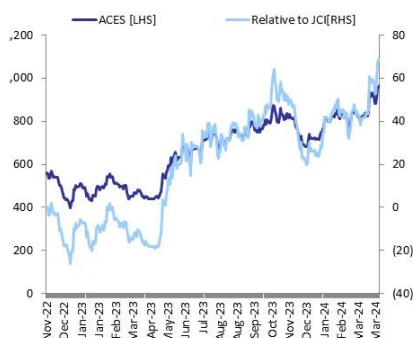


Buy

(Maintained)

Last Price (Rp)	920
Target Price (Rp)	1,200
Previous Target Price (Rp)	920
Upside/Downside	+30.4%
No. of Shares (mn)	17,150
Mkt Cap (Rpbn/US\$mn)	15,780/1,041
Avg, Daily T/O (Rpbn/US\$mn)	46.5/2.9
Free Float (%)	39.8
Major Shareholder (%)	
PT Kawan Lama Sejahtera	60.0
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	50.5 55.6 58.4
Consensus	49.4 57.1 68.4
BRIDS/Cons (%)	2.2 (2.5) (14.7)

ACES relative to JCI Index



Source: Bloomberg

BRI Danareksa Sekuritas Analysts

Natalia Sutanto

(62-21) 5091 4100 ext. 3508
natalia.sutanto@brids.co.id

Sabela Nur Amalina

(62-21) 5091 4100 ext. 4202
sabela.amalina@brids.co.id

Ace Hardware Indonesia (ACES II)

Solid FY24 growth outlook warrants further rerating

- Upbeat FY24 guidance of $\geq 7\%$ SSSG with $\geq 10\%$ yoy sales growth and 15-20 new store openings.
- Strong FY23 delivery amid higher productivity and sustained margins. We revise up our FY24-25F net profits by 13-11%.
- Solid SSSG until Feb24 paves the way for good 1Q24 results and also a further rerating. Maintain BUY with a higher TP of Rp1,200.

Store expansion plan continues in FY24

ACES aims for $\geq 7\%$ SSSG to achieve $\geq 10\%$ sales growth with the target of 15-20 new store openings in FY24 (vs. 13 in FY23). By end-Mar24, ACES had opened 3 new stores (1 home center and 2 Hardware stores in Pejaten Park-Jakarta, Banyuwangi – East Java and Garut – West Java), bringing total store space to 592k sqm. ACES foresees more opportunities ahead in tapping underserved 3rd tier cities in Java and ex-Java areas. We deem the management's target to be realistic amid strong delivery in FY23 and see continued initiatives in marketing and efficiency also provide greater room for higher operating leverage going forward.

We revise up our FY24-25F net profit estimates by 13-11%

The latest SSSG data from Feb24 augurs well for continued solid growth for ACES this year, as all areas have shown improving SSSG including Jakarta and Jakarta ex Java (Exhibit 2 & 3). For FY24F, we estimate 11% top line growth supported by 10 net additional stores (15 including Express) and 7% growth in revenue/sqm. We expect the solid top line to pave the way for a 20bps gross margin improvement. Combined with 10bps efficiency in opex and a normalized tax rate (regulatory adjustment on the free float increased the tax rate in FY23), we forecast FY24F net profit growth of 13.4% yoy. The expectation of higher sales/sqm, higher gross margins and higher operating leverage prompt us to revise up our FY24-25F earnings forecasts by 13% and 11%, respectively.

Maintain BUY with a higher TP of Rp1,200 on re-rating potentials

ACES currently trades at FY24F PE of 18.2x, above its -1SD avg 5y PE of 17.5x. We expect the top line to remain solid supported by all areas in addition to store expansion and increasing operating leverage. As such, we believe the stock has room to rerate to the pre-covid valuation of avg PE of 24x - which translates into our higher TP of Rp1,200. Key risks to our rating include a soft top line post Ramadan if inflation remains stubbornly high, leading to lower margins and Rupiah weakening which will hamper overall purchasing power.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	6,763	7,612	8,458	9,299	10,085
EBITDA (Rpbn)	880	1,009	1,151	1,256	1,364
EBITDA Growth (%)	(4.6)	14.6	14.1	9.1	8.6
Net Profit (Rpbn)	665	764	866	954	1,053
EPS (Rp)	38.8	44.5	50.5	55.6	61.3
EPS Growth (%)	8.1	14.8	13.4	10.1	10.3
BVPS (Rp)	343.4	358.2	385.6	413.3	443.9
DPS (Rp)	19.5	22.4	25.3	27.9	30.8
PER (x)	23.7	20.7	18.2	16.6	15.0
PBV (x)	2.7	2.6	2.4	2.2	2.1
Dividend yield (%)	2.0	2.3	2.6	2.9	3.2
EV/EBITDA	17.2	15.0	12.5	11.3	10.2

