

BUY (Maintain)

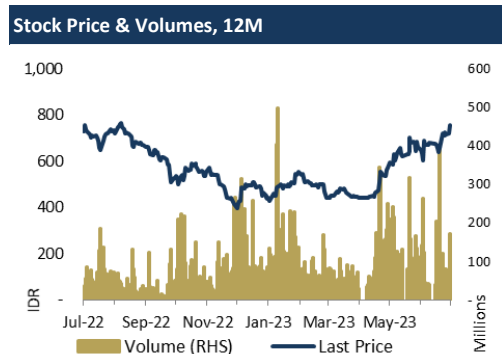
Target Price (IDR)	840 (from 650)
Potential Upside (%)	11.3

Price Comparison	
Cons. Target Price (IDR)	755
SSI vs. Cons. (%)	111.3

Stock Information	
Last Price (IDR)	755
Shares Issued (Mn)	17,150
Market Cap. (IDR Bn)	12,948
52-Weeks High/Low (IDR)	780/392
3M Avg. Daily Value (IDR Bn)	79.6
Free Float (%)	39.8

Shareholder Structure:	
PT Kawan Lama Sejahtera (%)	59.9
Public (%)	39.9
Other (%)	0.2

Stock Performance				
(%)	YTD	1M	3M	12M
Absolute	52.2	16.2	71.6	3.4
JCI Return	0.1	2.4	0.5	3.0
Relative	52.1	13.8	71.1	0.5



Company Background
PT Ace Hardware Indonesia Tbk. (ACES) is a retail company that offers lifestyle products, home improvement products, and toys.

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FY23F: A Comeback Year

With its 'Boom Sale' promotion (June 7 – August 1, 2023), we expect to see positive MoM growth in ACES' sales in Jun-23, accompanied by double-digit SSSG (> 13%), with regions outside Java booking the highest SSSG among ACES' sales areas (supported by the company's strategy to focus its expansion efforts on those regions). Apart from physical sales, we believe that online sales might become another driver for ACES' future performance, with an estimated contribution of up to 20% within the next 3-5 years (1Q23: 10%). Given all of these positive catalysts, we believe FY23F will be a solid year for ACES, with projected FY23F revenue and net profit of IDR 7.6 trillion (+12.4% YoY) and IDR 710.8 billion (+7.0% YoY) respectively, marking the first positive growth in its full-year bottom line since 2020. We reiterate our BUY call for ACES with a TP of IDR 840 (18.2x FY24F PE -1SD below its 5-year PE average).

1H23F preview: Here comes the Boom. We believe the 'Boom Sale' promotion (June 7 – August 1, 2023) should help crank up ACES' sales numbers, boosting its SSSG to double-digit levels (projection: > 13%). Regarding its sales area, we project that regions outside Java will book the highest SSSG, supported by the company's strategy to focus its expansion on those regions. The possibility for massive sales growth in Jun-23 boosted our optimism that ACES would be able to book 1H23F revenue of IDR 3.6 trillion, in line with our estimate (47.1% of SSI's FY23F projection, 49.0% of consensus). Regarding its full-year performance, we expect ACES to post revenue of IDR 7.6 trillion in FY23F (+12.4% YoY, driven by positive growth from all of its businesses) with a net profit of IDR 710.8 billion (+7.0% YoY), marking the first positive growth in its full-year bottom line since 2020.

