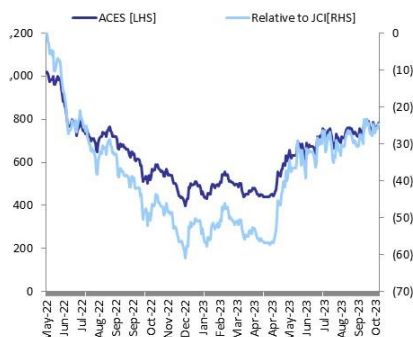


Buy

(Maintained)

Last Price (Rp)	825
Target Price (Rp)	920
Previous Target Price (Rp)	920
Upside/Downside	+11.5%
No. of Shares (mn)	17,150
Mkt Cap (Rpbn/US\$mn)	14,149/905
Avg, Daily T/O (Rpbn/US\$mn)	47.3/3.0
Free Float (%)	39.8
Major Shareholder (%)	
PT Kawan Lama Sejahtera	60.0
EPS Consensus (Rp)	
	2023F 2024F 2025F
BRIDS	40.6 44.9 50.4
Consensus	43.0 48.9 56.0
BRIDS/Cons (%)	(5.5) (8.2) (9.9)

ACES relative to JCI Index



Source: Bloomberg

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Ace Hardware Indonesia (ACES II)

Growth recovery outlook intact on positive Jan24

- ACES Jan24 YTD foot traffic shows a positive growth yoy, which we expect to continue as we approach CNY and Ramadan festivities.
- FY23 SSSG (8.1%) beat the management's guidance (+6.8%), supported by the strong performance of ex-Java stores (SSSG: +12.7%).
- Growth in FY24 will focus on continuation of ex-Java expansion, traffic recovery and efficiencies. Maintain Buy rating and TP of Rp920.

A positive start in Jan24

During our group call with management, ACES indicated that its Jan24 YTD foot traffic to stores showed a positive improvement on yoy basis (mom lower on seasonality). The management expects this momentum to continue as we approach the Chinese New Year and the fasting period/Ramadan festivities in Feb-Mar24. The company also indicated that 4Q23 was a solid quarter, in line with seasonality (+8% yoy and 8.8% qoq).

Above-target FY23 SSSG of 8.1%

In Dec23, ACES' monthly sales reached Rp813bn (+25.3% mom, +16.6% yoy), leading to a FY23 top line of Rp7.5tn (+12.3% yoy), in-line with ours/consensus expectation (at 102.6%/ 99% of our/ cons. FY23F). ACES reported a better SSSG in Dec23 of 11.6% (Nov23: 10%) driven by 13.2% SSSG ex-Java and 11.4% SSSG in rest of Java, followed by Jakarta at 9.3% (Nov23: 2.7%). On a cumulative basis, SSSG in 12M23 reached 8.1% (11M23: 7.6% and above the revised guidance of 6.8%) with Ex Java posting the highest SSSG of 12.7% followed by Jakarta's 6.3% (11M23: 5.5%).

Ex-Java expansion to continue in FY24

In Dec23, ACES opened new stores in Lampung (1,440sqm) and Jatiwaringin (Ace Express, 694sqm). In total, ACES opened 13 new stores and closed 8 stores in 2023, resulting in a total of 233 stores as of Dec23. In FY24, ACES will continue to open more stores, especially in ex-Java areas given the potential to attain higher operating leverage with strong foot traffic and less competition in new areas. It also targets to bring foot traffic to a normal level (pre-pandemic) through utilizing omni-channels (digital/online), more innovative products offering and rejuvenation of more stores to target a younger demographic.

Maintain Buy rating, with an unchanged TP of Rp920

We maintain our FY24-25F estimates and our TP of Rp920 (based on -0.5SD avg 3-y PE of 20.6x) and reiterate Buy rating as ACES growth recovery outlook is intact. Key risks are soft top line growth on weak purchasing power, and increasing competition in ex-Java areas that would dampen SSSG.

