

MARKET OUTLOOK 2024

Driving business growth in a
dynamic landscape

Shinhan Research Team

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Economic outlook 2024 : **Expecting soft economic growth**

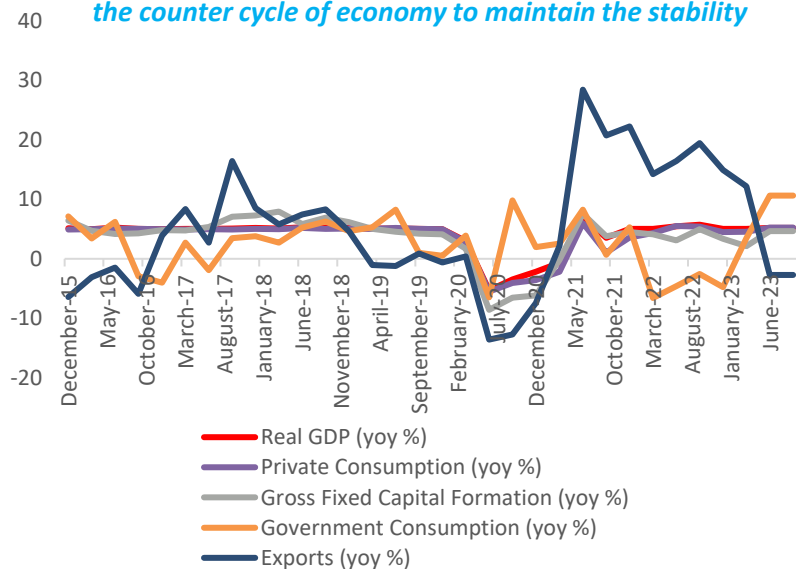
- **Indonesia economy is expected to grow at the range of 5% in 2024 or at the same path compared to 2023.** The aggregate demand growth is projected to come from the household consumption amid the low inflation environment, stable consumer confidence, social assistance and labor growth. The private capital formation or investment is also projected to increase by 5% yoy in 2024 that sourced from domestic investment and also from the foreign direct investment.
- **The investment is estimated to grow at the modest pace in 2024 or at around 4%-5% while the urgency for aggressively increase the capex is not there.** This was seen in the utilization rate that increased to above 75%. The investment cycle in the next couple of quarter is possible while **at the current state the business sector is in the wait and see mode** and maintaining their production and utilization rate that remains enough to anticipate the demand growth in the next 2 years.
- **Narrowing fiscal deficit.** Despite the need of financing is increasing to Rp522tn in 2024 from Rp486tn, the size of deficit is going to stronger with the fiscal deficit to GDP is set to reduce to -2.29% in 2024 from -2.9% in 2023. The narrowing fiscal pressure is also reflected in the primary deficit that estimated to reduce to Rp25.5tn from Rp156tn in 2023. This means that the fiscal discipline is continue while providing the room for growth through infrastructure and social assistance to maintain the buying power.
- **Pressure in rupiah currency is estimated to decline. we expect that in 2024 the trajectory of the Fed Fund rate is expected to change.** The disinflationary process that predicted will bring down the inflation to the Fed's desirable level at around 2% is in progress while the soft lending or slower US growth will be afoot. This will reduce the demand for USD and will make the room for depreciation of the emerging market currency including rupiah to be limited. The commodity price has bottoming amid the geopolitical tension and the stable demand in China due to the government stimulus. This estimated would be positive catalyst for the rupiah equilibrium that estimated will be at the range of Rp.15000/USD.

GDP growth, stability and consumer confidence

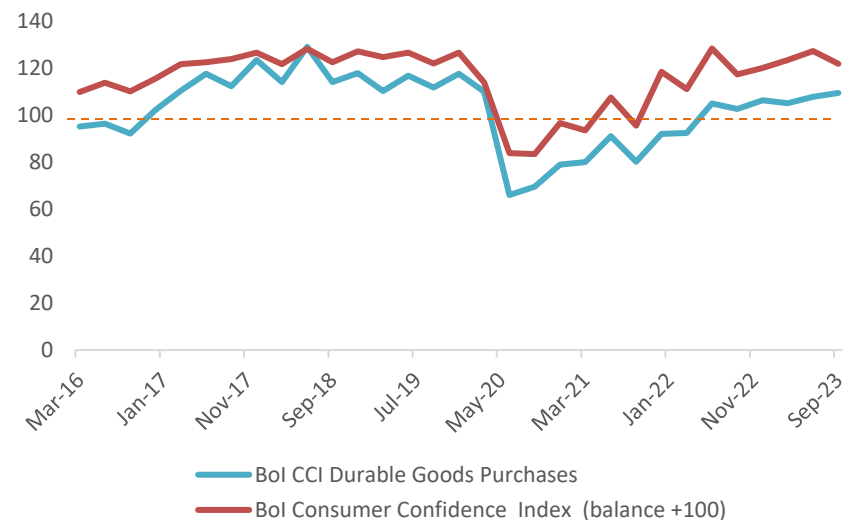
Indonesia economy is expected to grow at the range of 5% in 2024 or at the same path compared to 2023. The aggregate demand growth is projected to come from the household consumption amid the low inflation environment, stable consumer confidence, social assistance and labor growth. The private capital formation or investment is also projected to increase by 5% yoy in 2024 that sourced from domestic investment and also from the foreign direct investment.

Consumer confidence has supported the demand. The consumer confidence is estimated could be maintained and this is reflected in the auto sales as an indicator of the consumer expectation regarding their income and their level of confidence regarding the economy. The resiliency in the demand amid hawkish monetary policy is also seen in the other indicator such as durable goods sales, loan growth, motorcycle sales and cement sales growth. **However in 2024, we see that the possibility of the pivoting in the interest rate is high amid the decelerate inflationary process in regional and also in the global economy.**

GDP growth by demand side. Gov. spending growth as the counter cycle of economy to maintain the stability



Consumer confidence index and durable goods purchase have been improved to expansion level



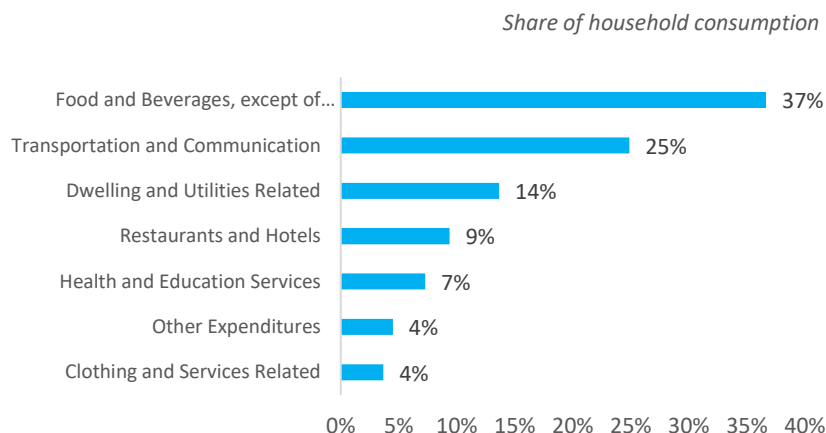
Spending on non food increases which related to the improvement of the middle income segment growth that supported the consumption

About 37% of household spending is allocated for food while 25% is for transportation. The leisure consumption such as hotel and restaurant is spent 9% of total consumption which as a proxy for middle up consumption.

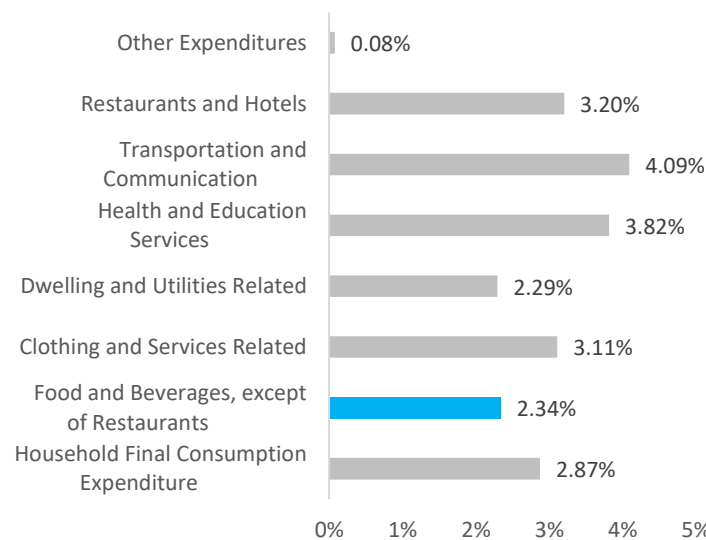
The low inflation environment has supported the purchasing power in food consumption, while the middle up spending for leisure such as hotel and restaurant is related with the consumer confidence level regarding their income stability. In term of growth we noted that the spending for non food recorded as the highest pace of growth especially for **traveling, transportation, hotel and restaurant**. This would be the opportunity for this sector while on the other hand this phenomena describes that the people are willing to spend more on non food which related to the improvement of the middle income segment growth that has supported the consumption. The consumption is also supported by the capacity to spend in the middle low class as reflected in the lower poverty rate to 9.5% from 10% and lower unemployment rate that down to 5.32% along with the social assistance program through out subsidies.

We expect the consumption could increase modestly in 2024 when the GDP is expected to increase in the same path at the range of 5%.

Consumption by type of product

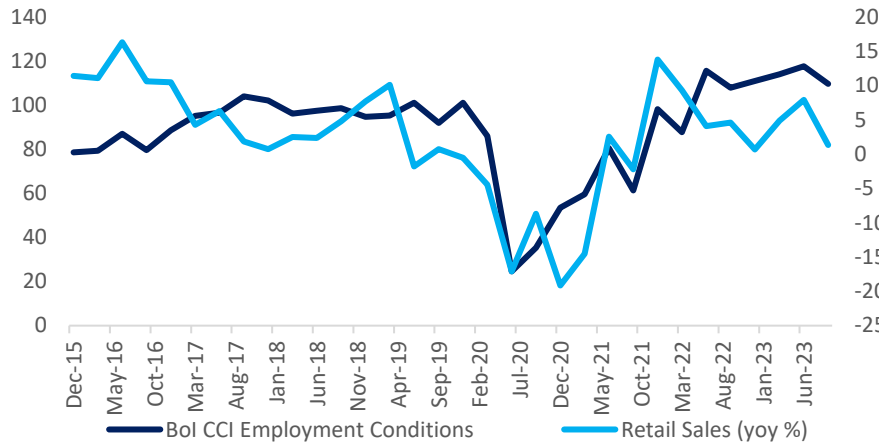


Food and non-food consumption growth



The improvement in employment situation index has contributed to the growth of the consumption that increased cautiously

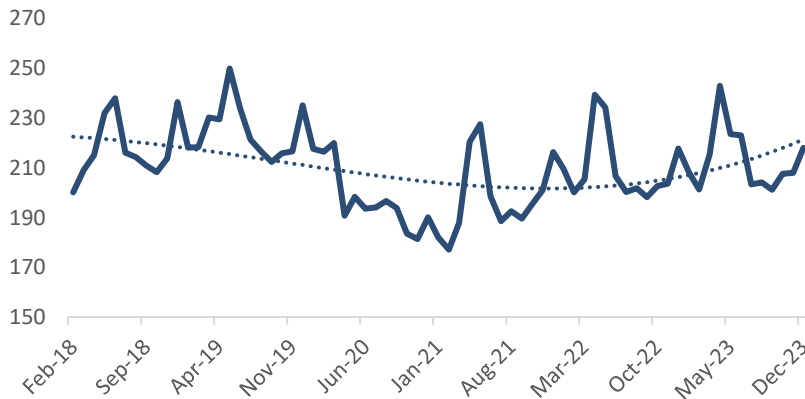
Employment condition and retail sales growth



The consumption in the retail sales was attributed to the improvement of the employment situation index that at the expansion mode in last 2 years. We think that this condition will continue to support the expansion in the retail said.

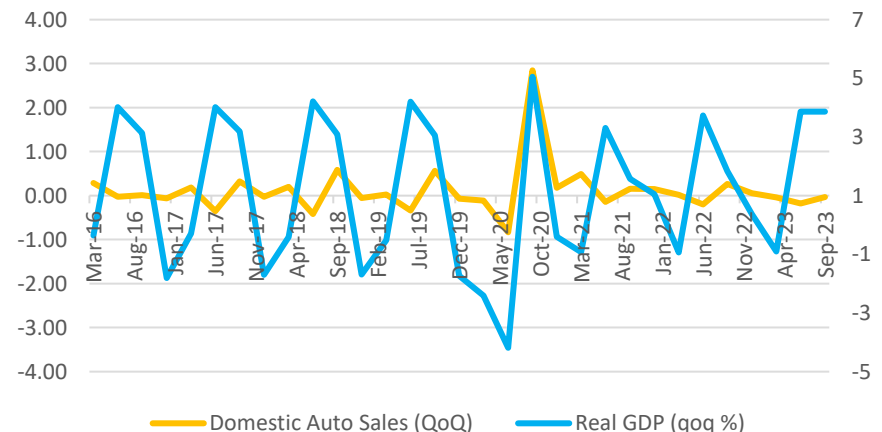
However with the tighter monetary policy by increasing the rate last year, we also saw the expansion of the employment condition to be slower and the household has reduced their spending in the last quarter of last year. The cautious in spending due to the uncertainty in the economy is believed as the factor that would make the consumption growth path in 2024 to be at the modestly path.

Retail sales index



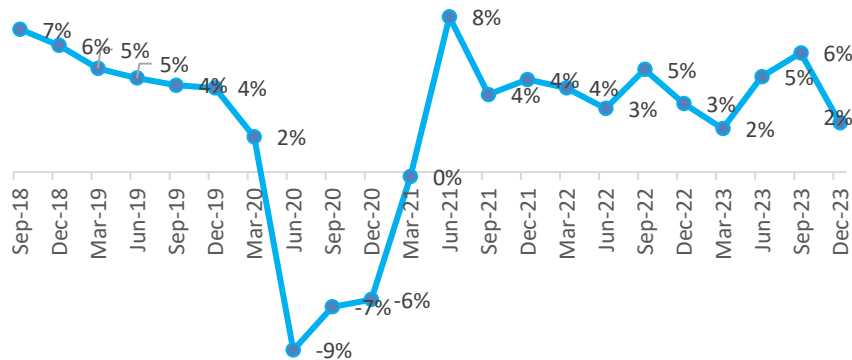
Source: Bloomberg

Loan growth by segment

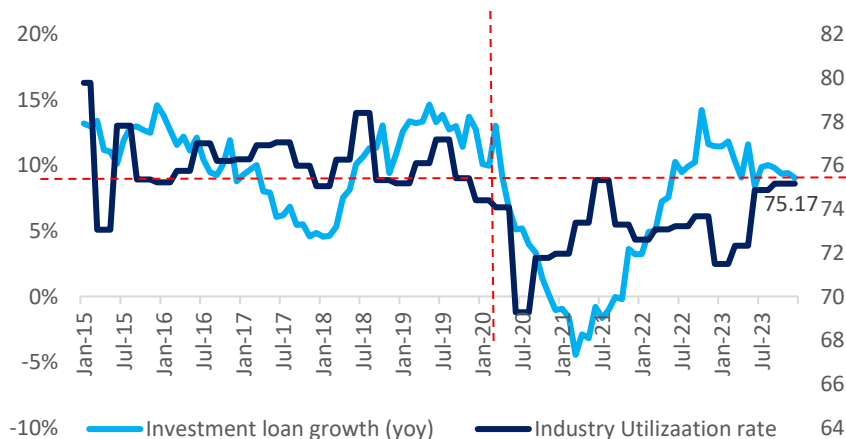


Slower pace in Investment, when the production capacity is still enough

Slower Investment growth (yoy) amid higher interest rate



Utilization rate and investment loan. Slower investment loan amid the ample room in the production capacity.

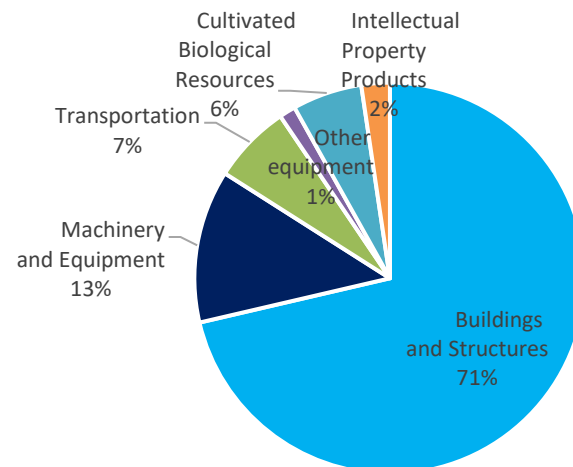


Source: Bloomberg

The investment is estimated to grow at the modest pace in 2024 or at around 4%-5% while the urgency for aggressively increase the capex is not there. This was seen in the utilization rate that has increased to above 75%. The investment cycle in the next couple of quarter is possible while **at the current state the business sector is in the wait and see mode** and maintaining their production and utilization rate that remains enough to anticipate the demand growth in the next 2 years.

Building, structure and machinery was 84% of the total investment spending. The investment in the transportation in last year recorded as the fastest growth that increase by 13% yoy. Rail ways, logistic transportation as the sector that contributes the most in transportation investment.

Investment break down (Building, structure and machinery) as the main item



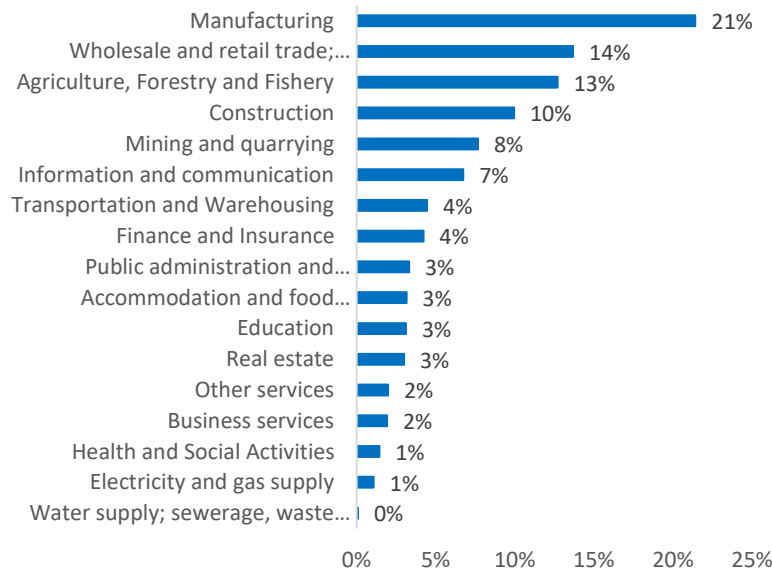
Manufacture, trading and agriculture as the top 3 sector or as the backbone in the GDP structure

Manufacture sector as the sector that contributes 21% of total GDP has increased by 4.9%yoy, followed by the second sector that is trading and wholesales that responsible for 14% of GDP recorded 5.5% yoy growth of economy. The third largest sector in Indonesia is agriculture, forestry and fishery that is 13% of GDP which has picked up by 2.2%yoy.

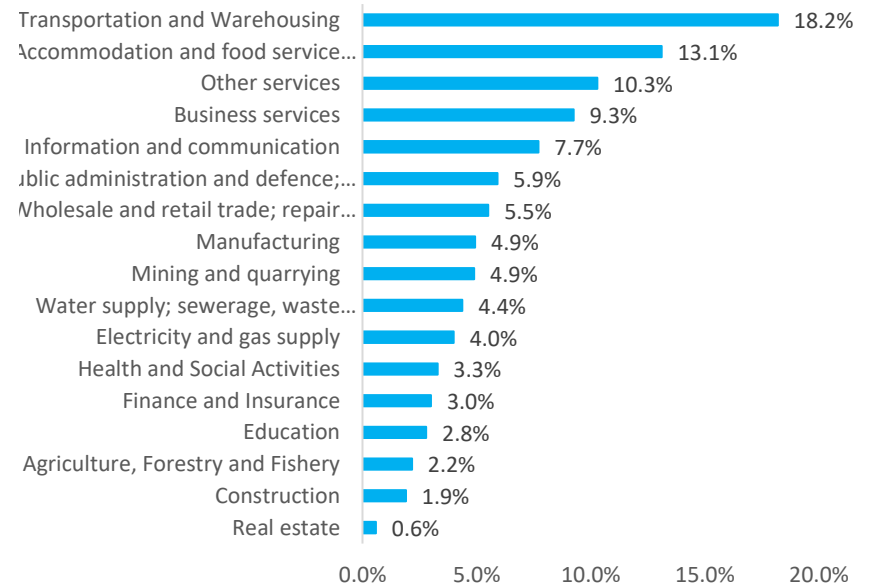
In manufacture sector, food and beverage as the main sector or about 34% of the total manufacture output that support the economy in the supply side followed by 9.3% of botanical product and fabricated metal and electric equipment that also contributed 9.3% of manufacture sector. The growing industry in Indonesia that started to down streaming is predicted would increase the share of manufacture growth in Indonesia.

In Agriculture, plantation as the most contribute of agriculture activity or about 29%, followed by fishery activity that was 19% pf the agriculture activity. The demand in bio diesel, and sea food processing is believed would be the positive catalyst for this sector.

GDP growth by supply side structure composition



Sectoral growth

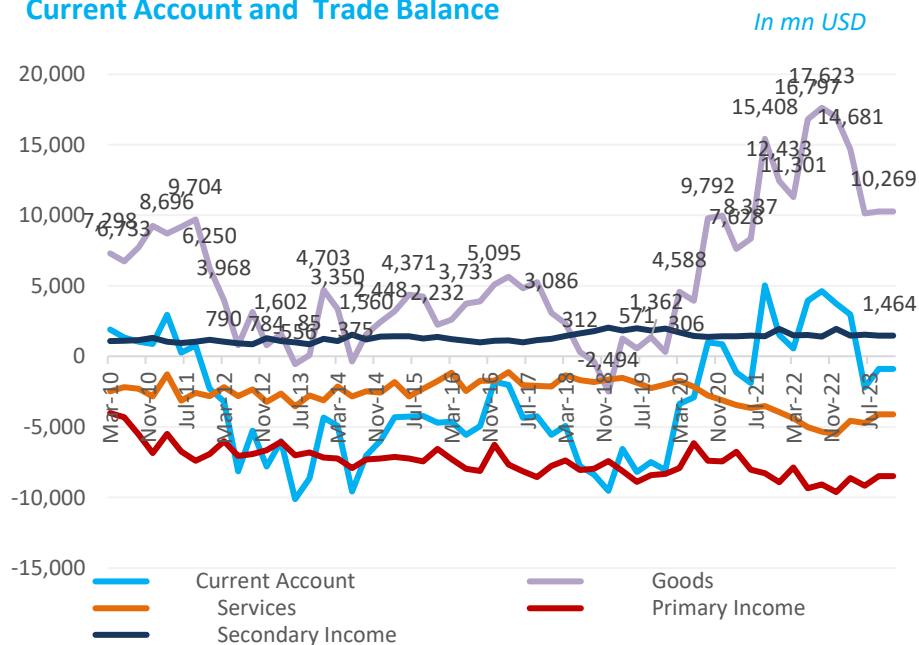


Rupiah demand and supply from Current Account (CA) balance . The trade balance surplus as the back bone for the CA.

Current account deficit as an indicator for demand and supply in USD against rupiah has narrowed to around USD900mn. The positive performance in current account as the result of the trade balance surplus in goods. The trade balance surplus in goods was able to maintain above USD10,000 since Sep'20. Along with the down streaming effort in nickel and electric vehicle industry, the export value added in nickel and metal mining is estimated could contributes to higher level. The fluctuation in trade balance is related to the global demand (economy), commodity price and geopolitical tension related with the commodity. The slower global economy in US and China would reduce the trade surplus.

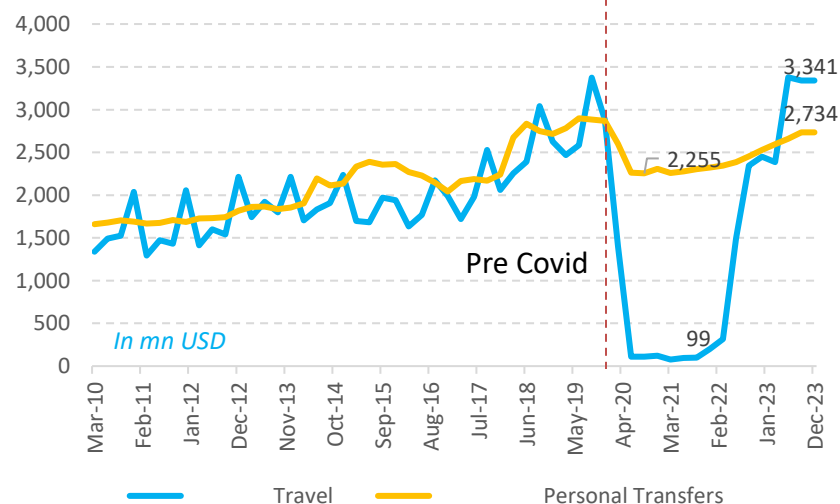
The tourism foreign exchange earning and remittance transfer as the second back bone of the current account balance in Indonesia. The tourism event, tourist arrival and better tourism infrastructure has attract the traveler to visit Indonesia. This has contributed to the better earning for the CA. The remittance or the transfer from the worker outside Indonesia has also support the balance as reflected in the personal transfer at around USD2,735/Quarter. The personal transfer as the source of income for their family in Indonesia that contributed to the better consumption growth,

Current Account and Trade Balance



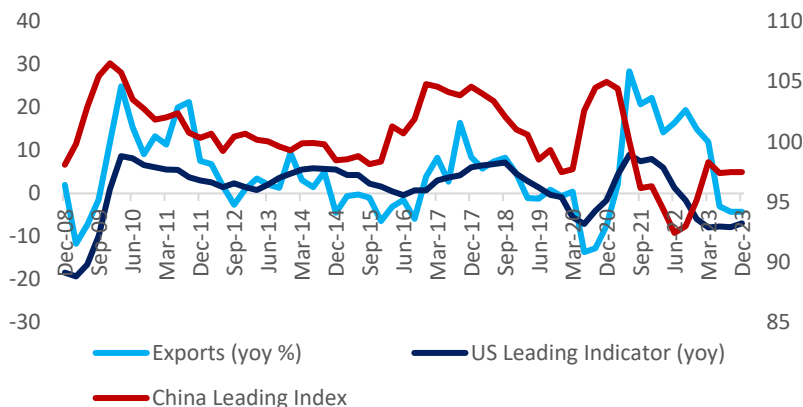
Source: Bloomberg

Travel/Tourism foreign exchange earning and personal transfer (remittance) as the secondary income that support the current account balance



Indonesia export growth is estimated could be at the modest path in 2024

Indonesia Export (yoy), China and US Leading index

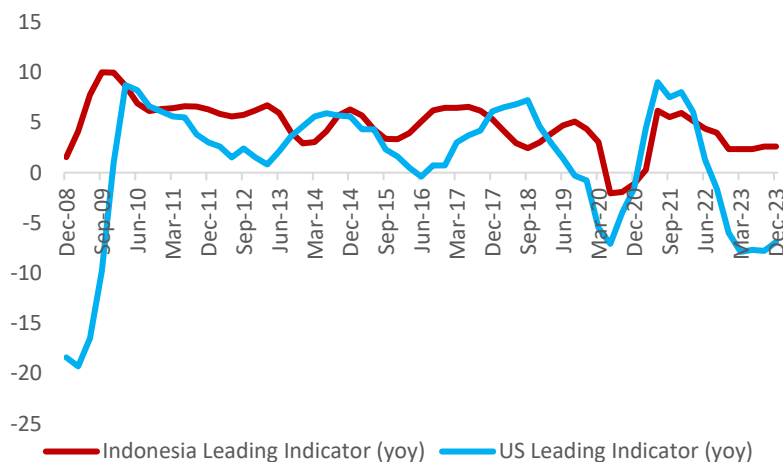


Trade balance is estimated could be maintain at surplus level, on the back of the export growth. However we see that the incremental growth in export side in 2024 is limited due to the expectation of lower US economic growth as captured through the US leading indicator.

