

December 5, 2022

## Equity Strategy Shifting gears

### Commodity exports to remain solid entering 2023

The Fed's tightening to tame inflation and strong USD is worrisome, as it normally takes around one year for monetary action to affect the real economy, which means that global demand will likely recede as a whole in 2023. Indonesia's commodity exports started to flourish starting mid-2021 and are still booming in the wake of Ukraine war, but the surge has recently slowed. However, as the global supply network continues to be disrupted, we believe that commodity prices (which are Indonesia's major export items) like coal, nickel, and palm oil have support against downside.

### Flimsy ground for domestic purchasing power

Recovery in domestic consumption may hit a stumbling block entering 2023 in light of rising inflation (with Nov2022 CPI at 5.4% as increased gasoline price started to take effect and expected to peak in 1Q23), central bank's controlled tightening (175 bps tightening since late Aug2022 vs. Fed's 375 bps YTD), and not-so-aggressive government-planned spending (with fiscal deficit cap of 3% back in place starting 2023).

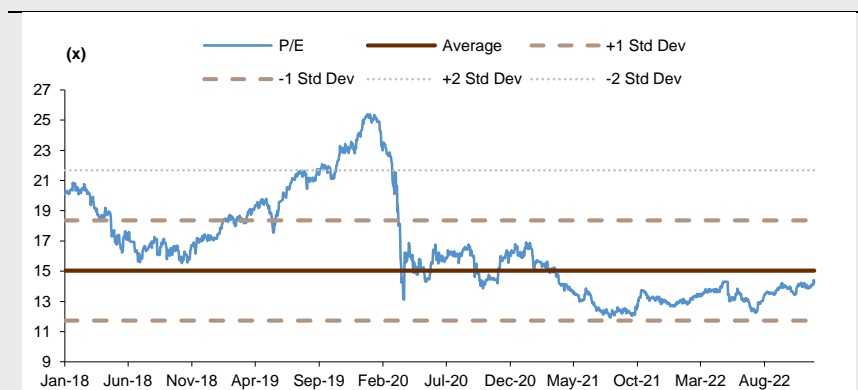
### EV investment as one of key themes entering 2023

As the world's largest nickel producer (with the largest deposits) and having one of lowest labor costs for smelting & processing among the countries with large deposits, Indonesia is aiming to become a dominant manufacturing base for EVs by banning ore exports since 2020. We have seen flocks of key Asian battery manufacturers showing their intent to build battery plants in Indonesia or invest in smelter projects. However, road bumps have appeared amid US' moves to control high-flying inflation (through Inflation Reduction Act (IRA)) and build a resilient supply chain with global alliance called the Mineral Security Partnership (MSP). The pros and cons could become clearer when more crucial details of the IRA are made public.

### Expect a modest EPS growth for MSCI Indonesia

We forecast that MXID Index would rise at a slower level after FY22 earnings release for key commodity sectors' stocks such as coal and nickel. We expect ~3% EPS growth for MXID Index in FY23, driven largely by banks sector. Considering this, we believe that MXID should re-rate to its historical 5-year mean at 15x PE at 8,150. Concurrently, for KISI MSCI Indonesia ETF (XKMS) NAV, this implies an 8.5% upside to 1,250 in IDR terms at the end of 2023.

#### MXID Index PE Band



## Overweight (Target: 1,370)

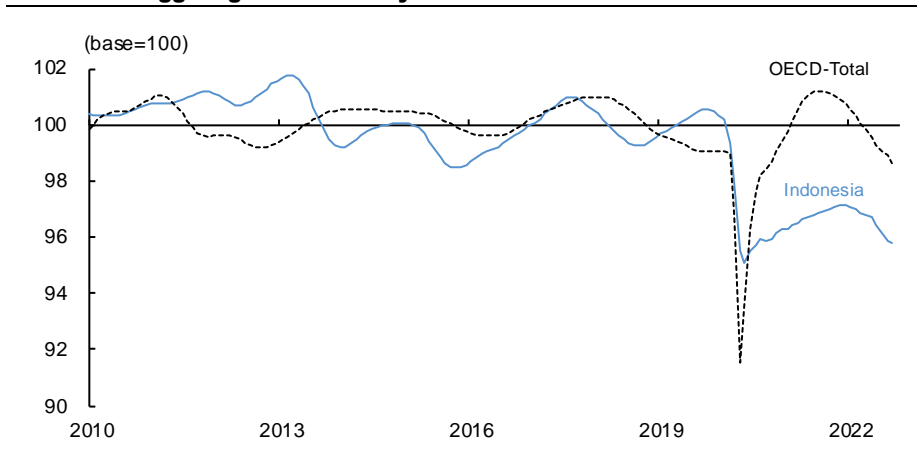
XKMS NAV (Dec 1): 1,281

Company	Rating	TP (IDR)
BBCA	HOLD	8,250
BBRI	BUY	5,300
TLKM	HOLD	4,900
BMRI	BUY	10,900
ASII	HOLD	6,800
BBNI	BUY	10,300
ADRO	BUY	4,250
MDKA	BUY	5,750
UNTR	BUY	41,000
KLBF	NR	
CPIN	BUY	7,000
UNVR	SELL	4,400
INDF	BUY	7,500
INKP	NR	
ICBP	BUY	11,250
TOWR	BUY	1,500
SMGR	HOLD	8,000
BRPT	NR	
INCO	BUY	8,600
ANTM	BUY	2,540
ARTO	NR	
AMRT	NR	

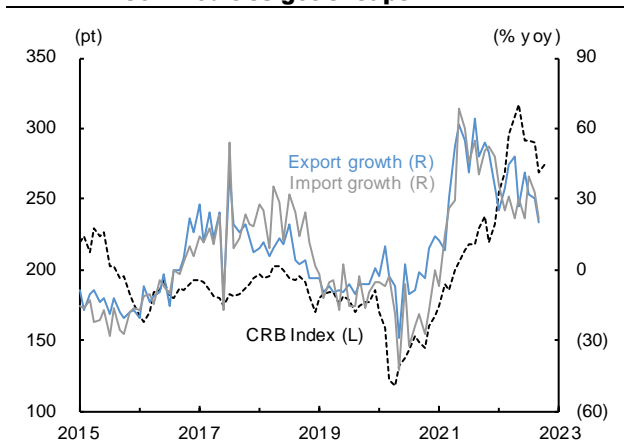
#### MXID Index performance



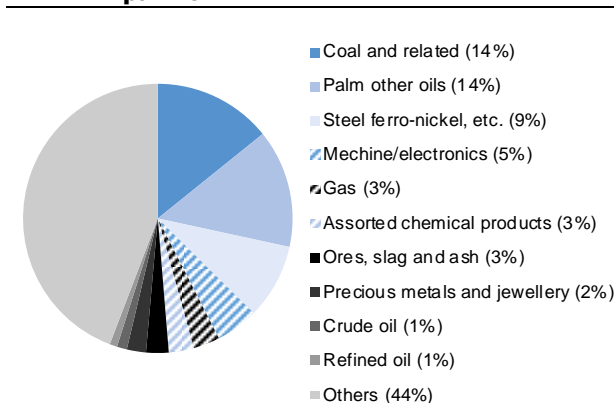
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**Figure 1. OECD composite leading indicator: Indonesia also retreats hurt by sluggish global economy**


Source: OECD, Korea Investment &amp; Securities

**Figure 2. Export/import growth slowed as commodities got cheaper**


Source: Bloomberg, Korea Investment &amp; Securities

**Figure 3. Indonesia's major export items: Coal and palm oil**

 Note: 2021  
 Source: BPS, Korea Investment & Securities

full-year

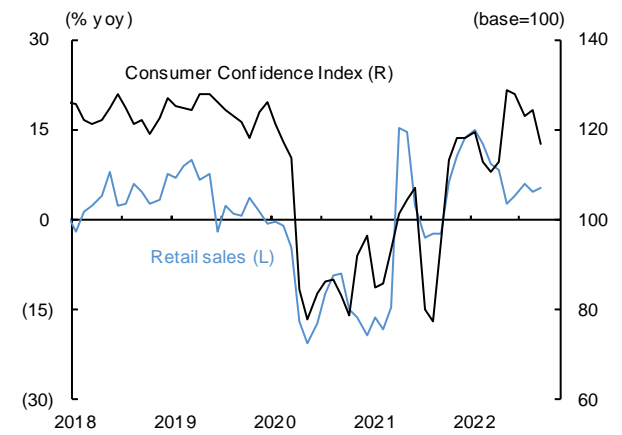
**Table 1. 2023 Indonesian government's goal**

(% , IDR/USD, USD/bbl)

	2023 target	2022 gov't estimate
GDP growth	5.3	5.1-5.4
Inflation	3.6	4.0-4.8
10yr government bond yield	7.9	6.85-8.42
IDR/USD	14,800	14,500-14,900
Indonesian oil price	90	95-105

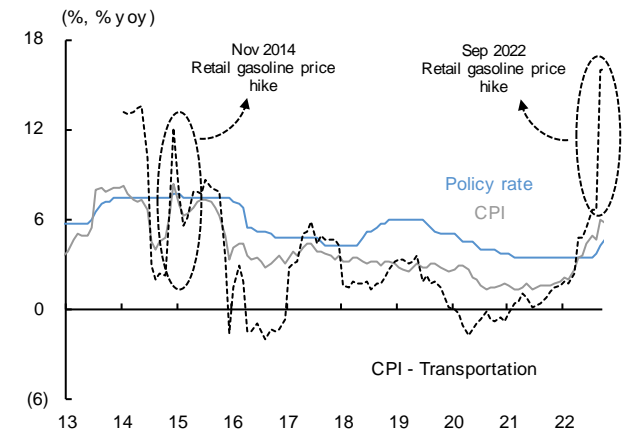
Source: Indonesia Ministry of Finance (MoF), Korea Investment &amp; Securities

**Figure 4. Consumption normalized in 2022 thanks to eased virus controls; But consumer confidence dropped due to tightening**



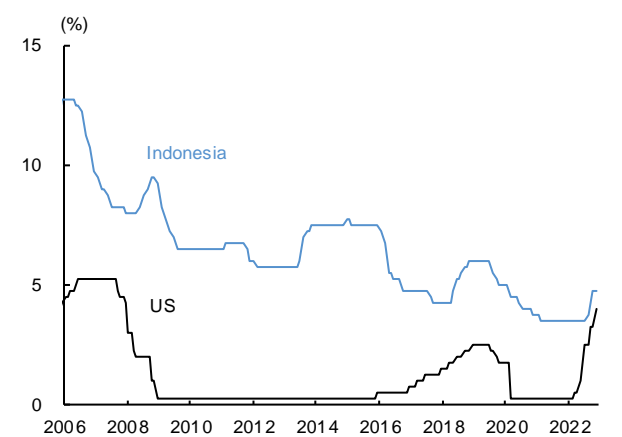
Source: CEIC, Korea Investment & Securities

**Figure 5. Costly gasoline pushes up prices such as transportation**



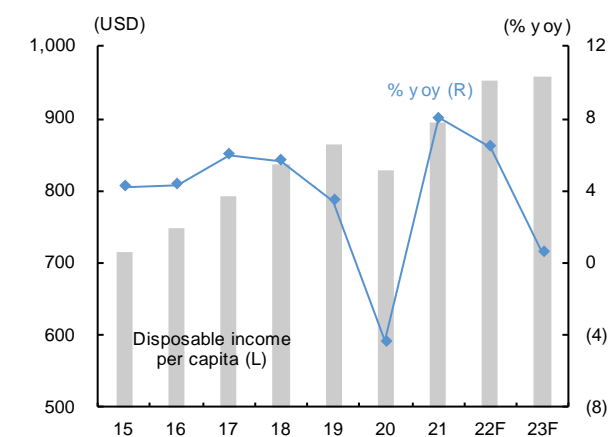
Source: Bloomberg, Korea Investment & Securities

**Figure 6. Narrowing gap with the US rate; Rate hike is inevitable**



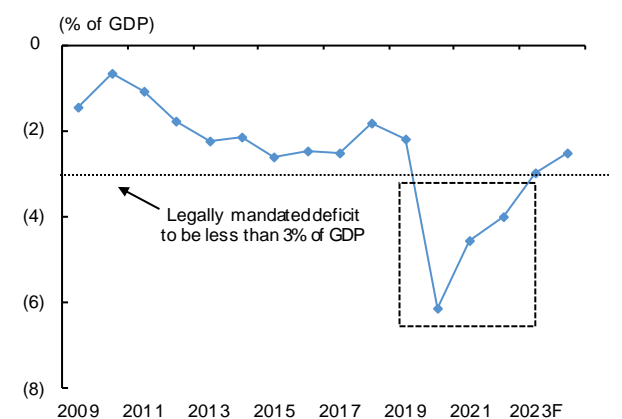
Source: Bloomberg, Korea Investment & Securities

**Figure 7. Disposable income to crawl up in 2023 due to rising inflation and tightening**



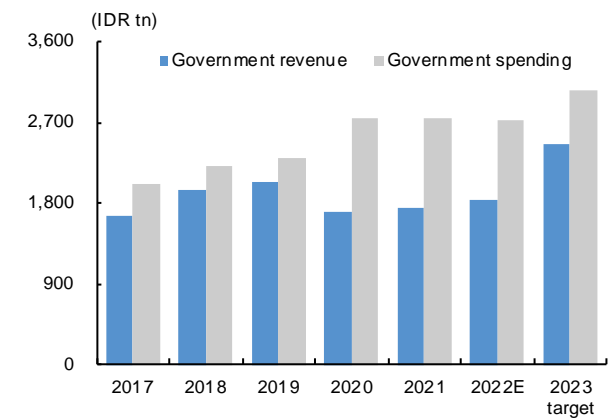
Source: Oxford Economics, Korea Investment & Securities

**Figure 8. Fiscal deficit must return to less than 3% of GDP**

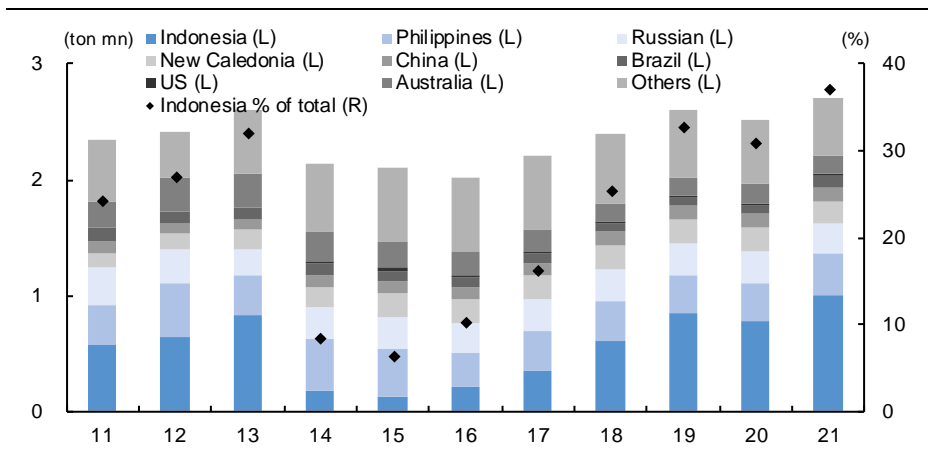


Source: Bloomberg, Korea Investment & Securities

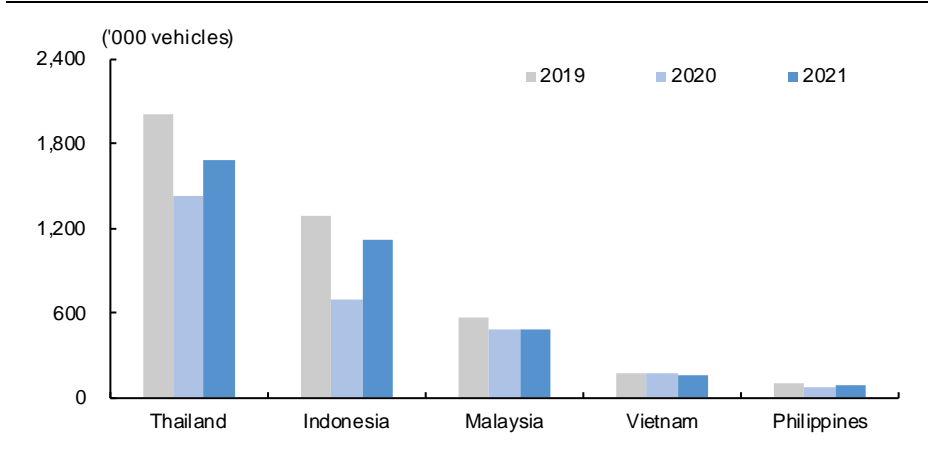
**Figure 9. Government revenue and spending by year**



Source: Indonesia Ministry of Finance (MoF), Korea Investment & Securities

**Figure 10. Indonesia accounts for 37% of global nickel production**

Source: USGS (2021), Korea Investment &amp; Securities

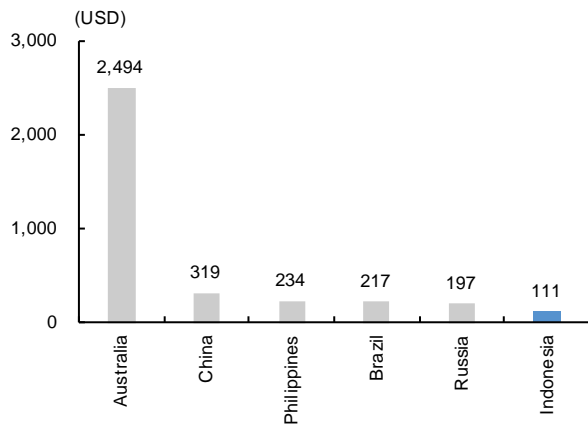
**Figure 11. Annual automobile assembly by Southeast Asian country: Indonesia ranks second after Thailand**

Source: CEIC, Korea Investment &amp; Securities

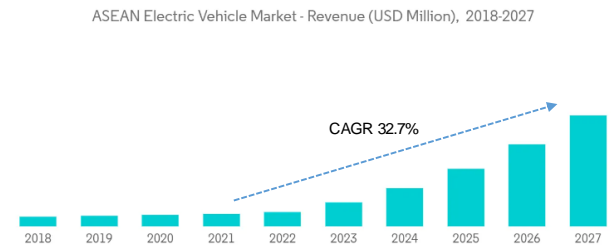
**Table 2. Ongoing projects to produce intermediate materials and nickel(II) sulfate**

Producer	Region	Product	Investor	Scheduled production volume (ktpy)
PT Youshan Nickel Indonesia (Zhejiang Huayou/Tsingshan)	Weda Bay	Nickel matte	China	34.0
PT Huake Nickel (Zhejiang Huayou/Tsingshan)	Weda Bay	Nickel matte	China	45.0
PT QMB New Energy Materials (GEM/Tsingshan)	Morowali	MHP	China	50.0
PT QMB New Energy Materials (GEM/Tsingshan)	Morowali	Nickel(II) sulfate	China	33.0
PT Huaqi (Huayou/CMOC/Tsingshan)	Morowali	MHP	China	60.0
PT Aquila Cobalt Nickel (Solway)	Morowali	MHP	Switzerland	30.0
PT Halmahera Persada Lygend (Harita/Ningbo Lygend)	Obi Island	MHP	China	37.0
PT Halmahera Persada Lygend (Harita/Ningbo Lygend)	Obi Island	MHP	China	18.5
PT Halmahera Persada Lygend (Harita/Ningbo Lygend)	Obi Island	Nickel(II) sulfate	China	35.0
Jinchuan WP	Obi Island	MHP	China	20.0
Jinchuan WP	Obi Island	Nickel(II) sulfate	China	20.0

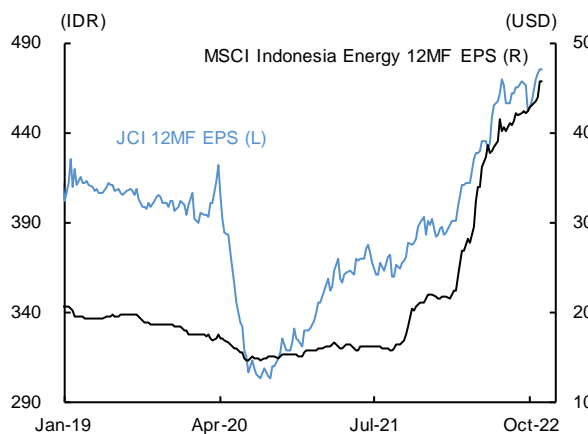
Source: European Commission (2021), Korea Investment &amp; Securities

**Figure 12. Indonesia's labor costs are the lowest among countries with nickel deposits**


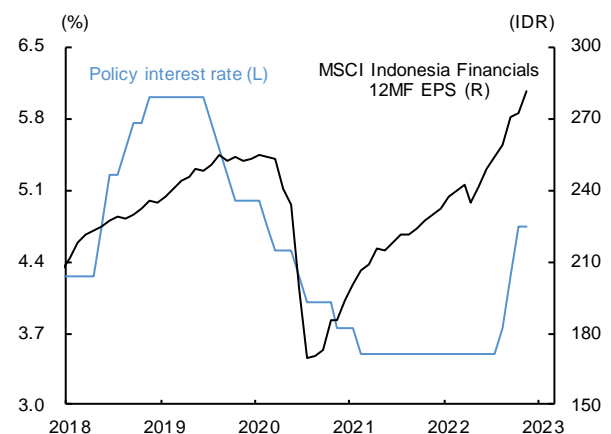
Note: Monthly minimum wage  
 Source: Countryeconomy, Korea Investment & Securities

**Figure 13. Southeast Asia's EV market size at USD2.67bn in 2027**


Source: Mordor Intelligence, Korea Investment & Securities

**Figure 14. Profit upturn led by energy incl. coal miners to slow after peaking in 1Q23**


Source: Thomson Reuters, Korea Investment & Securities

**Figure 15. EPS to spike at financials incl. banks on wider loan-deposit interest margin**


Source: Thomson Reuters, Bloomberg, Korea Investment & Securities

## Companies included in this report

Bank Central Asia (BBCA IJ)  
Bank Rakyat Indonesia (BBRI IJ)  
Telekomunikasi Indonesia (TLKM IJ)  
Bank Mandiri (BMRI IJ)  
Astra International (ASII IJ)  
Bank Negara Indonesia (BBNI IJ)  
Adaro Energy (ADRO IJ)  
Merdeka Copper Gold (MDKA IJ)  
United Tractors (UNTR IJ)  
Kalbe Farma (KLBF IJ)  
Charoen Pokphand (CPIN IJ)  
Unilever Indonesia (UNVR IJ)  
Indofood Sukses Makmur (INDF IJ)  
Indah Kiat Pulp and Paper (INKP IJ)  
Indofood CBP Sukses Makmur (ICBP IJ)  
Sarana Menara Nusantara (TOWR IJ)  
Semen Indonesia (SMGR IJ)  
Barito Pacific (BRPT IJ)  
Vale Indonesia (INCO IJ)  
Antam (ANTM IJ)  
Bank Jago (ARTO IJ)  
Sumber Alfaria Trijaya (AMRT IJ)

# Bank Central Asia (BBCA)

## Continuously posting record high profit

### Largest private bank with best-in-class deposit franchise

Having the best deposit franchise allows BBKA to have flexibility in managing its capital and get quality customers across segments (i.e. corporate, small-medium enterprise, consumer). The strong CASA franchise allows BBKA to maintain its low CoF and resulted in resilient earnings throughout the years. Because of this, BBKA commands premium multiples as compared to other banks in the region. Besides conventional banking, BBKA has an array of other businesses including Sharia banking, motorcycle financing, general insurance, and capital market business.

### Strong 3Q22 results from business improvement across the board

BBKA's 3Q22 NIM continues to improve 40bps QoQ to 5.4% and is expected to increase another 10-20bps in 4Q22. BBKA's restructured loans have declined to IDR68.8tn (from IDR82.5tn at the end of Dec2021). Thus, BBKA provisioning significantly declined in 9M22 to IDR3.9tn (-49% YoY). BBKA recorded 3Q22 net profit of IDR10.9tn net profit (+9.2% QoQ) to bring its 9M22 net profit to IDR28.9tn (+25% YoY, 77% of our FY22F est). On balance sheet, BBKA's LDR continues to be low at just 63% given as its 3<sup>rd</sup> party funds growth (mainly on CASA) continues to catch up with loan growth of 12.6% YoY.

### Earnings uptrend trajectory to continue in FY23

Indonesia's economy is expected to continue growing (BI expects FY23 GDP growth to be 4.5-5.3%) despite recession threat in western world. Indonesian banks' fundamentals are largely intact and they managed to steer away from troubles during covid-19 pandemic. Higher provisions allocated in the past 2 years have provided enough capacity to substantially cover their loan-at-risks in the books. As banks slowed down their provisionings, we will see earnings heading to an all-time high. We expect BBKA's loan growth (at 7.5%) to continue along with domestic economy, while also expecting its earnings to grow 10.7% YoY next year.

### Neutral recommendation considering its premium valuation

We derive BBKA's fair multiples of 4 x FY23F BVPS to arrive at its IDR8,250/share target price, a premium valuation for its earnings resiliency and ability to withstand severe conditions. BBKA currently trades at 4.3 x FY23F BVPS. We have a HOLD recommendation on the counter due to its premium valuation

	2020A	2021A	2022F	2023F	2024F
Net int. inc (IDR bn)	54,161	56,136	62,200	62,950	67,979
Total op. inc (IDR bn)	75,165	78,473	85,483	90,194	97,678
PPOP (IDR bn)	45,197	48,165	54,603	58,519	65,139
Provisioning (IDR bn)	(11,628)	(9,324)	(6,500)	(5,276)	(5,712)
NP (IDR bn)	27,131	31,422	37,499	41,505	46,325
Loans (IDR bn)	583,002	622,013	677,995	728,844	794,440
Deposits (IDR bn)	835,521	970,227	1,047,845	1,089,759	1,133,349
Loan growth (%)	(0.7)	6.7	9.0	7.5	9.0
Deposit growth (%)	19.4	16.1	8.0	4.0	4.0
NIM (%)	5.7	5.2	4.9	4.6	4.7
LDR (%)	69.8	64.1	64.7	66.9	70.1
CAR (%)	25.8	25.4	21.3	22.3	23.5
ROAE (%)	16.5	16.2	17.3	17.0	17.1
Gross NPL (%)	1.8	2.2	2.1	2.1	2.1
NPL coverage (%)	260.9	240.1	254.2	254.1	250.6
PE (x)	40.9	35.3	29.6	26.7	23.9
PB (x)	6.0	5.5	4.8	4.3	3.9
Dividend yield (%)	1.2	1.2	1.3	1.4	1.5

## Company Update

## Financials

December 5, 2022

12M rating **HOLD**  
12M TP **IDR 8,250**  
Upside **-8.3%**

### Stock Data

JCI (Dec 1)	7,021
Stock price (Dec 1, IDR)	9,000
Market cap (IDR bn)	1,109,476
Shares outstanding (m)	123,275
52-week high/low (IDR)	9,400 / 7,000
6M avg. daily turnover (IDR bn)	730.0
Free float (%)	42.4%

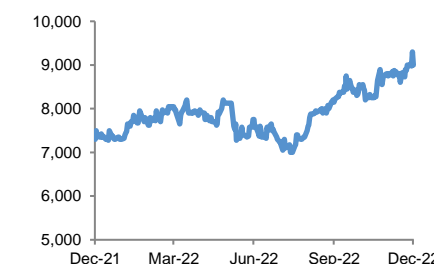
### Major shareholders (%)

Dwimuria Investama Andalan	54.9%
Anthoni Salim	2.5%

### Performance

	1M	6M	12M
Absolute (%)	5.7	20.0	29.8
Relative to JCI (%)	2.7	18.2	14.3

### BBKA stock price

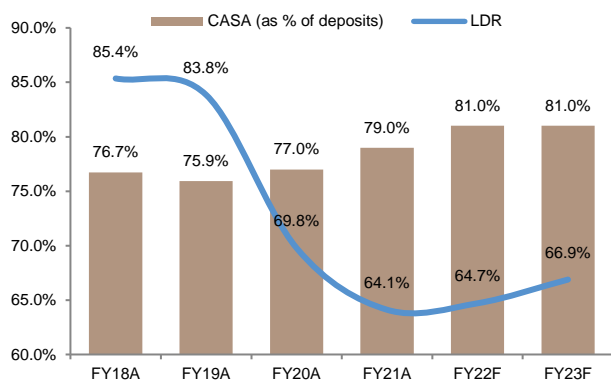


Source: Bloomberg

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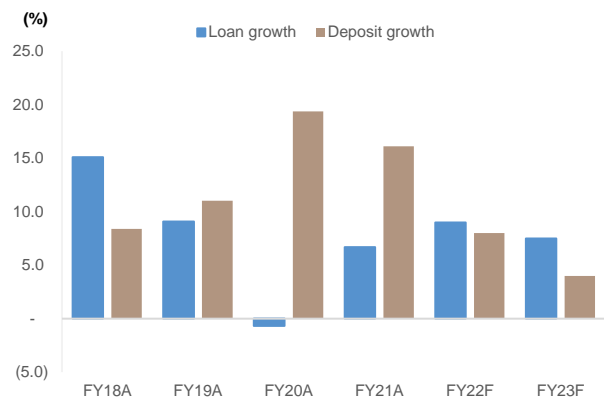
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Fig 1. CASA (as % of deposits) and LDR



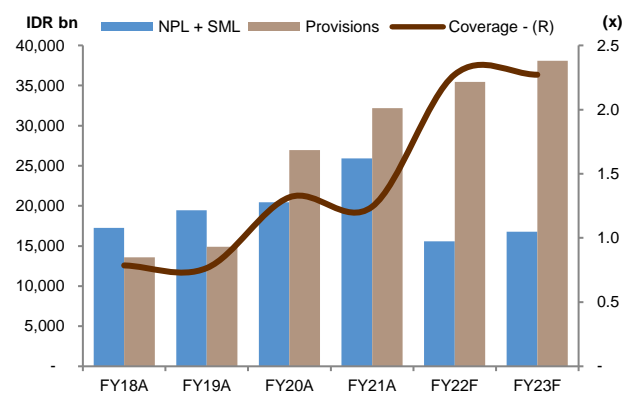
Source: Company, KISI

Fig 2. Loan and deposit growth



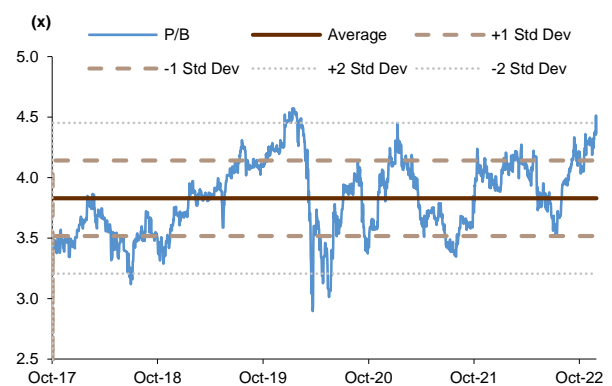
Source: Company, KISI

Fig 3. Provisions and coverage



Source: Company, KISI

Fig 4. P/B



Source: Bloomberg, KISI



## Balance sheet

(IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Cash	24,322	23,616	17,272	17,963	18,666
Placement with Central Bank	27,482	65,785	48,114	50,039	51,998
Placement with other banks	59,423	98,754	99,261	102,878	105,982
Marketable securities	118,263	145,839	446,410	459,815	466,209
Net loans	555,250	597,670	642,545	690,757	753,496
Government bond	224,046	227,906	13,676	13,676	13,676
Investments	100	84	258	265	269
Fixed assets	21,915	22,169	21,490	20,580	19,410
Other assets	44,769	46,523	50,244	52,254	54,344
<b>Total assets</b>	<b>1,075,570</b>	<b>1,228,345</b>	<b>1,339,270</b>	<b>1,408,226</b>	<b>1,484,050</b>
Deposits from 3 <sup>rd</sup> party	835,521	970,227	1,047,845	1,089,759	1,133,349
Borrowings	7,125	7,198	7,774	8,085	8,408
Securities issued	591	482	521	542	563
Subordinated loans	0	0	0	0	0
Deposit from other banks	10,163	10,017	10,819	11,251	11,701
Taxes payable	2,272	1,820	1,965	2,044	2,126
Other liabilities	35,184	35,752	38,612	40,156	41,763
<b>Total liabilities</b>	<b>890,856</b>	<b>1,025,496</b>	<b>1,107,535</b>	<b>1,151,837</b>	<b>1,197,910</b>
Capital stock	1,541	1,541	1,541	1,541	1,541
Additional paid-in capital	5,549	5,549	5,549	5,549	5,549
Other reserves	16,967	16,043	16,043	16,043	16,043
Retained earnings	160,540	179,580	212,944	237,575	267,298
Minority interest	118	136	157	182	210
<b>Shareholders' equity</b>	<b>184,715</b>	<b>202,849</b>	<b>236,234</b>	<b>260,889</b>	<b>290,640</b>

## Income statement

(IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Interest income	65,403	65,627	72,899	75,333	81,958
Interest expense	(11,242)	(9,491)	(10,699)	(12,383)	(13,980)
<b>Net interest income</b>	<b>54,161</b>	<b>56,136</b>	<b>62,200</b>	<b>62,950</b>	<b>67,979</b>
Fees & commissions	13,160	14,680	14,625	17,585	19,041
Non-interest income	7,844	7,658	8,658	9,658	10,658
Operating expenses	(29,969)	(30,308)	(30,880)	(31,675)	(32,539)
<b>Pre-provision profit (loss)</b>	<b>45,197</b>	<b>48,165</b>	<b>54,603</b>	<b>58,519</b>	<b>65,139</b>
Provision expenses	(11,628)	(9,324)	(6,500)	(5,276)	(5,712)
Other non-operating profit (loss)	0	0	0	0	0
<b>Pre-tax profit</b>	<b>33,569</b>	<b>38,841</b>	<b>48,103</b>	<b>53,243</b>	<b>59,427</b>
Tax	(6,421)	(7,401)	(10,583)	(11,713)	(13,074)
<b>Net profit</b>	<b>27,131</b>	<b>31,422</b>	<b>37,499</b>	<b>41,505</b>	<b>46,325</b>
Non-controlling interest	16	18	21	24	28

## Key financial data and ratios

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Gross loans	583,002	622,013	677,995	728,844	794,440
Loan provisions	(26,946)	(32,200)	(35,450)	(38,088)	(40,944)
Deposits	835,521	970,227	1,047,845	1,089,759	1,133,349
Risk weighted assets	735,773	798,899	1,087,593	1,148,599	1,217,893
Interest-earning assets	910,316	1,070,273	1,209,368	1,306,146	1,378,378
Shareholders equity	184,715	202,849	236,234	260,889	290,640
Net interest income growth (%)	7.3	3.6	10.8	1.2	8.0
Non-interest income growth (%)	(0.7)	6.4	4.2	17.0	9.0
Non-interest expenses growth (%)	(2.5)	1.1	1.9	2.6	2.7
PPOP growth (%)	10.6	6.6	13.4	7.2	11.3
Provision expense growth (%)	153.3	(19.8)	(30.3)	(18.8)	8.3
Pre-tax profit growth (%)	(7.5)	15.7	23.8	10.7	11.6
Net profit growth (%)	(5.0)	15.8	19.3	10.7	11.6
Loans growth (%)	(0.7)	6.7	9.0	7.5	9.0
Deposits growth (%)	19.4	16.1	8.0	4.0	4.0
Risk weighted assets growth (%)	1.9	8.6	36.1	5.6	6.0
Interest-earning assets growth (%)	16.3	17.6	13.0	8.0	5.5
Net interest margin (%)	5.7	5.2	4.9	4.6	4.7
Loan-to-deposit ratio (%)	69.8	64.1	64.7	66.9	70.1
Cost-to-income ratio (%)	39.9	38.6	36.1	35.1	33.3
Capital Adequacy Ratio (%)	25.8	25.4	21.3	22.3	23.5
Gross NPLs (%)	1.8	2.2	2.1	2.1	2.1
NPL coverage ratio (%)	260.9	240.1	254.2	254.1	250.6
Provisions / Gross loans (%)	4.6	5.2	5.2	5.2	5.2
Earnings assets / Assets (%)	92.4	93.4	95.0	95.2	95.4
CASA / total deposits (%)	77.0	79.0	81.0	81.0	80.0
Dividend payout ratio (%)	47.7	50.6	45.0	40.0	40.0
Dividend yield (%)	1.2	1.2	1.3	1.4	1.5
ROE (%)	16.5	16.2	17.3	17.0	17.1
ROA (%)	2.7	2.7	2.9	3.0	3.2
EPS (Rp)	220	255	304	337	376
BVPS (Rp)	1,497	1,644	1,879	2,078	2,319
DPS (Rp)	111	111	115	122	135
P/E	40.9	35.3	29.6	26.7	23.9
P/B	6.0	5.5	4.8	4.3	3.9

# Bank Rakyat Indonesia (BBRI)

## The micro segment driver

### The pioneer of microlending in Indonesia

BBRI consistently focuses on micro, small and medium enterprises (MSME) and is the pioneer of microfinance in Indonesia. BRI has since expanded its business with several mergers and acquisitions, such as Bank Artha Services acquisition in 2007 (converted into PT Bank BRISyariah, which then being merged with BRI's own Syariah Business Unit), PT Agro Niaga Tbk acquisition in 2011 from Dapen Perkebunan. BBRI has an extensive network with 19 regional offices, 468 branches, 609 sub-branches, 5,381 BRI units, 964 cash offices, 2,069 Teras BRI, and 133 Mobile Teras BRI.

### More sensitive to social distancing restrictions

BBRI's ~65% portfolio in MSME means it has more room for improvement from recovering activities as covid-19 is considered endemic. BBRI restructured loan declined significantly to just 16.2% of its total loan (vs. peak 27.2% at the end of 3Q20 and 21.8% as of end Dec2021). 3Q22 provisioning fell 25% QoQ after improvement in NPL and frontloading it in 1H22. 9M22 NIM was 8.2% exceeding its FY22 guidance. BBRI recorded 3Q22 net profit of IDR14.4tn (+14% QoQ) to bring 9M22 net profit to IDR39.2tn (+103% YoY, 81% of our FY22F estimate). On balance sheet, BBRI's LDR remains at a healthy level of 89% despite high loan growth of 13.3% YoY.

### Faster earnings recovery in a normalizing condition

Indonesia's economy is expected to continue growing (BI expects FY23 GDP growth to be 4.5-5.3%) despite recession threat in western world. Indonesian banks' fundamentals are largely intact and they managed to steer away from troubles during covid-19 pandemic. Higher provisions allocated in the past 2 years have provided enough capacity to substantially cover their loan-at-risks in the books. As banks slowed down their provisionings, we will see earnings heading to an all-time high. We expect BBRI earnings to bounce ~47% YoY this year and grow at 23% CAGR from 2021 to 2024, higher growth as compared to the industry's average due to its high exposure in high-yield micro-segment and cost efficiency from integration of both PT Pegadaian and PT Permodalan Nasional Madani (PNM) as subsidiaries.

### BUY for its faster recovery and ongoing cost efficiency

BBRI's dominance in micro-segment helps to sustain its high ROE (comparable with BBKA). BBRI has integrated two other SOEs: Pegadaian and PNM; into its portfolio as SOE ultra micro holding and gradual cost efficiencies are ongoing. We derive BBRI's fair multiples of 2.4x FY23F BVPS to arrive at its IDR5,300/share TP.

