Overweight

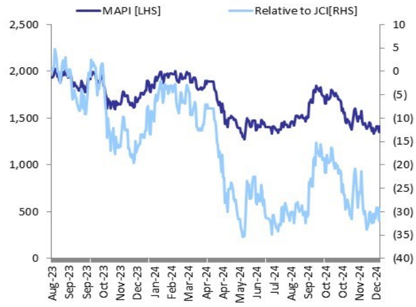
(Maintained)

Retail

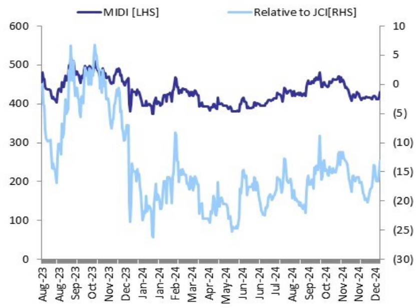
FY25 Outlook: Expansion-Driven Strategy to Sustain Double-Digit Earnings Growth

- **Despite challenges from a weak currency and rising wages, we expect retailers to continue their store expansion plans in FY25.**
- **We estimate the sector's FY25 rev. growth of 15% yoy, driven primarily by store expansions, which should support NP growth of 16.8% yoy.**
- **Maintain Overweight stance on the sector's FY25 double-digit growth. Our top picks are MAPI, followed by MIDI.**

MAPI relative to JCI Index



MIDI relative to JCI Index



Source: Bloomberg

Weak currency and higher minimum wage: Headwinds for 2025 retailer performance

Historically, a weak currency combined with significant growth in the minimum wage has negatively impacted the profitability of retail companies. Therefore, we believe retailers will resort to store expansion as the primary driver for revenue growth in FY25. Additionally, maintaining efficiency and improving productivity will be critical to sustain earnings growth. Given the limited catalysts for stronger purchasing power, particularly from 2Q25 onward, we expect retailers with a proven track record, solid execution, and a diverse product portfolio that offers a wide price range to maintain growth momentum. With more conservative assumptions, we have revised down our FY25/26F net profit growth for MAPI by 3%/4%, while making slight adjustments to MAPA's FY25/26F net profit by 2%.

Store expansion to drive FY25F sector net profit growth of 16.8% yoy

We estimate the retail sector to achieve FY25F revenue growth of 15% yoy, primarily driven by store expansions, led by MAPA (+13% yoy), followed by MAPI (+9% yoy) and MIDI (+6% yoy). The higher minimum wage presents a potential challenge for retailers, as labor costs account for 10-12% of total revenue (except for ACES: 16-17% of revenue). Nonetheless, we believe these companies will focus on enhancing employee productivity to offset rising costs. Between FY17-23, revenue/employee grew at a faster rate than the increase in employee numbers, except for MAPA, which remains in expansion mode. We believe this trend should support the sector's FY25 net profit growth of 16.8% yoy, driven primarily by strong net profit growth from MIDI (+ 30% yoy, due to the absence of sunk costs in FY25) and MAPA (+14.9% yoy).

Maintain overweight with top pick: MAPI

We maintain our Overweight rating on the retail sector, supported by the expectations of continued solid earnings ahead. Our pecking order is as follows:

- **MAPI (Buy – TP Rp2,000):** MAPI has been the most underperforming stock within our coverage, offering limited downside risk. Strong growth in MAPA should benefit MAPI, while we expect the performance of its F&B segment to normalize in FY25.
- **MIDI (Buy – TP Rp540)**: Alfamidi remains the primary revenue contributor for MIDI, showing continued robust performance and benefiting from higher growth in ex-Java. Additionally, MIDI's 1-2% other income-to-revenue should help cushion the impact of higher minimum wages.

We also like **MAPA (Buy – TP Rp1,250)**, which offers solid growth potential, though the stock comes with a higher valuation of 16.5x FY25F PE.

BRI Danareksa Sekuritas Analysts

Natalia Sutanto
(62-21) 5091 4100 ext. 3508
natalia.sutanto@brids.co.id

Sabela Nur Amalina
(62-21) 5091 4100 ext. 4202
sabela.amalina@brids.co.id

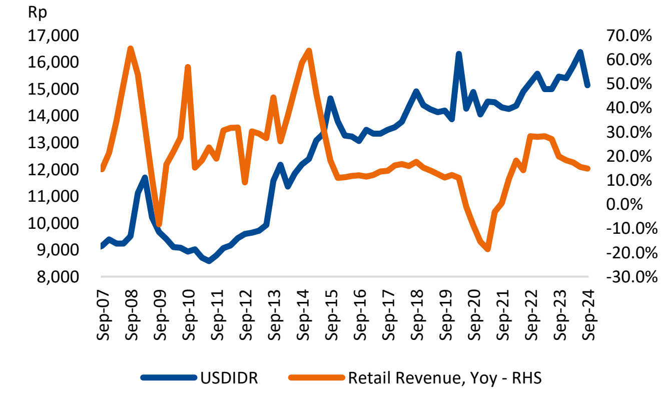
Ticker	Rec	Target Price (Rp)	Market Cap. (Rpbn)	P/E (x)		P/BV (x)		ROE (%)	Dividend Yield (%)	EPS Growth (%)	
				2025F	2026F	2025F	2026F	2025F	2025F	2025F	2026F
MAPI	Buy	2,000	22,246	10.2	8.8	1.5	1.3	16.5	0.7	13.3	16.4
MAPA	Buy	1,250	29,644	16.5	14.2	3.4	2.8	22.6	0.5	14.9	15.6
ACES	Buy	1,100	12,926	13.8	11.6	1.8	1.7	13.8	3.6	13.2	19.0
MIDI	Buy	540	13,909	19.3	17.1	2.8	2.5	15.4	1.9	30.0	12.9
Sector				**14.7**	**12.8**	**2.5**	**2.1**	**18.2**	**1.3**	**16.8**	**15.9**

FY25 Outlook: Expansion-Driven Strategy to Sustain Double-Digit Earnings Growth

Weak currency and higher minimum wage: Headwinds for 2025 retailer performance

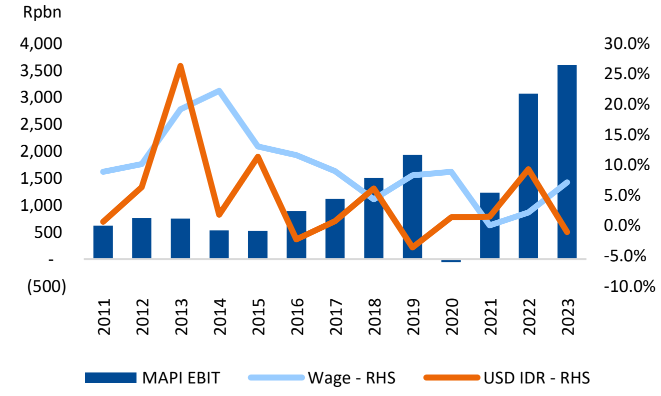
Historically, a weak currency combined with significant growth in the minimum wage has negatively impacted the profitability of retail companies (exhibit 1-4). Therefore, we believe retailers will resort to store expansion as the primary driver for revenue growth in FY25. Additionally, maintaining efficiency and improving productivity will be critical to sustain earnings growth.

