

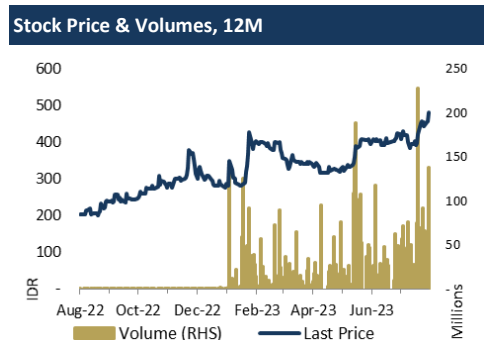
## BUY (Initiation)

Target Price (IDR)	560
Potential Upside (%)	21.2

Price Comparison	
Cons. Target Price (IDR)	512
SSI vs. Cons. (%)	109.4

Stock Information	
Last Price (IDR)	462
Shares Issued (Mn)	33,435
Market Cap. (IDR Bn)	15,447
52-Weeks High/Low (IDR)	486/198
3M Avg. Daily Value (IDR Bn)	20.5
Free Float (%)	22.2
Shareholder Structure:	
PT Sumber Alfaria Trijaya (%)	77.1
Public (%)	22.9

Stock Performance				
(%)	YTD	1M	3M	12M
Absolute	64.1	10.0	40.1	128.8
JCI Return	0.4	2.4	1.4	(3.2)
Relative	63.8	7.6	38.7	132.0



### Company Background

Established in 2007, PT Midi Utama Indonesia Tbk manages a minimarket network that sells daily necessities. Some of MIDI's brands are Alfamidi, Alfamidi Super, Midi Fresh, and Lawson.

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## Aggressive Is the Name of the Game

MIDI, a retailer under the Alfamart Group, currently operates more than >2,600 outlets, and the figure will only continue to grow thanks to the company's aggressive expansion strategy. MIDI plans to open 700 new stores in FY23F, more than double its 3-year average (246 stores), most of which being Lawson stores (+500 stores, FY22: +127 stores), reflecting the total change in Lawson's expansion strategy (in 2011-2021, MIDI only opened 65 Lawson stores). We believe that MIDI's aggressive expansion strategy will bear sweet, fresh fruits for the company, boosting its FY24F net profit growth (projection: +19.4% YoY), supported by new Lawson stores (projection: > 1,000 Lawson stores in FY24F) and the potential for a decline in opex/store, which in turn should help lift MIDI's FY24F NPM. We initiate our coverage on MIDI with a BUY recommendation and a TP of IDR 560, implying 0.9x FY24F P/S, on par with its peers. **Upside/downside risks: 1) Better/slower-than-expected store expansion and 2) Higher/lower-than-expected sales and profit margin from Lawson.**

**Aggressive expansion plan.** MIDI is a subsidiary of AMRT engaging in retail staples sector, with four retailer brands: Alfamidi (81% of MIDI's stores), Alfamidi Super, Midi Fresh, and Lawson. Compared to Alfamart's, Alfamidi's sales area is larger (~300m2, Alfamart: ~150 m2) with more SKUs offered. Meanwhile, Alfamidi Super's sales area is closer to supermarkets (>500 m2), and Midi Fresh offers the concept of small fresh produce stores (30-60 m2), while Lawson (which is operated by MIDI's subsidiary, PT Lancar Wiguna Sejahtera or "LWS") focuses on selling ready-to-eat (RTE) and ready-to-drink (RTD) products, which account for 70% of its total sales. This year, MIDI has a rather aggressive expansion plan, with 700 new stores planned (500 Lawson outlets and 200 Alfamidi outlets). To note, the two brands have different expansion targets; while Alfamidi will focus its expansion on areas outside Java, Lawson will focus on Java. By the end of 1H23, MIDI had opened 250 new Lawson stores (102 standalone stores and 148 store-in-store stores), more than its other brands, which also helped boost Lawson's contribution to MIDI's total sales to 5.7% (FY22: 3.2%). In total, MIDI currently operates 2,640 stores across Indonesia.

