

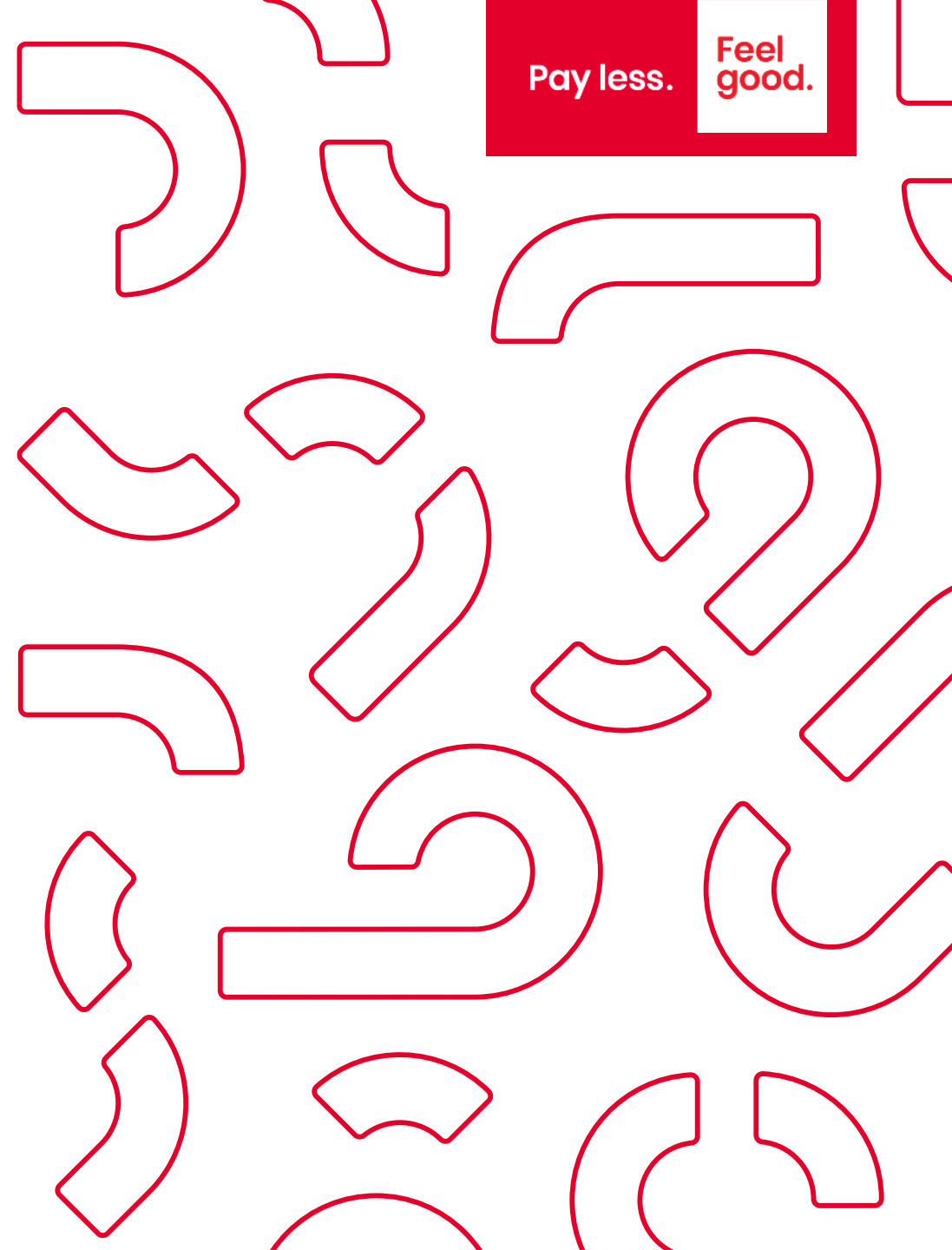
LPPF.IJ / LPPF.JK

9M / Q3 2022 Earnings Call

20 October 2022



Pay less. Feel good.



Agenda

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Executive Summary

9M22 performance surpassing the full year profitability of 2021; quarterly EBITDA swing of IDR 340 Bn compared to prior year

▷ Q3 and YTD Sep 2022 performance :

- Sales for Q3 2022 was IDR 2.3 Tn, 146.9% above 2021 and YTD Sep 2022 was IDR 9.5 Tn, 26.5% above 2021.
- Q3 2022 gross margin was at 35.1% vs. 35.0% in Q3 2021 and YTD Sep 2022 gross margin was at 35.7% vs 34.9% in YTD Sep 2021.
- Resulting in Q3 EBITDA of IDR 240.5Bn vs (99.7)Bn in Q3 2021. YTD Sep 2022 EBITDA was at 1.5 Tn, above full year 2021.
- Net Income for Q3 2022 was at IDR 127Bn vs (94)Bn in Q3 2021. Net Income for YTD Sep 2022 was 1.05Tn vs 0.4Tn in YTD Sep 2021.

▷ Strategy execution gathering pace

- Rebranding: Matahari rebranding done on 8th Oct: House of Specialists focusing on 4 pillars: Product, Price, Experience and People First.
- Customer Loyalty: Customer outreach progress with record Matahari Rewards usage, best ever NPS scores, and a 5% shift in mix of shoppers under 25 years old.
- Merchandising: Curated customer-led merchandising range is now leading to a younger mix within the customer base as we continue to overhaul our private labels offer and upgrade best CV brands on the performance and data driven basis.
- Omni-channel: The acceleration of the omnichannel initiatives is well underway, and seeing more development in 2023.
- Store expansion: Opened 2 new stores at Tang City, Tangerang and Hertasing Gowa, Sulawesi bringing new store openings to 4 in YTD Sep 2022. 6 new stores are on the way to open between now till end of the year.
- Guidance: Guidance of 2022 FY EBITDA remains at IDR 2.1 Tn and Net Earnings of IDR 1.4 Tn on the back of strong actual Q3 2022 and YTD performance.

