

Buy

(Maintained)

Last Price (Rp)	432
Target Price (Rp)	600
Previous Target Price (Rp)	600
Upside/Downside	+38.9%
No. of Shares (mn)	14,043
Mkt Cap (Rpbn/US\$mn)	6,066/387
Avg, Daily T/O (Rpbn/US\$mn)	9.1/0.6
Free Float (%)	22.2
Major Shareholder (%)	
PT Sumber Alfaria Trijaya	77.1
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	19.4 23.7 28.3
Consensus	18.6 22.3 27.5
BRIDS/Cons (%)	4.4 6.2 2.9

MIDI relative to JCI Index



Source: Bloomberg

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Midi Utama Indonesia (MIDI IJ)

Strong 1H24 Earnings Bolster FY24 Guidance; Focus on Profitability Enhances Outlook

- MIDI set higher FY24 SSSG, revenue and net profit guidance following strong 1H24 earnings, while aiming to reduce losses at Lawson in 2H24.
- We have revised down our FY24 net profit estimate by 2.9%; we now forecast FY24-25F NP growth of +16%/22% yoy.
- We view the management's focus on profitability and Alfamidi expansion as positive. Reiterate our Buy rating with unchanged TP.

Higher SSSG target, revenue and net profit guidance post strong 1H24 result

Following strong 1H24 net profit growth of 25% yoy, MIDI raised its FY24 SSSG target to 8% (vs. 6% prev.) and lifted its revenue and net profit growth guidance to 13% (up from the prev. 11%), while maintaining a gross margin of approximately 26%. The management also indicated that July SSSG remained in the low-teens (vs 2Q24: 9.6%). MIDI is on track to open 200 new Alfamidi stores this year, having opened 75 new locations in 1H24, with 119 stores currently under renovation and slated to open in 2H24. For Lawson, MIDI added only 3 new stand-alone stores, bringing the total to 696 Lawson stores in 1H24. The company plans to continue reviewing Lawson stores with negative EBITDA and may close some to maintain profitability.

Lawson's Focused Store Openings and Profitability drives better FY24 Outlook

Following Lawson's Rp40bn loss in 1H24, management plans to boost earnings in 2H24 with a conservative store opening strategy focused on profitability. We revised down our FY24/25F store targets by 3.9% and 5.8%, now assuming 60 new stores in FY24 (down from FY24/25F of 190/140). However, our forecast for 200 and 170 new Alfamidi stores in FY24/25F remains unchanged. Despite assuming fewer store openings, we expect improved revenue per store for both Alfamidi and Lawson, supporting 3.4% revenue growth in FY24 and 2.1% in FY25. Lawson's revamp leads to higher non-controlling interest at Rp52bn and Rp23bn in FY24/25F. This leads to 2.9% lower net profit for FY24F. However, we maintain net profit for FY25, supported by major contributions from Alfamidi and a reduced pace of store expansion for Lawson.

Sensible focus on profitability reinforces our Buy rating

We view MIDI's plan to prioritize Lawson's profitability through cautious expansion as a positive, earnings-accretive move. With Alfamidi contributing 77% of total stores and 93% of revenue, and with 90% of these stores being mature, we believe MIDI's growth story remains intact. Additionally, 50% of the stores are located outside Java, where they are generating solid growth. Thus, we reiterate Buy rating with an unchanged target price of Rp600, implying FY25F P/E of 25.3x.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	15,624	17,351	20,135	22,623	24,893
EBITDA (Rpbn)	638	743	860	993	1,176
EBITDA Growth (%)	31.1	16.4	15.7	15.5	18.4
Net Profit (Rpbn)	399	516	600	733	874
EPS (Rp)	13.9	16.7	19.4	23.7	28.3
EPS Growth (%)	(85.2)	20.6	16.3	22.1	19.3
BVPS (Rp)	68.9	121.1	134.7	151.3	171.1
DPS (Rp)	4.2	5.8	7.1	8.5	12.7
PER (x)	30.9	25.6	22.0	18.0	15.1
PBV (x)	6.2	3.5	3.2	2.8	2.5
Dividend yield (%)	1.0	1.4	1.7	2.0	3.0
EV/EBITDA	21.8	18.2	16.0	14.1	12.1

Source: MIDI, BRIDS Estimates

MIDI Boosts Growth Targets, Strategic Lawson Expansion to Reduce Losses

Lawson: profitability-focused strategy aims to reduce losses in 2H24/FY25

Following Lawson's reported loss of Rp40bn in 1H24, management aims to improve earnings in 2H24 through adopting a more conservative approach on the expansion and focusing on profitability (e.g., less stores opening, close down some loss-making stores). Following the 2Q24 earnings call, we have revised down our FY24/25F total Lawson store targets by 3.9% and 5.8%, respectively, reflecting a more cautious plan for Lawson store openings. We now assume 60 new stores in FY24 (down from the previous targets of 190/140 stores in FY24/25F). Meanwhile, we maintain our forecast for opening 200 and 170 new Alfamidi stores in FY24/25F.

Despite the adjusted store opening plans, we anticipate better revenue per store growth for both Alfamidi and Lawson, potentially supporting revenue growth of 3.4% in FY24 and 2.1% in FY25. We maintain our gross margin estimates at around 26.4% and 26.3%, as the company plans to boost the sales of fresh food and personal care products, which yield higher margins. Below the operating line, we have accounted for higher non-controlling interest due to Lawson's revamp, amounting to Rp52bn and Rp23bn in FY24/25F. This results in a 2.9% lower net profit forecast for FY24F. However, we maintain net profit for FY25, supported by major contributions from Alfamidi and a reduced pace of store expansion for Lawson.

Exhibit 1. MIDI Earnings Estimates Revision

MIDI	Previous			New			Changes		
	2024	2025	2026	2024F	2025F	2026F	2024	2025	2026
Revenue	19,478	22,164	24,534	20,135	22,623	24,893	3.4%	2.1%	1.5%
Gross profit	5,124	5,836	6,509	5,321	5,956	6,606	3.9%	2.1%	1.5%
Operating profit	799	935	1,144	860	993	1,176	7.6%	6.3%	2.7%
Net profit	618	734	895	600	733	874	-2.9%	-0.1%	-2.4%
Gross margin	26.3%	26.3%	26.5%	26.4%	26.3%	26.5%			
Operating margin	4.1%	4.2%	4.7%	4.3%	4.4%	4.7%			
Net margin	3.2%	3.3%	3.6%	3.0%	3.2%	3.5%			
Key assumption									
Total stores	3,296	3,606	3,756	3,166	3,396	3,546	-3.9%	-5.8%	-5.6%
yoy growth	13%	9.4%	4.2%	8.9%	7.3%	4.4%			
Additional stores	390	310	150	260	230	150	-33.3%	-25.8%	0.0%
Alfamidi	200	170	100	200	170	100	0.0%	0.0%	0.0%
Lawson	190	140	50	60	60	50	-68.4%	-57.1%	0.0%
Rev/store - yoy growth									
Alfamidi	4.4%	6.1%	6.6%	6.0%	5.3%	6.0%			
Lawson	-30.0%	2.0%	5.0%	14.0%	0.0%	3.0%			
Average rev/store yoy growth	-1.0%	4.0%	6.3%	6.5%	4.7%	5.4%			
Revenue contribution									
Alfamidi (include Super and Fresh)	94.9%	94.7%	94.7%	93.2%	93.4%	93.4%			
Lawson	5.1%	5.3%	5.3%	6.8%	6.6%	6.6%			

Source: BRIDS Estimates

Strong 2Q24 growth; broadly inline 1H24

MIDI reported 2Q24 net profit of Rp175bn, +11% yoy and 17% qoq, leading to 1H24 bottom line of Rp325bn, +25% yoy, supported by solid top line (+13% yoy) with higher gross margin (26.5% vs 1H23: 25.9%). The 1H24 net profit was 54% of our FY24F and 52% of consensus, i.e broadly inline.

