

Monday, 12 March 2018

**BUY**  
**Maintain**

Last price (IDR) 1,300  
Target Price (IDR) 1,450  
Upside/Downside 11.5%  
Previous Target Price (IDR) 1,450

#### Stock Statistics

Sector Retail  
Bloomberg Ticker ACES IJ  
No of Shrs (mn) 17,048  
Mkt. Cap (IDRbn/USDmn) 22,162/1,606  
Avg. daily T/O (IDRbn/USDmn) 13.9/1.0

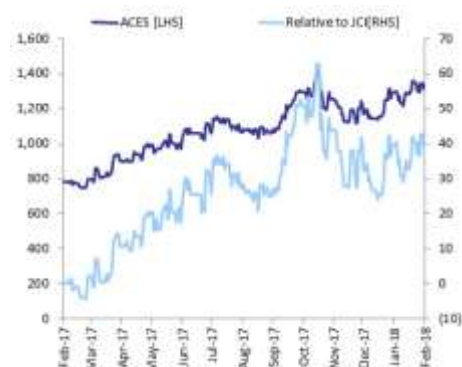
#### Major shareholders (%)

PT Kawan Lama Sejahtera 59.9%  
Estimated free float 39.1%

#### EPS Consensus (IDR)

	2017F	2018F	2019F
Danareksa	46.0	52.8	58.2
Consensus	45.7	51.3	56.9
Danareksa/Cons	0.7	3.0	2.3

#### ACES relative to JCI Index



Source : Bloomberg



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## Ace Hardware Indonesia(ACES IJ)

### Solid Feb-18 performance

**In February 2018, ACES recorded: 1) solid revenues growth of nearly +20.3% yoy (in-line with our expectations) and 2) strong SSSG driven by outer Java areas. Recently, the company opened 1 new store in Bandung Ubertos, West Java, with around 1,800 sqm of retail space. More new store openings can be expected in the coming months. We maintain our BUY call on the company with an unchanged TP of IDR1,450.**

**Solid Feb-18 revenues growth.** ACES recorded robust revenues in Feb-18 of IDR469.0bn, +20.3% yoy and -10.4% mom, leading to IDR992.7bn of revenues in 2M18, +19.7% yoy. This figure is 15.2% of our full year estimate - within expectations. We think the solid growth largely reflects improvements in both the home improvements and lifestyle divisions, especially after importing goods became more difficult since early 2017, thus reducing competition from smaller players.

**Strong Feb-18 SSSG.** The Feb-18 SSSG improved to 13.6% YTD, driven by brisk SSSG in outer Java areas of 22.0% YTD (Feb-17: 3.9%; Jan-18: 14.8%), much better on a yearly and monthly comparison. Meanwhile, the Jakarta SSSG in Feb-18 was strong at 10.9% YTD (Feb-17: 4.8%; Jan-18: 6.7%). The Rest of Java SSSG reached 10.3% YTD (Feb-17: 7.7%; Jan-18: 9.3%).

**Recent new store opening in West Java.** ACES opened 1 new store on March 3, 2018 in Bandung Ubertos, West Java. The store has about 1,800 sqm of retail space. This will lift the total number of ACES stores operating throughout Indonesia to 145. All in all, there are around 10-15 new store openings in the pipeline in 2018. To give an additional boost to sales, ACES will hold 2 boom sales events this year, one in 1H18 and the other in 2H18, as well as an annual year-end sales event in Dec-18. Assuming 14 new store openings, we estimate that revenues will grow by around 13.5% yoy in 2018.

**Maintain BUY with an unchanged TP of IDR1,450.** ACES currently trades at 24.6x P/E 2018, or about +1 std based on the 2012-2017 P/E band. We like the company for its sound profitability and we estimate a relatively stable gross profit margin in 2018 of 47.9%. The company's cash position is also very strong and its inventory days are expected to improve in 2018. The risks to our forecast include: 1) lower-than-expected purchasing power, 2) weakening of the IDR/USD exchange rate as 80% of ACES' goods are imported, and 3) higher inventory days which are already >200 days. Maintain BUY with an unchanged TP of IDR1,450, implying +1.5 std based on the 2012-2017 P/E band.

