

8 NOVEMBER 2018

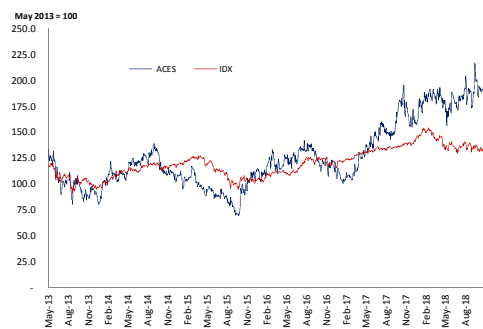
COMPANY UPDATE

BUY

STOCK INFORMATION

Bloomberg Code	ACES IJ
Sector	Retail
Current Price	Rp1,420
Target Price	Rp1,750
Upside/ Downside	23.2%
Share Out (billion shares)	17.1
Market Cap (Rp billion)	24,205
52 – w range (low-high)	Rp1,115-1,560
52 – w average daily	Rp1,302

PRICE CHART



Source: Bloomberg

SHAREHOLDER'S INFORMATION

PT Kawan Lama Sejahtera	59.9%
Public	40.0%

Source: Company data

PRICE CHART



Source: Bloomberg

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PT ACE HARDWARE INDONESIA TBK

READY TO ROCK AND ROLL IN 4Q!

During 9M18, ACES posted a robust sales growth of 22.3% YoY from Rp 4.22 trillion in 9M17 to Rp 5.16 trillion, on the back of solid 13.4% SSSG. On the bottomline, net profit hiked by 32.5% YoY from Rp526.5 billion to Rp697.4 billion, mainly derived from forex gain and higher rental income by 61.7% YoY. This, was in line with our projection, made up 71.2%/72.7% our FY18F of Rp7.25 trillion/Rp959.2 billion. We maintain our BUY recommendation on the stock with unchanged TP of Rp1,750/ share.

Another Strong Performance in 9M18

Appealing assortments, mid-up segment consumption that remained strong and commodity price hike drove the strong 13.3% SSSG in 9M18, with encouraging growth of average bucket size by 2% YTD. Geographical-wise, the commodity-based area, particularly outside Java (Kalimantan, Sumatra and Sulawesi) delivered the strongest SSSG of 16.7% in 9M18. In terms of profitability, GPM was slightly down by 20bps 48.0% from 48.2% in 9M17, due to product mix. Operating margin increased by 70bps, thanks to better store productivity coupled with opex efficiencies in some posts i.e renovation cost (-28.9% YoY, due to 5-yearly renovation last year) and utilities (-3.9% YoY). On the bottomline, net profit margin significantly improved by 100bps to 13.5%, mainly derived by rent Income of Rp17.38 bn (+61.74% YoY) and forex gain Rp19.5 bn (+710.64% YoY) in line with higher USD cash position by 84.02% YoY.

Expect Higher Double Digit Growth in 4Q

Considering the stellar performance YTD, the company once again revised its SSSG target from 5% earlier this year to 8% and finally 10-11% for FY18F – which in line with our FY18F as we expect the company will post higher double digit SSSG in 4Q18 driven by Boom Sale in Oct and peak season Christmas and Year End festive in December.

Great Momentum: Aggressive Expansion YTD

As of 9M18, ACES has added 19 new ACE stores, including 6 Ace Xpress, company's newest project, exceeding the initial target of 5 Xpress store for FY18F. In 4Q18, the company plans to open another 5 new stores, so that by year end, ACES will operate in total of 174 stores. Aside of the aggressive expansion this year, in order to boost sales, the company has been adding new SKUs, developing new services, as well as continuous system improvement in ruparupa.com.

Maintain BUY with Unchanged Fair Value Rp1,750 per share

We maintain our BUY recommendation on the stock with unchanged fair value of Rp 1,750, considering the 9M18 performance was still in line with our FY18E. Our TP implies forecasted 24.0x PER and 19.4x EV/EBITDA 2019F, while at yesterday's closing price, ACES was trading at 19.5x PER and 15.3x EV/EBITDA 2019F, offering 23.2% upside potential.

