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KEY HIGHLIGHTS

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3Q23: Higher NIM, but CoC remains elevated.

Triputra Agro Persada (TAPG IJ/BUY/Rp555/Target: Rp900) Page 5

3Q23: Results within expectations.

TRADERS' CORNER

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Ciputra Development (CTRA IJ): Technical BUY

REGIONAL MARKET

Market	Close	+ / -	Chg (%)
MSCI Indonesia	6,988.8	(188.7)	(2.7)
MSCI Asia-Ex Japan	578.1	(7.8)	(1.3)
KLCI	1,440.6	(1.9)	(0.1)
FSSTI	3,071.3	(7.5)	(0.2)
SET	1,371.2	(30.5)	(2.2)
Hang Seng	17,044.6	(40.7)	(0.2)
Nikkei	30,601.8	(668.1)	(2.2)
Shanghai Comp	2,988.3	14.2	0.5
Dow Jones	32,784.3	(251.6)	(0.8)

Source: Bloomberg

INDONESIA STOCK EXCHANGE

	Level	+ / -	Chg (%)
Index	6,714.5	(119.9)	(1.8)
LQ-45	889.3	(22.6)	(2.5)
Value (US\$m)	629.1	19.8	3.3

FOREIGN TRADE IN IDX

Net (US\$m)	Buy	Sell	Total (%)
(87.4)	173.5	260.9	34.5

TOP TRADING TURNOVER

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
Bank Rakyat Indonesia	4,920	(4.9)	859.8
Bank Central Asia	8,725	(1.7)	577.7
Bank Mandiri	5,700	(2.6)	485.9
Telkom Indonesia	3,480	(3.3)	304.8
Astra International	5,725	(0.9)	287.7

TOP GAINERS

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
Petrindo Jaya Kreasi	3,580	14.0	32.4
Indosat	9,650	2.7	33.3
Gudang Garam	25,625	2.6	41.7
Chandra Asri	2,730	2.2	40.0
Metropolitan Kentjana	28,675	1.5	19.3

TOP LOSERS

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
Adaro Minerals	1,110	(6.3)	54.3
Transcoal Pacific	8,500	(6.1)	96.4
Sarana Menara	825	(5.7)	26.6
Mitra Adiperkasa	1,850	(5.4)	32.9
Cisarua Mountain	3,810	(5.2)	3.5

*ADT: Average daily turnover

COMMODITY TREND

	26 Oct 23 Closing	Chg (%) 1-day	Chg (%) 1-mth
Forex (Rp/US\$)	15,920	0.3	2.8
Crude Oil NYMEX (US\$/bbl)	83.21	(2.6)	(7.9)
Coal Fut Newc (US\$/tonne)	135.70	1.6	n.a.
Nickel 3M LME	18,079	(1.3)	(4.2)
Tin 3M LME	24,801	(1.6)	(4.7)
Gold SPOT (US\$/oz)	1,987	0.7	3.9
CPO Fut Msia (MYR/tonne)	3,671	1.8	1.5

Source: Bloomberg, UOB Kay Hian

COMPANY RESULTS

Bank Rakyat Indonesia (BBRI IJ)

3Q23: Higher NIM, But CoC Remains Elevated

Net profit was up 4.7% qoq on the back of: a) loan growth, b) higher NIM, c) strong non-interest income, and d) well-managed opex. Qoq NIM expansion was mainly driven by a higher yield and manageable CoF. BBRI's large write-offs in 9M23 caused CoC to remain elevated on a qoq basis. NPL coverage fell to 229% (expected to normalise in the next 12-18 months to pre-COVID-19 levels). With a robust CAR of 27.5%, BBRI plans to maintain its high DPR of 85%. Maintain BUY. Target price: Rp6,100.

