

Monday, 29 June 2020

SELL
Maintain

Last price (IDR) 1,485
Target Price (IDR) 1,150
Upside/Downside -22.6%
Previous Target Price (IDR) 1,150

Stock Statistics

Sector Retail
Bloomberg Ticker ACES II
No of Shrs (mn) 17,150
Mkt. Cap (IDRbn/USDmn) 25,468/1,788
Avg. daily T/O (IDRbn/USDmn) 25.3/1.8

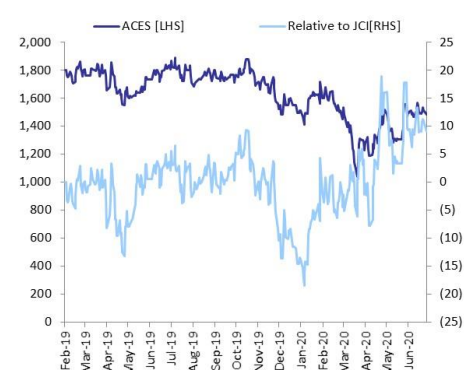
Major shareholders (%)

PT Kawan Lama Sejahtera 60.0
Estimated Free Float 40.0

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	60.1	51.8	66.3
Consensus	60.1	51.6	64.6
Danareksa/Cons	0.0	0.3	2.6

ACES relative to JCI Index



Source : Bloomberg



Andreas Kenny

(62-21) 5091 4100 ext 3509

andreas.kenny@danareksa.co.id

Ace Hardware Indonesia(ACES II)

Slightly Above 1Q20 Results

ACES' 1Q20 earnings of IDR245.7bn (+4.1% yoy and -18.9% QoQ) are 27.7% of our FY2020 estimate and 27.5% of the consensus, i.e. above. SSSG was still positive in 1Q20 at 2.5%, but it turned negative clipping -7.6% in 5M20 due to Covid-19. Recovery has started to be seen by virtue of PSBB relaxation in major Indonesian cities, and our mall observations indicate positive recovery momentum. We maintain our SELL call mainly on the premium valuation, now trading at +1STD, a premium given that performance has been dragged down by Covid-19, but to a lesser extent than its peers.

Respectable sales. Reaching IDR1.96tn (+4.5% yoy and -9.3% qoq) in 1Q20 making up 25.1% of our estimate and 25.0% of the consensus, i.e. in-line. The growth came from a combo of +2.5% SSSG and the opening of 4 new stores in 1Q20 but affected by the Covid-19 induced slowdown from the third week of March onwards, otherwise the SSSG would track the same 6% growth trajectory, comparatively higher than its peers. PSAK 73 adjustment meant a reclassification of rental into rights of use asset depreciation in 1Q20 reaching IDR81.4bn and interest in leases at IDR20.6bn. In the balance sheet, IDR1.07tn of rights of use assets were booked against rent liabilities of IDR886.6bn.

1Q20 earnings slightly higher-than-expected on FX gains. Although our figures and the consensus have baked in weaker performance due to Covid-19, the 1Q20 result was only affected for the last 2 weeks only. Nevertheless, earnings of IDR245.7bn (+4.1% yoy and -18.9% QoQ) are still slightly ahead of our estimate at 27.7% and 27.5% of the consensus which includes FX gains of IDR9.1bn in 1Q20 reversing from FX losses of IDR13.1bn. On a normalized basis earnings would reach IDR234.6bn or -6.3% yoy, still in-line with our estimate and the consensus. The core profit decline reflects a surge of 24.0% yoy in salary expenses, reaching IDR280.6bn as of 1Q20 as ACES expands, while on a per average headcount basis an increment of 6.1% is normal.

Post PSBB easing, performance has been positive. Our call with the management last week revealed a -10-20% less than normal sales performance post PSBB. This is better-than-expected performance, especially compared to the -20-30% range at the height of PSBB. Our mall visit also confirms traffic flowing back to ACES stores, which corroborates with what the management stated and our arguments of middle up segment resilience along with some pent-up demand within the segment.

