

We maintain our BUY call on MAPI with a higher TP of IDR 1,100 implying 7.5x 52-week EV/EBITDA. We think that outlook remains attractive for the company supported by its favorable growth and extensive coverage. MAPI recorded a solid 1H19 performance in which top-line was posted at IDR 10 tn (+10.2% YoY), and bottom-line came in at IDR 499 bn (+28.1% YoY). The result was supported by favorable SSSG, robust expansion, and margins improvement. Breaking down into segment sales details, dept. store slid by 2.1% YoY, specialty store was up by 10.9% YoY, F&B grew by 19.1% YoY, while others increased by 38.5% YoY. GPM was significantly improved to 51.4% from 46.9% in 1Q19 on the back of Rupiah strengthening. Risks to our call: significant Rupiah depreciation, weaker than expected SSSG, and poor inventory management.

Exciting performance from active division. Accounting 35% of MAPI's total revenue, active business line (MAPA) managed to record 9% SSSG and 17% selling space growth in 1H19, leading to +19.4% YoY sales growth. Sport and kids segment continue to deliver promising growth, while pressure from leisure (i.e. Payless) began to subside. The company seeks to widen its footprints, especially Planet Sport outlet, as sport retail penetration seems to be limited outside major cities.

Contending within crowded fashion and F&B industry. We think that MAPI is exposed to the threat of a highly competitive environment for fashion retailers and F&B players nowadays. Given the rising popularity of good quality indie brands, aggressive expansion from several F&B names, and ever growing online sales penetration, we forecast softer growth contribution from these two businesses. However, we believe that the company still holds an advantageous positioning supported by favorable brand portfolios along with its dominant footprints in shopping malls. MAPI has also been expanding to foreign market by opening fashion and active retail outlets in Vietnam, with current achievement of 9 stores opened.

Unfolding more online sales potentials. The company is currently working on improving its multi-brand and specific brand e-commerce platforms, which we view as a great mean to cope with strong online sales traction and penetration. MAPI is also channeling its sales through other e-commerce parties (i.e. Zalora) to widen its marketing scope. These e-commerce initiatives are expected to contribute 5% to total sales in medium term as it puts more attention to the online channels.

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Sector	Retail
Bloomberg Ticker	MAPI IJ
Market Cap. (IDR tn)	15.9
Share Out./Float (mn)	16,600/8,134
Current Price	945
52-week Target Price	1,100
Upside	16.3%

