Hold

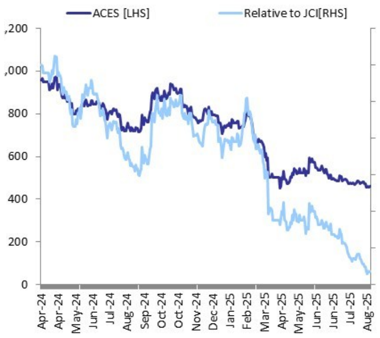
(Maintained)

Last Price (Rp)	**458**
Target Price (Rp)	**500**
Previous Target Price (Rp)	▼ ***520***
Upside/Downside	**+9.2%**
No. of Shares (mn)	**17,150**
Mkt Cap (Rpbn/US$mn)	**7,855/480**
Avg, Daily T/O (Rpbn/US$mn)	**32.1/2.0**
Free Float (%)	**39.8**
Major Shareholder (%)	
PT Kawan Lama Sejahtera	60.0

EPS Consensus (Rp)

	2025F	**2026F**	**2027F**
BRIDS	47.9	53.5	59.2
Consensus	48.7	56.0	61.0
BRIDS/Cons (%)	**(1.7)**	**(4.5)**	**(2.8)**

ACES relative to JCI Index



Source: Bloomberg

Aspirasi Hidup Indonesia (ACES IJ)

Macro and Competitive Headwinds Persist

- **We expect AZKO's sluggish performance to continue to 3Q25F given persisting economic headwinds, although mgmt. expects a stronger 4Q25.**
- **We see the return of Ace Hardware could pose med-to-long term pressure to AZKO despite AZKO's growing brand awareness since its launch.**
- **We revised up our earnings estimates by +11.2/5.6% in FY25/26F on further opex efficiency. Maintain Neutral with a TP of Rp500.**

Expect sluggish 3Q25F; potential improvement in 4Q25

We anticipate the soft 2Q25 performance may continue to 3Q25F as soft economic condition persists and continues to dampen purchasing power. Moreover, AZKO's 3Q24 figures were relatively high-base due to the timing of the Boom Sale period, which occurred in Jul and Aug24, despite our analysis indicating the impact of Boom Sale has been gradually waning. The company aims to maintain its gross margin at ~48% for FY25F and expect a stronger sales performance in 4Q25, which has historically been AZKO's best performing quarter.

AZKO's brand awareness and the return of Ace Hardware

The management remains optimistic about AZKO's growing brand awareness, which has improved significantly since its launch earlier this year and is now quite comparable to its predecessor (see exhibit 2). However, we believe the economic headwinds have weighed on AZKO's sales performance in 1H25, resulting in soft topline growth of +3.2% yoy and negative SSSG of -2.9%. Looking ahead, the return of Ace Hardware under MAPI could also pose medium-to-long term competitive pressure, in our view. This stems from potential product overlaps that could trigger price war, store locations in close proximity, and Ace Hardware's strong brand recognition and customer loyalty. In the short term, however, we believe the impact will be limited as AZKO may benefit from its broader product range and wider store network.

Earnings revised upwards on opex efficiency; maintain Hold rating with TP Rp500

We maintain our conservative FY25 revenue growth projection of +4.1% yoy but have raised our earnings estimates by +11.2/+5.6% in FY25/26F, reflecting recent cost-efficiency measures. The management has recently reduced A&P budget to 1.5% of sales (from prev 2.5%) and implemented a hiring freeze initiative (and reallocating existing employees to new stores) to enhance operational efficiency. Nonetheless, we maintain our Hold rating on ACES as we believe the company continues to face headwinds, driving our expectation of negative growth for FY25, as revenue growth remaining heavily reliant on new store expansion. We lowered our TP slightly to Rp500 as we lowered our PE multiple target to 9.9x FY25F, given the company's lack of growth catalyst and tighter competition landscape. ACES currently trades at 9.6x PE FY25F which we view as fairly valued. Upside risks are faster pickup from economic headwinds and stronger than expected sales growth in 2H25, downside risks are slow performance in the new stores resulting in higher inventory days and weaker than expected purchasing power in 2H25.

