

Mitra Pinasthika (MPMX IJ)

13 February 2017

Company Update

BUY (from HOLD)

Stock Data

Target price (Rp)	Rp1,030
Prior TP (Rp)	Rp770
Shareprice (Rp)	Rp885
Upside/downside (%)	+16.4
Sharesoutstanding (m)	4,463
Marketcap. (US\$ m)	297
Free float (%)	44.4
Avg. 6m dailyT/O (US\$ m)	0.0

Price Performance

	3M	6M	12M
Absolute (%)	20.4	36.2	71.8
Relative to JCI (%)	17.0	37.0	57.5
52w high/low (Rp)	885 - 430		



Major Shareholders

Morninglight Investment	15.3%
Claris Investments	6.8%
PT Saratoga Investment	47.6%

Estimate Change; Vs. Consensus

	2016F	2017F
Latest EPS (Rp)	86	110
Vs. Prior EPS (%)	12	35
Vs. Consensus (%)	(57.1)	(32)

Source: Bloomberg

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Benefits from business overhaul

- **Business restructuring in 2017 includes multi-finance divestment.**
- **Unprofitable auto-dealership business may face divestment.**
- **Expect a positive impact from new venture to logistic business.**
- **Upside remaining, Buy with TP of Rp1,030.**

Divestment plan in multi-finance business. Our company visit reveals several business restructuring plans, including its multi-finance business. The company announced its plan to sell 20% stake in MPMFinance (MPMF) to its current strategic partner (JACCS), lowering its ownership to 40%, which would lead to a non-controlling stake in MPMF. We are positive with this plan as it will enable the company to focus on its core consumer automotive business and provide a lighter balance sheet (ie. by nature financing business has high gearing level) to support future investments in its lubricant and rental business. Moreover, we expect a lower debt-to-equity ratio to 0.5-0.6x (from 1.1x) and book lower interest expense, as we view the divestment plan is achievable.

Dragging auto-dealership business (MPMAuto) persists. We noted the main problem in MPMAuto is that 4W Nissan brand is losing its market share due to lack of innovation, which is reflected in the shrinking sales volume since 1Q16. We have sound this issue to the company and according to management, there will be limited dealer expansion for 2017 and has a potential plan to divest this business unit in the future. Therefore, in the meantime we expect MPMAuto to continue dragging MPMX performance until further plan is realized.

Rental business (MPMRent) is under review. From our discussion with the company, MPMRent is currently under management review to achieve better margin business. Going forward, we expect a lighter capex allocation (c.Rp400bn) to maintain its rental multi-purpose vehicle at c.14,000 fleets by replacing at most 2,000 fleets/year. The prudent capex allocation shows the company's intention to refrain from aggressive expansion that could jeopardize bottom-line margin (spiking interest cost from aggressive loan). Apart from operational efficiency program, the company has planned to venture into logistic business, which could be effectively seen at 2H17. Going forward, we expect new changes in rental business model that may increase the fixed asset turnover (9M16: 33x vs. FY15: 47x).

Upgrade to Buy at new TP at Rp1,030. We upgrade our DCF-derived TP to Rp1,030 (WACC: 12%, terminal growth: 3.5%), which implies a target FY17F P/E of 12x, by only factoring opex efficiency and lighter capex. However, we also see further upside to our call if the divestment plan is to be realized, which we have yet to incorporate this into our projection.

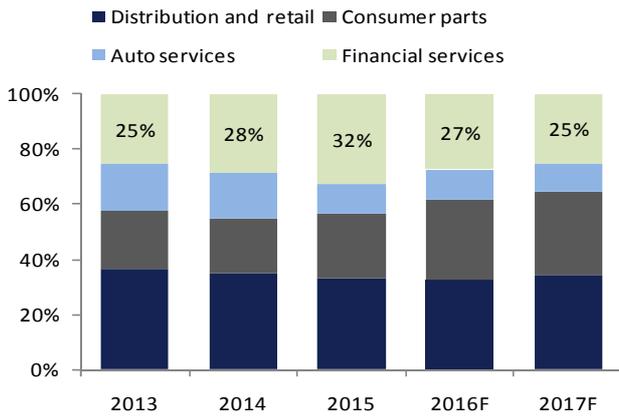
Year To 31 Dec	2014A	2015A	2016F	2017F	2018F
Revenue (RpBn)	16,076	16,640	17,680	19,104	20,708
EBITDA (RpBn)	1,214	963	1,116	1,345	1,494
EBITDA Growth (%)	2.3	(20.7)	16.0	20.4	11.1
Net Profit (RpBn)	487	285	383	489	498
EPS (Rp)	109	64	86	110	112
EPS Growth (%)	(7.5)	(41.5)	34.5	27.7	1.8
Net Gearing (%)	105.9	104.9	90.6	85.5	82.3
PER (x)	8.1	13.9	10.3	8.1	7.9
PBV (x)	0.8	0.7	0.7	0.6	0.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	7.8	9.9	8.2	6.9	6.3

