

ACES menutup 1Q21 dengan kinerja yang kurang memuaskan karena basis yang tinggi dan SSSG negatif. Margin profitabilitas tertekan karena penurunan pertumbuhan penjualan. Melihat situasi saat ini, kami memangkas perkiraan laba kami mengingat perusahaan akan mengandalkan penghematan biaya dan penjualan online.

Kinerja yang lemah karena basis yang tinggi

- Penjualan bersih ACES melambat sebesar -14,5% YoY di 1Q21 karena basis pra Covid-19 di 1Q20 dan pengetatan Pembatasan Sosial Berskala Besar (PSBB) pada awal Jan'21.
- Kami melihat ACES telah melakukan efisiensi, yang dapat dilihat dari COGS (-13,1% YoY) dan biaya operasional (-9,3% YoY) yang lebih rendah.
- Namun, kinerja penjualan yang buruk mengakibatkan laba bersih menyusut -33,8% YoY menjadi IDR162 miliar; setara 27% dari estimasi FY21 kami.
- Hal ini berujung pada profitabilitas yang lebih rendah dari tahun lalu (GPM 1Q21: 48,8%; OPM 1Q21: 12,7% dan NPM 1Q21: 9,7%)
- Tetapi, kami melihat pemulihan pertumbuhan SSSG berjalan, meskipun masih di wilayah negatif dengan SSSG Mar'21 di -14,7%. (vs. Jan'21: -18,5%; Feb'21: -19,3%).

Asumsi penjualan toko yang lebih rendah

- Kami memangkas perkiraan pendapatan sebesar -18,7%/-12,5% di FY21F/FY22F dengan asumsi penjualan bersih dan margin laba kotor yang lebih rendah menjadi 48,9%/49,2%.
- Perhatian kami tertuju pada GPM, mengingat masih ada peluang depresiasi Rupiah terhadap USD karena ketidakpastian yang berlanjut.
- Ini akan berdampak negatif bagi ACES mengingat c.80% produk diimpor dan Rupiah berada di sekitar Rp14.500/USD (c.3,5% di atas rata-rata tahun lalu Rp14.000/USD). Ini akan menjadi tantangan bagi ACES untuk meneruskan COGS yang lebih tinggi kepada pelanggan.
- Namun, SSSG bulan April dan Mei mulai membaik dan memasuki wilayah positif selama waktu Ramadhan, sebelum kembali negatif pada bulan Juni.
- Tetapi, SSSG pada 3Q21 diperkirakan akan kembali turun seiring Pemerintah menetapkan PPKM darurat dan ~70% dari total toko yang berlokasi di Jawa dan Bali ditutup sementara.
- Kami melihat bahwa penjualan online (*ruparupa.com*, *Ace Online*) telah mencatat pertumbuhan yang kuat. Namun masih belum cukup kuat untuk mengimbangi kerugian dari rendahnya pengunjung di toko fisik, mengingat sifat bisnis ACES.
- Dengan pembukaan 5 toko baru YTD, ACES telah mencapai setengah dari rencana ekspansi awal sebesar 8-10 toko, tetapi lebih rendah dari realisasi rata-rata 10-15 toko di FY20.

Pertahankan Overweight dengan TP lebih rendah IDR1.600

- Kami mempertahankan rekomendasi Overweight dengan TP lebih rendah di Rp1.600 yang menyiratkan 32,0x P/E FY21E, setelah memperhitungkan potensi pertumbuhan ACES yang terbatas.
- Tapi, ACES telah terbukti sebagai salah satu pengecer kuat yang mencatat laba positif dan posisi kas bersih yang kuat di tengah situasi yang tidak menguntungkan.
- Resiko rekomendasi kami termasuk: penguatan USD terhadap IDR, perpanjangan PPKM darurat, dan daya beli yang lemah.