**Massive GPM potential from Lawson.** To support its Lawson expansion plan, MIDI has prepared a budget of IDR 600 billion, approximately 37.5% of its Capex budget for FY23F (IDR 1.6 trillion). To note, it requires less capex to open a new Lawson store than Alfamidi (Lawson: ~IDR 2 billion for standalone and IDR 500 million for store-in-store; Alfamidi: ~IDR 3 billion). We believe that the store-in-store format will benefit MIDI more; aside from the smaller Capex required, the format may also generate higher GPM since it only focuses on selling RTE and RTD products (RTE and RTD products can produce a GPM of ~50%, while dry groceries can only produce ~20%)

**BUY, TP IDR 560.** In light of the catalysts outlined above, we project MIDI's FY23/24F revenue and net profit growth to reach +18.1% YoY/+15.3% YoY and +17.9% YoY/+19.4%. We believe that the impact of the aggressive Lawson expansion plan will be more apparent in FY24F, along with its plans to add another 500 new Lawson stores next year (FY24F Lawson estimate: ~1,100 stores), which should help reduce MIDI's opex/store and boost its OPM (especially for Central and East Java). Lastly, MIDI is currently trading at an attractive valuation, with a price-to-sales ratio of 0.7x FY24F, below AMRT's (1.0x). We initiate our coverage on MIDI with a BUY recommendation and a TP of IDR 560, implying 0.9x FY24F P/S, on par with its peers.

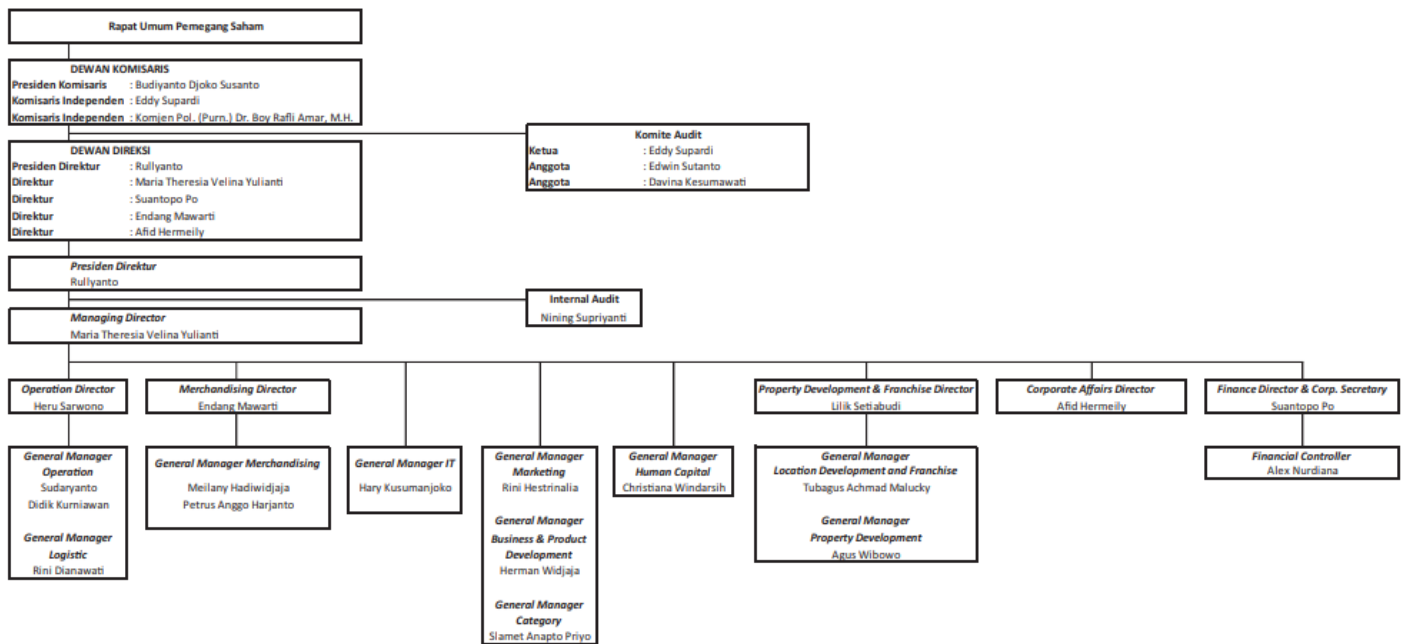
### Valuations (at closing price IDR 462 per share)

Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR bn)	13,584	15,624	18,452	21,281	24,110
EBITDA (IDR bn)	745	853	1111	1453	1752
EV/EBITDA(x)	22.6	19.4	14.8	11.6	9.7
Net Profit (IDR bn)	270	399	470	561	669
EPS (IDR)	8.1	11.9	14.1	16.8	20.0
P/E Ratio (x)	57.3	38.7	32.9	27.5	23.1