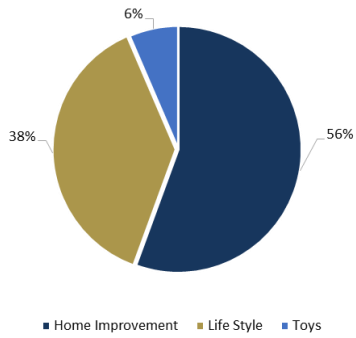
Physical and online. This year, ACES chose to focus its expansion efforts on regions outside Java; throughout 1H23, ACES opened eight new stores across Indonesia, with only one of them located in Java (Bathoh Aceh, Denpasar Bali, Gianyar Bali, Panakkuang Makassar, Tarakan Kalimantan, Singkawang Kalimantan, Bontang Kalimantan, and Purwakarta), and by the end of the year, ACES is expected to open 15 new stores. Aside from physical expansion, another factor that might help support ACES' future performance is online sales; according to our on-the-ground checks, ACES' online sales through Ruparupa.com have gone up considerably, supported by promos exclusive to the platform. With these kinds of promotions and other initiatives, we are confident that the contribution of online sales to ACES' overall sales will reach 20% within the next 3-5 years. (1Q23: 10-11%).

BUY, TP IDR 840. In light of several positive catalysts outlined above, as well as its status as a net cash company, we reiterate our BUY call for ACES with a TP of IDR 840 (18.2x FY24F PE -1SD below its 5-year PE average).

Forecasts and Valuations (at closing price IDR 755 per share)

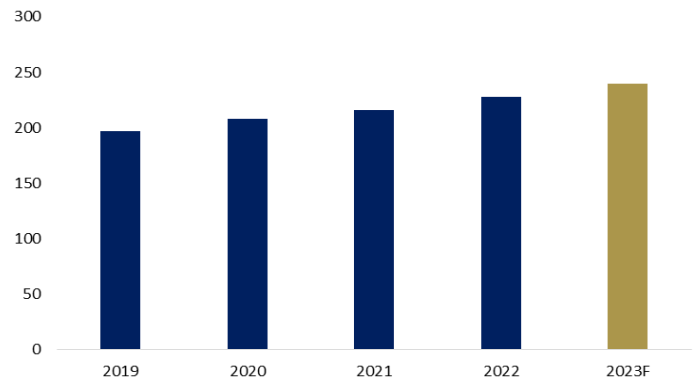
Y/E Dec	20A	21A	22A	23F	24F
Revenue (IDR Bn)	7,413	6,543	6,763	7,602	8,220
EBITDA (IDR Bn)	1,108	1,033	981	1,021	1,109
EV/EBITDA (x)	10.4	10.9	11.8	11.1	9.8
Net Profit (IDR Bn)	733.2	690.7	664.3	710.8	762.8
EPS (IDR)	42.8	40.3	38.7	41.4	44.5
EPS Growth (%)	(93.4)	(5.8)	(3.8)	7.0	7.3
P/E Ratio (x)	17.7	18.7	19.5	18.2	17.0
BVPS (IDR)	304	323	343	364	387
P/BV Ratio (x)	2.5	2.3	2.2	2.1	1.9

