

Mitra Adiperkasa Tbk (MAPI)

Takes Hold Steady Growth

Company Report | Apr 11, 2018

Growth in All Segments

MAPI posted the growth of 60.5% y-y into IDR334.65 billion in 2017 net profit. The growth of 17.9% y-y in retail sales and 20.7% y-y respectively posted by the retail sales segment and the café and restaurant segment sent MAPI's revenue soaring by 15.2% y-y. Likewise, **the department store segment posting slump in 2016 sales succeeded in posting the growth of 1.2% y-y in 2017's sales.** In fact, the decrease in inventory days from 167 days in 4Q16 into 137 days in 4Q17 was another positive performance it accomplished.

Contribution of Vietnam Markets

Its 2016-initially-expanded business in Vietnam contributed 2017 revenue of IDR707 billion equal to 4.3% from the overall revenue. The figures topped the revenue of IDR322 billion contributed by its Thailand-based business.

Strategy for Thriving in 2018

It wittingly avails the event of 2018 Asian Games to further its goal of maximum sales in sport stores. To thrive in 2018, it launches 70 new stores, showing its focus on food & beverages.

We projects that MAPI armed with its strategies likely holds steady its two-digit growth in 2018 revenue as **the middle-high income individuals' appetite for consumption revives and strategy for rationalizing trade mark takes hold.**

Target Price of IDR9,450

We use an estimate of forward P/E of 25.5x (the last two-year average) as the basis for valuation method. The target price implies a 2018E P/E of 32.7x (Vs. 27.3x at the current time)

Mitra Adiperkasa Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Revenue	14,150	16,306	18,447	20,843
<i>Revenue growth</i>	10.3%	15.2%	13.1%	13.0%
EBITDA	1,512	1,803	2,051	2,385
Net profit	209	335	478	617
EPS (IDR)	126	202	289	373
<i>EPS growth</i>	460.0%	60.5%	42.9%	29.0%
BVPS (IDR)	1,930	2,556	2,730	3,066
EBITDA margin	10.7%	11.1%	11.1%	11.4%
Net Profit Margin	1.5%	2.1%	2.6%	3.0%
ROE	6.8%	9.0%	10.9%	12.8%
ROA	2.1%	3.0%	4.1%	5.0%
ROIC	7.1%	9.3%	9.9%	11.4%
P/E	42.8x	30.6x	27.3x	21.2x
P/BV	2.8x	2.4x	2.9x	2.6x
EV/EBITDA	2.7x	3.2x	4.4x	3.7x
DPS (IDR)	25	30	43	56
<i>Dividend yield</i>	0.5%	0.5%	0.5%	0.7%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Buy

Dec 2018 TP (IDR)	9,450
Consensus Price (IDR)	8,661
TP to Consensus Price	+9.1%
vs. Last Price	+19.6%

Shares data

Last Price (IDR)	7,900
Price date as of	Apr 09, 2018
52 wk range (Hi/Lo)	8,075 / 5,625
Free float	46.0%
Outstanding sh.(mn)	1,660
Market Cap (IDR bn)	13,114
Market Cap (USD mn)	953
Avg. Trd Vol - 3M (mn)	1.60
Avg. Trd Val - 3M (bn)	11.6
Foreign Ownership	24.1%

Trade, Services & Investment

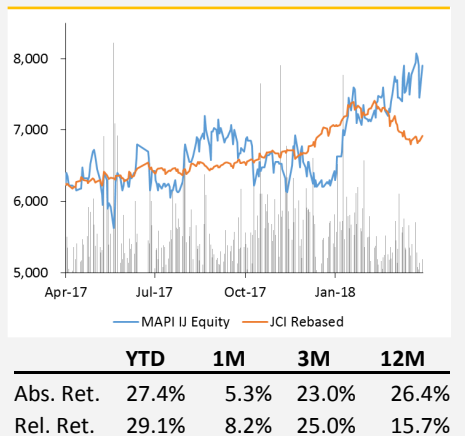
Retail

Bloomberg	MAPI.IJ
Reuters	MAPI.JK

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Share Price Performance



A Glance at MAPI

MAPI as one of retailers in Indonesia boasts of its ample branded portfolios — more-than 150 globally marketed brands. Founded in 1995, it initially focused only on sport products. Now, it establishes well-nurtured business in a vast lines of sport products, fashion, department stores, food & beverages, kids' products, lifestyle targeted to the middle – high income individual.