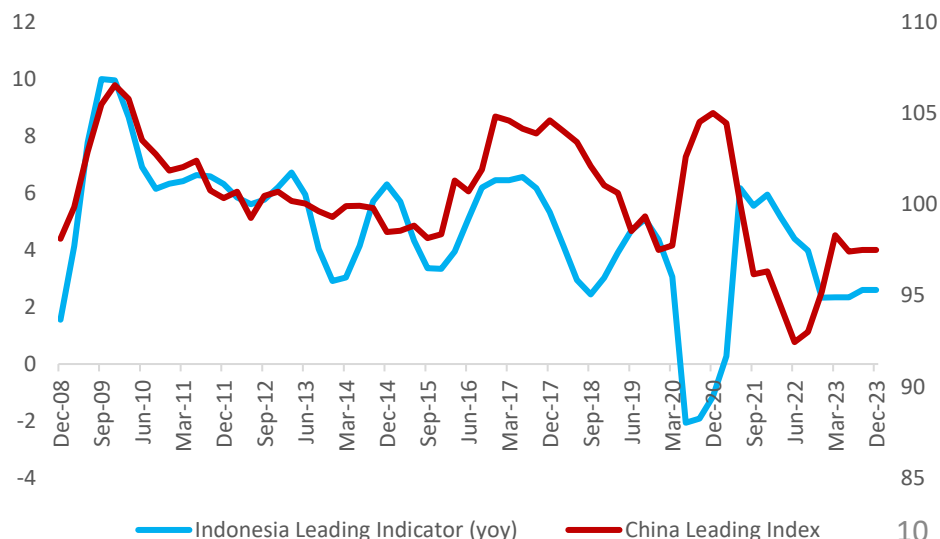
The positive catalyst for export is coming from China. This was seen in the China leading index that keep raising amid the government stimulus. Indonesia export to China was about 25.7% of the total export, while to US was 9.6%, followed by 8.3% to India.

Slower pace of the US leading index is predicted would be translated to the flat growth in Indonesia that estimated at around 4.8% to 5.1%.

Indonesia leading index and US leading index

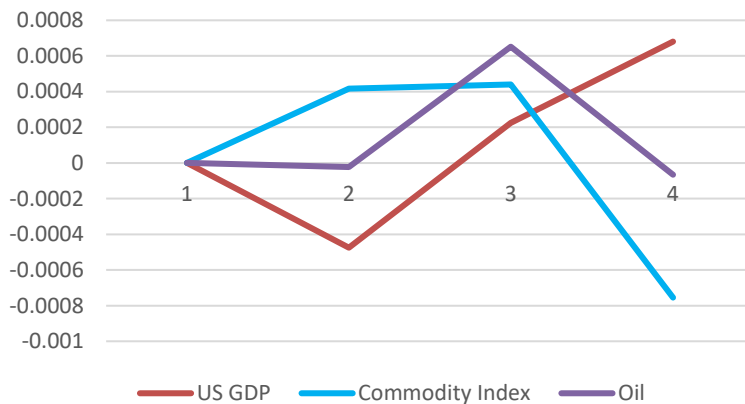


Indonesia and China leading index



Indonesia growth (*Impulse reaction Function*) to the commodity price, China and US growth

Indonesia Export (yoy), China and US Leading index



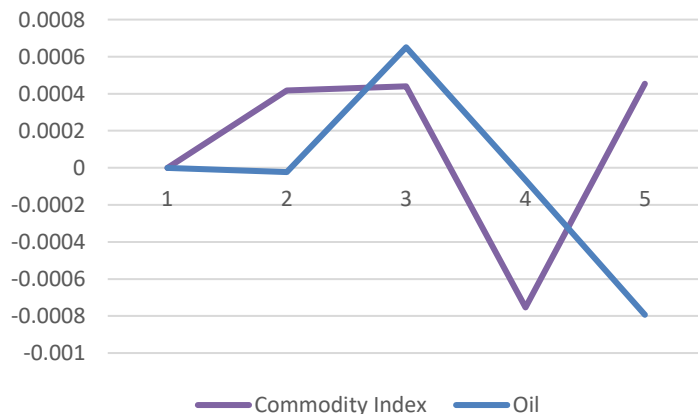
We simulate the impact of the global economy to Indonesia growth path through the trading channel by using the US and China economic growth and its impact to the Indonesia economy.

By using the impulse reaction function we found that the shock in China growth by 1% will increase the Indonesia export and also Indonesia GDP growth by 0.03% accumulatively in the next 4 quarter. The implication is by estimating the China stimulus could spur the growth than this could be the positive catalyst for Indonesia.

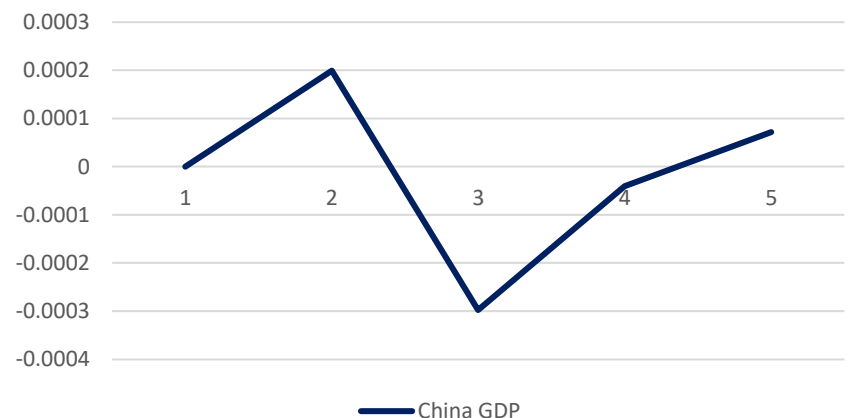
The highest positive impact on Indonesia economy is if the commodity increase by 1% that the Indonesia GDP will increase in the next 3 quarter by

Slower pace of the US leading index is predicted would be translated to the flat growth in Indonesia that estimated at around 4.8% to 5.1%.

Indonesia leading index and US leading index

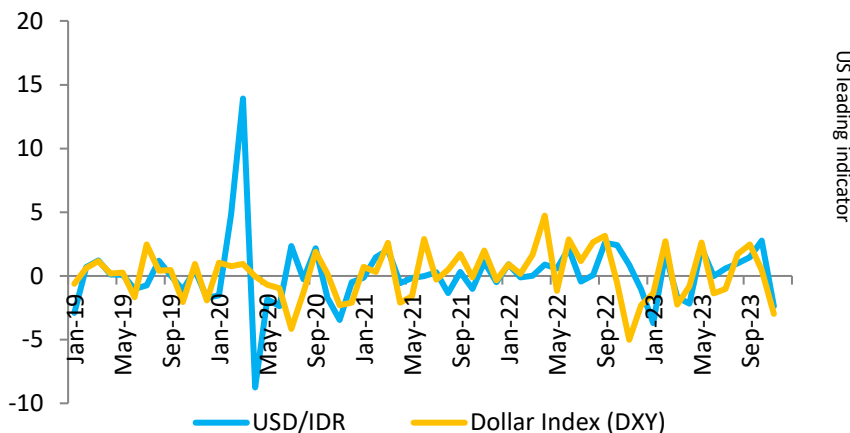


Indonesia and China leading index



Rupiah , commodity price, dollar index and the fed trajectory

Rupiah (q0Q) and US Dollar Index (QoQ)

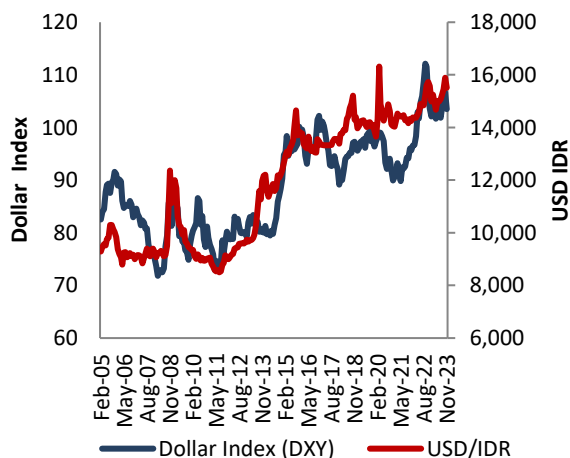


The rupiah has depreciated in 2023 along with the stronger US dollar as seen in the US dollar index that represent the global demand and supply against USD. The appreciation of the USD is related to the hawkish tone of the US monetary policy that keep increasing the interest rate more than the market expectation.

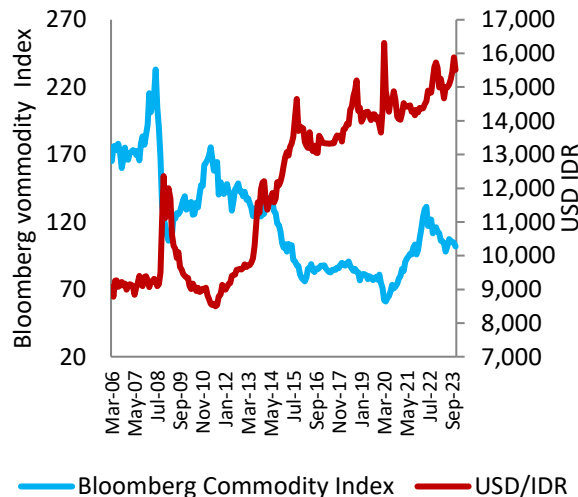
However we see, we expect that in 2024 the trajectory of the Fed Fund rate is expected to change. The disinflationary process that predicted will bring down the inflation to the Fed's desirable level at around 2% is in progress while the soft landing or slower US growth will be afoot. This will reduce the demand for USD and will make the room for depreciation of the emerging market currency including rupiah to be limited.

The commodity price has bottoming amid the geopolitical tension and the stable demand in China due to the government stimulus. This estimated would be positive catalyst for the rupiah equilibrium that estimated will be at the range of Rp.15000/USD.

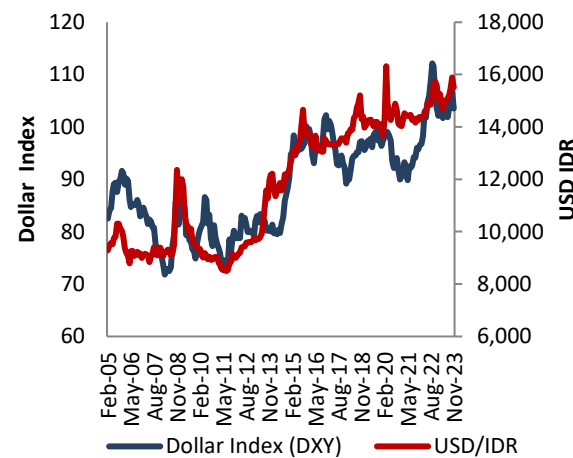
Rupiah and dollar index (in level)



Rupiah and commodity price



Rupiah and Dollar Index



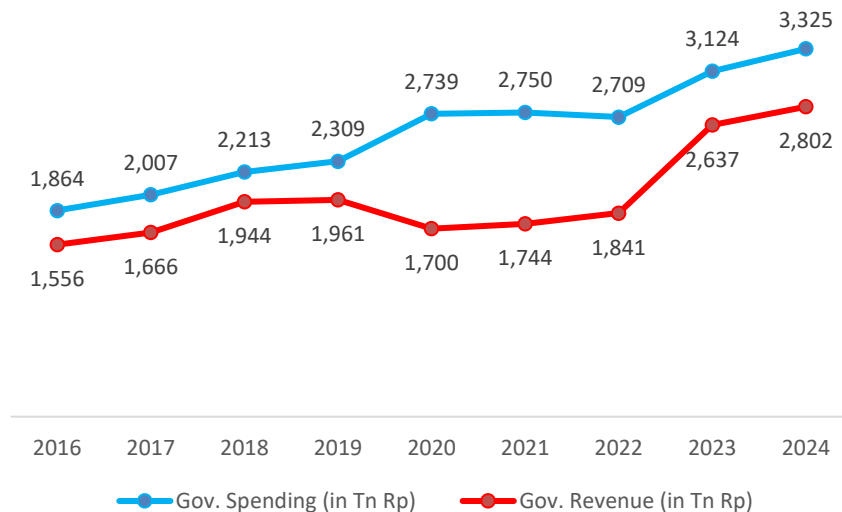
Bond market outlook 2024

- **The disinflationary process in US will takes time while the progress toward the desirable level at around 2% is on progress.** The impact of accumulative high interest rate to hold the economic activity from overheating has been seen in the slower leading economic activity. This will makes the US GDP to record at below 1.3% or below 2% while the unemployment is expected to slight higher and the wage is projected to expand at slower pace. This will translated to the expectation of pivoting US monetary policy stance to relax the interest rate and its monetary policy. The expectation of lower Fed Fund Rate in 2024 as the positive catalyst for rupiah and also for Indonesia bond yield that will have a room to move lower. We expect that the 10yr yield is possibly to fluctuate at around 6.5% to 7%.
- **Indonesia bond yield is remain attractive compared to the several countries due to the monetary policy mix that at the hawkish tone to maintain the inflation at the manageable level.** This was as the preemptive movement from the central bank to anticipate the uncertainty in the global market that made a volatility in the market. This policy has reflected in the lower inflation and manageable rupiah volatility to avoid an excessive foreign capital outflow in the bond market.
- **Positive real yield.** The low inflation that at 2.86% is another factor that has supported the attractiveness of the real yield to reduce the foreign outflow amid the uncertainty regarding the trajectory of the US Fed Fund Rate.
- **The bond supply to fund the fiscal deficit is believe could be absorbed by the market without creating an excessive pressure** in the price since the demand for the bond market and the liquidity from external side is estimated will increase along with the outlook of the Fed Fund Rate to change its monetary stance.

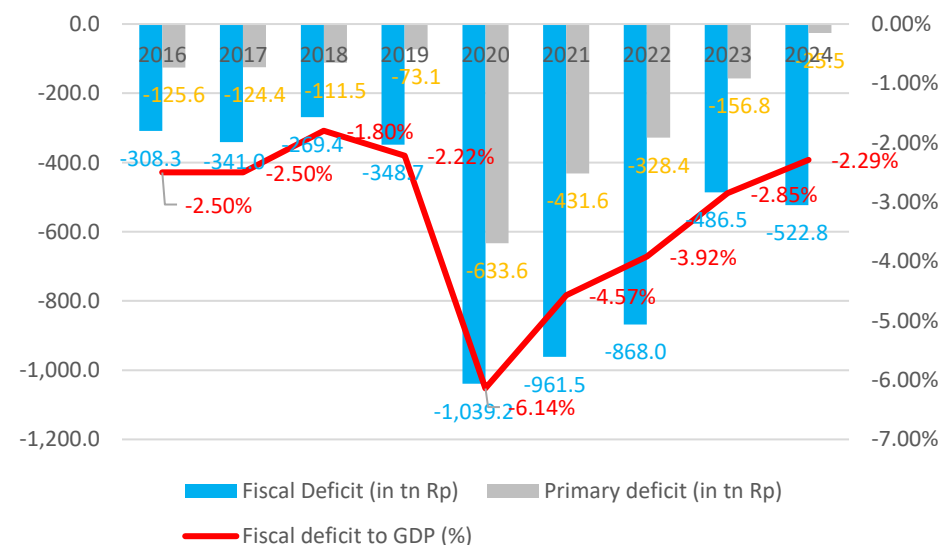
Narrowing the fiscal gap has eased the fiscal pressure amid the uncertainty

Despite the need of financing is increasing to Rp522tn in 2024 from Rp486tn, the size of deficit is going to stronger with the fiscal deficit to GDP is set to reduce to -2.29% in 2024 from -2.9% in 2023. The narrowing fiscal pressure is also reflected in the primary deficit that estimated to reduce to Rp25.5tn from Rp156tn in 2023. This means that the fiscal discipline is continue while providing the room for growth through infrastructure and social assistance to maintain the buying power. By expecting the economic growth at the range of 5% yoy and reducing fiscal deficit ratio to GDP , we expect that the market could absorb the new bond supply without deteriorating the yield. This is because of the supporting factor from external side especially from foreign investor is project to improve, couple with the improving of domestic saving and liquidity as the source of the domestic financing. **The manageable inflation and lower fiscal risk as the necessary condition for the bond price to appreciate in 2024.**

Narrowing fiscal deficit post-pandemic



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



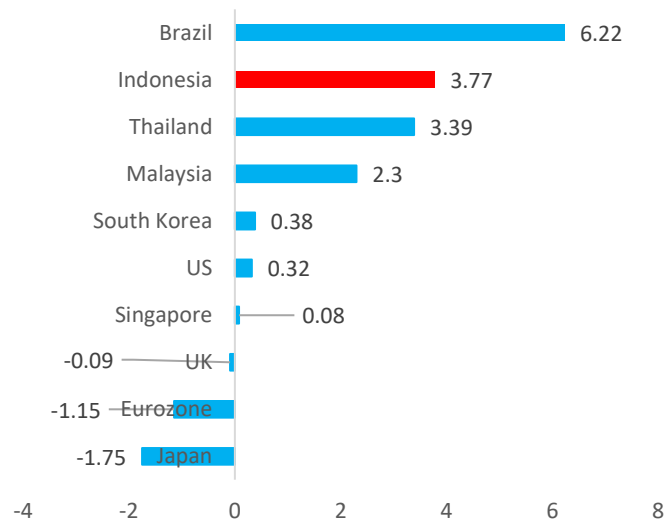
Ample real yield spread to maintain the stability in rupiah as well as in the bond market

Indonesia bond yield is remain attractive compared to the several countries due to the monetary policy mix that at the hawkish tone to maintain the inflation at the manageable level. This was as the preemptive movement from the central bank to anticipate the uncertainty in the global market that made a volatility in the market.

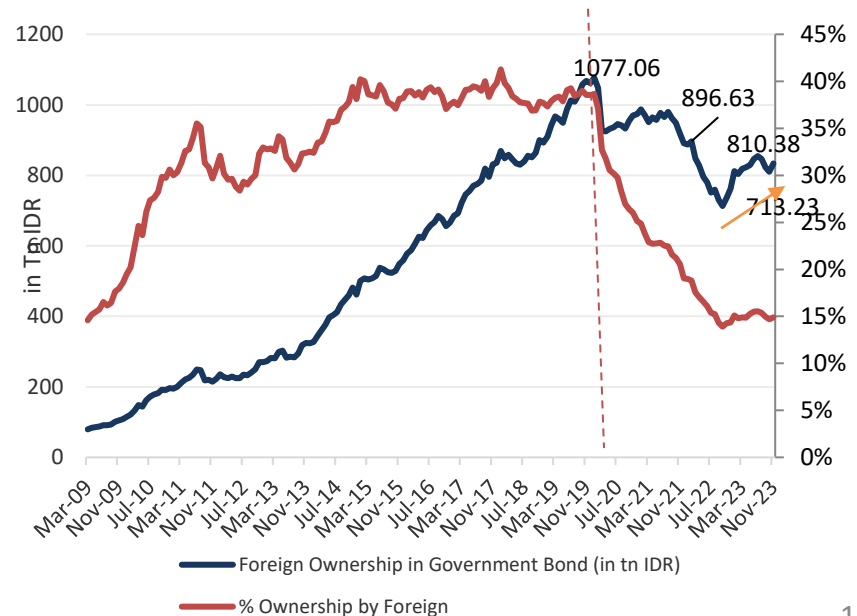
The low inflation that at 2.86% is another factor that has supported the attractiveness of the real yield to reduce the foreign outflow amid the uncertainty regarding the trajectory of the US Fed Fund Rate.

The combination of the manageable inflation and the hawkish monetary policy has also supported the rupiah exchange rate from the further pressure. **The rupiah remain relatively resilient against the dollar in 2023 compared to the other country. The improvement of the foreign ownership in bond market has been seen since the last 14 month and expected to improve further depend on the US monetary tone this year. The possibility of higher foreign ownership is wider if the Fed start to change their policy.**

Manageable inflation and monetary policy mix offering attractive yield

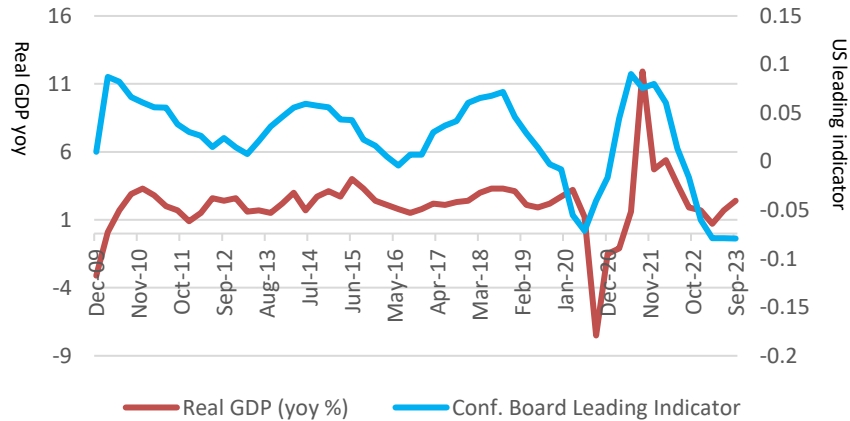


Manageable inflation and monetary policy mix offering attractive yield



US GDP is estimated to posted a lower or below 2% due to the accumulative interest rate

US Real GDP and leading indicator



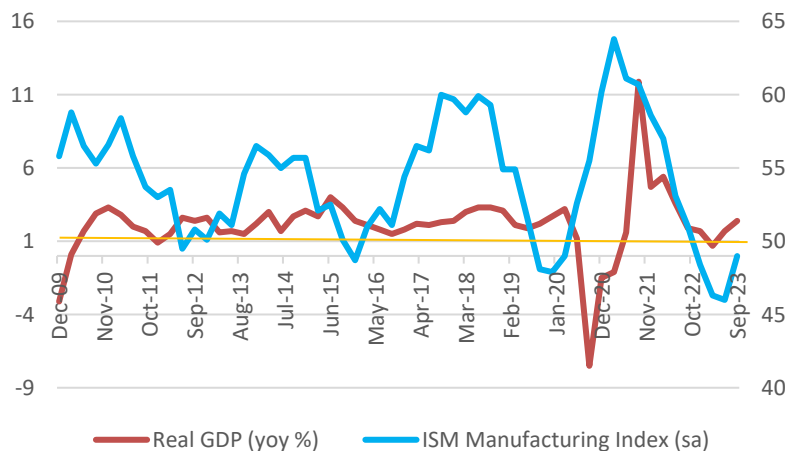
The accumulative interest rate hike that has increased the cost of credit is estimated will bring the US GDP in 2024 to fluctuate at the lower growth at below 2% or somewhat at 1.3%.

The US leading economic indicator has also confirmed this expectation that remained at downward trend. This means that the economic in the next couple of quarters will be at the slower pace.

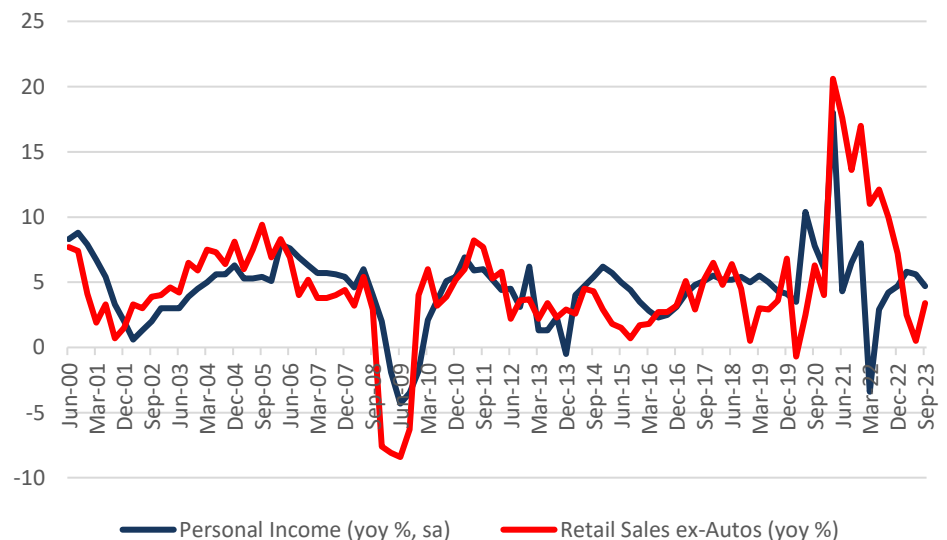
Despite the US economic was resilience however the slower pace in 2024 was likely as seen in the ISM manufacture index that slightly below 50.

The soft landing scenario is likely amid the labour market that remained tight, meaning that the spending and the consumer income remained support the economic. However the slower pace of personal income has been seen which support the sub par growth in 2024.

