

# Mitra Adiperkasa Tbk (MAPI IJ)

## Weighed Down by Store Closures and Weak Consumer Spending

The retail sector continues to suffer under the weight of the Covid-19 throughout 1Q20 and likely continue to the next quarter. MAPI, as one of Indonesian retailer, recorded a low single digit growth on revenue and a sharp decline in the pace of SSSG. For company's outlook, we lower our top line and bottom line assumption as our initial view of recovering growth for 1H20 is challenged by a persistently weak demand environment.

### Negative SSSG due to Sharp Decline in Mall Traffic

In 1Q20, MAPI's same-store-sales growth (SSSG) dropped to -8% (vs 1% in 1Q19). By segment, food and beverage recorded the biggest drop by -13%, mainly due to implementation of large-scale social distancing policy (PSBB). Meanwhile, specialty store and department store posted slower SSSGs of -9% and -5% respectively, as shopping malls across the region temporarily closed amid COVID-19 outbreak. Despite a lenient rental fee from the shopping center management, most of the tenants located in Greater Jakarta became a heavy burden for MAPI. Nonetheless, we are still positive on company's profitability outlook, on the back of the highest historical revenue in 4Q and the transition phase has allowed several public places to reopens.

### IFRS 16 Impacts to Retailers

Most retailers are aware that the International Financial Reporting Standard (IFRS 16 / PSAK 73) which took effect on 1 January will fundamentally change the accounting for lease transaction. As a result of IFRS 16 implementation using the modified retrospective method, MAPI's net income was dragged down by IDR30 bn. Of note, the impact of IFRS 16 adoption on their balance sheet will be twofold, on the recognition of right of use asset (RoU) and lease liabilities, which will lead into higher non-current asset and non-current liabilities.

### Margin Compressed in 1Q20

MAPI booked IDR4.7 tn revenue which stood at similar level to 1Q19, amid the subdued demand environment. Meanwhile, gross revenue was recorded at IDR2.1 tn (-2.2% YoY) as company managed to register flat COGS at IDR2.5 tn (+3.1% YoY) though gross profit margin was down by 130bps YoY to 45.6% due to lower consignment margin at 18% (vs 21% in 1Q19). In order to minimize the disruption caused by Covid-19, MAPI has implemented strategies including freezing capex and salary reduction, but EBIT still fell by 44% YoY to IDR 161 bn, which was translated to lower EBIT margin at 3.4% (vs 6.1% in 1Q19). Moreover, NPM was also down by 280 bps to 0.2% (vs 3.0% in 1Q19) due to temporary store closure and new accounting standard. This made profitability measured lower than the same quarter last year.

### Valuation: Lowering Our Forecast and Target Price

We maintain our BUY rating with lower target price of IDR870 and forward P/E of 28.8x compared to current 12M forward P/E valuation of 14.8x. Besides, we cut our top line/ bottom line growth FY20 by -19.4%/-73.0%, on the back of lower net sales as we believe consumers are reducing discretionary spending at least until 1H20. However, we still believe MAPI remains the best long-term pick among Indonesian apparel retailers, supported by: 1) Strong execution to control expenses; 2) Digital sales grew higher-than-expected 3) Resilient middle-upper segment.

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

	2019	2020E	2021F	2022F
Revenue	21,579	19,116	20,014	21,275
Revenue growth	14.0%	-11.4%	4.7%	6.3%
EBITDA	2,759	2,238	2,279	2,472
Net Profit	934	278	504	613
EPS (IDR)	56	17	30	37
EPS growth	26.9%	-70.2%	81.2%	21.5%
NPM	4.3%	1.5%	2.5%	2.9%
ROE	13.9%	3.8%	6.6%	7.6%
ROA	7.0%	1.7%	2.6%	3.0%
ROIC	15.6%	9.2%	9.5%	10.2%
P/E	18.8x	42.9x	23.7x	19.5x
P/BV	2.4x	1.6x	1.5x	1.4x
EV/EBITDA	5.1x	3.2x	3.1x	2.7x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

# Buy

Target Price (IDR)	870
Consensus Price (IDR)	857
TP to Consensus Price	+1.5%
vs. Last Price	+20.8%

