

PT Matahari Department Store Tbk

Q2 2021 EARNINGS CALL

Thursday, 26 - 08 - 2021

AGENDA

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EXECUTIVE SUMMARY

Matahari returns to profitability and demonstrates resilience despite the pandemic

- Matahari returns to profitability with an EBITDA of Rp 862 Bn and net cash of Rp 1 Trn
 - Managed to navigate the Lebaran season successfully, despite cancelled mass vacation, mudik bans, and reduced operating hours.
 - Healthy gross margin; flushed out most of NGF products with 7% leftover of inventory.
 - Managed cautious spending in all lines of operating expenses
 - Matahari performs better than its peers.
 - Debt is fully repaid; cash balance is very healthy.
- Matahari sees promising progress in key operational areas
 - Store enhancement work is in progress, along with reorganised operating regions and wiser use of Capex for greater reach.
 - Store portfolio optimisation is increasing our underlying profitability.
 - Ongoing re-modernising of our merchandise is bearing fruit, with a pipeline of new initiatives.
 - Discontinued brands are exiting at a faster pace and lower cost than expected
 - Shift to asset-light is well underway with reduced warehouses, assets, low-performing assets, and intended divestment of Cikarang Land.
- Most recently, Auric Digital Retail has become the controlling shareholder in the Company, which adds confidence to certainty of strategy execution and continuity.
- Company launched shares buyback program in August 2021, with the earmarked fund of Rp 450 Bn.

We believe Matahari can perform much better than H1 2021 in coming seasons as initiatives gather pace and the constraints of COVID-19 are increasingly behind us and intend to transfer key learnings forward to Lebaran 2022.

Q2 / 1H 2021 PERFORMANCE UPDATES

KEY FINANCIAL HIGHLIGHTS

EBITDA at Rp 862 Bn, 19.2% of sales

Unaudited figures

(in IDR Bn)	SECOND QUARTER				
	2021	2020	Var %	2019	Var %
Gross Sales	4,481	1,215	269.0%	7,230	-38.0%
SSSG%		279.7%		-36.9%	
Sales mix:					
DP	32.9%	38.8%		35.4%	
CV	67.1%	61.2%		64.6%	
Gross Profit	1,595	429	271.5%	2,553	-37.5%
GM%	35.6%	35.3%		35.3%	
OPEX	(733)	(527)	38.9%	(1,141)	-35.8%
OPEX%	-16.3%	-43.4%		-15.8%	
EBITDA	862	(98)	979.5%	1,412	-39.0%
EBITDA Margin%	19.2%	-8.1%		19.5%	
Net (Loss) Income	628	(264)	337.9%	1,020	-38.4%
Net Income Margin%	14.0%	-21.7%		14.1%	

YTD JUNE				
2021	2020	Var %	2019	Var %
6,558	3,933	66.7%	10,548	-37.8%
	70.2%		-36.8%	
33.9%	36.8%		36.2%	
66.1%	63.2%		63.8%	
2,287	1,343	70.3%	3,727	-38.6%
34.9%	34.1%		35.3%	
(1,411)	(1,405)	0.4%	(2,027)	-30.4%
-21.5%	-35.7%		-19.2%	
877	(62.4)	1505.0%	1,700	-48.4%
13.4%	-1.6%		16.1%	
533	(358)	248.8%	1,162	-54.2%
8.1%	-9.1%		11.0%	

Remarks:

This outstanding result was achieved even though the 2021 Lebaran trading was impaired by the ongoing pandemic, along with the mobility restrictions and weak purchasing power.

BALANCE SHEET

Strong Net Cash at Rp 1019 Bn

Unaudited figures

ASSETS					
(in IDR Bn)	Jun 2021	Dec 2020*	Jun'21 vs. Dec'20	Jun 2020	Jun'21 vs. Jun'20
Fixed Assets	736	862	(126)	1,056**	(320)
Investment in Nobu	874	601	273	-	874
Inventories	820	889	(69)	1,614	(794)
Trade Receivables	23	61	(38)	75	(52)
Right-of-Use Assets	2,552	2,672	(120)	3,446	(894)
Other Assets	676	710	(34)	1,051**	(375)
Net Cash (Debt)	1,019	(487)	1,506	(628)	1,647
TOTAL ASSETS	6,700	5,308	1,392	6,614	86