Key Financials

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
Revenue (Rpbn)	7,620	8,583	8,933	9,484	10,070
EBITDA (Rpbn)	1,013	1,163	1,152	1,271	1,384
EBITDA Growth (%)	15.0	14.8	(0.9)	10.3	8.9
Net Profit (Rpbn)	770	892	820	916	1,014
EPS (Rp)	44.9	52.1	47.9	53.5	59.2
EPS Growth (%)	16.0	16.0	(8.1)	11.7	10.8
BVPS (Rp)	358.6	378.3	402.2	428.9	458.6
DPS (Rp)	30.1	32.3	23.9	26.7	29.6
PER (x)	10.2	8.8	9.6	8.6	7.7
PBV (x)	1.3	1.2	1.1	1.1	1.0
Dividend yield (%)	6.6	7.1	5.2	5.8	6.5
EV/EBITDA	6.3	5.9	5.5	5.0	4.3

Source: ACES, BRIDS Estimates

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Aggressive AZKO's store expansion

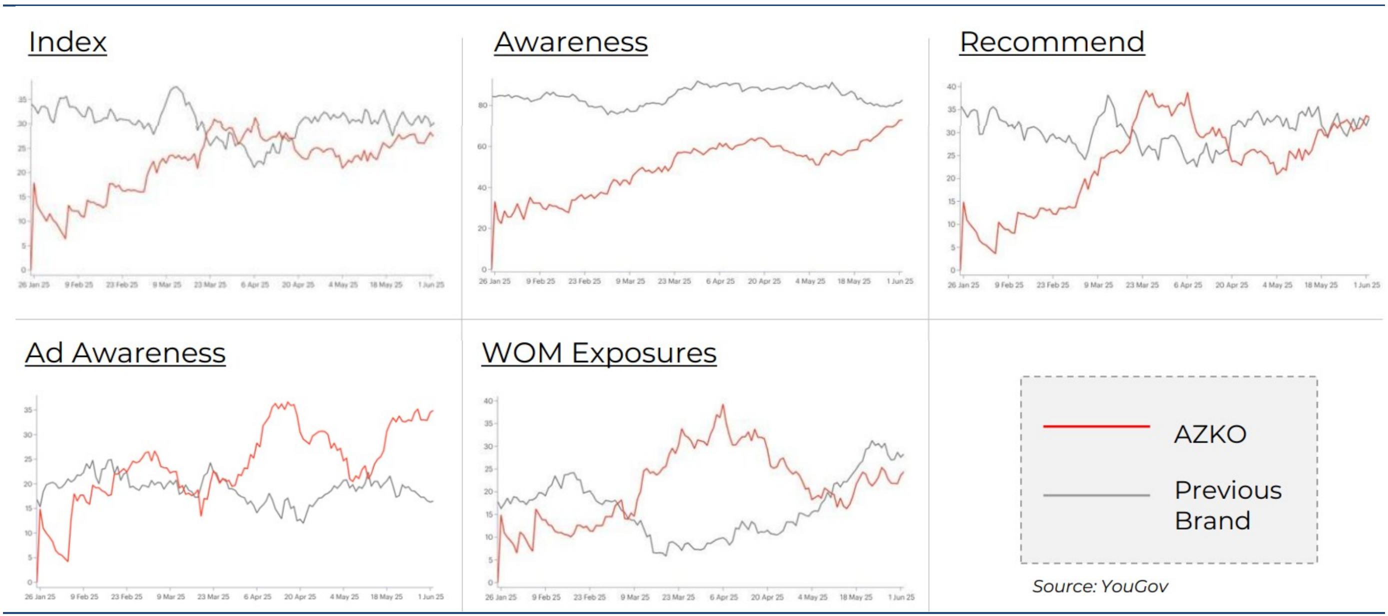
AZKO's new stores' expansion remains on track so far, with 8 new stores has been rolled out in 1H25 and another 17-18 new stores coming in 2H25. We view its stores expansion this year to be rather aggressive (they opened 20 stores in FY24 and 13 stores in FY23) and may pose operational risk amid the economic headwinds.