### Shares data

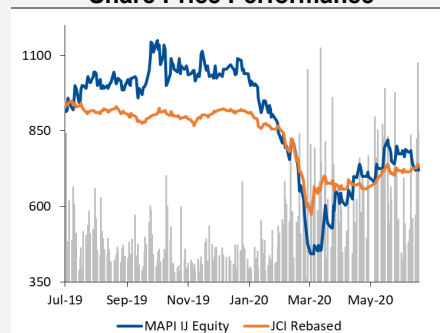
Last Price (IDR)	720
Price date as of	July 09, 2020
52 wk range (Hi/Lo)	1,150 / 444
Free float (%)	49.0
Outstanding sh.(mn)	16,600
Market Cap (IDR bn)	11,952
Market Cap (USD mn)	826
Avg. Trd Vol - 3M (mn)	28.45
Avg. Trd Val - 3M (bn)	20.3
Foreign Ownership	22.4%

### Trade, Services & Investment

#### Retail

Bloomberg	MAPI IJ
Reuters	MAPIJK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-32.4%	-10.0%	32.1%	-23.4%
Rel. Ret.	-19.6%	-10.4%	23.4%	-1.8%

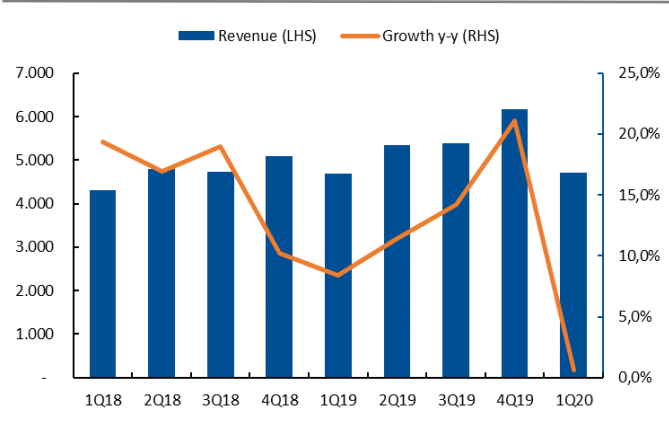
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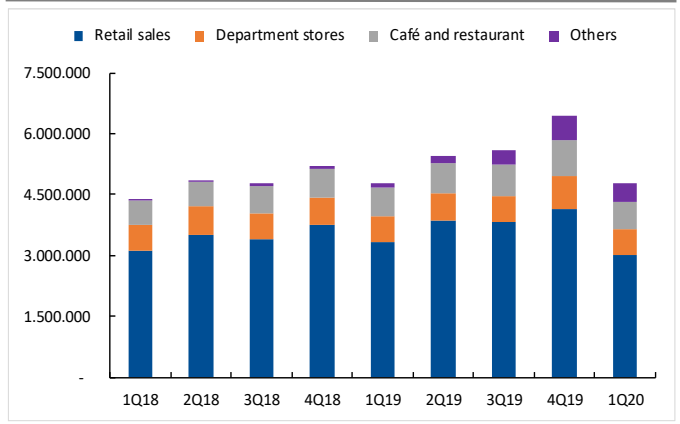
# Performance Highlights