## Company Background

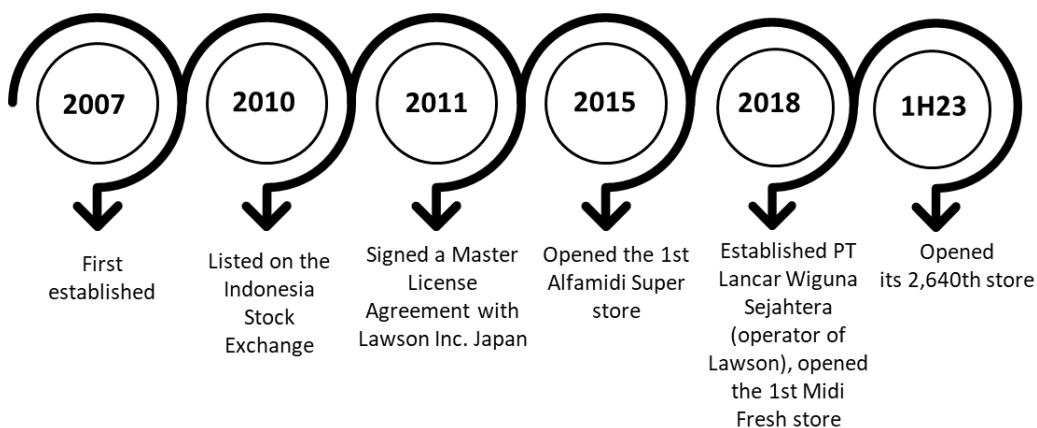
Established in 2007, PT Midi Utama Indonesia Tbk (MIDI) is a subsidiary of PT Sumber Alfaria Trijaya (AMRT) that manages four different retailer brands, each with a different concept and target customer base: Alfamidi (minimarket), Lawson (focusing on ready to eat and drink products), Alfamidi Super (supermarket), and Midi Fresh (focusing on fresh fruit and veggies). In choosing its store locations, MIDI prefers locations close to housing complexes, offices, and public transportation spots such as train stations and airports, enabling the company to reach more customers. This year (FY23F), MIDI plans to continue its expansion by opening 700 new stores (200 Alfamidi stores and 500 Lawson stores).

Figure 1. Organization Structure



Source: SSI Research

Figure 2. Milestone



Source: SSI Research

## Business Overview

### Alfamidi

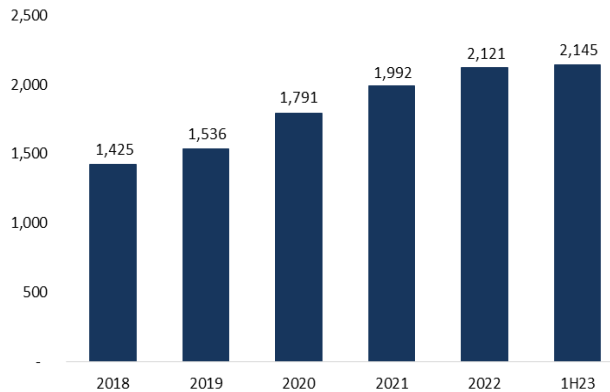
Alfamidi is MIDI's first retailer brand, first introduced in 2007. Alfamidi stores have a sales area of 200 – 400 square meters, with ~7,000 SKU items, including groceries, home care, personal care, stationery, processed meats, fresh foods, and others. As of 1H23, MIDI had 2,145 Alfamidi stores across Indonesia (3-year average annual store growth: 195 stores).

Figure 3. Alfamidi



Source: Company

Figure 4. Alfamidi Stores (2018-1H23)



Source: Company

### Alfamidi Super

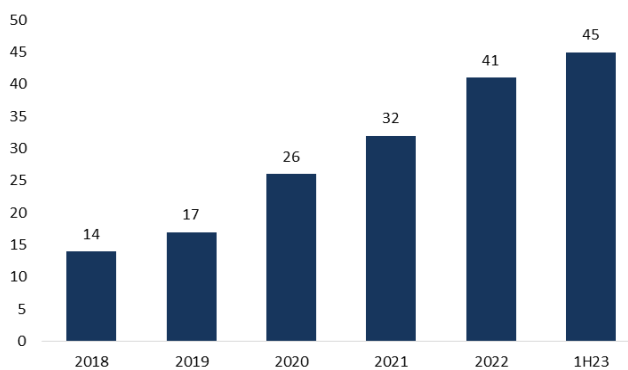
First introduced in 2015, Alfamidi Super utilizes the concept of a supermarket with a larger sales area. Alfamidi Super's sales area is > 500 square meters, 25% of which is allocated for fresh foods. Partly thanks to its size, Alfamidi Super can offer more items (10,000 SKU items). As of 1H23, MIDI had 45 Alfamidi Super stores across Indonesia (3-year average annual store growth: 8 stores).

