

Mitra Adiperkasa Tbk (MAPI)

Further Buoyant Performance

1Q18 Buoyant Top Line Performance

MAPI succeeded to secure the 1Q18's revenue of IDR4.3 trillion (+19.3% y-y). Of note, the retail sales segment — a major segment — snapped a higher growth of 23.9% y-y into IDR3.1 trillion. The growth likely persists until 2Q18 along with **the 2018's Lebaran sales performance beefing up 20%** compared to the 2017's Lebaran performance. Furthermore, the 1Q18's same store sales growth (SSSG) reached 8%; the 1Q18's sales contributed by Vietnam-based stores edged up 7.2%.

The buoyant top line performance was entwined with the outstanding growth of 499.1% y-y to IDR351 billion in the 1Q18 net profit. However, a steep surge in net profit stemmed from the land sales profit amounting to IDR233 billion.

Focus on Core Brand Expansion

To succeed its 2018's target, MAPI **likely launches new stores focusing on its core brands**, while to boost the café and restaurants performance to hit 20%, it aims to launch 70 new stores.

Settlement of Stock Split with Ratio 1:10 and Subsidiary IPO

MAPI settled two corporate actions in 2Q18. Since June 4th, its number of shares were 16.6 billion with the par value of IDR50. Additionally, on July 5th, its subsidiary, PT MAP Aktif Adiperkasa Tbk performed IPO and secured the proceeds from IPO to amount to IDR898 billion.

Target Price of IDR945

We use an estimate at a forward P/E of 17.9x (0.4SD lower than the last 2-year average) as the basis for the valuation method. The target price implies a 2018E P/E of 19.9x (vs. the current P/E of 16.8x).

Mitra Adiperkasa Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Revenue	14,150	16,306	18,721	21,469
<i>Revenue growth</i>	10.3%	15.2%	14.8%	14.7%
EBITDA	1,512	1,803	2,159	2,455
Net profit	209	335	790	882
EPS (IDR)	13	20	48	53
<i>EPS growth</i>	458.4%	60.5%	136.1%	11.6%
BVPS (IDR)	193	256	348	395
EBITDA Margin	10.7%	11.1%	11.5%	11.4%
Net Profit Margin	1.5%	2.1%	4.2%	4.1%
ROE	6.8%	9.0%	15.8%	14.3%
ROA	2.1%	3.0%	6.6%	6.8%
ROIC	7.1%	9.3%	12.2%	13.0%
P/E	43.0x	30.8x	16.8x	15.1x
P/BV	2.8x	2.4x	2.3x	2.0x
EV/EBITDA	2.7x	3.2x	4.3x	3.9x
DPS (IDR)	2	4	6	7
<i>Dividend yield</i>	0.5%	0.6%	0.8%	0.9%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Buy

Dec 2018 TP (IDR)	945
Consensus Price (IDR)	818
TP to Consensus Price	+15.5%
vs. Last Price	+18.1%

Shares data

Last Price (IDR)	800
Price date as of	Jul 19, 2018
52 wk range (Hi/Lo)	910 / 605
Free float	48.5%
Outstanding sh.(mn)	16,600
Market Cap (IDR bn)	13,031
Market Cap (USD mn)	898
Avg. Trd Vol - 3M (mn)	15.79
Avg. Trd Val - 3M (bn)	13.03
Foreign Ownership	24.5%

Trade, Services & Investment

Retail

Bloomberg	MAPI.IJ
Reuters	MAPI.JK

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Share Price Performance



MAPI at A Glance

MAPI as one of the leading retailers in Indonesia boasts of its ample branded portfolios — more than 110 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 – 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 Indonesia market with more-than 2.200 retail stores across 70 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**. Such top retailers as LPPF, RALS, MAPI with their stores across Indonesia dominate Indonesia – based retail market.

The Indonesian Retailers Association (Aprindo) targets the growth of 9% in the 2018's retail business. The authority's policy leaves the electricity tariff and subsidized petroleum price unchanged until 2019 is a takeaway catalyst for the recovery in consumers' purchasing power until 2019.

