

Matahari Department Store Tbk (LPPF)

Mampu Cetak Pertumbuhan

Company Report | Oct 01, 2018

Buy

Dec 2019 TP (IDR)	9,270
Consensus Price (IDR)	9,611
TP to Consensus Price	-3.5%
vs. Last Price	+33.9%

Shares data

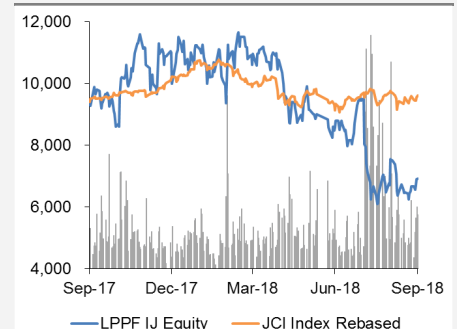
Last Price (IDR)	6,925
Price date as of	Sep 28, 2018
52 wk range (Hi/Lo)	11,650 / 6,100
Free float (%)	82.5
Outstanding sh.(mn)	2,918
Market Cap (IDR bn)	20,207
Market Cap (USD mn)	1,356
Avg. Trd Vol - 3M (mn)	7.9
Avg. Trd Val - 3M (bn)	56.2
Foreign Ownership	70.5%

Trade, Services & Investment

Retail

Bloomberg	LPPF IJ
Reuters	LPPF.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-30.8%	3.4%	-19.2%	-26.3%
Rel. Ret.	-24.8%	4.5%	-24.7%	-28.6%

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Sulitnya Mengalahkan Angka Pertumbuhan 2Q17

Kinerja pendapatan dan laba bersih LPPF pada 2Q18 tercatat naik tipis, yang masing-masing menjadi Rp3,95 triliun (+1,8% y-y) dan Rp1,10 triliun (+0,4% y-y). Meskipun demikian, segmen penjualan ritel dan penjualan konsinyasi tetap mencatatkan angka tertingginya, yakni Rp2,55 triliun dan Rp4,44 triliun. Selain itu, **LPPF juga berhasil meningkatkan transaksi penjualan di Matahari.com sebesar 32% q-q pada 2Q18**. Kami mengamati bahwa kecilnya angka pertumbuhan pendapatan 2Q18 lebih disebabkan oleh tingginya pertumbuhan pendapatan 2Q16 dan 2Q17 yang mencapai 44,1% y-y dan 17,1% y-y.

Pertumbuhan kinerja pendapatan tidak terlepas dari strategi LPPF dalam menggenjot promosi di media TV dan digital. Di sisi lain, meskipun produk yang diiklankan mencatatkan pertumbuhan *double-digit*, namun **kenaikan beban pemasaran 2Q18 hingga 37,2% y-y turut menekan kinerja margin bottom line**. Namun ke depan, mengutip dari *earnings call* 2Q18, manajemen menyatakan akan memangkas kegiatan pemasaran pada 2H18.

Fokus Mendongkrak Kinerja Top Line

Pada 2018E, kami menyesuaikan proyeksi pertumbuhan pendapatan yang lebih rendah dari kinerja SSSG (SSSG 1H18: 4,6%), sesuai dengan ekspektasi manajemen. Meskipun demikian, LPPF tetap akan menggenjot kinerja *top line* melalui **optimalisasi big data analytics, peluncuran home products di beberapa gerai di Jabodetabek, serta aplikasi mobile**, Matahari App pada akhir 2018.

Target Harga Rp9.270

Kami menggunakan estimasi *forward* P/E sebesar 12,6x (1SD di bawah rata-rata 2 tahun terakhir). Target harga ini mengimplikasikan P/E 2018E sebesar 13,4x. Saat ini, LPPF diperdagangkan pada P/E 2018E sebesar 10,0x.