Exhibit 1. ACES' Earnings Estimates Revision

ACES IJ (In Rpbn)	Before		After		Changes	
	2025F	2026F	2025F	2026F	2025	2026
Net Sales	8,867	9,354	8,933	9,484	0.7%	1.4%
Gross profit	4,254	4,534	4,329	4,614	1.8%	1.8%
Operating profit	883	1,027	1,017	1,131	15.2%	10.1%
EBT	889	1,042	1,010	1,130	13.6%	8.4%
Net profits	737	867	820	916	11.2%	5.6%
Margins (%)						
Gross margin	48.0%	48.5%	48.5%	48.6%		
Operating margin	10.0%	11.0%	11.4%	11.9%		
Pretax	10.0%	11.1%	11.3%	11.9%		
Net Income	8.3%	9.3%	9.2%	9.7%		

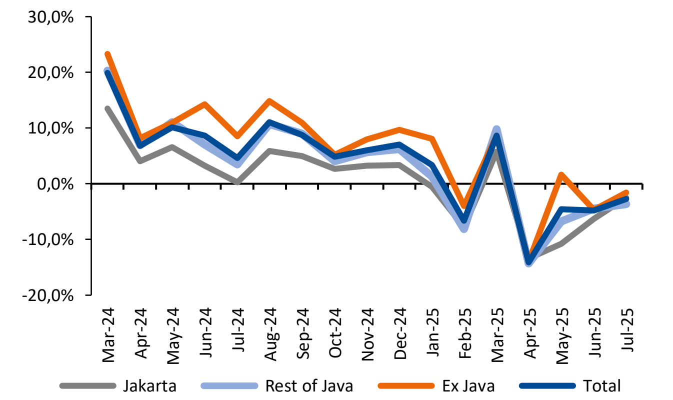
Source: BRIDS Estimates

Exhibit 2. AZKO Rebranding Survey



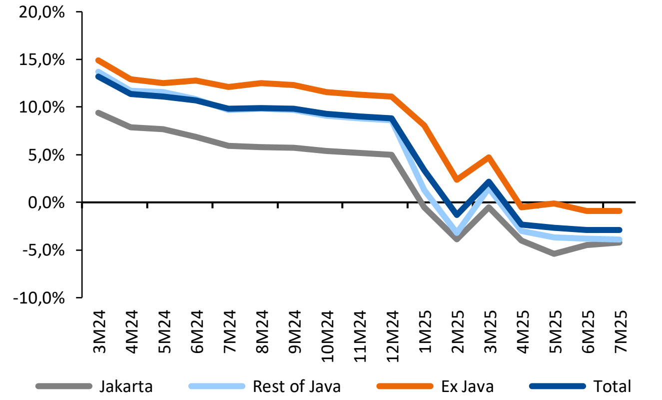
Source: Company, YouGov

Exhibit 3. ACES' Monthly SSSG



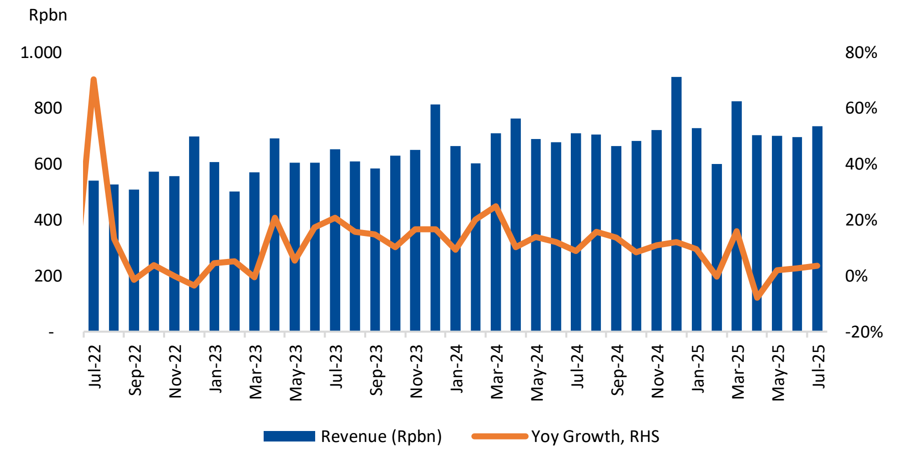
Source: Company

Exhibit 4. ACES' YTD SSSG



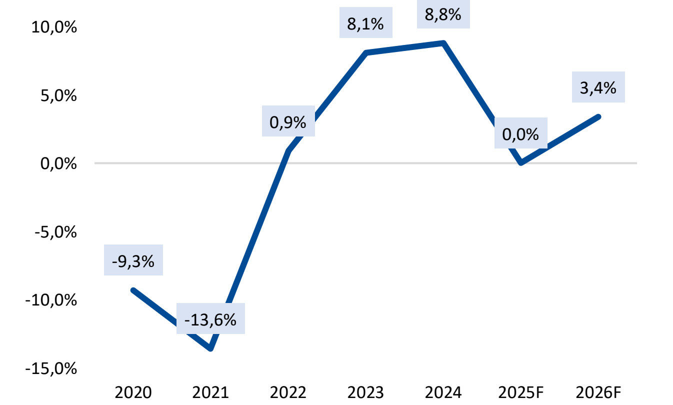
Source: Company

Exhibit 5. Monthly Revenue and YoY Growth



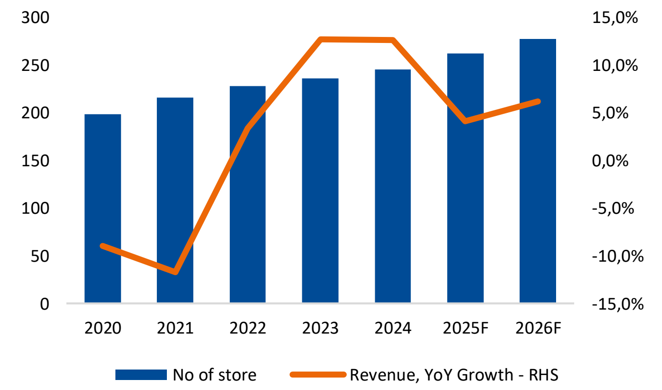
Source: Company, BRIDS

Exhibit 6. Yearly SSSG, 2022-26F



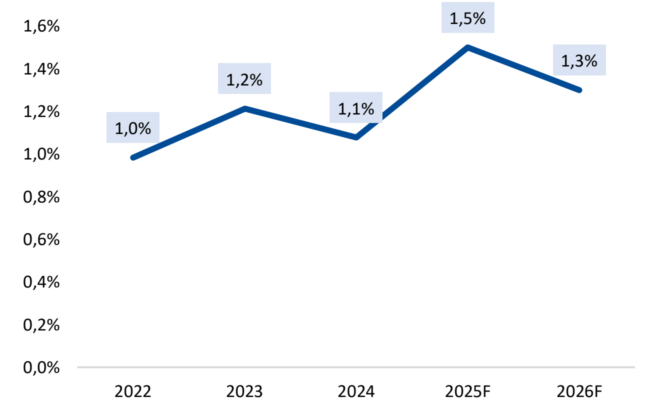
Source: Company, BRIDS Estimates

Exhibit 7. Revenue Growth and No. of Store, 2022-26F



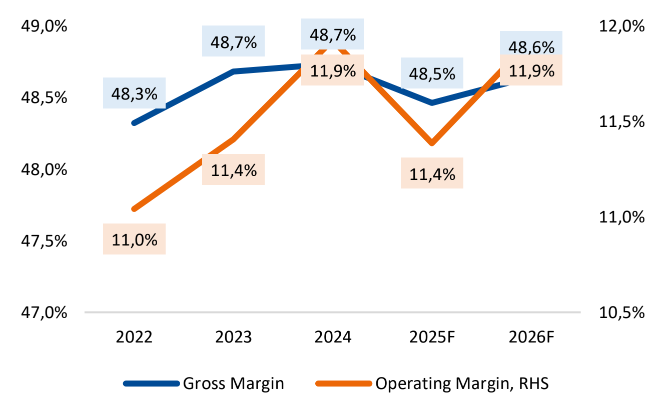
Source: Company, BRIDS Estimates

Exhibit 8. A&P as of % of Revenue, 2022-26F



Source: Company, BRIDS Estimates

Exhibit 9. Gross Margin and Operating Margin, 2022-26F



Source: Company, BRIDS Estimates

2Q25 results highlights

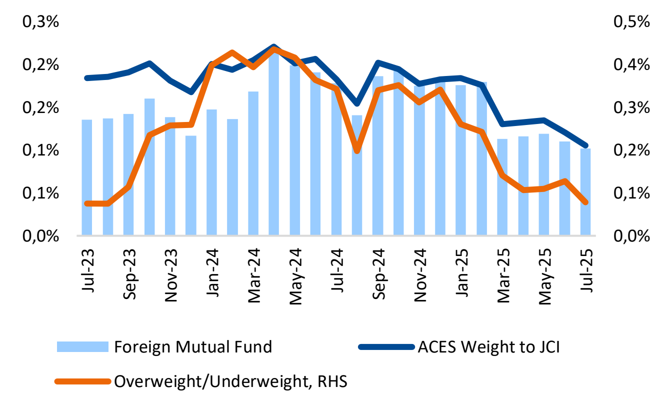
- ACES reported +3.2% yoy rev growth in 1H25 – relatively in line with our estimates, while net profit dropped -20.2% yoy following the sales weakness and rise in ads & promotion spending - it was below our and consensus' estimates.
- In 2Q25 alone, topline growth was flattish qoq and yoy. By product categories, lifestyles posted flattish +0.6% rev growth, while home improvement -1.3% and toys -1%. As a result, GPM declined by 190bps yoy and 130bps qoq.
