

Erajaya Swasembada Tbk (ERAA)

Average Selling Price Increases

Amid the decline in sales volume and increased ASP in 1Q22, ERAA still booked a good performance that quarter. Sales and net profit each grew 5.8% YoY and 6.1% YoY. Meanwhile, up until March 2022, ERAA successfully opened 53 new stores.

1Q22 Sales and Profit Increased

- Throughout 1Q22, ERAA booked a sales of IDR11.5 trillion (+5.8% YoY). Compared to other segments, Cellular Phones and Tablet as well as Accessories and Others grew 3.6% YoY and 58.9% YoY each, while Operator Product and Computers and Other Electronic Devices declined by 12.7% and 2.8% YoY.
- Geographically, sales in the Central Region (Greater Jakarta, Kalimantan, Singapore, and Malaysia), West Region (Sumatra and Java) grew to IDR7.4 trillion (+26.3% YoY) and IDR3.1 trillion (+1, 8% YoY) while the Eastern Region (excluding the West and Central Region) decreased to IDR917.0 billion (-51.2% YoY).
- Gross profit in 1Q22 went up 6.7% YoY to IDR1.3 trillion (vs 1Q21: IDR1,2 trillion), operating room grew 2.7% YoY to IDR471.7 billion (vs 1Q21: IDR459,3 billion), followed by an increase of 6.1% YoY in net profit to IDR295.1 billion (vs 1Q21: IDR278.2 billion). The increase also boosted 1Q22 margin, such as GPM and NPM which booked an increase to 11.1% and 2.6% while OPM was slightly down to 4.1%.

Intensive Business Expansion

- In all the segments, almost every segment's GPM declined. Cellular Phones and Tablet, Operator Product, and Accessories and Others segments booked a lower income in 1Q22 at 10.0%, 1.9%, and 25.8% (vs 1Q21: 10.3%, 2.5%, and 30.0%), while GPM for Computers and Other Electronic Devices grew to 10.7% (vs 1Q21: 10.3%).
- Meanwhile in 1Q22, sales volume fell 18.4% YoY to 2.3 million units (vs 1Q21: 2.8 million units) although Average Selling Price (ASP) was up 27.0% YoY to IDR3.9 million.
- Until March 2022, ERAA successfully opened 53 new stores. Meanwhile in 2022 ERAA will continue to aggressively expand in the market, with a target to open 500 new stores. Then, to support the plan, ERAA will also collaborate with retail investors through "Erafone Cloud Retail Partner".
- In line with business expansion plans in selling consumer electronic products, ERAA through its subsidiary PT Erafone Artha Retailindo (Erafone) formed a joint venture named PT Era Blue Elektronik with The Gioi Di Dong, which is a subsidiary of Mobile World Investment Corporation in Vietnam.

Recommend BUY with TP IDR640/share

- We recommend BUY for ERAA with a TP of TP IDR640/share (P/E 10.3x or +1 STD) with a potential upside of 26.7%. Meanwhile, main risks to our recommendations are low consumer purchasing power, low enthusiasm towards the launch of new products, changes in consumers shopping habit, and depreciation of Rupiah.

Erajaya Swasembada Tbk | Summary (IDR bn)

	2021A	2022F	2023F	2024F
Sales	43,467	48,024	52,121	56,692
Growth	27.4%	10.5%	-35.2%	45.1%
Net Profit	1,012	1,123	1,370	1,580
Growth	65.4%	10.9%	22.1%	15.3%
EPS (IDR)	63	70	86	99
P/E	9.5x	9.1x	7.5x	6.5x
P/BV	1.5x	1.8x	1.6x	1.4x
EV/EBITDA	6.1x	6.2x	5.1x	3.8x
ROE	16.7%	18.6%	22.9%	22.9%
DER	23.2%	41.3%	32.1%	31.8%
Dividend Yield	2.29%	3.01%	3.46%	3.89%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

BUY

Target Price (IDR)	640
Consensus Price (IDR)	859
TP to Consensus Price	-25.5%
vs. Last Price	+26.7%

Shares data

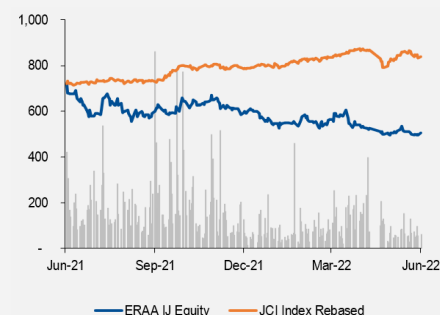
Last Price (IDR)	505
Price Date as of	June 20, 2022
52 wk Range (Hi/Lo)	725/482
Free Float (%)	45.20
Outstanding sh.(mn)	15.95
Market Cap (IDR bn)	8,055
Market Cap (USD mn)	543
Avg. Trd Vol - 3M (mn)	56.18
Avg. Trd Val - 3M (bn)	30.12
Foreign Ownership	10.6%

