

Ramayana Lestari (RALS IJ)

30 March 2017

Results Note

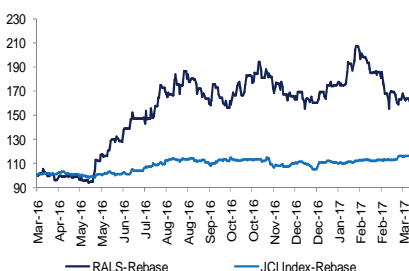
BUY (Unchanged)

Stock Data

Target price (Rp)	Rp1,700
Prior TP (Rp)	Rp1,700
Shareprice (Rp)	Rp1,130
Upside/downside (%)	+50.4
Sharesoutstanding (m)	7,096
Marketcap. (US\$ m)	602
Free float (%)	40.5
Avg. 6m dailyT/O (US\$ m)	0.8

Price Performance

	3M	6M	12M
Absolute (%)	-5.4	2.7	56.9
Relative to JCI (%)	-11.0	-1.5	41.8
52w high/low (Rp)	1,130	665	



Major Shareholders

Ramayana Makmursentosa PT	55.9%
Tumewu Paulus	3.7%
Norges Bank IM Government Pension	2.3%

Estimate Change; Vs. Consensus

	2017F	2018F
Latest EPS (Rp)	65	76
Vs. Prior EPS (%)	0	0
Vs. Consensus (%)	0	2.8

Source: Bloomberg

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Excellent 4Q16 performance

- **In-line FY16 result, driven by better SSSG.**
- **Expect margin expansion to continue in 2017.**
- **Yet, 1Q17 was quite challenging with slower SSSG.**
- **Reiterate Buy, maintaining FY17F earnings forecast.**

Earnings within our expectation. PT Ramayana Lestari booked net profit of Rp408bn in FY16 (+22% yoy), which was in-line with our forecast/consensus, mainly driven by better SSSG (6.3%). Net revenue grew by +5.9% yoy and gross profit at +10% yoy in FY16, reflecting better purchasing power in middle low income earners in Greater Jakarta and rest of Java, while outside Java performance has not shown significant recovery. On quarterly basis, RALS posted earnings of Rp47bn (+48% yoy), driven by better operation level with net revenue at Rp1.3tn (+2.4% yoy) in 4Q16.

Expecting a stable margin expansion. Looking at FY16 result, RALS was able to bring better operating margin to 6.3% (FY15: 4.5%) and net margin to 7% (FY15: 6%), thanks to cost saving in salary and rental. Opex-to-sales ratio was kept intact at 31.5% in FY16 (FY15: 31.9%). In addition, direct purchase (DP) margin was increased to 38% (FY15: 36%), thanks to better inventory turnover in FY16. Meanwhile, consignment (CV) margin was relatively stable at 24-25%. However, Jan and Feb'17 reading has shown weaker-than-expected SSSG and we expect a depressing 1Q17 result. Nevertheless, we believe RALS to able achieve Rp6.2tn revenue in 2017, on the back of consistent new stores opening coupled with existing store revamping. We assume 4.6% SSSG to support 5.8% gross sales growth in FY17F, expecting better recovery in 2Q17 onwards.

Supermarket remains challenging. We note that supermarket business booked operating loss of Rp71bn in FY16, still has yet to reaching its economic of scale. Net revenue was relatively flat (+0.8%) in FY16, bringing SPAR's operating margin to -3% (FY15:-5%). By considering the weak 2M17 sales growth (-1.1% yoy), we believe to reach break-even in this year is quite challenging unless sales pickup in 2Q17 onwards to reach scalable level at Rp2.6tn given opex has grown stable flat over the past 2 years. However, we are still positive on the management strategy in reinventing its supermarket with SPAR to benefiting from operational expertise and eventually capture higher productivity and profitability.

Reiterate Buy and maintain our TP at Rp1,700. We still maintain our FY17F forecast after we incorporated the in-line FY16 results. Our TP at Rp1,700 implies 26x PE (using one standard deviation above 3-year trading PE) on our FY17F EPS estimate of Rp65. Downside risks to our call: worsen SSSG post 1Q17, delay in store renovation and opening.

