

Selamat Sempurna

SMSM IJ / SMSM JK

➤ **Market Cap**
US\$278.4m
Rp2,562,611m

➤ **Avg Daily Turnover**
US\$0.13m
Rp1,144m

➤ **Free Float**
41.9%
1,440 m shares

Current **Rp1,780**
Target **Rp2,040**
Previous Target **Rp1,950**
Up/downside **14.6%**

FY11 RESULTS NOTE

SHORT TERM (3 MTH) **LONG TERM**
TRADING BUY **OUTPERFORM**
TRADING SELL NEUTRAL
UNDERPERFORM

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Share price info

Share price perf. (%)	1M	3M	12M
Relative	0.0	27.6	50.0
Absolute	3.5	33.8	61.8

Major shareholders

	% held
Adrindo Inti Perkasa	58.1

Going against the tide

Selamat Sempurna ended the year on a strong note in 4Q, with robust sales growth and gross margin expansion partially offset by rising personnel cost to bring earnings in-line with expectations. 2012 looks bright due to developed market recovery and possible new ventures.

FY11 earnings made up 95% of our full year forecast. We fine-tuned our EPS estimates and increase our DCF-based target price (LTG: 5%, WACC: 13.2%) to account for the company's lower cost of debt (down almost 1% point from 2010). Outperform maintained.

Strong top-line and margin ➤

4Q11 sales grew by 16% qoq and contributed 28% to FY11 sales. The boost came from strong sales in Russia that pushed FY11 European sales higher by 86% yoy. Gross margin increased to 25.5% from 23.6% in FY10 due to a portfolio shift towards the higher-margin heavy equipment segment. The strong top-line was partially offset by a 22% yoy increase in personnel cost, mainly due to the year-end bonus. Overall, core profit still grew by 28% yoy.

Decent 2012 outlook despite risks ➤

The major risks in 2012 remain slowing global growth and local fuel price hikes. Domestic demand in the first-half may slow as consumers sacrifice parts changes for the more urgent need for fuel. However, an active heavy equipment segment (60% of sales) and recovery of the U.S. market (21% of sales) should pick up some of the slack. After its recent JV with Tokyo Radiator, the company is also studying potential acquisitions, possibly in non-filter and non-radiator auto parts, in a bid to expedite growth inorganically. The company is now targeting 15-17% sales growth in 2012, higher than 13-15% previously.

Ample upside ➤

The company is still aiming for a high dividend pay-out this year. With CY12F dividend yield of 7.2% and P/E of 10.8x-9.1x CY12-13, the stock has ample room for upside.

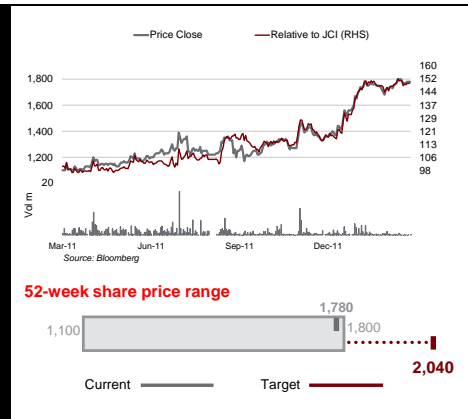
Results Comparison

FYE Dec-11 (Rp bn)	4Q11	4Q10	yoy %	qoq %	FY11	FY10	yoy %	Comments
Revenue	502	442	13.5	16.5	1,808	1,562	15.8	In-line at 99% of our forecast
Operating costs	(391)	(348)	12.4	16.5	(1,412)	(1,258)	12.2	7% lower than expected, due to gross margin expansion
EBITDA	111	94	17.4	16.5	396	304	30.3	
EBITDA margin (%)	22	21			22	19	12.5	
Depn & amort.	(30)	(23)	30.5	34.8	(90)	(77)	16.7	
EBIT	81	72	13.2	10.9	306	227	34.9	In-line
Interest expense	(7)	(7)	-0.3	15.5	(28)	(24)	19.2	
Interest & invt inc	0	0	0.8	0.2	2	2	12.1	
Pretax profit	75	65	14.6	10.4	280	205	36.5	In-line at 98% of forecast
Tax	(16)	(13)	26.6	10.8	(60)	(40)	51.2	Tax rate at 21.5% higher than our forecast of 20%
Tax rate (%)	22	20			22	19	10.7	
Minority interests	(5)	(4)	19.9	19.1	(18)	(14)	27.5	
Net profit	53	48	11.0	9.6	201	150	33.5	In-line at 97% of our forecast
Core net profit	48	47	2.2	0.0	195	152	27.6	Roughly in-line at 95% of forecast
EPS (sen)	37	33	11.0	9.6	140	104	33.5	
Core EPS (sen)	33	33	2.2	0.0	135	106	27.6	

