

**1Q20 earnings review.** ACES reported IDR 2.0tn in revenue (+4.5% YoY) and IDR 246bn (+3.7% YoY) in bottom-line. 3M20 SSSG was at 2.5% and there were 4 net store openings (+2.3% YTD retail space). Consignment sales contribution rose to 6.9% (vs 5.6% in 1Q19) with a lower margin of 27.0% (-240bps YoY). The decline, however, was offset by higher DP margin of 50.6% (+240bps YoY), leading to 220bps expansion in blended gross margin, highest since 4Q13. The higher margin was mainly attributed to a more favorable CNYIDR in FY19 (-4.8% in 12M19). The company had realized IDR 24.4bn of shares buyback in 1Q20. In light of PSAK 73 implementation, it expensed IDR 81.4bn in depreciation right of use assets and IDR 20.6bn in interest lease, leading to 5.2% expense to net sales, 100bps higher than avg. rent expense to net sales ratio. In the long-run, the impact should be neutralized by lower expenses paid in the future.

**Covid-19 impact to company's performance.** Lower traffic was started to be seen in March as company posted 4.7% decline in SSSG. During PSBB, ACES temporarily closed down ~20% of its stores, mainly those operating in Greater Jakarta's shopping malls, while the ones in residential areas continued to operate. 5M20 SSSG was at -7.6%, with April seeing the deepest decline (-27.7% SSSG). Amidst the pandemic, ACES managed to execute 9 store openings, while 2 outlets were closed due to rent expiration. While the company expects to see flattish sales growth this year, we bake in -5% SSSG and 9 net store openings (+3% additional retail space) for FY20E. This implies ~3% SSSG decline for the rest of the year as we view traffic improvement seems to be more on the gradual side, rather than V-shaped. To minimize opex, company receives rental payment discount and deferral and undergoes salary cut for senior management.

**What's in store for ACES?** Recent monthly operational metrics and historical performance prove company's resilient positioning as demand declined by only a third even during strict PSBB implementation. Amidst the pandemic, management claims basket size to remain stable, indicating a less impacted customers' purchasing power. However, we view that share price is currently trading at quite a premium level (+0.6SD from its 5-yr average), even as we rollover our valuation to FY21F P/E. Regardless, we see any significant correction to provide attractive entry point as we favor the company on the back of its much better earnings outlook compared to its retail counterparts, supported by resilient target market, the ability to expand, and less disrupted product segment. All in all, **we maintain our NEUTRAL call on ACES with FY21F target price of IDR 1,620** which is derived from 27.1x FY21F P/E (+1SD from 5-yr avg. P/E). Downside risks to our call are significant trading down behavior, CNYIDR appreciation, and 2nd round of strict PSBB implementation.

Highlights (IDR bn)	2018	2019	2020E	2021F	2022F
Net Revenue	7,240	8,143	7,862	8,965	9,627
% growth	21.9%	12.5%	-3.5%	14.0%	7.4%
Gross Profit	3,443	3,887	3,838	4,312	4,631
Net Profit	965	1,030	835	1,028	1,115
% growth	24.0%	6.8%	-18.9%	23.1%	8.5%
Gross Margin (%)	47.6%	47.7%	48.8%	48.1%	48.1%
Net Margin (%)	13.3%	12.7%	10.6%	11.5%	11.6%
Return on Equity (%)	24.9%	22.9%	16.9%	18.8%	18.2%
Return on Assets (%)	19.8%	18.3%	13.7%	15.5%	15.0%
EPS	56	60	49	60	65

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Sector	Retail
Bloomberg Ticker	ACES IJ
Market Cap. (IDR tn)	26.7
Share Out./Float (mn)	17,150/6,865
Current Price	1,485
FY21F Target Price	1,620
Upside	9.1%

