



Rating
Buy

Asia
Indonesia

Automobiles &
Components

Company
Selamat Sempurna

Reuters: SMSM.JK Bloomberg: SMSM IJ Exchange: JKT Ticker: SMSM

Date
1 May 2019

Initiation of Coverage

Price at 30 Apr 2019 (IDR)	1,500
Price target - 12mth (IDR)	1,900
52-week range (IDR)	1,775 - 1,213
Jakarta Comp. Index	6,425.90

Hidden gem of the auto world: local player with global vision

Local player with superior profit and vast global presence; initiating with Buy

Selamat Sempurna (SMSM) is the largest filter manufacturer in the region, and among the few local companies that have extensive export market penetration with presence in more than 120 countries. SMSM also delivers superior profitability compared to its peers, commanding an average FY16-18 ROE of 31% and average EBIT margin of 21%. SMSM's solid track record and vast global presence coupled with ample capacity provide the right recipe for delivering superior growth with strong cash flow generation.

Multiple growth engines provide diversification

SMSM sources a majority of its revenue from exports in addition to a growing domestic business (34% of sales). Its well-diversified market reach and unique capacity to produce both aftermarket and OEM have enabled SMSM to be more flexible in maximizing profitability. This is further supported by strong brand equity (c. 35% local market share) and competitive pricing (c. 30-40% lower than OEM). We forecast SMSM to deliver earnings growth of +10%/+16%/+14% in FY19E/20E/21E on resilient revenue performance and margins remaining stable at c.31% GP margin and c.21% EBIT margin. This is driven mainly by positive non-passenger vehicle (non-PV) segments as construction activity in Indonesia and key export countries remains robust.

Attractive dividend through solid FCF generation

We expect SMSM to continue delivering attractive dividend yield of 4-5% in the coming years driven by its solid EBITDA generation and minimal capex requirements in the near term as capacity is still ample to support growth. In the past three years, SMSM has been delivering an average dividend payout of 60% with high dividend yield of 4%.

Initiating with TP of Rp1,900/share; still undervalued among peers

We base our TP on a 10-year DCF assuming WACC of 12%, TGR of 5%, and beta of 0.7x. This implies a forward P/E of 15.5x FY20E earnings, roughly on par with regional peers' avg despite delivering overall superior and consistent profitability. Currently, SMSM is trading at an attractive 12.2x FY20E earnings. Downside risks: materials volatility, FX fluctuations, economic slowdown, intense competition.

Valuation & Risks

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Price/price relative



Performance (%)	1m	3m	12m
Absolute	-7.4	-0.7	7.3
Jakarta Comp. Index	-0.7	-1.6	7.2

Source: Deutsche Bank

Key indicators (FY1)

ROE (%)	30.7
Net debt/equity (%)	-10.1
Book value/share (IDR)	372
Price/book (x)	4.03
Net interest cover (x)	-
Operating profit margin (%)	21.1

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

This research has been prepared in association with PT Deutsche Verdhana Sekuritas Indonesia. The opinions contained in this report are those of PT Deutsche Verdhana Sekuritas Indonesia.

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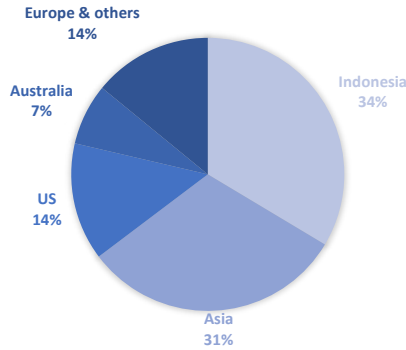
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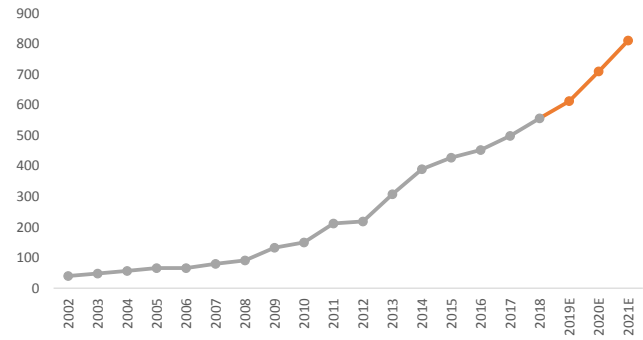
Key charts

Figure 1: Largest regional filter producer with wide export coverage...



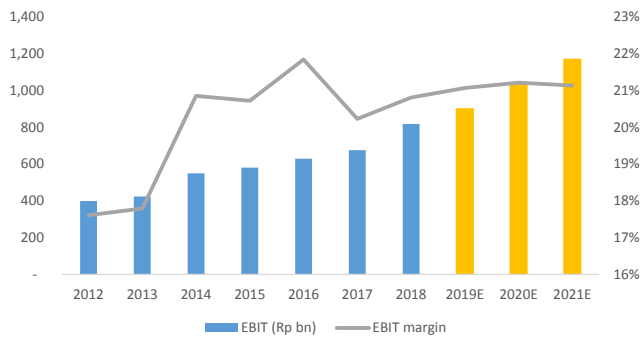
Source : Company data

Figure 2: ...delivering a solid earnings track record of 16 years of consecutive growth...



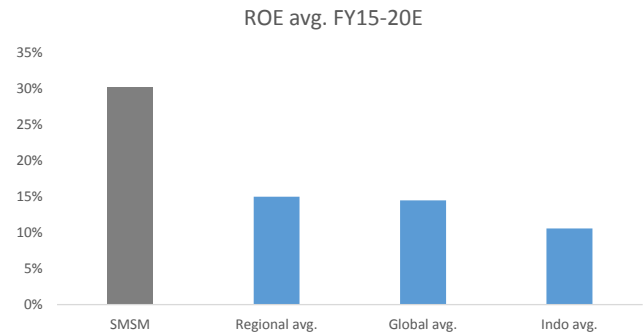
Source : Deutsche Bank estimates and Company data

Figure 3: ...with a resilient profitability margin...



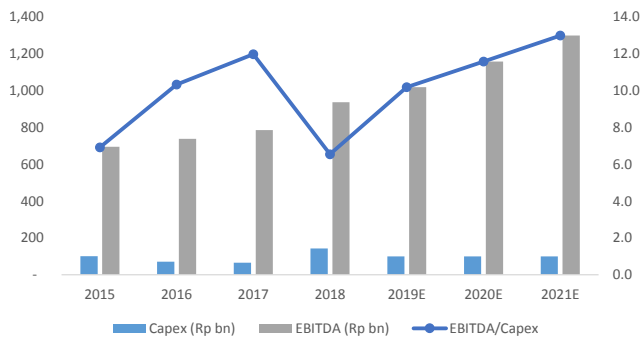
Source : Deutsche Bank estimates and Company data

Figure 4: ...showing superior profitability even among global peers



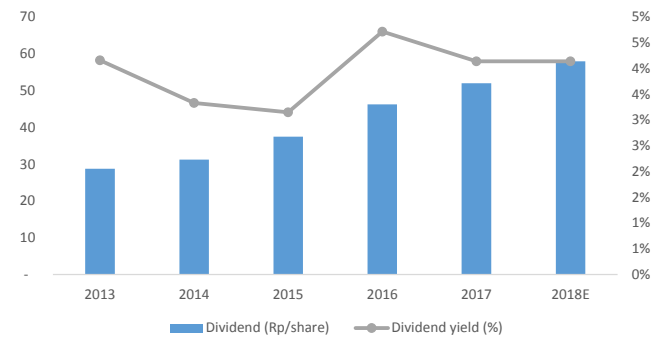
Source : Deutsche Bank estimates and Bloomberg Finance LP

Figure 5: Robust EBITDA with minimal capex should generate strong FCF...



Source : Deutsche Bank estimates and Company data

Figure 6: ...providing a generous dividend payout with attractive yield



Source : Deutsche Bank estimates and Company data



Investment thesis

Outlook

We initiate coverage on Selamat Sempurna (SMSM) with a Buy rating. SMSM is the largest filter producer in the region and among the few local manufacturers who can successfully compete on a global scale as reflected in its export market penetration of over 120 countries worldwide. The company has a solid track record supported by twin growth engines in the domestic and export markets. Furthermore, its strategy to focus on the aftermarket segment (95% of sales) provides it with more stable demand and a higher margin.

We believe that there will be minimal competition risks for SMSM's filter products due to its highly regarded brand quality and competitive pricing (30-40% to OEM pricing). SMSM has successfully commanded a superior profitability profile vs. its auto-related peers with average ROE of c.31% in the past three years and average EBIT margin of 21% (vs. peers' 13% and 11%, respectively). In addition, SMSM's gross profit margin has been staying stable at 30-32% in the past four years.

The company is also well positioned to deliver high dividend yields of 4-5% in the next few years. This is driven by expected solid operating profit generation of Rp900bn-1.2tr in the coming years on top of limited capex requirement given its ample capacity to support growth. Note that dividend payout over the past three years has been averaging at 60% at 4% yield.

We forecast SMSM to continue delivering double-digit earnings growth of +10%/+16%/+14% in FY19/20/21 on robust revenue performance and profit margins remaining stable with c.31% GP margin and c.21% EBIT margin. Overall, we believe SMSM is a well-run company equipped with a solid management team as well as decades of experience and a proven track record.

Risks

- **Material costs volatility:** As raw materials account for close to 70% of the company's total COGS, volatility in raw material prices can significantly impact profit margins of the products. The two main raw materials include steel plates and paper that are mostly imported.
- **Currency fluctuations:** Export revenue accounts for roughly 65-70% of SMSM's total revenue, while USD-related costs are estimated to cover 40-45% of total costs. Hence, currency fluctuations could adversely impact the company's profitability.
- **Economic slowdown:** Despite heavily focusing on the aftermarket products (c. 95% of sales) where demand is more resilient compared to the OEM market, a slower-than-expected economic growth could impact consumption and the restocking/destocking cycle.
- **Competition risk:** Although we see less competition risks for filters compared to other types of auto part products, it is still exposed to competition risk due to the minimal product differentiation. In addition, there is also risk from counterfeit products that might seem identical to the layman.



Valuation

Attractive valuation among regional peers despite superior profitability

We initiate coverage on SMSM with a Buy rating and a target price of Rp1,900/share. Our target price is derived from a 10-year DCF methodology assuming a WACC of 12% on RFR of 7.0%, beta of 0.7 (long-term beta of SMSM), and terminal growth of 5% (in line with Indonesia GDP growth and supported by continuity of replacement market). The TP implies a forward multiple of 15.5x FY20E earnings, which is in line with regional peers' average despite a premium over its local auto-related peers.

We believe the premium valuation vs. local peers is driven by SMSM's: 1) superior profitability performance, 2) more stable earnings profile - well-diversified market penetration, less competition risk, focus on aftermarket products, and 3) stronger FCF generation that could lead to better dividend yield.

We note SMSM deserves global peers' valuation, if not a premium, noting its superior earnings quality in pace and stability. Its two decades of listing provide a solid earnings track record with 16 consecutive years (2002-18) of top-line and bottom-line growth. Its enviable 20%+ ROA and 30% ROE, double that of global peers, easily distinguish SMSM. Our target price implies a 15.5x forward multiple on 3.9% dividend yield.

At the current price, SMSM trades at a P/E multiple of 14.1x FY19E and 12.2x FY20E, implying a PEG ratio of 1.1x and 0.9x.

Figure 7: DCF valuation summary

in Rp bn	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
EBIT (after tax)	693	796	900	1,000	1,117	1,261	1,340	1,413	1,489	1,573	1,656
Depreciation	119	125	130	135	140	145	150	155	160	165	170
Working Capital Decrease (Increase)	(103)	(218)	(236)	(184)	(254)	(294)	(140)	(145)	(186)	(193)	(168)
Less : Capital Expenditure	(100)	(100)	(100)	(100)	(180)	(100)	(100)	(100)	(100)	(100)	(100)
Free Cash Flow	609	603	695	851	824	1,012	1,251	1,323	1,363	1,445	1,558
Terminal growth rate	5%		Risk-free-rate		7.0%						
Terminal value	22,669		Equity risk premium		7.5%						
PV of FCF	11,340		Beta		0.7						
Net (debt)/cash	(23)		Cost of equity		12%						
Less: Minority Interest	(372)		Cost of debt (after tax)		8%						
Equity value	10,946		WACC		12%						
Shares outstanding	5,759										
NPV/share	1,901										
Target price	1,900										

Source : Deutsche Bank estimates

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Figure 8: SMSM is still trading below regional peers...

