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1H 2023 Earnings Call

28 July 2023



Agenda

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Executive Summary

Softer Lebaran than expected; strategic initiatives advancing; merchandise acceleration lies ahead

▷ 1H23 performance :

- Sales at 1H23 reached IDR 7.4 Trn, or grew by 3.2 %, with flat SSSG as inflation took its toll. (Please note that 2Q23 had less Lebaran trading days vs. 2Q22).
- Lebaran started well, however last 14 days were challenging caused by THR payout delay, earlier holidays, and customers focusing more on an extended mudik. Final week trajectory vs first 5 weeks trajectory resulted in a miss of IDR 287 Bn in our expected outcomes.
- Gross Margin 1H23 was 35.3 %, lower than 36.0% in 1H22, reflecting value passed back to customers and addressing of any inventory overhang risk.
- EBITDA for the period was IDR 1,075 Bn vs 1,303 Bn LY. Net Profit was IDR 684 Bn, reflecting structural short-term cost pressure and investment in labor and marketing reflecting higher seasonal growth expectations than materialized. (2024 learnings)

▷ Strategic moves well advanced for year-end achievement, whilst tapping near-term opportunities:

- **Suko** opened in 20 stores, with strong initial performance leading to management pulling forward 12 further openings in 2023.
- **House of Characters** grouping all licensed partnerships for a compelling childrenswear and young adults collection
- **Store expansion** on track to open a minimum of 12 new stores. In aggregate, the new stores performed as planned, performing above the hurdle rate
- **8.2 Mn** Active members, contributing to 78% of total sales surpassing pre-pandemic levels.
- **Blibli** launched in Jul'23; **Tokopedia** reboot in Aug'23; **2-3 new channels** slated by year-end
- **ETP**, POS solution rolled out in 59 stores, with national completion in Q4 23, bringing greater merchandise insights, personalized promotion capabilities and the digitization of our CV community and follow on omnichannel momentum
- **Work in progress** for merchandise overhaul with tremendous potential to enhance our private label impact, taking our brand portfolio to the next level and democratizing the world's best ideas in merchandise concepts for a unique Matahari experience

▷ Maximizing shareholder value

- Record dividend level for 2022 distributed within Q2; commitment to a minimum of 50% payout remains.
- Net Debt position expected to improve across H2 for a healthy year-end position
- EBITDA guidance is around IDR 1.8-2.0 Trn vs. last year IDR 1.96 Trn.

Stock Code:

LPPF

Shares outstanding*

2,259 Mn

Major Shareholder*
(% after cancellation)

Auric Digital Retail 42.5%

#Stores at the end of 1H23

155

*latest position by 30 Jun'23
excluding treasury shares

Lebaran Journey

2023 Lebaran

- ▷ **Well Prepared : Inventory, staff, Marketing and Bazaars**
 - **Wide stock ranges**, freshness and quantity.
 - **Peak season staff** – More & earlier.
 - **Marketing**: start early, digital content, KOL, Mudik with Matahari, In-store lucky draw.
 - **Aggressive bazaars location**, increase 63% from 347 to 564
 - **New attractive Incentive** scheme.
- ▷ **Good Start for Lebaran Trading** for the 1st 30 days out of 44 days of Lebaran (day 44 to day 15 before Lebaran) +9.4% vs 2022
- ▷ **Challenging last 14 days of Lebaran**
 - **THR payout delayed** and instalment and partial payout of THR permitted.
 - **Additional Lebaran holidays** pull forward to 19-25 from 21-26 Apr enabling early Mudik.
 - **Customers focus** more on Mudik and Family gathering instead of shopping.
 - Final week trajectory vs first 5 weeks trajectory resulted in a miss of IDR 287 Bn in our expected outcomes.
- ▷ **Softer Macro business reported**
 - **Most businesses** who serve customers in **middle and lower** income group faced similar challenge.
 - **Ecommerce Business** including marketplace also had softer business, driven by increase in take rate.
 - Consumer indebtedness on the rise.

