

Sumber Alfaria Trijaya

BUY (unchanged)

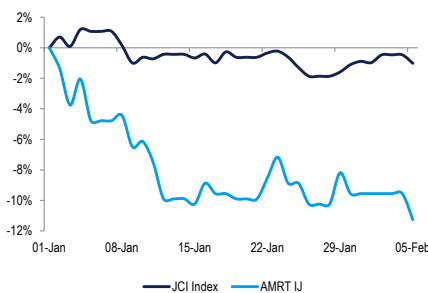
Company Update | Consumer Discretionary | AMRT IJ | 06 February 2024

Stock Data

Target price	Rp2,960
Prior TP	Rp3,300
Current price	Rp2,600
Upside/downside	+14%
Shares outstanding (mn)	41,525
Market cap (Rp bn)	107,964
Free float	40%
Avg. 6m daily T/O (Rp bn)	78

Price Performance

	3M	6M	12M
Absolute	-10.3%	-7.8%	-13.0%
Relative to JCI	-16.4%	-12.8%	-17.2%
52w low/high (Rp)	2,580 - 3,070		



Major Shareholders

PT Sigmantara Alfindo	53.2%
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Managing earnings expectation from lower SSSG assumption; maintain Buy

- We adjust FY23/24F earnings by -4/-5% from lower SSSG expectation amid minimal price adjustment from FMCG players.
- We view Indomaret's aggressive promotion as a temporary headwind for AMRT. Separately, FY24F benign minimum wage hike is a boon.
- We continue to believe in AMRT's structural growth story and its growing market share in FMCG retail. Maintain BUY with lower TP of Rp2,960

FY23/24F earnings downgrade from benign SSSG expectation

We downgrade AMRT's FY23/24F earnings by -3.9/-5.4% with lower Alfamart SSSG realization/expectation in FY23A/24F of 4.3/4.5% (-170/-50bps from previously). Our lower SSSG assumption stems from the view that price adjustment driver in FY24F SSSG is also likely to remain soft given that most FMCG companies do not plan to raise prices amidst the soft spending power and manageable cost inputs, whilst volume growth is marginal at low single digit. Notably, our FY23/24F earnings forecasts are lower than consensus estimates by -5/-8% respectively.

Temporary headwinds from Indomaret's aggressive promotion

As discussed during AMRT's year-end update, Indomaret has initiated an aggressive cash back program (15% cashback up to Rp9k for subsequent minimum purchase of Rp60k). This program has been re-extended twice since Dec23 and now continues until 29th Feb24, despite the initial view that it is financially unsustainable for Indomaret. Note that this is on top of the joint promotions done by Indomaret with FMCG supplier principals. Consequently, we view this may also pressure AMRT's SSSG temporarily. On the other hand, Alfamart has responded with "Triple Untung" promotion for purchases of Rp50/75/150k (allowing for discount purchases) (Fig. 6), by collaborating with product principals – the cost of which is mostly borne by principals.

Maintain BUY with lower TP of Rp2,960

In sum, we are still positive on AMRT's structural growth story and its rising market share (Fig. 7) in the FMCG retail and expect 20% yoy earnings growth in FY24F – which justifies its premium FY24F valuation multiple of 28.1x. FY24F revenue growth of +12.0% shall be driven by store expansion and SSSG, along with the ramp up of maturing stores; while earnings growth is supported by GPM expansion, EBIT margin expansion (from benign wage hike) and interest expense saving (MIDI). As such, we maintain our BUY rating for AMRT with lower TP of Rp2,960, based on 32.0x FY24F P/E (+0.5s.d. from its 5yr mean). Risk is prolonged aggressive promo from Indomaret and soft spending power.

