

Mitra Adiperkasa

HOLD (downgrade)

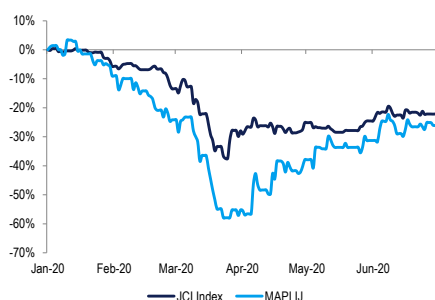
Company Update | Consumer Discretionary | MAPI IJ | 30 June 2020

Stock Data

Target price	Rp850
Prior TP	Rp850
Current price	Rp780
Upside/downside	+9%
Shares outstanding (mn)	16,600
Market cap (Rp bn)	12,948
Free float	49%
Avg. 6m daily T/O (Rp bn)	15

Price Performance

	3M	6M	12M
Absolute	72.6%	-26.1%	-13.3%
Relative to JCI	61.4%	-3.9%	9.8%
52w low/high	444 – 1,150		



Major Shareholders

PT Satya Mulia Gema Gemilang	51%
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Kevie Aditya

PT Indo Premier Sekuritas
kevie.aditya@ipc.co.id
+62.21 5088 7168 ext. 717

Elbert Setiadharmas

PT Indo Premier Sekuritas
elbert.setiadharmas@ipc.co.id
+62.21 5088 7168 ext. 718

1Q20 results: surprising weak SSSG

- 1Q20 results were below expectations; net profit fell 94% yoy on the back of -8% SSSG, 130bps GPM decline, and impact from PSAK 73.
- While its solid brand portfolio and mid-upper target market will allow faster SSSG recovery, GPM will take a big hit as discounts intensify.
- While the worst is likely priced in, there is lack of near-term catalyst. We maintain our Rp850 TP but downgrade our call to Hold.

1Q20 was below expectation amid weak SSSG and margin

MAPI's net profit fell by 94% yoy to Rp8bn, on the back of a very weak SSSG (-8%) due to Covid-19, as well as the impact of PSAK 73 (adoption of IFRS 16). According to the company, if we ignore the impact of PSAK 73, MAPI recorded EBIT of Rp114bn (-60% yoy) and net profit of Rp57bn (-58% yoy), below our and consensus' estimates at 8/9%. 1Q20 GPM also fell by 130bps yoy to 45.6%, which may worsen in the following quarters.

Strong brand equity may allow MAPI to recover faster than expected

As large-scale social distancing (PSBB) was lifted across Indonesia, almost all of MAPI's stores have re-opened. After Jakarta malls re-opening, 30-40% of its capacity was filled (out of 50% allowed capacity). Our channel check during weekends suggest mid- up malls (i.e. Senayan City) tends to do better compared to high-end malls (i.e. Plaza Senayan, Pacific Place) as people flock to well-renowned brands with promotion, i.e. Zara and Starbucks. Equipped with those renowned brands along with strong online capability, we expect SSSG to start normalize possibly starting in 4Q20.

Cost efficiency is still going strong; GPM is our major concern

MAPI is positive that they will be able to negotiate better rental discounts despite re-openings (most rentals were waived during store closures). Covid-19 has caused many smaller retailers to cease operations, hence malls' tenancy ratio is likely to drop, giving anchor retailers like MAPI better bargaining position. Nonetheless, expect GPM to bottom in 2Q20 amidst major discounts in Apr/May to attract customers to shop online. In sum, we now pencil in a 250bps GPM decline in FY20F to 45.0% (previously 150bps GPM decline).

A year to forget

While MAPI may recover faster than most mid-lower retailers, the impact of Covid-19 will severely erode its SSSG and earnings in FY20F. We cut our FY20F SSSG estimates to -20% (from -8%) and earnings estimates by -22% to Rp624bn, now implying -42% yoy decline – still better than sector's -49% yoy decline. While the worst is likely priced in, there is lack of near-term catalyst. We maintain our SOTP-based TP of Rp850 but downgrade our call to Hold. Our TP implies 22.6/11.9x 2020/21F P/E.