Share Price Performance

52W High (03/18/19)	1,120
52W Low (09/05/18)	750
52W Beta	0.7
YTD Change	17.4%

Relative Valuations

Trailing P/E	21.2x
Forward P/E	16.3x
P/BV	2.7x
EV/EBITDA	6.9x

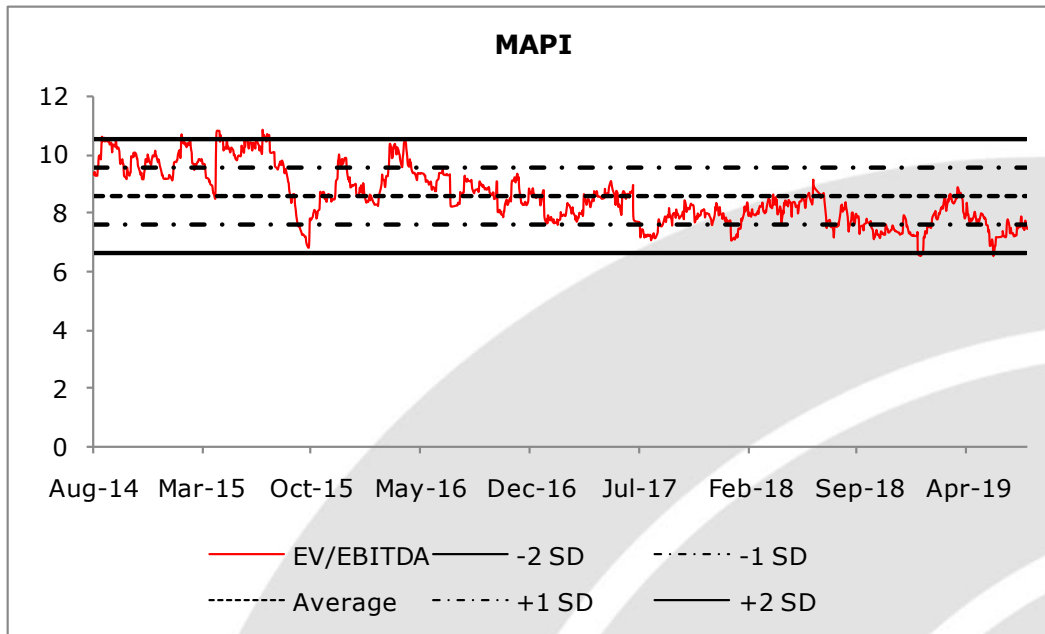
Highlights (IDR Bn)	2017	2018	2019E	2020F	2021F
Net Revenue	16,306	18,921	20,260	21,125	21,915
% growth	15.2%	16.0%	7.1%	4.3%	3.7%
Gross Profit	7,856	9,052	9,824	10,294	10,694
Net Profit	350	814	892	964	1,011
% growth	67.9%	132.5%	9.6%	8.1%	4.9%
Gross Margin (%)	48.2%	47.8%	48.5%	48.7%	48.8%
Net Margin (%)	2.1%	4.3%	4.4%	4.6%	4.6%
Return on Equity (%)	9.0%	14.3%	15.3%	16.1%	14.9%
Return on Assets (%)	3.0%	6.1%	7.2%	7.7%	7.9%
EPS	202	44	54	58	61

MAPI 2Q19 Earnings Summary

(IDR bn)	2Q18	1Q19	2Q19	%QoQ	%YoY	6M18	6M19	%YoY	% DH	% Cons
Net Revenues	4,776	4,680	5,336	14.0%	11.7%	9,093	10,016	10.2%	49%	46%
COGS	(2,493)	(2,483)	(2,595)	4.5%	4.1%	(4,793)	(5,078)	5.9%		
Gross Profit	2,283	2,197	2,741	24.8%	20.1%	4,300	4,939	14.9%		
Operating Profit	473	287	683	137.9%	44.2%	722	969	34.3%		
Net Income	39	138	415	200.3%	978.1%	390	499	28.1%	56%	58%
Gross Margin	47.8%	46.9%	51.4%			47.3%	49.3%			
Operating Margin	9.9%	6.1%	12.8%			7.9%	9.7%			
Opex to Sales	37.9%	40.8%	38.6%			39.3%	39.6%			
Net Margin	0.9%	3.6%	9.2%			4.4%	6.0%			

Source: Company Data, Sinarmas Investment Research

P/E Band



Source: Bloomberg, Sinarmas Investment Research

Income Statement (IDR Bn)	2017	2018	2019E	2020F	2021F
Net Revenue	16,306	18,921	20,260	21,125	21,915
Cost of Revenue	8,450	9,869	10,435	10,832	11,221
Gross Profit	7,856	9,052	9,824	10,294	10,694
% growth	14.3%	15.2%	8.5%	4.8%	3.9%
Operating Expenses	6,736	7,546	8,110	8,457	8,773
Opex to Sales (%)	41.3%	39.9%	40.0%	40.0%	40.0%
Operating Profit	1,121	1,506	1,714	1,837	1,921
% growth	26.2%	34.4%	13.9%	7.1%	4.6%
Net Financing	(370)	(506)	(460)	(480)	(498)
EBT	597	1,173	1,286	1,390	1,458
Tax	247	360	394	426	447
Net Profit for the Year	350	814	892	964	1,011
% growth	67.9%	132.5%	9.6%	8.1%	4.9%

