

Tuesday, 09 January 2017

BUY
Maintain

Last price (IDR)	6,375
Target Price (IDR)	8,100
Upside/Downside	+37.1%
Previous Target Price (IDR)	8,100

Stock Statistics

Sector	Retail
Bloomberg Ticker	MAPI IJ
No of Shrs (mn)	1,654
Mkt. Cap (IDR bn/USDmn)	10,253/755
Avg. daily T/O (IDR bn/USDmn)	12.3/0.9

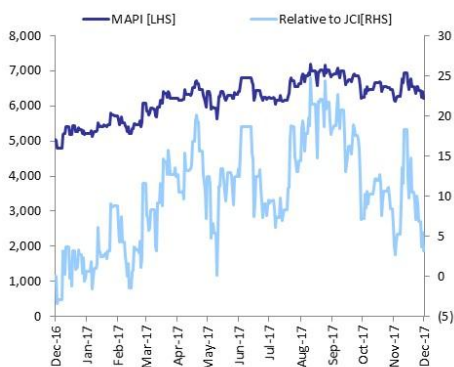
Major shareholders

PT Satya Mulia Gema Gemilang	56.0%
Estimated free float	44.0%

EPS Consensus(IDR)

	2017F	2018F	2019F
Danareksa	230.1	301.5	388.5
Consensus	226.7	305.5	385.8
Danareksa/Cons	1.5	(1.3)	0.7

MAPI relative to JCI Index



Source : Bloomberg

Adeline Solaiman

(62-21) 2955 5888 ext.3503
adeline.solaiman@danareksa.com

Natalia Sutanto

(62-21) 2955 5888 ext.3508
natalia.sutanto@danareksa.com

Mitra Adiperkasa (MAPI IJ)

The stellar performance will continue

The key revenue growth drivers for MAPI, based on our recent visit, are: 1) MAPI's Fashion specialty stores, 2) Active store expansion, and 3) F&B. Overall, we expect 15% yoy consolidated revenues growth in 2018. There will be no further store openings or downsizing in the department store division but the recent Debenhams and Lotus closures will help boost EBITDA margins expansion in 2018. We retain our BUY call on MAPI with a TP of IDR8,100.

Sales of Inditex brands in Vietnam in 4Q17 were robust; MAPI's IPO of Active will be in either 4Q18 or 2020. With the recent opening of 4 new Inditex brand stores in Vietnam: 1 ZARA, 1 Massimo Dutty, 1 Pull & Bear, and 1 Stradivarius in Hanoi and Ho Chi Min with floor space of around 500-1,000 sqm each, and the Christmas and New year end sales season, the Vietnam Inditex brand sales contribution was robust in 4Q17. MAPI is looking to open 3-4 more Inditex stores in Vietnam this year along with 6-11 new Inditex stores in Indonesia. The timeframe for MAPI's IPO of Active is still under discussion (either in 4Q18 or 2020), but this will definitely give CVC an exit strategy. In the meantime, MAPI will aggressively open around 100 new Active stores in 2018 with floor space of around 200-500sqm each.

What are the key growth drivers for MAPI in 2018? The key growth drivers for MAPI's revenues this year will be: 1) specialty stores for both fashion and Active and 2) food and beverages coming from Starbucks sales. For 2018, we currently estimate 14.9% yoy revenues growth. This is in-line with the management's expectation of +15% yoy revenues growth this year with estimated 4-5% SSSG in 2018F. The impact from recent department store downsizing in 2017 will positively impact the EBITDA margin this year by around 22 ppt yoy in our view, translating into better overall profitability.

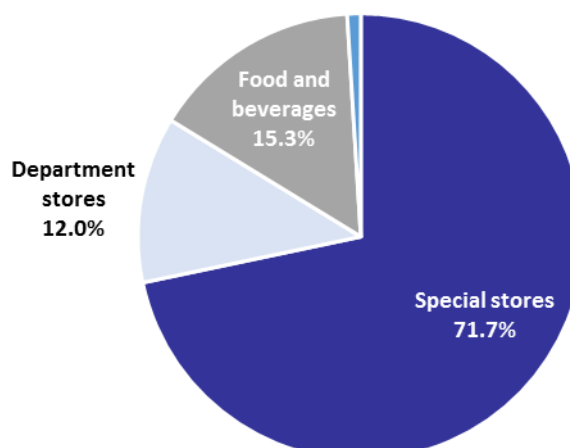
BUY with a TP of IDR8,100. The 4Q17 F&B SSSG improved due to seasonality and internal efforts to improve the products. Last year's closures of Debenhams and Lotus will help boost EBITDA margins expansion in 2018. Given: 1) the continued stellar performance from specialty stores and F&B and 2) the focus on performing brands and department store closures, we believe that solid performance should be on the cards in 2018 with double-digit growth in revenues in addition to continued margins expansion. We have a BUY call on MAPI with a TP of IDR8,100, implying 27x P/E 2018F. The risks to our call include lower than expected GDP growth and weak purchasing power.

