

# Mitra Adiperkasa Tbk (MAPI IJ)

## Reaps Revenues from Series of Momentum

The Indonesia retail industry is dismal by the current state of stagnation, but MAPI was still confidence in the IH19 favorable performance: moderate SSSG, active expansion, and Idulfitri momentum. MAPI is likely to attain its targeted revenues and earnings of FY19 by accelerating organic SSSG growth.

### The IH19 Favorable Performance

MAPI posted two-digit growth in IH19, with a 10.2% y-y gain to IDR10 trillion in revenues on the back of Idulfitri momentum and a 3% moderate SSSG (vs, a 7% FY19 targeted SSSG). We estimate a 7% targeted SSSG is likely to be posted in IIH19 on the back of the total store expansion of 30,000sqm and series of about-to-come momentum—academic term, Christmas, and New Year. EBIT and earnings respectively increased by 34.3% y-y to IDR969 billion and 50.6% y-y to IDR605 billion. The specialty stores segment was still the biggest contributor to EBIT as it contributed an 84% revenues, while the second biggest contributor was the department stores with an 11% revenues contribution to EBIT. Based on its IH19 favorable performance, MAPI is likely capable of attaining its FY19 targeted revenues and earning of respectively 15%.

### Segmental Highlights

Specialty stores and food& beverages segments posted respectively a 4% SSSG, while the department stores segment only posted a 1% growth in SSSG. MAPI amid the less-optimistic backdrop of department stores business focuses and optimizes more on the specialty stores segment. Based on the geographical breakdown, Indonesia-based market share is the first revenues contributor, with the contribution of 11% y-y, then Vietnam and Thailand with respective contributions of -2% y-y and 18% y-y. MAPI through its subsidiary MAPA plans to strengthen Vietnam-based market share by launching sports centers.

### MAP Active's Outstanding Performance

MAPA booked the IH19 impressive performance: a 19.41% y-y gain to IDR3.4 trillion in the top line. Its SSSG also posted a 9% increase topping an 8%-10% FY19 guideline, and bottom line made a sharp increase to IDR365 billion from IDR32 billion in IH18 on the back of the current trend of active lifestyle.

### BUY Recommendation at the Target Price of IDR1,200

We maintain BUY recommendation on MAPI at the target price of IDR1,200 base on the estimate at a 19.7x P/E forward and a 21.2% upside potential from the current stock price. Upside risks to our BUY recommendation are a slowdown in SSSG growth; Indonesian rupiah's exchange rate for US dollar depreciated; significant inflation growth.

### Mitra Adiperkasa Tbk | Summary (IDR bn)

	2018	2019E	2020F	2021F
Revenue	18,921	20,252	21,113	21,957
Revenue growth	16.0%	7.0%	4.2%	4.0%
EBITDA	2,270	2,485	2,554	2,740
Net Profit	736	919	1,219	1,453
EPS (IDR)	44	55	73	88
EPS growth	119.9%	24.8%	32.7%	19.2%
BVPS (IDR)	365	417	476	549
EBITDA margin	12.0%	12.3%	12.1%	12.5%
NPM	3.9%	4.5%	5.8%	6.6%
ROE	14.3%	14.1%	16.4%	17.1%
ROA	6.1%	7.0%	8.5%	9.4%
ROIC	13.3%	14.5%	13.7%	14.4%
P/E	18.2x	17.9x	13.5x	11.3x
P/BV	2.2x	2.4x	2.1x	1.8x
EV/EBITDA	4.5x	5.1x	4.9x	4.6x
DPS (IDR)	16	24	22	25
Dividend yield	2.0%	2.4%	2.2%	2.5%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer



Company Report | Aug 19, 2019

# Buy

<b>Dec 2019 TP (IDR)</b>	<b>1,200</b>
Consensus Price (IDR)	1,118
TP to Consensus Price	+7.4%
vs. Last Price	+21.2%