Maintain SELL. Mainly on a valuation basis as the company is now trading at 28.7x 2020 earnings, hovering near +1STD, while its peers are trading at sub -1.5STD. Performance will be less affected than its peers, yet ultimately dragged down by Covid-19 on a yoy basis.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue(IDRbn)	5,938	7,240	8,143	7,830	9,284
EBITDA(IDRbn)	944	1,168	1,279	1,083	1,347
EBITDA Growth (%)	17.8	23.7	9.5	(15.4)	24.4
Net profit (IDRbn)	778	965	1,030	888	1,136
EPS (IDR)	45.3	56.3	60.1	51.8	66.3
EPS growth (%)	9.4	24.1	6.8	(13.8)	27.9
BVPS(IDR)	204.8	246.4	275.6	319.7	346.2
DPS(IDR)	16.4	22.7	28.2	10.4	39.8
PER (x)	32.7	26.4	24.7	28.7	22.4
PBV (x)	7.3	6.0	5.4	4.6	4.3
Dividend yield (%)	1.1	1.5	1.9	0.7	2.7
EV/EBITDA (x)	26.0	21.2	18.9	21.7	17.3

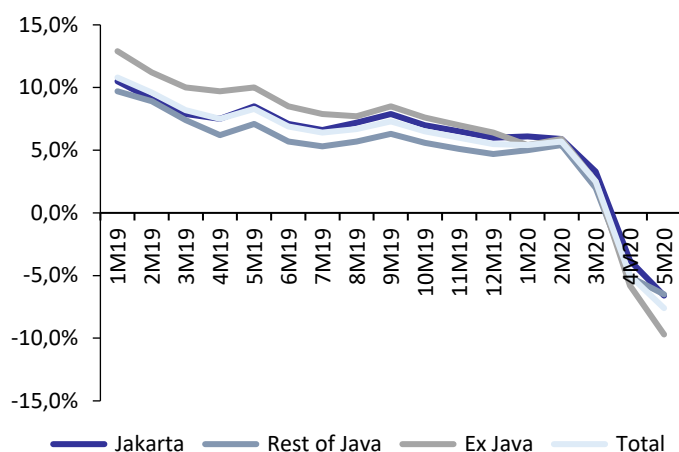
Source : ACES, Danareksa Estimates

Exhibit 1. ACES 1Q20 Result

ACES	Unit	1Q19	1Q20	y-y	4Q19	q-q	Cons	% Cons	DS	% DS
Revenue	IDR Bn	1,882	1,967	4.5%	2,169	-9.3%	7,869	25.0%	7,830	25.1%
Gross Profit	IDR Bn	891	975	9.4%	1,052	-7.3%	3,653	26.7%	3,619	26.9%
EBIT	IDR Bn	291	267	-7.9%	340	-21.3%	972	27.5%	967	27.7%
PBT	IDR Bn	292	296	1.4%	375	-21.1%	1,119	26.5%	1,049	28.2%
Net Profit	IDR Bn	236	246	4.1%	303	-18.9%	892	27.5%	888	27.7%
Gross Profit	(%)	47.4	49.6		48.5		46.4		46.2	
EBIT Margin	(%)	15.4	13.6		15.7		12.4		12.4	
PBT	(%)	15.5	15.1		17.3		14.2		13.4	
Net Profit	(%)	12.5	12.5		14.0		11.3		11.3	

