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Flash Focus
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ERAA IJ • Consumer Cyclical

Erajaya Swasembada

Building the Next Leg of Growth

We recently met with ERAA's IR to discuss its 2H26 outlook, with discussions focused on the handset cycle, expansion of its non-Digital businesses and capital allocation.

Soft 3Q26F ahead of premium-led recovery

Management is targeting mid- to high-SD FY26 SSSG, versus 7M26 SSSG of 2.2% and Jul-26 SSSG of -8.6% YoY. The softer run-rate partly reflects a tougher 2H25 base following the delayed iPhone 16 launch in Apr-25, with the typical c.9-month NPI sales window. We expect SSSG to remain soft in 3Q26F as consumers defer purchases ahead of the new iPhone launch, with local availability likely in 4Q26F. The initial launch should skew toward premium models, supporting ERAA's ongoing premiumisation, with 1H26 handset volume up 6% YoY while ASP rose 10%. We therefore expect 4Q26F earnings to benefit initially from higher ASPs, while volume contribution should become more visible in 1Q27F.

Erablue: Replicating DMX's proven playbook

Erablue is applying DMX's proven small-format retail model to Indonesia's highly fragmented ICT market, where small retailers account for c.80% of market share and typically carry only 20–50 SKUs, according to Counterpoint Research. The model is gaining traction, with 7M26 SSSG of 15.9% YoY, revenue growth of 89% YoY, and the store base reaching 300 as of Sep-26 YTD. Erablue targets 500 stores by FY27F and 1,000 by FY30F, with investment requirements of VND3.2–3.5bn/store (assuming VND1/IDR0.68, equivalent to c.IDR2.2–2.4bn/store). With new stores reaching breakeven within c.6 months and average payback shortening to c.15 months, we see improving visibility on profitable expansion. The JV combines DMX's retail operating expertise and store expansion capabilities with ERAA's established distribution infrastructure and partnerships, providing Erablue with immediate access to Indonesia's broad ICT & CE ecosystem.

Buyback makes the current setup more interesting

ERAA linked its latest buyback decision to management's confidence in the company's long-term growth prospects and its view that the current valuation does not fully reflect its future potential. The new programme allows ERAA to repurchase up to 797.5mn shares, or 5% of issued shares, with a max. allocation of IDR500bn, from 4 Sept - 4 Dec-26. This follows 236.3mn shares repurchased under the previous programme, bringing ERAA's existing treasury shares to 601.6mn. Assuming full execution and that all repurchased shares are retained as treasury shares, total treasury shares could rise to c.1.4bn, or c.8.8% of issued shares, implying c.5.5% potential EPS accretion and providing additional support to the share price.

Further re-rating hinges on earnings diversification

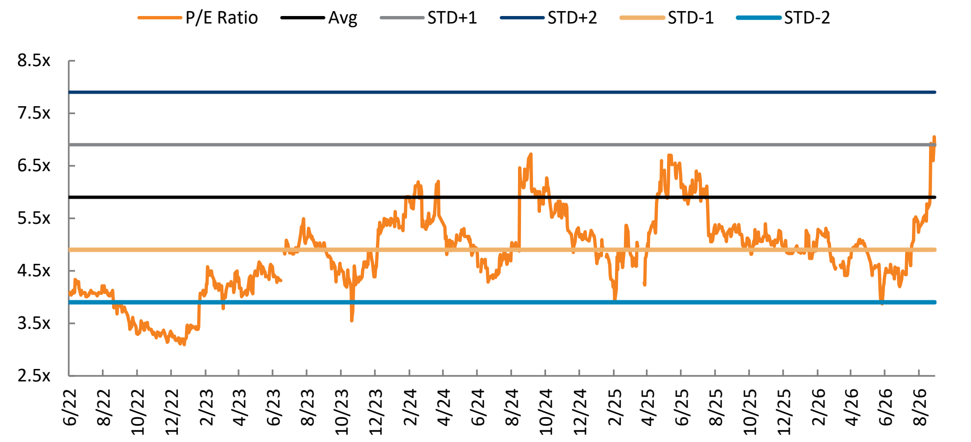
ERAA currently trades at 6.9x P/E, around +1 SD above its 5-year average but less than half the 15.5x regional peer median. While its handset-heavy mix and relatively lower profitability warrant a discount, we see scope for this gap to narrow as Active Lifestyle and Erablue become more meaningful earnings contributors. Erablue's progression toward profitable scale should further improve earnings quality, providing a potential catalyst for further multiple expansion.

Table 1. Regional peer valuation comparison

Company	Market Cap (IDRtr)	P/E	EV/EBITDA	EV/EBIT	P/BV
Erajaya Swasembada	**9.49**	**6.9x**	**5.0x**	**7.0x**	**1.0x**
Com7	36.47	13.6x	10.4x	12.4x	6.4x
Jaymart Group Holdings	7.97	15.5x	10.3x	37.5x	0.8x
Digital China Group	60.73	21.6x	14.5x	31.1x	2.0x
Mobile World Investment	72.83	9.7x	5.8x	7.2x	3.0x
Shanghai Flyco Electrical Appliance	35.12	20.3x	12.4x	14.9x	3.9x
Median (ex-ERAA)	**35.1**	**15.5x**	**10.4x**	**14.9x**	**3.0x**

Source: Bloomberg, Mirae Asset Sekuritas Indonesia Research

Figure 1. ERAA forward P/E Band



Source: Bloomberg, Mirae Asset Sekuritas Indonesia Research

Appendix 1

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