

## Matahari Putra Prima (MPPA IJ)

11 September 2017

## Company Update

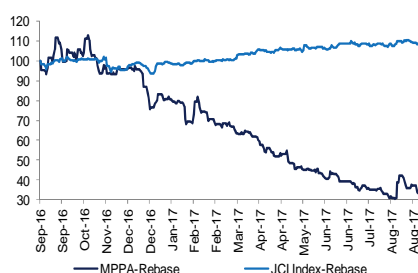
**HOLD** (Unchanged)

## Stock Data

Target price (Rp)	Rp560
Prior TP (Rp)	Rp1,100
Shareprice (Rp)	Rp610
Upside/downside (%)	(8.2)
Sharesoutstanding (m)	5,378
Marketcap. (US\$ m)	249
Free float (%)	19.0
Avg. 6m dailyT/O (US\$ m)	0.5

## Price Performance

	3M	6M	12M
Absolute (%)	-17.6	-46.7	-64.5
Relative to JCI (%)	-20.5	-54.6	-75.8
52w high/low (Rp)	2,065 - 545		



## Major Shareholders

Multipolar Tbk PT	50.2%
Prime Star Investment Pte Ltd	26.1%
Star Pacific Tbk PT	4.7%

## Estimate Change; Vs. Consensus

	2017F	2018F
Latest EPS (Rp)	(43.5)	(44.3)
Vs. Prior EPS (Rp)	10.0	7.3
Vs. Consensus (Rp)	4.7	14.3

Source: Bloomberg

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## Heighten competition, earnings at risk

- **New competition from Lulu & GS Group limits MPPA sales growth.**
- **Mounting debt, heavy interest expense going forward.**
- **Working capital squeezed, suppliers demand quicker repayment.**
- **Maintain Hold with reduced TP at Rp560.**

**Stiff competition.** The new competition from Lulu Group, under Lulu Hypermarket & Dept Store, could further hamper MPPA's top-line. In fact, these put another contenders in hypermarket/supermarket retail space in 2017/18F after GS Supermarket's three store opening in Greater Jakarta. To note, Lulu Group has opened two stores at BSD Tangerang and Cakung Jakarta and allocates US\$600mn (c. Rp8tn) to open further 10 new stores target until 2019, mostly in Java. During the period, we expect a continuous discounted catalog price from new comers to bring brand awareness. For instance, looking at September 2017 catalog price in Greater Jakarta, in average Lulu Hypermarket and GS Supermarket offers 18%/6% discount (sample size: 11/6 exact items respectively) compared to MPPA. Given the similar target market and aggressive promotion from Lulu and GS, we believe the latter should limit MPPA's SSSG in Greater Jakarta.

**High debt level to support store expansion and Mataharimall.** MPPA continues to aim opening new stores (10 stores) in 2017 to fend off new competitors, which 60% will be opened outside Java with allocated capex of c.Rp350bn. In addition, the previous investment in Mataharimall.com to bring ownership up to 10% has tighten MPPA's balance sheet. As of June 2017, MPPA has been in net debt position at Rp318bn with interest expense of Rp50bn, bringing pre-tax loss to Rp232bn. Net debt-to-equity ratio stood at 0.14x, whilst interest coverage ratio held at -3.6x in 1H17. To support another expansion, we think MPPA will keep on accumulating debt and further dragging its bottom-line. To note, the outside Java stores only contributes c.33% to EBITDA.

**Tight working capital.** Since 1Q15, MPPA's payable turnover ratio has kept on declining as we suspect the weak sales, high inventory, and increasing financial cost put MPPA to prolong its payables. To settle the recent dispute, MPPA has to paid its suppliers' payables quicker, which going to dent its working capital. Currently, quick ratio stood at 0.4x, no improvement since 2015.

**Limited upside, cut earnings.** We rollover our valuation to 2018 and downgrade our FY17/18F earnings to net loss of Rp234bn/Rp242bn, respectively, on the back of looming competition and slower consumer spending trend (SSSG: -7%/-4%), and rising financing costs given higher funded debt going forward. Thus, we reduce our DCF-based TP to Rp560 (WACC: 13.5%, TG: 3%). Maintain Hold.