Source: ACES, BRIDS Estimates

Solid FY24 growth outlook warrants further rerating

FY23 performance: Higher productivity supported by marketing initiatives; a robust top line; and gross margin expansion

By end-Dec23, the total number of net additional stores reached 5 (excluding Toys Kingdom), leading to 233 total stores (including Ace Express). Total store area increased by 2% with 14% yoy higher revenue/sqm, paving the way for 12.6% yoy growth in the FY23 top line and 10% SSSG.

Marketing initiatives undertaken in FY23 included monthly tactical campaigns, brand enhancement through social media and stores rejuvenation (10 stores in FY23) and additional new products (Save, Stora). This helped to boost the top line growth and widen the GPM by 30bps to 48.6%. In FY23, the online contribution remained steady at around 10-11% of total sales.

FY23 results summary

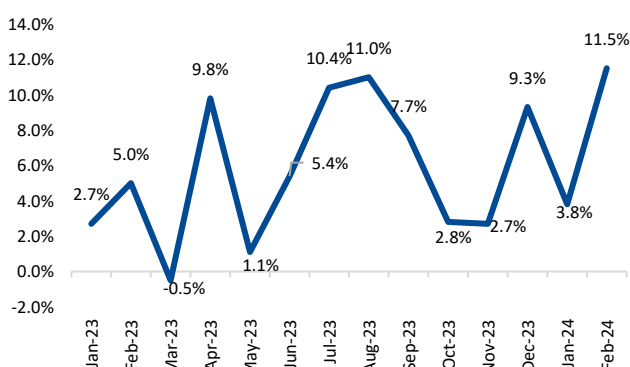
ACES reported 4Q23 net profit of Rp278bn, down 11.2% yoy (+51.4% qoq), leading to a FY23 bottom line of Rp764bn, +14.9% yoy. The FY23 net profit is 109.6% of our FY23F and 105.9% of consensus estimates, i.e., above. At the top line, ACES reported 4Q23 revenue of Rp2.1tr, +13.4% yoy and +14% qoq, leading to FY23 revenue of Rp7.6tr, +12.6% yoy and reaching 104% of our FY23F and 102% of consensus estimates i.e., inline. By end-Dec-23, lifestyle products reported the highest growth of 14.6% yoy, followed by Home Improvement products (+11.3% yoy). The solid FY23 top line with improved margins offset higher tax expenses, thus leading to strong FY23 net profit growth.

Exhibit 1. 4Q23 result

ACES	Unit	4Q22	3Q23	4Q23	% yoy	% qoq	FY22	FY23	% yoy	FY23F	A/F	A/Cons
Net sales	IDR Bn	1,868	1,859	2,118	13.4	14.0	6,763	7,612	12.6%	7,325	103.9	101.9
Gross Profit	IDR Bn	903	885	1,054	15.0	19.0	3,268	3,698	13.2%	3,543	104.4	102.2
EBIT	IDR Bn	388	195	328	(15.4)	67.8	747	863	15.6%	772	111.8	105.1
PBT	IDR Bn	393	220	367	(6.6)	66.4	821	953	16.1%	857	111.3	104.5
Net Profit	IDR Bn	313	183	278	(11.2)	51.4	664	764	14.9%	696	109.6	105.9
Gross Profit	(%)	48.4	47.6	49.7			48.3	48.6		48.4		
EBIT Margin	(%)	20.8	10.5	15.5			11.0	11.3		10.5		
PBT	(%)	21.0	11.9	17.3			12.1	12.5		11.7		
Net Profit	(%)	16.7	9.9	13.1			9.8	10.0		9.5		