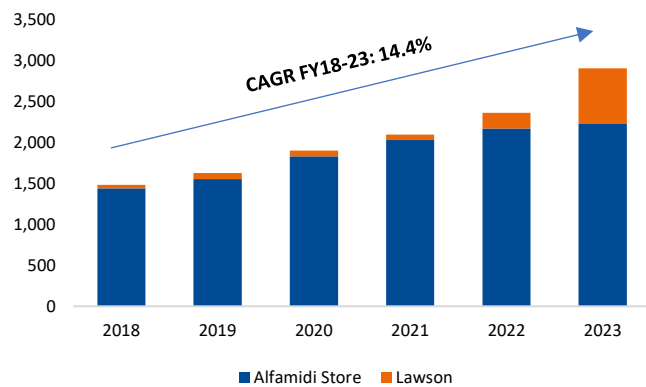
In 1H24, MIDI opened 75 new Alfamidi stores (vs. FY24 target of 200) and has 119 stores under renovation, slated to open in 2H24. In 2Q24, MIDI opened 3 new Lawson stores (stand-alone), bringing the total number of Lawson stores to 696 for 1H24.

Exhibit 2. MIDI's 2Q24/1H24 Earnings Summary

MIDI IJ (Rpbn)	1H23	1H24	yoy	2Q23	1Q24	2Q24	qoq	yoy	2024F	A/F	A/C
Revenue	8,648	9,784	13%	4,608	4,794	4,991	4%	8.3%	20,135	48.6%	50.2%
COGS	6,405	7,188	12%	3,453	3,525	3,663	4%	6.1%	14,814		
Gross profit	2,243	2,596	16%	1,155	1,268	1,328	5%	14.9%	5,321	48.8%	50.8%
Opex	1,979	2,273	15%	1,011	1,115	1,158	4%	14.6%	4,665		
Operating profit	392	425	8%	226	209	216	3%	-4.4%	860	49.4%	72.2%
Pretax profit	321	396	23%	193	194	202	4%	4.5%	803	49.3%	52.9%
Net profit	259	325	25%	158	150	175	17%	11.0%	600	54.1%	52.3%
Gross margin	25.9%	26.5%		25.1%	26.5%	26.6%			26.4%		
Opex to revenue	22.9%	23.2%		21.9%	23.3%	23.2%			23.2%		
Operating margin	4.5%	4.3%		4.9%	4.4%	4.3%			4.3%		
Net margin	3.0%	3.3%		3.4%	3.1%	3.5%			3.0%		

