



Matahari Department Store

Q3 2014/ 9M 2014 Results Update

Earnings call: October 29, 2014

☐ **Key Highlights Q3 2014 and 9M 2014**

☐ **Financial Update**

☐ **Summary**



Key Highlights Q3 2014 / 9M 2014

Key Highlights Q3 2014

- **Total gross sales increased by 12.0% over LY to Rp5,008.1 bn**
- **Delivered a 9.7% comp store sales growth**
- **Merchandise gross margin increased to 34.4% of gross sales, up 40 bps over LY**
- **EBITDA increased by 13.2% over LY to Rp1,000.7 bn, at 20.0% of gross sales (20 bps over LY)**
- **Comparable net income* increased by 15.5% from Rp605.0 bn in Q3 2013, to Rp698.7 bn in Q3 2014**
- **Reported net income increased by 10.1% over LY to Rp698.7 bn**

* Comparable Net Income: In comparing Q3 2014 Net Income to LY, Q3 2013 NI has been adjusted downward to exclude the retroactive 20% tax rate adj relating to Q1 and Q2 2013 which was booked in Q3 2013.

9M 2014 Recap

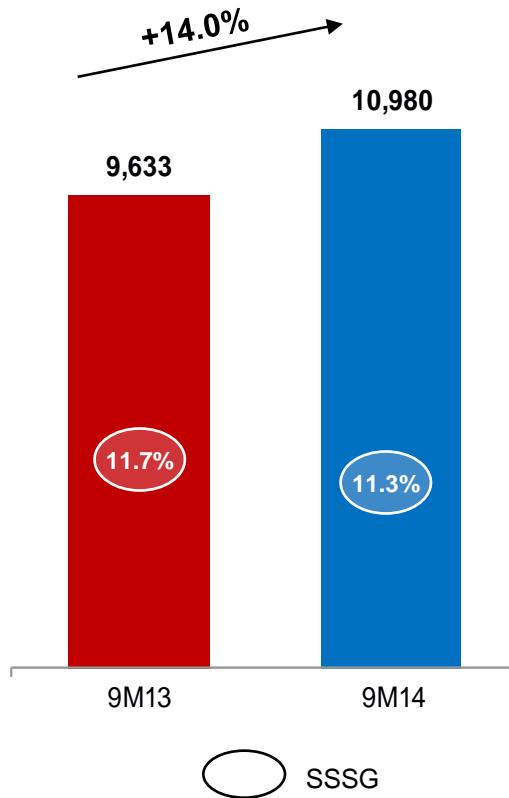
- **Gross sales increased by 14.0% over LY to Rp10,979.9 bn**
- **Delivered a 9-months comp sales growth of 11.3%**
- **Merchandise gross margin increased to 34.8% of gross sales, up 80 bps over LY**
- **EBITDA increased by 15.6% to Rp1,853.7 bn, at 16.9% of gross sales (30 bps over LY)**
- **Comparable net income* increased by 27.7% from Rp899.5 bn in 9M 2013 to Rp1,148.4 bn in 9M 2014**
- **Reported net income increased by 17.9% over LY to Rp1,060.4 bn**

*Comparable Net Income: 2014 net income excludes the one-off amortization of loan fees and the charge in Q1 (See Q2 earnings slides for detail)

