Matahari Department Store Tbk (LPPF)

Agresif Menggenjot Penjualan

Company Report | May 08, 2018

Momentum Pertumbuhan Terjaga pada 1Q18

LPPF mencatatkan pertumbuhan pendapatan menjadi Rp1,96 triliun (+5,9% y-y) pada 1Q18. Pertumbuhan ini ditopang oleh kenaikan *same store sales growth* (SSSG) menjadi 4,8% akibat **peningkatan jumlah transaksi dan volume penjualan**. Pada segmen *online*, tren kenaikan jumlah transaksi sejak akhir 2017 pun terus berlanjut dengan mencatatkan 270,000 transaksi pada 1Q18.

Pada 2018, LPPF akan terus **menggencarkan strategi pemasaran**, khususnya pada merek-merek milik Matahari dan telah **menaikkan beban pemasaran sebesar 55,7% y-y pada 1Q18**. Namun di sisi lain, LPPF juga **menekan harga penjualan** sehingga margin kotor pada 1Q18 menurun 1,8% y-y.

Konsistensi Pengembangan Penjualan Langsung

Di sisi *merchandising*, LPPF juga mengubah *merchandising mix* dan **memperbanyak inventaris penjualan langsung (Direct Purchase Sales, DP)**. Kinerja penjualan merek Disney dan kolaborasi dengan artis lokal juga tercatat lebih baik dari ekspektasi. Namun, harga jual segmen DP yang lebih rendah dari segmen konsinyasi juga **menurunkan *average unit retail*** dan turut menekan kinerja margin kotor.

Target Harga Rp11.250

Kami menggunakan estimasi *forward* P/E sebesar 14,8x (1SD di bawah rata-rata 2 tahun terakhir sebesar 20,6x sebagai basis metode valuasi). Target harga ini mengimplikasikan P/E 2018E sebesar 15,6x (vs 13,0x saat ini).

Matahari Department Store Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Revenue	9,897	10,024	10,673	11,297
Revenue growth	*9.9%*	*1.3%*	*6.5%*	*5.8%*
EBITDA	2,795	2,670	2,969	3,077
Net profit	2,020	1,907	2,110	2,213
EPS (IDR)	692	654	723	758
EPS growth	*13.4%*	*-5.6%*	*10.6%*	*4.9%*
BVPS (IDR)	636	798	1,063	1,316
EBITDA margin	*28.2%*	*26.6%*	*27.8%*	*27.2%*
Net Profit Margin	*20.4%*	*19.0%*	*19.8%*	*19.6%*
ROE	*136.4%*	*91.2%*	*77.7%*	*63.8%*
ROA	*46.2%*	*37.1%*	*35.8%*	*33.0%*
ROIC	*136.5%*	*90.4%*	*78.2%*	*63.8%*
P/E	21.9x	15.3x	13.0x	12.4x
P/BV	23.8x	12.5x	8.8x	7.1x
EV/EBITDA	15.2x	10.3x	8.5x	8.0x
DPS (IDR)	485	458	506	531
Dividend yield	*3.2%*	*4.6%*	*5.4%*	*5.6%*

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Buy

Dec 2018 TP (IDR)	11,250
Consensus Price (IDR)	12,485
TP to Consensus Price	-9.9%
vs. Last Price	+19.7%

Shares data

Last Price (IDR)	9,400
Price date as of	May 07, 2018
52 wk range (Hi/Lo)	15,900 / 8,600
Free float	82.5%
Outstanding sh.(mn)	2,918
Market Cap (IDR bn)	27,428
Market Cap (USD mn)	1,955
Avg. Trd Vol - 3M (mn)	4.2
Avg. Trd Val - 3M (bn)	44.4
Foreign Ownership	70.8%

