Midi Utama Indonesia

Bloomberg: MIDI.IJ | Reuters: MIDI.JK

Retail Sector

26 June 2023

JCI Index: 6,640

Not Rated

Target Price (IDR) **n.a.**

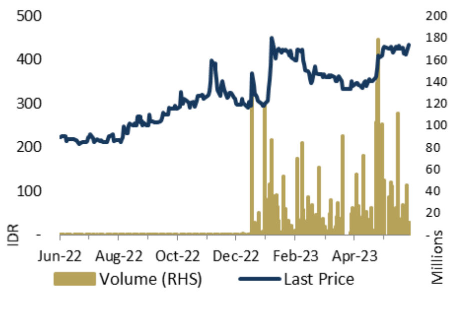
Price Comparison	
Cons. Target Price (IDR)	
SSI vs. Cons. (%)	n.a

Stock Information	
Last Price (IDR)	434
Shares Issued (Mn)	28,824
Market Cap. (IDR Bn)	12,452
52-Weeks High/Low (IDR)	489/204
3M Avg. Daily Value (IDR Bn)	12.9
Free Float (%)	9.9
Shareholder Structure:	
PT Sigmantara Alfindo (%)	52.7
Public (%)	45.7
Other (%)	1.6

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	45.5	5.4	18.0	99.1
JCI Return	(3.1)	(0.7)	(1.8)	(5.7)
Relative	48.5	6.0	19.8	104.8

Stock Price & Volumes, 12M



Company Background

Founded in 2007, PT Midi Utama Indonesia Tbk. operates a minimarket network that sells groceries, foods, and other products. Some of MIDI's brands are Alfamidi, Alfamidi Super, Midi Fresh, and Lawson.

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Lawson Will Lead Us to the Sun

Investors have gained some interest in MIDI recently (its share price jumped +38.7% YTD), with the company expected to post solid numbers thanks to its aggressive expansion plan (MIDI plans to open 700 new stores in FY23F, mostly Lawsons [500 stores]). After long spells on the sidelines, with only 65 stores opened in ~10 years, MIDI started to aggressively expand its Lawson network in 2H22 (FY22:+127 stores). We expect these new stores to significantly impact MIDI's net profit starting in FY24F (projection: > 1,000 Lawson stores), since the large number of stores opened should help reduce MIDI's cost/revenue, which in turn will boost MIDI's FY24F NPM. The upside/downside risks: 1) Faster/slower-than-expected store expansion, and 2) Lower/higher-than-expected sales and profit margin from Lawson.

FY23F: MIDI's aggressive expansion plan. MIDI (AMRT's subsidiary) operates retail stores under various brands, including Alfamidi (MIDI's main brand, 85% of MIDI's outlets), Alfamidi Super, Midi Fresh, and Lawson. Compared to Alfamart, Alfamidi has a larger sales area (~300m2, Alfamart: ~150 m2) and more SKUs, while Alfamidi Super's sales area is close to supermarkets (>500 m2). Meanwhile, Midi Fresh offers the concept of fresh produce stores (30-60 m2), and Lawson (which is operated by MIDI's subsidiary, PT Lancar Wiguna Sejahtera or "LWS") focuses more on ready-to-eat and ready-to-drink products, which account for 70% of its total sales. This year, MIDI plans to aggressively expand its network with 700 new stores, mostly Lawsons (500 stores; 250 stand-alone stores and 250 store-in-store outlets) and 200 Alfamidi stores. The two brands have different target areas; Alfamidi will focus on regions outside Java, while Lawson will focus mainly on Java. By the end of 1Q23, as many as 131 new Lawson stores (38 stand-alone stores and 93 store-in-store outlets) and 14 new Alfamidi stores had been opened, bringing MIDI's total store portfolio to 2,511 stores across Indonesia.

Focusing CapEx on Lawson. MIDI has prepared an IDR 1.6 trillion CapEx budget to support its expansion plan this year (IDR 600 billion has been allocated for Lawson). To note, it requires less CapEx to open a new Lawson store (stand-alone: ~IDR 2 billion, store-in-store: ~IDR 500 billion) than Alfamidi (~ IDR 3 billion). In our opinion, the store-in-store format will be more beneficial to MIDI; aside from requiring a smaller capex, this format could generate better margins because it only sells ready-to-eat and ready-to-drink products. For information, GPM of ready-to-eat and ready-to-drink products is higher (~50%) than that of dry products (groceries) (~20%). Lastly, this year MIDI plans to hold a rights issue, the proceed of which will be used to support Alfamidi's expansion (70% as working capital and 30% as capex).

Impact of Lawson-focused expansion on MIDI's net profit. We don't expect any significant impact from the new Lawson stores on MIDI's net profit before FY24F (the company plans to add 500 more new Lawson stores next year, bringing the total number of its Lawson stores to ~1,100). This year, MIDI projects Lawson's NPM (through LWS) to only reach 2%, lower than MIDI's consolidated NPM (2.5%) due to its high cost/revenue. Assuming an increase in Lawson's NPM to 3% next year (FY22: 4%), MIDI's net profit might grow by +13.4% YoY/ +21.3% YoY in FY23F/ FY24F, making its valuation quite attractive (21.9x FY24F PE, -2.0% lower than its peers).

