



**Mitra Adiperkasa**

Recommendation: BUY  
 Target Price (12-month horizon): IDR1,400 (+36%)  
 Current price: IDR1,045  
 Number of Shares outstanding: 16.7bn  
 Market Capitalization: IDR17.4tr

**Earnings Result**

**MAPI - 3Q19**

November 27, 2019

**9M19 Results**

Mitra Adiperkasa (MAPI) published its financials for the period of nine (9) months ending September this year (9M19) with net profit of IDR642.8bn (+15.3% YoY) on the back of net sales of IDR15.4tr (+11.4%, YoY). Meanwhile, gross margin during 9M19 recorded at 48.1% vs. 46.8% in 9M18, operating margin during 9M19 increased to 8.7% vs. 7.7% in 9M18, and net profit margin was registered at 4.2% during 9M19 vs. 4.2% in 9M18.

Favorable sales growth as well as strategic expansions during the past years have contributed to a stable gross margin for the company in the range of 46.0% - 48.0% (2014-2018), while operating margins gradually improved to 8.0% in 2018 as compared to 4.4% in 2014. Better operating margins also spilled its impact to the bottom line that saw a net profit margin of 3.9% last year as compared to 0.6% in 2008.

As at end of September this year, MAPI total debt-to-equity ratio was at 26.4% as compared to 45.4% last year and to 131.3% in 2014. All the while, selling expenses-to-total revenue ratios was maintained at the range of 35% -34% over the last five years, and at 33.4% at end of September 2019. We view MAPI has well-thrived its learning curve, and currently has a best ground to position itself to further exposed to Indonesia consumers ahead.

**Earnings Estimates**

We expect MAPI to book revenue of IDR21.2tr this year (+11.8% YoY), back by higher 4Q19 sales, with net profit of IDR868.7tr (+18.1% YoY) while operating margins is estimated at 8.9% (2018: 8.0%) and net margin this year to 4.1% (2018:3.9%). For next year, we are at present comfortable that sales growth to grow by 12.4% YoY to IDR23.8tr, and with stable profitability net profit in the year 2020 is expected to be IDR950.4bn. Our projections were based on the argument that better economic climate in the year 2020 is expected to increase buying power of middle income class in Indonesia, the company's backbone of growth.

**Valuations**

At our 12 months – target price (12M-TP) of IDR1,400, MAPI is trading at 24.5x our FY20 earnings estimate about similar to its historical trading range and to its peers in the retail sector. Given the defensive nature of the counter, we reckon MAPI has the potential to converge to multiple attracted by the consumer sector. We maintain to rate the counter as **BUY**

**Earnings Forecasts**

Year To 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	16,306	18,921	21,153	23,785	26,931
Operating profit (IDRbn)	1,121	1,506	1,878	2,087	2,293
Net Profit (IDRbn)	335	736	869	950	1,105
EPS (IDR)	20	44	52	57	66
EPS Growth (%)	60.5	119.9	18.1	9.4	16.3
PER (x)	52.0	23.7	20.0	18.3	15.8

