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KEY HIGHLIGHTS

Strategy

Alpha Picks: Underperformance With A 3.7% Return

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Our picks are GOTO, BMRI, JSMR, TLKM, BBNI, NCKL, CTRA, MYOR and AKRA.

Results

Trimegah Bangun Persada (NCKL IJ/BUY/Rp1,055/Target: Rp1,300)

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3Q23: NPAT up 24.9% qoq on higher sales volume; results within expectations.

TRADERS' CORNER

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Bukalapak.com (BUKA IJ): Technical BUY

Erajaya Swasembada (ERAA IJ): Technical BUY

REGIONAL MARKET

Market	Close	+ / -	Chg (%)
MSCI Indonesia	7,353.8	43.0	0.6
MSCI Asia-Ex Japan	616.1	(4.6)	(0.7)
KLCI	1,456.4	3.6	0.2
FSSTI	3,090.3	17.3	0.6
SET	1,380.3	0.1	0.0
Hang Seng	16,830.3	(212.6)	(1.3)
Nikkei	33,431.5	(55.4)	(0.2)
Shanghai Comp	3,031.6	2.0	0.1
Dow Jones	36,245.5	294.6	0.8

Source: Bloomberg

INDONESIA STOCK EXCHANGE

	Level	+ / -	Chg (%)
Index	7,059.9	(20.8)	(0.3)
LQ-45	939.7	9.7	1.0
Value (US\$m)	780.5	(847.4)	(52.1)

FOREIGN TRADE IN IDX

Net (US\$m)	Buy	Sell	Total (%)
13.8	293.6	279.8	36.7

TOP TRADING TURNOVER

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
Amman Mineral	5,900	(18.1)	1,670.9
Bank Central Asia	8,950	(0.3)	796.0
Bank Rakyat Indonesia	5,350	1.4	698.5
Astra International	5,750	6.5	591.6
GoTo Gojek Tokopedia	109	12.4	571.8

TOP GAINERS

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
GoTo Gojek Tokopedia	109	12.4	571.8
Bank Jago	3,490	9.1	270.8
Allo Bank	1,560	8.0	8.1
Astra International	5,750	6.5	591.6
Trimegah Bangun Persada	1,055	3.9	36.1

TOP LOSERS

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
Siloam International	2,220	(19.0)	11.7
Amman Mineral	5,900	(18.1)	1,670.9
Multistrada	4,720	(9.7)	1.4
Indofood CBP	10,525	(8.9)	73.1
Indocement TP	9,550	(6.4)	24.1

*ADT: Average daily turnover

COMMODITY TREND

	1 Dec 23 Closing	Chg (%)	1-mth
Forex (Rp/US\$)	15,485	(0.2)	(1.5)
Crude Oil NYMEX (US\$/bbl)	74.07	(2.5)	(8.0)
Coal Fut Newc (US\$/tonne)	133.50	1.0	n.a.
Nickel 3M LME	17,042	2.4	(6.5)
Tin 3M LME	23,748	2.2	(2.5)
Gold SPOT (US\$/oz)	2,072	1.7	4.0
CPO Fut Msia (MYR/tonne)	3,733	(0.6)	2.8

Source: Bloomberg, UOB Kay Hian

STRATEGY – INDONESIA

Alpha Picks: Underperformance With A 3.7% Return

Our portfolio delivered a 3.7% return in Nov 23, underperforming the JCI that recorded a 7.2% return. Our top three gainers are BBNI (+12.5%), TLKM (10.1%), SMGR (8.9%) and NCKL (6.5%). Over the past 10 years, the JCI's highest monthly return is usually in December, averaging 2.59%. In anticipation of the year-end rally, we increase our portfolio beta by adding GOTO and BMRI as investors could purchase banks amid the market rally. Our picks are GOTO, BMRI, JSMR, TLKM, BBNI, NCKL, CTRA, MYOR and AKRA.

WHAT'S NEW

- **Our portfolio underperformed despite recording a 3.7% return.** Our portfolio delivered an average 3.7% return in Nov 23. Despite the positive return, our portfolio return trailed the JCI that rose by 7.2%. The biggest gainers in JCI in Nov 23 were ARTO (76.35%) and BREN (55.99%). The top three sectors with the highest returns in Nov 23 were IDXTECH (22.9%), IDXINFRA (21.9%) and IDXFIND (8.9%). Our biggest gainers are BBNI (+12.5%), TLKM (10.1%), SMGR (8.9%), NCKL (6.5%), and CTRA (4.2%). The biggest losers are MYOR (-8.2%), CMRY (-2.9%) and AKRA (-1.9%).
- **Increase portfolio beta, bank (BMRI) and JSMR in anticipation of year-end rally.** In the past 10 years, the return for the month of December has averaged 2.59%, making it the strongest month of the year historically. We decide to increase beta to our portfolio by adding GOTO as one of our selections for a year-end trade. We also decide to add BMRI as investors are likely to establish positions on large-cap banks during a rally. We also add JSMR to capitalise on its recent rally.
- **Reduce exposure to consumer: drop CMRY and SMGR.** We decided to drop CMRY as it has recorded 10.4% loss since its inception, and consumer stocks could trail during a rally. We keep MYOR as a hedging name to our portfolio. We also drop SMGR as this stock has not been performing.

ANALYSTS' ALPHA PICKS

Analyst	Company	Rec	Performance*	Catalyst
Posmarito Pakpahan	Bank Negara Indonesia	BUY	13.6%	Loan growth to accelerate in 2H23.
Posmarito Pakpahan	Bank Mandiri	BUY	NA	Strong 4Q23 results with a stable NIM
Paula Ruth	Telekom Indonesia	BUY	10.1%	Attractive valuation, positive seasonality in 4Q23, and strong balance sheet.
Limartha Adhiputra	Ciputra Development	BUY	10.3%	Better 4Q23 marketing sales and NPAT achievement.
Limartha Adhiputra	Jasa Marga	BUY	NA	Potential 52% increase in traffic in 4Q23 due to Christmas and New Year Holiday, divestment of Jasamarga TransJava Tollroad in 1H24.
Stevanus Juanda	Mayora Indah	BUY	3.9%	Recovery in 3Q23 sales and raw material cost drop will expand margin in 2023.
Posmarito Pakpahan	AKR Corporindo	BUY	-7.6%	Rising oil prices and retail gas station growth
Stevanus Juanda	Gojek Tokopedia	BUY	NA	Attractive valuation that could rally in year-end trade.
Limartha Adhiputra	Trimegah Bangun Persada	BUY	-6.4%	a) Rise in production volume, b) rise in nickel price, and c) inclusion in FTSE Russell index
				Drop: CMRY, SMGR