Financial Snapshot YTD September 2014

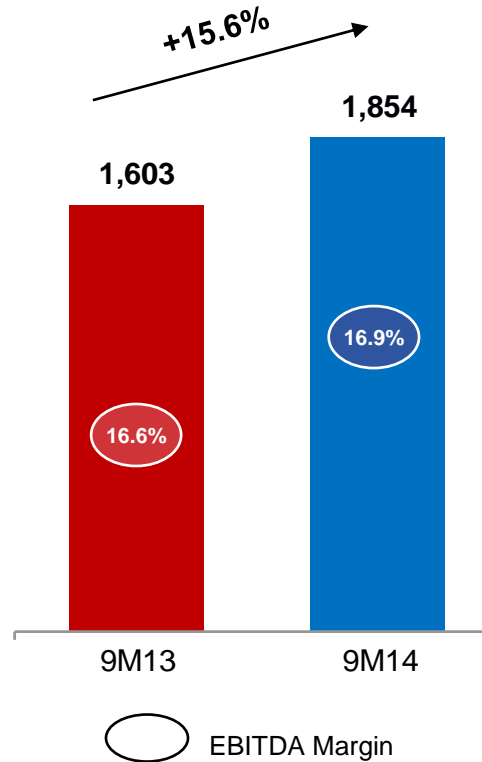
Gross Sales

IDR Bn



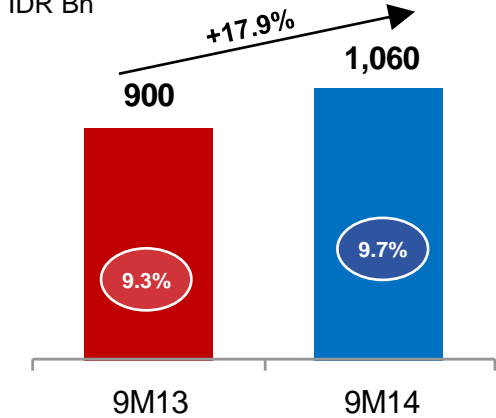
EBITDA

IDR Bn

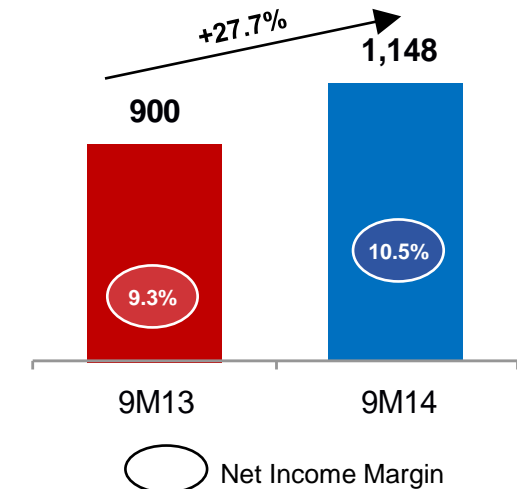


Reported Net Income

IDR Bn



Comparable Net Income

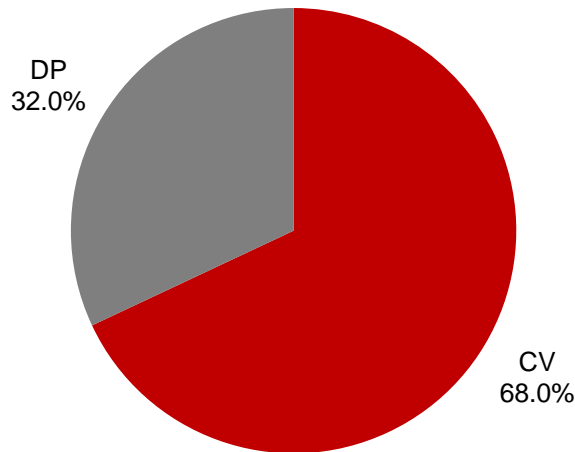


MDS's exclusive brands continue to deliver strong performance

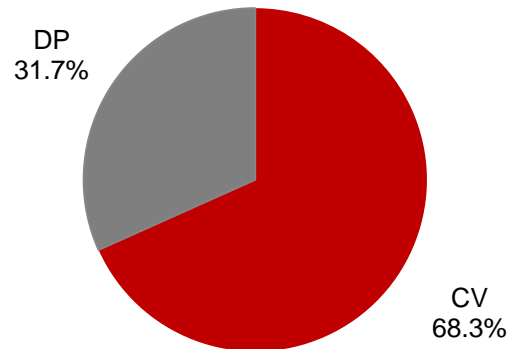
DP accounted for 34.2% of gross sales in 9M14, as compared to 32% in FY 2013 and 31.8% in 9M13