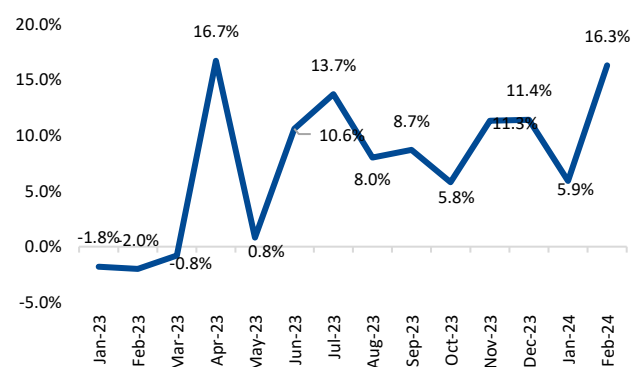
Source: Company, BRIDS Estimates

Exhibit 2. SSSG – Jakarta



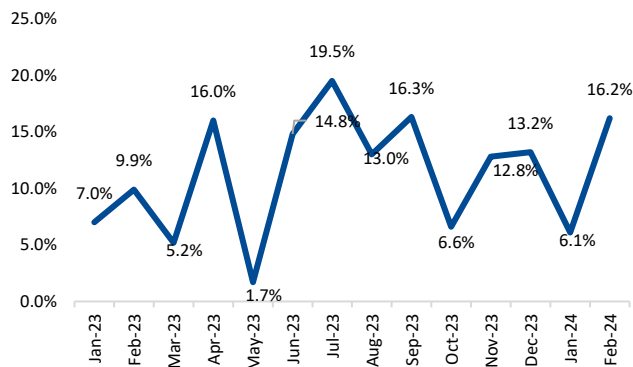
Source: Company

Exhibit 3. SSSG – Java Ex-Jakarta



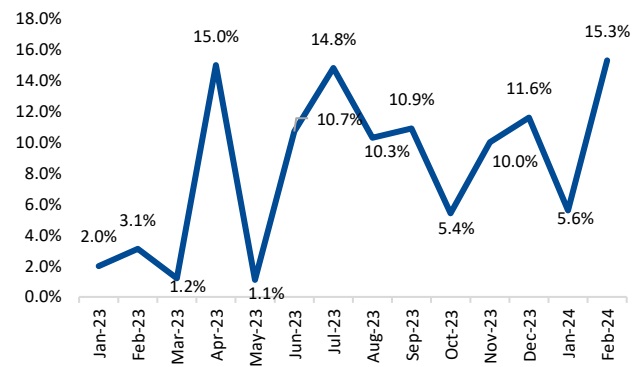
Source: Company

Exhibit 4. SSSG – Ex-Java



Source: Company

Exhibit 5. SSSG – Overall



Source: Company

Exhibit 6. Earnings revision

In IDRbn	Before		After		Changes	
	2024F	2025F	2024F	2025F	2024	2025
Net Sales	8,055	8,857	8,458	9,299	5.0%	5.0%
Gross profit	3,887	4,266	4,129	4,530	6.2%	6.2%
EBIT	874	1,002	1,001	1,095	14.5%	9.3%
EBT	943	1,056	1,058	1,163	12.3%	10.1%
Net profits	767	861	866	954	12.9%	10.8%
Margins (%)						
Gross profit	48.3%	48.2%	48.8%	48.7%		
EBIT	10.8%	11.3%	11.8%	11.8%		
Pretax	11.7%	11.9%	12.5%	12.5%		
Net Income	9.5%	9.7%	10.2%	10.3%		

Key Assumptions

	Before		After	
	2024F	2025F	2024F	2025F
Sales/Sqm/year - yoy	4.0%	4.0%	7.0%	5.0%
Additional Area (000 sqm)	28,151	25,445	25,500	20,400
Additional Stores	16	15	15	15

