

StockData

Target price	Rp1,800
Prior TP	Rp1,800
Current price	Rp1,635
Upside/downside	+10%
Shares outstanding (mn)	17,150
Market cap (Rp bn)	28,040
Free float	40%
Avg. 6m dailyT/O (Rp bn)	22

Price Performance

	3M	6M	12M
Absolute	27.2%	3.2%	-5.8%
vs. JCI	12.2%	14.6%	10.6%
52w low/high (Rp)	1,040 – 1,880		



Major Shareholders

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

Kevie Aditya

PT Indo Premier Sekuritas
kevie.aditya@ipc.co.id
+62 21 5088 7168 ext. 717

Elbert Setiadharna

PT Indo Premier Sekuritas
elbert.setiadharna@ipc.co.id
+62 21 5088 7168 ext. 718

On-going improvements, though most has been priced-in; maintain Hold

- SSSG further improved to -8.1% in Jul20 from -10.7% in Jun20. At this rate, we think ACES' sales may return to pre-Covid-19 level in 4Q20.
- With continued high demand for lifestyle products (i.e. sporting goods and housewares), we think that overall GPM of 47% can be maintained.
- Robust fundamental (especially against its peers) has been reflected in strong YTD share price performance. Maintain Hold.

Improvement remains on-track with gradual recovery in traffic

Jul20 SSSG came in at -8.1%; further improved from -10.7% in Jun20 (worst at -27.7% in Apr20). Traffic has mostly recovered to around 80-90% of normal in ACES' stores which is significantly better compared to its peers at 40-50%. Sales of lifestyle products (i.e. sporting goods and housewares) remained stellar despite gradual economic re-opening. As such, we believe that both conversion rate and basket size shall remain high, hence ACES' sales can possibly return to pre-Covid-19 level by 4Q20. We maintain our +0.3% yoy FY20F sales growth estimates (-5.9% yoy decline as of Jul20).

GPM improvement remains intact as lifestyle items remain popular

In 1H20 ACES' GPM improve significantly by 195bps yoy to 47.2%, which according to the company is mainly driven by the shift in product mix to lifestyle products (i.e. sporting goods and houseware) that in general command higher GPM, and we believe were less price sensitive than basic home-improvement products. As demand from these items remained high, ACES may be able to maintain its higher-than-expected GPM throughout 2H20, better than our current estimate of 45.5% (flat yoy).

Cost efficiency measures to continue in 2H20

ACES plan to open 2-3 additional new stores up to year-end, on top of its 11 newly-opened stores YTD. However, ACES also tried to minimize new hires and partially discontinued contractual workers, resulting in better employee productivity (29.7sqm/employee in 1H20 vs. 28.2 in 2019). ACES also still gets rental discounts in some locations despite having all of its outlets fully re-opened.

Robust fundamental has been priced-in; maintain Hold

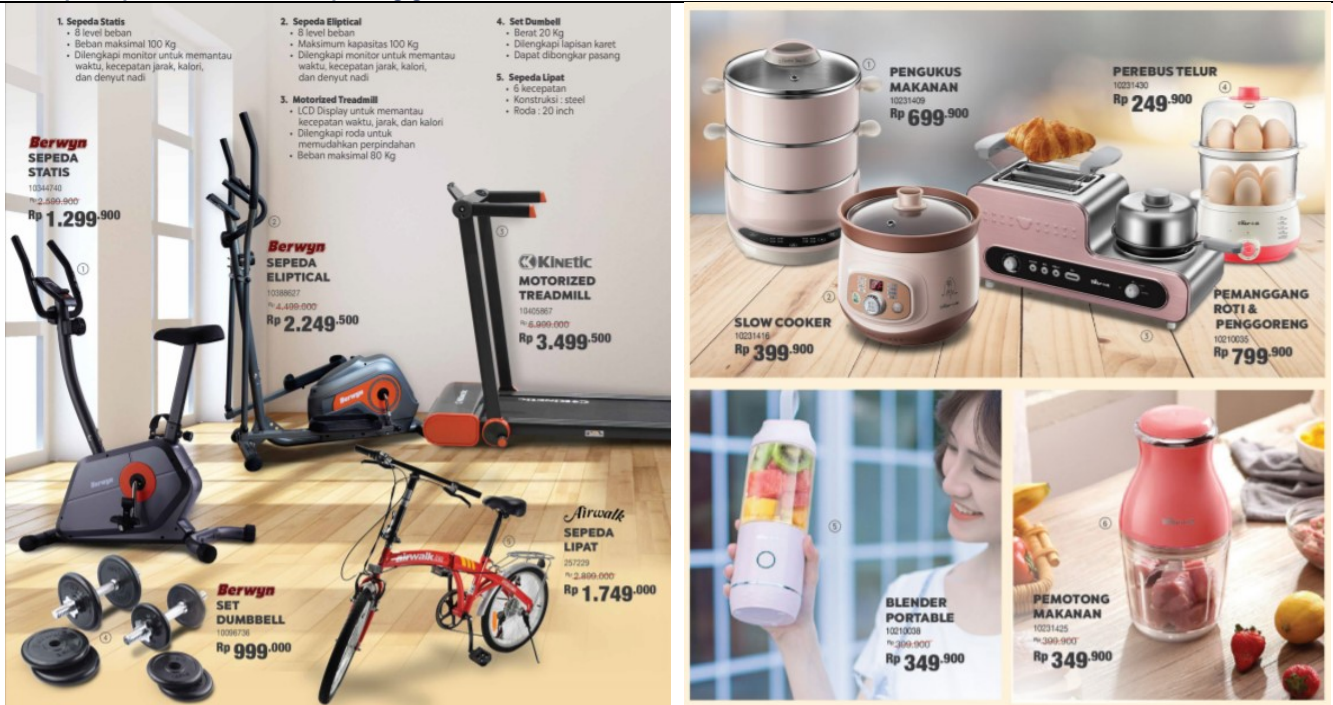
Minimal drop in SSSG and solid GPM made ACES a clear outperformer vs. its peers during this tough situation. We maintain our -14.8% yoy earnings estimates for FY20 (vs. sector's -87.1%). Nonetheless, ACES' valuation at 28.1x 12M forward P/E (around 1 s.d. above 5-year mean) seems fair, hence our maintained Hold call and Rp1,800/sh TP.

Financial Summary (Rp bn)	2018A	2019A	2020F	2021F	2022F
Revenue	7,240	8,143	8,171	9,611	10,502
EBITDA	1,168	1,279	1,077	1,339	1,409
EBITDA growth	23.6%	9.5%	-15.8%	24.3%	5.3%
Net profit	965	1,030	877	1,098	1,161
EPS (Rp)	56	60	51	64	68
EPS growth	24.0%	6.8%	-14.8%	25.1%	5.8%
ROE	25.1%	23.3%	18.1%	20.5%	19.3%
PER (x)	29.1	27.2	32.0	25.5	24.1
EV/EBITDA (x)	23.4	20.9	24.7	19.7	18.5
Dividend yield	1.4%	1.7%	1.8%	1.6%	2.0%
Forecast change			0.0%	0.0%	0.0%
IPS vs. consensus			101%	100%	93%

Source: Company, Indo Premier

Share price closing as of: 13 August 2020

Fig. 1: Popular products in ACES: Sporting goods and housewares



Source: Company, Indo Premier

Fig. 2: ACES YTD SSSG performance

ACES FY20 Performance							
Sales 2020	Jan	Feb	Mar	Apr	May	Jun	Jul
Total (Rp, mn)	709,600	641,300	645,000	436,000	579,400	664,000	615,900
Growth, yoy (%)	10.7%	13.2%	-0.4%	-32.5%	-14.9%	-8.4%	-5.9%
Sales 2020	1 Mtd	2 Mtd	3 Mtd	4 Mtd	5 Mtd	6 Mtd	7 Mtd
Total (Rp, mn)	709,600	1,350,900	1,995,900	2,431,900	3,011,300	3,675,300	4,291,200
Growth, yoy (%)	10.7%	11.9%	7.6%	-2.8%	-5.3%	-5.9%	-5.9%
SSSG 2020	Jan	Feb	Mar	Apr	May	Jun	Jul
Jakarta	6.1%	6.8%	-2.4%	-26.0%	-18.5%	-11.1%	-10.2%
Java outside Jakarta	5.0%	6.7%	-6.1%	-26.4%	-12.6%	-8.4%	-6.8%
Outside Java	5.4%	7.0%	-4.6%	-31.3%	-25.5%	-13.6%	-8.3%
Total	5.4%	6.8%	-4.7%	-27.7%	-18.2%	-10.7%	-8.1%
SSSG 2020	1 Mtd	2 Mtd	3 Mtd	4 Mtd	5 Mtd	6 Mtd	7 Mtd
Jakarta	6.1%	5.9%	3.3%	-3.8%	-6.6%	-7.2%	-7.5%
Java outside Jakarta	5.0%	5.4%	2.0%	-5.1%	-6.5%	-6.7%	-6.7%
Outside Java	5.4%	5.9%	2.5%	-5.8%	-9.7%	-10.8%	-10.4%
Total	5.4%	5.7%	2.5%	-5.0%	-7.6%	-8.0%	-8.0%