Financial Summary (Rp bn)	2018A	2019A	2020F	2021F	2022F
Revenue	18,921	21,579	18,762	24,447	28,399
EBITDA	2,266	2,757	2,109	3,055	3,924
Net profit	736	933	584	1,189	1,787
EPS (Rp)	44	56	35	72	108
ROE	14.3%	13.9%	7.6%	13.5%	16.8%
PER (x)	17.6	13.9	22.2	10.9	7.2
EV/EBITDA (x)	6.3	4.7	5.5	3.4	2.2
Dividend yield	0.4%	1.0%	1.2%	0.8%	1.5%
Forecast change			-22.3%	+2.8%	+16.0%
IPS vs. consensus			97%	128%	150%

Source: Company, Indo Premier

Share price closing as of: 30 June 2020

Fig. 1: MAPI 1Q20 result summary

	1Q20	1Q19	yoy, % chg	4Q19	qoq, % chg	Prev. FY20F	Comment
Net sales	4,708	4,680	0.6%	6,169	-23.7%	21,664	In line at 22%/24% of ours and consensus' (3Y average of 22%)
COGS	(2,559)	(2,483)		(3,322)			
Gross profit	2,149	2,197	-2.2%	2,846	-24.5%		
Opex	(1,988)	(1,910)		(2,258)			
EBIT	161	287	-43.8%	589	-72.6%	1,465	Below ours at 11%, but in line consensus' at 17% (3Y average of 16%)
Other income (charges)	(159)	(69)		(63)			
PBT	2	218	-99.1%	526	-99.6%		
Tax benefit (expense)	25	(51)		(176)			
Minorities	19	28		60			
Net profit	8	138	-94.2%	291	-97.2%		
Core profit	29	165	-82.2%	530	-94.5%	763	Below at 4%/5% of ours and consensus' (3Y average of 16%)
Margin (%)							
Gross margin	45.6%	46.9%		46.1%			
EBIT margin	3.4%	6.1%		9.5%			
Net margin	0.2%	3.0%		4.7%			
Core profit margin	0.6%	3.5%		8.6%			

Source: Company, Indo Premier

Fig. 2: Forecast changes

	Previous			Current			Changes		
	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F
Financial Performance									
Net sales, Rp bn	21,664	26,080	30,245	18,762	24,447	28,399	-13.4%	-6.3%	-6.1%
Gross profit, Rp bn	10,080	12,265	14,315	8,448	11,253	13,356	-16.2%	-8.3%	-6.7%
EBIT, Rp bn	1,465	2,060	2,639	1,181	2,023	2,788	-19.4%	-1.8%	5.7%
EBITDA, Rp bn	2,394	3,092	3,775	2,109	3,055	3,924	-11.9%	-1.2%	4.0%
Net profit, Rp bn	763	1,157	1,541	584	1,189	1,787	-23.5%	2.8%	16.0%
Core net profit, Rp bn	803	1,157	1,541	624	1,189	1,787	-22.3%	2.8%	16.0%
Core EPS, Rp	48	70	93	38	72	108	-22.3%	2.8%	16.0%
Margins (%)									
Gross margin	46.5%	47.0%	47.3%	45.0%	46.0%	47.0%			
EBIT margin	6.8%	7.9%	8.7%	6.3%	8.3%	9.8%			
EBITDA margin	11.1%	11.9%	12.5%	11.2%	12.5%	13.8%			
Net profit margin	3.5%	4.4%	5.1%	3.1%	4.9%	6.3%			
Core net profit margin	3.7%	4.4%	5.1%	3.3%	4.9%	6.3%			
Growth (%)									
Space grow th, yoy	4.5%	7.0%	6.5%	2.8%	7.1%	6.6%			
Net sales grow th, yoy	0.4%	20.4%	16.0%	-13.1%	30.3%	16.2%			
EBITDA grow th, yoy	-13.2%	29.2%	22.1%	-23.5%	44.8%	28.4%			
Net profit grow th, yoy	-18.3%	51.6%	33.2%	-37.5%	103.6%	50.4%			
Core net profit grow th, yoy	-26.1%	51.6%	33.2%	-43.5%	103.6%	50.4%			

Source: Indo Premier

Fig. 3: Channel checks to Senayan City during the first malls re-openings weekend: Overall the mall is quiet, but customers flock in several stores with strong brand equity, i.e. Zara and Starbucks



Source: Indo Premier

Fig. 4: MAPI is currently trading at 14.5x 12M fwd. P/E, or around 0.5 s.d. below its 3-year mean of 16.3x



