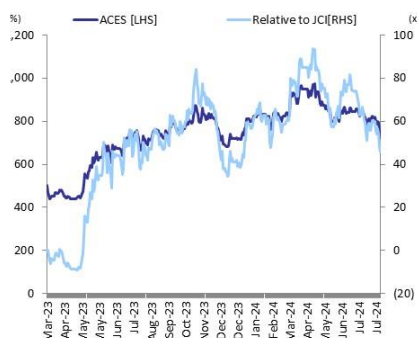


Buy

(Maintained)

Last Price (Rp)	725
Target Price (Rp)	1,100
Previous Target Price (Rp)	1,200
Upside/Downside	+51.7%
No. of Shares (mn)	17,150
Mkt Cap (Rpbn/US\$mn)	12,434/768
Avg, Daily T/O (Rpbn/US\$mn)	38.7/2.4
Free Float (%)	40.0
Major Shareholder (%)	
PT Kawan Lama Sejahtera	60.0
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	48.9 53.6 61.4
Consensus	50.4 57.8 64.3
BRIDS/Cons (%)	(3.0) (7.2) (4.5)

ACES relative to JCI Index



Source: Bloomberg

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Aspirasi Hidup Indonesia (ACES II)

Steady SSSG, but Challenges Loom; reaffirm Buy Rating with a lower TP

- ACES will terminate its agreement with ACES US, with an expected additional cost for rebranding in FY25.
- We lowered FY24-25F net profit by 3.2%/3.5% due to higher opex and lower gross margins.
- Despite steady SSSG, we see uncertainty lingering post-license termination. Maintain Buy rating with a lower TP of Rp1,100.

ACES optimistic on achieving its FY24 guidance

ACES management is optimistic about achieving its FY24 guidance of SSSG $\geq 7\%$ with sales growth $\geq 10\%$ yoy. In 1H24, the company saw normalized traffic returning to pre-pandemic levels. Combined with new innovative SKUs, Boom Sale and monthly thematic campaigns, it expects to maintain sales momentum in 2H24, with lower 1H24 inventory days of 234 (down from 265 days in 1Q24). ACES has decided to terminate its license agreement with Ace Hardware US, with further details to follow towards the end of the year. This will eliminate ~Rp40bn in royalty expenses from opex starting in 2025. On the flip side, the company expects an additional cost of around 1% of rev. for rebranding in 1H25, which will be offset by the absence of royalty expenses.

We lowered our FY24-25F net profit by 3.2%/3.5% on higher opex

Following the 2Q24 results, we have adjusted our FY24-25F sales/sqm growth to 7.5%/6.5% yoy (from prev. 7%/5%), while maintaining our target for an additional 15 stores. We believe the introduction of new SKUs, new store concepts, and key events have contributed to a recovery in productivity (1H24: 10.5% yoy – Exh. 5). However, we have trimmed our FY24-25F GPM by 20/10bps, taking into account a potential shift in product mix due to the expected increase in store openings in 2H24. Additionally, we have increased our FY24/25F opex/revenue by 50/80bps. This adjustment reflects higher professional fees and A&P, driven by the increasing contribution of E-commerce (11% of 1H24 rev vs. less than 10% in 2023) and planned rebranding efforts in 2025. As a result, we project -3.2%/-3.5% decrease in net profit for FY24-25F. Nevertheless, we estimate FY24-25F net profit growth of 9.8%/9.7% yoy.