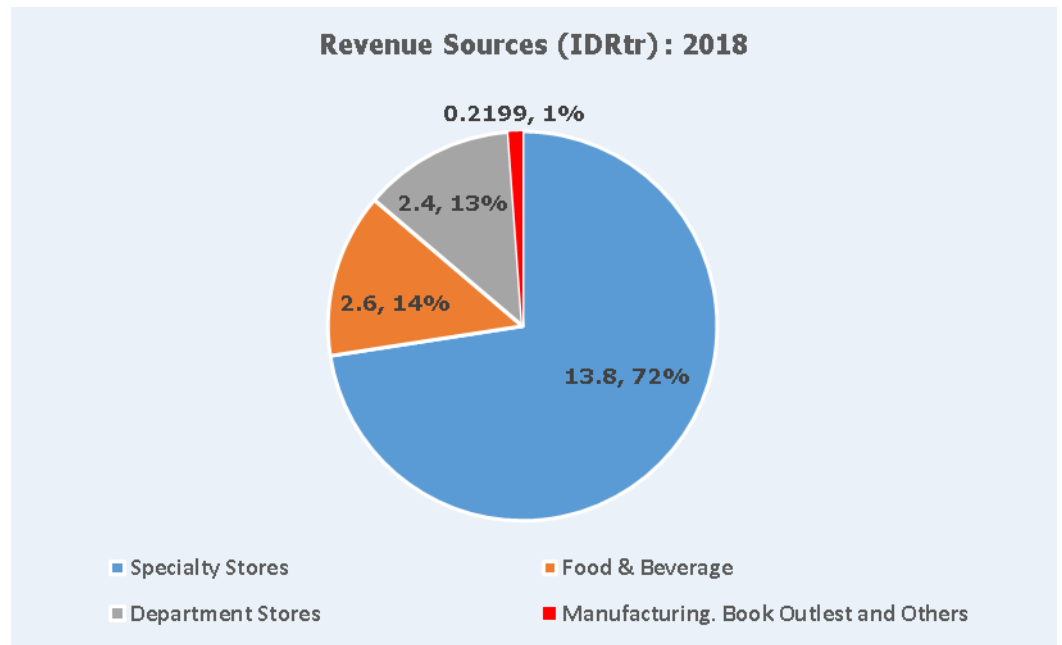
Source: MAPI, Analisa Saham Indonesia, share price close 26-Nov-2019

### **Recommendation**

We maintain our BUY rating for the company, mainly for the reason of prospect of higher purchasing power of Indonesia middle-income class due to the estimated better economic growth next year. By various sources, middle income bracket range include household with annual income of above IDR120mn which is estimated to total of 60mn this year and 85mn next year. Appreciating and stable USDIDR, softening inflation rate, and growing job growth are factors expected to increase Indonesia consumers' income. Internally, MAPI has threaded its learning curve since the establishment in 1995 and at present the balance sheet is significantly improved. These will enable the company to become the proxy of Indonesia middle class consumers (see Graphs in the next pages)

