

Wednesday, 21 June 2023

BUY
Maintain

Last price (IDR) 605
Target Price (IDR) 840
Upside/Downside +38.8
Previous Target Price (IDR) 840

Stock Statistics

Sector Retail
Bloomberg Ticker ACES IJ
No of Shrs (mn) 17,150
Mkt. Cap (IDRbn/USDmn) 10,376/692
Avg. daily T/O (IDRbn/USDmn) 61.8/4.1

Major shareholders (%)

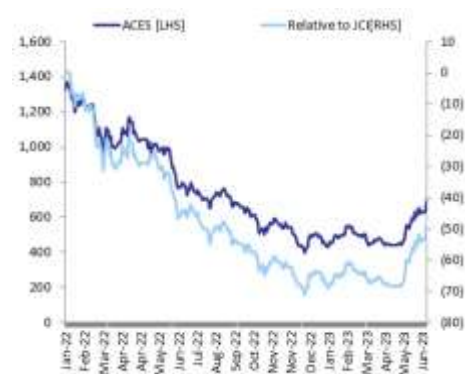
PT Kawan Lama Sejahtera 60.0

Estimated free float 39.8

EPS Consensus (IDR)

	2023F	2024F	2025F
Danareksa	37.1	40.7	45.6
Consensus	40.9	47.5	49.0
Danareksa/Cons	(9.4)	(14.4)	(6.9)

ACES relative to JCI Index



Source : Bloomberg



Eka Savitri

(62-21) 5091 4100 ext. 3506

eka.savitri@brids.co.id

Ace Hardware Indonesia (ACES IJ)

Boom sale to lift June-July sales

ACES recorded 5M23 SSSG of 3.5% translating into sales of close to IDR3.0tn. Sales should get a timely lift in June and July thanks to the ongoing Boom Sale campaign. Meanwhile, we assume a 46.8% gross margin as the company needs to reduce its inventory days to 250 days from Mar-23's figure of 279 days. ACES will have its AGM today (June 21, 2023) and we assume a flat payout ratio of 50%, implying IDR19.4 DPS (~3.1% yield). Maintain BUY with an unchanged TP of IDR840 implying 22.7x PE (-0.5SD of 3 normal years).

Indicative sales of IDR604bn in May 2023. ACES' sales in May 2023 grew by 5.4% yoy yet down by 12.7% on a MoM basis, driven by the seasonality post the Lebaran period. May only SSSG was 1.1% supported by SSSG in ex-Java areas (+2.0% yoy) while Java ex-Jkt and Jkt only booked flattish figures. This brings the 5M23 sales close to IDR3.0tn (+7.1% yoy). The 5M23 SSSG reached 3.5%, inline with the seasonality post 4M23's impressive SSSG of 4.5%. We believe sales in June should be higher given the Boom sale campaign that will last until the end of July 2023.

Booster for June-July sales from the Boom sale. We expect the boom sale that started on June 7 to give a lift to June and July revenues as the campaign will last until the end of July 2023. Previously, ACES held boom sale campaigns twice a year in each semester. Starting this year, there will be a Boom sale in 1H and an undisclosed sale campaign in 2H (preferably Oct-Nov). Based on pre-pandemic historical data, boom sales provided an additional 0.4% to September-19's indicative revenues. Hence we assume such promotion will provide 0.2% additional revenue to June and July top line (8.6-8.7% contribution from each respective month).

Maintaining our FY23F earnings estimate of IDR637bn. We maintain our FY23F net profits forecast of IDR637bn driven by: 1) 6.2% yoy topline growth with plans to open a maximum of 15 new outlets, 2) a 46.8% gross margin as we expect ACES to reduce its inventory level, 3) 5.5% yoy opex growth. Our sensitivity analysis also suggests that for every 10% additional increase in our opex assumption, the bottom line will be diluted by 2.7% from our base case scenario. ACES will hold an AGM on June 21 and we assume a 50% payout ratio, translating to IDR19.4 dividends per share implying a 3.2% yield.