- Opex declined -2% yoy and -5% qoq in 2Q25 due to lower salary & employee as well as ads & promotion spending, which partially help to support op margin which stood at 6.5% in 2Q25. 2Q25 net profit grew +5.9% qoq, but declined -6.6% yoy.

Exhibit 10. ACES' 1H25/2Q25 Earnings Results Summary

ACES (in Rpbn)	1H24	1H25	YoY	2Q24	1Q25	2Q25	YoY	QoQ	FY25F	A/F	A/C
Net sales	**4,135**	**4,269**	*3.2%*	**2,142**	**2,136**	**2,133**	*-0.4%*	*-0.1%*	**8,867**	*48.1%*	*47.3%*
Gross Profit	2,007	2,020	*0.6%*	1,041	1,025	996	*-4.3%*	*-2.8%*	4,254	*47.5%*	*46.0%*
Operating profit	401	259	*-35.5%*	164	120	139	*-15.5%*	*15.6%*	883	*29.3%*	*24.1%*
PBT	452	348	*-23.0%*	198	168	181	*-8.8%*	*7.7%*	889	*39.2%*	*32.1%*
Net Profit	**365**	**292**	*-20.2%*	**160**	**142**	**150**	*-6.6%*	*5.9%*	**737**	*39.5%*	*33.1%*
Gross margin	48.5%	47.3%		48.6%	48.0%	46.7%			48.0%		
Operating margin	9.7%	6.1%		7.7%	5.6%	6.5%			10.0%		
PBT	10.9%	8.2%		9.2%	7.8%	8.5%			10.0%		
Net Profit	8.8%	6.8%		7.5%	6.6%	7.0%			8.3%		