US real GDP (LHS) and US ISM manufacture index(RHS)

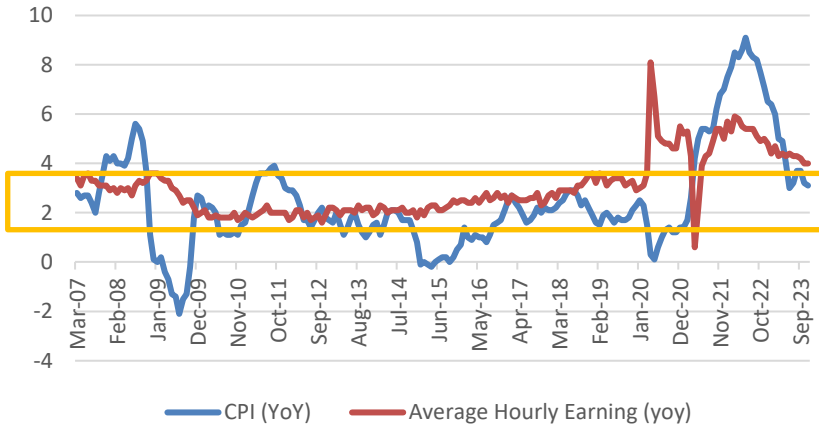


Slower pace of retail sales and personal income growth

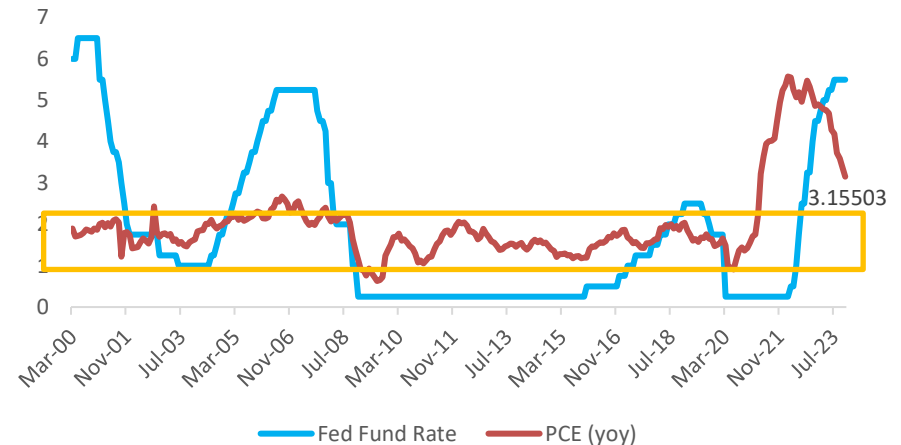


Fed Fund Rate, inflation, wages and economic growth. The pivoting in 2024 is possible

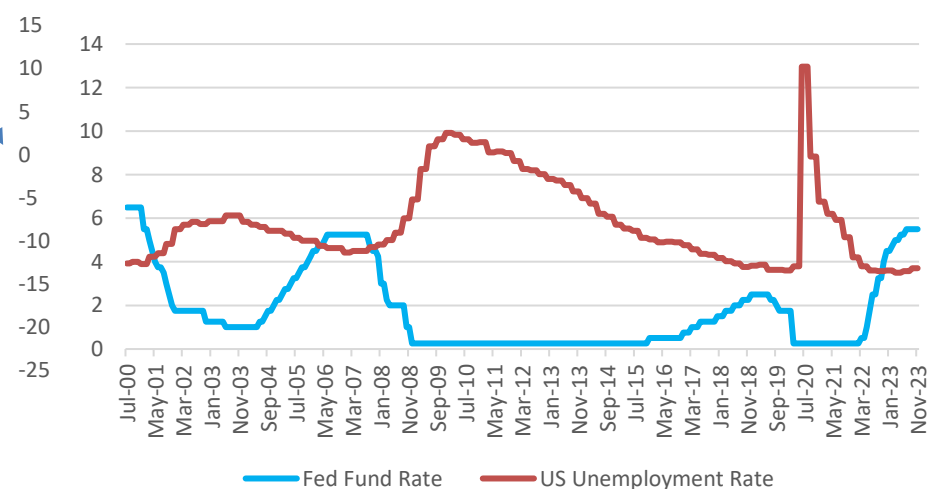
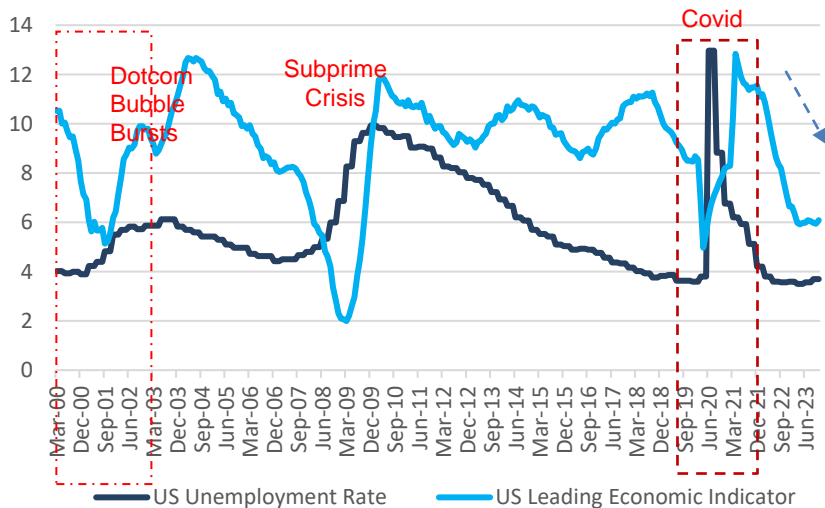
Tight labor and wage prices as the factor that burdened the Feds to tame the inflation



Disinflationary process is still going but need a time to tame the inflation to the desirable level



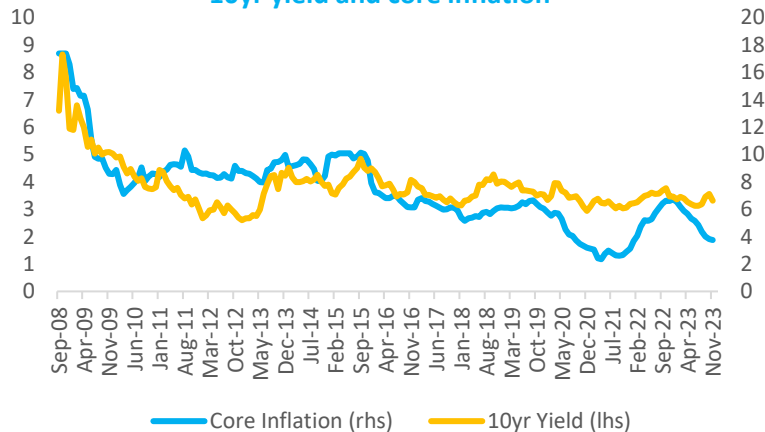
US Leading Economic indicator shows a slower growth



Source: Bloomberg model

Core inflation, bond yield and monetary mechanism transmission as the factor to expect the yield trajectory

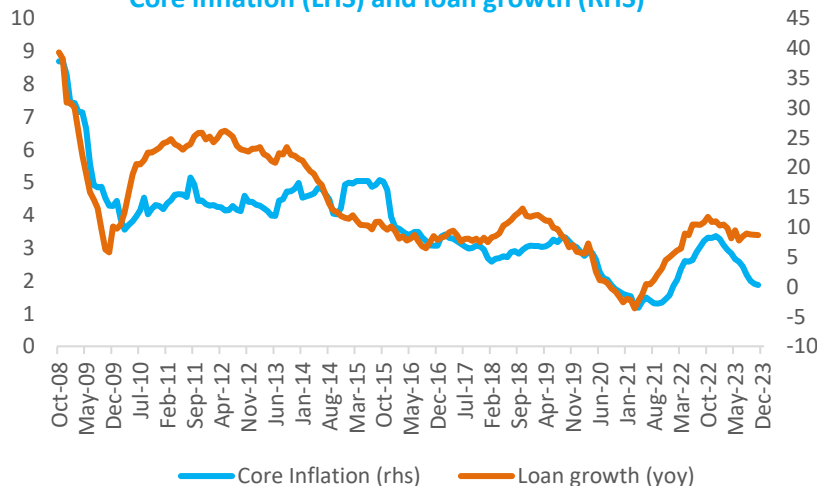
10yr yield and core inflation



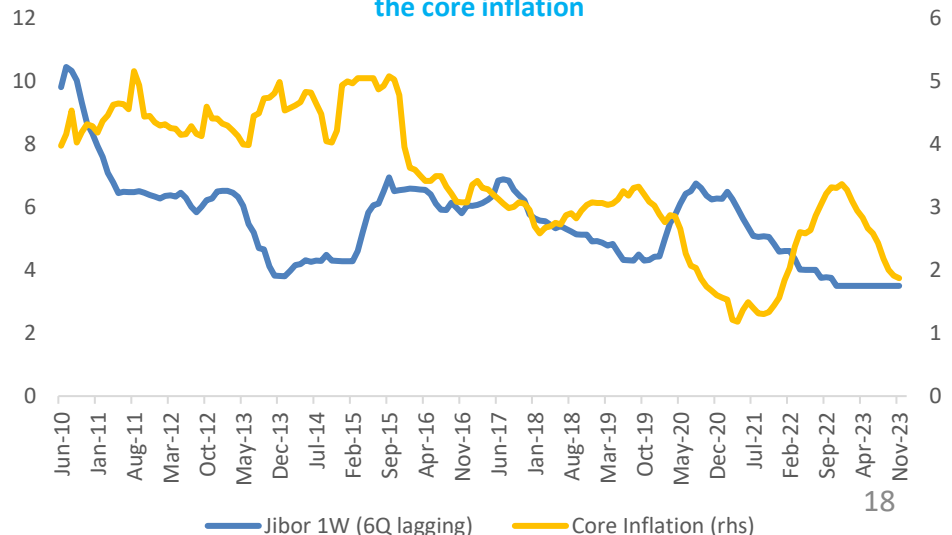
Loan growth as the early indication of the core inflation trajectory. To manage the higher core inflation rate, the Bank of Indonesia has raised the 7D Repo rate to control the peak of the core inflation at a manageable level. The aim for the higher 7D Reverse Repo rate is to anchor the expectation of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

We think that the BI will end its hawkish tone and will consider to cut the rate at the second semester of 2024. The 7D RR rate is expected to hold at the range of 6% and expected to slightly lower to 5.25%. It takes 5 to 6 Quarters to let the monetary policy have an impact on the loan growth as well as the core inflation. We expect the 10yr yield to have room to decrease at the range of 6.5% to 7% in 2024.

Core inflation (LHS) and loan growth (RHS)



It takes 5 to 6 Quarter to let the monetary policy have an impact on the core inflation

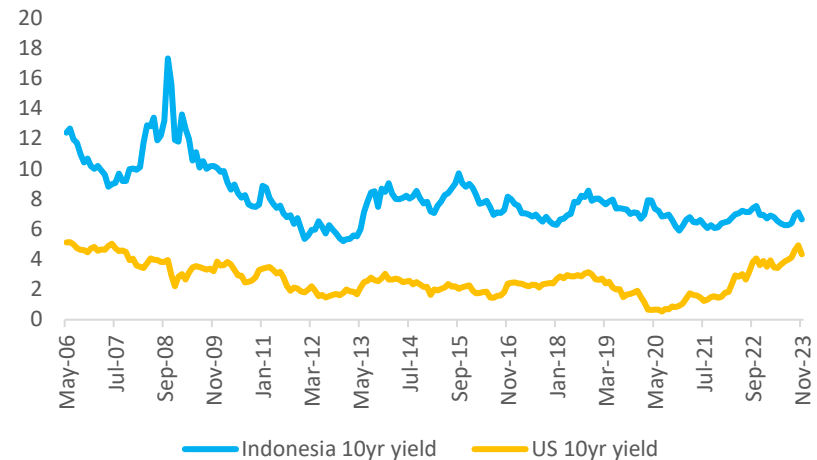


Core inflation, bond yield and monetary mechanism transmission as the factor to expect the yield trajectory

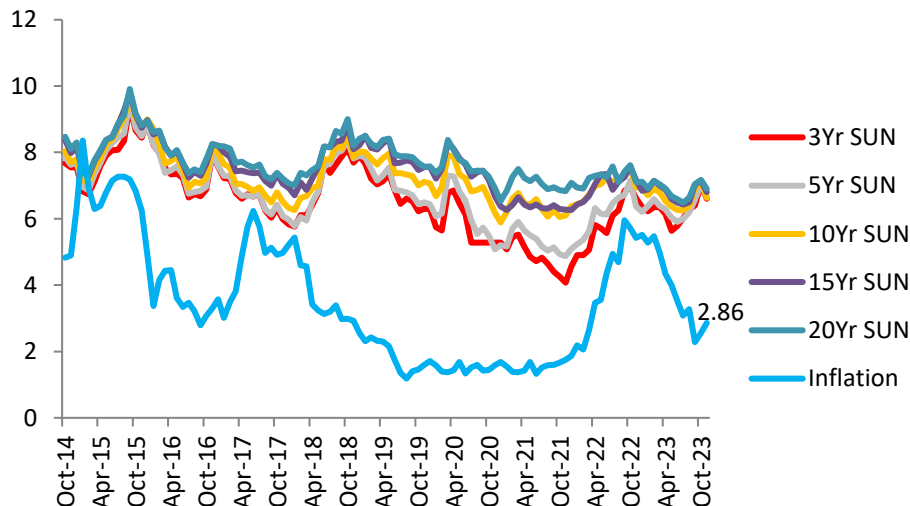
The yield curve shape was reflecting the market expectation toward the inflation, central bank reaction function and also the expectation toward the US policy trajectory toward its economy. With the considerable low inflation environment and positive real yield, we think that this provide room for the yield curve to slightly lower in 2024 on one side. At the other side we also see that the market is also anticipating the pivoting policy in US that possibly will change its monetary tone in 2024 as the result of the US inflation that expected to fluctuate at its desirable level at around 2%.

We saw a possibility for the 10yr yield to fluctuate at below 7% or at around 6.5% in 2024.

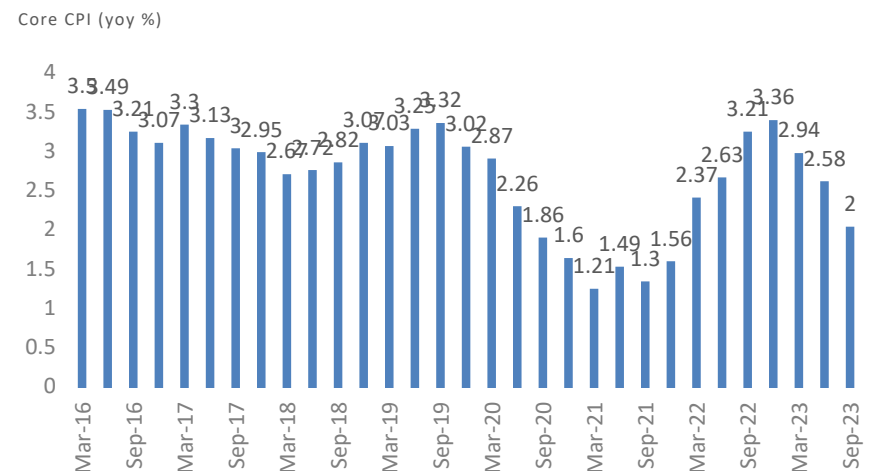
Indonesia & US 10yr yield



Core inflation (LHS) and loan growth (RHS)



Core CPI (yoy)



Economic projection – Expecting soft economic growth

The Indonesian economy is believed will grow by 4.8% to 5.2% in 2024. The slightly higher interest rate amid slower global economic growth as the challenge while the expectation of pivoting in monetary policy in 2024 as the positive factor to expect the lower volatility in the exchange rate and lower yield in 2024. 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. 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. **This could be the positive factor to expect the bond yield to move lower in 2024 at around 6.5%.**

Indicator	2016	2017	2018	2019	2020	2021	2022	2023	2024
Economic Activity									
Real GDP (YoY%)	5	5.1	5.2	5	-2	3.7	5.3	5	5
CPI (YoY%)	3.5	3.8	3.2	2.8	2	1.6	4.2	3.7	3
Unemployment (%)	5.6	5.4	5.2	5.1	6	6.4	5.9	5.4	5.4
External Balance									
Curr. Acct. (% of GDP)	-1.8	-1.6	-2.9	-2.7	-0.4	0.3	1	-0.3	-0.8
Fiscal Balance									
Budget (% of GDP)	-2.5	-2.5	-1.8	-2.2	-6.1	-4.6	-3.6	-2.1	-2.3
Interest Rates									
Central Bank Rate (%)	4.75	4.25	6	5	3.75	3.5	5.5	6.05	5.45
3-Month Rate (%)	7.46	5.48	7.7	5.51	4.06	3.75	6.62	6.89	6.16
2-Year Note (%)	7.47	5.54	7.29	5.77	3.85	4.13	6.08	6.57	5.98
10-Year Note (%)	7.97	6.32	8.03	7.06	5.89	6.38	6.94	6.86	6.52
Exchange Rates									
USDIDR	13,473	13,555	14,390	13,866	14,050	14,263	15,573	15,500	15,000

Source: Bloomberg, SSI

Equity strategy – Sectoral pick and index valuation

Telco Sector. We believe that internet consumption and the diversification of telco sector portfolio will create a higher value. 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 are optimistic about TOWR's business prospect due to long-term contracts (10 years). Going forward, both tower and fiber optic demand continue to grow support by the 5G network due to lower penetration of the 5G network still low at ~5%.

Consumer staple. Indonesia's demand for instant noodles reaches a multi-year high of 14,260 million servings in 2022, while also reflecting a growth of +7.5% YoY, the fastest growth at least since 2014. The consumption accelerated especially during the lockdown amid the Covid-19 pandemic as an alternative food stock at home. After that, the uptrend continued even after the restriction had been revoked, on the back of its affordability amid rising energy prices and inflation. 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.

Banking sector. The stable macro economic condition that enable the loan expansion despite with the modest path as the positive factor combine with the improvement in asset quality as shown in the lower loan at risk, digital transformation that will contribute to the better CASA and improving NIM. We call Buy on **BBCA**, **BMRI**, and **BBRI** as our top picks in this sector.

Retail discretionary. The industry retail sales growth that averaged 1.54% YoY in 2023 as well as the improvement in the property sector which was encouraged by the implementation of value added tax incentive program couple with stable economic activity will signify the earnings rebound while the SSSG (same-store sales growth) is expected to reach the pre-pandemic level in 2024. We choose **ACES** for this industry.

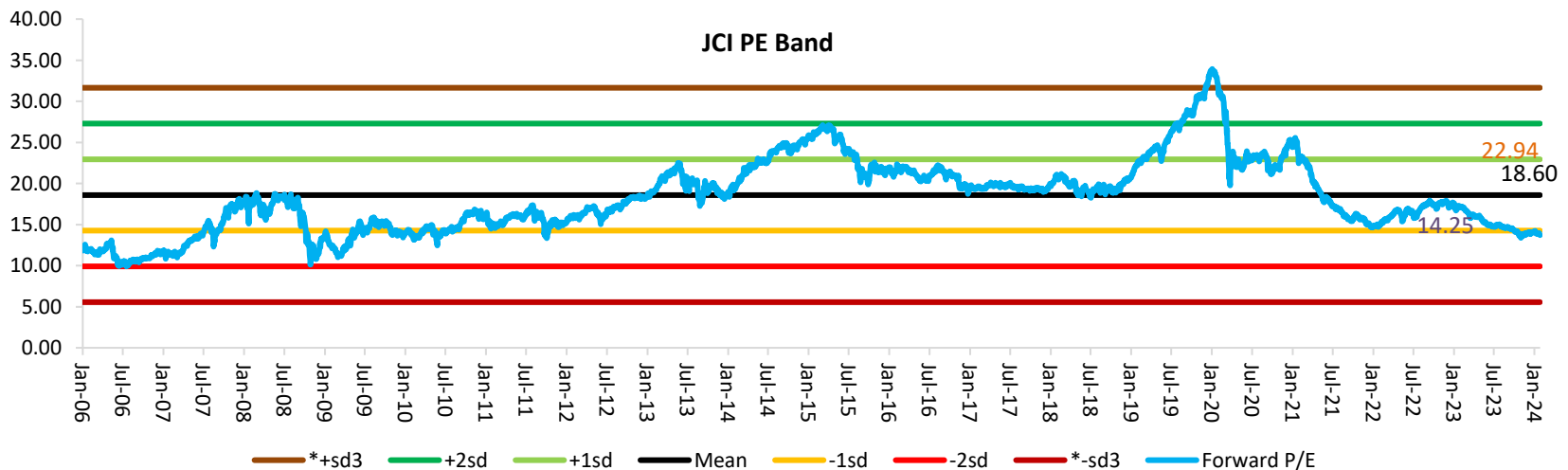
Poultry industry. The prolonged demand and supply imbalance in the poultry industry has triggered the government to lower the import of grandparent stock quota (GPS) quota to 0.67 million live birds in 2023. Considering the life cycle of chickens, there will be a lagging effect, and a more favourable supply is expected to take effect in 2024-2025. Together with the continuation of the culling program, following a total of 5 instructions from the government last year, it should improve the broiler and DOC prices that remain soft until the end of December 2023. Higher ASP will help the poultry to maintain its profitability amid rising raw material costs. We pick **JPFA** and **CPIN** for this sector.

Equity strategy – Sectoral pick and index valuation

Cement sector. we see the opportunity in cement sector due to the expectation of the property demand as the result of tax incentive, growing infrastructure budget and the new capital project (IKN) in East Kalimantan especially for bulk cement. We call **SMGR** and **INTP** as our top picks in this industry. However, we set a conservative target with overall sales volume expected to increase modestly while the stiff competition in will be the challenge to improve the margin.

Technology. We see an opportunity in selected technology company such as **GOTO**. After TikTok acquired Tokopedia, GOTO will be able to expand its resources and capital toward its market-leading on-demand services business, and financial technology business Therefore, we think the divestment could protect GOTO from increasing costs in sizeable amounts, as burning money strategy will remain occur due to tight e-commerce competition, especially from Shopee and Lazada.

JCI valuation. The cautious optimistic due to the uncertainty in the US Fed policy has reflected in the index that traded at 1 Stdv lower than average (14.2x vs 18.6x). 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 15x for FY2024E or below the historical average at 18.6x.



PT Bank Central Asia Tbk-BBCA

BBCA – Stronger profitability and stronger asset quality

Helmi Therik, FRM

- **Loan growth in 2024 is expected could increase by 10% or less or slightly lower than 2024.** This was due to the cautious credit disbursement due the impact of higher interest rate. The corporate segment as the main contributor of the company or about 45% of the loan is estimated will increase at around... or at the modest path in 2024. However the improvement in the labor condition is expected will contribute to the better salary based loan.
- **Low cost of fund through CASA is estimated to grow modestly at around 4% in 2024.** The expectation of lower interest rate in the second half of 2024 is estimated would increase the CASA compare to the time deposit growth. The time deposit grew last year by 12% vs CASA growth that only picked up by 4.7% due to the higher rate. The CASA growth is estimated will be supported by the digital and offline channels. The CASA was about 80% of the third party fund. 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.
- **NIM has expanded due to the higher interest rate environment and manageable cost of fund.** NIM increased to 5.5% compare to the previous level at 5.1%. The PPOP has increase by 19% and expected to grew this year due to the higher fees and commission transaction. The improvement of digital banking system and strong franchise value as enable the company to recorded higher fee base income
- **Lower Lar (Loan at risk) and sound credit quality.** The LaR has reduced to 7.6% while at the 2024 the LaR is estimated could reduce further to 5%. The capacity to absorb the deterioration of assets is sound as reflected in LaR Coverage at 66.6 and NPL coverage at 226.9%. The continuing economic growth and better loan quality as the result of higher creditor capacity to pay will strengthen the asset quality in 2024,
- **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.

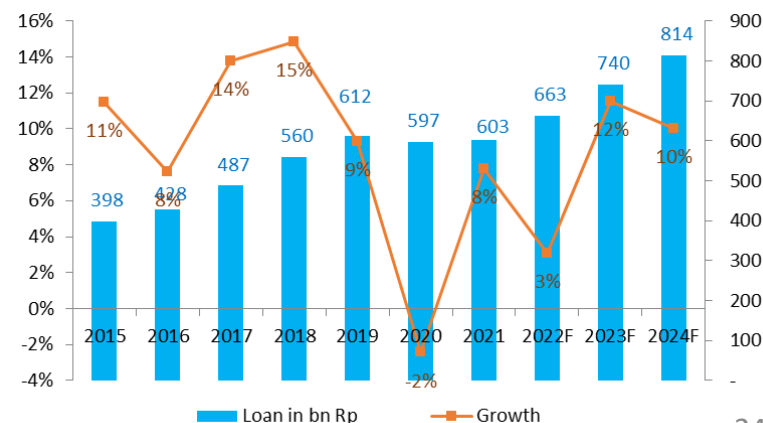
Current Price (IDR) (29/1)	9,550
Target price (IDR)	11,500
Upside/Downside (%)	20.42%
52 Week High (IDR)	9,775
52 Week Low (IDR)	8,250

Major Shareholders:

PT Dwimuria Investama Andalan	54.94%
Public	42.40%

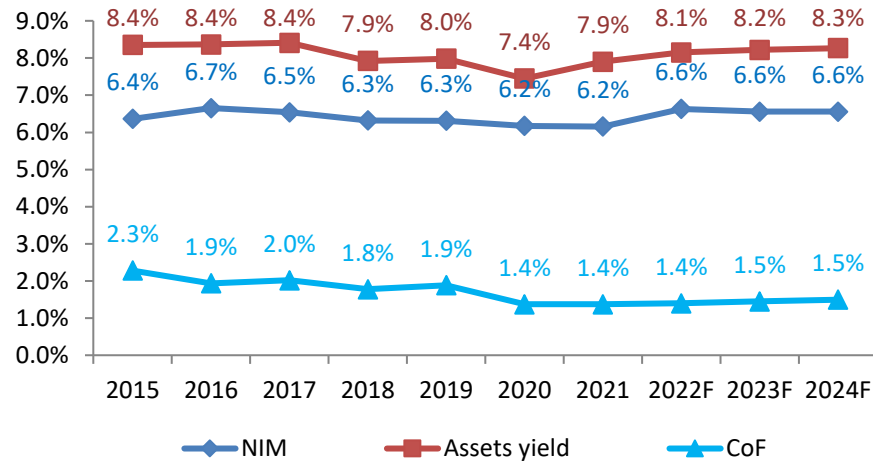
	2020	2021	2022F	2023F	2024F
Net Interest Income	65,789	65,627	71,548	75,421	84,181
OP	34,874	38,670	39,506	43,009	47,896
Pre-tax	33,569	38,841	39,162	42,557	47,290
NP	27,147	31,440	31,671	34,416	38,243
EPS	220	255	257	279	310
BVPS	1,498	1,645	1,824	2,008	2,213

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

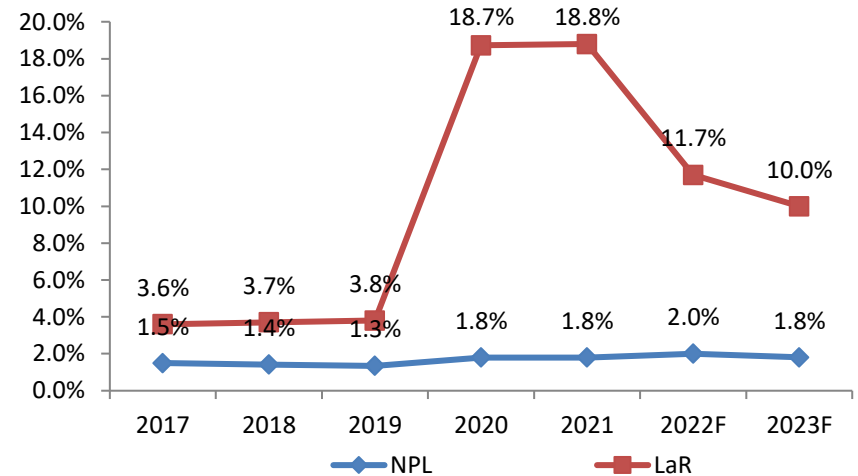


BBCA – Stronger profitability and stronger asset quality

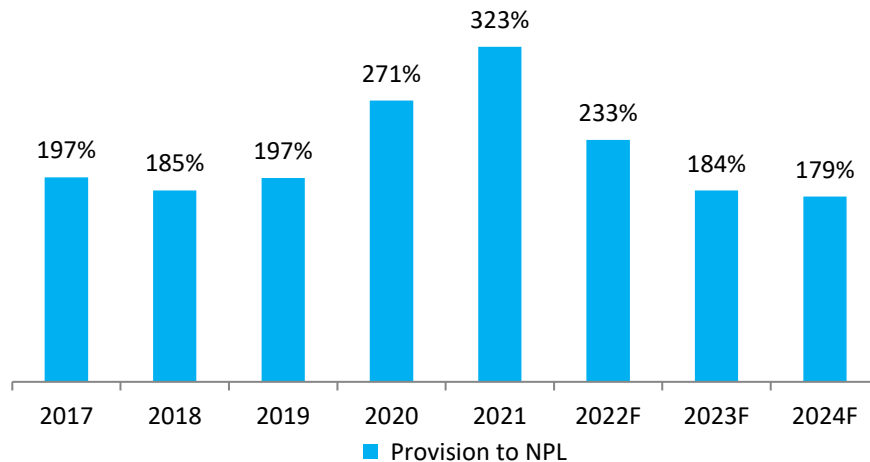
Profitability ratio- lower CoF propelling higher NIM



