

**BUY | TP : IDR470**
**Stock Price Data**

|            |            |
|------------|------------|
| Last Price | : IDR414   |
| 52wk High  | : IDR545   |
| 52wk Low   | : IDR326   |
| Share Out  | : 16.0bn   |
| Market Cap | : IDR6.6tn |

**Stock Price Performance**

|              |         |
|--------------|---------|
| 1-Day        | : +3.0% |
| 1-Week       | : -1.4% |
| 1-Month      | : +7.8% |
| 3-Month      | : +1.0% |
| Year-to-Date | : -2.8% |

**Shareholders**

|                              |         |
|------------------------------|---------|
| PT Eralink International (P) | : 54.5% |
| Public                       | : 44.5% |
| Treasury                     | : 1.0%  |

**PT Erajaya Swasembada Tbk (ERAA IJ)**
**Handset Volume On-track; High Leverage Diminishing Earnings Projection**
**2Q24: net profit grew on both QoQ and YoY**

- ERAA released its 2Q24 results, with revenue reaching IDR16.5 tn, slightly down by -1.1% QoQ but surging by +16.8% YoY (vs IDR14.1 tn in 2Q23). This brought its 1H24 revenue to IDR33.1 tn, or rose by +14.6% YoY, which was in-line with our/cons. estimates, reaching 49.2%/51.3% of FY24E targets. On an annual basis, the computer and electronic devices segment led growth by +40.7% YoY, followed by accessories and others at +20.0% YoY, and cellular phones and tablets at +16.1% YoY. Conversely, operator products decreased by -37.5% YoY.
- 2Q24 net profit climbed by +5.1% QoQ/+20.2% YoY to IDR268.3 bn (vs IDR223.2 bn in 2Q23). This translates to 1H24 net profit of IDR523.6 bn (+15.2% YoY), in-line with cons. at 49.3% but slightly below our forecast at 47.0% of the FY24E target. Profitability-wise, GPM inched up to 10.8%, while OPM and NPM remained stable at 3.3%/1.6%, respectively. OPEX/revenue climbed to 8.1% (vs 7.7% in 1H23).

**Maintaining handset sales volume projection at +11.8% YoY**

ERAA reported handset sales volume of 5.8 mn units in 1H24, which is in-line with our estimates with a run-rate of 52%. In our previous [report](#), we projected handset sales volume in FY24E to grow by +11.8% YoY, reaching 11.2 mn units. In terms of ASP, our expectation was in-line that the presence of mid-high-priced handsets in 2Q24 would buffer the moderation of 1H24 ASP to -4.3% YoY (vs -9.4% YoY in 1Q24).

In early 3Q24, Transsion Holdings released its affordable handsets, such as the Infinix Note 40S 8/256 GB (IDR3,099k) and Tecno Pova 6 8/256 GB (IDR2,499k). Furthermore, our finding on Ditjen SDPPI's certification website revealed predicted handset line-ups for the end of 3Q24 (or 4Q24), including the Xiaomi 14T, Xiaomi 14T Pro, Realme Note 60, Realme 13 Pro+5G, and Realme C61 ([exhibit 04](#)). We estimate the Realme C61 will be sold at affordable prices of IDR1,000k-2,000k, while the others will have higher price variations. We expect a wider range of handset prices to cater to diverse consumer segments and is likely to bolster ERAA's handset volume growth ahead. We maintain the projection of ERAA's handset volume growth of +11.8% YoY in FY24E, supported by sales volume from Transsion. Notably, Transsion's market share in 1Q24 expanded to 16.1% (vs 5.4% in 1Q23).

**Reduce net profit estimates due to debt concerns**

We have concerns about ERAA's debt, which drags down our bottom-line projection. In 1H24, ERAA utilized a debt facility with a duration of 13 months for working capital needs and renovating several outlets, pushing its long-term debt to IDR3.0 tn (vs IDR1.6 tn in 1Q24). This translates to a net gearing of 1.0x, and DER of 1.2x. Going forward, we see limited additional debt, given the company's already stretched receivables and inventory relative to debt near its threshold of 1.1x. Thus, we fine-tuned our model with a total debt hovering at IDR8.4 tn in FY24E (vs IDR6.6 tn in FY23) and a marginal cost of funds of ~9%. This lowers net profit in FY24E by -14.6% to IDR951.6 bn from our previous projection, but still representing YoY growth of +15.2% and a stable NPM at 1.4%.