Opportunity in Lebaran 2024

- ▷ **Election timing** followed by Easter timing and favourable THR and payday timings.
- ▷ **Maturity of growth Initiatives.**
- ▷ **Rebalancing and multiskilling staff.**
- ▷ **Reshaping Marketing cost** to be lower cost, broader reach and segmented social media strategy.
- ▷ **Marketing focused** on Digital content and CRM with less expensive heavy production.



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1H 2023 Financial Performance Updates

1st Half 2023 Financial Highlights

1st Half sales grew 3.2% with flat SSSG as inflation took its toll. EBITDA at 1.1Tn

(in IDR Bn)	1st Half				Comparable 1st Half			Q2			
	2023	2022	Var	Var %	2022	Var	Var %	2023	2022	Var	Var %
Gross Sales	7,392	7,160	233	3.2%	7,160	233	3.2%	4,647	4,756	(110)	-2.3%
SSSG%	-0.4%							-5.9%			
Gross Profit	2,606	2,575	31	1.2%	2,537	70	2.7%	1,634	1,722	(88)	-5.1%
GM%	35.3%	36.0%			35.4%			35.2%	36.2%		
OPEX	(1,532)	(1,272)	(260)	20.4%	(1,395)	(137)	9.8%	(793)	(670)	(123)	18.4%
EBITDA	1,075	1,303	(229)	-17.6%	1,142	(67)	-5.9%	840	1,052	(212)	-20.1%
EBITDA Margin%	14.5%	18.2%			15.9%			18.1%	22.1%		

Comparable: excluding Covid rental concessions and participations/discounts.

- 2Q23 had less 12 Lebaran trading days vs 2Q22
- 44 days of Lebaran SSSG was flat
- EBITDA decrease, despite flat SSSG, was due to structural short-term cost pressure and investment in labor and marketing reflecting higher seasonal growth expectations than materialized

Balance sheet

Inventory in line with target despite slower Lebaran

ASSETS			LIABILITIES & EQUITY		
(in IDR Bn)	Jun 2023	Dec 2022	(in IDR Bn)	Jun 2023	Dec 2022
Cash and Bank Balance	322	354	Bank Loan	1,150	(0)
Trade Receivables	50	64	CV Trade Payables	483	662
Inventories	944	896	DP Trade Payables	191	549
Right-of-Use Assets	2,354	2,527	Lease Liabilities	2,822	2,933
Other Assets	1,201	1,223	Other Liabilities	1,098	1,026
Fixed Assets	712	686	Equity	(160)	580
TOTAL ASSETS	5,583	5,750	TOTAL LIAB. & EQUITY	5,583	5,750

Remarks:

- Inventory in line with last year, excluding movement in new stores and provision
- Equity turns negative post dividend payout in Q2 2023, likely to turn positive by year end
- Net debt projected to reduce to around IDR 200 Bn by year-end
- Right-of-use assets and lease liabilities reflect asset and liabilities created as a result of following PSAK 73.

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Strategy Updates

Matahari formula for how to win clearly defined



Merchandise Full Potential

Curate customer-led range to grow sales & improve private label offering



Store Network Optimization

Rejuvenate, evolve and expand physical store network to full potential



Omnichannel Expansion

Excel & expand in online with leading omnichannel own site and strategic marketplace partnerships



Loyalty & Personalization

Increase customer retention & spend via loyalty and data-backed personalization



Operational Excellence

Harmonize across physical & digital for best-in-class all-round customer experience