**MAPI Quarterly Net Revenues | 1Q18 - 1Q20**



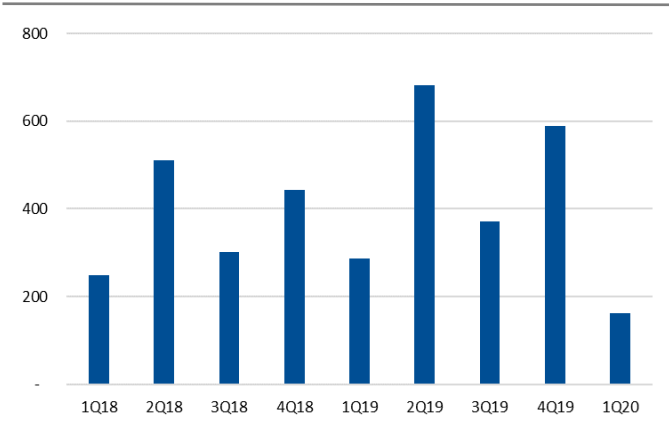
Source: Company, NHKSI Research

**MAPI Revenue Contribution | 1Q18—1Q20**



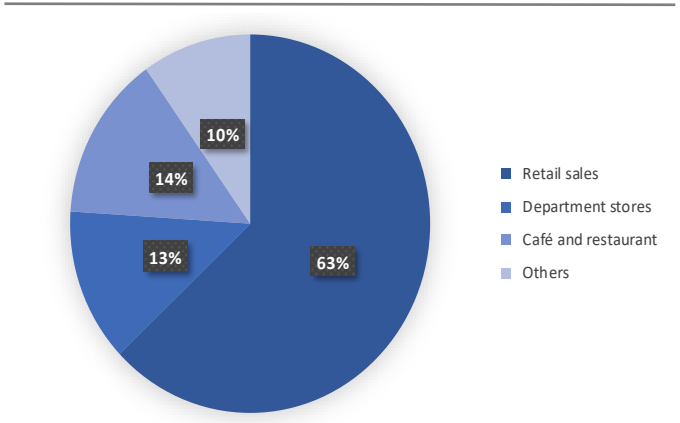
Source: Company, NHKSI Research

**EBIT | 1Q18 - 1Q20**



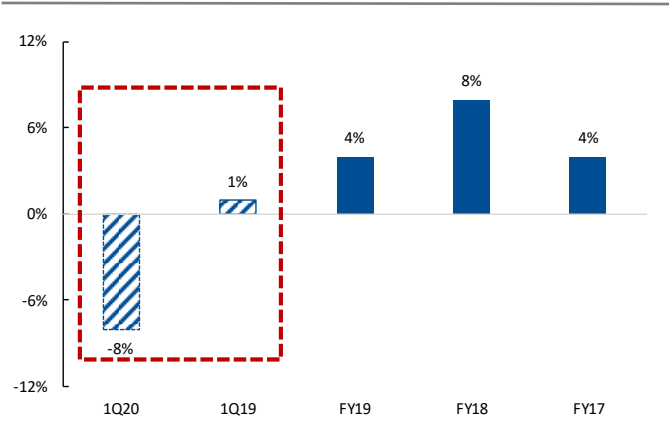
Source: Company, NHKSI Research

**Revenue Breakdown | 1Q20**



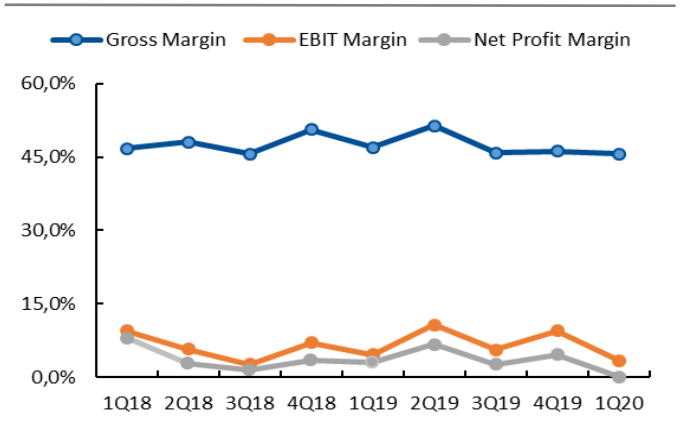
Source: Company, NHKSI Research

**MAPI SSSG | 1Q20**



Source: Company, NHKSI Research

**Margin Ratios | 1Q18 - 1Q20**



Source: Company, NHKSI Research

## 1Q20 review (IDR bn)

	1Q19	2Q19	3Q19	4Q19	1Q20					2Q20E
					Actual	Estimate	y-y	q-q	surprise	
Revenue	4.680	5.336	5.393	6.169	4.708	5.453	0,6%	-23,7%	-13,7%	4,522
Gross Profit	2.197	2.741	2.471	2.846	2.149	2.855	-2,2%	-24,5%	-24,7%	2,166
<i>Gross Margin</i>	46,9%	51,4%	45,8%	46,1%	45,6%	52,4%	-1,3%	-0,5%	-6,7%	46,8%
EBIT	287	683	372	589	161	298	-43,8%	-72,6%	-45,9%	297
<i>EBIT Margin</i>	6,1%	12,8%	6,9%	9,5%	3,4%	5,5%	-2,7%	-6,1%	-2,0%	6,6%
EBITDA	488	886	584	801	382	522	-21,7%	-52,3%	-26,8%	531
<i>EBITDA Margin</i>	10,4%	16,6%	10,8%	13,0%	8,1%	9,6%	-2,3%	-4,9%	-1,5%	11,7%
<b>Net Profit</b>	<b>138</b>	<b>361</b>	<b>144</b>	<b>291</b>	<b>8</b>	<b>141</b>	<b>-94,2%</b>	<b>-97,2%</b>	<b>-94,3%</b>	<b>32</b>
<i>Net Margin</i>	3,0%	6,8%	2,7%	4,7%	0,2%	2,6%	-2,8%	-4,5%	-2,4%	0,7%

Source: Bloomberg, NHKSI research

