

Erajaya Swasembada Tbk (ERAA)

Menjaga Momentum Pertumbuhan



Company Report | June 30, 2021

BUY

| | |
|---------------------------|------------|
| Target Price (IDR) | 800 |
| Consensus Price (IDR) | 742 |
| TP to Consensus Price | 7.8% |
| vs. Last Price | 18.5% |

Shares data

| | |
|------------------------|---------------|
| Last Price (IDR) | 675 |
| Price Date as of | June 28, 2021 |
| 52 wk Range (Hi/Lo) | 720/243 |
| Free Float (%) | 45.2 |
| Outstanding sh.(mn) | 15,950 |
| Market Cap (IDR bn) | 10,925 |
| Market Cap (USD mn) | 761.76 |
| Avg. Trd Vol - 3M (mn) | 130.75 |
| Avg. Trd Val - 3M (bn) | 76.97 |
| Foreign Ownership | 9.7% |

Consumer Cyclical

Retail Trade

| | |
|-----------|---------|
| Bloomberg | ERAA IJ |
| Reuters | ERAA.JK |

ERAA menutup 1Q21 dengan kinerja yang luar biasa, mempertahankan momentum perusahaan dari tahun lalu. Pertumbuhan pendapatan dan marjin dua digit didorong oleh lonjakan penjualan segmen telepon seluler, yang juga diuntungkan dari sistem *work from home*, *school from home*, dan kebiasaan baru untuk tinggal di rumah yang diperpanjang.

Kinerja Luar Biasa dengan Ekspansi Margin

- ERAA membukukan pendapatan 1Q21 sebesar IDR10,8triliun (+39,0% YoY, -0,9% QoQ), didukung oleh penjualan segmen telepon seluler yang sangat kuat.
- Segmen telepon seluler (c. 80% dari total pendapatan) mencatat IDR8,7 triliun (47,8% YoY), didukung volume penjualan yang lebih tinggi (+9% YoY) dan pertumbuhan ASP yang sangat baik (+35% YoY).
- Berdasarkan segmen penjualan 1Q21, semua segmen tumbuh, kecuali produk operator yang mencatat pertumbuhan negatif.
- ERAA telah membukukan laba bersih IDR278 miliar, mencapai 38% dari estimasi laba bersih FY21 kami. Pencapaian ini diikuti ekspansi YoY margin secara menyeluruh.
- Meskipun kinerja 1Q21 luar biasa, kami masih waspada dengan kinerja 2H karena pemerintah menerapkan PPKM yang lebih ketat. Ini berpotensi mengakibatkan toko ERAA untuk tutup sementara, dan menurunkan jumlah pengunjung ritel.

Pertanda Baik Implementasi IMEI

- Kami melihat implementasi IMEI berjalan dengan baik dan berdampak positif pada penjualan telepon seluler dan kenaikan ASP.
- Oleh karena itu, kami melihat potensi pertumbuhan ASP sekitar 20% p.a., menghasilkan CAGR 13,1% dalam 2 tahun ke depan (FY20-22E), didorong penjualan produk premium seperti Apple.
- Kami memperkirakan margin kotor akan tetap sekitar 9% (9,5%/9,7% di FY21F/FY22F), terdampak penerapan IMEI.
- ERAA menyiapkan belanja modal IDR300 miliar dan menargetkan pembukaan 260-300 gerai baru hingga akhir 2021. Hingga kuartal I/2021, ERAA telah membuka 36 gerai.

