

Mitra Adiperkasa Tbk (MAPI IJ)

Strong Finish in 2020



Company Report | May 03, 2021

BUY

| | |
|---------------------------|------------|
| Target Price (IDR) | 975 |
| Consensus Price (IDR) | 937 |
| TP to Consensus Price | +4.0% |
| vs. Last Price | +21.9% |

Shares data

| | |
|------------------------|--------------|
| Last Price (IDR) | 800 |
| Price date as of | Apr 30, 2021 |
| 52 wk range (Hi/Lo) | 945 / 555 |
| Free float (%) | 44.0 |
| Outstanding sh.(mn) | 16,600 |
| Market Cap (IDR bn) | 13,363 |
| Market Cap (USD mn) | 925 |
| Avg. Trd Vol - 3M (mn) | 23.22 |
| Avg. Trd Val - 3M (bn) | 18.4 |
| Foreign Ownership | 22.4% |

Trade, Services & Investment

| | |
|---------------|---------|
| Retail | |
| Bloomberg | MAPI IJ |
| Reuters | MAPI.JK |

The company faced a multitude of challenges in 2020 from Indonesia's large-scale social restriction and curfew. However, MAPI showed strong quarterly improvement mainly driven by the recovery in SSSG and domestic sales. In our view, MAPI is still in the midst of recovery, but successfully recording net profit in 4Q20, after booking two consecutive quarterly net losses.

Relatively strong 4Q20 Result, but still below our expectations

- In 4Q20, MAPI recorded a strong performance with a revenue of IDR4.6tn (+38.5% QoQ; -24.2% YoY). Cumulatively, MAPI booked a revenue of IDR14.8tn (-31.2% YoY).
- The reported figure is still below our expectation and consensus, which we believe is due to Jakarta's regulations to limit operational hours for restaurants and shopping malls during year-end holidays.
- However, we saw a significant improvement on quarterly basis, with MAPI recording net profit of IDR52bn, after two consecutive quarterly net losses.
- We also note that this improvement is due to lower Opex base as FY20 SG&A expenses fell -25.1% YoY, in line with the management's key strategies.
- On quarterly basis, margin in 4Q20 improved significantly across the board, recording gross margin +107bps QoQ and net profit margin +695bps QoQ.

SSSG remains in red but recovery still intact

- MAPI delivered a negative 4Q20 SSSG of 35% YoY, but still shows solid improvement compared to -43% YoY in 3Q20 SSSG, mainly attributed to gradual re-opening of shopping malls in greater city area.
- Another positive note, we also witnessed the growing of digital sales along with management strategy to leverage customer base through MAP Club loyalty program were a key driver to 4Q20 sales growth.
- In addition, inventory level in 12M20 has declined by -12.6% due to unexpected rise in new products demand during year-end holiday.
- As the extended implementation of Micro-Scale Activity Restrictions (PPKM Mikro) and the average footfall in 1Q21 were still below 50%, we should expect MAPI to book lower growth in 1Q21 YoY sales.

Reiterate BUY

- We maintain BUY recommendation on MAPI with Target Price of IDR975, given the potential increase from its expected domestic and export sales recovery
- We believe SSSG will hover at negative levels in 1H20, given the implementation of micro scale activity restrictions and gradual recovery in purchasing power .
- We remain relatively optimistic as MAPI have a resilient mid-upper target market and strong brand portfolio, thus we estimate MAPI could book net profit this year.
- Meanwhile, we are also being cautious on the strengthening of USD, slower vaccination program, and a prolonged PPKM in Jakarta area, which may hamper MAPI's performance.

Mitra Adiperkasa Tbk | Summary (IDR bn)

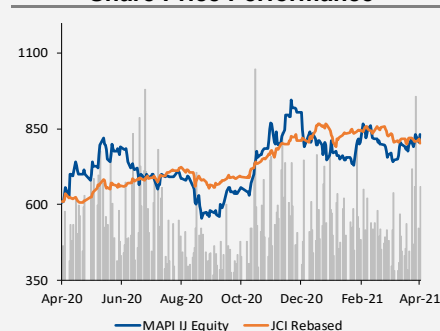
| | 2019 | 2020 | 2021F | 2022F |
|----------------|--------|---------|--------|--------|
| Revenue | 21,579 | 14,847 | 16,436 | 18,458 |
| Growth | 14.0% | -31.2% | 10.7% | 12.3% |
| Net Profit | 934 | (554) | 180 | 193 |
| Growth | 27.1% | -159.3% | 132.5% | 7.3% |
| EPS (IDR) | 56 | (33) | 11 | 12 |
| P/E | 18.8x | -23.7x | 89.8x | 83.7x |
| P/BV | 2.4x | 2.0x | 2.4x | 2.4x |
| EV/EBITDA | 5.1x | 9.2x | 6.9x | 6.6x |
| ROE | 13.9% | -8.0% | 2.7% | 2.9% |
| DER | 20.3% | 44.2% | 37.3% | 26.0% |
| Dividend Yield | 0.9% | 0.0% | 1.2% | 0.6% |

