

FLASH NOTES
Matahari Putra Prima: Below expected 4Q16 results (MPPA. IDR1,150. SELL. TP IDR1,100)

- The 2016 result was rather weak. Besides facing sluggish demand, the company recorded higher opex, mainly due to higher rental costs. The result was also hit by a higher-than-expected overall tax rate in 2016. We are still looking for further details on the reason for this.
- Going forward, we think the hypermarket business will continue to struggle from continued soft purchasing power given the expectation of flattish economic growth and rising inflation. Stiff competition will also be a challenge for the hypermarket business. As such, the general outlook does not look that great this year. Meanwhile, the management recently revealed plans to reduce the prices of more than 5,000 SKU which MPPA sells throughout Indonesia to boost sales. Nonetheless, we don't think this initiative will have much of an impact.
- The stock is also trading expensive at 51x PE 2017 and we reaffirm our SELL call.

MPPA 4Q16 results summary

(IDRbn)	4Q15	3Q16	4Q16	qoq (%)	yoy (%)	2015	2016	yoy (%)	2016/ Danareksa	2016/ Cons
Revenue	3,354.5	3,392.8	3,133.4	-7.6%	-6.6%	13,802.5	13,527.3	-2.0%	96%	94%
Gross profit	468.0	558.4	604.0	8.2%	29.1%	2,268.8	2,294.0	1.1%	100%	
Operating expenses	(482.7)	(468.1)	(532.0)	13.7%	10.2%	(1,947.7)	(2,123.6)	9.0%		
Operating profit	(14.7)	90.3	72.0	-20.3%	n/a	321.2	170.4	-46.9%	106%	
Net int. income/(expenses)	(22.5)	(20.9)	(20.4)	-2.4%	-9.3%	(35.6)	(75.9)	113.4%		
Other income/(expenses)	(3.1)	(2.2)	14.4	n/a	n/a	(13.8)	6.6	n/a		
Pretax profit	(40.2)	67.2	66.0	-1.8%	n/a	271.8	101.1	-62.8%	109%	
Taxation	16.7	(14.0)	(60.2)	n/a	n/a	(50.0)	(62.7)	25.3%		
Net profit	(23.5)	53.3	5.8	-89.1%	n/a	221.7	38.4	-82.7%	80%	40%
BS & Ratio analysis										
Gross margin (%)	14.0%	16.5%	19.3%			16.4%	17.0%			
Operating margin (%)	-0.4%	2.7%	2.3%			2.3%	1.3%			
Pretax margin (%)	-1.2%	2.0%	2.1%			2.0%	0.7%			
Net margin (%)	-0.7%	1.6%	0.2%			1.6%	0.3%			

Source: Company, Danareksa Sekuritas

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