LIABILITIES AND EQUITY					
(in IDR Bn)	Jun 2021	Dec 2020*	Jun'21 vs. Dec'20	Jun 2020	Jun'21 vs. Jun'20
Equity	1,063	530	533	1,052	11
Chg. in Nobu Invest.	324	51	273	-	324
Employee Benefit O.	524	502	22	512	12
Trade Payables	744	348	396	651	93
Lease Liabilities	2,795	2,850	(55)	3,488	(693)
Other Liabilities	1,250	1,027	223	911	339
TOTAL LIAB. & EQUITY	6,700	5,308	1,392	6,614	86

Remarks:

- Strong net cash of 1 Trillion and **zero loan balance**, with **1.7 Trillion loan facility**.
- Inventory @ 820 Bn vs 1.614 Bn at June 2020 vs 1,527 Bn at June 2019. **88.5% of the inventories represented 2020/2021 intake**.
- Investment in Nobu **increased by 324 Bn or 59%** from the original purchase value (Rp755/share to Rp1,200/share)
- Planning for land divestment for better focus on core business.

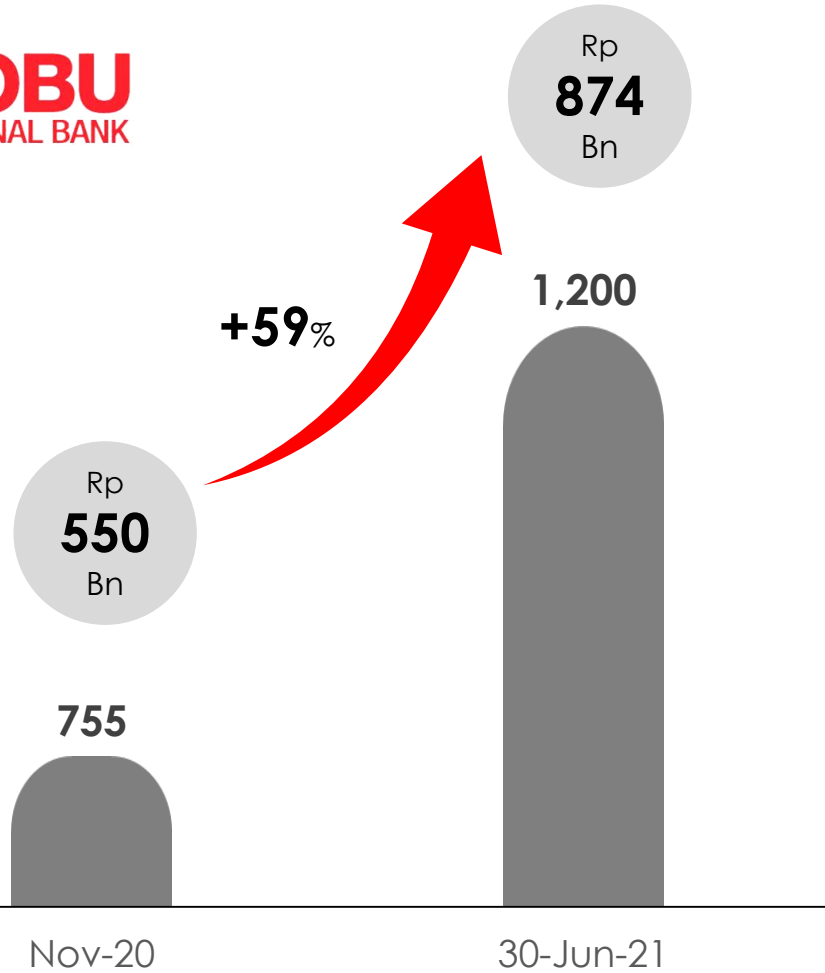
