

Matahari Dept. Store_(LPPF IJ)

23 November 2016

Company Update

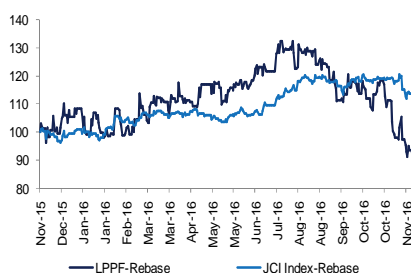
BUY (Unchanged)

StockData

Target price (Rp)	Rp24,300
Prior TP (Rp)	Rp24,300
Shareprice (Rp)	Rp13,325
Upside/downside (%)	+82.4
Sharesoutstanding (m)	2,918
Marketcap. (US\$ m)	3,200
Free float (%)	65.4
Avg. 6m dailyT/O (US\$ m)	n/a

Price Performance

	3M	6M	12M
Absolute (%)	(28.0)	(21.8)	(10.6)
Relative to JCI (%)	(22.4)	(28.7)	(23.5)
52whigh/low (Rp)	14,700 - 14,700		



Major Shareholders

Multipolar Tbk PT	20.5%
Asia Color Co Ltd	14.2%
Blackrock	2.4%

Estimate Change; Vs. Consensus

	2016F	2017F
Latest EPS (Rp)	734.8	810
Vs. Prior EPS (%)	0.0	(0.5)
Vs. Consensus (%)	(15.3)	(4.3)

Source: Bloomberg

Dian Cahyadi

PT Indo Premier Securities
dian.cahyadi@ipc.co.id
+62 21 5793 1169

Worth the extra money

- **Limited risk in minority investment in mataharimall.com**
- **Matharistore.com domain launched to better showcase LPPF products**
- **Rp590bn extra investment in ecommerce is one-time top-up**
- **Limited downside risk, reiterate Buy**

Limited risk in minority investment in mataharimall.com. Through its minority investment in mataharimall.com (vs. investing a full-blow ecommerce platform), we think LPPF is able to capture the ecommerce potential without taking all the extra risks and investment entailing the establishment of a new ecommerce business unit in which they have limited expertise. As of today, extra sales captured from mataharimall.com roughly equate to about 1 out of 148 Matahari stores that are consolidated to LPPF's top line. This means that the bulk of sales still come from physical stores, and thus it would only make sense to invest in e-commerce, and not shift its focus and commit major resources to e-commerce, which is whole different ballgame from brick-and-mortar stores.

Mataharistore.com a virtual showcase at your fingertips. LPPF's new website domain mataharistore.com is not a new ecommerce site, but rather a storefront landing page hyperlinked to mataharimall.com intended to better showcase LPPF's products. The website domain is wholly-owned by LPPF and was included as part of Company's Rp200bn capex this year dedicated for IT and general maintenance. With logistics, manpower, infrastructure, payment etc still handled by mataharimall.com, we believe LPPF is on the roadmap to reach the goal of becoming a true omni-channel retailer with mataharistore.com without diverting its current focus on its physical store business.

Rp590bn additional investment is a one-time top-up. Following recent announcement of investment by Japan's Mitsui & Co. in mataharimall.com, LPPF plans to increase investment in e-commerce by injecting Rp590bn in stages, starting at the end of this year and concluding in 3Q17, to further capture the e-commerce potential in Indonesia. LPPF now holds 9.47% of mataharimall.com and the planned additional investment is expected to maintain its stake in the ecommerce business after share dilution post Mitsui's investment. LPPF has adequate cash for this one-off investment despite almost doubling its total capex for FY17 to Rp990bn; the Board of Management believes this will be the final time investment in mataharimall.com will be topped up.

Limited downside risk, reiterate Buy. At LPPF's current price, shares bought during the two placements in 2016 (CVC in May at Rp17,250 and Multipolar in September at Rp18,735) are down by 30% but we think further downside risk is limited as the stock is now at a 2-year low, not too far from the price of the second CVC placement in March 2014 at Rp13,100. We believe valuation is attractive at PE2017E of 18x, below the 3-year avg of 30x. We maintain our earnings forecasts.

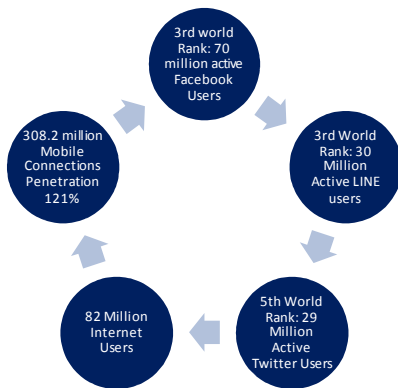
Year To 31 Dec	2014A	2015A	2016F	2017F	2018F
Revenue(RpBn)	7,926	9,007	9,880	10,949	12,170
EBITDA(RpBn)	2,339	2,570	2,864	3,188	3,483
EBITDA Growth (%)	17.7	9.9	11.4	11.3	9.3
Net Profit(RpBn)	1,419	1,781	2,143	2,363	2,596
EPS (Rp)	486	611	735	810	890
EPS Growth (%)	23.4	25.5	20.4	10.3	9.9
Net Gearing (%)	(235.9)	(85.6)	(61.7)	(65.0)	(70.8)
PER (x)	36.9	29.4	24.4	22.2	20.2
PBV (x)	328.8	47.3	26.3	18.3	13.8
Dividend Yield (%)	(0.9)	(1.6)	(2.4)	(2.9)	(3.2)
EV/EBITDA (x)	22.5	20.7	18.7	17.0	15.8