**Valuation and Recommendation : BUY with a TP of IDR470**

We reiterate our call for ERAA with a **BUY at a lower TP of IDR470/share**, reflecting PE/PBV of 7.9x/0.8x in FY24E and 6.7x/0.8x in FY25F. The anticipated influx of handset models across various price points should sustain volume growth and drive revenue. Downside risks include: 1) muted sales volume; 2) supply chain disruption; 3) lower-than-anticipated net profit.

| Key Financial Highlight | FY21     | FY22     | FY23     | FY24E    | FY25F    |
|-------------------------|----------|----------|----------|----------|----------|
| Revenue (IDR Bn)        | 43,467.0 | 49,471.5 | 60,139.4 | 67,249.7 | 74,553.6 |
| EBITDA (IDR Bn)         | 1,786.3  | 1,984.4  | 2,161.9  | 2,374.7  | 2,525.5  |
| Net Income (IDR Bn)     | 1,012.4  | 1,012.9  | 826.0    | 951.6    | 1,124.6  |
| ROA (%)                 | 8.9      | 5.9      | 4.0      | 4.0      | 4.5      |
| ROE (%)                 | 15.7     | 14.1     | 10.2     | 10.7     | 11.6     |
| PE (x)                  | 6.6      | 6.6      | 8.0      | 7.0      | 5.9      |
| PBV (x)                 | 1.0      | 0.9      | 0.8      | 0.7      | 0.7      |
| EPS (IDR)               | 63.5     | 63.5     | 51.8     | 59.7     | 70.5     |

Sources : Company, MNCS


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**Exhibit 01. 1H24 revenue was mostly in-line with our/consensus estimates**

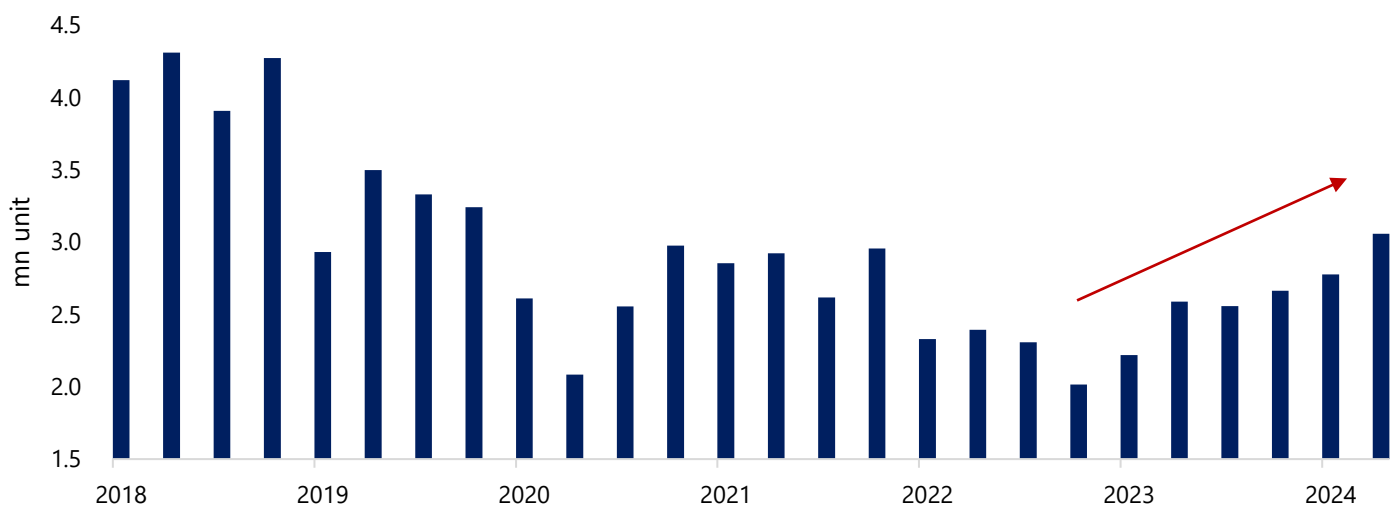
| IDR Bn                  | 1Q24            | 2Q24            | QoQ          | 1H23            | 1H24            | YoY          | FY24E Cons      | FY24 MNCS       | % Cons       | % MNCS       |
|-------------------------|-----------------|-----------------|--------------|-----------------|-----------------|--------------|-----------------|-----------------|--------------|--------------|
| <b>Revenues</b>         | <b>16,649.7</b> | <b>16,466.9</b> | <b>-1.1%</b> | <b>28,897.4</b> | <b>33,116.6</b> | <b>14.6%</b> | <b>64,574.0</b> | <b>67,249.7</b> | <b>51.3%</b> | <b>49.2%</b> |
| COGS                    | 14,812.3        | 14,728.8        | -0.6%        | 25,819.6        | 29,541.1        | 14.4%        | 57,438.5        | 60,317.0        |              |              |
| <b>Operating Profit</b> | <b>528.7</b>    | <b>579.0</b>    | <b>9.5%</b>  | <b>951.7</b>    | <b>1,107.7</b>  | <b>16.4%</b> | <b>1,957.2</b>  | <b>2,026.7</b>  | <b>56.6%</b> | <b>54.7%</b> |
| Operating Profit Margin | 3.2%            | 3.5%            |              | 3.3%            | 3.3%            |              | 3.0%            | 3.0%            |              |              |
| PBT                     | 379.81          | 396.1           | 4.3%         | 677.3           | 775.9           | 14.6%        | 1,481.5         | 1,550.4         | 52.4%        | 50.0%        |
| <b>Net Profit</b>       | <b>255.3</b>    | <b>268.3</b>    | <b>5.1%</b>  | <b>458.7</b>    | <b>523.6</b>    | <b>14.2%</b> | <b>1,062.2</b>  | <b>1,114.7</b>  | <b>49.3%</b> | <b>47.0%</b> |
| Net Margin              | 1.5%            | 1.6%            |              | 1.6%            | 1.6%            |              | 1.6%            | 1.7%            |              |              |