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	84,904	96,925	107,208	120,098	134,565
EBITDA	4,963	6,063	6,789	7,869	9,117
Net profit	1,925	2,855	3,203	3,845	4,590
EPS (Rp)	46	69	77	93	111
EPS growth	81.4%	48.3%	12.2%	20.0%	19.4%
ROE	23.1%	27.9%	26.9%	27.7%	27.5%
PER (x)	56.1	37.8	33.7	28.1	23.5
Dividend yield	0.4%	0.7%	1.1%	1.2%	1.4%
Forecast change			-4%	-5%	-7%
IPS vs. consensus			95%	92%	93%

Source: Company, Indo Premier

Share price closing as of: 05 February 2024

Fig. 1: AMRT forecast changes

	Previous			Current			Changes		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Key assumption									
SSSG	6.00%	5.00%	5.00%	4.3%	4.5%	5.0%	-1.7%	-0.5%	0.0%
Number of store expansion	1,500	1,500	1,500	1,500	1,500	1,500	0.0%	0.0%	0.0%
Financial Perform. (Rp bn)									
Net sales	110,776	124,592	139,473	107,208	120,098	134,565	-3.2%	-3.6%	-3.5%
Gross profit	23,521	26,721	30,211	22,758	25,688	29,067	-3.2%	-3.9%	-3.8%
EBIT	3,291	4,119	5,093	3,018	3,747	4,597	-8.3%	-9.0%	-9.7%
Net profit	3,334	4,062	4,939	3,203	3,845	4,590	-3.9%	-5.4%	-7.1%
EPS (Rp)	80	98	119	77	93	111	-3.9%	-5.4%	-7.1%
Profitability (%)									
GPM	21.2%	21.4%	21.7%	21.2%	21.4%	21.6%	0.00%	-0.06%	-0.06%
EBIT margin	3.0%	3.3%	3.7%	2.8%	3.1%	3.4%	-0.16%	-0.19%	-0.24%
Net profit margin	3.0%	3.3%	3.5%	3.0%	3.2%	3.4%	-0.02%	-0.06%	-0.13%
Fee based income	690	738	789	690	738	789	0.0%	0.0%	0.0%

Source: Indo Premier

4Q23F preview: Expect normalization in salary expenses

Our FY23/24F NPATMI forecasts are lower than consensus estimates by -5/-8% respectively. We view that the difference may arise from the 4Q22 one-off qoq salary reduction of Rp401bn (Fig 3) which consensus may have extrapolated. The trend in salary reduction in 4Q22 was quite uniform across other retailers such as ACES, LPPF although with varying degree of absolute nominal – and the tone is that it is one-off in nature.

Our 4Q23F preview for AMRT indicates a decline in earnings of -8.2% yoy (Fig 2) due to the normalization of salary expenses. Factoring in 4Q23's SSSG attainment of 4.3% (for Alfamart only) and store expansion of 1,348 stores (+6.7% yoy), we expect 4Q23F top line to grow c.9.7% yoy. Gross profit margin has historically strengthened qoq in fourth quarter (+46bps average 5 years) and we factor in c.70bps of qoq GPM improvement in 4Q23 at 20.9% - given aggressive expansion in Lawson store format, which carries higher GPM.

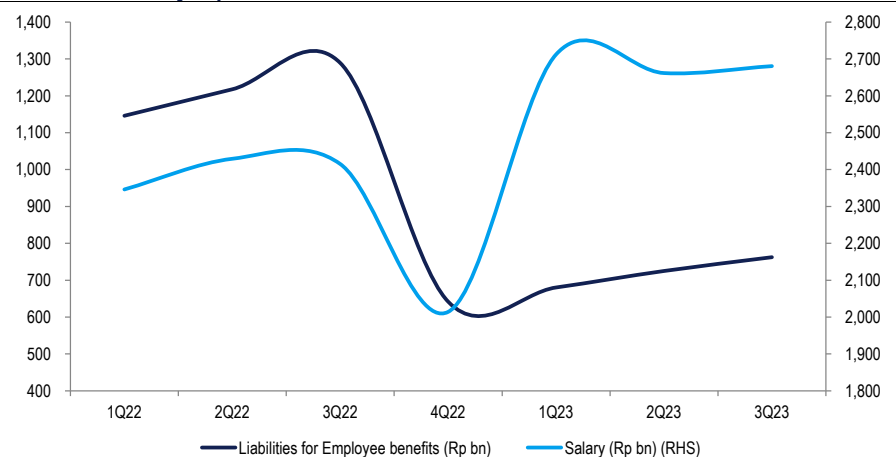
Nonetheless, opex is likely to normalize in 4Q23F (+c.21% yoy) given 4Q22's one-off salary reduction will not be present. Other notable details in 4Q23F include the qoq normalization of other income as 3Q23 includes MIDI's R&D income from Mitsubshi Corporation which may not recur in 4Q23F. Following MIDI's rights issue in Jul23 which AMRT did not participate, we also expect a higher minority interest to arise in 4Q23F.