The retail industry in ASEAN market is feverish, the negative sales growth figures in Singapore and Thailand— for instance. This backdrop causes the retailers in ASEAN to **strictly curb the operational cost** with a view to balancing market. Nonetheless, in 2017, most of retailers consistently posted high price-earnings ratio and two-digit ROE. In the margin outlook, Indonesia retailers succeed in **posting higher margin than its ASEAN peers' margins**.

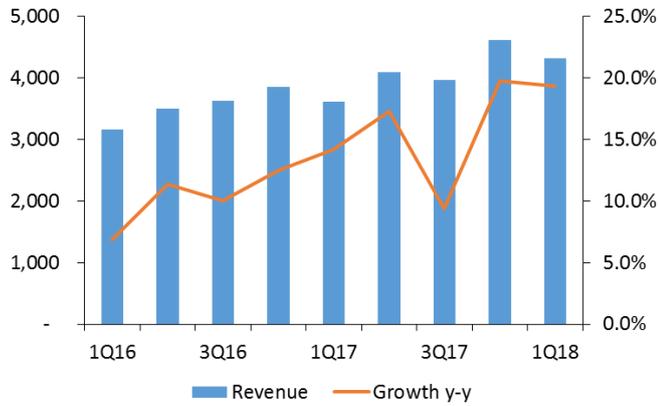
ASEAN Retailers

Company	Market Cap (USD mn)	Total Asset (USD mn)	Sales Growth	Gross Margin	Operating Margin	ROE	P/E	P/BV	Dividend Yield
LPPF	1,709	399	1.28%	62.5%	23.7%	81.7%	13.0x	9.6x	5.4%
RALS	692	360	-4.00%	39%	6.7%	12.2%	22.7x	2.7x	2.8%
MAPI	898	841	15.24%	48%	6.9%	16.4%	20.7x	2.9x	0.5%
Singapore									
Metro Holdings	716	1,299	3.89%	6%	11%	11.1%	6.2x	0.7x	4.2%
Malaysia									
Parkson Holdings Bhd	150	2,270	2.07%	N/A	-3%	-5.3%	N/A	0.3x	N/A
Thailand									
Robinson PCL	1,940	846	-0.34%	25%	-1%	16.9%	23.2x	3.8x	2.1%
Philippines									
SM Investments Corp	19,878	19,205	8.63%	39%	16%	10.4%	31.6x	3.2x	0.9%

