite work programs, because we still have time actually until before 2030. Number one of the options is to install carbon capture, and number two, we could increase the carbon credit by one of the option is to invest on sustainability energy, and then waste management, and some other initiatives. That's actually the program that we find to formulata this in the future.

Madhav : Sorry, so if I understood it right, basically you're saying that we have certain targets, which you set out for 2025, 2030, which is there in your presentation. As long as we are under those emission targets, even if government implements carbon tax, there is not going to be a financial impact on us? Then that's fine with us. Is that what you're saying?

Hosny : Yes, that's right. So the focus is basically 2030 we have to be able to reach below the two-degree scenario. As long as the programm is still in line, it's actually within the right glide slope for us to be away from the carbon tax radar.

Madhav : Oh okay understood, I'll come back in the queue, thank you very much.

Radityo : Okay, thank you Madhav. And the next question comes from Arnanto Januari. Arnanto you may unmute yourself and ask your question. Thank you.

Arnanto : Thank you. A couple of questions from my side. Number one, second back on a demand. Can you give us some color on the demand in October? How's the trend? And second question, I think raw materials went down pretty significantly in the third quarter, compared to the quarter before. What's the reason behind this? And what is the outlook for raw material costs in the fourth quarter and going forward? Question number three, could you give us the split between power and energy costs? I think on a normal year before COVID, I think it was pretty much 50:50. But what's the split right now? And lastly, on pricing. Have you guys done any price hikes since June? Thank you.

Febriandita : Okay thank you Arnanto. So, demand for October we see that demand is year on year still decreasing by previous years. And we see that that's apply for all industries, all cement industries. And month on month might as well, October tend to be weaker compared to the September but we need to see, in September later on. By next week we can release our volume as well as the industry volume. And for the raw materials for the third quarter decrease, we tend to want you to see the for the second quarter- it will be better if you use the first half numbers divided by the first half volume. So that will represent the correct- more representative numbers for the raw material cost per ton. Because there's slightly difference in allocating the raw material for subsidiaries in the first and the second quarter this year. So, actually our raw material cost per ton relatively stable, despite the- some incrementals in terms of raw materials pricing, but we are able to be more efficient on the consumption index of the raw materials. So we can relative- the raw material cost per ton is relatively stable.

Hosny : Yeah, and I think it will be maintained until the Q4. So that's actually already part of the program that we have done and going forward until Q4 in terms for indexing and cost per ton basis. Coming up with the energy and electricity, so last year, our fuel contribution to our cost is 13.3%. And this year went up to 16.7% from the revenue. So 16.7% of the revenue. While the electricity actually is pretty much stable, around 10% of the revenue. Because I think- because of the price there is no change in terms of electricity per kilowatt hour price and also the indexing also, we are able to reduce you know. It's not that big in terms of the reduction of the index in electricity. But for the utilization of coal, I think if you compare it to the increase of the price, there is a bit- there is quite huge efficiencies in terms of the index in terms of the fuel. I think, in terms of the index, last year was 0.23 composite wise, and then we are able to reduce to 0.217. And it's quite significant to reduce 0.02 basis points in terms of the index of using the coal. I think we should be able to maintain this also towards Q4. Our composite coal consumption up to September is roughly 895,000. This is actually already include the logistic cost and transportation cost for transporting the coal. We're able to maintain this towards the end of this year also. But in terms of the cost itself, I think we already done the maximum that we can do. I think in terms of the cost management, we can assume the same thus far to Q3 towards the Q4 and we should be able to see pretty much a stable and maintain this position until the end of this year and for the next year also.

Febriandita : And for the rising price increase, we did a price increase in September and October. September it was in East Java. And- so we did this gradually, unlike the one we have done before, because in terms of demand, we see that demand is more soft compared to the first half. So we need to be more cautious on adjusting ASP. In October, we also adjust up ASP in other parts of Java especially West Java, DKI Jakarta as well as in Sulawesi. Oh sorry, on September was in south part of Sumatra, and East Java. And for October Sulawesi and the other part of Java.

Arnanto : And sorry Bu, just a follow up, what was the magnitude of the price increase this time?

Febriandita : Okay, so it's around 2-3% increased compare the last price that we have. Around 2000-3000 rupiah per bag.

Arnanto : Okay, final one Bu. Is this price increase enough to offset the increase in transport costs? Or you know, are you expecting any more price increase for this year?

Hosny : I think the price effect for the transportation cost is actually kicks in in October. But we are trying to compensate it through our increase of price- in October we'd increase the price also. And should be able to cover that transportation costs because the impact of increased of the fuel.

Arnanto : Okay, and is this by another 2 -3% price increase?

Hosny : Yes, in Q4 we plan to do that.

Arnanto : Okay. Thank you. That'll be all for me.

