

Continuous business' expansion, despite in a political year

04 April 2024



AMRT IJ	BUY
Sector	Retail
Price at 2 Apr 2024 (IDR)	2,890
Price target (IDR)	3,500
Upside/Downside (%)	21.10

Stock Information

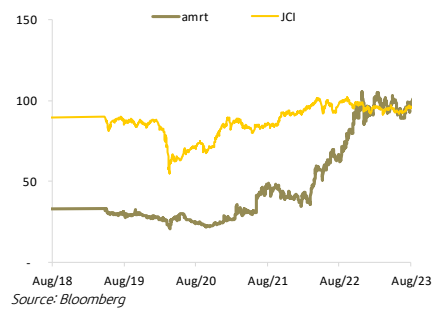
Sumber Alfaria Trijaya Tbk (AMRT) is one of Indonesia's leading minimarket players and has more than 18,000 stores spread out across Indonesia, such as; Alfamart, Alfamidi, Lawson, Dan-Dan and etc.

Market cap (IDR bn)	120,836
Shares outstanding (mn)	41,525
52-week range (IDR)	2,490-3,030
3M average daily vol. ('000)	30,095
3M average daily val. (IDR mn)	83,141

Shareholders (%)

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

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	6.6	2.8	(0.7)

We maintain our BUY recommendation on Sumber Alfaria Trijaya (AMRT) with TP of IDR3,500 (36.1x '24F P/E), partly due to AMRT' impressive performance in 2023, as the company recorded a double digit growth yoy on its topline and bottom-line with margin expansions yoy. Moreover, AMRT' market share continue to expand and has remained as the current leader in Modern Trade (MT) minimarket, on the back of its massive store' numbers with good product mix, better cost management and higher revenue contribution from its loyal members. Therefore, we expect AMRT revenue to grow by 10.6% yoy in '24F and its '24F net profit to grow by 18.3% yoy, with a 20bps yoy net margin expansion.

Continuous store openings with more active loyal members

AMRT opened a total of 1,843 new stores in 2023; a) 1,274 Alfamart stores, b) 482 Lawson stores, c) 65 Alfamidi stores and d) 26 Dan+Dan stores. Currently, AMRT already has a total of 22,310 stores spread out across Indonesia. Thanks to its massive store numbers, AMRT' market share in Indonesia and MT' minimarket grew by 90bps yoy and 200bps yoy, respectively in 2023. We expect AMRT will continue to expand its market share in '24F as the company plans to open around 1,450 new stores in total (includes 200 new stores with a store in store format). Although its new store openings' number is lower than last year' on the company' anticipation in a political year, we still expect AMRT would continue to grow its revenue by 10.6% yoy in '24F due to better purchasing power from low income segment' consumers, its massive store' numbers with more active loyal members. Note that, AMRT' total members reached 16 mn people (+40.1% yoy) in 2023, with active members around 10.8 mn people or around 68% of its total members.

Gross and EBIT margin could expand further in '24F

This year, we still think that AMRT could continue to grow its gross profit and EBIT, with margins expansion, yoy on both, amidst lesser store openings. We also view that AMRT' strategy to open 200 new stores with a store in store' format, could help AMRT to grow and expand further its gross profit and gross margin as the company could offer more products in a single store, such as Ready to Eat (RTE) an Ready to Drink (RTD) products that has better margin. At the same time, AMRT could reduce its capital expenditure' (capex) usage and its labour costs. Thus, we expect AMRT' gross profit and EBIT to grow by 12.4% yoy and 18.6% yoy, with both margins to expand by 30bps yoy and 20bps yoy, respectively in '24F, on better product mix and cost management.

Fee based income will continue to support '24F' earnings growth

Thus far, AMRT' fee based income, has supported its earnings growth yoy with a possibility of net margin expansion. Moreover, AMRT' fee based income grew 6.3% yoy to IDR685 bn in 2023. As a result, we expect AMRT' fee based income to grow by around 7% yoy in '24F due to higher numbers of its active members with more contributions.

A good performance in 2023

Last year, with a solid 4Q23' performance, AMRT' revenue grew 10.3% yoy to IDR106.95 tn in 2023, and was the highest revenue achievement by AMRT, thus far. AMRT' gross profit grew 15.2% yoy in 2023 with a 90bps yoy gross margin expansion, on better product mix. While, AMRT' EBIT grew 17.4% yoy in 2023 and its EBIT margin expanded by 20bps yoy, on better cost management, despite a 12.9% yoy higher opex in 2023. All in all, AMRT' earnings grew 19.2% yoy and net margin expanded by 30bps yoy, in 2023, which it came in-line with ours' (99%), but slightly lower than consensus (96%).