3Q23 RESULTS

Year to 31 Dec (Rpb)	3Q23	qoq % chg	yoy % chg	9M23	yoy % chg	Comments
Profit & Loss						
Interest Income	46,302	7.4%	20.6%	131,893	14.4%	Higher NIM from Pegadaian & PNM & accrual interest income of KUR's interest
Interest Expenses	10,646	2.7%	63.9%	30,696	63.8%	
Net Interest Income	35,656	8.8%	11.8%	101,197	4.9%	
Non-Interest Income	11,482	-1.9%	19.8%	33,657	21.2%	
Total Income	47,138	6.0%	13.6%	134,854	8.5%	
Operating Expenses	19,016	2.4%	4.8%	55,673	5.3%	
PPOP	28,123	8.6%	20.5%	79,181	10.9%	
Provision Expenses	9,158	11.4%	62.4%	22,979	1.8%	In line with the expectation
Net Profit	14,571	4.7%	1.4%	43,993	12.4%	
Key Metrics (%)	9M23	9M22	yoy % chg	3Q23*	qoq % chg	Comments
Loan (Rpt)	1,251	1,111	12.5%	1,251	4.0%	Qoq loan growth was driven by KUPEDES, Pegadaian & Corporate segment
Deposit (Rpt)	1,290	1,140	13.2%	1,290	3.6%	
Loan/Deposit Ratio	96.9%	97.5%	-0.6%	96.9%	0.4%	
CASA Ratio	63.6%	65.4%	-1.8%	63.6%	-1.9%	
NIM	8.1%	8.2%	-0.2%	8.5%	0.6%	
CIR	41.3%	42.6%	-1.3%	40.3%	-1.4%	
Cost of Fund	2.8%	1.9%	0.9%	2.9%	0.2%	
NPL Ratio	3.1%	3.1%	0.0%	3.1%	0.1%	
NPL Coverage Ratio	228.6%	278.8%	-50.2%	228.6%	-20.0%	Meaningful write-off in 9M23, CoC is within the guidance
Credit Cost	2.4%	2.7%	-0.3%	2.9%	0.2%	
CAR	27.5%	26.1%	1.3%	27.5%	1.9%	
ROE	19.7%	18.2%	1.5%	19.0%	0.5%	
ROA	3.2%	3.0%	0.2%	3.1%	0.1%	

Source: BBRI, UOB Kay Hian * 3Q23 ratios are based on our calculation

RESULTS

- **3Q23 net profit up 4.7% qoq (+1.4% yoy).** Bank Rakyat Indonesia's (BBRI) net profit was up 4.7% qoq (+1.4% yoy) to Rp14.6t. Qoq net profit growth was derived from: a) 4% qoq loan growth, b) higher NIM, c) strong recovery income, and d) well-managed opex. NIM expansion was driven by improving earning assets yield on higher contribution from KUPEDES and Pegadaian and recognition of accrual interest income of Kredit Usaha Rakyat's (KUR) interest income delay payment. Led by the micro and small segments, the write-off remained elevated, amounting to Rp25.2t in Sep 23, which caused credit cost (CoC) to remain elevated.

KEY FINANCIALS

Year to 31 Dec (Rpb)	2021	2022	2023F	2024F	2025F
Net interest income	114,094	124,597	139,589	152,191	166,920
Non-interest income	42,259	48,880	51,119	53,114	55,675
Net profit (rep./act.)	33,150	51,170	60,678	67,029	76,163
Net profit (adj.)	33,150	51,170	60,678	67,029	76,163
EPS (Rp)	218.7	337.5	400.4	442.3	502.5
PE (x)	22.5	14.6	12.3	11.1	9.8
P/B (x)	2.3	2.5	2.3	2.2	2.0
Dividend yield (%)	3.9	5.8	6.5	7.2	6.6
Net int margin (%)	7.7	7.9	7.8	7.9	8.0
Cost/income (%)	48.6	47.4	45.8	45.5	44.7
Loan loss cover (%)	280.9	306.1	272.1	248.3	230.8
Consensus net profit	-	-	59,007	66,224	73,586
UOBKH/Consensus (x)	-	-	1.03	1.01	1.04

Source: Bank Rakyat Indonesia, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Rp4,920
Target Price	Rp6,100
Upside	+24.0%

COMPANY DESCRIPTION

BBRI is a state-owned bank with the largest micro banking business in Indonesia.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	BBRI IJ
Shares issued (m):	151,559.0
Market cap (Rpb):	745,670.3
Market cap (US\$m):	46,838.6
3-mth avg daily t'over (US\$m):	37.4

Price Performance (%)

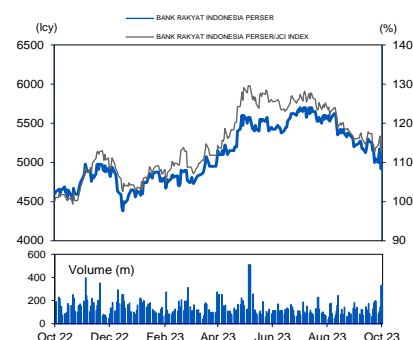
52-week high/low Rp5,700/Rp4,380

1mth	3mth	6mth	1yr	YTD
(5.4)	(13.3)	(2.1)	8.6	(0.4)

Major Shareholders

	%
Republic of Indonesia	53.19
FY23 NAV/Share (Rp)	2,114
FY23 CAR Tier-1 (%)	21.98

PRICE CHART



Source: Bloomberg

ANALYST(S)

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• **9M23 net profit grew 12.4% yoy, in line with expectations.** Supported by qoq net profit growth, 9M23 net profit grew 12.5% yoy to Rp44.0t, within our and market expectations. Underpinned by loan yield improvement, BBRI could soften the impact of higher cost of fund (CoF) to its NIM. The bank's NIM stood at 8.1%, dropping 16bp yoy despite an 89bp yoy increase in CoF. Opex was well-managed, rising by 5.3% yoy, bringing pre-provision operating profit (PPOP) to 10.9% yoy. Provision expenses increased 1.8% which resulted in a 12.4% net profit growth in 9M23.

