

HOLD

TP: Rp1,950 (+5.7%)

Ace Hardware Indonesia

Weak SSSG in June 2019 but still in line

6M19 gross revenue increased by 19% YoY

In June 2019, ACES booked Rp725 bn of gross sales (+9% YoY / +6.6% MoM). In 1H19, ACES reported Rp3.9 tn of gross sales (+19% YoY), representing 45% and 46% of our and consensus estimates. We see this as an in-line results as sales in December usually contributed around 10% to total gross revenue. In 2018, the 1H18 achievements was around 47%, hence we still see an in-line result for ACES.

Weak SSSG in June 2019

ACES booked weak June 2019 SSSG of 1.1% (.vs 14.2% in June 2018). Mostly contributed by the sales in Outside Java of 2.3% (.vs 16.8% in June 2018), followed by Jakarta with 1.3% (.vs 9.8% in June 2018), and Java outside Jakarta with only 0.3% (.vs 15.5% in June 2018). In 1H19, ACES SSSG stood at 6.9% (.vs 13.4% in 1H18), mostly contributed by the sales in Outside Java area with 8.5% (.vs 18.1% in 1H18), followed by Jakarta with 7.1% (.vs 9.6% in 1H18), and Java outside Jakarta with 5.7% (.vs 12.7% in 1H18). Weak SSSG number was due to normalize sales post Ramadan season, different lebaran time frame compared to the previous year, and high based factor in 2018. Note that Ramadan holidays in 2018 fell in 11 – 20 June 2018, but, in 2019 the holidays fell on the first week of June. Therefore, most of people do more spending in May and only at the first week of June, or in another words, most of the Ramadan effect was heavily took into account in May. It was reflected on ACES weak June 2019 SSSG, and sales growth. However, SSSG in 1H19 was still in line with the company SSSG guidance of around 6% to 7%.

Stores opening update

In June 2019, ACES open 1 new Ace Xpress store located in Tangerang, with around 900 sqm retail space. ACES had open 10 new stores in 2019. At the moment, the company operates 186 stores in Indonesia. Initially the company guided to open 20 to 25 new stores along 2019, the company admits there will be more new stores opened on the second half. ACES will open some new stores in secondary and new cities, the company believe secondary and new cities may deliver higher growth due to less business competition. As we can see from the SSSG figure, Outside Java area and Java outside Jakarta booked higher growth compared to Jakarta. However the risk of store cannibalization may persist, especially for new stores located near the existing stores, but usually, it will be adjusted after 6 months.

Maintain our HOLD recommendation

As the operating and revenue numbers so far were still in-line with our estimate, we maintain our HOLD recommendation for ACES with unchanged TP of Rp1,950/sh, offering limited 5.7% upside potential. At the moment, the stock is fully valued at 26.8x 2019F PER, slightly above the industry average of 26x. We feel that most of the positive catalyst ahead was already priced in at the current price level.

Exhibit 1 : Financial Highlights

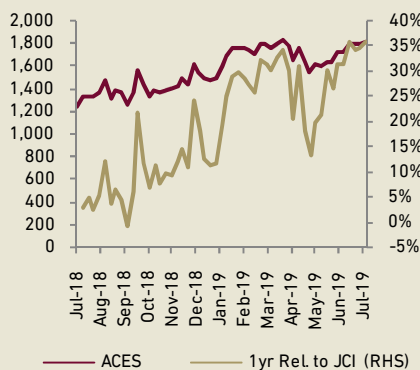
Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (Rpbn)	5,939	7,240	8,647	9,994	11,259
Operating profit (Rpbn)	869	1,072	1,303	1,523	1,715
Net profit (Rpbn)	780	976	1,166	1,332	1,510
EPS (Rp)	45.5	56.9	68.0	77.7	88.1
EPS growth (%)	10.6	25.0	19.5	14.2	13.4
EV/EBITDA (x)	32.1	26.2	21.4	18.3	15.9
PER (x)	40.0	32.0	26.8	23.4	20.7
PBV (x)	8.9	7.4	6.3	5.4	4.7
Dividend yield (%)	0.9	1.2	1.4	1.6	1.9
ROE (%)	22.2	23.1	23.7	23.2	22.7

Source : ACES, Ciptadana Estimates

Sector Retail
Bloomberg Ticker ACES IJ

Share Price Performance

Last price (Rp)	1,845		
Avg. daily T/O (Rpbn/USDmn)	23.4/1.7		
	3m	6m	12m
Absolute (%)	3.9	10.1	41.4
Relative to JCI (%)	3.9	9.0	32.6
52w High/Low price (Rp)	1,920/1,200		



Outstanding shrs (mn)	17,150
Mkt. Cap (Rpbn/USDmn)	31,642/2,239
Estimated free float (%)	40.0

Major shareholders

Kawan Lama Sejahtera	60.0%
Capital Group Companies Inc	6.0%
Standard Life Aberdeen Plc	4.7%