* Audited figures

** Reclassified for comparability

NOBU UPDATE

Nobu investment at Rp 874 Bn, 59% increase

Investment Value per share movement



Ongoing Collaborations

Credit financing for Matahari's supply chain

Roll out of ATMs

Branchless banking roll out

One-Stop Service powered by Nobu in Semarang store



LEBARAN QUARTER IN VIEW

Net Income Rp 628 Bn, 14% of sales, inspite of COVID trading restrictions

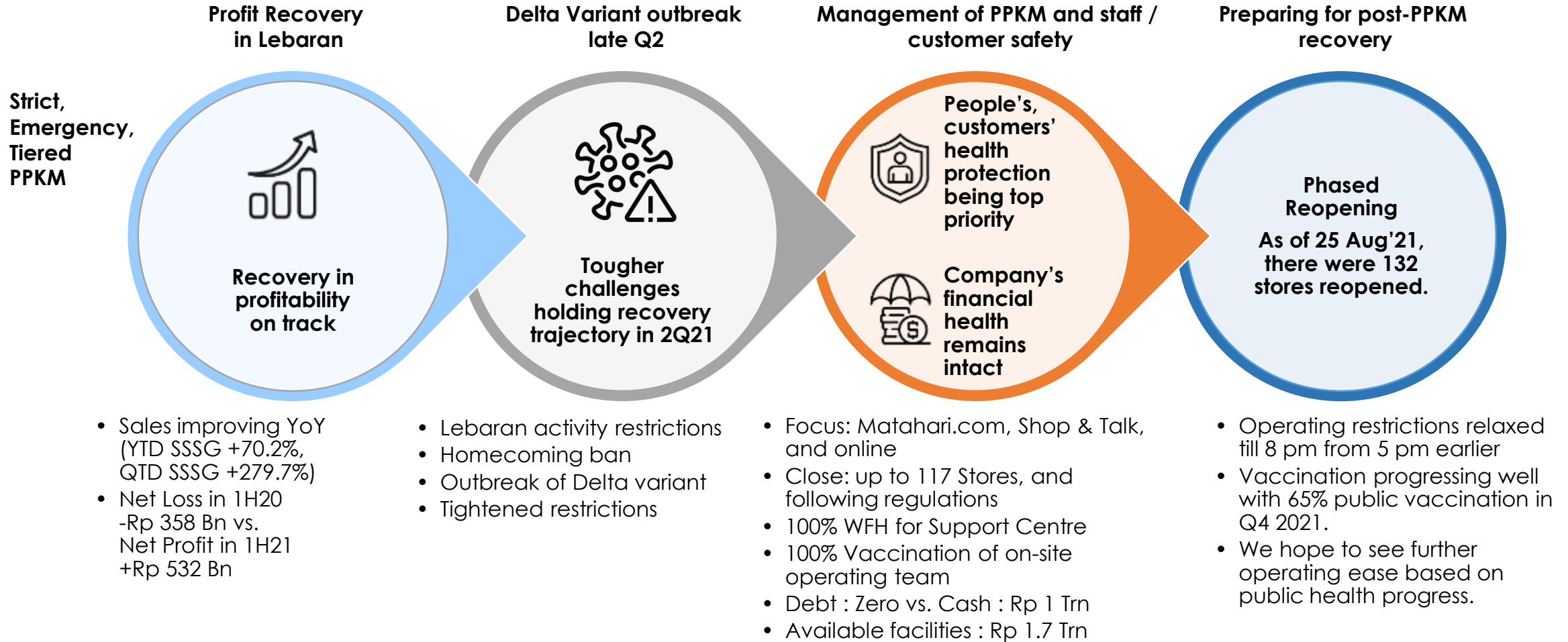
Unaudited figures

(in IDR Bn)	LEBARAN QUARTER VS. MARKET				
	MDS	RAIS	Var %	MAPI	Var %
Gross Sales	4,481	1,963	128.3%	5,315	-15.7%
Sls growth% vs 2020	269.0%	134.0%		137.6%	
Gross Profit	1,595	550	190.0%	2,098	-24.0%
GM%	35.6%	28.0%		39.5%	
OPEX	(967)	(341)	183.6%	(1,828)	-47.1%
OPEX%	-21.6%	-17.4%		-34.4%	
Net (Loss) Income	628	224	180.4%	270	132.6%
Net Income Margin%	14.0%	11.4%		5.1%	