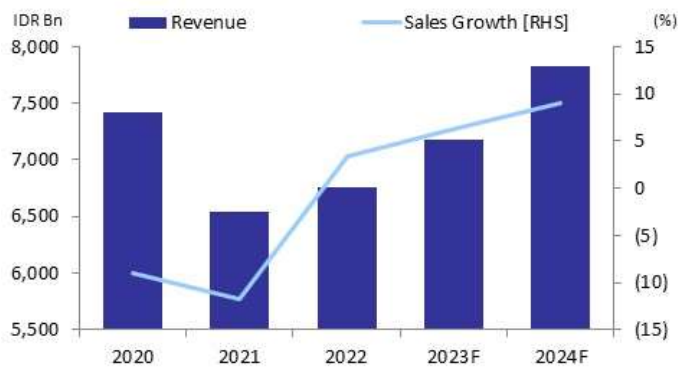
BUY: unchanged TP of IDR840. We maintain our BUY call on the stock with an unchanged TP of IDR840 implying a 22.7x PE target multiple (-0.5SD the 3-normal years) as ACES' new concept store initiatives should translate into better performance with lower inventory days.

Key Financials

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Revenue (IDRbn)	6,543	6,763	7,182	7,827	8,573
EBITDA (IDRbn)	922	880	854	957	1,081
EBITDA Growth (%)	(5.9)	(4.6)	(3.0)	12.1	12.9
Net profit (IDRbn)	615	665	637	698	782
EPS (IDR)	35.9	38.8	37.1	40.7	45.6
EPS growth (%)	(22.8)	8.1	(4.2)	9.6	12.1
BVPS (IDR)	319.6	343.4	356.8	377.1	399.8
DPS (IDR)	20.6	19.5	18.6	20.4	22.9
PER (x)	16.9	15.6	16.3	14.9	13.3
PBV (x)	1.9	1.8	1.7	1.6	1.5
Dividend yield (%)	3.4	3.2	3.1	3.4	3.8
EV/EBITDA (x)	9.4	10.2	11.4	9.9	8.6

Source : ACES, BRI Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



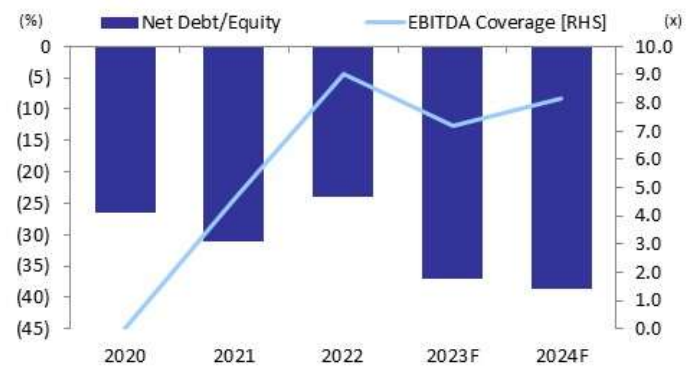
Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 3. Margins



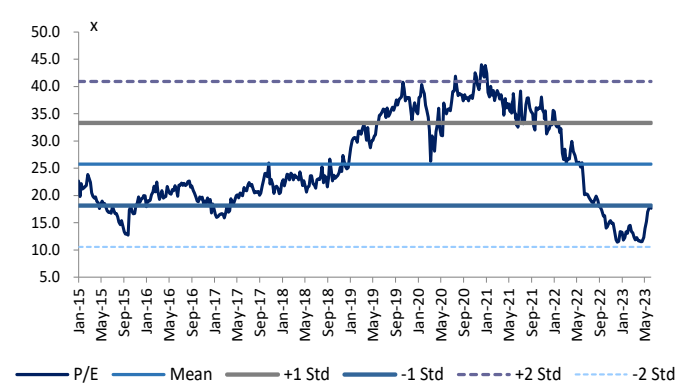
Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



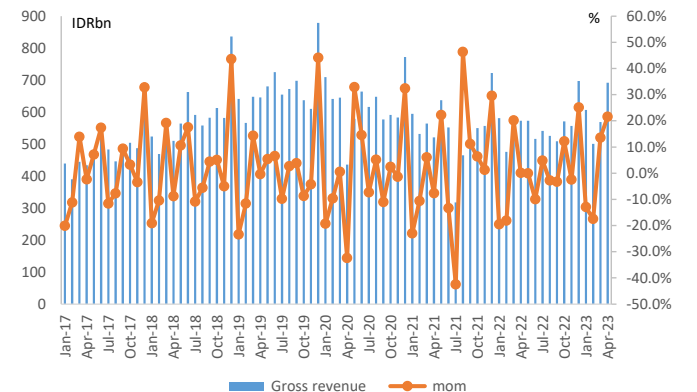
Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 5. Rolling PE band