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

Share Price Performance



| | YTD | 1M | 3M | 12M |
|-----------|------|-------|------|-------|
| Abs. Ret. | 5.1% | 7.8% | 7.1% | 36.1% |
| Rel. Ret. | 6.5% | 11.8% | 9.7% | 4.7% |

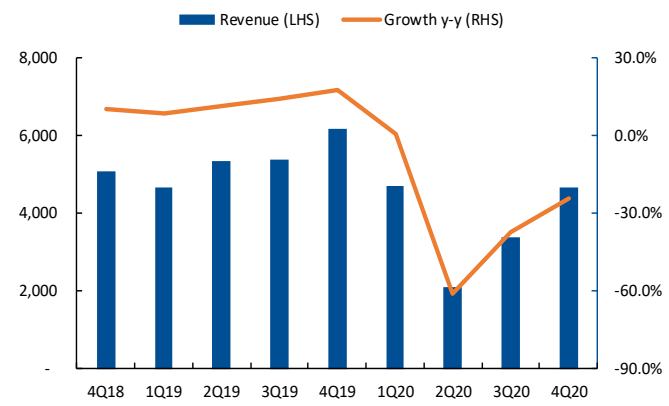
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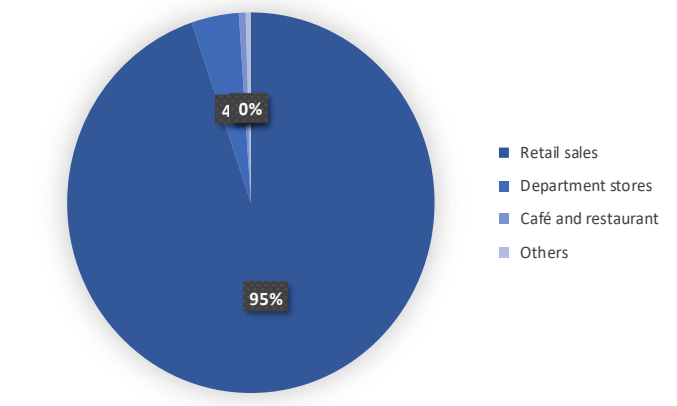
Performance Highlights

