

20 October 2023

Consumer Non-cyclical | Retail - Staples

Sumber Alfaria Trijaya (AMRT IJ)

Buy

Small Is The New Big; Initiate **BUY**

Target Price (Return): IDR3,500 (+25%)
Price (Market Cap): IDR2,810 (USD7,378m)
ESG score: 3.00 (out of 4)
Avg Daily Turnover (IDR/USD) 49,067m/3.19m

- **Initiating coverage with a BUY and IDR3,500 TP, 25% upside.** We are positive on Sumber Alfaria Trijaya's outlook, given the ability to leverage on its vast network and customer proximity – factors that facilitate strong bargaining power vs other fast-moving consumer goods (FMCG) players and firms wanting to get closer to consumers. As Indonesia's second-largest mini-market player, we see AMRT as a key beneficiary of the rising mini-market trend. Key catalysts: A number of digitalisation initiatives, refining its product assortment and services, and improving store format.
- **Leveraging on its vast physical network.** We believe AMRT's vast physical store network is now its most attractive characteristic as an FMCG distribution point proxy for large digital/online players. Rising new consumer players, especially in beauty and other discretionary items, can benefit from tapping into the company's reach. We also acknowledge AMRT's ongoing resilience despite competition from e-commerce players and believe its vast physical stores presence – a large portion of which are outside Greater Jakarta – presents an opportunity to retailers looking for a partner that has direct distribution/access to their respective target customers.
- **Digitalisation – the key focus.** AMRT is placing focus on Alfagift to enhance management of its consumer relationship. This platform should provide it with an ample database given the rise in purchase contributions from active members, and an in-depth analysis of such data will provide it with a greater understanding of consumer behaviour. AMRT can use such insight to conduct better marketing and promotional and merchandising strategies to encourage higher footfall. We believe other digitalisation initiatives (AlfaPOP and Alfamind), will also be positive over the longer term.
- **A handful of initiatives on the cards.** AMRT has undertaken a number of store developments – eg launching Alfa X and Alfaexpress – to adapt with changing market trends. It also introduced Bean Spot coffee corners within Alfamart stores that offer ready-to-eat (RTE) and ready-to-drink (RTD) products. The company also runs wholesaler distribution wing, Sumber Trijaya Lestari (STL), which supplies mainly to mom-and-pop shop (*warung*) owners. Despite revenue contributions remaining minimal at c.4%, we believe the initiative will help to widen AMRT's grip within the traditional stores space and fend off the competition.
- **Financial outlook, valuation, and ESG.** We expect the company to record c.13% CAGR revenue in 2023F-2025F from c.5-6% SSSG and 1,600-1,800 store openings. Solid gross margin, digitalisation strategies, sturdy income from fee-based transactions, and other operational efficiency strategies should strengthen net margin, allowing it to hover at c.3-4%. AMRT trades at c.29-30x 2024F P/E – still lower than regional peers but higher than the local retailers. We believe AMRT's premium valuation is justified, as we expect it to book c.22% earnings CAGR in 2023F-2025F vs average retailers' 15%. We input a 0% ESG discount/premium, as its ESG score of 3.0 is on par with the country median.

Analysts

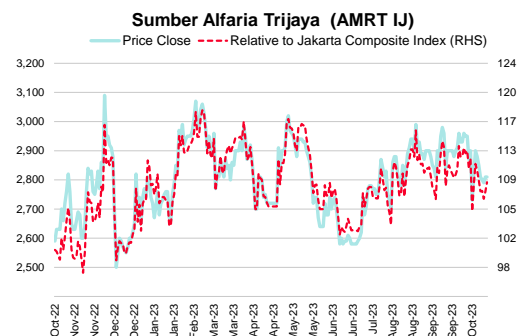
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	6.0	(3.1)	2.2	3.3	8.5
Relative	6.1	(1.2)	2.0	2.9	8.7
52-wk Price low/high (IDR)	2,500 – 3,090				



Source: Bloomberg

Overall ESG Score: 3.0 (out of 4)

E: GOOD

AMRT and its subsidiaries concerns over environmental sustainability is manifested via participation in initiatives to create a healthy, waste-free, and environmentally friendly working climate. Actions taken to create an environmentally friendly office culture or green office is seen through the implementation of a zero waste lifestyle vs the 5R policy, ie Reduce, Reuse, Recycle, Rethink, and Repair.

S: GOOD

AMRT interacts closely with consumers at all levels of society, business people in its supply chain, and local communities in its operational area throughout the course of its business operations. With an intensive interaction, AMRT hopes its presence can continue to sow goodness for the larger community via a variety of CSR initiatives as outlined in its goals and targeted strategies. It believes these programmes can contribute positively to society.

G: GOOD

Consistent and continuous application of good corporate governance best practices is not only carried out as a form of compliance with prevailing rules and regulations, but with full awareness to ensure all activities are done in a correct and ethical manner, and does not violate the law.

Forecasts and Valuation	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Total turnover (IDRb)	84,904	96,925	109,755	124,015	140,155
Recurring net profit (IDRb)	1,218	2,080	2,423	2,986	3,723
Recurring net profit growth (%)	233.6	70.8	16.5	23.2	24.7
Recurring P/E (x)	95.80	56.10	48.16	39.08	31.34
P/B (x)	12.7	10.4	8.0	6.8	5.8
P/CF (x)	34.89	29.67	25.45	21.06	17.92
Dividend Yield (%)	na	na	na	na	na
EV/EBITDA (x)	45.12	30.62	25.67	22.82	18.48
Return on average equity (%)	23.1	27.9	25.6	25.1	26.2
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

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Financial Exhibits

Asia Indonesia Consumer Non-cyclical Sumber Alfaria Trijaya AMRT IJ Buy	Financial summary (IDR)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Recurring EPS	29.33	50.09	58.35	71.91	89.66
	BVPS	222.12	270.24	353.40	416.25	487.24
	Return on average equity (%)	23.1	27.9	25.6	25.1	26.2
Valuation basis 10-year DCF	Valuation metrics	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Recurring P/E (x)	95.80	56.10	48.16	39.08	31.34
	P/B (x)	12.7	10.4	8.0	6.8	5.8
	FCF Yield (%)	1.9	1.9	1.8	2.9	3.8
	EV/EBITDA (x)	45.12	30.62	25.67	22.82	18.48
	EV/EBIT (x)	63.12	40.86	34.94	28.66	22.81
Key drivers i. Solid market share in the growing mini-market business; ii. Leveraging on its vast nationwide footprint; iii. Ample digitalisation strategies.	Income statement (IDRb)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Total turnover	84,904	96,925	109,755	124,015	140,155
	Gross profit	17,575	20,022	23,222	26,363	29,934
	EBITDA	2,549	3,734	4,372	4,850	5,872
Key risks i. Softer-than-expected purchasing power; ii. Government regulations.	Depreciation and amortisation	(727)	(936)	(1,160)	(989)	(1,114)
	Operating profit	1,822	2,798	3,212	3,861	4,758
	Net interest	(261)	(145)	(108)	(61)	(22)
	Pre-tax profit	2,442	3,617	4,217	5,078	6,215
Company Profile Sumber Alfaria Trijaya operates one the biggest mini-market store chains in Indonesia under several store formats..	Taxation	(478)	(710)	(843)	(990)	(1,212)
	Reported net profit	1,926	2,855	3,313	4,015	4,913
	Recurring net profit	1,218	2,080	2,423	2,986	3,723
	Cash flow (IDRb)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Change in working capital	(181)	443	6	787	768
	Cash flow from operations	3,344	3,933	4,585	5,541	6,510
	Capex	(1,098)	(1,678)	(2,489)	(2,154)	(2,128)
	Cash flow from investing activities	(1,473)	(2,860)	(2,860)	(2,866)	(2,933)
	Cash flow from financing activities	(2,480)	(524)	349	(1,130)	(1,461)
	Cash at beginning of period	3,878	3,270	3,819	5,892	7,437
	Net change in cash	(608)	549	2,074	1,545	2,115
	Ending balance cash	3,270	3,819	5,892	7,438	9,553
	Balance sheet (IDRb)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Total cash and equivalents	3,270	3,819	5,892	7,437	9,553
	Tangible fixed assets	6,463	7,204	8,533	9,698	10,712
	Total assets	27,370	30,746	35,992	41,137	47,020
	Short-term debt	779	446	418	389	361
	Total long-term debt	607	766	717	668	619
	Total liabilities	17,942	19,276	21,016	23,490	26,353
	Total equity	9,428	11,471	14,976	17,646	20,668
	Total liabilities & equity	27,370	30,746	35,992	41,137	47,020
	Key metrics	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Revenue growth (%)	12.0	14.2	13.2	13.0	13.0
	Recurrent EPS growth (%)	233.6	70.8	16.5	23.2	24.7
	Gross margin (%)	20.7	20.7	21.2	21.3	21.4
	Operating EBITDA margin (%)	3.0	3.9	4.0	3.9	4.2
	Net profit margin (%)	2.3	2.9	3.0	3.2	3.5
	Capex/sales (%)	1.3	1.7	2.3	1.7	1.5
	Interest cover (x)	5.66	15.27	21.92	35.35	53.72

Source: Company data, RHB

Emissions And ESG

Trend analysis
The increase occurred due to mobility restrictions in 2021 and 2020. Nevertheless, the company aims to improve its energy and emissions though the above initiatives

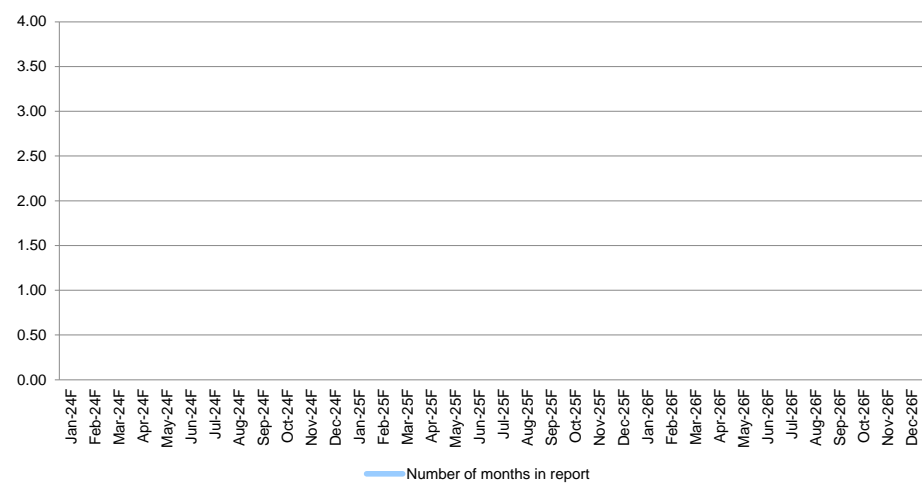
Emissions (tCO2e)	Dec-20	Dec-21	Dec-22
Scope 1	954,398	1,014,901	1,130,171
Scope 2	na	na	na
Scope 3	na	na	na
Total emissions	954,398	1,014,901	1,130,171

Source: Company data, RHB

Latest ESG-Related Developments

By aiming to decrease the number of printed cashier receipts across all stores, it introduced an innovative solution—the Alfagift application. Through Alfagift, all customers shopping with AMRT can now receive digital transaction receipts, reducing the reliance on paper cashier receipts in 2022 as customer transactions increased through the application.

