Equity Research
Company Update

BUY

Maintained

Last price	Rp 1,230
Target Price	**Rp 1,350**
Upside/Downside	+10%
Previous Target Price	*Rp 1,350*

Stock Statistics

Sector	Retail
Bloomberg Ticker	RALS.IJ
No of Shrs (mn)	7,096
Mkt. Cap (Rpbn/USDmn)	8,728/653
Avg. daily T/O (Rpbn/USDmn)	9.9/0.7

Major shareholders

PT Ramayana Makmursentosa	55.9%
Paulus Tumewu	3.7%
Estimated free float (%)	40.5%

Net Profit Consensus

	2016F	2017F	2018F
Danareksa	396	468	513
Consensus	398	467	534
Danareksa/Cons	(0.5%)	0.2%	(3.9%)

RALS relative to JCI Index
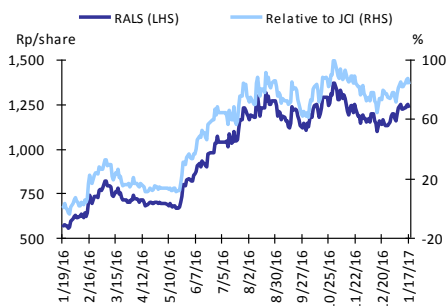
Source : Bloomberg

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Ramayana Lestari Sentosa (RALS IJ)

The darling queen

We maintain our BUY call with a TP of Rp1,350, implying 20.5x PE 2017. Ramayana Lestari Sentosa (RALS) is the major beneficiary of the government programs which help the low income target market, supported by Jokowi's initiatives and the spill-over effect from rising commodity prices. Continued transformation to reconnect the company with its target customers who have extra money will help RALS to book solid 2017F revenues growth of 5.8% yoy.

In-line 12M16 gross sales. RALS has recently released its 12M16 gross sales numbers, with the figure reaching 101.6% of our full year forecast, i.e. in-line. In December 2016, ex Java stores were the largest contributor to sales (39.7%), followed by Jakarta (33.6%) and the rest of Java (26.7%). As of December 2016, SSSG YTD reached 6.3% (Nov 2016: 6.2%; Dec 2015: -2.7%). By region, greater Jakarta recorded the highest SSSG YTD of 6.5% (Nov 2016: 6.5%; Dec 2015: 1.4%) followed by the rest of Java with SSSG YTD of 6.3% (Nov 2016: 7.1%; Dec 2015: -1.7%). Ex Java's SSSG YTD was 6.0% (Nov 2016: 5.5%; Dec 2015: -5.7%), an indication of recovering commodity prices.

A strong campaign for its direct purchase (DP) fashion business. Aggressive marketing and a better product mix will continue to translate into higher direct purchase (DP) fashion business revenues growth. RALS has launched a fashion campaign called #KerenHakSegalaBangsa on various social-media platforms, seeking to benefit from positive demographics – i.e. the majority of the population in Indonesia is young (43% below 25 years old) and familiar with the digital world (i.e. FB, Youtube, Instagram, etc).

Recommendation: BUY with a TP of Rp 1,350. RALS continues to transform Robinson to SPAR, whilst also improving the sales mix with current expansion plans on target. RALS has achieved positive results with its supermarket business starting to show improving sales performance. This will filter through to steady gross margins expansion of 84bps yoy in 2017 with EPS growth of around 17% yoy. RALS is our top pick and the stock is attractive given its strong balance sheet, as reflected in its net cash position for 2017.

Key Financials

Year to 31 Dec	2014A	2015A	2016F	2017F	2018F
Revenue, Rp bn	5,861	5,533	5,761	6,097	6,516
EBITDA, Rp bn	491	419	548	595	638
EBITDA growth, (%)	(14.8)	(14.7)	30.9	8.6	7.1
Net profit, Rp bn	355	336	396	468	513
EPS, Rp	50	48	56	66	73
EPS growth (%)	(9.1)	(5.4)	17.8	18.2	9.6
BVPS, (Rp)	468.7	469.9	493.8	522.2	553.3
DPS, (Rp)	29.3	27.0	31.8	37.6	41.2
PER (x)	24.6	25.6	22.0	18.6	16.8
PBV (x)	3.6	3.6	3.5	3.3	3.1
Dividend yield (%)	1.7	1.6	1.8	2.1	2.4
EV/EBITDA (x)	16.5	18.8	14.1	12.8	11.8