• **Better asset mix supports NIM.** Loans grew 12.5% yoy (+4.0% qoq) which was driven by positive loan growth in all segments. The medium segment posted the highest loan growth of 30.1% yoy, followed by corporate (+20.6%), consumer (+14.0%), micro (+11.6%), and small segments (+5.0%). In line with management's strategy of shifting its loan growth to KUPEDES from KUR, KUPEDES loans grew 57.5% yoy while KUR declined 9.1% yoy. KUPEDES' contribution to total loans increased to 16.1% in Sep 23 from 11.5% in Jun 23. Pegadaian and Permodalan Nasional Madani's (PNM) loans jumped 14.8% yoy, contributing 8.9% of total loans in Sep 23. Given higher contribution from KUPEDES and improving corporate loans quality, earnings asset yield rose by 69bp to 10.4% in 9M23.

• **CoF relatively stable in 3Q23 amid tightening liquidity and higher reference rate.** Given its large exposure to the retail market, BBRI could gather deposit from the retail market at a lower rate than wholesale funding which helped the bank to manage its CoF. BBRI's CoF was relatively stable at 2.92% in 3Q23 (2Q23: 2.87%) amid tightening liquidity and high reference rate. The bank continued to improve its current account and saving (CASA) franchise which is reflected through expanding its merchant electronic data capture (EDC) market share and rising BRIMO (mobile app) penetration rate. The bank's merchant EDC market share increased to 16.2% in Sep 23 from 14.2% in Sep 22. Meanwhile, consolidated loan to deposit ratio (LDR) was tight, standing at 96.9%, but bank-only's LDR was lower, standing at 88%.

• **Meaningful write-offs, CoC remained elevated.** With the lingering effect of COVID-19 in the micro and small segments and El Nino impacting farmers and fisheries, BBRI's asset quality was under pressure. BBRI had meaningful write-offs, amounting for Rp25.2t in 9M23. Loan at risk (LaR) ratio declined to 13.8% in Sep 23 as COVID-19 restructured loans trended down to 6.2% of total loans. NPL ratio was stable at 3.1% in Sep 23. The large write-off lowered the provision coverage to 228.6% while LaR coverage was at 50.9% in Sep 23. Management thinks the NPL coverage will start to normalise in 12-18 months, back to pre-COVID-19 levels as the bank will lift its COVID-19 restructured loans. Management's comfort NPL coverage is 150-200% and believes CoC for 2024 could be similar to 2023's level.

• **Non-interest income surged 21%.** Recovery income and strong commission and fee income drove the non-interest income to 21% yoy to Rp33.7t, accounting for 25% of the net operating income. The improvement in banking services led to strong fee and commission income, growing 12.2% yoy to Rp15.6t. The growth was mainly driven by loan admission fee and trading finance as well as wholesale business activities. Meanwhile, the recovery of written-off assets was up 25.5% yoy to Rp10.9t with recovery rate of 43.3% in 9M23.

EARNINGS REVISION/RISKS

• **Retain our 2023/24 earnings estimates.** However, we see pressure on earnings from a higher reference rate and higher credit cost. The bank plans to reprice some of its retail loans in 4Q23 which would support the yield.

• **Risks** include adverse macro development, uncertainty of geopolitical issues, changes in regulation, worsening asset quality, lower NIM, and higher expenses.

VALUATION/RECOMMENDATION

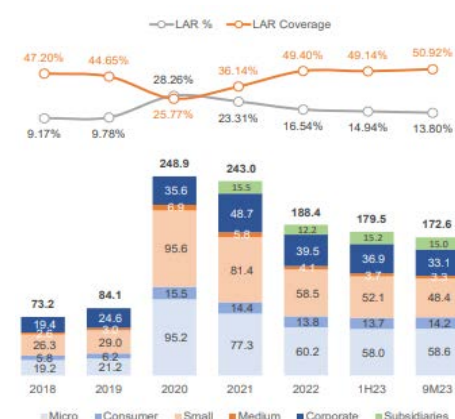
• **Maintain BUY with an unchanged target price of Rp6,100.** We arrive at 2.67x fair P/B using the Gordon Growth Model with assumptions of ROE of 21%, growth of 6%, and cost of equity of 11.7%. Given that BBRI's liabilities are more sensitive to the changes in reference rate, we believe industry liquidity tightening and higher reference rate will have a negative impact on BBRI's NIM outlook. However, we expect synergies and growth from the ultra-micro ecosystem to support the bank's net profit growth outlook. In addition, the adoption of technology has supported efficiency, productivity and synergies with the subsidiaries. With CAR of 27.5%, BBRI plans to maintain its high DPR of 85% and pay interim dividend in 4Q23. Currently, BBRI is trading at 2.2x forward P/B, slightly below of its five-year mean forward P/B.

