Earnings Flash

PT Selamat Sempurna Tbk

Benefit from Currency

October 31, 2013

BUY

Price (Oct 30th) : IDR 2,800
Target Price : IDR 3,625 (+29.5%)
Reuters/Bloomberg : SMSM.JK/SMSM.IJ
Sector : Automotive Parts

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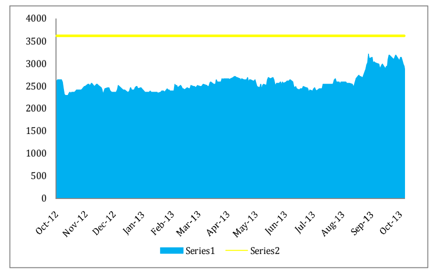


In line with our seasonality expectation, we saw 3Q13 revenue of SMSM grew by only 0.2% yoy and reached 65% of our FY13 estimates. Net profit up 2.2% yoy and 27.3% qoq (72% of our estimates), showing better profitability in than previous quarter through extraordinary forex gain. We maintain our 12m target price of IDR 3,625 based on our expectation of sales push in Q4 and new balance on IDR which will give positive impact on bottom line.

⇒ Weak Hydraxle offset by new acquisitions

Soft earnings contribution from Hydraxle remained the major factor which dragged SMSM growth on 3Q13, with a decline of 32% and 58% on both revenue and net profit. Solid performance of newly-acquired company in 1H13 (PTC and SSP) however, proved to be a positive impact on SMSM performance. Combined results of these two have already reflected 20.3% of total revenue and 9.5% of net profit in addition to 60.9% and 69.4% yoy growth from still-strong distribution and rubber-related products sales.

⇒ Price hike momentum

Increased cost in the first half prompt a rise in price around 8% ytd and results can be seen from revenue in 3Q13 which can be maintained at acceptable level despite slightly lower unit sales. Even with price increase, SMSM profitability kept trimmed by 200bp yoy to 24% after cost grew a bit faster (+2.4% yoy).

⇒ Bottom line inflated as IDR weakened

Export made up to 60% of total revenue by 3Q13 and gave edge to SMSM as IDR decline to 11,000-12,000/USD level in the last 3 months. Gain from foreign exchange swelled by almost fourfold to IDR 38 bil and allowed NPAT grew 2.2% yoy (+27% qoq) compared to a decline of 15.8% in 1H13.

⇒ Forecast intact; expecting Q4 seasonality

We maintain our previous estimates of FY13E NPAT and EPS to be IDR 294 bil and IDR 204/share (+9.5% yoy), especially due to price raise and significant forex gain from exports. We also took revenue seasonality and new acquisitions into consideration which we believe will aid SMSM to achieve our initial revenue target of IDR 2,540 bil in 4Q13

Key Metrics	2010	2011	2012	2013E	2014E	2015E
Revenue (IDR bn)	1,562	1,808	2,164	2,540	2,835	3,064
Operating Profit (IDR bn)	228	297	363	387	431	468
Net Profit (IDR bn)	165	219	269	294	329	364
BVPS (IDR)	395	466	570	665	724	777
EPS (IDR)	115	152	187	204	228	253
EPS Gth (%)	*15.4%*	*33.0%*	*22.4%*	*9.5%*	*11.7%*	*10.7%*
DPS (IDR)	95	100	105	123	137	152
Div. Yield	8.9%	7.4%	4.3%	3.4%	3.8%	4.2%
ROE (%)	29.6%	35.4%	36.0%	33.1%	32.9%	33.7%
ROA (%)	16.4%	19.9%	20.8%	19.8%	21.3%	23.1%
P/S (X)	1.0	1.1	1.6	2.1	1.8	1.7
P/E (X)	9.3	8.9	13.0	17.7	15.9	14.3
P/B (X)	2.7	2.9	4.3	5.5	5.0	4.7
PEG (X)	0.6	0.3	0.6	1.9	1.4	1.3

Source: Company, MCI Research, Bloomberg

Company Description:

PT Selamat Sempurna Tbk. was established on Jan 19th, 1976 as automotive division of ADR group and currently plays as a major and one of the biggest producer of automotive filters and radiators in Asia. Beside filters and radiators, the company also produces oil coolers, condensers, brake pipes, fuel pipes, fuel tanks, and exhaust systems. Selamat Sempurna underwent IPO on 1996 and employs more than 2,300 people today.