EPS Consensus

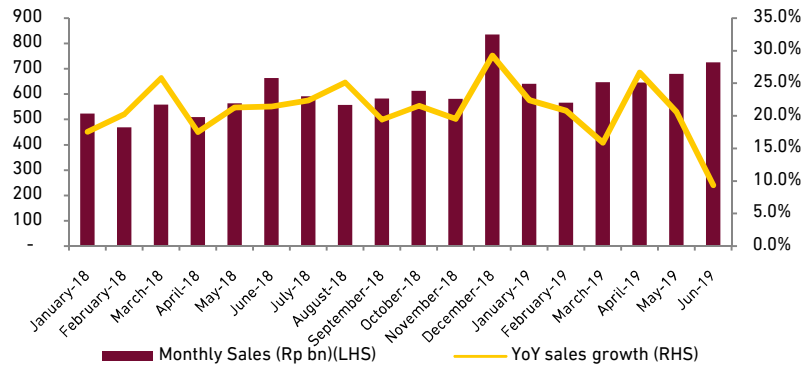
	Ciptadana	Cons.	% Diff
2019F	68.0	66.9	1.7
2020F	77.7	76.4	1.7
2021F	88.1	87.0	1.2

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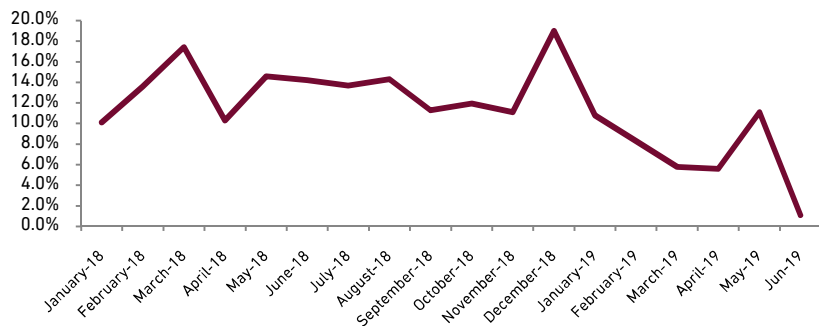
<http://www.ciptadana.com>

Exhibit 2: Monthly Sales & YoY growth



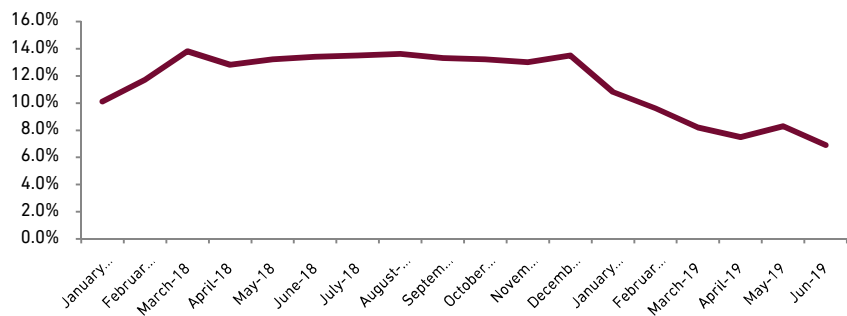
Source: Company, Ciptadana Sekuritas Asia

Exhibit 3: Monthly SSSG



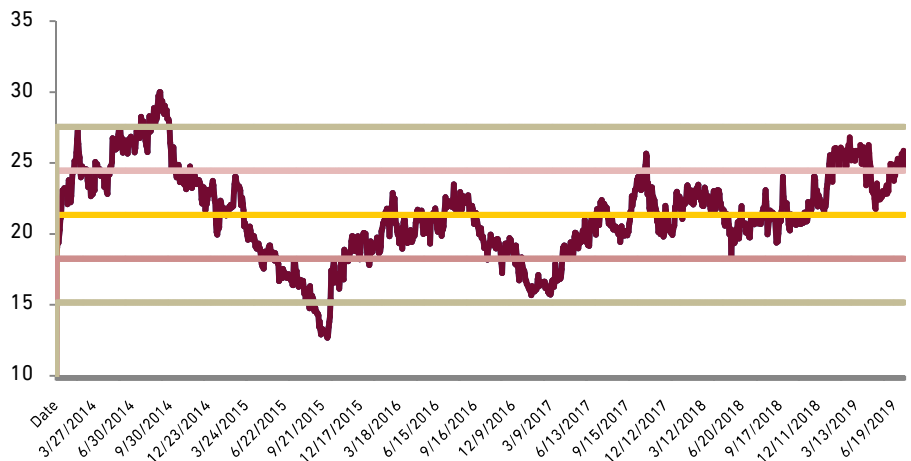
Source: Company, Ciptadana Sekuritas Asia