## Earnings revision (IDR bn)

		2019A	2020E	2021F
Revenue	-Revised	21,579	19,116	20,014
	-Previous	21,092	23,726	
	-Change	2.3%	-19.4%	
Gross Profit	-Revised	10,256	9,074	9,513
	-Previous	10,135	11,451	
	-Change	1.2%	-20.8%	
Gross Margin	-Revised	47.5%	47.5%	47.5%
	-Previous	48.1%	48.3%	
EBIT	-Revised	1,931	1,371	1,411
	-Previous	1,729	1,982	
	-Change	11.7%	-33.6%	
EBIT Margin	-Revised	8.9%	6.9%	7.0%
	-Previous	8.2%	8.4%	
EBITDA	-Revised	2,759	2,238	2,279
	-Previous	2,600	2,845	
	-Change	6.1%	-21.3%	
EBITDA Margin	-Revised	12.8%	11.7%	11.4%
	-Previous	12.3%	12.0%	
<b>Net Profit</b>	-Revised	<b>934</b>	<b>278</b>	<b>504</b>
	-Previous	875	1,033	
	-Change	6.7%	-73.0%	
Net Margin	-Revised	4.3%	1.5%	2.5%
	-Previous	4.1%	4.4%	

Source: NHKSI 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.

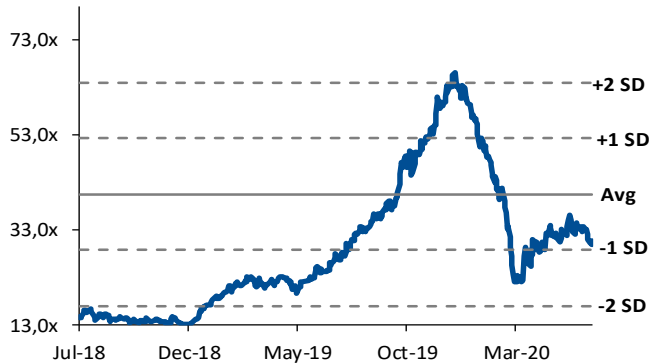
#### ASEAN Retailers

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	271	349	0,31%	59,9%	17,4%	73,0%	3,5x	2,8x	N/A
RALS	277	408	-2,49%	45%	10,3%	14,4%	6,5x	0,9x	8,8%
MAPI	826	1,007	14,05%	48%	8,9%	14,0%	15,0x	2,0x	N/A
<b>Singapore</b>									
Metro Holdings	446	1,570	22,27%	10%	1%	5,7%	7,4x	0,4x	6,0%
<b>Malaysia</b>									
Parkson Holdings Bhd	21	2,063	1.28%	N/A	2%	-13.3%	N/A	0.1x	N/A
<b>Thailand</b>									
Robinson PCL	N/A	878	17.54%	34%	10%	15.1%	N/A	N/A	N/A
<b>Philippines</b>									
SM Investments Corp	22.850	22,566	10.53%	39%	17%	11.4%	26.3x	3.0x	0.5x

