

# Selamat Sempurna

Sector: Automotive (Neutral)

# NOT RATED

Rating momentum\*: ↓

## Stifanus Sulisty

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Price: IDR1,930

Consensus TP: IDR2,389

TP momentum\*: ↑

JCI: 3,985

### Radiating growth

#### Resilience: Consistent double digit EPS growth in the last 5 years

- Our recent company visit to Selamat Sempurna (SMSM), Indonesia's largest domestic manufacturers of filters and radiators for automotive and heavy equipment units (exhibit 6), reveals lower price as its competitive advantage. Filters account for 70-75% of total revenue, followed by radiators at 20-23% with the remaining 2% from other spare parts.
- Exports account for 73% of SMSM's revenues with domestic exposure largest in filters (32% of total filter revenue) and only 3% of radiators are sold domestically. SMSM's biggest export markets are the US (15% of total revenue), Australia (7%) and Singapore (7%).
- The key to SMSM resilience is that 90% of its filters and radiators are sold to the replacement market, which is more resilient versus the OEM market. Testimony to this is SMSM's solid growth record. In 2007-11, the company booked EPS CAGR of 25% on 15% top line CAGR over the same period.
- Going forward, the company aims for 15-20% top line growth, helped by a combination of higher prices and increased volumes, which will be supported by greater efforts from their sales teams in finding new export markets (e.g. participating in various trade expo events around the world).
- On the balance sheet side, SMSM manages their capital mix by raising debt and paying high dividends (90% payout ratio). SMSM has a healthy financial position with 37% net gearing and high profitability as reflected by its 32% ROAE in 2011.

#### Acquisition of 49% of Hydraxle Perkasa

On 1 May, SMSM signed an agreement to acquire 49% stake in its sister company, Hydraxle Perkasa (HP), for IDR113b (USD12). The acquisition will be funded by debt at 7% rate. HP produces attachments for trucks (dump, tank etc.), of which 80% are sold to the mining industry and the rest to the plantation and construction sectors. In 2011, HP booked net profit of IDR22b, up 101% y-y, and targeting 51% y-y growth to IDR33b in 2012.

#### Outlook & valuation: Undemanding on 12x 2012 PE & 5%+ yield

SMSM has one of the highest dividend yields in the market given the company's generous dividend payout ratio in excess of 90% in the last three years. Assuming the company's estimated 15% growth can filter through to the bottom line, SMSM is currently trading on 2012PE of 12.0x with 7.5% yield. Amid current market volatility, we believe the company's status as a high dividend play can act as a safe haven for investors. Therefore, we expect SMSM to continue its market outperformance (exhibit 4) going forward. Key risks for SMSM would be exposures to foreign exchange fluctuations as well as overseas markets given the current sluggish global economic outlook.

#### Exhibit 1. Company information

Market cap (IDRb/USDm)	: 2,779/295
3M avg.daily t.o.(IDRb/USDm)	: 3.1/0.3
Bloomberg code	: SMSM IJ

#### Exhibit 2. Shareholders information

Adrindo Intiperkasa (%)	: 58.1
Management (%)	: 6.0
Free float (%)	: 35.9

Source: Bloomberg

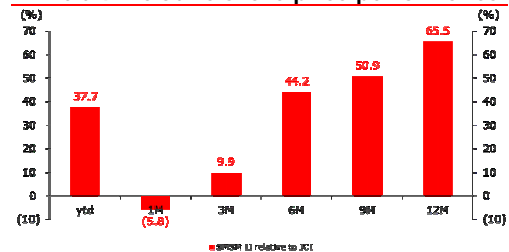
#### Exhibit 3. Historical performance

	2009	2010	2011	1Q12
Revenue (IDRb)	1,375	1,562	1,808	425
EBIT (IDRb)	190	228	297	72
Pretax profit	186	205	280	67
Net profit (IDRb)	133	150	201	48
EPS (IDRb)	92	104	140	33
EPS growth (%)	45.2	13.2	33.5	1.2
BVPS (IDR)	377	394	466	503
P/E (x)	20.9	18.5	13.8	14.4*
P/B (x)	5.1	4.9	4.1	3.8
EBIT Margin (%)	13.8	14.6	16.4	16.9
Net margin (%)	9.7	9.6	11.1	11.4

Source: Company, Bahana estimates

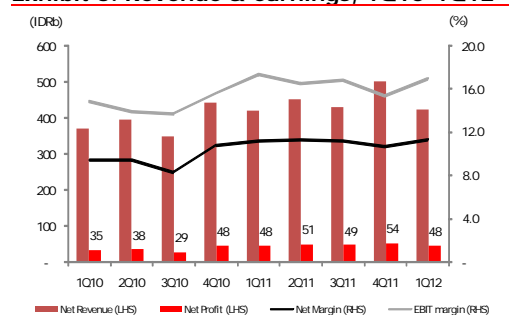
\*Annualized PE

#### Exhibit 4. Relative share price performance



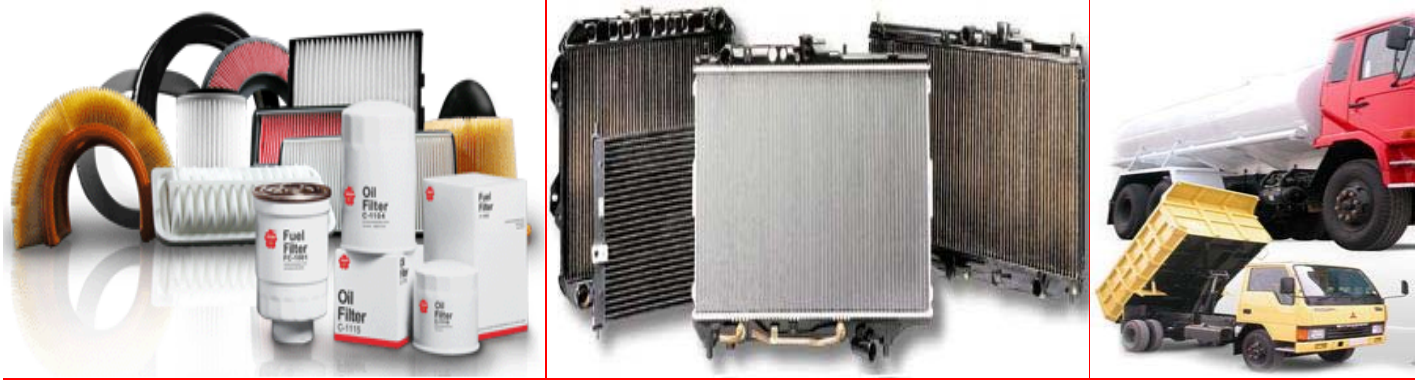
Source: Bloomberg

#### Exhibit 5. Revenue & earnings, 1Q10-1Q12



Source: Company

**Exhibit 6. SMSM products range: filters, radiators & attachments**



Source: Company



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