

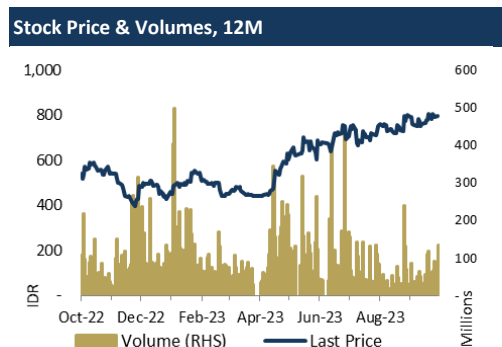
BUY (Maintain)

Target Price (IDR)	930 (from 840)
Potential Upside (%)	12.7

Price Comparison	
Cons. Target Price (IDR)	808
SSI vs. Cons. (%)	115.1

Stock Information	
Last Price (IDR)	825
Shares Issued (Mn)	17,150
Market Cap. (IDR Bn)	14,149
52-Weeks High/Low (IDR)	845/392
3M Avg. Daily Value (IDR Bn)	48.6
Free Float (%)	39.8
Shareholder Structure:	
PT Kawan Lama Sejahtera (%)	60.0
Public (%)	39.8
Other (%)	0.2

Stock Performance				
(%)	YTD	1M	3M	12M
Absolute	66.3	4.4	12.2	52.8
JCI Return	(1.6)	(3.9)	(2.3)	(4.4)
Relative	67.9	8.3	14.5	57.2



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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Promotion and Expansion as Key Drivers

The consecutive double-digit SSSGs reported by ACES from June to September helped bring its cumulative 9M23 SSSG to +7.4% YoY, and we expect more of the same for the rest of the year (SSI's FY23F projection: +7.5% YoY; ACES' best full-year SSSG in 4 years). Regions outside Java reported the highest SSSG among ACES' sales areas in September (+16.3% YoY), which wasn't really a surprise, considering that ACES is currently focusing its expansion efforts on regions outside Java. Considering its SSSG growth, store expansion, and aggressive promotions, we project ACES to book revenue of IDR 7.6 trillion (+12.5% YoY) and net profit of IDR 733 billion (+10.3% YoY) in FY23F, finally ending the downward trend in its net profit (which has been going on for three years). We reiterate our BUY rating on ACES with a TP of IDR 930 (19.1x FY24F PE).

Consecutive double-digit SSSGs. ACES posted cumulative SSSG of +7.4% YoY in 9M23, mainly supported by the double-digit SSSGs recorded over the last 4 months (Sep-23: +10.9% YoY, Aug-23: +10.0%, Jul-23: +14.8% and Jun-23rd: +10.7%). Regions outside Java reported the highest SSSG among ACES' sales areas in September (+13.1% YoY), followed by Java (outside Jakarta) (+8.7% YoY) and Jakarta (7.7% YoY), in line with the company's expansion strategy, which mainly focuses on regions outside Java. Throughout 9M23, ACES has opened nine new outlets in Indonesia, seven of which are located in regions outside Java (Bato Aceh, Denpasar Bali, Gianyar Bali, Panakkuang Makassar, Tarakan Kalimantan, Singkawang Kalimantan, and Bontang Kalimantan) while the other two are located in Java (Purwakarta and Cilacap). We project that ACES will open four more new outlets by the end of the year, bringing the total numbers of its outlets to 241.

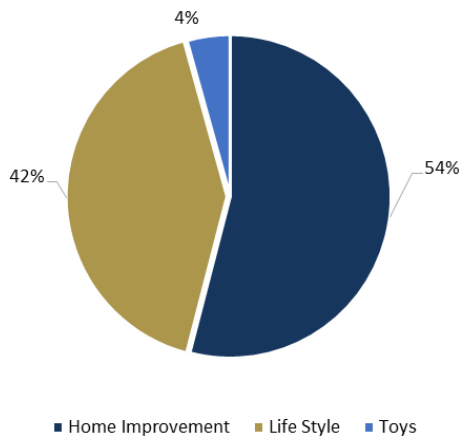
Satisfactory sales thanks to holiday and promotions. ACES' sales figures went up +14.7% YoY to IDR 584 billion in September, largely thanks to semester holiday (which boosted traffic) and various promotions, including #Appreciation (ACES' customer appreciation day program), weekend deals, and the #SeptemberCeria Program. This lifted ACES' cumulative 9M23 sales figure to IDR 5.4 trillion (+11.5% YoY), in line with our estimate (71.3% of SSI's FY23F projection).

