

## Selamat Sempurna (SMSM IJ)

3 August 2015

## Results Note

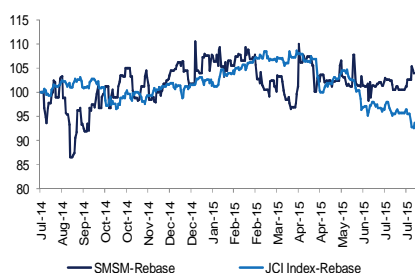
**HOLD** (Unchanged)

## StockData

Target price (Rp)	Rp5,350
Prior TP (Rp)	5,350
Shareprice (Rp)	Rp4,725
Upside/downside (%)	+13.2
Sharesoutstanding (m)	1,440
Marketcap. (US\$ m)	505
Free float (%)	15.8
Avg. 6m dailyT/O (US\$ m)	0.1

## Price Performance

	3M	6M	12M
Absolute (%)	1.8	-1.6	7.4
Relative to JCI (%)	9.2	8.4	13.4
52whigh/low (Rp)	4,725 - 3,935		



## Major Shareholders

AdrindoIntiperkasa	58.1%
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## Estimate Change; Vs. Consensus

	FY15	FY16
Latest EPS (Rp)	299	350
Vs. Prior EPS (%)	-	-
Vs. Consensus (%)	281	323

Source: Bloomberg

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## Stable performance in export

- Bottom line up 8% from non-operating items
- Flattish operational performance
- Recent acquisition yet to be reflected in financials
- Maintain Hold, result less exciting

**Net income up 8% yoy.** Selamat Sempurna booked net income of Rp204bn, up 8.0% yoy in 1H15, which was mainly supported by other income that more than doubled to Rp26bn. We think such additional income is not sustainable. Overall, the result was slightly below our expectation but in line with consensus.

**Stable revenue as well as profitability.** Total revenue was relatively flat at Rp1.3tn in 1H15 as global demand remains mixed. Export remains the main market for Selamat Sempurna. Sales to Asia and US regions grew 12.6% yoy and 9.2% yoy, respectively, but were offset by lower sales in EU -23.5% yoy and Australia -11.2% yoy, resulting in flattish export revenue. Demand from the local market also fell 5.4% as automotive experienced negative growth. Since 70% of total sales was derived from the export market, Selamat Sempurna gained slightly on a weaker Rupiah. As a result, GPM was relatively stable at 28.4% and OPM at 19.8% in 1H15.

**Acquisition of Bradke yet to be included.** Recently, Selamat Sempurna acquired a Malaysian filter company, Bradke Synergies SdnBhd, for an acquisition cost of Rp220bn for 100% ownership. The deal was closed as of 30<sup>th</sup> Jun15. The financial results will be consolidated to Selamat Sempurna starting 1 Jul15. According to Selamat Sempurna, Bradke was able to book net profit of MYR3m in 1H15 or equivalent to Rp10.6bn. If we annualize the earnings, the acquisition is done at a PER multiple of 10.4x. This acquisition should be earnings enhancing, since Selamat Sempurna is currently trading at PER of 15.8x in FY15. Post-acquisition, the consolidated net income should increase net profit by 2.5% in FY15 and 5% in FY16.

**Maintain Hold.** We view the result of Selamat Sempurna as less exciting, but despite that, the company has been able to absorb the negative shock globally and domestically. Nevertheless, the company was not able to maximize the weaker Rupiah to improve its performance. The recent acquisition is reasonable but we have to see whether any synergies emerge. The company continues to be well-managed with net gearing only at 15%. Therefore, we reiterate our Hold call on the counter.

Year To 31 Dec	2013A	2014A	2015F	2016F	2017F
Revenue(RpBn)	2,373	2,633	2,952	3,338	3,741
EBITDA(RpBn)	524	656	706	805	907
EBITDA Growth (%)	3.8	25.3	7.5	14.1	12.6
Net Profit(RpBn)	308	390	430	505	584
EPS (Rp)	214	271	299	350	406
EPS Growth (%)	40.6	26.7	10.2	17.3	15.8
Net Gearing (%)	23.2	16.0	(4.0)	(16.3)	(26.7)
PER (x)	22.1	17.4	15.8	13.5	11.6
PBV (x)	6.8	5.9	4.8	4.0	3.3
Dividend Yield (%)	2.4	2.9	2.8	3.3	3.9
EV/EBITDA (x)	12.5	10.1	9.7	8.8	8.1