% of Gross Sales

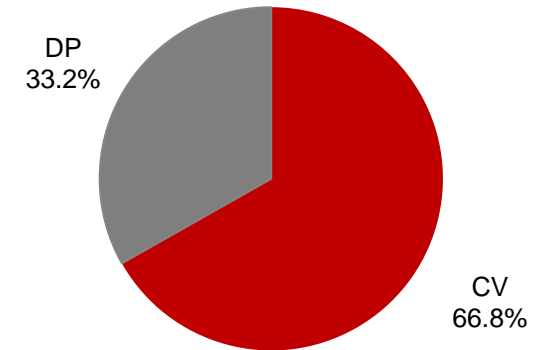
FY13



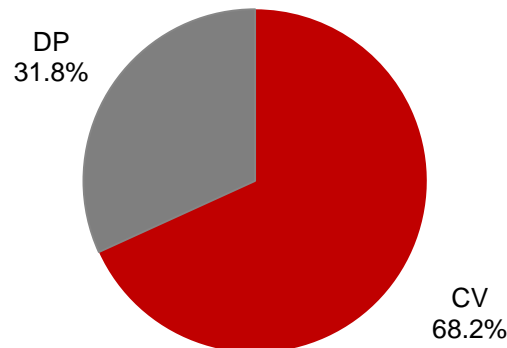
Q3' 13



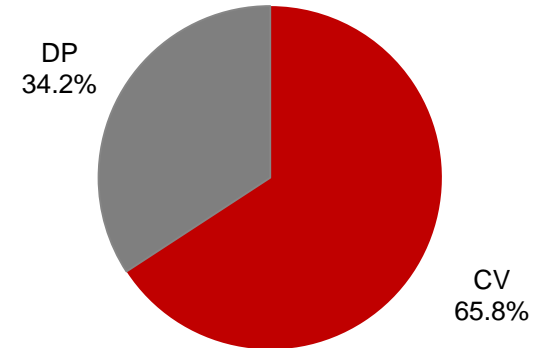
Q3 '14



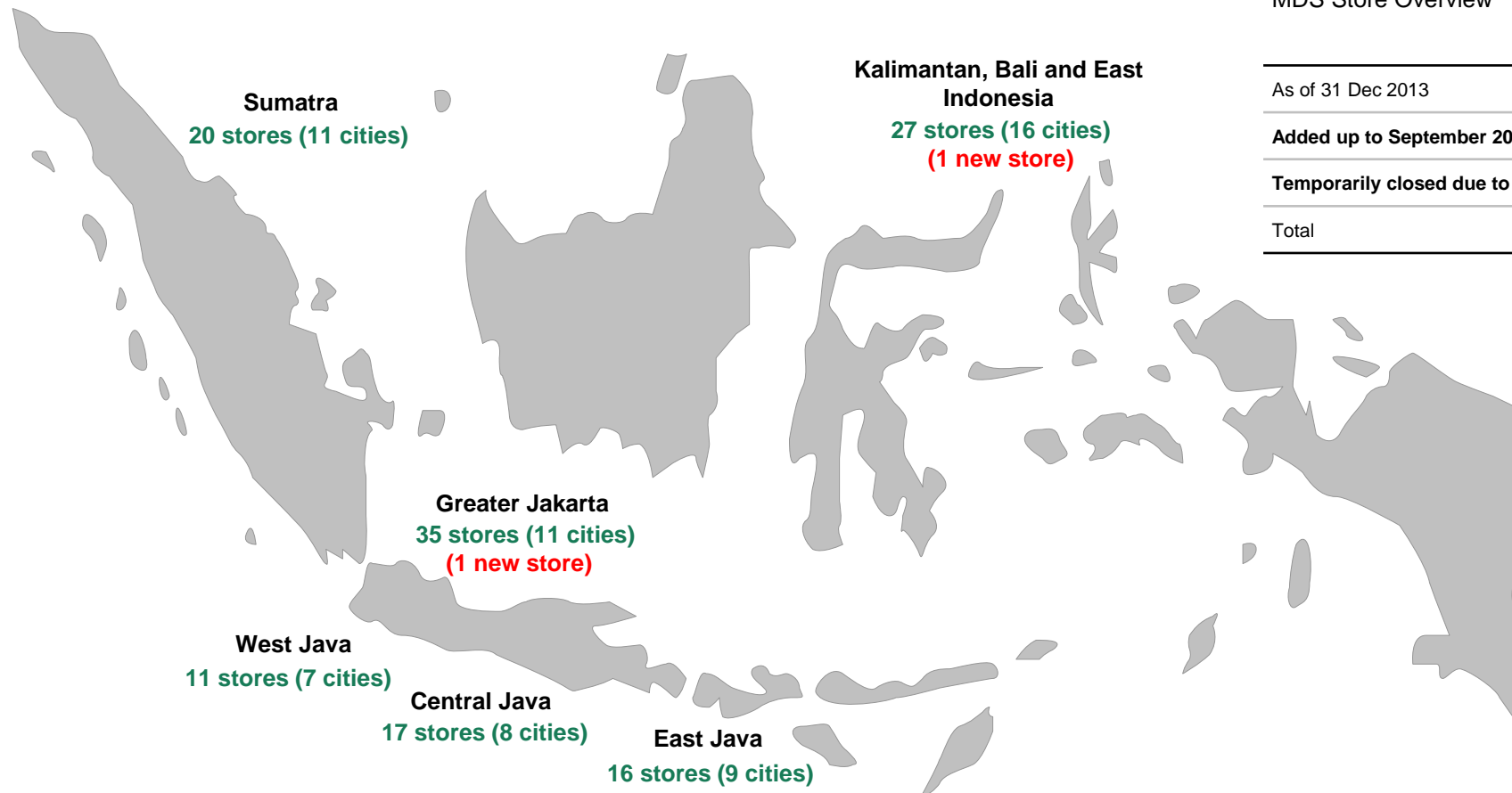
9M13



9M14



Retail store network as of September 2014



MDS Store Overview

| | No. of Stores |
|--------------------------------|---------------|
| As of 31 Dec 2013 | 125 |
| Added up to September 2014 | 2 |
| Temporarily closed due to fire | 1 |
| Total | 126 |

Forecasting 9 new stores in 2014; 12-14 new stores in 2015

- **Opened 1 new store in Samarinda (23 October 2014)**
- **We anticipate opening an additional 6 stores by year end, to give a total of 9 new store openings for the year**
- **In 2015, we are forecasting 12-14 new stores**

| No | Geographic area | As at 31 Dec 2013 | | As at September 2014 | | Balance in 2014 | Future Pipeline 2015 onwards | |
|----|-------------------------------|-------------------|---------------|----------------------|---------------|-----------------|------------------------------|---------------|
| | | # of stores | % mix | # of stores | % mix | # of stores | # of stores | % mix |
| 1 | Jabodetabek (Greater Jakarta) | 35 | 28.0% | 36 | 28.3% | 1 | 16 | 21.6% |
| 2 | Java (Exc Greater Jakarta) | 44 | 35.2% | 43 | 34.6% | 0 | 21 | 28.4% |
| 3 | Outside Java | 46 | 36.8% | 47 | 37.0% | 6 | 37 | 50.0% |
| | Total | 125 | 100.0% | 126 | 100.0% | 7 | 74 | 100.0% |

