

Selamat Sempurna (SMSM IJ)

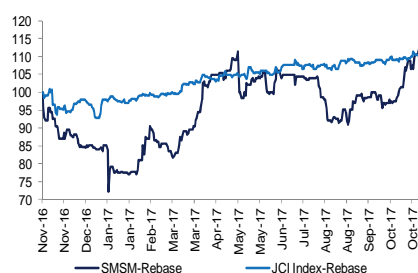
02 November 2017

Results Note

BUY (Unchanged)

StockData	
Target price (Rp)	Rp1,500
Prior TP (Rp)	1,370
Shareprice (Rp)	Rp1,310
Upside/downside (%)	+14.5
Sharesoutstanding (m)	5,759
Marketcap. (US\$ m)	539
Free float (%)	15.8
Avg. 6m dailyT/O (US\$ m)	0.1

Price Performance			
	3M	6M	12M
Absolute (%)	19.8	1.2	15.5
Relative to JCI (%)	15.3	-5.0	5.1
52whigh/low (Rp)	1,310 - 830		



Major Shareholders	
Adrindo Intiperkasa	58.1%

Estimate Change; Vs. Consensus		
	2017F	2018F
Latest EPS (Rp)	82	88
Vs. Prior EPS (%)	-	-
Vs. Consensus (%)	-	-

Source: Bloomberg

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Supported by topline growth

- **Strong revenue growth of 20.7% qoq**
- **Maintaining similar financial discipline**
- **...but with slight pressure on margins**
- **Maintain Buy as we rolled over to FY18 TP of Rp1,500**

Result was inline with expectation. Selamat Sempurna booked net income of Rp347bn (+5.6% yoy), which was inline with our expectation driven by strong topline growth of 16.6% yoy to Rp2.4tn. However, good momentum growth was negated by lower gross margin to 29.2% in 9M17 and 28.9% in 3Q17. Nevertheless, SMSM posted strong revenue growth of 20.7% qoq in 3Q17 driven by almost all segments. Revenue from filtration products grew 20.9% qoq, while trading revenue increased 15.0% qoq. These are the two largest contributors to the company, accounting about 78% of total revenue. Strong recovery also came from bodymaker division with growth of 40.7% qoq, despite its small contribution.

Healthy balance sheet to support dividends. SMSM is among the few companies that distribute quarterly dividends. The company decided to distribute third dividend of FY17 of Rp15 per share (1.1% yield) with ex-dividend date on 8 Nov 17. The company's balance sheet is in healthy state with net gearing only of 3%. During our last meeting, the company will also maintain its capex at around Rp150bn. We feel that SMSM has been able to sustain similar financial discipline over the years allowing the company to distribute quarterly dividends.

Margin slightly under pressure. The consolidated gross margin of SMSM was at 39.7% in 3Q17, compared to gross margin of 40.1% in 2Q17 and 42.7% in FY16. This was caused by weaker margin from filtration products with gross margin of 22.8% in 3Q17 vs 25.0% in 2Q17 and 27.8% in FY16. Increase of raw materials, especially steel and aluminum price, was the main cause for margin contraction. Price of various steel types increased between 29-34%, while aluminum price hiked 16.3%. We expect the company to gradually increase ASP to compensate price increase. We also see that the company will balance between ASP hike and market share as markets remained competitive.

Maintain Buy, with rolled over FY18 TP Rp1,500. We expect that SMSM will gradually restore its margin due to raw materials cost increase. Furthermore, we see that SMSM experience strong growth in 3Q17, which is likely to sustain in the coming quarters. We have upgraded our TP to Rp1,500 by rolling over to FY18, which reflects PER FY17-18 of 18.3-17.1x and EV/EBITDA FY17-18 of 11.3-10.4x. On this basis, we maintain our Buy recommendation on the counter.

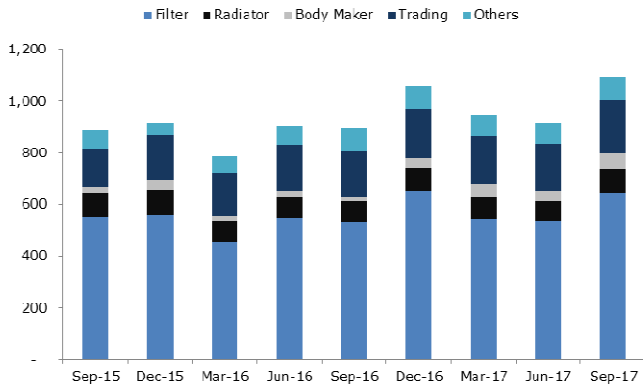
Year To 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (RpBn)	2,803	2,880	3,109	3,365	3,647
EBITDA (RpBn)	694	740	758	806	917
EBITDA Growth (%)	5.7	6.7	2.5	6.2	13.8
Net Profit (RpBn)	428	453	473	506	596
EPS (Rp)	74	79	82	88	104
EPS Growth (%)	9.6	5.9	4.4	7.1	17.7
Net Gearing (%)	13.2	3.8	(2.6)	(12.2)	(22.1)
PER (x)	17.6	16.7	16.0	14.9	12.7
PBV (x)	5.2	4.8	4.0	3.4	2.9
Dividend Yield (%)	1.0	2.8	2.8	3.0	3.6
EV/EBITDA (x)	11.1	10.3	9.9	9.0	7.6