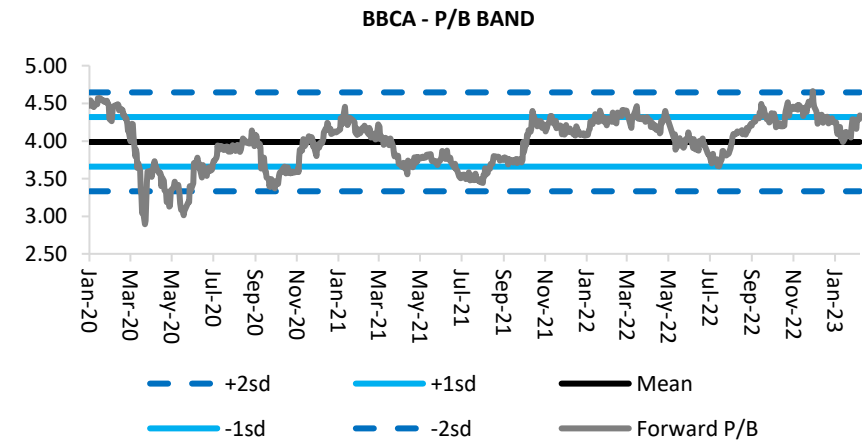
Loan quality ratio



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

PT Bank Mandiri (Persero) Tbk-BMRI

BMRI– Steady loan growth and improving asset quality

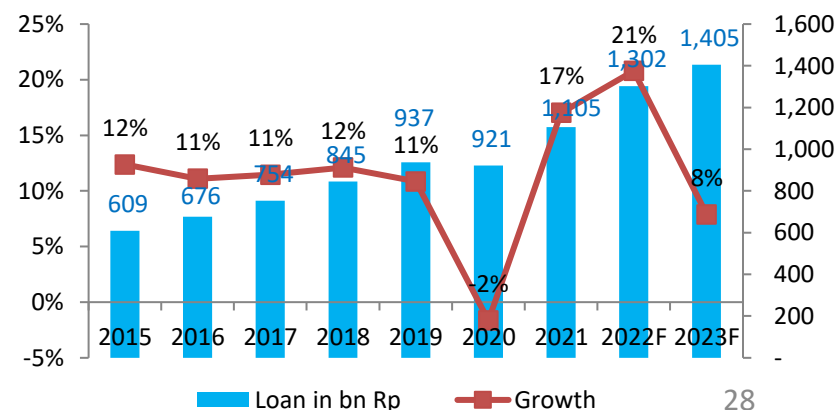
Helmi Therik, FRM

- Loan is expected to grow at the range of 12% in 2024.** The economic growth that predicted could maintain its path at the range of 5% and company's ability to allocate the loan to the selective corporate and retail segment as the growth driver this year. 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 has expanded to 5.6% or slightly higher than 5.4% On last year despite of higher CoF to 2.17%.**
- The gradual shifting to the micro, consumer that provide higher yield has reflected in the lower corporate segment to 34% compare to the earlier period at 35%.** However the corporate segment remains of the total loan while the micro and consumer loan contribute 12,3% and 8,3% respectively. In the micro-segment, the loan is offered to the salary-based employee or represents 50% or higher than the early of 2023 at 48% which reflecting the company's policy to shift the loan to the better quality and better yield. The rest of micro-segment loan was related to the government program in microloan. In the consumer segment, around 49% to 50% of the loan is 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. Energy, shipyard manufacture and mining services as the top 3 industries that posted significant growth last year (196%,130% and 117% yoy).
- Gaining market share in CASA. The company is able to increase the market share in low cost of fund through CASA share. The market share in CASA increase to 14.7% from 14.4% in 2022 and 13.8% in 2020.** This was as the result of digital capabilities through its digital product. The company has improved its digital services through its new apps "Kopra" and "Livin". Livin is dedicated for retail consumer while kopra is the digital product that dedicated to corporate client. CASA has increased by 12% and we estimate the CASA would grow on the same path this year. The total transaction conducted through "livin" apps has increased 37% to Rp2,400triliun while the new opening account has increased 1.5x to 6.5mn account. We believed this trend will continue and will strengthen the CASA and also will contributed to saving and deposit growth.
- Improving asset quality and lower loan at risk to 9.79%.** The loan at risk has been improved from last year at 13.4%. The selective loan disbursement amid growing economic activity has strengthen the creditor capacity to pay the debt. The capacity to cover the risk is also sound as seen in the NPL coverage at 299% and LaR coverage at 45.9%..
- Valuation.** The company's fair value at Rp7,500 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) (29/1)	6,475
Target price (IDR)	7,500
Upside/Downside (%)	15.8%
52 Week High (IDR)	10,400
52 Week Low (IDR)	4,787
Major Shareholders:	
Negara Republik Indonesia	52.00%
Public	39.92%

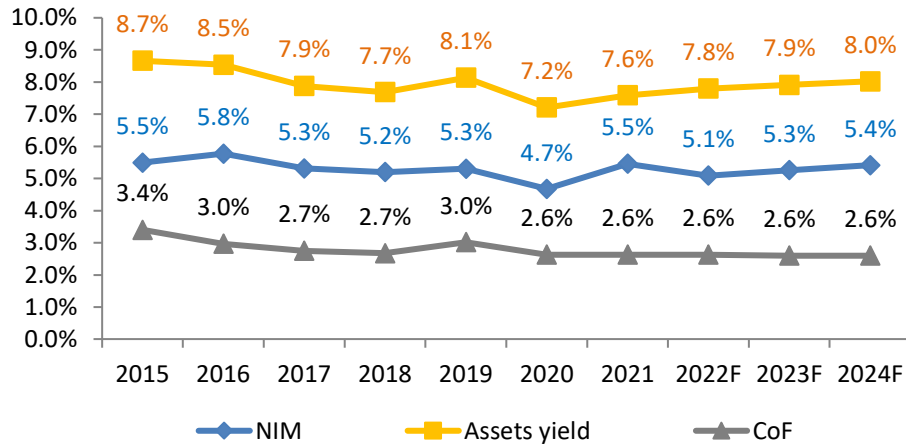
	2021	2022F	2023F	2024F
Net Interest Income	98,066	115,448	129,767	146,968
OP	38,514	36,978	49,745	59,044
Pre-tax	38,358	37,023	49,850	59,177
NP	30,551	28,041	37,756	44,820
EPS	655	601	810	961
BVPS	4,763	5,148	5,725	6,400

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

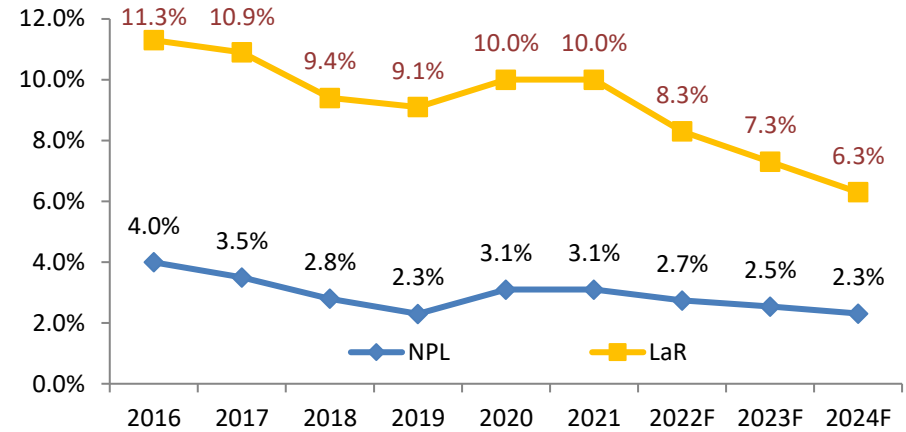


BMRI— Steady loan growth and improving asset quality

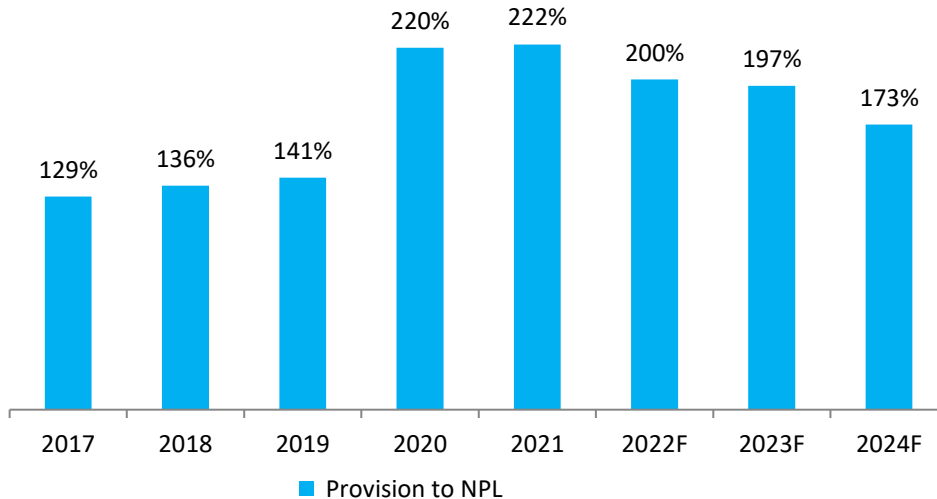
NIM improves amid lower CoF due to lower interest rate



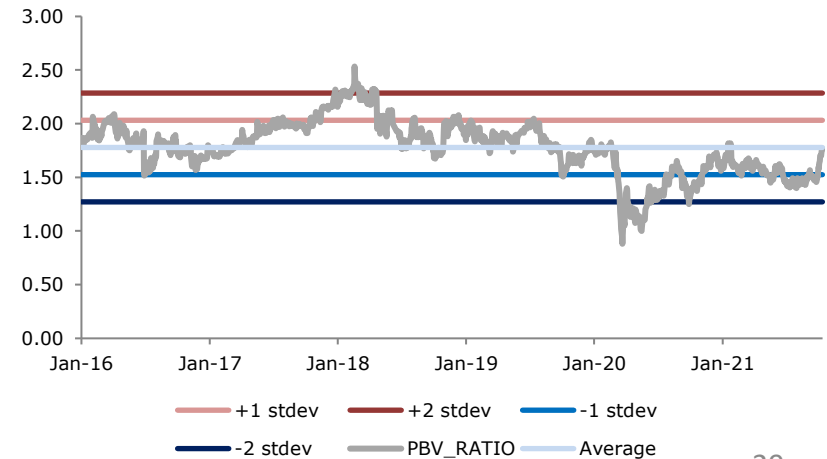
Loan quality ratio (NPL & LaR)



Build up provisions to cushion the credit risk



PBV Band



Balance Sheet

Year-end 31 Dec (Rp bn)	2020	2021	2022F	2023F	2024F
Cash	74.321	122.972	259.104	101.625	102.772
Interbanking Assets	158.838	100.518	117.225	228.106	250.917
Short-Term & LT. Investments	241.790	389.539	117.225	228.106	250.917
Loan - gross	921.113	1.077.974	1.302.073	1.404.820	1.545.302
Allowance for Losses	62.759	69.194	78.010	78.010	78.010
Net Loans	858.355	1.008.781	1.224.063	1.326.811	1.467.293
Net Fixed Assets	46.728	49.145	55.880	63.606	71.997
Other Assets	49.302	54.656	61.912	69.116	76.826
Total Assets	1.429.334	1.725.611	1.835.409	2.017.369	2.220.721
Customer Deposits	1.047.318	1.291.176	1.382.460	1.520.706	1.672.777
ST Borrowings & Repos	39.026	58.719	27.506	23.097	19.199
Long-Term Borrowings	61.677	58.740	77.004	86.042	96.140
Other Liabilities	87.517	94.864	108.365	120.584	134.181
Total Liabilities	1.235.538	1.503.500	1.595.335	1.750.428	1.922.296
Minority Interest	4.653	17.425	4.653	4.653	4.653
Shareholders' Equity	193.796	222.111	240.074	266.941	298.425
Total Liabilities & Equity	1.429.334	1.725.611	1.835.409	2.017.369	2.220.721

Source: Company, Shinhan Sekuriti

Income Statement

Year-end 31 Dec (Rp bn)	2020	2021	2022F	2023F	2024F
Interest Income	87.648	98.066	115.448	129.767	146.968
Interest Expense	30.813	24.687	40.105	43.495	47.745
Net Interest Income	56.835	73.379	75.342	86.272	99.222
Other Operating Income	25.496	27.898	33.655	37.020	40.722
Net Revenue	82.331	101.277	108.997	123.292	139.945
Provision for loan losses	18.322	13.345	17.930	14.048	15.453
Net Revenue after provision	64.009	87.933	91.067	109.243	124.492
Non interest expense	40.977	49.419	54.089	59.498	65.448
Operating Income	23.033	38.514	36.978	49.745	59.044
Net Non-Operating Losses (Gains)	265	-156	45	104	133
Income before tax	23.298	38.358	37.023	49.850	59.177
Tax	5.652	7.807	8.982	12.094	14.357
Net Income	17.646	30.551	28.041	37.756	44.820

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

Year-end 31 Dec (%)	2020	2021	2022F	2023F	2024F
Growth					
Assets	8%	21%	6%	10%	10%
Loans	-2%	17%	21%	8%	10%
Customer Deposits	12%	23%	7%	10%	10%
Net Interest Income	-5%	29%	3%	15%	15%
PPOP	-5%	25%	6%	16%	17%
Net Income	-38%	73%	-8%	35%	19%
Profitability					
Asset Yield	7%	8%	8%	8%	8%
Cost of Fund	3%	3%	3%	3%	3%
Net Interest Margin	5%	5%	5%	5%	5%
ROAA	1%	2%	2%	2%	2%
ROAE	9%	15%	12%	15%	16%
Operational Efficiency Ratio (OER)	80%	69%	75%	70%	69%
CIR	50%	49%	50%	48%	47%
Liquidity					
LDR	88%	83%	94%	92%	92%
CASA Ratio	66%	66%	66%	66%	66%
Capital					
CAR-Bank Only	20%	20%	20%	19%	18%
Assets Quality					
NPL	3,1%	3,1%	2,7%	2,5%	2,3%
Coverage Ratio	220%	222%	200%	197%	173%

Source: Company, Shinhan Sekuritas Indonesia

Dupont (as % of average assets)	2020	2021	2022F	2023F	2024F
Net Interest Income	4%	5%	4%	4%	5%
Net Revenue	6%	6%	6%	6%	7%
Net Revenue after provision	5%	6%	5%	6%	6%
Operating Income	2%	2%	2%	3%	3%
Net Income	1%	2%	2%	2%	2%
ROAA	1%	2%	2%	2%	2%
multiplier	7	8	8	8	7
ROAE	9%	15%	12%	15%	16%

Source: Company, Shinhan Sekuritas Indonesia

PT Bank Rakyat Indonesia Tbk-BBRI

BBRI – Improving digital ecosystem while expanding to the micro loan

Helmi Therik, FRM

- Expecting Improving loan growth and quality in 2024 at the range of 10% to 12%.** The loan trajectory is expected to come from the stable economic expansion in the all segment amid low inflation environment as the necessary condition to expect better debtor real income capacity. The micro and ultra micro loan as the major contributor of the company that contribute 92% of total loan that has expanded by 12% last year. Micro loan is believed could grow by 10% while the loan expansion through pawnshop so called “pegadaian” is estimated would maintain its trajectory at around 17%. Loan quality is also improve as seen in the lower loan at risk to 13,8% Vs 16,5% last year respectively.
- The net interest margin increased due to rebalancing the portfolio loan to the higher yield product and segment.** The rebalancing is important amid the higher cost of fund due to the higher interest rate demand to maintain the third party fund. The NIM last year was about 8.05% While the cost of fund has slightly increased by 8bps to 2.74%. The company strategy to shifting the loan from KUR to Kupedes combined with the allocation to the consumer loan through PNM and Pegadaian as the company’s subsidiary as the counter balance strategy to compensate higher cost. The NIM in PNM was about 26% while the NIM in Pegadaian was at 19.6%. The higher net interest margin in 2024 is possible if there is a switch in the 7DR repo rate from BI in the second semester that would translated in the lower cost of fund amid the lagging in loan yield adjustment.
- The third party fund and CASA is estimated to grow at the range of 10% to 12% in 2024 or the same path from last year.** The higher source f fund is coming from the higher time deposit rather than low cost of fund/ CASA. The CASA increased by 10% while the time deposit increased by 28%. This has made the CoF increased to 2.74% from 2.66%. We highlight the digitalization of the company as the engine to maintain its market position in funding and lending market through its product so called “BRIMO”. The BRIMO penetration in gathering the fund has been increased to 36.6% last year from last year at the range of 27.7%. The penetration is measured from the total customer of 111 million. The improving user experience is believed could contributes to the improving of the CASA going forward.
- Valuation.** We implement blended valuation with the Gordon method approach that implies the fair value at Rp6,500/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.

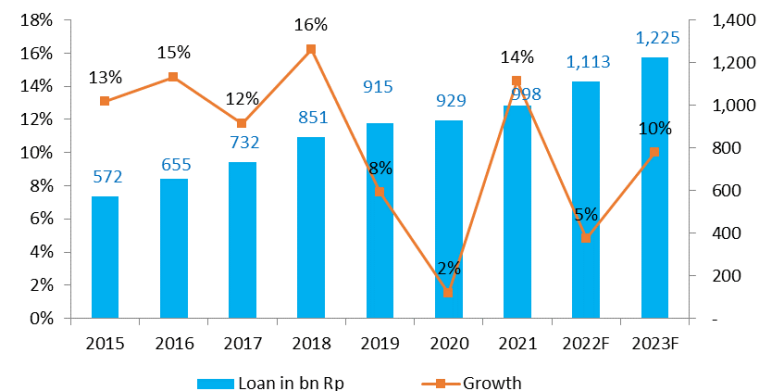
Current Price (IDR) (29/1)	5,575
Target price (IDR)	6,500
Upside/Downside (%)	16.0%
52 Week High (IDR)	5,900
52 Week Low (IDR)	4,570

Major Shareholders:

Negara Republik Indonesia	53.18%
Public	46.27%

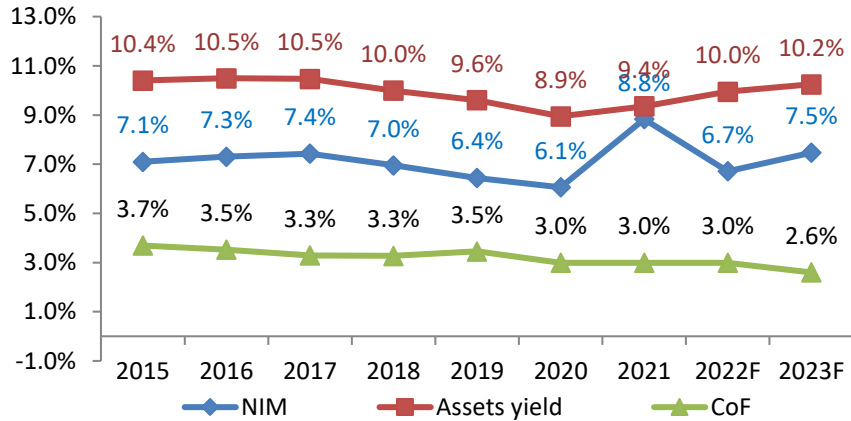
in bn Rp	2020	2021	2022F	2023F	2024F
Net Interest Income	116,933	143,523	132,796	148,896	162,757
OP	27,180	41,086	33,448	52,453	59,149
Pre-tax	26,725	40,992	33,297	52,261	58,928
NP	18,660	33,156	23,249	36,491	41,146
EPS	152	254	178	280	315
BVPS	1,631	2,235	2,371	2,537	2,723

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

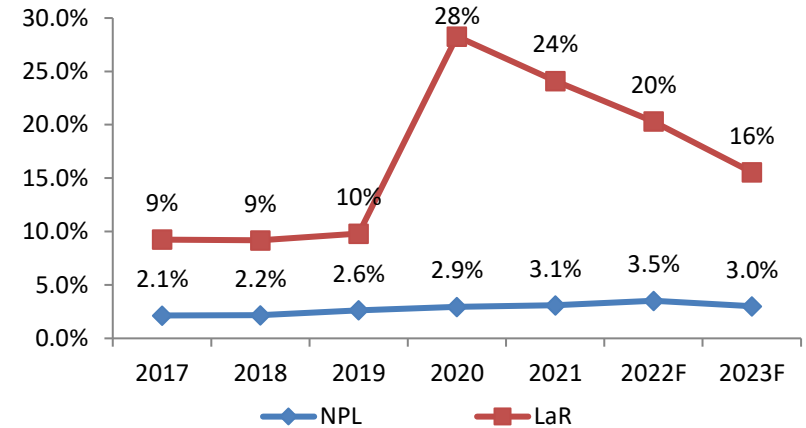


BBRI – Improving digital ecosystem while expanding to the micro loan

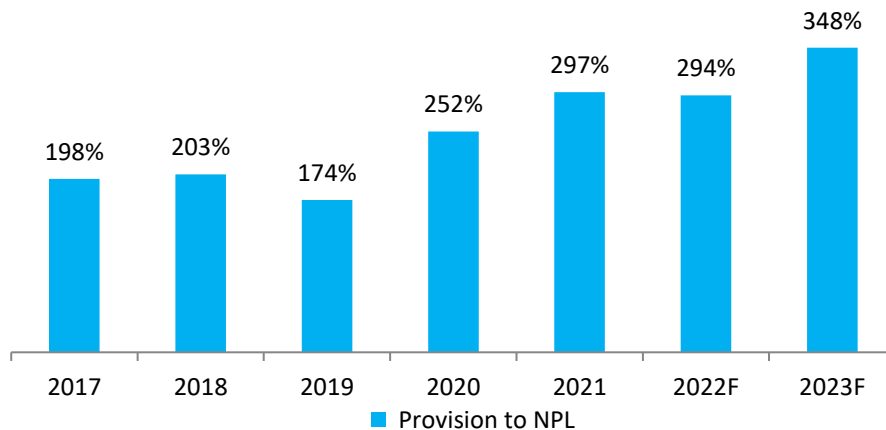
NIM improves amid lower CoF due to lower interest rate



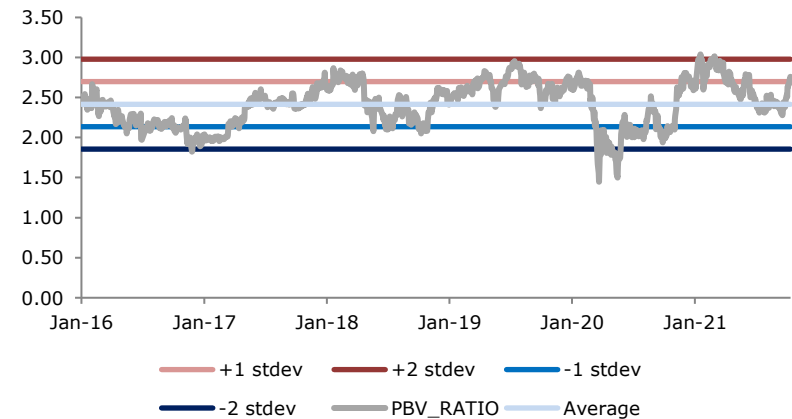
Loan quality ratio (NPL & LaR)



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 Indofood CBP Sukses Makmur Tbk-ICBP

ICBP – Making the most of picking up demand

Billy Ibrahim Djaya

Instant noodle consumption is in the sky. Indonesia's demand for instant noodles reaches a multi-year high of 14,260 million servings in 2022, while also reflecting a growth of +7.5% YoY, the fastest growth at least since 2014. The consumption accelerated especially during the lockdown amid the Covid-19 pandemic as an alternative food stock at home. After that, the uptrend continued even after the restriction had been revoked, on the back of its affordability amid rising energy prices and inflation. In the meantime, price pressure began to subside, including for rice inflation from +5.61% in September to +0.43% in December, but the average rice price level in wholesale Indonesia remained high at IDR 13,458 per kg in December (vs IDR 11,363 in December 2022). The low production of rice is estimated to persist until the end of El Nino in April 2024 and keep prices elevated. For most people, instant noodles are considered to be a substitute for rice, which will support the demand in 2024F.

The bottom line soared +113.3% YoY in 9M23. ICBP's top line reached IDR 51.31tn in 9M23 (+4.9% YoY) with the noodles segment as the backbone with revenue of IDR 38.11tn (+6.6% YoY) which was driven by sales volume growth of +9% YoY. That achievement managed to offset the decline in the dairy segment of IDR 6.82tn (-5.7% YoY) as the competition in the industry remained tight, reflected in the drop of Indomilk market share in UHT milk to 12% in 9M23 (vs 13% in 9M22). Meanwhile, the GPM still managed to expand from 32.7% to 36.3% thanks to lower COGS by -1.1% YoY as input costs already subsided including for wheat (-20.75% YoY) and skimmed milk powder (-9.9% YoY) prices. Moreover, operating income also rose by +14.1% YoY to IDR 10.89tn, while previously ICBP, suffered from net losses on forex difference from financing activities. As a result, the net profit enjoyed a robust growth of +113.3% YoY to IDR 7.06tn. In FY24F, we estimated the positive trend to continue on the back of noodles' performance given its flexibility as the market leader and steady decline in input costs, which will bring the top line to IDR 11.06tn (+6.6% YoY) and net profit of IDR 9.33tn (+2.9% YoY).

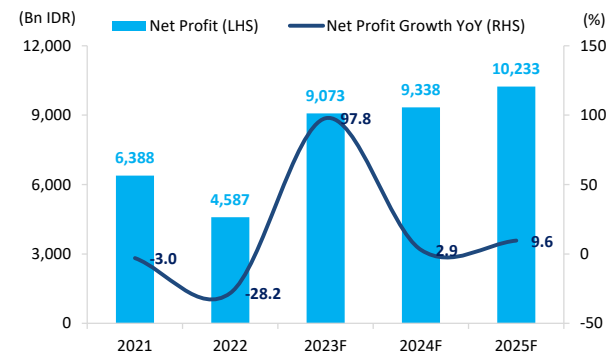
Gradual increase of export contribution. The domestic market would still be resilient despite the looming risk of higher food inflation and weakening of purchasing power that will be outweighed by the 13.1% YoY increase in the social protection budget from the government in the 2024 State Budget and higher minimum wage. Apart from the limited growth from inside the country, ICBP will pursue growth drivers from export sales to the Middle East and Africa, especially Nigeria and Saudi Arabia. Both countries ranked #11 and #17 in terms of instant 2022 annual noodles consumption with 2,790 million and 870 million servings, respectively. The revenue contribution from the region in 9M23 reached IDR 11.54trn (+6.3% YoY) or accounted for 22.5% of total revenue.

Valuation. We maintained our Buy rating for ICBP with a TP of IDR 13,900 per share and a potential upside of 20% by using the blended DCF methodology. The target price reflecting FY24F P/E of 17.9x which is still below its 5-year historical mean of 18.3x. The risks to our call include a deteriorating Rupiah exchange rate and a higher-than-expected inflation rate.

