



# Matahari Food Business

## Matahari Putra Prima Tbk



# Agenda

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**Overview of Matahari Food Business**



**Key Investment Highlights**



**Vision and Strategy**



**Financial Overview**



**2014 Focus**





## Section 1

### Overview of Matahari Food Business

Matahari Putra Prima

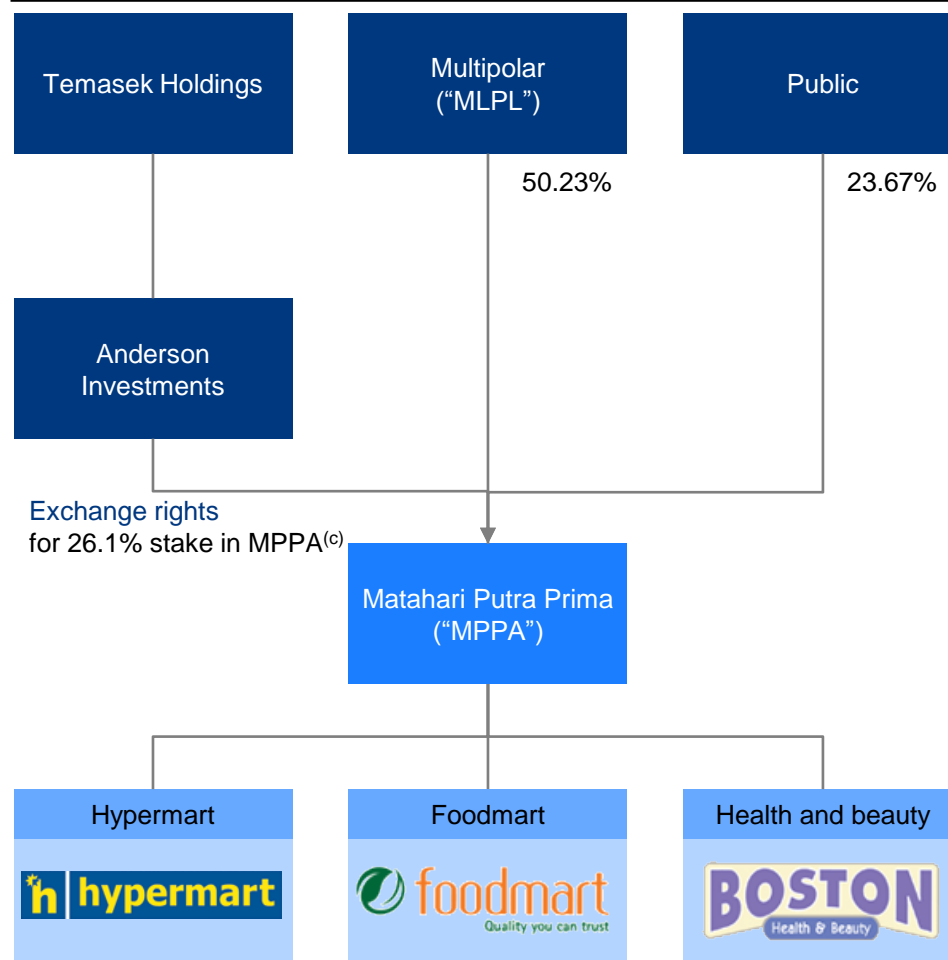


# Fastest-growing FMCG modern multi-format food retailer in Indonesia

## Key highlights

- ✓ **Largest hypermarket in Indonesia** with market cap of IDR 12,907bn (US\$1,133m)<sup>(a)</sup> as at 30 Sep 2013
- ✓ **Excellent sales and EBITDA growth** with 2010 – 2012 CAGR of 19.1% and 24.8% respectively (MFB)
- ✓ **Largest footprint of stores** versus our competitors as we are located in over 60 cities
- ✓ **Rapid annual expansion** with 20+ Hypermart openings planned and over 100 new stores in the pipeline
- ✓ **Proven asset light business model** scalable for rapid growth
- ✓ **Operating 222 stores**

## Company structure



(a) As at 7 Nov 2013

(b) Market share as per Euromonitor

(c) Currently held by a subsidiary of Multipolar until exchange rights are exercised in the future

Source: Company data, FactSet



## Three successful retail formats



No of stores <sup>(a)</sup>	99 stores
Average Store Size SQM	6,300
Number of products	26,000 – 31,000
Product selection	Fresh food, grocery, non-food and electronics
Positioning	Middle to low income
% of total revenue	91%



No of stores <sup>(a)</sup>	94 stores
Average Store Size SQM	100
Number of products	1,300 – 3,000
Product selection	Health related products, vitamins, beauty products and services
Positioning	Middle income
% of total revenue	1%

(a) As of Dec 2013  
Source: Company data

# Foodmart Formats



## Supermarket

No of Stores	10 stores
Average Store Size SQM	± 1,500 sqm
No of Products	± 25,000
Positioning	Middle income



## Gourmet

No of Stores	7 stores
Average Store Size SQM	± 1,500 sqm
No of Products	± 25,000
Positioning	Middle to High income



## Express

No of Stores	12 stores
Average Store Size SQM	52 sqm – 197 sqm
No of Products	± 4,500
Positioning	Middle income

**\*All three Foodmart formats contributed 8% of total Revenue**





## Section 2

### Key investment highlights

## Matahari Putra Prima



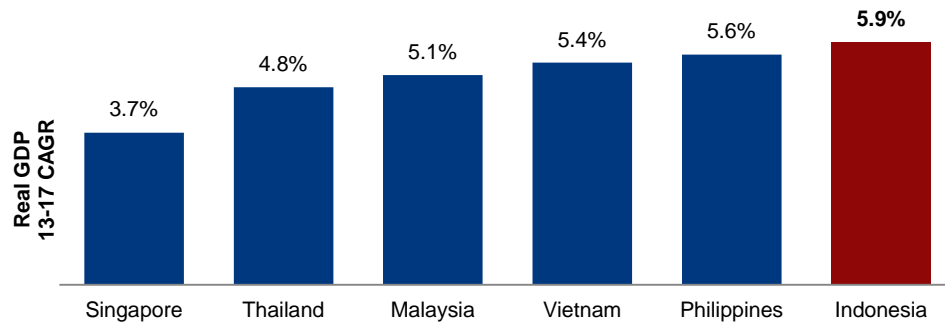
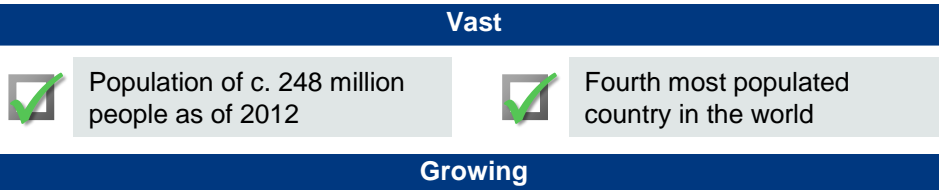
# Key investment highlights