LOAN BREAKDOWN AND GROWTH

(Rpt)	Sep-23	yoy	qoq	% of loan
Micro	590.7	11.6%	2.2%	47.2%
Consumer	184.6	14.0%	3.5%	14.8%
Small	229.8	5.0%	0.9%	18.4%
Medium	33.7	30.1%	7.0%	2.7%
Corporate	211.8	20.6%	13.5%	16.9%
Total	1,251	12.5%	4.0%	100.0%
Micro				
KUR	213	-9.1%	-3.1%	17.0%
Kupedes	201.4	57.5%	10.2%	16.1%
Briguna	65.5	-6.8%	-2.1%	5.2%
Total	480	10.9%	2.2%	38.4%
Pegadaian	65.6	17.4%	4.3%	5.2%
PNM	45.3	11.3%	-0.4%	3.6%

Source: BBRI

LAR AND LAR COVERAGE



Source: BBRI

OPEX BREAKDOWN

	9M23	yoy	3Q23	qoq
Bank-only	41,206	0.1%	13,629	-5.4%
Personnel Exp	21,180	1.1%	7,648	29.2%
G&A Exp	14,841	13.0%	4,831	-4.7%
Other Exp	5,185	-27.0%	1,150	-66.3%
Subsidiaries	14,466	23.7%	5,386	29.3%
Personnel Exp	8,314	22.2%	2,985	32.2%
G&A Exp	5,582	16.9%	2,059	8.7%
Other Exp	570	383.1%	342	2750.0%
Consolidated	55,672	5.3%	19,015	2.4%
Personnel Exp	29,494	6.3%	10,633	30.0%
G&A Exp	20,423	14.1%	6,890	-1.0%
Other Exp	5,755	-20.3%	1,492	-56.5%

Source: BBRI

FIVE-YEAR FORWARD P/B



Source: Bloomberg

PROFIT & LOSS

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Interest income	151,875	176,189	199,234	220,865
Interest expense	(27,278)	(36,600)	(47,043)	(53,945)
Net interest income	124,597	139,589	152,191	166,920
Fees & commissions	18,795	20,674	22,742	25,016
Other income	30,085	30,445	30,372	30,659
Non-interest income	48,880	51,119	53,114	55,675
Total income	173,477	190,709	205,305	222,595
Staff costs	(39,390)	(42,147)	(45,098)	(47,804)
Other operating expense	(42,802)	(45,279)	(48,230)	(51,606)
Pre-provision profit	91,285	103,282	111,977	123,185
Loan loss provision	(27,385)	(26,756)	(27,470)	(27,201)
Other provisions	406	0	0	0
Other non-operating income	291	0	0	0
Pre-tax profit	64,597	76,526	84,507	95,984
Tax	(13,188)	(15,624)	(17,254)	(19,597)
Minorities	(238)	(224)	(224)	(224)
Net profit	51,170	60,678	67,029	76,163
Net profit (adj.)	51,170	60,678	67,029	76,163

BALANCE SHEET

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Cash with central bank	37,373	93,104	100,570	108,694
Govt treasury bills & securities	0	0	0	0
Interbank loans	91,888	101,104	110,957	120,986
Customer loans	1,139,077	1,255,782	1,386,000	1,519,247
Investment securities	330,242	360,153	389,901	417,820
Derivative receivables	14,487	0	0	0
Fixed assets (incl. prop.)	55,216	57,977	60,876	63,919
Other assets	197,356	171,207	182,377	198,074
Total assets	1,865,639	2,039,326	2,230,680	2,428,740
Interbank deposits	9,335	9,335	9,335	9,335
Customer deposits	1,307,884	1,423,033	1,537,897	1,662,876
Debt equivalents	153,483	176,602	224,051	255,040
Other liabilities	91,543	105,438	115,982	127,581
Total liabilities	1,562,244	1,714,408	1,887,265	2,054,831
Shareholders' funds	299,294	320,407	338,001	367,955
Minority interest - accumulated	4,101	4,511	5,414	5,955
Total equity & liabilities	1,865,639	2,039,326	2,230,680	2,428,740

