

Aspirasi Hidup Indonesia

BUY (unchanged)

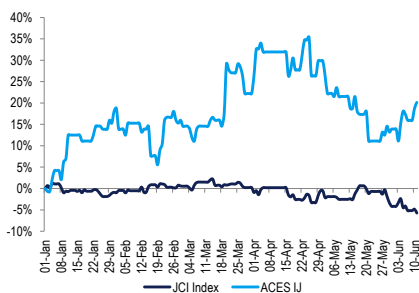
Company Update | Consumer Discretionary | ACES IJ | 11 June 2024

Stock Data

Target price	Rp1,080
Prior TP	Rp1,080
Current price	Rp865
Upside/downside	15.5%
Shares outstanding (mn)	17,150
Market cap (Rp bn)	14,835
Free float	40%
Avg. 6m daily T/O (Rp bn)	49

Price Performance

	3M	6M	12M
Absolute	4.8%	25.4%	27.2%
Relative to JCI	12.0%	28.7%	25.2%
52w low/high (Rp)	605 – 975		



Major Shareholders

PT Kawan Lama Sejahtera	60.0%
-------------------------	-------

Lukito Supriadi

PT Indo Premier Sekuritas
lukito.supriadi@ipc.co.id
+62 21 5088 7168 ext. 716

Andrianto Saputra

PT Indo Premier Sekuritas
andrianto.saputra@ipc.co.id
+62 21 5088 7168 ext. 712

A transition to a new era on the back of proven merchandizing track record

- The change to “PT. Aspirasi Hidup Indonesia Tbk.” gives a hint of non-renewal with Ace US, which shall be earnings accretive (FY25F:c.4%).
- Hypothetically (non-renewal), this shall give ACES an opportunity to rebrand itself to drive further brand awareness if executed well.
- May24 SSSG is indicatively strong likely exceeding Apr24’s, affirming positive operating leverage thesis. Maintain BUY with TP of Rp1,080.

Name change hints on non-renewal of license agreement with AHC

During ACES’s EGMS last Friday, it was agreed that ACES will change its name from PT. Ace Hardware Indonesia Tbk to PT. Aspirasi Hidup Indonesia Tbk. This hints of a non-renewal of licensing agreement with Ace Hardware Corporation (AHC in US) which expires at the end of FY24F. While discussion with AHC is still ongoing, hypothetically, a non-renewal shall entail earnings accretion of c.4% in FY25F onward for ACES through royalty savings (FY23: 0.5% of sales), all else being equal.

Hypothetical transition indicates little concern on merchandising front

Under a hypothetical assumption of non-renewal with AHC, we see little concerns for the transition. ACES current product portfolio consists of private label contribution of c.70% to total sales, reflecting management’s merchandising capabilities thus far. On the other hand, inventory sourced from AHC does not contribute materially to ACES’s total sales (<1%).

Transition aided by customer loyalty serves as rebranding opportunity

There was a slight concern on potential change in store brand in the event of non-renewal with AHC. Nonetheless, we note that ACES’s sales by members account for 79% in 1H23/FY22 – implying a high level of customer loyalty. Hence, this is not a major concern in our view. In fact, rebranding shall offer ACES an opportunity to drive brand awareness to younger target segment.

Consistent higher dividend payout ratio is accretive for ROE

Separately, ACES announced dividend of Rp33.5/sh (c.4% yield) based on 75% payout ratio. Note that ACES recent DPR in recent years (FY21-24: 77%) have been consistently high compared to pre-Covid’s of c.50%. Along with earnings recovery, this shall boost ACES’ ROE to improve from FY23’s 12.6% to FY25F’s 15.4%, which shall be the catalyst for ACES’s re-rating.

May24 run rates still going strong - Maintain BUY

Additionally, management also shared that May24 SSSG is strong, likely exceeding Apr24’s 6.8%. With that, we view that ACES’s positive operating leverage thesis is well on-track (we expect EBIT margin improvement of +48bps in FY24F). We maintain our BUY call for ACES with unchanged TP of Rp1,080 based on 21.5x FY24F PE (-0.5 s.d. from its 5yr avg).

