

Thursday, 13 February 2020

HOLD
Maintain

Last price (IDR) 1,585
Target Price (IDR) 1,550
Upside/Downside -2.2%
Previous Target Price (IDR) 1,550

Stock Statistics

Sector Retail
Bloomberg Ticker ACES IJ
No of Shrs (mn) 17,150
Mkt. Cap (IDRbn/USDmn) 27,183/1,988
Avg. daily T/O (IDRbn/USDmn) 41.6/3.0

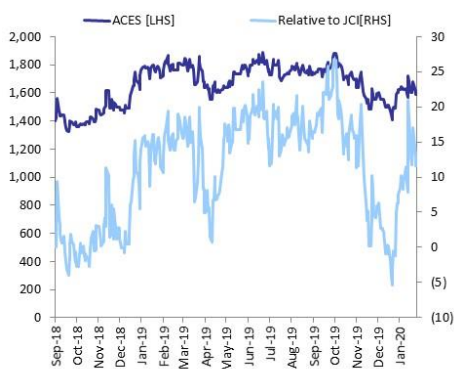
Major shareholders (%)

PT Kawan Lama Sejahtera 60.0
Estimated Free Float 40.0

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	61.0	66.0	71.8
Consensus	61.3	67.9	76.0
Danareksa/Cons	(0.4)	(2.8)	(5.5)

ACES relative to JCI Index



Source : Bloomberg



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Ace Hardware Indonesia (ACES IJ)

Uptick from New Year's Flooding and CNY

ACES' YTD SSSG ticked up as reflected in Jan 20's sales of IDR709.6bn, achieving 7.7% of our 2020 sales forecast, i.e. in-line. The yoy growth hit double digits again at 10.7% yoy mainly driven by the impact from the flooding in the Greater Jakarta area in the 1st week of January 2020 plus Chinese New Year moving to Jan 20 as opposed to Feb 19. SSSG was 5.4% in Jan 20, up from 1.1% in Dec19, driven by Jakarta SSSG at 6.1%, while the other areas which booked growth of +5% tracked the same growth trajectory as 2019's SSSG of 5.5%. We maintain our HOLD call as the performance is in-line with our expectation that performance will continue to taper in 2020, and the valuation is fair at this juncture.

Robust Jan20 SSSG may continue. SSSG increased significantly from 1.1% in Dec19 to 5.4% in 1M20. We suspect this was due to Chinese New Year sales which fell in January rather than in Feb last year. More high value items were sold in stores especially in the Greater Jakarta area as the capital was struck by flooding in the 1st week of January 2020. Jan 20's SSSG marked the continuation of last year's 2019 SSSG of 5.5%, while Feb 20's performance will also be lifted by the impact of the Corona Virus Outbreak which surfaced in late January 2020 till the present date pushing sales of N-95 masks.

More promotions to celebrate festivities. Promotions kicked off with Year End Sales spanning to 7th Jan 2020, which coincided with the flooding in Jakarta; thus the discounts could be fully utilized by shoppers. This was followed by its Silver Year anniversary from 8th Jan to 4th Feb and followed up by Ace 25 year Beyond Helpful stretching to 3rd March 2020. The anniversary promotions encompassed a vast array of SKUs, comparable to the Ace Boom Sale (from March to April), and they will generate more footfall to ACES stores. We believe this shall mean that monthly SSSG might be lifted and sustained at north-of-5% through-out 1Q20.

