

## Mitra Adiperkasa Tbk

28 October 2016

## Results Note

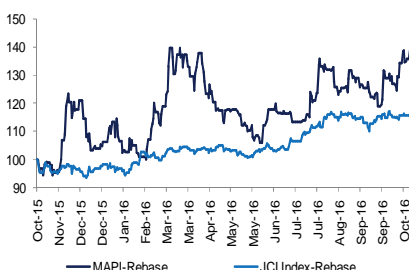
**HOLD**(Downgrade)

## Stock Data

Target price (Rp)	Rp5,100
Prior TP (Rp)	Rp5,100
Shareprice (Rp)	Rp5,350
Upside/downside (%)	-5.0
Sharesoutstanding (m)	1,654
Marketcap. (US\$ m)	632
Free float (%)	44.0
Avg. 6m dailyT/O (US\$ m)	n/a

## Price Performance

	3M	6M	12M
Absolute (%)	4.6	18.3	41.8
Relative to JCI (%)	1.1	6.8	22.7
52w high/low (Rp)	4,970 - 3,370		



## Major Shareholders

Satya Mulia Gema Gemil PT	56.0%
Fidelity International	1.8%
Rochdale Emerging Markets Portfolio	1.1%

## Estimate Change; Vs. Consensus

	2016F	2017F
Latest EPS (Rp)	110.2	166.9
Vs. Prior EPS (%)	-	-
Vs. Consensus (%)	2.5	(17.1)

Source: Bloomberg

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## Improvement Priced In

- **3Q16 earnings reached Rp74bn, in-line with our expectations**
- **Transformational initiatives continue to bear fruit**
- **Performance expected to sustain into 4Q16**
- **Downgrade to HOLD with unchanged TP of Rp5,100**

**MAPI continues to deliver expectations.** Mitra Adiperkasa booked earnings of Rp120.3bn (+501% yoy) in 9M16, making up 61% of our FY16 forecast. 3Q16 earnings of Rp74bn represent 38% of our FY16 estimate, helped by solid revenue growth of 9.5% yoy; 9M16 consolidated SSSG was 3%. Specialty business performed better with revenue growth of 13.2% yoy and 6% SSSG in 9M16. F&B also continued to deliver strong revenue growth of 10.2% yoy, growing its SSSG in 3Q16 by 10%, up from 7% in 2Q16. Sales growth in department stores was flat, with SSSG -2% as of 9M16, but we expect recent restructuring in the segment involving the discontinuation of underperforming brands to lift performance by next year.

**Transformational initiatives continue to bear fruit.** Less merchandise discounting this year, a reversal of past trends, sustained gross margin expansion of 150bps yoy in 9M16 and 43bps qoq in 3Q16. Improvements in operating efficiencies continue to bear fruit with operating profit jumping 89% from Rp305bn to Rp577bn, expanding EBIT margins by 237bps yoy, in 9M16. Bearing in mind the one-off Rp40bn gain realized through the reduction of shares in Dominos Pizza from 49% to 33.5%, we see other transformational initiatives to sustain into 4Q16 and expand margin. YTD, MAPI has trimmed 207 unprofitable outlets and we see this as potential upside to profitability next year.

**Performance to sustain into 4Q16.** Inventory levels are back to normal levels at 171 days (-5.6% yoy) and at 160 days based on company calculations and we expect sustainable management of business segments especially post involvement of private equity CVC and GA. Furthermore we expect MAPI's YTD expansion of 186 new outlets and success of the Zara launch in Vietnam last month to boost sales recovery momentum and sustain growth in 4Q16, which is usually a strong quarter for the company due to the Christmas holiday.

**Downgrade to HOLD.** With these in-line sets of results, we are downgrading MAPI's rating to Hold as we now see the stock as fairly valued. While we are pleased with the on-going transformational initiatives to remove operational drag as well as with the sales momentum recovery which we think is sustainable through 4Q16, we think such improvement is already reflected in the current share price. We maintain our estimates and our DCF-based (WACC: 10.7%; TG:3%) target price of Rp5,100, -5% potential downside.

