

7 NOVEMBER 2018

COMPANY UPDATE

BUY

STOCK INFORMATION

Bloomberg Code	MAPI IJ
Sector	Retail
Current Price	Rp 810
Target Price	Rp 1,100
Upside/ Downside	35.8%
Share Out (bn shares)	16.5
Market Cap (Rp bn)	13,395
52 – w range (low-high)	Rp 613-910
52 – w average daily	Rp 771

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

STEADIER FOOTING

During 9M18, MAPI posted a solid 18.3% YoY sales growth from Rp11.68 trillion in 9M17 to Rp13.83 trillion, on the back of 8% SSSG (vs 3% SSSG in 9M17), in line with our expectation, which made up 72.5% of FY18F Rp19.06 trillion. On the bottomline, the net profit jumped by 124.4% YoY to Rp557.7 billion, which mostly due to one-time gain on sale of fixed asset in 1Q18. With all divisions yielded positively now, the company is now ready to launch another omni-channel project planetsports.asia, a flagship online platform for active division. We maintain our BUY recommendation on the stock with unchanged target price of Rp1,100/ share.

There's a silver lining in every cloud

MAPI's GPM dropped by 190bps YoY from 48.7% in 9M17 to 46.8% in 9M18, mostly the impact of sales mix, in line with lower sales contribution from higher-margin dept store from 17.2% to 14.4%, while specialty store contributed 71.4% to total sales from previously 69.1%, as a result of loss-making subsidiaries (Debenhams and Lotus) closures since 2H17. Note that according to management, the average dept store's GPM ranging between 50-55% while specialty stores' c.40%. In our view, the decline in GPM that occurred in this case is tolerable since it will deliver better operational outcome in the long run, which can be reflected in the EBIT margin that hiked by 100bps, thanks to continuous internal improvements and the impact from restructuring and termination of non-performing brands last year. On the bottomline, net profit margin boosted by 1.9% YoY from 2.1% to 4.0%, mainly derived from gain on sale of fixed asset amounted to Rp Rp238.78 bn in 1Q18, lower effective tax rate to c.27% as a result from dept store closures in 2017 and non-deductible tax from amortization of zero coupon bond. Regarding the current weak currency, the company remains on its policy of direct pass-through to customer. However, in order to anticipate further impact from IDR depreciation, the management prepares some strategies i.e procure affordable goods or propose for discount/ rebates to the brand principals.

Launched soon: Planetsports.asia

Segment-wise, all division yielded positively, particularly the department store that delivered EBIT margin of 7.49% (vs 0.23% in 9M17), following the aforementioned dept store closures, while the specialty stores and F&B's EBIT margin slightly declined by 60bps YoY to 7.64% and 40bps YoY to 8.35%, respectively. Hence, the company is now able to focus on the next project: planetsports.asia, the flagship online platform dedicated for active division that will be launched as soon as this week, in which the first stage will be intended for Indonesia and Vietnam market. This project is basically a retouch of planetsports.net (launched in 2014) with system improvements and additional SKUs, so that the additional capex required is minimum.

Maintain BUY with Unchanged TP of Rp1,100

To reflect the in line performance, we maintain our BUY recommendation on the stock with unchanged TP of Rp1,100/share. This implies a valuation target of PER and EV/EBITDA 16.8x and 7.1x FY19F, respectively. Based on yesterday's closing price of Rp 810, the stock is trading at 12.0x and 5.1x PER and EV/EBITDA 2019F, hence we believe this is the right time to BUY the stock.