Sources : Company, MNCS

**Exhibit 02. We reduced our FY24E/FY25F net profit estimates by -14.5%/-9.9% as we anticipate higher finance costs going forward**

|                           | FY24E    |          |        | FY25F    |          |        |
|---------------------------|----------|----------|--------|----------|----------|--------|
|                           | Revised  | Old      | Change | Revised  | Old      | Change |
| Revenue (IDR Bn)          | 67,249.7 | 67,249.7 | 0.0%   | 74,553.6 | 74,553.6 | 0.0%   |
| Gross Profit (IDR Bn)     | 6,932.7  | 6,932.7  | 0.0%   | 7,784.7  | 7,784.7  | 0.0%   |
| Operating Profit (IDR Bn) | 2,026.6  | 2,026.6  | 0.0%   | 2,164.4  | 2,164.4  | 0.0%   |
| Net Income (IDR Bn)       | 951.6    | 1,114.7  | -14.6% | 1,124.7  | 1,234.1  | -8.9%  |
| GPM (%)                   | 10.3     | 10.3     | 0%     | 10.4     | 10.4     | 0%     |
| OPM (%)                   | 3.0      | 3.0      | 0%     | 2.9      | 2.9      | 0%     |
| NPM (%)                   | 1.4      | 1.7      | -0.3%  | 1.5      | 1.7      | -1.2%  |

Source : MNCS

**Exhibit 03. ERAA's quarterly handset sales volume has improved, driven by the availability of affordable handset prices**


Sources : Company, MNCS

### Exhibit 04. Several new handset line-ups are expected to be released by the end of 3Q24

| Certificate Number | Issued Date | PLG ID | Name Of Applicant                  | Device Name             | Merk   | Model      | Marketing Name          | Country   |
|--------------------|-------------|--------|------------------------------------|-------------------------|--------|------------|-------------------------|-----------|
| 101741/SDPPI/2024  | 30 Jul 2024 | 6813   | PT BRIGHT MOBILE TELECOMMUNICATION | PESAWAT TELEPON SELULER | realme | RMX3921    | realme 13 Pro+ 5G       | Indonesia |
| 101531/SDPPI/2024  | 24 Jul 2024 | 10047  | PT XIAOMI TECHNOLOGY INDONESIA     | Pesawat Telepon Seluler | Xiaomi | 2407FPN8EG | Xiaomi 14T Pro          | Indonesia |
| 101443/SDPPI/2024  | 23 Jul 2024 | 10047  | PT XIAOMI TECHNOLOGY INDONESIA     | Pesawat Telepon Seluler | Xiaomi | 2406APNFAG | 2406APNFAG (Xiaomi 14T) | Indonesia |
| 101442/SDPPI/2024  | 23 Jul 2024 | 6813   | PT BRIGHT MOBILE TELECOMMUNICATION | PESAWAT TELEPON SELULER | realme | RMX3933    | realme Note 60          | Indonesia |
| 101441/SDPPI/2024  | 23 Jul 2024 | 6813   | PT BRIGHT MOBILE TELECOMMUNICATION | PESAWAT TELEPON SELULER | realme | RMX3930    | realme C61              | Indonesia |