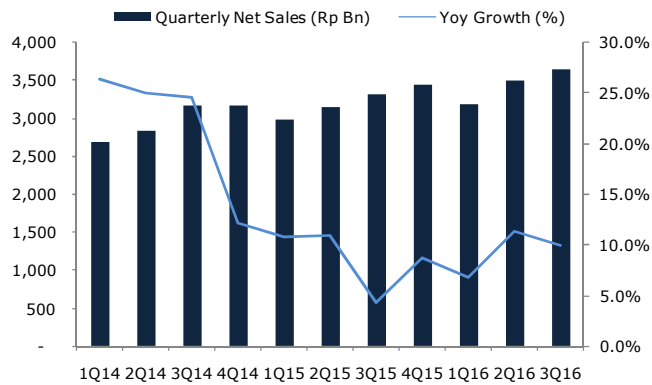
Year To 31 Dec	2014A	2015A	2016F	2017F	2018F
Revenue (RpBn)	11,822	12,833	14,041	16,171	18,191
EBITDA (RpBn)	536	527	654	773	891
EBITDA Growth (%)	(29.0)	(1.7)	24.0	18.2	15.3
Net Profit (RpBn)	78	30	182	276	381
EPS (Rp)	47	18	110	167	230
EPS Growth (%)	(76.1)	(61.4)	505.6	51.4	38.0
Net Gearing (%)	58.3	22.6	32.4	8.9	54.1
PER (x)	90.0	233.0	38.5	25.4	18.4
PBV (x)	2.8	2.4	2.2	2.0	1.9
Dividend Yield (%)	0.5	0.0	0.1	0.4	0.6
EV/EBITDA (x)	10.4	12.0	9.2	8.7	5.6