Fig. 2: AMRT 4Q23F Preview

(Rp bn)	4Q23F	4Q22	% YoY	3Q23	% QoQ	12M23F	12M22	% YoY
Net sales	27,183	24,786	9.7%	26,191	3.8%	107,208	96,925	10.6%
COGS	(21,322)	(19,578)	8.9%	(20,729)	2.9%	(84,450)	(76,902)	9.8%
Gross profit	5,861	5,207	12.6%	5,461	7.3%	22,758	20,022	13.7%
Opex	(4,864)	(4,023)	20.9%	(5,027)	-3.2%	(19,740)	(17,225)	14.6%
EBIT	997	1,185	-15.8%	435	129.3%	3,018	2,798	7.9%
Other income (charges)	335	205	63.4%	321	4.2%	1,116	820	36.1%
PBT	1,332	1,390	-4.2%	756	76.1%	4,134	3,617	14.3%
Tax benefit (expense)	(264)	(275)	-3.9%	(148)	78.0%	(811)	(710)	14.3%
NPATMI	1,013	1,104	-8.2%	578	75.4%	3,203	2,855	12.2%
Margin (%)								
Gross margin	21.6%	21.0%		20.9%		21.2%	20.7%	
EBIT margin	3.7%	4.8%		1.7%		2.8%	2.9%	
Net profit margin	3.7%	4.5%		2.2%		3.0%	2.9%	

Source: Company, Indo Premier

Fig. 3: 4Q22 AMRT' liabilities for employee benefits restatement led to a likely one-off reduction in Salary expenses

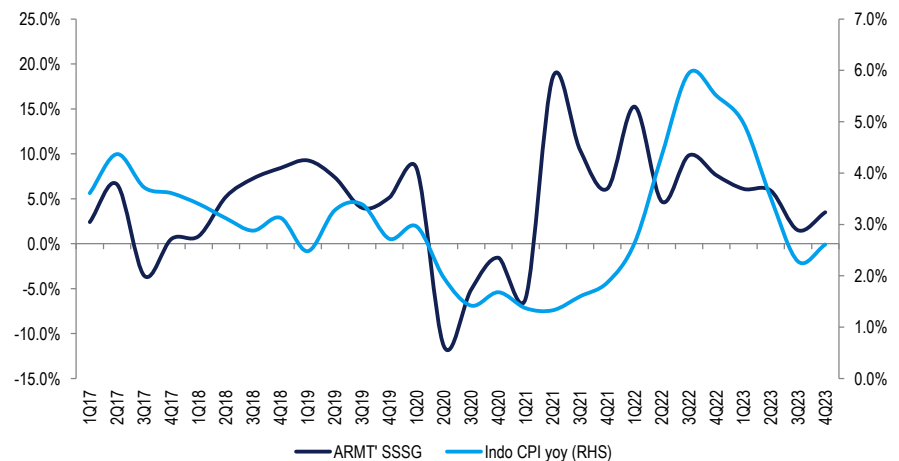


Source: Bloomberg, Indo Premier

AMRT's historical SSSG correlation with CPI

We view that SSSG historically is driven by price increase over volume growth, especially for mature stores. We see a somewhat positive correlation between SSSG and CPI, as shown in Fig 4. On the other hand, volume growth is generally more applicable for newly opened stores during its ramp-up period initially, but less so for mature stores as target catchment area remains fixed. This view helps to underpin our slightly lower SSSG expectation in FY24F as pricing adjustment expectations remain muted, similar with FY23.

