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KEY HIGHLIGHTS

Update

Erajaya Swasembada (ERAA IJ/BUY/Rp344/Target: Rp440)

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Expect 9% yoy net profit growth in 2024 from improvement in stores' productivity. Upgrade to BUY.

TRADERS' CORNER

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XL Axiata (EXCL IJ): Technical BUY

Merdeka Copper Gold (MDKA IJ): Technical BUY

REGIONAL MARKET

Market	Close	+ / -	Chg (%)
MSCI Indonesia	7,218.2	(35.4)	(0.5)
MSCI Asia-Ex Japan	608.3	(6.4)	(1.1)
KLCI	1,463.4	(1.3)	(0.1)
FSSTI	3,173.8	(6.7)	(0.2)
SET	1,408.3	(8.9)	(0.6)
Hang Seng	17,670.2	(296.4)	(1.7)
Nikkei	32,271.8	(436.7)	(1.4)
Shanghai Comp	3,057.3	(1.1)	(0.0)
Dow Jones	34,152.6	56.7	0.2

Source: Bloomberg

INDONESIA STOCK EXCHANGE

	Level	+ / -	Chg (%)
Index	6,843.8	(35.0)	(0.5)
LQ-45	913.4	(5.4)	(0.6)
Value (US\$m)	1,913.8	1,266.7	195.7

FOREIGN TRADE IN IDX

Net (US\$m)	Buy	Sell	Total (%)
(26.9)	1,529.8	1,556.7	80.6

TOP TRADING TURNOVER

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
Bank Rakyat Indonesia	5,250	1.0	792.9
GoTo Gojek Tokopedia	77	1.3	609.2
Bank Central Asia	8,975	(0.8)	584.2
Bank Mandiri	5,875	(0.8)	417.1
Telkom Indonesia	3,570	(2.2)	346.4

TOP GAINERS

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
Petrindo Jaya Kreasi	6,025	12.6	78.7
Maha Properti	2,730	11.4	1.3
Solusi Tunas Pratama	35,000	2.9	0.0
BFI Finance	1,070	2.9	18.0
Sumber Alfaria	2,890	2.8	58.5

TOP LOSERS

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
Multistrada	2,300	(10.5)	0.1
Bank Sinarmas	875	(6.9)	0.1
Mitra Adiperkasa	1,600	(5.0)	77.4
Medco Energi	1,175	(4.5)	160.4
Bumi Resources Minerals	183	(4.2)	25.0

*ADT: Average daily turnover

COMMODITY TREND

	7 Nov 23 Closing	Chg (%) 1-day	Chg (%) 1-mth
Forex (Rp/US\$)	15,636	0.6	0.1
Crude Oil NYMEX (US\$/bbl)	77.37	(4.3)	(6.5)
Coal Fut Newc (US\$/tonne)	120.10	0.9	n.a.
Nickel 3M LME	18,445	0.0	(0.7)
Tin 3M LME	24,665	0.0	0.1
Gold SPOT (US\$/oz)	1,966	(1.1)	7.3
CPO Fut Msia (MYR/tonne)	3,603	(0.9)	1.2

Source: Bloomberg, UOB Kay Hian

COMPANY UPDATE

Erajaya Swasembada (ERAA IJ)

Expect 9% yoy Net Profit Growth In 2024 From Improvement In Store Productivity

We expect demand from the iPhone 15 to support ERAA's 4Q23 performance. Observations on several offline channels of ERAA (iBox outlets) seem to indicate strong demand for the new iPhone 15, based on Detik news reports (Oct 23). We estimate Apple products (based on cost of purchase) contributed 41% of ERAA's 9M23 sales. Our 2024 net profit growth is 9% yoy, implying a recovery from decreasing net profit in 2023 (-21% yoy). Upgrade to BUY with a target price of Rp440.

WHAT'S NEW

- **Expect higher demand in 4Q23 to improve new stores' productivity.** We expect the launch of the new iPhone 15 series in 4Q23 to support Erajaya Swasembada's (ERAA) 4Q23 performance. We estimate Apple and Samsung products (based on cost of purchase) contribute 41% and 18% of ERAA's 9M23 sales respectively.
- **2024 revenue to jump 14% yoy.** We expect ERAA to continue expanding its Erajaya Digital stores (which sell handsets) in 2024. Our 2024 revenue growth (11% yoy) is higher than that in 2023 (11% yoy) as we expect stores opened in 2023 to perform better in 2024. The company mentioned that new stores typically require some time (around 10 months) before reaching optimum performance.
- **An 8% yoy increase in 2024 ASP from rising mid-range to premium handsets' sales contribution.** We think the mobile handsets offered in ERAA's stores mostly target the mid-range to premium segment. The company booked strong ASP growth of 21% yoy to Rp4.7m per unit in 9M23. Meanwhile, volume growth was moderate (+5% yoy) for the same period. Our 2024 cellular phones' sales growth is 17% yoy, assuming an 8% yoy increase in ASP.
- **Net income to rise 9% yoy in 2024.** This implies a yoy growth recovery from the net profit decrease of 21% yoy in 2023. We assume the better productivity from new stores to improve ERAA's net profit growth going forward. Our net margin is 1.4% in 2024, similar to 1.5% in 2023.

