

Matahari Department Store

BUY (unchanged)

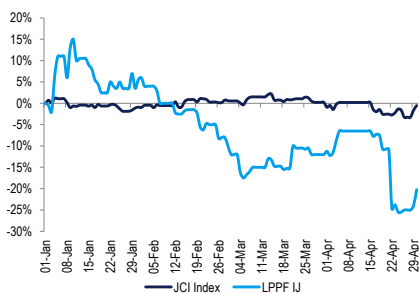
Company Update | Consumer Discretionary | LPPF IJ | 30 April 2024

Stock Data

Target price	Rp2,750
Prior TP	Rp2,750
Current price	Rp1,595
Upside/downside	+72%
Shares outstanding (mn)	2,260
Market cap (Rp bn)	3,605
Free float	41%
Avg. 6m daily T/O (Rp bn)	6

Price Performance

	3M	6M	12M
Absolute	-25.5%	-20.3%	-61.0%
vs. JCI	-26.5%	-27.6%	-66.4%
52w low/high (Rp)	1,490 – 4,200		



Major Shareholders

Auric Digital Retail Pte Ltd	42.5%
PT Multipolar Tbk	9.3%

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1Q24: profit beat on seasonality shift; but Lebaran came below expectation

- LPPF posted 1Q24 net profit of Rp326bn (+222% yoy), coming above our/consensus estimates at 40/41% amidst earlier Lebaran.
- Overall Lebaran festive performance was below expectations at -2.4% SSSG, albeit with healthier inventory levels post Eid (-23% yoy).
- Maintain BUY with lower TP of Rp2,750 as most of the negatives has been priced in with 12M share price drop of -66%.

1Q24 results: beat amidst earlier Lebaran

LPPF booked 1Q24 net profit of Rp326bn (+222% yoy) and this came above at 41/40% of our/consensus FY24F estimate (vs. 5yr average of 7%). Gross sales grew by 37% yoy to Rp3.7tr mainly driven by 1Q24 SSSG of 34%. Sales notably picked up toward the end of March post the disbursement of festive allowance (THR). Stripping aside the seasonality shift, Jan-Feb24 SSSG was at 0.7% and the Lebaran festive SSSG was actually -2.4%, below management's expectations.

Inventory clearance led to lower 1Q24 GPM but better during Lebaran

Inventory clearance activities during the beginning of the year led to 1Q24's GPM of 34.9% (-68bps yoy), but this led to an overall healthier GPM of 35.9% during Lebaran (c.20bps yoy). Additionally, inventory levels also ended healthier at -23% lower yoy post Eid festives. Overall opex grew +3.6% yoy, and operating leverage led to EBIT margin expansion to 13% vs. 1Q23's 7%.

Mid-low tier mall traffic and occupancy dampening LPPF's recovery

Management shared that mid-low tier malls foot traffic and occupancy has translated negatively for LPPF. Notably, middle/lower tier malls' occupancy rate in Greater Jakarta ranged at c.70/50% in 1Q24 with no indicative signs of improvement, yet. This was a key factor behind LPPF's plan to close 10 stores (8 of which have been confirmed) and 29 stores under watch list.

Execution risk on management's transformative initiatives

LPPF's turnaround hinges on management's initiatives to renew focus on private label brands (as key differentiating factor from other retailers); offer store-based consignment merchandise on omni-channel platform, and address the underperforming stores which includes store closure and downsizing. Management clarified store closures shall not lead to inventory write-offs as unsold inventory for closed stores will be transferred to other stores.

Maintain Buy at unchanged TP of Rp2,750

Despite the Lebaran underperformance, we view that LPPF's share price retracement of -66% in 12M has mostly priced in the negatives. We maintain BUY with unchanged TP of Rp2,750 based on 7.8x FY24F PE (-1.s.d from its 5yr avg).

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net Revenue	6,455	6,539	7,081	7,947	8,882
EBITDA	1,795	1,445	1,541	1,718	1,876
Net Profit	1,383	675	800	960	1,090
EPS growth	63.4%	-48.9%	18.4%	20.1%	13.5%
ROE	174.4%	217.6%	373.1%	143.7%	87.0%
PER (x)	2.7	5.3	4.5	3.8	3.3
Dividend Yield	15.8%	16.5%	12.6%	10.7%	11.7%
IPS/consensus			99%	111%	106%

Sources: Company, Indo Premier

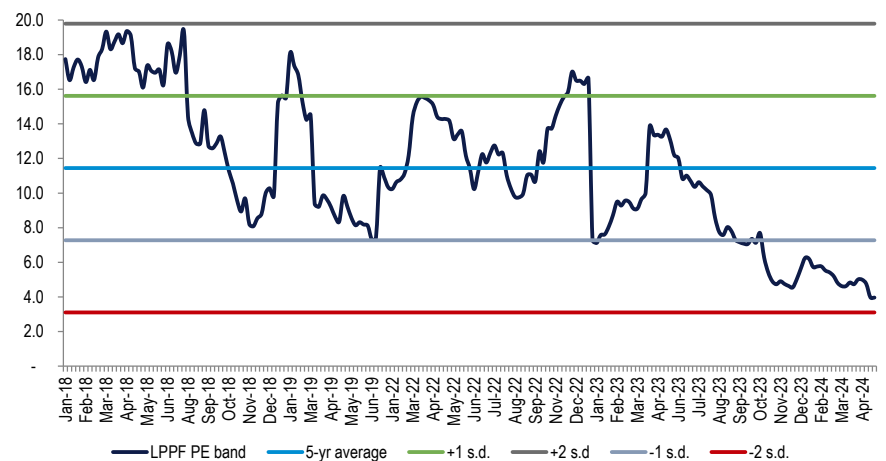
Share Price Closing as of: 30 April 2024