Radityo : Okay, thank you Arnanto for the question. The next question comes from Akhsay Sugandi. Akhsay you can unmute yourself and ask the question. Thank you.

Akhsay : Hi, thanks very much for the presentation. I have several questions. First, to follow up on the pricing. You mentioned that you're going to do another 2-3% ASP hike in the fourth quarter. So, year to date October, what is the average price hike that's been done? That's the first question. And the second one is given this pricing developments, what is your updated volume growth guidance for this year, and also for next year? And third is on the cost side. So you mentioned 100% secured for the DMO this year for the remaining, and for 2023, if I'm not mistaken, you mentioned 65% secured for next year. Just wanted to double check that. And lastly, on the debt repayment, notice another 1 trillion was repaid this third quarter. So is there any more updates for the debt repayment side? Thanks.

Febriandita : So for the nine month price hike, for domestic blended bag and bulk, we have increased around 8% year on year. So the year to date up to September get compared to year to date nine month last year we already increased 8% on domestic and already increased 25% for the export price. And then for the volume growth guidance, we see that 2022 might be flat or slightly negative as what we have seen up to nine months as well as the October numbers. And for 2023 maybe still a bit soft, but we still expect going forward is gonna increase around 3-5%. But it's not really final guidance as we are now still in the process of finalizing our business plan for 2023. And for the coal 2023 we have secure at the DMO price around 65% but still going forwards hopefully until end of this year we get those to around 100% before entering 2023. And maybe Pak Hosny want to add something?

Hosny : So debt will be reduced further. And we aim to end up around 15.5 trillion of interest-bearing debt by the end of this year. So that's the update on the debt side. We are basically aiming to reach debt to EBITDA level of around 1.7-1.8 times at the end of this year.

Akhsay : Got it. If I can just have a follow up question on, can you share what was the average coal price in the third quarter and do you expect this- how do you expect this to be in the fourth quarter?

Hosny : Okay, so 895,000. That's the average composite coal price. And we are basically aiming to have the same composite price until the end of this year. And with the index also maintained stable around 0.217. So, I think it's actually we have reduction of around 2.8% index compared to last year, although the increase of prices around 53% until September. I think we should be able to maintain this until the end of this year.

Akhsay : Got it. So, do you expect the margin to improve in 4Q compared to the third quarter?

Hosny : I will say because of the- there is this cost push from the transportation costs. We are aiming to have the same profitability guidance for Q4.

Akhsay : And last question is any more price hikes are targeted in 2023 at the moment or?

Hosny : Okay, so it's in the program. But we haven't decided yet and formulate in details. Because we are still formulating the budget for next year. But increasing the price definitely is on the agenda, but we haven't decided on how much was the magnitude and in which region, because we need to see the market situation until at least November to be more precise. So we make sure that the program is not only on paper, but also executed.

Akhsay : Got it. Thank you very much, really helpful. Appreciate it. Thank you.

Radityo : Okay thank you Akhsay. And the next question is from Robin. You can go and unmute yourself, Robin, and then ask the question. Thank you.

Robin : Hi, good afternoon Pak Hosny, Bu Febri, Radit and team. Just a few questions from me. Pak Hosny you mentioned that coal price in third quarter was 895,000 per ton, including transport costs. I think that's slightly lower than the previous guidance of 920,000. And this is despite, basically, a potentially higher transport costs for the coal, if I'm not mistaken, plus, also the USD IDR is also less favorable this time around. So what has changed since then? And while we're still on the topic of coal, would you mind providing any updates? If there are any on the BLU progress? How likely is cement going to be included? And the 65% of domestic price control coal for 2023? Is that intact regardless of whatever happens with regards BLU. And next up, could you also comment on the post merger scenario? How do you see EPS increase and decrease? I think the guidance is 1.6 trillion for 5 years forward synergies to 1.6 trillion, incremental EBITDA. Could you comment on how that will impact EPS on a net for net basis next year? And final one, I think Bu Febri you were talking about October volume performance. You're commenting on the year on year and month and month but I don't think I heard you right. So if you could just repeat that please. So yeah, four questions from me. Thank you.

