

Wednesday, 31 July 2019

BUY
Maintained

Last price (IDR) 1,345
Target Price (IDR) 2,000
Upside/Downside +48.6%
Previous Target Price (IDR) 1,900

Stock Statistics

Sector Retail
Bloomberg Ticker RALS IJ
No of Shrs (mn) 7,096
Mkt. Cap (IDRbn/USDmn) 9,331/665
Avg. daily T/O (IDRbn/USDmn) 13.3/0.9

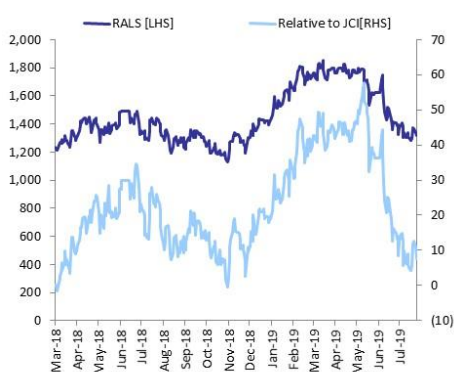
Major shareholders (%)

PT Ramayana Makmursentosa 55.9
Paulus Tumewu 3.7
Estimated free float 37.0

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	101.3	109.1	118.7
Consensus	94.6	101.0	108.7
Danareksa/Cons	7.1	8.0	9.2

RALS relative to JCI Index



Source : Bloomberg



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Ramayana Lestari Sentosa (RALS IJ)

In-line despite lower growth

RALS booked Rp3.5tn of sales in 1H19 (-0.2% yoy). The figure is relatively in-line with our full year forecast at 57.8%, mainly driven by slower SSSG (1H19: 1.5%) and 2 store closures in 1H19 in Central Jakarta. The net profits of Rp589.8bn rose 21.3% mainly on the back of interest income jumping by 57.6% yoy as the cash position was higher coupled with a lower tax rate of 15.3% vs 21.5% last year. The bottom line is 86.3% of our full year forecast and 91.2% of the consensus. This is above the figure recorded for 1H in the past 2 years of 85.7%.

Sluggish top-line, solid bottom line. Looking at the sales figure in more detail reveals a slowdown of 1.7% yoy for direct purchases (DP), while consignment sales were still up by 7.3%yoy. The DP sales were slightly better than in 1Q19 (-1.9% yoy). Nevertheless, the overall sales of Rp3.5tn still met 57.8% of our full year forecast and are in-line with the 2 years average contribution of 61.3%. The 1H19 bottom line of Rp589.8bn (+21.3%) was supported by higher interest income and a lower tax rate as the company complies with requirements to receive tax benefits (a 20% statutory tax rate).

Improving margins. The gross margin expanded to 45.1%, an increase of 54BPS yoy and 250BPS vs 1Q19 driven by higher consignment margins we believe. The EBIT margin expanded by 110BPS yoy to 17.1% in 1H19 while the 2Q19 margin of 23.8% actually signified a 51BPS increase from 2Q18. The SSSG YTD mid July 2019 was quoted at 1.8%, a slight pickup from 1.5% YTD as of June 2019. The figure is actually encouraging and the company will push for its target of 5 new stores this year to start opening in August 2019, especially considering two stores were closed by July 2019 (one in Jalan Sabang and the other in BSD).

Maintain BUY with a higher TP of IDR 2,000. We maintain our BUY call on RALS and slightly higher TP of IDR 2,000 as we rollover our earnings to 2020F and implying 19.1x 2020 P/E. The Earnings figure translates into +1 STD and offering potential upside of 48.6%. The stock is reasonably cheap, trading at 12.0x 2020F P/E, or hovering just above its 5 years -1 STD. With more efficient stores and improving margins, net income should increase despite sluggish top-line performance. Risks to our call include lower-than-expected GDP growth with higher inflation and/or electricity rate hikes that will dampen purchasing power.