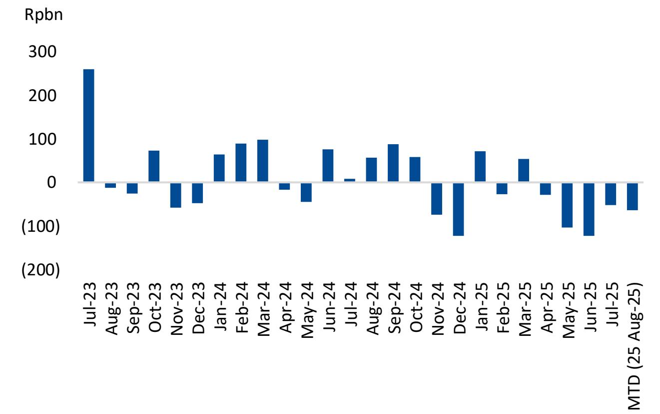
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 11. ACES' Weighting and Fund Position



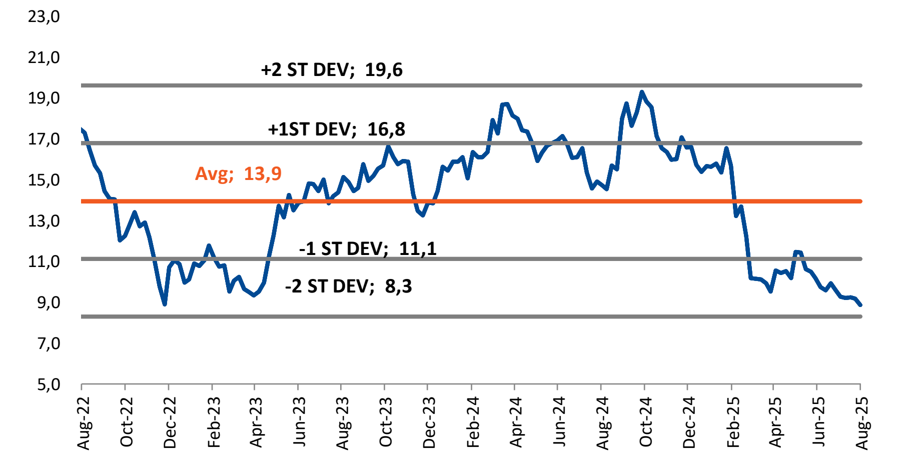
Source: KSEI, BRIDS

Exhibit 12. ACES' Historical Foreign Flow



Source: IDX, BRIDS

Exhibit 13. ACES' PE Band



Source: Bloomberg, BRIDS Estimates

Exhibit 14. ACES' Peers Comparison

		Target Price	M.Cap	P/E (x)		P/BV (x)		ROE (%)	Dividend Yield (%)	EPS Growth (%)	
Ticker	Rec	(Rp)	(Rpbn)	2025F	2026F	2025F	2026F	2025F	2025F	2025F	2026F
MAPI	Buy	2,000	20,999	11.0	9.8	1.5	1.3	14.9	0.8	2.5%	13.1%
MAPA	Buy	970	18,243	11.9	9.7	2.2	1.8	20.0	0.8	13.3%	23.1%
ACES	Hold	500	7,841	9.6	8.6	1.1	1.1	12.3	5.2	-8.1%	11.7%
MIDI	Buy	540	14,206	21.3	18.9	3.1	2.8	15.4	1.7	64.9%	12.9%
Sector				**13.5**	**11.7**	**2.0**	**1.8**	**16.2**	**1.6**	**18.8%**	**15.8%**