Source: Bloomberg, NHKS research

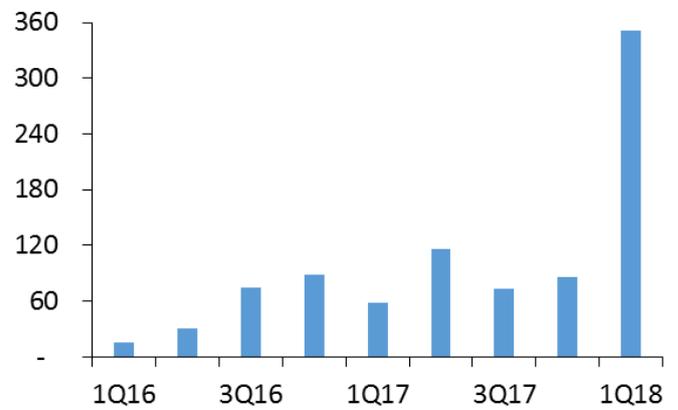
Operational Performance

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



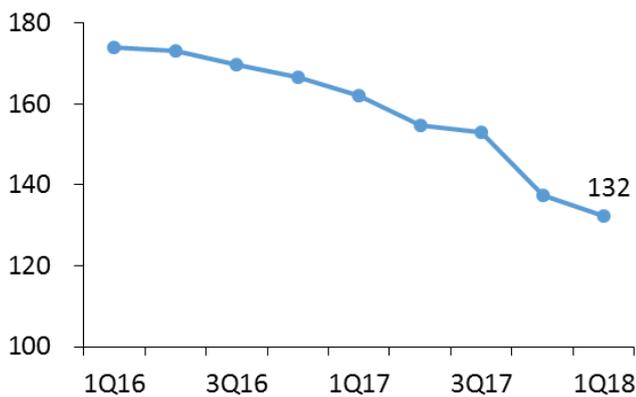
Source: Company, NHKS research

Quarterly Net Profit (IDR bn) | 1Q16 - 1Q18



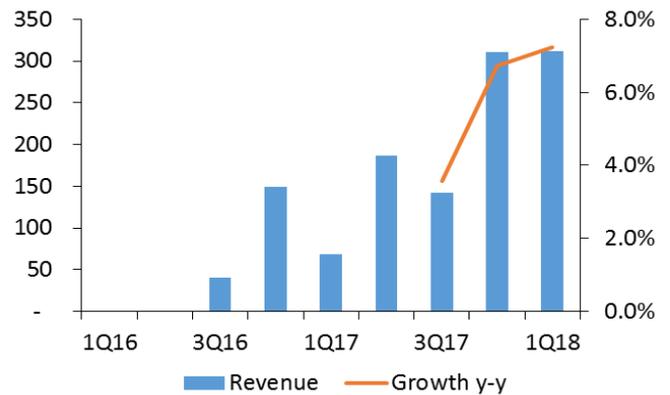
Source: Company, NHKS research

Days of Inventory | 1Q16 - 1Q18



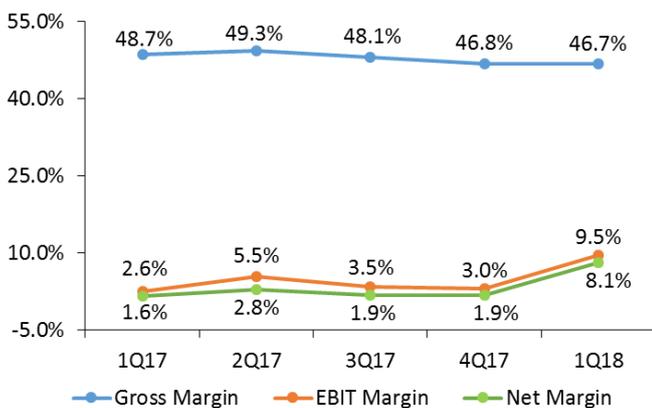
Source: Company, NHKS research

Revenue in Vietnam (IDR bn) | 1Q16 - 1Q18



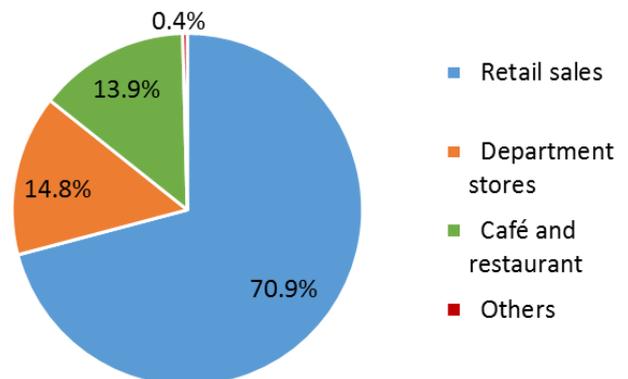
Source: Company, NHKS research

Margin Ratios | 1Q17 - 1Q18



Source: Company, NHKS research

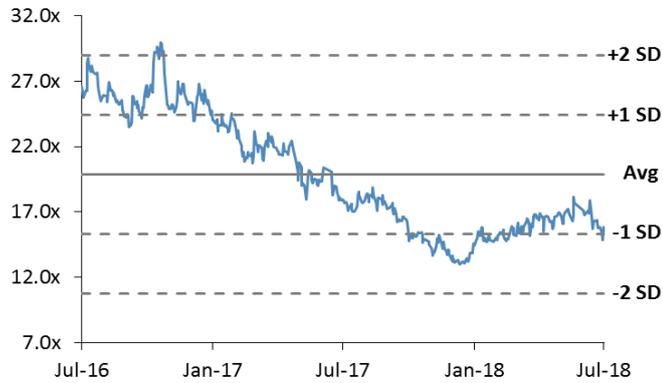
Revenue Breakdown | 1Q18



Source: Company, NHKS research

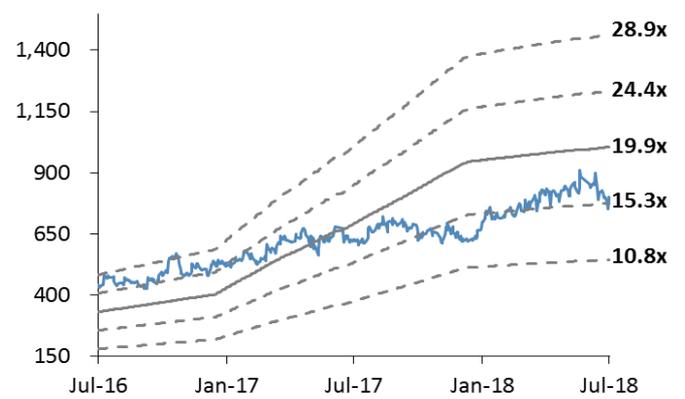
Multiple Valuation

Forward P/E band | Last 2 years



Source: NHKS research

Dynamic Forward P/E band | Last 2 years



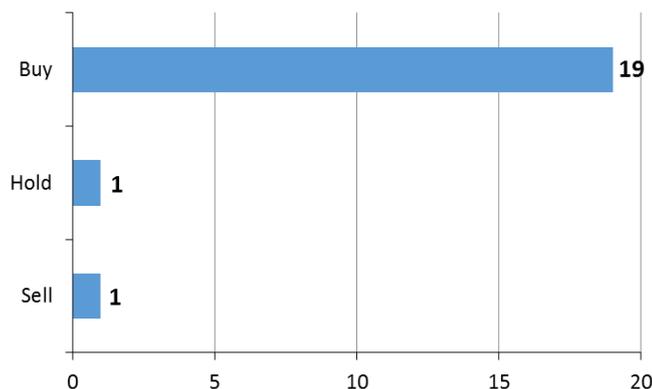
Source: NHKS research

Rating and target price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
04/09/2018	Buy	945	790	866	+19.6%	+9.1%
07/19/2018	Buy	945	800	818	+18.1%	+15.5%

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

MAPI Summary		
Last Price (IDR)	July 19, 2018	800
Target Price (IDR)	Dec 2018	945
Analyst: Michael Tjahjadi	Rating:	Buy

INCOME STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Revenue	14,150	16,306	18,721	21,469
Growth (% y/y)	10.3%	15.2%	14.8%	14.7%
COGS	(7,277)	(8,450)	(9,775)	(11,210)
Gross Profit	6,873	7,856	8,946	10,259
Gross Margin	48.6%	48.2%	47.8%	47.8%
Operating Expenses	(5,985)	(6,736)	(7,567)	(8,639)
EBIT	888	1,121	1,379	1,621
EBIT Margin	6.3%	6.9%	7.4%	7.5%
Depreciation	624	682	780	835
EBITDA	1,512	1,803	2,159	2,455
EBITDA Margin	10.7%	11.1%	11.5%	11.4%
Interest Cost	(421)	(404)	(302)	(248)
EBT	402	598	1,189	1,330
Income Tax	(193)	(247)	(345)	(386)
Net Profit	209	335	790	882
Growth (% y/y)	457.4%	60.5%	136.0%	11.6%
Net Profit Margin	1.5%	2.1%	4.2%	4.1%

BALANCE SHEET

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	1,526	1,286	1,255	1,092
Other Current Assets	5,091	5,512	6,070	6,317
Total Current Assets	6,616	6,799	7,325	7,409
Net Fixed Assets	2,637	3,103	3,563	4,016
Other Non Current Assets	1,430	1,524	1,758	1,952
Total Assets	10,683	11,425	12,646	13,377
Trade Payables	1,054	1,251	1,213	1,266
Other Current Liabilities	2,374	1,850	2,156	2,109
Total Current Liabilities	4,181	4,565	4,483	4,458
LT Debt	2,609	1,842	1,602	1,571
Other Non Current Liab.	690	776	784	792
Total Liabilities	7,480	7,183	6,869	6,820
Shareholders' Equity	3,204	4,242	5,777	6,556

