



Rating
Buy

Asia
Indonesia

Automobiles &
Components

Company
**Selamat Sempurna
Alert**

Reuters SMSGM.JK Bloomberg SMSGM IJ Exchange JKT Ticker SMSGM

Date
10 July 2013

Company Update

Price at 9 Jul 2013 (IDR)	2,450
Price target - 12mth (IDR)	2,950
52-week range (IDR)	2,725 - 1,891
Jakarta Comp. Index	4,403.80

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Stock data	
Market cap (IDRbn)	3,527
Market cap (USDm)	352
Shares outstanding (m)	1,439.7
Major shareholders	-
Free float (%)	42
Avg daily value traded (USDm)	0.000

Key data			
FYE 12/31	2011A	2012E	2013E
Sales (IDRbn)	1,808	1,930	2,383
Net Profit (IDRbn)	200.9	210.1	230.9
DB EPS (IDR)	139.52	145.92	160.38
PER (x)	7.8	16.8	15.3
Yield (net) (%)	12.0	3.9	4.3

Integrating with distributor company and materials supplier

PTC and SSP acquisition; earnings accretive

SMSGM recently acquired two related-party entities; 1) 99.9999998% of PT Prapat Tunggal Cipta (PTC), a company that distributes SMSGM's filter and radiator products in Indonesia (aftermarket sector), and 2) 99.9999998% of PT Selamat Sempana Perkasa (SSP), a company that produces rubber o-rings, rubber compounds, polyurethanes, and plastisol adhesives for automotive application. Almost all of SSP's products are currently consumed by SMSGM. Purchase price for PTC and SSP was Rp51bn and Rp45bn, respectively, for a total of c.Rp96bn, and implies a price to FY12 earnings ratio of 3.8x for PTC and 9.9x for SSP. We believe this acquisition is earnings accretive for SMSGM. The acquisition was funded by both debt and internal cash. Please see below table for pro-forma FY12 financials pre and post the transactions and acquisition multiple summary.

Expecting 2Q13 results to be better QoQ, albeit might still see YoY pressure

We expect SMSGM to post QoQ top-line growth in 2Q13, albeit YoY might still see some pressure – still largely due to Hydraxle. Our channel checks suggest that SMSGM's main products (filter and radiators) performed well in 2Q. For Hydraxle, the segment saw sales improvement in April and May, but it remains below the level achieved last year. Overall, however, we remain comfortable with our FY13F forecast. Note also that due to seasonality, SMSGM's sales and earnings are generally higher in 2H. Reiterate Buy.

Figure 1: PTC and SSP transaction summary

PT Prapat Tunggal Cipta (PTC)		SMSGM PRO-FORMA			FY12
			Pre-transaction	Post-transaction	
FY12 net profit (Rp bn)	13.2				
Acquisition cost (Rp bn)	50.6				
Implied P/E (x)	3.8				
PT Selamat Semapan Perkasa (SSP)					
FY12 net profit (Rp bn)	4.5				
Acquisition cost (Rp bn)	44.9				
Implied P/E (x)	9.9				
		Sales (Rp bn)	2,164	2,269	5%
		Gross profit	547	599	10%
		Net profit	268	286	7%
		Gross margin	25.28%	26.40%	1.1%
		Net margin	12.38%	12.60%	0.2%

Source: Deutsche Bank and Company data

Deutsche Bank AG/Hong Kong

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

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