Source: Bloomberg, BRI Danareksa Sekuritas estimates

Exhibit 6. Monthly revenues and MoM growth



Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 7. Income Statement

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
Revenue	6,543	6,763	7,182	7,827	8,573
COGS	(3,331)	(3,495)	(3,818)	(4,160)	(4,564)
Gross profit	3,213	3,268	3,364	3,667	4,009
EBITDA	922	880	854	957	1,081
Oper. profit	788	747	705	801	918
Interest income	48	47	(52)	49	60
Interest expense	(201)	(97)	(119)	(117)	(115)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	(1)	(4)	(4)	(4)	(4)
Other Income (Expenses)	136	129	148	129	101
Pre-tax profit	770	821	783	858	959
Income tax	(140)	(147)	(141)	(155)	(172)
Minority interest	(14)	(9)	(5)	(5)	(5)
Net profit	615	665	637	698	782
Core Net Profit	615	665	637	698	782

Exhibit 8. Balance Sheet

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
Cash & cash equivalent	2,544	2,133	2,735	2,969	3,203
Receivables	67	86	20	22	24
Inventory	2,368	2,811	2,659	2,897	3,178
Other Curr. Asset	214	333	218	208	197
Fixed assets - Net	808	759	1,003	1,002	1,009
Other non-curr.asset	1,189	1,127	1,170	1,158	1,151
Total asset	7,190	7,249	7,805	8,256	8,761
ST Debt	263	258	0	0	0
Payables	127	144	233	254	279
Other Curr. Liabilities	333	267	351	382	417
Long Term Debt	571	450	450	450	450
Other LT. Liabilities	383	196	602	649	700
Total Liabilities	1,677	1,315	1,636	1,735	1,846
Shareholder's Funds	5,482	5,890	6,119	6,467	6,856
Minority interests	31	44	49	54	59
Total Equity & Liabilities	7,190	7,249	7,805	8,256	8,761

Exhibit 9. Cash Flow

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
Net income	615	665	637	698	782
Depreciation and Amort.	135	133	149	156	163
Change in Working Capital	125	(444)	307	(219)	(259)
Other Oper. Cash Flow	(95)	(270)	622	145	139
Operating Cash Flow	779	84	1,714	780	826
Capex	(68)	(84)	(394)	(154)	(171)
Others Inv. Cash Flow	47	40	50	44	56
Investing Cash Flow	(21)	(44)	(343)	(110)	(115)
Net change in debt	1	(126)	(258)	0	0
New Capital	(75)	81	(87)	0	0
Dividend payment	(354)	(334)	(320)	(350)	(393)
Other Fin. Cash Flow	(201)	(97)	(119)	(117)	(115)
Financing Cash Flow	(628)	(476)	(784)	(468)	(508)
Net Change in Cash	130	(436)	587	202	203
Cash - begin of the year	2,220	2,544	2,133	2,735	2,969
Cash - end of the year	2,544	2,133	2,735	2,969	3,203

Exhibit 10. Key Ratios

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Growth (%)					
Sales	(11.7)	3.4	6.2	9.0	9.5
EBITDA	(5.9)	(4.6)	(3.0)	12.1	12.9
Operating profit	(7.7)	(5.2)	(5.6)	13.7	14.5
Net profit	(22.8)	8.1	(4.2)	9.6	12.1
Profitability (%)					
Gross margin	49.1	48.3	46.8	46.9	46.8
EBITDA margin	14.1	13.0	11.9	12.2	12.6
Operating margin	12.0	11.0	9.8	10.2	10.7
Net margin	9.4	9.8	8.9	8.9	9.1
ROAA	8.5	9.2	8.5	8.7	9.2
ROAE	11.5	11.7	10.6	11.1	11.7
Leverage					
Net Gearing (x)	(0.3)	(0.2)	(0.4)	(0.4)	(0.4)
Interest Coverage (x)	3.9	7.7	5.9	6.8	8.0

Source : ACES, BRI Danareksa Estimates

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