

Mitra Adiperkasa Tbk (MAPI IJ)

Recovery in Sight

Company Report | Nov 23, 2021

BUY

Target Price (IDR)	1,100
Consensus Price (IDR)	1,015
TP to Consensus Price	+8.4%
Potential Upside	+31.7%

Shares data

Last Price (IDR)	835
Price date as of	Nov. 18, 2021
52 wk range (Hi/Lo)	945 / 620
Free float (%)	44.0%
Outstanding sh.(mn)	16,600
Market Cap (IDR bn)	13,695
Market Cap (USD mn)	960
Avg. Trd Vol - 3M (mn)	19.45
Avg. Trd Val - 3M (bn)	15.8
Foreign Ownership	26.8%

Consumer Cyclical

Retail

Bloomberg	MAPI IJ
Reuters	MAPI.JK

MAPI booked underwhelming earnings due to negative SSSG in 3Q21. But, this performance was in line with our expectations considering stricter PPKM implementation. Going forward, company's turnaround story is still intact with the festive season ahead and gradually lifted restriction.

Disappointing 3Q earnings as expected

- MAPI recorded a net loss of IDR355bn in 3Q21. The disappointing figure is somewhat expected due to shorter operating hours and limited capacity of shopping malls.
- The revenue contracted by -12.8% YoY to IDR2.9tn, in line with the backdrop of lower retail footfall. Cumulatively, MAPI achieved sales of 12.1tn, forming 71% and 69% of ours and consensus respectively.
- In our view, this situation was certainly not the worst one considering the company have done a lot of initiatives including digital presence and efficiencies to face the headwinds.
- MAPI managed to register lower COGS at IDR1.8tn (-9.9% YoY), although gross profit margin was slightly down by 198bps to 40.2%. The margin erosion was attributed to maintaining inventory level and clearance.
- On the margin front, EBIT margin in 3Q21 dropped to -10.0% YoY (vs. 3Q20: -3.8% YoY), while net profit margin also declined to -12.1%.
- With the holiday season approaching and rapidly improving mobility, we expect robust recovery will spill over in the upcoming quarter.

Recovery in sight as headwinds ease

- Despite temporary store closure, we notice its online channel performed well with a growth streak of 48.1% in 9M21.
- However, we expect consumer interest in buying online to level off in the near future with vaccines roll out and lifted restrictions.
- As we expected, consolidated 3Q SSSG was at -25%, with specialty and department stores SSSG booked at -29% and -23%, respectively.
- Meanwhile, the company managed to improve customer engagement through MAPCLUB loyalty program. The well-ran loyalty program has been benefiting to the company as it has been able to drive more than double of the average transaction value compare to non-member.
- The mobilities were uplifted in 4Q as the government decided to lower PPKM status, which resulted in longer operating hours for shopping malls. This is a great sign for MAPI since most of the stores are located in the Greater Jakarta area.

Valuation

- We retain our BUY recommendation on MAPI and raised our TP to IDR1,100 with 31.7% potential upside from the current share price.
- We like the company due to its solid strategies amid uncertain situation. In addition, overall sales in 4Q are expected to improve due to festive season.

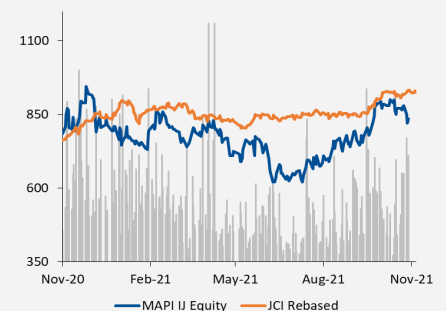
Mitra Adiperkasa Tbk | Summary (IDR bn)

	2020	2021F	2022F	2023F
Revenue	14,847	16,909	18,312	20,254
Growth	-31.2%	13.9%	8.3%	10.6%
Net Profit	(554)	208	539	607
Growth	-159.3%	137.5%	159.5%	12.7%
EPS (IDR)	(33)	13	32	37
P/E	-23.7x	66.0x	25.4x	22.6x
P/BV	2.4x	2.3x	2.2x	2.1x
EV/EBITDA	13.0x	6.9x	5.7x	5.5x
ROE	-8.5%	3.0%	7.3%	7.9%
DER	82.6%	66.2%	56.1%	51.8%
Dividend Yield	0.0%	0.0%	1.1%	2.0%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	5.7%	-5.6%	17.6%	7.7%
Rel. Ret.	-4.2%	-5.3%	9.1%	-11.7%

