

28 July 2023

Consumer Cyclical | Retailing

## Mitra Adiperkasa (MAPI IJ)

### Buy (Maintained)

### Still Remain Upbeat, Stay BUY

- **Maintain BUY with TP of IDR2,300, 15% upside.** We remain positive on Mitra Adiperkasa's growth outlook, given its solid presence among mid- to top-retailers, especially on active segment products. We like MAPI for its resilient mid- to high-income target market and diversified business strategies. The company's continued expansion plans, both domestic and overseas, as well as trading on online and offline platforms have reaped positive results so far. MAPI is trading at 14-15x 2023F P/E – still undemanding – and at -1SD from its 5-year P/E band.
- **Slightly softer-than-expected bottomline achievement.** The company booked IDR639bn net profit in 2Q23 (+58.1% QoQ and +23.4% YoY). This brought its 1H23 net profit to c.IDR1.0trn (-5.2% YoY). The net profit comes at 44% and 49% below both ours and consensus' forecasts. Revenue was at IDR8.1trn (+9% QoQ, +22.9% YoY) in 2Q23. 1H23 revenue came at IDR15.6trn (+27.3% YoY). This is in line with our FY2023 estimate at 46% but 49% above Street's forecast. During 3Q23, we expect MAPI to strive despite minimal catalysts, given its resilient consumer segment. It would perform stronger in 4Q23 due to seasonality.
- **Active division posts strong traction.** The retail segment posted revenue growth of 8.6% QoQ (vs c.+15% QoQ on average from 2016-2019). We remain concerned on its other specialty stores, (excluding active products) which posted slow QoQ growth. Its subsidiary, MAP Aktif Adiperkasa (MAPA IJ, NR) enjoyed 19.2% QoQ growth in 2Q23. Its F&B segment managed to grow c.9% QoQ. We note all segments managed to grow at least 20% YoY in 2Q23, along with solid SSSG (+7.7%) during the *Lebaran* festive season despite last year's high base momentum.
- **Sturdy balance sheet profile.** MAPI has a healthy 105 inventory days as of 2Q23 (vs 113 days in 1Q23, 108 days in 2Q22). This should pose minimal risk to its profitability profile. For 2Q23, gross margin was 46.4% (vs 44.3% in 2Q23 and 45.6% in 2Q22). Gross margin in 1H23 was 45.4% (1H22: 44.4%). Furthermore, the company is in a healthy net cash position (c.IDR1.5trn in 1H23). This should help support its expansion plan. We estimate additions of 600-700 new stores in 2023 (1Q23: 212 openings).
- **Strengthening overseas presence.** MAPI has a presence in five South-east Asian countries outside Indonesia. Overseas sales made up c.10% of 2Q23's revenue. We see good results from the Philippines market – 25.3% QoQ and 75.6% YoY revenue growth in 2Q23. The company is working on improving the performance of overseas outlets as well. We note that it has also forayed into Cambodia. MAPI's strategy to become a key regional retail player should see it entice more prominent brands to its stable. It currently plans to open Sports Direct outlets in Indonesia.
- **Key risks:** FX fluctuations, change in government policies, and rising competition. We applied a 4% ESG premium to our intrinsic value to derive our TP.

Forecasts and Valuation	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Total turnover (IDRb)	18,424	26,937	33,650	39,958	46,417
Recurring net profit (IDRb)	685	1,794	2,191	2,614	3,096
Recurring net profit growth (%)	-	161.9	22.1	19.3	18.4
Recurring P/E (x)	48.46	18.51	15.15	12.70	10.72
P/B (x)	7.0	4.9	3.7	3.0	2.4
P/CF (x)	23.63	16.22	12.37	9.70	8.26
Dividend Yield (%)	na	na	1.0	1.4	1.7
EV/EBITDA (x)	19.18	10.49	8.01	6.63	5.53
Return on average equity (%)	9.4	36.5	30.1	28.0	26.3
Net debt to equity (%)	32.4	18.7	26.2	19.6	12.7

Source: Company data, RHB

Target Price (Return):	IDR2,300 (15%)
Price (Market Cap):	IDR2,000 (USD2,210m)
ESG score:	3.2 (out of 4)
Avg Daily Turnover (IDR/USD)	38,675m/2.56m