Source : RALS, Danareksa Estimate

Exhibit 1. Income Statement

Year to 31 Dec (Rp bn)	2014A	2015A	2016F	2017F	2018F
Revenue	**5,861**	**5,533**	**5,761**	**6,097**	**6,516**
COGS	(3,814)	(3,537)	(3,628)	(3,788)	(4,021)
Gross profit	**2,048**	**1,996**	**2,133**	**2,309**	**2,495**
EBITDA	**491**	**419**	**548**	**595**	**638**
Oper. profit	**294**	**234**	**372**	**428**	**477**
Interest income	89	114	87	92	94
Interest expense	0	0	0	0	0
Forex Gain/(Loss)	1	15	(9)	0	0
Income from assoc. co's	0	0	0	0	0
Other Income (Expenses)	4	2	(9)	0	0
Pre-tax profit	**389**	**365**	**441**	**520**	**571**
Income tax	(33)	(28)	(46)	(52)	(58)
Minority interest	(1)	0	0	0	0
Net profit	**355**	**336**	**396**	**468**	**513**
Core Net Profit	**354**	**323**	**411**	**471**	**515**

Exhibit 2. Balance Sheet

Year to 31 Dec (Rp bn)	2014A	2015A	2016F	2017F	2018F
Cash & cash equivalent	625	844	1,005	1,098	1,203
Receivables	23	34	63	39	70
Inventory	809	824	825	859	890
Other Curr. Asset	1,238	1,129	1,131	1,132	1,132
Fixed assets - Net	1,375	1,333	1,352	1,484	1,620
Other non-curr.asset	496	411	411	411	411
Total asset	**4,566**	**4,575**	**4,786**	**5,023**	**5,326**
ST Debt	0	0	0	0	0
Payables	889	900	940	976	1,058
Other Curr. Liabilities	78	61	61	61	61
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	273	280	280	281	281
Total Liabilities	**1,240**	**1,241**	**1,282**	**1,318**	**1,400**
Shareholder's Funds	3,326	3,334	3,504	3,705	3,926
Minority interests	0	0	0	0	0
Total Equity & Liabilities	**4,566**	**4,575**	**4,786**	**5,023**	**5,326**

Exhibit 3. Cash Flow

Year to 31 Dec (Rpbn)	2014A	2015A	2016F	2017F	2018F
Net income	355	336	396	468	513
Depreciation and Amort.	197	186	176	168	161
Change in Working Capital	55	(15)	10	25	21
Other Oper. Cash Flow	32	12	0	0	0
Operating Cash Flow	**639**	**518**	**583**	**661**	**694**
Capex	(127)	(143)	(195)	(300)	(297)
Others Inv. Cash Flow	(584)	164	(2)	(1)	0
Investing Cash Flow	**(710)**	**21**	**(197)**	**(301)**	**(297)**
Net change in debt	0	0	0	0	0
New Capital	(39)	(136)	0	0	0
Dividend payment	(208)	(192)	(226)	(267)	(292)
Other Fin. Cash Flow	75	8	0	0	0
Financing Cash Flow	**(172)**	**(320)**	**(226)**	**(266)**	**(292)**
Net Change in Cash	**(243)**	**219**	**160**	**93**	**105**
Cash - begin of the year	869	626	845	1,005	1,098
Cash - end of the year	626	845	1,005	1,098	1,203

Exhibit 4. Key Ratios

Year to 31 Dec	2014A	2015A	2016F	2017F	2018F
Growth (%)					
Sales	(2.0)	(5.6)	4.1	5.8	6.9
EBITDA	(14.8)	(14.7)	30.9	8.6	7.1
Operating profit	(26.2)	(20.6)	59.5	14.8	11.6
Net profit	(9.1)	(5.4)	17.8	18.2	9.6
Profitability (%)					
Gross margin	34.9	36.1	37.0	37.9	38.3
EBITDA margin	8.4	7.6	9.5	9.8	9.8
Operating margin	5.0	4.2	6.5	7.0	7.3
Net margin	6.1	6.1	6.9	7.7	7.9
ROAA	7.8	7.3	8.3	9.3	9.6
ROAE	10.7	10.1	11.3	12.6	13.1
Leverage					
Net Gearing (x)	Net cash	Net cash	Net cash	Net cash	Net cash
Interest Coverage (x)	n/a	n/a	n/a	n/a	n/a

Source : RALS, Danareksa Estimate