Financial Summary

(Rp billion)	2016A	2017A	2018F	2019F	2020F
Revenue	14,149.6	16,305.7	19,063.7	22,397.6	24,755.1
EBITDA	1,516.2	1,807.2	2,369.1	2,640.7	2,975.1
Net profit	208.5	334.7	947.9	1,113.0	1,517.3
EPS (Rp)	12.6	20.2	57.3	67.3	91.8
PER (x)	64.3	40.0	14.1	12.0	8.8
BVPS (Rp)	193.7	256.5	310.6	366.6	444.7
PBV (x)	4.2	3.2	2.6	2.2	1.8
EV/EBITDA (x)	9.8	7.8	5.7	5.1	4.0
Dividend yield (%)	-	0.3	0.5	1.4	1.6
RoE (%)	6.7	9.0	20.2	19.9	22.6

Source: Company data and Lotus Andalan Research

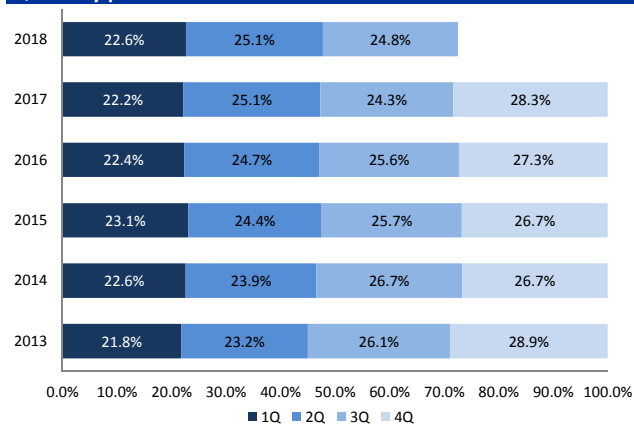
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Please see important disclosures at the end of this report

Interim Financial Result									
	9M17	9M18	YoY	FY18F	Coverage	2Q18	3Q18	QoQ	Comments
<b>P/L (In Rp billion)</b>									
Revenue	11,683.8	13,827.7	18.3%	19,063.7	72.5%	4,788.7	4,722.3	-1.4%	In line with our FY18E with 8% SSSG in 9M18
Cost of revenue	5,993.1	7,355.3	22.7%	9,987.2	73.6%	2,486.3	2,568.6	3.3%	
Gross profit	5,690.8	6,472.4	13.7%	9,076.4	71.3%	2,302.5	2,153.8	-6.5%	
Operating expense	4,905.9	5,410.8	10.3%	7,426.9	72.9%	1,791.5	1,851.5	3.3%	
Operating profit	784.9	1,061.6	35.3%	1,649.5	64.4%	511.0	302.3	-40.8%	
Net Profit	248.5	557.7	124.4%	947.9	58.8%	151.6	54.9	-63.8%	Hiked by 124.4% YoY mostly related to gain on sale of fixed asset of Rp238.78 bn & lower effective tax rate to c.27% as a result from dept store closures amortized discount on zero coupon bond amounted to Rp316.74 bn following the execution of convertible bond post-MAPA IPO in Jun18.
<b>Profitability</b>									
Gross margin	48.7%	46.8%	-1.9%	47.6%		48.1%	45.6%		Declined by 190bps YoY mostly due to sales mix as higher-margin dept store contribution to total declined to 14.4% (from 17.2%), while QoQ contracted by 250bps from seasonality (2Q: Eid festive)
EBIT margin	6.7%	7.7%	1.0%	8.7%		10.7%	6.4%		Significant improvement related to 3-year transformation, including store closure & brand rationalization
Net margin	2.1%	4.0%	1.9%	5.0%		3.2%	1.2%		

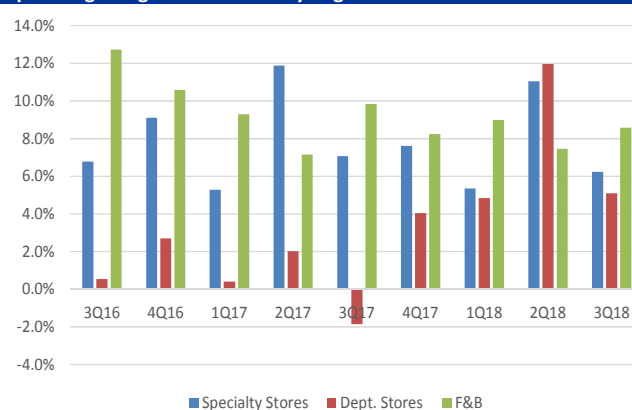
Source: Company data and Lotus Andalan Research

