

Ramayana Lestari

HOLD (unchanged)

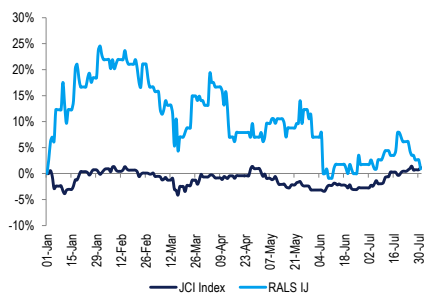
Company Update | Consumer Discretionary | RALS IJ | 31 July 2023

Stock Data

Target price (Rp)	Rp650
Prior TP (Rp)	Rp650
Current price (Rp)	Rp575
Upside/downside	13%
Shares outstanding (mn)	7,096
Market cap (Rp bn)	4,080
Free float	25%
Avg. 6m daily T/O (Rp bn)	4

Price Performance

	3M	6M	12M
Absolute	-5.7%	-14.8%	-0.9%
Relative to JCI	-6.0%	-15.3%	-0.6%
52w low/high (Rp)	550 – 710		



Major Shareholders

PT Ramayana Makmur Sentosa	55.9%
Treasury shares	13.5%
Paulus Tumewu	3.7%

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2Q23 results: miss in earnings due to weak Lebaran

- RALS's 1H23 net profit of Rp247bn (-13.8% yoy) came below ours/consensus estimate at 66/67% vs. 5yr average ex-Covid of 85%
- 1H23 underperformance is mainly attributed from weak 2Q23 gross sales (-9.0% yoy) resulting in negative operating leverage.
- Maintain HOLD on with unchanged TP of Rp650 with lack of near-term catalyst.

1H23 net profit was below at 66/67% of our/cons FY23F estimate

1H23 net profit declined by -13.8% yoy to Rp247bn and this was below at 66/67% of our/cons FY23F estimate (vs. 5yr avg exclude Covid of 85%). 1H23 revenue stood at Rp2.9tr (-5.0% yoy) and this was also below at 53/62% of our/cons FY23F estimate (vs. 5yr avg exclude Covid of 62%). 1H23 Gross profit margin of 30.3% was in-line with our FY23F estimate of 30.5% but OPM was lower at 8.8% (vs. 10.0% in 1H22) due to negative operating leverage - driven by higher rental cost of +17.5% yoy. Despite the weak Lebaran, 1H23 inventory days stood at 34days (vs. 38days in 1H22).

Weak 2Q23 results on the back of soft Lebaran sales

2Q23 gross sales went down by -9.0% yoy to Rp1.9tr (+89.7% qoq), implying a weak Lebaran sales in FY23 with fashion outright/consignment segments declining by -19.9/-0.9% yoy. In addition, the company recently cited that the soft FY23 Lebaran was driven by softer than expected middle-low class purchasing power as high unemployment level from lay-offs in labour intensive segments such as textile and footwear home industries still persists (Feb23's unemployment of 8.0mn people has yet recover to pre-Covid level's at 7.0mn people). As a result of negative operating leverage, 2Q23's opex to sales ratio increased to 18.6% (vs. 17.8% in 2Q22), resulting in EBIT decline of -16.0% yoy to Rp234bn.

Maintain Hold rating with unchanged TP of Rp650

Looking into 2H23F, RALS may not benefit much from the pre-election campaign funding spill over, noting its relatively soft in SSSG in past pre-election years (2.5/2.9% SSSG in FY13/18). In sum, we maintain our HOLD call with unchanged TP of Rp650, based on 12.2x FY23F P/E (-1s.d. of its 5yr pre-Covid mean).