Valuations (at closing price IDR 434 per share)

Y/E Dec	18A	19A	20A	21A	22A
Revenue (IDR bn)	10,702	11,625	12,660	13,584	15,624
EBITDA (IDR bn)	666	697	740	745	853
EV/EBITDA(x)	20.9	19.4	19.0	18.7	15.9
Net Profit (IDR bn)	159	203	200	270	399
EPS (IDR)	5.5	7.0	6.9	9.4	13.8
P/E Ratio (x)	78.6	61.6	62.5	46.4	31.4

Figure 1. Alfamidi

Source: Company

Figure 2. Alfamidi Super

Source: Company

Figure 3. Midi Fresh

Source: Company

Figure 4. Lawson

Source: Company

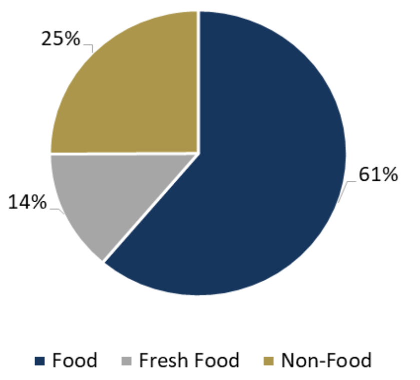
Figure 5. Lawson's ready-to-eat products

Source: Company

Figure 6. Lawson (store-in-store)

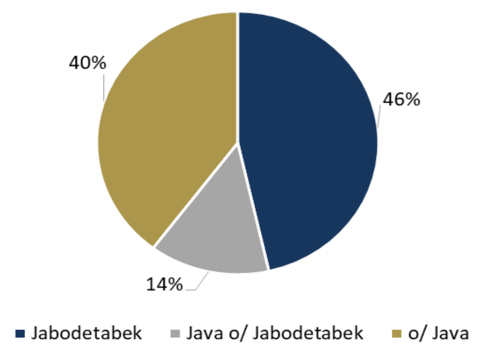
Source: Company

Figure 7. Revenue Mix 1Q23 (Business)



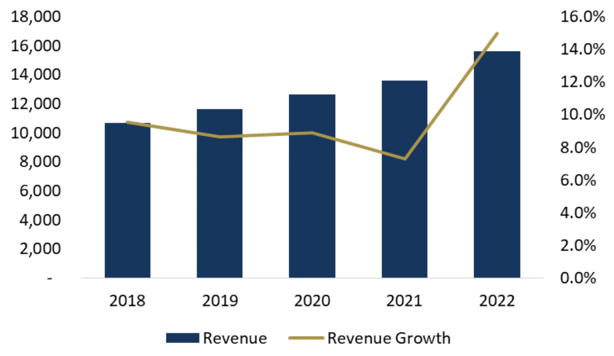
Source: SSI, Company

Figure 8. Revenue Mix 1Q23 (Geography)



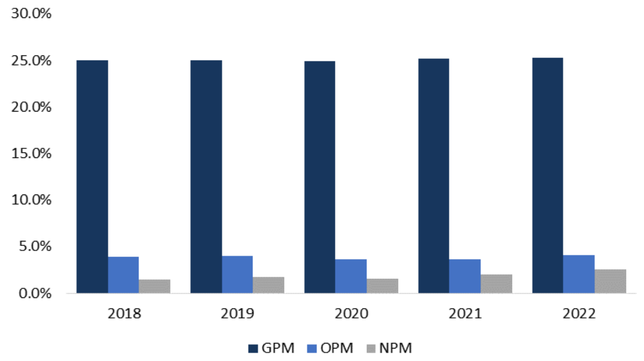
Source: SSI, Company

Figure 9. Revenue Growth



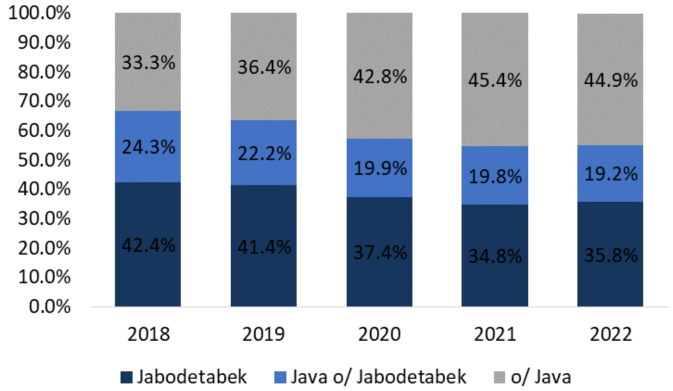
Source: SSI, Company

Figure 10. Profitability Margin



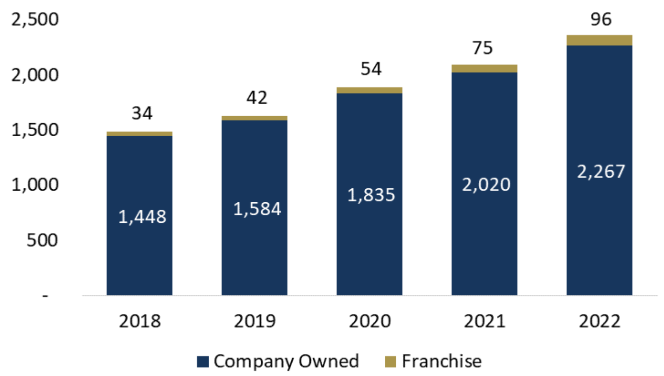
Source: SSI, Company

Figure 11. Geographic Breakdown (%)