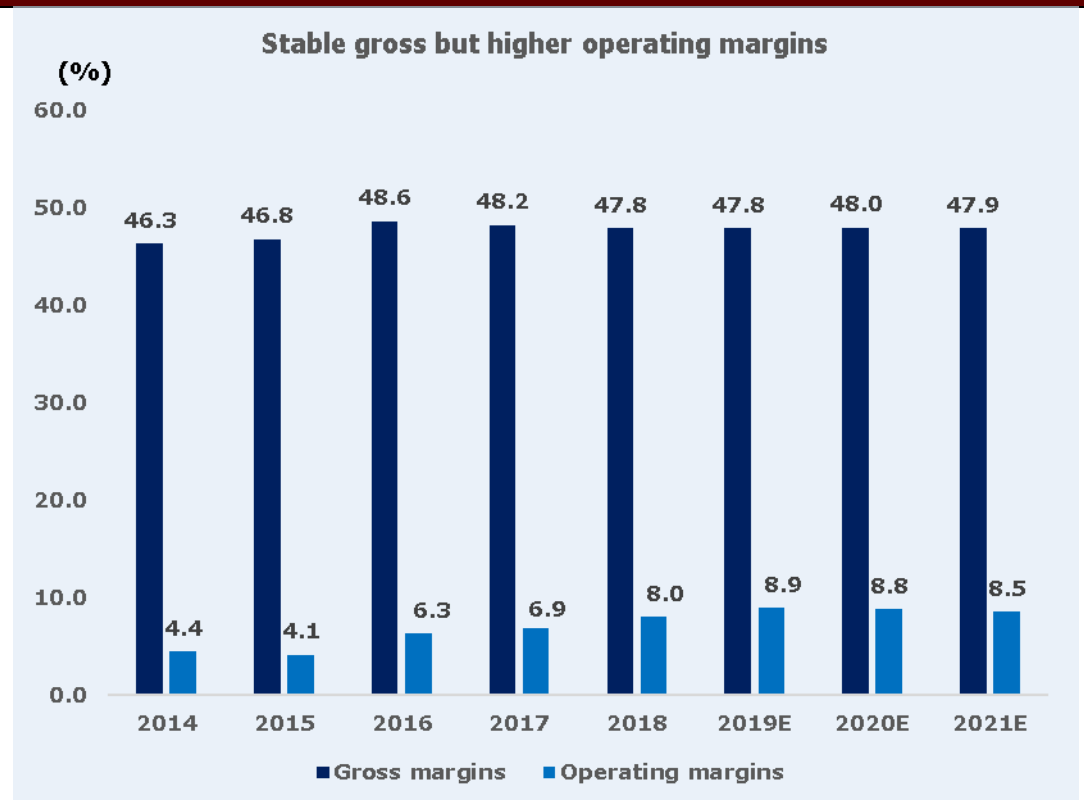
**Contact analyst: Dang Maulida**

**Graph (1): Specialty Store darlings : Zara, Pull & Bear, Stradivarius**



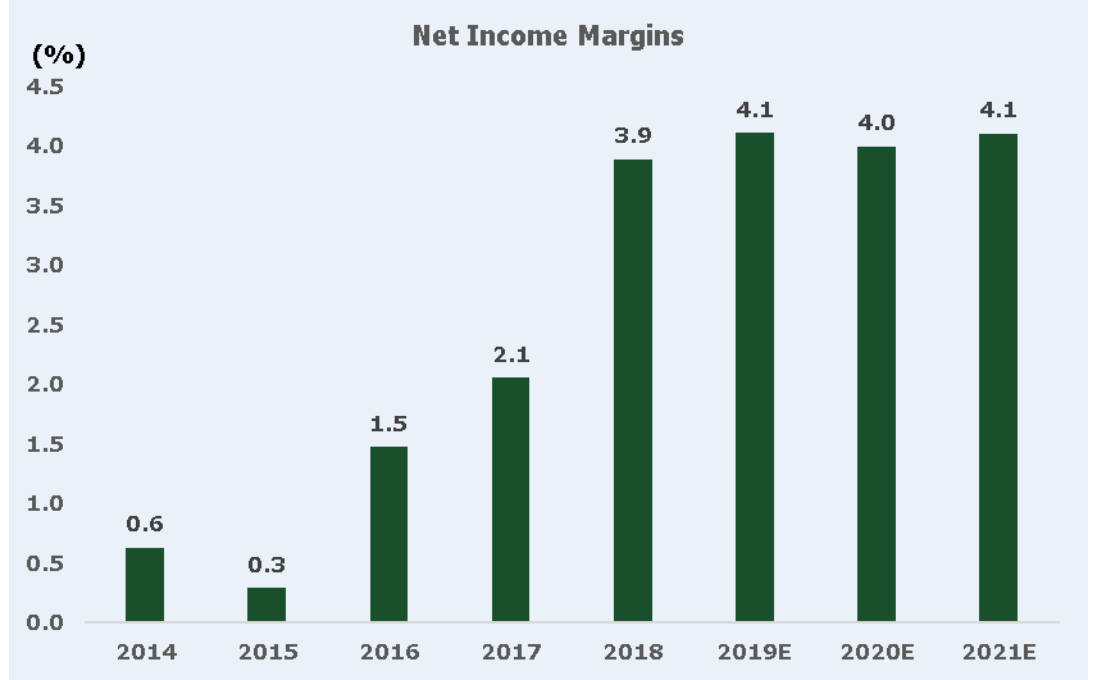
Source: Annual Report MAPI, Analisa Saham Indonesia