Source: Bloomberg, BRIDS Estimates

Exhibit 15. Income Statement

Year to 31 Dec (Rpbn)	2023A	2024A	2025F	2026F	2027F
Revenue	**7,620**	**8,583**	**8,933**	**9,484**	**10,070**
COGS	(3,910)	(4,400)	(4,604)	(4,870)	(5,142)
Gross profit	**3,710**	**4,183**	**4,329**	**4,614**	**4,927**
EBITDA	**1,013**	**1,163**	**1,152**	**1,271**	**1,384**
Oper. profit	**869**	**1,024**	**1,017**	**1,131**	**1,239**
Interest income	0	84	84	86	98
Interest expense	(43)	(132)	(218)	(225)	(232)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	134	108	126	138	157
Pre-tax profit	**961**	**1,083**	**1,010**	**1,130**	**1,262**
Income tax	(190)	(199)	(195)	(220)	(243)
Minority interest	0	7	5	6	(5)
Net profit	**770**	**892**	**820**	**916**	**1,014**
Core Net Profit	**770**	**892**	**820**	**916**	**1,014**

Exhibit 16. Balance Sheet

Year to 31 Dec (Rpbn)	2023A	2024A	2025F	2026F	2027F
Cash & cash equivalent	2,319	1,875	2,406	2,461	2,880
Receivables	199	45	47	50	53
Inventory	2,671	3,396	3,197	3,517	3,571
Other Curr. Asset	515	633	606	631	612
Fixed assets - Net	742	793	881	978	1,064
Other non-curr.asset	1,350	1,449	1,519	1,530	1,545
Total asset	**7,795**	**8,191**	**8,657**	**9,166**	**9,725**
ST Debt	274	292	306	322	338
Payables	123	191	200	212	223
Other Curr. Liabilities	369	390	414	435	454
Long Term Debt	602	628	628	628	628
Other LT. Liabilities	202	177	191	201	201
Total Liabilities	**1,570**	**1,679**	**1,740**	**1,798**	**1,844**
Shareholder'sFunds	6,150	6,476	6,886	7,344	7,851
Minority interests	75	36	31	25	30
Total Equity & Liabilities	**7,794**	**8,191**	**8,657**	**9,166**	**9,725**

Exhibit 17. Cash Flow

Year to 31 Dec (Rpbn)	2023A	2024A	2025F	2026F	2027F
Net income	770	892	820	916	1,014
Depreciation and Amort.	143	139	135	140	145
Change in Working Capital	28	(504)	206	(311)	(45)
OtherOper. Cash Flow	6	(106)	122	128	161
Operating Cash Flow	**948**	**421**	**1,283**	**873**	**1,276**
Capex	(126)	(190)	(223)	(237)	(232)
Others Inv. Cash Flow	0	84	84	86	98
Investing Cash Flow	**(126)**	**(106)**	**(139)**	**(151)**	**(134)**
Net change in debt	167	45	15	15	16
New Capital	(46)	(43)	0	0	0
Dividend payment	(517)	(554)	(410)	(458)	(507)
Other Fin. Cash Flow	(43)	(132)	(218)	(225)	(232)
Financing Cash Flow	**(439)**	**(684)**	**(613)**	**(668)**	**(723)**
Net Change in Cash	**382**	**(369)**	**531**	**55**	**419**
Cash - begin of the year	2,190	2,319	1,875	2,406	2,461
Cash - end of the year	2,319	1,875	2,406	2,461	2,880

Exhibit 18. Key Ratio

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
Growth (%)					
Sales	12.7	12.6	4.1	6.2	6.2
EBITDA	15.0	14.8	(0.9)	10.3	8.9
Operating profit	16.4	17.8	(0.6)	11.2	9.5
Net profit	16.0	15.8	(8.1)	11.7	10.8
Profitability (%)					
Gross margin	48.7	48.7	48.5	48.6	48.9
EBITDA margin	13.3	13.5	12.9	13.4	13.7
Operating margin	11.4	11.9	11.4	11.9	12.3
Net margin	10.1	10.4	9.2	9.7	10.1
ROAA	10.2	11.2	9.7	10.3	10.7
ROAE	12.8	14.1	12.3	12.9	13.4
Leverage					
Net Gearing (x)	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)
Interest Coverage (x)	20.3	7.7	4.7	5.0	5.3

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