Trade, Services & Investment
Retail

Bloomberg	**LPPF.IJ**
Reuters	**LPPF.JK**

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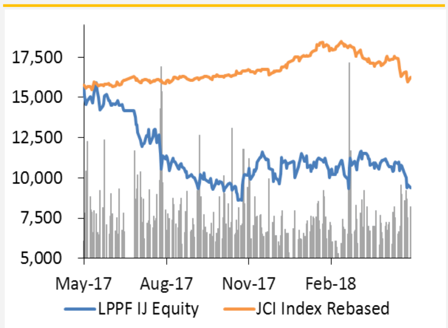
Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-6.0%	-15.3%	-9.6%	-40.3%
Rel. Ret.	1.4%	-10.6%	0.3%	-43.4%

Sekilas tentang LPPF

LPPF merupakan perusahaan yang bergerak di sektor ritel melalui merek Matahari. LPPF didirikan pada 1958 sebagai toko pakaian anak-anak di daerah Jakarta Pusat. Bisnis LPPF yang mencakup segmen penjualan eceran, konsinyasi, dan pendapatan jasa **mengincar konsumen kelas menengah dan bawah**. LPPF yang memiliki 154 toko di 73 kota di Indonesia mendominasi pangsa pasar ritel di Indonesia.

LPPF melakukan ekspansi dengan membuka gerai baru dan mengembangkan *online platform* untuk memperkuat pangsa pasar. Selain itu, LPPF juga menerapkan strategi penyempurnaan program *marketing* dan *merchandising* untuk memperkuat penetrasi pasar.

Industri Ritel Indonesia di ASEAN

Indonesia merupakan negara dengan jumlah penduduk terbesar di ASEAN. Hal ini menjadikan **Indonesia sebagai tempat yang menguntungkan bagi bisnis ritel**. Pasar ritel Indonesia dikuasai oleh LPPF, RALS, MAPI dengan gerai mereka yang tersebar di seluruh Indonesia.

Industri ritel di pasar ASEAN cenderung lesu, sebagai contoh angka pertumbuhan penjualan negatif di Singapura dan Thailand. Hal ini membuat para pelaku industri ritel di ASEAN harus **lebih ketat menekan beban operasional** untuk mengimbangi pasar. Namun pada 2017, mayoritas pelaku industri ritel tetap membukukan *price-earnings ratio* yang tinggi dan ROE dua digit.

Di Indonesia, Aprindo menargetkan pertumbuhan bisnis ritel sebesar 9% pada 2018. Di sisi margin, pelaku **industri ritel di Indonesia mampu membukukan margin yang lebih tinggi** dibanding kompetitornya di ASEAN.