ESG Rating History



Source: RHB

Leveraging On AMRT's Vast Physical Network

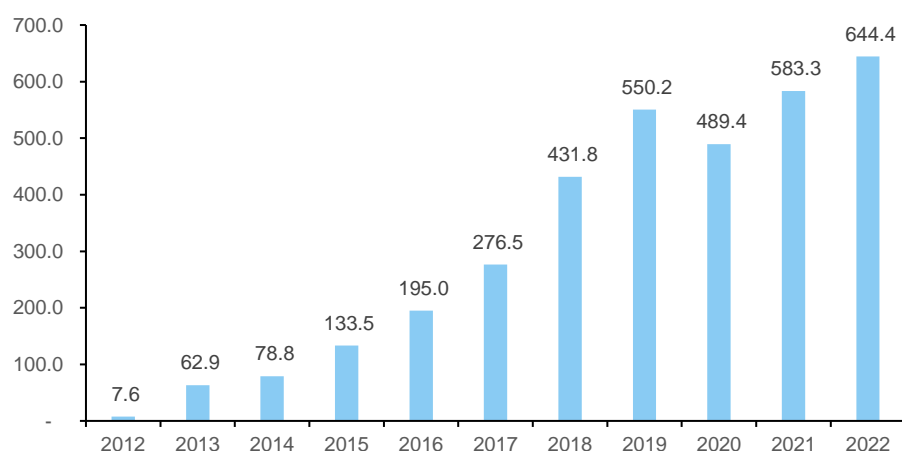
With a track record of more than three decades, AMRT has evolved into one of Indonesia's largest mini-market chains with more than 18,000 mini-market stores nationwide, of which c.23% are franchised. AMRT commands the second-largest retail chain in the country after Indomaret, which has c.21,890 stores as at 1H23. Effectively, this means Indonesia's mini-market industry is a relative duopoly, as the third-largest player, Circle K, only has 382 stores as at Jun 2023.

We believe AMRT's vast physical store network has become the company's leverage in terms of large digital/online players looking for a distribution point proxy. A large portion of AMRT's outlets are located outside Greater Jakarta. This vast presence of physical stores presents an opportunity to the digital/online players looking for direct distribution/access to their respective customers.

Given the population in less-urbanised areas are less likely to have a bank account/credit card, AMRT should see higher demand for its physical distribution network outside the big cities. Its fee-based income stems from electronic financial transactions mainly for non-bankable customers, of which the company provides number of services ranging from gaming voucher to online ticketing. Top transactions are utility payments and motorcycle loan repayments, along with electronic top-up vouchers.

This business has been resilient despite competition from online players. Despite numerous online e-commerce players (ie Tokopedia, Bukalapak (BUKA IJ, BUY, TP: IDR330) and others) as well as e-wallet players like GoPay, OVO, Dana and others largely offering similar services, the company has managed to book a strong performance, and while growth has been normalising compared to pre-pandemic levels over the past three years, AMRT's fee-based income still booked a CAGR of 15%, contributing c.17% of its earnings before tax (EBT) in 2022. Going forward, we see large growth potential for its fee-based income as there is still plenty of Indonesians who do not have bank accounts and require a cash deposit network.

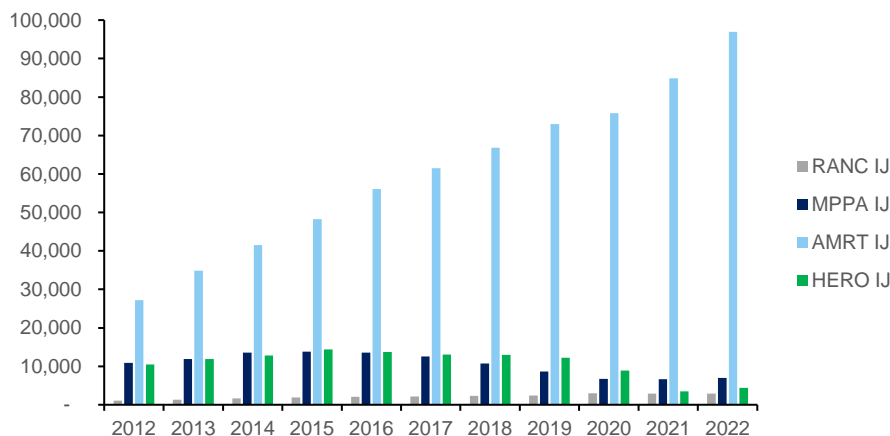
Figure 1: Fee-based income (IDRbn)



Source: Company data, RHB

Its Alfamart chain offers basic merchandise at convenient locations, serving millions of customers per day. AMRT is now the key FMCG retailer with an annual turnover of more than IDR90trn, substantially bigger than any other grocery retailer such as Matahari Putra Prima (MPPA IJ, NR), Supra Boga Lestari (RANC IJ, NR), and Hero Supermarket (HERO IJ, NR), among others – listed supermarket chains in Indonesia. As mentioned, Alfamart is the second largest mini-market in Indonesia, with a total market share of 27.2% and 34.2% of Indonesia's overall modern trade industry and modern trade for the mini-market segment.

Figure 2: Listed grocery retailers in Indonesia



Source: Company data

Having its own internal distribution network (44 warehouses nationwide) and a wider presence than FMCG retailers, we believe AMRT has greater bargaining power with suppliers eg Unilever Indonesia (UNVR IJ, NEUTRAL: TP: IDR4,500), Indofood CBP (ICBP IJ, BUY, TP: IDR14,300), Mayora Indah (MYOR IJ, BUY, TP: IDR3,000) etc, as well as other FMCG ie the Savoria Group from Djarum, Cisarua Mountain Dairy (CMRY IJ, NR) and local beauty products players.

Several FMCG players have been aggressively increasing their product portfolio (ie Wings Group) to enhance awareness and proximity to consumers. We believe that having their products in the mini-market, which has a vast presence and is within consumers' reach, will see the FMCGs rapidly gain market share.

We also see other companies benefitting from AMRT's wide presence. For instance, SWAP Energy – Indonesia's first smart battery swapping network for electric motorcycle batteries by exchanging depleted batteries with new ones. We take the view that:

- Companies can easily expand their footprint without having the need to build their respective facilities from scratch which may require massive capex;
- Companies can capitalise on AMRT's high number of stores and daily customers as touch points to draw closer to their consumers with a more manageable capex.

Figure 3: SWAP's cooperation with AMRT



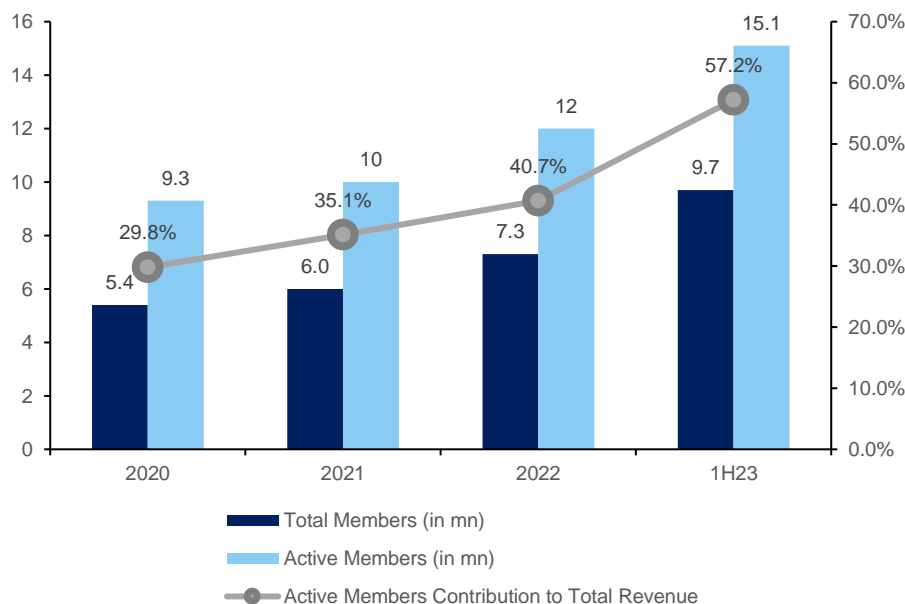
Source: Swap Energy

Digitalisation – The Key Focus

Aside from its growing offline presence, the company also remains focus on strengthening its digital presence. Among its efforts include the Alfagift platform as part of its customer relationship management programme. This initiative is seen to be fruitful as Alfagift members grew substantially over the last few years, resulting in the widening revenue contribution from Alfagift members. Additionally, it has set up a presence across social media, ie TikTok, Instagram, Twitter, YouTube, Line, and Facebook. This should be positive to enhance awareness, especially among the younger generation.

As such, these strategies should help AMRT to stay competitive. According to We Are Social's Digital 2023 report published in January, there are 62.6% of internet users aged 16-64 that purchased products or services online (+3.3% YoY). Furthermore, around 38.1% of that group of people ordered groceries via online stores (+5.8% YoY). The report states that annual spend in e-commerce for products under the groceries category such as personal and household care, food, and beverages reached USD6.59bn (+6.0% YoY), USD5.4bn (+16.6% YoY), and USD1.03bn (+7.3% YoY). We think AMRT can monetise this opportunity as well as mitigating threats from other online players.

Figure 4: Alfagift member data



Source: Company data, RHB

- ◆ AMRT's online store sells several products that are not available in its physical stores
- ◆ AMRT's basket size for online purchases stand at IDR76K, vs IDR50K for offline transactions

Furthermore, the company also developed a platform called Alfamart Point of Purchase or better known as AlfaPOP. This is a shopping platform that enables consumers to obtain the products they need without using a mobile phone and/or utilising their mobile data. Now, AlfaPOP kiosk is accessible online at selected Alfamart stores to assist in the purchasing of products not sold at Alfamart stores. The company has equipped this facility through a kiosk machine which facilitates online-to-offline buying and selling for Alfamart customers and retailers.

Figure 5: AlfaPOP – purchases are made through the kiosk at selected stores



Source: Company data, YouTube

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Figure 6: Among the AlfaPOP products available for purchase online



Source: Company data

Although the impact is still minimal, this should be positive to improve consumer experience going forward, aside from presenting AMRT with another avenue for growth as this may entice other retailers to utilise this platform to extend their reach to AMRT's substantial number of customers. This might be prevalent for retailers that operate in a large store space and sell big ticket items such as electronic products, homeware, among others.

We have also seen AMRT's collaboration with WIRG Asia (WIRG IJ, NR) to bolster its digital capabilities. WIRG has placed DAV devices at several AMRT stores. DAV provides media and advertising services through devices distributed in a number of AMRT stores. DAV devices are hardware devices that utilise augmented reality (AR) and virtual reality (VR) technologies designed to display interactive advertisements, allowing consumers to interact with various products at thousands of locations while directly benefitting from the offered advertisements or promotions. In addition to displaying advertisements and/or promotions, DAV devices also showcase products from a number of companies, thereby allowing consumers to interact and make direct purchases.

WIRG has seen strong interest from companies given this device enables large brands to reach consumers without requiring them to download additional applications or own a smartphone. Most of the devices will be placed in frequently visited places, of which AMRT stores should become one of, if not, the main choice. This may also present another revenue stream for AMRT.

AMRT is also working with WIRG to establish Alfamind – a virtual retail network that extends its product offering to the public via its online store while enabling merchants to market their products to areas that cannot be reached directly, supported by the deployment of agents acting as owners of these virtual retail stores. In order to build a digital ecosystem, through agent distribution, the company grants access to the public to transact online for products offered by Alfamind. Although AlfaPOP and Alfamind has yet to contribute meaningfully, we believe this will enhance AMRT's customer experience as well as allow the company to monetise the potential in the long term.

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Figure 7: DAV device



Source: WIRG's prospectus

Figure 8: Alfamind



Source: WIRG's prospectus

Monetising The Potential

Grocery retail sales in Indonesia saw a 9% increase, reaching USD100bn in 2022 according to the US Department of Agriculture's Jul 2023 edition of Indonesia: Retail Foods, thanks to the relaxation of pandemic-related restrictions. This growth in retail sales is a crucial economic indicator. Additionally, Indonesia's economy experienced notable growth of 5.31% in 2022 – the highest since 2013 – marked by the return to normal business operations after the COVID-19 pandemic and a remarkable surge in exports due to heightened global demand for commodities.

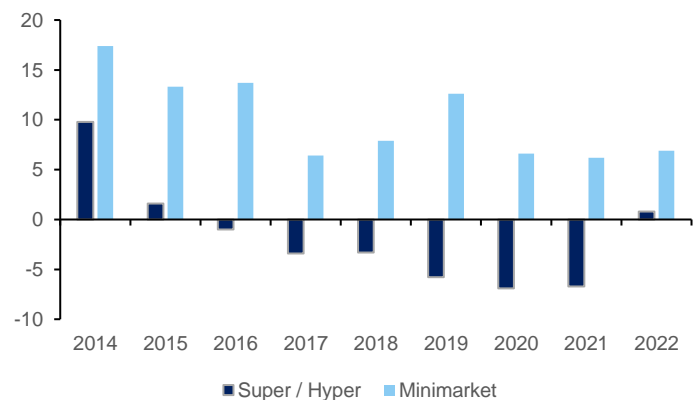
Indonesia's grocery retail sector remains highly promising within the Asian markets. Fuelled by a large population, growing middle class, and expanding urbanisation, Indonesia offers ample opportunities across various consumer-oriented product categories. The increase in grocery retail sales can also be attributed to the rising number of middle- to upper-income consumers opting for higher quality and premium goods.

In the contemporary retail sector, smaller formats (ie mini-market, convenience stores) demonstrated robust growth, expanding their presence beyond Java into Sumatra where there are untapped opportunities. Although hypermarkets saw growth in 2022, their sales figures remained below the levels seen before the onset of COVID-19. Notably, in 2022, one of Indonesia's major hypermarkets, Transmart Carrefour, had to shut down 12 outlets due to intense competition among retailers. Additionally, in 2021, another hypermarket chain, Hero Group, closed around 75 stores across Indonesia. This closure was exacerbated by shifting consumer preferences.

Figure 9: Indonesia's trade channel growth



Figure 10: Indonesia's modern trade channel growth



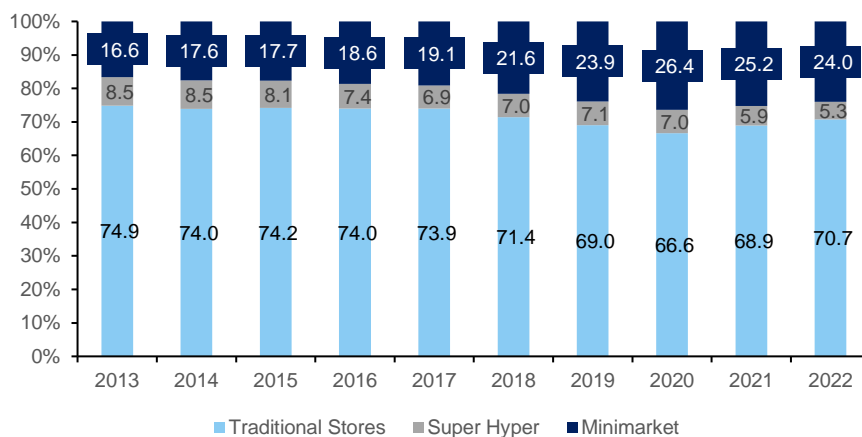
Source: Nielsen, Company data, RHB

Source: Nielsen, Company data, RHB

We have observed shifting trends towards frequent shopping at smaller-format retail outlets like mini-markets, convenience stores and supermarkets, primarily due to their proximity to residential areas. This shift in consumer behaviour towards daily or weekly shopping patterns influenced the decline in hypermarket sales. Infrastructure development enhances the growth of rural areas, opening opportunities for small-format retail to enter and monetise the potential arising from increasing purchasing power. This also eliminates the need for people in these small towns to travel long distances to major cities for their day-to-day shopping needs at large retail stores a few times a month, allowing them to maintain their daily necessities stock.

Also, due to a large portion of the Indonesian population working in the informal sector, their wages are irregular and often based on a daily work basis. As a result, they have limited funds for shopping. In this regard, they tend to opt for shopping at nearby places with smaller ticket sizes but at a higher frequency, rather than stock up on items that require a significant amount of funds. In Feb 2023, Statistics Indonesia recorded the number of people working in the informal sector to be around 83m, while those in formal employment were approximately 55m. In proportion, the informal sector workers accounted for 60.12%, while the formal sector constituted 39.88%.

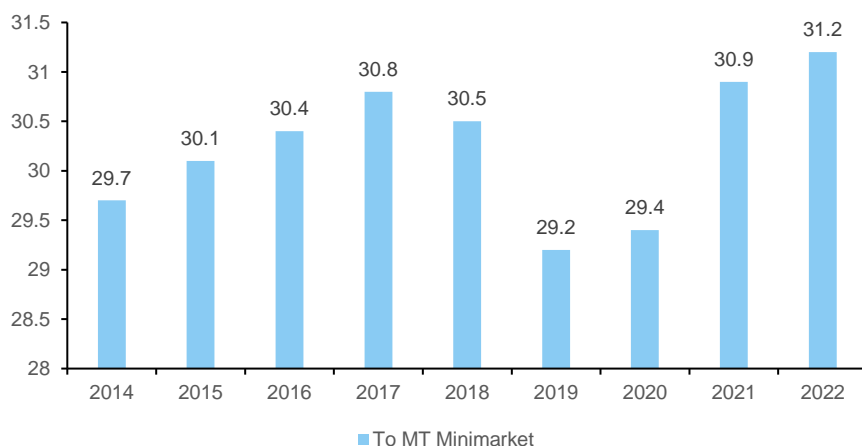
Figure 11: Trade channel contributions



- ◆ We expect the modern trade channel to pose stronger growth, translating to greater share given shifting behaviour to adapt with the current lifestyle, especially post pandemic
- ◆ Mini-market business should become the key growth driver for the growth of modern trade – its contribution has surged vs pre-pandemic

