

Today, we attended Ramayana Lestari's analyst meeting which took place just before the annual general meeting of shareholders, and here are some takeaways from the meeting :

Currently the company managed to record +8% SSSG in 4M18 for its fashion business line. On the other hand, its supermarket business segment has stopped making losses as shown in its 1Q18 results. Ramadhan vibe has seen tapping into the stores as the company recorded +35% growth of fashion sales in 5M18.

Going forward, Ramayana is going to apply some breakthroughs on board:

### **1) Transforming the stores into lifestyle mall**

Given pretty much space available as resulted from several loss-making supermarket shutdowns, the company switch its traffic pooler strategy by collaborating with XXI, food merchants (ex: J.Co, Starbucks, Gokana) and specialty stores (ex: Sport Station) into its tenant mix. This strategy has been administered in some outer Jakarta branches, and has proved to be compelling in terms of capturing traffic and improving store productivity.

### **2) Applying internal merchandising system**

Ramayana undergoes its recent merchandising management by applying the centrally controlled internal merchandising system, whose main purposed is to improve turnover and product aging. Few actions taken such as optimizing discounts allocation and product launching. Besides, product quality inspection which the company has adopted last year is also going to be intensified.

### **3) Re-branding**

The company has introduced two Ramayana Pime stores, which are basically the same Ramayana stores but with better interface. Ramayana has been renovating its stores into customer-experience oriented ones to attract more middle market segment, while still maintaining lower price points and promotion strategy.

Incorporating all the transformation steps, Ramayana aims to capture increasing traffic and enlarging basket size as well as to offer customers better quality, style, and affordability. The company has sensed and witnessed the rising demand of up-to-date, fine quality, yet affordable fashion products from its target market as leveraged by the remarkable social media usage and penetration. In addition, the company expects to see +11% direct purchase and +15% consignment sales growth for this and the following year.

We also believe that government's commitment to enhance purchasing power should benefit lower-end retailers, and thus Ramayana. The recently signed regulation regarding THR allocation and disbursement gives a little relief for the company as spending aid should come on-time and festive sales prior to Lebaran is prone to be successful. We are currently reviewing our target price. However, we believe that the internal betterment pursued by Ramayana and supporting external circumstance should provide positive sentiments towards the stock.

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