

## Modern Internasional

MDRN IJ / MDRN.JK

## FLASH NOTE

➤ **Market Cap**  
**US\$408.1m**  
Rp4,034,052m

➤ **Avg Daily Turnover**  
**US\$0.21m**  
Rp2,012m

➤ **Free Float**  
**43.9%**  
4,159 m shares

Current **Rp970.0**  
Target ➤ **Rp1,200**  
Prev. Target **Rp1,200**  
Up/Downside **23.7%**

**SHORT TERM (3 MTH)** **LONG TERM**

TRADING BUY	<b>OUTPERFORM</b>
TRADING SELL	NEUTRAL
	UNDERPERFORM

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### Share price info

Share price perf. (%)	1M	3M	12M
Relative	4.5	-5.3	57
Absolute	1	-4.9	83.7

Major shareholders	% held
Asialink Electronic	38.9
Inti Putra Modern	17.2

## Buy into 7-Eleven

MRDN is attractive for the expansion of its 7-Eleven network in Indonesia. The company is expected to register a 3-year earnings CAGR (FY13-15) of 62% vs. the consumer sector's average of 29%. Capital-raising will not be required in the near term for current plans.

During our London conference, MDRN confirmed that it would focus on growth via store expansion and improvement in execution with higher yields for its fresh food offerings. We maintain our Outperform rating and DCF-based target price of Rp1,200, implying a 32x CY14 P/E. Catalysts for the stock include improving efficiency and greater economies of scale from a growing number of stores.

### What Happened ➤

Management will continue to focus on the greater Jakarta area for future store openings. The intense competition in the area will only spur its aggressive target of 100 new stores per year in FY13-15. At end-May 2013, MDRN owned 129 stores and expects to own 213 by end-2013. An upcoming JV with a Japanese fresh food producer is likely as MRDN seeks to improve the fresh food yields

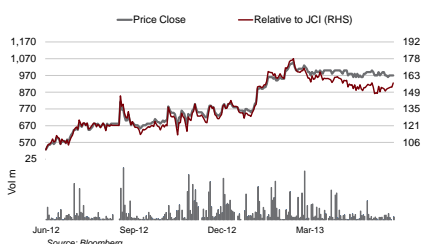
of its stores. The company's store rental cost (5% of sales) is currently covered by service income from the ATM machines located on its store premises.

### What We Think ➤

MRDN's planned FY13-15 capex of US\$100m, mainly for the opening of 324 new stores and support facilities, will be financed by proceeds from its rights issue and debt. We estimate that net gearing will remain at the 30% level. Net debt stood at Rp296bn in 1Q13, representing a net gearing of 29.6% (vs. Rp493bn in 1Q12 or net gearing of 115%).

### What You Should Do ➤

MRDN benefits from 7-Eleven's first-mover advantage and strong branding. Improved execution will enable the company to achieve its store ownership target of 441 by end-FY15.



52-week share price range

Current 970.0 Target 1,200

### Financial Summary

	Dec-11A	Dec-12A	Dec-13F	Dec-14F	Dec-15F
Revenue (Rpb)	897	1,009	1,547	2,458	3,409
Operating EBITDA (Rpb)	93.5	133.8	202.3	305.5	467.9
Net Profit (Rpb)	56.6	55.3	98.5	157.6	238.1
Core EPS (Rp)	9.22	12.98	23.68	37.89	57.26
Core EPS Growth	70.9%	40.8%	82.4%	60.0%	51.1%
FD Core P/E (x)	93.06	74.72	40.97	25.60	16.94
DPS (Rp)	4.09	3.99	7.10	11.37	17.18
Dividend Yield	0.42%	0.41%	0.73%	1.17%	1.77%
EV/EBITDA (x)	47.16	31.09	20.82	14.38	9.56
P/FCFE (x)	52.57	NA	NA	NA	60.38
Net Gearing	88.0%	12.2%	16.3%	29.6%	31.4%
P/BV (x)	9.63	4.10	3.79	3.38	2.92
Recurring ROE	9.7%	7.7%	9.6%	14.0%	18.5%
% Change In Core EPS Estimates			0.001%	0.001%	0.001%
CIMB/consensus EPS (x)			1.04	1.16	1.68

SOURCE: CIMB, COMPANY REPORTS

**Figure 1: Sector Comparisons**

Company	Bloomberg Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)			EV/EBITDA (x)		Dividend Yield (%)	
						CY2013	CY2014		CY2013	CY2014	CY2015	CY2013	CY2014	CY2013	CY2014		
Ace Hardware Indonesia	ACES IJ	Underperform	880.0	870.0	1,527	32.9	26.2	18.8%	7.57	6.03	25.5%	25.7%	26.8%	22.9	18.0	0.4%	0.5%
Matahari Department Store	LPPF IJ	Outperform	12,250	14,300	3,616	31.0	21.5	38.7%	na	84.42	-84.6%	-931.5%	184.4%	18.1	14.4	0.0%	1.3%
Mitra Adi perkasa	MAPI IJ	Neutral	8,200	9,000	1,377	26.0	20.5	22.8%	5.19	4.25	21.9%	22.8%	23.5%	11.8	9.8	0.4%	0.5%
Modern Internasional	MDRN IJ	Outperform	970.0	1,200	408	41.0	25.6	61.1%	3.79	3.38	9.7%	14.0%	18.5%	20.7	14.4	0.7%	1.2%
Ramayana Lestari	RALS IJ	Outperform	1,500	1,800	1,077	21.4	18.5	15.8%	3.24	2.99	15.7%	16.8%	17.6%	12.9	10.8	2.4%	2.8%
<b>Indonesia Average</b>						<b>29.0</b>	<b>21.7</b>	<b>28.4%</b>	<b>9.69</b>	<b>7.28</b>	<b>38.9%</b>	<b>38.3%</b>	<b>36.9%</b>	<b>16.4</b>	<b>13.2</b>	<b>0.5%</b>	<b>1.2%</b>
Dairy Farm Int'l	DFI SP	Outperform	12.10	13.55	16,360	30.5	26.0	16.9%	11.74	10.04	41.4%	41.7%	40.6%	19.7	16.7	2.3%	2.6%
Sheng Siong Group	SSG SP	Outperform	0.66	0.75	733	23.0	20.6	13.4%	5.86	5.69	26.1%	28.1%	29.5%	14.3	12.8	3.9%	4.4%
<b>Singapore Average</b>						<b>30.1</b>	<b>25.7</b>	<b>16.7%</b>	<b>11.26</b>	<b>9.73</b>	<b>40.1%</b>	<b>40.7%</b>	<b>39.8%</b>	<b>19.4</b>	<b>16.5</b>	<b>2.4%</b>	<b>2.7%</b>
Big C Supercentre	BIGC TB	Underperform	200.0	226.0	5,389	24.2	19.4	19.4%	4.48	3.81	19.4%	21.2%	20.8%	13.7	11.3	1.1%	1.4%
CP All PCL	CPALL TB	Outperform	41.25	52.00	12,102	27.0	21.4	26.6%	11.44	9.36	45.5%	48.0%	48.1%	16.1	12.4	2.4%	3.1%
Home Product Center	HMPRO TB	Neutral	14.90	16.30	4,000	36.5	28.5	35.2%	9.54	7.22	26.9%	28.8%	31.2%	19.8	14.9	0.1%	0.2%
Robinson Department Store	ROBINS TB	Outperform	70.25	88.00	2,548	29.6	22.0	32.3%	6.67	5.55	23.9%	27.5%	29.6%	17.3	12.8	1.2%	1.4%
Siam Global House	GLOBAL TB	Outperform	24.10	32.50	2,057	48.2	30.2	74.8%	6.09	5.23	12.9%	18.7%	23.2%	25.1	15.8	0.5%	0.9%
<b>Thailand Average</b>						<b>28.6</b>	<b>22.4</b>	<b>28.3%</b>	<b>7.68</b>	<b>6.34</b>	<b>28.2%</b>	<b>31.1%</b>	<b>32.1%</b>	<b>16.4</b>	<b>12.7</b>	<b>1.5%</b>	<b>1.9%</b>
<b>Average (all)</b>						<b>29.1</b>	<b>23.2</b>	<b>24.7%</b>	<b>8.88</b>	<b>7.32</b>	<b>32.7%</b>	<b>34.5%</b>	<b>34.7%</b>	<b>17.3</b>	<b>13.8</b>	<b>1.7%</b>	<b>2.1%</b>

SOURCES: CIMB, COMPANY REPORTS

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**Spitzer Chart for stock being researched ( 2 year data )**