Source: Nielsen, Company data, RHB

Figure 12: Alfamart's market share to modern trade mini-markets

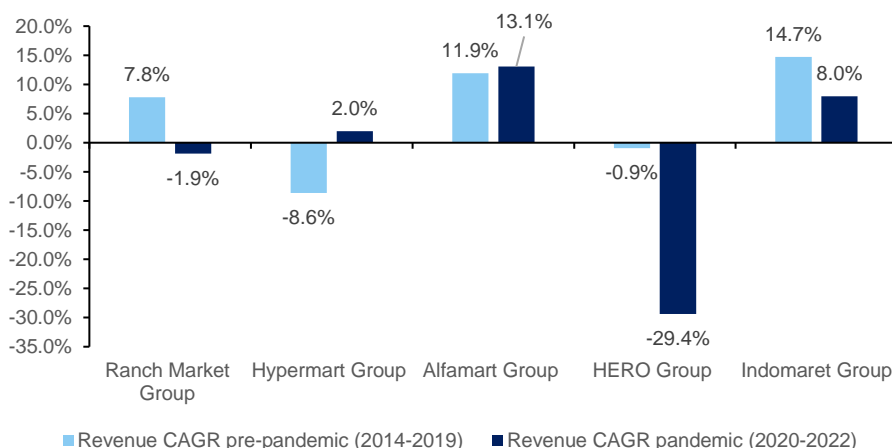


- ◆ Alfamart is in a sweet spot to monetise the abovementioned opportunities and continuously gain market share

Source: Nielsen, Company data, RHB

Among grocery retailers, mini-market players were booking strong revenue growth pre-pandemic and expect them, especially AMRT, to continue the solid growth going forward. We also only note that only mini-market players such as Indomaret and Alfamart have managed to continuously conduct massive store expansions.

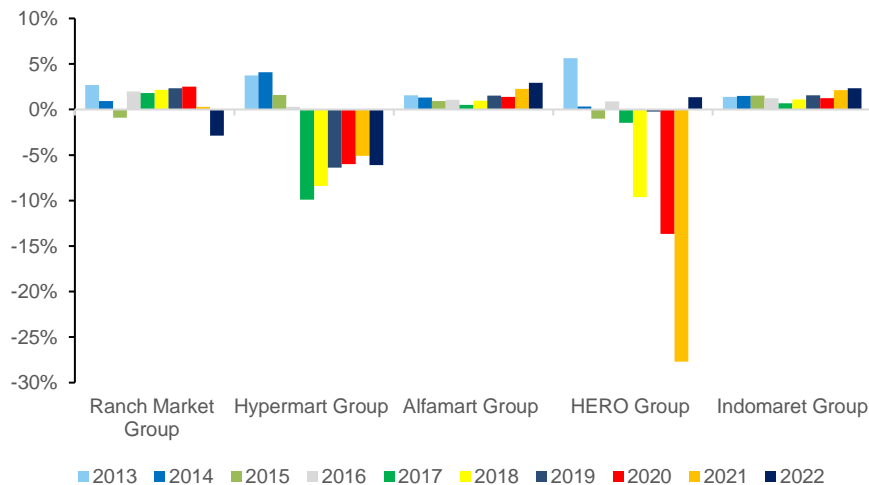
Figure 13: Indonesia-listed grocery players' revenue CAGR



- ◆ Only mini-market players – Alfamart and Indomaret – posted double digit CAGR revenue growth during pre-pandemic
- ◆ These two players continued to deliver a strong performance during pandemic period – with Alfamart outperforming Indomaret

Source: Bloomberg, Company data, RHB

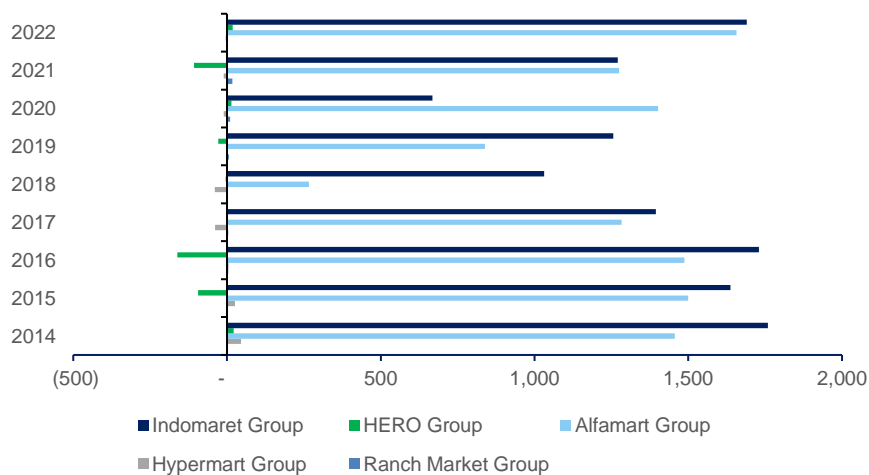
Figure 14: Indonesia-listed grocery players' net margin



- Only Alfamart and Indomaret has booked positive net margin since 2013
- Alfamart's net margin improved from 1% in 2020 to c.3% in 2022

Source: Bloomberg, Company data, RHB

Figure 15: Indonesia-listed grocery players' annual store additions



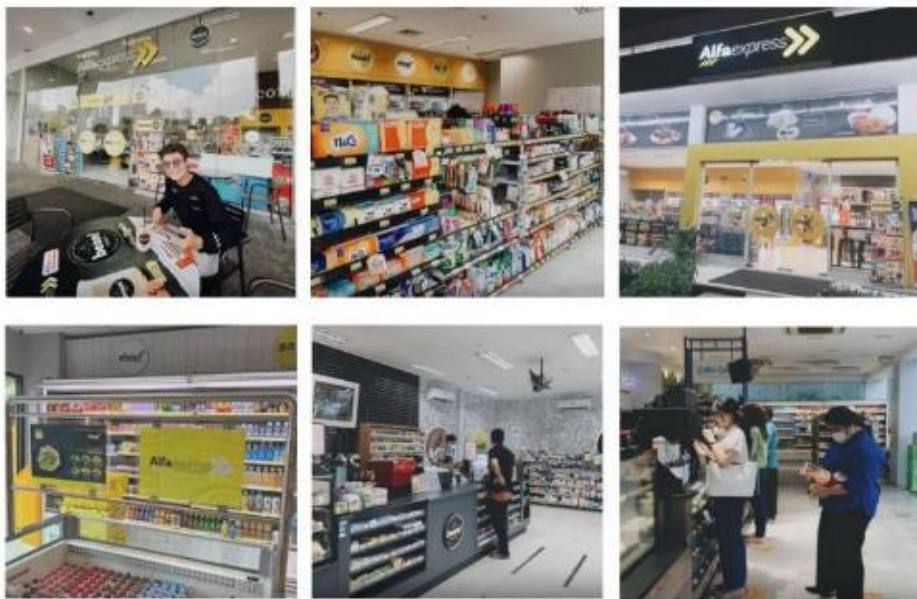
- Only mini-market players, Alfamart and Indomaret, have continued to conduct massive store expansion of over 1,000 new store openings pa

Source: Company data, RHB

A Handful Of Initiatives Are On The Cards

AMRT has also conducted several store development projects to enhance customer experience. It launched Alfaexpress and Alfa X. Compared to Alfamart outlets, Alfaexpress stores are recognised as contemporary convenience stores that offer a sleeker appearance and a range of local delicacies, all delivered with a friendly customer service. These updated Alfaexpress stores are typically not standalone and can be found in bustling centres or specific strategic locations, such as bus stations, rest areas, airports, ports, Mass Rapid Transit (MRT) stations, offices, and hospitals. On the other hand, Alfa X stores are classified as mini-markets and adopt a coworking space concept, primarily situated near university campuses. According to AMRT, these stores embody the concept of “exploring something new, fostering connections, and uniting diverse individuals to collaborate and generate fresh ideas”.

Figure 16: Alfaexpress stores



Source: Various sources, Company data, RHB

Figure 17: Alfa X stores



Source: Company data, RHB

Furthermore, the company has introduced Bean Spot cafe within Alfamart stores, aligning with the RRI strategy (ready-to-drink (RTD), ready-to-eat (RTE), and in-house bakery(IHB)). The company continues to expand its RTE and RTD product assortment beyond coffee to other products. This strategic move is designed to cater to the demand of contemporary urban consumers known for their grab-and-go behaviour, seeking fresh and easily accessible food items.

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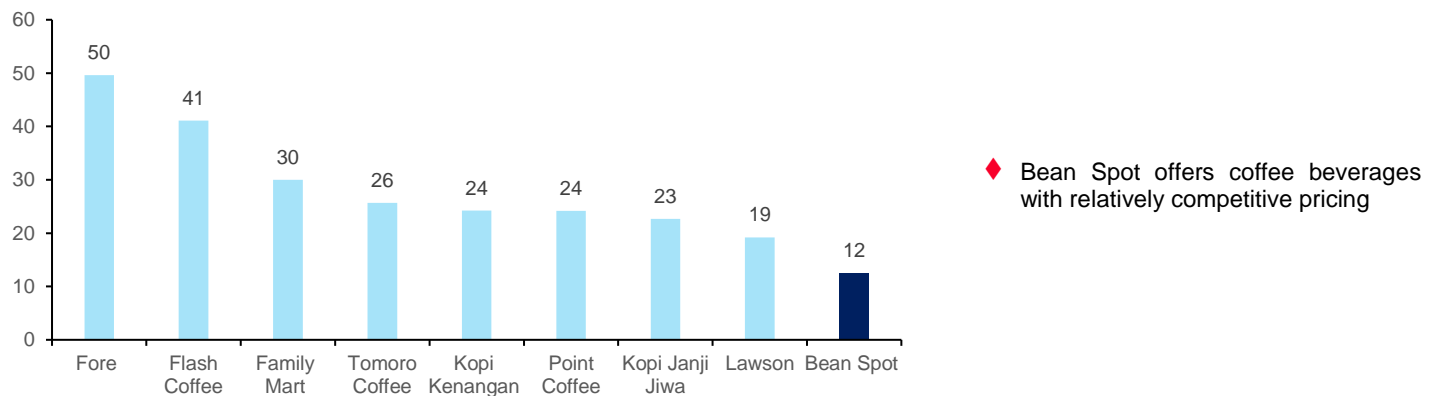
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Figure 18: Bean Spot



