

# Mitra Adiperkasa Tbk (MAPI IJ)

## Proves Solid Regardless of Tough 3Q19

MAPI succeeded to post top-line growth in 3Q19 without being backed by seasonality. Its segments virtually recorded significant growth, excluding the department store segment. However, we pencil in that MAPI is more likely to record the quarterly highest sales of 4Q19 as did its past years' performance. Besides, MAPI is well worth a promising outlook in 2020.

### Steady Top Line

MAPI after the 2Q19 Eid Mubarak succeeded to post the 3Q19 revenues of IDR 5.3 trillion (+14.2% y-y, +1.1% q-q), backed by the specialty store segment (Active and Fashion) to contribute 70% to MAPI's total revenues. The segment posted revenues of IDR3.8 trillion (+12% y-y, -1% q-q). Meanwhile, the F&B segment posted revenues of IDR794 billion (+17.7% y-y, +7.31%); this segment's excellent performance inextricably also supported the 3Q19's rising revenues. We view that Starbucks is still undefeatable by newly mushrooming coffee stores due to differently targeted buyers. The beverages segment, on a cumulative basis, posted sales to IDR1.4 trillion or an 18.8% y-y increase; meanwhile, the food segment cumulatively recorded sales to IDR616 billion (+15.4% y-y). Furthermore, the department store segment posted sales of IDR630 billion (-1.1% y-y, -6.35% q-q), the contraction of which is least likely to impact our optimistic view on MAPI. We infer that 2Q19 growth was attributable to Eid Mubarak momentum to allure more shoppers.

### Higher OpEx to Pressure Bottom Line

MAPI posted the 3Q19 EBIT growth of IDR372 billion (+6.9% y-y, -45% q-q). We view that higher OpEx cumulatively was attributable to rising salaries and allowances to reach IDR1.4 trillion (+15.3% y-y) and rising tax rates of 32.6% in 3Q19 from 23.4% in 2Q19. MAPI's net profits reached IDR144 billion (+115% y-y, -60.2% q-q). MAPI's revenues on a cumulative basis grew 11.4% y-y with SSSG of 3%, less favorable than that of 8% in 3Q18. We estimate that until FY20, MAPI is likely to post SSSG growth of 5%-6%, while the 4Q19 SSSG will grow to 4% on the back year-end sales promo of holiday season; thus, we estimate that shoppers flocking malls in Jakarta's area will contribute 57% to the total sales. Of note, 4Q19 sales will be higher than the rest.

### BUY Rating with Price Target of IDR1,300

We retain to recommend BUY with the price target of IDR1,300 based on the estimated valuation of the P/E forward of 20.9x with the yield upside potential from the current stock prices. The holiday season along with year-end sales allows MAPI to historically achieve the highest sales in 4Q19. Besides, our target price is on grounds of the stable rupiah exchange rate for USD. In years ahead, we believe MAPI is least likely to suffer from hikes in several tariffs because its premium products target middle-to-higher income shoppers. The risks to our target price are consumers' confidence and consumers' discretionary spending to soften, a slowdown in segmental growth and increasing segmental promotional activity.

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

|                       | 2018   | 2019E  | 2020F  | 2021F  |
|-----------------------|--------|--------|--------|--------|
| Revenue               | 18,921 | 21,092 | 23,726 | 26,098 |
| <i>Revenue growth</i> | 16.0%  | 11.5%  | 12.5%  | 10.0%  |
| EBITDA                | 2,270  | 2,600  | 2,845  | 3,248  |
| Net Profit            | 736    | 875    | 1,033  | 1,298  |
| EPS (IDR)             | 44     | 53     | 62     | 78     |
| <i>EPS growth</i>     | 119.9% | 18.9%  | 18.1%  | 25.6%  |
| BVPS (IDR)            | 365    | 439    | 489    | 556    |
| EBITDA margin         | 12.0%  | 12.3%  | 12.0%  | 12.4%  |
| NPM                   | 3.9%   | 4.1%   | 4.4%   | 5.0%   |
| ROE                   | 14.3%  | 13.1%  | 13.4%  | 15.0%  |
| ROA                   | 6.1%   | 6.7%   | 7.4%   | 8.6%   |
| ROIC                  | 13.3%  | 13.9%  | 14.1%  | 14.9%  |
| P/E                   | 18.2x  | 18.8x  | 15.9x  | 12.7x  |
| P/BV                  | 2.2x   | 2.3x   | 2.0x   | 1.8x   |
| EV/EBITDA             | 4.5x   | 5.0x   | 4.5x   | 3.8x   |
| DPS (IDR)             | 16     | 24     | 22     | 25     |
| <i>Dividend yield</i> | 2.0%   | 2.4%   | 2.2%   | 2.5%   |

