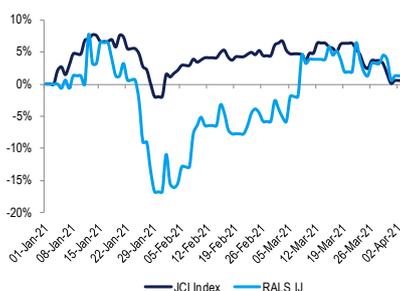


Stock Data

Target price	Rp800
Prior TP	Rp900
Current price	Rp795
Upside/downside	+1%
Shares outstanding (mn)	7,096
Market cap (Rp bn)	5,641
Free float	37%
Avg. 6m daily T/O (Rp bn)	20

Price Performance

	3M	6M	12M
Absolute	3.2%	54.4%	26.2%
Relative to JCI	4.9%	33.6%	-0.1%
52w low/high (Rp)	510 - 905		



Major Shareholders

PT Ramayana Makmur Sentosa	55.9%
Treasury shares	5.0%
Paulus Tumewu	3.7%

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Likely another lacklustre Eid holiday

- We estimate FY21F Eid holiday sales to remain c.50% below pre-Covid, largely due to weak purchasing power on the grassroots segment.
- Lackluster sales coupled with further pressure on FY21 GPM shall result to another core loss in FY21F, albeit lesser compared to FY20F.
- RALS' solid net cash position (Rp1.9tr as of 9M20) is its biggest strength. Yet, as recovery remains gradual, we downgrade to Hold with Rp800 TP.

1Q21 and Eid holiday sales remain very challenging, estimated at 50-55% below pre-Covid level

We expect 1Q21 sales to fall by around 50-55% yoy to around Rp700-750bn on the back of 1) Lower traffic due to PPKM implementation in Jan-Feb21 and 2) high base effect on pre-Covid sales in Jan-Feb20. Going into Eid holiday (13 May), we expect Eid sales to remain weak at Rp1.5tr (still c.50% below normal achievement of c.Rp3tr despite likely improving 125-150% yoy vs. last year) especially with the implementation of 'mudik' ban.

A very weak purchasing power in the grassroots segment

Purchasing power is worst in the D- and E- socio-economic groups; and is better in C-group; as evident in the better sales of consignment goods which are generally priced higher vs. direct purchase (DP) goods.

We expect RALS to still book core net loss in FY21F; albeit shrinking compared to the loss in FY20F

We expect the company to book Rp4.6tr gross sales in FY21F, up by 21% yoy but still 47% below FY19 gross sales. While RALS will not aggressively discount its DP products, further shift of sales to consignment products will lead to -33bp yoy reduction in GPM to 27.4% (following -151bp yoy reduction in FY20F). Better operating leverage is imminent despite normalizing rental charges. Yet we still expect RALS to book Rp68bn core net loss in FY21F (vs. Rp132bn core net loss in FY20F).

Downgrade to Hold

RALS has closed down 15 outlets (and opened 4) during the pandemic and currently operates 106 outlets (vs. 117 outlets pre Covid). As purchasing power has only slowly recovering (amidst gradual vaccination), we cut our FY22F earnings by 10.8%. Our TP was trimmed to Rp800 (from Rp900); still pegged to 11.1x FY22F P/E (at 2 s.d. below 5-year mean of trailing 2014-19 P/E), prompting our downgrade to Hold. RALS' solid balance sheet shall allow it to pay special dividend, if they want to.

Financial Summary (Rp bn)	2018A	2019A	2020F	2021F	2022F
Revenue	8,539	8,520	3,762	4,550	7,215
EBITDA	783	752	(75)	12	648
EBITDA growth	45.0%	-4.0%	-110.0%	-116.2%	5217.9%
Net profit	587	648	(132)	(68)	509
EPS	83	90	(19)	(10)	72
EPS growth	50.6%	8.9%	-120.6%	N/A	N/A
ROE	16.0%	16.2%	-3.3%	-2.0%	16.4%
PER (x)	9.6	8.8	N/A	N/A	11.1
EV/EBITDA (x)	4.7	4.6	N/A	N/A	5.7
Dividend yield	4.8%	6.0%	6.0%	6.0%	6.0%
Forecast change			-1%	N/A	-11%
IPS vs. consensus			N/A	N/A	111%

Source: Company, Indo Premier

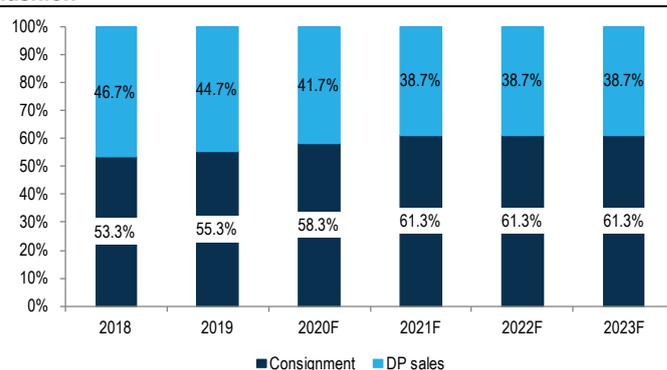
Share price closing as of: 07 April 2021