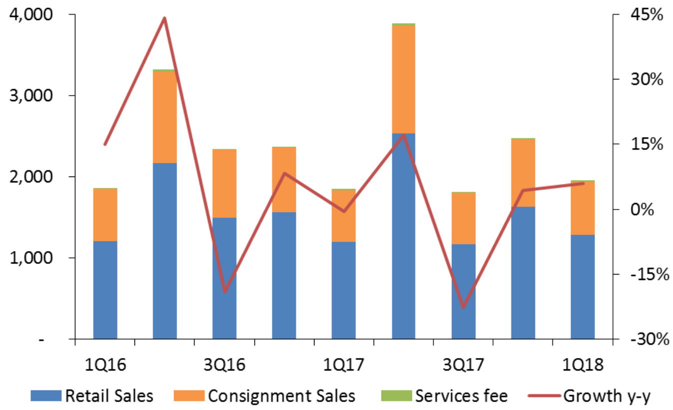
ASEAN Retailers

Company	Market Cap (USD mn)	Total Asset (USD mn)	Sales Growth (LTM)	Gross Margin (LTM)	Operating Margin (LTM)	ROE (LTM)	P/E (LTM)	P/BV (LTM)	Dividend Yield
LPPF	1,955	399	1.28%	62.5%	23.7%	81.7%	14.3x	10.7x	4.9%
RALS	688	360	-4.00%	39.3%	6.7%	12.2%	21.9x	2.6x	2.6%
MAPI	958	841	15.24%	48.2%	6.9%	16.4%	21.4x	3.0x	0.3%
Singapore									
Metro Holdings	716	1,114	-15.12%	7%	-1%	13.6%	4.9x	0.6x	4.3%
Malaysia									
Parkson Holdings Bhd	108	2,270	2.07%	N/A	-3%	-7.7%	N/A	0.2x	N/A
Thailand									
Robinson PCL	2,303	846	-0.34%	25%	-1%	17.3%	26.7x	4.4x	1.9%
Philippines									
SM Investments Corp	20,981	19,205	8.63%	39%	16%	10.5%	33.1x	3.3x	0.9%

