

Thursday, 18 November 2021

BUY
Maintained

Last price (IDR) 785
Target Price (IDR) 1,000
Upside/Downside +27.4%
Previous Target Price (IDR) 850

Stock Statistics

Sector Retail
Bloomberg Ticker RALS IJ
No of Shrs (mn) 7,096
Mkt. Cap (IDRbn/USDmn) 5,570/391
Avg. daily T/O (IDRbn/USDmn) 8.0/0.6

Major shareholders (%)

PT Ramayana Makmursentosa 55.9
Paulus Tumewu 3.7
Estimated free float 27.2

EPS Consensus (IDR)

	2021F	2022F	2023F
Danareksa	18.8	53.1	78.0
Consensus	20.4	49.4	68.8
Danareksa/Cons	(7.6)	7.3	13.4

RALS relative to JCI Index



Source : Bloomberg



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Ramayana Lestari Sentosa(RALS IJ)

Sales Recovery is Still a Struggle

9M21 earnings reached IDR112.6bn, as net losses of IDR34.6bn were booked in 3Q21, below our estimate and the consensus as the emergency PPKM led to store closures in 9M21. The 9M21 GPM jumped to 45.4% as the DP margin surged to 38.4% in 3Q21. 4Q21 will still mark a slow quarter we believe, with a more meaningful sales recovery to start in 1Q22, lagging its retailer peers despite the rise in economic activity. Against this backdrop, we revise our earnings estimates by -22.7% in 21F but +8.2% in 22F as we bake in a better GPM and lower opex increment in 22F. Maintain BUY with a TP of IDR1,000 (+IDR150) given the slight upward revision in earnings and a slightly higher +0.5STD PE target from the previously average PE target.

The 9M21 result is below the consensus and our estimates. With the 3Q21 sales of IDR261.2bn (-39.0% yoy, -78.7% qoq), the 9M21 sales of IDR2.0tn (+4.0% yoy) are below our forecast and the consensus. The 3Q21 sales were deeply impacted by store closures of almost 2 months resulting in hemorrhaging sales. The GPM jumped 3.1 p.p yoy in 9M21 to 45.4% mainly driven by a far higher DP margin, which jumped 7.9p.p. Opex was -17.4% in 9M21 in relation to the temporary store closures. This culminated in 9M21 earnings of IDR112.6bn, as 3Q21 losses reached IDR34.6bn, below our initial estimate but in line with the consensus.

2H21 will be anaemic even though Jakarta is at Level-1 PPKM and Covid-19 cases are consistently below the 1k/day mark, all is looking rosy from Covid development, but for RALS, recovery will lag 1-2 quarters if not more. Nevertheless, especially for RALS, 2H21 will be slow, as the mid-low segment has suffered some disposable income losses for almost 2 months. Persistently strong commodity price, especially CPO, will cancel out some of the weakness in lower segment purchasing power, potentially aiding RALS sales performance

Earnings estimates revised by -22.7% (21F) and +8.2% (22F) as we factor in a challenging 4Q21 and 2021F in general and a slower 2022F. Sales are -12.7% and -1.1% for 21F and 22F, respectively, vs our previous figures. We also baked in a higher GPM and lower opex increment, leading to net income of IDR133.4bn in 2021F (-22.7% vs our prev estimate) and IDR376.5bn in 2022F (+8.2% vs our prev estimate) to bake in the lower cost increments.

Maintain BUY with a TP of IDR1,000 (+IDR150/share) as we bake in slightly higher earnings estimates and apply a higher 22F PE multiple now at an average of 19.1x (+0.5STD) from previously 16.8x, or at average. The current valuation indicates a 14.8x 22F PE, slightly below average.

Key Financials

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Revenue (IDRbn)	5,596	2,528	2,747	3,541	3,781
EBITDA (IDRbn)	873	421	665	851	929
EBITDA Growth (%)	(2.3)	(51.8)	58.1	28.0	9.1
Net profit (IDRbn)	648	(139)	134	376	553
EPS (IDR)	91.3	(19.6)	18.8	53.1	78.0
EPS growth (%)	10.3	(121.4)	(196.3)	181.6	47.0
BVPS (IDR)	587.5	524.1	495.4	537.1	562.1
DPS (IDR)	47.5	47.5	47.5	11.3	53.1
PER (x)	8.6	n/m	41.7	14.8	10.1
PBV (x)	1.3	1.5	1.6	1.5	1.4
Dividend yield (%)	6.1	6.1	6.1	1.4	6.8
EV/EBITDA (x)	3.0	7.2	5.4	3.7	3.2

Source : RALS, Danareksa Estimates

Exhibit 1. RALS 9M21 Results – Below consensus and our estimates, as sales dropped due to store closures for almost 2 months

RALS	Unit	9M20	9M21	y-y	3Q19	3Q20	2Q21	3Q21	y-y	q-q	Cons	% Cons	DS	% DS
Sales	IDR bn	1,902	1,978	4.0%	937	428	1,226	261	-39.0%	-78.7%	3,569	55.4	3,147	62.9
Gross Profit	IDR bn	804	897	11.6%	432	190	550	133	-29.7%	-75.7%	1,311	68.4	1,387	64.7
EBIT	IDR bn	(203)	65	-132.0%	(37)	(147)	210	(41)	-72.1%	-119.5%	72	90.9	107	61.0
EBT	IDR bn	(103)	108	-204.6%	5	(107)	226	(35)	-67.4%	-115.4%	182	59.1	167	64.3
Net Profit	IDR bn	(95)	113	-218.2%	23	(101)	229	(35)	-65.6%	-115.1%	144	78.1	173	65.1

Margins												
Gross Profit	(%)	42.3	45.4		46.1	44.4	44.9	51.1			36.7	44.1
EBIT Margin	(%)	(10.7)	3.3		(3.9)	(34.3)	17.2	(15.7)			2.0	3.4
EBT	(%)	(5.4)	5.4		0.6	(24.9)	18.4	(13.3)			5.1	5.3
Net Profit	(%)	(5.0)	5.7		2.4	(23.5)	18.7	(13.3)			4.0	5.5

Source: Company, Danareksa Sekuritas

Exhibit 2. Top line cut on 21F and 22F, but better margins at GPM level, lower opex assumed lifted the 22F earnings

Earnings Revision

Items	Unit	Old		New		%Chg	
		2021F	2022F	2021F	2022F	2021F	2022F
Sales	IDR Bn	3,147	3,581	2,747	3,541	-12.7%	-1.1%
Gross Profit	IDR Bn	1,387	1,611	1,226	1,622	-11.6%	0.7%
EBIT	IDR Bn	107	256	73	281	-32.0%	9.7%
EBT	IDR Bn	167	320	133	345	-20.4%	7.8%
Net Profit	IDR Bn	173	348	134	376	-22.7%	8.2%

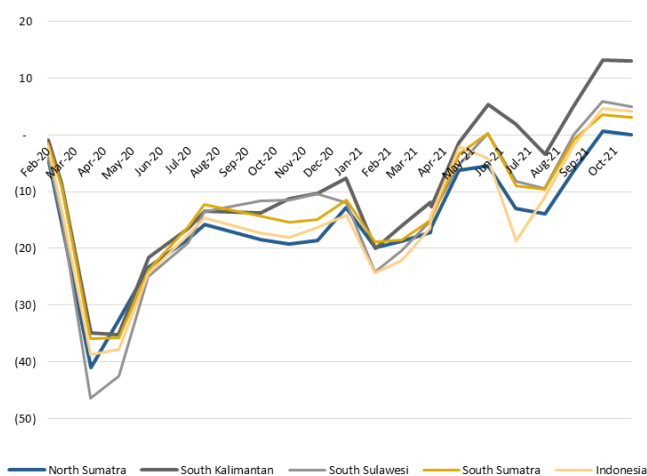
Margin

GPM	(%)	44.1%	45.0%	44.6%	45.8%
EBIT	(%)	3.4%	7.2%	2.6%	7.9%
EBT	(%)	5.3%	8.9%	4.9%	9.7%
NI	(%)	5.5%	9.7%	4.9%	10.6%

Sales per Sqm		26.0%	13.0%	10.0%	28.0%	-16.0%	15.0%
Sales Area (000)		916	936	916	936	-	-

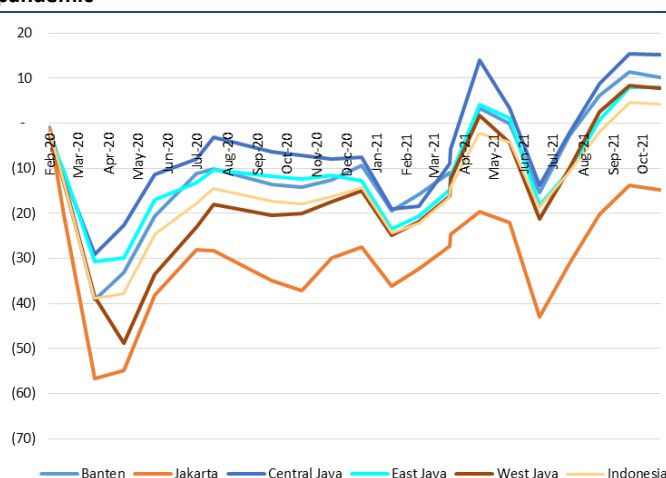
Source: Company, Danareksa Sekuritas

Exhibit 3. Ex Java's mall traffic has improved above the baseline figures since Oct-21