Source: SMSM, IndoPremier

Share Price Closing as of : 1-November-2017

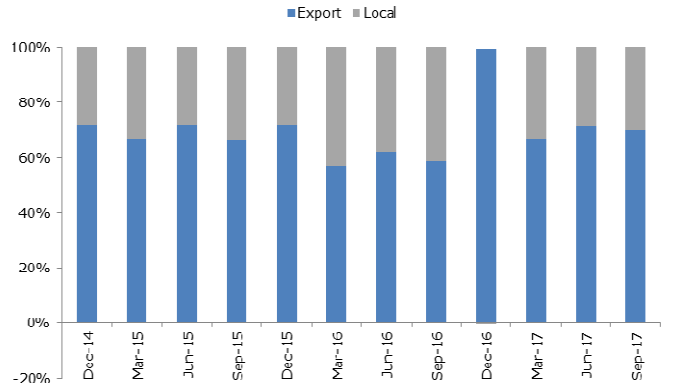
SMSM Results Note

Fig. 1: Quarterly revenue breakdown by products



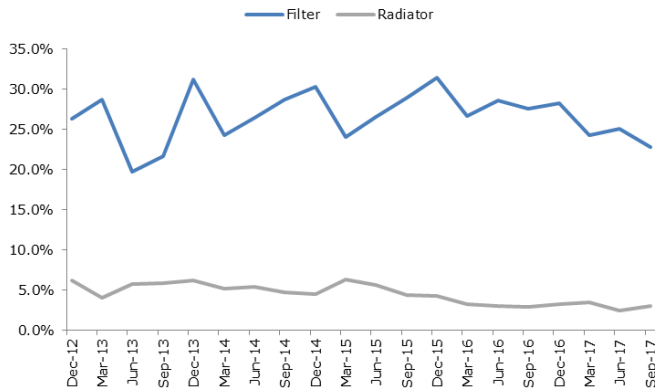
Source: SMSM

Fig. 2: Quarterly revenue by destination



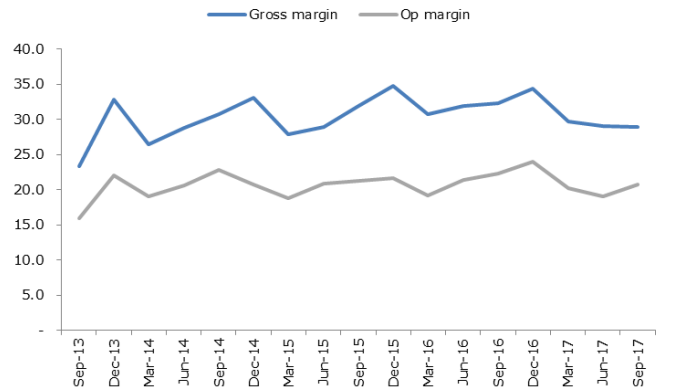
Source: SMSM

Fig. 3: Quarterly gross margin by product



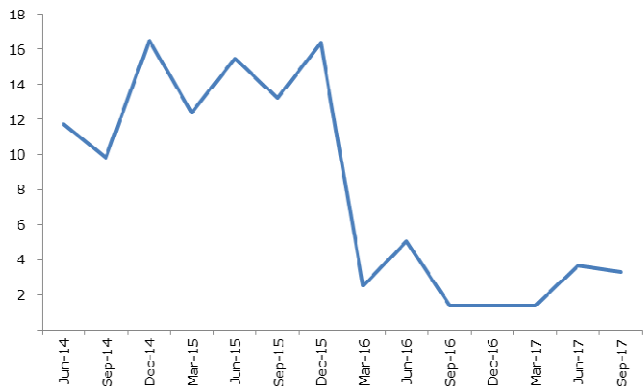
Source: SMSM

Fig. 4: Consolidated gross and operating margin



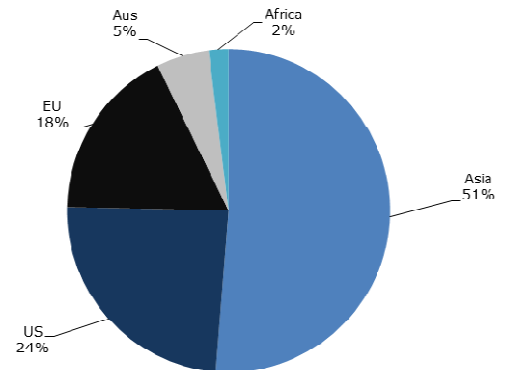
Source: SMSM

Fig. 5: Net gearing (%)