Consumer Cyclical

Retail Trade

Bloomberg	ERAA IJ
Reuters	ERAA.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-15.8%	0.0%	-10.6%	-29.9%
Rel. Ret.	-20.5%	-0.8%	-10.9%	-46.2%

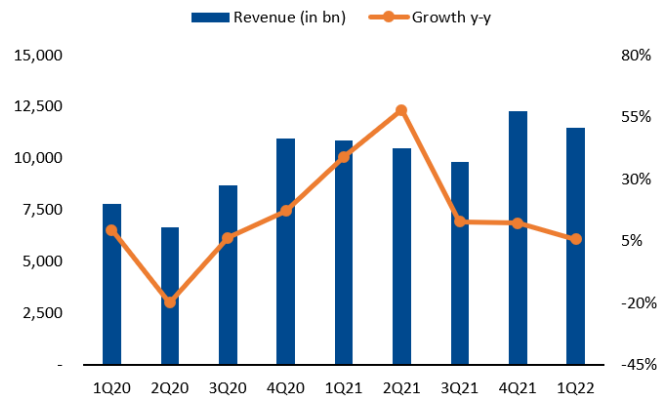
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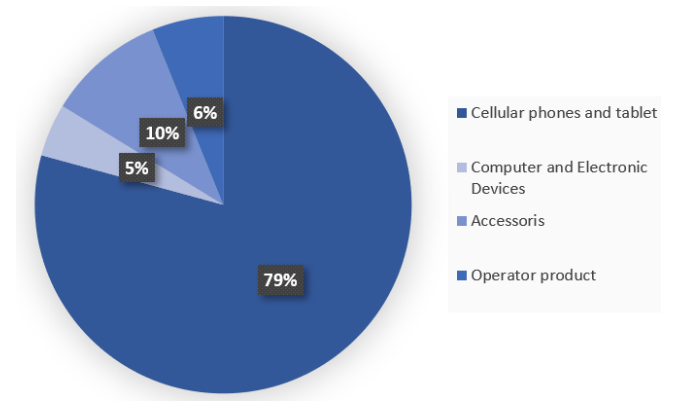
Performance Highlights