Matahari Department Store Tbk | Summary (IDR bn)

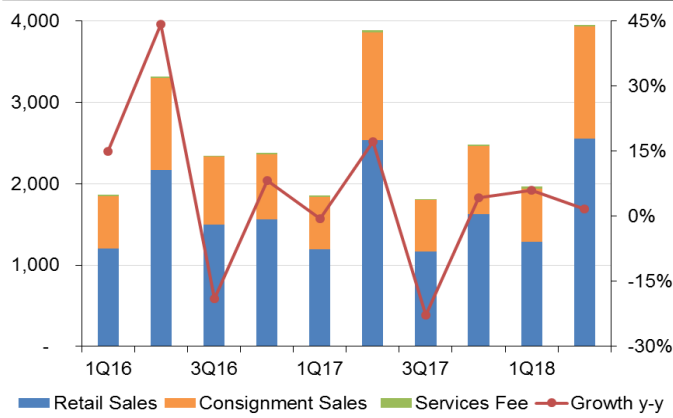
	2017	2018E	2019F	2020F
Revenue	10,024	10,423	10,828	11,283
<i>Revenue growth</i>	1.3%	4.0%	3.9%	4.2%
EBITDA	2,670	2,856	3,026	3,216
Net Profit	1,907	2,016	2,155	2,293
EPS (IDR)	654	691	739	786
<i>EPS growth</i>	-5.6%	5.7%	6.9%	6.4%
BVPS (IDR)	798	1,031	1,286	1,555
EBITDA margin	26.6%	27.4%	27.9%	28.5%
NPM	19.0%	19.3%	19.9%	20.3%
ROE	91.2%	75.6%	63.7%	55.3%
ROA	37.1%	34.8%	32.7%	30.9%
ROIC	81.2%	67.3%	57.3%	50.4%
P/E	15.3x	10.0x	9.4x	8.8x
P/BV	12.5x	6.7x	5.4x	4.5x
EV/EBITDA	10.5x	6.4x	5.8x	5.2x
DPS (IDR)	457	484	517	517
<i>Dividend yield</i>	4.6%	7.0%	7.5%	7.5%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