Financial Summary

(Rp billion)	2016A	2017A	2018F	2019F	2020F
Revenue	4,935.9	5,938.6	7,250.0	8,592.5	10,450.5
EBITDA	795.2	940.7	1,198.7	1,513.7	1,893.9
Net profit	710.6	777.7	959.2	1,238.8	1,536.4
EPS (Rp)	41.7	45.6	56.3	72.7	90.1
PER (x)	30.6	27.9	22.7	17.5	14.1
BVPS (Rp)	178.9	205.9	244.2	294.6	356.0
PBV (x)	7.1	6.2	5.2	4.3	3.6
EV/EBITDA (x)	26.5	22.1	17.4	13.6	10.7
Dividend yield (%)	1.2%	1.3%	1.4%	1.7%	2.3%
RoE (%)	25.0	23.7	25.0	27.0	27.7

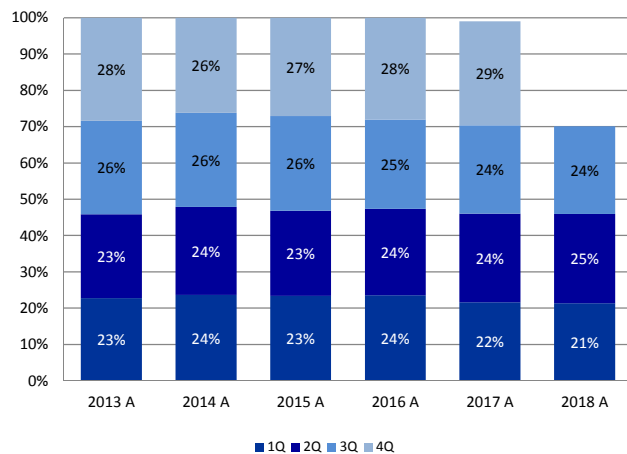
Source: Company data and Lotus Andalan Research

Please see important disclosures at the end of this report

INTERIM FINANCIAL RESULT									
	9M17	9M18	YoY	FY18E	Coverage	2Q17	3Q18	QoQ	Comment
<b>P/L (In Rp billion)</b>									
Revenue	4,222.8	5,163.3	22.3%	7,250.0	71.2%	1,810.9	1,778.6	-1.8%	In line, SSSG as of 9M18 13.4% vs 11.1% in 9M17, driven by better assortments, strong mid-up consumption, improvement in commodity prices
Cost of revenue	2,189.4	2,685.5	22.7%	3,777.4	71.1%	942.4	921.2	-2.3%	
Gross profit	2,033.3	2,477.9	21.9%	3,472.5	71.4%	868.5	857.4	-1.3%	
Operating expense	1,437.3	1,713.1	19.2%	2,385.5	71.8%	627.5	567.1	-9.6%	
Operating profit	596.0	764.7	28.3%	1,087.1	70.3%	241.0	290.3	20.5%	
Net profit	526.5	697.4	32.5%	959.2	72.7%	217.1	271.4	25.0%	Rent Income of Rp17.38 bn (+61.74% YoY) & Forex gain Rp19.5 bn (+710.64% YoY); paid tax penalty of Rp11.9 bn last year
<b>Profitability</b>									
Gross margin	48.2%	48.0%		47.9%		48.0%	48.2%		Stable GPM due to sales mix
EBIT margin	14.1%	14.8%		15.0%		13.3%	16.3%		Vast improvement in SSSG allow better operational leverage
Net margin	12.5%	13.5%		13.2%		12.0%	15.3%		

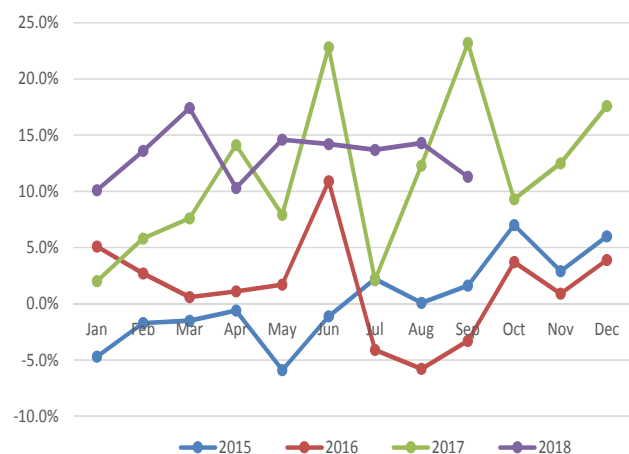
Source: Company data and Lotus Andalan Research

Quarterly performance



Source: Company data, Lotus Andalan Research

Monthly SSSG



Source: Company data, Lotus Andalan Research



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