**Share Price Performance**

52W High (03/19/19)	1,920
52W Low (03/24/20)	970
52W Beta	1.1
YTD Change	-4.0%

**Relative Valuations**

Trailing P/E	25.8x
Forward P/E	29.1x
P/BV	5.6x

## 1Q20 Earnings Summary

IDR bn	1Q19	4Q19	1Q20	%QoQ	%YoY	% Cons
Net Revenues	1,882	2,169	1,967	-9.3%	4.5%	25%
COGS	(991)	(1,116)	(992)	-11.2%	0.1%	
Gross Profit	891	1,052	975	-7.3%	9.4%	
Operating Profit	301	377	315	-16.6%	4.6%	
Net Income	237	304	246	-19.2%	3.7%	28%
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Gross Margin	47.4%	48.5%	49.6%			
Operating Margin	16.0%	17.4%	16.0%			
Opex to Sales	-31.4%	-31.1%	-33.6%			
Net Margin	12.6%	14.0%	12.5%			

Source: Company Data, Sinarmas Investment Research

## Earnings Changes

(IDR Bn)	Old		New		Changes
	FY20	FY21	FY20	FY21	FY20
Revenue	8,968	9,749	7,862	8,965	-12.3%
Gross Profit	4,233	4,633	3,838	4,312	-9.3%
Operating Profit	1,430	1,575	1,199	1,440	-16.1%
Net Profit	1,125	1,240	835	1,028	-25.8%
EPS (IDR)	66	72	49	60	-26.2%
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Gross Margin	47.2%	47.5%	48.8%	48.1%	1.6%
Operating Margin	15.9%	16.2%	15.3%	16.1%	-0.7%
Net Margin	12.5%	12.7%	10.6%	11.5%	-1.9%

Source: Company Data, Sinarmas Investment Research

<b>Income Statement (IDR Bn)</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021F</b>	<b>2022F</b>
<b>Net Revenue</b>	<b>7,240</b>	<b>8,143</b>	<b>7,862</b>	<b>8,965</b>	<b>9,627</b>
Cost of Revenue	(3,797)	(4,256)	(4,024)	(4,653)	(4,997)
<b>Gross Profit</b>	<b>3,443</b>	<b>3,887</b>	<b>3,838</b>	<b>4,312</b>	<b>4,631</b>
% growth	21.5%	12.9%	-1.3%	12.4%	7.4%
Operating Expenses	(2,371)	(2,725)	(2,776)	(3,029)	(3,275)
Opex to Sales (%)	32.7%	33.5%	35.3%	33.8%	34.0%
<b>Operating Profit</b>	<b>1,229</b>	<b>1,305</b>	<b>1,199</b>	<b>1,440</b>	<b>1,525</b>
% growth	26.9%	6.2%	-8.1%	20.1%	5.9%
<b>EBT</b>	<b>1,207</b>	<b>1,280</b>	<b>1,026</b>	<b>1,261</b>	<b>1,351</b>
% growth	25.7%	6.0%	-19.8%	22.9%	7.2%
Tax	(231)	(243)	(185)	(227)	(230)
<b>Net Income</b>	<b>965</b>	<b>1,030</b>	<b>835</b>	<b>1,028</b>	<b>1,115</b>
% growth	24.0%	6.8%	-18.9%	23.1%	8.5%