**Graph (2): Improved operations, with margin almost twice in 2018 vs. 2014**



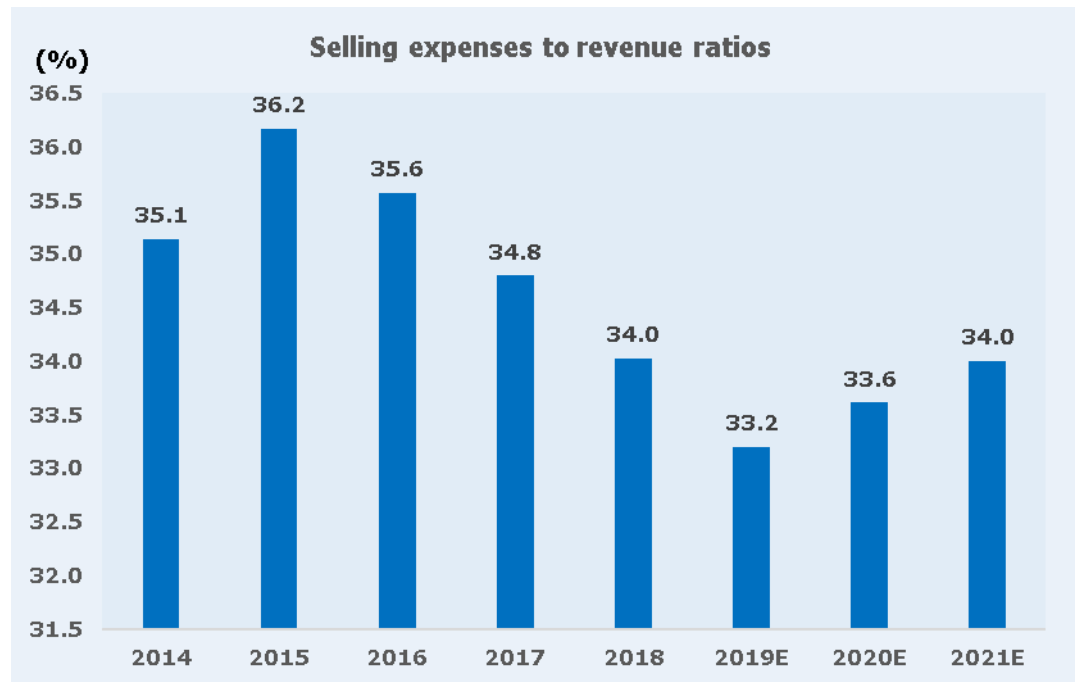
Source: Annual Report MAPI, Analisa Saham Indonesia

Graph (3): The impact of gradually lower debt



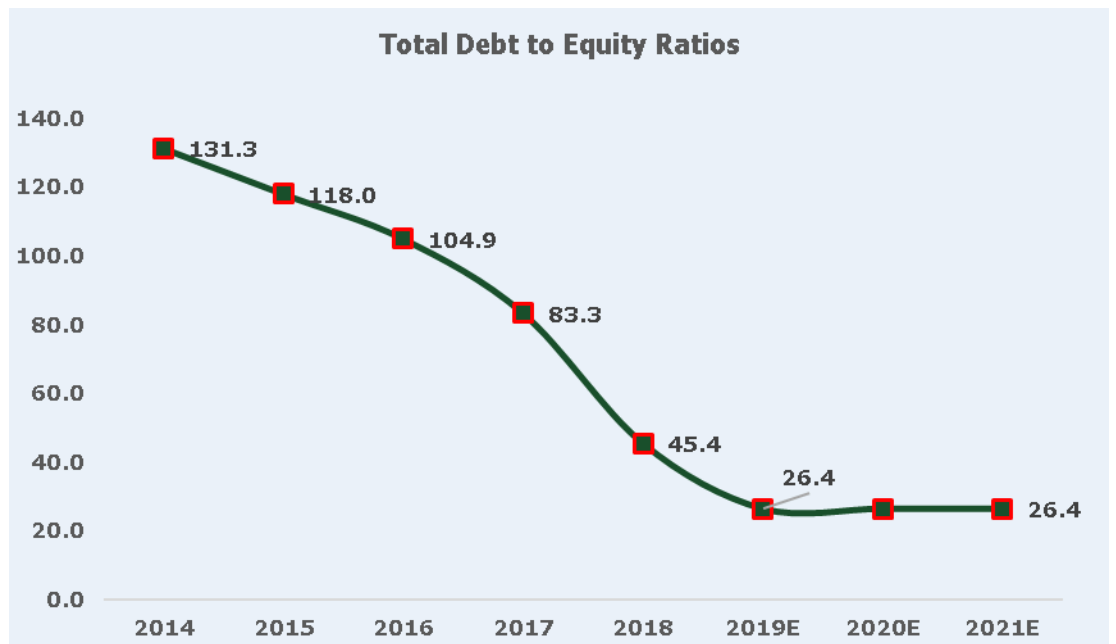
Source: Annual Report MAPI, Analisa Saham Indonesia