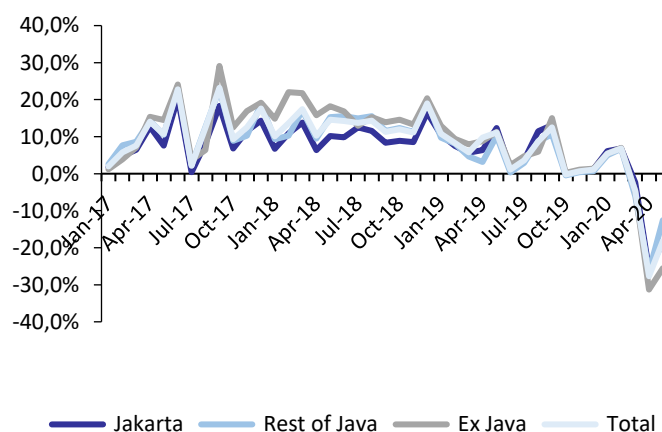
Source: Company, Danareksa Sekuritas

Exhibit 2. 1M19-5M20 YTD SSSG



Source: Company, Danareksa Sekuritas

Exhibit 3. SSSG per region



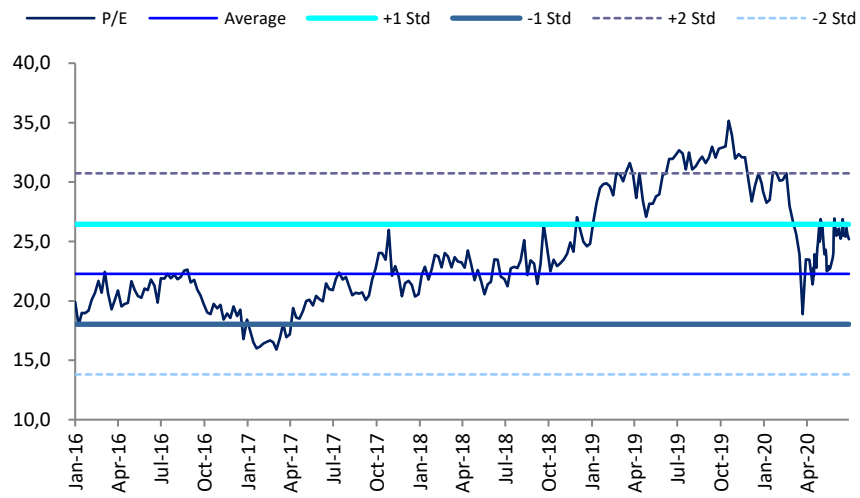
Source: Company, Danareksa Sekuritas

Exhibit 4. ACES stores – Traffic has picked up



Source: Danareksa Sekuritas

Exhibit 5. ACES Valuation – Hovering at +1STD



Source: Danareksa Sekuritas

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	5,938	7,240	8,143	7,830	9,284
COGS	(3,104)	(3,797)	(4,256)	(4,210)	(4,903)
Gross profit	2,834	3,443	3,887	3,619	4,381
EBITDA	944	1,168	1,279	1,083	1,347
Oper. profit	869	1,073	1,163	967	1,217
Interest income	33	29	32	33	44
Interest expense	(38)	(47)	(53)	(59)	(65)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	(3)	(4)	(4)	(4)	(5)
Other Income (Expenses)	99	152	143	111	169
Pre-tax profit	960	1,203	1,280	1,049	1,361
Income tax	(179)	(226)	(243)	(166)	(215)
Minority interest	(3)	(12)	(7)	6	(9)
Net profit	778	965	1,030	888	1,136
Core Net Profit	778	965	1,030	888	1,136

Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	902	799	1,255	1,942	2,212
Receivables	90	37	89	86	26
Inventory	1,849	2,520	2,653	2,653	2,888
Other Curr. Asset	517	741	587	565	620
Fixed assets - Net	705	801	847	929	1,023
Other non-curr.asset	365	424	489	479	565
Total asset	4,429	5,321	5,920	6,654	7,334
ST Debt	0	115	0	0	0
Payables	169	198	178	176	205
Other Curr. Liabilities	309	318	390	383	454
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	440	455	610	602	718
Total Liabilities	918	1,086	1,178	1,161	1,377
Shareholder's Funds	3,513	4,225	4,726	5,483	5,937
Minority interests	(2)	10	16	10	20
Total Equity & Liabilities	4,429	5,321	5,920	6,654	7,334

Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	778	965	1,030	888	1,136
Depreciation and Amort.	75	95	116	116	130
Change in Working Capital	(260)	(588)	(206)	1	(146)
Other Oper. Cash Flow	126	(230)	354	41	82
Operating Cash Flow	719	242	1,295	1,046	1,202
Capex	(192)	(191)	(162)	(197)	(224)
Others Inv. Cash Flow	33	29	22	30	39
Investing Cash Flow	(159)	(162)	(140)	(168)	(184)
Net change in debt	(5)	115	(115)	0	0
New Capital	(38)	138	(46)	46	0
Dividend payment	(281)	(389)	(484)	(178)	(682)
Other Fin. Cash Flow	(38)	(47)	(53)	(59)	(65)
Financing Cash Flow	(362)	(183)	(698)	(192)	(747)
Net Change in Cash	198	(104)	456	687	271
Cash - begin of the year	704	902	799	1,255	1,942
Cash - end of the year	902	799	1,255	1,942	2,212

Exhibit 9. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	20.3	21.9	12.5	(3.8)	18.6
EBITDA	17.8	23.7	9.5	(15.4)	24.4
Operating profit	19.1	23.4	8.4	(16.8)	25.9
Net profit	9.4	24.1	6.8	(13.8)	27.9
Profitability (%)					
Gross margin	47.7	47.6	47.7	46.2	47.2
EBITDA margin	15.9	16.1	15.7	13.8	14.5
Operating margin	14.6	14.8	14.3	12.4	13.1
Net margin	13.1	13.3	12.7	11.3	12.2
ROAA	19.1	19.8	18.3	14.1	16.2
ROAE	23.7	24.9	23.0	17.4	19.9
Leverage					
Net Gearing (x)	(0.3)	(0.2)	(0.3)	(0.4)	(0.4)
Interest Coverage (x)	22.8	22.9	21.9	16.3	18.7

Source : ACES, Danareksa Estimates

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