Ace Hardware Indonesia Tbk
(ACES)
Konsistensi Peningkatan Kinerja

NH KORINDO SEKURITAS

Company Report | May 21, 2018

Peningkatan Kinerja Secara Keseluruhan 1Q18

ACES mencatatkan pertumbuhan penjualan bersih dan laba bersih masing-masing menjadi Rp1,57 triliun (+21,5% y-y) dan Rp210 miliar (+35,6% y-y) pada 1Q18. ACES berhasil **mencatatkan pertumbuhan penjualan secara tahunan di atas 20% dalam 4 kuartal terakhir**. Peningkatan penjualan didorong oleh **pertumbuhan di semua segmen**. Adapun, kontribusi segmen produk gaya hidup meningkat menjadi 41,2% dari total penjualan.

Jika dibandingkan dengan kinerja margin 1Q17, margin kotor ACES tetap terjaga di level 47,8% namun ***EBIT margin* dan margin laba bersih mengalami peningkatan**. Di sisi lain, posisi kas pada 1Q18 juga menjadi yang tertinggi, yaitu sebesar Rp1 triliun.

Tetap Gencar dalam Pemasaran dan Ekspansi

Keberhasilan kinerja penjualan 1Q18 juga tak lepas dari strategi pemasaran dan ekspansi yang gencar dilakukan. Sejak awal tahun, ACES memiliki program pemasaran yang berbeda-beda setiap bulannya. Selain itu, kami memprediksi tren peningkatan kinerja ini akan **terus berlanjut ke 2Q18**, sehubungan dengan program "Boom Sale" yang berlangsung hingga Mei. Belum lagi, **ekspansi penambahan 17 gerai pada 2017** akan mulai berdampak signifikan dalam menopang kinerja penjualan di tahun ini.

Target Harga Rp1.425

Kami menggunakan estimasi *forward* P/E sebesar 24,4x (1SD di atas rata-rata 4 tahun terakhir) sebagai basis metode valuasi. Target harga ini mengimplikasikan P/E 2018E sebesar 26,8x (vs 22,2x saat ini).

Ace Hardware Indonesia Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Net Sales	4,936	5,939	6,760	7,409
Net Sales growth	*4.1%*	*20.3%*	*13.8%*	*9.6%*
EBITDA	952	1,044	1,231	1,348
Net profit	711	778	911	1,006
EPS (IDR)	41	45	53	59
EPS growth	*20.8%*	*9.4%*	*17.2%*	*10.4%*
BVPS (IDR)	178	205	235	267
EBITDA margin	*19.3%*	*17.6%*	*18.2%*	*18.2%*
Net Profit Margin	*14.4%*	*13.1%*	*13.5%*	*13.6%*
ROE	*25.0%*	*23.7%*	*24.1%*	*23.3%*
ROA	*20.3%*	*19.1%*	*19.3%*	*19.1%*
ROIC	*25.3%*	*24.0%*	*24.5%*	*25.1%*
P/E	20.2x	25.5x	22.2x	20.1x
P/BV	4.7x	5.6x	5.0x	4.4x
EV/EBITDA	14.3x	18.1x	15.6x	14.1x
DPS (IDR)	15	16	23	27
Dividend yield	*1.8%*	*1.4%*	*1.9%*	*2.3%*

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Buy

Dec 2018 TP (IDR)	**1,425**
Consensus Price (IDR)	1,490
TP to Consensus Price	-4.4%
vs. Last Price	+20.8%

Shares data

Last Price (IDR)	1,180
Price date as of	May 18, 2018
52 wk range (Hi/Lo)	1,410 / 965
Free float	40.0%
Outstanding sh.(mn)	17,150
Market Cap (IDR bn)	20,237
Market Cap (USD mn)	1,425
Avg. Trd Vol - 3M (mn)	6.8
Avg. Trd Val - 3M (bn)	9.0
Foreign Ownership	27.2%

Trade, Services & Investment

Home Improvement Retail

Bloomberg	**ACES.IJ**
Reuters	**ACES.JK**

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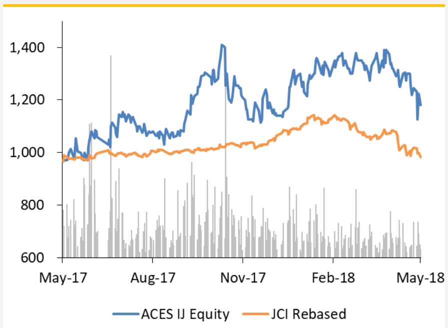
Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	2.2%	-11.9%	-12.6%	22.3%
Rel. Ret.	11.6%	-3.0%	1.4%	20.3%

Sekilas tentang ACES

ACES adalah salah satu perusahaaan 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 151 gerai di kota-kota besar Indonesia dengan menyasar 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.