	2020A	2021A	2022F	2023F	2024F
Net int. inc (IDR bn)	80,092	115,138	119,002	129,239	143,414
Total op. inc (IDR bn)	109,555	156,353	182,649	195,807	215,714
PPOP (IDR bn)	57,342	76,798	87,991	95,382	107,049
Provisioning (IDR bn)	(30,617)	(35,806)	(30,559)	(26,533)	(27,664)
NP (IDR bn)	18,655	32,846	44,586	53,143	61,376
Loans (IDR bn)	938,374	1,003,576	1,103,934	1,203,288	1,311,584
Deposits (IDR bn)	1,121,102	1,138,743	1,195,680	1,279,378	1,368,934
Loan growth (%)	3.9	6.9	10.0	9.0	9.0
Deposit growth (%)	9.8	1.6	5.0	7.0	7.0
NIM (%)	6.1	8.0	8.0	8.3	8.5
LDR (%)	83.7	88.1	92.3	94.1	95.8
CAR (%)	20.7	25.5	27.4	26.6	26.6
ROAE (%)	9.2	13.5	14.7	16.1	17.2
Gross NPL (%)	1.4	1.8	1.8	1.5	1.5
NPL coverage (%)	634.2	560.7	685.9	907.7	995.2
PE (x)	32.7	22.8	16.8	14.1	12.2
PB (x)	3.1	2.6	2.4	2.2	2.0
Dividend yield (%)	3.4	1.6	3.5	3.9	4.3

## Company Update

## Financials

December 5, 2022

12M rating **BUY**  
12M TP **IDR 5,300**  
Upside **+7.3%**

### Stock Data

JCI (Dec 1)	7,021
Stock price (Dec 1, IDR)	4,940
Market cap (IDR bn)	748,702
Shares outstanding (m)	151,559
52-week high/low (IDR)	5,025 / 3,960
6M avg. daily turnover (IDR bn)	702.9
Free float (%)	43.2

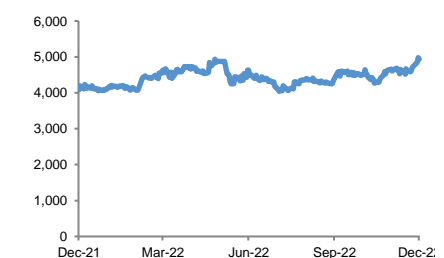
### Major shareholders (%)

Republic of Indonesia	53.2%
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### Performance

	1M	6M	12M
Absolute (%)	7.1	7.6	26.6
Relative to JCI (%p)	6.5	8.6	12.2

### BBRI stock price

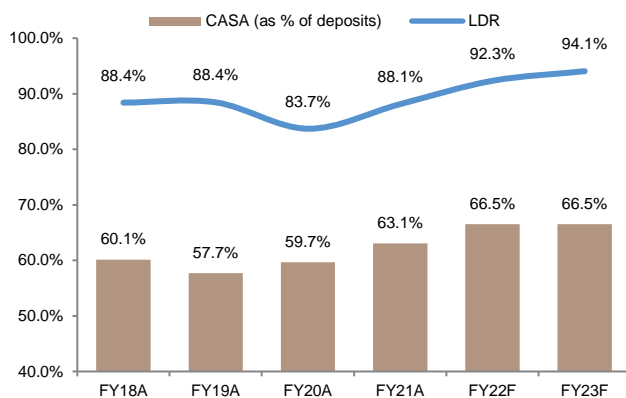


Source: Bloomberg

**Edward Tanuwijaya**

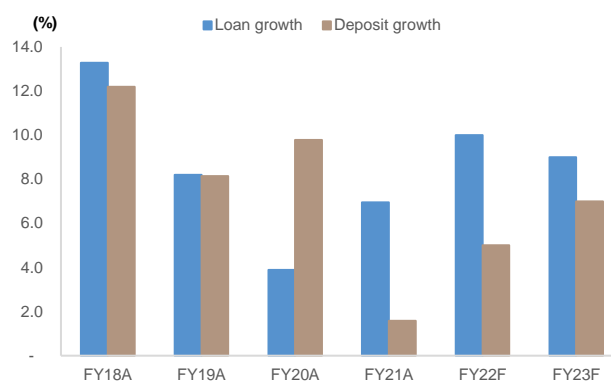
[edward.t@kisi.co.id](mailto:edward.t@kisi.co.id)

**Fig 1. CASA (as % of deposits) and LDR**



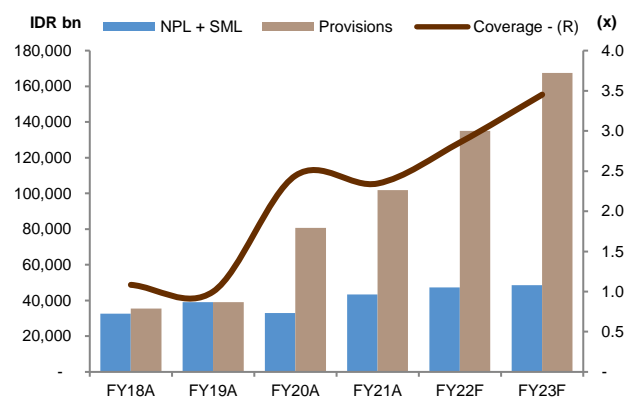
Source: Company, KISI

**Fig 2. Loan and deposit growth**



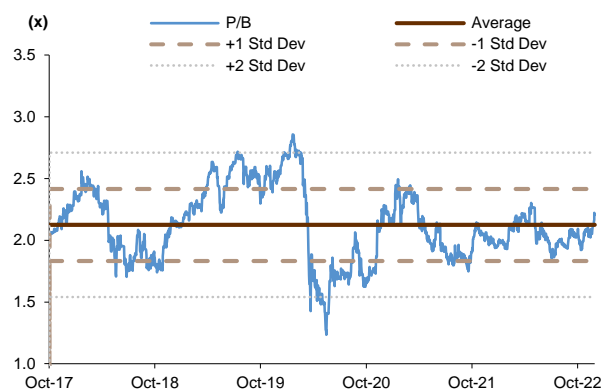
Source: Company, KISI

**Fig 3. Provisions and coverage**



Source: Company, KISI

**Fig 4. P/B**



Source: Bloomberg, KISI

## Balance sheet

(IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Cash	32,162	26,300	28,696	30,705	32,854
Placement with Central Bank	51,531	56,427	53,806	57,572	61,602
Placement with other banks	75,582	73,013	107,314	115,014	123,242
Marketable securities	374,085	426,653	277,752	295,278	318,386
Net loans	875,166	955,038	968,829	1,035,711	1,111,310
Government bond	0	0	0	0	0
Investments	1,490	6,072	6,976	7,590	8,239
Fixed assets	32,185	47,970	46,668	45,266	43,764
Other assets	69,604	86,626	125,382	131,016	137,044
<b>Total assets</b>	<b>1,511,805</b>	<b>1,678,098</b>	<b>1,615,424</b>	<b>1,718,153</b>	<b>1,836,441</b>
Deposits from 3 <sup>rd</sup> party	1,121,102	1,138,743	1,195,680	1,279,378	1,368,934
Borrowings	35,969	68,459	72,408	77,476	82,900
Securities issued	74,968	84,715	0	0	0
Subordinated loans	1,465	501	1,495	1,599	1,711
Deposit from other banks	23,786	13,329	13,996	14,976	16,024
Taxes payable	1,401	4,214	4,425	4,735	5,066
Other liabilities	53,202	76,349	60,000	60,000	60,000
<b>Total liabilities</b>	<b>1,311,893</b>	<b>1,386,311</b>	<b>1,348,004</b>	<b>1,438,164</b>	<b>1,534,636</b>
Capital stock	6,167	7,578	7,578	7,578	7,578
Additional paid-in capital	3,412	76,253	76,253	76,253	76,253
Other reserves	15,888	15,734	15,734	15,734	15,734
Retained earnings	179,359	200,079	218,388	242,550	272,041
Minority interest	2,534	3,052	3,081	3,115	3,155
<b>Shareholders' equity</b>	<b>207,359</b>	<b>302,695</b>	<b>321,034</b>	<b>345,230</b>	<b>374,760</b>

## Income statement

(IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Interest income	117,814	144,566	146,643	159,897	176,186
Interest expense	(37,723)	(29,429)	(27,641)	(30,659)	(32,772)
<b>Net interest income</b>	<b>80,092</b>	<b>115,138</b>	<b>119,002</b>	<b>129,239</b>	<b>143,414</b>
Fees & commissions	15,123	17,062	11,591	12,690	13,832
Non-interest income	14,341	24,154	52,056	53,878	58,468
Operating expenses	(52,164)	(79,403)	(94,658)	(100,424)	(108,665)
<b>Pre-provision profit (loss)</b>	<b>57,342</b>	<b>76,798</b>	<b>87,991</b>	<b>95,382</b>	<b>107,049</b>
Provision expenses	(30,617)	(35,806)	(30,559)	(26,533)	(27,664)
Other non-operating profit (loss)	(49)	(152)	0	0	0
<b>Pre-tax profit</b>	<b>26,725</b>	<b>40,992</b>	<b>57,432</b>	<b>68,849</b>	<b>79,386</b>
Tax	(8,064)	(7,836)	(12,817)	(15,672)	(17,970)
<b>Net profit</b>	<b>18,655</b>	<b>32,846</b>	<b>44,586</b>	<b>53,143</b>	<b>61,376</b>
Non-controlling interest	6	311	29	34	40

## Key financial data and ratios

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Gross loans	938,374	1,003,576	1,103,934	1,203,288	1,311,584
Loan provisions	(80,731)	(101,828)	(135,105)	(167,576)	(200,274)
Deposits	1,121,102	1,138,743	1,195,680	1,279,378	1,368,934
Risk weighted assets	938,485	1,079,317	1,089,146	1,196,052	1,295,819
Interest-earning assets	1,338,009	1,460,967	1,511,275	1,567,338	1,701,811
Shareholders equity	207,359	302,695	321,034	345,230	374,760
Net interest income growth (%)	(3.2)	43.8	3.4	8.6	11.0
Non-interest income growth (%)	4.3	12.8	(32.1)	9.5	9.0
Non-interest expenses growth (%)	2.9	68.4	115.5	3.5	8.5
PPOP growth (%)	(11.7)	33.9	14.6	8.4	12.2
Provision expense growth (%)	42.0	16.9	(14.7)	(13.2)	4.3
Pre-tax profit growth (%)	(38.4)	53.4	40.1	19.9	15.3
Net profit growth (%)	(45.7)	76.1	35.7	19.2	15.5
Loans growth (%)	3.9	6.9	10.0	9.0	9.0
Deposits growth (%)	9.8	1.6	5.0	7.0	7.0
Risk weighted assets growth (%)	3.0	15.0	0.9	9.8	8.3
Interest-earning assets growth (%)	10.2	9.2	3.4	3.7	8.6
Net interest margin (%)	6.1	8.0	8.0	8.3	8.5
Loan-to-deposit ratio (%)	83.7	88.1	92.3	94.1	95.8
Cost-to-income ratio (%)	47.6	50.8	51.8	51.3	50.4
Capital Adequacy Ratio (%)	20.7	25.5	27.4	26.6	26.6
Gross NPLs (%)	1.4	1.8	1.8	1.5	1.5
NPL coverage ratio (%)	634.2	560.7	685.9	907.7	995.2
Provisions / Gross loans (%)	8.6	10.1	12.2	13.9	15.3
Earnings assets / Assets (%)	92.8	90.5	90.1	91.6	93.0
CASA / total deposits (%)	59.7	63.1	66.5	66.5	66.5
Dividend payout ratio (%)	60.0	65.0	80.0	65.0	60.0
Dividend yield (%)	3.4	1.6	3.5	3.9	4.3
ROE (%)	9.2	13.5	14.7	16.1	17.2
ROA (%)	1.3	2.1	2.7	3.1	3.3
EPS (Rp)	151	216	294	350	405
BVPS (Rp)	1,600	1,903	2,096	2,255	2,445
DPS (Rp)	167	80	173	191	210
P/E	32.7	22.8	16.8	14.1	12.2
P/B	3.1	2.6	2.4	2.2	2.0

## Telekomunikasi Indonesia (TLKM)

### Finding the next growth engine

#### The industry remains on the right direction

One of the most noticeable effects of post-IOH merger is a healthier environment, as seen by more reasonable data pricing. The market has been intensely competitive since a decade ago, with MNOs participating in price wars to increase their subscriber base resulting in diminishing profitability and many have had trouble turning a profit. The sector is now moving in the right direction, as most MNOs, have begun to raise data prices this year, agreeing that the current condition is sustainable. The next price increase, however, may be delayed as most MNOs tend to wait to see how the prior one affected their consumer behavior. To add, the recent fuel price hike and consumers' purchasing power may also be deciding factors for MNOs to further raise prices.

#### Slower growth in mobile and fixed broadband segment

As of 9M22, Telkomsel lost about 16mn prepaid subscribers, ~3% YTD subscriber share loss on our calculation. This, we believe was the impact of Telkomsel's aggressive price increases back in 1H22. However, management believes the loss is acceptable noting they currently focus more on high-value customers. This was also proven by positive outcomes from its ARPU and data yield that grew by 4.7%/4.5% QoQ respectively. We view that the subscriber loss may continue in the upcoming quarters, hence leading to limited growth in the mobile segment. On the fixed broadband, Indihome growth keeps declining QoQ with rising competition. Consequently, this may put pressure on TLKM's performance in the near future.

#### Transformation into digital telco as the next growth engine

Despite TLKM's dominance in the industry, it has struggled to book robust top-line growth in recent years (2.8% CAGR FY17-21). This is due to a significant decline in legacy have offset data and IndiHome business significant growth. Management has recently rolled out a business transformation roadmap, aiming to enhance its revenue and EBITDA growth ahead, as well as unlock values through its non-mobile subsidiaries. These include infrastructure, data center, and also digital businesses. We believe the business transformation is positive, despite may take time before it could translate into substantial growth.

#### Valuation is not demanding but justified with limited top-line growth

TLKM's share price has dropped quite significantly post its 9M22 earnings which may be on the subscriber loss concern and weak growth. It currently trades at 5.3x FY23F EV/EBITDA, offering a 5% dividend yield. Despite the undemanding valuation, we reiterate our concern on its lack of growth, maintaining our HOLD recommendation. We will turn more optimistic on TLKM if there is any meaningful progress in its growth trajectory.

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	136,462	143,210	147,556	155,094	164,391
EBITDA (IDR bn)	72,080	75,723	80,314	84,818	90,581
OP (IDR bn)	43,188	43,907	46,241	48,841	52,968
NP (IDR bn)	20,804	24,760	25,791	26,684	29,080
Net debt/(cash) (IDR bn)	29,256	14,380	12,100	5,287	(3,139)
EBITDA margin (%)	52.8	52.9	54.4	54.7	55.1
OP margin (%)	31.6	30.7	31.3	31.5	32.2
ROE (%)	20.6	22.1	20.5	20.0	20.7
Dividend yield (%)	3.9	4.2	3.8	5.3	5.4
EPS (IDR)	210.0	249.9	260.4	269.4	293.6
chg. (% YoY)	3.7	1.7	5.3	5.6	8.4
BPS (IDR)	1,035.0	1,228.0	1,316.4	1,377.5	1,455.5
DPS (IDR)	154.1	168.0	150.0	208.3	215.5
PE (x)	18.9	15.8	15.2	14.7	13.5
PB (x)	4.3	3.6	3.4	3.2	2.7
EV/EBITDA (x)	6.3	5.9	5.6	5.2	4.8

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## Company Update

### Telecommunication

December 5, 2022

12M rating **BUY**  
12M TP **IDR 4,900**  
Up/downside **+24%**

#### Stock Data

JCI (Dec 1, IDR)	7,021
Stock price (Dec 1, IDR)	3,960
Market cap (IDR bn)	392,286
Shares outstanding (Mn)	99,062
52-week high/low (IDR)	4,850/3,840
6M avg. daily turnover (IDR bn)	499.3
Free float (%)	47.9

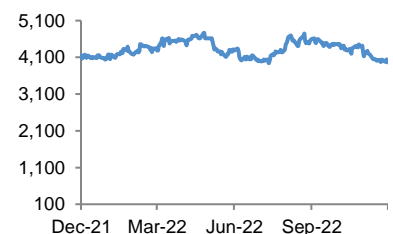
#### Major shareholders (%)

Republic of Indonesia	52.1
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#### Performance

	1M	6M	12M
Absolute (%)	(8.0)	(2.8)	5.0
Relative to JCI (%p)	(10.0)	(6.4)	(10.0)

#### Stock price trend

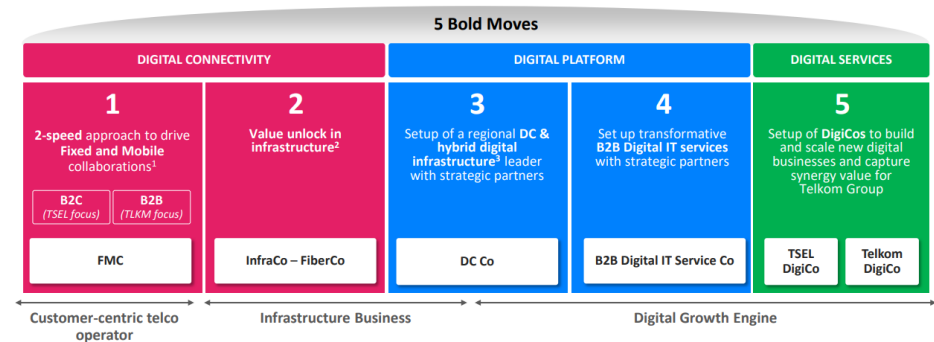


Source: Bloomberg

**Wilbert Ham**

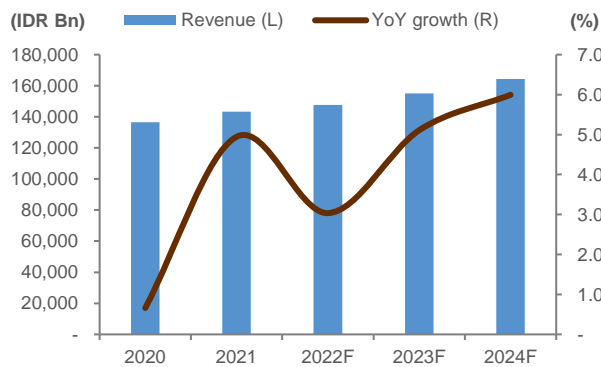
[wilbert.h@kisi.co.id](mailto:wilbert.h@kisi.co.id)

Fig 1. TLKM business transformation



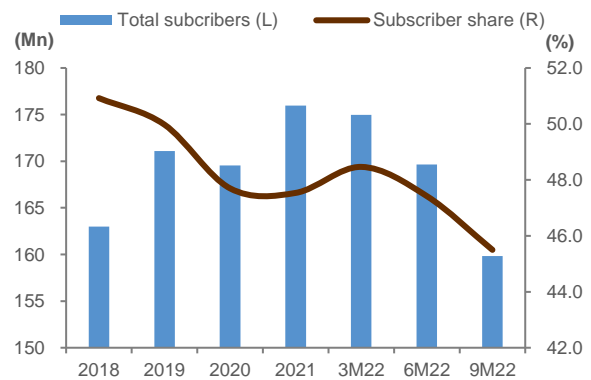
Source: Company

Fig 2. TLKM modest revenue growth



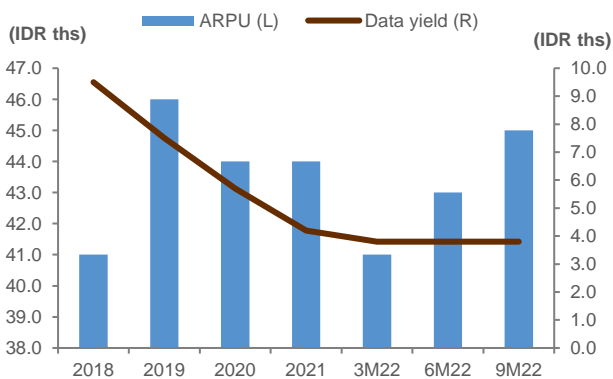
Source: Company, KISI

Fig 3. TLKM mobile subscribers



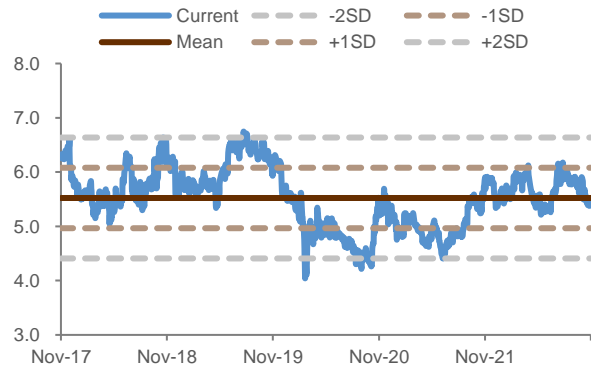
Source: Company, KISI

Fig 4. ARPU and data yield



Source: Company, KISI

Fig 5. EV/EBITDA band



Source: Company, KISI

**Balance sheet** (IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
<b>Current assets</b>					
Cash & cash equivalent	20,589	38,311	40,591	47,404	55,830
Accounts & other receivables	11,553	8,705	11,540	11,562	11,701
Inventories	983	779	834	946	942
Others	13,378	13,482	13,373	14,620	15,290
<b>Non-current assets</b>					
Fixed assets	179,489	183,495	188,425	193,004	195,577
Intangible assets	6,846	7,506	7,506	7,506	7,506
Investments	4,237	13,800	13,800	13,800	13,800
Other non-current assets	9,868	11,106	12,379	12,085	13,117
<b>Total assets</b>	<b>246,943</b>	<b>277,184</b>	<b>288,448</b>	<b>300,928</b>	<b>313,763</b>
<b>Current liabilities</b>					
Accounts & other payables	17,577	17,779	17,646	19,260	20,161
ST debt & bond	19,284	16,372	16,372	16,372	16,372
Obligations under finance lease	5,396	5,961	5,961	5,961	5,961
Others	26,836	29,019	29,002	30,804	32,758
<b>Non-current liabilities</b>					
LT debt & bond	30,561	36,319	36,319	36,319	36,319
Obligations under finance lease	10,221	10,426	10,426	10,426	10,426
Other non-current liabilities	16,179	15,909	15,547	17,320	17,980
<b>Total liabilities</b>	<b>126,054</b>	<b>131,785</b>	<b>131,274</b>	<b>136,461</b>	<b>139,977</b>
Capital stock	4,953	4,953	4,953	4,953	4,953
Additional paid-in capital	2,711	2,711	2,711	2,711	2,711
Retained earnings	94,489	104,587	113,347	119,398	127,131
Others	374	9,395	9,395	9,395	9,395
Minority interest	18,362	23,753	26,768	28,010	29,597
<b>Total equity</b>	<b>120,889</b>	<b>145,399</b>	<b>157,174</b>	<b>164,466</b>	<b>173,787</b>

**Cash flow** (IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
<b>C/F from operating</b>	<b>56,826</b>	<b>67,865</b>	<b>59,949</b>	<b>65,935</b>	<b>70,330</b>
Net profit	20,804	24,760	25,791	26,684	29,080
Depreciation	28,892	31,816	34,073	35,977	37,613
Net incr. in W/C	6,457	5,898	(2,930)	2,033	2,050
Others	673	5,391	3,015	1,242	1,587
<b>C/F from investing</b>	<b>(36,742)</b>	<b>(47,348)</b>	<b>(40,639)</b>	<b>(38,488)</b>	<b>(40,557)</b>
CAPEX	(51,408)	(35,822)	(39,004)	(40,555)	(40,186)
Others	14,666	(11,526)	(1,635)	2,067	(371)
<b>C/F from financing</b>	<b>(17,737)</b>	<b>(2,795)</b>	<b>(17,031)</b>	<b>(20,633)</b>	<b>(21,347)</b>
Incr. in equity	-	-	-	-	-
Incr. in debts	101	2,846	-	-	-
Dividends	(15,262)	(16,643)	(14,856)	(20,633)	(21,347)
Others	(2,576)	11,002	(2,175)	-	-
<b>Increase in cash</b>	<b>2,347</b>	<b>17,722</b>	<b>2,280</b>	<b>6,813</b>	<b>8,426</b>

**Income statement** (IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
<b>Net revenues</b>	<b>136,462</b>	<b>143,210</b>	<b>147,556</b>	<b>155,094</b>	<b>164,391</b>
Expenses	(64,382)	(67,487)	(67,241)	(70,276)	(73,810)
<b>EBITDA</b>	<b>72,080</b>	<b>75,723</b>	<b>80,314</b>	<b>84,818</b>	<b>90,581</b>
Depreciation expenses	(28,892)	(31,816)	(34,073)	(35,977)	(37,613)
<b>Operating profit</b>	<b>43,188</b>	<b>43,907</b>	<b>46,241</b>	<b>48,841</b>	<b>52,968</b>
<b>Financial income</b>					
Interest income	799	558	747	834	978
<b>Financial expense</b>					
Interest expense	(4,520)	(4,365)	(4,482)	(4,482)	(4,482)
Other non-operating profit	188	224	-	-	-
Gains (Losses) in associates, subsidiaries and JV	(880)	3,354	-	-	-
<b>Earnings before tax</b>	<b>38,775</b>	<b>43,678</b>	<b>42,506</b>	<b>45,193</b>	<b>49,464</b>
Income taxes	(9,212)	(9,730)	(8,243)	(9,942)	(10,882)
<b>Net profit</b>	<b>20,804</b>	<b>24,760</b>	<b>25,791</b>	<b>26,684</b>	<b>29,080</b>
Non-controlling interest	8,759	9,188	8,471	8,567	9,502

**Key financial data**

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
<b>per share data (IDR)</b>					
EPS	210.0	249.9	260.4	269.4	293.6
BPS	1,035.0	1,228.0	1,316.4	1,377.5	1,455.5
DPS	154.1	168.0	150.0	208.3	215.5
<b>Growth (%)</b>					
Sales growth	0.7	4.9	3.0	5.1	6.0
EBITDA growth	11.2	5.1	6.1	5.6	6.8
OP growth	3.7	1.7	5.3	5.6	8.4
NP growth	11.5	19.0	4.2	3.5	9.0
<b>Profitability (%)</b>					
EBITDA margin	52.8	52.9	54.4	54.7	55.1
OP margin	31.6	30.7	31.3	31.5	32.2
NP margin	15.2	17.3	17.5	17.2	17.7
ROA	8.9	9.4	9.1	9.1	9.5
ROE	20.6	22.1	20.5	20.0	20.7
Dividend yield	3.9	4.2	3.8	5.3	5.4
Dividend payout ratio	81.8	80.0	60.0	80.0	80.0
<b>Stability</b>					
Net debt (IDR bn)	29,256	14,380	12,100	5,287	(3,139)
Int.-bearing debt/equity (%)	41.2	36.2	33.5	32.0	30.3
<b>Valuation (X)</b>					
PE	18.9	15.8	15.2	14.7	13.5
PB	3.8	3.2	3.0	2.9	2.7
EV/EBITDA	6.3	5.9	5.6	5.2	4.8



## Bank Mandiri (BMRI)

### SOE bank with better growth potential

#### State-owned wholesale bank

BMRI was established on 2nd Oct 1998 as part of a banking restructuring program (merging four state-owned banks; Bank Ekspor Impor Indonesia, Bank Dagang Negara, Bank Bumi Daya, and Bank Pembangunan) implemented by the Government of Indonesia. BMRI is a wholesale lender, corporate loans made up 40% of its loan portfolio. It is then followed by MSME (20%), commercial (17%), and consumer (10%).

#### Strong 3Q22 results driven by all-time low CoC

BMRI's 3Q22 NIM continues to improve to 5.4% as it shifts to a more high-yielding assets portfolio (i.e. SME, micro, and commercials loan). BMRI's restructured loans have declined to IDR140.8tn (12% of its total loan book), from IDR166.1tn at the end of Dec2021). Coupled with an 8-yr low NPL at 2.2%, BMRI's provisioning significantly declined to IDR11.8tn (-28% YoY) for 9M22. BMRI's 3Q22 net profit was IDR10tn (+2.6% QoQ) to bring its 9M22 net profit to IDR30.6tn (+59.4% YoY, 81% of our FY22F estimate). Its 9M22 NIM of 5.4% was on the high side of FY22 guidance (5.1% - 5.4%). BMRI has ample liquidity with an LDR of 85.2% as 3<sup>rd</sup> party funds growth (+12.1% YoY) kept up with its loan growth (+14.3% YoY).

#### Better recovery trajectory from corporate segment going forward

Indonesia's economy is expected to continue growing (BI expects FY23 GDP growth to be 4.5-5.3%) despite recession threat in western world. Indonesian banks' fundamentals are largely intact and they managed to steer away from troubles during covid-19 pandemic. Higher provisions allocated in the past 2 years have provided enough capacity to substantially cover their loan-at-risks in the books. As banks slowed down their provisionings, we will see earnings heading to an all-time high. We expect BMRI to record a 21% earnings CAGR between FY21 and FY24, considering its flexibility to tactically switch into segments with better yield and ongoing cost efficiencies from Bank Syariah Indonesia (BRIS) integration.

#### BUY recommendation as one of top picks in the financials sector

We derive BMRI's fair multiples of 2.1x FY23F BVPS to arrive at its IDR10,900/share TP. BMRI is our preferred pick among large banks for its decent valuation, and better earnings growth potential in the next 3 years.

	2020A	2021A	2022F	2023F	2024F
Net int. inc (IDR bn)	58,022	74,850	90,566	105,346	119,068
Total op. inc (IDR bn)	85,708	108,284	125,538	141,097	156,762
PPOP (IDR bn)	44,653	58,787	74,691	83,492	95,696
Provisioning (IDR bn)	(21,355)	(20,428)	(21,055)	(20,606)	(22,750)
NP (IDR bn)	17,119	28,028	37,957	43,425	49,497
Loans (IDR bn)	889,224	1,198,149	1,354,015	1,488,125	1,649,832
Deposits (IDR bn)	1,047,864	1,292,186	1,776,748	1,922,796	2,059,609
Loan growth (%)	-1.7	34.7	13.0	9.9	10.9
Deposit growth (%)	12.2	23.3	37.5	8.2	7.1
NIM (%)	4.7	5.4	5.5	5.6	5.9
LDR (%)	84.9	92.7	76.2	77.4	80.1
CAR (%)	19.5	20.5	15.2	15.1	15.8
ROAE (%)	9.2	14.2	17.4	18.0	18.5
Gross NPL (%)	3.1	2.4	2.4	2.4	2.4
NPL coverage (%)	229.0	275.5	272.9	271.6	266.0
PE (x)	28.4	17.3	12.8	11.2	9.8
PB (x)	2.6	2.4	2.1	1.9	1.7
Dividend yield (x)	3.4	2.1	3.5	4.7	5.4

## Company Update

### Financials

December 5, 2022

12M rating **BUY**  
12M TP **IDR 10,900**  
Upside **+4.8%**

#### Stock Data

JCI (Dec 1)	7,021
Stock price (Dec 1, IDR)	10,400
Market cap (IDR bn)	485,333
Shares outstanding (m)	46,667
52-week high/low (IDR)	10,800 / 6,925
6M avg. daily turnover (IDR bn)	457.1
Free float (%)	38.0%

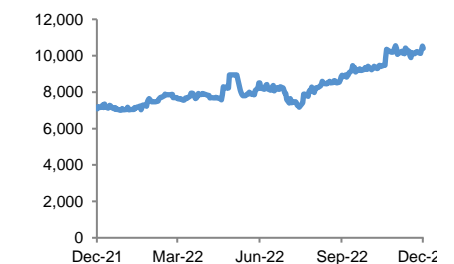
#### Major shareholders (%)

Republic of Indonesia	52.0%
Indonesia Investment Authority	8.0%

#### Performance

	1M	6M	12M
Absolute (%)	(0.2)	23.8	57.4
Relative to JCI (%p)	0.4	24.6	36.3

#### BMRI stock price



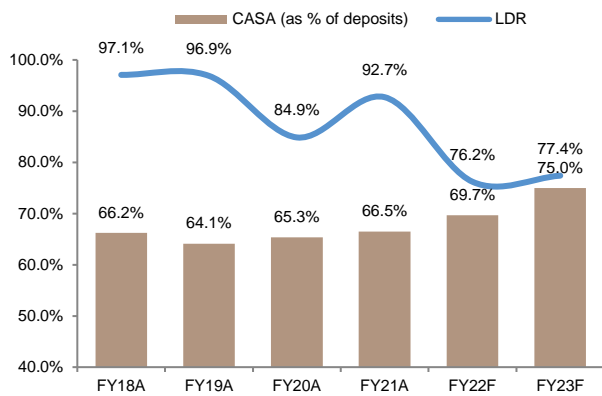
Source: Bloomberg

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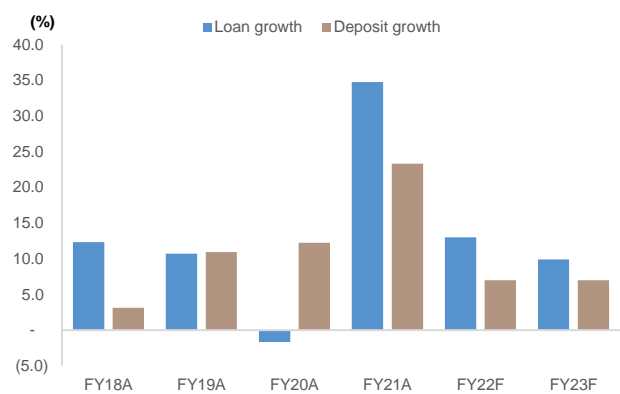


**Fig 1. CASA (as % of deposits) and LDR**



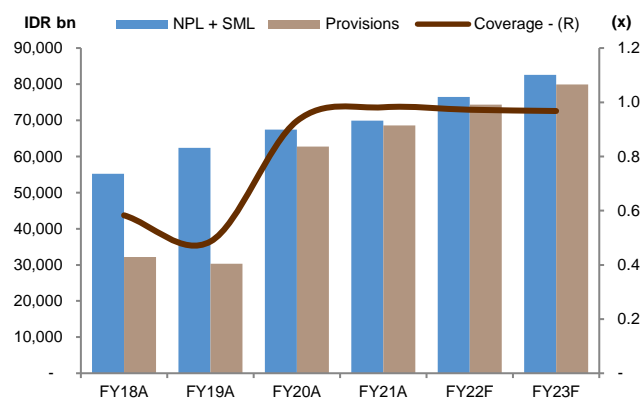
Source: Company, KISI

**Fig 2. Loan and deposit growth**



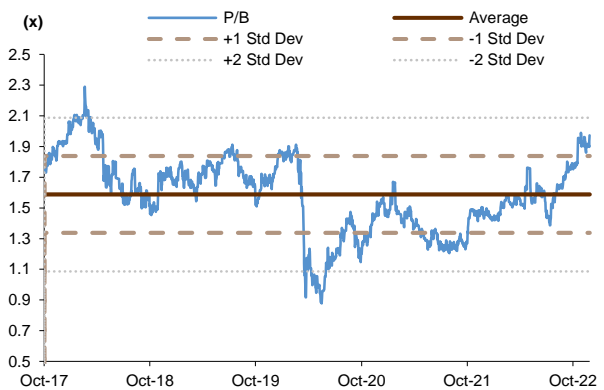
Source: Company, KISI

**Fig 3. Provisions and coverage**



Source: Company, KISI

**Fig 4. P/B**



Source: Bloomberg, KISI

## Balance sheet

(IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Cash	24,683	23,948	28,657	31,012	33,219
Placement with Central Bank	49,639	99,023	132,812	143,729	153,956
Placement with other banks	103,744	73,201	162,428	176,609	185,890
Marketable securities	79,901	98,104	405,059	450,162	479,306
Net loans	807,874	957,636	1,268,792	1,393,849	1,546,698
Government bond	159,691	289,055	105,887	84,710	67,768
Investments	2,250	2,432	11,443	12,463	13,035
Fixed assets	46,728	49,145	47,886	46,532	45,083
Other assets	154,825	133,066	157,250	170,176	182,284
<b>Total assets</b>	<b>1,429,334</b>	<b>1,725,611</b>	<b>2,320,212</b>	<b>2,509,241</b>	<b>2,707,239</b>
Deposits from 3 <sup>rd</sup> party	1,047,864	1,292,186	1,776,748	1,922,796	2,059,609
Borrowings	52,811	51,399	70,673	76,483	81,925
Securities issued	39,442	50,566	69,528	75,244	80,597
Subordinated loans	652	638	638	638	638
Deposit from other banks	6,670	12,800	17,600	19,047	20,402
Taxes payable	1,761	2,863	2,863	2,863	2,863
Other liabilities	86,339	93,048	127,941	138,457	148,309
<b>Total liabilities</b>	<b>1,235,538</b>	<b>1,503,500</b>	<b>2,065,991</b>	<b>2,235,527</b>	<b>2,394,343</b>
Capital stock	11,667	11,667	11,667	11,667	11,667
Additional paid-in capital	17,316	17,643	17,643	17,643	17,643
Other reserves	35,504	(29,310)	(29,310)	(29,310)	(29,310)
Retained earnings	124,656	204,687	207,885	228,535	251,977
Minority interest	4,653	17,425	22,376	29,261	38,120
<b>Shareholders' equity</b>	<b>193,796</b>	<b>222,111</b>	<b>230,261</b>	<b>257,796</b>	<b>290,098</b>

## Income statement

(IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Interest income	100,211	112,607	131,434	150,071	166,990
Interest expense	(42,190)	(37,757)	(40,868)	(44,725)	(47,923)
<b>Net interest income</b>	<b>58,022</b>	<b>74,850</b>	<b>90,566</b>	<b>105,346</b>	<b>119,068</b>
Fees & commissions	12,944	15,409	16,240	16,585	18,085
Non-interest income	14,742	14,087	18,732	19,166	19,610
Operating expenses	(41,177)	(49,415)	(50,917)	(57,675)	(61,136)
<b>Pre-provision profit (loss)</b>	<b>44,653</b>	<b>58,787</b>	<b>74,691</b>	<b>83,492</b>	<b>95,696</b>
Provision expenses	(21,355)	(20,428)	(21,055)	(20,606)	(22,750)
Other non-operating profit (loss)	122	(82)	70	70	70
<b>Pre-tax profit</b>	<b>23,298</b>	<b>38,358</b>	<b>53,636</b>	<b>62,887</b>	<b>72,946</b>
Tax	(5,652)	(7,807)	(10,727)	(12,577)	(14,589)
<b>Net profit</b>	<b>17,119</b>	<b>28,028</b>	<b>37,957</b>	<b>43,425</b>	<b>49,497</b>
Non-controlling interest	526	2,523	4,951	6,885	8,860

## Key financial data and ratios

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Gross loans	889,224	1,198,149	1,354,015	1,488,125	1,649,832
Loan provisions	(62,700)	(68,625)	(74,326)	(79,898)	(86,086)
Deposits	1,047,864	1,292,186	1,382,639	1,479,424	1,582,983
Risk weighted assets	909,118	1,014,848	1,543,319	1,710,796	1,880,479
Interest-earning assets	1,181,525	1,352,041	1,652,439	1,883,342	2,020,296
Shareholders equity	193,796	222,111	230,261	257,796	290,098
Net interest income growth (%)	(5.3)	29.0	21.0	16.3	13.0
Non-interest income growth (%)	(9.0)	19.0	5.4	2.1	9.0
Non-interest expenses growth (%)	14.6	(4.4)	33.0	2.3	2.3
PPOP growth (%)	(7.3)	31.7	27.1	11.8	14.6
Provision expense growth (%)	81.9	(4.3)	3.1	(2.1)	10.4
Pre-tax profit growth (%)	(36.1)	64.6	39.8	17.2	16.0
Net profit growth (%)	(37.7)	63.7	35.4	14.4	14.0
Loans growth (%)	(1.7)	34.7	13.0	9.9	10.9
Deposits growth (%)	12.2	23.3	7.0	7.0	7.0
Risk weighted assets growth (%)	(7.6)	11.6	52.1	10.9	9.9
Interest-earning assets growth (%)	8.8	14.4	22.2	14.0	7.3
Net interest margin (%)	4.7	5.4	5.5	5.6	5.9
Loan-to-deposit ratio (%)	84.9	92.7	76.2	77.4	80.1
Cost-to-income ratio (%)	47.4	45.6	40.6	40.9	39.0
Capital Adequacy Ratio (%)	19.5	20.5	15.2	15.1	15.8
Gross NPLs (%)	3.1	2.4	2.4	2.4	2.4
NPL coverage ratio (%)	229.0	275.5	272.9	271.6	266.0
Provisions / Gross loans (%)	7.1	5.7	5.5	5.4	5.2
Earnings assets / Assets (%)	85.2	86.1	78.4	77.6	77.3
CASA / total deposits (%)	66.5	69.7	75.0	75.0	75.0
Dividend payout ratio (%)	60.0	60.0	60.0	60.0	60.0
Dividend yield (%)	3.4	2.1	3.5	4.7	5.4
ROE (%)	9.2	14.2	17.4	18.0	18.5
ROA (%)	1.2	1.8	1.9	1.8	1.9
EPS (Rp)	367	601	813	931	1,061
BVPS (Rp)	4,153	4,386	4,940	5,373	6,091
DPS (Rp)	353	220	360	488	558
P/E	28.4	17.3	12.8	11.2	9.8
P/B	2.6	2.4	2.1	1.9	1.7

## Astra International (ASII)

### All eyes on automotive business

#### A benign automotive outlook in 2023

The Indonesian automotive industry will once again experience a good year in 2022. The sound economic recovery and increased mobility have both been linked to pent-up demand in automotive. When it comes to industry growth in 2023, we become more cautious due to: 1) solid recovery in 2021-2022 and 2) weak economic outlook that could hurt consumers' purchasing power and discretionary spending. As a result, we only book 4%/2% growth in domestic 4W and 2W sales respectively.

