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LPPF.IJ / LPPF.JK

9M/3Q 2023 Earnings Call

26 October 2023

 **matahari**



Agenda

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Executive Summary

Quiet 3Q23 performance prior to coming quarters stimulants

- Sales for 9M23 reached IDR 9.6Trn, or grew by 1.4 %. However SSSG was -2.3% driven by the lack of Lebaran stimulation and slowness in economy thereafter.
- The third quarter was particularly challenging given the absence of the pent-up demand from back-to-school last year, coupled with the higher cost of living crunch.
- As such, in an effort to stimulate sales, optimize market share, and ensure healthy inventories ahead of 2024, the company did pass on savings to customers, which had an impact on margin. Also, to this end, inventory intake was substantially reduced.
- Gross Margin in 9M23 was 34.9%, vs. 9M22 of 35.7%.
- EBITDA for 9M23 was IDR 1.1Trn vs IDR 1.5Trn LY. Net Profit was IDR 631Bn. Equity was positive at IDR 3.5Bn
- Intakes will start to flow again in more healthy levels in the fourth quarter. This will provide some positive momentum. But we should expect to continue to see some flushing out of slow-moving inventories in the fourth quarter. EBITDA for the year is likely to be at IDR 1.4Trn.

As such, the company has also doubled down on its strategic transformation initiatives.

- **Store expansion** to focus on quality store openings rather than quantity. Targeting 4 Matahari and 2 MU&KU stores for 2024.
- **Accelerate rebranding** and focus our capex investment in selected A+ and A stores.
- **MU&KU**, our new upper middle multifbrand concept, is being presented to target developers and is receiving positive feedback. Target Launch in H1 2024.
- **Suko** roll out to 14 additional stores (total 34) progressing well. Category Extension and further stores roll out to continue in 2024 and beyond.
- **Anyday**, new private label just launched in Oct as entry level fighter brand to offset inflationary pressures.
- **ETP**, POS solution rolled out across all 156 stores. More than 95% of the CV items are now sold using product bar code instead of Pink Slips. Next Phase (H1 2024) to provide visibility of CV Inventory inside Matahari stores enabling Fulfill from stores for CV business.
- **Inventory Innovation** increase focus on inventory full price sell through and accelerate reduction of aged inventory.
- **In the short-run**, Company is preparing an extensive Christmas marketing campaign, as well as putting in place plans to leverage the very favorable conditions in the 1Q24, boosted by the timing of Chinese New Year, the election season, and Lebaran.

Maximizing shareholder value

- Dividend policy maintained at a minimum 50% payout.
- Capex spend forecasted to be under IDR 300Bn vs budget of IDR 500Bn.

Stock Code:

LPPF

Shares outstanding*

2,259 Mn

Major Shareholder*

Auric Digital Retail 42.5%

#Stores at the end of 9M23

156

*latest position by 30 Sep'23
excluding treasury shares

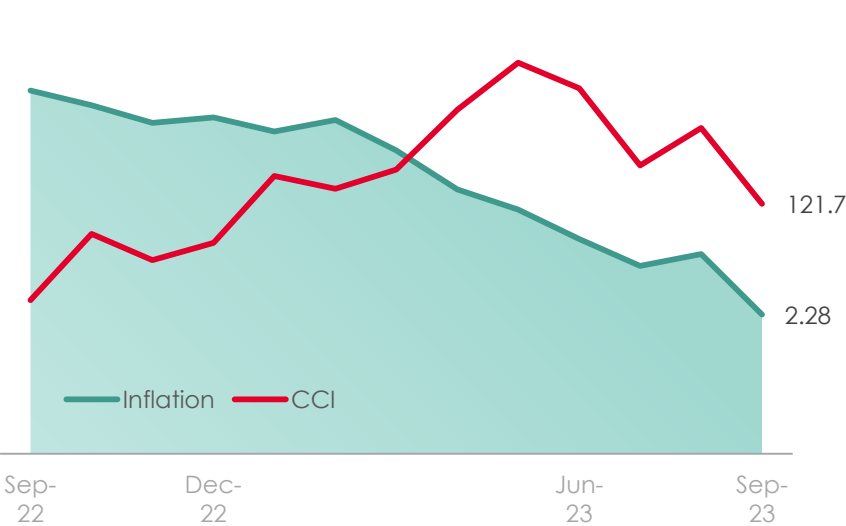
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Macroeconomic & Commercial Updates