Ticker	Company	Country	Mkt cap US\$m	Price Local	P/E(x)		PEG FY19/20E	EV/EBITDA (x)		P/B (x)		EPS %	
					FY19E	FY20E		FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
AUTO IJ EQUITY	ASTRA OTOPARTS TBK PT	ID	533	1,570	11.0	9.7	NA	9.0	8.7	0.7	0.7	13%	13%
ASII IJ EQUITY	ASTRA INTERNATIONAL TBK PT	ID	21,731	7,625	13.1	12.2	1.6	10.5	9.8	2.0	1.9	9%	8%
IMAS IJ EQUITY	INDOMOBIL SUKSES INTERNASIONAL	ID	539	2,770	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
GJTL IJ EQUITY	GAJAH TUNGGAL TBK PT	ID	169	690	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
INDO AVERAGE					12.0	11.0	1.6	9.8	9.3	1.4	1.3	9%	8%
425 HK EQUITY	MINTH GROUP LTD	HK	3,641	25	11.6	10.2	0.6	8.3	7.1	1.7	1.6	27%	13%
601311 CH EQUITY	CAMEL GROUP CO-A	CH	1,607	13	14.7	12.7	0.9	10.0	9.3	1.7	1.5	N/A	16%
600660 CH EQUITY	FUYAO GROUP-A	CH	9,238	25	15.9	14.4	4.6	10.0	9.0	2.8	2.6	-4%	11%
KKC IN EQUITY	CUMMINS INDIA	IN	2,966	747	28.0	25.3	3.9	24.7	21.7	4.9	4.6	4%	10%
EXID IN EQUITY	EXIDE INDUS LTD	IN	2,613	215	22.6	19.2	1.3	11.3	9.9	2.9	2.6	17%	18%
ENDU IN EQUITY	ENDURANCE TECHNOLOGIES LTD	IN	2,330	1,156	32.2	26.6	1.3	14.9	12.7	6.4	5.5	29%	21%
APM MK EQUITY	APM AUTOMOTIVE	MY	142	3	14.8	14.8	9.0	2.8	2.7	0.5	0.5	3%	0%
SAT TB EQUITY	SOMBOON ADVANCE	TH	258	19	8.4	7.9	1.3	4.0	3.9	1.1	1.1	7%	6%
STANLY TB EQUITY	THAI STANLEY ELE	TH	566	236	8.9	8.6	0.7	4.1	3.8	1.1	1.0	22%	3%
REGIONAL AVERAGE					17.5	15.5	2.6	10.0	8.9	2.6	2.3	13%	11%
DCI US EQUITY	DONALDSON CO INC	US	6,868	54	23.1	21.2	0.6	14.5	13.7	N/A	N/A	69%	9%
CMI US EQUITY	CUMMINS INC	US	25,849	164	10.5	11.1	1.7	7.1	7.6	3.3	3.0	18%	-5%
UNS CN EQUITY	UNI-SELECT INC	CAN	464	15	11.5	11.1	1.6	7.9	7.7	0.8	0.8	11%	3%
US/CAN AVERAGE					15.0	14.5	1.3	9.8	9.7	2.1	1.9	33%	2%
JCI INDEX	JAKARTA COMPOSITE	ID	500,990	6,455	15.9	14.2	0.8	10.4	9.6	2.4	2.2	30%	11%
SMSM IJ EQUITY	SELAMAT SEMPURNA	ID	608	1,500	14.1	12.2	1.1	8.5	7.4	4.0	3.5	10%	16%

Source : Deutsche Bank, Bloomberg Finance LP estimates. Note: Stock prices as of 30 April 2019

Figure 9: ...despite SMSM's overall superior profitability

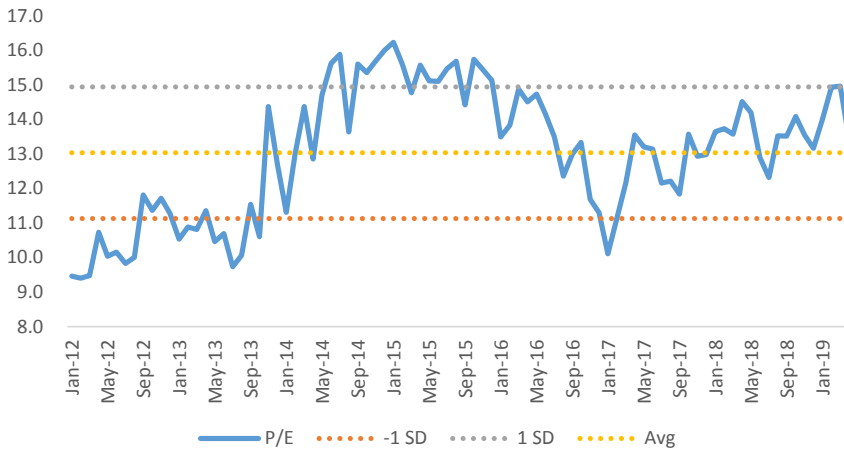
Ticker	SALES CAGR FY15-FY20E	EBIT margin Avg. FY15-FY20E	Net profit growth		FCF to sales		ROE Avg. FY15-FY20E	ROA Avg. FY15-FY20E	Asset turnover FY18	Dividend yield Avg. FY15-FY20E	Dividend payout ratio Avg. FY15-FY19E
			FY19E	FY20E	FY18	Avg. FY15-FY20E					
AUTO IJ EQUITY	10%	3%	11%	13%	3%	N/A	6%	N/A	1.0	N/A	N/A
ASII IJ EQUITY	7%	10%	9%	7%	8%	7%	15%	7%	0.7	1.6%	28%
IMAS IJ EQUITY	N/A	N/A	N/A	N/A	-27%	N/A	N/A	N/A	0.5	N/A	N/A
GJTL IJ EQUITY	N/A	N/A	N/A	N/A	0%	N/A	N/A	N/A	0.8	N/A	N/A
INDO AVERAGE	9%	7%	10%	10%	-6%	7%	11%	7%	0.8	1.6%	28%
425 HK EQUITY	16%	19%	24%	16%	N/A	N/A	15%	11%	0.6	2.3%	40%
601311 CH EQUITY	20%	N/A	N/A	13%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
600660 CH EQUITY	12%	22%	-4%	9%	9%	5%	19%	12%	0.6	4.3%	67%
KKC IN EQUITY	7%	14%	5%	15%	11%	N/A	21%	15%	0.9	N/A	N/A
EXID IN EQUITY	8%	10%	17%	18%	6%	10%	16%	N/A	0.7	0.5%	10%
ENDU IN EQUITY	13%	9%	28%	21%	4%	3%	22%	12%	1.6	N/A	N/A
APM MK EQUITY	4%	6%	1%	5%	N/A	3%	4%	N/A	0.8	3.2%	45%
SAT TB EQUITY	1%	10%	6%	7%	13%	12%	13%	9%	0.9	4.8%	44%
STANLY TB EQUITY	10%	12%	25%	1%	15%	10%	11%	10%	0.8	2.8%	31%
REGIONAL AVERAGE	10%	9%	13%	12%	10%	7%	15%	11%	0.9	3.6%	40%
DCI US EQUITY	5%	N/A	68%	7%	6%	8%	N/A	N/A	1.4	1.6%	48%
CMI US EQUITY	4%	12%	12%	-8%	7%	8%	23%	10%	1.3	3.0%	44%
UNS CN EQUITY	6%	3%	14%	5%	4%	5%	6%	3%	1.2	1.6%	N/A
US/CAN AVERAGE	5%	8%	31%	1%	6%	7%	14%	6%	1.3	2.1%	46%
SMSM IJ EQUITY	15%	21%	10%	16%	11%	12%	30%	22%	1.4	3.9%	58%

Source : Deutsche Bank, Bloomberg Finance LP estimates

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Figure 10: SMSM 12-month forward PE band



Source : Deutsche Bank



Business review

Largest filter manufacturer in the region with extensive global reach

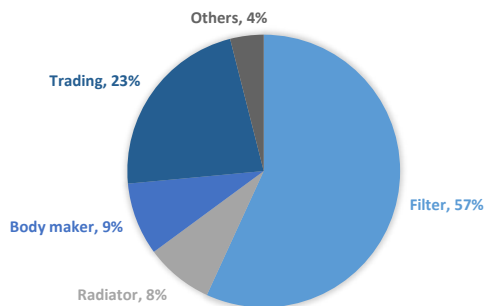
SMSM produces two main products, filter (under the brand "Sakura") and radiator (under "ADR") in addition to other spare parts such as brake pipes, fuel pipes, oil coolers, and exhaust system. It also produces dump body, tanks, dump hoist, moulding, and dies through its subsidiary PT Hydraxle Perkasa (51% owned), bringing its total product range to more than 7,000 SKUs.

The company breaks down its revenue into five main categories: filter, radiator, trading, body maker (Hydraxle), and others. During FY18, filter contributed the largest chunk at 57% of sales followed by trading (own distributors) at 23%, body maker at 9%, and radiator at 8%. For the following years, we expect the revenue mix to remain roughly similar.

SMSM primarily targets the aftermarket (replacement parts), with close to 95% of its revenue contributed by this segment. We believe the replacement market segment provides much more stable demand as well as better margin flexibility compared to original equipment manufacturer (OEM) products that are more reliant on new vehicle sales and the respective brand's strategy.

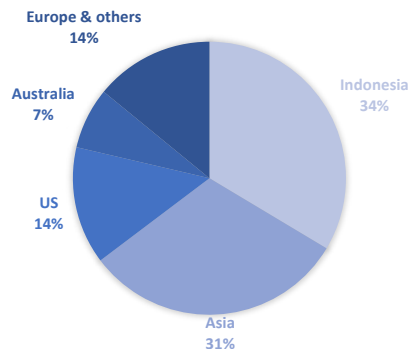
The combination of good quality products as well as competitive pricing (c. 30-40% lower than OEM) has not only distinguished SMSM as a strong player domestically (c.35% filter market share), but also in the export market (more details on page 10). Export contributed a majority of SMSM's operations (66% of revenue in FY18), supported by its extensive global presence in more than 120 countries worldwide that includes markets in Asia, America, Australia, and Europe.