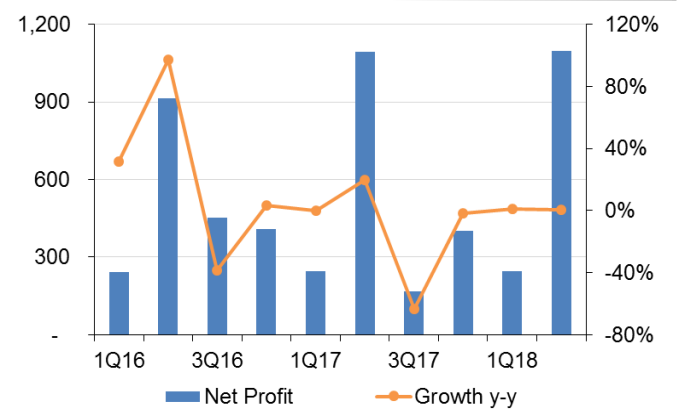
Performance Highlights

LPPF Quarterly Revenue (IDR bn) | 1Q16 - 2Q18



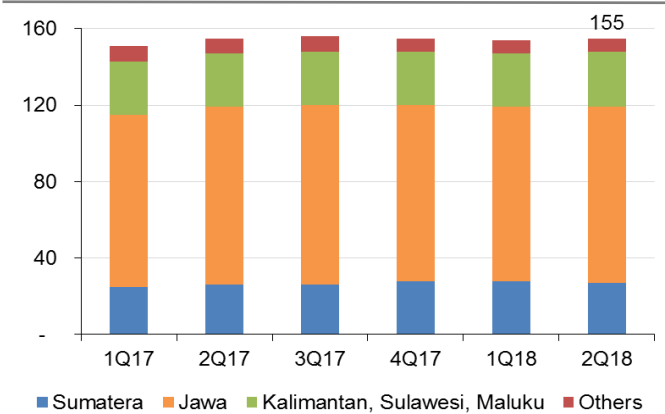
Source: Company, NHKS Research

LPPF Quarterly Net Profit | 1Q16 - 2Q18



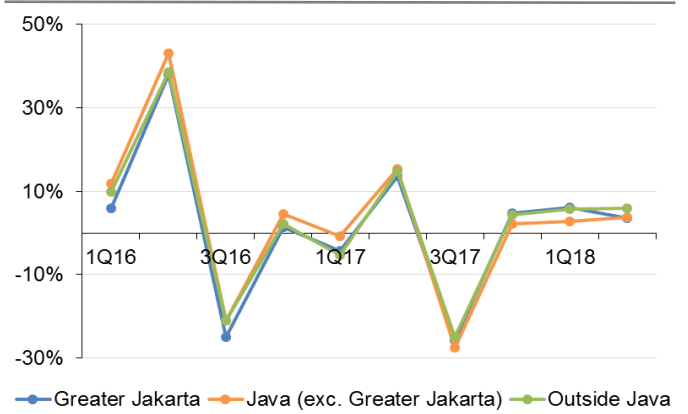
Source: Company, NHKS Research

Number of Stores | 1Q17 - 2Q18



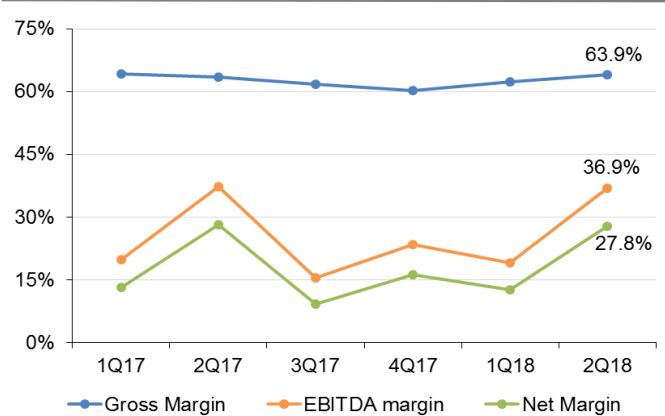
Source: Company, NHKS Research

SSSG by Region | 1Q16 - 2Q18



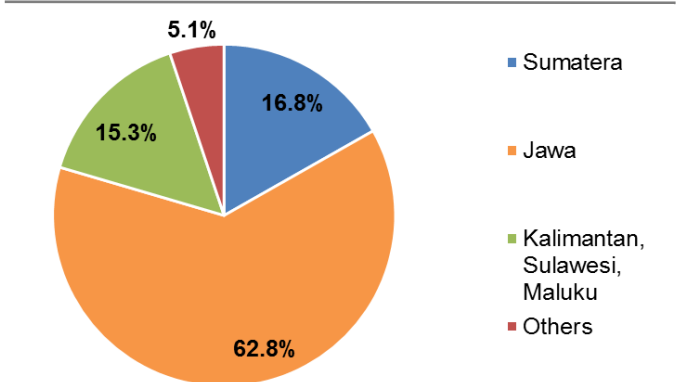
Source: Company, NHKS Research

Margin Ratios | 1Q17 - 2Q18



Source: Company, NHKS Research

Revenue by Region | 2Q18



Source: Company, NHKS Research

2Q18 review (IDR bn)

	2Q17	3Q17	4Q17	1Q18	2Q18					3Q18E
					Actual	Estimate	y-y	q-q	surprise	
Revenue	3,886	1,810	2,476	1,962	3,954	4,391	1.8%	101.6%	-10.0%	1,888
Gross Profit	2,467	1,118	1,490	1,223	2,528	2,790	2.5%	106.8%	-9.4%	1,186
<i>Gross Margin</i>	63.5%	61.7%	60.1%	62.3%	63.9%	63.5%	0.4%	1.6%	0.4%	62.8%
EBIT	1,376	204	498	302	1,385	1,616	0.7%	358.1%	-14.3%	236
<i>EBIT Margin</i>	35.4%	11.3%	20.1%	15.4%	35.0%	36.8%	-0.4%	19.6%	-1.8%	12.5%
EBITDA	1,447	278	577	372	1,460	1,694	0.9%	291.9%	-13.8%	315
<i>EBITDA Margin</i>	37.2%	15.3%	23.3%	19.0%	36.9%	38.6%	-0.3%	17.9%	-1.7%	16.7%
Net Profit	1,094	167	402	247	1,098	1,282	0.4%	345.0%	-14.4%	188
<i>Net Margin</i>	28.2%	9.2%	16.2%	12.6%	27.8%	29.2%	-0.4%	15.2%	-1.4%	9.9%