Fig. 4: AMRT' SSSG compared with CPI

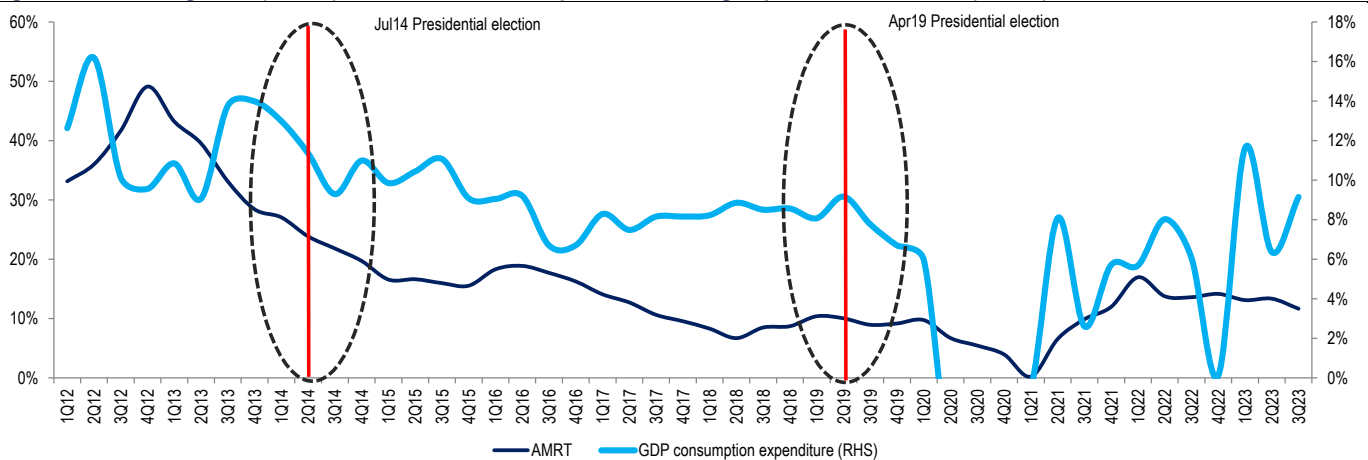


Source: Bloomberg, Indo Premier

AMRT's historical revenue has little correlation with election spending

In light of the on-going election spending, AMRT's historical revenue has weak correlation with pre-election/election year's spending as evidenced in Fig 5. Hence, we do not see AMRT benefitting from the on-going election spending significantly.

Fig. 5: AMRT sales growth (MA 4Q) vs. GDP consumer expenditure leading to presidential election (MA 4Q)



