

RETAIL SECTOR/ COMPANY UPDATE

BUY

Target Price, IDR 6,250

Upside 14.7%

MAPIJ/MAPIJK

Last Price, IDR 5,450

No. of shares, mn 1,660

Market Cap, IDR bn 9,047

(US\$ mn) 718

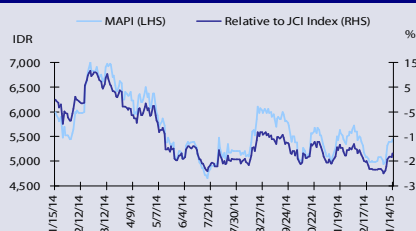
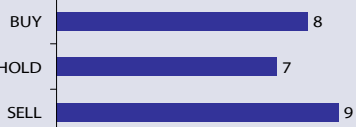
3M T/O, US\$m 0.8

Last Recommendation

08-Jan-15 BUY IDR 6,250

27-Oct-14 BUY IDR 6,250

18-Aug-14 BUY IDR 6,250

MAPI relative to JCI Index**Market Recommendation****Danareksa vs Consensus**

	Our	Cons	% Diff
Target price, Rp	6,250	5,419	15.3
EPS 2015F, IDR	205	204	0.5
PER 2015F, x	26.5	26.7	-0.7

Mitra Adiperkasa

Expecting a better year

While the full 2014 financial result will only be published in March, MAPI has just announced its unaudited operational result. It is inline, with growth in the 2014 gross sales and net sales of 17.7% and 20.7%, respectively. Due to seasonality, December unsurprisingly posted the strongest monthly performance. Expansion took the back seat in 2014 as the company focused on improving its cash flow. All in all, we believe that the company will show improved performance this year with a lower inventory level and higher profitability. BUY recommendation maintained with a Target Price of Rp6,250.

20.7% net sales growth in FY14

Gross and net sales reached Rp14,193 bn and Rp11,747 bn respectively in 2014, up an impressive 17.7% and 20.7% over the corresponding figures in the previous year. For December only, MAPI generated Rp1,545 bn of gross sales (up 12.2% yoy) and Rp1,271 bn of net sales (up 16.1%) – the highest monthly sales during the year reflecting the strong seasonality in December. SSG remained strong up to the end of 2014, reaching 9% in 2014, although the monthly SSG in December was only 3%. The strongest SSG was booked in the food and beverages segment, reaching 15% in 2014. This year, we expect 11.9% yoy topline growth to Rp13,145 bn.

Expansion will normalize in 2015

In the year to December 2014, MAPI added 18,701 sqm of new store space: 9,373 sqm for department stores and 16,486 sqm for specialty stores, although, by contrast, store space for food and beverage outlets was actually reduced by 7,158 sqm. Overall, this translates into 2.9% store space growth for MAPI, resulting in total store space of 669,178 sqm. Going forward, we believe that MAPI will have greater room to accelerate its expansion plans thanks to improving cash flow. In 2015, we expect net additional store space of 40,000 sqm.

Maintain BUY with a TP of Rp6,250

After a challenging 2014, we expect MAPI to show stronger performance in 2015. In particular, we expect to see a better inventory level and higher profitability. BUY maintained with a Target Price of Rp6,250. Valuation wise, the stock is currently trading at FY15-16F PE of 25.7-16.7x.

	2012	2013	2014F	2015F	2016F
Revenue, IDR bn	7,585	9,734	11,522	13,145	15,212
EBITDA, IDR bn	1,107	1,207	1,071	1,366	1,638
Revenue, IDR bn	7,585	9,734	11,522	13,145	15,212
EBITDA, IDR bn	1,107	1,207	1,071	1,366	1,638
EBITDA growth, %	29.7	9.0	(11.2)	27.5	19.9
Net profit, IDR bn	433	328	166	352	543
Core profit, IDR bn	438	350	164	341	531
Core EPS, IDR	264	211	99	205	320
Core EPS growth, %	16	(20)	(53)	109	56
Net gearing, %	66.7	99.2	125.9	104.6	70.1
Core PER, x	20.7	25.9	55.3	26.5	17.0
PBV, x	4.2	3.7	3.6	3.2	2.7
EV/EBITDA, x	9.5	9.5	11.4	8.8	7.0
Yield, %	0.6	0.8	0.6	0.3	0.6



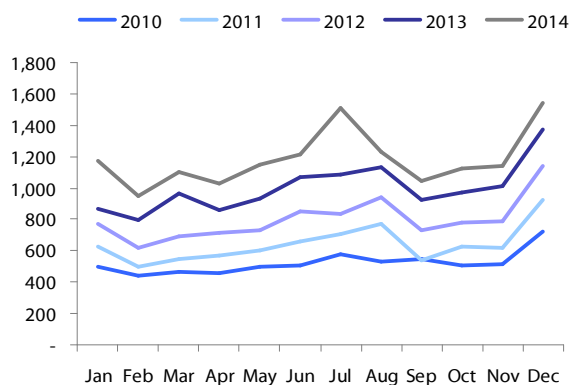
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Danareksaresearch reports are also available at Reuters Multex and First Call Direct and Bloomberg.

