

mppa
RETAIL GROUP
PT Matahari Putra Prima Tbk.



2016 • JAKARTA

ANALYST MEETING



State of

mppa
RETAIL GROUP
PT Matahari Putra Prima Tbk.

We are a Multi-format Retailer

We have a Clear Vision and Mission

We have the Right Strategy

We focused on Business Institutionalization



Vision

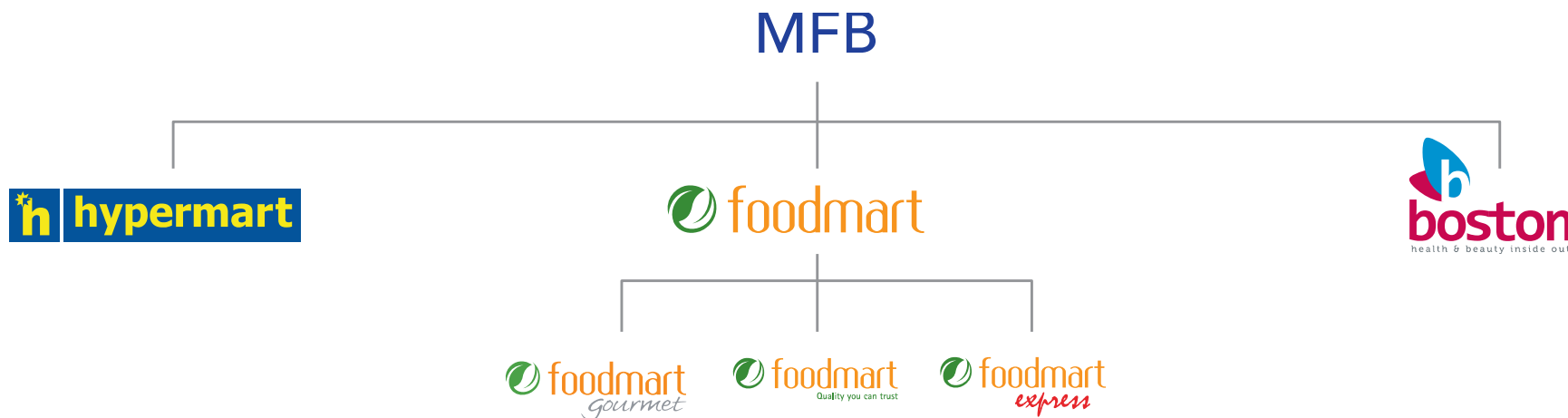
To be the no.1 multi-format retailer in Indonesia

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

MFB being Transformed to MPPA

Pre-2014



Q1 2016 Investment Highlights



Rp3.3 TRILLION
Q1 2016 TOTAL SALES



WE COVER **68** CITIES
IN INDONESIA



OPERATING
289 STORES



3 DISTRIBUTION
CENTERS

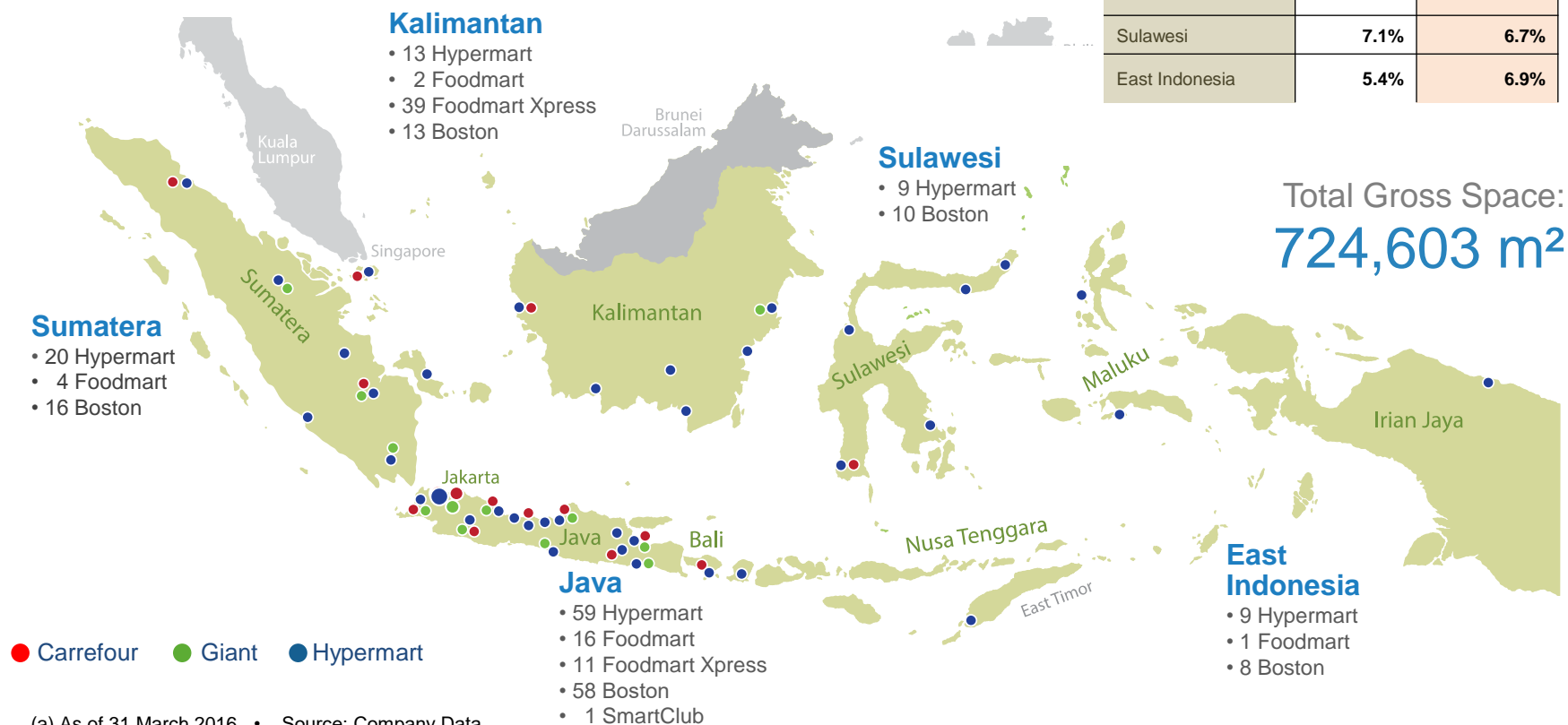


NEARLY **13,100**
ASSOCIATES COMPANY WIDE

2. 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

Region	Sales contribution ^(a)	
	2015	Q1 2016
Greater Jakarta	30.8%	31.6%
Java	27.4%	27.6%
Sumatera	17.7%	15.9%
Kalimantan	11.6%	11.3%
Sulawesi	7.1%	6.7%
East Indonesia	5.4%	6.9%



2. 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

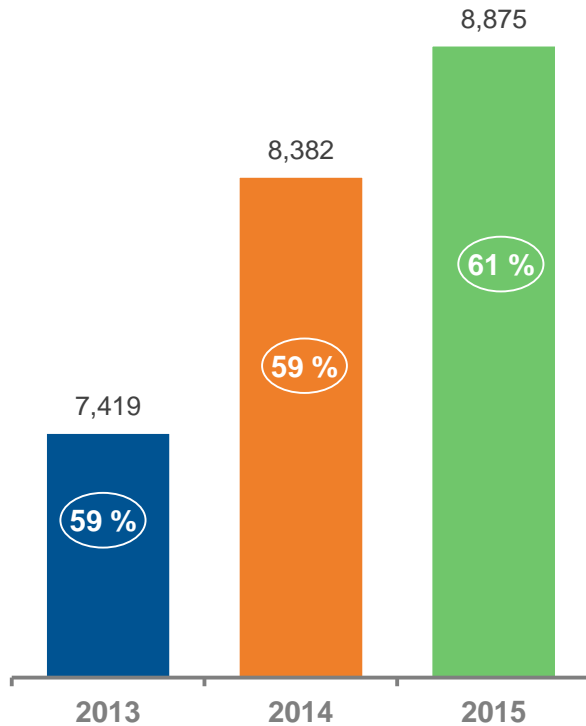
- Fully leased store base enables rapid opening of new stores
- Fast payback and attractive returns
- **Average repayment period of capital investments within 5 years**
- Operating leverage driving profitability



Scalable

3. Efficient Logistics Platform in Place for Rapid Expansion Across Indonesia

DC Throughput (IDR bn)



○ Throughput as % of sales

📦 Logistics net cost is **0.6%** of sales



Segmentation of Distribution Centers

	Dry Goods		Fresh
Location	Balaraja	Surabaya	Cibitung
Space	41,000 m ²	16,000 m ²	4,000 m ²
Capacity	43,000 pps	11,000 pps	2,800 pps
No of SKUs	13,000	5,500	665
WMS	Manhattan	Manhattan	Manhattan

pps = palette positions

As of 31 December 2015 • Source: Company Data

4. Established Customer Loyalty Program



Established customer loyalty program

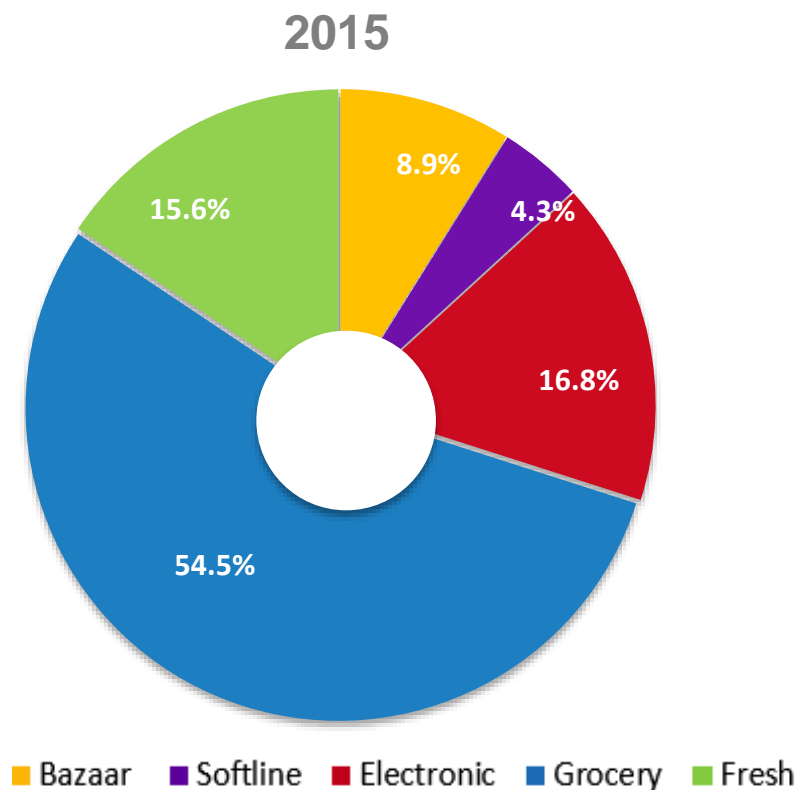
- More than 3.9 million members with average of Rp336k per transaction per day for 55% of 2015 gross sales
 - Basket size is 60% more for Hicard holders
 - Discounts of 5 to 15%
 - Additional benefits with discounts for services and restaurants

As of 31 December 2015 • Source: Company Data

5. Strength in Assortment and Category Dominance

Contribution to Sales – Retail (without Wholesale)

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 2015 • Source: Company Data