Industri Ritel *Home Improvement* Indonesia di ASEAN

Potensi bisnis ritel perlengkapan hunian sangat bergantung pada kondisi industri properti suatu negara. Indonesia dengan jumlah proyek properti baru yang terus meningkat, memungkinkan bisnis ritel seperti ACES untuk terus berekspansi, terutama ke luar Jawa. Belum lagi, perkembangan zaman digital pun memungkinkan masyarakat untuk melakukan dekorasi atau perbaikan pada propertinya sendiri.

Peritel perlengkapan hunian lain di ASEAN juga masih mencatatkan pertumbuhan penjualan, di tengah kondisi ritel secara keseluruhan yang sedang dalam tren menurun. Hampir semua peritel perlengkapan hunian juga masih menghasilkan margin dua digit, baik *gross*, *operating* dan *EBITDA margin*.

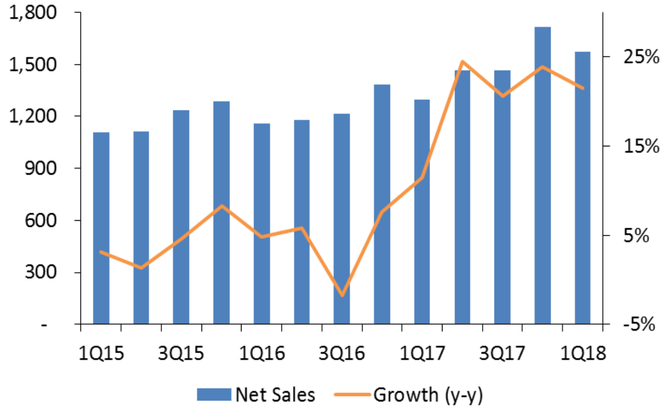
ASEAN Home Improvement Retailers

Company	Market Cap (USD mn)	Total Asset (USD mn)	Sales Growth	Gross Margin	Operating Margin	EBITDA Margin	ROE	P/E	Dividend Yield
ACES	1,425	326	20.31%	48%	16.2%	17.8%	24.0%	24.1x	1.4%
Thailand									
Home Product Center	5,869	1,564	5.05%	31.4%	10.0%	15.0%	26.5%	37.3x	2.2%
Siam Global House	2,059	865	10.46%	20.6%	10.3%	13.8%	12.6%	39.1x	1.1%
Philippines									
Wilcon Depot Inc	898	321	44.31%	29.7%	9.4%	10.0%	17.9%	31.1x	1.0%

Source: Bloomberg, NHKS research

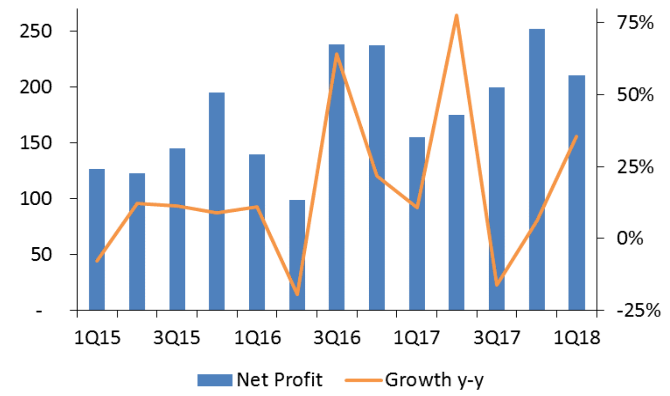
Operational Performance

Quarterly Net Sales (IDR bn) | 1Q15 - 1Q18



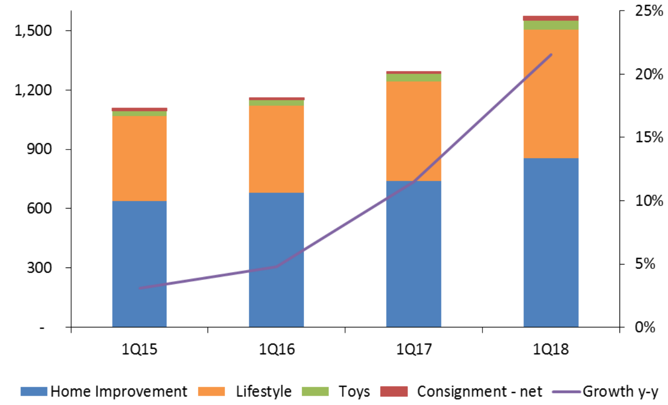
Source: Company, NHKS research

Quarterly Net Profit (IDR bn) | 1Q15 - 1Q18



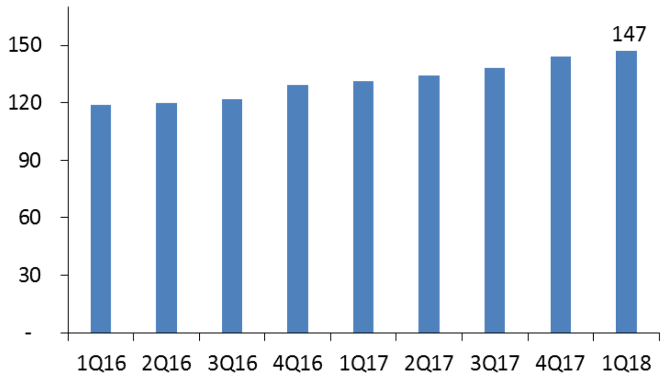
Source: Company, NHKS research

Net Sales Breakdown on First Quarter



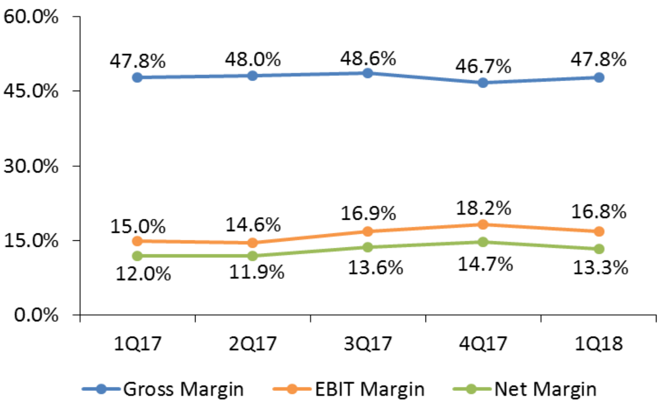
Source: Company, NHKS research

Stores Expansion | 1Q16 - 1Q18



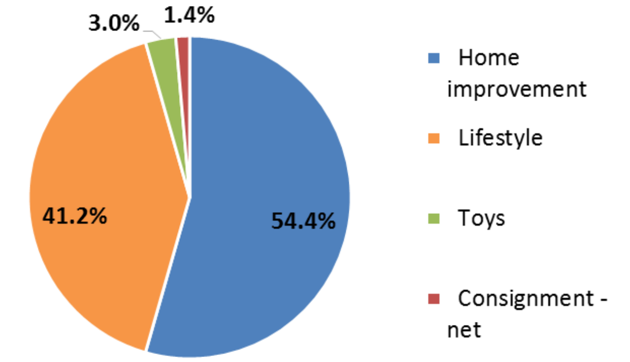
Source: Company, NHKS research

Margin Ratios | 1Q17 - 1Q18



Source: Company, NHKS research

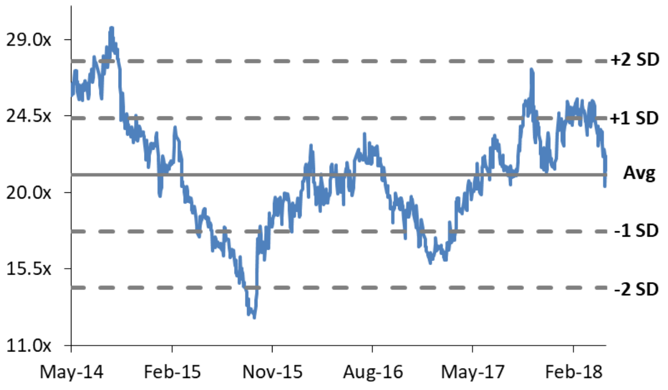
Net Sales Breakdown | 1Q18



Source: Company, NHKS research

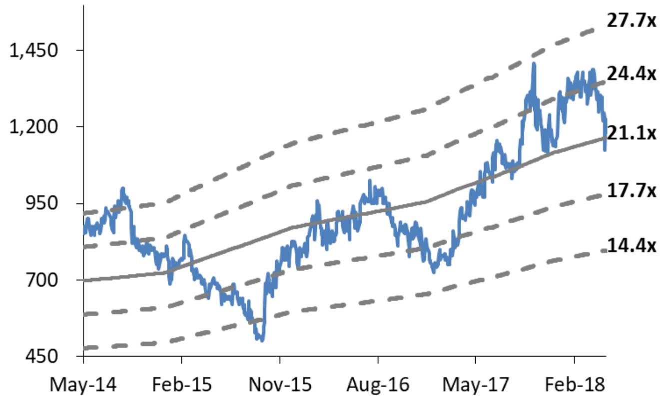
Multiple Valuation

Forward P/E band | Last 4 years



Source: NHKS research

Dynamic Forward P/E band | Last 4 years



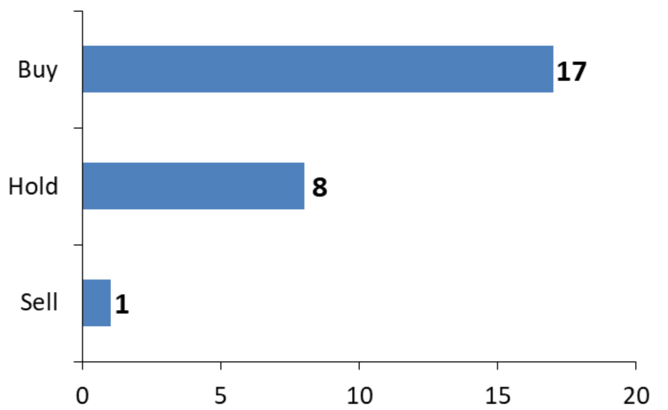
Source: NHKS research

Rating and target price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
04/04/2018	Buy	1,575	1,360	1,440	+15.8%	+9.4%
05/18/2018	Buy	1,425	1,180	1,490	+20.8%	-4.4%