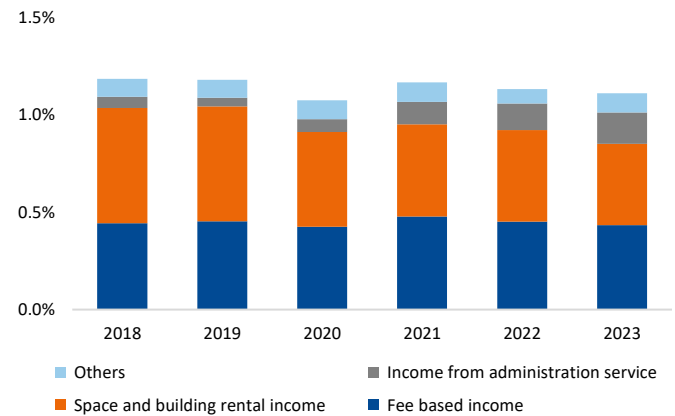
Source: Company, BRIDS Estimates

Exhibit 3. Alfamidi and Lawson Store, CAGR FY18-23



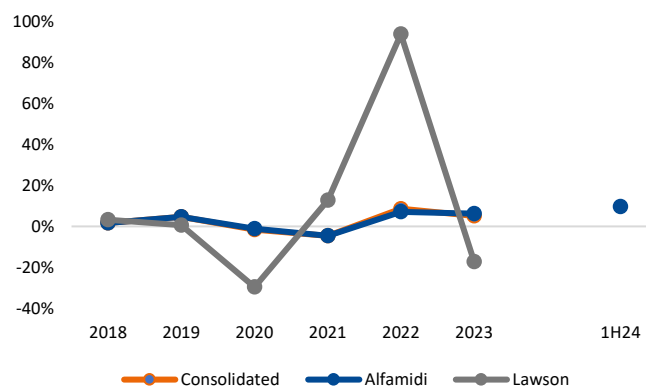
Source: Company, BRIDS

Exhibit 4. Other income (% to Revenue), FY18-23



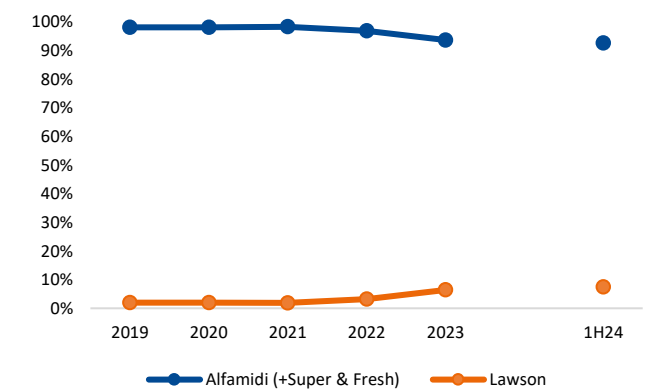
Source: Company, BRIDS

Exhibit 5. SSSG Consolidated, Alfamidi and Lawson, FY19-1H24



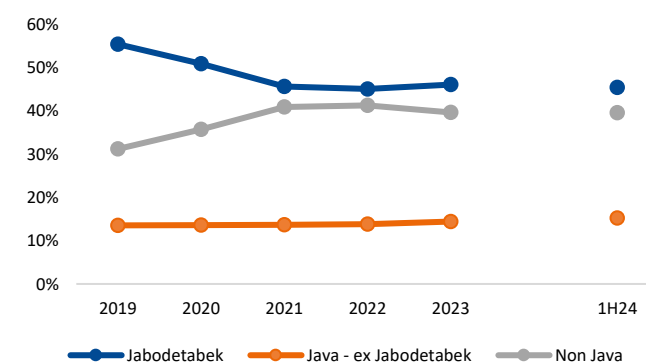
Source: Company, BRIDS

Exhibit 6. Revenue Contribution Alfamidi (Including Fresh and Super), Lawson, FY19-1H24