Exhibit 4: YTD SSSG



Source: Company, Ciptadana Sekuritas Asia

Exhibit 5: ACES 5-yr P/E band



Source: Company, Ciptadana Sekuritas Asia

Exhibit 6 - Income Statement

Year to 31 Dec (Rpbn)	2017A	2018A	2019F	2020F	2021F
Revenue	5,939	7,240	8,647	9,994	11,259
COGS	-3,104	-3,797	-4,535	-5,241	-5,904
Gross profit	2,835	3,443	4,113	4,753	5,354
Oper. expenses	-1,966	-2,371	-2,810	-3,230	-3,639
Oper. profit	869	1,072	1,303	1,523	1,715
EBITDA	944	1,167	1,411	1,647	1,855
Interest income	33	29	32	38	49
Interest expense	-38	-47	-51	-56	-58
Other income (exp.)	96	148	166	192	216
Pre-tax profit	960	1,202	1,450	1,697	1,922
Income tax	-179	-226	-284	-365	-412
Minority interest	0	0	0	0	0
Net profit	780	976	1,166	1,332	1,510

Exhibit 7 - Balance Sheet

Year to 31 Dec (Rpbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	902	799	1,040	1,138	1,637
Acct, receivables	90	37	44	51	57
Inventory	1,849	2,520	2,708	3,130	3,362
Other curr, asset	517	741	865	999	1,126
Total current asset	3,358	4,096	4,657	5,318	6,182
Fixed assets - net	359	444	552	678	819
Other non-curr.asset	711	781	911	1,035	1,014
Total asset	4,429	5,321	6,120	7,031	8,015
ST debt + curr. maturity	0	115	69	80	0
Acct, payable	169	198	239	277	312
Advances received	0	0	0	0	0
Other curr. liab	309	318	379	438	494
Long term debt	0	0	0	0	0
Other non-curr, liab,	440	455	504	505	568
Total liabilities	918	1,086	1,191	1,299	1,374
Shareholder equity	3,513	4,225	4,928	5,731	6,641
Minority interest	-2	10	0	0	0
Total liab + SHE	4,429	5,321	6,120	7,031	8,015

Exhibit 8 - Per Share Data

Year to 31 Dec(Rp)	2017A	2018A	2019F	2020F	2021F
EPS	45.5	56.9	68.0	77.7	88.1
BVPS	204.8	246.4	287.4	334.2	387.2
DPS	16.4	22.7	26.2	29.9	33.9
FCF per share	28.5	0.2	42.9	34.1	66.3

Source : ACES, Ciptadana Estimates

Exhibit 9 - Cash Flow

Year to 31 Dec (Rpbn)	2017A	2018A	2019F	2020F	2021F
Net income	780	976	1,166	1,332	1,510
Depreciation	75	95	108	124	140
Chg in working cap.	-176	-859	-297	-590	-190
Other	-33	-29	-26	-32	-43
CF-Oper activities	646	184	951	834	1,418
Capital expenditure	-157	-180	-216	-250	-281
Others	0	0	0	0	0
CF-Investing activities	-157	-180	-216	-250	-281
Net change in debt	-5	115	-46	11	-80
Net change in equity	0	0	0	0	0
Dividend payment	-281	-389	-449	-513	-582
Other financing	-38	138	-24	-16	-18
CF-Financing activities	-291	-107	-493	-486	-637
Net cash flow	198	-104	242	98	499
Cash - begin of the year	704	902	799	1,040	1,138
Cash - end of the year	902	798	1,040	1,138	1,637

Exhibit 10 - Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth					
Revenue (%)	20.3	21.9	19.4	15.6	12.7
Operating profit (%)	19.1	23.4	21.5	16.9	12.7
Net profit (%)	10.6	25.0	19.5	14.2	13.4
Profitability Ratios					
Gross margin (%)	47.7	47.6	47.6	47.6	47.6
Operating margin (%)	14.6	14.8	15.1	15.2	15.2
EBITDA margin (%)	15.9	16.1	16.3	16.5	16.5
Net margin (%)	13.1	13.5	13.5	13.3	13.4
ROA (%)	17.6	18.3	19.1	18.9	18.8
ROE (%)	22.2	23.1	23.7	23.2	22.7
Liquidity Ratios					
Current ratio (x)	7.0	6.5	6.8	6.7	7.7
Quick ratio (x)	3.2	2.5	2.8	2.8	3.5
Cash conversion cycle (days)	212.6	236.2	210.5	210.3	200.1
Activity Ratio					
Inventory turnover (days)	217.5	242.3	218.0	218.0	207.8
Receivable turnover (days)	3.6	3.2	1.7	1.7	1.7
Payable turnover (days)	8.5	9.2	9.2	9.4	9.5
Solvency Ratio					
Interest cover (x)	24.7	24.9	27.7	29.4	32.0
Debt to equity ratio (x)	0.0	0.0	0.0	0.0	0.0
Net debt to equity (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source : ACES, Ciptadana Estimates

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