Distribution of stock ratings and investment banking clients for quarter ended on 30 April 2013		
1002 companies under coverage		
	Rating Distribution (%)	Investment Banking clients (%)
Outperform/Buy/Trading Buy	51.4%	7.8%
Neutral	35.1%	4.7%
Underperform/Sell/Trading Sell	13.5%	4.9%

**Recommendation Framework #1 \***

**Stock**

**OUTPERFORM:** The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 12 months.

**NEUTRAL:** The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.

**UNDERPERFORM:** The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 12 months.

**TRADING BUY:** The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 3 months.

**TRADING SELL:** The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 3 months.

**Sector**

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.

**TRADING BUY:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 3 months.

**TRADING SELL:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 3 months.

\* This framework only applies to stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand, Jakarta Stock Exchange, Australian Securities Exchange, Taiwan Stock Exchange and National Stock Exchange of India/Bombay Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.

**Recommendation Framework #2 \*\***

Stock	Sector
<b>OUTPERFORM:</b> Expected positive total returns of 10% or more over the next 12 months.	<b>OVERWEIGHT:</b> The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +10% or better over the next 12 months.
<b>NEUTRAL:</b> Expected total returns of between -10% and +10% over the next 12 months.	<b>NEUTRAL:</b> The industry, as defined by the analyst's coverage universe, has either (i) an equal number of stocks that are expected to have total returns of +10% (or better) or -10% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +10% to -10%; both over the next 12 months.
<b>UNDERPERFORM:</b> Expected negative total returns of 10% or more over the next 12 months.	<b>UNDERWEIGHT:</b> The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -10% or worse over the next 12 months.
<b>TRADING BUY:</b> Expected positive total returns of 10% or more over the next 3 months.	<b>TRADING BUY:</b> The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +10% or better over the next 3 months.
<b>TRADING SELL:</b> Expected negative total returns of 10% or more over the next 3 months.	<b>TRADING SELL:</b> The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -10% or worse over the next 3 months.

*\*\* This framework only applies to stocks listed on the Korea Exchange, Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.*

**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (IOD) in 2012.**

AAV – not available, **ADVANC** - Excellent, **AEONTS** – Good, **AMATA** - Very Good, **ANAN** – not available, **AOT** - Excellent, **AP** - Very Good, **BANPU** - Excellent, **BAY** - Excellent, **BBL** - Excellent, **BCH** – not available, **BCP** - Excellent, **BEC** - Very Good, **BGH** - not available, **BJC** – Very Good, **BH** - Very Good, **BIGC** - Very Good, **BTS** - Excellent, **CCET** - Good, **CENTEL** – Very Good, **CK** - Very Good, **CPALL** - Very Good, **CPF** - Very Good, **CPN** - Excellent, **DELTA** - Very Good, **DTAC** - Very Good, **EGCO** – Excellent, **ERW** – Excellent, **GLOBAL** - Good, **GLOW** - Very Good, **GRAMMY** – Excellent, **HANA** - Very Good, **HEMRAJ** - Excellent, **HMPRO** - Very Good, **INTUCH** – Very Good, **ITD** – Very Good, **IVL** - Very Good, **JAS** – Very Good, **KAMART** – not available, **KBANK** - Excellent, **KK** – Excellent, **KTB** - Excellent, **LH** - Very Good, **LPN** - Excellent, **MAJOR** - Good, **MAKRO** – Very Good, **MCOT** - Excellent, **MINT** - Very Good, **PS** - Excellent, **PSL** - Excellent, **PTT** - Excellent, **PTTGC** - Excellent, **PTTEP** - Excellent, **QH** - Excellent, **RATCH** - Excellent, **ROBINS** - Excellent, **RS** – Excellent, **SAMART** – Excellent, **SC** – Excellent, **SCB** - Excellent, **SCC** - Excellent, **SCCC** - Very Good, **SIRI** - Good, **SPALI** - Very Good, **SRICHA** – not available, **SSI** – not available, **STA** - Good, **STEC** - Very Good, **TCAP** - Very Good, **THAI** - Excellent, **THCOM** – Very Good, **TICON** – Very Good, **TISCO** - Excellent, **TMB** - Excellent, **TOP** - Excellent, **TRUE** - Very Good, **TTW** – Very Good, **TUF** - Very Good, **VGI** – not available, **WORK** – Good.