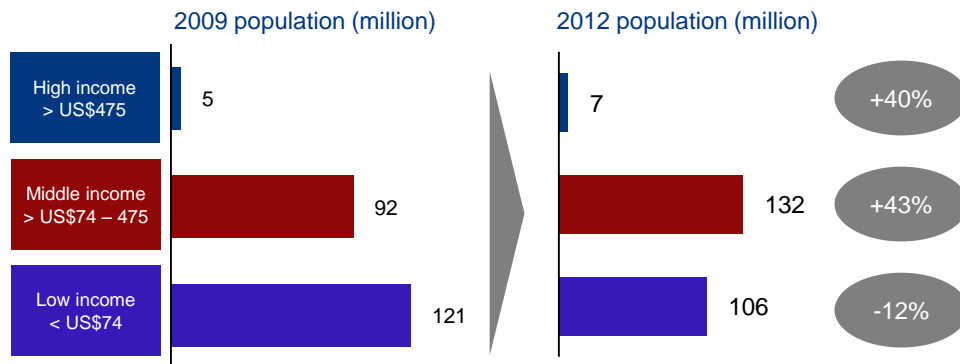
# 1 Attractive exposure to large and growing middle-income class and underpenetrated modern grocery retail sector

## Attractive Indonesia macro story...



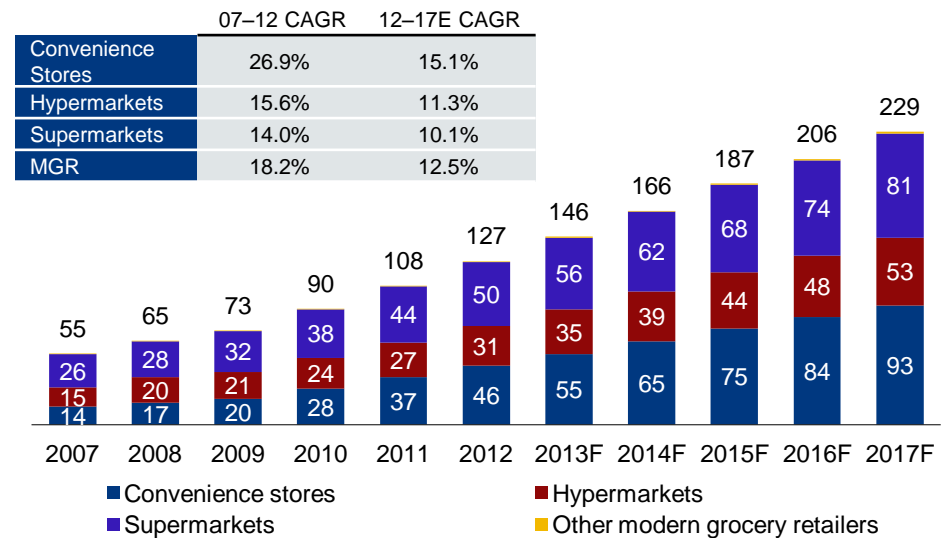
## Rising middle class

Expenditure per person per month



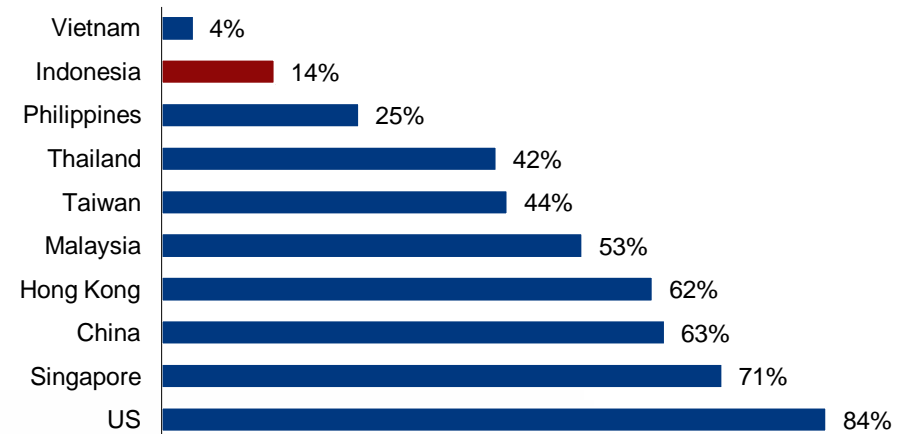
Source: Euromonitor, Central Bureau Statistics, Mark Plus and IMF World Economic Outlook

## Modern grocery retailing grows even faster than overall retailing (IDR tn)



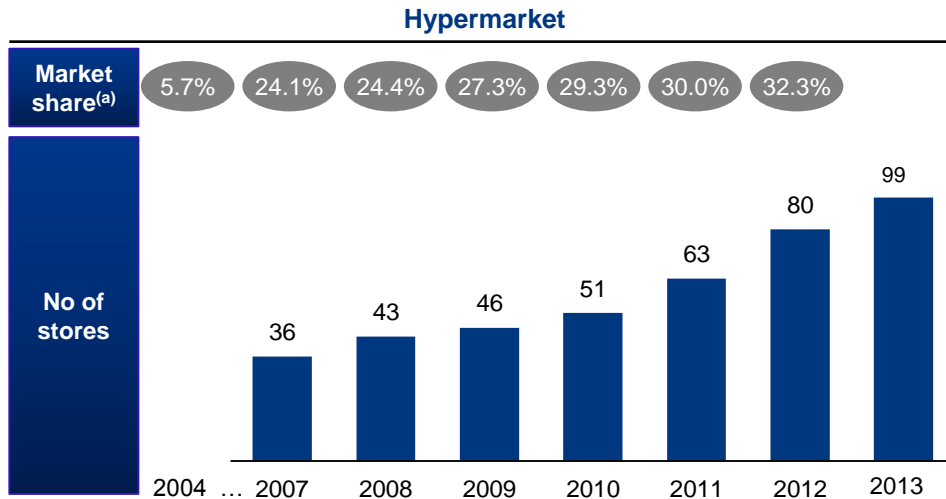
## Modern grocery retail penetration still low

Modern grocery retail as % of total grocery retail



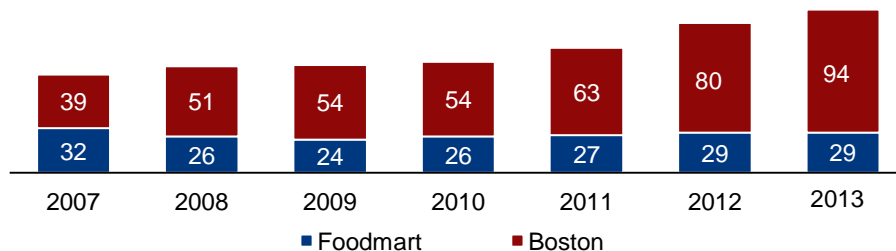
## 2 Fastest growing hypermarket with well-recognized and trusted retail brand in Indonesia

### Track record of stable store expansion



Compact Hypermart format allows faster expansion and allows earlier market entry and first-mover advantage

### Other stores



(a) Euromonitor, market share as % of retail value  
Source: Company data, Euromonitor

### Superior and trusted retail brand in Indonesia

#### Strong brand recognition nationwide

- Winner of Top 500 Asia Pacific Retail Award #1 (Indonesia) 9 years in a row
- Superbrand Award from Superbrand Indonesia



#### Established customer loyalty program

- More than 2.9 million members with average of Rp350k per transaction per day
- Hicard customers accounted for 60% of 2013 gross sales
- Basket size is 62% more for Hicard holder
- Bank Mandiri co-branded Hypermart Visa- 4440,000 cards issued



