KB Valbury Sekuritas

PT Erajaya Swasembada Tbk (ERAA)

Distribution and trading

Spurred by new segment expansions

13 June 2022

Recommendations	: BUY

Stock	
Price on 10/06/2022 (Rp)	500
12M target price (Rp)	615
Capital gain potential	23%

Stock Data	
Outstanding shares	15,898,459,500
Market cap (Rp)	7,975,000,000,000
Weight vs IHSG (%)	0.13

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/Rp482

Capital gain/(loss) (in %)

1 month	3 month	6 month	1 Year	YTD
0.40	*(6.54)*	*(18.03)*	*(25.93)*	*(16.67)*

Summary of Financial Performance

In IDR bn	2021A	2022E	2023F
Revenue	43,467	48,000	52,147
Operating Income	1,636	1,959	2,193
OPM (%)	3.76%	4.08%	4.21%
EBITDA	2,101	1,633	1,833
EV to EBITDA (x)*	5.32	5.91	5.36
Net Income	1,012	1,250	1,396
NPM (%)	2.33%	2.60%	2.68%
EPS (Rp)	64	79	88
EPS Growth (%)	65.4%	23.5%	11.6%
Price Earnings (x)*	9.42	6.36	5.70
Price to Book (x)*	1.55	1.11	0.98
Price to Sales (x)*	0.22	0.17	0.15
Return on Equity (%)	16.49%	17.50%	17.18%
Return on Assets (%)	8.90%	9.62%	9.57%
Tot Debt/Equity (x)	0.35	0.34	0.33

**) based on market price (10/06/2022) at Rp500*
Sources :Company, Bloomberg and KB Valbury Sekuritas

Laba bersih ERAA tumbuh 6,1% YoY pada 1Q22 menjadi Rp295,1 miliar
Pulih aktifitas pusat perbelanjaan dan rilis produk baru menjadi katalis utama
Rekomendasi "BUY" dengan target harga Rp615 per saham

Performa dari kenaikan moblitas dan beban yang terjaga

Laba bersih ERAA pada 1Q22 naik 6,1% YoY menjadi Rp295,1 miliar (+0,7% QoQ). Kenaikan laba bersih pada 1Q21 diikuti oleh kenaikan penjualan 5,8% YoY menjadi Rp11,5 triliun (-6,6% QoQ), seiring dengan normalisasi kunjungan ke pusat perbelanjaan. Namun, pertumbuhan laba bersih yang melambat ini juga terefleksi dari average inventory days yang meningkat dari 39 pada 1Q21 menjadi 45 pada 1Q22. GPM relative stabil pada 11,1% pada 1Q22 ditengah kenaikan beban pokok yang terjaga 5,7% YoY. Kemudian, beban operasional naik 9,10% YoY pada 1Q22 utamanya dari beban umum dan administrasi dari kenaikan gaji, dan provisi dari penurunan nilai inventory. Sehingga, margin operasional menurun dari 4,2% pada 1Q21 menjadi 4,1% pada 1Q22. ERAA mencatatkan kenaikan beban keuangan 44,9% YoY pada 1Q22 karena kenaikan beban bunga pinjaman. Dari segi neraca, net gearing ERAA naik menjadi 0,4x pada 1Q22.

Penurunan margin produk tradisional

Segmen produk komputer dan elektronik lainnya menjaga kestabilan GPM ERAA pada 1Q22. Margin segmen ini meningkat dari 7,2% pada 1Q21 (6,7% pada 4Q21) menjadi 9,4% pada 1Q22. Namun, segmen utama, yakni segmen produk selular sedikit menurun dari 5,6% pada 1Q21 (9,5% pada 4Q21) menjadi 5,4% pada 1Q22. Penjualan segmen produk selular naik 2,7% YoY pada 1Q22 (+15,7% QoQ). Kemudian, margin segmen aksesoris juga terkontraksi dari 17,6% pada 1Q21 (18,1% pada 4Q21) menjadi 16,8% pada 1Q22. Adapun, segmen voucher, komputer dan elektronik dan aksesoris semua mencatatkan penurunan penjualan pada 1Q22. Kontribusi penjualan produk selular stabil pada 84,4% pada 1Q22.