Exhibit 1. Retail Revenue and USDIDR



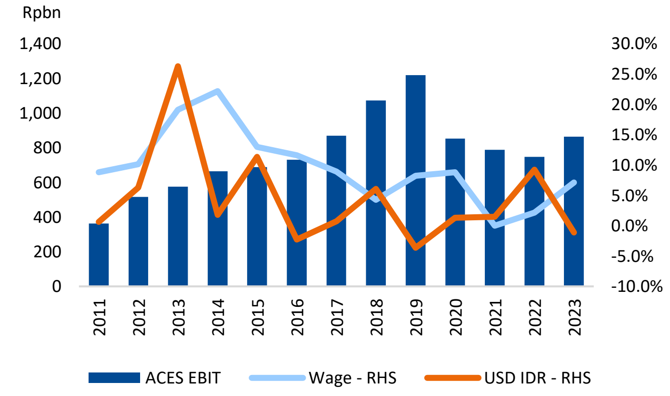
Source: Bloomberg, Company

Exhibit 2. MAPI – EBIT, Wage, and USDIDR



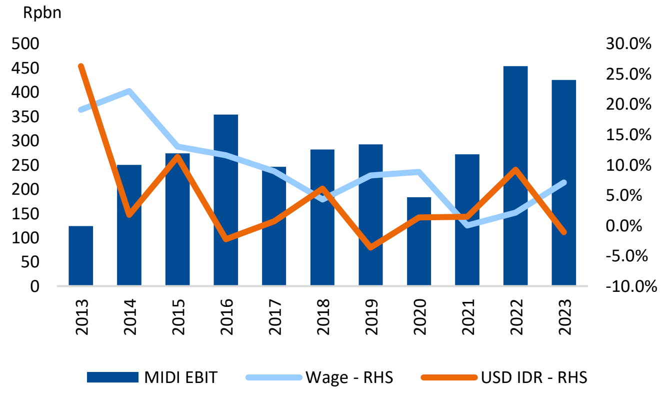
Source: Bloomberg, Company

Exhibit 3. ACES – EBIT, Wage, and USDIDR



Source: Bloomberg, Company

Exhibit 4. MIDI – EBIT, Wage, and USDIDR



Source: Bloomberg, Company

Given the limited catalysts for stronger purchasing power, particularly from 2Q25 onward, **we expect retailers with a proven track record, solid execution and a diverse product portfolio that offers a wide price range to maintain growth momentum.** With more conservative assumptions, we have revised down our FY25/26F net profit growth for MAPI by 3%/4%, while making slight adjustment to MAPA's FY25/26Fnet profit by 2%.

MAPA

MAPA is expected to continue its store expansion both overseas and in the domestic market. Additionally, we believe the athleisure trend will continue. This will benefit MAPA, which offers a diverse product portfolio across a wide price range to cater to various market segments, paving the way for sustaining earnings growth. However, in an environment of subdued purchasing power, customers are likely to favor purchases during promotional events, which could limit further margin improvements. Considering our assumptions of lower margins and higher opex, we have adjusted our FY25/26F net profit by 2%. We maintain our Buy rating with an unchanged TP of Rp1,250 and an implied FY25F PE of 19.8x.

Exhibit 5. MAPA Earnings Revision

MAPA	Before			After			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2024	2025	2026
Revenue	17,285	20,652	23,669	17,285	20,652	23,681	0.0%	0.0%	0.0%
Gross profit	7,986	9,583	10,983	7,986	9,562	10,988	0.0%	-0.2%	0.0%
Operating profit	2,197	2,562	2,955	2,197	2,521	2,912	0.0%	-1.6%	-1.5%
EBT	2,045	2,390	2,761	2,045	2,349	2,717	0.0%	-1.7%	-1.6%
Net profits	1,567	1,832	2,116	1,567	1,801	2,082	0.0%	-1.7%	-1.6%
Margins (%)									
Gross margin	46.2%	46.4%	46.4%	46.2%	46.3%	46.4%			
EBIT margin	12.7%	12.4%	12.5%	12.7%	12.2%	12.3%			
Opex/revenue	33.5%	34.0%	33.9%	33.5%	34.1%	34.1%			
Pretax margin	11.8%	11.6%	11.7%	11.8%	11.4%	11.5%			
Net margin	9.1%	8.9%	8.9%	9.1%	8.7%	8.8%			
Key Assumptions									
	Before			After					
	2024F	2025F	2026F	2024F	2025F	2026F			
SSSG	5.1%	5.4%	5.3%	5.1%	5.4%	5.3%			
Gross additional stores	507	474	432	507	474	432			
Total net stores	1,966	2,216	2,396	1,966	2,216	2,396			

Source: BRIDS Estimates

MAPI

We project lower SSSG and have adjusted store expansion plans for MAPI, particularly for its specialty stores (excluding MAPA). We also expect the F&B segment to normalize in 2025 as the impact of the boycott subsides. Our new forecast translates to higher opex/revenue, and we trim our FY25/26F net profit estimates by 3% and 4%, respectively. We maintain our Buy rating with an unchanged TP of Rp2,000 based on SOTP.

Exhibit 6. MAPI Earnings Revision

MAPI	Before			After			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2024	2025	2026
Revenue	38,984	44,819	50,196	38,984	44,480	49,651	0.0%	-0.8%	-1.1%
Gross profit	16,748	19,310	21,759	16,748	19,166	21,492	0.0%	-0.7%	-1.2%
Operating profit	3,481	4,065	4,722	3,481	3,967	4,568	0.0%	-2.4%	-3.3%
EBT	3,069	3,626	4,263	3,069	3,528	4,108	0.0%	-2.7%	-3.6%
Net profits	1,931	2,255	2,658	1,931	2,188	2,548	0.0%	-3.0%	-4.2%
Margins (%)									
Gross profit	43.0%	43.1%	43.3%	43.0%	43.1%	43.3%			
EBIT	8.9%	9.1%	9.4%	8.9%	8.9%	9.2%			
Opex/rev	34.0%	34.0%	33.9%	34.0%	34.2%	34.1%			
Pretax	7.9%	8.1%	8.5%	7.9%	7.9%	8.3%			
Net Income	5.0%	5.0%	5.3%	5.0%	4.9%	5.1%			
Key Assumptions									
	Before			After					
	2024F	2025F	2026F	2024F	2025F	2026F			
SSSG	1.5%	3.2%	4.3%	1.5%	2.8%	4.0%			
Gross additional stores	599	658	610	599	654	610			
Total net stores	3,434	3,749	3,984	3,434	3,745	3,980			

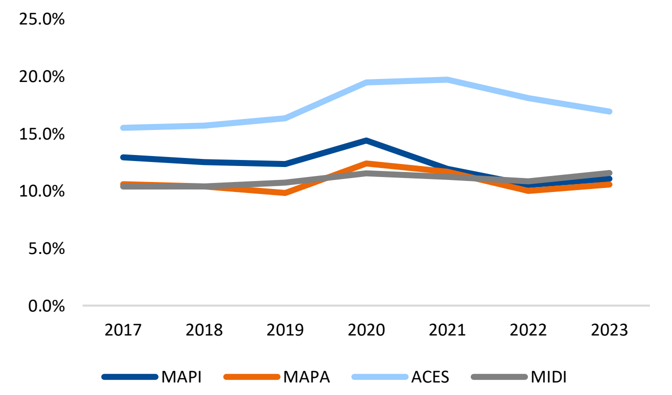
Source: BRIDS Estimates

Store expansion to drive FY25F sector net profit growth of 16.8% yoy

We estimate the retail sector to achieve FY25F revenue growth of 15% yoy, primarily driven by store expansions, led by MAPA (+13% yoy), followed by MAPI (+9% yoy) and MIDI (+6% yoy). The higher minimum wage presents a potential challenge for retailers, as **salary expenses account for 10-12% of total revenue (except for ACES: 16-17% of revenue)**. Nonetheless, we believe these companies will focus on enhancing employee productivity to offset rising costs.

