

PT Ramayana Lestari Sentosa Tbk.

Stimulus-Fueled Though Fairly Priced



NEUTRAL (TP: IDR 580)

12 August 2020

Unfavorable 2Q20 figures as anticipated. Company's top-line came in at IDR 558 bn (-77.2% YoY, -39.1% QoQ), forming 44%/37% of our and consensus' estimate. Fashion declined by -79.5% YoY, while supermarket was down by 67.5%. This year's Lebaran period, which typically accounts for 40% of FY sales turned out disappointing as government implemented strict PSBB measures and prohibited back to hometown activity (Mudik). Gross margin was quite good at 43.1% level (+220bps QoQ, -300bps YoY). While company managed to slash operating expenses by halved YoY (-31.1% QoQ), this was not able to offset the weak sales performance. Bottom-line, as a result, was recorded at a loss of IDR 7.9 bn (vs IDR 512.3 bn NPAT in 2Q19).

The most vulnerable customers base. Targeting lower income mass-market, we are of the view that it would take longer for discretionary demand to rebound as Covid-19 disrupts economic activities and households prioritize basic needs purchases. We bake in -40%/+25% SSSG assumptions for FY20E/FY21F to account for weak demand environment and saturating trend in department store. We also anticipate a drop in gross margin as company should offer discounts to attract more customers. On opex level, we estimate 30% drop in FY20E's operating expenses, which we think is achievable given 2Q20's opex run rate.

Continuous social support measures. In addition to the existing social safety net programs, the government plans to distribute IDR 600k cash transfer for private workers whose salaries are below IDR 5mn. The four-months program would start in September 2020 and is estimated to reach 15.7mn workers with budget allocation of IDR 37.7n. The government has also prolonged the electricity subsidies for 450 and 900 VA users as well as SMEs up to December 2020. This indicates the government's focus on supporting consumption recovery.

We maintain our NEUTRAL recommendation on PT Ramayana Lestari Sentosa Tbk with FY21F target price of IDR 580. Our TP is derived from DCF valuation and implies 11.8x FY21F P/E (-1SD from its 5-yr average). While we view that the government's measures to support domestic consumption to provide a short-term positive catalyst to the share price, we think that this might not lead to significant turnaround in discretionary spending as households are focusing to meet basic needs. Downside risks to our call are slower than expected economy recovery, 2nd round of strict PSBB implementation.

Highlights (IDR Bn)	2018	2019	2020E	2021F	2022F
Net Revenue	5,740	5,596	3,358	4,181	4,374
% growth	2.1%	-2.5%	-40.0%	24.5%	4.6%
Gross Profit	2,507	2,494	1,380	1,855	1,939
Net Profit	587	575	161	347	374
% growth	53.7%	-1.7%	-72.0%	116.1%	7.8%
Gross Margin (%)	43.7%	44.6%	41.1%	44.4%	44.3%
Net Margin (%)	10.2%	10.3%	4.8%	8.3%	8.6%
Return on Equity (%)	16.0%	14.4%	3.8%	8.1%	8.3%
Return on Assets (%)	11.6%	10.5%	2.8%	6.0%	6.3%
EPS	83	81	23	49	53

Paulina

Equity Analyst

+62 21 392 5550 ext. 610

paulina@sinarmassekuritas.co.id

Stock Information

Sector	Retail
Bloomberg Ticker	RALS IJ
Market Cap. (IDR tn)	4,400
Share Out./Float (mn)	7,096/2,630
Current Price	625
FY21F Target Price	580
Upside	-7.2%