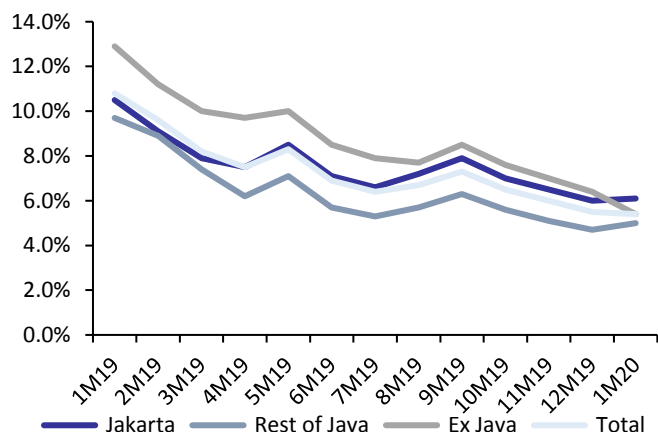
Maintain HOLD, TP of IDR1,550. We maintain our HOLD call on the company as we still see the monthly result is in-line with our forecast and, while we still foresee normalization of this year's SSSG, we feel ACES is now fairly valued. ACES is trading at 24.0x 2020 PE or slightly above its 5 years forward earnings mean. The risks to our call are better-than-expected SSSG and margins improvements, rupiah appreciation, and a significant improvement in purchasing power.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	5,938	7,240	8,335	9,209	10,110
EBITDA (IDRbn)	944	1,168	1,287	1,403	1,528
EBITDA Growth (%)	17.8	23.7	10.2	9.0	8.9
Net profit (IDRbn)	778	965	1,047	1,132	1,231
EPS (IDR)	45.3	56.3	61.0	66.0	71.8
EPS growth (%)	9.4	24.1	8.5	8.1	8.8
BVPS (IDR)	204.8	246.4	276.8	309.8	345.6
DPS (IDR)	16.4	22.7	30.6	33.0	35.9
PER (x)	35.0	28.2	26.0	24.0	22.1
PBV (x)	7.7	6.4	5.7	5.1	4.6
Dividend yield (%)	1.0	1.4	1.9	2.1	2.3
EV/EBITDA (x)	27.8	22.7	20.2	18.3	16.6

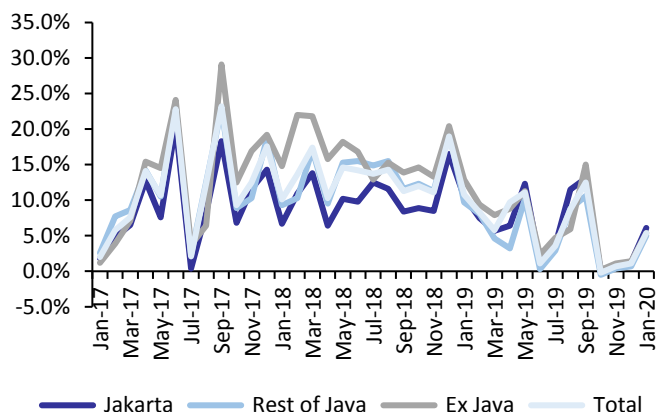
Source : ACES, Danareksa Estimates

Exhibit 1. 11M18-11M19 YTD SSSG



Source: Company, Danareksa Sekuritas

Exhibit 2. SSSG per region



Source: Company, Danareksa Sekuritas

Exhibit 3. December 2019 to 1st week of March 2020 Promotions Campaign

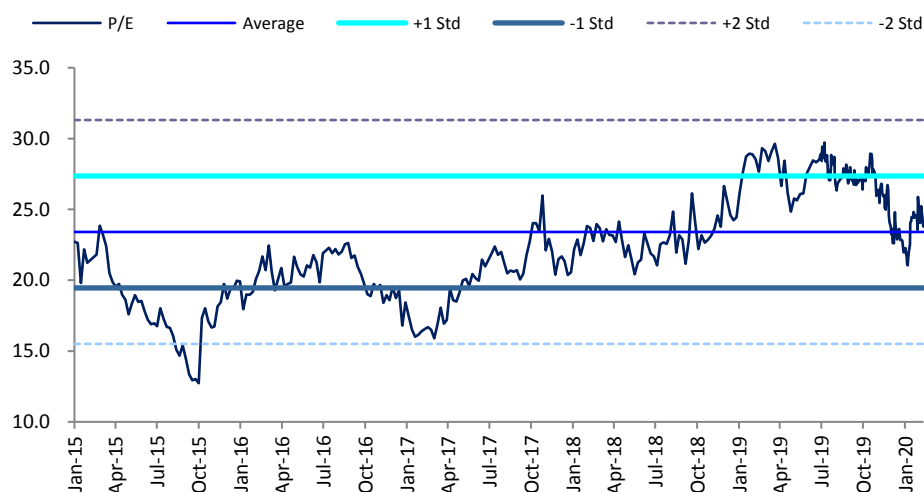
ACE Year End Sale
26 Dec 2019 – 7 Jan 2020