Figure 5. Alfamidi Super



Source: Company

Figure 6. Alfamidi Super Stores (2018-1H23)



Source: Company

## Midi Fresh

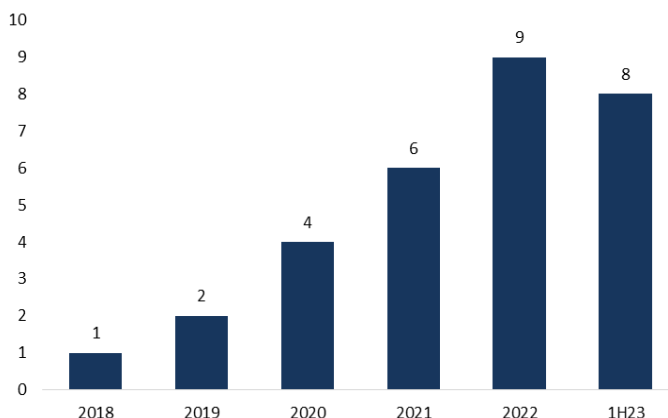
Established in 2018, Midi Fresh is a minimarket that sells fruits, vegetables, and other fresh foods (approximately 1,200 SKUs per store) in a relatively small sales area (30 – 60 square meters). As of 1H23, MIDI had opened 8 Midi Fresh stores.

Figure 7. Midi Fresh



Source: Company

Figure 8. Midi Fresh Stores (2018-1H23)



Source: Company

## Lawson

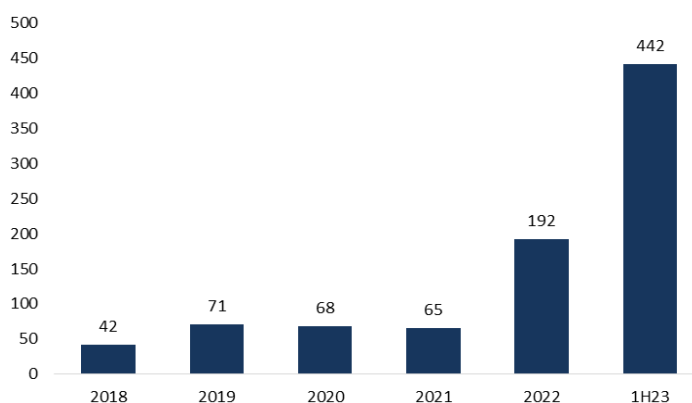
MIDI opened its first Lawson store in 2011 following the signing of its Master License Agreement with Lawson Inc. Japan. In 2018, MIDI established PT Lancar Wiguna Sejahtera (“LWS”), the operator of its Lawson stores (MIDI’s stake in LWS: 99%). Lawson mainly offers RTE and RTD products (70% of its sales) with a sales area of 50 – 200 square meters and approximately ~250-1,200 SKUs, targeting the upper-middle class. Lawson has 2 types of stores: (1) standalone (located in an independent building with more products offered) and (2) store-in-store (located inside Alfamidi outlets, selling only RTE and RTD products). Today, MIDI has 442 Lawson stores across Indonesia (216 standalone stores and 226 store-in-store stores). It’s worth noting that the growth of MIDI’s Lawson store network was very slow from 2011-2021 (10 outlets in 2011 to 65 outlets in 2021). However, since 2022, MIDI has started to aggressively expand its Lawson network, opening more than 100 stores per year (FY22: +127 outlets). This year (FY23F), the company plans to add ~500 new Lawson stores (a mix of standalone and store-in-store stores).

