

Tuesday, 17 November 2020

BUY
Maintain

Last price (IDR) 1,720
Target Price (IDR) 1,925
Upside/Downside +11.9%
Previous Target Price (IDR) 2,050

Stock Statistics

Sector Retail
Bloomberg Ticker ACES IJ
No of Shrs (mn) 17,150
Mkt. Cap (IDRbn/USDmn) 29,498/2,082
Avg. daily T/O (IDRbn/USDmn) 21.5/1.5

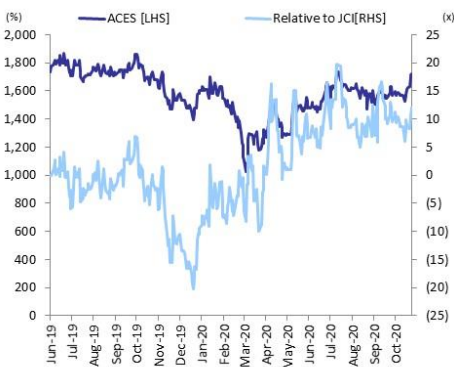
Major shareholders (%)

PT Kawan Lama Sejahtera 60.0
Estimated Free Float 40.0

EPS Consensus (IDR)

	2020F	2021F	2022F
Danareksa	46.6	59.7	65.3
Consensus	49.3	64.6	74.0
Danareksa/Cons	(5.6)	(7.6)	(11.7)

ACES relative to JCI Index



Source : Bloomberg



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Ace Hardware Indonesia(ACES IJ)

Below 9M20 Result, SSSG Bounced in Oct20

ACES booked IDR591bn of sales were booked in Oct 20 and the monthly SSSG was already minus single-digit at -9.7%, rebounding from -19.4%. Nov20 should be even better assuming further strict PSBB are not imposed. The 10M20 yoy growth stabilised at -9.0% and it is poised to narrow further starting in November onwards. 9M20 earnings of IDR529.7bn (-27.2% yoy) is below our estimates and consensus, due to surging employee cost on yoy basis to mark normalizing costs. We adjust our assumptions both on sales and costs, resulting in -10% earnings for 2020 and -9.9% in 21F. The revision means a slimmer TP at IDR1,925, still a BUY at this juncture.

10M20 performance impacted by the recently ended PSBB. PSBB were re-imposed and prolonged until 11 October, and this is therefore reflected in Sep20's, and Oct20 SSSG numbers. The result is a -9.7% Oct20 national figure and -16.1% in Jakarta. For the capital city, the figure improved by 6.6p.p from Sep20's figure, while Java ex Jakarta noted a monthly SSSG surge of 13.5p.p vs Sep20, to a near normal -3.8% SSSG, reflecting the stronger confidence of shoppers outside Jakarta. Looking at the 10M20 SSSG, it stabilised at -9.0% and thus continued the recovery trend of May-Aug20. The 10M20 sales figure is 78.0% of our 2020 sales estimate, i.e. in-line despite the pandemic.

9M20 result below on surging cost. ACES booked IDR5.5tn (-8.3% yoy) net sales, IDR1.8tn (-9.1%yoy, 8.6%qoq) while GPM is stable at 49.4% in 9M20, GP compression is only -4.6% yoy. EBIT however dipped -27.1% yoy in 9M20 as opex increased by 3.4% yoy in 3Q20, driven by selling expense employee cost surging 17.3% due to stores starting to function normally. The result is IDR529.7bn in 9M20 (-27.2% yoy), below our initial figures and consensus' at 59.2% and 62.9% of consensus vs 68.5% past 5 years achievement.

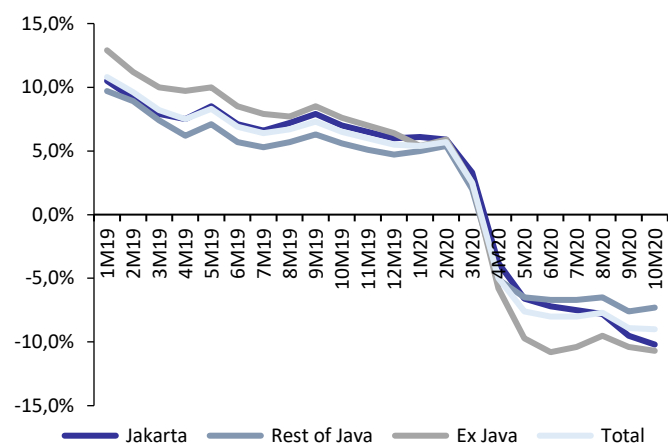
Earnings cut by -10% for 2020E and 2021F. As we adjusted total square meter and a lower by -1.5% in both 2020 and 2.5% in 2021F sales per square meter. We also raise our GPM as the margin has been very consistent above 49% due to a less discounts in pursuit of SSSG and for inventory management purposes. Selling expense is also hiked from -10% to 15% to reflect the 9M20 condition. The result is IDR799.3bn in 2020E and IDR1.0tn in 2021F on the bottom line, or a -10% and -9.9% vs our initial estimates.