#### Key Financials

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (IDRbn)	4,743	4,936	5,769	6,546	7,209
EBITDA (IDRbn)	759	795	973	1,119	1,236
EBITDA Growth (%)	2.4	4.7	22.4	15.0	10.4
Net profit (IDRbn)	588	713	783	900	992
EPS (IDR)	34.5	41.9	46.0	52.8	58.2
EPS growth (%)	5.1	21.3	9.8	14.9	10.2
BVPS (IDR)	154.2	179.1	185.4	194.4	202.2
DPS (IDR)	15.6	16.7	39.8	43.9	50.4
PER (x)	38.1	31.4	28.6	24.9	22.6
PBV (x)	8.5	7.3	7.1	6.8	6.5
Dividend yield (%)	1.2	1.3	3.0	3.3	3.8
EV/EBITDA (x)	28.7	27.3	22.2	19.3	17.4

Source : ACES, Danareksa Estimates

**Exhibit 1. Revenues and Growth**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**



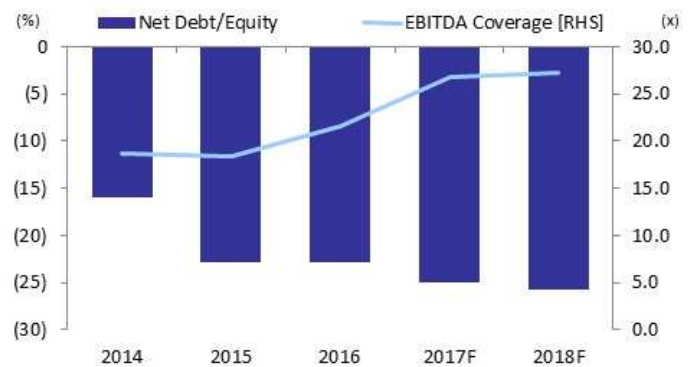
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. Margins**



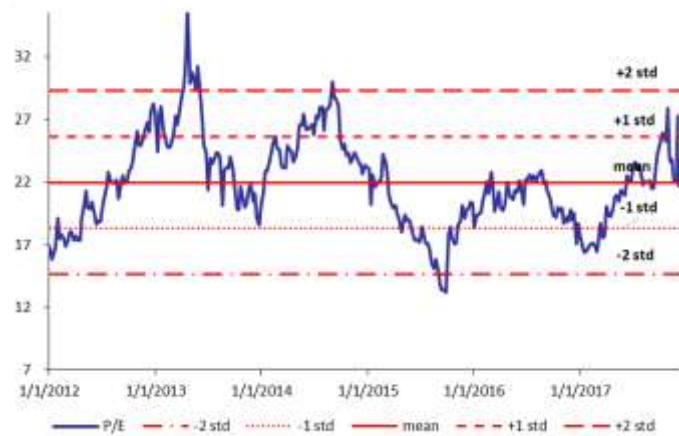
Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**



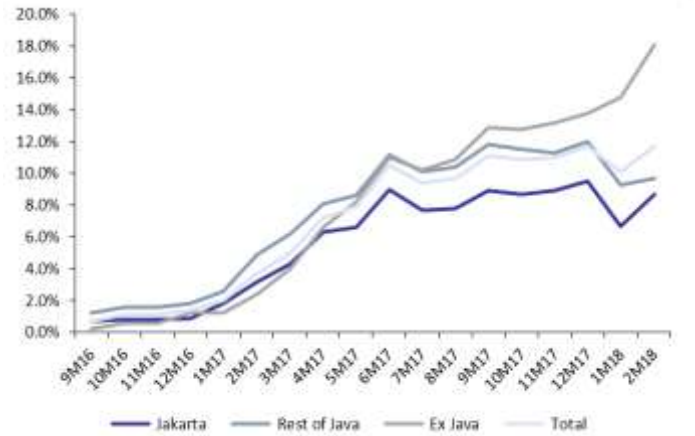
Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. P/E Band 2012-2017**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 6. Feb-18 SSSG YTD**



