Company Update

PT Erajaya Swasembada Tbk (ERAA)

Distribution and trading

KB Valbury Sekuritas

Gaining momentum from eased restrictions

21 April 2022

Recommendations	**: BUY**

Stock	
Price on 20/04/2022 (Rp)	530
12M target price (Rp)	700
Capital gain potential	32%

Stock Data	
Outstanding shares	15,898,459,500
Market cap (Rp)	8,453,500,000,000
Weight vs IHSG (%)	0.14

Shareholders	**(%)**
PT Eralink International	54.69%
Management	0.31%
Public	45.00%
Outstanding Shares (unit)	15,898,459,500
Treasury Shares	51,540,500

Price Performance	
52-week high/low	Rp725/Rp520

Capital gain/(loss) (in %)

1 month	3 month	6 month	1 Year	YTD
(6.19)	*(2.75)*	*(17.83)*	*(15.20)*	*(11.67)*

Summary of Financial Performance

In IDR bn	2021A	2022E	2023F
Revenue	43,467	48,492	55,577
Operating Income	1,636	1,954	2,263
OPM (%)	3.76%	4.03%	4.07%
EBITDA	2,101	2,093	2,474
EV to EBITDA (x)*	5.32	4.92	4.27
Net Income	1,012	1,228	1,422
NPM (%)	2.33%	2.53%	2.56%
EPS (Rp)	64	77	89
EPS Growth (%)	65.4%	21.3%	15.8%
Price Earnings (x)*	9.42	6.86	5.93
Price to Book (x)*	1.55	1.18	1.04
Price to Sales (x)*	0.22	0.17	0.15
Return on Equity (%)	16.49%	17.23%	17.50%
Return on Assets (%)	8.90%	9.47%	9.70%
Tot Debt/Equity (x)	0.35	0.35	0.34

**) based on market price (20/04/2022) at Rp530*

Sources :Company, Bloomberg and KB Valbury Sekuritas

Analyst(s)

Devi Harjoto

Alfiansyah

Laba bersih ERAA naik 65,4% YoY pada 2021 menjadi Rp43,5 triliun
Penjualan diproyeksikan tumbuh 12% YoY tahun ini
Rekomendasi “BUY” dengan target harga Rp700 per saham

Margin stabil dari beban yang terkontrol

Laba bersih ERAA naik 65,4% YoY pada 2021 menjadi Rp43,5 triliun (+82,5% QoQ). Kenaikan laba bersih ERAA tersebut ditopang oleh kenaikan penjualan 27,4% YoY pada 2021 menjadi Rp43,5 triliun (+25,0% QoQ), disamping oleh beban yang cukup terkendali, yakni beban pokok yang tumbuh 25,9% YoY. Sehingga, GPM meningkat dari 10,0% pada 2020 menjadi 11,1% pada 2021. Kemudian, beban operasional tumbuh 36,4% YoY pada 2021, yang utamanya dari kenaikan beban penjualan dari biaya iklan, dan promosi. Adapun, margin operasional relative stabil pada 3,83% pada 2021. ERAA membukukan penurunan pendapatan keuangan 11,7% YoY pada 2021 seiring dengan penurunan suku bunga. Akan tetapi, berhasil mencatatkan bagian laba dari asosiasi Rp15,6 miliar pada 2021. Dari segi neraca, net gearing ERAA naik menjadi 0,2x pada 2021.

Produk selular masih menjadi andalan

Pertumbuhan penjualan ERAA secara signifikan didorong oleh produk-produk selular yang naik 25,4% YoY pada 2021. Sehingga, segmen produk selular ini mencapai 81,6% terhadap keseluruhan pada 2021 dibandingkan 79,4% pada 2020. Margin segmen selular juga cukup stabil pada 6,68% pada 2021 dibandingkan 5,94% pada 2020. Kemudian, segmen produk aksesoris menyusul, tumbuh 58,4% YoY pada 2021 seiring dengan maraknya berbagai produk aksesoris smartwatch. Sehingga, kontribusi segmen aksesoris meningkat dari 6,83% pada 2021 menjadi 8,86% pada 2021. Produk akesesoris juga menyumbangkan margin tertinggi dengan 16,8% pada 2021, relative stabil dibandingkan 16,5% pada 2020. Selanjutnya, penjualan produk komputer tumbuh 20,9% YoY pada 2021 tetapi hanya berkontribusi 4,22% terhadap pendapatan ERAA. Margin produk komputer menurun dari 7,3% pada 2020 menjadi 6,7% pada 2021.

Ekspansif ditengah penguatan daya beli

Kami memproyeksi pertumbuhan ERAA dapat mencapai 12% YoY pada tahun ini, secara umum didorong perbaikan daya beli ditengah perekonomian yang membaik dan mobiltias ke pusat perbelanjaan, terutama pada 2Q22 yang meningkat ditengah peralihan menjadi endemic serta rilis produk handset yang lebih agresif dari principal tahun ini. Kami melihat margin produk handset stabil pada 6-7% pada 2022. Selain itu, ERAA juga akan mendorong ekspansi yang lebih agresif dengan pembukaan 500 gerai tahun ini di kota-kota tier 2 dan 3, juga memperluas diversifikasi produk yang menyasar produk lifestyle seperti F&B juga farmasi juga kebutuhan olahraga. Perusahaan juga memperkuat presensi ke pasar luar negeri dengan membentuk JV dengan ritel Mobile World. Adapun, ERAA akan mempertahankan strategi omnichannel, yakni penggunaan penjualan via online.

