

Mitra Adiperkasa (MAPI IJ)

ASEAN retail champion

Reiterate BUY and raise TP to IDR2,600

Maintain BUY as we think MAPI's strategic expansion in 7 countries with its solid brand portfolio and successful execution track record are creating an ASEAN retail champion. We adjust our FY23E/24E EPS by +2%/-8% and roll forward our valuation base to end-FY24E. This leads to a higher TP of IDR2,600 (from IDR1,800), based on unchanged 10% discount to SOTP. Our new TP implies 18x FY24E PER. An improvement in MAPI's share liquidity should also be positive for its price. Main downside risks: lower-than-expected SSSG and significant IDR depreciation.

ASEAN retail champion is moving

Our FY23-25E higher overseas sales contribution of 10.8%/11.0%/12.0% (vs. FY19A: 7.5%) reflect an ambitious expansion plan. Establishing footprints in 7 large growing countries (Fig 3), MAPI will 1) operate in conducive economic environments (Figs 7,8); 2) gain diversified economic exposure (Fig 11); and 3) ride on a higher population (Fig 12) and 4) per capita income (Figs 13,14) curve. With its focus as a high-end lifestyle retailer, these four growth-accretive factors will create new opportunities for MAPI's store and customer base expansion in FY24-25E.

Indonesia business: not out of the woods yet

Our elevated FY23E/24E SSSG forecasts of 18%/8% (from 6%/6%) reflect our higher FY23-25E overseas and domestic sales expectations. In Indonesia (c.89% of sales), we see rising 1) card transactions (Figs 23,24; c.50-60% of MAPI's store transactions) and 2) mobility (Figs 25,26) with 1H23 e-commerce transactions declining (Figs 27,28), leading to higher footfall and store transactions in FY24E. Comparing cross-country retail sales indices (Figs 21, 22), we also lean to a view that Indonesian consumers will continue spending on discretionary products.

FY23-25E EPS implies 11% CAGR; beating FY19 pace

Our revised FY23E/24E earnings of IDR2,183b (+2%) and IDR2,293b (-8% YoY) reflect our SSSG rise and EBIT margin cuts (Fig 31). The latter reflects 1) 50bps cut in FY24E gross margin to 42% and 2) 50bps/150bps rise in FY23E/24E rental-to-sales ratio to 9.5%/11.5%. Despite this, our revised FY23-25E estimates imply 11% FY22-25E EPS CAGR. Relative to its domestic retail peers, MAPI maintains a superior EPS growth performance (Fig 34).

FYE Dec (IDR b)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	18,424	26,937	34,572	40,815	47,033
EBITDA	2,045	3,884	4,661	4,958	5,311
Core net profit	442	1,859	2,156	2,346	2,550
Core EPS (IDR)	27	112	130	141	154
Core EPS growth (%)	nm	320.3	15.9	8.8	8.7
Net DPS (IDR)	0	7	28	29	32
Core P/E (x)	26.6	12.9	14.2	13.0	12.0
P/BV (x)	2.0	3.0	3.0	2.6	2.2
Net dividend yield (%)	0.0	0.5	1.5	1.6	1.7
ROAE (%)	7.4	30.1	23.9	20.8	19.5
ROAA (%)	2.6	9.9	9.5	8.9	8.5
EV/EBITDA (x)	5.8	5.9	6.3	6.0	5.7
Net gearing (%) (incl perps)	net cash				
Consensus net profit	-	-	2,132	2,462	2,790
MIBG vs. Consensus (%)	-	-	2.4	(6.9)	(10.1)

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BUY

Share Price IDR 1,840

12m Price Target IDR 2,600 (+43%)

Previous Price Target IDR 1,800

Company Description

Mitra Adiperkasa operates and manages multi-format lifestyle retail stores.

Statistics

52w high/low (IDR)	2,030/985
3m avg turnover (USDm)	2.4
Free float (%)	44.0
Issued shares (m)	16,600
Market capitalisation	IDR30.5T
	USD2 OB

Major shareholders:

Satya Mulia Gema Gemilang 56.0%

Price Performance



 -1M
 -3M
 -12M

 Absolute (%)
 (5)
 (2)
 91

 Relative to index (%)
 (6)
 (7)
 97

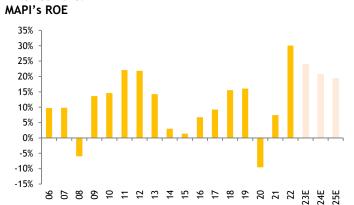
Source: FactSet



Maybank Sekuritas Indonesi

Value Proposition

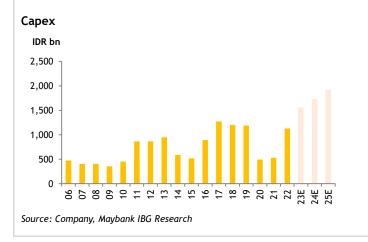
- Net revenue breakdown: department stores (12%), specialty stores (82%), F&B (14%), and others (6%). Brands managed include Zara, Mango and Starbucks.
- As the largest branded retailer, MAPI can negotiate for cheaper rental rates compared to peers. But this doesn't guarantee against rental hikes.
- The addressable market is largely confined to Top-5 cities.
 Possibility of further cost cutting (e.g. wages, electricity) is limited due to the need to retain service quality.
- MAPI resolved merchandising and inventory issues in FY18-19 leading to a shorter cash conversion cycle. MAPI turned into a net cash position in FY20A.
- Return on capital has improved to above cost of capital since 2018.



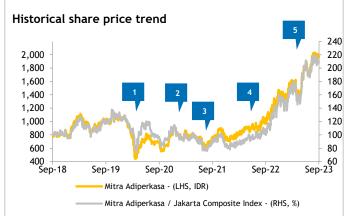
Financial Metrics

Source: Company, Maybank IBG Research

- Forecast moderate consolidated expansion of 6-8% YoY pa in sales area in FY24-25E as additions are mostly smaller formats.
- Specialty store & F&B to be main sales growth drivers.
- Positive FCF to be retained in FY24-25E.
- Inventory days to rise to 120-130 over 2020-22E vs. 110 in 2019 as MAPI expands its market into six ASEAN countries (Cambodia, Malaysia, Philippines, Singapore, Thailand, and Vietnam) over the next two years
- Capex remains at IDR1,600-1,900b over FY24-25E as the expansion continues.