Hosny : Okay, so Robin, in terms of the coal price, we should- we are still confident that we can get that 895 ya, around 895 thousand on the composite level. Because we, I think we should be able to manage the sourcing from which we like to optimize, where is the closest and optimum locations of the mine that can also optimize the transportation costs. So I think we're still trying to get that number, 895 thousand on the composite. I think in terms of the BLU progress up until now, we haven't heard any progress actually in terms of the government decided to do BLU or not. So we are still focusing on getting the DMO coal and we are progressing positively right until now. And we are confident because we already have a good traction in terms of getting the supply from our main customers- I mean suppliers- that has been supplied us this year. In terms of the post merger scenario, so I think the process is already ongoing and we are targeting to finalize the transactions by the first week of December. The consolidation itself will take place around beginning or mid January and we should aim to realize around, conservatively, 300 billion of synergy for next year. I think it should be somewhere from the top line because that's actually the low hanging fruit because we should be able to fill in around 70% of our products in all the stores across South Sumatra. So it can be quite easy for us to increase price regarding this. Second is from the distribution side because we are no longer sending our products from Padang. We should be able to optimize the utilization of Baturaja to produce our products our other brands also. So I think those are the areas that we can definitely get the synergy with come along to the second half and Q4. That's where the procurement, the optimizations of price of the raw materials, spareparts will come into play when we going to do- consolidate the business process for procurement and the beginning of the supplies, of the spareparts for Semen Baturaja side. So that's actually the scenario of the potential additional relays from the M&A of Semen Baturaja. I think Bu Febri perhaps you can give a guidance on the October volume.

Febriandita : So as I mentioned the October volume is weaker compared to last year. It's still continuing what we saw in previous months. But what we can see is what is- the number, our numbers only on the volume so that we have adjusted ASP numbers on October. So, there must be some impact on our volume. But what we heard it's also happens to the other players, so I think it's quite represent the situation within the industry for the October. For the clear numbers, we will distribute later on next week after the Indonesia Cement Association meeting.

Robin : Thank you Pak Hosny and Bu Febri. Perhaps just a follow up on 300 billion synergistic benefits for next year. Pak Hosny, would you mind reconfirming whether that's top line level or EBITDA level?

Hosny : Okay, 300 billion is actually from the EBITDA level. Because EBITDA definitely will be coming from ASP optimizations like I said to you because you know, 70% of the stores around South Sumatra will be filled with our production so it will be quite manageable for us to increase price. And then also from operational cost and distribution costs, which mainly come from distribution cost because as I mentioned to you we no longer have to distribute from Padang and utilizing spare capacity from Baturaja. That's actually I think

Robin : Okay thank you Pak Hosny. All the best for the corporate action in the fourth quarter performance.

Radityo : Thank you, Robin for the question. The next question comes from Bob Setiadi. I will allow you to unmute yourself and ask the question. Please go ahead

Febriandita : Hello Pak Bob, we cannot hear you.

Radityo : If you cannot use your mic, maybe you can type your question in the chat box.

Radityo : While we're waiting for Bob, maybe if there is any other question from the floor, you can use the raise hand function. And then I will mention and give you access to unmute yourself, or you can also type your question on the chatbox. Okay, perhaps, since we're still waiting for Bob, Robin, you can go ahead and ask the question.

Robin : Thank you Radit. Perhaps one more for me while the floor is empty. So could we get back to the point when basically bag prices have increased in the range of 20% to 30%, compared to last year bag prices? How does that compare to the blended domestic ASP increase in just 8%? What is the- what is causing the dilution here?

Febriandita : **Sorry** Robin, can you repeat your question?

Robin : Okay, so basically, on a per bag basis, I think ASP is, at least at the retail level, they have increased in the bulk of 20 to 30%. But in terms of blended ASP year to date, it's only up by 8%. So what's mainly causing the dilution here? Is it mainly the bag bulk mix? Or is it because of the timing of the ASP hikes?

Febriandita : Yeah, so it's a blended between bag and bulk. So the incremental of bulk was not as high as the incremental of the bag because of the impact as well not coming at the- at once. So for example, when we increase the bag price, it would be official in the starting certain date, but it's not applied to the bulk, because we already have a project. So we have to complete this project and then for the new project starting with the new pricing, so there would be a time lag as well on how we implement the pricing for the bulk. Thank you.

Robin : Thank you Bu Febri

Radityo : Thank you Robin. Bob already delivered the questions through the chat box. There are four questions from Bob. The first one is what is the outlook for export in terms of volume and ASP for 2023? The second one is how big is the price gap between tier one and tier two players? The third question is the 300 billion synergy is it additional EBITDA on top of current SMBR EBITDA? And the last question is, does SMBR has already received DMO allocation? If yes, how much is the allocation?

Febriandita : Okay, so for the export, we expect at least the volume would be more or less are slightly increased compared to this year, because we are more confident in terms of getting better position on the DMO coal. Why we decrease the export volume this year not because of that we didn't get the demand. But because we need to secure the coal of DMO and focusing more on the domestic- to provide more support the domestic demand rather than for export. And for the next year as we now already secured 65% of the coal at DMO and progressing to be by the end of this year we will secure 100%, then we will be more confident to be able to improve more on the volume for next year. And then the price gap between tier one and two players is quite different in each area. As you know the competition as far as is quite different but the difference would be around 15-30%. The 30% usually we have new players that selling their products in certain areas so the price difference compared to our premium brand could reach around 30%.