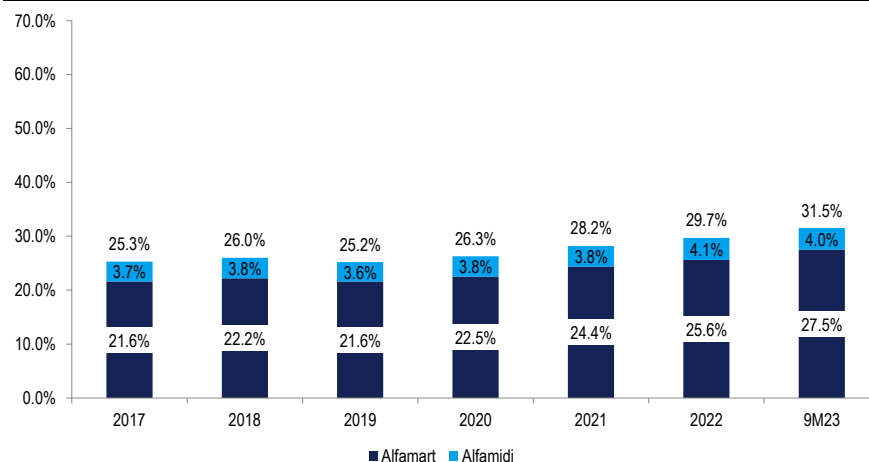
Source: CEIC, Company, Indo Premier

Fig. 6: Alfamart' "Triple Untung" promotion in 1-15Feb24



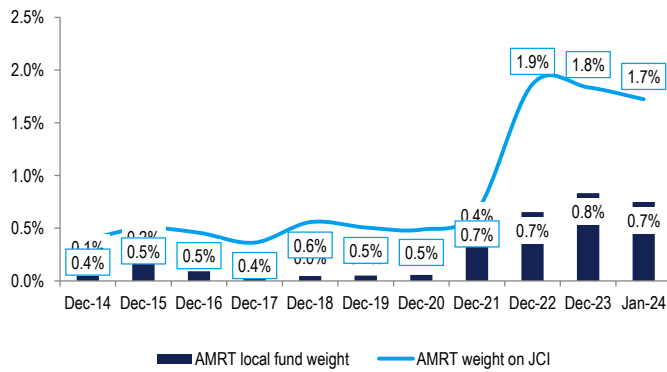
Source: Company, Indo Premier

Fig. 7: AMRT group market share to MT in Indonesia



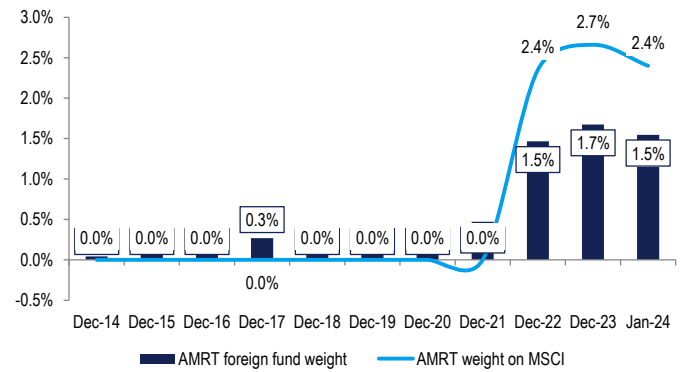
Source: Company, Indo Premier

Fig. 8: AMRT' local fund weight vs. JCI



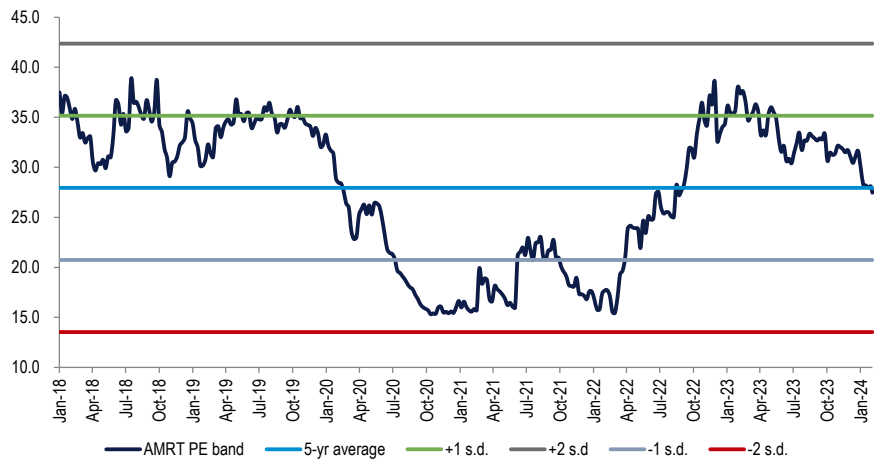
Source: Company, Indo Premier

Fig. 9: AMRT' foreign fund weight vs. MSCI



Source: Company, Indo Premier

Fig. 10: AMRT is traded at 30.4x fwd. 12M PE (+0.2 s.d of its 5Y mean)