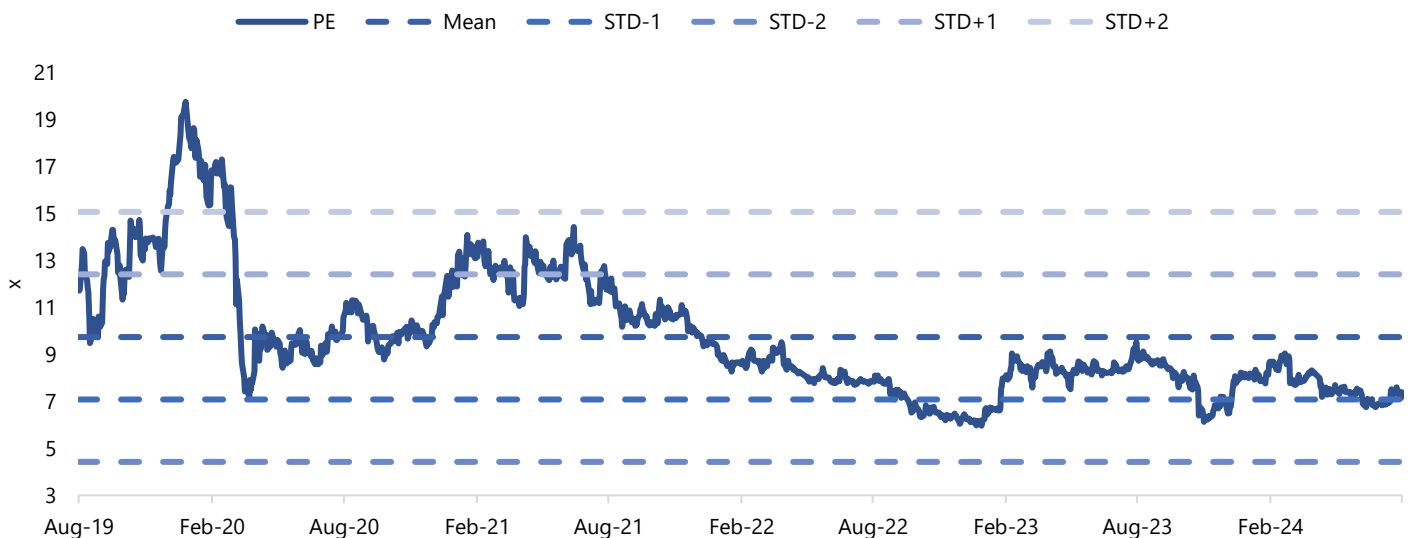
Source : Ditjen SDPPI's website

### Exhibit 05. Transsion Holding's market share stood at 16.1% in 1Q24 (vs 5.4% in 1Q23)

| Brand     | 1Q23 Market Share | 1Q24 Market Share | Growth YoY |
|-----------|-------------------|-------------------|------------|
| Oppo      | 23.30%            | 19.90%            | 8.50%      |
| Samsung   | 24.00%            | 17.30%            | -8.20%     |
| Transsion | 5.40%             | 16.10%            | 279.40%    |
| Vivo      | 16.50%            | 15.80%            | 21.40%     |
| Xiaomi    | 13.70%            | 15.60%            | 44.40%     |
| Others    | 17.00%            | 15.40%            | 15.40%     |