### Shares data

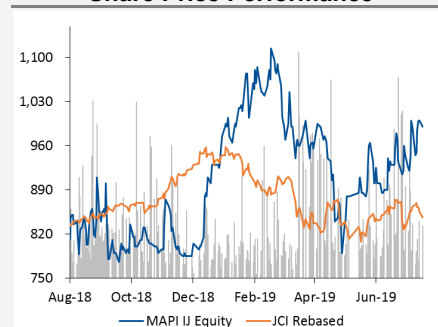
Last Price (IDR)	990
Price date as of	Aug 16, 2019
52 wk range (Hi/Lo)	1,085 / 765
Free float (%)	49.0
Outstanding sh.(mn)	16,600
Market Cap (IDR bn)	16,766
Market Cap (USD mn)	1,180
Avg. Trd Vol - 3M (mn)	13.70
Avg. Trd Val - 3M (bn)	12.6
Foreign Ownership	20.5%

### Trade, Services & Investment

#### Retail

Bloomberg	MAPI IJ
Reuters	MAPI.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	24.5%	6.5%	5.9%	17.9%
Rel. Ret.	19.0%	9.5%	9.4%	11.1%

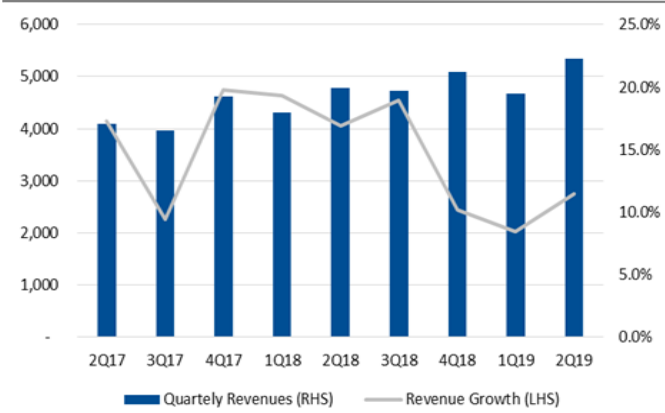
### Putu Chantika Putri D

+62 21 797 6202, ext:114

Putu.chantika@nhsec.co.id

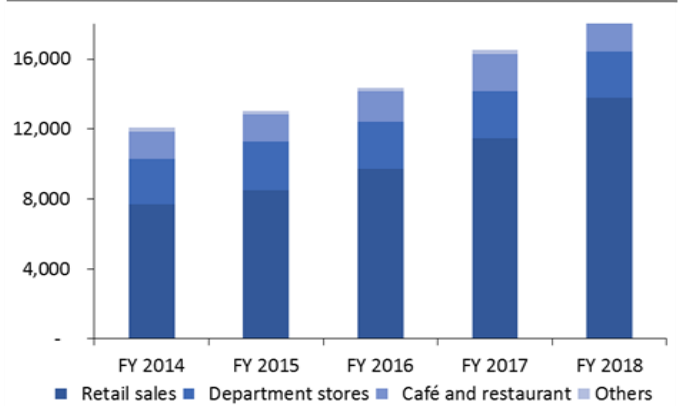
## Performance Highlights

**MAPI Quarterly Net Revenues | 2Q17 - 3Q18**



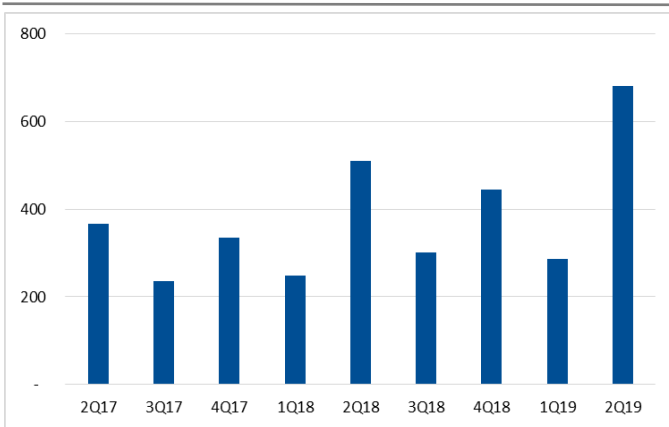
Source: Company, NHKS Research

**MAPI Revenue Contribution | FY14 - FY18**



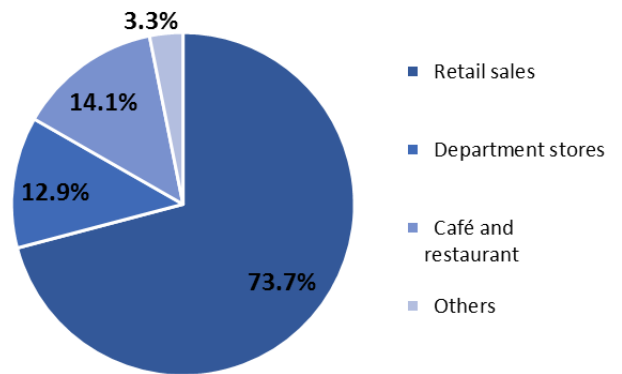
Source: Company, NHKS Research

**EBIT | 2Q17 - 2Q19**



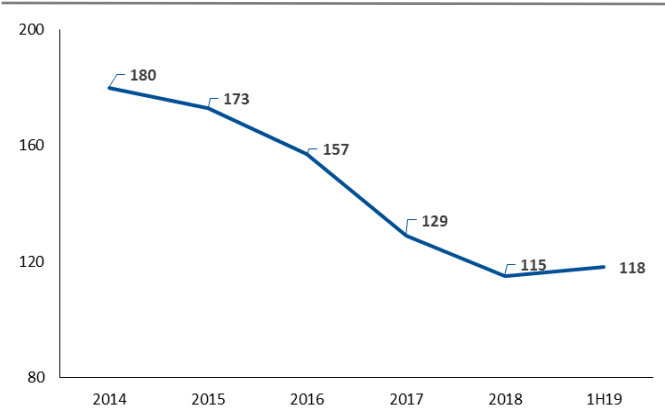
Source: Company, NHKS Research

