

**BUY | TP : IDR505**
**Stock Price Data**

Last Price	:	IDR404
52wk High	:	IDR545
52wk Low	:	IDR326
Share Out	:	16.0bn
Market Cap	:	IDR6.4tn

**Stock Price Performance**

1-Day	:	+0.0%
1-Week	:	-2.4%
1-Month	:	+2.5%
3-Month	:	-15.1%
Year-to-Date	:	-5.2%

**Shareholders**

PT Eralink International (P)	:	54.5%
Public	:	44.5%
Treasury	:	1.0%

**PT Erajaya Swasembada Tbk (ERAA IJ)**
**Poised to Enjoy Handset Volume Growth**
**1Q24 Performance: NPM Remained Stable**

- ERAA started FY24E on a positive note, with 1Q24 revenue rising by +12.6% YoY to IDR16.6 tn (vs IDR14.8 tn in 1Q23). This is in-line with our/cons. forecast, implying 24.8% and 25.8% of the FY24E target, respectively. Almost all segments contributed to the revenue increase, with the cellular phones and tablet segment growing by +13.4% YoY, while the computer and electronic devices segment rose by +47.8% YoY, and accessories and others advanced by +14.6% YoY.
- 1Q24 net profit climbed by +8.4% YoY to IDR255.3 bn (vs IDR235.5 bn in 1Q23), with PAT increasing by +14.8% YoY. This figure is slightly below our estimates with a run rate of 22.9% (in-line excluding non-controlling interest: 24.6%) of the FY24E target but met consensus estimates (24.0%). The 1Q24 net profit benefited from a lower tax rate. We highlight that the NPM remained stable at 1.5% (vs 1.6% in 1Q23), despite higher OPEX/revenue of 8.3% (vs 7.8% in 1Q23).

**BBK Group and Transsion Holdings Drive Market Surge**

Our expectation of continued volume growth was in-line (kindly check our previous [report](#)). ERAA reported robust handset volume growth of +25.1% YoY in 1Q24, amounting to 2.8 mn units (vs 2.2 mn units in 1Q23). We believe this was driven by brands from the BBK Group (Oppo, Realme, Vivo, etc.) and Transsion Holdings (Infinix, Tecno, etc.). IDC reported that volume shipments for Transsion increased significantly by +279.4% YoY in 1Q24, followed by Xiaomi with +44.4% YoY. Oppo held a 19.9% market share and became the top brand in 1Q24, overtaking Samsung (17.3%).

Since Mar-24, we have seen several brands releasing new handset line-ups at affordable prices, such as the Realme C65, Redmi Note 13 new variant, and Oppo A60. At the mid-level price range, we believe the Infinix GT 20 Pro 5G, Infinix Note 40 Pro 5G, the Vivo V30e 5G, will attract consumer attention due to their price-to-performance offerings ([Exhibit 02](#)). This introduction of mid-level handsets is expected to mitigate ASP decline in the future (-9.4% YoY in 1Q24). Moreover, our channel check on the e-certificate portal by Ditjen SDPPI (Ministry of Communication and Informatics) shows several brands registering their latest handsets, such as the Realme C63 and Vivo Y18 (with an average price of ~IDR2 mn based on various global sources), as well as mid-level handsets like the Oppo A3 Pro 5G and Oppo Reno 12 Pro 5G. Going forward, we believe volume growth will remain steady, supported by the availability of affordable brands catering to weak purchasing power. This will benefit ERAA in sustaining double-digit revenue growth, which we estimate to be +11.8% YoY in FY24E.

**Erablue Strengthening Its Position**

After opening 629 new stores in FY23, ERAA is targeting to add ~200 gross stores in FY24E. Fewer additional stores indicate ERAA is more focused on productivity per store. One interesting aspect that caught our attention is the multi-brand consumer electronic store called Erablue from Erajaya Digital, which has seen massive growth over the past year. We recorded that Erablue had a total of 55 stores in 1Q24, representing a net addition of 50 stores (vs 1Q23: 5 stores). This figure is comparable to the total stores in the Erajaya Lifestyle segment (UR, Garmin, JD Sports), which grew by 50 stores to 129 stores (vs 1Q23: 79 stores).

We observe that Erablue is seizing opportunities arising from the economic development of the population, particularly young families, in the outer Jakarta area. This is driven by the population growth rate in Tangerang City, South Tangerang, Depok, and Bekasi, with a FY20-23 CAGR of +1.2% (vs Jakarta: 0.3%), and the average increase in UMR in FY24 of +3.5% YoY, or +3.8% YoY excluding South Tangerang (vs Jakarta: +3.4% YoY). Management expects Erablue's business operations can reach the break-even point or at least cover OPEX costs by 3Q24. We see this as a cushion for profitability in 4Q24. We conservatively estimate that Erablue's sales will contribute ~2% (~IDR1.2 tn) to ERAA's total turnover in FY24E. Notably, Erablue's NPM rose to -6.9% in 1Q24 from -15.5% in 1Q23, indicating a promising direction towards attaining a positive profit margin.

**Valuation and Recommendation: Maintain BUY with a TP of IDR505/share**

We maintain a **BUY** rating for **ERAA IJ with a TP of IDR505**, implying PE/PBV of 7.2x/0.9x in FY24E. Considering the availability of both current and forthcoming handset brands at affordable price points from BBK Group and Transsion Holdings, we foresee sustained volume growth to accommodate weakened purchasing power. However, potential downsides to our projection include stagnant handset sales volume growth and potential supply chain disruption.

Key Financial Highlight	FY21	FY22	FY23	FY24E	FY25F
Revenue (IDR Bn)	43,467.0	49,471.5	60,139.4	67,249.7	74,553.6
EBITDA (IDR Bn)	1,786.3	1,984.4	2,161.9	2,556.4	2,838.8
Net Income (IDR Bn)	1,012.4	1,012.9	826.0	1,114.7	1,234.1
ROA (%)	8.9	5.9	4.0	4.9	5.1
ROE (%)	15.7	14.1	10.2	12.3	12.4
PE (x)	6.4	6.4	7.8	5.8	5.2
PBV (x)	1.0	0.9	0.8	0.7	0.6
EPS (IDR)	63.5	63.5	51.8	69.9	77.4

Sources : Company, MNCS


**Research Analyst**

Raka Junico W.

