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KEY HIGHLIGHTS

Strategy

Alpha Picks: Potential Bull Market in 4Q23

Our picks: BBNI, SMGR, NCKL, MAPI, CTRA, MYOR, AKRA and CMRY.

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Small/Mid Cap Highlights

Smartfren Telecom (FREN IJ/NOT RATED/Rp56)

Expects revenue to improve on launch of new products.

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TRADERS' CORNER

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Indocement Tunggul Prakarsa (INTP IJ): Technical BUY

Japfa Comfeed Indonesia (JPFA IJ): Technical BUY

REGIONAL MARKET

Market	Close	+ / -	Chg (%)
MSCI Indonesia	7,522.6	11.6	0.2
MSCI Asia-Ex Japan	597.8	(7.7)	(1.3)
KLCI	1,420.0	1.3	0.1
FSSTI	3,192.4	(16.5)	(0.5)
SET	1,447.3	(22.2)	(1.5)
Hang Seng	17,331.2	(478.4)	(2.8)
Nikkei	31,237.9	(521.9)	(1.7)
Shanghai Comp	3,110.5	-	-
Dow Jones	33,002.4	(431.0)	(1.3)

Source: Bloomberg

INDONESIA STOCK EXCHANGE

	Level	+ / -	Chg (%)
Index	6,940.9	(20.6)	(0.3)
LQ-45	956.1	(1.0)	(0.1)
Value (US\$m)	648.9	19.2	3.1

FOREIGN TRADE IN IDX

Net (US\$m)	Buy	Sell	Total (%)
10.9	199.0	188.0	29.8

TOP VOLUME

Company	Price (Rp)	Chg (%)	Volume ('000)
GoTo Gojek Tokopedia	83	(2.4)	2,489,919
Bumi Resources	136	0.0	243,980
Smartfren Telecom	56	0.0	230,004
Bumi Resources Minerals	208	(1.0)	213,052
Medco Energi	1,510	(3.2)	200,913

TOP GAINERS

Company	Price (Rp)	Chg (%)	Volume ('000)
Maha Properti	2,880	24.7	673
Transcoal Pacific	8,375	6.7	9,039
MD Pictures	3,140	6.1	43,729
Pertamina Geothermal	1,570	4.7	135,393
Mitra Adiperkasa	1,950	4.3	22,899

TOP LOSERS

Company	Price (Rp)	Chg (%)	Volume ('000)
Sinar Mas Multiartha	11,575	(10.6)	1
Adaro Minerals	1,240	(5.7)	58,718
Merdeka Copper Gold	2,520	(5.6)	79,965
AKR Corporindo	1,430	(5.6)	68,709
Saratoga Investama	1,690	(5.3)	27,218

COMMODITY TREND

	3 Oct 23 Closing	Chg (%)	1-day	1-mth
Forex (Rp/US\$)	15,580	0.3	2.2	
Crude Oil NYMEX (US\$/bbl)	89.23	0.5	4.3	
Coal Fut Newc (US\$/tonne)	149.65	(3.1)	n.a.	
Nickel 3M LME	18,728	(0.1)	(11.2)	
Tin 3M LME	23,854	1.5	(7.6)	
Gold SPOT (US\$/oz)	1,826	(0.4)	(5.9)	
CPO Fut Msia (MYR/tonne)	3,644	(0.0)	(6.8)	

Source: Bloomberg, UOB Kay Hian

STRATEGY – INDONESIA

Alpha Picks: Potential Bull Market in 4Q23

Our portfolio performance was in line with that of the JCI in 3Q23, delivering a 4.1% return compared with the JCI's 4.2% return. Over the past 10 years, October and December have been the two strongest months of the year while November's monthly return has been flat. In anticipation of a bull market in 4Q23, we have added more exposure in our portfolio. We add AKRA, NCKL and CMRY and drop HMSP and BSDE. Our picks are: BBNI, SMGR, NCKL, MAPI, CTRA, MYOR, AKRA and CMRY.

WHAT'S NEW

- **Our portfolio performance was in line with the performance of the JCI in 3Q23; potential market rally in 4Q23.** The JCI rose by 4.2% in 3Q23 and on a market cap weighted basis, our portfolio was in line and delivered a 4.1% return. Considering that our portfolio outperformed in 1Q23 and 4Q23, our portfolio has outperformed the JCI in 9M23. Based on historical monthly return over the past 10 years, we view that in the next three months the market could perform strongly. The average 10-year return was 2.14% for October, -0.19% for November and 2.59% for December.
- **Our portfolio underperformed in Sep 23.** For Sep 23, our portfolio declined by an average of 4.9% compared with the JCI's 1.7% decline. The largest gain is recorded by BBNI (+11%). SMGR, HMSP and MYOR outperformed, declining by 7.0%, 3.2% and 4.2% respectively. The largest losers were CTRA (-12%), BSDE (-11.6%) and MAPI (-7.5%).
- **Add AKRA and NCKL to capitalise on rising oil prices and higher nickel volume.** We decide to add AKRA to our portfolio to capitalise on rising oil prices and AKRA's retail expansion. We also add NCKL as its production volume could accelerate from 2H23 onwards and the forward price curve of nickel is rising.
- **Add CMRY and drop HMSP and BSDE.** We decided to add CMRY on the back of recovery in sales in 3Q23 and lower skim milk powder cost which could benefit margin. CMRY has good growth prospects and an attractive valuation. We decided to drop HMSP from our portfolio as it could be a drag in a bull market. We also performed a stop-loss on BSDE as the stock has declined by more than 15% since its inclusion.

