

HOLD | TP : IDR525
Stock Price Data

Last Price	:	IDR570
52wk High	:	IDR720
52wk Low	:	IDR540
Share Out	:	7.1bn
Market Cap	:	IDR4.0tn

Stock Price Performance

1-Day	:	+0.9%
1-Week	:	+0.9%
1-Month	:	-4.2%
3-Month	:	-7.4%
Year-to-Date	:	-0.9%

Shareholders

Ramayana Makmursentosa (P)	:	60.0%
Public	:	39.8%
Treasury	:	0.2%

PT Ramayana Lestari Sentosa Tbk (RALS IJ)
Disappointing Results and Lack of Innovation
1H23 Results : Revenue/Net Profit Went Down -10.3% YoY/-13.8% YoY

RALS booked a net sales of IDR1.1tn in 2Q23, increased +85% QoQ but fell -13.9% YoY, leading to 1H23's revenue of IDR1.7tn (-10.3% YoY), reflecting 44.7%/47.9% of our/cons for FY23E (compared to its 5Y avg. of 61.9%). We noted that all segments experienced contractions, with fashion & accessories (accounted for 80.4% of turnover) plummeting -9.9% YoY, while groceries climbed down -12.1% YoY in 1H23. Meanwhile, net profit in 2Q23 was recorded at IDR216.7bn, up +622.0% QoQ but down -15.4% YoY, accumulating to a net profit of IDR246.7bn in 1H23, a decrease of -13.8% YoY, reflecting our/cons estimates of 57.7%/63.6% of the FY23E target (compared to a 5Y avg. of 66.8%). The net profit decline was due to: 1) a decreased revenue amid a +0.5% YoY increase in OPEX; 2) FX losses. On the profitability side, GPM went up +283 bps YoY to 52.3%, thanks to a decrease in net purchases, however OPM/NPM decreased by -186 bps YoY/-59 bps YoY, respectively.

Weak Eid Effect

Management targets a +5.0% YoY growth in gross sales to IDR5.2tn in FY23E, but we are pessimistic about achieving this goal. In 1H23, gross sales were only IDR2.9tn, implying only 55% of the target (vs 62% at the pre-pandemic level). This was due to the weak momentum during the festive Eid period. We digest several factors contributing to this, including: 1) the fact that consumers are focusing on essential needs (basic products) due to high inflation (+4.3% YoY in Apr-23), as RALS customers are primarily mid-low income individuals; 2) the commodity windfall in Sumatra and Kalimantan, which failed to accelerate growth as reflected by a -18.4% YoY/-8.8% YoY decrease in revenue from these regions in 1H23; 3) layoffs in labor-intensive industries, delayed THR payments, and early mudik events as additional headwinds. Moreover, we do not see significant boosters in 2H23 to drive consumer spending, such as bonuses, THR, or the 13th salary. Additionally, people seem to anticipate price hikes approaching the peak of El Nino towards the end of the year. In Jul-23, we noticed that low-mid income individuals' (<IDR4.0mn) household spending on consumption/installments decreased by -0.3% MoM/-2.4% MoM, respectively, while savings increased by +2.9% MoM.

Lack of Innovation

Heading into the political year, which is expected to boost consumer spending, RALS seems to be struggling to catch this momentum. We realized that RALS has largely taken longer to recover from the pandemic than other retailers given the lack of additional stores opening (97 outlets in 1H23 vs 99 in FY22). This contradicts our expectations that Ramayana's store operations could reach 108 outlets in FY23E, acting as an acceleration engine. In 1H23, cash and equivalents were recorded at IDR1.3tn (vs FY22: IDR2.2tn / 5Y avg. : IDR1.6tn); this decrease is attributed to bond purchases. In terms of innovation, we struggle to identify significant new business initiatives, such as launching new private labels like SUKO by LPPF IJ and the BOOM SALE campaign by ACES IJ. In terms of omnichannel sales, the contribution remains relatively small at ~1%, compared to peer avg. of approx 4-8%. With lack of innovation, we see a potential decrease in RALS's competitiveness, particularly in light of the threat posed by the development of social commerce, which offers lower prices and shopping convenience.

