

EQUITY: AUTOS & AUTO PARTS

Softer 2Q sales performance due to lockdown

Raising TP on potential business pick up amid easing lockdown measures

Stricter lockdown hits sales performance in 2Q

SMSM recorded 2Q20 net profit (NP) of IDR88bn (-19% y-y; -23% q-q) as stricter lockdown measures hampered sales performance despite stronger GP margin (29.3% vs. 26.7% in 2Q19). Due to IDR appreciation at the end of 2Q, SMSM also booked a non-cash FX-loss of IDR84bn (FX monetary asset translation), which was offset by a derivative gain of IDR91bn (USD forward transaction). The 2Q performance brings 1H20 NP to IDR203bn (-13% y-y), implying 40% of our FY20F.

2Q20 revenue reached IDR66bn (-25% y-y; -18% q-q) with domestic revenue posting slower growth (-38% y-y; -40% q-q) compared to exports (-19% y-y; -5% q-q) as social-restriction measures in Indonesia were stricter during 2Q compared to other countries that started such restrictions earlier. Overall, 1H20 revenue reached IDR1.5tn (-17% y-y), implying 41% of our FY20F.

Among the business segments, filter revenue (61% of total revenue) declined 17% y-y, while the trading segment (24% of total) was more resilient at -6% y-y. Additionally, GPM for the filter segment improved on a y-y basis, but the trading segment saw some contraction (see Fig.2 and 3).

Adjusting FY20F EPS; raising TP to IDR1,500 (implying +17% upside)

We adjust our FY20F EPS by -6% to incorporate the 1H20 sales performance and maintain our estimates for FY21-22F. We also raise our TP to IDR1,500 from IDR1,350 on a new FY21F target P/E multiple of 15.2x (previously 13.7x), which is still below its +1SD historical level. The stock is currently trading at 13.0x FY21F P/E.

The revised multiple is to reflect the potential improvement of market sentiment in anticipation of business pick up going forward as lockdown measures subside globally and benefit SMSM's domestic and exports sales. Moreover, SMSM continued to deliver relatively resilient margins despite challenging times, with positive operating cash flow and a net cash position (IDR351bn) as of 1H20. Downside risks include: sharp IDR appreciation, prolonged economy lock-down due to COVID-19, and significant jump in raw material costs.

Year-end 31 Dec	FY19	FY20F		FY21F		FY22F	
Currency (IDR)	Actual	Old	New	Old	New	Old	New
Revenue (bn)	3,936	3,779	3,581	3,875	3,875	4,034	4,034
Reported net profit (bn)	578	539	507	569	569	595	595
Normalised net profit (bn)	578	539	507	569	569	595	595
FD normalised EPS	100.29	93.67	88.03	98.75	98.75	103.26	103.25
FD norm. EPS growth (%)	3.7	-6.6	-12.2	5.4	12.2	4.6	4.6
FD normalised P/E (x)	12.8	-	14.6	-	13.0	-	12.4
EV/EBITDA (x)	8.2	-	7.8	-	7.0	-	6.4
Price/book (x)	3.5	-	3.2	-	2.9	-	2.7
Dividend yield (%)	4.7	-	4.1	-	4.6	-	4.8
ROE (%)	29.2	24.6	23.2	23.6	23.7	22.4	22.5
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash	net cash	net cash

Source: Company data, Nomura estimates

Rating Remains	Buy
Target price Increased from IDR 1,350	IDR 1,500
Closing price 30 July 2020	IDR 1,285
Implied upside	+16.7%
Market Cap (USD mn)	509.3
ADT (USD mn)	0.3