Maintain BUY with a TP of IDR1,925. The earnings cut leads to a TP cut worth IDR125/share, but ACES remains a BUY. ACES currently trades at 24.6x 2021 earnings, just above +1STD of its 5 year forward PE, still worth to consider, given the company is relatively robust compared to other retailers and given SSSG recovery foreseen in the coming month shall provide additional lift towards the sentiment.

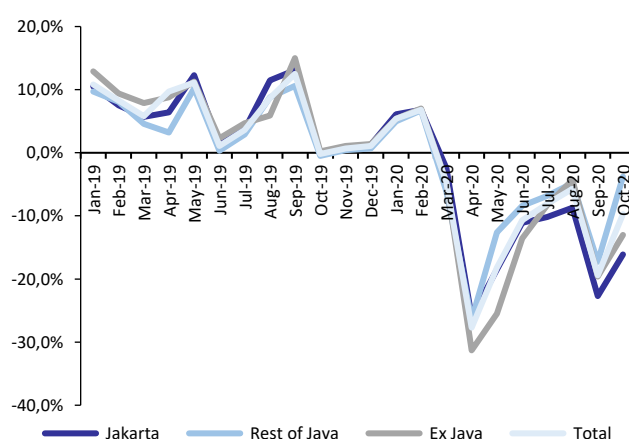
Key Financials

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Revenue(IDRbn)	7,240	8,143	7,758	9,100	10,125
EBITDA(IDRbn)	1,168	1,279	1,023	1,280	1,388
EBITDA Growth (%)	23.7	9.5	(20.0)	25.2	8.5
Net profit (IDRbn)	965	1,030	799	1,024	1,120
EPS (IDR)	56.3	60.1	46.6	59.7	65.3
EPS growth (%)	24.1	6.8	(22.4)	28.1	9.5
BVPS(IDR)	246.4	271.8	315.5	339.4	365.5
DPS(IDR)	22.7	28.2	9.3	35.8	39.2
PER (x)	29.0	27.1	31.5	24.6	26.4
PBV (x)	5.8	5.2	4.5	5.1	3.8
Dividend yield (%)	1.4	1.7	0.5	2.1	2.7
EV/EBITDA (x)	24.7	22.6	27.5	20.7	20.0

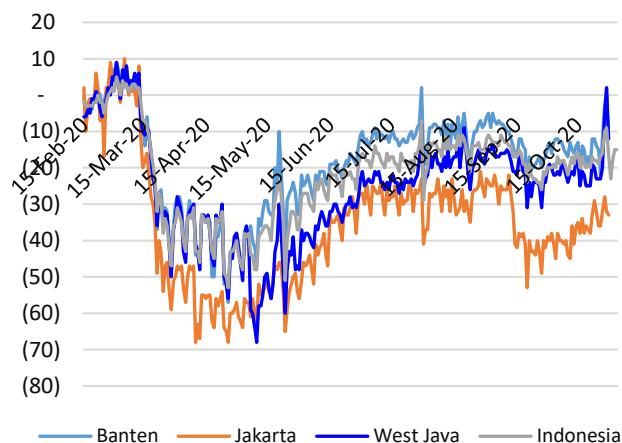
Source : ACES, Danareksa Estimates

Exhibit 1. 1M19-10M20 YTD SSSG


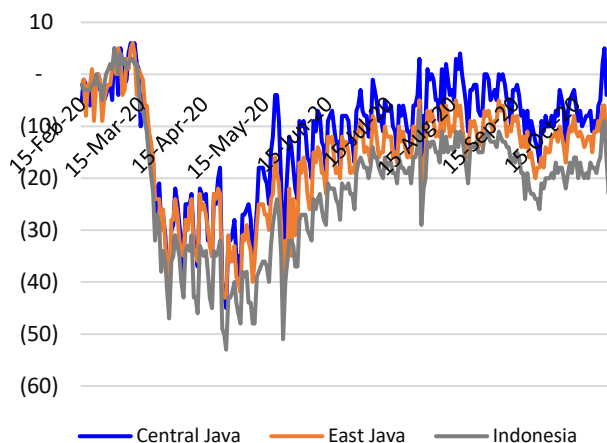
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. SSSG per region


Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Jakarta hardest hit, but already picking up from the second PSBB. West Java the strongest among the trio


Source: Google Mobility Report, Danareksa Sekuritas estimates

Exhibit 4. Central and East Java, already sub -10% from baseline traffic


Source: Google Mobility Report, Danareksa Sekuritas estimates

Exhibit 5. ACES 9M20 result, below us and consensus due to +4.7% YoYOpex

ACES	Unit	9M19	9M20	y-y	3Q19	4Q19	1Q20	2Q20	3Q20	y-y	q-q	Cons	% Cons	DS	% DS
Sales	IDR Bn	5,974	5,480	-8.3%	2,012	2,169	1,967	1,685	1,829	-9.1%	8.6%	7,697	71.2%	7,830	70.0%
Gross Profit	IDR Bn	2,835	2,706	-4.6%	968	1,052	975	829	902	-6.8%	8.8%	3,638	74.4%	3,619	74.8%
EBIT	IDR Bn	823	600	-27.1%	281	340	267	141	191	-31.8%	36.1%	946	63.4%	967	62.0%
PBT	IDR Bn	905	635	-29.8%	313	375	296	136	203	-35.0%	49.8%	1,035	61.3%	1,049	60.5%
Net Profit	IDR Bn	727	530	-27.2%	253	303	246	114	170	-32.9%	48.1%	842	62.9%	888	59.6%
Gross Profit	(%)	47.5	49.4		48.1	48.5	49.6	49.2	49.3			47.3		46.2	
EBIT Margin	(%)	13.8	10.9		13.9	15.7	13.6	8.4	10.5			12.3		12.4	
PBT	(%)	15.1	11.6		15.5	17.3	15.1	8.1	11.1			13.4		13.4	
Net Profit	(%)	12.2	9.7		12.6	14.0	12.5	6.8	9.3			10.9		11.3	

Source: Company, Danareksa Sekuritas

Exhibit 6. Forecast changes, Slight moderation in Sales/Sqm, higher GPM, higher opex, resulting in -10% reduction in 2020 bottom line

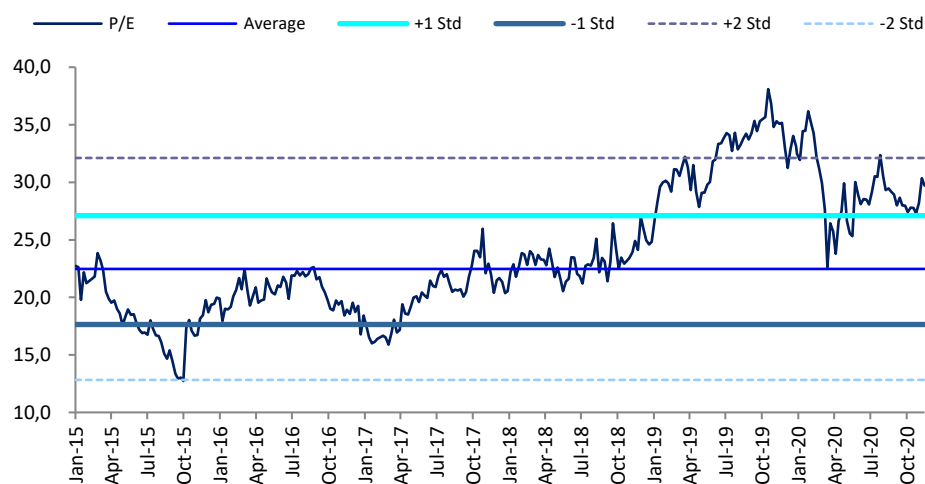
In Rpbn	Before		Changes			
	2020F	2021F	2020F	2021F	2020F	2021F
Net Sales	7,830	9,284	7,758	9,100	-0.9%	-2.0%
Gross profit	3,619	4,381	3,816	4,475	5.4%	2.1%
EBIT	967	1,217	907	1,151	-6.2%	-5.5%
EBT	1,049	1,361	944	1,233	-10.0%	-9.4%
Net profits	888	1,136	799	1,024	-10.0%	-9.9%
Margins (%)						
Gross profit	46.2%	47.2%	49.2%	49.2%		
EBIT	12.4%	13.1%	11.7%	12.6%		
EBT	13.4%	14.7%	12.2%	13.5%		
Net Income	11.3%	12.2%	10.3%	11.2%		

Key Assumptions

	Before		After	
	2020F	2021F	2020F	2021F
Sales/Sqm/year	-10.0%	12.5%	-11.5%	10.0%
Additional Area (000 sqm)	19,200	36,800	27,000	42,000
Additional Stores #	9	19	9	19
Costs				
Selling Exp Salaries Increase	-10.0%	15.0%	15.0%	6.0%

Source: Company, Danareksa Sekuritas

Exhibit 7. ACES' forward PE band 2015-2020 now a touch above +1STD



Source: Company, DanareksaSekuritas

Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Revenue	7,240	8,143	7,758	9,100	10,125
COGS	(3,797)	(4,256)	(3,942)	(4,625)	(5,130)
Gross profit	3,443	3,887	3,816	4,475	4,995
EBITDA	1,168	1,279	1,023	1,280	1,388
Oper. profit	1,073	1,163	907	1,151	1,246
Interest income	29	32	72	67	88
Interest expense	(47)	(53)	(142)	(128)	(135)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	(4)	(4)	(4)	(5)	(6)
Other Income (Expenses)	152	143	110	148	154
Pre-tax profit	1,203	1,280	944	1,233	1,346
Income tax	(226)	(243)	(150)	(200)	(216)
Minority interest	(12)	(7)	6	(9)	(9)
Net profit	965	1,030	799	1,024	1,120
Core Net Profit	965	1,030	799	1,024	1,120

Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Cash & cash equivalent	799	1,255	2,323	2,352	2,529
Receivables	37	89	85	25	28
Inventory	2,520	2,653	2,484	2,724	2,952
Other Curr. Asset	741	372	333	348	349
Fixed assets - Net	801	847	927	1,018	1,103
Other non-curr.asset	424	1,430	1,309	1,448	1,581
Total asset	5,321	6,646	7,462	7,915	8,541
ST Debt	115	225	151	0	0
Payables	198	178	164	193	214
Other Curr. Liabilities	318	382	381	444	496
Long Term Debt	0	575	686	686	686
Other LT. Liabilities	455	610	658	752	848
Total Liabilities	1,086	1,969	2,040	2,075	2,244
Shareholder's Funds	4,225	4,661	5,411	5,821	6,269
Minority interests	10	16	10	19	29
Total Equity & Liabilities	5,321	6,646	7,462	7,915	8,541

Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Net income	965	1,030	799	1,024	1,120
Depreciation and Amort.	95	116	115	129	143
Change in Working Capital	(588)	(206)	160	(152)	(209)
Other Oper. Cash Flow	(230)	632	165	177	179
Operating Cash Flow	242	1,573	1,240	1,177	1,233
Capex	(191)	(162)	(196)	(219)	(228)
Others Inv. Cash Flow	29	22	68	62	82
Investing Cash Flow	(162)	(140)	(128)	(157)	(146)
Net change in debt	115	684	37	(151)	0
New Capital	138	(112)	111	0	0
Dividend payment	(389)	(484)	(160)	(614)	(672)
Other Fin. Cash Flow	(47)	(53)	(142)	(128)	(135)
Financing Cash Flow	(183)	36	(154)	(893)	(808)
Net Change in Cash	(104)	1,469	958	127	279
Cash - begin of the year	902	799	1,255	2,323	2,352
Cash - end of the year	799	1,255	2,323	2,352	2,529

Exhibit 11. Key Ratios

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Growth (%)					
Sales	21.9	12.5	(4.7)	17.3	11.3
EBITDA	23.7	9.5	(20.0)	25.2	8.5
Operating profit	23.4	8.4	(22.0)	26.8	8.3
Net profit	24.1	6.8	(22.4)	28.1	9.5
Profitability (%)					
Gross margin	47.6	47.7	49.2	49.2	49.3
EBITDA margin	16.1	15.7	13.2	14.1	13.7
Operating margin	14.8	14.3	11.7	12.6	12.3
Net margin	13.3	12.7	10.3	11.2	11.1
ROAA	19.8	17.2	11.3	13.3	13.6
ROAE	24.9	23.2	15.9	18.2	18.5
Leverage					
Net Gearing (x)	(0.2)	(0.1)	(0.3)	(0.3)	(0.3)
Interest Coverage (x)	22.9	21.9	6.4	9.0	9.2

Source : ACES, Danareksa Estimates

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