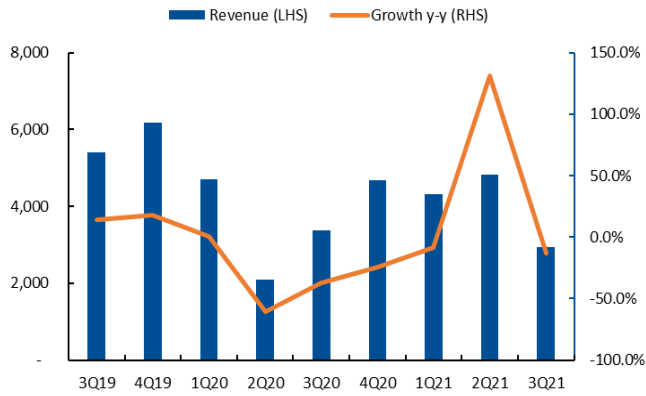
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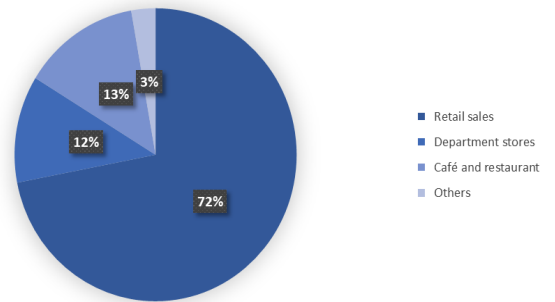
Performance Highlights