Source : LPPF,IndoPremier

Share Price Closing as of : 21-November-2016

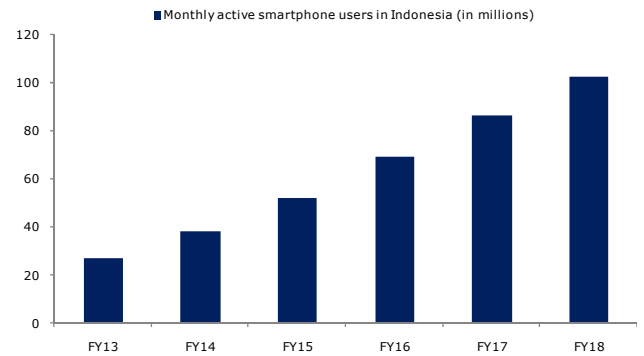
LPPF Company Update

Fig. 1: Rise of Indonesian Internet users



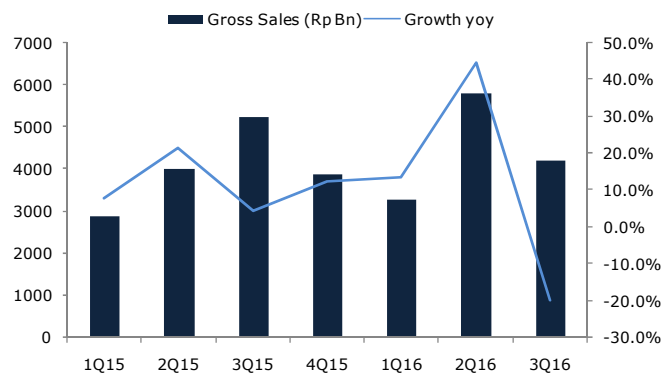
Source: Emarketer: TecinnAsia, 2014

Fig. 2: LPPF to benefit from e-commerce as Indonesia to become 4th largest smart phone user population in 2018