Price Drivers



Source: Company, Maybank IBG Research

- Most MAPI stores closed due to the government's social distancing enforcement, leading to weak SSSG expectations in 2Q20.
- 2. Government laid out the timeline for reopening of economy activity, including retail malls. This was positive for MAPI as c.73% of its stores are inside malls.
- 3. Weak 3Q21 earnings outlook from the retail mall closures due to the government's policy to reinstate lockdowns in major provinces.
- 4. Strong SSSG recovery outlook in 2H22 as the government removed social restrictions.
- MAPI's strong earnings growth sustained in 1H23 despite the high 1H22 base. MAPI continues to attract discretionary spending to its stores.

Swing Factors

Upside

- Stronger discretionary spending power from its target segment (middle-income earners) driven by higher income per capita.
- Successful and profitable business expansion in Cambodia, Malaysia, Philippines, Singapore, Thailand, and Vietnam, which will make it the largest retail chain in the ASEAN region.
- Faster than expected development of the outlet business model.

Downside

- Further IDR depreciation leading to higher sales costs.
- Higher than expected increase in rental rates due to intensifying competition for retail space.
- Change in regulation that limits expansion.

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Risk Rating & Score ¹	20.3
Score Momentum ²	-1.7
Last Updated	22 May 2023
Controversy Score ³ (Updated: 01 Jan 2000)	0 - No reported incidents

Business Model & Industry Issues

- MAPI has a strong commitment to achieve the United Nation's Sustainable Development Goals (SDGs) by enforcing ESG-driven practices across all business activities, promoting a diverse and inclusive workplace, implementing strict waste management, and supporting health and wellness of all of the stakeholders.
- The environment and social aspect of MAPI's business appears in line with ESG priorities given the company's active engagement with its business partners to achieve related best business and operational practices.
- MAPI completed several restructurings in the past in order to streamline its business operations and achieve higher profitability. Meanwhile, MAPI's related-party transactions are immaterial.
- While none of the BoC and BoD are affiliated with the controlling shareholder (i.e. these are 100% professional boards), we note that the total remuneration of MAPI's BoC and BoD are high at 1.4% of sales in 2022.

Material E issues

- MAPI uses energy-saving lights in all of its stores and offices in 2018. This has reduced the utilities expense to 1.3% of sales in 2022, from 1.6% in 2021.
- Inditex, MAPI's main business partners (c. 11% of MAPI's sales), aims to use 100% sustainable and recyclable materials (i.e. cotton, polyester, and linen) for all of its products by 2025.
- Since 2015, MAPI has also enforced Inditex's Green-to-Pack program to minimize packaging waste by using FSCcertified, recyclable boxes and plastic. By 2020, Inditex's Green-to-Pack program aims to remove the use of plastic bags in all brands and zero waste in the entire supply chain.
- MAPI has stopped the use of plastic bags for its packaging in Jakarta (c.73% of total stores) since July 2020.
 Starbucks Indonesia promotes the use of reusable cups and has replaced plastic straws with paper-based in February 2020.

Material S issues

- MAPI attained gender equality certification by Economic Dividends for Gender Equality (EDGE) in 2019. High gender diversity with 52% of male and 48% female employees in 2022. One out of three (33%) BoC members are female while two out of six (33%) BoD members are female.
- MAPI enforces ISO standard 22000 for Food Safety Management System. In 2020, there were no reports on food safety issue in MAPI's F&B business unit.
- MAPI implements the Occupational Health and Safety Management System to guarantee the safety of all employees in carrying out their duties and responsibilities.
- MAPI launched MAP Retail School in 2016, the first government-accredited retail school in Indonesia, actively providing an access to character development education for underprivileged children and raising the retail education standard in Indonesia.

Key G metrics and issues

- Business operations of the company are run by the BoD, which are supervised by the BoC, and assisted by an independent Audit Committee. There are no BoC members sitting in the BoD.
- The BoC consists of three members, and two of them (67%) are independent commissioners. The BoD consists of six members. The BoC and BoD members have no affiliations with the controlling shareholders of MAPI. Meanwhile, the ultimate shareholder of MAPI is Sjamsul Nursalim Family.
- The BoC holds at least one meeting every two months, and also holds a meeting every four months with the BoD. In 2022, the joint meetings of BoC and BoD were held three times.
- In 2022, total remuneration of the BoC, the BoD, and key personnel of MAPI and its consolidated subsidiaries were c.1.4% of sales
- In its 2020 AGM, MAPI changed its external auditor to Deloitte, from EY previously. The reason of the replacement is to comply with recent Financial Service Authority (OJK) requiring the publicly listed company to change its external auditor every three years.
- In 2016, MAPI spun off its four F&B subsidiaries and five brands under MAP Boga (MAPB IJ), wholly-owned holding company. In 2017, MAPI conducted an IPO of MAPB at USD256m market capitalization or P/E 34.6x, to support the new store expansion. In 2017, MAPI spun off MAP Active (MAPA IJ), wholly-owned holding company. In 2018, MAPI conducted an IPO of MAPA at USD418m market capitalization or P/E 18x, to strengthen its working capital and deleverage its balance sheet.
- In July 2020, MAPI entered into an affiliated share sale and purchase agreement of its stake in MAP Active Adiperkasa Thailand (MAAT) to Athletica International Holding (AIHP) for USD3.2m. Both MAAT and AIHP are the subsidiary of MAPI. The transaction was considered immaterial and hence does not require an approval from minority shareholders.
- In 2022, related-party transactions accounted for 0.55% of total sales.

<u>Raisk Rating & Score</u> - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. <u>*Score Momentum</u> - indicates changes to the company's score since the last update - a <u>negative</u> integer indicates a company's improving risk score; a <u>positive</u> integer indicates a deterioration. <u>*Scontroversy Score**</u> - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).