Source: Bloomberg, NHKS research

Earnings revision (IDR bn)

		2018E	2019F	2020F
Revenue	-Revised	10,423	10,828	11,283
	-Previous	10,673	11,297	11,986
	-Change	-2.3%	-4.2%	-5.9%
Gross Profit	-Revised	6,548	6,783	7,068
	-Previous	6,666	7,068	7,489
	-Change	-1.8%	-4.0%	-5.6%
Gross Margin	-Revised	62.8%	62.6%	62.6%
	-Previous	62.5%	62.6%	62.5%
EBIT	-Revised	2,550	2,704	2,879
	-Previous	2,663	2,776	2,932
	-Change	-4.3%	-2.6%	-1.8%
EBIT Margin	-Revised	24.5%	25.0%	25.5%
	-Previous	25.0%	24.6%	24.5%
EBITDA	-Revised	2,856	3,026	3,216
	-Previous	2,969	3,077	3,227
	-Change	-3.8%	-1.6%	-0.4%
EBITDA Margin	-Revised	27.4%	27.9%	28.5%
	-Previous	27.8%	27.2%	26.9%
Net Profit	-Revised	2,016	2,155	2,293
	-Previous	2,110	2,213	2,331
	-Change	-4.4%	-2.6%	-1.6%
Net Margin	-Revised	19.3%	19.9%	20.3%
	-Previous	19.8%	19.6%	19.4%

Source: NHKS research

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 menengah-bawah. LPPF yang memiliki 155 gerai di 74 kota di Indonesia mendominasi pangsa pasar ritel Indonesia.

LPPF melakukan ekspansi dengan membuka gerai baru serta mengembangkan *online platform* Matahari.com untuk memperkuat pangsa pasar. Selain itu, LPPF juga menerapkan strategi penyempurnaan program *marketing* dan *merchandising* dengan menggunakan *big data analytics*.

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 yang tersebar di seluruh Indonesia. Selain itu, stabilnya harga komoditas turut mengerek kinerja pendapatan LPPF diluar Pulau Jawa, khususnya pada 2Q18.

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. Di sisi margin, pelaku industri ritel di Indonesia mampu membukukan margin yang lebih tinggi dibanding kompetitornya di ASEAN.

