Erajaya Swasembada (ERAA IJ)

Continuous Successful Expansion

Highlights

- **Diversification continues.** The higher-margin active lifestyle and accessories businesses now contribute 19% of revenue, up from 12% in 1H24.
- **New retail formats gaining traction.** Erablue and ERAL continued to outperform, with 7M26 SSSG of 15.9% and 7.7%, respectively.
- **Share buyback resumes.** ERAA plans a new Rp500b buyback, potentially repurchasing up to 5% of outstanding shares. Maintain BUY with a target price of Rp800.

Analysis

- **Diversified retail play going beyond smartphones.** Erajaya Swasembada (ERAA), a retail and distribution company, operates three main verticals — Erajaya Digital, Erajaya Active Lifestyle, and Erajaya Food & Nourishment — with more than 2,500 stores regionally, over 30 world-class brands, and 8.4m members. By product, 1H26 revenue contribution was 75.6% from cellular phones & tablets, 5.6% from computers & consumer electronics, 4.1% from active & lifestyle goods, and 14.7% from accessories & others. The company has 1,920 stores domestically and 240 internationally. Its active lifestyle arm, Sinar Eka Selaras (ERAL), listed in Aug 23 and posted 1H26 revenue of Rp3,685b (+41% yoy), contributing around 9% to ERAA's consolidated revenue.
- **Expanding into higher-margin businesses.** ERAA's higher-margin segments – active lifestyle and accessories – lifted their combined revenue contribution to 19% in 1H26 (vs 12%/17% in 1H24/1H25), improving the margin mix: active lifestyle and accessories carried a 20% gross profit margin in 1H26 vs just 9% for cellular phones & tablets and computers & consumer electronics. Active lifestyle (ERAL) spans a broad brand portfolio – including, to name a few, Garmin, Urban Republic, Asics, Anta, XPeng (EV), JD, and Levi's – with 256 stores as of 1H26 and plans to add 50-60 stores per year going forward, alongside a selective 5-6 new brands annually. The company also operates 90 food & nourishment stores, spanning brands such as Paris Baguette, Grand Lucky, Chagee, and Oriental Kopi, among others, and intends to keep diversifying with innovative, high growth potential brands.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net turnover	65,280	76,607	81,269	88,791	97,368
EBITDA	3,257	3,628	3,944	4,576	5,306
Operating profit	2,113	2,232	2,438	2,753	3,116
Net profit (rep./act.)	1,033	1,196	1,381	1,580	1,830
Net profit (adj.)	1,033	1,196	1,381	1,580	1,830
EPS (Rp)	65.4	75.7	87	99	115
PE (x)	9.4	8.1	7.1	6.2	5.4
P/B (x)	1.2	1.0	0.9	0.8	0.7
EV/EBITDA (x)	5.6	5.1	5.0	4.7	3.9
Dividend yield	3.1	3.1	3.2	3.7	4.2
Net margin (%)	1.6	1.6	1.7	1.8	1.9
Net debt/(cash) to equity (%)	52.3	71.4	42.7	43.1	34.1
Interest cover (x)	3.4	3.7	2.9	3.1	3.4
ROE (%)	13.4	13.8	12.4	12.7	13.1
Consensus net profit			1,414	1,589	1,850
UOBKH/Consensus (x)			0.98	0.99	0.99

Source: ERAA, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Rp615
Target Price	Rp800
Upside	+30.1%

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	ERAA IJ
Shares issued (m)	15,950
Market cap (Rpb)	9,889
Market cap (US$m)	555
3-mth avg daily t'over (US$m)	2.9

Price Performance (%)

52-week high/low: Rp645/Rp314

1mth	3mth	6mth	1yr	YTD
30.8	66.7	66.7	40.3	52.0

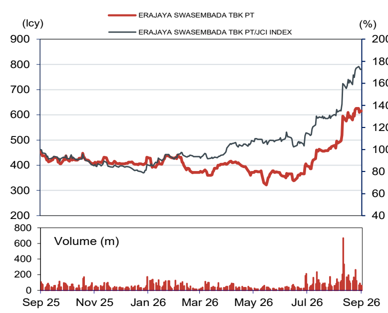
Major Shareholders (%)

Eralink	55.2

Balance Sheet Metrics

FY26 NAV/Share (Rp)	700
FY26 Net Debt/Share (Rp)	299

Price Chart



Source: Bloomberg

Company Description

Erajaya Swasembada is Indonesia's largest handset retailer and distributor, offering products from leading brands such as Apple, Samsung, Xiaomi, Oppo, and Vivo. The company is also expanding their verticals outside of handset retailer business partnering with brands like Xpeng, Chagee, etc.

