

# Mitra Adiperkasa

**BUY** (unchanged)

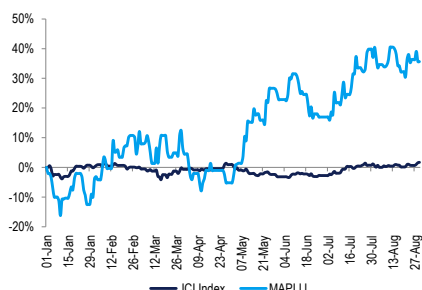
Company Update | Consumer Discretionary | MAPI IJ | 30 August 2023

## Stock Data

Target price	Rp2,270
Prior TP	Rp2,200
Current price	Rp1,960
Upside/downside	+15.8%
Shares outstanding (mn)	16,600
Market cap (Rp bn)	32,536
Free float	44%
Avg. 6m daily T/O (Rp bn)	38

## Price Performance

	3M	6M	12M
Absolute	8.6%	29.8%	100.0%
Relative to JCI	3.6%	28.0%	102.7%
52w low/high (Rp)		965 – 2,030	



## Major Shareholders

PT Satya Mulia Gema Gemilang	51.0%
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## Structural growth remains on-track with growing overseas business

- Jul and Aug (1<sup>st</sup> three weeks) indicative sales growth remained positive, driven by back to school season despite the high base last year
- 1H23 overseas business sales grew +36.0% by yoy (vs. domestic's 26.5%). Management expects 30-35% sales contribution from overseas business in the medium term (vs. 10% in 1H23)
- Reiterate Buy with slightly higher TP of Rp2,270/sh as we fine-tuned FY23/24F earnings by +4/1% on better sales growth expectation

### Positive run rates and store opening updates

We recently attended MAPI's earnings call for 2Q23 and came away with encouraging indications on July and August (first three weeks) positive sales growth due to a successful back to school season despite last year's high base. Additionally, despite the slight 1H23 outperformance, company still maintains FY23F guidance with revenue growth of +20% yoy, GPM/EBIT margin (based on net sales) of 45/10-11% with mid-high single digit SSSG. Store expansions reached 294/212 gross/net openings in 1H23 (+11.0/8.0% of FY22 store count), which is still in-line with FY23F target of 700 openings.

### Robust GPM attainment

MAPI's GPM improvement in 2Q23 to 41.7% (+55bps yoy/+126bps qoq) is a result of initiatives such as analytics and better procurement. Notably, this is also aided by MAPI's brand exclusivity agreements. Separately, we also noted less discounting pertaining to MAP's fashion segment in 2Q23.

### Growing overseas business

In 1H23, sales from overseas have grown by +36.0% yoy, primarily driven by Philippines' with +83.3% yoy growth (41.4% of overseas sales). The group allocates 25-28% of its total budgeted Rp2tr FY23F capex for overseas store expansion. Overseas business operations in the Philippines, Malaysia and Vietnam (ex-active) are already profitable, with the other overseas operations (Singapore, Thailand, Vietnam-active and Cambodia) still on-track to reach profitability. In the medium term, MAPI's overseas sales contribution can be expected to reach 30-35% of total sales (vs. 1H23's 9.7%).

### Maintain Buy as we upgrade our FY23/24F earnings by 4.0/1.2%

We upgrade our earnings forecast for FY23/24F by 4.0/1.2%, primarily from a higher SSSG and sales growth assumptions (Fig 1) as our previous sales forecast were too conservative. Given its strong competitive advantage derived from multiple brand exclusivity agreements both domestically and regionally, we reiterate our BUY call for MAPI with slightly higher TP of Rp2,270 pegged to FY23F 19x P/E (+1.0 s.d. 5Y average ex-Covid) vs. Rp2,200 previously. MAPI remains our top pick among retailers and we believe there is still room for further re-rating. Downside risks are slowing growth and weaker Rupiah.

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net Revenue	18,424	26,937	32,283	37,727	41,880
EBITDA	2,042	3,880	4,530	5,311	5,956
Core profit	438	1,732	1,984	2,361	2,734
Core EPS (Rp)	26	104	119	142	165
Core EPS growth	N/A	295.4%	14.5%	19.1%	15.8%
ROE	7.8%	24.7%	21.8%	20.9%	19.8%
PER (x)	74.3	18.8	16.4	13.8	11.9
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast change			4%	1%	0%
IPS vs. consensus			91%	94%	98%