OPERATIONAL UPDATE

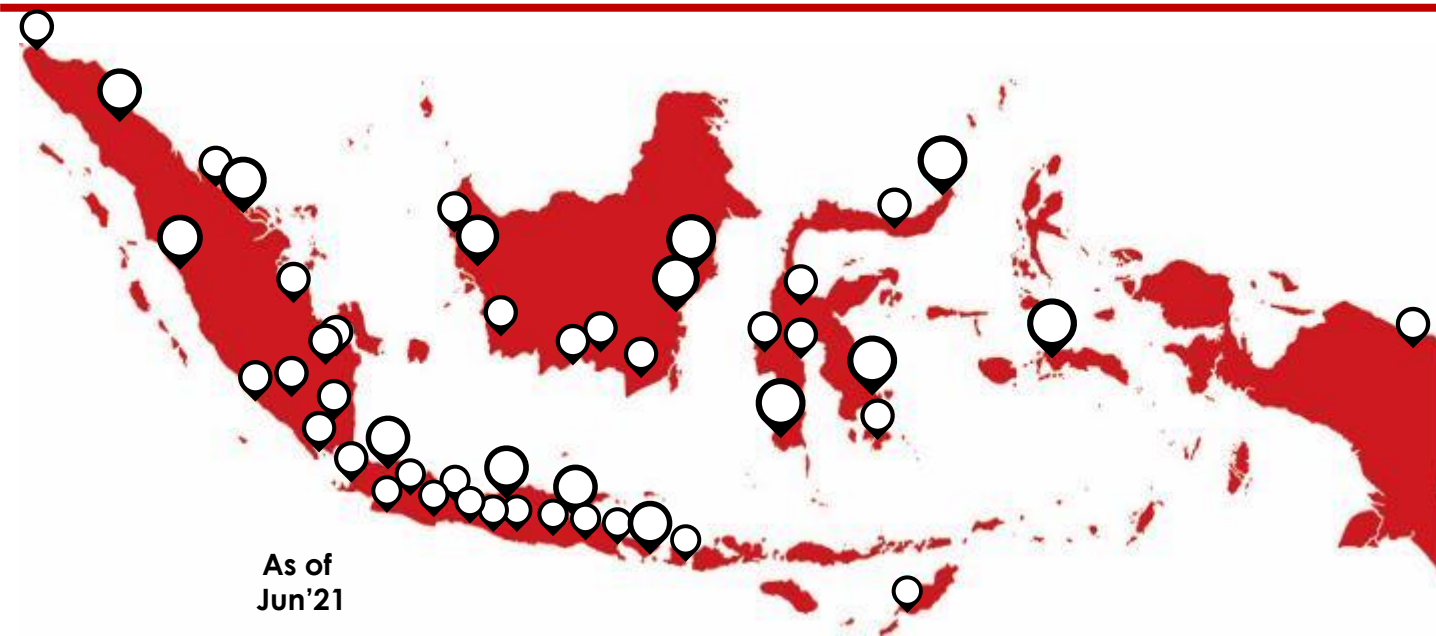
COVID-19 UPDATE

COVID-19 downside provides optimism for 2022

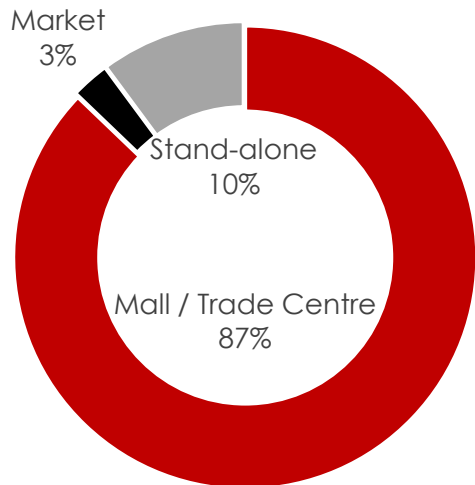


STORE PORTFOLIO

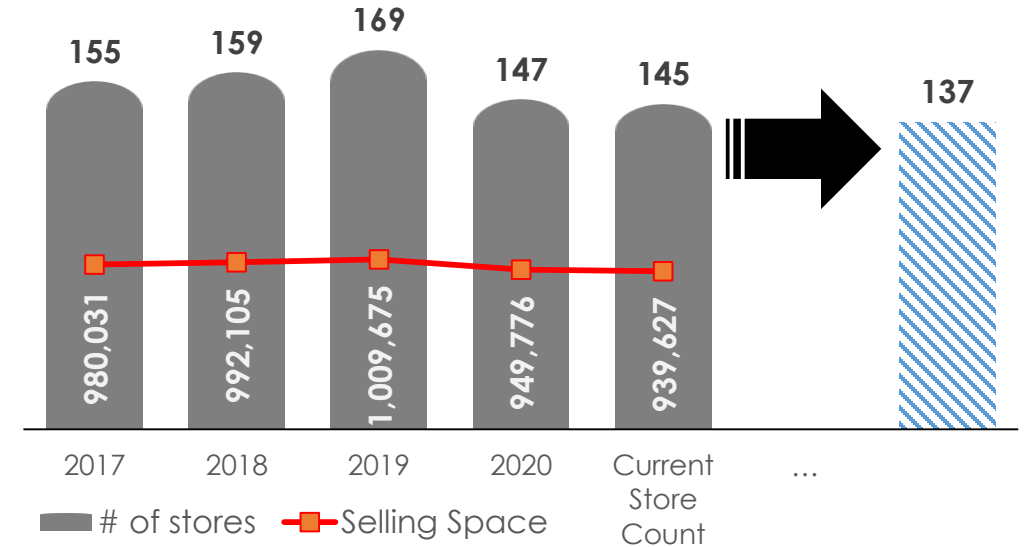
Bold steps during the pandemic to increase an underlying profitability



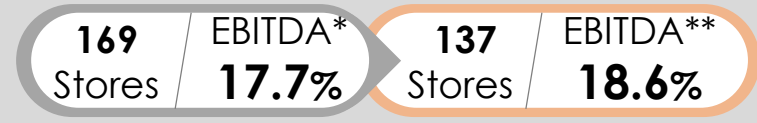
As of Jun'21



	Stores as of Jun'21	Gross Sales/Region	
		2Q 2021	1H 2021
Greater Jakarta	37	24.9%	24.5%
Java (ex G. Jkt)	50	36.3%	35.2%
Outside Java	61	38.9%	40.3%
Total	148	100.0%	100.0%



Seeking quality over quantity



New stores are more preferable than keeping the closed ones:
 → The 38 stores closed only accounted for 8.4% of Gross Sales* and 2.1% EBITDA*

→ EBITDA** margin of 3 New Stores : 16.0% vs. EBITDA* margin of the 38 Stores : 4.5%

The period of shedding significant number of stores is behind us. Future closures, if any, would be for relocation.

STORE OPERATIONS

Cost initiatives in place to return to prior period profitability at 78% recovery

Reorganised regions into a more logical and lean manner in 10 distinct regions

Segmentation of regions around ease of operational excellence and field visits

Wiser use of Capex in minor refits to accelerate transformation impact


Omni-enabled stores for future channel harmony and consistent customer experience

