

MARKET OUTLOOK 2023

Exploring new opportunities
in the midst of change



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YOUR FINANCIAL
NETWORK

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Economic Story

Helmi Therik, FRM

Domestic consumption is the supporting factor amid the challenges of external demand.

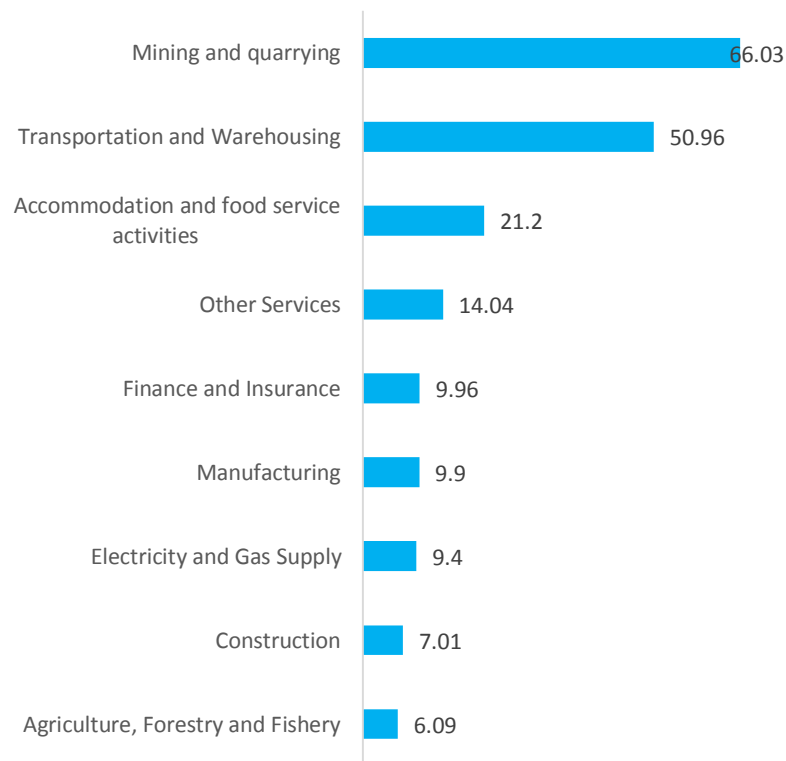
In 2023 we anticipate modest economic growth by around 5% or slightly lower than the 2022 achievement due to several challenges this year such as: **Higher interest rate environment, slower global demand, volatility in food prices, and inflation as the result of the disruption in the fertilizer supply chain.**

However, we still believe that despite the several challenges that have been roused we noted several positive factors that could support the growth. Such as **1) China reopening as a positive factor that is estimated will pull up the demand for the raw material. 2) The normalizing of mobility in 2023 will support the economic activities in the informal sector.** We think that we have left the misery in 2022 related to the social restriction. **3) Domestic consumption as the catalyst of growth despite we also see that inflation is expected to reach its peak level and start to moderate in 2023.**

The strong recovery and increasing demand are broad-based that reflected in all sectors. Mining is the sector that recorded the strongest growth in 2022, while we estimated that the expansion in this sector will continue on the back of growing Foreign Direct Investment in this sector. Transportation and warehousing will also grow in line with normalizing social activities. This is also seen in the accommodation and food services that have been positively growing due to the pent-up demand. **Better household consumption as the result of higher job absorption, subsidies, and social spending and the relief of consumer confidence as the factor that would support our GDP expectation in 2023 at the level of 4.9% to 5%.**

Economic growth by Sectoral (yoy).

Most of the sector has recorded positive growth. The recovery is seen as broad-based.

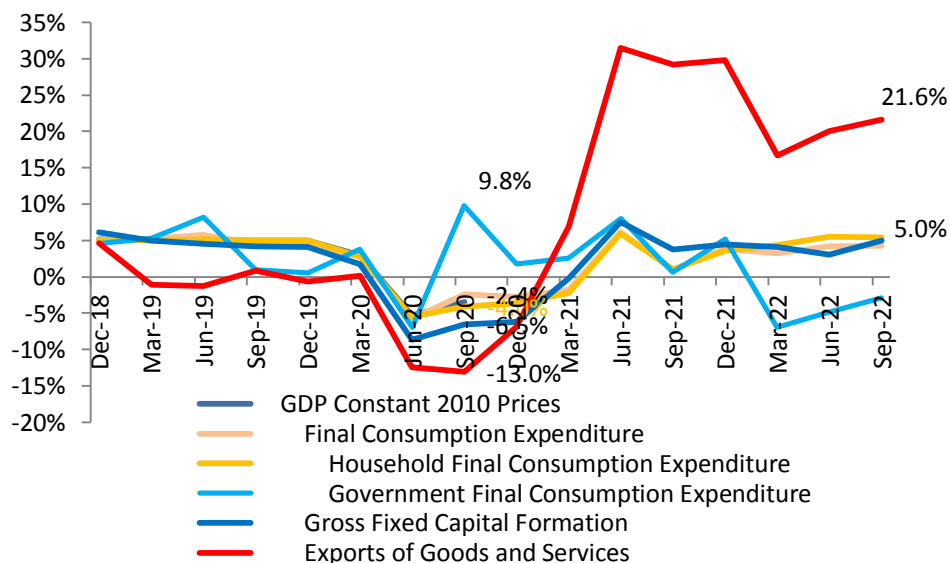


The positive transmission from the export growth on domestic consumption will still be felt despite with lower magnitude

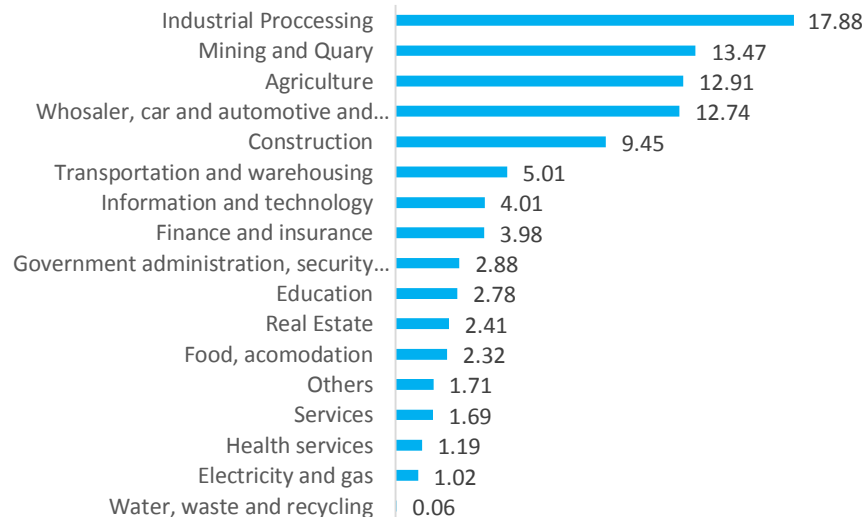
On the expenditure side, the impact of higher export in 2022 will still be felt in a couple of quarters in 2023 with a slower magnitude. The slower global GDP growth in 2023 as the challenge that would be normalizing the growth. According to IMF, global growth will only increase by 2.9% or lower than its historical average of 3.8%. The transmission mechanism from the accumulated export growth in 2022 is expected would drive investment in 2023. Based on our simulation the impact of export would drive the growth of consumption and investment for the next 10 quarters. Thus we expect the consumption and investment will increase by 5%yoy this year. On the other side, government spending will be contracted or remained unchanged as part of the fiscal prudential effort to bring the fiscal deficit below -3% of GDP this year.

Mining and agriculture contribute 26.38% while industrial processing including coal and food contributes 17.8% of the GDP. This means that the investment and the normalizing of the global commodity index will have a meaningful impact on GDP growth. Especially in mining and agriculture.

GDP by expenditure growth (yoy)



GDP distribution by sector (%)

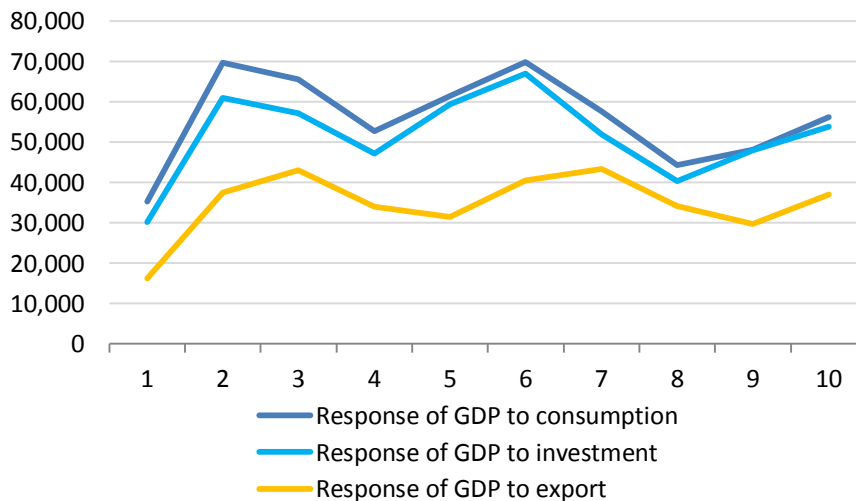


How the economic response to the fiscal stimulus (Impulse reaction function analysis)

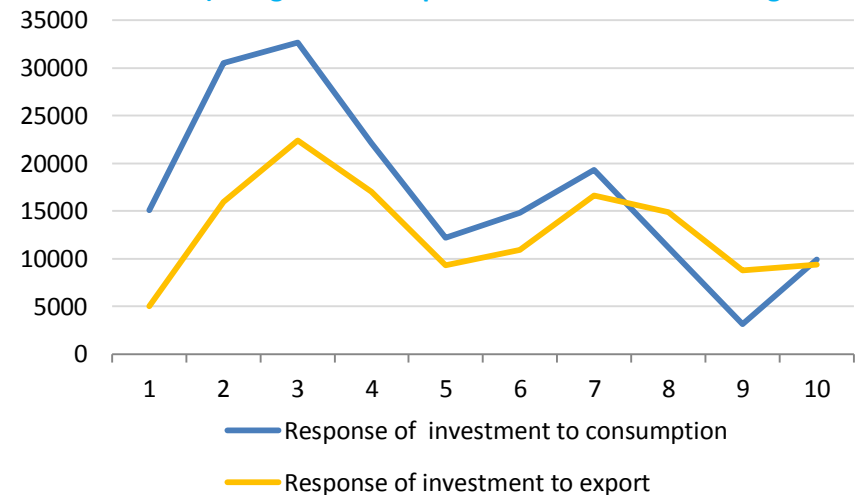
The countercyclical policy of reallocation of the spending for social assistance or cash transfer to protect the lower class economy is important to support the GDP as well as to provide room for the business sector to keep renewing their capex. The multiplier effect in the economy in the first place is by increasing consumption, GDP, and also investments. Based on our simulation the impact on GDP is higher by providing the cash transfer to the economy. The GDP response as the result of the positive shock in consumption would stay for the next 10 quarters. This is because the mpc is high and when there is a cash transfer, the people would directly spend the money which in turn would create a positive demand for the business.

The business sector would also react positively in the first 5 quarters toward the shock in the positive consumption. When the demand increases the business sector would consider adding capacity. The investment would also increase if the positive shock in export demand stimulate the investment in 10 quarters or stay longer than the shock from consumption.

Impulse Reaction Function (IRF) analysis of GDP



The impact of higher consumption (fiscal stimulus through social assistance) is higher than export toward the investment growth



Source: SSI calculation

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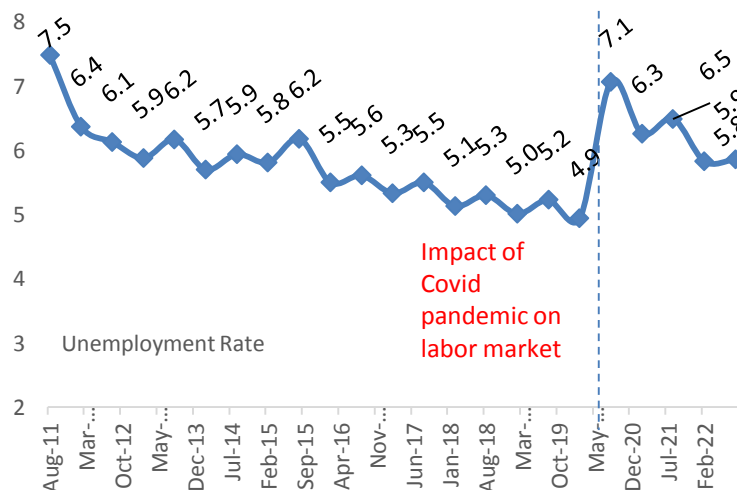
Higher labor hiring and lower unemployment will support the better consumer spending

The improvement in the labor market as the result of the higher economic activity as the basis to estimate better consumption growth in 2023. Household consumption is estimated to increase by 4.7%-5.1% this year. This is due to the lower unemployment rate that is predicted at 5.5% - 5.8% in 2023, higher minimum wage, and better consumer confidence.

About 28% of the labor works in agriculture, forestry, and fisheries. The better term of trade in this sector will determine the level of worker prosperity in this sector. The agriculture sector needs supporting infrastructure to increase the yield of productivity due to the so many people working in this sector. The higher output as the result of the better infrastructure will bring better output per labor in this sector. This is the reason why the government has aggressively built irrigation, a road, and a port that will support better output in this sector.

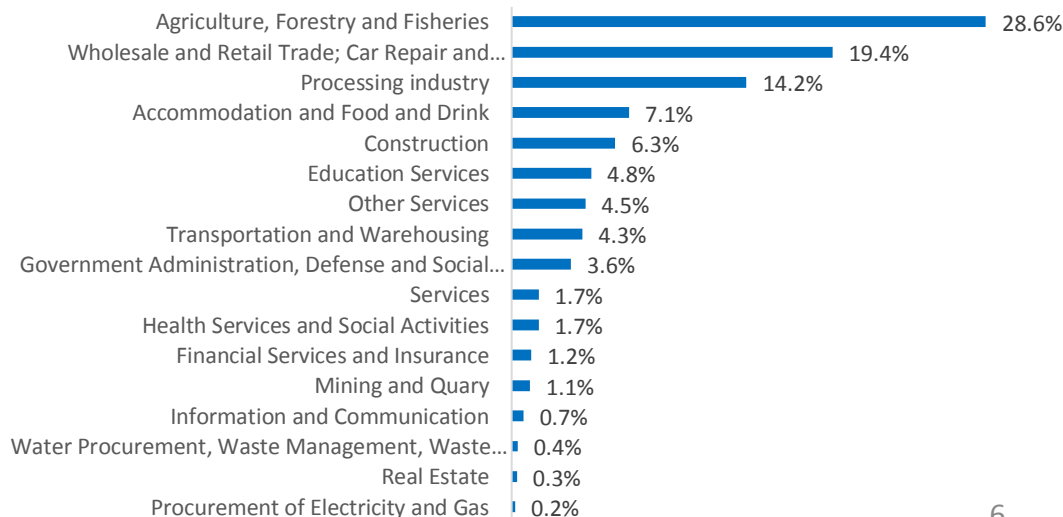
Informal workers remain a significant part of the Indonesian labor composition. About 80mn is classified as an informal worker. The portion of informal workers was about 59.5%. Growing business in the formal sector and the improvement in the easiness of doing business are expected would contribute to the higher formal sector transformation.

Unemployment rate decreased

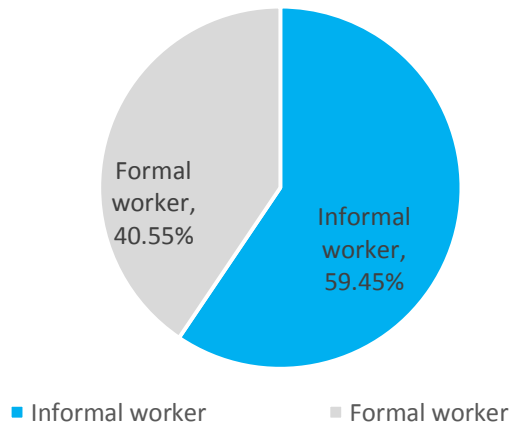


Source: Bloomberg, SSI

28% of labor works as farmers and fishery



Platform-based work has become the new tool for informal workers to earn income since the pandemic



The portion of informal workers that relies on human contact interaction was facing a challenge when the pandemic outbreak and strict physical distancing changed the behaviour of consumption implicated in the deterioration in informal worker earnings such as domestic work, casual workers in tourism, driver, etc.

The earning of informal worker is estimated to get stronger in 2023 and the worst or the misery is expected to be left behind due to the normalizing of economic activity.

According to LSE, we cited from the London School of Economics' survey, **there are approximately 4 million platform-based motorcycle taxi drivers, over 5 million freelancers, and 5 million fin-tech agents** facilitating digital financial services across Indonesia. **Due to their low barriers to entry, digital platforms have been instrumental in absorbing labor and alleviating unemployment in urban areas.** Platform-based work has become a new tool for informal workers to earn the income since pandemic. This was due to smartphone penetration and improvement in smartphone affordability as well as internet packages.

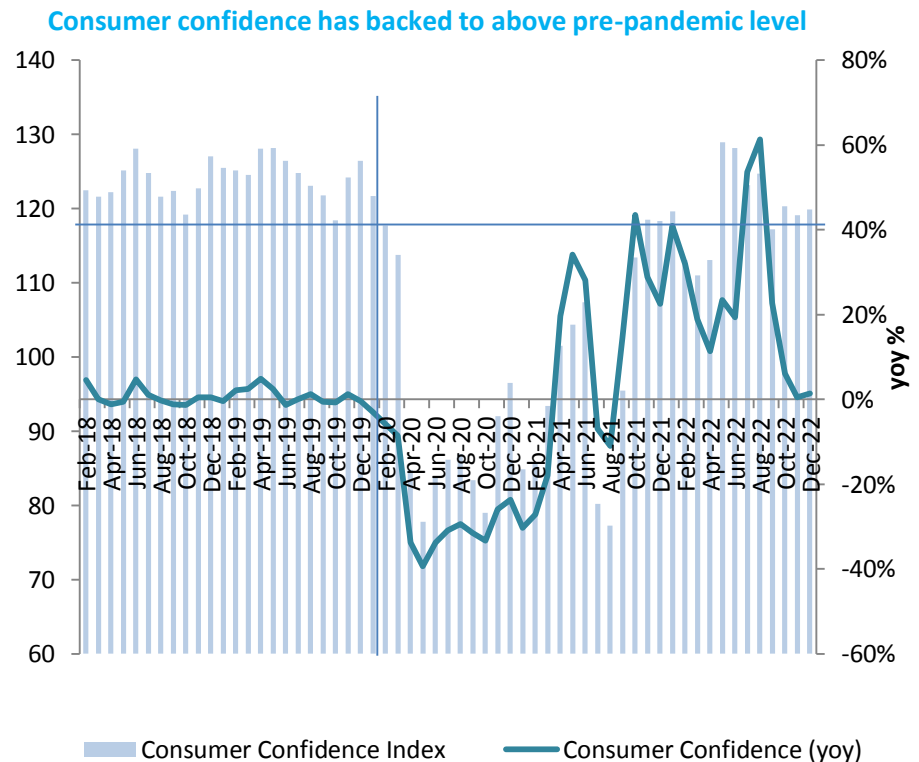
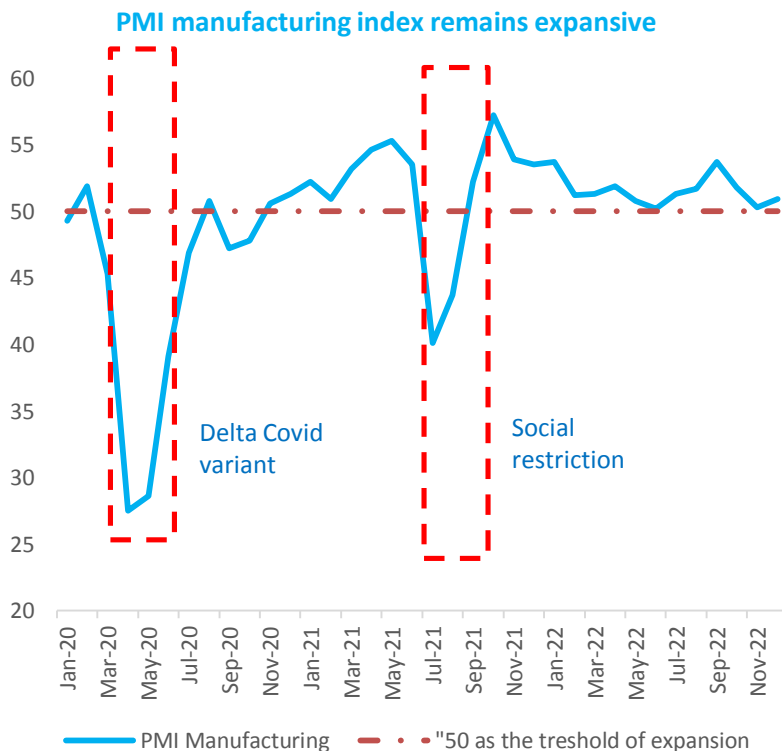
Based on this thesis, we expect that consumption is estimated to continue its positive trajectory which will increase by 4.7% to 5.1%.

Informal activities



Consumer spending and appetite to spend have backed to above the level before the pandemic

Consumer confidence has increased to the level before the pandemic. This was as the basis to expect consumer spending growth due to the better expectation of household earnings that triggered them to spend. On the supply side, the PMI manufacture index also remains at the expansion condition or at above 50. The accumulation of higher interest rates as the negative factor besides the slower global economic growth while the positive factor remains come from the domestic aggregate demand that remained positive.

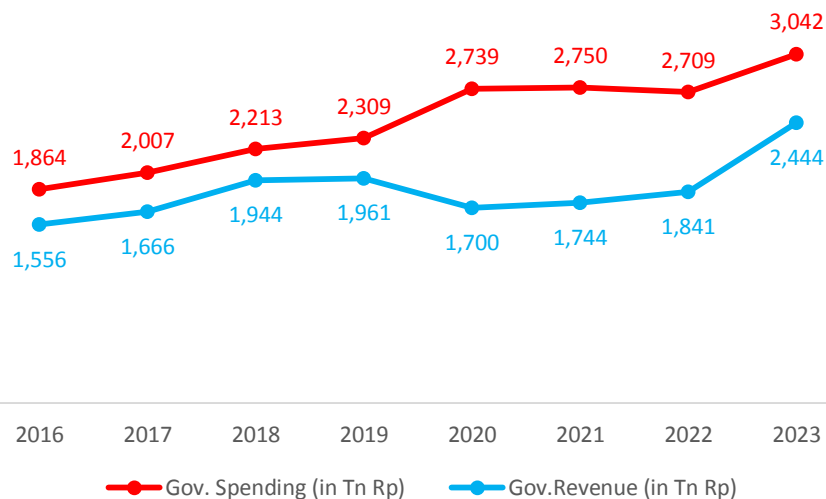


Post pandemic the fiscal budget is set to consolidative by narrowing the gap

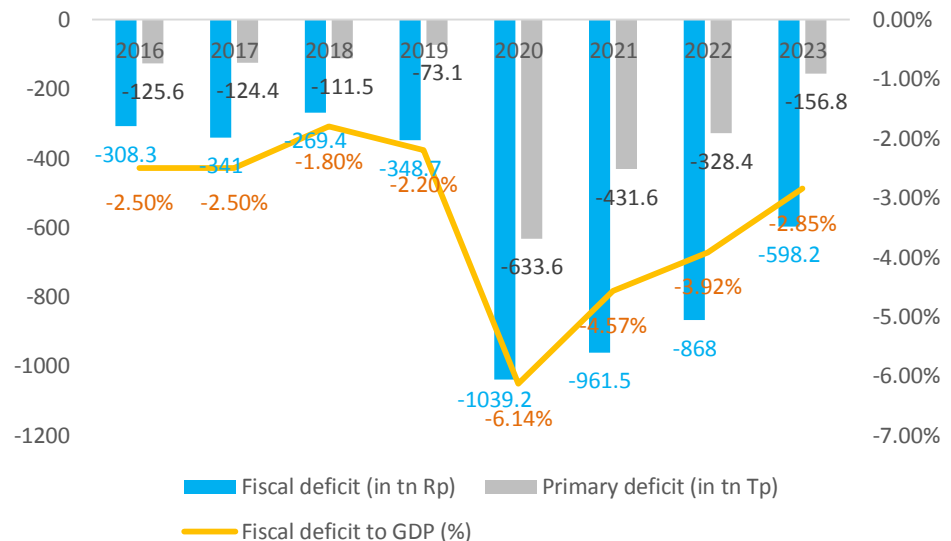
Post the pandemic, the government set the budget to be more healthy by controlling spending and setting the fiscal gap to below -3% of GDP. **The primary deficit is targeted at -156tn. The government budget last year has a lot of work as a shock absorber amid the energy and food price inflation by increasing the subsidies or social assistance to mitigate the pressure from energy and food inflation. In 2023 the government tries to maintain fiscal healthiness by narrowing the fiscal gap.** This implicates a lower deficit and also reduces the supply of bonds in the market as an instrument to finance the fiscal gap. The reduction of bond supply will provide a necessary condition for the bond price to appreciate in 2023.

The infrastructure portion of government spending has been set to normalize while the spending on social assistance remains dominant the spending. This part of the government's effort to play the role of the counter-cyclical to revive the economy through the public consumption.

Narrowing fiscal deficit post-pandemic



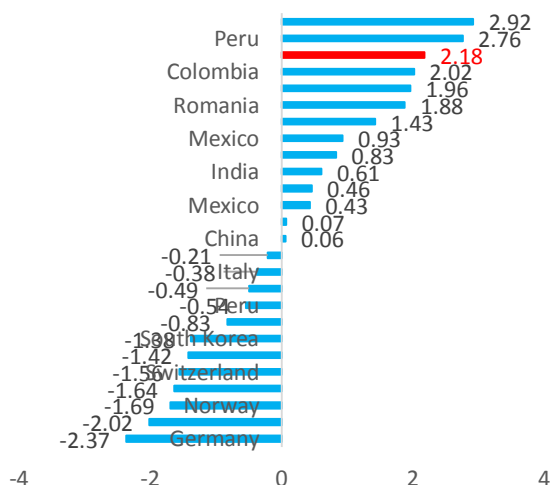
Fiscal deficit is set to narrow below -3% of GDP in 2023



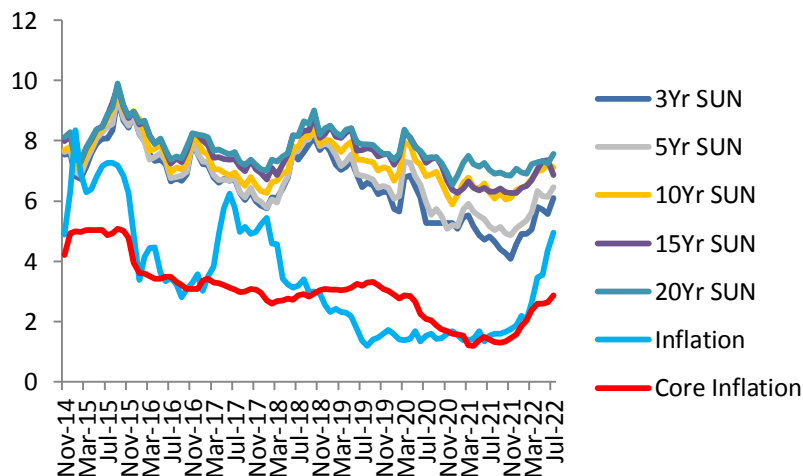
Bond Outlook -The selling pressure is expected to be limited

- Indonesian bonds provide attractive yields compared to other countries. The real yield (10yr yield – inflation) remains positive on the back of the inflation management in Indonesia that relatively manageable.
- In terms of nominal Indonesian bond yield at 7% for 10 years is considerably attractive compared to the average rupiah deposit rate of around 2% per annum.
- The credit rating of Indonesia has been improved and stable at the BBB (investment grade) despite facing challenges amid Covid in the last 2 years. This was on the back of macroprudential policy to keep the debt and the financial risk at a manageable level.
- The rupiah volatility is relatively moderate compared to the Asian countries amid the US monetary hawkish tone. This was on the back of the positive current account surplus due to the position of Indonesia's economy that benefited from the higher commodity and energy price.
- The fiscal policy to maintain its fiscal discipline by managing the deficit to below -3% of GDP would limit the supply of bonds in 2023 which would be translated into the stable demand and supply composition and the stability of the yield.
- Indonesia's debt to GDP ratio (40%) was manageable or relatively low compared to the other country.
- The US Fed Fund rate is near its peak level at around 5% this year. Meaning that the selling pressure in the emerging bond market will be limited. The bond investor with a long-term investment horizon will anticipate the peak of the rate and also the possibility of a recession that would be pivoting the monetary policy stance at the end of 2023 or early 2024.

