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Research Center

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Aneka Tambang (ANTM)

Beneficiary for recent gold prices run

Minimal impact of bauxite export ban

Indonesian government will impose a ban on bauxite ore export, to be effective in Jun 2023. ANTM has exposure to bauxite, even though not significant (1.3% on 9M22 revenue and 1.9% of total EBIT). Unlike nickel export ban, ANTM has anticipated bauxite export ban given the looser regulation back in 2017. Evidently, in 9M22, 40% of bauxite sales volumes were sold to third-party domestically. Before 2022, all bauxite export volumes were exported to China. By and large, we adjusted down our FY22-24F bauxite sales volumes by 2.6%/5.1%/7.5%. We lifted our FY22-23F ASP by 18.2%/5.4% given higher-than-expected average aluminum prices, but, we cut our FY24F ASP by 2.1% (given the expectation of normalizing aluminum price).

Tweaking nickel business assumptions

Starting Mid-2022, due to a spike in nickel prices in Mar 2022, FeNi pricing measurement was amended, now using SMM high-grade NPI price and premium. As a result, the discount of ANTM FeNi over LME price widened. We changed our benchmark for calculating FeNi ASP to China NPI (8-12%) price instead of directly discounting from LME-3 month nickel prices, but taking out VAT by 12% (in accordance with guidance from company, which imply VAT is somewhere between 10-15%). We cut our FY22-24F FeNi ASP by 13.9%/11.1%/3.5%. We also adjusted downward FY22-24F FeNi sales volume by 3.3%/8.7%/4.2%.

Attractive gold segment amid weakening U.S. dollar

Back in early 3Q22, by looking at strong greenback and rising real yield, we thought gold prices will decline significantly. However, instead of continuously heading southwards, apparently yellow metal moved towards positive directions. Therefore, we expect gold prices to remain rangebound for this year. We have adjusted our FY22 gold prices to historical data, and upgraded our FY23/24F projections to USD1,700/oz/1,600/oz or 21.4%/10.3% from previous forecasts

Retain BUY call with TP of IDR2,880/sh

We maintain our Buy call on ANTM, with a higher TP of IDR2,880/sh (from IDR2,540/sh). We derived our valuation from equally weighted DCF and EV/EBITDA multiple methods. Currently, the counter trades at 8.7x FY23F EV/EBITDA. Key risks to our call: 1) lower-than-expected gold and nickel prices 2) nickel projects overhang 3) Unfavorable government regulation 4) Another significant one-off expense like in the previous years.

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	27,372	38,449	44,044	41,290	40,313
GP (IDR bn)	4,476	6,362	8,175	8,389	9,317
OP (IDR bn)	2,032	2,741	3,920	4,755	5,769
NP (IDR bn)	1,149	1,862	3,256	3,866	4,611
EBITDA (IDR bn)	3,132	3,632	4,990	5,893	6,972
Net debt (IDR bn)	3,608	782	(1,613)	(3,208)	(5,835)
OP margin (%)	7.4	7.1	8.9	11.5	14.3
ROE (%)	6.0	8.9	13.9	15.1	16.3
Dividend yield (%)	0.1	0.7	1.2	3.0	3.5
EPS (IDR)	48	77	136	161	192
chg. (% YoY)	492.9	62.0	74.9	18.7	19.3
BPS (IDR)	792	867	975	1,069	1,180
DPS (IDR)	3	17	27	68	80
PE (x)	47.5	29.3	16.8	14.1	11.8
PB (x)	2.9	2.6	2.3	2.1	1.9
EV/EBITDA (x)	18.6	15.2	10.6	8.7	7.0

12M rating **BUY (Maintain)**

12M TP **IDR 2,880**

Upside **+26.9%**

Stock Data

JCI (Jan 19)	6,819.9
Stock price (Jan 19, IDR)	2,270
Market cap (IDR bn)	54,519
Shares outstanding (m)	24,030
52-week high/low (IDR)	1,535/3,170
6M avg. daily turnover (IDR bn)	189.82
Free float (%)	34.95

Major shareholders (%)

PT Indonesia Asahan Aluminium	65.0
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Performance

	1M	6M	12M
Absolute (%)	11.9	44.9	29.0
Relative to JCI (%p)	10.6	35.5	27.2

ANTM stock price



Source: Bloomberg

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XL Axiata (EXCL)

Expecting another solid year

Heavy investments in recent years are now paying off

EXCL has been consistently working to improve network quality, as evidenced by high capex in recent years, which has begun to positively impact its performance since 2022 and onwards. According to Opensignal's latest report, XL came out as the top for most entertainment experiences (video, game, and voice app) and the fastest download speed operator in Indonesia. It was also reflected in EXCL's outperforming its peers in 3Q22 in terms of revenue and data traffic growth. Having superior network quality is critical now since current customers value a better experience above price. This, we believe, will reduce churn, ensure data traffic growth, and may even provide room for price increases. Management is eyeing a potential price hike by the end of 1Q23, as the festive season of Ramadhan and Idul Fitri approaches.