MAPI Quarterly Net Revenues | 4Q18 - 4Q20



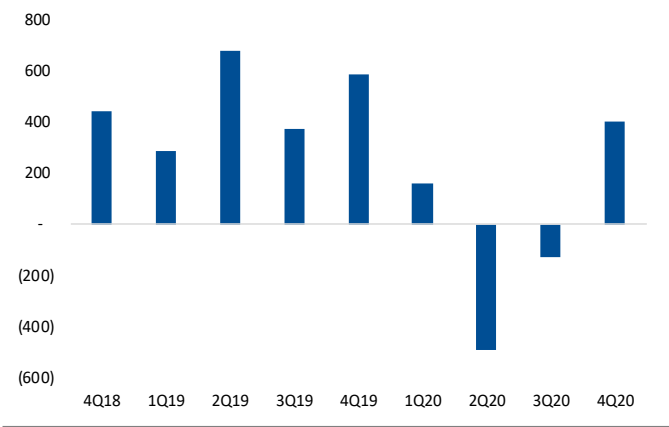
Source: Company, NHKSI Research

MAPI Revenue Breakdown | 4Q20



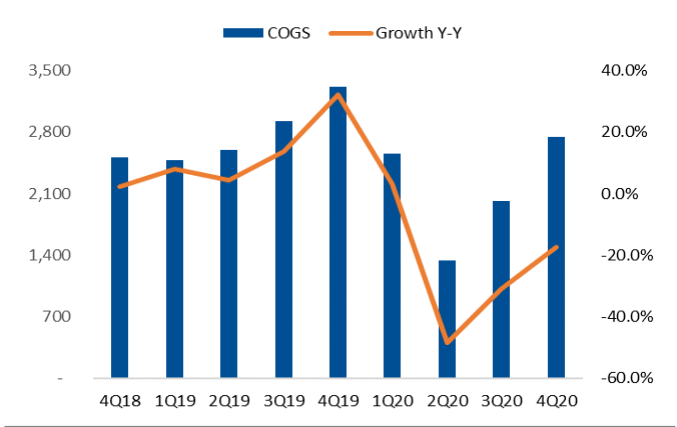
Source: Company, NHKSI Research

EBIT | 4Q18 - 4Q20



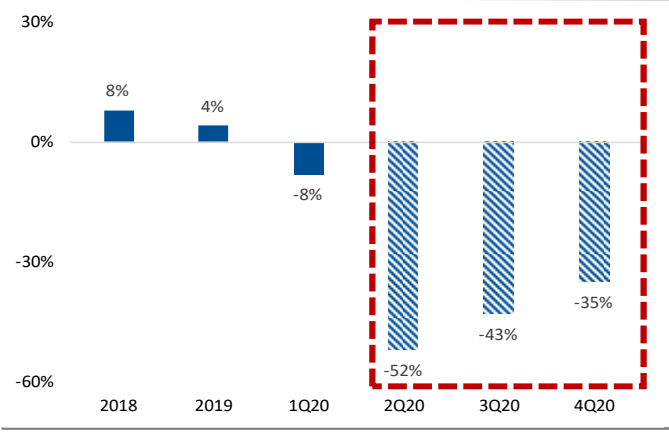
Source: Company, NHKSI Research

COGS | 4Q20



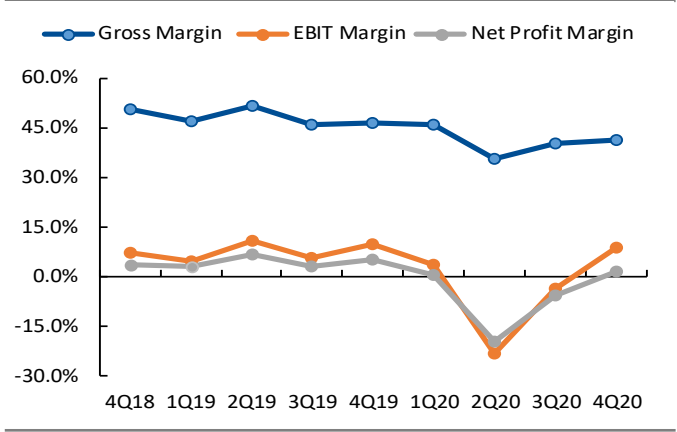
Source: Company, NHKSI Research

MAPI SSSG | 4Q20



Source: Company, NHKSI Research

Margin Ratios | 4Q18 - 4Q20



Source: Company, NHKSI Research

Company Overview



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 2,320 retail stores across 71 big cities

Indonesian Retail Industry in ASEAN

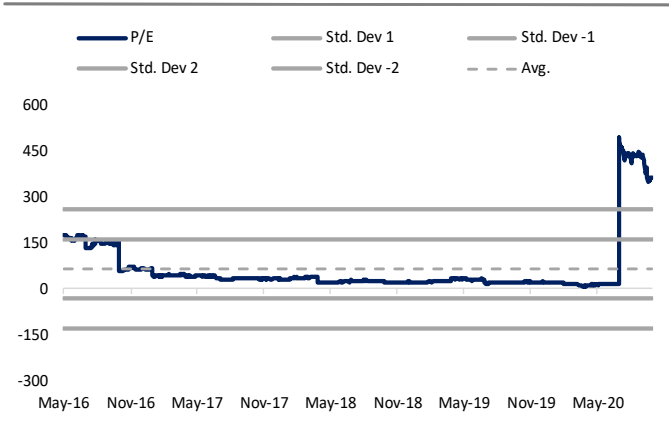
Indonesia is the first most populous nation in ASEAN; such characteristic develops Indonesia into a lucrative market for the retail business. Top retailers, i.e. LPPF, RALS, MAPI with their stores across Indonesia dominate the Indonesian market.

SOTP Valuation

| | % Revenue | 2021 EBITDA | Multiples | Value |
|-----------------------------------|-----------|-------------|-----------|---------------|
| Active (MAPA) | 32% | 1,033 | 6.7x | 6,869 |
| F&B (MAPB) | 14% | 228 | 5.7x | 1,295 |
| Fashion—Specialty Stores + Others | 40% | 677 | 9.4x | 6,384 |
| Department Stores | 14% | 193 | 8.3x | 1,602 |
| Add : Cash | | | | 2,549 |
| Deduct : Debt | | | | (2,518) |
| <u>Net Equity Value</u> | | | | <u>16,151</u> |
| Holding Discount | | | | 0 |
| Equity Per Share | | | | 975 |
| Discount SOTP at Current Price | | | | 21.9% |