Indonesia's real yield is relatively attractive

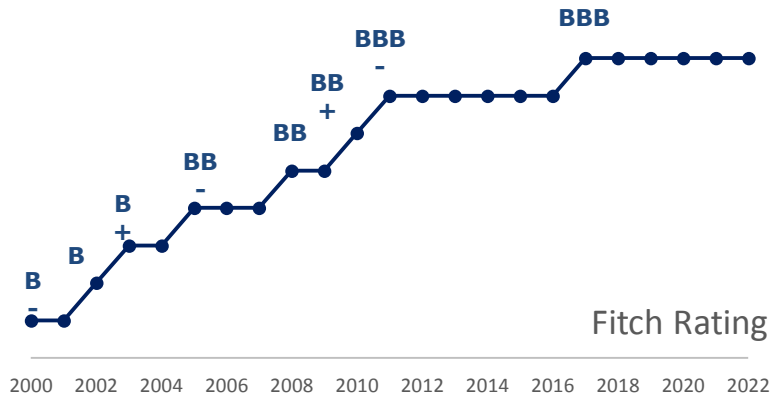


Inflation is estimated to moderate or has been at the peak level due to the lower energy prices. Meaning that the pressure in the bond market would be limited

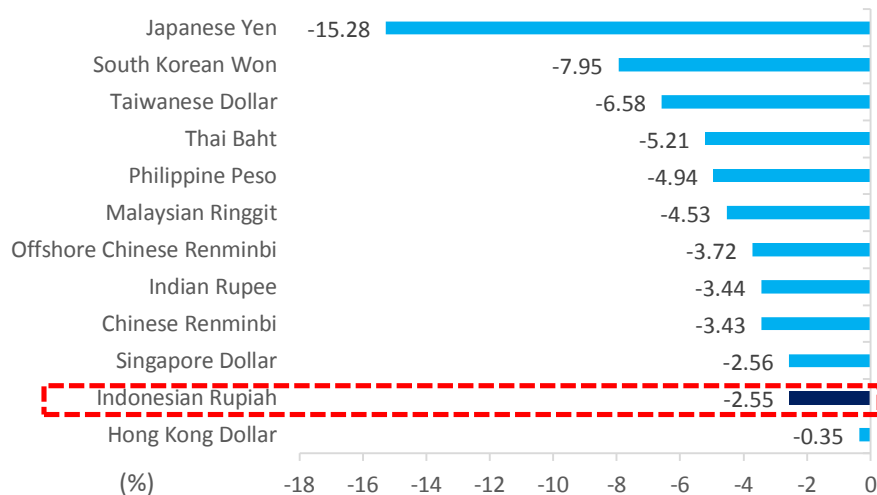


Relative well position in term of risk

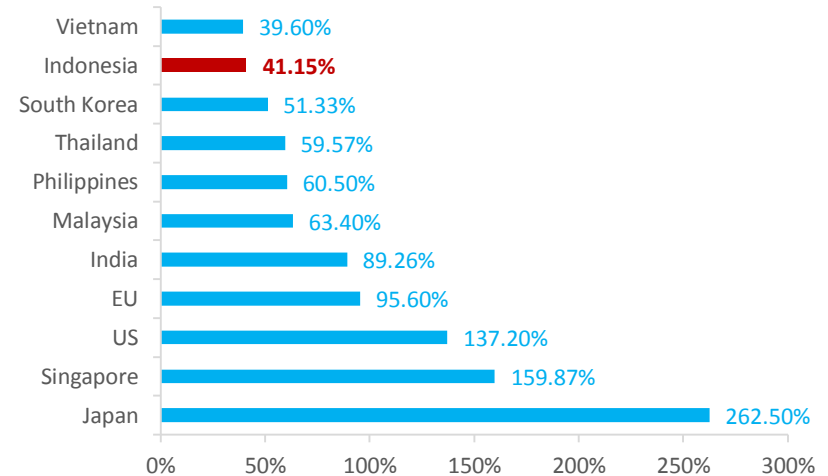
Indonesia's Credit rating has improved since 2000 on the back of macroprudential policy



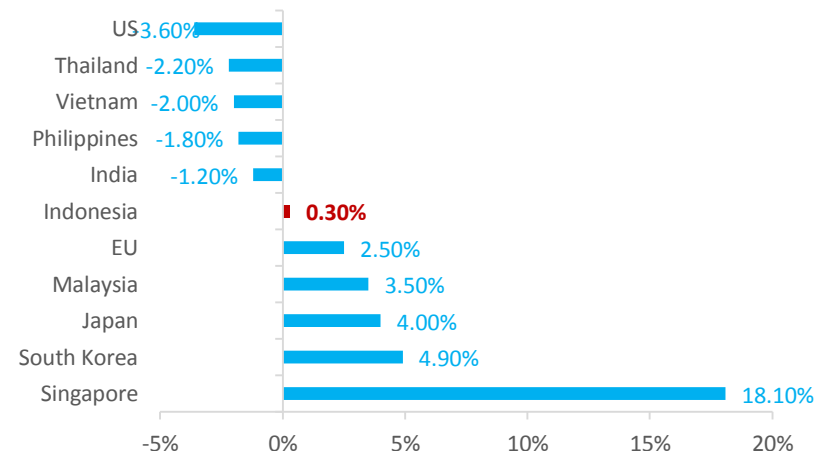
Currency changes against US Dollar



Indonesia's debt to GDP ratio was manageable or Relatively low compared to the other country.



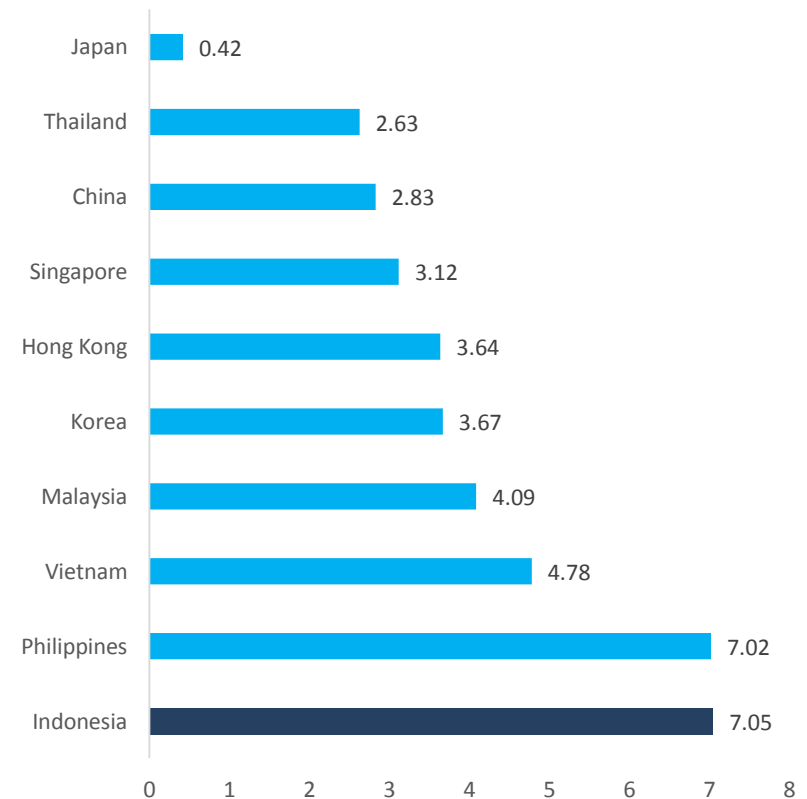
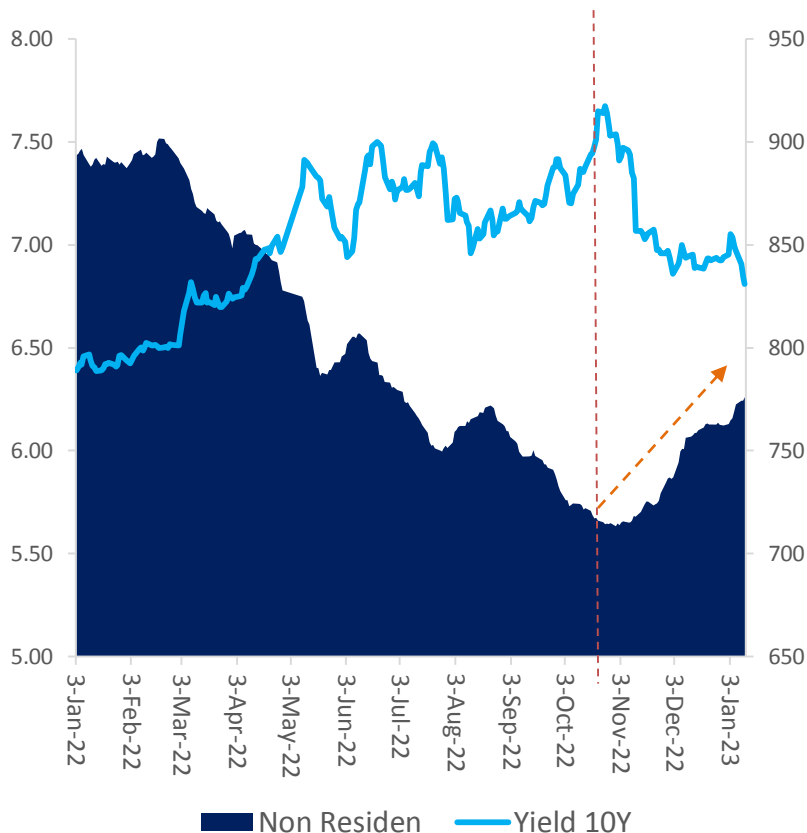
Indonesia's Current Account surplus to GDP during the high commodity price has contributed to the lower rupiah volatility compared to its peer country



Foreign inflow in the bond market has gradually increased

The foreign flow in the Indonesian bond market has improved since October 2022. Foreign investor gradually built up their position in the Indonesian bond market when the signal of moderation in the inflation and US Fed Fund rate was seen.

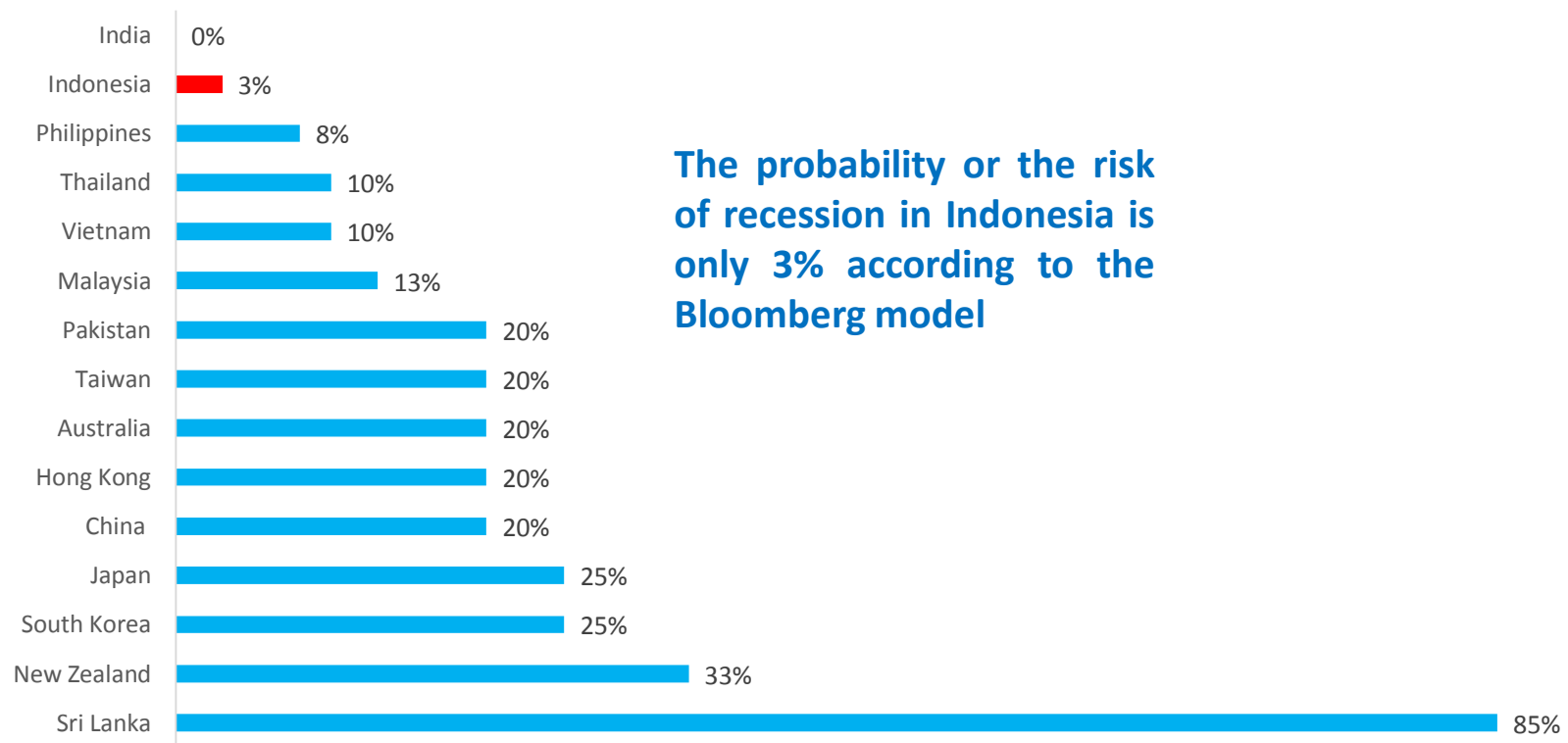
Indonesia 10yr nominal yield provides attractive
Yield at 7% compared to its peers



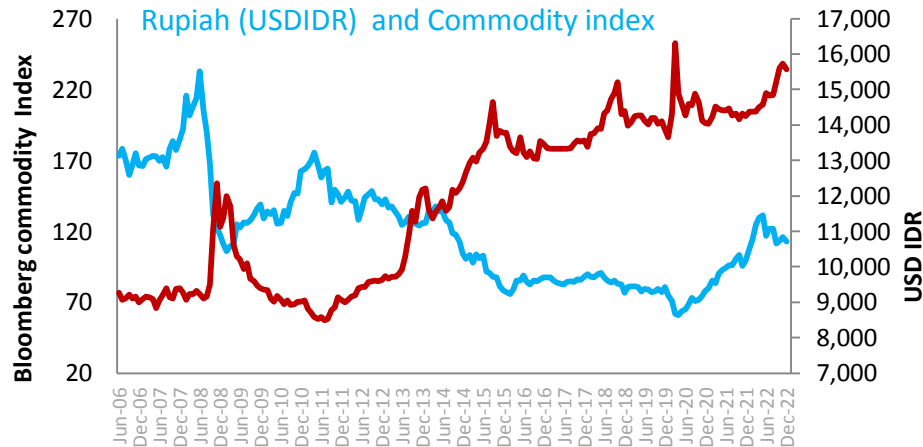
Low economic risk

Indonesia's Probability of recession is relatively low (3%)

In general, Asia's risk of recession is around 20-25% while the odds of the US entering the recession is around 40%. On the other hand, the probability of recession in Europe is 50-55%, while the probability or the risk of recession in Indonesia is only 3% according to the Bloomberg model. The disruption in the food and energy prices has deteriorated in many countries and has spillover to the economy globally. The portfolio rebalancing to Indonesia's Equity market is possible due to its economic stability in this economic situation.

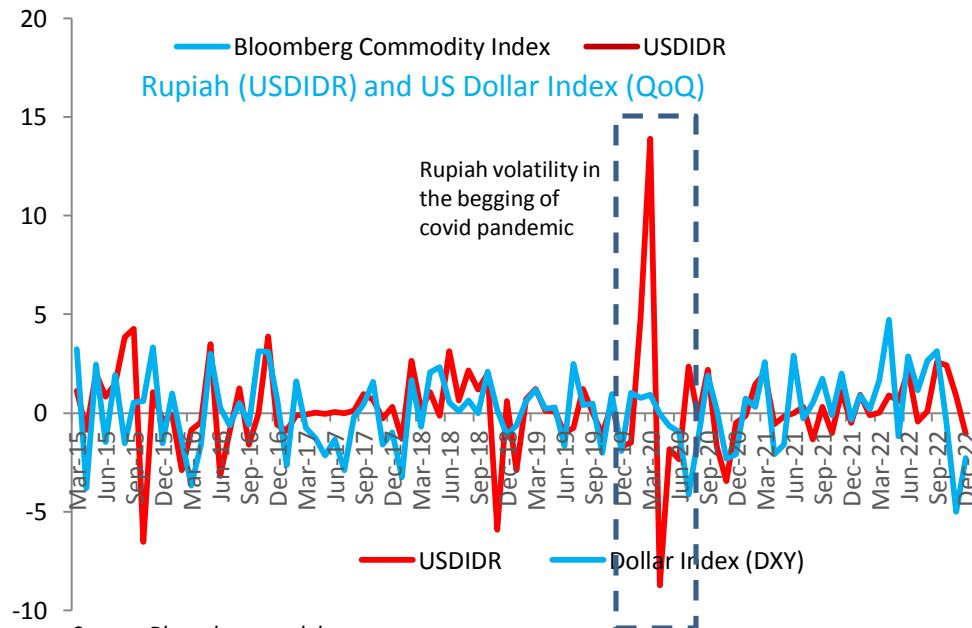


Rupiah outlook: The appreciation of the US Dollar is projected to be limited.

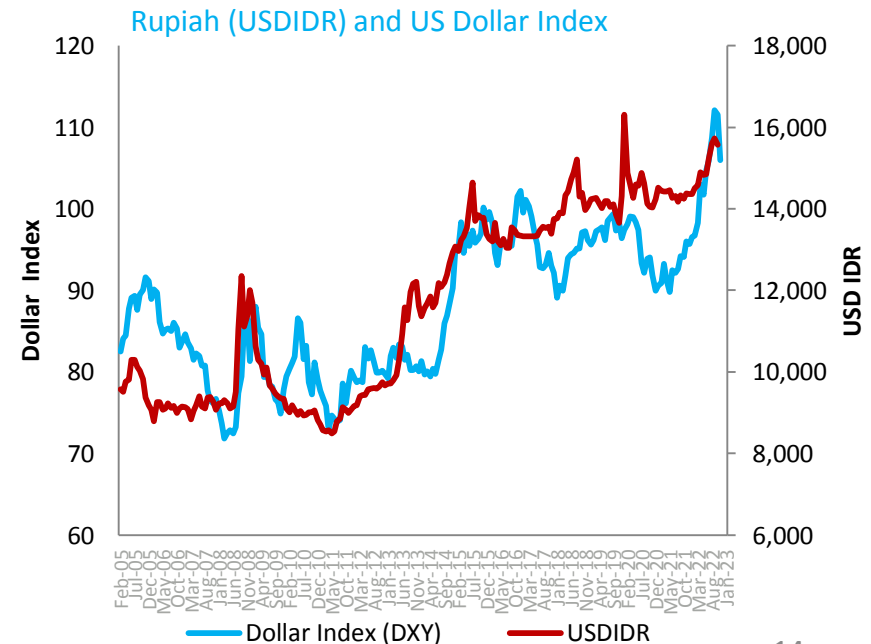


The upside of the Fed Fund Rate is expected to be limited which implies that the probability of the rupiah depreciating further is also limited due to the appreciation of the US dollar index will also be limited. On the other hand, the normalizing of the commodity price at this level will also make the rupiah fluctuate in the range of Rp15,000/USD.

The terminal level of the US Fed Fund Rate is projected at the range of 5%-5.25% and the modest inflation due to the slower economic indicator indicates that the current level has near the terminal rate.

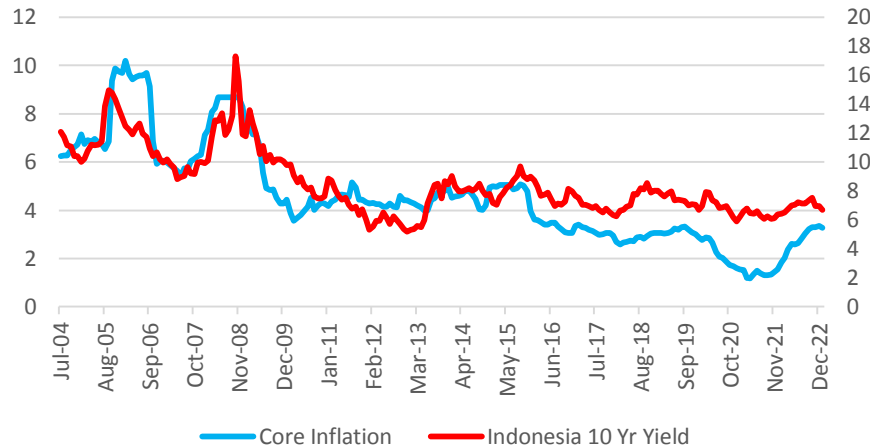


Source: Bloomberg model



Benign core inflation and the room for the bond yield to decrease

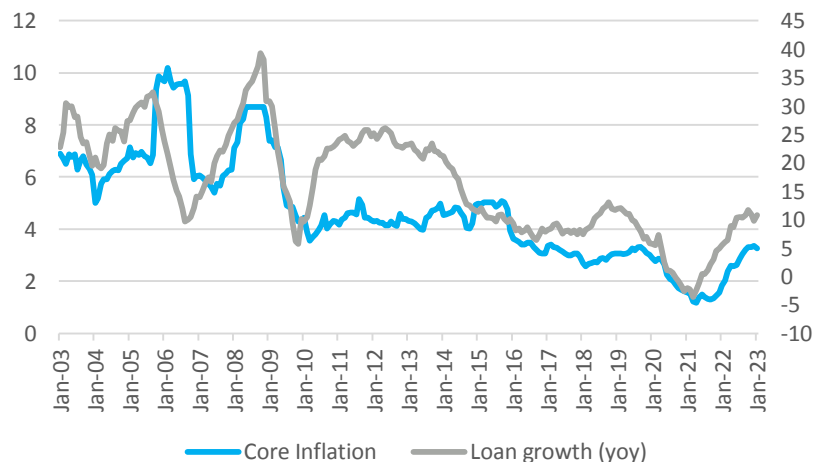
10yr yield and core inflation



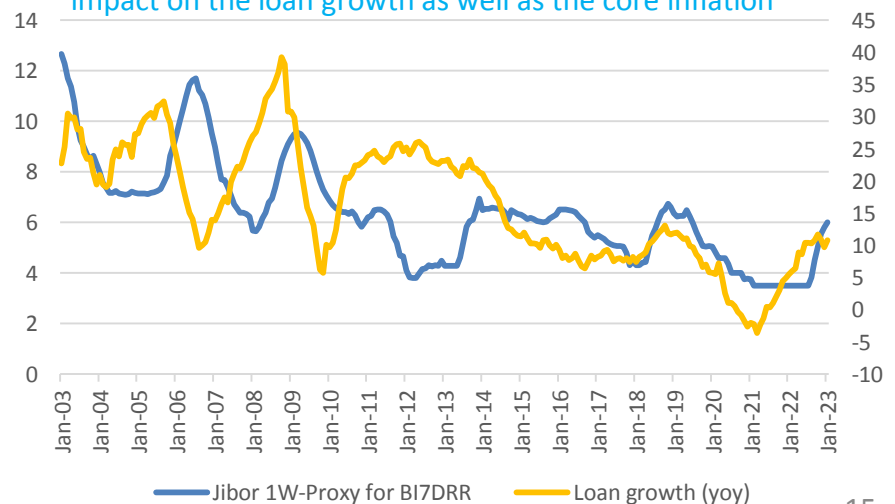
Loan growth as the early indication of the core inflation trajectory. To manage the higher core inflation rate, the Bank of Indonesia has raised the 7D Repo rate to control the peak of the core inflation at a manageable level. The aim for the higher 7D Reverse Repo rate is to anchor the expectation of the forward core inflation rate.

The 7D RR rate is expected to hold at the range of 5% to 5.25% to bring the core inflation to fluctuate at the range of below 4%. It takes 3 to 4 Quarters to let the monetary policy have an impact on the loan growth as well as the core inflation. Based on this inflation expectation the bond yield is predicted will adjust to the lower range. We expect the 10yr yield to have room to decrease at the range of 6.5% to 7% in 2023.

Core inflation (LHS) and loan growth (RHS)

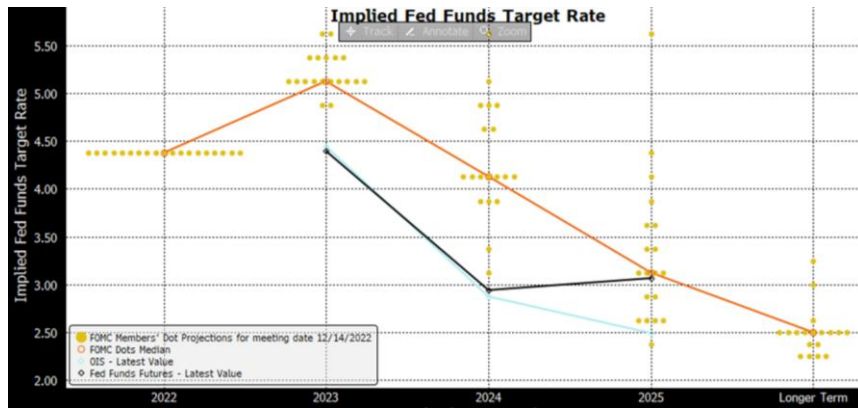


It takes 3 to 4 Quarter to let the monetary policy have an impact on the loan growth as well as the core inflation

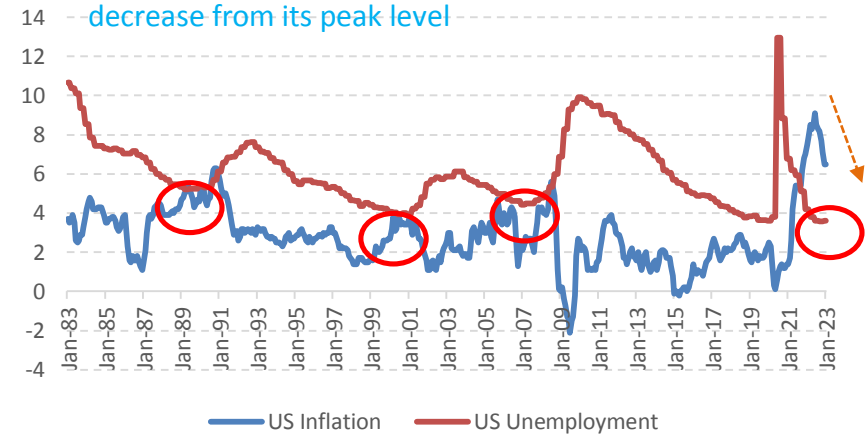


Nearing the terminal rate of the Fed Fund Rate

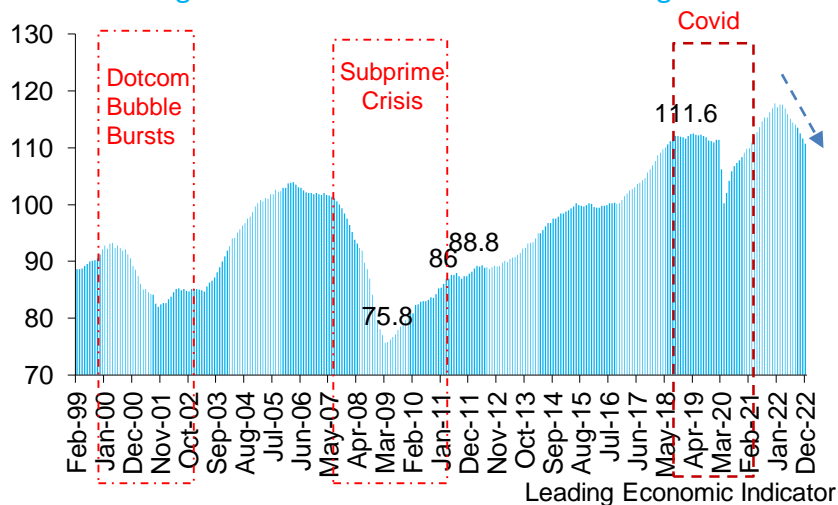
Fed Fund Rate, Indonesia & US 10 yr yield



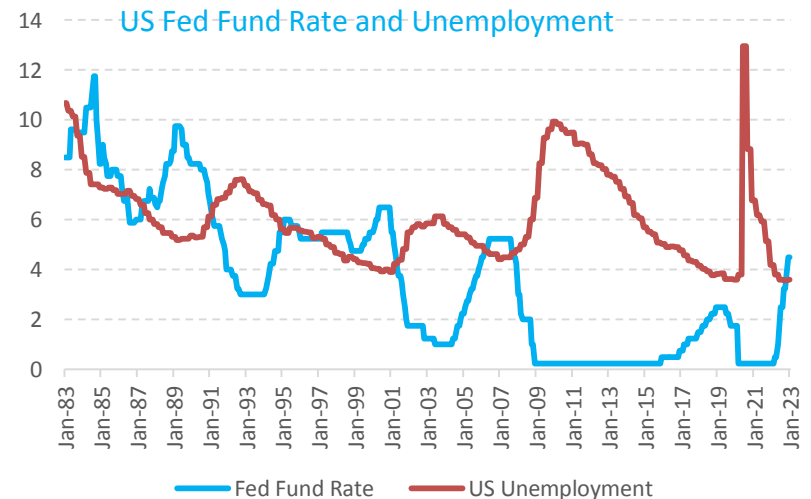
Full employment and inflation. Inflation has started to decrease from its peak level



US Leading Economic indicator shows a slower growth



US Fed Fund Rate and Unemployment



Economic projection – Expecting soft economic growth

The Indonesian economy is believed will grow by 4.8% to 5.2% in 2023 or would be slightly lower than last year. The slightly higher interest rate amid slower global economic growth would have a mild impact on export growth. However, China reopening as another catalyst to expect another positive balancing effect amid slower global demand. The domestic aggregate demand is believed would support the growth due to the positive consumer confidence, lower unemployment rate, higher minimum wage, and the result of last year's additive expectation from last year income. Government spending has been set to be consolidative or relatively neutral to the economy this year. This was due to the design of the 2023 government budget to maintain stability by reducing the deficit to 2.8% of GDP or below -3% of GDP. Thus we estimate that household consumption will grow by 4.8%, followed by investment growth that is expected to accelerate by 5%. Rupiah is estimated to steady at the range of Rp15,000/USD on the back of the prospect of limited US dollar index appreciation amid the limited upside of the US Fed Fund Rate.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Real GDP	4.9	5.0	5.1	5.2	5.0	-2.0	-3.7	5.3	4.9	5.1
CPI	6.4	3.5	3.8	3.2	2.8	2.0	1.6	4.2	4.1	3.0
Unemployment	6.0	5.6	5.4	5.2	5.1	4.3	4.4	5.9	5.7	5.6
Current Account of GDP	-2.0	-1.8	-1.6	-2.9	-2.7	-0.4	0.3	0.7	-0.7	-1.2
Budget Deficit of GDP	-2.6	-2.5	-2.5	-1.8	-2.2	-6.1	-4.6	-3.5	-2.9	-2.8
BI 7DRRR		4.75	4.25	6.00	5.00	3.75	3.50	5.50	5.75	5.25
3-Month Rate	8.86	7.46	5.48	7.70	5.51	4.06	3.75	6.62	6.04	5.86
2-Year Note	8.61	7.47	5.54	7.29	5.77	3.85	4.13	6.08	5.68	4.84
10-Year Note	8.99	7.97	6.32	8.03	7.06	5.89	6.38	6.94	7.53	6.94
USDIDR	13,788	13,473	13,555	14,390	13,866	14,050	14,263	15,573	15,000	14,700

Equity strategy – Sectoral pick and index valuation

Banking sector. We overweight on banking sector amid the healthy loan growth and improving asset quality which is in line with the better debtor capacity to repay its debt. The digital transformation has also contributed to the better CASA and improving NIM. We call Buy on **BBCA**, **BMRI**, and **BBRI** as our top picks in this sector.