Key Financials

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue, (IDRbn)	12,833	14,150	16,154	18,560	21,342
EBITDA, (IDRbn)	1,120	1,532	1,809	2,120	2,470
EBITDA Growth, (%)	2.4	36.8	18.1	17.2	16.5
Net profit (IDRbn)	37	208	381	499	643
EPS (IDR)	22.6	126.1	230.1	301.5	388.5
EPS growth (%)	(52.8)	458.4	82.5	31.0	28.9
BVPS, (IDR)	1,800.2	1,939.0	2,150.8	2,418.4	2,762.3
DPS, (IDR)	0.0	0.0	18.9	34.5	45.2
PER (x)	274.6	49.2	26.9	20.6	16.0
PBV (x)	3.4	3.2	2.9	2.6	2.2
Dividend yield (%)	0.0	0.0	0.3	0.6	0.7
EV/EBITDA (x)	12.0	8.6	7.3	6.1	5.2

Source : MAPI, Danareksa Estimates

Exhibit 1. Revenues contribution, 2018F



Source: Danareksa Sekuritas Estimates

What is the key growth driver for MAPI in 2018?

The key growth driver for MAPI's revenues this year will be: 1) specialty stores for both fashion and Active and 2) food and beverages coming from Starbucks sales. For 2018, we currently estimate 14.9% yoy revenues growth. This is in-line with the management's expectation of +15% yoy revenues growth this year with estimated 4-5% SSSG in 2018F. The impact from recent department store downsizing in 2017 will positively impact the EBITDA margin this year by around 22 ppt yoy in our view, translating into better overall profitability.

Fashion specialty stores: Sales of Inditex brands in Vietnam were robust in 4Q17. With the recent opening of 4 new Inditex brand stores in Vietnam: 1 ZARA, 1 Massimo Dutty, 1 Pull & Bear, and 1 Stradivarius in Hanoi and Ho Chi Min with floor space of around 500-1,000 sqm each, and the Christmas and New year end sales season, the Vietnam Inditex brand sales contribution accounted for nearly 3% of MAPI's total consolidated revenues in 4Q17. Interestingly, the pricing of Inditex brands in Vietnam can be 5% lower (or at least at par) compared to Indonesia's Inditex brands. This is mainly because of more efficient logistics. MAPI currently operates 5 Inditex stores in Vietnam but seeks to open 3-4 more Inditex stores in Vietnam this year along with 6-11 new Inditex stores in Indonesia. There are also plans to renovate some of the established stores.

Active specialty stores: MAPI's IPO of Active will be done in either 4Q18 or 2020. The timeframe for MAPI's IPO of Active is still under discussion (either in 4Q18 or 2020), but this will definitely give CVC an exit strategy. MAPI will aggressively open around 100 new Active stores in 2018 with floor space of around 200-500sqm each.

Food and beverages: 4Q17 SSSG is likely to improve driven by Starbucks. MAPI plans to open 60 new F&B stores in 2018 - the same number as last year. The recent downtrend in SSSG in F&B was basically due to: 1) stiffer competition in non-coffee and the coffee business and 2) the renovation of a few of the main Starbucks stores, including those at the airport and in Plaza Indonesia. However, F&B SSSG is likely to improve in 4Q17 due to seasonality, we believe.

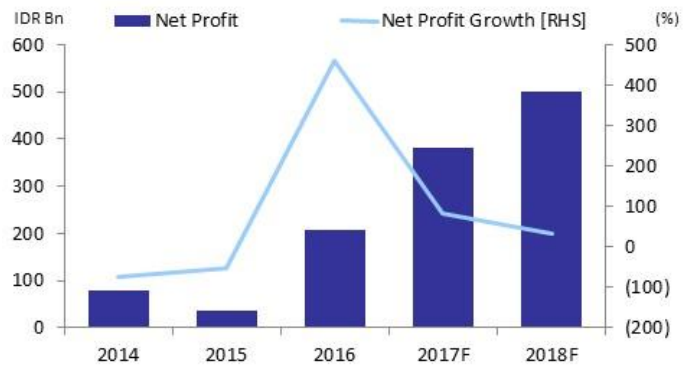
Department stores: no openings or downsizing in 2018. MAPI currently operates 17 SOGO, 1 Seibu and 1 Gallery Lafayette. The management doesn't foresee any department store openings or downsizing in 2018, but the recent Debenhams and Lotus closures in 2017 will definitely give a boost to EBITDA margins this year.

