

Matahari Department Store Tbk (LPPF)

Menuai Efektifnya Strategi dan Efisiensi

Efisiensi: Pendorong Pertumbuhan

LPPF membukukan penjualan sebesar Rp2,5 triliun (+37% q-q, +4% y-y) pada 4Q17 dan menutup 2017 dengan penjualan sebesar Rp10 triliun (+1% y-y). **Kenaikan Same Store Sales Growth (SSSG) sebesar 3,7%** yang meningkat dari SSSG sebesar -1,2% pada 3Q17 memacu kenaikan penjualan.

Kenaikan SSSG yang disertai dengan kenaikan penjualan kotor merata di seluruh gerai di Jakarta, Pulau Jawa dan non-Jawa. LPPF juga mencatat kenaikan jumlah transaksi sebesar 65% dibandingkan jumlah transaksi pada 3Q17. Selain itu, **LPPF melakukan efisiensi biaya melalui pembenahan jadwal karyawan toko** sehingga beban operasional masih terjaga serta kas yang tercatat sebesar Rp1,6 triliun (+167% q-q, -8%y-y) meski kondisi ritel domestik masih lemah.

Strategi Marketing yang Lebih Efektif

Sejak 2017, LPPF gencar melakukan beberapa strategi untuk menaikkan pangsa pasar, seperti pemanfaatan **analisa data (big data analytics)** untuk mengetahui tren perilaku konsumen. Kenaikan keanggotaan **loyalty program** sebesar 47% menjadikan **strategi direct marketing semakin efektif dan tepat sasaran**. Selain itu, kerja sama dengan Disney dan beberapa artis lokal juga meningkatkan kinerja segmen penjualan eceran dan keseluruhan penjualan.

Target Harga Rp13.750

Kami menggunakan estimasi *forward P/E* sebesar 17,7x (1SD di bawah rata-rata 3 tahun terakhir sebesar 22,9x sebagai basis metode valuasi). Target harga ini mengimplikasikan P/E 2018E sebesar 18,6x (vs 14,6x saat ini).

Matahari Department Store Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Sales	9,897	10,024	10,670	11,213
<i>Sales growth</i>	9.9%	1.3%	6.4%	5.1%
EBITDA	2,795	2,670	3,016	3,177
Net profit	2,020	1,907	2,160	2,275
EPS (IDR)	692	654	740	779
<i>EPS growth</i>	13.4%	-5.6%	13.2%	5.3%
BVPS (IDR)	636	798	1,146	1,412
EBITDA margin	28.2%	26.6%	28.3%	28.3%
Net Profit Margin	20.4%	19.0%	20.2%	20.3%
ROE	136.4%	91.2%	76.2%	60.9%
ROA	46.2%	37.1%	36.4%	33.0%
ROIC	136.5%	90.4%	76.0%	60.7%
P/E	21.9x	15.3x	14.6x	13.9x
P/BV	23.8x	12.5x	9.4x	7.6x
EV/EBITDA	15.2x	10.3x	9.7x	8.9x
DPS (IDR)	485	392	513	540
<i>Dividend yield</i>	3.2%	3.9%	4.8%	5.0%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Buy

Dec 2018 TP (IDR)	13,750
Consensus Price (IDR)	12,751
TP to Consensus Price	+7.8%
vs. Last Price	+27.3%

Shares data

Last Price (IDR)	10,800
Price date as of	Mar 02, 2018
52 wk range (Hi/Lo)	15,950 / 8,475
Free float	82.5%
Outstanding sh.(mn)	2,918
Market Cap (IDR bn)	32,243
Market Cap (USD mn)	2,341
Avg. Trd Vol - 3M (mn)	3.67
Avg. Trd Val - 3M (bn)	39.3
Foreign Ownership	68.9%

Trade, Services & Investment

Retail

Bloomberg	LPPF.IJ
Reuters	LPPF.JK

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Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	8.0%	-0.5%	2.9%	-16.4%
Rel. Ret.	4.4%	0.2%	-6.9%	-38.1%

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 156 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.

