

# Mitra Adiperkasa Tbk (MAPI)

## Marking Outstanding Performance

Company Report | Sept 05, 2018

### Buy

<b>Dec 2018 TP (IDR)</b>	<b>945</b>
Consensus Price (IDR)	1,011
TP to Consensus Price	-6.5%
vs. Last Price	+16.0%

#### Shares data

Last Price (IDR)	815
Price date as of	Sept 04, 2018
52 wk range (Hi/Lo)	910 / 613
Free float	49.0%
Outstanding sh.(mn)	16,600
Market Cap (IDR bn)	13,529
Market Cap (USD mn)	902
Avg. Trd Vol - 3M (mn)	14.98
Avg. Trd Val - 3M (bn)	12.54
Foreign Ownership	24.8%

#### Trade, Services & Investment

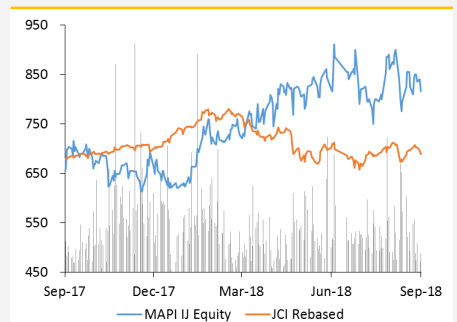
##### Retail

Bloomberg	<b>MAPI.IJ</b>
Reuters	<b>MAPI.JK</b>

#### Michael Tjahjadi

+62 21 797 6202, ext:114  
michael@nhsec.co.id

#### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	31.5%	-6.9%	-0.6%	20.2%
Rel. Ret.	38.5%	-3.6%	1.2%	18.6%

#### Further Outperformance

In the 2Q18, MAPI was successful in maintaining its outperformance because it **posted the double-digit growth in revenue and net profit**. The 2Q18 revenue and net profit grew by 16.9% y-y to IDR4.8 trillion and 20.0% y-y to IDR140 billion, respectively. **The retail sale and the café and restaurants segments** snapped all-time high underscored by the growth of 19.9% y-y and 22.8% y-y, respectively. In addition, the 1H18's SSSG was buoyant by 8% y-y in which the specialty stores segment posted the growth of 10% in SSSG.

#### 4Q18's Further Buoyant Performance

Overseeing the few-year-consistent trend of the 2H's bigger revenue portion than the 1H's revenue and the 2018's organic expansion of 60,000 sqm, **we project that MAPI is likely successful in achieving the target of 15% in the FY18's revenue**. It is a pronounced fact that MAPI inevitably reaps the benefit from the momentum of Asian Games, Festival Jakarta Great Sale and Hari Belanja Diskon Indonesia to boost the 3Q18's performance.

**The loom of further rupiah depreciation has no significant impacts on its revenue yet**, for it has been passed on the new products. Of note MAPI passes the upward prices only on new products. However, it eyes on the government's policy of imports reduction, particularly imported apparels.

#### Target Price of IDR945

We use an estimate of forward P/E of 16.4x (0.4 SD lower than the last 2-year average) as the basis of valuation method. The target price implies a 2018E P/E of 18.2x (vs. the current P/E of 15.7x).

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

	2016/12A	2017/12A	2018/12E	2019/12E
Revenue	14,150	16,306	18,974	21,303
<i>Revenue growth</i>	10.3%	15.2%	16.4%	12.3%
EBITDA	1,512	1,803	2,412	2,832
Net profit	209	335	863	958
EPS (IDR)	13	20	52	58
<i>EPS growth</i>	458.4%	60.5%	158.0%	11.0%
BVPS (IDR)	193	256	305	356
EBITDA Margin	10.7%	11.1%	12.7%	13.3%
Net Profit Margin	1.5%	2.1%	4.5%	4.5%
ROE	6.8%	9.0%	18.6%	17.5%
ROA	2.1%	3.0%	7.4%	8.0%
ROIC	7.1%	9.3%	14.6%	16.4%
P/E	43.0x	30.8x	15.7x	14.1x
P/BV	2.8x	2.4x	2.7x	2.3x
EV/EBITDA	2.7x	3.2x	4.3x	3.8x
DPS (IDR)	2	4	7	8
<i>Dividend yield</i>	0.5%	0.6%	0.9%	1.0%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