Source: Company, Danareksa Sekuritas estimates

### Exhibit 7. Income Statement

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
<b>Revenue</b>	<b>4,743</b>	<b>4,936</b>	<b>5,769</b>	<b>6,546</b>	<b>7,209</b>
COGS	(2,489)	(2,584)	(3,006)	(3,410)	(3,756)
<b>Gross profit</b>	<b>2,254</b>	<b>2,352</b>	<b>2,763</b>	<b>3,135</b>	<b>3,453</b>
<b>EBITDA</b>	<b>759</b>	<b>795</b>	<b>973</b>	<b>1,119</b>	<b>1,236</b>
<b>Oper. profit</b>	<b>677</b>	<b>730</b>	<b>896</b>	<b>1,030</b>	<b>1,135</b>
Interest income	9	22	21	24	26
Interest expense	(41)	(37)	(36)	(41)	(44)
Forex Gain/(Loss)	16	4	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	75	147	100	113	124
<b>Pre-tax profit</b>	<b>737</b>	<b>866</b>	<b>980</b>	<b>1,126</b>	<b>1,241</b>
Income tax	(152)	(157)	(202)	(232)	(256)
Minority interest	3	4	5	6	6
<b>Net profit</b>	<b>588</b>	<b>713</b>	<b>783</b>	<b>900</b>	<b>992</b>
<b>Core Net Profit</b>	<b>572</b>	<b>709</b>	<b>783</b>	<b>900</b>	<b>992</b>

### Exhibit 8. Balance Sheet

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Cash & cash equivalent	622	704	797	857	952
Receivables	16	28	13	23	13
Inventory	1,522	1,590	1,704	1,716	1,783
Other Curr. Asset	307	500	505	510	515
Fixed assets - Net	457	589	590	655	721
Other non-curr.asset	343	320	322	325	328
<b>Total asset</b>	<b>3,268</b>	<b>3,731</b>	<b>3,931</b>	<b>4,087</b>	<b>4,311</b>
ST Debt	22	5	5	5	5
Payables	127	108	189	185	268
Other Curr. Liabilities	262	276	280	284	288
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	226	294	297	300	303
<b>Total Liabilities</b>	<b>639</b>	<b>682</b>	<b>771</b>	<b>774</b>	<b>864</b>
Shareholder's Funds	2,628	3,054	3,160	3,313	3,447
Minority interests	1	(5)	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>3,268</b>	<b>3,731</b>	<b>3,931</b>	<b>4,087</b>	<b>4,311</b>

### Exhibit 9. Cash Flow

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Net income	588	713	783	900	992
Depreciation and Amort.	82	65	77	89	101
Change in Working Capital	(203)	(100)	(17)	(26)	27
Other Oper. Cash Flow	198	(103)	145	64	55
<b>Operating Cash Flow</b>	<b>666</b>	<b>576</b>	<b>988</b>	<b>1,027</b>	<b>1,174</b>
Capex	(71)	(190)	(201)	(201)	(201)
Others Inv. Cash Flow	(19)	26	20	23	24
<b>Investing Cash Flow</b>	<b>(90)</b>	<b>(165)</b>	<b>(182)</b>	<b>(179)</b>	<b>(177)</b>
Net change in debt	3	(17)	0	0	0
New Capital	0	0	0	0	0
Dividend payment	(266)	(285)	(678)	(748)	(859)
Other Fin. Cash Flow	(83)	(24)	(35)	(40)	(43)
<b>Financing Cash Flow</b>	<b>(346)</b>	<b>(326)</b>	<b>(713)</b>	<b>(788)</b>	<b>(902)</b>
<b>Net Change in Cash</b>	<b>231</b>	<b>85</b>	<b>93</b>	<b>60</b>	<b>95</b>
Cash - begin of the year	391	622	704	797	857
Cash - end of the year	622	704	797	857	952

### Exhibit 10. Key Ratios

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
<b>Growth (%)</b>					
Sales	4.4	4.1	16.9	13.5	10.1
EBITDA	2.4	4.7	22.4	15.0	10.4
Operating profit	2.2	7.8	22.7	15.0	10.2
Net profit	4.4	21.3	9.8	14.9	10.2
<b>Profitability (%)</b>					
Gross margin	47.5	47.6	47.9	47.9	47.9
EBITDA margin	16.0	16.1	16.9	17.1	17.1
Operating margin	14.3	14.8	15.5	15.7	15.7
Net margin	12.4	14.5	13.6	13.7	13.8
ROAA	18.9	20.4	20.5	22.4	23.6
ROAE	23.8	25.1	25.2	27.8	29.3
<b>Leverage</b>					
Net Gearing (x)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
Interest Coverage (x)	16.3	19.9	24.7	25.0	25.6

Source : ACES, Danareksa Estimates

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