

Business and Initiatives Update

27th Nov 2020

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BUSINESS UPDATE

Q4 TRADING SO FAR..

Choppy sales recovery amidst volatile external environment

- **Covid 19 Pandemic continues to impact business :**
 - Covid-19 case still very high at 4,000+ cases everyday
 - PSBB Transition in 6 cities (42 MDS stores)
 - Protests and chaos against Omnibus Law and Minimum wage for 2021.
- **MTD 23rd Nov, trading still behind pre PSBB (Aug) levels.**
 - Weekday trading stronger Vs weekend due to ongoing PSBB restrictions and congregation fears.
 - Jakarta market recovery lowest in the country.
 - Cosmetics, travel and formal still lagging due to lifestyle changes.
 - Nov performance reliant on Black Friday and Cyber Monday outcomes.
- **Dec Trade may be impacted by further PBSS extensions and Mudik restrictions.**
 - Investing in TV advertising to stay top of mind during the pandemic.
- **Salary restored to 100% starting 1st Nov 2020. Additional allowance will be needed in Q4 to make good some of the sacrifices taken by MDS staff in Q2 & Q3.**
- **Cash management – Outstanding Bank loan targeted to be between 1.1Tn to 1.2 Tn at year end.**

INVENTORY UPDATE

Inventory at 1.2 Trillion as of now

- **Inventory reduced from 1.3 Tn at Sep end to 1.2 Tn as of now. Likely to end the year with 1.1 Tn of Stock at cost.**
- **Freshness in H1 2021 will be the key challenge which may result in margin volatility. The focus now is to reduce 2020 slow moving inventory.**
- **7 Direct Purchase Brands to be discontinued.**
 - 361 Degrees, OVS, Home & Co, Monterosa, Catrice, RA Jeans and Crater.
 - Current stock is 165 Billion at cost. Likely to be liquidated by Mid 2021.
 - Expect inventory provision to cover the NRV lower than cost
- **Our top priorities are**
 - Reduce Inventory to Dec 2019 levels.
 - Building fashion newness through the next few quarters.
 - Continue to support local supplier base on 2020 pushback orders.
 - Conservative purchases in 2021 in light of push back orders and economic uncertainties.