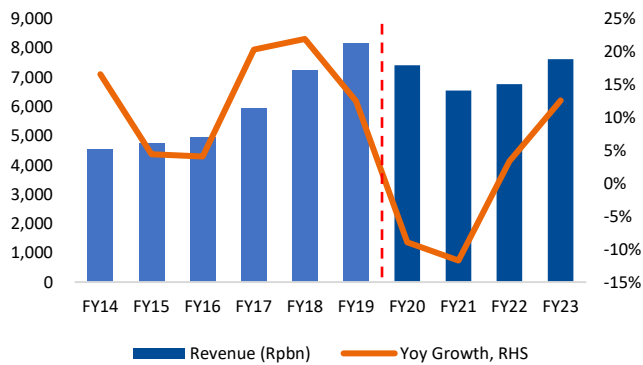
Source: Company, BRIDS Estimates

Exhibit 7. PE band



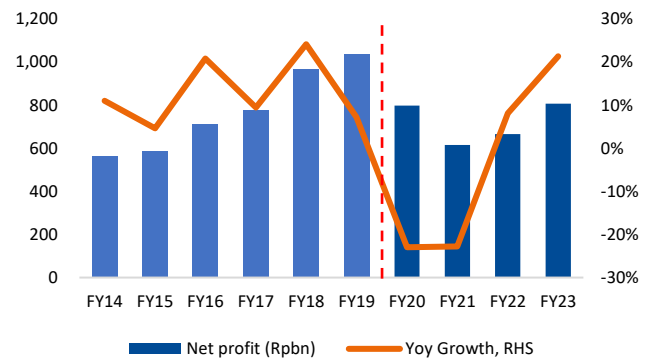
Source: Company, BRIDS Estimates

Exhibit 8. Revenue FY13-23



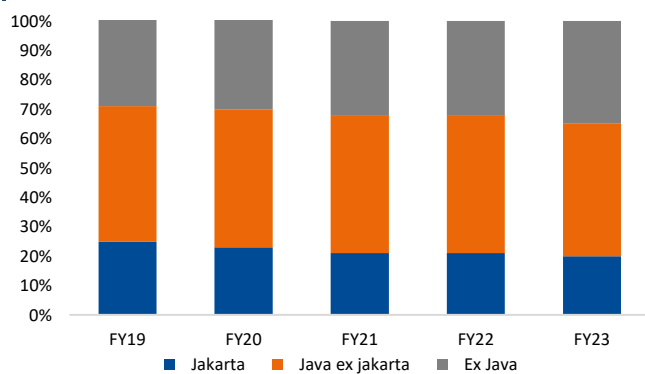
Source: Company

Exhibit 9. Net profit FY13-23



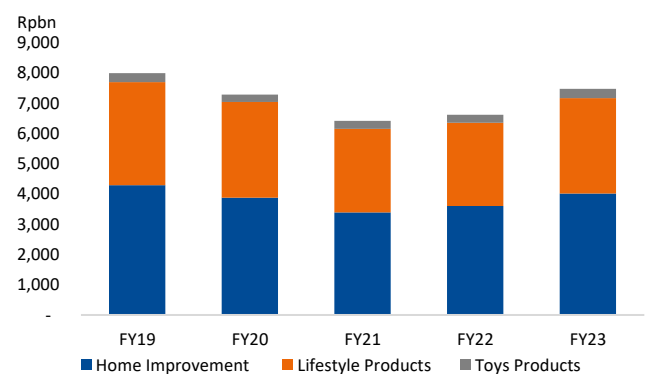
Source: Company

Exhibit 10. Regional sales contribution FY19-23



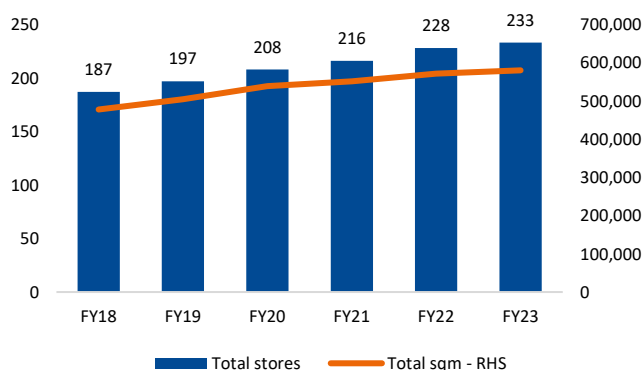
Source: Company

Exhibit 11. Revenue by category FY19-23



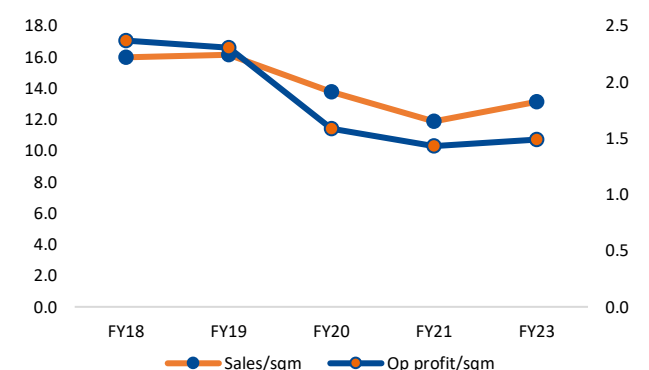
Source: Company

Exhibit 12. Total square and sqm FY18-23



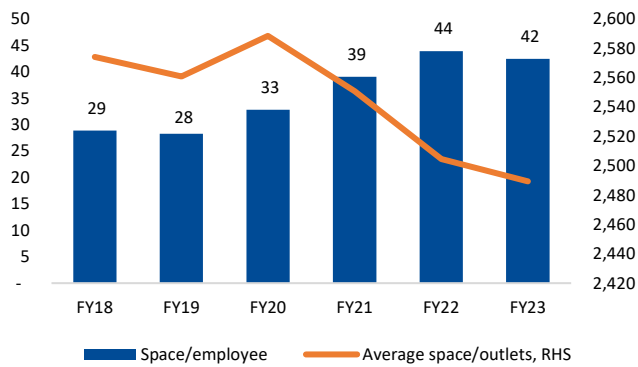
Source: Company

Exhibit 13. Sales/sqm and operating profit/sqm FY18-23



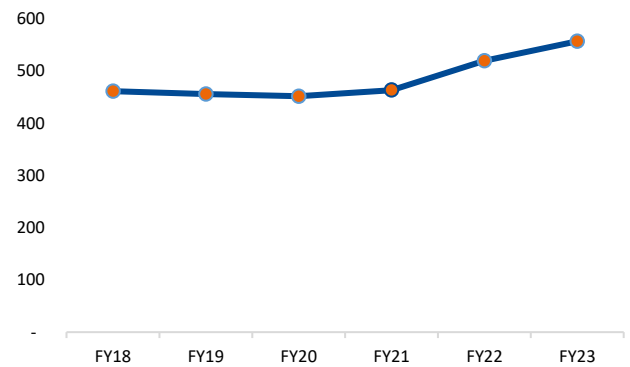
Source: Company

Exhibit 14. Space/employees and avg space/outlets



Source: Company

Exhibit 15. Sales/employee (Rp Mn/year)



Source: Company

Exhibit 16. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	6,763	7,612	8,458	9,299	10,085
COGS	(3,495)	(3,914)	(4,329)	(4,769)	(5,165)
Gross profit	3,268	3,698	4,129	4,530	4,920
EBITDA	880	1,009	1,151	1,256	1,364