Source: Bloomberg, NHKS research

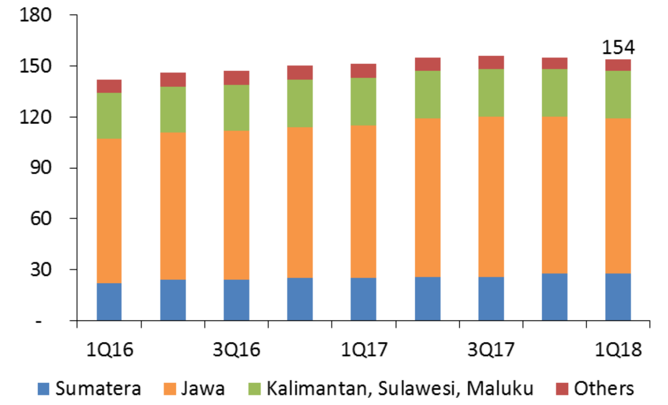
Operational Performance

Quarterly Revenue | 1Q16 - 1Q18



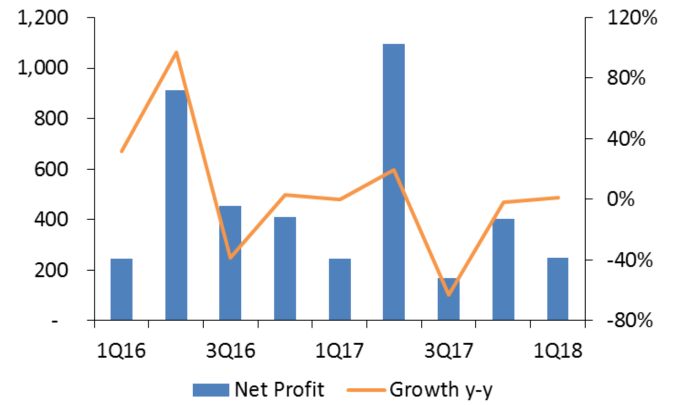
Source: Company, NHKS research

Number of Stores | 1Q16 - 1Q18



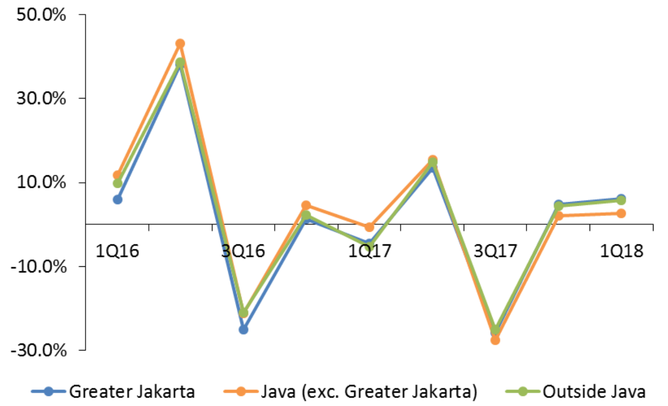
Source: Company, NHKS research

Quarterly Net Profit | 1Q16 - 1Q18



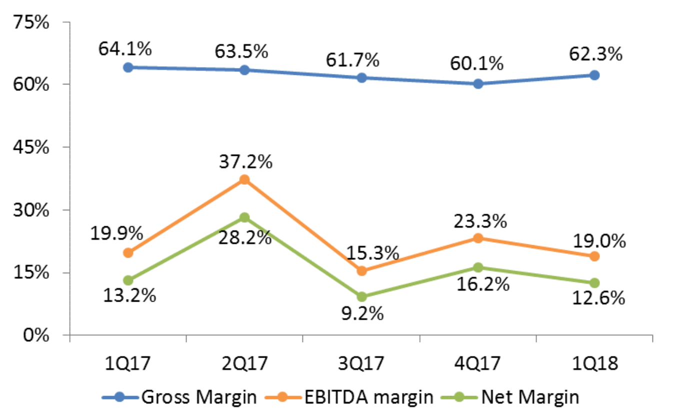
Source: Company, NHKS research

SSSG by Region | 1Q16 - 1Q18



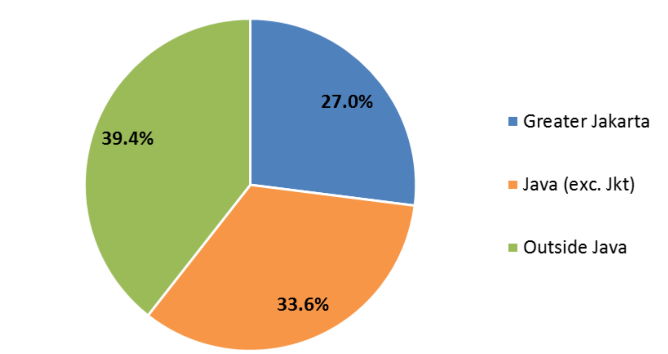
Source: Company, NHKS research

Margin Ratios | 1Q17 - 1Q18



Source: Company, NHKS research

Gross Sales by Region | 1Q18



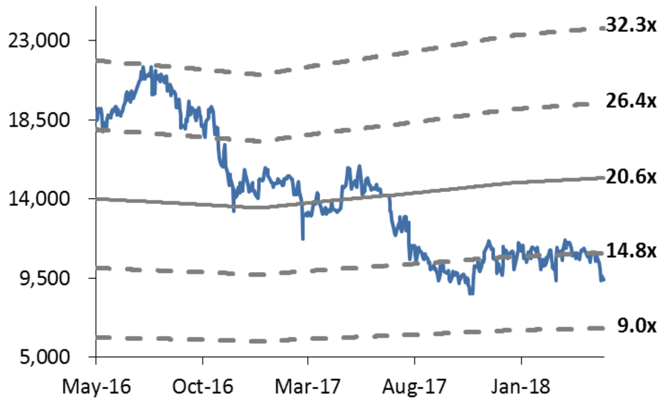
Source: Company, NHKS research

Multiple Valuation

Forward P/E band | Last 2 years

Source: NHKS research

Dynamic Forward P/E band | Last 2 years



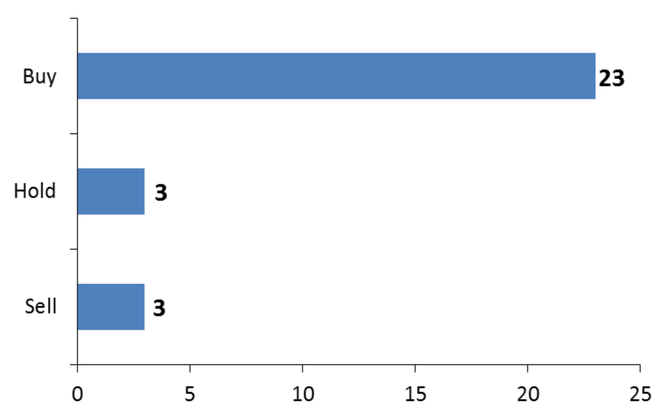
Source: NHKS research

Rating and target price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
03/02/2018	Buy	13,750	10,800	12,751	+27.3%	+7.8%
05/07/2018	Buy	11,250	9,400	12,485	+19.7%	-9.9%