Steady SSSG yet uncertainty lingers from license termination, maintain Buy

ACES reported a steady SSSG ytd despite coming off a high base last year. While we remain confident in the company's strong execution and proven track record in merchandising, the termination of the agreement with ACES US and the need for rebranding in FY25 add uncertainty. We believe the market will wait for further clarity and observe ACES' performance post-license termination. We roll over our valuation to 2025, translating to a lower TP of Rp1,100 with a lower implied PE of 20x (avg 3y PE) to incorporate these concerns.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	6,763	7,612	8,497	9,472	10,369
EBITDA (Rpbn)	880	1,009	1,093	1,193	1,344
EBITDA Growth (%)	(4.6)	14.6	8.4	9.1	12.7
Net Profit (Rpbn)	665	763	838	920	1,054
EPS (Rp)	38.8	44.5	48.9	53.6	61.4
EPS Growth (%)	8.1	14.8	9.8	9.7	14.6
BVPS (Rp)	343.4	358.2	382.2	408.9	439.5
DPS (Rp)	19.5	22.4	24.5	26.9	30.9
PER (x)	18.7	16.3	14.8	13.5	11.8
PBV (x)	2.1	2.0	1.9	1.8	1.6
Dividen yield (%)	2.7	3.1	3.4	3.7	4.3
EV/EBITDA	12.5	10.9	10.0	9.0	7.8

Source: ACES, BRIDS Estimates

Steady SSSG, but Challenges Loom; reaffirm Buy Rating with lower TP

ACES 2Q24 Result

ACES booked 2Q24/1H24 revenue growth of 10.8%/13.7% yoy, supported by 1H24 SSSG of 10.7% (1H23: 4.8%). The 1H24 SSSG exceeded the company's FY24 guidance of $\geq 7\%$. Lifestyle revenue continued its double-digit growth at +20.7% yoy, increasing its contribution to 44.1% (up from 41.6% in 1H23). Meanwhile, Home Improvement rev. increased by 9.7% yoy with a 52% revenue contribution (vs. 1H23: 54%).

ACES reported improved gross margins for 1H24 and 2Q24 by 10bps, which we believe benefited from operating leverage and product mix. During 1H24, the company continued its thematic promotions (Festive Promotion, Electrical Lighting Fair, Boom Sale) and digital campaigns. This helped reduce inventory days to 240 in 1H24 (1Q24: 257 days) and keeps the company on track to achieve the FY24 target of 250 days. In 2Q24, Operating margin decreased to 7.7% (1Q24: 11.9%) due to an increase in professional fees (2Q24: +82.8% yoy) along with higher salary, bonuses, and employee allowance (+10.7% yoy in 2Q24).

1H24 net profit increased +21% yoy, accounting for 42% of BRIDS/Cons FY24F, which is still broadly in line to achieve our and consensus estimates. By the end of Jun24, ACES opened 3 new stores in Sumatera and Java islands, bringing the total to 239 stores. This is still in line with our target of 15 new stores for 2024, with the expectation for a more aggressive store opening in 2H24.

Exhibit 1. ACES's 2Q24 Earnings Result

ACES	Unit	1H23	1H24	% yoy	2Q23	1Q24	2Q24	% yoy	% qoq	FY24F	A/F	A/Cons
Net sales	Rpbn	3,635	4,135	14%	1,933	1,993	2,142	11%	8%	8,458	48.9	48.9
Gross Profit	Rpbn	1,759	2,007	14%	933	967	1,041	12%	8%	4,129	48.6	48.9
EBIT	Rpbn	340	401	18%	157	237	164	5%	-31%	1,001	40.1	39.2
PBT	Rpbn	366	452	24%	172	254	198	15%	-22%	1,058	42.7	41.5
Net Profit	Rpbn	302	365	21%	144	205	160	11%	-22%	866	42.2	41.9
Gross Profit	(%)	48.4	48.5		48.3	48.5	48.6			48.6		
EBIT Margin	(%)	9.3	9.7		8.1	11.9	7.7			11.3		
PBT	(%)	10.1	10.9		8.9	12.8	9.2			12.5		
Net Profit	(%)	8.3	8.8		7.5	10.3	7.5			10.0		