* Denotes a timeframe of 1-3 months and not UOB Kay Hian's usual 12-month investment horizon for stock recommendation

Share price change since stock was selected as Alpha Pick Source: UOB Kay Hian

VALUATION

Company	Ticker	Rec	Price 1-Dec-23 (Rp)	Target Price (Rp)	Potential Upside (%)	Market Cap (US\$m)	3M Avg Turnover (US\$m)	PE 2023F	PE 2024F	P/B 2022F	P/B 2023F	ROE 2023F (%)	Net Gearing (%)
Bank Negara Indonesia	BBNI	BUY	5,250	5,600	6.7	12,653.4	19.0	9.1	7.9	1.3	1.1	15.1	(73.8)
Bank Mandiri Persero	BMRI	BUY	5,900	6,500	10.2	35,584.3	24.8	10.9	9.6	2.1	1.9	20.5	(55.2)
Jasa Marga (Persero)	JSMR	BUY	4,720	5,300	12.3	2,214.0	2.4	15.7	11.7	1.4	1.2	9.5	157.7
GoTo Gojek Tokopedia	GOTO	BUY	109	121	11.0	8,462.3	21.5	NA	NA	1.0	1.1	NA	(21.9)
Telkom Indonesia	TLKM	BUY	3,830	4,700	22.7	24,517.5	19.4	14.6	14.4	2.7	2.6	18.9	20.2
Trimegah Bangun Persada	NCKL	BUY	1,055	1,300	23.2	4,301.7	3.7	11.2	7.9	2.8	2.2	36.4	50.2
Ciputra Development	CTRA	BUY	1,150	1,300	13.0	1,377.5	1.5	10.6	8.9	1.1	1.0	10.4	(0.6)
Mayora Indah	MYOR	BUY	2,520	3,200	27.0	3,641.0	1.1	23.8	20.2	3.9	3.4	18.7	17.1
AKR Corporindo	AKRA	BUY	1,435	1,840	28.2	1,861.4	2.9	10.3	10.7	2.4	2.2	24.1	(10.0)

Source: Bloomberg, UOB Kay Hian

KEY RECOMMENDATIONS

Ticker	Rec	Price 1-Dec-23 (Rp)	Target Price (Rp)	Potential Upside (%)
BBNI	BUY	5,250	5,600	6.7
BMRI	BUY	5,900	6,500	10.2
JSMR	BUY	4,720	5,300	12.3
GOTO	BUY	109	121	11.0
TLKM	BUY	3,830	4,700	22.7
NCKL	BUY	1,055	1,300	23.2
CTRA	BUY	1,150	1,300	13.0
MYOR	BUY	2,520	3,200	27.0
AKRA	BUY	1,435	1,840	28.2

Source: UOB Kay Hian

CHANGE IN SHARE PRICE

Company	Rec	Nov-23 (%)	To Date (%)
BBNI	BUY	12.5%	13.6%
SMGR	BUY	8.9%	-6.3%
NCKL	BUY	6.5%	-6.4%
TLKM	BUY	10.1%	10.1%
CTRA	BUY	4.2%	10.3%
MYOR	BUY	-8.2%	3.9%
AKRA	BUY	-1.3%	-7.6%
CMRY	BUY	-2.9%	-10.4%
JCI		7.2%	
USD-IDR X-RATE		2.4%	

Source: UOB Kay Hian

PORTFOLIO RETURN

	2022	1Q23	2Q23	3Q23
JCI return	4.1%	-0.7%	-2.1%	4.2%
Alpha Picks Return				
Price-weighted	8.9%	-0.5%	-0.1%	4.8%
Market cap-weighted	9.7%	1.9%	-1.4%	4.1%
Equal-weighted	6.6%	-0.1%	-0.5%	0.3%

Assumptions for the 3 methodologies:

- 1) Price-weighted: Assuming the same number of shares for each stock, a higher share price will have a higher weighting.
- 2) Market cap-weighted: Weighting is based on the market cap at date of inclusion, a higher market cap will have a higher weighting.
- 3) Equal-weighted: Assuming the same investment amount for each stock, every stock will have the same weighting.

Source: UOB Kay Hian

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Gojek Tokopedia - BUY (Stevanus Juanda)

- **Introducing the Hemat programme as a value proposition.** Gojek Tokopedia's (GOTO) performance continues to improve. The company reiterated that it will generate a positive adjusted EBITDA by 4Q23. It has introduced the Hemat programme in its on-demand service and e-commerce service, which provides more affordable services so that it can tap into larger addressable markets. This programme will benefit GOTO despite the lower pricing to consumers.
- **For on-demand service, consumers will enjoy lower pricing but have to wait longer for their rides and foods.** Consumers will also use smaller cars. For drivers, it could translate to higher revenue as this programme will be zoned for short-term rides, thus enabling drivers to take on more short-term trips. In Go Food, consumers will need to wait for 40-45 minutes (compared with the traditional 20-30 minutes) so that GOTO can bundle the deliveries alongside other orders. Also, restaurants will be within a 2km radius to encourage more orders and delivery bundling.
- **For e-commerce, the Hemat programme will implemented in the form of merchandise assortment and lower delivery cost.** Consumers can save on delivery cost but suppliers will be closer to the customers. Merchandise items could also be cheaper, but the orders could be more frequent as the total cost to consumers including shipping will be cheaper.
- **Risk to positive adjusted EBITDA by 4Q23.** GOTO mentioned that it has faced stiff competition in the market and it has decided to match its competitors, recognising that regaining lost market share is a harder task. Hence, it has retracted its guidance of achieving positive adjusted EBITDA in 4Q23.
- **Maintain BUY with a target price of Rp121.** We derive a fair value of Rp121 for GOTO, which is derived from multiple of EV/GTV of 0.18x, which is the EV/GTV multiple used on both GOTO and BUKA. With 82.6% upside from the current level, we maintain BUY on GOTO, with a target price of Rp121.

Share Price Catalyst

- **Events:** Valuation re-rating on year-end rally
- **Timeline:** Christmas on 25 Dec 23, New Year's Eve on 31 Dec 23 and New Year's Day on 1 Jan 24.