#### The beginning of EV race

Both the 4W and 2W EV markets in Indonesia are still in the early stages and will keep expanding onwards. Due to considerations like price and fewer manufacturing expertise needs, we think 2W EV will take the lead. Meanwhile, there are further obstacles to rapid 4W EV development, particularly those related to affordability and infrastructure. However, we believe that automakers need to establish their footprint right away in order to have a competitive advantage in the future EV market. For Toyota, it has just launched its first BEV, Toyota Bz4x, though are priced premium to its closest current competitor, Hyundai Ioniq 5.

#### Normalizing commodity-related businesses

In 2022, ASII's performance is greatly supported by its commodity-related business, UNTR. This is due to the soaring global coal price on geopolitical tensions which remains elevated to date. As a result, UNTR should record a brilliant performance, becoming ASII's backbone in 2022. However, the expectation that commodity prices should normalize next year may lead to ASII's booking lower earnings in 2023.

#### Venturing into new businesses given huge net cash position

In addition to optimizing its existing business portfolio, ASII has been aggressively pursuing new ventures in recent years. ASII has finished a number of inorganic expansions YTD in several sectors, including digital, healthcare, logistics and mobility, financial, renewable energy, etc. Diversification and the creation of a strong business ecosystem, in our opinion, are the key objectives. It can take some time before they have a significant, lucrative impact on ASII's performance.

#### HOLD recommendation as valuation seems fair

We have a HOLD recommendation on ASII with TP of IDR 6,800, derived from SOTP valuation. Our TP implies 11.2x FY23F, which is fair given the modest outlook and potential lower earnings in 2023. Upside risks to our call include better-than-expected automotive sales and robust commodity prices.

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	175,046	233,485	285,923	271,939	267,701
GP (IDR bn)	38,778	51,033	66,722	56,672	56,145
OP (IDR bn)	13,090	25,533	39,247	29,078	27,924
Core NP (IDR bn)	10,283	20,196	29,068	24,724	25,055
EBITDA (IDR bn)	24,871	36,118	49,639	40,064	39,502
Net debt (IDR bn)	30,290	7,257	(11,837)	(19,539)	(29,405)
EBITDA margin (%)	14.2	15.5	17.4	14.7	14.8
ROE (%)	6.8	12.3	16.0	12.6	12.0
Dividend yield (%)	1.8	3.9	5.6	4.7	4.8
Core EPS (IDR)	254	499	718	611	619
chg. (% YoY)	(52.6)	96.4	43.9	(14.9)	1.3
BPS (IDR)	3,845	4,250	4,721	4,997	5,323
DPS (IDR)	114	239	344	293	297
PE (x)	24.3	12.4	8.6	10.1	10.0
PB (x)	1.6	1.5	1.3	1.2	1.2
EV/EBITDA (x)	11.3	7.1	4.8	5.8	5.6

12M rating **HOLD**  
12M TP **IDR 6,800**  
Up/downside **+10%**

#### Stock Data

JCI (Dec 1)	7,021
Stock price (Dec 1, IDR)	6,175
Market cap (IDR Bn)	249,986
Shares outstanding (Mn)	40,484
52-week high/low (IDR)	7,700/5,250
6M avg. daily turnover (IDR Bn)	304.0
Free float (%)	47.1

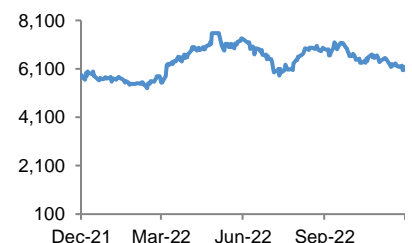
#### Major shareholders (%)

Jardine Cycle & Carriage	50.1%
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#### Performance

	1M	6M	12M
Absolute (%)	(9.0)	(16.5)	9.1
Relative to JCI (%p)	(5.7)	(14.5)	1.3

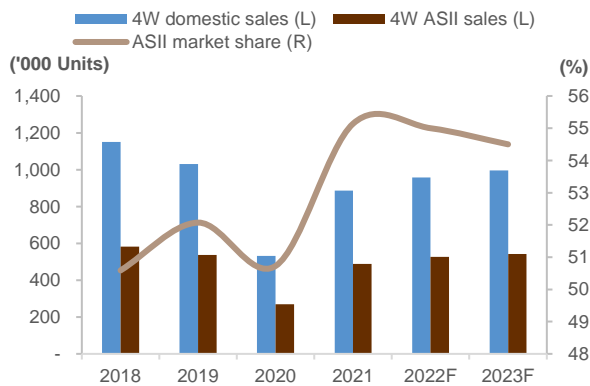
#### Stock price trend



Source: Bloomberg

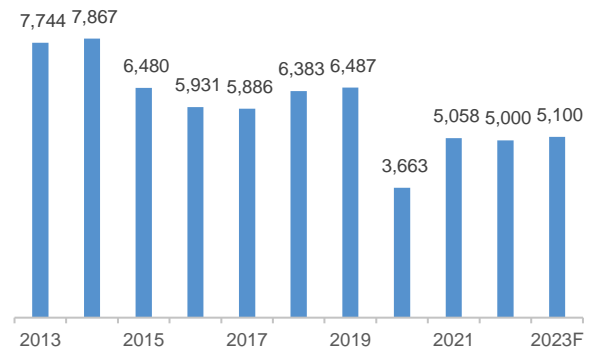
**Wilbert Ham**  
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**Fig 1. Domestic and ASII 4W sales**



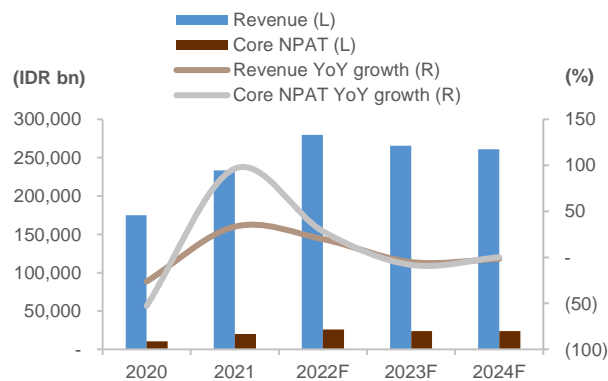
Source: GAIKINDO, KISI

**Fig 2. 2W annual sales (mn units)**



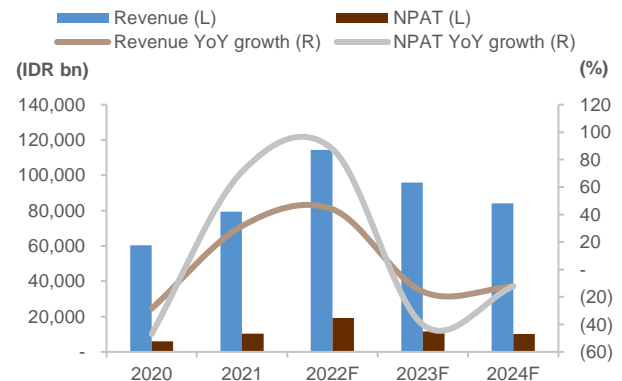
Source: GAIKINDO, KISI

**Fig 3. ASII performance**



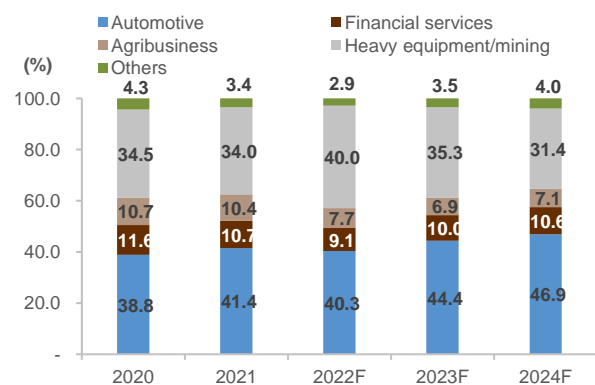
Source: GAIKINDO, KISI

**Fig 4. UNTR performance**



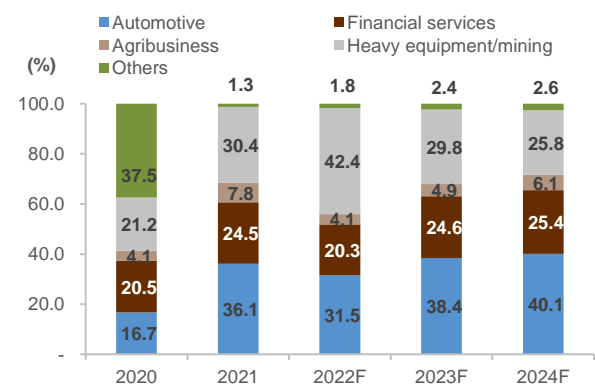
Source: GAIKINDO, KISI

**Fig 5. ASII revenue contribution**



Source: GAIKINDO, KISI

**Fig 6. ASII NPAT contribution**



Source: GAIKINDO, KISI

## Balance sheet

(IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Current assets					
Cash & cash equivalent	47,553	63,947	70,299	69,164	70,194
Accounts & other receivables	54,307	60,761	61,573	61,815	62,856
Inventories	17,929	21,815	24,188	23,668	23,166
Others	12,519	13,739	13,739	13,739	13,739
Non-current assets					
Fixed assets	59,230	55,349	56,739	58,262	59,801
Other non-current assets	146,665	151,700	152,938	157,119	161,177
<b>Total assets</b>	<b>338,203</b>	<b>367,311</b>	<b>379,476</b>	<b>383,767</b>	<b>390,934</b>
Current liabilities					
Accounts & other payables	30,053	41,307	41,523	40,977	40,451
ST debt & bond	6,500	3,812	3,812	3,812	3,812
Current portion of LT debt	29,760	34,147	27,701	25,161	18,785
Others	19,423	24,512	24,512	24,512	24,512
Non-current liabilities					
LT debt & financial liabilities	41,583	33,245	26,949	20,652	18,192
Deferred tax liabilities	3,972	4,102	4,102	4,102	4,102
Other non-current liabilities	11,458	10,571	10,571	10,571	10,571
<b>Total liabilities</b>	<b>142,749</b>	<b>151,696</b>	<b>139,170</b>	<b>129,788</b>	<b>120,425</b>
Controlling interest					
Capital stock	2,024	2,024	2,024	2,024	2,024
Additional paid-in capital	1,139	1,139	1,139	1,139	1,139
Other Reserves	3,431	5,090	5,090	5,090	5,090
Retained earnings	149,068	163,800	182,868	194,058	207,238
Minority interest	39,792	43,562	49,184	51,668	55,017
<b>Shareholders' equity</b>	<b>155,662</b>	<b>172,053</b>	<b>191,121</b>	<b>202,311</b>	<b>215,491</b>

## Cash flow

(IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
<b>C/F from operating</b>	<b>39,184</b>	<b>39,502</b>	<b>42,114</b>	<b>37,926</b>	<b>38,916</b>
Net profit	16,164	20,196	29,068	24,724	25,055
Depreciation	11,781	10,585	10,392	10,986	11,578
Net incr. in W/C	10,363	4,951	(2,969)	(267)	(1,066)
Others	876	3,770	5,622	2,484	3,349
<b>C/F from investing</b>	<b>5,208</b>	<b>(12,308)</b>	<b>(13,020)</b>	<b>(16,690)</b>	<b>(17,176)</b>
CAPEX	(8,674)	(6,704)	(11,782)	(12,509)	(13,117)
Others	13,882	(5,604)	(1,238)	(4,181)	(4,058)
<b>C/F from financing</b>	<b>(21,169)</b>	<b>(10,800)</b>	<b>(22,742)</b>	<b>(22,371)</b>	<b>(20,711)</b>
Chg. in equity	-	-	-	-	-
Chg. in debts	(12,820)	(6,995)	(12,742)	(8,837)	(8,837)
Dividends	(7,449)	(5,344)	(10,476)	(13,534)	(11,875)
Others	(900)	1,539	476	-	-
<b>Increase in cash</b>	<b>23,223</b>	<b>16,394</b>	<b>6,352</b>	<b>(1,134)</b>	<b>1,030</b>

## Income statement

(IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
<b>Sales</b>	<b>175,046</b>	<b>233,485</b>	<b>285,923</b>	<b>271,939</b>	<b>267,701</b>
COGS	(136,268)	(182,452)	(219,200)	(215,267)	(211,556)
<b>Gross profit</b>	<b>38,778</b>	<b>51,033</b>	<b>66,722</b>	<b>56,672</b>	<b>56,145</b>
SG&A expense	(25,688)	(25,500)	(27,475)	(27,594)	(28,221)
<b>Operating profit</b>	<b>13,090</b>	<b>25,533</b>	<b>39,247</b>	<b>29,078</b>	<b>27,924</b>
Interest Income	2,342	2,553	2,678	2,866	3,050
Interest expense	(3,408)	(2,288)	(2,233)	(1,919)	(1,919)
Others	6,733	31	1,088	1,032	1,819
Gains (Losses) in associates, subsidiaries and JV	3,083	6,464	7,806	7,696	7,567
Earnings before tax	21,741	32,350	48,650	38,818	38,508
Income taxes	(3,170)	(6,764)	(9,511)	(7,511)	(7,326)
Net profit	18,571	25,586	39,138	31,307	31,181
Minority interest	(2,407)	(5,390)	(10,070)	(6,584)	(6,126)
<b>Net profit after MI</b>	<b>16,164</b>	<b>20,196</b>	<b>29,068</b>	<b>24,724</b>	<b>25,055</b>
Core Net profit	10,283	20,196	29,068	24,724	25,055

## Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
<b>per share data (IDR)</b>					
Core EPS	254	499	718	611	619
BPS	3,845	4,250	4,721	4,997	5,323
DPS	114	239	344	293	297
<b>Growth (%)</b>					
Sales growth	(26.2)	33.4	22.5	(4.9)	(1.6)
OP growth	(50.0)	95.1	53.7	(25.9)	(4.0)
Core NP growth	(52.6)	96.4	43.9	(14.9)	1.3
EBITDA growth	(30.6)	45.2	37.4	(19.3)	(1.4)
<b>Profitability (%)</b>					
OP margin	7.5	10.9	13.7	10.7	10.4
NP margin	5.9	8.6	10.2	9.1	9.4
EBITDA margin	14.2	15.5	17.4	14.7	14.8
ROA	3.0	5.7	7.8	6.5	6.5
ROE	6.8	12.3	16.0	12.6	12.0
Dividend yield	1.8	3.9	5.6	4.7	4.8
Dividend payout ratio	44.9	47.9	47.9	47.9	47.9
<b>Stability</b>					
Net debt (IDR bn)	30,290	7,257	(11,837)	(19,539)	(29,405)
Int.-bearing debt/equity (%)	33.3	29.3	23.4	19.7	15.9
<b>Valuation (x)</b>					
PE	24.3	12.4	8.6	10.1	10.0
PB	1.6	1.5	1.3	1.2	1.2
EV/EBITDA	11.3	7.1	4.8	5.8	5.6

# Bank Negara Indonesia (BBNI)

## Trust the transformation process

### Streamlining its focus going forward

BBNI was first established in Indonesia as central bank on 5<sup>th</sup> July 1946, before being changed into state-owned banks in 1968. A recent management overhaul signaled that BBNI is currently in transition. Going forward, BBNI will continue to focus on improving its corporate banking (more than 50% of its portfolio), revamp its approach on commercial & SME, and being a preeminent bank overseas.

### 3Q22 results better than expected

BBNI's performance continues to surge upwards after kitchen-sinking in 2019 and covid-19 pandemic outbreak year in 2020. BBNI's restructured loan continues to fall to IDR74tn (~12% LAR) vs. IDR86.9tn at the end of FY21. BBNI has sensibly abandoned its aggressive loan growth strategy and selectively grown its loan book with better asset quality. As a result, 3Q22 provisionings continue to be lowered (down 9.9% QoQ) as its NPL continues to fall to 3% level (with an expectation to go down further to 2.5% next year). 3Q22 NIM of 5% improved its overall 9M22 NIM to 4.8% (at the high side of its FY22's guidance of 4.6%-4.8%). This resulted in 3Q22 net profit of IDR4.9tn (+1% QoQ), which brought its 9M22 net profit to IDR13.7tn (+77.8% YoY, 80% of our FY22F estimate). On balance sheet, similar to other large banks, BBNI's LDR is healthy at 91%. Meanwhile, its CAR continues to improve to 18.9%, creating ample room for upside in div. payout ratio.

### Expect another slow year before significant recovery in 2022

Indonesia's economy is expected to continue growing (BI expects FY23 GDP growth to be 4.5-5.3%) despite recession threat in western world. Indonesian banks' fundamentals are largely intact and they managed to steer away from troubles during covid-19 pandemic. Higher provisions allocated in the past 2 years have provided enough capacity to substantially cover their loan-at-risks in the books. As banks slowed down their provisionings, we will see earnings heading to an all-time high. We expect BBNI to record a 31% earnings CAGR between FY21 and FY24, with better focus on corporate segment and growth from its subsidiaries.

### BUY - cheapest valuation among large SOE banks

BBNI has passed all its necessary corporate actions & restructuring and is now reaping the benefits. We derive BBNI's fair multiples of 1.3x FY23F BVPS to arrive at its IDR10,300/share TP.

	2020A	2021A	2022F	2023F	2024F
Net int. inc (IDR bn)	38,623	39,646	40,988	44,657	50,099
Total op. inc (IDR bn)	52,036	55,865	58,452	62,953	70,497
PPOP (IDR bn)	27,822	30,848	32,353	35,086	40,688
Provisioning (IDR bn)	(22,590)	(18,297)	(12,115)	(9,813)	(9,891)
NP (IDR bn)	3,280	10,899	16,039	20,029	24,406
Loans (IDR bn)	586,207	582,436	629,031	679,354	733,702
Deposits (IDR bn)	679,801	729,169	780,210	838,726	901,631
Loan growth (%)	5.3	(0.6)	8.0	8.0	8.0
Deposit growth (%)	10.7	7.3	7.0	7.5	7.5
NIM (%)	4.5	4.6	4.5	4.6	4.8
LDR (%)	86.2	79.9	80.6	81.0	81.4
CAR (%)	16.8	17.3	17.4	17.4	17.7
ROAE (%)	2.9	9.3	12.3	13.9	15.1
Gross NPL (%)	4.3	3.7	2.9	2.9	2.7
NPL coverage (%)	182.4	233.6	275.0	253.1	254.9
PE (x)	55.1	16.6	11.3	9.0	7.4
PB (x)	1.6	1.5	1.3	1.2	1.1
Dividend yield (x)	2.1	0.5	1.5	2.2	2.8

## Company Update

## Financials

December 5, 2022

12M rating **BUY**  
12M TP **IDR 10,300**  
Upside **+6.2%**

### Stock Data

JCI (Dec 1)	7,021
Stock price (Dec 1, IDR)	9,700
Market cap (IDR bn)	180,892
Shares outstanding (m)	18,649
52-week high/low (IDR)	9,950 / 6,550
6M avg. daily turnover (IDR bn)	245.9
Free float (%)	40.0

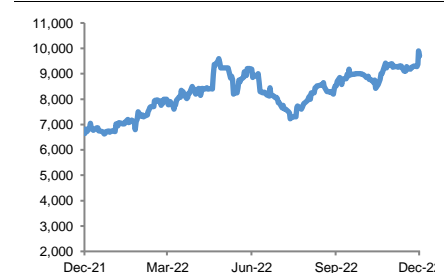
### Major shareholders (%)

Republic of Indonesia	60.0%
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### Performance

	1M	6M	12M
Absolute (%)	5.3	7.9	48.2
Relative to JCI (%)	3.7	7.7	35.2

### BBNI stock price

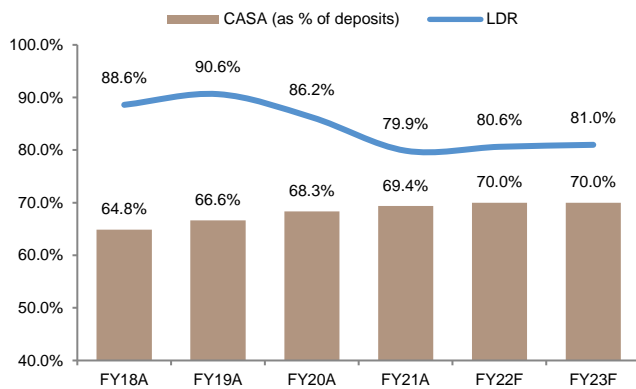


Source: Bloomberg

**Edward Tanuwijaya**

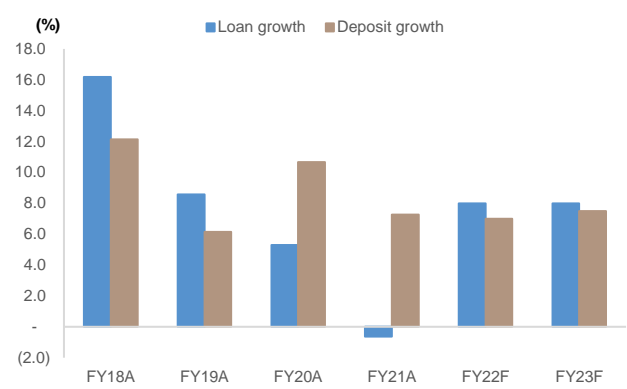
[edward.t@kisi.co.id](mailto:edward.t@kisi.co.id)

Fig 1. CASA (as % of deposits) and LDR



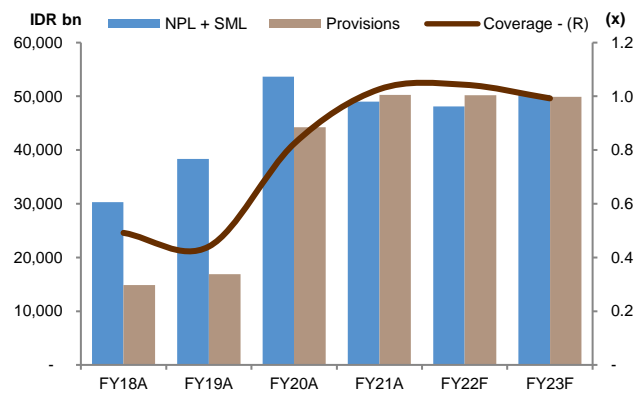
Source: Company, KISI

Fig 2. Loan and deposit growth



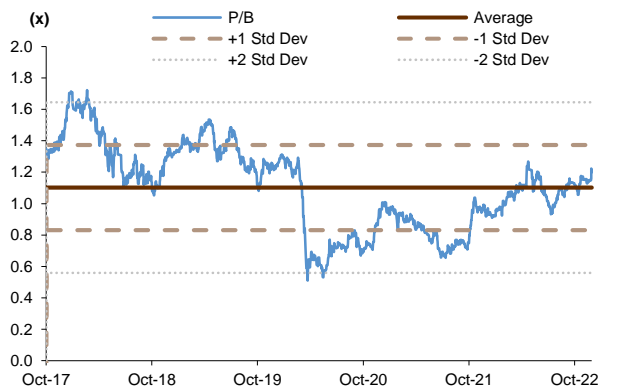
Source: Company, KISI

Fig 3. Provisions and coverage



Source: Company, KISI

Fig 4. P/B



Source: Bloomberg, KISI

## Balance sheet

(IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Cash	17,324	13,684	27,352	29,403	31,608
Placement with Central Bank	35,066	48,682	54,703	58,806	63,217
Placement with other banks	77,437	111,860	116,230	128,737	142,514
Marketable securities	29,687	47,814	37,962	49,380	62,250
Net loans	541,979	532,141	578,814	629,445	684,093
Government bond	90,659	111,428	106,055	100,949	96,099
Investments	813	8,688	7,077	9,290	11,817
Fixed assets	27,362	26,883	25,623	24,325	22,989
Other assets	71,010	63,657	70,926	76,237	81,946
<b>Total assets</b>	<b>891,337</b>	<b>964,838</b>	<b>1,024,742</b>	<b>1,106,572</b>	<b>1,196,533</b>
Deposits from 3 <sup>rd</sup> party	679,801	729,169	780,210	838,726	901,631
Borrowings	44,114	32,458	39,011	41,936	45,082
Securities issued	5,575	4,815	5,852	6,290	6,762
Subordinated loans	100	15,765	1,425	1,425	1,425
Deposit from other banks	9,023	14,377	15,604	16,775	18,033
Taxes payable	1,148	1,284	1,560	1,677	1,803
Other liabilities	38,704	40,450	42,912	46,130	49,590
<b>Total liabilities</b>	<b>778,465</b>	<b>838,318</b>	<b>886,574</b>	<b>952,960</b>	<b>1,024,325</b>
Capital stock	9,055	9,055	9,055	9,055	9,055
Additional paid-in capital	14,568	17,010	17,010	17,010	17,010
Other reserves	19,589	22,409	22,409	22,409	22,409
Retained earnings	66,981	75,472	102,242	118,261	137,660
Minority interest	2,680	2,782	2,933	3,123	3,354
<b>Shareholders' equity</b>	<b>112,872</b>	<b>126,727</b>	<b>153,650</b>	<b>169,858</b>	<b>189,488</b>

## Income statement

(IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Interest income	61,503	55,913	58,006	63,366	70,059
Interest expense	(22,880)	(16,267)	(17,017)	(18,709)	(19,960)
<b>Net interest income</b>	<b>38,623</b>	<b>39,646</b>	<b>40,988</b>	<b>44,657</b>	<b>50,099</b>
Fees & commissions	8,309	8,943	9,271	9,159	9,891
Non-interest income	5,104	6,578	8,193	9,137	10,506
Operating expenses	(24,214)	(24,801)	(26,099)	(27,868)	(29,809)
<b>Pre-provision profit (loss)</b>	<b>27,822</b>	<b>30,848</b>	<b>32,353</b>	<b>35,086</b>	<b>40,688</b>
Provision expenses	(22,590)	(18,297)	(12,115)	(9,813)	(9,891)
Other non-operating profit (loss)	(119)	(216)	0	0	0
<b>Pre-tax profit</b>	<b>5,112</b>	<b>12,551</b>	<b>20,238</b>	<b>25,273</b>	<b>30,796</b>
Tax	(1,791)	(1,574)	(4,048)	(5,055)	(6,159)
<b>Net profit</b>	<b>3,280</b>	<b>10,899</b>	<b>16,039</b>	<b>20,029</b>	<b>24,406</b>
Non-controlling interest	41	79	152	190	231

## Key financial data and ratios

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Gross loans	586,207	582,436	629,031	679,354	733,702
Loan provisions	(44,228)	(50,295)	(50,217)	(49,909)	(49,609)
Deposits	679,801	729,169	780,210	838,726	901,631
Risk weighted assets	631,482	669,381	707,565	775,691	851,618
Interest-earning assets	788,119	859,257	918,061	974,599	1,052,805
Shareholders equity	112,872	126,727	153,650	169,858	189,488
Net interest income growth (%)	0.8	2.6	3.4	9.0	12.2
Non-interest income growth (%)	(6.1)	7.6	3.7	(1.2)	8.0
Non-interest expenses growth (%)	5.0	28.9	24.6	11.5	15.0
PPOP growth (%)	(1.4)	10.9	4.9	8.4	16.0
Provision expense growth (%)	155.6	(19.0)	(33.8)	(19.0)	0.8
Pre-tax profit growth (%)	(73.6)	145.5	61.2	24.9	21.9
Net profit growth (%)	(78.7)	232.2	47.2	24.9	21.9
Loans growth (%)	5.3	(0.6)	8.0	8.0	8.0
Deposits growth (%)	10.7	7.3	7.0	7.5	7.5
Risk weighted assets growth (%)	0.8	6.0	5.7	9.6	9.8
Interest-earning assets growth (%)	7.4	9.0	6.8	6.2	8.0
Net interest margin (%)	4.5	4.6	4.5	4.6	4.8
Loan-to-deposit ratio (%)	86.2	79.9	80.6	81.0	81.4
Cost-to-income ratio (%)	45.5	46.5	44.4	44.7	44.3
Capital Adequacy Ratio (%)	16.8	17.3	17.4	17.4	17.7
Gross NPLs (%)	4.3	3.7	2.9	2.9	2.7
NPL coverage ratio (%)	182.4	233.6	275.0	253.1	254.9
Provisions / Gross loans (%)	7.5	8.6	8.0	7.3	6.8
Earnings assets / Assets (%)	92.0	93.1	91.5	91.4	91.4
CASA / total deposits (%)	68.3	69.4	70.0	70.0	70.0
Dividend payout ratio (%)	25.0	25.0	25.0	25.0	25.0
Dividend yield (%)	2.1	0.5	1.5	2.2	2.8
ROE (%)	2.9	9.3	12.3	13.9	15.1
ROA (%)	0.4	1.2	1.6	1.9	2.1
EPS (Rp)	176	584	860	1,074	1,309
BVPS (Rp)	6,053	6,635	7,304	8,163	9,204
DPS (Rp)	206	44	146	215	269
P/E	55.1	16.6	11.3	9.0	7.4
P/B	1.6	1.5	1.3	1.2	1.1



# Adaro Energy (ADRO)

## Massive cashflow to finance diversification

### One of the biggest private coal miners in Indonesia

ADRO is a vertically integrated energy producer in Indonesia with its mining, mining services, logistics, and power plant divisions. Adaro Mining has seven mines, including Adaro Indonesia (South Kalimantan), Balangan Coal (South Kalimantan), Mustika Indah Permai (South Sumatra), Bukit Enim Energi (South Sumatra), Adaro Metcoal (Central & East Kalimantan), Bhakti Energi Persada (BEP), and Kestrel Coal Resources (Queensland, Australia). The company produces low CV thermal coal, semi-soft coking coal, and hard premium coking coal. Besides coal mining, the company is also expanding to Independent Power Plant (IPP) project under Adaro Power. At the moment the company has two ongoing IPP projects joint ventures, Bhimasena Power Indonesia (BPI) in Batang, Central Java, and Tanjung Power Indonesia (TPI) in South Kalimantan.

### Generating massive cashflow from stubbornly high coal price

ADRO booked 9M22 earnings at USD1.9bn, 4.5x YoY driven by much higher ASP than expected, while sales volume was within our expectation. ADRO registered a record-high GPM of 57% (vs. 9M21 at 38%). 3Q22 coal sales grew by 9.1% QoQ bringing its 9M22 sales vol to ~44mn tonnes (+13.7% YoY), comprising ~76% of our FY22F target. As of 9M22, ADRO generated an unprecedented USD2.9bn cashflow from operation, while spending a fraction of it for capex expansion and working capital. With current net cash position of USD2.4bn, we should expect a high dividend payout for 1-2 years to come.

### BUY recommendation given the still robust outlook on coal

We expect great performance for ADRO in FY22 before settling for much lower earnings in FY23 due to new royalty taxes on its CCoW mines applied since Oct2022 extension in accordance with latest regulations. Our current fair ADRO's SOTP valuation is at USD9.2bn (implying 5.9x FY22F PE). We have not included potential additional value from ADRO's venture into smelter aluminum project in addition to its minor 3.7% stakes in PT. Cita Mineral Investindo (CITA). Risk on our call includes further regulation changes imposed by Indonesia's government amid surging commodities prices.

	2020A	2021A	2022F	2023F	2024F
Sales (USD mn)	2,535	3,993	5,757	5,024	4,238
GP (USD mn)	577	1,770	2,562	1,465	887
OP (USD mn)	411	1,585	2,320	1,211	626
NP (USD mn)	147	933	1,554	794	380
EBITDA (USD mn)	584	1,762	2,593	1,488	929
Net debt (USD mn)	248	(250)	(1,032)	(500)	(288)
OP margin (%)	16.2	39.7	40.3	24.1	14.8
ROE (%)	3.7	20.9	29.8	15.7	7.7
Dividend yield (%)	2.9	1.7	8.9	11.2	5.7
EPS (IDR)	67	417	719	372	178
chg. (%., YoY)	(63)	525	72	(48)	(52)
BPS (IDR)	1,797	1,993	2,411	2,364	2,313
DPS (IDR)	114	66	346	437	223
PE (x)	58.4	9.3	5.4	10.5	21.9
PB (x)	1.7	1.5	1.3	1.3	1.3
EV/EBITDA (x)	15.2	4.7	2.9	5.4	9.0

## Company Update

### Commodities

December 5, 2022

12M rating **BUY**  
12M TP **IDR 4,250**  
Up/downside **+9%**

#### Stock Data

JCI (Dec 1)	7,021
Stock price (Dec 1, IDR)	3,900
Market cap (IDR Bn)	124,745
Shares outstanding (Mn)	31,986
52-week high/low (IDR)	4,250/1,700
6M avg. daily turnover (IDR Bn)	361.6
Free float (%)	43.7

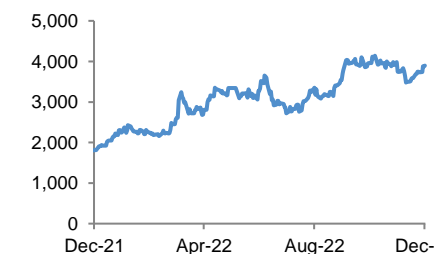
#### Major shareholders (%)

PT Adaro Strategic Inv	43.91%
Garibaldi Thohir	6.18%

#### Performance

	3M	6M	12M
Absolute (%)	(2.8)	18.3	154.5
Relative to JCI (%)	4.5	21.4	106.0

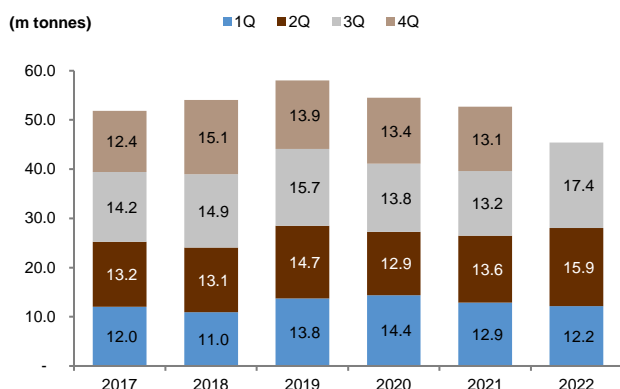
#### Stock price trend



Source: Bloomberg

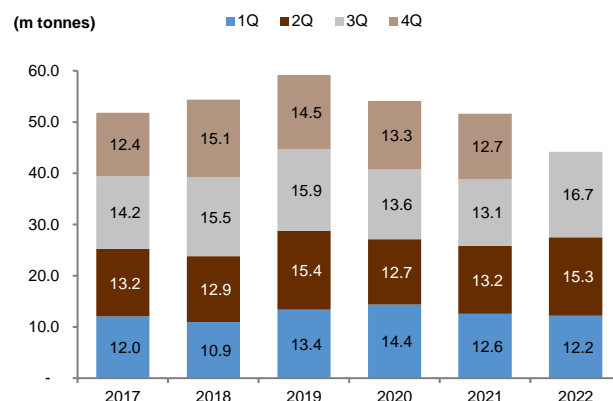
**Edward Tanuwijaya**  
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Fig 1. ADRO production volume



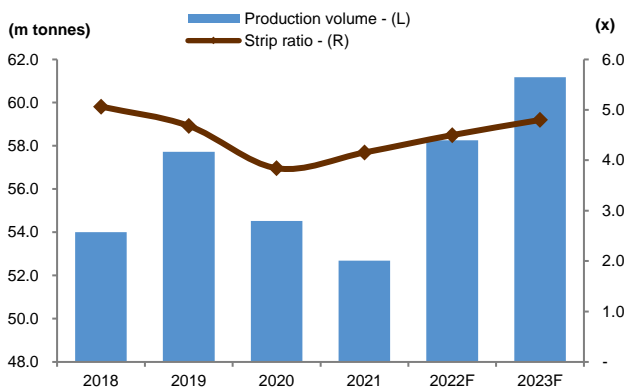
Source: Company, KISI

Fig 2. ADRO sales volume



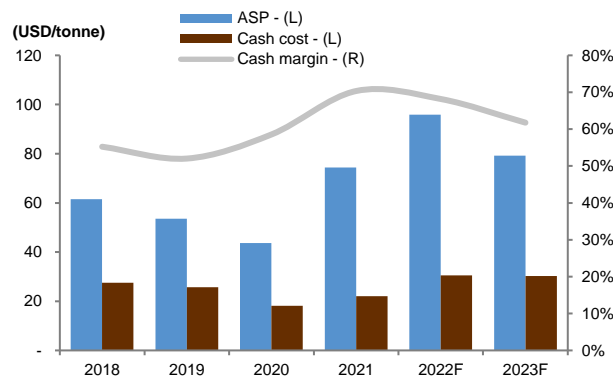
Source: Company, KISI

Fig 3. ADRO production and strip ratio



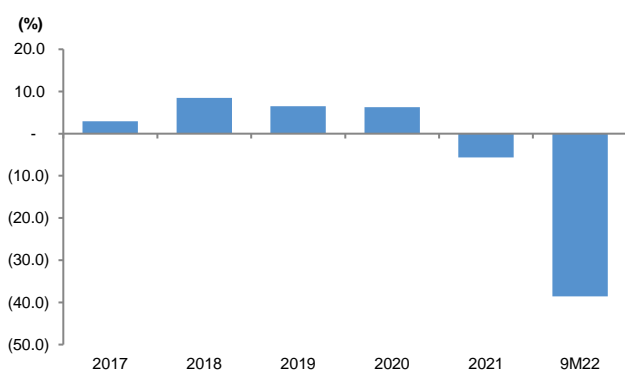
Source: Company, KISI

Fig 4. ADRO ASP, cash cost, and cash margin



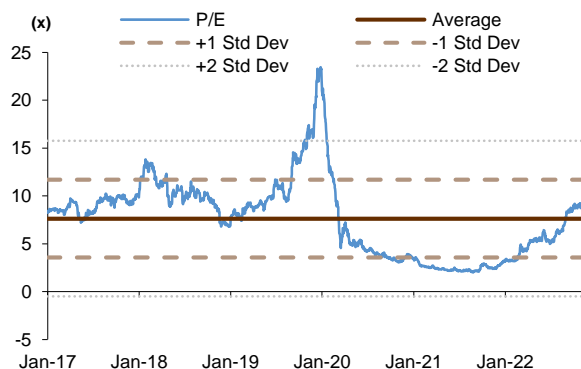
Source: Company, KISI

Fig 5. ADRO net gearing



Source: Company, Bloomberg, KISI

Fig 6. ADRO PE Band



Source: Bloomberg, KISI

**Balance sheet** (USDmn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Current assets					
Cash & cash equivalent	1,174	1,811	2,424	1,763	674
Accounts & other receivables	224	452	631	551	464
Inventories	105	126	148	185	189
Others	229	449	288	251	212
Non-current assets					
Fixed assets	3,062	2,769	2,768	2,808	2,749
Other non-current assets	1,588	1,980	2,512	2,568	2,571
<b>Total assets</b>	<b>6,382</b>	<b>7,587</b>	<b>8,772</b>	<b>8,126</b>	<b>6,859</b>
Current liabilities					
Accounts & other payables	214	272	420	468	441
ST debt	-	-	-	1	1
Current portion of LT debt	643	271	(91)	659	(92)
Others	288	818	1,141	794	595
Non-current liabilities					
LT debt & financial liabilities	780	1,291	1,482	604	478
Deferred tax liabilities	225	187	187	187	187
Other non-current liabilities	280	289	419	372	318
<b>Total liabilities</b>	<b>2,430</b>	<b>3,129</b>	<b>3,560</b>	<b>3,084</b>	<b>1,928</b>
Controlling interest					
Capital stock	1,497	1,497	1,497	1,497	1,497
Additional paid-in capital	-	-	-	-	-
Other Reserves	-	-	-	-	-
Retained earnings	2,215	2,639	3,447	3,308	3,211
Minority interest	240	322	268	236	223
<b>Cash flow</b>					
<b>Shareholders' equity</b>	<b>3,952</b>	<b>4,458</b>	<b>5,212</b>	<b>5,042</b>	<b>4,932</b>
<b>FY-ending Dec.</b>	<b>2020A</b>	<b>2021A</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
C/F from operating	151	1,290	2,249	1,019	696
Net profit	159	1,029	1,708	873	413
Depreciation	284	288	303	326	345
Net incr. in W/C	(262)	95	421	(238)	(124)
Others	(30)	(121)	(182)	59	63
C/F from investing	83	(236)	(515)	(509)	(383)
CAPEX	(11)	6	(302)	(366)	(286)
Investment in JV	95	(241)	(213)	(144)	(98)
C/F from financing	(637)	(417)	(1,121)	(1,170)	(1,403)
Incr. in equity	60	(375)	(207)	(110)	(46)
Incr. in debts	(447)	105	(167)	(128)	(880)
Dividends	(250)	(147)	(747)	(932)	(476)
Others	-	-	-	-	-
C/F from others	-	-	-	-	-
Increase in cash	(402)	637	613	(661)	(1,089)

**Income statement** (USDmn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	2,535	3,993	5,757	5,024	4,238
COGS	(1,958)	(2,223)	(3,195)	(3,560)	(3,351)
<b>Gross profit</b>	<b>577</b>	<b>1,770</b>	<b>2,562</b>	<b>1,465</b>	<b>887</b>
SG&A expense	(165)	(185)	(242)	(254)	(261)
<b>Operating profit</b>	<b>411</b>	<b>1,585</b>	<b>2,320</b>	<b>1,211</b>	<b>626</b>
Financial income	36	34	37	36	20
Financial expense	(89)	(83)	(88)	(78)	(67)
Other expense	(126)	(57)	(173)	(151)	(127)
Other non-operating profit	-	-	-	1	1
Income (loss) from JV	(9)	7	260	145	99
<b>Earnings before tax</b>	<b>222</b>	<b>1,486</b>	<b>2,355</b>	<b>1,163</b>	<b>550</b>
Income taxes	(64)	(458)	(648)	(291)	(138)
<b>Net profit (net of minority)</b>	<b>147</b>	<b>933</b>	<b>1,554</b>	<b>794</b>	<b>380</b>
Non-controlling interest	12	95	154	79	33
Other comprehensive profit	-	-	-	-	-
Total comprehensive profit	-	-	-	-	-
Total comprehensive profit of controlling interest	-	-	-	-	-
<b>EBITDA</b>	<b>584</b>	<b>1,762</b>	<b>2,593</b>	<b>1,488</b>	<b>929</b>

**Key financial data**

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (IDR)					
EPS	67	417	719	372	178
BPS	1,797	1,993	2,411	2,364	2,313
DPS	114	66	346	437	223
Growth (%)					
Sales growth	(27)	58	44	(13)	(16)
OP growth	(44)	285	46	(48)	(48)
NP growth	(64)	535	66	(49)	(52)
EBITDA growth	(37)	202	47	(43)	(38)
Profitability (%)					
OP margin	16.2	39.7	40.3	24.1	14.8
NP margin	5.8	23.4	27.0	15.8	9.0
EBITDA margin	23.0	44.1	45.0	29.6	21.9
ROA	2.3	12.3	17.7	9.8	5.5
ROE	3.7	20.9	29.8	15.7	7.7
Dividend yield	2.9	1.7	8.9	11.2	5.7
Dividend payout ratio	62	100	80	60	60
Stability					
Net debt (USD mn)	248	(250)	(1,032)	(500)	(288)
Int.-bearing debt/equity (%)	36	35	27	25	8
Valuation (X)					
PE	58.4	9.3	5.4	10.5	21.9
PB	1.7	1.5	1.3	1.3	1.3
EV/EBITDA	15.2	4.7	2.9	5.4	9.0

# Merdeka Copper Gold (MDKA)

## Switching focus to nickel segment

### Prominent Indonesian mining company

PT Merdeka Copper Gold Tbk (MDKA) currently owns four mining projects namely; Tujuh Bukit (Oxide & Porphyry) in Banyuwangi (East Java), Wetar (West Nusa Tenggara), and Pani (Gorontalo). Currently, TB Oxide (producing gold and silver) and Wetar (producing copper) are two producing mines, while the others are under development. MDKA has total mineral resources of ~2,100 mn tonnes.

