

OVERWEIGHT

Return (%)	-1D	-1W	-1M
JCI	+0.5%	+0.8%	+3.7%
LQ45	+0.1%	+1.7%	+2.3%
MAPI IJ	-4.0%	-3.8%	+4.4%
ACES IJ	-2.0%	-7.1%	-13.3%
ERAA IJ	-1.6%	+5.7%	+8.7%
RALS IJ	+0.8%	+0.8%	-3.0%

EPS Growth (%)	FY23E	FY24F
MAPI IJ	-7.3	+20.6
ACES IJ	+5.2	+6.9
ERAA IJ	-20.5	+31.5
RALS IJ	-10.9	-2.1

Retail Sector

Mid-High Resilience and Strategic Shifts to Propel Growth

Healthy mid-high consumer to support spending

We expect that mid-high retailers remain upbeat in FY24F as opposed to the low-mid segment, owing to their consumer base's resilient spending power. We consider the consequences of El-Nino (lagging by 6-8 months) which could lift up staple food prices, translating to the vulnerability of low-mid-class and leads to downtrading behavior. Despite the fact that expenditure proportion for consumption across all classes has shown continuous recovery until 10M23, we notice that only the mid-high class (income >IDR5mn) witnessed an uptick in consumption and savings, making it fairly resilient and providing disposable income when compared to other classes ([exhibit 01](#)), in our view.

- **We believe this circumstance will benefit MAPI in the future.** In 9M23, MAPI expanded by opening +340 stores (including BK and Domino's), translating to a total added space of +70.5k sqm, or higher compared to the FY22 realization of +59.2k sqm. Furthermore, with promising overseas stores contributing 12% to the turnover in 9M23, we expect this to be a growth engine for MAPI in the future. However, we acknowledge the downside risk of shifting products, leading consumers to switch to MSMEs.
- **We also favor ACES with a recovery SSSG of +6.8% in 10M23.** ACES has initiated a strategic shift, transitioning from big sale promotions events to more targeted and limited campaigns. We perceive this as a positive and efficient move. ACES also plans to integrate fully into the Kawan Lama Group's ecosystem by 1H24. It formerly integrated ACE Rewards (Poin) into RupaRupa Rewards (Koin). This leap will benefit ~5mn ACE members by allowing them to take advantage of different appealing programs such as member-only pricing, welcome gifts, free delivery and installation, and many more. We anticipate these developments could deliver more basket size to fuel SSSG onwards (FY23E guidance: 6.5%). Furthermore, we foresee the potential of new members due to the fully integrated ecosystem, which encompasses other business pillars of Kawan Lama Group's such as consumer retail and FnB.
- **Moreover, ERAA has an active lifestyle segment with high-brand products (UR, Garmin, JD Sport),** benefiting from the ongoing sports trend until FY24F. We also note a bounce back in ERAA's smartphone sales volume in 9M23 at +4.8% YoY, following a decline in FY22 (-20.3% YoY). We are optimistic about the potential for continuous sales volume growth in the future, particularly with the presence of Transsion Holding brands (Infinix and Techno) catering to the value-to-performance segment.

Ongoing occupancy recovery, alongside the forthcoming retail space

The occupancy rate for mid-high retail space in Jakarta continues to recover and close to pre-pandemic levels ([exhibit 05](#)). Notably, the occupancy rate in the mid-high retail space in 9M23 was 84.6% (vs 90.4% in 4Q19), while the mid-low seems to struggle hovering at ~50% (vs 66.3% in 4Q19). We expect continued improvement in the occupancy rate for mid-high retail space, supported by: 1) the festive season momentum in 2Q24; 2) the presence of new brand portfolios; 3) attractive promotions during payday. Likewise, the addition of shopping centers (such as Menara Jakarta Shopping Mall and Pakuwon Mall Bekasi) with an estimated 330k sqm in the Jakarta and Greater Jakarta areas is likely to open up more tenant prospects for retailers in our coverage. Yet, the rise in occupancy could bolster the rental cost that we anticipate to reach pre-pandemic levels.

Expect favorable USD/IDR for the year

We favor ERAA and RALS which have minimal exposure to the exchange rate, serving as a cushion against GPM. Within the last decade, ERAA and RALS showed persistent GPM increases; in 9M23, ERAA/RALS GPM hovered at 10.5%/51.2% (vs 8.9%/34.9% in FY14), respectively. Meanwhile, our sensitivity analysis indicates every +1% increase in USD/IDR will result in a GPM decrease for MAPI and ACES, each at -17bps/-6bps, and vice versa. On the flip side, we estimate USD/IDR in FY24F to be ranging at IDR15,450-15,700 (vs IDR14,670-15,840 YTD), supported by The Fed's rate cut and additional Bank Indonesia instruments to attract inflows. With the likelihood of improving FX rate, we expect further improvement in GPM for MAPI and ACES in FY24F.