Figure 11: SMSM's revenue breakdown by segment (FY18)



Source : Company data

Figure 12: SMSM's revenue breakdown by geography (FY18)



Source : Company data



Figure 13: Wide distribution network and diverse export market (sales in Rp bn)

No	Export Sales Destination	Continent	Overseas Sales		
			Jan - Dec 2018	% to Total Consol	% to Total Overseas
1	USA	AMERICA	281.52	7.16%	10.78%
2	AUSTRALIA	AUSTRALIA	255.64	6.50%	9.79%
3	MALAYSIA	ASIA	241.33	6.14%	9.24%
4	SINGAPORE	ASIA	179.88	4.57%	6.89%
5	CHINA	ASIA	170.66	4.34%	6.53%
6	JAPAN	ASIA	150.14	3.82%	5.75%
7	THAILAND	ASIA	126.08	3.21%	4.83%
8	RUSSIAN FEDERATION	EUROPE	109.38	2.78%	4.19%
9	FRANCE	EUROPE	86.86	2.21%	3.33%
10	ECUADOR	AMERICA	82.81	2.11%	3.17%
11	BELGIUM	EUROPE	77.33	1.97%	2.96%
12	MYANMAR	ASIA	68.06	1.73%	2.61%
13	GERMANY	EUROPE	58.63	1.49%	2.24%
14	ITALY	EUROPE	46.28	1.18%	1.77%
15	PHILIPPINES	ASIA	39.11	0.99%	1.50%
16	MEXICO	AMERICA	38.31	0.97%	1.47%
17	VIETNAM	AMERICA	36.15	0.92%	1.38%
18	PERU	AMERICA	34.15	0.87%	1.31%
19	TAIWAN	ASIA	33.16	0.84%	1.27%
20	SRI LANKA	ASIA	31.60	0.80%	1.21%
21	OTHERS	VARIOUS	465.10	11.82%	17.80%

Source : Company data

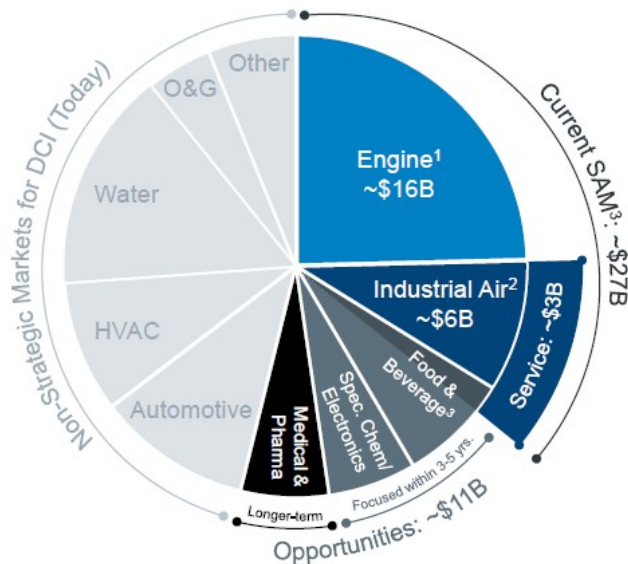
Growing filter market provides opportunity

Donaldson Company Inc. USA (DCI.US), one of the world's largest filter producers (c.5% market share), estimated that the global filtration market has grown from a size of roughly USD50bn to currently USD65bn within the past three years (3-yr CAGR: 9%). Donaldson also remains upbeat on the sector and forecasts its sales to continue growing at a rate of 3-7% CAGR for the next three years (see Figure 15).

We believe the growing filter market should provide SMSM with vast potential as it gradually expands its size and distribution reach in addition to entering new filter segments as it currently only serves roughly USD200mn out of the USD65bn global market.



Figure 14: Current global filtration market estimated at c. USD65 bn with numerous segments to explore



Source : Donaldson Company Inc., USA

Figure 15: Donaldson still expects positive growth in the coming years

	FY21 TARGETS	FY18 - FY21 FRAMEWORK
SALES	\$3.0B - \$3.3B	3% - 7% CAGR
OPERATING MARGIN¹	15.0% - 15.8%	+120 - 200 bps
INCREMENTAL MARGIN¹	22% - 28%	20% - 25%

Source : Donaldson Company Inc., USA

Well positioned in the competitive landscape: good quality, competitive pricing, and wide product range

Filters and radiators are regarded as key spare part components that could affect the performance and reliability of vehicles or equipment, which leads to customers being selective in terms of quality of the component and also in terms of pricing so as to yield the highest value for money. SMSM has successfully tackled both key issues.

SMSM has undoubtedly proven its **level of quality** through its decades of experience and also by securing OEM contracts with numerous top-tier global brands in the market (see Figure 16). From a **pricing standpoint**, SMSM has positioned itself competitively in between the cheaper Chinese-made products and the higher-priced OEM/OES (SMSM's products are c.30-40% cheaper). Thus, SMSM enjoys a more resilient pricing power and demand in times of economic downturn as customers are generally unwilling to trade down to Chinese-made products but actively look for cheaper alternatives to the OEM products.



Figure 16: SMSM securing OEM contracts with numerous well-known manufacturers is a testament to its high quality standards

Atlas Copco	Hitachi	Kubota	Sumitomo
Bei Ben	Honda	Linde	Suzuki
Carrier	Huppenkothen	Lonking	Takeuchi
Case New Holland	Hyundai	MAN	TCM
Chevrolet	IHI	Manitou	TCIM
CMC	Iseki	Mazda	Terex
Daihatsu	Isuzu	Mitsubishi	Toyota
Foton	JCB	Nanni Diesel	UD Trucks
Gehl	KIA	Nissan	Volvo
Greatwall	Kaitec	SDE	Yale
Hino	Kobelco	Shan Tui	Yanmar

Source : Company data

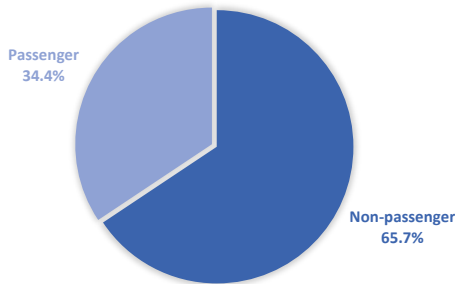
SMSM also offers a **large range of products** (over 7,000 SKUs) that cover a wide variety of different sectors (especially its filter products), further helping with its business diversification. Its coverage ranges from the typical passenger vehicles (PV) to heavy equipment (agricultural and construction), truck & bus, as well as industrial engines. Through a 70:30 JV with Donaldson Company Inc., USA (one of the largest global filter producers with c.5% market share), named PT Pranata Jaya Mandiri (PJM), the company manufactures filters under the "Donaldson" brand and caters primarily to non-PV segments.

The partnership provides SMSM with technical assistance from a renowned global player and gives it an edge in the export market, especially the US market (14% of total revenue in FY18). In the past few years, SMSM has begun to shift its filter portfolio into the non-PV segment as well (c. 66% non-PV). We see this strategy as positive for the company as the non-PV segment yields a higher GP margin compared to PV (c.30-40% vs. 15-18%) on top of tackling the risk from rapid adaptation of electric vehicles that use fewer filter products.

Overall, SMSM's unique combination of high quality products, competitive pricing and wide product offering provides it an edge over competition and enables it to compete with globally renowned brands.

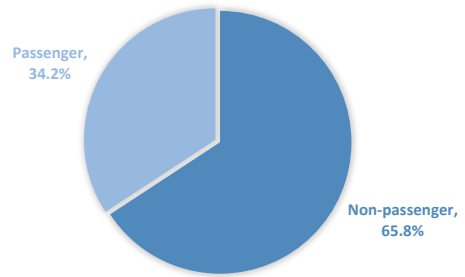


Figure 17: Local filter sales already focusing on non-passenger segment (% value)



Source : Company data

Figure 18: Export filter sales shows similar focus (% value)

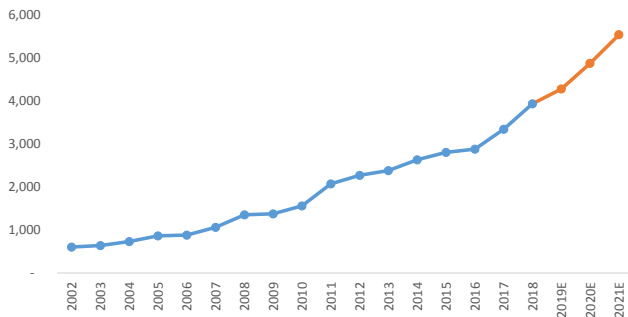


Source : Company data

Proven track record of delivering consistent and superior growth

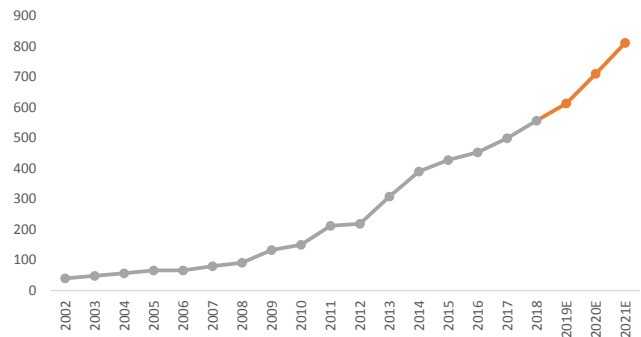
SMSM has maintained a solid profitability track record throughout the different cycles of economy where it has managed to record 16 consecutive years of revenue and earnings growth. Over the past five years, the company has delivered respectable revenue and earnings five-year CAGR (2013-18) of 11% and 12%, respectively. During the same period, SMSM's gross and operating margins were also resilient at 27-32% and 18-21%, respectively.

Figure 19: SMSM delivered 16 consecutive years of revenue growth... (in Rp bn)



Source : Company data, Deutsche Bank estimates

Figure 20: ...as well as 16 consecutive years of earnings growth (in Rp bn)

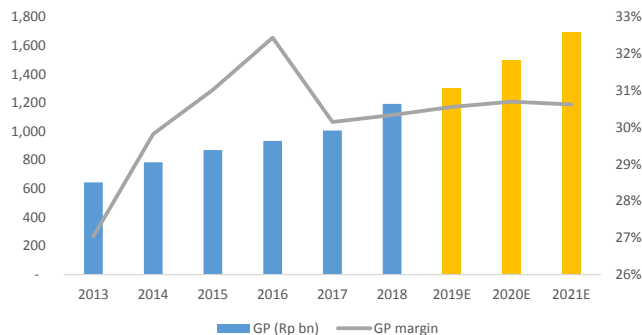


Source : Company data, Deutsche Bank estimates

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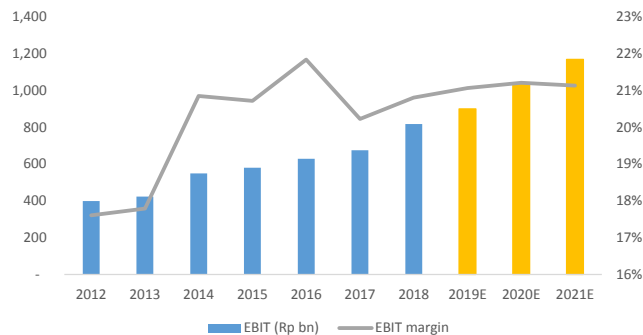


Figure 21: Gross profit and margin trend



Source : Company data, Deutsche Bank estimates

Figure 22: Operating profit and margin trend



Source : Company data, Deutsche Bank estimates

Even when compared to domestic and regional peers (see Figure 23-24), SMSM provides an overall superior profitability and attractive dividend payout including its remarkable ROE average (FY15-18) of 31% vs. peers' 13% and ROA average of 23% vs. peers' 7%.

Figure 23: SMSM shows superior performance among local auto-related peers...

