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1703.1 • MPPA.JK

# Company Presentation

hypermart · SmartClub TRADER WHOLESALE · FOODMART PRIMO · foodmart fresh · boston health & beauty · fmx FOODMARTXPRESS

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# Overview of MPPA Retail

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SmartClub TRADER WHOLESALE
FOODMART PRIMO
foodmart fresh
boston health & beauty
fmx FOODMARTXPRESS

## Vision

To be the no.1 multi-format retailer in Indonesia

## Mission

To deliver Sustainable Sales/Profit Growth by creating a World Class Retailer with format and technological leadership through a focus on the development of Human Capital and Systematized, Relevant Business Practices

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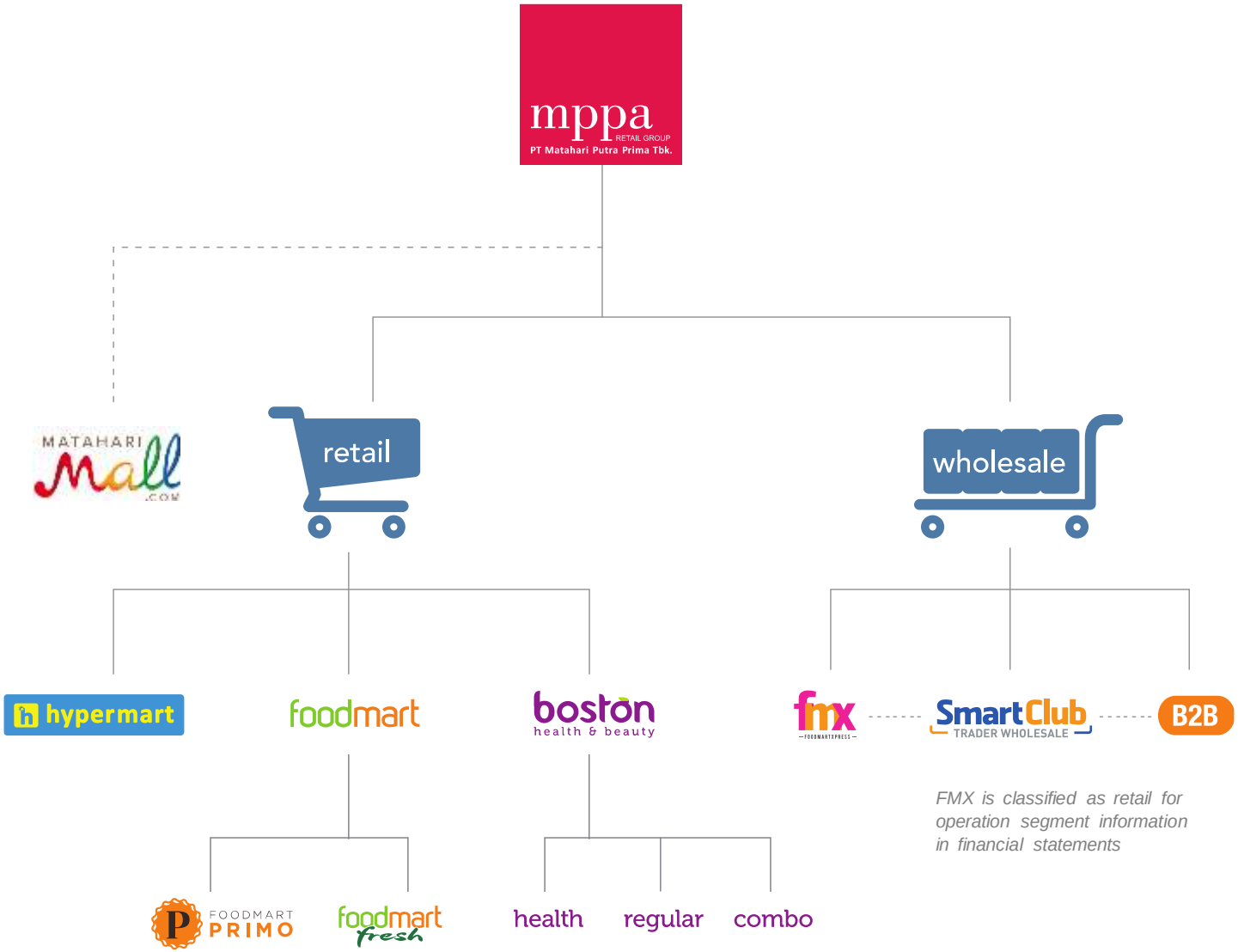
# MPPA Clear Strategy to Leverage Multi-format Market Condition




*FMX is classified as retail for operation segment information in financial statements*

# Clear Strategy: Multi-formats Definition

## hypermart

| | |
|---|---|
| No of stores[(a)] | 115 stores |
| Average store size (sqm) | ± 5,939 |
| Number of products | 26,000 – 31,000 |
| Product selection | Fresh food, grocery, non-food & electronics |
| Target customers | Middle income |

Contributed ± **76.8%** of total revenue

## SmartClub TRADER WHOLESALE — B2B

| | |
|---|---|
| No of stores[(a)] | 3 stores |
| Average store size (sqm) | ± 7,960 |
| Number of products | 11,000 |
| Product selection | Fresh food, grocery, non-food & Horeca equipment |
| Target customers | Horeca, retailers, resellers, offices & institutions |