### Analysts

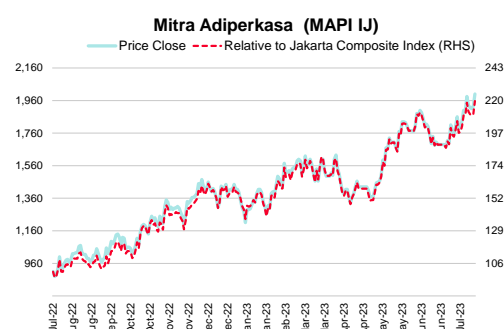
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### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	38.4	18.3	46.0	58.1	119.8
Relative	37.7	14.8	46.7	58.1	119.8
52-wk Price low/high (IDR)	880 – 2,000				



Source: Bloomberg

### Overall ESG Score: 3.2 (out of 4)

#### E: GOOD

The company has made efforts to improve the environmental aspect of its business, both internally and while collaborating with brands. We do not yet have details of its measures – especially on its targets on energy usage, etc.

#### S: EXCELLENT

MAPI believes that growing together with the community is the key to sustainable business growth. The company puts great focus on education and health. It is also committed to providing a safe, healthy and comfortable workplace, and has initiatives in ensuring gender equality and diversity across all levels. There are no major issues between employees and employers

#### G: GOOD

The company complies with current regulations, such as regularly conducting shareholder meetings and ensuring equal distribution of public information to all stakeholders. All capital market participants can have access to its public material information

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## Financial Exhibits

<b>Asia</b>	<b>Financial summary (IDR)</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
Indonesia	Recurring EPS	41.27	108.07	131.99	157.50	186.50
Consumer Cyclical	DPS	-	-	19.06	28.58	33.89
<b>Mitra Adiperkasa</b>	BVPS	285.00	412.09	535.89	676.79	842.57
MAPI IJ	Return on average equity (%)	9.4	36.5	30.1	28.0	26.3
Buy						
<b>Valuation basis</b>	<b>Valuation metrics</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
Our 12-month TP is based on a simple average of its 10-year DCF valuation, SOP-based value and P/E	Recurring P/E (x)	48.46	18.51	15.15	12.70	10.72
	P/B (x)	7.0	4.9	3.7	3.0	2.4
	FCF Yield (%)	3.2	4.3	(0.0)	6.1	7.9
	Dividend Yield (%)	-	-	1.0	1.4	1.7
	EV/EBITDA (x)	19.18	10.49	8.01	6.63	5.53
	EV/EBIT (x)	29.62	11.76	10.30	8.35	6.84
<b>Key drivers</b>	<b>Income statement (IDRb)</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
i. Economic activity resumption;	Total turnover	18,424	26,937	33,650	39,958	46,417
ii. Expansions to drive sales;	Gross profit	7,692	12,029	15,406	18,382	21,419
iii. Strong brand loyalty translating to consumer stickiness;	EBITDA	1,887	3,443	4,603	5,427	6,287
iv. Steady performance amidst challenging economic outlook from its more resilient mid- to high-consumer target	Depreciation and amortisation	(665)	(373)	(1,027)	(1,120)	(1,208)
	Operating profit	1,222	3,070	3,577	4,307	5,078
	Net interest	(164)	(297)	(356)	(443)	(506)
	Pre-tax profit	675	3,173	3,454	4,120	4,854
	Taxation	(208)	(667)	(774)	(923)	(1,087)
	Reported net profit	420	2,110	2,372	2,813	3,315
	Recurring net profit	685	1,794	2,191	2,614	3,096
<b>Key risks</b>	<b>Cash flow (IDRb)</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
i. USD/EUR appreciation against IDR as 50% of the COGS are USD and EUR linked;	Change in working capital	218	(465)	(757)	(576)	(572)
ii. Stricter government custom controls;	Cash flow from operations	1,405	2,047	2,684	3,424	4,020
iii. Rising competition for fashion and food business.	Capex	(335)	(629)	(2,692)	(1,399)	(1,393)
	Cash flow from investing activities	251	(2,050)	(3,317)	(2,341)	(2,516)
	Dividends paid	0	0	(316)	(474)	(563)
	Cash flow from financing activities	(1,666)	1,076	(32)	631	719
	Cash at beginning of period	2,788	2,778	3,851	3,185	4,900
	Net change in cash	(10)	1,072	(666)	1,715	2,223
	Ending balance cash	2,778	3,851	3,185	4,900	7,123
<b>Company Profile</b>	<b>Balance sheet (IDRb)</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
MAPI operates department stores and specialty stores selling a broad range of goods including clothing, toys, food, and other merchandise	Total cash and equivalents	2,778	3,851	3,185	4,900	7,123
	Tangible fixed assets	3,034	3,290	4,955	5,233	5,418
	Total investments	553	551	673	799	928
	Total assets	16,768	20,968	23,901	28,361	33,437
	Short-term debt	2,770	2,658	2,451	2,922	3,478
	Total long-term debt	2,328	3,014	3,740	4,612	5,641
	Total liabilities	9,618	11,240	12,443	14,942	17,713
	Total equity	7,150	9,728	11,459	13,419	15,724
	Total liabilities & equity	16,768	20,968	23,901	28,361	33,437
	<b>Key metrics</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
	Revenue growth (%)	24.1	46.2	24.9	18.7	16.2
	Recurrent EPS growth (%)	0.0	161.9	22.1	19.3	18.4
	Gross margin (%)	41.8	44.7	45.8	46.0	46.1
	Operating EBITDA margin (%)	10.2	12.8	13.7	13.6	13.5
	Net profit margin (%)	2.3	7.8	7.0	7.0	7.1
	Dividend payout ratio (%)	0.0	0.0	13.3	16.9	17.0
	Capex/sales (%)	1.8	2.3	8.0	3.5	3.0
	Interest cover (x)	5.44	8.59	8.26	8.28	8.20

Source: Company data, RHB

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Figure 1: Results summary

MAPI IDRbn	2Q22	1Q23	2Q23	QoQ (%)	YoY (%)	6M22	6M23	YoY (%)	6M23/ RHB	6M23/ Cons
<b>Sales</b>	<b>6,615</b>	<b>7,462</b>	<b>8,132</b>	9.0	22.9	<b>12,248</b>	<b>15,595</b>	27.3	<b>46.3%</b>	<b>49.1%</b>
COGS	3,596	4,160	4,362	4.8	21.3	6,816	8,522	25.0		
<b>Gross profit</b>	<b>3,018</b>	<b>3,302</b>	<b>3,771</b>	14.2	24.9	<b>5,432</b>	<b>7,073</b>	30.2	<b>45.9%</b>	<b>49.6%</b>
Selling exp	1,837	2,213	2,271	2.6	23.6	3,413	4,485	31.4		
G&A exp	345	425	430	1.2	24.5	695	855	22.9		
Operating expenses	2,182	2,638	2,701	2.4	23.8	4,108	5,339	30.0		
<b>Operating profit</b>	<b>836</b>	<b>664</b>	<b>1,069</b>	61.0	27.9	<b>1,324</b>	<b>1,734</b>	30.9	<b>48.5%</b>	<b>50.8%</b>
Net interest income/(expense)	(81)	(83)	(83)	0.1	2.4	(164)	(167)	1.7		
Interest income	17	18	21	12.4	23.6	32	39	22.4		
Interest expense	(98)	(101)	(104)	2.3	6.0	(195)	(205)	5.0		
Forex gain (expense)	(0)	16	(27)	nm	30,670.5	5	(11)	nm		
Other income/ (expense)	11	35	10	(70.8)	(3.8)	389	45	(88.3)		
Total other income (costs)	(71)	(32)	(100)	211.4	41.5	230	(132)	nm		
<b>Pretax profit</b>	<b>765</b>	<b>632</b>	<b>969</b>	53.4	26.7	<b>1,555</b>	<b>1,601</b>	3.0	<b>46.4%</b>	<b>50.0%</b>
Taxation	(143)	(136)	(204)	50.4	42.2	(285)	(339)	19.0		
Minority interest	(104)	(92)	(126)	37.2	21.8	(168)	(218)	29.8		
<b>Net profit</b>	<b>518</b>	<b>405</b>	<b>639</b>	58.1	23.4	<b>1,102</b>	<b>1,044</b>	(5.2)	<b>44.0%</b>	<b>49.2%</b>
<b>Margin (%)</b>										
Gross margin (%)	45.6	44.3	46.4			44.4	45.4			
Operating margin (%)	12.6	8.9	13.2			10.8	11.1			
Pretax margin (%)	11.6	8.5	11.9			12.7	10.3			
Net margin (%)	7.8	5.4	7.9			9.0	6.7			
<b>Turnover days</b>										
Inventory Days	108	113	105			114	107			
Receivable Days	5	6	6			6	6			
Payable Days	39	41	40			41	41			
CCC days	75	77	71			79	73			
<b>Balance Sheet Highlights</b>										
Total cash	3,159	2,906	2,980			3,159	2,980			
Total debt	1,531	1,543	1,416			1,531	1,416			
Net gearing (%)	nc	nc	nc			nc	nc			
Equity	8,264	10,258	10,883			8,264	10,883			

Source: Company data, Bloomberg, RHB

Figure 2: Segmental and geographical sales breakdown

MAPI IDRbn	2Q22	1Q23	2Q23	QoQ (%)	YoY (%)	6M22	6M23	YoY (%)
<b>By Business Segment</b>								
Retail Sales	5,150	5,722	6,212	8.6	20.6	9,290	11,933	28.5
Department Stores	521	668	712	6.6	36.7	1,210	1,380	14.0
Café and Restaurant	848	957	1,042	8.9	23.0	1,557	1,999	28.4
Others	97	115	167	44.3	72.1	190	282	48.2
<b>By Geographical</b>								
Indonesia	5,998	6,724	7,358	9.4	22.7	11,135	14,082	26.5
Vietnam	354	305	285	(6.7)	(19.6)	632	590	(6.6)
Phillipines	199	278	349	25.3	75.6	342	627	83.3
Thailand	36	56	53	(4.9)	47.0	66	110	65.3
Others	27	98	88	(10.8)	224.6	72	186	158.3

Source: Company, RHB

Figure 3: SSSG details

	2Q22	1Q23	2Q23	1H22	1H23
MAPI	30.0%	18.7%	7.7%	25.0%	12.6%
MAPA	39.0%	18.3%	11.6%	39.0%	14.5%
MAPB	15.0%	13.1%	4.2%	13.0%	8.2%

Source: Company, RHB

Recommendation Chart

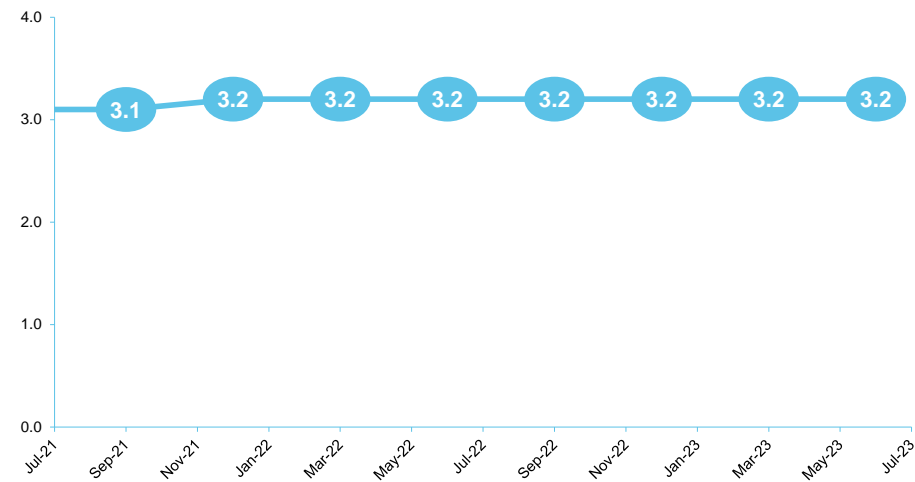


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2023-04-26	Buy	2,300	1,410
2023-01-09	Buy	2,200	1,280
2022-07-01	Buy	1,500	915
2021-12-09	Buy	1,000	755
2021-08-20	Buy	880	675
2021-06-30	Buy	880	625
2020-12-08	Buy	1,000	825
2020-11-23	Buy	1,000	785
2020-07-01	Buy	900	785
2020-05-27	Buy	900	700
2020-03-19	Buy	670	510
2019-11-06	Buy	1,300	1,075
2019-04-16	Buy	1,300	985
2019-04-02	Buy	1,300	1,045
2019-03-11	Buy	1,300	1,055

Source: RHB, Bloomberg

ESG Rating History



Source: RHB

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