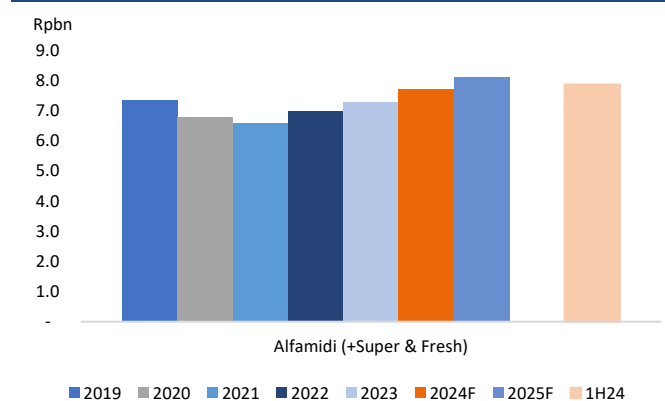
Source: Company, BRIDS

Exhibit 7. Revenue Contribution by Geographical Area, FY19-1H24



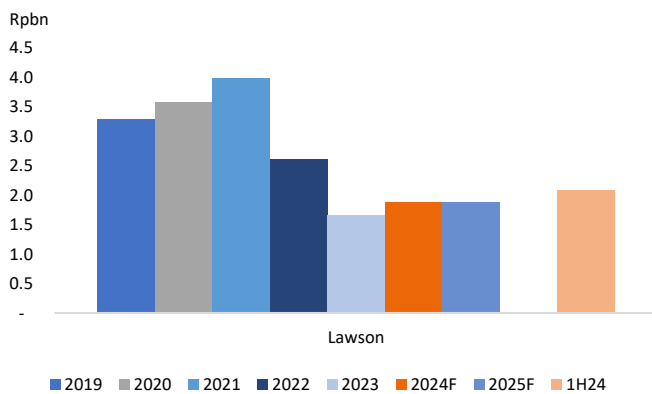
Source: Company, BRIDS

Exhibit 8. Revenue/Stores for Alfamidi (Rpbn), FY19-25F



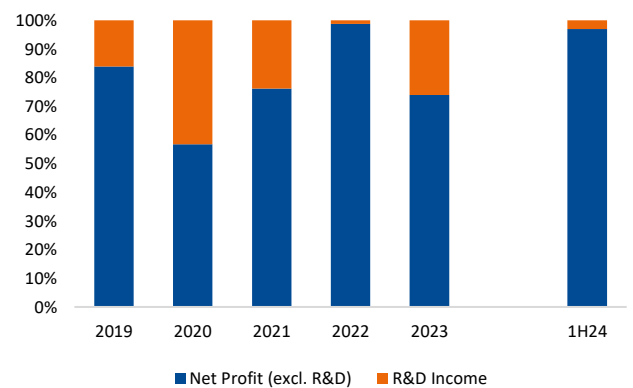
Source: Company, BRIDS Estimates

Exhibit 9. Revenue/Stores for Lawson (Rpbn), FY19-25F



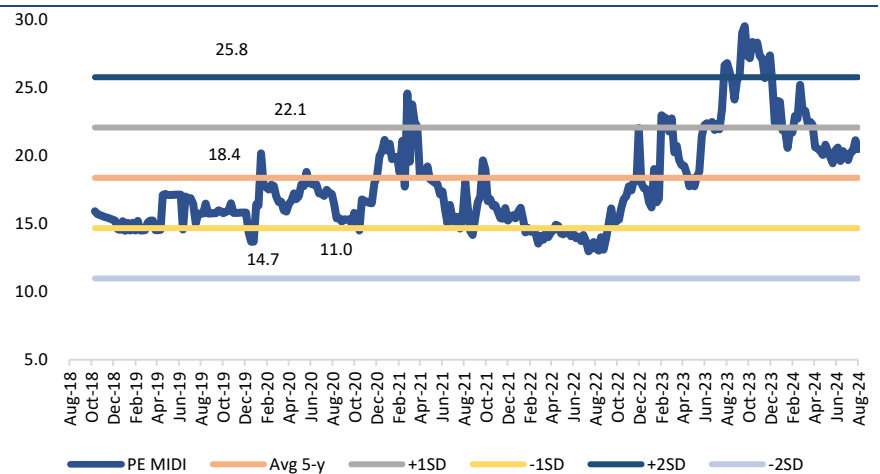
Source: Company, BRIDS Estimates

Exhibit 10. Net Profit Portion, FY19-1H24



Source: Company, BRIDS

Exhibit 11. MIDI's PE Band



Source: Bloomberg, BRIDS Estimates

Exhibit 12. MIDI Peers Comparison

Ticker	Rec	Target	M.Cap	P/E (x)		P/BV (x)		ROE (%)	Dividend yield (%)	EPS growth (%)	
		(Rp)	(Rpbn)	2024F	2025F	2024F	2025F	2024F	2024F	2024F	2025F
MAPI	Buy	2,200	23,738	11.3	9.5	2.0	1.6	19.4	0.6	14.1%	18.5%
MAPA	Buy	1,100	23,943	14.9	12.2	3.3	2.6	24.4	0.6	13.0%	22.3%
ACES	Buy	1,100	14,492	15.4	14.1	2.0	1.8	13.2	3.3	9.8%	9.7%
MIDI	Buy	600	13,575	20.5	17.9	3.2	2.8	16.5	1.8	26.3%	14.2%
Sector				14.9	12.7	2.6	2.2	19.3	1.3	15.1%	17.2%