## 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											
<b>BALANCE SHEET</b>	<b>2016A</b>	<b>2017A</b>	<b>2018F</b>	<b>2019F</b>	<b>2020F</b>	<b>INCOME STATEMENT</b>	<b>2016A</b>	<b>2017A</b>	<b>2018F</b>	<b>2019F</b>	<b>2020F</b>
<b>ASSETS</b>						<b>Revenue</b>	<b>14,150</b>	<b>16,306</b>	<b>19,064</b>	<b>22,398</b>	<b>24,755</b>
Cash & cash equivalents	1,526	1,286	1,935	1,735	1,463	COGS	(7,277)	(8,450)	(9,987)	(11,760)	(13,042)
Accounts receivable	376	502	627	736	814	<b>Gross profit</b>	<b>6,873</b>	<b>7,856</b>	<b>9,076</b>	<b>10,637</b>	<b>11,713</b>
Inventories - net	3,007	3,066	3,631	4,475	4,817	Operating expenses	(5,985)	(6,736)	(7,427)	(8,757)	(9,516)
Other current assets	1,708	1,944	2,268	2,680	2,953	<b>Operating profit</b>	<b>888</b>	<b>1,121</b>	<b>1,650</b>	<b>1,880</b>	<b>2,197</b>
<b>Total Current Assets</b>	<b>6,616</b>	<b>6,799</b>	<b>8,461</b>	<b>9,625</b>	<b>10,047</b>	<b>EBITDA</b>	<b>1,516</b>	<b>1,807</b>	<b>2,369</b>	<b>2,641</b>	<b>2,975</b>
Plant, property and equipment	2,869	3,427	3,525	3,581	3,620	Finance cost	(421)	(404)	(306)	(252)	(156)
Non-Current Assets - Others	1,198	1,200	1,557	1,792	1,941	Interest income	10	33	18	20	24
<b>Total Non-Current Assets</b>	<b>4,067</b>	<b>4,627</b>	<b>5,082</b>	<b>5,373</b>	<b>5,562</b>	Others	(75)	(153)	218	(58)	(42)
<b>TOTAL ASSETS</b>	<b>10,683</b>	<b>11,425</b>	<b>13,543</b>	<b>14,998</b>	<b>15,608</b>	<b>Total other income/(expenses)</b>	<b>(486)</b>	<b>(523)</b>	<b>(70)</b>	<b>(290)</b>	<b>(174)</b>
<b>LIABILITIES &amp; EQUITY</b>						<b>Income before tax</b>	<b>401</b>	<b>597</b>	<b>1,580</b>	<b>1,590</b>	<b>2,023</b>
Short Term Bank Loan	923	1,692	1,464	1,664	1,664	Tax expense	(193)	(247)	(632)	(477)	(506)
Accounts Payable	1,054	1,251	1,478	1,741	1,931	<b>Net profit before minority interest</b>	<b>208</b>	<b>335</b>	<b>948</b>	<b>1,113</b>	<b>1,517</b>
Current maturities - Bonds Payable	965	-	480	1,290	-	Minority interest	(1)	(1)	(1)	(1)	(1)
Current Liabilities - Others	1,239	1,622	1,782	2,095	2,364	<b>Net profit</b>	<b>208</b>	<b>335</b>	<b>948</b>	<b>1,113</b>	<b>1,517</b>
<b>Total Current Liabilities</b>	<b>4,181</b>	<b>4,565</b>	<b>5,204</b>	<b>6,790</b>	<b>5,958</b>	<b>EPS (Rp )</b>	<b>13</b>	<b>20</b>	<b>57</b>	<b>67</b>	<b>92</b>
LT debt - net current maturities	2,609	1,842	1,645	355	355	<b>KEY FINANCIAL RATIOS</b>	<b>2016A</b>	<b>2017A</b>	<b>2018F</b>	<b>2019F</b>	<b>2020F</b>