Source: Company, BRIDS Estimates

Exhibit 2. ACES's Earnings Revision

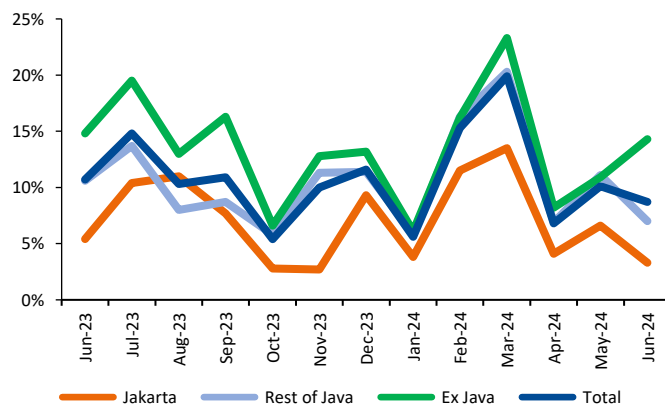
In Rpbm	Before			After			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2024	2025	2026
Net Sales	8,458	9,299	10,085	8,497	9,472	10,369	0.5%	1.9%	2.8%
Gross profit	4,129	4,530	4,920	4,131	4,604	5,045	0.0%	1.6%	2.6%
Operating profit	1,001	1,095	1,192	943	1,032	1,171	-5.8%	-5.8%	-1.8%
Net profits	866	953	1,051	838	920	1,054	-3.2%	-3.5%	0.2%
Margins (%)									
Gross margin	48.8%	48.7%	48.8%	48.6%	48.6%	48.7%			
Operating margin	11.8%	11.8%	11.8%	11.1%	10.9%	11.3%			
Net Income	10.2%	10.2%	10.4%	9.9%	9.7%	10.2%			

Key Assumptions

	Before			After		
	2024F	2025F	2026F	2024F	2025F	2026F
Sales/Sqm/year - yoy	7.0%	5.0%	5.0%	7.5%	6.5%	6.0%
Additional Area (000 sqm)	25,500	20,400	21,600	25,500	20,400	21,600
Additional Stores	15	15	16	15	15	16
opex/sales	37.0%	36.9%	37.0%	37.5%	37.7%	37.4%

