

5 APRIL 2018

COMPANY UPDATE

NEUTRAL

STOCK INFORMATION

Bloomberg Code	MAPI.IJ
Sector	Retail
Current Price	Rp8,025
Target Price	Rp8,500
Prev. Target Price	Rp8,000
Upside/ Downside	5.9%
Share Out (bn shares)	1.7
Market Cap (Rpbn)	13,271
52 – w range (low-high)	Rp5,625– 8,075
52 – w average daily	Rp6,683

PRICE CHART



Source: Bloomberg

SHAREHOLDER'S INFORMATION

PT Satya Mulia Gema Gemilang	56,0 %
Public (below 5%)	44,0 %

Source: Company data

P/E BAND



Source: Company data

PT MITRA ADIPERKASA TBK

FIRE UP!

During FY17, MAPI booked a solid 15.2% YoY sales growth of Rp16.31 trillion, on the back of 4% SSSG (vs 3% SSSG in FY16), in line with our FY17E of Rp15.95 trillion, while its bottom line came in Rp334.7 billion (below our estimates, made up 80.7% of our FY17E of Rp414.5 billion), but mainly related to strategy of closing underperforming stores (resulted in notable increase in loss on sales of fixed asset & provision for decline in value of inventory). However, we believe the homework has been performed and MAPI is ready to soar this year. We made a slight adjustment to our projection and come up with a higher TP of Rp8,500/ share. However, we believe the current share price is already priced in, hence our recommendation on the stock is NEUTRAL.

Homework Done, Ready to Soar

MAPI's gross margin was cut by 40bps YoY from 48.6% to 48.2% which mainly resulted from massive clearance sale discount prior to department store closures in 4Q17 (GPM down by 130bps QoQ to 46.8% in 4Q17). Nevertheless, we believe that the homework is already done - as we know, within the last 3 years, the company has run massive transformational agenda; 1) new inventory management implemented since mid-2016 coupled with massive discount program during 2014-2015 to clear up the overstocking and resulted in low inventory level from 225 days in 2013 to 129 days as of 2017, 2) divestment of Domino's Pizza and Burger King which were completed in 2H15, 3) spin-off MAP Active Division, as well as internal restructuring in F&B division under PT MAP Boga Perkasa, Tbk (MAPB.IJ), and the recent 4) low-performing department store closures (Lotus, Debenhams) which mostly done in 4Q17, as a form of strategy of brand consolidation. We believe this action will make the company leaner as the dept store division has dragged company's profitability in the past 3 years (EBIT margin only below 3%).

Stabilizing Improvements

Segment-wise, we noted that all divisions have improved operationally YoY (except for the F&B division declined by 1.1%, which we believe is temporary as the company aggressively opened new Starbucks stores in 4Q17). Specialty store division improved the most, from 7.1% in 2016 to 8.1% as of 2017, following the completion of all internal restructuring in Active division and company's focus on well-performed existing brands while at the same time closing some of low-performing stores. The department store division performed better as well, delivered a 1.2% operating margin (+10bps YoY) with 0% SSSG (vs -0.3% in 2016), following the aforementioned closure of loss-making Lotus and Debenhams stores.

2018 Strategy

This year, the company will focus on 1) expanding existing strong money-making brands i.e Inditex brands (Zara, Massimo Dutti, Stradivarius) on specialty stores and Starbucks on F&B; 2) customer loyalty program as revenue driver; and 3) continue to enhance the e-commerce platform, MAPeMall.com, which currently contributes a small portion to total sales. Regarding the highly growing e-commerce market in the country, the company realized this has affected the dept store sales, while on its specialty store, the impact was still minimum.

New TP at Rp8,500 per share, Already Priced In

We made a slight adjustment to our projection and come up with a higher TP of Rp8,500/ share, implies a valuation target of PER and EV/EBITDA 25.5x and 7.4x FY18F, respectively. Based on yesterday's closing price of Rp8,025, the stock is trading at 22.8x and 6.5x PER and EV/EBITDA 2018F, hence we believe the current share price is already priced in, hence our recommendation on the stock is NEUTRAL.