Year To 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (RpBn)	5,533	5,857	6,202	6,657	7,208
EBITDA (RpBn)	380	527	596	701	789
EBITDA Growth (%)	(22.7)	38.9	13.0	17.6	12.7
Net Profit (RpBn)	336	408	463	539	643
EPS (Rp)	47	58	65	76	91
EPS Growth (%)	(5.5)	21.6	13.4	16.4	19.2
Net Gearing (%)	(54.8)	(52.8)	(53.6)	(49.2)	(59.4)
PER (x)	23.9	19.6	17.3	14.9	12.5
PBV (x)	2.4	2.4	2.0	1.9	1.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	25.9	18.5	17.0	14.4	13.6

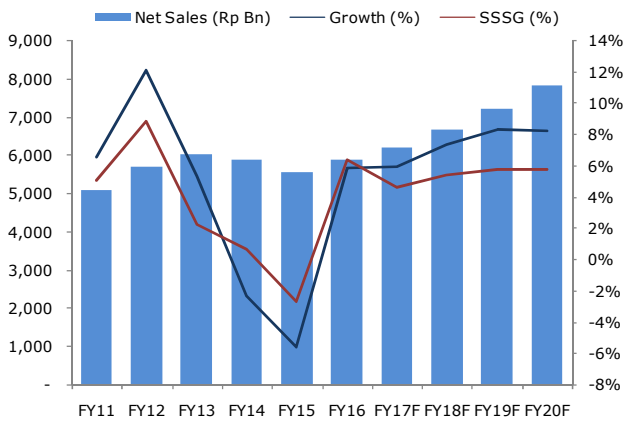
Source : RALS, IndoPremier

Share Price Closing as of : 29-March-2017

Refer to Important disclosures in the last page of this report

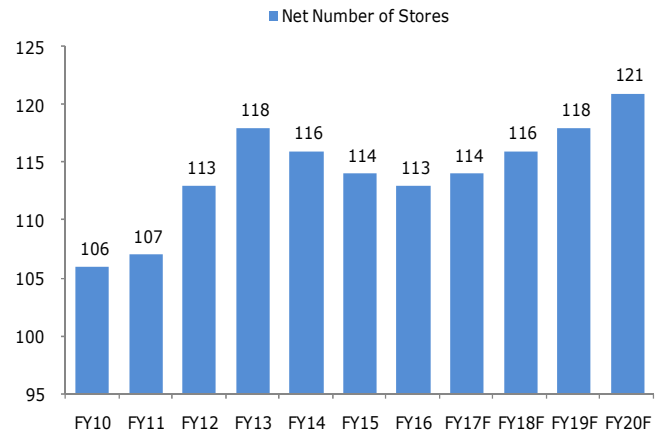
RALS Results Note

Fig. 1: Moderate sales growth despite lower FY17F SSSG



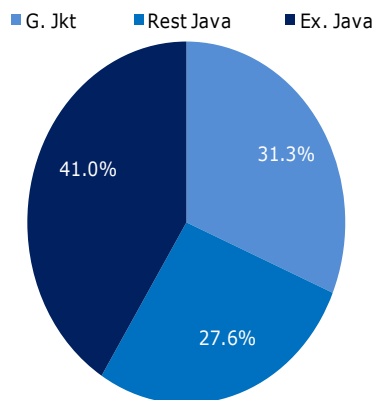
Source: Indo Premier, Company

Fig. 2: RALS expansion plan in FY17



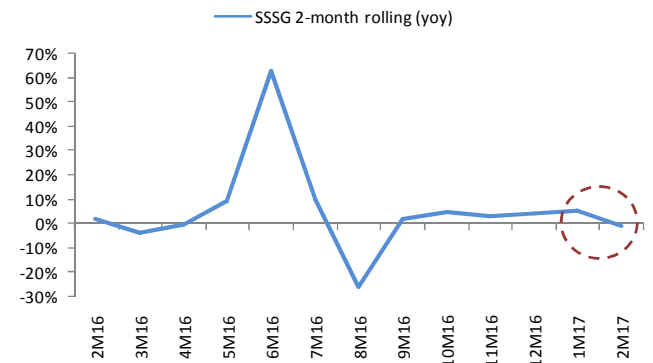
Source: Indo Premier, Company

Fig. 3: Geographical store breakdown as of 2M17



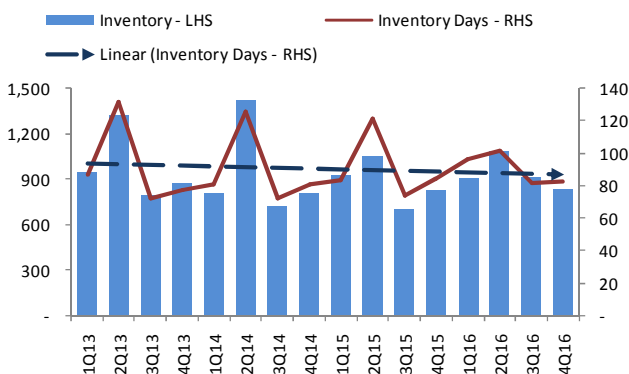
