

FROM EQUITY RESEARCH
Ramayana Lestari Sentosa: Benefitting from supermarket downsizing (RALS IJ. IDR1,325. BUY. TP IDR1,500)

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.

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MARKET NEWS
Macroeconomy

- Government optimistic the tax collection target will be reached
- Government plans to withdraw the revision of general provisions and taxation procedures

Sector

- Retail: Estimated smartphone sales growth in 2018 is 9%

KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	5,947	(0.2)	(6.4)	365
Thailand	1,773	0.4	1.1	1,504
Philippines	7,752	2.4	(9.4)	107
Malaysia	1,850	0.2	3.0	709
Singapore	3,562	(0.2)	4.7	741
Regional				
China	3,174	0.3	(4.0)	39,234
Hong Kong	31,541	1.3	5.4	13,648
Japan	22,866	0.5	0.4	12,683
Korea	2,476	(0.1)	0.3	7,106
Taiwan	10,952	0.9	2.9	4,844
India	35,557	0.1	4.4	463
NASDAQ	7,411	0.1	7.4	96,655
Dow Jones	24,899	0.3	0.7	8,640

CURRENCY AND INTEREST RATE

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	13,973	0.2	(1.4)	(3.1)
SBI rate %	4.25	-	-	-
10y Gov Indo bond	7.09	(0.2)	0.5	0.8

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	103	0.7	9.7	1.7
Gold	US\$/toz	1,314	0.0	(2.3)	0.8
Nickel	US\$/mt.ton	14,431	3.1	3.8	13.6
Tin	US\$/mt.ton	21,018	(0.1)	(0.4)	4.6

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2,758	1.4	7.9	45.2
Corn	US\$/mt.ton	141	(0.3)	5.0	12.9
Oil (WTI)	US\$/barrel	71	0.2	5.5	17.6
Oil (Brent)	US\$/barrel	78	1.4	7.8	17.0
Palm oil	MYR/mt.ton	2,378	0.4	(3.6)	(0.5)
Rubber	US\$/kg	141	(1.1)	1.3	(4.3)
Pulp	US\$/tonne	1,159	N/A	5.6	15.9
Coffee	US\$/60kgbag	88	(0.4)	1.3	(8.6)
Sugar	US\$/MT	321	0.1	(8.9)	(18.6)
Wheat	US\$/ton	134	(1.5)	0.4	8.4
Soy Oil	US\$/lb	31	(0.2)	(0.7)	(5.5)
Soy Bean	US\$/by	1,018	1.4	(3.5)	6.9

Source: Bloomberg

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

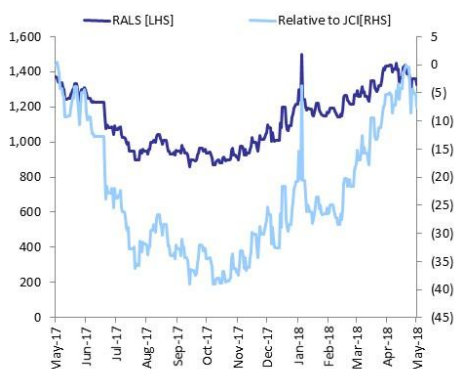
Major shareholders (%)

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, while 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. Regionally, 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

MARKET NEWS

Macroeconomics

Government is optimistic to reach tax collection target

Directorate general of tax stated that the tax collection from non-oil and gas sector is improving. However, the tax realization is estimated to reach 92% in the end of year. Directorate general of tax has prepared several measures to boost tax collection, which one of them is access to financial information through financial institution. (Bisnis Indonesia)

Government plans to withdraw revision of general provisions and taxation procedures

Ministry of finance plans to withdraw revision of general provisions and taxation procedures. This revision mostly covers about the sanctions to the tax payers which regulates the subject of tax sanctions, type and the amount of sanctions and information collection for tax purpose. Currently, the option to withdraw the revision will be discussed by President and Ministry of Finance. Meanwhile, the revision of tax income and value added tax has been accelerated. (Bisnis Indonesia)

Sector

Retail: Estimated smartphone sales growth in 2018 is 9%

Recent survey from International Data Corporation (IDC) has revealed that there are 5 major brands in the market, namely Samsung, Oppo, Advan, Asus, and Vivo. In 2018, the estimated sales growth for the smartphone industry is about 9% yoy that will be mainly cushion by the middle-class market at 6% yoy. (Investor Daily)

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		14-May-18	11-May-18					
Vale Indonesia	INCO	3,410	3,220	5.9	10.4	5.6	18.0	HOLD
Media Nusantara Citra	MNCN	1,335	1,285	3.9	6.4	(6.6)	3.9	BUY
Indocement	INTP	19,600	18,875	3.8	15.3	3.8	(10.7)	SELL
Bukit Asam	PTBA	3,560	3,450	3.2	6.3	3.8	44.7	BUY
Harum Energy	HRUM	2,410	2,360	2.1	(0.8)	(16.3)	17.6	HOLD
Charoen Pokphand	CPIN	3,500	3,440	1.7	(3.6)	(6.9)	16.7	HOLD
United Tractors	UNTR	35,800	35,375	1.2	6.5	2.0	1.1	BUY
Indo Tambangraya Megah	ITMG	25,900	25,625	1.1	15.2	(4.3)	25.1	HOLD
HM Sampoerna	HMSP	3,770	3,730	1.1	14.9	(6.0)	(20.3)	HOLD
Ciputra Development	CTRA	1,015	1,005	1.0	4.1	(18.1)	(14.3)	BUY

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		14-May-18	11-May-18					
Astra Agro Lestari	AALI	12,050	12,500	(3.6)	3.0	(12.4)	(8.4)	HOLD
Puradelta Lestari	DMAS	144	149	(3.4)	(4.6)	(16.3)	(15.8)	BUY
Pembangunan Perumahan	PTPP	2,190	2,260	(3.1)	(1.4)	(21.8)	(17.0)	BUY
Wika Beton	WTON	446	460	(3.0)	(3.0)	(14.2)	(10.8)	BUY
Summarecon Agung	SMRA	855	880	(2.8)	(3.9)	(14.1)	(9.5)	BUY
Bekasi Fajar	BEST	276	284	(2.8)	9.5	(4.8)	10.4	BUY
Timah	TINS	930	955	(2.6)	-	(12.7)	20.0	BUY
Ramayana	RALS	1,325	1,360	(2.6)	(4.7)	(7.3)	10.4	HOLD
Waskita Karya	WSKT	2,010	2,060	(2.4)	3.1	(19.3)	(9.0)	BUY
Adaro Energy	ADRO	1,675	1,715	(2.3)	2.1	(21.4)	(9.9)	BUY

Sources: Bloomberg

PREVIOUS REPORTS

- Ace Hardware Indonesia: Solid 4M18 performance, Indo Tambangraya: Unfavorable weather hit coal production, Plantation: Will CPO Prices Rally With The Crude Oil Price? [SnapShot20180514](#)
- Plantation: Apr'18 Inventory Dropped to 7-Month Low [SnapShot20180511](#)
- Danareksa Research Institute: Trade Outlook – Softer Trade Activity [SnapShot20180509](#)
- Danareksa Research Institute: Money Developments – Weak Growth to Continue [SnapShot20180508](#)
- Bank Rakyat Indonesia: A Retail-driven Bank, Gudang Garam: Heading in the right direction, HM Sampoerna: Buying opportunity following the correction, Poultry: Apr-18: DOC and Broiler ASP continue to pick up [SnapShot20180504](#)
- Media: Apr-18: SCMA's audience share ranks #1 [SnapShot20180503](#)

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