

Tuesday, 21 November 2017

BUY Maintain

Last price (IDR)	11,300
Target Price (IDR)	12,500
Upside/Downside	10.6%
Previous Target Price (IDR)	10,500

Stock Statistics

Sector	Retail
Bloomberg Ticker	LPPF IJ
No of Shrs (mn)	2,917
Mkt. Cap (IDR bn/USDmn)	32,014/2,369
Avg. daily T/O (IDR bn/USDmn)	60.3/4.5

Major shareholders

PT Multiplolar Tbk	17.5%
Estimated free float	82.5%

EPS Consensus(IDR)

	2017F	2018F	2019F
Danareksa	660.8	712.6	766.0
Consensus	686.8	747.9	819.9
Danareksa/Cons	(3.8)	(4.7)	(6.6)

LPPF relative to JCI Index



Source : Bloomberg

Adeline Solaiman

(62-21) 29 555 888 ext.3503

adeline.solaiman@danareksa.com

Natalia Sutanto

(62-21) 29 555 888 ext.3508

natalia.sutanto@danareksa.com

Matahari Department Store (LPPF IJ)

Expansion on track; valuation looks attractive

We maintain our BUY recommendation on LPPF with a higher TP of IDR12,500. From our recent meeting with the management, we learnt that: 1) the December 2017 injection in MatahariMall.com will be the final injection, potentially creating positive sentiment on the stock, 2) there will still be three more new store openings in 4Q17, and 3) expansion will continue in 2018.

Final injection in MatahariMall.com. LPPF's management stressed that the company would make its final injection in MatahariMall.com of around IDR212.5bn in December 2017. This will maintain LPPF's ownership in MatahariMall.com at around 18%. Encouragingly, the management has provided reassurances that there will be no further investments in MatahariMall.com. We view this positively since the investment in MatahariMall.com has been a source of worry for some investors and any signs that further investments were planned would likely revive these concerns. As such, this final injection in MatahariMall.com should generate positive sentiment and pave the way for a rerating, in our view.

More store openings in 4Q17. The management has confirmed 3 new store openings in 4Q17: 2 Matahari Department Stores in South Sumatra (+/- 6,500 sqm each) and 1 Nevada store in Pakuwon Mall (1,000 sqm), totaling 14,000 sqm. As such, new additional gross retail space will be +/- 46,500 sqm 2017F, as LPPF previously opened 5 new stores in Tegal, Madiun, Jember, Medan, and Cirebon. Hence, we expect the net additional gross retail space to stay positive at +/- 3,500 sqm, taking into account store closures in Taman Anggrek (16,000 sqm), Lombok (+/- 6,500 sqm), and Pasaraya & Blok M (20,000 sqm).

Expansion to continue in the pre-election year of 2018. The management has provided reassurances that expansion will continue in 2018, with about 6-8 new store openings in 2018. The company foresees stronger consumption as the public should benefit from populist government policies such as higher subsidies on healthcare and energy in 2018. Profitability should also be maintained at the same level given the management's continued focus on operational efficiencies concerning employee productivity.

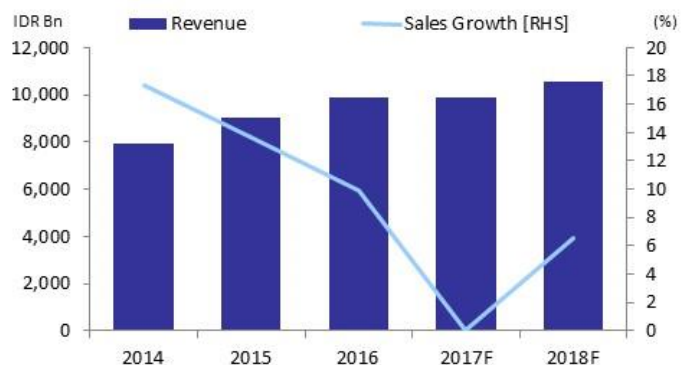
Maintain BUY with a TP of IDR12,500. We increase our 2018F revenues and net profit estimates by 1.2% and 2.4%, respectively. Meanwhile, we re-rate our valuation using 17.5x P/E 2018F, nearly -1 std based on the 5 years P/E band, giving rise to a TP of IDR12,500 from IDR10,500 previously at 15x P/E 2018F, about -1.5 std. The stock trades at an attractive valuation of 15.7x P/E 2018F. We also like LPPF for its healthy balance sheet and high dividend yield. Risks to our call include lower-than-expected GDP growth in 2018.