Current Price (IDR) (24/01)	11,400
Target price (IDR)	13,900
Upside/Downside (%)	21.93%
52 Week High (IDR)	11,925
52 Week Low (IDR)	9,275
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)
2021	56,804	6,388	548	15.9	3.0
2022	64,798	4,587	393	22.1	2.8
2023E	71,417	9,073	778	17.9	3.7
2024F	76,100	9,338	801	13.2	2.5
2025F	80,921	10,233	877	12.1	2.2

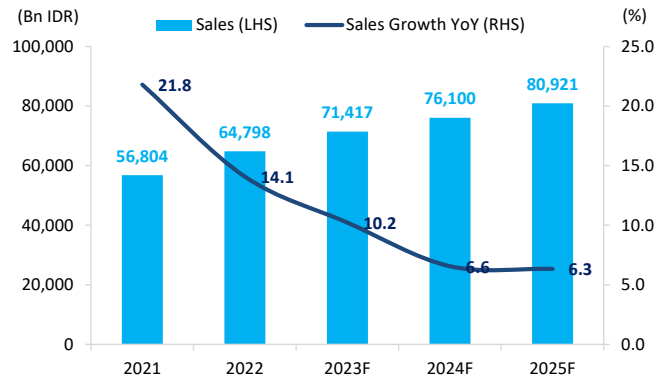
ICBP's Net Profit Projection



Source: Company, Shinhan Sekuritas Indonesia

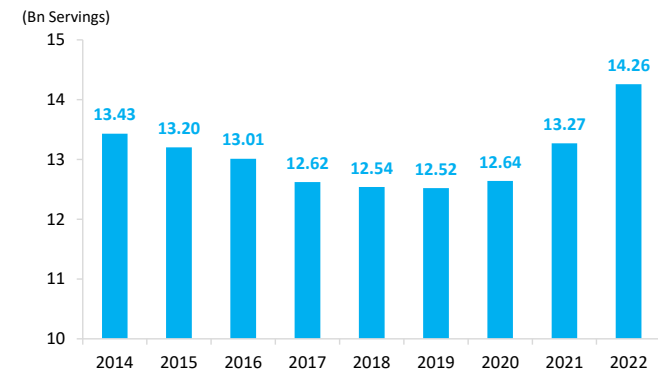
ICBP – Making the most of picking up demand

ICBP's Revenue Projection



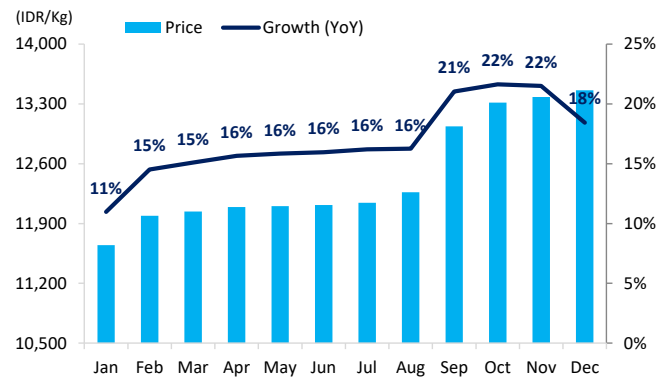
Source: Company, Shinhan Sekuritas Indonesia

Indonesia Noodles' Consumption Trend



Source: WINA, Shinhan Sekuritas Indonesia

The Average Rice Price in Level Wholesale Indonesia (Estates)



Source: Statistics Indonesia, Shinhan Sekuritas Indonesia

P/E Band



Source: Company, Shinhan Sekuritas Indonesia

ICBP – Making the most of picking up demand

Income Statement

Year-End 31 Dec (Bn IDR)	2021	2022	2023F	2024F	2025F
Revenue	56,804	64,798	71,417	76,100	80,921
COGS	-36,526	-43,005	-46,689	-49,798	-52,202
Gross Profit	20,277	21,792	24,728	26,302	28,719
EBITDA	12,930	14,707	16,067	16,725	18,382
Operating Expenses	-8,619	-8,415	-10,055	-11,063	-11,890
Operating Profit	11,659	13,378	14,673	15,239	16,829
Pre-Tax Profit	9,935	7,525	13,570	14,237	15,843
Income Tax Expenses	-2,035	-1,803	-3,308	-3,436	-3,794
Net Profit	6,388	4,587	9,073	9,338	10,233
EPS (IDR)	548	393	778	801	877

Source: Company, Shinhan Sekuritas Indonesia

Balance Sheet

Year-End 31 Dec (Bn IDR)	2021	2022	2023F	2024F	2025F
Assets					
Cash & Cash Equivalents	20,378	15,741	21,097	27,481	37,031
Accounts Receivable	6,834	7,228	8,453	8,884	9,350
Inventories	5,857	7,132	7,503	8,082	8,507
Other Current Assets	928	969	1,903	1,864	1,959
Total Current Assets	33,998	31,070	38,957	46,311	56,847
Net Fixed Assets	14,176	14,521	14,589	14,498	14,417
Other Assets	69,893	69,714	69,436	69,159	68,884
Total Assets	118,067	115,306	122,981	129,969	140,147
Liabilities and equities					
Accounts Payables	5,750	5,779	7,444	7,474	7,866
Other Short-Term Liabilities	13,146	4,255	4,285	4,566	4,855
Total Current Liabilities	18,896	10,034	11,729	12,040	12,722
Long-Term Borrowings	40,731	44,516	40,921	40,135	40,961
Other Long-Term Liabilities	3,716	3,282	6,022	7,708	9,809
Total Liabilities	63,343	57,833	58,672	59,883	63,492
Minority Interest	20,842	20,954	20,954	20,954	20,954
Total Equity	54,724	57,473	64,309	70,086	76,655
BVPS (IDR)	2,905	3,131	3,718	4,213	4,776

Source: Company, Shinhan Sekuritas Indonesia

Cash Flows

Year-End 31 Dec (Bn IDR)	2021	2022	2023F	2024F	2025F
Net Profit	6,388	4,587	9,073	9,338	10,233
Change in Working Capital	1,601	4,217	2,464	2,010	2,774
CFs from Operating	7,989	8,804	11,536	11,347	13,008
CFs from Investing	-3,100	-1,506	-1,046	-1,119	-1,196
CFs from Financing	5,906	-12,826	-5,366	-4,066	-2,549
Net Inc./ (Dec.) in Cash	10,850	-4,637	5,346	6,387	9,551
Cash at End. Period	20,378	15,741	21,097	27,481	37,031

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

Year-End 31 Dec	2021	2022	2023F	2024F	2025F
Profitability					
Gross Margin	35.7%	33.6%	34.6%	34.6%	35.5%
Operating Margin	20.5%	20.6%	20.5%	20.0%	20.8%
EBITDA Margin	22.8%	22.7%	22.5%	22.0%	22.7%
Profit Margin	11.2%	7.1%	12.7%	12.3%	12.6%
ROAA	5.4%	4.0%	7.4%	7.2%	7.3%
ROAE	18.9%	12.6%	20.9%	19.0%	18.4%
Growth					
Revenue	21.8%	14.1%	10.2%	6.6%	6.3%
Gross Profit	17.7%	7.5%	13.5%	6.4%	9.2%
Operating Profit	26.7%	14.7%	9.7%	3.9%	10.4%
EBITDA	25.4%	13.7%	9.2%	4.1%	9.9%
Net Profit	-3.0%	-28.2%	97.8%	2.9%	9.6%
Solvability					
Current Ratio (x)	1.80	3.10	3.32	3.85	4.47
Quick Ratio (x)	1.46	2.30	2.60	3.10	3.72
Debt to Equity (x)	1.2	1.0	0.9	0.9	0.8
Interest Coverage (x)	6.4	6.3	10.0	11.1	12.2

Source: Company, Shinhan Sekuritas Indonesia

PT Ace Hardware Indonesia Tbk-ACES

ACES – Earnings turnaround at hand

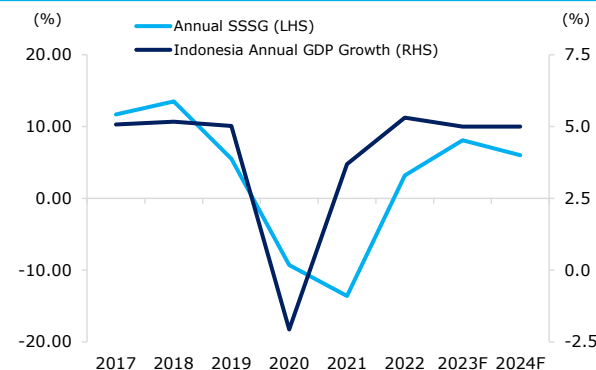
Billy Ibrahim Djaya

- Remained on track to secure the first positive net profit growth since the pandemic.** The trajectory of ACES earnings performance has gradually increased after being impacted by the lockdown during the Covid-19 pandemic. The company's net profit declined during 2020-2022, but the story is different this year with a double-digit bottom-line growth of +38.1% YoY to IDR 486bn in 9M23. This was mainly driven by robust revenue growth of +12.2% YoY to IDR 5.49trn along with surging sales of home improvement and lifestyle products by +11.1% YoY and 12.4% YoY, respectively. This is in line with the industry retail sales growth that averaged 1.54% YoY in 2023 as well as the improvement in the property sector which was encouraged by the implementation of value added tax incentive program.
- Ex-Java as the driver for SSSG.** In FY23, ACES' SSSG came in above expectation at +8.1% YoY or exceeded the company's initial target of +6.5% YoY. This was a huge improvement compared with the annual SSSG of only +3.20% YoY in the previous year. The solid performance is attributable to the contribution from ex-Java as the company has continued to increase its presence in tier-2 and tier-3 cities outside the Java region in the past year to balance store penetration in Java for the mid to longer term. As of 9M23, ACES has opened a total of 7 stores in the ex-Java area including in North Kalimantan, Sumatra, Bali, South Sulawesi, Bali, West Kalimantan, and East Kalimantan. Moreover, strong SSSG was also boosted by significant foot traffic recovery triggered by various effective marketing campaigns.
- Capitalizing the solid fundamental.** Given ACES' healthy balance sheet as a net cash company, various strategic expansions and innovations are expected to be implemented to encourage business activities. At the end of December 2023, there were 235 ACE stores in Indonesia spread over 67 cities, while the number of new stores in FY24F is estimated to grow by 10% YoY. The focus would be on the addition of ACE Xpress format size is usually below 1,000 sqm, different from regular ACE stores that are usually sized 1,000 to 3,000 sqm. It is also projected to enable penetration near housing areas and increase traffic, as well as maintain optimization, hence higher productivity. This has already been reflected in the space per employee which was maintained at 44 sqm in 9M23 (vs 43 sqm in FY22) while the sales per employee increased higher by +7% YoY to IDR 555mn.
- Maintain the leading position amid tighter competition.** The total membership of ACES gradually increased and reached 4,956 thousand in 1H23. This allowed the company to be favoured with higher average ticket members of IDR 1,030 thousand as 79% of sales was contributed by members. The figure also solidifies ACES's position as the leading home improvement and lifestyle retailer despite the increasing number of new players such as KKV and DIY. ACES' retail space transformation also will help to sustain its market share by adopting an open-concept-floor plan that gives a spacious layout and is equipped with an interactive display and informative visualization.
- Valuation.** ACES's net profit in FY24F is estimated to reach IDR 809bn (+11.3%) on the back of economic recovery momentum, the resilience of Indonesia's upper-middle-class spending, and strategic expansion. Therefore, we maintain our Buy rating on ACES with a TP of IDR 990 based on the blended DFC method, reflecting FY24F P/E of 15.2x or still below its 5-year historical mean of 27.5x.

Current Price (IDR) (24/01)	825
Target price (IDR)	990
Upside/Downside (%)	19.52%
52 Week High (IDR)	890
52 Week Low (IDR)	432
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)
2021	6,543	704	41	31.1	4.0
2022	6,763	664	39	12.8	1.4
2023E	7,424	727	42	16.9	1.9
2024F	8,139	809	47	15.2	1.8
2025F	9,406	912	53	13.5	1.7

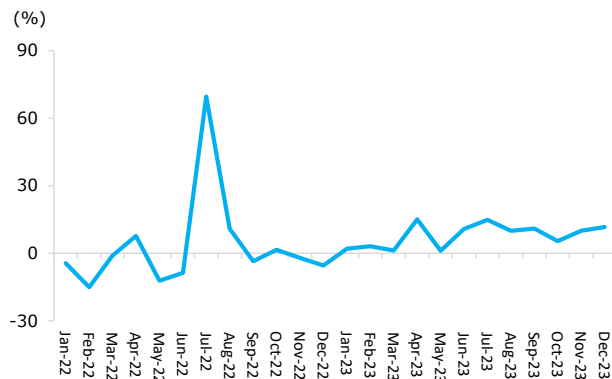
Indonesia GDP Growth and ACES Annual SSSG



Source: Company, Shinhan Sekuritas Indonesia

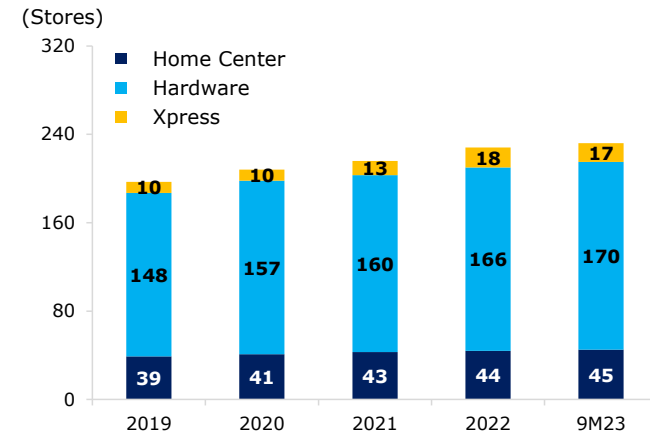
ACES – Earnings turnaround at hand

ACES' Monthly SSSG



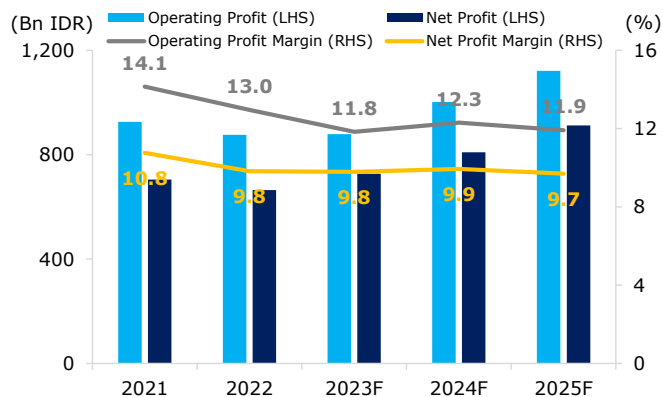
Source: Company, Shinhan Sekuritas Indonesia

ACES' Store Categories



Source: Company, Shinhan Sekuritas Indonesia

ACES' Operating and Net Profit Projection



Source: Company, Shinhan Sekuritas Indonesia

P/E Band



Source: Company, Shinhan Sekuritas Indonesia

ACES – Earnings turnaround at hand

Income statement

Year-end 31 Dec (Rp bn)	2021	2022	2023F	2024F	2025F
Sales	6,543	6,763	7,424	8,139	9,406
COGS	-3,331	-3,495	-3,830	-4,185	-4,867
Gross Profit	3,213	3,268	3,595	3,955	4,539
EBITDA	1,057	1,008	1,001	1,144	1,286
Operating Expense	-2,287	-2,392	-2,716	-2,953	-3,418
Operating Profit	925	876	879	1,002	1,121
Pre-Tax Profit	859	821	856	953	1,074
Income Tax - Net	-140	-147	-128	-143	-161
Net Profit	704	664	727	809	912
EPS (Rp)	41	39	42	47	53

Source: Company, Shinhan Sekuritas Indonesia

Balance sheet

Year-end 31 Dec (Rp bn)	2021	2022	2023F	2024F	2025F
Assets					
Cash and Equivalent	2,544	2,133	2,634	3,088	3,941
Receivables	67	86	130	142	165
Inventories	2,368	2,811	2,681	2,720	2,433
Others	214	333	365	401	463
Total Current Assets	5,192	5,363	5,810	6,351	7,002
Net Fixed Assets	460	426	453	511	596
Other Assets	1,538	1,461	1,382	1,311	1,245
Total Assets	7,190	7,249	7,645	8,173	8,842
Liabilities and Equities					
Payables	127	144	148	244	376
Other Short-Term Liabilities	596	525	577	632	731
Total Current Liabilities	723	670	725	877	1,107
LT. Debt	572	450	398	353	313
Other Long Term Liabilities	383	196	176	154	121
Total Long-Term Liabilities	955	645	575	507	433
Total Liabilities	1,677	1,315	1,300	1,384	1,540
Minority Interest	31	44	44	44	44
Shareholders' Equity	5,513	5,934	6,345	6,789	7,302
BVPS (Rp)	322	347	371	397	427

Cashflow analysis

Year-end 31 Dec (Rp bn)	2021	2022	2023F	2024F	2025F
CFs from Operation					
Net Profit	704	664	727	809	912
Change in Working Capitals	-660	-1,298	-618	-744	-479
CFs from Operation	1,305	619	109	64	433
CFs from Investments	-83	-102	51	13	-18
CFs from Financing Activities	-898	-939	-71	-68	-74
Net Inc./(Dec.) in Cash	324	-410	500	454	853
Cash at End Period	2,544	2,133	2,634	3,088	3,941

Source: Company, Shinhan Sekuritas Indonesia

Key ratio analysis

Year-end 31 Dec (Rp bn)	2021	2022	2023F	2024F	2025F
Profitability					
Gross Margin	49.1%	48.3%	48.4%	48.6%	48.3%
Operating Margin	14.1%	13.0%	11.8%	12.3%	11.9%
EBITDA Margin	16.2%	14.9%	13.5%	14.1%	13.7%
Net Income Margin	10.8%	9.8%	9.8%	9.9%	9.7%
ROAA	9.8%	9.2%	9.8%	10.2%	10.7%
ROAE	13.1%	11.6%	11.8%	12.3%	12.9%
Growth					
Revenue	-11.7%	3.4%	9.8%	9.6%	15.6%
Operating Profit	-6.5%	-5.3%	0.3%	14.0%	11.9%
EBITDA	-26.0%	-4.6%	-0.7%	14.3%	12.4%
Net Income	-3.9%	-5.7%	9.4%	11.3%	12.7%
Solvability					
Current Ratio (x)	7.2	8.0	8.0	7.2	6.3
Quick Ratio (x)	3.9	3.8	4.3	4.1	4.1
Debt to Equity (x)	0.3	0.2	0.2	0.2	0.2
Interest Coverage (x)	13.9	15.9	39.4	20.5	23.8

Source: Company, Shinhan Sekuritas Indonesia

PT Charoen Pokphand Indonesia Tbk-CPIN

CPIN – Light at the end of the tunnel

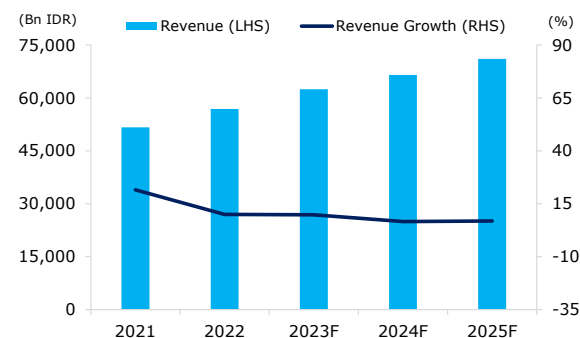
Billy Ibrahim Djaya

- Take the edge off the oversupply condition.** The prolonged demand and supply imbalance in the poultry industry has triggered the government to lower the import of grandparent stock quota (GPS) quota to 0.67 million live birds in 2023. Considering the life cycle of chickens, there will be a lagging effect, and a more favorable supply is expected to take effect in 2024-2025. Together with the continuation of the culling program, following a total of 5 instructions from the government last year, it should improve the broiler and DOC prices that remain soft until the end of December 2023. Higher ASP will help CPIN to maintain its profitability amid rising raw material costs.
- Fundamental improvement in earnings performance.** CPIN's booked revenue of IDR 16.24trn (-1% QoQ, +10% YoY) in 3Q23, which brings the cumulative 9M23 revenue to IDR 47.13trn (+8.5% YoY). The broiler segment became the backbone as contributed by 51.9% to total revenue, despite the flat growth of only +1.1% YoY to IDR 24.45trn. The source of growth came in from the feed segment at IDR 12.77trn (+19.5% YoY) and the DOC segment at IDR 1.41trn (+18.8% YoY). In terms of profitability, GPM was lower from 15.9% in 9M22 to 14.7% in 9M23 because of the increase in input cost which consists of 50% from corn and 25% from soybean meal. The operating margin was maintained thanks to the profitability of the feed segment at 25.5% (vs 21.8% in 9M22) as CPIN can pass through rising costs to the consumer. Net profit improved in 3Q23 to IDR 1.30trn (+14% QoQ, +69% YoY), even though the 9M23 results still experienced a decline of -16% YoY to IDR 2.68trn.
- Withstanding sticky corn price.** The increase in poultry feed prices is projected to persist until early 2024 due to the depletion of corn availability as the production of corn in 2023 fell by 2 million tons from the previous year. Currently, the price of corn at the farmer level is hovering at IDR 6,900/kg-IDR 7,000/kg or higher than the reference price (HAP) of IDR 5,000/kg. At the same time, the selling price of broiler and DOC has not improved which put pressure on the margin. To mitigate this risk, the government has increased the target for local corn production in 2024 to 16.6 million tons. The production of corn in January-February 2024 is estimated to reach 2.2 million tons, in line with the national corn consumption at around 1.1 million–1.2 million tons per month.
- Hold a positive view in FY24F.** We expect an improvement across most of its business segments especially from the broiler and DOC segments on the back of selling price recovery amid the resilient purchasing power of the Indonesian growing middle class which will be boosted by increasing economic activity during the election period. Thus, we estimate a top line of IDR 66.5trn (+6.6% YoY) and a bottom line of IDR 3.87trn (+12.6% YoY) with a higher NPM of 5.8% in FY24F.
- Valuation.** We recommend Buy in CPIN, given its strong market share position to capture the potential growth of Indonesia's attractive poultry market. The company also has better profitability compared to its domestic peers, including JPFA and MAIN. We derived our TP at IDR 5,500 (20% Upside) based on the blended DCF method, reflecting an FY24F P/E of 21.3x.

Current Price (IDR) (24/01)	4,600
Target price (IDR)	5,500
Upside/Downside (%)	19.80%
52 Week High (IDR)	5,975
52 Week Low (IDR)	4,330
Major Shareholders:	
Charoen Pokphand Indonesia	55.53%
Public	40.13%

Year To Dec.	Revenue	NP	EPS	PER	PBV
	(Bn IDR)	(Bn IDR)	(IDR)	(x)	(x)
2021	51,698	3,621	221	26.9	3.9
2022	56,868	2,928	179	31.6	3.5
2023E	62,448	3,438	210	24.0	2.9
2024F	66,545	3,870	236	21.3	2.7
2025F	71,095	4,586	280	18.0	2.5

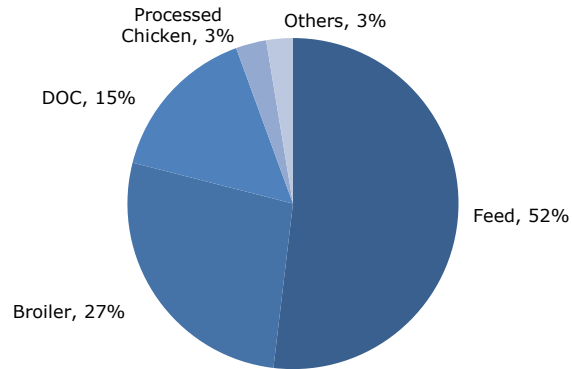
CPIN's Revenue Projection



Source: Company, Shinhan Sekuritas Indonesia

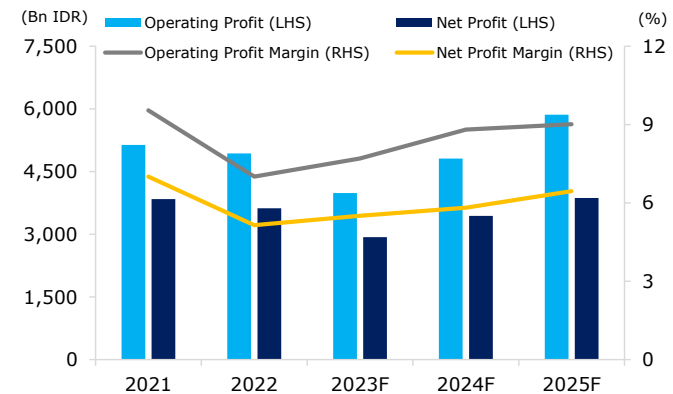
CPIN – Light at the end of the tunnel

CPIN's Revenue Breakdown in 9M23



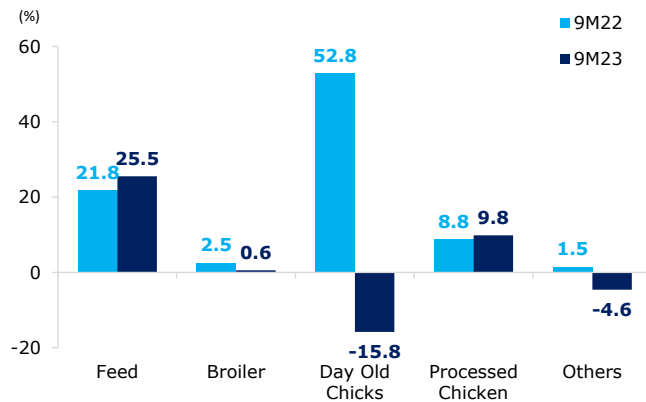
Source: Company, Shinhan Sekuritas Indonesia

CPIN's Operating and Net Profit Projection



Source: Company, Shinhan Sekuritas Indonesia

CPIN's Gross Margin per Segment



Source: Company, Shinhan Sekuritas Indonesia

P/E Band



Source: Company, Shinhan Sekuritas Indonesia

CPIN – Light at the end of the tunnel

Income statement

Year-end 31 Dec (Rp bn)	2021	2022	2023F	2024F	2025F
Sales	51,698	56,868	62,448	66,545	71,095
COGS	-43,559	-48,724	-53,759	-56,387	-60,117
Gross Profit	8,139	8,144	8,689	10,158	10,979
EBITDA	5,916	5,125	5,897	7,006	7,610
Operating Expense	3,204	4,160	3,877	4,296	4,571
Operating Profit	4,934	3,984	4,812	5,862	6,408
Pre-Tax Profit	4,634	3,537	4,320	4,864	5,764
Income Tax - Net	-1,015	-607	-884	-995	-1,179
Net Profit	3,621	2,928	3,438	3,870	4,586
EPS (Rp)	221	179	210	236	280

Source: Company, Shinhan Sekuritas Indonesia

Balance sheet

Year-end 31 Dec (Rp bn)	2021	2022	2023F	2024F	2025F
Assets					
Cash and Equivalent	1,803	2,042	4,850	5,239	5,829
Receivables	1,794	2,094	3,122	3,327	3,555
Inventories	11,588	13,263	11,945	11,965	12,156
Others	530	633	695	741	791
Total Current Assets	15,715	18,031	20,613	21,272	22,331
Net Fixed Assets	16,256	17,628	19,028	20,429	21,829
Other Assets	3,475	4,188	4,720	5,414	6,224
Total Assets	35,446	39,848	44,361	47,115	50,384
Liabilities and Equities					
Payables	2,402	2,446	3,747	3,993	4,266
Other Short-Term Liabilities	5,434	7,663	9,232	9,838	10,510
Total Current Liabilities	7,836	10,109	12,979	13,830	14,776
LT. Debt	1,358	2,312	2,048	1,814	1,607
Other Long Term Liabilities	1,102	1,099	1,111	1,111	1,111
Total Long-Term Liabilities	2,460	3,411	3,159	2,925	2,718
Total Liabilities	10,296	13,520	16,138	16,755	17,494
Minority Interest	15	17	16	16	16
Shareholders' Equity	25,150	26,327	28,223	30,359	32,890
BVPS (Rp)	1,534	1,606	1,721	1,851	2,006

Source: Company, Shinhan Sekuritas Indonesia

Cashflow analysis

Year-end 31 Dec (Rp bn)	2021	2022	2023F	2024F	2025F
CFs from Operation					
Net Profit	3,621	2,928	3,438	3,870	4,586
Change in Working Capitals	-1,499	-1,254	-342	-3,289	-4,109
CFs from Operation	2,122	1,674	3,096	581	477
CFs from Investments	-2,819	-2,613	-1,932	-2,094	-2,211
CFs from Financing Activities	-316	928	-253	-234	-207
Net Inc./ (Dec.) in Cash	-875	239	2,808	389	590
Cash at End Period	1,803	2,042	4,850	5,239	5,829

Source: Company, Shinhan Sekuritas Indonesia

Key ratio analysis

Year-end 31 Dec (Rp bn)	2021	2022	2023F	2024F	2025F
Profitability					
Gross Margin	15.7%	14.3%	13.9%	15.3%	15.4%
Operating Margin	9.5%	7.0%	7.7%	8.8%	9.0%
EBITDA Margin	11.4%	9.0%	9.4%	10.5%	10.7%
Net Income Margin	7.0%	5.1%	5.5%	5.8%	6.5%
ROAA	10.2%	7.3%	7.7%	8.2%	9.1%
ROAE	14.4%	11.1%	12.2%	12.7%	13.9%
Growth					
Revenue	21.6%	10.0%	9.8%	6.6%	6.8%
Operating Profit	-4.0%	-19.3%	20.8%	21.8%	9.3%
EBITDA	-3.7%	-13.4%	15.1%	18.8%	8.6%
Net Income	-5.8%	-19.1%	17.4%	12.6%	18.5%
Solvability					
Current Ratio (x)	2.0	1.8	1.6	1.5	1.5
Quick Ratio (x)	0.5	0.5	0.7	0.7	0.7
Debt to Equity (x)	0.4	0.5	0.6	0.6	0.5
Interest Coverage (x)	15.0	9.5	10.4	5.9	9.7

Source: Company, Shinhan Sekuritas Indonesia

PT Japfa Comfeed Indonesia Tbk-JPFA

JPFA – The only way is up from the rock bottom

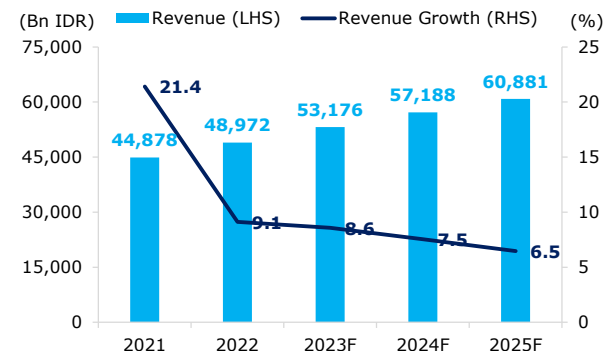
Billy Ibrahim Djaya

- Live birds' price fluctuation persists in the market.** The prolonged demand and supply imbalance in DOC and broiler since 2022 resulted in weak poultry prices, but began to rebound after supply adjustments in 2Q23. The average monthly price of broiler in 3Q23 stood at IDR 21,051/kg (-0.5% MoM, +12.2% YoY) while DOC recorded at IDR 6,887/kg (+26.6% MoM, +31.4% YoY) or already near their peak level. However, the price began to subside in 4Q23 especially for DOC which was experienced a steep decline of -63.5% MoM to the average of IDR 1,754/kg. The prices of DOC and broiler are subject to fluctuations due to market demand and supply dynamics, which in turn affect the average selling prices (ASPs) and profitability of JPFA. The quarterly cyclicalities is expected to even out in the long term, as the prospects of protein consumption remain solid.
- Acceleration of performance in 3Q23.** The higher ASP of feed boosted JPFA's revenue in 3Q23 to IDR 13.61trn (+10.6% YoY), while the 9M23 performance relatively flat at IDR 37.77trn (+2.6% YoY). Feed remains a pillar of profitability and JPFA continues to pass on raw material price increases in JPFA selling prices. Feed margins also have shown recent improvements from 18.9% in 9M22 to 21.5% in 9M23. However, profitability decreases annually with GPM of 15.7% (vs 16.7% in 9M22) and NPM of 2.5% (vs 3.9% in 9M22) mainly due to lower DOC and broiler selling prices. This was partly cushioned by improvements in the downstream performance as the poultry processing and consumer products segment began to gain a traction with contribution to total EBIT of 7.4%.
- Strengthening the downstream business.** JPFA's decision to acquire 100% ownership in PT So Good Food and PT So Good Food Manufacturing in 2020 through its subsidiary PT Ciomas Adisatwa has enabled the company to increase the capacity of its processed meat production facilities. This move aligns with JPFA's strategy to strengthen its downstream business, particularly in poultry processing and consumer products, and to promote retail sales growth through both offline and online outlets. The acquisition has contributed to enhancing JPFA's downstream business through increased capacity and production efficiency, supporting its strategic direction.
- Aquafeed as the future platform of growth.** JPFA's aquaculture business, which includes fish and shrimp feed production, shrimp hatchery, and shrimp farming, is expected to be the next growth driver for the company. Aquafeed represents 75% of the aquaculture revenue. Furthermore, JPFA has a joint venture with Hendrix Genetics to cultivate Kona Bay shrimp broodstock from Hawaii, which is known for its high performance in the hatchery and on the farm. Kona Bay is a market leader supplying more than 50% of shrimp broodstock in Indonesia.
- Valuation.** We reiterate our Buy recommendation on JPFA with a TP of IDR 1,300, reflecting a 22% upside. This TP is based on the blended DCF calculation method. It corresponds to a FY24F P/E of 9.0x, which we consider attractive compared to its peers. The risks to our recommendation include lower than expected broiler and day-old-chick (DOC) prices.