Top 10 Suppliers

Grocery Products

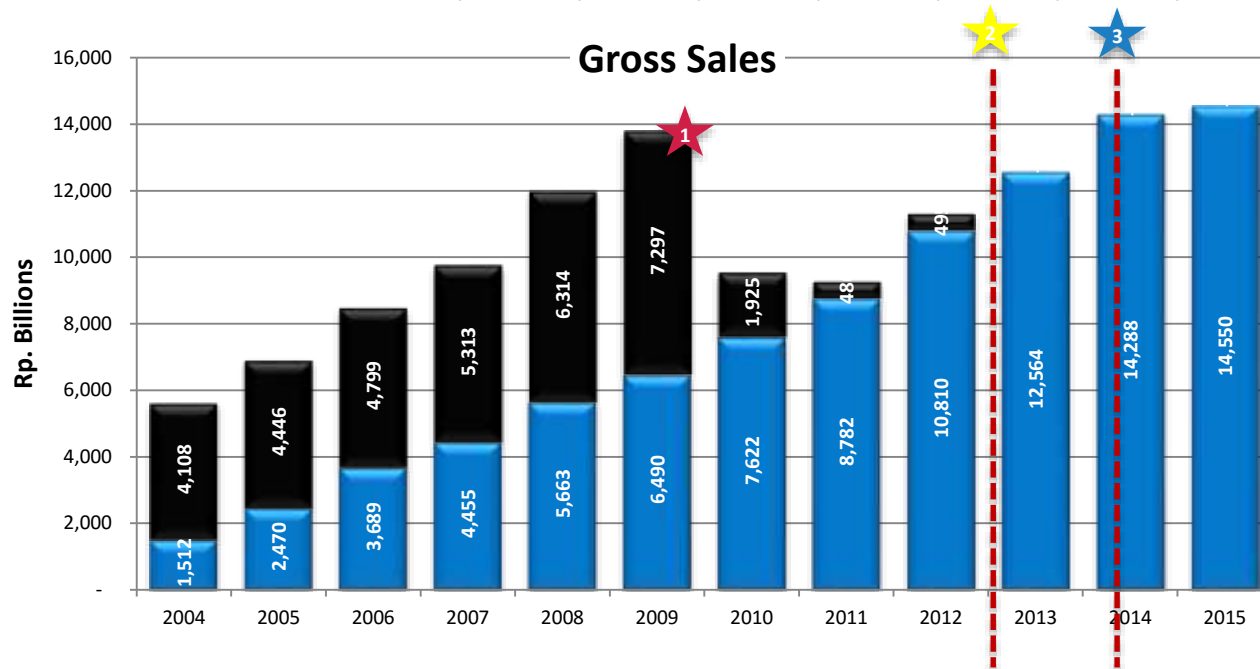


All Products



MPPA Historical Sales

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net Revenue (Rp. Billion)						10,281	8,545	8,909	10,868	11,913	13,590	13,928
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	14,550
- MPPA Retail	1,512	2,470	3,689	4,455	5,663	6,490	7,622	8,782	10,810	12,564	14,288	14,550
- MPPA Other	4,108	4,446	4,799	5,313	6,314	7,297	1,925	486	495	-	-	-



FY15 NOTES

- MPPA Retail Sales +2.5% in FY15
- MPPA SSSG -1.9% in FY15
- All MPPA Sales generated by MPPA Retail

FULL YEAR NOTES

- After the divestiture of Matahari Department stores in 2010, MPPA-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.

■ - MFB Retail ■ - MPPA Other



1 MPPA begins execution of Merrill Lynch strategic recommendations



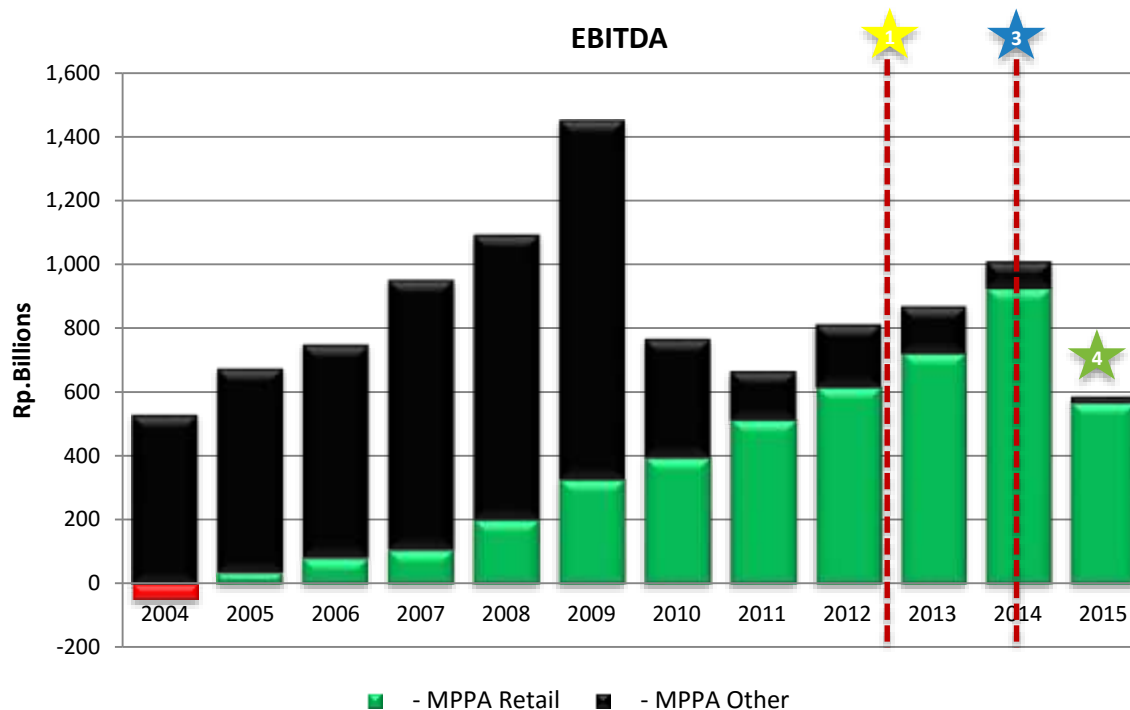
2 MFB transformed into sole MPPA entity in 2013 and issued first with dual language report.



3 New Management joins MPPA to establish strategy

MPPA Historical EBITDA

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



FY15 NOTES

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

FULL YEAR NOTES

- 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 consistency 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.

MFB EBITDA has been consistently reported as part of MPPA going back to 2004



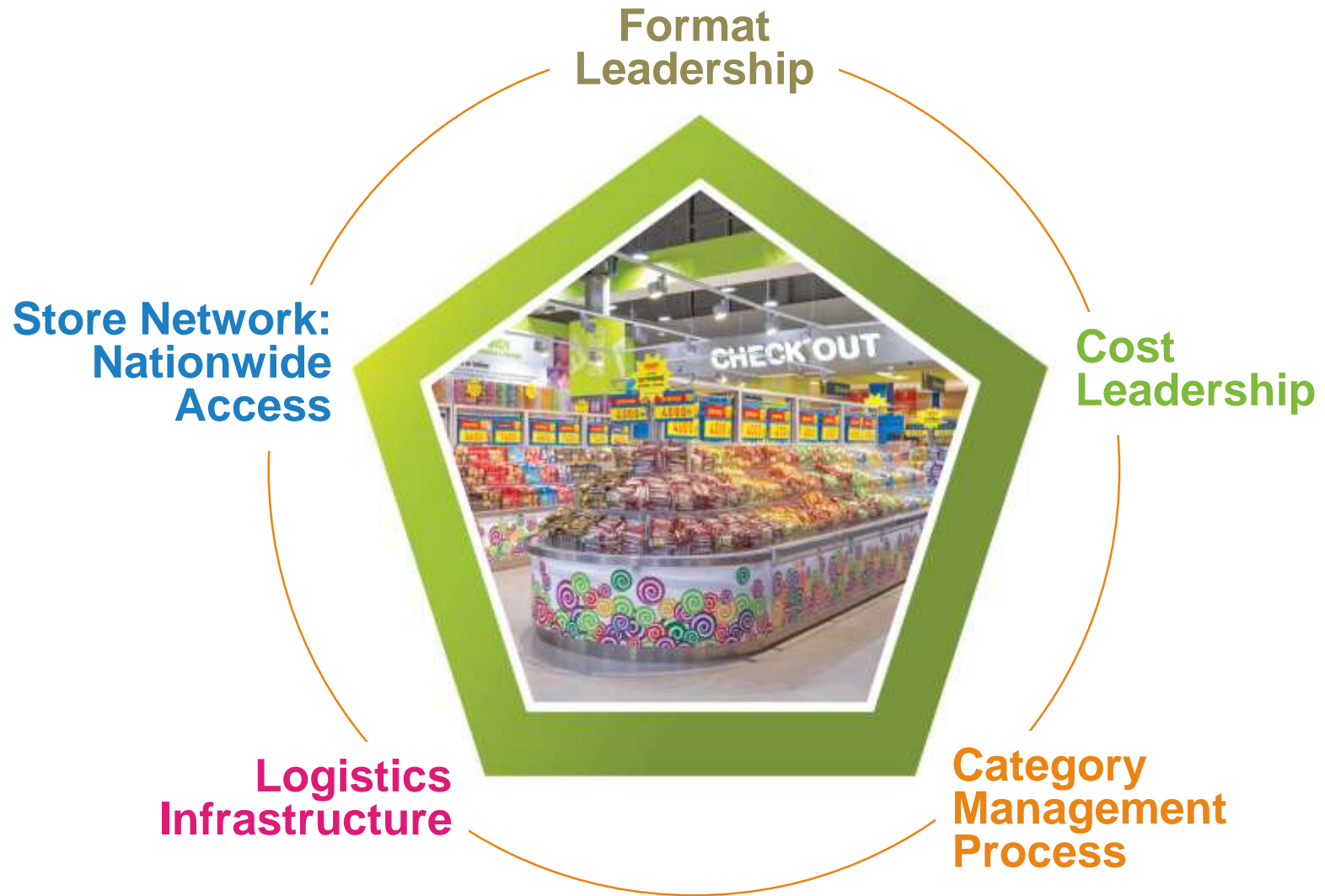
New Management addresses assortment issues and institutionalization issues