## 2 Indonesia hypermarket competitive landscape



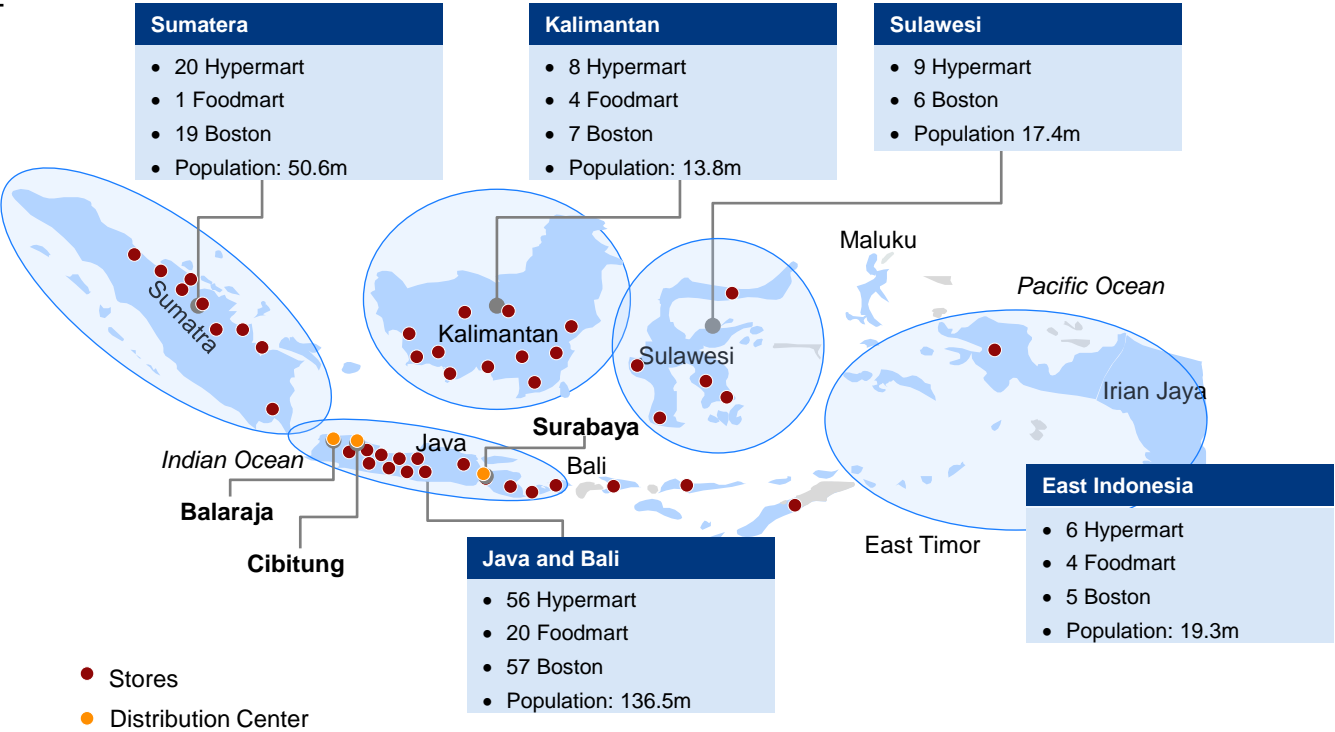
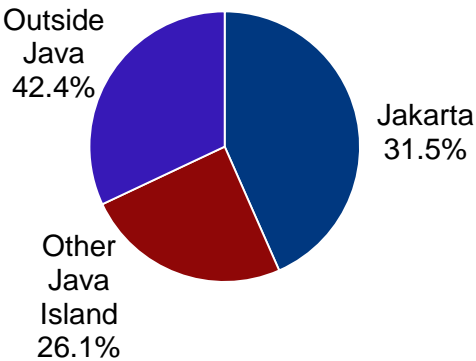
Description	<ul style="list-style-type: none"> <li>Hypermart is MPPA's hypermarket brand Foodmart supermarket</li> <li>Largest footprint of coverage</li> </ul>	<ul style="list-style-type: none"> <li>Recent conversion to local ownership</li> <li>Operates supermarket and minimarket</li> <li>Concentrates in Java region</li> </ul>	<ul style="list-style-type: none"> <li>Diary Farm International through its subsidiaries operates as an Asian retailer of fresh foods, consumer and durable goods</li> <li>Operates hypermarket Giant brand</li> </ul>	<ul style="list-style-type: none"> <li>LOTTE Co through its subsidiaries, engages in food, hotels, construction, and other businesses in Asia</li> <li>Lotte Mart is the hypermarkets chain of LOTTE Co and is prevalent in South Korean and Japan</li> <li>It entered Indonesia in 2010</li> </ul>
No. of stores	99 stores	57 stores	51 stores	N/A
Target customer of each brand	Middle Income to low income	Middle to Upper Income	Middle to low income	Middle to upper income
Hypermarket market share <sup>(a)</sup>	<p>2007: 24.1% 2012: 32.3% +8.2%</p>	<p>2007: 53.6% 2012: 40.5% (13.1)%</p>	<p>2007: 21.7% 2012: 24.8% +3.1%</p>	<p>2010: 0.3% 2012: 1.9% +1.6%</p>

(a) Euromonitor, market share as % of retail value  
Source: Company data, Euromonitor

# Extensive and attractive nationwide store footprint

The only hypermarket player with meaningful presence outside Java providing a first mover advantage vs. competitors  
60% of the 2014 store openings outside Java (including 6 new cities)

Breakdown of 2013 Revenue by Region



8 new cities opened in Dec 2013  
Total stores operating Dec 2013 is 222



## 4 Proven asset light business model scalable for rapid growth

### Asset light and cash generative

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- ⌚ Asset-light business model with 100% of stores leased
- ⌚ Self-funding working capital
  - Cash conversion cycle of 5 days<sup>(a)</sup>
- ⌚ Limited capital expenditure requirements
  - Capital expenditure of ~4-5% of sales

### Scalable

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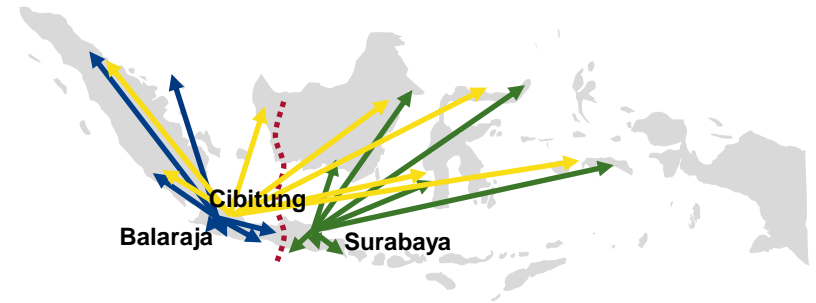
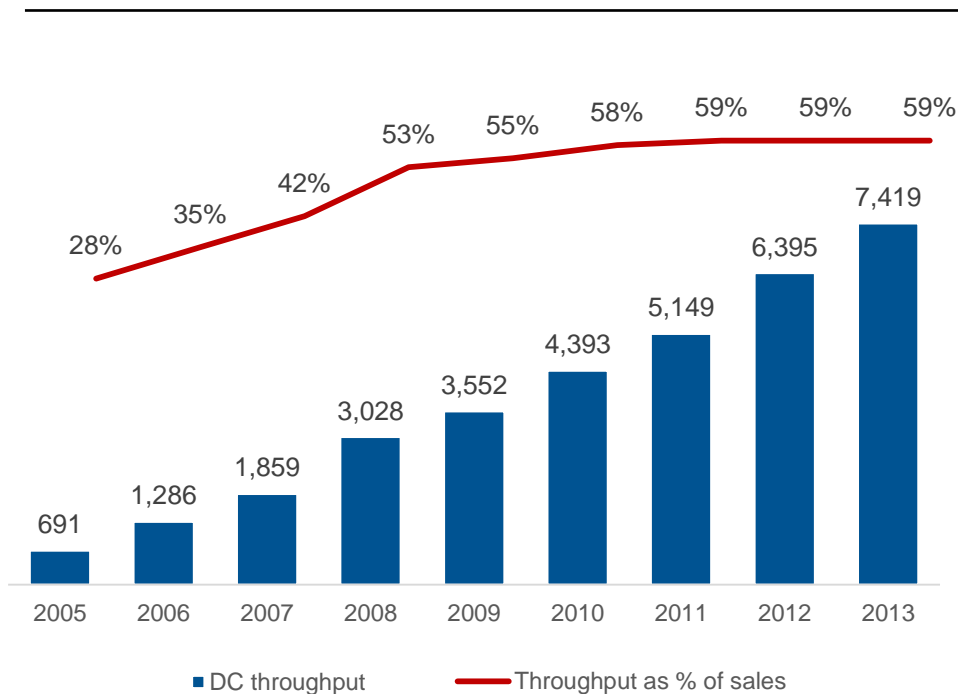
- ⌚ Fully leased store base enables rapid opening of new stores
- ⌚ Fast payback and attractive returns
  - New stores typically cash flow positive in first year
  - Average repayment period of capital investments within 4 years
- ⌚ Operating leverage driving profitability