Ticker	Company	Business	ROE FY18	ROA FY18	EBIT margin FY18	Net debt to equity FY18	Dividend payout FY18	FCF to sales FY18
INDS IJ	Indospring	Auto parts (leaf/coil springs)	5%	5%	7%	(0.1)	58%	13%
PRAS IJ	Prima Alloy Steel Universal	Auto parts (alloy wheels)	0%	0%	6%	1.0	0%	0%
AUTO IJ	Astra Otoparts	Auto parts (various)	6%	4%	2%	(0.0)	40%	3%
ASII IJ	Astra International	Auto distributor	17%	7%	11%	0.3	11%	8%
IMAS IJ	Indomobil Sukses International	Auto distributor	0%	0%	6%	2.3	0%	-27%
GJTL IJ	Gajah Tunggal	Tire	-1%	0%	6%	1.2	0%	0%
GDYR IJ	Goodyear Indonesia	Tire	3%	-1%	0%	(0.1)	0%	4%
BRAM IJ	Indo Kordsa	Tire cord	12%	7%	14%	0.1	60%	4%
Average			5%	3%	7%	0.6	21%	0%
SMSM IJ	Selamat Sempurna	Auto parts (filters/radiators)	29.5%	22.9%	20.8%	0.0	60%	9%

Source : Deutsche Bank and Bloomberg Finance LP

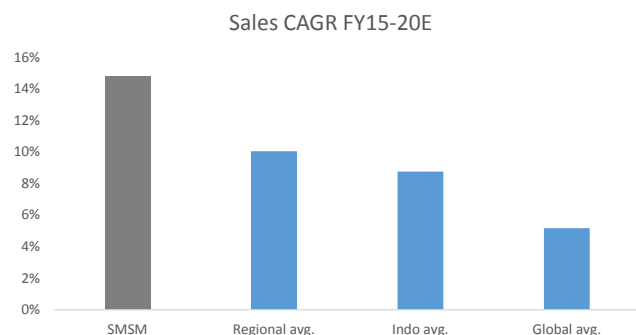
Figure 24: ...and also performs well among regional and global peers

Ticker	SALES CAGR	EBIT margin	Net profit growth		FCF to sales		ROE	ROA	Asset turnover	Dividend yield	Dividend payout ratio
	FY15-FY20E	Avg. FY15-FY20E	FY19E	FY20E	FY18	Avg. FY15-FY20E	Avg. FY15-FY20E	Avg. FY15-FY20E	FY18	Avg. FY15-FY20E	Avg. FY15-FY19E
AUTO IJ EQUITY	10%	3%	11%	13%	3%	N/A	6%	N/A	1.0	N/A	N/A
ASII IJ EQUITY	7%	10%	9%	7%	8%	7%	15%	7%	0.7	1.6%	28%
IMAS IJ EQUITY	N/A	N/A	N/A	N/A	-27%	N/A	N/A	N/A	0.5	N/A	N/A
GJTL IJ EQUITY	N/A	N/A	N/A	N/A	0%	N/A	N/A	N/A	0.8	N/A	N/A
INDO AVERAGE	9%	7%	10%	10%	-6%	7%	11%	7%	0.8	1.6%	28%
425 HK EQUITY	16%	19%	24%	16%	N/A	N/A	15%	11%	0.6	2.3%	40%
601311 CH EQUITY	20%	N/A	N/A	13%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
600660 CH EQUITY	12%	22%	-4%	9%	9%	5%	19%	12%	0.6	4.3%	67%
KKC IN EQUITY	7%	14%	5%	15%	11%	N/A	21%	15%	0.9	N/A	N/A
EXID IN EQUITY	8%	10%	17%	18%	6%	10%	16%	N/A	0.7	0.5%	10%
ENDU IN EQUITY	13%	9%	28%	21%	4%	3%	22%	12%	1.6	N/A	N/A
APM MK EQUITY	4%	6%	1%	5%	N/A	3%	4%	N/A	0.8	3.2%	45%
SAT TB EQUITY	1%	10%	6%	7%	13%	12%	13%	9%	0.9	4.8%	44%
STANLY TB EQUITY	10%	12%	25%	1%	15%	10%	11%	10%	0.8	2.8%	31%
REGIONAL AVERAGE	10%	9%	13%	12%	10%	7%	15%	11%	0.9	3.6%	40%
DCI US EQUITY	5%	N/A	68%	7%	6%	8%	N/A	N/A	1.4	1.6%	48%
CMI US EQUITY	4%	12%	12%	-8%	7%	8%	23%	10%	1.3	3.0%	44%
UNS CN EQUITY	6%	3%	14%	5%	4%	5%	6%	3%	1.2	1.6%	N/A
US/CAN AVERAGE	5%	8%	31%	1%	6%	7%	14%	6%	1.3	2.1%	46%
SMSM IJ EQUITY	15%	21%	10%	16%	11%	12%	30%	22%	1.4	3.9%	58%

Source : Deutsche Bank and Bloomberg Finance LP estimates

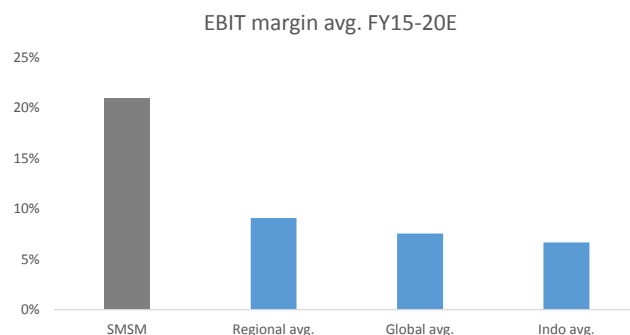


Figure 25: Regional comps - Sales



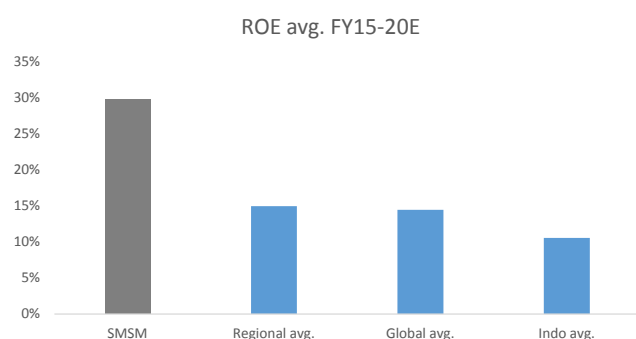
Source : Deutsche Bank and Bloomberg Finance LP

Figure 26: Regional comps - EBIT margin



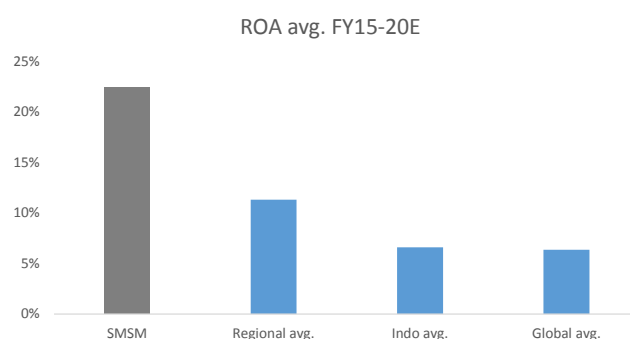
Source : Deutsche Bank and Bloomberg Finance LP

Figure 27: Regional comps - ROE



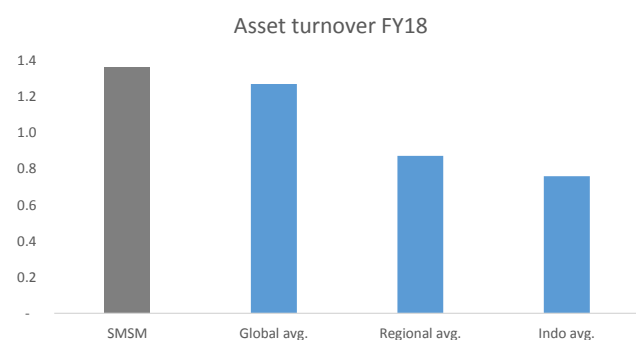
Source : Deutsche Bank and Bloomberg Finance LP

Figure 28: Regional comps - ROA



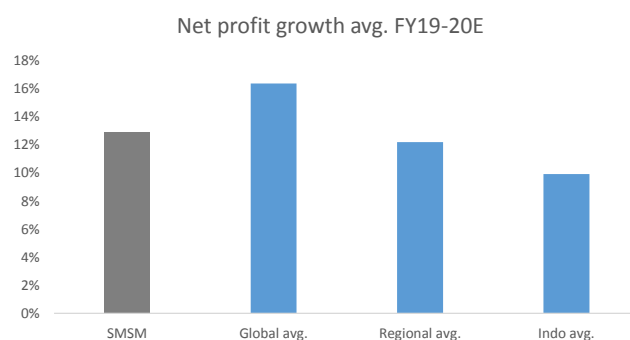
Source : Deutsche Bank and Bloomberg Finance LP

Figure 29: Regional comps - Asset turnover



Source : Deutsche Bank and Bloomberg Finance LP

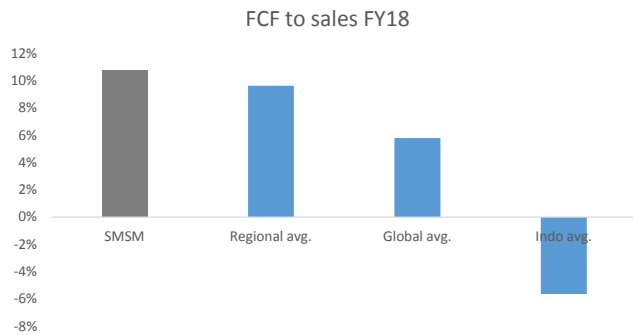
Figure 30: Regional comps - net profit growth



Source : Deutsche Bank and Bloomberg Finance LP

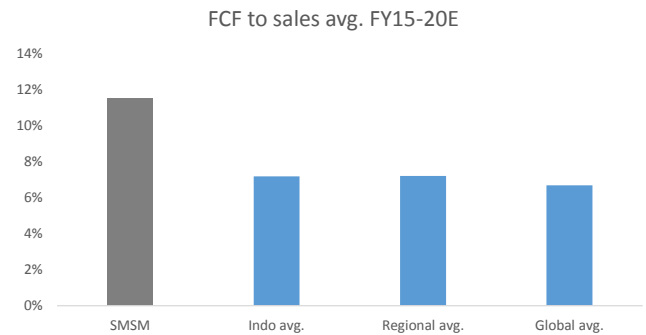


Figure 31: Regional comps - FCF to sales FY18



Source : Deutsche Bank and Bloomberg Finance LP

Figure 32: Regional comps - FCF to sales average



Source : Deutsche Bank and Bloomberg Finance LP

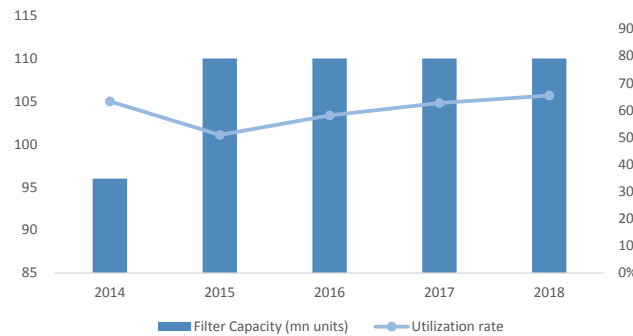
Minimal capex + resilient EBITDA generation = attractive dividend payout

As of FY18, SMSM has an annual production capacity of 110mn units for its filter production plant (96mn units local, 14mn units through its subsidiary Bradke Synergies Bhd) at a c.65% utilization rate and 1.95mn units for its radiator plant at a c.28% utilization rate. Overall, we see that SMSM still has ample production capacity to deliver growth going forward.

Thus, we believe that capex requirement should be minimal in the coming years and should primarily be for regular maintenance capex such as line balancing, mould and dies production, and machinery maintenance - equating to around Rp100bn per annum. We anticipate some capacity expansion in 2023 with a manageable budget (c.Rp180bn) as it can install additional production lines to increase production further instead of building a new factory.

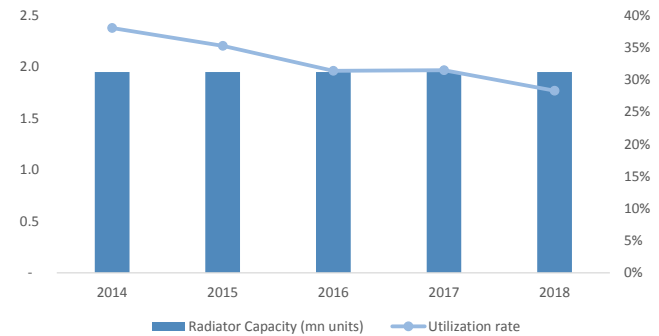
On the other hand, we forecast SMSM to deliver solid operating profit in the coming years of c. Rp900bn-1.2tr, hence allowing it to maintain a high dividend payout ratio and attractive yield.