▷ Corporate activities are enhancing shareholders' value

- Dividend of 525 are committed for 2022, to be paid in 2023, subject to statutory approvals.
- YTD Sep'22, 214 Mn shares bought back, reducing outstanding shares by 9%.
In Q3 2022, 24.3 Mn shares utilizing IDR 96 Bn were bought back
- Likely Earnings per share of IDR 600 for 2022.
- Net cash as at end of Sep is IDR 83 Bn, with 1.7 Tn of Bank facility.
- Company is committed to continue with share buyback.

▷ 2023 Target

- We have built an initial 2023 budget of IDR 2.4-2.5 Tn EBITDA. However, considering global uncertainties, which may impact the region, have thus decided to issue cautious external guidance of IDR 2.3-2.4 Tn for the following year.

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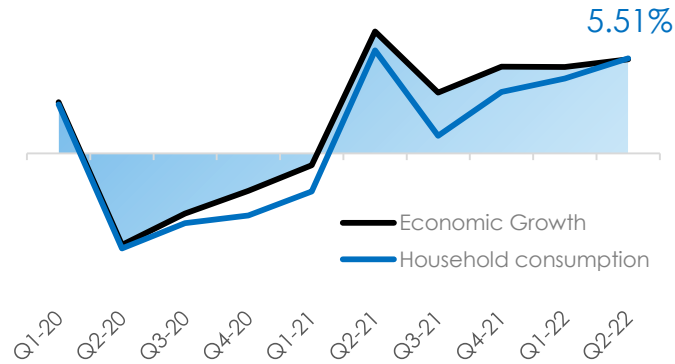
Macroeconomic, Industry & Trade Updates

Macroeconomic / Industry Updates

Confidence remains, recovery continues despite inflation

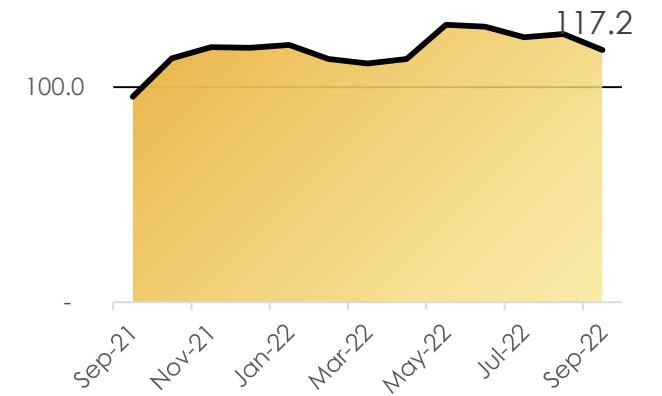
- Consumer confidence remains robust at 124.7.
- Full year economic growth expected for 2022 of 4.7% - 5.4%, consensus projection for 2023 of 4.7% - 5.3%
- We manage strategic pricing well amid the inflation while it is also fuelling demand in commodities-rich territories.
- Cotton prices in our sector have already peaked and trending downward.
- The mismatch between wage and inflation partly to correct in 2023

Quarterly Economic Growth
% YoY



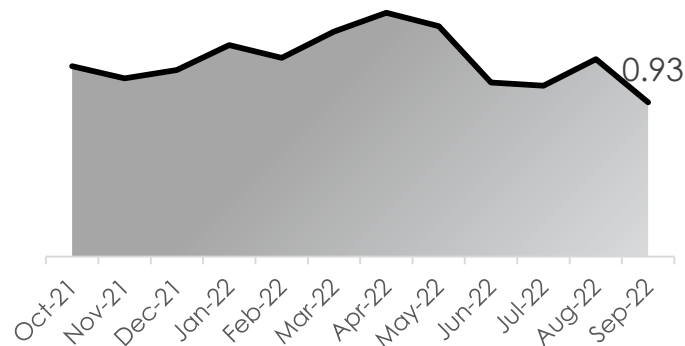
Source: Statistics Indonesia

Consumer Confidence Index



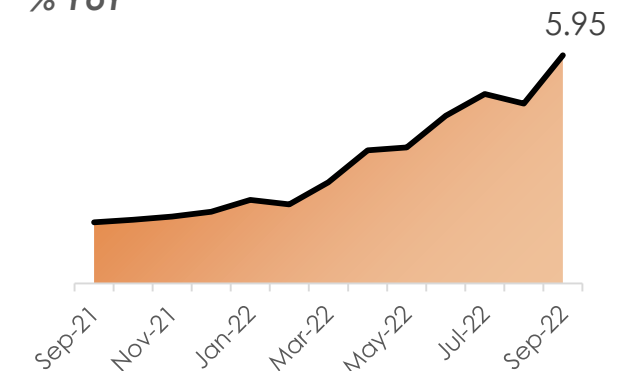
Source: Bank Indonesia

Cotton Price
USD/lbs



Source: Company Data

Inflation
% YoY



Source: Statistics Indonesia

Commercial Updates

Activities in 3Q22

77-day Spirit of Indonesia

77 HARI SEMANGAT INDONESIA!

7-day 7-night Party



Back to School



Renewed calendar opportunities for back to school and Merdeka to be further enhanced in 2023



September for member



More benefits



Joint promotion



Record member acquisition rate and scaling back to pre-pandemic levels, younger customers more evident

Jumbo Sale: Shopping ala Sultan



Merchandising promo



Engagement activities



Final quarter flush-out to commence Q4 trading with maximum inventory freshness

Commercial Updates

Activities in 3Q22

FIFA World Cup Campaign



Organic Campaign



KOL Engagement Activities



Photo Challenge



Stronger recovery rate leading to larger marketing war chest to tap into a wider reach aligned with popular themes and key influencers.

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9M / 3Q 2022 Financial Performance Updates

YTD SEP 2022 FINANCIAL HIGHLIGHTS

YTD Sep 2022 EBITDA at IDR 1.5 Trn, almost double of YTD Sep 2021

| (in IDR Bn) | YTD Sep | | | Q3 | | |
|---------------------------|--------------|--------------|--------|--------------|--------------|--------|
| | 2022 | 2021 | Var % | 2022 | 2021 | Var % |
| Gross Sales | 9,484 | 7,499 | 26.5% | 2,324 | 941 | 146.9% |
| SSSG% | 27.8% | | | 144.7% | | |
| Gross Profit | 3,390 | 2,617 | 29.5% | 815 | 330 | 147.1% |
| GM% | 35.7% | 34.9% | | 35.1% | 35.0% | |
| OPEX exc. Rental | 952 | 1,014 | -6.1% | 283 | 263 | 7.9% |
| EBITDAR | 2,438 | 1,603 | 52.1% | 531 | 67 | 693.4% |
| EBITDAR Margin% | 25.7% | 21.4% | | 22.9% | 7.1% | |
| Rental incl. Amortization | 894 | 826 | 8.2% | 291 | 167 | 74.3% |
| EBITDA | 1,544 | 777 | 98.8% | 241 | (100) | 341.2% |
| EBITDA Margin% | 16.3% | 10.4% | | 10.4% | -10.6% | |
| Net (Loss) Income | 1,054 | 439 | 140.3% | 136 | (94) | 144.7% |
| Net Income Margin% | 11.1% | 5.9% | | 5.8% | -10.0% | |

BALANCE SHEET

Balance Sheet with Net Cash of IDR 83 Bn

| ASSETS | | | LIABILITIES & EQUITY | | |
|---------------------|--------------|--------------|---------------------------------|--------------|--------------|
| (in IDR Bn) | Sep 2022 | Dec 2021 | (in IDR Bn) | Sep 2022 | Dec 2021 |
| Net Cash (Debt) | 83 | 661 | | | |
| Trade Receivables | 17 | 26 | CV Trade Payables | 412 | 243 |
| Inventories | 769 | 747 | DP Trade Payables | 348 | 487 |
| Right-of-Use Assets | 2,585 | 2,602 | Lease Liabilities | 2,850 | 2,800 |
| Other Assets | 1,210 | 1,168 | Other Liabilities | 1,281 | 1,315 |
| Fixed Assets | 656 | 647 | Equity | 429 | 1,006 |
| TOTAL ASSETS | 5,320 | 5,851 | TOTAL LIAB. & EQUITY | 5,320 | 5,851 |

Remarks:

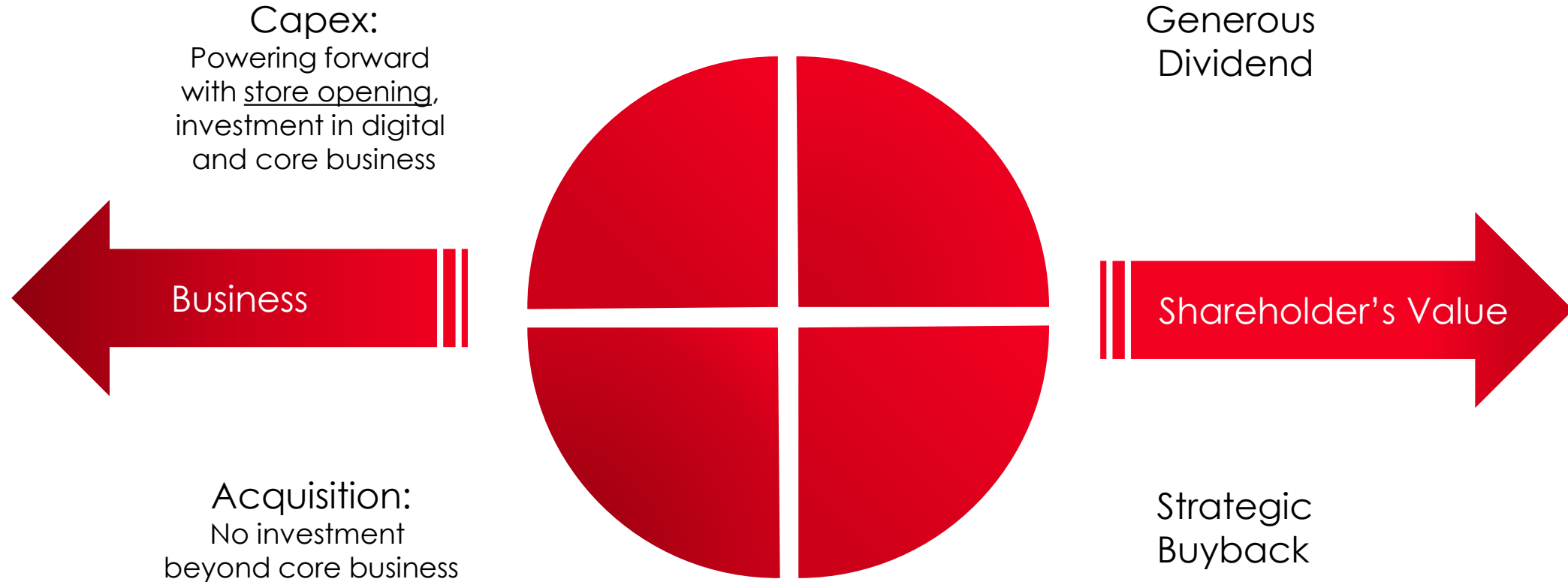
- Net cash of IDR 83 Bn with IDR 1.7 Tn loan facility.
- 98% of the inventories pertains to 2021 & 2022 intake vs 92% inventory at same period last year.
- Right-of-use assets and lease liabilities reflect asset and liabilities created as a result of following PSAK 73.

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Capital Allocation and Shareholder's Value

CAPITAL ALLOCATION | Capital Allocation Strategy

Capital well allocated to enhance shareholder value for forward growth



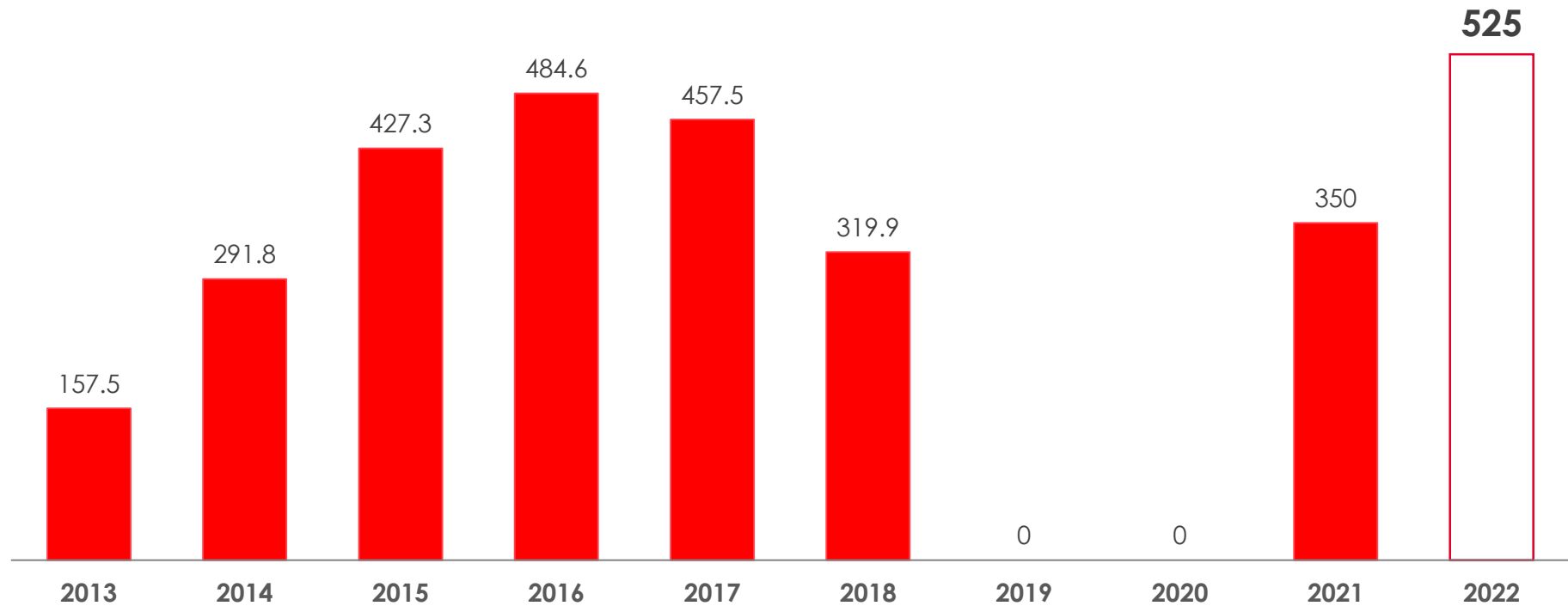
CAPITAL ALLOCATION | Dividend

The Board is committed to increase shareholder's value by paying regular dividends

Dividend of 525 per share is scheduled for 2022, to be paid in 2023, subject to statutory approvals

Historical Dividend Payout

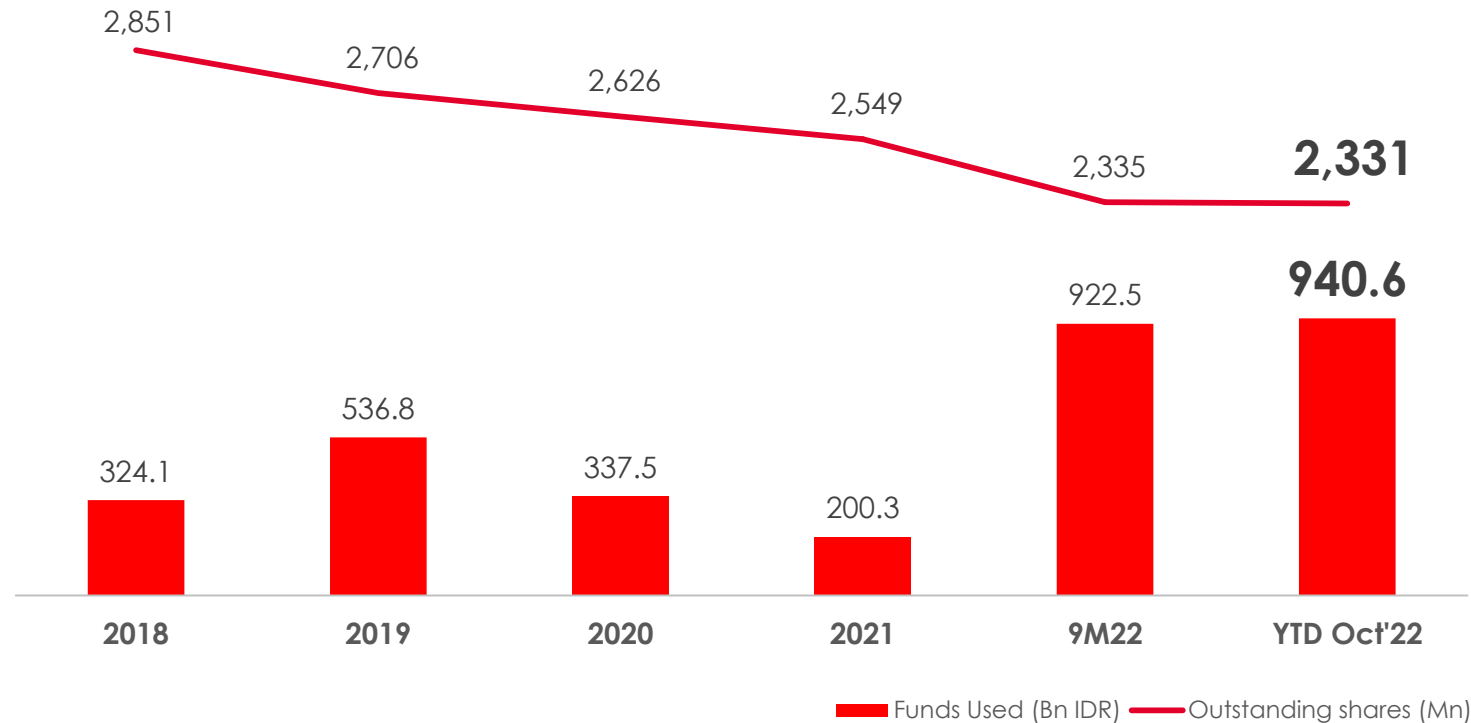
IDR/share



CAPITAL ALLOCATION | Share Buyback

Outstanding shares reduced by 18% between 2019 to 2022, 9% in YTD 2022 itself

Outstanding shares* & Share buyback



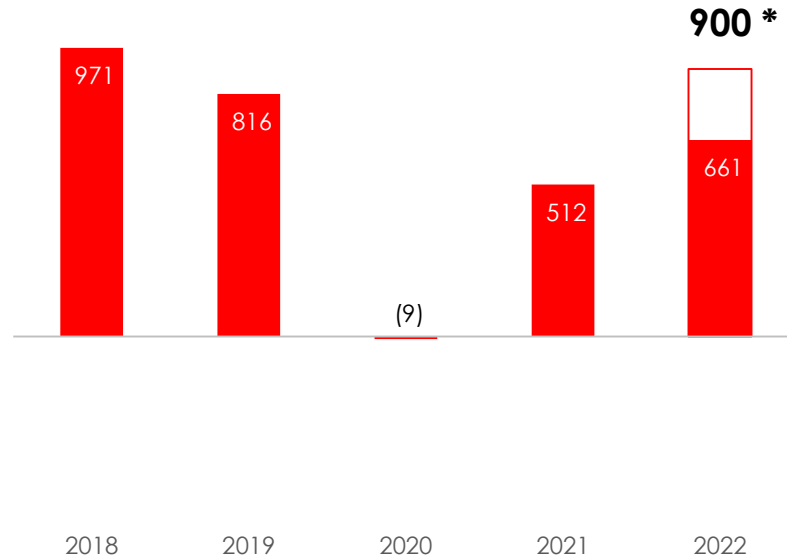
The bought back shares in 2022 reflect 9% of the total outstanding shares.

*outstanding shares are presented after deducting treasury shares

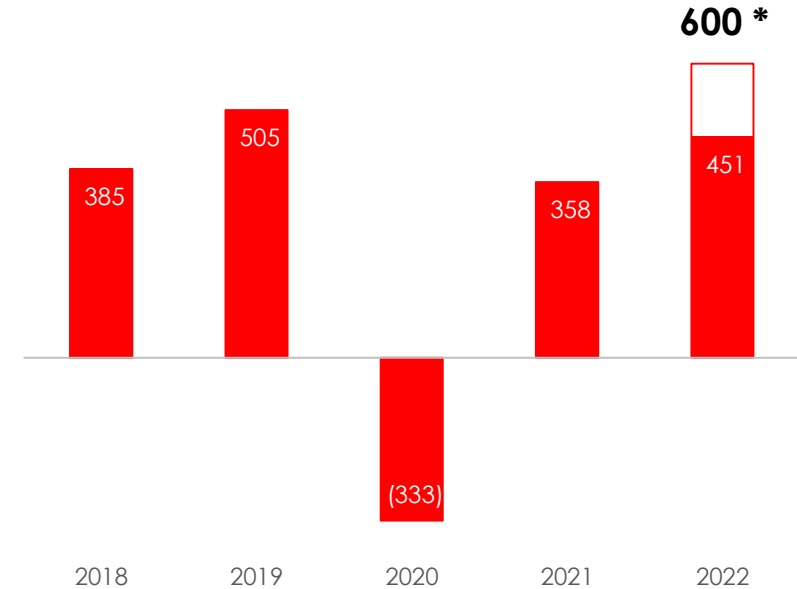
FINANCIAL HIGHLIGHTS | Earnings per Share

9M22 Earnings per Share bodes well for the achievement of targeted FY EPS

EBITDA per Share IDR/share



Earnings per Share IDR/share



- 9M22 Earnings per Share of IDR 451 /share bodes well for the achievement of targeted FY EPS.
- This year, we targeted to achieve IDR 600 /share, where IDR 525*** will be distributed as dividend of FY 2022, to be paid in 2023.

*Subject to achievement of forward guidance

**Excluding treasury shares

***Subject to statutory approval

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Strategy Update

STRATEGY UPDATE HIGHLIGHTS

Key pillars of strategy for Matahari to reach 5-year target



Merchandise Full Potential

Ongoing overhaul of our key private labels at healthy margins



Store Network Optimization

New stores generating positive EBITDA in total for the last 12 months; to complete 10 new stores by 2022; visibility of 3-4 new stores at early 2023



Omnichannel Expansion

Foundation for digital initiatives continuously constructed to bring the complete omnichannel experience



Loyalty & Personalization

Active members driven up, encouraging customers loyalty with NPS reaching 66, driving sales growth



Operational Excellence

Feel Good People & Feel Good Service supporting sustainable sales growth



OPEX Optimization

Clear guardrail for spending continuously upheld for optimized result



Environmental, Social, & Corporate Governance

Our approach on ESG, revolving around Materials, Inclusion, Labor Best Practice, Kids, and Sustainable Acts

MERCHANDISING FULL POTENTIAL

Category overhaul



Womenswear

We have renewed and expanded our womenswear hero brands with proved product presentation and style destination.

Nevada
Details
Connexion
St Yves



Footwear

The biggest footwear offer under one roof in the whole of Indonesia.

NEW brands added to our 50+ selection

5000+ individual footwear styles at peak, across womens, mens, kids & active footwear



Menswear

The most comprehensive range under one roof, in Indonesia.

78 brands both international and popular regional plus 6 private brands

Mens Youth Character World +14% YOY.



Childrenswear

Launched the most complete childrenswear offer in Indonesia, cradle to college

Kids Character World, the most complete offer of character apparel & accessories via Disney & Marvel, Warner Bros like Star Wars and Harry Potter, Anime and SEA new icons.

MERCHANDISING FULL POTENTIAL

New Initiatives



Activewear

Active destination through new label Nevada Sports, re-launch of Royal Sporting House plus Adidas, Puma, Fila, Diadora, and Airwalk.

RSH 21 stores by 2H22 & 31 by 2023
Adidas extends to 20 stores
Nevada Sports 102 stores by 2023



New Denim Shop

The largest selection of denim. NEW modification service to enhance the consumer experience.

Mens Denim Shops available at 8 stores in 2Q22, at 30 more in 1H23.



Baby Shop

In 2021 we launched our own baby shop in 6 stores. By Q4 2022 expanded to 74 stores. We now carry layette, nursery, newborn fashion and basics with a full toddler range.



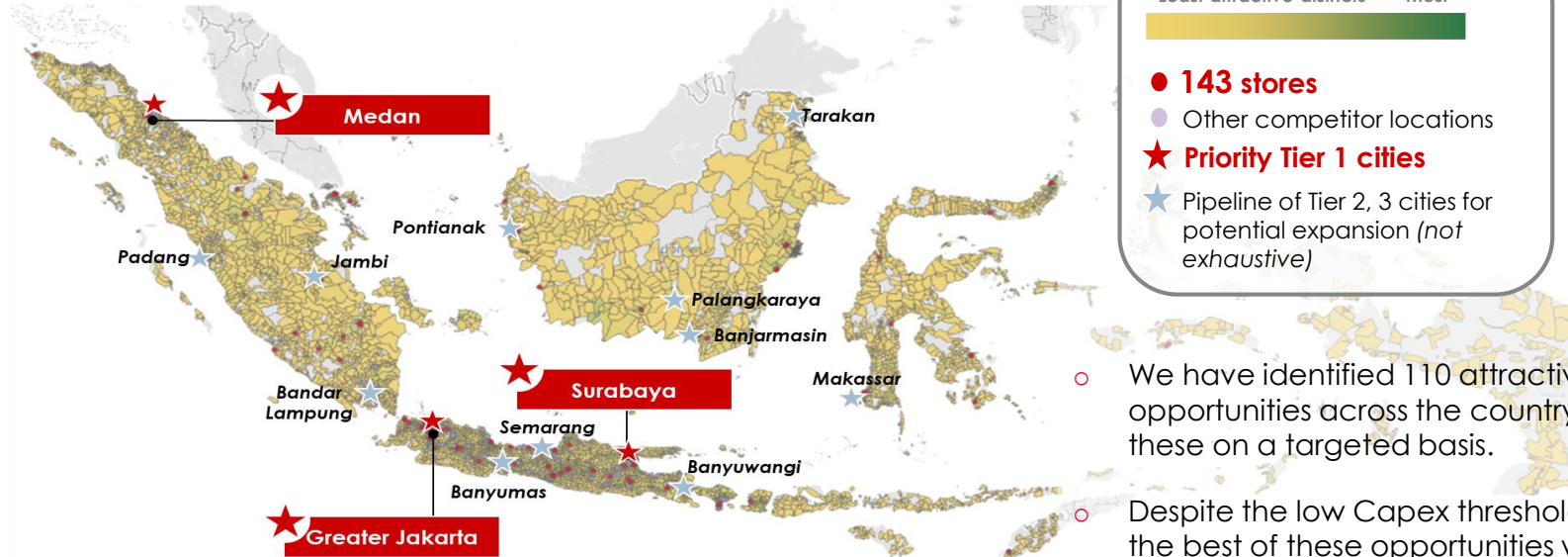
Nevada Sport Junior

New label NSJ launches Q4 for the active youngster and teen. Bringing sports styling and fabrics for kids active and weekend wear

STORE NETWORK OPTIMIZATION

Matahari's first compact store co-locating with other big retailers

~110 attractive whitespace opportunities identified across the country and our priority is Tier 1 cities (~75% in Greater Jakarta, ~15% in Surabaya, ~10% in Medan) and new emerging economies



- We have identified 110 attractive whitespace opportunities across the country and are working through these on a targeted basis.
- Despite the low Capex threshold, we carry forward only the best of these opportunities with strong potential.
- We model our Capex based on 20% IRR level, and we are tracking well above this on recent openings.
- New stores reach peak maturity in the third year giving potential flow-through to strong future earnings. In total, our new stores are exceeding revenue targets.
- We will continue to pursue these attractive white space, with visibility of the first 3-4 openings in early 2023, and 7 secured in total.

Stores Opened

1. Plaza Ambarrukmo
2. Mall Taman Angrek
3. Tangcity Mall
4. Living Plaza Gowa
5. Citiplaza Bondowoso

Stores confirmed to be opened

6. Icon Mall Gresik (Nov'22)
7. The Park Kendari (Dec'22)
8. Citimall Bontang (Dec'22)
9. Mal @ Basura Jakarta (Dec'22)
10. Kawanua Manado (Dec'22)

OMNICHANNEL EXPANSION

Foundation for digital initiatives continuously constructed to bring the complete omnichannel experience



Enhancing pre/post-purchase customer experience

AI-driven search and product recommendation

Launched Click & Collect and Fulfilment from Stores in 6 stores in Greater Jakarta, and to launch in next 10 stores / 4 more cities by 2022 end



Data-driven marketing

Created customer segments & journeys on RFM, Discount, Brands, Device and Location

Tested live streaming on marketplaces

Introduce WhatsApp for marketing



Ramping up marketplace business

Launched Tokopedia (March) and Lazada (9th October)

Launching Nevada brand store on Shopee to accelerate brand digital presence and growth in 4Q22 and will launch other in-house brands in 1Q23

Launched paid ads and live streaming



Core technology improvement to support the business

Improved load time

Continuously maintaining 4+ App rating

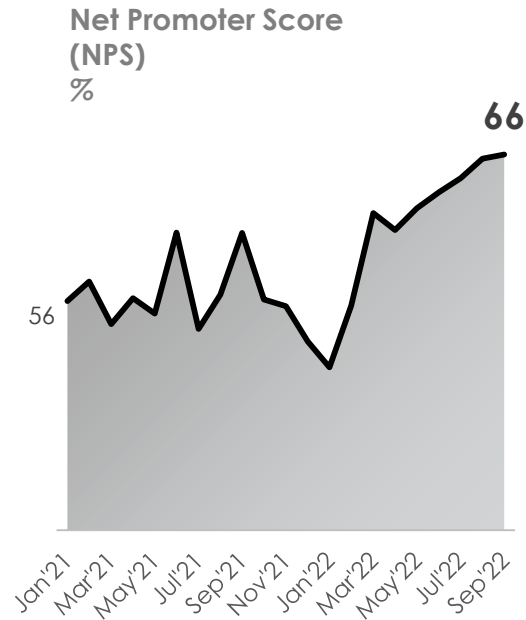
Finished tech audit recommendations

LOYALTY & PERSONALIZATION

Active members driven up, encouraging customers loyalty with NPS reaching 66, driving sales growth

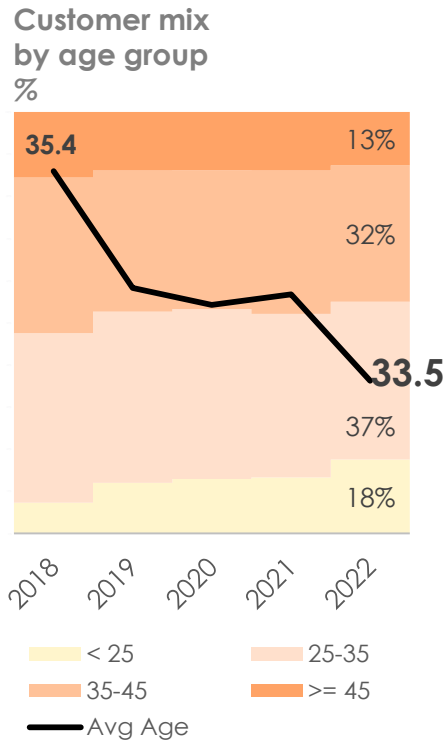
Net Promoter Score

Customers appreciation becomes good predictor of future sales growth



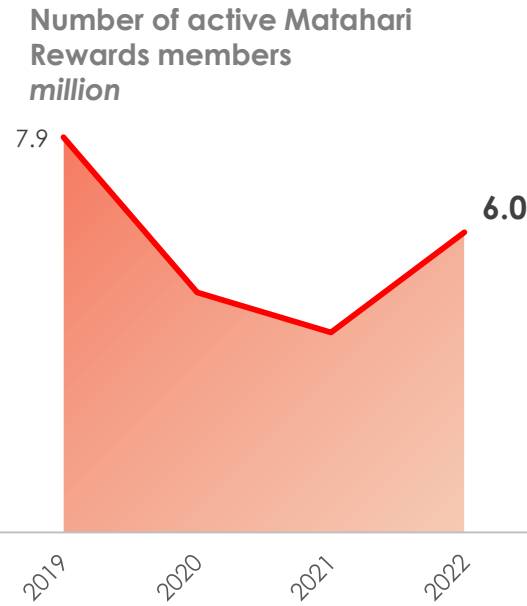
Customer profile

More number of younger customers



Active Members

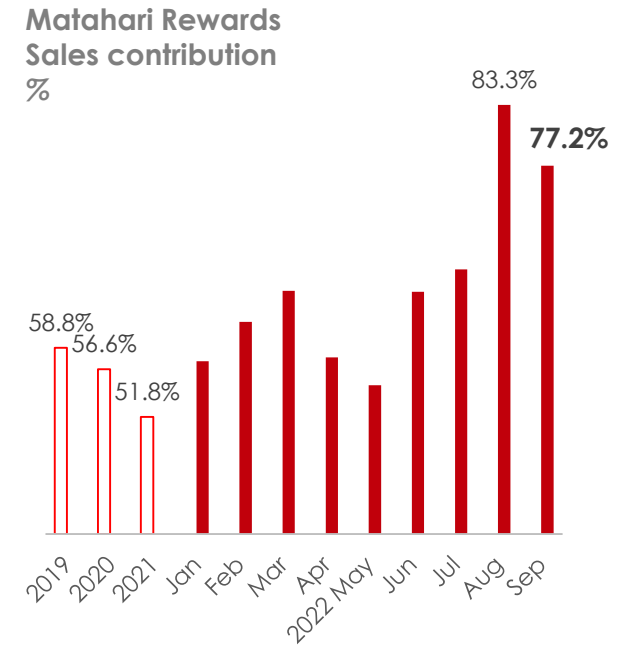
Active customer base is well underway to pre-pandemic level



*active member for the last 12 months

Average Member Contribution

The success rate of Matahari Rewards penetration going up



OPERATIONAL EXCELLENCE

Feel Good People & Feel Good Service supporting sustainable sales growth



Maintained high level of learning & development and multiskilling throughout the pandemic



Better way finding



One stop service driving customer convenience



More convenient shopping experience with bigger aisles and sizing presentations

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

Our approach on ESG revolving around Materials, Inclusion, Labor best practice, Kids, and Sustainable acts (MILKS)



Materials

- Increase number of eco-friendly products.
- Use of biodegradable shopping bags since 2011.
- Roll-out of paper bags to all stores.



Inclusion

Optimize existing channels as an effective platform to increase Matahari's team engagement.



Labor best practice

Gender balance achieved at all levels, with more female representatives at senior management level.



Kids

- Support education program to end kids poverty.
- All baby and toddlers product up to age 3 are all SNI compliant.



Sustainable Acts

- Use electricity from renewable resources.
- Maximize the use of LED lighting.
- Growing with communities thru local job creation and community support.

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Matahari Rebranding

MATAHARI REBRANDING | New Us, New You

Welcome a new dawn. A new day.



 matahari

SAMBUT MATAHARI BARU

Welcome a new dawn. A new day.

Our relaunch messaging is a call to action to embrace change and improvement. For our brand and for our target customers.

Find something new within yourself at the new Matahari. A new day is another chance to reinvent yourself with Matahari.

Sambut Matahari Baru.

MATAHARI REBRANDING | New Us, New You

Media campaign run-up to rebranding date



Offline media



Rebranding at mass commuter line



Rebranding on the road

Online media



Instagram, Facebook, and digital media coverage

MATAHARI REBRANDING | New Us, New You

Refreshing together with our customers on the event date

KOL, Micro- & nano-influencers in play

- 1990 KOL strategy implemented national scale
- to build awareness and enlarge exposure
- involving key opinion leaders and influencers

Our KOL squad will spark the

#SambutMatahariBaru conversation by posting their shopping haul on Instagram, focusing on **product, price, experience** and **people**



Young family



Indonesian youth



Fashion mom



MATAHARI REBRANDING | New Us, New You

Rebranding Activities to instill awareness

As a brand, we want to signal to our customers Matahari has evolved from a traditional department store to a digital savvy, youth-focused, large format house of specialists, providing affordable fashion for all Indonesians.



**Rebranding Launching
in Oct'22**

Kick-off activity to signify the transformation of Matahari brand



**In-store Activation
In Nov – Dec'22**

Incentivizing customers to experience the new Matahari firsthand.



**Online Activation
In Dec'22 – Jan'23**

Leveraging social channels to boost awareness surrounding KOL and in-store activities, to increase brand engagement



**Matahati Hunt
In Jan'23**

KOL squad recruiting an inspiring new member. Through this brand ambassador hunt, Customers can submit their runway styles.



**Culmination Event
In Feb'23**

A fashion show for the everyday Indonesian. An epic event ties everything altogether, driving home our new brand and proof points.

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Closing Remarks

Our guidance, our outcomes

Delivering results. Despite challenging environment, still expect double-digit growth.

Sambut
matahari
baru



Our Guidance

- Expansion of 10 new stores in 2022, further expansion of 12-15 in 2023
- 5-year Project Sunrise focusing on enhancement in 7 key areas
- Profitability guidance for EBITDA of IDR 2.1 Tn in 2022

Our Outcome

- Till date, five new stores opened; with stores in Gresik, Kendari, Bontang, Jakarta, and Manado to open in Nov-Dec '22
Visibility of first 3-4 openings in 2023
- New merchandising initiatives delivering margin productivity
- Operational excellence practice and loyalty/personalization support sustainable sales growth
- On track to attain the outlook of IDR 2.1 Tn EBITDA in 2022

We have built an initial 2023 budget of IDR 2.4-2.5 Tn EBITDA. However, considering global uncertainties, which may impact the region, have thus decided to issue cautious external guidance of IDR 2.3-2.4 Tn for the following year.



Pay less. **Feel good.**

And finally ...

New Concepts

NEW CONCEPTS | New Compact Premium Concept

Initial Thought

A survey on Matahari's and premium shops' customers in tier 1 cities about acceptance on premium concept shows:

- Positive reaction towards the concept, especially about the ambiance & product variety
- Products expected are mainly casual apparel, international and local brands

Store profile

- A small format (3,000 sqm) multi-brand environment
- Modern & contemporary environment with space to browse
- Positioned in favourite modern malls alongside global brand stores in an exciting vibrant atmosphere

Concept work



Merchandising profile

- Women's, men's, footwear, beauty & accessories; children's section may be added
- Brands will be a mix of international, Asian, and Indonesian brands, within the 'affordable aspirational' tier; not top tier premium designer
- Purveyor of brands customers know and love, plus new ones to discover

International designer pitch just commenced to finalize expected concept

NEW CONCEPTS | New Brand "Suko"

Looking at rollout in 20 shop-in-shops



Brand positioning

SIMPLE Collection with great **Value for money** made with timeless silhouettes in responsible materials that will make you Feel Good and Look Good.

Simplicity, and Good Quality would be our brand value that will be communicate, through **Modern Technology** and **Innovative Product Development**

Target market :
20 – 40 Yo

Shadow Brand :
Uniqlo, Gu

Concept work



Contact us

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Thank you

 **matahari**