Sources : IDC, MNCS

### Exhibit 06. ERAA is currently trading at the level -1x STD PE Ratio (5-mean-average) of 7.4x



Sources : IDX, Company, MNCS

## Exhibit 07. Financial Projections

| Income Statement         |                  |                  |                  |                  |                  | Balance Sheet                     |                 |                 |                 |                 |                 |
|--------------------------|------------------|------------------|------------------|------------------|------------------|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| in Billion IDR           | FY21             | FY22             | FY23             | FY24E            | FY25F            | in Billion IDR                    | FY21            | FY22            | FY23            | FY24E           | FY25F           |
| <b>Revenue</b>           | <b>43,467.0</b>  | <b>49,471.5</b>  | <b>60,139.4</b>  | <b>67,249.7</b>  | <b>74,553.6</b>  | Cash & Equivalents                | 520.7           | 1,044.2         | 1,765.7         | 1,941.0         | 2,038.7         |
| COGS                     | (38,661.1)       | (44,109.9)       | (53,691.6)       | (60,317.0)       | (66,768.9)       | Trade Receivables                 | 616.4           | 1,054.8         | 1,364.8         | 1,681.2         | 1,760.3         |
| <b>Gross Profit</b>      | <b>4,805.9</b>   | <b>5,361.5</b>   | <b>6,447.8</b>   | <b>6,932.7</b>   | <b>7,784.7</b>   | Inventory                         | 3,931.6         | 6,064.7         | 8,046.6         | 10,052.8        | 10,200.8        |
| Selling Expense          | (2,156.8)        | (2,184.1)        | (2,669.7)        | (3,065.9)        | (3,577.6)        | Others Current Assets             | 1,555.6         | 3,053.4         | 1,787.4         | 1,787.4         | 1,787.4         |
| G&A Expense              | (1,162.9)        | (1,586.7)        | (2,153.1)        | (2,093.9)        | (2,297.5)        | <b>Total Current Assets</b>       | <b>6,624.3</b>  | <b>11,217.1</b> | <b>12,964.6</b> | <b>15,462.5</b> | <b>15,787.2</b> |
| Other Income (Expense)   | 173.2            | 202.2            | 220.7            | 253.7            | 254.8            | Fixed Assets-net                  | 851.9           | 1,573.1         | 2,217.1         | 2,467.9         | 2,681.4         |
| <b>Operating Income</b>  | <b>1,659.4</b>   | <b>1,793.0</b>   | <b>1,845.6</b>   | <b>2,026.6</b>   | <b>2,164.4</b>   | Other Non-Current Assets          | 3,896.0         | 4,268.0         | 5,265.8         | 5,888.4         | 6,527.9         |
| Finance Income (Expense) | (179.9)          | (279.7)          | (582.9)          | (710.8)          | (602.1)          | <b>Total Non-Current Assets</b>   | <b>4,747.9</b>  | <b>5,841.1</b>  | <b>7,482.9</b>  | <b>8,356.3</b>  | <b>9,209.3</b>  |
| Other Income (Expense)   | <b>15.6</b>      | <b>(16.0)</b>    | <b>(20.8)</b>    | <b>7.7</b>       | <b>2.4</b>       | <b>TOTAL ASSETS</b>               | <b>11,372.2</b> | <b>17,058.2</b> | <b>20,447.5</b> | <b>23,818.8</b> | <b>24,996.5</b> |
| <b>Profit Before Tax</b> | <b>1,495.1</b>   | <b>1,497.3</b>   | <b>1,241.8</b>   | <b>1,323.4</b>   | <b>1,564.7</b>   | Trade Payables                    | 1,513.8         | 2,400.8         | 3,671.4         | 4,188.7         | 4,636.7         |
| Tax Income (Expense)     | (377.1)          | (420.8)          | (385.0)          | (371.8)          | (440.2)          | Short-term Debt                   | 1,729.7         | 4,220.0         | 4,875.2         | 6,248.5         | 5,995.4         |
| Minority Interest        | (105.5)          | (63.7)           | (30.8)           | -                | -                | Other Current Liabilities         | 1,035.9         | 2,400.4         | 1,783.8         | 1,994.7         | 2,211.3         |
| <b>Net Income</b>        | <b>1,012.4</b>   | <b>1,012.9</b>   | <b>826.0</b>     | <b>951.6</b>     | <b>1,124.6</b>   | <b>Total Current Liabilities</b>  | <b>4,279.5</b>  | <b>9,021.2</b>  | <b>10,330.3</b> | <b>12,431.9</b> | <b>12,843.4</b> |
| EPS (IDR)                | 63.5             | 63.5             | 51.8             | 59.7             | 70.5             | Long-term Debt                    | 439.2           | 613.2           | 1,713.2         | 2,195.9         | 2,106.9         |
|                          |                  |                  |                  |                  |                  | Other Long-term Liabilities       | 191.2           | 220.9           | 273.1           | 305.4           | 338.6           |
|                          |                  |                  |                  |                  |                  | <b>Total LT-Liabilities</b>       | <b>630.4</b>    | <b>834.1</b>    | <b>1,986.4</b>  | <b>2,501.3</b>  | <b>2,445.5</b>  |