Mempertahankan rekomedasi BUY rilis handset dan ekspansi gerai

Kami merekomendasikan BUY untuk ERAA dengan target harga sebesar Rp700 per saham, yang merefleksikan valuasi 2022E PER pada 6,86x. Rekomendasi Ini berdasarkan dari 1) penguatan daya beli; 2) diversifikasi produk dengan merambah lifestyle dan JV di ASEAN; 3) potensi permintaan dari peningkatan kedatangan ke pusat perbelanjaan dan juga penguatan penjualan online; 4) rilis produk handset terbaru; 5) jaringan ritel yang kuat dan 6) neraca yang solid. Namun, kami melihat sentimen negative dari 1) daya beli masyarakat yang masih rentan; dan 2) volatilitas kurs Rupiah terhadap dolar AS.

PT Erajaya Swasembada Tbk (ERAA)

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FINANCIAL OVERVIEW

Income Statement (Rp bn)	FY2020	FY2021	YoY Change	3Q2021	4Q2021	QoQ Change
Net sales	**34,113**	**43,467**	*27.4%*	9,827	12,286	*25.0%*
Cost of Revenue	(30,703)	(38,661)	*25.9%*	(8,993)	(10,502)	*16.8%*
Gross Profit	**3,410**	**4,806**	*40.9%*	**834**	**1,784**	*114.0%*
Gross Margin (%)	***10.0%***	***11.1%***		***8.5%***	***14.5%***	
Operating Expenses	(2,307)	(3,147)	*36.4%*	(558)	(1,298)	*132.4%*
Operating Profit	**1,103**	**1,659**	*50.4%*	**275**	**486**	*76.6%*
Operating Margin (%)	***3.2%***	***3.8%***		***2.8%***	***4.0%***	
Non-Operating Income (Losses)	(186)	(164)	*(11.7%)*	(44)	(38)	*(12.9%)*
Pretax Income	**917**	**1,495**	*63.0%*	**232**	**448**	*93.5%*
Income Tax (Expense)/ Benefit	(246)	(377)	*53.2%*	(46)	(129)	*178.8%*
Profit for This Year	**671**	**1,118**	*66.6%*	**185**	**319**	*72.0%*
Net Profit (Losses)	**612**	**1,012**	*65.4%*	**160**	**293**	*82.5%*
Profit Margin (%)	***1.8%***	***2.3%***		***1.6%***	***2.4%***	

Sources : Company and KB Valbury Sekuritas

FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (Rp bn)	2020A	2021A	2022E	2023F	2024F
Revenue	**34,113**	**43,467**	**48,492**	**55,577**	**57,436**
Revenue growth yoy	*3.5%*	*27.4%*	*11.6%*	*14.6%*	*3.3%*
- Cost of Goods Sold	(30,703)	(38,661)	(43,088)	(49,438)	(50,977)
Gross Income	**3,410**	**4,806**	**5,405**	**6,138**	**6,459**
- Operating Expenses	(2,307)	(3,147)	(3,450)	(3,875)	(3,874)
Operating Income	**1,085**	**1,636**	**1,954**	**2,263**	**2,584**
Op income growth yoy	*42.8%*	*50.8%*	*19.5%*	*15.8%*	*14.2%*
- Non Operating Gains (Losses)	*(186)*	*(164)*	*(154)*	*(179)*	*(200)*
EBITDA	**1,755**	**2,101**	**2,093**	**2,474**	**2,034**
Pretax Income	**917**	**1,495**	**1,800**	**2,084**	**2,385**
- Income Tax Expense	(246)	(377)	(494)	(572)	(659)
Profit for This Year	**671**	**1,118**	**1,306**	**1,512**	**1,726**
- Minority Interests	(59)	(106)	(78)	(90)	(103)
Net Income	**612**	**1,012**	**1,228**	**1,422**	**1,623**
Net income growth yoy	*107.4%*	*65.4%*	*21.3%*	*15.8%*	*14.2%*
EPS (IDR)	**38**	**64**	**77**	**89**	**102**
Dividends Per Share (IDR)	**3**	**13***	**19**	**27**	**31**