With the various cost initiatives, we will return to prior period profitability level at 78% sales recovery



MERCHANDISE DEVELOPMENT


New team in place driving key merchandising pipeline



NEVADA


Independent	Modern & Cool
Confident	Quality
Fashion-right	Value for money

AUDIENCE
NEVADA is a fashion brand... available at Mezzaneri and...
Target audience 25-35 years



cole

Modern	Masculine
Sophisticated	Functional
Minimalist	Quality



CONNEXION


BRAND POSITIONING
CLASSIC STYLE, SIMPLE & RELAXED.

Easy wear fashion that are both modern and timeless. Offering women's wardrobe essentials, from basics to work-wear. Simple yet versatile, perfect for all occasions.

BENCHMARK BRANDS: NEXT

Classic
Relaxed
Easy Wear
Smart & Casual

AUDIENCE
Young modern women who are budget conscious but like to look stylish and efficient. She wears her clothing to be a combination of polished yet relaxed, aiming for a smart and casual look.
Aged 25-35 years old





details

Fresh	Fashionable
Confident	Stylish
Modern	Trendy

SHADOW BRAND
ZARA

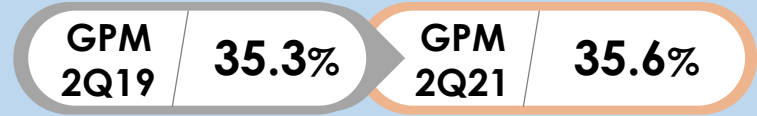
AUDIENCE
Young Men and Woman who want to be on trend.
They want their clothing to convey that they are globally aware of fashion trends, both on the weekend and in their newly appointed workplace.
18 - 28 YO