Source : MPMX, IndoPremier

Share Price Closing as of : 10-February-2017

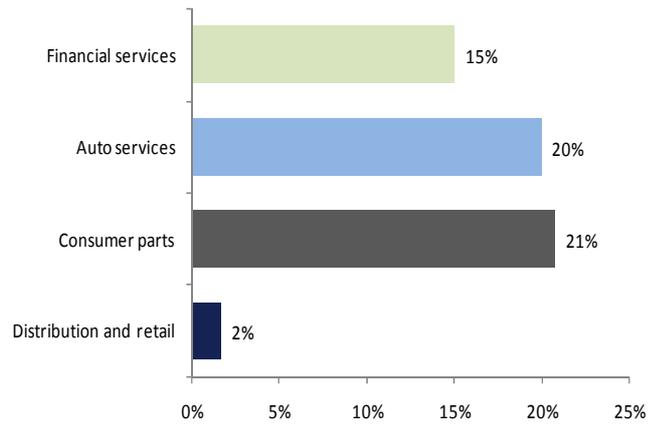
MPMX Company Update

Fig. 1: Per segment gross profit contribution in FY17F



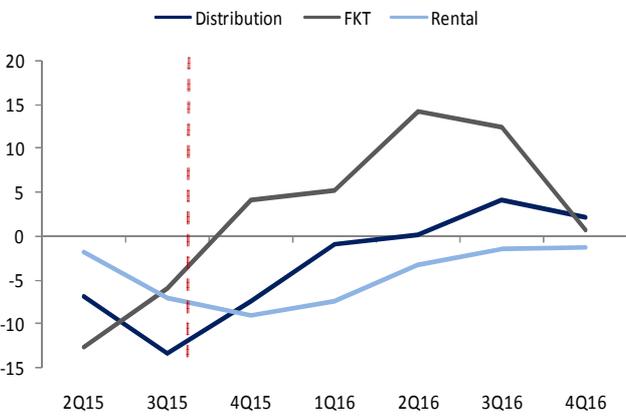
Source: Indo Premier, MPMX

Fig. 2: Per segment EBIT contribution in FY17F



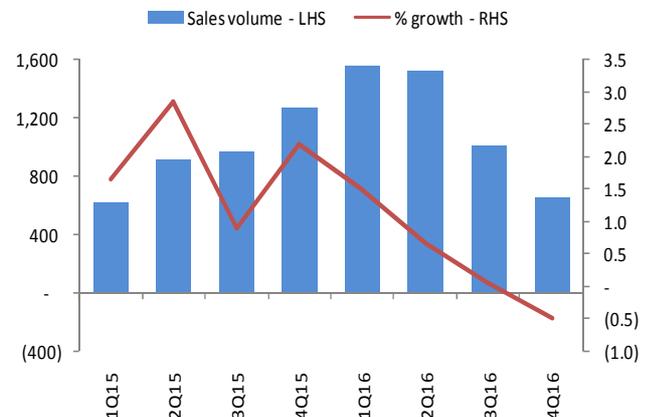
Source: Indo Premier, MPMX

Fig. 3: Keeping positive sales growth after bottoming at 3Q15



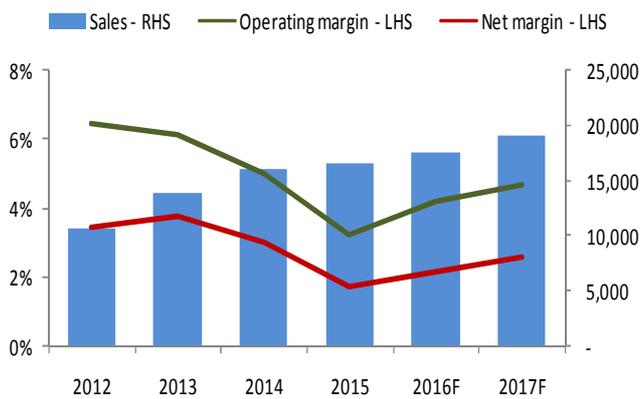
Source: Indo Premier, MPMX

Fig. 4: Declining growth in Nissan 4W retail sales



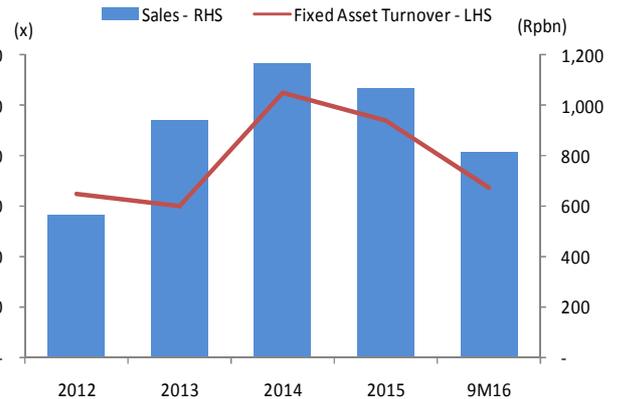
Source: Indo Premier, MPMX

Fig. 5: Expecting higher margin post cost-efficiency strategy



Source: Indo Premier, MPMX

Fig. 6: Inefficient MPMRent fleets



Source: Indo Premier, MPMX

MPMX Company Update

Fig.7: Forecast Revision

Year to Dec 31 (Rpbn)	2016F			2017F		
	Old	New	%	Old	New	%
Revenue	17,731	17,680	-0.3%	19,249	19,104	-0.8%
Gross profit	2,600	2,619	0.7%	2,739	2,766	1.0%
Operating profit	720	748	3.9%	757	894	18.1%
Net profit	342	383	12.0%	370	489	32.3%
Gross Margin	14.7%	14.8%		14.2%	14.5%	
Operating Margin	4.1%	4.2%		3.9%	4.7%	
Net Margin	1.9%	2.2%		1.9%	2.6%	