KEY FINANCIALS

Year to 31 Dec (Rpb)	2021	2022	2023F	2024F	2025F
Net turnover	43,467	49,471	55,105	62,967	69,433
EBITDA	1,941	1,988	2,328	2,959	3,504
Operating profit	1,486	1,591	1,618	2,039	2,347
Net profit (rep./act.)	1,012	1,013	803	878	1,095
Net profit (adj.)	1,012	1,013	803	878	1,095
EPS (Rp)	63.5	63.5	50.4	55.0	68.7
PE (x)	5.4	5.4	6.8	6.3	5.0
P/B (x)	0.9	0.8	0.8	0.7	0.6
EV/EBITDA (x)	5.3	5.1	4.4	3.5	2.9
Dividend yield (%)	4.0	6.6	4.8	3.8	4.2
Net margin (%)	2.3	2.0	1.5	1.4	1.6
Net debt/(cash) to equity (%)	26.8	56.2	58.9	60.3	60.8
Interest cover (x)	10.8	7.1	3.7	3.0	3.5
ROE (%)	17.5	15.7	11.5	11.5	13.1
Consensus net profit	-	-	959	1,219	1,269
UOBKH/Consensus (x)	-	-	0.84	0.72	0.86

Source: Erajaya Swasembada, Bloomberg, UOB Kay Hian

BUY

(Upgraded)

Share Price	Rp344
Target Price	Rp440
Upside	27.9%
(Previous TP)	Rp527

COMPANY DESCRIPTION

Erajaya Swasembada mainly distributes and retails cell-phones, is licensed to distribute international brands and operates a chain of retail shops in Indonesia.

STOCK DATA

GICS sector	Information Technology
Bloomberg ticker:	ERAA IJ
Shares issued (m):	15,950.0
Market cap (Rpb):	5,486.8
Market cap (US\$m):	366
3-mth avg daily t'over (US\$m):	2.0

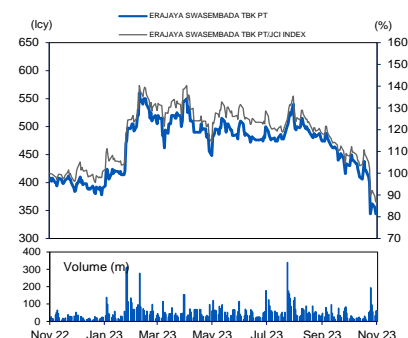
Price Performance (%)

52-week high/low			Rp580/Rp342	
1mth	3mth	6mth	1yr	YTD
(20.4)	(36.3)	(24.6)	(16.9)	(12.2)

Major Shareholders

	%
Eralink International	54.5
FY21 NAV/Share (Rp)	457
FY21 Net Debt/Share (Rp)	269

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Demand for iPhone seems to remain strong in offline channels.** This is based on observations on ERAA's offline channels (iBox outlets), according to news report (Detik) on 20 Oct 2023. iBox is ERAA's reseller for Apple premium products in Indonesia, offering a one-stop Apple digital lifestyle shopping experience. Pre-order for the iPhone 15 is available through offline and online channels.

IPHONE 15 PREORDER'S QUEUE AT ERAA'S IBOX OUTLETS WEST JAKARTA



CENTRAL JAKARTA



Source: Detik, ERAA.

EARNINGS REVISION/RISK

- **Lower net profit by 20% for 2023 and 2024.** This is due to higher-than-expected operating expenses and interest expenses in its 9M23 performance. We also become more conservative as 9M23 net profit still declined by 27% yoy.

NEW AND ORIGINAL FORECASTS

(Rp)	New		Original		Difference (%)	
	2023F	2024F	2023F	2024F	2023F	2024F
Revenue	55,105	62,967	55,942	63,943	-1.5%	-1.5%
Gross Profit	5,861	6,698	5,672	6,555	3.3%	2.2%
Operating Profit	1,618	2,039	1,907	2,143	-15.2%	-4.9%
Net Profit	803	878	1,010	1,092	-20.4%	-19.6%
Margins						
					Difference (bp)	
Gross Margin	10.6%	10.6%	10.1%	10.3%	49.7	38.6
Operating Profit Margin	2.9%	3.2%	3.4%	3.4%	-47.3	-11.4
Net Margin	1.5%	1.4%	1.8%	1.7%	-34.7	-31.4

Sources: UOB Kay Hian,

- **Downside risks:** a) Higher-than-expected debt and/or interest rate, b) lower-than-expected productivity of ERAA's new and/or existing stores, c) weak demand for new iPhone products, and d) depreciation of the rupiah compared to the US dollar.

VALUATION/ RECOMMENDATION

- **Upgrade to BUY with a target price of Rp440,** based on 8.0x 2024F PE applied to net income in 2024, implying 20% discount to ERAA's five-year historical mean. This considers ERAA's declining margin and risk from rising debt. ERAA trades at 6.3x 2024F PE, 6% above -1SD.