**Revenue Breakdown | 2Q19**



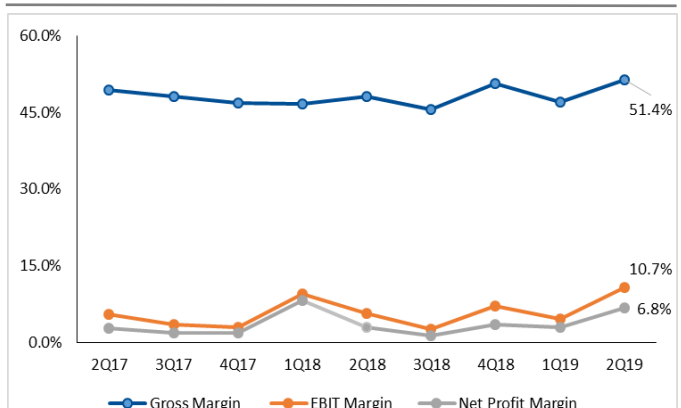
Source: Company, NHKS Research

**MAPI Inventory Days | 1H19**



Source: Company, NHKS Research

**Margin Ratios | 2Q17 - 2Q19**



Source: Company, NHKS Research

## 2Q19 review (IDR bn)

	2Q18	3Q18	4Q18	1Q19	2Q19					3Q19E
					Actual	Estimate	y-y	q-q	surprise	
Revenue	4,789	4,722	5,093	4,680	5,336	5,253	11.4%	14.0%	1.6%	4,577
Gross Profit	2,302	2,154	2,579	2,197	2,741	1,354	19.1%	24.8%	102.5%	2,714
<i>Gross Margin</i>	48.1%	45.6%	50.6%	46.9%	51.4%	25.8%	3.3%	4.4%	25.6%	59.3%
EBIT	511	302	444	287	683	478	33.6%	137.9%	42.8%	385
<i>EBIT Margin</i>	10.7%	6.4%	8.7%	6.1%	12.8%	9.1%	2.1%	6.7%	3.7%	8.4%
EBITDA	703	496	637	488	886	756	25.9%	81.4%	17.1%	525
<i>EBITDA Margin</i>	14.7%	10.5%	12.5%	10.4%	16.6%	14.4%	1.9%	6.2%	2.2%	11.5%
<b>Net Profit</b>	<b>140</b>	<b>67</b>	<b>178</b>	<b>138</b>	<b>361</b>	<b>420</b>	<b>158.4%</b>	<b>161.1%</b>	<b>-14.0%</b>	<b>191</b>
<i>Net Margin</i>	2.9%	1.4%	3.5%	3.0%	6.8%	8.0%	3.8%	3.8%	-1.2%	4.2%