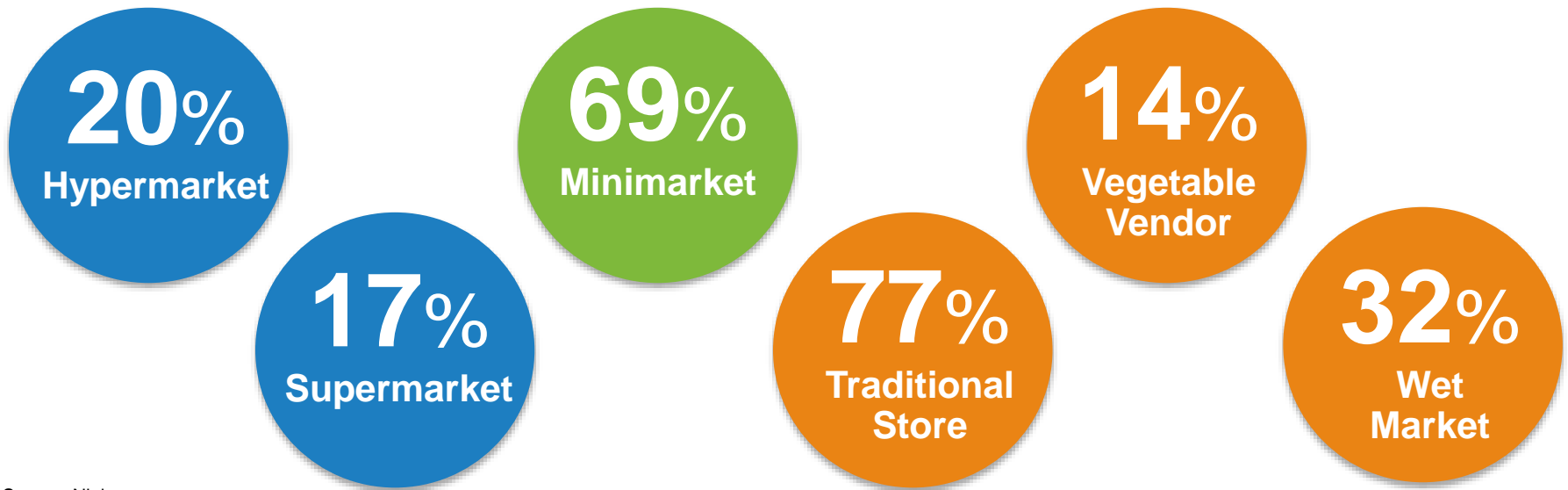
Strategic Shift: Focus to be a Multi-format Retailer

2

Critical Success Factors

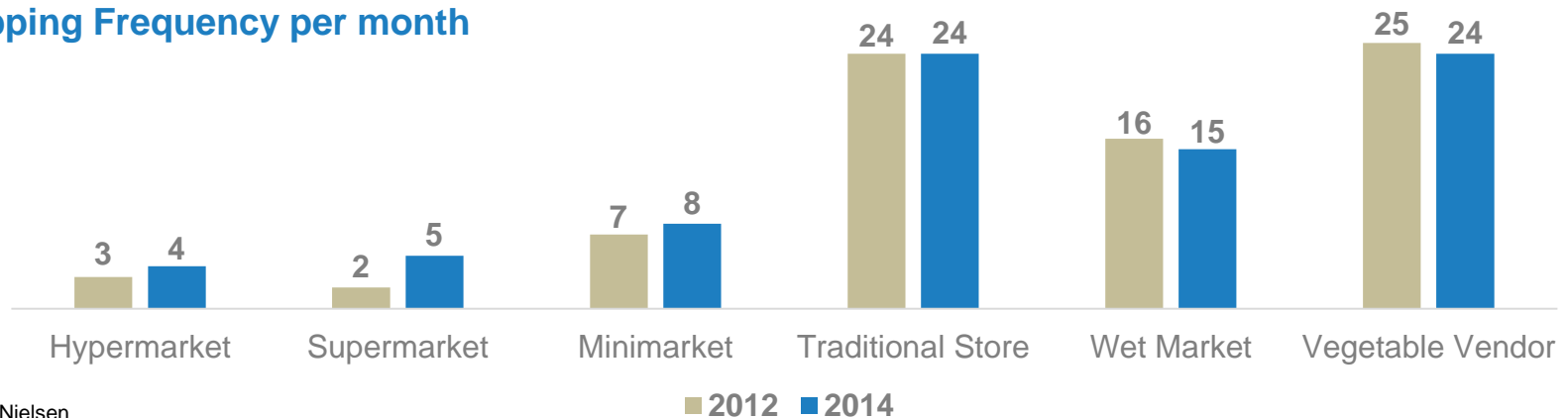


Where do Indonesian Shoppers shop?



Source: Nielsen

Shopping Frequency per month

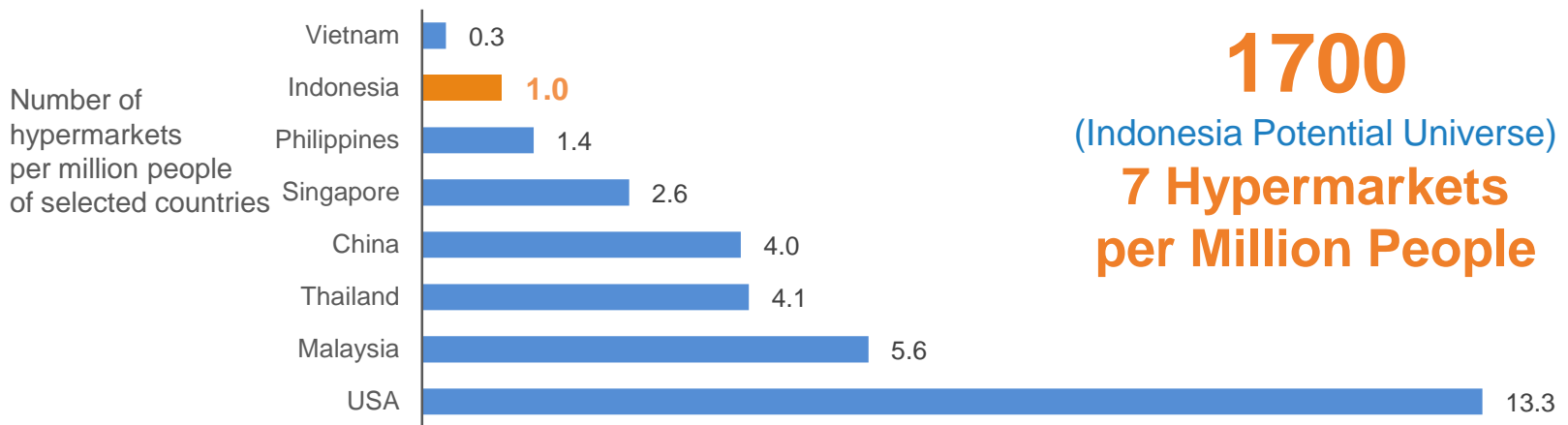


Source: Nielsen

Under-penetrated markets: Modern Retail

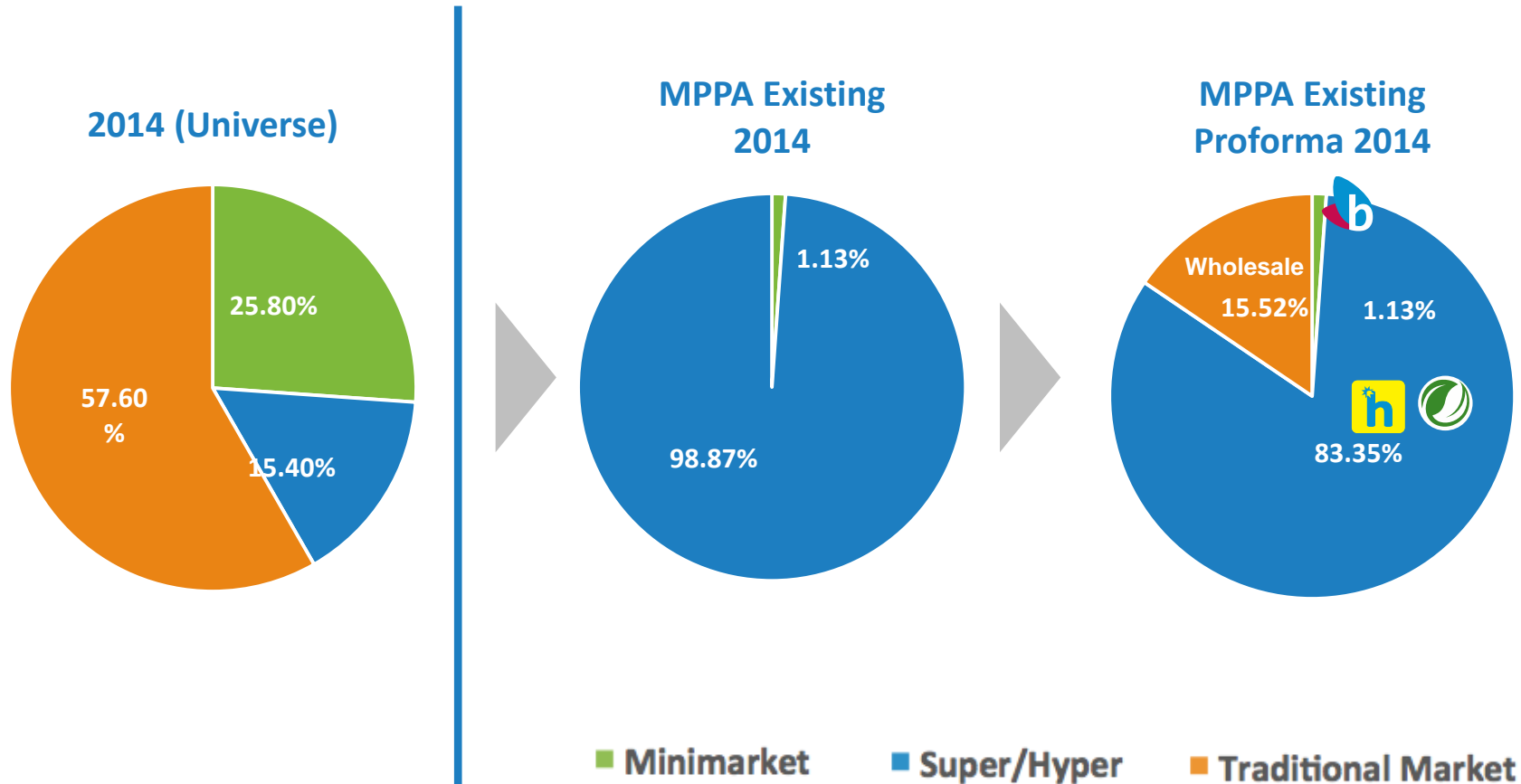
1 Hypermarket per million people
Total of 300  **hypermart**

Vast Potential in Indonesia's Hypermarket Segment (2013)



Source: OC dated January 25th, 2014

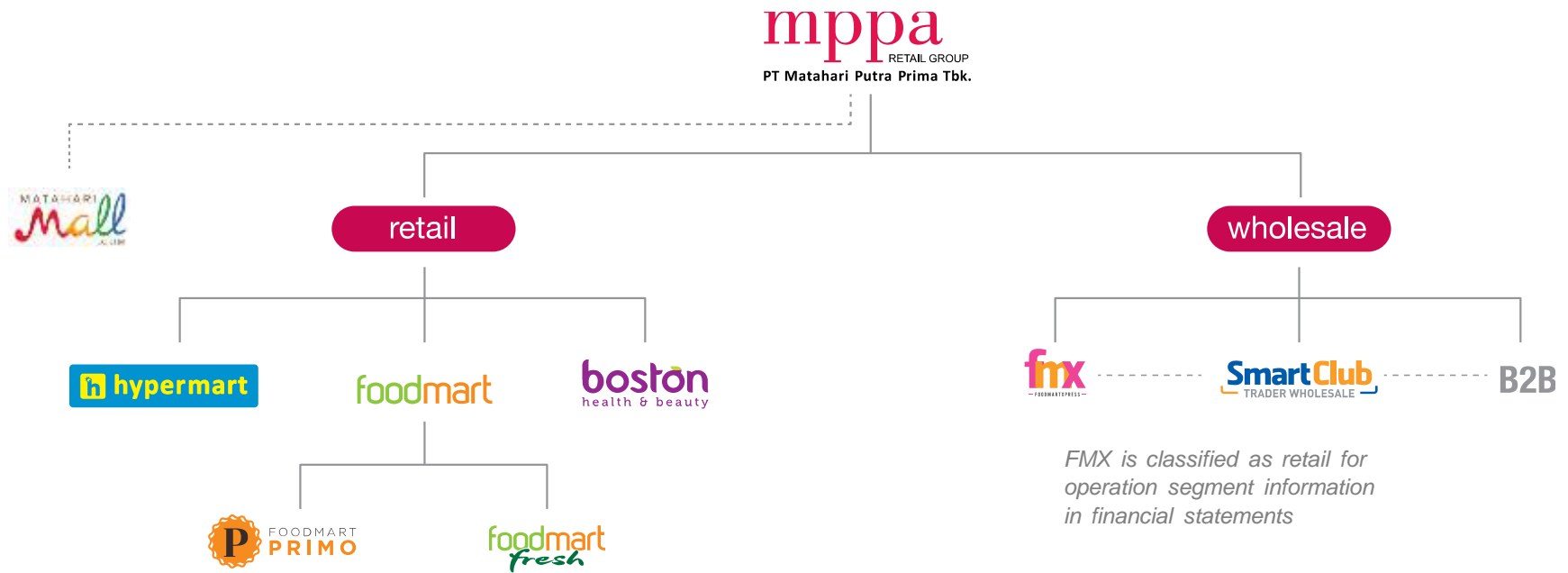
FMCG Sales Contribution by Channel and how MPPA participates