Hosny : Okay to answer the questions 300 billion is actually the synergy of value that impacted the EBITDA consolidated. The consolidated company after they- so it's actually we consolidate SMBR. So this 300 billion will happen on the consolidation level so it will impact to the SIG part. Let's say in this case for Semen Padang for example in terms of the distribution cost it will reduce in Semen Padang side. And then the ASP we will record it because we are selling it using the business model of mega distributor. We will record the increase of the ASP on the Holding-SIG side. And then from the SMBR side that will be a reduction although as I explain in the beginning that it will happen further down in the second half- in Q3 and Q4 in regards to the procurement efficiency. But it will actually be recorded in the SMBR side so it's actually in consolidation level in terms of the impact to the EBITDA. So we will see it on SIG consolidation. In terms of the DMO, SMBR with 3.5 million capacity, the coal requirement is not as huge as SIG. SIG require around 6.5 million ton, they perhaps only require around 200-250 thousand. So getting DMO with 250 thousand in SMBR located nearby PTBA, which we already have good- we have already agreement- contractual agreement with PTBA to supply of the DMO and they are located very near to PTBA. So we are basically secured the DMO for SMBR on the line. I think now it's much easier to get the DMO. The DMO already secured I will say. This year, based on my information, I think they already secured the DMO price.

Radityo : The next question come from Arnanto, you can go and unmute yourself.

Arnanto : Thank you. Just a quick question from me. What's the volume contribution between main brand and fighting brand now and how does that compare to pre COVID and last year? Thank you.

Febriandita : Okay, so the contribution currently around 10 to 12%. It's slightly higher if we compared to the full year last year because we've just started been using fighting brands in the second quarter and we see the competition's quite fierce. But we are planning to maintain at that level, that would be a maximum level for going forwards and we would be more selective going

to not implementing fighting brand on all area for example, but being more selective, store-to-store. So it will be more efficient, and in terms of the portion we still be able to maintain.

Arnanto : Okay, thank you. And just to clarify, is this kind of total percent out of total volume or just bag volume?

Febriandita : Out of bag volume.

Arnanto : Oh okay. Thank you.

Radityo : Thank you Arnanto. And in the interest of time, maybe the last question from Madhav will be our last question for this session. You can go and unmute yourself Madhav.

Madhav : Just wanted to understand the timeline for the- for the acquisition of Semen Baturaja, like by when do we expect that to be complete?

Hosny : Okay. So, we are going to have our EGMS this 4th of November. After we get the approval then we will go with the process of the rights issue- NDR be on the second or third week of November. We are aiming to do the general offering in the first week of December and then we are targeting to close the transaction by end of December, latest beginning of January. So, that's actually the indicated timeline until now. We are trying to expedite everything, basically we're discussing also so we make sure that we can get all the approvals even earlier because we also in parallel doing our PUB II IDR bond offering. So I think most of the process already finalized and already back to OJK side.

Madhav : And also could you just remind me how much money are we receiving in the rights issue and have you already fixed the valuation for Semen Baturaja? And if yes, like what is the valuation that has been decided upon?

Hosny : Yeah so the valuation is already done. So, the Minister of Finance have already approved through the Decree of Minister of Finance. If you already noticed on our public information that we already sent to OJK a month ago. I think in terms of the valuation wise 2.8 trillion for government shares of Baturaja. And the size of the rights issue is roughly 5.7 trillion if all the shareholders exercise the rights.

Madhav : Sorry, 5.7 billion new shares will be issued in the rights issue? Is that right?

Hosny : No, the numbers of shares issued has not yet decided because we have to decide also what is the discount to TERP on the rights price. But we are expecting around 5.7 trillion IDR of proceed if all- oh it's not 5.7. 5.7 is the rights issue, 2.8 is actually coming in in terms of shares so non-cash and the rest is actually cash proceed from the rights exercised by the public shareholders.

Madhav : Okay, I'll probably just take it offline. I have some more questions but I'll just take it offline. Okay, thank you.

Hosny : No problem.

Radityo : Okay, thank you, everyone. That was last question for today. Maybe before we wrap up this session, maybe Pak Hosny, do you have some closing remarks?

Hosny : Yes, so nine months have proven that our strategy works in terms of managing our business through this volatility in the market, all the cost push, also in terms of the competition in



the market. But I think we're going to the right track. And we are aiming to maintain our performance till the end of this year, and we are looking forward for this rights issuance transaction for the integration with Baturaja. We should be- We'll have a value add impact for our group, especially in terms of managing the Sumatra market and we see this as momentum also to do an even better performance for 2023 and so I would say that- we also would like to thank you all the parties for the good result. Thank you

Radityo : Okay, thank you Pak Hosny for the remarks. That concludes our call for today. Once again, thank you for all the panelists and participants for joining this call. It was a pleasure to have you with us. If you still have any questions, feel free to email us at investor.relations@sig.id. Stay safe and healthy, and have a nice day everyone. Thank you