Current Price (IDR) (24/01)	1,065
Target price (IDR)	1,300
Upside/Downside (%)	21.8%
52 Week High (IDR)	4,500
52 Week Low (IDR)	3,390
Major Shareholders:	
Japfa Ltd	55.43%
Public	43.62%

Year To Dec.	Revenue (Bn IDR)	NP (Bn IDR)	EPS (IDR)	PER (x)	PBV (x)
2021	44,878	2,023	174	9.9	1.5
2022	48,972	1,420	122	10.6	1.1
2023E	53,176	1,250	108	11.0	0.9
2024F	57,188	1,527	131	9.0	0.9
2025F	60,881	1,723	148	8.0	0.8

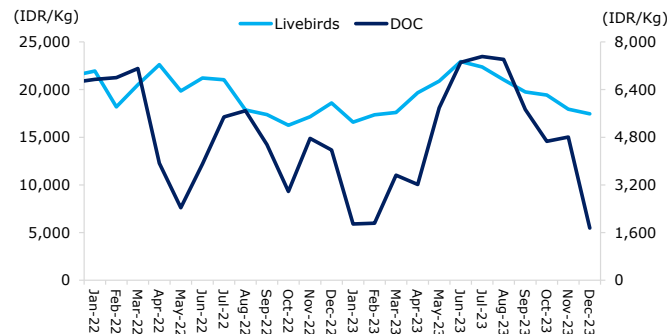
JPFA's Revenue Projection



Source: Company, Shinhan Sekuritas Indonesia

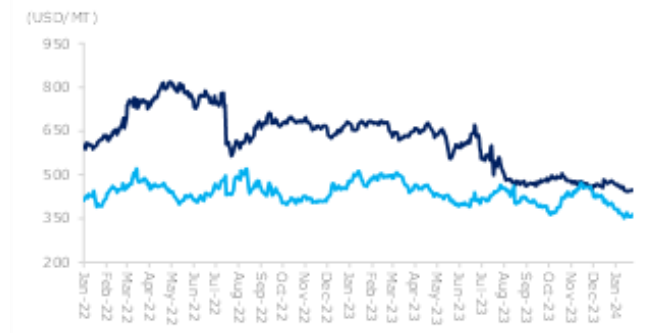
JPFA – The only way is up from the rock bottom

Livebirds and DOC Monthly Avg. Prices in West Java



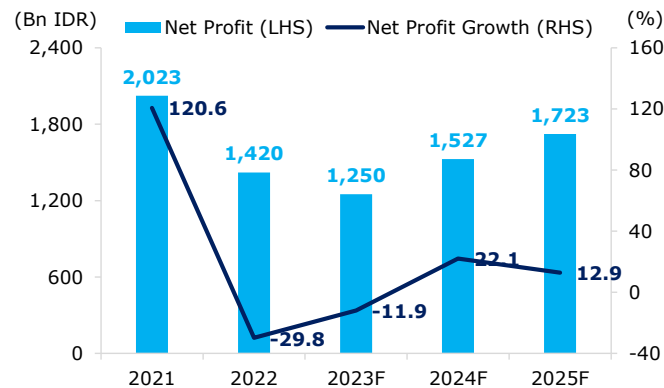
Source: Company, Shinhan Sekuritas Indonesia

Corn and Soybean Meal Price Trend



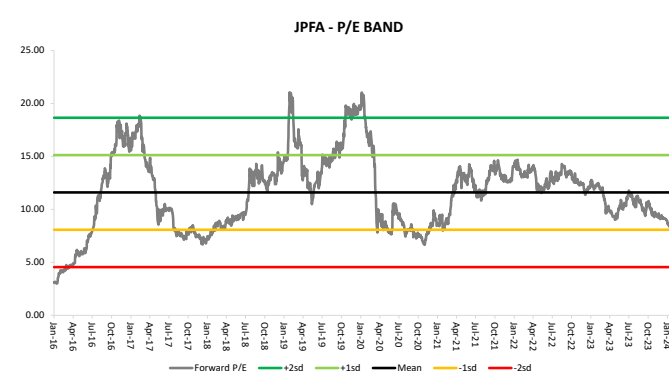
Source: Company, Shinhan Sekuritas Indonesia

JPFA's Net Profit Projection



Source: Company, Shinhan Sekuritas Indonesia

P/E Band



Source: Company, Shinhan Sekuritas Indonesia

JPFA – The only way is up from the rock bottom

Income statement

Year-end 31 Dec (Rp bn)	2021	2022	2023F	2024F	2025F
Sales	44,878	48,972	53,176	57,188	60,881
COGS	36,858	41,289	45,189	48,050	51,446
Gross Profit	8,020	7,683	7,987	9,138	9,436
EBITDA	4,740	3,966	4,042	4,674	5,028
Operating Expense	-4,798	-4,880	-5,690	-6,232	-6,164
Operating Profit	3,222	2,803	2,297	2,905	3,272
Pre-Tax Profit	2,794	1,955	1,975	2,383	2,646
Income Tax - Net	-663	-464	-652	-763	-820
Net Profit	2,023	1,420	1,250	1,527	1,723
EPS (Rp)	174	122	108	131	148

Source: Company, Shinhan Sekuritas Indonesia

Balance sheet

Year-end 31 Dec (Rp bn)	2021	2022	2023F	2024F	2025F
Assets					
Cash and Equivalent	1,085	1,811	1,629	2,198	3,537
Receivables	2,429	2,496	2,712	2,859	2,983
Inventories	10,356	12,456	12,653	12,493	12,347
Others	291	238	670	612	600
Total Current Assets	14,161	17,001	17,663	18,163	19,467
Net Fixed Assets	11,510	12,497	13,175	13,234	12,851
Other Assets	2,919	3,192	3,564	3,912	4,259
Total Assets	28,590	32,691	34,402	35,309	36,578
Liabilities and Equities					
Payables	3,030	4,135	5,318	6,291	7,306
Other Short-Term Liabilities	4,034	5,277	5,761	5,454	5,273
Total Current Liabilities	7,064	9,412	11,079	11,745	12,579
LT. Debt	7,132	8,430	7,691	6,950	6,280
Other Long Term Liabilities	1,291	1,193	1,193	1,193	1,193
Total Long-Term Liabilities	8,423	9,624	8,884	8,143	7,474
Total Liabilities	15,487	19,036	19,963	19,888	20,052
Minority Interest	869	907	907	907	907
Shareholders' Equity	13,103	13,655	14,439	15,421	16,525
BVPS (Rp)	1,126	1,175	1,243	1,327	1,422

Source: Company, Shinhan Sekuritas Indonesia

Cashflow analysis

Year-end 31 Dec (Rp bn)	2021	2022	2023F	2024F	2025F
CFs from Operation					
Net Profit	2,023	1,420	1,250	1,527	1,723
Change in Working Capitals	-3,633	-1,186	-428	-791	-855
CFs from Operation	-1,610	234	822	736	868
CFs from Investments	-222	-1,261	-1,049	-408	35
CFs from Financing Activities	73	950	-812	-668	-670
Net Inc./ (Dec.) in Cash	-251	726	-182	570	1,339
Cash at End Period	1,085	1,811	1,629	2,198	3,537

Source: Company, Shinhan Sekuritas Indonesia

Key ratio analysis

Year-end 31 Dec (Rp bn)	2021	2022	2023F	2024F	2025F
Profitability					
Gross Margin	17.9%	15.7%	15.0%	16.0%	15.5%
Operating Margin	7.9%	5.6%	5.1%	5.7%	6.0%
EBITDA Margin	10.6%	8.1%	7.6%	8.2%	8.3%
Net Income Margin	4.7%	3.0%	2.5%	2.8%	3.0%
ROAA	7.8%	4.9%	3.9%	4.6%	5.1%
ROAE	17.4%	11.1%	9.4%	10.9%	11.4%
Growth					
Revenue	21.4%	9.1%	8.6%	7.5%	6.5%
Operating Profit	22.3%	-13.0%	-18.0%	26.5%	12.6%
EBITDA	30.3%	-16.3%	1.9%	15.6%	7.6%
Net Income	120.6%	-29.8%	-11.9%	22.1%	12.9%
Solvability					
Current Ratio (x)	2.0	1.8	1.6	1.5	1.5
Quick Ratio (x)	0.5	0.5	0.5	0.5	0.6
Debt to Equity (x)	1.2	1.4	1.4	1.3	1.2
Interest Coverage (x)	4.4	3.4	3.2	3.3	3.3

Source: Company, Shinhan Sekuritas Indonesia

PT Semen Indonesia (Persero) Tbk-SMGR

SMGR – Promising demand for the bulk segment

Anissa Septiwijaya

- Strong export sales in 9M23.** SMGR remains to recorded an increased its sales volume by 5.95% YoY to 29.20 mn tons, which mainly from domestic sales of 23.44 mn tons (+0.74% YoY) supported by bulk segment, followed by regional sales of 5.76 mn tons (+34.15% YoY). The solid regional sales mainly contributed by export sales from Indonesia facilities which generated 4.72mn tons, increased by 61.9% YoY, while from Vietnam facilities was corrected by 24.5%. The export sales volume was mostly sold to Australia, Bangladesh, Philippines, Taiwan, Sri Lanka, and Timor Leste.

The market leader in the IKN project. SMGR generated revenue from the cement segment of IDR 22.67 trillion, which inched up 1.59% YoY. Meanwhile, revenue from precast and ready-mix concrete of IDR 1.36 trillion, rose by 7.68% YoY as the company supplied to the new capital city project (IKN) in the East Kalimantan. We highlight that the demand for bulk cement will be a positive catalyst for overall SMGR's sales volume due to the company carter around 71% market share in the new capital project (IKN) in East Kalimantan per September 2023. SMGR's management is targeting 400,000 – 500,000 tons for the project, while the IKN project is estimated to need for bulk cement of 700,000 tons. Per September 2023, SMGR has supplied around 300,000 tons and is expected to exponentially increase in the 4Q of this year, as well as SMGR's sales volume which increased by 22% YoY in 4Q23. For next year, the IKN project is expected to need 1.2 – 1.3 mn tons of bulk cement, and SMGR will potentially supply 80% of the bulk cement demand.

- Cost discipline must continue to support SMGR's margin.** In 9M23, SMGR was successful in maintaining its profitability, including NPM at 6.20%, compared to 6.33% in 9M22 despite higher fuel and energy costs. For note, the fuel price increase that occurred in 2H 2022 impacted the logistics cost related to energy, distribution, and raw materials. Meanwhile, for coal prices, we believe SMGR doesn't have any issue in terms of coal procurement as SMGR has managed full DMO coal for 2023. On the other hand, Operating expenses declined by 8.09% YoY to IDR 3.99 trillion due to a decrease in transportation and handling costs by 29.06% to IDR 1.17 trillion compared to last year of IDR 1.65 trillion. With this result, OPM and EBITDA were recorded at 12.48% and 21.483% in 9M23 (Vs 13.37% and 22.65% in 9M22). In addition, SMGR's financial cost is seen to lower by 4.20% YoY to IDR 1.03 trillion, in line with the decline in its interest-bearing debt.

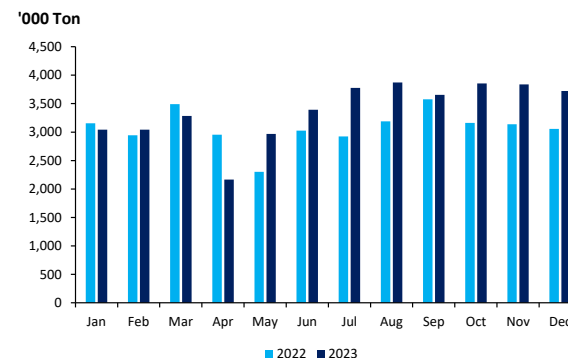
- Decarbonization is still on track.** SMGR also contributes to cost efficiency through collaboration with PT Perusahaan Listrik Negara (Persero) Tbk to develop solar panels as a source of renewable energy. There was around 5.4 MWp – 32 MWp of solar energy will be used in the early stage and will be increased up to 541 MWp to meet around 20% of electricity needs. Furthermore, considering that electricity is 2nd largest contribution to SIG's cost of revenue, SMGR is targeted to reduce Scope 2 CO2 emission intensity by 24% in 2030.

- Valuation.** We maintain our BUY rating for SMGR with TP IDR 8,000 per share, reflecting an FY24F PE and EV/EBITDA at 24.5x and 8.91x. For this year, we set a conservative target with overall sales volume expected to increase by 1.5% YoY due to the presidential election. Downside risk: 1). Increasing energy cost than expected, 2). Lower ASP and weak domestic demand, 3). Slower than expected demand in bulk due to the postponement of several projects.

Current Price (IDR) (17/01)	6,075
Target price (IDR)	8,000
Upside/Downside (%)	20.75%
52 Week High (IDR)	7,775
52 Week Low (IDR)	5,625
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)
2021	34,958	2,021	299	22.1	1.1
2022	36,379	2,365	350	18.9	0.9
2023E	34,803	2,063	306	26.2	1.1
2024F	35,669	2,203	326	24.5	1.1
2025F	37,074	2,538	376	21.3	1.1

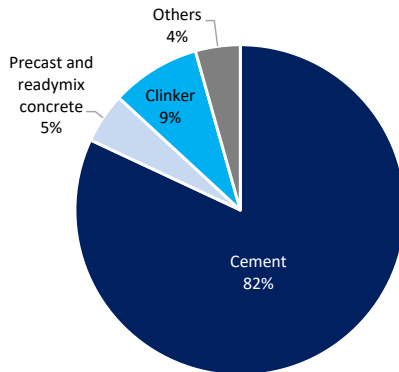
SMGR's sales volume (*including Semen Baturaja)



Source: Company, Shinhan Sekuritas Indonesia

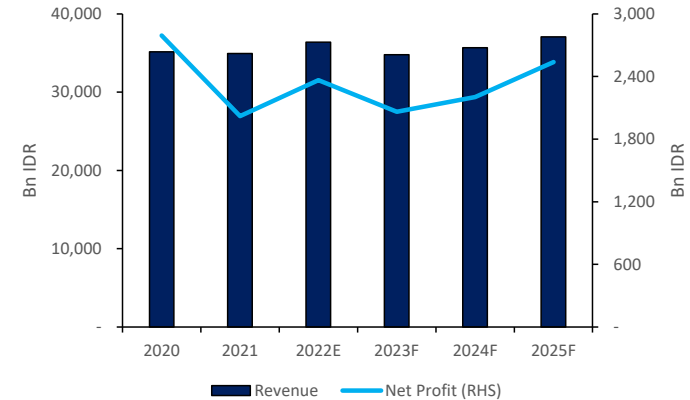
SMGR – Promising demand for the bulk segment

Revenue Breakdown in 9M23



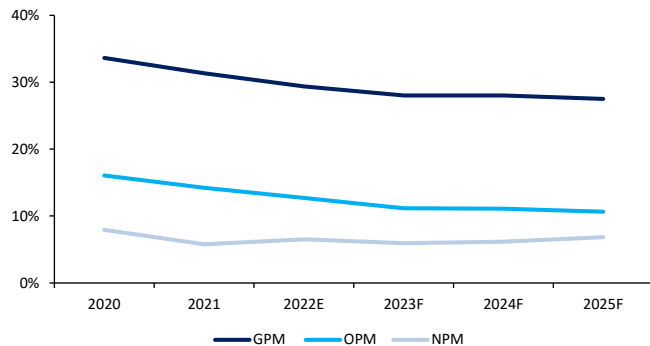
Source: Company, Shinhan Sekuritas Indonesia

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 – Promising demand for the bulk segment

Income Statement

Year-End 31 Dec (Bn IDR)	2021	2022	2023E	2024F	2025F
Sales	34,958	36,379	34,803	35,669	37,074
Cost of Revenue	(24,005)	(25,701)	(25,058)	(25,682)	(26,879)
Gross Profit	10,953	10,678	9,745	9,987	10,195
EBITDA	7,823	9,241	6,949	7,057	7,079
Operating Expenses	(5,979)	(6,052)	(5,866)	(6,031)	(6,248)
Operating Profit	4,974	(1,327)	3,879	3,956	3,947
Pre-Tax Profit	3,470	3,299	2,645	2,824	3,254
Income Tax Expenses	(1,388)	(800)	(582)	(621)	(716)
Net Profit	2,021	2,365	2,063	2,203	2,538
EPS (IDR)	299	350	306	326	376

Source: Company, Shinhan Sekuritas Indonesia

Balance Sheet

Year-End 31 Dec (Bn IDR)	2021	2022	2023E	2024F	2025F
Assets					
Cash & Cash Equivalents	2,470	6,007	6,242	7,675	6,410
Accounts Receivable	5,871	5,885	6,025	6,024	6,254
Inventories	4,615	5,610	4,707	4,936	5,297
Other Current Assets	2,313	1,377	1,377	1,377	1,377
Total Current Assets	15,270	18,879	18,350	20,012	19,338
Net Fixed Assets	54,720	57,806	56,669	55,248	53,796
Other Assets	6,514	6,275	6,275	6,275	6,275
Total Assets	76,504	82,960	81,294	81,535	79,409
Liabilities and equities					
Accounts Payables	7,879	8,450	6,735	7,154	7,802
Other Short-Term Liabilities	6,331	4,611	4,726	4,647	4,401
Total Current Liabilities	14,210	13,061	11,461	11,801	12,204
Long-Term Borrowings	12,936	13,077	12,608	11,491	8,006
Other Long-Term Liabilities	7,794	7,133	7,133	7,133	7,133
Total Liabilities	34,940	33,271	31,201	30,425	27,342
Dana Syirkah Funds	1,781	2,450	1,736	1,582	1,102
Total Equity	39,783	47,239	48,357	49,528	50,964
BVPS (IDR)	5,892	6,997	7,162	7,336	7,549

Source: Company, Shinhan Sekuritas Indonesia

Cash Flows

Year-End 31 Dec (Bn IDR)	2021	2022	2023E	2024F	2025F
Net Profit	2,021	2,365	2,063	2,203	2,538
Change in Working Capital	1,150	(437)	(952)	190	58
CFs from Operating	5,860	7,100	4,181	5,493	5,728
CFs from Investing	(1,895)	(6,165)	(1,932)	(1,680)	(1,680)
CFs from Financing	(4,425)	2,616	(2,014)	(2,381)	(5,312)
Net Inc./(Dec.) in Cash	(460)	3,551	235	1,433	(1,265)
Cash at End. Period	2,470	6,007	6,242	7,675	6,410

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

Year-End 31 Dec	2021	2022	2023E	2024F	2025F
Profitability					
Gross Margin	31.3%	29.4%	28.0%	28.0%	27.5%
Operating Margin	14.2%	-3.6%	11.1%	11.1%	10.6%
EBITDA Margin	22.4%	25.4%	20.0%	19.8%	19.1%
Profit Margin	5.8%	6.5%	5.9%	6.2%	6.8%
ROA	2.6%	2.9%	2.5%	2.7%	3.2%
ROE	5.1%	5.0%	4.3%	4.4%	5.0%
Growth					
Revenue	-0.6%	4.1%	-4.3%	2.5%	3.9%
Gross Profit	-7.4%	-2.5%	-8.7%	2.5%	2.1%
Operating Profit	-11.9%	-126.7%	-392.4%	2.0%	-0.2%
EBITDA	-9.6%	18.1%	-24.8%	1.6%	0.3%
Net Profit	-27.6%	17.0%	-12.8%	6.8%	15.2%
Solvability					
Current Ratio (x)	1.1	1.4	1.6	1.7	1.6
Quick Ratio (x)	0.6	0.9	1.1	1.2	1.0
Debt to Equity (x)	0.5	0.4	0.4	0.3	0.2
Interest Coverage (x)	3.1	553.7	2.5	2.8	4.0

Source: Company, Shinhan Sekuritas Indonesia

PT Indocement Tungal Prakarsa Tbk-INTP

INTP – Focusing on increasing market share

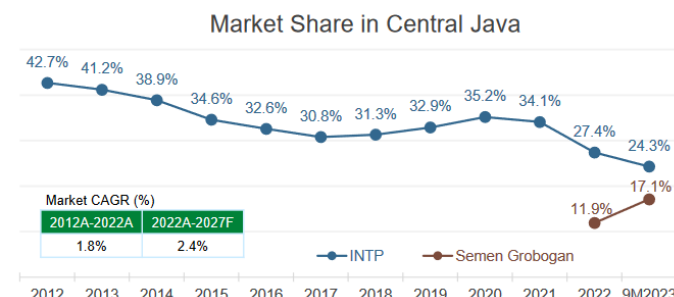
Anissa Septiwijaya

- Margin improvement.** In total, INTP's revenue in 9M23 of IDR 12.93 trillion, rose by +10.86% YoY, supported by the increase in sales volume (+8.30% YoY) coupled with a higher blended ASP (+2.37% YoY). Furthermore, thanks to lower energy costs due to DMO coal which offset an increase in raw material cost and manufacturing overhead cost, then resulting to GPM was at 31.63% in 9M23, (Vs 29.52% in 9M22). We also note that recovery in sales volume and ASP were affected by OPM and EBITDA margin which expanded to 11.72% and 19.57% in 9M23, compared to 9.99% and 17.47% in 9M22. In addition, the robust net profit growth of 33.84% YoY to IDR 1.27 trillion in 9M23, resulted in INTP's NPM of 9.80% (Vs 8.12% in 9M22).
- Another room to boost performance.** INTP seems to strive for its performance by increasing its market share through the acquisition of PT Semen Grobogan. For note, Semen Grobogan is a cement producer that operates in Grobogan Regency, Central Java, which has a production capacity of 8,000 tons per day, equivalent to 2.5 million tons per year, with a utilization rate of 50% and potentially the capacity increased improve up to 2.9mn ton. More than 90% of its sales are in the central Java region. After this consolidation, INTP production capacity will reach 28 mn tons with the company potentially gaining an additional market share of around 2% -3% from this acquisition. For note, central Java was contributing around 11% of total domestic demand. Through this synergy, we believe INTP will enjoy the benefit of additional sales volume due to taking over the existing sales volume of about 1.5 million tons per year under the existing Semen Grobogan brand and network. Meanwhile, from cost structure, INTP will maximize its profitability margin due to saving transportation and production costs as Semen Grobogan's plant is strategically located close to key markets in Central Java with the lowest weighted average logistics cost to the other players. Currently, Semen Grobogan has an EBITDA margin of 35%, higher than INTP' at 19.6%.
- Strong demand from outside Java.** INTP reported its overall sales volume throughout 2023 of 17.48 mn ton (+8.77% YoY), or 97% of our expectation, supported by the bag market at +6.8% and bulk market at +14.9%. Strong demand still coming from outside Java which grew by 29.6% YoY or accounting for 37% of INTP's total sales volume. This was in line with increasing supply to the construction of IKN and higher market penetration to Nusa Tenggara and other East Indonesia areas. This year, INTP will also continue to supply more bulk cement to IKN due to its Samarinda Terminal starting to operate in full swing by December 2023 by having a 4x2500 ton capacity and a new 8-spout packer. Meanwhile, in the first quarter of this year, we expect that there will be a seasonal slowdown of cement demand due to more rains and weights from the Presidential Election in February 2024.
- Valuation. We maintain our BUY for INTP with a TP of IDR 11,200 per share, reflecting our PE and EV/EBITDA in FY24F at 19.5x and 8.8x.** Downside our call: 1). Slower demand growth than expected, 2). Higher coal prices than expected, and 3). Change in DMO regulation.