Jasa Marga - BUY (Limartha Adhiputra)

- **6-7% tariff adjustments in Jun 23 and Aug 23 will impact 2H23 revenue growth.** The Minister of Public Works and Public Housing (PUPR) has adjusted the tariffs for several toll road sections namely Cipularang, Padaleunyi, Jagorawi, Soedyatmo, Cimanggis-Cibitung, Ngawi-Kertosono, and etc. The tariff adjustment will be impact 2H23's revenue growth and we expect a 23% hoh increase in 2H23 toll revenue with 2023 toll revenue of Rp13.7t.
- **A total of 475km of new toll road sections will be operated until 2025.** In 2023, Jasa Marga (JSMR) will operate Jakarta-Cikampek II South (Section 3) and Cinere-Serpong (Section 2) with a total length of 35km. In 2024, another 43km of toll road will be operated by JSMR, which are Jakarta-Cikampek II South (Section IIB), Jogja-Bawen (Section I), and Jogja-Solo (Section IA). In 2025, JSMR expects to operate much longer toll road lengths of 398km, which are the Probolinggo-Banyuwangi (Section I-III), Jogja-Bawen (Section II-VI), Jogja-Solo (Section IB-III), and Patimban access.
- **Expect 2023 and 2024 core NPAT at Rp2.2t and Rp2.9t respectively.** We estimate JSMR's 2023 core NPAT at Rp2.2t, surging 153% yoy from 2022's core NPAT of Rp864b, supported by traffic growth of 12.4% yoy and tariff adjustment at an average of 6-7% for several toll road sections. In 2024, we estimate JSMR's NPAT at Rp2.9t, up 34.3% yoy, supported by traffic growth of 6.1% and average tariff adjustment of 6-7%.

- **Divestment of Jasa Marga TransJava Toll Road (JTT) as re-rating catalyst for JSMR's share price.** We expect the divestment of JTT to improve JSMR's financial performance and revenue growth and also act as a re-rating catalyst for share price. JSMR plans to divest its stakes in JTT to raise around Rp4.5t equity fund.
- **Maintain BUY with a target price of Rp5,300.** We maintain our BUY rating with a target price of Rp5,300, based on -1SD to 2023F-24F EV/EBITDA of 9.7x. We believe JSMR's 2023F-24F EBITDA could still grow 17.1% yoy and 16.6% yoy respectively on the back of improved traffic, increased toll road tariffs, and its ability to minimise the potential risks of interest rate hikes. Currently, the stock is trading at 9.3x 2023F EV/EBITDA, or near -1SD to its five-year EV/EBITDA of 9.7x, which is still an attractive valuation.

Share Price Catalyst

- **Events:** Potential 52% increase in traffic in 4Q23 due to the Christmas and New Year holidays, divestment of Jasamarga TransJava toll road in 1H24.
- **Timeline:** 4Q23 results announcement in end-Mar 24.

Bank Mandiri - BUY (Posmarito Pakpahan)

- **Digital initiatives boosting CASA.** Amid rising competition in the CASA market, Bank Mandiri's (BMRI) digital initiatives have helped to improve its funding structure and gain market share. CASA ratio increased to 79% in Sep 23 from 66% in Jan 19. Its CASA market share rose from 16% in Jun 19 to 18% in Sep 23.
- **NIM could remain stable in 2024.** BMRI is expanding its portfolio of higher-yield assets which could support its NIM amid rising CoF. The commercial and retail segments will continue as loan growth drivers in 2024. With its lower LDR compared to other SoE banks, there is room for BMRI to book higher loan growth than other SoE banks.
- **One of the best asset qualities among SoE banks.** BMRI's loan quality is improving. As at Sep 23, LaR ratio and NPL had declined to 9.8% and 1.5% respectively. Theoretically, the retail and commercial segments have higher CoC. However, BMRI's CoC declined 50bp to <1% in 9M23. As of Sep 23, LaR coverage stood at 45.9% and NPL coverage stood at 299%.
- **Opex is under control and BRIS continues to improve its efficiencies.** Digitalisation and cost awareness will continue to support the bank's efficiencies. BMRI's cost-to-income ratio (CIR) only was 34% in 9M23. Its subsidiary, BRIS, will continue to improve its CIR post the merger from the current 48.4% in Sep 23.
- **Risks:** Management changes, adverse economic development, 7DRR hikes, worsening geopolitical issues, rising domestic political risk, and loan growth slowing down.
- **We have a BUY rating on BMRI.** Our target price of Rp6,500 is based on 2.1x 2024F P/B, derived from GGM (ROE: 20.0%, COE: 12.3%, Growth: 5%). Supported by ROE expansion, improving asset quality, and strong earnings growth momentum have supported BMRI's valuation re-rating. Currently, BMRI is trading at 1.9 forward P/B, +1.5 SD to its mean historical forward P/B. We believe BMRI is likely to maintain its strong growth momentum in 2024. We expect BMRI to distribute 60% of its 2023 net profit as dividends.

Share Price Catalyst

- **Events:** Expecting a strong set of results for 4Q23.
- **Timeline:** 4Q23 results are likely to be announced in 1Q24.

Trimegah Bangun Persada - BUY (Limartha Adhiputra)

- **Ferronickel sales expected to increase to 90,000 tonnes in 2023 and 120,000 tonnes in 2024.** We expect Trimegah Bangun Persada's (NCKL) ferronickel production to increase 65,000 tonnes in 2023 with Halmahera Jaya Ferronickel's (HJF) Phase 2 rotary kiln electric furnace (RKEF) starting production in 2Q23. With additional capacity from HJF's Phase 2 RKEF in 2Q23, we expect 2023 ferronickel production and sales of 90,000 tonnes, up 255%. We have incorporated 90,000 tonnes for 2023 production volume at an average cash cost of US\$11,510/tonne.
- **Acquisition of new nickel mines to secure more ore supply.** NCKL announced the acquisition of a 29% stake in Gane Permai Sentosa (GPS) and 99% stake in Gane Tambang Sentosa (GTS) from its parent company, Harita Jayaraya (HJR). The 29% acquisition of GPS is valued at Rp48.8b (~US\$3m) while the 99% acquisition of GTS is valued at Rp7.9b (~US\$0.5m), which NCKL believes to be much lower than the potential value of their nickel reserves. After the acquisition, NCKL's estimated total reserves will become 301.9m wmt, consisting of 225m wmt of limonite and 76.9m wmt of saprolite, extending its ore supply by more than 15 years.
- **Expect 2023 and 2024 NPAT to come in at Rp5.9t (+27.2% yoy) and Rp8.4t (+41.5% yoy) respectively** as sales volume will continue to increase on ramped-up nickel production in 2023-24. NCKL is optimistic of achieving its 2023 production and sales targets and believes that its NPAT will come in higher than consensus' expectation of Rp5.7t. We maintain 2023 and 2024 average nickel prices at US\$22,785/tonne and US\$20,000/tonne respectively. Hence, NCKL's revenue for 2023 should come in at Rp23.5t, with Rp6.4t in EBITDA, which implies a 41.3% growth yoy, while 2024 revenue will be Rp27.5t with EBITDA of Rp9.7t.
- **Maintain BUY with a target price of Rp1,300.** Our target price of Rp1,300 implies its average 2024F EV/EBITDA of 7.8x and its average 2024F PE of 9.2x. We maintain BUY on the back of potential higher EBITDA and net profit in 2023-24. Sales volume will increase as NCKL ramps up its production capacity, which could offset the risk of lower nickel price in 2024. We also expect that nickel demand to improve if China's economy recovers with higher usage of nickel in stainless steel and EV battery productions.