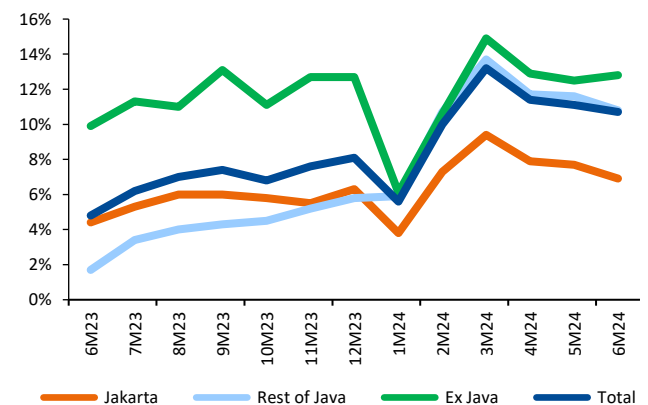
Source: BRIDS Estimates

Exhibit 3. ACES Monthly SSSG



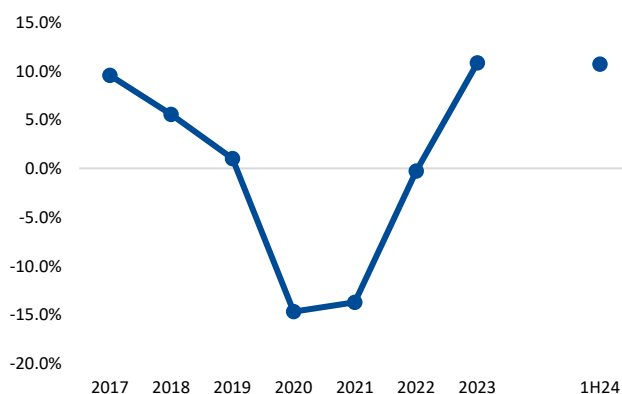
Source: Company, BRIDS

Exhibit 4. ACES Ytd SSSG



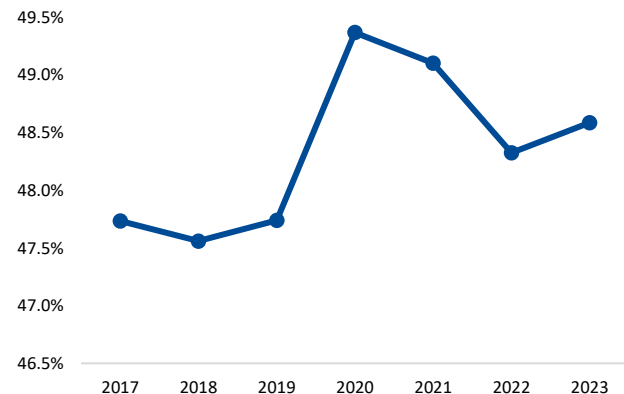
Source: Company, BRIDS

Exhibit 5. Sales/sqm (Yoy Growth), FY17-1H24



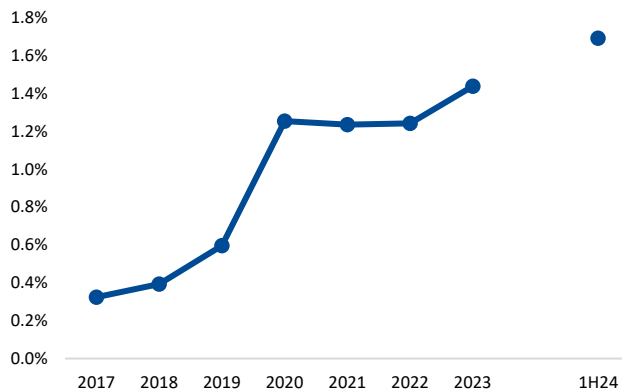
Source: Company, BRIDS

Exhibit 6. Gross Profit Margin, FY17-23



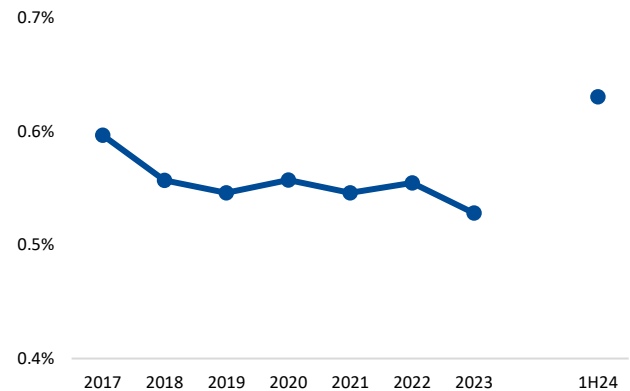
Source: Company, BRIDS

Exhibit 7. Professional Fee/Sales, FY17-1H24



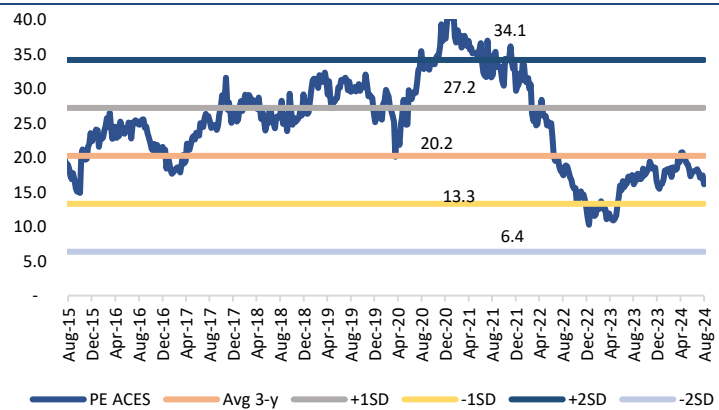
Source: Company, BRIDS

Exhibit 8. Royalty/Sales, FY17-1H24



Source: Company, BRIDS

Exhibit 9. ACES's PE Band



Source: Bloomberg, BRIDS Estimates

Exhibit 10. ACES Peers 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	23,738	11.0	9.3	1.9	1.6	19.4	0.6	14.1%	18.5%
MAPA	Buy	1,100	23,943	15.3	12.5	3.4	2.7	24.4	0.6	13.0%	22.3%
ACES	Buy	1,100	14,492	14.8	13.5	1.9	1.8	13.2	3.4	9.8%	9.7%
MIDI	Buy	600	13,575	19.2	16.8	3.0	2.7	16.5	1.8	26.3%	14.2%
Sector				14.6	12.5	2.6	2.2	19.3	1.3	15.1%	17.2%