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 the first Zara store in Vietnam market in 2016 portrayed its agile market expansion. Indeed, more-than 2.200 retail stores across 69 big cities in Indonesia MAPI has acknowledge its domination.

Indonesia's Retail Industry in ASEAN

Indonesia is the home to biggest population in ASEAN. It develops Indonesia into the **lucrative market for the retail business**. LPPF, RALS, MAPI with their stores across Indonesia dominate the retail market in Indonesia.

The Indonesian Retailers Association (Aprindo) targets the growth of 9% in 2018's retail business. The authority's policy left an electricity tariff and a 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 sluggish, marking 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 succeeded in **posting higher margin than its ASEAN peers' margins** are.

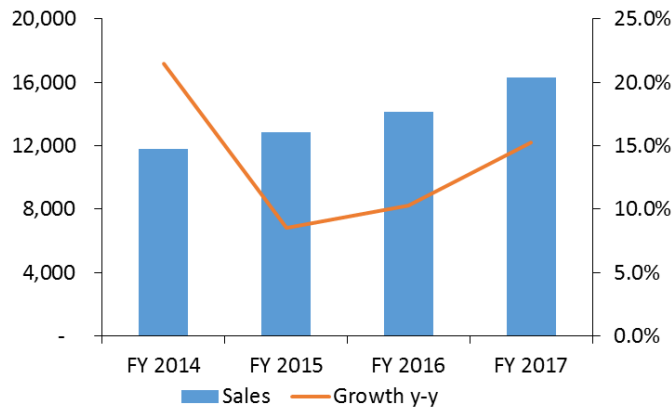
ASEAN Retailers

Company	Market Cap (USD mn)	Total Asset (USD mn)	Sales Growth	Gross Margin	Operating Margin	ROE	P/E	P/BV	Dividend Yield
LPPF	2,375	399	1.28%	63%	23.7%	91.2%	17.1x	14.0x	4.3%
RALS	696	360	-4.00%	39%	6.7%	11.9%	22.3x	2.6x	2.7%
MAPI	953	789	15.24%	49%	6.3%	9.5%	38.9x	3.3x	0.3%
Singapore									
Metro Holdings	722	1,114	-15.12%	7%	-1%	13.6%	4.9x	0.6x	4.4%
Malaysia									
Parkson Holdings Bhd	108	2,270	2.07%	N/A	-3%	-7.7%	N/A	0.2x	N/A
Thailand									
Robinson PCL	2,221	846	-0.34%	25%	-1%	17.3%	25.3x	4.2x	2.0%
Philippines									
SM Investments Corp	22,609	19,205	8.63%	39%	16%	10.5%	35.7x	3.6x	0.8%