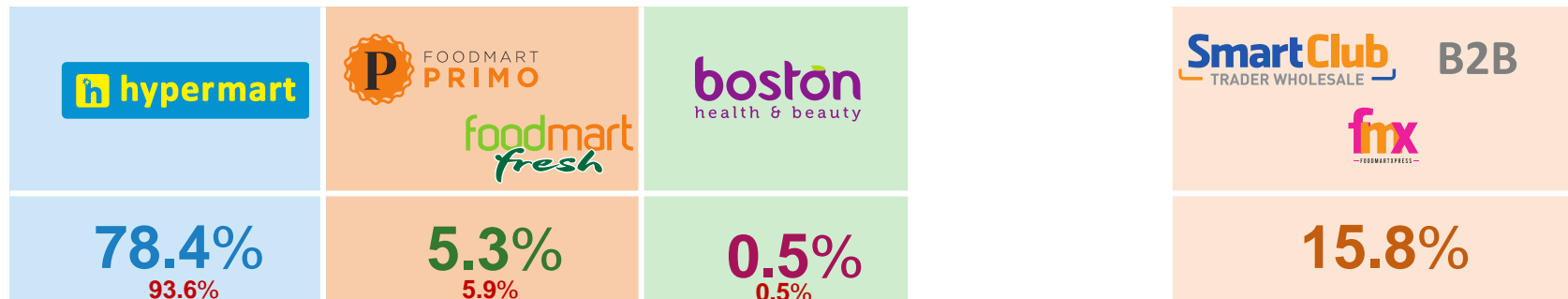
Based on internal sales including consignment

Source: AC Nielsen & Company Data

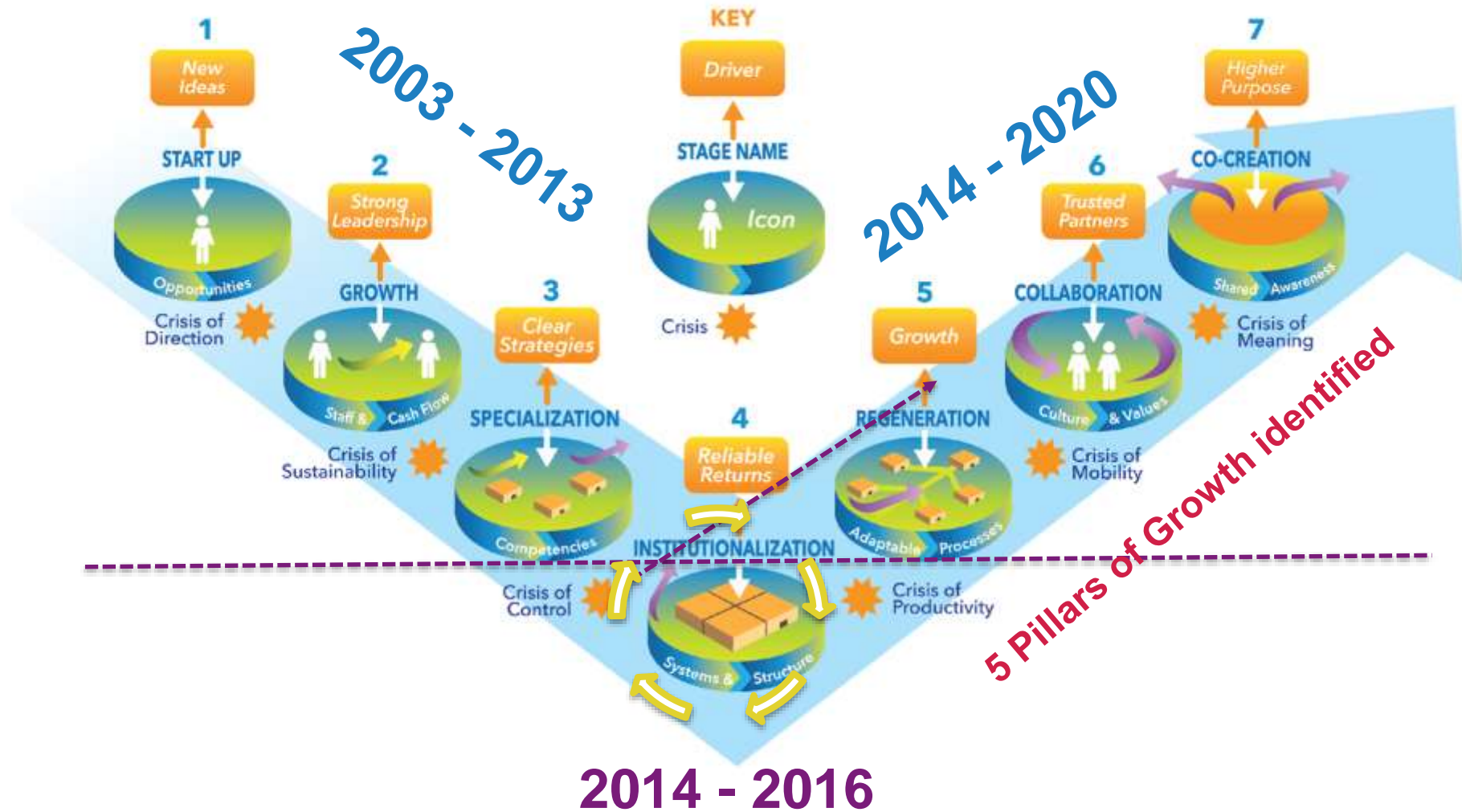
MPPA 2015 Onwards Strategy: To Be a Multi-format Retailer



Contribution to Total Revenue

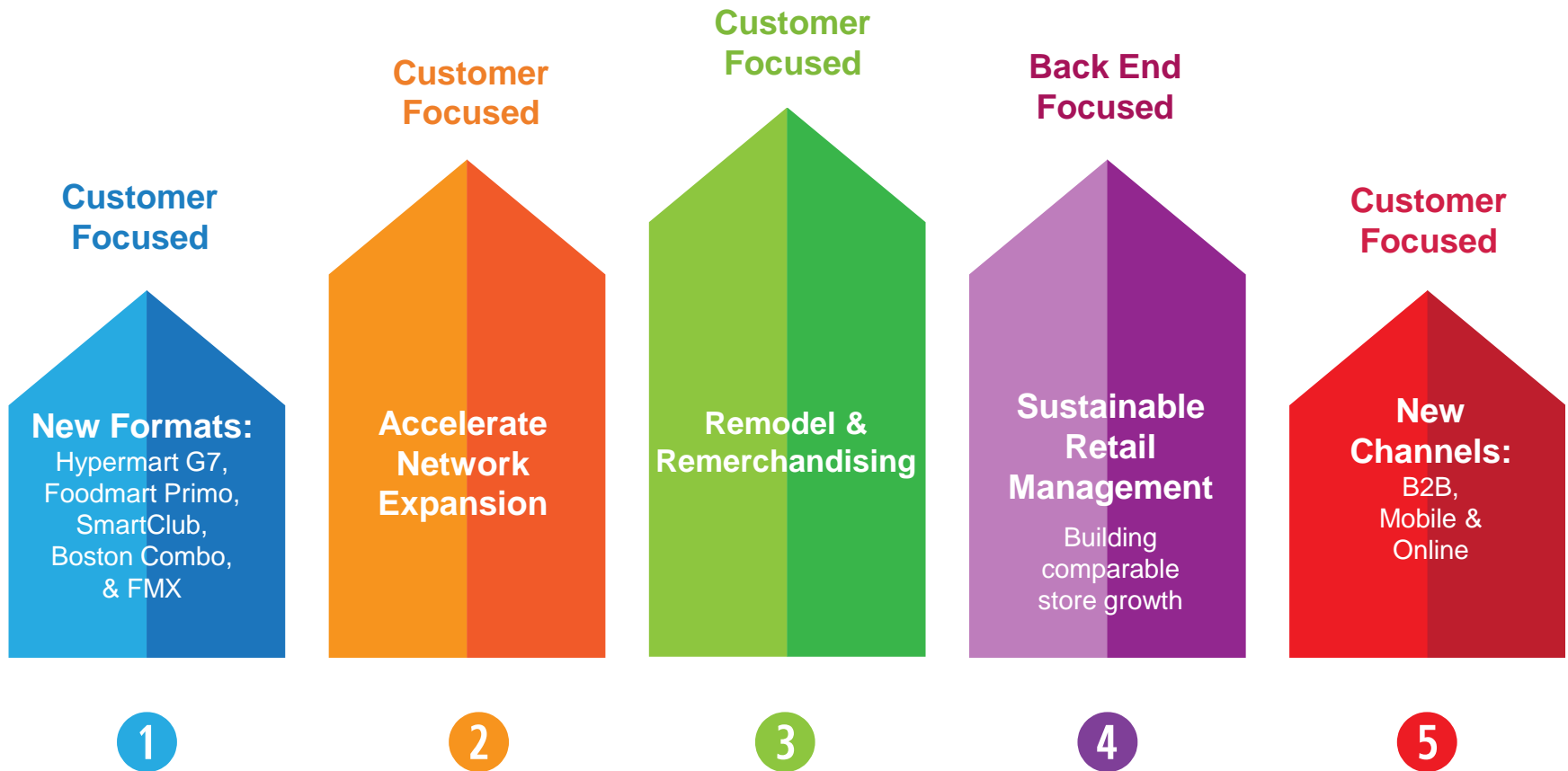


Mid 2014 MPPA began to Institutionalize Business Processes



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

5 Pillars of Growth



The 5 Pillars of Growth of **mppa** RETAIL GROUP

Key Drivers

- 1 Generation 7 Hypermart introduction and Foodmart Fresh
- 1 New formats Foodmart Primo, SmartClub, Foodmart Express, Boston Combo
- 2 Accelerate expansion
- 3 Renovation 60 stores over 5 years
- 4 Expand logistic network
- 4 Fresh food leadership
- 4 Leverage data, build business intelligence system & enabling technology
- 4 Store Wage Productivity and Opex focused
- 4 Direct sourcing capability for fresh & bazaar
- 4 Private label and direct import development: target to 5.0-10.0% of sales
- 4 Improving capability: investing in training & development
- 5 New Channels: Establish Wholesale Division
- 5 New Channels: E-commerce