Source: SMSM

Fig. 6: Export destination



Source: SMSM

SMSM Results Note

Fig 7: 9M17 result highlights (Rp bn)

	9M17	9M16	+/- %	3Q17	2Q17	+/- %	FY17F	% of forecast
Revenue	2,383	2,044	16.6	889	737	20.7	3,109	76.7%
Gross profit	696	647	7.5	257	214	19.9	969	71.8%
Op Profit	478	429	11.4	185	140	31.5	637	75.0%
Pre tax income	508	464	9.4	196	148	32.4	672	75.6%
Net income	347	328	5.6	134	100	33.5	473	73.3%
GPM	29.2	31.7		28.9	29.1		31.2	
OPM	20.0	21.0		20.8	19.1		20.5	
NPM	14.5	16.1		15.1	13.6		21.6	

Source: SMSM, IndoPremier

SMSM Results Note

Year To 31 Dec (RpBn)	2015A	2016A	2017F	2018F	2019F
Income Statement					
Net Revenue	2,803	2,880	3,109	3,365	3,647
Cost of Sales	(1,933)	(1,946)	(2,140)	(2,330)	(2,479)
Gross Profit	870	934	969	1,035	1,168
SG&A Expenses	(289)	(305)	(332)	(360)	(391)
Operating Profit	581	629	637	674	777
Net Interest	(21)	(12)	(7)	1	24
Forex Gain (Loss)	0	0	0	0	0
Others-Net	24	41	42	45	47
Pre-Tax Income	584	658	672	720	848
Income Tax	(122)	(156)	(148)	(158)	(187)
Minorities	(34)	(49)	(51)	(55)	(65)
Net Income	428	453	473	506	596
Balance Sheet					
Cash & Equivalent	123	97	151	349	578
Receivable	614	738	797	862	935
Inventory	561	555	611	665	707
Other Current Assets	71	65	70	75	82
Total Current Assets	1,369	1,454	1,628	1,952	2,302
Fixed Assets - Net	715	658	687	706	696
Goodwill	0	0	0	0	0
Non Current Assets	70	87	87	87	87
Total Assets	2,220	2,255	2,457	2,800	3,140
ST Loans	77	105	0	0	0
Payable	177	246	0	192	204
Other Payables	143	118	130	142	151
Current Portion of LT Loans	141	10	0	0	0
Total Current Liab.	538	479	306	333	354
Long Term Loans	95	42	101	78	0
Other LT Liab.	147	154	158	163	168
Total Liabilities	780	675	565	574	522
Equity	194	194	194	194	194
Retained Earnings	1,026	1,184	1,444	1,723	2,051
Minority Interest	220	202	254	309	374
Total SHE + Minority Int.	1,440	1,580	1,892	2,225	2,618
Total Liabilities & Equity	2,220	2,255	2,457	2,800	3,140

Source: SMSM, IndoPremier

SMSM Results Note

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Cash Flow					
Net Income (Excl.Extraordinary&Min.Int)	461	502	524	562	661
Depr. & Amortization	96	92	121	131	140
Changes in Working Capital	(81)	(98)	(179)	(100)	(100)
Others	(12)	(7)	(38)	(50)	(84)
Cash Flow From Operating	464	490	428	543	618
Capital Expenditure	(314)	(53)	(150)	(150)	(130)
Others	7	16	6	13	24
Cash Flow From Investing	(307)	(38)	(144)	(137)	(106)
Loans	54	(157)	(56)	(23)	(78)
Equity	0	0	0	0	0
Dividends	(72)	(209)	(213)	(228)	(268)
Others	53	(34)	38	43	65
Cash Flow From Financing	35	(399)	(230)	(207)	(282)
Changes in Cash	192	54	54	199	229
Financial Ratios					
Gross Margin (%)	31.0	32.4	31.2	30.8	32.0
Operating Margin (%)	20.7	21.8	20.5	20.0	21.3
Pre-Tax Margin (%)	20.8	22.9	21.6	21.4	23.2
Net Margin (%)	15.3	15.7	15.2	15.1	16.4
ROA (%)	21.5	20.2	20.1	19.3	20.1
ROE (%)	33.1	30.0	27.2	24.6	24.6
ROIC (%)	29.9	29.7	29.3	27.8	29.2
Acct. Receivables TO (days)	76.4	84.2	88.9	88.8	88.7
Acct. Receivables - Other TO (days)	1.0	1.5	1.2	1.2	1.2
Inventory TO (days)	3.9	3.5	3.7	3.7	3.6
Payable TO (days)	31.1	39.6	36.0	28.8	29.1
Acct. Payables - Other TO (days)	5.1	5.6	1.8	1.8	1.8
Debt to Equity (%)	21.8	9.9	5.4	3.5	0.0
Interest Coverage Ratio (x)	0.0	0.0	0.0	0.0	0.0
Net Gearing (%)	13.2	3.8	(2.6)	(12.2)	(22.1)

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

ANALYSTS CERTIFICATION.

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