Contributed ± **16.3%** of total revenue

## FOODMART PRIMO — foodmart fresh

| | |
|---|---|
| No of stores[(a)] | 26 stores |
| Average store size (sqm) | ± 1,764 |
| Number of products | 10,000 – 15,000 |
| Product selection | Fresh food, grocery & non-food |
| Target customers | Middle to high income |

Contributed ± **5.9%** of total revenue

## boston health & beauty

| | |
|---|---|
| No of stores[(a)] | 109 stores |
| Average store size (sqm) | ± 79 |
| Number of products | 1,300 – 3,000 |
| Product selection | Health, vitamins and beauty products |
| Target customers | Middle income |

Contributed ± **0.5%** of total revenue

## fmx — FOODMARTXPRESS

| | |
|---|---|
| No of stores[(a)] | 46 stores |
| Average store size (sqm) | ± 139 |
| Number of products | 2,500 – 4,000 |
| Product selection | Ready to Eat, Food and Drinks |
| Target customers | Middle to high income |

Contributed ± **0.5%** of total revenue

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# Key Investment Highlights

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# Key Investment Highlights

- MPPA is the fastest growing multi-format retailer in Indonesia
- Our targeted customer is the fast growing middle income class
- Extensive and attractive nationwide store footprint
- Efficient logistics platform driving productivity improvement
- Established customer loyalty program
- Localized assortment supporting flavors and ethnicity of region

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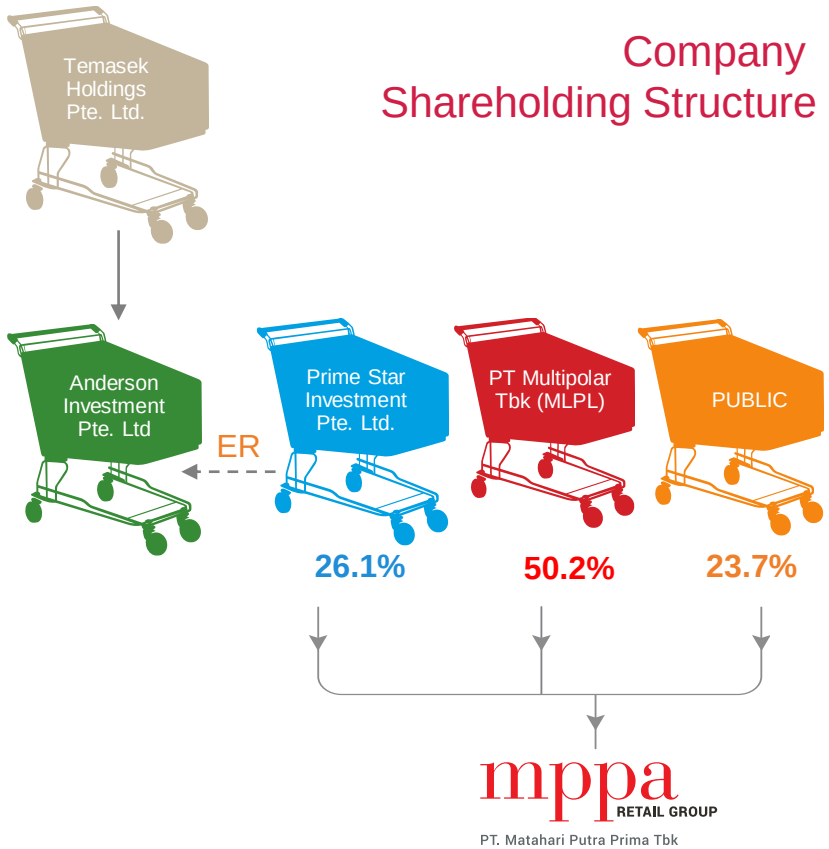
# Key Investment Highlights (continued)

- **Consistent growth results in Indonesia**
  Market cap of IDR 7.9 tn (US$ 604 mn) as of December 31, 2016
- **Results in FY2016**
  Sales of Rp13.5 trillion and positive Net Income of Rp38.5 billion
- **Proven asset light business model**
  Scalable for rapid growth
- **Operating 299 stores in 73 cities**
- **Entering into the traditional trade**
- **Strong and stable management team**

* Net Sales • Source : Company Data, Fact Set

## Company Shareholding Structure




In January 2013, PT. Multipolar Tbk (MLPL), the Company's major shareholder, through its wholly-owned subsidiary, Prime Star Investment Pte. Ltd. issued Exchangeable Rights (ER) in principle value of USD 300 million that are fully subscribed by Anderson Investments Pte. Ltd., a subsidiary of Temasek Holdings (Private) Limited. The ER are exchangeable in full and not in part for such number of shares representing 26.1% of the issued and outstanding shares of MPPA.