Fig. 1: Sales trend



Source: Company, Indo Premier

Fig. 2: Estimated consignment vs. DP sales breakdown (under fashion)



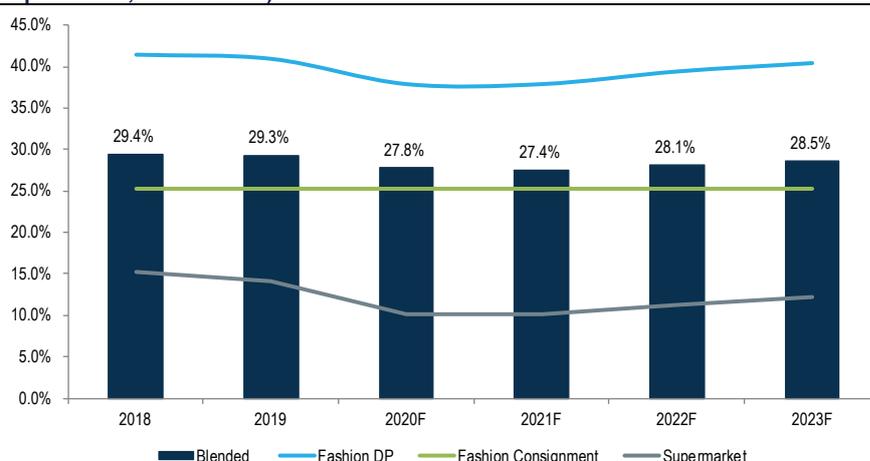
Source: Company, Indo Premier

Fig. 3: Stores opening and closure during Covid-19 pandemic

Description	Total stores
Beginning 2020	117 stores
New stores (4)	R056 - Pekanbaru R133 - CCM Semarang R134 - Cikupa II R135 - Kodim II
Closed stores (15)	R025 - Surya Kencana R030 - Banjarmasin R033 - Koja R054 - Palembang R078 - Baturaja R085 - Duri R088 - Payakumbuh R120 - Solo R126 - Bekasi Junction R130 - Grand Cakung RB07 - Cirebon RB09 - Yogyakarta RB10 - Kusuma Bangsa RB14 - Jembatan Merah Plaza RB29 - Bali II
February 2021	106 stores

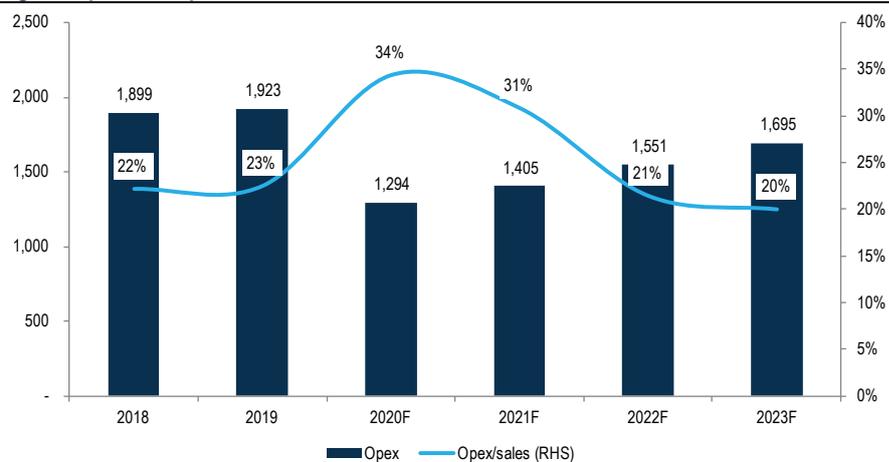
Source: Company, Indo Premier

Fig. 4: Estimated GPM breakdown by segment (Fashion DP, Fashion consignment, supermarket, and blended)