Source: Various sources, RHB

Figure 19: Coffee price comparison across several key coffee shops and mini-markets in Indonesia



Source: Various Sources, Company data, RHB

Figure 20: Mini-market and convenience store RTE products and price comparison

	Alfamart X	Alfamart	Indomaret	Lawson	Family Mart
Korean street food					
Number of products	0	19	0	37	21
Average price (in IDR'000)	N/A	7.4	0.0	12.1	10.6
Fried chicken					
Number of products	9	11	7	3	15
Average price (in IDR'000)	21.4	16.7	11.2	25.3	14.9
RTE					
Number of products	18	11	25	7	8
Average price (in IDR'000)	14.3	6.0	28.8	27.1	12.1
Bakery					
Number of products	0	18	27	0	15
Average price (in IDR'000)	N/A	8.8	11.7	0.0	10.0
Dim sum					
Number of products	0	9	5	1	11
Average price (in IDR'000)	N/A	7.8	9.0	13.0	5.8
Sausage (single)					
Number of products	0	3	2	0	1
Average price (in IDR'000)	N/A	9.8	12.0	0.0	7.5
Onigiri					
Number of products	0	4	10	5	3
Average price (in IDR'000)	N/A	9.0	13.0	17.8	11.2

Source: Various sources, RHB

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On top of that, the company also runs a wholesaler distribution, mainly to *warung* owners under STL. Since Feb 2022, STL has been selling wholesale goods through the Aksesmu application. It has currently 61k members as of 2022 with 340 store points. Although revenue contribution remains minimal at c.4%, we deem this initiative as helping to widen AMRT's grip, especially to traditional stores, as well as fend off competition. We note that a number of technology and start-up companies tried to initiate the *warung* concept but to date, only Bukalapak has managed to survive.

Figure 21: Aksesmu app



Source: Google Play, Company data, RHB

The company also runs a logistics company under Alfatrex. Despite the impact to earnings is still minimal and AMRT has yet to further enhance this platform, it could bring potential opportunity in the future and pave the way to monetise its vast distribution network. The company also sells a number of private brands which fetch a higher margin. Contribution to revenue remains minimal, but we see ample growth potential.

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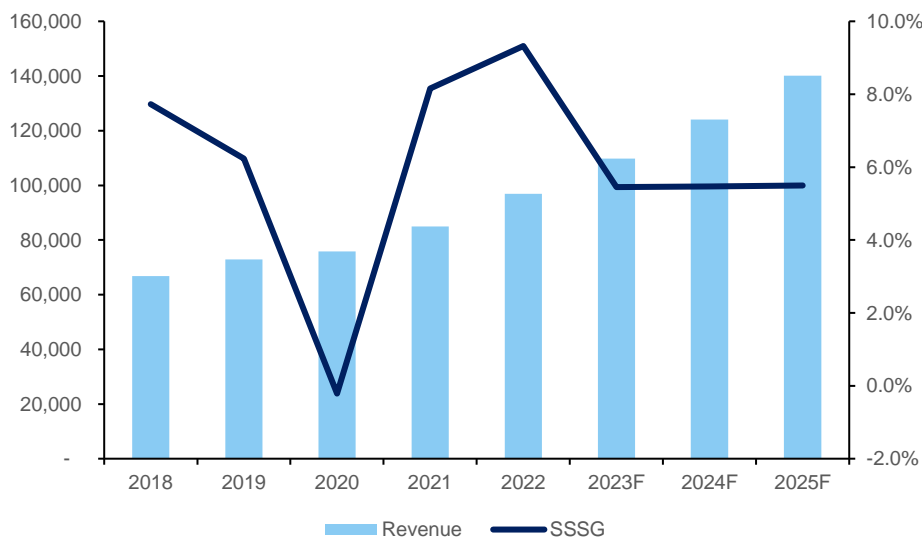
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Financial Outlook

Going forward, we expect the company to book c.13% CAGR revenue for 2023F-2025F. This is driven from c.5-6% SSSG and 1,600-1,800 store openings for 2023F-2025F. We expect new stores from the franchise scheme to remain stable, at around 23% of total number of AMRT's stores. SSSG for stores ex-Java should remain the highest at c.7% whilst stores in Greater Jakarta ought to post the softest SSSG ahead, at around 3-4%, given already intense competition and abundant Alfamart stores. With an increasing number of store openings located outside Greater Jakarta, we think this is where the company's focus will be.

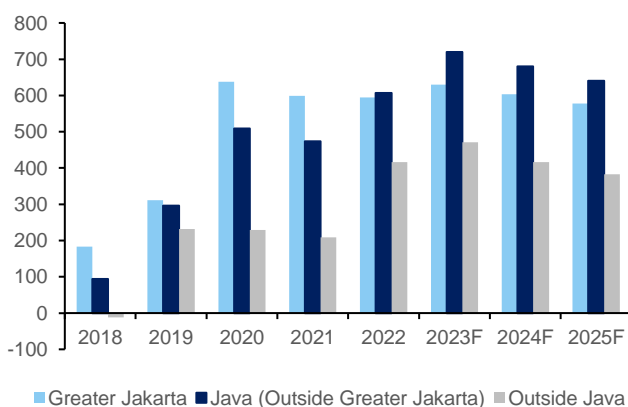
There has been recent news of AMRT stating its intention to expand its business to the new capital city (IKN), seen through the signing of a MoU between it and Bina Karya – IKN Authority's business entity. In the MoU, AMRT will engage in several forms of investment and partnership in IKN. One of them is the construction, operation, and commercialisation of a central distribution warehouse for goods to stores. We believe this will give it an upper hand to widen its presence in ex-Java areas. Note that the company plans to build three new distribution centres, two of which are located in Java and the other in Sulawesi.

Figure 22: AMRT's SSSG and revenue (IDRbn)



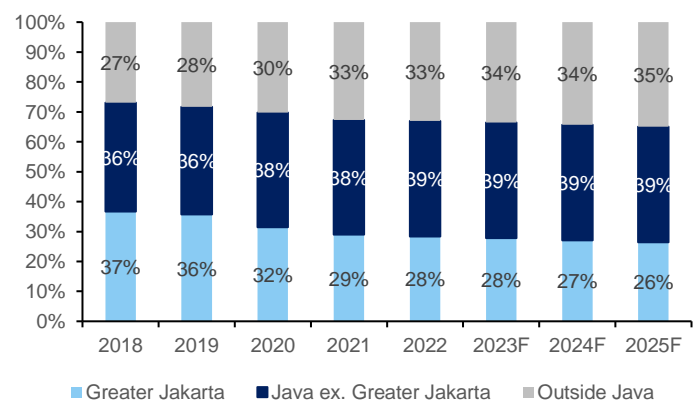
Source: Company data, RHB

Figure 23: New store additions



Source: Company data, RHB

Figure 24: Revenue contribution by location

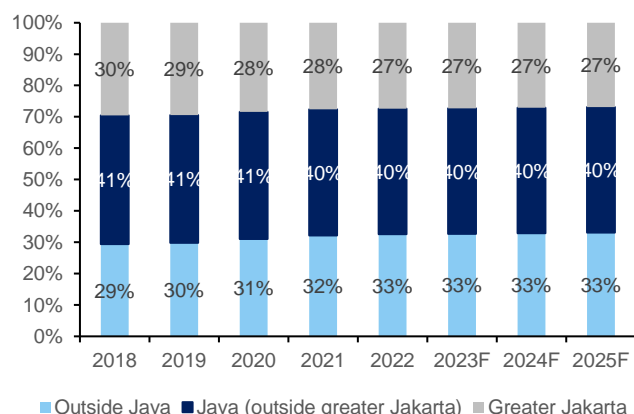


Source: Company data, RHB

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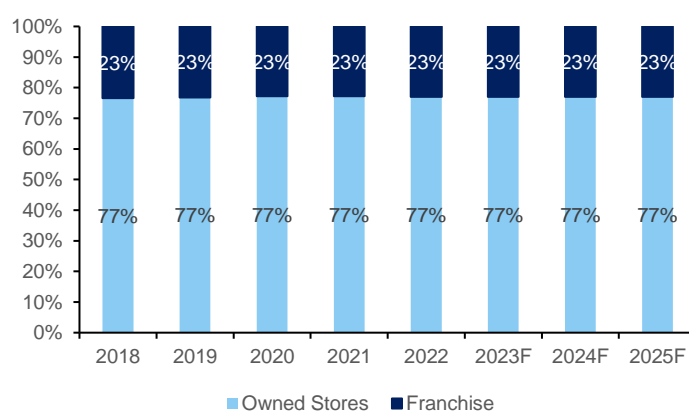
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Figure 25: Store geographical breakdown



Source: Company data

Figure 26: Company owned vs franchise stores



Source: Company data

Additionally, we believe AMRT remains focused on strengthening its digital presence, which includes the Alfagift platform. With the large contribution from active members, this should provide AMRT with an ample database, allowing it to conduct in-depth analysis to better understand its customer behaviour. This in turn will enable it to implement better marketing and promotional as well as merchandising strategies to entice higher footfall. The company has also set up its presence across a number of social media platforms which, in our view, will enhance awareness especially among the younger generation and provide another avenue of growth.

Similar to retailers under our coverage, AMRT should enjoy a brighter 4Q23 on end-of-season promotions and year-end festivities. We note that with 21,383 stores, AMRT's 1H23 revenue was IDR53.8trn vs Indomaret's 21,890 stores with a revenue of IDR52.7trn. AMRT should also be able to monetise some of the windfall from the election campaign slated to begin this quarter. Tailwinds are likely in the form of higher cash distribution, translating to increased purchases of FMCG products. We think AMRT will be the preferred place to make the purchases given its vast presence, targeting across all consumer segments and offering an array of products and services.

