

Ramayana Lestari

BUY (unchanged)

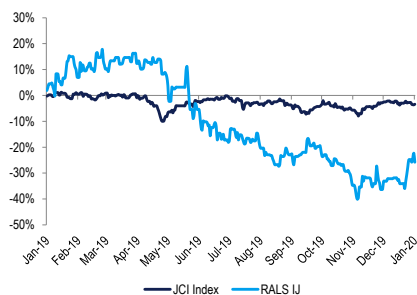
Company Update | Consumer Discretionary | RALS IJ | 23 January 2020

Stock Data

Target price	Rp1,400
Prior TP	Rp1,200
Current price	Rp1,165
Upside/downside	+20%
Shares outstanding (mn)	7,096
Market cap (Rp bn)	8,267
Free float	37%
Avg. 6m daily T/O (Rp bn)	8.3

Price Performance

	3M	6M	12M
Absolute	-0.8%	-5.8%	-22.3%
vs. JCI	-0.9%	-3.1%	-18.7%
52w low/high	Rp940 – Rp1,850		



Major Shareholders

PT Ramayana Makmursentosa	55.9%
Paulus Tumewu	3.7%

Kevie Aditya

PT Indo Premier Sekuritas
 kevie.aditya@ipc.co.id
 +62 21 5088 7168 ext. 717

Elbert Setiadharm

PT Indo Premier Sekuritas
 elbert.setiadharm@ipc.co.id
 +62 21 5088 7168 ext. 718

Solid fundamentals

- We estimate weak 4Q19 SSSG to drag RALS' FY19 SSSG to 0%. Margin shall remain resilient; as such we expect c.8% FY19 core EPS growth.
- Increase in CPO price, along with delay in electricity price hike and faster social assistance disbursement shall allow better FY20 SSSG of 2%.
- With positive catalysts emerging, we are more upbeat than we were two months ago. Maintain Buy with a higher TP of Rp1,400.

We expect a very weak 4Q19 with a negative sales growth

We expect RALS to book a negative SSSG and sales growth in 4Q19, taking FY19 SSSG closer to flat. Nonetheless, we believe RALS should be able to maintain its GPM at 29.7% (9M19: 29.7%); still a 30bps yoy improvement on the back of higher consignment's GPM, while sales contribution from supermarket (with lower GPM vs. department stores) also shrinks. With opex relatively flat yoy, higher interest income, and lower tax rate (back to c.20%), we estimate FY19 core net profit to still grow by 11.4% yoy to Rp655bn.

2020 may not be as gloomy as we initially thought

While we cut our FY19 earnings forecast by 1.6%, we increase our FY20/21 earnings forecast by 4.2/4.9% as we regain confidence on better SSSG for FY20F on the back of improving CPO price (which is highly correlated with outer Java's SSSG; which contributes c.36% to RALS' total sales), better Eid holiday spending on the back of front-loaded social assistance disbursement and delay in electricity price hike. We therefore revised up our FY20 SSSG forecast from 0.8% to 2.0%. Worth noting that the weak SSSG was also stemmed mainly by the major decline in RALS' supermarket sales.

New store openings to be expected in 1H20

With all the store openings scheduled in 2H19 delayed, we expect RALS to ramp-up 3-4 new store openings in March and April 2020 to fully benefit on the upcoming Eid holiday. We expect a total of 5-6 new store openings in FY20F; still largely in the Greater Jakarta area.

Maintain Buy with a higher TP Rp1,400

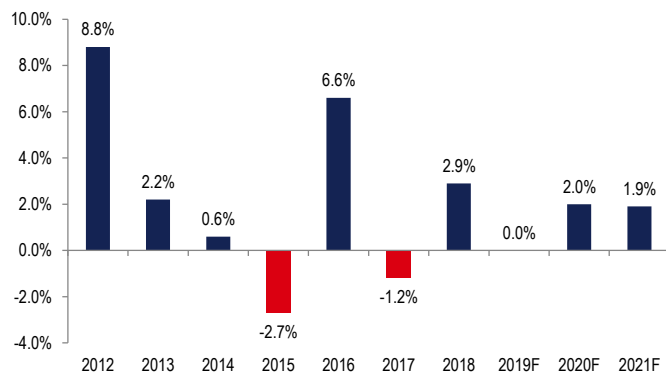
As we see emerging catalyst that may help to support RALS' SSSG, while also maintaining its profitability margins, we expect the company to re-rate from its current bottom valuation (currently at 11.8x 12M forward P/E). We maintain our Buy call, but now peg our valuation to 13.7x 2021F P/E at 0.5 s.d. below its 5-year mean (rolled over from previously 12.1x 2020F P/E; 1 s.d. below its 5-year mean) and arrive at our TP of Rp1,400 (from previously Rp1,200).