<b>Balance Sheet (IDR Bn)</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021F</b>	<b>2022F</b>
Cash	799	1,255	1,778	1,970	2,397
Trade Receivables	37	89	82	93	100
Inventories	2,520	2,653	2,561	2,921	3,136
Other Current Assets	741	587	539	616	661
<b>Total Current Assets</b>	<b>4,096</b>	<b>4,584</b>	<b>4,961</b>	<b>5,600</b>	<b>6,295</b>
Fixed Assets	801	847	836	910	957
Other Non Current Assets	424	489	449	513	550
<b>Total Assets</b>	<b>5,321</b>	<b>5,920</b>	<b>6,246</b>	<b>7,022</b>	<b>7,802</b>
Trade Payables	198	178	163	186	200
Bank Loans	-	-	-	-	-
Other Current Liabilities	433	390	356	406	436
<b>Total Current Liabilities</b>	<b>631</b>	<b>568</b>	<b>519</b>	<b>592</b>	<b>636</b>
Other Non Current Liabilities	455	610	561	640	687
<b>Total Liabilities</b>	<b>1,086</b>	<b>1,178</b>	<b>1,080</b>	<b>1,232</b>	<b>1,323</b>
Share & APIC	576	576	541	541	541
Treasury Shares	(19)	(19)	(54)	(54)	(54)
Retained Earnings	3,669	4,170	4,664	5,286	5,975
Non Controlling Interest	10	16	15	17	18
<b>Total Equity</b>	<b>4,235</b>	<b>4,742</b>	<b>5,165</b>	<b>5,790</b>	<b>6,479</b>
<b>Total Equity &amp; Liabilities</b>	<b>5,321</b>	<b>5,920</b>	<b>6,246</b>	<b>7,022</b>	<b>7,802</b>

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019	2020E	2021F	2022F
<b>Net Income</b>	<b>965</b>	<b>1,030</b>	<b>835</b>	<b>1,028</b>	<b>1,115</b>
Depreciation	80	97	92	102	112
Chg. in NWC	804	(20)	(99)	375	224
Chg. in Other CT Assets	(12)	36	(12)	19	12
Chg. in Other CT Liabilities	-	-	-	-	-
<b>CF from Operating</b>	<b>264</b>	<b>1,117</b>	<b>1,045</b>	<b>742</b>	<b>998</b>
Capital Expenditure	176	143	81	176	159
Chg. in LT Assets	70	29	(27)	44	26
Chg in LT Liabilities	14	155	(49)	79	47
<b>CF from Investing</b>	<b>(232)</b>	<b>(16)</b>	<b>(103)</b>	<b>(141)</b>	<b>(138)</b>
Chg. in Share & APIC	35	-	(35)	-	-
Chg. in Debt	115	(115)	-	-	-
Dividends Paid	334	536	347	412	433
Others	12	6	(1)	2	1
<b>CF from Financing</b>	<b>(136)</b>	<b>(645)</b>	<b>(419)</b>	<b>(410)</b>	<b>(432)</b>
Change in Cash	(104)	456	523	192	427
Beginning Cash	902	799	1,255	1,778	1,970
<b>Ending Cash</b>	<b>799</b>	<b>1,255</b>	<b>1,778</b>	<b>1,970</b>	<b>2,397</b>

Financial Ratio	2018	2019	2020E	2021F	2022F
<b>Profitability</b>					
ROE	24.9%	22.9%	16.9%	18.8%	18.2%
ROA	19.8%	18.3%	13.7%	15.5%	15.0%
Gross Margin	47.6%	47.7%	48.8%	48.1%	48.1%
Operating Margin	17.0%	16.0%	15.3%	16.1%	15.8%
EBITDA Margin	18.1%	17.2%	16.4%	17.2%	17.0%
Net Margin	13.3%	12.7%	10.6%	11.5%	11.6%
<b>Liquidity &amp; Solvency</b>					
Current Ratio	6.5	8.1	9.6	9.5	9.9
Debt to Equity	-	-	-	-	-
Debt to Assets	-	-	-	-	-
<b>Valuation</b>					
Price to Earning (PE)	28.9	27.0	33.4	27.1	25.0
Price to Book (PBV)	6.6	5.9	5.4	4.8	4.3

Key Assumptions	2018	2019	2020E	2021F	2022F
Combined SSSG	13.5%	5.5%	-5.0%	10.0%	5.0%
Number of Stores	176	197	204	219	229
Receivable Days	3	3	4	4	4
Payable Days	9	8	8	7	7
Inventory Days	202	210	222	236	215
Cash Conversion Cycle	196	204	218	233	211

Source: Company Data, Sinarmas Investment Research

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