(a) As at 31 Dec 2013

## 5 Efficient logistics platform driving productivity improvement

Efficient logistics platform in place for rapid expansion across Indonesia with distribution centers able to serve additional 80+ stores

### DC throughput (IDR bn)



The only hypermarket chain with dedicated DC in Indonesia

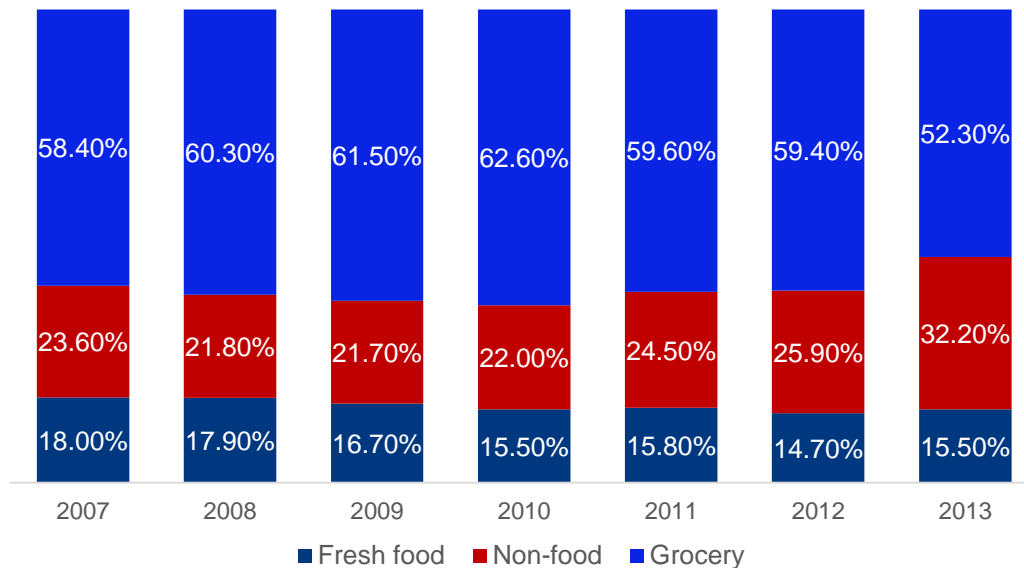
### Segmentation of distribution centers

Location	Dry Goods		Fresh
	Balaraja	Surabaya	Cibitung
Space	30,000 m <sup>2</sup>	10,000 m <sup>2</sup>	4,000 m <sup>2</sup>
Capacity	30,523 Plts	9,000 Plts	2,300 Plts
No of SKUs	12,500	3,000	950
WMS	Manhattan	Manhattan	Manhattan



## 6 Customer driven merchandise mix with consistent marketing strategy

### Sales breakdown by merchandise



- 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
- Logistics net cost is .3% of sales

### Strategic relationships with suppliers

- Frequent top management meetings with suppliers
- Open door policy with key suppliers (eg Coca-Cola and Unilever)
- Strong and well established relationships with local suppliers, which represent 20% of total
- Fast growth recognized by suppliers, allowing for preferential treatment and increased promotional support
  - First to get access to new concepts in Indonesia (eg Coca-Cola refreshment zone)
  - Greater collaboration in promotional activities
  - Improved trading terms
  - Increased support of distribution centers
  - Matahari Supplier Club

## 7 Strategic relationship with Lippo Group

Relationship with Lippo group enables us to secure locations for our growth strategy and is arms-length agreements



Hypermart is an anchor tenant in most Lippo Karawaci and LMIRT's malls

Presence in prime locations

Arms length agreements

Currently 41% located in Lippo Properties and targeting 64% of new site in FY14





## Section 3

### Vision and strategy

## Matahari Putra Prima





# Vision and strategy

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## Vision

To become the #1 multi-format food retailer in Indonesia

## Strategy

1

Continuous and rapid store roll-out across Indonesia

2

Further enhance same store sales growth

3

Drive operating efficiency and margins

# Our growth and business strategies

1

## Hypermart new stores FY13

No of stores in 2013

Greater Jakarta	1 store
West Java	2 stores
Central Java	2 stores
East Java	1 store
Outside Java	13 stores
Total	19 stores

## Hypermart new stores openings in 2014

**OVER 20**

Source: Company data

## 2014 we will focus on more profitable outer islands

- Over 60% of new stores FY14 will be open 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

## Islands outside Java are more profitable

	Sales contribution <sup>(a)</sup>	EBITDA contribution <sup>(a)</sup>
Sulawesi	8.1%	9,3%
Kalimantan	11.1%	14,7%
East Indonesia	5,5%	10,3%
Sumatera	19.3%	20,9%
Java	24.5%	18,9%
Greater Jakarta	31.4%	26.0%

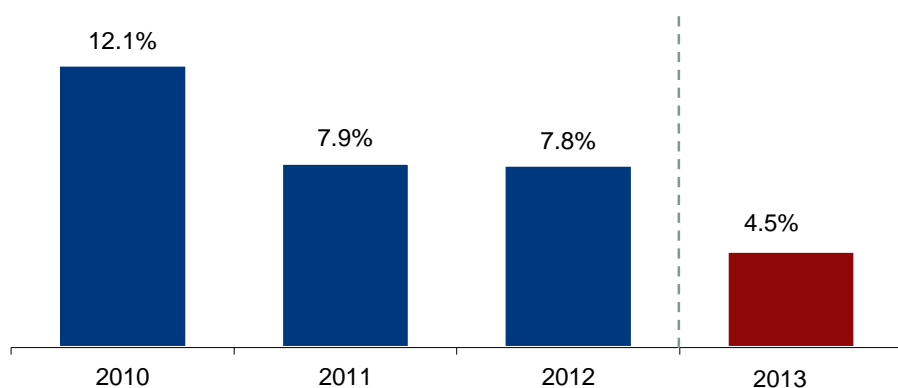
(a) As at 31 Dec 2013

# Our growth and business strategies (cont'd)

## 2 Further enhance same store sales growth

- ⌚ Provide products at competitive pricing
- ⌚ Strong in-stock program
- ⌚ Improve product space allocation and mix
- ⌚ Aggressive and targeted promotions
- ⌚ Focus on quality customer service
- ⌚ Strong loyalty programs
  - ⌚ Benefit from extra or higher discounts than those given to regular customers on a weekly basis
  - ⌚ Benefit of receiving discounts with 46 cooperating merchants