Key Financials

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Revenue (Rpbn)	6,543	6,763	7,325	8,018	8,818
EBITDA (Rpbn)	922	880	921	1,035	1,171
EBITDA Growth (%)	(5.9)	(4.6)	4.6	12.3	13.2
Net Profit (Rpbn)	615	665	696	770	865
EPS (Rp)	35.9	38.8	40.6	44.9	50.4
EPS Growth (%)	(22.8)	8.1	4.8	10.6	12.3
BVPS (Rp)	319.6	343.4	358.6	380.9	406.0
DPS (Rp)	20.6	19.5	20.4	22.6	25.3
PER (x)	22.4	20.8	19.8	17.9	16.0
PBV (x)	2.5	2.3	2.2	2.1	2.0
Dividend yield (%)	2.6	2.4	2.5	2.8	3.1
EV/EBITDA	13.1	14.1	12.5	10.9	9.4

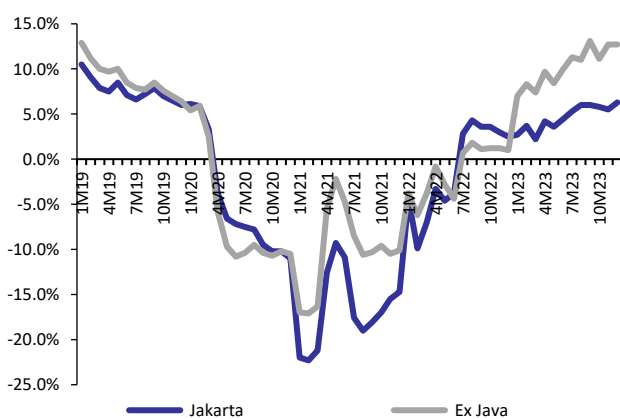
Source: ACES, BRIDS Estimates

Above-target FY23 SSSG of 8.1%

In Dec23, ACES' monthly sales reached Rp813bn (+25.3% mom, +16.6% yoy), leading to a FY23 top line of Rp7.5tn (+12.3% yoy), in-line with ours/ consensus expectation (at 102.6%/ 99% of our/ cons. FY23F). ACES reported a better SSSG in Dec23 of 11.6% (Nov23: 10%) driven by 13.2% SSSG ex-Java and 11.4% SSSG in rest of Java, followed by Jakarta at 9.3% (Nov23: 2.7%).

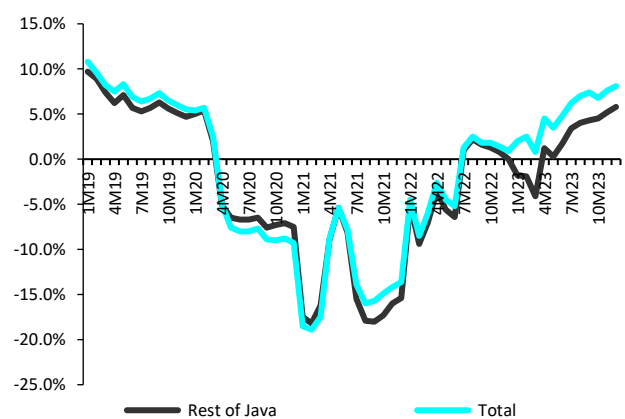
On a cumulative basis, SSSG in 12M23 reached 8.1% (11M23: 7.6% and above the revised guidance of 6.8%) with Ex Java posting the highest SSSG of 12.7% followed by Jakarta's 6.3% (11M23: 5.5%). The management stated that the 4th campaign #BisaKejadian and higher foot traffic in Dec23 supported the robust SSSG, with miscellaneous, appliances, electrical, home living and homeware as the top 5 categories.

Exhibit 1. Ex Java SSSG growth higher than Jakarta...



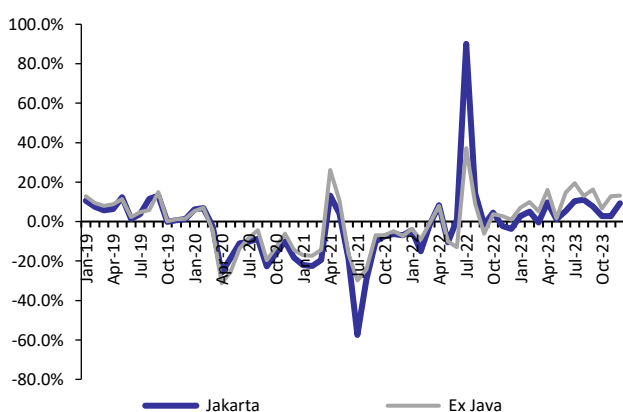
Source: Company

Exhibit 2. Rest of Java lower than Jakarta and Ex-Java



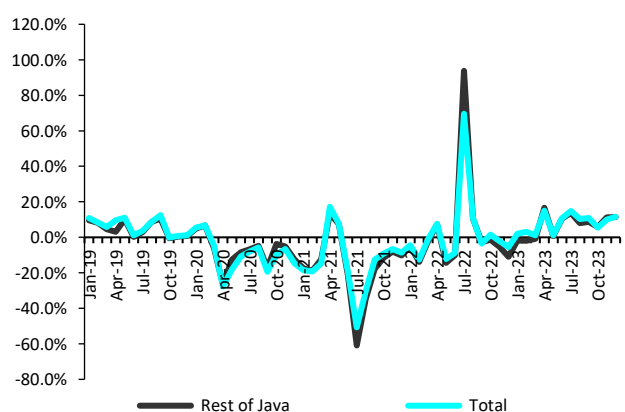
Source: Company

Exhibit 3. Monthly SSSG for Jakarta and Ex-Java

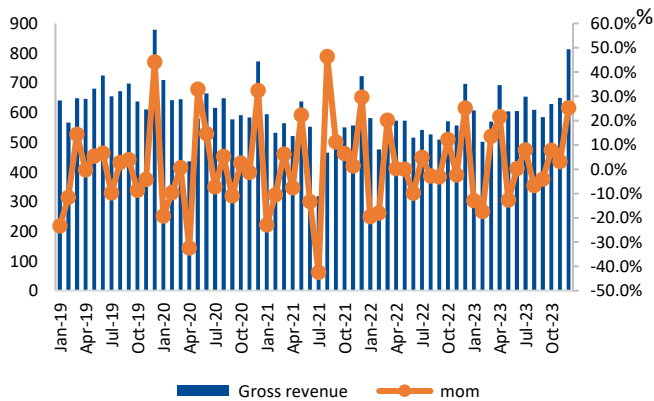


Source: Company

Exhibit 4. Monthly SSSG for Rest of Java and Total



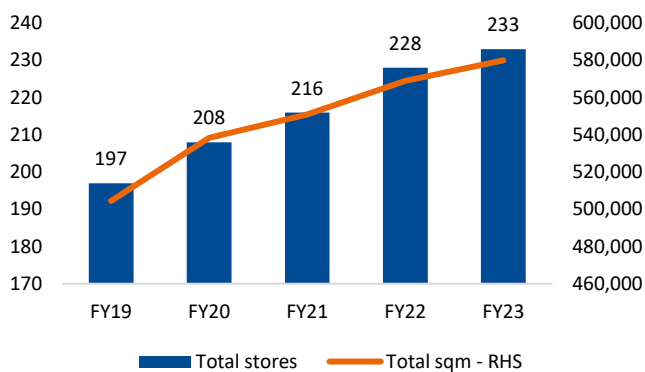
Source: Company

Exhibit 5. Dec23 sales already recover, but still lower vs pre pandemic


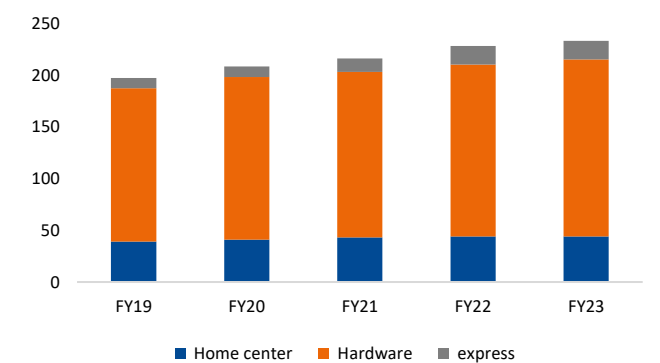
Source: Company, BRIDS Estimates

Exhibit 6. PE Band


Source: Company, BRIDS Estimates

Exhibit 7. Total stores and sqm


Source: Company

Exhibit 8. Stores by category


Source: Company

Exhibit 9. Peers' comparison

	M.cap	PE		Gross margin	ROE	Net profit growth		Avg 3M TO
	IDR tn	2023	2024	2023	2023	2023	2024	IDR Bn
ACES IJ EQUITY	14.3	19.4	17.1	48.40	12.0	14.0%	17.9%	47.1
MAPI IJ EQUITY	33.0	15.2	13.4	45.09	21.5	11.4%	17.5%	48.4
MAPA IJ EQUITY	28.1	19.6	16.6	48.20	28.0	17.4%	21.5%	16.1
AMRT IJ EQUITY	111.3	32.9	27.3	21.18	26.6	23.6%	18.0%	77.7
MIDI IJ EQUITY	13.8	25.6	20.2	25.73	14.9	26.2%	23.4%	17.7
ERAA IJ EQUITY	6.7	8.2	6.7	10.76	11.6	24.4%	20.1%	15.8