Ace Hardware Indonesia Tbk | Summary (IDR bn)

	2020	2021F	2022F	2023F
Revenue	7,413	7,884	8,528	9,562
Growth	-9.0%	6.4%	8.2%	12.1%
Net Profit	736	748	859	942
Growth	-28.9%	1.6%	14.8%	9.7%
EPS (IDR)	43	44	50	55
P/E	40.0x	36.7x	32.0x	29.1x
P/BV	5.6x	5.1x	4.8x	4.6x
EV/EBITDA	27.7x	25.3x	24.1x	22.7x
ROE	14.8%	14.1%	15.4%	16.1%
DER	16%	17%	18%	17%
Dividend Yield	1.6%	1.1%	2.0%	2.0%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Overweight

Target Price (IDR)	1,600
Consensus Price (IDR)	1,556
TP to Consensus Price	2.8%
Potential Upside	12.7%

Shares data

Last Price (IDR)	1,420
Price date as of	Jul 16, 2021
52 wk range (Hi/Lo)	1,850/1,250
Free float (%)	40.0%
Outstanding sh.(mn)	17,150
Market Cap (IDR bn)	24,353
Market Cap (USD mn)	1,681
Avg. Trd Vol - 3M (mn)	15.2
Avg. Trd Val - 3M (bn)	21.9
Foreign Ownership	24.9%

Consumer Cyclical

Retail

Bloomberg	ACES IJ
Reuters	ACES.IK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-17.9%	2.9%	-6.3%	-13.9%
Rel. Ret.	-18.0%	3.0%	-5.1%	-33.0%