Recommendation: HOLD RALS with a Target Price IDR525

We reiterate a HOLD recommendation for RALS with a lower TP of IDR 525, implying PE/PBV of 10.6x/1.0x in FY23E. We trimmed revenue/net profit figures in FY23E by -27.9%/26.6%, respectively, mainly due to weak 1H23 performance. Upside risks include: 1) better-than-expected revenues; 2) new business initiatives; 3) store expansion.

Key Financial Highlight	FY20	FY21	FY22	FY23E	FY24F
Revenue (IDR bn)	2,528.0	2,592.7	2,996.6	2,684.8	3,010.5
EBITDA (IDR bn)	(76.3)	323.0	516.8	436.7	429.4
Net Income (IDR bn)	(138.9)	153.5	352.0	313.5	335.3
ROA (%)	(2.6)	3.0	6.7	6.5	6.8
ROE (%)	(3.7)	4.2	9.4	8.4	8.6
PE (x)	(29.1)	26.3	11.5	12.9	12.1
PBV (x)	1.1	1.1	1.1	1.1	1.0
EPS (IDR)	(19.6)	21.6	49.6	44.2	47.3

Sources : Company, MNCS Research


Research Analyst

Raka Junico W.

raka.widyaman@mncgroup.com

Exhibit 01. RALS's 1H23 revenue was below our estimates

IDR bn	1Q23	2Q23	QoQ	1H22	1H23	YoY	FY23E Cons	FY23E MNCS	% Cons	% MNCS
Revenues	583.8	1,080.5	85.1%	1,856.1	1,664.2	-10.3%	3,474.0	3,725.1	47.9%	44.7%
COGS	297.4	497.0	67.1%	917.6	869.8	-5.2%	1,740.5	1,847.3		
Operating Profit	13.4	234.2	1651.0%	310.5	342.4	10.3%	354.5	431.8	96.6%	79.3%
Operating Profit Margin	2.3%	21.7%		16.7%	20.6%		10.2%	11.6%		
PBT	30.6	259.2	748.1%	322.2	289.8	-10.1%	474.0	516.1	61.1%	56.1%
Net Profit	30.0	216.7	622.0%	286.0	246.7	-13.7%	388.0	427.3	63.6%	57.7%
Net Margin	5.1%	20.1%		15.4%	14.8%		11.2%	11.5%		

Sources : Bloomberg, Company, MNCS Research

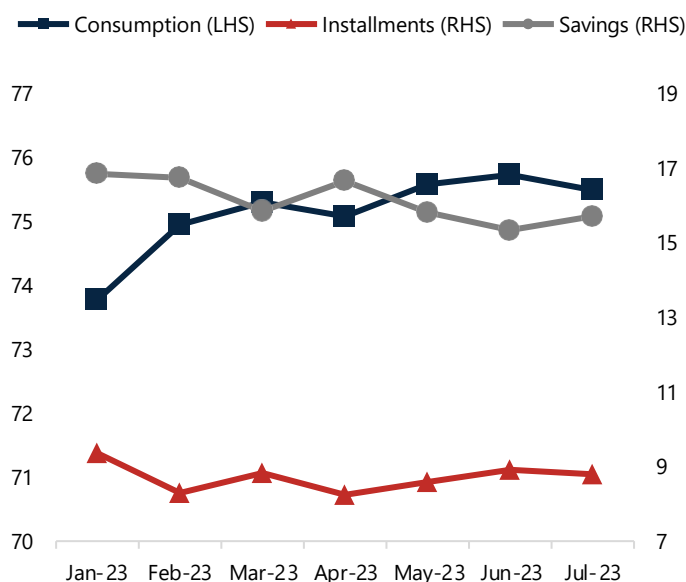
Exhibit 02. We trimmed our figures for FY23E/FY24F