OPERATING RATIOS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Capital Adequacy				
Tier-1 CAR	22.3	22.0	21.2	21.3
Total CAR	23.3	23.0	22.2	22.3
Total assets/equity (x)	6.2	6.4	6.6	6.6
Tangible assets/tangible common equity (x)	6.2	6.4	6.6	6.6
Asset Quality				
NPL ratio	2.7	3.0	3.2	3.3
Loan loss coverage	306.1	272.1	248.3	230.8
Loan loss reserve/gross loans	8.2	8.2	8.1	7.7
Increase in NPLs	(2.8)	25.1	18.3	12.8
Credit cost (bp)	236.9	235.0	220.0	200.0
Liquidity				
Loan/deposit ratio *	87.1	88.2	90.1	91.4
Liquid assets/short-term liabilities	9.8	13.6	13.7	13.7
Liquid assets/total assets	6.9	9.5	9.5	9.5

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Growth				
Net interest income, yoy chg	9.2	12.0	9.0	9.7
Fees & commissions, yoy chg	10.2	10.0	10.0	10.0
Pre-provision profit, yoy chg	13.5	13.1	8.4	10.0
Net profit, yoy chg	54.4	18.6	10.5	13.6
Net profit (adj.), yoy chg	54.4	18.6	10.5	13.6
Customer loans, yoy chg *	9.2	10.2	10.4	9.6
Customer deposits, yoy chg	14.9	8.8	8.1	8.1
Profitability				
Net interest margin	7.9	7.8	7.9	8.0
Cost/income ratio	47.4	45.8	45.5	44.7
Adjusted ROA	2.9	3.1	3.1	3.3
Reported ROE	17.4	19.6	20.4	21.6
Adjusted ROE	17.4	19.6	20.4	21.6
Valuation				
P/BV (x)	2.5	2.3	2.2	2.0
P/NTA (x)	2.5	2.3	2.2	2.0
Adjusted P/E (x)	14.6	12.3	11.1	9.8
Dividend Yield	5.8	6.5	7.2	6.6
Payout ratio	85.0	80.0	80.0	65.0

COMPANY RESULTS

Triputra Agro Persada (TAPG IJ)

3Q23: Results Within Expectations

TAPG's 3Q23 earnings increased 148% qoq, mainly thanks to the normalising fertiliser price and higher sales volume, despite flat CPO ASP. We expect 4Q23 FFB production to slow down due to the dry weather. However, we expect 4Q23 earnings to be the highest for 2023 with higher CPO ASP and higher margin expansion with minimum fertiliser application in 4Q23. Maintain BUY. Target price: Rp900.

3Q23 FINANCIAL SUMMARY

Year to 31 Dec (Rpb)	3Q23	qoq %chg	yoy % chg	9M23	Yoy % chg	Remarks
Revenue	2,266	22.7	6.3	6,039	(10.5)	
Gross Profit	721	128.9	(12.0)	1,508	(45.8)	
Operating Income	589	268.0	(13.5)	968	(57.3)	
Net Profit	634	261.8	13.7	1,103	(52.8)	
Core Net Profit	604	147.7	(9.5)	1,158	(50.2)	Within expectations.
Margins (%)						
Gross Margin	31.81	14.8	(6.6)	24.97	(39.4)	
Operating Margin	26.01	17.3	(6.0)	16.03	(52.2)	
Net Margin	27.95	18.5	1.8	18.27	(47.3)	

Source: TAPG, UOB Kay Hian

RESULTS

- **Results within expectations.** Triputra Agro's (TAPG) 3Q23 core net profit came in at Rp604b (+148% qoq, -10% yoy), bringing 9M23 core net profit to Rp1,158b (-50% yoy). This accounts for about 55% of our full-year forecast, which is within our expectations as we have been highlighting that 2H23 would improve significantly hoh.
- **Strong qoq margin expansion in 3Q23.** The net profit margin improved significantly from 9.5% in 2Q23 to 28.0% in 3Q23. The strong margin expansion was mainly due to the higher sales volume which improved 28% qoq despite the CPO ASP remaining flat qoq. The palm kernel sales volume also improved, with the new palm kernel crushing plant commencing operations in 3Q23 (but still at a lower utilisation rate). We reckon that this was also partly due to the lower cost of production with lower fertiliser prices and slower fertiliser application due to the drier weather.
- **Earnings dropped yoy in 3Q23 and 9M23,** mainly due to the huge earnings reported in 2022 as compared with its peers. Note that TAPG is the only Indonesian plantation company to report a yoy earnings growth in 2022 as compared with its peers as TAPG had locked in its production in 2022.