Valuasi

- TP kami sebesar IDR800/saham, yang didasarkan pada 17,0x FY21E P/E (sekitar +1SD dari rata-rata 3 tahun), dengan perkiraan ROE yang bertahan pada c.15% dalam beberapa tahun ke depan.
- Terlepas dari hambatan yang mungkin terjadi, kami masih optimis mengingat portofolio yang luas dan era digital yang mendukung
- Risiko Utama: Penerapan PPKM yang lebih ketat, daya beli yang melemah, dan antusiasme yang rendah terhadap peluncuran produk baru

Erajaya Swasembada Tbk | Summary (IDR bn)

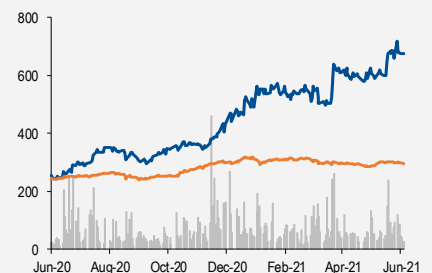
| | 2020 | 2021E | 2022F | 2023F |
|----------------|--------|--------|--------|--------|
| Sales | 34,113 | 41,316 | 45,523 | 51,451 |
| Growth | 3.5% | 21.1% | 10.2% | 13.0% |
| Net Profit | 612 | 725 | 753 | 931 |
| Growth | 107.4% | 18.4% | 3.9% | 23.6% |
| EPS (IDR) | 38 | 45 | 47 | 58 |
| P/E | 11.5x | 17.7x | 17.0x | 13.8x |
| P/BV | 1.2x | 1.9x | 1.8x | 1.6x |
| EV/EBITDA | 5.8x | 9.4x | 7.1x | 6.1x |
| ROE | 11.5% | 11.8% | 11.0% | 12.5% |
| DER | 33.0% | 36.4% | 23.0% | 26.0% |
| Dividend Yield | 0.00% | 6.74% | 6.49% | 8.02% |

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

Share Price Performance



| | YTD | 1M | 3M | 12M |
|-----------|-------|-------|-------|--------|
| Abs. Ret. | 39.5% | 14.4% | 21.4% | 177.8% |
| Rel. Ret. | 42.2% | 12.9% | 25.1% | 156.6% |

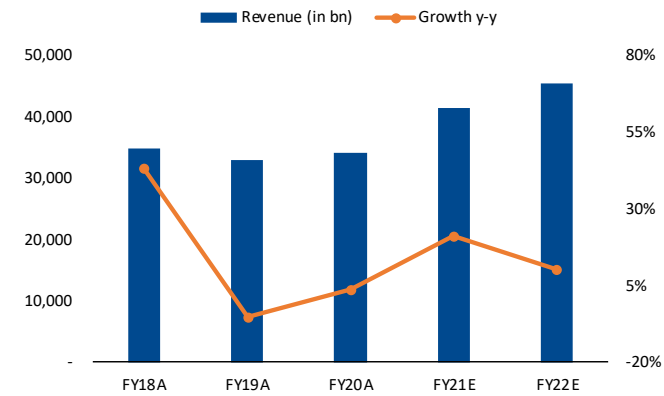
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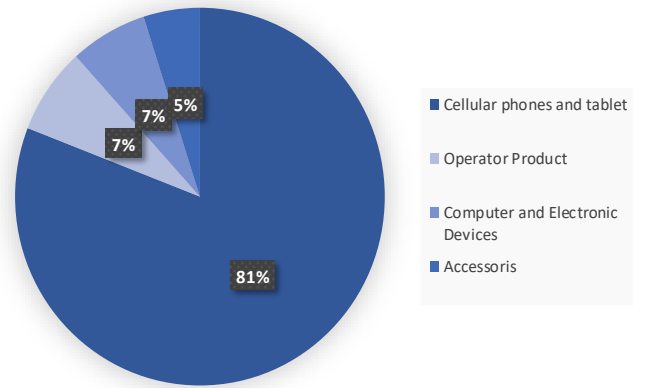
Performance Highlights