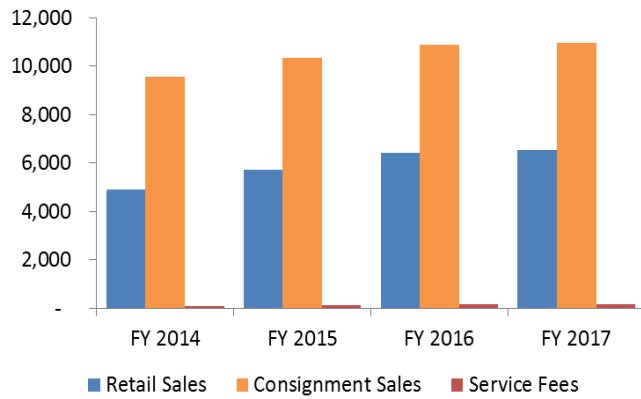
ASEAN Retailers

Company	Market Cap (USD mn)	Total Asset (USD mn)	Sales Growth	Gross Margin	Operating Margin	ROE	P/E	P/BV	Dividend Yield
LPPF	2,341	399	1.28%	63%	23.7%	91.2%	15.3x	12.5x	3.9%
RALS	633	343	5.86%	38%	6.3%	12.3%	19.9x	2.4x	2.9%
MAPI	880	789	10.26%	49%	6.3%	9.5%	35.9x	3.0x	0.3%
Singapore									
Metro Holdings	718	1,114	-15.12%	7%	-1%	13.6%	4.9x	0.6x	4.4%
Malaysia									
Parkson Holdings Bhd	131	2,270	2.07%	N/A	-3%	-4.2%	N/A	0.2x	N/A
Thailand									
Robinson PCL	2,246	846	-0.34%	25%	-1%	17.3%	25.7x	4.3x	2.0%
Philippines									
SM Investments Corp	21,981	19,205	8.63%	39%	16%	10.5%	34.7x	3.5x	0.8%

Source: Bloomberg, NHKS research

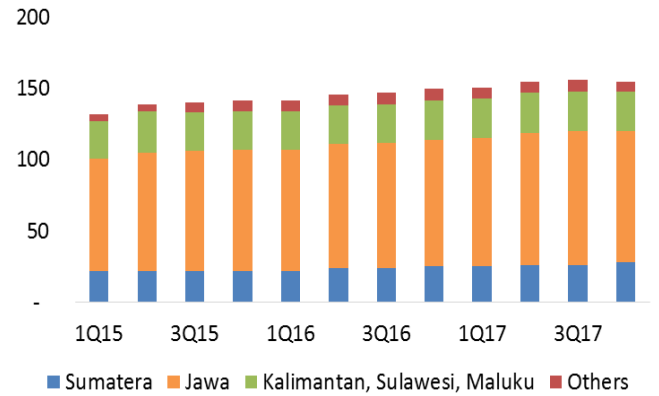
Operational Performance

Sales | 2014 - 2017



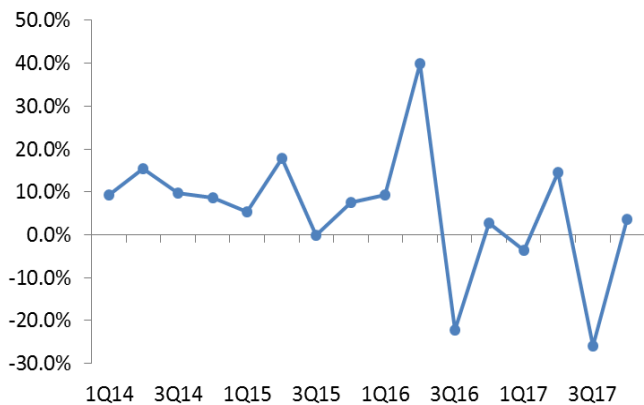
Source: Company, NHKS research

Number of Stores | 1Q15 - 4Q17



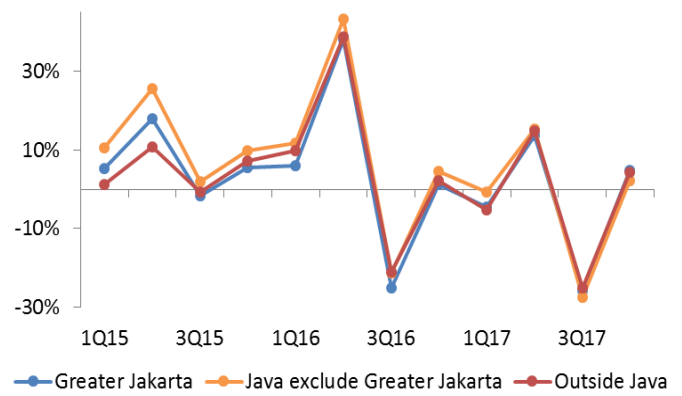
Source: Company, NHKS research

SSSG | 1Q14 - 4Q17



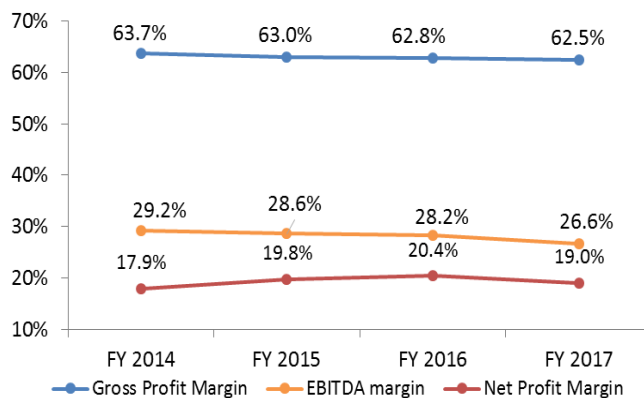
Source: Company, NHKS research

SSSG by Region | 1Q15 - 4Q17



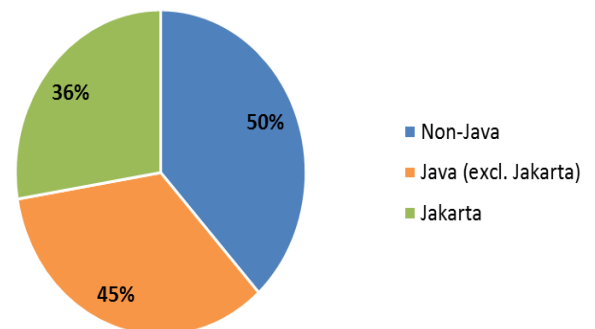
Source: Company, NHKS research

Gross, Net Profit & EBITDA Margin | 2014 - 2017



Source: Company, NHKS research

Geographical Sales | 4Q17



Source: Company, NHKS research

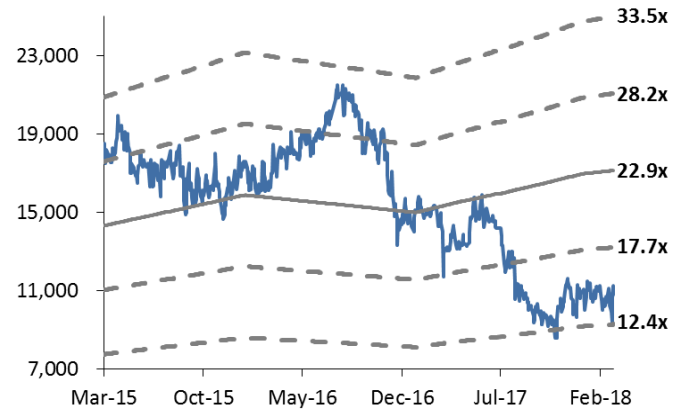
Multiple Valuation

Forward P/E band | Last 3 years



Source: NHKS research

Dynamic Forward P/E band | Last 3 years



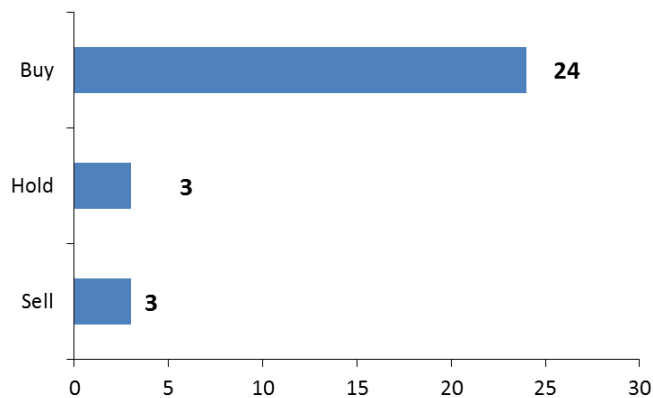
Source: NHKS research

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%

Source: Bloomberg, NHKS research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

- Period: End of year target price
- 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)	March 2, 2018	10,800
Target Price (IDR)	Dec 2018	13,750
Analyst: Michael Tjahjadi	Rating:	Buy

INCOME STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Sales	9,897	10,024	10,670	11,213
Growth (% y/y)	9.9%	1.3%	6.4%	5.1%
COGS	(3,685)	(3,762)	(3,933)	(4,141)
Gross Profit	6,212	6,262	6,737	7,072
Gross Margin	62.8%	62.5%	63.1%	63.1%
Operating Expenses	(3,678)	(3,885)	(4,028)	(4,223)
EBIT	2,534	2,377	2,708	2,849
EBIT Margin	25.6%	23.7%	25.4%	25.4%
Depreciation	261	293	308	328
EBITDA	2,795	2,670	3,016	3,177
EBITDA Margin	28.2%	26.6%	28.3%	28.3%
Interest Expense	(32)	(18)	(25)	(22)
EBT	2,533	2,396	2,714	2,858
Income Tax	(513)	(489)	(554)	(583)
Net Profit	2,020	1,907	2,160	2,275
Growth (% y/y)	13.4%	-5.6%	13.2%	5.3%
Net Profit Margin	20.4%	19.0%	20.2%	20.3%

BALANCE SHEET

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	1,713	1,583	2,358	3,140
Other Current Assets	1,261	1,391	1,418	1,521
Total Current Assets	2,974	2,974	3,776	4,662
Net Fixed Assets	980	974	1,006	1,036
Other Non Current Assets	905	1,480	1,652	1,670
Total Assets	4,859	5,427	6,434	7,368
Trade Payables	1,663	1,645	1,799	1,834
Other Current Liabilities	926	966	839	944
Total Current Liabilities	2,588	2,611	2,638	2,777
LT Debt	-	-	-	-
Other Non Current Liab.	415	489	452	470
Total Liabilities	3,004	3,099	3,090	3,247
Shareholders' Equity	1,855	2,328	3,344	4,121

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	2,020	1,907	2,160	2,275
Deprec & Amortization	261	293	308	328
Chg. In Working Capital	250	13	0	36
CFO	2,531	2,214	2,468	2,638
Capex	(365)	(320)	(340)	(358)
CFI	(507)	(914)	(549)	(358)
Dividends Paid	(1,247)	(1,414)	(1,144)	(1,498)
Net Borrowing	-	-	-	-
CCF	(1,259)	(1,429)	(1,144)	(1,498)
Net Changes in Cash	766	(130)	775	783

OWNERSHIP

By Geography	% Shareholders	%	
United States	38.9	PT Multipolar Tbk	17.5
Indonesia	31.1	Capital Group	5.1
Luxembourg	11.2	Vanguard Group	3.0
Canada	4.1	Blackrock	2.5

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	136.4%	91.2%	76.2%	60.9%
ROA	46.2%	37.1%	36.4%	33.0%
ROIC	136.5%	90.4%	76.0%	60.7%
EBITDA/Equity	188.8%	127.7%	106.4%	85.1%
EBITDA/Assets	63.9%	51.9%	50.9%	46.0%
Cash Dividend (IDR bn)	1,414	1,144	1,498	1,577
Dividend Yield (%)	3.2%	3.9%	4.8%	5.0%
Payout Ratio (%)	70.0%	60.0%	69.3%	69.3%
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%	52.0%	55.9%
Debt Ratio	0.0%	0.0%	0.0%	0.0%
Financial Leverage	295.4%	245.9%	209.1%	184.9%
Current Ratio	114.9%	113.9%	143.1%	167.9%
Quick Ratio	76.4%	75.4%	101.9%	127.7%
Cash Ratio	66.2%	60.6%	89.4%	113.1%
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	10,800	10,800
Market Cap (IDR tn)	44.1	29.2	31.5	31.5

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price/Earnings	21.9x	15.3x	14.6x	13.9x
Price/Book Value	23.8x	12.5x	9.4x	7.6x
Price/Sales	4.5x	2.9x	3.0x	2.8x
PE/EPS Growth	1.6x	-2.7x	1.1x	2.6x
EV/EBITDA	15.2x	10.3x	9.7x	8.9x
EV/EBIT	16.7x	11.5x	10.7x	9.9x
EV (IDR bn)	42,421	27,596	29,156	28,373
Sales CAGR (3-Yr)	13.6%	8.1%	5.8%	4.2%
EPS CAGR (3-Yr)	20.6%	10.4%	6.6%	4.0%
Basic EPS (IDR)	692	654	740	779
Diluted EPS (IDR)	692	654	740	779
BVPS (IDR)	636	798	1,146	1,412
Sales PS (IDR)	3,392	3,435	3,657	3,843
DPS (IDR)	484.6	392.1	513.2	540.4

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	2,021	1,891	2,155	2,267
+Depr./Amor.	261	293	308	328
-CAPEX	(365)	(320)	(340)	(358)
-Incr. (Decr.) in Working Cap.	250	13	0	36
(Unlevered) FCFF	2,167	1,878	2,123	2,273
WACC				
Cost of Debt (Tax Adj.)	0.0%	0.0%	0.0%	0.0%
Cost of Equity (COE)	9.9%	12.2%	13.3%	13.6%
WACC (%)	9.9%	12.2%	13.3%	13.6%
RIM				
Spread (FROE-COE) (%)	172.7%	90.6%	79.4%	54.4%
Residual Income (IDR)	1,911	1,681	1,849	1,820
Equity Charge	109	226	311	455
EVA				
Invested Capital (IDR bn)	1,106	1,855	2,328	3,344
ROIC-WACC (%)	172.8%	89.8%	79.2%	54.2%
EVA (IDR bn)	1,911	1,666	1,845	1,812

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