ACE 25 Years Anniversary
8 Jan 2020 – 4 Feb 2020

ACE 25 Year Beyond Helpful
5 Feb - 3 March 2020

Source: Company, Danareksa Sekuritas

Exhibit 4. ACES' 4-year forward PE band 2014-2020



Source: Company, Danareksa Sekuritas

Exhibit 5. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	5,938	7,240	8,335	9,209	10,110
COGS	(3,104)	(3,797)	(4,390)	(4,839)	(5,297)
Gross profit	2,834	3,443	3,946	4,369	4,813
EBITDA	944	1,168	1,287	1,403	1,528
Oper. profit	869	1,073	1,182	1,284	1,395
Interest income	33	29	27	29	35
Interest expense	(38)	(47)	(56)	(62)	(67)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	(3)	(4)	(6)	(9)	(9)
Other Income (Expenses)	99	152	160	172	184
Pre-tax profit	960	1,203	1,308	1,415	1,538
Income tax	(179)	(226)	(247)	(268)	(291)
Minority interest	(3)	(12)	(14)	(15)	(16)
Net profit	778	965	1,047	1,132	1,231
Core Net Profit	778	965	1,047	1,132	1,231

Exhibit 6. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	902	799	1,115	1,444	1,852
Receivables	90	37	42	47	28
Inventory	1,849	2,520	2,526	2,718	2,903
Other Curr. Asset	517	741	762	803	841
Fixed assets - Net	705	801	918	1,033	1,144
Other non-curr.asset	365	424	445	472	500
Total asset	4,429	5,321	5,807	6,518	7,267
ST Debt	0	115	0	0	0
Payables	169	198	229	269	294
Other Curr. Liabilities	309	318	367	407	448
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	440	455	440	491	543
Total Liabilities	918	1,086	1,036	1,166	1,285
Shareholder's Funds	3,513	4,225	4,748	5,313	5,927
Minority interests	(2)	10	24	39	55
Total Equity & Liabilities	4,429	5,321	5,807	6,518	7,267

Exhibit 7. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	778	965	1,047	1,132	1,231
Depreciation and Amort.	75	95	106	119	133
Change in Working Capital	(260)	(588)	20	(157)	(141)
Other Oper. Cash Flow	126	(230)	35	70	76
Operating Cash Flow	719	242	1,207	1,164	1,300
Capex	(192)	(191)	(222)	(235)	(243)
Others Inv. Cash Flow	33	29	27	29	35
Investing Cash Flow	(159)	(162)	(195)	(206)	(208)
Net change in debt	(5)	115	(115)	0	0
New Capital	(38)	138	0	0	0
Dividend payment	(281)	(389)	(524)	(567)	(616)
Other Fin. Cash Flow	(38)	(47)	(56)	(62)	(67)
Financing Cash Flow	(362)	(183)	(695)	(628)	(684)
Net Change in Cash	198	(104)	316	329	408
Cash - begin of the year	704	902	799	1,115	1,444
Cash - end of the year	902	799	1,115	1,444	1,852

Exhibit 8. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	20.3	21.9	15.1	10.5	9.8
EBITDA	17.8	23.7	10.2	9.0	8.9
Operating profit	19.1	23.4	10.2	8.6	8.7
Net profit	9.4	24.1	8.5	8.1	8.8
Profitability (%)					
Gross margin	47.7	47.6	47.3	47.4	47.6
EBITDA margin	15.9	16.1	15.4	15.2	15.1
Operating margin	14.6	14.8	14.2	13.9	13.8
Net margin	13.1	13.3	12.6	12.3	12.2
ROAA	19.1	19.8	18.8	18.4	17.9
ROAE	23.7	24.9	23.3	22.5	21.9
Leverage					
Net Gearing (x)	(0.3)	(0.2)	(0.2)	(0.3)	(0.3)
Interest Coverage (x)	22.8	22.9	21.0	20.9	20.7

Source : ACES, Danareksa Estimates

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