20.7% net sales growth in FY14

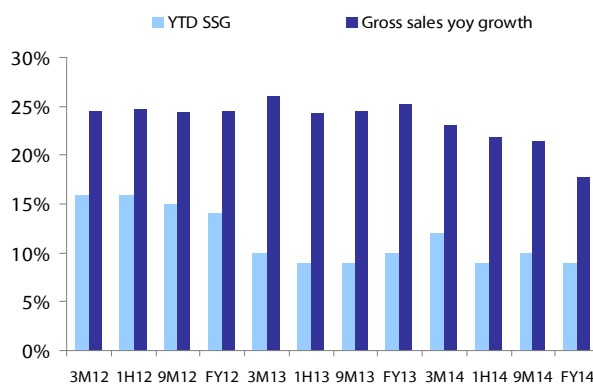
While the full 2014 financial result will only be published in March, MAPI has just announced its unaudited operational result. For the year, gross and net sales reached Rp14,193 bn and Rp11,747 bn respectively, up an impressive 17.7% and 20.7% over the corresponding figures in the previous year. These figures are inline with our forecasts (Rp14,279 bn and Rp11,522 bn, respectively). For December only, MAPI generated Rp1,545 bn of gross sales (up 12.2% yoy) and Rp1,271 bn of net sales (up 16.1%) – the highest monthly sales during the year reflecting the strong seasonality in December.

Exhibit 1. MAPI monthly sales (IDRbn)



Source: Company

Exhibit 2. SSG remains strong



Source: Company

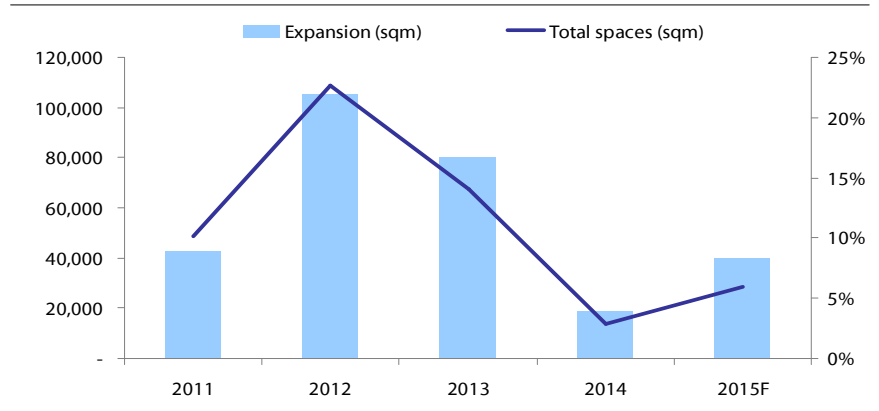
Contributing to the growth in sales were both same store sales growth and the sales from new stores. SSG remained strong up to the end of 2014, reaching 9% in 2014, although the monthly SSG in December was only 3%. The strongest SSG was booked in the food and beverages segment, reaching 15% in 2014, followed by specialty stores (with SSG of 12%), department stores (4%) and other business (5%).

However, we believe that the strong topline growth in 2014 was helped by the huge discounts offered by MAPI to customers in a bid to bring down the company’s inventory level. This year, with improvements in inventory turnover, we believe the topline growth will normalize. In our estimate, the company will book Rp13,145 bn of sales in FY15F, or up an estimated 11.9% YoY.

Expansion will normalize in 2015

Expansion took the back seat in 2014 as the company focused on improving its cash flow. In the year to December 2014, MAPI added 18,701 sqm of new store space: 9,373 sqm for department stores and 16,486 sqm for specialty stores, although, by contrast, store space for food and beverage outlets was actually reduced by 7,158 sqm. Overall, this translates into 2.9% store space growth for MAPI, resulting in total store space of 669,178 sqm. Overall, MAPI added 93 stores in 2014.

Exhibit 3. MAPI's store space expansion (sqm)



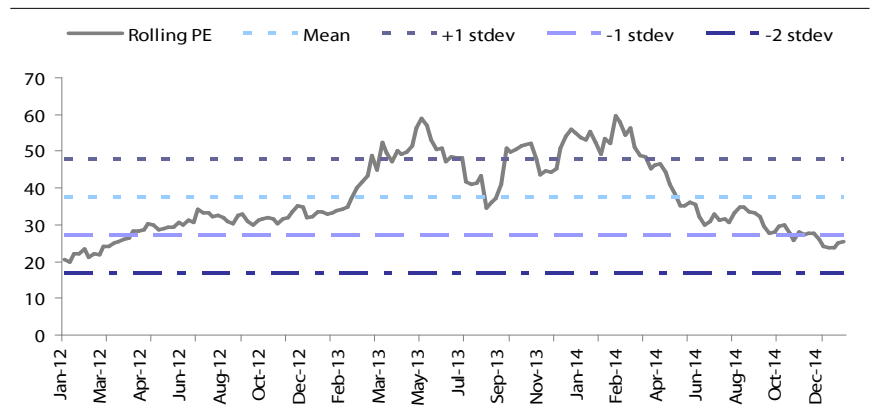
Source: Company, Danareksa Sekuritas

Going forward, we believe that MAPI will have greater room to accelerate its expansion plans thanks to improving cash flow. In 2015, we expect net additional store space of 40,000 sqm (50,000 sqm of additional store space less 10,000 sqm of reduced floor space), or translating into 6.0% store space growth.