Maintain BUY with TP of IDR3,500

Maintain BUY on AMRT with TP of IDR 3,500/share, which implies 36.1x '24 P/E or around +1 stdv of 5 years mean P/E. We had incorporated AMRT' FY23 numbers, which also affected our '24F earnings. Yet, we still think AMRT' premium valuation is justified on a) its continuous business growth and margin expansion, b) in a net cash position since 2021, and c) its '24F-'25F' ROE is superior than peers' average ROE.

Exhibit 1: Key Statistics

Year end Dec	2021A	2022A	2023A	2024F	2025F
Revenue (IDR bn)	84,904	96,925	106,945	118,281	131,173
EBITDA (IDR bn)	4,963	6,063	6,943	8,348	9,528
Net profit (IDR bn)	1,926	2,855	3,404	4,026	4,774
EPS (IDR)	46	69	82	97	115
EPS growth (%)	81.4%	48.3%	19.2%	18.3%	18.6%
ROE (%)	22.1	27.3	25.0	24.3	25.9
ROA (%)	7.2	9.8	10.5	11.3	12.3
PER (x)	62.8	42.3	35.5	30.0	25.3
PBV (x)	13.1	10.8	8.4	7.5	6.7
EV/EBITDA (x)	24.3	19.8	17.1	13.8	11.8
Div Yield (%)	0.6	0.8	1.4	2.0	2.3

Source: Company, KBVS Research

Analyst

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Exhibit 2: AMRT' FY23 & 4Q23 results

AMRT FY23 Results (IDRbn)	FY23	FY22	YoY	4Q23	4Q22	YoY	3Q23	QoQ	% to '23F	% to Cons'
Revenue	106,945	96,925	10.3%	26,920	24,786	8.6%	26,191	2.8%	97.6%	97.7%
Food	75,658	67,334	12.4%	19,227	17,946	7.1%	18,021	6.7%		
Non-food	31,287	29,591	5.7%	7,693	6,840	12.5%	8,170	-5.8%		
COGS	(85,879)	(76,902)	9.1%	(20,751)	(19,578)	6.0%	(20,729)	0.1%		
Gross profit	23,066	20,022	15.2%	6,169	5,207	18.5%	5,461	13.0%	100.2%	99.2%
Operating expenses	(19,780)	(17,225)	14.8%	(4,904)	(4,023)	21.9%	(5,027)	-2.4%		
Operating profit	3,286	2,798	17.4%	1,265	1,185	6.7%	435	190.8%	96.2%	68.6%
Other income	1,232	1,047	17.7%	311	276	12.6%	356	-12.8%		
Other expenses	(89)	(74)	19.8%	(27)	(26)	4.1%	(19)	41.3%		
Profit before tax	4,333	3,617	19.8%	1,530	1,390	10.1%	756	102.4%	99.3%	96.4%
Tax expense	(848)	(710)	19.5%	(302)	(275)	9.7%	(148)	103.1%		
Minority interest	80	52	54.0%	15	11	42.4%	30	-49.5%		
Net profit	3,404	2,855	19.2%	1,213	1,104	9.9%	578	110.1%	98.9%	95.9%

Margins (%)

Gross margin	21.6	20.7		22.9	21.0		20.9			
Operating margin	3.1	2.9		4.7	4.8		1.7			
Pretax margin	4.1	3.7		5.7	5.6		2.9			
Net margin	3.2	2.9		4.5	4.5		2.2			