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

## Buy

|                          |              |
|--------------------------|--------------|
| <b>Dec 2020 TP (IDR)</b> | <b>1,300</b> |
| Consensus Price (IDR)    | 1,289        |
| TP to Consensus Price    | +0.9%        |
| vs. Last Price           | +16.6%       |

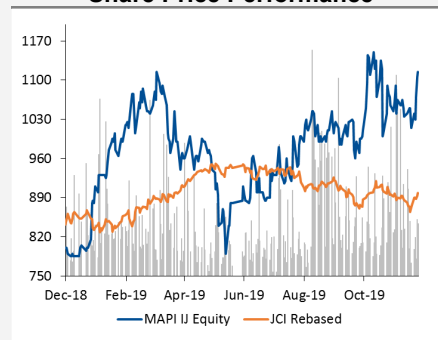
### Shares data

|                        |              |
|------------------------|--------------|
| Last Price (IDR)       | 1,115        |
| Price date as of       | Dec 06, 2019 |
| 52 wk range (Hi/Lo)    | 1,150 / 785  |
| Free float (%)         | 49.0         |
| Outstanding sh.(mn)    | 16,600       |
| Market Cap (IDR bn)    | 17,762       |
| Market Cap (USD mn)    | 1,266        |
| Avg. Trd Vol - 3M (mn) | 9.41         |
| Avg. Trd Val - 3M (bn) | 12.6         |
| Foreign Ownership      | 22.4%        |

### Trade, Services & Investment

|               |                |
|---------------|----------------|
| <b>Retail</b> | <b>MAPI IJ</b> |
| Bloomberg     | MAPI IJ        |
| Reuters       | MAPI.JK        |

### Share Price Performance



|           | YTD   | 1M   | 3M    | 12M   |
|-----------|-------|------|-------|-------|
| Abs. Ret. | 40.3% | 3.7% | 10.4% | 35.2% |
| Rel. Ret. | 35.9% | 4.2% | 12.3% | 26.3% |

