

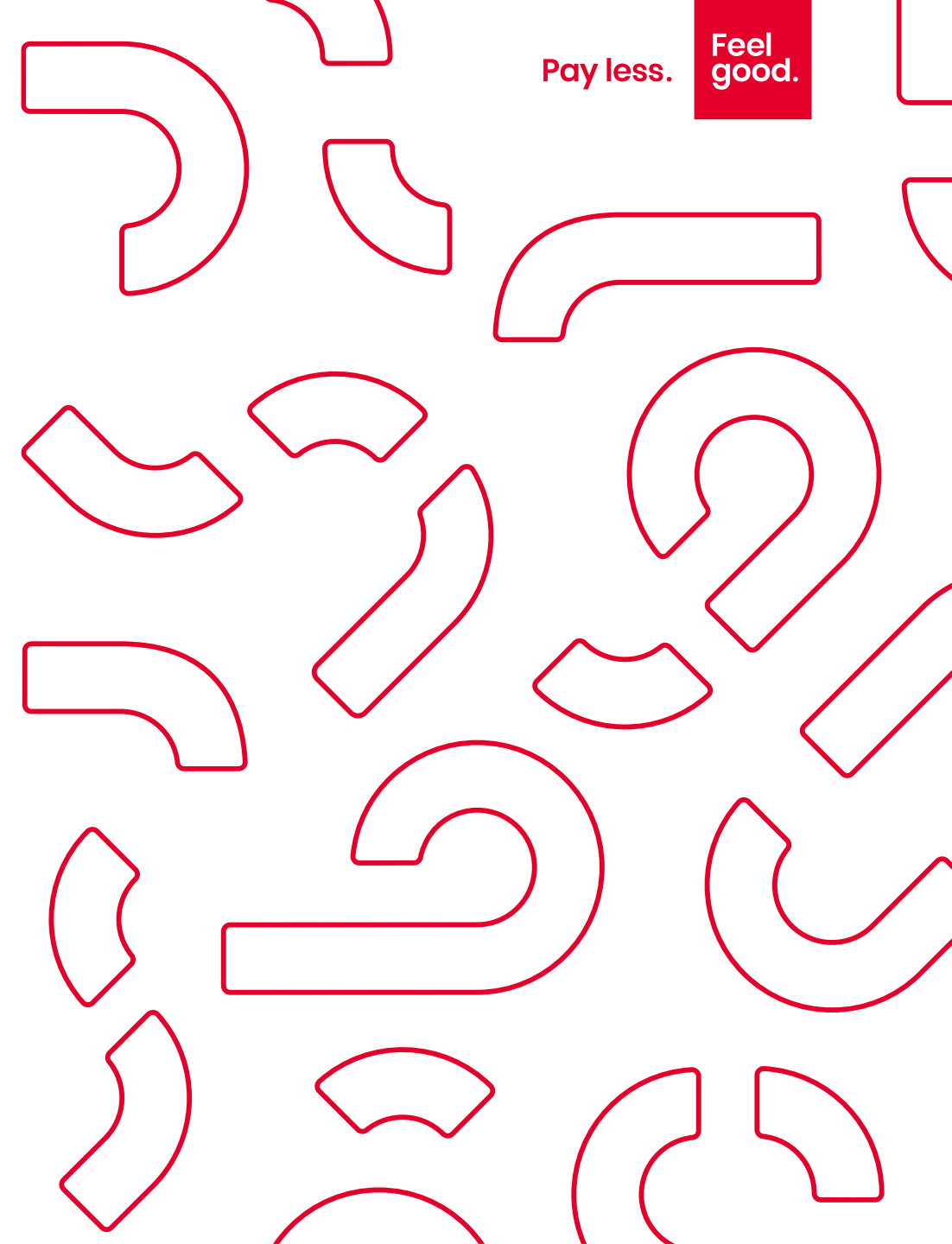
LPPF.IJ / LPPF.JK

FY 2023 Earnings Call

26 February 2024



Pay less. **Feel good.**



Agenda

No	Topic	Page	Presenter
1	Executive Summary	3 – 4	Monish Mansukhani
2	Financial Performance and Capital Allocation	5 – 11	Niraj Jain
3	Strategy Updates	12 – 20	Monish Mansukhani
4	Closing Remarks	21 – 22	Monish Mansukhani

Executive Summary

Sales FY23: IDR 12.6Tn (+1.1% / SSSG -2.4%). Performance affected by weak Lebaran sales and anemic recovery in subset of malls, leading to excess inventory that was not cleared in a timely fashion.