Telco Sector. The data demand in telco industry is believed as the growth driver amid the digitalization integration. In addition to that, the we also see healthier competition in this industry, reflected by rationalization price which will bring better margin for telco company. We call **TLKM** and **EXCL** as our top pick in this industry. In the telco infrastructure industry we pick **TOWR** as we believe that the non-tower business will create a bigger contribution to total revenue encouraged by high demand from tower fiberisation, to support rapid data traffic growth.

Consumer staple. We like ICBP due to its resilient performance, strong market position in the industry, as well as potential margin expansion and rebound in earnings. We maintain our Buy rating on ICBP. The normalizing of input costs will support profitability. This is also supported by the outlook of a limited US dollar index which will reduce the forex loss.

Retail discretionary. Normalizing economic activity will signify the earnings rebound while the SSSG (same-store sales growth) is expected to reach the pre-pandemic level in 2023. The monthly SSSG is estimated to hover in the positive territory in 2023 despite still being in the mid-single digit level due to persistent inflationary pressure. We choose **ACES** for this industry.

Poultry industry. Processed chicken gaining traction. The buying intention for frozen foods pick up during the Covid-19 restriction which triggered the demand for processed chicken. The profitability improvement is possible due to normalizing input costs from declining corn prices while soybean meal price remain fluctuated at a relatively high level. We pick **JPFA** and **CPIN** for this sector.

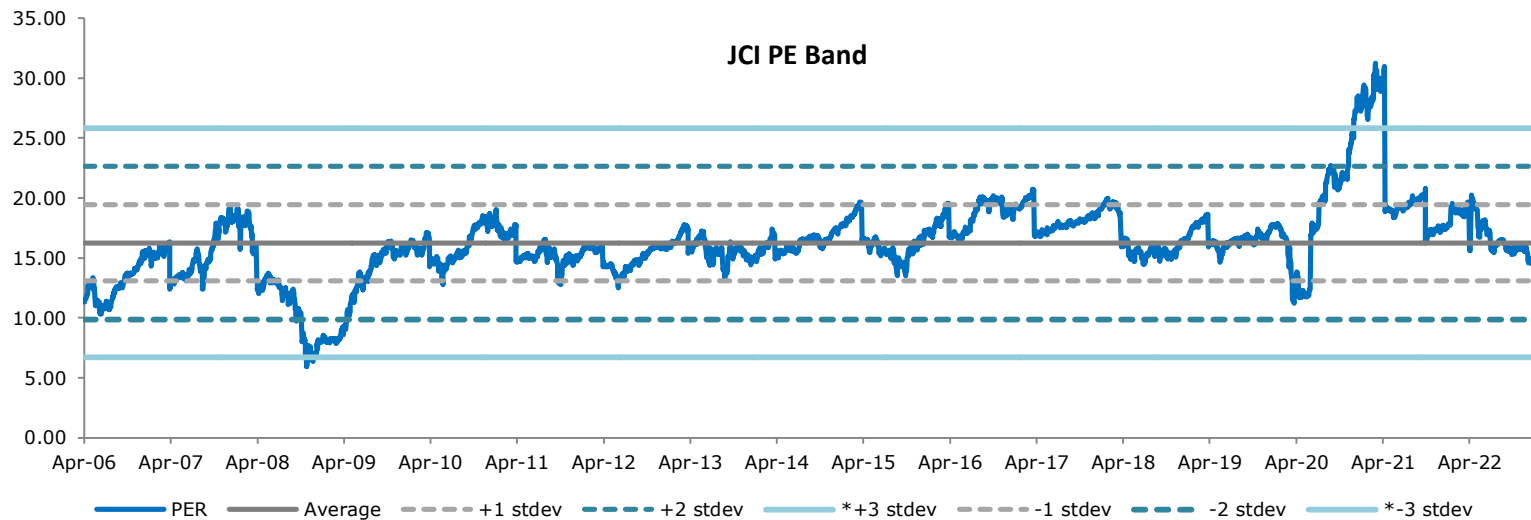
Precious metal mining. We choose **ANTM** as our stock pick in the metal mining industry. Gold production will still be ANTM's growth catalyst in the next few years. However, we note that there is new potential from the development of demand for Nickel and downstream bauxite in the country which will support the future development of Aneka Tambang's business, especially related to the growth in demand for electric cars and metal. The contribution of gold is still the main revenue driver for the company. China's reopening sentiment on the other hand can be a positive catalyst for metal commodity prices while the challenge is coming from the normalizing of commodity prices.

Equity strategy – Sectoral pick and index valuation

Coal sector. The energy price will be normalizing but remain at a high level. In the short-term, think that the coal companies will book solid performance considering the fluctuation of coal prices at a high level due to the winter season until 1Q23, ongoing geopolitical conflict, and global reopening post-pandemic. Furthermore, in FY23E we see that the increase in coal prices will be limited due to: 1) higher coal production in China and India will boost global coal supply, 2) reduced gas shortages in Europe, and 3) fears of a recession. We like **ADRO** in this sector due to its diversification to the noncoal sector.

Cement sector. we see that national demand will recover in 2023 due to a higher infrastructure budget in the 2023 State Budget of IDR 392.0 trillion, which rose by 7.8% YoY from 2022 of 363.8 trillion and combined with further economic recovery post-pandemic which will support the demand in national cement industry. We call **SMGR** and **INTP** as our top picks in this industry.

JCI valuation. We expect that the corporate earning would continue to recover along with the growing GDP. The JCI Index is expected to trade at 7,800 or representing the PE Band at 16x for FY2023E or 15x for FY2024F or fluctuating on its historical average at 16.2x.



Corporate Outlook

PT Bank Rakyat Indonesia Tbk-BBRI

Bank BRI – Micro loan player that enhanced through digital transformation

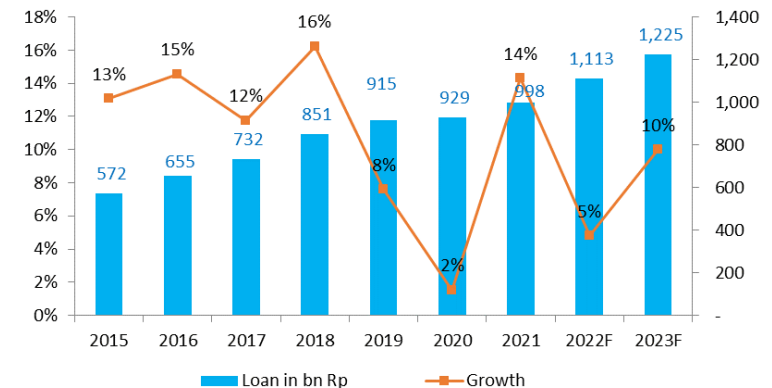
Helmi Therik, FRM

- The micro-segment as the backbone of the company's loan going forward that expected to grow by 8% to 10% for the total loan in 2023.** This is supported by Indonesian economic resiliency. Microloan contributes 43% of the total loan followed by 18% of the corporate segment, 21% of the small enterprise loan, and 15% of consumer loan. Micro and consumer are estimated to record a positive growth trajectory in 2023 despite with slower path due to the high-based factor. In the previous year, the microloan increased by 13.9% yoy and 6%yoy respectively. The higher interest rate is the factor that could withstand the growth this year. However, we still believed that the company could record 12% growth on the back of normalizing the inflation rate which will translate into a better capacity to spend in the small, micro, and consumer segment. The total loan is estimated to reach Rp1,225tn or representing.
- Higher net interest margin.** This is due to the increase of loan yield in the higher interest rate environment while at the same, the company is able to maintain Cof at a low level as the result of the CASA growth. The company is able to lower the Cof to 1.73% while we think that the CoF would be slightly higher to 1.8% due to the increase in interest rate. As the result, we expect the NIM could be maintained above 7% this year or slightly higher than 6.8% at the beginning of last year.
- CASA is estimated to grow by 5%yoy.** The company has improved its digital platform and has integrated it with its ecosystem to bring value to the customer that brings a better experience by using the digital platform to do the financial transaction. The CASA ecosystem includes so-called "BRIMOLA", "BRI Smart Billing", and "gaji.id". The CASA composition has improved to 65% from the previous year at 59%. This is estimated could be maintained this year. The total transaction value through "BRIMO" apps jump by 110% to above Rp1,800tn. This trend is estimated to continue this year.
- Sound credit quality and adequate coverage.** The customer's ability to serve the loan has improved that bring down the LaR to 19% from 28% at the beginning of Covid-19. The LaR is expected to continue its trajectory downtrend to 18%. On the other hand, the LaR coverage is sizable enough to cover the risk at 45% while the NPL would be maintained at 3% and the NPL coverage is projected at 270%.
- Valuation.** The potential rerating to the higher PBV is possible on the back of the improvement of asset quality, loan growth, and better interest margin supported by the improvement of digital infrastructure. We implement blended valuation with the Gordon method approach that implies the fair value at Rp5,500/share. This represents 2023 and 2024 PBV at 2.2x and 2x which is slightly lower than its average at 2xPBV. Risk to our call: lower loan growth, deteriorated asset quality, unexpected interest rate movement.

Current Price (IDR) (6/2)	4,740
Target price (IDR)	5,500
Upside/Downside (%)	16.0%
52 Week High (IDR)	5,025
52 Week Low (IDR)	3,960
Major Shareholders:	
Negara Republik Indonesia	53.19%
Public	46.81%

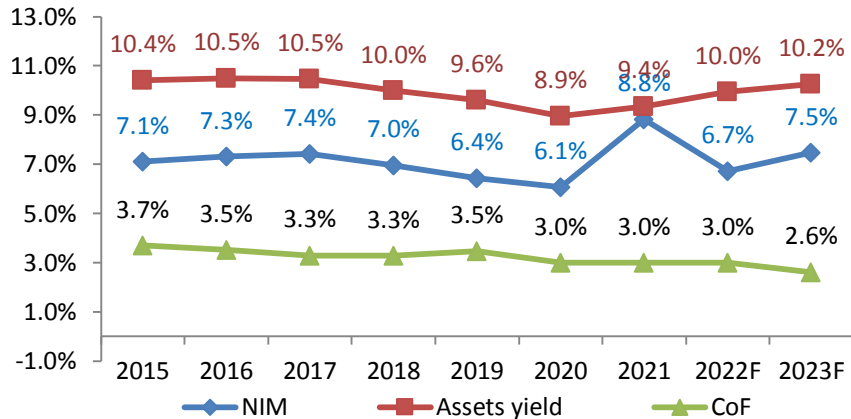
in bn Rp	2020	2021	2022F	2023F	2024F
Net Interest Income	116,933	143,523	132,796	148,896	162,757
OP	27,180	41,086	33,448	52,453	59,149
Pre-tax	26,725	40,992	33,297	52,261	58,928
NP	18,660	33,156	23,249	36,491	41,146
EPS	152	254	178	280	315
BVPS	1,631	2,235	2,371	2,537	2,723

Loan (in bn RP) and loan growth (yoy)

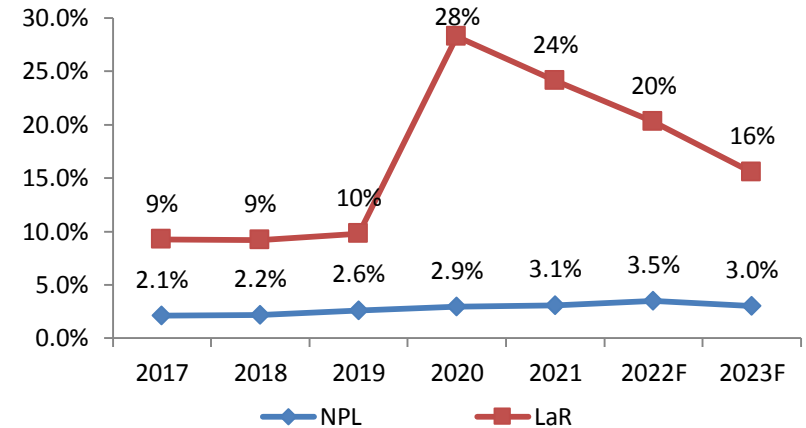


Bank BRI – Profitability, risk and valuation dashboard

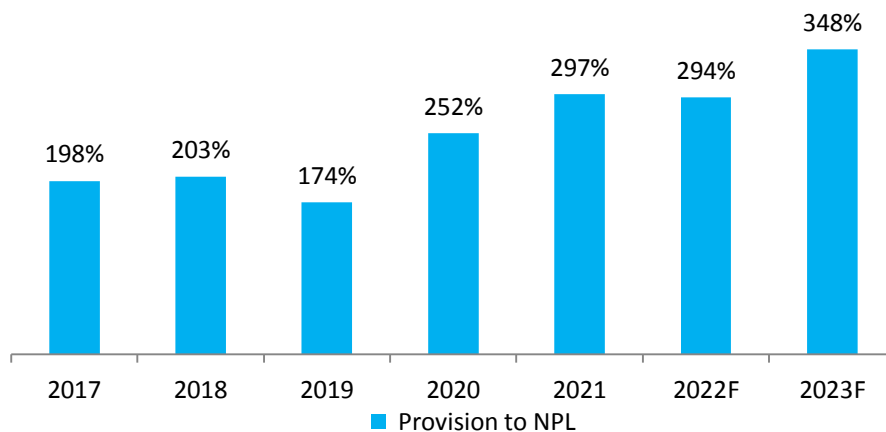
NIM improves amid lower CoF due to lower interest rate



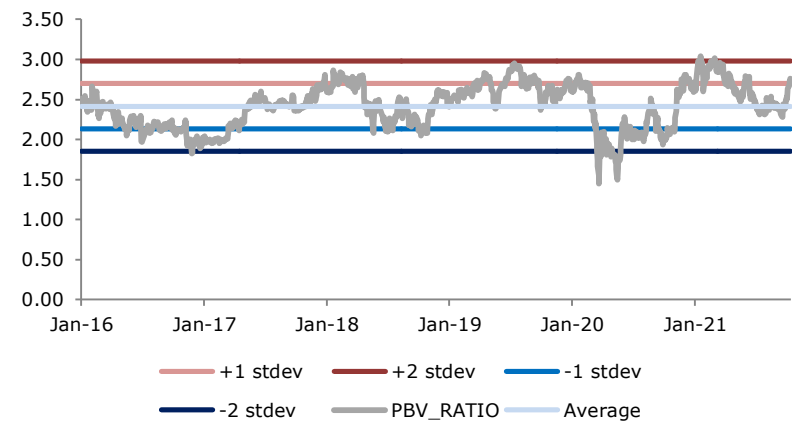
Loan quality ratio (NPL & LaR)



Build up provision to cushion the credit risk



PBV Band



Balance Sheet

Year-end 31 Dec (Rp bn)	2020	2021	2022F	2023F	2024F
Cash	83,693	82,727	357,261	277,710	305,707
Interbanking Assets	122,401	127,928	157,366	204,084	218,370
Short-Term & LT. Investments	328,302	377,421	157,366	204,084	218,370
Loan - gross	929,324	1,062,230	1,113,158	1,224,507	1,310,222
Allowance for Losses	65,378	86,419	101,625	113,684	126,588
Net Loans	863,946	975,811	1,011,533	1,110,822	1,183,634
Net Fixed Assets	32,185	47,970	68,156	89,558	111,787
Other Assets	81,278	66,241	51,802	56,284	60,810
Total Assets	1,511,805	1,678,098	1,803,485	1,942,543	2,098,679
Customer Deposits	1,121,102	1,138,743	1,271,554	1,360,563	1,455,802
ST Borrowings & Repos	93,518	91,898	138,649	168,824	204,997
Long-Term Borrowings	42,670	75,107	21,030	14,764	10,365
Other Liabilities	54,603	80,563	62,729	67,235	72,065
Total Liabilities	1,311,893	1,386,311	1,493,962	1,611,386	1,743,229
Minority Interest	2,534	3,052	2,534	2,534	2,534
Shareholders' Equity	199,911	291,787	309,522	331,157	355,450
Total Liabilities & Equity	1,511,805	1,678,098	1,803,485	1,942,543	2,098,679

Source: Company, Shinhan Sekuritas Indonesia

Income Statement

Year-end 31 Dec (Rp bn)	2020	2021	2022F	2023F	2024F
Interest Income	116,933	143,523	132,796	148,896	162,757
Interest Expense	37,723	29,429	43,193	40,370	43,610
Net Interest Income	79,210	114,094	89,603	108,526	119,147
Other Operating Income	21,932	33,712	24,875	26,617	28,480
Net Revenue	101,142	147,807	114,478	135,143	147,627
Provision for loan losses	21,798	27,395	21,866	19,384	20,741
Net Revenue after provision	79,344	120,412	92,612	115,759	126,886
Non interest expense	52,164	79,326	59,164	63,306	67,737
Operating Income	27,180	41,086	33,448	52,453	59,149
Net Non-Operating Losses (Gains)	(455)	(94)	(151)	(193)	(220)
Income before tax	26,725	40,992	33,297	52,261	58,928
Tax	8,064	7,836	10,048	15,770	17,782
Net Income	18,660	33,156	23,249	36,491	41,146

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

Year-end 31 Dec (%)	2020	2021	2022F	2023F	2024F
Growth					
Assets	7%	11%	7%	8%	8%
Loans	2%	14%	5%	10%	7%
Customer Deposits	10%	2%	12%	7%	7%
Net Interest Income	-3%	44%	-21%	21%	10%
PPOP	-15%	40%	-19%	30%	11%
Net Income	-46%	78%	-30%	57%	13%
Profitability					
Asset Yield	9%	9%	10%	10%	10%
Cost of Fund	3%	3%	3%	3%	3%
Net Interest Margin	6%	9%	7%	7%	8%
ROAA	1%	2%	1%	2%	2%
ROAE	9%	13%	8%	11%	12%
Operational Efficiency Ratio (OI)	80%	77%	79%	70%	69%
CIR	52%	54%	52%	47%	46%
Liquidity					
LDR	83%	93%	88%	90%	90%
CASA Ratio	60%	60%	60%	60%	60%
Capital					
CAR-Bank Only	21%	25%	24%	28%	31%
Assets Quality					
NPL	2.9%	3.1%	3.5%	3.0%	3.0%
Coverage Ratio	252%	297%	294%	348%	363%

Source: Company, Shinhan Sekuritas Indonesia

Dupont (as % of average assets)	2020	2021	2022F	2023F	2024F
Net Interest Income	5%	7%	5%	6%	6%
Net Revenue	7%	9%	7%	7%	7%
Net Revenue after provision	5%	8%	5%	6%	6%
Operating Income	2%	3%	2%	3%	3%
Net Income	1%	2%	1%	2%	2%
ROAA	1%	2%	1%	2%	2%
multiplier	7	6	6	6	6
ROAE	9%	13%	8%	11%	12%

Source: Company, Shinhan Sekuritas Indonesia

PT Bank Mandiri Tbk-BMRI

Bank BMRI– Steady loan growth and improving asset quality

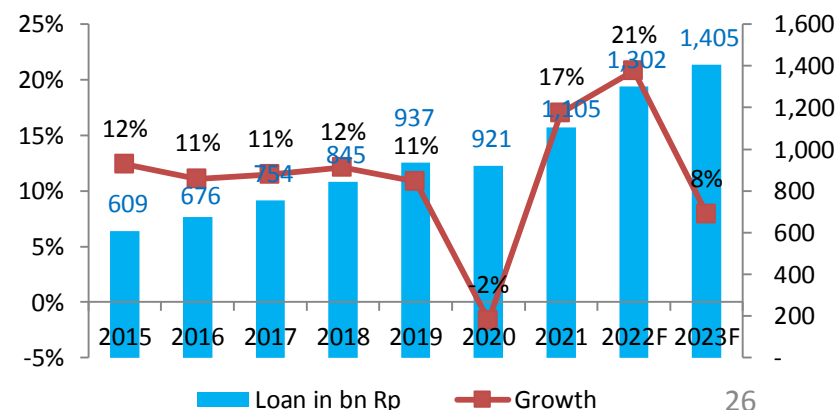
Helmi Therik, FRM

- Sound growth.** Bank Mandiri is expected to record a double-digit loan growth this year or around 10%-14%yoy on the back of continuing economic recovery as well as better economic confidence which will be translated into its higher consumer lending segment. The bank is also estimated to record better loan yield and also higher net interest margin due to its structural shifting to increase higher retail and micro-segment that provide higher yields compared to the corporate segment. The NIM is estimated to reach 5.3% or slightly higher than 5.2% On last year. We expect that the company would post the improvement on its bottom line which would grow by Rp3.2tn.
- The corporate segment remains the backbone or contributes 35% of the total loan while the company micro and consumer loan will contribute 12% and 8% respectively.** In the micro-segment, the loan is offered to the salary-based employee or represents 48% or half of the loan absorption while the rest was related to the government program in microloan. In the consumer segment, around 49% to 50% of the loan will be used for mortgage and credit cards with the composition as 35% and 13% respectively. The improvement of the economic index, and more job hiring as the basis to expect this segment to grow by 10% this year. The working capital in the corporate segment also would generate growth of at least 8% this year. F&B manufacturing and the metal industry as the top 2 industries that posted significant growth last year (45% and 64% yoy). We still believed that this sector will continue to record a sound improvement this year.
- Higher CASA is supported by digital services.** The company has improved its digital services through its new apps “Kopra” and “Livin” CASA increase on the back of its services on the digital and offline channels. CASA has increased by 12% and we estimate the CASA would grow on the same path this year. Higher CASA has brought down the CoF to 1.35% while we expect the CoF would be slightly higher to 1.4% this year amid the higher interest rate environment. The total transaction conducted through “livin” apps was about Rp630tn or 3x higher than the total transaction value through ATM at Rp200tn. The value enhancement through the apps has contributed to saving and deposit growth.
- Sound credit quality.** The NPL is estimated at 2%-3% while the loan at risk was at 13%. However, the Lar Coverage was about 64%. The company also has ample NPL coverage at 268% to cover the deterioration of the asset quality. The improvement of economic activity is believed would contribute to the debtor's capacity to pay and better asset quality improvement this year.
- Valuation.** The loan growth, better net interest margin, and sound asset quality as the basis to expect the company's fair value at Rp11,200 by using blended calculation. We use Gordon's growth and earning multiple to calculate the fair value which implies the PBV for 2023 and 2024 at 2x and 1.8x while the historical average was at 1.5x. Risk to our call: lower loan growth, deteriorated asset quality, unexpected interest rate movement.

Current Price (IDR) (6/2)	9,875
Target price (IDR)	11,200
Upside/Downside (%)	13.4%
52 Week High (IDR)	11,000
52 Week Low (IDR)	7,175
Major Shareholders:	
Negara Republik Indonesia	52.00%
Public	40.00%

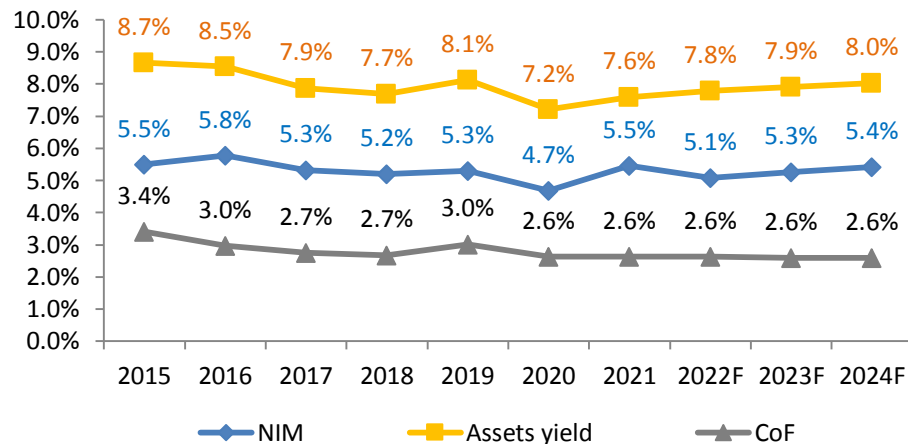
	2021	2022F	2023F	2024F
Net Interest Income	98,066	115,448	129,767	146,968
OP	38,514	36,978	49,745	59,044
Pre-tax	38,358	37,023	49,850	59,177
NP	30,551	28,041	37,756	44,820
EPS	655	601	810	961
BVPS	4,763	5,148	5,725	6,400

Loan (in bn RP) and loan growth (yoy)

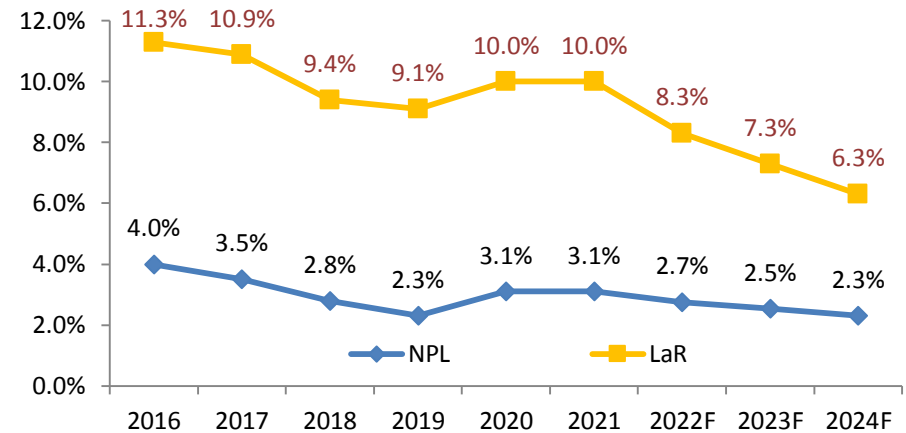


Bank BMRI– Profitability, risk and valuation dashboard

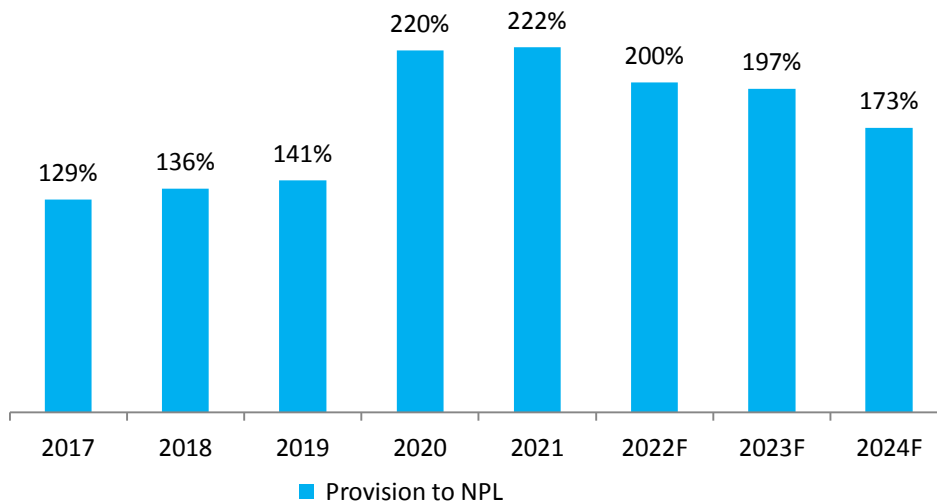
NIM improves amid lower CoF due to lower interest rate



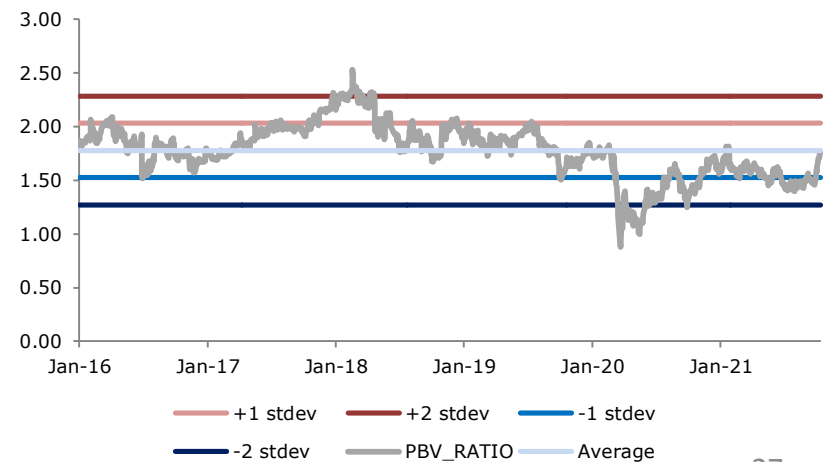
Loan quality ratio (NPL & LaR)



Build up provisions to cushion the credit risk



PBV Band



Year-end 31 Dec (Rp bn)	2020	2021	2022F	2023F	2024F
Sales	27,372	38,446	41,980	46,999	52,314
COGS	22,897	30,758	33,584	37,599	41,851
Gross profit	4,476	8,396	9,400	10,463	11,667
EBITDA	3,132	5,108	4,593	5,144	5,727
Operating expense	2,443	3,470	3,789	4,242	4,722
Operating profit	2,032	5,741	6,401	7,145	7,983
Pre-tax profit	1,523	4,477	3,902	4,357	5,143
Income tax - net	374	2,615	1,619	1,089	1,286
Net profit	1,149	1,862	2,284	3,268	3,857
EPS (Rp)	48	77	95	136	161

Source: Company, Shinhan Sekuritas Indonesia

Balance sheet

Year-end 31 Dec (Rp bn)	2013	2021	2022F	2023F	2024F
Assets					
Cash and equiv	3,984	5,089	10,495	11,750	13,078
Receivables	1,344	1,448	9,655	10,810	12,032
Inventories	2,626	3,107	(1,008)	(1,128)	(1,256)
Others	1,196	2,084	2,223	2,374	2,533
Total current assets	9,151	11,728	21,366	23,805	26,389
Net fixed assets	19,638	18,138	32,881	33,024	33,168
Other assets	2,941	3,050	3,124	3,200	3,278
Total assets	31,730	32,916	57,371	60,029	62,834
Liabilities and equities					
Payables	2,409	3,060	2,939	3,290	3,662
Other Short-Term Liabili	5,144	3,503	13,014	14,570	16,217
Total Current Liabilities	7,553	6,562	15,953	17,860	19,879
LT. debt	3,475	3,787	17,637	16,689	15,469
Other long term liabilitie	1,661	1,730	1,730	1,730	1,730
Total Liabilities	5,137	5,517	19,366	18,419	17,198
Minority Interest	0	0	27	27	27
Shareholders' equity	19,039	20,837	22,052	23,751	25,757
BVPS (Rp)	792	867	918	988	1,072