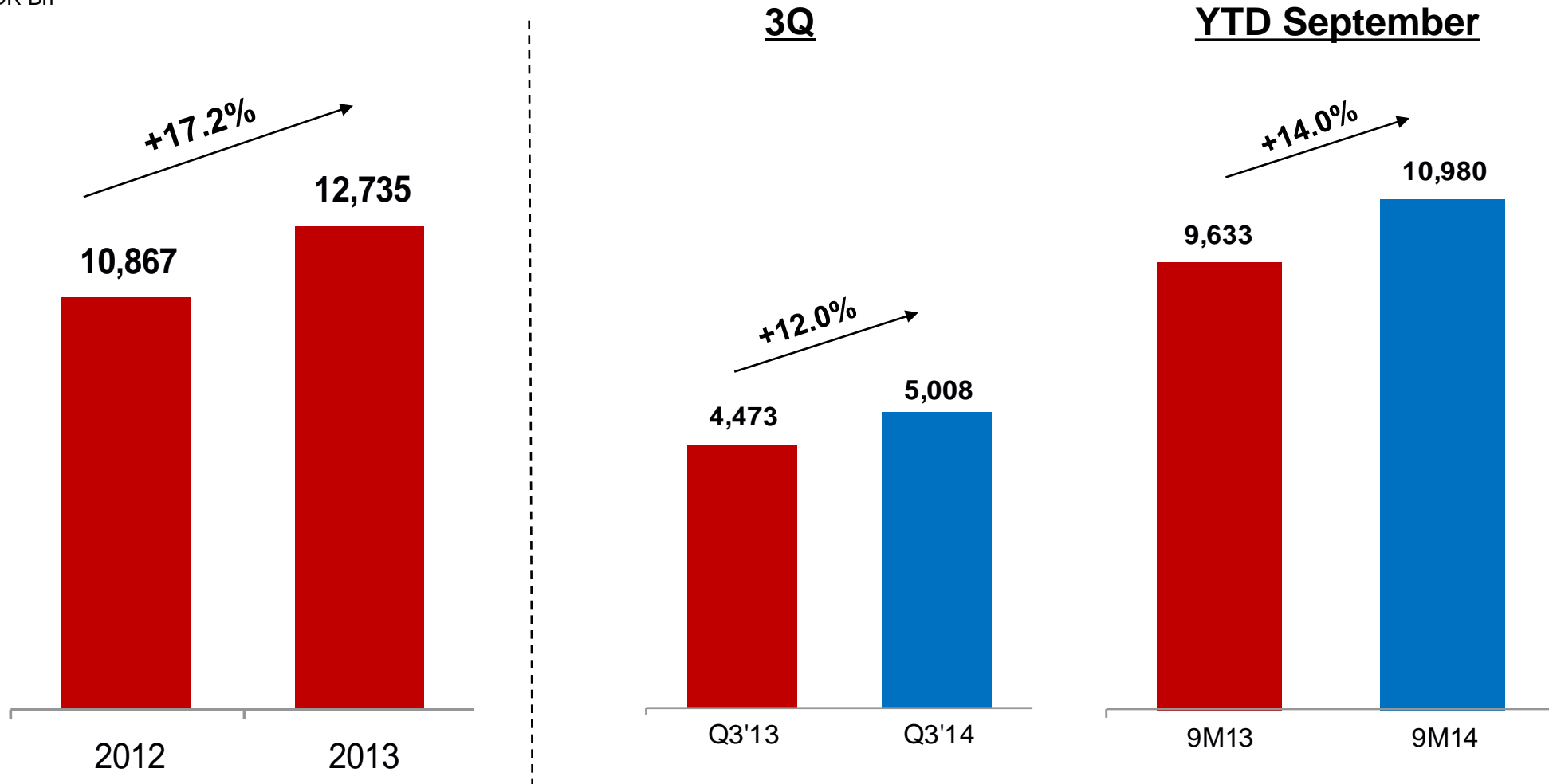


Financial Update

Strong sales growth continues in Q3

Strong sales growth

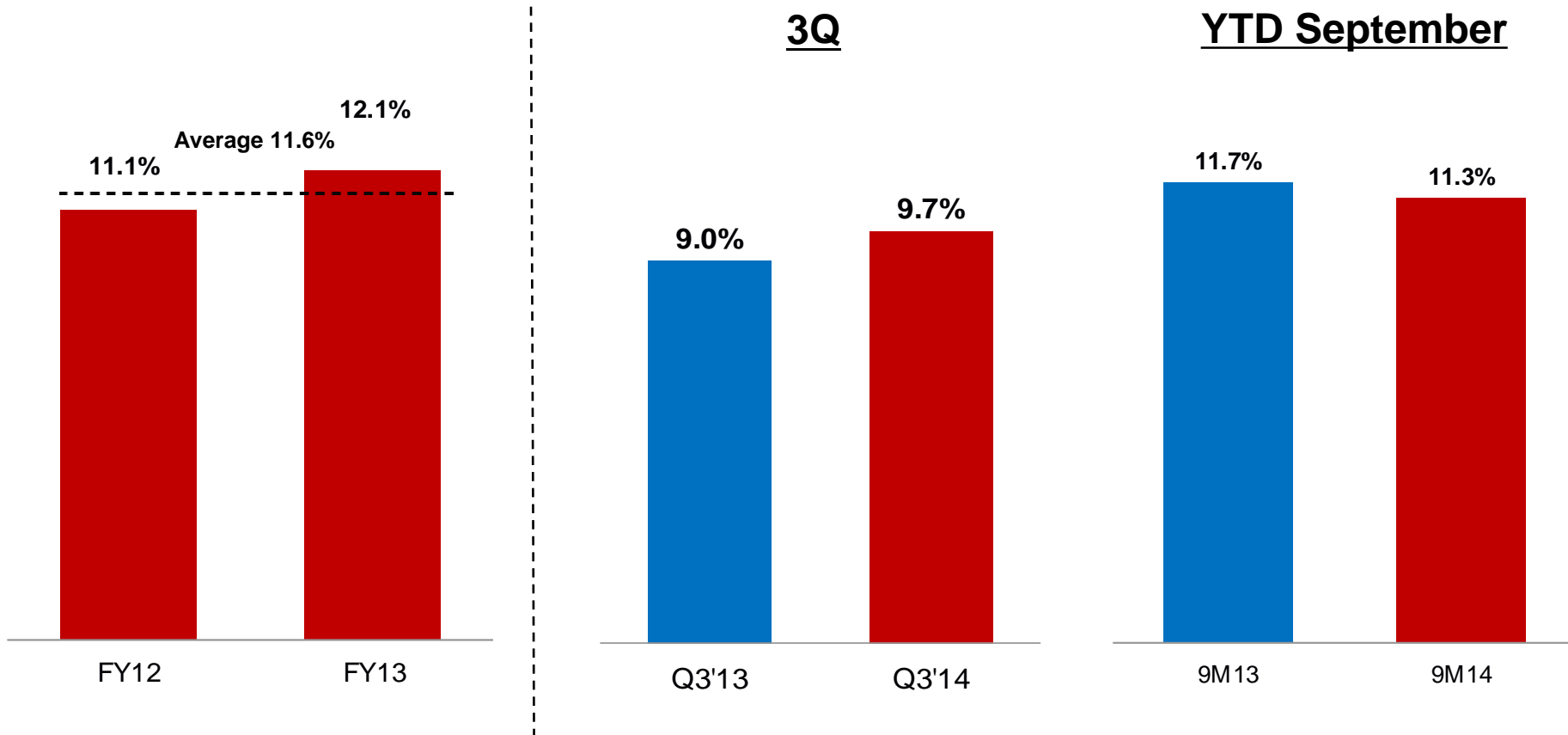
IDR Bn



