

Buy

(Maintained)

Ace Hardware Indonesia (ACES IJ)

Solid SSSG in May24, expect the positive trend to continue in Jun24

Last Price (Rp)	845
Target Price (Rp)	1,200
Previous Target Price (Rp)	1,200
Upside/Downside	+42.0%
No. of Shares (mn)	17,150
Mkt Cap (Rpbn/US\$mn)	14,492/881
Avg, Daily T/O (Rpbn/US\$mn)	41.4/2.5
Free Float (%)	39.8
Major Shareholder (%)	
PT Kawan Lama Sejahtera	60.0
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	50.5 55.6 61.3
Consensus	50.3 58.1 64.9
BRIDS/Cons (%)	0.3 (4.3) (5.6)

- ACES booked a solid SSSG of 10.1% in May24 (May23: 1.1%), consistent with the findings from our weekly retail channel check in May.
- We expect ACES to book further positive SSSG in June as it is continuing its thematic and cashback promotions to boost online sales.
- We believe solid SSSG until May24 shall pave the way for good 2Q24 results. Maintain Buy rating with an unchanged TP of Rp1,200.

Expect solid SSSG in 2Q24

SSSG in May24 is reported at 10.1% (vs. Apr24: 6.8% and May23: 1.1%, boosted by three long weekends and May promotions (Electrical Lighting Fair), in contrast to the soft post-Lebaran period last year. Java (ex-Jkt) was the growth driver in May24, with SSSG of 11.1%, followed by Ex-Java at 10.9% and Jakarta at 6.6%. The solid May24 led to 5M24 SSSG of 11.1% (vs. 5M23: 3.5%), above the company's FY24 guidance of 7%. We expect ACES to book positive SSSG in June on the back of the ongoing "Boom Sale" promotional event from June 12 to July 9, 2024, and supported by the long Eid Al-Adha weekend (June 17th -18th).

Optimistic sales target, supported by focused initiatives

In our latest meeting, ACES management outlined its initiatives to enhance communication, improve the customer journey and loyalty, and invest in omnichannel infrastructure to predict on-demand products and enhance the customer experience in new cities. Its online sales contributed 10-11% mostly from RupaRupa, Miss Aces), targeting 20% in the next five years and increasing the number of new SKUs by 10% every year (FY23 >6,000 SKUs). ACES is also continuing its expansion by opening 7 new stores YTD (5 Ace Hardware in Pejaten, Banyuwangi, Kota Wisata, Garut, Rawa Buntu and 2 Ataru in Surabaya and Medan) and with 8-13 new stores expected in 2H24.

Maintain Buy with an unchanged TP of Rp1,200

We maintain our Buy rating with an unchanged TP of Rp1,200 (implying FY24F PE of 28.3x, vs. the avg 3-y PE of 20.9x) as we expect its solid top line growth to continue (FY24F: 11.1%), supported by SSSG performance and store expansion. 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.

ACES relative to JCI Index



Source: Bloomberg

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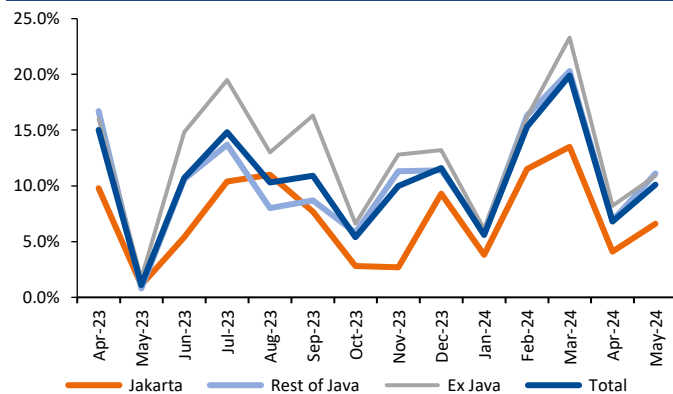
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Key Financials

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	763	866	953	1,051
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	383.0	410.7	441.2
DPS (Rp)	19.5	22.4	25.3	27.9	30.8
PER (x)	21.8	19.0	16.7	15.2	13.8
PBV (x)	2.5	2.4	2.2	2.1	1.9
Dividend yield (%)	2.3	2.6	3.0	3.3	3.6
EV/EBITDA	14.8	12.9	10.2	9.2	8.2