Figure 33: Filter production capacity



Source : Company data

Figure 34: Radiator production capacity



Source : Company data



Figure 35: Sensitivity to utilization

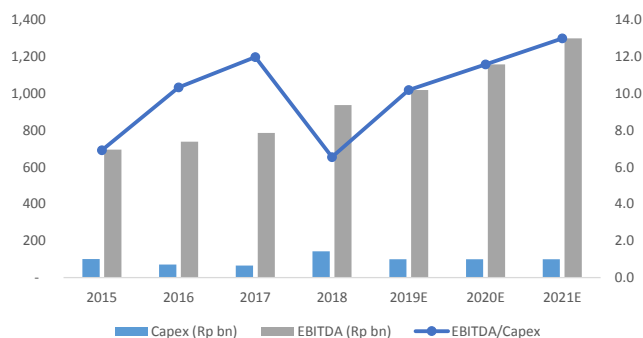
Filter utilization	60%	65%	Base (70%)	75%	80%
FY19E Revenue (Rp bn)	3,839	4,056	4,274	4,491	4,708
Change %	-10%	-5%		5%	10%
FY19E Net profit (Rp bn)	541	578	615	652	688
Change %	-12%	-6%		6%	12%

Radiator utilization	20%	25%	Base (30%)	35%	40%
FY19E Revenue (Rp bn)	4,057	4,201	4,274	4,346	4,490
Change %	-5%	-2%		2%	5%
FY19E Net profit (Rp bn)	590	606	615	623	640
Change %	-4%	-1%		1%	4%

Body maker utilization	20%	25%	Base (30%)	35%	40%
FY19E Revenue (Rp bn)	4,163	4,218	4,274	4,329	4,384
Change %	-3%	-1%		1%	3%
FY19E Net profit (Rp bn)	606	610	615	619	624
Change %	-1%	-1%		1%	1%

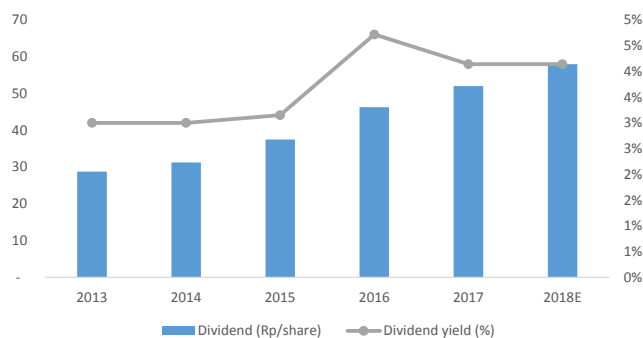
Source : Deutsche Bank estimates

Figure 36: Low capex requirement coupled with strong EBITDA



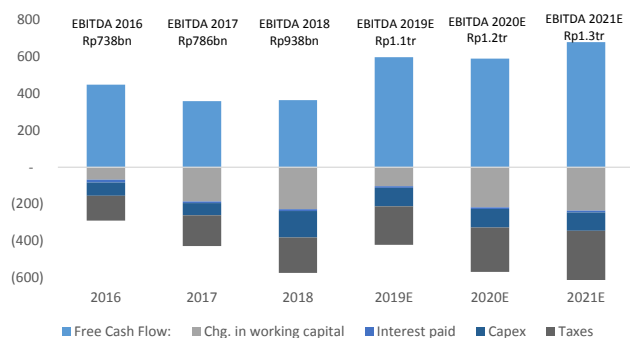
Source : Deutsche Bank estimates and Company data

Figure 37: Attractive dividend payout



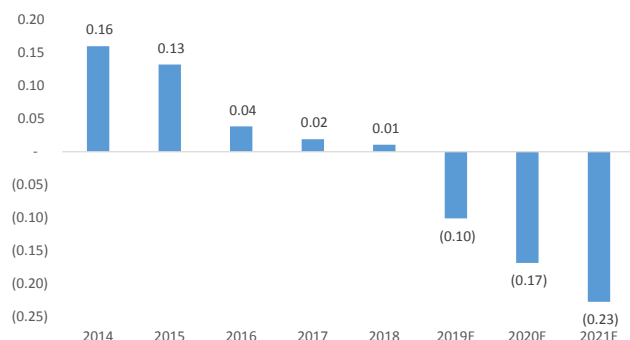
Source : Deutsche Bank estimates and Company data

Figure 38: Solid free cash flow generation



Source : Deutsche Bank estimates and Company data

Figure 39: Supported by a very healthy gearing level



Source : Company data



Financials and forecasts

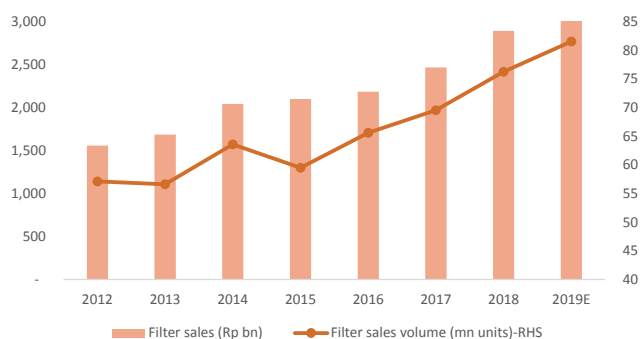
The company has delivered respectable revenue and earnings growth in the past five years with five-year CAGR (2013-18) of 11% and 12%, respectively. During the same period, SMSM maintained its gross and operating margins at 27-32% and 18-21%, respectively. We believe that SMSM will continue to post positive growth in the coming years, especially following its strong momentum in FY18 (sales +18% YoY, EBITDA +19% YoY).

We forecast sales YoY growth of +9%/+14%/+14% in FY19E/20E/21E mainly due to continued positive momentum in filters and radiators, which are expected to see FY19E sales growing +10% and +9% YoY, respectively. We believe that filter sales will be supported by gradually recovering overall 4W sales despite the PV segment seeing softer growth compared to non-PV (see Figure 46-47). Growth is likely to be driven more by the commercial segment, especially truck & bus (FY17-18 sales grew +26-32% YoY).

Additionally, the construction sector is expected to contribute positively for SMSM as construction output in SMSM's key markets has risen significantly in the past few years (see Figure 48). This will likely help boost demand from new sales in construction-related heavy equipment and trucks (see Figure 49) as well as increased maintenance from the higher intensity usage. The trend is beneficial for SMSM as it now focuses more on the non-PV segment (c.66% of sales).

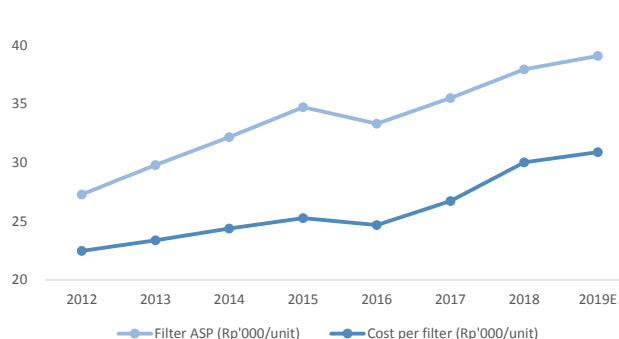
On the other hand, we expect the body maker division to be softer in FY19E due to a higher base in FY18 as well as some impact from lower commodity-related truck sales on a more uncertain commodity pricing environment. We believe performance should improve along with commodity pricing stabilization.

Figure 40: Sales trend - Filter



Source : Company data, Deutsche Bank estimates

Figure 41: ASP and average cost - Filter

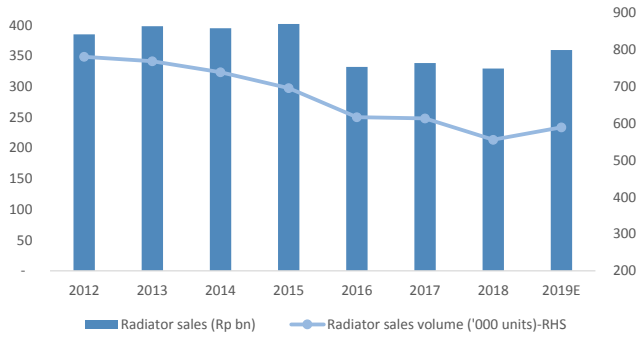


Source : Company data, Deutsche Bank estimates

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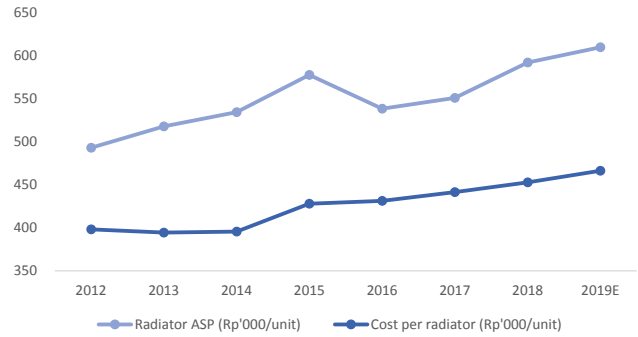


Figure 42: Sales trend - Radiator



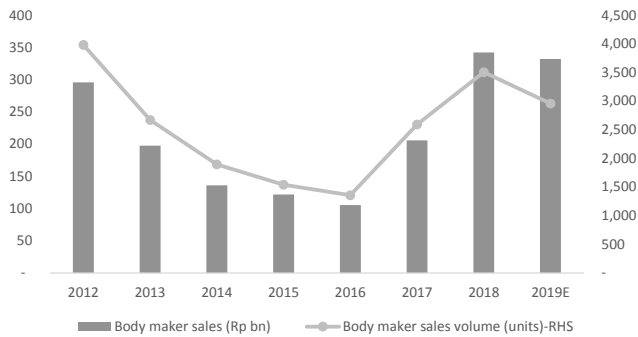
Source : Company data, Deutsche Bank estimates

Figure 43: ASP and average cost - Radiator



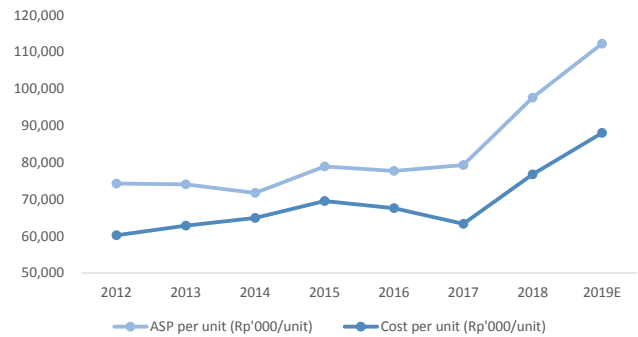
Source : Company data, Deutsche Bank estimates

Figure 44: Sales trend - Body maker



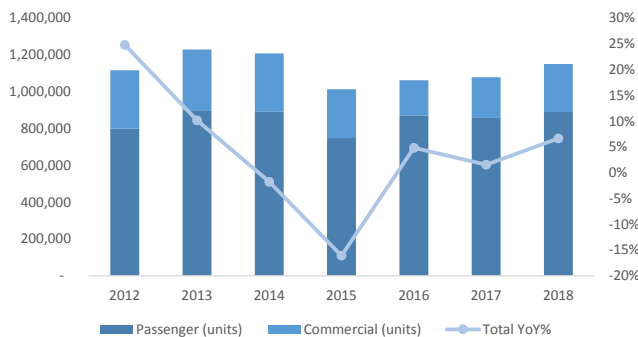
Source : Company data, Deutsche Bank estimates

Figure 45: ASP and average cost - Body maker



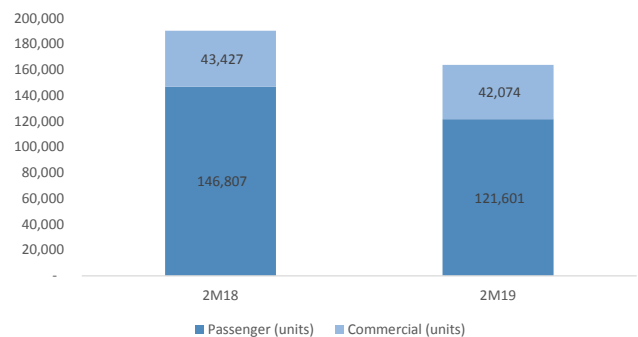
Source : Company data, Deutsche Bank estimates

Figure 46: Overall 4W sales starting to improve



Source : GAIKINDO

Figure 47: CV sales remained more resilient despite PV softness due to supply issue