Overweight recommendation for the Retail Sector

We reiterate an **Overweight** outlook for the retail sector in FY24F. We believe that retailers in the mid-high segment will continue their positive performance, supported by the resilience of their consumer base towards headwinds. Furthermore, after substantial store additions post-pandemic, we see retailers tending to drive productivity per store to protect margins from rental cost adjustments. We view that existing business portfolios in emerging countries overseas (MAPI, ERAA) will be quite robust in the face of global economic growth divergence in FY24F. Our top picks are **MAPI, ERAA, ACES**. Downside risks include: 1) muted purchasing power among mid-high consumers; 2) higher-than-expected rental costs; 3) tight competition from other brands.



Research Analyst

Raka Junico W.

raka.widyaman@mncgroup.com

Ticker	Mkt Cap (IDR tn)	P/E (x)		PBV (x)		Rec	TP (IDR/sh)
		FY23E	FY24F	FY23E	FY24F		
MAPI IJ	29.0	18.3	15.1	3.5	3.0	BUY	2,150
ACES IJ	12.9	20.9	19.5	2.3	2.2	BUY	850
ERAA IJ	5.7	8.9	6.8	1.0	0.9	BUY	450
RALS IJ	3.4	10.3	10.5	0.9	0.8	HOLD	455

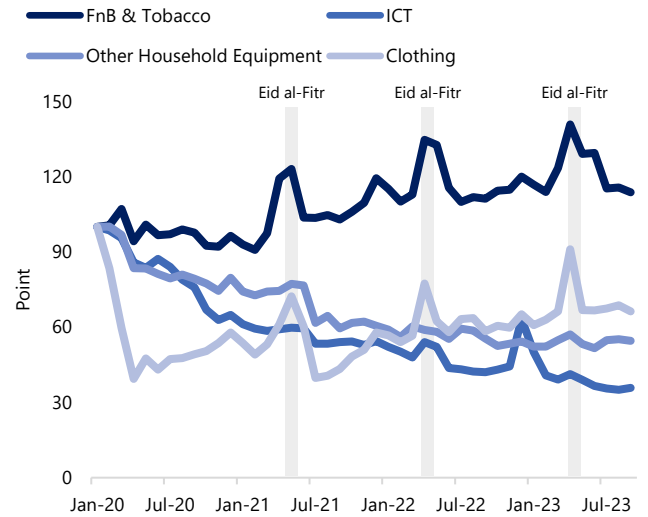
Sources : Company, MNCS

Exhibit 01. The expenditure proportion for mid-high class (>IDR5mn) has risen in savings. This bodes well for future purchasing power

	Avg. Jan-Oct FY22	Avg. Jan-Oct FY23	Growth
IDR1-2mn			
Consumption	75.5	76.6	1.5%
Loan repayments	7.6	7.2	-5.6%
Savings	16.9	16.2	-4.3%
IDR2.1-3mn			
Consumption	74.2	75.8	2.1%
Loan repayments	9.3	8.5	-8.3%
Savings	16.5	15.7	-4.8%
IDR3.1-4mn			
Consumption	72.8	73.9	1.5%
Loan repayments	10.9	9.9	-8.7%
Savings	16.3	16.2	-1.1%
IDR4.1-5mn			
Consumption	70.7	72.2	2.0%
Loan repayments	12.2	10.9	-11.4%
Savings	17.0	17.0	-0.2%
>IDR5mn			
Consumption	68.3	68.7	0.7%
Loan repayments	13.8	12.9	-6.5%
Savings	18.0	18.4	2.5%