Source: Google Mobility Report, Danareksa Sekuritas estimates

Exhibit 4. Java's mall traffic has surged beyond the baseline figures since Oct-21, Jakarta is nearest to the neutral level since the pandemic



Source: Google Mobility Report, Danareksa Sekuritas estimates

Exhibit 5. Income Statement

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Revenue	5,596	2,528	2,747	3,541	3,781
COGS	(3,102)	(1,450)	(1,521)	(1,919)	(2,017)
Gross profit	2,494	1,078	1,226	1,622	1,764
EBITDA	873	421	665	851	929
Oper. profit	571	(296)	73	281	427
Interest income	152	108	76	78	86
Interest expense	0	(36)	(35)	(34)	(34)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	10	42	20	20	20
Pre-tax profit	733	(181)	133	345	499
Income tax	(85)	43	0	32	54
Minority interest	0	0	0	0	0
Net profit	648	(139)	134	376	553
Core Net Profit	648	(139)	134	376	553

Exhibit 6. Balance Sheet

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Cash & cash equivalent	2,923	2,555	1,973	2,389	2,568
Receivables	35	45	17	21	24
Inventory	791	493	371	425	481
Other Curr. Asset	268	107	107	108	108
Fixed assets - Net	1,107	1,002	895	826	823
Other non-curr.asset	525	1,082	1,265	1,255	1,245
Total asset	5,650	5,285	4,628	5,023	5,249
ST Debt	0	0	0	0	0
Payables	1,050	892	601	666	719
Other Curr. Liabilities	86	33	32	39	41
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	345	641	480	506	501
Total Liabilities	1,481	1,566	1,113	1,212	1,261
Shareholder's Funds	4,169	3,719	3,515	3,812	3,988
Minority interests	0	0	0	0	0
Total Equity & Liabilities	5,650	5,285	4,628	5,023	5,249

Exhibit 7. Cash Flow

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Net income	648	(139)	134	376	553
Depreciation and Amort.	302	717	593	570	502
Change in Working Capital	234	(113)	(71)	(3)	(2)
Other Oper. Cash Flow	(380)	(1,042)	(608)	(429)	(443)
Operating Cash Flow	803	(577)	47	515	610
Capex	(124)	(73)	(90)	(95)	(87)
Others Inv. Cash Flow	(116)	(256)	(435)	(33)	(26)
Investing Cash Flow	(240)	(328)	(525)	(128)	(112)
Net change in debt	0	598	(232)	44	(9)
New Capital	17	(2)	0	0	0
Dividend payment	(337)	(337)	(337)	(80)	(376)
Other Fin. Cash Flow	14	(8)	(35)	(34)	(34)
Financing Cash Flow	(306)	251	(604)	(71)	(419)
Net Change in Cash	257	(654)	(1,082)	316	79
Cash - begin of the year	2,415	2,923	2,555	1,973	2,389
Cash - end of the year	2,923	2,555	1,973	2,389	2,568

Exhibit 8. Key Ratios

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Growth (%)					
Sales	(2.5)	(54.8)	8.7	28.9	6.8
EBITDA	(2.3)	(51.8)	58.1	28.0	9.1
Operating profit	(6.0)	(151.8)	(124.5)	287.6	51.9
Net profit	10.3	(121.4)	(196.3)	181.6	47.0
Profitability (%)					
Gross margin	44.6	42.6	44.6	45.8	46.7
EBITDA margin	15.6	16.6	24.2	24.0	24.6
Operating margin	10.2	(11.7)	2.6	7.9	11.3
Net margin	11.6	(5.5)	4.9	10.6	14.6
ROAA	11.9	(2.5)	2.7	7.8	10.8
ROAE	16.2	(3.5)	3.7	10.3	14.2
Leverage					
Net Gearing (x)	(0.7)	(0.7)	(0.6)	(0.6)	(0.6)
Interest Coverage (x)	0.0	(8.3)	2.1	8.2	12.7

Source : RALS, Danareksa Estimates

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