Year To 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue(RpBn)	13,802	13,527	12,982	12,727	12,602
EBITDA(RpBn)	541	455	117	150	201
EBITDA Growth (%)	(42.0)	(15.8)	(74.4)	28.9	33.5
Net Profit(RpBn)	222	38	(234)	(242)	(233)
EPS (Rp)	41	7	(44)	(45)	(43)
EPS Growth (%)	(60.0)	(82.6)	(708.0)	3.4	(3.7)
Net Gearing (%)	9.6	20.6	44.3	57.4	74.6
PER (x)	14.8	85.2	n/m	n/m	n/m
PBV (x)	1.3	1.4	1.5	1.7	1.9
Dividend Yield (%)	(7.0)	(4.3)	0.0	0.0	0.0
EV/EBITDA (x)	5.6	6.1	19.8	14.4	9.9

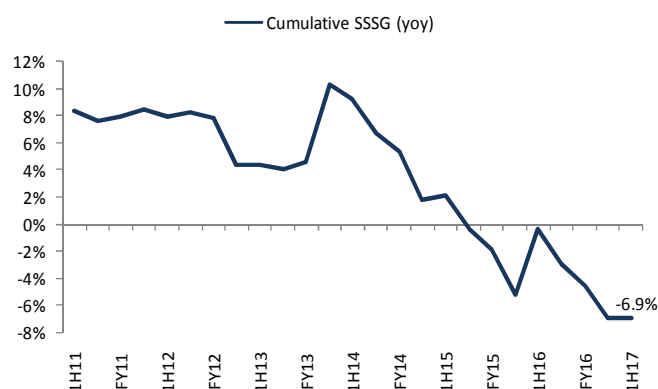
Source : MPPA,IndoPremier

Share Price Closing as of : 08-September-2017

Refer to Important disclosures in the last page of this report

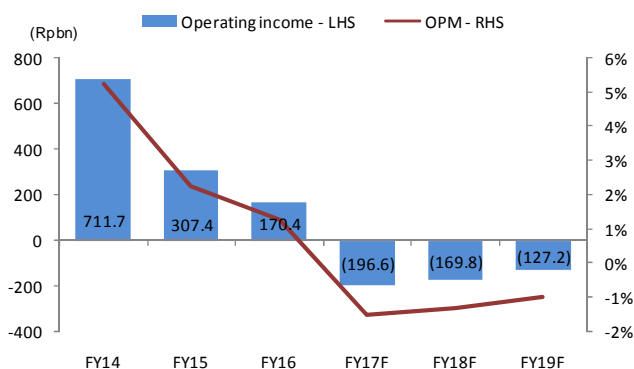
## MPPA Company Update

**Fig. 1: SSSG in downtrend**



Source: IndoPremier, Company

**Fig. 2: Slower recovery in operating margin**



Source: IndoPremier, Company

**Fig. 3: Lulu Hypermarket Sept 2017 (sample: 11 items)**

	Item	Lulu Hypermarket	Matahari Putra Prima	Difference
1	Panasonic 1PK	3,397,000	4,299,000	-21.0%
2	Rinso 800g	14,900	18,990	-21.5%
3	Molto	21,900	31,490	-30.5%
4	Baygon 600ml	25,900	28,890	-10.3%
5	Black & Decker 1.5L	377,000	294,900	27.8%
6	Canon Pixma E410	677,000	845,000	-19.9%
7	LG 43' LED UJ632T	6,277,000	7,599,000	-17.4%
8	Indomie (3 pack)	5,500	6,000	-8.3%
9	Royco 200g	6,250	10,700	-41.6%
10	Sunny Gold 500g	25,900	36,500	-29.0%
11	Roma 300g	6,806	8,990	-24.3%
	<b>TOTAL</b>	<b>10,835,156</b>	<b>13,179,460</b>	<b>-17.8%</b>

Source: IndoPremier

**Fig. 4: GS Supermarket Sept 2017 (sample: 6 items)**

	Item	GS Supermarket	Matahari Putra Prima	Difference
1	Rinso 800g	16,800	18,990	-11.5%
2	Baygon 600ml	29,900	28,890	3.5%
3	Cheddar 75g	8,143	8,950	-9.0%
4	Coca Cola 1500ml	8,500	11,400	-25.4%
5	Sensodyne 100g	26,200	27,190	-3.6%
6	Greenfields 1L	24,900	26,500	-6.0%
	<b>TOTAL</b>	<b>114,443</b>	<b>121,920</b>	<b>-6.1%</b>

Source: IndoPremier

**Fig. 5: Earnings Revision**

	Old		New		Change	
	FY17F	FY18F	FY17F	FY18F	FY17F	FY18F
	(Rp bn)	(Rp bn)	(Rp bn)	(Rp bn)	(%)	(%)
Net revenue	13,821	14,432	12,982	12,727	-6%	-12%
Gross profit	2,419	2,526	2,077	2,062	-14%	-18%
EBIT	174	151	(197)	(191)	nm	nm
Net profit	54	39	(234)	(242)	nm	nm
Gross margin	17.5%	17.5%	16.0%	16.2%		
EBIT margin	1.3%	1.0%	-1.5%	-1.5%		
Net margin	0.4%	0.3%	-1.8%	-1.9%		