Key Financials

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue, (IDRbn)	9,007	9,897	9,897	10,542	11,209
EBITDA, (IDRbn)	2,570	2,788	2,671	2,879	3,092
EBITDA Growth, (%)	9.9	8.5	(4.2)	7.8	7.4
Net profit (IDRbn)	1,799	2,020	1,928	2,079	2,234
EPS (IDR)	611.0	692.4	660.8	712.6	766.0
EPS growth (%)	27.3	13.3	(4.6)	7.8	7.5
BVPS, (IDR)	375.8	636.0	810.6	1,063.6	1,337.9
DPS, (IDR)	295.5	435.6	491.6	469.2	506.0
PER (x)	18.5	16.3	17.1	15.9	14.8
PBV (x)	30.1	17.8	13.9	10.6	8.4
Dividend yield (%)	2.6	3.9	4.4	4.2	4.5
EV/EBITDA (x)	12.6	11.2	11.6	10.5	9.5

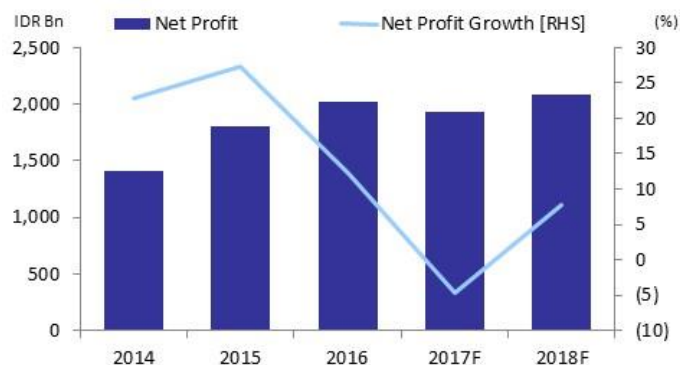
Source : LPPF, Danareksa Estimates

Exhibit 1. REVENUE AND GROWTH



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. NET PROFIT AND GROWTH



Source: Company, Danareksa Sekuritas estimates

Exhibit 3. MARGINS



Source: Company, Danareksa Sekuritas estimates

Exhibit 4. GEARING LEVEL



Source: Company, Danareksa Sekuritas estimates

Exhibit 5. P/E BAND



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Forecast Changes

	Before			After			Changes		
	2017F	2018F	2019F	2017F	2018F	2019F	2017F	2018F	2019F
Revenues, IDRbn	9,897	10,418	10,969	9,897	10,542	11,209	0.0%	1.2%	2.2%
Gross profit, IDRbn	6,255	6,584	6,932	6,255	6,663	7,084	0.0%	1.2%	2.2%
Operating profit, IDRbn	2,411	2,541	2,678	2,411	2,602	2,798	0.0%	2.4%	4.5%
Pretax profit, IDRbn	2,417	2,545	2,681	2,417	2,607	2,802	0.0%	2.4%	4.5%
Net profit, IDRbn	1,928	2,029	2,138	1,928	2,079	2,234	0.0%	2.4%	4.5%
Gross margin, %	63.2%	63.2%	63.2%	63.2%	63.2%	63.2%			
Operating margin, %	24.4%	24.4%	24.4%	24.4%	24.7%	25.0%			
Pretax margin, %	24.4%	24.4%	24.4%	24.4%	24.7%	25.0%			
Net margin, %	19.5%	19.5%	19.5%	19.5%	19.7%	19.9%			