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	84,904	96,925	107,208	120,098	134,565
Cost of sales	(67,330)	(76,902)	(84,450)	(94,409)	(105,498)
Gross profit	17,575	20,022	22,758	25,688	29,067
SG&A Expenses	(15,753)	(17,225)	(19,740)	(21,941)	(24,470)
Operating profit	1,822	2,798	3,018	3,747	4,597
Net interest	(261)	(145)	(57)	27	70
Forex gain (loss)	0	0	0	0	0
Others	880	965	1,173	1,197	1,275
Pre-tax income	2,442	3,617	4,134	4,971	5,942
Income tax	(478)	(710)	(811)	(975)	(1,166)
Net income	1,925	2,855	3,203	3,845	4,590

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	3,270	3,819	1,930	3,704	6,293
Receivable	2,027	2,490	2,710	3,036	3,402
Inventory	8,755	9,128	9,819	10,978	12,267
Other current assets	160	227	227	227	227
Total current assets	14,212	15,664	14,687	17,946	22,190
Fixed assets	6,463	7,204	8,945	10,209	11,335
Other non-current assets	6,696	7,878	8,047	8,039	7,770
Total non-current assets	13,158	15,082	16,992	18,248	19,105
Total assets	27,370	30,746	31,679	36,194	41,294
ST loans	779	446	446	446	446
Payable	9,754	10,489	11,115	12,425	13,885
Other payables	3,455	3,519	3,830	4,281	4,784
Current portion of LT loans	465	354	0	0	0
Total current liab.	16,376	17,389	17,634	19,490	21,467
Long term loans	607	766	0	0	0
Other LT liab.	960	1,121	1,211	1,295	1,356
Total liabilities	17,942	19,276	18,845	20,786	22,823
Equity	415	415	415	415	415
Retained earnings	6,679	8,754	10,111	12,674	15,726
Minority interest	204	249	249	249	249
Total SHE + minority int.	9,428	11,471	12,835	15,408	18,471
Total liabilities & equity	27,370	30,746	31,679	36,194	41,294

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net income	1,925	2,855	3,203	3,845	4,590
Depr. & amortization	727	936	1,559	1,736	1,875
Changes in working capital	211	(110)	667	(373)	(322)
Others	(305)	(343)	(1,140)	842	1,102
Cash flow from operating	2,558	3,339	4,289	6,050	7,245
Capital expenditure	(1,098)	(1,678)	(3,300)	(3,000)	(3,000)
Others	(77)	(466)	0	0	0
Cash flow from investing	(1,175)	(2,144)	(3,300)	(3,000)	(3,000)
Loans	(1,169)	48	(1,119)	0	0
Equity	0	0	0	0	0
Dividends	386	780	1,142	1,281	1,538
Others	(1,914)	(1,475)	(2,195)	(2,557)	(3,194)
Cash flow from financing	(2,697)	(647)	(2,173)	(1,275)	(1,656)
Changes in cash	(1,313)	549	(1,184)	1,774	2,589

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	20.7%	20.7%	21.2%	21.4%	21.6%
Operating margin	2.1%	2.9%	2.8%	3.1%	3.4%
Pre-tax margin	2.9%	3.7%	3.9%	4.1%	4.4%
Net margin	2.3%	2.9%	3.0%	3.2%	3.4%
ROA	7.2%	9.8%	10.3%	11.3%	11.8%
ROE	23.1%	27.9%	26.9%	27.7%	27.5%
Acct. receivables TO (days)	7.6	7.4	8.1	8.1	8.1
Inventory TO (days)	44.6	42.6	42.4	42.6	42.4
Payable TO (days)	50.6	48.2	48.0	48.2	48.0
Debt to equity	14.7%	10.6%	3.5%	2.9%	2.4%
Interest coverage ratio (x)	5.7	15.3	25.6	66.0	81.0
Net gearing	-20.0%	-22.7%	-11.6%	-21.1%	-31.7%

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

ANALYSTS CERTIFICATION

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