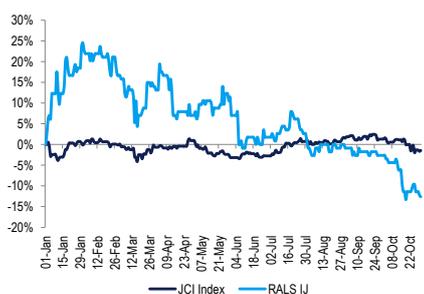


Stock Data

Target price (Rp)	Rp650
Prior TP (Rp)	Rp650
Current price (Rp)	Rp498
Upside/downside	30%
Shares outstanding (mn)	7,096
Market cap (Rp bn)	3,534
Free float	24%
Avg. 6m daily T/O (Rp bn)	2

Price Performance

	3M	6M	12M
Absolute	-13.4%	-18.4%	-13.4%
Relative to JCI	-10.8%	-16.0%	-8.5%
52w low/high (Rp)	494 – 710		



Major Shareholders

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

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3Q23 results: in-line with consensus on seasonally weak quarter post Eid

- RALS booked 9M23 net profit of Rp255bn (-14.6% yoy) and came below/in-line at 68/86% of our/consensus FY23F vs. 5yr avg of 90%
- 3Q23 expectedly booked marginal net profit of Rp8bn (-33.6% yoy) in-line with seasonally soft trend post Lebaran .
- RALS can potentially be a tactical play for FY24F Lebaran thematic. But maintaining our HOLD call for now as we review our FY24F forecast.

9M23 net profit: In-line with consensus but below our estimates

RALS's 9M23 net profit of Rp255bn, dropped by -14.6% yoy and this was below/in-line at 68/86% of our/consensus FY23F estimate (vs. 5yr average ex-Covid of 90%). Overall 9M23 sales decline of -5.7% yoy was dragged by weak Lebaran quarter with 3Q23 sales coming in relatively in-line. RALS has closed one store in Sleman in Jan23 and has since maintained its 103 store count. Gross profit margin (GPM) declined slightly to 29.5% (vs 9M22's 30.0%), but higher opex of +5.1% yoy resulted in negative operating leverage with net profit margin contracting -71bps yoy. Additionally, inventory days stood at a higher level of 50 days in Sep23 (vs. 38 days in Sep22).

3Q23 results: expected soft post Lebaran seasonality

In 3Q23, RALS booked a net profit of Rp8bn (-33.6% yoy/ -96.3% qoq) as sales declined -8.1% yoy/-55.4% qoq. GPM declined -217bps yoy (-419bps qoq) to 26.8% in 3Q23. Nonetheless, we observed cost discipline as opex also declined -16.1% yoy, primarily on the back of lower depreciation of ROU assets (-60.4% yoy) among others. This helped RALS to book an improved EBIT of -Rp39bn (vs. 3Q22's -Rp50bn). Despite the better EBIT achievement, the absence of rental concession in 3Q23 (vs. 3Q22 of Rp76bn) resulted in a slightly lower net profit of Rp8bn (vs. 3Q22's Rp12bn).

Maintain HOLD call with unchanged TP of Rp650

Despite the lacklustre YTD performance, we note RALS can potentially be a tactical play for FY24F Lebaran thematic. Separately, we note that RALS's Sep23's cash and ST investment totalled to Rp1,141bn (equivalent to 32% of RALS's market capitalization) with no bank loan. We are reviewing our forecast for FY24F. For now, maintain our HOLD call for RALS with unchanged TP of Rp650, based on 12.2x FY24F 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)	20.5	10.8	9.4	9.0	8.7
EV/EBITDA (x)	N/A	4.6	4.4	3.3	2.4
Dividend yield	0.0%	5.4%	5.0%	5.3%	5.5%
Forecast change			0%	0%	0%
IPS vs. consensus			126%	113%	113%

Source: Company, Indo Premier

Share price closing as of: 31 October 2023

Fig. 1: RALS' 3Q23 result

(Rp bn)	3Q23	3Q22	% YoY	2Q23	% QoQ	9M23	9M22	% YoY	IPS FY23F	% IPS	Cons FY23F	%Cons	5yr avg ex covid	Comment
Gross sales	838	912	-8.1%	1,880	-55.4%	3,710	3,936	-5.7%	5,250	71%				
Net sales	476	547	-12.9%	1,080	-56.0%	2,140	2,403	-10.9%	3,145	68%	2,591	83%	80%	In-line
COGS	(613)	(647)	-5.2%	(1,297)	-52.7%	(2,615)	(2,754)	-5.0%						
Gross profit	225	264	-14.9%	583	-61.5%	1,095	1,182	-7.4%						
Opex	(264)	(314)	-16.1%	(349)	-24.6%	(881)	(928)	-5.1%						
EBIT	(39)	(50)	-22.3%	234	N/A	214	254	-15.8%	207	103%	273	78%	107%	Below
Other income (charges)	40	89	-55.3%	25	56.8%	77	107	-28.2%						
PBT	1	39	-97.8%	259	-99.7%	291	361	-19.5%						
Tax benefit (expense)	7	(27)	N/A	(43)	-116.8%	(36)	(63)	-42.7%						
Net profit	8	12	-33.6%	216	-96.3%	255	298	-14.6%	373	68%	296	86%	90%	In-line
Margin (%)														
Gross margin	26.8%	29.0%		31.0%		29.5%	30.0%							
EBIT margin	-4.6%	-5.5%		12.4%		5.8%	6.4%							
Net profit margin	1.0%	1.3%		11.5%		6.9%	7.6%							
<i>*margin as % of gross sales</i>														
Segment information														
Gross Revenue	838	912	-8.1%	1,880	-55.4%	3,710	3,936	-5.7%						
Fashion outright	233	279	-16.3%	604	-61.4%	1,141	1,359	-16.1%						
Fashion consignment	472	483	-2.3%	1,070	-55.9%	2,082	2,028	2.7%						
Supermarket outright	124	140	-11.8%	185	-33.0%	446	508	-12.2%						
Supermarket consignment	9	10	-2.3%	21	-55.9%	41	40	2.7%						
Gross profit	225	264	-14.9%	584	-61.5%	1,095	1,182	-7.4%						
Fashion outright	89	126	-29.9%	263	-66.3%	479	588	-18.6%						
Fashion consignment	117	126	-6.5%	289	-59.4%	548	530	3.4%						
Supermarket outright	18	11	64.1%	29	-39.8%	63	59	6.9%						
Supermarket consignment	1	2	-22.1%	2	-31.4%	5	4	10.4%						
Sales composition														
Fashion outright	27.9%	30.6%		32.1%		30.8%	34.5%							
Fashion consignment	56.3%	53.0%		56.9%		56.1%	51.5%							
Supermarket outright	14.8%	15.4%		9.8%		12.0%	12.9%							
Supermarket consignment	1.1%	1.0%		1.1%		1.1%	1.0%							
Gross margin														
Fashion outright	39.4%	47.8%		45.1%		43.7%	49.8%							
Fashion consignment	52.2%	47.5%		49.6%		50.1%	44.9%							
Supermarket outright	7.8%	4.1%		5.0%		5.7%	5.0%							
Supermarket consignment	0.6%	0.7%		0.4%		0.4%	0.4%							

Source: Company, Bloomberg, Indo Premier

Fig. 2: RALS is traded at 9.1x fwd. 12M P/E (-1.7 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

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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