Driven by improved double-digit same-store sales growth

Resilient same store sales growth in Q3 2014

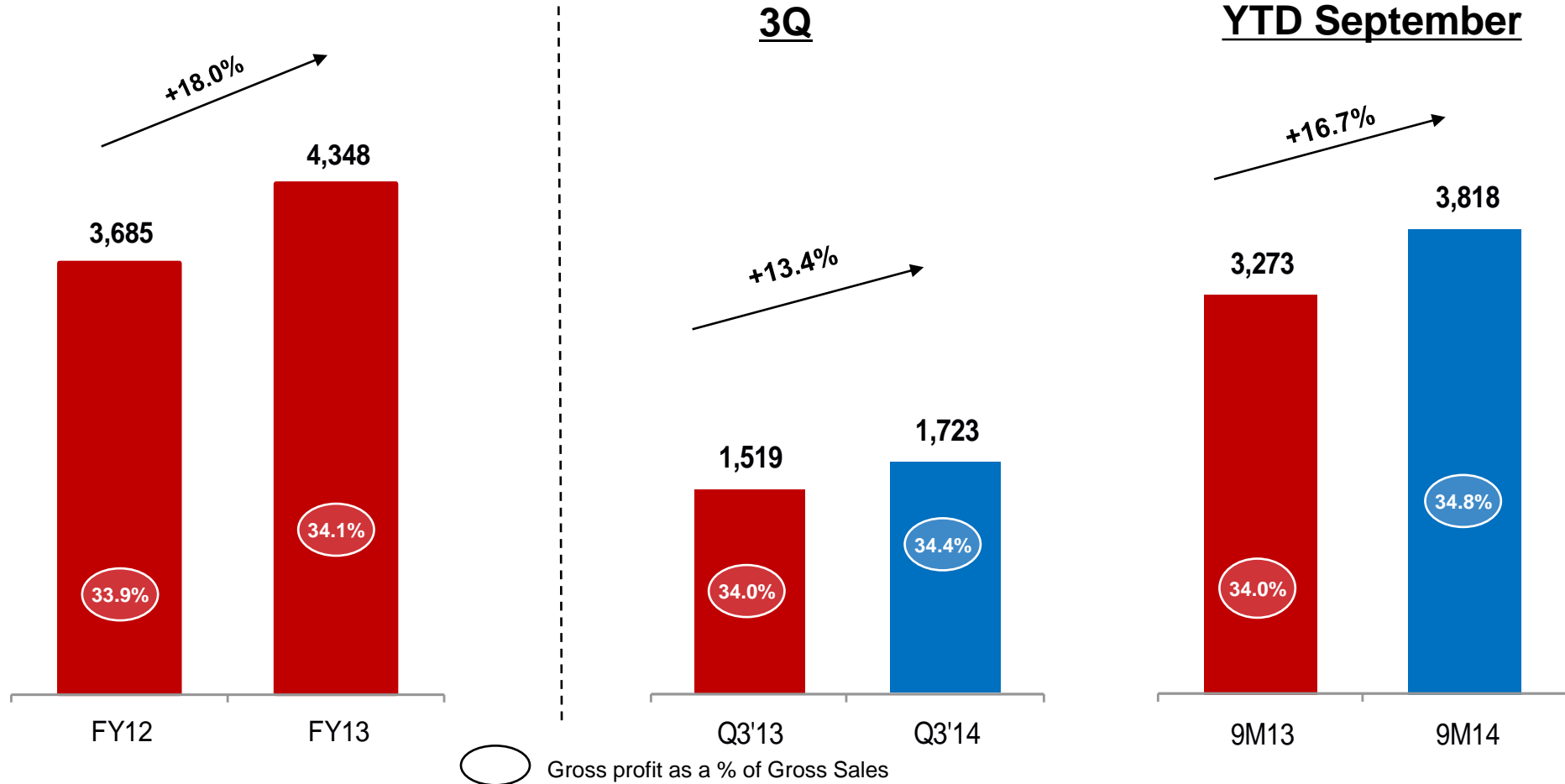
SSSG %



Merchandise margins continue to strengthen