ERAA's FY17A—FY22E Revenue



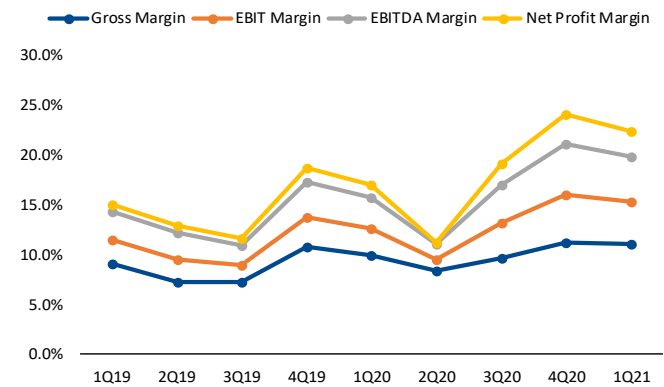
Source: Company, NHKSI Research

ERAA's Revenue Breakdown



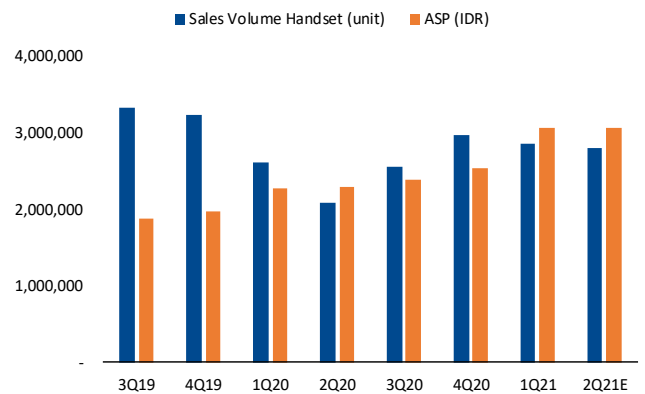
Source: Company, NHKSI Research

ERAA's Margin Ratios



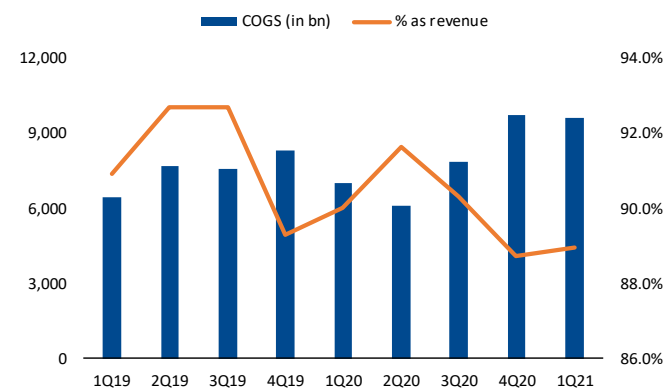
Source: Company, NHKSI Research

ERAA's ASP and Volume Handset



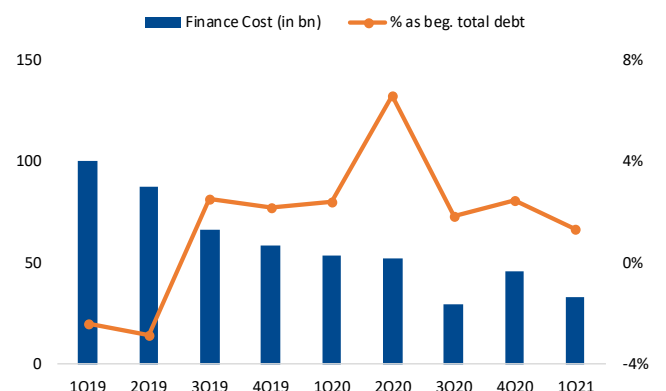
Source: Company, NHKSI Research

ERAA's COGS



Source: Company, NHKSI Research

ERAA's Finance Cost (in Bn)



Source: Bloomberg, NHKSI Research

Company Overview



Didirikan pada 1996, PT Erajaya Swasembada Tbk (ERAA) merupakan distributor dan peritel terbesar perangkat telekomunikasi selular, produk IoT, gadget, aksesoris. ERAA juga menawarkan layanan produk value added services, seperti layanan perlindungan ponsel melalui TecProtec dan layanan pembiayaan ponsel yang bekerjasama dengan perusahaan multifinance. Sampai saat ini, ERAA memiliki pangsa pasar ~35% di Indonesia dengan lebih dari 1.100 gerai, 83 pusat distribusi dan kerja sama dengan ~60.000 reseller pihak ketiga. Sebagai peritel ponsel pintar terbesar, ERAA aktif menggelar acara edukatif mengenai produk-produk gawai sebagai kegiatan promosi seperti iBoxing Week, Gadget Invasion Week, Indocomtech, Pekan Raya Jakarta. Pada 2019, Samsung yang bekerja sama dengan Erajaya Group menggelar Galaxy Land untuk pertama kalinya.

