

## Mitra Pinasthika (MPMX IJ)

25 August 2017

## Company Update

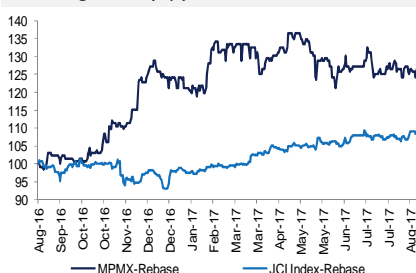
BUY (Unchanged)

## Stock Data

Target price (Rp)	Rp1,080
Prior TP (Rp)	Rp1,030
Shareprice (Rp)	Rp830
Upside/downside (%)	+30.1
Sharesoutstanding (m)	4,463
Marketcap. (US\$ m)	278
Free float (%)	44.4
Avg. 6m dailyT/O (US\$ m)	0.1

## Price Performance

	3M	6M	12M
Absolute (%)	-2.9	-4.0	26.7
Relative to JCI (%)	-6.0	-13.5	17.3
52w high/low (Rp)	830 - 655		



## Major Shareholders

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

## Estimate Change; Vs. Consensus

	2017F	2018F
Latest EPS (Rp)	91	101
Vs. Prior EPS (%)	(17)	(10)
Vs. Consensus (%)	(16)	(17)

Source: Bloomberg

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## Solid long term for lubricant business

- **New Cilegon lubricant factory with higher production capacity.**
- **Cost saving in salary & transport to secure better operating margin.**
- **4W dealership business (MPMAuto) may face divestment.**
- **Reiterate Buy with new TP of Rp1,080.**

**New lubricant factory at Cilegon.** Our visit to MPMX's newest lubricant (FKT) plant reveals that the total production capacity increased to 100mn L/year (+122%) on total land area of 2.0ha with total investment spend at Rp500bn. Management plans to relocate all 2W & 4W lubricant production to Cilegon and alter the existing 0.5ha plant at Pulogadung for logistic function. To note, the Pulogadung plant could only produce 70% of total volume sales previously (FY16: 63mn L), while the rest is outsourced from 3<sup>rd</sup> party blenders. Thus, we expect that FKT will gradually reduce dependency on 3<sup>rd</sup> party blenders and tap to other major lube markets (increase utilisation rate), which is positive for higher gross margin in the future.

**Long-term cost efficiency from FKT business.** In fact, by moving to Cilegon, FKT should benefit from lower transportation & logistics cost given the better access to raw material (close proximity to Merak port). In addition, the current plant layout and automation should bring efficient manufacturing process and lowering factory headcounts by c.15%. Although the new plant will impose higher depreciation expense in 2017/18, we believe the benefit from lower salary and transport cost should outweigh depreciation cost as those two costs constitute c.20%/10% to FKT operating expenses respectively.

**Long process to rectify the unprofitable MPMAuto.** 4W Nissan brand is losing market share due to lack of innovation and limited new model launch, which negatively impact MPMAuto's sales volume. Since 1Q16, sales volume keeps on trending down and has reach to only 124 unit sold in July'17 (-64% yoy). We took notice that management has halted dealer expansion in 2017 and has a plan to divest this business unit in the future, which should be positive for MPMX' overall distribution business.

**Reiterate Buy.** We raise our DCF-derived TP to Rp1,080 (WACC: 12%, terminal growth: 3.5%) as we take into account a better operating efficiency from FKT, includes MPMF divestment, weak 1H17 achievement, and rollover our valuation to 2018. We reduce our operating expense in 2017F/18F by -10%/-13%, respectively, after incorporating lower salary cost. The divestment in MPMFinance resulted in lower revenue and gross profit figure, but we book a profit from divestment operations in the bottom-line. Thus, we maintain buy with our new TP implies a target FY18F P/B of 0.8x and P/E of 11x.