### 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 – 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**.

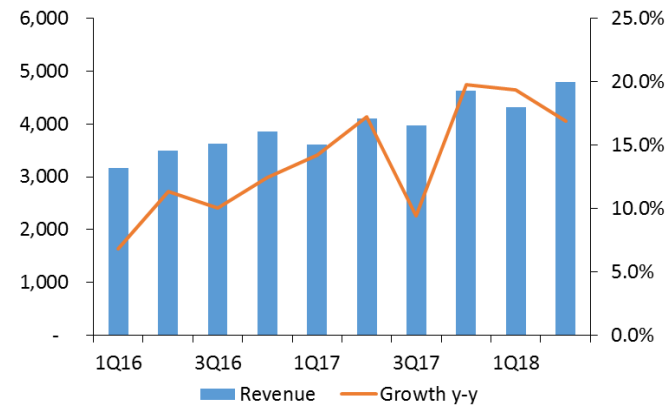
### ASEAN Retailers

Company	Market Cap (USD mn)	Total Asset (USD mn)	Sales Growth	Gross Margin	Operating Margin	ROE	P/E	P/BV	Dividend Yield
<b>LPPF</b>	1,376	399	1.28%	62.5%	23.7%	93.0%	10.8x	8.8x	6.5%
<b>RALS</b>	584	360	-4.00%	39%	6.7%	14.6%	15.8x	2.2x	3.2%
<b>MAPI</b>	902	841	15.24%	48%	6.9%	15.5%	23.1x	3.0x	0.5%
<b>Singapore</b>									
Metro Holdings	671	1,299	3.89%	6%	11%	10.5%	6.1x	0.6x	4.5%
<b>Malaysia</b>									
Parkson Holdings Bhd	112	2,219	0.48%	N/A	0%	-4.5%	N/A	0.2x	N/A
<b>Thailand</b>									
Robinson PCL	2,200	846	-0.34%	25%	-1%	18.3%	24.9x	4.4x	1.9%
<b>Philippines</b>									
SM Investments Corp	21,804	19,205	8.63%	39%	16%	10.7%	34.0x	3.5x	0.8%

Source: Bloomberg, NHKS research

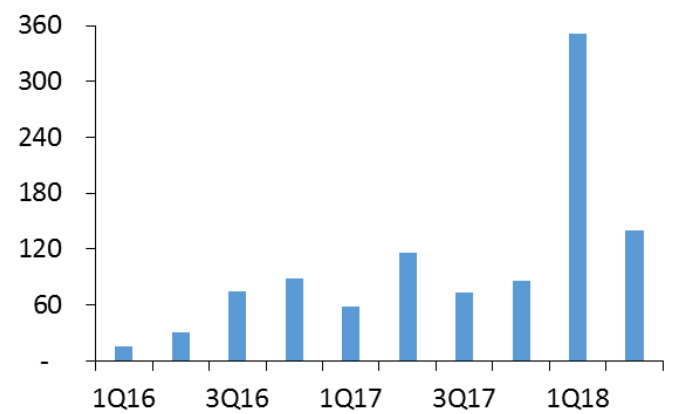
## Operational Performance

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



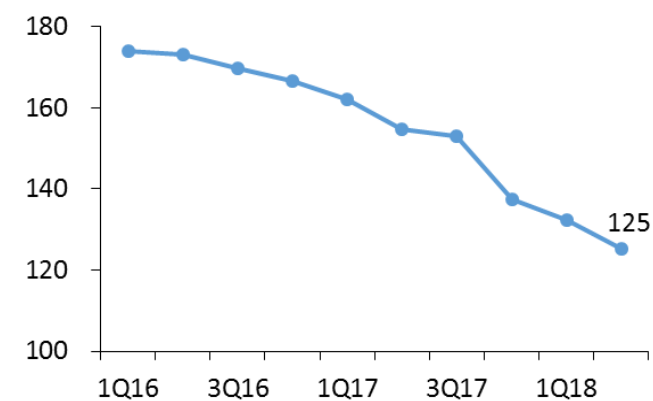
Source: Company, NHKS research

Quarterly Net Profit (IDR bn) | 1Q16 - 2Q18



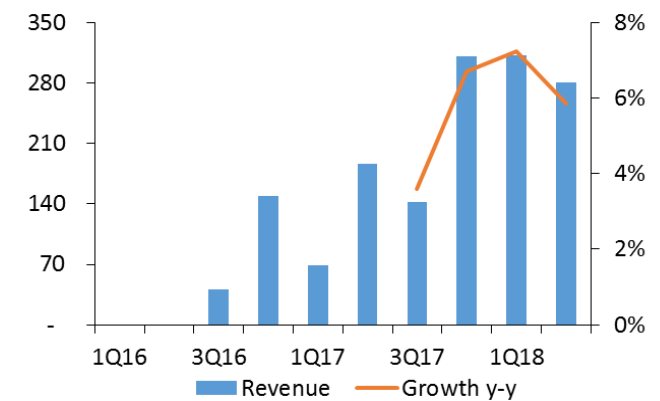
Source: Company, NHKS research

Days of Inventory | 1Q16 - 2Q18



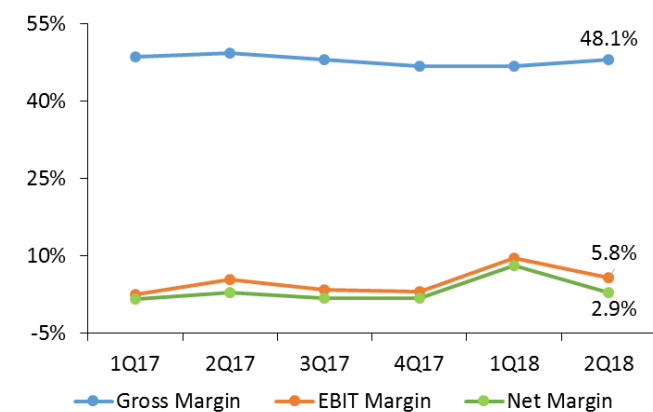
Source: Company, NHKS research

Revenue in Vietnam (IDR bn) | 1Q16 - 2Q18



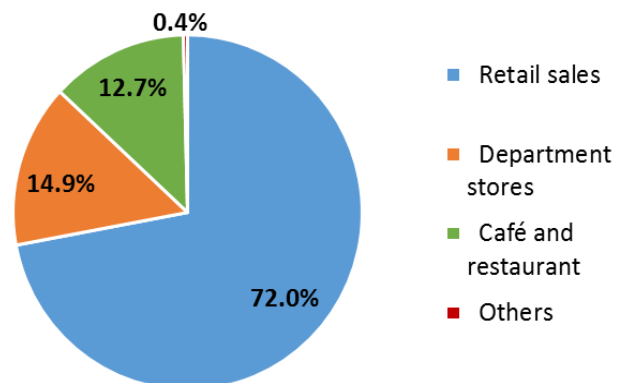
Source: Company, NHKS research

Margin Ratios | 1Q17 - 2Q18



Source: Company, NHKS research

Revenue Breakdown | 2Q18



Source: Company, NHKS research

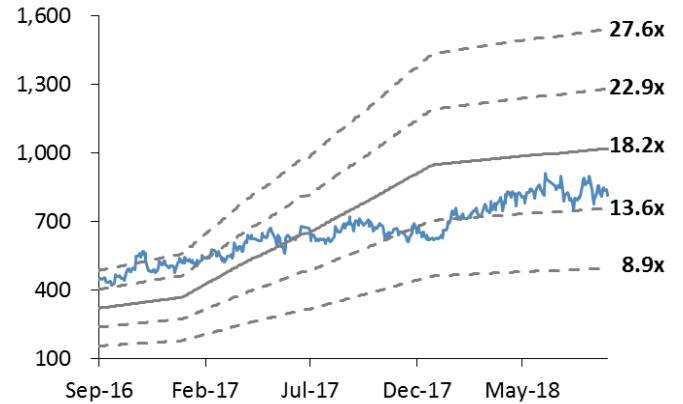
## Multiple Valuation

Forward P/E band | Last 2 years



Source: NHKS research

Dynamic Forward P/E band | Last 2 years



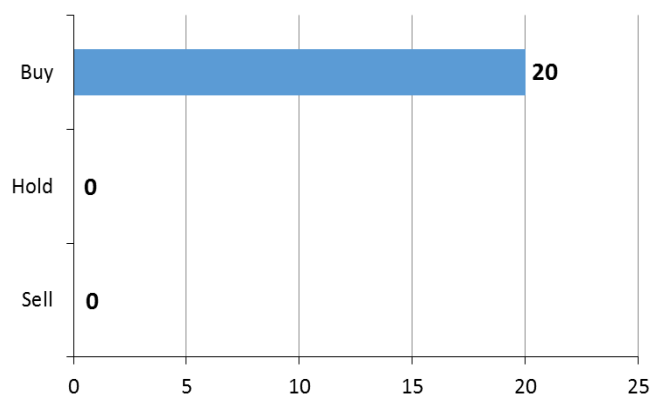
Source: NHKS research

## 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%
09/04/2018	Buy	945	815	1,011	+16.0%	-6.5%

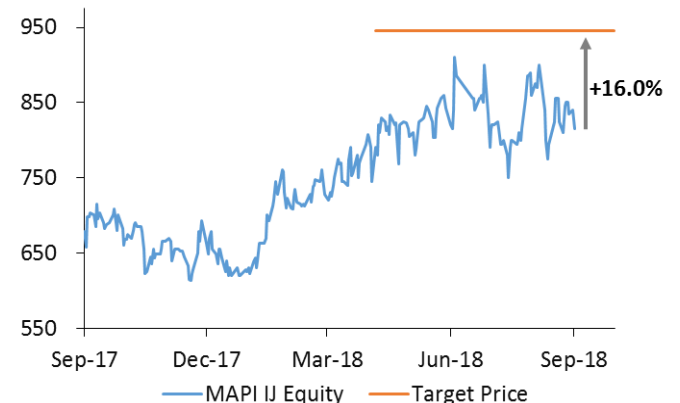
Source: Bloomberg, NHKS research

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

MAPI Summary		
Last Price (IDR)	September 4, 2018	815