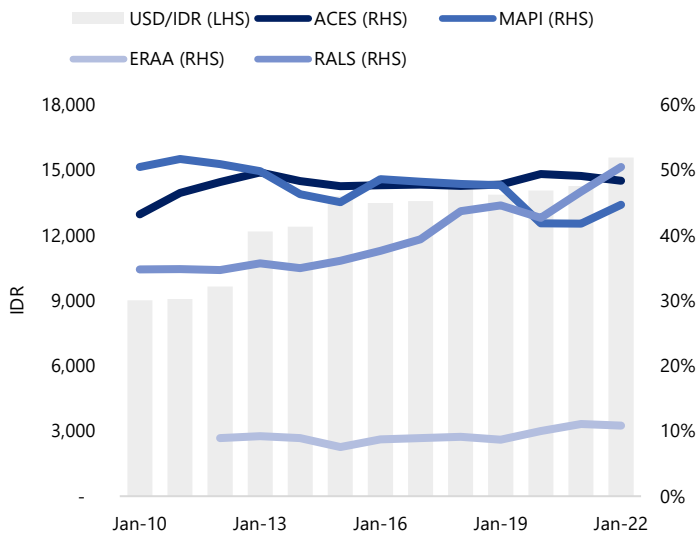
Sources : Bank Indonesia, MNCS

Exhibit 02. Retail sales typically soar during the festive season of Eid al-Fitr



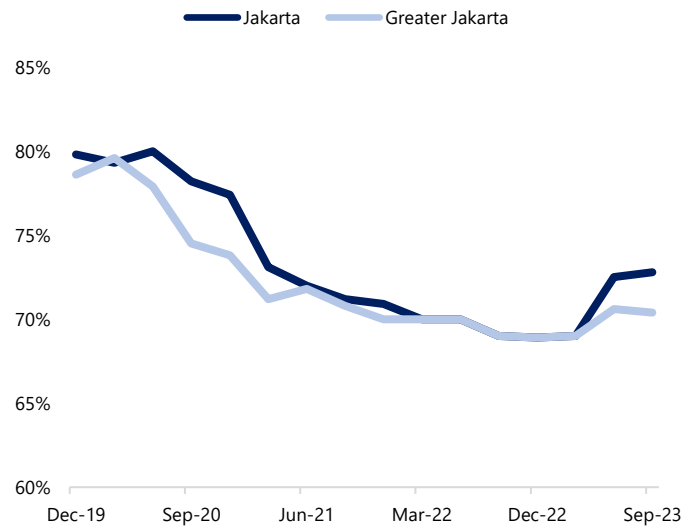
Sources : Bank Indonesia, MNCS

Exhibit 03. The GPM of ERAA and RALS showed resilience against fluctuations in USD/IDR



Sources : Bloomberg, Company, MNCS

Exhibit 04. Occupancy in Jakarta and Greater Jakarta areas bounced back in 1Q23



Sources : Colliers, MNCS

Exhibit 05. Occupancy in mid-high retail spaces is close to pre-pandemic levels

Jakarta	4Q19	1Q23	2Q23	3Q23
Premium	91.0%	84.50%	86.2%	86.2%
Mid-high	90.4%	79.3%	84.6%	84.6%
Mid	77.6%	65.9%	68.6%	69.3%
Mid-low	66.3%	47.0%	50.0%	49.6%

Sources : Colliers, MNCS

Exhibit 06. Our sensitivity analysis for MAPI and ACES against USD/IDR exposure

Company	USD/IDR	Impact to GPM
MAPI	-1%	+17 bps
	1%	-17 bps
ACES	-1%	+6 bps
	1%	-6 bps

Source : MNCS

MNC Research Industry Ratings Guidance

- **OVERWEIGHT** : Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL** : Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT** : Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

- **BUY** : Share price may exceed 10% over the next 12 months
- **HOLD** : Share price may fall within the range of +/- 10% of the next 12 months
 - **SELL** : Share price may fall by more than 10% over the next 12 months
 - **Not Rated** : Stock is not within regular research coverage

PT MNC SEKURITAS

MNC Financial Center Lt. 14 – 16
Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340
Telp : (021) 2980 3111
Fax : (021) 3983 6899
Call Center : 1500 899

Disclaimer

This research report has been issued by PT MNC Sekuritas, It may not be reproduced or further distributed or published, in whole or in part, for any purpose. PT MNC Sekuritas has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; PT MNC Sekuritas makes no guarantee, representation or warranty and accepts no responsibility to liability as to its accuracy or completeness. Expression of opinion herein are those of the research department only and are subject to change without notice. This document is not and should not be construed as an offer or the solicitation of an offer to purchase or subscribe or sell any investment. PT MNC Sekuritas and its affiliates and/or their offices, director and employees may own or have positions in any investment mentioned herein or any investment related thereto and may from time to time add to or dispose of any such investment. PT MNC Sekuritas and its affiliates may act as market maker or have assumed an underwriting position in the securities of companies discusses herein (or investment related thereto) and may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies.