

# **PT Matahari Department Store Tbk**

# **Q3 2021 EARNINGS CALL**

Tuesday, 02 - 11 - 2021

# AGENDA

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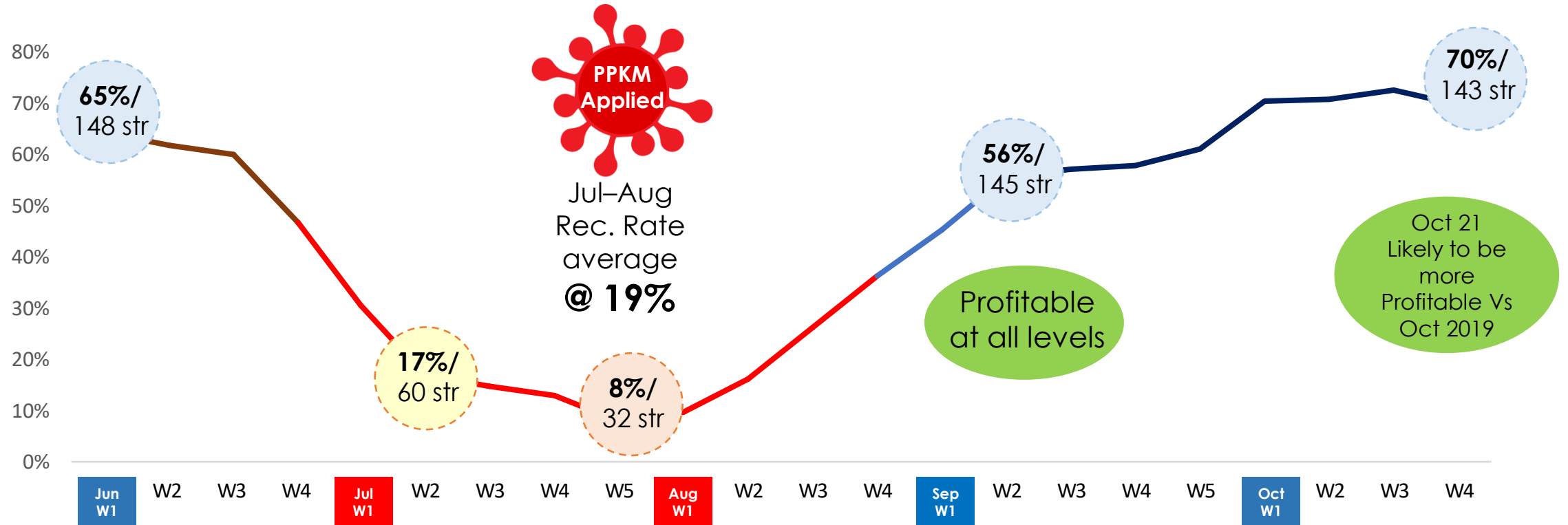
# EXECUTIVE SUMMARY

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- Use of non-store channels and September store re-openings partially mitigated Q3 impact of Emergency PPKM during July – August, reflected in the financials:
  - ❑ YTD sales of IDR 7.5 Tn and gross profit margin of 34.9%
  - ❑ Stringent margin and cost control, resulting in higher margin and -33.7% lower opex vs 2020
  - ❑ Strong net cash of IDR 469 Bn and zero loan balance in September, with IDR 1.7 Tn loan facility
- Recovery has continued in October with recovery reaching over 70% compared to 2019. Recovery rate has been improving on a weekly basis as vaccination gathers pace
- Operations preparing for robust post-PPKM recovery, with 2 new stores in December
- Management will be providing forward guidance:
  - ❑ FY 2021 EBITDA and Net Profit target; plan to end FY 2021 with positive net cash and zero bank loan
  - ❑ FY 2022 Sales and EBITDA projection underpinned by a focus on the core business and digital transformation. Guidance supported by:
    - ▶ Improved sales velocity, productivity, and gross margin from new merchandising initiatives
    - ▶ Planned 10 new store openings
- Revision of dividend policy and plans to distribute interim dividend on 2 December 2021

# PPKM RESTRICTIONS EASING HELPS RETURN TO PROFITABILITY AT ALL LEVELS IN SEP'21

Recovery Rate has been improving on a weekly basis as vaccination gathers pace



# Q3 / 9M 2021 PERFORMANCE UPDATES

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# KEY FINANCIAL HIGHLIGHTS

Emergency PPKM in Jul till early Sep, resulted EBITDA of IDR 777 Bn YTD Sep 2021

Unaudited figures

(in IDR Bn)	THIRD QUARTER					YTD SEPTEMBER				
	2021	2020	Var %	2019	Var %	2021	2020	Var %	2019	Var %
<b>Gross Sales</b>	<b>941</b>	<b>1,927</b>	-51.1%	<b>3,267</b>	-71.2%	<b>7,499</b>	<b>5,860</b>	28.0%	<b>13,815</b>	-45.7%
SSSG%		<b>-50.7%</b>		-70.6%			30.6%		-44.7%	
<b>Sales mix:</b>										
DP	34.4%	35.8%		37.3%		34.0%	36.5%		36.5%	
CV	65.6%	64.2%		62.7%		66.0%	63.5%		63.5%	
<b>Gross Profit</b>	<b>330</b>	<b>615</b>	-46.4%	<b>1,017</b>	-67.6%	<b>2,617</b>	<b>1,958</b>	33.7%	<b>4,744</b>	-44.8%
GM%	<b>35.0%</b>	31.9%		31.1%		34.9%	33.4%		34.3%	
<b>OPEX</b>	<b>(430)</b>	<b>(652)</b>	<b>-34.1%</b>	<b>(883)</b>	<b>-51.4%</b>	<b>(1,840)</b>	<b>(2,057)</b>	-10.5%	<b>(2,911)</b>	-36.8%
OPEX%	-45.6%	-33.8%		-27.0%		-24.5%	-35.1%		-21.1%	
<b>EBITDA</b>	<b>(99.7)</b>	<b>(37)</b>	-169.2%	<b>134</b>	-174.4%	<b>777</b>	<b>(99.0)</b>	881.2%	<b>1,834</b>	-57.6%
EBITDA Margin%	-10.6%	-1.9%		4.1%		10.4%	-1.7%		13.3%	
<b>Net (Loss) Income</b>	<b>(94)</b>	<b>(259)</b>	63.8%	<b>25</b>	-482.6%	<b>439</b>	<b>(617)</b>	171.1%	<b>1,187</b>	-63.0%
Net Income Margin%	-10.0%	-13.4%		0.8%		5.9%	-10.5%		8.6%	

## Remarks:

- Jul and Aug performance were impacted by emergency PPKM (SSSG -81.5% over 2019).
- In Sep business has turned to positive profitability, and recovery continues in Oct.
- Net income last year was impacted by asset write-off of IDR 82 Bn, while 2021 had a one-off gain of IDR 65 Bn relating to omnibus law.

# BALANCE SHEET

Strong Net Cash at IDR 469 Bn

Unaudited figures

## ASSETS

(in IDR Bn)	Sep 2021	Dec 2020*	Sep'21 vs. Dec'20	Sep 2020	Sep'21 vs. Sep'20
Net Cash (Debt)	<b>469</b>	(487)	956	(432)	<b>901</b>
Trade Receivables	17	61	(44)	50	(33)
Inventories	795	889	(94)	1,314	<b>(519)</b>
Right-of-Use Assets	2,434	2,672	(238)	3,082	(648)
Other Assets	1,397	1,311	86	1,000**	397
Fixed Assets	683	862	(179)	988**	(305)
<b>TOTAL ASSETS</b>	<b>5,795</b>	<b>5,308</b>	<b>487</b>	<b>6,002</b>	<b>203</b>

## LIABILITIES AND EQUITY

(in IDR Bn)	Sep 2021	Dec 2020*	Sep'21 vs. Dec'20	Sep 2020	Sep'21 vs. Sep'20
Trade Payables	483	348	135	449	34
Employee Benefit O.	454	502	(48)	532	(78)
Lease Liabilities	2,798	2,850	(52)	3,236	(438)
Other Liabilities	1,001	1,027	(26)	992	9
Equity	1,059	581	478	793	266
<b>TOTAL LIAB. &amp; EQUITY</b>	<b>5,795</b>	<b>5,308</b>	<b>487</b>	<b>6,002</b>	<b>203</b>

### Remarks:

- Strong net cash of 469 Bn and **zero loan balance**, with **1.7 Trillion loan facility**.
- During the quarter, cash has been used for shares buyback 128.5 Bn and payment to DP vendors.
- Inventory @ 795 Bn vs 1,314 Bn at Sep 2020 vs 1,250 Bn at Sep 2019. **93.3% of the inventories represented 2020/2021 intake.**
- Management intends to divest the Cikarang Land at the right price.

\* Audited figures

\*\* Reclassified for comparability

# OPERATIONS UPDATE

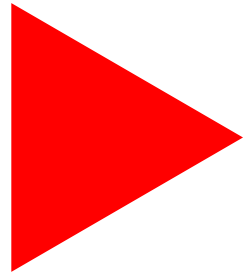
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# COVID-19 UPDATE

COVID-19 downside provides optimism for 2022

## Closures in the early 3Q21



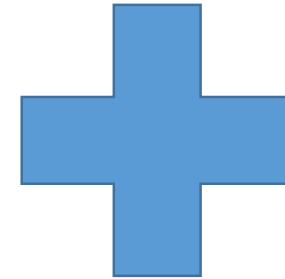
- Starting 3 Jul'21, malls were temporarily closed in Java and Bali
- Up to 117 stores temporarily closed with major impact in July and August
- Our non-store channels most active until phased reopenings

## Preparing for post-PPKM recovery



- On 8 Sep'21, officially, all stores could resume operations.
- Operating restrictions relaxed till 8 pm or more.

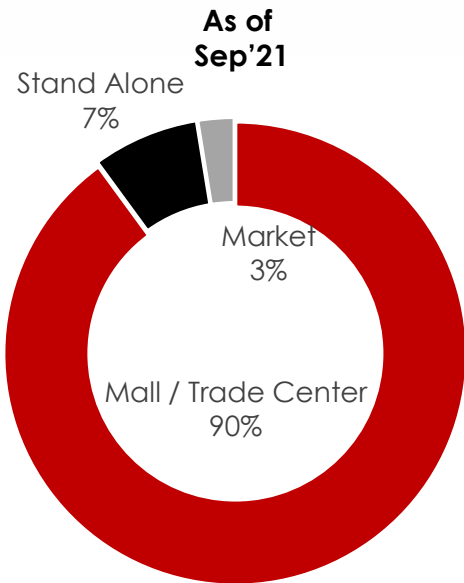
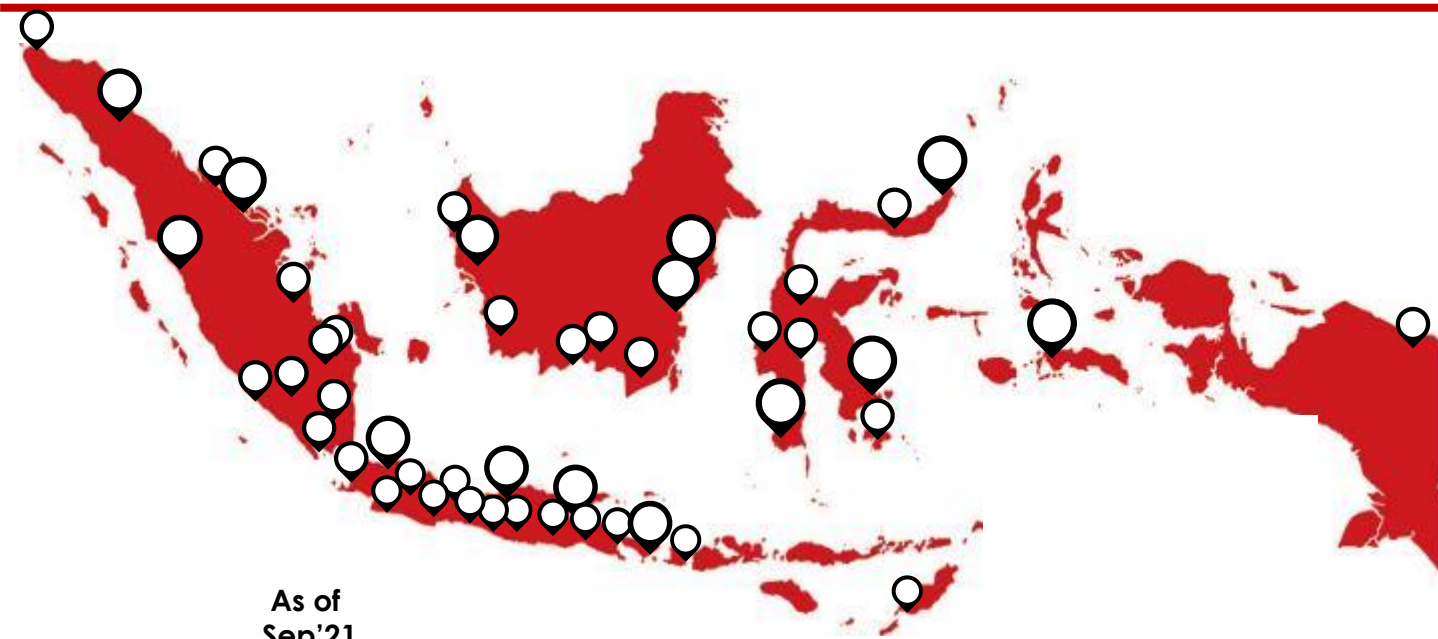
## Optimism going forward



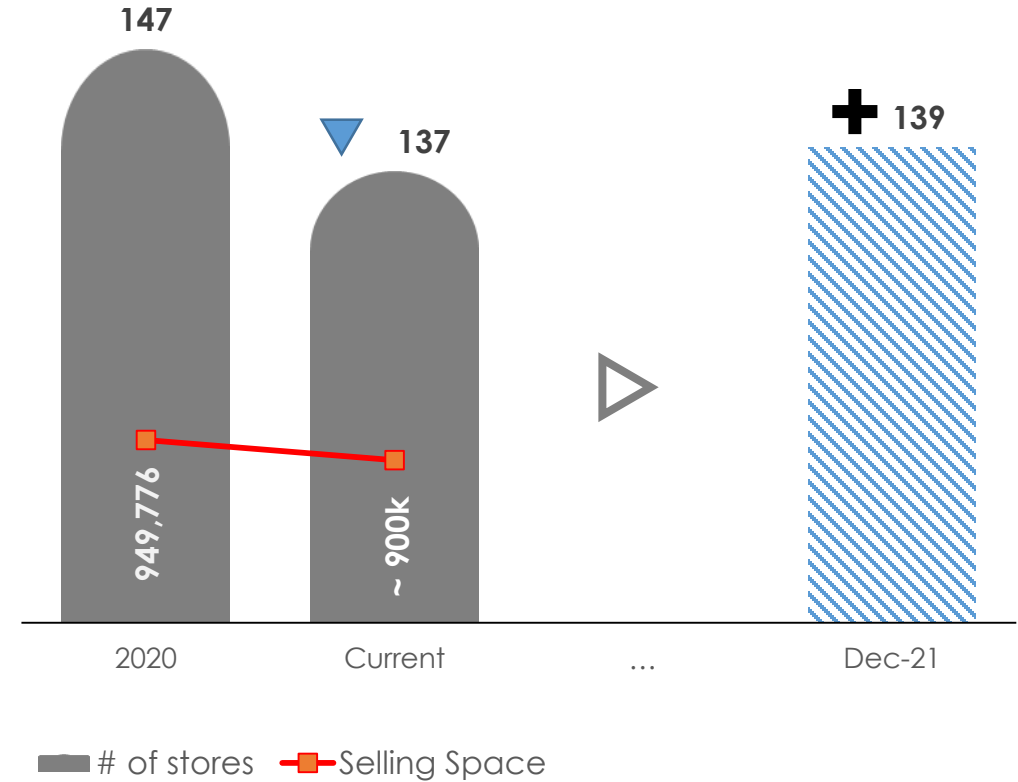
- Merchandise initiatives in place and gathering pace
- Vaccination progressing well 57.6% public vaccination (first jab) reached recently.
- We hope to see operating sustainability based on public health progress.

# STORE PORTFOLIO

Store exit program completed, growth phase begins



	Stores as of Sep'21	Gross Sales/Region	
		3Q 2021	9M 2021
Greater Jakarta	34	17.5%	23.6%
Java (ex G. Jkt)	48	25.4%	34.0%
Outside Java	61	57.0%	42.4%
<b>Total</b>	<b>143</b>	<b>100.0%</b>	<b>100.0%</b>



Store exit program completed, now trading with 137 stores.

A fresh growth is at sight with two new stores expected by the end of the year.

# OTHER CORPORATE ITEMS

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# ENVIRONMENTAL, SOCIAL, & GOVERNANCE

CSR activities during the period



Matahari assists micro, small, and medium enterprises to go global, contributes IDR 500 Mn



Matahari contributes IDR 5 billion to the joint effort to build the Gotong Royong Oxygen House ("ROGR") located in Pulogadung, East Jakarta



Matahari supports the Indonesian National Army (TNI) health front liners by giving 1,000 pairs of sports shoes to these essential workers in East Indonesia

# SHARE BUYBACK

IDR 151.6 Bn utilized to buy back shares

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

Share price : maximum IDR 3,050 per share

Funds allocated : IDR 450 Bn

Period : 6 Aug'21 to 5 Nov'21



**Progress till 1 Nov**

**IDR 151.6 Bn**

for 2.47% (maximum 15%) of total shares, equivalent to 16.46% of the Buyback plan

# FORWARD GUIDANCE

Likely to deliver an EBITDA of IDR 1 Tn in 2021

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**Going forward, Company will give forward guidance starting November 2021 to enable shareholders to get visibility on likely returns.**

- Strong recovery in Q4 2021, likely to generate a **Net Income of 100 Bn.**
- For Full Year 2021, Company is likely to deliver an **EBITDA of 1 Tn.**
- 2022 Gross Sales likely to be at **13.8 Tn** delivering an **EBITDA of 1.8 Tn.**
- 2022 focus will be on Core business and Digital transformation.
- **10 new stores** to be opened in 2022.
- No acquisitions / investments will be made in 2022.
- Management intends to divest the DC land at Cikarang at the right price.
- Nobu Shares divestment plan, subject to price and market conditions. No plans to divest all.

# DIVIDEND POLICY AND MANAGEMENT RECOMMENDATION

Refreshed plan to reward faith

**Dividend payout ratio: 50% or more**

**Recommendation basis:**

net profits  
the availability of reserves  
contractual restrictions  
working capital requirements  
capital expenditure requirements  
future prospects

**Precondition:**

The Company may declare dividends in any year if the Company has positive retained earnings and after deduction of reserves fund.

**Management Recommendation**

- Permanent shift to interim and final dividend approach.
- To be paid in in equal parts.

Subject to Statutory Approvals.

# INTERIM DIVIDEND

IDR 100 per share to be paid as Interim Dividend

## Scheme

- Total Dividend Payout IDR 256Bn
- Payout per share IDR 100 per share
- Total # of outstanding shares\* 2,564,121,980

## Timeline

- Announcement at IDX 02 Nov
- Announcement in newspapers 03 Nov
- Payment to shareholders 02 Dec

\* subject to buyback adjustment



# MERCHANDISING UPDATE

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# KEY INITIATIVES – WOMENSWEAR

Brand renewal, key category focus, and fresh styling



**Womens wear**

Brand Renewal

Festive Collection

Loungewear

Find your style – the perfect fashion for everyone

Key Category  
Volume Driver



**Category Focus:**

Details  
Nevada

**Young Fashion**  
Brand Renewal latest styles  
Key Category Focus



Connexion  
St Yves  
Annisa

**Ladies Classic**  
Brand Renewal stylish looks  
Seasonal Collection





# KEY INITIATIVES – BEAUTY

Beauty hall to launch in Q4 and roll-out of wellness zone

**Global brands & Key National brands with SPG service**

Multibrand cosmetic and fragrance area



**Sociolla concept alongside new self-service young brands**

Fun, younger looking area with easy impulse buy layout and browsing attraction



**Self-Serve arena concept**

Young regional, SEA & Korean brands, displayed by product type/usage – easy pick-up impulse buys





# KEY INITIATIVES – MENSWEAR

Style for all occasions, improved fashion, category extension



## Mens wear

Casual, relaxed and smart - for all occasions  
 Increased fashion & detail  
 Sustainable & eco friendly fabrics  
 Athleisure  
 Big Size

Private labels product development

### Nevada Denim fest Checked / flannel series



### Cole Everyday Casual



### Details Denim on the block Unlock Your Tee



### TZone The Great Man License tee collection



### Stanley Adams King Size Linen Series



### AJ Moving Comfort Athleisure Twin set



### Essential Loungewear VM Concept



# KEY INITIATIVES – KIDSWEAR

Shop-in-shop destination, fashion expansion, and category focus



SIS Baby Shop  
Basic  
Fashion  
Give a Gift  
Better Together  
Must Have Items



## Shop-in-shop Baby Shop Concept

launches in Q4 with new SIS mini-refits, branding, graphics, fixtures and signage.



Favorite Super Brands  
Find Your Style  
Pricing Rules  
Got New Trend



**Baby Category**

**Kids' DP Category Focus**

**Kids' CV Brands Feature**



Multipack – Bundle of Joy  
Keep It Casual  
Loungewear – Lay Back in Style  
Dress – New is Our Favorite Color  
Active Kids  
Play the Characters



# KEY INITIATIVES – BABYWEAR

Own brand babywear renewal, nursery introduction, and must-have items

## Pipiniko

has been revamped to now offer baby essentials, sleepwear, separates and fashion day from age newborn to 2 years.

BRAND POSITIONING  
CUTE AND CUDDLY

Super comfortable quality baby wear and accessories

- Infant basics
- Baby fashion apparel
- Nursery products

BENCHMARK BRANDS

AUDIENCE  
Young mothers typical between 21 and 35 looking for affordable baby clothes with quality they can trust

## Nursery

both CV and DP brands launch in Q4 bringing feeding sets, bibs, equipment, nursery accessories and necessities for the busy Mum needing a one stop shop.

Disney

Dialogue Baby

Pigeon

Kuma - Kuma

Zoo (Kanmo)

Momami

Must Have Items

# KEY INITIATIVES – FOOTWEAR

Category focus, quality, and lifestyle

## Footwear

### Focus Best Categories

St Yves  
Nevada  
Connexion  
Details



### Highlight Heroes

Active & Trekker  
Cole Outdoor  
Expand Comfort



### New visual displays & fixtures



### Shout out quality

Development of wedges  
New styles development  
Outdoor sandals  
Outdoor shoes



### Active Lifestyle

Kids' Trekker sandals  
Kids' Ballerina shoes  
Active shoes  
New range collection



### New brand opportunities

Ladies  
Men  
Children  
Active





# KEY INITIATIVES – ACTIVEWEAR

Own label Nevada Sports brand

## Own Label Nevada Sports



### MENS



## Shop-in-shop Nevada Sports



### WOMENS



**Customer profile :**

- Active and sports oriented people in all genders with 15-35 of age group
- Amateur athletes
- Customer with value for money oriented

- is due to launch in Q4 with a range of womens and mens apparel and footwear
- Currently, Nevada Sport is rolling out in 16 stores. We plan to have Nevada Sport in 25 stores by year-end.
- Fabrics and styles will be functional (dri-fit clothing, concealed zip pockets, running trainers) yet with fashionable sporty details and fit (hidden seams, rubber zip tabs, superstretch, mesh trims).



# STRATEGY ON A HAND

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# SHARPER FOCUS ON SERVING MORE VALUABLE CUSTOMERS

Re-energized range and omni-channel experience

**Mission:** To delight customers with aspirational yet affordable fashion that looks good and feels good

**Purpose:** Instill pride into everyday Indonesians



**1** Rejuvenated, evolved and expanded omni-channel presence (online & offline synergies)

**2** Curated customer-led range to grow sales & improve margin productivity

**3** Best-in-class all-round customer experiences & personalization, focusing on loyalty members

**4** Cost optimization to achieve operating leverage as the business grows

# CONTACT US

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