Balance Sheet (IDR Bn)	2017	2018	2019E	2020F	2021F
Cash and Cash Equivalent	1,286	1,412	700	640	328
Trade Receivables	502	389	557	565	571
Inventories	3,066	3,231	3,343	3,486	3,616
Other Current Assets	1,944	2,280	2,160	2,192	2,213
Total Current Assets	6,799	7,313	6,760	6,884	6,728
Fixed Assets	3,103	3,471	3,838	4,148	4,400
Other Non Current Assets	1,524	1,849	1,692	1,717	1,733
Total Assets	11,425	12,633	12,290	12,749	12,861
Trade Payables	1,251	1,341	1,389	1,409	1,423
ST Bank Loans	235	998	0	0	0
Other ST Liabilities	3,314	4,078	3,218	3,299	3,369
Total Current Liabilities	4,565	5,419	4,607	4,708	4,792
LT Bank Loans	1,853	424	1,222	792	0
Other LT Liabilities	765	727	850	862	870
Total Liabilities	7,183	6,570	6,679	6,363	5,662
Share & APIC	823	823	823	823	823
Retained Earnings	2,199	2,869	3,586	4,361	5,174
Other Components of Equity	1,220	2,370	1,201	1,201	1,201
Total Equity	4,242	6,062	5,610	6,386	7,199
Total Equity & Liabilities	11,425	12,633	12,290	12,749	12,861

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2017	2018	2019E	2020F	2021F
Net Income	350	814	892	964	1,011
Depreciation	255	-272	536	594	652
Chg. in NWC	(162)	130	5	122	117
Chg. in Other CT Assets	232	231	-38	28	19
Chg. in Other CT Liabilities	221	180	-83	14	9
CF from Operating	756	361	1,377	1,422	1,538
Capital Expenditure	813	336	698	910	908
Chg. in LT Assets	1	86	46	20	13
Chg in LT Liabilities	78	-38	123	13	8
CF from Investing	(736)	(460)	(622)	(917)	(913)
Chg. in Share & APIC	-	-	-	-	-
Chg. in Debt	(948)	-782	-123	-376	-739
Dividends Paid	57	144	175	189	198
Others	746	1,150	-	-	-
CF from Financing	(259)	224	-1,467	-565	-937
Change in Cash	(239)	125	(711)	-60	-312
Beginning Cash	1,526	1,286	1,411	700	640
Ending Cash	1,286	1,411	700	640	328

Financial Ratio	2017	2018	2019E	2020F	2021F
Profitability					
ROE	9.0%	14.3%	15.3%	16.1%	14.9%
ROA	3.0%	6.1%	7.2%	7.7%	7.9%
Gross Margin	48.2%	47.8%	48.5%	48.7%	48.8%
Operating Margin	6.9%	8.0%	8.5%	8.7%	8.8%
EBITDA Margin	10.3%	13.1%	13.0%	13.2%	13.3%
Net Margin	2.1%	3.9%	4.4%	4.6%	4.6%
Liquidity & Solvency					
Current Ratio	1.5	1.3	1.5	1.5	1.4
Debt to Equity	1.4	0.8	0.5	0.5	0.4
Debt to Assets	0.6	0.5	0.5	0.5	0.4
Interest Coverage	4.2	4.6	5.3	5.3	5.4
Valuation					
EV/EBITDA	11.3	7.7	7.2	6.8	6.5

Key Assumptions	2017	2018	2019E	2020F	2021F
Combined SSSG	4%	8%	4%	3%	3%
Number of Stores	1921	1953	2014	2096	2146
Receivable Days	11	10	10	10	10
Payable Days	28	26	25	24	24
Inventory Days	133	118	117	118	118
Cash Conversion Cycle	117	102	102	103	104

Source: Company Data, Sinarmas Investment Research

SINARMAS SEKURITAS INVESTMENT RATINGS GUIDE

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ADD: Share price may range between 10% to 15% over the next 12 months.

NEUTRAL: Share price may range between -10% to +10% over the next 12 months.

REDUCE: Share price may range between -10% to -15% over the next 12 months.

SELL: Share price may fall by more than 15% over the next 12 months.

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