Key Financials

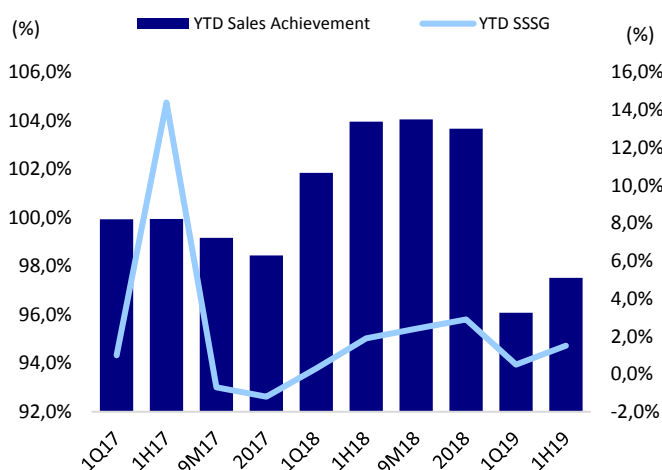
Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	5,623	5,740	6,036	6,391	6,735
EBITDA (IDRbn)	663	894	1,012	1,125	1,233
EBITDA Growth (%)	(2.5)	34.8	13.2	11.2	9.5
Net profit (IDRbn)	407	587	683	736	800
EPS (IDR)	60.5	87.3	101.3	109.1	118.7
EPS growth (%)	5.2	44.4	16.0	7.7	8.8
BVPS (IDR)	519.8	569.3	619.0	667.3	720.5
DPS (IDR)	36.0	40.0	50.0	60.8	65.5
PER (x)	21.7	15.1	13.0	12.0	11.1
PBV (x)	2.5	2.3	2.1	2.0	1.8
Dividend yield (%)	2.7	3.0	3.8	4.6	5.0
EV/EBITDA (x)	12.2	7.7	7.7	6.9	6.1

Source : RALS, Danareksa Estimates

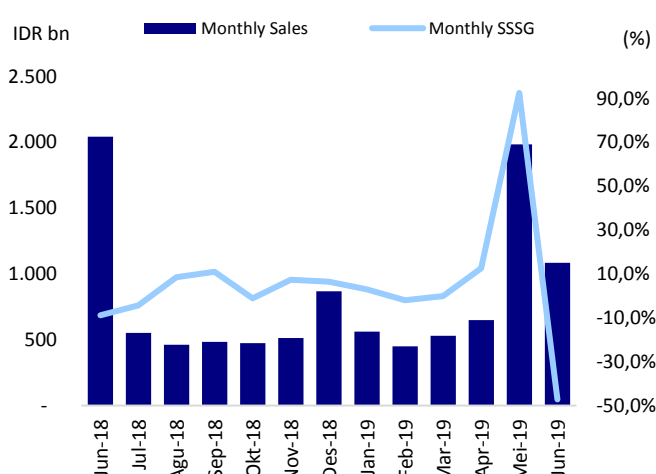
Exhibit 1. 1H19 Results

RALS	Unit	1H19	1H18	2Q19	1Q19	y-y	q-q	Cons	% of Cons	DS	% DS
Sales	Rp bn	3,489	3,496	2,443	1,046	-0.2%	133.5%	6,449	54.1	6,036	57.8
Gross Profit	Rp bn	1,569	1,554	1,126	444	1.0%	153.6%	2,528	62.1	2,684	58.5
EBIT	Rp bn	598	561	582	16	6.7%	3607.8%	654	91.5	691	86.6
EBT	Rp bn	697	619	621	76	12.5%	717.1%	769	90.6	837	83.2
Net Profit	Rp bn	590	486	539	51	21.3%	961.1%	647	91.2	683	86.3
Margins											
Gross Profit	(%)	45.0	44.4	46.1	42.4			39.2		44.5	
EBIT Margin	(%)	17.1	16.0	23.8	1.5			10.1		11.4	
Net Profit	(%)	16.9	13.9	22.1	4.9			10.0		11.3	
YTD SSSG	(%)	1.5	1.9		0.5						