ANALYSTS' ALPHA PICKS

Analyst	Company	Rec	Performance*	Catalyst
Posmarito Pakpahan	Bank Negara Indonesia	BUY	8.9%	Loan growth to accelerate in 2H23.
Stevanus Juanda	Mitra Adiperkasa	BUY	55.9%	Earnings surprise on the upside. Over 15% EPS growth for the next two years.
Limartha Adhiputra	Ciputra Development	BUY	2.5%	Better 3Q23 marketing sales and NPAT achievement.
Limartha Adhiputra	Semen Indonesia	BUY	-7.4%	Potentially stronger sales volume, margin expansion and higher NPAT achievement in 2H23.
Stevanus Juanda	Mayora Indah	BUY	3.1%	Recovery in 3Q23 sales and raw material cost drop will expand margin in 2023.
Posmarito Pakpahan	AKR Corporindo	BUY	NA	Rising oil prices and retail gas station growth
Stevanus Juanda	Cisarua Mountain Dairy	BUY	NA	Sales recovery in 3Q23 and skim milk powder decline
Limartha Adhiputra	Trimegah Bangun Persadfa	BUY	NA	Production increase and potential higher nickel price
				Drop: HMSP, BSDE

* 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 2-Oct-23 (Rp)	Target Price (Rp)	Potential Upside (%)	Market Cap (US\$m)	3M Avg Turnover (US\$m)	PE 2023F (x)	2024F (x)	P/B 2023F (x)	2024F (x)	ROE 2023F (%)	Div. Yield 2023F (%)	Net Gearing (%)
Bank Negara Indonesia	BBNI	BUY	10,300	11,200	8.7	12,365	17.7	8.9	7.7	1.2	1.1	15.1	(73.8)	(74)
Semen Indonesia	SMGR	BUY	6,475	9,200	42.1	2,824	4.5	14.2	12.7	1.0	0.9	7	17.5	0
Trimegah Bangun Persadfa	NCKL	BUY	1,070	1,190	11.2	4,345	4.2	11.4	8.5	2.6	2.0	36.4	50.2	15
Mitra Adi Perkasa	MAPI	BUY	1,870	2,500	33.7	1,997	2.6	13.3	11.0	3.1	2.5	26.4	15.4	15
Ciputra Development	CTRA	BUY	1,045	1,300	24.4	1,246	1.8	9.7	8.1	0.9	0.8	10.4	(0.6)	(1)
Mayora Indah	MYOR	BUY	2,530	3,200	26.5	3,640	1.3	23.9	20.3	3.8	3.4	18.7	17.1	(10)
AKR Corporindo	AKRA	BUY	1,515	1,840	21.5	1,957	3.8	10.9	11.3	2.5	2.3	24.1	(10.0)	(39.7)
Cisarua Mountain Dairy	CMRY	BUY	3,900	4,800	23.1	1,991	0.5	26.4	21.0	5.0	4.2	20.1	(55.9)	17.1

Source: Bloomberg, UOB Kay Hian

KEY RECOMMENDATIONS

Ticker	Rec	Price 2-Oct-23 (Rp)	Target Price (Rp)	Potential Upside (%)
BBNI	BUY	10,300	11,200	8.7
SMGR	BUY	6,475	9,200	42.1
NCKL	BUY	1,070	1,190	11.2
MAPI	BUY	1,870	2,500	33.7
CTRA	BUY	1,045	1,300	24.4
MYOR	BUY	2,530	3,200	26.5
AKRA	BUY	1,515	1,840	21.5
CMRY	BUY	3,900	4,800	23.1

Source: UOB Kay Hian

CHANGE IN SHARE PRICE

Company	Rec	Sep-23 (%)	To Date (%)
BBNI	BUY	11.0%	8.9%
SMGR	BUY	-7.0%	-7.4%
BSDE	BUY	-11.6%	-15.6%
MAPI	BUY	-7.5%	55.9%
CTRA	BUY	-12.0%	2.5%
HMSP	BUY	-3.2%	-8.1%
MYOR	BUY	-4.2%	3.1%
JCI		-1.7%	
USD-IDR X-RATE		-1.5%	

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

ANALYST(S)

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Trimegah Bangun Persada – BUY (Limartha Ahdiputra)