Source: Bloomberg, NHKSI research

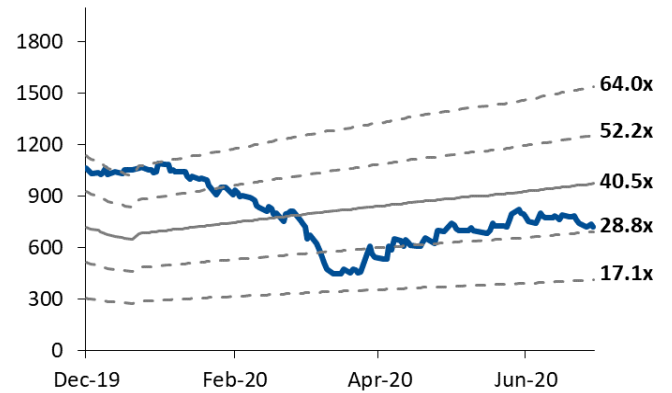
## Multiple Valuation

Forward P/E band | Last 2 years



Source: NHKSI Research

Dynamic Forward P/E band | Last 2 years



Source: NHKSI Research

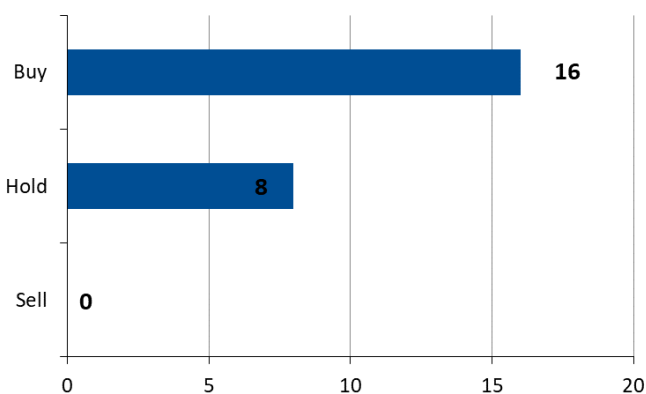
## Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
13/07/2020	Buy	870	720	857	20.8%	1.5%
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: NHKSI research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI 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)	2019/12A	2020/12E	2021/12E	2022/12E
<b>Sales</b>	<b>21.579</b>	<b>19.116</b>	<b>20.014</b>	<b>21.275</b>
<i>Growth</i>	14,0%	-11,4%	4,7%	6,3%
Cost of Good Sold	(11.323)	(10.041)	(10.502)	(11.163)
<b>Gross Profit</b>	<b>10.256</b>	<b>9.074</b>	<b>9.513</b>	<b>10.112</b>
<i>Gross Margin</i>	47,5%	47,5%	47,5%	47,5%
Operating Expenses	(8.325)	(7.758)	(8.102)	(8.641)
<b>EBIT</b>	<b>1.931</b>	<b>1.317</b>	<b>1.411</b>	<b>1.471</b>
<i>EBIT Margin</i>	8,9%	6,9%	7,0%	6,9%
Depreciation	828	921	868	1.001
<b>EBITDA</b>	<b>2.759</b>	<b>2.238</b>	<b>2.279</b>	<b>2.472</b>
<i>EBITDA Margin</i>	12,8%	11,7%	11,4%	11,6%
Interest Expenses	(212)	(633)	(477)	(459)
<b>EBT</b>	<b>1.626</b>	<b>604</b>	<b>950</b>	<b>1.067</b>
Income Tax	(462)	(170)	(275)	(273)
Minority Interest	(230)	(156)	(170)	(181)
<b>Net Profit</b>	<b>934</b>	<b>278</b>	<b>504</b>	<b>613</b>
<i>Growth</i>	26,9%	-70,2%	81,2%	21,5%
<i>Net Profit Margin</i>	4,3%	1,5%	2,5%	2,9%