KEY FINANCIALS

Year to 31 Dec (Rpb)	2021	2022	2023F	2024F	2025F
Net turnover	6,278	9,346	9,304	10,283	9,649
EBITDA	1,674	3,154	3,287	4,025	3,386
Operating profit	1,118	2,579	2,432	3,180	2,547
Net profit (rep./act.)	1,159	2,607	2,216	2,991	2,602
Net profit (adj.)	1,159	2,607	2,216	2,991	2,602
EPS (Rp)	58.4	131.3	111.6	150.7	131.1
PE (x)	9.5	4.2	5.0	3.7	4.2
P/B (x)	1.5	1.1	1.0	0.8	0.9
EV/EBITDA (x)	5.7	3.0	2.9	2.4	2.8
Dividend yield (n.a.)	n.a.	n.a.	n.a.	n.a.	n.a.
Net margin (%)	18.5	27.9	23.8	29.1	27.0
Net debt/(cash) to equity (%)	26.8	3.8	(16.8)	(35.1)	(57.4)
Interest cover (x)	9.5	10.2	17.2	67.8	n.a.
ROE (%)	16.6	29.7	20.5	23.7	19.6
Consensus net profit	-	-	1,224	1,976	1,955
UOBKH/Consensus (x)	-	-	1.81	1.51	1.33

Source: Triputra Agro Persada, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Rp555
Target Price	Rp900
Upside	+62.2%

COMPANY DESCRIPTION

An pure upstream player which operates palm oil plantations and palm oil mills in Central Kalimantan, East Kalimantan and Jambi.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	TAPG IJ
Shares issued (m):	19,852.5
Market cap (Rpb):	11,018.2
Market cap (US\$m):	692.1
3-mth avg daily t'over (US\$m):	0.3

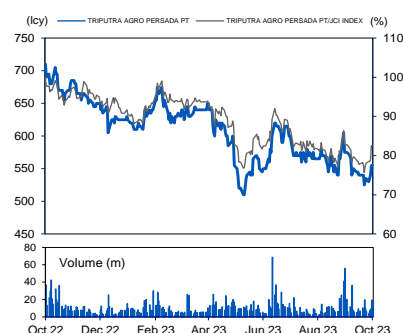
Price Performance (%)

52-week high/low Rp710/Rp510

1mth	3mth	6mth	1yr	YTD
(3.5)	(7.5)	(14.6)	(21.8)	(12.6)

Major Shareholders	%
PT Persada Capital Investa	23.2
PT Triputra Investindo Arya	22.9
Salween Investment	14.9
FY23 NAV/Share (Rp)	583
FY23 Net Cash/Share (Rp)	98

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Strong improvement in FFB yield and oil extraction rate.** TAPG's FFB yield and oil extraction rate improved significantly in 3Q23. This was mainly thanks to the good climate in early-23 which improved pollination.
- **Production peak may have passed.** TAPG's FFB production should have hit its peak in 3Q23. We expect a slowdown in production in 4Q23 mainly due to the drier and hazy weather conditions in Indonesia with more hotspots in South Sumatra and Central Kalimantan. TAPG's estates are mainly in Central Kalimantan (56%), East Kalimantan (36%) and Jambi (8%).
- **4Q23 would be the highest earnings quarter.** Despite lower CPO production, we reckon that that 4Q23 would be the highest earnings quarter for 2023, mainly thanks to:
 - Higher CPO ASP.** The Indonesian domestic CPO prices have been relatively stable lately thanks to the lower supply forecast as well as anticipation of more severe dry weather at year-end. We reckon that this would benefit TAPG as TAPG's ASP is usually at a slight premium as compared to the domestic pricing.
 - Lower cost of production.** The margin would continue to expand in 4Q23 as fertiliser prices have normalised and we expect only minimum fertiliser application in 4Q23 given the dry weather conditions.
 - Higher utilisation rate for its new palm kernel crushing plant in 2H23.** TAPG's new kernel crushing plant with a capacity of 300 tonnes/day in Central Kalimantan commenced operations in 3Q23 with about 30% utilisation rate. With the new plant, TAPG will be able to add more product variants as part of its attempt to expand into midstream and we expect higher utilisation rate in the upcoming quarters. On top of that, TAPG also plans to utilise biogas as an energy resource to support the plant's operations to adhere to its sustainability principles.

EARNINGS REVISION/RISK

- **Maintain earnings forecasts.** We maintain our earnings forecast for 2023-25F at Rp2.22t, Rp2.99t and Rp2.60t respectively.

VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of Rp900**, where we peg our valuation to 6x 2024F PE. We like TAPG for its higher-than-peers production growth and cost efficiency. We see attractive value in TAPG given its lower-than-peers valuation, with it being the second largest market cap plantation company listed on the Indonesia Stock Exchange with a younger age profile. TAPG is also one of the most cost-efficient plantation companies among its peers.

OPERATIONAL STATISTICS

	3Q23	qoq %chg	yoy % chg	9M23	Yoy % chg
Production (tonnes)					
FFB processed	1,170,000	9.3	0.1	3,115,000	(7.1)
Nucleus FFB	856,000	9.9	0.2	2,254,000	(8.0)
Plasma FFB	99,000	15.1	(2.3)	256,000	(3.5)
CPO	275,000	12.2	3.4	740,000	(2.5)
Oil extraction rate (%)	23.49	2.6	3.5	23.1	2.2
FFB Yield (tonne/ha)	6.60	10.0	1.5	17.3	(7.5)
CPO ASP (Rp/kg)	10776	(1.0)	5.4	11,147	(11.0)
Sales volume (tonnes)					
CPO	193,380	27.5	3.2	491,686	7.0
PK	32,143	(6.7)	(16.1)	96,722	(7.2)

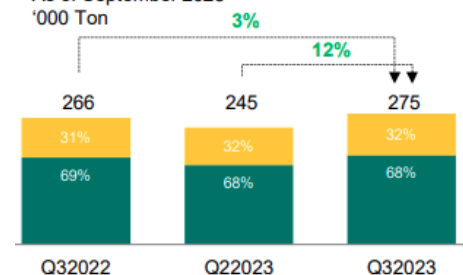
Source: TAPG, UOBKH

CPO PRODUCTION

Q3 2023 CPO Production

As of September 2023

'000 Ton



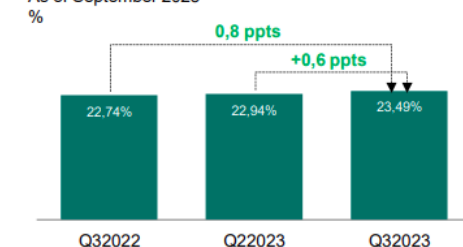
Source: TAPG

IMPROVEMENT IN CPO OIL EXTRACTION RATE

Q3 2023 Oil Extraction Rate ¹⁾

As of September 2023

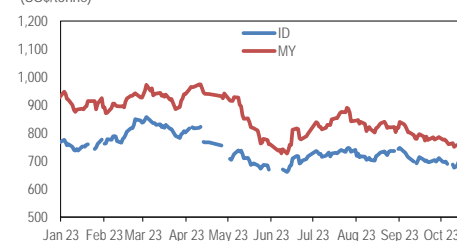
%



Source: TAPG

INDONESIA AND MALAYSIA CPO PRICE

(US\$/tonne)



Source: Bloomberg

PROFIT & LOSS

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Net turnover	9,346	9,304	10,283	9,649
EBITDA	3,154	3,287	4,025	3,386
Deprec. & amort.	575	855	845	839
EBIT	2,579	2,432	3,180	2,547
Associate contributions	968	479	550	587
Net interest income/(expense)	(311)	(191)	(59)	60
Pre-tax profit	3,315	2,720	3,671	3,194
Tax	(601)	(435)	(587)	(511)
Minorities	(108)	(69)	(93)	(80)
Net profit	2,607	2,216	2,991	2,602
Net profit (adj.)	2,607	2,216	2,991	2,602

BALANCE SHEET

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Fixed assets	7,387	7,574	7,446	7,346
Other LT assets	3,460	3,000	3,157	3,078
Cash/ST investment	1,958	3,702	6,102	8,443
Other current assets	1,721	1,480	669	(2,403)
Total assets	14,526	15,757	17,374	16,463
ST debt	633	633	633	633
Other current liabilities	1,460	1,683	1,678	1,797
LT debt	1,700	1,122	668	410
Other LT liabilities	319	354	337	345
Shareholders' equity	10,021	11,572	13,666	12,885
Minority interest	391	391	391	391
Total liabilities & equity	14,526	15,757	17,374	16,463

CASH FLOW

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Operating	3,175	3,113	3,596	3,339
Pre-tax profit	2,953	2,432	3,180	2,547
Tax	(341)	(93)	(93)	(93)
Deprec. & amort.	575	855	845	839
Working capital changes	(66)	196	(130)	204
Other operating cashflows	55	(276)	(206)	(158)
Investing	(663)	(743)	(743)	(743)
Capex (growth)	(739)	(739)	(739)	(739)
Capex (maintenance)	0	0	0	0
Investments	(4)	(4)	(4)	(4)
Proceeds from sale of assets	0	0	0	0
Others	80	0	0	0
Financing	(1,884)	(578)	(453)	(256)
Dividend payments	(496)	0	0	0
Issue of shares	0	0	1	2
Proceeds from borrowings	0	0	0	0
Loan repayment	(1,239)	(578)	(454)	(258)
Others/interest paid	(149)	0	0	0
Net cash inflow (outflow)	629	1,793	2,400	2,341
Beginning cash & cash equivalent	1,280	1,909	3,702	6,102
Changes due to forex impact	49	0	0	0
Ending cash & cash equivalent	1,958	3,702	6,102	8,443