Financial Summary (Rp bn)	2017A	2018A	2019F	2020F	2021F
Revenue	8,146	8,539	8,504	8,678	9,000
EBITDA	404	701	806	844	858
EBITDA growth	-25.8%	73.8%	14.9%	4.8%	1.7%
Net profit	407	587	676	707	738
EPS	55	83	92	100	104
EPS growth	-4.5%	50.6%	11.4%	8.0%	4.4%
ROE	11.9%	16.0%	16.9%	16.4%	15.9%
PER (x)	18.2	12.1	10.8	10.0	9.6
EV/EBITDA (x)	14.8	6.8	5.1	4.4	3.8
Dividend yield	3.6%	4.0%	5.0%	5.8%	6.0%
Forecast change			-1.6%	4.2%	4.9%
IPS vs. consensus			96%	102%	103%

Sources: Company, IndoPremier

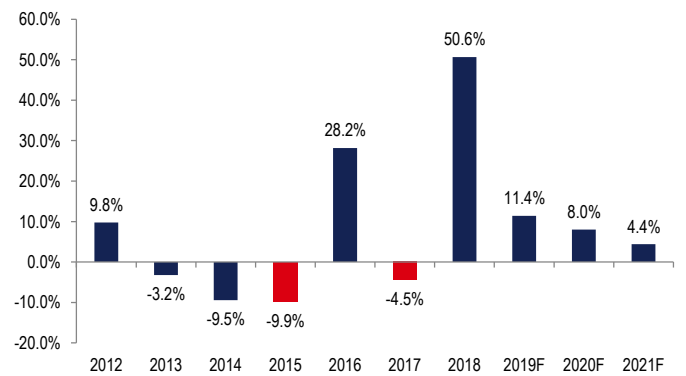
Share price closing as of: 23 January 2020

Fig. 1: RALS' annual SSSG forecast



Sources: Company, IndoPremier

Fig. 2: RALS' core earnings growth forecast



Sources: Company, IndoPremier

Fig. 3: Forecast change

	Previous			Current			Changes		
	2019F	2020F	2021F	2019F	2020F	2021F	2019F	2020F	2021F
Financial performance (Rp bn)									
Gross sales	8,546	8,608	8,886	8,504	8,678	9,000	-0.5%	0.8%	1.3%
Gross profit	2,541	2,567	2,658	2,529	2,588	2,692	-0.5%	0.8%	1.3%
EBIT	642	633	637	630	668	678	-1.9%	5.5%	6.6%
Core net profit	665	679	704	655	707	738	-1.6%	4.2%	4.9%
EPS	94	96	99	92	100	104	-1.6%	4.2%	4.9%
Profitability metrics (%)									
Gross margin	29.7%	29.8%	29.9%	29.7%	29.8%	29.9%	0.0%	0.0%	0.0%
Operating margin	7.5%	7.4%	7.2%	7.4%	7.7%	7.5%	-0.1%	0.3%	0.4%
Core profit margin	7.8%	7.9%	7.9%	7.7%	8.2%	8.2%	-0.1%	0.3%	0.3%
Growth (%)									
SSSG	0.5%	0.8%	1.8%	0.0%	2.0%	1.9%	-0.5%	1.1%	0.1%
Sales growth	0.1%	0.7%	3.2%	-0.4%	2.1%	3.7%	-0.5%	1.3%	0.5%
Core profit growth	13.2%	2.0%	3.7%	11.4%	8.0%	4.4%	-1.8%	6.0%	0.7%

Source: IndoPremier

Fig. 4: RALS is currently trading at 11.8x 12M forward P/E, or around -1 s.d. below its historical 5-year mean of 15.4x