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	18,974	21,303
Growth (% y/y)	10.3%	15.2%	16.4%	12.3%
COGS	(7,277)	(8,450)	(10,096)	(11,187)
Gross Profit	6,873	7,856	8,879	10,116
Gross Margin	48.6%	48.2%	46.8%	47.5%
Operating Expenses	(5,985)	(6,736)	(7,245)	(8,135)
EBIT	888	1,121	1,633	1,981
EBIT Margin	6.3%	6.9%	8.6%	9.3%
Depreciation	624	682	779	851
EBITDA	1,512	1,803	2,412	2,832
EBITDA Margin	10.7%	11.1%	12.7%	13.3%
Interest Cost	(421)	(404)	(432)	(302)
EBT	402	598	1,358	1,607
Income Tax	(193)	(247)	(450)	(599)
Net Profit	209	335	863	958
Growth (% y/y)	457.4%	60.5%	157.8%	11.0%
Net Profit Margin	1.5%	2.1%	4.5%	4.5%

### BALANCE SHEET

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	1,526	1,286	823	853
Other Current Assets	5,091	5,512	6,035	5,789
Total Current Assets	6,616	6,799	6,858	6,642
Net Fixed Assets	2,637	3,103	3,390	3,601
Other Non Current Assets	1,430	1,524	1,656	1,887
Total Assets	10,683	11,425	11,904	12,130
Trade Payables	1,054	1,251	1,294	1,180
Other Current Liabilities	2,374	1,850	2,500	2,508
Total Current Liabilities	4,181	4,565	5,319	4,997
LT Debt	2,609	1,842	787	534
Other Non Current Liab.	690	776	737	698
Total Liabilities	7,480	7,183	6,843	6,229
Shareholders' Equity	3,204	4,242	5,061	5,904

### CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	208	335	863	958
Deprec & Amortization	624	682	779	851
Chg. In Working Capital	396	(833)	170	141
CFO	1,228	184	1,811	1,951
Capex	(898)	(1,273)	(1,064)	(1,065)
CFI	(973)	283	(1,236)	(1,335)
Dividends Paid	-	(41)	(66)	(118)
Net Borrowing	(0)	(0)	(994)	(470)
CFF	755	(775)	(1,038)	(586)
Net Changes in Cash	1,010	(308)	(462)	30

### OWNERSHIP

By Geography	% Shareholders	%
Indonesia	75.2	PT Satya Mulia Gema 51.0
United States	10.3	Schroder Investment 2.9
Luxembourg	4.4	Norges Bank 2.8
Norway	4.0	City National Rochdale 2.0

### PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	6.8%	9.0%	18.6%	17.5%
ROA	2.1%	3.0%	7.4%	8.0%
ROIC	7.1%	9.3%	14.6%	16.4%
EBITDA/Equity	48.9%	48.4%	51.8%	51.7%
EBITDA/Assets	15.0%	16.3%	20.7%	23.6%
Cash Dividend (IDR bn)	41	66	118	131
Dividend Yield (%)	0.5%	0.6%	0.9%	1.0%
Payout Ratio (%)	19.8%	19.8%	13.7%	13.7%
DER	104.9%	77.9%	45.7%	31.2%
Net Gearing	316.8%	223.7%	95.6%	64.9%
LT Debt to Equity	81.4%	43.4%	15.5%	9.0%
Capitalization Ratio	51.2%	43.8%	31.4%	23.8%
Equity Ratio	30.0%	37.1%	42.5%	48.7%
Debt Ratio	31.5%	28.9%	19.4%	15.2%
Financial Leverage	326.4%	296.9%	250.8%	219.2%
Current Ratio	158.2%	148.9%	128.9%	132.9%
Quick Ratio	86.3%	81.8%	62.9%	69.9%
Cash Ratio	36.5%	28.2%	15.5%	17.1%
Par Value (IDR)	50	50	50	50
Total Shares (mn)	16,600	16,600	16,600	16,600
Share Price (IDR)	540	620	815	815
Market Cap (IDR tn)	9.0	10.3	13.5	13.5

### VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	43.0x	30.8x	15.7x	14.1x
Price /Book Value	2.8x	2.4x	2.7x	2.3x
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	3.8x
EV/EBIT	10.2x	9.5x	7.7x	6.7x
EV (IDR bn)	4,077	5,700	10,394	10,834
Sales CAGR (3-Yr)	13.3%	11.3%	13.9%	14.6%
EPS CAGR (3-Yr)	-14.0%	65.3%	184.9%	66.3%
Basic EPS (IDR)	13	20	52	58
Diluted EPS (IDR)	13	20	52	58
BVPS (IDR)	193	256	305	356
Sales PS (IDR)	852	982	1,143	1,283
DPS (IDR)	2.5	4.0	7.1	7.9

### DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
<b>DCF (IDR bn)</b>				
NOPAT	461	657	1,092	1,242
+Depr./Amor.	624	682	779	851
-CAPEX	(898)	(1,273)	(1,064)	(1,065)
-Incr. (Decr.) in Working Cap.	396	(833)	170	141
(Unlevered) FCFF	584	(767)	976	1,170
<b>WACC</b>				
Cost of Debt (Tax Adj.)	5.4%	4.7%	7.5%	6.5%
Cost of Equity (COE)	9.7%	9.9%	10.0%	10.4%
WACC (%)	8.6%	8.6%	9.6%	9.9%
<b>RIM</b>				
Spread (FROE-COE) (%)	-3.2%	-2.0%	7.1%	5.9%
Residual Income (IDR)	(81)	18	439	434
Equity Charge	290	317	424	524
<b>EVA</b>				
Invested Capital (IDR bn)	6,485	6,565	7,548	7,373
ROIC-WACC (%)	-1.4%	1.4%	4.8%	7.0%
EVA (IDR bn)	(93)	91	365	513

### 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 be 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 Sekuritas Indonesia