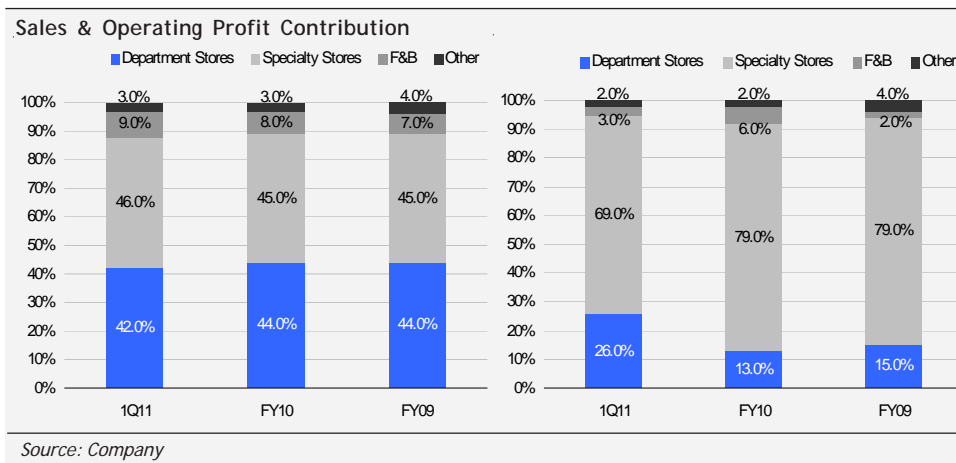


MAPI: The Shoppers World

MAPI reported Rp43.8bn net profit in 1Q11, grow 45% YoY. Revenue increase 21% YoY to Rp1.3tr support by 10% SSG and contribution of new stores which opened since Aug'10. GPM reach 49.5% from 48.3% in 1Q10. Department store show an improve margin after the closure of Harvey Nichols. Historically, GPM show it lowest point in 1Q due to end of season sale that held by the company. MAPI show 29% return since our last notes published.



During our visit, management elaborates the Krispy Kreme acquisition which became public concern a few weeks ago. MAPI pay Rp75bn to acquire PT Premier Doughnut Indonesia (PDI) as Krispy Kreme franchisee from PT Lumbung Nusantara and PT Resource Java. Krispy Kreme only owned Rp33bn net assets, creating Rp42bn goodwill. From external point of view, it sounds quite expensive. But, MAPI's management clarify that the ex-owner will return the goodwill if in 4 years EBITDA do not catch up with the goodwill value. Krispy Kreme performance itself show an improve performance under company's management, NPM reach 7% compare to 1% before the acquisition.

Related with goodwill matters, there is a new accounting policy in accordance with changes in PSAK 22. Starting from 2011, goodwill should not be amortized anymore, and instead it should be impaired if the book value higher than market value, after doing the future cash flow tests. This is positive impact for MAPI, since company amortized Rp18bn of goodwill expense annually. Moreover, related with the goodwill impairment test, it should be lower than the amortize cost, since it is guaranteed by its previous owner as described above.

Facing the 2Q11, we believe MAPI can deliver for another beauty signature. Preparation for back to school may boost their shoes sales. MAPI also has just launched one of the famous shoes brands in US, Payless. Through this brand, company strengthens its position as a middle class leader in the shoe retail space.

Valuation and Recommendation

We adjusted our GPM margins and goodwill amortization assumptions in our model, raising our TP for MAPI from Rp3278/shr to Rp3712/shr, representing 6.8% upside. The TP also reflects 20.1x 2011 PE, in the back of 52% 2011 EPSg. Consensus TP for end of 2011 is Rp3565/shr. Hold.

PT Trimegah Securities Tbk
18thFl, Artha Graha Building
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190, INDONESIA
Tel : (6221) 2924-9088 Fax : (6221) 2924-9163

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