### 3Q22 operational results **INLINE** with expectations

Both MDKA's gold and copper productions grew QoQ in 3Q22 as expected; bringing 9M22 gold and copper productions to 107,169 oz (82% of our FY22F estimate) and 15,792 tonnes (+18% YoY, 79% of our FY22F estimate), respectively. Meanwhile, its nickel RKEF smelters operation started to contribute fully in 3Q22 with 10,374 tonnes (+17% QoQ), after the completion of Merdeka Battery Minerals (MBM) acquisition on mid-May2022.

### Nickel segment did the heavy lifting

The timely and sizable acquisition of nickel business helped MDKA to smoothen its transition from both TB gold mine and Wetar copper mine to Pani gold mine, AIM project, and the massive TB copper project. In the next 2-3 years, nickel segment revenue would make up more than 50% of MDKA's consolidated revenue, leapfrogging both gold and copper segments. Based on the 3Q22 operational indication, nickel contributed ~58% of MDKA's total revenue and ~80% of its consolidated core profit by our estimation.

### **BUY** with **IDR5,750 TP** derived from **SOTP (gold, copper & nickel)**

We have a bullish view on nickel price considering the continuing supply disruptions and tight LME nickel inventory. Our fair value MDKA valuation is USD9.2bn (or equivalent to IDR5,750/sh). Future upside to our current MDKA's value includes 1) full potential value of ZHN's RKEF smelter (under construction) and SCM's nickel mines (under development stage); 2) strategic partnership with Brup CATL for investments in nickel, cobalt & copper; 3) IKIP development (with Tsingshan) & nickel chain supporting projects.

	2020A	2021A	2022F	2023F	2024F
Sales (USD mn)	322	381	836	1,311	1,186
GP (USD mn)	114	120	270	367	300
OP (USD mn)	94	91	190	269	212
NP (USD mn)	36	36	120	114	89
EBITDA (USD mn)	137	166	268	373	315
Net debt (USD mn)	180	148	596	450	367
OP margin (%)	29.2	23.8	22.7	20.5	17.9
ROE (%)	6.7	5.4	12.3	8.9	6.0
Dividend yield (%)	-	-	-	-	-
EPS (IDR)	23.6	22.5	73.9	70.9	55.5
chg. (% YoY)	(47.4)	(4.5)	227.8	(4.0)	(21.7)
BPS (IDR)	367.7	486.1	720.3	867.5	984.1
DPS (IDR)	-	-	-	-	-
PE (x)	185.1	193.9	59.1	61.6	78.7
PB (x)	11.9	9.0	6.1	5.0	4.4
EV/EBITDA (x)	50.0	41.3	26.3	18.3	21.4

## Company Update

### Metals & Mining

December 5, 2022

12M rating **BUY**  
12M TP **IDR 5,750**  
Upside **+31.6%**

#### Stock Data

JCI (Dec 1)	7,021
Stock price (Dec 1, IDR)	4,370
Market cap (IDR bn)	105,364
Shares outstanding (mn)	24,111
52-week high/low (IDRhds)	5,800 / 3,350
6M avg. daily turnover (IDR bn)	265.4
Free float (%)	44.7

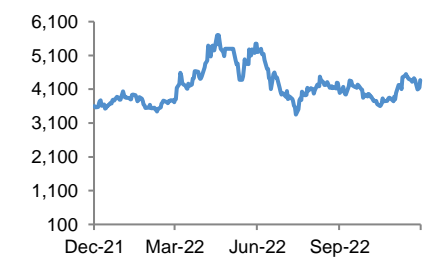
#### Major shareholders (%)

Saratoga Investama Sedaya Tbk	18.4
Mitra Daya Mustika	12.1
Garibaldi Thohir	7.4
Suwarno Arta Mandiri	5.6
ISV SA Hongkong	5.0
Pemerintah Daerah Banyuwangi	4.1

#### Performance

	1M	6M	12M
Absolute (%)	10.1	(23.9)	16.2
Relative to JCI (%p)	17.4	(18.4)	11.9

#### MDKA stock price

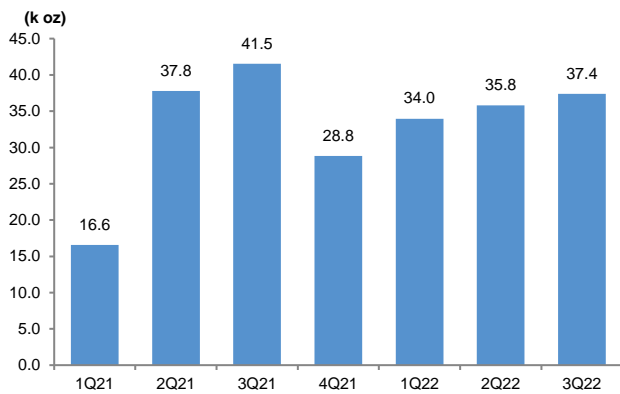


Source: Bloomberg

**Edward Tanuwijaya**

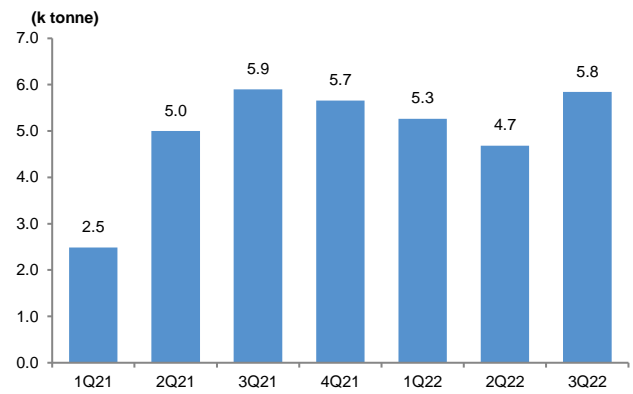
[edward.t@kisi.co.id](mailto:edward.t@kisi.co.id)

**Fig 1. Quarterly gold production**



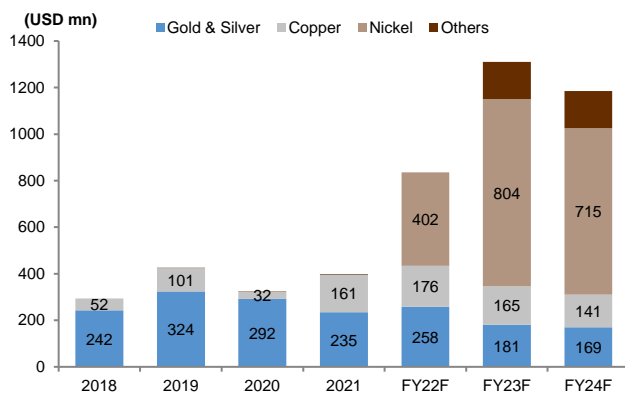
Source: Company, KISI

**Fig 2. Quarterly copper production**



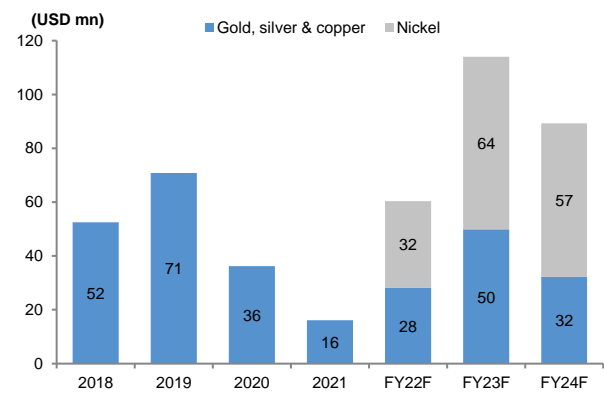
Source: Company, KISI

**Fig 3. MDKA's revenue breakdown**



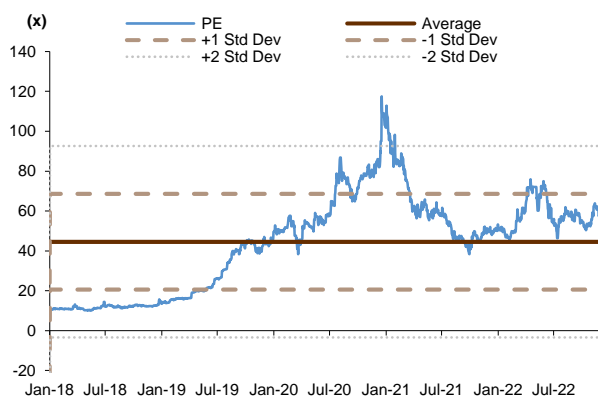
Source: Company, KISI

**Fig 4. MDKA's core net profit breakdown**



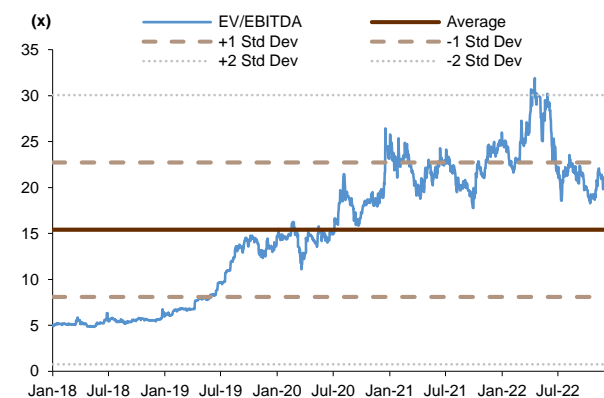
Source: Company, KISI

**Fig 5. MDKA's PE band**



Source: Bloomberg, KISI

**Fig 6. MDKA's EV/EBITDA band**



Source: Bloomberg, KISI

**Balance sheet** (USD mn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
<b>Current assets</b>					
Cash & cash equivalent	51	185	1,093	869	772
Accounts & other receivables	6	6	18	11	15
Inventories	101	131	530	800	705
Others	41	89	128	124	124
<b>Non-current assets</b>					
Fixed assets	297	298	343	403	463
Intangible assets	-	-	-	-	-
Investment properties	342	333	427	1,228	1,277
Investment in shares	4	82	775	2	2
Other non-current assets	77	123	192	279	257
<b>Total assets</b>	<b>919</b>	<b>1,247</b>	<b>3,505</b>	<b>3,716</b>	<b>3,615</b>
<b>Current liabilities</b>					
Accounts & other payables	20	30	124	207	194
ST debt	-	-	-	-	-
Current portion of LT debt	145	230	819	722	343
Others	27	38	145	206	195
<b>Non-current liabilities</b>					
LT debt & financial liabilities	125	148	905	632	830
Employee benefits liability	15	18	20	21	23
Other non-current liabilities	35	35	355	573	490
<b>Total liabilities</b>	<b>366</b>	<b>499</b>	<b>2,367</b>	<b>2,361</b>	<b>2,076</b>
<b>Controlling interest</b>					
Capital stock	35	36	36	36	36
Additional paid-in capital	287	455	689	689	689
Other Reserves	26	40	39	35	35
Retained earnings	188	224	345	459	548
Minority interest	29	24	67	177	276
<b>Shareholders' equity</b>	<b>564</b>	<b>780</b>	<b>1,176</b>	<b>1,397</b>	<b>1,585</b>

**Cash flow** (USD mn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
<b>C/F from operating</b>					
Net profit	36	36	120	114	89
Depreciation	43	75	78	104	104
Net incr. in W/C	(46)	(57)	(249)	(114)	67
Others	86	79	301	265	60
<b>C/F from investing</b>					
CAPEX	(57)	(191)	(783)	(130)	(150)
Others	(13)	(51)	(15)	(30)	(30)
<b>C/F from financing</b>					
Incr. in equity	-	170	235	-	-
Incr. in debts	(34)	79	1,277	(356)	(180)
Dividends	-	(0)	-	-	-
Others	(15)	(2)	(54)	(76)	(57)
<b>C/F from others</b>					
Increase in cash	<b>1</b>	<b>138</b>	<b>910</b>	<b>(223)</b>	<b>(97)</b>

**Income statement** (USD mn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	322	381	836	1,311	1,186
COGS	(208)	(261)	(566)	(944)	(886)
<b>Gross profit</b>	<b>114</b>	<b>120</b>	<b>270</b>	<b>367</b>	<b>300</b>
SG&A expense	(20)	(29)	(79)	(98)	(88)
<b>Operating profit</b>	<b>94</b>	<b>91</b>	<b>190</b>	<b>269</b>	<b>212</b>
<b>Financial income</b>					
Interest income	0	2	34	56	53
<b>Financial expense</b>					
Interest expense	(18)	(13)	(54)	(76)	(57)
Other non-operating profit	(20)	(23)	39	(25)	(20)
<b>Earnings before tax</b>	<b>56</b>	<b>57</b>	<b>210</b>	<b>225</b>	<b>188</b>
Income taxes	(27)	(23)	(46)	-	-
<b>Net profit</b>	<b>36</b>	<b>36</b>	<b>120</b>	<b>114</b>	<b>89</b>
Non-controlling interest	(7)	(3)	43	111	98
<b>Other comprehensive profit</b>					
Total comprehensive profit of controlling interest					
<b>EBITDA</b>	<b>137</b>	<b>166</b>	<b>268</b>	<b>373</b>	<b>315</b>

**Key financial data**

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
<b>per share data (IDR)</b>					
EPS	24	23	74	71	56
BPS	368	486	720.3	867.5	984.1
DPS	-	-	-	-	-
<b>Growth (%)</b>					
Sales growth	(19.9)	18.4	119.4	56.8	(9.5)
OP growth	(30.5)	(3.5)	109.3	41.5	(21.3)
NP growth	(48.9)	(0.2)	233.1	(5.3)	(21.7)
EBITDA growth	(30.3)	20.5	62.0	39.0	(15.4)
<b>Profitability (%)</b>					
OP margin	29.2	23.8	22.7	20.5	17.9
NP margin	11.2	9.5	14.4	8.7	7.5
EBITDA margin	42.7	43.5	32.1	28.5	26.6
ROA	3.8	3.3	5.0	3.1	2.4
ROE	6.7	5.4	12.3	8.9	6.0
Dividend yield	-	-	-	-	-
Dividend payout ratio	-	-	-	-	-
<b>Stability</b>					
Net debt (US\$ m)	180	148	596	450	367
Int.-bearing debt/equity (%)	41.0	42.8	143.9	94.6	72.0
<b>Valuation (X)</b>					
PE	185.1	193.9	59.1	61.6	78.7
PB	11.9	9.0	6.1	5.0	4.4
EV/EBITDA	50.0	41.3	26.3	18.3	21.4

## United Tractors (UNTR)

### A must-own commodity proxy

#### Leading heavy equipment distributor and mining contracting

UNTR is a subsidiary of conglomerates Astra International Tbk (ASII) and has a diversified portfolio with heavy equipment, mining contracting, coal and gold mining, construction, and power plant. UNTR's two prominent divisions (i.e. heavy equipment and mining contracting) are the market leader with established networks in various strategic provinces and cities around Indonesia.

#### On the verge of unprecedented USD1.3bn earnings

The sustainably strong outlook on coal sector in general and recent trajectory of its earnings which were driven particularly by heavy equipment division performance should push UNTR to book its record earnings in FY22 at USD1.3bn. UNTR recorded 3Q22 net profit of IDR5.5tn (-9% QoQ from record quarterly earnings in 2Q22), bringing its 9M22 profit to IDR15.9tn (+103% YoY, 82% of our FY22F estimate).

#### Solid YTD operational data in core coal-related business...

UNTR's 10M22 operational data is largely within our expectations forming 68%-92% of our FY22 estimates across segments. Komatsu 10M22 sales were 5,087 units (+96% YoY) with long lead time orders, especially for coal mining's large machinery. PAMA delivered 94.2mn tonnes coal (-3% YoY) with 8.2x SR for 10M22 period. UNTR's 10M22 own coal mining production of 8.5mn tonnes (+4% YoY), while Martabe's 10M22 gold production fell 15% YoY at ~240k oz.

#### A must-own commodity proxy – BUY UNTR

We have a BUY recommendation on UNTR as another proxy for high commodity prices environment. Our DCF valuation of IDR41,000/share implies 10.5x FY23F PE (at its 5-year historical average). UNTR has a sizable IDR 37.7tn net cash position which allows them to: 1) seek inorganic growth from other minerals or renewable projects when opportunities arise and 2) strengthen its subsidiaries' balance sheet for sustainable growth forward.

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	60,347	79,460	114,334	95,915	84,096
GP (IDR bn)	12,989	19,664	33,211	21,602	18,515
OP (IDR bn)	8,294	14,875	26,980	15,895	13,091
NP (IDR bn)	6,003	10,279	19,295	11,527	10,125
EBITDA (IDR bn)	18,240	23,640	34,105	23,539	20,817
Net debt (IDR bn)	(8,017)	(24,135)	(26,412)	(29,996)	(36,739)
OP margin (%)	30.2	29.8	29.8	24.5	24.8
ROE (%)	10.1	16.0	25.7	14.0	11.9
Dividend yield (%)	2.1	4.0	10.1	5.0	4.4
EPS (IDR)	1,609	2,756	5,173	3,090	2,715
chg. (% YoY)	(46.9)	71.2	87.7	(40.3)	(12.2)
BPS (IDR)	16,162	18,380	21,850	22,258	23,478
DPS (IDR)	644	1,240	3,104	1,545	1,357
PE (x)	16.5	8.0	5.9	9.9	11.3
PB (x)	1.7	1.2	1.4	1.4	1.3
EV/EBITDA (x)	5.2	2.6	2.6	3.6	3.7

12M rating **BUY**  
12M TP **IDR 41,000**  
Upside **+34%**

#### Stock Data

JCI (Dec 1)	7,021
Stock price (Dec 1, IDR)	30,675
Market cap (IDR bn)	114,422
Shares outstanding (mn)	3,730
52-week high/low (IDR)	36,200 / 21,250
6M avg. daily turnover (IDR bn)	183.6
Free float (%)	40.5

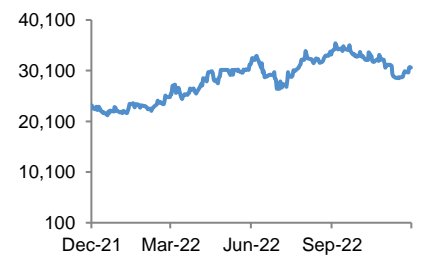
#### Major shareholders (%)

Astra International Tbk	59.5
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#### Performance

	1M	6M	12M
Absolute (%)	(4.6)	0.8	52.5
Relative to JCI (%)	(2.0)	(0.2)	29.1

#### UNTR's share price performance



Source: Bloomberg

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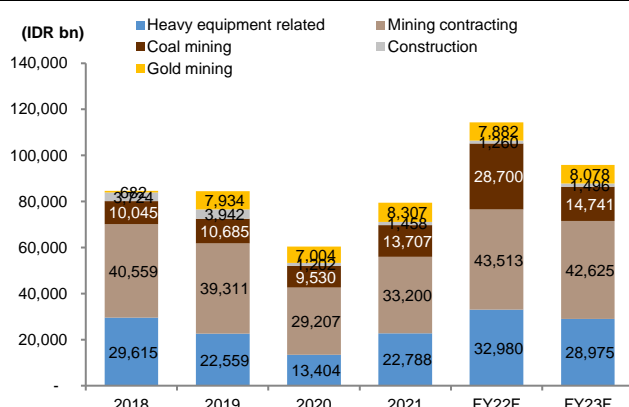


Table 1. UNTR's 10M22 operational summary

Segment		Unit	Oct-21	Sep-22	Oct-22	%MoM	%YoY	10M21	10M22	%YoY	10M22 as % of FY22F
Heavy equipment sales	Komatsu	unit	396	545	553	1%	40%	2,590	5,087	96%	92%
Mining contracting	Coal delivered	mn t	9.9	11.3	10.9	-4%	10%	97.4	94.2	-3%	79%
	OB Removal	mn bcm	78.9	84.5	83.5	-1%	6%	709.6	775.3	9%	79%
	Strip ratio	x	8.0	7.5	7.7			7.3	8.2		
Coal mining	Production	mn t	0.4	0.5	0.7	54%	79%	8.2	8.5	4%	77%
Gold mining	Production	k oz	25	24	24	0%	-4%	283	240	-15%	68%

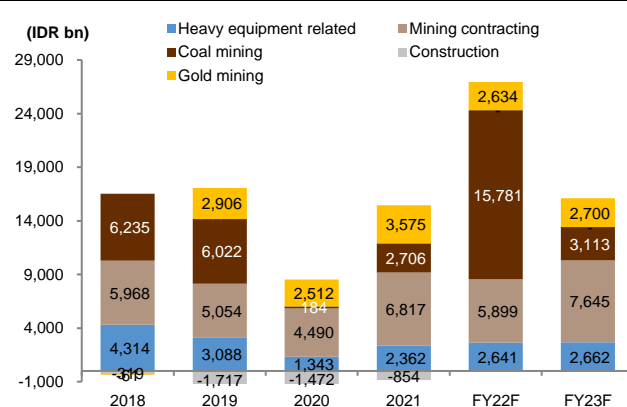
Source: Company, KISI

Fig 1. UNTR's revenue breakdown



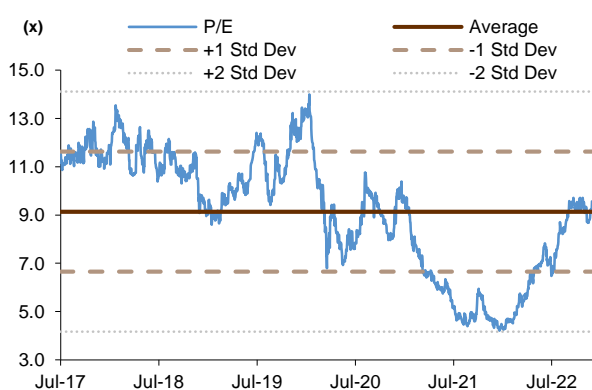
Source: Company's data, KISI

Fig 2. UNTR's operating profit breakdown



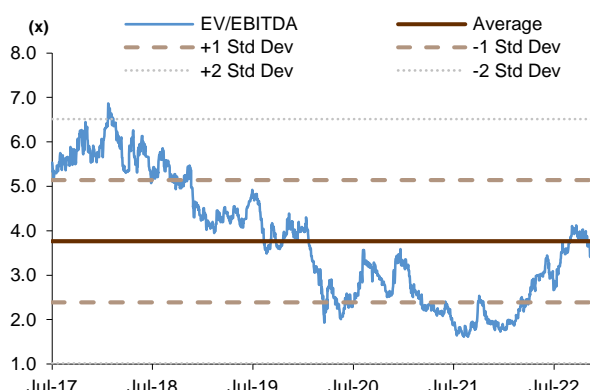
Source: Company's data, KISI

Fig 3. UNTR's PE band



Source: Bloomberg, KISI

Fig 4. UNTR's EV/EBITDA band



Source: Bloomberg, KISI



## Balance sheet

(IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Current assets	44,196	60,604	82,211	77,965	79,869
Cash & cash equivalent	20,499	33,322	33,099	34,701	41,194
Accounts & other receivables	10,138	12,207	28,192	23,650	20,736
Inventories	8,197	9,660	15,558	14,252	12,577
Others	5,362	5,415	5,362	5,362	5,362
Non-current assets	55,605	51,957	55,202	57,795	58,203
Fixed assets	37,280	32,382	35,627	38,220	38,628
Other non-current assets	18,326	19,575	19,575	19,575	19,575
<b>Total assets</b>	<b>99,801</b>	<b>112,561</b>	<b>137,413</b>	<b>135,760</b>	<b>138,072</b>
Current liabilities	20,944	30,489	40,987	37,155	33,914
Accounts & other payables	10,273	14,518	27,782	25,450	22,459
ST debt	4,045	6,205	4,205	2,705	2,455
Current portion of LT debt					
Others	6,626	9,766	9,000	9,000	9,000
Non-current liabilities	15,710	10,249	9,749	9,267	9,267
LT debt & financial liabilities	8,436	2,982	2,482	2,000	2,000
Employee benefits liability					
Other non-current liabilities	7,274	7,268	7,268	7,268	7,268
<b>Total liabilities</b>	<b>36,654</b>	<b>40,739</b>	<b>50,737</b>	<b>46,423</b>	<b>43,182</b>
Controlling interest					
Capital stock	933	933	933	933	933
Additional paid-in capital	9,704	9,704	9,704	9,704	9,704
Other Reserves	156	1,250	1,404	1,404	1,404
Retained earnings	49,493	56,673	69,464	70,985	75,537
Minority interest	2,861	3,263	5,171	6,311	7,313
<b>Shareholders' equity</b>	<b>63,147</b>	<b>71,823</b>	<b>86,676</b>	<b>89,337</b>	<b>94,890</b>

## Cash flow

(IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
C/F from operating	18,557	23,285	19,710	23,827	20,451
Net profit	6,003	10,279	19,295	11,527	10,125
Depreciation	9,946	8,765	7,125	7,644	7,726
Net incr. in W/C	1,723	713	(8,618)	3,516	1,598
Others	885	3,528	1,908	1,140	1,001
C/F from investing	(2,594)	(3,159)	(10,929)	(10,237)	(8,133)
CAPEX	(2,824)	(3,061)	(10,929)	(10,237)	(8,133)
Others	229	(98)	-	-	-
C/F from financing	(7,834)	(7,420)	(9,003)	(11,988)	(5,824)
Incr. in equity	-	-	-	-	-
Incr. in debts	(1,609)	(2,500)	(2,500)	(1,982)	(250)
Dividends	(3,639)	(3,013)	(6,503)	(10,006)	(5,574)
Others	(2,586)	(1,907)	-	-	-
C/F from others					
Increase in cash	8,129	12,706	(222)	1,601	6,493

## Income statement

(IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	60,347	79,460	114,334	95,915	84,096
COGS	(47,357)	(59,796)	(81,123)	(74,313)	(65,580)
<b>Gross profit</b>	<b>12,989</b>	<b>19,664</b>	<b>33,211</b>	<b>21,602</b>	<b>18,515</b>
SG&A expense	(4,695)	(4,789)	(6,231)	(5,707)	(5,424)
<b>Operating profit</b>	<b>8,294</b>	<b>14,875</b>	<b>26,980</b>	<b>15,895</b>	<b>13,091</b>
Financial income					
Interest income	759	872	817	908	1,018
Financial expense					
Interest expense	(1,540)	(754)	(575)	(427)	(343)
Other non-operating profit	(824)	(980)	(738)	(735)	-
Income from JVs, associates, subsidiaries	323	449	700	600	500
<b>Earnings before tax</b>	<b>7,011</b>	<b>14,462</b>	<b>27,183</b>	<b>16,240</b>	<b>14,265</b>
Income taxes	(1,379)	(3,854)	(5,980)	(3,573)	(3,138)
<b>Net profit</b>	<b>6,003</b>	<b>10,279</b>	<b>19,295</b>	<b>11,527</b>	<b>10,125</b>
Non-controlling interest	371	(329)	(1,908)	(1,140)	(1,001)
Other comprehensive profit					
Total comprehensive profit					
Total comprehensive profit of controlling interest					
<b>EBITDA</b>	<b>18,240</b>	<b>23,640</b>	<b>34,105</b>	<b>23,539</b>	<b>20,817</b>

## Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (IDR)					
EPS	1,609	2,756	5,173	3,090	2,715
BPS	16,162	18,380	21,850	22,258	23,478
DPS	644	1,240	3,104	1,545	1,357
Growth (%)					
Sales growth	(28.5)	31.7	43.9	(16.1)	(12.3)
OP growth	(50.1)	79.3	81.4	(41.1)	(17.6)
NP growth	(46.9)	71.2	87.7	(40.3)	(12.2)
EBITDA growth	(27.4)	29.6	44.3	(31.0)	(11.6)
Profitability (%)					
OP margin	13.7	18.7	23.6	16.6	15.6
NP margin	9.9	12.9	16.9	12.0	12.0
EBITDA margin	30.2	29.8	29.8	24.5	24.8
ROA	5.4	10.3	17.1	8.4	7.5
ROE	10.1	16.0	25.7	14.0	11.9
Dividend yield	2.1	4.0	10.1	5.0	4.4
Dividend payout ratio	40.0	45.0	60.0	50.0	50.0
Stability					
Net debt (IDR bn)	(8,017)	(24,135)	(26,412)	(29,996)	(36,739)
Int.-bearing debt/equity (%)	19.8	12.8	7.7	5.3	4.7
Valuation (X)					
PE	16.5	8.0	5.9	9.9	11.3
PB	1.7	1.2	1.4	1.4	1.3
EV/EBITDA	5.2	2.6	2.6	3.6	3.7

# Kalbe Farma (KLBF)

## Positive performance to continue

### Leading private pharmaceuticals company in Indonesia

KLBF provides end-to-end health solutions through 4 business segments; namely Prescription Pharmaceuticals (unbranded generics, branded generics, and licensed drugs), Health Products (including OTC drugs and various types of RTD healthy drinks products), Nutritional (powdered & RTD milk), and Distribution & Logistics (networks to reach nearly one million outlets throughout Indonesia). KLBF also serves overseas markets in ASEAN and African countries.

### Pharma's synergistic acquisition and biologic drugs commencement

KLBF has signed a share purchase agreement (SPA) for 100% of PT Aventis Pharma's shares: 80% with Sanofi Aventis Participations and Hoechst GMBH (Jul 2022) and 20% with PT Usaha Munidin Raya (Oct 2022). The transaction is expected to have a positive impact on KLBF, particularly in the prescription drug division with an estimated sales contribution of 3-4% to total sales in 2023.

Although the detail of the transaction value has not been disclosed yet, KLBF should be able to accommodate the transaction on the back of its strong balance sheet of net cash IDR 3.1tn and net gearing -0.15x as of Sept 2022. On the biosimilar development, two biosimilar products namely insulin and rituximab are expected to be produced at end of 2022, and the two others in 2023/2024. In novel biologics, two products will be commercialized in 2023. This should boost the prescription pharma growth from 2023 onwards (vs. mid-single digit growth of 5.1% CAGR17-21A) and elevate the margin as the biologics' products have the highest operating margin than other products mix.

### Declining margin due to business mix and rising raw material prices

Management targets revenue and EPS growth of 11-15% YoY in 2022. As of 9M22, revenue growth of 10.9% YoY is still in line with the target, while net profit growth of 8.6% YoY fell below the target. KLBF has increased ASP by 3-5% in 1H22 and plans to further increase ASP by 2-3% in 2H22 on selected products. However, it cannot offset the margin contraction, indicated by KLBF's lower gross margin at 41.2% in 9M22, a decline of 2.1 ppt YoY, due to business mix impact (higher distribution & logistics and unbranded generics contributions) and higher raw material prices. The composition of unbranded generics increased to 27% of total prescription pharma revenue in 9M22 (vs. 25% in 9M21) from a double-digit 13.5% growth YoY, while branded generics and licensed products booked low/ negative YoY growth of 5.1% and -3.3%. The days of inventories have increased from 122 days in FY21 to 144 days in 9M22 to secure raw materials from current dynamics. Nevertheless, the operating margin should be stable at a 14-15% level supported by its operational effectiveness.

	2018A	2019A	2020A	2021A	9M22
Sales (IDR bn)	21,074.3	22,633.5	23,112.7	26,261.2	21,181.8
GP (IDR bn)	9,847.9	10,243.5	10,246.3	11,283.8	8,734.6
EBT (IDR bn)	3,313.8	3,310.2	3,555.2	4,021.4	3,090.3
NP (IDR bn)	2,457.1	2,506.8	2,733.3	3,183.6	2,485.5
EBITDA (IDR bn)	3,739.8	3,772.9	4,152.6	4,673.5	3,591.6
Net debt (IDR bn)	(2,824.3)	(2,243.2)	(4,198.9)	(5,683.7)	(3,117.0)
OP margin (%)	15.7	14.6	15.4	15.3	14.6
ROE (%)	17.6	16.4	16.4	17.2	
Dividend yield (%)	1.3	1.3	1.4	1.7	
EPS (IDR)	52.4	53.5	58.3	67.9	53.0
chg. (% YoY)	2.2	2.0	9.0	16.5	
BPS (IDR)	326.3	356.4	389.9	453.7	451.2
DPS (IDR)	26.0	26.0	28.0	34.8	
PE (x)	39.1	38.3	35.2	30.2	38.7
PB (x)	6.3	5.8	5.3	4.5	4.5
EV/EBITDA (x)	25.1	25.1	22.4	19.7	26.4

## Company Update

### Pharmaceutical

December 5, 2022

12M rating **Non Rated**

12M TP

Up/downside

#### Stock Data

JCI (Dec 1)	7,021
Stock price (Dec 1, IDR)	2,050
Market cap (IDR bn)	96,094
Shares outstanding (mn)	46,875
52-week high/low (IDR)	2,150/1,520
6M avg. daily turnover (IDR bn)	78.4
Free float (%)	41.8

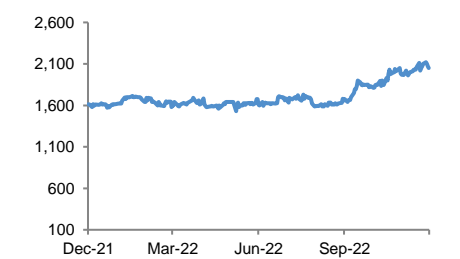
#### Major shareholders (%)

PT Ladang Ira Panen	10.5
PT Gira Sole Prima	10.3
PT Santa Seha Sanadi	10.1

#### Performance

	1M	6M	12M
Absolute (%)	1.0	23.6	32.1
Relative to JCI (%)	3.7	24.6	19.5

#### Stock price trend

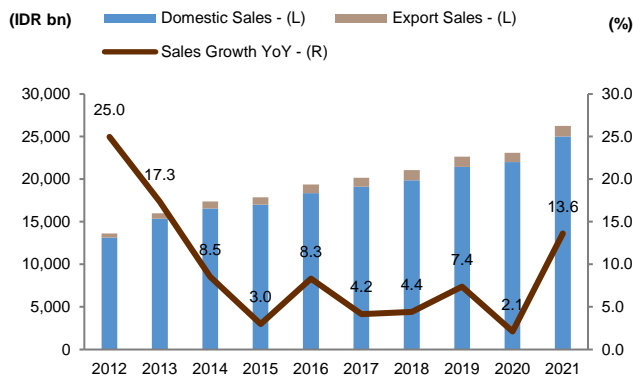


Source: Bloomberg

## Filia Gladwyn

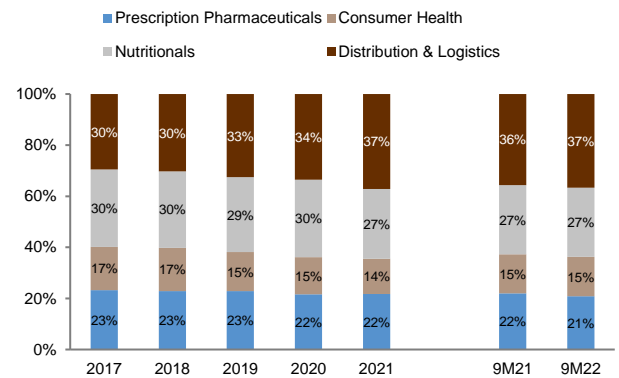
[filia.a@kisi.co.id](mailto:filia.a@kisi.co.id)