Source: Indo Premier, Company

Fig. 4: 2-month rolling SSSG shows a downtrend



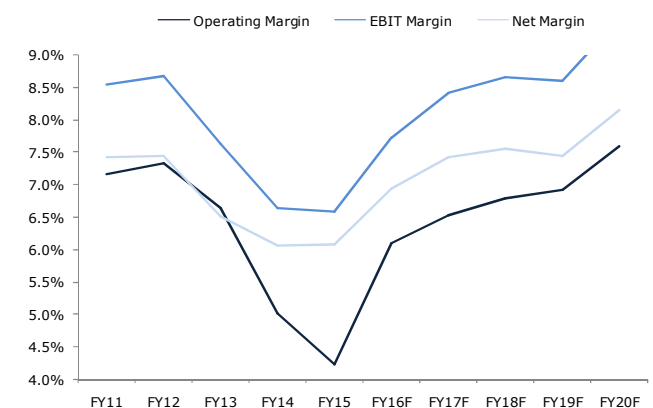
Source: Indo Premier, Company

Fig. 5: Better inventory days in FY16



Source: Indo Premier, Company

Fig. 6: Margin to expand in supermarket business with SPAR



Source: Indo Premier, Company

RALS Results Note

Fig. 7: Earnings revision highlights

	4Q16	3Q16	4Q15	---Change---		FY16	FY15	Change
(IDR b)	(IDR b)	(IDR b)	(IDR b)	(q-q%)	(y-y%)	(IDR b)	(IDR b)	(y-y %)
Revenue	1,297	1,404	1,266	(7.7)	2.4	5,857	5,533	5.9
COGS	(852)	(843)	(840)	1.1	1.4	(3,655)	(3,537)	3.3
Gross profit	445	562	426	(20.8)	4.5	2,202	1,996	10.3
Operating cost	(420)	(468)	(429)	(10.3)	(2.1)	(1,834)	(1,745)	5.1
Operating profit	24	93	(4)	(73.9)	nm	368	251	46.9
Interest income	20	39	28	(47.5)	(26.4)	97	114	(14.9)
Net profit	47	108	32	(56.5)	48.5	408	336	21.6
Others								
Gross margin (%)	34.3	40.0	33.6			37.6	36.1	1.5
Operating margin (%)	1.9	6.6	(0.3)			6.3	4.5	1.8
Net margin (%)	3.6	7.7	2.5			7.0	6.1	