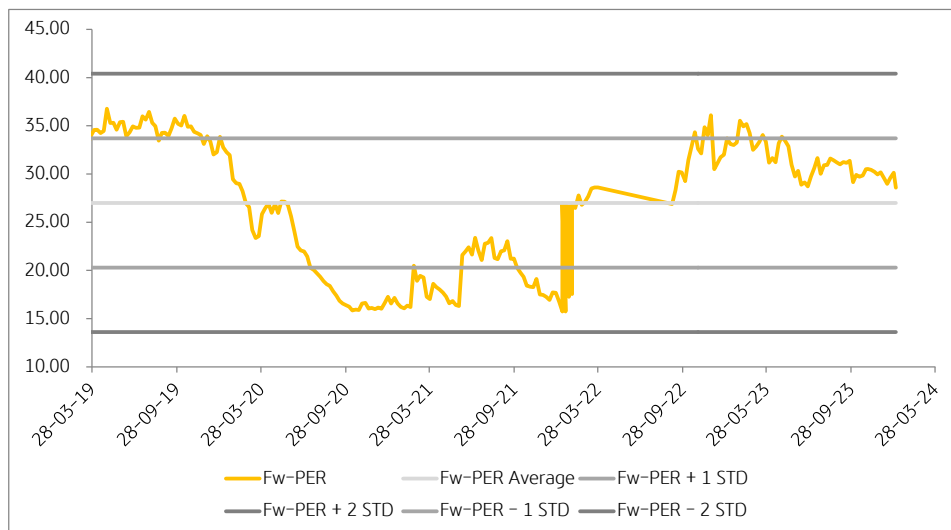
Source: Company, KBVS Research

Exhibit 3: Earnings Adjustment

Earnings adjustments (IDR bn)	New (IDR bn)		Previous (IDR bn)		Changes (%)	
	24F	25F	24F	25F	24F	25F
Revenue	118,281	131,173	124,858	139,841	-5.3%	-6.2%
Gross profit	25,931	29,219	26,664	29,962	-2.8%	-2.5%
Operating profit	3,897	4,629	4,332	4,926	-10.0%	-6.0%
Net Profit	4,026	4,774	4,274	4,881	-5.8%	-2.2%