Source: SSI, Company

Figure 12. Stores Growth



Source: SSI, Company

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Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	18A	19A	20A	21A	22A
Revenues	**10,702**	**11,625**	**12,660**	**13,584**	**15,624**
Cost of Goods Sold	(8,022)	(8,716)	(9,509)	(10,162)	(11,670)
Gross Profit	**2,679**	**2,909**	**3,151**	**3,422**	**3,953**
Opex	(2,398)	(2,617)	(2,968)	(3,151)	(3,500)
Other Operating Income	132	171	274	215	185
Operating Profit	**414**	**463**	**457**	**487**	**638**
EBITDA	666	697	740	745	853
Finance Expenses	(207)	(187)	(190)	(156)	(135)
Pre-tax Profits	**208**	**278**	**268**	**332**	**506**
Tax	(49)	(75)	(68)	(62)	(107)
Profit for Period	**159**	**203**	**200**	**270**	**399**
Minority Interest	0	0	0	0	0
Net Profit	**159**	**203**	**200**	**270**	**399**

Cash Flow					
Y/E Dec (IDR Bn)	18A	19A	20A	21A	22A
Net Profit	159	203	200	270	399
D&A	252	233	284	259	215
Others	459	820	648	614	974
Operating Cash Flow	**869**	**1,256**	**1,133**	**1,142**	**1,587**
Capital Expenditure	(263)	(304)	(601)	(474)	(550)
Others	(194)	(294)	(371)	(184)	(249)
Investing Cash Flow	**(457)**	**(598)**	**(972)**	**(658)**	**(798)**
Change in Debt	(205)	(378)	455	(149)	(225)
Others	(240)	(236)	(619)	(330)	(391)
Financing Cash Flow	**(445)**	**(614)**	**(163)**	**(479)**	**(615)**
Net - Cash Flow	(32)	44	(3)	5	173
Cash at beginning	229	197	241	238	243
Cash at ending	197	241	238	243	417

Balance Sheet					
Y/E Dec (IDR Bn)	18A	19A	20A	21A	22A
Cash & equivalents	197	241	238	243	417
Receivables	427	262	398	413	369
Inventory	1,190	1,316	1,497	1,811	2,008
Others	361	437	72	68	81
Total Current Asset	**2,175**	**2,255**	**2,206**	**2,536**	**2,874**
Fixed Asset	1,598	1,558	1,843	1,974	2,150
Other Non-Current Asset	1,187	1,177	1,864	1,820	1,881
Total Assets	**4,960**	**4,990**	**5,912**	**6,330**	**6,905**
ST Debt and CMLTD	1,488	1,203	1,397	1,343	950
Payables	1,122	1,344	1,374	1,534	1,706
Other current Liabilities	350	352	625	814	1,111
Total Current Liabilities	**2,960**	**2,898**	**3,396**	**3,692**	**3,767**
LT.Debt	801	707	969	873	1,042
Other LT Liabilities	118	164	94	97	110
Total Liabilities	**3,879**	**3,769**	**4,458**	**4,662**	**4,918**
Minority Interest	1	1	1	1	1
Total Equity	**1,081**	**1,221**	**1,454**	**1,668**	**1,987**

Key Ratios					
Y/E Dec (IDR Bn)	18A	19A	20A	21A	22A
Gross Profit Margin (%)	25.0	25.0	24.9	25.2	25.3
Operating Margin (%)	3.9	4.0	3.6	3.6	4.1
EBITDA Margin (%)	6.2	6.0	5.8	5.5	5.5
Pre-Tax Margin (%)	1.9	2.4	2.1	2.4	3.2
Net Profit Margin (%)	1.5	1.7	1.6	2.0	2.6

Peers Comparison

Ticker	Company Name	Market Cap	PE	
		(USD Mn)	23F	24F
SEM MK Equity	7-ELEVEN MALAYSIA HOLDINGS B	478	28.2	23.8
2651 JP Equity	LAWSON INC	4,446	21.8	22.1
5903 TT Equity	TAIWAN FAMILYMART CO LTD	1,525	23.2	20.0
282330 KS Equity	BGF RETAIL CO LTD	2,454	14.6	12.6
AMRT IJ EQUITY	SUMBER ALFARIA TRIJAYA TBK P	7,256	30.3	26.3
	Average		24.8	22.4

Source: SSI Research, Bloomberg

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