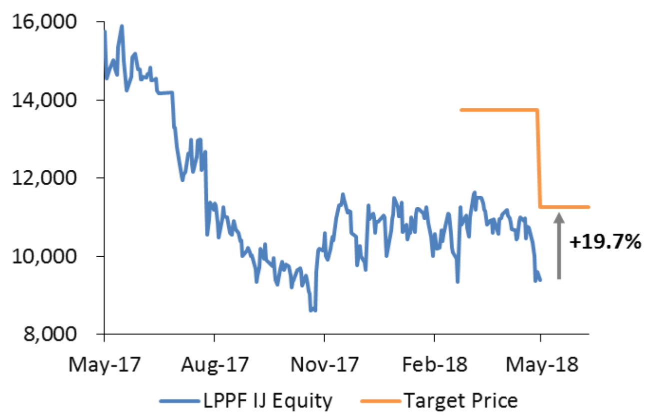
Source: Bloomberg, NHKS research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
   - Buy : Greater than +15%
   - Hold : -15% to +15%
   - Sell : Less than -15%

Summary of Financials

LPPF Summary		
Last Price (IDR)	**May 7, 2018**	**9,400**
Target Price (IDR)	**Dec 2018**	**11,250**
Analyst: Michael Tjahjadi	**Rating:**	**Buy**

INCOME STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Revenue	**9,897**	**10,024**	**10,673**	**11,297**
Growth (% y/y)	*9.9%*	*1.3%*	*6.5%*	*5.8%*
Cost of Revenue	(3,685)	(3,762)	(4,007)	(4,229)
Gross Profit	6,212	6,262	6,666	7,068
Gross Margin	62.8%	62.5%	62.5%	62.6%
Operating Expenses	(3,678)	(3,885)	(4,003)	(4,292)
EBIT	**2,534**	**2,377**	**2,663**	**2,776**
EBIT Margin	*25.6%*	*23.7%*	*25.0%*	*24.6%*
Depreciation	261	293	306	301
EBITDA	**2,795**	**2,670**	**2,969**	**3,077**
EBITDA Margin	*28.2%*	*26.6%*	*27.8%*	*27.2%*
Interest Expense	(32)	(18)	(52)	(35)
EBT	**2,533**	**2,396**	**2,646**	**2,776**
Income Tax	(513)	(489)	(536)	(562)
Net Profit	**2,020**	**1,907**	**2,110**	**2,213**
Growth (% y/y)	*13.4%*	*-5.6%*	*10.6%*	*4.9%*
Net Profit Margin	*20.4%*	*19.0%*	*19.8%*	*19.6%*

BALANCE SHEET

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	1,713	1,583	2,098	2,894
Other Current Assets	1,261	1,391	1,513	1,470
Total Current Assets	**2,974**	**2,974**	**3,611**	**4,363**
Net Fixed Assets	980	974	944	956
Other Non Current Assets	905	1,480	1,798	1,757
Total Assets	**4,859**	**5,427**	**6,353**	**7,076**
Trade Payables	1,663	1,645	1,457	2,254
Other Current Liabilities	926	966	1,223	454
Total Current Liabilities	**2,588**	**2,611**	**2,680**	**2,708**
LT Debt	-	-	-	-
Other Non Current Liab.	415	489	570	530
Total Liabilities	**3,004**	**3,099**	**3,250**	**3,237**
Shareholders' Equity	**1,855**	**2,328**	**3,103**	**3,839**

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	2,020	1,907	2,110	2,213
Deprec & Amortization	261	293	306	301
Chg. In Working Capital	250	13	(54)	71
CFO	**2,531**	**2,214**	**2,362**	**2,585**
Capex	(365)	(320)	(295)	(312)
CFI	**(507)**	**(914)**	**(531)**	**(312)**
Dividends Paid	(1,247)	(1,414)	(1,335)	(1,477)
Net Borrowing	-	-	-	-
CFF	**(1,259)**	**(1,429)**	**(1,335)**	**(1,477)**
Net Changes in Cash	**766**	**(130)**	**496**	**796**