Kinerja diperkirakan kian solid

Kami memperkirakan penjualan ERAA pada tahun ini dapat tumbuh 10% YoY pada tahun ini, yang secara umum terbantu oleh kenaikan mobilitas, daya beli yang terjaga dan rilis produk-produk principal, terutama pada 4Q22, terutama dari Apple ditambah dengan adanya libur akhir tahun dan perayaan natal. Kami memandang positif Langkah ERAA yang mendiversifikasi non-elektronik ke segmen lifestyle dari olahraga dan makanan, juga farmasi. Secara keseluruhan segmen-segmen tersebut berkontribusi 7,1% dari total penjualan ERAA. Perseroan berencana untuk membuka 500 gerai tahun ini, yang Sebagian via partnership melalui "*Erafone Cloud Retail Partner*". Selain itu, ERAA juga terus meningkatkan layanan pelanggan seperti program EraXpress yakni layanan pesan antar dalam waktu 3 jam, Click & Pick-Up dan Virtual Exhibition.

Mempertahankan rekomedasi BUY, focus ke diversifikasi produk lifestyle

Kami merekomendasikan BUY untuk ERAA dengan target harga sebesar Rp615 per saham, yang merefleksikan valuasi 2022E PER pada 6,36x. Rekomendasi Ini berdasarkan dari 1) peningkatan optimisme konsumen dan mobilitas; 2) diversifikasi produk dengan merambah segmen lifestyle; 3) pembukaan gerai dan strategi "Erafone Cloud Retail Partner"; 4) rilis produk handset terbaru; dan 5) neraca yang solid. Namun, kami melihat sentimen negative dari 1) daya beli masyarakat yang masih rentan; 2) volatilitas kurs Rupiah terhadap dolar AS dan 3) persaingan dengan retail e-commerce yang lebih ekonomis.

Analyst(s)
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Alfiansyah

PT Erajaya Swasembada Tbk (ERAA)

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FINANCIAL OVERVIEW

Income Statement (Rp bn)	1CQ2021	1CQ2022	YoY Change	4Q2021	1Q2022	QoQ Change
Net sales	**10,848**	**11,480**	*5.8%*	12,286	**11,480**	*(6.6%)*
Cost of Revenue	(9,649)	(10,201)	*5.7%*	(10,502)	(10,201)	*(2.9%)*
Gross Profit	**1,199**	**1,279**	*6.7%*	**1,783**	**1,279**	*(28.3%)*
Gross Margin (%)	**11.10%**	**11.10%**		***11.10%***	***11.10%***	
Operating Expenses	(782)	(867)	*10.9%*	(1,298)	(807)	*(37.8%)*
Operating Profit	**417**	**412**	*(1.3%)*	**486**	**472**	*(2.9%)*
Operating Margin (%)	**3.80%**	**3.60%**		***4.00%***	***4.10%***	
Non-Operating Income (Losses)	(5)	(5)	*(16.2%)*	(38)	(56)	*(47.8%)*
Pretax Income	**422**	**416**	*(1.5%)*	**448**	**416**	*(7.3%)*
Income Tax (Expense)/ Benefit	107	116	*8.7%*	(129)	-116	*(10.5%)*
Profit for This Year	**316**	**300**	*(4.9%)*	**319**	**300**	*(5.8%)*
Net Profit (Losses)	**278**	**295**	*6.1%*	**293**	**295**	*(9.0%)*
Profit Margin (%)	**2.60%**	**2.60%**		**2.4%**	**2.6%**	

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**	**48,000**	**52,147**	**56,750**
Revenue growth yoy	*3.5%*	*27.4%*	*10.4%*	*8.6%*	*8.8%*
- Cost of Goods Sold	(30,703)	(38,661)	(42,602)	(46,178)	(50,141)
Gross Income	**3,410**	**4,806**	**5,398**	**5,969**	**6,609**
- Operating Expenses	(2,599)	(3,372)	(3,439)	(3,776)	(4,101)
Operating Income	**1,085**	**1,636**	**1,959**	**2,193**	**2,508**
Op income growth yoy	*42.8%*	*50.8%*	*19.8%*	*11.9%*	*14.4%*
- Non Operating Gains (Losses)	(168)	(141)	(148)	(166)	(212)
EBITDA	**1,755**	**2,101**	**1,633**	**1,833**	**2,081**
Pretax Income	**917**	**1,495**	**1,812**	**2,027**	**2,296**
- Income Tax Expense	(246)	(377)	(450)	(507)	(571)
Profit for This Year	**671**	**1,118**	**1,362**	**1,520**	**1,725**
- Minority Interests	(59)	(106)	(112)	(125)	(142)
Net Income	**612**	**1,012**	**1,250**	**1,396**	**1,584**
Net income growth yoy	*107.4%*	*65.4%*	*23.5%*	*11.6%*	*13.5%*
EPS (IDR)	**38**	**64**	**79**	**88**	**100**
Dividends Per Share (IDR)	**3**	**14***	**20**	**26**	**30**

