

## Financial Tear Sheet

Corporate Profile



PT Matahari Putra Prima Tbk (MPPA) is Indonesia's prominent multi-format modern retailer. Established in 1986, MPPA has successfully operated a number of subordinate companies across multiple industries. The divestment of non-core assets at the end of 2012, poised MPPA to become a multi-format retailer. Today MPPA has become the iconic shopping destination and successfully operates more than 290 stores across Indonesia supported by its own extensive distribution network.

In reaching its current respected position, required a transformation that began in 2014 with strengthening of the management team. In mid-2014, MPPA sets its focus on becoming the dominant multi-format retailer and in doing so articulated a new strategy of growth.

This strategy was anchored by 5 pillars being:

1. New Formats,
2. Network Expansion,
3. Renovations,
4. Sustainable Retail Management, and
5. New Channels.

The first success of this transformation era was seen at the end of 2014 with the launch of the next generation Hypermart G7 concept, which was very well received by customers. Future stores would be designed based on this concept.

MPPA strategy of becoming a multi-format operator began to unfold in 2015. Strategic Hypermart locations were closed and remodeled to the successful G7 concept as well as new stores built following this new concept. In addition, MPPA began launching new formats including at premium supermarket operating under the banner of Foodmart Primo, a new wholesale concept operating under the banner of SmartClub, a new convenience store concept operating under the banner of FMX along with a completely revamped Boston Health & Beauty.

Finally, large trader business, previously conducted in stores was separated as part of the wholesale platform gaining increased visibility into the strengths and weaknesses of the organization. This was useful as MPPA began the process of institutionalizing many back end processes to position MPPA for sustainable growth.

The most significant change was addressing the limitations placed on consumer pricing that was hindered by operating under the retail method of inventory measurement. This year was the start of a rebuilding year which continued into 2016, to address the infrastructure obstacles that hindered long term value creation.

In 2016, MPPA made great strides at addressing its long term positioning with the most critical change being the implementation and switch to the cost method of inventory measurement technique in the 3rd quarter of 2016. This was a milestone as MPPA is now positioned to address the final obstacle impacting comp sales which is pricing. It also places MPPA in a position to better understand the profitability of its assortment thus enabling long term margin management/control while simultaneously addressing pricing. Finally, MPPA recognized the importance of E-Commerce when it strategically invested and cooperated with MatahariMall.com, a vast online market place portal in Indonesia. This relationship will capture the benefits of the fast growing digital lifestyles of Indonesia's modern consumers.

MPPA took important steps in 2015 and 2016 in developing a sustainable retail management platform through the institutionalization of business processes. These are important foundations to support MPPA as it begins a new growth story in 2017 and beyond.

### Hypermart

First introduced in 2004 as a compact hypermarket with average size of 3,000-6,000 m<sup>2</sup>, Hypermart has grown to become the key driver of MPPA's retail business to-date. MPPA continues to strengthen its core Hypermart business with a goal to capture the growing Indonesian middle class customers with a modern shopping environment and consistent shopping experience at every store throughout Indonesia.

Today, Hypermart has become an iconic modern retail hypermarket for the growing middle income Indonesian family nationwide, with an extensive product selection covering Grocery, Fresh Food, Bazaar, Softlines and Electronics merchandise. To cater to wide demands from discerning shoppers, Hypermart is able to localize its assortments to meet the needs of customers across Indonesia.

This competitive advantage results from our capabilities in intensive retail & customers studies, planogramming, detailed sales and profitability information by SKU as well as a nationwide distribution network to move products from Distribution Centers and suppliers to stores.

In 2014 MPPA introduced its first G7 remodel of the Hypermart store format. The new G7 concept upgrades the store's physical layout and traffic flow to a level that compares favourably with international standards of modern

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hypermarkets, as well as uses refreshed modern graphics and colour patterns to help customers easily locate the placement of retail products while shopping. Planogram implementation also helps the store's team to organize and maintain its assortments and stocks efficiently. In 2015 and 2016 MPPA continued to renovate several of its stores to the latest G7 format with 26 new and renovated G7 stores actively operating by 2016 year end.

During 2016, Hypermart successfully opened 7 new stores and remodelled 6 existing stores with the latest G7 concept. Most of these stores were opened outside Java confirming MPPA's commitment to be first to market and provide a modern shopping experience to customers in all areas of Indonesia. By 2016 year-end, MPPA operated 115 Hypermart stores and had expanded its footprint to more than 73 cities across the country.

In 2017, Hypermart will continue to expand to the outer islands with a greater focus in eastern Indonesia. MPPA plans to open up to 11 hypermarkets in 2017.

#### **SmartClub**

SmartClub aims to be the format of choice for wholesale business operators in Indonesia. This format attracts business owners, traders, HORECA (Hotel, Restaurant and Catering), offices and other service providers and offers them "one-stop" and low cost shopping solution with a wide selection of fresh produce, groceries, and general merchandise.

SmartClub is the only modern wholesaler to have a Food Solution Center, which will help restaurant owners on menu creation, kitchenware equipment and its usage and other food related businesses solutions. SmartClub also contributes to the community by actively holding events and inviting several top chefs to teach and share their experience with customers. In addition, an Office Solution Center provides a complete range of office supplies and services needs to offices and small business owners.