Modernising our merchandise

The new approach is bearing fruit with good acceptance of new styles



Contribution of Private Labels

57.9% of total DP Sales

Inventory is low, with reduced amount of discontinued brands

Brands & sourcing rationalisation

RSH & Sociolla expansion



BIG BRANDS EXIT
50-80%

AÉROPOSTALE
CRATER
361° OVS
HEMAT

7% leftover in inventory

DATA-DRIVEN DECISION MAKING

Enhanced Customer Segmentation Will Drive Merchandise Strategies & Personalized Loyalty Outreach

1

Loyalty Foundation



Diagnostics & Review



Loyalty Design & Strategy

2

Customer Segmentation



Customer Personas



Recency, Frequency, Monetary Value

3

Campaign Strategy



Contact



Content



Creative

4

Measure & Optimize



Results Measurement & ROI



Campaign Dashboard



Customer Dashboard

People Process System

OTHER CORPORATE ITEMS

ENVIRONMENTAL, SOCIAL, & GOVERNANCE IN PROGRESS

Giving back to our people and society as we build our business



Environment

-  90%+ energy-efficient LED lighting at stores; Natural lighting in Support Centre
-  Switching to Cassava bag / Paper bag
-  Single-use ban in the central facility
-  Various recycling programs




Community

-  **94%** Local vendors
-  **99.9%** Indonesian team
-  Regular visit to vendors, ensuring labour compliance
-  Upgraded whistleblowing system with Deloitte, Suara Matahari
-  Work with customers, non-profit organisations for donation, including Infaq and Shadaqah





Customers

-  5-Star Pledge for Customers protection
-  Clear product info: Materials, Treatment, Safety
-  Responsive call centre Halo Matahari
-  Adaptive return policy during the pandemic



Our People

-  Work safety
0 accident
-  Health protection
 - Work split arrangement
 - Seat arrangement
 - Sanitation discipline
-  Equality in the Workplace
 - Gender and race diversity across the team at all levels
 - **56%** female employees
-  Virtual team engagement during the pandemic
-  Educational support for employees
-  Remuneration made whole



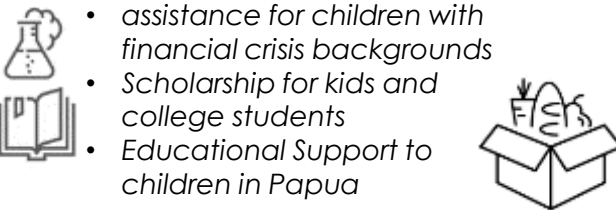
Shopping with orphans with Baznas South Kalimantan

Donation to Mamuju and Malang earthquake victims



Donation to local community in Cilegon, West Java

Supporting the flood management system in Jakarta



Educational Support

- assistance for children with financial crisis backgrounds
- Scholarship for kids and college students
- Educational Support to children in Papua