IPHONE 15 PREORDER QUEUE AT ERAA' S IBOX OUTLETS CENTRAL JAKARTA



EAST JAKARTA

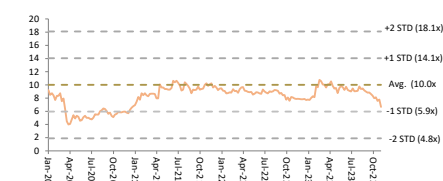


MAKASSAR



Source: Detik, ERAA.

PE BAND



Source: ERAA, Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Net turnover	49,471	55,105	62,967	69,433
EBITDA	1,988	2,328	2,959	3,504
Deprec. & amort.	397	710	921	1,157
EBIT	1,591	1,618	2,039	2,347
Total other non-operating income	202	165	189	208
Associate contributions	(16)	(15)	(8)	2
Net interest income/(expense)	(280)	(632)	(975)	(1,004)
Pre-tax profit	1,497	1,136	1,245	1,553
Tax	(421)	(284)	(311)	(388)
Minorities	(64)	(49)	(56)	(70)
Net profit	1,013	803	878	1,095
Net profit (adj.)	1,013	803	878	1,095

CASH FLOW

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Operating	427	705	827	1,147
Pre-tax profit	1,497	1,136	1,245	1,553
Tax	(421)	(284)	(311)	(388)
Deprec. & amort.	139	209	284	366
Working capital changes	(1,684)	(308)	(334)	(314)
Other operating cashflows	896	(49)	(56)	(70)
Investing	(1,179)	(1,030)	(1,385)	(1,540)
Capex (growth)	(148)	(827)	(882)	(972)
Others	(1,031)	(204)	(504)	(568)
Financing	1,265	1,999	529	247
Dividend payments	(362)	(263)	(209)	(228)
Issue of shares	(0.0)	0.0	0.0	0.0
Proceeds from borrowings	2,664	2,172	474	422
Others/interest paid	(1,037)	91	264	53
Net cash inflow (outflow)	513	1,673	(30)	(147)
Beginning cash & cash equivalent	521	1,044	2,718	2,688
Changes due to forex impact	11	0.0	0.0	0.0
Ending cash & cash equivalent	1,044	2,718	2,688	2,541

BALANCE SHEET

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Fixed assets	1,573	1,478	2,076	2,683
Other LT assets	4,268	5,109	6,010	7,034
Cash/ST investment	1,044	2,718	2,688	2,541
Other current assets	10,173	10,634	11,236	11,756
Total assets	17,058	19,939	22,010	24,014
ST debt	4,220	6,139	6,798	7,316
Other current liabilities	4,801	4,954	5,222	5,428
LT debt	613	867	681	585
Other LT liabilities	221	246	843	1,299
Shareholders' equity	6,742	7,282	7,951	8,818
Minority interest	460	451	515	568
Total liabilities & equity	17,058	19,939	22,010	24,014

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	4.0	4.2	4.7	5.0
Pre-tax margin	3.0	2.1	2.0	2.2
Net margin	2.0	1.5	1.4	1.6
ROA	7.1	4.3	4.2	4.8
ROE	15.7	11.5	11.5	13.1
Growth				
Turnover	13.8	11.4	14.3	26.0
EBITDA	2.4	17.1	27.1	50.5
Pre-tax profit	0.2	(24.1)	9.6	36.7
Net profit	0.0	(20.7)	9.2	36.3
Net profit (adj.)	0.0	(20.7)	9.2	36.3
EPS	0.0	(20.7)	9.2	36.3
Leverage				
Debt to total capital	40.2	47.5	46.9	45.7
Debt to equity	71.7	96.2	94.1	89.6
Net debt/(cash) to equity	56.2	58.9	60.3	60.8
Interest cover (x)	7.1	3.7	3.0	3.5

TRADERS' CORNER



Source: Amibroker

XL Axiata (EXCL IJ)

Technical BUY with 7% potential return

Resistance: Rp2,230, Rp2,270

Support: Rp2,000, Rp1,915

Stop-loss: Rp2,000

Share price closed unchanged and formed a neutral candlestick. The price held well amid broader selling pressure on the JCI. That said, we see improving momentum and expect more rallies ahead and challenge the resistance at Rp2,230 and Rp2,270. Technical indicator RSI is sloping upwards but below its centre line, while the MACD has the potential to form a bullish crossover signal. Buy at Rp2,100 and take profit at Rp2,250.

Approximate timeframe: 2-4 weeks.

Our institutional research has a fundamental HOLD and target price of Rp2,500.



Source: Amibroker

Merdeka Copper Gold (MDKA IJ)

Technical BUY with 6.5% potential return

Resistance: Rp2,670, Rp2,860

Support: Rp2,380, Rp2,210

Stop-loss: Rp2,370

Share price closed unchanged and formed a neutral candlestick. Momentum is looking more positive; hence, we expect more bullish pressure to take place and challenge the resistance at Rp2,670 and Rp2,860. Technical indicator RSI is under its centre line, while the MACD is on a bullish crossover. Buy at Rp2,500 and take profit at Rp2,650.

Approximate timeframe: 2-4 weeks.

Our institutional research has a fundamental HOLD and target price of Rp2,500.

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