- **The largest listed pure-play nickel producer in Indonesia.** Trimegah Bangun Persada (NCKL) owns and operates nickel mines and smelters located in South Halmahera, Indonesia. NCKL also has subsidiary and associated nickel smelting operations located on Obi Island that produce ferronickel and mixed hydroxide precipitates (MHP) for export. We expect NCKL to be the largest pure-play nickel producer in Indonesia based on 2023 nickel production of 90,000 tonnes, compared to Vale Indonesia's (INCO) capacity of 70,000 tonnes.
- **Ferronickel sales expected to increase to 90,000 tonnes in 2023 and 120,000 tonnes in 2024.** We expect NCKL's 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.
- **Expect 2023 and 2024 NPAT to come in at Rp5.9t (+27.2% yoy) and Rp7.9t (+33.7% yoy) respectively** as sales will continue to increase on ramped-up nickel production in 2023-24. We maintain our forecasts on NCKL's revenue, EBITDA and net profit as ferronickel production will increase. We maintain 2023 and 2024 average nickel prices at US\$22,785/tonne and US\$20,000/tonne respectively. As a result, NCKL's revenue for 2023 should be Rp23.5t, with Rp6.4t in EBITDA, which implies a 41.3% yoy growth, while 2024 revenue will be Rp26.6t with EBITDA of Rp9.2t.
- **Maintain BUY with a target price of Rp1,190** as we foresee higher EBITDA of Rp6.4t (+41.3%) in 2023 with sales of 24.1m wmt of ore and 90,000 tonnes of ferronickel in 2023. Our target price of Rp1,190 implies its average 2023F EV/EBITDA of 14.1x and average 2023F PE of 14.2x. We maintain BUY as the average nickel prices are expected to stay at a high level of US\$22,000-24,000/tonne in 2023 on the back of potentially higher nickel demand as China's economy reopens with higher usage of nickel in EV battery production in the future.

SHARE PRICE CATALYST

- **Events:** a) Rise in production volume, and b) rise in nickel price.
- **Timeline:** Announcement of 3Q23 and 4Q23 production data and realisation of the rising forward curve in nickel price.

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 which will be driven by: a) 77ha land sales, b) 6-8% petroleum volume sales, and c) stable margin from petroleum business. We expect gross margin to improve to 10.2%, with JIPE contributing 30%.
- **77ha land sales in 2H23.** AKRA signed a binding agreement (CSPA) with Sihcuan Hebang Biotechnology (Hebang) in 3Q23 for a land purchase of 67ha to set up a petrochemical manufacturing plant in Java Integrated Industrial and Port Estate (JIPE). We expect the 67ha of land sales to be recognised as revenue in 4Q23.
- **Petroleum volume on track with margins sustained.** Supported by the mining activities and economy recovery, we expect petroleum volume to grow at 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 at Rp800-900 per litre in 2H23 due to its extensive logistics networks and exposure to eastern Indonesia.
- **Retail volume growing as the number of stations rises.** Supported by an increasing number of petroleum stations in Jabotabek and East java, retail sales volumes surged 236% yoy in 1H23. The company plans to operate 50 gas stations by end-23 and 350 outlets by 2030. AKRA believes the increase in the number of gas stations to 350 outlets could boost the contribution of retail fuel to total volume to 15% in 2030.

- **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% of AKRA's ownership in JIPE. Our target price of Rp1,840/share 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 a delay in JIPE's land sales accounting sales recognition.

SHARE PRICE CATALYST

- **Events:** a) Upward pressure for oil price in the short term, and b) land-sales booking in 4Q23.
- **Timeline:** Declining oil inventories in the coming months could put upward pressure on oil price in 2H23. Meanwhile, we expect the company to book 10ha in land sales in 3Q23 and 67ha in land sales in 4Q23.

Cisarua Mountain Dairy (Stevanus Juanda)

- **Product innovation to drive sales and profit growth.** Cisarua Mountain Dairy (CMRY) is known for its yogurt pouches and single serve ready-to-eat sausages and meatballs. It recently launched affordable yogurt sticks. This year, CMRY has launched the Crème Dessert product line, plant-based beverages and seafood-based products. New and innovative products will continue to be launched and will drive sales and profit growth.
- **Strong push into consumer products to drive growth.** In 1H23, CMRY experienced 50% yoy growth in its premium consumer food sales (chicken nuggets, sausages, meatballs, egg products, etc). Going forward, the strong growth is likely to persist as CMRY will continue to introduce new products and further penetrate the market via new outlets in modern and general trade. CMRY has a 9.7% share of the chilled processed meat market (worth US\$167m) and 3.7% share of the frozen processed meat market (US\$641m).
- **Milk market is large with room for growth.** Dairy products accounted for 55% of CMRY's total sales in 2022. In 1H23, yogurt sales were soft, while strong growth was recorded in the UHT milk segment. Yogurt has a much smaller market which could be worth US\$421m in 2025; CMRY already holds a market share of more than 50%. Flavoured milk, fresh white milk and UHT milk are expected to have a market size of US\$1,891m, US\$97m and US\$721m respectively in 2025. CMRY sees opportunities to grab more sales and market share in the milk market. It holds 2.4%, 4.3% and less than 1.0% of the flavoured milk, fresh white milk and UHT milk markets.
- **Largest domestic yogurt producer in fast-growing market.** CMRY has a 71.9% share of the spoonable yogurt market which is expected to grow at a 61% CAGR from US\$22m in 2020 to US\$234m by 2025. Domestic yogurt sales can be expected to surge from US\$160m in 2020 to US\$655m by 2025. In the drinking yogurt market, CMRY has a 50.3% share and the market is expected to grow at a 25% CAGR in 2020-25.
- **Maintain BUY and a target price of Rp4,800.** CMRY expects sales and NPAT to grow at a CAGR of above 15% from 2022 to 2025. This will likely be driven by: a) introduction of new products, b) further penetration into general trade by expanding the outlet network and installing cold chain distribution facilities, and c) expansion of the Miss Cimory sales force. CMRY's NPAT is likely to rise at a 16.8% CAGR over 2022-25. Maintain BUY with a target price of Rp4,800 based on a historical average PE of 25.8x applied to 2024 EPS.

SHARE PRICE CATALYST

- **Events:** Potential strong results from 3Q23 onwards.
- **Timeline:** 3Q23 results announcement at end-Oct 23.

Mayora Indah – BUY (Stevanus Juanda)

- **MYOR increased its product prices by 12-18% in 2022; gross margin to improve by 180-480bp yoy in 2023.** Mayora Indah (MYOR) stated that its product ASPs were 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 the 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.
- **MYOR reported 2Q23 NPAT of Rp494b, rising 41.6% yoy on 594bp gross margin expansion.** The reported 2Q23 NPAT saw strong gross margin improvement of 594bp yoy as raw material prices normalised. Operating margin expanded by 299bp yoy and net margin expanded 261bp yoy. 1H23 NPAT came in at Rp1,219b, rising 86.6% yoy with 1H23 gross margin expanding 585bp yoy.
- **Advertising and promotional expense 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 cost 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.
- **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 target price of Rp3,000.

SHARE PRICE CATALYST

- **Events:** Potential strong results from 3Q23 onwards.
- **Timeline:** 3Q23 results announcement at end-Oct 23.

Ciputra Development – BUY (Limartha Adhiputra)

- **Upgraded 2023 marketing sales target to Rp9.8t (+19% yoy).** Ciputra Development (CTRA) expects additional growth from all major locations including Medan and Makassar, with a larger contribution from Greater Jakarta and Greater Surabaya. In Jul 23, CTRA further expanded the landed residential portfolio by launching an additional cluster in CitraGarden Serpong. In Aug 23, CTRA had several new projects set to be launched, eg Citra City Sentul, CitraGarden Bintaro and CitraLand Sampali, along with new clusters within CitraLand Gama City Medan and CitraLand Tanjung Morawa. Joint operation and direct ownership projects will contribute 61% and 39% respectively of CTRA's 2023 marketing sales target of Rp9.8t.
- **2H23 marketing sales achievement could be higher than in 1H23 with more new products launched.** In Jul 23, CTRA launched a new cluster called Diandre in CitraGarden Serpong. This launch resulted in marketing sales of Rp356b, with a take-up rate of 75%. CTRA plans to launch Citra City Sentul and expects to generate Rp400b in its marketing sales. Another project in Greater Jakarta is CitraGarden Bintaro, which is

estimated to achieve marketing sales of Rp400b in the first phase. Three projects in Medan, CitraLand Sampali, CitraLand Gama City, and CitraLand Tanjung Morawa are expected to generate marketing sales of Rp450b, Rp130b and Rp120b respectively.

- **Expect 2023-24 net profit to grow 7.6% yoy to Rp2.0t and 19.6% yoy to 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 at near five-year mean discount to 2023 RNAV/share.

SHARE PRICE CATALYST

- **Events:** Better 3Q23 marketing sales and NPAT achievement.
- **Timeline:** 3Q23 marketing sales announcement in early-Oct 23.

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 to other big banks, but also resulted in improving credit risk. Risk-weighted asset (RWA) density credit risk for loan portfolio declined by 4.6% yoy to 74.7% in Jun 23, which also resulted in an improvement in CAR ratio. BBNI's provision coverage (NPL coverage: 309% and LaR coverage: 47%) is much higher than that in 2019 (NPL coverage: 134% and LaR coverage: 32.3%).
- **Higher CAR, plans to raise DPR to 50%.** Driven by solid earnings as well as improving credit risk, BBNI's tier 1 CAR increased to 19.8% in Jun 23, up from 17.4% in Dec 18. Meanwhile, total CAR stood at 21.6% in Jun 23, up from 18.5% in Dec 18. 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 >6% dividend yield at current price.
- **Expect a high single-digit hoh net profit growth in 2H23.** We estimate BBNI to book net profit of Rp11.3t in 2H23, growing 9.5% hoh which will lead to 18% yoy net profit growth in 2023. 2H23 earnings growth will be mainly driven by loan growth which management targets to grow by 7-9% this year. A ramp-up in government spending is expected to support loan growth in 2H23 as the government only spent about 40% of its allocated 2023 budget in 1H23. Furthermore, we expect the bank to book the delayed payment of Kedit Usaha Rakyat's (KUR) subsidy by the government in 2H23, amounting to Rp340b.
- **Maintain BUY with a target price of Rp11,200.** 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 15.4% in 1H23 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, worsening geopolitical issues and loan growth slowing down.