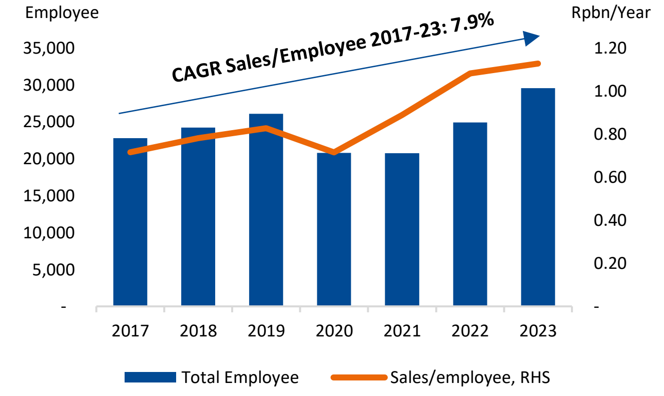
Between 2017 and 2023, **revenue/employee grew at a faster rate than the increase in employee numbers**, except for MAPA, which remains in expansion mode. We believe this trend should support the sector's FY25 net profit growth of 16.8% yoy, driven primarily by strong net profit growth from MIDI (+ 30% yoy, due to the absence of sunk costs in FY25) and MAPA (+14.9% yoy).

Exhibit 7. Salary expense/Revenue, 2017-23 – MAPI, MAPA, ACES and MIDI



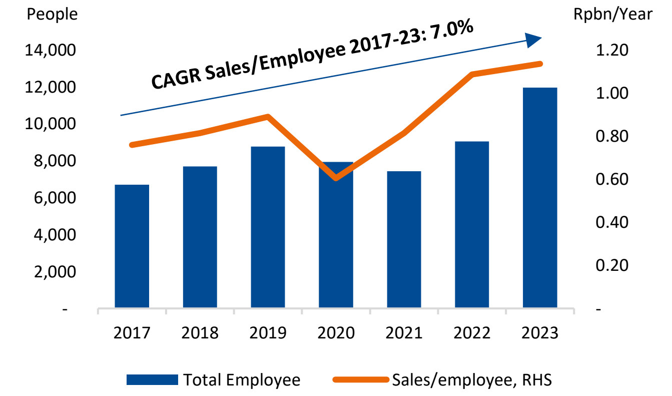
Source: Company

Exhibit 8. MAPI Rev./Employee CAGR of 7.9% vs No. of Employee CAGR of 4% (2017-23)



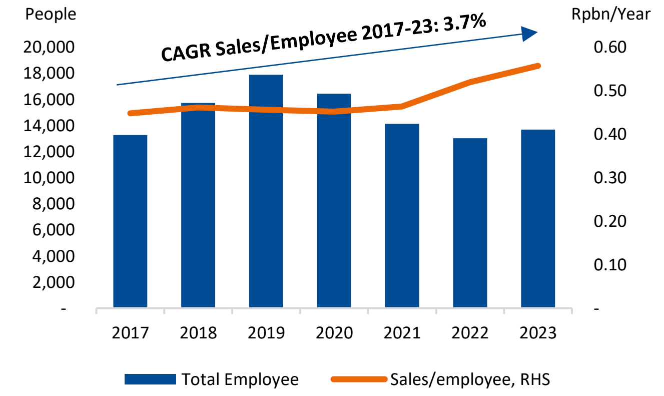
Source: Company

Exhibit 9. MAPA Rev./Employee CAGR of 7% vs No. of Employee CAGR of 10% (2017-23)



Source: Company

Exhibit 10. ACES Rev./Employee CAGR of 3.7% vs No. of Employee CAGR of 1% (2017-23)



Source: Company

Maintain overweight with top pick: MAPI

We maintain our Overweight rating on the retail sector, supported by expectations of continued solid earnings ahead. Our pecking order is as follows:

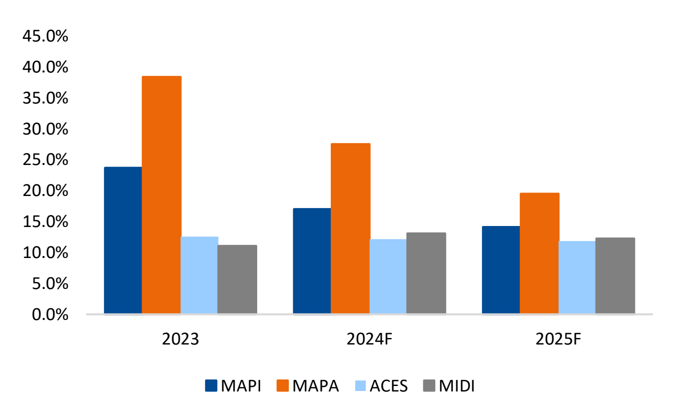
- **MAPI (Buy – TP Rp2,000)**
  MAPI has been **the most underperforming stock within our coverage, offering limited downside risk**. Strong growth in MAPA should benefit MAPI, while we expect the performance of its F&B segment to normalize in 2025.

- **MIDI (Buy – TP Rp540)**
  We believe investors are closely monitoring updates on Lawson store closures and the estimated sunk costs, which will establish 2024 as a low base for stronger growth in 2025. Notably, Alfamidi remains the primary revenue contributor for MIDI, showing continued robust performance and benefiting from higher growth in ex-Java. Additionally, **MIDI's 1-2% other income-to-revenue should help cushion the impact of higher minimum wages**.

- We also like **MAPA (Buy – TP Rp1,250)**, which offers solid growth potential, though the stock comes with a higher valuation of 16.5x FY25F PE.

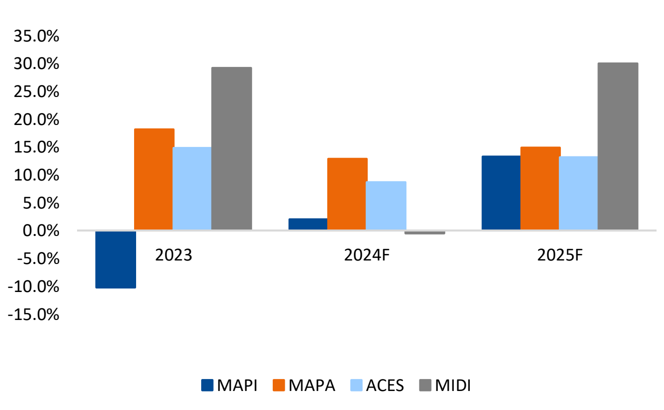
- For ACES **(Buy – TP Rp1,100)**, with a higher salary-to-revenue ratio of 16-17% and ongoing rebranding efforts, particularly in 1H25, we see less appeal within the retail sector. However, share price trades at an undemanding valuation of FY25F PE of 13.8x compared to the avg. 3y PE of 16.9x. Therefore, we maintain our Buy rating.

