

To perform much better in 2H24F after a good 1H24'

12 August 2024



AMRT IJ	BUY
Sector	Retail
Price at August 2024 (IDR)	2,800
Price target (IDR)	3,500
Upside/Downside (%)	25.0

Stock Information

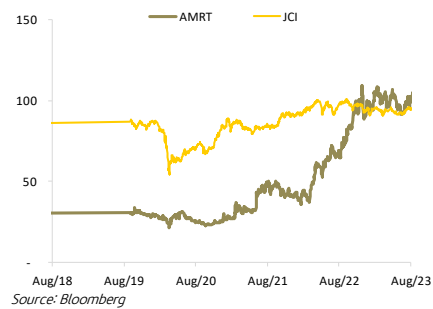
Sumber Alfaria Trijaya Tbk (AMRT) is one of Indonesia's leading minimarket players and has more than 20,000 stores spread out across Indonesia, such as; Alfamart, Alfamidi, Lawson, Dan-Dan and etc.

Market cap (IDR bn)	116,270
Shares outstanding (mn)	41,525
52-week range (IDR)	2,490-3,030
3M average daily vol. ('000)	21,439
3M average daily val. (IDR mn)	59,708

Shareholders (%)

Sigmantara Alfindo	53.2
Feny Djoko Susanto	0.64
Harryanto Susanto	0.46
Budiyanto Djoko Susanto	0.33
Public	45.4

Stock Performance



	1M	3M	12M
Performance (%)	(4.4)	(2.8)	(1.1)

Sumber Alfaria Trijaya' (AMRT) earnings grew 11.3% yoy with net margin maintained at 3% in 1H24 on a 7.9% yoy higher other income, which was in-line with ours' but below consensus. While, AMRT' revenue grew 10% yoy to IDR59.2 tn in 1H24 due to higher sales on its food/groceries and non-food' segment. Thus, we maintained our '24F revenue and earnings as per our expectation on another good performance by AMRT in 2H24F, amidst our anticipation on a weak 3Q24 performance. We expect AMRT' revenue and earnings to grow by 11.2% yoy and 24.6% yoy, respectively in 2H24F on higher sales and other income with more new store openings, better cost management and new members. As a result, we still expect AMRT' revenue and earnings to grow by 10.6% yoy and 18.6% yoy, respectively in '24F. Maintain our BUY call on AMRT with TP of IDR3,500, which implies 36.1x '24F PE.

A 11.2% yoy higher revenue in 2H24F with more store openings

AMRT had a good 1H24' performance with 649 new stores opened, 2 mn new members joined and its market share in Indonesia' modern trade (MT) minimarket that expanded by 110bps to 40.4% from 39.3% in 2023. Moreover, AMRT still plans to open another 800 new stores (includes 200 stores with shop in shop concept) in 2H24F. As a result, we maintained our '24F revenue and earnings for AMRT amidst our anticipation on a possible weaker performance qoq in 3Q24F due to lack of catalyst. We also think that the company is more than able to continue to expand its market share in Indonesia' MT minimarket and expects its revenue to grow by 11.2% yoy and 10.6% yoy, respectively in 2H24F and '24F on higher sales with more new store openings and new members.

Earnings could grow by 24.6% in 2H24F

We expect AMRT' other income could grow by around 19% yoy in 2H24F, with its fee based income growth at around 7% yoy. We also expect the pressure from AMRT' opex to be lesser in 2H24F. AMRT' earnings could still grow by 24.6% yoy and 18.3% yoy, respectively in 2H24F and '24F, on higher sales and other income (fee based income, etc) with better cost management, yoy, amidst our anticipation on a weak 3Q24 performance by AMRT.

