

Tuesday, 15 May 2018

BUY
Maintain

Last price (IDR) 1,325
Target Price (IDR) 1,500
Upside/Downside +13.2%
Previous Target Price (IDR) 1,500

Stock Statistics

Sector Retail
Bloomberg Ticker RALS IJ
No of Shrs (mn) 6,806
Mkt. Cap (IDRbn/USDmn) 9,017/645
Avg. daily T/O (IDRbn/USDmn) 9.6/0.7

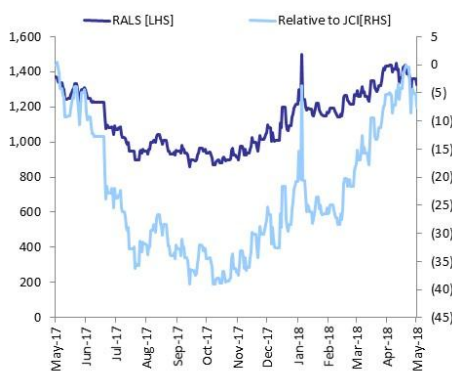
Major shareholders (%)

PT Ramayana Makmursentosa 55.9
Paulus Tumewu 3.7
Estimated free float 34.9

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	66.5	73.0	80.1
Consensus	66.3	72.3	74.5
Danareksa/Cons	0.2	1.0	7.5

RALS relative to JCI Index



Source : Bloomberg


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Ramayana Lestari Sentosa(RALS IJ)

Benefitting from supermarket downsizing

RALS has posted 4M18 gross revenues of IDR2.1tn, only up +2.0%, supported by fashion sales despite the lagging supermarket business. SSSG in 4M18 was relatively weaker compared to 1Q18 and also last year. Positively, in April 2018, RALS opened 2 new stores in Cibubur and Bekasi. Going forward, we foresee EBITDA margins expansion from the downsizing of its loss-making supermarket business, despite the expectation of mid-single digit top line growth this year. Maintain BUY.

4M18 gross revenues grew by only +2.0% yoy driven by the fashion business. Gross revenues reached IDR580.5bn, +10.4% mom and +0.8% yoy, culminating in 4M18 gross revenues of IDR2.1tn (+2.0% yoy) or reaching 24.4% of our full year estimate - i.e. in-line. Fashion revenues were up an impressive +12.3% yoy in 4M18 while supermarket revenues slumped by 20.9% yoy. Overall, direct purchases (DP) rose by +9.6% yoy in 4M18 and consignment goods increased by +14.8% yoy. 37.9% of the gross revenues in 4M18 were generated in regions outside Java, Greater Jakarta contributed 36.6% and the rest of Java 25.5%.

4M18 SSSG was relatively weak. RALS posted relatively weak SSSG YTD in 4M18 of only -0.8% nationwide (1Q18: 0.3%; 4M17: 4.4%), weaker compared to 1Q18 and last year. Outside Java SSSG was the lowest at -1.8% YTD (1Q18: -1.5%; 4M17: 1.9%), followed by Greater Jakarta at -0.5% YTD (1Q18: 3.2%; 4M17: 7.6%) and the rest of Java at 0.4% YTD (1Q18: -0.6%; 4M17: 3.7%).

New stores opened in April 2018. Additional gross retail space reached 10,004sqm in April 2018. This came from the opening of two new stores in Greater Jakarta: one in Cibubur (5,836sqm) and the other in Bekasi (4,168sqm). As a result, RALS' total gross retail space as of 4M18 reached 993,759sqm. 39.2% of the total gross retail space is located in outside Java areas, followed by Greater Jakarta (34.1%) and rest of Java areas (26.7%).

Outlook: anticipating margins expansion after supermarket downsizing. We expect revenues growth in 2018F to be in the mid-single digits after taking into account a potentially better Lebaran season in 2Q18. In addition, we also expect the operating margins expansion in 1Q18 to continue in 2Q18, partially thanks to the recent downsizing of RALS' loss-making supermarket business.

Maintain BUY with a TP of IDR1,500. We maintain our forecast and BUY recommendation on the stock with an unchanged TP of IDR1,500, implying 22.6x P/E 2018F, about +1std based on the 2012-2017 historical. The main risks to our call include: 1) lower-than-expected GDP growth and 2) higher-than-expected inflation.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	5,857	5,623	5,941	6,274	6,621
EBITDA (IDRbn)	544	540	601	643	687
EBITDA Growth (%)	29.8	(0.7)	11.2	7.0	6.9
Net profit (IDRbn)	408	407	452	497	545
EPS (IDR)	60.0	59.7	66.5	73.0	80.1
EPS growth (%)	26.0	(0.5)	11.2	9.9	9.7
BVPS (IDR)	490.4	513.5	551.5	592.8	638.1
DPS (IDR)	30.3	35.6	28.5	31.7	34.8
PER (x)	22.1	22.2	19.9	18.1	16.5
PBV (x)	2.7	2.6	2.4	2.2	2.1
Dividend yield (%)	2.3	2.7	2.1	2.4	2.6
EV/EBITDA (x)	15.5	15.3	13.4	12.1	11.0