Exhibit 11. Top Line Growth, 2023-25F



Source: Company, BRIDS Estimates

Exhibit 12. Net Profit Growth, 2023-25F



Source: Company, BRIDS Estimates

Exhibit 13. Retail Sector Valuation Table

2025F	ACES	MIDI	MAPA	MAPI
Growth (%)				
Sales	11.8	12.2	19.5	14.1
EBITDA	10.3	20.3	13.3	16.0
Operating profit	10.8	20.3	14.8	14.0
Net profit	13.2	30.0	14.9	13.3
Core profit	13.2	32.6	15.1	13.2
Profitability (%)				
Gross margin	48.6	26.7	46.3	43.1
EBITDA margin	12.7	4.0	14.2	12.1
Operating margin	11.0	4.0	12.2	8.9
Net margin	9.8	3.0	8.7	4.9
ROAA	10.7	7.3	12.5	6.3
ROAE	13.8	15.4	22.6	16.5
Leverage and yield				
Net Gearing (x)	nc	0.1	30.3	18.7
Interest coverage (x)	8.2	15.7	13.5	6.0

Source: BRIDS Estimates

Exhibit 14. Retail Peers' Comparison

Ticker	Rec	Target Price (Rp)	Market Cap. (Rpbn)	P/E (x) 2025F	P/E (x) 2026F	P/BV (x) 2025F	P/BV (x) 2026F	ROE (%) 2025F	Dividend Yield (%) 2025F	EPS Growth (%) 2025F	EPS Growth (%) 2026F
MAPI	Buy	2,000	22,246	10.2	8.8	1.5	1.3	16.5	0.7	13.3	16.4
MAPA	Buy	1,250	29,644	16.5	14.2	3.4	2.8	22.6	0.5	14.9	15.6
ACES	Buy	1,100	12,926	13.8	11.6	1.8	1.7	13.8	3.6	13.2	19.0
MIDI	Buy	540	13,909	19.3	17.1	2.8	2.5	15.4	1.9	30.0	12.9
Sector				**14.7**	**12.8**	**2.5**	**2.1**	**18.2**	**1.3**	**16.8**	**15.9**

Source: Bloomberg, BRIDS Estimates

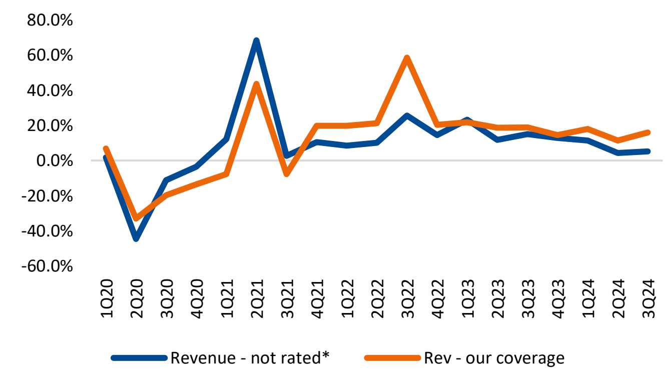
Key takeaways from several not-rated companies in the retail sector

ERAA and CNMA: More relevant in their presence to consumers
ERAA recorded growth exceeding the industry average in volume, supported by its increased presence at street-level stores and a broader range of consumer-relevant products, particularly affordable ones. Meanwhile, CNMA improved its F&B segment by aligning offerings with the socioeconomic class of each category class, enhancing margins. For FY25, CNMA plans to expand into untapped markets (i.e., outside Java).

LPPF and RALS: Negatively impacted by underperforming malls and soft purchasing power
We observe that mall growth also influences retail demand. LPPF reported the closure of 13 stores (target: 10) in underperforming malls with low traffic, while RALS focuses on rejuvenating its remaining outlets.

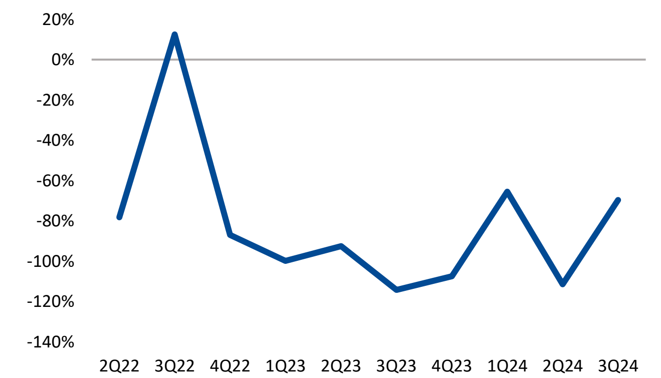
PZZA and FAST: Persistent boycott impact and tough competition
Aside from purchasing power, PZZA and FAST continue to face challenges from persistent and unpredictable boycotts. Despite some improvements, performance has yet to recover to pre-pandemic levels. PZZA's monthly revenue since early 2024 has ranged between Rp230–214bn (pre-boycott: Rp300bn/month), alongside a decline in average bill size (PZZA: Rp170k from Rp200k). These boycotts have contributed to negative SSSG, leading to store closures (PZZA: 29 stores, FAST: 47 stores) as of 9M24.

Exhibit 15. Revenue Growth, Our Coverage Vs Non Rated



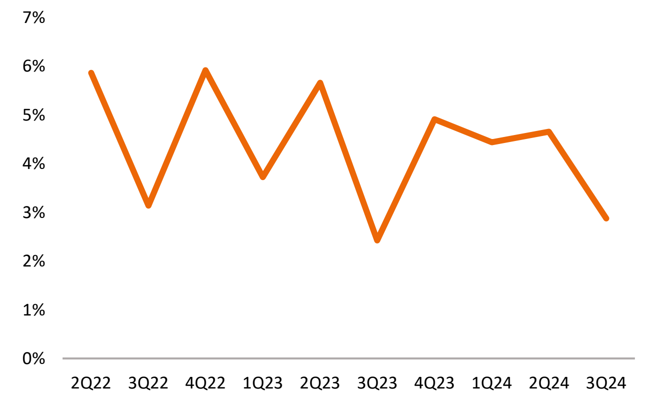
Source: Company, Bloomberg

Exhibit 16. Not-Rated Quarterly Operating Profit Growth, 2Q23-3Q24



Source: Company, Bloomberg

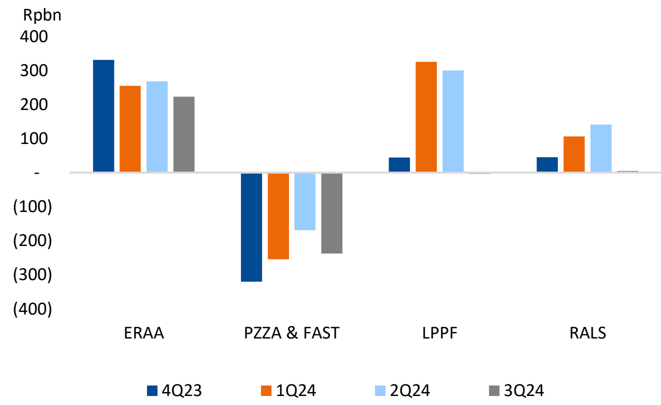
Exhibit 17. Not-Rated Quarterly Operating Margin, 2Q23-3Q24



Source: Company, Bloomberg

**Non rated: ERAA, PZZA, FAST, LPPF, RALS*

Exhibit 18. Not-Rated Quarterly Revenue, 2Q23-3Q24



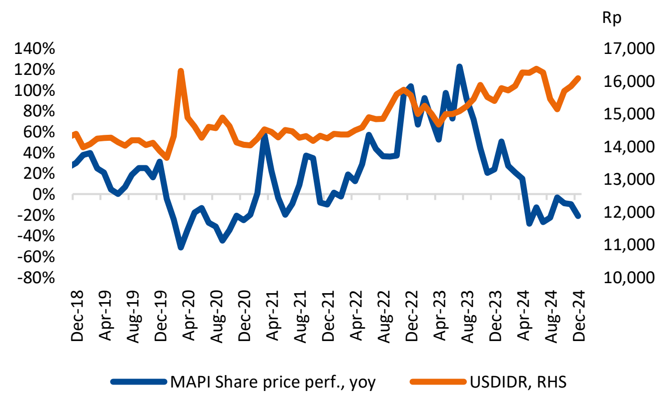
Source: Company, Bloomberg

Risks

We identify several risks that could hinder strong growth in our retail sector:

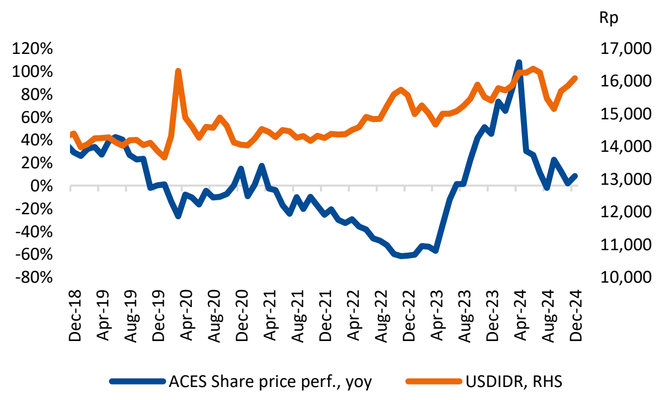
- **Government policies that may negatively impact purchasing power**, such as changes in fuel subsidies and the introduction of new excise tax items, including sweetened beverages.
- **A weakening currency** that could negatively affect the overall economy and increase the cost of imported products.
- **Delays in store expansion.** Lower-than-expected store expansion may lead to lower revenue and earnings growth.

Exhibit 19. Share Price vs USDIDR – MAPI



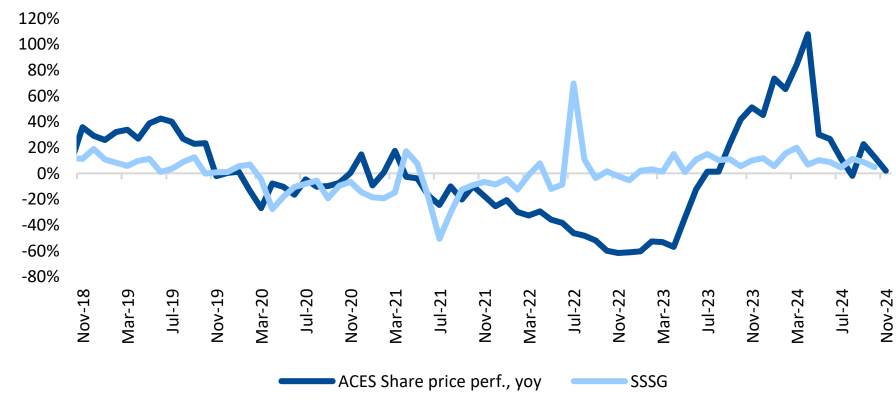
Source: Bloomberg

Exhibit 20. Share Price vs USDIDR – ACES



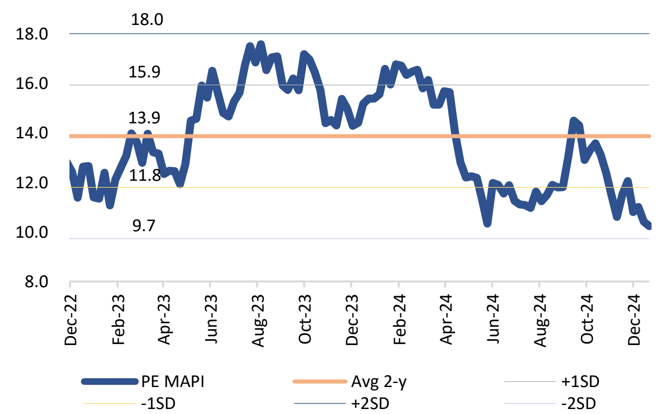
Source: Bloomberg

Exhibit 21. Share Price Performance vs SSSG – ACES



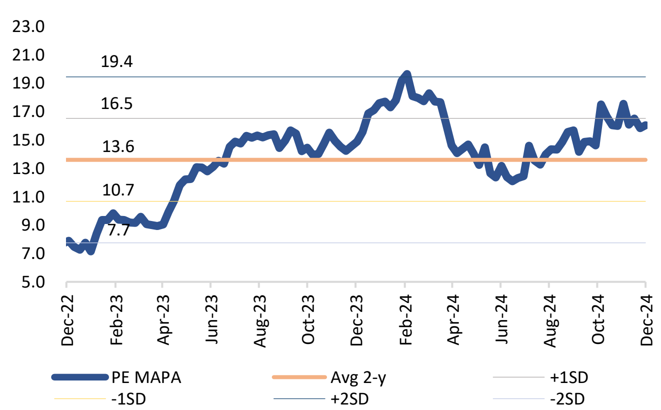
Source: Bloomberg, Company

Exhibit 22. MAPI's PE Band



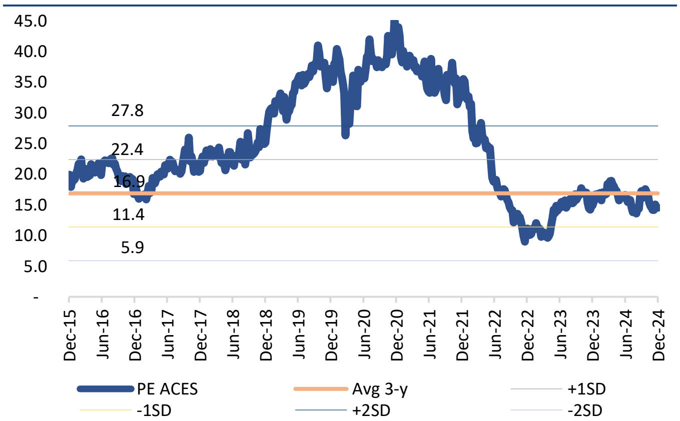
Source: Bloomberg, BRIDS Estimates

Exhibit 23. MAPA's PE Band



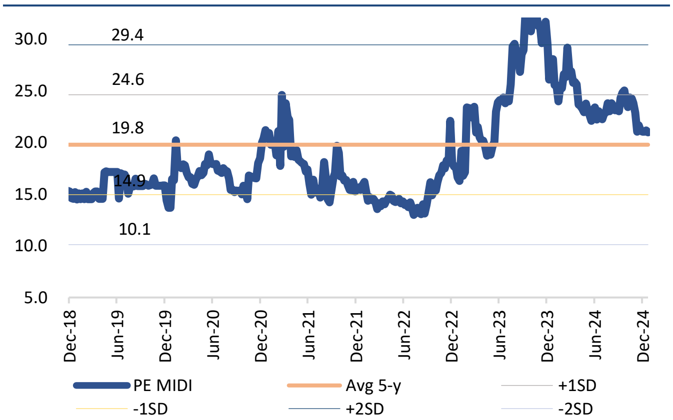
Source: Bloomberg, BRIDS Estimates

Exhibit 24. ACES's PE Band



Source: Bloomberg, BRIDS Estimates

Exhibit 25. MIDI's PE Band

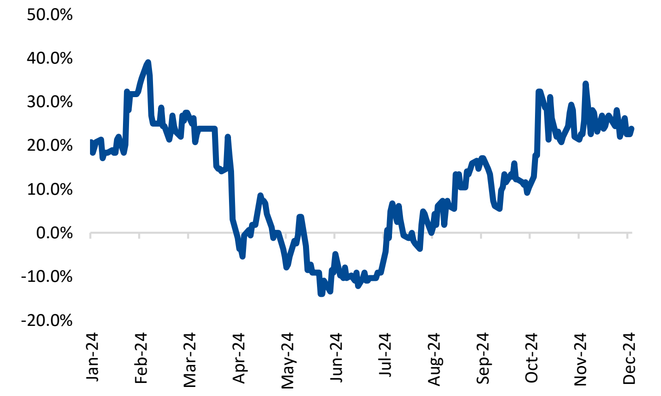


Source: Bloomberg, BRIDS Estimates

Exhibit 26. MAPI's YTD Share Performance

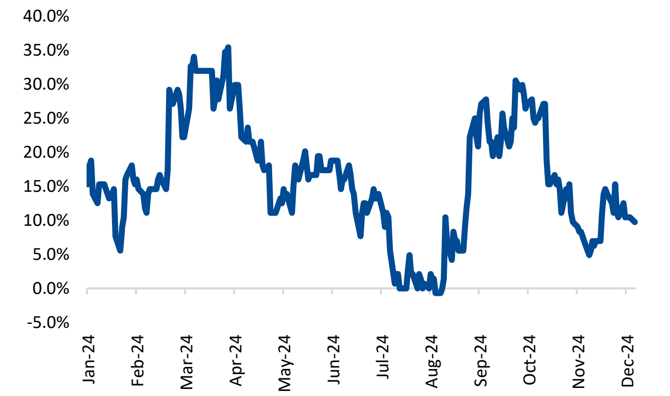
Source: Bloomberg

Exhibit 27. MAPA's YTD Share Performance



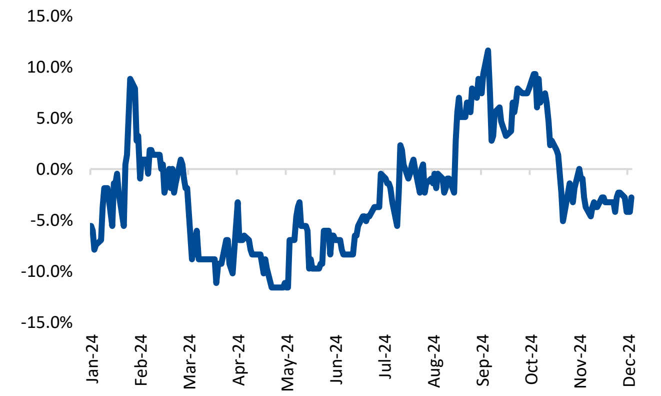