1. Expanding in lucrative ASEAN market

We forecast MAPI's overseas sales to reach IDR3.7t/IDR4.4t/IDR5.6t in FY23-25E. Our projections suggest overseas operations to contribute 10.8%/11.0%/12.0% of MAPI's FY23E/FY24E/FY25E total sales. This will make MAPI the only retail name in our coverage with foreign business exposure. We think MAPI's long success story in Indonesia has convinced brand principals to appoint MAPI to help them grow their business in ASEAN.

Fig 1: Overseas sales...

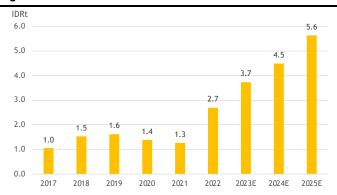
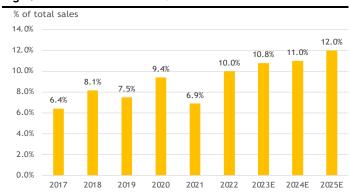


Fig 2: ... and contribution to MAPI's total sales



Source: Company, Maybank IBG Research

Source: Company, Maybank IBG Research

We are positive on MAPI's business expansion in Cambodia, Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam (termed ASEAN-7). In future, MAPI will 1) operate in a giant economic catchment area; 2) gain diversified economic exposure; and 3) ride on a higher population base by focusing its operation on the ASEAN-7 market.

Fig 3: ASEAN target markets and FY22A operational highlights

	Indonesia	Thailand	Vietnam	Philippines	Malaysia	Singapore	Cambodia
Physical stores	2,903	4	39	83	17	13	n.a
Shop-in-Shop*	175	175	6	623	<50	<50	<50
Number of proprietary multi-brand online shops	7	0	0	7	n.a	n.a	n.a
Number of mono brand online stores	18	0	2	0	n.a	n.a	n.a
Number of exclusive brands	150+	5	12	11	3	3	3
Population (in million; 2022)	275	72	98	116	34	6	17

Source: Company, CEIC

*Shop-in-shop (SIS) are MAPI's stores which are located inside MAPI's and third-party's department and/or supermarket stores

Fundamentally, the ASEAN-7 economies have solid economic profiles, indicated by steady real GDP growth rates, modest inflation rates, relatively low unemployment rates, accommodative monetary policies and a stable exchange rate. In our view, these factors should enable MAPI to sustainably grow both its store and customer bases in coming years.

To support its overseas expansion plan, we think MAPI will focus on securing exclusive rights to manufacture, distribute, sell, and market well-known international brands. We see high visibility for MAPI to secure exclusive rights for these brands given its long track record of helping international brands grow their businesses in Indonesia, the largest and most geographically challenged ASEAN market given its archipelagic nature, consisting of more than 7,000 islands.

Fig 4: MAPI's store* count outside Indonesia

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	2021	2022
Philippines	57	83
Vietnam	21	39
Malaysia	0	17
Singapore	0	13
Thailand	3	4
Total	81	156

Source: Company, Maybank IBG Research |*These figures exclude Shop-in-Shop (SIS) format located inside third-party department stores.

Fig 5: MAPI's exclusive brand count outside Indonesia

	2021	2022
Philippines	10	11
Vietnam	12	12
Malaysia	0	3
Singapore	0	3
Thailand	6	5
Total	28	34

Source: Company, Maybank IBG Research

We have seen active progress in MAPI's overseas business growth. Excluding shop-in-shop (SIS) format, MAPI raised its overseas store count to 156 in FY22A from 81 in FY21A. MAPI also secured 34 exclusive rights to international brands in FY22A, up from 28 in FY21A, encompassing brands in five main business segments (Fig 6).

Fig 6: MAPI's brand offerings in foreign markets

	MAPI's business segment								
	Digital	Fashion	Kids	Leisure	Sports				
Cambodia	1) Digimap	1) Mark & Spencer 2) Massimo Dutti 3) Pull & Bear, 4) Victoria's Secret, 5) Zara	-	-	1) Astec 2) Crocs 3) Diadora 4) Foot Locker 5) Lotto 6) New Balance				
Malaysia	-	-	-	1) Aldo	1) Airwalk 2) Astec 3) Converse 4) Foot Locker 5) Reebok				
Philippines	1) Digimap	-	1) Rookie USA	1) Fitflop 2) Haddad Brands	1) Airwalk 2) Astec, 3) Converse 4) Diadora 5) Ellesse 6) Foot Locker 7) Hoka 8) Lotto 9) New Balance 10) Planet Sport 11) Sketchers 12) The Athlete's Foot 13) 2XU				
Singapore	-	-		1) Aldo	1) Airwalk 2) Astec 3) Converse 4) Foot Locker 5) Lotto 6) Reebok				
Thailand	-	-	1) Hasbro 2) Moose 3) Rookie USA 4) Zuru	1) Aldo 2) Dr Martens 3) Nine West 4) Steve Madden	1) Adidas 2) Airwalk 3) Aldo 4) Astec 5) Diadora 6) Foot Locker 7) New Balance 8) 2XU				
Vietnam	1) Digibox	1) Mark & Spencer 2) Massimo Dutti 3) Pull & Bear 4) Stradivarius 5) Victoria's Secret 6) Zara	1) Rookie USA 2) Smiggle	1) Birkenstock	1) Astec 2) Champion 3) Converse 4) Diadora 5) Foot Locker 6) Lotto 7) New Balance 8) New Era 9) 2XU				

Source: Company, Maybank IBG Research



We view MAPI's intensive expansion in ASEAN-7 positively. The ASEAN-7 is potentially among the world's most lucrative discretionary consumer markets with vast expansion potential. With ASEAN-7 as its target market, MAPI will benefit from: 1) operating in one of the world's largest economic areas; 2) diversified economic exposures (Fig 11); and 3) riding on a higher population curve.

The ASEAN-7 has a solid profile (Figs 7, 8) indicated by 1) steadily growing economies; 2) manageable inflation rates; 3) relatively low unemployment rates; 4) accommodative monetary policies; and 5) stable exchange rates. Moreover, ASEAN-7 is blessed by a rising population (Fig 12) and income per capita (Figs 13, 14) base.