Sources: Company, Bloomberg and KB Valbury Sekuritas

**) Estimate*

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (Rp bn)	2020A	2021A	2022E	2023F	2024F
Total Current Assets	**7,547**	**6,624**	**7,412**	**8,132**	**8,883**
+ Cash & Near Cash Items	2,002	521	600	635	789
+ Accounts & Notes Receivable	1,012	616	688	757	817
+ Inventories	3,259	3,932	4,388	4,829	5,214
+ Other Current Assets	1,274	1,556	1,736	1,911	2,063
Total Long-Term Assets	**3,664**	**4,748**	**5,565**	**6,533**	**7,521**
+ Property, Plant & Equip, Net	1,372	1,668	1,947	2,361	2,714
Property, Plant & Equip	2,213	2,648	3,077	3,690	4,257
Accumulated Depreciation	840	981	1,130	1,330	1,543
+ Long Term Investments	15	14	17	19	21
+ Other Long Term Assets	2,277	3,066	3,601	4,154	4,786
Total Assets	**11,211**	**11,372**	**12,977**	**14,665**	**16,404**
Total Current Liabilities	**5,143**	**4,279**	**4,709**	**5,230**	**5,583**
+ Payables & Accruals	2,994	2,505	2,740	3,036	3,258
+ Short Term Borrowings	2,106	1,730	1,927	2,157	2,294
+ Other Short Term Liabilities	43	45	42	36	30
Total Long Term Liabilities	**380**	**630**	**777**	**911**	**1,119**
+ Long Term Borrowings	179	439	539	618	764
+ Other Long Term Borrowings	201	191	239	293	356
Total Liabilities	**5,523**	**4,910**	**5,486**	**6,141**	**6,702**
+ Share Capital & APIC	2,189	2,193	2,193	2,193	2,193
- Treasury Stock	9	9	9	9	9
+ Retained Earnings & Other Eq.	3,211	4,004	4,926	5,921	7,057
+ Other Equity	17	(50)	17	21	25
Total Shareholders Equity	**5,409**	**6,139**	**7,127**	**8,126**	**9,266**
+ Minority/Non Controlling Int.	279	323	363	398	436
Total Equity	**5,688**	**6,462**	**7,491**	**8,524**	**9,702**
Total Liabilities & Equity	**11,211**	**11,372**	**12,977**	**14,665**	**16,404**
Book Value Per Share (IDR)	**340**	**386**	**448**	**511**	**583**

Sources: Company, Bloomberg and KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year End Dec (Rp bn)	2020A	2021A	2022E	2023F	2024F
Net Income	612	1,012	1,228	1,422	1,623
+ Depreciation & Amortization	670	465	349	400	413
+ Other Non-Cash Adjustments	1,570	(1,438)	(489)	(560)	(579)
Cash From Operating Activities	**2,853**	**40**	**1,089**	**1,262**	**1,458**
+ Disposal of Fixed Assets	1	23	26	28	31
+ Capital Expenditures	(316)	(369)	(319)	(365)	(378)
+ Other Investing Activities	(60)	(188)	(536)	(552)	(632)
Cash From Investing Activities	**(375)**	**(534)**	**(829)**	**(889)**	**(978)**
+ Dividends Paid	0	(219)	(307)	(427)	(487)
+ Change in long Term Borr.	(266)	578	100	79	146
+ Change in capital stock	9	0	0	0	0
+ Other Financing Activities	63	(123)	27	11	15
Cash From Financing Activities	**(1,297)**	**236**	**(181)**	**(337)**	**(326)**
Net Changes in Cash	**1,180**	**(258)**	**79**	**36**	**154**

Sources: Company, Bloomberg and KB Valbury Sekuritas

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RATIO ANALYSIS

Year End Dec	2020A	2021A	2022E	2023F	2024F
Valuation Ratios					
Price Earnings*	11.17	9.42	6.86	5.93	5.19
EV to EBIT*	6.56	6.84	5.90	5.10	6.60
EV to EBITDA*	4.06	5.32	4.92	4.27	5.26
Price to Sales*	0.20	0.22	0.17	0.15	0.15
Price to Book*	1.26	1.55	1.18	1.04	0.91
Dividend Yield*	0.6%	2.1%**	3.6%	5.1%	5.8%
Profitability Ratios					
Gross Margin	10.00%	11.06%	11.15%	11.05%	11.25%
EBITDA Margin	5.14%	4.83%	4.32%	4.45%	3.54%
Operating Margin	3.18%	3.76%	4.03%	4.07%	4.50%
Profit Margin	1.79%	2.33%	2.53%	2.56%	2.83%
Return on Assets	5.46%	8.90%	9.47%	9.70%	9.90%
Return on Equity	11.31%	16.49%	17.23%	17.50%	17.52%
Leverage & Coverage Ratios					
Current Ratio	1.47	1.55	1.57	1.55	1.59
Quick Ratio	0.83	0.63	0.64	0.63	0.66
Interest Coverage Ratio (EBIT/I)	4.81	8.87	8.65	8.85	6.20
Tot Debt/Capital	0.25	0.19	0.23	0.25	0.27
Tot Debt/Equity	0.42	0.35	0.35	0.34	0.33
Others					
Asset Turnover	3.04	3.82	3.74	3.79	3.50
Accounts Receivable Turnover	33.72	70.52	70.48	73.41	70.26
Accounts Payable Turnover	11.39	17.35	17.70	18.30	17.63
Inventory Turnover	10.47	11.06	11.05	11.51	11.02

**) based on market price (20/04/2022) at Rp530*
***) Estimate*

Sources: Company, Bloomberg and KB Valbury Sekuritas

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