Share Price Catalyst

- **Events:** a) Rise in production volume, b) rise in nickel price, and c) inclusion in FTSE Russell index.
- **Timeline:** Announcement of NCKL's inclusion in FTSE Russell Index in mid-Dec 23 and 4Q23 results in Mar 24.

Telkom Indonesia - BUY (Paula Ruth)

- **Cross-selling between Indihome and Telkomsel could translate to higher revenue and profit.** The integration should be positive as Indihome has only 9.5m customers now. Indihome's services could be offered to Telkomsel's 151m customers. If 5% of Telkomsel's customers subscribe to Indihome, Indihome's customer numbers will rise 80% to 16.95m subscribers. We expect higher revenue and profit after the integration.
- **Indonesia's fixed broadband penetration is below one-third that of Thailand.** Indonesia's fixed broadband penetration (14%) is still relatively low compared with many countries (Turkey: 66%, Thailand: 47%), according to McKinsey, Oxford Economics, Analysys Mason and TLKM. Furthermore, broadband penetration in Indonesia is expected to increase to about 23% in 2027 from 14% in 2021, assuming GDP per household grows at a 6% CAGR to US\$70,000 by 2027, according to the same sources.
- **Positive synergy from cost efficiency too.** We believe that the integration of fixed and mobile broadband into one business entity will be positive to TLKM as it enables more innovative offerings like fixed mobile convergence (FMC) and fixed wireless access (FWA). TLKM expects FMC to enable further synergies in the form of opex and capex efficiency. We expect TLKM's capex-to-revenue ratio to decline to 22% in 2027 from 25% in 2023.

- **2023 NPAT could rise 21.9% yoy**, supported by the relatively low base of its digital investment's (GoTo Gojek Tokopedia, or GOTO) stock price as of end-22. We expect strong net profit growth in 2023 of 21.9% yoy, up from -16.2% yoy in 2022 (dragged down by an unrealised decrease in GOTO's fair value). Note that the quarterly trend of earnings growth tends to be affected by GOTO's share price movement.
- **Maintain BUY with a target price of Rp4,700**. Our target price implies 8x 2023 EV/EBITDA (adjusted according to ownership in Telkomsel). TLKM trades at 6.4x 2024F EV/EBITDA (13% discount to its historical mean).

Share Price Catalyst

- **Events:** Higher demand for data services during Christmas and New Year celebrations.
- **Timeline:** Christmas on 25 Dec 23, New Year's Eve on 31 Dec 23 and New Year's Day on 1 Jan 24.

Bank Negara Indonesia - BUY (Posmarito Pakpahan)

- **Fundamental improvement in credit risk.** In the last couple of quarters, Bank Negara Indonesia (BBNI) focused on de-risking its balance sheet, which led to moderate loan growth compared with other big banks, but also resulted in improving credit risk. Risk weighted asset (RWA) density credit risk for loan portfolio declined to 74.3% in Sep 23, which also resulted in an improvement in CAR ratio.
- **Higher CAR; plans to raise DPR to 50%.** Driven by solid earnings and improving credit risk, BBNI's Tier 1 CAR increased to 2.1% in Sep 23 from 19.8% in Jun 23 (2018: 17.4%). With improving CAR, BBNI plans to raise its dividend payout ratio (DPR) to 50% from last year's DPR of 40%. With the new DPR, BBNI offers 5-6% dividend yield at current price.
- **To reprice >30% of loans in Dec 23.** Higher rates and liquidity tightening could cause CoF to remain elevated in 4Q23, but the government's accelerating budget spending in 4Q23 can be a catalyst for a better liquidity environment. We see upside to earnings from: a) the bank's plan to reprice at least Rp250t loans (>30% of its loans) in Dec 23, and b) further CoC normalisation.
- **Maintain BUY with a target price of Rp5,600.** We arrive at 1.3x 2024F P/B by using GGM and assumptions of ROE: 15%, cost of equity: 12.8%, and long-term growth: 5%. BBNI is facing transformation by restructuring its loan portfolio and focusing on digitalisation on its front-end and back-end. Re-rating on valuation will be driven by continued ROAE improvement, for which management targets to reach 18% by 2025. BBNI's ROE has been trending up to 15.5% in 9M23 vs 2.6% in 2020, and is higher than 13.4% in 2019. BBNI is the cheapest stock among the Big Four banks, trading at 1.0x, close to average of its five-year historical P/B.
- **Risks:** Adverse economic development, 7DRR hikes, worsening geopolitical issues, and loan growth slowing down.

Share Price Catalyst

- **Events:** a) Solid 3Q23 results on the back of a 30bp qoq NIM expansion due to loan yield improvement, and 20bp qoq CoC decline on the back of improving asset quality, b) the bank plans to have another round of loan repricing in Dec 23, and c) government accelerating budget spending in 4Q23.
- **Timeline:** Loan repricing in Dec 23.

AKR Corporindo - BUY (Posmarito Pakpahan)

- **71% hoh net profit growth in 2H23.** We expect AKR Corporindo (AKRA) to deliver a strong net profit growth of 71% hoh (+22% yoy) in 2H23, driven by: a) 77ha land sales, b) 6-8% petroleum volume sales, and c) stable margin from its petroleum business. We expect gross margin to improve to 10.2%, with Java Integrated Industrial and Port Estate (JIPE) contributing 30%.
- **77ha land sales in 2H23.** AKRA signed a binding agreement (CSPA) with Sichuan Hebang Biotechnology in 3Q23 for a land purchase of 67ha to set up a petrochemical manufacturing plant in JIPE. We expect the 67ha of land sales to be recognised as revenue in 4Q23 while 10ha land sales had been reported in 3Q23.
- **Petroleum volume on track with margins sustained.** Supported by the mining activities and economic recovery, we expect petroleum volume to grow 6-8% this year. In 2Q23, petroleum volume grew 4% qoq (+5% yoy) with a run rate of 240,000 kl per month. AKRA could sustain its high margin per litre in 2H23 due to its extensive logistic networks and exposure to eastern Indonesia.
- **Maintain BUY with a target price of Rp1,840.** We arrive at our target price: a) using DCF method to value its trading and distribution and other segments, and b) using discount to RNAV to value its industrial estate segment. We use WACC of 9.6% and terminal growth of 3% in our DCF valuation and 60% discount to JIPE's NAV with assumption of 519ha saleable landbank and ASP of US\$150/sqm. We adjust the value to 60% AKRA's ownership in JIPE. Our target price of Rp1,840 implies 13x 2023F PE. AKRA is trading at 10.9x forward PE, -1SD to its five-year historical forward PE mean.
- **Risks:** Adverse economic development, worsening geopolitical issues, lower-than-expected sales volume, decline in basic chemical prices, lower margin per litre and lower land sales booking than management guided.