Looking ahead, we expect AMRT's gross margin to remain sturdy at around 21-22% in 2023F-2025F. Given its undisputed dominance among FMCG mini-market retailers, we believe the company will be able to pass on any price increase from consumer companies. Despite consumer companies taking breather in increasing prices in 2023, AMRT was able to raise ASPs by around 3-4% in that same period, suggesting its stronger bargaining power vs FMCG producers. The company has also started to sell RTE and RTD products, which we think will provide greater value to entice traffic and widen its margin as well. Additionally, the company has been more resilient despite macroeconomic challenges as it caters across a wider range of consumer segments and sees less competition from e-commerce players.

The solid gross margin, digital strategies and analytics tools as well as operational efficiencies should support its net margin to remain sturdy at 3-4%. The company has conducted a number of efficient management strategies, which include:

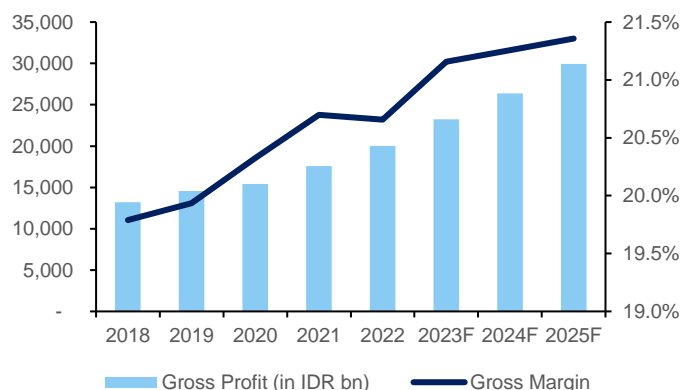
- i. Managing salary expenses, which remain the highest portion of operating expenses;
- ii. Reviewing the number of employees for each store without compromising its service quality. It may start implementing this initiative in Greater Jakarta and gradually apply it to other areas;
- iii. Implementing mobile support for its staff to improve the work quality.

On top of that, we expect fee based income (mainly from electronic transactions) to also support its earnings, growing by 16-18% pa and resulting in 17-18% contribution to earnings before tax in 2023F-2025F. Going forward, we see large growth potential for its fee-based income as Indonesia's unbanked population requiring a cash deposit network remains large.

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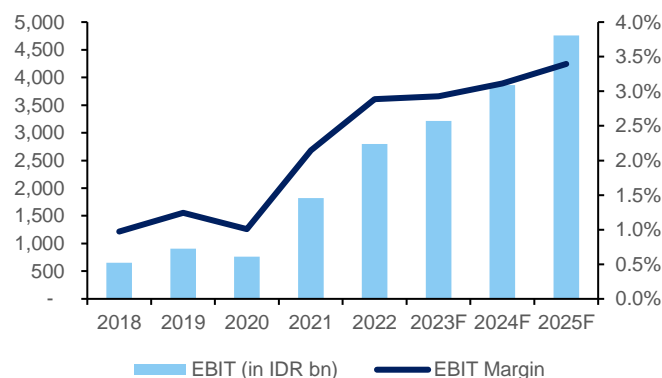
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Figure 27: AMRT's gross profit and margin



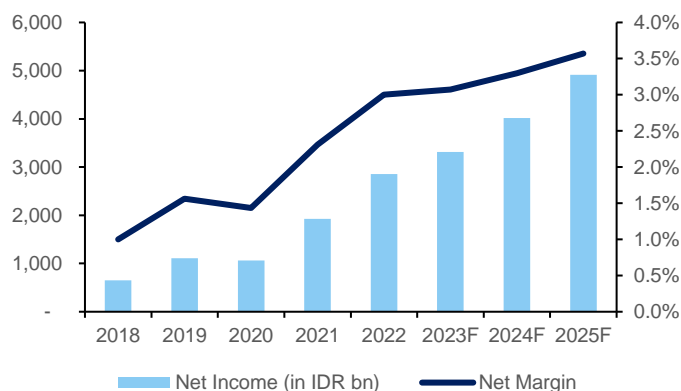
Source: Company data, RHB

Figure 28: AMRT's EBIT and EBIT margin



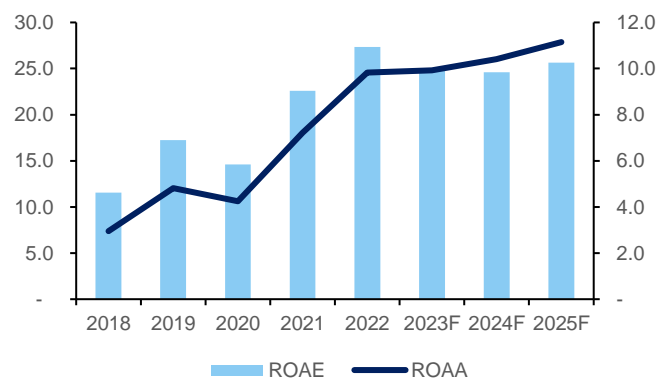
Source: Company data, RHB

Figure 29: AMRT earnings and net margin



Source: Company data, RHB

Figure 30: AMRT's ROAE and ROAA (in percentage)



Source: Company data, RHB

We believe AMRT will record a healthy balance sheet profile moving forward, and continue to be in a net cash position. Note: The company distributed c.30% of 2022's net income as dividends. We see AMRT continuing to distribute dividends given its ample liquidity and expect it to maintain its high return on average equity (ROAE) profile.

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Valuation

Initiating coverage with a BUY and IDR3,500 TP, 25% upside. Our TP is based on a 10-year DCF with a 10.6% WACC and 4% terminal growth. The company is trading at a c.29-30x 2024F P/E. This is still lower than regional peers at c.32-33x, but higher than local retailers. We deem the premium valuation as justified, given AMRT's superior growth profile. We expect it to book a c.22% earnings CAGR from 2023F-2025F vs average local retailers at 15% during the same period. The company is currently trading at around its 5-year mean. Key risks: Softer-than-expected purchasing power, and government regulations that may impede growth.

Figure 31: DCF valuation

IDRbn	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
EBIT + recurring income	5,101	6,196	7,316	8,537	9,839	11,225	12,728	14,330	16,018	17,886	19,946
EBIT (1-t)	4,106	4,988	5,890	6,873	7,920	9,036	10,246	11,536	12,895	14,398	16,056
Depreciation & Amortization	989	1,114	1,236	1,267	1,379	1,343	1,355	1,434	1,443	1,452	1,462
Change in working capital	493	443	395	498	486	500	538	550	583	632	678
Capex	(2,154)	(2,128)	(2,095)	(2,053)	(2,002)	(1,940)	(1,867)	(1,783)	(1,872)	(1,965)	(2,064)
Net free cash flow to firm	3,434	4,417	5,426	6,584	7,784	8,938	10,271	11,737	13,049	14,516	16,132
Terminal Value											235,805
PV	3,434	3,990	4,429	4,855	5,186	5,380	5,585	5,766	5,791	5,821	91,264
Total discounted firm value	141,501										
Less: net debt	(4,527)										
Less: minority interest	362										
Equity value	145,666										
Number of shares (bn)	41.5										
Equity value per share (IDR)	3,508										
ESG Premium (Discount)	0%										
Target Price	3,508										
Assumptions											
Risk free rate	7%										
Beta	0.7										
Equity market premium	6%										
WACC	10.7%										
Terminal growth	4%										

Source: Company data, RHB

Figure 32: Indonesia retailers' valuations

Company	Bloomberg Ticker	Price (IDR)	Target (IDR)	Market cap (IDRbn)	P/E (x)		EPS growth (%)		P/BV (x)		Dividend yield(%)		ROAE (%)		Rec
					FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	
Mitra Adiperkasa	MAPI IJ	1,825	2,500	30,295	12.8	10.8	12.4	18.6	3.4	2.7	1.0	1.6	30.1	28.0	Buy
Ace Hardware	ACES IJ	735	650	12,605	19.7	17.2	(3.5)	14.4	2.0	1.9	2.6	2.5	10.5	11.4	Neutral
Erajaya Swasembada	ERAA IJ	480	620	7,656	7.5	5.4	0.3	38.8	1.0	0.9	3.9	2.7	14.3	17.5	Buy
Matahari Department Store	LPPF IJ	2,460	3,500	5,560	5.9	4.7	(32.2)	26.2	7.0	5.1	21.3	16.0	102.4	126.1	Neutral
Ramayana Lestari	RALS IJ	560	630	3,974	11.1	10.1	10.8	10.3	0.8	0.8	4.3	4.7	8.0	8.4	Neutral
Weighted average					12.8	10.8			3.0	2.4					