MAPI Quarterly Net Revenues | 3Q19 - 3Q21



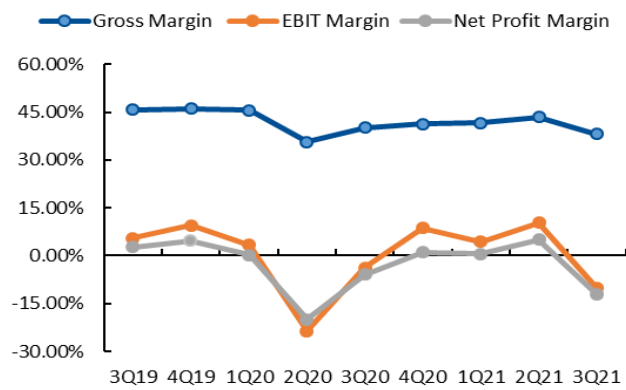
Source: Company, NHKSI Research

MAPI Revenue Breakdown | 3Q21



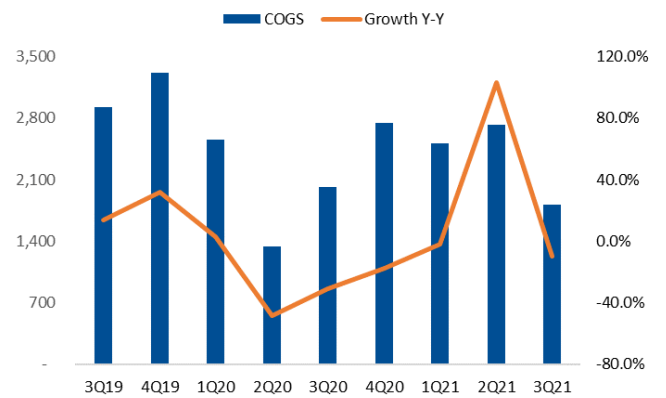
Source: Company, NHKSI Research

Margin Ratios | 3Q19 - 3Q21



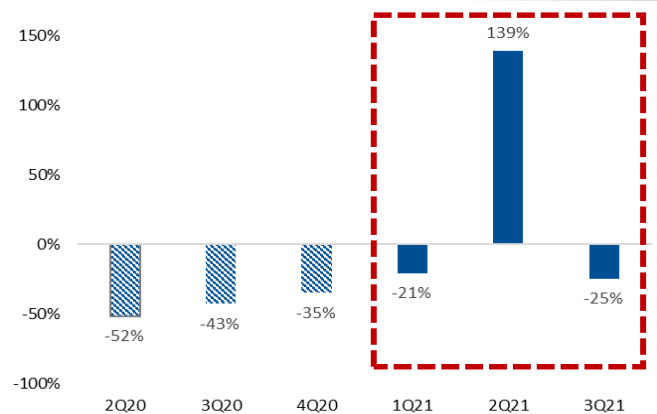
Source: Company, NHKSI Research

COGS | 3Q21



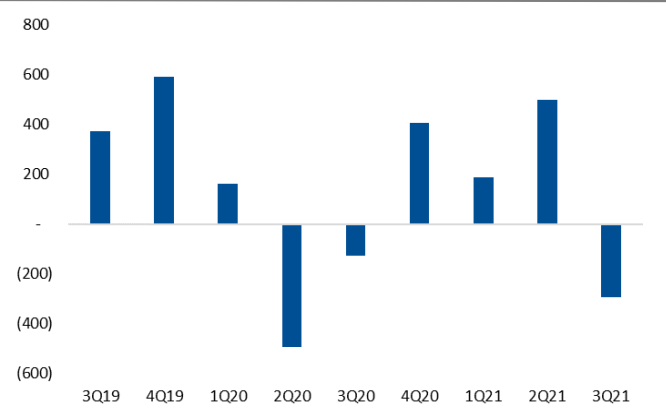
Source: Company, NHKSI Research

MAPI SSSG | 3Q21



Source: Company, NHKSI Research

EBIT | 3Q21



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

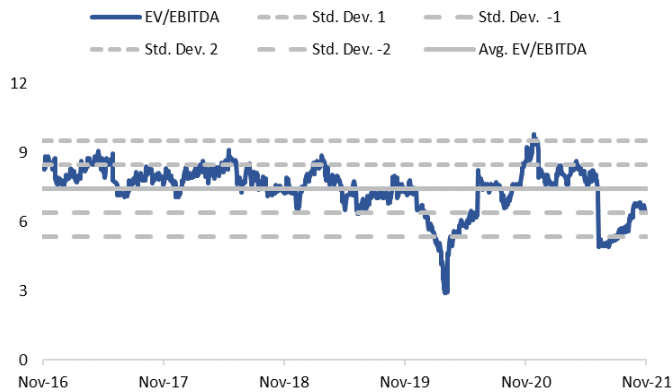
Indonesia is the first most populous nation in ASEAN; such characteristic develops Indonesia into a lucrative market for the retail business. Top retailers, i.e. LPPF, RALS, MAPI with their stores across Indonesia dominate the Indonesian market.

ASEAN Retailers

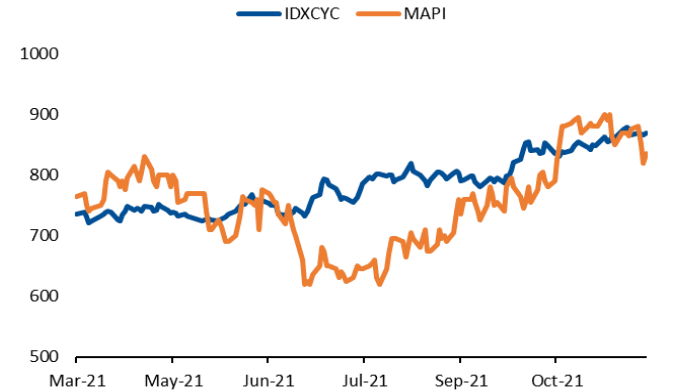
Company	Market Cap (USD mn)	Asset (USD mn)	Sales Growth	Gross Margin	Operating Margin	ROE LTM	P/E LTM	P/BV LTM	Dividend Yield
Indonesia									
LPPF	827	454	-52.91%	58.5%	-18.0%	19.7%	65.1x	10.9x	2.2%
RALS	388	380	-54.83%	43%	-10.2%	1.6%	84.1x	1.4x	N/A
MAPI	960	1,268	-31.38%	42%	-0.5%	-0.6%	N/A	2.6x	N/A
Singapore									
Metro Holdings	479	1,747	-53.71%	16%	-7%	2.3%	18.5x	0.4x	2.9%
Malaysia									
Parkson Holdings Bhd	54	2,381	3.29%	N/A	9%	-2.3%	N/A	0.1x	N/A
Thailand									
Robinson PCL	N/A	878	17.54%	34%	10%	15.1%	N/A	N/A	N/A
Philippines									
SM Investments Corp	23,123	25,503	-20.75%	35%	11%	8.7%	33.1x	2.7x	0.4%

Valuation highlights in charts

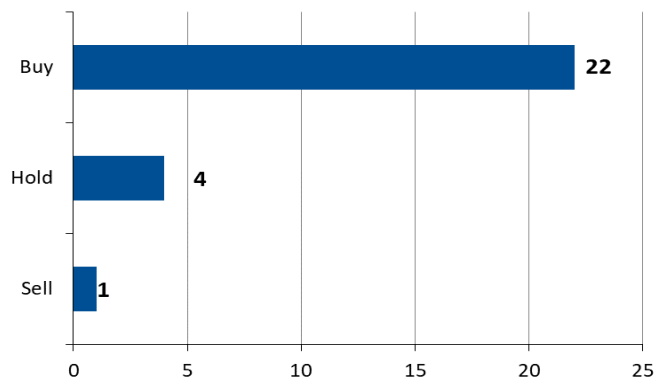
5-year trailing EV/EBITDA band



MAPI and IDX Cyclical Index



Consensus of analyst recommendation



Closing and Target Price Update



Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
8/19/2019	Buy	1,200	990	1,118	21.2%	7.4%
13/07/2020	Buy	870	720	857	20.8%	1.5%
16/12/2020	Buy	975	845	937	15.4%	4.0%
02/08/2021	Buy	825	620	893	33.1%	-7.6%
23/11/2021	Buy	1,100	835	1,015	31.7%	8.4%