Financial Summary

(Rp billion)	2015A	2016A	2017A	2018F	2019F
Revenue	12,832.8	14,149.6	16,305.7	18,412.9	21,600.0
EBITDA	1,106.4	1,516.2	1,807.2	2,006.3	2,324.1
Net profit	37.3	208.5	334.7	580.9	892.8
EPS (Rp)	22.6	126.1	202.4	351.3	539.9
PER (x)	355.5	63.7	39.7	22.8	14.9
BVPS (Rp)	1,799.0	1,937.2	2,565.4	2,883.7	3,354.8
PBV (x)	4.5	4.1	3.1	2.8	2.4
EV/EBITDA (x)	13.5	9.7	7.8	6.5	5.4
Dividend yield (%)	-	-	0.3	0.5	0.9
RoE (%)	1.4	6.7	9.0	12.9	17.3

Source: Company data and Lotus Andalan Research

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Please see important disclosures at the end of this report

Interim Financial Result

	FY16	FY17	YoY	FY17F	Coverage	3Q17	4Q17	QoQ	Comments
P/L (In Rp billion)									
Revenue	14,149.6	16,305.7	15.2%	15,954.3	102.2%	3,970.4	4,621.9	16.4%	In line, on the back of 4% SSSG
Cost of revenue	7,276.6	8,449.6	16.1%	8,263.6	102.3%	2,060.2	2,456.5	19.2%	
Gross profit	6,873.0	7,856.1	14.3%	7,690.8	102.2%	1,910.2	2,165.4	13.4%	
Operating expense	5,985.1	6,735.6	12.5%	6,685.9	100.7%	1,674.0	1,829.7	9.3%	
Operating profit	887.9	1,120.5	26.2%	1,004.9	111.5%	236.1	335.6	42.1%	
Net Profit	208.5	334.7	60.5%	414.5	80.7%	73.5	86.2	17.3%	Below than expected, mostly related to store closures (notable increase in loss on sales of PPE & provision for decline in value of inventory)
Profitability									
Gross margin	48.6%	48.2%		48.2%		48.1%	46.8%		Mostly due to massive clearance sale discount prior to dept store closures in 4Q17
EBIT margin	6.3%	6.9%		6.3%		5.9%	7.3%		Significant improvement related to 3-year transformation, including store closure & brand rationalization
Net margin	1.5%	2.1%		2.6%		1.9%	1.9%		

Source: Company data and Lotus Andalan Research

Forecast Changes

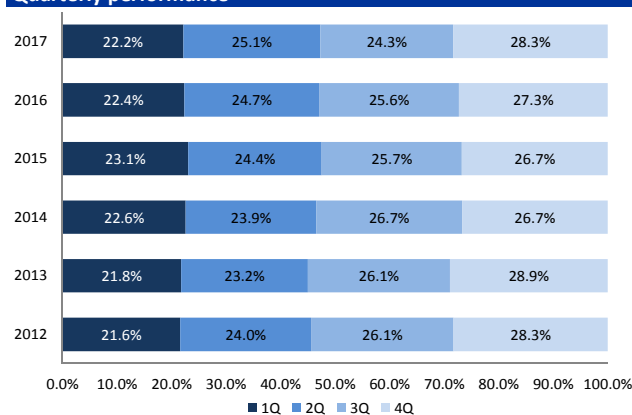
	Previous		New		% change	
	2018F	2019F	2018F	2019F	2018F	2019F
Revenue	18,170	20,403	18,413	21,600	1.3%	5.9%
Gross Profit	8,673	9,750	8,783	10,271	1.3%	5.3%
Operating Profit	1,134	1,169	1,287	1,563	13.4%	33.7%
Net Income	489	610	581	893	18.8%	46.3%
Sales growth	13.9%	12.3%	12.9%	17.3%	-1.0%	5.0%

Financial Ratios

Gross margin	47.7%	47.8%	47.7%	47.6%	0.0%	-0.2%
Operating margin	6.2%	5.7%	7.0%	7.2%	0.7%	1.5%
Net margin	2.7%	3.0%	3.2%	4.1%	0.5%	1.1%