Fig 1. Sales and Growth



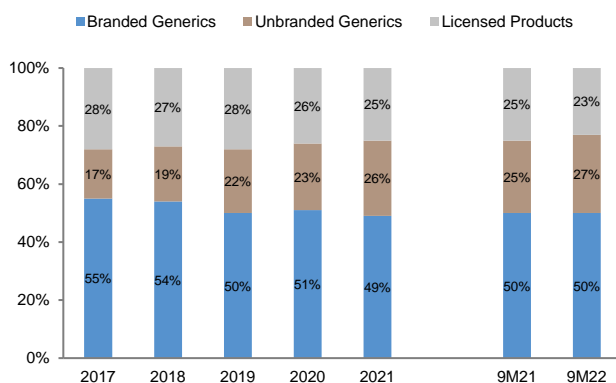
Source: Company, KISI

Fig 2. Revenue Breakdown



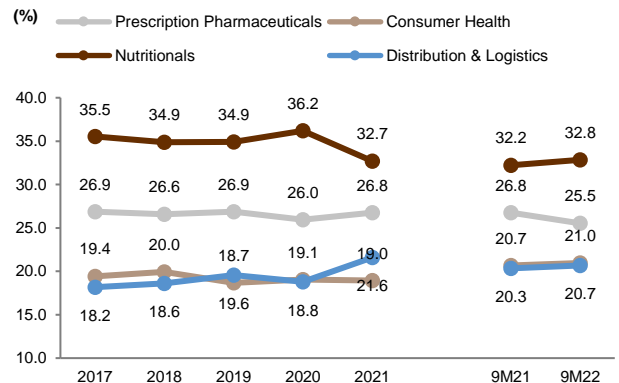
Source: Company, KISI

Fig 3. Prescription Pharma Revenue Contribution



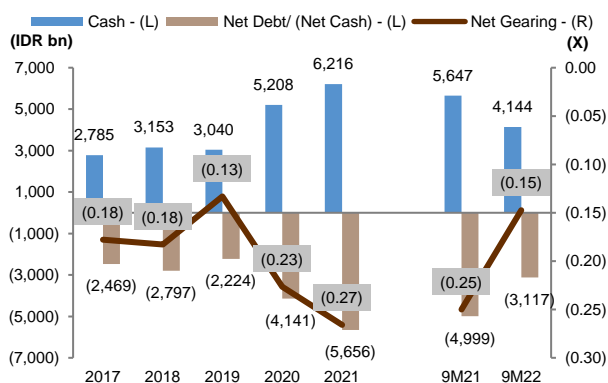
Source: Company, KISI

Fig 4. Gross Profit Margin by Segment



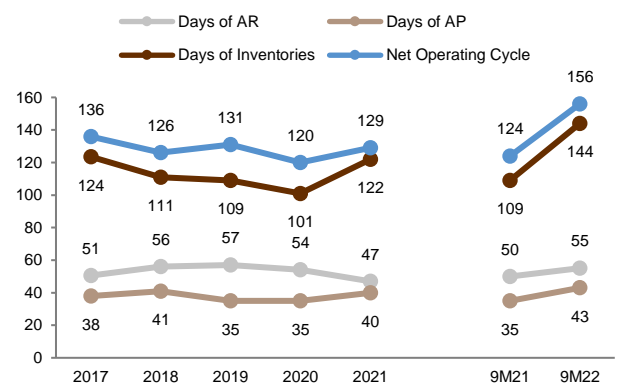
Source: Company, KISI

Fig 5. Strong Balance Sheet Position



Source: Company, KISI

Fig 6. Working Capital Cycle



Source: Company, KISI

## Balance sheet

(IDRbn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
<b>Current assets</b>	<b>10,044</b>	<b>10,648</b>	<b>11,222</b>	<b>13,075</b>	<b>15,712</b>
Cash & cash equivalent	2,785	3,153	3,040	5,208	6,216
Accounts & other receivables	2,968	3,374	3,698	3,595	3,545
Inventories	3,557	3,475	3,738	3,600	5,087
Others	734	647	746	673	864
<b>Non-current assets</b>	<b>6,572</b>	<b>7,498</b>	<b>9,042</b>	<b>9,489</b>	<b>9,954</b>
Fixed assets	5,343	6,253	7,666	8,158	7,994
Other non-current assets	1,230	1,245	1,376	1,331	1,960
<b>Total assets</b>	<b>16,616</b>	<b>18,146</b>	<b>20,265</b>	<b>22,564</b>	<b>25,667</b>
<b>Current liabilities</b>	<b>2,227</b>	<b>2,286</b>	<b>2,577</b>	<b>3,176</b>	<b>3,535</b>
Accounts & other payables	1,541	1,700	1,712	1,896	2,378
ST debt & bond	169	69	150	221	-
Current portion of LT debt	3	27	19	149	94
Others	515	490	696	911	1,063
<b>Non-current liabilities</b>	<b>495</b>	<b>565</b>	<b>982</b>	<b>1,112</b>	<b>866</b>
LT debt & financial liabilities	144	260	648	789	533
Other non-current liabilities	351	306	334	323	334
<b>Total liabilities</b>	<b>2,722</b>	<b>2,852</b>	<b>3,559</b>	<b>4,288</b>	<b>4,401</b>
Controlling interest					
Capital stock	469	469	469	469	469
Additional paid-in capital	(34)	(34)	(34)	(34)	(34)
Other Reserves	58	116	97	95	398
Retained earnings	12,788	14,073	15,361	16,876	18,747
Minority interest	613	671	812	871	1,686
<b>Shareholders' equity</b>	<b>13,894</b>	<b>15,295</b>	<b>16,706</b>	<b>18,276</b>	<b>21,266</b>

## Cash flow

(IDRbn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
<b>C/F from operating</b>	<b>2,258</b>	<b>2,738</b>	<b>2,534</b>	<b>3,833</b>	<b>2,906</b>
Pre-tax profit	2,404	2,457	2,507	2,733	3,184
Depreciation	403	426	463	597	652
Net incr. in W/C	(598)	(185)	(466)	436	(978)
Others	50	40	31	66	48
<b>C/F from investing</b>	<b>(1,143)</b>	<b>(1,250)</b>	<b>(1,778)</b>	<b>(1,120)</b>	<b>(255)</b>
CAPEX	(1,143)	(1,250)	(1,778)	(1,120)	(255)
Others	0	0	0	0	0
<b>C/F from financing</b>	<b>(983)</b>	<b>(1,132)</b>	<b>(758)</b>	<b>(968)</b>	<b>(1,819)</b>
Incr. in equity	0	0	0	0	0
Incr. in debts	48	40	461	250	(507)
Dividends	(1,031)	(1,172)	(1,219)	(1,219)	(1,313)
Others	0	0	0	0	0
C/F from others	0	0	0	0	0
<b>Increase in cash</b>	<b>132</b>	<b>357</b>	<b>(2)</b>	<b>1,745</b>	<b>832</b>

## Income statement

(IDRbn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Sales	20,182	21,074	22,633	23,113	26,261
COGS	(10,370)	(11,226)	(12,390)	(12,866)	(14,977)
<b>Gross profit</b>	<b>9,812</b>	<b>9,848</b>	<b>10,243</b>	<b>10,246</b>	<b>11,284</b>
SG&A expense	(6,599)	(6,534)	(6,933)	(6,691)	(7,262)
<b>Operating profit</b>	<b>3,214</b>	<b>3,314</b>	<b>3,310</b>	<b>3,555</b>	<b>4,021</b>
Interest income	135	126	138	152	111
Interest expense	(36)	(30)	(40)	(90)	(57)
Other non-operating profit	(55)	(101)	(10)	(11)	(12)
Gains (Losses) in associates, subsidiaries and JV	(16)	(3)	5	22	80
<b>Earnings before tax</b>	<b>3,241</b>	<b>3,306</b>	<b>3,403</b>	<b>3,628</b>	<b>4,143</b>
Income taxes	(788)	(809)	(865)	(828)	(911)
<b>Net profit</b>	<b>2,404</b>	<b>2,457</b>	<b>2,507</b>	<b>2,733</b>	<b>3,184</b>
Net profit of controlling interest	50	40	31	66	48
Other comprehensive profit	-	-	-	-	-
Total comprehensive profit	-	-	-	-	-
Total comprehensive profit of controlling interest	-	-	-	-	-
<b>EBITDA</b>	<b>3,617</b>	<b>3,740</b>	<b>3,773</b>	<b>4,153</b>	<b>4,674</b>

## Key financial data

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
<b>per share data (IDR)</b>					
EPS	51.3	52.4	53.5	58.3	67.9
BPS	296.4	326.3	356.4	389.9	453.7
DPS	25.0	26.0	26.0	28.0	34.8
<b>Growth (%)</b>					
Sales growth	4.2	4.4	7.4	2.1	13.6
OP growth	5.1	3.1	(0.1)	7.4	13.1
NP growth	4.5	2.2	2.0	9.0	16.5
EBITDA growth	4.7	3.4	0.9	10.1	12.5
<b>Profitability (%)</b>					
OP margin	15.9	15.7	14.6	15.4	15.3
NP margin	11.9	11.7	11.1	11.8	12.1
EBITDA margin	17.9	17.7	16.7	18.0	17.8
ROA	15.1	14.1	13.1	12.8	13.2
ROE	19.1	17.6	16.4	16.4	17.2
Dividend yield	1.2	1.3	1.3	1.4	1.7
Dividend payout ratio	44.8	48.8	49.6	48.6	48.0
<b>Stability</b>					
Net debt (IDR bn)	(2,469)	(2,797)	(2,224)	(4,141)	(5,656)
Int.-bearing debt/equity (%)	2.3	2.3	4.9	5.8	2.6
<b>Valuation (X)</b>					
PE	40.0	39.1	38.3	35.2	30.2
PB	6.9	6.3	5.8	5.3	4.5
EV/EBITDA	26.1	25.1	25.1	22.4	19.7

## Charoen Pokphand Indonesia (CPIN)

### Expecting better broiler margins

#### Export to Singapore is good news, but not move a needle

After Singapore Food Agency (SFA) approved Indonesia as a new import source of poultry and poultry products (chilled, frozen, and processed chicken), only CPIN which exported its first shipment to the country with volumes of 50 tonnes of frozen chicken in July-22. Meanwhile, JPFA has not started its export to Singapore. CPIN targeted to export up to 1,000 tonnes of chicken until the end of this year. Referring to the company's statement, if the value of the contract is estimated at only IDR30-40 bn, it only represents 0.05-0.07% of FY22F revenue, hence we believe it will not move a needle for now

#### In-line 9M22 revenue; stable margins

3Q22 net profit declined on quarterly basis to IDR769 bn (-37.3% QoQ) underpinned by feed and broiler divisions that witnessed lower margins. 9M22 net profit stood at IDR3.2 tn (+19.1% YoY), forming 71.6% and 74.9% of ours and cons. FY22F. We view 9M22 earnings to remain in-line with our projections. GPM and OPM in 3Q22 declined to 13.7% (vs. 17.4% in 2Q22) and 7.0% (vs. 10.9% in 2Q22). Overall, 9M22 margins are relatively stable compared to 9M21

#### Government focus on stabilizing chicken prices

In 4Q22, the government aims to stabilize weak chicken prices by introducing new pricing guidelines for poultry products and conducting a culling program. With the combination, we view chicken prices will normalize to above IDR19k after unfavorable weak demand period that led livebird prices to drop to around IDR14-16k.

#### Re-iterate a Buy call on CPIN with TP of IDR7,000/share

The company currently trades at 17.8x forward PE (vs. 5-year mean of 22.6x). We view the condition of Indonesia poultry industry in 2H22 likely to be better. Normalizing soft commodities prices coupled with recovery in chicken demand are the key drivers to boost the company's performance. We project CPIN to book net profit growth of 22.9-20.4% in FY22-23F. We reiterate Buy rating and FY23F TP of IDR7,000/share, pegging PE multiple of 22x..

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Sales (IDR)	42,519	51,698	57,141	60,992	64,917
OP (IDR)	5,372	4,610	6,096	7,083	7,558
EBT (IDR)	4,768	4,634	5,694	6,685	7,166
NP (IDR)	3,846	3,619	4,447	5,222	5,597
EBITDA (IDR)	6,234	5,592	7,181	8,262	8,842
OP margin (%)	12.6	8.9	10.7	11.6	11.6
ROE (%)	11.8	10.1	11.4	12.1	11.7
Dividend yield (%)	1.9	1.9	2.3	2.7	2.9
EPS (IDR)	235	221	271	318	341
chg. (% YoY)	5.6	(5.9)	22.9	17.4	7.2
BPS (IDR)	1,424	1,534	1,697	1,883	2,068
DPS (IDR)	112.00	108.00	132.72	155.83	167.02
PE (x)	24.2	25.7	20.9	17.8	16.6
PB (x)	4.0	3.7	3.3	3.0	2.7
EV/EBITDA (x)	15.5	17.8	13.6	11.9	10.9

## Company Update

### Poultry

December 5, 2022

12M rating **BUY**  
12M TP **IDR 7,000**  
Up/downside +31%

#### Stock Data

JCI (Dec 1)	7,021
Stock price (Dec 1, IDR)	5,675
Market cap (IDR Bn)	93,058
Shares outstanding (Mn)	16,398
52-week high/low (IDR)	6,525/4,800
6M avg. daily turnover (IDR Bn)	45.56
Free float (%)	44.47

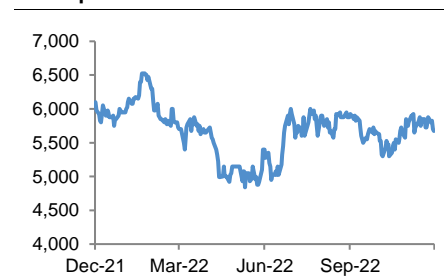
#### Major shareholders (%)

Central Agromina	55.53
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#### Performance

	3M	6M	12M
Absolute (%)	2.2	7.7	(4.3)
Relative to JCI (%)	(2.6)	7.0	(11.2)

#### Stock price trend

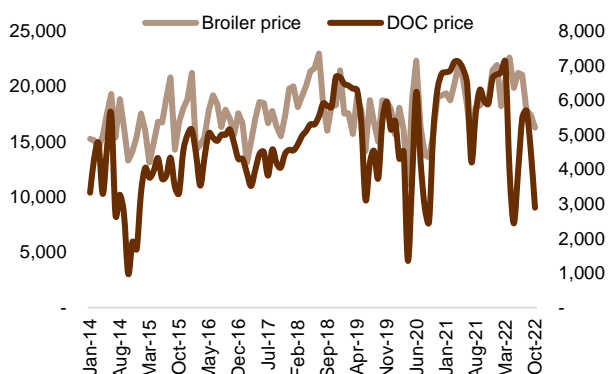


Source: Bloomberg

#### Fahressi Fahalmesta

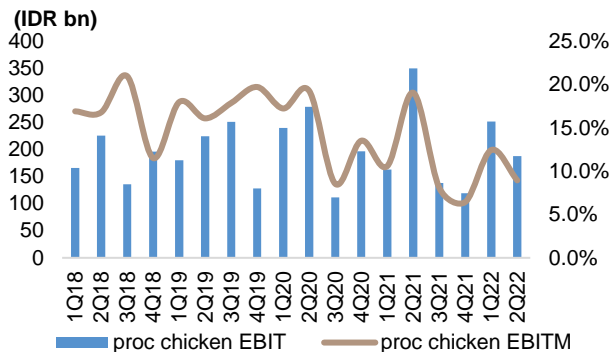
[fahressi.f@kisi.co.id](mailto:fahressi.f@kisi.co.id)

Fig 1. Broiler and DOC prices



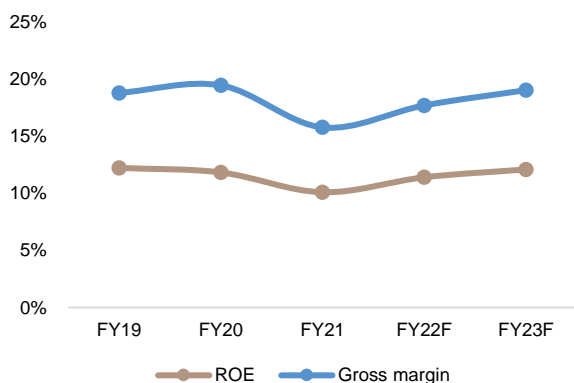
Source: Company, KISI

Fig 2. Processed chicken



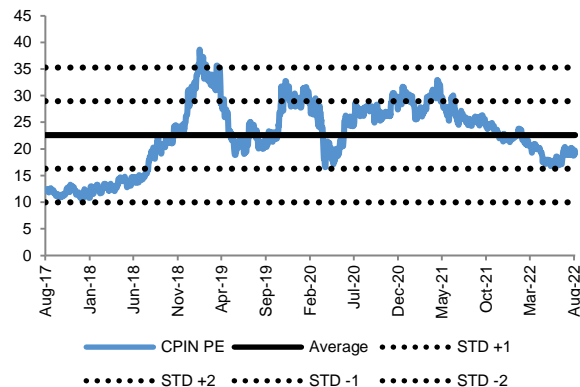
Source: Company, KISI

Fig 3. CPIN ROE and gross margin



Source: Company, KISI

Fig 4. 5-year PE band



Source: Company, KISI

## Balance sheet

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Current assets	13,532	15,715	17,100	18,960	19,294
Cash & cash equivalent	2,678	1,803	3,550	3,440	4,089
Accounts & other receivables	5,161	6,257	6,769	7,141	7,528
Inventory	5,693	7,655	6,780	8,379	7,677
Non-current assets	17,627	19,731	21,129	22,571	25,564
Fixed assets	14,494	16,256	17,480	18,740	21,540
Other assets	3,133	3,475	3,649	3,832	4,023
Total assets	31,159	35,446	38,230	41,532	44,858
Current liabilities	5,356	7,836	7,829	7,991	8,176
Accounts & other payables	1,171	1,572	1,481	1,555	1,647
ST debt & bond	2,770	4,587	4,587	4,587	4,587
Current portion of LT debt	1,416	1,677	1,761	1,849	1,942
Non-current liabilities	2,453	2,460	2,574	2,669	2,769
Debentures	1,125	1,102	1,216	1,311	1,411
LT debt & financial liabilities	1,328	1,358	1,358	1,358	1,358
Total liabilities	7,810	10,296	10,403	10,660	10,945
Controlling interest					
Capital stock	164	164	164	164	164
Capital surplus	(43)	(43)	(43)	(43)	(43)
Other Reserves	35	33	33	33	33
Retained earnings	23,194	24,996	27,673	30,718	33,760
Minority interest					
Shareholders' equity	23,350	25,150	27,827	30,872	33,913

## Cash flow

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
C/F from operating	4,846	2,122	5,827	4,609	6,005
EBIT	5,372	4,610	6,096	7,083	7,558
Depreciation & amortization	863	981	1,085	1,283	-
Changes in noncash working capital	416	(2,395)	355	(1,808)	500
Tax payment	(922)	(1,015)	(1,247)	(1,464)	(1,569)
Net cash payment of interest	(377)	(289)	(402)	(398)	(393)
Others	(465)	(41)	(60)	(88)	(92)
C/F from investing	(1,806)	(2,819)	(2,309)	(2,543)	(2,801)
CAPEX					
Decr. in fixed assets					
Incr. in investment					
Net incr. in intangible assets					
Others					
C/F from financing	(2,330)	(316)	(1,771)	(2,176)	(2,555)
Incr. in equity	-	1,817	-	-	-
Incr. in debts	(950)	30	-	-	-
Dividends	(52)	(326)	-	-	-
Others					
C/F from others	7	2	-	-	-
Increase in cash	716	(1,012)	1,747	(214)	1,932

## Income statement

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Sales	42,519	51,698	57,141	60,992	64,917
COGS	34,264	43,559	47,045	49,404	52,326
Gross profit	8,255	8,139	10,097	11,588	12,592
SG&A expense	2,883	3,529	4,000	4,505	5,033
Operating profit	5,372	4,610	6,096	7,083	7,558
Interest income	67	40	44	48	53
Interest expense	(443.2)	(328.6)	(445.8)	(445.8)	(445.8)
Gains (Losses) in associates, subsidiaries and JV	(227.2)	311.9	-	-	-
Earnings before tax	4,768	4,634	5,694	6,685	7,166
Income taxes	922	1,015	1,247	1,464	1,569
Net profit	3,846	3,619	4,447	5,222	5,597
Other comprehensive profit					
Total comprehensive profit					
Total comprehensive profit of controlling interest					
EBITDA	6,234	5,592	7,181	8,262	8,842

## Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (IDR)					
EPS	235	221	271	318	341
BPS	1,424	1,534	1,697	1,883	2,068
DPS	112	108	133	156	167
Growth (%)					
Sales growth	0	22	11	7	6
OP growth	4	(14)	32	16	7
NP growth	6	(6)	23	17	7
EPS growth	6	(6)	23	17	7
EBITDA growth	4	(10)	28	15	7
Profitability (%)					
OP margin	13	9	11	12	12
NP margin	9	7	8	9	9
EBITDA margin	15	11	13	14	14
ROA	14	12	13	14	14
ROE	12	10	11	12	12
Dividend yield	2	2	2	3	3
Dividend payout ratio	48	49	49	49	49
Stability					
Net debt (IDR bn)					
Int.-bearing debt/equity (%)	6%	16%	9%	8%	2%
Valuation (X)					
PE	24.2	25.7	20.9	17.8	16.6
PB	4.0	3.7	3.3	3.0	2.7
EV/EBITDA	15.5	17.8	13.6	11.9	10.9



# Indofood CBP Sukses Makmur (ICBP)

## A taste of home

### Alternative staple food

Instant noodle has become an important alternative to rice as the country's staple food, as its price is the cheapest among others. In the instant noodle market, ICBP's Indomie continues to dominate the market with a 75% market share, followed by Wings' Mie Sedaap with a 16% market share. While some brands emerge and position themselves as alternatives (e.g. more premium, healthier, or cheaper), none have come close to grabbing the market as much as Indomie. This translates into strong pricing power, enabling the company to raise ASP despite pandemic setback. In 2021-2022, ICBP raised noodles ASP 2 times, each by 3-4%.

### Top-line growth shall be supported by higher ASP and volume

We expect ICBP to post 12%/10% top-line growth in FY22/FY23, based on higher ASP and volume. Given the declining soft commodity prices, we expect ICBP will only raise price once annually going forward in the domestic market, unless there is another sharp increase in input costs. Volume growth would largely come from exports, driven by Pinehill's effort to tap into second-tier cities. Margin pressure should ease, but we still take into account the possibility of fluctuating wheat prices as a result of prolonged Russia-Ukraine tension.

### Forex risk should not be a concern in the near-term

ICBP faces a high FX risk from its huge global bonds amounting USD 2.75bn, maturing in 2031 and 2051, with a blended fixed interest rate of 3.9% p.a. (~USD 108mn). Our sensitivity analysis shows that if the exchange rate of USD strengthens/weakens against IDR by 1% and all other factors remain constant, the company will record an unrealized fx loss/gain of IDR 385bn on the translation of bonds payable (a non-cash item). The company does not have any formal hedging policy, as export sales (28% of sales) generate USD that serves as a natural hedge for its interest payment. Since no principal payment is required in the near term, the unrealized fx should not affect its core business. As such, excluding fx effect, we forecast ICBP would post -1%/+15% earnings growth in FY22/23F.

### BUY recommendation with TP of IDR 11,250

Our TP implies 17x FY23F core PE, based on its 3-yr mean. Downside risk to our call: weaker-than-expected purchasing power and higher-than-expected raw material prices.

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	46,641	56,804	63,787	70,410	77,751
GP (IDR bn)	17,224	20,278	21,050	24,291	27,213
OP (IDR bn)	9,117	11,536	11,086	13,269	15,153
Core profit – ex. FX (IDR bn)	7,419	6,850	6,749	7,763	8,833
EBITDA (IDR bn)	10,230	12,806	12,485	14,819	16,869
Net debt/(cash) (IDR bn)	31,132	21,191	27,602	23,759	18,916
OP margin (%)	19.5	20.3	17.4	18.8	19.5
ROE (%)	17.1	12.2	9.3	11.7	13.0
Dividend yield (%)	2.3	2.3	2.3	2.3	2.6
Core EPS (IDR)	636	587	579	666	757
chg. (% YoY)	43.8	(7.7)	(1.5)	15.0	13.8
BPS (IDR)	2,524	2,905	3,140	3,544	4,054
DPS (IDR)	215	215	215	215	247
Core PE (x)	16.0	17.3	17.5	15.2	13.4
PB (x)	4.0	3.5	3.2	2.9	2.5
EV/EBITDA (x)	16.7	12.5	13.4	11.1	9.6

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## Company Update

### Consumer Staples

December 5, 2022

12M rating **Buy**  
12M TP **IDR 11,250**  
Up/downside **+10.8%**

#### Stock Data

JCI (Dec 1)	7,021
Stock price (Dec 1, IDR)	10,150
Market cap (IDR Bn)	118,368
Shares outstanding (Mn)	11,662
52-week high/low (IDR)	10,175 / 7,050
6M avg. daily turnover (IDR Bn)	67.1
Free float (%)	19.5

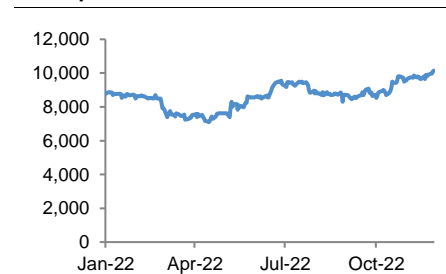
#### Major shareholders (%)

PT Indofood Sukses Makmur	80.5
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#### Performance

	3M	6M	12M
Absolute (%)	3.9	20.6	22.4
Relative to JCI (%p)	7.3	20.5	5.4

#### Stock price trend



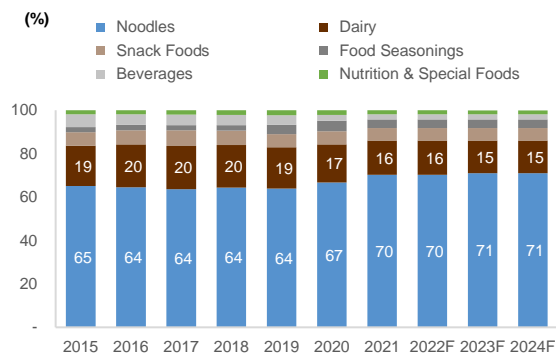
Source: Bloomberg

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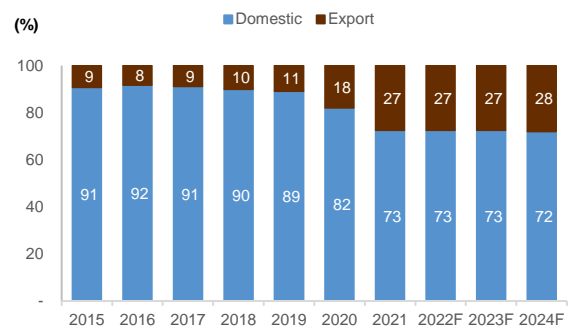


**Fig 1. Revenue breakdown by segment (% of sales)**



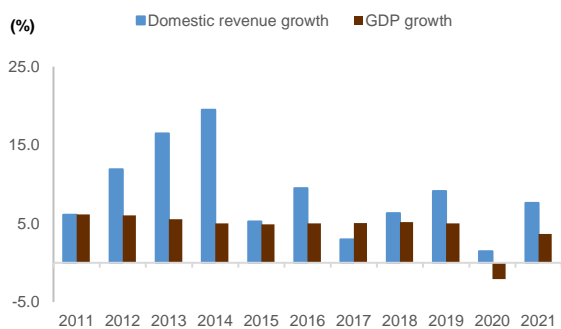
Source: Company, KISI

**Fig 2. Revenue breakdown by area (% of sales)**



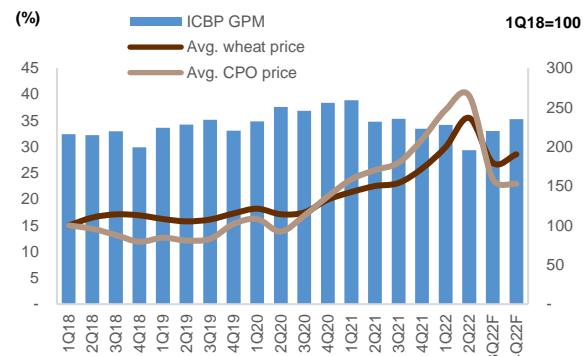
Source: Company, KISI

**Fig 3. Domestic revenue vs. GDP growth**



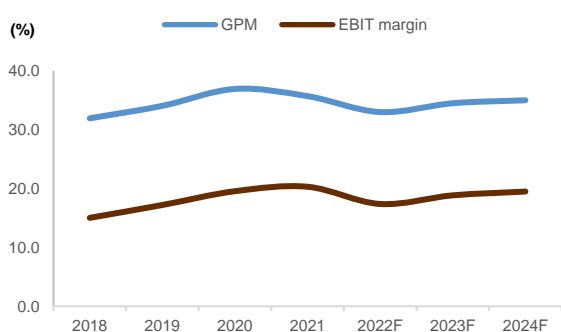
Source: Company, KISI

**Fig 4. Quarterly GPM vs. wheat and CPO price**



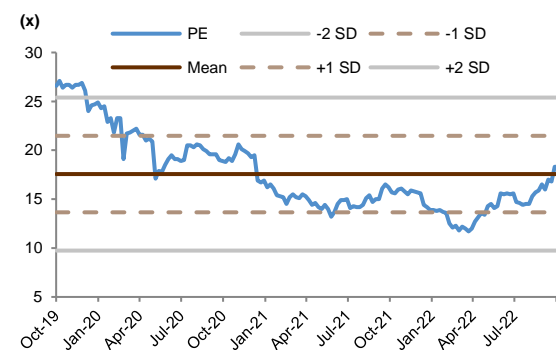
Source: Company, KISI

**Fig 5. GPM and EBIT margin**



Source: Company, KISI

**Fig 6. ICBP PE band**



Source: Bloomberg

## Balance sheet

(IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Current assets					
Cash & cash equivalent	9,535	20,378	13,967	17,810	22,653
Accounts & other receivables	5,747	6,834	6,648	7,338	8,103
Inventories	4,587	5,857	6,079	6,560	7,189
Others	847	928	928	928	928
Non-current assets					
Fixed assets	13,351	14,176	15,400	16,595	17,909
Intangible assets	1,859	1,726	1,726	1,726	1,726
Total investment	10,645	11,069	11,069	11,069	11,069
Other non-current assets	57,017	57,099	57,099	57,099	57,099
<b>Total assets</b>	<b>103,588</b>	<b>118,067</b>	<b>112,916</b>	<b>119,125</b>	<b>126,676</b>
Current liabilities					
Accounts & other payables	8,450	8,784	9,128	9,537	9,991
ST debt	513	515	515	515	515
Current portion of LT debt	213	323	323	323	323
Others	-	9,275	-	-	-
Non-current liabilities					
LT debt	39,941	40,731	40,731	40,731	40,731
Other non-current liabilities	4,153	3,716	3,716	3,716	3,716
<b>Total liabilities</b>	<b>53,270</b>	<b>63,344</b>	<b>54,413</b>	<b>54,822</b>	<b>55,276</b>
Controlling interest					
Capital stock	583	583	583	583	583
Additional paid-in capital	5,985	5,985	5,985	5,985	5,985
Retained earnings	22,576	26,917	29,655	34,361	40,309
Others	286	396	396	396	396
Minority interest	20,888	20,842	21,884	22,978	24,127
<b>Shareholders' equity</b>	<b>50,318</b>	<b>54,723</b>	<b>58,503</b>	<b>64,303</b>	<b>71,400</b>

## Cash flow

(IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
C/F from operating	9,062	5,006	(2,460)	8,000	9,608
Net profit	6,587	6,390	5,244	7,213	8,833
Depreciation	1,112	1,271	1,399	1,550	1,716
Net incr. in W/C	2,565	(2,809)	(8,966)	(763)	(941)
Others	(1,202)	154	(137)	-	-
C/F from investing	(54,095)	(2,250)	(2,486)	(2,744)	(3,030)
CAPEX	(1,919)	(2,250)	(2,486)	(2,744)	(3,030)
Others	(52,176)	-	-	-	-
C/F from financing	46,209	8,087	(1,465)	(1,413)	(1,735)
Incr. in equity	-	-	-	-	-
Incr. in debts	29,149	10,070	-	-	-
Dividends	(2,507)	(2,507)	(2,507)	(2,507)	(2,884)
Others	19,567	524	1,042	1,094	1,149
<b>Increase in cash</b>	<b>1,176</b>	<b>10,843</b>	<b>(6,411)</b>	<b>3,843</b>	<b>4,843</b>

## Income statement

(IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	46,641	56,804	63,787	70,410	77,751
COGS	(29,417)	(36,526)	(42,737)	(46,119)	(50,538)
<b>Gross profit</b>	<b>17,224</b>	<b>20,278</b>	<b>21,050</b>	<b>24,291</b>	<b>27,213</b>
SG&A expense	(8,107)	(8,742)	(9,964)	(11,022)	(12,060)
<b>Operating profit</b>	<b>9,117</b>	<b>11,536</b>	<b>11,086</b>	<b>13,269</b>	<b>15,153</b>
Financial income					
Interest income	1,624	144	343	318	405
Financial expense					
Interest expense	(671)	(1,966)	(3,417)	(2,484)	(1,934)
Other non-operating profit	84	124	194	214	237
Gains (Losses) from associates and JV	(195)	99	108	119	143
<b>Earnings before tax</b>	<b>9,959</b>	<b>9,937</b>	<b>8,314</b>	<b>11,436</b>	<b>14,004</b>
Income taxes	(2,540)	(2,035)	(1,829)	(2,516)	(3,081)
<b>Net profit</b>	<b>6,587</b>	<b>6,390</b>	<b>5,244</b>	<b>7,213</b>	<b>8,833</b>
<b>Core profit</b>	<b>7,419</b>	<b>6,850</b>	<b>6,749</b>	<b>7,763</b>	<b>8,833</b>
Non-controlling interest	832	1,512	1,241	1,707	2,090
<b>EBITDA</b>	<b>10,230</b>	<b>12,806</b>	<b>12,485</b>	<b>14,819</b>	<b>16,869</b>

## Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (IDR)					
Core EPS	636	587	579	666	757
BPS	2,524	2,905	3,140	3,544	4,054
DPS	215	215	215	215	247
Growth (%)					
Sales growth	10.3	21.8	12.3	10.4	10.4
OP growth	25.3	26.5	(3.9)	19.7	14.2
Core profit growth	43.8	(7.7)	(1.5)	15.0	13.8
EBITDA growth	40.6	25.2	(2.5)	18.7	13.8
Profitability (%)					
OP margin	19.5	20.3	17.4	18.8	19.5
Core profit margin	15.9	12.1	10.6	11.0	11.4
EBITDA margin	21.9	22.5	19.6	21.0	21.7
ROA	9.3	5.8	4.5	6.2	7.2
ROE	17.1	12.2	9.3	11.7	13.0
Dividend yield	2.3	2.3	2.3	2.3	2.6
Dividend payout ratio	49.8	38.1	39.2	47.8	40.0
Stability					
Net debt/(cash) (IDR bn)	31,132	21,191	27,602	23,759	18,916
Int.-bearing debt/equity (%)	105.6	79.1	73.4	67.7	61.3
Valuation (X)					
Core PE	16.0	17.3	17.5	15.2	13.4
PB	4.0	3.5	3.2	2.9	2.5
EV/EBITDA	16.7	12.5	13.4	11.1	9.6

# Indah Kiat Pulp & Paper (INKP)

## Benefitted from structural changes

### Indonesia leading pulp producer

Indah Kiat is one of the leading pulp and paper producers in Indonesia. It is part of Asia Pulp and Paper (APP), one of the largest pulp and paper producers in the world with ~20mn tonnes of combined annual capacity. APP is majorly owned by one of the conglomerates, Sinarmas Group. The company mainly produces pulp and industrial paper (packaging) and recently produces tissue from a newly established facility. As of 2021, exports to Asia, Europe Africa, and America account for 56% followed by the domestic market at 44%. Currently, it has production facilities in Perawang–Riau province, Serang, and Tangerang–Banten province with a total annual production capacity of 3.1mn tons of paper pulp and 1.7mn tons of cultural paper, 108k tonnes of tissue, and 2.2 mn tons of packaging.

### Higher pulp price driving a solid performance

INKP 9M22 sales were USD3bn (+20%YoY), driven by strong rebound in paper and pulp segment (+29% YoY) and steady growth in packaging segment (+6% YoY). Export sales were up by 18% YoY, while domestic sales increased by 22% YoY. Gross margin increased by 625 bps to 40.4%, given paper and pulp segment gross margin increased to 48.6% (vs. 9M21: 39%) from surge in pulp index price by 44% YoY. Opex to sales was kept at 11%, resulting in EBIT margin expansion to 29% (vs. 9M21: 23.5%). As a result, INKP booked 9M22 NPAT of USD648mn (+65% YoY).

### 2023 outlook and valuation

The expanding middle-class and the increasing use of paper packaging materials, tissue paper, and specialty paper, mainly from China, are expected to continue. Moreover, future easing of lockdown in China and increase in mobility should bring higher demand for pulp and paper export sales. Paper packaging is likewise becoming more prevalent in the industry. Concerns about environmental issues caused by plastic pollution may result in a structural shift away from plastic packaging to paper and other recyclable products, resulting in increased demand for paper that may continue to support pulp paper price going forward.

