

Sumber Alfaria Trijaya

BUY (upgrade)

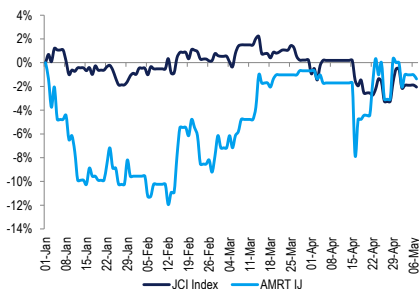
Company Update | Consumer Discretionary | AMRT IJ | 07 May 2024

Stock Data

Target price	Rp3,350
Prior TP	Rp2,900
Current price	Rp2,890
Upside/downside	+16%
Shares outstanding (mn)	41,525
Market cap (Rp bn)	120,006
Free float	40%
Avg. 6m daily T/O (Rp bn)	88

Price Performance

	3M	6M	12M
Absolute	11.2%	2.8%	-2.4%
Relative to JCI	12.2%	-0.7%	-7.6%
52w low/high (Rp)	2,580 – 2,990		



Major Shareholders

PT Sigmantara Alfindo	53.2%
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Intact margin improvement thesis underpins our earnings upgrade

- Discussion with AMRT suggested that Apr24 is likely to sustain the strong SSSG trend post 1Q24's robust 7.3% attainment.
- We upgrade our FY24/25F earnings by +6% on intact GPM expansion target driven by both consumer & back margin.
- Upgrade to BUY with TP of Rp3,350 as AMRT's superior earnings growth outlook (FY23-26F CAGR:18.8%) justifies its premium valuation.

Apr24 SSSG remains robust indicatively despite high base

Discussion with AMRT post results indicated that Apr24 SSSG is still going strong post 1Q23's SSSG of 7.3%, despite Apr23's high base (14.8% SSSG). 1Q24's SSSG is mainly driven by volume growth as most FMCG companies did not implement any major ASP hikes and some companies like UNVR actually posted a negative unit price growth of -4.9% yoy in 1Q24 in their domestic sales. Our recent discussion also suggested that almost all FMCG categories (both food/non-foods had 14/8% yoy sales growth in 1Q24) registered positive growth especially beverages, snacks and personal care.

Stable GPM attainment in 1Q24 is actually noteworthy given the earlier Lebaran seasonality

Additionally, it's worth noting that AMRT's Lebaran quarter's GPM tend to be lower with 5yr historical average registering -160bps qoq due to festive promotions during the period. Hence, considering the earlier Lebaran shift into 1Q24, the stable GPM of 21.8% (+3bps yoy) was actually quite impressive. Management believes that margin expansion outlook is intact over time – driven by both consumer and back margin (rebates from suppliers) as AMRT group continues to grab market share in the Indonesian FMCG retail industry (FY20: 13.4% to FY23's 15.0%). We expect AMRT's GPM/NPM to improve by +21/+24bps yoy in FY24F.

FY24/25F earnings upgrade of 6.1/6.0%; Upgrade to BUY

In sum, we upgrade FY24/25F earnings by c.6% to reflect the continued margin expansion for AMRT backed by its increasing bargaining power toward FMCG suppliers. As such, we upgrade AMRT's rating to BUY with higher TP of Rp3,350 (from Rp2,900) based on 34.0x FY24F P/E (+1.0s.d. from its 5yr mean). We view that AMRT's FY23-26F EPS CAGR of 18.8% is superior compared to the other retailers' aggregate FY23-26F EPS CAGR of 14.6% and this shall justify the valuation premium, in our view.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	96,925	106,945	119,863	133,889	149,891
EBITDA	6,063	6,913	8,243	9,420	10,933
Net profit	2,855	3,404	4,106	4,844	5,710
EPS (Rp)	69	82	99	117	138
EPS growth	48.3%	19.2%	20.6%	17.9%	17.9%
ROE	27.9%	26.5%	27.2%	28.9%	29.8%
PER (x)	42.0	35.3	29.2	24.8	21.0
Dividend yield	0.6%	0.8%	1.8%	2.2%	2.6%
Forecast change			6%	6%	6%
IPS vs. consensus			92%	91%	81%

