

Ace Hardware Indonesia

HOLD (unchanged)

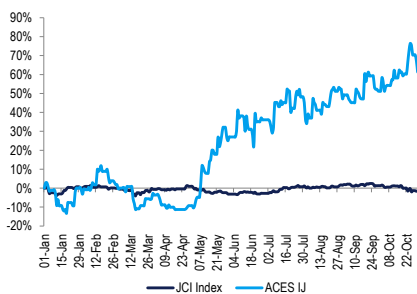
Company Update | Consumer Discretionary | ACES IJ | 31 October 2023

Stock Data

Target price	Rp740
Prior TP	Rp740
Current price	Rp800
Upside/downside	-7.5%
Shares outstanding (mn)	17,150
Market cap (Rp bn)	13,720
Free float	40%
Avg. 6m daily T/O (Rp bn)	49

Price Performance

	3M	6M	12M
Absolute	11.1%	77.8%	41.6%
Relative to JCI	13.7%	80.1%	46.5%
52w low/high (Rp)	398 – 875		



Major Shareholders

PT Kawan Lama Sejahtera	60.0%
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3Q23 Result: strong yoy rebound but largely in-line with expectations

- ACES booked 9M23 net profit of Rp489bn (+39.1% yoy), somewhat in-line at 69% of our/consensus estimate vs. 5yr average of 72%
- 3Q23 net profit growth of +70.7% yoy on the back of sales growth of +17.1% yoy (SSSG of c.12% in 3Q23). Additionally, Aug-Sep sales indicate an improved normalized sales run-rate even after Boom sales
- Maintain HOLD with unchanged TP of Rp740 as fundamental improvements are well reflected in share price (+61% YTD)

9M23 results: in-line net profit

ACES's 9M23 net profit of Rp489bn (+39.1% yoy), came somewhat in-line at 69% of our/consensus' FY23F estimate, vs. 5yr average of 72%. Net sales grew by +12.2% yoy on the back of 9M23 SSSG of 7.4% and 8 store openings in 9M23 (3 standalone stores and 5 within malls). There was an addition of one standalone store in Cilacap in Aug23. GPM was stable at 48.1% in 9M23 vs 48.3% in 9M22. Positive operating leverage was observed as sales growth outpaced opex growth of +5.2% yoy. Cost discipline led to overall opex/sales ratio trending lower at 38.4% in 9M23 vs 41.0% in 9M22. Overall headcount remained stable in 9M23 (+1.7% qoq), implying employee space coverage to be similar from 1H23's 47sqm/employee (vs. FY22's 43sqm/employee).

3Q23 stellar sales growth also indicate improving normalized monthly run-rate post boom sales

3Q23 net profit growth of +70.7% yoy on the back of operating leverage as opex growth was curbed at merely +5.2% yoy against sales growth of +17.1% yoy (SSSG of c.12% in 3Q23). Additionally, Aug-Sep sales indicate an improved normalized sales run-rate even after Boom sales concluded in Jul23. As discussed in our recent report ([link](#)), the current run-rate and seasonality pattern would potentially see ACES end the year with a SSSG of +8% yoy, higher than its guidance of +5% for FY23F. Separately, ACES plans to open another five standalone stores in 4Q23F, with two slated to open in Oct23, in Puri (Jakarta) and Palembang.

Maintain HOLD with unchanged TP of Rp740

ACES continued the positive development in 3Q23 despite the fact that 3Q22 represents a low base. Nevertheless, we view that the improved performance has been well reflected in ACES' share price appreciation of +61% YTD. As such, we maintain our forecast and HOLD rating on ACES with unchanged TP of Rp740 based on 18.0x FY23F PE (-1.0SD from its 5Y mean).

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)	19.9	20.7	19.4	17.8	16.2
EV/EBITDA (x)	12.1	13.0	10.7	9.8	8.8
Dividend yield	4.0%	4.0%	3.9%	4.1%	4.5%
Forecast change			0%	0%	0%
IPS vs. consensus			100%	97%	96%

Source: Company, Indo Premier

Share price closing as of: 31 October 2023

Fig. 1: ACES 3Q23 result summary

(Rp bn)	3Q23	3Q22	% YoY	2Q23	% QoQ	9M23	9M22	% YoY	IPS FY23F	% IPS	Cons FY23F	% Cons	3yr avg precovid period	Comment
Net sales	1,859	1,587	17.1%	1,933	-3.8%	5,494	4,895	12.2%	7,573	73%	7,336	75%	73%	In-line
COGS	(973)	(817)		(999)		(2,849)	(2,530)							
Gross profit	885	770	15.0%	933	-5.1%	2,644	2,365	11.8%						
Opex	(690)	(656)		(777)		(2,109)	(2,006)	-5.2%						
EBIT	195	114	71.8%	157	24.9%	535	359	49.0%	798	67%	829	65%	70%	In-line
Other income (charges)	28	19		16		54	69							
PBT	224	133	68.6%	172	29.7%	589	428	37.7%						
Tax benefit (expense)	(38)	(23)		(28)		(99)	(73)							
Net profit	187	109	70.7%	144	29.6%	489	352	39.1%	706	69%	706	69%	72%	In-line
Margin (%)														
Gross margin	47.6%	48.5%		48.3%		48.1%	48.3%							
EBIT margin	10.5%	7.2%		8.1%		9.7%	7.3%							
Net profit margin	10.0%	6.9%		7.5%		8.9%	7.2%							
Segment information														
Revenue breakdown														
Home improvement	852	741	14.9%	1,071	-20.4%	2,917	2,618	11.4%						
Life style	747	597	25.1%	817	-8.6%	2,243	1,976	13.5%						
Toys product	(32)	(54)	-40.6%	141	-122.6%	225	190	18.6%						

Source: Company, Bloomberg, Indo Premier

Fig. 2: ACES is traded at 18.0x 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)
Gross profit	3,213	3,268	3,645	3,923	4,237
SG&A Expenses	(2,439)	(2,521)	(2,846)	(3,051)	(3,278)
Operating profit	774	747	798	872	960
Net interest	(64)	(51)	(44)	(43)	(42)
Forex gain (loss)	5	15	0	0	0
Others	130	109	114	119	125
Pre-tax income	845	821	869	948	1,042
Income tax	(140)	(147)	(163)	(178)	(195)
Net income	691	664	706	770	847

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
Total current assets	5,192	5,363	5,377	5,602	5,858
Fixed assets	460	426	440	445	442
Other non-current assets	0	0	0	0	0
Total non-current assets	1,979	1,886	2,002	2,008	2,006
Total assets	7,171	7,249	7,379	7,610	7,864
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
Total current liab.	723	670	690	719	751
Long term loans	0	0	0	0	0
Other LT liab.	298	196	205	215	226
Total liabilities	1,592	1,315	1,345	1,384	1,426
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
Total SHE + minority int.	5,579	5,934	6,110	6,318	6,551
Total liabilities & equity	7,171	7,249	7,456	7,702	7,978

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
Cash flow from operating	1,305	619	993	783	865
Capital expenditure	(69)	(70)	(171)	(176)	(181)
Others	(14)	(32)	(90)	0	0
Cash flow from investing	(83)	(102)	(261)	(176)	(181)
Loans	(4)	0	0	0	0
Equity	18	12	0	0	0
Dividends	(550)	(550)	(529)	(562)	(613)
Others	(361)	(401)	0	0	0
Cash flow from financing	(898)	(939)	(529)	(562)	(613)
Changes in cash	324	(423)	203	44	71

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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