Convergence remains the focus, more synergy with Linknet ahead

EXCL has executed its FMC plan well, resulting in 32% convergence penetration of its FTTH base in 3Q22, and is expected to grow further this year. Management also sees positive outcomes from First media – XL bundling offerings, which are just released on Oct-22. In addition to FMC's focus, we view more synergy with Linknet in network and infrastructure may support EXCL's performance this year.

Completing 3G refarming by end 2022

EXCL is ahead of TLKM and ISAT in shutting down 3G network. As of 9M22, there were only 1,989 3G BTS remaining, which should be completed by 4Q22. During this effort, EXCL has incurred additional device bundling expenses when assisting its customers in migrating to the 4G network. This cost will still be incurred in 4Q22, albeit should be absent in 2023, resulting in margin expansion. We also anticipate higher data volume growth as its users switch to a 4G network. Further cost control will be visible from lower marketing expenses, due to: 1) digital initiatives (apps) that are already underway; and 2) easing competition. Consequently, we expect an EBITDA margin of 48.9%/50.5%/51.2% in FY22F/23F/24F.

Reiterate our BUY call on EXCL

We reiterate our BUY call on EXCL with a lower TP of IDR 3,600 (+52.5% upside) taking into account the rights issue completion. Alongside the conducive industry outlook, the aforementioned catalysts should result in another good year for EXCL. In 2023, we expect revenue growth of 6.9% YoY which should be better than industry's, and 50.5% EBITDA margin (+160bps from FY22F). Valuation remains attractive, it trades at 4.5x FY23F EV/EBITDA (-0.5SD of its 5-yr mean).

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	26,009	26,754	28,536	30,512	32,739
EBITDA (IDR bn)	13,060	13,287	13,964	15,412	16,752
OP (IDR bn)	605	3,331	3,512	4,034	4,483
NP (IDR bn)	372	1,288	1,327	1,693	2,146
Net debt/(cash) (IDR bn)	6,383	7,608	6,485	3,918	3,614
EBITDA margin (%)	50.2	49.7	48.9	50.5	51.2
OP margin (%)	2.3	12.4	12.3	13.2	13.7
ROE (%)	1.9	6.6	5.8	6.4	7.7
Dividend yield (%)	1.3	2.2	1.7	2.2	2.8
EPS (IDR)	28.3	98.1	101.1	128.9	163.5
chg. (% YoY)	(76.7)	450.3	5.4	14.9	11.1
BPS (IDR)	1,457.7	1,530.2	1,969.6	2,058.1	2,170.0
DPS (IDR)	31.6	51.5	40.4	51.6	65.4
PE (x)	67.7	19.5	19.0	18.3	14.4
PB (x)	1.3	1.3	1.2	1.1	1.1
EV/EBITDA (x)	4.7	4.8	4.6	4.0	3.7

12M rating **BUY (Maintain)**
12M TP **IDR 3,600** (Prev 3,900)
Upside **52.5%**

Stock Data

JCI (Jan 20)	6,875
Stock price (Jan 20, IDR)	2,360
Market cap (IDR bn)	30,983
Shares outstanding (mn)	13,128
52-week high/low (IDR)	3,380 / 2,010
6M avg. daily turnover (IDR bn)	42.2
Free float (%)	33.2

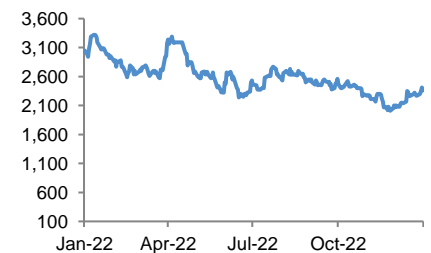
Major shareholders (%)

Axiata Investments (Indonesia) Sdn.Bhd.	66.3
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Performance

	1M	6M	12M
Absolute (%)	17.6	(3.6)	(19.6)
Relative to JCI (%p)	10.6	(6.7)	(25.7)

EXCL stock price (IDR)