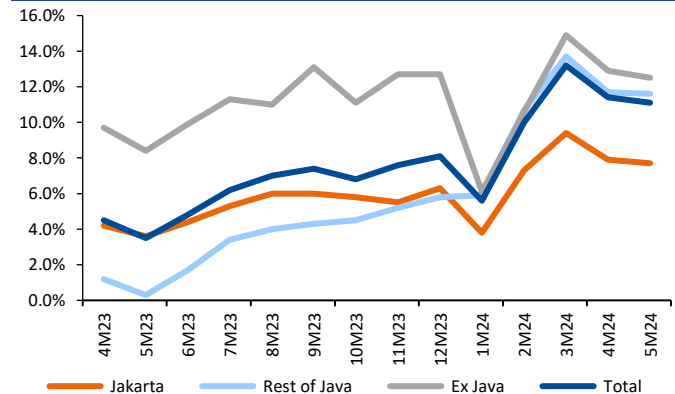
Source: ACES, BRIDS Estimates

Exhibit 1. ACES monthly SSSG



Source: Company

Exhibit 2. ACES YTD SSSG



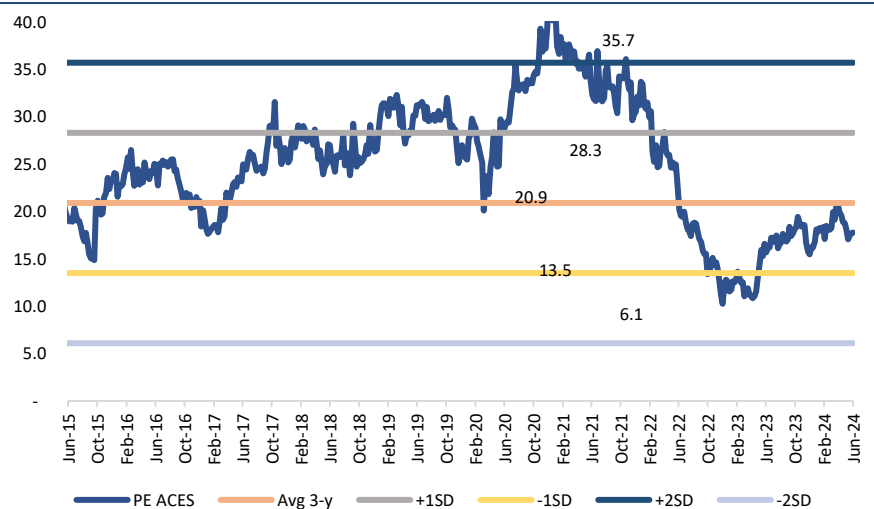
Source: Company

Exhibit 3. Retail sector valuation comparison

Ticker	Rec	Target	M.Cap	P/E (x)		P/BV (x)		ROE (%)	Dividend yield (%)	EPS growth (%)	
		(Rp)	(Rpbn)	2024F	2025F	2024F	2025F	2024F	2024F	2024F	2025F
MAPI	Buy	2,200	28,140	10.6	8.9	1.9	1.5	19.4	0.7	14.1%	18.5%
MAPA	Buy	1,100	26,650	12.8	10.5	2.8	2.3	24.4	0.7	13.0%	22.3%
ACES	Buy	1,200	15,780	17.0	15.5	2.2	2.1	13.6	2.9	13.4%	10.1%
MIDI	Buy	500	13,910	22.8	19.7	3.1	2.8	14.4	1.8	10.8%	15.4%

Source: BRIDS Estimates, Bloomberg

Exhibit 4. ACES PE band – 3 years



Source: Bloomberg, BRIDS Estimates

Exhibit 5. Cashier queue during the long weekend in May24



Source: BRIDS Survey

Exhibit 6. Payday Surprise promotion



Source: BRIDS Survey

Exhibit 7. Ongoing promotion – “Boom Sale”