Fig. 1: LPPF 1Q24 result summary

(Rp bn)	1Q24	1Q23	% YoY	4Q23	%QoQ	IPS FY24F	% IPS	Cons FY24F	% Cons	5yr avg
Gross sales	3,719	2,739	35.8%	2,977	24.9%					
Net sales	1,973	1,443	36.7%	1,559	26.6%	7,081	28%	6,590	30%	23%
COGS	(683)	(474)		(579)						
Gross profit	1,290	969	33.2%	980	31.7%					
Opex	(805)	(776)		(777)						
EBIT	486	193	152.2%	203	139.7%	1,300	37%	1,275	38%	7%
Other income (charges)	(76)	(64)		(146)						
PBT	410	128	219.9%	57	618.7%					
Tax benefit (expense)	(84)	(27)		(12)						
Net profit	326	101	221.9%	45	626.9%	800	41%	806	40%	7%
Margins (%) - based on gross sales										
Gross margin	34.7%	35.4%		32.9%						
EBIT margin	13.1%	7.0%		6.8%						
EBITDA margin	14.4%	8.9%		9.1%						
Net profit margin	8.8%	3.7%		1.5%						

Source: Company, Indo Premier

Fig. 2: LPPF is traded at 4.0x fwd. 12M PE (-1.8 s.d. from its 5yr ex-Covid period avg)



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	6,455	6,539	7,081	7,947	8,882
Cost of sales	(2,053)	(2,225)	(2,381)	(2,673)	(2,987)
Gross profit	4,401	4,313	4,699	5,274	5,894
SG&A Expenses	(2,809)	(3,109)	(3,399)	(3,805)	(4,267)
Operating profit	1,592	1,204	1,300	1,470	1,628
Net interest	(211)	(345)	(310)	(286)	(288)
Forex gain (loss)	0	0	0	0	0
Others	256	(28)	(28)	(28)	(28)
Pre-tax income	1,637	831	962	1,155	1,311
Income tax	(254)	(155)	(162)	(195)	(221)
Minority interest	0	0	0	0	0
Net income	1,383	675	800	960	1,090

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	354	508	509	1,215	2,030
Receivable	64	60	68	76	85
Inventory	896	793	857	962	1,075
Other current assets	131	88	85	85	85
Total current assets	1,446	1,448	1,519	2,338	3,275
Fixed assets	686	705	1,064	1,309	1,516
Goodwill	0	0	0	0	0
Total non-current assets	4,304	4,432	4,988	5,434	5,845
Total assets	5,750	5,880	6,507	7,772	9,120
ST loans	0	0	0	0	0
Payable	1,210	1,227	1,477	1,658	1,853
Other payables	98	140	0	0	0
Current portion of LT loans	0	0	0	0	0
Total current liab.	2,356	2,953	2,636	2,867	3,114
Long term loans	0	0	0	0	0
Other LT liab.	343	368	368	368	368
Total liabilities	5,170	5,850	5,708	6,115	6,537
Equity	254	244	244	244	244
Retained earnings	4,410	3,433	3,780	4,340	4,950
Minority interest	0	0	0	0	0
Total SHE + minority int.	580	41	388	949	1,558
Total liabilities & equity	5,750	5,890	6,096	7,063	8,095

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
EBIT	1,592	1,204	1,300	1,470	1,628
Depr. & amortization	202	241	241	248	248
Changes in working capital	97	227	127	82	89
Others	(198)	(239)	(193)	(183)	(193)
Cash flow from operating	1,694	1,433	1,476	1,617	1,771
Capital expenditure	(222)	(392)	(458)	(493)	(455)
Others	327	(137)	(226)	(229)	(233)
Cash flow from investing	106	(529)	(684)	(722)	(688)
Loans	0	0	0	0	0
Equity	(269)	372	0	0	0
Dividends	(596)	(596)	(452)	(400)	(480)
Others	(12)	604	(339)	211	211
Cash flow from financing	(878)	379	(791)	(188)	(269)
Changes in cash	922	1,283	1	707	814

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	68.2%	66.0%	66.4%	66.4%	66.4%
Operating margin	24.7%	18.4%	18.4%	18.5%	18.3%
Pre-tax margin	25.4%	12.7%	13.6%	14.5%	14.8%
Net margin	21.4%	10.3%	11.3%	12.1%	12.3%
ROA	23.8%	11.6%	12.9%	13.5%	12.9%
ROE	174.4%	217.6%	373.1%	143.7%	87.0%
Acct. receivables TO (days)	2.1	1.8	1.8	1.8	1.8
Inventory TO (days)	41.1	35.1	35.1	35.1	35.1
Payable TO (days)	60.1	60.5	60.5	60.5	60.5
Debt to equity	N/A	N/A	N/A	N/A	N/A
Interest coverage ratio (x)	(32.9)	13.4	30.9	N/A	N/A
Net gearing	-61.1%	104.1%	-131.1%	-128.1%	-130.2%

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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