

# PT Sinar Mas Multiartha Tbk (SMMA)

Company Focus

September 17, 2020

## Leading One Stop Integrated Financial Service

**Background.** PT Sinar Mas Multiartha Tbk (SMMA) is the holding company of several subsidiaries engaged in financial services at Sinarmas Group. The 5 pillars of its subsidiaries are PT Asuransi Simas Jiwa, PT Asuransi Sinar Mas, PT Bank Sinarmas Tbk (BSIM), PT Sinarmas Sekuritas, and PT Sinar Mas Multifinance. SMMA is included in the IDX top 10 biggest companies in June 2020 with a market capitalization of IDR 116.52trn, as its stock price was rally by 49.39% MoM. The company managed to maintain a stable earnings performance in the midst of Covid-19 impact on the economy, which reflected in the revenue growth of 8.33% YoY to IDR 19,084bn in 1H20. Even though, net profit was contracted by 6.84% YoY to IDR 593.30bn due to the loss on sale of short-term investments amounted to IDR 1,017bn that didn't occurred in the previous period.

**The largest revenue contributor in 1H20 came from insurance underwriting of IDR 12,867bn (+9.54% YoY), accounted for 67.24% of total revenue.** SMMA provides general and life insurance mainly through its subsidiaries PT Asuransi Simas Jiwa (ASJ) and PT Asuransi Sinar Mas (ASM). ASJ and ASM total assets in 1H20 stood at IDR 34,027bn (-3.28% YtD) and IDR 11,156bn (+11.75% YtD), respectively. We are on the views that the insurance industry provides a vast potential growth for SMMA, considering low insurance penetration rate in the country's at ~2.77% according to figures from the General Insurance Association of Indonesia (AAUI). Life insurance is by far the biggest segment in Indonesia's insurance sector with ~46% of total insurance premium income. To capture the opportunity from Indonesia's strong growth in the insurance sector, ASJ continues to expand its operational areas to big cities in Indonesia namely Medan, Bandung, Bogor, Semarang, Makassar, Surabaya, and Denpasar. ASJ also targeted premium income in 2020F to reach IDR 20,491bn and a net profit of IDR 150.79bn.

**PT Bank Sinarmas Tbk (BSIM) is also one of the main pillar for SMMA with a total assets of IDR 37,302bn (+2.03% YtD) in 1H20.** BSIM net interest income in 1H20 was recorded at 1,052bn, down by 11.86% YoY, while net profit also under pressure as declined by 55.04% YoY to 52.17bn. Moreover, gross NPL was stood at 5.92% in June 2020 or lower compared to 8.60% in the same period last year. In addition, net NPL also improved to 2.46% from 4.82% in the previous year. The improvement is better compared to the industry as the OJK reported that the industry's gross NPL has insignificantly increased from 3.11% to 3.22%. Net NPL experienced a similar thing as recorded slightly higher to 3.13% from 3.12%. Nonetheless, the Covid-19 pandemic related challenges to profitability and asset quality for the company are likely to persist in 2H20, despite a gradual improvement since the large-scale social restrictions were ease in June.

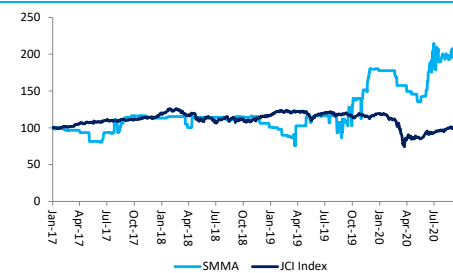
**SMMA also provides various financial services such as financing and capital markets through PT Sinarmas Sekuritas and PT Sinar Mas Multifinance.** Since its establishment in 1998, PT Sinarmas Sekuritas continue to grow with a total asset of IDR 1,699.bn (+3.76% YtD) in 1H20. However, the company showed a contraction in terms of operating performance as total revenue was down by 52.60% YoY to IDR 193.59bn and net profit was declined by 76.19% YoY. PT Sinar Mas Multifinance earnings performance also deteriorated in 1H20 with a net profit of IDR 20.86 (-36.35% YoY), despite an increase in total revenue by 4.44% YoY to IDR 846.51bn.

**Valuation.** SMMA is currently trading at 90.3x P/E of its annualized 1H20 EPS of IDR 186, higher compared to the Finance Sector of 25.0x. We view that SMMA has good prospects considering that the company has steady profitability level amid the Covid-19 pandemic as shown in its 1H20 ROE of 5.55% (5.00% in 1H19).