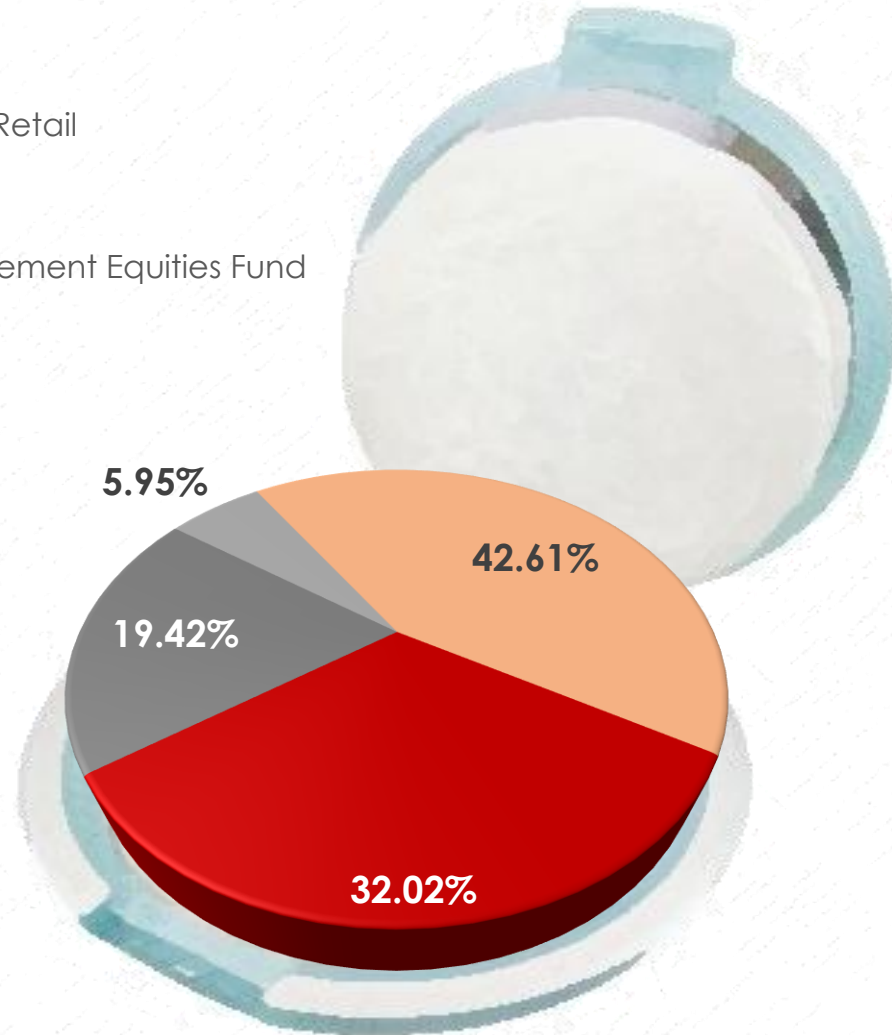
With Hypermart providing 7,500 food parcels for Self-isolation

CORPORATE ACTIONS

Shares buyback program launched with Rp 450 Bn allocated

NEW CONTROLLING SHAREHOLDER

- Auric Digital Retail
- Multipolar
- College Retirement Equities Fund
- Public



SHARES BUYBACK PROGRAM

Number of shares to be bought: max. 393.9 Mn shares
(maximum 15% of total shares)

Share price : maximum Rp 3,050 per share

Funds allocated : Rp 450 Bn

Period : 6 Aug'21 to 5 Nov'21

PROPOSED NEW BOARD MEMBERS

Strengthening the corporate governance with increased diversity

Wide-array of skills

Strengthening the corporate governance

Providing modern & youthful perspective

Increased diversity



BIANCA CHEO HUI HSIN*
Member of Board of Commissioners

45 Years Old

~22 years in the industry,

Current
Chief Operating Officer & Executive Director of the Mewah Group



DAVID FERNANDO AUDY*
Member of Board of Commissioners

42 Years Old

~18 years in the industry

Current
Operating Partner at East Ventures Growth Fund

Past Experience
Chief Executive Officer Media Nusantara Citra (MNCN)



Dr. ANDY ADHIWANA
Member of Board of Commissioners

36 Years Old

Current
Group Chief Executive Officer Auric Pacific Group (APG),

Chief Executive Officer Auric Capital



MIRANTI HADISUSILO*
Member of Board of Directors

51 Years Old

~26 years of corporate affairs exp. 11 years at Matahari

Current
Corporate Secretary & Legal Director at Matahari

Past Experience
Corporate Secretary & Legal Director at Tunas Ridean (TURI) (Jardine Group)



HERNI DIAN*
Member of Board of Directors

47 Years Old

~23 years of HR & retail exp. 1 year at Matahari

Current
Chief of People & Culture Officer at Matahari

Past experience
People and Culture Dir at Coca Cola

* independent

STRATEGY EXECUTION

LOOKING FORWARD

Strategy execution gathering pace

- Balance sheet significantly strengthened with zero debt, strong cash, and increased investment value.
- Q2 return to strong profitability bodes well for post-PPKM seasonal learnings, and the path to Lebaran 2022
- Store portfolio optimisation is increasing our underlying profitability, and new stores added are trading well with strong profitability.
- Store enhancement work is in progress, along with reorganised operating regions and wiser use of Capex for greater reach, and added omnifeatures.
- Ongoing re-modernising of our merchandise is bearing fruit, with a pipeline of new initiatives (customer-persona driven), which management will share in subsequent calls.
- Building digital, loyalty and IT teams for omnichannel future with defined technology roadmap.
- Crafting new ways of working in line with enhanced core values and high performance culture.



CONTACT US

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