

2 APRIL 2019

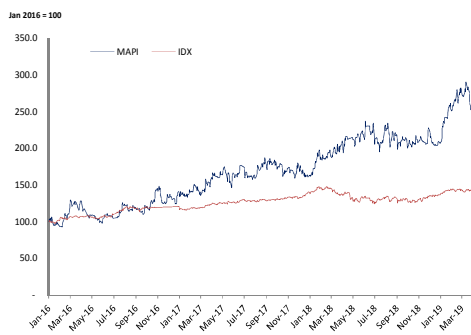
COMPANY UPDATE

BUY

STOCK INFORMATION

Bloomberg Code	MAPI IJ
Sector	Retail
Current Price	Rp 995
Target Price	Rp 1,300
Prev. target price	Rp 1,100
Upside/ Downside	30.7%
Share Out (bn shares)	16.5
Market Cap (Rp bn)	16,454
52 – w range (low-high)	Rp 745-1,115
52 – w average daily	Rp 863

PRICE CHART



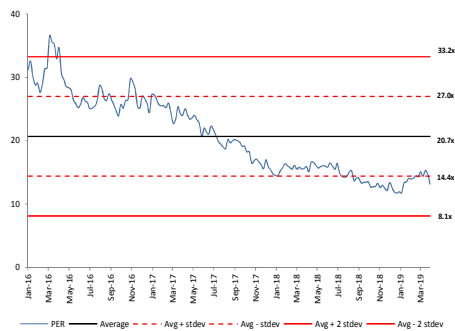
Source: Bloomberg

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

STRONGER THAN EVER

MAPI booked a total sales of Rp18.92 trillion in FY18, in line with our expectation (formed 99.3% of our FY18F of Rp19.06 trillion) on the back of 8% SSSG (vs 4% in prior year). On the bottomline, net profit rocketed by 119.9% YoY to Rp735.8 billion (vs Rp334.7 billion in 2017) thanks to one-time gain on sale of fixed asset in 1Q18 and forex gain of Rp35.6 billion. Even better, company's net operating cycle reached the all-time low level to only 79 days (vs 3yr average of 112 days). We made a slight uptick in our projection to reflect stellar FY18 result and favorable outlook and come up with new higher TP of Rp1,300/ share. Maintain BUY.

EBIT Margin Expanded by 110bps

In line with lower sales contribution from higher-margin dept store from 16.6% to 14.1%, MAPI's GPM slightly declined by 30bps YoY to 47.8%, as an impact from loss-making subsidiaries (Debenhams and Lotus) closures since 2H17. However, we highlighted the significant hike in EBIT margin by 110bps YoY from 6.9% in 2017 to 8.0% thanks to continuous internal improvements and the impact from restructuring and termination of non-performing brands last year. The net profit margin also expanded by 180bps to 3.9%, mainly derived from gain on sale of fixed asset amounted to Rp Rp238.78 bn in 1Q18, forex gain of Rp35.65 bn, coupled with lower effective tax rate to c.30.6% as a result from dept store closures in 2017 and non-deductible tax from amortization of zero coupon bond. However, the company posted a higher than expected finance cost of Rp536.11 billion, which mostly came from loss on derecognition of the original bond of Rp244.36 billion following the execution of convertible bond execution post-MAP Active (MAPA.IJ) IPO by CVC in Jun18. Segment-wise, all division yielded positively, particularly the department store that delivered EBIT margin of 7.59% (vs 1.23% in FY17), following the aforementioned dept store closures. The specialty stores and other segment's EBIT margin also expanded to 8.2% and 1.9% (+15bps and +310bps YoY, respectively) while the F&B's EBIT margin declined by 100bps YoY to 7.61% due to massive Starbucks store openings in 4Q18 (F&B EBIT margin in 4Q18 5.6% vs 8.6% in 3Q18)..

2019: Add 60-75k sqm, Welcoming New Brand(s), and Expand Collaboration with Digital Payment Platforms

At the beginning of 2019, the company has just opened Starbucks Reserve Dewata store located in Bali, making it the 2<sup>nd</sup> largest Starbucks store in the world, plus 2 stores at newly launched MRT Station in Jakarta. This year, the company targets a total of 60k-75k sqm addition to sales area (mostly allocated to specialty stores) and also ready to welcome new brands – which has not been done in the past 3 years since the company has been concentrating on overall business transformation. To support its business, the company has partnered with Go-Pay particularly on its F&B business, and looking forward to collaborate with other digital payment platforms that will attract bigger basket size in line with increasing trend of cashless and cardless payment alongside with their promotional program.

Maintain BUY with Higher TP of Rp1,300 (from Rp1,100/ share)

We made a slight uptick in our projection to reflect stellar FY18 result and favorable outlook and come up with new higher TP of Rp1,300/ share (from Rp1,100/share). This implies a valuation target of PER and EV/EBITDA 16.8x and 8.0x FY19F, respectively. Based on yesterday's closing price of Rp 995, the stock is trading at 13.5x and 5.7x PER and EV/EBITDA 2019F, respectively. Hence we believe this is the right time to BUY the stock.

Financial Summary

(Rp billion)	2017A	2018A	2019F	2020F	2020F
Revenue	16,305.7	18,921.1	22,045.5	24,572.6	25,872.9
EBITDA	1,807.2	2,225.1	2,590.1	2,965.2	3,008.2
Net profit	334.7	735.8	1,154.7	1,579.3	1,669.7
EPS (Rp )	20.2	44.5	69.8	95.5	101.0
PER (x)	49.2	22.4	14.2	10.4	9.9
BVPS (Rp )	256.5	366.6	425.4	507.2	589.9
PBV (x)	3.9	2.7	2.3	2.0	1.7
EV/EBITDA (x)	9.5	7.3	5.9	4.8	4.5
Dividend yield (%)	0.3	0.4	0.9	1.4	1.9
RoE (%)	9.0	14.3	17.6	20.5	18.4

Source: Company data and Lotus Andalan Research

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## Interim Financial Result

	FY17	FY18	YoY	FY18F	Coverage	3Q18	4Q18	QoQ	Comments
<b>P/L (In Rp billion)</b>									
Revenue	16,305.7	18,921.1	16.0%	19,063.7	99.3%	4,722.3	5,093.5	7.9%	In line with our FY18E with 8% SSSG In 9M18
Cost of revenue	8,449.6	9,869.4	16.8%	9,987.2	98.8%	2,568.6	2,514.1	-2.1%	
Gross profit	7,856.1	9,051.7	15.2%	9,076.4	99.7%	2,153.8	2,579.4	19.8%	
Operating expense	6,735.6	7,546.2	12.0%	7,426.9	101.6%	1,851.5	2,135.4	15.3%	
Operating profit	1,120.5	1,505.5	34.4%	1,649.5	91.3%	302.3	444.0	46.9%	Better cost efficiency and operating leverage
Net Profit	334.7	735.8	119.9%	947.9	77.6%	54.9	178.2	224.4%	Hiked by 119.9% YoY mostly related to gain on sale of fixed asset of Rp238.78 bn & lower effective tax rate to c.30.6% as a result from dept store closures
<b>Profitability</b>									
Gross margin	48.2%	47.8%		47.6%		45.6%	50.6%		Declined by 300bps YoY mostly due to sales mix as higher-margin dept store contribution to total declined to 14.1% (from 16.6%), while QoQ boosted by 500bps from seasonality (4Q: Christmas and New Year)
EBIT margin	6.9%	8.0%		8.7%		6.4%	8.7%		Significant improvement related to 3-year transformation, including store closure & brand rationalization
Net margin	2.1%	3.9%		5.0%		1.2%	3.5%		

Source: Company data and Lotus Andalan Research

## Forecast Changes

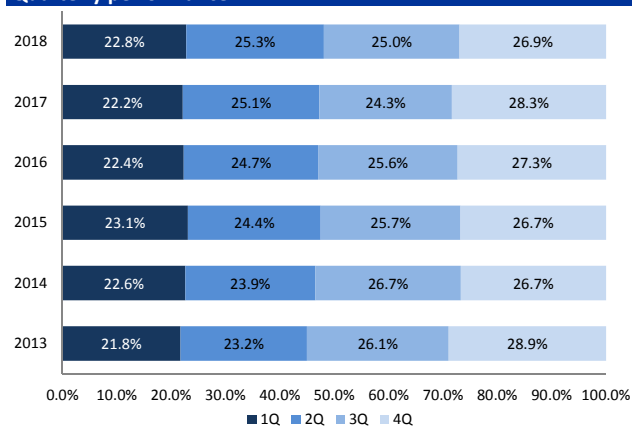
	Previous			New			% change		
	2019F	2020F	2021F	2019F	2020F	2021F	2019F	2020F	2021F
Revenue	22,398	24,755	25,873	22,045	24,573	25,873	-1.6%	-0.7%	0.0%
Gross Profit	10,637	11,713	12,234	10,565	11,734	12,234	-0.7%	0.2%	0.0%
Operating Profit	1,880	2,197	2,223	1,829	2,187	2,223	-2.7%	-0.4%	0.0%
Net Income	1,113	1,517	1,670	1,155	1,579	1,670	3.7%	4.1%	0.0%
Sales growth	17.5%	10.5%	4.5%	16.5%	11.5%	5.3%	-1.0%	0.9%	0.8%

## Financial Ratios

Gross margin	47.5%	47.3%	47.3%	47.9%	47.8%	47.3%	0.4%	0.4%	0.0%
Operating margin	8.4%	8.9%	8.6%	8.3%	8.9%	8.6%	-0.1%	0.0%	0.0%
Net margin	5.0%	6.1%	6.5%	5.2%	6.4%	6.5%	0.3%	0.3%	0.0%

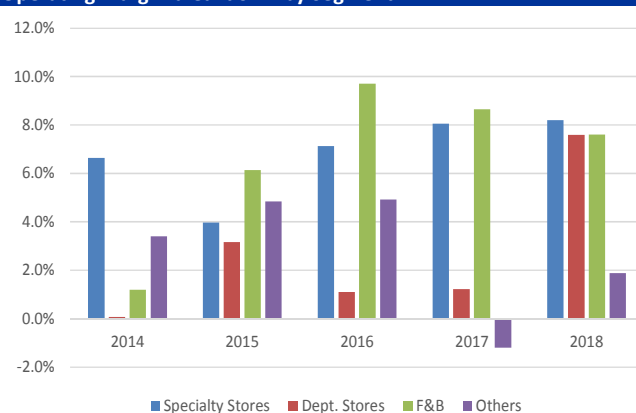
Source: Lotus Andalan Research

## 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						INCOME STATEMENT					
	2017A	2018F	2019F	2020F	2021F		2017A	2018F	2019F	2020F	2021F
<b>ASSETS</b>						<b>Revenue</b>					
Cash & cash equivalents	1,286	1,412	1,740	2,248	2,870		14,150	16,306	18,921	22,045	24,573
Accounts receivable	502	389	483	539	567		(7,277)	(8,450)	(9,869)	(11,480)	(12,839)
Inventories - net	3,066	3,231	4,239	4,540	4,766						
Other current assets	1,944	2,280	2,649	2,948	3,110						
<b>Total Current Assets</b>	<b>6,799</b>	<b>7,313</b>	<b>9,111</b>	<b>10,275</b>	<b>11,313</b>	<b>Gross profit</b>	<b>6,873</b>	<b>7,856</b>	<b>9,052</b>	<b>10,565</b>	<b>11,734</b>
Plant, property and equipment	3,427	4,034	3,581	3,620	3,653						
Non-Current Assets - Others	1,200	1,286	1,663	1,777	1,860						
<b>Total Non-Current Assets</b>	<b>4,627</b>	<b>5,320</b>	<b>5,244</b>	<b>5,398</b>	<b>5,513</b>	<b>Operating expenses</b>	<b>(5,985)</b>	<b>(6,736)</b>	<b>(7,546)</b>	<b>(8,735)</b>	<b>(9,547)</b>
<b>TOTAL ASSETS</b>	<b>11,425</b>	<b>12,633</b>	<b>14,355</b>	<b>15,672</b>	<b>16,827</b>	<b>Operating profit</b>	<b>888</b>	<b>1,121</b>	<b>1,506</b>	<b>1,829</b>	<b>2,187</b>
<b>LIABILITIES &amp; EQUITY</b>						<b>EBITDA</b>	<b>1,516</b>	<b>1,807</b>	<b>2,225</b>	<b>2,590</b>	<b>2,965</b>
Short Term Bank Loan	1,692	1,388	1,213	1,078	943						
Accounts Payable	1,251	1,341	1,559	1,744	1,853						
Current maturities - Bonds Payable	-	949	479	-	-						
Current Liabilities - Others	1,622	1,742	2,051	2,331	2,414						
<b>Total Current Liabilities</b>	<b>4,565</b>	<b>5,419</b>	<b>5,303</b>	<b>5,153</b>	<b>5,210</b>	<b>Income before tax</b>	<b>401</b>	<b>597</b>	<b>1,173</b>	<b>1,650</b>	<b>2,106</b>
LT debt - net current maturities	1,842	417	355	355	-						
Other noncurrent liabilities	776	735	1,663	1,777	1,860						
<b>Total Non-Current Liabilities</b>	<b>2,618</b>	<b>1,152</b>	<b>2,018</b>	<b>2,132</b>	<b>1,860</b>	<b>Tax expense</b>	<b>(193)</b>	<b>(247)</b>	<b>(360)</b>	<b>(495)</b>	<b>(526)</b>
<b>Minority Interest</b>	<b>205</b>	<b>610</b>	<b>610</b>	<b>610</b>	<b>610</b>	<b>Net profit before minority interest</b>	<b>208</b>	<b>335</b>	<b>736</b>	<b>1,155</b>	<b>1,579</b>