	2018A	2019A	2020A	2021A	9M22
Sales (USD mn)	3,335	3,223	2,986	3,517	2,998
GP (USD mn)	1,204	876	863	1,228	1,213
EBT (USD mn)	736	398	383	663	793
NP (USD mn)	588	274	294	527	647
EBITDA (USD mn)	1,186	864	814	1,135	1,070
OP margin (%)	27	17	18	24	29
ROE (%)	16.8	7.1	7.1	11.7	-
EPS (USD)	1,531.8	709.3	781.0	1,377.6	-
chg. (% YoY)	52%	-54%	10%	76%	-
BPS (USD)	9,821.9	10,354.3	11,286.2	12,436.6	-
DPS (USD)	100.0	100.0	50.0	50.0	-

## Company Update

### Basic Industry

December 5, 2022

12M rating **Non Rated**

12M TP

Up/downside

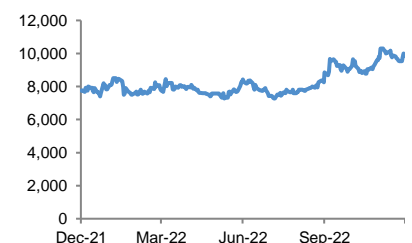
#### Stock Data

JCI (Dec 1)	7,020.8
Stock price (Dec 1, IDR)	9.875
Market cap (IDR Bn)	54,026
Shares outstanding (Mn)	5,471
52-week high/low (IDR)	10,40/7,125
6M avg. daily turnover (IDR Bn)	57.4
Free float (%)	46.7
Major shareholders (%)	
Purinus Ekapersada	53.2%
Public	46.7%

#### Performance

	1M	6M	12M
Absolute (%)	4.2	22.0	33.3
Relative to JCI (%p)	3.3	21.9	19.3

#### Stock price trend

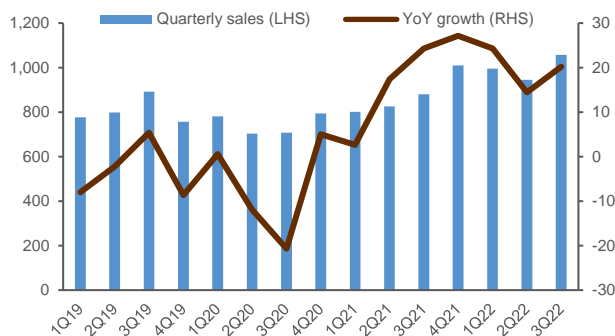


Source: Bloomberg

**Nicholas Kevin Mulyono**

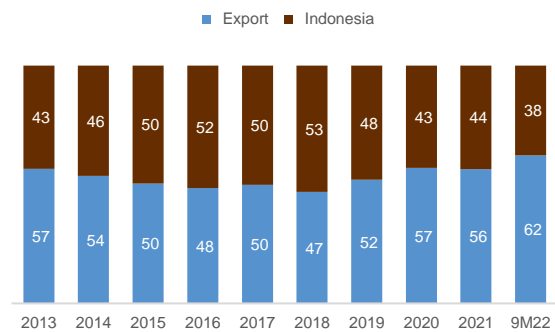
[nicholas.k@kisi.co.id](mailto:nicholas.k@kisi.co.id)

Fig 1. INKP's quarterly sales



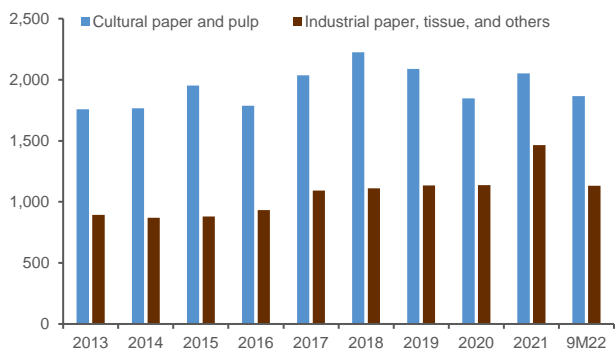
Source: Company, KISI

Fig 2. INKP's sales contribution by area (%)



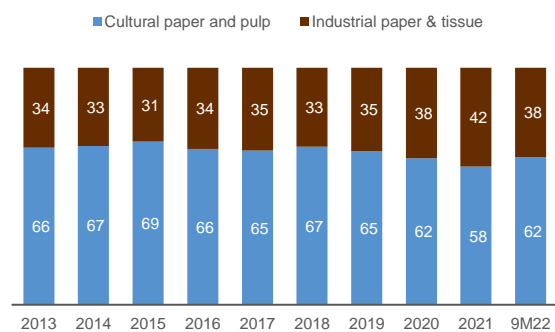
Source: Company, KISI

Fig 3. INKP's sales by segment



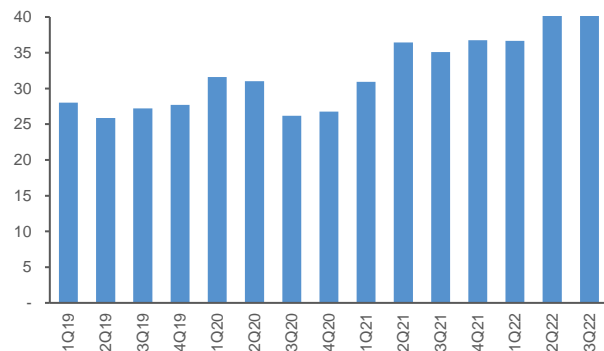
Source: Company, KISI

Fig 4. INKP's sales contribution by segment (%)



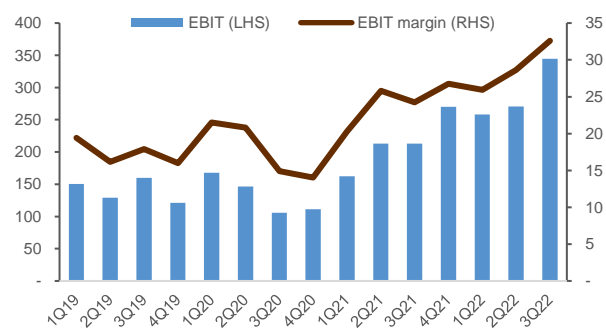
Source: Company, KISI

Fig 5. INKP's quarterly gross margin



Source: Company, KISI

Fig 6. INKP's quarterly EBIT



Source: Company, KISI

## Balance sheet

FY-ending Dec. (USD mn)	2018A	2019A	2020A	2021A	9M22
<b>Current assets</b>	4,191	4,215	4,342	4,702	5,299
Cash & cash equivalent	756	774	871	1,059	1,128
Accounts & other receivables	1,093	1,169	1,294	1,406	1,794
Inventory	1,182	408	365	442	482
Others	1,159	1,865	1,811	1,795	1,894
<b>Non-current assets</b>	4,560	4,287	4,155	4,276	4,163
Fixed assets	3,934	3,654	3,501	3,466	3,354
Other non-current assets	627	633	653	811	809
<b>Total assets</b>	8,751	8,502	8,496	8,978	9,462
<b>Current liabilities</b>	1,742	1,833	1,923	2,265	2,238
Accounts & other payables	348	246	293	366	358
ST debt & bond	1,182	1,367	1,099	1,249	9
Current portion of LT debt	191	189	531	602	724
Others	20	31	-	48	1,148
<b>Non-current liabilities</b>	3,238	2,663	2,324	1,955	1,836
LT debt & financial liabilities	2,920	2,287	2,031	1,596	1,554
Deferred tax liabilities	162	191	203	211	-
Other non-current liabilities	156	185	90	148	282
<b>Total liabilities</b>	4,979	4,496	4,247	4,220	4,074
Controlling interest					
Capital stock	2,189	2,189	2,189	2,189	2,189
Additional paid-in capital	6	6	6	6	6
Other Reserves	12	10	8	9	10
Retained earnings	1,564	1,800	2,045	2,554	3,182
Minority interest	1	1	1	1	0
<b>Shareholders' equity</b>	3,771	4,005	4,249	4,758	5,387

## Cash flow

FY-ending Dec. (USD mn)	2018A	2019A	2020A	2021A	9M22
<b>C/F from operating</b>	545	525	544	679	197
Net income	588	274	294	527	647
Depreciation	292	303	282	276	197
Net incr. in W/C	(336)	(53)	(33)	(124)	(647)
Others					
<b>C/F from investing</b>	(751)	55	(161)	(400)	(86)
CAPEX	(368)	(32)	(163)	(408)	(105)
Others	(383)	86	2	8	19
<b>C/F from financing</b>	348	(562)	(270)	(92)	(46)
Short-term Liabilities	-	-	-	-	-
Long-term Liabilities	386	(523)	(250)	(73)	(27)
Dividend	(38)	(39)	(20)	(19)	(18)
Other financing activities	-	0	-	-	(0)
C/F from others	(6)	(0)	(16)	2	3
<b>Increase in cash</b>	136	18	97	189	69

## Income statement

FY-ending Dec. (USD mn)	2018A	2019A	2020A	2021A	9M22
Sales	3,335	3,223	2,986	3,517	2,998
COGS	(2,132)	(2,347)	(2,123)	(2,288)	(1,785)
<b>Gross profit</b>	1,204	876	863	1,228	1,213
SG&A expense	(310)	(316)	(331)	(369)	(340)
<b>Operating profit</b>	894	560	531	859	873
Financial income					
Interest income	5	15	14	12	14
Financial expense					
Interest expense	(177)	(190)	(172)	(204)	(170)
Other non-operating profit	907	573	542	855	949
<b>Earnings before tax</b>	736	398	383	663	793
Income taxes	(148)	(124)	(89)	(136)	(145)
Non-controlling interest	0	0	(0)	(0)	-
<b>Net profit</b>	588	274	294	527	647
<b>EBITDA</b>	1,186	864	814	1,135	1,070

## Key financial data

FY-ending Dec.	2018A	2019A	2020A	2021A	9M22
per share data (IDR)					
EPS	1,531.8	709.3	781.0	1,377.6	
BPS	9,821.9	10,354	11,286	12,436	
DPS	100	100	50	50	
Growth (%)					
Sales growth	6.6	(3.4)	(7.4)	17.8	
OP growth	48.3	(37.3)	(5.2)	61.7	
NP growth	42.3	(53.3)	7.2	79.2	
EBITDA growth	32.2	(27.2)	(5.8)	39.5	
Profitability (%)					
OP margin	26.8	17.4	17.8	24.4	29.1
NP margin	17.6	8.5	9.8	15.0	21.6
EBITDA margin	35.6	26.8	27.3	32.3	35.7
ROA	7.2	3.2	3.5	6.0	
ROE	16.8	7.1	7.1	11.7	
Dividend yield	2%	2%	1%	1%	
Dividend payout ratio	6.6	6.7	6.5	3.6	
Stability					
Net debt (USD mn)	2,839	2,317	1,943	2,387	
Int.-bearing debt/equity (%)	75.3	57.8	45.7	50.2	
Valuation (X)					
PE	6.3	13.7	12.5	7.1	
PB	1.0	0.9	0.9	0.8	
EV/EBITDA	5.5	7.0	6.9	5.4	

# Indofood Sukses Makmur (INDF)

## Solely backed by CBP

### CBP: improving margins

CBP segment accounts for the majority of INDF's total revenue (>50% contribution). We expect that this will continue, on the back of its strong instant noodle business. Given that it increased its ASP 4 times in 2021-2022, we forecast ICBP to deliver 12%/10% top-line growth in FY22/23F. Recovery on its margin should be seen following the declining global soft commodity prices, resulting in an EBIT margin expansion to 17.4%/18.8% in FY22/23F.

### Agribusiness: hampered by declining CPO price

The normalization of global commodity prices, on the other hand, should give a negative impact on INDF's agribusiness segment. After reaching a record high in 1H22 with an avg. of MYR 6,300/MT, the global CPO price has slowed down and now stood at MYR 3,800/MT. Our CPO analyst predicts that global CPO price will normalize to MYR 3,500/MT in FY23 due to an imbalance in supply demand. We forecast agribusiness top-line to decline by 10%/5% in FY22/23F due to lower ASP.

### Bogasari: expecting lower revenue from lower global wheat prices

As a cost-plus business, INDF's Bogasari segment has been raising ASP in response to the rising global wheat price. However, the wheat price has declined by ~40% from its peak in Mar2022, and according to Bloomberg consensus, the price will continue to decline by 7% YoY in FY23. While we expect that wheat prices might still be volatile due to prolonged Russia-Ukraine tension, we expect its revenue to grow by 20.4% in FY22 before declining by 5% in FY23.

### FX risk from global bonds

INDF is facing high FX risk from its huge global bonds amounting USD 2.75bn (issued by its subsidiary ICBP). This might lead to an unrealized forex loss/gain of IDR 385bn per 1% USD strengthening/weakening against IDR on the translation effect of its bonds payable (non cash item). However, we believe this should not affect its core business. Excluding fx effect, we forecast INDF would post 11%/1.4% earnings growth in FY22/23F.

### BUY recommendation with TP of IDR 7,500

We continue to favor Indofood Group (ICBP and INDF) due to its resilient performance, however we prefer ICBP to enjoy full recovery of staples' margin. Our INDF TP implies 7.6x FY23F PE (its 3-yr mean). Downside risk: weaker-than-expected purchasing power; higher-than-expected input costs.

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	81,731	99,346	109,913	114,728	119,993
GP (IDR bn)	26,752	32,464	34,293	36,139	38,158
OP (IDR bn)	12,657	17,100	16,629	17,855	19,584
Core profit (IDR bn)	5,960	8,050	8,467	8,656	9,387
EBITDA (IDR bn)	15,797	20,350	20,081	21,533	23,497
Net debt/(cash) (IDR bn)	45,109	32,294	38,747	33,360	27,035
OP margin (%)	15.5	17.2	15.1	15.6	16.3
ROE (%)	16.1	16.9	13.8	14.5	15.1
Dividend yield (%)	4.4	4.4	4.4	4.0	4.7
Core EPS (IDR)	679	917	964	986	1,069
chg. (% YoY)	21.6	35.1	5.2	2.2	8.4
BPS (IDR)	4,826	5,497	6,012	6,682	7,456
DPS (IDR)	278	278	278	253	295
Core PE (x)	9.8	7.3	6.9	6.8	6.2
PB (x)	1.4	1.2	1.1	1.0	0.9
EV/EBITDA (x)	8.9	6.4	6.9	6.2	5.5

## Company Update

### Consumer staples

December 5, 2022

12M rating **BUY**  
12M TP **IDR 7,500**  
Up/downside **+12.4%**

#### Stock Data

JCI (Dec 1)	7,021
Stock price (Dec 1, IDR)	6,675
Market cap (IDR Bn)	58,609
Shares outstanding (Mn)	8,780
52-week high/low (IDR)	7,250 / 5,725
6M avg. daily turnover (IDR Bn)	62.0
Free float (%)	49.9

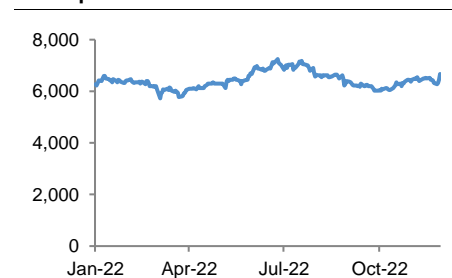
#### Major shareholders (%)

First Pacific Company Limited	50
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#### Performance

	3M	6M	12M
Absolute (%)	-	1.8	6.6
Relative to JCI (%)	4.0	3.0	(5.2)

#### Stock price trend



Source: Bloomberg

**Elvira Natalia**

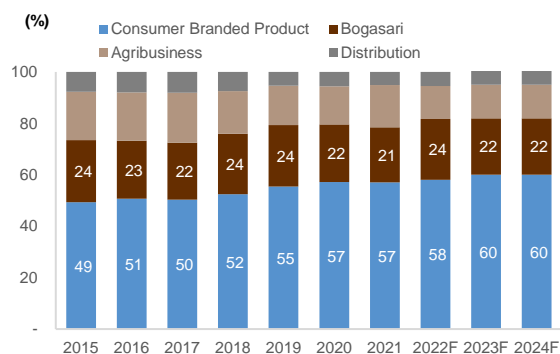
[elvira.n@kisi.co.id](mailto:elvira.n@kisi.co.id)

**Table 1. INDF SoTP valuation**

Business	Ownership	Valuation method	Equity value (IDR bn)	Equity value adj to INDF's ownership (IDR bn)
CBP	81%	Target market cap	131,196	105,653
Bogasari	100%	6x EBIT	11,888	11,888
Agribusiness	60%	Current market cap	6,550	3,917
Distribution	100%	7x EBIT	1,734	1,734
Total				123,191
Less: net debt (ex-ICBP)				(9,601)
Firm value				113,590
INDF no. of share				8.8
Fair value/share				12,937
Holding discount				42% 5-yr avg. discount
Target price (rounded)				7,500

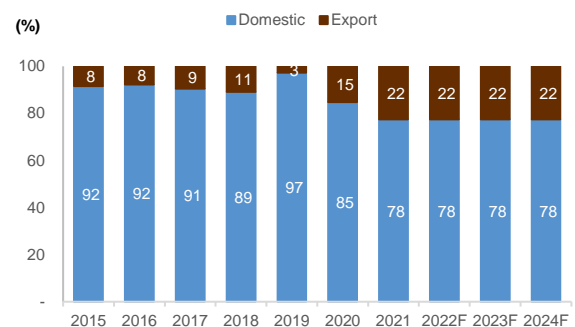
Source: KISI

**Fig 1. Revenue breakdown by segment (% of sales)**



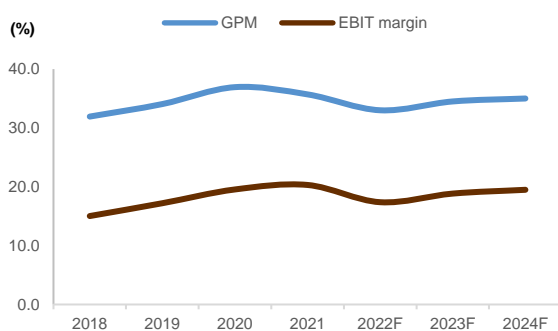
Source: Company, KISI

**Fig 2. Revenue breakdown by area (% of sales)**



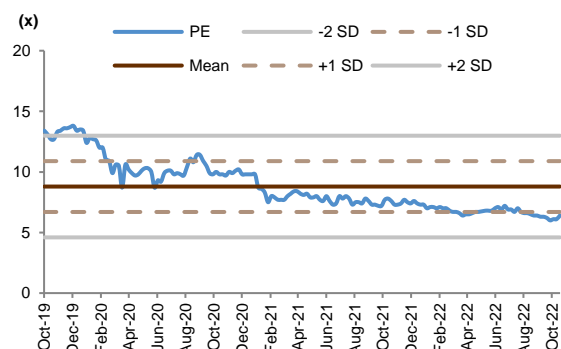
Source: Company, KISI

**Fig 3. GPM and EBIT margin**



Source: Company, KISI

**Fig 4. INDF PE band**



Source: Bloomberg, KISI



## Balance sheet

(IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Current assets					
Cash & cash equivalent	17,338	29,479	23,026	28,413	34,738
Accounts & other receivables	7,452	8,464	8,932	9,323	9,751
Inventories	11,150	12,684	14,219	14,777	15,388
Others	2,479	3,557	3,557	3,557	3,557
Non-current assets					
Fixed assets	45,863	46,752	48,994	50,807	52,635
Intangible assets	1,859	1,726	1,726	1,726	1,726
Total investment	11,682	12,102	12,102	12,102	12,102
Other non-current assets	65,314	64,593	64,593	64,593	64,593
<b>Total assets</b>	<b>163,137</b>	<b>179,357</b>	<b>177,149</b>	<b>185,298</b>	<b>194,490</b>
Current liabilities					
Accounts & other payables	13,262	13,811	14,439	14,692	14,972
ST debt	13,800	13,306	13,306	13,306	13,306
Current portion of LT debt	913	2,013	2,013	2,013	2,013
Others	-	9,275	-	-	-
Non-current liabilities					
LT debt	47,734	46,454	46,454	46,454	46,454
Other non-current liabilities	8,289	7,867	7,865	7,865	7,865
<b>Total liabilities</b>	<b>83,998</b>	<b>92,726</b>	<b>84,077</b>	<b>84,330</b>	<b>84,610</b>
Controlling interest					
Capital stock	878	878	878	878	878
Additional paid-in capital	284	284	284	284	284
Retained earnings	31,116	36,855	41,377	47,259	54,056
Others	10,097	10,247	10,247	10,247	10,247
Minority interest	36,764	38,367	40,286	42,300	44,415
<b>Shareholders' equity</b>	<b>79,139</b>	<b>86,631</b>	<b>93,072</b>	<b>100,968</b>	<b>109,880</b>
<b>Cash flow</b>					
<b>FY-ending Dec.</b>	<b>2020A</b>	<b>2021A</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
C/F from operating	(40,798)	8,390	(671)	11,086	12,540
Net profit	6,456	7,642	6,961	8,105	9,388
Depreciation	3,140	3,250	3,452	3,677	3,913
Net incr. in W/C	(48,862)	(2,958)	(10,649)	(696)	(761)
Others	(1,532)	456	(435)	-	-
C/F from investing	(4,398)	(4,595)	(5,259)	(5,489)	(5,741)
CAPEX	(4,398)	(4,595)	(5,259)	(5,489)	(5,741)
Others	-	-	-	-	-
C/F from financing	48,789	8,346	(523)	(210)	(474)
Incr. in equity	-	-	-	-	-
Incr. in debts	30,309	8,494	-	-	-
Dividends	(2,441)	(2,441)	(2,441)	(2,224)	(2,589)
Others	20,921	2,293	1,918	2,014	2,115
<b>Increase in cash</b>	<b>3,593</b>	<b>12,141</b>	<b>(6,453)</b>	<b>5,387</b>	<b>6,325</b>

## Income statement

(IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	81,731	99,346	109,913	114,728	119,993
COGS	(54,979)	(66,882)	(75,620)	(78,589)	(81,835)
<b>Gross profit</b>	<b>26,752</b>	<b>32,464</b>	<b>34,293</b>	<b>36,139</b>	<b>38,158</b>
SG&A expense	(14,095)	(15,364)	(17,664)	(18,284)	(18,574)
<b>Operating profit</b>	<b>12,657</b>	<b>17,100</b>	<b>16,629</b>	<b>17,855</b>	<b>19,584</b>
Financial income					
Interest income	1,667	325	525	514	632
Financial expense					
Interest expense	(1,876)	(2,885)	(3,936)	(3,003)	(2,453)
Other non-operating profit	232	(218)	(241)	(251)	(263)
Gains (Losses) from associates and JV	(254)	134	108	119	143
<b>Earnings before tax</b>	<b>12,426</b>	<b>14,456</b>	<b>13,085</b>	<b>15,234</b>	<b>17,643</b>
Income taxes	(3,674)	(3,253)	(2,879)	(3,352)	(3,881)
<b>Net profit</b>	<b>6,456</b>	<b>7,642</b>	<b>6,961</b>	<b>8,105</b>	<b>9,388</b>
<b>Core profit</b>	<b>5,960</b>	<b>8,050</b>	<b>8,467</b>	<b>8,656</b>	<b>9,388</b>
Non-controlling interest	(2,296)	(3,561)	(3,245)	(3,777)	(4,374)
<b>EBITDA</b>	<b>15,797</b>	<b>20,350</b>	<b>20,081</b>	<b>21,533</b>	<b>23,497</b>

## Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (IDR)					
Core EPS	679	917	964	986	1,069
BPS	4,826	5,497	6,012	6,682	7,456
DPS	278	278	278	253	295
Growth (%)					
Sales growth	6.7	21.6	10.6	4.4	4.6
OP growth	32.8	35.1	(2.8)	7.4	9.7
Core profit growth	21.6	35.1	5.2	2.2	8.5
EBITDA growth	65.8	28.8	(1.3)	7.2	9.1
Profitability (%)					
OP margin	15.5	17.2	15.1	15.6	16.3
Core profit margin	7.3	8.1	7.7	7.5	7.8
EBITDA margin	19.3	20.5	18.3	18.8	19.6
ROA	5.0	4.5	3.9	4.5	4.9
ROE	16.1	16.9	13.8	14.5	15.1
Dividend yield	4.4	4.4	4.4	4.0	4.7
Dividend payout ratio	49.7	37.8	31.9	31.9	31.9
Stability					
Net debt/(cash) (IDR bn)	45,109	32,294	38,747	33,360	27,035
Int.-bearing debt/equity (%)	93.7	74.5	68.8	63.7	58.6
Valuation (X)					
Core PE	9.8	7.3	6.9	6.8	6.2
PB	1.4	1.2	1.1	1.0	0.9
EV/EBITDA	8.9	6.4	6.9	6.2	5.5

# Sarana Menara Nusantara (TOWR)

## Tower fiber to enhance future growth

### Leading telco infrastructure company

PT Sarana Menara Nusantara Tbk (TOWR) focuses to invest in operating companies that specialize in owning and operating tower sites for lease to wireless communications companies. In 1H22, TOWR owned and operated approximately 29,263 tower sites with more than 54,716 tenants in Indonesia, with 54% located in Java and 46% ex-Java. In addition, it also owned a total fiber optic length of about 110,000 kms.

### Reaping the benefit from rising data consumption

Indonesia's data consumption is expected to continue its positive upward trajectory in the upcoming years. Note that data traffic has experienced significant growth of about 56.4% FY17-21 CAGR, which was attributed to rising smartphone penetration and increased demand for internet access. It is also worth mentioning how crucial and pervasive digital connectivity has become in many facets of daily life since the Covid-19 pandemic. We expect tower companies to continue benefitting from this as telco operators may need to further strengthen and grow their network capacities (through new BTS or co-locations). Additionally, tower demand may also come from ex-Java market which are still underpenetrated.

### Expanding fiber footprint

TOWR had just completed the acquisition of Alita's fiber optic assets, adding 10,800 kms of revenue generation fiber into its portfolio, with long term and non-cancellable contracted revenue of IDR 855bn. These assets predominantly serve the towers of XL and IOH in a number of key areas including Surabaya, Solo, Malang and Bali. We notice that TOWR is leading in fiberized towers vs its competitors, which should increase the value and utility of TOWR's network offered to the telco operators. Fiber optic, in our opinion, will be the next growth driver for TOWR due to: 1) the needs for high-speed internet; 2) 5G deployment. This is as fiber network could provide a more reliable and faster speed.

### Reiterate our BUY call

We maintain our BUY call and a TP of IDR1,500/share, implying 13.0x FY23F EV/EBITDA. We like TOWR due to its diversified business portfolio, especially its leading position in the fiber optic networks. The fiberized tower should give an edge to TOWR, in order to maintain its existing and acquire new customers. Valuation wise, TOWR is also more attractive compared to its peers.

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	7,445	8,635	8,951	9,794	10,093
OP (IDR bn)	4,761	5,575	6,161	6,805	7,036
EBT (IDR bn)	3,399	4,051	4,045	4,741	5,024
NP (IDR bn)	2,836	3,427	3,233	3,789	4,015
EBITDA (IDR bn)	6,405	7,434	7,752	8,482	8,742
Net debt (IDR bn)	16,288	36,412	35,379	36,585	35,788
OP margin (%)	63.9	64.6	68.8	69.5	69.7
ROE (%)	27.9	28.5	24.2	25.5	24.4
Dividend yield (%)	2.0	3.5	3.3	3.9	4.1
EPS (IDR)	55.6	67.2	63.4	74.3	78.7
chg. (% YoY)	21.1	20.9	(5.7)	17.2	6.0
DPS (IDR)	23.0	40.3	38.0	44.6	47.2
PE (x)	20.7	17.1	18.1	15.5	14.6
PB (x)	5.8	4.9	4.4	3.9	3.6
EV/EBITDA (x)	11.7	12.8	12.1	11.2	10.8

## Company

## Update

## Telecommunication Tower

December 5, 2022

12M rating **BUY**  
12M TP **IDR 1,500**  
Up/downside **+30%**

### Stock Data

JCI (Dec 1)	7,021
Stock price (Dec 1, IDR)	1,150
Market cap (IDR Bn)	58,667
Shares outstanding (Mn)	51,014
52-week high/low (IDR)	1,295/870
6M avg. daily turnover (IDR Bn)	67.7
Free float (%)	37.6

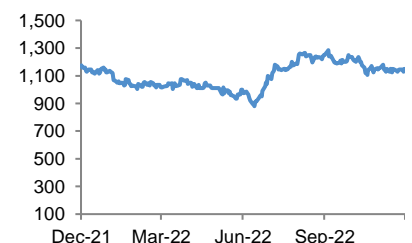
### Major shareholders (%)

PT Sapta Adhikari Investama	54.4
PT Dwimuria Investama Andalan	5.0

### Performance

	1M	6M	12M
Absolute (%)	(2.2)	15.1	(0.2)
Relative to JCI (%p)	0.9	17.1	(9.7)

### Stock price trend

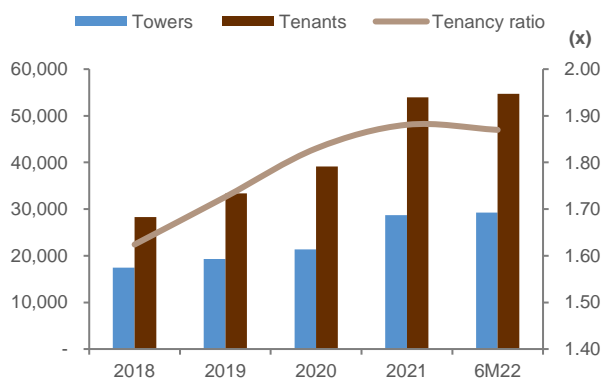


Source: Bloomberg

**Wilbert Ham**

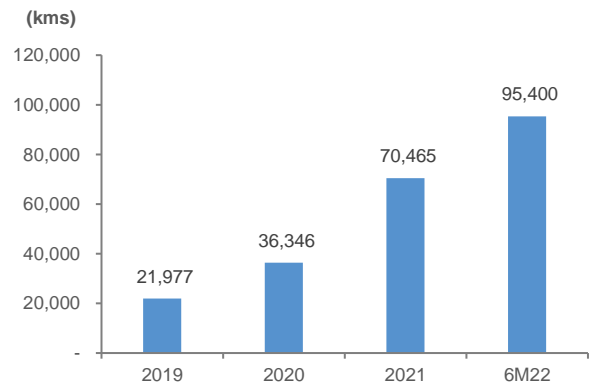
[wilbert.h@kisi.co.id](mailto:wilbert.h@kisi.co.id)

Fig 1. TOWR operational numbers



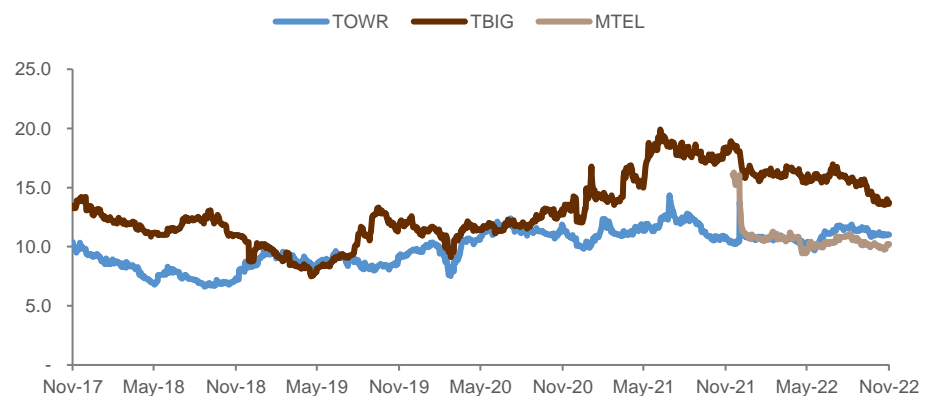
Source: Company, KISI

Fig 2. Tower fiber



Source: Company, KISI

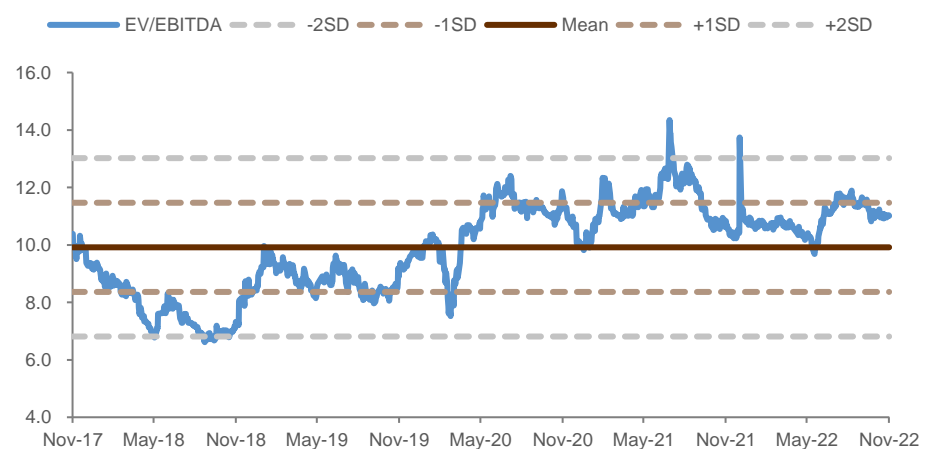
Fig 3. TOWR valuation vs peers



\*MTEL's lower valuation due to its lower tenancy ratio and EBITDA margin

Source: Bloomberg, KISI

Fig 4. TOWR EV/EBITDA band



Source: Bloomberg, KISI

## Balance sheet (IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
<b>Current assets</b>					
Cash & cash equivalent	1,443	4,748	5,781	4,575	5,372
Accounts receivables	1,276	2,184	1,267	1,385	1,427
Others	284	465	465	465	465
<b>Non-current assets</b>					
Tangible assets	22,758	32,951	36,965	37,151	36,104
Intangible assets	1,344	16,660	16,660	16,660	16,660
Others	7,145	8,820	7,235	9,738	11,586
<b>Total assets</b>	<b>34,250</b>	<b>65,829</b>	<b>68,372</b>	<b>69,974</b>	<b>71,614</b>
<b>Current liabilities</b>					
Accounts & other payables	544	1,587	1,941	2,023	2,052
Others	2,290	3,500	3,500	3,500	3,500
Current portion of LT debt	4,391	16,794	16,794	16,794	16,794
<b>Non-current liabilities</b>					
Debentures	951	1,557	1,557	1,557	1,557
LT debt & financial liabilities	15,889	30,329	31,191	31,191	31,191
<b>Total liabilities</b>	<b>24,066</b>	<b>53,767</b>	<b>54,983</b>	<b>55,065</b>	<b>55,095</b>
<b>Controlling interest</b>					
Capital stock	510	510	510	510	510
Capital surplus	21	44	44	44	44
Other Reserves	(742)	(918)	(886)	(886)	(886)
Retained earnings	10,366	12,394	13,687	15,203	16,809
Minority interest	30	31	34	38	42
<b>Shareholders' equity</b>	<b>10,184</b>	<b>12,062</b>	<b>13,390</b>	<b>14,909</b>	<b>16,519</b>

## Cash flow (IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
<b>C/F from operating</b>	<b>5,951</b>	<b>6,196</b>	<b>7,437</b>	<b>6,771</b>	<b>7,046</b>
PBT	3,399	4,051	4,045	4,741	5,024
Depreciation	612	737	774	813	853
Amortization	1,032	1,123	818	865	852
Net incr. in W/C	286	(451)	1,271	(35)	(13)
Others	622	736	529	388	330
<b>C/F from investing</b>	<b>(4,157)</b>	<b>(18,617)</b>	<b>(5,626)</b>	<b>(6,867)</b>	<b>(5,006)</b>
CAPEX	(3,929)	(16,431)	(5,415)	(6,515)	(4,865)
Decr. in fixed assets	(228)	(2,186)	(212)	(353)	(141)
Incr. in investment	-	-	-	-	-
Net incr. in intangible assets	-	-	-	-	-
Others	-	-	-	-	-
<b>C/F from financing</b>	<b>(860)</b>	<b>15,728</b>	<b>(777)</b>	<b>(1,109)</b>	<b>(1,244)</b>
Incr. in equity	10,876	41,502	2,500	2,500	2,500
Incr. in debts	-	-	-	-	-
Dividends	(1,174)	(1,405)	(1,940)	(2,273)	(2,409)
Others	(10,562)	(24,369)	(1,338)	(1,336)	(1,335)
<b>C/F from others</b>					
<b>Increase in cash</b>	<b>934</b>	<b>3,307</b>	<b>1,033</b>	<b>(1,206)</b>	<b>797</b>

## Income statement (IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
<b>Sales</b>	<b>7,445</b>	<b>8,635</b>	<b>8,951</b>	<b>9,794</b>	<b>10,093</b>
COGS	(2,059)	(2,340)	(2,129)	(2,265)	(2,311)
<b>Gross profit</b>	<b>5,386</b>	<b>6,295</b>	<b>6,822</b>	<b>7,528</b>	<b>7,782</b>
SG&A expense	(625)	(721)	(661)	(724)	(746)
<b>Operating profit</b>	<b>4,761</b>	<b>5,575</b>	<b>6,161</b>	<b>6,805</b>	<b>7,036</b>
<b>Financial income</b>					
Interest income	34	31	32	34	36
<b>Financial expense</b>					
Interest expense	(1,201)	(1,370)	(1,370)	(1,370)	(1,370)
Other non-operating profit	(194)	(184)	(778)	(728)	(678)
Gains (Losses) in associates, subsidiaries and JV					
<b>Earnings before tax</b>	<b>3,399</b>	<b>4,051</b>	<b>4,045</b>	<b>4,741</b>	<b>5,024</b>
Income taxes	(545)	(603)	(809)	(948)	(1,005)
<b>Net profit</b>	<b>2,854</b>	<b>3,448</b>	<b>3,236</b>	<b>3,792</b>	<b>4,019</b>
Net profit of controlling interest	2,836	3,427	3,233	3,789	4,015
<b>EBITDA</b>	<b>6,405</b>	<b>7,434</b>	<b>7,752</b>	<b>8,482</b>	<b>8,742</b>

## Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
<b>per share data (IDR)</b>					
EPS	56	67	63	74	79
DPS	23	40	38	45	47
<b>Growth (%)</b>					
Sales growth	15.4	16.0	3.7	9.4	3.1
OP growth	18.0	17.1	10.5	10.5	3.4
NP growth	21.1	20.9	(5.7)	17.2	6.0
EPS growth	21.1	20.9	(5.7)	17.2	6.0
EBITDA growth	18.9	16.1	4.3	9.4	3.1
<b>Profitability (%)</b>					
OP margin	63.9	64.6	68.8	69.5	69.7
NP margin	38.1	39.7	36.1	38.7	39.8
EBITDA margin	86.0	86.1	86.6	86.6	86.6
ROE	27.9	28.5	24.2	25.5	24.4
<b>Stability</b>					
Net debt (IDR bn)	16,288	36,412	35,379	36,585	35,788
Int.-bearing debt/equity (%)	160.4	302.6	264.9	246.0	217.2
<b>Valuation (X)</b>					
PE	20.7	17.1	18.1	15.5	14.6
PB	5.8	4.9	4.4	3.9	3.6
EV/EBITDA	11.7	12.8	12.1	11.2	10.8

# Unilever Indonesia (UNVR)

## Rerating is unlikely

### Losing market share from tough competition

Rising inflation should limit Indonesian purchasing power, and therefore consumption might weaken as a consequence. Consumer downtrading and downsizing are likely to continue, the competition is heating up as all the businesses fight for a share of the consumers' wallets. Also, consumers can now compare products and pricing online, making it easier for them to switch to cheaper brands. As a result, according to Euromonitor (see Figure 1-6), UNVR continues to lose its market share in almost all segments to its competitors such as Wings Group, P&G, and other smaller players in the past 3 years.

### Earnings upside only from input costs normalization

Because of the persistently high soft commodity prices, price hikes were almost inevitable for all consumer players. As of 9M22, UNVR has raised its price by >10% YTD, while having to sacrifice its volume (-2% YoY). We anticipate downtrading may result in additional volume losses, hence further price increases should be limited. We expect UNVR to post modest top-line growth of 6%/4.3% in FY22/23F. On the opex side, we believe the company still has to put out effort into more A&P spending to make up for its lost market share. Of all, we expect UNVR to post 13.2%/6.7% earnings growth in FY22/23F, largely attributable to normalizing input costs. UNVR is also exposed to currency risk since more than half of its input costs are linked to foreign currencies, with only a small contribution from exports. A sharp IDR depreciation should pose challenges for UNVR.

### Valuation re-rating to historical level is unlikely

Historically, UNVR traded at an avg. of 44x forward PE from 2011 to 18, about twice the avg. of its peers (~24x). However, UNVR continues to lose its premium valuation as revenue growth slows; revenue grew by 1.4% CAGR in 2017-20 (vs. 12.6% CAGR in 2010-16). It also posted negative growth of 8% in 2021, despite the nation's GDP growing by 3.7%. We believe that re-rating to historical is unlikely due to its sluggish performance going forward.

### SELL recommendation with TP of IDR 4,400

Our TP implies 24x FY23F PE (-1.5SD from its 5-yr mean). UNVR now trades at 25.8x PE, much higher than avg. Indonesian consumer peers of 18x PE. We think the current share price has adequately reflected UNVR's potential earnings growth with limited catalysts to rerate. Upside risk to our call: faster sales growth.