BUY ACES TP 930. In light of the factors mentioned above, as well as its status as a net cash company, we reiterate our BUY rating on ACES with a TP of IDR 930, which implies 19.1x FY24F PE (-1SD below 5-year PE average).

Forecasts and Valuations (at closing price IDR 825 per share)					
Y/E Dec	20A	21A	22A	23F	24F
Revenue (IDR Bn)	7,413	6,543	6,763	7,608	8,407
EBITDA (IDR Bn)	1,108	1,033	981	1,084	1,226
EV/EBITDA (x)	11.5	12.0	13.0	11.5	9.8
Net Profit (IDR Bn)	733	691	664	733	837
EPS (IDR)	42.8	40.3	38.7	42.7	48.8
EPS Growth (%)	(93.4)	(5.8)	(3.8)	10.3	14.2
P/E Ratio (x)	19.3	20.5	21.3	19.3	16.9
BVPS (IDR)	304	323	343	365	392
P/BV Ratio (x)	2.7	2.6	2.4	2.3	2.1

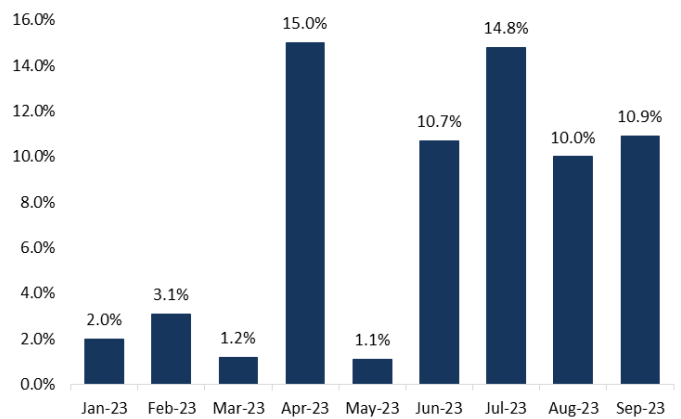
4Q23F outlook. We expect 4Q to be ACES' best quarter in FY23F, just like in previous years (5-year 4Q/FY average: 27.5%), supported by the "Anniversary" promotion, which takes place on Oct 4 – Nov 7, 2023, as well as the possible "Clearance Sale" program at the end of the year (the company held the same program in the past few years), which should help the company take advantage of Christmas and New Year momentum. Considering these factors, we project ACES' full-year SSSG to reach +7.5% YoY and its full-year revenue to reach IDR 7.6 trillion (+12.5% YoY) in FY23F, with all its business segments posting revenue growth. On its bottom line, we expect ACES to book net profit growth of +10.3% YoY to IDR 733 billion, ending the downward trend in its net profit (which has been going on since 2020).