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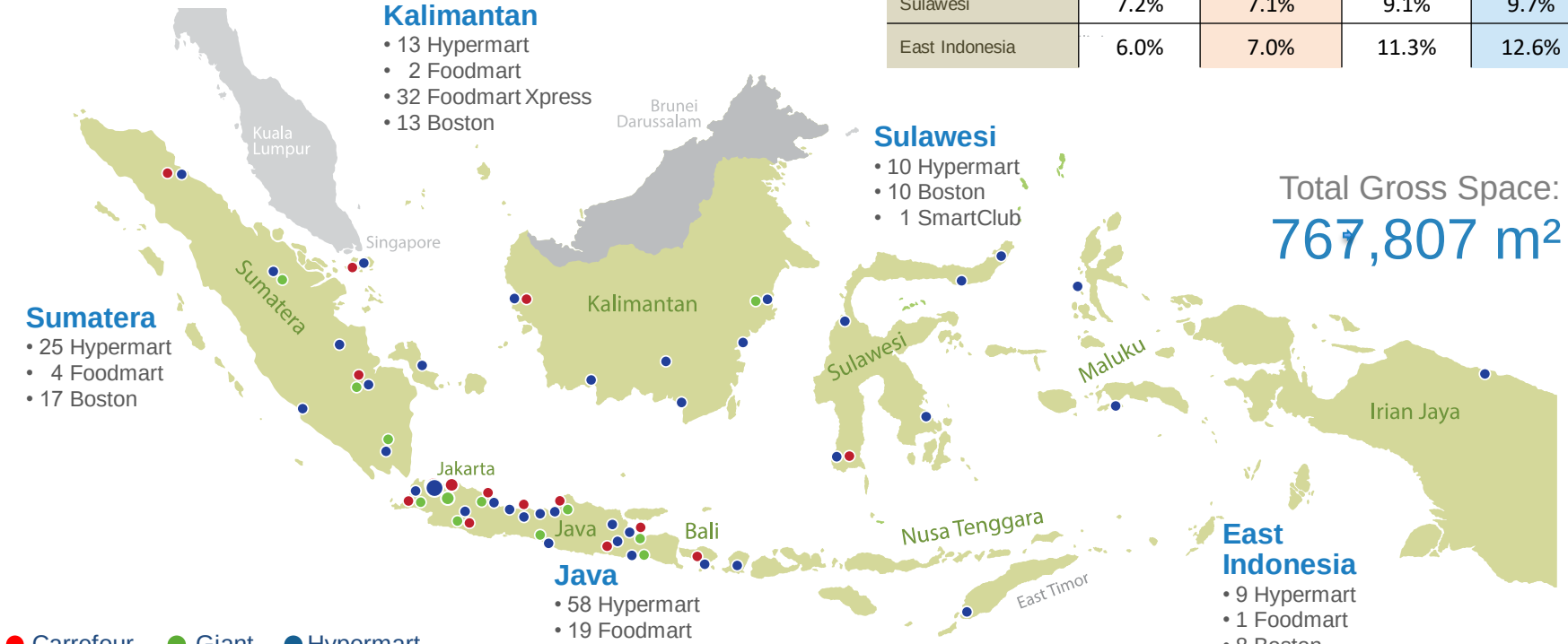
# Extensive and Attractive Nationwide Store Footprint

- **Over 60% of new stores in 2016 will be opened in outer islands**
- Focus on penetration outside Java where there is less competition and typically higher profitability
- Maximize utilization of the superior logistics infrastructure and distribution process to cater to these markets ahead of our competitors

| | Sales contribution[a] | | EBITDA contribution[a] | |
|---|---|---|---|---|
| **Region** | **2015** | **2016** | **2015** | **2016** |
| Greater Jakarta | 31.0% | 31.9% | 26.5% | 30.5% |
| Java | 27.5% | 27.7% | 24.3% | 23.8% |
| Sumatera | 17.0% | 15.5% | 13.8% | 11.7% |
| Kalimantan | 11.3% | 10.9% | 15.0% | 11.7% |
| Sulawesi | 7.2% | 7.1% | 9.1% | 9.7% |
| East Indonesia | 6.0% | 7.0% | 11.3% | 12.6% |




(a) As of 31 December 2016 • Source: Company Data

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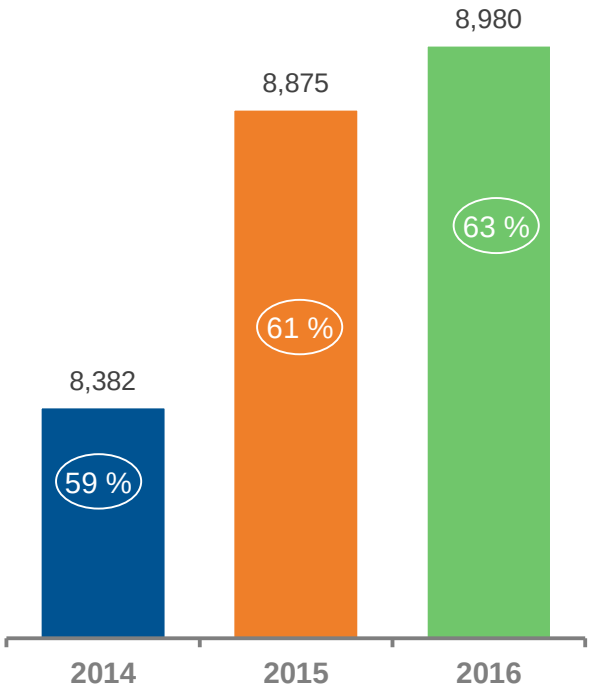
# Efficient Logistics Platform in Place for Rapid Expansion Across Indonesia

