

Friday, 25 September 2020

**BUY**  
**Maintain**

Last price (IDR) 1,440  
Target Price (IDR) 2,050  
Upside/Downside +42.4%  
Previous Target Price (IDR) 2,050

**Stock Statistics**

Sector Retail  
Bloomberg Ticker ACES IJ  
No of Shrs (mn) 17,150  
Mkt. Cap (IDRbn/USDmn) 26,668/1,802  
Avg. daily T/O (IDRbn/USDmn) 21.8/1.5

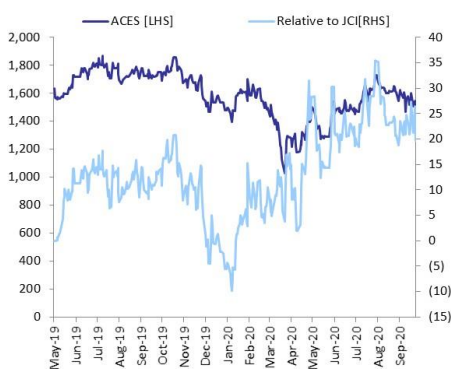
**Major shareholders (%)**

PT Kawan Lama Sejahtera 60.0  
Estimated Free Float 40.0

**EPS Consensus (IDR)**

	2020F	2021F	2022F
Danareksa	51.8	66.3	73.0
Consensus	50.3	64.3	73.5
Danareksa/Cons	3.0	3.1	(0.6)

**ACES relative to JCI Index**



Source : Bloomberg



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# Ace Hardware Indonesia(ACES IJ)

## Conference Call Takeaways

**New PSBB since mid-September have led to less traffic into malls and, in turn ACES's stores, and the measure has been prolonged by another 2 weeks to 11 October. Consequently, the recent narrowing negative SSSG of -5.7% in Aug20 for the fourth consecutive month is likely to dip again in September – October, with recovery to track the easing of PSBB. The 8M20 yoy growth bottomed out at -7.7% yoy, inching up by 0.3p.p and is poised to narrow further in the coming months. We maintain our TP at IDR2,050 as we believe ACES deserves the premium it is trading at due to its proven resilience even under the stricter PSBB of April- mid June.**

**New PSBB led to lower footfall.** The re-imposition of PSBB, prolonged until 11 October, will translate into a widening of SSSG in September and October as footfall has dropped. The impact is likely to be milder than the stricter PSBB measures imposed back in April to mid-June, as all of ACES' stores have remained open during the new measure. Looking back at the 8M20 SSSG, the improvement was 0.3p.p to -7.7% vs -8.0% in 7M20 by virtue of the Aug20 SSSG at -5.7%, a trend seen for 4 consecutive months. The 8M20 sales figure is 63.1% of our 2020 sales estimate, in-line despite the pandemic.

**Cost saving measures.** Since April, ACES has not retrenched any of its permanent employees, but due to the contract structure for many of the store level employees, some contracts have not been extended, thus reducing employee costs. Due to the recent low mall traffic, leading to lower sales, the company is renegotiating its current rental rate and some store rent renewals, to minimize the impact on net profits. ACES also organized a whatsapp order system and tied up with 2 major e-commerce players to capture sales from customers at home, to compliment its in-house platforms, Rupa-rupa and Ace Online. Contribution surged from 0.5% of sales in 2019 to c.1.5% in 1H20.

**More moderate expansion, but still ongoing.** To date ACES has added a net 8 stores with an area of 27.3k sqm which is likely to surpass its revised guidance. The management has earmarked another 3 stores for opening, as the merchandise, store level employees and their training as well as the fitting out of the stores has been done prior to the PSBB.

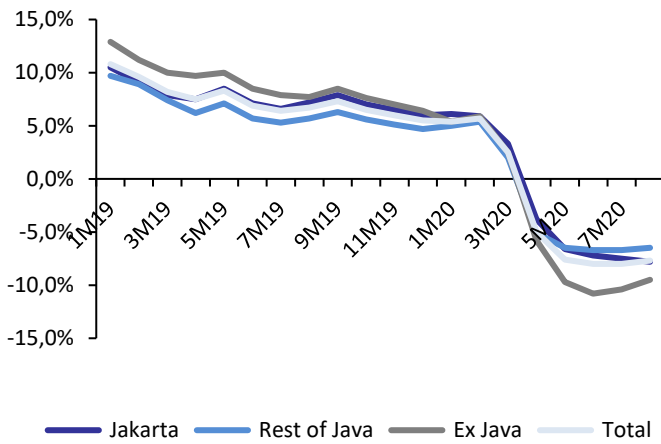
**Maintain BUY with a TP of IDR2,050.** As the company has proven to be the most resilient amid the current pandemic. ACES currently trades at 21.7x 2021 earnings, slightly below the average of its 5 year forward PE, relatively affordable given the stock was trading above +1STD over the past 2 months by virtue of their rapid race towards neutral SSSG level.