SHARE PRICE CATALYST

- **Events:** a) Cum-date stock split will be on 5 Oct 23, and b) 3Q23 results which could be published this month. We expect a recovery in loan growth. In Aug 23, bank-only loans grew 8.4% yoy, higher than a 6.9% yoy in Jul 23 and 4.7% yoy in Jun 23.
- **Timeline:** a) Cum-date BBN's stock split on 5 Oct 23, b) 3Q23 results which could be published this month.

Semen Indonesia – BUY (Limartha Adhiputra)

- **Cement demand continues to show an uptrend in 1H23.** We saw an improvement in cement demand growth during 1H23. The cement demand contraction improved to -1.1% yoy in Jun 23 from -6.7% yoy in May 23. In Jul 23, SMGR's cement sales volume indicated a positive growth and we expect the positive trend to continue in 2H23. SMGR expects more cement demand to come from infrastructure projects in Sumatra and IKN constructions in 2H23.
- **Margin will continue to expand in 2H23.** SMGR's 1H23 net profit margin improved slightly to 5.1% vs to 5.0% in 1H22. In 2H23, SMGR believes its profit margin could continue to expand as the positive growth trend in cement sales volume is improving with minimum risk from coal input cost. We expect SMGR to continue delivering a higher profit margin of 7.7% in 2023 as the risk of coal price fluctuations has been minimised by securing 100% of its coal supply at DMO prices.
- **Expect 2023 net profit to grow 30.9% yoy.** We maintain SMGR's 2023 revenue at Rp40.2t, up 10.5% yoy from Rp36.4t in 2022 with EBITDA expected to grow 14.5% yoy to Rp9.05t. 2023 NPAT is forecasted to grow 30.9% yoy to Rp3.1t vs Rp2.4t in 2022. We project 2023 sales volume to rise 11% yoy to 40.9m tonnes as SMGR has new strategies to tackle the fierce competition and oversupply conditions in the cement market.
- **Maintain BUY with a target price of Rp9,200.** We still believe SMGR can record higher NPAT and margin growth in 2023 as it has secured 100% of its coal at DMO prices. We base our target price on the stock's -0.5SD to its five-year 2023 forward EV/EBITDA of 7.9x. Currently, SMGR is trading at -1.5SD to its five-year EV/EBITDA, which is still very attractive.

SHARE PRICE CATALYST

- **Events:** Potentially stronger sales volume, margin expansion, and higher NPAT achievement in 2H23.
- **Timeline:** 3Q23 results announcement in end-Oct 23.

Mitra Adiperkasa – BUY (Stevanus Juanda)

- **Over 150 profitable and exclusive brands.** A key factor in Mitra Adiperkasa's (MAPI) success is its >150 exclusive brands that are profitable. This exclusivity creates barriers of entry to competitors as well as better margins. Only Nike, Sephora (60% of products), Puma and Adidas (which contributed about 4.7% of MAPI's sales) are non-exclusive brands. MAPI has worked hard to rationalise its brands portfolio over the past few years, and non-performing brands have been divested.
- **Key to higher margins lies in exclusive brands.** MAP Active's (MAPA) net margin of 9.0% is much higher than its regional peers' 4.5% and investors want to know if there is a risk of future margin erosion. MAPI stated that about 90% of its brands are exclusive to it in Indonesia, and only Nike, Adidas, Puma and Sephora are not exclusive. The exclusivity should translate to barriers of entry to competitors. MAPA's top five brands are Skechers, Converse, Reebok, New Balance and Nike, of which three are exclusive to MAPI.
- **Exclusivity of brands extended to regional markets.** A key competitive advantage of MAPI is the exclusivity of its brands in Indonesia which creates barriers of entry and better margins earned compared with its regional peers. Fortunately, this exclusivity has

also extended into its international operations such as Vietnam. In Vietnam, all Inditex Group (Zara, Massimo Dutti, Pull & Bear, etc), Birkenstock, Converse, Champion and Digimap brands are exclusive. In the Philippines, the exclusive brands are Converse, New Balance, Haddad, Airwalk, Hoka and Fitflop. In Singapore and Malaysia, JVs are formed with Converse and Reebok.

- **All business segments except department stores have recorded higher sales than pre-pandemic levels.** With the exception of department stores, all other business segments (fashion, sportswear, F&B and Digimap) have recorded sales higher than 2019's levels. This should be viewed positively as recovery in GDP growth will continue to support MAPI's sales going forward.
- **Maintain BUY with a target price of Rp2,500**, derived using historical average five-year PE applied to average 2023 and 2024 EPS. Given a 26.3% upside from the current level, we maintain BUY on MAPI.

SHARE PRICE CATALYST

- **Events:** Strong profit growth momentum from 3Q23 onwards and acquisition of new brands.
- **Timeline:** Announcement of results in 3Q23.

SMALL/MID CAP HIGHLIGHTS

Smartfren Telecom (FREN IJ)

Expects Revenue To Improve On Launch Of New Products

FREN expects 2H23 revenue to improve compared with 1H23 (+2% yoy), partly supported by the launch of new products in Apr and Jul 23. It also aims to raise its ARPU, upsell its products and expand its network. Its targeted increase in the number of base transceiver stations for 2023 implies 9-12% yoy growth. According to Bloomberg, FREN trades at 2023 EV/EBITDA of 8.8x, higher than its industry peers' for 2023-24 – Telkom Indonesia: 6.5x-6.3x, Indosat: 5.6x-5.1x, and XL Axiata: 4.2x-4.0x.