Source : MAPI,IndoPremier

Share Price Closing as of : 26-October-2016

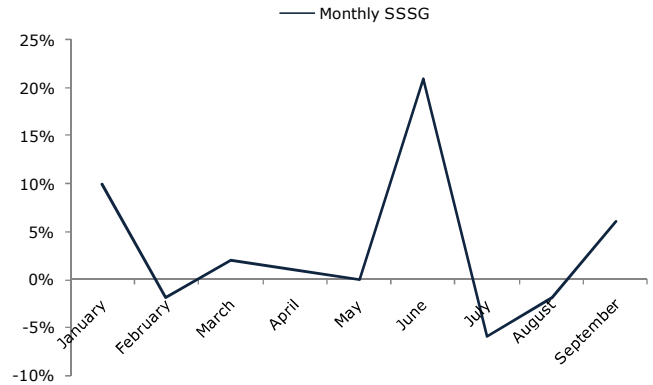
## MAPI Results Note

**Fig. 1: Sustainable quarterly revenue growth recovery**



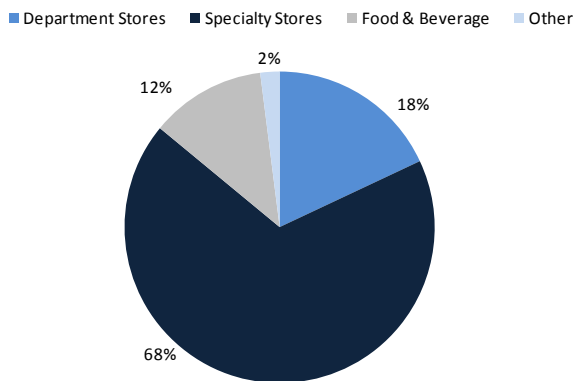
Source: Company, IndoPremier

**Fig. 2: Monthly SSSG in 2016**



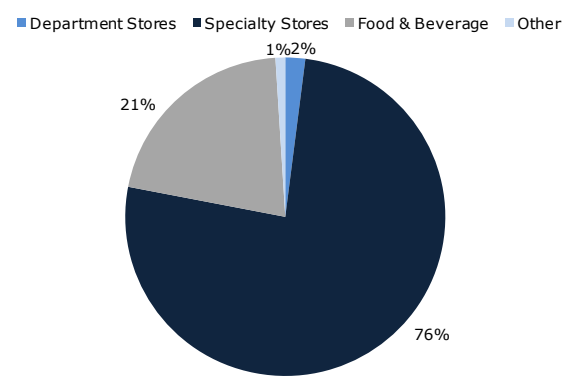
Source: Company, IndoPremier

**Fig. 3: 9M16 sales contribution of business segments**



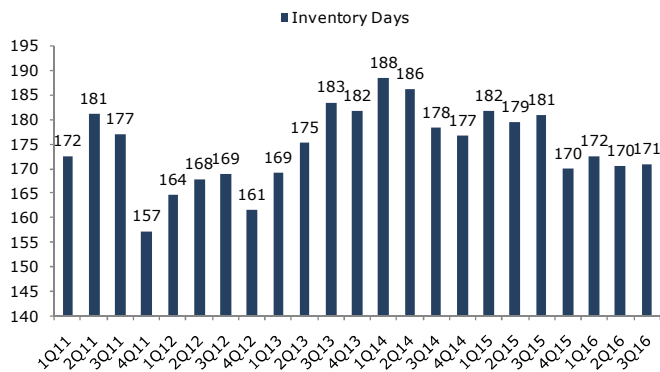
Source: Company, IndoPremier

**Fig. 4: 9M16 EBIT contribution of business segments**



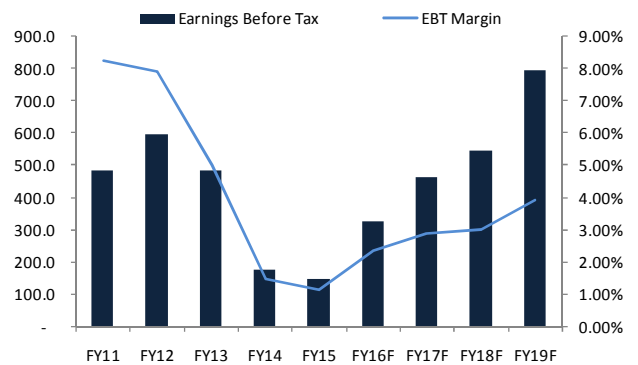
Source: Company, IndoPremier

**Fig. 5: Stable days in inventory levels**



Source: Company, IndoPremier

**Fig. 6: Margin to expand from transformation initiatives**



Source: Company, IndoPremier

**Fig. 7: Result 9M16 financial highlights**

Earnings table (RpBn)	9M15	9M16	YoY	2Q16	3Q16	QoQ
Revenue	9,401.1	10,290.0	9.5%	3,493.5	3,629.3	3.9%
Gross Profit	4,184.9	4,734.4	13.1%	1,604.1	1,681.9	4.8%
Operating Profit	305.2	577.5	89.2%	214.5	232.0	8.2%
Net Profit	20.0	120.3	500.9%	30.9	74.0	139.2%