Research Analysts

Indonesia Research Team

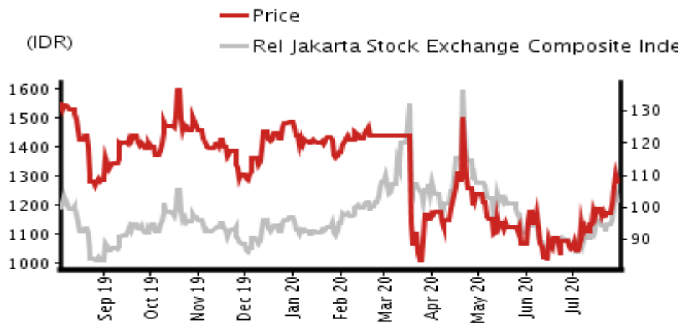
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Key Data on Selamat Sempurna

Relative Performance Chart



Source: Thomson Reuters, Nomura

Performance

(%)	1M	3M	12M		
Absolute (IDR)	22.4	3.6	-16.6	M cap (USDm)	509.3
Absolute (USD)	19.4	5.7	-19.5	Free float (%)	33.9
Rel to Jakarta Stock Exchange Composite Index	17.4	-5.6	2.7	3-mth ADT (USDm)	0.3

Income statement (IDRbn)

Year-end 31 Dec	FY18	FY19	FY20F	FY21F	FY22F
Revenue	3,933	3,936	3,581	3,875	4,034
Cost of goods sold	-2,740	-2,744	-2,504	-2,701	-2,811
Gross profit	1,193	1,192	1,077	1,173	1,223
SG&A	-375	-400	-358	-368	-383
Employee share expense					
Operating profit	818	792	719	805	840
EBITDA	938	926	920	1,016	1,060
Depreciation	-120	-134	-201	-210	-220
Amortisation					
EBIT	818	792	719	805	840
Net interest expense	-7	-6	-2	-1	2
Associates & JCEs	3	5	5	5	5
Other income	13	31	0	0	0
Earnings before tax	828	822	722	809	846
Income tax	-195	-183	-161	-181	-189
Net profit after tax	634	639	561	629	658
Minority interests	-77	-61	-54	-60	-63
Other items					
Preferred dividends					
Normalised NPAT	557	578	507	569	595
Extraordinary items					
Reported NPAT	557	578	507	569	595
Dividends	-334	-346	-304	-341	-357
Transfer to reserves	223	231	203	228	238

Valuations and ratios

Reported P/E (x)	13.3	12.8	14.6	13.0	12.4
Normalised P/E (x)	13.3	12.8	14.6	13.0	12.4
FD normalised P/E (x)	13.3	12.8	14.6	13.0	12.4
Dividend yield (%)	4.5	4.7	4.1	4.6	4.8
Price/cashflow (x)	14.6	12.4	8.2	10.5	9.2
Price/book (x)	4.0	3.5	3.2	2.9	2.7
EV/EBITDA (x)	8.2	8.2	7.8	7.0	6.4
EV/EBIT (x)	9.4	9.6	10.0	8.8	8.1
Gross margin (%)	30.3	30.3	30.1	30.3	30.3
EBITDA margin (%)	23.8	23.5	25.7	26.2	26.3
EBIT margin (%)	20.8	20.1	20.1	20.8	20.8
Net margin (%)	14.2	14.7	14.2	14.7	14.7
Effective tax rate (%)	23.5	22.3	22.3	22.3	22.3
Dividend payout (%)	60.0	60.0	60.0	60.0	60.0
ROE (%)	28.0	29.2	23.2	23.7	22.5
ROA (pretax %)	32.2	28.5	26.4	30.2	30.8
Growth (%)					
Revenue	17.8	0.1	-9.0	8.2	4.1
EBITDA	19.3	-1.3	-0.6	10.4	4.3
Normalised EPS	11.5	3.7	-12.2	12.2	4.6
Normalised FDEPS		3.7	-12.2	12.2	4.6

Source: Company data, Nomura estimates

Cashflow statement (IDRbn)

