Matahari Department Store

Bloomberg: LPPF.IJ | Reuters: LPPF.JK

Retail Sector

1 March 2023

JCI Index: 6,843

BUY (Maintain)

Target Price (IDR)	**5,800**
Potential Upside (%)	**12.1**

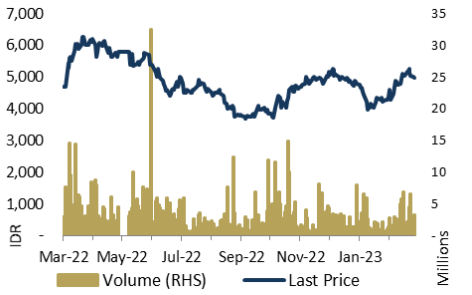
Price Comparison	
Cons. Target Price (IDR)	5,800
SSI vs. Cons. (%)	102.7

Stock Information	
Last Price (IDR)	5,175
Shares Issued (Mn)	2,364
Market Cap. (IDR Bn)	12,236
52-Weeks High/Low (IDR)	6,550/3,650
3M Avg. Daily Value (IDR Bn)	12.3
Free Float (%)	48.8
Shareholder Structure:	
Auric Digital Retail PTE LTD (%)	39.8
Multipolar Tbk, PT (%)	9.2
Public (%)	51.0

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	8.9	12.5	2.0	10.1
JCI Return	(0.1)	(0.3)	(2.5)	(1.1)
Relative	9.1	12.8	4.5	11.2

Stock Price & Volumes, 12M



Company Background

PT Matahari Department Store Tbk (LPPF) is an Indonesian retailer targeting the middle market. The company's business model is divided into DP (direct purchase) sales and consignment sales.

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The Rising Sun

LPPF booked solid figures in FY22, with revenue of IDR 6.5 trillion (+15.5% yoy) and net profit of IDR 1.4 trillion (+51.5% yoy). We expect LPPF to continue the positive trend and post satisfactory growth in FY23F, supported by the company's strategies (including opening a number of new outlets ahead of Eid to take advantage of the Eid momentum). We reiterate our BUY rating on LPPF with a TP of IDR 5,800 (-0.5 SD 3-year PE average (excl. pandemic years (2020-2021)).

Solid FY22. In FY22, LPPF reported revenue growth of +15.5% yoy (SSSG: +20.8% yoy) to IDR 6.5 trillion, slightly below forecasts (95.0% of SSI's FY22 projection and 93.4% of consensus). However, its net profit (which rose +51.5% to IDR 1.4 trillion) exceeded expectations (109.4% of SSI's FY22 projection & 107.9% of consensus) and pre-pandemic figures (+1.2% higher than FY19). In 4Q22 alone, LPPF posted positive growth in revenue (+23.9% qoq) and net profit (+142.5% qoq), supported by Christmas and New Year momentum.

Strategies and projections. This year (FY23F), LPPF plans to open 12-15 new outlets, mostly in Java (Java accounted for ~58.0% of LPPF's FY22 revenue), more than the number of new outlets opened by LPPF in FY22 (10 outlets). To capitalize on the Eid momentum (according to our data, in the last five years, Eid had been one of the main drivers of LPPF's performance), LPPF will open seven new outlets ahead of Eid; two in West Java (Revo Town Bekasi and Pollux Mall Chadstone Cikarang), three in Central Java (Uptown BSB City Semarang, The Park Semarang and Sleman City Hall Yogjakarta), and two outside Java (Discovery Mall Bali and Plaza Balikpapan). In addition, LPPF will continue to open premium outlets in tier 1 areas (LPPF targets to open three premium outlets in 2023) and launch SUKO (a clothing outlet targeting the upper-middle market, offering products priced between IDR 149K – 599K) in May 2023. Supported by this strategy, we believe LPPF will continue its positive trend in FY23F, with projected revenue growth of +13.4% yoy and net profit growth of +3.6% yoy.

BUY, TP IDR 5,800. In light of the factors described above, as well as a number of corporate actions planned by the company (to be discussed on the next page), we reiterate our BUY rating on LPPF with a TP of IDR 5,800 (-0.5 SD 3-year PE average (excl. pandemic years (2020-2021)).