- **Erajaya Group – 7M26 update.** ERAA posted 7M26 SSSG of +2.2% yoy, with July improving sequentially to -8.6% (from -11.6% in June); management sees August-September staying moderate as consumers defer ahead of new launches in late-3Q/early-4Q26. Erablue continued to outperform (July SSSG +5.4%, 7M26 +15.9%, revenue +89% yoy, now 283 stores). ERAL's 7M26 SSSG was higher at +7.7% yoy (July +2.2%), led by Urban Republic, DJI, and JD Sports.
- **Guidance.** ERAA's 2026 SSSG guidance is maintained at single-digit growth (in line) with Rp1t capex and around 340 new net store additions. Net debt to equity currently stood at 0.5x (1H26) and is comfortable up to 1.0x. Dividend payout ratio stands at up to 30%.
- **Resumes share buyback.** ERAA has just completed its previous Rp100b share buyback, which ran from Jun-Sep 26 and accumulated 236.3m shares, bringing the total shares repurchased under the two 2026 programmes to 601.6m. The company will now launch a new buyback of up to Rp500b from 4 Sep 26 to 4 Dec 26, potentially repurchasing up to 797.5m shares or 5% of outstanding shares. The programme will be funded through internal cash while maintaining sufficient liquidity for operations and expansion.

July Store Data

Total Stores	Jun 26	Opening	Closure	Nett	July 26
Erajaya Digital	1,920	48	12	36	1,956
ERAL	256	7	1	6	262
International Business	240	4	1	3	243
Erajaya Food & Nourishment	90	5	2	3	93
Total	**2,506**	**64**	**16**	**48**	**2,554**

Source: ERAA

Valuation/Recommendation

- **Maintain BUY with a target price of Rp800.** Our target price is based on 7.9x 2027F PE, or +0.5SD to its five-year mean. This reflects ERAA's continued diversification beyond smartphones, supported by higher-margin businesses, strong growth from Erablue and ERAL, and ongoing store expansion.

Earnings Revision/Risk

- **Earnings revision:** None.
- **Downside risks:** a) Weaker-than-expected macroenvironment, and b) unfavourable changes in regulation.

Share Price Catalyst

- Release of flagship products, and b) successful expansion of Erablue.

Levi's Grand Opening

Source: ERAA

XPENG L03 Model

Source: ERAA

iPhone 18 Pro Series

Source: Apple

Erablue Store

Source: ERAA

Profit & loss

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Net turnover	76,607	81,269	88,791	97,368
EBITDA	3,628	3,944	4,576	5,306
Deprec. & amort.	1,396	1,505	1,824	2,191
EBIT	2,232	2,438	2,753	3,116
Total other non-operating income	(378)	325	355	389
Associate contributions		(6)	(6)	(7)
Net interest income/(expense)	0	(788)	(836)	(875)
Pre-tax profit	1,854	1,969	2,266	2,623
Tax	(541)	(492)	(566)	(656)
Minorities	(117)	(96)	(119)	(138)
Net profit	1,196	1,381	1,580	1,830

Balance Sheet

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Fixed assets	4,447	3,844	4,502	5,161
Other LT assets	4,515	8,340	9,732	11,347
Cash/ST investment	2,131	2,642	2,298	3,214
Other current assets	17,763	12,361	13,438	13,893
Total assets	28,857	27,187	29,970	33,614
ST debt	8,366	6,858	7,132	7,418
Other current liabilities	8,790	6,855	7,596	8,854
LT debt	1,033	546	542	560
Other LT liabilities	489	1,768	2,233	2,797
Shareholders' equity	9,142	10,226	11,447	12,866
Minority interest	1,036	934	1,020	1,118
Total liabilities & equity	28,857	27,187	29,970	33,614

Cash flow

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Operating	1,674	2,102	2,015	3,255
Net profit	1,196	1,381	1,580	1830
Other operating cashflows	478	721	435	1,425
Investing	(1,785)	(1,755)	(1,857)	(2,379)
Capex (growth)	(1,125)	(1,129)	(1,130)	(1,528)
ROU	-	-	-	-
Others	(660)	(626)	(727)	(712)
Financing	268	86	226	30
Dividend payments	(268)	(212)	(358)	(424)
Proceeds & repay borrowings	586	413	369	365
Others	(50)	134	215	190
Net cash inflow (outflow)	342	682	284	1025
Beginning cash & cash equivalent	1766	2131	2,275	2,220
Change due to forex impact	23			
Ending cash & cash equivalent	2,131	2,813	2,559	3,245

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin (%)	4.2	4.9	5.2	5.4
Pre-tax margin (%)	2.2	2.4	2.6	2.7
Net margin (%)	1.6	1.7	1.8	1.9
ROA (%)	4.9	5.1	5.3	5.4
ROE (%)	13.1	13.5	13.8	14.2
Growth				
Turnover (%)	16.5	6.9	9.3	9.7
EBITDA (%)	14.4	23.1	16.0	15.9
Pre-tax profit (%)	2.3	2.2	2.4	2.6
Net profit (%)	12.2	15.6	15.0	15.8
Core profit (%)	12.2	15.6	15.0	15.8
Leverage				
Debt to equity (x)	26.5	26.1	24.7	22.8
Net debt/(cash) to equity (x)	71.0	69.3	64.7	59.6
Interest coverage (x)	52.3	45.5	42.7	43.1