Exhibit 2. REVENUE AND GROWTH



Source: Company, Danareksa Sekuritas estimates

Exhibit 3. NET PROFIT AND GROWTH



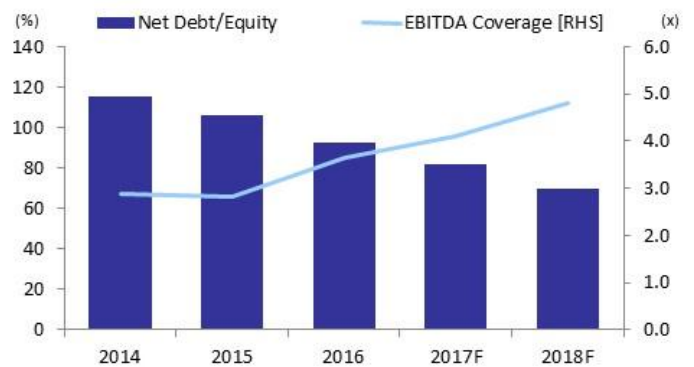
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. MARGINS



Source: Company, Danareksa Sekuritas estimates

Exhibit 5. GEARING LEVEL



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Revenue	12,833	14,150	16,154	18,560	21,342
COGS	(7,050)	(7,277)	(8,238)	(9,465)	(10,884)
Gross profit	5,783	6,873	7,915	9,094	10,458
EBITDA	1,120	1,532	1,809	2,120	2,470
Oper. profit	523	888	1,079	1,265	1,474
Interest income	11	10	11	12	13
Interest expense	(399)	(421)	(440)	(440)	(433)
Forex Gain/(Loss)	(32)	34	16	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	46	(109)	(64)	(47)	(37)
Pre-tax profit	148	401	602	789	1,017
Income tax	(111)	(193)	(222)	(290)	(374)
Minority interest	0	0	0	0	0
Net profit	37	208	381	499	643
Core Net Profit	70	174	364	499	643

Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Cash & cash equivalent	504	1,526	1,739	1,853	2,017
Receivables	568	578	705	769	833
Inventory	3,356	3,007	3,448	3,398	3,520
Other Curr. Asset	1,264	1,290	1,303	1,316	1,329
Fixed assets - Net	2,438	2,637	2,932	3,253	3,611
Other non-curr.asset	1,349	1,430	1,445	1,459	1,474
Total asset	9,483	10,683	11,789	12,268	13,006
ST Debt	937	1,889	2,051	1,880	2,080
Payables	1,766	1,638	2,244	2,268	2,503
Other Curr. Liabilities	587	654	661	667	674
Long Term Debt	2,719	2,611	2,586	2,757	2,477
Other LT. Liabilities	498	687	690	697	704
Total Liabilities	6,507	7,479	8,232	8,269	8,438
Shareholder's Funds	2,977	3,206	3,557	3,999	4,568
Minority interests	0	0	0	0	0
Total Equity & Liabilities	9,484	10,686	11,789	12,268	13,006

Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Net income	37	208	381	499	643
Depreciation and Amort.	597	644	730	856	997
Change in Working Capital	218	266	38	10	49
Other Oper. Cash Flow	139	430	428	427	418
Operating Cash Flow	992	1,548	1,576	1,791	2,106
Capex	(770)	(898)	(1,025)	(1,177)	(1,354)
Others Inv. Cash Flow	(347)	(72)	(4)	(2)	(2)
Investing Cash Flow	(1,117)	(969)	(1,028)	(1,180)	(1,355)
Net change in debt	230	844	137	0	(80)
New Capital	0	0	0	0	0
Dividend payment	0	0	(31)	(57)	(75)
Other Fin. Cash Flow	(115)	(401)	(440)	(440)	(433)
Financing Cash Flow	115	443	(335)	(498)	(587)
Net Change in Cash	(9)	1,022	213	114	164
Cash - begin of the year	513	504	1,526	1,739	1,853
Cash - end of the year	504	1,526	1,739	1,853	2,017

Exhibit 9. Key Ratios

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Growth (%)					
Sales	8.6	10.3	14.2	14.9	15.0
EBITDA	2.4	36.8	18.1	17.2	16.5
Operating profit	(1.6)	69.9	21.6	17.2	16.5
Net profit	(52.8)	458.4	82.5	31.0	28.9
Profitability (%)					
Gross margin	45.1	48.6	49.0	49.0	49.0
EBITDA margin	8.7	10.8	11.2	11.4	11.6
Operating margin	4.1	6.3	6.7	6.8	6.9
Net margin	0.3	1.5	2.4	2.7	3.0
ROAA	0.4	2.1	3.4	4.1	5.1
ROAE	1.4	6.7	11.3	13.2	15.0
Leverage					
Net Gearing (x)	1.1	0.9	0.8	0.7	0.6
Interest Coverage (x)	1.3	2.1	2.5	2.9	3.4

Source : MAPI, 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.