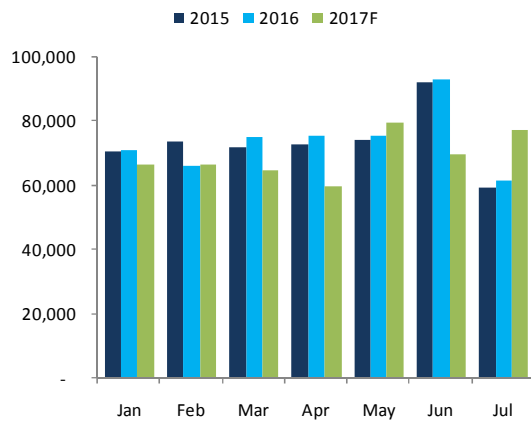
Year To 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (RpBn)	16,640	17,723	16,856	18,037	19,603
EBITDA (RpBn)	963	1,106	914	1,126	1,318
EBITDA Growth (%)	(20.7)	14.9	(17.3)	23.1	17.1
Net Profit (RpBn)	285	361	406	451	559
EPS (Rp)	64	81	91	101	125
EPS Growth (%)	(41.5)	26.6	12.5	11.2	23.9
Net Gearing (%)	104.9	106.3	27.4	33.5	32.0
PER (x)	13.1	10.3	9.2	8.3	6.7
PBV (x)	0.7	0.7	0.7	0.6	0.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	9.7	8.8	5.7	5.0	4.4