### Comparable store growth



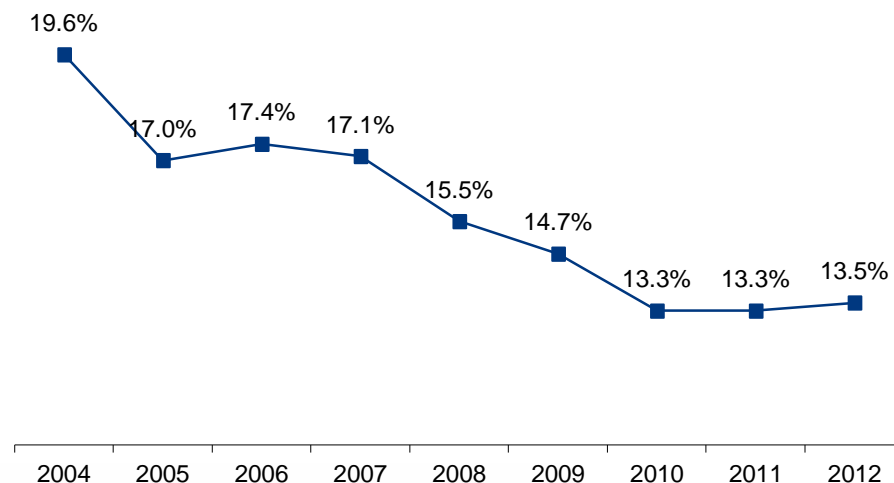
(a) Operating expenses excluding depreciation and amortization  
Source: Company data

## 3 Drive operating efficiency and margins

- ⌚ Realize economies of scale in sourcing and procurement
  - ⌚ Negotiate additional discounts from suppliers
- ⌚ Continue optimization of procurement and inventory management functions
- ⌚ Further improve distribution logistics efficiencies
- ⌚ Loyalty card data mining capabilities
  - ⌚ 2.5mm loyalty cards with 60% sales penetration