Year-end 31 Dec	FY18	FY19	FY20F	FY21F	FY22F
EBITDA	938	926	920	1,016	1,060
Change in working capital	-228	-118	147	-125	-58
Other operating cashflow	-203	-209	-168	-187	-196
Cashflow from operations	507	598	899	703	806
Capital expenditure	-143	-96	-100	-150	-100
Free cashflow	364	502	799	553	706
Reduction in investments					
Net acquisitions					
Dec in other LT assets					
Inc in other LT liabilities					
Adjustments	5	12	0	0	0
CF after investing acts	369	514	799	553	706
Cash dividends	-299	-334	-318	-329	-351
Equity issue					
Debt issue	-16	-9	0	0	0
Convertible debt issue					
Others	-58	6	-31	-25	-12
CF from financial acts	-373	-337	-349	-353	-364
Net cashflow	-4	177	450	199	343
Beginning cash	71	67	244	694	894
Ending cash	67	244	694	894	1,237
Ending net debt	-123	-573	-773	-1,116	

Balance sheet (IDRbn)

As at 31 Dec	FY18	FY19	FY20F	FY21F	FY22F
Cash & equivalents	67	244	694	894	1,237
Marketable securities					
Accounts receivable	937	1,020	928	1,004	1,046
Inventories	758	784	715	771	803
Other current assets	92	91	83	89	93
Total current assets	1,854	2,138	2,420	2,759	3,178
LT investments					
Fixed assets	749	751	649	589	469
Goodwill					
Other intangible assets					
Other LT assets	198	218	243	292	324
Total assets	2,801	3,107	3,313	3,640	3,971
Short-term debt	91	93	93	93	93
Accounts payable	252	260	237	256	267
Other current liabilities	128	108	110	105	113
Total current liabilities	470	461	440	454	472
Long-term debt	32	28	28	28	28
Convertible debt					
Other LT liabilities	148	175	159	172	180
Total liabilities	651	665	628	655	680
Minority interest	287	353	407	467	530
Preferred stock					
Common stock	194	194	194	194	194
Retained earnings	1,966	2,227	2,400	2,651	2,917
Proposed dividends	-299	-334	-318	-329	-351
Other equity and reserves	3	2	2	2	2
Total shareholders' equity	1,863	2,089	2,278	2,518	2,761
Total equity & liabilities	2,801	3,107	3,313	3,640	3,971

Liquidity (x)

Current ratio	3.94	4.64	5.50	6.08	6.73
Interest cover	115.6	140.5	329.6	1,186.5	-

Leverage

Net debt/EBITDA (x)	net cash	net cash	net cash	net cash	net cash
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash

Per share

Reported EPS (IDR)	96.71	100.29	88.03	98.75	103.25
Norm EPS (IDR)	96.71	100.29	88.03	98.75	103.25
FD norm EPS (IDR)	96.71	100.29	88.03	98.75	103.25
BVPS (IDR)	323.55	362.78	395.59	437.24	479.46
DPS (IDR)	58.00	60.15	52.79	59.23	61.93

Activity (days)

Days receivable	86.9	90.7	99.6	91.0	92.7
Days inventory	101.0	102.5	109.5	100.4	102.2
Days payable	33.5	34.0	36.4	33.3	33.9
Cash cycle	154.4	159.2	172.7	158.1	161.0

Source: Company data, Nomura estimates

Fig. 1: SMSM 2Q20 results

IDR bn	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	% y-y	% q-q	1H19	1H20	% y-y	%FY20F
Revenue	891	881	1,013	1,150	803	661	-25%	-18%	1,772	1,464	-17%	41%
GP	266	236	328	363	244	194	-18%	-21%	501	438	-13%	41%
EBIT	177	145	231	240	153	110	-24%	-28%	322	264	-18%	37%
EBITDA	203	173	263	286	186	143	-17%	-23%	377	329	-13%	36%
Net interest	(1)	(1)	(2)	(1)	(2)	(2)			(3)	(4)		
FX gain (loss)	(7)	(2)	2	(10)	106	(84)			(9)	22		
Associates	2	2	1	1	2	(0)			3	1		
Others	8	12	12	15	(81)	92			20	11		
Pre-tax profit	179	154	245	244	178	116	-25%	-35%	333	294	-12%	41%
NP	125	109	174	170	115	88	-19%	-23%	234	203	-13%	40%
GP margin	29.8%	26.7%	32.3%	31.5%	30.4%	29.3%	2.6%	-1.1%	28.3%	29.9%	1.6%	
EBIT margin	19.8%	16.4%	22.8%	20.8%	19.1%	16.7%	0.3%	-2.4%	18.1%	18.0%	-0.1%	
NP margin	14.0%	12.4%	17.1%	14.8%	14.3%	13.3%	1.0%	-1.0%	13.2%	13.9%	0.7%	