Maintain BUY with a TP of Rp6,250

MAPI faced several challenges in 2014, including: 1) high inventory turnover days, 2) high net gearing, and 3) a brand performance review. However, in 2015, we expect MAPI to show stronger performance. In particular, we expect to see a better inventory level and higher profitability. We forecast MAPI's net margin to improve to 2.68% in FY15 from 1.44% in FY14. As such, we maintain our BUY recommendation with a Target Price of Rp6,250. Valuation wise, the stock is currently trading at FY15-16F PE of 25.7-16.7x.

Exhibit 4. Rolling PER



Source: Company, Danareksa Sekuritas

Exhibit 5. Profit and Loss (IDR bn)

	2012	2013	2014F	2015F	2016F
Revenue	7,585	9,734	11,522	13,145	15,212
Cost of goods sold	(5,772)	(7,215)	(9,043)	(10,110)	(11,648)
Gross profit	3,859	4,849	5,236	6,180	7,204
Operating expense	(3,098)	(4,098)	(4,660)	(5,347)	(6,139)
Operating profit	761	751	576	832	1,065
Other income (charges)	(164)	(266)	(331)	(330)	(290)
Profit before tax	598	485	246	503	775
Tax	(165)	(157)	(80)	(151)	(233)
Minority	(0)	(0)	0	0	0
Net profit	433	328	166	352	543

Source: Company, Danareksa Sekuritas

Exhibit 6. Balance Sheet (IDR bn)

	2012	2013	2014F	2015F	2016F
Cash and equivalent	526	369	272	228	295
ST Investment	1	0	0	0	0
Account Receivables	283	415	420	479	555
Inventories	1,918	2,942	3,893	4,213	4,368
Other current assets	534	739	739	739	739
Total Current Assets	3,263	4,464	5,325	5,659	5,956
Fixed assets-net	2,106	2,600	2,605	2,572	2,499
Others	622	745	745	745	745
Total Assets	5,991	7,808	8,675	8,975	9,200
Trade payable	1,206	1,830	1,890	2,113	2,434
Others	1,476	2,165	1,316	972	816
Total Current Liabilities	2,683	3,995	3,206	3,085	3,251
LT debt	305	555	1,102	1,252	827
Bonds	558	492	1,488	1,435	1,435
Others	272	338	338	338	338
Total Liabilities	3,818	5,380	6,135	6,111	5,851
Minority interest	0.02	0.02	0.02	0.02	0.02
Shareholder's equity	2,173	2,428	2,540	2,864	3,349
Total Liabilities & Equities	5,991	7,808	8,675	8,975	9,200

Source: Company, Danareksa Sekuritas

Exhibit 7. Statement of cash flow (IDR bn)

	2012	2013	2014F	2015F	2016F
Cash Flow From Operating Activities					
Cash Received From Customers	7,615	9,735	14,274	16,231	18,776
Cash payment to suppliers and employees	(6,966)	(9,192)	(11,845)	(15,020)	(17,048)
Cash provided by operations	649	543	2,429	1,211	1,728
Interest expense	(161)	(225)	(340)	(349)	(310)
Tax payment	(154)	(211)	(80)	(151)	(233)
Others	-	31	(2,246)	20	21
Net Cash Provided by Operating Activities	334	139	(236)	730	1,206
Cash Flow From Investing Activities					
PPE	(708)	(742)	(500)	(500)	(500)
Investment	(30)	(42)	-	-	-
Interest income	9	7	-	-	-
Others	(125)	(125)	-	-	-
Net Cash Provided by Investing Activities	(854)	(904)	(500)	(500)	(500)
Cash Flow From Financing Activities					
Loan	1	(0)	694	(247)	(581)
Dividend paid	(58)	(71)	(54)	(27)	(58)
Others	815	712	-	-	-
Net Cash Provided by Financing Activities	758	640	640	(275)	(639)
Net Effect of Changes in Foreign Exchange	(1)	(2)	-	-	-
Net Changes	238	(156)	(96)	(44)	67
Beginning Balance	289	526	369	272	228
Ending Balance	526	369	272	228	295

Source: Company, Danareksa Sekuritas

Exhibit 8. Financial Ratios (%)

Y/e Dec	2012	2013	2014F	2015F	2016F
Gross margin	50.9	49.8	45.4	47.0	47.4
Operating margin	10.0	7.7	5.0	6.3	7.0
Pre-tax margin	7.9	5.0	2.1	3.8	5.1
Net margin	5.7	3.4	1.4	2.7	3.6
ROA	8.3	4.8	2.0	4.0	6.0
ROE	21.8	14.3	6.7	13.0	17.5
Debt to Equity	91.0	114.4	136.7	112.5	78.9
Net gearing	66.7	99.2	125.9	104.6	70.1

Source: Company, Danareksa Sekuritas

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