## DC Throughput (IDR bn)




Logistics net cost is **1.0**% of sales

As of 31 December 2016 • Source: Company Data

## Segmentation of Distribution Centers

| | Dry Goods | | Fresh |
|---|---|---|---|
| Location | Balaraja | Surabaya | Cibitung |
| **Space** | **41,806 m²** | **16,072 m²** | **8,085 m²** |
| Capacity | 43,000 pps | 16,072 pps | 8,251 pps |
| **No of SKUs** | **13,000** | **5,700** | **1,400** |
| WMS | Manhattan | Manhattan | Manhattan |

pps = palette positions

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# Established customer loyalty program

## Established customer loyalty program

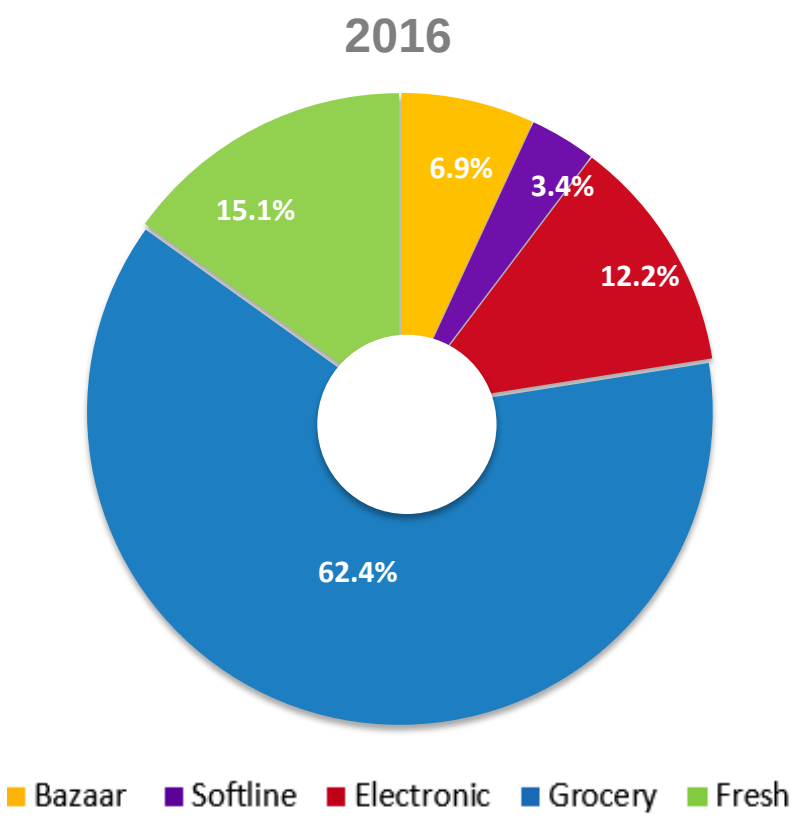
- More than 4.3million members with average of Rp336k per transaction per day
  - Basket size is 60% more for Hicard holders
  - Discounts of 5 to 15%
  - Additional benefits with discounts for services and restaurants

As of 31 December 2016 • Source: Company Data

# Strength in Assortment and Category Dominance

## Contribution to Sales

Flexibility to customize product offering on a store by store basis, which is important for Indonesia given its regional variations in consumption patterns across the archipelago




As of 31 December 2016 • Source: Company Data

## Top 10 Suppliers

### Grocery Products

Unilever, WINGS, FRISIAN FLAG, Nestlé, Indofood, Coca-Cola, unicharm, P&G, KALBE, NUTRICIA

### All Products

Unilever, SAMSUNG, WINGS, Nestlé, NUTRICIA, KALBE, Coca-Cola, Indofood, unicharm, SHARP

# Proven Asset Light Business Model Scalable for Rapid Growth

**Asset Light Cash Generative**

- Asset-light business model with 100% of stores leased
- Self-funding working capital
- **Limited capital expenditure requirements**
  **Capital expenditure of ~4-5% of sales**

- Fully leased store base enables rapid opening of new stores
- Fast payback and attractive returns
- **New stores typically cash flow positive in first year**
- **Average repayment period of capital investments within 5 years**
- Operating leverage driving profitability

**Scalable**

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# Strategy for Growth

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boston health & beauty
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# Strategy for Growth : The 5 Pillars of Growth of MPPA Retail

# Key actions in Strategy for Growth

## 1 New Formats

- Generation 7 Hypermart introduction and Foodmart Fresh
- New formats Foodmart Primo, SmartClub, Foodmart Express, Boston Combo

## 2 Accelerate Network Expansion

- Expansion strategy
- Penetration
- Saturation

## 3 Remodel & Remerchandising

Renovation
60 stores
over 5 years

## 4 Sustainable Retail Management

- Expand logistic network
- Fresh food leadership
- Leverage data, build business intelligence system & enabling technology
- Store Wage Productivity and Opex focused
- Direct sourcing capability for fresh & bazaar
- Private label and direct import development: target to 5.0-10.0% of sales
- Improving capability: investing in training & development