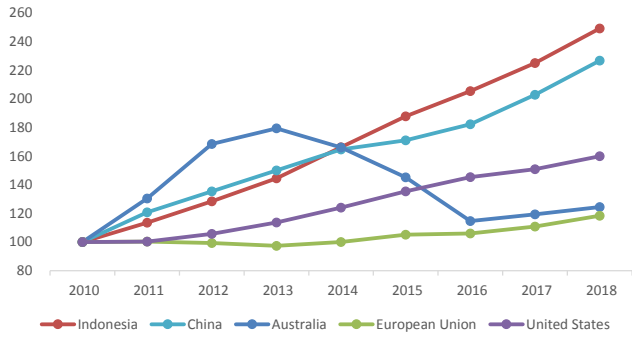


Source : GAIKINDO

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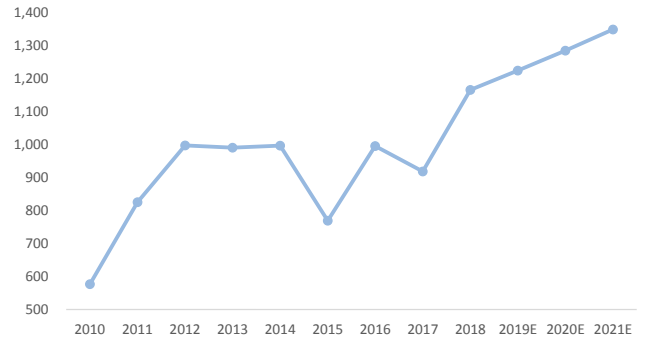


Figure 48: Construction output (indexed nominal GDP) in key markets continues to grow



Source : CEIC

Figure 49: Positive construction equipment sales should benefit SMSM (Komatsu brand in units)



Source : Company data



Figure 50: Key assumptions summary

SALES REVENUE (Rp bn)	2014	2015	2016	2017	2018	2019E	2020E	2021E
Filter	2,046	2,102	2,187	2,470	2,896	3,189	3,613	4,060
Growth	21%	3%	4%	13%	17%	10%	13%	12%
Radiator	395	402	332	338	329	359	407	445
Growth	-1%	2%	-17%	2%	-3%	9%	13%	9%
Trading	329	503	704	776	888	978	1,108	1,241
Growth	0%	53%	40%	10%	14%	10%	13%	12%
Body maker	136	122	106	206	342	332	430	581
Growth	-31%	-10%	-13%	95%	66%	-3%	30%	35%
Others	322	288	313	360	431	466	503	543
Growth	19%	-11%	9%	15%	20%	8%	8%	8%
Elimination	(595)	(613)	(762)	(810)	(954)	(1,050)	(1,190)	(1,336)
Total	2,633	2,803	2,880	3,340	3,933	4,274	4,871	5,534
Growth	11%	6%	3%	16%	18%	9%	14%	14%
SALES VOLUME								
Filter (mn units)	64	60	66	70	76	82	90	98
Growth	12%	-6%	10%	6%	10%	7%	10%	9%
Radiator (mn units)	0.74	0.70	0.62	0.61	0.56	0.59	0.65	0.69
Growth	-4%	-6%	-11%	0%	-9%	6%	10%	6%
Body maker ('000 units)	1.90	1.54	1.36	2.59	3.51	2.96	3.55	4.44
Growth	-29%	-19%	-12%	91%	35%	-16%	20%	25%
PRODUCTION VOLUME								
Filter (mn units)	61	56	64	69	72	77	85	92
Growth	14%	-8%	14%	8%	4%	7%	10%	9%
Radiator (mn units)	0.74	0.69	0.61	0.61	0.55	0.59	0.64	0.68
Growth	-4%	-7%	-11%	0%	-10%	6%	10%	6%
Body maker ('000 units)	1.90	1.56	1.40	2.61	3.56	3.00	3.60	4.50
Growth	-30%	-18%	-10%	86%	36%	-16%	20%	25%
PRODUCTION CAPACITY								
Filter (mn units)	96	110	110	110	110	110	110	110
Utilization rate	63%	51%	58%	63%	65%	70%	77%	84%
Radiator (mn units)	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95
Utilization rate	38%	35%	31%	31%	28%	30%	33%	35%
Body maker ('000 units)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Utilization rate	19%	16%	14%	26%	36%	30%	36%	45%
ASP (Rp'000/unit)								
Filter	32	35	33	36	38	39	40	41
Growth	8%	10%	-6%	7%	7%	3%	3%	3%
Radiator	535	578	539	551	592	610	628	647
Growth	3%	8%	-7%	2%	7%	3%	3%	3%
Body maker	71,730	78,942	77,703	79,338	97,620	112,263	121,244	130,944
Growth	-3%	10%	-2%	2%	23%	15%	8%	8%
GROSS MARGIN								
Filter	27.5%	31.0%	27.8%	25.4%	25.3%	25.4%	25.5%	25.5%
Radiator	25.7%	26.8%	20.5%	20.0%	24.1%	24.1%	24.1%	24.1%
Trading	20.4%	13.4%	27.3%	28.1%	29.1%	29.1%	29.3%	29.3%
Body maker	9.5%	11.9%	13.0%	20.1%	21.3%	21.6%	22.0%	22.0%

Source : Deutsche Bank estimates and Company data

We also expect both gross and operating margins to be stable in the coming years, overall leading to earnings growth of +10%/+16%/14% in FY19E/20E/21E. Free cash flow generation is likely to be solid as well, driven by the robust profitability and minimal capex requirement. Thus, dividend payout should remain high, close to 60% and implying average dividend yield of c.4% based on the current share price.



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Figure 51: Income statement

Profit and Loss (in Rp bn)	2014	2015	2016	2017	2018	2019E	2020E	2021E
Revenue	2,633	2,803	2,880	3,340	3,933	4,274	4,871	5,534
% of growth	11%	6%	3%	16%	18%	9%	14%	14%
- SMSM main (Filter and Radiator)	2,441	2,504	2,519	2,808	3,225	3,549	4,021	4,505
- Trading	329	503	704	776	888	978	1,108	1,241
- Body maker	136	122	106	206	342	332	430	581
- Others	321	288	313	360	431	466	503	543
- Elimination	(595)	(613)	(762)	(810)	(954)	(1,050)	(1,190)	(1,336)
COGS	1,848	1,933	1,946	2,333	2,740	2,968	3,376	3,839
% of growth	6%	5%	1%	20%	17%	8%	14%	14%
Gross profit	785	870	934	1,007	1,193	1,306	1,495	1,695
Gross Margin	29.8%	31.0%	32.4%	30.1%	30.3%	30.6%	30.7%	30.6%
% of growth	22%	11%	7%	8%	19%	9%	15%	13%
Operating expense	236	289	305	331	375	406	462	525
% of growth	7%	22%	6%	9%	13%	8%	14%	14%
Selling expenses	124	161	160	178	198	214	244	277
% of growth	9%	31%	-1%	11%	11%	8%	14%	14%
G&A	113	127	145	153	177	192	219	248
% of growth	6%	13%	14%	6%	16%	9%	14%	14%
Operating profit	549	581	629	676	818	900	1,033	1,169
Operating Margin	20.8%	20.7%	21.8%	20.2%	20.8%	21.1%	21.2%	21.1%
% of growth	30%	6%	8%	7%	21%	10%	15%	13%
Other income/(expenses)								
Interest income	5	4	3	3	3	13	23	34
Forex gain/(losses)	3	21	(5)	10	24	-	-	-
Interest exp. & bank charges	(28)	(25)	(15)	(10)	(10)	(9)	(9)	(9)
Other income/(expenses)	15	1	44	37	(11)	-	-	-
Total others	(5)	1	27	41	6	4	14	25
Share of associate profit (loss)	(1)	2	2	4	3	3	3	3
Profit B4 Income Tax	542	584	658	721	828	908	1,050	1,198
Pre-tax margin	20.6%	20.8%	22.9%	21.6%	21.1%	21.2%	21.6%	21.6%
% of growth	18%	8%	13%	9%	15%	10%	16%	14%
Income Tax	120	122	156	165	195	209	242	275
effective tax rate	22.1%	21.0%	23.7%	22.9%	23.5%	23.0%	23.0%	23.0%
Minority Interest	30	34	49	56	77	85	98	112
Net Profit	392	428	453	499	557	615	711	811
Net Margin	14.9%	15.3%	15.7%	15.0%	14.2%	14.4%	14.6%	14.6%
% of growth	22%	9%	6%	10%	12%	10%	16%	14%

Source : Deutsche Bank estimates

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Selamat Sempurna



Figure 52: Balance sheet

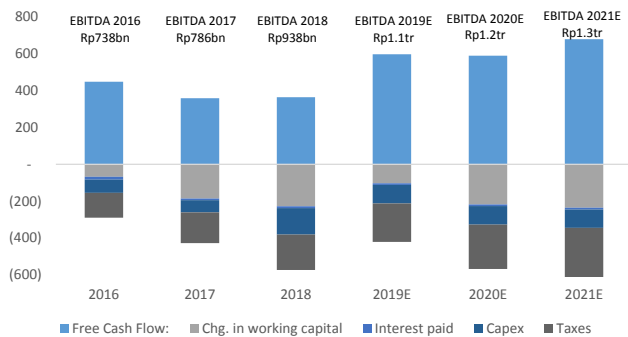
Balance Sheet (in Rp bn)	2014	2015	2016	2017	2018	2019E	2020E	2021E
Current Assets								
Cash & cash equivalents	76	123	97	71	67	344	588	875
Receivables	574	600	728	767	937	1,018	1,160	1,318
Other receivables-net	1	14	4	2	6	6	6	6
Inventories	432	561	555	657	758	821	934	1,063
Advance payments	13	10	18	24	18	19	22	25
Prepaid tax & others	38	61	52	49	69	63	71	81
TOTAL CURRENT ASSETS	1,134	1,369	1,454	1,570	1,854	2,271	2,782	3,367
TOTAL FIXED ASSETS	493	715	658	684	749	730	705	675
Deferred tax assets	14	35	35	39	40	40	40	40
Other Assets								
Advance for purchases of PPE	66	61	63	33	14	14	15	15
Property investment	-	-	-	-	-	-	-	-
Associates	35	32	20	24	51	55	58	62
Others	8	9	24	93	93	106	128	152
TOTAL OTHER ASSETS	109	102	107	150	158	175	201	229
TOTAL ASSETS	1,749	2,220	2,255	2,443	2,801	3,216	3,727	4,311
Current Liabilities								
Bank loans	132	77	105	54	45	45	45	45
Payables	152	177	246	194	252	273	310	353
Other payables	4	50	10	6	4	4	4	4
Tax payable	49	37	55	59	70	83	89	103
Advances from customers	10	12	15	17	17	17	17	17
Accruals	33	43	38	43	36	39	45	51
LT liabilities - within one year								
LT-Loans	127	141	10	12	13	13	13	13
Others	30	34	29	34	33	33	33	33
TOTAL CURRENT LIABILITIES	537	572	508	420	470	507	555	618
LT Liabilities								
LT-Loans	-	95	42	40	32	32	32	32
Unearned revenues	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	7	-	-	-	-	-	-
Pension obligation	66	106	125	155	148	161	184	209
TOTAL LT LIABILITIES	66	208	166	195	181	194	216	241
Minority Interest	142	220	202	236	287	372	469	581
Shareholders' Equity								
Paid up capital	144	144	144	144	144	144	144	144
Additional paid-in cap	50	50	50	50	50	50	50	50
Others	-	(8)	(9)	6	3	3	3	3
Retained earnings	811	1,034	1,193	1,392	1,666	1,947	2,289	2,674
TOTAL SHAREHOLDERS' EQUITY	1,147	1,440	1,580	1,828	2,150	2,516	2,956	3,452
TOTAL LIABILITIES & EQUITY	1,749	2,220	2,255	2,443	2,801	3,216	3,727	4,311

Source : Deutsche Bank estimates, company data

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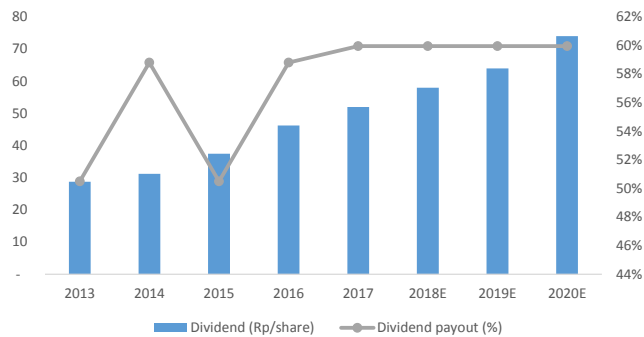


Figure 53: Free cash flow



Source : Deutsche Bank estimates and Company data

Figure 54: Dividend payout



Source : Deutsche Bank estimates and Company data

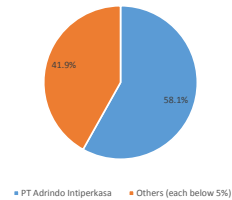


Company background

Selamat Sempurna (SMSM.JK) was established in 1976 and has grown to become one of the largest automotive filter and radiator manufacturers in the region. SMSM is part of the ADR Group (PT Adrindo Perkasa), a renowned Indonesian conglomerate with vast and long-standing experience within the auto parts industry. The group initially started as an automotive radiator producer and has gradually diversified into a comprehensive components producer/distributor with other ventures in the agriculture, property, and investment business.