Share Price Catalyst

- **Events:** a) Upward pressure for oil prices in the short term, and b) land sales booking in 4Q23.
- **Timeline:** Meanwhile, we expect the company to book 67ha of land sales in 4Q23. 4Q23 results are likely to be announced in 1Q24.

Mayora Indah - BUY (Stevanus Juanda)

- **Raised product prices by 12-18% in 2022;** gross margin to improve by 180-480bp yoy in 2023. Mayora Indah's (MYOR) product ASPs increased by an average of 15% in 2022 and in the range of 12-18%. As raw material prices are normalising in 2023, MYOR will no longer increase its prices. However, the new and higher prices are likely to remain elevated, which will translate to gross margin improving from 22.2% in 2022 to 25-27% in 2023.
- **ASP increase should offset recent rise in wheat and CPO prices.** Our sensitivity analysis indicates that every 5% ASP increase will result in NPAT rising by 51.3%; every 5% increase in wheat and CPO prices will cause 2023 NPAT to decline by 6.0% and 4.6% respectively. After increasing ASP by an average of 15% in 2023, we believe 2H23 gross margin could still expand but likely with a lower magnitude.
- **3Q23 NPAT up 87.1% yoy and 64.2% qoq to Rp807.3b.** MYOR continues to benefit from the decline in raw material costs as gross margin expanded by 442bp and net margin jumped by 451bp. Bogasari adjusted flour prices in Jul 23, which has benefitted MYOR. 3Q23 operating profit was up 75.5% yoy. MYOR reported 9M23 NPAT of Rp2,026b, rising 86.8% yoy. The reported 9M23 NPAT is in line with UOBKH's forecast of Rp2,655b (76.3% level) but slightly ahead of the street's (78.8% level) forecast of Rp2,572b.

- **Advertising and promotional expenses at 9-11% of sales;** lower freight costs as container costs normalise. MYOR's advertising expenses declined from Rp3.6t in 2021 (13% of sales) to Rp2.65t (8.6% of sales) in 2022. In 2023, MYOR will continue to maintain its advertising and promotion costs at 9-11% of sales. Freight costs rose 19.2% yoy in 2022, but are likely to decrease in 2023 as container costs have normalised and oil prices have declined.
- **Maintain BUY on MYOR with a target price of Rp3,000; 2023 NPAT could rise 44.4% yoy to Rp2,593b.** Despite the potential slight pressure from the increase in wheat and CPO prices, we expect MYOR to record a strong yoy growth in NPAT in 2023. We have forecasted 34.8% yoy core NPAT growth in 2023. With 28.1% upside, we maintain BUY on MYOR with a target price of Rp3,000.

Share Price Catalyst

- **Events:** Potential strong results from 4Q23 onwards.
- **Timeline:** 4Q23 results announcement at end-Mar-24.

Ciputra Development - BUY (Limartha Adhiputra)

- **Marketing sales on track to achieve 2023 upgraded target of Rp9.8t.** 9M23 marketing sales reached Rp7.8t, contributing 79.7% of Ciputra Development's (CTRA) 2023 target. In 3Q23, marketing sales was Rp2.7t, 58.8% higher than 2Q23's marketing sales achievement of Rp1.7t. Sales of houses and land lots contributed the most to total marketing sales in 9M23 (76%), followed by shophouses (21%), while apartment and offices made up the remaining 3%.
- **VAT incentives to support marketing sales growth in 2024.** The government is providing value added tax (VAT) incentives, starting in Nov 23-Dec 24 and will be divided into two periods. During the first period (Nov 23-Jun 24), housing units priced up to Rp2b will see 100% of VAT borne by the government. During the second period (Jul 24-Dec 24), the VAT borne by the government will be reduced to 50%. The government is considering expanding the VAT incentives to housing units priced up to Rp5b. We believe this will have a positive impact on property companies, including CTRA as it has houses and apartments in its inventory priced between Rp1b-5b.
- **Expect 2023-24 net profit to grow 7.6% yoy and 19.6% yoy to Rp2.0t and Rp2.4t respectively.** 2023-24 revenue could grow on stronger development revenue growth. The high marketing sales in 2022 will translate into stronger development revenue for 2023-24. We expect 2023 revenue to grow 9.8% yoy to Rp10t, of which 78.7% will be development revenue and 21.3% will be recurring revenue. We forecast 2024 revenue at Rp10.8t (+8.2% yoy) with 78.5% contribution from development revenue and 21.5% contribution from recurring revenue.
- **Maintain BUY with a target price of Rp1,300.** This is derived from five-year +1SD discount to 2023 RNAV/share, or at a 66.5% discount to our RNAV. We think CTRA deserves an above-average valuation as it has well-diversified projects in and outside Java that can drive its marketing sales growth in 2023. CTRA is currently trading near five-year mean discount to 2023 RNAV/share.

Share Price Catalyst

- **Events:** a) Strong 4Q23 earnings on high handover seasonality, b) Bank Indonesia's seven-day repo rate to stay at current level.
- **Timeline:** a) 4Q23 marketing sales announcement in early-1Q24 and 4Q23 results in Mar 24, and b) BI rate announcement on 22-23 Nov 23.

COMPANY RESULTS

Trimegah Bangun Persada (NCKL IJ)

3Q23: NPAT Up 24.9% qoq On Higher Sales Volume; Results Within Expectations

3Q23 NPAT hit Rp1.7t, up 24.9% qoq and 342% yoy on higher sales volume. 9M23 NPAT also came in strong at Rp4.5t, rising 23.8% yoy, supported by a robust 135% yoy growth in 9M23 revenue, which we deem within expectations. NCKL acquired GTS with estimated total reserves of 93m wmt, and this could extend its ore supply by more than 15 years. We expect 2023 and 2024 NPAT to come in at Rp5.9t (+27.2% yoy) and Rp8.4t (+41.5% yoy) respectively. Maintain BUY with a target price of Rp1,300.