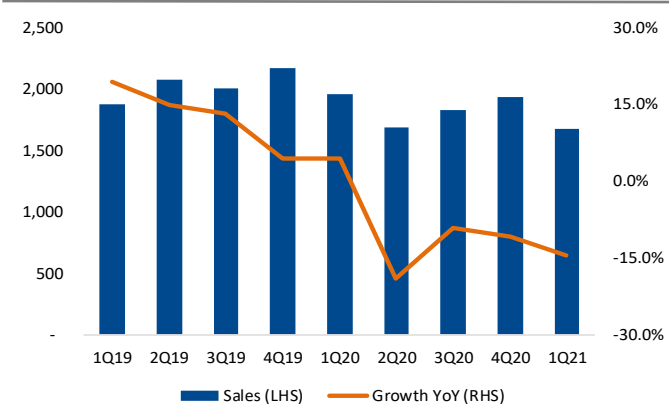
Putu Chantika Putri D

+62 21 5088 9129

Putu.chantika@nhsec.co.id

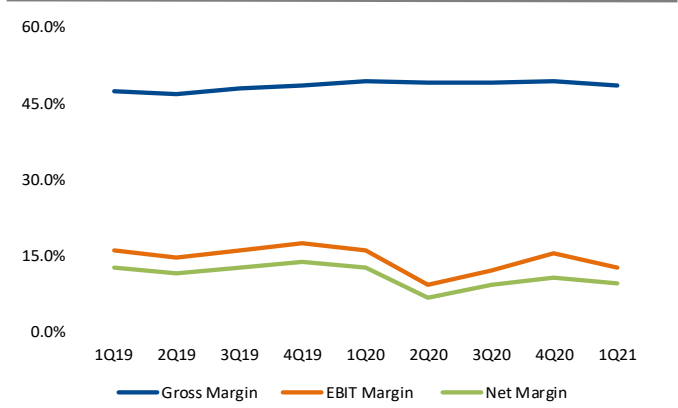
Performance Highlights

ACES Quarterly Net Revenues | 1Q19 - 1Q21



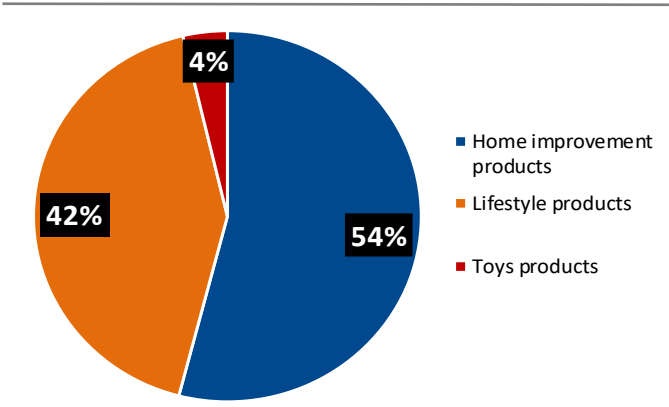
Source: Company, NHKSI Research

Margin Ratios | 1Q19 - 1Q21



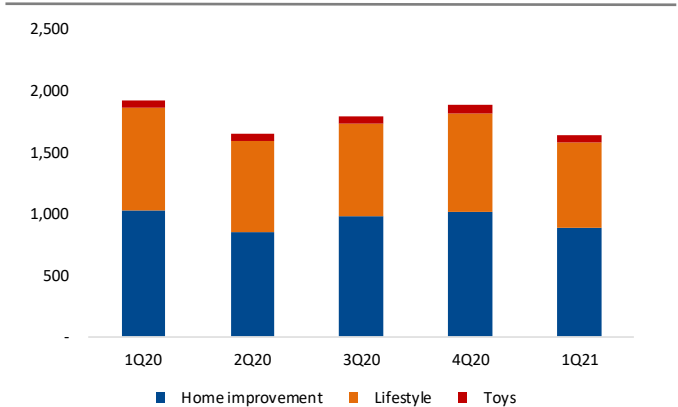
Source: Company, NHKSI Research

ACES Revenue Breakdown | 1Q21



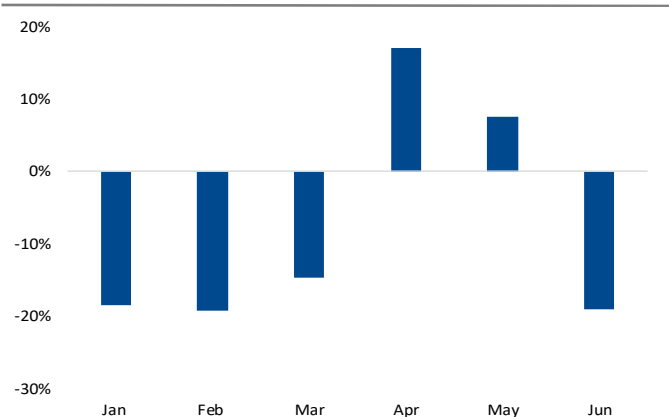
Source: Company, NHKSI Research

ACES Segment Contribution | 1Q20-1Q21



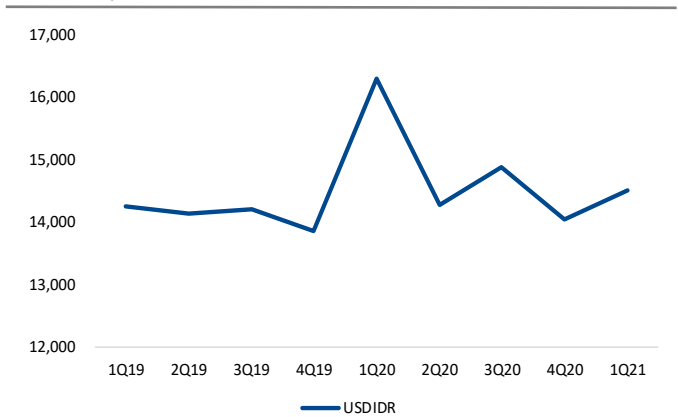
Source: Company, NHKSI Research

ACES SSSG | Jan-Jun'21



Source: Company, NHKSI Research

USDIDR | 1Q19 - 1Q21



Source: Bloomberg, NHKSI Research

Company Overview



ACES adalah salah satu perusahaan yang bergerak di bidang ritel *home improvement* di Indonesia. Produk-produk yang ditawarkan dibagi menjadi segmen perlengkapan hunian dan segmen perlengkapan gaya hidup, dan sekitar 80% merupakan produk impor. Hingga kini, ACES memiliki 208 gerai di kota-kota besar Indonesia dengan menasar segmen menengah-atas.

Untuk menjangkau pasar yang lebih luas, ACES gencar melakukan strategi pemasaran berupa diskon besar yang tersebar di sepanjang tahun, seperti: Ace Boom Sale, Siap Sedia di Hari Raya, Clearance Sale Akhir Tahun dan kartu Ace Reward. Selain itu pada 2016, ACES memasuki segmen *e-commerce* melalui ruparupa.com, milik entitas induk ACES.