Source: BRIDS Estimates, Bloomberg

Exhibit 10. Income Statement

Year to 31 Dec (Rpbn)	2021A	2022A	2023F	2024F	2025F
Revenue	6,543	6,763	7,325	8,018	8,818
COGS	(3,331)	(3,495)	(3,782)	(4,139)	(4,560)
Gross profit	3,213	3,268	3,543	3,879	4,258
EBITDA	922	880	921	1,035	1,171
Oper. profit	788	747	772	879	1,008
Interest income	48	47	47	49	60
Interest expense	(201)	(97)	(109)	(108)	(106)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	(1)	(4)	(4)	(4)	(4)
Other Income (Expenses)	136	129	151	132	103
Pre-tax profit	770	821	857	947	1,061
Income tax	(140)	(147)	(155)	(172)	(191)
Minority interest	(14)	(9)	(5)	(5)	(5)
Net profit	615	665	696	770	865
Core Net Profit	615	665	696	770	865

Exhibit 11. Balance Sheet

Year to 31 Dec (Rpbn)	2021A	2022A	2023F	2024F	2025F
Cash & cash equivalent	2,544	2,133	2,716	3,017	3,267
Receivables	67	86	20	22	24
Inventory	2,368	2,811	2,698	2,897	3,191
Other Curr. Asset	214	333	224	214	204
Fixed assets - Net	808	759	1,006	1,006	1,017
Other non-curr.asset	1,189	1,127	1,200	1,205	1,213
Total asset	7,190	7,249	7,865	8,361	8,917
ST Debt	263	258	0	0	0
Payables	127	144	231	253	279
Other Curr. Liabilities	333	267	359	392	430
Long Term Debt	571	450	450	450	450
Other LT. Liabilities	383	196	626	678	735
Total Liabilities	1,677	1,315	1,667	1,774	1,894
Shareholder's Funds	5,482	5,890	6,149	6,533	6,963
Minority interests	31	44	49	54	59
Total Equity & Liabilities	7,190	7,249	7,865	8,361	8,917

Exhibit 12. Cash Flow

Year to 31 Dec (Rpbn)	2021A	2022A	2023F	2024F	2025F
Net income	615	665	696	770	865
Depreciation and Amort.	135	133	149	156	163
Change in Working Capital	125	(444)	265	(178)	(271)
Other Oper. Cash Flow	(95)	(270)	640	143	135
Operating Cash Flow	779	84	1,750	891	892
Capex	(68)	(84)	(396)	(157)	(174)
Others Inv. Cash Flow	47	40	45	44	56
Investing Cash Flow	(21)	(44)	(350)	(112)	(118)
Net change in debt	1	(126)	(258)	0	0
New Capital	(75)	81	(87)	0	0
Dividend payment	(354)	(334)	(350)	(387)	(434)
Other Fin. Cash Flow	(201)	(97)	(109)	(108)	(106)
Financing Cash Flow	(628)	(476)	(805)	(495)	(541)
Net Change in Cash	130	(436)	595	284	234
Cash - begin of the year	2,220	2,544	2,133	2,716	3,017
Cash - end of the year	2,544	2,133	2,716	3,017	3,267

Exhibit 13. Key Ratio

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Growth (%)					
Sales	(11.7)	3.4	8.3	9.5	10.0
EBITDA	(5.9)	(4.6)	4.6	12.3	13.2
Operating profit	(7.7)	(5.2)	3.4	13.8	14.7
Net profit	(22.8)	8.1	4.8	10.6	12.3
Profitability (%)					
Gross margin	49.1	48.3	48.4	48.4	48.3
EBITDA margin	14.1	13.0	12.6	12.9	13.3
Operating margin	12.0	11.0	10.5	11.0	11.4
Net margin	9.4	9.8	9.5	9.6	9.8
ROAA	8.5	9.2	9.2	9.5	10.0
ROAE	11.5	11.7	11.6	12.1	12.8
Leverage					
Net Gearing (x)	(0.3)	(0.2)	(0.4)	(0.4)	(0.4)
Interest Coverage (x)	3.9	7.7	7.1	8.1	9.5

Source : ACES, BRIDS Estimates

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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