Revenue reached IDR29.9 tn (+8% yoy/+1.9% qoq) in 2Q24

AMRT' revenue grew 8% yoy/1.9% qoq in 2Q24, on higher sales of food/groceries' and non-food, which was at IDR20.8 tn (+5.9% yoy/-2.3% qoq) and IDR9.1 tn (+13.5% yoy/+13.3% qoq), respectively. AMRT' food/groceries' remained as the biggest contributor (69.7% contribution) to AMRT' 2Q24 revenue. While, AMRT' 2Q24 revenue from its stores in Java region' (excluding Jabodetabek) reached IDR11.2 tn (+7% yoy/-0.8% qoq), which remained as the biggest contributor to AMRT' 2Q24 revenue. AMRT' outside Java region contributed IDR10.7 tn (+14.3% yoy/+7.2% qoq) and its Jabodetabek region contributed IDR8 tn (+2% yoy/-0.8% qoq), in 2Q24. As a result, AMRT' 1H24 revenue grew 10% yoy on 649 new additional stores and 2 mn new members, which also came in-line with ours' (50.1%) but below cons' (49.4%).

2Q24' net margin maintained, on higher other income

AMRT' gross margin was at 21.4% (+70bps yoy/-40bps qoq) in 2Q24 due to an 8.0% yoy higher sales on products with better margin, while its qoq gross margin contraction was due to softer sales growth (+1.9% qoq) as consumers' spending was higher during Eid Fitr than Eid Adha. Unfortunately, AMRT' EBIT margin was contracted by 10bps yoy/qoq, in 2Q24 dragged down by its Jabodetabek' stores EBIT margin that contracted 60bps yoy/50bps qoq due to the region' softer sales growth (+2% yoy/-0.8% qoq) with higher opex as the company gave annual Eid' bonus to its employees. Unlike AMRT Jabodetabek' stores, its stores in Java (excl jabodetabek) and outside Java, both still booked EBIT margin expansion yoy in 2Q24 as higher sales growth with lower opex, yoy. Fortunately, thanks to a 7% yoy/9.1% qoq higher other income, AMRT' earnings reached IDR904 bn (+8% yoy/+1.5% qoq) in 2Q24 and maintained a 3% net margin. All in all, AMRT' 1H24 earnings grew 11.3% yoy to IDR1.79 tn, which came at 44.6% of ours' '24F earnings, but below consensus' (42.6%). Note that, historically, AMRT' 1H earnings achievement was around 44% to 45% of its full year' earnings.

Maintain BUY with TP of IDR3,500

Maintain BUY on AMRT with TP of IDR 3,500/share, which implies 36.1x '24F PE due to AMRT' good 1H24 results and our expectation on another AMRT' good performance in 2H24F. All in all, we still expect AMRT' revenue and earnings to grow by 10.6% yoy and 18.3% yoy in '24F on higher sales (food and non-food), other income, with better cost management. Currently, AMRT is trading at 28.9x '24F PE or slightly above its 5 years' mean PE.

Exhibit 1: Key Statistics

Year end Dec	2022A	2023A	2024F	2025F	2026F
Revenue (IDR bn)	96,925	106,945	118,281	131,173	146,914
EBITDA (IDR bn)	6,063	6,943	8,348	9,528	10,742
Net profit (IDR bn)	2,855	3,404	4,026	4,774	5,420
EPS (IDR)	69	82	97	115	130
EPS growth (%)	48.3%	19.2%	18.3%	18.6%	13.5%
ROE (%)	27.3	25.0	24.3	25.9	26.4
ROA (%)	9.8	10.5	11.3	12.3	12.7
PER (x)	41.3	34.7	29.3	24.7	21.8
PBV (x)	10.5	8.2	7.3	6.5	5.9
EV/EBITDA (x)	19.3	16.7	13.5	11.5	10.0
Div Yield (%)	0.8	1.5	2.0	2.4	2.8

Source: Company, KBVS Research

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Exhibit 2: AMRT 1H24 results