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	208	335	790	882
Deprec & Amortization	624	682	780	835
Chg. In Working Capital	396	(833)	(289)	(241)
CFO	1,228	184	1,281	1,475
Capex	(898)	(1,273)	(1,242)	(1,288)
CFI	(973)	283	(1,468)	(1,474)
Dividends Paid	-	(41)	(66)	(104)
Net Borrowing	(0)	(0)	(590)	(62)
CCF	755	(775)	155	(164)
Net Changes in Cash	1,010	(308)	(33)	(163)

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	75.6	PT Satya Mulia Gema 51.5
United States	10.3	Schroder Investment 2.9
Luxembourg	4.0	Norges Bank 2.8
Norway	3.9	City National Rochdale 2.0

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	6.8%	9.0%	15.8%	14.3%
ROA	2.1%	3.0%	6.6%	6.8%
ROIC	7.1%	9.3%	12.2%	13.0%
EBITDA/Equity	48.9%	48.4%	43.1%	39.8%
EBITDA/Assets	15.0%	16.3%	17.9%	18.9%
Cash Dividend (IDR bn)	41	66	104	116
Dividend Yield (%)	0.5%	0.6%	0.8%	0.9%
Payout Ratio (%)	19.8%	19.8%	13.2%	13.2%
DER	104.9%	77.9%	47.0%	40.5%
Net Gearing	316.8%	223.7%	194.6%	190.7%
LT Debt to Equity	81.4%	43.4%	27.7%	24.0%
Capitalization Ratio	51.2%	43.8%	32.0%	28.8%
Equity Ratio	30.0%	37.1%	45.7%	49.0%
Debt Ratio	31.5%	28.9%	21.5%	19.8%
Financial Leverage	326.4%	296.9%	240.2%	211.0%
Current Ratio	158.2%	148.9%	163.4%	166.2%
Quick Ratio	86.3%	81.8%	89.7%	90.5%
Cash Ratio	36.5%	28.2%	28.0%	24.5%
Par Value (IDR)	50	50	50	50
Total Shares (mn)	16,600	16,600	16,600	16,600
Share Price (IDR)	540	620	800	800
Market Cap (IDR tn)	9.0	10.3	13.3	13.3

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	43.0x	30.8x	16.8x	15.1x
Price /Book Value	2.8x	2.4x	2.3x	2.0x
Price/Sales	0.6x	0.6x	0.7x	0.6x
PE/EPS Growth	0.1x	0.5x	0.1x	1.3x
EV/EBITDA	2.7x	3.2x	4.3x	3.9x
EV/EBIT	10.2x	9.5x	7.8x	7.2x
EV (IDR bn)	4,077	5,700	9,309	9,534
Sales CAGR (3-Yr)	13.3%	11.3%	13.4%	14.9%
EPS CAGR (3-Yr)	-14.0%	65.3%	176.6%	61.7%
Basic EPS (IDR)	13	20	48	53
Diluted EPS (IDR)	13	20	48	53
BVPS (IDR)	193	256	348	395
Sales PS (IDR)	852	982	1,128	1,293
DPS (IDR)	2.5	4.0	6.3	7.0

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	461	657	978	1,150
+Depr./Amor.	624	682	780	835
-CAPEX	(898)	(1,273)	(1,242)	(1,288)
-Incr. (Decr.) in Working Cap.	396	(833)	(289)	(241)
(Unlevered) FCFF	584	(767)	227	456
WACC				
Cost of Debt (Tax Adj.)	5.4%	4.7%	7.2%	6.8%
Cost of Equity (COE)	9.7%	9.9%	10.4%	10.4%
WACC (%)	8.6%	8.6%	9.9%	9.8%
RIM				
Spread (FROE-COE) (%)	-3.2%	-2.0%	3.3%	3.1%
Residual Income (IDR)	(81)	18	348	284
Equity Charge	290	317	442	598
EVA				
Invested Capital (IDR bn)	6,485	6,565	7,548	8,493
ROIC-WACC (%)	-1.4%	1.4%	3.1%	3.8%
EVA (IDR bn)	(93)	91	234	321

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