SOURCE: CIMB, COMPANY REPORTS

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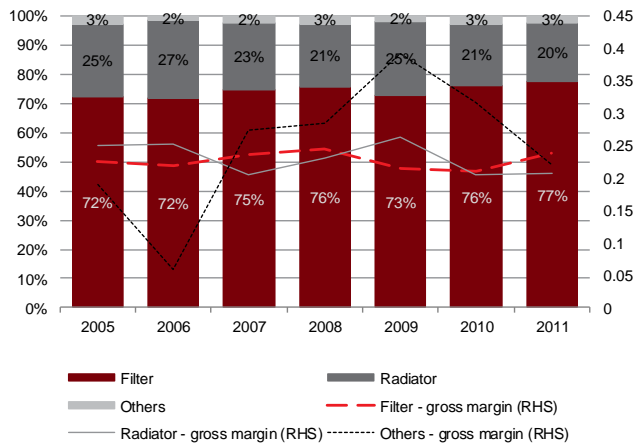


Financial Summary

	Dec-10A	Dec-11A	Dec-12F	Dec-13F	Dec-14F
Revenue (Rpb)	1,562	1,808	2,093	2,464	2,929
Operating EBITDA (Rpb)	304.9	386.5	449.8	523.3	612.6
Net Profit (Rpb)	150.4	200.9	240.9	286.6	341.5
Core EPS (Rp)	105.0	134.2	164.5	196.2	234.4
Core EPS Growth	11.2%	27.9%	22.6%	19.3%	19.4%
FD Core P/E (x)	16.96	13.26	10.82	9.07	7.59
DPS (Rp)	90.0	80.0	129.0	154.1	182.6
Dividend Yield	5.1%	4.5%	7.2%	8.7%	10.3%
EV/EBITDA (x)	9.15	7.41	6.27	5.65	4.79
P/FCFE (x)	20.57	27.84	9.45	13.03	10.92
Net Gearing	32.6%	36.7%	26.4%	39.5%	31.6%
P/BV (x)	4.93	4.23	3.87	3.52	3.18
Recurring ROE	29.7%	34.4%	37.4%	40.7%	44.0%
% Change In Core EPS Estimates			(0.06%)	0.20%	1.03%
CIMB/consensus EPS (x)			1.07	1.12	

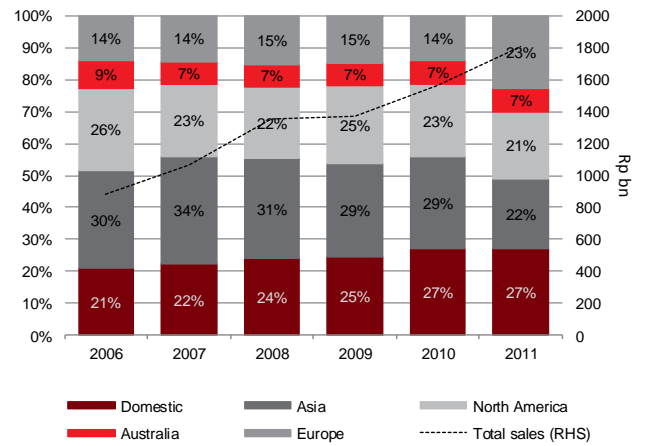
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Figure 1: Filter contribution and margin still going up



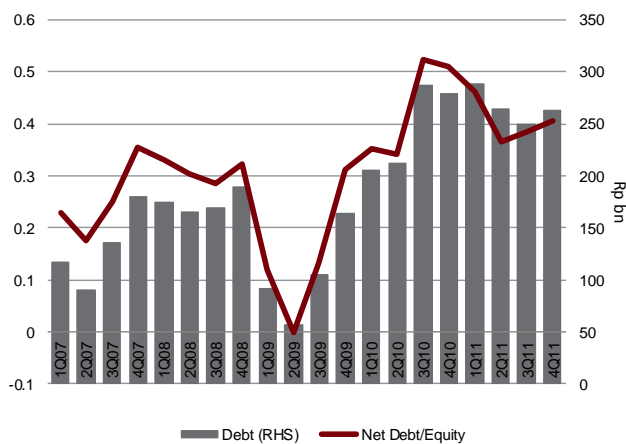
SOURCES: CIMB, COMPANY REPORTS

Figure 2: European sales jumped due to strong Russian market



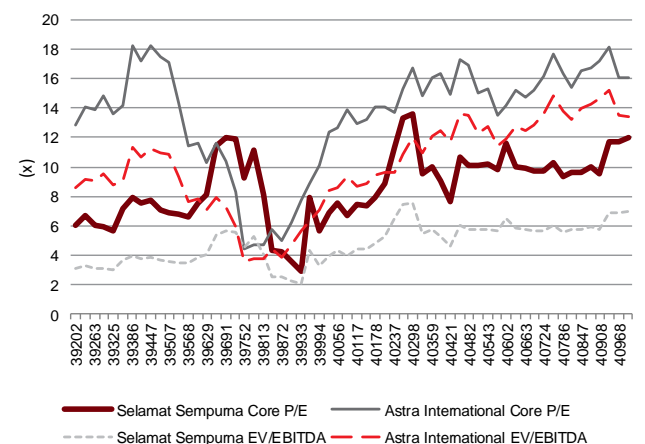
SOURCES: CIMB, COMPANY REPORTS

Figure 3: Net gearing level has come down in 2011



SOURCES: CIMB, COMPANY REPORTS

Figure 4: Rolling valuation, still at discount to Astra



SOURCES: CIMB, COMPANY REPORTS

Figure 5: Sector comparison – CIMB coverage

Company	Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)			EV/EBITDA (x)		Dividend Yield (%)	
						CY 2011	CY 2012		CY 2011	CY 2012	CY 2011	CY 2012	CY 2013	CY 2011	CY 2012	CY 2011	CY 2012
Astra International	ASII IJ	Outperform	71,600	79,000	31,493	16.6	14.8	17.0%	4.80	4.02	32.2%	29.6%	28.5%	13.7	11.2	2.4%	2.3%
Indomobil Sukses Int'l	IMAS IJ	Outperform	15,300	17,000	2,298	26.0	15.7	43.8%	4.52	3.59	27.6%	25.4%	27.5%	29.7	22.2	0.0%	0.6%
Selamat Sempurna	SMSM IJ	Outperform	1,780	2,040	278	13.3	10.8	22.7%	4.23	3.87	35.5%	37.6%	40.7%	7.1	6.2	4.5%	7.2%
Indonesia average						17.0	14.8	27.8%	4.77	3.99	32.0%	29.4%	28.6%	14.2	11.6	2.3%	2.3%
Proton Holdings	PROH MK	Neutral	5.47	5.50	975	39.6	28.8	3.6%	0.55	0.53	1.4%	1.9%	2.4%	5.6	5.5	1.4%	1.4%
Tan Chong Motor Holdings	TCM MK	Neutral	4.50	4.60	982	14.0	12.0	12.2%	1.64	1.49	13.0%	13.3%	16.6%	8.4	8.3	2.0%	2.2%
UMW Holdings	UMWH MK	Neutral	7.21	7.20	2,735	12.7	11.0	11.5%	1.95	1.82	16.4%	16.8%	17.3%	6.3	5.7	4.3%	5.5%
Malaysia average						15.1	12.9	9.1%	1.22	1.16	8.5%	9.2%	10.3%	6.4	6.0	3.2%	4.0%
Brilliance China Automotive	1114 HK	Outperform	8.32	10.40	5,377	18.1	14.1	43.2%	4.12	3.19	25.1%	25.5%	29.0%	53.7	46.7	0.0%	0.0%
Dongfeng Motor Group	489 HK	Outperform	13.26	18.20	14,708	8.5	7.5	9.4%	2.04	1.65	26.4%	24.3%	21.8%	3.9	2.8	1.7%	1.9%
Geely Automobile Holdings	175 HK	Neutral	3.09	3.30	2,968	12.1	10.1	22.4%	1.99	1.69	17.3%	18.2%	19.5%	10.1	7.5	1.0%	1.2%
Great Wall Motor	2333 HK	Outperform	14.32	19.30	6,176	9.6	8.1	21.5%	1.90	1.73	24.9%	23.4%	22.3%	5.4	4.1	2.1%	2.5%
Guangzhou Auto - H	2238 HK	Underperform	7.64	7.00	6,047	10.1	8.8	8.1%	1.36	1.22	13.7%	14.6%	15.1%	2.9	2.3	2.8%	3.3%
Qingling Motors Company-H	1122 HK	Outperform	2.37	3.50	757	11.9	9.7	27.0%	0.66	0.65	5.5%	6.8%	7.9%	-0.8	-0.8	6.9%	8.4%
Minth Group	425 HK	Neutral	8.53	7.70	1,182	9.5	8.9	6.8%	1.25	1.14	13.4%	13.5%	13.9%	4.5	3.9	3.4%	3.9%
Weichai Power Co Ltd-H	2338 HK	Neutral	36.30	43.60	8,335	8.4	8.1	0.0%	2.08	1.69	27.2%	23.1%	19.8%	4.1	3.7	1.3%	1.3%
Hong Kong average						9.7	8.6	17.3%	1.91	1.62	21.4%	20.6%	19.8%	4.9	3.8	1.7%	1.9%
Average all countries						12.2	10.6	18.1%	2.45	2.09	22.1%	21.3%	20.9%	7.5	6.2	2.0%	2.2%