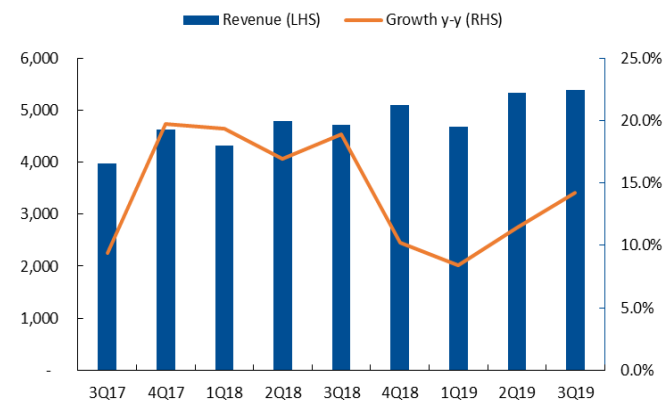
### Putu Chantika Putri D

+62 21 5088 9129

Putu.chantika@nhsec.co.id

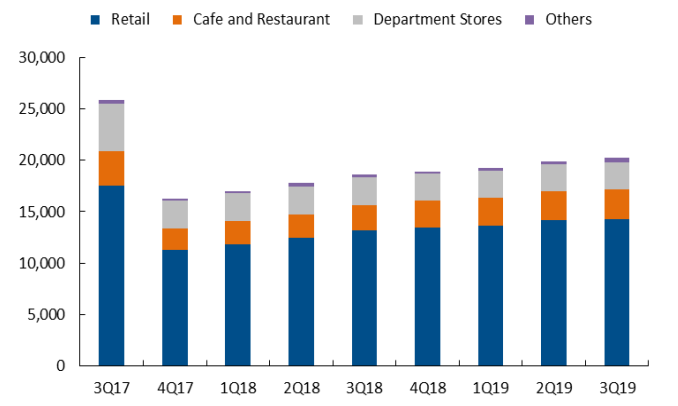
# Performance Highlights

## MAPI Quarterly Net Revenues | 3Q17 - 3Q19



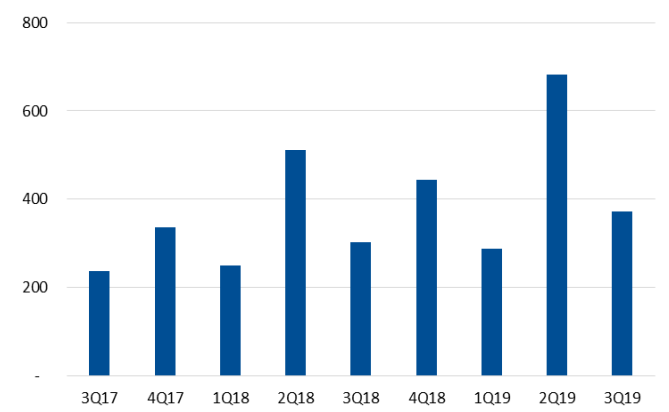
Source: Company, NHKS Research

## MAPI Revenue Contribution | 3Q17—3Q19



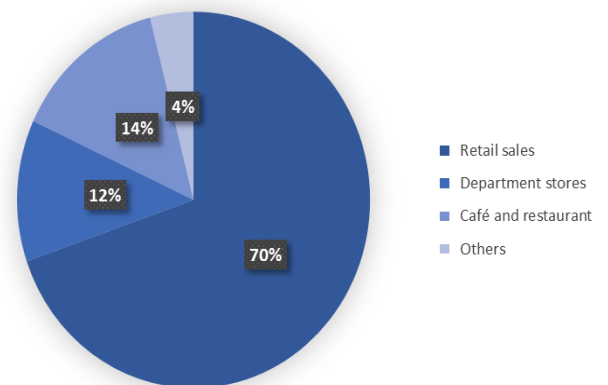
Source: Company, NHKS Research

## EBIT | 3Q17 - 3Q19



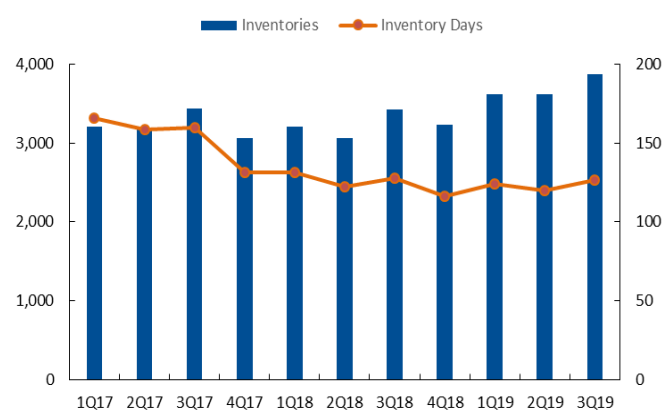
Source: Company, NHKS Research

## Revenue Breakdown | 3Q19



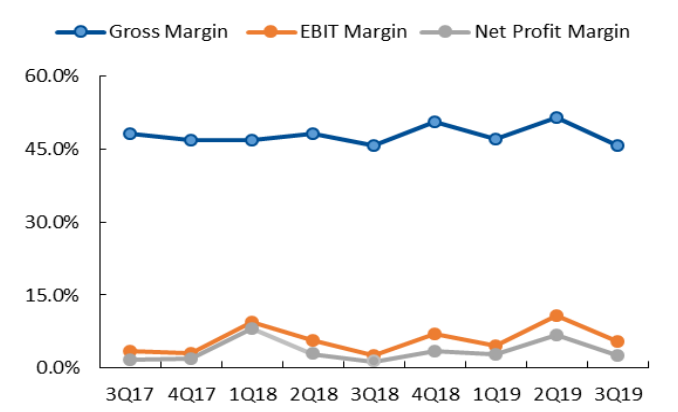
Source: Company, NHKS Research

## MAPI Inventory Days | 1Q17—3Q19



Source: Company, NHKS Research

## Margin Ratios | 3Q17 - 3Q19



Source: Company, NHKS Research

## 3Q19 review (IDR bn)

|                      | 3Q18      | 4Q18       | 1Q19       | 2Q19       | 3Q19       |            |               |               |               | 4Q19E      |
|----------------------|-----------|------------|------------|------------|------------|------------|---------------|---------------|---------------|------------|
|                      |           |            |            |            | Actual     | Estimate   | y-y           | q-q           | surprise      |            |
| Revenue              | 4,722     | 5,093      | 4,680      | 5,336      | 5,393      | 5,253      | 14.2%         | 1.1%          | 2.7%          | 5,682      |
| Gross Profit         | 2,154     | 2,579      | 2,197      | 2,741      | 2,471      | 1,354      | 14.7%         | -9.9%         | 82.5%         | 2,725      |
| <i>Gross Margin</i>  | 45.6%     | 50.6%      | 46.9%      | 51.4%      | 45.8%      | 25.8%      | 0.2%          | -5.6%         | 20.0%         | 48.0%      |
| EBIT                 | 302       | 444        | 287        | 683        | 372        | 478        | 23.2%         | -45.4%        | -22.1%        | 387        |
| <i>EBIT Margin</i>   | 6.4%      | 8.7%       | 6.1%       | 12.8%      | 6.9%       | 9.1%       | 0.5%          | -5.9%         | -2.2%         | 6.8%       |
| EBITDA               | 496       | 637        | 488        | 886        | 584        | 756        | 17.9%         | -34.0%        | -22.7%        | 642        |
| <i>EBITDA Margin</i> | 10.5%     | 12.5%      | 10.4%      | 16.6%      | 10.8%      | 14.4%      | 0.3%          | -5.8%         | -3.6%         | 11.3%      |