Source: Company, Indo Premier

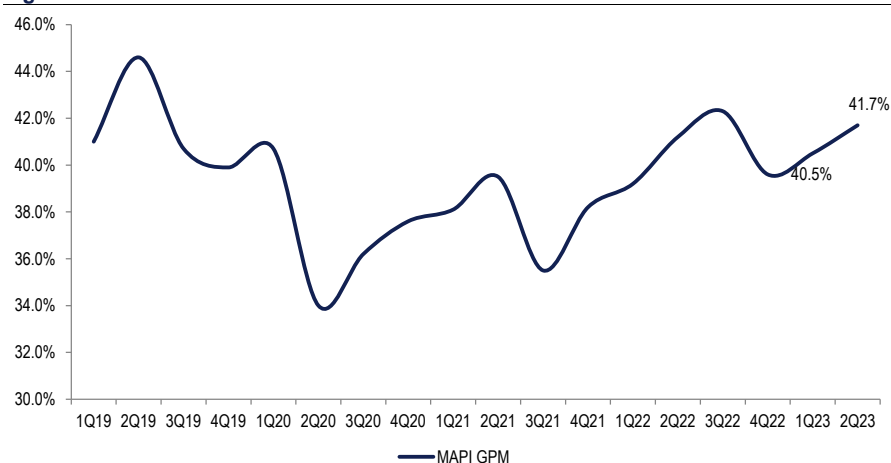
Share price closing as of: 30 Aug 2023

**Fig. 1: MAPI forecast changes**

	Previous			Current			Changes		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
<b>Financial Performance</b>									
Gross sales, Rp bn	34,566	40,393	44,839	34,884	40,766	45,254	0.9%	0.9%	0.9%
Net sales, Rp bn	31,989	37,382	41,496	32,283	37,727	41,880	0.9%	0.9%	0.9%
Gross profit, Rp bn	14,372	16,795	18,643	14,504	16,950	18,815	0.9%	0.9%	0.9%
EBIT, Rp bn	3,452	4,132	4,645	3,553	4,167	4,645	2.9%	0.8%	0.0%
EBITDA, Rp bn	4,429	5,276	5,956	4,530	5,311	5,956	2.3%	0.7%	0.0%
Net profit, Rp bn	1,933	2,334	2,734	2,009	2,361	2,734	3.9%	1.2%	0.0%
Core net profit, Rp bn	1,908	2,334	2,734	1,984	2,361	2,734	4.0%	1.2%	0.0%
Core EPS, Rp	115	141	165	119	142	165	4.0%	1.2%	0.0%
<b>Margins (%)</b>									
Gross margin	41.6%	41.6%	41.6%	41.6%	41.6%	41.6%	0.0%	0.0%	0.0%
EBIT margin	10.0%	10.2%	10.4%	10.2%	10.2%	10.3%	0.2%	0.0%	-0.1%
EBITDA margin	12.8%	13.1%	13.3%	13.0%	13.0%	13.2%	0.2%	0.0%	-0.1%
Net profit margin	5.6%	5.8%	6.1%	5.8%	5.8%	6.0%	0.2%	0.0%	-0.1%
Core net profit margin	5.5%	5.8%	6.1%	5.7%	5.8%	6.0%	0.2%	0.0%	-0.1%
<b>Growth (%)</b>									
SSSG, yoy	6.4%	5.6%	5.7%	7.3%	5.6%	5.7%			
Space growth, yoy	10.5%	4.6%	2.5%	10.5%	4.6%	2.5%			
Net sales growth, yoy	18.8%	16.9%	11.0%	19.8%	16.9%	11.0%			
EBITDA growth, yoy	14.2%	19.1%	12.9%	16.8%	17.2%	12.2%			
Net profit growth, yoy	-8.4%	20.8%	17.1%	-4.8%	17.6%	15.8%			
Core net profit growth, yoy	10.1%	22.4%	17.1%	14.5%	19.1%	15.8%			