Year-end 31 Dec (Rp bn)	2020	2021	2022F	2023F	2024F
CFs from operation					
Net profit	1,149	1,862	2,284	3,268	3,857
Change in working capitals	(26)	(4,325)	2,874	(2,545)	(3,092)
CFs from operation	1,123	(2,464)	5,158	723	765
CFs from investments	(49)	1,391	(14,816)	(220)	(222)
CFs from financing activities	(1,631)	380	(1,945)	10,930	(685)
Net inc/(dec) in cash	348	1,105	(10,416)	13,132	1,864
Cash at end period	3,984	5,089	10,495	11,750	13,078

Source: Company, Shinhan Sekuritas Indonesia

Key ratio analysis

Year-end 31 Dec (Rp bn)	2013	2021	2022F	2023F	2024F
Profitability					
Gross margin	16.4%	21.8%	22.4%	20.0%	20.0%
Operating margin	7.4%	11.0%	11.0%	11.0%	11.0%
EBITDA margin	11.4%	13.3%	10.9%	10.9%	10.9%
Net Income margin	4.2%	4.8%	5.4%	7.0%	7.4%
ROAA	3.7%	5.8%	5.1%	5.6%	6.3%
ROAE	6.2%	9.3%	10.6%	14.3%	15.6%
Growth					
Revenue	-16.3%	40.5%	9.2%	12.0%	11.3%
Operating Profit	112.7%	107.5%	9.2%	12.0%	11.3%
EBITDA	51.6%	63.1%	-10.1%	12.0%	11.3%
Net Income	492.9%	62.0%	22.7%	43.1%	18.0%
Solvability					
Current ratio (x)	1.2	1.8	1.3	1.3	1.3
Quick ratio (x)	0.9	1.3	1.4	1.4	1.4
Debt to equity (x)	0.7	0.6	1.6	1.5	1.4
Interest cov. (x)	0.4	0.4	0.6	0.6	0.6

Source: Company, Shinhan Sekuritas Indonesia

PT Bank Central Asia Tbk-BBCA

Bank BCA– Healthy growth and sound the asset quality

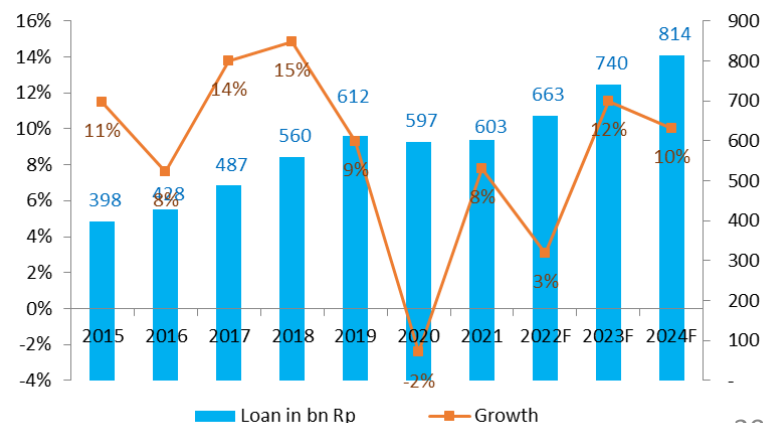
Helmi Therik, FRM

- Loan growth is estimated to improve by 12% on the back of Indonesian economic resiliency.** The corporate segment remains the major contributor of the company's loan or about 45% of the company's loan. The improvement of the corporate balance sheet has enabled the corporate to increase its loan, especially in the working capital. Despite there being a higher interest rate we think that the consumer loan could recorded growth at around 5% yoy to 7%yoy in 2023 or slightly slower than 2022 at around 7.5%yoy. The salary-based and nonsalary-based loans in the property as well as in auto loans and credit card loans as the meaningful contributor to the consumer segment. This was related to consumer confidence regarding the expectation of income.
- CASA increased on the back of its services on the digital and offline channels.** The CASA was about 80.9% which could support the low cost of financing. The company's effort the upgrade the services through the combination of online and offline channels has supported its effort to maintain its healthy CASA growth. The total transaction that has been facilitated online is higher than the transaction through the branch. The digital infrastructure has enabled the company to maintain its deposit growth as well as its CASA composition.
- Net interest margin could be maintained at 6.6%.** The company has room to increase its loan yield while at the same time would benefit from its strong CASA (low cost of funds). The adjustment of the loan yield as the result of the higher interest rate environment. This cold contributed to the PPOP growth in 2023 at around Rp79.6tn or up by 9% yoy.
- Sound credit quality.** The loan at risk is estimated could be below 10% in 2023 while the improvement of the loan quality in 2022 has brought down the LaR to 11%. The capacity to absorb the deterioration of assets is sound as reflected in NPL Coverage at 179%.
- Valuation.** We implement blended valuation with the Gordon method approach that implies the fair value at Rp11,500/share. This represents 2023 and 2024 PBV at 5x and 4.5x which is at the 2 stdv historical PBV. The sound asset quality as the basis to justify its premium valuation amid healthy economic growth. Risk to our call: lower loan growth, deteriorated asset quality, unexpected interest rate movement.

Current Price (IDR) (6/2)	8,725
Target price (IDR)	10,000
Upside/Downside (%)	14.6%
52 Week High (IDR)	9,400
52 Week Low (IDR)	7,000
Major Shareholders:	
PT Dwimuria Investama Andalan	54.94%
Public	42.55%

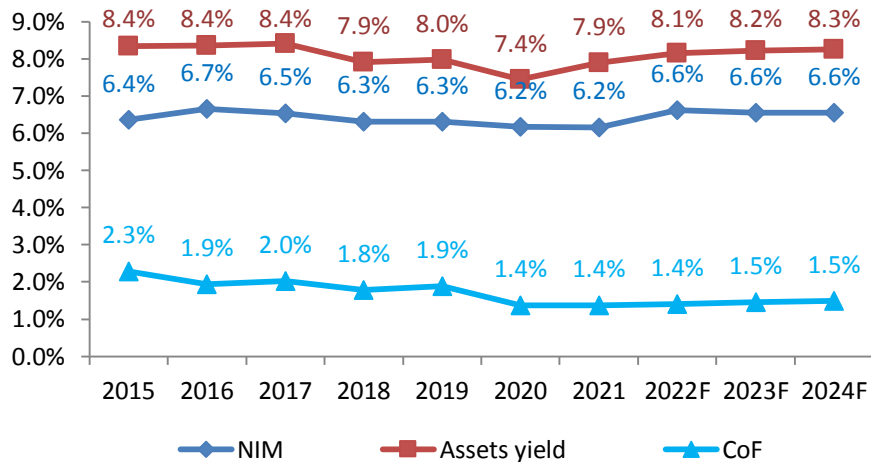
	2020	2021	2022F	2023F	2024F
Net Interest Income	65,789	65,627	71,548	75,421	84,181
OP	34,874	38,670	39,506	43,009	47,896
Pre-tax	33,569	38,841	39,162	42,557	47,290
NP	27,147	31,440	31,671	34,416	38,243
EPS	220	255	257	279	310
BVPS	1,498	1,645	1,824	2,008	2,213

Loan (in bn RP) and loan growth (yoy)

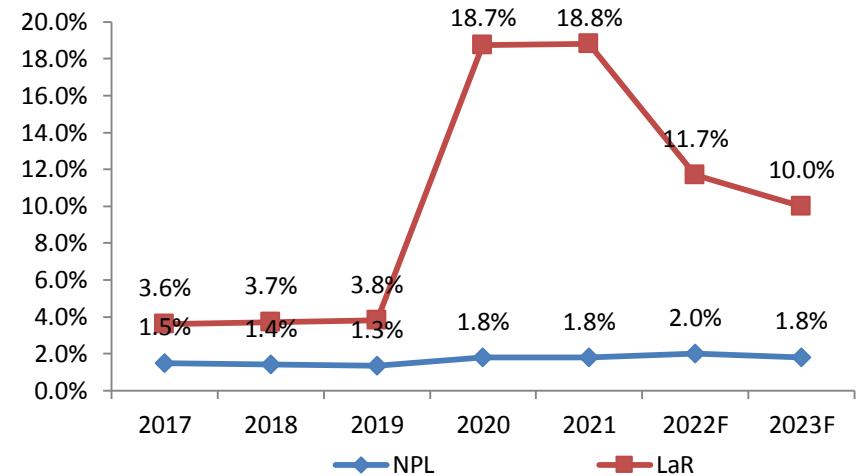


Bank BBKA– Profitability, risk and valuation dashboard

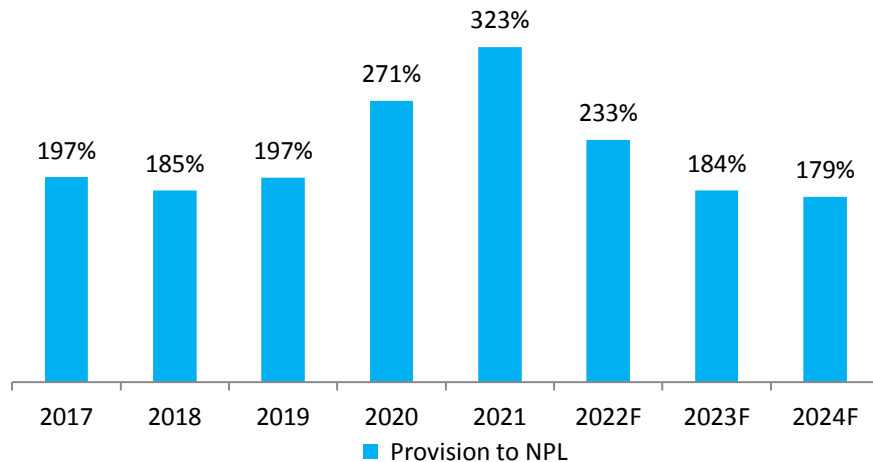
Profitability ratio- lower CoF propelling higher NIM



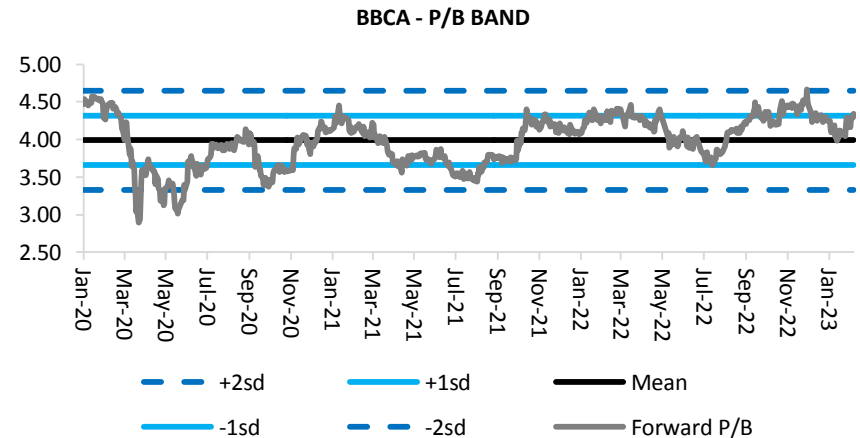
Loan quality ratio



NPL Coverage



PBV Band



Balance Sheet

Year-end 31 Dec (Rp bn)	2020	2021	2022F	2023F	2024F
Cash	51,805	89,401	285,202	266,165	300,754
Interbanking Assets	208,099	245,819	123,834	154,123	169,535
Short-Term & LT. Investments	192,553	225,349	123,834	154,123	169,535
Loan - gross	596,763	643,299	663,194	739,789	813,768
Allowance for Losses	27,914	33,240	29,844	23,673	25,227
Net Loans	568,849	610,059	633,351	716,116	788,541
Net Fixed Assets	21,915	22,169	19,365	16,629	13,791
Other Assets	32,350	35,547	39,391	43,786	48,135
Total Assets	1,075,570	1,228,345	1,224,978	1,350,940	1,490,291
Customer Deposits	840,753	975,949	934,077	1,027,484	1,130,233
ST Borrowings & Repos	11,449	11,490	15,059	17,271	19,877
Long-Term Borrowings	1,433	894	1,640	1,754	1,876
Other Liabilities	37,221	37,163	49,385	56,885	65,524
Total Liabilities	890,856	1,025,496	1,000,160	1,103,394	1,217,510
Minority Interest	118	136	118	118	118
Shareholders' Equity	184,715	202,849	224,818	247,546	272,780
Total Liabilities & Equity	1,075,570	1,228,345	1,224,978	1,350,940	1,490,291

Source: Company, Shinhan Sekuriti

Income Statement

Year-end 31 Dec (Rp bn)	2020	2021	2022F	2023F	2024F
Interest Income	65,789	65,627	71,548	75,421	84,181
Interest Expense	11,242	9,491	13,347	15,251	17,407
Net Interest Income	54,547	56,136	58,201	60,170	66,774
Other Operating Income	20,616	22,255	22,904	25,195	27,714
Net Revenue	75,163	78,391	81,105	85,365	94,488
Provision for loan losses	10,319	9,413	8,303	5,731	6,304
Net Revenue after provision	64,843	68,978	72,802	79,634	88,184
Non interest expense	29,969	30,308	33,296	36,626	40,288
Operating Income	34,874	38,670	39,506	43,009	47,896
Net Non-Operating Losses (Gains)	(1,305)	171	(344)	(452)	(606)
Income before tax	33,569	38,841	39,162	42,557	47,290
Tax	6,421	7,401	7,491	8,141	9,046
Net Income	27,147	31,440	31,671	34,416	38,243

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

Year-end 31 Dec (%)	2020	2021	2022F	2023F	2024F
Growth					
Assets	17%	14%	0%	10%	10%
Loans	-2%	8%	3%	12%	10%
Customer Deposits	19%	16%	-4%	10%	10%
Net Interest Income	8%	3%	4%	3%	11%
PPOP	11%	6%	-1%	2%	11%
Net Income	-5%	16%	1%	9%	11%
Profitability					
Asset Yield	7%	8%	8%	8%	8%
Cost of Fund	1%	1%	1%	1%	2%
Net Interest Margin	6%	6%	7%	7%	7%
ROAA	3%	3%	3%	3%	3%
ROAE	15%	16%	15%	15%	15%
Operational Efficiency	60%	56%	58%	57%	57%
CIR	40%	39%	41%	43%	43%
Liquidity					
LDR	71%	66%	71%	72%	72%
CASA Ratio	76%	76%	77%	77%	77%
Capital					
CAR-Bank Only	26%	26%	26%	26%	29%
Assets Quality					
NPL	1.8%	1.8%	2.0%	1.8%	1.8%
Coverage Ratio	271%	323%	233%	184%	179%

Source: Company, Shinhan Sekuritas Indonesia

Dupont (as % of aver	2020F	2021F	2022F	2022F	2022F
Net Interest Income	5%	5%	5%	5%	5%
Net Revenue	8%	7%	7%	7%	7%
Net Revenue after p	7%	6%	6%	6%	6%
Operating Income	3%	3%	3%	3%	3%
Net Income	3%	3%	3%	3%	3%
ROAA	3%	3%	3%	3%	3%
multiplier	6	6	6	5	5
ROAE	15%	16%	15%	15%	15%

Source: Company, Shinhan Sekuritas Indonesia

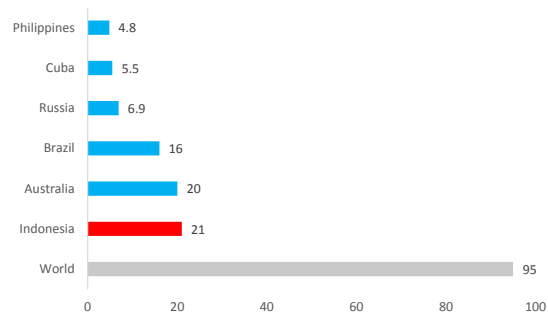
Toward EV industries

Indonesia is the largest nickel producer in the world in terms of nickel reserve

Helmi Therik, FRM

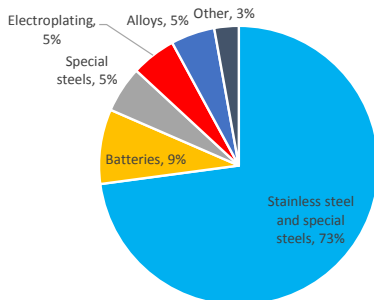
Indonesia is the largest nickel producer in the world while in term of nickel reserve, Indonesia also the significant nickel reserve that contributed 21% of the total world nickel reserve. Total nickel production was about 1mn metric ton In 2022. The usage of the nickel is mainly absorbed by stainless steel company with the total portion of 73%. Currently the Batteries only use 9% of the total nickel consumption. The nickel usage in the Electric Vehicle is believed would grow significantly until 2030. According to the study the Electric Vehicle and storage consumption is predicted will absorb 54% of the total nickel producer. This highlight the potential demand for the nickel besides its traditional usage as raw material for stainless steel industry. We will look at the Electric Vehicle industry in Indonesia as the catalyst to construct the narrative for the nickel prospect.

Indonesia has 22% of the world nickel reserves



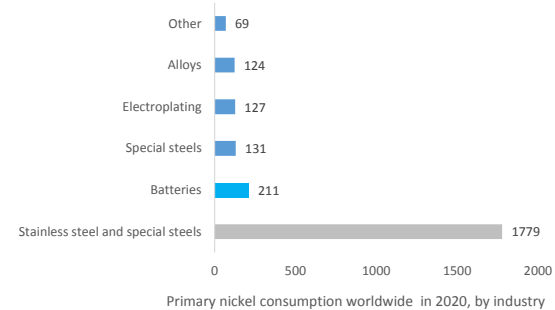
Source: Various Sources

About 73% of nickel product is used by stainless steel



Source: Company, Shinhan Sekuritas Indonesia

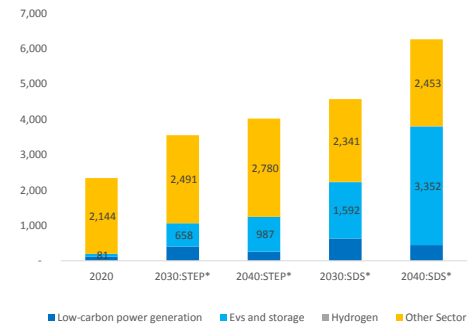
Batteries industry as the second largest nickel consumer



Primary nickel consumption worldwide in 2020, by industry

Source: Company, Shinhan Sekuritas Indonesia

Nickel forecasting demand. The battery industry is estimated will grow meaningfully



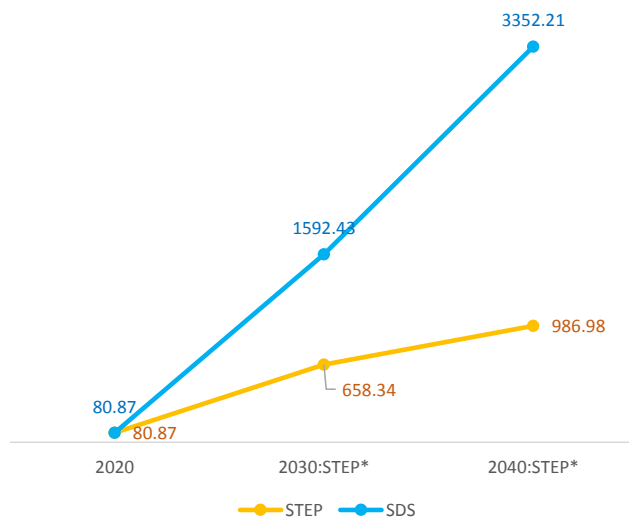
Source: Company, Shinhan Sekuritas Indonesia

The world is projected to shift to using electric vehicles to mitigate the climate change

The impact is structural that would change the production, consumption, and also the derivative usage of the metal market especially for copper and nickel. The demand for the Electrical Vehicle industry is the game changer for the metal market going forward. There are two scenarios of demand projection for Electric Vehicles **STEP (stated policies scenarios)** and **SDS (sustainable development scenario)**. STEP as an indication of the trajectory of the energy system demand based on a sector-by-sector analysis of today's policies and policy announcements while SDS is the sustainable development scenario that indicates the target required to meet the Paris Agreement goals.

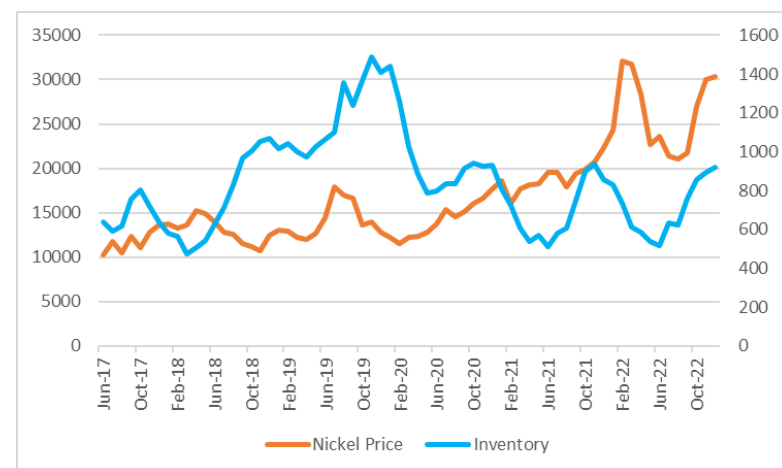
Based on the SDS scenario, the nickel demand from electric vehicle in 2040 is estimated at 3352 metric tons. According to the same studies, the demand for nickel in 2040 could reach **986 metric tons** in 2040 based on the stated policies scenario. In SDS scenario (sustainable development scenario) the stimulus packages is required to increase the investment in the green energy.

2 scenario of nickel demand forecast (STEP & SDS)



Source: Company, Shinhan Sekuritas Indonesia

Nickel inventory



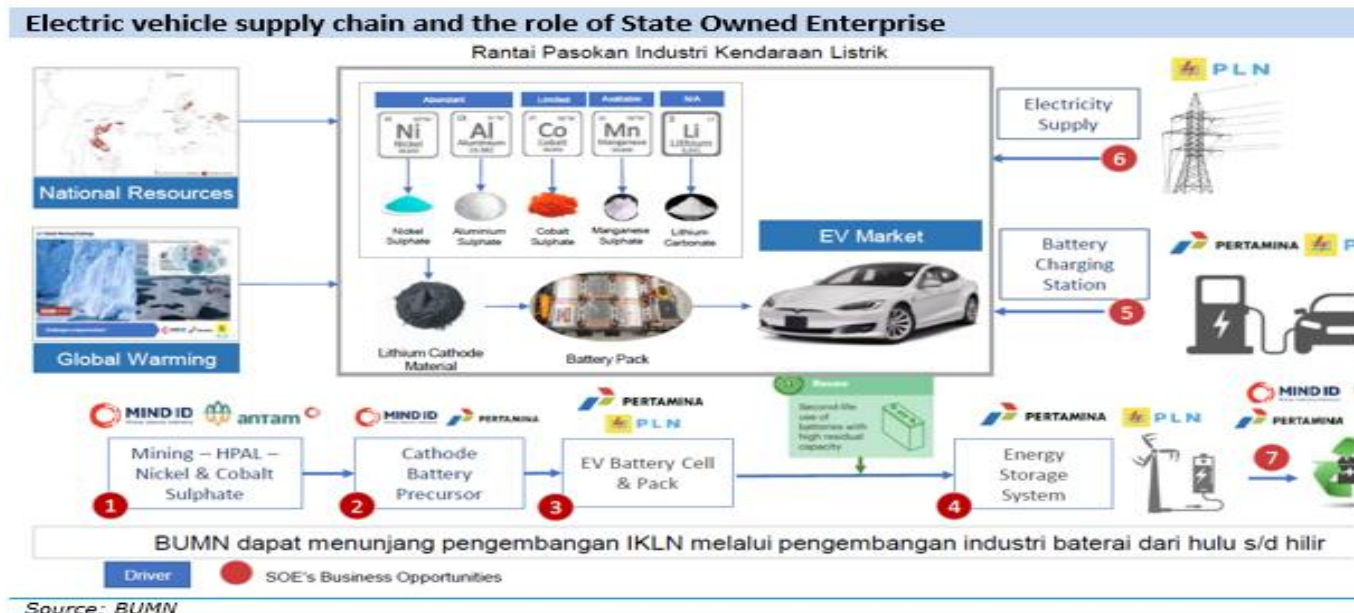
Source: Company, Shinhan Sekuritas Indonesia

The world is projected to shift to using electric vehicles to mitigate the climate change

As the largest nickel producer, the government aims to develop the down streaming of the Electric Vehicle industry ecosystem by inviting the international player in the Battery, automaker, mining, and nickel smelter. One of the prominent nickel producers from China has started to develop a nickel smelter in Morowali, while another name such as Hyundai as a South Korean automaker has also invested in Indonesia and aims to expand its EV-Cars in Indonesia as the production based in Asia. Hyundai is planning not only to target Indonesia as the target market but also as the production base.

To realize this plan, the government has consolidated its State Owned Enterprise that set to partnering with international corporations in each electrical vehicle supply chain from the up to downstream to make sure the down-streaming and the ecosystem in the EV industry are working without any substantial constrain in investment, regulation and also in the execution level. Following is the special task from the government for each role or division of work in the SOE related to the EV ecosystem:

- **It the upstream level:** PT Aneka Tambang and PT. Mind was assigned to collaborate with an international partner in Nickel mining and cobalt sulphate.
- **In the Cathode Battery Precursor:** PT Mind ID and Pertamina were assigned to work on the Cathode Battery Precursor
- **In EV Battery Cell & Pack:** PT. Pertamina and PLN were assigned to work on this.
- **Energy Storage System** was assigned to Pertamina and PLN to invest or to collaborate with private entities



PT Aneka Tambang Tbk-ANTM

ANTM – Expand to the nickel and EV batteries

Helmi Therik, FRM

- **Gold production will still be ANTM's growth catalyst in the next few years.** However, we note that there is new potential from the development of demand for Nickel and downstream bauxite in the country which will support the future development of Aneka Tambang's business, especially related to the growth in demand for electric cars and metal. The contribution of gold is still the mainstay of the company. China's reopening sentiment on the other hand can be a positive catalyst for metal commodity prices and will have a positive impact on company earnings.
- **Long life of nickel and bauxite resources.** Currently, ANTM has 375 million wet metric tons (wmt) of nickel reserves while its resources are about 1,438 wmt. This represents 10% of total national nickel resources. In terms of bauxite, ANTM, resources were 586wmt or 11% of total national bauxite resources. Its reserves are about 106wmt. In gold, the company's resources represent 1% of national resources at 37 tons while the reserves are 11 tons.
- **Plans to supply 18 million tons of ore for ferronickel smelters.** Aneka Tambang plans to strengthen its position in the electric vehicle (EV) supply chain by collaborating through a joint venture (JV) with Ningbo Contemporary Brupn Lygen Co (CBL) and also LG Energy Solution (LGES). ANTM is planned to supply 18 million tons of nickel ore from East Halmahera per year. The nickel ore will be processed into ferronickel and will be operational in the first or second quarter of 2023.
- **Invest in EV batteries through IBC.** CBL and LCES are planning to invest downstream in the form of battery recycling which is a derivative product from nickel ore produced by ANTM. The company projects that the total absorption of nickel ore will reach 32-34 million tons per year in the next few years. The downstream investment will be made by ANTM indirectly through its subsidiary, namely IBC (Indonesia Battery Corporation-PT Indonesia Battery Industry).
- **Projected revenue growth.** Revenue is expected to grow moderately supported by higher expectations of gold prices in 2023. The company will be subject to a bauxite export ban which will take effect in mid-2023. Bauxite has so far contributed to% of the company's total sales. However, the company will sell its bauxite to...
- **Valuation.** We use a blended valuation with EV/EBITDA as the largest weight for the company's valuation at the IDR level Rp2,800 which implies PER in 2023 and 2024 at the level 20x and 17x respectively. **Risk to our call.** With the decline in gold prices, production slows down, production absorption decreases, and risk of investment in subsidiaries.