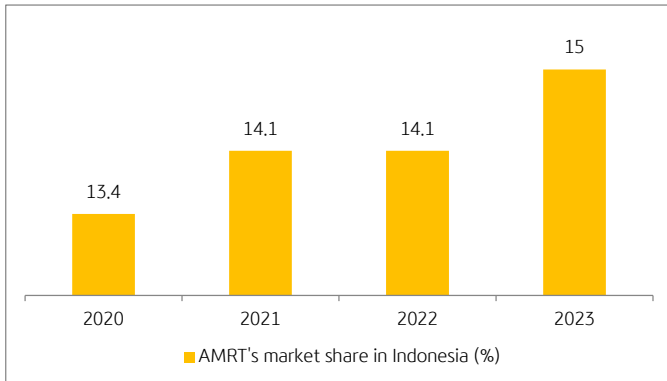
Source: Company, KBVS Research

Exhibit 4: AMRT' PE Band



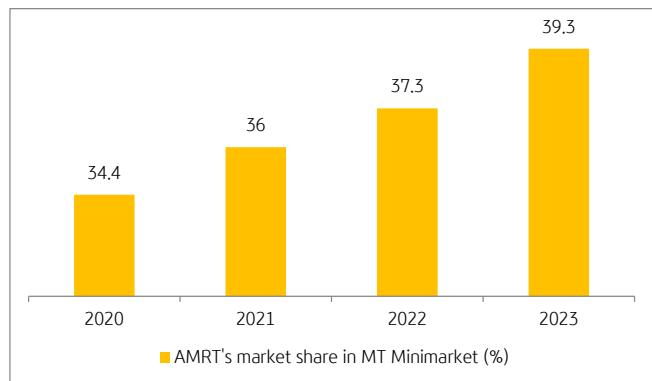
Source: Company, KBVS Research

Exhibit 5: AMRT' market share in Indonesia



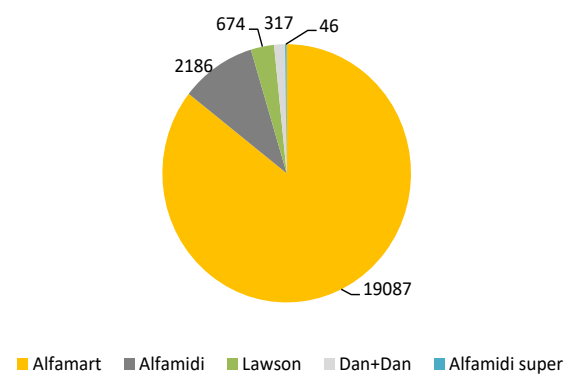
Source: Company, KBVS Research

Exhibit 6: AMRT' market share in MT minimarket



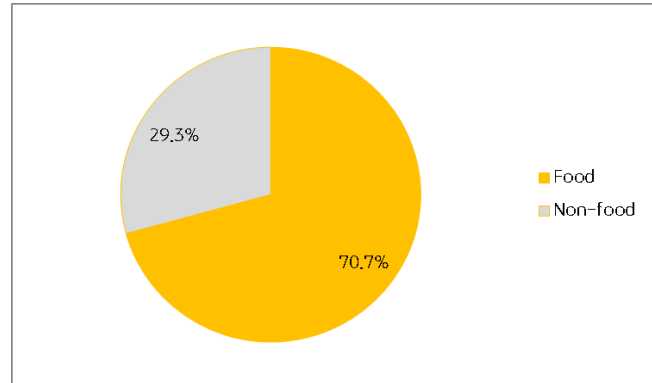
Source: Company, KBVS Research

Exhibit 7: AMRT' total stores in 2023



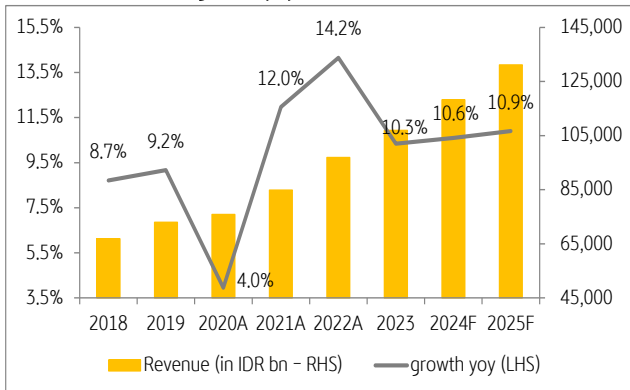
Source: Company, KBVS Research

Exhibit 8: Segment' revenue contribution



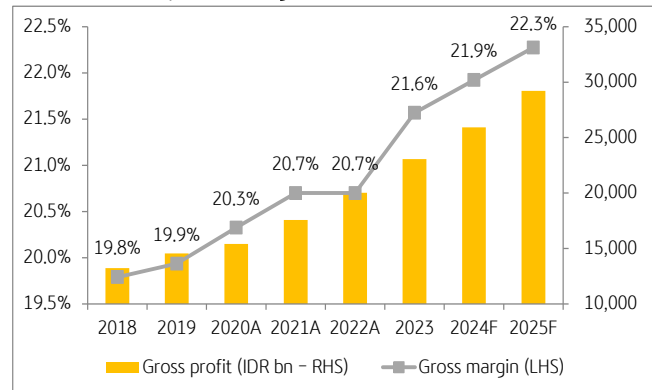
Source: Company, KBVS Research

Exhibit 9: Revenue & growth yoy



Source: Company, KBVS Research

Exhibit 10: Gross profit & margins

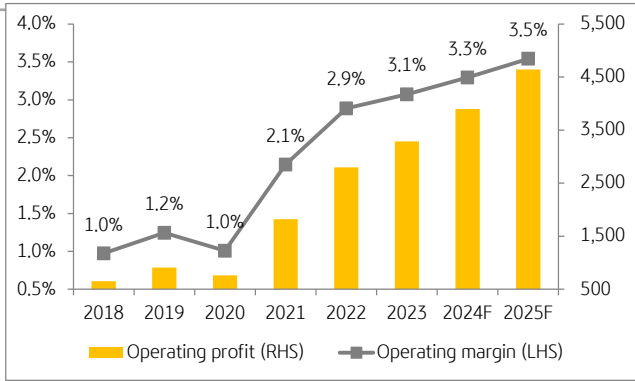


Source: Company, KBVS Research

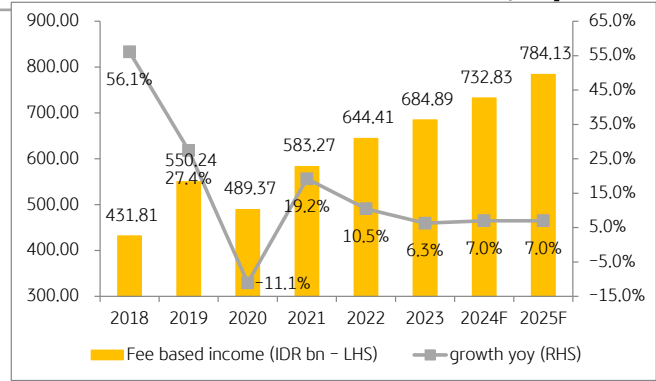
Exhibit 11: EBIT & margins

Exhibit 12: AMRT' fee based income & growth yoy

Sumber Alfaria Trijaya (AMRT)



Source: Company, KBVS Research



Source: Company, KBVS Research

Exhibit 13: Profit & loss summary

Year End Dec (IDR bn)	2021A	2022A	2023A	2024F	2025F
Revenue	84,904	96,925	106,945	118,281	131,173
COGS	67,330	76,902	83,879	92,350	101,955
Gross profit	17,575	20,022	23,066	25,931	29,219
Operating expenses	15,753	17,225	19,780	22,033	24,590
EBIT	1,822	2,798	3,286	3,897	4,629
EBITDA	4,963	6,063	6,943	8,348	9,528
Pre-tax income	2,442	3,617	4,333	5,133	6,068
Net profit	1,926	2,855	3,404	4,026	4,774
EPS	46	69	82	97	115
EPS growth	81%	48%	19%	18%	19%