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net revenue	18,921	21,579	18,762	24,447	28,399
Cost of sales	(9,869)	(11,323)	(10,314)	(13,194)	(15,043)
Gross profit	9,052	10,256	8,448	11,253	13,356
SG&A Expenses	(7,546)	(8,325)	(7,267)	(9,230)	(10,568)
Operating profit	1,506	1,931	1,181	2,023	2,788
Net interest	(506)	(166)	(143)	(90)	(65)
Forex gain (loss)	36	(8)	0	0	0
Others	138	(131)	(15)	(16)	(18)
Pre-tax income	1,173	1,626	1,023	1,917	2,705
Income tax	(360)	(462)	(225)	(422)	(541)
Minority interest	(78)	(230)	(214)	(306)	(377)
Net income	736	933	584	1,189	1,787

Balance Sheet (Rp bn)	2018A	2019A	2020F	2021F	2022F
Cash & equivalent	1,412	1,817	2,944	4,199	5,884
Receivable	389	408	354	462	537
Inventory	3,231	3,615	3,118	3,989	4,548
Other current assets	2,280	2,320	1,623	2,114	2,456
Total current assets	7,313	8,160	8,039	10,764	13,425
Fixed assets	3,471	3,785	3,860	3,826	3,688
Goodwill	0	0	0	0	0
Total non-current assets	5,320	5,777	5,869	5,852	5,731
Total assets	12,633	13,937	13,908	16,616	19,156
ST loans	1,348	1,493	1,493	1,493	1,493
Payable	1,341	1,758	1,601	2,049	2,336
Other payables	677	792	848	1,084	1,236
Current portion of LT loans	998	409	0	0	0
Total current liab.	5,419	5,674	5,054	6,049	6,687
Long term loans	417	0	0	0	0
Other LT liab.	735	893	896	899	904
Total liabilities	6,570	6,567	5,950	6,948	7,591
Equity	2,584	2,534	2,534	2,534	2,534
Retained earnings	2,869	3,637	4,010	5,068	6,588
Minority interest	610	1,200	1,414	2,066	2,443
Total SHE + minority int.	6,062	7,371	7,958	9,668	11,565
Total liabilities & equity	12,633	13,937	13,908	16,616	19,156

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net income	1,173	1,626	1,023	1,917	2,705
Depr. & amortization	(271)	650	925	1,034	1,138
Changes in working capital	(130)	254	474	(344)	(229)
Others	90	(478)	(250)	(451)	(999)
Cash flow from operating	863	2,051	2,172	2,156	2,614
Capital expenditure	(398)	(1,106)	(1,000)	(1,000)	(1,000)
Others	(48)	(55)	482	42	67
Cash flow from investing	(447)	(1,161)	(518)	(958)	(933)
Loans	(778)	(861)	(409)	0	0
Equity	0	2	0	0	0
Dividends	66	(165)	(210)	(131)	(267)
Others	577	482	25	503	228
Cash flow from financing	(135)	(542)	(594)	372	(39)
Changes in cash	281	349	1,060	1,570	1,642

Key Ratios	2018A	2019A	2020F	2021F	2022F
Gross margin	47.8%	47.5%	45.0%	46.0%	47.0%
Operating margin	8.0%	8.9%	6.3%	8.3%	9.8%
Pre-tax margin	6.2%	7.5%	5.5%	7.8%	9.5%
Net margin	3.9%	4.3%	3.1%	4.9%	6.3%
ROA	6.1%	7.0%	4.2%	7.8%	10.0%
ROE	14.3%	13.9%	7.6%	13.5%	16.8%
ROIC	9.7%	12.0%	7.8%	14.6%	19.0%
Acct. receivables TO (days)	8.6	6.7	7.4	6.1	6.4
Acct. receivables - other TO (days)	5.0	4.2	3.4	2.8	3.0
Inventory TO (days)	116.4	110.4	110.4	110.4	110.4
Payable TO (days)	47.9	49.9	59.4	50.5	53.2
Acct. payables - other TO (days)	26.2	23.7	29.0	26.7	28.2
Debt to equity	50.7%	30.8%	22.8%	19.6%	16.4%
Interest coverage ratio (x)	2.8	9.1	6.3	13.6	18.7
Net gearing	24.8%	1.4%	-22.2%	-35.6%	-48.1%

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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