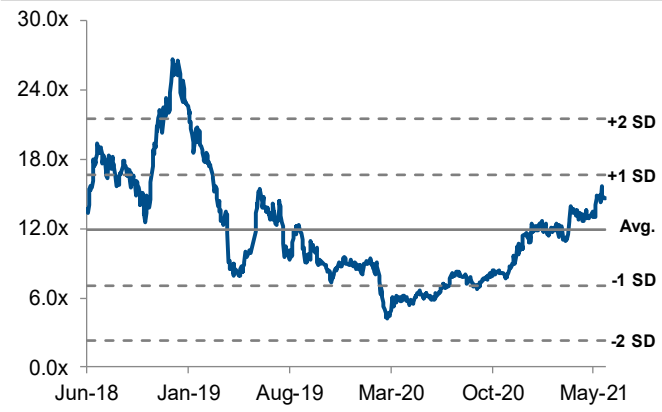
Retail Companies Peers Analysis

| | Market Cap | Total Asset | Sales Growth LTM | Gross Margin LTM | Operating Margin LTM | Net Profit Growth LTM | ROE LTM | P/E LTM | Dividend Yield |
|--------------------|------------|-------------|------------------|------------------|----------------------|-----------------------|---------|---------|----------------|
| Indonesia | | | | | | | | | |
| ERAJAYA SWASEMBADA | 752 | 805 | 3.5% | 10.0% | 3.2% | 124.7% | 14.9% | 14.0x | 2.0% |
| Hong Kong | | | | | | | | | |
| CHINA MOBILE | 128,142 | 264,720 | 3.0% | 90.5% | 14.7% | 1.1% | 9.6% | 7.7x | 6.8% |
| Japan | | | | | | | | | |
| YAMADA DENKI | 4,498 | 11,324 | 8.7% | 29.7% | 5.3% | 110.5% | 8.0% | 8.2x | 3.5% |
| NOJIMA CORP | 1,277 | 3,076 | -0.1% | 30.3% | 6.5% | 232.0% | 45.0% | 2.6x | 1.7% |