In our view, these factors point to stronger consumption ahead. We believe MAPI's focus on high-income earners and discretionary items as its main product offering are solid business growth pillars.

Fig 7: Macroeconomic profiles...

	Real GDP (% YoY)							Inflation rate (% YoY)					Unemployment rate (%)					
	19	20	21	22	23E	24E	19	20	21	22	23E	24E	19	20	21	22	23E	24E
Indonesia	5.1	6.0	6.4	5.8	5.3	5.1	2.8	2.0	1.6	4.2	3.7	3.0	5.1	6.0	6.4	5.8	5.3	5.1
Philippine	6.1	-9.5	5.7	7.6	5.5	6.2	2.4	2.4	3.9	5.8	5.5	3.0	5.1	10.4	7.8	5.4	4.5	4.8
Singapore	1.3	-3.9	8.9	3.6	0.8	2.2	0.6	-0.2	2.3	6.1	5.1	2.8	2.3	3.0	2.7	2.1	2.1	2.1
Thailand	2.1	-6.1	1.5	2.6	4.0	3.6	0.7	-0.8	1.2	6.1	2.7	2.0	1.0	1.7	1.9	1.3	1.2	1.2
Vietnam	7.4	2.9	2.6	8.0	4.0	6.0	2.8	3.2	1.8	3.1	2.8	3.5	2.2	2.5	3.0	2.3	2.5	2.4
Cambodia	7.1	-3.1	3.0	5.1	5.7	5.7	1.9	2.9	2.9	5.3	2.5	3.0	0.1	0.3	0.3	0.5	0.5	0.5
Malaysia	4.4	-5.5	3.1	8.7	4.5	4.3	1.0	-1.2	2.5	3.3	3.0	2.5	3.3	4.5	4.6	3.8	3.5	3.4

Source: Maybank IBG Research

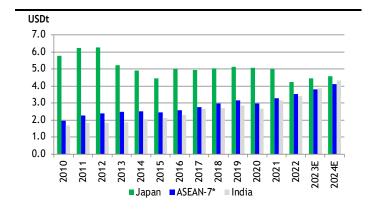
Fig 8: ... of ASEAN-7 countries (MAPI's target countries) remain solid

			Polic	y rate	(%)		Current account balance (% GDP)					Exchange rate (per USD)						
	19	20	21	22	23E	24E	19	20	21	22	23E	24E	19	20	21	22	23E	24E
Indonesia	5.0	3.8	3.5	5.5	5.8	5.0	-2.7	-0.4	0.3	0.7	-0.4	-1.2	13.8k	14.0k	14.2k	15.5k	15.0k	14.0k
Philippine	4.0	2.0	2.0	5.5	6.3	4.3	-0.8	3.3	-1.4	-4.6	-3.8	-3.5	50.7	48.0	51.0	55.7	56.0	52.5
Singapore	1.3	0.1	0.2	3.1	3.8	3.0	16.2	16.4	18.0	19.3	18.5	17.0	1.4	1.3	1.4	1.3	1.3	1.3
Thailand	1.3	0.5	0.5	1.3	2.0	2.0	7.0	4.2	-2.1	-3.4	3.5	6.0	30.0	30.0	33.4	34.6	34.8	32.5
Vietnam	6.0	4.0	4.0	6.0	4.5	4.5	3.6	4.3	-2.1	-0.3	0.8	1.9	23.2	23.1	22.8	23.6	23.8	23.0
Cambodia	2.3	2.0	2.0	2.0	2.0	2.0	-15.0	-8.5	-46.0	-23.0	-17.0	-15.0	4.1	4.0	4.1	4.1	4.1	4.0
Malaysia	3.0	1.8	1.8	2.8	3.0	3.0	2.3	4.2	3.8	2.6	2.4	2.3	4.1	4.0	4.2	4.4	4.6	4.2

Source: Maybank IBG Research

MAPI's expansion in the ASEAN-7 position it centre stage on the global economic growth map. In terms of economic size, the ASEAN-7 economy will surpass India and Japan in FY25E (Fig 9). In our view, three growth-accretive factors have fuelled the ASEAN-7 economy: 1) consumptive markets (Fig 11); 2) increasing population bases (Fig 12); and 3) rising per capita incomes (Figs 13, 14).

Fig 9: ASEAN-7* economy has grown robustly...



Source: CEIC, Maybank IBG Research

201

2013

2014

2012

China) USDt

30.0

25.0

20.0

15.0

10.0

5.0

0.0

2010

Source: CEIC, Maybank IBG Research

*This consists of MAPI's target countries, namely Cambodia, Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam

We believe MAPI's diversified exposure to these economies will lower future business downside due to country- or global-specific events. In its expansion into ASEAN-7 countries, MAPI gains exposure to consumption-driven [Cambodia; Indonesia; Malaysia; and Philippines (c.50-76% of total GDP)]; investment-driven [Vietnam (c.33% of GDP)]; export-driven [Singapore (c.39% of GDP)]; and tourism-driven (Thailand) economies.

Fig 11: ASEAN countries are consumption-driven

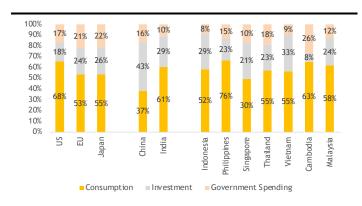


Fig 12: ASEAN is growing its population faster than the world's largest economies

Fig 10: ... like the world's two largest economies (US and

2016

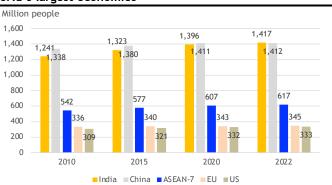
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US ■ China ■ EU

2018 2019 2020

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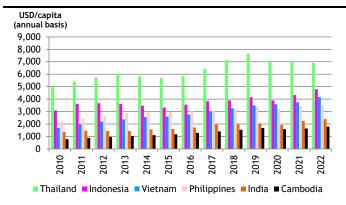


Source: CEIC, Maybank IBG Research

Source: CEIC, Maybank IBG Research

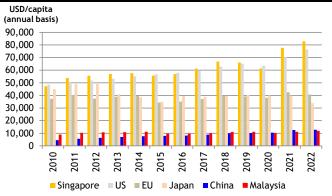
On top of this, MAPI will ride on a higher population curve; and enjoy stronger buying appetite for discretionary items from its ASEAN-7 consumers. ASEAN-7 has delivered +1.0% FY12-22A population CAGR. This CAGR has outpaced the US, EU, and China at +0.6%, +0.2%, and +0.4%, respectively. Despite having a larger population base, ASEAN-7 consumers have also enjoyed rising income per capita in the past ten years (Figs 13,14). Moreover, Malaysia and Singapore have become high-income countries in the past few decades.

Fig 13: ASEAN consumers have enjoyed...



Source: CEIC, Maybank IBG Research Source: CEIC, Maybank IBG Research

Fig 14: ... rising annual income per capita in the past 10 years

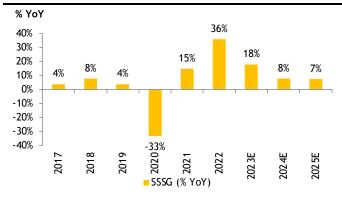


2. Sales growth acceleration ahead

Our FY23-25E sales forecasts of IDR34.5t/IDR40.8t/IDR47.0t imply a robust 20% FY22-25E sales CAGR, accelerating from FY16-19's 15%. On top of MAPI's strong overseas sales growth, we expect its domestic sales performance to remain solid. Although US retail sales have moderated since 1Q23, we see discretionary spending remaining strong for MAPI's target customers who are ASEAN's high-income earners.

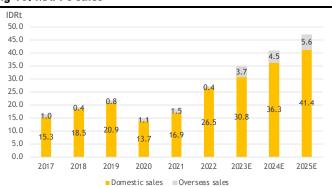
We also expect strong performance for MAPI's domestic (c.89% of FY24E sales) business. Our view is supported by rising card transactions (50-60% of MAPI's transactions) and mobility; as well as a declining trend in online retail transactions. We believe these two will translate to higher footfall and store transactions which will bode well for MAPI's FY23-25E SSSG.

Fig 15: MAPI's annual SSSG rate



Source: Company, Maybank IBG Research

Fig 16: MAPI's sales

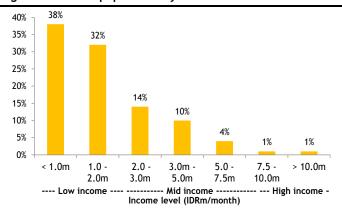


Source: Company, Maybank IBG Research

2.1 Discretionary spending remains robust; MAPI's domestic sales performance to remain solid in FY24E

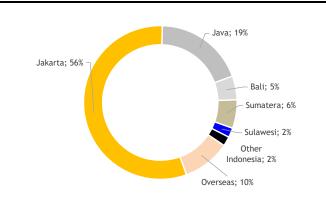
We still expect MAPI to deliver a solid sales performance in FY24E. MAPI mainly focuses on high-income earners as its main target segment. High-income consumers (earn IDR10m/month or more) have ample room to afford discretionary spending given their high savings ratio (Fig 18). Interestingly, MAPI derives the bulk of its sales in Jakarta (c.56% of FY24E sales) where GDP per capita is significantly higher than the national figure (Fig 20).

Fig 17: Indonesia population by income level



Source: Deloitte, Maybank IBG Research

Fig 19: MAPI's FY24E sales by location

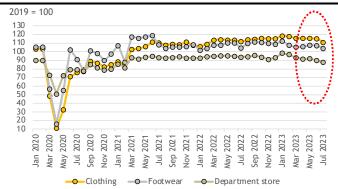


Source: Deloitte, Maybank IBG Research

Overall, we believe Indonesia and the rest of ASEAN consumers will continue spending on discretionary products, backed by a steady rise in ASEAN's retail sales index (Fig 22). Post the economic reopening in FY21A, we have initially witnessed an uneven pace of recovery in discretionary spending across ASEAN countries.

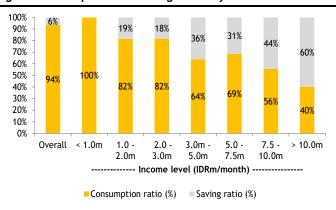
However, we have since seen a gradual increase in ASEAN's retail sales index. Conversely, US consumers appear to be trimming their discretionary spending as we have seen a decline in the US retail sales index (Fig 21) in the past three months.

Fig 21: Retail sales index in the US...



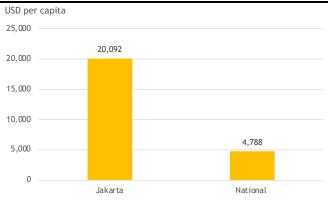
Source: US Census Bureau, Maybank IBG Research

Fig 18: Consumption and savings ratio by income level



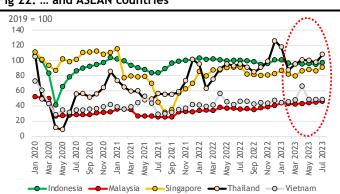
Source: Deloitte, Maybank IBG Research

Fig 20: GDP per capita: Jakarta region (58% of MAPI's FY24E sales) is significantly higher than the national figure



Source: Deloitte, Maybank IBG Research

Fig 22: ... and ASEAN countries



Source: Bank Indonesia, Department of Statistics of Malaysia, Ho Chi Minh City Statistical Office, National Statistical Office of Thailand, Singapore Department of Statistics, Maybank IBG Research.



2.2 MAPI's Indonesia business: higher footfall and transactions in sight

We believe MAPI's earnings growth engine works as a function of higher 1) footfall, and 2) store transactions. We see these two factors as materialising in FY24E, supported by our thematic-based data observation. We look at credit and debit card transactions to measure the spending appetites of MAPI's target customers. Meanwhile, we also observe mobility data and online transactions which provide colour on footfall in retail space.

In terms of credit (Fig 23) and debit transactions (Fig 24), Indonesia's consumers have spent more than they did pre-pandemic. We note that most of MAPI's customers make credit and debit card payments in store (50-60% of total transactions). That said, higher card transactions imply MAPI's store transactions remain strong.

Fig 23: Indonesia's credit...

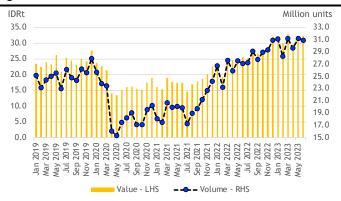
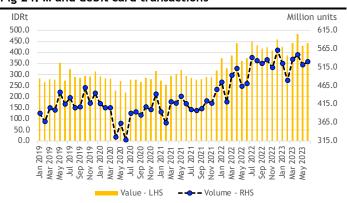


Fig 24: ... and debit card transactions



Source: Bank Indonesia, Maybank IBG Research

Source: Bank Indonesia, Maybank IBG Research

Meanwhile, Indonesia's consumers have also come out more often (Figs 25,26) since the economy reopened in FY21A. Consequently, we think greater mobility implies higher retail mall visitation. This is positive for MAPI as most of its stores are located inside malls (c.70% of total stores). Given this, we think MAPI's footfall will remain high.

Fig 25: Mobility by land transport, ...

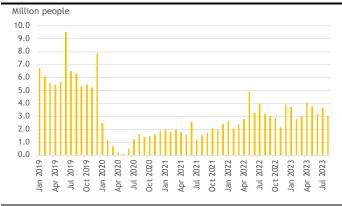
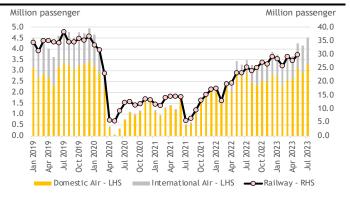


Fig 26: ... train, and airlines



Source: CEIC, Maybank IBG Research

Source: CEIC, Maybank IBG Research

On the other hand, we have seen a point of inflection for online retailers. As the Indonesian economy continues to reopen, we believe consumers will return to normal lifestyles which entails going to shopping malls. In turn, this will translate to higher footfall through MAPI's stores.



Our observations on online transactions at Indonesia's three-largest marketplaces: Gojek Tokopedia (GOTO IJ, CP IDR94, BUY, TP IDR153), Bukalapak (BUKA IJ, CP IDR244, not rated), and Blibli (BELI IJ, CP IDR452, not rated) confirms our view. We see online-based transactions, represented by GOTO's gross transactions (Fig 27) and BUKA's and BELI's processing value (Fig 28), to have declined over the past six months.

Fig 27: GOTO's Gross Transaction Value (GTV)

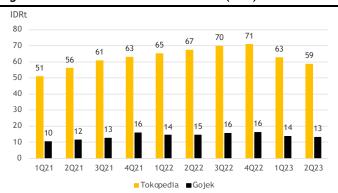
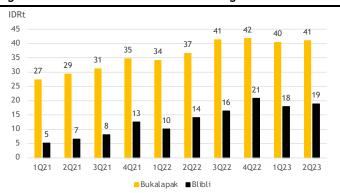


Fig 28: BUKA's and BELI's Total Processing Value



Source: Company, Maybank IBG Research

Source: Companies, Maybank IBG Research

3. Raising our FY23-24E earnings estimates

Our revised SSSG and EBIT margin lead to new FY23-24E earnings forecasts of IDR2,183b (+2%) and IDR2,293b (-8%), respectively. Our new estimates imply FY23E/FY24E/FY25E earnings growth of 3%/5%/9% YoY. We have also introduced our FY25E earnings forecasts. Meanwhile, we made two adjustments in our assumptions:

Raise FY23E/24E SSSG by +1,200/+200bps, mainly to reflect our expectation on MAPI's higher store expansion; and transaction. For the former, our FY22-25E store area forecasts suggest 8.4% FY22-25E CAGR, higher than FY16-19's 7.8%.

MAPI will primarily focus on securing exclusive rights to produce, distribute, sell, and market international brands for the ASEAN market. Given its long success story in Indonesia, we believe MAPI will execute this plan smoothly. ASEAN's giant market base, growing population, and rising income/capita provide plenty of potential for MAPI to expand its store network and customer base further.

Fig 29: MAPI's total store area...

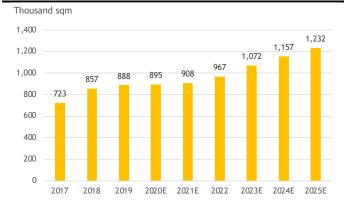
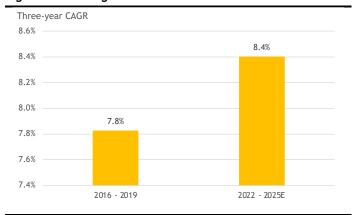


Fig 30: ... and its growth



Source: Company, Maybank IBG Research

Source: Company, Maybank IBG Research



• Lower our FY23E/24E EBIT margin by -30bps/-130bps to 10.0%/9.2%, to account for our 1) lower FY24E gross margin assumption of 42.0% (from 42.5%) and 2) higher FY23E-24E rental-to-sales ratio 9.s at5%/11.5% (from 9.0%/10.0%). The latter relates to MAPI's future store expansion needs.

Fig 31: Changes in our estimates

	2023E	2024E	2025E
SSSG (%)			
New	18.0%	8.0%	7.5%
Old	6.0%	6.0%	-
Change (bps)	1,200	200	-
EBIT margin (%)			
New	10.0%	9.2%	8.7%
Old	10.3%	10.5%	-
Change (bps)	-30	-130	-
Sales, IDR b			
New	34,572	40,815	47,033
Old	31,766	35,368	-
Change (%)	9 %	15%	-
Net income, IDR b			
New	2,183	2,293	2,510
Old	2,142	2,495	-
Change (%)	2%	-8%	-

Source: Maybank IBG Research

Fig 32: Our revised FY23E-24E estimates

	2023E	2024E	2025E
Department store sales, IDR b	2,800	2,631	2,528
growth	10 %	-6 %	-4%
Specialty store sales, IDR b	27,340	33,298	39,425
growth	32 %	22 %	18 %
Store area, sqm	1,071,567	1,156,850	1,232,209
growth	11%	8 %	7 %
SSSG (%)	18.0%	8.0%	7.5%
Inventory days	96	91	81
Profit & Loss, IDR b			
Sales	34,572	40,815	47,033
Growth	28 %	18 %	15 %
EBIT	3,461	3,758	4,111
Growth	13 %	9 %	9 %
Net Profit	2,183	2,293	2,510
Growth	3%	5%	9 %

Source: Maybank IBG Research

4. Our Top Pick in Indonesia Retail Sector

Reiterate BUY as MAPI's solid brand portfolio, store expansion, and customer base addition in Indonesia and six other countries position it as ASEAN's leading lifestyle retailer. By growing in the large and rapidly growing ASEAN region, we believe MAPI will build new growth engines to elevate FY23-25E earnings further. Relative to MIBG's other retail names, MAPI stands out in terms of earnings growth performance.

Fig 33: Indonesia sales performance

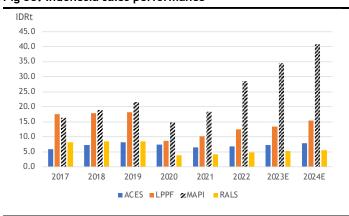
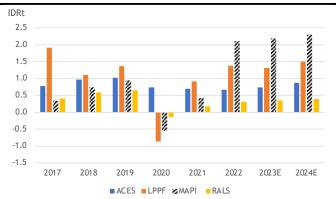


Fig 34: NPATMI performance



Source: Company, Maybank IBG Research

Source: Company, Maybank IBG Research

At the same time, we have revised our FY23E/FY24E EPS by +2%/-8%; and rolled forward our valuation base to FY24E. As a result, our TP is raised to IDR2,600 (from IDR1,800), based on an unchanged 10% discount to SOTP. Our TP implies 18.8x FY24E PER, roughly 0.5SD above its 3-year mean.



Fig 35: Our SOTP valuation

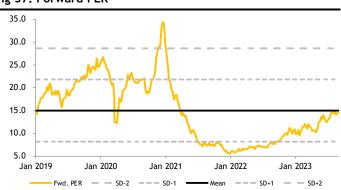
Division	MAPI's estimated ownership***	Valuation methodology	12M fwd value (IDR b)	MAPI's 12M fwd value (IDR b)
MAPB (F&B)*	70.0%	Market cap	4,775	3,343
MAPA (Active)*	68.8%	Market cap	22,946	15,787
Fashion**	100.0%	18x PER*	22,320	22,320
DS and others	100.0%	1.0x EV/Sales	3,298	3,298
Net cash/debt at parent level				3,226
NAV				47,974
No of shares (b)				16.6
NAV/share (IDR)				2,890
Discount (%)				10.0%
Fair value (IDR)				2,600
Implied PER FY24E				18.8

Source: Maybank IBG Research

Fig 36: SOTP discount band

100% 80% 60% 40% 20% -40% -60% Jan 2020 Jan 2021 Jan 2022 Jan 2023 SOP Disc — SD-2 — SD-1 — Mean — SD+1 — SD+2

Fig 37: Forward PER



Source: Bloomberg, Maybank IBG Research

Source: Bloomberg, Maybank IBG Research

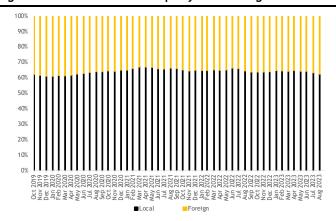
With MAPI's earnings outperformance against other retail names in MIBG's universe, MAPI's current FY24E PER valuation of 13.3x remains attractive. MAPI's improving stock liquidity indicated by its average daily trading value of USD4.2m (as of 08 Sep 2023) from USD0.5m-USD2.0m in FY19-22A is also positive for MAPI's share price, in our view.

Main downside risks are lower-than-expected 1) SSSG and 2) EBIT margin; and 3) significant IDR depreciation.

^{*}Based on closing price on 07 September 2023

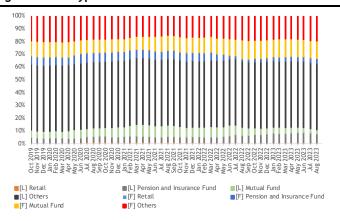
^{**}Based on MAPA's IPO valuation at 18x PER

Fig 38: MAPI's share ownerships by local/foreign...