Share Price Performance

52W High (08/21/19)	1,360
52W Low (04/02/20)	404
52W Beta	1.09
YTD Change	-41.2%

Relative Valuations

Trailing P/E	65.9x
Forward P/E	32.6x
P/BV	1.0x

2Q20 Earnings Summary

IDR bn	2Q19	1Q20	2Q20	%QoQ	%YoY	6M19	6M20	%YoY	% DH	% Cons
Net Revenues	2,443	916	558	-39.1%	-77.2%	3,489	1,474	-57.8%	44%	37%
COGS	(1,317)	(543)	(318)	-41.5%	-75.9%	(1,919)	(860)	-55.2%		
Gross Profit	1,126	374	240	-35.7%	-78.7%	1,569	614	-60.9%		
Operating Profit (Loss)	580	(21)	(32)			623	(54)			
Net Income	512	13	(8)			590	5	-99.1%	3%	4%
Gross Margin	46.1%	40.8%	43.1%			45.0%	41.6%			
Operating Margin	23.8%	-2.3%	-5.8%			17.9%	-3.6%			
Opex to Sales	-22.3%	-43.1%	-48.8%			-27.1%	-45.3%			
Net Margin	21.0%	1.5%	-1.4%			16.9%	0.4%			

Source: Company Data, Sinarmas Investment Research

Earnings Changes

(IDR Bn)	Old		New		Changes	
	FY20	FY21	FY20	FY21	FY20	FY21
Revenue	23,493	25,163	15,997	19,495	-31.9%	-22.5%
Gross Profit	11,402	12,230	6,941	9,217	-39.1%	-24.6%
Operating Profit	2,134	2,294	856	1,648	-59.9%	-28.2%
Net Profit	1,083	1,207	398	831	-63.3%	-31.1%
EPS (IDR)	65	73	24	50	-63.1%	-31.4%
Gross Margin	48.5%	48.6%	43.4%	47.3%	-5.1%	-1.3%
Operating Margin	9.1%	9.1%	5.4%	8.5%	-3.7%	-0.7%
Net Margin	4.6%	4.8%	2.5%	4.3%	-2.1%	-0.5%

Source: Company Data, Sinarmas Investment Research

Income Statement (IDR Bn)	2018	2019	2020E	2021F	2022F
Net Revenue	5,740	5,596	3,358	4,181	4,374
% growth	2.1%	-2.5%	-40.0%	24.5%	4.6%
Cost of Revenue	3,233	3,102	1,978	2,326	2,435
Gross Profit	2,507	2,494	1,380	1,855	1,939
% growth	13.3%	-0.5%	-44.7%	34.5%	4.5%
Operating Expenses	1,899	1,899	1,329	1,593	1,667
Opex to Sales (%)	33.1%	33.9%	39.6%	38.1%	38.1%
Operating Profit	607	594	62	276	286
% growth	66.2%	-2.0%	-89.9%	343.0%	3.7%
EBT	717	705	197	426	459
% growth	53.7%	-1.7%	-72.0%	116.1%	7.8%
Tax	130	130	36	79	85
Net Profit for the Year	587	575	161	347	374
% growth	44.4%	-2.1%	-72.0%	116.1%	7.8%

Balance Sheet (IDR Bn)	2018	2019	2020E	2021F	2022F
Cash and Cash Equivalent	1,951	2,208	2,285	2,718	3,053
Trade Receivables	38	35	35	35	35
Inventories	860	791	844	742	776
Other Current Assets	709	983	983	979	976
Total Current Assets	3,557	4,018	4,147	4,474	4,839
Fixed Assets	1,164	1,107	1,027	885	719
Other Non Current Assets	521	525	525	523	521
Total Assets	5,243	5,650	5,699	5,881	6,079
Trade Payables	941	1,050	1,050	1,046	1,042
Other Current Liabilities	152	86	86	85	85
Total Current Liabilities	1,093	1,136	1,136	1,131	1,127
Other Non Current Liabilities	322	345	345	344	343
Total Liabilities	1,416	1,481	1,481	1,475	1,470
Share & APIC	487	504	487	487	487
Treasury Shares	(340)	(322)	(340)	(340)	(340)
Retained Earnings	3,730	4,041	4,128	4,316	4,519
Other Components of Equity	(50)	(54)	(57)	(57)	(57)
Total Equity	3,827	4,169	4,218	4,406	4,609
Total Equity & Liabilities	5,243	5,650	5,699	5,881	6,079