Gross Margin FY23: 34.2% (vs. FY22: 35.7%) driven by aged inventory clearance.

EBITDA FY23: IDR 1.4Tn (vs. FY22: IDR 2.0Tn) from lower GM and 17% higher operating expenses, including the reduction of rental subsidies.

Net Income FY23: IDR 675Bn, with IDR 200/share dividend proposed (67% Dividend Payout Ratio).

- **Strategic direction:** Repositioning to relevant middle income customers, with impact on store locations, merchandise, and customer experience.
- **Store network optimization:** Expecting to open 4-6 new stores in 2024. Prioritizing the rejuvenation of high-impact stores. Identified 29 watch list stores for rental renegotiation, downsizing, and potential closure of 10 stores during the year.
- **Merchandise transformation:** Improving Direct Purchase (DP) offering through re-invigorated private labels while onboarding new, well-known Consignment Vendors (CV) brands. Clearing inventory faster to maintain freshness, although this may have an impact on margins.
- **Digital:** Extending in-store fulfilment to include CV inventory and expand reach from 56 to 96 stores.
- **OPEX optimization:** Review of cost base with particular attention on improving productivity and securing performance-linked commercial terms.

2023 Season Challenges & 2024 Opportunity

The key 2023 Lebaran season was challenging

- **Challenging Lebaran** due to unexpected delay in THR payout, early Mudik, and other macroeconomic factors.
- **Lebaran planning** had built up higher inventory, staff, marketing and bazaars, which **did not materialize**.
- **DP underperformance** in selective areas led to **aging stock**, which we began to clear during 4Q23 with discounts.
- **Store underperformance** in certain malls was driven by poor post-COVID recovery. Stores in these malls with **low occupancy**, traffic, and maintenance are now under watch list.

Opportunity in Lebaran 2024

- While there remains **uncertainty** in trading performance, we are **better planned** and have taken a **more conservative** approach
- **Fresh stocks planned tighter** vs. 2023 with strategic promotional planning to enhance sell through
- **New intake pricing more competitive** vs. 2023 in key volume areas
- **More dynamic and timely trading of older merchandise** in order to reduce proportion of aged inventory
- **Prioritizing investment in high quality stores** with higher performance
- **Focusing more on rebalancing & multiskilling staff** for agile changes
- **More effective marketing planned**, with greater use of digital media for broader reach and greater segmentation



154 Stores
82 Cities



600+ suppliers
94% local



9,092
employees

Financial Performance and Capital Allocation

Financial Highlights

Sales grew 1.1% mainly driven by new stores

In IDR Bn	Year			Q4		
	2023	2022	% Growth	2023	2022	% Growth
Gross Sales	12,552	12,413	1.1%	2,937	2,929	0.3%
SSSG %	-2.4%	20.8%		-2.9%	2.4%	
Gross Profit	4,295	4,429	-3.0%	939	1,039	-9.6%
Gross Margin %	34.2%	35.7%		32.0%	35.5%	
OPEX	(2,884)	(2,461)	17.2%	(663)	(615)	7.9%
EBITDA	1,411	1,968	-28.3%	275	424	-35.1%
EBITDA Margin %	11.2%	15.9%		9.4%	14.5%	
Net Income (Loss)	675	1,383	-51.2%	45	329	-86.4%
Net Income Margin %	5.4%	11.1%		1.5%	11.2%	

Sales Performance

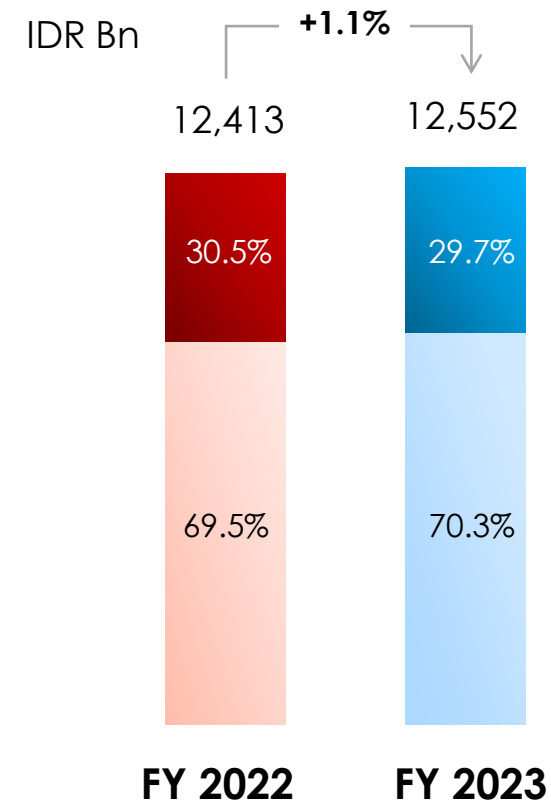
Watch list stores dragging down overall performance

Store Performance



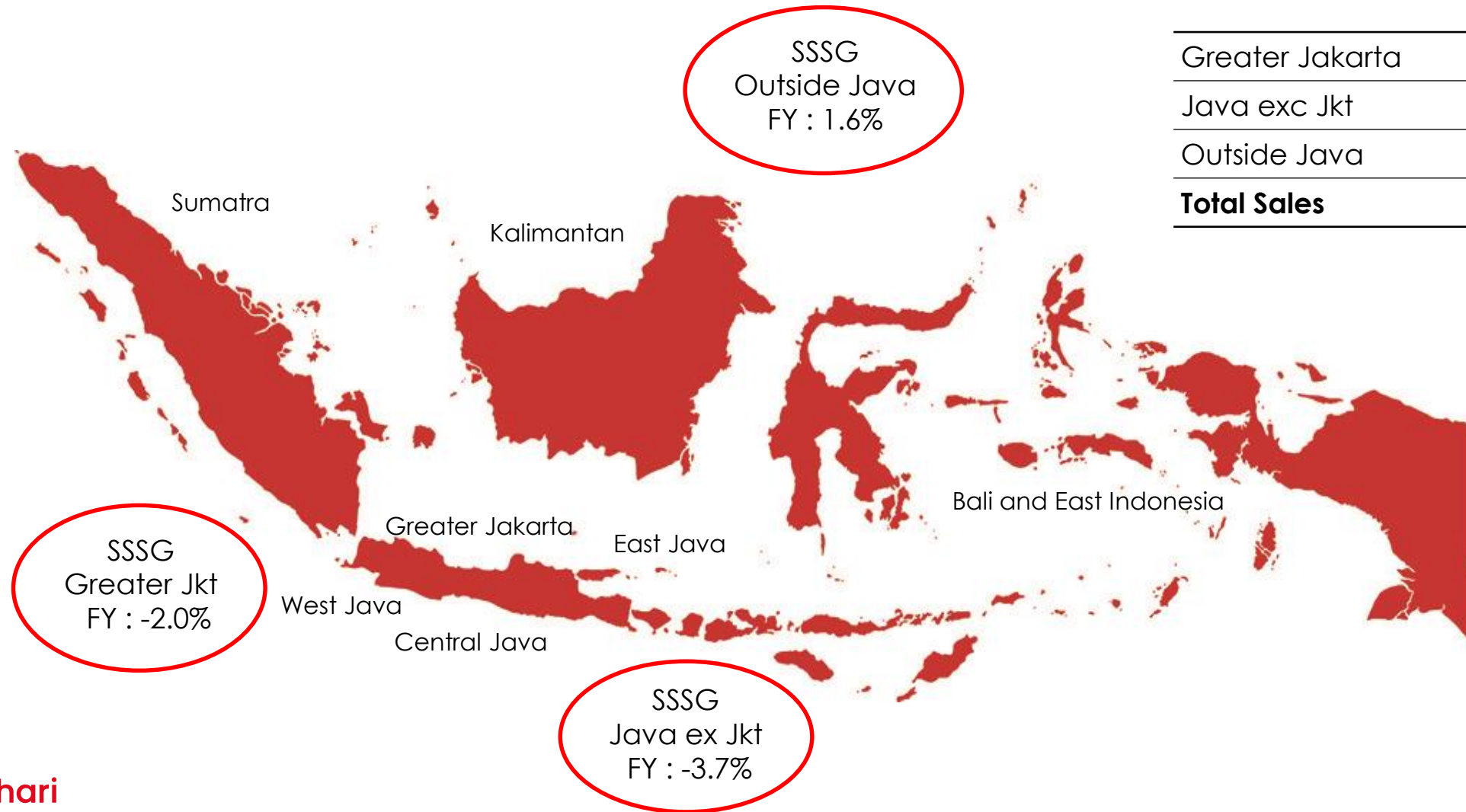
The performance under watch list dragged down the total performance

Merchandise Performance



Sales Performance

Bali drove outside Java performance post-restriction



Gross Sales by Region (%)

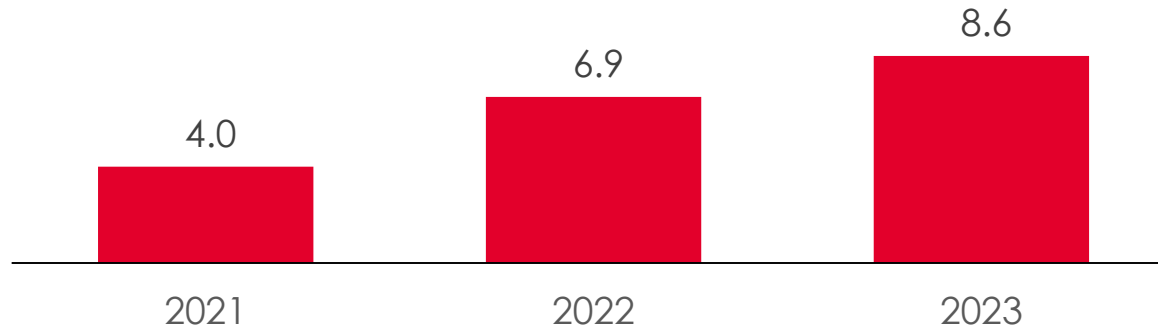
FY 2023

Greater Jakarta	22.8%
Java exc Jkt	34.3%
Outside Java	42.9%
Total Sales	100.0%

Sales Performance

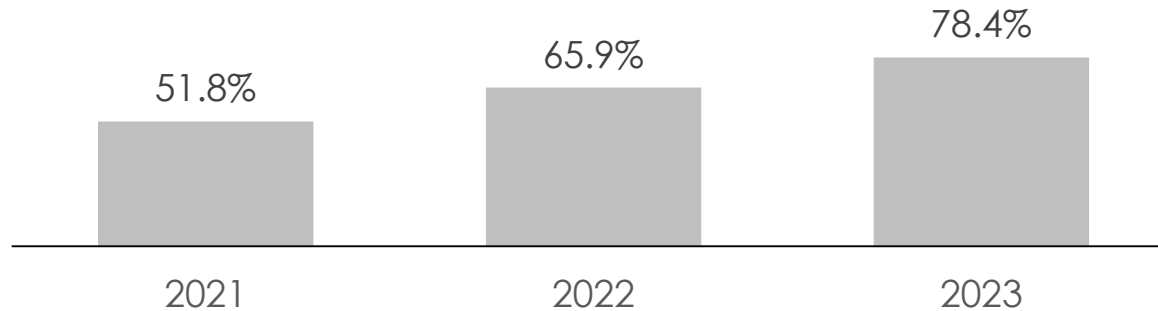
Active members jumped, with higher sales contribution, in line with more personalized values

Active loyalty members



3.2 Mn newly acquired members; ~60% of 2022 members returned to shop in 2023

Active member sales contribution



>232 Mn personalized messages sent in a year through various CRM channels

NPS improved from 66 at December 2022 to 74 at December 2023 (63 at FY22 vs. 73 at FY23)

Financial Highlights

Cash and Bank Balance at IDR 508 Bn

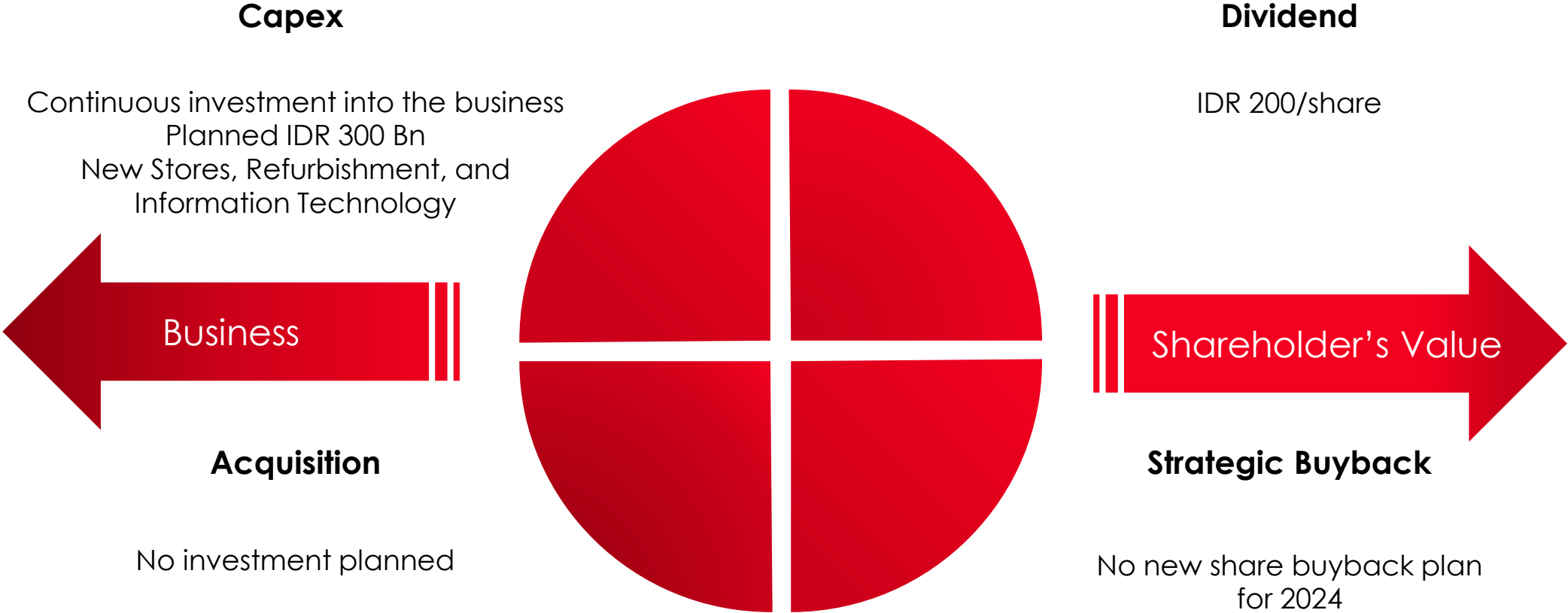
ASSET			LIABILITIES & EQUITY		
In IDR Bn	Dec '23	Dec '22	In IDR Bn	Dec '23	Dec '22
Cash and Bank Balance	508	354	Bank Loan	550	-
Trade Receivables	60	64	CV Trade Payables	770	664
Inventories	793	896	DP Trade Payables	457	546
Right-of-Use Assets	2,509	2,527	Lease Liabilities	3,051	2,933
Other Assets	1,306	1,223	Other Liabilities	1,022	1,026
Fixed Assets	705	686	Equity	31	580
Total Asset	5,880	5,750	Total Liabilities & Equity	5,880	5,750

Remarks:

- Bank loan utilization reduces from IDR 1,000Bn to IDR 550Bn, net debt at only IDR 42Bn.
- We have renewed our bank loan of IDR 1.7 Trn with better commercial terms with Bank CIMB Niaga.

Capital Allocation

Balancing organic growth and shareholders value maximization





154 Stores
82 Cities



600+ suppliers
94% local



9,092
employees

Strategy Updates

Strategy Highlights

Further progress on our previously stated strategic initiatives



Merchandise Full Potential

- Agile trading in season and post-season
- DP and CV refresh and rationalization



Store Network Optimization

- Focus on top stores, monitor 29 watch-list stores
- Selectively expand, focusing on quality instead of quantity



Omnichannel Expansion

- Expand fulfilment from stores
- Onboard CV onto platform



Loyalty & Personalization

- Growing active members further through acquisitions, reactivations, and frequency drive



Operational Excellence

- Improving store navigation
- Increasing touchpoints for improved convenience



OPEX Optimization

- Partnering with landlords to get performance-linked commercial terms
- Improve labor productivity



Environmental, Social, & Corporate Governance

- Continued progress on roadmap including waste management, diversity & inclusion, and social impact

Key focus area to deliver earnings growth in next 12 months

Merchandising Transformation

Initiatives to improve assortment

Focus on **selected categories** like denim and rationalize underperforming segments like toys & accessories.

SUKO, our new DP brand, to expand from 34 stores to more than 60 by year end.

Refresh CV brands, particularly in top stores with 25 new, well known & local trending brands.

Accelerate reach of our best CV brands, based on customer demand, giving them more stores & space.

Faster sell through of merchandise underway for improved freshness via increased promotions and dynamic trading.



Store Network Optimization

Portfolio renewal in progress, with introduction MU&KU concept store planned for this year



Store Expansion & Rejuvenation

- **Selective store openings** in strong catchment areas (4-6 stores)
- One **MU&KU store opening** expected in 4Q24
- Accelerating **rebranding / rejuvenation** options for prioritized top stores to boost the store appeal

Store Rationalization

- **29 Stores under watch-list:** Several stores faced challenges due to low mall occupancy
- **Planned closure** of 10 underperforming stores in 2024 with lease expiry, negative/marginal profitability
- Exploring **space rationalization** for higher productivity

Omnichannel Expansion

Further integrating technology and processes, while enhancing customer experience



Technology and business integration

- Implement **Order Management System & Warehouse Management System**
- Onboard 80% **CV Brands for fulfilment from stores** to expand product offering
- Cultivate **omnichannel customer engagement**



Customer Experience

- Improved **assortment** with CV onboarding
- Launch integrated **social commerce**
- Improved **rewards system** with offline integration and tiered-based features like free shipping and exclusive sales previews
- Launch **same-day delivery** and multiple courier service providers
- Introduce **live streaming** on Matahari.com

Loyalty & Personalization

Active members growing amid wider benefit options

Grow active members beyond 8.6 Mn members through new members acquisitions & inactive customers reactivations

Expand benefit selections beyond points and promotions through partnerships with merchants and third parties

Streamline benefit options both in-store & online for integrated customer experience

Encourage higher basket size through hyper personalization messages & benefits that induce multiple buys



Operational Excellence

Improving customer journey, expanding touchpoints for improved customer engagement



Optimized space utilization will improve store navigation and drive better customer satisfaction



Extending sales touchpoints out of stores (bazaars, Shop & Talk) is bearing fruit, with stronger awareness and increased contribution

OPEX Optimization

Regularly identifying opportunities to improve productivity and cost structure



Exploring innovative ways to **manage expenses** amid challenging sales growth environment



Piloting of **performance incentives** and **productivity benchmark** exercise have shown results



Partnering with landlords to secure performance-linked commercial terms

Environmental, Social, Governance

Making progress in sustainability



Collected 1.8 tons of textile waste via **Post-consumer Textile Waste Management** program for recycling



Increased the contribution of **eco-friendly merchandise** to 2% of total private label assortment (apparel)



Supported 4,000+ underprivileged children with education, merchandise, and financial assistance



154 Stores
82 Cities



600+ suppliers
94% local



9,092
employees

Closing Remarks

Closing Remarks

Moving forward with strategic initiatives

Challenging 2023, but **cautiously optimistic 2024** with better Lebaran planning.

Store network optimization continues, with selective store expansion (4-6 stores in 2024) and 29 watch-list stores.

Merchandise to be strengthened through revamped private labels and addition of new CV brands.

To **leverage technology** to enable fulfilment from stores and provide more payment and delivery options for customers.

Subject to statutory approval, **dividend of IDR 200 per share** is proposed. No new share buyback plan is proposed.



Contact us

PT Matahari Department Store Tbk

Menara Matahari 12th Floor,
JI Boulevard Palem Raya No.7
Karawaci, Tangerang 15811, Indonesia

Phone: +6221 547 5228 | +62811 9610 1111

Email: ir@matahari.com

www.matahari.com

DISCLAIMER: This presentation has been prepared by PT Matahari Department Store Tbk ("LPPF" or "Company") for informational purposes. Neither this presentation nor any of its content may be reproduced, disclosed or used without the prior written consent of the Company.

This presentation may contain forward looking statements which represent the Company's present views on the probable future events and financial plans. These views are based on current assumptions, are exposed to various risks, and are subject to considerable changes at any time. The Company warrants no assurance that such outlook will, in part or as a whole, eventually be materialized. Actual results may differ materially from those projected.

The information is current only as of its date and shall not, under any circumstances, create any implication that the information contained therein is correct as of any time subsequent to the date thereof or that there has been no change in the financial condition or affairs of LPPF since such date. This presentation may be updated from time to time and there is no undertaking by LPPF to post any such amendments or supplements on this presentation.

The Company will not be responsible for any consequences resulting from the use of this presentation as well as the reliance upon any opinion or statement contained herein or for any omission.

Pay less. **Feel good.**

Thank you

 **matahari**