INITIATIVES UPDATE

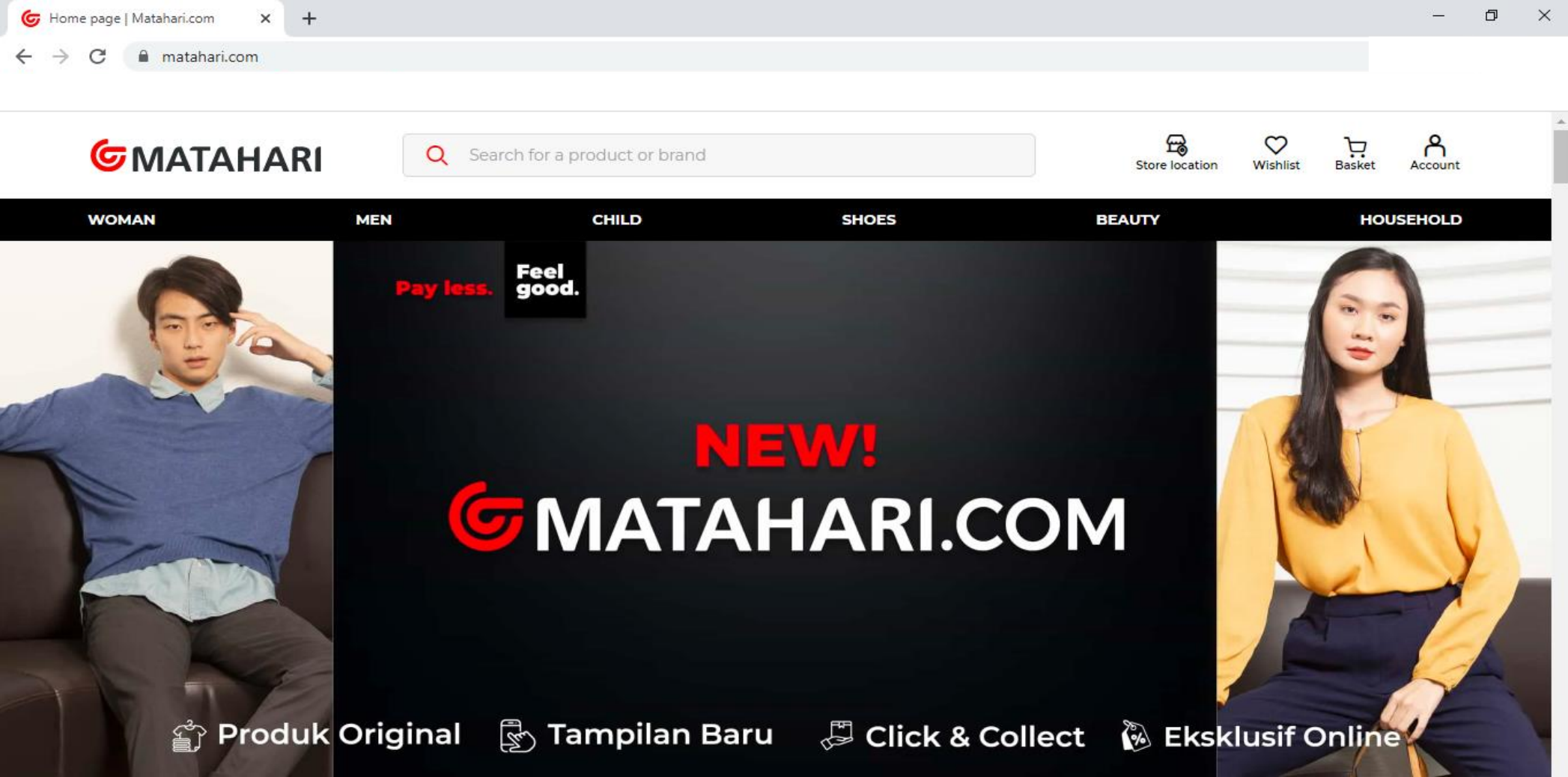
STORE INITIATIVES

6 stores under closure, likely to end 2020 with 147 stores.

- **Store Count to reduce from 153 to 147 stores by end of 2020.**
 - 6 unprofitable large format stores to be closed.
 - 4 in Java, 1 in Bali and 1 in Sulawesi.
- **No new store is expected in Q4 2020 and Q1 2021.**
- **Out of 147 Continued Stores,**
 - 23 ongoing stores are placed in watch-list bucket for performance improvement.
 - These stores are under monitor, review and discussion.
 - Negotiate with Landlord to convert to variable rent or lower fixed rent.

MATAHARI.COM UPDATE

Journey begins now, expect teething problems and low growth initially.



NOBU COLLABORATION

COLLABORATION WITH BANK NOBU

Credit Financing and Branchless Banking Cooperation

Credit Financing for MDS Supply Chain

- Assisting our suppliers in tough times. Providing much needed working capital.
- Vendors receive additional credit facilities with lower interests and less collateral.
- Double digit vendors' applications signed / approved.

Branchless Banking

- Launched 1st Branchless banking office and ATM machine in Atrium store
- MDS earns fees for each banking transaction and placement of ATM machine
- 11 identified MDS locations for ATM machines
- 17 targeted branchless banking offices to open in next phase.

BRANCHLESS BANKING

Banking and other Services provided to our customers



Benefits for NobuBank88 Partners



Transaction Incentive for Banking Services



Opportunity to Apply for KUR



Interest Rates of 5% p.a.



Bancassurance & Micro Investment

Banking Services Provided by Partners



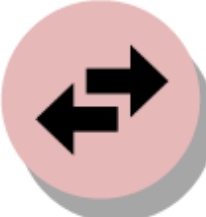
Account Opening



Cash Deposit



Cash Withdrawal



Interbank Fund Transfer



Biller Payment Services



e-Payment Top-Up Services

- MDS to earn “Services Fees” for various services provided to the customers.
- Nobu ATM to be placed inside MDS store driving Traffic .

LOOKING FORWARD

- **Opportunity to open stores selectively.**
- **Refurb / renovate existing stores to drive productivity.**
- **Need to invest to replace aging infrastructure.**
- **Capex investment in capability for the long term : such as central IT system, servers, Footfall Technology, POS and Digital evolution.**
- **Investment in Nobu completed in Nov 2020 from Cash resources.**
- **Capacity to pay dividend not likely to return till 2022 / 2023. Unlikely to return to prior levels.**

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THANK YOU