Figure 1. Revenue Mix



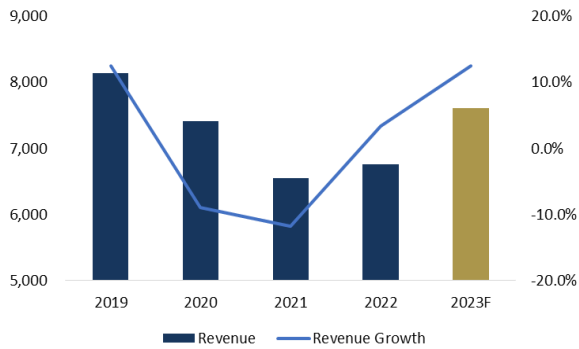
Source: Company, SSI Research

Figure 2. ACES' Monthly SSSG



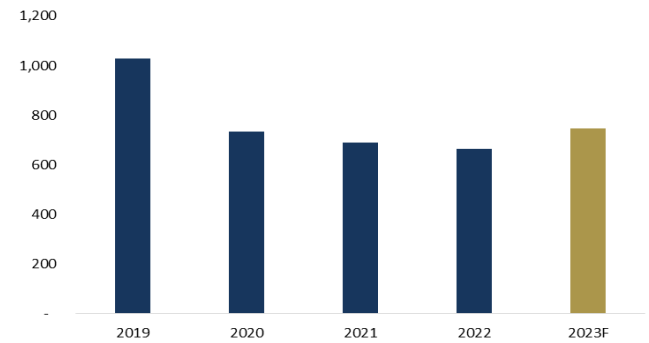
Source: Company, SSI Research

Figure 3. ACES' Revenue Growth



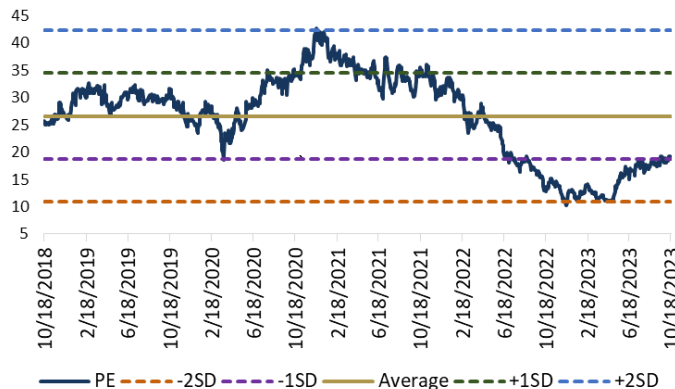
Source: Company, SSI Research

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	22A	23F	24F
Revenue	7,413	6,543	6,763	7,608	8,407
Cost of Revenue	(3,754)	(3,331)	(3,495)	(3,952)	(4,346)
Gross Profit	3,659	3,213	3,268	3,656	4,061
Opex	(2,806)	(2,439)	(2,521)	(2,812)	(3,099)
Other Operating Income	136	138	129	133	147
Operating Profit	990	911	876	978	1,108
EBITDA	1,108	1,033	981	1,084	1,226
Finance Expense	(64)	(64)	(51)	(56)	(61)
Other Expense	(3)	(3)	(5)	(5)	(6)
Pre-tax Profit	923	845	821	917	1,041
Income Tax	(192)	(140)	(147)	(173)	(193)
Profit for Period	731	705	674	743	849
Minority Interest	2	(14)	(9)	(10)	(12)
Net Profit	733	691	664	733	837

Balance Sheet					
Y/E Dec (IDR Bn)	20A	21A	22A	23F	24F
Cash & Equivalents	2,220	2,544	2,133	2,412	2,960
Receivables	143	67	86	86	95
Inventory	2,453	2,368	2,811	2,928	2,956
Others	218	214	333	350	367
Total Current Asset	5,035	5,192	5,363	5,776	6,378
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	7,720	8,400
Payables	369	127	144	153	261
ST. Debt and CMLTD	256	263	258	284	313
Other Current Liabilities	220	333	267	280	294
Total Current Liabilities	845	723	670	718	868
LT. Debt	577	571	450	495	544
Other LT. Liabilities	603	298	196	205	216
Total Liabilities	2,025	1,592	1,315	1,418	1,628
Minority Interest	15	32	44	44	44
Total Equity	5,222	5,579	5,934	6,302	6,772

Cash Flow					
Y/E Dec (IDR Bn)	20A	21A	22A	23F	24F
Net Profit	733	691	664	733	837
D&A	118	121	105	106	117
Changes in Working Capital	336	(80)	(444)	(108)	71
Others	351	574	294	(3)	(3)
Operating CF	1,539	1,305	619	728	1,021
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)	(366)
Financing CF	(405)	(898)	(939)	(295)	(289)
Net - Cash flow	965	324	(410)	279	548
Cash at Beginning	1,255	2,220	2,544	2,133	2,412
Cash at Ending	2,220	2,544	2,133	2,412	2,960

Key Ratios					
Y/E Dec	20A	21A	22A	23F	24F
Gross Profit Margin (%)	49.4	49.1	48.3	48.1	48.3
Operating Margin (%)	13.3	13.9	13.0	12.8	13.2
Pretax Margin (%)	12.5	12.9	12.1	12.0	12.4
Net Profit Margin (%)	9.9	10.6	9.8	9.6	10.0
EBITDA Margin (%)	14.9	15.8	14.5	14.2	14.6
Net Gearing (x)	(0.3)	(0.3)	(0.2)	(0.3)	(0.3)

Peers Comparison

Ticker	Market Cap (IDR Bn)	PE (x)		PBV (x)		ROE (%)	
		23F	24F	23F	24F	23F	24F
MAPI IJ Equity	31,872	14.5	12.7	2.7	2.3	18.2	17.6
RALS IJ Equity	3,586	11.9	14.5	0.9	0.9	8.5	8.3
ACES IJ Equity	14,149	19.3	16.9	2.3	2.1	11.4	11.9
AMRT IJ Equity	114,595	32.0	29.5	8.8	7.9	26.3	26.8
ERAA IJ Equity	6,476	6.5	5.6	0.8	0.7	12.1	11.0
MIDI IJ Equity	15,984	34.0	28.5	4.5	4.0	13.3	14.2
Average		27.0	24.5	6.5	5.8	21.8	22.1

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