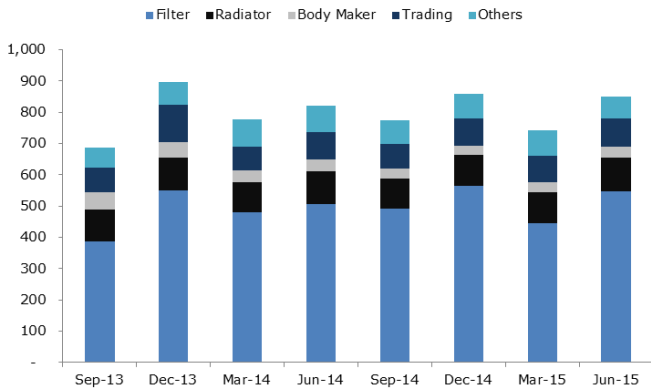
Source : SMSM, IndoPremier

Share Price Closing as of : 31-July-2015

Refer to Important disclosures on the last of this report

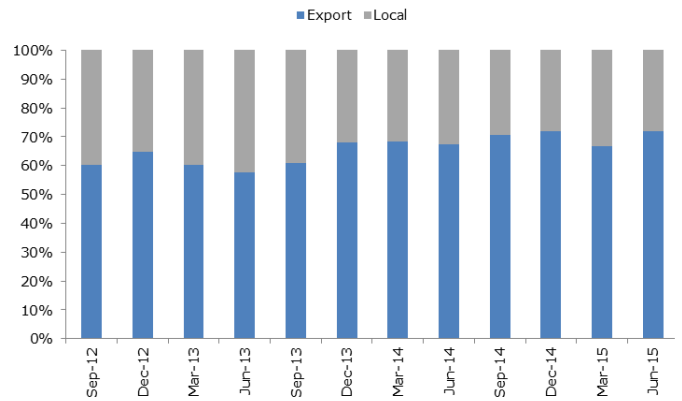
# SMSM Results Note

**Fig. 1: Quarterly sales contribution by products**



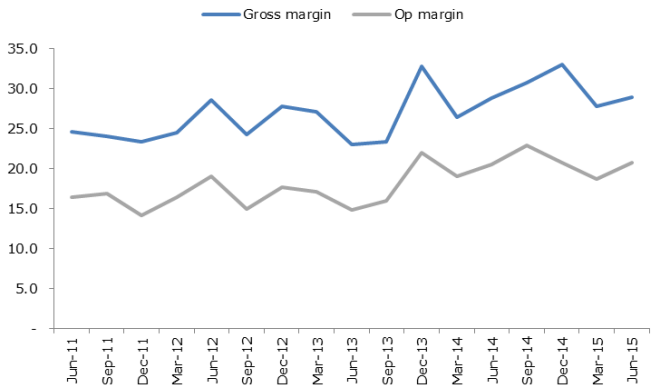
Source: SMSM

**Fig. 2: Export vs local revenue contribution**



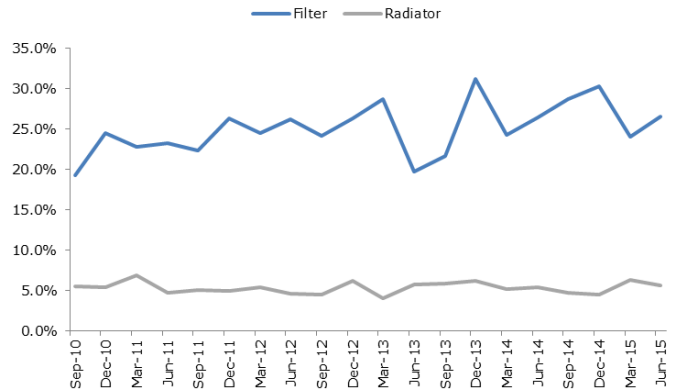
Source: SMS

**Fig. 3: Gross and op margin**



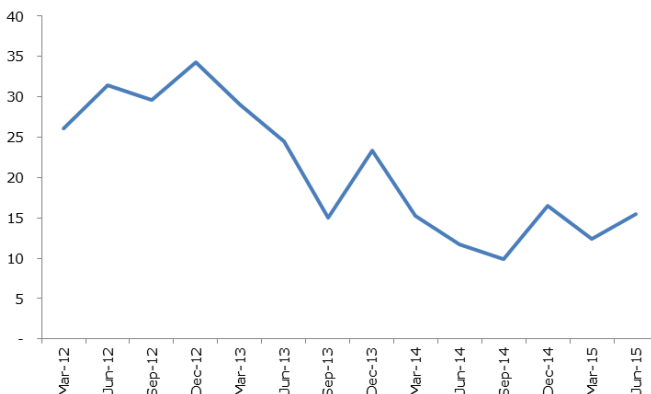
Source: SMSM

**Fig. 4: Gross margin of filter and radiator**



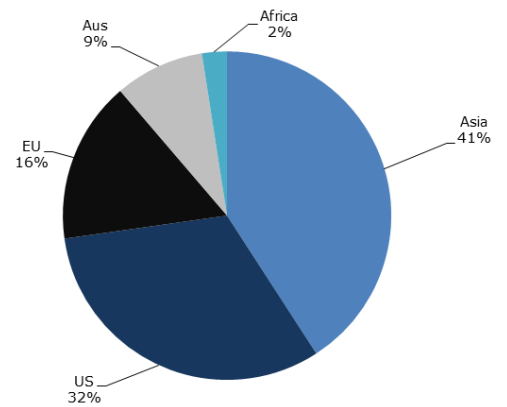
Source: SMSM

**Fig. 5: Sound balance with low net gearing (%)**



Source: SMSM

**Fig. 6: Export destination**



Source: SMSM

## SMSM Results Note

**Fig7: 1H15 result highlights**

(Rp bn)	<b>1H15</b>	<b>1H14</b>	+/- %	<b>2Q15</b>	<b>1Q15</b>	+/- %	<b>FY15 F</b>	<b>% of forecast</b>
Revenue	1,289	1,296	(0.5)	692	597	16.0	2,952	43.7%
Gross profit	366	358	2.2	200	166	20.4	851	43.0%
Op Profit	256	257	(0.4)	144	112	28.7	587	43.6%
Pre tax income	273	253	8.0	170	104	63.7	580	47.1%
Net income	204	188	8.4	130	74	74.6	453	45.1%
GPM	28.4	27.6		28.9	27.8		28.8	
OPM	19.8	19.8		20.8	18.7		19.9	
NPM	15.8	14.5		18.7	12.5		19.7	

Source : SMSM, IndoPremier

## SMSM Results Note

Year To 31 Dec (RpBn)	2013A	2014A	2015F	2016F	2017F
<b>Income Statement</b>					
Net Revenue	2,373	2,633	2,952	3,338	3,741
Cost of Sales	(1,735)	(1,848)	(2,100)	(2,366)	(2,643)
Gross Profit	638	785	851	973	1,099
SG&A Expenses	(216)	(237)	(264)	(292)	(324)
Operating Profit	421	548	587	680	775
Net Interest	(27)	(24)	(7)	1	13
Forex Gain (Loss)	0	0	0	0	0
Others-Net	64	17	0	0	0
Pre-Tax Income	459	541	580	681	788
Income Tax	(108)	(120)	(128)	(150)	(173)
Minorities	(30)	(30)	(23)	(27)	(31)
Net Income	308	390	430	505	584
<b>Balance Sheet</b>					
Cash & Equivalent	93	76	157	379	651
Receivable	561	575	607	687	770
Inventory	398	432	460	519	579
Other Current Assets	45	51	57	65	73
Total Current Assets	1,097	1,134	1,282	1,649	2,073
Fixed Assets - Net	492	493	475	450	418
Goodwill	0	0	0	0	0