Source: Bloomberg, NHKS research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price

Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
   - Buy : Greater than +15%
   - Hold : -15% to +15%
   - Sell : Less than -15%

Summary of Financials

ACES Summary		
Last Price (IDR)	**May 18, 2018**	**1,180**
Target Price (IDR)	**Dec 2018**	**1,425**
Analyst: Michael Tjahjadi	**Rating:**	**Buy**

INCOME STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Sales	**4,936**	**5,939**	**6,760**	**7,409**
Growth (% y/y)	*4.1%*	*20.3%*	*13.8%*	*9.6%*
COGS	(2,584)	(3,104)	(3,537)	(3,879)
Gross Profit	**2,352**	**2,835**	**3,222**	**3,529**
Gross Margin	47.6%	47.7%	47.7%	47.6%
Operating Expenses	(1,471)	(1,866)	(2,080)	(2,277)
EBIT	**881**	**968**	**1,142**	**1,252**
EBIT Margin	*17.8%*	*16.3%*	*16.9%*	*16.9%*
Depreciation	(71)	(75)	(89)	(96)
EBITDA	**952**	**1,044**	**1,231**	**1,348**
EBITDA Margin	*19.3%*	*17.6%*	*18.2%*	*18.2%*
Interest Expense	(37)	(38)	(41)	(39)
EBT	**863**	**960**	**1,126**	**1,243**
Income Tax	(157)	(179)	(213)	(238)
Net Profit	**711**	**778**	**911**	**1,006**
Growth (% y/y)	*20.8%*	*9.4%*	*17.2%*	*10.4%*
Net Profit Margin	*14.4%*	*13.1%*	*13.5%*	*13.6%*