**Key Financials**

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Revenue(IDRbn)	7,240	8,143	7,830	9,284	10,247
EBITDA(IDRbn)	1,168	1,279	1,083	1,347	1,478
EBITDA Growth (%)	23.7	9.5	(15.4)	24.4	9.7
Net profit (IDRbn)	965	1,030	888	1,136	1,252
EPS (IDR)	56.3	60.1	51.8	66.3	73.0
EPS growth (%)	24.1	6.8	(13.8)	27.9	10.2
BVPS(IDR)	246.4	275.6	319.7	346.2	375.4
DPS(IDR)	22.7	28.2	10.4	39.8	43.8
PER (x)	25.6	24.0	27.8	21.7	19.7
PBV (x)	5.8	5.2	4.5	4.2	3.8
Dividend yield (%)	1.6	2.0	0.7	2.8	3.0
EV/EBITDA (x)	20.6	18.3	21.0	16.7	15.2

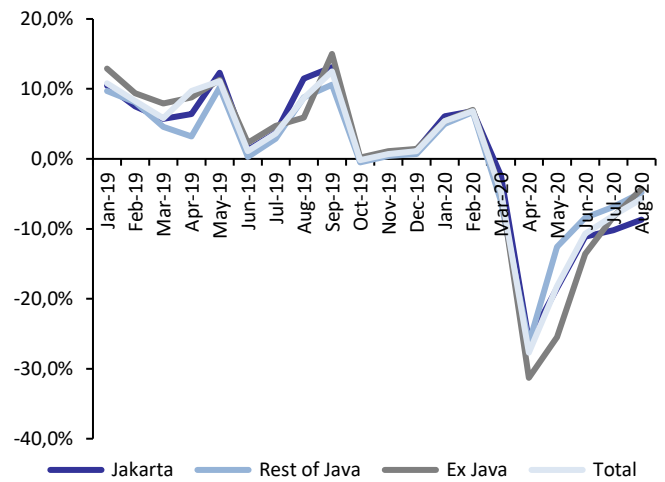
Source : ACES, Danareksa Estimates

**Exhibit 1. 1M19-8M20 YTD SSSG**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. SSSG per region**



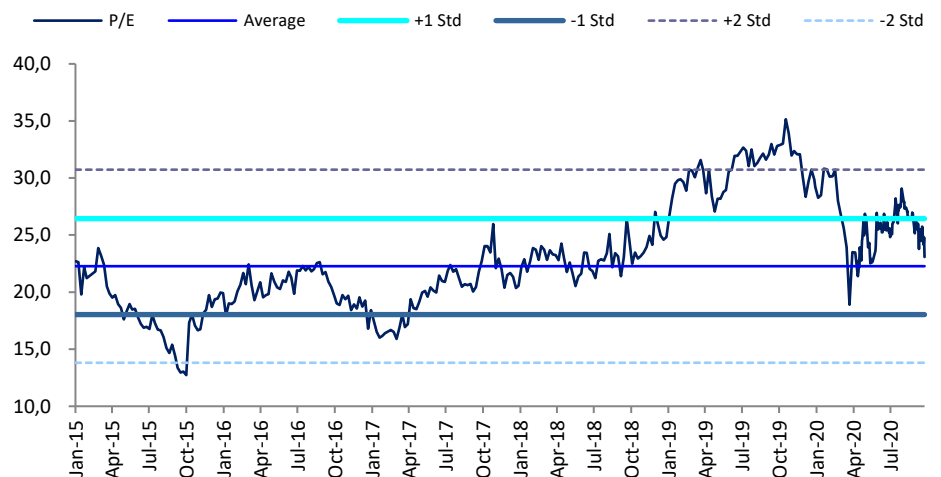
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. ACES August Promotions**