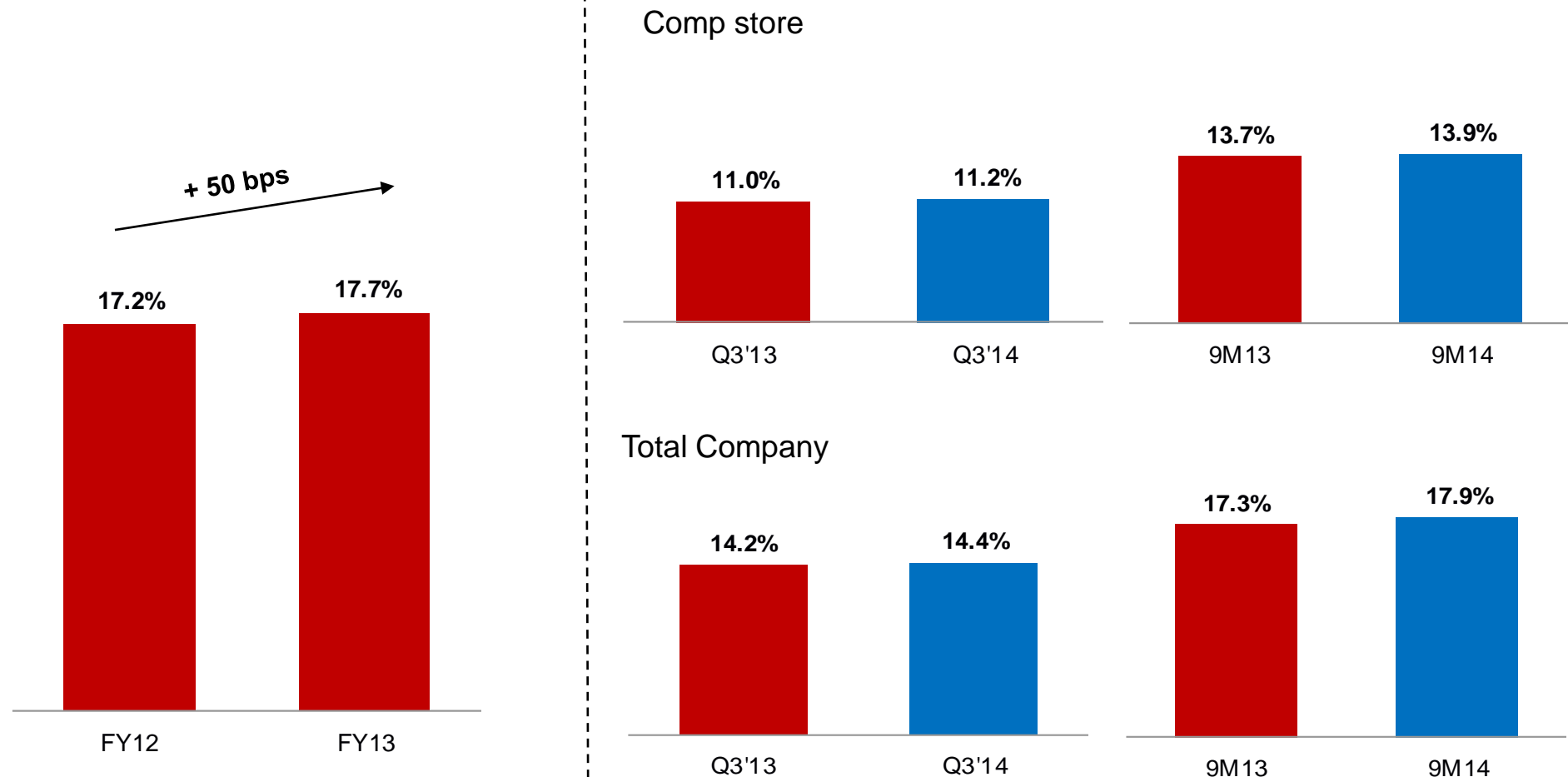
Gross profit and margins

IDR Bn



Expenses came in lower than planned, with stores continuing to offset labor cost increases with operational efficiencies

Opex⁽¹⁾ as a % of Gross Sales



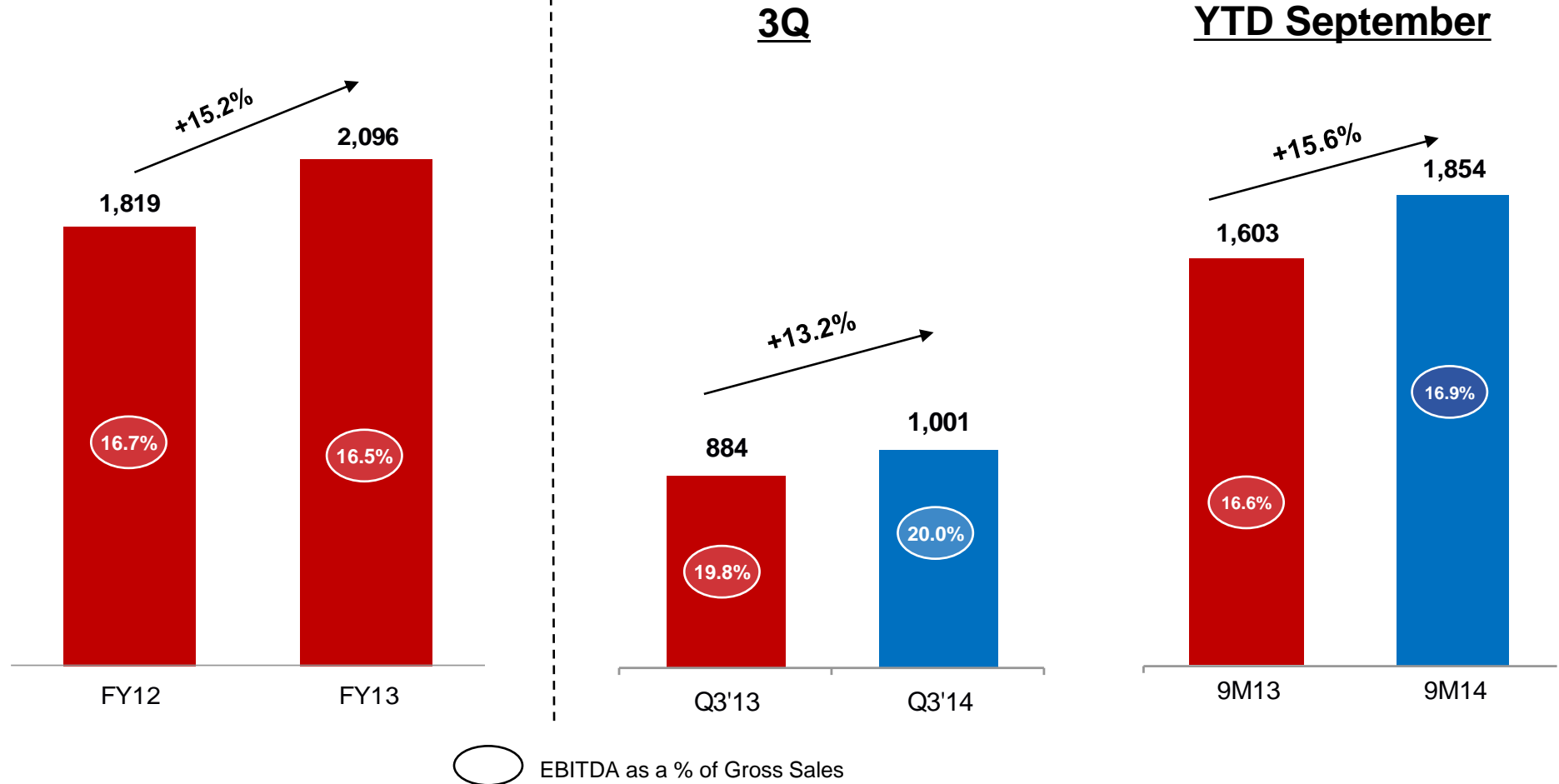
Note

1. Opex calculated as Adjusted Gross Profit less Adjusted EBITDA

EBITDA grew by 13.2% in Q3 2014, YTD up 15.6%

EBITDA and Margins

IDR Bn



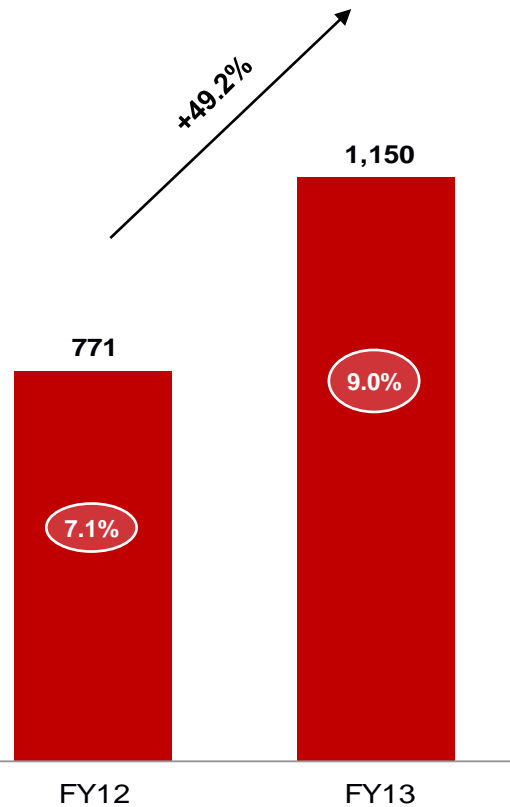
Notes

EBITDA adjusted for severance pay

YTD comparable net income increased by 27.7% over 2013

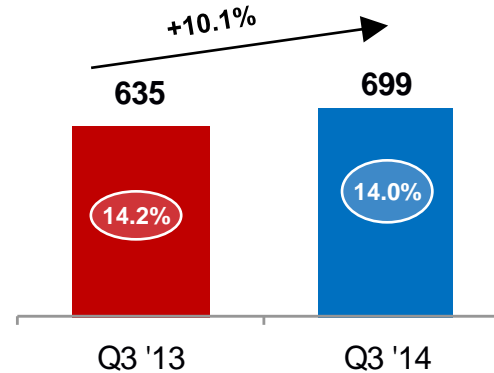
Net Income and Margins

IDR Bn

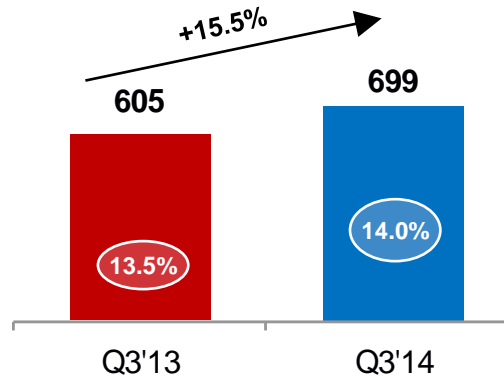


3Q

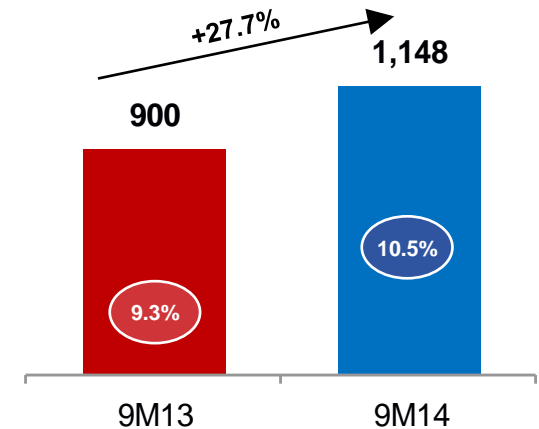
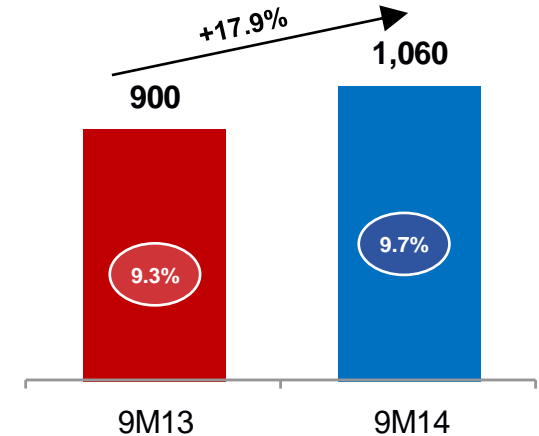
Reported Net Income