Figure 7. Lawson



Source: Company

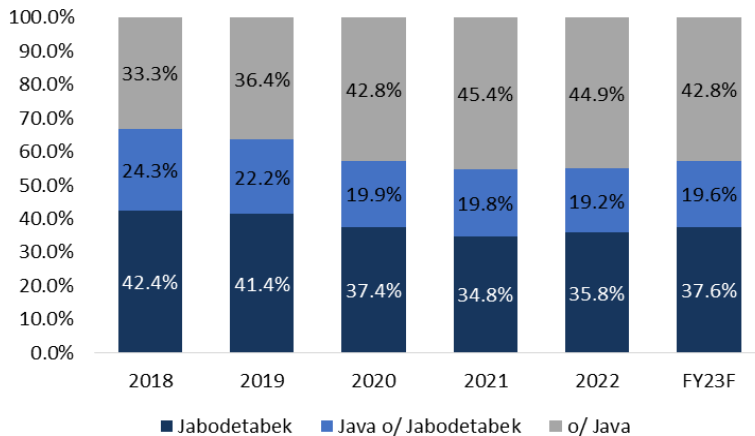
Figure 8. Lawson Stores (2018-1H23)



Source: Company

By the end of 1H23, MIDI had opened 277 new stores (24 Alfamidis, 4 Alfamidi Supers, 250 Lawsons) and closed 1 Midi Fresh stores, bringing the total number of its stores to 2,640. Compared to 2018, there's a considerable drop in the percentage of its stores in Jabodetabek (from 42.4% to 35.8%) while areas outside Java saw a higher percentage (from 33.3% to 44.9%), in line with the company's expansion strategy through the Alfamidi brand which targets areas outside Java. However, with the aggressive Lawson expansion strategy that is focused on Java, we believe that Java's percentage will increase this year (FY23F).

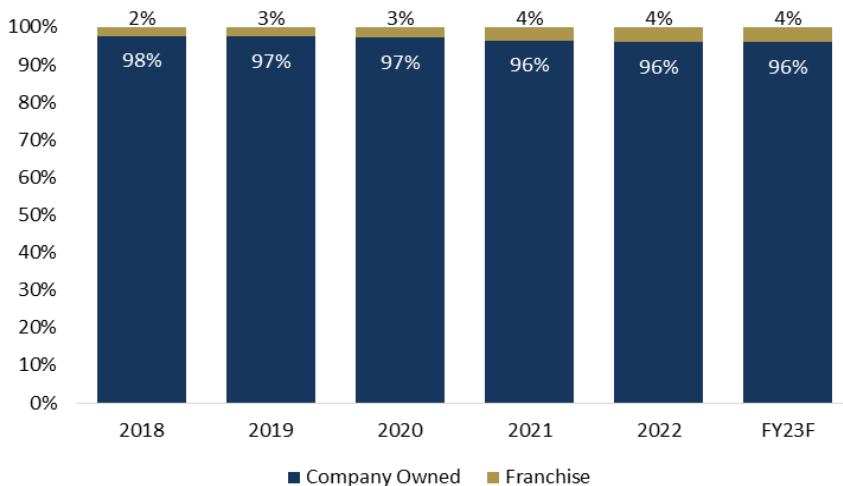
**Figure 9. Geographical Breakdown (%)**



Source: Company, SSI Research

It should be noted, however, that not all MIDI stores are wholly owned by the company, and some of them are operating under a franchise system. Going forward, we believe that the majority of MIDI outlets will still be directly owned by the company (>90%), and the number of franchise stores will remain <10%.