3Q23 RESULTS

Year to 31 Dec (Rpb)	9M23	9M22	yoy (%)	3Q23	2Q23	qoq (%)	yoy (%)
Revenue	17,300	7,358	135.1	7,057	5,456	29.3	265
Gross Profit	6,134	3,760	63.1	2,635	1,932	36.4	245
Operating Profit	5,424	3,409	59.1	2,354	1,703	38.2	235
Net Income	4,465	3,605	23.8	1,719	1,377	24.9	342
Share in Profits from Associates	1,376	2,273	-39.5	437	417	4.9	293
Profitability	9M23	9M22	yoy (bp)	3Q23	2Q23	qoq (bp)	yoy (bp)
GPM (%)	35.5	51.1	-1,564	37.3	35.4	194	-223
OPM (%)	31.4	46.3	-1,497	33.4	31.2	213	-304
NPM (%)	25.8	49.0	-2,319	24.4	25.2	-87.5	424

Source: NCKL, UOB Kay Hian

RESULTS

- **Reports 3Q23 NPAT of Rp1.7t**, up 24.9% qoq from 2Q23's Rp1.4t on higher production and sales volume. Trimegah Bangun Persada (NCKL) stated that 3Q23 NPAT growth was driven by higher revenue of Rp7.1t (+29.3% qoq) with:
 - 3Q23 ore sales of 4.44m wet metric tonnes (wmt), up 19.7% qoq. Saprolite ore sales was 1.94m wmt (+32.0% qoq) while limonite ore sales was 2.5m wmt (+11.6% qoq).
 - 3Q23 ferronickel (FeNi) sales volume was 32,029 tonnes (up 41.2% qoq), with lower FeNi ASP of US\$12,914/tonne (down 7.1% qoq).
- The 24.9% qoq NPAT growth was also driven by an increase in share of profits from associates of Rp437b, up 4.9% qoq. 3Q23 EBITDA came in at Rp3.2t (+25.8% qoq).
- **9M23 NPAT came in at Rp4.5t with net margin of 25.8%**, increasing 23.8% yoy from Rp3.6t in 9M22, supported by robust growth in 9M23 revenue of 135% yoy. 9M23 revenue was Rp17.3t, surging 135% yoy on increased production capacity from the nickel mines as well as the rotary kiln electric furnace (RKEF) from Halmahera Jaya Ferronickel (HJF). Meanwhile, 9M23 EBITDA reached Rp7.8t (+28.8% yoy). We deem NCKL's 9M23 NPAT achievement within our and consensus' expectations as 9M23 NPAT achievement accounted for 75% and 78% of our and consensus' 2023 NPAT forecasts respectively.

KEY FINANCIALS

Year to 31 Dec (Rpb)	2021	2022	2023F	2024F	2025F
Net turnover	8,229	9,568	23,483	27,499	25,445
EBITDA	4,204	4,508	6,369	9,740	9,619
Operating profit	3,567	3,984	5,356	8,771	8,475
Net profit (rep./act.)	1,969	4,667	5,937	8,402	10,101
Net profit (adj.)	1,969	4,667	5,937	8,402	10,101
EPS (Rp)	31.2	74.0	94.1	133.2	160.1
PE (x)	33.8	14.3	11.2	7.9	6.6
P/B (x)	11.8	7.0	2.9	2.4	2.0
EV/EBITDA (x)	15.8	14.8	10.5	6.8	6.9
Dividend yield (%)	1.2	2.9	2.1	5.2	6.2
Net margin (%)	23.9	48.8	25.3	30.6	39.7
Net debt/(cash) to equity (%)	51.5	75.4	(19.9)	(22.3)	(34.0)
Interest cover (x)	13.7	16.4	29.9	83.6	n.a.
ROE (%)	41.2	61.7	36.4	32.8	32.5
Consensus net profit	-	-	5,718	7,944	9,538
UOBKH/Consensus (x)	-	-	1.04	1.06	1.06

Source: Trimegah Bangun Persada, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Rp1,055
Target Price	Rp1,300
Upside	+23.2%

COMPANY DESCRIPTION

Trimegah Bangun Persada is a vertically integrated pure-play nickel producer company located in Obi Island with more than 10 years operational experience.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	NCKL IJ
Shares issued (m):	63,098.6
Market cap (Rpb):	66,569.0
Market cap (US\$m):	4,298.9
3-mth avg daily t'over (US\$m):	3.6
Price Performance (%)	

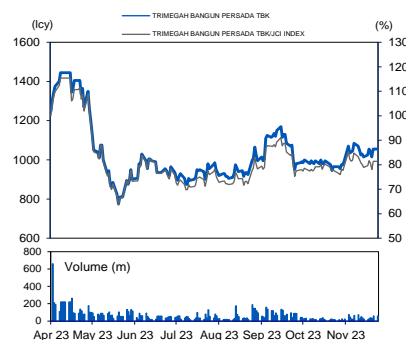
52-week high/low Rp1,445/Rp775

1mth	3mth	6mth	1yr	YTD
11.6	14.1	30.2	n.a.	n.a.

Major Shareholders

	%
Harita Jayaraya	86.5
FY23 NAV/Share (Rpb)	367
FY23 Net Cash/Share (Rpb)	73

PRICE CHART



Source: Bloomberg

ANALYST(S)

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OPERATIONAL HIGHLIGHTS

	9M23	9M22	yoy (%)	3Q23	2Q23	qoq (%)	yoy (%)
Nickel Ore Sales (m wmt)	10.93	5.57	96.2	4.44	3.71	19.7	139
Saprolite sales (m wmt)	4.13	1.23	236	1.94	1.47	32.0	397
Limonite sales (m wmt)	6.80	4.34	56.7	2.50	2.24	11.6	70.1
MHP Production Output (tonne)	51,857	35,457	46.3	18,677	17,011	9.79	53.4
Ni content output (tonne)	46,891	31,437	49.2	16,889	15,438	9.40	55.6
Co content output (tonne)	4,966	4,020	23.5	1,788	1,573	13.7	34.7
NiSO4 output (tonne)	9,287	0	n.a.	6,490	2,797	132	n.a.
CoSO4 output (tonne)	818	0	n.a.	818	0	n.a.	n.a.
MHP Sales Volume (tonne)	38,552	33,374	15.5	12,032	12,430	-3.20	-63.9
Ni content sales volume (tonne)	34,897	29,563	18.0	10,928	11,270	-3.03	-63.0
Co content sales volume (tonne)	3,655	3,811	-4.09	1,104	1,160	-4.83	-71.0
LiSO4 Sales volume (tonne)	7,534	0	n.a.	6,244	1,290	384	n.a.
CoSO4 Sales volume (tonne)	271	0	n.a.	271	0.00	n.a.	n.a.
FeNi Production output (tonne)	68,994	18,760	268	31,444	23,393	34.4	67.6
FeNi Output MSP (tonne)	21,031	18,760	12.1	7,157	7,070	1.23	-61.8
FeNi Output HJF (tonne)	47,963	0	n.a.	24,287	16,323	48.8	n.a.
FeNi Sales volume (tonne)	69,785	19,044	266	32,029	22,687	41.2	68.2
FeNi Sales Volume MSP (tonne)	21,147	19,044	11.0	6,215	7,553	-17.7	-67.4
FeNi Sales Volume HJF (tonne)	48,638	0	n.a.	25,814	15,134	70.6	n.a.