AMRT 1H24 Results (IDRbn)	1H24	1H23	YoY	2Q24	2Q23	YoY	1Q24	QoQ to '24F	Cons'
Revenue	59,219	53,834	10.0%	29,894	27,667	8.0%	29,326	1.9%	50.1% 49.4%
Food	42,154	38,410	9.7%	20,829	19,678	5.9%	21,325	-2.3%	
Non-food	17,065	15,423	10.6%	9,065	7,989	13.5%	8,001	13.3%	
COGS	(46,445)	(42,398)	9.5%	(23,509)	(21,927)	7.2%	(22,937)	2.5%	
Gross profit	12,774	11,436	11.7%	6,385	5,740	11.2%	6,389	-0.1%	49.3% 48.7%
Operating expenses	(11,017)	(9,850)	11.9%	(5,509)	(4,922)	11.9%	(5,508)	0.0%	
Operating profit	1,757	1,586	10.7%	876	818	7.0%	881	-0.6%	45.1% 35.3%
Other income	609	565	7.9%	284	279	1.6%	325	-12.8%	
Other expenses	(48)	(42)	14.8%	6	27	-78.3%	(54)	-110.9%	
Profit before tax	2,325	2,046	13.6%	1,172	1,062	10.4%	1,152	1.7%	45.3% 44.2%
Tax expense	(465)	(398)	16.6%	(234)	(206)	13.6%	(231)	1.2%	
Minority interest	66	35	88.0%	35	20	75.5%	31	10.7%	
Net profit	1,794	1,613	11.3%	904	837	8.0%	890	1.5%	44.6% 42.6%

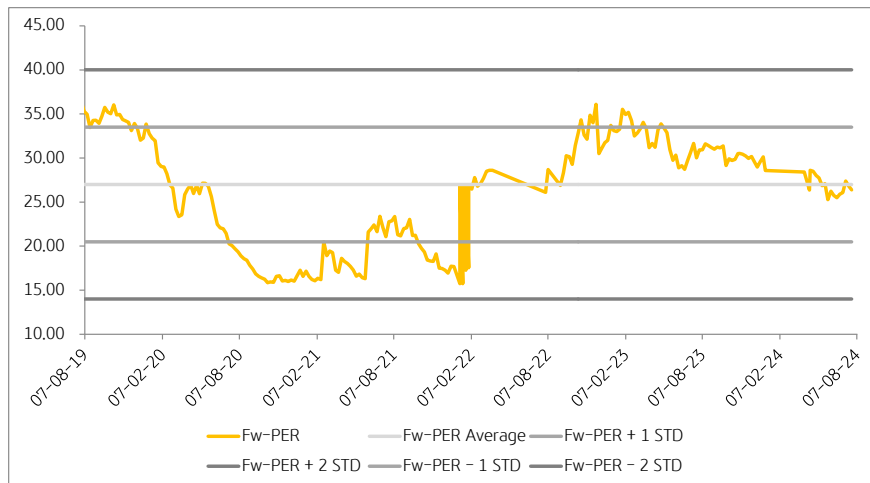
Margins (%)

Gross margin	21.6	21.2		21.4	20.7		21.8
Operating margin	3.0	2.9		2.9	3.0		3.0
Pretax margin	3.9	3.8		3.9	3.8		3.9
Net margin	3.0	3.0		3.0	3.0		3.0

AMRT 1H24 Results (IDRbn)	1H24	1H23	YoY	2Q24	2Q23	YoY	1Q24	QoQ
Jabodetabek								
Revenue	16,131	15,316	5.3%	8,032	7,872	2.0%	8,099	-0.8%
Operating profit	496	549	-9.6%	228	269	-15.3%	268	-15.0%
Operating margin	3.1%	3.6%		2.8%	3.4%		3.3%	
Java (excluding Jabodetabek)								
Revenue	22,395	20,555	9.0%	11,154	10,423	7.0%	11,241	-0.8%
Operating profit	1,352	1,234	9.5%	684	627	9.1%	668	2.3%
Operating margin	6.0%	6.0%		6.1%	6.0%		5.9%	
Outside Java								
Revenue	20,693	17,963	15.2%	10,708	9,372	14.3%	9,985	7.2%
Operating profit	1,296	1,112	16.5%	668	565	18.1%	628	6.3%
Operating margin	6.3%	6.2%		6.2%	6.0%		6.3%	

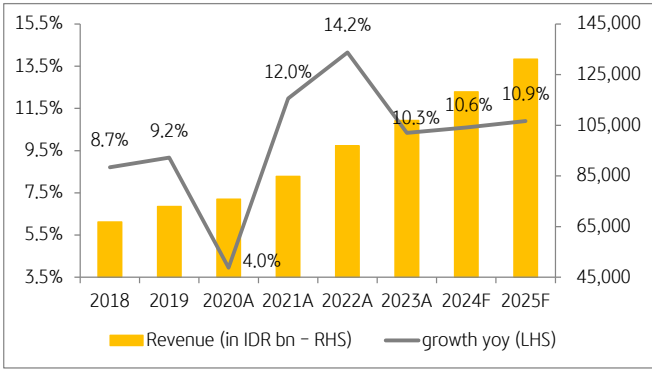
Source: Company, KBVS Research

Exhibit 3: AMRT PE Band



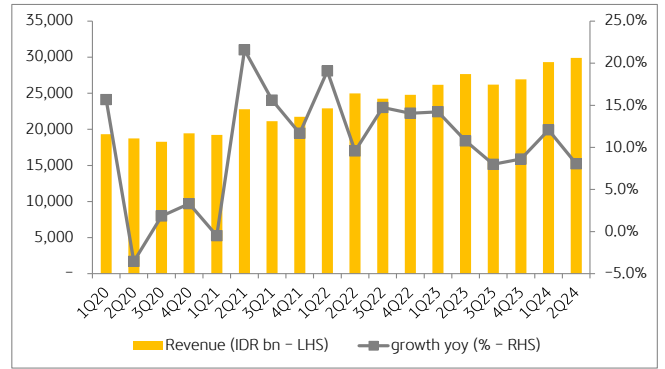
Source: Company, KBVS Research

Exhibit 4: Revenue and growth yoy



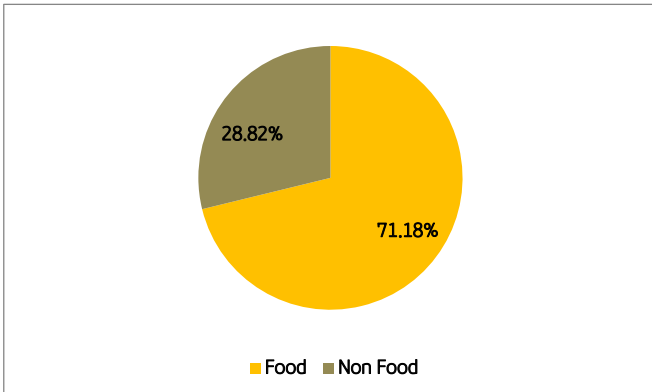
Source: Company, KBVS Research

Exhibit 5: Revenue and growth yoy, each quarter



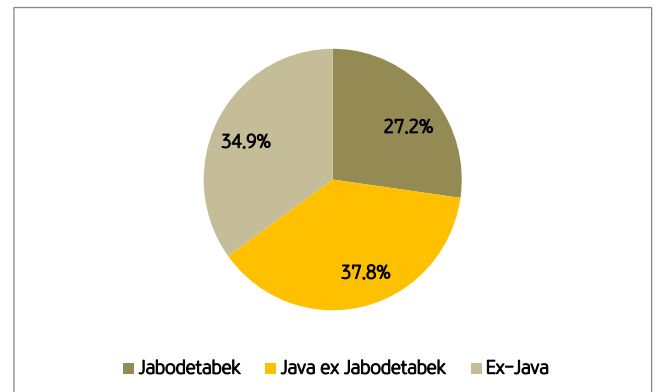
Source: Company, KBVS Research

Exhibit 6: Revenue contribution from food and non-food in 1H24



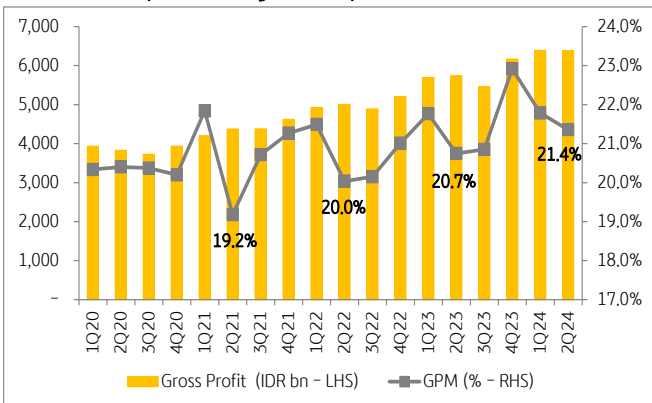
Source: Company, KBVS Research

Exhibit 7: Revenue contribution based on area in 1H24



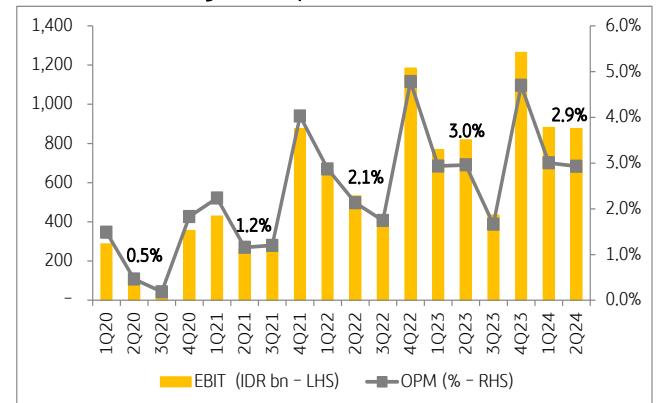
Source: Company, KBVS Research

Exhibit 8: Gross profit & margin, each quarter



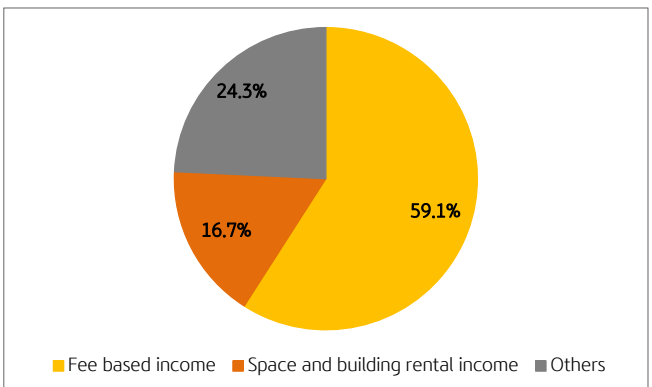
Source: Company, KBVS Research

Exhibit 9: EBIT & margin, each quarter



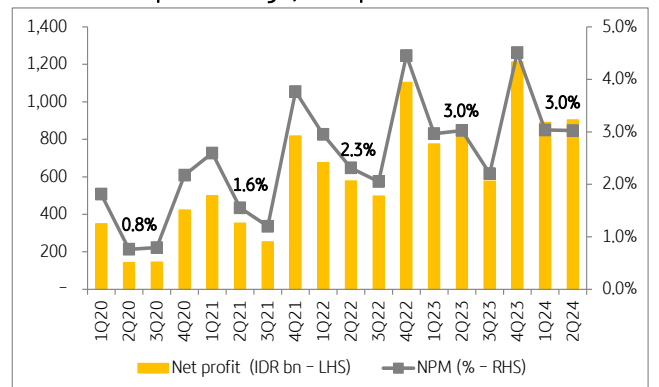
Source: Company, KBVS Research

Exhibit 10: Contribution to AMRT' other income



Source: Company, KBVS Research

Exhibit 11: Net profit & margin, each quarter



Source: Company, KBVS Research

Exhibit 12: Profit & loss summary

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Revenue	96,925	106,945	118,281	131,173	146,914
COGS	76,902	83,879	92,350	101,955	114,087
Gross profit	20,022	23,066	25,931	29,219	32,827
Operating expenses	17,225	19,780	22,033	24,590	27,647
EBIT	2,798	3,286	3,897	4,629	5,179
EBITDA	6,063	6,943	8,348	9,528	10,742
Pre-tax profit	3,617	4,333	5,133	6,068	7,038
Net profit	2,855	3,404	4,026	4,774	5,550
EPS	69	82	97	115	134
EPS growth	48%	19%	18%	19%	16%

Source: Company, KBVS Research

Exhibit 13: Balance sheet

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	3,819	4,075	6,996	9,032	11,028
Accounts receivables	2,163	2,571	2,628	2,915	3,265
Inventories	9,128	10,094	10,615	11,456	12,537
Others	555	586	648	719	805
Total current assets	15,664	17,326	20,888	24,122	27,635
Fixed assets - Net	7,204	8,053	8,479	9,394	10,446
Others	7,878	8,868	7,746	7,144	6,453
Total non-current assets	15,082	16,920	16,225	16,539	16,899
Total assets	30,746	34,246	37,113	40,660	44,534
ST borrowing	446	63	63	63	-
Current maturities of LT borrowings	1,434	1,193	713	271	-
Accounts payable	10,489	10,983	11,840	13,071	14,627
Others	5,021	5,025	5,530	6,105	6,832
Total current liabilities	17,389	17,263	18,146	19,510	21,459
LT borrowing	1,177	606	474	505	-
Others non-current liabilities	709	672	1,065	1,181	1,322
Total non-current liabilities	1,886	1,278	1,538	1,685	1,322
Total liabilities	19,276	18,541	19,684	21,195	22,781
Shareholders equity	2,895	2,895	2,895	2,895	2,895
Minority interests	249	1,232	1,312	1,393	1,473
Retained earnings	8,754	11,159	12,802	14,758	16,966
Others	(428)	419	419	419	419
Total Equity	11,471	15,705	17,429	19,465	21,754
Total Liabilities & Equity	30,746	34,246	37,113	40,660	44,534

Source: Company, KBVS Research

Exhibit 14: Cash flow

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
EBIT	2,798	3,286	3,897	4,629	5,179
D&A	3,266	3,657	4,451	4,899	5,562
Changes in working capital	440	(945)	1,114	725	906
Interest & taxes	(145)	(87)	(87)	(87)	75
Others	261	209	1,329	1,531	1,786
Operating cash flow	5,909	5,271	9,678	10,483	12,101
Capital expenditures	(4,007)	(4,505)	(4,878)	(5,814)	(6,614)
Changes in ST investment	(440)	8	0	0	0
Others	673	862	215	(71)	(86)
Investing cash flow	(4,485)	(4,570)	(3,762)	(5,217)	(5,925)
Changes in LT borrowings	323	(813)	(612)	(412)	(775)
Changes in ST borrowings	(333)	(383)	-	-	(63)
Cash dividends paid	(1,000)	(1,713)	(2,383)	(2,818)	(3,342)
Others	(85)	1,750	-	-	-
Financing cash flow	(875)	(445)	(2,994)	(3,230)	(4,180)
Net change in cash	549	256	2,922	2,036	1,996
Cash in beginning of the year	3270	3819	4075	6996	9032
Cash at the end of the year	3,819	4,075	6,996	9,032	11,028

Source: Company, KBVS Research

Exhibit 15: Ratio analysis

Year End Dec	2022A	2023A	2024F	2025F	2026F
Growth					
Revenue	14.2%	10.3%	10.6%	10.9%	12.0%
Gross profit	13.9%	15.2%	12.4%	12.7%	12.3%
Operating profit	53.6%	17.4%	18.6%	18.8%	11.9%
EBITDA	22.2%	14.5%	20.2%	14.1%	12.7%
Net profit	48.3%	19.2%	18.3%	18.6%	13.5%
Profitability (%)					
Gross margin	20.7%	21.6%	21.9%	22.3%	22.3%
Operating margin	2.9%	3.1%	3.3%	3.5%	3.5%
EBITDA margin	6.3%	6.5%	7.1%	7.3%	7.3%
Net margin	2.9%	3.2%	3.4%	3.6%	3.7%
ROA	9.8%	10.5%	11.3%	12.3%	12.7%
ROE	27.3%	25.0%	24.3%	25.9%	26.4%
Solvency (x)					
Current ratio	0.90	1.00	1.15	1.24	1.28
Quick ratio	0.38	0.42	0.57	0.65	0.70
Debt to equity	0.27	0.13	0.08	0.05	-
Interest coverage	33.09	42.71	51.36	58.62	66.09
Net gearing	(0.20)	(0.24)	(0.40)	(0.47)	(0.54)

Source: Company, KBVS Research

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