SOURCES: CIMB, COMPANY REPORTS

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Score Range	90 – 100	80 – 89	70 – 79	Below 70 or No Survey Result
Description	Excellent	Very Good	Good	N/A

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NEUTRAL: The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.

UNDERPERFORM: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 12 months.

TRADING BUY: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 3 months.

TRADING SELL: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 3 months.

Sector

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.

TRADING BUY: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 3 months.

TRADING SELL: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 3 months.

* This framework only applies to stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand and Jakarta Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.

Recommendation Framework #2 **

Stock	Sector
OUTPERFORM: Expected positive total returns of 15% or more over the next 12 months.	OVERWEIGHT: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +15% or better over the next 12 months.
NEUTRAL: Expected total returns of between -15% and +15% over the next 12 months.	NEUTRAL: The industry, as defined by the analyst's coverage universe, has either (i) an equal number of stocks that are expected to have total returns of +15% (or better) or -15% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +15% to -15%; both over the next 12 months.
UNDERPERFORM: Expected negative total returns of 15% or more over the next 12 months.	UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -15% or worse over the next 12 months.
TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.	TRADING BUY: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +15% or better over the next 3 months.
TRADING SELL: Expected negative total returns of 15% or more over the next 3 months.	TRADING SELL: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -15% or worse over the next 3 months.

*** This framework only applies to stocks listed on the Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.*

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (IOD) in 2011.

ADVANC - Excellent, AMATA - Very Good, AOT - Excellent, AP - Very Good, BANPU - Excellent, BAY - Excellent, BBL - Excellent, BCP - Excellent, BEC - Very Good, BECL - Very Good, BGH - not available, BH - Very Good, BIGC - Very Good, BTS - Very Good, CCET - Good, CK - Very Good, CPALL - Very Good, CPF - Very Good, CPN - Excellent, DELTA - Very Good, DTAC - Very Good, GLOBAL - not available, GLOW - Very Good, HANA - Very Good, HEMRAJ - Excellent, HMPRO - Very Good, ITD - Good, IVL - Very Good, KBANK - Excellent, KTB - Excellent, LH - Very Good, LPN - Excellent, MAJOR - Very Good, MCOT - Excellent, MINT - Very Good, PS - Excellent, PSL - Excellent, PTT - Excellent, PTTGC - not available, PTTEP - Excellent, QH - Excellent, RATCH - Excellent, ROBINS - Excellent, SCB - Excellent, SCC - Excellent, SCCC - Very Good, SIRI - Very Good, SPALI - Very Good, STA - Very Good, STEC - Very Good, TCAP - Very Good, THAI - Very Good, TISCO - Excellent, TMB - Excellent, TOP - Excellent, TRUE - Very Good, TUF - Very Good: