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Sumber Alfaria Trijaya

Flash Note

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AMRT Takeaways

40% Market Share of Minimarkets

AMRT's modern trade (mostly minimarkets) business are: Alfamart, Alfamidi, Alfa Express, and Lawson (convenience store). Market share of Alfamart group (YTD March 2014) almost reaches 40% of total minimarkets and around 25% of total modern trade in Indonesia. Existing outlets (up to March 2014): 8,845 Alfamart outlets and 741 outlets in MIDI (Alfamidi 611, Alfa Express 68, Lawson 62).

Outer Java Stores' Logistic Challenge

We visited AMRT to figure out why days of inventory goes higher to 52 days (1H14 +6.6%YoY; FY 2013 +9.9%YoY). The company concurred about the higher days of inventory situation and currently in progress of improving their inventory management to solve challenges, such as more difficult logistic for stores at outer Java (compared to logistic for Java Island), minimum level of order's quantity set by the vendors, and not all AMRT's suppliers have reliable local distributors. For 2014E, Alfamart targets inventory days of less than 40 days.

Top best seller: Milk for toddler and children

Top 4 best seller products in Alfamart stores are: 1. Milk for toddler and children, 2. cigarettes, 3. cooking oil, and 4. mobile phone vouchers. Other product that has double digit growth for the last 5 years is personal care (especially grooming) products.

Lower 1H14 SSSG to Last Year

Alfamart's SSSG of ~7.4% this June was lower compared to same period last year (~12-13%) and mostly driven by the price increase from vendor. The SSSG was lower due to relatively weak sales during Jan-May 2014 when heavy rain, flood, and volcano eruption occurred. Moreover, customer has lower buying power and affordability caused by higher price (IDR/USD depreciation). In 2019-13, AMRT's revenue and EBITDA grew 32.8% and 39.6% CAGR respectively. AMRT is traded at 34.2x 14 PE and 27.4x 2015PE.



Not Rated

Company Update

Share Price	500
Sector	Retail

Stock Data

Reuters Code	AMRT.JK
Bloomberg Code	AMRT.IJ
Issued Shares (m)	37,750
Mkt Cap (Rpbn)	18,875
Average Daily T/O (m)	1.6
52-Wk range	Rp630 / Rp428

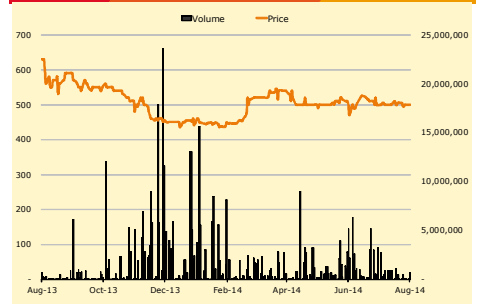
Major Shareholders

PT Sigmantara Alfindo	54.0%
Public	46.0%

Companies Data

	2011	2012	2013	6M13	6M14
Revenues (Rp bn)	18,227	27,177	34,897	15,601	19,292
Gross profit (Rp bn)	2,821	4,388	6,319	2,727	3,415
Operating profit (Rp bn)	431	595	761	203	233
Net profit (Rp bn)	361	481	538	151	120
Gross profit margin (%)	15.5%	16.1%	18.1%	17.5%	17.7%
Operating profit margin (%)	2.4%	2.2%	2.2%	1.3%	1.2%
Net profit margin (%)	2.0%	1.8%	1.5%	1.0%	0.6%

Stock Price



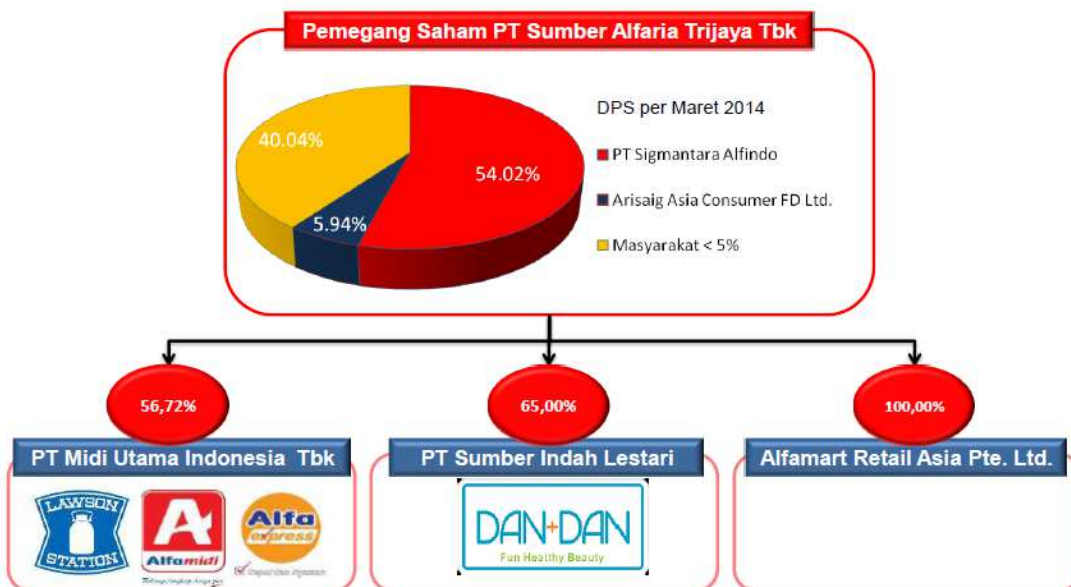
Expansion to Outside Java

As of March 2014, AMRT has around 16% of Alfamart stores outside Java (FY2013 15%; FY2012 11%) and targets in the next five years to have around 30% stores outside Java. This year, the company plans to open 1200 new Alfamart stores (50% franchise) with 70% in outside Java. AMRT’s management already said that AMRT’s future business expansion would be focus in outside Java island considering the market prospect there and less competition compared to Java island. In the next 3 years, AMRT would open more than 1000 Alfamart stores per year (~35% increase to total stores as of 2013). Composition of AMRT’s FY2013 revenue by geography: Java & Bali 88.2% and outside Java & Bali 12%. Related to the ability to grasp the potential growth in outer Java island, we like MPPA better as it already has 44.1% of its FY 2013 revenue and 55% of FY2013 EBITDA from outer Java area which further supported by its expansion focus to outer islands (at least 60% new locations outside Java).

JV Yamazaki as additional bread supplier

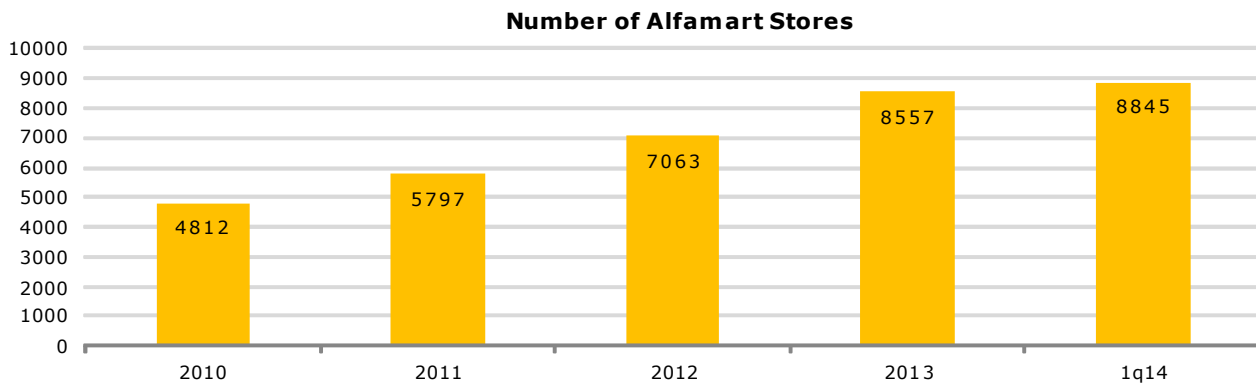
Regarding JV Yamazaki (bread business), according to the company, breads products from the JV would be supplied for the Alfamart stores, but Alfamart still plans to sell breads from ROTI (unsold items returnable) as another bread suppliers.

Figure 1. AMRT’s Structure (as of March 2014)



Source: AMRT

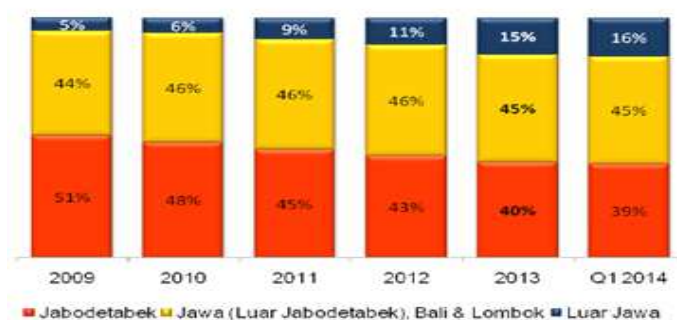
Figure 2. Number of Alfamart Stores



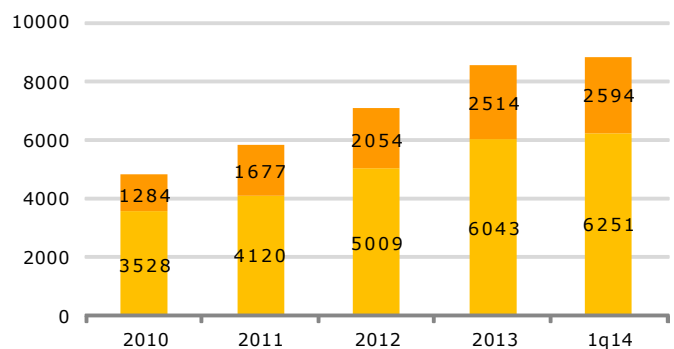
Source: AMRT

Figure 3. Alfamart Outlets' Composition by Geography and Own/Franchise

Outlets' Locations Based On Geography Area



Number of Alfamart Stores Franchise Owned



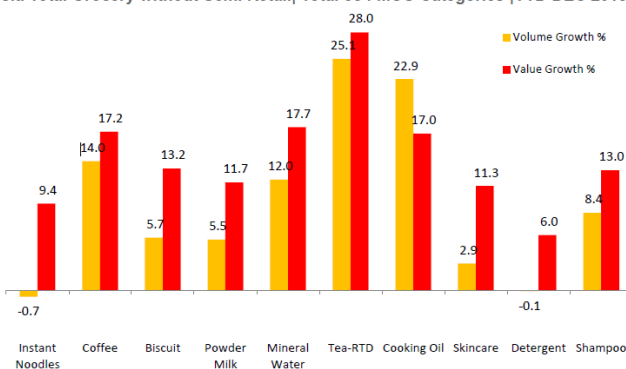
Source: AMRT

Figure 4. Top 10 FMCG Categories —Indonesia Total Grocery without Semi Retail 2013 vs. 2012

TOP 10 CATEGORIES (Volume Growth in %)

Among top 10 categories, RTD-Tea shows the highest growth both in value and volume, followed by Cooking Oil, Coffee and Mineral Water.

Indonesia Total Grocery without Semi Retail | Total 58 FMCG Categories | YTD DEC 2013 vs 2012



Source: AMRT & Nielsen

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