### Growth has lowered the expense ratio

Operating expenses<sup>(a)</sup> as % of sales





## Section 4

### Financial overview

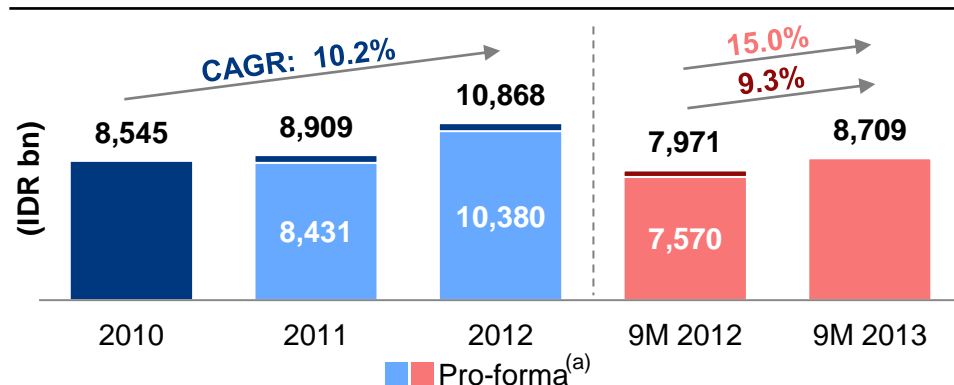
## Matahari Putra Prima



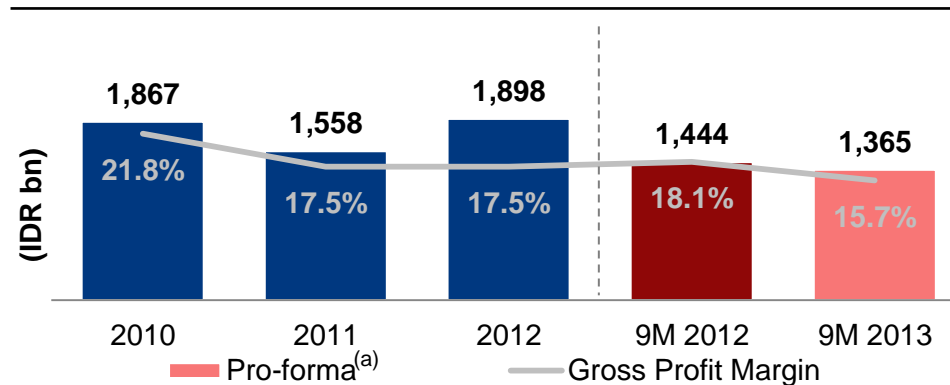


# Attractive sales growth driven by continued store rollout

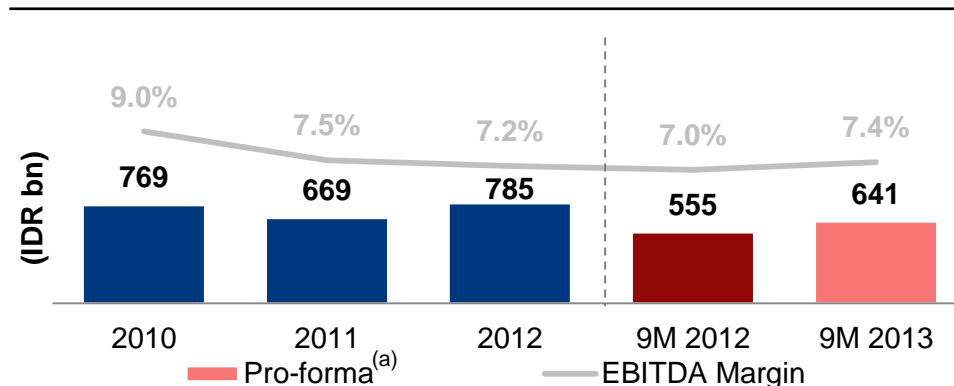
## Sales



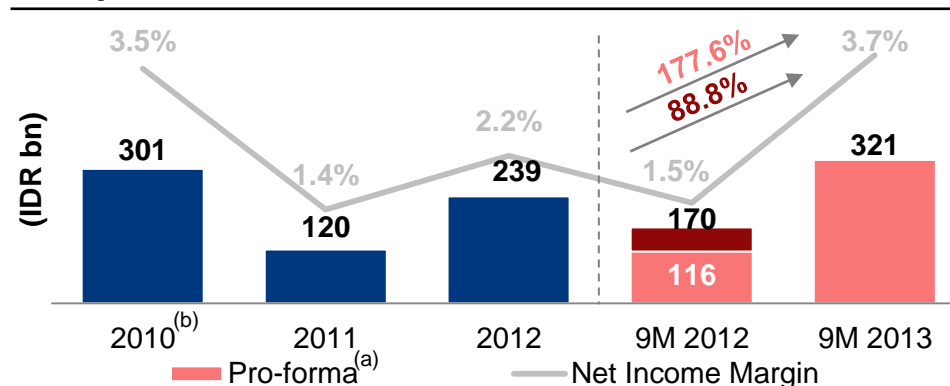
## Gross profit



## EBITDA



## Net profit



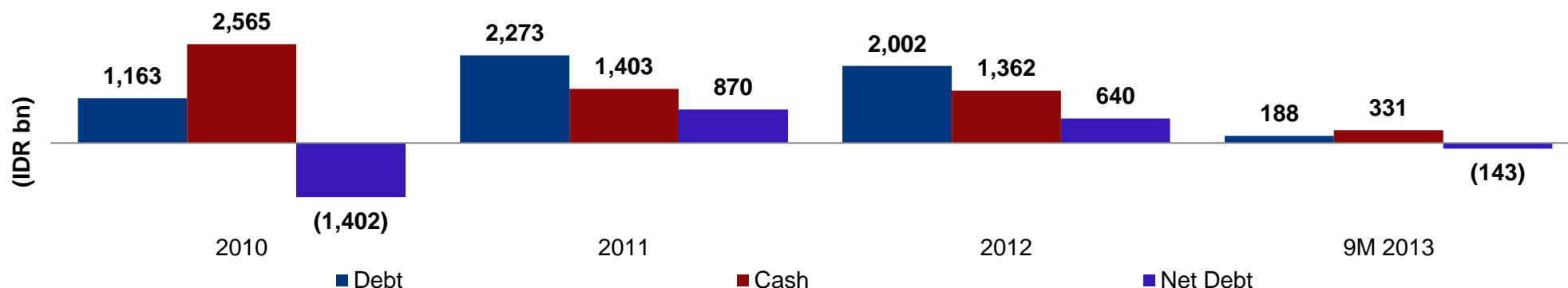
(a) Pro-forma numbers excludes non-core subsidiaries which are no longer consolidated as part of the 2012 restructuring activities. The historical numbers that include the non-core subsidiaries results are not directly comparable to the pro-forma financial results excluding non-core subsidiaries

(b) Exclude one time gain on disposal of subsidiary

Source: Company data

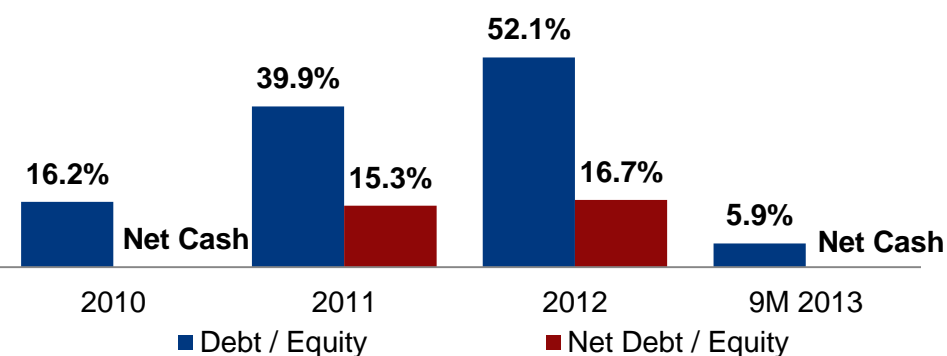
# Significant debt headroom to support future expansion

## Debt and cash

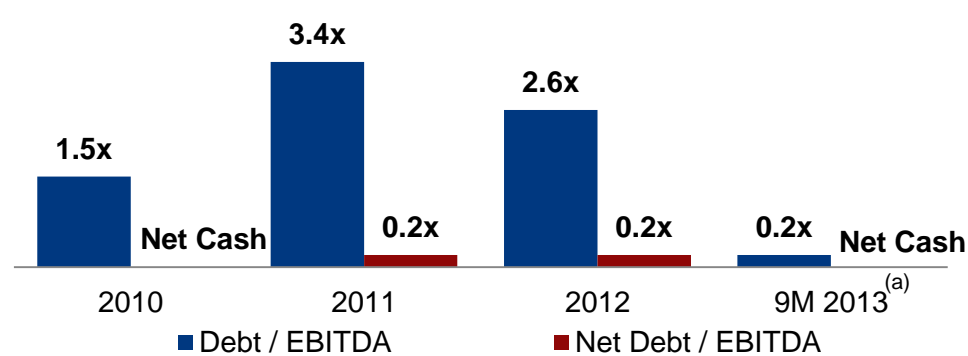


MPPA successfully repaid c. IDR 1,828bn of its bank loans. By 3Q 2013, the only long term debt outstanding is IDR 188bn bond due April 2014

## Debt / equity



## Debt / EBITDA



(a) Based on LTM 3Q 2013 EBITDA of IDR 771bn  
Source: Company data



# Matahari Food Business

Matahari Putra Prima Tbk



# 2014- Expanding our Momentum

## 2014 Focus

1

We will open 20 + new Hypermarts, 3 to 5 Foodmarts and 20 + Boston

2

Continue to emphasize openings in outer islands with over 60% new locations outside Java

3

Open more stand alone locations- 23% will be stand alone

4

Open in 6 new cities

5

Continue our emphasis on top line sales growth and gaining market share

6

Continue our focus on expense control

7

Begin strategic planning to further enhance shareholder value



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## Appendix I

### Additional information

## Investor relations contacts



### **Danny Crayton**

*Chief of Investor Relations*

Email : [danny.crayton@hypermart.co.id](mailto:danny.crayton@hypermart.co.id)  
Mobile : +62 811 880 1534  
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### **Danny Kjongian**

*Director of Corporate Communication*

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### **PT Matahari Putra Prima Tbk**

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Lippo Village  
Tangerang 15811  
Banten – Indonesia

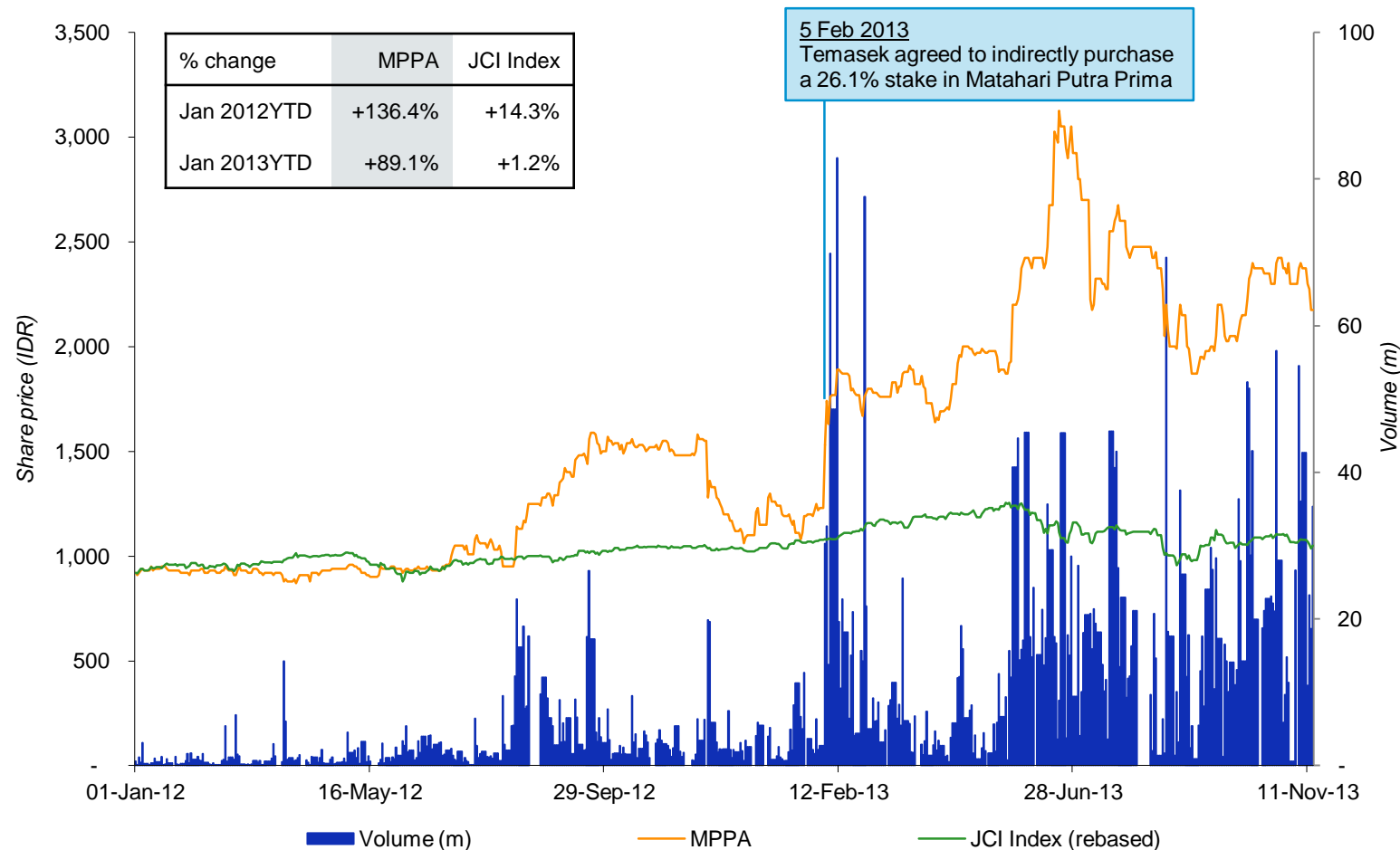
Website : [www.mataharigroup.co.id](http://www.mataharigroup.co.id)  
[www.hypermart.co.id](http://www.hypermart.co.id)