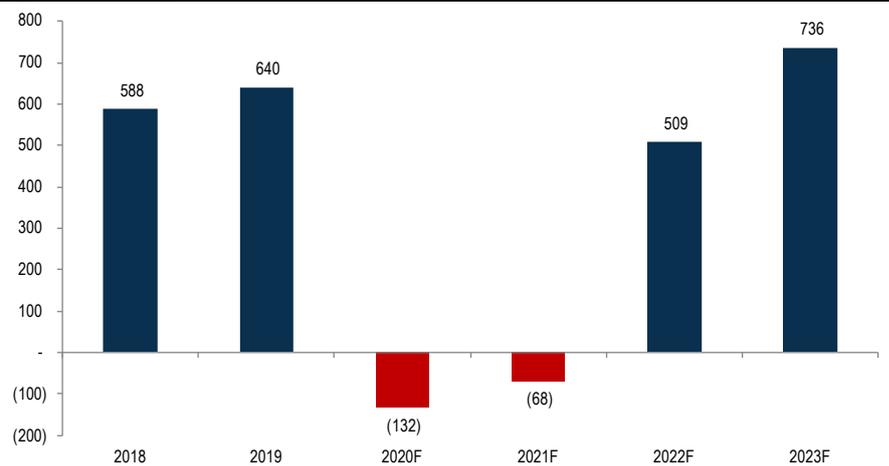
Source: Company, Indo Premier

Fig. 5: Opex and opex-to-sales trend



Source: Company, Indo Premier

Fig. 6: Core net profit trend



Source: Company, Indo Premier

Income Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net Revenue	8,539	8,520	3,762	4,550	7,215
Cost of Sales	(6,032)	(6,026)	(2,717)	(3,302)	(5,189)
Gross Profit	2,507	2,494	1,045	1,249	2,026
SG&A Expenses	(1,899)	(1,923)	(1,294)	(1,405)	(1,551)
Operating Profit	608	571	(250)	(156)	475
Net Interest	110	152	118	89	105
Forex Gain (Loss)	11	0	0	0	0
Others-Net	(12)	10	0	0	0
Pre-Tax Income	717	733	(132)	(68)	580
Income Tax	(130)	(85)	0	0	(71)
Minorities	0	0	0	0	0
Net Income	587	648	(132)	(68)	509

Balance Sheet (Rp bn)	2018A	2019A	2020F	2021F	2022F
Cash & Equivalent	2,415	2,923	2,627	2,216	2,635
Receivable	38	35	16	19	30
Inventory	860	791	696	571	681
Other Current Assets	245	268	118	143	227
Total Current Assets	3,557	4,018	3,457	2,949	3,574
Fixed Assets - Net	1,164	1,107	587	528	440
Goodwill	0	0	0	0	0
Non-Current Assets	1,686	1,632	1,112	1,053	964
Total Assets	5,243	5,650	4,570	4,002	4,538
ST Loans	0	0	0	0	0
Payable	909	970	438	532	836
Other Payables	184	165	87	105	165
Current Portion of LT Loans	0	0	0	0	0
Total Current Liab.	1,093	1,136	524	637	1,001
Long Term Loans	0	0	0	0	0
Other LT Liab.	322	345	345	345	345
Total Liabilities	1,416	1,481	869	982	1,346
Equity	98	128	128	(147)	(147)
Retained Earnings	3,730	4,041	3,572	3,167	3,339
Minority Interest	0	0	0	0	0
Total SHE + Minority Int.	3,827	4,169	3,700	3,020	3,192
Total Liabilities & Equity	5,243	5,650	4,570	4,002	4,538

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Pre-Tax Income	587	243	(132)	(68)	509
Depr. & Amortization	163	176	174	169	173
Changes in Working Capital	(115)	180	(450)	227	216
Others	(229)	(188)	(159)	34	(115)
Cash Flow From Operating	406	411	(566)	361	783
Capital Expenditure	(58)	(98)	345	(109)	(85)
Others	949	(63)	118	89	105
Cash Flow From Investing	892	(161)	464	(21)	21
Loans	0	0	0	0	0
Equity	0	17	0	0	0
Dividends	(269)	(337)	(337)	(337)	(337)
Others	(10)	(22)	0	(275)	0
Cash Flow From Financing	(278)	(342)	(337)	(612)	(337)
Changes in Cash	1,199	257	(296)	(411)	419

Key Ratios	2018A	2019A	2020F	2021F	2022F
Gross Margin	29.4%	29.3%	27.8%	27.4%	28.1%
Operating Margin	7.1%	6.7%	-6.6%	-3.4%	6.6%
Pre-Tax Margin	8.7%	9.0%	-3.5%	-1.5%	8.0%
Net Margin	7.2%	8.0%	-3.5%	-1.5%	7.1%
ROA	12.1%	12.5%	-2.6%	-1.6%	11.9%
ROE	16.7%	17.1%	-3.3%	-2.0%	16.4%
ROIC	19.7%	10.7%	-0.3%	0.6%	19.8%
Acct. Receivables TO (days)	0.6	0.6	0.9	0.5	0.4
Inventory TO (days)	48.4	50.0	99.9	70.1	44.0
Payable TO (days)	56.2	56.9	94.6	53.6	48.1
Debt to Equity	N/A	N/A	N/A	N/A	N/A
Interest Coverage Ratio (x)	24.8	16.2	N/A	N/A	N/A
Net Gearing	-51.0%	-53.0%	-51.7%	-49.7%	-60.2%

Source: Company, Indo Premier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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