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	2,593	2,967	3,145	3,334	3,533
EBITDA	(11)	291	331	342	351
Net profit	166	352	373	389	402
EPS	24	46	53	55	57
EPS growth	-249.9%	90.5%	14.6%	4.3%	3.3%
ROE	4.5%	9.6%	9.7%	9.7%	9.5%
PER (x)	23.9	12.5	10.9	10.5	10.2
EV/EBITDA (x)	-236.9	6.5	4.4	3.3	2.4
Dividend yield	0.0%	4.6%	4.3%	4.6%	4.8%
Forecast change			0%	0%	0%
IPS vs. consensus			101%	70%	82%

Source: Company, Indo Premier

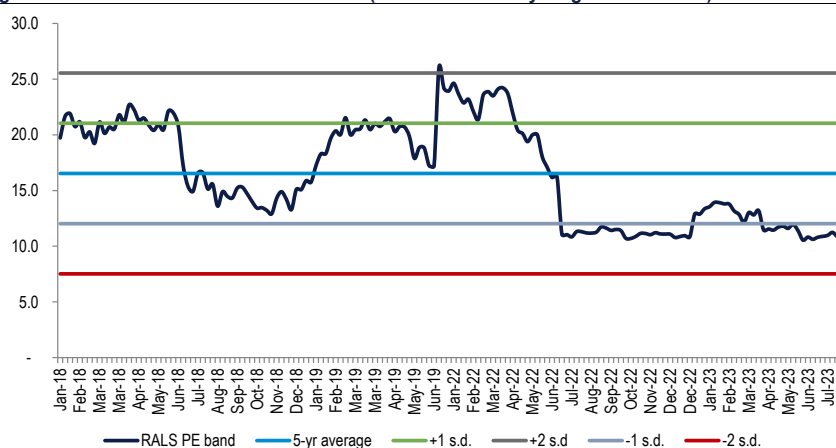
Share price closing as of: 31 July 2023

Fig. 1: RALS' 2Q22 result

(Rp bn)	2Q23	2Q22	% YoY	1Q23	% QoQ	6M23	6M22	% YoY	IPS FY23F	% IPS	Cons FY23F	%Cons	5yr avg exclude covid	Comment
Gross sales	1,880	2,067	-9.0%	991	89.7%	2,872	3,024	-5.0%	5,250	55%				
Net sales	1,080	1,256	-13.9%	584	85.1%	1,664	1,856	-10.3%	3,145	53%	3,440	48%	62%	Below
COGS	(1,297)	(1,421)		(705)		(2,002)	(2,106)							
Gross profit	583	646	-9.7%	286	103.7%	870	918	-5.2%						
Opex	(349)	(367)		(268)		(618)	(614)							
EBIT	234	279	-16.0%	18	1177.5%	252	303	-16.8%	207	122%	307	82%	118%	Below
Other income (charges)	25	14		12		37	19							
PBT	259	293	-11.5%	31	748.1%	290	322	-10.1%						
Tax benefit (expense)	(43)	(37)		(0)		(43)	(36)							
Net profit	216	256	-15.4%	30	617.5%	247	286	-13.8%	373	66%	370	67%	85%	Below
Margin (%)														
Gross margin	31.0%	31.3%		28.9%		30.3%	30.3%							
EBIT margin	12.4%	13.5%		1.8%		8.8%	10.0%							
Net profit margin	11.5%	12.4%		3.0%		8.6%	9.5%							
<i>*margin as % of gross sales</i>														
Segment information														
Gross Revenue	1,880	2,067	-9.0%	991	89.7%	2,872	3,024	-5.0%						
Fashion outright	604	754	-19.9%	303	99.6%	907	1,080	-16.0%						
Fashion consignment	1,070	1,080	-0.9%	540	98.2%	1,610	1,545	4.2%						
Supermarket outright	185	211	-12.6%	138	33.9%	322	368	-12.4%						
Supermarket consignment	21	21	-0.9%	11	98.2%	32	31	4.2%						
Gross profit	584	646	-9.7%	286	103.9%	870	918	-5.2%						
Fashion outright	263	328	-19.8%	127	106.7%	390	462	-15.6%						
Fashion consignment	289	289	0.3%	142	104.2%	431	405	6.4%						
Supermarket outright	29	28	4.2%	16	83.3%	45	48	-5.9%						
Supermarket consignment	2	2	37.3%	1	50.6%	3	3	33.3%						
Sales composition														
Fashion outright	32.1%	36.5%		30.6%		31.6%	35.7%							
Fashion consignment	56.9%	52.3%		54.5%		56.1%	51.1%							
Supermarket outright	9.8%	10.2%		13.9%		11.2%	12.2%							
Supermarket consignment	1.1%	1.0%		1.1%		1.1%	1.0%							
Gross margin														
Fashion outright	45.1%	50.8%		44.4%		44.9%	50.4%							
Fashion consignment	49.6%	44.7%		49.5%		49.6%	44.1%							
Supermarket outright	5.0%	4.3%		5.6%		5.2%	5.2%							
Supermarket consignment	0.4%	0.2%		0.5%		0.4%	0.3%							