# MPPA share price performance

## Average Daily Traded Value (ADTV)

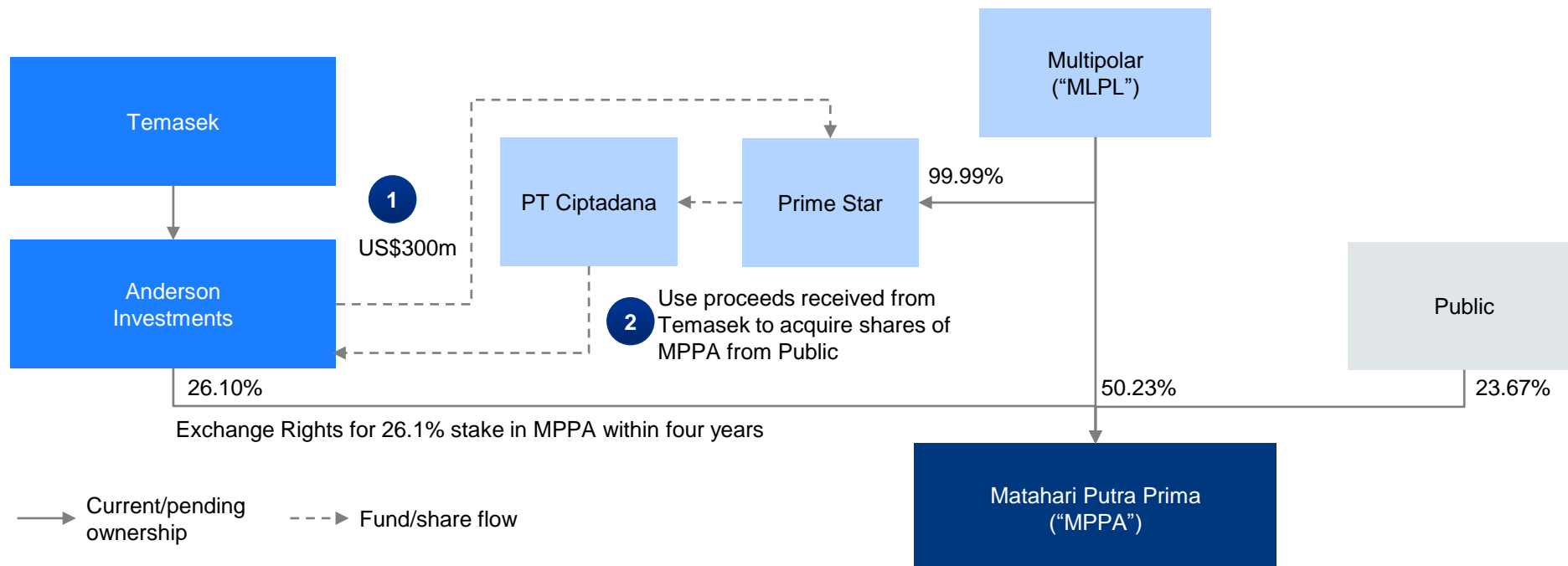
	US\$m	IDRbn
1M ADTV	5.5	61
3M ADTV	4.2	45
6M ADTV	3.5	36
1Y ADTV	2.2	22