PROFITABILITY & STABILITY				
	2019/12A	2020/12E	2021/12E	2022/12E
ROE	13,9%	3,8%	6,6%	7,6%
ROA	7,0%	1,7%	2,6%	3,0%
ROIC	15,6%	9,2%	9,5%	10,2%
Cash Dividend (IDR bn)	165	201	95	171
Dividend Yield	0,9%	1,7%	0,8%	1,4%
Payout Ratio	17,7%	72,1%	18,8%	28,0%
DER	20,3%	38,0%	34,1%	29,9%
Net Gearing	0,0%	0,0%	0,0%	0,0%
LT Debt to Equity	0,0%	0,0%	0,0%	0,0%
Capitalization Ratio	16,8%	27,5%	25,4%	23,0%
Equity Ratio	52,9%	37,5%	39,8%	40,4%
Debt Ratio	10,7%	14,3%	13,6%	12,1%
Financial Leverage	197,8%	228,0%	258,7%	249,4%
Current Ratio	143,8%	106,8%	109,1%	112,0%
Par Value (IDR)	500	500	500	500
Total Shares (mn)	16.600	16.600	16.600	16.600
Share Price (IDR)	1.055	720	720	720
Market Cap (IDR tn)	17,5	12,0	12,0	12,0

BALANCE SHEET				
(IDR bn)	2019/12A	2020/12E	2021/12E	2022/12E
Cash	1.817	2.032	2.296	2.839
Receivables	408	402	421	453
Inventories	3.615	4.088	3.566	3.652
<b>Total Current Assets</b>	<b>8.160</b>	<b>8.576</b>	<b>8.282</b>	<b>8.890</b>
Net Fixed Assets	3.785	4.175	4.413	4.530
Other Non Current Asset	945	800	773	807
<b>Total Assets</b>	<b>13.937</b>	<b>19.791</b>	<b>19.745</b>	<b>20.528</b>
Payables	1.758	1.433	1.674	1.384
ST Bank Loan	1.493	2.822	2.680	2.476
LT Debt	-	-	-	-
<b>Total Liabilities</b>	<b>6.567</b>	<b>12.423</b>	<b>11.944</b>	<b>12.293</b>
Capital Stock	830	830	830	830
Retained Earnings	3.637	3.714	4.124	4.566
<b>Shareholders' Equity</b>	<b>7.371</b>	<b>7.425</b>	<b>7.859</b>	<b>8.291</b>

VALUATION INDEX				
	2019/12A	2020/12E	2021/12E	2022/12E
Price /Earnings	18,8x	42,9x	23,7x	19,5x
Price /Book Value	2,4x	1,6x	1,5x	1,4x
Price/Revenue	0,8x	0,6x	0,6x	0,6x
PE/EPS Growth	0,7x	-0,6x	0,3x	0,9x
EV/EBITDA	5,1x	3,2x	3,1x	2,7x
EV/EBIT	7,4x	5,4x	4,9x	4,5x
EV (IDR bn)	14.204	7.099	6.976	6.637
Revenue CAGR (3-Yr)	15,1%	5,4%	1,9%	-0,5%
EPS CAGR (3-Yr)	64,8%	-5,9%	-11,8%	-13,1%
Basic EPS (IDR)	56	17	30	37
Diluted EPS (IDR)	56	17	30	37
BVPS (IDR)	444,01	447	473	499
Revenue PS (IDR)	1.300	1.152	1.206	1.282
DPS (IDR)	10,0	12,1	5,7	10,3

CASH FLOW STATEMENT				
(IDR bn)	2019/12A	2020/12E	2021/12E	2022/12E
Operating Cash Flow	2.373	203	1.636	2.103
Investing Cash Flow	(799)	(1.054)	(1.160)	(1.176)
Financing Cash Flow	(1.177)	1.065	(212)	(384)
<b>Net Changes in Cash</b>	<b>397</b>	<b>215</b>	<b>264</b>	<b>543</b>

OWNERSHIP		
By Geography	% Shareholders	%
Indonesia	79,5 Satya Mulia Gema	51,0
United States	10,0 Schroder Investment	3,5
Norway	4,0 Norges Bank	3,2
Luxembourg	3,8 E Ohman Fonder	2,3

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