WHAT'S NEW

- **To improve revenue in 2H23.** Smartfren Telecom (FREN) estimates the following factors to support 2H23 revenue: a) additional revenue from the launch of new products in Apr and Jul 23, and b) implementation of targeted marketing expenses. It also experienced higher capacity from the completion the "refarming" (more efficient reallocation) process of its 10MHz spectrum on 2.3GHz band near end-Apr 23. The company booked revenue growth of 2% yoy in 1H23 (slower than +10% yoy in 1H22), partially due to the company's reorganisation activities and moderation effect (in data traffic) after the pandemic.
- **To grow BTS network by 9-12% yoy in 2023, including to outer Java.** FREN is expanding its service to outer Java areas. It already entered several areas, such as Gorontalo and South Sulawesi. The company targets to expand to Tier 2 and Tier 3 cities, aligning with the roadmap of the government's infrastructure development, such as Trans Sumatra and Bogor-Ciawi-Sukabumi (Bocimi) Toll Road, and other infrastructure projects in East Java. FREN aims to increase its number of base transceiver stations (BTS) to 47,000-48,000 (implying 9-12% yoy growth) in 2023.
- **To strengthen cooperation with fixed broadband (myRepublic) in 14 cities.** FREN plans to integrate its mobile product with the fixed broadband product from myRepublic (affiliated with FREN). The company sees opportunities in areas where: a) FREN's service is available, but MyRepublic has no presence yet, such as Subang, Jogjakarta, and other five cities in Java; and b) FREN and myRepublic already have presence in the area, but there is minimum competition, such as Makassar (South Sulawesi), Palembang (South Sumatra), Jambi (Sumatra) and other four cities in Java.
- **Potential merger with XL Axiata (EXCL).** Bloomberg reported on 5 September that Axiata Group and Sinar Mas Group have revived talks that might lead to a merger of their telecommunications (telco) operations in Indonesia and other options could include network sharing agreements and partnerships, according to unnamed sources. We await formal announcement regarding the potential merger and/or partnership between the two operators. For now, it is still uncertain whether there would be another M&A transaction in Indonesia's telco sector, in our view.

KEY FINANCIALS

Year to 31 Dec (Rpb)	2018	2019	2020	2021	2022
Net turnover	5,490	6,988	9,408	10,457	11,203
EBITDA	975	1,381	3,049	4,100	5,025
Operatin profit	(2,647)	(2,302)	(785)	247	623
Net profit (rep./act.)	(3,553)	(2,188)	(1,524)	(435)	1,064
Net profit (adj.)	(3,553)	(2,188)	(1,524)	(435)	1,064
EPS (Rp)	(16.4)	(9.6)	(4.9)	(1.5)	3.2
PE (x)	(3.4)	(5.8)	(11.4)	(38.0)	17.6
P/B (x)	0.8	1.0	1.2	1.4	1.2
EV/EBITDA (x)	44.3	31.2	14.2	10.5	8.6
Dividend yield (%)	0.0	0.0	0.0	0.0	NA
Net margin (%)	(64.7)	(31.3)	(16.2)	(4.2)	9.5
Net debt/(cash) to equity (%)	58.8	65.0	151.6	181.5	148.5
Interest cover (x)	(4.6)	(6.4)	(0.9)	0.3	0.6
ROE (%)	(32.8)	(17.4)	(12.1)	(3.5)	7.5
Consensus net profit	-	-	-	-	-
UOBKH/Consensus (x)	-	-	-	-	-

Source: FREN, Bloomberg, UOB Kay Hian

NOT RATED

Share Price	Rp56
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

FREN is a telecommunication (telco) service provider in Indonesia with nationwide network and more than 43,000 BTS spread in over 285 cities in Indonesia. It is part of Sinarmas business group and claimed to be the only telco operator in Indonesia that fully operates on 4G.

STOCK DATA

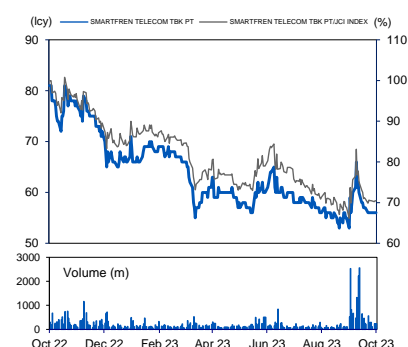
GICS sector	Telecommunication
Bloomberg ticker:	FREN IJ
Shares issued (m):	335,388.1
Market cap (Rpb):	18,781.7
Market cap (US\$m):	1,203.7
3-mth avg daily t'over (US\$m):	1.2
Price Performance (%)	
52-week high/low	Rp84/Rp52

1mth	3mth	6mth	1yr	YTD
1.8	(6.7)	(11.1)	(30.0)	(15.2)