	Revised	FY23E Old	Change	Revised	FY24F Old	Change
Revenue (IDR bn)	2,684.8	3,725.1	-27.9%	3,010.5	4,063.9	-25.9%
Gross Profit (IDR bn)	1,347.2	1,877.8	-28.3%	1,559.3	2,059.8	-24.3%
Operating Profit (IDR bn)	315.3	431.8	-27.0%	357.0	544.1	-34.4%
Net Income (IDR bn)	315.5	427.3	-26.2%	335.3	490.0	-31.6%
GPM (%)	50.2	50.4	-23 bps	51.8	50.7	111 bps
OPM (%)	11.7	11.6	16 bps	11.9	13.4	-153 bps
NPM (%)	11.7	11.5	21 bps	11.1	12.1	92 bps

Sources : MNCS

Exhibit 03. Ramayana outlets continued to squeeze


Sources : Company, MNCS

Exhibit 04. Agregate avg. propensity to consume ratio in low-mid segments at <IDR4.0mn (%)


Sources : Bank Indonesia, MNCS

Exhibit 05. Financial Projection

Income Statement						Balance Sheet					
In Billion IDR	FY20	FY21	FY22	FY23E	FY24F	In Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Revenue	2,528.0	2,592.7	2,996.6	2,684.8	3,010.5	Cash & Equivalents	2,555.3	2,494.2	2,178.4	1,346.3	1,444.0
COGS	(1,450.4)	(1,382.6)	(1,484.8)	(1,337.6)	1,451.2	Trade Receivables	45.1	49.3	38.2	39.5	33.4
Gross Profit	1,077.6	1,210.1	1,511.8	1,347.2	1,559.3	Inventory	493.4	593.0	619.1	520.2	544.2
Operating Expense	(1,331.7)	(1,057.3)	(1,117.4)	(1,031.8)	(1,202.3)	Others Current Assets	107.0	105.2	583.2	1,089.0	1,221.1
Operating Income	(254.1)	152.8	394.4	315.3	357.0	Total Current Assets	3,200.9	3,241.7	3,418.9	2,995.1	3,242.8
EBITDA	(76.3)	323.0	516.8	436.7	429.4	Fixed Assets-net	1,002.2	866.8	836.8	769.1	726.8
Finance Income	108.3	50.8	63.8	91.5	71.4	Other Non-Current Assets	1,076.2	969.3	979.4	1,093.1	974.9
Finance expense	(35.6)	(29.0)	33.1	28.3	23.4	Total Non-Current Assets	2,078.4	1,836.2	1,816.2	1,862.3	1,701.7
Profit Before Tax	(181.4)	174.6	425.1	378.6	404.9	TOTAL ASSETS	5,279.3	5,077.9	5,235.1	4,857.3	4,944.5
Tax Income (Expense)	42.6	(21.0)	(73.1)	(65.1)	(69.6)	Trade Payables	672.5	657.6	652.7	390.1	382.9
Net Income	(138.9)	153.5	352.0	313.5	335.3	Short-term Debt	219.7	180.6	214.9	180.8	152.3
EPS (IDR)	(19.6)	21.6	49.6	44.2	47.3	Other Current Liabilities	33.5	63.8	67.0	60.0	67.3
						Total Current Liabilities	925.7	902.0	934.6	630.9	602.6
						Long-term Debt	378.5	348.2	376.9	317.0	267.2
						Other Long-term Liabilities	222.4	204.1	195.1	174.8	196.0
						Total LT-Liabilities	600.9	552.3	572.0	491.8	463.2
						Total Equity	3,752.7	3,623.6	3,728.5	3,734.5	3,878.7
						TOTAL LIABILITY AND EQUITY	5,279.3	5,077.9	5,235.1	4,857.3	4,944.5