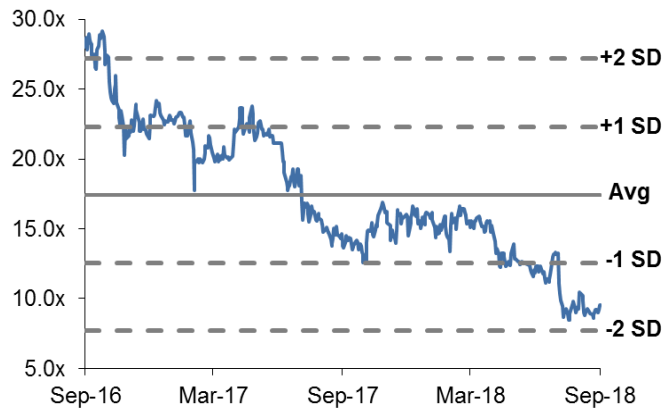
ASEAN Retailers Company

Company	Market Cap (USD mn)	Asset (USD mn)	Revenue LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Margin	ROE LTM	P/E LTM	P/BV
Indonesia									
LPPF	1,356	399	750	141	-13.04%	18.8%	93.0%	10.5x	8.6x
RALS	619	360	, 416	39	0.13%	9.3%	14.6%	16.7x	2.4x
MAPI	919	841	1,301	48	92.92%	3.7%	15.5%	23.4x	3.1x
Singapore									
Metro Holdings	674	1,299	100	113	57.75%	112.9%	10.49%	6.1x	0.6x
Malaysia									
Parkson Holdings Bhd	101	2,219	978	(26)	13.98%	-2.6%	-4.50%	N/A	0.2x
Thailand									
Robinson PCL	2,405	846	814	89	2.02%	10.9%	18.26%	26.8x	4.7x
Philippines									
SM Investments Corp	20,140	19,205	7,596	670	5.67%	8.8%	10.72%	31.6x	3.3x

Source: Bloomberg

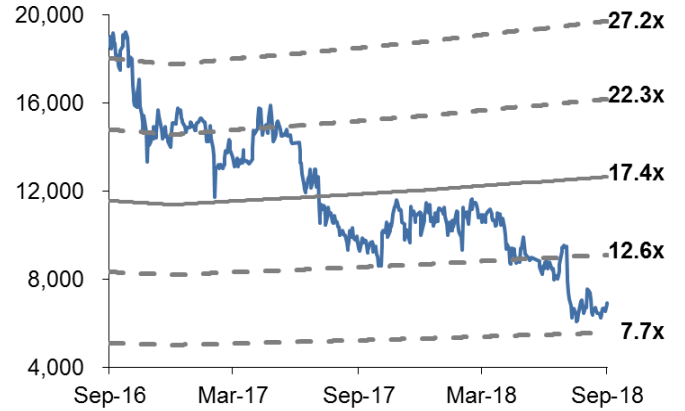
Multiple Valuation

Forward P/E band | Last 2 years



Source: NHKS research

Dynamic Forward P/E band | Last 2 years



Source: NHKS research

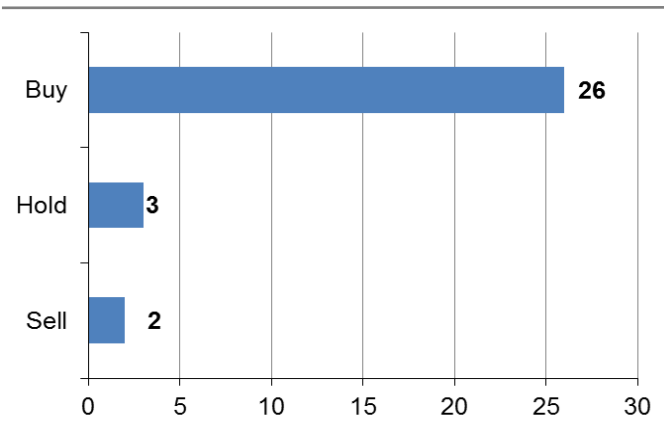
Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
03/02/2018	Buy	13,750 (Dec 2018)	10,800	12,751	+27.3%	+7.8%
05/07/2018	Buy	11,250 (Dec 2018)	9,400	12,485	+19.7%	-9.9%
09/28/2018	Buy	9,270 (Dec 2019)	6,925	9,611	+33.9%	-3.5%

Source: NHKS research, Bloomberg

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

INCOME STATEMENT				
(IDR bn)	2017/12A	2018/12E	2019/12E	2020/12E
Revenue	10,024	10,423	10,828	11,283
<i>Growth</i>	1.3%	4.0%	3.9%	4.2%
Cost of Revenue	(3,762)	(3,875)	(4,044)	(4,216)
Gross Profit	4,382	4,682	4,954	5,208
<i>Gross Margin</i>	43.7%	44.9%	45.8%	46.2%
Operating Expenses	(3,853)	(4,007)	(4,077)	(4,194)
EBIT	2,377	2,550	2,704	2,879
<i>EBIT Margin</i>	23.7%	24.5%	25.0%	25.5%
Depreciation	293	306	322	337
EBITDA	2,670	2,856	3,026	3,216
<i>EBITDA Margin</i>	26.6%	27.4%	27.9%	28.5%
Interest Expenses	(18)	(50)	(33)	(33)
EBT	2,396	2,540	2,711	2,885
Income Tax	(489)	(524)	(556)	(592)
Minority Interest	-	-	-	-
Net Profit	1,907	2,016	2,155	2,293
<i>Growth</i>	-5.6%	5.7%	6.9%	6.4%
<i>Net Profit Margin</i>	19.0%	19.3%	19.9%	20.3%