| <b>Net Profit</b>    | <b>67</b> | <b>178</b> | <b>138</b> | <b>361</b> | <b>144</b> | <b>420</b> | <b>115.0%</b> | <b>-60.2%</b> | <b>-65.8%</b> | <b>232</b> |
| <i>Net Margin</i>    | 1.4%      | 3.5%       | 3.0%       | 6.8%       | 2.7%       | 8.0%       | 1.2%          | -4.1%         | -5.3%         | 4.1%       |

Source: Bloomberg, NHKS research

## Earnings revision (IDR bn)

|                   |           | 2018A      | 2019E      | 2020F        |
|-------------------|-----------|------------|------------|--------------|
| Revenue           | -Revised  | 18,921     | 21,092     | 23,726       |
|                   | -Previous | 18,974     | 21,303     | 22,155       |
|                   | -Change   | -0.3%      | -1.0%      | +7.1%        |
| Gross Profit      | -Revised  | 9,052      | 10,135     | 11,451       |
|                   | -Previous | 8,879      | 10,116     | 10,674       |
|                   | -Change   | 1.9%       | +0.2%      | +7.3%        |
| Gross Margin      | -Revised  | 47.8%      | 48.1%      | 48.3%        |
|                   | -Previous | 46.8%      | 47.5%      | 48.2%        |
| EBIT              | -Revised  | 1,506      | 1,729      | 1,982        |
|                   | -Previous | 1,633      | 1,981      | 2,108        |
|                   | -Change   | -7.8%      | -12.7%     | -6.0%        |
| EBIT Margin       | -Revised  | 8.0%       | 8.2%       | 8.4%         |
|                   | -Previous | 8.6%       | 9.3%       | 9.5%         |
| EBITDA            | -Revised  | 2,270      | 2,600      | 2,845        |
|                   | -Previous | 2,412      | 2,832      | 3,052        |
|                   | -Change   | -5.9%      | -8.2%      | -6.8%        |
| EBITDA Margin     | -Revised  | 12.0%      | 12.3%      | 12.0%        |
|                   | -Previous | 12.7%      | 13.3%      | 13.8%        |
| <b>Net Profit</b> | -Revised  | <b>736</b> | <b>875</b> | <b>1,033</b> |
|                   | -Previous | 863        | 958        | 1,234        |
|                   | -Change   | -14.7%     | -8.7%      | -16.3%       |
| Net Margin        | -Revised  | 3.9%       | 4.1%       | 4.4%         |
|                   | -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.

### Indonesian 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.

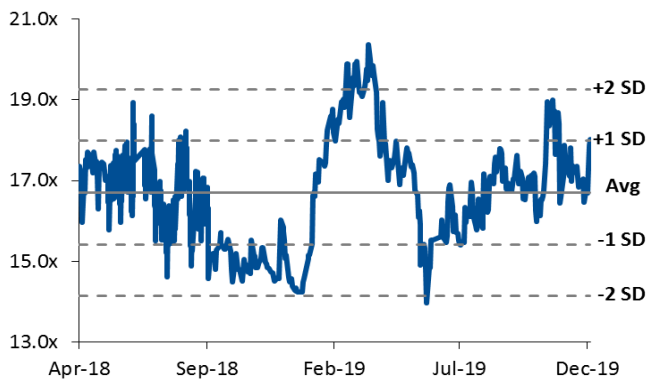
#### ASEAN Retailers

| 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                 | 730                 | 349            | 2.21%        | 62.3%        | 15.3%            | 37.8%   | 13.1x   | 5.7x     | 9.1%           |
| RALS                 | 524                 | 363            | 2.08%        | 44%          | 10.4%            | 17.1%   | 10.4x   | 1.7x     | 4.8%           |
| MAPI                 | 1,266               | 876            | 16.04%       | 48%          | 8.0%             | 14.8%   | 21.7x   | 3.0x     | 0.9%           |
| <b>Singapore</b>     |                     |                |              |              |                  |         |         |          |                |
| Metro Holdings       | 571                 | 1,405          | 26.14%       | 6%           | 7.0%             | 5.7%    | 9.3x    | 0.5x     | 4.8%           |
| <b>Malaysia</b>      |                     |                |              |              |                  |         |         |          |                |
| Parkson Holdings Bhd | 56                  | 2,063          | 1.28%        | N/A          | 2%               | -6.5%   | N/A     | 0.1x     | N/A            |
| <b>Thailand</b>      |                     |                |              |              |                  |         |         |          |                |
| Robinson PCL         | 2,345               | 878            | 17.54%       | 34%          | 10%              | 15.1%   | 26.6x   | 3.9x     | 2.1%           |
| <b>Philippines</b>   |                     |                |              |              |                  |         |         |          |                |
| SM Investments Corp  | 25.145              | 20,251         | 13.47%       | 39%          | 16%              | 12.2%   | 29.1x   | 3.4x     | 0.9x           |