Capital Stock & Paid-in Capital	823	823	823	823	823						
Others	1,016	1,760	1,724	1,725	1,736						
Retained earnings	2,199	2,869	3,878	5,229	6,586						
<b>Total Equity</b>	<b>4,038</b>	<b>5,452</b>	<b>6,425</b>	<b>7,777</b>	<b>9,146</b>	<b>Minority interest</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>11,425</b>	<b>12,633</b>	<b>14,355</b>	<b>15,672</b>	<b>16,827</b>	<b>Net profit</b>	<b>208</b>	<b>335</b>	<b>736</b>	<b>1,155</b>	<b>1,579</b>
<b>CASH FLOW STATEMENT</b>						<b>KEY FINANCIAL RATIOS</b>					
	2017A	2018F	2019F	2020F	2021F		2017A	2018F	2019F	2020F	2021F
Net profit	208	335	736	1,155	1,579	<b>Growth (%)</b>					
Depreciation & Amortization	628	687	720	761	779	Sales	10.3	15.2	16.0	16.5	11.5
Change in WC	207	11	37	(883)	(172)	Gross profit	18.9	14.3	15.2	16.7	11.1
Others	(166)	146	(216)	(59)	(19)	Operating Profit	69.9	26.2	34.4	21.5	19.5
<b>Net Operating Cash Flow</b>	<b>878</b>	<b>1,179</b>	<b>1,276</b>	<b>973</b>	<b>2,166</b>	EBITDA	37.0	19.2	23.1	16.4	14.5
Change in fixed assets - net	(823)	(1,245)	(1,326)	(308)	(817)	Net Profit	458.4	60.5	119.9	56.9	36.8
Others	(85)	(1)	(86)	(377)	(115)	<b>Profitability (%)</b>					
<b>Net Investing Cash Flow</b>	<b>(909)</b>	<b>(1,246)</b>	<b>(1,413)</b>	<b>(685)</b>	<b>(932)</b>	Gross margin	48.6	48.2	47.8	47.9	47.8
Change in borrowings - net	841	(962)	(780)	(706)	(614)	Operating margin	6.3	6.9	8.0	8.3	8.9
Change in equity	(0)	-	-	-	-	EBITDA margin	10.7	11.1	11.8	11.7	12.1
Change in other liabilities	212	832	1,108	891	116	Net Profit margin	1.5	2.1	3.9	5.2	6.4
Dividend payment	-	(41)	(66)	(145)	(228)	ROA	2.1	3.0	6.1	8.6	10.5
Adjustment	3	4	5	6	7	ROE	6.7	9.0	14.3	17.6	20.5
<b>Net Financing Cash Flow</b>	<b>1,055</b>	<b>(168)</b>	<b>267</b>	<b>45</b>	<b>(719)</b>	<b>Solvency (x)</b>					
<b>Change in cash</b>	<b>1,025</b>	<b>(235)</b>	<b>131</b>	<b>333</b>	<b>515</b>	Current ratio	1.6	1.5	1.3	1.7	2.0
Cash at the beginning period	504	1,526	1,286	1,412	1,740	Quick ratio	0.9	0.8	0.8	0.9	1.1
Cash at the ending period	1,526	1,286	1,412	1,740	2,248	DER	0.9	0.5	0.2	0.1	0.2
Source: Company data and Lotus Andalan Research						EBITDA coverage	3.6	4.5	4.2	15.8	31.6
						Net debt to equity	0.5	0.2	Net cash	Net cash	Net cash

**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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