Source: NCKL, UOB Kay Hian

- **Significant increase in sales volume offset the decline in nickel ASP.** NCKL reported a significant increase in its production and sales volume. Ore sales rose 19.7% qoq and FeNi sales jumped 41.2% qoq in 3Q23. Only mixed hydroxide precipitate (MHP) sales recorded a slight decline of 3.2% qoq, which resulted in a lower growth in its share of profit from associates of 4.9% qoq.

STOCK IMPACT

- **Acquisition of new nickel mines to secure more ore supply.** On the earnings call, NCKL also announced the acquisition of a 29% stake in Gane Permai Sentosa (GPS) and 99% stake in Gane Tambang Sentosa (GTS) from its parent company, Harita Jayaraya (HJR). The acquisition value of a 29% stake in GPS was Rp48.8b (~US\$3m), and Rp7.9b (~US\$0.5m) for the 99% share in GTS, which NCKL believes to be much lower than the potential value of their nickel reserves.

- The 29% stake in GPS is equivalent to 16m wmt of limonite and 4m wmt of saprolite. With the current profit margins of US\$10/tonne of limonite and US\$15/tonne for saprolite, NCKL believes the 29% stake is worth US\$220m.
- For GTS, NCKL estimates reserves of 58m wmt of limonite and 35m wmt of saprolite, which could be worth of roughly US\$1.1b, while NCKL acquired for only US\$0.5m.

- After the acquisition, NCKL's estimated total reserves will become 301.9m wmt, consisting of 225m wmt of limonite and 76.9m wmt of saprolite; this will extend NCKL's ore supply by more than 15 years.

- **Expect 2023 and 2024 NPAT to come in at Rp5.9t (+27.2% yoy) and Rp8.4t (+41.5% yoy) respectively** as sales volume will continue to increase on ramped-up nickel production in 2023-24. NCKL is optimistic of achieving its 2023 production and sales target, and believes that it can exceed consensus' expectation of Rp5.7t NPAT. We maintain 2023 and 2024 average nickel price forecasts at US\$22,785/tonne and US\$20,000/tonne respectively. Hence, NCKL's 2023 revenue should come in at Rp23.5t, with Rp6.4t in EBITDA, which implies a 41.3% growth yoy, while 2024 revenue will be Rp27.5t with EBITDA of Rp9.7t.

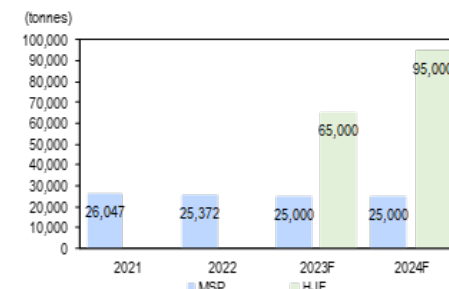
EARNINGS REVISION/RISK

- **No earnings revision.** We are waiting for more detail information on the nickel reserves of GTS mine to be included in our SOTP valuation.

VALUATION/RECOMMENDATION

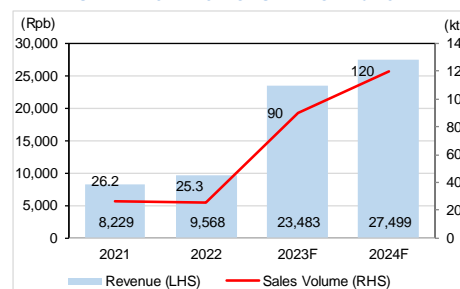
- **Maintain BUY with a target price of Rp1,300.** Our target price of Rp1,300 implies its average 2024F EV/EBITDA of 7.8x and its average 2024F PE of 9.2x. We maintain BUY on the back of potential higher EBITDA and net profit in 2023-24. Sales volume will increase as NCKL ramps up its production capacity, which could offset the risk of lower nickel price in 2024. We also believe nickel demand could improve if China's economy recovers with higher usage of nickel in stainless steel and EV battery productions.

FERRONICKEL PRODUCTION



Source: NCKL, UOB Kay Hian

REVENUE AND SALES VOLUME FORECAST



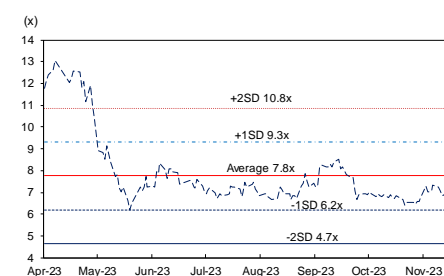
Source: NCKL, UOB Kay Hian

SOTP VALUATION

Assets	Method	Multiple (x)	EV (Rpbn)
Nickel Mining (TBP and GPS)	EV/EBITDA	12.0	18,475
MSP (RKEF)	EV/EBITDA	12.0	12,587
HJF (RKEF)	EV/EBITDA	12.0	30,598
Jikodolong & Tabuji Laiwui	EV/Reserve	1.0	5,623
Investment in HPL (HPAL)	PE	13.0	12,505
Total EV			79,789
Net cash (debt)			1,851
SOTP			81,640
Share Outstanding (m)			63,087
SOTP / share (Rp)			1,294
Final TP			1,300