## MPPA share price performance 2012 – 2013YTD



Source: Newsrun, Bloomberg and FactSet as at 14 Nov 2013

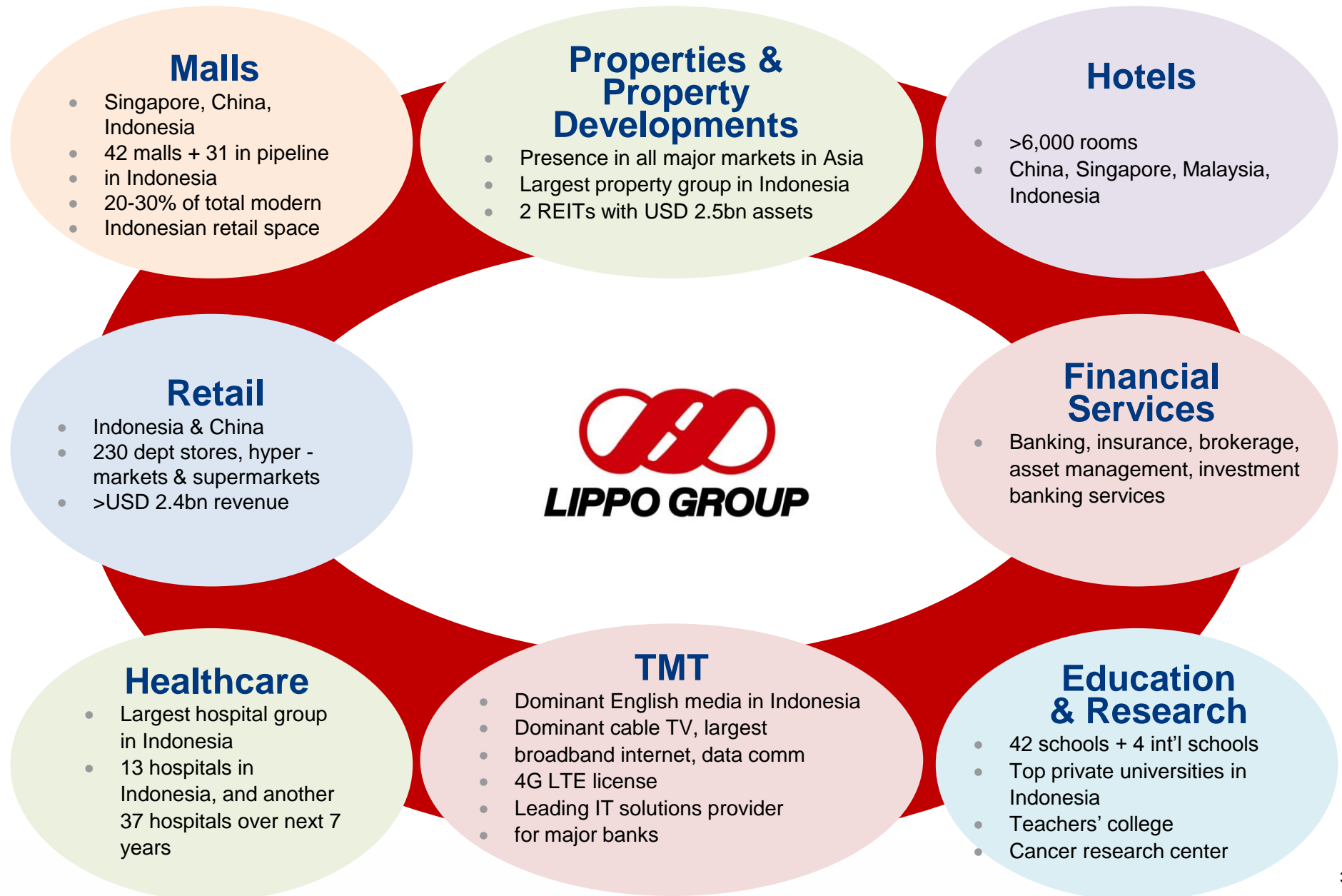
# Temasek as a strategic investor



- ☞ In February 2013, Temasek agreed to indirectly purchase a 26.1% stake in Matahari Putra Prima ("MPPA") worth US\$300 million facilitated through Multipolar, offer implies IDR2,050 (US\$0.21) a share for MPPA
- ☞ Multipolar issued a US\$300 million equity-link instrument, whereby Temasek is the sole buyer
  - The exchange rights will have a zero coupon rates and a tenor of five years
  - Temasek will be able to exchange its rights into 26.1% stake of MPPA within a period of four years from the execution of the subscription agreement
- ☞ All of the proceeds from the instrument sale will be used by Multipolar to purchase MPPA shares
  - Multipolar intends to maintain its 50.2% stake in MPPA and an affiliate of Multipolar was appointed to pool shares from the public investors which was completed by June 2013



# Overview of Lippo Group



# MPPA Board of Directors



**Benjamin Jonathan Mailool**  
*President Director*

Prior to joining the Company in 2002, he assumed his position as CEO of PT Bukit Sentul Tbk, and Vice President in Citibank N.A, and has more than 20 years of experience in the industry



**Carmelito Regalado**  
*Non-affiliated Director*

Joined the Company in March 2002, has over 35 years of experience and was elected as President of Matahari Food Business Division of MPPA in late 2009



**Richard H. Setiadi**  
*Director*

Joined the Company in 2001, and he started his career as an auditor with Arthur Andersen 1994 where he conducted audits in several reputable companies



**Lina H. Latif**  
*Director*

Joined the Company in 2001 and started her career as Senior Auditor at Prasetyo & Utomo Co since 1979 and joined Lippo Group since 1985



**Ishak Kurniawan**  
*Director*

Joined the Company in April 2008. Prior to joining the Company, he serves as the Country Human Resources Officer in Citibank N.A with more than 24 years of experience



**Johanes Jany**  
*Director*

Joined the Company in 1989, later assumed several key positions in different subsidiaries, including Timezone, Matahari Department Store

# Key management of Matahari Food Business

<b>Patrick Hopper</b> <i>Chief Financial Officer</i>	<p>Joined the Company in April 2013, with more than 30 years of experience in retail industry and more than 10 years exposure in the emerging market. Prior to joining, he worked as a Partner of Retail Solutions, working with retailers, retail lenders and investors throughout Central and Eastern Europe. He also held various important operational and financial positions in Tesco and Kmart</p>	<b>Ang Kasmin Rasilim</b> <i>Risk Management Director</i>	<p>Joined the Company in 2003. His career path includes positions in Gramedia Group (1989-1995) as Marketing Manager, WalMart International Jakarta (1996-1998) as Loss Prevention Country Manager and PT Hero Supermarket Tbk as Procurement General Manager</p>
<b>Danny Crayton</b> <i>Investor Relations Director</i>	<p>Joined the Company in September 2013 with more than 42 years of experience. Prior to that, he assumed the role of a Director in Matahari Department Store (2003-2012). He also held important positions in Moore's, Belk and Ivey's Department Store prior to joining Matahari</p>	<b>Meshvara Kanjaya</b> <i>Merchandising and Marketing Director</i>	<p>Previously worked for the Company for the period of 2003-2007 as Format Director of Foodmart. In late 2009, she rejoined the Company as Director of Merchandising &amp; Marketing. She started her career in PT Procter &amp; Gamble Indonesia in Product Development Department as Industrial Chemist</p>
<b>Danny Kojongian</b> <i>Corporate Communication Director</i>	<p>Joined the Company in 1996. His career in the Company has grown from Senior Manager to the present Director position and has been assuming the investor relations &amp; public relations roles since 1996. He started his professional career in PT Duta Pertiwi as Treasury Senior Staff (1994-1996)</p>	<b>Deborah Rosanti</b> <i>Associate Director Store Planning and Development</i>	<p>Joined the Company in 2002. Prior to joining, she assumed several important positions in the field of property such as Harapan Group (1989 - 1992) as Project Coordinator, Kanindo Group (1993 - 1994) as Project Manager, PT Lippo Development Group (1994 - 1999) as Project Manager</p>
<b>Gilles Pivon</b> <i>Hypermart Format Director</i>	<p>Joined the Company in 2009 as VP Sales Development FMCG's Non Food of Hypermart. He started his professional career in hypermarket business in 1986 by joining the Carrefour Group, France. During his career path, he has assumed several key positions, include the Regional Director of Carrefour Taiwan (2004-2006) and the Regional Director of Carrefour Belgium (2007-2009)</p>	<b>Keith Dolling</b> <i>DC and Logistics Advisor</i>	<p>Joined the Company in January 2004 as Logistics Advisor. His 36-years professional career has been intensively focused in distribution &amp; logistic aspects with the experience in holding several director positions in TOPS Retail (Malaysia) Sdn Bhd, Daria-Varia Laboratoria Group, Kalbe Farma Group and TNT Logistics Indonesia</p>
<b>Emi Nuel</b> <i>Supermarket Format Director</i>	<p>Joined the Company in 2004 as VP Head of Operation Hypermart. Within 2008-2009, he assumed key position as President Director – COO of Mitra 10. In late 2009, he returned to the Company as Format Director of Foodmart. He started his professional career in Astra Group in 1990. He worked as Marketing Planning Manager of DHL (1996-1999) and Store GM of Carrefour (1999-2003)</p>	<b>Laniawati S Matita</b> <i>Human Resources Director</i>	<p>Joined the Company in 2013 with more than 20 years of experience in Human Resources. Prior to joining, she assumed several important positions in Human Resources department of PT Argo Pantes Tbk, PT Alam Sutera Realty Tbk, Astra Group, among others</p>
<b>Iwan Goenadi</b> <i>IT Director</i>	<p>Joined the Company as Head of Management System (MIS) in 1998. He was appointed as Head Store Operation Supermarket in 1999 and MIS Director since 2002</p>		

# Disclaimer

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