Source: Bloomberg

Exhibit 28. ACES's YTD Share Performance



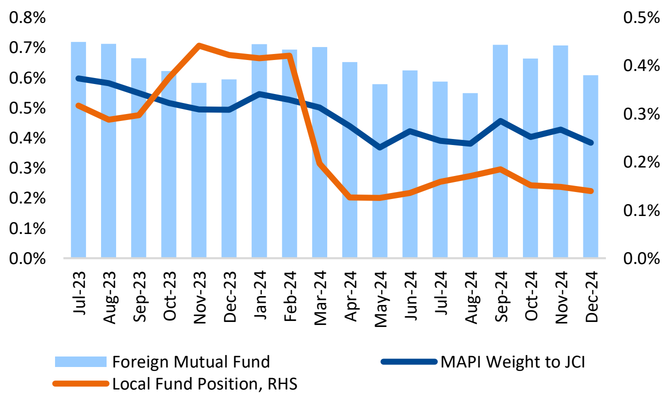
Source: Bloomberg

Exhibit 29. MIDI's YTD Share Performance



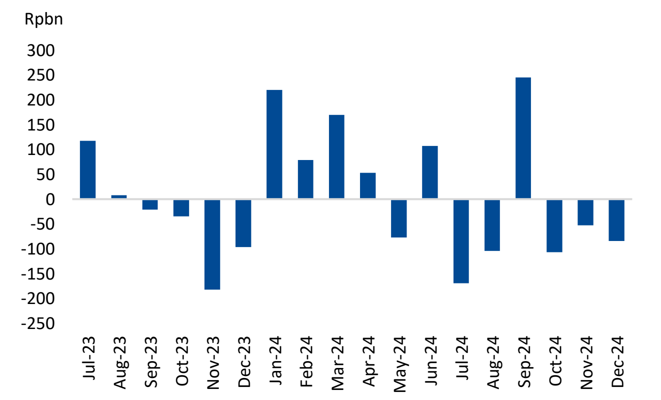
Source: Bloomberg

Exhibit 30. MAPI's Weighting and Fund Position



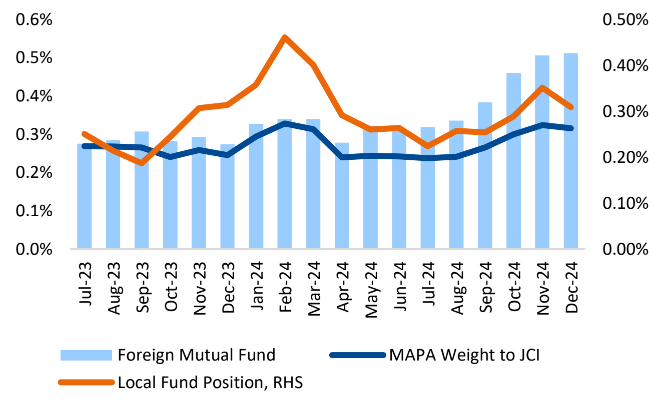
Source: KSEI, BRIDS

Exhibit 31. MAPI's Historical Foreign Flows



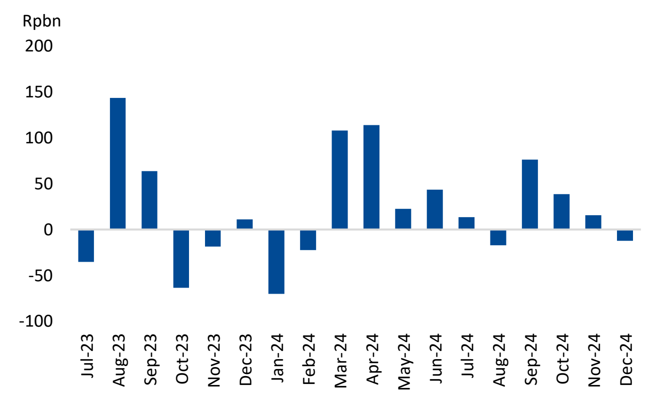
Source: IDX, BRIDS

Exhibit 32. MAPA's Weighting and Fund Position



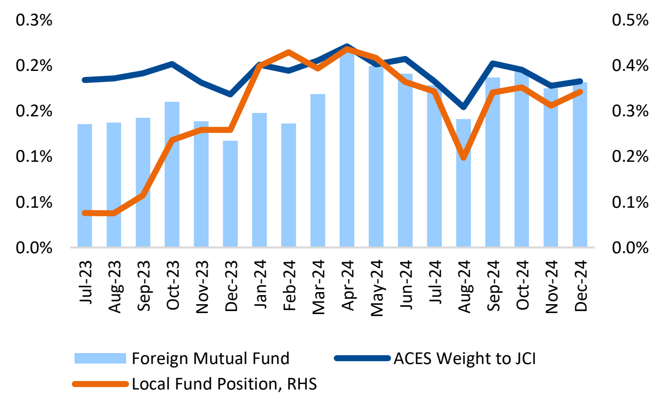
Source: KSEI, BRIDS

Exhibit 33. MAPA's Historical Foreign Flows



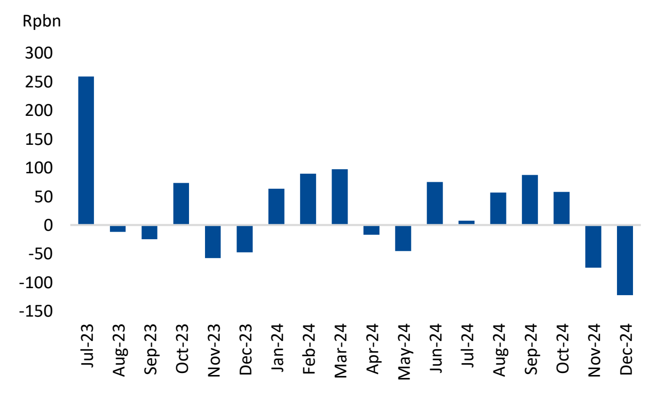
Source: IDX, BRIDS

Exhibit 34. ACES' Weighting and Fund Position



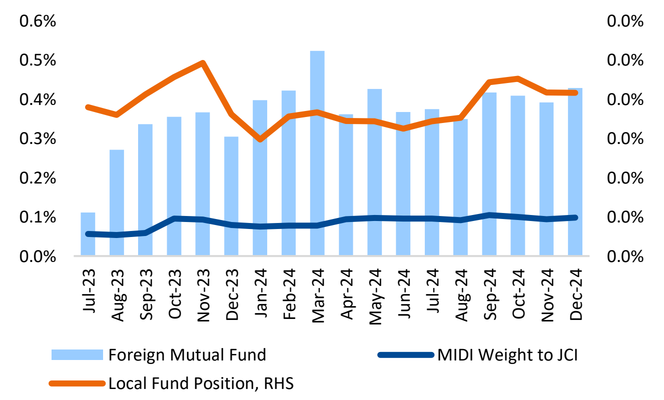
Source: KSEI, BRIDS

Exhibit 35. ACES' Historical Foreign Flows



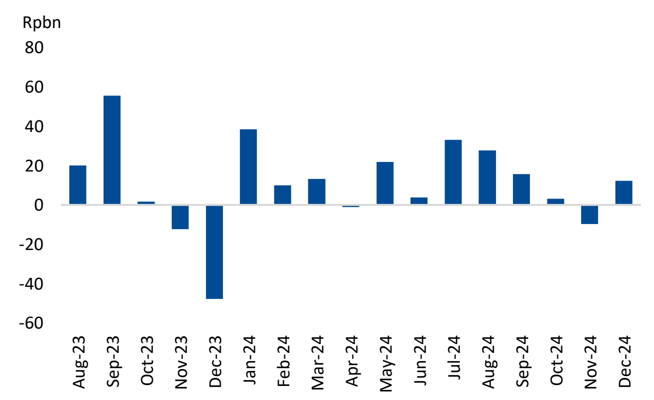
Source: IDX, BRIDS

Exhibit 36. MIDI's Weighting and Fund Position



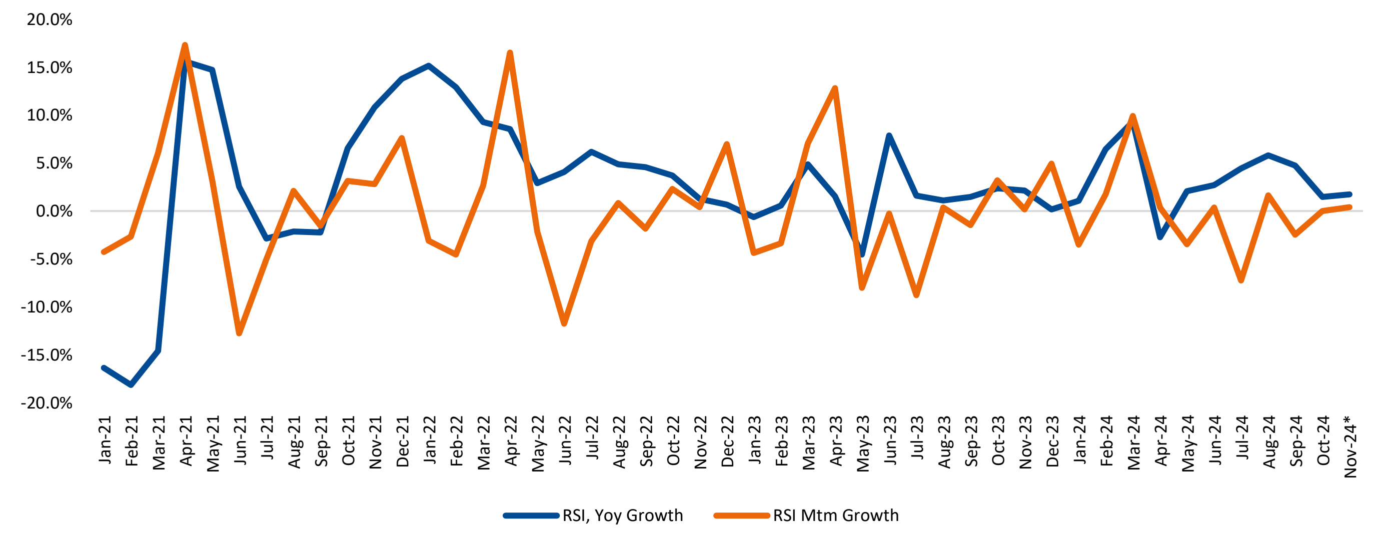
Source: KSEI, BRIDS

Exhibit 37. MIDI's Historical Foreign Flows



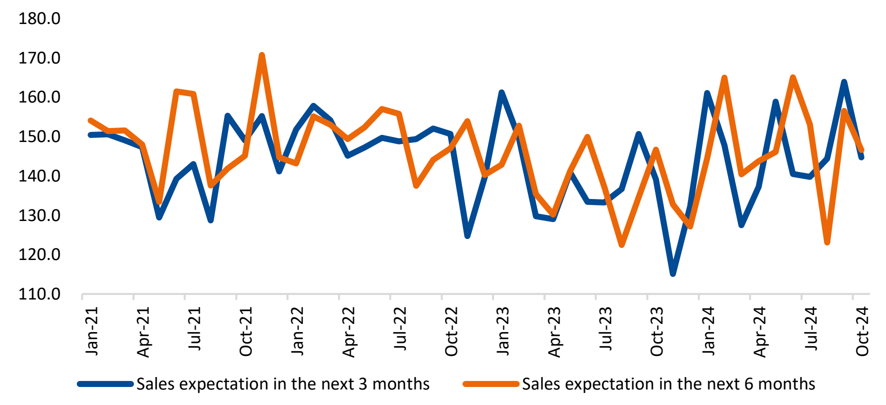
Source: IDX, BRIDS

Exhibit 38. Retail Sales Index



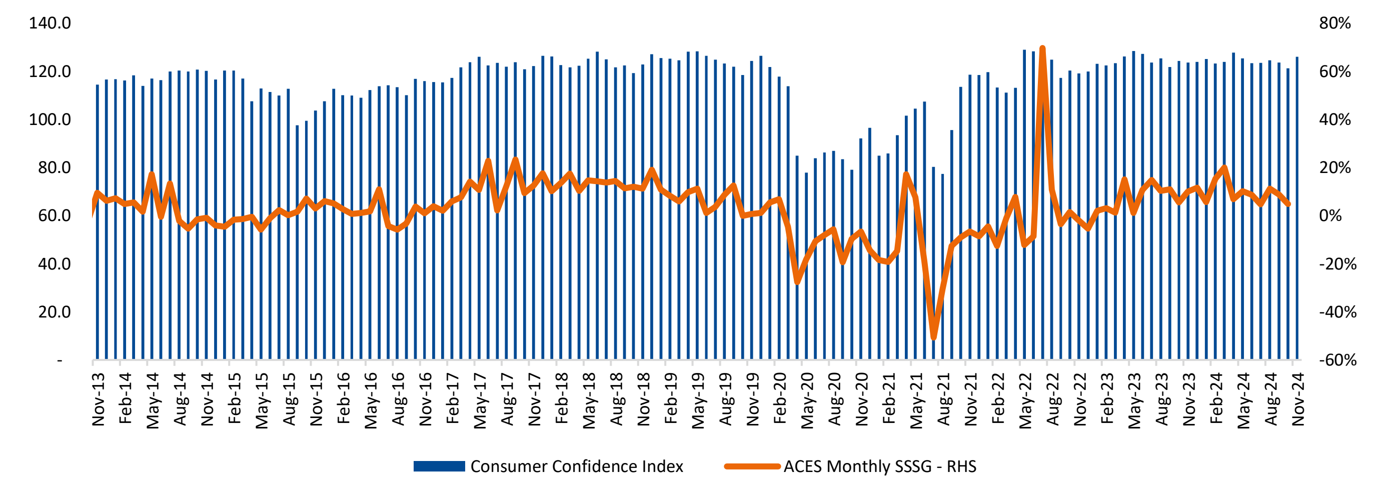
Source: Bank Indonesia

Exhibit 39. Sales Expectation Index for The Upcoming Three and Six Months



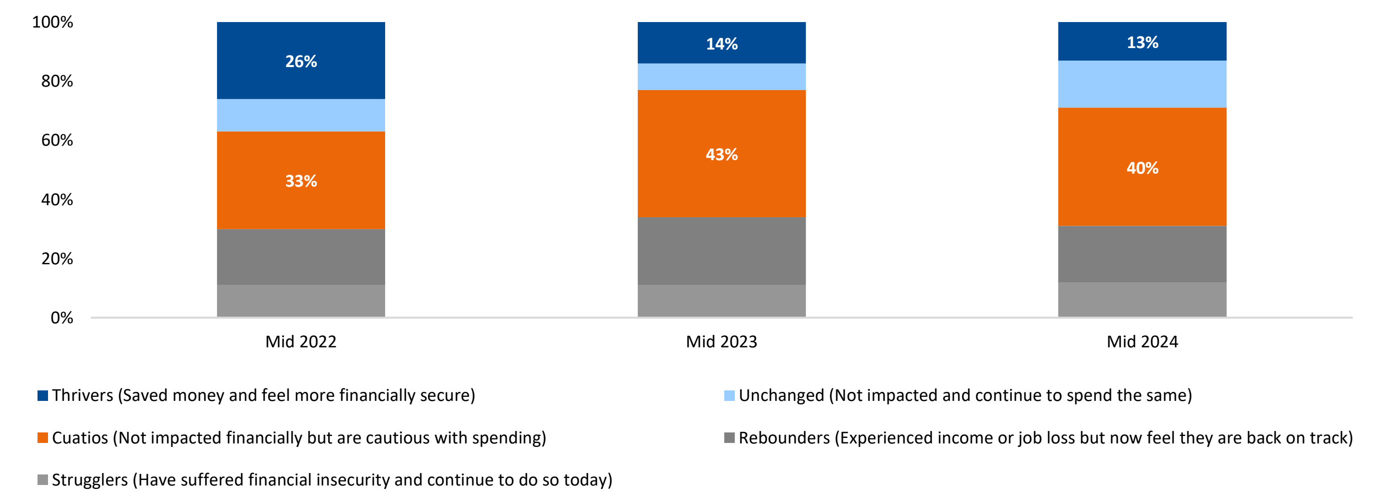
Source: Bank Indonesia

