

Thursday, 18 November 2021

BUY
Maintain

Last price (IDR) 1,330
Target Price (IDR) 1,600
Upside/Downside +20.3%
Previous Target Price (IDR) 1,600

Stock Statistics

Sector Retail
Bloomberg Ticker ACES IJ
No of Shrs (mn) 17,150
Mkt. Cap (IDRbn/USDmn) 24,267/1,701
Avg. daily T/O (IDRbn/USDmn) 23.8/1.7

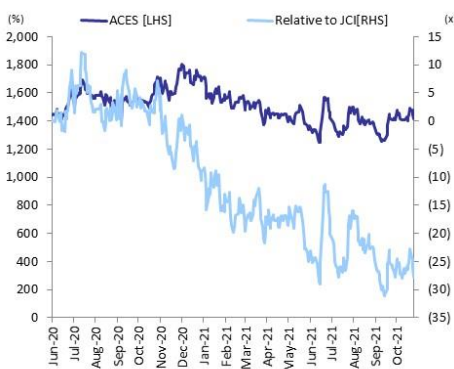
Major shareholders (%)

PT Kawan Lama Sejahtera 60.0
Estimated Free Float 40.0

EPS Consensus (IDR)

	2021F	2022F	2023F
Danareksa	29.9	45.8	49.1
Consensus	38.7	54.0	60.5
Danareksa/Cons	(22.7)	(15.2)	(18.9)

ACES relative to JCI Index



Source : Bloomberg



Andreas Kenny

(62-21) 5091 4100 ext.3509

andreas.kenny@danareksa.co.id

Ace Hardware Indonesia(ACES IJ)

Mild Recovery in Oct-21

Oct21's national SSSG hit single digit negative at -9.1%, with the monthly regional SSSG in the range of -6.9% to -7.5%. Oct21's sales reached IDR550bn (+6.4% MoM and -6.9% yoy) with 9M21 sales of IDR5.2tn (-14.0% yoy) - in-line with our sales estimate but poised to recover in the remainder of 2021. The recent loosening of PPKM to level 1 which lengthened the operating hours of malls to 22:00 has boosted mall traffic toward the year-end. While all provinces will revert to PPKM level 3 measures starting 24 Dec as a precaution to minimize the probability of a third wave in Jan22, we nevertheless believe that sales will be near normal due to the higher vaccination rate and low number of daily positive cases. Maintain BUY with the same TP of IDR1,600.

The Oct21 bounce was mild. The 10M21 SSSG was -14.9% with national SSSG in Oct21 at -9.1% as Jakarta posted SSSG of -7.5% (+2.5p.p mom), Java O/S Jakarta at -11.4% (+6.4%p.p mom), while SSSG outside Java was -6.9% or flat mom. The mom SSSG was a tad below what we had expected despite the longer operating hours and far better mall traffic which should have lifted sales in the Boom Sale period. The 10M21 sales achievement of IDR5.2tn (-14.0% yoy) was inline with our estimate, but the SSSG figure should have been higher, we believe.

Mall traffic has been above the baseline since Oct21 when the national figure averaged 5% above the baseline, followed by MTD Nov21 averaging 4% above the baseline as per Google Mobility. The rapid surge has been bolstered by the national vaccination rate edging closer to 50% of the population and sub-1,000 nationwide new positive cases has led to the implementation of Level-1 PPKM. Figures for all areas are the highest in the pandemic period, with Jakarta nearing the neutral level. This encouraging development will continue throughout 4Q21, thus aiding the sales outlook for all retailers, especially for the middle up target segment names, including ACES.

Boom Sale still lukewarm, Year-End sale to catch up as the Ace Boomsale which is normally held in October still yielded a negative SSSG despite mall traffic being above the pre-covid baseline. Also to be captured is the year-end sales momentum. Thus, with the traffic trend continuing, sales and ultimately earnings will catch up to be in-line with our estimate and the consensus.

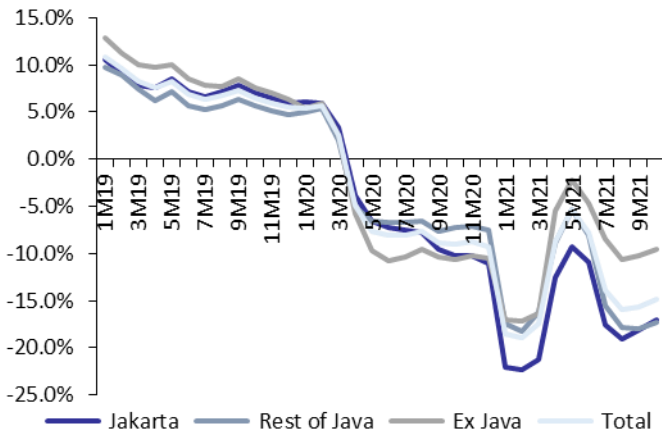
Maintain BUY with a TP of IDR1,600. As we view that the worst is likely over and sentiment along with monthly sales should there be no more lockdowns, will show a sequential improvement. ACES currently trades at 29x 2022F earnings, slightly above its +1STD 5 year forward PE offering a degree of upside.

Key Financials

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Revenue (IDRbn)	8,143	7,413	6,678	8,207	8,931
EBITDA (IDRbn)	1,279	865	687	1,001	1,100
EBITDA Growth (%)	9.5	(32.3)	(20.6)	45.7	9.9
Net profit (IDRbn)	1,033	693	513	786	841
EPS (IDR)	60.2	40.4	29.9	45.8	49.1
EPS growth (%)	7.1	(32.9)	(26.0)	53.0	7.1
BVPS (IDR)	271.8	303.6	309.3	327.6	347.2
DPS (IDR)	28.2	8.5	32.1	27.5	29.4
PER (x)	22.1	32.9	44.4	29.0	27.1
PBV (x)	4.9	4.4	4.3	4.1	3.8
Dividend yield (%)	2.1	0.6	2.4	2.1	2.2
EV/EBITDA (x)	17.5	24.8	30.9	21.3	19.2

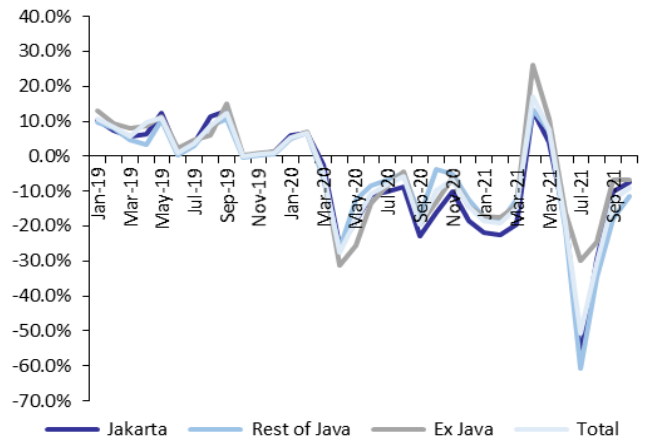
Source : ACES, Danareksa Estimates

Exhibit 1. 1M19-10M21 YTD SSSG



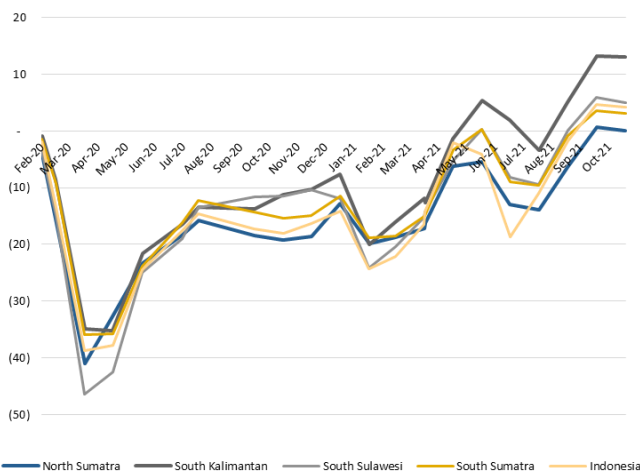
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Monthly SSSG per region



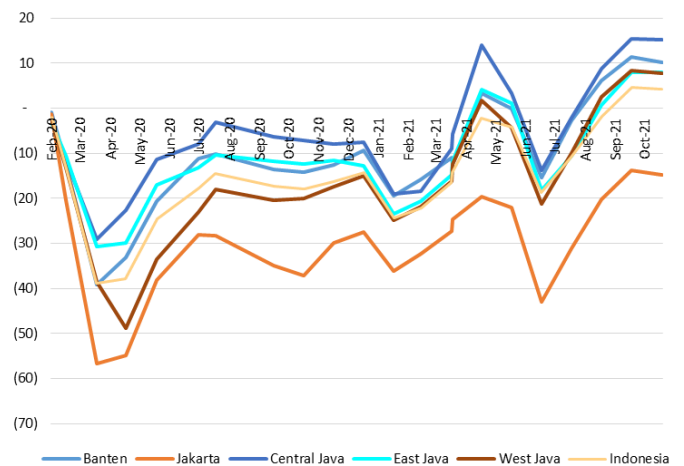
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Ex Java's mall traffic has improved above the baseline figures since Oct-21



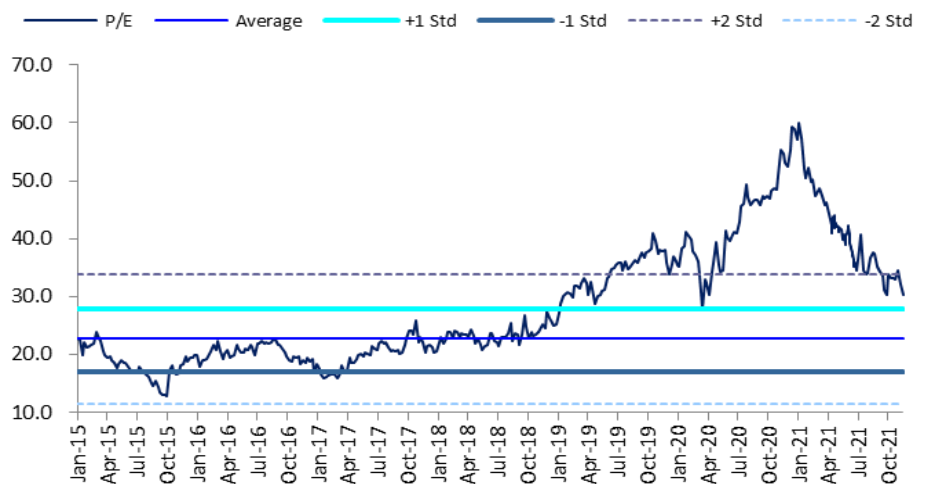
Source: Google Mobility Report, Danareksa Sekuritas estimates

Exhibit 4. Java's mall traffic has surged beyond the baseline figures since Oct-21, Jakarta is nearest to the neutral level since the pandemic



Source: Google Mobility Report, Danareksa Sekuritas estimates

Exhibit 5. ACES' forward PE band 2015-2021, coming off +2STD, as we edge closer to 22F



Source: Bloomberg, Danareksa Sekuritas

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Revenue	8,143	7,413	6,678	8,207	8,931
COGS	(4,256)	(3,754)	(3,431)	(4,197)	(4,551)
Gross profit	3,887	3,659	3,247	4,010	4,380
EBITDA	1,279	865	687	1,001	1,100
Oper. profit	1,163	750	562	865	954
Interest income	32	0	65	82	78
Interest expense	(53)	0	(128)	(135)	(143)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	(4)	0	(5)	(6)	(6)
Other Income (Expenses)	145	134	108	125	127
Pre-tax profit	1,283	884	602	931	1,010
Income tax	(243)	(192)	(93)	(146)	(161)
Minority interest	(6)	2	4	1	(8)
Net profit	1,033	693	513	786	841
Core Net Profit	1,033	693	513	786	841

Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Cash & cash equivalent	1,255	2,220	2,159	2,015	2,252
Receivables	89	143	19	23	25
Inventory	2,653	2,453	2,192	2,624	2,784
Other Curr. Asset	372	218	264	298	290
Fixed assets - Net	847	875	969	1,021	1,063
Other non-curr.asset	1,430	1,338	1,372	1,515	1,632
Total asset	6,646	7,247	6,974	7,496	8,046
ST Debt	225	256	0	0	0
Payables	178	164	143	175	278
Other Curr. Liabilities	382	425	333	405	443
Long Term Debt	575	577	577	577	577
Other LT. Liabilities	610	603	606	711	774
Total Liabilities	1,969	2,025	1,659	1,867	2,072
Shareholder's Funds	4,661	5,207	5,304	5,618	5,955
Minority interests	16	15	11	10	18
Total Equity & Liabilities	6,646	7,247	6,974	7,496	8,046

Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Net income	1,033	693	513	786	841
Depreciation and Amort.	116	115	126	136	146
Change in Working Capital	(206)	132	365	(404)	(58)
Other Oper. Cash Flow	632	233	(71)	154	167
Operating Cash Flow	1,576	1,173	932	672	1,096
Capex	(162)	(143)	(220)	(188)	(189)
Others Inv. Cash Flow	22	0	60	76	72
Investing Cash Flow	(140)	(143)	(160)	(112)	(116)
Net change in debt	684	34	(256)	0	0
New Capital	(94)	(39)	134	0	0
Dividend payment	(484)	(147)	(550)	(471)	(505)
Other Fin. Cash Flow	(53)	0	(128)	(135)	(143)
Financing Cash Flow	53	(152)	(801)	(607)	(648)
Net Change in Cash	1,489	878	(28)	(47)	332
Cash - begin of the year	799	1,255	2,220	2,159	2,015
Cash - end of the year	1,255	2,220	2,159	2,015	2,252

Exhibit 9. Key Ratios

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Growth (%)					
Sales	12.5	(9.0)	(9.9)	22.9	8.8
EBITDA	9.5	(32.3)	(20.6)	45.7	9.9
Operating profit	8.4	(35.5)	(25.1)	54.0	10.3
Net profit	7.1	(32.9)	(26.0)	53.0	7.1
Profitability (%)					
Gross margin	47.7	49.4	48.6	48.9	49.0
EBITDA margin	15.7	11.7	10.3	12.2	12.3
Operating margin	14.3	10.1	8.4	10.5	10.7
Net margin	12.7	9.4	7.7	9.6	9.4
ROAA	17.3	10.0	7.2	10.9	10.8
ROAE	23.3	14.1	9.8	14.4	14.5
Leverage					
Net Gearing (x)	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)
Interest Coverage (x)	21.9	0.0	4.4	6.4	6.7

Source : ACES, Danareksa Estimates

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