Source: Bloomberg, UOB Kay Hian

FORWARD EV/EBITDA



Source: NCKL, UOB Kay Hian

FORWARD PE



Source: NCKL, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Net turnover	9,568	23,483	27,499	25,445
EBITDA	4,508	6,369	9,740	9,619
Deprec. & amort.	524	1,013	969	1,144
EBIT	3,984	5,356	8,771	8,475
Total other non-operating income	25	0.0	0.0	0.0
Associate contributions	2,916	2,133	2,102	4,616
Net interest income/(expense)	(275)	(213)	(117)	34
Pre-tax profit	6,649	7,276	10,756	13,125
Tax	(812)	(1,455)	(2,689)	(3,281)
Minorities	78	116	334	258
Net profit	4,667	5,937	8,402	10,101
Net profit (adj.)	4,667	5,937	8,402	10,101

BALANCE SHEET

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Fixed assets	20,725	21,579	24,645	25,531
Other LT assets	7,546	6,374	6,960	6,667
Cash/ST investment	1,277	10,872	10,953	14,641
Other current assets	5,057	5,100	6,464	5,823
Total assets	34,605	43,925	49,022	52,662
ST debt	117	1,224	1,225	1,226
Other current liabilities	10,092	6,844	7,448	7,205
LT debt	8,309	5,047	3,456	1,865
Other LT liabilities	1,858	3,702	4,485	4,124
Shareholders' equity	9,484	23,159	28,121	34,021
Minority interest	4,745	3,949	4,289	4,221
Total liabilities & equity	34,605	43,925	49,022	52,662

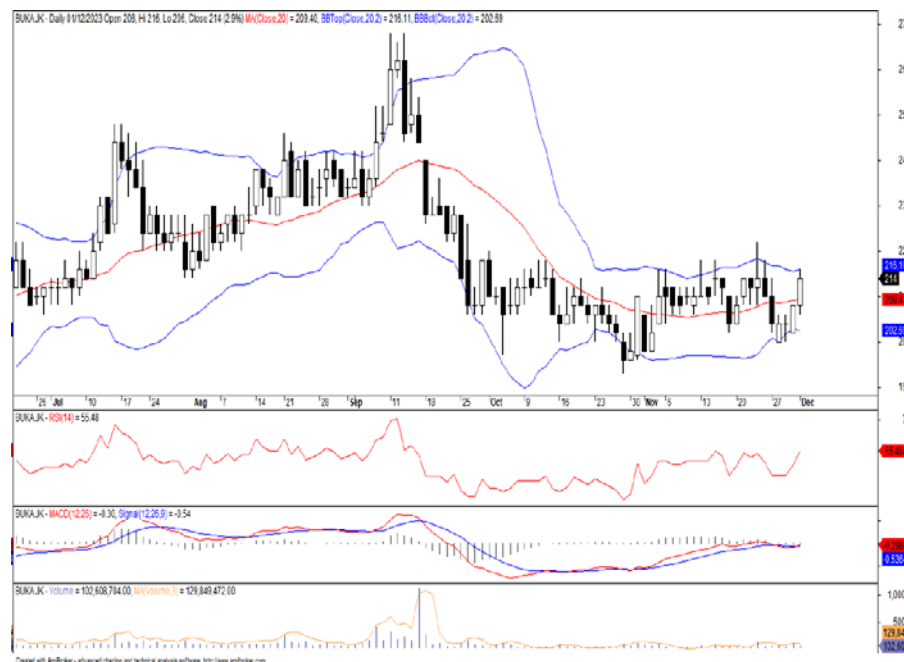
CASH FLOW

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Operating	3,525	8,023	11,848	10,138
Pre-tax profit	5,479	7,393	11,091	13,382
Tax	(812)	(1,455)	(2,689)	(3,281)
Deprec. & amort.	524	1,013	969	1,144
Working capital changes	(6,907)	1,318	(1,968)	884
Other operating cashflows	5,241	(245)	4,446	(1,991)
Investing	(6,588)	(2,896)	(2,944)	(1,895)
Capex (growth)	(8,715)	(1,177)	(3,804)	(1,466)
Others	2,127	(1,719)	859	(430)
Financing	1,634	4,467	(8,822)	(4,554)
Dividend payments	(1,908)	(2,434)	(3,445)	(4,141)
Proceeds from borrowings	7,275	1,108	1.0	1.0
Loan repayment	(4,218)	(1,771)	(1,004)	(1,844)
Others/interest paid	485	7,564	(4,374)	1,430
Net cash inflow (outflow)	(1,429)	9,595	81	3,688
Beginning cash & cash equivalent	2,578	1,277	10,872	10,953
Changes due to forex impact	128	0.0	0.0	0.0
Ending cash & cash equivalent	1,277	10,872	10,953	14,641

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	47.1	27.1	35.4	37.8
Pre-tax margin	69.5	31.0	39.1	51.6
Net margin	48.8	25.3	30.6	39.7
ROA	16.8	15.1	18.1	19.9
ROE	61.7	36.4	32.8	32.5
Growth				
Turnover	16.3	145.4	17.1	(7.5)
EBITDA	7.2	41.3	52.9	(1.2)
Pre-tax profit	67.3	9.4	47.8	22.0
Net profit	137.1	27.2	41.5	20.2
Net profit (adj.)	137.1	27.2	41.5	20.2
EPS	137.1	27.2	41.5	20.2
Leverage				
Debt to total capital	37.2	18.8	12.6	7.5
Debt to equity	88.8	27.1	16.6	9.1
Net debt/(cash) to equity	75.4	(19.9)	(22.3)	(34.0)
Interest cover (x)	16.4	29.9	83.6	n.a.

TRADERS' CORNER



Source: Amibroker

Bukalapak.com (BUKA.IJ)

Technical BUY with 5% potential return

Resistance: Rp222, Rp230

Support: Rp200, Rp193

Stop-loss: Rp204

Share price closed higher and formed a bullish candlestick. Momentum is looking more positive; hence we see potential for more bullish pressure to take place and price could challenge the resistance level at Rp222 and Rp230. Technical indicator RSI is sloping upwards and back above its centre line, while the MACD has just formed a bullish crossover. Buy at Rp212 and take profit at Rp222.

Approximate timeframe: 2-4 weeks.

Our institutional research has a fundamental BUY and target price of Rp265.



Source: Amibroker

Erajaya Swasembada (ERAA.IJ)

Technical BUY with 6.5% potential return

Resistance: Rp400, Rp414

Support: Rp370, Rp352

Stop-loss: Rp366

Share price closed with strong gains and formed a long-body bullish candlestick. The positive price action and higher trading volume imply more bullishness ahead. That said, we expect price to make more rallies ahead and challenge the resistance level at Rp400 and Rp414. Technical indicator RSI is sloping upwards and above its centre line, while the MACD is on a bullish crossover. Buy at Rp376 and take profit at Rp400.

Approximate timeframe: 2-4 weeks.

Our institutional research has a fundamental BUY and target price of Rp440.

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