Graph (4): Well controlled costs



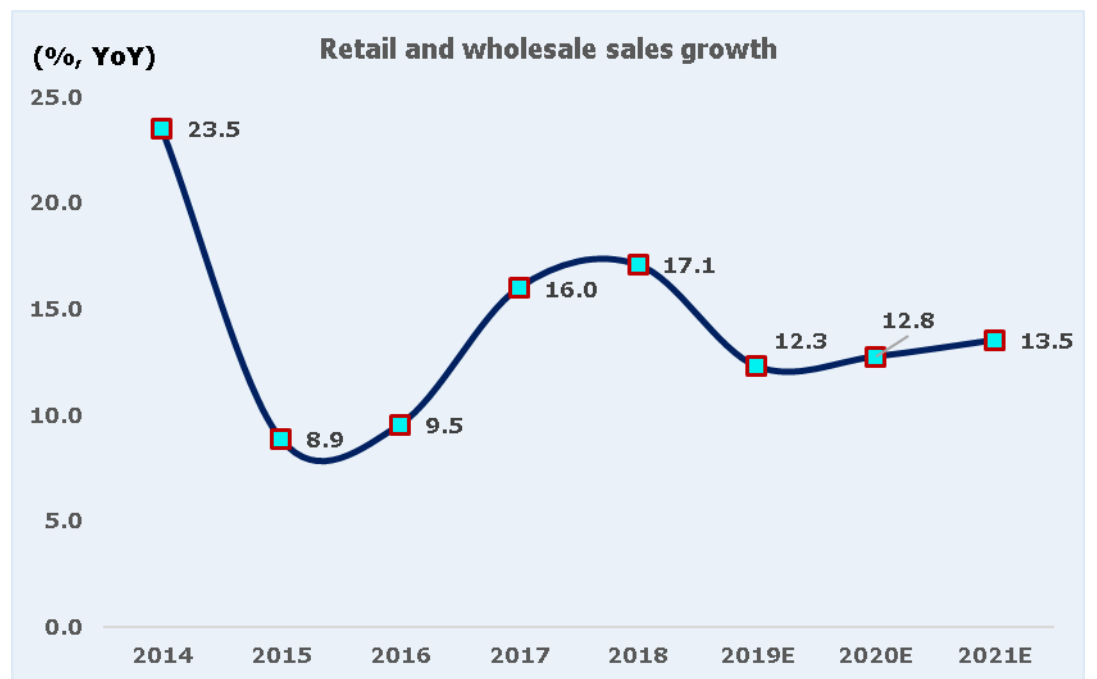
Source: Annual Report MAPI, Analisa Saham Indonesia

Graph (5): Significantly lower at present to a generally accepted normal level



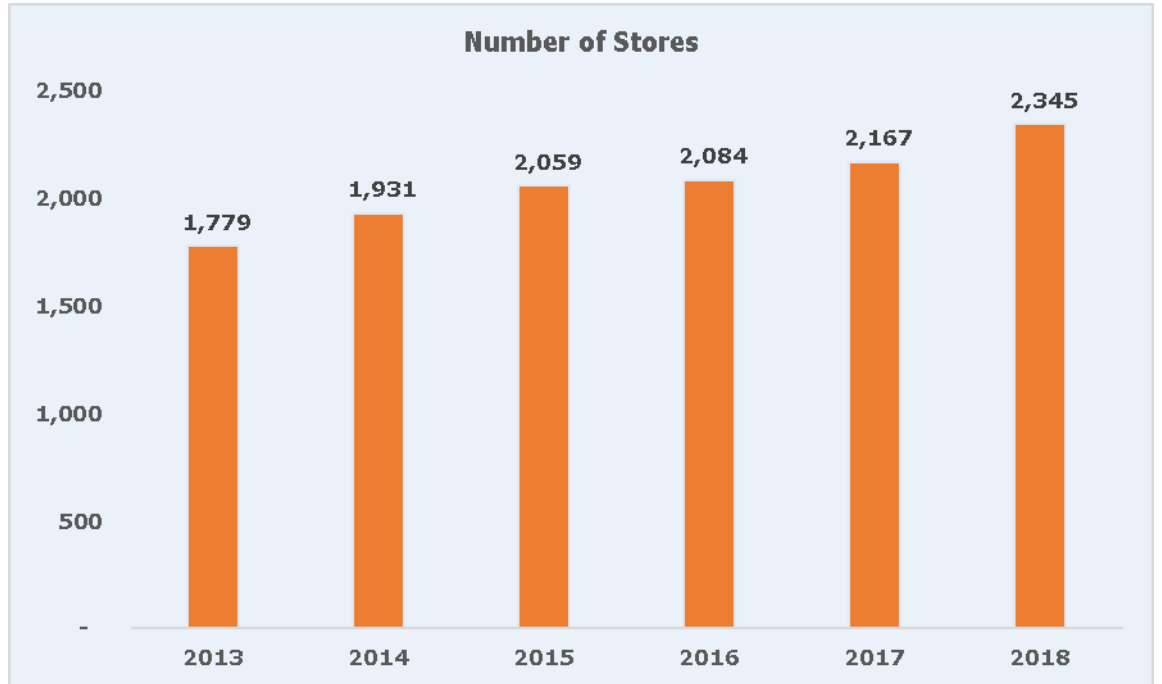
Source: Annual Report MAPI, Analisa Saham Indonesia