3 Pillars are Customer Focused Changes

3

Remodel &
Remerchandising



1

New Formats:

Hypermart G7,
Foodmart Primo,
SmartClub,
Boston Combo,
& FMX



5

New
Channels:

B2B,
Mobile
& Online



shop.
hypermart.co.id

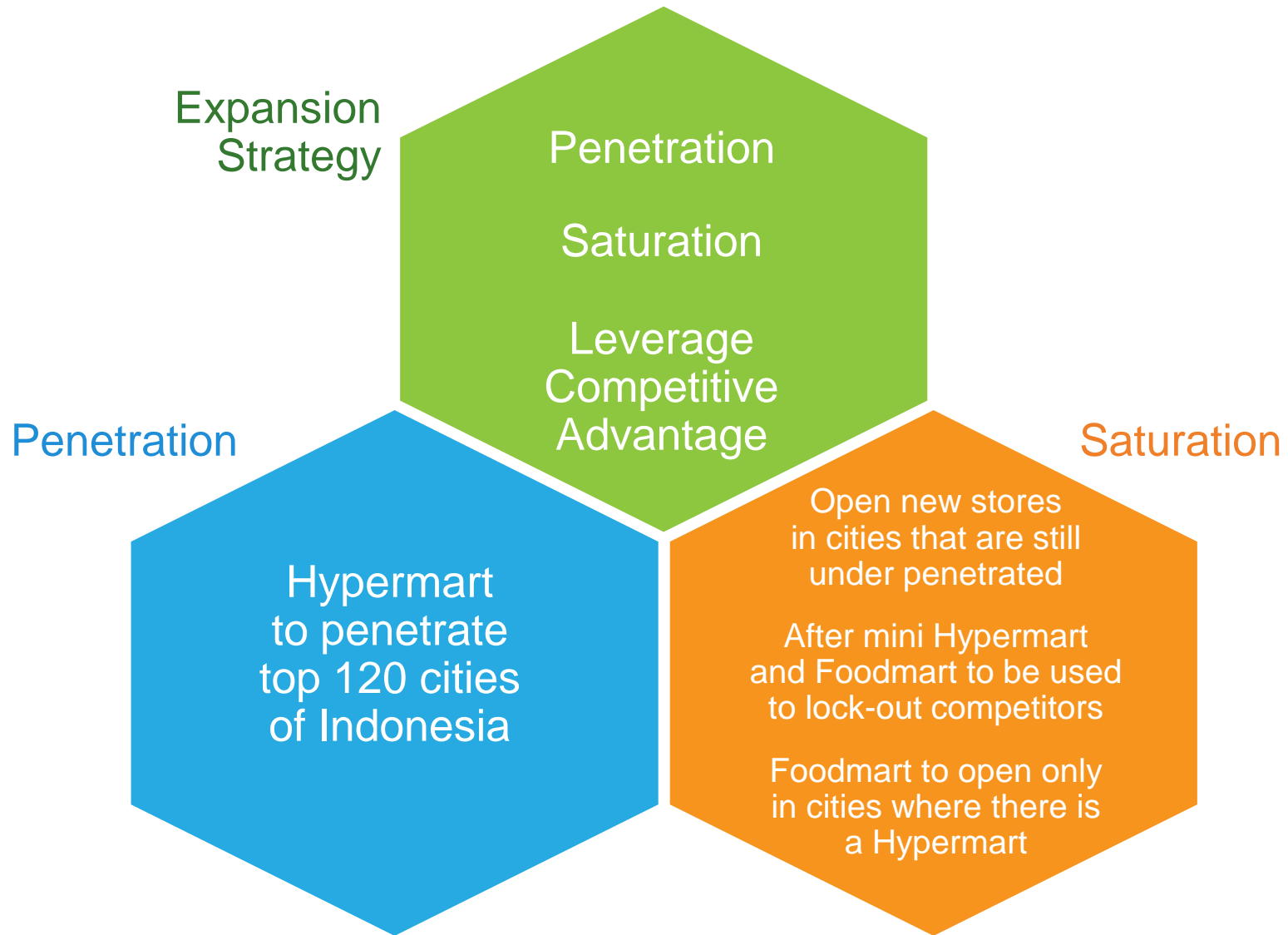
5 Pillars of Growth # 1: The New Boston Combo

COMBO opened April 14, 2016





boston
health & beauty



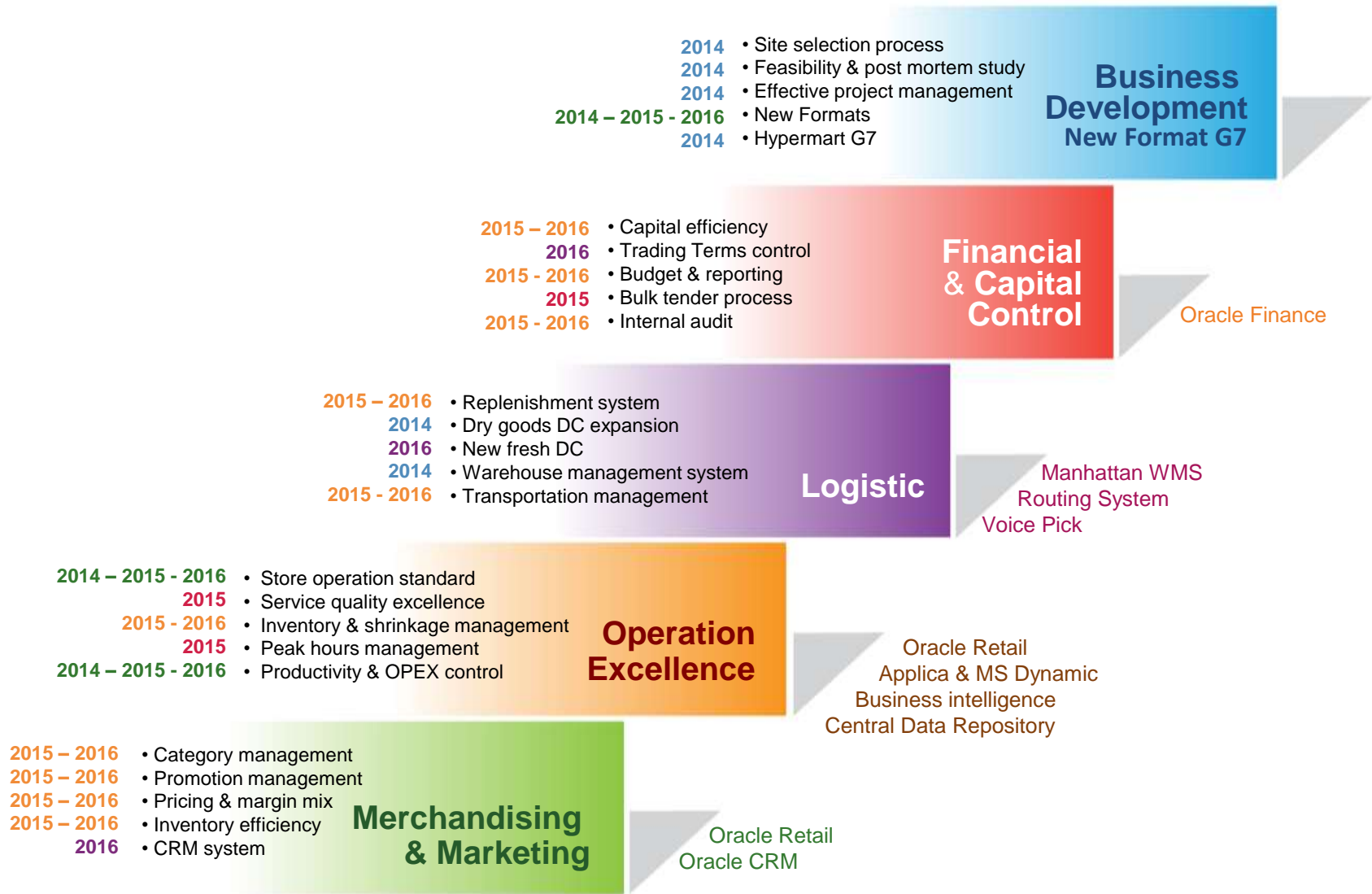
5 Pillars of Growth # 2: Accelerate Network Expansion



5 Pillars of Growth # 3: Renovation

Renovation cycle	Priority	Period in years	Reinvestment level %
	A	7	80 to 90%
	B	8	50 to 70%
	A	7	80 to 90%
	B	8 to 10	50 to 70%
	A	5	80 to 90%
	B	7	50 to 70%

5 Pillars of Growth # 4: Sustainable Retail Management



Significant Actions Taken in 2015

4
Sustainable
Retail
Management
Building
Comp Store
Growth

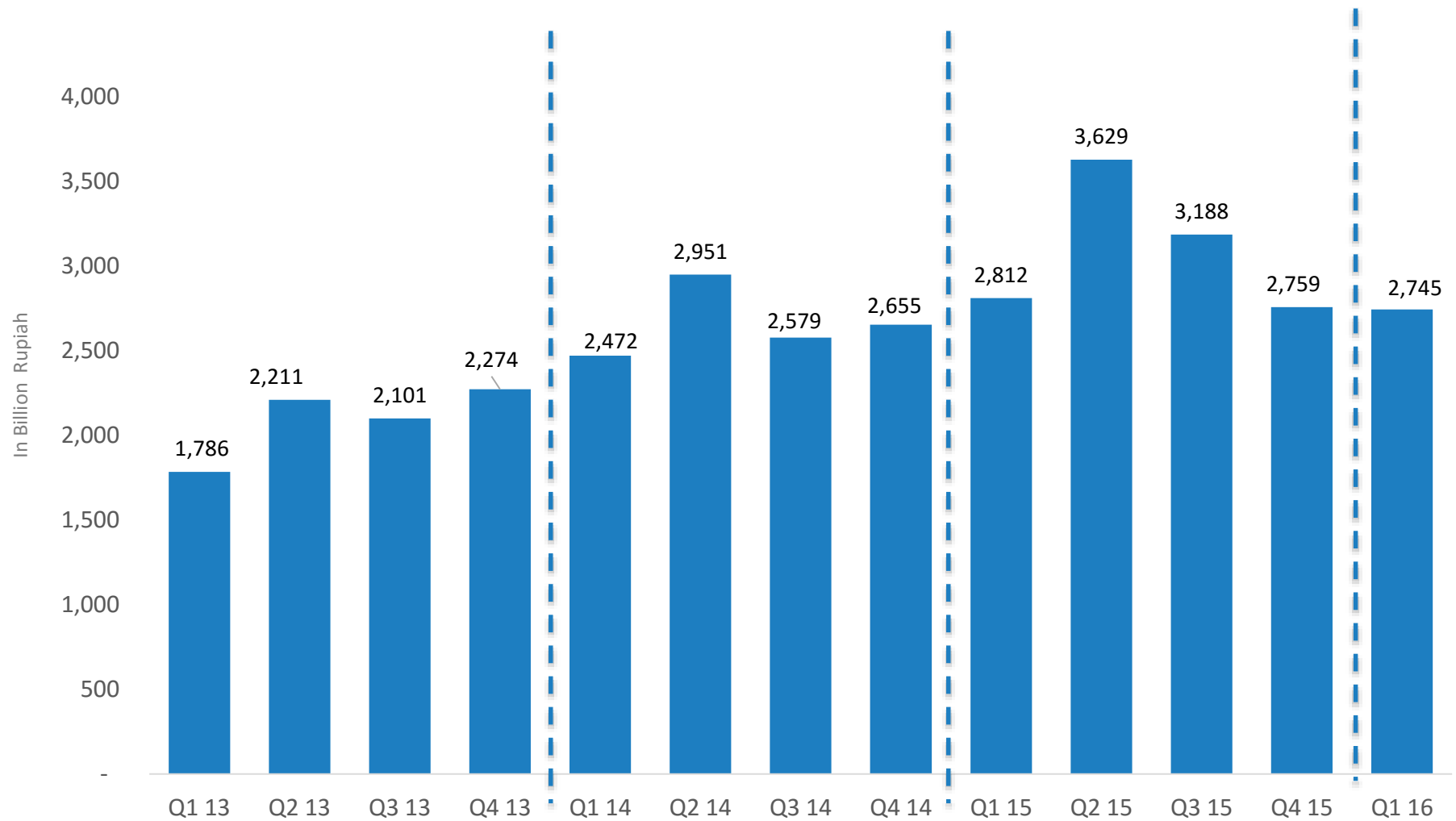
- In 2015, we **began institutionalizing many business processes** including productivity improvements, capital efficiency, category management, inventory efficiency and margin control in-line with our strategy.
- The Company will **shift from the current retail accounting method to the cost accounting method**. Preparation for this shift began in 2015 with the development of a central data repository. The changeover to the cost method is expected to be within the 1st Semester 2016.
- **Inventory actions** to improve the productivity of inventory was started in late 2015 and will continue into 2016. The cost accounting method will increase visibility and provide better and more timely control over inventory and supplier profitability. Management will be given more insight into profitability measures by store and by individual item (SKU).
- The inventory actions, focused on building **sustainable retail management**, were taken by the Company to improve its overall inventory turnover as well as to establish the foundation for future growth.