Source: NHKSI research, Bloomberg

Summary of Financials

INCOME STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Sales	14,847	16,909	18,312	20,254
<i>Growth</i>	-31.2%	13.9%	8.3%	10.6%
Cost of Good Sold	(8,666)	(9,472)	(9,925)	(11,139)
Gross Profit	6,181	7,437	8,387	9,114
<i>Gross Margin</i>	41.6%	44.0%	45.8%	45.0%
Operating Expenses	(6,238)	(6,589)	(7,119)	(7,707)
EBIT	(57)	848	1,268	1,408
<i>EBIT Margin</i>	-0.4%	5.0%	6.9%	7.0%
Depreciation	871	819	879	917
EBITDA	814	1,667	2,146	2,325
<i>EBITDA Margin</i>	5.5%	9.9%	11.7%	11.5%
Interest Expenses	(552)	(496)	(421)	(375)
EBT	(724)	205	773	871
Income Tax	139	(107)	(198)	(223)
Minority Interest	32	110	(37)	(41)
Net Profit	(554)	208	539	607
<i>Growth</i>	-159.3%	137.5%	159.5%	12.7%
<i>Net Profit Margin</i>	-3.7%	1.2%	2.9%	3.0%

PROFITABILITY & STABILITY

	2020/12A	2021/12E	2022/12E	2023/12E
ROE	-8.5%	3.0%	7.3%	7.9%
ROA	-3.1%	1.2%	3.1%	3.3%
Inventory Turnover	2.4x	2.4x	2.6x	3.1x
Receivable Turnover	39.6x	45.6x	49.3x	56.2x
Payables Turnover	5.1x	5.4x	5.6x	6.1x
Dividend Yield	0.0%	0.0%	1.1%	2.0%
Payout Ratio	0.0%	0.0%	73.7%	36.2%
DER	82.6%	66.2%	56.1%	51.8%
Net Gearing	28.2%	29.9%	21.6%	24.3%
Equity Ratio	36.8%	39.0%	42.8%	41.6%
Debt Ratio	0.3x	0.3x	0.2x	0.2x
Financial Leverage	2.3x	2.6x	2.4x	2.4x
Current Ratio	1.1x	1.2x	1.3x	1.3x
Quick Ratio	0.6x	0.6x	0.8x	0.8x
Par Value (IDR)	50	50	50	50
Total Shares (mn)	16,600	16,600	16,600	16,600
Share Price (IDR)	790	825	825	825
Market Cap (IDR tn)	13.1	13.7	13.7	13.7

BALANCE SHEET

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Cash	2,788	2,727	3,178	3,705
Receivables	342	400	343	378
Inventories	3,715	4,226	3,279	3,923
Total Current Assets	8,165	8,796	8,367	9,698
Net Fixed Assets	3,365	3,312	3,217	3,109
Other Non Current Asset	983	950	1,018	1,053
Total Non Current Assets	9,485	8,936	8,907	8,824
Total Assets	17,650	17,732	17,274	18,522
Payables	1,621	1,856	1,679	1,984
ST Bank Loan	2,497	2,094	1,930	1,835
Total Current Liabilities	7,345	7,235	6,420	7,317
LT Debt	2,873	2,492	2,219	2,158
Total Liabilities	11,151	10,809	9,879	10,814
Capital Stock	830	830	830	830
Retained Earnings	2,905	3,290	3,766	4,094
Shareholders' Equity	6,499	6,923	7,395	7,708

CASH FLOW STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	(1,028)	680	1,646	1,715
Investing Cash Flow	(876)	(574)	(766)	(832)
Financing Cash Flow	3,181	(342)	(429)	(356)
Net Changes in Cash	1,277	(237)	451	527

VALUATION INDEX

	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	-23.7x	66.0x	25.4x	22.6x
Price /Book Value	2.4x	2.3x	2.2x	2.1x
PE/EPS Growth	0.1x	-0.5x	0.2x	1.8x
EV/EBITDA	13.0x	6.9x	5.7x	5.5x
EV/EBIT	-184.5x	13.6x	9.7x	9.1x
EV (IDR bn)	10,549	11,519	12,244	12,831
Revenue CAGR (3-Yr)		-3.7%	-5.3%	10.9%
Net Income CAGR (3-Yr)		-34.4%	-16.7%	-203.1%
Basic EPS (IDR)	(33)	13	32	37
BVPS (IDR)	329	352	381	401
DPS (IDR)	-	-	9.1	16.9

OWNERSHIP

Shareholders	%
Satya Mulia Gema	51.0
Employees Provident Fund	5.0
Schroder Investment	3.6
Norges Bank	3.0
By Geography	%
Indonesia	71.0
Malaysia	6.6
United States	5.7
United Kingdom	3.9

Source: NHKSI Research

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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