## Not Rated

Current Price (IDR) (9/16)	16,800
Target price (IDR)	N/A
Upside/Downside (%)	N/A
52 Week High (IDR)	18,400
52 Week Low (IDR)	7,350
Major Shareholders:	
Bank of Singapore S/A Sinarmas	51.12%
Public	30.79%

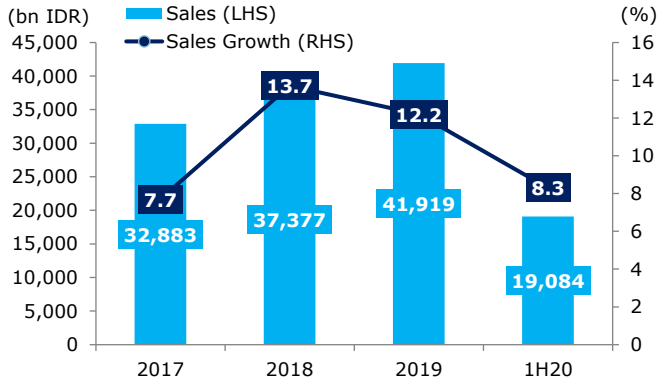
## Stock Price Movement



Source: Bloomberg, Shinhan Sekuritas Indonesia

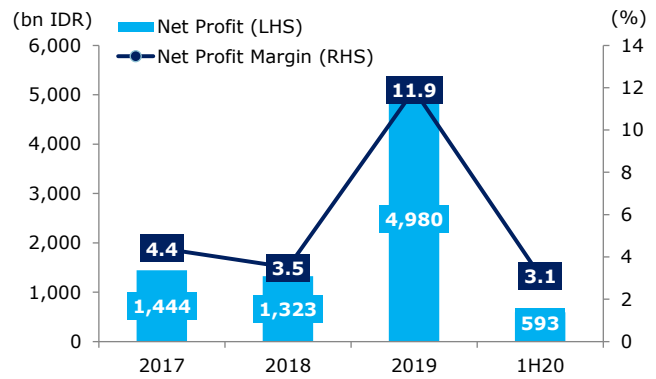
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### SMMA Revenue Growth



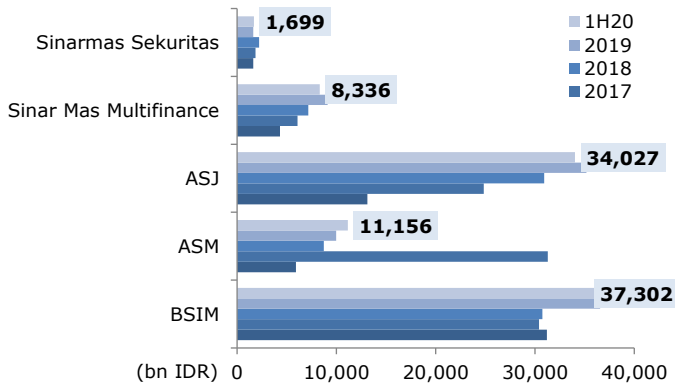
Source: Company, Shinhan Sekuritas Indonesia

### SMMA Profit Margin



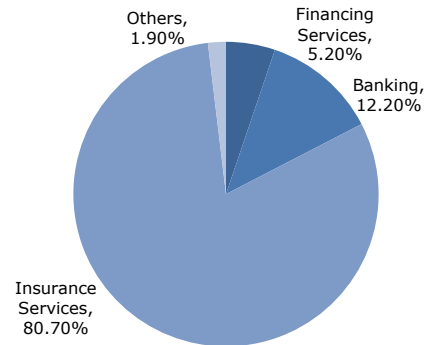
Source: Company, Shinhan Sekuritas Indonesia

### Total Assets of Subsidiaries



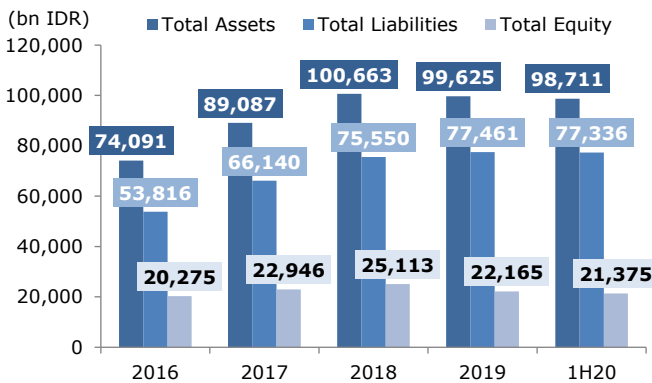
Source: Company, Shinhan Sekuritas Indonesia

### Revenue Breakdown (1H20)



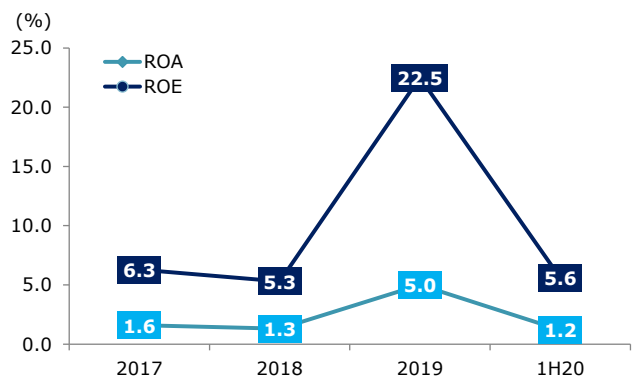
Source: Company, Capital IQ, Shinhan Sekuritas Indonesia

### SMMA Capital Structure



Source: Company, Shinhan Sekuritas Indonesia

### SMMA ROA and ROE



Source: Company, Shinhan Sekuritas Indonesia



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