Major Shareholders	%
Public (each holding below 5%)	37.8
PT Global Nusa Data	23.4

FY23 NAV/Share (Rp)	-
FY23 Net Debt/Share (Rp)	-

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Bundled marketing programme with MyRepublic.** FREN already received good responses from the trial phase with MyRepublic on several bundled marketing campaigns. As of mid-23, MyRepublic already expanded to nine new cities with a total coverage of 30 cities in Indonesia, according to Kontan.
- **Growth opportunities in micro, small, and medium enterprises (MSME) market for Smartfren Business (SMB).** SMB is a telco and information & communications technology (ICT) player which serves business needs. It offers digital solution products for MSMEs which is considered underserved in terms of digital adoption. In terms of connecting with MSMEs through community, FREN already has a community, named Smartfren Community, founded since 2015. One of Smartfren Community's programme is named "Teman Kreasi", developing 1,950 SMEs across 54 cities in Indonesia, according to Liputan 6 as of Nov 22.

SMB OFFERS DIGITAL SOLUTIONS FOR MSMEs' MARKET

Hybrid segment of MSME
60% MSME contribution to Indonesia economy, but mostly underserved in term of digital adoption nor automation.

SMB Product empowering UMKM digital adoption

Smart Pos	Smart HRIS	Smart Accounting	Smart Clinic
Start from Rp 2,000,-/day	Start from Rp 100,-/day/user	Start from Rp 4,000,-/day	Start from Rp 6,000,-/day
End-to-end automated point of sales application	Automated HR operations with secure data processing	Comprehensive system for financial management and business accounting	Digital solution for clinics with automated scheduling and comprehensive reporting
olsera LUNA HelloBill	CATAPA GoJiHub	ZahirOnline kido	omnicare

Total MSMEs
65 Mn

Total SMEs
1 Mn

Addressable market and keep growing
*Kemenkop info

UMKM NAIK KELAS

Source: FREN

- **More than 50% of FREN's network is fiberised,** according to the company. Its big vendors include tower companies and fibre optic companies. One of FREN's vendors is its affiliated company named Mora Telematika Indonesia (MORA), of which 18% is owned by FREN. FREN mentioned that MORA's clients are not limited to FREN.
- **New mobile products' price is 9-17% higher than the existing "unlimited-internet" products.** FREN's new products provide attractive data quota of 21-65GB and priced at Rp35,000-70,000. The new products' price is 9-17% higher, but with lower data quota compared with its existing product of 10-30GB data package with "unlimited" feature.

MOBILE PRODUCT OPTIMISATION

Driving purchase to new product, higher ARPU translation

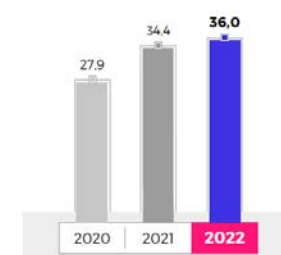
Price	Product	UNS total	Product	Kuota	Price
35K	UNLIMITED NONSTOP	10 GB	KUOTA M	Total 21 GB	38K
50K	UNLIMITED NONSTOP	18 GB	KUOTA L	Total 40 GB	55K
70K	UNLIMITED NONSTOP	30 GB	KUOTA 2L	Total 65 GB	82K
			100GB	Kuota 100 GB	100K
			1GB	SP Golf total 15 GB + golf benefit	50K

Curated Channel Product

Introduce segment-focus product with unique benefit

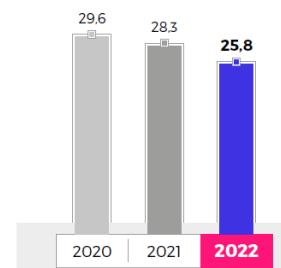
Source: FREN

NUMBER OF SUBSCRIBERS (IN MILLIONS)



Source: FREN

BLENDED ARPU (IN RP THOUSANDS)



Source: FREN

FREN'S BTS DISTRIBUTION BY AREAS



Source: FREN

MOBILE AND FIXED BROADBAND BUNDLED MARKETING PROGRAMME (FREN AND MY REPUBLIC)

NIKMATI INTERNET UNLIMITED

Untuk di Rumahmu
MyRepublic

Untuk Mobilitasmu
smartfren

100% Fiber Optik
100% Unlimited Data
11 Download Upload

myrepublic.co.id | 1500 818

MYFREN

Nikmati #WiFiRumahTERBAIK dari MyRepublic

Fast 50 Mbps
200 Mbps

Novo 100 Mbps
400 Mbps

Kode promo MYFREN

Source: FREN

AREAS WITH POTENTIAL SYNERGY FOR FREN AND MY REPUBLIC

Smartfren	MyRepublic	Competitor	Cities (non-synergy purpose)
✓	✗	✓	Subang, Yogya, Gresik, Sidoarjo, Kediri, Sumedang, Purwakarta
✓	✓	✗	Garut, Jember, Makassar, Mojokerto, Palembang, Cibubur, Jambi

*) Competitor refers to non-Government entities.