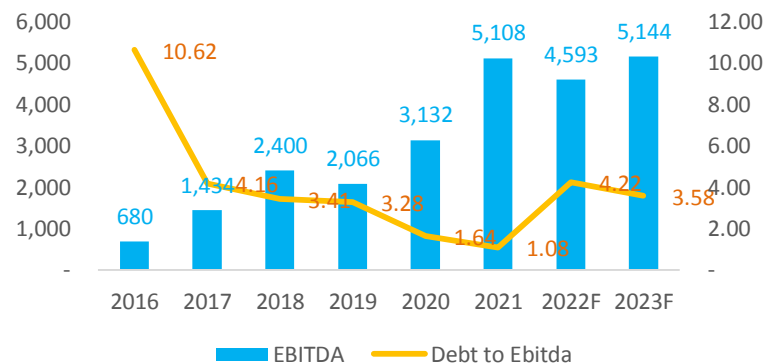
Current Price (IDR) (6/2)	2,270
Target price (IDR)	2,800
Upside/Downside (%)	23.3%
52 Week High (IDR)	3,170
52 Week Low (IDR)	1,535

Major Shareholders:

PT Indonesia Asahan Aluminium	65.00%
Public	35.00%

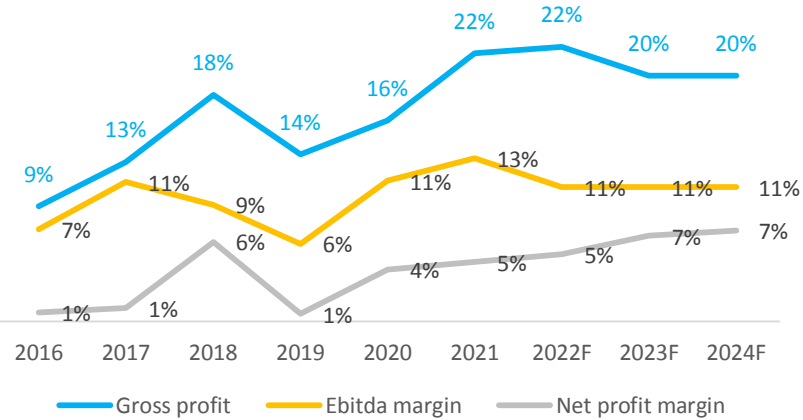
	2020	2021	2022F	2023F	2024F
Revenue (Rpbn)	27,372.5	38,445.6	41,980.4	46,998.8	52,314.0
Net profit (Rpbn)	1,149.4	1,861.7	2,283.5	3,268.1	3,857.4
EPS (Rp)	47.8	77.5	95.0	136.0	160.5
DPS (Rp)	10.1	2.7	45.6	65.3	77.0
PE (x)	20.9	25.8	23.2	16.2	13.7

EBITDA (in bn RP) and loan Debt to EBITDA (X)

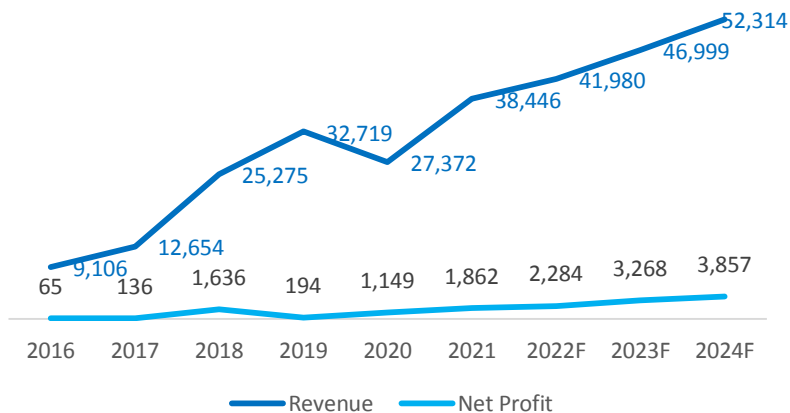


ANTM– Profitability, risk and valuation dashboard

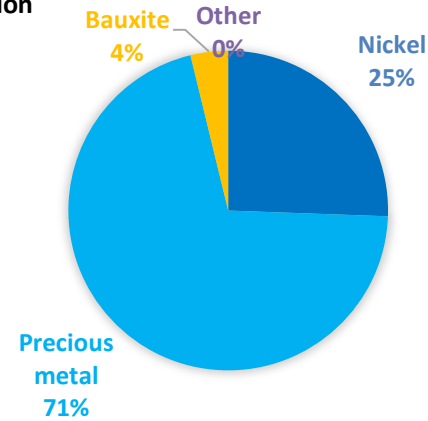
Profitability ratio



Revenue and net Profit (in Bn Rp)

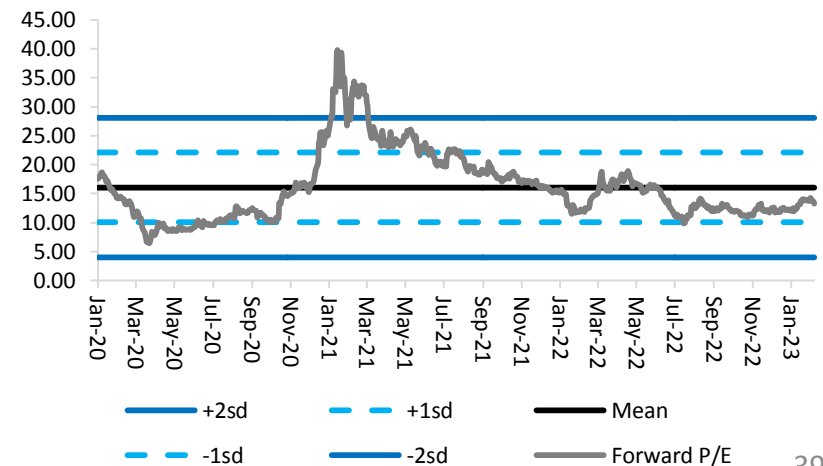


Sales Composition



PE Band

ANTM - P/E BAND



Income statement

Year-end 31 Dec (Rp bn)	2020	2021	2022F	2023F	2024F
Sales	27,372	38,446	41,980	46,999	52,314
COGS	22,897	30,758	33,584	37,599	41,851
Gross profit	4,476	8,396	9,400	10,463	11,667
EBITDA	3,132	5,108	4,593	5,144	5,727
Operating expense	2,443	3,470	3,789	4,242	4,722
Operating profit	2,032	5,741	6,401	7,145	7,983
Pre-tax profit	1,523	4,477	3,902	4,357	5,143
Income tax - net	374	2,615	1,619	1,089	1,286
Net profit	1,149	1,862	2,284	3,268	3,857
EPS (Rp)	48	77	95	136	161

Source: Company, Shinhan Sekuritas Indonesia

Balance sheet

Year-end 31 Dec (Rp bn)	2013	2021	2022F	2023F	2024F
Assets					
Cash and equiv	3,984	5,089	10,495	11,750	13,078
Receivables	1,344	1,448	9,655	10,810	12,032
Inventories	2,626	3,107	(1,008)	(1,128)	(1,256)
Others	1,196	2,084	2,223	2,374	2,533
Total current assets	9,151	11,728	21,366	23,805	26,389
Net fixed assets	19,638	18,138	32,881	33,024	33,168
Other assets	2,941	3,050	3,124	3,200	3,278
Total assets	31,730	32,916	57,371	60,029	62,834
Liabilities and equities					
Payables	2,409	3,060	2,939	3,290	3,662
Other Short-Term Liabili	5,144	3,503	13,014	14,570	16,217
Total Current Liabilities	7,553	6,562	15,953	17,860	19,879
LT. debt	3,475	3,787	17,637	16,689	15,469
Other long term liabilities	1,661	1,730	1,730	1,730	1,730
Total Liabilities	5,137	5,517	19,366	18,419	17,198
Minority Interest	0	0	27	27	27
Shareholders' equity	19,039	20,837	22,052	23,751	25,757
BVPS (Rp)	792	867	918	988	1,072

Source: Company, Shinhan Sekuritas Indonesia

Cashflow analysis

Year-end 31 Dec (Rp bn)	2020	2021	2022F	2023F	2024F
CFs from operation					
Net profit	1,149	1,862	2,284	3,268	3,857
Change in working capitals	(26)	(4,325)	2,874	(2,545)	(3,092)
CFs from operation	1,123	(2,464)	5,158	723	765
CFs from investments	(49)	1,391	(14,816)	(220)	(222)
CFs from financing activities	(1,631)	380	(1,945)	10,930	(685)
Net inc/(dec) in cash	348	1,105	(10,416)	13,132	1,864
Cash at end period	3,984	5,089	10,495	11,750	13,078

Source: Company, Shinhan Sekuritas Indonesia

Key ratio analysis

Year-end 31 Dec (Rp bn)	2013	2021	2022F	2023F	2024F
Profitability					
Gross margin	16.4%	21.8%	22.4%	20.0%	20.0%
Operating margin	7.4%	11.0%	11.0%	11.0%	11.0%
EBITDA margin	11.4%	13.3%	10.9%	10.9%	10.9%
Net Income margin	4.2%	4.8%	5.4%	7.0%	7.4%
ROAA	3.7%	5.8%	5.1%	5.6%	6.3%
ROAE	6.2%	9.3%	10.6%	14.3%	15.6%
Growth					
Revenue	-16.3%	40.5%	9.2%	12.0%	11.3%
Operating Profit	112.7%	107.5%	9.2%	12.0%	11.3%
EBITDA	51.6%	63.1%	-10.1%	12.0%	11.3%
Net Income	492.9%	62.0%	22.7%	43.1%	18.0%
Solvability					
Current ratio (x)	1.2	1.8	1.3	1.3	1.3
Quick ratio (x)	0.9	1.3	1.4	1.4	1.4
Debt to equity (x)	0.7	0.6	1.6	1.5	1.4
Interest cov. (x)	0.4	0.4	0.6	0.6	0.6

Source: Company, Shinhan Sekuritas Indonesia

PT Adaro Energy Indonesia Tbk (ADRO)

ADRO – Remains prospective despite lower earning estimation in FY23F

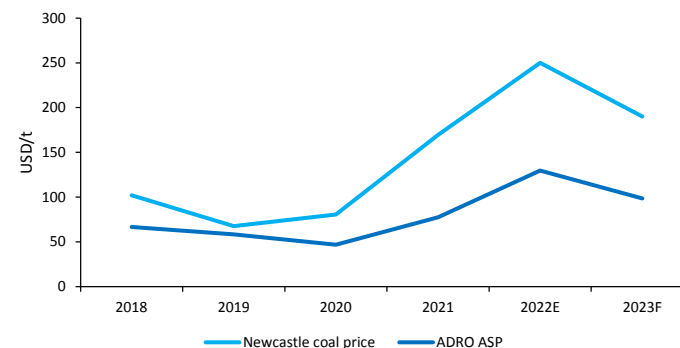
Anissa Septiwijaya

- Lower QoQ result, but still impressive in YoY.** In 3Q22, ADRO recorded a net income of USD 690.74 million, decreased by 14.99% QoQ as revenue only grew by 2.38% QoQ to USD 2.37 billion, while operating expenses were higher by 16.02% QoQ to USD 88.73 million. The sluggish revenue growth was impacted by lower coal prices in 3Q22, even though still fluctuate at a high level amid continued supply constraints and rising geopolitical tensions. Cumulatively, ADRO successfully booked a net income of USD 1.90 billion in 9M22, which jumped by 352.22% YoY compared to USD 420.90 million in 9M21. The significant net profit growth was driven by a higher revenue of USD 5.91bn, increased by 130.16% YoY, mainly driven by a higher ASP of 106% YoY. Meanwhile, sales volume increased to 44.20 Mt, rising by 13.74% YoY, which is in line with a higher production volume growth of 14.46% YoY to 45.37 Mt. This positive result also boosts EBITDA to USD 3.80bn, with a stronger EBITDA margin at 64.23% (Vs 44.72% in 9M21).
- Persistently higher coal prices will support ADRO's performance.** In the short-term, we believe ADRO's solid performance will be maintained considering the fluctuation of coal prices at a high level due to the winter season until 1Q23, ongoing geopolitical conflict, and global reopening post-pandemic. Therefore, we estimate ADRO's revenue and net profit in FY22E to reach USD 7.37 billion and USD 2.70 billion, respectively. Furthermore, in FY23E we see that the increase in coal prices will be limited due to: 1) higher coal production in China and India will boost global coal supply, 2) reduced gas shortages in Europe, and 3) fears of a recession. These factors were in-line with a lower prediction from Fitch solution for coal prices in FY23E to USD 280/ton from the previous USD 320/ton, and for FY24E of USD 250/ton. For this reason, We estimate ADRO's revenue and net profit in FY23E to reach USD 5.39 billion and USD 1.44 billion, respectively, still higher than the average performance before the pandemic.
- The diversification business is still advancing.** Currently, ADRO through its subsidiaries, namely PT Adaro Minerals Indonesia Tbk (AMDR) is developing an aluminum smelter in North Kalimantan. Phase I is expected to start operating in early 2025 with a production capacity of 500,000 tpa aluminum. Interestingly, AMDR has signed a memorandum of understanding (MoU) with South Korea's Hyundai Motor Company on aluminum supply for automobile manufacturing. The first negotiation encompasses the purchase of low-carbon aluminum in the future (undetermined offtake volume in the range of about 50 thousand tpa to 100 thousand tpa). Thus, it would be beneficial for ADRO because the company potentially secure its cash flow in the future. Furthermore, we also believe that the demand for aluminum will grow positively in line with the higher demand for electric vehicles in Indonesia as the government is targeted to provide incentives in the form of subsidies for the purchase of electric vehicles starting in 2023.
- Valuation.** We maintain our BUY rating on ADRO with a lower TP of IDR 4,000 per share from IDR 4,630 per share due to a lower coal prices prediction and potential demand distraction from China which is expected to start to buying Australian coal due to relations between the two countries improved. Moreover, our TP implies FY23E PE at 4.82x.

Current Price (IDR) (24/01)	3,200
Target price (IDR)	4,000
Upside/Downside (%)	25.0%
52 Week High (IDR)	4,250
52 Week Low (IDR)	2,110
Major Shareholders:	
PT Adaro Strategic Investment	43.91%
Public and Others	56.09%

Year To Dec.	Revenue (Mn USD)	NP (Mn USD)	EPS (USD)	PER (x)	PBV (x)
2019	3,457	404	0.0	8.3	0.8
2020	2,535	147	0.0	21.1	0.8
2021	3,993	933	0.0	7.4	1.5
2022E	7,366	2,700	0.1	2.5	1.2
2023F	5,387	1,439	0.0	4.8	1.1

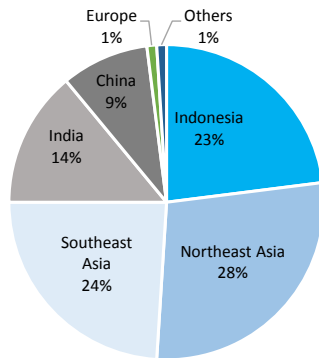
ADRO's ASP Trend



Source: Company, Shinhan Sekuritas Indonesia

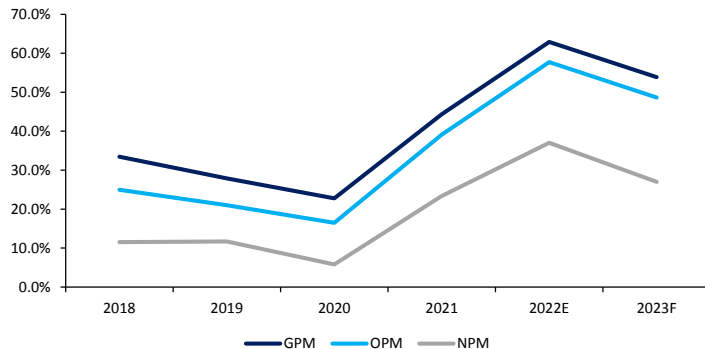
ADRO – Remains prospective despite lower earning estimation in FY23F

Revenue Breakdown in 9M22



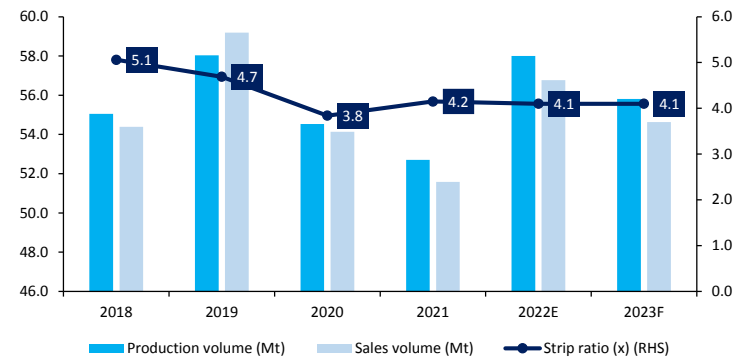
Source: Company, Shinhan Sekuritas Indonesia

Profitability Trend



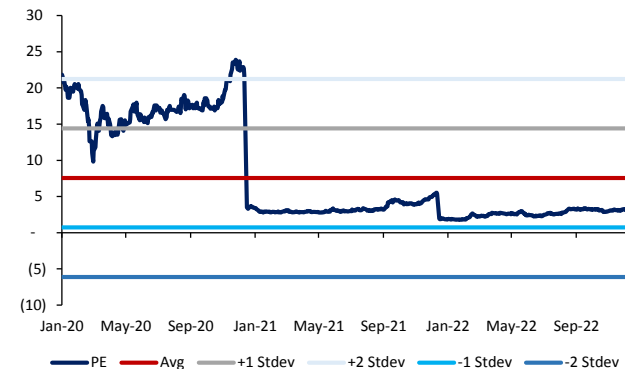
Source: Company, Shinhan Sekuritas Indonesia

Revenue and Net Income Projection



Source: Company, Shinhan Sekuritas Indonesia

3-Years Forward PE



Source: Company, Shinhan Sekuritas Indonesia

ADRO – Remains prospective despite lower earning estimation in FY23F

Income Statement

Year-End 31 Dec (Mn USD)	2019	2020	2021	2022E	2023F
Sales	3,457	2,535	3,993	7,366	5,387
Cost of Revenue	2,493	1,958	2,223	2,733	2,486
Gross Profit	965	577	1,770	4,633	2,901
EBITDA	1,114	867	2,048	4,668	3,062
Operating Expenses	239	159	208	383	280
Operating Profit	725	417	1,562	4,250	2,621
Pre-Tax Profit	764	340	1,515	4,170	2,554
Income Tax Expenses	105	118	29	917	562
Net Profit	404	147	933	2,700	1,439
EPS (USD)	0.01	0.00	0.03	0.09	0.05

Source: Company, Shinhan Sekuritas Indonesia

Cash Flows

Year-End 31 Dec (Mn USD)	2019	2020	2021	2022E	2023F
Net Profit	404	147	933	2,700	1,439
Change in Working Capital	135	(85)	358	58	(143)
CFs from Operating	765	594	1,584	3,137	1,811
CFs from Investing	217	(193)	(630)	(549)	(504)
CFs from Financing	(333)	(803)	(317)	(1,623)	(1,198)
Net Inc./ (Dec.) in Cash	648	(402)	637	966	110
Cash at End. Period	1,576	1,174	1,811	2,777	2,887

Source: Company, Shinhan Sekuritas Indonesia

Balance Sheet

Year-End 31 Dec (Mn USD)	2019	2020	2021	2022E	2023F
Assets					
Cash & Cash Equivalents	1,576	1,174	1,811	2,777	2,887
Accounts Receivable	310	224	452	723	530
Inventories	121	105	126	134	127
Other Current Assets	102	229	449	488	414
Total Current Assets	2,110	1,732	2,838	4,121	3,957
Net Fixed Assets	3,257	2,909	2,615	2,647	2,605
Other Assets	1,851	1,741	2,134	2,233	2,336
Total Assets	7,217	6,382	7,587	9,001	8,898
Liabilities and equities					
Accounts Payables	653	466	1,073	1,410	1,067
Other Short-Term Liabilities	580	679	288	263	193
Total Current Liabilities	1,233	1,145	1,362	1,673	1,260
Long-Term Borrowings	1,397	865	1,337	1,210	867
Other Long-Term Liabilities	604	419	430	430	430
Total Liabilities	3,234	2,430	3,129	3,314	2,557
Minority Interest	253	240	322	322	322
Shareholders' equity	3,983	3,952	4,458	5,687	6,341
BVPS (USD)	0.13	0.13	0.14	0.18	0.20

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

Year-End 31 Dec	2019	2020	2021	2022E	2023F
Profitability					
Gross Margin	27.9%	22.8%	44.3%	62.9%	53.8%
Operating Margin	21.0%	16.5%	39.1%	57.7%	48.6%
EBITDA Margin	32.2%	34.2%	51.3%	63.4%	56.8%
Profit Margin	11.7%	5.8%	23.4%	36.7%	26.7%
ROA	5.6%	2.3%	12.3%	30.0%	16.2%
ROE	10.1%	3.7%	20.9%	47.5%	22.7%
Growth					
Revenue	-4.5%	-26.7%	57.5%	84.5%	-26.9%
Gross Profit	-20.3%	-40.2%	206.9%	161.8%	-37.4%
Operating Profit	-19.8%	-42.4%	274.3%	172.1%	-38.3%
EBITDA	-11.5%	-22.2%	136.3%	127.9%	-34.4%
Net Profit	-3.2%	-63.6%	535.3%	189.2%	-46.7%
Solvability					
Current Ratio (x)	1.7	1.5	2.1	2.5	3.1
Quick Ratio (x)	1.6	1.4	2.0	2.4	3.0
Debt to Equity (x)	0.5	0.4	0.4	0.3	0.2
Debt to Assets (x)	0.3	0.2	0.2	0.2	0.1

Source: Company, Shinhan Sekuritas Indonesia

PT Semen Indonesia Tbk (SMGR)

SMGR – A bright spot in the year of economic recovery

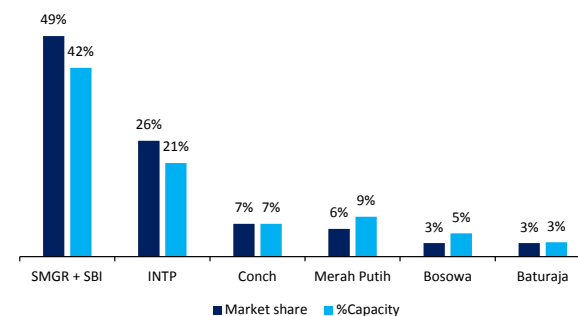
Anissa Septiwijaya

- Positive 3Q22 earnings results.** SMGR managed to record a positive earnings performance with a net profit of IDR 821.51 billion (+148.79% QoQ, +38.40% YoY) in 3Q22 supported by revenue achievement of IDR 9.40 trillion, which increased by 21.52% QoQ due to higher domestic blended ASP. Despite higher costs due to increasing energy prices, especially from coal and oil prices, the COGS were manageable at IDR 6.47 trillion and only grew by +15.87% QoQ, which brought the GPM still stable at 31.2% compared to 31.3% in 3Q21. Furthermore, OPM rose to 15.4%, from 14.3% in 3Q21. In addition, lower finance costs by 11.94% QoQ to IDR 295.20 billion bolsters the bottom-line performance. Cumulatively, net profit rose to IDR 1.65 trillion (+18.92% YoY), representing 75% of our estimate.
- Expecting a demand recovery in FY23E.** In FY22, national cement demand contracted by -3.4% YoY to around 63 tons due to lower purchasing power as people start to put money in savings rather than invest in the property market given a higher interest rate prospect which triggers a high uncertainty in the global economy. However, we see that national demand will recover in FY23E due to a higher infrastructure budget in the 2023 State Budget of IDR 392.0 trillion, which rose by 7.8% YoY from FY22E of 363.8 trillion, and combined with further economic recovery post-pandemic which will support the demand in national cement industry. In addition, SMGR would be benefited from coal supply at the DMO price of USD90/ton for the full year 2023, especially if the global coal prices remain high. Besides that, continuing efficiency will spur the bottom-line performance in the future. We estimate that revenue and net income in FY23F will be at IDR 36.89 trillion and IDR 2.25 trillion, respectively.
- SMGR's performance will be even stronger after the acquisition.** We expect that SMGR's performance will remain solid in the future due to its strong market position in the industry, especially after SMGR and SMBR are merged. For information, SMBR has a ~3% market share in the domestic cement industry, with a 53% market share in South Sumatra. Therefore, with this acquisition, SMGR as a market leader in the cement industry owns 42% of the national capacity. Furthermore, SMGR will optimize SMBR performance through the adjustment of SMBR pricing to align with SIG, utilization optimization, a potential for cross-selling, refinancing, etc. With all these plans, we believe SMGR's performance would be more robust. SMGR also estimates a potential value creation of more than IDR 1.7 trillion in 5 years from this integration.
- Valuation.** We initiate SMGR with a BUY rating at a TP of IDR 9,375 per share following the recovery of cement demand and stronger performance after the acquisition of SMBR. Our TP is reflecting 21.3x PE FY23F, below its 3-year average PE at 25.73x.

Current Price (IDR) (24/01)	7,100
Target price (IDR)	9,375
Upside/Downside (%)	32.0%
52 Week High (IDR)	8,277
52 Week Low (IDR)	5,834
Major Shareholders:	
Government of RI	51.20%
Public and Others	48.80%

Year To Dec.	Revenue (Bn IDR)	NP (Bn IDR)	EPS (IDR)	PER (x)	PBV (x)
2020	35,172	2,792	414	17.17	1.34
2021	34,958	2,021	299	23.72	1.20
2022E	35,716	2,191	325	21.88	1.16
2023F	36,890	2,251	333	21.30	1.13
2024F	38,084	2,475	367	19.37	1.09

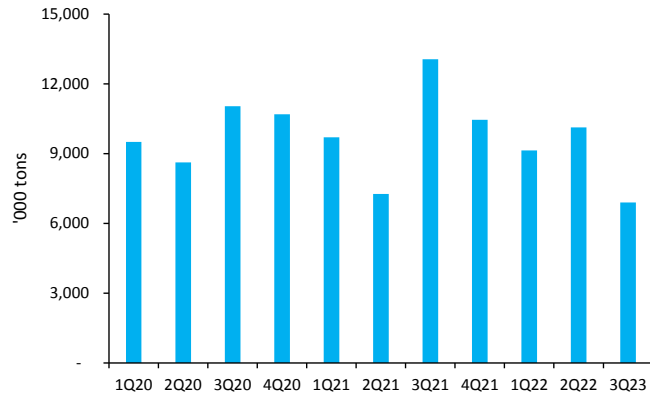
SMGR is a market leader in the cement industry



Source: Company, Shinhan Sekuritas Indonesia

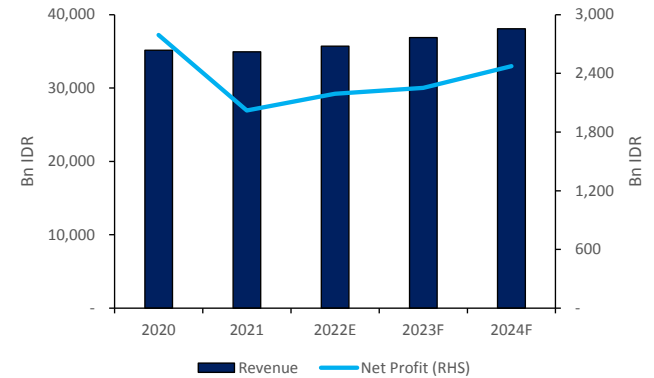
SMGR – A bright spot in the year of economic recovery

SMGR's total sales volume (domestic + regional)



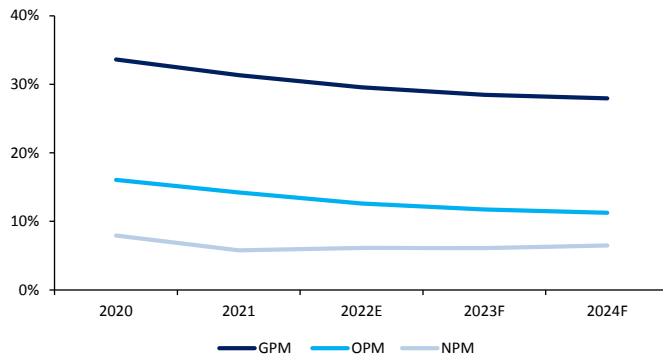
Source: Company, Shinhan Sekuritas Indonesia

Revenue and Net Income Projection



Source: Company, Shinhan Sekuritas Indonesia

Profitability Trend



Source: Company, Shinhan Sekuritas Indonesia

3-Years Forward PE (x)



Source: Company, Shinhan Sekuritas Indonesia

SMGR – A bright spot in the year of economic recovery

Income Statement

Year-End 31 Dec (Bn IDR)	2020	2021	2022E	2023F	2024F
Sales	35,172	34,958	35,716	36,890	38,084
Cost of Revenue	(23,348)	(24,005)	(25,160)	(26,395)	(27,446)
Gross Profit	11,824	10,953	10,556	10,495	10,638
EBITDA	8,649	7,823	7,387	7,233	7,225
Operating Expenses	(6,176)	(5,979)	(6,049)	(6,169)	(6,349)
Operating Profit	5,648	4,974	4,507	4,326	4,289
Pre-Tax Profit	3,489	3,470	2,921	3,001	3,300
Income Tax Expenses	(814)	(1,388)	(730)	(750)	(825)
Net Profit	2,792	2,021	2,191	2,251	2,475
EPS (IDR)	414	299	325	333	367

Source: Company, Shinhan Sekuritas Indonesia

Balance Sheet

Year-End 31 Dec (Bn IDR)	2020	2021	2022E	2023F	2024F
Assets					
Cash & Cash Equivalents	2,931	2,470	2,302	2,823	3,102
Accounts Receivable	6,038	5,871	6,310	6,496	6,568
Inventories	4,548	4,615	4,562	4,763	5,032
Other Current Assets	2,048	2,313	2,313	2,313	2,313
Total Current Assets	15,565	15,270	15,487	16,394	17,014
Net Fixed Assets	56,053	54,720	53,216	51,779	50,411
Other Assets	6,388	6,514	6,514	6,514	6,514
Total Assets	78,006	76,504	75,216	74,687	73,939
Liabilities and equities					
Accounts Payables	6,828	7,879	6,484	6,807	7,283
Other Short-Term Liabilities	4,678	6,331	6,257	6,127	5,976
Total Current Liabilities	11,506	14,210	12,741	12,934	13,259
Long-Term Borrowings	21,844	12,936	11,881	10,037	7,907
Other Long-Term Liabilities	7,222	7,794	7,794	7,794	7,794
Total Liabilities	40,572	34,940	32,415	30,764	28,961
Dana Syirkah Funds	1,781	1,781	1,636	1,382	1,089
Total Equity	35,653	39,783	41,166	42,540	43,890
BVPS (IDR)	5,281	5,892	6,097	6,301	6,501

Source: Company, Shinhan Sekuritas Indonesia

Cash Flows

Year-End 31 Dec (Bn IDR)	2020	2021	2022E	2023F	2024F
Net Profit	2,792	2,021	2,191	2,251	2,475
Change in Working Capital	1,499	1,150	(1,780)	(64)	135
CFs from Operating	7,352	5,860	3,291	5,094	5,546
CFs from Investing	(3,330)	(1,895)	(1,375)	(1,470)	(1,568)
CFs from Financing	(4,753)	(4,425)	(2,084)	(3,104)	(3,699)
Net Inc./ (Dec.) in Cash	(732)	(460)	(168)	520	279
Cash at End. Period	2,931	2,470	2,302	2,823	3,102

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

Year-End 31 Dec	2020	2021	2022E	2023F	2024F
Profitability					
Gross Margin	33.6%	31.3%	29.6%	28.4%	27.9%
Operating Margin	16.1%	14.2%	12.6%	11.7%	11.3%
EBITDA Margin	24.6%	22.4%	20.7%	19.6%	19.0%
Profit Margin	7.9%	5.8%	6.1%	6.1%	6.5%
ROA	3.6%	2.6%	2.9%	3.0%	3.3%
ROE	7.8%	5.1%	5.3%	5.3%	5.6%
Growth					
Revenue	-12.9%	-0.6%	2.2%	3.3%	3.2%
Gross Profit	-7.0%	-7.4%	-3.6%	-0.6%	1.4%
Operating Profit	-8.7%	-11.9%	-9.4%	-4.0%	-0.9%
EBITDA	6.5%	-9.6%	-5.6%	-2.1%	-0.1%
Net Profit	16.7%	-27.6%	8.4%	2.7%	10.0%
Solvency					
Current Ratio (x)	1.4	1.1	1.2	1.3	1.3
Quick Ratio (x)	0.8	0.6	0.7	0.7	0.7
Debt to Equity (x)	0.7	0.5	0.4	0.3	0.3
Interest Coverage (x)	2.4	3.1	2.6	3.0	3.8

Source: Company, Shinhan Sekuritas Indonesia

PT Indocement Tunggal Prakarsa Tbk (INTP)

INTP – Promising outlook with profitability improvement

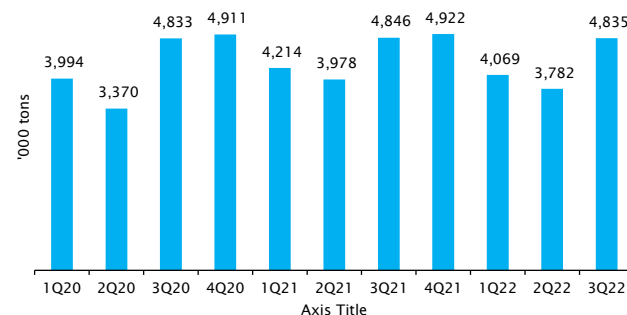
Anissa Septiwijaya

- Higher sales volume in 3Q22.** INTP booked revenue of IDR 4.75 trillion, (+41.65% QoQ, +20.50% YoY) in 3Q22. This result was driven by INTP's total sales volume which grew by 38.2% to 5.0 million tons (+38.2% QoQ). In line with this result, COGS climbed up to IDR 3.08 trillion (+20.87% QoQ, +25.89% YoY), bringing the gross profit to IDR 1.67 trillion (+107.05% QoQ, +11.72% YoY), reflecting a GPM of 35.24% (vs 24.11% in 2Q22). Given manageable operating expenses, INTP's EBITDA jumped to IDR 1.12 trillion, compared to IDR 426.10 billion in 2Q22. With the solid performance in 3Q22, INTP successfully booked a net profit of IDR 655.30 billion, significantly grew from IDR 108.99 billion in 2Q22. In contrast with the quarterly results, on a cumulative basis, INTP's net profit decreased 21.63% YoY to IDR 946.85 billion, only achieving 67% of our target due to higher COGS impacted by strong coal prices.
- Weaker profitability margin but still reasonable.** As of 9M22, INTP recorded revenue of IDR 11.66 trillion, increased by 9.92% YoY driven by higher ASP, while the sales volume weakened by 2.70% YoY to 12.69 mtons, which was contributed from domestic sales volume of 12.41 mtons (-2.31% YoY) and export of 275 mtons (-17.42% YoY). INTP has raised its ASP three times (March, June, September/October) to maintain its profit margin in the midst of higher energy costs (+33.39% YoY), especially for coal prices. For information, fuel and power cost is the main contributor, accounting for 51.92% of INTP's total manufacturing cost. Nevertheless, the GPM was manageable at 29.52% in 9M22, compared to 33.86% in 9M21.
- The demand for cement is set to recover in 2023.** INTP has a 42% of the total capacity in Kalimantan. The strong market share position and the development of infrastructure projects in Indonesia's future capital (IKN), Nusantara, will boost INTP cement sales volume. Around 20%-30% of the infrastructure development in the IKN will be financed by the State Budget. The government is allocating an infrastructure budget of IDR 392 trillion in the 2023 State Budget, which increased by 7.8% from the infrastructure budget in 2022 which reached Rp363.8 trillion. On the other hand, the interest rates that have nearly reached their peak will also have a positive impact on the property sector, which is the main consumer of bag cement, equivalent to 74% of sales volume in 9M22.
- Valuation.** Despite of softer increase in coal prices in 2023 due to higher coal production from India and China, a lower gas price, and the end of winter in 2Q23, we expect that the global coal price will fluctuate at USD 250-300 per ton in FY23E. Therefore, we recommend BUY for INTP with a target price of IDR 11,200 per share, resulting PE of 19.0x in FY2023F. On the other hand, we see that the government's support for coal price control through the DMO scheme, especially after the government-targeted General Service Board (BLU) will positively impact the cement company's margin including INTP, to get reassurance for the supply of coal at the DMO price of USD 90/ton.