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	42,972	39,546	41,918	43,730	45,914
GP (IDR bn)	22,457	19,626	20,469	22,422	23,640
OP (IDR bn)	9,471	7,678	8,467	9,025	9,682
NP (IDR bn)	7,164	5,759	6,522	6,959	7,474
EBITDA (IDR bn)	10,313	8,513	9,377	9,981	10,688
Net debt/(cash) (IDR bn)	2,170	1,523	1,298	702	137
OP margin (%)	22.0	19.4	20.2	20.6	21.1
ROE (%)	140.2	124.4	143.5	142.3	144.9
Dividend yield (%)	3.6	3.1	3.0	3.3	3.5
EPS (IDR)	188	151	171	182	196
chg. (% YoY)	(3.1)	(19.6)	13.2	6.7	7.4
BPS (IDR)	129	113	125	131	139
DPS (IDR)	194	166	159	176	188
PE (x)	25.1	31.2	27.6	25.8	24.0
PB (x)	36.4	41.6	37.7	35.8	33.9
EV/EBITDA (x)	17.6	21.3	19.3	18.1	16.8

## Company Update

### Consumer staples

December 5, 2022

12M rating **SELL**  
12M TP **IDR 4,400**  
Up/downside **-6.6%**

#### Stock Data

JCI (Dec 1)	7,021
Stock price (Dec 1, IDR)	4,710
Market cap (IDR Bn)	178,687
Shares outstanding (Mn)	38,150
52-week high/low (IDR)	5,475 / 3,280
6M avg. daily turnover (IDR Bn)	111.7
Free float (%)	15.0

#### Major shareholders (%)

Unilever Indonesia Holding BV	85.0
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#### Performance

	3M	6M	12M
Absolute (%)	4.9	4.7	10.5
Relative to JCI (%)	4.4	1.4	1.3

#### Stock price trend

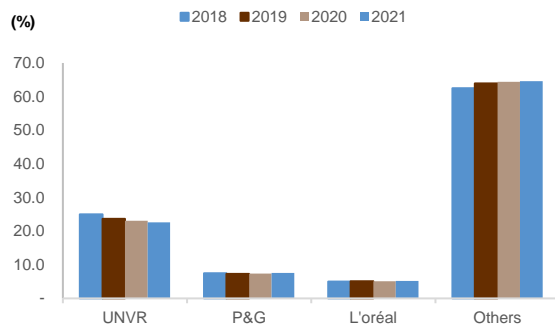


Source: Bloomberg

**Elvira Natalia**

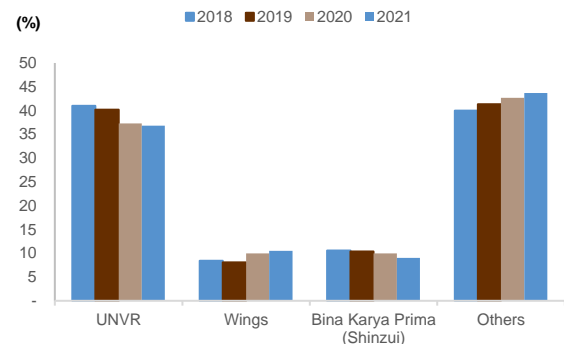
[elvira.n@kisi.co.id](mailto:elvira.n@kisi.co.id)

Fig 1. Beauty and personal care market share



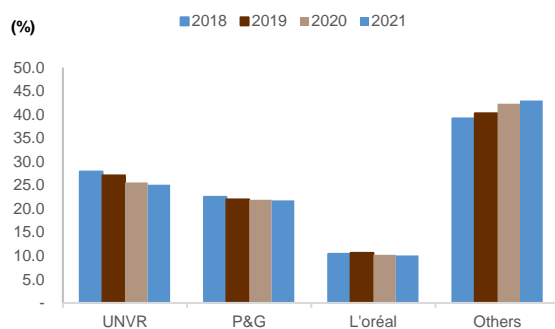
Source: Euromonitor

Fig 2. Bath and shower market share



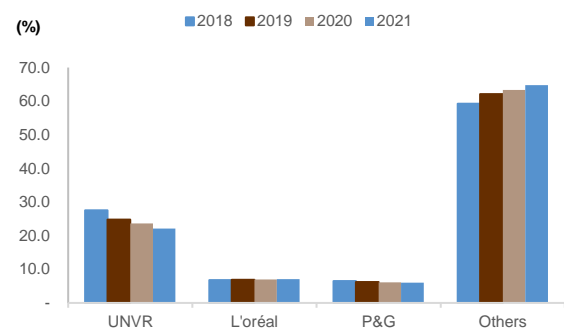
Source: Euromonitor

Fig 3. Hair care market share



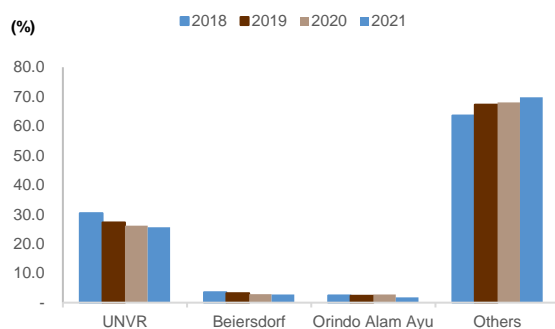
Source: Euromonitor

Fig 4. Skin care market share



Source: Euromonitor

Fig 5. Deodorant market share



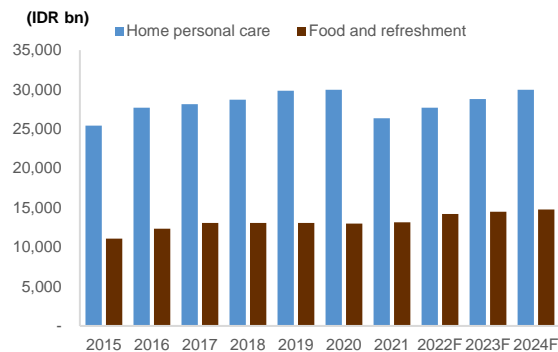
Source: Euromonitor

Fig 6. Oral care market share



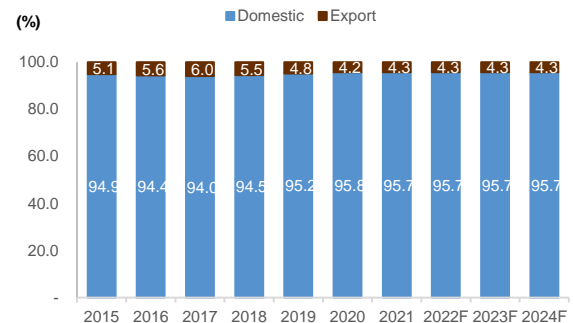
Source: Euromonitor

Fig 7. Revenue breakdown by segment



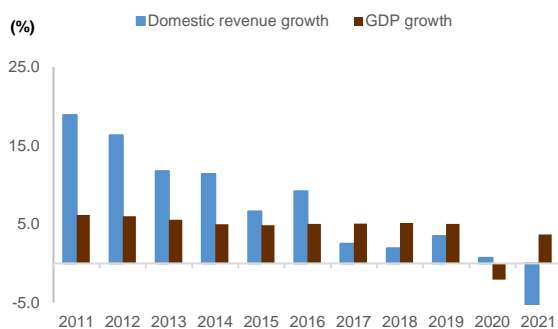
Source: Company, KISI

Fig 8. Revenue breakdown by area (% of sales)



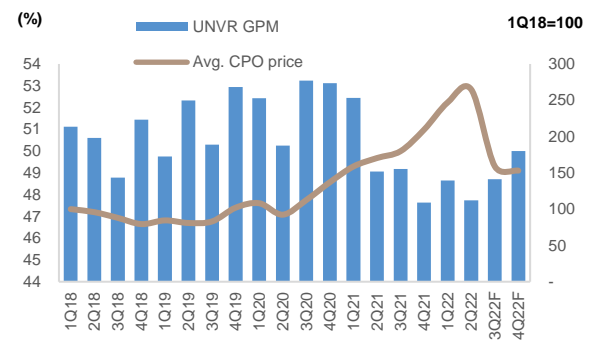
Source: Company, KISI

Fig 9. Domestic revenue vs. GDP growth



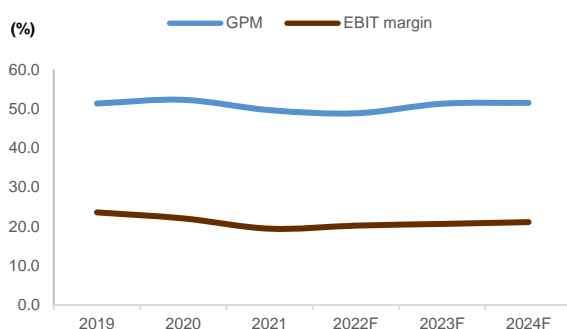
Source: Company, KISI

Fig 10. Quarterly GPM vs. CPO price



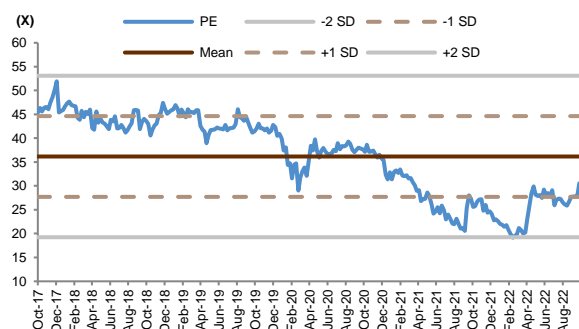
Source: Company, KISI

Fig 11. GPM and EBIT margin



Source: Company, KISI

Fig 12. UNVR PE band



Source: Bloomberg, KISI



Balance sheet (IDR bn)					
FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Current assets					
Cash & cash equivalent	845	327	552	1,148	1,713
Accounts & other receivables	5,295	4,517	5,140	5,362	5,630
Inventories	2,463	2,454	2,605	2,588	2,705
Others	226	347	347	347	347
Non-current assets					
Fixed assets	10,420	10,102	10,031	9,950	9,862
Intangible assets	408	475	475	475	475
Total investment	829	781	781	781	781
Other non-current assets	49	68	68	68	68
<b>Total assets</b>	<b>20,535</b>	<b>19,071</b>	<b>19,999</b>	<b>20,719</b>	<b>21,581</b>
Current liabilities					
Accounts & other payables	10,230	10,515	10,996	11,471	12,044
ST debt	3,015	1,850	1,850	1,850	1,850
Current portion of LT debt	-	-	-	-	-
Others	113	83	83	83	83
Non-current liabilities					
LT debt	-	-	-	-	-
Other non-current liabilities	2,240	2,302	2,302	2,302	2,302
<b>Total liabilities</b>	<b>15,598</b>	<b>14,750</b>	<b>15,231</b>	<b>15,706</b>	<b>16,279</b>
Controlling interest					
Capital stock	76	76	76	76	76
Additional paid-in capital	96	96	96	96	96
Retained earnings	4,765	4,149	4,596	4,841	5,130
Others	-	-	-	-	-
Minority interest	-	-	-	-	-
<b>Shareholders' equity</b>	<b>4,937</b>	<b>4,321</b>	<b>4,768</b>	<b>5,013</b>	<b>5,302</b>
Cash flow (IDR bn)					
FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
C/F from operating	8,017	7,461	7,137	8,185	8,668
Net profit	7,164	5,759	6,522	6,959	7,474
Depreciation	842	835	909	956	1,006
Net incr. in W/C	169	944	(294)	270	188
Others	(158)	(77)	-	-	-
C/F from investing	(388)	(440)	(838)	(875)	(918)
CAPEX	(388)	(440)	(838)	(875)	(918)
Others	-	-	-	-	-
C/F from financing	(7,413)	(7,539)	(6,074)	(6,714)	(7,185)
Incr. in equity	-	-	-	-	-
Incr. in debts	95	(1,165)	-	-	-
Dividends	(7,401)	(6,333)	(6,074)	(6,714)	(7,185)
Others	(107)	(41)	-	-	-
<b>Increase in cash</b>	<b>216</b>	<b>(518)</b>	<b>225</b>	<b>596</b>	<b>565</b>

Income statement (IDR bn)					
FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	42,972	39,546	41,918	43,730	45,914
COGS	(20,515)	(19,920)	(21,449)	(21,308)	(22,274)
<b>Gross profit</b>	<b>22,457</b>	<b>19,626</b>	<b>20,469</b>	<b>22,422</b>	<b>23,640</b>
SG&A expense	(12,986)	(11,948)	(12,002)	(13,397)	(13,958)
<b>Operating profit</b>	<b>9,471</b>	<b>7,678</b>	<b>8,467</b>	<b>9,025</b>	<b>9,682</b>
Financial income					
Interest income	5	2	3	5	9
Financial expense					
Interest expense	(249)	(185)	(111)	(111)	(111)
Other non-operating profit	(20)	2	2	2	2
Gains (Losses) from associates and JV	-	-	-	-	-
<b>Earnings before tax</b>	<b>9,207</b>	<b>7,497</b>	<b>8,361</b>	<b>8,921</b>	<b>9,582</b>
Income taxes	(2,043)	(1,738)	(1,839)	(1,962)	(2,108)
<b>Net profit</b>	<b>7,164</b>	<b>5,759</b>	<b>6,522</b>	<b>6,959</b>	<b>7,474</b>
Non-controlling interest	-	-	-	-	-
<b>EBITDA</b>	<b>10,313</b>	<b>8,513</b>	<b>9,377</b>	<b>9,981</b>	<b>10,688</b>

#### Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (IDR)					
EPS	188	151	171	182	196
BPS	129	113	125	131	139
DPS	194	166	159	176	188
Growth (%)					
Sales growth	0.1	(8.0)	6.0	4.3	5.0
OP growth	(6.4)	(18.9)	10.3	6.6	7.3
NP growth	(3.1)	(19.6)	13.2	6.7	7.4
EBITDA growth	(6.1)	(17.5)	10.1	6.4	7.1
Profitability (%)					
OP margin	22.0	19.4	20.2	20.6	21.1
NP margin	16.7	14.6	15.6	15.9	16.3
EBITDA margin	24.0	21.5	22.4	22.8	23.3
ROA	34.8	29.1	33.4	34.2	35.3
ROE	140.2	124.4	143.5	142.3	144.9
Dividend yield	3.6	3.1	3.0	3.3	3.5
Dividend payout ratio	100.1	88.4	105.5	102.9	103.2
Stability					
Net debt/(cash) (IDR bn)	2,170	1,523	1,298	702	137
Int.-bearing debt/equity (%)	59.0	40.0	40.7	37.8	35.9
Valuation (X)					
PE	25.1	31.2	27.6	25.8	24.0
PB	36.4	41.6	37.7	35.8	33.9
EV/EBITDA	17.6	21.3	19.3	18.1	16.8

## Semen Indonesia (SMGR)

### Lucrative acquisition, yet cement demand still weak

#### DMO coal helps the company's margins

SMGR generated a solid 3Q22 net profit of IDR821.5 bn (+148.8% QoQ/+38.4% YoY), bringing 9M22 bottom-line to IDR1.65 tn (+18.9% YoY). 3Q22 revenue stood at IDR9.4 tn (+21.5% QoQ/3.2% YoY), as such 9M22 revenue came in-line with consensus. GPM and EBITDA margin expanded in 3Q22 vs. 2Q22, this was mainly underpinned by ASP hikes and favorable coal cost. However, based on our calculation, in 9M22, ASP/tonne has improved 12.9% YoY, yet cash cost/tonne increased by 15.1% YoY.

#### Cement sales volumes remain weak in FY23F

SMGR cement volumes in Oct-2022 came up weak at 2.3 mn tonnes (-7.5% MoM/22.2% YoY). This brought 10M22 the company's domestic cement consumption to 24.4 mn tonnes (-7.9% YoY). Export volumes remain unfavorable, 10M22 export volumes dropped 38.8% YoY. However, market share of SMGR somewhat improved in Oct-2022 vs. Sep-2022. Next year, SMGR cement volumes is expected to growth by 1-3% given as consumers tend to be more cautious with economic condition.

#### Expecting synergy from SMGR acquisition

SMGR plans to issue up to 1.7 bn new shares through a pre-emptive rights issue to current existing shareholders. Total shares outstanding may increase by 18%. The government values SMGR at USD85/tonne (back then SMCB valued at USD115/tonne at the time of merger with SMGR), but premium relative to SMGR valuation at USD78/tonne. According to the company, potential EBITDA synergies from SMGR acquisition are estimated at IDR1.7 tn within the next 5 years.

#### Maintain Hold call on SMGR

We maintain our Hold call on SMGR FY23F TP of IDR8,000/sh as we believe volumes growth will remain weak for the next 2 year driven by precaution motive of consumers amidst possibility of recession and seasonally weak cement consumption during election year. However, earnings growth on the back of inorganic growth (acquisition of SMGR) and ASP hikes potentially become the upside for the company. SMGR currently trades at 14.9x FY23F PE with 7.3% FY22F ROE.

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	35,172	34,958	36,008	37,657	39,701
GP (IDR bn)	11,617	10,953	10,393	11,521	12,121
EBT (IDR bn)	5,653	5,019	4,509	5,270	5,430
NP (IDR bn)	2,792	2,021	2,258	3,034	3,258
EBITDA (IDR bn)	8,749	8,106	7,899	8,727	8,961
Net debt (IDR bn)	19,920	12,514	12,887	9,387	6,357
OP margin (%)	16.1	14.4	12.5	14.0	13.7
NP margin (%)	7.9	5.8	6.3	8.1	8.2
ROAE (%)	7.8	5.3	5.8	7.3	7.5
Dividend yield (%)	0.5	2.4	1.8	2.0	2.7
EPS (IDR)	471	341	381	512	549
chg. (% YoY)	17	-28	12	34	7
BPS (IDR)	6,062	6,396	6,590	6,995	7,317
DPS (IDR)	40	188	136	152	205
PE (x)	16.4	22.6	20.2	15.1	14.0
PB (x)	1.3	1.2	1.2	1.1	1.1
EV/EBITDA (x)	7.5	7.2	7.4	6.3	5.8

12M rating **NEUTRAL**

12M TP **IDR 8,000**

Up/downside **+3.9%**

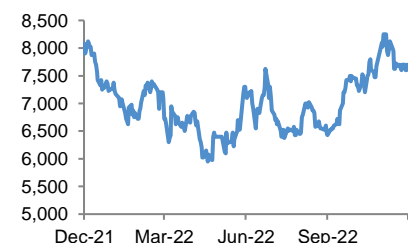
#### Stock Data

JCI (Dec 1)	7,020
Stock price (Dec 1, IDR)	7,700
Market cap (IDR Bn)	45,672
Shares outstanding (Mn)	5,931
52-week high/low (IDR)	8,300/5,850
6M avg. daily turnover (IDR Bn)	75.15
Free float (%)	48.9
Major shareholders (%)	
Republic of Indonesia	51%
Public	49%

#### Performance

	1M	6M	12M
Absolute (%)	(4.4)	4.1	(2.4)
Relative to JCI (%p)	(3.6)	7.4	(11.9)

#### Stock price trend



Source: Bloomberg

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## Balance sheet (IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022A	2023F	2024F
<b>Current Assets</b>					
Cash & cash equivalent	4,034	3,828	3,728	3,042	4,608
Accounts & other receivables	5,777	5,513	5,607	5,864	6,182
Inventories	4,548	4,615	4,867	4,966	5,240
Others	1,205	1,314	1,354	1,416	1,492
<b>Non-current assets</b>					
Fixed assets	56,053	54,720	53,691	52,351	51,141
Other non-current assets	6,388	6,514	6,510	6,676	6,965
<b>Total assets</b>	<b>78,006</b>	<b>76,504</b>	<b>75,757</b>	<b>74,315</b>	<b>75,630</b>
<b>Current liabilities</b>					
Accounts & other payables	6,521	7,613	7,018	7,161	7,556
ST debt	2,110	3,406	2,593	2,711	2,858
Others	2,875	3,192	3,406	3,475	3,667
<b>Non-current liabilities</b>					
LT debt & financial liabilities	21,844	12,936	14,023	9,718	8,107
Deferred tax liabilities	3,364	3,937	3,937	3,937	3,937
Other non-current liabilities	3,858	3,857	4,124	4,208	4,440
<b>Total liabilities</b>	<b>40,572</b>	<b>34,940</b>	<b>35,099</b>	<b>31,210</b>	<b>30,566</b>
Controlling interest					
Capital stock	593	593	593	593	593
Additional paid-in capital	1,458	1,458	1,458	1,458	1,458
Other Reserves	82	1,159	621	890	755
Retained earnings	33,821	34,725	36,416	38,547	40,591
Minority interest	1,480	3,628	1,570	1,617	1,666
<b>Shareholders' equity</b>	<b>37,435</b>	<b>41,564</b>	<b>40,658</b>	<b>43,105</b>	<b>45,064</b>

## Cash flow (IDR bn)

FY-ending Dec.	2020A	2021A	2022A	2023F	2024F
C/F from operating	7,570	7,193	5,014	6,260	6,805
Net profit	2,792	2,021	2,258	3,034	3,258
Depreciation	3,096	3,087	3,390	3,457	3,531
Net incr. in W/C	1,142	714	(1,432)	(1,348)	(1,169)
Others	540	1,370	798	1,118	1,185
C/F from investing	(2,553)	(1,834)	(2,162)	(2,112)	(2,415)
CAPEX	(2,548)	(1,754)	(2,361)	(2,117)	(2,321)
Others	(5)	(80)	199	5	(93)
C/F from financing	(5,001)	(5,565)	(2,952)	(4,834)	(2,825)
Incr. in equity	-	-	-	-	-
Incr. in debts	(5,136)	(7,275)	245	(4,222)	(1,509)
Dividends	(239)	(1,117)	(808)	(903)	(1,214)
Others	374	2,827	(2,388)	291	(102)
C/F from others					
Increase in cash	16	(206)	(100)	(686)	1,566

## Income statement (IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022A	2023F	2024F
Sales	35,172	34,958	36,008	37,657	39,701
COGS	(23,555)	(24,005)	(25,615)	(26,137)	(27,580)
<b>Gross profit</b>	<b>11,617</b>	<b>10,953</b>	<b>10,393</b>	<b>11,521</b>	<b>12,121</b>
SG&A expense	(5,964)	(5,935)	(5,884)	(6,250)	(6,691)
<b>Operating profit</b>	<b>5,653</b>	<b>5,019</b>	<b>4,509</b>	<b>5,270</b>	<b>5,430</b>
Financial income					
Interest income	214	157	170	152	172
Financial expense					
Interest expense	(2,321)	(1,628)	(1,454)	(1,119)	(987)
Other non-operating profit	(57)	(77)	(5)	(5)	(5)
<b>Earnings before tax</b>	<b>3,489</b>	<b>3,470</b>	<b>3,221</b>	<b>4,299</b>	<b>4,610</b>
Income taxes	(814)	(1,388)	(902)	(1,204)	(1,291)
<b>Net profit</b>	<b>2,792</b>	<b>2,021</b>	<b>2,258</b>	<b>3,034</b>	<b>3,258</b>
<b>Non-controlling interest</b>	<b>118</b>	<b>(61)</b>	<b>(61)</b>	<b>(61)</b>	<b>(61)</b>
Other comprehensive profit					
Total comprehensive profit					
Total comprehensive profit of controlling interest					
<b>EBITDA</b>	<b>8,749</b>	<b>8,106</b>	<b>7,899</b>	<b>8,727</b>	<b>8,961</b>

## Key financial data

FY-ending Dec.	2020A	2021A	2022A	2023F	2024F
per share data (IDR)					
EPS	471	341	381	512	549
BPS	6,062	6,396	6,590	6,995	7,317
DPS	40	188	136	152	205
Growth (%)					
Sales growth	-13	-1	3	5	5
OP growth	-7	-11	-10	17	3
NP growth	17	-28	12	34	7
EBITDA growth	4	-7	-3	10	3
Profitability (%)					
OP margin	16.1	14.4	12.5	14.0	13.7
NP margin	7.9	5.8	6.3	8.1	8.2
EBITDA margin	24.9	23.2	21.9	23.2	22.6
ROA	3.6	2.6	3.0	4.1	4.3
ROE	7.8	5.3	5.8	7.3	7.5
Dividend yield	0.5	2.4	1.8	2.0	2.7
Dividend payout ratio	10	40	40	40	40
Stability					
Net debt (IDR bn)	19,920	12,514	12,887	9,387	6,357
Int.-bearing debt/equity (%)	0.7	0.4	0.4	0.3	0.3
Valuation (X)					
PE	16.4	22.6	20.2	15.1	14.0
PB	1.3	1.2	1.2	1.1	1.1
EV/EBITDA	7.5	7.2	7.4	6.3	5.8

# Barito Pacific (BRPT)

## Unveiling the key for future growth

### Leader of the market

Barito Pacific (BRPT) has two major businesses in its portfolio; 1) petrochemicals, through its subsidiary Chandra Asri Petrochemical (TPIA) with 47% ownership, and 2) geothermal power plants, through its subsidiary Star Energy acquired since 2018. TPIA (the largest integrated petrochemical producer in Indonesia) operates the only Naphtha Cracker, Styrene Monomer and Butadiene plants in Indonesia. TPIA dominates with ~40% domestic market share through its 4.2mn tonnes p.a. production capacity. Star Energy, with 875MW installed capacity, is the largest geothermal operator in Indonesia and 3rd in the world.

### The wildcard

The global petrochemicals market is expected to growth at a CAGR of 6.2% from 2022 to 2030. Demand for petrochemical is highly associated with the demand for downstream products from various end-use industries. It is cost-effective and cheaper as they are produced at a mass scale. Alongside with recovery in economic activity, we expect the petrochemical demand to normalize in 2022. However, global headwinds had caused a rising oil price to USD102/mmbtu in 9M22 (from USD68/mmbtu in 9M21), affecting Naptha's price which is the main raw materials for petrochemicals industry. We should see the price normalize starting 2023.

### Ambitious plan moving ahead

Going forward, BRPT scheduled several expansions; 1) CAP2- the second petrochemical complex with 3.8mn tonnes capacity will boost total capacity to 8mn tonnes by 2026, 2) Salak Binary field project with 70MW capacity to be done by 2022 and 2023, and 3) Construction of PLTU Jawa 9 & 10 with capacity of 2x1000 MW through consortium with Indo Raya Tenaga is expected to be ready for operation by 2025. ESG-wise, BRPT focuses on improving its ESG rating through carbon credits of Star Energy. Currently, it received a rating upgrade from BB to BBB in MSCI ESG and High Risk to Medium Risk from Sustainalytics. BRPT aims to reach an A rating with a score of 25-27 (Low Risk).

	2018A	2019A	2020A	2021A	9M22A
Sales (IDR bn)	3,076	2,402	2,334	3,156	2,377
GP (IDR bn)	805	579	583	785	332
OP (IDR bn)	662	425	425	623	200
NP (IDR bn)	88	44	42	109	11
EBITDA (IDR bn)	576	368	356	585	56
Net debt (IDR bn)	874	759	(567)	(916)	(332)
OP margin (%)	21.5	17.7	18.2	19.8	8.4
ROE (%)	3.3	1.6	1.4	2.6	
Dividend yield (%)	0.9	-	-	0.3	
EPS (IDR)	71	7	7	17	
chg. (% YoY)	(37.5)	(90.1)	(5.9)	152.4	
BPS (IDR)	941	187	207	267	
DPS (IDR)	8	-	-	3	
PE (x)	11.7	117.7	125.0	49.5	
PB (x)	0.9	4.4	4.0	3.1	
EV/EBITDA (x)	19.9	275.2	294.4	139.7	

## Company Update

### Petrochemicals & Geothermal

December 5, 2022

12M rating

**Non Rated**

12M TP

Upside

#### Stock Data

JCI (May 12)	7,020.8
Stock price (May 12, IDR)	795
Market cap (IDR bn)	74,529
Shares outstanding (m)	93,747
52-week high/low (IDR)	1,095/690
6M avg. daily turnover (IDR bn)	59.1
Free float (%)	27.6

#### Major shareholders (%)

Prajogo Pangestu	70.9%
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#### Performance

	1M	6M	12M
Absolute (%)	(4.2)	(5.4)	(13.8)
Relative to JCI (%p)	(0.2)	(3.1)	(20.3)

#### BRPT stock price

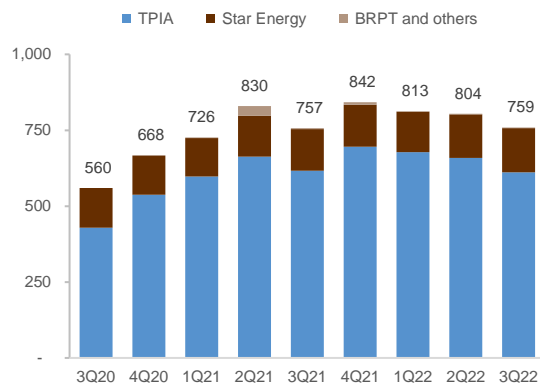


Source: Bloomberg

**Nicholas Kevin Mulyono**

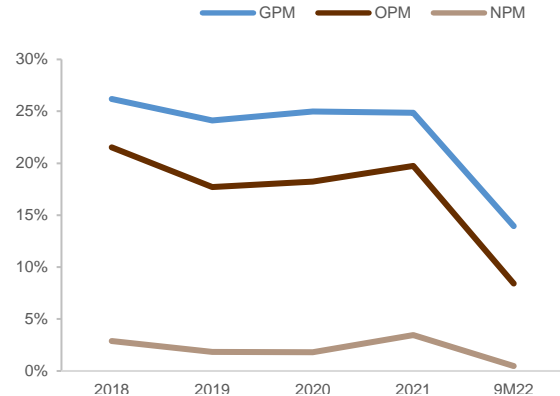
[nicholas.k@kisi.co.id](mailto:nicholas.k@kisi.co.id)

**Fig 1. Consolidated revenue (USDmn)**



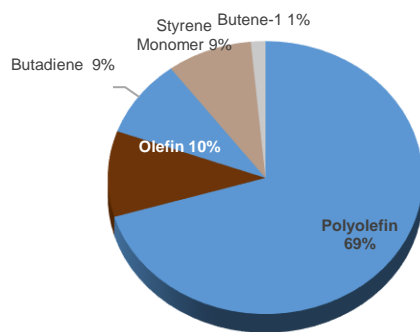
Source: Company's data, KISI

**Fig 2. BRPT's profitability margin**



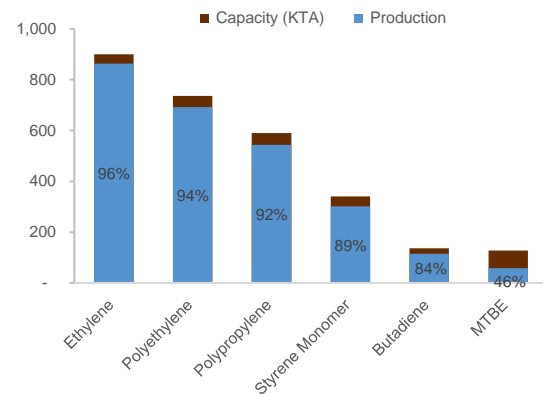
Source: Company's data, KISI

**Fig 3. TPIA's revenue breakdown**



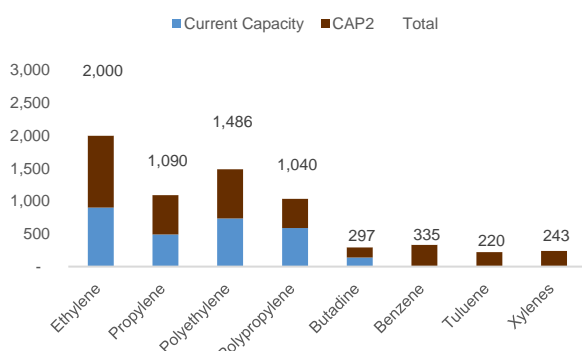
Source: Bloomberg, KISI

**Fig 4. TPIA key plant capacity and utilization**



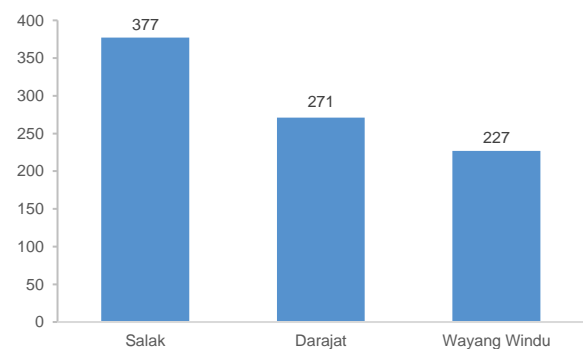
Source: Bloomberg, KISI

**Fig 5. CAP2's potential capacity contribution**



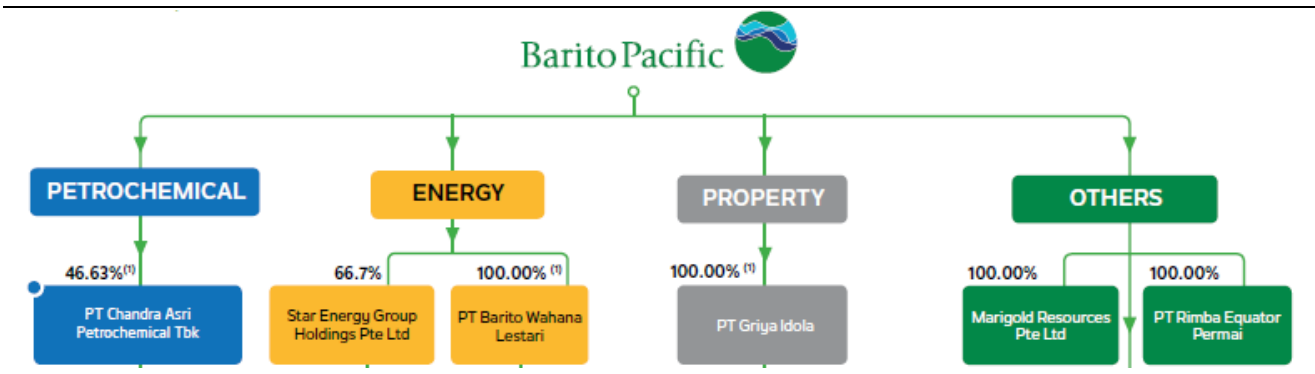
Source: Company, KISI

**Fig 6. Star Energy total installed capacity (875MW)**



Source: Bloomberg

**Fig 7. Corporate Structure**



## Vale Indonesia (INCO)

### Benefit from having class-1 nickel

#### 3Q22 bottom-line dragged down by one-off tax adjustment

INCO 3Q22 net profit plunged to USD17.9 mn (-78.3% QoQ/-72.1% YoY). We noticed a one-off tax adjustment amounting to USD15.7 mn (vs. 1.76 mn in 1H22) was the main reason that dragged down the company's bottom-line. Referring to its tax assessment letter, the significant tax expenses in 3Q22 period came up due to a Supreme Court verdict related to a dispute over project development cost back in 2014. Hence, 9M22 net profit of USD168.4 mn (+37.0% YoY), came in short of both our and consensus' FY22 expectations. Excluding one-off expenses core profit remain behind estimates

#### Adjusting FY22-23F production and sales volumes...

Following 9M22 operational results, we cut our FY22F production and sales volumes by 4.8% each, considering the slow production ramp-up in 3Q22 after Furnace-4 rebuild which was just completed in Jun-22. Meanwhile, as the company's guided next year's production to be somewhere around FY19-20 numbers, we moderately lifted our FY23F production and sales volumes by 1.1%. Moreover, we revised up INCO's nickel matte FY22F ASP by 0.6% and left FY23F ASP unchanged to better reflect the current market condition. Therefore, we revised down FY22F revenue by 4.2% to USD1.16 mn, but slightly increase FY23F top-line by 1.1% to USD1.2 mn

#### ...while fine-tuning cost assumptions

We raised FY22/23F cost of revenue by 4.8-9.3% after we considered higher HSFO, diesel, and coal prices' assumptions. Therefore, our FY22/23F cash cost assumptions increased by 13.3-11.1%. We view the impact of rising coal and oil prices are inevitable this year, however, we expect both commodities prices to normalize in FY23F. Nevertheless, despite the expected lower fuel and energy costs in FY23F, it does not mean that the margins will expand as average nickel price in FY23F will also be lower as compared to FY22F. As a result, our FY22/23F EBITDA assumptions were lowered by 16.5-10.5% to USD499-542.5 mn.

#### Maintain BUY call with lower TP of IDR8,600/sh

We incorporate Sorowako HPAL project (30% INCO potential ownership, 60,000 MHP capacity). We derive our FY23F TP of IDR8,600/sh based on SOTP valuation, which implies 6.7x FY23F EV/EBITDA, slightly below its 5-year mean EVEBITDA. We remain positive on the prospect of INCO going forward given the production of class-1 nickel which is estimated to reach 180k tonnes (HPAL Pomalaa + HPAL Sorowako). The company is also in the process of developing RKEF with 73k tonnes capacity in Bahodopi.

	2020A	2021A	2022F	2023F	2024F
Sales (USD mn)	765	953	1,158	1,242	1,122
GP (USD mn)	124	235	350	360	254
OP (USD mn)	117	231	335	344	239
NP (USD mn)	83	166	229	253	175
EBITDA (USD mn)	266	389	499	542	451
Net debt (USD mn)	(389)	(508)	(607)	(749)	(827)
OP margin (%)	15.3	24.3	28.9	27.7	21.3
ROE (%)	4.1	7.7	9.7	9.9	6.5
Dividend yield (%)	-	0.65	0.68	0.95	1.05
EPS (USD)	0.01	0.02	0.02	0.03	0.02
chg. (% YoY)	44.3	100.2	38.0	10.5	(30.8)
BPS (USD)	0.20	0.22	0.24	0.26	0.27
DPS (USD)	-	0.00	0.00	0.00	0.01
PE (x)	60.3	30.7	21.4	19.1	27.6
PB (x)	2.5	2.4	2.1	1.9	1.8
EV/EBITDA (x)	16.4	10.9	8.3	7.4	8.7

## Company Update

### Commodities

December 5, 2022

12M rating **BUY**  
12M TP **IDR8,600**  
Up/downside **18%**

#### Stock Data

JCI (Dec 1)	7,020
Stock price (Dec 1, IDR)	7,300
Market cap (IDR bn)	72,535
Shares outstanding (m)	9,936
52-week high/low (IDR)	4,240/8,800
6M avg. daily turnover (IDR bn)	141.6
Free float (%)	20.5
Major shareholders (%)	
Vale SA	43.79
Indonesia Asahan Aluminium	20.0
Sumitomo Metal Mining Co Ltd.	15.03

#### Performance

	1M	6M	12M
Absolute (%)	13.5	(10.3)	54.0
Relative to JCI (%p)	12.4	(9.6)	44.3

#### Stock price trend



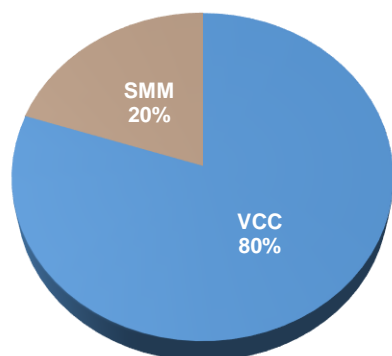
Source: Bloomberg

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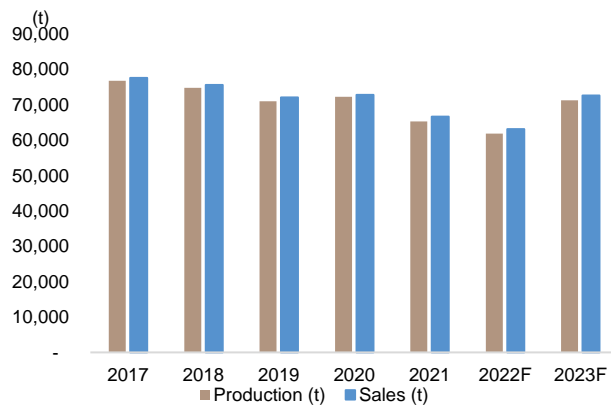


Fig 1. Sales proportion



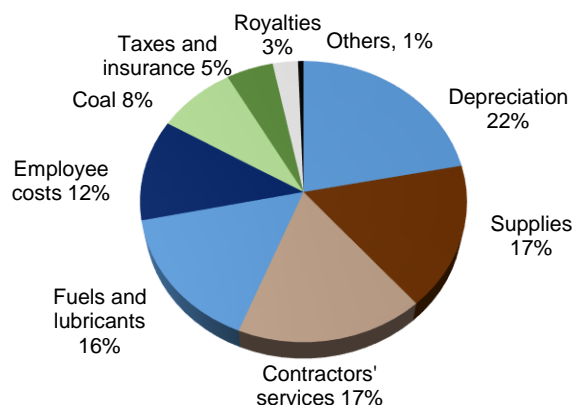
Source: Company, KISI

Fig 2. Production and sales



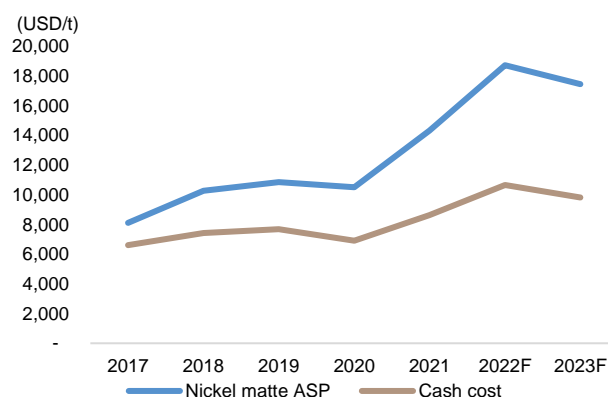
Source: Company, KISI

Fig 3. COGS breakdown



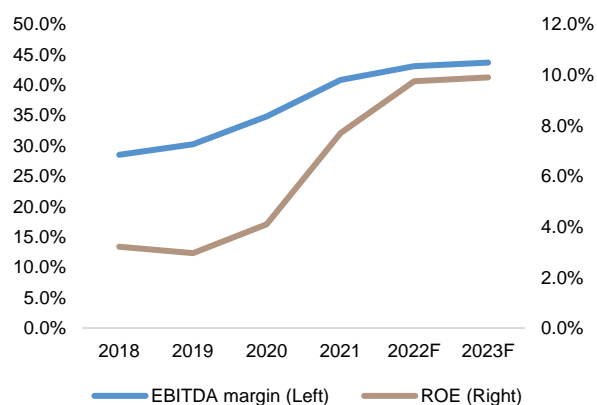
Source: Company, KISI

Fig 4. ASP and cash cost



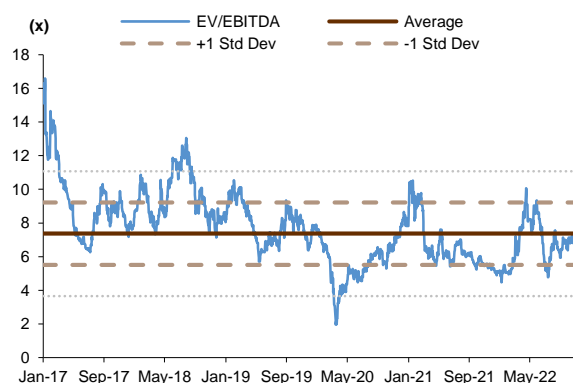
Source: Company, KISI

Fig 5. EBITDA margin and ROE of INCO



Source: Company, KISI

Fig 6. INCO 5-year EVEBITDA band



Source: Bloomberg, KISI

Balance sheet		(USDmn)				
FY-ending Dec.	2020A	2021A	2022F	2023F	2024F	
Current assets						
Cash & cash equivalent	389	508	607	749	827	
Accounts & other receivables	60	102	102	109	98	
Inventories	144	162	163	181	187	
Others	103	64	78	84	76	
Non-current assets						
Fixed assets	1,479	1,519	1,540	1,540	1,508	
Other non-current assets	140	117	163	220	295	
<b>Total assets</b>	<b>2,315</b>	<b>2,473</b>	<b>2,653</b>	<b>2,883</b>	<b>2,991</b>	
Current liabilities						
Accounts Payable	113	122	133	145	143	
Accrued expense	22	20	22	24	24	
Current portion of LT debt	-	-	-	-	-	
Others	26	26	33	35	31	
Non-current liabilities						
LT debt & financial liabilities	-	-	-	-	-	
Deferred tax liabilities	50	43	52	56	50	
Other non-current liabilities	83	107	63	65	61	
<b>Total liabilities</b>	<b>294</b>	<b>318</b>	<b>303</b>	<b>325</b>	<b>309</b>	
Controlling interest						
Capital stock and paid in capital	414	414	414	414	414	
	-	-	-	-	-	
Other Reserves	-	-	-	-	-	
Retained earnings	1,606	1,740	1,936	2,143	2,268	
Minority interest	-	-	-	-	-	
<b>Shareholders' equity</b>	<b>2,020</b>	<b>2,154</b>	<b>2,350</b>	<b>2,557</b>	<b>2,682</b>	

Cash flow	(USDmn)				
FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
C/F from operating	307	347	400	437	392
Net profit	83	166	229	253	175
Depreciation	149	158	164	199	212
Net incr. in W/C	106	31	(2)	(18)	10
Others	(30)	(8)	8	3	(5)
C/F from investing	(176)	(217)	(217)	(250)	(263)
CAPEX	(161)	(197)	(185)	(199)	(179)
Others	(15)	(19)	(31)	(51)	(83)
C/F from financing	8	(11)	(84)	(46)	(51)
Incr. in equity	(4)	1	0	0	(0)
Incr. in debts	12	21	(51)	0	(1)
Dividends	-	(33)	(33)	(46)	(51)
Others	-	-	-	-	-
C/F from others	-	-	-	-	-
Increase in cash	140	120	99	142	78

Income statement	(USDmn)				
FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	765	953	1,158	1,242	1,122
COGS	(640)	(718)	(808)	(882)	(868)
Gross profit	124	235	350	360	254
SG&A expense	(7)	(4)	(15)	(16)	(15)
Operating profit	117	231	335	344	239
Financial income	4	3	3	4	4
Financial expense	(4)	(5)	(4)	(2)	(2)
Other expense	(13)	(8)	(10)	(11)	(10)
Other non-operating profit	-	-	-	-	-
Income (loss) from JV	-	-	-	-	-
Earnings before tax	105	221	324	335	232
Income taxes	(22)	(55)	(95)	(82)	(57)
Net profit	83	166	229	253	175
Non-controlling interest	-	-	-	-	-
Other comprehensive profit	-	-	-	-	-
Total comprehensive profit	-	-	-	-	-
Total comprehensive profit of controlling interest	-	-	-	-	-
EBITDA	266	389	499	542	451

#### Key financial data

<b>FY-ending Dec.</b>	<b>2020A</b>	<b>2021A</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
per share data (USD)					
EPS	0.01	0.02	0.02	0.03	0.02
BPS	0.20	0.22	0.24	0.26	0.27
DPS	-	0.00	0.00	0.00	0.01
Growth (%)					
Sales growth	(2)	25	22	7	(10)
OP growth	13	98	45	3	(30)
NP growth	44	100	38	11	(31)
EBITDA growth	12	46	28	9	(17)
Profitability (%)					
OP margin	15.3	24.3	28.9	27.7	21.3
NP margin	10.8	17.4	19.8	20.4	15.6
EBITDA margin	40.2	36.4	34.5	35.2	34.9
ROA	3.6	6.7	8.6	8.8	5.9
ROE	4.1	7.7	9.7	9.9	6.5
Dividend yield	-	0.7	0.7	0.9	1.0
Dividend payout ratio	40	20	20	20	20
Stability					
Net debt (USD mn)	(389)	(508)	(607)	(749)	(827)
Int.-bearing debt/equity (%)	-	-	-	-	-
Valuation (X)					
PE	60.3	30.7	21.4	19.1	27.6
PB	2.5	2.4	2.1	1.9	1.8
EV/EBITDA	16.4	10.9	8.3	7.4	8.7

# Aneka Tambang (ANTM)

## Nickel to offset gold decline

### Expect lower average gold price in FY23F

Given the uptrend in interest rate and strong USD, U.S. real yields have increased to positive territory. Based on our findings, correlation between gold prices and real yield is strong, as such we expect gold prices to normalize. We revised down our FY22-24F gold assumption to USD1,700/oz/USD1,400/oz/USD1,450/oz. Subsequently, we revised down our FY22-24F ANTM gold sales volumes by 7.5/9.3% to 900,347 Oz from 973,093 Oz & 992,554 Oz, respectively, and gold ASP by 5.6%/20.0%/14.7% in FY22-24F

### Move forward through investment in nickel downstream

Instead of only becoming an upstream player, we can see the aim to move forward through involvement in nickel downstream: i) ANTM entered into a partnership agreement with CNGR to develop OESBF technology nickel smelter; it is a risky proportion given no existing success story at the moment, but the potential sales of nickel ore volumes will be substantial if accomplished; ii) Partnership with CBL and LG to develop integrated EV battery project. In the upstream nickel supply chain/nickel ore mining, ANTM will hold majority ownership or at least 51%. In the downstream, the plan is to build HPAL and RKEF (if ANTM can own 20% and 30% interest in the HPAL and RKEF smelter, our back-at-the-envelope calculation arrived at an additional value of USD163.3 mn and USD483.1mn).