## 5 New Channels

- Establish wholesale division
- eCommerce & omni channels

shop.hypermart.co.id

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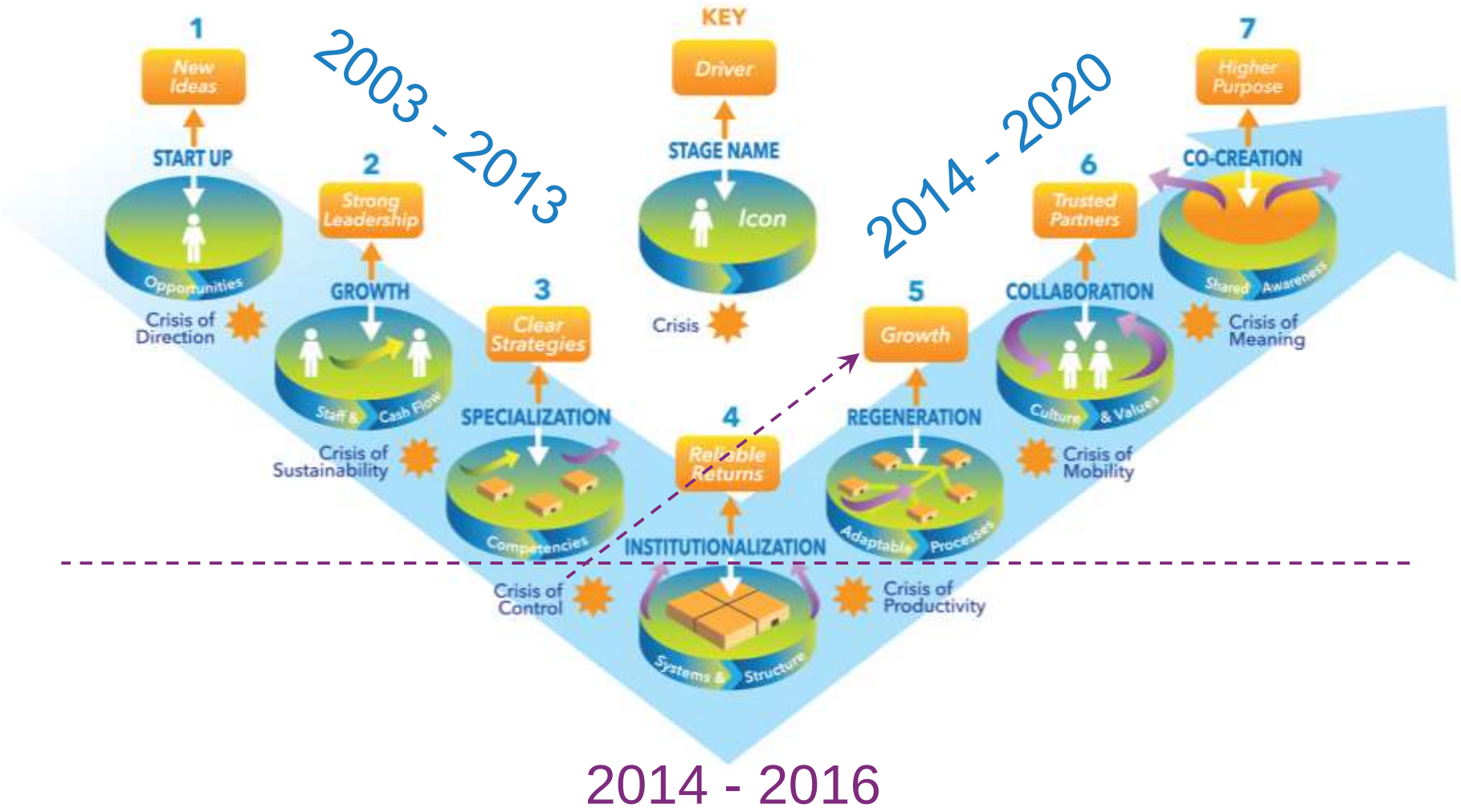
# Stages for Organization Model




Source: The Sibbet/Le Saget – Stages of Organization Model

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# New Formats

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# Hypermarket Format

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# Wholesale Format

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# Supermarket Format

foodmart fresh

FOODMART PRIMO

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# Convenience Store Format

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# Health & Beauty Format

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# Financial Overview

The section should be reviewed in conjunction with the **FY16 Financial Report & 2016 Annual Report**