Oper. profit	747	863	1,001	1,095	1,192
Interest income	47	0	74	89	102
Interest expense	(97)	0	(129)	(128)	(127)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	(4)	(4)	(4)	(4)	(4)
Other Income (Expenses)	129	137	117	110	120
Pre-tax profit	821	996	1,058	1,163	1,283
Income tax	(147)	(189)	(187)	(204)	(224)
Minority interest	(9)	0	(5)	(5)	(5)
Net profit	665	806	866	954	1,053
Core Net Profit	665	806	866	954	1,053

Exhibit 17. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	2,133	2,312	2,815	3,018	3,288
Receivables	86	199	221	243	263
Inventory	2,811	2,665	2,969	3,271	3,542
Other Curr. Asset	333	486	223	212	195
Fixed assets - Net	759	742	824	888	964
Other non-curr.asset	1,127	1,349	1,470	1,497	1,521
Total asset	7,249	7,753	8,522	9,127	9,774
ST Debt	258	274	0	0	0
Payables	144	126	139	153	166
Other Curr. Liabilities	267	364	412	453	492
Long Term Debt	450	601	601	601	601
Other LT. Liabilities	196	202	708	777	843
Total Liabilities	1,315	1,567	1,860	1,985	2,102
Shareholder's Funds	5,890	6,143	6,613	7,088	7,612
Minority interests	44	43	48	54	59
Total Equity & Liabilities	7,249	7,753	8,522	9,127	9,774