|                          |                  |                  |                  |                  |                  | <b>Total Equity</b>               | <b>6,462.4</b>  | <b>7,202.9</b>  | <b>8,130.8</b>  | <b>8,885.7</b>  | <b>9,707.6</b>  |
|                          |                  |                  |                  |                  |                  | <b>TOTAL LIABILITY AND EQUITY</b> | <b>11,372.2</b> | <b>17,058.2</b> | <b>20,447.5</b> | <b>23,818.8</b> | <b>24,996.5</b> |
| Cash Flow                |                  |                  |                  |                  |                  | Ratios                            |                 |                 |                 |                 |                 |
| in Billion IDR           | FY21             | FY22             | FY23             | FY24E            | FY25F            | FY21                              | FY22            | FY23            | FY24E           | FY25F           |                 |
| Net Income               | 1,012.4          | 1,012.9          | 826.0            | 951.6            | 1,124.6          | Revenue Growth (%)                | 27.4            | 13.8            | 21.6            | 11.8            | 10.9            |
| D&A                      | 126.9            | 191.4            | 316.3            | 348.2            | 361.0            | Operating Profit Growth (%)       | 50.4            | 8.1             | 2.9             | 9.8             | 6.8             |
| Changes in WC            | (851.4)          | (1,684.4)        | (1,021.4)        | (1,805.3)        | 221.0            | Net Profit Growth (%)             | 65.4            | 0.0             | (18.4)          | 15.2            | 18.2            |
| Others                   | (237.5)          | (134.0)          | 621.3            | 217.8            | 223.6            | Receivable Days (x)               | 5.1             | 7.7             | 8.2             | 9.0             | 8.5             |
| <b>Operating CF</b>      | <b>50.4</b>      | <b>(614.1)</b>   | <b>742.2</b>     | <b>(287.6)</b>   | <b>1,930.2</b>   | Inventory Days (x)                | 36.6            | 49.5            | 54.0            | 60.0            | 55.0            |
| Capex                    | (290.8)          | (727.4)          | (1,022.0)        | (599.0)          | (574.5)          | Payable Days (x)                  | 14.1            | 19.6            | 24.6            | 25.0            | 25.0            |
| Others                   | (876.2)          | (556.6)          | (907.9)          | (629.5)          | (646.5)          | DER (x)                           | 0.3             | 0.7             | 0.8             | 1.0             | 0.8             |
| <b>Investing CF</b>      | <b>(1,167.0)</b> | <b>(1,284.1)</b> | <b>(1,929.9)</b> | <b>(1,228.5)</b> | <b>(1,221.0)</b> | Net Gearing Ratio (x)             | 0.3             | 0.5             | 0.6             | 0.7             | 0.6             |
| Dividend Paid            | (219.4)          | (362.3)          | (299.9)          | (247.8)          | (302.6)          | Interest Coverage (x)             | 8.5             | 6.2             | 3.1             | 2.7             | 3.4             |
| Net Change in Debt       | (116.9)          | 2,664.4          | 1,755.1          | 1,856.0          | (342.1)          | Dividend Yield (%)                | 4.1             | 4.0             | 3.6             | 3.5             | 3.4             |
| Equity Fund Raised       | 48.2             | 82.2             | 346.9            | 63.8             | -                | P/S (x)                           | 0.2             | 0.1             | 0.1             | 0.1             | 0.1             |
| Others                   | (76.7)           | 37.4             | 107.1            | 19.6             | 33.2             | Gross Profit Margin (%)           | 11.1            | 10.8            | 10.7            | 10.3            | 10.4            |
| <b>Financing CF</b>      | <b>(364.7)</b>   | <b>2,421.7</b>   | <b>1,909.2</b>   | <b>1,691.5</b>   | <b>(611.5)</b>   | Operating Profit Margin (%)       | 3.8             | 3.6             | 3.1             | 3.0             | 2.9             |
| Cash at Beginning        | 2,002.0          | 520.7            | 1,044.2          | 1,765.7          | 1,941.0          | EBITDA Margin (%)                 | 4.1             | 4.0             | 3.6             | 3.5             | 3.4             |
| <b>Cash at Ending</b>    | <b>520.7</b>     | <b>1,044.2</b>   | <b>1,765.7</b>   | <b>1,941.0</b>   | <b>2,038.7</b>   | Net Income Margin (%)             | 2.3             | 2.0             | 1.4             | 1.4             | 1.5             |
|                          |                  |                  |                  |                  |                  | BVPS (IDR)                        | 405.2           | 451.6           | 509.8           | 557.1           | 608.6           |

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

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