

## AUTOMOTIVE PARTS/1H15 RESULT

**BUY**

Target Price, Rp 5,300

SMSM IJ/SMSMJ.K

Last Price, Rp 4,725

No. of shares (mn) 1,440

**Market Cap, Rp bn 6,802**

(US\$ mn) 505

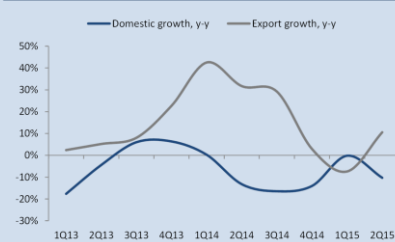
3M T/O, US\$mn 0.05

**Last Recommendation**

04-May-15	BUY	Rp5,300
01-Apr-15	BUY	Rp5,300
06-Jan-15	BUY	Rp5,300

**1H15 Results, A/F, % (INLINE)**

	1H15, Rp bn	A/F, %
Revenues	1,289	43.8
Operating profit	256	39.2
Net profit	206	44.3

**Key chart: Revenues growth****Danareksa vs. Consensus**

	Our	Cons	% Diff
Target Price, IDR	5,300	4,900	8.2
EPS 2015F, IDR	323	294	10.0
PE 2015F, x	14.6	16.1	(9.3)

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Danareksa research reports are also available at Reuters Multex and First Call Direct and Bloomberg.

# Selamat Sempurna

## Improvement seen in export market

SMSM has restated some balance sheet items in regard to the inclusion of its latest acquisition of Bradke Synergies in late June. Overall, the company posted much better performance in 2Q15, with the revenues up 16%q-q/4%y-y, offsetting the weak performance in 1Q15. As a result, SMSM posted flat revenues in 1H15. Profitability remained sound at a high level mainly thanks to its USD net revenues amidst rupiah depreciation, a lower tax rate in 2015, and the goodwill arise from the acquisition. As a result, 1H15 net profits showed 17%y-y growth to Rp206bn after the contraction seen in 1Q15. In 2Q15, SMSM's net profits grew a strong 74%q-q/41%y-y. Taking seasonality into account, SMSM's 1H15 results are still in line with our expectations. In the near-term, we need to review our numbers with the upgrade possibility in view of the inclusion of Bradke started since July 2015.

**Strong 2Q15 results offset the weak 1Q**

SMSM's better performance in 2Q15 helped to offset the weak 1Q15 performance. In 2Q15, revenues grew a healthy 16%q-q/4%y-y mainly thanks to the demand surge in the market in US (+37%q-q/28%y-y) and Asia countries (+32%q-q/19%y-y) resulting from stronger economic activities, despite the turbulence seen in the Russian market. Profitability wise, gross margins also remained strong, and they continued to improve to 28.9% in 2Q15 from 27.8% in 1Q15 thanks to the further depreciation of the rupiah, benign steel prices, and higher export sales. Also worth noting is that SMSM is eligible for a 20% tax rate since early 2015 as the company managed to fulfill the requirements of the 40% public float. This helped lift the 2Q15 net profits to Rp131bn (+74%q-q/+41%y-y). In 1H15, the net profits managed to grow 17%y-y to Rp206bn despite the flat revenues – in line with our expectations.

**Some restatements from Bradke inclusion**

In June 2015's financial statements, SMSM made some restatements to its balance sheet items regarding the acquisition of Bradke Synergies in late June. Nonetheless, the company did not make any changes to its income statement given that the acquisition was done using the purchase method. Thus, Bradke's earnings will start to flow into SMSM starting in July 2015. In the near-term, we need to review our numbers in regard to this acquisition.

**Higher gearing post-acquisition, but still very strong balance sheet**

SMSM's interest-bearing liabilities rose to Rp301bn as of June 2015 in relation with the inclusion of Bradke acquisition. However, the net gearing is still very low at only 0.15x. With the Rp80bn of long-term bonds to be paid off in July, SMSM still has a very strong balance sheet at the current time. In this regards, the management is open to possibility of future acquisitions not only in domestic area, but also in overseas acquisition as long as the targeted company still align with company's operation, as seen in Bradke acquisition.

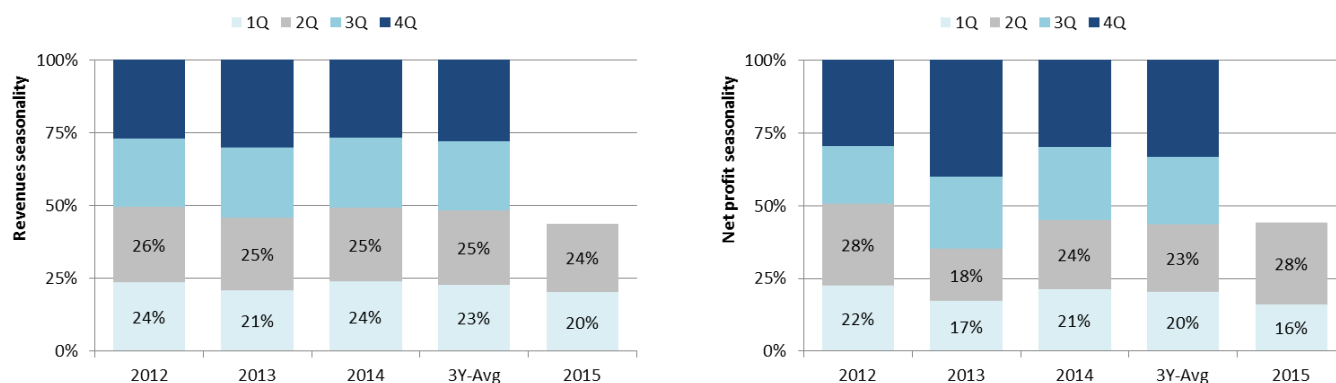
	2013	2014	2015F	2016F	2016F
Revenue, Rp bn	2,382	2,633	2,946	3,210	3,478
EBITDA, Rp bn	537	656	766	800	825
EBITDA Growth, %	5.7	22.3	16.7	4.4	3.2
Net Profit, Rp bn	322	391	465	493	511
Core Profit, Rp bn	284	388	478	507	526
Core EPS, Rp	197	270	332	352	366
Core EPS Growth, %	12.7	36.8	23.2	6.1	3.8
Net Gearing, %	22.9	16.0	Net cash	Net cash	Net cash
PER, x	21.1	17.4	14.6	13.8	13.3
Core PER, x	24.0	17.5	14.2	13.4	12.9
PBV, x	6.7	5.9	4.8	3.9	3.3
EV/EBITDA, x	13.0	10.6	8.9	8.2	7.7
Yield, %	2.4	2.6	3.1	3.3	3.4

## Exhibit 1. SMSM's 1H15 results

	1H14	1H15	y-y%	2Q14	1Q15	2Q15	q-q, %	y-y, %	2015F	A/F, %
<b>(in Rp bn)</b>										
Revenues	1,296	1,289	(0.5)	667	597	692	16.0	3.8	2,946	43.8
Gross profit	358	366	2.2	190	166	200	20.4	5.0	918	39.8
Operating profit	257	256	(0.4)	137	112	144	28.7	5.4	653	39.2
Net interest	(13)	(11)	(15.9)	(6)	(6)	(5)	(26.9)	(22.8)	(14)	76.8
Pre-tax income	253	273	8.0	133	104	170	63.7	27.5	640	42.7
Net profit	176	206	16.8	92	75	131	73.9	41.4	465	44.3
<b>(in %)</b>										
Gross Margin	27.6	28.4		28.5	27.8	28.9			31.2	
Opex to sales	7.8	8.5		8.1	9.1	8.1			9.0	
Operating Margin	19.8	19.8		20.5	18.7	20.8			22.2	
Net Margin	13.6	15.9		13.8	12.6	18.9			15.8	
<b>(in Rp bn)</b>										
<b>By Product</b>										
Filter	988	991	0.3	507	445	546	22.9	7.8		
Radiator	202	211	4.6	105	101	110	8.8	4.3		
Karoseri	76	64	(15.9)	38	31	34	9.7	(12.2)		
Distribution	161	174	8.1	84	84	90	6.3	6.6		
Others	169	150	(11.3)	84	80	69	(13.5)	(17.2)		
Elimination	(300)	(301)	0.4	(151)	(144)	(157)	8.7	3.4		
<b>By Geographical</b>										
Domestic	417	394	(5.4)	217	199	195	(2.1)	(10.3)		
Export	880	895	1.8	450	398	497	25.0	10.6		
Asia	325	366	12.6	175	157	208	32.4	19.1		
America	262	286	9.1	129	121	166	37.4	28.2		
Australia	89	79	(11.6)	46	41	37	(8.8)	(18.6)		
Europe and Others	204	165	(18.9)	100	79	86	9.0	(13.7)		

Source: Company, Danareksa Sekuritas

## Exhibit 2. Seasonality in revenues and net profit



Source: Company, Danareksa Sekuritas

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