Source: Bloomberg, BRIDS Estimates

Exhibit 11. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	6,763	7,612	8,497	9,472	10,369
COGS	(3,495)	(3,914)	(4,366)	(4,869)	(5,324)
Gross profit	3,268	3,698	4,131	4,604	5,045
EBITDA	880	1,009	1,093	1,193	1,344
Oper. profit	747	863	943	1,032	1,171
Interest income	47	0	74	88	99
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	139	136	149
Pre-tax profit	821	953	1,022	1,124	1,287
Income tax	(147)	(189)	(178)	(199)	(228)
Minority interest	(9)	0	(5)	(5)	(5)
Net profit	665	763	838	920	1,054
Core Net Profit	665	763	838	920	1,054

Exhibit 12. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	2,133	2,312	2,747	2,902	3,127
Receivables	86	199	222	247	271
Inventory	2,811	2,665	2,994	3,339	3,651
Other Curr. Asset	333	486	222	215	200
Fixed assets - Net	759	742	825	891	973
Other non-curr.asset	1,127	1,349	1,472	1,502	1,530
Total asset	7,249	7,753	8,482	9,096	9,752
ST Debt	258	274	0	0	0
Payables	144	126	140	156	171
Other Curr. Liabilities	267	364	416	465	507
Long Term Debt	450	601	601	601	601
Other LT. Liabilities	196	202	721	808	876
Total Liabilities	1,315	1,567	1,878	2,030	2,156
Shareholder's Funds	5,890	6,143	6,555	7,013	7,538
Minority interests	44	43	48	54	59
Total Equity & Liabilities	7,249	7,753	8,482	9,096	9,752

Exhibit 13. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	665	763	838	920	1,054
Depreciation and Amort.	133	146	150	161	173
Change in Working Capital	(444)	14	(338)	(354)	(321)
Other Oper. Cash Flow	(270)	26	771	162	136
Operating Cash Flow	84	950	1,421	889	1,041
Capex	(84)	(129)	(234)	(227)	(255)
Others Inv. Cash Flow	40	(2)	69	84	95
Investing Cash Flow	(44)	(131)	(164)	(143)	(160)
Net change in debt	(126)	167	(274)	0	0
New Capital	81	(128)	(5)	0	0
Dividend payment	(334)	(383)	(421)	(462)	(529)
Other Fin. Cash Flow	(97)	(43)	(129)	(128)	(127)
Financing Cash Flow	(476)	(387)	(829)	(590)	(656)
Net Change in Cash	(436)	432	428	156	225
Cash - begin of the year	2,544	2,133	2,312	2,747	2,902
Cash - end of the year	2,133	2,312	2,747	2,902	3,127

Exhibit 14. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	3.4	12.6	11.6	11.5	9.5
EBITDA	(4.6)	14.6	8.4	9.1	12.7
Operating profit	(5.2)	15.5	9.3	9.4	13.5
Net profit	8.1	14.8	9.8	9.7	14.6
Profitability (%)					
Gross margin	48.3	48.6	48.6	48.6	48.7
EBITDA margin	13.0	13.3	12.9	12.6	13.0
Operating margin	11.0	11.3	11.1	10.9	11.3
Net margin	9.8	10.0	9.9	9.7	10.2
ROAA	9.2	10.2	10.3	10.5	11.2
ROAE	11.7	12.7	13.2	13.6	14.5
Leverage					
Net Gearing (x)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
Interest Coverage (x)	7.7	20.1	7.3	8.1	9.2

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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