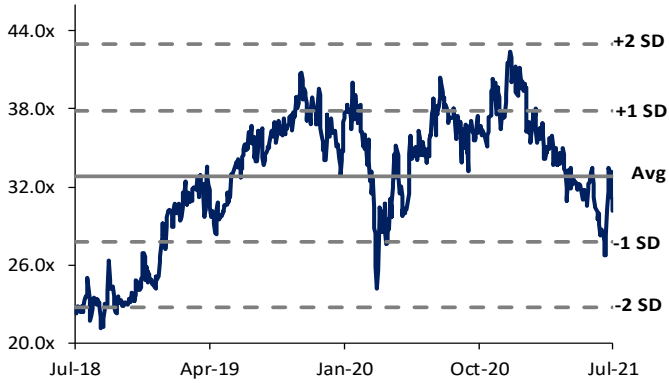
Retail Companies Peers Analysis

	Market Cap (USD mn)	Asset	Sales LTM (USD mn)	Net Profit LTM	Net Profit Growth LTM	Net Profit Margin	ROE (LTM)	P/E LTM	P/BV
Indonesia									
MATAHARI DEPARTMENT	390	454	306	(60)	N/A	-19.6%	-100.3%	N/A	13.2x
RAMAYANA LESTARI SEN-	294	380	145	(16)	N/A	-11.3%	-6.1%	N/A	1.1x
ACE HARDWARE INDONESIA	1,681	520	509	50	-27.93%	9.9%	14.9%	35.1x	4.7x
MITRA ADIPERKASA	716	1,268	994	(37)	N/A	-3.7%	-9.5%	N/A	1.9x
Thailand									
HOME PRODUCT CENTER	5,614	1,870	1,897	169	-12.83%	8.9%	23.5%	35.2x	8.0x
SIAM GLOBAL HOUSE PCL	3,396	1,201	917	74	6.37%	8.1%	13.4%	47.7x	5.9x
Philippine									
WILCON DEPOT INC	1,723	588	484	35	-12.43%	7.3%	11.6%	49.6x	5.6x

Source: Bloomberg, NHKSI research

Valuation highlights in charts

3-year trailing P/E band



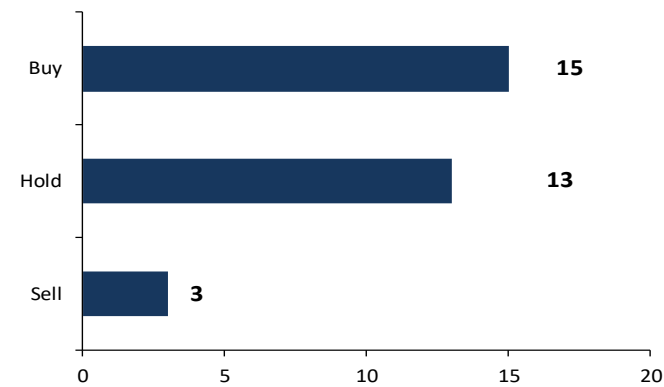
Source: Company Data, NHKSI Research

MAPI and Jaktrade Index



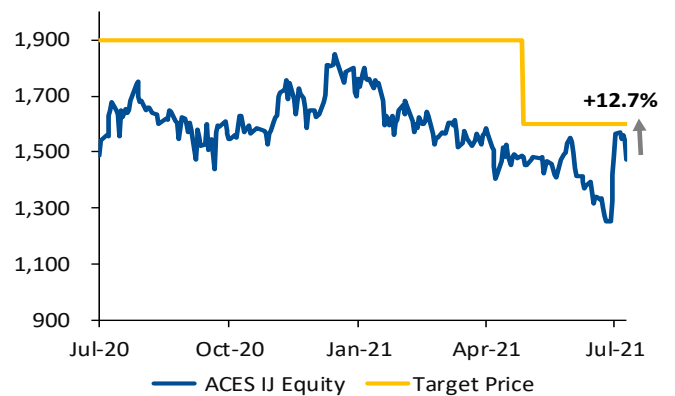
Source: Company Data, NHKSI Research

Consensus of analyst recommendation



Source: Bloomberg

Closing and Target Price Update



Source: NHKSI research

Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
30/12/2020	Overweight	IDR1,900	IDR1,800	IDR1,817	+5.6%	+4.6%
19/7/2021	Overweight	IDR1,600	IDR1,420	IDR1,556	+12.7%	+2.8%