Source: Bloomberg, NHKS research

## Earnings revision (IDR bn)

		2018A	2019E	2020F
Revenue	-Revised	18,921	20,252	21,113
	-Previous	18,974	21,303	22,155
	-Change	-0.3%	-4.9%	-4.7%
Gross Profit	-Revised	9,052	9,798	10,328
	-Previous	8,879	10,116	10,674
	-Change	1.9%	-3.1%	-3.2%
Gross Margin	-Revised	47.8%	48.4%	48.9%
	-Previous	46.8%	47.5%	48.2%
EBIT	-Revised	1,506	1,679	1,850
	-Previous	1,633	1,981	2,108
	-Change	-7.8%	-15.2%	-12.3%
EBIT Margin	-Revised	8.0%	8.3%	8.8%
	-Previous	8.6%	9.3%	9.5%
EBITDA	-Revised	2,270	2,485	2,554
	-Previous	2,412	2,832	3,052
	-Change	-5.9%	-12.2%	-16.3%
EBITDA Margin	-Revised	12.0%	12.3%	12.1%
	-Previous	12.7%	13.3%	13.8%
<b>Net Profit</b>	-Revised	<b>736</b>	<b>919</b>	<b>1,219</b>
	-Previous	863	958	1,234
	-Change	-14.7%	-4.1%	-1.2%
Net Margin	-Revised	3.9%	4.5%	5.8%
	-Previous	4.5%	4.5%	5.6%

Source: NHKS research

## MAPI at A Glance

MAPI as one of the leading retailers in Indonesia boasts of its ample branded portfolios — more than 154 globally marketed brands. Founded in 1995, it initially focused only on sports products. Now, it establishes a well-nurtured business in vast lines of sports products, fashion, department stores, food & beverages, kids products, lifestyle targeted to the middle-to-high income individuals.

Not only does MAPI run its business in Indonesia but it also expands its markets in neighboring countries: Singapore, Malaysia, Thailand, Australia, etc. The launch of Zara's first store in Vietnam market in 2016 portrayed its agile market expansion. Indeed, it dominates the Indonesian market with more than 2,300 retail stores across 71 big cities.

### Indonesia-based Retail Industry in ASEAN

Indonesia is the first most populous nation in ASEAN; such characteristic develops Indonesia into a **lucrative market for the retail business**. Top retailers, i.e. LPPF, RALS, MAPI with their stores across Indonesia dominate the Indonesian market.

The Indonesian Retailers Association (Aprindo) targets the retail industry to achieve a 10 % growth at the end of 2019. The Indonesian authorities leaving the electricity tariff and subsidized petroleum price unchanged until 2019 are potent drivers for the recovery in consumers purchasing power until 2020.

### ASEAN Retailers

Company	Market Cap (USD mn)	Asset (USD mn)	Sales Growth	Gross Margin	Operating-Margin	ROE LTM	P/E LTM	P/BV LTM	Dividend Yield
<b>Indonesia</b>									
LPPF	640	349	2.21%	62.3%	15.3%	45.2%	10.1x	5.0x	10.3%
RALS	648	363	2.08%	44%	10.4%	17.7%	12.7x	2.1x	3.8%
MAPI	1,171	876	16.04%	48%	8.0%	14.5%	22.5x	2.9x	1.0%
<b>Singapore</b>									
Metro Holdings	578	1,405	26.14%	6%	7.0%	5.7%	9.3x	0.5x	4.7%
<b>Malaysia</b>									
Parkson Holdings Bhd	52	2,219	0.45%	N/A	0%	-6.9%	N/A	0.1x	N/A
<b>Thailand</b>									
Robinson PCL	2,256	878	17.54%	34%	10%	15.9%	25.7x	3.9x	2.2%
<b>Philippines</b>									
SM Investments Corp	23.607	20,251	13.47%	39%	16%	12.0%	29.4x	3.3x	0.9x