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019	2020E	2021F	2022F
Net Income	587	575	161	347	374
Depreciation	234	176	108	209	250
Chg. in NWC	14	(89)	53	(98)	38
Chg. in Other CT Assets	(793)	250	-	(3)	(3)
CF from Operating	1,600	590	217	658	589
Capital Expenditure	175	119	28	67	84
Chg. in LT Assets	(42)	4	-	(2)	(2)
Chg in LT Liabilities	(26)	23	-	(1)	(1)
CF from Investing	(159)	(99)	(28)	(67)	(83)
Chg. in Share & APIC	-	17	(17)	-	-
Dividends Paid	(269)	(264)	(74)	(159)	(172)
Others	15	14	(21)	-	-
CF from Financing	(254)	(233)	(112)	(159)	(172)
Change in Cash	1,187	257	77	433	335
Beginning Cash	752	1,951	2,208	2,285	2,718
Ending Cash	1,939	2,208	2,285	2,718	3,053

Financial Ratio	2018	2019	2020E	2021F	2022F
Profitability					
ROE	16.0%	14.4%	3.8%	8.1%	8.3%
ROA	11.6%	10.5%	2.8%	6.0%	6.3%
Gross Margin	43.7%	44.6%	41.1%	44.4%	44.3%
Operating Margin	10.6%	10.6%	1.9%	6.6%	6.5%
Net Margin	10.2%	10.3%	4.8%	8.3%	8.6%
Liquidity & Solvency					
Current Ratio	3.3	3.5	3.7	4.0	4.3
Debt to Equity	-	-	-	-	-
Debt to Assets	-	-	-	-	-
Valuation					
Price to Earning (PE)	7.1	7.3	25.9	12.0	11.1
Price to Book (PBV)	1.1	1.0	1.0	0.9	0.9

Key Assumptions	2018	2019	2020E	2021F	2022F
Combined SSSG	2.9%	0.5%	-40.0%	25.0%	5.0%
Number of Stores	119	123	116	118	120
Receivable Days	3	2	4	3	3
Payable Days	60	65	114	91	87
Inventory Days	90	97	151	124	114
Cash Conversion Cycle	33	35	41	36	30

Source: Company Data, Sinarmas Investment Research

SINARMAS SEKURITAS INVESTMENT RATINGS GUIDE

BUY: Share price may rise by more than 15% over the next 12 months.

ADD: Share price may range between 10% to 15% over the next 12 months.

NEUTRAL: Share price may range between -10% to +10% over the next 12 months.

REDUCE: Share price may range between -10% to -15% over the next 12 months.

SELL: Share price may fall by more than 15% over the next 12 months.

DISCLAIMER

This report has been prepared by PT Sinarmas Sekuritas, an affiliate of Sinarmas Group.

This material is: (i) created based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such; (ii) for your private information, and we are not soliciting any action based upon it; (iii) not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions expressed are current opinions as of original publication date appearing on this material and the information, including the opinions contained herein, is subjected to change without notice. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst (s) responsible for the preparation of this publication may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, integrating and interpreting market information. Research will initiate, update and cease coverage solely at the discretion of Sinarmas Research department. If and as applicable, Sinarmas Sekuritas' investment banking relationships, investment banking and non-investment banking compensation and securities ownership, if any, are specified in disclaimers and related disclosures in this report. In addition, other members of Sinarmas Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from companies under our research coverage. Further, the Sinarmas Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by Sinarmas Group), or derivatives (including options) thereof, of companies under our coverage, or related securities or derivatives. In addition, the Sinarmas Group, including Sinarmas Sekuritas, may act as market maker and principal, willing to buy and sell certain of the securities of companies under our coverage. Further, the Sinarmas Group may buy and sell certain of the securities of companies under our coverage, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Recipients should not regard this report as substitute for exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investments may go down as well as up and you may not get back the full amount invested.

Sinarmas Sekuritas specifically prohibits the redistribution of this material in whole or in part without the written permission of Sinarmas Sekuritas and Sinarmas Sekuritas accepts no liability whatsoever for the actions of third parties in this respect. If publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Additional information is available upon request.

Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual properties.

©Sinarmas Sekuritas(2020). All rights reserved.