Cash Flow						Ratios					
In Billion IDR	FY20	FY21	FY22	FY23E	FY24F		FY20	FY21	FY22	FY23E	FY24F
Net Income	(138.9)	153.5	352.0	313.5	335.3	Revenue Growth (%)	(54.8)	2.6	15.6	(10.4)	5.0
D&A	177.8	170.2	122.4	121.4	72.4	Operating Profit Growth (%)	(143.7)	160.1	158.2	(20.1)	8.7
Changes in WC	(89.4)	(118.7)	(19.9)	(164.9)	(25.1)	Net Profit Growth (%)	(121.4)	210.6	129.3	(10.9)	8.7
Others	151.4	(52.2)	(517.4)	(512.8)	(124.8)	Current Ratio (%)	345.8	359.4	365.8	474.7	340.5
Operating CF	100.9	152.8	(62.9)	(242.9)	257.8	Receivable Days (x)	6.4	6.8	4.6	5.3	97.7
Capex	(66.5)	(58.9)	(99.0)	(53.7)	(30.1)	Inventory Days (x)	122.5	154.4	150.1	140.0	40.0
Others	(563.5)	227.9	39.1	(113.7)	118.2	Payable Days (x)	166.9	171.2	158.3	105.0	55.0
Investing CF	(629.9)	169.1	(59.9)	(167.4)	88.1	DER (x)	0.2	0.1	0.2	0.1	0.0
Dividend Paid	(337.1)	-	(188.2)	(307.4)	(191.1)	DAR (x)	0.1	0.1	0.1	0.1	0.0
Net Change in Debt	598.2	(69.4)	63.0	(94.0)	(78.3)	Dividend Yield (%)	-	4.7	7.6	4.7	4.7
Equity Fund Raised	(2.1)	-	-	-	-	Gross Profit Margin (%)	42.6	46.7	50.5	50.2	43.3
Others	(97.3)	(313.6)	(67.8)	(20.3)	21.2	Operating Profit Margin (%)	(10.1)	5.9	13.2	11.7	30.4
Financing CF	161.7	(383.0)	(193.1)	(421.7)	(248.2)	EBITDA Margin (%)	(3.0)	12.5	17.2	16.3	40.2
Cash at Beginning	2,922.7	2,555.3	2,494.2	2,178.4	1,346.3	Net Income Margin (%)	(5.5)	5.9	11.7	11.7	24.6
Cash at Ending	2,555.3	2,494.2	2,178.4	1,346.3	1,444.0	EPS (IDR)	(19.6)	21.6	49.6	44.2	103.8
						BVPS (IDR)	528.8	510.7	525.4	526.3	343.9

Sources : Company, MNCS

MNC Research Industry Ratings Guidance

- **OVERWEIGHT** : Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL** : Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT** : Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

- **BUY** : Share price may exceed 10% over the next 12 months
- **HOLD** : Share price may fall within the range of +/- 10% of the next 12 months
 - **SELL** : Share price may fall by more than 10% over the next 12 months
 - **Not Rated** : Stock is not within regular research coverage

PT MNC SEKURITAS

MNC Financial Center Lt. 14 – 16

Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340

Telp : (021) 2980 3111

Fax : (021) 3983 6899

Call Center : 1500 899

Disclaimer

This research report has been issued by PT MNC Sekuritas, It may not be reproduced or further distributed or published, in whole or in part, for any purpose. PT MNC Sekuritas has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; PT MNC Sekuritas makes no guarantee, representation or warranty and accepts no responsibility to liability as to its accuracy or completeness. Expression of opinion herein are those of the research department only and are subject to change without notice. This document is not and should not be construed as an offer or the solicitation of an offer to purchase or subscribe or sell any investment. PT MNC Sekuritas and its affiliates and/or their offices, director and employees may own or have positions in any investment mentioned herein or any investment related thereto and may from time to time add to or dispose of any such investment. PT MNC Sekuritas and its affiliates may act as market maker or have assumed an underwriting position in the securities of companies discusses herein (or investment related thereto) and may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies.