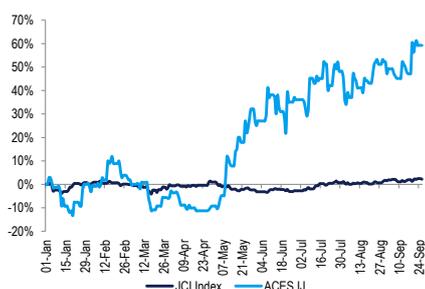


## Stock Data

Target price	Rp740
Prior TP	Rp630
Current price	Rp760
Upside/downside	-3%
Shares outstanding (mn)	17,150
Market cap (Rp bn)	13,034
Free float	40%
Avg. 6m daily T/O (Rp bn)	61

## Price Performance

	3M	6M	12M
Absolute	11.8%	62.4%	16.9%
Relative to JCI	7.9%	59.2%	19.8%
52w low/high (Rp)	398 – 800		



## Major Shareholders

PT Kawan Lama Sejahtera	60.0%
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## Maintain Hold despite possible upside on SSSG as well as 3Q23 earnings

- We expect a stellar 3Q23 earnings rebound of c.50% yoy on a low base effect and robust 3Q23 SSSG expectation of 13% (2Q23 of 8.9%).
- We upgrade our FY23/24F earnings by 11/10% on the back of higher-than-expected 8M23 SSSG (7%) and monthly sales run-rate.
- Despite the earnings upgrade, we maintain HOLD with higher TP of Rp740 as current valuation of 18.5x FY23F P/E has partly reflected the upside.

### Assessing ACES's Sep23 sales outlook and 3Q23F preview

In light of ACES's 8M23's stellar SSSG of +7% yoy (vs. FY23F guidance of +5%), we assess ACES's sales outlook for the remainder of the year (Fig 1). We found that Sep22 in particular was a low base, netting only Rp509bn in sales – the lowest September's sales in the past 5Y (average Sep's sales at Rp594bn between FY18-21). Assuming historical mom seasonality, we expect ACES to potentially book a SSSG of c.13% SSSG in 3Q23 with c.15% SSSG in Sep23 alone. This would likely translate to a significant net earnings rebound of +49.7% yoy in 3Q23 through positive operating leverage, in our view. Separately, air purifier which tripled in sales mom in Aug has minimal contribution to consolidated sales (<1%).

### Earnings upgrade of +11/10% in FY23/24F

Further assessing the outlook for 4Q23F, we found that ACES would be on-track to achieve a higher sales growth based on historical seasonality pattern, partly due to 4Q22's low base effect. As such, we upgrade our FY23F SSSG assumptions to 8% (from 6% previously) to reflect 8M23's current run-rate (ex-Boom sales, the run-rate for monthly sales at c.Rp600bn) which paints a more realistic outlook for ACES, in our view. Given the positive operating leverage, this translates to net profit upgrade of +11.1/10.3% in FY23/24F, this also brings our FY23F earnings estimate in-line with consensus despite lower EBIT margin (IPS: 10.5% vs cons: 11.4%) as we assume a higher opex/sales ratio of 38.4% (vs. consensus of 36.8%/1H23's stood at 39.8%).

### Maintain HOLD with higher TP of Rp740

Despite the positive development of SSSG, recent share price appreciation of +1/12% in the past 1M/3M may have partly priced-in the upside, in our view. We maintain our HOLD call for ACES with TP of Rp740 based on 18.0x FY23F PE (-1.0SD from its 5Y mean). ACES's re-rating to its historical mean (5Y mean: 27.2x) may not be justified by its current growth profile, especially given the competition and pricing transparency arising from online marketplaces.

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	6,543	6,763	7,573	8,184	8,858
EBITDA	921	894	955	1,042	1,144
Net profit	691	664	706	770	847
EPS (Rp)	40	39	41	45	49
EPS growth	-5.8%	-3.8%	6.2%	9.1%	10.0%
ROE	12.8%	11.5%	11.7%	12.4%	13.2%
PER (x)	18.9	19.6	18.5	16.9	15.4
EV/EBITDA (x)	11.4	12.2	10.7	9.8	8.8
Dividend yield	4.2%	4.2%	4.1%	4.3%	4.7%
Forecast change			11%	10%	10%
IPS vs. consensus			100%	97%	98%

Source: Company, Indo Premier

Share price closing as of: 26 September 2023

Fig. 1: ACES' monthly sales trend and forecast (Rp bn)

Month	2018	2019	2020	2021	2022	2023F
1	524	641	710	595	581	607
2	469	567	641	532	476	501
3	559	648	645	564	572	569
4	510	646	436	521	573	692
5	564	681	579	637	573	604
6	663	725	664	552	516	605
7	591	654	616	318	541	653
8	558	672	648	465	526	609
9	583	698	577	517	509	612
10	613	637	591	550	571	2,121
11	582	610	583	557	557	2,121
12	836	879	772	722	697	2,121
<b>Total</b>	<b>7,051</b>	<b>8,057</b>	<b>7,462</b>	<b>6,529</b>	<b>6,692</b>	<b>7,573</b>

Source: Company, Indo Premier

Blue: Lebaran effect

Green: Indo Premier Forecast

Fig. 2: Forecast changes

	Previous			Current			Changes		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
<b>Key Driver</b>									
New space added (sqm)	18,620	18,620	18,620	18,620	18,620	18,620	0.0%	0.0%	0.0%
SSSG (%)	6.0%	5.0%	5.0%	8.0%	5.0%	5.0%	2.0%	0.0%	0.0%
<b>Financial Performance</b>									
Gross Sales (Rp bn)	7,834	8,494	9,193	8,008	8,654	9,367	2.2%	1.9%	1.9%
Net Sales (Rp bn)	7,409	8,033	8,694	7,573	8,184	8,858	2.2%	1.9%	1.9%
Gross profit (Rp bn)	3,551	3,835	4,142	3,645	3,923	4,237	2.6%	2.3%	2.3%
EBIT (Rp bn)	714	785	866	798	872	960	11.8%	11.1%	10.9%
Net profit (Rp bn)	636	698	769	706	770	847	11.1%	10.3%	10.2%
<b>Margins (%)</b>									
Gross margin	45.3%	45.1%	45.1%	45.5%	45.3%	45.2%	0.2%	0.2%	0.2%
Operating margin	9.1%	9.2%	9.4%	10.0%	10.1%	10.2%	0.9%	0.8%	0.8%
Net profit margin	8.1%	8.2%	8.4%	8.8%	8.9%	9.0%	0.7%	0.7%	0.7%
<b>Growth (%)</b>									
Gross sales growth (yoy)	9.6%	8.4%	8.2%	12.0%	8.1%	8.2%	2.4%	-0.4%	0.0%
Net sales growth (yoy)	9.6%	8.4%	8.2%	12.0%	8.1%	8.2%	2.4%	-0.4%	0.0%
Net profit growth (yoy)	9.4%	9.8%	10.2%	6.2%	9.1%	10.0%	-3.2%	-0.7%	-0.2%

Source: Indo Premier

Fig. 3: ACES is traded at 17.3x fwd. 12M PE (-1.0 s.d of its 5Y mean)



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	6,543	6,763	7,573	8,184	8,858
Cost of sales	(3,331)	(3,495)	(3,928)	(4,262)	(4,621)
<b>Gross profit</b>	<b>3,213</b>	<b>3,268</b>	<b>3,645</b>	<b>3,923</b>	<b>4,237</b>
SG&A Expenses	(2,439)	(2,521)	(2,846)	(3,051)	(3,278)
<b>Operating profit</b>	<b>774</b>	<b>747</b>	<b>798</b>	<b>872</b>	<b>960</b>
Net interest	(64)	(51)	(44)	(43)	(42)
Forex gain (loss)	5	15	0	0	0
Others	130	109	114	119	125
<b>Pre-tax income</b>	<b>845</b>	<b>821</b>	<b>869</b>	<b>948</b>	<b>1,042</b>
Income tax	(140)	(147)	(163)	(178)	(195)
<b>Net income</b>	<b>691</b>	<b>664</b>	<b>706</b>	<b>770</b>	<b>847</b>

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	2,544	2,133	2,317	2,339	2,392
Receivable	67	86	105	114	123
Inventory	2,368	2,811	2,406	2,552	2,704
Other current assets	214	333	595	637	682
<b>Total current assets</b>	<b>5,192</b>	<b>5,363</b>	<b>5,377</b>	<b>5,602</b>	<b>5,858</b>
Fixed assets	460	426	440	445	442
Other non-current assets	0	0	0	0	0
<b>Total non-current assets</b>	<b>1,979</b>	<b>1,886</b>	<b>2,002</b>	<b>2,008</b>	<b>2,006</b>
<b>Total assets</b>	<b>7,171</b>	<b>7,249</b>	<b>7,379</b>	<b>7,610</b>	<b>7,864</b>
ST loans	0	0	0	0	0
Payable	127	144	183	198	215
Other payables	45	7	58	63	68
Current portion of LT loans	0	0	0	0	0
<b>Total current liab.</b>	<b>723</b>	<b>670</b>	<b>690</b>	<b>719</b>	<b>751</b>
Long term loans	0	0	0	0	0
Other LT liab.	298	196	205	215	226
<b>Total liabilities</b>	<b>1,592</b>	<b>1,315</b>	<b>1,345</b>	<b>1,384</b>	<b>1,426</b>
Equity	612	612	612	612	612
Retained earnings	4,969	5,312	5,488	5,696	5,929
Minority interest	32	44	44	44	44
<b>Total SHE + minority int.</b>	<b>5,579</b>	<b>5,934</b>	<b>6,110</b>	<b>6,318</b>	<b>6,551</b>
<b>Total liabilities &amp; equity</b>	<b>7,171</b>	<b>7,249</b>	<b>7,456</b>	<b>7,702</b>	<b>7,978</b>

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net income	691	664	706	770	847
Depr. & amortization	121	105	157	171	185
Changes in working capital	(192)	(718)	130	(158)	(166)
Others	685	568	0	0	0
<b>Cash flow from operating</b>	<b>1,305</b>	<b>619</b>	<b>993</b>	<b>783</b>	<b>865</b>
Capital expenditure	(69)	(70)	(171)	(176)	(181)
Others	(14)	(32)	(90)	0	0
<b>Cash flow from investing</b>	<b>(83)</b>	<b>(102)</b>	<b>(261)</b>	<b>(176)</b>	<b>(181)</b>
Loans	(4)	0	0	0	0
Equity	18	12	0	0	0
Dividends	(550)	(550)	(529)	(562)	(613)
Others	(361)	(401)	0	0	0
<b>Cash flow from financing</b>	<b>(898)</b>	<b>(939)</b>	<b>(529)</b>	<b>(562)</b>	<b>(613)</b>
<b>Changes in cash</b>	<b>324</b>	<b>(423)</b>	<b>203</b>	<b>44</b>	<b>71</b>

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	49.1%	48.3%	48.1%	47.9%	47.8%
Operating margin	11.8%	11.0%	10.5%	10.6%	10.8%
Pre-tax margin	12.9%	12.1%	11.5%	11.6%	11.8%
Net margin	10.6%	9.8%	9.3%	9.4%	9.6%
ROA	9.6%	9.2%	8.7%	9.3%	9.9%
ROE	12.8%	11.5%	11.7%	12.4%	13.2%
Acct. receivables TO (days)	5.9	4.1	4.6	4.9	4.9
Inventory TO (days)	264.2	270.4	242.4	212.3	207.6
Payable TO (days)	15.9	14.2	15.2	16.3	16.3
Debt to equity	0.0%	0.0%	0.0%	0.0%	0.0%
Interest coverage ratio (x)	N/A	N/A	9.0	9.8	10.8
Net gearing	-45.9%	-36.2%	-38.6%	-37.8%	-37.4%

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**

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