Source: Bloomberg

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Market Commentary

Market Commentary

- JCI finished 55 points higher on Friday and was set for a strong weekly performance to add 3.51% this week, along with most Asian equities amid growing optimism over a Chinese economic recovery this year.
- Large caps maintained their upbeat and drove the index higher, with Energy, Industrials, and Financials being the weekly best performer.
- Most Asian stocks were higher at Friday close before the Lunar New Year holiday interrupts trading across many markets in the region next week.
- Market was traded in mixed fashion as 7/11 ended higher led by Energy, Industrials, and Financials. While Healthcare, Infrastructure, and Tech remained lag.
- RUPIAH -0.19% at 15,075 against USD.
- Large caps were mostly steady, with Banking stocks maintaining their upbeat as investors braced for FY22 earning results which are likely to be kicked at the end of the month. BMRI IJ +2.31%, BBRI IJ +0.87%, BBNI IJ +0.84%.
- Most commodity stocks remained upbeat, underpinned by China's economic revival. ANTM IJ +2.20%, MDKA IJ +0.62%, MEDC IJ +4.00%.
- Coal stocks were mostly higher with ITMG IJ +4.00% leading to the move as prices of the fuel are expected to stay high on supply curbs and Australian state plans to boost its reserves. ADRO IJ +0.31%, INDY IJ +1.54%, PTBA IJ +2.29%, BUMI IJ +5.33%.
- GOTO IJ -0.87% pulled back after recent gains amid speculation the stocks may be added to the MSCI index.
- Top value were: BBKA IJ +0.30%, BBRI IJ +0.87% IJ, GOTO IJ -0.87%
- Top Gainers : BYAN (+7.97%), BMRI (+2.31%), BBRI (+0.87%)
- Top Losers: TLKM (-0.51%), KLBF (-1.90%), GOTO (-0.87%)

News

Macroeconomic, Sector and Corporate News

- UNTR – forms consortium with JSMR IJ, ADHI IJ & Hutama Karya to participate in South Sentul - Karawang toll road project tender. (Investor daily)
- ACES – opened a new store in Tarakan, North Kalimantan on 20Jan2023. (Kontan)
- MAPB – opened two new Subway outlets to bring its Subway outlets to 55. (Investor daily)
- INDY – targets coal production volume of 32.8mn tons, +3.5% YoY vs FY22 target. (Kontan)
- WTON – targets new contracts of IDR8.65tn , +23.4% YoY. (Kontan)
- BKSL – plans to do pre-emptive rights issue of 100.6bn shares (~150% of capital) @IDR50/sh. (Bisnis)
- GGRM – to start construction of Toll road Kediri-Tulungagung in 2Q23 with total investment of IDR10.25tn. (Bisnis)
- KOBX – indicated FY22 rev of USD168.5mn, +41% YoY, highest in the past 5 years. (Kontan)

Outliers

Outlier Stocks

- Sharp Movers (Up) : BPTR (+34.7%), KAEF (+12%), SHID (+9.7%)
- Sharp Movers (Down) : ISAP (-9.9%), BSBK (-7%), TMAS (-6.8%)

Macro Calendar

January 24, 2023

Mon	Tue	Wed	Thu	Fri
2	3	4	5	6
Korea> December exports and imports (announced Jan 1) US> Market closed (New year) China> Market closed (New year) Japan> Market closed (New year)	Japan> Market closed (Market Holiday) China> December Caixin manufacturing PMI	Korea> December FX reserves US> FOMC minutes release December ISM manufacturing PMI MBA mortgage applications	US> December ADP employment change Initial jobless claims China> December exports and imports(-Dec 13) China> December Caixin services PMI	US> December non-farm payrolls December jobless rate December ISM services PMI November durable goods orders (F) November manufacturing orders Europe> December CPI (P)
9	10	11	12	13
OECD leading economic index China> December FX reserves (announced Jan 7) December PPI (-Dec 16) December CPI (-Dec 6) December M2 (-Dec 16) Japan> Market closed (Coming of Age Day)	China> December industrial production (-Dec 20) December retail sales (-Dec 20) December fixed asset investment (~20일)	Korea> December jobless rate US> MBA mortgage applications	US> December CPI Initial jobless claims	Korea> MPC meeting US> January Michigan Consumer Confidence (P) China> 4Q22 GDP (-December 27)
16	17	18	19	20
US> Market closed (Martin Luther King Jr. Day) China> PBOC MLF rate release	The OPEC Monthly Oil Market Report US> January manufacturing index (New York)	US> MBA mortgage applications December retail sales December PPI Europe> December CPI (F) Japan> BoJ MPC meeting November mining and manufacturing production (F) November core machinery orders	US> December housing starts Initial jobless claims Japan> December exports and imports	US> December existing home sales China> PBOC LPR release Japan> December CPI
23	24	25	26	27
Korea> Market closed (Lunar New Year) December mining and manufacturing production (- Dec 31) China> Market closed (Lunar New Year)	Korea> Market closed (Lunar New Year) China> Market closed (Lunar New Year)	China> Market closed (Lunar New Year)	Korea> 4Q22 GDP(A) US> 4Q22 GDP(A) Initial jobless claims December durable goods orders (P) December new home sales China> Market closed (Lunar New Year)	US> December PCE January Michigan Consumer Confidence (F) China> Market closed (Lunar New Year)
30	31			
	China> January manufacturing PMI January services PMI Europe> 4Q22 GDP (A) Japan> December mining and manufacturing production (P) December jobless rate			

Note: 1) Figures in parentheses represent the latest reported figures, Bloomberg estimates and previous reported figures in that order. For example: Data (actual reported figures, Bloomberg estimate, previous reported figures). Bloomberg estimates are subject to change 2) Earnings release date is from Bloomberg or company announcement