Non Current Assets	70	74	74	74	74
Total Assets	1,701	1,749	1,880	2,222	2,614
ST Loans	146	132	0	0	0
Payable	164	152	0	194	217
Other Payables	122	101	108	122	136
Current Portion of LT Loans	66	127	0	0	0
Total Current Liab.	498	513	281	316	353
Long Term Loans	115	0	101	101	101
Other LT Liab.	82	89	92	95	98
Total Liabilities	694	603	474	512	552
Equity	193	194	194	194	194
Retained Earnings	644	811	1,048	1,325	1,647
Minority Interest	169	142	164	191	222
Total SHE + Minority Int.	1,007	1,147	1,406	1,710	2,062
Total Liabilities & Equity	1,701	1,749	1,880	2,222	2,614

Source : SMSM, IndoPremier

## SMSM Results Note

Year to 31 Dec	2013A	2014A	2015F	2016F	2017F
<b>Cash Flow</b>					
Net Income (Excl.Extraordinary&Min.Int)	338	420	453	531	615
Depr. & Amortization	103	102	118	125	131
Changes in Working Capital	3	(77)	(36)	(112)	(117)
Others	2	(6)	(12)	(29)	(39)
Cash Flow From Operating	458	441	522	515	591
Capital Expenditure	(133)	(107)	(100)	(100)	(100)
Others	2	6	6	14	26
Cash Flow From Investing	(131)	(101)	(94)	(86)	(74)
Loans	(54)	(68)	(158)	0	0
Equity	7	0	0	0	0
Dividends	(166)	(195)	(193)	(227)	(263)
Others	(126)	(56)	9	13	18
Cash Flow From Financing	(339)	(318)	(342)	(214)	(245)
Changes in Cash	(12)	22	86	215	272
<b>Financial Ratios</b>					
Gross Margin (%)	26.9	29.8	28.8	29.1	29.4
Operating Margin (%)	17.8	20.8	19.9	20.4	20.7
Pre-Tax Margin (%)	19.3	20.6	19.7	20.4	21.1
Net Margin (%)	13.0	14.8	14.6	15.1	15.6
ROA (%)	18.9	22.6	23.7	24.6	24.2
ROE (%)	32.1	36.2	33.7	32.4	31.0
ROIC (%)	28.4	32.5	32.2	35.0	34.3
Acct. Receivables TO (days)	78.8	78.5	73.0	70.7	71.0
Acct. Receivables - Other TO (days)	0.4	0.2	0.1	0.1	0.1
Inventory TO (days)	4.2	4.5	4.7	4.8	4.8
Payable TO (days)	27.5	31.2	28.2	28.3	28.4
Acct. Payables - Other TO (days)	0.8	0.6	0.7	0.7	0.7
Debt to Equity (%)	32.5	22.6	7.2	5.9	4.9
Interest Coverage Ratio (x)	0.1	0.1	0.0	0.0	0.0
Net Gearing (%)	23.2	16.0	(4.0)	(16.3)	(26.7)

Source : SMSM, IndoPremier

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### INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

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