Source: Company, IndoPremier

## MAPI Results Note

Year To 31 Dec (RpBn)	2014A	2015A	2016F	2017F	2018F
<b>Income Statement</b>					
Net Revenue	11,822	12,833	14,041	16,171	18,191
Cost of Sales	(6,352)	(7,050)	(7,626)	(8,734)	(9,825)
Gross Profit	5,470	5,783	6,416	7,437	8,366
SG&A Expenses	(4,938)	(5,260)	(5,767)	(6,669)	(7,480)
Operating Profit	531	523	648	768	886
Net Interest	(376)	(388)	(293)	(311)	(305)
Forex Gain (Loss)	15	(32)	0	0	0
Others-Net	28	66	(31)	0	0
Pre-Tax Income	198	169	324	456	581
Income Tax	(120)	(138)	(142)	(180)	(201)
Minorities	0	0	0	0	0
Net Income	78	30	182	276	381
<b>Balance Sheet</b>					
Cash & Equivalent	513	507	983	586	275
Receivable	496	568	962	1,108	1,246
Inventory	3,203	3,356	3,552	4,068	4,576
Other Current Assets	950	1,264	1,242	1,340	1,605
Total Current Assets	5,162	5,696	6,738	7,101	7,703
Fixed Assets - Net	2,548	2,438	2,525	2,573	2,581
Goodwill	0	0	0	0	0
Non Current Assets	859	1,099	1,174	1,276	1,395
Total Assets	8,701	9,483	10,664	11,182	11,915
ST Loans	1,281	790	808	808	808
Payable	1,726	1,766	1,731	1,994	2,243
Other Payables	549	587	605	715	836
Current Portion of LT Loans	286	146	1,123	54	580
Total Current Liab.	3,842	3,291	4,267	3,571	4,467
Long Term Loans	423	239	83	30	930
Other LT Liab.	1,904	2,978	3,129	4,148	2,744
Total Liabilities	6,168	6,508	7,479	7,748	8,141
Equity	803	1,278	1,310	1,310	1,310
Retained Earnings	1,660	1,697	1,874	2,122	2,462
Minority Interest	70	0	0	0	0
Total SHE + Minority Int.	2,533	2,975	3,184	3,433	3,772
Total Liabilities & Equity	8,701	9,483	10,663	11,181	11,913

Source : MAPI,IndoPremier

## MAPI Results Note

Year to 31 Dec	2014A	2015A	2016F	2017F	2018F
<b>Cash Flow</b>					
Net Income (Excl.Extraordinary&Min.Int)	78	30	182	276	381
Depr. & Amortization	0	0	0	0	0
Changes in Working Capital	(439)	(280)	(616)	(456)	(435)
Others	327	243	441	360	239
Cash Flow From Operating	(33)	(7)	8	180	185
Capital Expenditure	(104)	(129)	(163)	(149)	(128)
Others	(66)	(85)	26	13	6
Cash Flow From Investing	(170)	(214)	(137)	(136)	(121)
Loans	(293)	(814)	838	(1,122)	1,426
Equity	0	0	0	0	0
Dividends	(33)	0	(6)	(27)	(41)
Others	664	1,051	(173)	653	(1,758)
Cash Flow From Financing	339	237	660	(496)	(374)
Changes in Cash	136	16	531	(453)	(310)
<b>Financial Ratios</b>					
Gross Margin (%)	46.3	45.1	45.7	46.0	46.0
Operating Margin (%)	4.5	4.1	4.6	4.7	4.9
Pre-Tax Margin (%)	1.7	1.3	2.3	2.8	3.2
Net Margin (%)	0.7	0.2	1.3	1.7	2.1
ROA (%)	0.9	0.3	1.8	2.5	3.3
ROE (%)	3.2	1.1	5.9	8.3	10.6
ROIC (%)	1.8	1.0	4.4	6.1	7.4
Acct. Receivables TO (days)	14.1	15.1	19.9	23.4	23.6
Acct. Receivables - Other TO (days)	0.0	0.0	0.0	0.0	0.0
Inventory TO (days)	2.1	2.1	2.2	2.3	2.3
Payable TO (days)	102.1	90.4	83.7	77.8	78.7
Acct. Payables - Other TO (days)	0.0	0.0	0.0	0.0	0.0
Debt to Equity (%)	78.6	39.5	63.2	26.0	61.4
Interest Coverage Ratio (x)	0.7	0.8	0.5	0.4	0.4
Net Gearing (%)	58.3	22.6	32.4	8.9	54.1

Source : MAPI, IndoPremier

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**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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