Source: Company, Bloomberg, Indo Premier

Fig. 2: RALS is traded at 10.7x fwd. 12M P/E (-1.3 s.d. from its 5yr avg exclude covid)



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net Revenue	4,176	4,953	5,250	5,565	5,899
Cost of Sales	(2,966)	(3,441)	(3,651)	(3,887)	(4,138)
Gross Profit	1,210	1,512	1,600	1,678	1,761
SG&A Expenses	(1,278)	(1,318)	(1,392)	(1,461)	(1,536)
Operating Profit	(68)	194	207	218	225
Net Interest	36	31	70	74	76
Forex Gain (Loss)	0	0	0	0	0
Others-Net	221	201	172	177	183
Pre-Tax Income	189	425	449	469	484
Income Tax	(23)	(73)	(77)	(80)	(82)
Minorities	0	0	0	0	0
Net Income	166	352	373	389	402

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & Equivalent	1,582	2,178	2,552	2,666	2,790
Receivable	7	13	14	14	15
Inventory	593	619	657	699	745
Other Current Assets	1,060	609	645	684	725
Total Current Assets	3,242	3,419	3,868	4,063	4,275
Fixed Assets - Net	867	837	743	649	554
Goodwill	0	0	0	0	0
Non Current Assets	1,039	955	861	767	672
Total Assets	4,281	4,374	4,729	4,830	4,947
ST Loans	0	0	0	0	0
Payable	607	598	634	675	719
Other Payables	50	55	64	69	73
Current Portion of LT Loans	0	0	0	0	0
Total Current Liab.	902	935	770	819	872
Long Term Loans	0	0	0	0	0
Other LT Liab.	204	195	195	195	195
Total Liabilities	1,454	1,507	965	1,014	1,067
Equity	355	355	355	355	355
Retained Earnings	3,767	3,931	3,966	4,018	4,082
Minority Interest	0	0	0	0	0
Total SHE + Minority Int.	3,624	3,728	3,764	3,816	3,880
Total Liabilities & Equity	5,078	5,235	4,729	4,830	4,947

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net Income	(68)	194	207	218	225
Depr. & Amortization	73	80	124	125	126
Changes in Working Capital	(37)	452	(240)	(32)	(34)
Others	235	158	165	171	176
Cash Flow From Operating	203	884	256	481	493
Capital Expenditure	62	(50)	(30)	(31)	(31)
Others	123	912	484	0	0
Cash Flow From Investing	185	862	455	(31)	(31)
Loans	0	0	0	0	0
Equity	0	0	0	0	0
Dividends	(337)	(337)	(337)	(337)	(337)
Others	0	0	0	0	0
Cash Flow From Financing	(337)	(337)	(337)	(337)	(337)
Changes in Cash	51	1,409	374	114	125

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross Margin	29.0%	30.5%	30.5%	30.2%	29.8%
Operating Margin	-1.6%	3.9%	3.9%	3.9%	3.8%
Pre-Tax Margin	4.5%	8.6%	8.6%	8.4%	8.2%
Net Margin	4.0%	7.1%	7.1%	7.0%	6.8%
ROA	3.8%	8.1%	8.2%	8.1%	8.2%
ROE	4.5%	9.6%	9.9%	10.3%	10.4%
Acct. Receivables TO (days)	0.6	0.9	0.9	0.9	0.9
Inventory TO (days)	72.0	64.8	64.8	64.8	64.8
Payable TO (days)	73.7	62.5	62.5	62.5	62.5
Debt to Equity	N/A	N/A	N/A	N/A	N/A
Interest Coverage Ratio (x)	-2.4	5.9	N/A	N/A	N/A
Net Gearing	-43.7%	-58.4%	-67.8%	-69.9%	-71.9%

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

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