Source : RALS, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



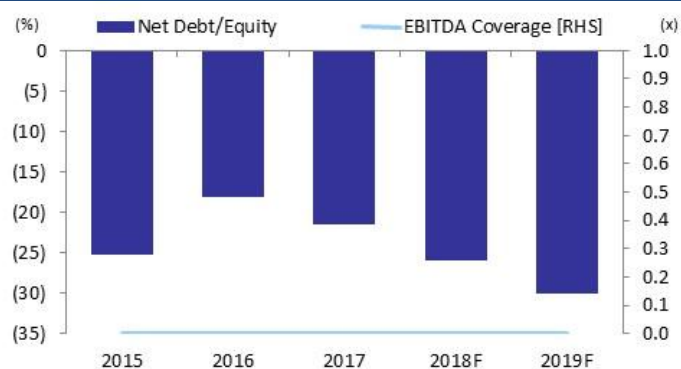
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



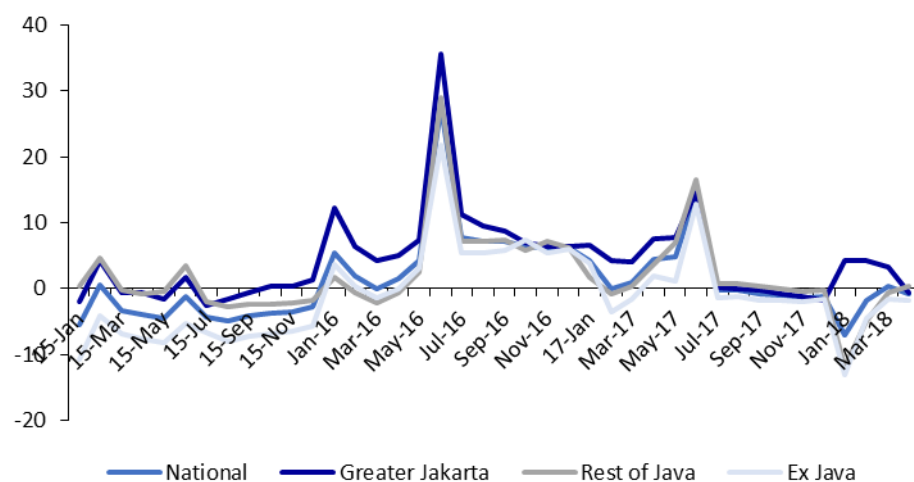
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



Source: Company, Danareksa Sekuritas estimates

Exhibit 5. SSSG



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. P/E Band



Source: Company, Danareksa Sekuritas estimates

Exhibit 7. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	5,857	5,623	5,941	6,274	6,621
COGS	(3,655)	(3,410)	(3,588)	(3,789)	(3,999)
Gross profit	2,202	2,212	2,353	2,484	2,622
EBITDA	544	540	601	643	687
Oper. profit	357	356	404	433	463
Interest income	97	90	90	112	134
Interest expense	0	0	0	0	0
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	11	20	21	21	23
Pre-tax profit	465	467	515	566	621
Income tax	(57)	(60)	(63)	(69)	(76)
Minority interest	0	0	0	0	0
Net profit	408	407	452	497	545
Core Net Profit	408	407	452	497	545

Exhibit 8. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	604	752	972	1,211	1,482
Receivables	52	57	8	61	12
Inventory	834	741	832	829	924
Other Curr. Asset	184	264	266	267	268
Fixed assets - Net	1,279	1,235	1,277	1,318	1,359
Other non-curr.asset	537	563	566	569	572
Total asset	4,647	4,892	5,206	5,546	5,915
ST Debt	0	0	0	0	0
Payables	904	956	1,010	1,066	1,125
Other Curr. Liabilities	105	92	93	93	94
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	301	349	351	352	354
Total Liabilities	1,310	1,398	1,453	1,512	1,573
Shareholder's Funds	3,337	3,494	3,753	4,034	4,343
Minority interests	0	0	0	0	0
Total Equity & Liabilities	4,647	4,892	5,206	5,546	5,915

Exhibit 9. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	408	407	452	497	545
Depreciation and Amort.	187	184	196	210	224
Change in Working Capital	(197)	18	5	0	6
Other Oper. Cash Flow	(308)	(292)	(98)	(119)	(142)
Operating Cash Flow	90	316	556	588	633
Capex	(133)	(140)	(238)	(251)	(265)
Others Inv. Cash Flow	(29)	64	87	109	131
Investing Cash Flow	(162)	(76)	(151)	(142)	(134)
Net change in debt	0	0	0	0	0
New Capital	0	0	0	0	0
Dividend payment	(207)	(242)	(194)	(215)	(237)
Other Fin. Cash Flow	(134)	28	2	2	2
Financing Cash Flow	(341)	(214)	(191)	(213)	(235)
Net Change in Cash	(413)	26	214	232	265
Cash - begin of the year	844	604	752	972	1,211
Cash - end of the year	604	752	972	1,211	1,482

Exhibit 10. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	5.9	(4.0)	5.7	5.6	5.5
EBITDA	29.8	(0.7)	11.2	7.0	6.9
Operating profit	53.0	(0.3)	13.5	7.1	7.0
Net profit	21.6	(0.5)	11.2	9.9	9.7
Profitability (%)					
Gross margin	37.6	39.3	39.6	39.6	39.6
EBITDA margin	9.3	9.6	10.1	10.2	10.4
Operating margin	6.1	6.3	6.8	6.9	7.0
Net margin	7.0	7.2	7.6	7.9	8.2
ROAA	8.9	8.5	9.0	9.2	9.5
ROAE	12.2	11.9	12.5	12.8	13.0
Leverage					
Net Gearing (x)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
Interest Coverage (x)	0.0	0.0	0.0	0.0	0.0

Source : RALS, Danareksa Estimates

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