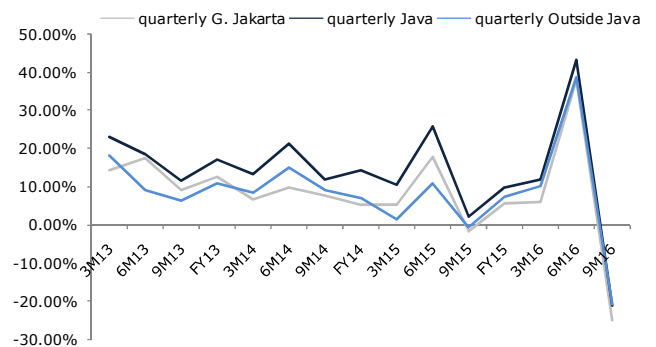
Source: Emarketer

Fig. 3: Continued strength in direct purchase sales



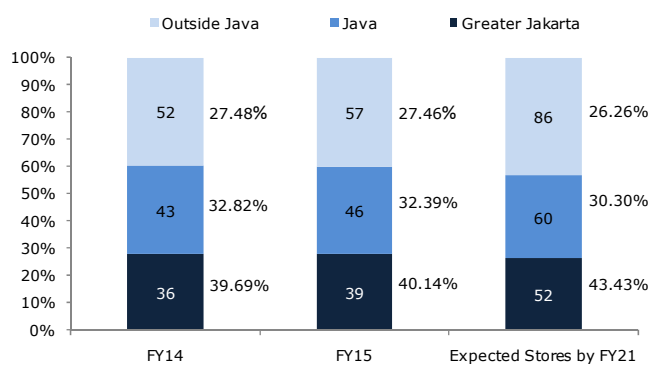
Source: Company, IndoPremier

Fig. 4: Leverage remains strong despite weaker sales



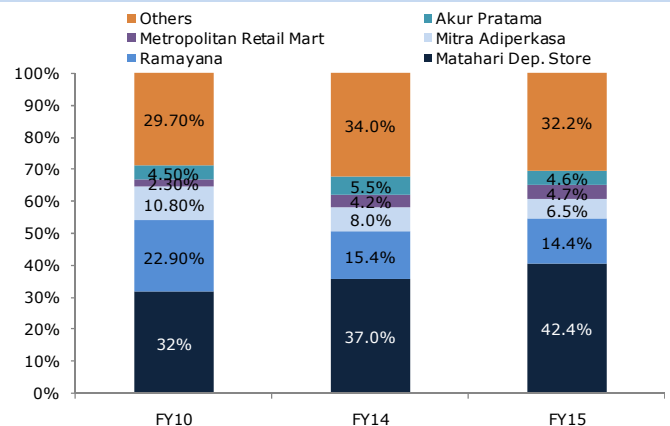
Source: Company, IndoPremier

Fig. 5: Expansion plans remain on track



Source: Company, IndoPremier

Fig. 6: LPPF expected to maintain leading market share



Source: Company, IndoPremier

LPPF Company Update

Year To 31 Dec (RpBn)	2014A	2015A	2016F	2017F	2018F
Income Statement					
Net Revenue	7,926	9,007	9,880	10,949	12,170
Cost of Sales	(2,878)	(3,336)	(3,608)	(4,001)	(4,449)
Gross Profit	5,048	5,671	6,271	6,948	7,721
SG&A Expenses	(2,937)	(3,342)	(3,597)	(3,985)	(4,497)
Operating Profit	2,111	2,330	2,674	2,963	3,224
Net Interest	(233)	(93)	5	(9)	22
Forex Gain (Loss)	0	0	0	0	0
Others-Net	(27)	8	0	0	0
Pre-Tax Income	1,851	2,245	2,679	2,954	3,246
Income Tax	(431)	(464)	(536)	(591)	(649)
Minorities	0	0	0	0	0
Net Income	1,419	1,781	2,143	2,363	2,596
Balance Sheet					
Cash & Equivalent	786	947	1,229	1,856	2,689
Receivable	109	76	106	112	125
Inventory	955	1,008	1,074	1,191	1,321
Other Current Assets	267	242	283	324	329
Total Current Assets	2,118	2,273	2,691	3,484	4,463
Fixed Assets - Net	1,044	1,247	1,532	1,785	2,007
Goodwill	0	0	0	0	0
Non Current Assets	203	331	280	325	383
Total Assets	3,413	3,889	4,545	5,639	6,901
ST Loans	0	0	0	0	0
Payable	1,411	1,552	1,698	1,883	2,088
Other Payables	1,108	887	775	883	1,012
Current Portion of LT Loans	0	0	0	0	0
Total Current Liab.	2,519	2,439	2,473	2,765	3,100
Long Term Loans	410	0	0	0	0
Other LT Liab.	325	344	81	19	4
Total Liabilities	3,254	2,783	2,553	2,784	3,104
Equity	(3,185)	(3,185)	(3,185)	(3,185)	(3,185)
Retained Earnings	3,344	4,291	5,177	6,040	6,982
Minority Interest	0	0	0	0	0
Total SHE + Minority Int.	159	1,106	1,992	2,855	3,797
Total Liabilities & Equity	3,413	3,889	4,545	5,639	6,901

Source : LPPF,IndoPremier

LPPF Company Update

Year to 31 Dec	2014A	2015A	2016F	2017F	2018F
Cash Flow					
Net Income (Excl.Extraordinary&Min.Int)	1,419	1,781	2,143	2,363	2,596
Depr. & Amortization	9	28	(44)	34	35
Changes in Working Capital	(49)	164	(145)	71	116
Others	(38)	371	(499)	(3)	18
Cash Flow From Operating	1,342	2,343	1,455	2,465	2,765
Capital Expenditure	(65)	(359)	(191)	(332)	(314)
Others	23	31	45	61	92
Cash Flow From Investing	(42)	(328)	(145)	(271)	(223)
Loans	(1,156)	(410)	0	0	0
Equity	0	0	0	0	0
Dividends	460	851	1,258	1,500	1,654
Others	(256)	(124)	(40)	(70)	(70)
Cash Flow From Financing	(952)	318	1,218	1,430	1,584
Changes in Cash	348	2,332	2,528	3,624	4,127
Financial Ratios					
Gross Margin (%)	63.7	63.0	63.5	63.5	63.4
Operating Margin (%)	26.6	25.9	27.1	27.1	26.5
Pre-Tax Margin (%)	23.3	24.9	27.1	27.0	26.7
Net Margin (%)	17.9	19.8	21.7	21.6	21.3
ROA (%)	44.7	48.8	50.8	46.4	41.4
ROE (%)	(447.9)	281.5	138.4	97.5	78.1
ROIC (%)	214.7	216.2	141.3	100.0	80.8
Acct. Receivables TO (days)	1.8	1.7	1.6	1.6	1.6
Acct. Receivables - Other TO (days)	2.2	2.0	1.8	2.0	1.9
Inventory TO (days)	3.4	3.4	3.5	3.5	3.5
Payable TO (days)	169.8	162.1	164.4	163.3	162.9
Acct. Payables - Other TO (days)	15.3	16.5	4.7	(5.7)	(5.7)
Debt to Equity (%)	257.6	0.0	0.0	0.0	0.0
Interest Coverage Ratio (x)	0.1	0.1	0.0	0.0	0.0
Net Gearing (%)	(235.9)	(85.6)	(61.7)	(65.0)	(70.8)

Source : LPPF, IndoPremier

Head Office**PT INDO PREMIER SECURITIES**

Wisma GKBI 7/F Suite 718

Jl. Jend. Sudirman No.28

Jakarta 10210 - Indonesia

p +62.21.5793.1168

f +62.21.5793.1167

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.

The views expressed in this research report accurately reflect the analysts personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

DISCLAIMERS

This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendations contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT. Indo Premier Securities or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.