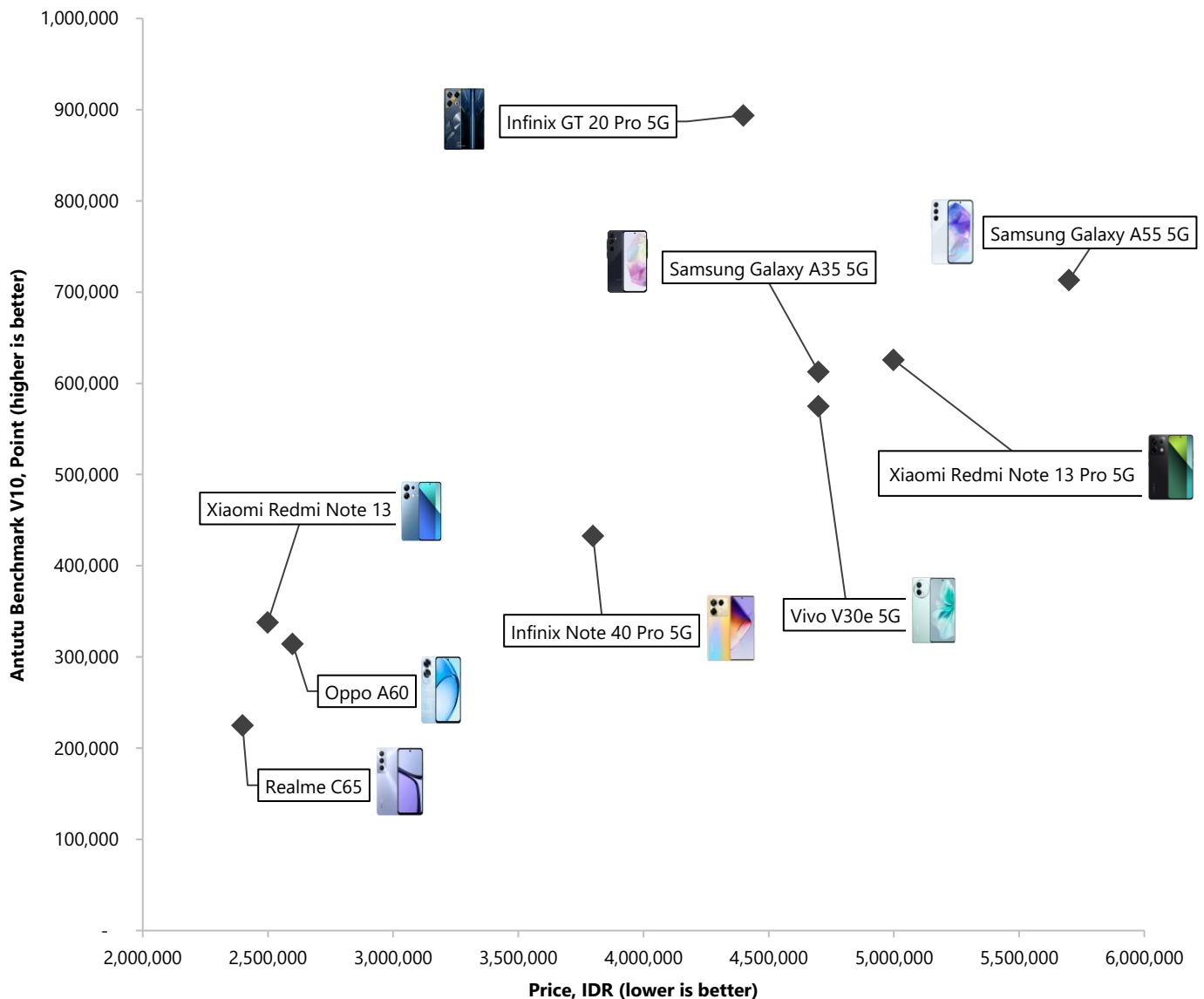
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**Exhibit 01. 1Q24 revenue met our guidance**

IDR Bn	4Q23	1Q24	QoQ	1Q23	1Q24	YoY	FY24E Cons	FY24 MNCS	% Cons	% MNCS
<b>Revenues</b>	<b>17,323.2</b>	<b>16,649.7</b>	<b>-3.9%</b>	<b>14,793.0</b>	<b>16,649.7</b>	<b>12.6%</b>	<b>64,574.0</b>	<b>67,249.7</b>	<b>25.8%</b>	<b>24.8%</b>
COGS	15,358.8	14,812.3	-3.6%	13,209.4	14,812.3	12.1%	57,438.5	60,317.0		
<b>Operating Profit</b>	<b>655.9</b>	<b>528.7</b>	<b>-19.4%</b>	<b>469.3</b>	<b>528.7</b>	<b>12.7%</b>	<b>1,957.2</b>	<b>2,026.7</b>	<b>27.0%</b>	<b>26.1%</b>
Operating Profit Margin	3.8%	3.2%		3.2%	3.2%		3.0%	3.0%		
PBT	482.1	379.8	-21.2%	366.5	379.8	3.6%	1,481.5	1,550.4	25.6%	24.5%
<b>Net Profit</b>	<b>331.2</b>	<b>255.3</b>	<b>-22.9%</b>	<b>235.5</b>	<b>255.3</b>	<b>8.4%</b>	<b>1,062.2</b>	<b>1,114.7</b>	<b>24.0%</b>	<b>22.9%</b>
Net Margin	1.9%	1.5%		1.6%	1.5%		1.6%	1.7%		

Sources : Company, MNCS

**Exhibit 02. Affordable handset prices still offer attractive price-to-performance, which should maintain volume growth**



Sources : Various Source, MNCS

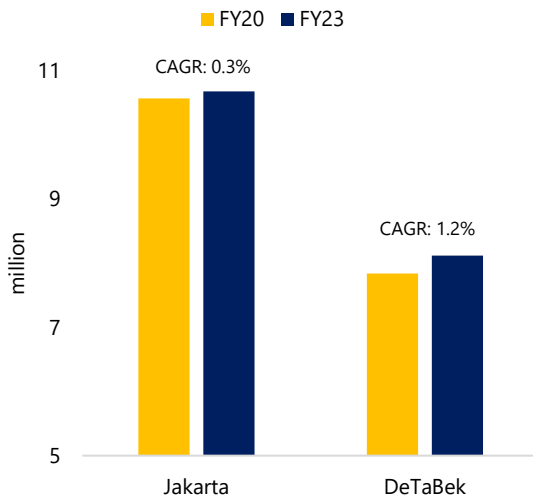
**Exhibit 03. BKK Group and Transsion Holding led volume shipments in 1Q24**

Brand	1Q23 Market Share	1Q24 Market Share	Growth YoY
Oppo	23.30%	19.90%	8.50%
Samsung	24.00%	17.30%	-8.20%
Transsion	5.40%	16.10%	279.40%
Vivo	16.50%	15.80%	21.40%
Xiaomi	13.70%	15.60%	44.40%
Others	17.00%	15.40%	15.40%

Sources : IDC, MNCS

**Exhibit 04. We believe Erablue will seize opportunities through potential population growth and consumer spending on electronic products in outer Jakarta**

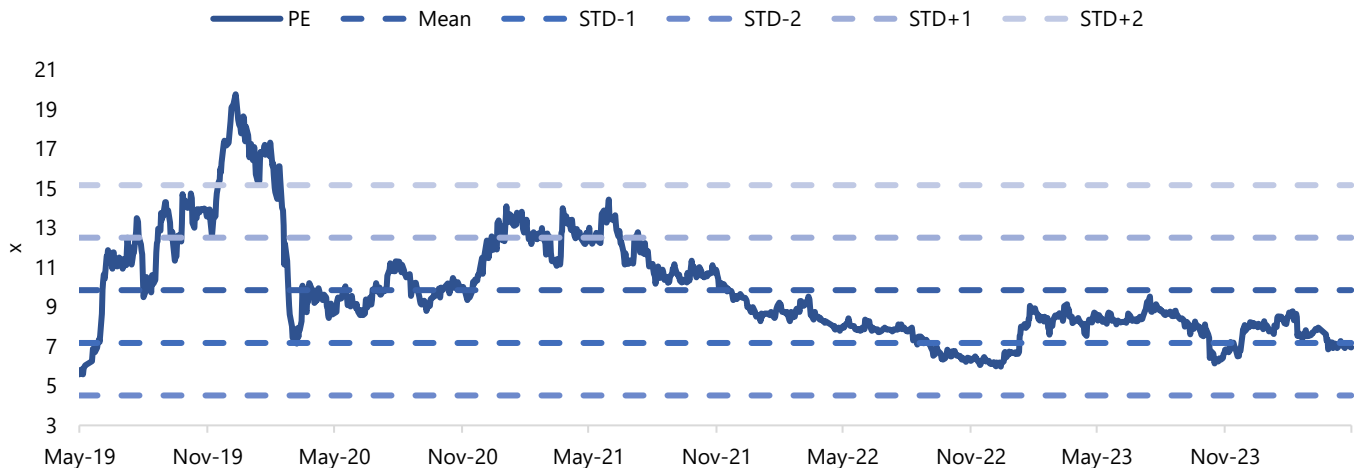
a. Total population



b. Minimum wage growth in FY24

Region	Growth (YoY)
Jakarta	3.4%
Tangerang City	3.8%
South Tangerang City	2.6%
Depok City	3.9%
Bekasi City	3.6%
<b>Avg.</b>	<b>3.5%</b>
<b>Avg. (exclude South Tangerang City)</b>	<b>3.8%</b>

Sources : BPS, Kompas, MNCS

**Exhibit 05. ERAA is currently trading at the level -1x STD PE Ratio (5-mean-average) of 6.9x**


Sources : IDX, Company, MNCS

**Exhibit 06. Financial Projections**

Income Statement						Balance Sheet					
in Billion IDR	FY21	FY22	FY23	FY24E	FY25F	in Billion IDR	FY21	FY22	FY23	FY24E	FY25F
<b>Revenue</b>	<b>43,467.0</b>	<b>49,471.5</b>	<b>60,139.4</b>	<b>67,249.7</b>	<b>74,553.6</b>	Cash & Equivalents	520.7	1,044.2	1,765.7	1,562.9	1,316.5
COGS	(38,661.1)	(44,109.9)	(53,691.6)	(60,317.0)	(66,768.9)	Trade Receivables	616.4	1,054.8	1,364.8	1,681.2	1,760.3
<b>Gross Profit</b>	<b>4,805.9</b>	<b>5,361.5</b>	<b>6,447.8</b>	<b>6,932.7</b>	<b>7,784.7</b>	Inventory	3,931.6	6,064.7	8,046.6	9,215.1	9,829.9
Selling Expense	(2,156.8)	(2,184.1)	(2,669.7)	(3,065.9)	(3,577.6)	Others Current Assets	1,555.6	3,053.4	1,787.4	1,787.4	1,787.4
G&A Expense	(1,162.9)	(1,586.7)	(2,153.1)	(2,093.9)	(2,297.5)	<b>Total Current Assets</b>	<b>6,624.3</b>	<b>11,217.1</b>	<b>12,964.6</b>	<b>14,246.6</b>	<b>14,694.1</b>
Other Income (Expense)	173.2	202.2	220.7	253.7	254.8	Fixed Assets-net	851.9	1,573.1	2,217.1	2,595.7	2,954.3
<b>Operating Income</b>	<b>1,659.4</b>	<b>1,793.0</b>	<b>1,845.6</b>	<b>2,026.6</b>	<b>2,164.4</b>	Other Non-Current Assets	3,896.0	4,268.0	5,265.8	5,888.4	6,527.9
Finance Income (Expense)	(179.9)	(279.7)	(582.9)	(484.0)	(449.7)	<b>Total Non-Current Assets</b>	<b>4,747.9</b>	<b>5,841.1</b>	<b>7,482.9</b>	<b>8,484.0</b>	<b>9,482.2</b>
Other Income (Expense)	<b>15.6</b>	<b>(16.0)</b>	<b>(20.8)</b>	<b>7.7</b>	<b>2.4</b>	<b>TOTAL ASSETS</b>	<b>11,372.2</b>	<b>17,058.2</b>	<b>20,447.5</b>	<b>22,730.7</b>	<b>24,176.3</b>
<b>Profit Before Tax</b>	<b>1,495.1</b>	<b>1,497.3</b>	<b>1,241.8</b>	<b>1,550.2</b>	<b>1,717.1</b>	Trade Payables	1,513.8	2,400.8	3,671.4	4,858.9	5,564.1
Tax Income (Expense)	(377.1)	(420.8)	(385.0)	(435.5)	(483.0)	Short-term Debt	1,729.7	4,220.0	4,875.2	4,826.7	4,538.9
Minority Interest	(105.5)	(63.7)	(30.8)	-	-	Other Current Liabilities	1,035.9	2,400.4	1,783.8	1,994.7	2,211.3
<b>Net Income</b>	<b>1,012.4</b>	<b>1,012.9</b>	<b>826.0</b>	<b>1,114.7</b>	<b>1,234.1</b>	<b>Total Current Liabilities</b>	<b>4,279.5</b>	<b>9,021.2</b>	<b>10,330.3</b>	<b>11,680.3</b>	<b>12,314.3</b>
EPS (IDR)	63.5	63.5	51.8	69.9	77.4	Long-term Debt	439.2	613.2	1,158.7	1,147.2	1,078.7
						Other Long-term Liabilities	191.2	220.9	273.1	305.4	338.6
						<b>Total LT-Liabilities</b>	<b>630.4</b>	<b>834.1</b>	<b>1,431.8</b>	<b>1,452.6</b>	<b>1,417.3</b>