Source: Company, KBVS Research

Exhibit 14: Balance sheet

Year End Dec (IDR bn)	2021A	2022A	2023A	2024F	2025F
Cash & cash equivalent	3,270	3,819	4,075	6,996	9,032
Accounts receivables	1,761	2,163	2,571	2,628	2,915
Inventories	8,755	9,128	10,094	10,615	11,456
Others	426	555	586	648	719
Total current assets	14,212	15,664	17,326	20,888	24,122
Fixed assets - Net	6,463	7,204	8,053	8,479	9,394
Others	6,696	7,878	8,868	7,746	7,144
Total non-current assets	13,158	15,082	16,920	16,225	16,539
Total assets	27,370	30,746	34,246	37,113	40,660
ST borrowing	779	446	63	63	63
Current maturities of LT borrowings	1,301	1,434	1,193	713	271
Accounts payable	9,754	10,489	10,983	11,840	13,071
Others	4,542	5,021	5,025	5,530	6,105
Total current liabilities	16,376	17,389	17,263	18,146	19,510
LT borrowing	987	1,177	606	474	505
Others non-current liabilities	579	709	672	1,065	1,181
Total non-current liabilities	1,566	1,886	1,278	1,538	1,685
Total liabilities	17,942	19,276	18,541	19,684	21,195
Shareholders equity	2,895	2,895	2,895	2,895	2,895
Minority interests	204	249	1,232	1,312	1,393
Retained earnings	6,679	8,754	11,159	12,802	14,758
Others	(351)	(428)	419	419	419
Total Equity	9,428	11,471	15,705	17,429	19,465
Total Liabilities & Equity	27,370	30,746	34,246	37,113	40,660

Source: Company, KBVS Research

Exhibit 15: Cash flow

Year End Dec (IDR bn)	2021A	2022A	2023A	2024F	2025F
EBIT	1,822	2,798	3,286	3,897	4,629
D&A	3,141	3,266	3,657	4,451	4,899
Changes in working capital	(279)	440	(945)	1,114	725
Interest & taxes	(261)	(145)	(87)	(87)	(87)
Others	636	261	209	1,329	1,531
Operating cash flow	4,579	5,909	5,271	9,678	10,483
Capital expenditures	(3,512)	(4,007)	(4,505)	(4,878)	(5,814)
Changes in ST investment	(86)	(440)	8	0	0
Others	152	673	862	215	(71)
Investing cash flow	(3,745)	(4,485)	(4,570)	(3,762)	(5,217)
Net change in LT borrowings	(863)	323	(813)	(612)	(412)
Net change in ST borrowings	(30)	(333)	(383)	-	-
Cash dividends paid	(780)	(1,000)	(1,713)	(2,383)	(2,818)
Others	(163)	(85)	1,750	-	-
Financing cash flow	(1,443)	(875)	(445)	(2,994)	(3,230)
Net change in cash	(608)	549	256	2,922	2,036
Cash in beginning of the year	3878	3270	3819	4075	6996
Cash at the end of the year	3,270	3,819	4,075	6,996	9,032

Source: Company, KBVS Research

Exhibit 16: Ratio analysis

Year End Dec	2021A	2022A	2023A	2024F	2025F
Growth					
Revenue	12.0%	14.2%	10.3%	10.6%	10.9%
Gross profit	14.0%	13.9%	15.2%	12.4%	12.7%
Operating profit	138.5%	53.6%	17.4%	18.6%	18.8%
EBITDA	35.9%	22.2%	14.5%	20.2%	14.1%
Net profit	81.4%	48.3%	19.2%	18.3%	18.6%
Profitability					
Gross margin	20.7%	20.7%	21.6%	21.9%	22.3%
Operating margin	2.1%	2.9%	3.1%	3.3%	3.5%
EBITDA margin	5.8%	6.3%	6.5%	7.1%	7.3%
Net margin	2.3%	2.9%	3.2%	3.4%	3.6%
ROA	7.2%	9.8%	10.5%	11.3%	12.3%
ROE	22.1%	27.3%	25.0%	24.3%	25.9%
Solvency (x)					
Current ratio	0.87	0.90	1.00	1.15	1.24
Quick ratio	0.33	0.38	0.42	0.57	0.65
Debt to equity	0.33	0.27	0.13	0.08	0.05
Interest coverage	15.41	33.09	42.71	51.36	58.62
Net gearing	(0.16)	(0.20)	(0.24)	(0.40)	(0.47)

Source: Company, KBVS Research

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