Source: Indo Premier, MPMX

MPMX Company Update

Year To 31 Dec (RpBn)	2014A	2015A	2016F	2017F	2018F
Income Statement					
Net Revenue	16,076	16,640	17,680	19,104	20,708
Cost of Sales	(13,763)	(14,341)	(15,060)	(16,338)	(17,734)
Gross Profit	2,314	2,299	2,619	2,766	2,973
SG&A Expenses	(1,507)	(1,761)	(1,871)	(1,872)	(2,029)
Operating Profit	806	537	748	894	944
Net Interest	(174)	(216)	(219)	(226)	(256)
Forex Gain (Loss)	0	0	0	0	0
Others-Net	67	180	103	111	120
Pre-Tax Income	699	501	632	778	808
Income Tax	(186)	(194)	(221)	(246)	(267)
Minorities	(26)	(23)	(28)	(43)	(43)
Net Income	487	285	383	489	498
Balance Sheet					
Cash & Equivalent	1,422	1,489	1,701	1,436	1,079
Receivable	3,899	3,878	3,575	3,701	3,854
Inventory	684	745	717	743	806
Other Current Assets	197	342	333	359	378
Total Current Assets	6,201	6,454	6,327	6,238	6,117
Fixed Assets - Net	3,214	3,351	3,683	4,032	4,432
Goodwill	1,165	1,165	1,165	1,165	1,165
Non Current Assets	3,259	3,293	3,118	3,264	3,407
Total Assets	13,950	14,480	14,468	14,887	15,320
ST Loans	356	503	530	524	605
Payable	886	1,060	972	1,021	1,075
Other Payables	600	722	687	732	776
Current Portion of LT Loans	2,365	1,764	1,976	1,816	4,337
Total Current Liab.	4,207	4,049	4,165	4,094	6,793
Long Term Loans	4,271	4,825	4,369	4,386	1,624
Other LT Liab.	212	266	225	216	233
Total Liabilities	8,690	9,140	8,759	8,697	8,650
Equity	3,173	2,952	2,952	2,952	2,952
Retained Earnings	1,366	1,639	1,980	2,431	2,880
Minority Interest	722	749	778	807	838
Total SHE + Minority Int.	5,260	5,340	5,709	6,190	6,670
Total Liabilities & Equity	13,950	14,480	14,468	14,887	15,320

Source : MPMX, IndoPremier

MPMX Company Update

Year to 31 Dec	2014A	2015A	2016F	2017F	2018F
Cash Flow					
Net Income (Excl.Extraordinary&Min.Int)	513	308	411	532	542
Depr. & Amortization	156	166	172	211	257
Changes in Working Capital	(688)	190	214	(74)	(142)
Others	115	51	192	157	222
Cash Flow From Operating	97	715	989	826	878
Capital Expenditure	(1,519)	(336)	(329)	(707)	(800)
Others	103	104	94	80	43
Cash Flow From Investing	(1,416)	(231)	(235)	(627)	(757)
Loans	1,454	100	(216)	(149)	(161)
Equity	0	0	0	0	0
Dividends	0	0	0	0	0
Others	185	(451)	(353)	(277)	(269)
Cash Flow From Financing	1,638	(352)	(569)	(426)	(429)
Changes in Cash	319	132	185	(227)	(308)
Financial Ratios					
Gross Margin (%)	14.4	13.8	14.8	14.5	14.4
Operating Margin (%)	5.0	3.2	4.2	4.7	4.6
Pre-Tax Margin (%)	4.3	3.0	3.6	4.1	3.9
Net Margin (%)	3.0	1.7	2.2	2.6	2.4
ROA (%)	3.9	2.0	2.6	3.3	3.3
ROE (%)	10.1	5.4	6.9	8.2	7.7
ROIC (%)	5.6	3.4	4.1	4.8	4.4
Acct. Receivables TO (days)	75.4	78.2	70.8	64.9	62.1
Acct. Receivables - Other TO (days)	5.5	7.1	6.1	4.6	4.5
Inventory TO (days)	26.5	20.1	20.6	22.4	22.9
Payable TO (days)	21.0	24.8	24.6	22.3	21.6
Acct. Payables - Other TO (days)	8.8	11.0	11.0	9.9	9.6
Debt to Equity (%)	132.9	132.8	120.4	108.7	98.4
Interest Coverage Ratio (x)	0.3	0.6	0.4	0.3	0.3
Net Gearing (%)	105.9	104.9	90.6	85.5	82.3

Source : MPMX, 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

ANALYSTS CERTIFICATION.

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