						<b>Total Equity</b>	<b>6,462.4</b>	<b>7,202.9</b>	<b>8,130.8</b>	<b>9,048.8</b>	<b>9,928.4</b>
						<b>TOTAL LIABILITY AND EQUITY</b>	<b>11,372.2</b>	<b>17,058.2</b>	<b>19,892.9</b>	<b>22,181.6</b>	<b>23,659.9</b>
Cash Flow						Ratios					
in Billion IDR	FY21	FY22	FY23	FY24E	FY25F	FY21	FY22	FY23	FY24E	FY25F	
Net Income	1,012.4	1,012.9	826.0	1,114.7	1,234.1	Revenue Growth (%)	27.4	13.8	21.6	11.8	10.9
D&A	126.9	191.4	316.3	529.8	674.4	Operating Profit Growth (%)	50.4	8.1	2.9	9.8	6.8
Changes in WC	(851.4)	(1,684.4)	(1,021.4)	(297.4)	11.4	Net Profit Growth (%)	65.4	0.0	(18.4)	34.9	10.7
Others	(237.5)	(134.0)	621.3	217.8	223.6	Receivable Days (x)	5.1	7.7	8.2	9.0	8.5
<b>Operating CF</b>	<b>50.4</b>	<b>(614.1)</b>	<b>742.2</b>	<b>1,565.0</b>	<b>2,143.4</b>	Inventory Days (x)	36.6	49.5	54.0	55.0	53.0
Capex	(290.8)	(727.4)	(1,022.0)	(908.4)	(1,033.0)	Payable Days (x)	14.1	19.6	24.6	29.0	30.0
Others	(876.2)	(556.6)	(907.9)	(629.5)	(646.5)	DER (x)	0.3	0.7	0.7	0.7	0.6
<b>Investing CF</b>	<b>(1,167.0)</b>	<b>(1,284.1)</b>	<b>(1,929.9)</b>	<b>(1,537.9)</b>	<b>(1,679.5)</b>	Net Gearing Ratio (x)	0.3	0.5	0.5	0.5	0.4
Dividend Paid	(219.4)	(362.3)	(299.9)	(247.8)	(354.5)	Interest Coverage (x)	8.5	6.2	3.1	3.9	4.5
Net Change in Debt	(116.9)	2,664.4	1,755.1	(65.4)	(389.0)	Dividend Yield (%)	4.1	4.0	3.6	3.8	3.8
Equity Fund Raised	48.2	82.2	346.9	63.8	-	P/S (x)	0.1	0.1	0.1	0.1	0.1
Others	(76.7)	37.4	107.1	19.6	33.2	Gross Profit Margin (%)	11.1	10.8	10.7	10.3	10.4
<b>Financing CF</b>	<b>(364.7)</b>	<b>2,421.7</b>	<b>1,909.2</b>	<b>(229.9)</b>	<b>(710.3)</b>	Operating Profit Margin (%)	3.8	3.6	3.1	3.0	2.9
Cash at Beginning	2,002.0	520.7	1,044.2	1,765.7	1,562.9	EBITDA Margin (%)	4.1	4.0	3.6	3.8	3.8
<b>Cash at Ending</b>	<b>520.7</b>	<b>1,044.2</b>	<b>1,765.7</b>	<b>1,562.9</b>	<b>1,316.5</b>	Net Income Margin (%)	2.3	2.0	1.4	1.7	1.7
						BVPS (IDR)	405.2	451.6	509.8	567.3	622.5

Sources : Company, MNCS

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- **OVERWEIGHT** : Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL** : Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT** : Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

### MNC Research Investment Ratings Guidance

- **BUY** : Share price may exceed 10% over the next 12 months
- **HOLD** : Share price may fall within the range of +/- 10% of the next 12 months
  - **SELL** : Share price may fall by more than 10% over the next 12 months
  - **Not Rated** : Stock is not within regular research coverage

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