This new format allows MPPA to deepen its relationship with Indonesia's traditional trade. Business owners are eligible for discounts and other loyalty incentives including a tiered pricing strategy and point accumulation benefits. The SmartClub, tagline "Bukan Grosir Biasa" (Not Just an Ordinary Wholesaler), partners with banks to support business customers who need financing on their purchases.

Looking at the favorable outlook of the wholesale market in Indonesia going forward, MPPA believes that SmartClub is destined to become the first choice among business owners for a modern wholesale center. It offers MPPA sustainable growth and opportunity for a greater revenue contribution in the future. MPPA continued to expand this business with the openings of 2 SmartClubs outside Java in 2016 and plans to open up to 4 additional SmartClub locations in 2017, both in Greater Jakarta and the outer islands.

#### **Foodmart Primo & Foodmart Fresh**

Through its Foodmart supermarket format, MPPA focuses on fresh foods, bakery, ready-to-eat (RTE) products as well as wide variety of local and international products. Currently, an average Foodmart store carries about 13,000 SKUs to provide convenient shopping experience with modern store atmosphere and to cater the needs of modern Indonesian customers who put values on convenience with quality fresh products.

Over the last several years, the Foodmart format has been expanded further to increase the focus on high quality fresh foods and provides only the freshest products to customers. In 2015 MPPA introduced its latest concept operating under the banner Foodmart Primo with the renewed focus on fresh for the remaining supermarkets. In 2016 MPPA began rebranding selected supermarkets under the banner Foodmart Fresh.

Being the premium supermarket format for refined customers, Foodmart Primo offers international products, more variety of quality fresh products and a large RTE section providing eat-in or quick take-away meals at fantastic values. It also features a café and boutique bakery while localizing categories such as aromatherapy, handicrafts & souvenirs to the Foodmart Primo stores in Bali.

At the same time, Foodmart Fresh is positioned to become the choice supermarket for middle class households with its offerings of fresh produce, groceries and household needs in Indonesia. Within 2016, MPPA expanded this business format with the opening of 4 additional stores and actively operated 26 stores at year end. In 2017 MPPA plans to open up to 7 stores.

#### **Boston Health & Beauty**

Boston Health & Beauty ("Boston") is MPPA's entry into the modern personal care store format in Indonesia. Boston provides convenient access to a wide range of over-the-counter products of health care, personal care and beauty care as well as snack foods. In 2016, Boston began providing a pharmacy and wellness services in larger stores across Indonesia to include prescription drugs. Boston is positioned to offer the Indonesian customers a modern, convenient health & beauty store with added services of in-store health clinics.

To strengthen its branding position, in late 2015 Boston confirmed 3 formats going forward:

Boston Health is typically located inside hospitals, size between 80-120 m<sup>2</sup>, offering various range of health products, personal care, food & beverage, gift and fruit basket for hospital visitors. Boston Health stores will take advantage of MPPA synergies with the Lippo Group by placing a store within Siloam hospitals and plan to expand to other hospitals in 2017 for wider service coverage and increased brand awareness.

Boston Regular is a stand-alone outlet, size between 120 -200 m<sup>2</sup> located in the mall or near Hypermart. Going forward, stand-alone stores in the mall will be a major format, providing a wide range of health products such as health supplements, OTC products, medical devices and beauty products including cosmetics, skin care, beauty accessories and personal care. Basic food and beverage are also offered for customer convenience.

Boston Combo is a complete Health & Beauty format with a full range of supplements, OTC products and a wider range of cosmetics, perfumery, beauty and hair accessories. With a size over 350 m<sup>2</sup>, various service products such as optic shop, nail shop and hair-coloring are also available to complete the offering of a modern health & beauty center.

At 2016 year-end, Boston operated a total of 109 stores, including 9 new stores opened during the year. In 2017, MPPA plans to expand the Boston business with up to 20 new stores.

#### **FMX**

In response to the high demand of consumer needs for a convenient, fast "grab & go" purchase within local communities as well as positive feedback for the FMX format launched at 2015 yearend, MPPA continued rolling out the FMX convenience stores at prime and strategic locations in 2016. With typical store size between 80-200 m², FMX provides innovative high quality products and services. FMX differentiates itself from other Indonesian minimarket operators with modern layouts, large ready to eat and drink sections and a wide assortment of grocery with a focus on snacks. Basic financial services such as ATM's, cellular airtime top ups and bill payments are also offered within the stores.

In order to support its modern convenience store format adjacent to customers, FMX is geared to be located in prime areas such as offices, shopping malls, hospitals, schools, railway stations and other strategic public places. MPPA believes the FMX concept will be well received by consumers and offers great growth opportunities not only through store expansion but also via franchise owners, collaborative partnerships, and contract relationships.

MPPA currently operates 46 convenience stores/minimarkets, in which 9 stores operate under the banner FMX and the remaining stores under minimarket format that will be reviewed for possible conversion or closures. MPPA plans to open up to 15 additional stores in 2017.

#### Stock Performance

Last	Change (%)	Bid	Ask	Volume	High	Low
256.00	▲ 8.00 (3.23%)	256.00	258.00	3,657,800	262.00	248.00

Last updated: 20 Jul 18:14



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- 28-May-2018 [MPPA Announce New BOC BOD \(English\)](#)
- 28-May-2018 [MPPA Announce New BOC BOD \(Bahasa\)](#)

#### Upcoming Events

There are currently no events scheduled.