PROFITABILITY & STABILITY				
	2017/12A	2018/12E	2019/12E	2020/12E
ROE	91.2%	75.6%	63.7%	55.3%
ROA	37.1%	34.8%	32.7%	30.9%
ROIC	81.2%	67.3%	57.3%	50.4%
Cash Dividend (IDR bn)	1,335	1,411	1,509	1,509
Dividend Yield	4.6%	7.0%	7.5%	7.5%
Payout Ratio	70.0%	70.0%	70.0%	65.8%
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	42.9%	48.8%	53.6%	57.8%
Debt Ratio	0.0%	0.0%	0.0%	0.0%
Financial Leverage	245.9%	217.2%	194.8%	179.2%
Current Ratio	113.9%	140.9%	167.2%	195.4%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	2,918	2,918	2,918	2,918
Share Price (IDR)	10,000	6,925	6,925	6,925
Market Cap (IDR tn)	29.2	20.2	20.2	20.2

BALANCE SHEET				
(IDR bn)	2017/12A	2018/12E	2019/12E	2020/12E
Cash	1,583	2,222	3,062	3,837
Receivables	134	102	133	118
Inventories	1,005	1,036	1,078	1,142
Total Current Assets	2,974	3,640	4,539	5,384
Net Fixed Assets	974	943	927	907
Other Non Current Asset	1,480	1,583	1,541	1,562
Total Assets	5,427	6,166	7,008	7,853
Payables	1,645	1,673	1,706	1,729
ST Bank Loan	-	-	-	-
LT Debt	-	-	-	-
Total Liabilities	3,099	3,156	3,246	3,306
Capital Stock	387	387	387	387
Retained Earnings	5,513	6,194	6,938	7,723
Shareholders' Equity	2,328	3,009	3,753	4,537

VALUATION INDEX				
	2017/12A	2018/12E	2019/12E	2020/12E
Price /Earnings	15.3x	10.0x	9.4x	8.8x
Price /Book Value	12.5x	6.7x	5.4x	4.5x
Price/Revenue	2.9x	1.9x	1.9x	1.8x
PE/EPS Growth	2.6x	1.8x	1.4x	1.4x
EV/EBITDA	10.3x	6.3x	5.7x	5.1x
EV/EBIT	11.6x	7.1x	6.3x	5.7x
EV (IDR bn)	27,597	17,985	17,145	16,370
Revenue CAGR (3-Yr)	8.1%	5.0%	3.0%	4.0%
EPS CAGR (3-Yr)	10.4%	4.2%	2.2%	6.3%
Basic EPS (IDR)	654	691	739	786
Diluted EPS (IDR)	654	691	739	786
BVPS (IDR)	798	1,031	1,286	1,555
Revenue PS (IDR)	3,435	3,572	3,711	3,867
DPS (IDR)	457.5	483.7	517.1	517.0

CASH FLOW STATEMENT				
(IDR bn)	2017/12A	2018/12E	2019/12E	2020/12E
Operating Cash Flow	2,214	2,269	2,548	2,600
Investing Cash Flow	(914)	(314)	(298)	(316)
Financing Cash Flow	(1,429)	(1,335)	(1,411)	(1,509)
Net Changes in Cash	(130)	620	839	775

OWNERSHIP		
By Geography	% Shareholders	%
United States	39.0	Multipolar Tbk PT 17.5
Indonesia	29.5	Capital Group Cos Inc 6.8
Luxembourg	10.4	Vanguard Group Inc 2.8
Canada	5.5	BlackRock Inc 2.3

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