Source: FREN, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rpb)	2019	2020	2021	2022
Net turnover	6,988	9,408	10,457	11,203
EBITDA	1,381	3,049	4,100	5,025
Deprec. & amort.	3,683	3,833	3,853	4,401
EBIT	(2,302)	(785)	247	623
Total other non-operating income	316	19	138	1,496
Associate contributions	1	2	3	4
Net interest income/(expense)	(353)	(832)	(951)	(1,043)
Pre-tax profit	(2,339)	(1,597)	(566)	1,076
Tax	151	74	131	(12)
Minorities	0	0	(0)	(0)
Net profit	(2,188)	(1,524)	(435)	1,064
Net profit (adj.)	(2,188)	(1,524)	(435)	1,064

BALANCE SHEET

Year to 31 Dec (Rpb)	2019	2020	2021	2022
Fixed assets	19,894	29,673	33,292	34,422
Other LT assets	5,981	6,365	7,744	9,706
Cash/ST investment	197	654	463	308
Other current assets	1,578	1,992	1,859	2,057
Total assets	27,650	38,684	43,358	46,492
ST debt	1,035	2,978	3,725	3,722
Other current liabilities	5,084	5,440	5,878	4,937
LT debt	7,436	16,429	19,699	19,985
Other LT liabilities	1,359	1,471	1,402	2,089
Shareholders' equity	12,735	12,366	12,653	15,759
Minority interest	0	0	0	0
Total liabilities & equity	27,650	38,684	43,358	46,492

CASH FLOW

Year to 31 Dec (Rpb)	2019	2020	2021	2022
Operating	(59)	1,268	2,871	2,638
Pre-tax profit	(2,339)	(1,597)	(566)	1,076
Tax	151	74	131	(12)
Deprec. & amort.	3,683	3,833	3,853	4,401
Working capital changes	1,134	206	NA	NA
Other operating cashflows	(2,688)	(1,248)	(546)	(2,828)
Investing	(3,574)	(4,497)	(2,728)	(2,119)
Capex (growth)	(1,276)	(1,346)	(957)	(1,236)
Investments	4	12	103	94
Others	(2,303)	(3,163)	(1,874)	(977)
Financing	3,426	3,685	(336)	(690)
Dividend payments	0	0	0	0
Issue of shares	2,485	1,130	697	2,028
Proceeds from borrowings	3,199	4,531	1,325	1,136
Loan repayment	(2,258)	(1,975)	(3,397)	(3,854)
Others/interest paid	NA	NA	1,038	0
Net cash inflow (outflow)	(208)	456	(193)	(171)
Beginning cash & cash equivalent	406	197	653	463
Effect of forex rate changes and	0	0	2	16
Ending cash & cash equivalent	198	653	462	308

KEY METRICS

Year to 31 Dec (%)	2019	2020	2021	2022
Profitability				
EBITDA margin	19.8	32.4	39.2	44.9
Pre-tax margin	(33.5)	(17.0)	(5.4)	9.6
Net margin	(31.3)	(16.2)	(4.2)	9.5
ROA	(8.3)	(4.6)	(1.1)	2.4
ROE	(17.4)	(12.1)	(3.5)	7.5
Growth				
Turnover	27.3	34.6	11.1	7.1
EBITDA	41.7	120.8	34.5	22.6
Pre-tax profit	28.8	31.7	64.5	NA
Net profit	(38.4)	(30.4)	(71.4)	(344.5)
Net profit (adj.)	(38.4)	(30.4)	(71.4)	(344.5)
EPS	41.5	48.7	70.0	NA
Leverage				
Debt to total capital	39.9	61.1	64.9	60.1
Debt to equity	66.5	156.9	185.1	150.4
Net debt/(cash) to equity	65.0	151.6	181.5	148.5
Interest cover (x)	(6.4)	(0.9)	0.3	0.6

TRADERS' CORNER



Source: Amibroker

Indocement Tunggal Prakarsa (INTP IJ)

Technical BUY with 7% potential return

Resistance: Rp10,550, Rp10,850

Support: Rp9,725, Rp9,550

Stop-loss: Rp9,900

Share price closed slightly higher and formed a neutral candlestick. That said, momentum is looking more positive. Hence we see potential for more upside pressure to take place and price could challenge the resistance at Rp10,550 and Rp10,850. Technical indicator RSI is sloping upwards and approaching its centre line, while the MACD has the potential to form a bullish crossover signal. Buy at Rp10,100 and take profit at Rp10,850.

Approximate timeframe: 2-4 weeks.

Our institutional research has a fundamental BUY and target price of Rp13,500.



Source: Amibroker

Japfa Comfeed Indonesia (JPFA IJ)

Technical BUY with 5% potential return

Resistance: Rp1,385, Rp1,410

Support: Rp1,275, Rp1,225

Stop-loss: Rp1,270

Share price closed with positive notes and formed a bullish candlestick. The positive price action and the increase in trading volume imply more bullishness ahead. That said, we see potential for price to challenge the resistance at Rp1,385 and Rp1,410. Technical indicator RSI is sloping upwards and is approaching its overbought zone, while the MACD is on a bullish crossover. Buy at Rp1,310 and take profit at Rp1,400.

Approximate timeframe: 2-4 weeks.

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