Sources: Bloomberg, IndoPremier

Income Statement (Rp bn)	2017A	2018A	2019F	2020F	2021F
Net revenue	8,146	8,539	8,504	8,678	9,000
Cost of sales	(5,934)	(6,032)	(5,975)	(6,090)	(6,308)
Gross profit	2,212	2,507	2,529	2,588	2,692
SG&A Expenses	(1,856)	(1,899)	(1,899)	(1,920)	(2,013)
Operating profit	356	608	630	668	678
Net interest	90	110	152	173	195
Forex gain (loss)	1	11	0	0	0
Others	19	(12)	25	0	0
Pre-tax income	467	717	807	841	874
Income tax	(60)	(130)	(131)	(134)	(136)
Minority interest	0	0	0	0	0
Net income	407	587	676	707	738

Balance Sheet (Rp bn)	2017A	2018A	2019F	2020F	2021F
Cash & equivalent	2,031	2,415	3,068	3,490	3,941
Receivable	57	38	38	38	40
Inventory	741	860	852	868	899
Other current assets	264	245	244	249	258
Total current assets	3,093	3,557	4,201	4,645	5,138
Fixed assets	1,235	1,164	924	821	702
Goodwill	0	0	0	0	0
Total non-current assets	1,798	1,686	1,445	1,343	1,224
Total assets	4,892	5,243	5,646	5,987	6,362
ST loans	0	0	0	0	0
Payable	950	909	901	918	951
Other payables	99	184	256	261	271
Current portion of LT loans	0	0	0	0	0
Total current liab.	1,049	1,093	1,157	1,179	1,221
Long term loans	0	0	0	0	0
Other LT liab.	349	322	322	322	322
Total liabilities	1,398	1,416	1,479	1,502	1,544
Equity	83	98	98	98	98
Retained earnings	3,412	3,730	4,069	4,388	4,720
Minority interest	0	0	0	0	0
Total SHE + minority int.	3,494	3,827	4,166	4,486	4,818
Total liabilities & equity	4,892	5,243	5,646	5,987	6,362

Sources: Company, IndoPremier

Cash Flow Statement (Rp bn)	2017A	2018A	2019F	2020F	2021F
Net income	467	717	807	841	874
Depr. & amortization	179	163	176	176	180
Changes in working capital	(75)	779	73	0	0
Others	(60)	(130)	(131)	(134)	(136)
Cash flow from operating	511	1,530	925	884	918
Capital expenditure	(133)	(48)	64	(74)	(61)
Others	(34)	785	0	0	0
Cash flow from investing	(167)	738	64	(74)	(61)
Loans	0	0	0	0	0
Equity	0	0	0	0	0
Dividends	(242)	(269)	(337)	(388)	(406)
Others	0	0	0	0	0
Cash flow from financing	(242)	(269)	(337)	(388)	(406)
Changes in cash	102	1,998	652	422	451

Key Ratios	2017A	2018A	2019F	2020F	2021F
Gross margin	27.2%	29.4%	29.7%	29.8%	29.9%
Operating margin	4.4%	7.1%	7.4%	7.7%	7.5%
Pre-tax margin	5.7%	8.4%	9.5%	9.7%	9.7%
Net margin	5.0%	6.9%	7.9%	8.2%	8.2%
ROA	8.5%	11.6%	12.4%	12.2%	12.0%
ROE	11.9%	16.0%	16.9%	16.4%	15.9%
ROIC	14.5%	19.0%	20.7%	20.4%	20.1%
Acct. receivables TO (days)	0.5	0.6	0.7	0.7	0.7
Acct. receivables - other TO (days)	1.9	1.5	0.9	0.9	0.9
Inventory TO (days)	48.5	48.4	52.3	51.5	51.1
Payable TO (days)	56.8	56.2	55.3	54.5	54.1
Acct. payables - other TO (days)	0.4	1.2	4.2	6.4	6.3
Net gearing	-21.5%	-51.0%	-62.5%	-67.4%	-72.2%

Sources: Company, IndoPremier

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.

DISCLAIMERS

This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendations contained in this document do not have any regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT Indo Premier Sekuritas or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.