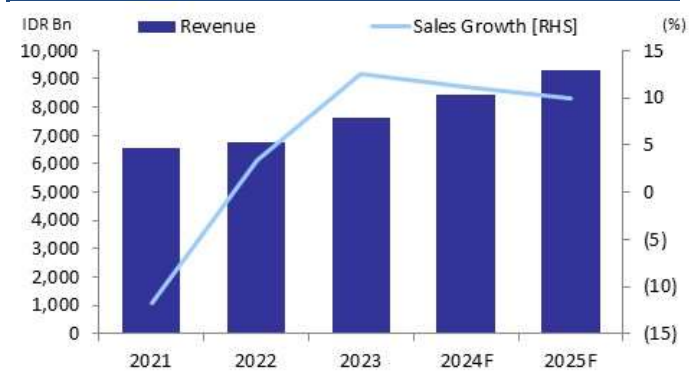
Source: BRIDS Survey

Exhibit 8. Online promotion



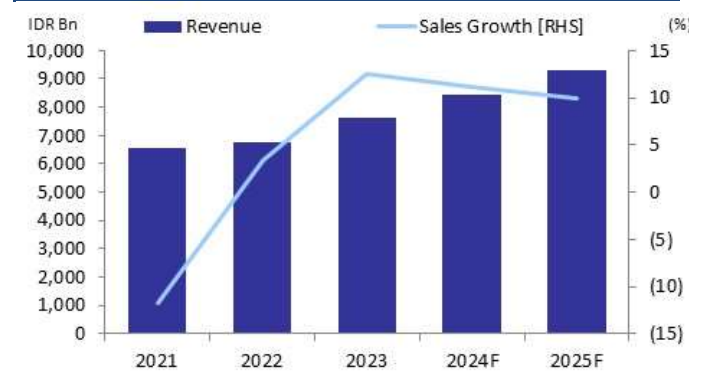
Source: BRIDS Survey

Exhibit 9. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 10. Net Profit and Growth



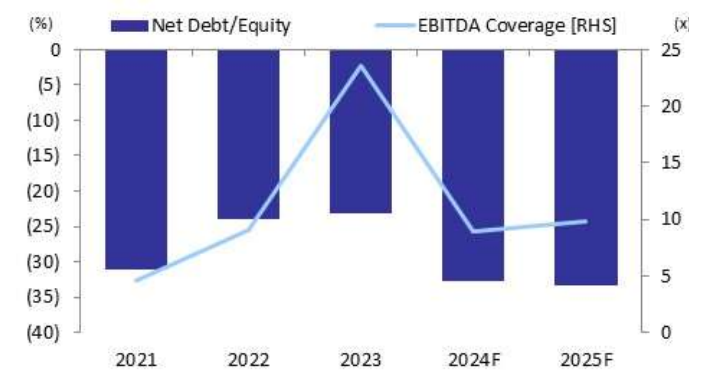
Source: Company, BRIDS Estimates

Exhibit 11. Margins



Source: Company, BRIDS Estimates

Exhibit 12. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 13. 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	100
Interest expense	(97)	(43)	(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	953	1,058	1,162	1,281
Income tax	(147)	(189)	(187)	(204)	(224)
Minority interest	(9)	0	(5)	(5)	(5)
Net profit	665	763	866	953	1,051
Core Net Profit	665	763	866	953	1,051

Exhibit 14. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	2,133	2,312	2,770	2,973	3,242
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	8,478	9,082	9,728
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	6,569	7,043	7,567
Minority interests	44	43	48	54	59
Total Equity & Liabilities	7,249	7,753	8,478	9,082	9,728

Exhibit 15. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	665	763	866	953	1,051
Depreciation and Amort.	133	146	150	161	172
Change in Working Capital	(444)	14	(313)	(309)	(280)
Other Oper. Cash Flow	(270)	26	755	144	133
Operating Cash Flow	84	950	1,458	948	1,077
Capex	(84)	(129)	(233)	(224)	(249)
Others Inv. Cash Flow	40	(2)	69	85	96
Investing Cash Flow	(44)	(131)	(163)	(139)	(153)
Net change in debt	(126)	167	(274)	0	0
New Capital	81	(128)	(5)	0	0
Dividend payment	(334)	(383)	(435)	(479)	(528)
Other Fin. Cash Flow	(97)	(43)	(129)	(128)	(127)
Financing Cash Flow	(476)	(387)	(843)	(607)	(655)
Net Change in Cash	(436)	432	452	202	269
Cash - begin of the year	2,544	2,133	2,312	2,770	2,973
Cash - end of the year	2,133	2,312	2,770	2,973	3,242

Exhibit 16. 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	10.0	10.2	10.2	10.4
ROAA	9.2	10.2	10.7	10.9	11.2
ROAE	11.7	12.7	13.6	14.0	14.4
Leverage					
Net Gearing (x)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
Interest Coverage (x)	7.7	20.1	7.7	8.6	9.4

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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