MPPA poised for significant changes

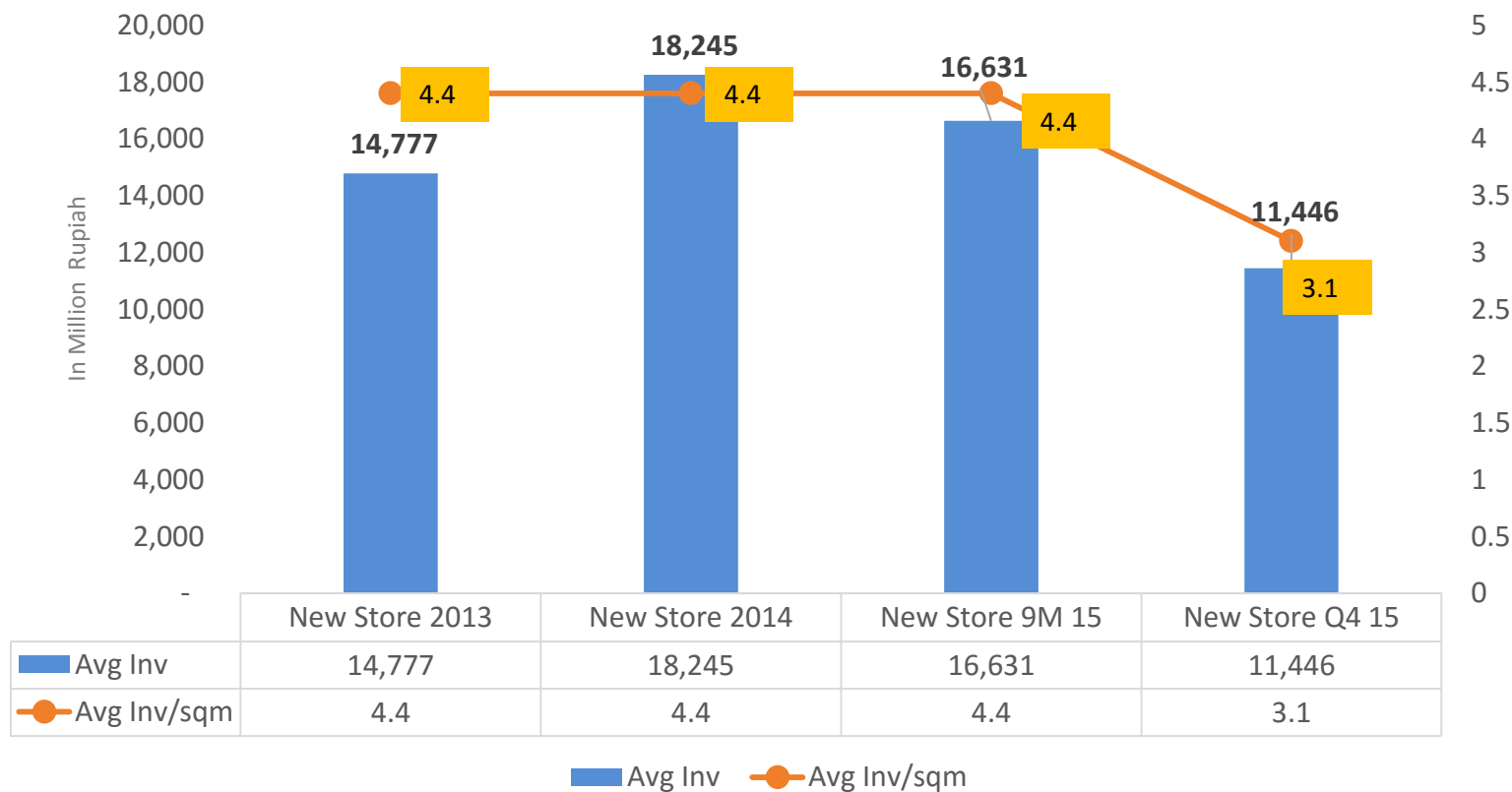
Ratios indicate the need for inventory actions.

Key Ratios	YE 2013	YE 2014	YE 2015
Growth Ratios (%)			
Revenue Growth	9.6%	14.1%	2.5%
EBITDA Growth	6.9%	16.0%	-41.6%
EBIT Growth	71.8%	20.9%	-62.3%
Pretax Growth	96.3%	24.9%	-68.1%
Reported Net Profit Growth	86.6%	24.5%	-67.0%
Profitability Ratios (%)	YE 2013	YE 2014	YE 2015
EBITDA margin	7.3%	7.4%	4.2%
EBIT margin	4.9%	5.2%	1.9%
Pretax profit margin	4.9%	5.4%	1.7%
Price earning ratio	10.4	29.6	53.7
DuPoint Analysis	YE 2013	YE 2014	YE 2015
Net profit margin (%)	3.7%	4.1%	1.3%
Revenue/Assets (x)	1.8	2.3	2.2
Assets/Equity (x)	1.8	2.0	2.3
ROE (%)	13.5%	19.4%	6.6%
ROA (%)	6.8%	9.5%	2.9%
Liquidity & Efficiency	YE 2013	YE 2014	YE 2015
Cash conversion cycle	10.9	18.8	28.5
Days receivables outstanding	1.2	0.9	0.8
Days inventory outstanding	71.8	80.1	85.38
Days payables outstanding	62.1	62.1	57.7