Source: KSEI, Maybank IBG Research

Fig 39: ... and type of institutions



Source: KSEI, Maybank IBG Research

*[L] and [F] denotes local and foreign shareholders, respectively



FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics	20.4	7.0	44.0	42.2	42.2
P/E (reported) (x)	30.1	7.9	14.0	13.3	12.2
Core P/E (x)	26.6	12.9	14.2	13.0	12.0
P/BV (x)	2.0 2.0	3.0 3.0	3.0 3.0	2.6 2.6	2.2 2.2
P/NTA (x)	0.0	0.5	1.5	1.6	1.7
Net dividend yield (%) FCF yield (%)	9.8	6.5	1.3	2.5	2.7
EV/EBITDA (x)	5.8	5.9	6.3	6.0	5.7
EV/EBIT (x)	9.6	7.4	8.5	7.9	7.4
INCOME STATEMENT (IDR b)					
Revenue	18,423.8	26,937.3	34,572.0	40,814.8	47,032.9
EBITDA	2,045.2	3,883.7	4,661.5	4,957.6	5,311.3
Depreciation	(823.5)	(814.2)	(1,200.0)	(1,200.0)	(1,200.0)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	1,221.7	3,069.5	3,461.5	3,757.6	4,111.3
Net interest income /(exp)	(439.2)	(421.4)	(324.1)	(327.5)	(369.8)
Associates & JV	(62.9)	70.3	77.3	77.3	77.3
Exceptionals	(30.8)	330.5	0.0	(50.0)	(50.0)
Other pretax income	(13.4)	123.7	17.4	(35.0)	(20.0)
Pretax profit	675.3	3,172.6	3,232.1	3,422.4	3,748.8
Income tax	(207.6)	(667.2)	(614.1)	(650.3)	(712.3)
Minorities	(47.5)	(395.8)	(435.3)	(478.9)	(526.8)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	420.2	2,109.6	2,182.6	2,293.3	2,509.8
Core net profit	442.4	1,859.5	2,156.0	2,345.9	2,550.3
BALANCE SHEET (IDR b)					
Cash & Short Term Investments	2,778.4	3,850.8	4,115.3	4,256.9	4,369.7
Accounts receivable	404.5	689.3	826.1	1,857.6	1,235.0
Inventory	3,731.4	4,698.7	5,750.3	6,050.2	6,059.7
Property, Plant & Equip (net)	3,034.2	3,290.1	3,642.4	4,172.8	4,886.6
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	6,819.5	8,439.0	10,206.7	11,798.4	15,352.6
Total assets	16,768.0	20,968.0	24,540.8	28,135.9	31,903.6
ST interest bearing debt	1,546.4	1,030.8	1,030.8	1,030.8	1,030.8
Accounts payable	1,756.7	2,385.8	1,968.0	2,181.6	2,602.5
LT interest bearing debt	0.0	0.0	0.0	0.0	0.0
Other liabilities	6,315.0	7,824.0	9,329.0	10,484.0	11,367.0
Total Liabilities	9,618.3	11,240.4	12,327.5	13,696.2	15,000.6
Shareholders Equity	5,932.6	8,098.1	10,148.4	11,896.0	13,832.5
Minority Interest	1,217.1	1,629.6	2,064.9	2,543.8	3,070.5
Total shareholder equity	7,149.7	9,727.6	12,213.3	14,439.8	16,903.0
Total liabilities and equity	16,768.0	20,968.0	24,540.8	28,135.9	31,903.6
CASH FLOW (IDR b)					
Pretax profit	675.3	3,172.6	3,232.1	3,422.4	3,748.8
Depreciation & amortisation	823.5	814.2	1,200.0	1,200.0	1,200.0
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	56.5	(623.1)	(1,606.1)	(1,117.7)	1,034.0
Cash taxes paid	(207.6)	(667.2)	(614.1)	(650.3)	(712.3)
Other operating cash flow	(47.5)	(395.8)	(435.3)	(478.9)	(526.8)
Cash flow from operations	1,684.6	2,690.5	1,961.8	2,503.7	2,742.8
Capex	(529.0)	(1,128.3)	(1,552.3)	(1,730.4)	(1,913.8)
Free cash flow	1,155.7	1,562.2	409.5	773.3	829.0
Dividends paid	0.0	0.0	(132.3)	(545.7)	(573.3)
Equity raised / (purchased)	86.5	55.8	0.0	0.0	0.0
Change in Debt	(1,326.9)	(515.6)	0.0	0.0	0.0
Other invest/financing cash flow	(70.5)	(10.0)	(12.7)	(86.0)	(142.9)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0



FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth ratios (%)					
Revenue growth	24.1	46.2	28.3	18.1	15.2
EBITDA growth	151.1	89.9	20.0	6.4	7.1
EBIT growth	nm	151.3	12.8	8.6	9.4
Pretax growth	nm	369.8	1.9	5.9	9.5
Reported net profit growth	nm	402.1	3.5	5.1	9.4
Core net profit growth	nm	320.3	15.9	8.8	8.7
Profitability ratios (%)					
EBITDA margin	11.1	14.4	13.5	12.1	11.3
EBIT margin	6.6	11.4	10.0	9.2	8.7
Pretax profit margin	3.7	11.8	9.3	8.4	8.0
Payout ratio	0.0	5.3	21.3	21.3	21.3
DuPont analysis					
Net profit margin (%)	2.3	7.8	6.3	5.6	5.3
Revenue/Assets (x)	1.1	1.3	1.4	1.5	1.5
Assets/Equity (x)	2.8	2.6	2.4	2.4	2.3
ROAE (%)	7.4	30.1	23.9	20.8	19.5
ROAA (%)	2.6	9.9	9.5	8.9	8.5
Liquidity & Efficiency					
Cash conversion cycle	75.5	59.1	63.1	70.0	60.2
Days receivable outstanding	7.3	7.3	7.9	11.8	11.8
Days inventory outstanding	124.9	101.8	94.7	89.8	79.9
Days payables outstanding	56.7	50.0	39.5	31.6	31.6
Dividend cover (x)	nm	18.8	4.7	4.7	4.7
Current ratio (x)	1.2	1.4	1.6	1.6	1.6
Leverage & Expense Analysis					
Asset/Liability (x)	1.7	1.9	2.0	2.1	2.1
Net gearing (%) (incl perps)	net cash				
Net gearing (%) (excl. perps)	net cash				
Net interest cover (x)	2.8	7.3	10.7	11.5	11.1
Debt/EBITDA (x)	0.8	0.3	0.2	0.2	0.2
Capex/revenue (%)	2.9	4.2	4.5	4.2	4.1
Net debt/ (net cash)	(1,232.0)	(2,820.1)	(3,084.5)	(3,226.2)	(3,338.9)

Source: Company; Maybank IBG Research



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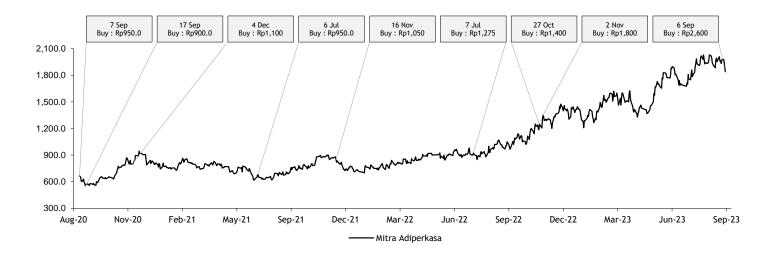
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