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	25.0%	23.7%	24.1%	23.3%
ROA	20.3%	19.1%	19.3%	19.1%
ROIC	25.3%	24.0%	24.5%	25.1%
EBITDA/Equity	33.5%	31.8%	32.6%	31.3%
EBITDA/Assets	27.2%	25.6%	26.1%	25.6%
Cash Dividend (IDR bn)	263	281	389	457
Dividend Yield (%)	1.8%	1.4%	1.9%	2.3%
Payout Ratio (%)	44.2%	39.6%	50.0%	50.0%
DER	0.0x	0.0x	0.0x	0.0x
Net Gearing	0.0x	0.0x	0.0x	0.0x
LT Debt to Equity	0.0x	0.0x	0.0x	0.0x
Capitalization Ratio	0.0x	0.0x	0.0x	0.0x
Equity Ratio	0.8x	0.8x	0.8x	0.8x
Debt Ratio	0.0x	0.0x	0.0x	0.0x
Financial Leverage	1.2x	1.2x	1.2x	1.2x
Current Ratio	7.3x	7.0x	8.2x	9.0x
Quick Ratio	3.2x	3.2x	3.6x	4.0x
Cash Ratio	1.8x	1.9x	2.3x	2.6x
Par Value (IDR)	10	10	10	10
Total Shares (mn)	17,150	17,150	17,150	17,150
Share Price (IDR)	835	1,155	1,180	1,180
Market Cap (IDR tn)	14.3	19.8	20.2	20.2

BALANCE SHEET

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	704	902	1,047	1,198
Inventories	1,590	1,849	2,139	2,363
Other Current Assets	500	517	558	612
Total Current Assets	**2,822**	**3,358**	**3,802**	**4,237**
Net Fixed Assets	589	705	793	889
Other Non Current Assets	320	365	396	434
Total Assets	**3,731**	**4,429**	**4,991**	**5,559**
ST Bank loans	5	-	-	-
Payables	108	169	153	177
Total Current Liabilities	**389**	**478**	**462**	**468**
LT Debt	-	-	-	-
Other Non Current Liab.	287	420	478	493
Total Liabilities	**682**	**918**	**953**	**973**
Shareholders' Equity	**3,049**	**3,510**	**4,038**	**4,586**

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	20.2x	25.5x	22.2x	20.1x
Price /Book Value	4.7x	5.6x	5.0x	4.4x
Price/Sales	2.9x	3.3x	3.0x	2.7x
PE/EPS Growth	1.0x	2.7x	1.3x	1.9x
EV/EBITDA	14.3x	18.1x	15.6x	14.1x
EV/EBIT	15.5x	19.5x	16.8x	15.2x
EV (IDR bn)	13,622	18,906	19,190	19,039
Sales CAGR (3-Yr)	8.2%	9.4%	12.5%	14.5%
EPS CAGR (3-Yr)	11.8%	11.9%	15.7%	12.3%
Basic EPS (IDR)	41	45	53	59
Diluted EPS (IDR)	41	45	53	59
BVPS (IDR)	178	205	235	267
Sales PS (IDR)	288	346	394	432
DPS (IDR)	15.3	16.4	22.7	26.7

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	711	781	916	1,006
Deprec & Amortization	71	75	89	96
Chg. In Working Capital	(293)	(166)	(313)	(276)
CFO	**489**	**690**	**691**	**826**
Capex	(277)	(190)	(176)	(193)
CFI	**(127)**	**(187)**	**(164)**	**(217)**
Dividends Paid	(263)	(281)	(389)	(457)
Net Borrowing	(11)	(5)	-	-
CFF	**(275)**	**(302)**	**(382)**	**(457)**
Net Changes in Cash	**87**	**201**	**146**	**151**

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	720	787	926	1,012
+Depr./Amor.	71	75	89	96
-CAPEX	(277)	(190)	(176)	(193)
-Incr. (Decr.) in Working Cap.	(293)	(166)	(313)	(276)
(Unlevered) FCFF	222	507	525	638
WACC				
Cost of Debt (Tax Adj.)	7.8%	0.0%	0.0%	0.0%
Cost of Equity (COE)	10.1%	11.7%	10.2%	11.0%
WACC (%)	10.1%	11.7%	10.2%	11.0%
RIM				
Spread (FROE-COE) (%)	16.9%	13.8%	15.7%	13.9%
Residual Income (IDR)	471	471	600	618
Equity Charge	239	307	311	387
EVA				
Invested Capital (IDR bn)	2,651	3,054	3,510	4,038
ROIC-WACC (%)	17.0%	14.1%	16.2%	14.0%
EVA (IDR bn)	452	431	567	566

OWNERSHIP

By Geography	%	Shareholders	%
Indonesia	72.8	PT Kawan Lama S	60.0
United States	15.4	Capital Group	5.0
Luxembourg	7.7	Standard Life Aberdeen	4.4
United Kingdom	1.2	Vanguard Group	1.3