Stock Data

52-week Range (IDR)	2,250/3,300
Mkt Cap (IDR bn)	4,031
Beta	0.91
Avg Vol (IDR mn)	888.95
Shares Outstanding (mn)	1.440

Share Holders :

- PT Adrindo Intiperkasa 58.13%
- Public (<5%) 41.87%

Exhibit 1. Statement Overview

Quarterly Result	3Q13	3Q12	yoy	Q3 13	Q3 12	yoy	Q2 13	qoq
Revenue	1,659	1,656	0.2%	570	533	6.8%	616	-7.5%
COGS	(1,255)	(1,226)	2.4%	(433)	(403)	7.5%	(473)	-8.3%
Gross profit	404	430	-6.0%	136	130	4.8%	144	-5.1%
Operating Expense	(140)	(149)	-6.0%	(43)	(50)	-13.0%	(53)	-18.3%
EBIT	264	281	-5.9%	93	80	16.0%	91	2.6%
Interest Income	2	1	42.9%	1	1	60.0%	1	60.0%
Interest Expense	(22)	(23)	-3.6%	(7)	(9)	-19.8%	(7)	3.7%
EBT	272	266	2.2%	111	75	47.2%	88	25.7%
Tax	(61)	(60)	2.1%	(25)	(17)	44.4%	(20)	21.6%
Net Profit	211	206	2.2%	86	58	48.0%	68	27.0%

Source: Company, MCI Research

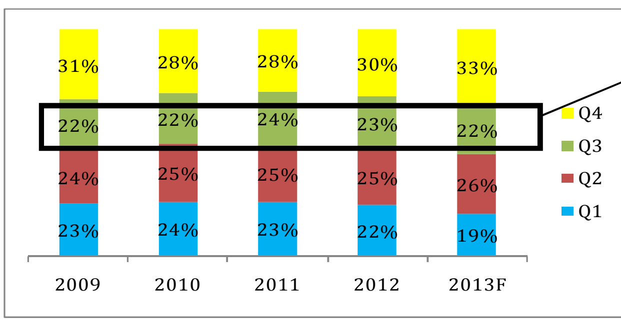
Exhibit 2. Performance Evaluation

Actual vs Estimate	3Q13	FY13E	% Acc
Revenue	1,659	2,540	65%
COGS	(1,255)	(1,937)	65%
Gross profit	404	603	67%
Operating Expense	(140)	(216)	65%
EBIT	264	387	68%
Net Profit	211	294	72%

Source: Company, MCI Research

Better than our estimate forex gain cause profit to reach up despite frequently weak sales in Q3

Exhibit 3. Revenue Seasonality



Source: Company, MCI Research

Historically weaker Q3 and revenue has been strong especially on Q4

Exhibit 4. Key Metrics

Actual vs Estimate	3Q13	FY13E	% Diff
Revenue gth	0.2%	17.4%	-17.2%
Net Profit gth	2.2%	9.5%	-7.3%
Asset Turnover	139.7%	171.3%	-31.6%
GPM	24.0%	23.7%	0.3%
OPM	15.9%	15.2%	0.7%
NPM	11.0%	11.6%	-0.6%
ROA	13.0%	19.8%	-6.8%
ROE	23.0%	33.1%	-10.1%
Debt to Asset	37.0%	37.2%	-0.2%
Debt to Equity	60.0%	59.3%	0.7%

Source: Company, MCI Research

Frail profitability due to revenue seasonality

Margins seemingly to be in line with FY13 estimate

ROE fell as earnings yet to be distributed as dividends

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