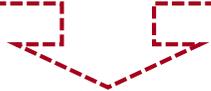
OPEX Optimization

Optimize operating cost to achieve operating leverage as the business grows

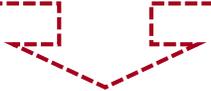


Environmental, Social, & Corporate Governance

Focus on kids as part of our giving back initiatives



Key focus area to deliver earnings growth in next 12-24 months



Largely achieved

Merchandising Full Potential Ahead – Building on Early stage success stories



Royal Sporting House



Nevada Sport

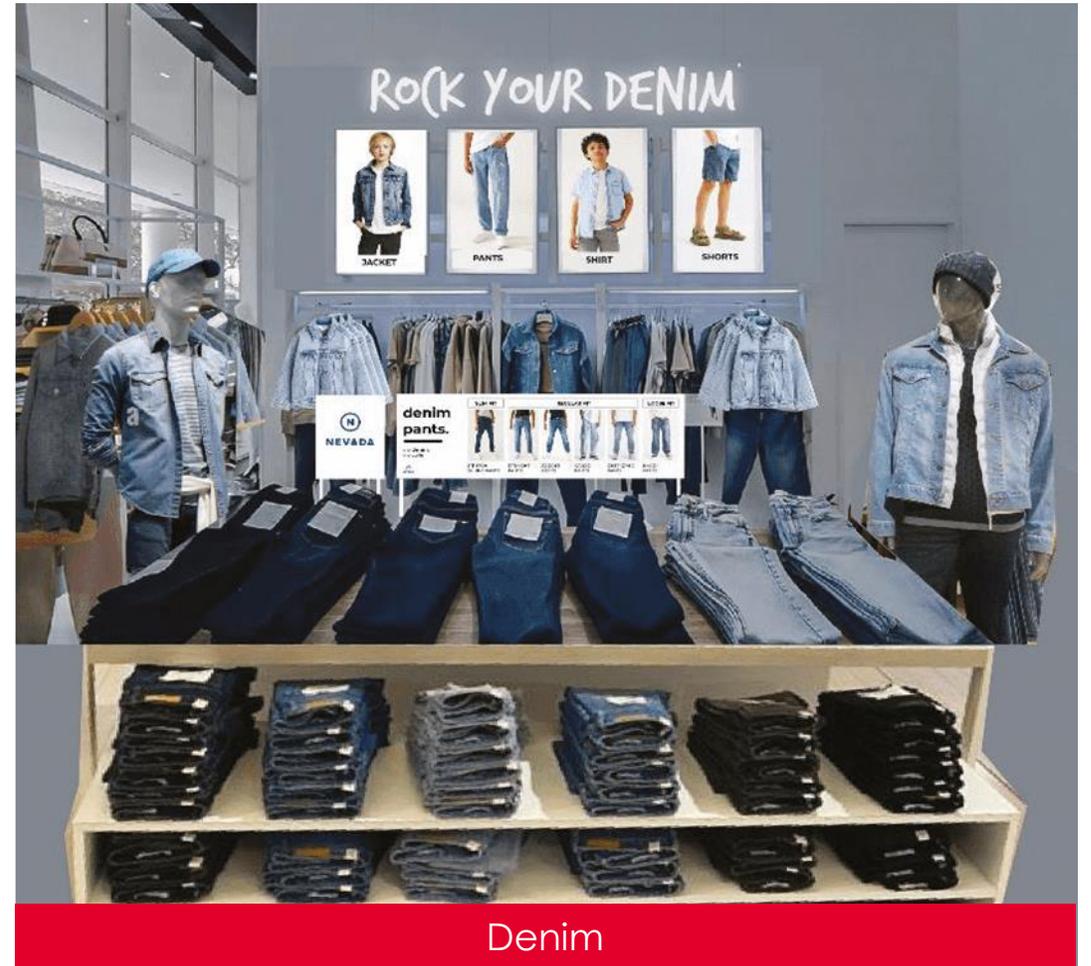


House of Characters



Baby Fashion

Merchandising Full Potential: Concept Focus



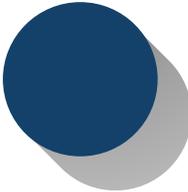


New brand, new launch, June 2023



HELLO JAKARTA!

Fun welcome signage



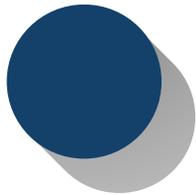
20
Shop-in-shops
doing well
without marketing
spend



Leading Products:
"Supima Cotton"
"Quick-dry"
"Soft-Touch"



Current Categories:
Menswear & Ladieswear
T-shirt, Woven, Bottom/Top,
Knit Top, Outerwear, Dress



32

Shop-in-shops
by year end
based on positive
initial results



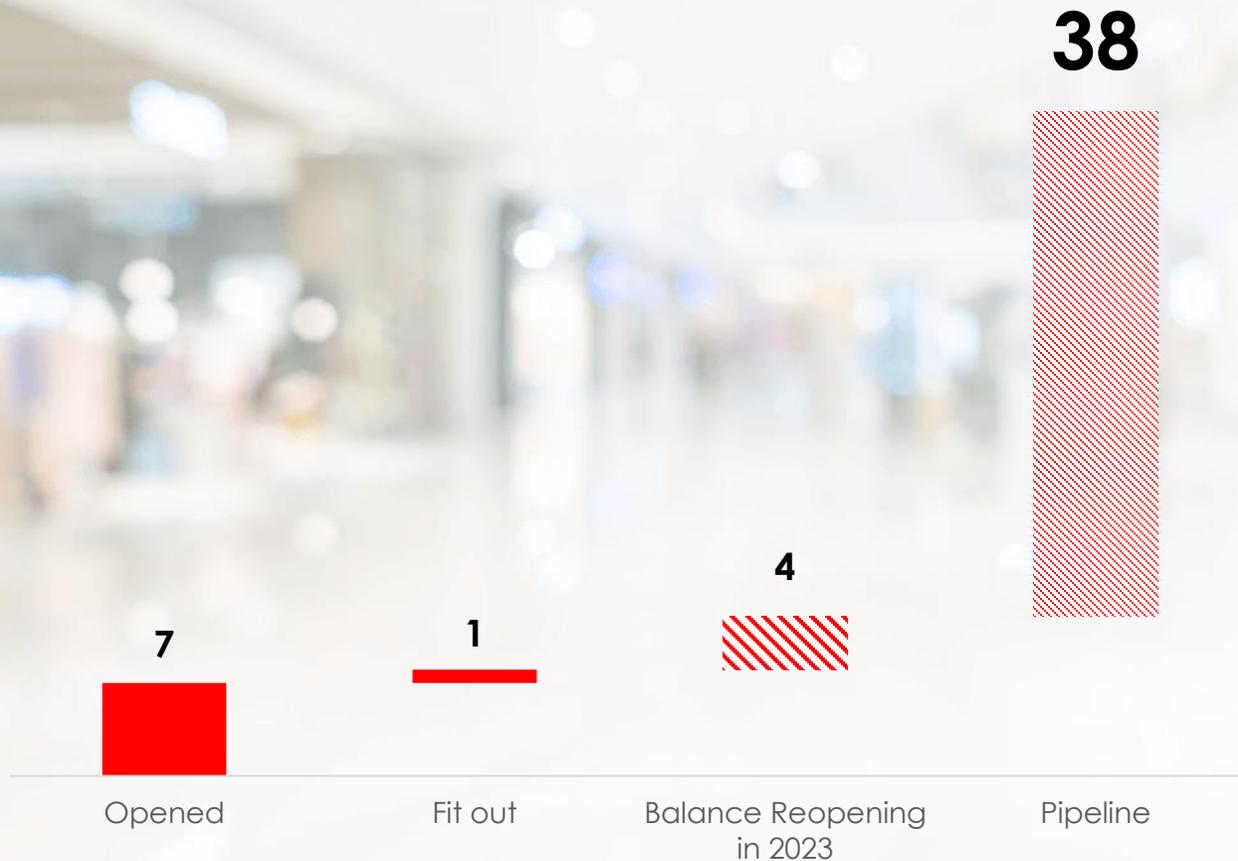
**Next Phase
Category
Expansion:**

- Accessories
- Essentials
- Formal
- Tees
- Childrenswear



Store Expansion

Pipeline identified among 110 whitespace opportunities

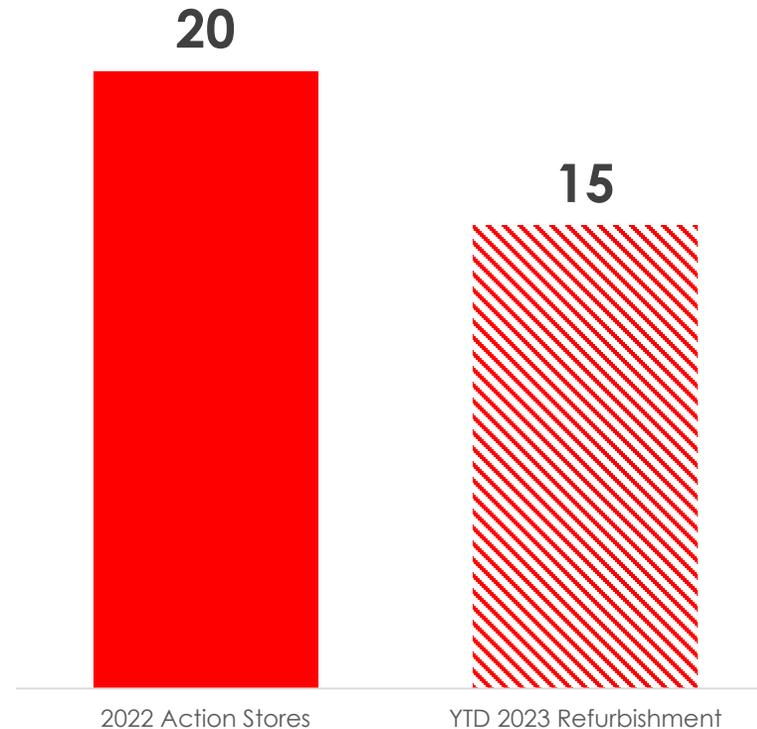


The aggregate new stores performing well, exceeding planned hurdle rate, and expansion to continue.



Refurbishment, Mini Refits, Relocations

2022 renovated or refurbished store doing better than none refurbished stores



Rebranding and transformation pace continues based on strong customer acceptance.

We will continue to monitor any marginal locations for potential relocation to better sites.

NEW CONCEPT

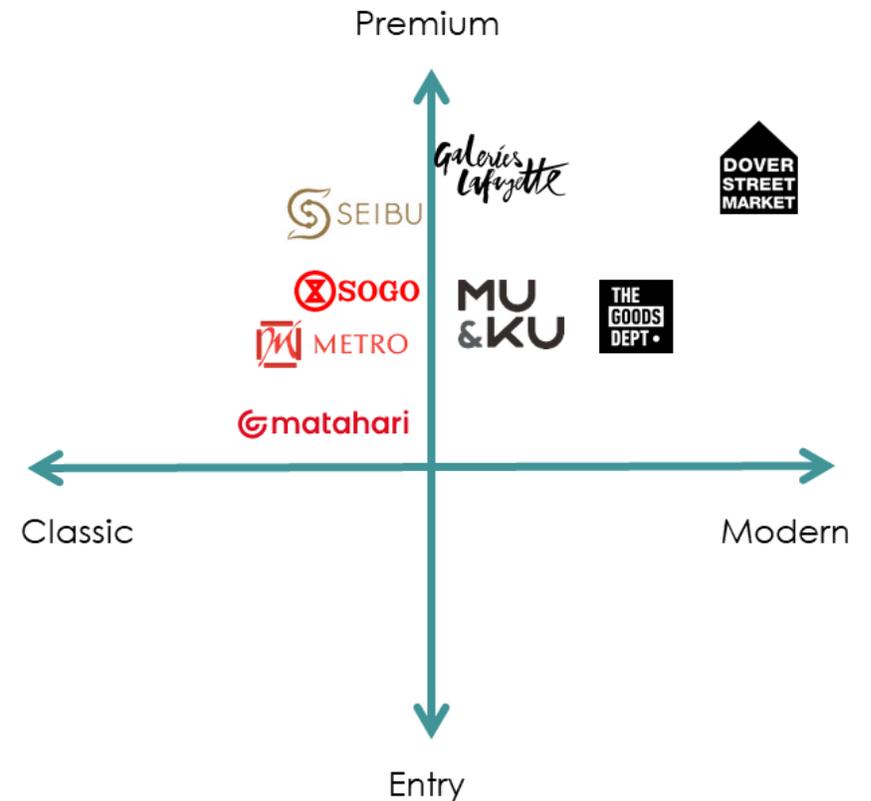


a curated multi-brand store
aspirational yet affordable

BRAND POSITIONING



- A curated multi-brand store
- Targeting millennials, young professionals & families
- Age range 28 - 45 yrs, with 'middle income segment'
- Delivering stylish aspirational international & Indonesian brands



EXPANSION PLAN

Recap | Experience Pillars

Self-Expressive

Encourage confidence by cultivating your various ways to express

Iconic Inspirations

An experience designed to inspire, a place of discovery and endless creativity

New Connections

Creating a sense of belonging by making space for relaxation and personal connections

2023

1st store by 'December' in 1st tier mall in Jakarta, subject to availability

2024

3 store in 1st tier malls in 1st tier cities (Jakarta, Surabaya, Bali)

2025

5+ stores in 1st tier malls in 1st tier cities (Jakarta, Surabaya, Medan, Yogyakarta, Bali, Makassar)

Loyalty & Personalization

Positive customer metrics momentum, reflecting strong acceptance of our transformation progress by our shoppers

Net Promoter Score

Personalization and excellent channel operations resulting in growing positive customer feedback

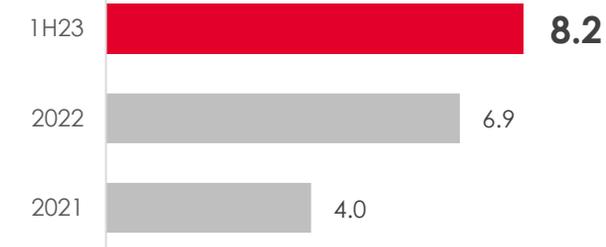


Active Members*

in million

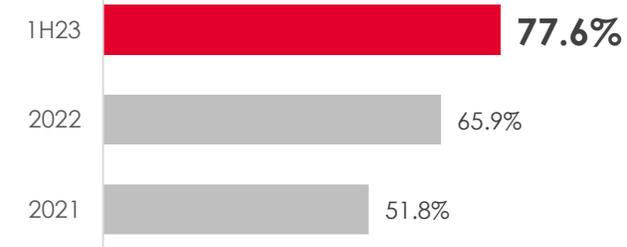
Active members passed the 8 Mn record

*active member for the last 12 months



Average Member Contribution

The success rate of Matahari Rewards penetration going up



Top 5 Customer Comments

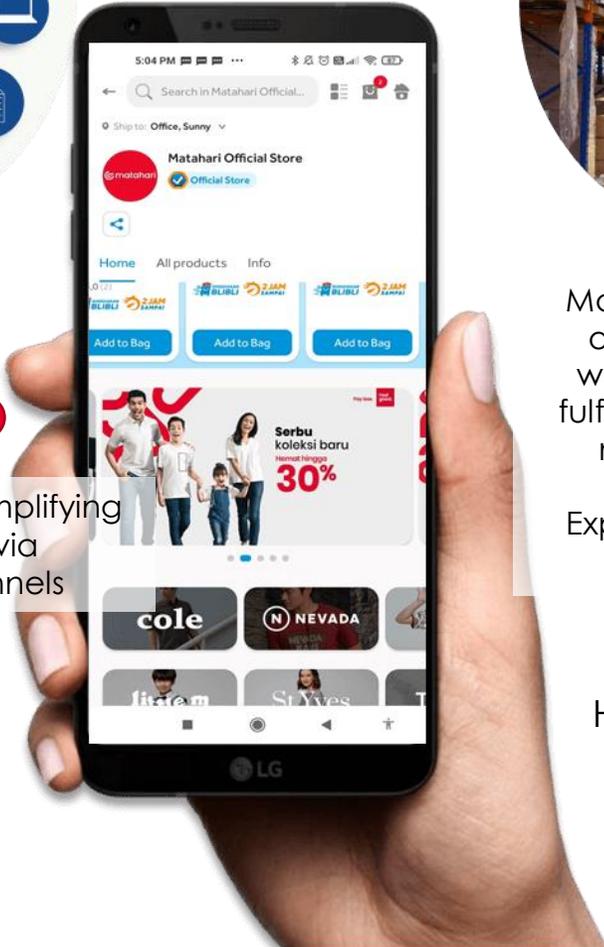


Omnichannel Progress



With Matahari, brands are amplifying their reach & exposure via Matahari managed channels

Strong 3x
Growth in 3P
Marketplace



Matahari primarily fulfils online orders from the centralized warehouse (DC), expanding fulfilment from stores' inventory now available in 25 stores

Exploring fulfillment options for brands, such as dropship

99.6%
Handover-to-logistics to ship on the same day

continues to grow and optimize its paid marketing efforts to drive higher impressions, traffic, and conversion

+96%
YoY app install

+36%
YoY desktop session

New POS System and Capabilities

Rolled out in 50+ stores



- Capability for new customer to register for membership in POS
- Allowing customers to redeem the loyalty points automatically in the POS system as they wish
- Capability for CV Partners, Merchandising, Marketing, and other stakeholders to plan and execute variety of Promotions
- Capability to provide CV Partners for Sales and Inventory Visibility on daily basis
- Faster Stores Operation Execution
- Enabling single inventory, leveraging stores as distribution points
- Capturing product information for 75%+ consignment sales

ESG: MILKS*



Strengthening eco-friendly material awareness with suppliers



Expansion of recycling capabilities



With customers, institutions, and staff, providing support for communities



Completion of 10 school library renovation

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Closing Remarks

Progress on Strategic Initiatives Continues Building on Green Shoots



Merchandise Transformation

- **Strong Initial Performance in 20 Suko Stores, further 12 Suko openings in 2023**
- **Anyday** new private label launches in Q4 as entry-level fighter brand to offset inflationary pressures.
- **Denim Shop** concept to double, massive opportunity in Active with Nevada Sport and RSH, and in Beauty Category
- **House of Characters** grouping all licensed partnerships for a compelling childrenswear and young adults collection.
- **Large potential remains** to further develop private label brands and recruit exclusive consignment vendors

Operational Improvements

- NPS Improved to 74 from 66 in 2022. Personalization and excellent channel operations resulting in growing positive customer feedback
- 8.2 Mn **Active members vs. 6.9 Mn last year**, contributing to 78% of total sales surpassing pre-pandemic levels.

Store Development & Concepts

- **Store expansion** on track to open a minimum of 12 new stores. In aggregate, the new stores performed as planned, performing above the hurdle rate.
- **Store Capex** repurposed to strategic locations. 1H23 performance for **2022 refurbished stores saw a better growth** than non-rebranded stores; transformation continues.
- **MU&KU** is our new upper middle multibrand concept ready to present to target developers for late 2023/early 2024 launch.
- **Significant opportunity remains** for expansion and revised format in tier-3 and other price sensitive markets.

Digital Capabilities

- **ETP POS** solution rolled out in 59 stores, with national completion in 4Q23, bringing greater merchandise insights, personalized promotion capabilities and the digitization of our CV community and follow on omnichannel momentum
- **Blibli** launched in Jul'23; **Tokopedia** reboot in Aug'23; 2-3 new channels slated by year-end
- OMS & WMS solutions rolled out in 4Q23 /1Q24

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 **matahari**