Figure 1. Revenue Mix



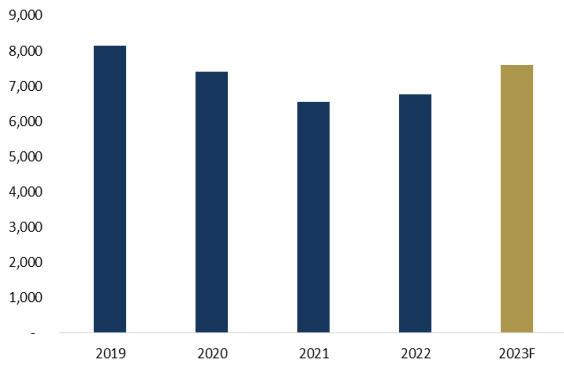
Source: Company, SSI Research

Figure 2. ACES Stores



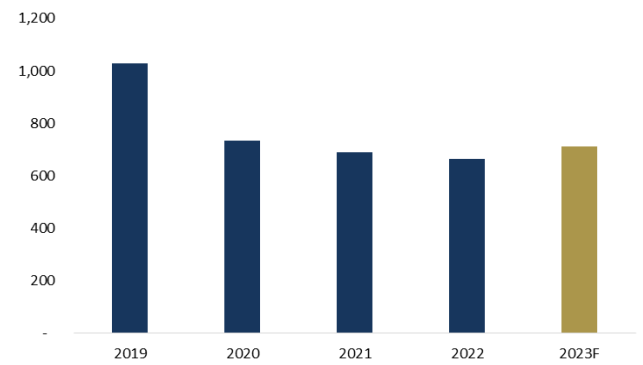
Source: Company, SSI Research

Figure 3. ACES' Revenue



Source: Company, SSI Research

Figure 4. ACES' Net Profit



Source: Company, SSI Research

Figure 5. PE Band



Source: Company, SSI research

Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	20A	21A	22F	23F	24F
Revenue	7,413	6,543	6,763	7,602	8,220
Cost of Revenue	(3,754)	(3,331)	(3,495)	(3,917)	(4,202)
Gross Profit	3,659	3,213	3,268	3,685	4,019
Opex	(2,806)	(2,439)	(2,521)	(2,885)	(3,150)
Other Operating Income	136	138	129	114	123
Operating Profit	990	911	876	915	992
EBITDA	1,108	1,033	981	1,021	1,109
Finance Expense	(64)	(64)	(51)	(56)	(61)
Other Expense	(3)	(3)	(5)	(5)	(4)
Pre-tax Profit	923	845	821	854	927
Income Tax	(192)	(140)	(147)	(132)	(153)
Profit for Period	731	705	674	721	774
Minority Interest	2	(14)	(9)	(10)	(11)
Net Profit	733	691	664	711	763

Balance Sheet					
Y/E Dec (IDR Bn)	20A	21A	22F	23F	24F
Cash & Equivalents	2,220	2,544	2,133	2,415	2,967
Receivables	143	67	86	86	93
Inventory	2,453	2,368	2,811	2,902	2,858
Others	218	214	333	350	367
Total Current Asset	5,035	5,192	5,363	5,752	6,284
Fixed Assets	512	460	426	468	515
Other Non-Current Assets	1,701	1,519	1,461	1,475	1,507
Total Asset	7,247	7,171	7,249	7,696	8,306
Payables	369	127	144	152	252
ST. Debt and CMLTD	256	263	258	284	313
Other Current Liabilities	220	333	267	280	294
Total Current Liabilities	845	723	670	717	859
LT. Debt	577	571	450	495	544
Other LT. Liabilities	603	298	196	205	216
Total Liabilities	2,025	1,592	1,315	1,417	1,619
Minority Interest	15	32	44	44	44
Total Equity	5,222	5,579	5,934	6,279	6,687

Cash Flow					
Y/E Dec (IDR Bn)	20A	21A	22F	23F	24F
Net Profit	733	691	664	711	763
D&A	118	121	105	106	117
Changes in Working Capital	336	(80)	(444)	(84)	138
Others	351	574	294	(3)	(3)
Operating CF	1,539	1,305	619	730	1,014
Capital Expenditure	(158)	(69)	(70)	(149)	(164)
Others	(8)	(14)	(32)	(5)	(21)
Investing CF	(166)	(83)	(102)	(154)	(185)
Change in Debt	833	1	(126)	71	78
Dividend Payment	(309)	(550)	(353)	(365)	(355)
Financing CF	(405)	(898)	(939)	(295)	(278)
Net - Cash flow	965	324	(410)	282	552
Cash at Beginning	1,255	2,220	2,544	2,133	2,415
Cash at Ending	2,220	2,544	2,133	2,415	2,967

Key Ratios					
Y/E Dec	20A	21A	22F	23F	24F
Gross Profit Margin (%)	49.4	49.1	48.3	48.5	48.9
Operating Margin (%)	13.3	13.9	13.0	12.0	12.1
Pretax Margin (%)	12.5	12.9	12.1	11.2	11.3
Net Profit Margin (%)	9.9	10.6	9.8	9.4	9.3
EBITDA Margin (%)	14.9	15.8	14.5	13.4	13.5
Net Gearing (x)	(0.3)	(0.3)	(0.2)	(0.3)	(0.3)

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