Current Price (IDR) (24/01)	9,775
Target price (IDR)	11,200
Upside/Downside (%)	14.6%
52 Week High (IDR)	11,400
52 Week Low (IDR)	8,975
Major Shareholders:	
Birchwood Omnia Ltd.	51.00%
Public and Others	49.00%

Year To Dec.	Revenue (Bn IDR)	NP (Bn IDR)	EPS (IDR)	PER (x)	PBV (x)
2020	14,184	1,806	526	27.51	2.24
2021	14,772	1,788	521	27.79	2.41
2022E	15,387	1,405	409	23.89	1.54
2023F	16,019	1,767	515	18.99	1.52
2024F	17,458	2,387	695	14.06	1.48

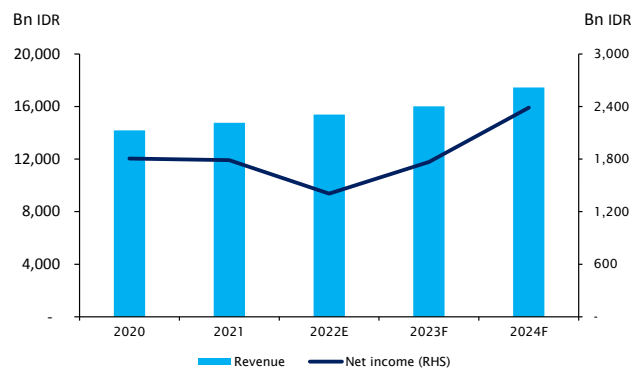
INTP's Sales Volume



Source: Company, Shinhan Sekuritas Indonesia

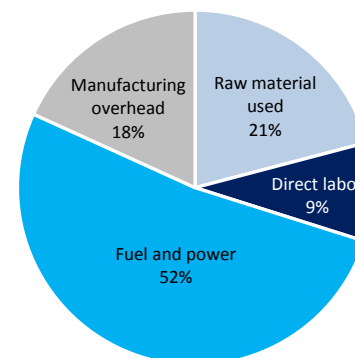
INTP – Promising outlook with profitability improvement

Revenue and net profit



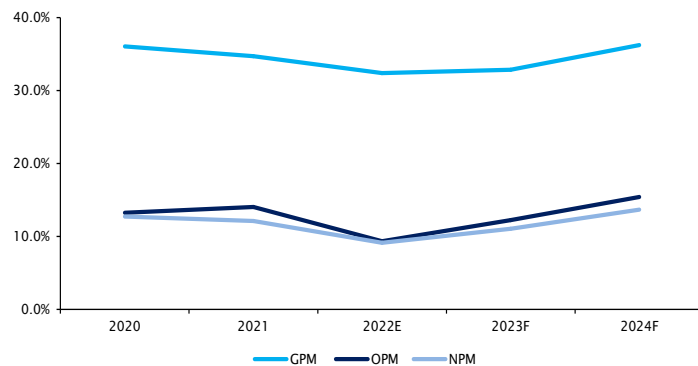
Source: Company, Shinhan Sekuritas Indonesia

Manufacturing cost breakdown in 9M22



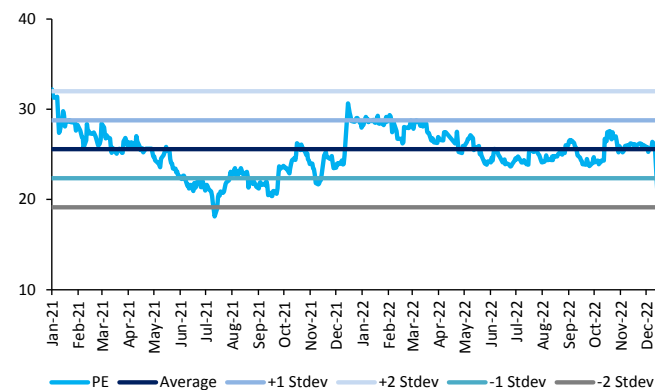
Source: Company, Shinhan Sekuritas Indonesia

INTP Profitability Trend



Source: Company, Shinhan Sekuritas Indonesia

3-Years Forward PE (x)



Source: Company, Shinhan Sekuritas Indonesia

INTP – Promising outlook with profitability improvement

Income Statement

Year-End 31 Dec (Bn IDR)	2020	2021	2022E	2023F	2024F
Sales	14,184	14,772	15,387	16,019	17,458
COGS	(9,071)	(9,646)	(10,402)	(10,757)	(11,131)
Gross Profit	5,114	5,126	4,984	5,262	6,326
EBITDA	3,278	3,278	2,826	3,546	4,372
Operating Expenses	(3,154)	(3,219)	(3,715)	(3,475)	(3,818)
Operating Profit	1,876	2,071	1,437	1,960	2,687
Pre-Tax Profit	2,148	2,234	1,756	2,208	2,982
Income Tax Expenses	(342)	(446)	(351)	(440)	(595)
Net Profit	1,806	1,788	1,405	1,767	2,387
EPS (IDR)	526	521	409	515	695

Source: Company, Shinhan Sekuritas Indonesia

Balance Sheet

Year-End 31 Dec (Bn IDR)	2020	2021	2022E	2023F	2024F
Assets					
Cash & Cash Equivalents	7,698	6,141	7,100	6,958	8,046
Accounts Receivable	2,585	2,587	2,853	2,931	3,174
Inventories	1,824	2,267	1,889	1,953	2,021
Other Current Assets	193.25	341.25	336.17	336.87	339.07
Total Current Assets	12,299	11,337	12,178	12,179	13,580
Net Fixed Assets	14,397	14,342	14,454	14,868	14,183
Other Assets	648.27	456.97	456.97	456.97	456.97
Total Assets	27,345	26,136	27,089	27,504	28,220
Liabilities and equities					
Accounts Payables	2,319	2,955	2,456	2,540	2,628
Other Short-Term Liabilities	1,896	1,692	1,827	1,792	1,779
Total Current Liabilities	4,216	4,647	4,283	4,331	4,408
Long-Term Borrowings	247	114	209	184	176
Other Long-Term Liabilities	706	755	806	862	923
Total Liabilities	5,168	5,515	5,297	5,377	5,507
Minority Interest	-	-	-	-	-
Shareholders' equity	22,176	20,621	21,791	22,127	22,713
BVPS (IDR)	6,459	6,006	6,347	6,444	6,615

Source: Company, Shinhan Sekuritas Indonesia

Cash Flows

Year-End 31 Dec (Bn IDR)	2020	2021	2022E	2023F	2024F
Net Profit	1,806	1,788	1,405	1,767	2,387
Change in Working Capital	1,294	1,073	1,389	1,586	1,685
CFs from Operating	3,872	2,791	2,412	3,294	3,848
CFs from Investing	(1,461)	(827)	(1,500)	(2,000)	(1,000)
CFs from Financing	(2,161)	(3,604)	46	(1,436)	(1,760)
Net Inc./ (Dec.) in Cash	250	(1,641)	959	(142)	1,088
Cash at End. Period	7,698	6,141	7,100	6,958	8,046

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

Year-End 31 Dec	2020	2021	2022E	2023F	2024F
Profitability					
Gross Margin	36.1%	34.7%	32.4%	32.9%	36.2%
Operating Margin	13.2%	14.0%	9.3%	12.2%	15.4%
EBITDA Margin	23.1%	22.2%	18.4%	22.1%	25.0%
Profit Margin	12.7%	12.1%	9.1%	11.0%	13.7%
ROA	6.6%	6.8%	5.2%	6.4%	8.5%
ROE	8.1%	8.7%	6.4%	8.0%	10.5%
Growth					
Revenue	-11.0%	4.1%	4.2%	4.1%	9.0%
Gross Profit	-7.0%	0.2%	-2.8%	5.6%	20.2%
Operating Profit	-1.5%	10.4%	-30.6%	36.4%	37.1%
EBITDA	4.9%	0.0%	-13.8%	25.5%	23.3%
Net Profit	-1.6%	-1.0%	-21.4%	25.8%	35.1%
Solvability					
Current Ratio (x)	2.9	2.4	2.8	2.8	3.1
Quick Ratio (x)	2.5	2.0	2.4	2.4	2.6
Debt to Equity (x)	0.0	0.0	0.0	0.0	0.0
Interest Coverage (x)	36.7	65.5	23.7	36.6	52.6

Source: Company, Shinhan Sekuritas Indonesia

PT Sarana Menara Nusantara Tbk (TOWR)

TOWR – Sustained Strong Returns

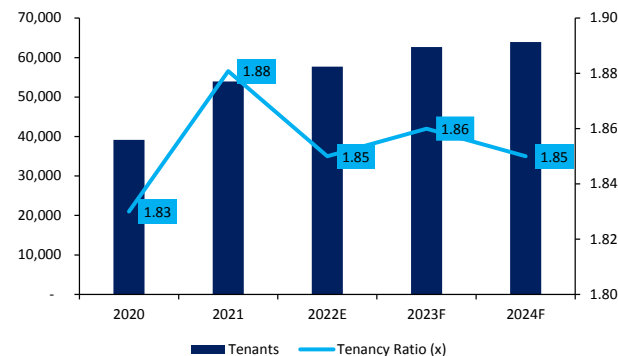
Anissa Septiwijaya

- EBITDA margin shows a sustained profitability level.** In 9M22, TOWR's revenue increased to IDR 8.11 trillion (+33.62% YoY), dominated by towers revenue of IDR 6.46 trillion (+31.05% YoY), or representing 80% of total revenue, while the non-tower revenue was recorded at IDR 1.65 trillion (+44.78% YoY). Based on the type of customers, the company received the largest revenue from PT Indosat Tbk (ISAT) of IDR 3.06 trillion. The positive performance brought the EBITDA margin stable at 85.9% from 86.0% in 9M21, supported by a higher EBITDA of 33.50% YoY to IDR 6.97 trillion. However, the net profit was recorded at IDR 2.56 trillion or slightly decreased by -0.81% YoY and represented 77% of our target. This unsatisfied bottom line performance was inflicted by higher finance expenses of +120.90% to IDR 1.75 trillion as a result of the massive expansion by the company.
- Wide fiber optic coverage.** In October 2022, TOWR through its subsidiary PT BIT Teknologi Nusantara just completed the acquisition of fiber optic (FO) assets from PT Alita Praya Mitra with a total transaction of IDR 800 billion. The FO assets of the transaction represent approximately 10,800 km of revenue-generating fiber, with long-term and non-cancellable contracted revenue above IDR855 billion. Additionally, these FO assets predominantly serve the towers of XL and IOH located in a number of key areas including Surabaya, Solo, Malang, and Bali. Accordingly, the company owned 135,687 km of fiber in 9M22. Therefore, we believe that the non-tower business will create a bigger contribution to total revenue encouraged by high demand from tower fiberisation, to support rapid data traffic growth.
- A high debt position will be replaced by greater income in the future.** In recent years, TOWR was quite aggressive in expanding its business, including the huge investment for the acquisition of PT Solusi Tunas Pratama Tbk (SUPR) worth IDR 16.7 trillion in October 2021. This acquisition pushed its net debt to EBITDA to 4.4x in 4Q21 before slightly easing to 4.2x in 3Q22. However, we believe the impact of this expansion will be positive for its performance, reflected in long-term contracts and commitments underwriting of more than IDR 67.77 trillion of committed future revenue through 2042, not including the value of potential future contract renewals. Moreover, we see that the tower demand will continue to increase due to the urgency to prepare for the 5G era in digital acceleration.
- Valuation.** In the midst of higher finance costs impacted by massive expansion and raising interest rates, we are still confident that TOWR's performance will remain stable supported by the realization of expansion in the future. In addition, the fiber business will be a new growth engine for TOWR in the future because the cellular operators will increase their FTTH business. Therefore, we maintained our BUY rating with TP 1,785 based on 11.3x EV/EBITDA FY23F.

Current Price (IDR) (24/01)	1,115
Target price (IDR)	1,785
Upside/Downside (%)	60.1%
52 Week High (IDR)	1,295
52 Week Low (IDR)	8,70
Major Shareholders:	
PT Sapta Adhikari Investama	54.42%
Public and Others	45.58%

Year To Dec.	Revenue (Bn IDR)	NP (Bn IDR)	BPS (IDR)	PBV (x)	EV/EBITDA (x)
2020	7,445	2,836	205	4.69	10.39
2021	8,635	3,427	242	4.64	13.22
2022E	9,907	3,312	273	4.08	12.08
2023F	10,840	3,437	307	3.63	11.27
2024F	10,962	3,579	343	3.25	10.76

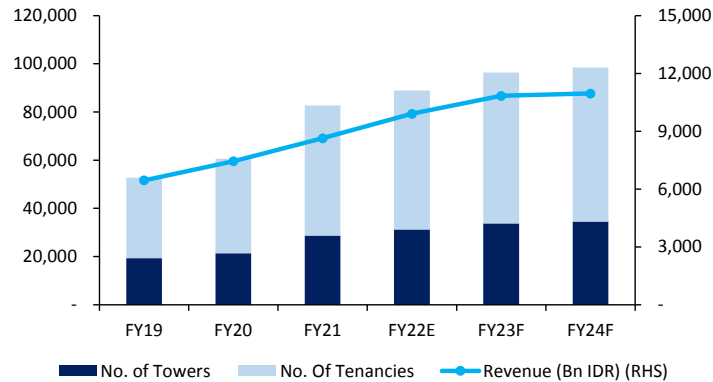
Tenancy Ratio



Source: Company, Shinhan Sekuritas Indonesia

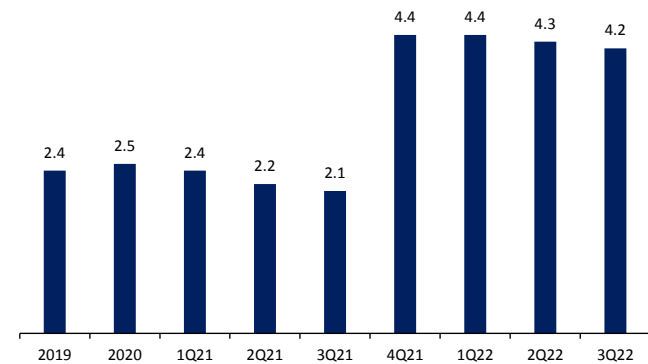
TOWR – Sustained Strong Returns

Revenue Projection



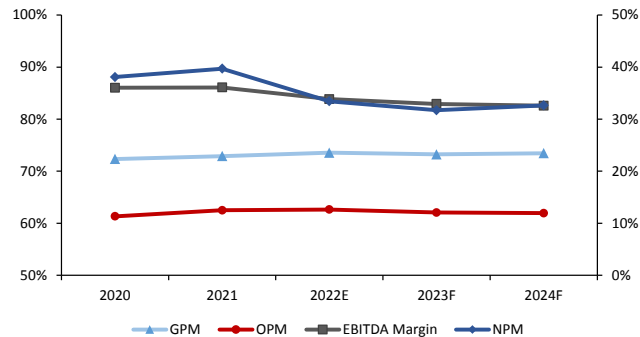
Source: Company, Shinhan Sekuritas Indonesia

Net debt to EBITDA (x)



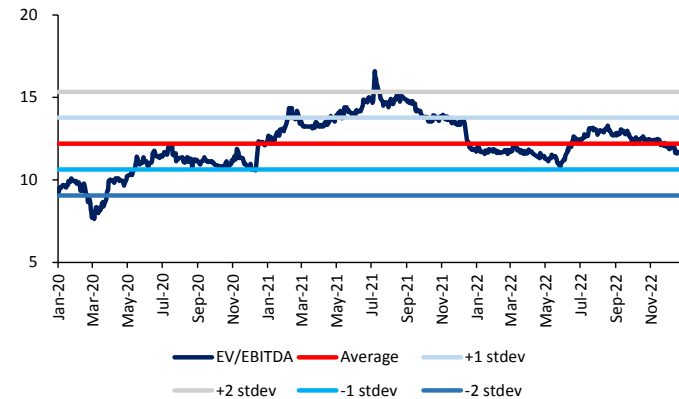
Source: Company, Shinhan Sekuritas Indonesia

Profitability Trend



Source: Company, Shinhan Sekuritas Indonesia

3-Years Forward EV/EBITDA (x)



Source: Company, Shinhan Sekuritas Indonesia

TOWR – Sustained Strong Returns

Income Statement

Year-End 31 Dec (Bn IDR)	2020	2021	2022E	2023F	2024F
Sales	7,445	8,635	9,907	10,840	10,962
Cost of Revenue	(2,059)	(2,340)	(2,621)	(2,901)	(2,911)
Gross Profit	5,386	6,295	7,285	7,939	8,051
Operating Expenses	(1,080)	(1,211)	(1,261)	(1,352)	(1,444)
EBITDA	6,405	7,434	8,307	8,989	9,054
Operating Profit	4,567	5,397	6,205	6,728	6,790
Pre-Tax Profit	3,009	3,399	4,051	4,359	4,611
Income Tax Expenses	(545)	(603)	(1,026)	(1,153)	(1,200)
Net Profit	2,836	3,427	3,312	3,437	3,579
EPS (IDR)	56.9	68.8	66.5	69.0	71.9

Source: Company, Shinhan Sekuritas Indonesia

Balance Sheet

Year-End 31 Dec (Bn IDR)	2020	2021	2022E	2023F	2024F
Assets					
Cash & Cash Equivalents	1,448	4,750	4,096	3,963	4,982
Accounts Receivable	1,276	2,184	2,506	2,742	2,773
Inventories	-	-	-	-	-
Other Current Assets	279	463	463	463	463
Total Current Assets	3,002	7,398	7,065	7,168	8,218
Net Fixed Assets	22,758	32,951	37,055	39,827	37,806
Other Assets	8,489	25,479	25,597	25,728	25,871
Total Assets	34,250	65,829	69,718	72,723	71,895
Liabilities and equities					
Accounts Payables	544	1,587	1,777	1,967	1,974
Other Short-Term Liabilities	6,681	20,294	21,211	21,768	20,995
Total Current Liabilities	7,225	21,880	22,988	23,735	22,969
Long-Term Borrowings	15,806	30,191	31,430	31,990	30,123
Other Long-Term Liabilities	1,035	1,695	1,699	1,702	1,706
Total Liabilities	24,066	53,767	56,116	57,427	54,798
Minority Interest	30	31	30	30	30
Shareholders' equity	10,184	12,062	13,601	15,296	17,098
BVPS (IDR)	205	242	273	307	343

Source: Company, Shinhan Sekuritas Indonesia

Cash Flows

Year-End 31 Dec (Bn IDR)	2020	2021	2022E	2023F	2024F
Net Profit	2,836	3,427	3,312	3,437	3,579
Change in Working Capital	5	134	(131)	(46)	(24)
CFs from Operating	3,935	8,023	7,134	7,597	7,831
CFs from Investing	(6,622)	(30,620)	(7,946)	(6,862)	(2,134)
CFs from Financing	3,513	25,899	158	(867)	(4,678)
Net Inc./ (Dec.) in Cash	826	3,303	(654)	(133)	1,019
Cash at End. Period	1,448	4,750	4,096	3,963	4,982

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

Year-End 31 Dec	2020	2021	2022E	2023F	2024F
Profitability					
Gross Margin	72.3%	72.9%	73.5%	73.2%	73.4%
Operating Margin	61.3%	62.5%	62.6%	62.1%	61.9%
EBITDA Margin	86.0%	86.1%	83.9%	82.9%	82.6%
Profit Margin	38.1%	39.7%	33.4%	31.7%	32.6%
ROA	8.3%	5.2%	4.8%	4.7%	5.0%
ROE	27.8%	28.4%	24.4%	22.5%	20.9%
Growth					
Revenue	15.4%	16.0%	14.7%	9.4%	1.1%
Gross Profit	15.9%	16.9%	15.7%	9.0%	1.4%
Operating Profit	15.9%	16.9%	15.7%	9.0%	1.4%
EBITDA	16.3%	18.2%	15.0%	8.4%	0.9%
Net Profit	18.9%	16.1%	11.7%	8.2%	0.7%
Solvability					
Current Ratio (x)	0.4	0.3	0.3	0.3	0.4
Quick Ratio (x)	0.4	0.3	0.3	0.3	0.3
Debt to Equity (x)	2.0	3.9	3.6	3.3	2.7
Interest Coverage (x)	3.8	3.9	3.2	3.0	3.2

Source: Company, Shinhan Sekuritas Indonesia

PT Telkom Indonesia Tbk (TLKM)

TLKM – Never ending innovation

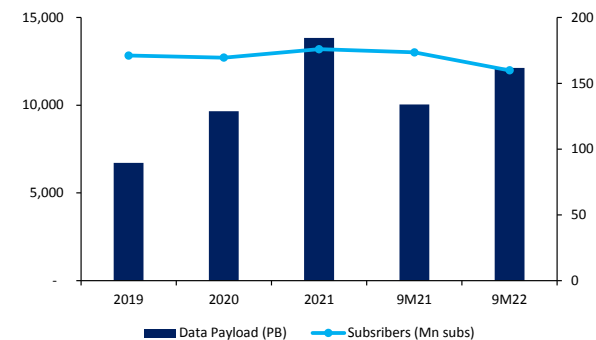
Anissa Septiwijaya

- Earnings performance is still on track with our estimate.** In spite of challenges, TLKM recorded revenue of IDR 36.89 trillion, inched higher by 0.32% QoQ in 3Q22 driven by revenue from data, internet, and IT service of IDR 21.25 trillion (+4.34% QoQ, +9.28% YoY) due to higher mobile traffic data which grew by 9.1%. With this result, in 9M22, TLKM's revenue increased by 2.67% YoY to IDR 108.87 trillion, resulting 74% of our target. EBITDA margin was maintained at 54.61%, from 54.63% in 9M21. Meanwhile, in 9M22, TLKM recorded an unrealized loss on changes in the fair value of investments amounting to IDR 3.08 trillion mainly to recognize the unrealized loss from TLKM's investment in GoTo. Therefore, net profit decreased by 12.14% YoY to IDR 16.58 trillion, still in line with our estimates.
- Healthy growth prospects.** We believe that TLKM will be able to maintain its performance due to strong data consumption in Indonesia amid the digitalization integration. Therefore, we also see healthier competition in this industry, reflected by rationalization price with a higher ARPU at IDR 45,000 in 3Q22, compared to IDR 41,000 in 1Q22. Moreover, Indihome showed a constant solid performance with a revenue of IDR20.89 trillion, increased by 6.37% YoY in 9M22 with a higher contribution to TLKM's revenue of 19.2% in 9M22, compared with 18.5% in 9M21. Indihome added 438 thousand new customers during 9M22, bringing the total subscribers to reach 9 million. The increase in customers, combined with stable ARPU at IDR 269,000 boosted Indihome performance as the growth driver. Going forward, we believe the fixed broadband segment has good potential, supported by the low number of users in Indonesia, which provides a large room for the business to grow.
- Integrating its fixed and mobile network.** TLKM will transfer Indihome business under Telkomsel to optimize its plan for Fixed-Mobile Convergence (FMC) to provide a better customer experience and increase Telkom Group's value proposition and distinguish the company's unique competitive advantage in the market. We see this plan benefited TLKM to have more efficient capex in long run, suppressing operating expenses in order to generate better performance in the future. For FMC business, TLKM will provide future products and features, such as Orbit, fixed wireless products, and Smooa. Orbit is a home internet service that uses a WiFi modem under Telkomsel's cellular network and currently has 505 thousand users. Meanwhile, Smooa is a feature that allows IndiHome subscribers to buy Telkomsel internet quota under a single billing system.
- Valuation.** We call BUY on TLKM with a TP IDR 4,880 per share, reflecting EV/EBITDA at 5.2x in FY23F on the back of the strong growth performance from Indihome, Telkom's synergy with GOTO which potentially provided added value to the TLKM group, and prospective dividend with attractive dividend yield.