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	33.8	35.3	39.1	35.1
Pre-tax margin	35.5	29.2	35.7	33.1
Net margin	27.9	23.8	29.1	27.0
ROA	19.3	14.6	18.1	15.4
ROE	29.7	20.5	23.7	19.6
Growth				
Turnover	48.9	(0.4)	10.5	(6.2)
EBITDA	88.4	4.2	22.5	(15.9)
Pre-tax profit	133.3	(18.0)	35.0	(13.0)
Net profit	125.0	(15.0)	35.0	(13.0)
Net profit (adj.)	125.0	(15.0)	35.0	(13.0)
EPS	125.0	(15.0)	35.0	(13.0)
Leverage				
Debt to total capital	18.3	12.8	8.5	7.3
Debt to equity	23.3	15.2	9.5	8.1
Net debt/(cash) to equity	3.8	(16.8)	(35.1)	(57.4)
Interest cover (x)	10.2	17.2	67.8	n.a.

TRADERS' CORNER



Source: Amibroker

Gudang Garam (GGRM IJ)

Technical BUY with 6% potential return

Resistance: Rp26,375, Rp27,125

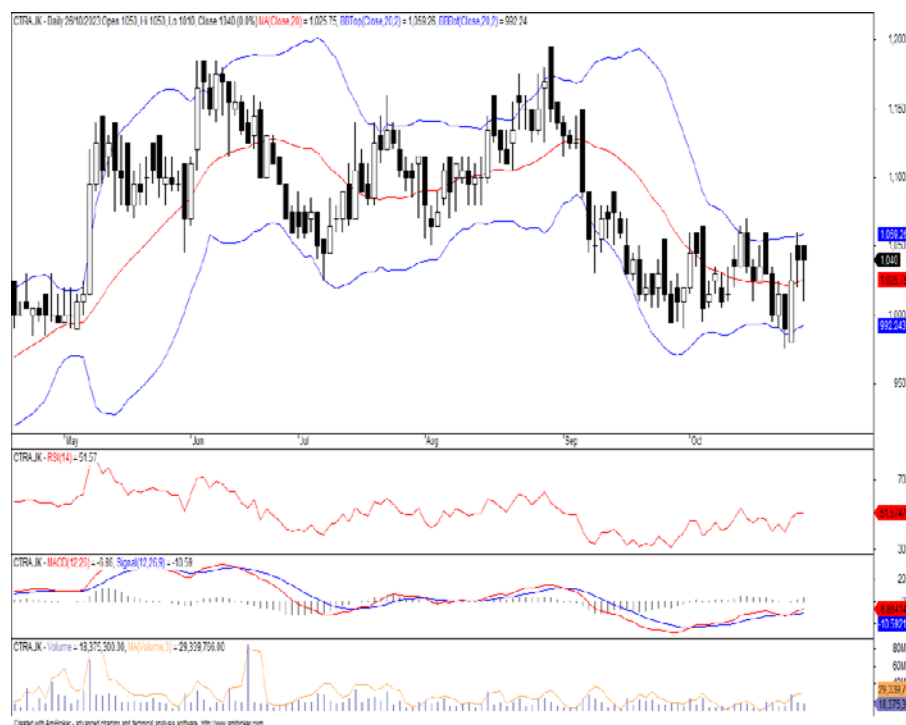
Support: Rp24,150, Rp23,800

Stop-loss: Rp24,700

Share price closed higher and formed a bullish candlestick. As momentum is looking more positive, we expect more rallies to take place and price could challenge the resistance at Rp26,375 and Rp27,125. Technical indicator RSI is sloping upwards and is back above its centre line, while the MACD is relatively flattish for now. Buy at Rp25,600 and take profit at Rp27,100.

Approximate timeframe: 2-4 weeks.

Our institutional research has a fundamental BUY and target price of Rp33,000.



Source: Amibroker

Ciputra Development (CTRA IJ)

Technical BUY with 6% potential return

Resistance: Rp1,070, Rp1,105

Support: Rp1,000, Rp975

Stop-loss: Rp1,000

Share price closed unchanged and formed a neutral candlestick. Price was able to hold well amidst broader selling pressure on the JCI. That said, we see potential for price to continue on its bullish course and challenge the resistance at Rp1,070 and Rp1,105. Technical indicator RSI remains above its centre line, while the MACD is on a bullish crossover. Buy at Rp1,035 and take profit at Rp1,100.

Approximate timeframe: 2-4 weeks.

Our institutional research has a fundamental BUY and target price of Rp1,300.

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