Exhibit 40. ACES SSSG and Intentions to Buy Durable Products



Source: Bank Indonesia

Exhibit 41. Those financially secure is decreasing post bounce-back in 2022 (after pandemic)



Source: Nielsen

Exhibit 42. Indonesia Consumers Concerns in Facing 2025

		Consumer's concerns	
1		**Rising food price**	37%
2		**Economic downturn**	27%
3		**Global warming / Environment**	16%
4	⬆	**Rising Fuel/Transportation costs** (was #8 in Jan24)	14%
5	⬆	**Increased utility bills** (was #9 in Jan24)	13%
6	⬇	**Global conflict/Crisis escalation** (was #5 in Jan24)	12%
7	⬆	**Personal welfare/Happiness** (was #11 in Jan24)	12%
8	⬇	**Political unrest** (was #4 in Jan24)	11%
9	⬇	**Ability to provide basics for family** (was #7 in Jan24)	11%
10	⬆	**Job security** (was #13 in Jan24)	9%

Source: Nielsen

BRI Danareksa Equity Research Team

Erindra Krisnawan, CFA	Head of Equity Research, Strategy, Coal	erindra.krisnawan@brids.co.id
Natalia Sutanto	Consumer, Cigarettes, Pharmaceuticals, Retail	natalia.sutanto@brids.co.id
Niko Margaronis	Telco, Tower, Technology, Media	niko.margaronis@brids.co.id
Timothy Wijaya	Metal, Oil and Gas	timothy.wijaya@brids.co.id
Victor Stefano	Banks, Poultry	victor.stefano@brids.co.id
Ismail Fakhri Suweleh	Healthcare, Property, Industrial Estate	ismail.suweleh@brids.co.id
Richard Jerry, CFA	Automotive, Cement, Infrastructure	richard.jerry@brids.co.id