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**	**7,532**	**8,315**	**9,074**
+ Cash & Near Cash Items	2,002	521	720	818	980
+ 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**	**5,467**	**6,273**	**6,941**
+ Property, Plant & Equip, Net	1,372	1,668	1,851	1,905	2,086
Property, Plant & Equip	2,213	2,648	2,877	3,006	3,296
Accumulated Depreciation	840	981	1,026	1,101	1,210
+ Long Term Investments	15	14	15	15	15
+ Other Long Term Assets	2,277	3,066	3,601	4,354	4,840
Total Assets	**11,211**	**11,372**	**12,999**	**14,588**	**16,016**
Total Current Liabilities	**5,143**	**4,279**	**4,809**	**5,308**	**5,475**
+ Payables & Accruals	2,994	2,505	2,790	3,052	3,078
+ Short Term Borrowings	2,106	1,730	1,977	2,219	2,367
+ Other Short Term Liabilities	43	45	42	36	30
Total Long Term Liabilities	**380**	**630**	**687**	**762**	**867**
+ Long Term Borrowings	179	439	449	469	511
+ Other Long Term Borrowings	201	191	239	293	356
Total Liabilities	**5,523**	**4,910**	**5,496**	**6,070**	**6,343**
+ 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	4,942	5,919	7,027
+ Other Equity	17	(50)	17	21	22
Total Shareholders Equity	**5,409**	**6,139**	**7,144**	**8,124**	**9,234**
+ Minority/Non Controlling Int.	279	323	359	395	439
Total Equity	**5,688**	**6,462**	**7,503**	**8,518**	**9,673**
Total Liabilities & Equity	**11,211**	**11,372**	**12,999**	**14,588**	**16,016**
Book Value Per Share (IDR)	**340**	**386**	**449**	**511**	**581**

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	1,250	1,396	1,584
+ Depreciation & Amortization	670	465	346	375	408
+ Other Non-Cash Adjustments	1,570	(1,438)	(605)	(657)	(715)
Cash From Operating Activities	**2,853**	**40**	**991**	**1,114**	**1,277**
+ Disposal of Fixed Assets	1	23	26	28	31
+ Capital Expenditures	(316)	(369)	(316)	(343)	(373)
+ Other Investing Activities	(60)	(188)	(536)	(752)	(486)
Cash From Investing Activities	**(375)**	**(534)**	**(825)**	**(1,067)**	**(828)**
+ Dividends Paid	0	(219)	(313)	(419)	(475)
+ Change in long Term Borr.	(266)	578	260	370	142
+ Change in capital stock	9	0	0	0	0
+ Other Financing Activities	63	(123)	86	100	45
Cash From Financing Activities	**(1,297)**	**236**	**34**	**51**	**(288)**
Net Changes in Cash	**1,180**	**(258)**	**199**	**98**	**162**

Sources: Company, Bloomberg and KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec	2020A	2021A	2022E	2023F	2024F
Valuation Ratios					
Price Earnings*	11.17	9.42	6.36	5.70	5.02
EV to EBIT*	6.56	6.84	7.50	6.73	5.89
EV to EBITDA*	4.06	5.32	5.91	5.36	4.73
Price to Sales*	0.20	0.22	0.17	0.15	0.14
Price to Book*	1.26	1.55	1.11	0.98	0.86
Dividend Yield*	0.6%	2.3%	3.9%	5.3%	6.0%
Profitability Ratios					
Gross Margin	10.00%	11.06%	11.25%	11.45%	11.65%
EBITDA Margin	5.14%	4.83%	3.40%	3.52%	3.67%
Operating Margin	3.18%	3.76%	4.08%	4.21%	4.42%
Profit Margin	1.79%	2.33%	2.60%	2.68%	2.79%
Return on Assets	5.46%	8.90%	9.62%	9.57%	9.89%
Return on Equity	11.31%	16.49%	17.50%	17.18%	17.15%
Leverage & Coverage Ratios					
Current Ratio	1.47	1.55	1.57	1.57	1.66
Quick Ratio	0.83	0.63	0.65	0.66	0.71
Interest Coverage Ratio (EBIT/I)	4.81	8.87	6.67	6.73	6.02
Tot Debt/Capital	0.25	0.19	0.23	0.25	0.27
Tot Debt/Equity	0.42	0.35	0.34	0.33	0.31
Others					
Asset Turnover	3.04	3.82	3.69	3.57	3.54
Accounts Receivable Turnover	33.72	70.52	69.77	68.88	69.42
Accounts Payable Turnover	11.39	17.35	17.20	17.08	18.44
Inventory Turnover	10.47	11.06	10.94	10.80	10.88

**) based on market price (10/06/2022) at Rp500*
***) Estimate*

Sources: Company, Bloomberg and KB Valbury Sekuritas

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