Source: Company, Indo Premier

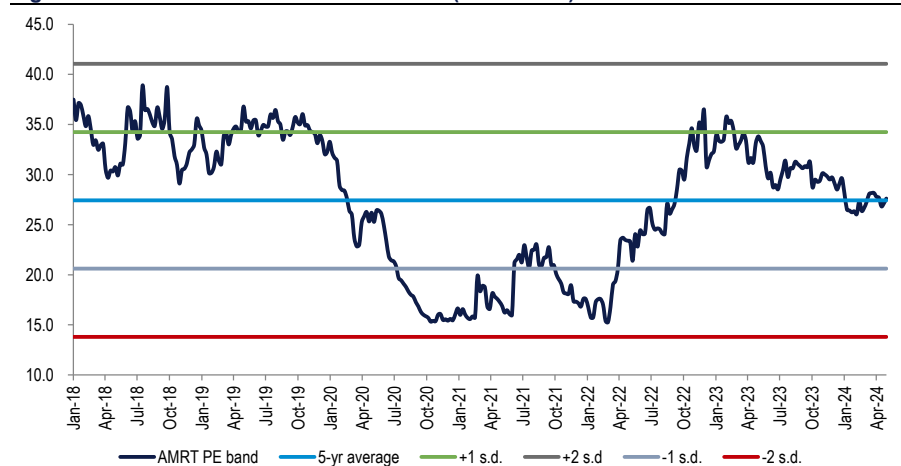
Share price closing as of: 07 May 2024

Fig. 1: AMRT forecast changes

	Previous			Current			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Key assumption									
SSSG	4.5%	5.0%	5.0%	4.2%	5.0%	5.5%	-0.3%	0.0%	0.5%
Number of store expansion	1,500	1,500	1,500	1,450	1,500	1,500	-3.3%	0.0%	0.0%
Financial Perform. (Rp bn)									
Net sales	119,639	133,632	149,603	119,863	133,889	149,891	0.2%	0.2%	0.2%
Gross profit	25,813	29,046	32,832	26,101	29,370	33,195	1.1%	1.1%	1.1%
EBIT	3,853	4,524	5,482	4,130	4,836	5,832	7.2%	6.9%	6.4%
Net profit	3,872	4,569	5,391	4,106	4,844	5,710	6.1%	6.0%	5.9%
Profitability (%)									
GPM	21.6%	21.7%	21.9%	21.8%	21.9%	22.1%	0.2%	0.2%	0.2%
EBIT margin	3.2%	3.4%	3.7%	3.4%	3.6%	3.9%	0.2%	0.2%	0.2%
Net profit margin	3.2%	3.4%	3.6%	3.4%	3.6%	3.8%	0.2%	0.2%	0.2%

Source: Bloomberg, Indo Premier

Fig. 2: AMRT is traded at 27.6x fwd. 12M PE (its 5r mean)



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	96,925	106,945	119,863	133,889	149,891
Cost of sales	(76,902)	(83,879)	(93,762)	(104,520)	(116,696)
Gross profit	20,022	23,066	26,101	29,370	33,195
SG&A Expenses	(17,225)	(19,780)	(21,970)	(24,534)	(27,363)
Operating profit	2,798	3,286	4,130	4,836	5,832
Net interest	(145)	(87)	51	70	70
Forex gain (loss)	0	0	0	0	0
Others	965	1,134	1,113	1,348	1,471
Pre-tax income	3,617	4,333	5,294	6,254	7,373
Income tax	(710)	(848)	(1,037)	(1,225)	(1,444)
Net income	2,855	3,404	4,106	4,844	5,710

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	3,819	4,075	4,839	6,341	8,513
Receivable	2,490	2,812	2,982	3,331	3,729
Inventory	9,128	10,094	10,744	11,976	13,372
Other current assets	227	346	346	346	346
Total current assets	15,664	17,326	18,910	21,993	25,959
Fixed assets	7,204	8,053	9,233	10,374	11,312
Other non-current assets	7,878	8,868	8,748	8,356	7,624
Total non-current assets	15,082	16,920	17,981	18,730	18,936
Total assets	30,746	34,246	36,892	40,723	44,895
ST loans	446	63	446	446	446
Payable	10,489	10,983	12,001	13,378	14,936
Other payables	3,519	3,582	3,969	4,425	4,940
Current portion of LT loans	354	0	0	0	0
Total current liab.	17,389	17,263	18,672	20,359	22,091
Long term loans	766	0	0	0	0
Other LT liab.	1,121	1,278	1,314	1,271	1,134
Total liabilities	19,276	18,541	19,986	21,630	23,225
Equity	415	415	415	415	415
Retained earnings	8,754	11,159	12,348	14,522	17,084
Minority interest	249	1,232	1,232	1,232	1,232
Total SHE + minority int.	11,471	15,705	16,906	19,094	21,670
Total liabilities & equity	30,746	34,246	36,892	40,723	44,895

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net income	2,855	3,404	4,106	4,844	5,710
Depr. & amortization	936	1,210	1,632	1,768	1,972
Changes in working capital	(110)	1,532	(589)	(105)	61
Others	(343)	(2,971)	1,061	925	1,152
Cash flow from operating	3,339	3,175	6,211	7,431	8,895
Capital expenditure	(1,678)	(2,059)	(2,812)	(2,909)	(2,909)
Others	(466)	(505)	(0)	0	0
Cash flow from investing	(2,144)	(2,564)	(2,812)	(2,909)	(2,909)
Loans	48	(1,119)	0	0	0
Equity	0	0	0	0	0
Dividends	780	999	2,212	2,669	3,148
Others	(1,475)	(234)	(4,141)	(5,690)	(6,961)
Cash flow from financing	(647)	(355)	(1,928)	(3,021)	(3,813)
Changes in cash	549	256	1,470	1,501	2,172

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	20.7%	21.6%	21.8%	21.9%	22.1%
Operating margin	2.9%	3.1%	3.4%	3.6%	3.9%
Pre-tax margin	3.7%	4.1%	4.4%	4.7%	4.9%
Net margin	2.9%	3.2%	3.4%	3.6%	3.8%
ROA	9.8%	10.5%	11.5%	12.5%	13.3%
ROE	27.9%	26.5%	27.2%	28.9%	29.8%
Acct. receivables TO (days)	7.4	8.1	8.1	8.1	8.1
Inventory TO (days)	42.6	41.8	41.9	41.8	41.8
Payable TO (days)	48.2	46.7	46.8	46.7	46.7
Debt to equity	10.6%	0.4%	2.6%	2.3%	2.1%
Interest coverage ratio (x)	15.3	20.2	127.6	85.2	102.7
Net gearing	-22.7%	-25.5%	-26.0%	-30.9%	-37.2%

Source: Company, Indo Premier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

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