Source: Company, Indo Premier

Fig. 3 ACES is currently trading at 28.1x 12M forward P/E, or around 1 s.d. above its 5-year mean of 23.9x



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net revenue	7,240	8,143	8,171	9,611	10,502
Cost of sales	(3,797)	(4,256)	(4,270)	(5,023)	(5,488)
Gross profit	3,443	3,887	3,901	4,588	5,014
SG&A Expenses	(2,371)	(2,725)	(2,948)	(3,381)	(3,743)
Operating profit	1,072	1,163	953	1,208	1,271
Net interest	29	31	42	48	57
Forex gain (loss)	16	(16)	0	0	0
Others	86	103	90	101	105
Pre-tax income	1,203	1,280	1,085	1,357	1,433
Income tax	(226)	(243)	(208)	(259)	(272)
Minority interest	(12)	(7)	0	0	0
Net income	965	1,030	877	1,098	1,161

Balance Sheet (Rp bn)	2018A	2019A	2020F	2021F	2022F
Cash & equivalent	799	1,255	1,433	1,623	1,997
Receivable	37	89	45	53	58
Inventory	2,520	2,653	2,662	3,131	3,421
Other current assets	551	372	616	714	775
Total current assets	3,906	4,369	4,756	5,521	6,251
Fixed assets	444	502	443	424	374
Goodwill	0	0	0	0	0
Total non-current assets	1,962	2,277	2,275	2,259	2,211
Total assets	5,868	6,646	7,031	7,781	8,462
ST loans	115	0	0	0	0
Payable	198	178	178	210	229
Other payables	12	52	52	61	67
Current portion of LT loans	0	0	0	0	0
Total current liab.	786	785	778	839	876
Long term loans	0	0	0	0	0
Other LT liab.	455	610	640	671	704
Total liabilities	1,685	1,969	1,993	2,085	2,155
Equity	576	576	576	576	576
Retained earnings	3,617	4,104	4,465	5,123	5,734
Minority interest	10	16	16	16	16
Total SHE + minority int.	4,184	4,677	5,038	5,696	6,306
Total liabilities & equity	5,868	6,646	7,031	7,781	8,462

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net income	965	1,030	877	1,098	1,161
Depr. & amortization	65	82	124	131	138
Changes in working capital	(533)	87	(198)	(487)	(287)
Others	(216)	(40)	0	0	0
Cash flow from operating	281	1,160	803	742	1,012
Capital expenditure	(150)	(140)	(65)	(112)	(88)
Others	(11)	(18)	(44)	0	0
Cash flow from investing	(161)	(158)	(109)	(112)	(88)
Loans	116	(121)	0	0	0
Equity	47	6	0	0	0
Dividends	(391)	(484)	(516)	(440)	(550)
Others	35	51	0	0	(0)
Cash flow from financing	(193)	(548)	(516)	(440)	(550)
Changes in cash	(73)	454	178	190	374

Key Ratios	2018A	2019A	2020F	2021F	2022F
Gross margin	47.6%	47.7%	47.7%	47.7%	47.7%
Operating margin	14.8%	14.3%	11.7%	12.6%	12.1%
Pre-tax margin	16.6%	15.7%	13.3%	14.1%	13.7%
Net margin	13.3%	12.7%	10.7%	11.4%	11.1%
ROA	18.7%	16.5%	12.8%	14.8%	14.3%
ROE	25.1%	23.3%	18.1%	20.5%	19.3%
Acct. receivables TO (days)	3.2	2.8	3.0	1.9	1.9
Inventory TO (days)	210.0	221.8	227.1	210.5	217.9
Payable TO (days)	17.6	16.1	15.2	14.1	14.6
Debt to equity	2.8%	0.0%	0.0%	0.0%	0.0%
Interest coverage ratio (x)	1,500.9	627.6	N/A	N/A	N/A
Net gearing	-16.4%	-26.9%	-28.5%	-28.6%	-31.7%

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.