Source: IndoPremier

## MPPA Company Update

Year To 31 Dec (RpBn)	2015A	2016A	2017F	2018F	2019F
<b>Income Statement</b>					
Net Revenue	13,802	13,527	12,982	12,727	12,602
Cost of Sales	(11,534)	(11,233)	(10,905)	(10,665)	(10,535)
Gross Profit	2,269	2,294	2,077	2,062	2,067
SG&A Expenses	(1,961)	(2,124)	(2,274)	(2,252)	(2,234)
Operating Profit	307	170	(197)	(191)	(168)
Net Interest	(36)	(76)	(118)	(134)	(145)
Forex Gain (Loss)	0	0	0	0	0
Others-Net	0	7	0	0	0
Pre-Tax Income	272	101	(314)	(325)	(313)
Income Tax	(50)	(63)	80	83	80
Minorities	0	0	0	0	0
Net Income	222	38	(234)	(242)	(233)
<b>Balance Sheet</b>					
Cash & Equivalent	409	249	178	177	124
Receivable	674	930	846	830	822
Inventory	2,498	2,747	2,545	2,448	2,423
Other Current Assets	129	176	82	80	85
Total Current Assets	3,710	4,102	3,651	3,535	3,455
Fixed Assets - Net	1,462	1,576	1,591	1,573	1,524
Goodwill	0	0	0	0	0
Non Current Assets	793	1,010	949	939	935
Total Assets	6,033	6,702	6,241	6,095	5,962
ST Loans	250	140	140	140	140
Payable	1,763	2,318	1,848	1,808	1,786
Other Payables	801	876	728	725	740
Current Portion of LT Loans	0	0	253	289	317
Total Current Liab.	2,815	3,334	2,969	2,962	2,982
Long Term Loans	400	610	758	868	951
Other LT Liab.	304	328	319	312	308
Total Liabilities	3,519	4,272	4,045	4,142	4,241
Equity	1,043	1,043	1,043	1,043	1,043
Retained Earnings	1,471	1,386	1,152	910	677
Minority Interest	0	0	0	0	0
Total SHE + Minority Int.	2,514	2,430	2,196	1,954	1,721
Total Liabilities & Equity	6,033	6,702	6,241	6,095	5,962

Source : MPPA,IndoPremier

## MPPA Company Update

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
<b>Cash Flow</b>					
Net Income (Excl.Extraordinary&Min.Int)	222	38	(234)	(242)	(233)
Depr. & Amortization	12	52	28	28	28
Changes in Working Capital	(539)	84	(183)	73	8
Others	(68)	50	112	101	143
Cash Flow From Operating	(373)	224	(276)	(41)	(55)
Capital Expenditure	(401)	(382)	16	1	26
Others	11	7	3	2	3
Cash Flow From Investing	(390)	(375)	19	3	29
Loans	650	100	400	148	111
Equity	0	0	0	0	0
Dividends	231	140	0	0	0
Others	(36)	(68)	(123)	(138)	(149)
Cash Flow From Financing	845	171	277	10	(38)
Changes in Cash	82	20	20	(28)	(64)
<b>Financial Ratios</b>					
Gross Margin (%)	16.4	17.0	16.0	16.2	16.4
Operating Margin (%)	2.2	1.3	(1.5)	(1.5)	(1.3)
Pre-Tax Margin (%)	2.0	0.7	(2.4)	(2.6)	(2.5)
Net Margin (%)	1.6	0.3	(1.8)	(1.9)	(1.9)
ROA (%)	3.8	0.6	(3.6)	(3.9)	(3.9)
ROE (%)	8.8	1.6	(10.1)	(11.7)	(12.7)
ROIC (%)	7.3	1.4	(6.8)	(7.3)	(7.2)
Acct. Receivables TO (days)	0.8	1.0	1.1	1.0	1.0
Acct. Receivables - Other TO (days)	13.2	20.7	23.8	23.0	22.9
Inventory TO (days)	4.8	4.3	4.1	4.3	4.3
Payable TO (days)	57.9	66.3	69.7	62.6	62.2
Acct. Payables - Other TO (days)	0.0	0.0	0.0	0.0	0.0
Debt to Equity (%)	25.9	30.9	52.4	66.4	81.8
Interest Coverage Ratio (x)	0.2	0.5	(0.6)	(0.7)	(0.9)
Net Gearing (%)	9.6	20.6	44.3	57.4	74.6

Source : MPPA,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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