

ERAL

PT Sinar Eka Selaras Tbk

Riding the Retail Shift

- Net profit rose 3% YoY to Rp42bn in 1Q25, pressured by rising costs, but revenue grew 25.6% YoY to Rp1.37tn on strong fashion sales.
- Fashion sales surged 10x YoY to Rp225bn (16.4% of total), with 42% margin, while electronics also grew 5x; legacy segments saw margin pressure.
- Opened 10 new stores, bringing total to 68 and lifting SSSG by 5.2% YoY; ESG initiatives included waste audits and community outreach.
- **BUY, TP Rp500 (6.9x 2025F P/E), backed by strong growth outlook; key risks: fashion ramp-up, XPENG execution, macro headwinds.**

Earnings Soft, But Sales Momentum Healthy

PT Sinar Eka Selaras Tbk (ERAL) recorded a 3% YoY net profit increase to Rp42bn in 1Q25, despite margin headwinds and higher operating costs. Gross profit rose 64% YoY to Rp224bn with a gross margin of 16.4%—a solid improvement from last year, but still under internal benchmarks. Operating profit came in at Rp53bn, translating to a 3.8% margin. Bottom-line pressure came from increased opex, losses from the MST Golf joint venture, a higher tax rate (25.6%), and surging interest expenses (+99% YoY). However, top-line remained strong at Rp1.37tn (+25.6% YoY), supported by solid performance in the fashion segment and store rollouts.

Fashion Segment Shows Breakout Potential

ERAL's strategic push into branded fashion and active lifestyle retail is yielding results. Fashion apparel sales reached Rp225bn in 1Q25—more than 10x higher than the same period last year—boosting its share of total revenue to 16.4% (from just 2.0%). The segment delivered a healthy 42% gross margin, though operational productivity is still catching up due to early-stage scaling. Accessories and IoT remained the core revenue driver at 70.8%, but margins compressed due to a shift in transfer pricing mechanisms within the group. Computer and electronics sales also jumped 5x YoY, now contributing 5.5% of revenue—an early sign of effective category diversification.

Network Expansion and ESG Execution in Focus

ERAL expanded its mono-brand footprint with 10 new stores in 1Q25, including JD Sports, Under Armour, Garmin, and Asics. Total outlets reached 68, supporting a 5.2% YoY increase in same-store sales (SSSG). Operational expenses rose 82% YoY, reflecting investment in growth, while net working capital remained healthy at Rp1.15tn. The company maintained low leverage with net debt/equity at 0.21x. On sustainability, ERAL implemented daily waste audits across MST Golf locations (tracking 789 kg), launched #bURbagiRamadhan to distribute 1,000+ healthy meals, and provided employee health check programs—affirming its long-term commitment to ESG.

BUY Recommendation with TP at Rp500

We recommend BUY on ERAL with a target price of Rp500, implying a 6.9x 2025F P/E (average peers: 12.0x), supported by its strong multi-segment retail model spanning accessories, fashion, electronics, and the upcoming automotive segment through XPENG EVs. ERAL's ability to diversify its portfolio and capture shifting consumer trends positions it well for long-term growth, further reinforced by synergies within the Erajaya Group ecosystem and its increasing presence in high-margin branded fashion. While margins remain a near-term challenge—particularly in scaling new categories and managing transfer pricing impacts—the company's robust topline growth, expanding store footprint, and omni-channel strategy underpin its growth trajectory. **Key risks:** slower productivity ramp-up in fashion retail, margin compression in legacy segments, underperformance in XPENG EV sales, and broader macroeconomic pressures on consumer spending.

Key Financial Highlights

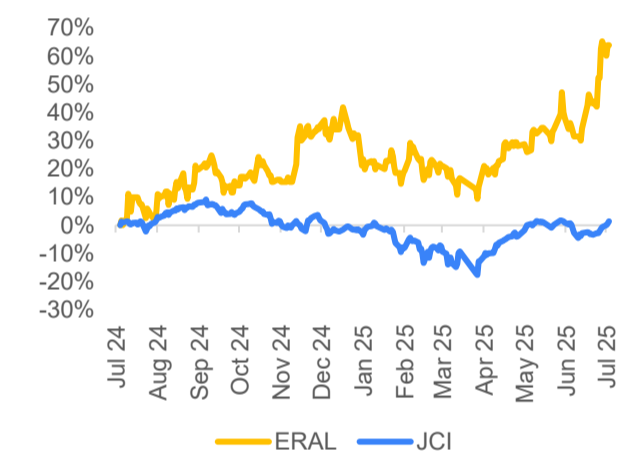
Key Metrics (Rp bn)	2023	2024	2025F	2026F
Revenue	3,730	4,843	7,300	9,700
Net Profit	211	201	320	460
EBITDA	240	272	470	670
Gross Margin (%)	13.7	13.6	16.3	16.5
Net Margin (%)	5.7	4.2	4.3	4.7
ROE (%)	14.4	12.5	16.8	20.1
Dividend Yield (%)	3.4	3.5	3.2	4.7

BUY

Stock Information (as of July 16, 2025)

Last Price (Rp)	386
Target Price (Rp)	500
Potential Upside	29.5%
Market Cap (Rp tn)	2.0
52 Week Range (Rp)	402 - 210
Free Float	20.0%
Share Out. (bn)	5.2
Beta	0.7

Stock Performance Comparison vs JCI



Shareholders

ERAL's Shareholders	%
PT Erajaya Swasembada	80.0
Public	20.0

Company Description

ERAL's Company Profile

PT Sinar Eka Selaras Tbk is an active lifestyle company. The Company provides solutions and services through an active lifestyle product portfolio, across various channels by employing an advanced omni-channel platform. The Company operates through four segments: Accessories, IOT and others, Cellular Phone and Tablets, Computer & Other Electronic Devices, and Fashion Apparel.

Analyst

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Rating for Sectors:

Overweight : We expect the industry to perform better than the primary market index (JCI) over the next 12 months.

Neutral : We expect the industry to perform in line with the primary market index (JCI) over the next 12 months.

Underweight : We expect the industry to underperform the primary market index (JCI) over the next 12 months.

Rating for Stocks:

Buy : The stock is expected to give total return (price appreciation + dividend yield) of > +10% over the next 12 months.

Hold : The stock is expected to give total return of > 0% to ≤ +10% over the next 12 months.

Sell : The stock is expected to give total return of < 0% over the next 12 months.

Outperform : The stock is expected to do slightly better than the market return. Equal to “moderate buy”

Underperform : The stock is expected to do slightly worse than the market return. Equal to “moderate sell”

Analyst Certification:

The lead analyst(s) who prepared this equity research report confirm that the opinions stated herein genuinely represent their personal perspectives regarding all the securities or issuers discussed. Additionally, the analyst(s) assert that their remuneration was not, is not, and will not be tied, either directly or indirectly, to any specific recommendations or viewpoints presented in this report.

PREPARED BY AJAIB RESEARCH TEAM



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