Source: Bloomberg, NHKS research

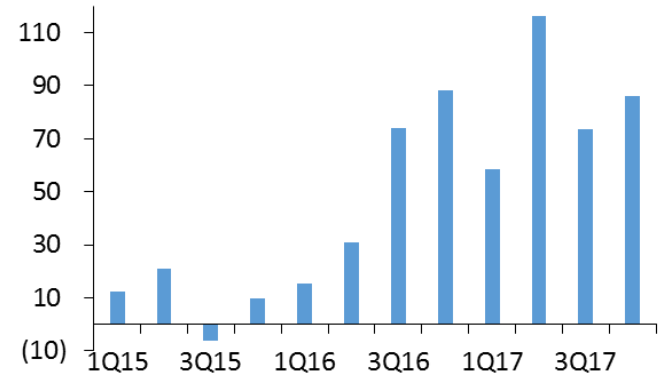
Operational Performance

Revenue (IDR bn) | 2014 - 2017



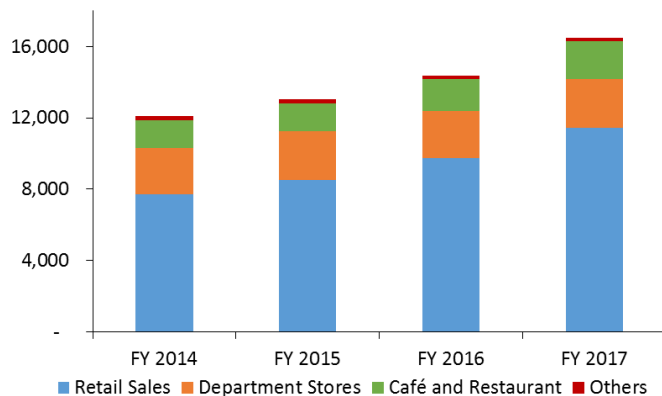
Source: Company, NHKS research

Net Profit (IDR bn) | 1Q15 - 4Q17



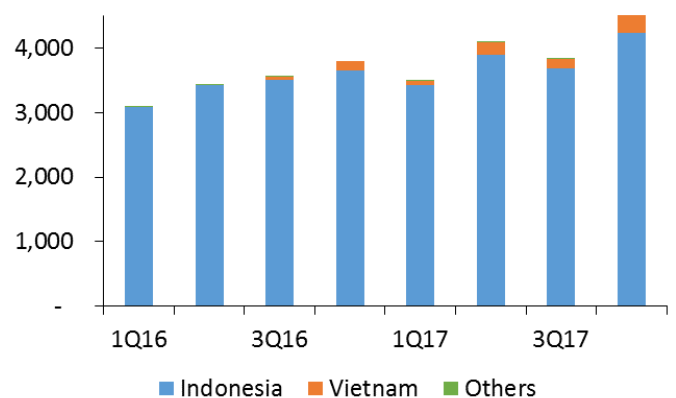
Source: Company, NHKS research

Revenue by Segment (IDR bn) | 2014 - 2017



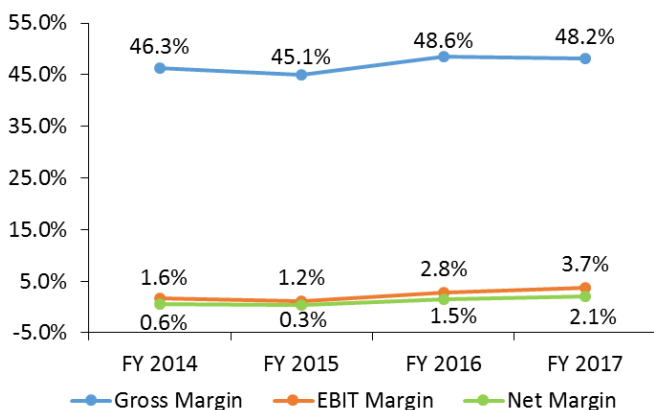
Source: Company, NHKS research

Revenue by Geography (IDR bn) | 1Q16 - 4Q17



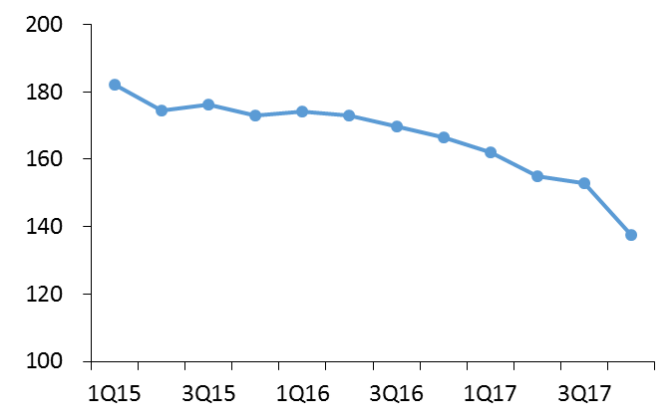
Source: Company, NHKS research

Gross, Net Profit & EBIT Margin | 2014 - 2017



Source: Company, NHKS research

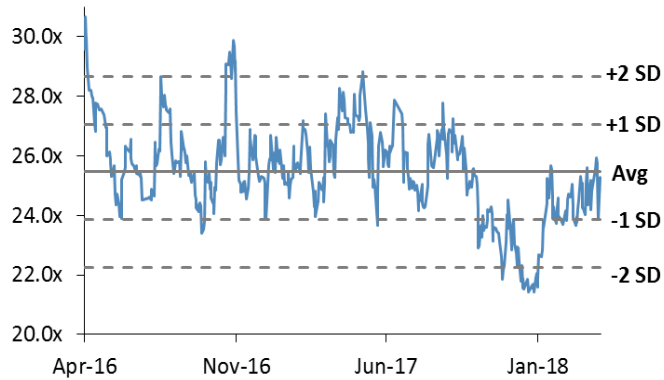
Days of Inventories | 2014 - 2017



Source: Company, NHKS research

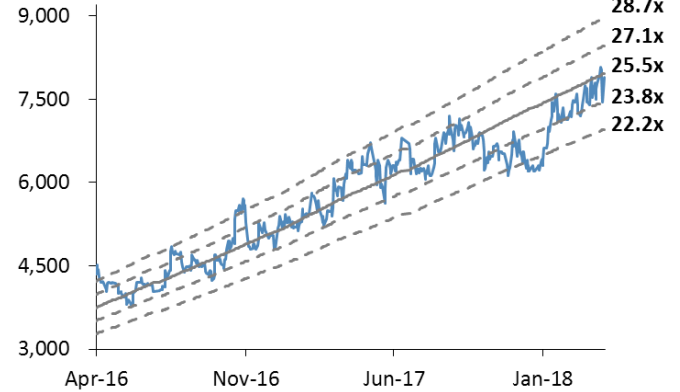
Multiple Valuation

Forward P/E band | Last 2 years



Source: NHKS research

Dynamic Forward P/E band | Last 2 years



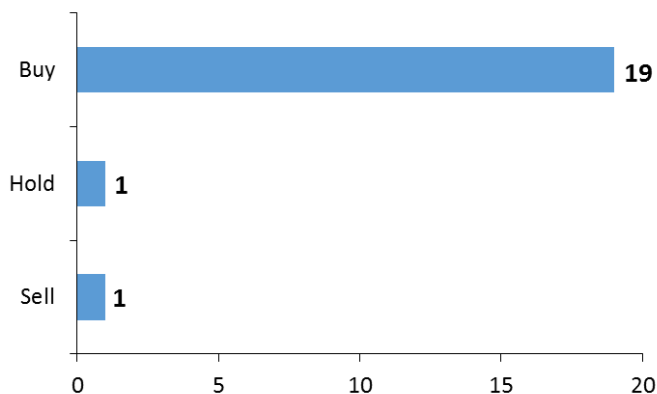
Source: NHKS research

Rating and target price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
04/09/2018	Buy	9,450	7,900	8,661	+19.6%	+9.1%

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)	April 9, 2018	7,900
Target Price (IDR)	Dec 2018	9,450
Analyst: Michael Tjahjadi	Rating:	Buy