Source: Nomura estimates, Company data

Fig. 2: SMSM pre-elimination revenue breakdown (IDR bn)

Revenue	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	% y-y	% q-q	1H19	1H20	% y-y
Domestic	308	284	355	410	293	177	-38%	-40%	592	470	-21%
Export	583	598	659	740	510	484	-19%	-5%	1,180	994	-16%
Revenue (pre-elim)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	% y-y	% q-q	1H19	1H20	% y-y
Filter	659	668	721	810	579	522	-22%	-10%	1,327	1,100	-17%
Radiator	79	78	92	99	81	63	-19%	-22%	157	145	-8%
Body maker	48	55	86	98	36	9	-83%	-74%	103	45	-56%
Trading	227	198	280	283	245	204	3%	-17%	425	449	6%
Others	105	82	99	108	92	59	-28%	-36%	187	151	-19%

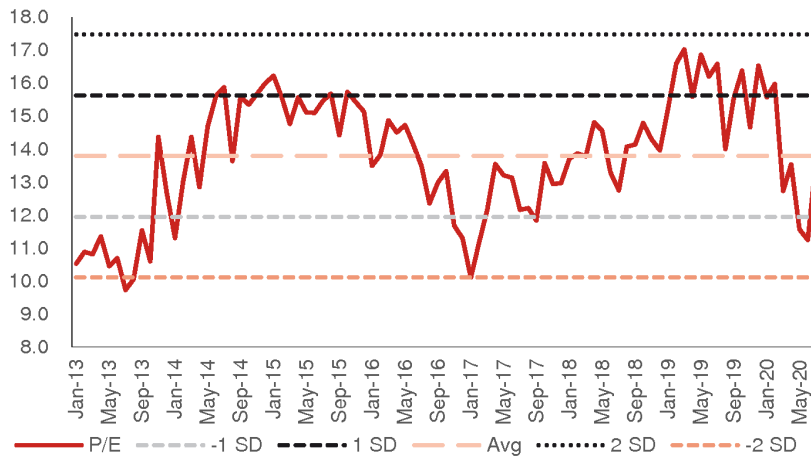
Source: Company data, Nomura research

Fig. 3: SMSM pre-elimination GP breakdown (IDR bn)

Gross profit (pre-elim)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	% y-y	% q-q	1H19	1H20	% y-y
Filter	154	144	189	237	132	120	-17%	-9%	297	252	-15%
Radiator	18	17	26	35	20	17	0%	-13%	35	37	5%
Body maker	7	10	15	16	2	(4)	-140%	-281%	17	(2)	-110%
Trading	64	58	82	71	72	55	-6%	-23%	123	126	3%
Others	18	7	19	14	13	3	-59%	-77%	25	16	-37%
GPM % (pre-elim)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	y-y (ppt)	q-q (ppt)	1H19	1H20	y-y (ppt)
Filter	23.3%	21.5%	26.2%	29.3%	22.8%	23.0%	1.5%	0.2%	22.4%	22.9%	0.5%
Radiator	22.5%	22.0%	27.7%	35.1%	24.3%	27.0%	5.0%	2.7%	22.3%	25.4%	3.2%
Body maker	14.4%	17.7%	17.0%	16.3%	5.9%	-42.1%	-59.7%	-48.0%	16.2%	-3.8%	-20.0%
Trading	28.4%	29.5%	29.2%	25.0%	29.2%	26.9%	-2.6%	-2.3%	28.9%	28.2%	-0.8%
Others	16.9%	8.7%	19.0%	12.7%	13.9%	4.9%	-3.8%	-9.0%	13.3%	10.4%	-2.9%