Ni Putu Wilastita Muthia Sofi	Research Associate	wilastita.sofi@brids.co.id
Naura Reyhan Muchlis	Research Associate	naura.muchlis@brids.co.id
Sabela Nur Amalina	Research Associate	sabela.amalina@brids.co.id
Kafi Ananta Azhari	Research Associate	kafi.azhari@brids.co.id

BRI Danareksa Economic Research Team

Helmy Kristanto	Chief Economist, Macro Strategy	helmy.kristanto@brids.co.id
Dr. Telisa Aulia Falianty	Senior Advisor	telisa.falianty@brids.co.id
Kefas Sidauruk	Economist	kefas.sidauruk@brids.co.id

BRI Danareksa Institutional Equity Sales Team

Yofi Lasini	Head of Institutional Sales and Dealing	yofi.lasini@brids.co.id
Novrita Endah Putrianti	Institutional Sales Unit Head	novrita.putrianti@brids.co.id
Ehrliech Suhartono	Institutional Sales Associate	ehrliech@brids.co.id
Yunita Nababan	Institutional Sales Associate	yunita@brids.co.id
Adeline Solaiman	Institutional Sales Associate	adeline.solaiman@brids.co.id
Andreas Kenny	Institutional Sales Associate	andreas.kenny@brids.co.id
Christy Halim	Institutional Sales Associate	christy.halim@brids.co.id
Jason Joseph	Institutional Sales Associate	Jason.joseph@brids.co.id

BRI Danareksa Sales Traders

Mitcha Sondakh	Head of Sales Trader	mitcha.sondakh@brids.co.id
Suryanti Salim	Sales Trader	suryanti.salim@brids.co.id

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