Source: Bloomberg, NHKS research

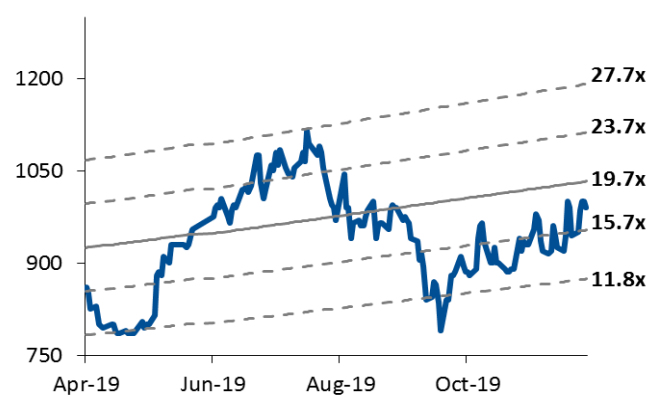
## Multiple Valuation

Forward P/E band | Last 2 years



Source: NHKS Research

Dynamic Forward P/E band | Last 2 years



Source: NHKS Research

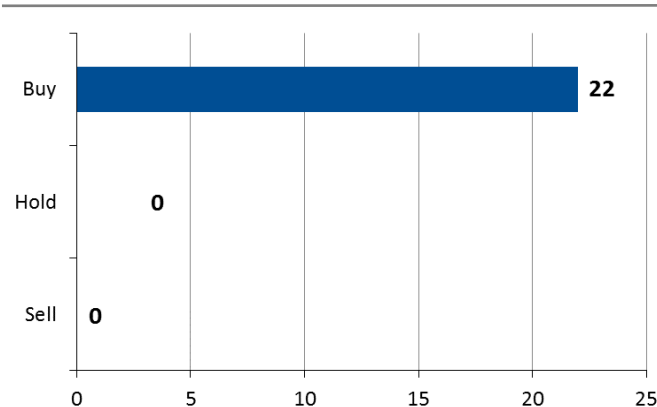
## Rating and Target Price Update

Target Price Revision

| Date       | Rating | Target Price | Last Price | Consensus | vs Last Price | vs Consensus |
|------------|--------|--------------|------------|-----------|---------------|--------------|
| 12/12/2019 | Buy    | 1,300        | 1,115      | 1,289     | 16.6%         | 0.9%         |
| 8/19/2019  | Buy    | 1,200        | 990        | 1,118     | 21.2%         | 7.4%         |
| 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

- 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

### INCOME STATEMENT

| (IDR bn)                 | 2018/12A      | 2019/12E      | 2020/12E      | 2021/12E      |
|--------------------------|---------------|---------------|---------------|---------------|
| <b>Sales</b>             | <b>18,921</b> | <b>21,092</b> | <b>23,726</b> | <b>26,098</b> |
| <i>Growth</i>            | 16.0%         | 11.5%         | 12.5%         | 10.0%         |
| Cost of Good Sold        | (9,869)       | (10,957)      | (12,274)      | (13,446)      |
| <b>Gross Profit</b>      | <b>9,052</b>  | <b>10,135</b> | <b>11,451</b> | <b>12,652</b> |
| <i>Gross Margin</i>      | 47.8%         | 48.1%         | 48.3%         | 48.5%         |
| Operating Expenses       | (7,546)       | (8,406)       | (9,469)       | (10,349)      |
| <b>EBIT</b>              | <b>1,506</b>  | <b>1,729</b>  | <b>1,982</b>  | <b>2,303</b>  |
| <i>EBIT Margin</i>       | 8.0%          | 8.2%          | 8.4%          | 8.8%          |
| Depreciation             | 764           | 871           | 862           | 945           |
| <b>EBITDA</b>            | <b>2,270</b>  | <b>2,600</b>  | <b>2,845</b>  | <b>3,248</b>  |
| <i>EBITDA Margin</i>     | 12.0%         | 12.3%         | 12.0%         | 12.4%         |
| Interest Expenses        | (536)         | (222)         | (263)         | (275)         |
| <b>EBT</b>               | <b>1,174</b>  | <b>1,417</b>  | <b>1,713</b>  | <b>2,082</b>  |
| Income Tax               | (360)         | (366)         | (483)         | (562)         |
| Minority Interest        | (78)          | (176)         | (197)         | (222)         |
| <b>Net Profit</b>        | <b>736</b>    | <b>875</b>    | <b>1,033</b>  | <b>1,298</b>  |
| <i>Growth</i>            | 119.8%        | 18.9%         | 18.1%         | 25.6%         |
| <i>Net Profit Margin</i> | 3.9%          | 4.1%          | 4.4%          | 5.0%          |