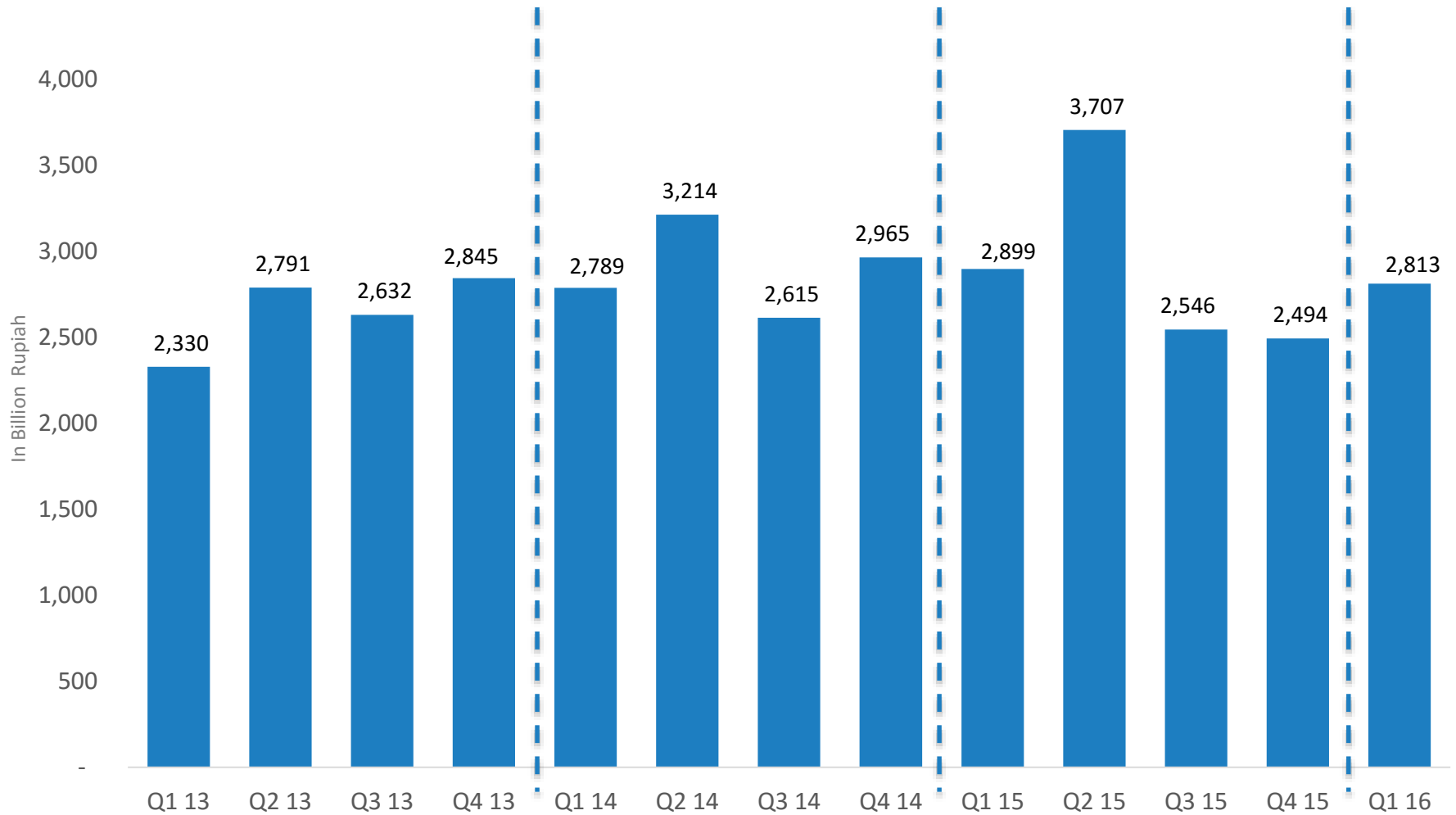
Inventory Level



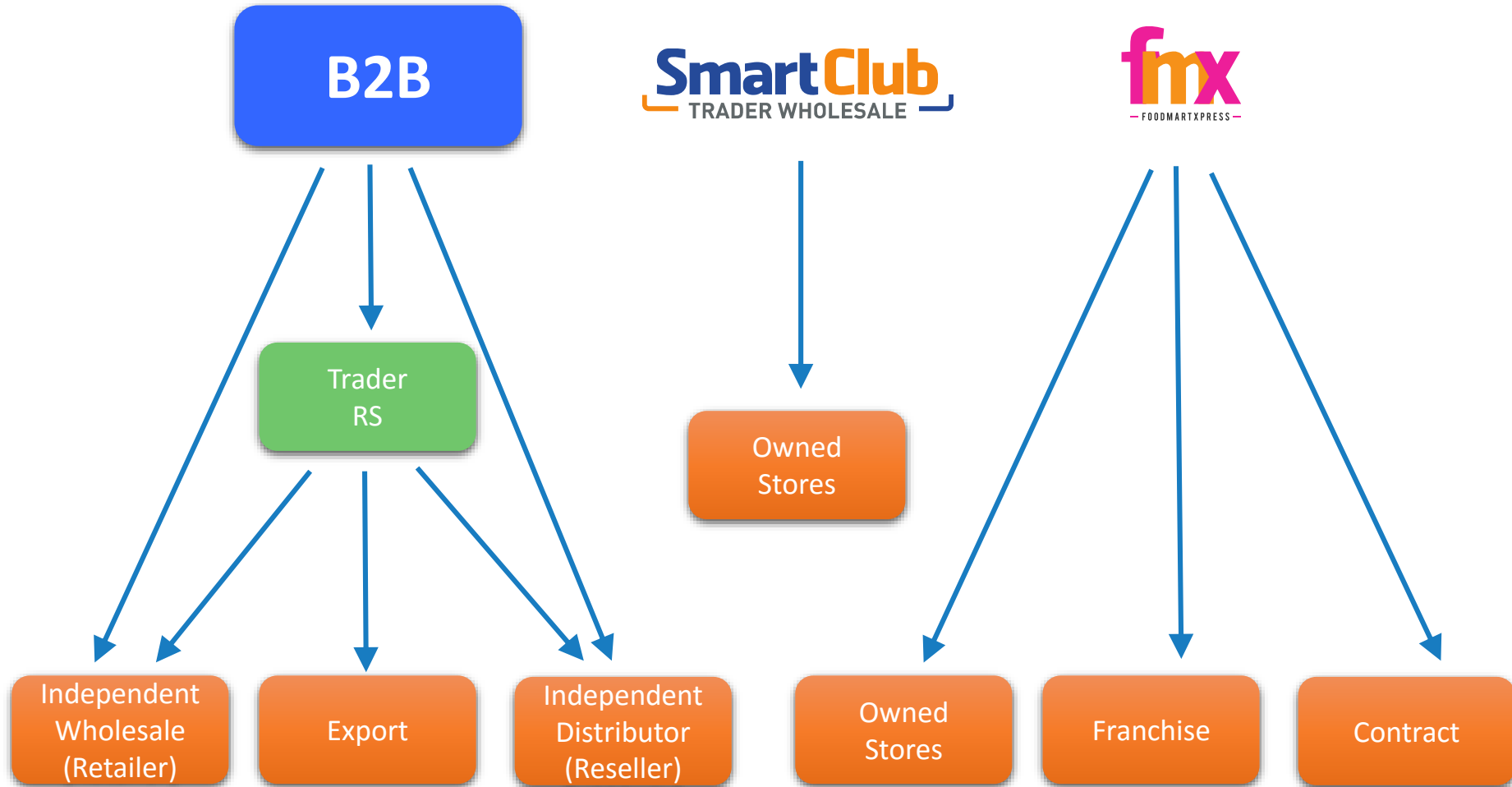
Q4 Inventory Actions – Reduced new store levels



Purchase Level



5 Pillars of Growth # 5: Wholesale Platform



5 Pillars of Growth #5: New Channels: Mobile & Online



www.shop.hypermart.co.id



www.mataharimall.com

Financial Overview

The section
should be reviewed
in conjunction with the
**Q1 2016 Financial Report
& 2015 Annual Report**

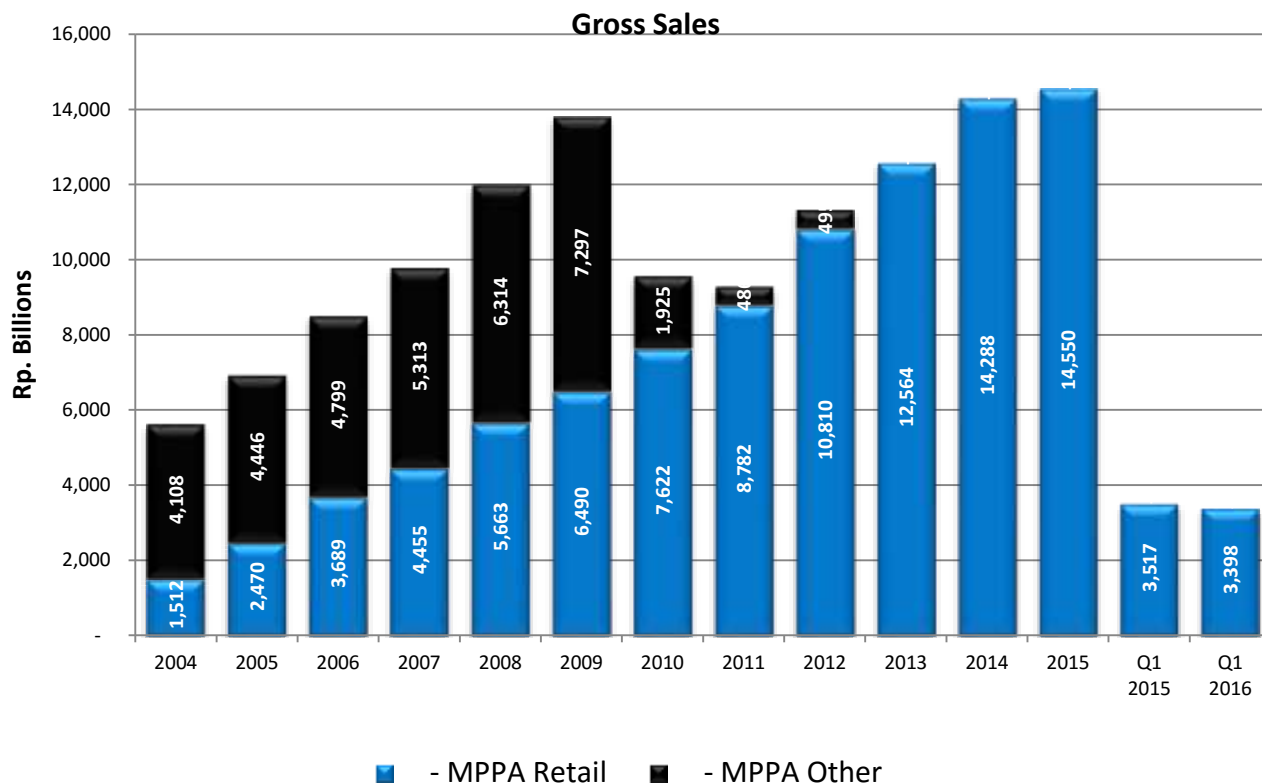
4

MPPA Q1 2016 Financial Data

	Mar 31, 16	Mar 31, 15	
	Rp	Rp	
NET SALES	<u>3,265,283</u>	<u>3,347,477</u>	-2.5%
COST OF SALES	<u>(2,806,387)</u>	<u>(2,750,084)</u>	
GROSS PROFIT	<u>458,896</u>	<u>597,393</u>	
Selling expenses	(90,021)	(53,212)	
General and administrative expenses	(476,012)	(441,834)	
Other expenses	(2,748)	(5,015)	
Other income	-	138	
OPERATING PROFIT	<u>(109,885)</u>	<u>97,470</u>	-212.7%
Finance income	1,681	5,500	
Finance costs	<u>(18,098)</u>	<u>(281)</u>	
INCOME BEFORE INCOME TAX	<u>(126,302)</u>	<u>102,689</u>	-223.0%
Income tax expenses	5,296	(18,980)	
Final tax expenses	<u>(2,065)</u>	<u>(2,126)</u>	
INCOME FOR THE PERIOD	<u>(123,071)</u>	<u>81,583</u>	-250.9%

MPPA Historical Sales

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Q1 2015	Q1 2016
Net Revenue (Rp. Billion)						10,281	8,545	8,909	10,868	11,913	13,590	13,928	3,347	3,265
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	14,550	3,517	3,398
- MPPA Retail	1,512	2,470	3,689	4,455	5,663	6,490	7,622	8,782	10,810	12,564	14,288	14,550	3,517	3,398
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Q1 2016 NOTES

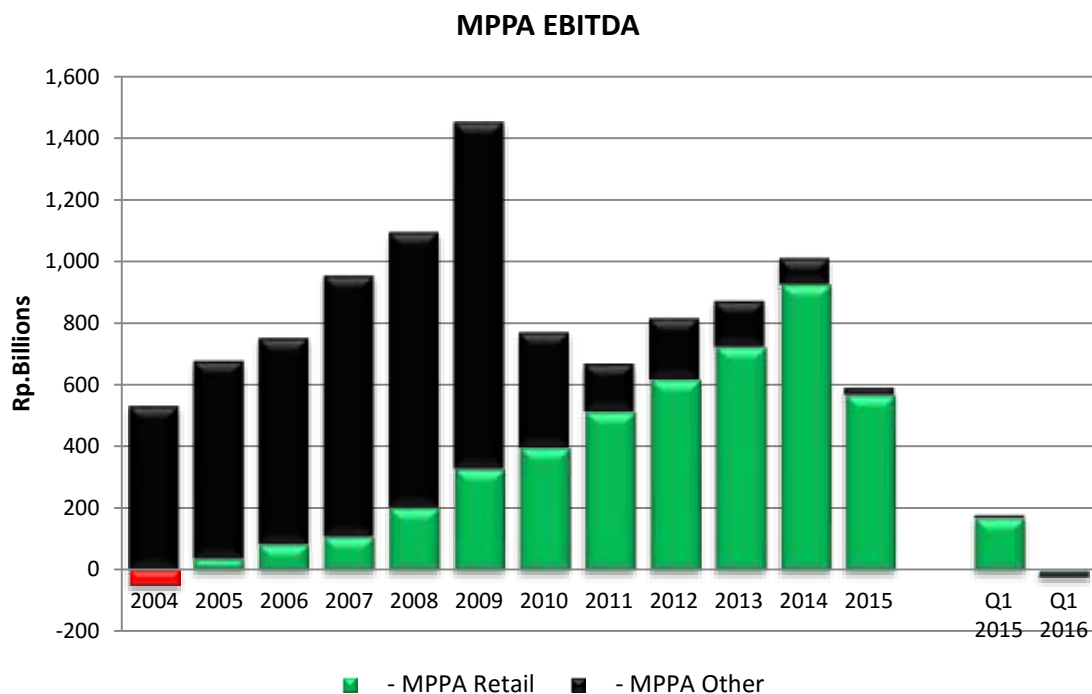
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- MPPA SSSG -5.2% in Q1 2016
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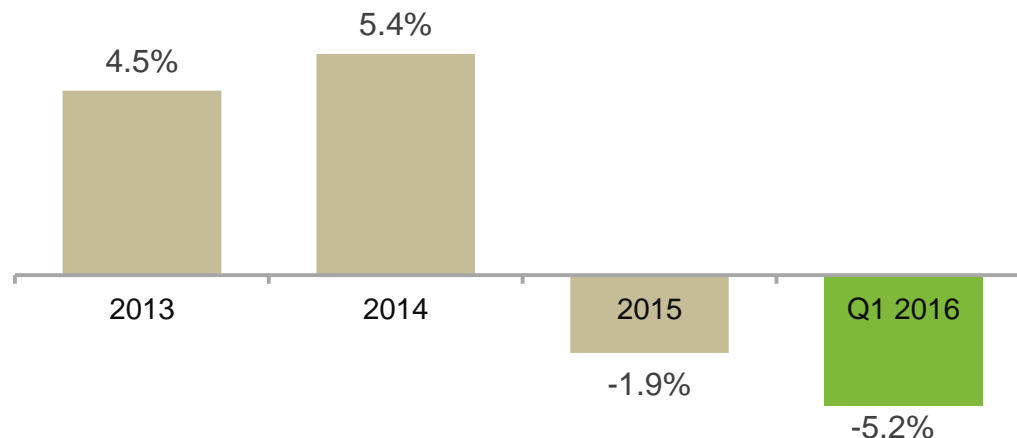
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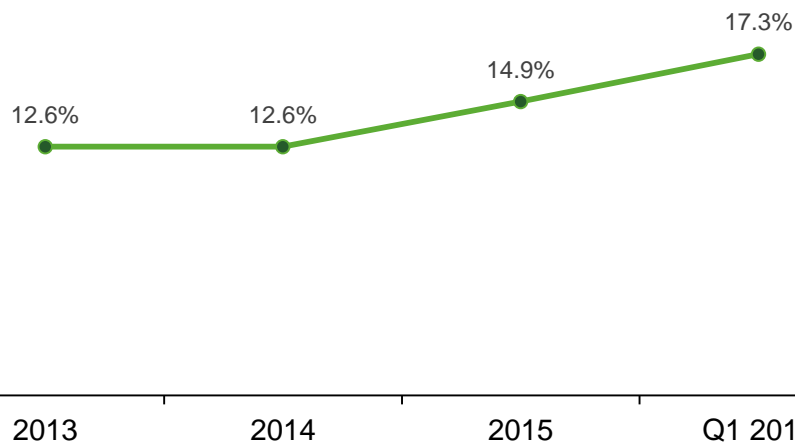
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Our Growth and Business Strategies