Macroeconomic Factors

Consumer confidence is slowing in the recent quarters. However, subsiding inflation builds business optimism for 2024 and beyond.

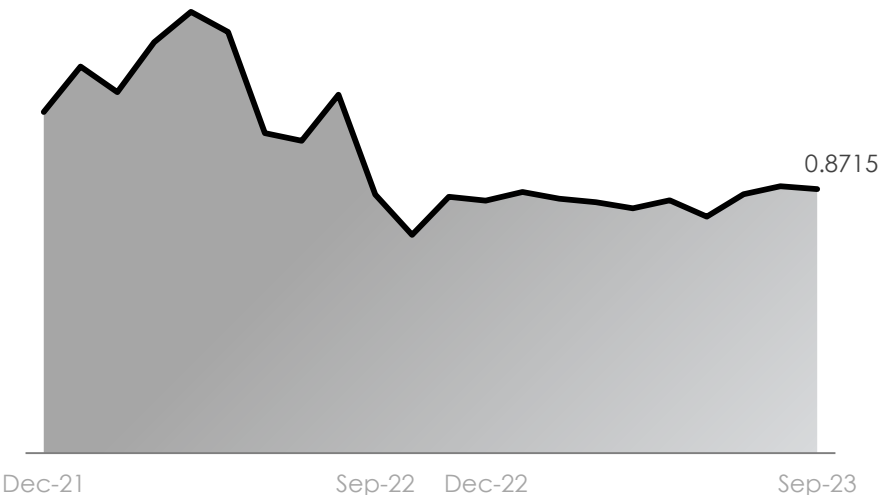
Consumer Confidence Index & Inflation
% YoY



Source: Bank Indonesia

Cotton price stabilizes in line with moderated inflation will support landed cost of goods from Q4 intakes.

Cotton Price
USD/lbs



Source: Nasdaq

Commercial Updates

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BACK to SCHOOL

Back To **Playdate**
Koleksi T-shirt Anak
Harga Spesial
mulai dari
Rp 69.000

NEVADA
little m
Aero

Back to School

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88
MERDEKA
BERGAYA

4 - 8 Agustus 2023
seluruh store matahari

Harga Spesial
mulai
Rp 88.000

Independence Day
(Merdeka) Campaign

matahari
Jumbo Sale **SERBU!**

SERBU!
Koleksi Pakaian Pria
Diskon
hingga
70%

*Syarat & ketentuan berlaku. Produk dan toko tertentu

NEVADA details COLE

Jumbo Sale

Pay less. **Feel good.**

9M/3Q 2023 Financial Performance Updates

YTD Sep 2023 Financial Highlights

Sales at IDR 9.6Trn, SSSG -2.3% and EBITDA at IDR 1.1Trn

(in IDR Bn)	YTD Sep				Comparable YTD Sep			Q3			
	2023	2022	Var	Var %	2022	Var	Var %	2023	2022	Var	Var %
Gross Sales	9,615	9,484	132	1.4%	9,484	132	1.4%	2,223	2,324	(101)	-4.3%
SSSG%	-2.3%							-8.0%			
Gross Profit	3,356	3,390	(34)	-1.0%	3,308	48	1.4%	750	815	(65)	-8.0%
GM%	34.9%	35.7%			34.9%			33.7%	35.1%		
OPEX	(2,220)	(1,846)	(374)	20.3%	(2,094)	(126)	6.0%	(688)	(574)	(114)	19.9%
EBITDA	1,136	1,544	(408)	-26.4%	1,214	(78)	-6.5%	61	241	(179)	-74.5%
EBITDA Margin%	11.8%	16.3%			12.8%			2.8%	10.4%		
Net (Loss) Income	631	1,054	(424)	-40.2%	713	(82)	-11.5%	(53)	136	(189)	-139.3%
Net Income Margin%	6.6%	11.1%			7.5%			-2.4%	5.8%		

Comparable : excluding Covid rental concessions and participations/discounts.

Balance Sheet

Equity at IDR 4Bn positive vs IDR 160Bn negative last quarter

ASSETS			LIABILITIES & EQUITY		
(in IDR Bn)	Sep 2023	Dec 2022	(in IDR Bn)	Sep 2023	Dec 2022
Cash and Bank Balance	194	354	Bank Loan	1,000	(0)
Trade Receivables	42	64	CV Trade Payables	420	664
Inventories	876	896	DP Trade Payables	315	546
Right-of-Use Assets	2,290	2,527	Lease Liabilities	2,755	2,933
Other Assets	1,355	1,223	Other Liabilities	1,026	1,026
Fixed Assets	762	686	Equity	4	580
TOTAL ASSETS	5,519	5,750	TOTAL LIAB. & EQUITY	5,519	5,750

Remarks:

- Bank loan utilization reduces from IDR 1,150Bn to IDR 1,000Bn

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Strategy Updates

Merchandising Full Potential

Improved range of Mens, Womens & Childrenswear, to refocus Private Label Brands' DNA

Nevada

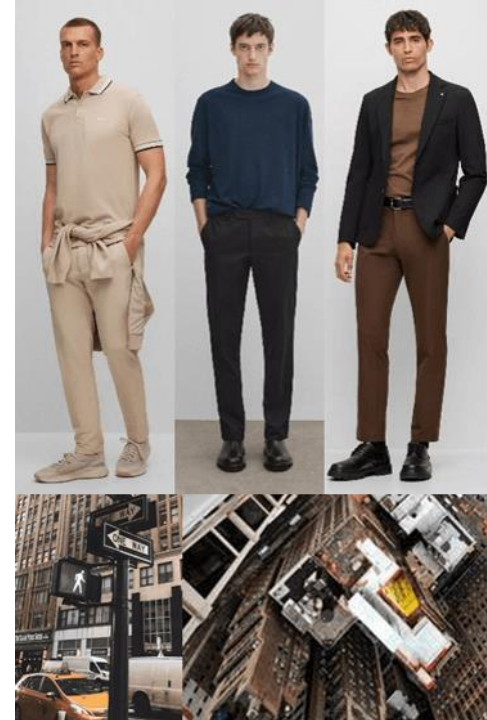


Global Streetstyle
(Varsity & Tokyo Inspo)

Nevada Kids

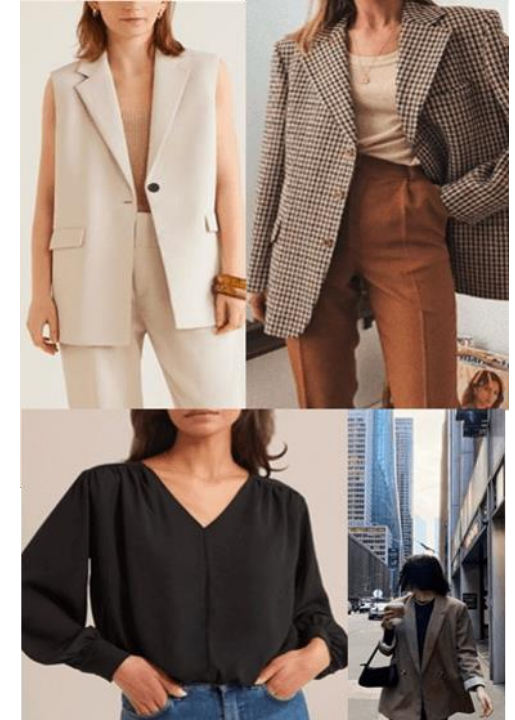


Cole



New! Modernwear
expansion

Connexion



New! Workwear

Merchandising Full Potential

New Private Label Brands to fill the merchandising architecture gap

SUKO



34 stores within 2023

Existing 20 stores to be complemented with expansion to additional 14, providing capacity for marketing and branding ramp-up

Anyday



Entry of Anyday to 50 stores

New entry label to tap into cost of living concerns and offer price sensitive customer segments simplicity and best prices

A new active brand



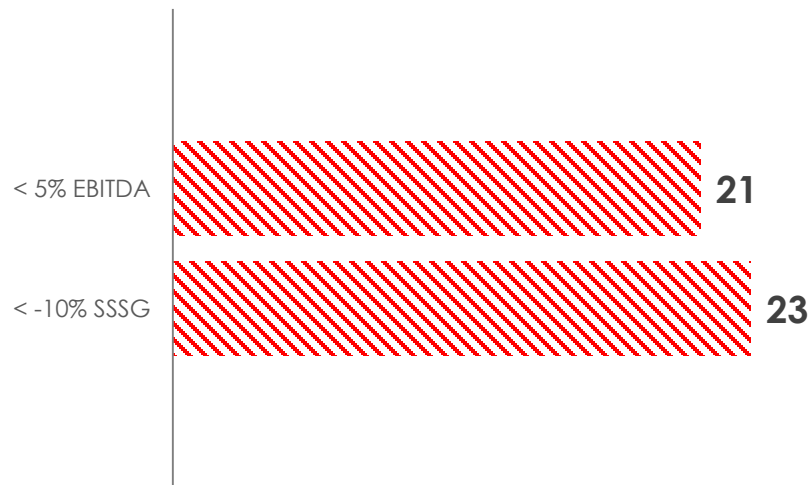
Exciting 2024 developments

An affordable, moderate and comfortable walking and sport-style range that fits contemporary needs

Store Network Optimization

Identified stores with room for improvement

29 Stores under watchlist and identification



Several stores faced challenges due to post-COVID scarring effect, pressured surrounding market purchasing power, and low mall occupancy

Room for improvement and actions in progress

- ▷ Working with landlords to come up with better lease terms, as well as other practical and optimal support solutions
- ▷ Exploring space rationalization for higher productivity
- ▷ Accelerating rebranding / rejuvenation options to boost the store appeal
- ▷ Re-aligning merchandising offering to meet current and future customer demands

Store Network Optimization

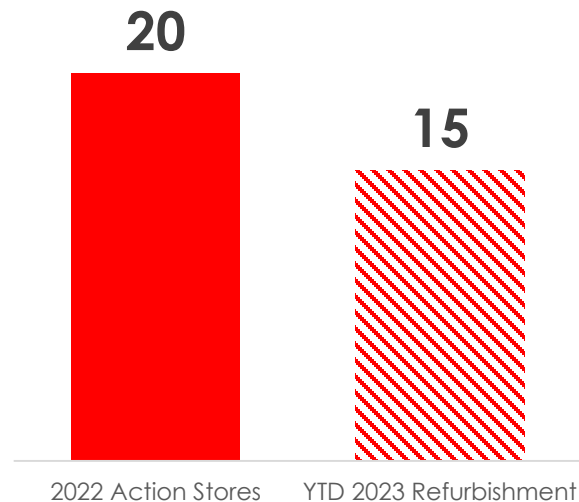
Rebranded stores in attractive catchments & opened new ones in high-potential catchment areas

Opened 8 new stores in high potential catchments, with latest store at Kediri Mall



6 new stores for 2024; Average size of 5,500 sqm

Rebranding and rejuvenation now focusing on higher impact stores based on new store grading criteria



Focus on brand impact, customer experience and floor and linear productivity

Store Network Optimization

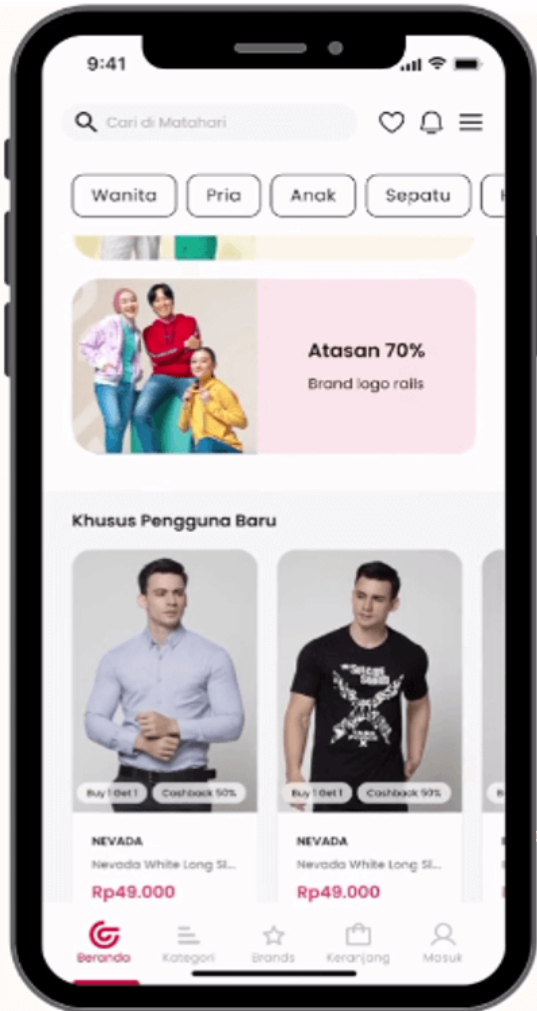
New concept is being presented to target developers



New concept MU&KU,
a curated multi-brand store
targeting Millennials, Young Professionals and Families across
an age range of 28 – 45 years within the Middle-Income Segment

Omnichannel Expansion

Focus on scaling business by delivering better customer experience



Tech Momentum

ETP Rollout completed;
New OMS implementation,
CV fulfil from stores
enablement H1 2024



DP Fulfil from Stores

Expanded fulfill from stores to
37 Stores, 30 cities, resulting in
more than 50% contribution



New & Upgraded App

Achieved 332,600 app
downloaded in 3Q, accounts
for 21% of total customer base



Marketplace Growth

After relaunching Tokopedia,
presence on 4 marketplaces
business has resulted 4x growth

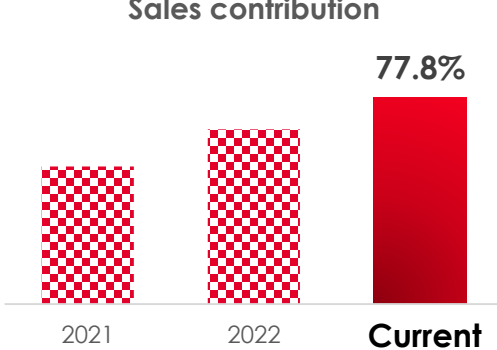
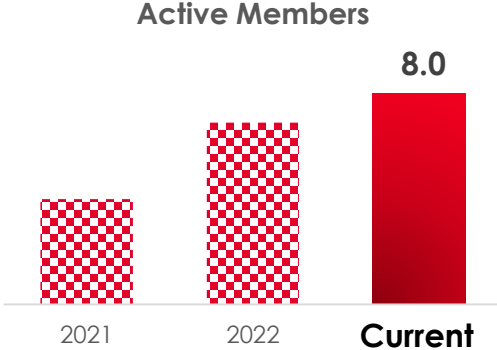
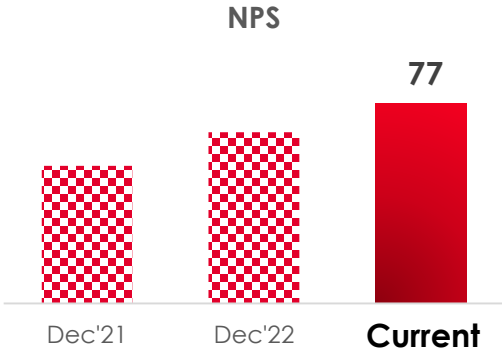


Better NPS

Record NPS score achieved in
Q3, up double digits from last
year, reflects an enhanced
customer experience

Loyalty & Personalization

Active members contribution bodes well for future revenue



Positive feedback generated through personalization and optimized benefits



Active members are actively rewarded through events



Revamped acquisition drive engaging stores and digital channels for accelerated sign up.

Operational Excellence

Improved layout, visual merchandising, & customer experience in stores, with out-of-store expansion



Improved layout and visual merchandising for better navigation and higher customer experience



Leveraging creative store installations for promotional cut-through



Out-of-store expansion extends Matahari customer touchpoints and brand awareness

ESG: MILKS*

More actions on environmental contribution and creating social impact



Further expansion of recycling initiatives with higher customer enthusiasm to participate



Providing clothing and footwear support for students in need



Commendation of Matahari efforts to uphold best governance practice for the best overall category, the best women empowerment company, as well as for the best employee commitment & satisfaction

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Capital Allocation Updates

Capital Allocation Updates

Financial prudence and optimism for 2024

Financial Prudence

Gaining maximum output out of less investment in technology

Rigorous cost management at all lines

Capex plan reduced by 40%, focusing in quality store opening vs. quantity

Dissolving stock for healthier inventory position

Optimism for 2024

Dividend policy remains the same at minimum 50% payout

Likely return to Share Buyback Activity

Capex Focus on A+ and A stores
Investment in new & exciting growth stores

Expecting higher ROI by focusing on dollars spent on highest impact stores or brands

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Closing Remarks

Closing Remarks

The Game Plan

Current State

- **Sales** for 9M23 reached IDR 9.6Trn; grew by 1.4%. SSSG was -2.3%, due to the high base and higher cost of living.
- **Gross Margin** in 9M23 was 34.9%, vs. 9M22 of 35.7% as Matahari passed on savings to customers.
- **EBITDA** for 9M23 was IDR 1.1Trn vs IDR 1.5Trn LY. Net Profit was IDR 631Bn.
- **ETP**, POS solution rolled out across all stores. 95%+ CV items are sold using product bar code instead of Pink Slip.

Goals

- **EBITDA** Guidance of IDR 1.4Trn for FY23.
- **Dividend** policy remains the same at minimum 50%.
- **Capex spend** forecasted to be under IDR 300Bn for 2023.

Immediate Actions

- **Campaign for exciting seasons** of Christmas, Chinese New Year, and Lebaran are in place to tap into expected higher purchasing power.
- **SUKO** rollout in next 14 stores is progressing well for upper-middle customers.
- **Anyday**, new entry label has been launched Oct'23 to help offset inflationary pressures.
- **Inventory innovation**, Increase focus on inventory full price sell-through and accelerate aged inventory rationalization.

Medium-term Actions (2024)

- **Store expansion** focuses on quality store openings, aiming 4 Matahari and 2 MU&KU stores in 2024.
- **MU&KU**, our new upper-middle multi-brand concept, is favored by target developers; expected to open in 1H24.
- **Grow** 6 power DP brands with SIS and bring 20 new brands and 19 Supercharge CV brands
- **ETP phase 2** to provide visibility of CV Inventory inside Matahari stores enabling Fulfill from stores for CV business.



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