**Figure 10. Company-Owned & Franchise Stores**

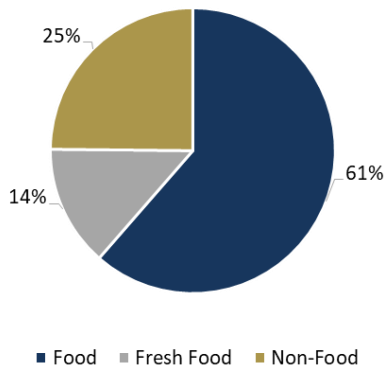


Source: Company, SSI Research

## Financial Overview

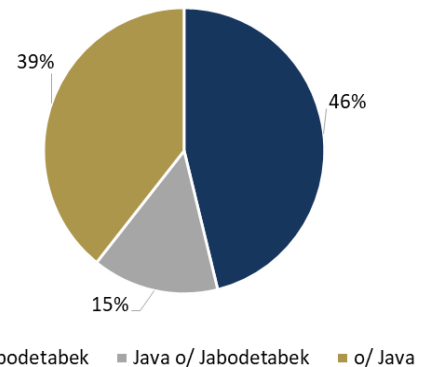
MIDI was one of the few companies that still managed to book positive growth during the peak of the Covid-19 pandemic (FY20: +8.9% YoY, FY21: +7.3% YoY). In 1H23, MIDI booked revenue growth of +12.9% YoY (5-year CAGR: +11.5%). All of its business segments posted revenue growth in 1H23, including food segment (61.4% of MIDI's total sales; +17.2% YoY), fresh food segment (+15.5% YoY), and non-food segment (+2.5% YoY). Regarding sales area, all of MIDI's sales areas posted positive growth in 1H23, Jabodetabek (+16.4% YoY), Java outside Jabodetabek (+17.6% YoY) and outside Java (+8.4% YoY).

Figure 11. Revenue Mix 1H23 (Business)



Source: SSI, Company

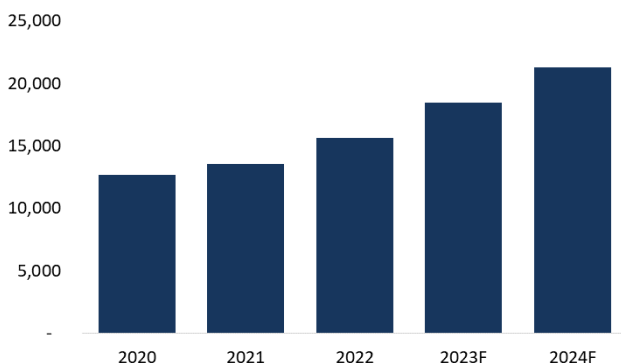
Figure 12. Revenue Mix 1H23 (Geography)



Source: SSI, Company

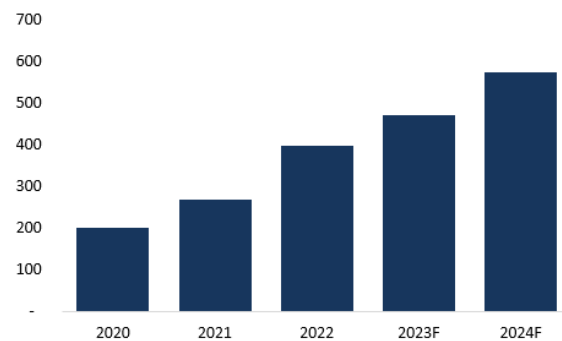
We expect to see even better numbers from MIDI in 2H23, supported by its aggressive store expansion strategy (the company plans to open 200 Alfamidi stores and 500 Lawson stores this year). It should be noted that Lawson might be able to generate a higher GPM than Alfamidi, given the fact that RTE and RTD products can produce a GPM of ~50%, while dry groceries can only produce ~20%. With MIDI's aggressive expansion strategy, we believe that MIDI's opex/store will decline next year (FY24F) in line with the company's plan to add +500 more outlets, potentially bringing the number of its Lawson stores to ~1,000, which should help boost the company's profit margins, especially OPM. Regarding its bottom line, we project MIDI to book net profit growth of +17.9% YoY/ +19.4% YoY in FY23F/ FY24F.

Figure 13. Revenue Growth



Source: SSI, Company

Figure 14. Net Profit Growth



Source: SSI, Company

## Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
<b>Revenues</b>	<b>13,584</b>	<b>15,624</b>	<b>18,452</b>	<b>21,281</b>	<b>24,110</b>
Cost of Goods Sold	10,162	11,670	13,457	15,244	17,031
<b>Gross Profit</b>	<b>3,422</b>	<b>3,953</b>	<b>4,995</b>	<b>6,037</b>	<b>7,079</b>
Opex	(3,151)	(3,500)	(4,533)	(5,457)	(6,363)
Other Operating Income	215	185	246	284	321
<b>Operating Profit</b>	<b>487</b>	<b>638</b>	<b>708</b>	<b>864</b>	<b>1,038</b>
EBITDA	745	853	1,111	1,453	1,752
Finance Expenses	(155)	(131)	(115)	(156)	(193)
<b>Pre-tax Profits</b>	<b>332</b>	<b>506</b>	<b>593</b>	<b>708</b>	<b>844</b>
Income Tax	(52)	(96)	(110)	(131)	(156)
<b>Profit for Period</b>	<b>270</b>	<b>399</b>	<b>470</b>	<b>561</b>	<b>669</b>
Minority Interest	0	0	0	0	0
<b>Net Profit</b>	<b>270</b>	<b>399</b>	<b>470</b>	<b>561</b>	<b>669</b>