Comparable Net Income



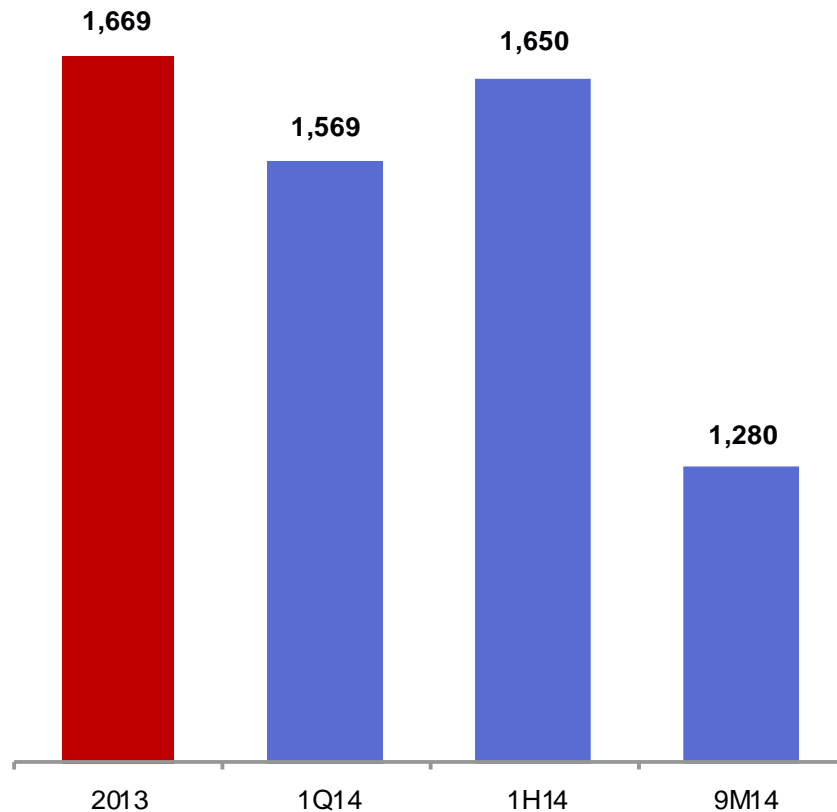
YTD September



○ Net Income as a % of Gross Sales

Debt continues to be paid down at an accelerated rate

Total Gross Debt



Commentary

- In 3Q14, we made the following prepayments:
 - July: Rp70bn
 - August: Rp200bn
 - September: Rp100bn
- We are planning on making additional prepayments later in the year

Notes

1. Effective interest rate is computed by dividing interest expense (excluding amortization of upfront fees) during the relevant period by beginning gross debt of the relevant period
2. Total debt comprises of the bank loan

Strong comp performance across geographic regions

Sales Growth and SSSG by region

| Geographic Area | Stores as at Sept 2014 | Store Mix % to Total | Sales (IDR Bn) | Total Sales % growth YTD | SSSG% Q3' 2014 | SSSG% YTD Sep 2014 |
|---------------------------------|---------------------------|-------------------------|-------------------|-----------------------------|-------------------|-----------------------|
| Greater Jakarta | 36 | 28.6 | 3,219 | 11.9% | 7.8% | 8.0% |
| Java exclude Greater Jakarta | 43 | 34.1 | 3,673 | 15.5% | 12.0% | 15.0% |
| Outside Java | 47 | 37.3 | 4,088 | 14.3% | 9.1% | 10.6% |
| Total | 126 | 100.0 | 10,980 | 14.0% | 9.7% | 11.3% |

Financial Summary

Key Profit & Loss Items

IDR Bn

| | 3Q13 | 2Q14 | 3Q14 | 9M13 | 9M14 |
|-------------------|---------|---------|---------|---------|----------|
| Gross Sales | 4,473.4 | 3,294.5 | 5,008.1 | 9,633.0 | 10,979.9 |
| SSSG | 9.0% | 15.4% | 9.7% | 11.7% | 11.3% |
| Growth | 14.1% | 18.2% | 12.0% | 16.9% | 14.0% |
| Net Revenue | 2,367.4 | 1,849.2 | 2,710.5 | 5,108.3 | 6,039.4 |
| Growth | 16.9% | 24.6% | 14.5% | 20.2% | 18.2% |
| Gross Profit | 1,519.2 | 1,176.1 | 1,722.7 | 3,272.9 | 3,818.1 |
| Margin | 34.0% | 35.7% | 34.4% | 34.0% | 34.8% |
| EBITDAR | 1,106.5 | 748.9 | 1,255.9 | 2,210.1 | 2,555.3 |
| Margin | 24.7% | 22.7% | 25.1% | 22.9% | 23.3% |
| EBITDA | 884.3 | 518.2 | 1,000.7 | 1,603.1 | 1,853.7 |
| Margin | 19.8% | 15.7% | 20.0% | 16.6% | 16.9% |
| Income before tax | 767.5 | 328.6 | 880.1 | 1,180.1 | 1,390.2 |
| Margin | 17.2% | 10.0% | 17.6% | 12.3% | 12.7% |
| Net Income | 634.6 | 238.6 | 698.7 | 899.5 | 1,060.4 |
| Margin | 14.2% | 7.2% | 14.0% | 9.3% | 9.7% |
| growth | 34.3% | 30.6% | 10.1% | 42.8% | 17.9% |



Summary

Summary

- ☐ **Strong sales and earnings results in 3Q is reflective of the continuing strength in consumer demand**
- ☐ **Gross margin improvements achieved in both Direct Purchase and Consignment goods and expected to persist in 2015**
- ☐ **Store expenses are well controlled and trending below management targets**
- ☐ **Additional prepayments are being made on the new term loan; Still on track to be debt free by the end of 2015**
- ☐ **Real estate developers are showing more optimism as reflected in the uptick in their activities**

End of Presentation