ERAA Revenue



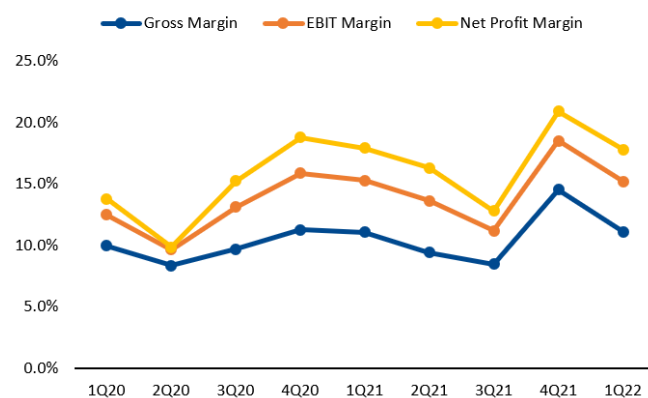
Source: Company, NHKSI Research

ERAA Revenue Breakdown



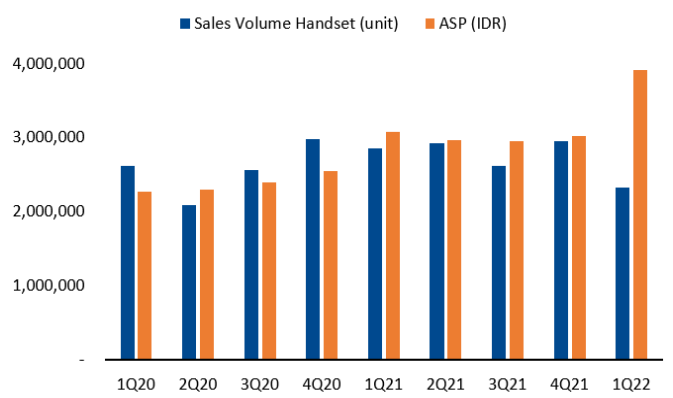
Source: Company, NHKSI Research

ERAA Margin Ratios



Source: Company, NHKSI Research

ERAA ASP and Volume Handset



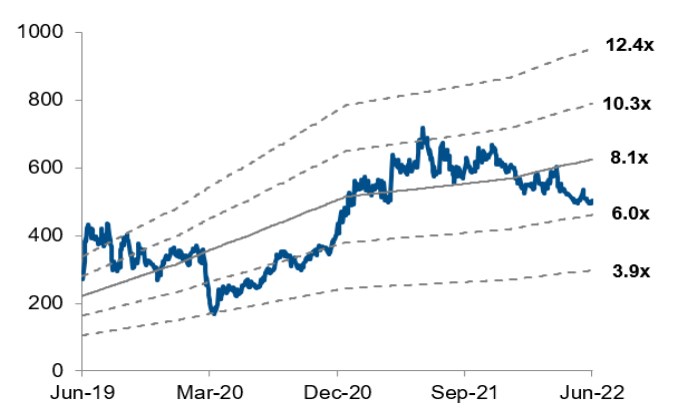
Source: Company, NHKSI Research

Forward P/E band | Last 3 years



Source: Company, NHKSI Research

Dynamic Forward P/E band | Last 3 years



Source: Bloomberg, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F
Sales	43,467	48,024	52,121	56,692
<i>Growth</i>	27.4%	10.5%	-35.2%	45.1%
COGS	(38,661)	(42,714)	(46,358)	(50,424)
Gross Profit	4,806	5,310	5,763	6,268
<i>Gross Margin</i>	11.1%	11.1%	11.1%	11.1%
Operating Expenses	(3,320)	(3,898)	(4,040)	(4,336)
EBIT	1,659	1,719	2,028	2,239
<i>EBIT Margin</i>	3.8%	3.6%	3.9%	3.9%
Depreciation	127	128	216	245
EBITDA	1,786	1,847	2,244	2,484
Interest Expenses	(195)	(193)	(194)	(193)
EBT	1,495	1,547	1,855	2,069
Income Tax	(377)	(312)	(344)	(328)
Minority Interest	(106)	(113)	(140)	(160)
Net Profit	1,012	1,123	1,370	1,580
<i>Growth</i>	65.4%	10.9%	22.1%	15.3%
<i>Net Profit Margin</i>	2.3%	2.3%	2.6%	2.8%

PROFITABILITY & STABILITY

	2021/12A	2022/12F	2023/12F	2024/12F
ROE	16.7%	18.6%	22.9%	22.9%
ROA	9.0%	9.6%	11.1%	11.3%
Inventory Turnover	10.8x	11.4x	11.4x	11.4x
Receivable Turnover	53.4x	66.3x	66.3x	66.3x
Payable Turnover	21.5x	21.3x	21.3x	21.3x
Dividend Yield	2.29%	3.01%	3.46%	3.89%
Payout Ratio	35%	30%	31%	29%
DER	23.2%	41.3%	32.1%	31.8%
Net Gearing	0.3x	0.5x	0.4x	0.4x
Equity Ratio	56.8%	46.9%	50.0%	48.5%
Financial Leverage	1.86x	1.93x	2.06x	2.03x
Current Ratio	1.55x	1.30x	1.42x	1.44x
Quick Ratio	0.63x	0.68x	0.61x	0.86x
Par Value (IDR)	100	100	100	100
Total Shares (mn)	15,950	15,950	15,950	15,950
Share Price (IDR)	600	640	640	640
Market Cap (IDR tn)	9.6	10.2	10.2	10.2

BALANCE SHEET

(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F
Cash	521	1,332	923	3,327
Receivables	616	832	740	970
Inventories	3,932	3,537	4,569	4,248
Total Current Assets	6,624	7,447	8,068	10,425
Net Fixed Assets	852	1,107	899	895
Other Non Current Asset	3,896	3,425	3,717	4,043
Total Non Current Asset	4,748	4,532	4,616	4,938
Total Assets	11,372	11,979	12,684	15,362
Payables	1,514	2,495	1,856	2,877
ST Bank Loan	1,288	2,071	1,804	2,130
Total Current Liabilities	4,279	5,728	5,693	7,218
LT Debt	214	248	231	240
Total Liabilities	4,910	6,364	6,346	7,916
Capital Stock + APIC	2,193	2,193	2,193	2,193
Retained Earnings	4,004	3,138	3,991	5,098
Shareholders' Equity	6,462	5,614	6,338	7,446

VALUATION INDEX

	2021/12A	2022/12F	2023/12F	2024/12F
Price/Earnings	9.5x	9.1x	7.5x	6.5x
Price/Book Value	1.5x	1.8x	1.6x	1.4x
PE/EPS Growth	0.1x	0.8x	0.3x	0.4x
EV/EBITDA	6.1x	6.2x	5.1x	3.8x
EV/EBIT	6.6x	6.7x	5.7x	4.2x
EV (IDR bn)	10,874	11,532	11,528	9,460
Sales CAGR (3-Yr)	9.7%	12.1%	6.2%	5.7%
Net Income CAGR (3-Yr)	6.0%	56.1%	30.8%	16.0%
Basic EPS (IDR)	63	70	86	99
BVPS (IDR)	405	352	397	467
DPS (IDR)	14	19	22	25

CASH FLOW STATEMENT

(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F
Operating Cash Flow	22	1,903	789	3,072
Investing Cash Flow	(516)	116	(562)	(604)
Financing Cash Flow	455	509	(637)	(63)
Net Changes in Cash	(39)	2,528	(409)	2,404

Source: NHKSI research, Bloomberg

TOP OWNERSHIP

Shareholders	%
PT Eralink International	54.5
Dimensional Fund	1.2
Norges Bank	0.8
POWER CORP OF CANADA	0.6
By Geography	%
Indonesia	89.4
United States	3.5
Luxembourg	2.5
Norway	1.3

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

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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