### PROFITABILITY & STABILITY

|                        | 2018/12A | 2019/12E | 2020/12E | 2021/12E |
|------------------------|----------|----------|----------|----------|
| ROE                    | 14.3%    | 13.1%    | 13.4%    | 15.0%    |
| ROA                    | 6.1%     | 6.7%     | 7.4%     | 8.6%     |
| ROIC                   | 13.3%    | 13.9%    | 14.1%    | 14.9%    |
| Cash Dividend (IDR bn) | 269      | 399      | 366      | 417      |
| Dividend Yield         | 2.0%     | 2.4%     | 2.2%     | 2.5%     |
| Payout Ratio           | 36.5%    | 45.6%    | 35.4%    | 32.2%    |
| DER                    | 29.1%    | 26.5%    | 24.0%    | 22.0%    |
| Net Gearing            | 50.6%    | 47.2%    | 47.6%    | 36.9%    |
| LT Debt to Equity      | 6.9%     | 5.3%     | 4.8%     | 3.3%     |
| Capitalization Ratio   | 22.5%    | 21.0%    | 19.4%    | 18.0%    |
| Equity Ratio           | 48.0%    | 54.7%    | 55.6%    | 59.3%    |
| Debt Ratio             | 14.0%    | 14.5%    | 13.3%    | 13.0%    |
| Financial Leverage     | 233.5%   | 194.4%   | 181.3%   | 174.0%   |
| Current Ratio          | 135.0%   | 164.7%   | 169.5%   | 172.8%   |
| 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         | 1,556         | 1,736         | 1,998         |
| Receivables                 | 389           | 273           | 413           | 289           |
| Inventories                 | 3,231         | 3,677         | 4,108         | 4,106         |
| <b>Total Current Assets</b> | <b>7,313</b>  | <b>7,860</b>  | <b>8,647</b>  | <b>8,821</b>  |
| Net Fixed Assets            | 3,471         | 3,739         | 4,256         | 4,844         |
| Other Non Current Asset     | 856           | 668           | 549           | 538           |
| <b>Total Assets</b>         | <b>12,633</b> | <b>13,318</b> | <b>14,619</b> | <b>15,577</b> |
| Payables                    | 1,341         | 1,641         | 1,969         | 2,025         |
| ST Bank Loan                | 1,348         | 1,543         | 1,556         | 1,727         |
| LT Debt                     | 417           | 389           | 393           | 305           |
| <b>Total Liabilities</b>    | <b>6,570</b>  | <b>6,031</b>  | <b>6,498</b>  | <b>6,345</b>  |
| Capital Stock               | 830           | 830           | 830           | 830           |
| Retained Earnings           | 2,869         | 3,578         | 4,439         | 5,534         |
| <b>Shareholders' Equity</b> | <b>6,062</b>  | <b>7,286</b>  | <b>8,122</b>  | <b>9,233</b>  |

### VALUATION INDEX

|                     | 2018/12A | 2019/12E | 2020/12E | 2021/12E |
|---------------------|----------|----------|----------|----------|
| Price /Earnings     | 18.2x    | 18.8x    | 15.9x    | 12.7x    |
| Price /Book Value   | 2.2x     | 2.3x     | 2.0x     | 1.8x     |
| Price/Revenue       | 0.7x     | 0.8x     | 0.7x     | 0.6x     |
| PE/EPS Growth       | 0.2x     | 1.0x     | 0.9x     | 0.5x     |
| EV/EBITDA           | 4.5x     | 5.0x     | 4.5x     | 3.8x     |
| EV/EBIT             | 6.8x     | 7.5x     | 6.4x     | 5.4x     |
| EV (IDR bn)         | 10,186   | 12,946   | 12,749   | 12,405   |
| Revenue CAGR (3-Yr) | 13.8%    | 14.2%    | 13.3%    | 11.3%    |
| EPS CAGR (3-Yr)     | 170.1%   | 61.3%    | 45.6%    | 20.8%    |
| Basic EPS (IDR)     | 44       | 53       | 62       | 78       |
| Diluted EPS (IDR)   | 44       | 53       | 62       | 78       |
| BVPS (IDR)          | 365.19   | 439      | 489      | 556      |
| Revenue PS (IDR)    | 1,140    | 1,271    | 1,429    | 1,572    |
| 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      | 1,727      | 1,603      | 2,163      |
| Investing Cash Flow        | (1,051)    | (476)      | (1,243)    | (1,796)    |
| Financing Cash Flow        | (397)      | (1,108)    | (181)      | (105)      |
| <b>Net Changes in Cash</b> | <b>136</b> | <b>144</b> | <b>180</b> | <b>262</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  |

### DISCLAIMER

This report and any electronic access hereto are restricted and intended only for the clients and related entity of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not suitable for all investors. Although the information here is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, respective employees, and agents disclaim any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents liable for errors, omissions, misstatements, negligence, inaccuracy arising herefrom.

All rights reserved by PT NH Korindo Securities Indonesia