Source: Company data, Nomura research

Fig. 4: SMSM 12-month forward P/E band



Source: Nomura estimates, Bloomberg

Appendix A-1

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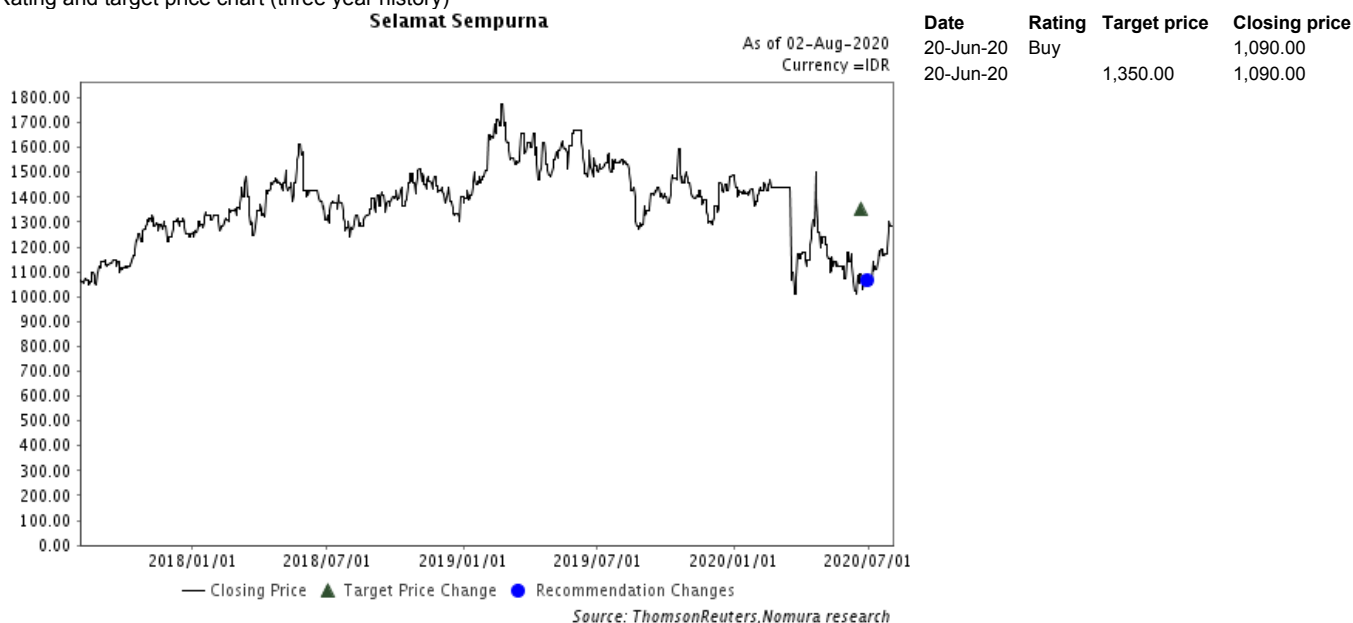
Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Selamat Sempurna	SMSM IJ	IDR 1,285	30-Jul-2020	Buy	N/A	

Selamat Sempurna (SMSM IJ)

IDR 1,285 (30-Jul-2020) Buy (Sector rating: N/A)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our target price of IDR 1,500 is based on FY21F target P/E multiple of 15.2x, which is still below its +1SD historical level. The benchmark index of the stock is JCI Index.

Risks that may impede the achievement of the target price Downside risks: sharp IDR appreciation, prolonged economy lock-down due COVID-19 pandemic, and significant increase in raw material prices.

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