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	6,763	7,612	8,572	9,550	10,441
EBITDA	894	1,006	1,168	1,333	1,470
Net profit	702	764	893	1,024	1,132
EPS (Rp)	41	45	52	60	66
EPS growth	1.6%	8.8%	17.0%	14.6%	10.6%
ROE	12.2%	12.6%	14.1%	15.4%	16.2%
PER (x)	21.1	19.4	16.6	14.5	13.1
EV/EBITDA (x)	14.2	12.4	11.1	9.8	8.7
Dividend yield	3.7%	3.7%	4.0%	4.7%	5.4%
Forecast change			0%	0%	0%
IPS vs. consensus			102%	101%	100%

Source: Company, Indo Premier

Share price closing as of: 11 June 2024

Fig. 1: ACES is traded at 15.6x fwd. 12M PE (-1.1s.d. from its 5yr avg)



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	6,763	7,612	8,572	9,550	10,441
Cost of sales	(3,495)	(3,914)	(4,399)	(4,893)	(5,339)
Gross profit	3,268	3,698	4,173	4,657	5,102
SG&A Expenses	(2,521)	(2,835)	(3,158)	(3,491)	(3,812)
Operating profit	747	863	1,015	1,166	1,289
Net interest	47	74	46	47	48
Forex gain (loss)	15	(5)	0	0	0
Others	49	21	40	48	56
Pre-tax income	858	953	1,100	1,261	1,394
Income tax	(147)	(189)	(207)	(237)	(262)
Net income	702	764	893	1,024	1,132

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	2,133	2,312	2,592	2,757	2,939
Receivable	86	199	119	133	145
Inventory	2,811	2,665	2,634	2,863	3,051
Other current assets	333	486	657	709	765
Total current assets	5,363	5,662	5,879	6,262	6,674
Fixed assets	426	406	436	457	471
Other non-current assets	0	0	0	0	0
Total non-current assets	1,886	2,073	2,218	2,241	2,256
Total assets	7,249	7,735	8,025	8,363	8,726
ST loans	0	0	0	0	0
Payable	144	126	205	227	248
Other payables	7	15	65	72	79
Current portion of LT loans	0	0	0	0	0
Total current liab.	670	764	784	828	868
Long term loans	0	0	0	0	0
Other LT liab.	196	202	212	222	233
Total liabilities	1,315	1,567	1,597	1,652	1,702
Equity	612	612	612	612	612
Retained earnings	5,312	5,565	5,860	6,183	6,512
Minority interest	44	43	43	43	43
Total SHE + minority int.	5,934	6,186	6,481	6,804	7,133
Total liabilities & equity	7,249	7,753	8,078	8,456	8,836

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net income	702	764	893	1,024	1,132
Depr. & amortization	105	109	153	167	181
Changes in working capital	(718)	(30)	(62)	(256)	(212)
Others	530	514	0	0	0
Cash flow from operating	619	1,356	985	934	1,101
Capital expenditure	(70)	(89)	(183)	(188)	(194)
Others	(32)	(41)	(105)	0	0
Cash flow from investing	(102)	(131)	(288)	(188)	(194)
Loans	0	1	0	0	0
Equity	12	(1)	0	0	0
Dividends	(550)	(550)	(599)	(700)	(803)
Others	(401)	(491)	0	0	0
Cash flow from financing	(939)	(1,042)	(599)	(700)	(803)
Changes in cash	(423)	184	98	46	104

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	48.3%	48.6%	48.7%	48.8%	48.9%
Operating margin	11.0%	11.3%	11.8%	12.2%	12.3%
Pre-tax margin	12.7%	12.5%	12.8%	13.2%	13.3%
Net margin	10.4%	10.0%	10.4%	10.7%	10.8%
ROA	9.7%	10.2%	10.9%	11.8%	12.6%
ROE	12.2%	12.6%	14.1%	15.4%	16.2%
Acct. receivables TO (days)	4.1	6.8	6.8	4.8	4.8
Inventory TO (days)	270.4	255.3	219.8	205.0	202.1
Payable TO (days)	14.2	12.6	13.7	16.1	16.3
Debt to equity	0.0%	0.0%	0.0%	0.0%	0.0%
Interest coverage ratio (x)	N/A	N/A	10.0	11.3	12.5
Net gearing	-36.2%	-37.6%	-40.5%	-41.2%	-41.9%

Source: Company, Indo Premier

INVESTMENT RATINGS

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

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

DISCLAIMERS

This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendations contained in this document do not have any regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT Indo Premier Sekuritas or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.