Comparable Store Growth



Sales recovery in Q3 and Q4. Q2 benefits from Lebaran uplift.
SSSG Guidance FY2016: low single digit

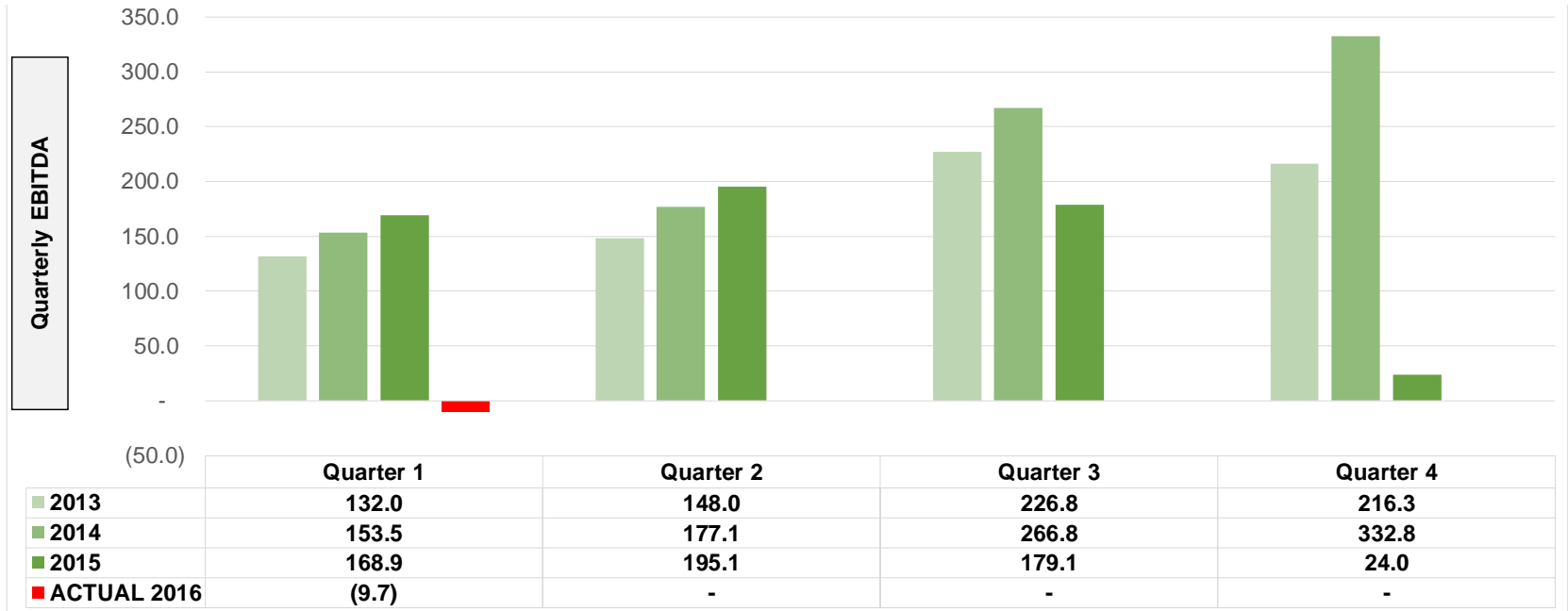


Expense Ratio as a % of Sales

Operating expenses^(a) as % of sales

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

MPPA Retail EBITDA Guidance (Quarterly)



Guidance

+ / - 10%
of 2015 levels

+ / - 10%
of 2013 levels

+ / - 10%
of 2014 levels

Lebaran shift Q3 to Q2

Simulation Retail to Cost Method

Description	Retail Method	Cost Method
Sales	26.80	26.80
COGS	(21.16)	(21.00)
Gross Profit	5.64	5.80
Selling Expense	(1.00)	(1.00)
G&A expense	(0.50)	(0.50)
Total Opex	(1.50)	(1.50)
Operating Profit	4.14	4.30
Other (Exp)/Inc	(0.25)	(0.25)
Net Interest (Exp)/Inc	(0.75)	(0.75)
Profit before Tax	3.14	3.30
Tax expense	(1.00)	(1.00)
Profit after Tax	2.14	2.30

Simulation Retail to Cost Method

Purchase:	Cost	Retail
10 Biscuit (cost 1, retail 1.2)	10.00	12.00
10 Chocolate (cost 1, retail 1.5)	10.00	15.00
10 Cooking oil (cost 1, retail 1.1)	10.00	11.00
Total	30.00	38.00

Sales :	Retail
5 Biscuit	6.00
8 Chocolate	12.00
8 Cooking oil	8.80
Total	26.80

Retail method illustration

	Cost	Retail	Cost to retail
Beginning	-	-	
Purchase	30.00	38.00	
Merch Available for sale	30.00	38.00	78.9%
Sales		26.80	
Ending Inventory (11.2 x 78.9%)	8.84	11.20	
COGS (30-8.8)	21.16		
Profit (26.8-21.2)	5.64		

Cost method illustration

Sales	26.80
Beginning inventory	0.00
Purchase	30.00
COGS	21.00
Ending inventory	9.00
Profit	5.80

Sales :	Retail	COGS	Profit
5 Biscuit (cost 1, retail 1.2)	6.0	5.0	1.0
8 Chocolate (cost 1, retail 1.5)	12.0	8.0	4.0
8 Cooking oil (cost 1, retail 1.1)	8.8	8.0	0.8
	26.8	21.0	5.8



Additional Information

Board of Management Profile



Noel Trinder

Chief Executive Officer of MPPA Retail

- Joined the Company in late 2003 and rejoined in 2014 as CEO
- Started his career at Boans Department Store (1970)
- Worked with Coles Supermarket, BBG Food China, Hero and Tops Retail



Carmelito J. Regalado

Deputy CEO

Property & New Business Development

- Joined the Company in March 2002
- Becoming President of MPPA Retail in 2009
- Professional career at SGV & Co Public Accountant Office in Philippines



Board of Management Profile



Patrick J. Hopper

Chief Financial & Information Officer

- Joined the Company in 2013
- More than 30 years of experience in the retail industry and 10 years exposure in EM
- Operational and financial positions in Tesco and Kmart



Ang Kasmin Rasilim

Chief Risk Management Officer

- Joined the Company in 2003
- Joined Gramedia Group International Jakarta and PT Hero Supermarket Tbk.



Djamel Derguini

Chief Operations Officer

- Joined the Company in 2014
- More than 20 years of experience in supermarket businesses
- Started his career with Carrefour Group in 1986



Benjamin M. Lamberte, Jr.

Chief Store Planning & Development

- Rejoined the Company in 2014
- Detailed knowledge of store planning, operations and setting up of supermarkets outlets
- Worked for Dairy Farm International



Ishak Kurniawan

Chief Human Capital

- Joined the Company in April 2008, becoming a Director in 2013
- Served as the Country Human Resources Officer for Citibank N.A.
- More than 24 years of experience



Laniawati S. Matita

Director of Human Capital

- Joined the Company in 2013
- More than 20 years of experience in Human Resources
- Several important positions in Human Resources Department of PT Argo Pantes Tbk, PT Alam Sutera Realty Tbk, and Astra Group



Gilles Pivon

Director of Hypermart Operations

- Joined the Company in 2009
- Started his professional career in 1986 by joining the Carrefour Group, France
- Worked with Carrefour Taiwan and Carrefour Belgium



Kyutae Park

Director of Boston Health & Beauty Operations

- Joined the Company in 2015
- More than 20 years of experience in industry
- Worked as Director of Carrefour and Country Head of Watson Indonesia



Darpudu Rao

Director of Foodmart Operations

- Rejoined the Company in 2008
- More than 30 years of experience in the industry
- Held several key positions in Cold Storage Supermarkets, Hero, J Sainsbury Plc Supermarkets, Foodworld Supermarkets, and NTUC Fairprice Singapore



John Glover

Director of Merchandising & Marketing

- Joined the Company in 2014
- More than 42 years of experience in industry
- Worked with Metro Group (HK) and Metro Cash & Carry



Emi Nuel

Director of Wholesale Operations

- Joined the Company in 2004
- President Director – COO of Mitra10 (2008-2009)
- Started his professional career in Astra Group, DHL and Carrefour



Danny Crayton

Director of E Commerce

- Joined the Company in 2013
- More than 44 years of experience in retail
- Worked for Matahari Department Store, Moore's, Belk and Ivey's Department Stores in the USA



Danny Kojongian

Corporate Secretary

Director of Public Relations & Communications

- Joined the Company in 1996
- Assuming the Public Relations & Communications roles since 1996
- Started his professional career in PT Duta Pertiwi as Treasury Senior Staff



Reynold P. Ong

Advisor

Finance & Investor Relations

- Joined as Finance & Investor Relations Advisor in 2014
- More than 25 years of experience
- Worked Jardine Davies, PT Bank Lippo Tbk. and PT Multipolar Tbk



Iwan Goenadi

Director

Information Technology

- Joined the Company in 1998
- Head of Store Operations Supermarket in 1999
- MIS Director since 2002



Charles Kruse

Advisor

Applica System & Business Intelligence

- Joined as Advisor in Applica System & Business Intelligence in 2015
- More than 40 years of experience in retail
- Worked with BIG C, Far Eastern Geant, and Telcos



Keith Dolling

Senior Advisor

Distribution Centers & Logistics

- Joined the Company in 2004
- More than 36 years of experience in supply chain system
- Worked with TOPS Retail, Daria-varia Laboratoria Group, Kalbe Farma Group and TNT Logistics Indonesia

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