Current Price (IDR) (18/01)	9,175
Target price (IDR)	11,200
Upside/Downside (%)	22.1%
52 Week High (IDR)	11,850
52 Week Low (IDR)	9,025
Major Shareholders:	
Heidelberg Material AG	51.00%
Public and Others	49.00%

Year To Dec.	Revenue (Bn IDR)	NP (Bn IDR)	EPS (IDR)	PER (x)	PBV (x)
2021	14,772	1,788	521	27.8	2.4
2022	16,328	1,842	537	17.1	1.6
2023E	17,282	1,757	512	21.9	1.7
2024F	18,960	1,972	574	19.5	1.7
2025F	19,887	2,101	612	18.3	1.7

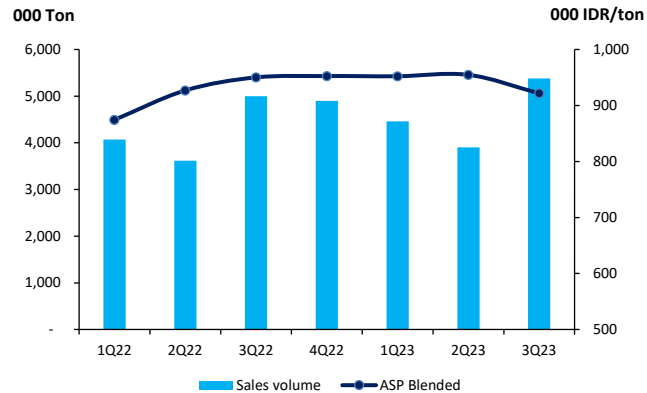
Market share INTP in Central Java after acquired Semen Grobogan



Source: Company, Shinhan Sekuritas Indonesia

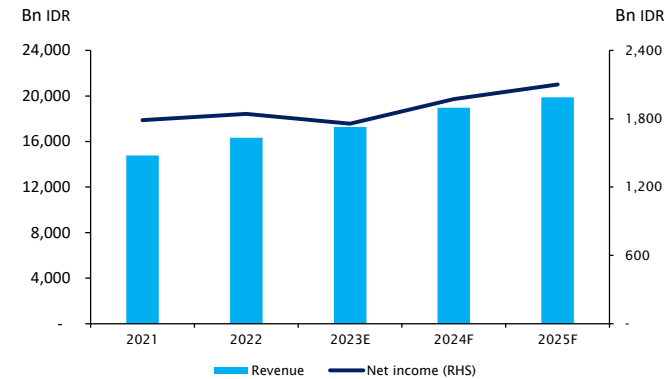
INTP – Focusing on increasing market share

Historical Sales Volume vs ASP



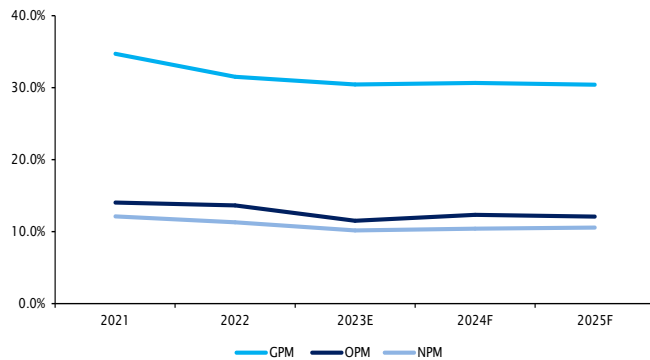
Source: Company, Shinhan Sekuritas Indonesia

Revenue and Net Income Projection



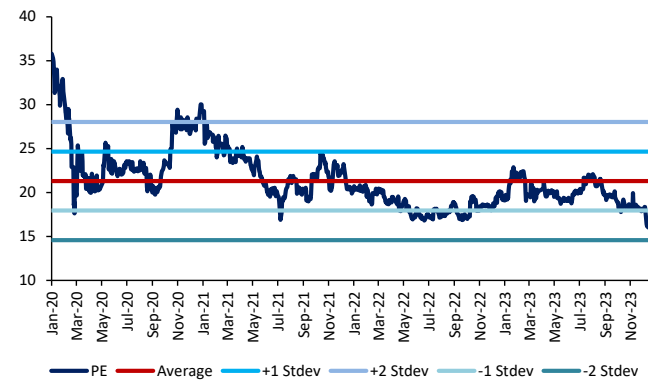
Source: Company, Shinhan Sekuritas Indonesia

Profitability Trend



Source: Company, Shinhan Sekuritas Indonesia

3-Years Forward PE (x)



Source: Company, Shinhan Sekuritas Indonesia

INTP – Focusing on increasing market share

Income Statement

Year-End 31 Dec (Bn IDR)	2021	2022	2023E	2024F	2025F
Sales	14,772	16,328	17,282	18,960	19,887
COGS	(9,646)	(11,185)	(12,019)	(13,147)	(13,839)
Gross Profit	5,126	5,143	5,263	5,813	6,048
EBITDA	3,278	3,239	3,196	3,743	4,005
Opearing Expenses	(3,219)	(3,334)	(3,706)	(3,920)	(4,104)
Operating Profit	2,071	2,226	1,987	2,336	2,401
Pre-Tax Profit	2,234	2,289	2,252	2,528	2,694
Income Tax Expenses	(446)	(447)	(495)	(556)	(593)
Net Profit	1,788	1,842	1,757	1,972	2,101
EPS (IDR)	521	537	512	574	612

Source: Company, Shinhan Sekuritas Indonesia

Balance Sheet

Year-End 31 Dec (Bn IDR)	2021	2022	2023E	2024F	2025F
Assets					
Cash & Cash Equivalents	6,141	4,526	6,723	6,228	6,080
Accounts Receivable	2,587	2,652	3,066	3,314	3,434
Inventories	2,267	2,831	2,182	2,387	2,512
Other Current Assets	341.25	304.21	297.95	300.20	301.29
Total Current Assets	11,337	10,312	12,268	12,229	12,328
Net Fixed Assets	14,342	14,895	15,686	16,279	16,675
Other Assets	456.97	499.16	499.16	499.16	499.16
Total Assets	26,136	25,706	28,453	29,007	29,503
Liabilities and equities					
Accounts Payables	2,955	2,583	2,838	3,104	3,306
Other Short-Term Liabilities	1,692	2,239	2,167	2,177	2,184
Total Current Liabilities	4,647	4,822	5,004	5,281	5,490
Long-Term Borrowings	114	634	503	522	535
Other Long-Term Liabilities	755	683	722	764	811
Total Liabilities	5,515	6,139	6,229	6,568	6,836
Minority Interest	-	-	-	-	-
Shareholders' equity	20,621	19,567	22,224	22,439	22,667
BVPS (IDR)	6,006	5,699	6,473	6,535	6,602

Source: Company, Shinhan Sekuritas Indonesia

Cash Flows

Year-End 31 Dec (Bn IDR)	2021	2022	2023E	2024F	2025F
Net Profit	1,788	1,842	1,757	1,972	2,101
Change in Working Capital	1,073	1,012	1,209	1,407	1,604
CFs from Operating	2,791	2,247	3,462	3,190	3,659
CFs from Investing	(827)	(1,607)	(2,000)	(2,000)	(2,000)
CFs from Financing	(3,604)	(2,255)	736	(1,685)	(1,807)
Net Inc./ (Dec.) in Cash	(1,641)	(1,615)	2,197	(495)	(148)
Cash at End. Period	6,141	4,526	6,723	6,228	6,080

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

Year-End 31 Dec	2021	2022	2023E	2024F	2025F
Profitability					
Gross Margin	34.7%	31.5%	30.5%	30.7%	30.4%
Operating Margin	14.0%	13.6%	11.5%	12.3%	12.1%
EBITDA Margin	22.2%	19.8%	18.5%	19.7%	20.1%
Profit Margin	12.1%	11.3%	10.2%	10.4%	10.6%
ROA	6.8%	7.2%	6.2%	6.8%	7.1%
ROE	8.7%	9.4%	7.9%	8.8%	9.3%
Growth					
Revenue	4.1%	10.5%	5.8%	9.7%	4.9%
Gross Profit	0.2%	0.3%	2.3%	10.5%	4.0%
Operating Profit	10.4%	7.5%	-10.8%	17.6%	2.8%
EBITDA	0.0%	-1.2%	-1.3%	17.1%	7.0%
Net Profit	-1.0%	3.0%	-4.7%	12.3%	6.5%
Solvability					
Current Ratio (x)	2.4	2.1	2.5	2.3	2.2
Quick Ratio (x)	2.0	1.6	2.0	1.9	1.8
Debt to Equity (x)	0.0	0.1	0.0	0.0	0.0
Interest Coverage (x)	65.5	51.9	58.3	66.0	66.3

Source: Company, Shinhan Sekuritas Indonesia

PT XL Axiata Tbk-EXCL

EXCL – In the race for FMC business

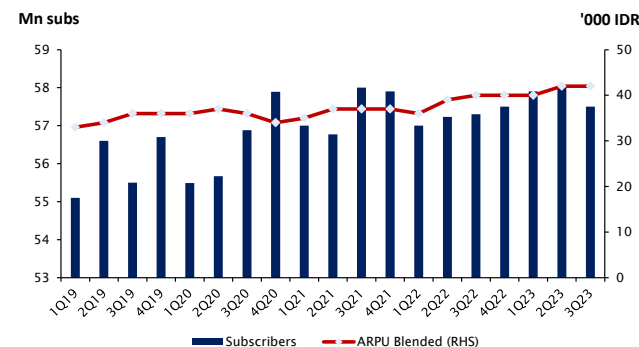
Anissa Septiwijaya

- EBITDA was manageable despite seasonality.** In 3Q23, EXCL recorded a net profit of IDR 359.92 billion, which declined by 19.98% QoQ in line with a lower revenue of 1.39% QoQ to IDR 8.10 trillion. This lowered top-line performance was mainly caused by a decrease in data and digital services revenue by 2.53% QoQ as well as seasonality. This was also reflected in flat traffic data to 2,453 PB (+0.04% QoQ) in 3Q23. However, the company successfully depressed its opex by 3.56% QoQ to IDR 4.00 trillion, bringing EBITDA to IDR 4.10 trillion (+0.84% QoQ, +12.63% YoY), accounting for EBITDA margin at 50.6%, compared to 48.5% in 2Q23 and 48.1% in 3Q22.
- Higher tariff price in line with industry consolidation.** In 9M23, EXCL reported double-digit revenue growth to IDR 23.87 trillion (+12.01% YoY), above our expectations. This solid revenue growth primarily contributed by data and digital services revenue of IDR 21.72 trillion (+10.20% YoY) on the back of strong data traffic growth coupled with higher blended ARPU at IDR 41k in 9M23, compared to IDR 38k, which was driven by retention quality of subscriber and strong base for further price repatriation. This offset EXCL's lower subscribers by 500k to 57.5 mn subs. We also see that continued improvement in ARPU is supported by healthy conduct and industry pricing rationalization. Additionally, based on cable.co.uk, the average domestic mobile internet price tends to be cheap with only USD 0.28/GB, compared to Thailand (USD 0.41/GB), Philippines (USD 0.59/GB), and Singapore (USD 0.63/GB). However, in this condition, higher ARPU will align with the strengthened infrastructure to improve service quality and customer experience. In 9M23, EXCL's BTS reached 158,225 BTS with 65% of total BTS being 4G and fiberization rate at 61%. Accordingly, XL delivered a median download speed of 20.79 Mbps in 3Q23, compared to 4Q22 at 19.19 Mbps based on Speedtest.
- FBB and FMC business continues to accelerate.** EXCL seems to have shown positive results from its FMC business through its product, XL Satu to create another revenue stream. Currently, XL Satu is available in 75 cities, compared to only 12 cities in 2Q23 along with the company's expansion. EXCL reported that has 206k home connect, of which 143k were XL Satu subscribers, representing a convergence penetration of 69%, massively increased from 32% in 3Q22. EXCL has committed to continue to expand the FMC business, with a target of providing XL Satu products in 100 cities throughout Indonesia. Besides that, by collaborating with Link Net, EXCL is optimistic about improving convergence penetration in Indonesia with a targeted 8 million home passes over the next 5 years.
- Valuation.** We also highlight the possibility merger between EXCL and FREN would accelerate EXCL's FBB business due to FREN owns around 18.3% stake in PT Mora Telematika Indonesia (MORA) through its subsidiary PT Smart Telecom (Smartel). MORA provides Fiber to the home (FTTH) business service under the brand Oxygen.id which has more than 110k subscribers with covers an area from Jabodetabek to Pekalongan and Bandung. **We recommend BUY for EXCL with a TP of IDR 2,900 per share** based on EV/EBITDA FY24E at 5.0x.

Current Price (IDR) (19/01)	2,370
Target price (IDR)	2,900
Upside/Downside (%)	22.4%
52 Week High (IDR)	2,560
52 Week Low (IDR)	1,695
Major Shareholders:	
Axiata Investments (Indonesia) Sdn. Bhd	66.25%
Public and Others	33.75%

Year To Dec.	Revenue (Bn IDR)	NP (Bn IDR)	BVPS (IDR)	PBV (x)	EV/EBITDA (x)
2021	26,754	1,288	1,530	1.5	4.8
2022	29,142	1,109	1,963	1.1	4.6
2023E	30,963	1,148	2,015	1.4	5.4
2024F	33,590	1,321	2,079	1.4	5.0
2025F	35,501	1,484	2,156	1.3	4.7

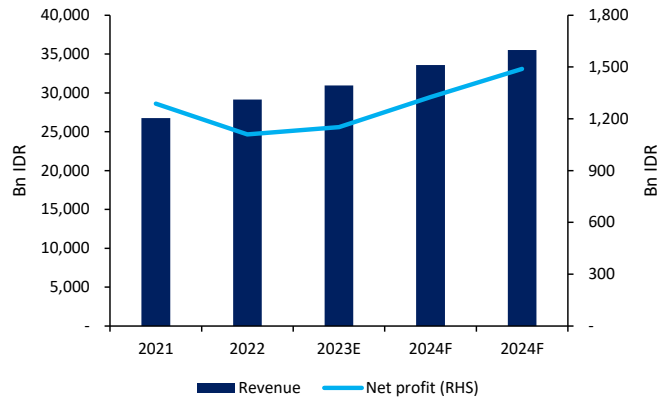
EXCL's Blended ARPU continues to improve



Source: Company, Shinhan Sekuritas Indonesia

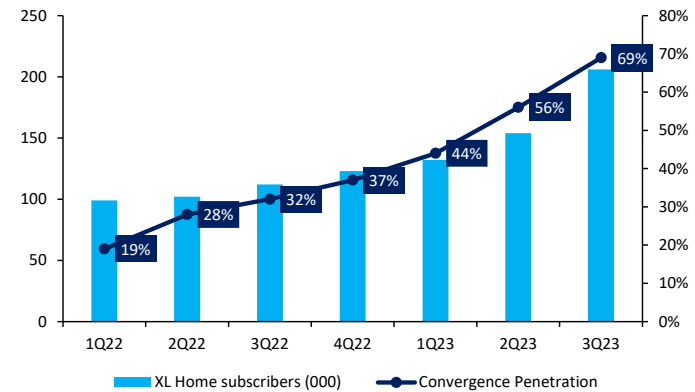
EXCL – In the race for FMC business

Revenue and Net Profit Projection



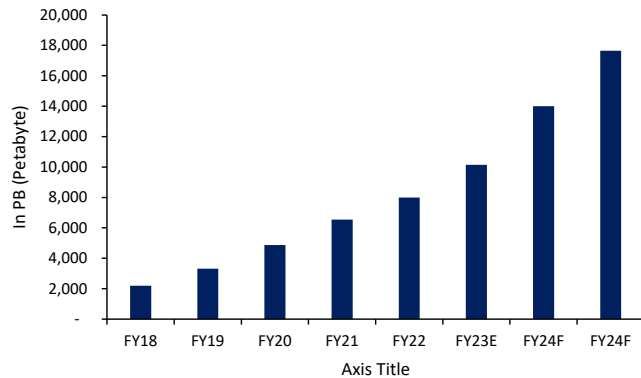
Source: Company, Shinhan Sekuritas Indonesia

Convergence Progress



Source: Company, Shinhan Sekuritas Indonesia

Traffic Data



Source: Company, Shinhan Sekuritas Indonesia

3-Years Forward EV/EBITDA (x)



Source: Company, Shinhan Sekuritas Indonesia

EXCL – In the race for FMC business

Income Statement

Year-End 31 Dec (Bn IDR)	2021	2022	2023E	2024F	2025F
Sales	26,754	29,142	30,963	33,590	35,501
Infrastructure Expenses	(7,990)	(7,734)	(8,297)	(8,769)	(9,361)
Depreciation Expenses	(9,956)	(10,570)	(10,077)	(11,135)	(11,918)
EBITDA	13,287	14,235	15,010	16,733	17,598
Operating Expenses	(2,866)	(2,971)	(3,173)	(3,274)	(3,464)
Operating Profit	3,989	4,015	4,835	5,499	5,581
Pre-Tax Profit	1,708	1,353	1,507	1,731	1,942
Income Tax Expenses	(420)	(232)	(347)	(398)	(447)
Net Profit	1,288	1,109	1,148	1,321	1,484
EPS (IDR)	98	85	87	101	113

Source: Company, Shinhan Sekuritas Indonesia

Balance Sheet

Year-End 31 Dec (Bn IDR)	2021	2022	2023E	2024F	2025F
Assets					
Cash & Cash Equivalents	2,664	5,184	1,928	2,016	2,119
Accounts Receivable	610	852	602	653	690
Inventories	156	408	424	456	486
Other Current Assets	4,302	3,964	3,964	3,964	3,964
Total Current Assets	7,733	10,408	6,918	7,090	7,260
Net Fixed Assets	51,912	60,474	66,768	71,741	71,740
Other Assets	13,108	16,396	16,715	17,051	17,406
Total Assets	72,753	87,278	90,402	95,882	96,406
Liabilities and Equities					
Accounts Payables	10,638	11,337	11,789	12,675	13,500
Other Short-Term Liabilities	10,316	15,013	16,723	17,816	17,379
Total Current Liabilities	20,954	26,351	28,512	30,491	30,879
Long-Term Borrowings	28,356	30,680	30,941	33,403	32,601
Other Long-Term Liabilities	3,355	4,473	4,495	4,698	4,614
Total Liabilities	52,665	61,504	63,948	68,592	68,095
Minority Interest	-	-	-	-	-
Total Equity	20,089	25,774	26,454	27,290	28,311
BVPS (IDR)	1,530	1,963	2,015	2,079	2,156

Source: Company, Shinhan Sekuritas Indonesia

Cash Flows

Year-End 31 Dec (Bn IDR)	2021	2022	2023E	2024F	2025F
Net Profit	1,288	1,109	1,148	1,321	1,484
Change in Working Capital	3,196	206	685	803	758
CFs from Operating	11,899	10,710	11,921	13,273	14,170
CFs from Investing	(13,858)	(20,851)	(16,691)	(16,444)	(12,272)
CFs from Financing	1,642	12,610	1,514	3,259	(1,795)
Net Inc./ (Dec.) in Cash	(317)	2,469	(3,257)	88	103
Cash at End. Period	2,664	5,184	1,928	2,016	2,119

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

Year-End 31 Dec	2021	2022	2023E	2024F	2025F
Profitability					
Operating Margin	14.9%	13.8%	15.6%	16.4%	15.7%
EBITDA Margin	49.7%	48.8%	48.5%	49.8%	49.6%
Profit Margin	4.8%	3.8%	3.7%	3.9%	4.2%
ROA	1.8%	1.3%	1.3%	1.4%	1.5%
ROE	6.4%	4.3%	4.3%	4.8%	5.2%
Growth					
Revenue	2.9%	8.9%	6.2%	8.5%	5.7%
Operating Profit	51.6%	0.6%	20.4%	13.7%	1.5%
EBITDA	1.7%	7.1%	5.4%	11.5%	5.2%
Net Profit	246.6%	-13.9%	3.5%	15.0%	12.3%
Solvability					
Current Ratio (x)	0.4	0.4	0.2	0.2	0.2
Quick Ratio (x)	0.4	0.4	0.2	0.2	0.2
Debt to Equity (x)	1.8	1.7	1.7	1.8	1.6
Interest Coverage (x)	1.7	1.4	1.4	1.4	1.5

Source: Company, Shinhan Sekuritas Indonesia

PT Telkom Indonesia (Persero) Tbk-TLKM

TLKM – Accelerate business diversification

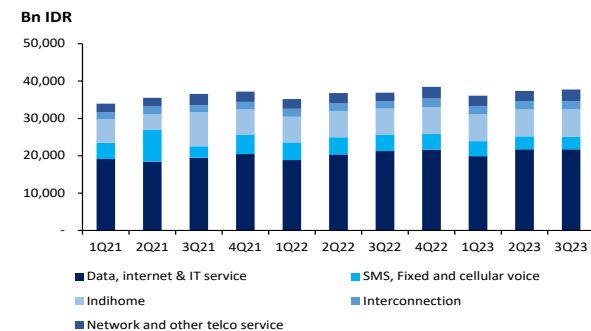
Anissa Septiwijaya

- OPEX was manageable amid the low season.** In 3Q23, TLKM recorded a revenue of IDR 37.76 trillion, which only inched up 0.99% QoQ. Revenue from data, internet & IT service was flat to IDR 21.74 trillion (+0.00% QoQ) in line with slowing traffic growth by only 0.3% QoQ due to seasonal factors. Meanwhile, revenue from SMS, fixed and cellular voice revenue keeps on decreasing to IDR 3.31 trillion (-4.80% QoQ, -23.84% YoY) due to continued transition from legacy to data. Operating profit was at IDR 11.96 trillion, which rose by 3.24% QoQ due to TLKM's success manage the expenses healthy. Moreover, EBITDA also improved to IDR 20.68 trillion, increased by 6.65% QoQ, representing an EBITDA margin of 54.76%, compared to 51.86% in the previous quarter. Accordingly, with a higher top line coupled with lower opex, net income rose by 6.49% QoQ to IDR 6.74 trillion.
- Maximize adding value from Indihome business.** Indihome officially integrated into Telkomsel on July 2023, and Telkomsel successfully accelerated IndiHome customers towards 8.5 million customers in 9M23 driven by cross-selling and up-selling activities. For note, the purpose of this spin-off is to maintain the competitiveness and superiority of Telkom in facing competition in Indonesia's telecommunication sector. Besides that, We also believe that spin off Indihome to Telkomsel was part of TLKM's plan to boost the Fixed Mobile Convergence (FMC) business. This was seen by Telkomsel launched a new product under the brand "Telkomsel One" which offers broadband services with a variety of added values, reliable capabilities in one network, the convenience and advantages of Telkomsel Prepaid, Halo, Orbit, and IndiHome services in one solution, one application, and one bill, which further enhances customer experience for more seamless broadband connectivity access, to support the various needs and activities of the digital lifestyle. Indihome prove to record a solid performance with a revenue of IDR 21.79 trillion (+2.77 QoQ, +4.79% YoY) or 19.6% of TLKM's revenue in 9M23.
- Mitratel continues to improve its profitability.** In 9M23, revenue from the network and other telco services recorded positive growth by 12.20% YoY to IDR 8.64 trillion. This is primarily contributed by tower leasing revenue as well as growing network business. Mitratel (MTEL), as TLKM's subsidiary continues to record solid performance with an EBITDA margin strengthening to 80.6% in 9M23, compared to 78.5% in 9M22 which was backed by expanding in tenancy ratio to 1.50x, from the previous 1.44x. Moreover, Mitratel also has to expand its portfolio from the fiber optic sector, with a total fiber optic length of 29,042 km in 9M23. We expect demand for fiber optic will continue growth due to fiberization of devices in the tower can support mobile operators to capture the opportunity of increased data demand from customers and increase revenue in these locations. Apart from that, data center and cloud business also recorded a positive growth which grew by 9.1% YoY to IDR 1.4 trillion in 9M23. As of September 2023, TLKM has a total of 32 data center facilities (27 domestic and 5 overseas) with an average utilization rate of 70% spread over 4 countries (Indonesia, Singapore, Hongkong, and Timor Leste).
- Valuation.** We believe that internet consumption and the diversification of TLKM's portfolio will create a higher value for the company, therefore **We maintain our BUY rating for TLKM with a TP of IDR 4,800 per share.** Our TP reflects EV/EBITDA at 6.5x in FY24F.

Current Price (IDR) (19/01)	3,940
Target price (IDR)	4,800
Upside/Downside (%)	21.8%
52 Week High (IDR)	4,500
52 Week Low (IDR)	3,390
Major Shareholders:	
Indonesia Government	52.09%
Public and Others	47.91%

Year To Dec.	Revenue (Bn IDR)	NP (Bn IDR)	BPS (IDR)	PBV (x)	EV/EBITDA (x)
2021	143,210	24,760	1,468	2.8	5.7
2022	147,306	20,753	1,507	2.6	5.8
2023E	152,183	23,912	1,586	3.0	6.8
2024F	159,120	25,894	1,660	2.9	6.5
2025F	166,155	28,003	1,733	2.8	6.2

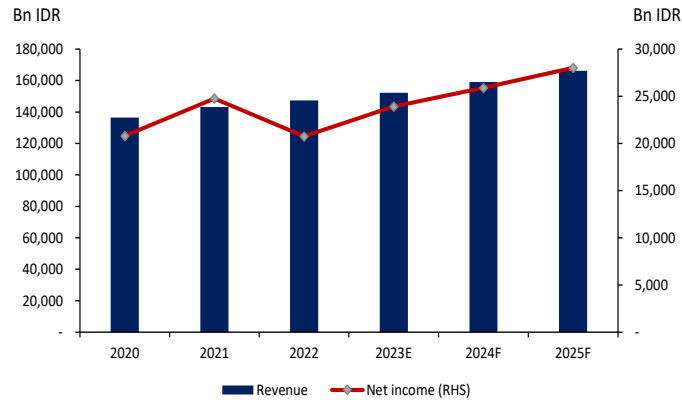
TLKM's revenue breakdown



Source: Company, Shinhan Sekuritas Indonesia

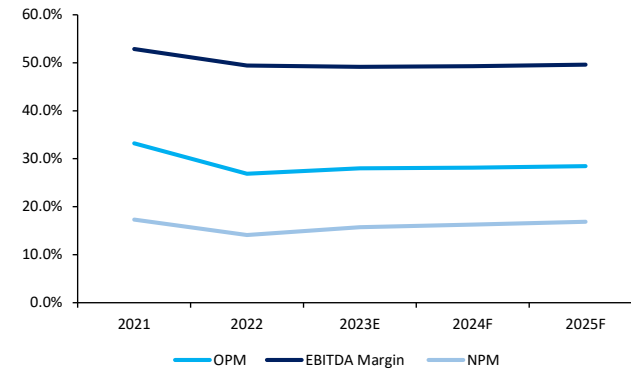
TLKM – Accelerate business diversification

Revenue Breakdown



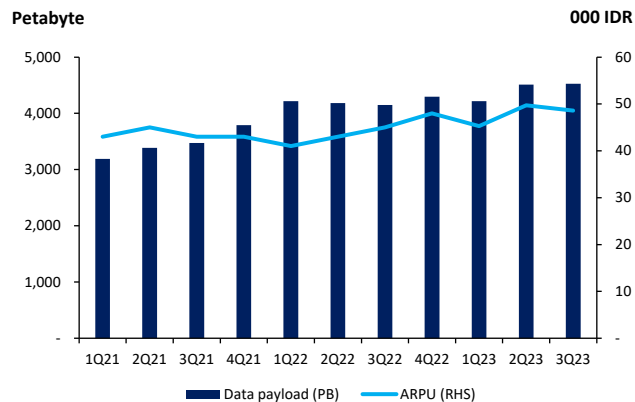
Source: Company, Shinhan Sekuritas Indonesia

Profitability Margin



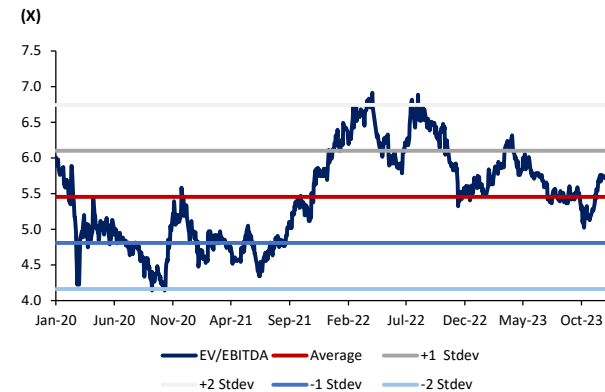
Source: Company, Shinhan Sekuritas Indonesia

Traffic Data and ARPU



Source: Company, Shinhan Sekuritas Indonesia

3-Years Forward EV/EBITDA (x)



Source: Company, Shinhan Sekuritas Indonesia

TLKM – Accelerate business diversification

Income Statement

Year-End 31 Dec (Bn IDR)	2021	2022	2023E	2024F	2025F
Sales	143,210	147,306	152,183	159,120	166,155
EBITDA	75,723	72,836	74,826	78,470	82,425
Operating Profit	47,563	39,581	42,600	44,778	47,264
Pre-Tax Profit	43,678	36,339	39,538	42,079	44,783
Income Tax Expenses	(9,730)	(8,659)	(8,698)	(9,257)	(9,852)
Net Profit	24,760	20,753	23,912	25,894	28,003
EPS (IDR)	250	209	241	261	283

Source: Company, Shinhan Sekuritas Indonesia

Balance Sheet

Year-End 31 Dec (Bn IDR)	2021	2022	2023E	2024F	2025F
Assets					
Cash & Cash Equivalents	38,311	31,947	29,607	27,044	25,094
Accounts Receivable	8,705	8,879	9,173	9,591	10,015
Inventories	779	1,144	1,182	1,236	1,290
Other Current Assets	13,482	13,087	13,087	13,087	13,087
Total Current Assets	61,277	55,057	53,049	50,957	49,487
Net Fixed Assets	165,026	173,329	187,225	194,655	200,615
Other Assets	50,881	46,806	46,806	46,806	46,806
Total Assets	277,184	275,192	287,080	292,418	296,908
Liabilities and equities					
Accounts Payables	17,779	18,920	18,739	19,544	20,315
Other Short-Term Liabilities	51,352	51,468	55,330	54,797	53,983
Total Current Liabilities	69,131	70,388	74,069	74,342	74,298
Long-Term Borrowings	46,745	41,067	41,416	39,196	36,443
Other Long-Term Liabilities	15,909	14,475	14,475	14,475	14,475
Total Liabilities	131,785	125,930	129,959	128,013	125,215
Minority Interest	23,753	20,004	20,004	20,004	20,004
Shareholders' equity	145,399	149,262	157,121	164,405	171,693
BVPS (IDR)	1,468	1,507	1,586	1,660	1,733

Source: Company, Shinhan Sekuritas Indonesia

Cash Flows

Year-End 31 Dec (Bn IDR)	2021	2022	2023E	2024F	2025F
Net Profit	24,760	20,753	23,912	25,894	28,003
Change in Working Capital	3,254	602	(513)	333	292
CFs from Operating	45,787	36,551	40,276	44,609	48,186
CFs from Investing	(31,161)	(18,554)	(30,000)	(25,000)	(25,000)
CFs from Financing	1,115	(25,774)	(12,615)	(22,173)	(25,135)
Net Inc./ (Dec.) in Cash	15,741	(7,777)	(2,340)	(2,564)	(1,949)
Cash at End. Period	38,311	31,947	29,607	27,044	25,094

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

Year-End 31 Dec	2021	2022	2023E	2024F	2025F
Profitability					
Operating Margin	33.2%	26.9%	28.0%	28.1%	28.4%
EBITDA Margin	52.9%	49.4%	49.2%	49.3%	49.6%
Profit Margin	17.3%	14.1%	15.7%	16.3%	16.9%
ROA	8.9%	7.5%	8.3%	8.9%	9.4%
ROE	17.0%	13.9%	15.2%	15.8%	16.3%
Growth					
Revenue	4.9%	2.9%	3.3%	4.6%	4.4%
Operating Profit	9.3%	-16.8%	7.6%	5.1%	5.6%
EBITDA	5.1%	-3.8%	2.7%	4.9%	5.0%
Net Profit	19.0%	-16.2%	15.2%	8.3%	8.1%
Solvability					
Current Ratio (x)	0.89	0.78	0.72	0.69	0.67
Quick Ratio (x)	0.69	0.60	0.54	0.51	0.49
Debt to Equity (x)	0.48	0.42	0.42	0.38	0.34
Interest Coverage (x)	10.90	9.81	10.02	10.94	12.62

Source: Company, Shinhan Sekuritas Indonesia

PT Sarana Menara Nusantara Tbk-TOWR

TOWR - Reaping the rewards from the expansion of the fiber optic business.