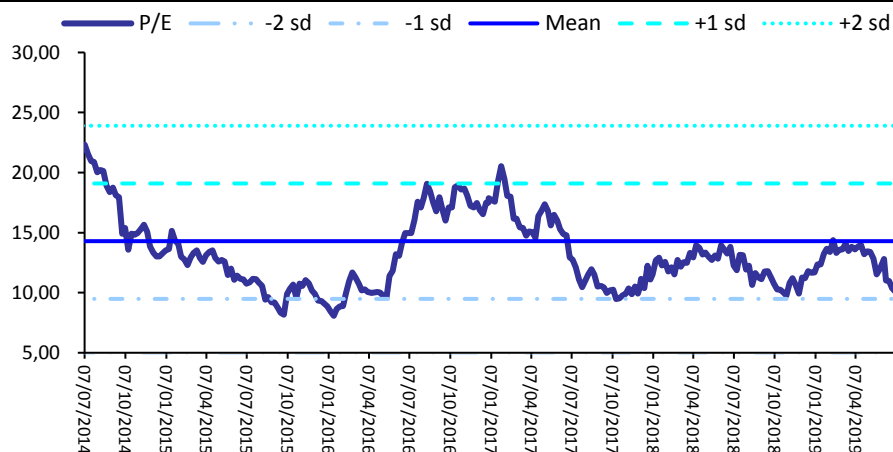
Source: Company, Danareksa Sekuritas

Exhibit 2. Sales Achievements and SSSG


Source: Company, Danareksa Sekuritas

Exhibit 3. Monthly Sales and SSSG


Source: Ministry of Finance, Danareksa Sekuritas

Exhibit 4. RALS' 5-year historical PE band 2014-2019


Source: Company, Danareksa Sekuritas

Exhibit 5. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	5,623	5,740	6,036	6,391	6,735
COGS	(3,410)	(3,233)	(3,351)	(3,523)	(3,681)
Gross profit	2,212	2,507	2,684	2,867	3,055
EBITDA	663	894	1,012	1,125	1,233
Oper. profit	356	608	691	775	857
Interest income	90	110	120	127	128
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)	20	(1)	27	0	0
Pre-tax profit	467	717	837	903	985
Income tax	(60)	(130)	(154)	(167)	(185)
Minority interest	0	0	0	0	0
Net profit	407	587	683	736	800
Core Net Profit	407	587	683	736	800

Exhibit 6. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	752	1,951	1,045	1,139	1,311
Receivables	57	38	81	85	90
Inventory	741	860	797	794	813
Other Curr. Asset	264	245	252	261	270
Fixed assets - Net	1,235	1,164	1,316	1,442	1,493
Other non-curr.asset	563	521	550	552	584
Total asset	4,892	5,243	5,605	5,938	6,326
ST Debt	0	0	0	0	0
Payables	1,005	941	955	959	985
Other Curr. Liabilities	44	152	154	157	160
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	349	322	322	322	322
Total Liabilities	1,398	1,416	1,431	1,439	1,468
Shareholder's Funds	3,494	3,827	4,174	4,499	4,858
Minority interests	0	0	0	0	0
Total Equity & Liabilities	4,892	5,243	5,605	5,938	6,326

Exhibit 7. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	407	587	683	736	800
Depreciation and Amort.	307	286	321	350	375
Change in Working Capital	113	(184)	34	2	3
Other Oper. Cash Flow	(228)	(55)	(265)	(254)	(291)
Operating Cash Flow	598	635	773	834	887
Capex	(140)	(104)	(356)	(351)	(295)
Others Inv. Cash Flow	(61)	922	(986)	21	22
Investing Cash Flow	(201)	818	(1,342)	(330)	(273)
Net change in debt	0	0	0	0	0
New Capital	0	0	0	0	0
Dividend payment	(242)	(269)	(337)	(410)	(442)
Other Fin. Cash Flow	(7)	15	0	0	0
Financing Cash Flow	(249)	(254)	(337)	(410)	(442)
Net Change in Cash	148	1,199	(906)	94	173
Cash - begin of the year	604	752	1,951	1,045	1,139
Cash - end of the year	752	1,951	1,045	1,139	1,311

Exhibit 8. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	(4.0)	2.1	5.2	5.9	5.4
EBITDA	(2.5)	34.8	13.2	11.2	9.5
Operating profit	(0.5)	70.6	13.7	12.3	10.6
Net profit	(0.3)	44.4	16.4	7.7	8.8
Profitability (%)					
Gross margin	39.3	43.7	44.5	44.9	45.4
EBITDA margin	11.8	15.6	16.8	17.6	18.3
Operating margin	6.3	10.6	11.4	12.1	12.7
Net margin	7.2	10.2	11.3	11.5	11.9
ROAA	8.5	11.6	12.6	12.7	13.1
ROAE	11.9	16.0	17.1	17.0	17.1
Leverage					
Net Gearing (x)	(0.2)	(0.5)	(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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