Source: Bloomberg, BRIDS Estimates

Exhibit 13. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	15,624	17,351	20,135	22,623	24,893
COGS	(11,670)	(12,843)	(14,814)	(16,666)	(18,287)
Gross profit	3,953	4,509	5,321	5,956	6,606
EBITDA	638	743	860	993	1,176
Oper. profit	638	743	860	993	1,176
Interest income	4	5	4	4	2
Interest expense	(135)	(101)	(50)	(56)	(63)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(11)	(11)	(11)	(11)	(11)
Pre-tax profit	495	636	803	930	1,105
Income tax	(96)	(120)	(151)	(175)	(208)
Minority interest	0	0	(52)	(23)	(23)
Net profit	399	516	600	733	874
Core Net Profit	399	516	600	733	874

Exhibit 14. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	417	327	353	235	85
Receivables	399	430	473	533	587
Inventory	2,008	2,330	2,469	2,778	3,048
Other Curr. Asset	50	99	99	115	129
Fixed assets - Net	2,150	2,462	2,890	3,348	3,866
Other non-curr.asset	1,881	2,139	2,513	2,883	3,262
Total asset	6,905	7,786	8,798	9,891	10,976
ST Debt	950	244	410	486	510
Payables	2,381	2,822	3,118	3,507	3,851
Other Curr. Liabilities	436	297	345	387	426
Long Term Debt	1,042	391	454	510	562
Other LT. Liabilities	110	119	138	155	171
Total Liabilities	4,918	3,874	4,465	5,046	5,519
Shareholder's Funds	1,986	3,740	4,160	4,673	5,285
Minority interests	1	173	173	173	173
Total Equity & Liabilities	6,905	7,786	8,798	9,891	10,976

Exhibit 15. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	399	516	600	733	874
Depreciation and Amort.	796	856	860	871	925
Change in Working Capital	128	119	142	46	44
Other Oper. Cash Flow	394	30	148	128	129
Operating Cash Flow	1,718	1,521	1,750	1,778	1,972
Capex	(972)	(1,167)	(1,288)	(1,329)	(1,443)
Others Inv. Cash Flow	(72)	(249)	(343)	(341)	(355)
Investing Cash Flow	(1,044)	(1,417)	(1,631)	(1,670)	(1,798)
Net change in debt	(285)	(1,503)	137	50	0
New Capital	3	1,311	0	0	0
Dividend payment	(83)	(120)	(180)	(220)	(262)
Other Fin. Cash Flow	(135)	117	(50)	(56)	(63)
Financing Cash Flow	(500)	(195)	(93)	(226)	(325)
Net Change in Cash	174	(91)	26	(118)	(150)
Cash - begin of the year	243	417	327	353	235
Cash - end of the year	417	327	353	235	85

Exhibit 16. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	15.0	11.1	16.0	12.4	10.0
EBITDA	31.1	16.4	15.7	15.5	18.4
Operating profit	31.1	16.4	15.7	15.5	18.4
Net profit	48.1	29.2	16.3	22.1	19.3
Profitability (%)					
Gross margin	25.3	26.0	26.4	26.3	26.5
EBITDA margin	4.1	4.3	4.3	4.4	4.7
Operating margin	4.1	4.3	4.3	4.4	4.7
Net margin	2.6	3.0	3.0	3.2	3.5
ROAA	6.0	7.0	7.2	7.8	8.4
ROAE	21.9	18.0	15.2	16.6	17.6
Leverage					
Net Gearing (x)	0.8	0.1	0.1	0.2	0.2
Interest Coverage (x)	4.7	7.3	17.2	17.7	18.8

Source: MIDI, BRIDS Estimates

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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