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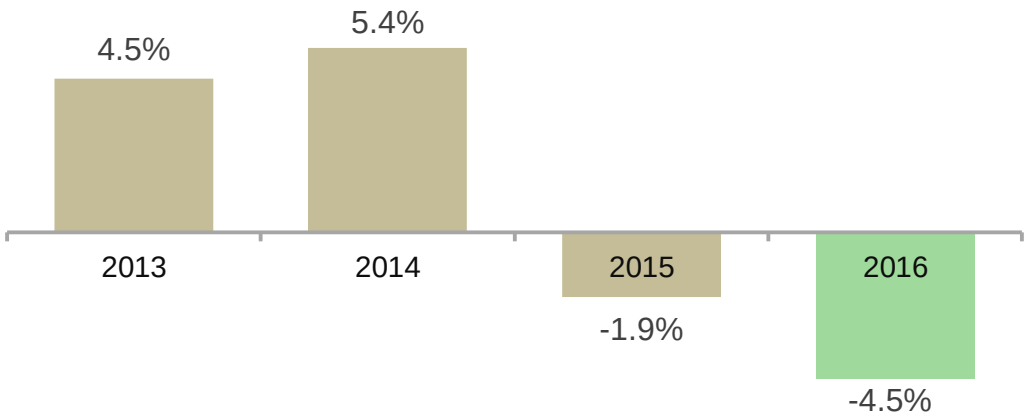
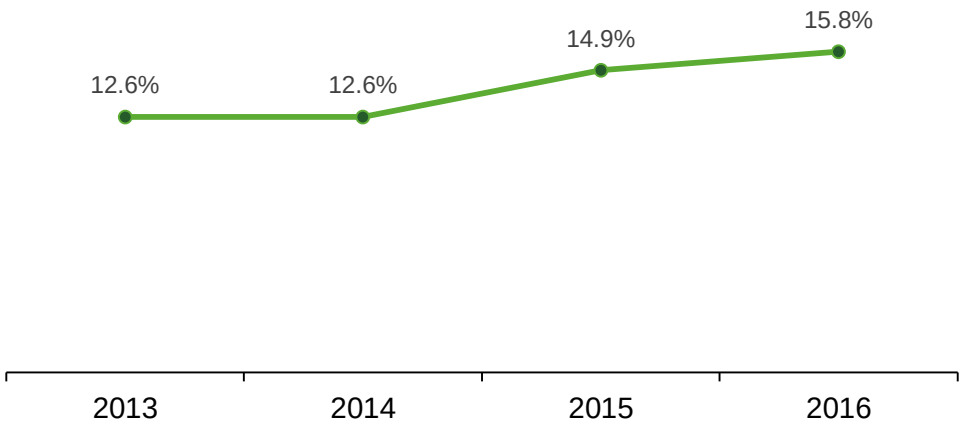
# Our Growth and Business Strategies

## Comparable Store Growth




## Expense Ratio as a % of Sales

Operating expenses[(a)] as % of sales

(a) Operating expenses excluding depreciation and amortization • Source: Company Data

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| | 2016<br>Rp | 2015<br>Rp | |
|---|---|---|---|
| ***NET SALES*** | 13,527,323 | 13,802,450 | **-2.0%** |
| ***COST OF SALES*** | (11,233,284) | (11,533,636) | |
| ***GROSS PROFIT*** | 2,294,039 | 2,268,814 | |
| *Selling expenses* | (158,306) | (123,062) | |
| *General and administrative expenses* | (1,965,333) | (1,824,589) | |
| *Other expenses* | (11,027) | (14,003) | |
| *Other income* | 17,664 | 206 | |
| ***OPERATING PROFIT*** | **177,037** | **307,366** | **-42.4%** |
| *Finance income* | 6,931 | 11,017 | |
| *Finance costs* | (82,856) | (46,595) | |
| ***INCOME BEFORE INCOME TAX*** | **101,112** | **271,788** | **-62.8%** |
| *Income tax expenses* | (54,465) | (42,550) | |
| *Final tax expenses* | (8,164) | (7,497) | |
| ***INCOME FOR THE PERIOD*** | **38,483** | **221,741** | **-82.6%** |

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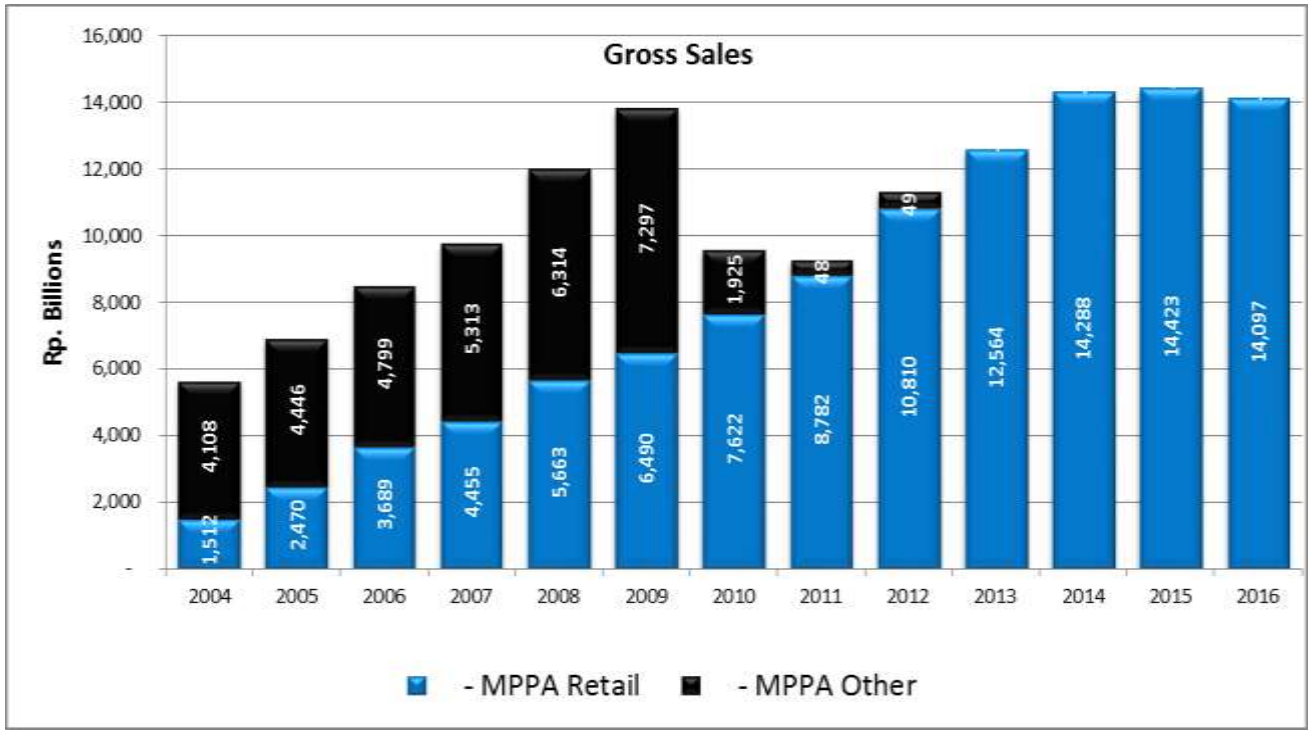
# MPPA Historical Sales