Graph (6): The major contributors has registered double digit over the last years



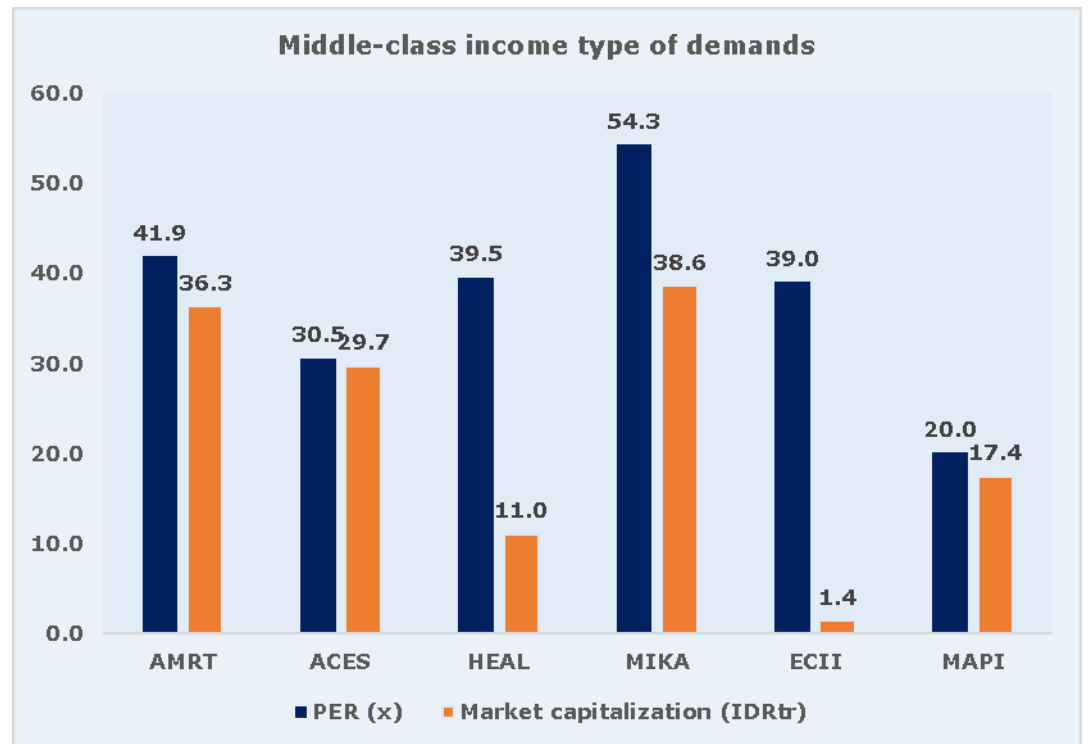
Source: Annual Report MAPI, Analisa Saham Indonesia

**Graph (7): Located across 71 provinces in Indonesia**



Source: Annual Report MAPI, Analisa Saham Indonesia

**Graph (8): Similar Earnings Multiple Comparisons**



Source: Indonesia Stock Exchange, Analisa Saham Indonesia