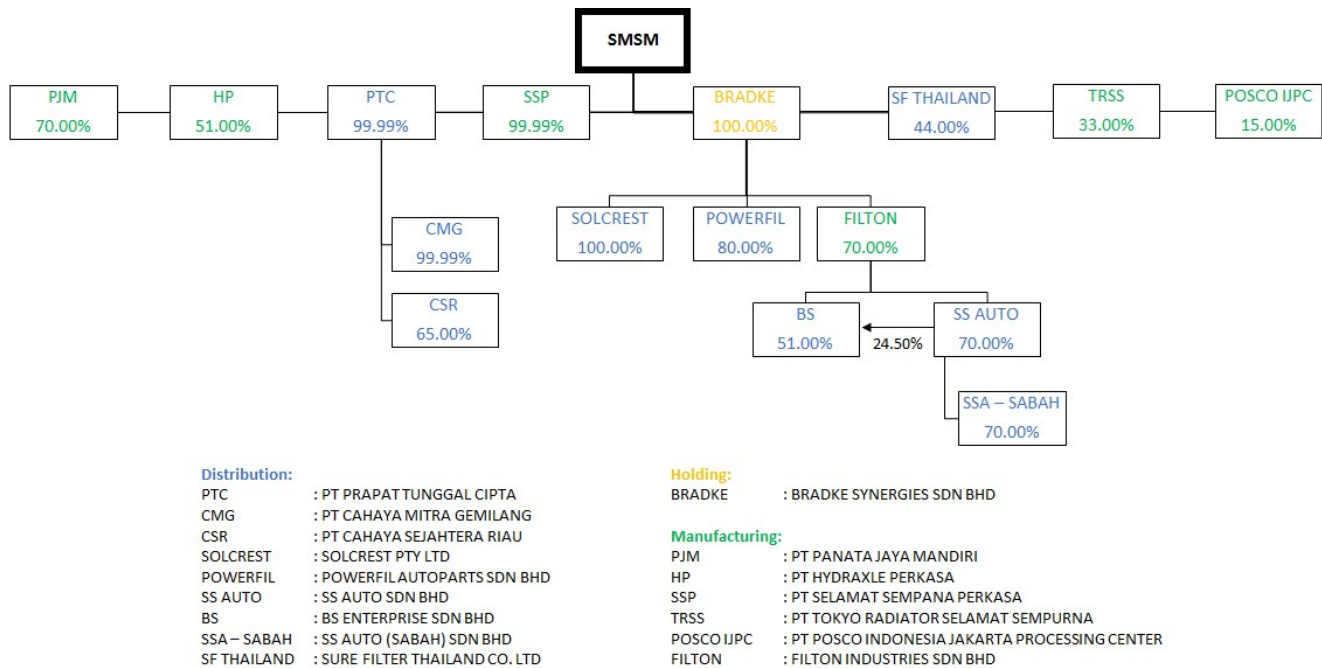
Over time, SMSM has grown both through acquisitions (i.e. acquired PT Andhi Chandra Automotive Products Tbk in 1994, Bradke Synergies Sdn Bhd in 2015, Sure Filter Thailand in 2018) and joint venture partnerships with Donaldson Company Inc. to produce filters, POSCO-Daewoo for steel processing business, and Tokyo Radiator Mfg. Co. Ltd to produce radiators. SMSM currently caters mostly to the aftermarket segment in domestic and export markets with a presence in more than 120 countries worldwide.

Figure 55: SMSM ownership



Source : Company data

Figure 56: SMSM corporate structure



Source : Company data



Figure 57: SMSM subsidiaries and associates

SUBSIDIARIES		
Name	Inception	Description
PT Panata Jaya Mandiri (PJM)	1983	A joint venture with Donaldson Company Inc. USA (a worldwide leader in the filtration industry). PJM manufactures filtration products for heavy equipments, gas turbines, industrial engines, construction equipments, and automobiles. PJM also supplies to OEM and OES customers, such as Hino, Hitachi, Isuzu, Komatsu, Kubota, Mercedes Benz, Nissan Diesel, Toyota, and Yanmar.
PT Hydraxle Perkasa (HP)	1982	HP began its operation by assembling dump trucks, trailer, mixers and special purpose vehicles. HP subsequently made further investments in a steel centre, tool and die, mould, and machinery centre.
PT Selamat Sempana Perkasa (SSP)	1990	SSP manufactures rubber O-rings, rubber compounds, polyurethanes, and plastisol adhesives for automotive industries.
PT Prapat Tunggal Cipta (PTC)	1994	PTC specializes on the distribution of products in Indonesian aftermarket sectors. In March 2013, PTC established a new branch at Makassar, South Sulawesi. PTC have two subsidiaries located in Sumatra, PT Cahaya Sejahtera Riau located at Pekanbaru and PT Cahaya Mitra Gemilang located at Medan.
Bradke Synergies SDN. BHD.	2005	A Malaysian Holding Company which had subsidiaries of which are (i) manufacturer of filters product and supplier for machinery (Filton Industries Sdn Bhd), (ii) sole distributor of SMSM's filter products in Malaysia (Powerfil Auto Parts Sdn Bhd & SS Auto Sdn Bhd), and (iii) sole distributor of SMSM's filter products in Australia (Solcrest Pte Ltd).
ASSOCIATES		
Name	Inception	Description
Sure Filter Thailand Co., Ltd	2003	SF Thailand is the sole distributor of SMSM's filter and radiator products in Thailand.
PT Tokyo Radiator Selamat Sempurna (TRSS)	2012	A joint venture with Tokyo Radiator Mfg. Co., Ltd. TRSS engages in manufacturing of radiators and its related products. Commenced its commercial operation in June 2013.
PT Posco Indonesia Jakarta Processing Center (POSCO-IJPC)	2005	A joint venture with Daewoo International Corporation Korea and POSCO Korea. POSCO-IJPC's mainly engaged in the steel processing industry and commenced its commercial operation in October 2006.

Source : Company data

SMSM's two main products consist of filter and radiator for a wide variety of sectors including automotive, heavy equipment, truck & bus as well as industrial equipment. The company is supported by two production centers: 1) North Jakarta site (5 Ha) - strategically located near the Jakarta International Airport and Tanjung Priok Seaport, 2) Tangerang site, Greater Jakarta area (40 Ha) - with surrounding land asset available for future expansion plans.

Additionally, the company through its subsidiary PT Hydraxle Perkasa (HP) produces dump truck body, dump hoist, mould, and die. SMSM also produces other products such as engine gasket, brake/fuel pipe, fuel tank, and rubber parts. In the spare-parts market, SMSM is known for its flagship brand "Sakura" for filters and "ADR" for radiators in addition to producing filters under the Donaldson brand through its PT Panata Jaya Mandiri JV.

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Figure 58: SMSM's filter products

 AIR FILTER Prevents contaminated air from being mixed with the fuel before entering the combustion chamber.	 OIL FILTER Provides clean lubricant oil in the engine, thus reducing premature wear and tear in all frictional parts.	 FUEL FILTER Keeps the fuel system clean that will prolong the life span of the injector and maintain higher fuel efficiency.	 CABIN AIR FILTER Protects passenger from airborne contaminants, such as virus, pollen, bacteria, dust, and smog.
 TRANSMISSION FILTER Keeps the transmission fluid clean to get great torque, run smoothly, and function more reliably.	 RACING AIR FILTER Provides the highest specification to increase engine performance (horse power and torque).	 COOLANT FILTER Protects the cooling system against corrosion.	 HYDRAULIC FILTER Protects and prolong the life span by keeping the hydraulic system clean.
 AIR/OIL SEPARATOR Removes residual oil from the air on the outline of compressor to enhance machine life.	 FUEL FILTER/WATER SEPARATOR Removes water contamination to ensure clean fuel delivered to the engine.	 EDM FILTER Optimizes performance of the wire-cut machine system.	 OTHERS FILTER Blow by Gas Filters, Dielectric Fluids Filters, Dust Collectors, Gas Turbine Filters, HVAC Filters, etc.

Source : Company data

Figure 59: SMSM's radiator products

 ADR RADIATOR	 Copper Brass Radiator	 Copper Plastic Radiator
 All Aluminium Racing Radiator	 Aluminium Plastic Radiator	
 Radiator for Genset	 Heavy Equipment Radiator	

Source : Company data

Figure 60: HP product examples

 Monoque	 Telescopic Dump Truck
 8 x 4 Dump Truck	 Special Dump Truck

Source : Company data

Figure 61: SSP product examples



Source : Company data



Figure 62: SMSM board of commissioners and directors

BOARD OF COMMISSIONERS		
Name	Position	Education and Career
Surja Hartono	President Commissioner	An Indonesian citizen, born in 1972. Mr. Hartono was appointed as President Commissioner of the Company in May 2017. He joined the ADR Group of Companies in 1994 and currently serves as Director of PT Adrindo Intiperkasa, PT Adrindo Intisarana, and President Commissioners PT Hydraxle Perkasa, President Commissioners PT Prapat Tunggal Cipta and President Commissioners PT Selamat Sempurna Perkasa. He previously worked for Harrison Delphi, Lockport NW, USA, and Factory Manager of the Company (1998-2002). He graduated with a bachelor degree from California State University Long Beach, USA in the year 1994 and Master of Management from Institute Pendidikan Pengembangan Manajemen, Jakarta in year 1996.
Handi Hidayat Suwardi	Independent Commissioner	An Indonesian citizen, born in 1945. Mr. Hidayat was appointed Independent Commissioner of the Company in November 2006. He is a former Sales Manager of PT Buwono Intracon, Director of The Company (1983-2000) and Commissioner of The Company (2000-2001). He holds a Diploma degree.
BOARD OF DIRECTORS		
Name	Position	Education and Career
Eddy Hartono	President Director	An Indonesian citizen, born in 1946. Mr. Hartono was appointed President Director of the Company in 1983. He is the founder of ADR Group of Companies and currently serves as President Director of PT Adrindo Intiperkasa, PT Adrindo Intisarana, PT Panata Jaya Mandiri and PT Hydraxle Perkasa. He graduated from Senior High School, Medan in 1964.
Ang Andri Pribadi	Finance Director	An Indonesian citizen, born in 1966. Mr. Pribadi was appointed as Director of the Company in April 2004. He joined the ADR Group of Companies in January 1998 and currently serves as CFO in ADR Group of Companies, Director of PT Hydraxle Perkasa, PT Prapat Tunggal Cipta and PT Selamat Sempurna Perkasa since November 2013 serves as President Commissioner of PT Greenwood Sejahtera Tbk. He is a former Internal Audit Manager and Deputy General Manager in Finance & Accounting of PT Sac Nusantara (1990-1997), Director and Corporate Secretary of PT Andhi Chandra Automotive Products Tbk (2003-2006) and Corporate Secretary of the Company (2003-2013). He graduated from Parahyangan Catholic University, Bandung in 1990 and Master of Management from University of Indonesia, Jakarta in 1992.
Rusman Salem	Marketing Director	An Indonesian citizen, born in 1971. Mr. Salem was appointed Director of the Company in June 2015. He joined the ADR Group of Companies in April 1998, he is a former Export Manager of the Company for year 2003-2009 and Factory Manager of the Company in Filtration Division for period January - June 2009. He rejoined the Company in September 2014 as Assistant Directors of Operation and currently serves as Director of PT Hydraxle Perkasa and PT Selamat Sempurna Perkasa. He graduated from Trisakti University, Jakarta majoring in Industrial Engineering in year 1994.
Lucas Aris Setyapranarka	Independent Director & Technical Director	An Indonesian citizen, born in 1961. Mr. Setyapranarka was appointed Director of the Company in June 2011. He joined the ADR Group of Companies in April 2002. He is a former General Manager of PT Indo Reco Asia dan PT IKU Furniture (1999-2002). He graduated from Academy of Industrial Engineering Techniques St Mikael, Solo in 1984.
Djojo Hartono	Operational Director	An Indonesian citizen, born in 1973. Mr. Hartono was appointed as Director of the Company in May 2017. He joined the ADR Group of Companies in 1998 and currently serves as Director of PT Adrindo Intiperkasa and PT Adrindo Intisarana, Commissioner of PT Hydraxle Perkasa, Commissioner of PT Selamat Sempurna Perkasa, and President Director of PT Agronusa Alam Perkasa and PT Propertindo Prima Perkasa. He is a former Financial Consultant Commodity Trading, Singapore (1999-2000), Director of PT Andhi Chandra automotive Products Tbk (2000-2006) and Commissioner of the Company (2006-2008). He hold BSc Accounting & Financial Management, UK in 1996 and Post Graduate Diploma in Financial Service Management, UK in 1998.