OWNERSHIP

By Geography	%	Shareholders	%
United States	41.6	PT Multipolar Tbk	17.5
Indonesia	29.2	Capital Group Compan	7.5
Luxembourg	10.9	Vanguard Group	3.0
Canada	4.2	Blackrock	2.4

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	136.4%	91.2%	77.7%	63.8%
ROA	46.2%	37.1%	35.8%	33.0%
ROIC	136.5%	90.4%	78.2%	63.8%
EBITDA/Equity	188.8%	127.7%	109.3%	88.6%
EBITDA/Assets	63.9%	51.9%	50.4%	45.8%
Cash Dividend (IDR bn)	1,414	1,335	1,477	1,549
Dividend Yield (%)	3.2%	4.6%	5.4%	5.6%
Payout Ratio (%)	70.0%	70.0%	70.0%	70.0%
DER	0.0%	0.0%	0.0%	0.0%
Net Gearing	0.0%	0.0%	0.0%	0.0%
LT Debt to Equity	0.0%	0.0%	0.0%	0.0%
Capitalization Ratio	0.0%	0.0%	0.0%	0.0%
Equity Ratio	38.2%	42.9%	48.8%	54.3%
Debt Ratio	0.0%	0.0%	0.0%	0.0%
Financial Leverage	295.4%	245.9%	216.9%	193.5%
Current Ratio	114.9%	113.9%	134.8%	161.2%
Quick Ratio	76.4%	75.4%	91.0%	121.4%
Cash Ratio	66.2%	60.6%	78.3%	106.9%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	2,918	2,918	2,918	2,918
Share Price (IDR)	15,125	10,000	9,400	9,400
Market Cap (IDR tn)	44.1	29.2	27.4	27.4

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	21.9x	15.3x	13.0x	12.4x
Price /Book Value	23.8x	12.5x	8.8x	7.1x
Price/Sales	4.5x	2.9x	2.6x	2.4x
PE/EPS Growth	1.6x	-2.7x	1.2x	2.5x
EV/EBITDA	15.2x	10.3x	8.5x	8.0x
EV/EBIT	16.7x	11.5x	9.6x	8.8x
EV (IDR bn)	42,421	27,596	25,331	24,535
Sales CAGR (3-Yr)	13.6%	8.1%	5.8%	4.5%
EPS CAGR (3-Yr)	20.6%	10.4%	5.8%	3.1%
Basic EPS (IDR)	692	654	723	758
Diluted EPS (IDR)	692	654	723	758
BVPS (IDR)	636	798	1,063	1,316
Sales PS (IDR)	3,392	3,435	3,658	3,872
DPS (IDR)	484.6	457.5	506.1	530.9

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	2,021	1,891	2,124	2,214
+Depr./Amor.	261	293	306	301
-CAPEX	(365)	(320)	(295)	(312)
-Incr. (Decr.) in Working Cap.	250	13	(54)	71
(Unlevered) FCFF	2,167	1,878	2,081	2,274
WACC				
Cost of Debt (Tax Adj.)	0.0%	0.0%	0.0%	0.0%
Cost of Equity (COE)	9.9%	12.3%	11.8%	13.6%
WACC (%)	9.9%	12.3%	11.8%	13.6%
RIM				
Spread (FROE-COE) (%)	172.7%	90.5%	78.8%	57.7%
Residual Income (IDR)	1,910	1,679	1,835	1,791
Equity Charge	109	228	275	422
EVA				
Invested Capital (IDR bn)	1,106	1,855	2,328	3,103
ROIC-WACC (%)	172.8%	89.7%	79.4%	57.7%
EVA (IDR bn)	1,911	1,664	1,849	1,792