### Recovery in nickel sales volumes

3Q22 gold production volumes declined by 3.0% QoQ/33.6% YoY, but gold sales volumes soared remarkably by 80.8% QoQ/90.8% YoY. On the back of recovery in Chinese demand, 3Q22 FeNi and nickel ore sales volumes rose to 7,647 Tni (+93.0% QoQ/+12.3% YoY) and 1.7 mn Wmt (+141.6% QoQ/-18.5% YoY). However, nickel business production and sales volumes growth remain negative in 9M22. Alumina segment showed positive trend in 3Q22, bringing 9M22 sales volumes increased 21.9% YoY. Production volumes in 9M22 soared 107.6% YoY following optimization of Tayan CGA plant

### Maintain BUY call on ANTM

For FY23-24F, our EBITDA and net profit moderately lower by -4.1%/-3.4% and -4.0%/-3.3%. Valuation-wise, with a higher interest rate we raised our risk-free rate and beta, hence increasing our WACC to 11.6% (prev: 10.0%). We utilize equally weighted DCF and EV/EBITDA valuation, and also factored in the value of 10% equity interest of ANTM in WBN in our DCF. We arrived at a lower 12-mth TP of IDR2,540/share, but maintain our BUY recommendation on the counter.

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	27,372	38,449	41,173	38,232	39,089
GP (IDR bn)	4,476	6,362	8,761	9,458	9,613
OP (IDR bn)	2,032	2,741	3,979	5,902	5,978
NP (IDR bn)	1,149	1,862	3,150	4,547	4,586
EBITDA (IDR bn)	3,132	3,632	5,080	7,066	7,207
Net debt (IDR bn)	3,608	782	(1,691)	(4,431)	(6,680)
OP margin (%)	7.4	7.1	9.7	15.4	15.3
ROE (%)	6.0	8.9	13.5	17.3	16.0
Dividend yield (%)	0.1	0.8	1.3	3.2	4.6
EPS (IDR)	48	77	131	189	191
chg. (% YoY)	492.9	62.0	69.2	44.3	0.9
BPS (IDR)	792	867	971	1,095	1,191
DPS (IDR)	3	17	27	66	95
PE (x)	42.7	26.3	15.6	10.8	10.7
PB (x)	2.6	2.4	2.1	1.9	1.7
EV/EBITDA (x)	15.8	12.9	8.7	5.9	5.5

## Company Update

### Metal & Mining

December 5, 2022

12M rating **BUY**  
12M TP **IDR 2,540**  
Up/downside **+24.5%**

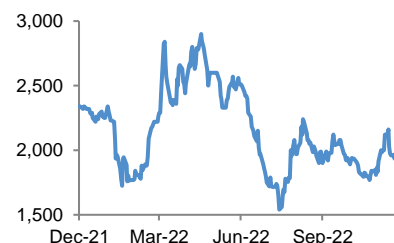
#### Stock Data

JCI (Dec 1)	7,020
Stock price (Dec 1, IDR)	2,040
Market cap (IDR Bn)	49,022
Shares outstanding (Mn)	24,030
52-week high/low (IDR)	3,170/1,535
6M avg. daily turnover (IDR Bn)	205
Free float (%)	34.95
Major shareholders (%)	
Indonesia Asahan Aluminium	65%
Public	35%

#### Performance

	1M	6M	12M
Absolute (%)	7.6	(19.7)	(12.3)
Relative to JCI (%p)	13.2	(17.2)	(16.7)

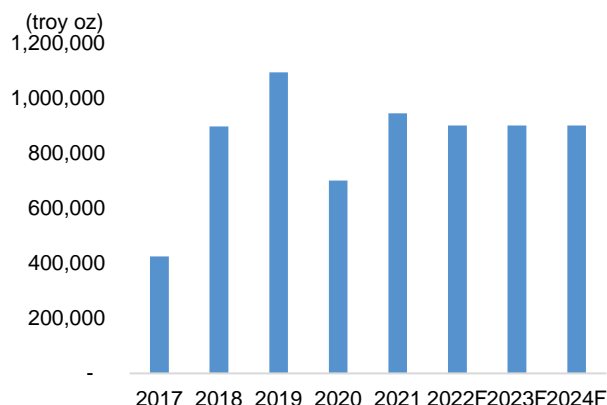
#### Stock price trend



Source: Bloomberg

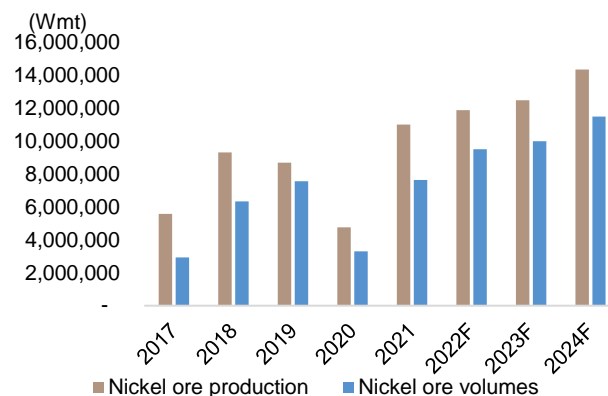
**Fahressi Fahalmesta**  
[fahressi.f@kisi.co.id](mailto:fahressi.f@kisi.co.id)

**Fig 1. ANTM gold volumes**



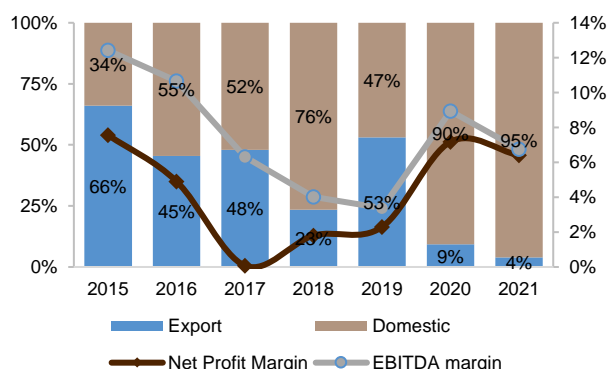
Source: Company, KISI

**Fig 2. ANTM nickel ore production and volumes**



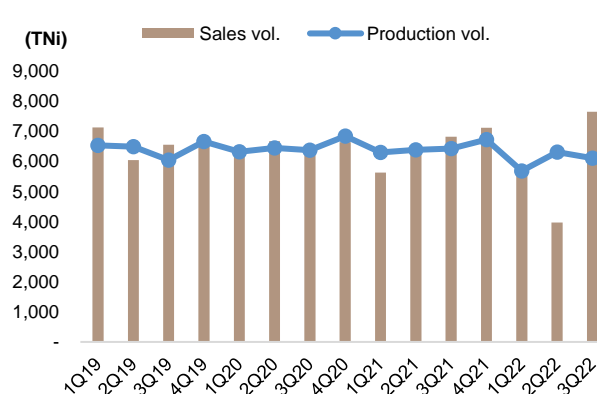
Source: Company, KISI

**Fig 3. ANTM export, domestic, NPM and EBITDA**



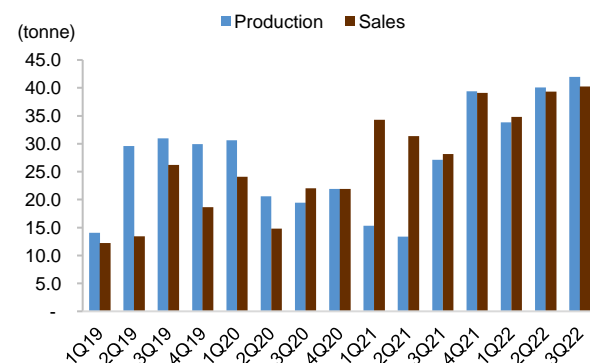
Source: Company, KISI

**Fig 4. ANTM quarterly FeNi sales volumes**



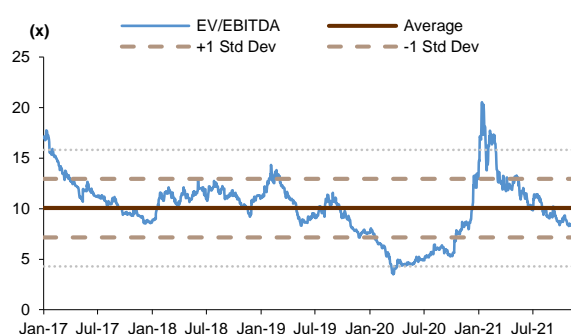
Source: Company, KISI

**Fig 5. ANTM alumina**



Source: Company, KISI

**Fig 6. ANTM EVEBITDA**



Source: Bloomberg, KISI

**Balance sheet** (IDRbn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
<b>Current assets</b>					
Cash & cash equivalent	3,984	5,089	7,829	10,481	12,756
Accounts & other receivables	1,310	1,448	1,477	1,371	1,402
Inventories	2,626	3,107	2,881	2,733	2,602
Others	1,230	84	2,232	2,072	2,119
<b>Non-current assets</b>					
Fixed assets	19,638	18,138	17,696	17,757	17,587
Other non-current assets	2,941	3,050	3,546	3,856	4,245
<b>Total assets</b>	<b>31,730</b>	<b>32,916</b>	<b>35,661</b>	<b>38,272</b>	<b>40,711</b>
<b>Current liabilities</b>					
Accounts Payable	673	1,399	1,047	929	952
Accrued expense	624	723	731	649	664
Current portion of LT debt	2,099	-	-	-	-
Others	4,157	4,440	4,758	4,572	4,645
<b>Non-current liabilities</b>					
LT debt & financial liabilities	3,388	3,703	3,803	3,903	3,903
Deferred tax liabilities	110	127	136	126	129
Other non-current liabilities	1,639	1,686	1,851	1,785	1,796
<b>Total liabilities</b>	<b>12,690</b>	<b>12,079</b>	<b>12,325</b>	<b>11,964</b>	<b>12,090</b>
<b>Controlling interest</b>					
Capital stock	6,338	6,338	6,338	6,338	6,338
Other Reserves	-	-	-	-	-
Retained earnings	8,786	10,272	12,770	15,742	18,055
Minority interest	0	0	0	0	0
<b>Shareholders' equity</b>	<b>19,039</b>	<b>20,837</b>	<b>23,336</b>	<b>26,307</b>	<b>28,620</b>

**Cash flow** (IDRbn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
<b>C/F from operating</b>	<b>2,242</b>	<b>2,943</b>	<b>4,100</b>	<b>5,933</b>	<b>5,954</b>
Net profit	1,149	1,862	3,150	4,547	4,586
Depreciation	1,099	891	1,100	1,164	1,229
Net incr. in W/C	53	124	(107)	175	152
Others	(59)	66	(43)	47	(14)
<b>C/F from investing</b>	<b>(775)</b>	<b>(856)</b>	<b>(1,360)</b>	<b>(2,084)</b>	<b>(2,107)</b>
CAPEX	(748)	(831)	(1,331)	(2,049)	(2,067)
Restricted cash	(27)	(25)	(29)	(34)	(40)
<b>C/F from financing</b>	<b>(1,112)</b>	<b>(2,036)</b>	<b>(284)</b>	<b>(1,660)</b>	<b>(2,256)</b>
Chg. in equity	(208)	26	0	0	0
Chg. in debts	(836)	(1,660)	367	(85)	17
Dividends	(68)	(402)	(652)	(1,575)	(2,273)
Others	-	-	-	-	-
C/F from others	-	-	-	-	-
<b>Increase in cash</b>	<b>348</b>	<b>1,105</b>	<b>2,740</b>	<b>2,652</b>	<b>2,276</b>

**Income statement** (IDRbn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	27,372	38,449	41,173	38,232	39,089
COGS	(22,897)	(32,087)	(32,412)	(28,775)	(29,476)
<b>Gross profit</b>	<b>4,476</b>	<b>6,362</b>	<b>8,761</b>	<b>9,458</b>	<b>9,613</b>
SG&A expense	(2,443)	(3,621)	(4,782)	(3,556)	(3,635)
<b>Operating profit</b>	<b>2,032</b>	<b>2,741</b>	<b>3,979</b>	<b>5,902</b>	<b>5,978</b>
Financial income	110	90	138	185	225
Financial expense	(565)	(359)	(375)	(370)	(372)
Other expense	70	58	63	58	59
Other non-operating profit	-	-	-	-	-
Income (loss) from JV	-	-	-	-	-
<b>Earnings before tax</b>	<b>1,641</b>	<b>3,044</b>	<b>4,380</b>	<b>6,322</b>	<b>6,377</b>
Income taxes	(492)	(1,182)	(1,230)	(1,775)	(1,791)
<b>Net profit</b>	<b>1,149</b>	<b>1,862</b>	<b>3,150</b>	<b>4,547</b>	<b>4,586</b>
Non-controlling interest	0	(0)	(0)	(0)	(0)
Other comprehensive profit	-	-	-	-	-
Total comprehensive profit	-	-	-	-	-
Total comprehensive profit of controlling interest	-	-	-	-	-
<b>EBITDA</b>	<b>3,132</b>	<b>3,632</b>	<b>5,080</b>	<b>7,066</b>	<b>7,207</b>

**Key financial data**

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
<b>per share data (IDR)</b>					
EPS	48	77	131	189	191
BPS	792	867	971	1,095	1,191
DPS	3	17	27	66	95
<b>Growth (%)</b>					
Sales growth	(16)	40	7	(7)	2
OP growth	113	35	45	48	1
NP growth	493	62	69	44	1
EBITDA growth	52	16	40	39	2
<b>Profitability (%)</b>					
OP margin	7.4	7.1	9.7	15.4	15.3
NP margin	4.2	4.8	7.7	11.9	11.7
EBITDA margin	11.4	9.4	12.3	18.5	18.4
ROA	3.6	5.7	8.8	11.9	11.3
ROE	6.0	8.9	13.5	17.3	16.0
Dividend yield	0.1	0.8	1.3	3.2	4.6
Dividend payout ratio	35.0	35.0	35.0	50.0	50.0
<b>Stability</b>					
Net debt (IDR bn)	3,608	782	(1,691)	(4,431)	(6,680)
Int.-bearing debt/equity (%)	40	28	26	23	21
<b>Valuation (X)</b>					
PE	42.7	26.3	15.6	10.8	10.7
PB	2.6	2.4	2.1	1.9	1.7
EV/EBITDA	15.8	12.9	8.7	5.9	5.5

## Bank Jago (ARTO)

### Negative sentiment outweighs fundamentals

#### 1st profitable digital bank in Indonesia

Previously known as PT Bank Artos Indonesia Tbk, the bank entered a new era in 2019 with a change in controlling shareholders. In 2020, it was rebranded to Bank Jago Tbk. Later in the same year, ride-hailing giant Gojek (through its financial services and digital payment business Gopay) became a shareholder. In 2021, GIC Private Limited committed to injecting funds to strengthen Bank Jago's innovations to provide the best digital financial solutions. With a total capital of IDR 8.3tn, Bank Jago has the largest capital among digital banks and is classified under KMBI 2 (core capital between IDR6tn to IDR14tn).

#### Earnings heading in the right direction

ARTO started to book positive monthly earnings since Jun2021 and has achieved break-even earnings in less than 2 years to join an exclusive select group of profitable digital banks in the world, unlike most of its domestic digital banks' peers with "cash-burn" strategies leading to losses even after a decade of operations. ARTO managed to book 3Q22 earnings of IDR12bn, bringing its 9M22 net profit to IDR41bn as NIM was kept steady at around 10% and cost to income ratio continues to improve to 70% (vs. 89% in 2021) despite continued investment and marketing.

#### Reached more than 4mn customers (KYC-ed)

The collaborations with other fintechs, multifinance companies & e-commerce ecosystems helped to expand ARTO's extensive customer and merchant bases. ARTO managed to have 4.2mn KYC-ed customers by end of Sep2022 (3x the numbers seen on Dec2021). ARTO's 3Q22 loan book was IDR8.2tn (2.2x YoY), while its 3Q22 3<sup>rd</sup> party funds were IDR7.3tn (2.9x YoY) with 71% CASA. So far, this is inline with our expected IDR17.2tn loan book by end of FY23 (a 167% CAGR over 3 years starting in 2020).

#### Increasing rate environment negatively impacts its fair valuation

In an increasing rate environment, ARTO's value has significantly declined by ~73% to USD4bn since inclusion into MSCI Index, as ARTO's growth is more linked to tech industry growth rather than the banking industry. We believe that stock price pressure remains given current rapid decline of GOTO, the largest digital ecosystem in Indonesia comprising of on-demand transport, e-commerce, food & grocery delivery, logistics and financial services through Gojek, Tokopedia & GoTo Financial platforms.

	2020A	2021A	2022F	2023F	2024F
Net int. inc (IDR bn)	65	590	1,181	1,932	3,117
Total op. inc (IDR bn)	(186)	11	353	846	1,726
PPOP (IDR bn)	(151)	101	550	1,206	2,329
Provisioning (IDR bn)	(38)	(92)	(198)	(362)	(604)
NP (IDR bn)	(190)	86	281	676	1,380
Loans (IDR bn)	908	5,369	10,500	18,449	29,836
Deposits (IDR bn)	804	3,678	9,240	20,328	33,541
Loan growth (%)	218.8	491.3	95.6	75.7	61.7
Deposit growth (%)	34.2	357.4	151.3	120.0	65.0
NIM (%)	4.7	9.3	8.4	8.4	8.7
LDR (%)	112.9	146.0	113.6	90.8	89.0
CAR (%)	91.4	169.9	72.5	47.0	36.0
ROAE (%)	(15.4)	1.0	3.3	7.2	12.7
Gross NPL (%)	-	0.6	0.5	1.5	2.5
NPL coverage (%)	-	409.8	611.2	243.9	165.8
PE (x)	(258.3)	726.4	222.2	92.5	45.3
PB (x)	39.7	7.6	7.3	6.6	5.8
Dividend yield (x)	-	-	-	-	-

## Company Update

### Financials

December 5, 2022

12M rating **Non Rated**

12M TP

Up/downside

#### Stock Data

JCI (Dec 1)	7,021
Stock price (Dec 1, IDR)	4,510
Market cap (IDR bn)	62,492
Shares outstanding (m)	13,856
52-week high/low (IDR)	4,380/19,500
6M avg. daily turnover (IDR bn)	128.5
Free float (%)	45.6
Major shareholders (%)	
Metamorfosis Ekosistem	29.8
Dompert Karya Bangsa	21.4
Wealth Track Tech Ltd	11.7
GIC Pte Ltd.	9.2

#### Performance

	1M	6M	12M
Absolute (%)	(10.0)	(51.0)	(71.0)
Relative to JCI (%p)	(6.6)	(51.0)	(73.1)

#### Stock price trend



Source: Bloomberg

**Edward Tanuwijaya**

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## Balance sheet

(IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Cash	11	10	11	20	32
Placement with Central Bank	126	116	124	227	375
Placement with other banks	9	14	17	26	32
Marketable securities	138	1,899	2,329	3,576	4,319
Net loans	826	5,242	10,179	17,774	28,600
Fixed assets	138	144	189	232	274
Other assets	631	3,720	4,491	6,930	8,647
<b>Total assets</b>	<b>2,180</b>	<b>12,312</b>	<b>18,590</b>	<b>31,079</b>	<b>46,063</b>
Deposits from 3 <sup>rd</sup> party	804	3,678	9,240	20,328	33,541
Deposit from other banks	2	0	0	0	0
Taxes payable	4	13	32	71	116
Other liabilities	137	262	693	1,220	1,509
<b>Total liabilities</b>	<b>948</b>	<b>3,953</b>	<b>10,024</b>	<b>21,672</b>	<b>35,216</b>
Capital stock	1,086	1,386	1,386	1,386	1,386
Minority interest	0	0	0	0	0
<b>Shareholders' equity</b>	<b>1,232</b>	<b>8,249</b>	<b>8,567</b>	<b>9,407</b>	<b>10,847</b>

## Income statement

(IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Interest income	90	652	1,407	2,550	4,300
Interest expense	25	63	226	618	1,182
<b>Net interest income</b>	<b>65</b>	<b>590</b>	<b>1,181</b>	<b>1,932</b>	<b>3,117</b>
Fees & commissions	2	10	20	43	72
Non-interest income	25	44	79	140	228
Operating expenses	(237)	(531)	(708)	(865)	(1,016)
<b>Pre-provision profit (loss)</b>	<b>(151)</b>	<b>101</b>	<b>550</b>	<b>1,206</b>	<b>2,329</b>
Provision expenses	(38)	(92)	(198)	(362)	(604)
Other non-operating profit (loss)	(4)	(1)	(1)	(1)	(1)
<b>Pre-tax profit</b>	<b>(190)</b>	<b>9</b>	<b>352</b>	<b>845</b>	<b>1,725</b>
Tax	-	77	(70)	(169)	(345)
<b>Net profit</b>	<b>(190)</b>	<b>86</b>	<b>281</b>	<b>676</b>	<b>1,380</b>
Non-controlling interest	-	-	-	-	-

## Key financial data and ratios

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Gross loans	908	5,369	10,500	18,449	29,836
Loan provisions	82	127	321	675	1,237
Deposits	804	3,678	9,240	20,328	33,541
Risk weighted assets	1,182	4,541	11,810	20,008	30,172
Interest-earning assets	1,595	11,066	17,142	28,837	42,975
Shareholders equity	1,232	8,249	8,567	9,407	10,847
Net interest income growth (%)	462.1	812.3	100.2	63.7	61.3
Non-interest income growth (%)	369.2	75.6	78.7	77.6	63.0
Non-interest expenses growth (%)	4.6	1.2	0.3	0.2	0.2
PPOP growth (%)		(1.7)	4.4	1.2	0.9
Provision expense growth (%)	(42.3)	142.2	114.8	82.4	66.8
Pre-tax profit growth (%)			37.5	1.4	1.0
Net profit growth (%)			2.3	1.4	1.0
Loans growth (%)	218.8	491.3	95.6	75.7	61.7
Deposits growth (%)	34.2	357.4	151.3	120.0	65.0
Risk weighted assets growth (%)	163.6	284.3	160.1	69.4	50.8
Interest-earning assets growth (%)	38.8	593.7	54.9	68.2	49.0
Net interest margin (%)	4.7	9.3	8.4	8.4	8.7
Loan-to-deposit ratio (%)	112.9	146.0	113.6	90.8	89.0
Cost-to-income ratio (%)	264.4	83.8	56.2	41.7	30.4
Capital Adequacy Ratio (%)	91.4	169.9	72.5	47.0	36.0
Gross NPLs (%)	0.0	0.6	0.5	1.5	2.5
NPL coverage ratio (%)	0.0	409.8	611.2	243.9	165.8
Provisions / Gross loans (%)	9.0	2.4	3.1	3.7	4.1
Earnings assets / Assets (%)	73.2	89.9	92.2	92.8	93.3
CASA / total deposits (%)	27.2	45.6	40.0	45.0	50.0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	(15.4)	1.0	3.3	7.2	12.7
ROA (%)	(8.7)	0.7	1.5	2.2	3.0
EPS (Rp)	(17)	6	20	49	100
BVPS (Rp)	114	595	618	679	783
DPS (Rp)					
P/E	(258.3)	726.4	222.2	92.5	45.3
P/B	39.7	7.6	7.3	6.6	5.8



## Sumber Alfaria Trijaya (AMRT) Utilizing its nationwide presence

### Indonesia's leading minimarket player

Established in 1989, AMRT's main business is operating a minimarket distribution network that provides customers' daily basic necessities at affordable prices, convenient shopping places, and at ideal locations. AMRT sells products from basic groceries, fresh and frozen items, snacks, and personal care products. Industry-wise, the Indonesian minimarket is dominated by two players: Alfamart (AMRT) and Indomaret (Salim group). As of Jun2022, AMRT has 17.1k and 2k Alfamart and Alfamidi stores across Indonesia, holding a total of 36.2% market share to MT minimarket. Meanwhile, its competitor, Indomaret (Salim Group), has a total of 19.9k outlets (37.6% market share).

### Stellar performance in 9M22

AMRT posted a stellar performance in 3Q22, with its earnings jumped ~2x YoY to IDR 493bn, bringing its 9M22 earnings to IDR 1.7tn (+58.2% YoY). 9M22 revenue jumped 14% YoY to IDR 72.1tn, while gross margin was maintained at 20.5%. EBIT margin improved 40bps YoY to 2.7% due to higher economies of scale, which led to a higher net margin of 60bps (9M22: 2.4%; 9M21: 1.8%). AMRT's outlet expansion and nationwide presence benefit the company not only in terms of grocery sales, but also allow it to serve as a payment hub for Indonesian customers. The company's fee-based income grew 10.5% YoY as of 9M22, contributing 27% of AMRT's earnings.

### Benefiting from the shift in consumer behavior

Minimarket's contribution to total Indonesian grocery has increased from 18.6% in 2016 to 25.2% in 2021 (vs. traditional market from 74.0% in 216 to 68.9% in 2021). This was due to a structural change in Indonesian consumer behavior, which was supported by an expanding middle-class and higher education. As consumer disposable rises, they seek higher-quality products and more leisurely shopping experiences, shifting away from traditional wet markets and toward modern trade (MT) channels, particularly minimarkets. We believe that such trend will continue, and that this will support the company's long-term growth and profitability in the future. AMRT currently trades at 47.8x T12M PE (+0.5SD of its 5-yr mean).

	2018A	2019A	2020A	2021A	9M22
Sales (IDR bn)	66,817	72,945	75,827	84,904	72,139
GP (IDR bn)	13,222	14,542	15,412	17,681	14,815
OP (IDR bn)	867	1,454	1,352	2,423	2,188
NP (IDR bn)	650	1,113	1,061	1,951	1,751
EBITDA (IDR bn)	4,047	4,586	4,715	6,108	4,871
OP margin (%)	0.9	1.1	0.9	2.0	2.1
ROE (%)	11.9	17.7	15.0	24.1	-
EPS (IDR)	15.7	26.8	25.6	47.0	42.2
chg. (% YoY)	80%	71%	-5%	84%	-10%
BPS (IDR)	141.0	161.3	178.7	211.7	223.0
DPS (IDR)	5.8	2.6	19.4	9.3	18.8
PE (x)	187.8	109.7	115.0	62.6	
PB (x)	20.8	18.2	16.4	13.9	

## Company Update

### Retailers

December 5, 2022

12M rating

**Non Rated**

12M TP

Upside

#### Stock Data

JCI (Dec 1)	7,021
Stock price (Dec 1, IDR)	2,940
Market cap (IDR Bn)	122,082
Shares outstanding (Mn)	41,525
52-week high/low (IDR)	3,090 / 1,020
6M avg. daily turnover (IDR Bn)	134.7
Free float (%)	45.8

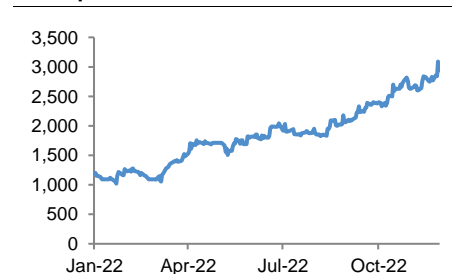
#### Major shareholders (%)

Sigmentara Alfindo	52.5
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#### Performance

	3M	6M	12M
Absolute (%)	9.6	71.5	164.6
Relative to JCI (%)	7.0	64.5	128.0

#### Stock price trend

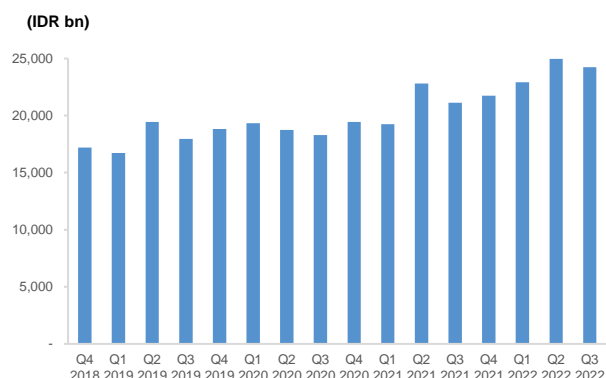


Source: Bloomberg

**Elvira Natalia**

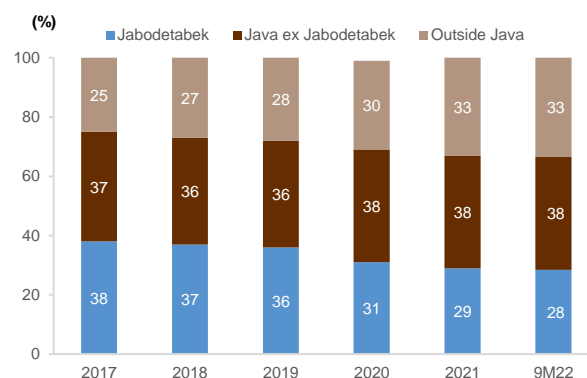
[elvira.n@kisi.co.id](mailto:elvira.n@kisi.co.id)

Fig 1. AMRT's quarterly sales



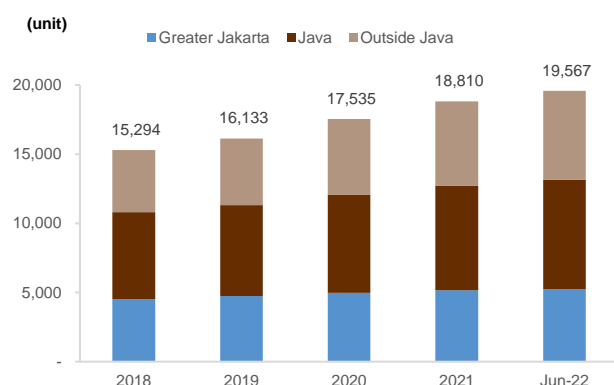
Source: Company, KISI

Fig 2. AMRT's sales contribution by area (%)



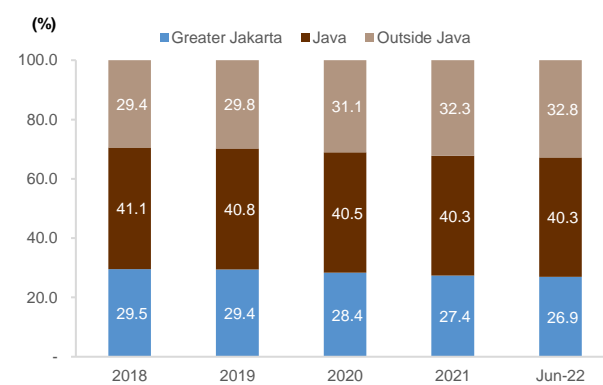
Source: Company, KISI

Fig 3. AMRT's no. of stores



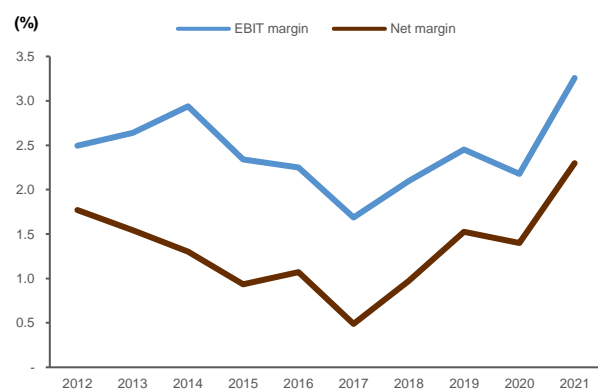
Source: Company, KISI

Fig 4. AMRT's stores by area (%)



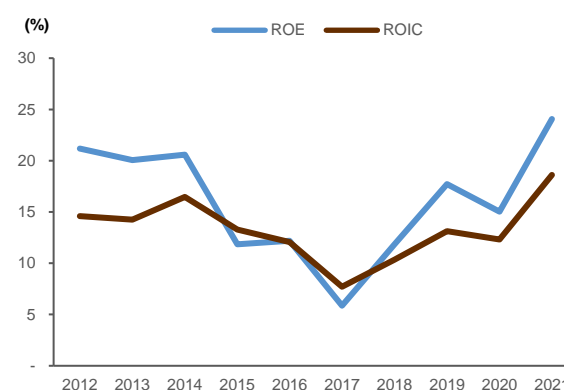
Source: Company, KISI

Fig 5. AMRT's EBIT and net margin



Source: Company, KISI

Fig 6. AMRT's ROE and ROIC



Source: Company, KISI

## Balance sheet

FY-ending Dec. (IDR bn)	2018A	2019A	2020A	2021A	9M22
<b>Current assets</b>	12,791	14,783	13,559	14,212	14,502
Cash & cash equivalent	2,070	3,898	3,878	3,270	1,199
Accounts & other receivables	1,969	1,486	1,749	1,761	2,044
Inventory	7,221	7,577	7,640	8,755	10,579
Others	1,531	1,822	292	426	680
<b>Non-current assets</b>	9,375	9,209	12,412	13,282	14,396
Fixed assets	5,497	5,453	11,384	12,054	12,621
Other non-current assets	3,878	3,756	1,028	1,228	1,774
<b>Total assets</b>	22,166	23,992	25,971	27,494	28,898
<b>Current liabilities</b>	11,127	13,168	15,326	16,376	17,321
Accounts & other payables	9,278	10,103	12,088	13,766	14,216
ST debt & bond	816	562	1,389	1,615	918
Current portion of LT debt	674	2,041	1,516	465	408
Others	359	461	333	530	1,780
<b>Non-current liabilities</b>	5,021	3,940	3,008	2,128	2,099
LT debt & financial liabilities	3,775	2,354	1,778	987	814
Deferred tax liabilities	-	-	-	-	-
Other non-current liabilities	1,246	1,587	1,230	1,141	1,285
<b>Total liabilities</b>	16,148	17,108	18,334	18,504	19,420
Controlling interest					
Capital stock	415	415	415	415	415
Additional paid-in capital	2,480	2,480	2,480	2,480	2,480
Other Reserves	(376)	(565)	(122)	(303)	(324)
Retained earnings	3,177	4,180	4,435	6,000	6,474
Minority interest	161	187	214	199	216
<b>Shareholders' equity</b>	5,856	6,697	7,422	8,791	9,261

## Cash flow

FY-ending Dec. (IDR bn)	2018A	2019A	2020A	2021A	9M22
<b>C/F from operating</b>	5,436	5,081	6,342	6,138	1,329
Net income	650	1,113	1,061	1,951	1,751
Depreciation	2,660	2,857	3,082	3,358	1,711
Net incr. in W/C	2,126	1,112	2,199	829	(2,133)
Others					
<b>C/F from investing</b>	(1,894)	(2,755)	(3,949)	(3,721)	(2,525)
CAPEX	(675)	(1,215)	(3,442)	(3,182)	(1,900)
Others	(1,219)	(1,540)	(507)	(538)	(625)
<b>C/F from financing</b>	(2,404)	(498)	(2,413)	(3,020)	(874)
Short-term Liabilities	-	-	-	-	-
Long-term Liabilities	(2,160)	(381)	(1,599)	(2,625)	(85)
Dividend	(240)	(110)	(806)	(386)	(780)
Other financing activities	(5)	(7)	(8)	(8)	(9)
C/F from others	-	-	-	(6)	-
<b>Increase in cash</b>	1,138	1,828	(20)	(608)	(2,070)

## Income statement

FY-ending Dec. (IDR bn)	2018A	2019A	2020A	2021A	9M22
Sales	66,817	72,945	75,827	84,904	72,139
COGS	(53,595)	(58,403)	(60,414)	(67,223)	(57,324)
<b>Gross profit</b>	13,222	14,542	15,412	17,681	14,815
SG&A expense	(12,603)	(13,704)	(14,748)	(15,942)	(13,289)
<b>Operating profit</b>	620	838	665	1,739	1,526
Financial income					
Interest income	-	-	-	-	27
Financial expense					
Interest expense	-	-	-	-	-
Other non-operating profit	867	1,454	1,352	2,423	2,161
<b>Earnings before tax</b>	867	1,454	1,352	2,423	2,188
Income taxes	(199)	(315)	(264)	(435)	(396)
Non-controlling interest	18	26	27	38	42
<b>Net profit</b>	650	1,113	1,061	1,951	1,751
<b>EBITDA</b>	4,047	4,586	4,715	6,108	4,871

## Key financial data

FY-ending Dec.	2018A	2019A	2020A	2021A	9M22
<b>per share data (USD)</b>					
EPS	15.7	26.8	25.6	47.0	42.2
BPS	141.0	161.3	178.7	211.7	223.0
DPS	5.8	2.6	19.4	9.3	18.8
<b>Growth (%)</b>					
Sales growth	8.7	9.2	4.0	12.0	(15.0)
OP growth	45.3	35.2	(20.7)	161.6	(12.3)
NP growth	79.9	71.1	(4.6)	83.8	(10.2)
EBITDA growth	14.2	13.3	2.8	29.5	(20.2)
<b>Profitability (%)</b>					
OP margin	0.9	1.1	0.9	2.0	2.1
NP margin	1.0	1.5	1.4	2.3	2.4
EBITDA margin	6.1	6.3	6.2	7.2	6.8
ROA	3.0	4.8	4.2	7.3	-
ROE	11.9	17.7	15.0	24.1	-
Dividend payout ratio	66.3	16.9	72.4	36.4	40.0