Current Price (IDR) (24/01)	3,850
Target price (IDR)	4,930
Upside/Downside (%)	28.1%
52 Week High (IDR)	4,850
52 Week Low (IDR)	3,570
Major Shareholders:	
Government of RI	52.09%
Public and Others	47.91%

Year To Dec.	Revenue (Bn IDR)	NP (Bn IDR)	BPS (IDR)	PBV (x)	EV/EBITDA (x)
2020	136,462	20,804	1,220	2.71	5.17
2021	143,210	24,760	1,468	2.75	5.69
2022E	147,918	23,020	1,500	2.57	5.26
2023F	154,094	22,622	1,543	2.50	5.17
2024F	160,166	22,183	1,584	2.43	5.12

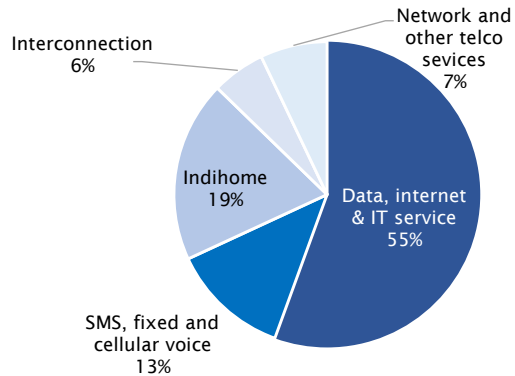
Traffic Data and Subscribers



Source: Company, Shinhan Sekuritas Indonesia

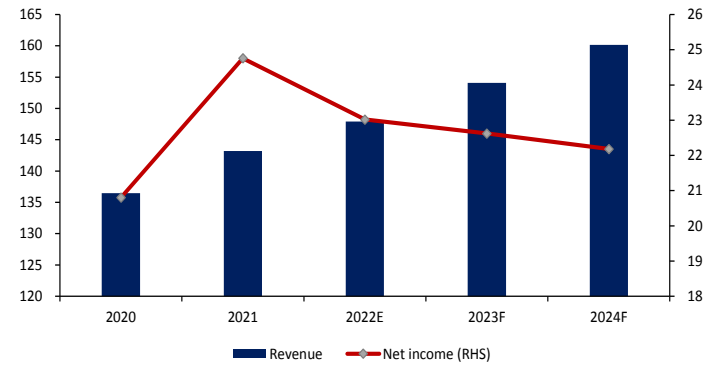
TLKM – Never ending innovation

Revenue Breakdown in 9M22



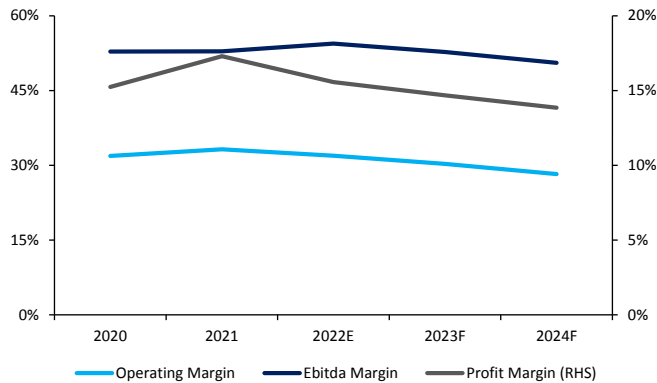
Source: Company, Shinhan Sekuritas Indonesia

Revenue and Net Profit Forecast



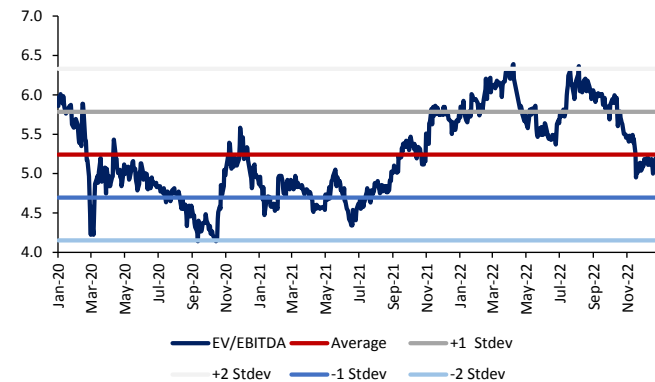
Source: Company, Shinhan Sekuritas Indonesia

TLKM Profitability Trend



Source: Company, Shinhan Sekuritas Indonesia

3-Years Forward EV/EBITDA (x)



Source: Company, Shinhan Sekuritas Indonesia

TLKM – Never ending innovation

Income Statement

Year-End 31 Dec (Bn IDR)	2020	2021	2022E	2023F	2024F
Sales	136,462	143,210	147,918	154,094	160,166
EBITDA	72,080	75,723	80,516	81,229	80,989
Operating Profit	43,505	47,563	47,219	46,684	45,194
Pre-Tax Profit	38,775	43,678	42,244	41,856	41,146
Income Tax Expenses	(9,212)	(9,730)	(10,036)	(10,045)	(9,775)
Net Profit	20,804	24,760	23,020	22,622	22,183
EPS (IDR)	210	250	232	228	224

Source: Company, Shinhan Sekuritas Indonesia

Balance Sheet

Year-End 31 Dec (Bn IDR)	2020	2021	2022E	2023F	2024F
Assets					
Cash & Cash Equivalents	20,589	38,311	40,975	43,759	46,172
Accounts Receivable	11,553	8,705	11,893	12,570	12,704
Inventories	983	779	805	838	871
Other Current Assets	13,378	13,482	13,482	13,482	13,482
Total Current Assets	46,503	61,277	67,155	70,649	73,229
Net Fixed Assets	160,923	165,026	172,850	175,693	177,287
Other Assets	39,517	50,881	50,881	50,881	50,881
Total Assets	246,943	277,184	290,886	297,223	301,397
Liabilities and equities					
Accounts Payables	17,577	17,779	12,795	13,702	14,847
Other Short-Term Liabilities	51,516	51,352	61,886	63,436	64,235
Total Current Liabilities	69,093	69,131	74,681	77,138	79,082
Long-Term Borrowings	40,782	46,745	51,685	51,359	49,503
Other Long-Term Liabilities	16,179	15,909	15,909	15,909	15,909
Total Liabilities	126,054	131,785	142,275	144,405	144,494
Minority Interest	18,362	23,753	23,753	23,753	23,753
Shareholders' equity	120,889	145,399	148,611	152,817	156,903
BVPS (IDR)	1,220	1,468	1,500	1,543	1,584

Source: Company, Shinhan Sekuritas Indonesia

Cash Flows

Year-End 31 Dec (Bn IDR)	2020	2021	2022E	2023F	2024F
Net Profit	20,804	24,760	23,020	22,622	22,183
Change in Working Capital	3,369	3,254	(8,198)	197	978
CFs from Operating	30,389	45,787	33,586	42,990	44,756
CFs from Investing	(28,714)	(31,161)	(25,000)	(21,266)	(21,266)
CFs from Financing	3,214	1,115	(5,922)	(18,940)	(21,077)
Net Inc./(Dec.) in Cash	4,889	15,741	2,664	2,784	2,413
Cash at End. Period	20,589	38,311	40,975	43,759	46,172

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

Year-End 31 Dec	2020	2021	2022E	2023F	2024F
Profitability					
Operating Margin	31.9%	33.2%	31.9%	30.3%	28.2%
EBITDA Margin	52.8%	52.9%	54.4%	52.7%	50.6%
Profit Margin	15.2%	17.3%	15.6%	14.7%	13.8%
ROA	8.4%	8.9%	7.9%	7.6%	7.4%
ROE	17.2%	17.0%	15.5%	14.8%	14.1%
Growth					
Revenue	0.7%	4.9%	3.3%	4.2%	3.9%
Operating Profit	2.6%	9.3%	-0.7%	-1.1%	-3.2%
EBITDA	11.2%	5.1%	6.3%	0.9%	-0.3%
Net Profit	11.5%	19.0%	-7.0%	-1.7%	-1.9%
Solvability					
Current Ratio (x)	0.67	0.89	0.90	0.92	0.93
Quick Ratio (x)	0.48	0.69	0.71	0.74	0.75
Debt to Equity (x)	0.54	0.48	0.56	0.54	0.00
Interest Coverage (x)	9.63	10.90	7.34	7.31	7.34

Source: Company, Shinhan Sekuritas Indonesia

PT XL Axiata Tbk (EXCL)

EXCL – Balance sheet remains healthy

Anissa Septiwijaya

- Performance is in line with our target.** EXCL recorded revenue of IDR 7.52 trillion, slightly rose by 2.56% QoQ due to lower data revenue of IDR 6.84 trillion (-4.63% QoQ) as the effects of seasonality and resulting in cumulative 9M22 top line of IDR 21.59 trillion, increased by 9.07% YoY. This result is representing 79% of our target. Data revenue as the main contributor successfully grew by 17.29% YoY supported by strong total traffic growth of 25.61% YoY to 5,885 PB. Amid the single top-line growth, EBITDA increased by 4.75% YoY to IDR 10.38 trillion with the EBITDA margin stable at 48% (Vs 50% in 9M21). In the bottom line, EXCL booked a net profit of IDR 981.20 billion, decreased by 3.46% YoY due to higher operating expenses in line with the increase in device bundling cost and frequency & USO fees.

- Positive catalyst from more rational competition in the industry.** The increase of corporate action in the telecommunications industry will lead to healthier competition, resulting in the movement of ARPU Blended, where in 3Q22 it increased to IDR 40k from IDR 39k in 2Q22. Moreover, the company was also able to increase its subscribers in 3Q22 to 57.4 million despite tight competition. Furthermore, we project that performance in 4Q22 will be higher on a QoQ basis, mainly supported by increased traffic data at the end of the year and competitive conditions that are starting to be more healthy. We are also confident that a stable pricing environment combined with EXCL network quality will boost its performance. Therefore, we estimated revenue in FY22E to reach IDR 27.19 trillion and a net income of IDR 1.41 trillion.

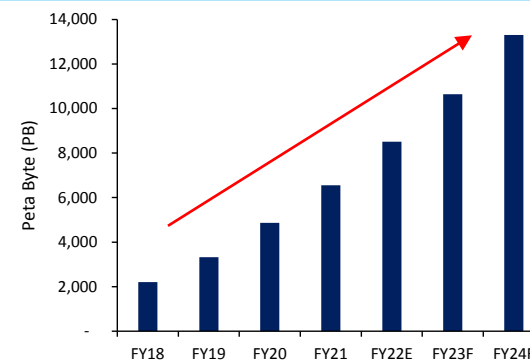
- FMC's business will strengthen its overall performance.** Fixed Mobile Convergence (FMC) business is currently trending due to the competition of MNO companies to expand the FMC business to boost performance, including EXCL. The company and PT Link Net Tbk (Link Net) are synergizing to launch internet convergence services through a collaboration product of First Media and XL. This collaboration combines high-speed internet services without quota limits, streaming content, cable TV, and online storage belonging to First Media with the large quota internet data service XL Kuota Bersama Package and offered at affordable prices starting from IDR 300 thousand per month. Based on APJII's report, the number of internet users in Indonesia in 2022 will reach 210 million people. From this number, only 20.61% use fixed broadband facilities. Therefore, the opportunity to develop the FMC business is huge. According to the APJII survey, First Media holds ~4% market share in Indonesia, while Indihome is a market leader with a market share of 67%.

- Valuation.** We pick EXCL as our stock pick with a BUY recommendation and a TP of IDR 3,050 per share, representing 4.2x FY23F EV/EBITDA, which is supported by 1) Improving network quality, 2) A Rational competition landscape to continue and resulting in higher price industry-wide, 3) Purchasing power starting to recover along with increased mobility, and 4) Prospective business for fixed mobile convergence.

Current Price (IDR) (24/01)	2,360
Target price (IDR)	3,050
Upside/Downside (%)	29.2%
52 Week High (IDR)	3,380
52 Week Low (IDR)	2,010
Major Shareholders:	
Axiata Investments Sdn. Bhd.	66.25%
Public and Others	33.75%

Year To Dec.	Revenue (Bn IDR)	NP (Bn IDR)	BV (IDR)	PBV (x)	EV/EBITDA (x)
2020	26,009	372	1,464	1.61	4.71
2021	26,754	1,288	1,537	1.54	4.80
2022E	27,189	1,415	1,615	1.46	4.61
2023F	28,053	1,527	1,700	1.39	4.23
2024F	29,200	1,579	1,779	1.33	3.91

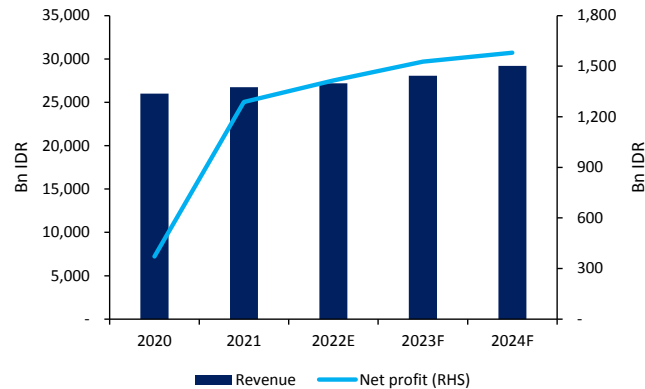
EXCL's Traffic Data



Source: Company, Shinhan Sekuritas Indonesia

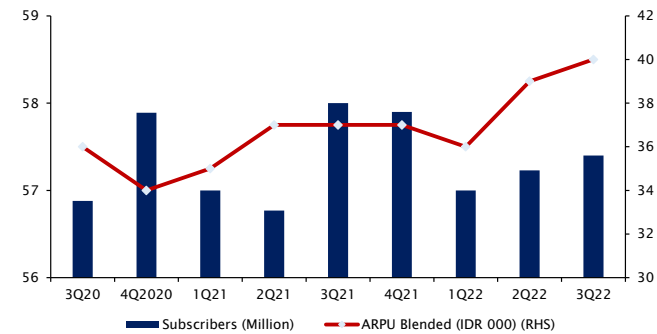
EXCL – Balance Sheet Remains Healthy

Revenue and Net Profit



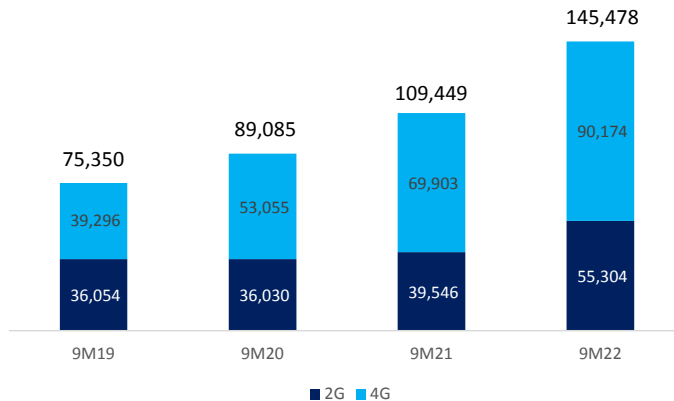
Source: Company, Shinhan Sekuritas Indonesia

ARPU and Subscribers



Source: Company, Shinhan Sekuritas Indonesia

EXCL's Base Stations



Source: Company, Shinhan Sekuritas Indonesia

3-Years Forward EV/EBITDA (x)



Source: Company, Shinhan Sekuritas Indonesia

EXCL – Balance Sheet Remains Healthy

Income Statement

Year-End 31 Dec (Bn IDR)	2020	2021	2022E	2023F	2024F
Sales	26,009	26,754	27,189	28,053	29,200
Infrastructure Expenses	(7,974)	(7,990)	(8,267)	(8,553)	(8,862)
Depreciation Expenses	(12,433)	(9,956)	(9,528)	(10,111)	(10,768)
EBITDA	13,060	13,287	13,200	13,600	14,213
Operating Expenses	(2,140)	(2,866)	(3,021)	(3,127)	(3,262)
Operating Profit	2,632	3,989	4,331	4,148	4,103
Pre-Tax Profit	146	1,708	1,838	1,983	2,051
Income Tax Expenses	225	(420)	(423)	(456)	(472)
Net Profit	372	1,288	1,415	1,527	1,579
EPS (IDR)	28	99	108	117	121

Source: Company, Shinhan Sekuritas Indonesia

Balance Sheet

Year-End 31 Dec (Bn IDR)	2020	2021	2022E	2023F	2024F
Assets					
Cash & Cash Equivalents	2,966	2,664	3,604	3,156	3,433
Accounts Receivable	560	610	589	545	568
Inventories	143	156	157	164	172
Other Current Assets	3,902	4,302	4,302	4,302	4,302
Total Current Assets	7,571	7,733	8,653	8,168	8,476
Net Fixed Assets	47,162	51,912	50,240	48,589	47,421
Other Assets	13,011	13,108	13,438	13,785	14,149
Total Assets	67,745	72,753	72,330	70,542	70,046
Liabilities and Equities					
Accounts Payables	7,379	10,638	10,682	11,171	11,728
Other Short-Term Liabilities	11,478	10,316	10,104	9,437	9,131
Total Current Liabilities	18,857	20,954	20,786	20,608	20,859
Long-Term Borrowings	25,693	28,356	27,119	24,497	22,737
Other Long-Term Liabilities	4,057	3,355	3,296	3,190	3,141
Total Liabilities	48,607	52,665	51,201	48,294	46,738
Minority Interest	-	-	-	-	-
Total Equity	19,137	20,089	21,114	22,216	23,261
BVPS (IDR)	1,464	1,537	1,615	1,700	1,779

Source: Company, Shinhan Sekuritas Indonesia

Cash Flows

Year-End 31 Dec (Bn IDR)	2020	2021	2022E	2023F	2024F
Net Profit	372	1,288	1,415	1,527	1,579
Change in Working Capital	(528)	3,196	64	526	526
CFs from Operating	11,838	11,899	11,008	12,165	12,876
CFs from Investing	(16,342)	(13,858)	(8,185)	(8,807)	(9,964)
CFs from Financing	5,907	1,642	(1,899)	(3,822)	(2,651)
Net Inc./ (Dec.) in Cash	1,402	(317)	924	(464)	261
Cash at End. Period	2,966	2,664	3,604	3,156	3,433

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

Year-End 31 Dec	2020	2021	2022E	2023F	2024F
Profitability					
Operating Margin	10.1%	14.9%	15.9%	14.8%	14.1%
EBITDA Margin	50.2%	49.7%	48.5%	48.5%	48.7%
Profit Margin	1.4%	4.8%	5.2%	5.4%	5.4%
ROA	0.5%	1.8%	2.0%	2.2%	2.3%
ROE	1.9%	6.4%	6.7%	6.9%	6.8%
Growth					
Revenue	3.5%	2.9%	1.6%	3.2%	4.1%
Operating Profit	-19.6%	51.6%	8.6%	-4.2%	-1.1%
EBITDA	31.0%	1.7%	-0.7%	3.0%	4.5%
Net Profit	-47.9%	246.6%	9.9%	7.9%	3.5%
Solvability					
Current Ratio (x)	0.4	0.4	0.4	0.4	0.4
Quick Ratio (x)	0.4	0.4	0.4	0.4	0.4
Debt to Equity (x)	1.8	1.8	1.6	1.3	1.2
Interest Coverage (x)	1.0	1.7	1.7	1.8	1.9

Source: Company, Shinhan Sekuritas Indonesia

PT Indofood CBP Sukses Makmur Tbk (ICBP)

ICBP – Converting remarkable demand to profitability

Billy Ibrahim Djaya

- Robust growth from all segments.** ICBP showed its pricing power in 9M22 to bring the top-line achievement to IDR 48.9trn (+14.8% YoY) in 9M22. Impressively, the ASP adjustment was coupled with sales volume growth across all product types with the exception only of Dairy due to tight competition. The Instant Noodles enjoyed a +11% price increase with +5% sales volume growth to dominate revenue contribution by IDR 35.7trn (+16.2% YoY), reflecting Indomie's strong brand equity. Furthermore, the decline in raw material costs helped gross margin expansion to 34.2% in 3Q22 (vs 29.4% in 2Q22) and cost efficiency from lower A&P expenses brings operating profit margin significantly higher to 20.9% (vs 13.8% in 2Q22). Below the operating line, forex losses weigh on earnings performance to IDR 3.3trn (-33.4% YoY).

- Normalizing input costs to support profitability.** We estimated a better margin in FY23F given that the rise in commodity prices had reached their peak, especially for wheat and cooking oil. Wheat flour contributes 15% to the cost of instant noodle production and currently already decline to USD 7.5 per bushel from last year's highest at USD 14.2 per bushel on March 2022. Most of the supplies were from Australia, Canada, and South America, while Australia forecasted its crop to reach historical 42 million tons which bring the price to go down. Meanwhile, CPO prices are expected to hover at USD 892 per MT, lower from the average of USD 1,116 per MT last year, amid the possible spike in production due to the 35% biodiesel or B35 program. Therefore, we forecasted improving gross margin to 34.3% in FY23F and 35.0% in FY23F.

- Favouring consumer staples amid inflationary pressures.** The demand for ICBP's products should bode well going forward despite the looming risk from inflation due to its affordable pricing points. The Noodles division will remain the engine of growth to cushion the fierce competition landscape in Dairy, not to mention the contribution from Pinehill in the Middle East and African markets. Moreover, the strengthening of the Rupiah will translate to lower forex loss as the exchange rate risk is expected to ease with the currency forecasted to fluctuate at slightly below IDR 15,000 throughout this year and leads to a net profit of IDR 8.7trn (+65.4% YoY) in FY23F.

- Valuation.** We like ICBP due to its resilient performance, strong market position in the industry, as well as potential margin expansion and rebound in earnings. We maintain our Buy rating on ICBP with a higher TP of IDR 12,300 per share from IDR 11,000 amid higher ASP alongside stable demand, efficient cost structure, and less Rupiah volatility risk. Our TP implies 16.3x FY23F P/E, -1SD from its 5-year historical mean.

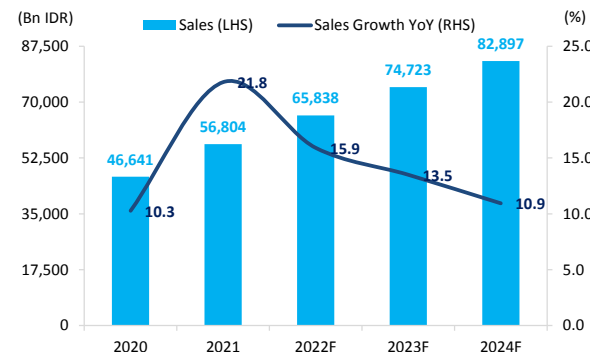
Current Price (IDR) (23/1)	10,500
Target price (IDR)	12,300
Upside/Downside (%)	17.1%
52 Week High (IDR)	10,500
52 Week Low (IDR)	7,050

Major Shareholders:

PT Indofood Sukses Makmur Tbk	80.53%
Public	19.47%

Year To Dec.	Revenue (Bn IDR)	NP (Bn IDR)	EPS (IDR)	PER (x)	PBV (x)
2020	46,641	6,587	565	17.0	3.8
2021	56,804	6,388	548	15.9	3.0
2022F	65,838	5,274	452	23.2	3.4
2023F	74,723	8,724	748	16.3	3.4
2024F	82,897	9,685	830	14.7	3.0

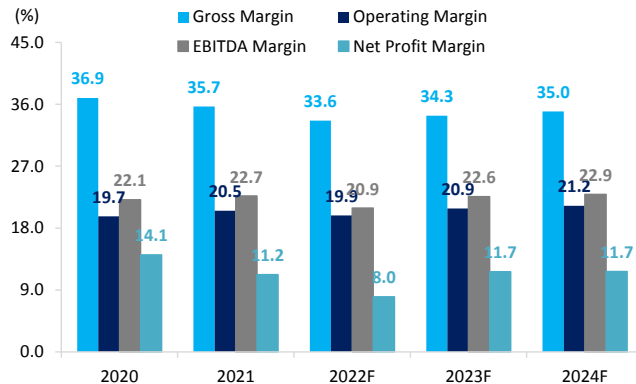
ASP adjustment combined with sales volume growth to support revenue performance in FY23F



Source: Company, Shinhan Sekuritas Indonesia

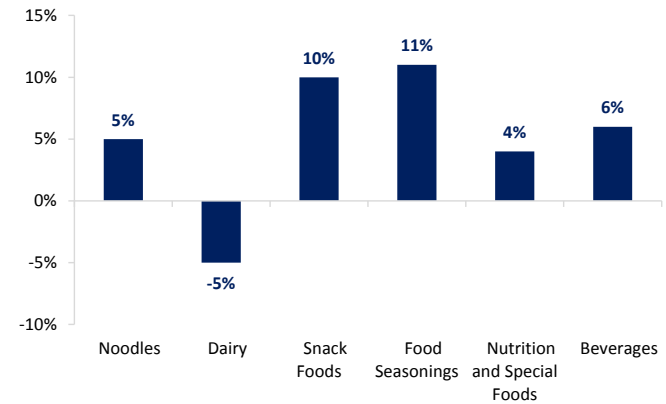
ICBP – Converting remarkable demand to profitability

Bottoming margin contraction in 2Q22



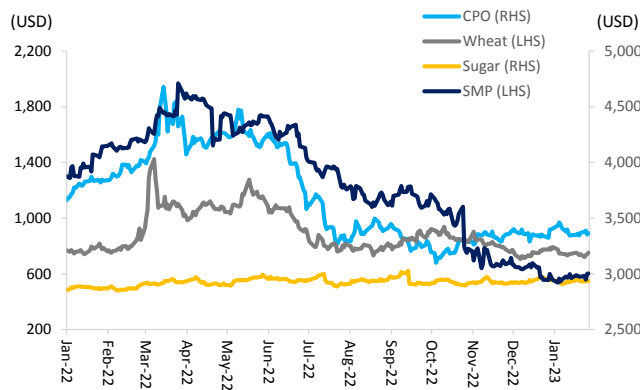
Source: Company, Statistics Indonesia

Sales volume growth by segments in 9M22



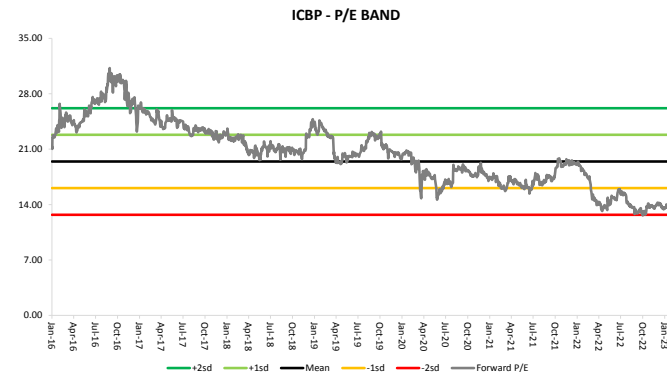
Source: Company, Shinhan Sekuritas Indonesia

Take the advantage of normalizing input costs



Source: Bloomberg, Shinhan Sekuritas Indonesia

ICBP Forward P/E BAND



Source: Bloomberg, Shinhan Sekuritas Indonesia

ICBP – Converting remarkable demand to profitability

Income Statement

Year-End 31 Dec (Bn IDR)	2020	2021	2022F	2023F	2024F
Revenue	46,641	56,804	65,838	74,723	82,897
COGS	-29,417	-36,526	-43,689	-49,065	-53,914
Gross Profit	17,224	20,277	22,149	25,659	28,983
EBITDA	10,313	12,874	13,771	16,867	19,001
Operating Expenses	-8,023	-8,619	-9,075	-10,063	-11,382
Operating Profit	9,201	11,659	13,074	15,595	17,601
Pre-Tax Profit	9,959	9,935	8,237	13,003	15,195
Income Tax Expenses	-2,540	-2,035	-2,615	-3,431	-4,400
Net Profit	6,587	6,388	5,274	8,724	9,685
EPS (IDR)	565	548	452	748	830

Source: Company, Shinhan Sekuritas Indonesia

Balance Sheet

Year-End 31 Dec (Bn IDR)	2020	2021	2022F	2023F	2024F
Assets					
Cash & Cash Equivalents	9,535	20,378	17,077	17,621	22,943
Accounts Receivable	5,747	6,834	9,217	9,553	10,726
Inventories	4,587	5,857	6,117	7,463	8,131
Other Current Assets	847	928	1,272	1,393	1,422
Total Current Assets	20,716	33,998	33,683	36,029	43,222
Net Fixed Assets	13,351	14,176	14,997	17,302	19,393
Other Assets	69,521	69,893	70,255	70,204	70,153
Total Assets	103,588	118,067	118,935	123,536	132,768
Liabilities and equities					
Accounts Payables	5,703	5,750	6,584	8,058	8,540
Other Short-Term Liabilities	3,473	13,146	13,826	12,850	16,949
Total Current Liabilities	9,176	18,896	20,410	20,908	25,489
Long-Term Borrowings	30,773	40,731	37,441	34,577	32,774
Other Long-Term Liabilities	13,321	3,716	3,912	4,793	5,923
Total Liabilities	53,270	63,343	61,763	60,278	64,186
Minority Interest	20,888	20,842	20,842	20,842	20,842
Total Equity	50,318	54,724	57,172	63,258	68,581
BVPS (IDR)	2,524	2,905	3,115	3,637	4,094

Source: Company, Shinhan Sekuritas Indonesia

Cash Flows

Year-End 31 Dec (Bn IDR)	2020	2021	2022F	2023F	2024F
Net Profit	6,587	6,388	5,274	8,724	9,685
Change in Working Capital	2,750	1,601	-1,107	1,792	1,121
CFs from Operating	9,337	7,989	4,167	10,515	10,806
CFs from Investing	-34,957	-3,100	-1,743	-3,527	-3,439
CFs from Financing	26,758	5,906	-5,782	-6,500	-2,065
Net Inc./(Dec.) in Cash	1,187	10,850	-3,311	542	5,324
Cash at End. Period	9,535	20,378	17,077	17,621	22,943

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

Year-End 31 Dec	2020	2021	2022F	2023F	2024F
Profitability					
Gross Margin	36.9%	35.7%	33.6%	34.3%	35.0%
Operating Margin	19.7%	20.5%	19.9%	20.9%	21.2%
EBITDA Margin	22.1%	22.7%	20.9%	22.6%	22.9%
Profit Margin	14.1%	11.2%	8.0%	11.7%	11.7%
ROAA	6.4%	5.4%	4.4%	7.1%	7.3%
ROAE	22.4%	18.9%	14.5%	20.6%	20.3%
Growth					
Revenue	10.3%	21.8%	15.9%	13.5%	10.9%
Gross Profit	19.6%	17.7%	9.2%	15.8%	13.0%
Operating Profit	24.3%	26.7%	12.1%	19.3%	12.9%
EBITDA	22.4%	24.8%	7.0%	22.5%	12.6%
Net Profit	30.7%	-3.0%	-17.4%	65.4%	11.0%
Solvability					
Current Ratio (x)	2.26	1.80	1.65	1.72	1.70
Quick Ratio (x)	1.67	1.46	1.30	1.31	1.33
Debt to Equity (x)	1.1	1.2	1.1	1.0	0.9
Interest Coverage (x)	14.0	6.4	2.6	5.6	6.8

Source: Company, Shinhan Sekuritas Indonesia

PT Ace Hardware Indonesia Tbk (ACES)

ACES – Toward better earnings

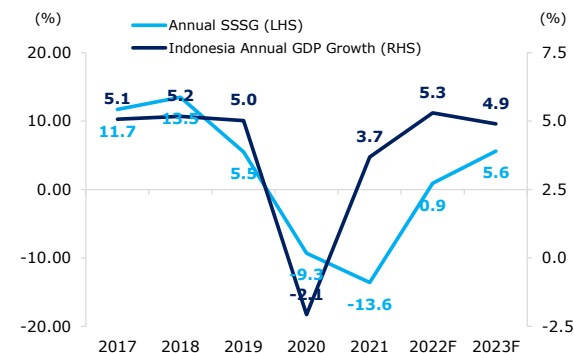
Billy Ibrahim Djaya

- The first positive growth after the pandemic.** The store reopening and new launching led the top line in 9M22 to reach IDR 4.9trn (+4.3% YoY), marked as the first annual sales increase at least since 3M21. The Home Improvement segments grew to IDR 2.8trn (+6.8% YoY) despite the decline in national retail sales of the Other Household Equipment category by -6.8% YoY in September 2022, which showed the purchasing power of ACES middle-up income class to withstand the peaking inflation rate at 5.95% YoY in 2022. Sound sales performance spur earnings results to IDR 352bn (+8.9% YoY), with a higher margin of 7.2% (vs 6.9% in 9M21).
- Expecting mid-single digit SSSG in FY23F.** The monthly SSSG is estimated to hover in the positive territory in FY23F despite still being in the mid-single digit level due to persistent inflationary pressure. We estimated the SSSG at 5.6% this year on the back of the increase in minimum wages across the country by a maximum of 10% for 2023. Besides that, inflation expectations are likely to subside in 2H23 after monetary policy tightening by the central bank. The cyclical nature of the Property sector will positively impact ACES, either way for a new household or for home improvement. In the midst of easing mobility restrictions, mall traffic and traveling activities are estimated to increase and reach the pre-pandemic level. Alongside higher SSSG, we forecasted revenue and net profit of IDR 7.6trn (+11.2% YoY) and IDR 628bn (+11.4% YoY) in FY23F.
- Manageable risk and business challenge.** The company facing tighter competition from the likes of IKEA and MR. DIY. To mitigate that risk, ACES introduce the new concept of smaller stores of Ace Express to provide daily products, particularly for consumers living in residential areas. ACES also plans to add 15 new outlets this year focusing on 2-tier and 3-tier cities to capture the opportunities for growth from underpenetrated areas. The strategy is in line with the latest SSSG outside Java which rise +1% while the others decline including Jakarta (-3.8% YoY) and Java excluding Jakarta (-10.9%) in December 2022. Therefore, we estimated the Ace Hardware store revenue per sqm to grow by +11.2% YoY in FY23F.
- Valuation.** Normalizing economic activity will signify the earnings rebound for ACES. The adaptation to change in the midst of rising competition from online platforms by introducing ruparupa.com to expand omnichannel reach. We maintain our Buy rating on ACES with a lower TP of IDR 580 based on the blended DCF which implies the FY23F P/E at 17.3x or below its 5-year historical mean.