Source: NHKSI research, Bloomberg

Summary of Financials

INCOME STATEMENT				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Sales	7,413	7,884	8,528	9,562
<i>Growth</i>	-9.0%	6.4%	8.2%	12.1%
Cost of Good Sold	(3,754)	(4,025)	(4,332)	(4,800)
Gross Profit	3,659	3,859	4,196	4,762
<i>Gross Margin</i>	49.4%	48.9%	49.2%	49.8%
Operating Expenses	(2,670)	(2,850)	(3,119)	(3,586)
EBIT	990	1,009	1,077	1,176
<i>EBIT Margin</i>	13.3%	12.8%	12.6%	12.3%
Depreciation	123	135	144	155
EBITDA	1,113	1,144	1,221	1,331
<i>EBITDA Margin</i>	15.0%	14.5%	14.3%	13.9%
Interest Expenses	(126)	(178)	(35)	(41)
EBT	926	926	953	1,092
Income Tax	(192)	(198)	(227)	(248)
Minority Interest	2	(7)	(7)	(5)
Net Profit	736	748	859	942
<i>Growth</i>	-28.9%	1.6%	14.8%	9.7%
<i>Net Profit Margin</i>	9.9%	9.5%	10.1%	9.8%

PROFITABILITY & STABILITY				
	2020/12A	2021/12E	2022/12E	2023/12E
ROE	14.8%	14.1%	15.4%	16.1%
ROA	10.2%	9.9%	10.6%	11.0%
Inventory Turnover	1.5x	1.6x	1.8x	2.2x
Receivable Turnover	63.7x	85.4x	96.1x	76.0x
Payables Turnover	22.0x	22.3x	18.3x	17.4x
Dividend Yield	1.6%	1.1%	2.0%	2.0%
Payout Ratio	29.9%	74.7%	75.0%	75.0%
DER	16%	17%	18%	17%
Net Gearing	0.0x	0.0x	0.0x	0.0x
Equity Ratio	72.1%	71.5%	70.3%	70.1%
Debt Ratio	11.5%	12.3%	12.5%	12.1%
Financial Leverage	1.3x	1.4x	1.4x	1.4x
Current Ratio	8.1x	6.0x	6.3x	5.6x
Quick Ratio	3.1x	3.4x	3.3x	3.8x
Par Value (IDR)	10	10	10	10
Total Shares (mn)	17,150	17,150	17,150	17,150
Share Price (IDR)	1,715	1,600	1,600	1,600
Market Cap (IDR tn)	29.4	27.4	27.4	27.4

BALANCE SHEET				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Cash	2,220	2,492	3,052	3,782
Receivables	143	41	136	115
Inventories	2,453	2,443	2,305	1,982
Total Current Assets	5,035	5,254	5,740	6,157
Net Fixed Assets	875	842	845	859
Other Non Current Assets	1,338	1,484	1,518	1,530
Total Non Current Asset	2,212	2,326	2,363	2,389
Total Assets	7,247	7,581	8,104	8,546
Payables	164	197	278	274
Other Current Liabilities	425	403	436	489
Total Current Liabilities	845	837	1,033	1,103
LT Liabilities	-	-	-	-
Total Liabilities	2,025	2,158	2,405	2,556
Capital Stock	172	172	172	172
Retained Earnings	4,629	4,828	5,104	5,395
Shareholders' Equity	5,222	5,422	5,699	5,990

VALUATION INDEX				
	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	40.0x	36.7x	32.0x	29.1x
Price /Book Value	5.6x	5.1x	4.8x	4.6x
PE/EPS Growth	-1.4x	22.4x	2.2x	3.0x
EV/EBITDA	27.7x	25.3x	24.1x	22.7x
EV/EBIT	31.1x	28.7x	27.4x	25.7x
EV (IDR bn)	30,784	28,986	29,464	30,173
Revenue CAGR (3-Yr)	7.7%	2.9%	1.6%	8.9%
Net Income CAGR (3-Yr)	-1.8%	-8.3%	-6.0%	8.6%
Basic EPS (IDR)	43	44	50	55
BVPS (IDR)	304.50	316	332	349
DPS (IDR)	28.2	18.0	32.1	32.7

CASH FLOW STATEMENT				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	1,136	1,099	1,191	1,460
Investing Cash Flow	(101)	(168)	(131)	(100)
Financing Cash Flow	(370)	(370)	(616)	(500)
Net Changes in Cash	454	665	316	559

OWNERSHIP	
Shareholders	%
PT Kawan Lama Sejahtera	59.7
Capital Grup Company Inc	2.9
Standard Life Aberdeen	1.8
JP Morgan Chase &Co	1.7
By Geography	%
Indonesia	75.3
United States	13.7
Luxembourg	3.6
United Kindom	2.1

Source: NHKSI research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
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 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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