Source: Indo Premier, Company

RALS Results Note

Year To 31 Dec (RpBn)	2015A	2016A	2017F	2018F	2019F
Income Statement					
Net Revenue	5,533	5,857	6,202	6,657	7,208
Cost of Sales	(3,537)	(3,655)	(3,858)	(4,135)	(4,474)
Gross Profit	1,996	2,202	2,345	2,522	2,734
SG&A Expenses	(1,762)	(1,845)	(1,942)	(2,037)	(2,176)
Operating Profit	234	357	402	485	558
Net Interest	142	120	150	147	190
Forex Gain (Loss)	0	0	0	0	0
Others-Net	(11)	(12)	(29)	(28)	(36)
Pre-Tax Income	365	465	523	604	712
Income Tax	(29)	(57)	(60)	(64)	(70)
Minorities	0	0	0	0	0
Net Income	336	408	463	539	643
Balance Sheet					
Cash & Equivalent	1,829	1,829	2,177	2,134	2,751
Receivable	34	52	54	58	63
Inventory	824	834	880	918	986
Other Current Assets	145	116	162	186	172
Total Current Assets	2,831	2,831	3,274	3,296	3,972
Fixed Assets - Net	1,333	1,279	1,464	1,517	1,557
Goodwill	0	0	0	0	0
Non Current Assets	411	537	760	883	810
Total Assets	4,575	4,647	5,498	5,695	6,339
ST Loans	0	0	0	0	0
Payable	900	904	0	1,046	1,343
Other Payables	61	105	95	115	124
Current Portion of LT Loans	0	0	0	0	0
Total Current Liab.	961	1,009	1,244	1,161	1,467
Long Term Loans	0	0	0	0	0
Other LT Liab.	280	301	316	335	354
Total Liabilities	1,241	1,310	1,560	1,496	1,821
Equity	337	147	472	472	472
Retained Earnings	3,045	3,247	3,465	3,727	4,046
Minority Interest	(48)	(57)	0	0	0
Total SHE + Minority Int.	3,334	3,337	3,938	4,199	4,518
Total Liabilities & Equity	4,575	4,647	5,498	5,695	6,339

Source : RALS,IndoPremier

RALS Results Note

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Cash Flow					
Net Income (Excl.Extraordinary&Min.Int)	336	408	463	539	643
Depr. & Amortization	0	0	0	0	0
Changes in Working Capital	(14)	6	184	(136)	222
Others	(132)	(56)	(105)	(162)	(185)
Cash Flow From Operating	191	358	542	242	679
Capital Expenditure	127	(72)	(408)	(176)	32
Others	178	52	150	147	190
Cash Flow From Investing	305	(20)	(258)	(29)	223
Loans	0	0	0	0	0
Equity	0	15	(15)	0	0
Dividends	0	0	0	0	0
Others	(136)	(213)	397	0	0
Cash Flow From Financing	(136)	(198)	382	0	0
Changes in Cash	359	140	666	213	902
Financial Ratios					
Gross Margin (%)	36.1	37.6	37.8	37.9	37.9
Operating Margin (%)	4.2	6.1	6.5	7.3	7.7
Pre-Tax Margin (%)	6.6	7.9	8.4	9.1	9.9
Net Margin (%)	6.1	7.0	7.5	8.1	8.9
ROA (%)	7.4	8.9	9.1	9.6	10.7
ROE (%)	10.1	12.2	12.7	13.3	14.7
ROIC (%)	14.1	15.6	16.7	16.9	19.1
Acct. Receivables TO (days)	0.2	0.5	0.7	0.7	0.7
Acct. Receivables - Other TO (days)	1.7	2.2	2.4	2.4	2.4
Inventory TO (days)	4.3	4.4	4.5	4.6	4.7
Payable TO (days)	92.3	90.1	97.1	96.9	97.5
Acct. Payables - Other TO (days)	0.0	0.0	0.0	0.0	0.0
Debt to Equity (%)	0.0	0.0	0.0	0.0	0.0
Interest Coverage Ratio (x)	0.0	0.0	0.0	0.0	0.0
Net Gearing (%)	(54.8)	(52.8)	(53.6)	(49.2)	(59.4)

Source : RALS,IndoPremier

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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.

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