Source : MPMX, IndoPremier

Share Price Closing as of : 24-August-2017

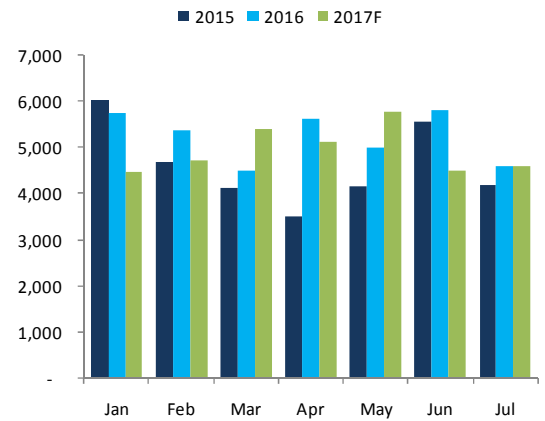
## MPMX Company Update

**Fig. 1: 2W distribution business sales volume trend.**



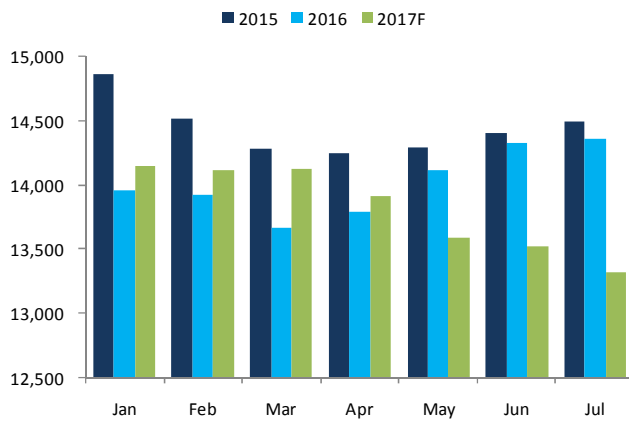
Source: MPMX, IndoPremier

**Fig. 2: Lubricant business (FKT) sales volume trend.**



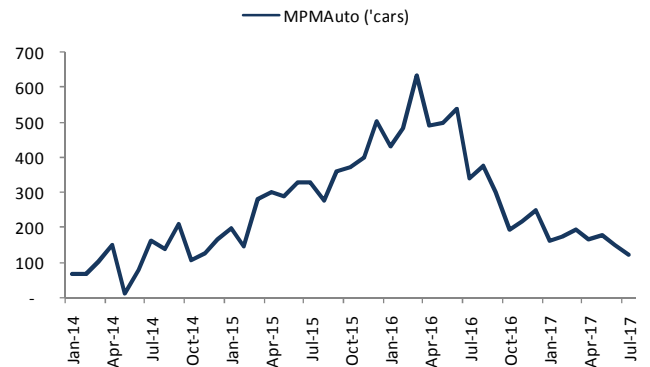
Source: MPMX, IndoPremier

**Fig. 3: Rental business (MPMRent) fleet size.**



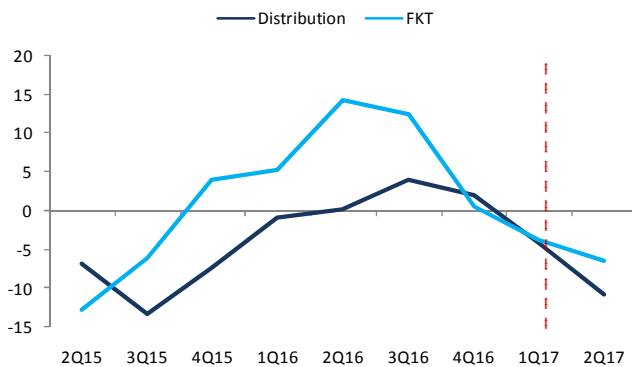
Source: MPMX, IndoPremier

**Fig. 4: MPMAuto (4W) sales volume trend.**



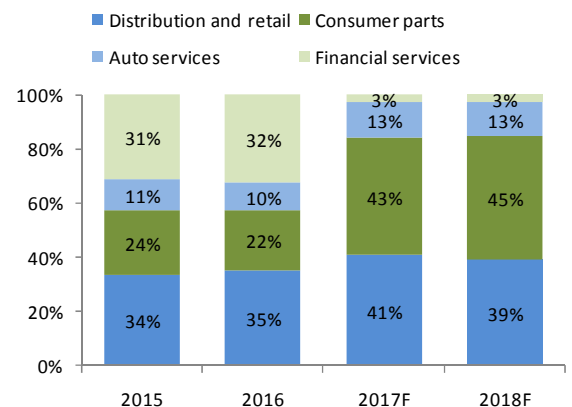
Source: MPMX, IndoPremier

**Fig. 5: Weak sales volume growth in 1H17**



Source: MPMX, IndoPremier

**Fig. 6: Per segment gross profit contribution post divestment.**



Source: MPMX, IndoPremier

## MPMX Company Update

**Fig. 7: Assumption Revision**

	2017F			2018F		
	Old	New	Revision	Old	New	Revision
<b>2W Distribution &amp; 4W Dealer</b>						
Sales volume ('000 units)	1,103	1,007	-9%	1,158	1,027	-11%
ASP (Rpmn / unit)	14	14	2%	14	15	3%
Gross margin	6.0%	6.3%		6.0%	6.2%	
<b>Consumer Parts (FKT)</b>						
Sales volume ('000 units)	68,172	64,000	-6%	69,797	65,000	-7%
ASP (Rp/liter)	29,218	29,736	2%	30,825	31,520	2%
Production volume	65,000	64,000	-2%	67,000	65,000	-3%
Raw material cost	(1,105)	(955)	-14%	(1,175)	(967)	-18%
Crude oil assumption	53	48	-9%	58	48	-17%
<b>Auto Rental (MPMRent)</b>						
Fleet size (units)	14,146	13,146	-7%	14,146	13,146	-7%
Revenue / fleet (Rpmn)	80	83	4%	83	86	4%
Utilisation rate	85.0%	85.0%		85.0%	85.0%	

Source: MPMX, IndoPremier

**Fig. 8: Forecast Revision**

Year to Dec 31 (Rpbn)	2017F			2018F		
	Old	New	%	Old	New	%
Revenue	19,104	16,856	-12%	20,708	18,037	-13%
Gross profit	2,766	2,148	-22%	2,973	2,347	-21%
Operating expense	(1,872)	(1,686)	-10%	(2,029)	(1,768)	-13%
Operating profit	894	463	-48%	944	580	-39%
Net profit	489	406	-17%	498	451	-9%
Gross Margin	14.5%	12.7%		14.4%	13.0%	
Operating Margin	4.7%	2.7%		4.6%	3.2%	
Net Margin	2.6%	2.4%		2.4%	2.5%	