Exhibit 18. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	665	806	866	954	1,053
Depreciation and Amort.	133	146	150	161	172
Change in Working Capital	(444)	14	(313)	(309)	(280)
Other Oper. Cash Flow	(270)	(17)	755	143	132
Operating Cash Flow	84	950	1,458	948	1,077
Capex	(84)	(129)	(233)	(224)	(249)
Others Inv. Cash Flow	40	(2)	69	85	98
Investing Cash Flow	(44)	(131)	(163)	(139)	(151)
Net change in debt	(126)	167	(274)	0	0
New Capital	81	(128)	39	0	0
Dividend payment	(334)	(383)	(435)	(479)	(529)
Other Fin. Cash Flow	(97)	0	(129)	(128)	(127)
Financing Cash Flow	(476)	(345)	(798)	(607)	(656)
Net Change in Cash	(436)	475	496	203	270
Cash - begin of the year	2,544	2,133	2,312	2,815	3,018
Cash - end of the year	2,133	2,312	2,815	3,018	3,288

Exhibit 19. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	3.4	12.6	11.1	9.9	8.5
EBITDA	(4.6)	14.6	14.1	9.1	8.6
Operating profit	(5.2)	15.5	16.0	9.4	8.9
Net profit	8.1	14.8	13.4	10.1	10.3
Profitability (%)					
Gross margin	48.3	48.6	48.8	48.7	48.8
EBITDA margin	13.0	13.3	13.6	13.5	13.5
Operating margin	11.0	11.3	11.8	11.8	11.8
Net margin	9.8	10.6	10.2	10.3	10.4
ROAA	9.2	10.7	10.6	10.8	11.1
ROAE	11.7	13.4	13.6	13.9	14.3
Leverage					
Net Gearing (x)	(0.2)	(0.2)	(0.3)	(0.3)	(0.4)
Interest Coverage (x)	7.7	0.0	7.7	8.6	9.4

Source: ACES, BRIDS Estimates

BRI Danareksa Equity Research Team

Erindra Krisnawan, CFA	Head of Equity Research, Strategy, Coal	erindra.krisnawan@brids.co.id
Natalia Sutanto	Consumer, Cigarettes, Pharmaceuticals, Retail	natalia.sutanto@brids.co.id
Niko Margaronis	Telco, Tower, Technology, Media	niko.margaronis@brids.co.id
Hasan Barakwan	Metal, Oil and Gas	hasan.barakwan@brids.co.id
Victor Stefano	Banks, Poultry	victor.stefano@brids.co.id
Ismail Fakhri Suweleh	Healthcare, Property, Industrial Estate	ismail.suweleh@brids.co.id
Richard Jerry, CFA	Automotive, Cement	richard.jerry@brids.co.id
Ni Putu Wilastita Muthia Sofi	Research Associate	wilastita.sofi@brids.co.id
Naura Reyhan Muchlis	Research Associate	naura.muchlis@brids.co.id
Sabela Nur Amalina	Research Associate	sabela.amalina@brids.co.id
Christian Immanuel Sitorus	Research Associate	christian.sitorus@brids.co.id

BRI Danareksa Economic Research Team

Helmy Kristanto	Chief Economist, Macro Strategy	helmy.kristanto@brids.co.id
Dr. Telisa Aulia Falianty	Senior Advisor	telisa.falianty@brids.co.id
Kefas Sidauruk	Economist	kefas.sidauruk@brids.co.id

BRI Danareksa Institutional Equity Sales Team

Yofi Lasini	Head of Institutional Sales and Dealing	yofi.lasini@brids.co.id
Novrita Endah Putrianti	Institutional Sales Unit Head	novrita.putrianti@brids.co.id
Ehrlich Suhartono	Institutional Sales Associate	ehrliech@brids.co.id
Yunita Nababan	Institutional Sales Associate	yunita@brids.co.id
Adeline Solaiman	Institutional Sales Associate	adeline.solaiman@brids.co.id
Andreas Kenny	Institutional Sales Associate	andreas.kenny@brids.co.id
Christy Halim	Institutional Sales Associate	christy.halim@brids.co.id
Jason Joseph	Institutional Sales Associate	jason.joseph@brids.co.id

BRI Danareksa Sales Traders

Mitcha Sondakh	Head of Sales Trader	mitcha.sondakh@brids.co.id
Suryanti Salim	Sales Trader	suryanti.salim@brids.co.id

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

Disclaimer

The information contained in this report has been taken from sources which we deem reliable. However, none of PT BRI Danareksa Sekuritas and/or its affiliated and/or their respective employees and/or agents makes any representation or warrant (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of PT BRI Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitations for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as results of acting in reliance upon the whole or any part of the contents of this report and neither PT BRI Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in the report is not to be taken as any recommendation made by PT BRI Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regards to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.