Forecasts and Valuations (at closing price IDR 5,175 per share)

Y/E Dec	20A	21A	22A	23F	24F
Revenue (IDR Bn)	4,839	5,586	6,455	7,321	7,788
EBITDA (IDR Bn)	(749)	1,153	1,947	2,109	2,316
Net Profit (IDR Bn)	(873)	913	1,383	1,433	1,545
EPS (IDR)	(369)	386	585	606	653
EPS Growth (%)	(156.8)	(204.5)	51.5	3.6	7.8
P/E Ratio (x)	(14.0)	13.4	8.8	8.5	7.9
BVPS (IDR)	246	426	245	325	433
P/BV Ratio (x)	21.1	12.2	21.1	15.9	12.0

Corporate actions. LPPF plans to distribute a dividend for the 2022 fiscal year of IDR 525 per share (the company's largest post-pandemic dividend), with a dividend payout ratio of 89.7%. If calculated using LPPF's closing price on 28 February (IDR 5,175), the dividend yield will reach 10.1%. In addition, LPPF plans to continue its buyback plan (the company plans to purchase a maximum of 10% of its issued and paid-up capital, with a maximum budget of IDR 1 trillion) from 29 March 2023 – 28 September 2024.

Table 1. LPPF FY22 Results

LPPF FY22 (IDR Bn)	4Q21	3Q22	4Q22	QoQ	YoY	FY21	FY22	YoY	% SSI	% Cons'
Revenue	1,501	1,203	1,490	23.9%	-0.7%	5,586	6,455	15.5%	94.9%	93.4%
Gross Profit	979	804	1,035	28.8%	5.7%	3,579	4,401	23.0%		
Operating Profit	553	216	377	74.4%	-31.8%	1,122	1,848	64.6%		
Net Profit	474	136	329	142.5%	-30.6%	913	1,383	51.5%	109.4%	107.9%
Gross Profit Margin	65.2%	66.8%	69.5%			64.1%	68.2%	411 bps		
Operating Profit Margin	36.8%	18.0%	25.3%			20.1%	28.6%	854 bps		
Net Profit Margin	31.6%	11.3%	22.1%			16.3%	21.4%	509 bps		

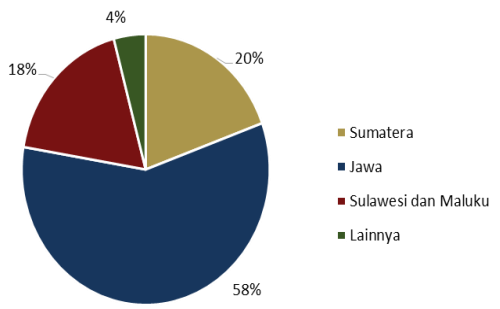
Source: Company, SSI Research

Table 2. LPPF FY22 Results (Segments)

Segment (IDR Bn)	4Q21	3Q22	4Q22	QoQ	YoY	FY21	FY22	YoY
Sumatera	125	223	290	30.2%	132.6%	1,088	1,252	15.1%
Jawa	219	690	804	16.6%	267.8%	3,183	3,750	17.8%
Sulawesi dan Maluku	139	227	307	35.1%	121.1%	1,074	1,171	9.0%
Lainnya	31	59	84	41.3%	169.1%	229	267	16.7%
Jasa	1	3	4	42.4%	213.8%	11	15	30.8%

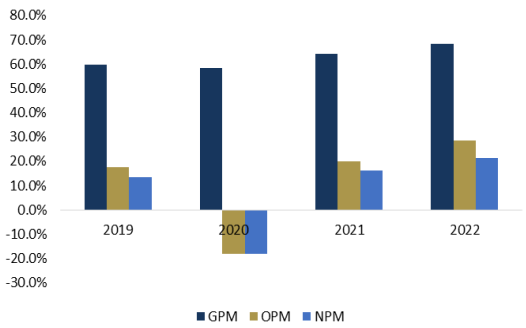
Source: Company, SSI Research

Figure 1. Revenue Mix FY22



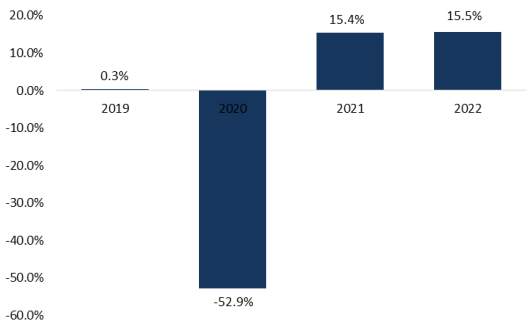
Source: Company, SSI Research

Figure 2. Profitability Margins FY22



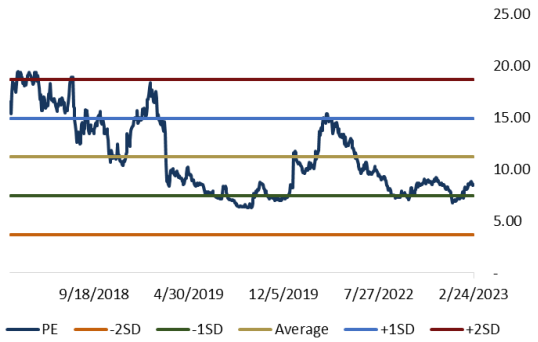
Source: Company, SSI Research

Figure 3. Revenue Growth



Source: Company, SSI Research

Figure 4. PE Band



Source: Company, SSI Research

Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	**20A**	**21A**	**22A**	**23F**	**24F**
Revenue	**4,839**	**5,586**	**6,455**	**7,321**	**7,788**
Cost of Revenue	(2,009)	(2,007)	(2,053)	(2,319)	(2,453)
Gross Profit	**2,830**	**3,579**	**4,401**	**5,002**	**5,335**
Opex	(3,457)	(2,542)	(2,809)	(3,180)	(3,383)
Other Operating Income	(243)	85	256	73	78
Operating Profit	**(870)**	**1,122**	**1,848**	**1,895**	**2,030**
EBITDA	**(749)**	**1,153**	**1,947**	**2,109**	**2,316**
Finance Income	36	17	7	9	8
Finance Cost	(82)	(37)	(219)	(191)	(191)
Pre-tax Profit	**(934)**	**1,103**	**1,637**	**1,713**	**1,847**
Income Tax	61	(190)	(254)	(280)	(302)
Profit for Period	**(873)**	**913**	**1,383**	**1,433**	**1,545**
Net Profit	**(873)**	**913**	**1,383**	**1,433**	**1,545**

Balance Sheet					
Y/E Dec (IDR Bn)	**20A**	**21A**	**22A**	**23F**	**24F**
Cash & Equivalents	524	661	354	340	686
Receivables	61	26	64	73	78
Inventory	889	747	896	1,012	1,070
Others	136	80	131	131	131
Total Current Asset	**1,610**	**1,513**	**1,446**	**1,556**	**1,965**
Total Non Current Asset	4,709	4,338	4,304	4,463	4,472
Total Asset	**6,319**	**5,851**	**5,750**	**6,018**	**6,437**
Payables	348	730	1,210	1,288	1,443
ST. Debt and CMLTD	1,456	436	462	462	464
Other Current Liabilities	1,052	904	683	683	683
Total Current Liabilities	**2,856**	**2,070**	**2,356**	**2,434**	**2,590**
LT. Debt	2,405	2,365	2,471	2,473	2,480
Other LT. Liabilities	477	410	343	343	343
Total Liabilities	**5,738**	**4,845**	**5,170**	**5,250**	**5,414**
Total Equity	**581**	**1,006**	**580**	**768**	**1,023**

Cash Flow					
Y/E Dec (IDR Bn)	**20A**	**21A**	**22A**	**23F**	**24F**
Net Profit	(873)	913	1,383	1,433	1,545
D&A	121	31	99	214	286
Changes in Working Capital	(888)	560	292	(47)	91
Operating CF	**90**	**2,408**	**2,331**	**1,600**	**1,923**
Capital Expenditure	(437)	(173)	(137)	(446)	(367)
Others	(536)	20	(71)	73	71
Investing CF	**(595)**	**(187)**	**(278)**	**(372)**	**(296)**
Change in Debt	3,861	(1,060)	133	2	9
Dividend Payment	-	(255)	(596)	(1,245)	(1,290)
Net Changes in Cash	**(649)**	**137**	**(307)**	**(15)**	**346**
Cash at Beginning	1,173	524	661	354	340
Cash at Ending	**524**	**661**	**354**	**340**	**686**

Key Ratios					
Y/E Dec	**20A**	**21A**	**22A**	**23F**	**24F**
Gross Profit Margin (%)	58.5	64.1	68.2	68.3	68.5
Operating Margin (%)	-18.0	20.1	28.6	25.9	26.1
Pretax Margin (%)	-19.3	19.7	25.4	23.4	23.7
Net Profit Margin (%)	-18.0	16.3	21.4	19.6	19.8
EBITDA Margin (%)	-15.5	20.6	30.2	28.8	29.7
Net Gearing (x)	5.7	2.1	4.4	3.4	2.2

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