Source: Bloomberg, NHKSI research

Valuation Highlight in Charts

Forward P/E band | Last 3 years



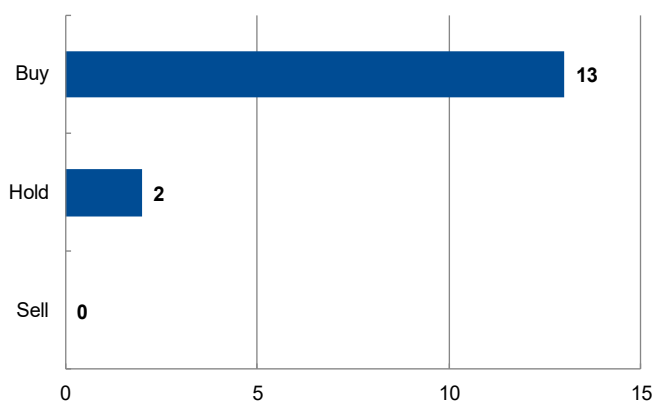
Source: NHKSI research

Dynamic Forward P/E band | Last 3 years



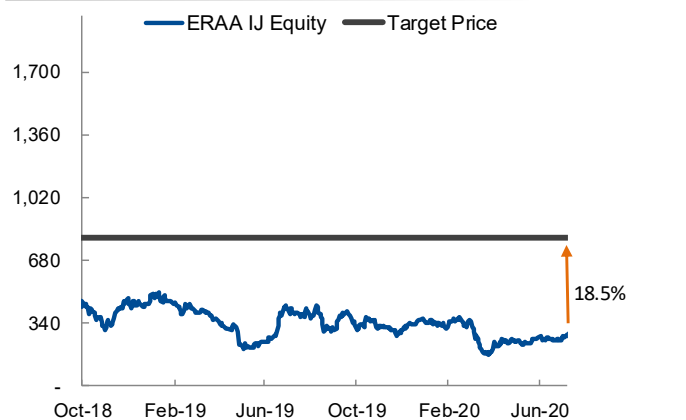
Source: NHKSI research

Recommendations by Analysts



Source: Bloomberg, NHKSI research

Closing and Target Price Update



Source: Bloomberg, NHKSI research

Rating and Target Price Update

Target Price Revision

| Date | Rating | Target Price | Last Price | Consensus | vs Last Price | vs Consensus |
|------------|--------|----------------|------------|-----------|---------------|--------------|
| 2021.06.30 | Buy | IDR800 (12M) | IDR675 | IDR742 | +18.5% | +7.8% |
| 2020.02.17 | Buy | IDR2,000 (12M) | IDR1,620 | IDR1,982 | +23.4% | +0.9% |
| 2020.07.01 | Buy | IDR1,400 (12M) | IDR1,215 | IDR1,200 | +15.2% | +16.6% |

Source: NHKSI research, Bloomberg

Summary of Financials

INCOME STATEMENT

| (IDR bn) | 2020/12A | 2021/12F | 2022/12F | 2023/12F |
|--------------------------|---------------|---------------|---------------|---------------|
| Sales | 34,113 | 41,316 | 45,523 | 51,451 |
| <i>Growth</i> | 3.5% | 21.1% | 10.2% | 13.0% |
| COGS | (30,703) | (37,308) | (41,198) | (46,512) |
| Gross Profit | 3,410 | 4,008 | 4,325 | 4,939 |
| <i>Gross Margin</i> | 10.0% | 9.7% | 9.5% | 9.6% |
| Operating Expenses | (2,552) | (2,848) | (3,092) | (3,521) |
| EBIT | 1,103 | 1,474 | 1,569 | 1,805 |
| <i>EBIT Margin</i> | 3.2% | 3.6% | 3.4% | 3.5% |
| Depreciation | 133 | (8) | 149 | 165 |
| EBITDA | 1,236 | 1,466 | 1,718 | 1,969 |
| Interest Expenses | (191) | (209) | (255) | (179) |
| EBT | 917 | 1,265 | 1,315 | 1,626 |
| Income Tax | (246) | (468) | (488) | (603) |
| Minority Interest | (59) | (73) | (74) | (92) |
| Net Profit | 612 | 725 | 753 | 931 |
| <i>Growth</i> | 107.4% | 18.4% | 3.9% | 23.6% |
| <i>Net Profit Margin</i> | 1.8% | 1.8% | 1.7% | 1.8% |

PROFITABILITY & STABILITY

| | 2020/12A | 2021/12F | 2022/12F | 2023/12F |
|---------------------|----------|----------|----------|----------|
| ROE | 11.5% | 11.8% | 11.0% | 12.5% |
| ROA | 5.8% | 5.9% | 5.6% | 6.3% |
| Inventory Turnover | 8.8x | 8.8x | 8.7x | 9.6x |
| Receivable Turnover | 33.2x | 44.5x | 52.1x | 55.3x |
| Payable Turnover | 17.4x | 16.1x | 16.0x | 15.3x |
| Dividend Yield | 0.00% | 1.23% | 1.18% | 1.46% |
| Payout Ratio | 0% | 25% | 14% | 25% |
| DER | 33.0% | 36.4% | 23.0% | 26.0% |
| Net Gearing | 0.4x | 0.4x | 0.3x | 0.3x |
| Equity Ratio | 50.7% | 49.2% | 52.3% | 48.8% |
| Financial Leverage | 1.96x | 2.00x | 1.97x | 1.98x |
| Current Ratio | 1.47x | 1.41x | 1.47x | 1.40x |
| Quick Ratio | 0.83x | 0.59x | 0.77x | 0.69x |
| Par Value (IDR) | 100 | 100 | 100 | 100 |
| Total Shares (mn) | 15,898 | 15,898 | 15,898 | 15,898 |
| Share Price (IDR) | 440 | 800 | 800 | 800 |
| Market Cap (IDR tn) | 7.0 | 12.7 | 12.7 | 12.7 |

BALANCE SHEET

| (IDR bn) | 2020/12A | 2021/12F | 2022/12F | 2023/12F |
|----------------------------------|---------------|---------------|---------------|---------------|
| Cash | 2,002 | 1,570 | 2,346 | 2,961 |
| Receivables | 1,012 | 845 | 901 | 959 |
| Inventories | 3,259 | 5,233 | 4,248 | 5,436 |
| Total Current Assets | 7,547 | 8,987 | 8,866 | 10,742 |
| Net Fixed Assets | 716 | 664 | 668 | 605 |
| Other Non Current Asset | 2,948 | 3,721 | 4,100 | 4,633 |
| Total Non Current Asset | 3,664 | 4,385 | 4,768 | 5,238 |
| Total Assets | 11,211 | 13,372 | 13,634 | 15,980 |
| Payables | 2,088 | 2,541 | 2,606 | 3,460 |
| ST Bank Loan | 1,879 | 2,392 | 1,641 | 2,029 |
| Total Current Liabilities | 5,143 | 6,384 | 6,022 | 7,650 |
| LT Debt | - | - | - | - |
| Total Liabilities | 5,523 | 6,794 | 6,501 | 8,175 |
| Capital Stock + APIC | 2,189 | 2,189 | 2,189 | 2,189 |
| Retained Earnings | 3,211 | 4,145 | 4,740 | 5,451 |
| Shareholders' Equity | 5,688 | 6,578 | 7,133 | 7,805 |

CASH FLOW STATEMENT

| (IDR bn) | 2020/12A | 2021/12F | 2022/12F | 2023/12F |
|----------------------------|--------------|------------|------------|------------|
| Operating Cash Flow | 2,853 | (218) | 2,188 | 1,073 |
| Investing Cash Flow | (375) | (664) | (511) | (661) |
| Financing Cash Flow | (1,302) | 1,393 | (901) | 202 |
| Net Changes in Cash | 1,176 | 511 | 776 | 615 |

Source: NHKSI research, Bloomberg

VALUATION INDEX

| | 2020/12A | 2021/12F | 2022/12F | 2023/12F |
|------------------------|----------|----------|----------|----------|
| Price/Earnings | 11.5x | 17.7x | 17.0x | 13.8x |
| Price/Book Value | 1.2x | 1.9x | 1.8x | 1.6x |
| PE/EPS Growth | 0.1x | 1.0x | 4.4x | 0.6x |
| EV/EBITDA | 5.8x | 9.4x | 7.1x | 6.1x |
| EV/EBIT | 6.5x | 9.4x | 7.8x | 6.6x |
| EV (IDR bn) | 7,151 | 13,827 | 12,259 | 11,995 |
| Sales CAGR (3-Yr) | - | 7.8% | 10.1% | 7.6% |
| Net Income CAGR (3-Yr) | - | -5.2% | 36.6% | 15.0% |
| Basic EPS (IDR) | 38 | 45 | 47 | 58 |
| BVPS (IDR) | 358 | 414 | 449 | 491 |
| DPS (IDR) | - | 10 | 9 | 12 |

TOP OWNERSHIP

| Shareholders | % |
|--------------------------|------|
| PT Eralink International | 54.5 |
| Dimensional Fund | 1.1 |
| Norges Bank | 1.1 |
| TIAA Cref | 0.8 |
| By Geography | % |
| Indonesia | 90.2 |
| United States | 4.3 |
| Norway | 1.8 |
| Luxembourg | 0.8 |

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1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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