Source: Bloomberg, NHKS research

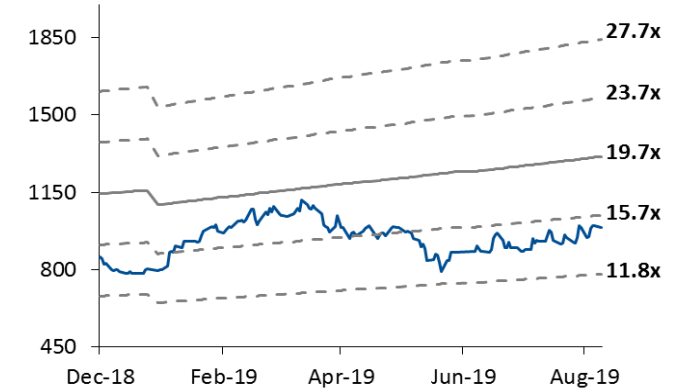
## Multiple Valuation

Forward P/E band | Last 2 years



Source: NHKS Research

Dynamic Forward P/E band | Last 2 years



Source: NHKS Research

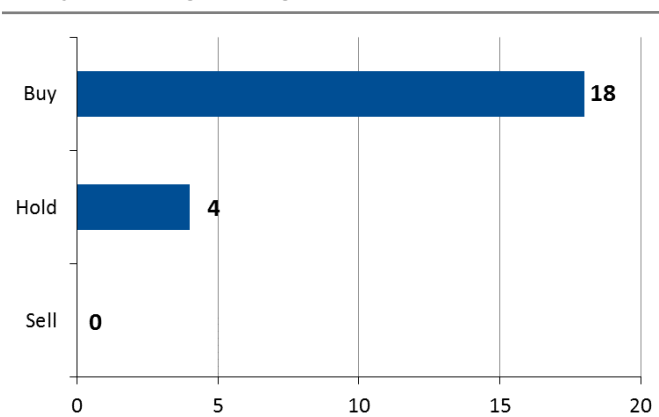
## Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
4/9/2018	Buy	945	790	866	19.6%	9.1%
7/19/2018	Buy	945	800	818	18.1%	15.5%
9/4/2018	Buy	945	815	1,011	16.0%	-6.5%
8/12/2010	Buy	1,200	1,685	1,118	21.2%	7.3%

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)	2018/12A	2019/12E	2020/12E	2021/12E
<b>Sales</b>	<b>18,921</b>	<b>20,252</b>	<b>21,113</b>	<b>21,957</b>
<i>Growth</i>	16.0%	7.0%	4.2%	4.0%
Cost of Good Sold	(9,869)	(10,455)	(10,785)	(11,098)
<b>Gross Profit</b>	<b>9,052</b>	<b>9,798</b>	<b>10,328</b>	<b>10,859</b>
<i>Gross Margin</i>	47.8%	48.4%	48.9%	49.5%
Operating Expenses	(7,546)	(8,118)	(8,478)	(8,787)
<b>EBIT</b>	<b>1,506</b>	<b>1,679</b>	<b>1,850</b>	<b>2,072</b>
<i>EBIT Margin</i>	8.0%	8.3%	8.8%	9.4%
Depreciation	764	806	705	667
<b>EBITDA</b>	<b>2,270</b>	<b>2,485</b>	<b>2,554</b>	<b>2,740</b>
<i>EBITDA Margin</i>	12.0%	12.3%	12.1%	12.5%
Interest Expenses	(536)	(214)	(247)	(264)
<b>EBT</b>	<b>1,174</b>	<b>1,377</b>	<b>1,596</b>	<b>1,853</b>
Income Tax	(360)	(332)	(437)	(477)
Minority Interest	(78)	(126)	60	78
<b>Net Profit</b>	<b>736</b>	<b>919</b>	<b>1,219</b>	<b>1,453</b>
<i>Growth</i>	119.8%	24.8%	32.7%	19.2%
<i>Net Profit Margin</i>	3.9%	4.5%	5.8%	6.6%

PROFITABILITY & STABILITY				
	2018/12A	2019/12E	2020/12E	2021/12E
ROE	14.3%	14.1%	16.4%	17.1%
ROA	6.1%	7.0%	8.5%	9.4%
ROIC	13.3%	14.5%	13.7%	14.4%
Cash Dividend (IDR bn)	269	399	366	417
Dividend Yield	2.0%	2.4%	2.2%	2.5%
Payout Ratio	36.5%	43.5%	30.0%	28.7%
DER	29.1%	26.5%	24.0%	17.5%
Net Gearing	50.6%	46.6%	48.2%	40.5%
LT Debt to Equity	6.9%	5.6%	5.0%	3.7%
Capitalization Ratio	22.5%	21.0%	19.4%	14.9%
Equity Ratio	48.0%	50.4%	52.7%	57.4%
Debt Ratio	14.0%	13.4%	12.7%	10.0%
Financial Leverage	233.5%	203.1%	193.8%	181.4%
Current Ratio	135.0%	153.3%	159.8%	181.7%
Par Value (IDR)	500	500	500	500
Total Shares (mn)	16,600	16,600	16,600	16,600
Share Price (IDR)	805	990	990	990
Market Cap (IDR tn)	13.4	16.4	16.4	16.4

BALANCE SHEET				
(IDR bn)	2018/12A	2019/12E	2020/12E	2021/12E
Cash	1,412	1,850	2,089	2,206
Receivables	389	374	358	350
Inventories	3,231	3,360	3,480	3,699
<b>Total Current Assets</b>	<b>7,313</b>	<b>8,774</b>	<b>9,571</b>	<b>10,354</b>
Net Fixed Assets	3,471	3,424	3,681	3,610
Other Non Current Asset	856	720	751	720
<b>Total Assets</b>	<b>12,633</b>	<b>13,754</b>	<b>14,995</b>	<b>15,899</b>
Payables	1,341	1,504	1,523	1,748
ST Bank Loan	1,348	1,453	1,500	1,260
LT Debt	417	385	398	334
<b>Total Liabilities</b>	<b>6,570</b>	<b>6,825</b>	<b>7,087</b>	<b>6,780</b>
Capital Stock	830	830	830	830
Retained Earnings	2,869	3,755	4,756	5,951
<b>Shareholders' Equity</b>	<b>6,062</b>	<b>6,929</b>	<b>7,908</b>	<b>9,119</b>

VALUATION INDEX				
	2018/12A	2019/12E	2020/12E	2021/12E
Price /Earnings	18.2x	17.9x	13.5x	11.3x
Price /Book Value	2.2x	2.4x	2.1x	1.8x
Price/Revenue	0.7x	0.8x	0.8x	0.7x
PE/EPS Growth	0.2x	0.7x	0.4x	0.6x
EV/EBITDA	4.5x	5.1x	4.9x	4.6x
EV/EBIT	6.8x	7.6x	6.7x	6.1x
EV (IDR bn)	10,186	12,747	12,447	12,634
Revenue CAGR (3-Yr)	13.8%	12.7%	9.0%	5.1%
EPS CAGR (3-Yr)	170.1%	63.9%	53.9%	25.5%
Basic EPS (IDR)	44	55	73	88
Diluted EPS (IDR)	44	55	73	88
BVPS (IDR)	365.19	417	476	549
Revenue PS (IDR)	1,140	1,220	1,272	1,323
DPS (IDR)	16.2	24.1	22.1	25.1

CASH FLOW STATEMENT				
(IDR bn)	2018/12A	2019/12E	2020/12E	2021/12E
Operating Cash Flow	1,584	900	1,583	1,407
Investing Cash Flow	(1,051)	(641)	(1,160)	(742)
Financing Cash Flow	(397)	(114)	(184)	(547)
<b>Net Changes in Cash</b>	<b>136</b>	<b>145</b>	<b>239</b>	<b>118</b>

OWNERSHIP		
By Geography	% Shareholders	%
Indonesia	79.5 Satya Mulia Gema	51.0
United States	10.0 Schroder Investment	4.7
Norway	4.0 Norges Bank	3.0
Luxembourg	3.8 FIL Ltd	1.8

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