Source: MPMX, IndoPremier

## MPMX Company Update

Year To 31 Dec (RpBn)	2015A	2016A	2017F	2018F	2019F
<b>Income Statement</b>					
Net Revenue	16,640	17,723	16,856	18,037	19,603
Cost of Sales	(14,341)	(15,092)	(14,707)	(15,690)	(17,018)
Gross Profit	2,299	2,631	2,148	2,347	2,585
SG&A Expenses	(1,761)	(1,947)	(1,686)	(1,768)	(1,921)
Operating Profit	537	684	463	580	664
Net Interest	(216)	(219)	(71)	(119)	(25)
Forex Gain (Loss)	0	0	0	0	0
Others-Net	180	158	150	160	174
Pre-Tax Income	501	623	541	621	813
Income Tax	(194)	(213)	(170)	(203)	(278)
Minorities	(23)	(50)	(30)	(33)	(43)
Net Income	285	361	406	451	559
<b>Balance Sheet</b>					
Cash & Equivalent	1,489	1,285	4,917	4,469	1,055
Receivable	3,878	3,463	1,137	1,217	1,322
Inventory	745	710	774	826	896
Other Current Assets	342	261	212	229	248
Total Current Assets	6,454	5,719	7,040	6,741	3,522
Fixed Assets - Net	3,351	3,521	3,869	4,273	4,619
Goodwill	1,165	1,194	1,194	1,194	1,194
Non Current Assets	3,293	4,339	1,526	1,641	1,763
Total Assets	14,480	14,926	13,780	14,006	11,265
ST Loans	503	547	126	144	156
Payable	1,060	962	1,089	951	1,001
Other Payables	722	784	800	767	803
Current Portion of LT Loans	1,764	2,135	123	2,796	120
Total Current Liab.	4,049	4,428	2,139	4,658	2,079
Long Term Loans	4,825	4,607	6,144	3,466	2,792
Other LT Liab.	266	244	110	100	115
Total Liabilities	9,140	9,279	8,393	8,224	4,986
Equity	2,952	2,957	2,957	2,957	2,957
Retained Earnings	1,639	1,920	2,271	2,662	3,154
Minority Interest	749	770	158	163	168
Total SHE + Minority Int.	5,340	5,647	5,387	5,782	6,279
Total Liabilities & Equity	14,480	14,926	13,780	14,006	11,265

Source : MPMX,IndoPremier

## MPMX Company Update

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
<b>Cash Flow</b>					
Net Income (Excl.Extraordinary&Min.Int)	308	410	436	485	602
Depr. & Amortization	166	543	191	207	224
Changes in Working Capital	190	407	2,417	(321)	(109)
Others	51	143	134	100	(10)
Cash Flow From Operating	715	1,503	3,114	404	640
Capital Expenditure	(336)	(1,788)	2,273	(725)	(693)
Others	104	107	119	72	66
Cash Flow From Investing	(231)	(1,681)	2,393	(653)	(627)
Loans	100	197	(896)	14	(3,339)
Equity	0	2	0	0	0
Dividends	0	0	0	0	0
Others	(451)	(279)	(956)	(188)	(87)
Cash Flow From Financing	(352)	(80)	(1,852)	(174)	(3,426)
Changes in Cash	132	(258)	3,654	(423)	(3,414)
<b>Financial Ratios</b>					
Gross Margin (%)	13.8	14.8	12.7	13.0	13.2
Operating Margin (%)	3.2	3.9	2.7	3.2	3.4
Pre-Tax Margin (%)	3.0	3.5	3.2	3.4	4.1
Net Margin (%)	1.7	2.0	2.4	2.5	2.9
ROA (%)	2.0	2.5	2.8	3.2	4.4
ROE (%)	5.4	6.6	7.4	8.1	9.3
ROIC (%)	3.4	4.0	4.4	4.4	5.9
Acct. Receivables TO (days)	78.2	68.9	43.5	17.7	17.5
Acct. Receivables - Other TO (days)	7.1	6.7	6.3	6.2	6.1
Inventory TO (days)	20.1	20.8	19.8	19.6	19.8
Payable TO (days)	24.8	24.4	25.5	23.7	20.9
Acct. Payables - Other TO (days)	11.0	12.0	13.1	11.9	10.7
Debt to Equity (%)	132.8	129.1	118.7	110.8	48.9
Interest Coverage Ratio (x)	0.6	0.5	0.4	0.3	0.1
Net Gearing (%)	104.9	106.3	27.4	33.5	32.0

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

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