Anissa Septiwijaya

- **Stable EBITDA margin.** In 3Q23, TOWR booked an increase on its bottom line by 7.41% QoQ to IDR 866.45 billion, mainly supported by lower finance cost by -8.14% QoQ while the revenue only grew by 1.08% QoQ to IDR 2.94 trillion. This result brought total revenue in 9M23 at IDR 8.72 trillion, increased by 7.55% or 72.8% of our targets. Based on customers, PT Indosat Ooredoo Hutchison Tbk (ISAT) and PT XL Axiata Tbk (EXCL) were the main contributors with the contribution of 38% and 31%, respectively. Meanwhile, the EBITDA margin was stable at 85.1% due to manageable operating costs by the company. Apart from that, an increase in finance cost by 23.79% YoY to IDR 2.17 trillion impacted lowered TOWR's net profit to IDR 2.42 trillion (-5.20% YoY), representing 69% of ours.

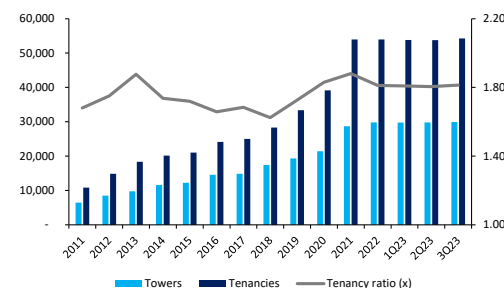
- **The prospective outlook from fiber optic-based business.** Performance from business non-tower remains positive with a revenue of IDR 2.42 trillion (+46.87% YoY) in 9M23, or accounting for 27.8% of total revenue in 9M23, higher than 9M22 at 20.3%. Moreover, this tough result coming from FTTT revenue of IDR 1.38 trillion, jumped by 78.30% YoY, with 178,329 km of fiber optic generating revenue by the end of September 2023. As we know the FTTT business similar to the tower model, with noncancellable, long-term contracts and opportunities for higher utilization with other fiber solutions for customers. Furthermore, we believe that the FTTT business is the main growth driver for TOWR due to MNOs having a growing need for additional scope from TowerCos tower providers. Going forward, both tower and fiber optic demand continue to grow support by the 5G network due to lower penetration of the 5G network still low at ~5%. On the other hand, the company also builds synergies among its fiber-based business including connectivity, FTTT, and Fiber to the home (FTTH). As of 9M23, the number of activations under connectivity reached 12,510 activations and FTTH assets reached ~559,800 home passes. We view positively that the company's commitment to expand its fiber optic-based business will provide added value and cost efficiency on its performance.

- **Attractive valuation.** We are optimistic about TOWR's business prospect due to long-term contracts and commitments underwrite more IDR 67.7 trillion of committed future revenue through 2042, not including the value of potential future contract renewals. Moreover, the catalyst also comes from surging internet demand in Indonesia. Moreover, we also see that the pressure from interest expense will soften in the future as the prospect of lower global interest rates. For note, around 49% of long-term debt is based on a floating rate. **We recommend BUY for TOWR with a TP of IDR 1,230 per share based on EV/EBITDA FY24E 9.7x.** Downgrade our call: 1). Increased interest rate above the expectation, 2). Unfavourable macroeconomic situation, 3). USD/IDR currency weaker than the expected 4). Lower leased rate than the expectation.

Current Price (IDR) (22/01)	955
Target price (IDR)	1,230
Upside/Downside (%)	29.5%
52 Week High (IDR)	1,140
52 Week Low (IDR)	820
Major Shareholders:	
PT Sapta Adhikari Investama	54.42%
PT Dwimuria Investama Andalana	5.00%
Public and others	40.58%

Year To Dec.	Revenue (Bn IDR)	NP (Bn IDR)	BPS (IDR)	PBV (x)	EV/EBITDA (x)
2021	8,635	3,427	242	4.6	13.2
2022	11,036	3,442	290	3.9	10.6
2023E	11,649	3,328	320	3.8	10.4
2024F	12,467	3,649	359	3.4	9.7
2025F	13,013	3,831	398	3.1	9.3

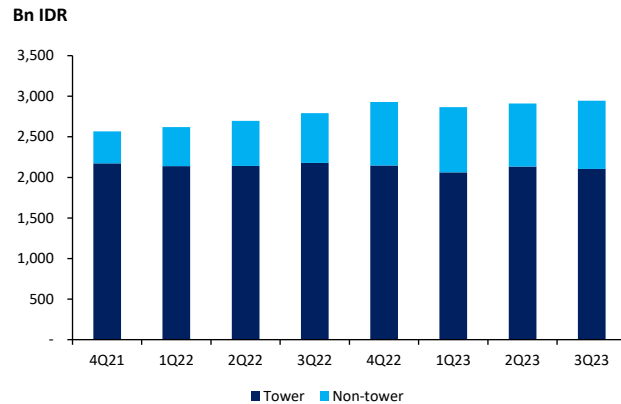
Number of tower and Tenancies



Source: Company, Shinhan Sekuritas Indonesia

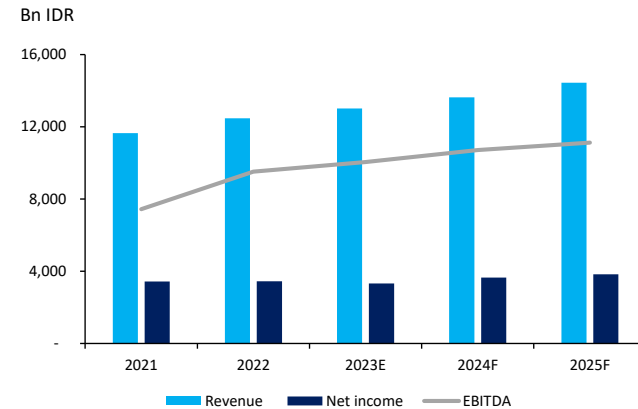
TOWR - Reaping the rewards from the expansion of the fiber optic business.

Revenue Breakdown



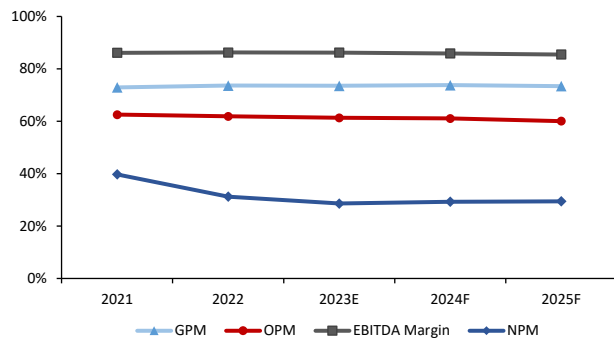
Source: Company, Shinhan Sekuritas Indonesia

Revenue and Net Profit Forecast



Source: Company, Shinhan Sekuritas Indonesia

Profitability Trend



Source: Company, Shinhan Sekuritas Indonesia

3-Years Forward EV/EBITDA (x)



Source: Company, Shinhan Sekuritas Indonesia

TOWR - Reaping the rewards from the expansion of the fiber optic business.

Income Statement

Year-End 31 Dec (Bn IDR)	2021	2022	2023E	2024F	2025F
Sales	8,635	11,036	11,649	12,467	13,013
Cost of Revenue	(2,340)	(2,914)	(3,083)	(3,273)	(3,464)
Gross Profit	6,295	8,121	8,566	9,194	9,549
Operating Expenses	(1,426)	(1,586)	(1,738)	(1,880)	(2,052)
EBITDA	7,434	9,517	10,040	10,706	11,122
Operating Profit	5,397	6,828	7,140	7,608	7,811
Pre-Tax Profit	3,399	4,051	4,459	4,313	4,809
Income Tax Expenses	(603)	(963)	(931)	(1,106)	(1,161)
Net Profit	3,427	3,442	3,328	3,649	3,831
EPS (IDR)	68.8	69.1	66.8	73.3	76.9

Source: Company, Shinhan Sekuritas Indonesia

Balance Sheet

Year-End 31 Dec (Bn IDR)	2021	2022	2023E	2024F	2025F
Assets					
Cash & Cash Equivalents	4,750	309	576	692	746
Accounts Receivable	2,184	2,616	2,761	2,955	3,084
Inventories	-	-	-	-	-
Other Current Assets	463	727	727	727	727
Total Current Assets	7,398	3,651	4,064	4,373	4,558
Net Fixed Assets	32,951	37,152	37,129	38,682	40,246
Other Assets	25,479	24,822	24,932	25,053	25,186
Total Assets	65,829	65,625	66,125	68,108	69,990
Liabilities and equities					
Accounts Payables	1,587	862	912	969	1,025
Other Short-Term Liabilities	20,294	13,584	13,575	13,811	14,037
Total Current Liabilities	21,880	14,446	14,488	14,780	15,063
Long-Term Borrowings	30,191	35,409	34,350	34,111	33,747
Other Long-Term Liabilities	1,695	1,338	1,340	1,343	1,345
Total Liabilities	53,767	51,193	50,178	50,233	50,155
Minority Interest	31	32	30	30	30
Shareholders' equity	12,062	14,432	15,947	17,875	19,835
BVPS (IDR)	242	290	320	359	398

Source: Company, Shinhan Sekuritas Indonesia

Cash Flows

Year-End 31 Dec (Bn IDR)	2021	2022	2023E	2024F	2025F
Net Profit	3,427	3,442	3,328	3,649	3,831
Change in Working Capital	134	(1,155)	(95)	(138)	(73)
CFs from Operating	8,023	3,600	4,604	5,003	5,375
CFs from Investing	(30,620)	(4,601)	(1,182)	(2,865)	(2,990)
CFs from Financing	25,899	(3,441)	(3,155)	(2,022)	(2,330)
Net Inc./ (Dec.) in Cash	3,303	(4,442)	267	116	55
Cash at End. Period	4,750	309	576	692	746

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

Year-End 31 Dec	2021	2022	2023E	2024F	2025F
Profitability					
Gross Margin	72.9%	73.6%	73.5%	73.7%	73.4%
Operating Margin	62.5%	61.9%	61.3%	61.0%	60.0%
EBITDA Margin	86.1%	86.2%	86.2%	85.9%	85.5%
Profit Margin	39.7%	31.2%	28.6%	29.3%	29.4%
ROA	5.2%	5.2%	5.0%	5.4%	5.5%
ROE	28.4%	23.8%	20.9%	20.4%	19.3%
Growth					
Revenue	16.0%	27.8%	5.6%	7.0%	4.4%
Gross Profit	16.9%	29.0%	5.5%	7.3%	3.9%
Operating Profit	18.2%	26.5%	4.6%	6.6%	2.7%
EBITDA	16.1%	28.0%	5.5%	6.6%	3.9%
Net Profit	20.9%	0.4%	-3.3%	9.6%	5.0%
Solvability					
Current Ratio (x)	0.3	0.3	0.3	0.3	0.3
Quick Ratio (x)	0.3	0.2	0.2	0.2	0.3
Debt to Equity (x)	3.9	3.1	2.7	2.4	2.2
Interest Coverage (x)	3.9	2.9	2.5	2.7	2.8

Source: Company, Shinhan Sekuritas Indonesia

PT GoTo Gojek Tokopedia Tbk-GOTO

GOTO – Securing positive profitability outlook

Research Team

- Rumor has turned into reality.** Recently, GOTO finally announced that Tokopedia and TikTok Shop Indonesia's business will collaborate under the existing PT Tokopedia entity in which TikTok will take a 75.01% controlling stake equivalent to USD 1.5 billion. After this transaction, GOTO's ownership in Tokopedia will be diluted to 24.99% from the previous 99.99%. However, there is a clause of the non-dilutive shareholder's scheme, that if there is a further capital injection in the combined entity, GOTO's stake will remain at 24.99%, meaning no further dilution going forward. The transaction is structured as follows: 1). TikTok will spend USD 840 million to acquire new shares issued by Tokopedia. 2). Tokopedia will receive USD 1 billion from TikTok in the form of a promissory note, which will be used for Tokopedia's working capital needs in the future. 3). Tokopedia will buy the exclusive rights to own and operate the TikTok Shop in Indonesia from TikTok for USD 340 million. Following this collaboration, Tokopedia will gain a powerful customer acquisition funnel due to TikTok's massive 125 million monthly active user base in Indonesia, which presents a valuable top funnel for Tokopedia and GOTO to convert and cross-sell across various product categories.
- Service fees will boost GOTO'S EBITDA.** GOTO will receive a cash flow from a service fee after collaboration between Tokopedia and Tik Tok shop completed (The overall transaction is expected to be completed in 1Q24). The service fee will be charged to TikTok Shop+Tokopedia in regard to the GMV size of the enlarged entity. GOTO potentially receives >USD 100 million e-commerce service fee p.a. The "service fee" would be at ~40 bps of GMV and paid quarterly basis. Assuming TikTok Shop+Tokopedia market share at 40% by 2024F, the annual service fee is estimated to reach USD 138 million or equivalent to IDR 2.1 trillion (USD/IDR at 15,500). Hereafter this should immediately accretive to GOTO's cash-flow and EBITDA. (Fig.1)
- Tokopedia's deconsolidation should relieve pressure on its bottom-line significantly.** Positive GOTO's adjusted EBITDA in FY24F will be achievable on the back of this deal as GOTO no longer needs to fund the e-commerce unit (Tokopedia), which has sustained a high cash burn but at a lower incremental contribution margin than its other core business, on-demand services. In 9M23, most of GOTO's costs and expenses come from the e-commerce business at 31.6% of total cost and contributing 23.6% to GOTO's operating loss. However, GOTO's adjusted EBITDA loss in 3Q23 worth IDR 942 billion, dramatically declined by 74.5% YoY. Cumulatively, the adjusted EBITDA loss GOTO reached IDR 3.75 trillion in 9M23, while the management's guidance expected FY23E group Adjusted EBITDA loss to be between IDR 4.5 and IDR 3.8 trillion. After TikTok acquired Tokopedia, GOTO will be able to expand its resources and capital toward its market-leading on-demand services business, and financial technology business. Therefore, we think the divestment could protect GOTO from increasing costs in sizeable amounts, as burning money strategy will remain occur due to tight e-commerce competition, especially from Shopee and Lazada. We calculate adjusted EBITDA without the contribution from Tokopedia which came in at ~USD 306mn or equivalent to IDR 4.75 trillion, compared to our estimation which still including Tokopedia only at IDR 598 billion. Stripping Tokopedia, GOTO could reduce operational loss by 24% YoY in FY24F due to operational efficiency.
- Valuation.** Under the scenario of no deal with TikTok, GOTO's FY24F fair value using SOTP at IDR91/share or relatively in line with the current market price (Fig.2). However, we anticipated a higher transaction growth from on-demand service & fintech business as a result of TikTok Shop+Tokopedia as GOTO is the most preferred partner for TikTok in Indonesia despite the dilution. Considering this deal we re-calculate the fair price of GOTO to be at IDR109/share or 19% higher than in the no-deal scenario and 17% potential upside from the current price. Our TP (after the synergy) implies EV/Sales FY24F at 2.90x.

Current Price (IDR) (24/01)	84
Target price (IDR)	109
Upside/Downside (%)	29.8%
52 Week High (IDR)	147
52 Week Low (IDR)	54
Major Shareholders:	
Taobao China Holding Limited	8.72%
SVF GT Subco (Singapore)	7.62%
Public and others	83.66%

Valuation

Key Segments	Valuation Method	2024F valuation w/o deal			2024F valuation with deal		
		Ownership	Multiple	Value	Ownership	Multiple	Value
On-demand services	EV/Sales	100%	4.3	54,979	100%	5.2	81,766
E-commerce	EV/Sales	100%	2.4	28,731	25%	3.6	16,287
Financial technology	EV/Sales	100%	5.5	16,389	100%	6.5	23,227
ARTO	Mark to Market	21%	N/A	9,633	21%	N/A	9,633
Implied Equity Value				109,732			130,912
Share Outstanding (bn)				1,201			1,201
Price Target (IDR/Share)				91			109

Source: Company, Shinhan Sekuritas Indonesia

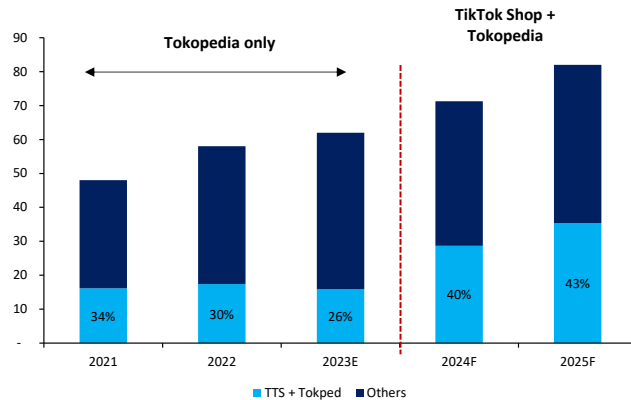
Fig 1. Estimated service fee TikTok Shop + Tokopedia.

Estimated GMV 2024F (USD Bn)	28.7
%Core GMV	30%
Core GMV (USD Bn)	8.6
Quarterly service fee	0.4%
Annual service fee	1.6%
Net service fee (USD Mn)	138
Est exchange rate ('000 IDR)	15.50
IDR bn	2,132

Source: Company, Shinhan Sekuritas Indonesia

GOTO – Securing positive profitability outlook

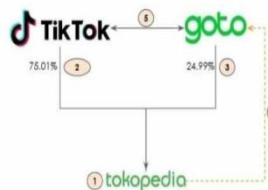
Tokopedia GMV size forecast & market share



Source: Company, Shinhan Sekuritas Indonesia

Transaction overview

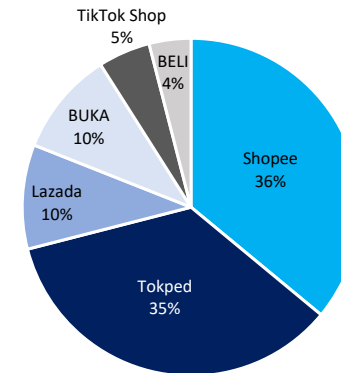
Post-Transaction Structure



1. Tokopedia and TikTok Shop will combine and TikTok Shop will operate its Indonesian business under PT Tokopedia. In which TikTok will take a controlling stake
2. TikTok has committed to invest USD 1.5bn in the enlarged Tokopedia entity, while also providing any future funding required by Tokopedia, without dilution to GOTO.
3. GOTO to retain 24.99% ownership in the enlarged Tokopedia entity, which will **not be diluted** by any future funding by TikTok.
4. GOTO to receive an ongoing revenue stream commensurate with the scale and growth of Tokopedia, which will directly contribute to GOTO's EBITDA.
5. GOTO will remain as an ecosystem partner to Tokopedia, providing delivery and fintech services through Gojek and GTF to a much broader ecosystem of users. GOTO and TikTok continue to have discussions for future collaborations.

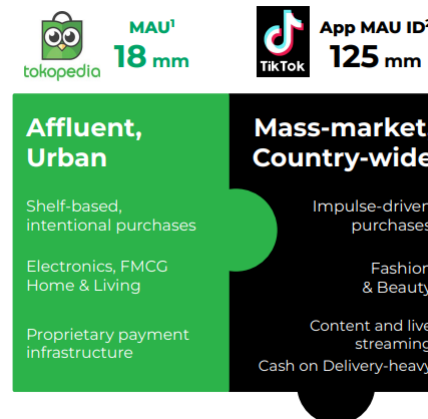
Source: Company, Shinhan Sekuritas Indonesia

Current e-commerce market share in Indonesia



Source: Company, Shinhan Sekuritas Indonesia

TikTok will be completing GOTO's business portfolio



Source: Company, Shinhan Sekuritas Indonesia

GOTO – Securing positive profitability outlook

Income Statement

Year-End 31 Dec (Bn IDR)	2021	2022	2023F	2024F	2025F
Revenue	4,536	11,349	14,471	18,640	22,349
Cost of Revenue	-3,776	-5,480	-5,065	-5,033	-5,364
Gross Profit	760	5,869	9,406	13,607	16,986
Operating Expenses	-23,145	-36,199	-21,364	-22,165	-23,871
EBIT	-22,385	-30,330	-11,958	-8,558	-6,885
D&A Expense	-2,417	-2,913	-2,552	-2,593	-2,639
EBITDA	-19,968	-27,417	-9,406	-5,965	-4,246
Adjusted EBITDA	-16,500	-16,000	-4,370	598	1,060
Profit before income tax	-22,211	-40,545	-11,508	-8,086	-6,531
Income tax benefits	-218	136	39	27	22
Net Profit	-21,391	-39,571	-11,470	-8,058	-6,509
EPS (IDR)	-159	-39	-11	-8	-6

Source: Company, Shinhan Sekuritas Indonesia

Balance Sheet

Year-End 31 Dec (Bn IDR)	2021	2022	2023F	2024F	2025F
Assets					
Cash & Cash Equivalents	31,151	29,009	28,445	21,808	17,777
Accounts Receivable	2,937	2,461	3,216	3,644	3,911
Inventories	34	71	68	72	83
Other Current Assets	1,941	2,639	3,049	3,043	3,103
Total Current Assets	36,064	34,180	34,777	28,567	24,873
Net Fixed Assets	1,470	1,457	1,258	1,059	859
Other Assets	117,603	103,579	99,068	97,000	94,930
Total Assets	155,137	139,217	135,103	126,626	120,662
Liabilities and equities					
Accounts Payables	5,546	6,951	11,872	11,797	12,573
Other Short-Term Liabilities	6,748	5,212	5,345	5,356	5,385
Total Current Liabilities	12,294	12,162	17,218	17,153	17,958
Long-Term Borrowings	776	1,826	1,348	995	734
Other Long-Term Liabilities	3,043	2,505	2,307	2,307	2,307
Total Liabilities	16,113	4,331	3,654	3,301	3,041
Minority Interest	1,292	2,198	2,120	2,120	2,120
Total Equity	139,024	122,723	114,231	106,172	99,663
BVPS (IDR)	1,032	120	112	104	98

Source: Company, Shinhan Sekuritas Indonesia

Cash Flows

Year-End 31 Dec (Bn IDR)	2021	2022	2023F	2024F	2025F
Net Profit	-21,391	-39,571	-11,470	-8,058	-6,509
Change in Working Capital	7,800	3,185	6,531	2,091	3,077
CFs from Operating	-13,591	-36,386	-4,939	-5,967	-3,433
CFs from Investing	-110,726	11,453	2,158	-326	-368
CFs from Financing	140,147	22,572	2,217	-343	-231
Net Inc./ (Dec.) in Cash	15,830	-2,362	-564	-6,637	-4,031
Cash at Beg. Period	15,319	31,151	29,009	28,445	21,808
Cash at End. Period	31,151	29,009	28,445	21,808	17,777

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

Year-End 31 Dec	2021	2022	2023F	2024F	2025F
Profitability					
Gross Margin	16.8%	51.7%	65.0%	73.0%	76.0%
EBIT Margin	-493.5%	-267.2%	-82.6%	-45.9%	-30.8%
EBITDA Margin	-440.2%	-241.6%	-65.0%	-32.0%	-19.0%
Adjusted EBITDA Margin	-363.8%	-141.0%	-30.2%	3.2%	4.7%
Profit Margin	-471.6%	-348.7%	-79.3%	-43.2%	-29.1%
ROE	-15.4%	-32.2%	-10.0%	-7.6%	-6.5%
Growth					
GTV	39.8%	32.9%	0.0%	10.5%	7.4%
Gross Revenue	28.1%	51.0%	2.6%	18.1%	12.8%
Net Revenue	36.3%	150.2%	27.5%	28.8%	19.9%
Gross Profit	-14.5%	672.2%	60.3%	44.7%	24.8%
EBIT	120.2%	35.5%	-60.6%	-28.4%	-19.5%
EBITDA	123.9%	37.3%	-65.7%	-36.6%	-28.8%
Adjusted EBITDA	N/A	-3.0%	-72.7%	-113.7%	77.2%
Net Profit	50.5%	85.0%	-71.0%	-29.7%	-19.2%
Solvability					
DER (x)	9.5	0.7	2.0	1.5	1.3

Source: Company, Shinhan Sekuritas Indonesia



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“Looking at Indonesia investment opportunities in the dynamic world.”

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