Source: Company, Danareksa Sekuritas

**Exhibit 4. ACES' forward PE band 2015-2020**



Source: Company, Danareksa Sekuritas

### Exhibit 5. Income Statement

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
<b>Revenue</b>	<b>7,240</b>	<b>8,143</b>	<b>7,830</b>	<b>9,284</b>	<b>10,247</b>
COGS	(3,797)	(4,256)	(4,210)	(4,903)	(5,395)
<b>Gross profit</b>	<b>3,443</b>	<b>3,887</b>	<b>3,619</b>	<b>4,381</b>	<b>4,852</b>
<b>EBITDA</b>	<b>1,168</b>	<b>1,279</b>	<b>1,083</b>	<b>1,347</b>	<b>1,478</b>
<b>Oper. profit</b>	<b>1,073</b>	<b>1,163</b>	<b>967</b>	<b>1,217</b>	<b>1,335</b>
Interest income	29	32	33	44	57
Interest expense	(47)	(53)	(59)	(65)	(65)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	(4)	(4)	(4)	(5)	(6)
Other Income (Expenses)	152	143	111	169	177
<b>Pre-tax profit</b>	<b>1,203</b>	<b>1,280</b>	<b>1,049</b>	<b>1,361</b>	<b>1,497</b>
Income tax	(226)	(243)	(166)	(215)	(235)
Minority interest	(12)	(7)	6	(9)	(10)
<b>Net profit</b>	<b>965</b>	<b>1,030</b>	<b>888</b>	<b>1,136</b>	<b>1,252</b>
<b>Core Net Profit</b>	<b>965</b>	<b>1,030</b>	<b>888</b>	<b>1,136</b>	<b>1,252</b>

### Exhibit 6. Balance Sheet

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Cash & cash equivalent	799	1,255	1,942	2,212	2,496
Receivables	37	89	86	26	28
Inventory	2,520	2,653	2,653	2,888	3,104
Other Curr. Asset	741	587	565	620	646
Fixed assets - Net	801	847	929	1,023	1,111
Other non-curr.asset	424	489	479	565	608
<b>Total asset</b>	<b>5,321</b>	<b>5,920</b>	<b>6,654</b>	<b>7,334</b>	<b>7,993</b>
ST Debt	115	0	0	0	0
Payables	198	178	176	205	225
Other Curr. Liabilities	318	390	383	454	502
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	455	610	602	718	798
<b>Total Liabilities</b>	<b>1,086</b>	<b>1,178</b>	<b>1,161</b>	<b>1,377</b>	<b>1,525</b>
Shareholder's Funds	4,225	4,726	5,483	5,937	6,438
Minority interests	10	16	10	20	30
<b>Total Equity &amp; Liabilities</b>	<b>5,321</b>	<b>5,920</b>	<b>6,654</b>	<b>7,334</b>	<b>7,993</b>

### Exhibit 7. Cash Flow

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Net income	965	1,030	888	1,136	1,252
Depreciation and Amort.	95	116	116	130	143
Change in Working Capital	(588)	(206)	1	(146)	(198)
Other Oper. Cash Flow	(230)	354	41	82	82
<b>Operating Cash Flow</b>	<b>242</b>	<b>1,295</b>	<b>1,046</b>	<b>1,202</b>	<b>1,279</b>
Capex	(191)	(162)	(197)	(224)	(231)
Others Inv. Cash Flow	29	22	30	39	51
<b>Investing Cash Flow</b>	<b>(162)</b>	<b>(140)</b>	<b>(168)</b>	<b>(184)</b>	<b>(180)</b>
Net change in debt	115	(115)	0	0	0
New Capital	138	(46)	46	0	0
Dividend payment	(389)	(484)	(178)	(682)	(751)
Other Fin. Cash Flow	(47)	(53)	(59)	(65)	(65)
<b>Financing Cash Flow</b>	<b>(183)</b>	<b>(698)</b>	<b>(192)</b>	<b>(747)</b>	<b>(816)</b>
<b>Net Change in Cash</b>	<b>(104)</b>	<b>456</b>	<b>687</b>	<b>271</b>	<b>283</b>
Cash - begin of the year	902	799	1,255	1,942	2,212
Cash - end of the year	799	1,255	1,942	2,212	2,496

### Exhibit 8. Key Ratios

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
<b>Growth (%)</b>					
Sales	21.9	12.5	(3.8)	18.6	10.4
EBITDA	23.7	9.5	(15.4)	24.4	9.7
Operating profit	23.4	8.4	(16.8)	25.9	9.6
Net profit	24.1	6.8	(13.8)	27.9	10.2
<b>Profitability (%)</b>					
Gross margin	47.6	47.7	46.2	47.2	47.4
EBITDA margin	16.1	15.7	13.8	14.5	14.4
Operating margin	14.8	14.3	12.4	13.1	13.0
Net margin	13.3	12.7	11.3	12.2	12.2
ROAA	19.8	18.3	14.1	16.2	16.3
ROAE	24.9	23.0	17.4	19.9	20.2
<b>Leverage</b>					
Net Gearing (x)	(0.2)	(0.3)	(0.4)	(0.4)	(0.4)
Interest Coverage (x)	22.9	21.9	16.3	18.7	20.5

Source : ACES, Danareksa Estimates

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