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net Revenue (Rp. Billion)** | | | | | | **10,281** | **8,545** | **8,909** | **10,868** | **11,913** | **13,590** | **13,802** | **13,527** |
| **Gross Revenue (Rp. Billion)** | **5,620** | **6,916** | **8,488** | **9,768** | **11,977** | **13,787** | **9,547** | **9,268** | **11,305** | **12,564** | **14,288** | **14,423** | **14,097** |
| - MPPA Retail | 1,512 | 2,470 | 3,689 | 4,455 | 5,663 | 6,490 | 7,622 | 8,782 | 10,810 | 12,564 | 14,288 | 14,423 | 14,097 |
| - MPPA Other | 4,108 | 4,446 | 4,799 | 5,313 | 6,314 | 7,297 | 1,925 | 486 | 495 | - | - | - | - |




**FULL YEAR NOTES**

- MPPA-Retail 13.4% CAGR 2010-2014
- After the divestiture of Matahari Department stores in 2010, MFB-Retail contributed the majority of sales
- In 2009, MPPA was required to report Gross Sales following BAS7
- Reported Sales are Net Sales with variance attributable to consignment COGS.

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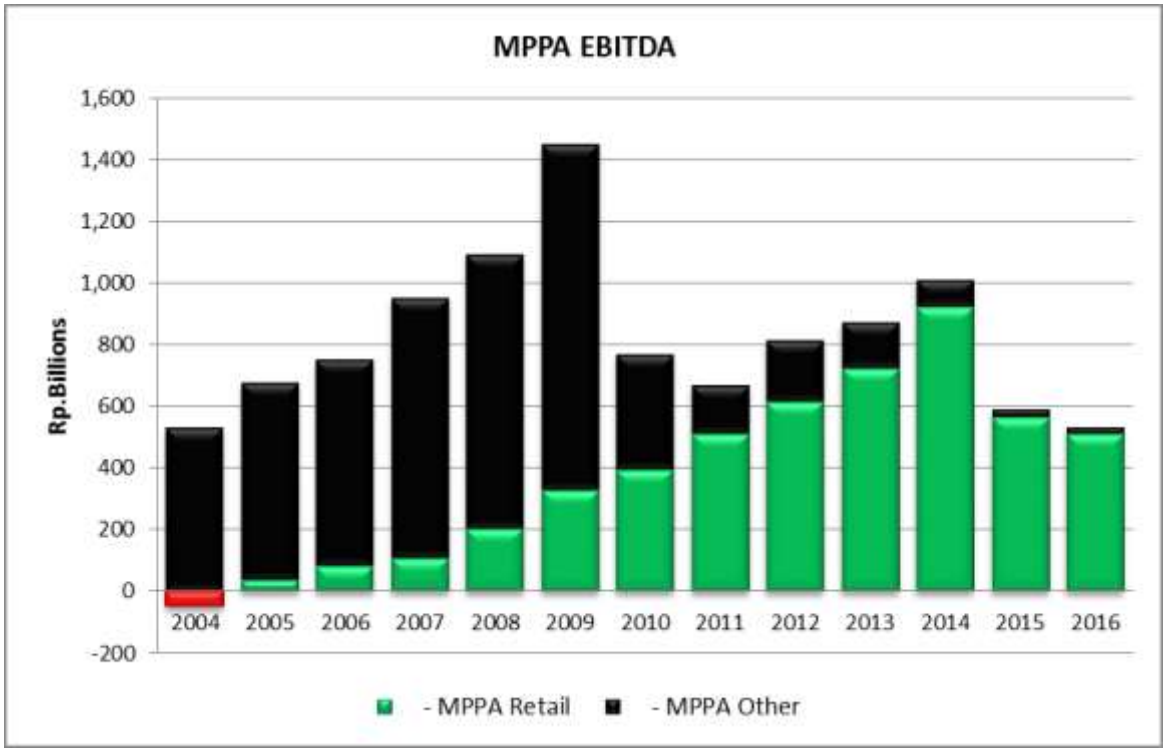
# MPPA Historical EBITDA

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EBITDA (Rp. Billion)** | **482** | **677** | **751** | **953** | **1,094** | **1,451** | **769** | **669** | **815** | **871** | **1,010** | **589** | **532** |
| - MPPA Retail | (49) | 36 | 83 | 108 | 202 | 327 | 396 | 513 | 616 | 723 | 924 | 567 | 513 |
| - MPPA Other | 531 | 641 | 668 | 845 | 892 | 1,124 | 373 | 156 | 199 | 148 | 86 | 22 | 19 |




**NOTES**

- EBITDA of MPPA Other represents ongoing corporate activities impacting MPPA EBITDA.