Source: Bloomberg, Company data, RHB

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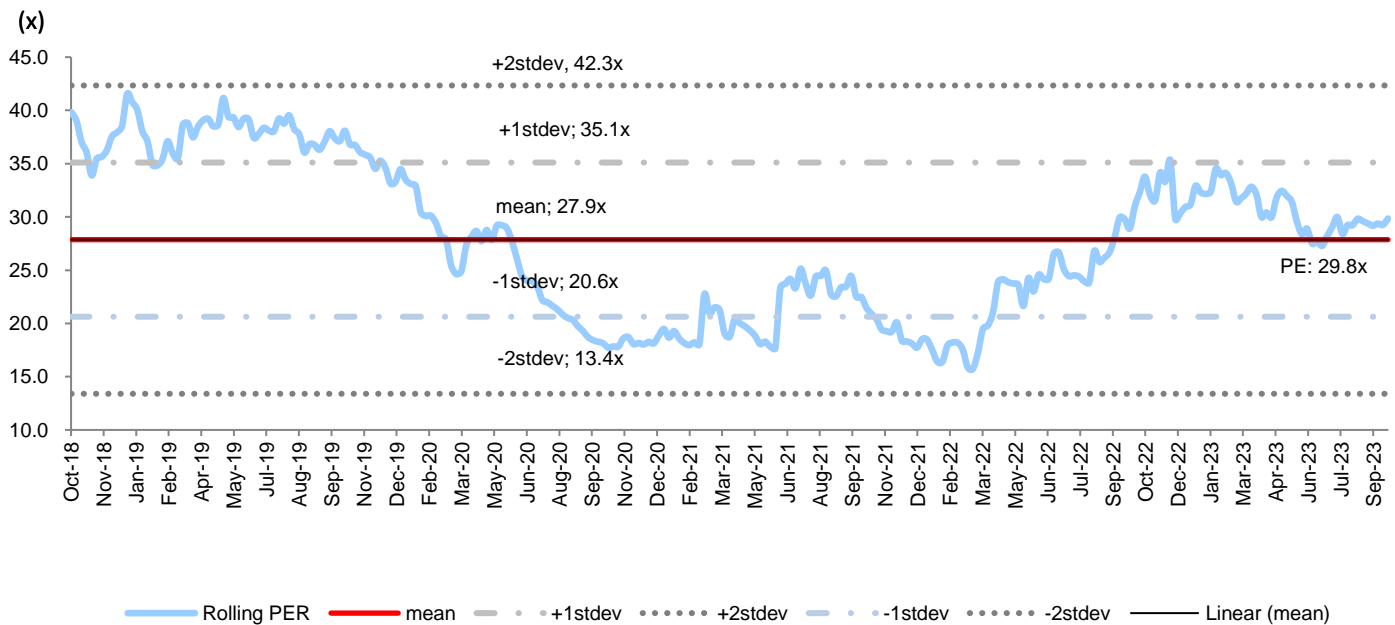
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Figure 33: Regional peer comparison

Company	Bloomberg Ticker	Currency	Price	Target	Market cap (USDm)	P/E (x)		EPS growth (%)		P/BV (x)		Div yield (%)		ROE (%)	
						FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
SEVEN & I HOLDIN	3382 JP	JPY	5,854	N/A	34,646	19.6	16.1	(6.1)	21.7	1.5	1.4	2.0	2.2	7.5	9.0
AEON CO LTD	8267 JP	JPY	2,961	N/A	17,237	89.7	72.7	31.5	23.3	2.6	2.6	1.2	1.2	2.8	3.9
LAWSON INC	2651 JP	JPY	6,884	N/A	4,610	19.2	17.8	(1.9)	7.4	2.4	2.2	2.9	3.2	12.5	12.8
YONGHUI SUPERS-A	601933 CH	CNY	3	N/A	3,992	107.0	54.4	110.0	96.7	3.8	3.6	0.2	0.8	1.7	6.0
SUN ART RETAIL	6808 HK	HKD	2	N/A	2,022	44.2	20.9	250.0	111.4	0.6	0.6	1.4	2.3	1.5	3.3
BGF RETAIL CO LT	282330 KS	KRW	141,000	N/A	1,803	11.5	10.1	6.9	13.9	2.2	1.9	3.1	3.3	20.7	20.7
E-MART INC	139480 KS	KRW	70,400	N/A	1,452	26.3	8.0	(92.8)	229.2	0.2	0.2	2.9	3.1	0.7	1.9
ROBINSONS RETAIL	RRHI PM	PHP	47	N/A	1,218	12.5	10.5	(2.4)	18.7	0.9	0.9	4.0	4.0	7.2	8.0
LIFE CORP	8194 JP	JPY	3,650	N/A	1,205	12.2	11.1	4.9	10.5	1.3	1.2	2.2	2.5	10.9	11.0
Weighted average						42.8	32.4			1.9	1.9				

Source: Bloomberg, RHB

Figure 34: AMRT's 5-year P/E band



Source: Bloomberg, Company data, RHB

Figure 35: RHB vs consensus estimates

IDRbn	RHB			Consensus			RHB/Cons (%)		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Net revenue	109,755	124,015	140,155	109,969	124,523	135,892	100%	100%	103%
Gross profit	23,222	26,363	29,934	23,228	26,762	29,224	100%	99%	102%
EBITDA	4,372	4,850	5,872	4,963	7,173	7,979	88%	68%	74%
EBIT	3,212	3,861	4,758	4,271	5,433	5,537	75%	71%	86%
Profit before tax	4,217	5,078	6,215	4,582	5,758	6,478	92%	88%	96%
NPAT	3,313	4,015	4,913	3,617	4,546	5,102	92%	88%	96%

Source: Bloomberg, Company data, RHB

Company Profile

Alfamart is the second-largest mini-market in Indonesia with a total modern trade mini-market market share of approximately 34% as of Jun 2023. AMRT has four major store formats, which are: Alfamart, Alfa Midi, Lawson, and Dan+Dan. It has 21,383 stores across Indonesia (Greater Jakarta: 27.4%; Java: 40.1%; Outer Islands: 32.5%). As of Jun 2023, the company managed 44 warehouses, 12 depots, 16 store hubs nationwide.

Figure 36: Company's milestones






	Description
1989	Standing as a diversified trading company of various products, it was founded by Djoko Susanto and his family, who later sold the majority of their ownership to PT HM Sampoerna Tbk. in Dec 1989
2002	Acquired 141 Alfa minimart outlets and were renamed Alfamart
2009	<ul style="list-style-type: none"> - IPO on the Indonesia Stock Exchange - Entered the Bali market - Started using conveyor belts - Over 3,300 outlets were operational
2012	<ul style="list-style-type: none"> - Limited Public Offering without Pre-emptive Rights - Establishment of a subsidiary of PT Sumber Indah Lestari engaging in retail cosmetics trading - Entered the Medan market - Over 7,000 outlets were operational
2013	<ul style="list-style-type: none"> - Additional acquisition of shares in Midi Utama Indonesia - Change of the nominal value of shares from IDR100 per share to IDR10 per share - Establishment of a subsidiary named Alfamart Retail Asia Pte Ltd (100% ownership) - Entry into the markets of Jambi, Pekanbaru, and Banjarmasin - Over 8,500 outlets were operational
2014	<ul style="list-style-type: none"> - Through its subsidiary, Alfamart Retail Asia Pte Ltd, the company established Alfamart Trading Philippines Inc based in the Philippines - Entered the Philippine market - Offered the first phase of Alfaria Trijaya's continuous bond offering - Conducted a Limited Public Offering without Pre-emptive Rights - Acquired additional shares in Midi Utama Indonesia, resulting in a total ownership of 86.72% - Entered the markets of Pontianak and Manado - Over 9,800 outlets were operational
2015	<ul style="list-style-type: none"> - Establishment of Sumber Trijaya Lestari - Conducted a Limited Public Offering without Pre-emptive Rights - Continued the continuous bond offering of Alfaria Trijaya, Phase II - Entered the Batam market - Over 11,000 outlets were operational
2016	<ul style="list-style-type: none"> - Over 12,000 outlets were operational - Launched AlfaMind, the first virtual store in Indonesia featuring Augmented Reality technology
2017	<ul style="list-style-type: none"> - Phase I of Alfaria Trijaya's Continuous Bond Offering II in 2017 - Over 13,500 outlets were operational
2018	<ul style="list-style-type: none"> - Phase II of Alfaria Trijaya's Continuous Bond Offering II in 2018 - Over 13,600 outlets were operational - 500 outlets were operational in the Philippines
2019	<ul style="list-style-type: none"> - Over 14,300 outlets were operational - Launched Alfagift – an application that allows users to stay up-to-date with promotions and access special offers exclusive to the app - Acquired 75% ownership of PT Global Loyalty Indonesia - Over 750 outlets were operational in the Philippines, with a total of three warehouses
2020	<ul style="list-style-type: none"> - Over 15,400 outlets were operational - There were more than 1,000 operational outlets in the Philippines, with a total of three warehouses
2021	<ul style="list-style-type: none"> - Increased capital injection into Midi Utama Indonesia, resulting in ownership reaching 89.43% - 16,492 outlets were operational - Entered the Papua market by opening 22 outlets - 1,945 SAPA (ready to deliver your orders) stores - Over 1,200 outlets were operational in the Philippines
2022	<ul style="list-style-type: none"> - Alfamart and WIR Group signed a MoU to enter the Metaverse – the future of shopping - Alfamart received Indonesia Top Brand Collab Champions Award as well as The Best Brand Champion for Channel Collaboration from Indonesia Brand Forum

Source: Company data

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Figure 37: AMRT's Board of Commissioners







Name	Position	Description
Feny Djoko Susanto 	President Commissioner	Feny began her career as the President Director of Alfa Mitramart Utama from 1999 to 2002. She then served as the President Director of the company from 2002 to 2014 before assuming the position of President Commissioner.
Budiyanto Djoko Susanto 	Commissioner	Budiyanto began his career as an analyst at Northstar Pacific from 2007 to 2009. He then served as a Commissioner of the company from 2010 to 2012 and as the President Commissioner from 2012 to 2014.
Imam Santoso Hadiwidjaja 	Independent Commissioner	He began his career as the General Affair Manager of Bentoel from 1976 to 1996 and served as the Acting Rector at the Yayasan Pendidikan Universitas Bunda Mulia Jakarta from 1996 to 2008. He has held positions of Independent Commissioner and Chairman of the company's Audit Committee from 2008 to 2011 and from 2011 to 2014.
Setyo Wasisto 	Independent Commissioner	Setyo held several strategic positions in the Indonesian National Police. He served as the Director of Intelligence and Security of the Jakarta Metropolitan Police (Polda Metro Jaya) in 2008, then held the position of Head of Public Relations Division of the Indonesian National Police (Kadivhumas Polri) in 2017, and served as the Inspector General at the Ministry of Industry in 2018. Additionally, he was assigned to international postings in countries such as Malaysia, Singapore, Australia, and Saudi Arabia.
Budi Setiyadi 	Independent Commissioner	Budi started his career as the Head of the Traffic Division at Bojonegoro Regional Police, East Java, in 1995. He then served as the Head of the Rapid Reaction Force Unit at the Traffic Directorate of South Sumatra Regional Police in 2000. He also held the position of the Head of the Ogan Komering Ulu District Police, South Sumatra, in 2003. Later on, he served as the Director of Traffic at the South Sulawesi Regional Police in 2009 and assumed the role of the Director-General of Land Transportation at the Ministry of Transportation in 2017.