Other noncurrent liabilities	690	776	1,557	1,792	1,941	<b>Growth (%)</b>					
<b>Total Non-Current Liabilities</b>	<b>3,299</b>	<b>2,618</b>	<b>3,202</b>	<b>2,147</b>	<b>2,296</b>	Sales	10.3	15.2	16.9	17.5	10.5
<b>Minority Interest</b>	<b>0</b>	<b>205</b>	<b>205</b>	<b>205</b>	<b>205</b>	Gross profit	18.9	14.3	15.5	17.2	10.1
Capital Stock & Paid-in Capital	823	823	823	823	823	Operating Profit	69.9	26.2	47.2	14.0	16.8
Others	475	1,016	1,027	1,029	1,024	EBITDA	37.0	19.2	31.1	11.5	12.7
Retained earnings	1,906	2,199	3,080	4,005	5,302	Net Profit	458.4	60.5	183.3	17.4	36.3
<b>Total Equity</b>	<b>3,203</b>	<b>4,038</b>	<b>4,931</b>	<b>5,858</b>	<b>7,149</b>	<b>Profitability (%)</b>					
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>10,683</b>	<b>11,425</b>	<b>13,543</b>	<b>14,998</b>	<b>15,608</b>	Gross margin	48.6	48.2	47.6	47.5	47.3
						Operating margin	6.3	6.9	8.7	8.4	8.9
<b>CASH FLOW STATEMENT</b>	<b>2016A</b>	<b>2017A</b>	<b>2018F</b>	<b>2019F</b>	<b>2020F</b>	EBITDA margin	10.7	11.1	12.4	11.8	12.0
Net profit	208	335	948	1,113	1,517	Net Profit margin	1.5	2.1	5.0	5.0	6.1
Depreciation & Amortization	628	687	720	761	779	ROA	2.1	3.0	7.6	7.8	9.9
Change in WC	207	11	(462)	(691)	(230)	ROE	6.7	9.0	20.2	19.9	22.6
Others	(166)	146	(164)	(99)	(4)	<b>Solvency (x)</b>					
<b>Net Operating Cash Flow</b>	<b>878</b>	<b>1,179</b>	<b>1,041</b>	<b>1,084</b>	<b>2,062</b>	Current ratio	1.6	1.5	1.6	1.4	1.7
Change in fixed assets - net	(823)	(1,245)	(817)	(817)	(817)	Quick ratio	0.9	0.8	0.9	0.8	0.9
Others	(85)	(1)	(357)	(235)	(150)	DER	0.9	0.5	0.4	0.3	0.3
<b>Net Investing Cash Flow</b>	<b>(909)</b>	<b>(1,246)</b>	<b>(1,174)</b>	<b>(1,052)</b>	<b>(967)</b>	EBITDA coverage	3.6	4.5	7.8	10.5	19.1
Change in borrowings - net	841	(962)	55	(280)	(1,290)	Net debt to equity	0.5	0.2	0.0	0.0	Net cash
Change in equity	(0)	-	-	-	-						
Change in other liabilities	212	832	792	236	145						
Dividend payment	-	(41)	(66)	(188)	(221)						
Adjustment	3	4	5	6	7						
<b>Net Financing Cash Flow</b>	<b>1,055</b>	<b>(168)</b>	<b>786</b>	<b>(226)</b>	<b>(1,359)</b>						
<b>Change in cash</b>	<b>1,025</b>	<b>(235)</b>	<b>653</b>	<b>(194)</b>	<b>(265)</b>						
Cash at the beginning period	504	1,526	1,286	1,935	1,735						
Cash at the ending period	1,526	1,286	1,935	1,735	1,463						
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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