Source: Danareksa Sekuritas Estimates

Exhibit 7. Income Statement

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Revenue	9,007	9,897	9,897	10,542	11,209
COGS	(3,336)	(3,685)	(3,642)	(3,880)	(4,125)
Gross profit	5,671	6,212	6,255	6,663	7,084
EBITDA	2,570	2,788	2,671	2,879	3,092
Oper. profit	2,330	2,528	2,411	2,602	2,798
Interest income	31	31	38	37	35
Interest expense	(124)	(32)	(32)	(32)	(31)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	8	6	0	0	0
Pre-tax profit	2,245	2,533	2,417	2,607	2,802
Income tax	(464)	(513)	(490)	(528)	(567)
Minority interest	18	0	0	0	0
Net profit	1,799	2,020	1,928	2,079	2,234
Core Net Profit	1,799	2,020	1,928	2,079	2,234

Exhibit 8. Balance Sheet

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Cash & cash equivalent	947	1,713	2,101	2,764	3,475
Receivables	76	95	85	96	102
Inventory	1,008	995	934	1,137	1,231
Other Curr. Asset	242	171	173	175	177
Fixed assets - Net	877	980	1,087	1,196	1,307
Other non-curr.asset	740	905	914	923	932
Total asset	3,889	4,859	5,294	6,291	7,223
ST Debt	0	0	0	0	0
Payables	1,704	1,791	1,705	1,951	2,072
Other Curr. Liabilities	735	797	805	813	821
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	344	415	419	424	428
Total Liabilities	2,783	3,004	2,930	3,188	3,321
Shareholder's Funds	1,106	1,855	2,365	3,103	3,903
Minority interests	0	0	0	0	0
Total Equity & Liabilities	3,889	4,859	5,294	6,291	7,223

Exhibit 9. Cash Flow

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Net income	1,799	2,020	1,928	2,079	2,234
Depreciation and Amort.	241	260	260	277	294
Change in Working Capital	125	81	(12)	29	7
Other Oper. Cash Flow	(9)	(34)	4	7	13
Operating Cash Flow	2,155	2,327	2,179	2,392	2,549
Capex	(385)	(360)	(367)	(368)	(370)
Others Inv. Cash Flow	31	31	38	37	35
Investing Cash Flow	(354)	(329)	(329)	(332)	(335)
Net change in debt	(689)	0	0	0	0
New Capital	0	0	0	0	0
Dividend payment	(870)	(1,271)	(1,434)	(1,369)	(1,476)
Other Fin. Cash Flow	(82)	39	(28)	(28)	(27)
Financing Cash Flow	(1,641)	(1,231)	(1,462)	(1,397)	(1,503)
Net Change in Cash	161	766	388	663	711
Cash - begin of the year	786	947	1,713	2,101	2,764
Cash - end of the year	947	1,713	2,101	2,764	3,475

Exhibit 10. Key Ratios

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Growth (%)					
Sales	13.6	9.9	0.0	6.5	6.3
EBITDA	9.9	8.5	(4.2)	7.8	7.4
Operating profit	10.3	8.5	(4.6)	7.9	7.5
Net profit	27.3	12.3	(4.6)	7.8	7.5
Profitability (%)					
Gross margin	63.0	62.8	63.2	63.2	63.2
EBITDA margin	28.5	28.2	27.0	27.3	27.6
Operating margin	25.9	25.5	24.4	24.7	25.0
Net margin	20.0	20.4	19.5	19.7	19.9
ROAA	49.3	46.2	38.0	35.9	33.1
ROAE	280.2	136.4	91.4	76.0	63.8
Leverage					
Net Gearing (x)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Interest Coverage (x)	18.8	79.5	75.1	80.3	90.2

Source : LPPF, Danareksa Estimates

DISCLAIMER

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Danareksa Sekuritas and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of P.T. Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in this report is not to be taken as any recommendation made by P.T. Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regard to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.