Current Price (IDR) (27/1)	496
Target price (IDR)	580
Upside/Downside (%)	16.9%
52 Week High (IDR)	1,305
52 Week Low (IDR)	392
Major Shareholders:	
Kawan Lama Sejahtera	59.97%
Public	39.86%

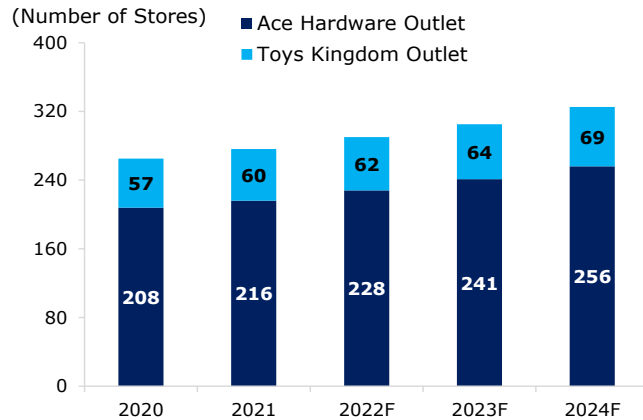
Year To Dec.	Revenue (Bn IDR)	NP (Bn IDR)	EPS (IDR)	PER (x)	PBV (x)
2020	7,413	733	43	40.0	5.6
2021	6,543	704	41	31.1	4.0
2022F	6,874	516	30	16.5	1.5
2023F	7,646	574	34	17.3	1.6
2024F	8,183	628	37	15.8	1.5

SSSG is expected to reach the pre-pandemic level in FY23F



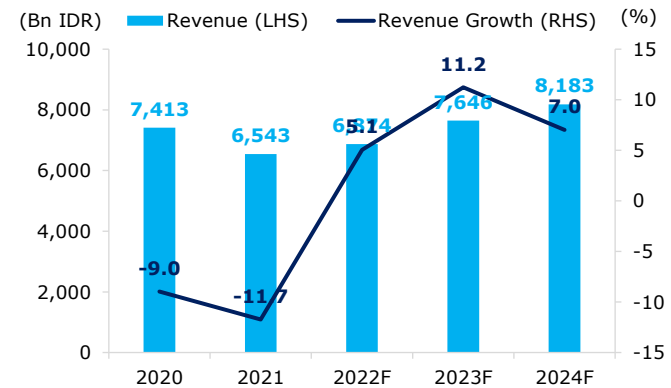
ACES – Toward better earnings

Store expansion focusing on 2-tier and 3-tier city



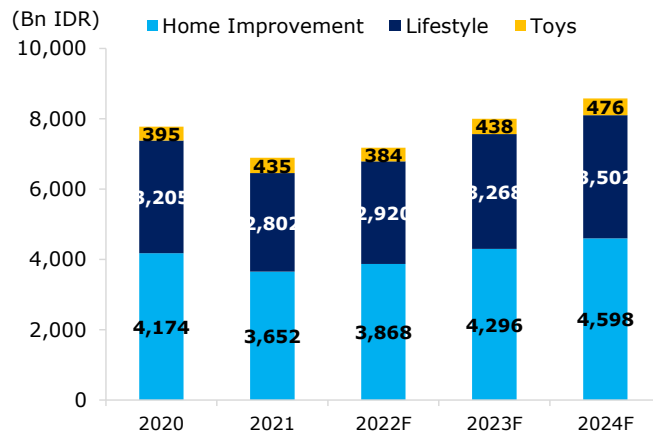
Source: Company, Shinhan Sekuritas Indonesia

Accelerating growth amid the increase in traffic



Source: Company, Shinhan Sekuritas Indonesia

Home improvement revenue to lead the growth



Source: Company, Shinhan Sekuritas Indonesia

ACES Forward P/E Band



Source: Bloomberg, Shinhan Sekuritas Indonesia

ACES – Toward better earnings

Income statement

Year-end 31 Dec (Rp bn)	2020	2021	2022F	2023F	2024F
Sales	7,413	6,543	6,874	7,646	8,183
COGS	-3,754	-3,331	-3,712	-4,205	-4,419
Gross Profit	3,659	3,213	3,162	3,441	3,764
EBITDA	1,428	1,057	775	863	945
Operating Expense	-2,670	-2,287	-2,499	-2,702	-2,958
Operating Profit	990	925	663	738	807
Pre-Tax Profit	923	859	629	700	766
Income Tax - Net	-192	-140	-103	-114	-125
Net Profit	733	704	516	574	628
EPS (Rp)	43	41	30	34	37

Source: Company, Shinhan Sekuritas Indonesia

Balance sheet

Year-end 31 Dec (Rp bn)	2020	2021	2022F	2023F	2024F
Assets					
Cash and Equivalent	2,220	2,544	3,034	3,531	4,237
Receivables	143	67	83	89	106
Inventories	2,453	2,368	2,413	2,543	2,449
Others	218	214	206	231	247
Total Current Assets	5,035	5,192	5,737	6,395	7,039
Net Fixed Assets	512	460	458	453	445
Other Assets	1,701	1,538	1,398	1,264	1,148
Total Assets	7,247	7,190	7,593	8,113	8,632
Liabilities and Equities					
Payables	369	127	206	270	330
Other Short-Term Liabilities	476	596	619	771	907
Total Current Liabilities	845	723	825	1,040	1,237
LT. Debt	577	572	546	521	497
Other Long Term Liabilities	603	383	421	429	436
Total Long-Term Liabilities	1,180	955	967	950	934
Total Liabilities	2,025	1,677	1,792	1,990	2,171
Minority Interest	15	31	31	31	31
Shareholders' Equity	5,222	5,513	5,801	6,122	6,461
BVPS (Rp)	305	322	339	358	378

Source: Company, Shinhan Sekuritas Indonesia

Cashflow analysis

Year-end 31 Dec (Rp bn)	2020	2021	2022F	2023F	2024F
CFs from Operation					
Net Profit	733	704	516	579	633
Change in Working Capitals	-372	-660	-467	-524	-376
CFs from Operation	1,539	1,305	48	55	257
CFs from Investments	-166	-83	141	138	125
CFs from Financing Activities	-405	-898	12	-17	-17
Net Inc./ (Dec.) in Cash	965	324	491	497	705
Cash at End Period	2,220	2,544	3,035	3,532	4,237

Source: Company, Shinhan Sekuritas Indonesia

Key ratio analysis

Year-end 31 Dec (Rp bn)	2020	2021	2022F	2023F	2024F
Profitability					
Gross Margin	49.4%	49.1%	46.0%	45.0%	46.0%
Operating Margin	13.3%	14.1%	9.6%	9.7%	9.9%
EBITDA Margin	19.3%	16.2%	11.3%	11.3%	11.5%
Net Income Margin	9.9%	10.8%	7.5%	7.5%	7.7%
ROAA	10.6%	9.8%	7.0%	7.4%	7.6%
ROAE	14.8%	13.1%	9.1%	9.7%	10.1%
Growth					
Revenue	-9.0%	-11.7%	5.1%	12.1%	7.0%
Operating Profit	-27.5%	-6.5%	-28.4%	12.3%	9.2%
EBITDA	-19.1%	-26.0%	-26.7%	12.0%	9.6%
Net Income	-27.9%	-3.9%	-26.8%	12.3%	9.3%
Solvability					
Current Ratio (x)	6.0	7.2	7.0	6.1	5.7
Quick Ratio (x)	3.1	3.9	4.0	3.7	3.7
Debt to Equity (x)	0.4	0.3	0.3	0.3	0.3
Interest Coverage (x)	15.0	13.9	19.3	19.3	19.7

Source: Company, Shinhan Sekuritas Indonesia

PT Charoen Pokphand Indonesia Tbk (CPIN)

CPIN – Lasting positive turnaround

Billy Ibrahim Djaya

- Maintain the double-digit growth performance.** CPIN booked revenue of IDR 43.4trn (+15.5% YoY) in 9M22, mainly driven by the Broiler segment of IDR 24.1trn (+27.2% YoY). The robust achievement was thanks to the higher price of Live birds in 3Q22 at the average of IDR 18,763 per kg (+10.8% YoY), which also boost the Broiler margin to 2.5% in 9M22 (vs -6.1% in 9M21). However, the DOC segment was down to IDR 1.1trn (-29.8% YoY) after the ASP declined to IDR 5,243 per kg (-2.3% YoY) due to continuing oversupply condition in the market amid the lack of culling instruction from the government. The company also benefited from declining corn price to USD 678 per bushel (-8.9% QoQ) in 3Q22 which brings the gross profit to IDR 6.9trn (+16.0% YoY). The bottom line also remains solid at IDR 3.2trn (+19.1% YoY) as operating expense growth was relatively stable to IDR 2.7trn (+10.2% YoY) amid cost efficiency.

- Limitation of GPS import quota to address the oversupply condition.** Currently, the Live birds ASP averaging at IDR 19,386 per kg, still lower than the production cost of IDR 21,000 due to excess supply. The current population of chickens is the result of GPS imports two years ago. Therefore, GPS imports must be regulated to control the Broiler population in Indonesia. Quota allocation for importing grandparent stock (GPS) has been reduced since 2020 to 675,999. However, during the pandemic, Indonesia's poultry meat consumption per capita also decline from 12.13 kg to 8.1 kg, resulting in a 473,403 ton surplus of broiler. Given the lower GPS import quota and the increase of chicken consumption per capita in line with the recovery of economic activity, we estimated a balance of supply and demand in FY23F to bring the top and bottom line to IDR 63.8trn (+6.0% YoY) and IDR 4.9trn (+13.9% YoY).

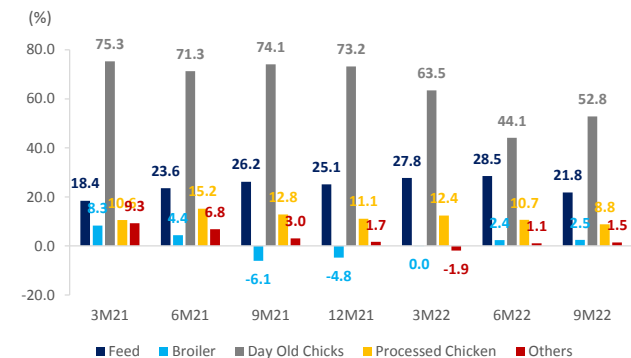
- Processed chicken gaining traction.** The buying intention for frozen foods pick up during the Covid-19 restriction which triggered the demand for processed chicken. CPIN's revenue contribution from this segment reach above 10% in FY19 and still growing solidly to 14.4% in 9M22. The expansion in the downstream business is supported by its leading brand Fiesta. CPIN also secured a contract with a Singapore importer to supply 1,000 tons of processed chicken. The new market will provide sustainable growth going forward.

- Valuation.** On the back of the rebound in the Broiler segment, more balance demand and supply conditions, as well as declining raw material cost to support better profitability, we maintain our Buy rating on CPIN with a TP of IDR 6,800 per share. Our TP reflects 22.6x FY23F P/E.

Current Price (IDR) (4/2)	5,850
Target price (IDR)	6,800
Upside/Downside (%)	16.2%
52 Week High (IDR)	6,475
52 Week Low (IDR)	4,800
Major Shareholders:	
Charoen Pokphand Indonesia Group	55.53%
Public	44.47%

Year To Dec.	Revenue (Bn IDR)	NP (Bn IDR)	EPS (IDR)	PER (x)	PBV (x)
2016	36,965	917	78	18.7	1.5
2017	44,878	2,023	174	8.4	1.3
2018	49,582	1,826	157	9.3	1.2
2019	54,643	2,232	192	7.6	1.1
2020	57,043	2,427	209	7.0	0.9

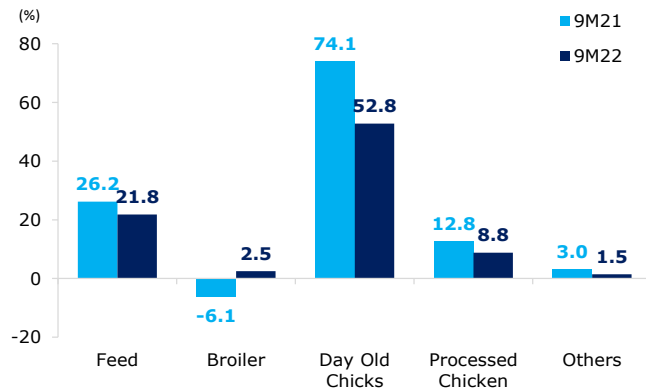
Margin improvement driven by higher Broiler profitability



Source: Company, Shinhan Sekuritas Indonesia

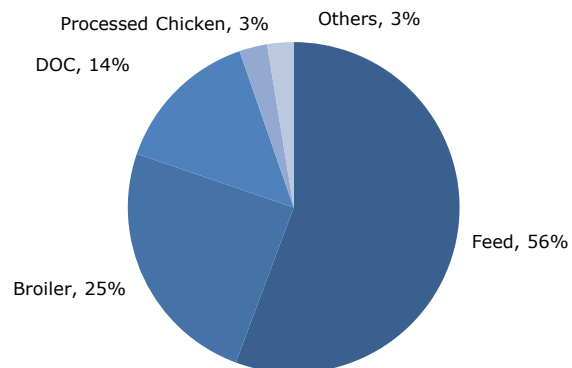
CPIN – Lasting positive turnaround

Profit margin by segments



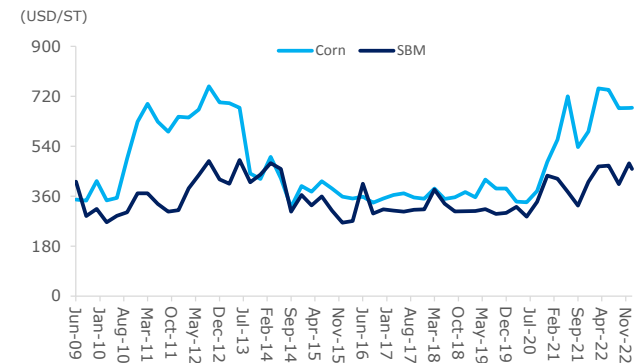
Source: Company, Shinhan Sekuritas Indonesia

Revenue breakdown in 9M22



Source: Company, Shinhan Sekuritas Indonesia

Input cost began to decline since 2H22



Source: Bloomberg, Shinhan Sekuritas Indonesia

CPIN Forward P/E Band



Source: Bloomberg, Shinhan Sekuritas Indonesia

CPIN – Lasting positive turnaround

Income statement

Year-end 31 Dec (Rp bn)	2020	2021	2022F	2023F	2024F
Sales	42,519	51,698	60,198	63,791	65,248
COGS	-34,264	-43,559	-50,131	-52,767	-53,052
Gross Profit	8,255	8,139	10,067	11,024	12,197
EBITDA	6,146	5,916	7,096	7,922	8,439
Operating Expense	3,117	3,204	4,038	4,248	4,964
Operating Profit	5,138	4,934	6,030	6,775	7,233
Pre-Tax Profit	4,768	4,634	5,529	6,245	6,691
Income Tax - Net	-922	-1,015	-1,200	-1,312	-1,338
Net Profit	3,842	3,621	4,330	4,934	5,353
EPS (Rp)	234	221	264	301	326

Source: Company, Shinhan Sekuritas Indonesia

Balance sheet

Year-end 31 Dec (Rp bn)	2020	2021	2022F	2023F	2024F
Assets					
Cash and Equivalent	2,678	1,803	5,031	6,630	11,037
Receivables	1,841	1,794	1,806	1,914	1,957
Inventories	8,351	11,588	12,533	10,553	7,958
Others	662	530	903	957	979
Total Current Assets	13,532	15,715	20,273	20,054	21,930
Net Fixed Assets	14,494	16,256	18,556	20,397	21,778
Other Assets	3,133	3,475	3,614	3,760	3,913
Total Assets	31,159	35,446	42,444	44,211	47,622
Liabilities and Equities					
Payables	2,493	2,402	2,408	2,552	2,610
Other Short-Term Liabilities	2,864	5,434	8,127	8,612	8,809
Total Current Liabilities	5,356	7,836	10,535	11,163	11,418
LT. Debt	1,612	1,358	3,059	1,237	1,181
Other Long-Term Liabilities	841	1,102	1,102	1,102	1,102
Total Long-Term Liabilities	2,453	2,460	4,161	2,339	2,283
Total Liabilities	7,810	10,296	14,696	13,503	13,702
Minority Interest	17	15	15	15	15
Shareholders' Equity	23,350	25,150	27,748	30,708	33,920
BVPS (Rp)	1,424	1,534	1,692	1,873	2,069

Source: Company, Shinhan Sekuritas Indonesia

Cashflow analysis

Year-end 31 Dec (Rp bn)	2020	2021	2022F	2023F	2024F
CFs from Operation					
Net Profit	3,842	3,621	4,330	4,934	5,353
Change in Working Capitals	1,003	-1,499	-2,961	-2,487	-2,567
CFs from Operation	4,846	2,122	1,369	2,446	2,785
CFs from Investments	-1,806	-2,819	-2,440	-1,987	-1,534
CFs from Financing Activities	-2,330	-316	1,701	-1,822	-56
Net Inc./(Dec.) in Cash	716	-875	3,228	1,598	4,407
Cash at End Period	2,678	1,803	5,031	6,630	11,037

Source: Company, Shinhan Sekuritas Indonesia

Key ratio analysis

Year-end 31 Dec (Rp bn)	2020	2021	2022F	2023F	2024F
Profitability					
Gross Margin	19.4%	15.7%	16.7%	17.3%	18.7%
Operating Margin	12.1%	9.5%	10.0%	10.6%	11.1%
EBITDA Margin	14.5%	11.4%	11.8%	12.4%	12.9%
Net Income Margin	9.0%	7.0%	7.2%	7.7%	8.2%
ROAA	12.7%	10.9%	11.1%	11.4%	11.7%
ROAE	17.4%	14.9%	16.4%	16.9%	16.6%
Growth					
Revenue	0.0%	21.6%	16.4%	6.0%	2.3%
Operating Profit	3.9%	-4.0%	22.2%	12.4%	6.8%
EBITDA	5.7%	-3.7%	20.0%	11.6%	6.5%
Net Income	5.4%	-5.8%	19.6%	13.9%	8.5%
Solvency					
Current Ratio (x)	2.5	2.0	1.9	1.8	1.9
Quick Ratio (x)	1.0	0.5	0.7	0.9	1.2
Debt to Equity (x)	0.3	0.4	0.5	0.4	0.4
Interest Coverage (x)	11.6	15.0	10.9	11.5	12.0

Source: Company, Shinhan Sekuritas Indonesia

PT Japfa Comfeed Indonesia Tbk (JPFA)

JPFA – Stable margin on favourable outlook

Billy Ibrahim Djaya

- **Feed margin as the backbone.** Top line achievement managed to grow to IDR 36.8trn (+12.2% YoY) in 9M22, thanks to the company's core business segment. The animal feeds as the bulk of revenue recorded a contribution of IDR 23.5trn (+12.7% YoY), accounting for 45.1% of total revenue, with a profit margin of 18.9% (vs 16.1% in 9M21). The profitability improvement was attributable to normalizing input costs from declining corn prices while soybean meal price remain fluctuated at a relatively high level. Meanwhile, the Commercial Farm segment posted revenue of IDR 16.9trn (+14.7% YoY) but recorded a loss and the Poultry Breeding segment's flattish revenue at IDR 5.3trn (+1.1% YoY) with a profit margin of 51.6% (vs 71.0% in 9M21).

- **Expecting stable margin through risk mitigation.** JPFA faced challenges from the fluctuation of raw material prices such as corn and soybean, representing more than 70% of raw material used, which affected profitability. The company is able to pass through higher input costs through feed products price adjustment, given its position as the second largest poultry feed producer with a market share of 21%, but we are of the view that it will be limited in FY23F considering the lingering risk of accelerated inflation. The optimization and expansion of silos will be the key to supporting its corn procurement. Aggressive investments to increase the capacity of its corn silo is estimated to support stable margin and future growth. Moreover, capex allocation for the construction of corn dryers, chicken slaughterhouses, and cold storage is also expected to support the consumer product segments. Therefore, we estimated the operating profit margin to remain stable and slightly improve to 6.9% in FY23F from forecasted revenue of IDR 54.6trn (+10.2% YoY), while the net profit margin is projected to reach 4.4%.

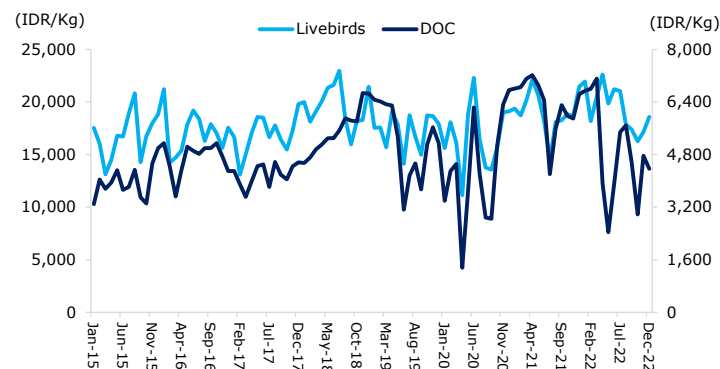
- **Resilient demand despite Live birds and DOC price volatility.** We expect domestic demand remains robust in FY23F ahead of the election year and even accelerated in 2H23. Election-related spending from the government to boost the economy and support purchasing power, while inflationary pressure is also estimated to peak in 1H23. JPFA will be the beneficiary of improving macro backdrop and the pick up in consumption as the increase in sales volume will outweigh price volatility.

- **Valuation.** On the back stable core business profitability, positive consumption outlook, along with healthy balance sheet which provide the flexibility for further expansion, we maintain our Buy rating on JPFA with a TP of 1,900 per share. Out TP reflecting 9.9x FY23F TP or below the 5-year historical mean of 10.9x.

Current Price (IDR) (2/4)	1,340
Target price (IDR)	1,900
Upside/Downside (%)	41.8%
52 Week High (IDR)	1,710
52 Week Low (IDR)	1,215
Major Shareholders:	
Japfa Ltd	55.43%
Public	43.66%

Year To Dec.	Revenue (Bn IDR)	NP (Bn IDR)	EPS (IDR)	PER (x)	PBV (x)
2020	36,965	917	78	18.7	1.5
2021	44,878	2,023	174	8.4	1.3
2022F	49,582	1,826	157	9.3	1.2
2023F	54,643	2,232	192	7.6	1.1
2024F	57,043	2,427	209	7.0	0.9

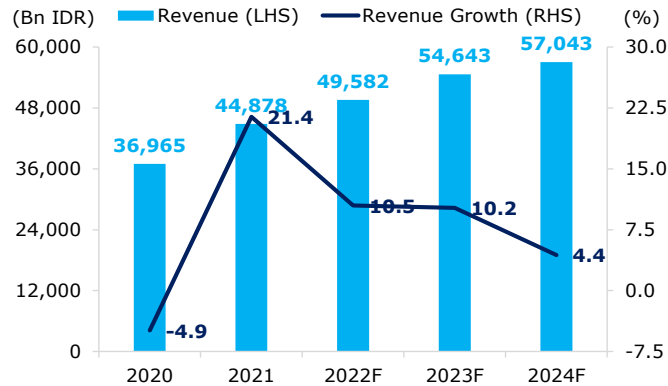
Live birds and DOC monthly average prices in West Java



Source: Company, Shinhan Sekuritas Indonesia

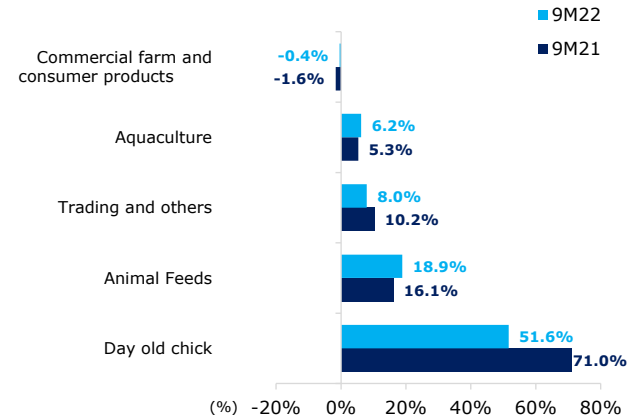
JPFA – Stable margin on favourable outlook

JPFA revenue projection



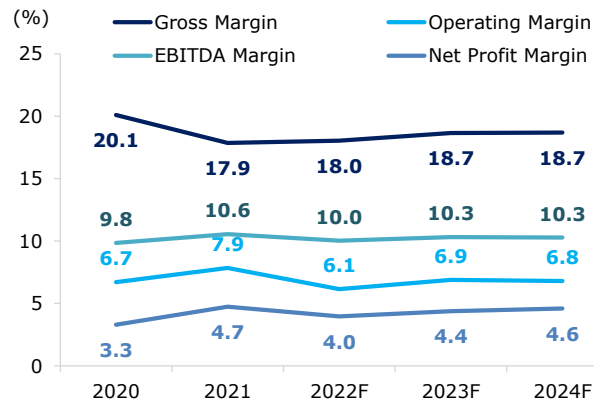
Source: Company, Shinhan Sekuritas Indonesia

Profit margin by segments



Source: Company, Shinhan Sekuritas Indonesia

Profitability Trend



Source: Company, Shinhan Sekuritas Indonesia

JPFA Forward P/E Band



Source: Company, Shinhan Sekuritas Indonesia

JPFA – Stable margin on favourable outlook

Income statement

Year-end 31 Dec (Rp bn)	2020	2021F	2022F	2023F	2024F
Sales	36,965	44,878	49,582	54,643	57,043
COGS	29,536	36,858	40,633	44,447	46,375
Gross Profit	7,429	8,020	8,949	10,195	10,669
EBITDA	3,639	4,740	4,973	5,638	5,865
Operating Expense	-4,794	-4,798	-5,900	-6,425	-6,789
Operating Profit	2,635	3,222	3,048	3,771	3,880
Pre-Tax Profit	1,679	2,794	2,735	3,326	3,637
Income Tax - Net	-457	-663	-766	-931	-1,018
Net Profit	917	2,023	1,826	2,232	2,427
EPS (Rp)	78	174	157	192	209

Source: Company, Shinhan Sekuritas Indonesia

Balance sheet

Year-end 31 Dec (Rp bn)	2020	2021F	2022F	2023F	2024F
Assets					
Cash and Equivalent	1,336	1,085	3,868	5,118	8,511
Receivables	1,880	2,429	2,579	2,842	3,027
Inventories	7,988	10,356	10,971	11,556	11,594
Others	541	291	620	772	715
Total Current Assets	11,745	14,161	18,037	20,288	23,847
Net Fixed Assets	12,303	11,510	12,172	12,255	11,731
Other Assets	1,904	2,919	3,118	3,274	3,438
Total Assets	25,952	28,590	33,327	35,817	39,016
Liabilities and Equities					
Payables	4,722	3,030	5,206	6,557	7,416
Other Short-Term Liabilities	1,286	4,034	5,826	5,561	6,202
Total Current Liabilities	6,008	7,064	11,032	12,118	13,617
LT. Debt	6,819	7,132	6,745	6,379	6,033
Other Long Term Liabilities	1,713	1,291	1,291	1,291	1,291
Total Long-Term Liabilities	8,532	8,423	8,036	7,670	7,323
Total Liabilities	14,540	15,487	19,068	19,787	20,941
Minority Interest	734	869	(263)	(263)	(263)
Shareholders' Equity	11,412	13,103	14,260	16,030	18,075
BVPS (Rp)	977	1,126	1,226	1,378	1,554

Source: Company, Shinhan Sekuritas Indonesia

Cashflow analysis

Year-end 31 Dec (Rp bn)	2020	2021F	2022F	2023F	2024F
CFs from Operation					
Net Profit	917	2,023	1,826	2,232	2,427
Change in Working Capitals	3,183	-3,633	1,049	-2,146	-1,093
CFs from Operation	4,099	-1,610	2,874	86	1,334
CFs from Investments	-1,981	-222	-862	-239	360
CFs from Financing Activities	-1,795	73	-526	-366	-346
Net Inc./(Dec.) in Cash	477	-101	2,783	1,250	3,393
Cash at End Period	1,336	1,085	3,868	5,118	8,511

Source: Company, Shinhan Sekuritas Indonesia

Key ratio analysis

Year-end 31 Dec (Rp bn)	2020	2021F	2022F	2023F	2024F
Profitability					
Gross Margin	20.1%	17.9%	18.0%	18.7%	18.7%
Operating Margin	6.7%	7.9%	6.1%	6.9%	6.8%
EBITDA Margin	9.8%	10.6%	10.0%	10.3%	10.3%
Net Income Margin	3.3%	4.7%	4.0%	4.4%	4.6%
ROAA	4.6%	7.8%	6.4%	6.9%	7.0%
ROAE	10.5%	17.4%	14.4%	15.8%	15.4%
Growth					
Revenue	-4.9%	21.4%	10.5%	10.2%	4.4%
Operating Profit	-16.0%	22.3%	-5.4%	23.7%	2.9%
EBITDA	-13.2%	30.3%	4.9%	13.4%	4.0%
Net Income	-48.1%	120.6%	-9.7%	22.2%	8.7%
Solvability					
Current Ratio (x)	2.0	2.0	1.6	1.7	1.8
Quick Ratio (x)	0.6	0.5	0.6	0.7	0.9
Debt to Equity (x)	1.3	1.2	1.3	1.2	1.2
Interest Coverage (x)	2.9	4.4	3.7	4.4	5.1

Source: Company, Shinhan Sekuritas Indonesia



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