INCOME STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Revenue	14,150	16,306	18,447	20,843
Growth (% y/y)	10.3%	15.2%	13.1%	13.0%
COGS	(7,277)	(8,450)	(9,595)	(10,883)
Gross Profit	6,873	7,856	8,851	9,960
Gross Margin	48.6%	48.2%	48.0%	47.8%
Operating Expenses	(5,985)	(6,736)	(7,579)	(8,452)
EBIT	888	1,121	1,272	1,508
EBIT Margin	6.3%	6.9%	6.9%	7.2%
Depreciation	624	682	779	877
EBITDA	1,512	1,803	2,051	2,385
EBITDA Margin	10.7%	11.1%	11.1%	11.4%
Interest Cost	(421)	(404)	(397)	(353)
EBT	402	598	814	1,049
Income Tax	(193)	(247)	(337)	(434)
Net Profit	209	335	478	617
Growth (% y/y)	457.4%	60.5%	42.9%	29.0%
Net Profit Margin	1.5%	2.1%	2.6%	3.0%

BALANCE SHEET

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	1,526	1,286	1,183	1,260
Other Current Assets	5,091	5,512	5,880	6,105
Total Current Assets	6,616	6,799	7,063	7,364
Net Fixed Assets	2,637	3,103	3,629	4,137
Other Non Current Assets	1,430	1,524	1,310	1,368
Total Assets	10,683	11,425	12,002	12,870
Trade Payables	1,054	1,251	1,273	1,470
Other Current Liabilities	2,374	1,850	2,394	2,390
Total Current Liabilities	4,181	4,565	4,969	5,175
LT Debt	2,609	1,842	1,638	1,655
Other Non Current Liab.	690	776	863	949
Total Liabilities	7,480	7,183	7,470	7,779
Shareholders' Equity	3,204	4,242	4,533	5,090