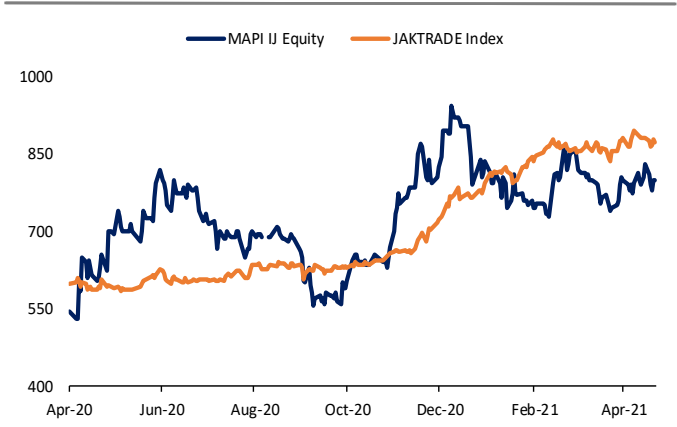
Valuation highlights in charts

5-year trailing P/E band



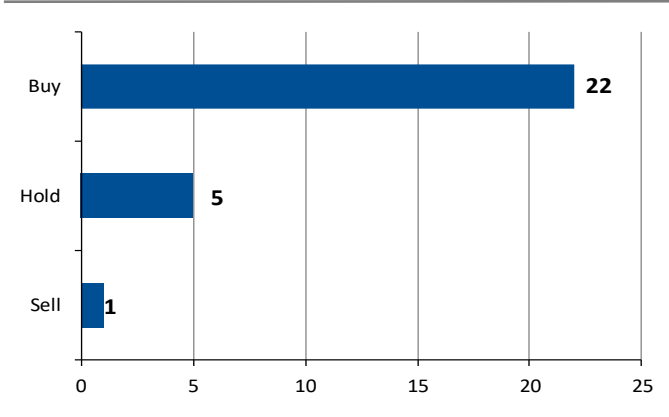
Source: Company Data, NHKSI Research

MAPI and Jaktrade Index



Source: Company Data, NHKSI Research

Consensus of analyst recommendation



Source: Bloomberg

Closing and Target Price Update



Source: NHKSI research

Rating and Target Price Update

Target Price Revision

| Date | Rating | Target Price | Last Price | Consensus | vs Last Price | vs Consensus |
|------------|--------|--------------|------------|-----------|---------------|--------------|
| 16/12/2020 | Buy | 975 | 845 | 937 | 15.4% | 4.0% |
| 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% |

Source: NHKSI research, Bloomberg

Summary of Financials

INCOME STATEMENT

| (IDR bn) | 2019/12A | 2020/12A | 2021/12E | 2022/12E |
|--------------------------|---------------|---------------|---------------|---------------|
| Sales | 21,579 | 14,847 | 16,436 | 18,458 |
| <i>Growth</i> | 14.0% | -31.2% | 10.7% | 12.3% |
| Cost of Good Sold | (11,323) | (8,666) | (8,744) | (9,746) |
| Gross Profit | 10,256 | 6,181 | 7,692 | 8,712 |
| <i>Gross Margin</i> | 47.5% | 41.6% | 46.8% | 47.2% |
| Operating Expenses | (8,325) | (6,238) | (6,895) | (7,890) |
| EBIT | 1,931 | (57) | 797 | 822 |
| <i>EBIT Margin</i> | 8.9% | -0.4% | 4.8% | 4.5% |
| Depreciation | 828 | 871 | 823 | 989 |
| EBITDA | 2,759 | 814 | 1,619 | 1,811 |
| <i>EBITDA Margin</i> | 12.8% | 5.5% | 9.9% | 9.8% |
| Interest Expenses | (212) | (552) | (471) | (499) |
| EBT | 1,626 | (724) | 457 | 471 |
| Income Tax | (462) | 139 | (137) | (121) |
| Minority Interest | (230) | 32 | (140) | (157) |
| Net Profit | 934 | (554) | 180 | 193 |
| <i>Growth</i> | 27.1% | -159.3% | 132.5% | 7.3% |
| <i>Net Profit Margin</i> | 4.3% | -3.7% | 1.1% | 1.0% |