Source : Company data

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Model updated: 30 April 2019

Running the numbers

Asia
Indonesia
Automobiles & Components

Selamat Sempurna

Reuters: SMSM.JK Bloomberg: SMSM IJ

Buy

Price (30 Apr 19) IDR 1,500.0
Target Price IDR 1,900.0
52 Week range IDR 1,213 - 1,775
Market cap (m) IDRm 8,638.0
USDm 608.3

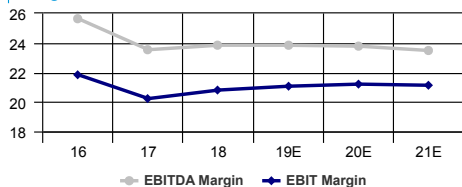
Company Profile

The largest filter manufacturer in the region with overall businesses including filter, trading, radiator, and body maker-tank and dump truck. Majority of sales come from recurring aftermarket segment with export presence in 120 countries.

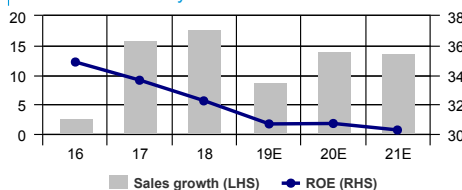
Price Performance



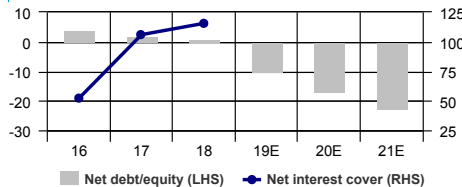
Margin Trends



Growth & Profitability



Solvency



Ryan Daniel

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Fiscal year end 31-Dec	2016	2017	2018	2019E	2020E	2021E
DB EPS (IDR)	78.64	86.73	96.71	106.73	123.44	140.75
Reported EPS (IDR)	78.64	86.73	96.71	106.73	123.44	140.75
DPS (IDR)	46.25	52.00	57.98	63.99	74.01	84.39
BVPS (IDR)	239.2	276.4	323.5	372.3	431.7	498.5
Weighted average shares (m)	5,759	5,759	5,759	5,759	5,759	5,759
Average market cap (IDRbn)	5,792	6,134	7,787	8,638	8,638	8,638
Enterprise value (IDRbn)	6,036	6,381	8,046	8,701	8,551	8,372

Valuation Metrics

P/E (DB) (x)	12.8	12.3	14.0	14.1	12.2	10.7
P/E (Reported) (x)	12.8	12.3	14.0	14.1	12.2	10.7
P/BV (x)	3.79	4.38	4.33	4.03	3.47	3.01
FCF Yield (%)	7.9	5.9	4.8	7.1	7.1	8.3
Dividend Yield (%)	4.6	4.9	4.3	4.3	4.9	5.6
EV/Sales (x)	2.1	1.9	2.0	2.0	1.8	1.5
EV/EBITDA (x)	8.2	8.1	8.6	8.5	7.4	6.4
EV/EBIT (x)	9.6	9.4	9.8	9.7	8.3	7.2

Income Statement (IDRbn)

Sales revenue	2,880	3,340	3,933	4,274	4,871	5,534
Gross profit	934	1,007	1,193	1,306	1,495	1,695
EBITDA	738	786	938	1,019	1,158	1,300
Depreciation	109	111	120	119	125	130
Amortisation	0	0	0	0	0	0
EBIT	629	676	818	900	1,033	1,169
Net interest income/(expense)	-12	-6	-7	4	14	25
Associates/affiliates	2	4	3	3	3	3
Exceptionals/extraordinaries	0	0	0	0	0	0
Other pre-tax income/(expense)	39	47	13	0	0	0
Profit before tax	658	721	828	908	1,050	1,198
Income tax expense	156	165	195	209	242	275
Minorities	49	56	77	85	98	112
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	453	499	557	615	711	811
DB adjustments (including dilution)	0	0	0	0	0	0
DB Net profit	453	499	557	615	711	811

Cash Flow (IDRbn)

Cash flow from operations	523	427	510	711	713	813
Net Capex	-65	-63	-138	-100	-100	-100
Free cash flow	458	365	372	611	613	713
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	-281	-288	-299	-334	-369	-426
Net inc/(dec) in borrowings	-157	-51	-16	0	0	0
Other investing/financing cash flows	-47	-51	-61	0	0	0
Net cash flow	-26	-26	-4	277	244	287
Change in working capital	-68	-186	-228	-103	-218	-236

Balance Sheet (IDRbn)

Cash and other liquid assets	97	71	67	344	588	875
Tangible fixed assets	658	684	749	730	705	675
Goodwill/intangible assets	0	0	0	0	0	0
Associates/investments	20	24	51	55	58	62
Other assets	1,480	1,665	1,934	2,086	2,376	2,699
Total assets	2,255	2,443	2,801	3,216	3,727	4,311
Interest bearing debt	157	106	90	90	90	90
Other liabilities	518	509	561	610	682	770
Total liabilities	675	615	651	700	772	859
Shareholders' equity	1,378	1,592	1,863	2,144	2,486	2,871
Minorities	202	236	287	372	469	581
Total shareholders' equity	1,580	1,828	2,150	2,516	2,956	3,452
Net debt	61	35	23	-254	-499	-785

Key Company Metrics

Sales growth (%)	2.7	16.0	17.8	8.7	14.0	13.6
DB EPS growth (%)	5.9	10.3	11.5	10.4	15.7	14.0
EBITDA Margin (%)	25.6	23.5	23.8	23.8	23.8	23.5
EBIT Margin (%)	21.8	20.2	20.8	21.1	21.2	21.1
Payout ratio (%)	58.8	60.0	60.0	60.0	60.0	60.0
ROE (%)	34.9	33.6	32.2	30.7	30.7	30.3
Capex/sales (%)	2.5	2.0	3.6	2.3	2.1	1.8
Capex/depreciation (x)	0.7	0.6	1.2	0.8	0.8	0.8
Net debt/equity (%)	3.8	1.9	1.1	-10.1	-16.9	-22.8
Net interest cover (x)	52.3	106.1	115.6	nm	nm	nm

Source: Company data, Deutsche Bank estimates

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Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Selamat Sempurna	SMSM.JK	1500.0 (IDR) 30 Apr 2019	11

*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <https://research.db.com/Research/Disclosures/CompanySearch>. Aside from within this report, important risk and conflict disclosures can also be found at <https://research.db.com/Research/Topics/Equities/TopicId=RB0002>. Investors are strongly encouraged to review this information before investing.

Important Disclosures Required by U.S. Regulators

Disclosures marked with an asterisk may also be required by at least one jurisdiction in addition to the United States. See Important Disclosures Required by Non-US Regulators and Explanatory Notes.

Important Disclosures Required by Non-U.S. Regulators

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Special Disclosures

- PT Deutsche Verdhana Sekuritas Indonesia Analyst(s) do not receive any direct compensation for their recommendation or views but may receive compensation based on the profitability of PT Deutsche Verdhana Sekuritas Indonesia.

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Analyst Certification

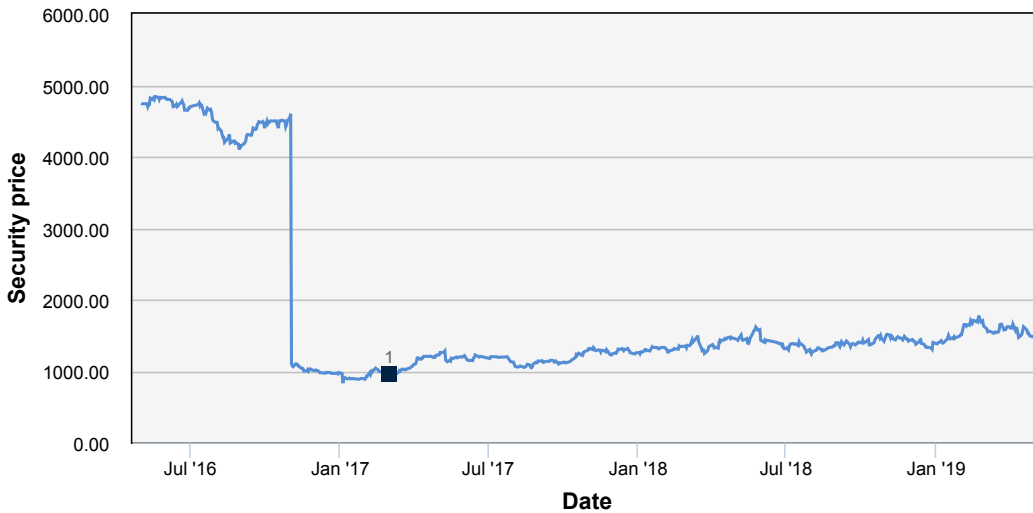
The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Ryan Daniel.

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Historical recommendations and target price: Selamat Sempurna (SMSM.JK)

(as of 04/30/2019)



Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

** Analyst is no longer at Deutsche Bank

- 03/03/2017 Hold, Target Price Change IDR 1120.00 Ryan Daniel

Equity Rating Key

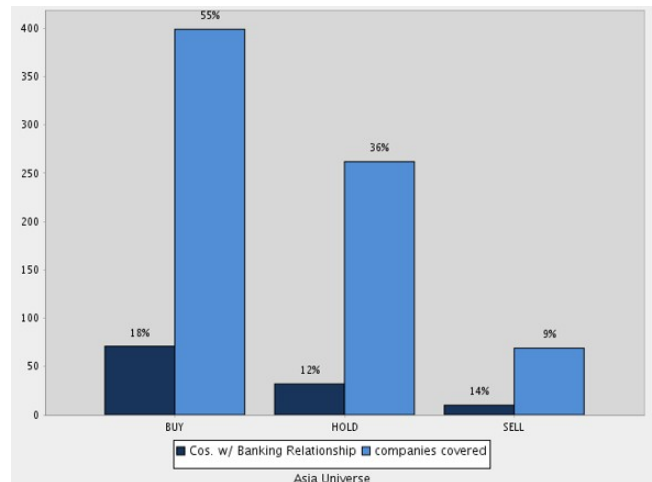
Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield) , we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock.

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Newly issued research recommendations and target prices supersede previously published research.

Equity rating dispersion and banking relationships



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