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	208	335	478	617
Deprec & Amortization	624	682	779	877
Chg. In Working Capital	396	(833)	198	(31)
CFO	1,228	184	1,455	1,463
Capex	(898)	(1,273)	(1,305)	(1,385)
CFI	(973)	283	(1,005)	(1,356)
Dividends Paid	-	(41)	(50)	(72)
Net Borrowing	(0)	(0)	(365)	30
CCF	755	(775)	(554)	(30)
Net Changes in Cash	1,010	(308)	(104)	77

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	75.9	PT Satya Mulia Gema 54.0
United States	9.8	Norges Bank 2.8
Norway	4.0	Rochdale Investment 1.9
Luxembourg	3.8	Fil Limited 1.8

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	6.8%	9.0%	10.9%	12.8%
ROA	2.1%	3.0%	4.1%	5.0%
ROIC	7.1%	9.3%	9.9%	11.4%
EBITDA/Equity	48.9%	48.4%	46.7%	49.6%
EBITDA/Assets	15.0%	16.3%	17.5%	19.2%
Cash Dividend (IDR bn)	41	50	72	92
Dividend Yield (%)	0.5%	0.5%	0.5%	0.7%
Payout Ratio (%)	19.8%	15.0%	15.0%	15.0%
DER	104.9%	77.9%	64.9%	58.3%
Net Gearing	316.8%	223.7%	199.0%	201.0%
LT Debt to Equity	81.4%	43.4%	36.1%	32.5%
Capitalization Ratio	51.2%	43.8%	39.3%	36.8%
Equity Ratio	30.0%	37.1%	37.8%	39.6%
Debt Ratio	31.5%	28.9%	24.5%	23.1%
Financial Leverage	326.4%	296.9%	267.0%	258.5%
Current Ratio	158.2%	148.9%	142.1%	142.3%
Quick Ratio	86.3%	81.8%	75.9%	78.3%
Cash Ratio	36.5%	28.2%	23.8%	24.3%
Par Value (IDR)	500	500	500	500
Total Shares (mn)	1,660	1,660	1,660	1,660
Share Price (IDR)	5,400	6,200	7,900	7,900
Market Cap (IDR tn)	9.0	10.3	13.1	13.1

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price/Earnings	42.8x	30.6x	27.3x	21.2x
Price/Book Value	2.8x	2.4x	2.9x	2.6x
Price/Sales	0.6x	0.6x	0.7x	0.6x
PE/EPS Growth	0.1x	0.5x	0.6x	0.7x
EV/EBITDA	2.7x	3.2x	4.4x	3.7x
EV/EBIT	10.2x	9.5x	11.1x	8.5x
EV (IDR bn)	4,077	5,700	8,991	8,885
Sales CAGR (3-Yr)	13.3%	11.3%	12.9%	13.8%
EPS CAGR (3-Yr)	-13.9%	65.5%	134.2%	43.6%
Basic EPS (IDR)	126	202	289	373
Diluted EPS (IDR)	126	202	289	373
BVPS (IDR)	1,930	2,556	2,730	3,066
Sales PS (IDR)	8,524	9,823	11,112	12,556
DPS (IDR)	24.9	30.2	43.2	55.7

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	461	657	745	884
+Depr./Amor.	624	682	779	877
-CAPEX	(898)	(1,273)	(1,305)	(1,385)
-Incr. (Decr.) in Working Cap.	396	(833)	198	(31)
(Unlevered) FCFF	584	(767)	417	345
WACC				
Cost of Debt (Tax Adj.)	5.4%	4.4%	5.2%	5.2%
Cost of Equity (COE)	9.7%	10.0%	10.1%	10.4%
WACC (%)	8.6%	8.7%	9.2%	9.4%
RIM				
Spread (FROE-COE) (%)	-3.2%	-2.1%	0.5%	1.8%
Residual Income (IDR)	(81)	13	50	148
Equity Charge	290	322	428	469
EVA				
Invested Capital (IDR bn)	6,485	6,565	7,548	7,473
ROIC-WACC (%)	-1.4%	1.3%	0.7%	2.4%
EVA (IDR bn)	(93)	87	51	182

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