

Monday, 18 January 2021

BUY
Upgrade

Last price (IDR) 1,810
Target Price (IDR) 1,925
Upside/Downside +6.4%
Previous Target Price (IDR) 1,925

Stock Statistics

Sector Retail
Bloomberg Ticker ACES IJ
No of Shrs (mn) 17,150
Mkt. Cap (IDRbn/USDmn) 27,954/1,888
Avg. daily T/O (IDRbn/USDmn) 21.8/1.5

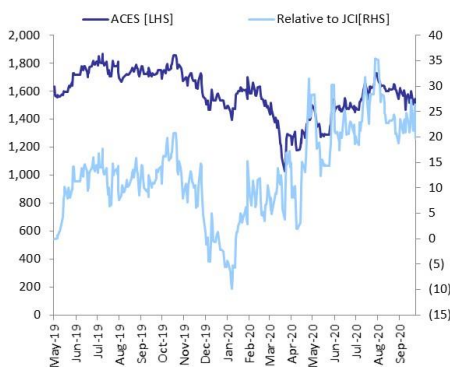
Major shareholders (%)

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)

SSSG dipped back in Dec 20

As a result of strict PSBB to minimize holiday Covid-19 clusters, ACES' SSSG dipped to -14.5% in Dec20 with sales of IDR772bn (+32.4% MoM and -12.2% yoy), leading to a YTD December 2020 SSSG figure of -9.3%. Jan20 should be marked with a lower figure because of the stricter PSBB from 18 December to 8 January 2021, which will be followed by Java – Bali from 11 January to 25 January. The stricter PSBB may result in a potentially heavier slump in Jan20 as malls have to close at 7.00pm. We maintain our TP at IDR1,925 despite the proven resilience of ACES under the worst PSBB conditions. Given the recent share price decline, we upgrade our call to BUY with limited upside of 10.6%.

Still hampered by strict PSBB. December sales were tempered by the strict PSBB from 18 December to 8 January 2020. The result is a -14.5% Dec20 national figure and -18.4% in Jakarta. For the capital city, the figure slumped by 8.3p.p vs Nov20. The weakness in the trend is across the board with ex Java being the biggest decliner. Nevertheless, the Indonesian 12M20 sales of IDR7.5tn (-7.4% yoy) are still in-line with our estimates despite the tempestuous 2020.

January 2021 to also be challenging due to the tail-end of the holiday PSBB up until 8 January and the newly-imposed Java and Bali strict PSBB shortening the operational hours to 7.00pm only. A closer look at mall traffic indicates the traffic only inched up by 2.5% at high season post implementation when its . For ACES, its SSSG will be lowered by this new PSBB. We view that the Jan21 SSSG might be in the same region of negative teens as the Dec 20 figure of -14.5%.

The National vaccination program has already started with the Indonesian President, Joko Widodo, getting the first shot to mark the start of the program. Options are also kept open for self-paid vaccinations to ease and expedite vaccinations although the majority of the population will be entitled to free vaccines. Given this backdrop, we believe the Ramadan and Eid momentum can still be salvaged this year, thus lifting the performance of retailers in 2021.

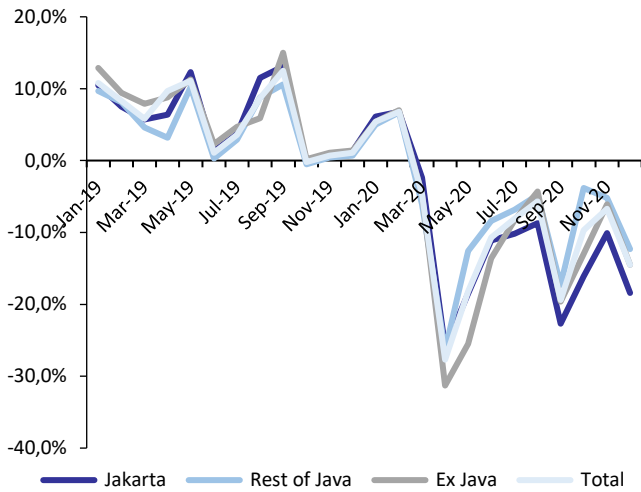
Upgrade to BUY, same TP of IDR1,925 as the company has proven to be the most resilient amid the current pandemic with sales being in-line. ACES currently trades at 29.8x 2021 earnings, above +1STD of its 5 year forward PE, steep but still offer some upside.

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)	31.6	29.6	38.2	29.8	27.3
PBV (x)	7.2	6.5	5.6	5.2	4.9
Dividend yield (%)	1.3	1.6	0.5	2.0	2.2
EV/EBITDA (x)	25.6	23.5	28.4	22.6	20.7

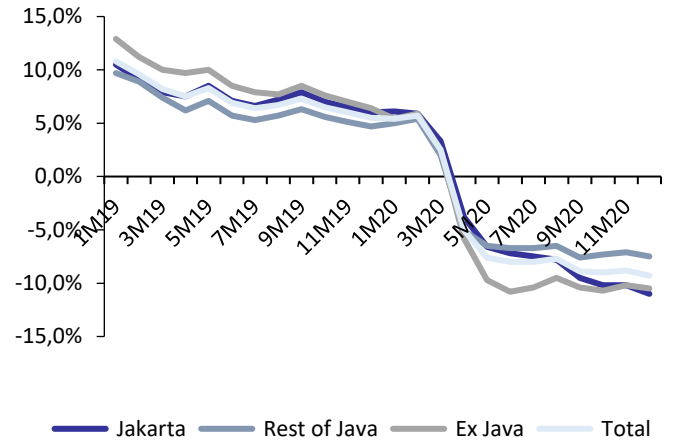
Source : ACES, Danareksa Estimates

Exhibit 1. 1M19-12M20 YTD SSSG



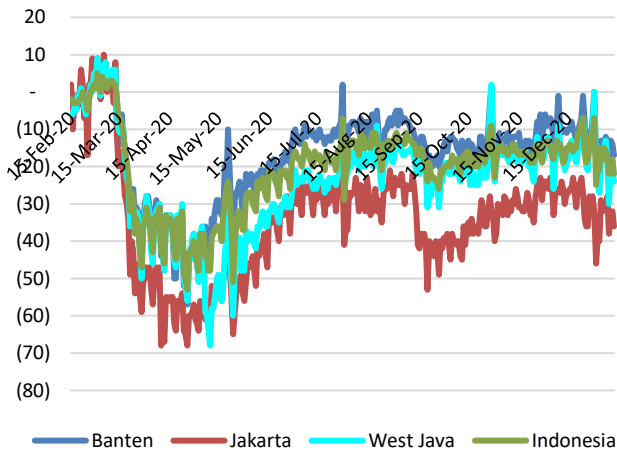
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. SSSG per region



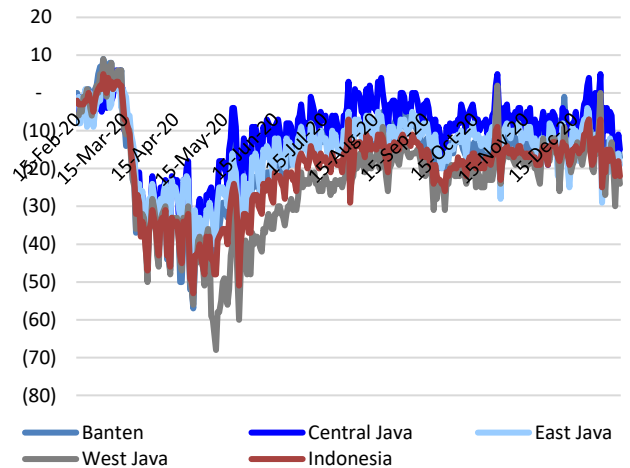
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Jakarta Clawed Back; Some are just a few p.p shy of the baseline



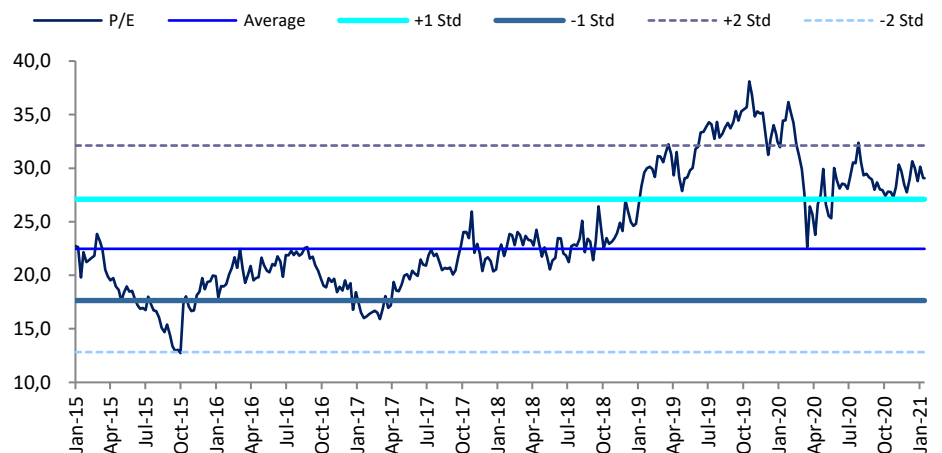
Source: Google Mobility Report, Danareksa Sekuritas estimates

Exhibit 4. Outside Jakarta Greater, traffic has been stable slightly below the normal level



Source: Google Mobility Report, Danareksa Sekuritas estimates

Exhibit 5. ACES' forward PE band 2015-2021



Source: Company, Danareksa Sekuritas

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Revenue	7,240	8,143	7,830	9,284	10,247
COGS	(3,797)	(4,256)	(4,210)	(4,903)	(5,395)
Gross profit	3,443	3,887	3,619	4,381	4,852
EBITDA	1,168	1,279	1,083	1,347	1,478
Oper. profit	1,073	1,163	967	1,217	1,335
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
Pre-tax profit	1,203	1,280	1,049	1,361	1,497
Income tax	(226)	(243)	(166)	(215)	(235)
Minority interest	(12)	(7)	6	(9)	(10)
Net profit	965	1,030	888	1,136	1,252
Core Net Profit	965	1,030	888	1,136	1,252

Exhibit 7. 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
Total asset	5,321	5,920	6,654	7,334	7,993
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
Total Liabilities	1,086	1,178	1,161	1,377	1,525
Shareholder's Funds	4,225	4,726	5,483	5,937	6,438
Minority interests	10	16	10	20	30
Total Equity & Liabilities	5,321	5,920	6,654	7,334	7,993

Exhibit 8. 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
Operating Cash Flow	242	1,295	1,046	1,202	1,279
Capex	(191)	(162)	(197)	(224)	(231)
Others Inv. Cash Flow	29	22	30	39	51
Investing Cash Flow	(162)	(140)	(168)	(184)	(180)
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)
Financing Cash Flow	(183)	(698)	(192)	(747)	(816)
Net Change in Cash	(104)	456	687	271	283
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 9. Key Ratios

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Growth (%)					
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
Profitability (%)					
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
Leverage					
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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