**FULL YEAR NOTES**

- MPPA-Retail 18.5% CAGR 2010-2014
- MPPA-Retail EBITDA represents the Business Unit EBITDA and does not reflect MPPA other corporate activity and subsidiaries that are currently offsetting income reported in Other MPPA
- On going corporate activities impacting MPPA Retail EBITDA in 2014 is 0.20% of Sales

1 MPPA 2012 reported EBITDA was 785 prior to a reclass for consitency with 2013 reporting.

2 MPPA Historical EBITDA was generated from revenue and expenses that will no longer be incurred as a result of the 2012 corporate restructuring.

3 Future MPPA EBITDA will be comprised of MPPA-Retail less on-going corporate activities which is a different income composition than generated in historical MPPA.

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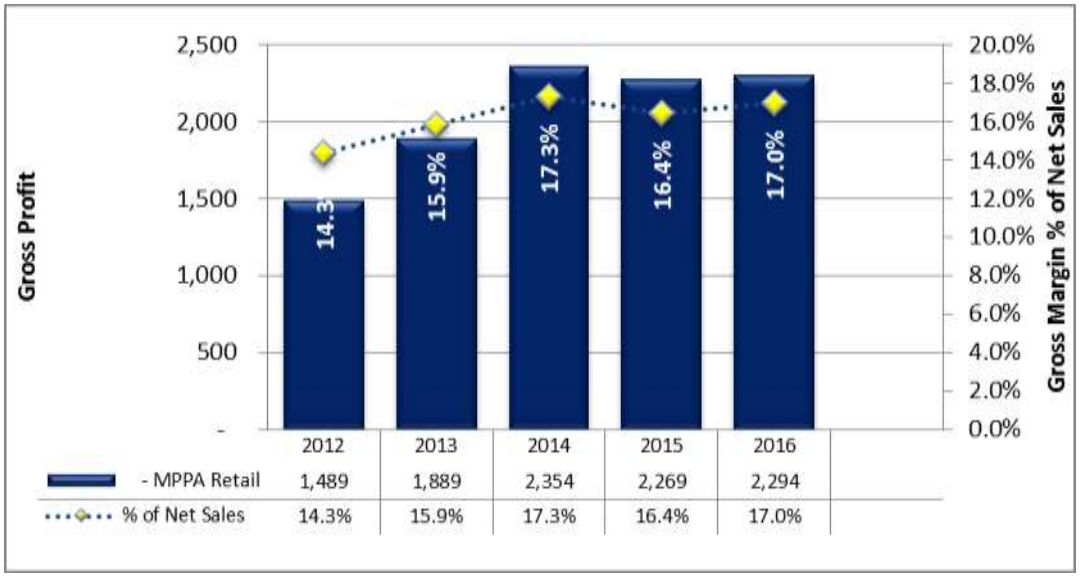
# MPPA Gross Margin

| Gross Profit | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| MPPA Total | 1,898 | 1,889 | 2,354 | 2,269 | 2,294 |
| - MPPA Retail | 1,489 | 1,889 | 2,354 | 2,269 | 2,294 |
| - MPPA Other | 409 | - | - | - | - |




| % of Net Sales | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| MPPA Total | 17.5% | 15.9% | 17.3% | 16.4% | 17.0% |
| - MPPA Retail | 14.3% | 15.9% | 17.3% | 16.4% | 17.0% |
| - MPPA Other | 83.9% | 0.0% | 0.0% | 0.0% | 0.0% |

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# Additional Information

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# Board of Management Profile

**Noel Trinder**
Chief Executive Officer
of MPPA Retail

**Carmelito J. Regalado**
Deputy CEO
Property &
New Business
Development

**Surya Tatanng, CFA**
Chief Financial Officer

**Patrick J. Hopper**
Chief Strategic
Business Intelligence
& Planning Officer

**Djamel Derguini**
Chief Operations Officer

**Ishak Kurniawan**
Chief Human Capital

**Ang Kasmin Rasilim**
Chief
Risk Management
Officer

**Benjamin M. Lamberte, Jr.**
Chief Store Planning
& Development

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# Board of Management Profile continued

**Laniawati S. Matita**
Director of Human Capital

**Keith Dolling**
Senior Advisor Distribution Centers & Logistics

**Danny Kojongian**
Corporate Secretary
Director of Public Relations & Communications

**Kyutae Park**
Director of Boston Health & Beauty Operations

**Darpudu Rao**
Director of Foodmart Operations

**Charles Kruse**
Grocery Merchandising Director

**Iwan Goenadi**
Director Information Technology

**Danny Crayton**
Director of Omni Channel e-Commerce

**Emi Nuel**
Director of Wholesale Operations

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