Balance Sheet					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Cash & equivalents	243	417	1,199	1,200	1,288
Receivables	413	369	429	495	561
Inventory	1,811	2,008	2,281	2,584	2,887
Others	68	81	97	116	139
<b>Total Current Asset</b>	<b>2,536</b>	<b>2,874</b>	<b>4,006</b>	<b>4,395</b>	<b>4,875</b>
Fixed Asset	1,974	2,150	3,144	3,813	4,243
Other Non-Current Asset	1,820	1,881	2,255	2,702	3,237
<b>Total Assets</b>	<b>6,330</b>	<b>6,905</b>	<b>9,405</b>	<b>10,910</b>	<b>12,355</b>
ST Debt and CMLTD	1,392	1,143	1,994	2,418	2,690
Payables	1,534	1,706	1,967	2,228	2,489
Other current Liabilities	765	918	1,106	1,339	1,631
<b>Total Current Liabilities</b>	<b>3,692</b>	<b>3,767</b>	<b>5,066</b>	<b>5,985</b>	<b>6,811</b>
LT Debt	881	1,049	679	823	916
Other LT Liabilities	88	102	118	137	158
<b>Total Liabilities</b>	<b>4,662</b>	<b>4,918</b>	<b>5,864</b>	<b>6,945</b>	<b>7,885</b>
Minority Interest	1	1	1	1	1
<b>Total Equity</b>	<b>1,668</b>	<b>1,987</b>	<b>3,541</b>	<b>3,965</b>	<b>4,470</b>

Cash Flow					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Net Profit	270	399	470	561	669
D&A	259	215	403	589	714
Others	614	974	99	106	162
<b>Operating Cash Flow</b>	<b>1,142</b>	<b>1,587</b>	<b>972</b>	<b>1,257</b>	<b>1,545</b>
Capital Expenditure	(474)	(550)	(1,397)	(1,258)	(1,144)
Others	(184)	(249)	(357)	(428)	(514)
<b>Investing Cash Flow</b>	<b>(658)</b>	<b>(798)</b>	<b>(1,754)</b>	<b>(1,686)</b>	<b>(1,658)</b>
Change in Debt	(157)	(81)	480	568	365
Others	(323)	(534)	1,084	(137)	(165)
<b>Financing Cash Flow</b>	<b>(479)</b>	<b>(615)</b>	<b>1,564</b>	<b>431</b>	<b>201</b>
Net - Cash Flow	5	173	782	2	88
Cash at beginning	238	243	416	1,198	1,200
Cash at ending	243.17	416	1,198	1,200	1,288

Key Ratios					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Gross Profit Margin (%)	25.2	25.3	27.1	28.4	29.4
Operating Margin (%)	3.6	4.1	3.8	4.1	4.3
EBITDA Margin (%)	5.5	5.5	6.0	6.8	7.3
Pre-Tax Margin (%)	2.4	3.2	3.2	3.3	3.5
Net Profit Margin (%)	2.0	2.6	2.5	2.6	2.8
Net Gearing (x)	1.3	0.8	1.1	0.8	0.5

## Peers Comparison

Ticker	Name	Market Cap (USD Mn)	P/E (x)		P/BV (x)		P/S (x)	
			23F	24F	23F	24F	23F	24F
AMRT IJ Equity	Sumber Alfaria Trijaya	119,578	35.4	30.7	9.3	8.2	1.1	1.0
WMT US Equity	Walmart Inc.	428,861	26.1	25.4	5.4	5.2	0.7	0.7
3382 JP Equity	Seven & I Holding Co Ltd	36,234	18.0	17.9	1.5	1.4	0.4	0.5
BURL US Equity	Burlington Stores Inc	11,143	43.9	29.3	14.2	11.5	1.3	1.1
GO US Equity	Grocery Outlet Holding Corp	3,289	33.3	33.3	2.9	2.7	0.9	0.8
2912 TT Equity	President Chain Store Corp	8,839	28.3	25.8	7.8	7.2	1.0	0.9
DOL CN Equity	Dollarama Inc.	17,986	31.4	26.6	124.7	62.8	4.9	4.3
<b>Average</b>			<b>27.9</b>	<b>26.1</b>	<b>9.6</b>	<b>7.3</b>	<b>0.9</b>	<b>0.9</b>

Source: SSI Research, Bloomberg

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