Source: Company data

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Figure 38: AMRT's Board of Directors

Name	Position	Description
Anggara Hans Prawira 	President Director	Anggara began his career as a consultant at Prasetyo Utomo & Co, Arthur Andersen, Jakarta from 1994 to 2000. He served as the Finance Director of Alfa Mitramart Utama from 2001 to 2002.
Bambang Setyawan Djojo 	Director	Bambang started as a supervisor at HM Sampoerna from 1988 to 1992. Later, he held the position of Management Information Systems manager at Perusahaan Dagang Dan Industri Panamas from 1992 to 2000. He became the Director of Information Technology at Alfa Mitramart Utama from 2000 to 2002.
Soeng Peter Suryadi 	Director	His career began as an assistant advertising manager at Hero Group from 1986 to 1987. He then worked as a sales supervisor at Astra International (Honda Sales Operation) from 1987 to 1990. He managed PT Federal International Finance from 1990 to 1993 and served as the Assistant Vice President of Bank Universal from 1994 to 2000. Subsequently, he held the position of General Manager at Astra International from 2002 to 2005. He also worked as a mortgage advisor at The Loan Market in Perth, Australia, from 2005 to 2007.
Harryanto Susanto 	Director	He started his career as a Director at Primus Pratama from 2010 to 2011 and served as the Chief Operating Officer at Surya Mustika Nusantara from 2011 to 2013.
Tomin Widian 	Director	He began his career as a consultant/auditor at Ernst & Young/Prasetyo Utomo & Co Arthur Andersen from 1991 to 2007. He then assumed the role of Vice President of Finance and Accounting at Smart from 2007 to 2013.
Solihin 	Director	He started his career in marketing at Modern Foto Co Film from 1979 to 1985 and later worked as a sales supervisor at Kopi Gelatik from 1986 to 1988. He then became the franchise manager at Indomarco Adi Prima/Indomarco Prismatama.

Source: Company data

ESG

Environment

The operational consequences on the environment are inevitable. As such, the company strives to effectively manage these environmental repercussions across all business sectors. AMRT guarantees that its day-to-day operations and supply chain are conducted in a manner that prevents pollution of the surrounding environment. Environmental concerns remain a highly debated topic on a global scale. The company actively demonstrates its commitment to environmental sustainability by promoting a healthy, waste-free, and eco-friendly work environment. This dedication is reflected in the establishment of an environmentally conscious office culture (green office), which follows a zero-waste lifestyle through the 5R policy: Reduce, Reuse, Recycle, Rethink, and Repair.

For a significant duration, the company has been actively engaging in green office initiatives, utilising them as a method to recognise and address climate change risks. This stands as a testament to the company's dedication to progress and collaboration with the community. Moreover, this initiative showcases the proactive involvement of the company in assisting the Government in raising awareness about the significance of environmental preservation. AMRT has always been committed to continuing to try to reduce and control greenhouse gas (GHG) emissions generated from daily activities by building a work culture that is energy efficient and environmentally friendly. The company also instils this awareness in all employees, as well as partners and customers.

Figure 39: AMRT's energy and emissions data

	Unit	2022	2021	2020
Electricity (Indirect Emissions, Scope 2)	tonnes	1,124,450	1,009,623	948,984
Fuels (Direct Emissions, Scope 1)	tonnes	5,720	5,278	5,414
Total tCO2e GHF Emissions	tonnes	1,130,171	1,014,901	954,398

Source: Company data, RHB

♦ The increase occurred due to mobility restrictions in 2021 and 2020. Nevertheless, the company aims to improve its energy and emissions through the above initiatives

To transform the traditional paper-dependent practices of employees, AMRT has been progressively implementing a transition to paperless offices. This initiative emphasises digitising correspondence and document archives, significantly minimising the necessity for printing physical documents. Apart from the positive environmental impact, this transition also proves advantageous for the companies, as it lowers paper procurement costs, easing the burden on office budgets.

Simultaneously, aiming to decrease the number of printed cashier receipts across all stores, it introduced an innovative solution—the Alfagift application. Through Alfagift, all customers shopping with AMRT can now receive digital transaction receipts, reducing the reliance on paper cashier receipts in 2022 as customer transactions increased through the application. Also, in addressing the challenge of limited water resources resulting from escalating consumption, the company and its subsidiaries encourage all employees to utilise water as prudently and effectively as feasible throughout their daily routines. AMRT's genuine commitment to water conservation is evident in its initiatives to maximise the use of wastewater for non-hygienic purposes.

In its capacity as a retail enterprise, the company and its subsidiaries are responsible not only for carbon emissions into the atmosphere but also for generating both hazardous and toxic material (B3) and non-B3 waste. Inadequate management of these waste types pose a potential threat to the environment. To showcase its dedication to responsible business operations, AMRT has adopted waste management practices centred around the principles of the 5R policy. Additionally, it collaborates with authorised third-party entities for the proper management of solid and liquid waste produced.

Social

Community empowerment

Throughout their trajectory, the company engages closely with consumers from diverse societal strata, business partners within its supply chain, and the local communities in the operational regions. This deep engagement allows the company to aspire that its presence will consistently yield beneficial outcomes for the broader community through an array of corporate social responsibility (CSR) endeavours, in line with its specified objectives and targeted strategies. AMRT believes that these initiatives can bring about positive contributions to society. All the CSR initiatives undertaken embody the ethos of its

personnel, consistently striving to deliver optimal performance in all endeavours. AMRT is steadfast in the belief that the CSR programmes and engagements are pivotal for the sustainability of its business, fostering an enhanced public image and delivering additional value to stakeholders.

Employment practices

It has commitment to valuing diversity, encompassing various distinctions among employees. It has unwavering commitment to fostering equality, diversity, and inclusivity within the workplace, which is ingrained from the initial hiring stages, extending an open invitation to all individuals to join and become part of the company and its subsidiaries, provided they meet the specified criteria and qualifications.

In its human resources management, it consistently ensures equal opportunities for all employees, irrespective of their ethnicity, race, religion, gender, educational background, or cultural origins. The efforts are centered on cultivating a supportive work environment that prioritises respect for human rights, where every individual is entitled to fair treatment and an even-handed opportunity. Consequently, AMRT vehemently denounces any discriminatory practices in its human resource management.

In upholding responsible labour practices that are free from child labour, the company and its subsidiaries verify that all employees are of legal working age. The commitment to this extends beyond the workplace, as it advocates for all partners within the supply chain to share the same dedication and commitment in eliminating child labour entirely.

Also, the aspect of occupational health and safety is a significant factor that directly influences the company's productivity and profitability. As such, AMRT remains steadfast in its commitment to consistently establish a safe and respectable work environment for all employees.

Responsibility to customers

As a retail company with an extensive network of stores across Indonesia, AMRT firmly believe that the welcoming role extended to customers and local residents holds paramount significance in ensuring sustained business operations. As such, it persistently conducts business activities aligned with customer expectations, aiming to deliver uniform service quality to all stakeholders, irrespective of social status, ethnicity, religion, or any factors that could result in discrimination.

Moreover, it guarantees that every stakeholder has equitable access to comprehensive information about the products and/or services offered. AMRT is committed to providing transparent product and/or service information through the website and various social media platforms. Additionally, it has established a formal channel for complaints, open to all customers seeking to offer suggestions and feedback on its services, thereby contributing to future enhancements in service quality.

Governance

The integration of good corporate governance (GCG) principles has become a fundamental pillar that has fortified the company in navigating various business challenges encountered by the retail industry, especially during the COVID-19 pandemic. By steadfastly incorporating GCG principles into every business operation, the company sustains a competitive edge and showcases resilience in adapting to alterations in the business landscape (adaptability) amidst escalating competition in the retail sector.

To ensure the effective continuation of the GCG implementation, the company's Board of Directors and Board of Commissioners, along with supporting units, actively foster an ethical work culture. This cultivates a strong passion and determination among all Alfamart employees to shape Alfamart into a progressive modern retail company, fostering rapid growth and strong culture as well as delivering a positive impact to stakeholders.

The unwavering and ongoing practice of GCG best standards is not solely a matter of complying with existing rules and regulations. Instead, it is a conscientious effort to guarantee that all business endeavours are conducted correctly and ethically, with a commitment to legal adherence, all in the pursuit of achieving the company's objectives.

In accordance with the Law No. 40 of 2007 regarding Limited Liability Companies and The Company's Articles of Association, the corporate governance framework encompasses the General Meeting of Shareholders (GMS), the Board of Commissioners, and the Board of

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Directors. These three primary bodies, in discharging their duties and responsibilities, are aided by subordinate units operating under them, which include Committees at the Board of Commissioners level, Work Units at the Board of Directors level, Corporate Secretary, and the Internal Audit Unit. (GRI 102-18).

Beyond emphasising the sufficiency of the governance framework, the company also guarantees the existence of internal protocols and policies tailored to its requirements and circumstances, promoting responsible and accountable business management practices. These written guidelines, distinctly defining the organisational interconnections within the company, are pivotal. AMRT firmly believes that such adherence to the GCG implementation ensures ongoing and consistent execution, generating enhanced value for its shareholders and other stakeholders.

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2019-11-27	Buy	1,100	870
2019-09-04	Buy	1,200	890
2019-07-23	Buy	1,200	930
2019-05-08	Neutral	1,000	985
2018-11-09	Buy	1,000	770

Source: RHB, Bloomberg

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