PROFITABILITY & STABILITY

| | 2019/12A | 2020/12A | 2021/12E | 2022/12E |
|---------------------|----------|----------|----------|----------|
| ROE | 13.9% | -8.0% | 2.7% | 2.9% |
| ROA | 7.0% | -3.5% | 1.0% | 1.1% |
| Inventory Turnover | 3.3x | 2.4x | 2.4x | 2.5x |
| Receivable Turnover | 54.1x | 39.6x | 56.2x | 66.4x |
| Payables Turnover | 7.3x | 5.1x | 5.5x | 5.6x |
| Dividend Yield | 0.9% | 0.0% | 1.2% | 0.6% |
| Payout Ratio | 14.1% | 0.0% | -26.0% | 20.5% |
| DER | 20.3% | 44.2% | 37.3% | 26.0% |
| Net Gearing | 0.0% | 28.2% | 24.6% | 17.3% |
| Equity Ratio | 52.9% | 36.8% | 39.5% | 38.1% |
| Debt Ratio | 0.1x | 0.2x | 0.1x | 0.1x |
| Financial Leverage | 2.0x | 2.3x | 2.6x | 2.6x |
| Current Ratio | 143.8% | 111.2% | 118.6% | 119.7% |
| Quick Ratio | 0.8x | 0.6x | 0.7x | 0.6x |
| Par Value (IDR) | 500 | 500 | 500 | 500 |
| Total Shares (mn) | 16,600 | 16,600 | 16,600 | 16,600 |
| Share Price (IDR) | 1,055 | 790 | 975 | 975 |
| Market Cap (IDR tn) | 17.5 | 13.1 | 16.2 | 16.2 |

BALANCE SHEET

| (IDR bn) | 2019/12A | 2020/12A | 2021/12E | 2022/12E |
|----------------------------------|---------------|---------------|---------------|---------------|
| Cash | 1,817 | 2,788 | 2,549 | 2,468 |
| Receivables | 408 | 342 | 244 | 312 |
| Inventories | 3,615 | 3,715 | 3,472 | 4,432 |
| Total Current Assets | 8,160 | 8,165 | 7,745 | 8,852 |
| Net Fixed Assets | 3,785 | 3,365 | 3,282 | 2,957 |
| Other Non Current Asset | 945 | 983 | 884 | 932 |
| Total Non Current Assets | 5,777 | 9,485 | 9,312 | 9,045 |
| Total Assets | 13,937 | 17,650 | 17,057 | 17,898 |
| Payables | 1,758 | 1,621 | 1,541 | 1,930 |
| ST Bank Loan | 1,493 | 2,497 | 2,191 | 1,545 |
| Total Current Liabilities | 5,674 | 7,345 | 6,530 | 7,398 |
| LT Debt | - | 376 | 327 | 231 |
| Total Liabilities | 6,567 | 11,151 | 10,314 | 11,072 |
| Capital Stock | 830 | 830 | 830 | 830 |
| Retained Earnings | 3,637 | 2,905 | 3,075 | 3,175 |
| Shareholders' Equity | 7,371 | 6,499 | 6,743 | 6,826 |

CASH FLOW STATEMENT

| (IDR bn) | 2019/12A | 2020/12A | 2021/12E | 2022/12E |
|----------------------------|------------|--------------|--------------|-------------|
| Operating Cash Flow | 2,373 | (1,028) | 676 | 1,507 |
| Investing Cash Flow | (799) | (876) | (445) | (735) |
| Financing Cash Flow | (1,177) | 3,181 | (470) | (853) |
| Net Changes in Cash | 397 | 1,277 | (239) | (81) |

Source: NHKSI research

VALUATION INDEX

| | 2019/12A | 2020/12A | 2021/12E | 2022/12E |
|------------------------|----------|----------|----------|----------|
| Price /Earnings | 18.8x | -23.7x | 89.8x | 83.7x |
| Price /Book Value | 2.4x | 2.0x | 2.4x | 2.4x |
| PE/EPS Growth | 0.7x | 0.1x | -0.7x | 11.5x |
| EV/EBITDA | 5.1x | 9.2x | 6.9x | 6.6x |
| EV/EBIT | 7.4x | -130.3x | 14.0x | 14.5x |
| EV (IDR bn) | 14,204 | 7,453 | 11,118 | 11,941 |
| Revenue CAGR (3-Yr) | | | -4.6% | -5.1% |
| Net Income CAGR (3-Yr) | | | -37.4% | -40.8% |
| Basic EPS (IDR) | 56 | (33) | 11 | 12 |
| BVPS (IDR) | 444.01 | 392 | 406 | 411 |
| DPS (IDR) | 10.0 | - | 11.3 | 5.6 |

OWNERSHIP

| Shareholders | % |
|--------------------------|----------|
| Satya Mulia Gema | 51.0 |
| Employees Provident Fund | 5.0 |
| Schroder Investment | 3.5 |
| Norges Bank | 3.0 |
| By Geography | % |
| Indonesia | 69.9 |
| Malaysia | 6.5 |
| United States | 5.9 |
| Norway | 3.8 |

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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