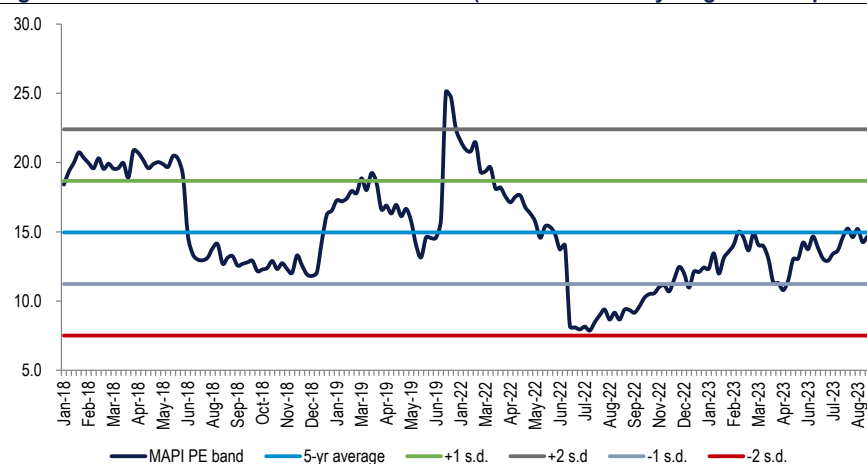
Source: Company, Indo Premier

**Fig. 2: MAPI GPM trend**



Source: Company, Indo Premier

**Fig. 3: MAPI is traded at 14.5x 12M forward P/E (-0.1 s.d. from its 5yr avg ex-covid period)**



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	18,424	26,937	32,283	37,727	41,880
Cost of sales	(10,731)	(14,908)	(17,779)	(20,777)	(23,064)
<b>Gross profit</b>	<b>7,692</b>	<b>12,029</b>	<b>14,504</b>	<b>16,950</b>	<b>18,815</b>
SG&A Expenses	(6,471)	(8,960)	(10,951)	(12,783)	(14,170)
<b>Operating profit</b>	<b>1,222</b>	<b>3,070</b>	<b>3,553</b>	<b>4,167</b>	<b>4,645</b>
Net interest	(439)	(421)	(380)	(369)	(504)
Forex gain (loss)	(1)	(14)	0	0	0
Others	(106)	538	78	47	47
<b>Pre-tax income</b>	<b>675</b>	<b>3,173</b>	<b>3,251</b>	<b>3,844</b>	<b>4,187</b>
Income tax	(208)	(667)	(684)	(809)	(881)
Minority interest	(48)	(396)	(559)	(674)	(573)
<b>Net income</b>	<b>420</b>	<b>2,110</b>	<b>2,009</b>	<b>2,361</b>	<b>2,734</b>
<b>Core income</b>	<b>438</b>	<b>1,732</b>	<b>1,984</b>	<b>2,361</b>	<b>2,734</b>

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	2,778	3,851	6,225	8,236	10,711
Receivable	404	689	825	964	1,070
Inventory	3,731	4,699	5,027	5,875	6,521
Other current assets	1,299	1,498	1,417	1,656	1,839
<b>Total current assets</b>	<b>8,214</b>	<b>10,737</b>	<b>13,494</b>	<b>16,731</b>	<b>20,141</b>
Fixed assets	3,034	3,290	4,406	5,262	5,952
Other non-current assets	0	0	0	0	0
<b>Total non-current assets</b>	<b>8,554</b>	<b>10,231</b>	<b>11,824</b>	<b>13,131</b>	<b>14,084</b>
<b>Total assets</b>	<b>16,768</b>	<b>20,968</b>	<b>25,318</b>	<b>29,862</b>	<b>34,225</b>
ST loans	1,142	601	601	601	601
Payable	1,757	2,386	2,845	3,325	3,691
Other payables	764	923	1,461	1,708	1,896
Current portion of LT loans	3	4	0	0	0
<b>Total current liab.</b>	<b>6,661</b>	<b>7,564</b>	<b>9,087</b>	<b>10,351</b>	<b>11,282</b>
Long term loans	0	0	0	0	0
Other LT liab.	2,957	3,677	3,936	4,180	4,305
<b>Total liabilities</b>	<b>9,618</b>	<b>11,240</b>	<b>13,023</b>	<b>14,531</b>	<b>15,587</b>
Equity	2,535	2,590	2,590	2,590	2,590
Retained earnings	3,398	5,508	7,516	9,878	12,612
Minority interest	1,217	1,630	2,189	2,863	3,436
<b>Total SHE + minority int.</b>	<b>7,150</b>	<b>9,728</b>	<b>12,295</b>	<b>15,331</b>	<b>18,638</b>
<b>Total liabilities &amp; equity</b>	<b>16,768</b>	<b>20,968</b>	<b>25,318</b>	<b>29,862</b>	<b>34,225</b>

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Profit before tax	675	3,173	3,251	3,844	4,187
Depr. & amortization	665	373	1,401	1,144	1,311
Changes in working capital	785	(461)	689	(92)	(70)
Others	(208)	(667)	(684)	(809)	(881)
<b>Cash flow from operating</b>	<b>1,918</b>	<b>2,418</b>	<b>4,658</b>	<b>4,088</b>	<b>4,547</b>
Capital expenditure	(335)	(629)	(2,517)	(2,000)	(2,000)
Others	(155)	(183)	237	(77)	(72)
<b>Cash flow from investing</b>	<b>(490)</b>	<b>(812)</b>	<b>(2,280)</b>	<b>(2,077)</b>	<b>(2,072)</b>
Loans	(1,735)	(535)	(4)	0	0
Equity	508	0	0	0	0
Dividends	0	0	0	0	0
Others	(417)	56	0	0	0
<b>Cash flow from financing</b>	<b>(1,644)</b>	<b>(479)</b>	<b>(4)</b>	<b>0</b>	<b>0</b>
<b>Changes in cash</b>	<b>(216)</b>	<b>1,127</b>	<b>2,374</b>	<b>2,011</b>	<b>2,475</b>

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	38.1%	40.6%	41.6%	41.6%	41.6%
Operating margin	6.0%	10.4%	10.2%	10.2%	10.3%
Pre-tax margin	3.3%	10.7%	9.3%	9.4%	9.3%
Net margin	2.1%	7.1%	5.8%	5.8%	6.0%
ROA	2.4%	11.2%	8.7%	8.6%	8.5%
ROE	7.8%	24.7%	21.8%	20.9%	19.8%
Acct. receivables TO (days)	50.5	73.8	88.4	103.4	114.7
Inventory TO (days)	126.6	103.2	103.2	103.2	103.2
Payable TO (days)	57.0	55.0	55.0	55.0	55.0
Debt to equity	19.3%	7.5%	5.9%	4.8%	4.0%
Interest coverage ratio (x)	2.4	6.4	7.7	8.5	9.2
Net gearing	-27.5%	-40.1%	-55.7%	-61.2%	-66.5%

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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