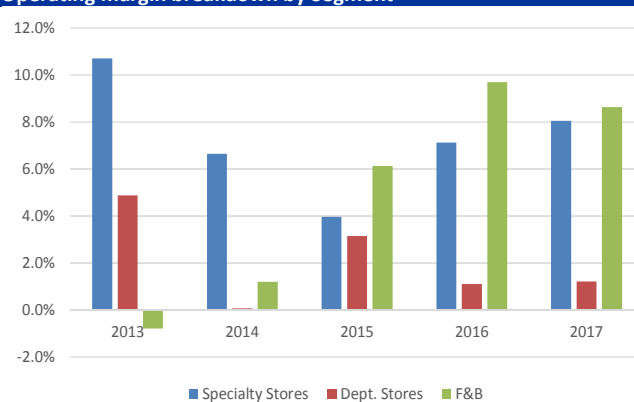
Source: Lotus Andalan Research

Quarterly performance



Source: Company data, Lotus Andalan Research

Operating margin breakdown by Segment



Source: Company data, Lotus Andalan Research

FINANCIAL HIGHLIGHTS OF PT MITRA ADI PERKASA, TBK

In Rp Billion									
BALANCE SHEET	2016A	2017A	2018F	2019F	INCOME STATEMENT	2016A	2017A	2018F	2019F
ASSETS					Revenue	14,150	16,306	18,413	21,600
Cash & cash equivalents	1,526	1,286	2,446	2,684	COGS	(7,277)	(8,450)	(9,630)	(11,329)
Accounts receivable	376	502	605	710	Gross profit	6,873	7,856	8,783	10,271
Inventories - net	3,007	3,066	3,501	4,310	Operating expenses	(5,985)	(6,736)	(7,497)	(8,708)
Other current assets	1,708	1,944	2,191	2,584	Operating profit	888	1,121	1,287	1,563
Total Current Assets	6,616	6,799	8,743	10,289	EBITDA	1,516	1,807	2,006	2,324
Plant, property and equipment	2,869	3,427	2,971	2,475	Finance cost	(421)	(404)	(306)	(252)
Non-Current Assets - Others	1,198	1,200	1,504	1,728	Interest income	10	33	18	20
Total Non-Current Assets	4,067	4,627	4,475	4,203	Others	(75)	(153)	(31)	(56)
TOTAL ASSETS	10,683	11,425	13,218	14,491	Total other income/(expenses)	(486)	(523)	(319)	(288)
LIABILITIES & EQUITY					Income before tax	401	597	968	1,275
Short Term Bank Loan	923	1,692	1,692	1,892	Tax expense	(193)	(247)	(387)	(383)
Accounts Payable	1,054	1,251	1,426	1,677	Net profit before minority interest	208	335	581	893
Current maturities - Bonds Payable	965	-	480	1,500	Minority interest	(1)	(1)	(1)	(1)
Current Liabilities - Others	1,239	1,622	1,721	2,020	Net profit	208	335	581	893
Total Current Liabilities	4,181	4,565	5,319	7,089	EPS (Rp)	126	202	351	540
LT debt - net current maturities	2,609	1,842	1,627	127	KEY FINANCIAL RATIOS	2016A	2017A	2018F	2019F
Other noncurrent liabilities	690	776	1,504	1,728	Growth (%)				
Total Non-Current Liabilities	3,299	2,618	3,130	1,854	Sales	10.3	15.2	12.9	17.3
Minority Interest	0	205	205	205	Gross profit	18.9	14.3	11.8	16.9
Capital Stock & Paid-in Capital	823	823	823	823	Operating Profit	69.9	26.2	14.8	21.5
Others	475	1,016	1,027	1,029	EBITDA	37.0	19.2	11.0	15.8
Retained earnings	1,906	2,199	2,713	3,491	Net Profit	458.4	60.5	73.6	53.7
Total Equity	3,203	4,038	4,564	5,343	Profitability (%)				
TOTAL LIABILITIES & EQUITY	10,683	11,425	13,218	14,491	Gross margin	48.6	48.2	47.7	47.6
CASH FLOW STATEMENT	2016A	2017A	2018F	2019F	Operating margin	6.3	6.9	7.0	7.2
Net profit	208	335	581	893	EBITDA margin	10.7	11.1	10.9	10.8
Depreciation & Amortization	628	687	720	761	Net Profit margin	1.5	2.1	3.2	4.1
Change in WC	207	11	(364)	(662)	ROA	2.1	3.0	4.7	6.4
Others	(166)	146	(147)	(95)	ROE	6.7	9.0	12.9	17.3
Net Operating Cash Flow	878	1,179	790	896	Solvency (x)				
Change in fixed assets - net	(823)	(1,245)	(264)	(264)	Current ratio	1.6	1.5	1.6	1.5
Others	(85)	(1)	(304)	(224)	Quick ratio	0.9	0.8	1.0	0.8
Net Investing Cash Flow	(909)	(1,246)	(568)	(488)	DER	0.9	0.5	0.5	0.4
Change in borrowings - net	841	(962)	265	(280)	EBITDA coverage	3.6	4.5	6.6	9.2
Change in equity	(0)	-	-	-	Net debt to equity	0.5	0.2	Net cash	Net cash
Change in other liabilities	212	832	739	225					
Dividend payment	-	(41)	(66)	(115)					
Adjustment	3	4	5	6					
Net Financing Cash Flow	1,055	(168)	943	(164)					
Change in cash	1,025	(235)	1,164	244					
Cash at the beginning period	504	1,526	1,286	2,446					
Cash at the ending period	1,526	1,286	2,446	2,684					

Source: Company data and Lotus Andalan Research

Notes:

The definitions of Lotus Andalan Research for Investment Ratings:

- **BUY** : +15% and above, over the next 12 months
- **NEUTRAL** : -15% to +15%, over the next 12 months
- **SELL** : -15% and worse, over the next 12 months

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