

Indonesia Morning Cuppa

Top Story

Healthcare Facilities & Svcs (OVERWEIGHT)

4Q23 Results: A Mixed Bag; Stay OVERWEIGHT

Sector Update

Stay O/W; Top Picks: Sido Muncul (SIDO), Mitra Keluarga Karyasehat. Pharmaceutical (pharma) companies saw a strong 4Q23, with in-line and above-expectations results. SIDO had the strongest performance among healthcare players, beating our and consensus' estimates. Hospital companies saw a mixed performance, but were largely in line with Streets' estimates. Clinical laboratory (lab) player Prodia Widyahusada had the most disappointing results – significantly below our and Streets' forecasts. Our sub-sector preference: Pharma > hospital > clinical lab.

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Today's Report: [Healthcare Facilities & Svcs : 4Q23 Results: A Mixed Bag: Stay OVERWEIGHT \(2 Apr 2024\)](#)

Previous Report: [Healthcare Facilities & Svcs : Growth Remains Healthy: Maintain OVERWEIGHT \(7 Feb 2024\)](#)

Thematics / Ground Checks

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Indonesia Integrated Oil and Gas (OVERWEIGHT)

Push Factors Boost Oil Prices; Stay OVERWEIGHT

Sector Update

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Today's Report: [Integrated Oil & Gas : Push Factors Boost Oil Prices: Stay OVERWEIGHT \(1 Apr 2024\)](#)

Previous Report: [Integrated Oil & Gas : Output Cuts Extension News Ignites Oil Prices \(1 March 2024\)](#)

Merdeka Copper Gold (MDKA IJ, BUY, TP: IDR3,100)

Overcoming Challenges Ahead; Still BUY

Company Update

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Today's Report: [Merdeka Copper Gold : Overcoming Challenges Ahead: Still BUY \(1 Apr 2024\)](#)

Previous Report: [Merdeka Copper Gold : Bright Prospects Ahead: Maintain BUY \(25 March 2024\)](#)

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[Indonesia Cement : FY24F: Slowly But Surely: Still OVERWEIGHT](#)

Bulletins			
STOCK/SECTOR	NEWS	COMMENT	RATING
<p>Semen Indonesia (SMGR IJ)</p> <p>Indocement Tunggal Prakarsa (INTP IJ)</p>	<p>Semen Indonesia's (SMGR) Feb 2024 domestic cement sales volume was recorded at 2.1m tonnes (-12% MoM, -7.8% YoY), bringing 2M24 figure to 4.6m tonnes (-3.9% YoY). Worth to note, SMGR's domestic volume in Feb 2024 declined more than the industry's (-2.3% YoY) as the industry included the Grobogan volume – through Indocement Tunggal Prakarsa (INTP) – as of Feb. <i>(Company)</i></p>	<p>Weak domestic sales volume is anticipated throughout Jan-Apr 2024 following rainy days, the election period, and holiday season, with expectation to pick-up in 2H24F.</p> <p>SMGR's market share in Feb was at 50% (vs 49% in Jan 24 and 52% in Feb 23). Our concern lies on limited growth expected from SMGR, now that volume growth and margin expansion are limited. We prefer INTP for the cement sector.</p> <p>We retain our recommendations for SMGR and INTP.</p>	<p>SMGR: BUY, TP: IDR9,300</p> <p>INTP: BUY, TP: IDR14,300</p>
<p>Bundamedik (BMHS IJ)</p> <p>Diagnos Laboratorium Utama (DGNS IJ)</p>	<p>Key takeaways from Bundamedik's (BMHS) 4Q23 earnings call: The company sees positive progress to continue in 1Q24, following the improvement in 4Q23. Several types of common cases increased YTD, ie respiratory-related diseases (ISPA), dengue, and typhus. However, BMHS continues to focus on boosting high-intensity cases (ie surgery treatment) to bolster margin.</p> <p>BMHS targets to open an extension building in its Padang hospital (adding c.70-100 beds). Furthermore, on the financial metrics, the company only shares its targets to achieve c.IDR300-325bn EBITDA in 2024 (+40-50% YoY growth) in 2024. It has not conducted any price increase so far in 2024.</p> <p>BMHS management sees Diagnos Laboratorium Utama (DGNS) as having passed the consolidation phase after closing down a number of clinics in 2023. It is focusing on strengthening its genomic-related diagnostic after acquiring ASA Ren (the largest privately-owned digital biobank in Indonesia). <i>(Company)</i></p>	<p>On Morula, BMHS plans to open more IVF clinics, but the exact number has not been disclosed yet. The decline in Morula's IVF cycle achievement in 2023 at c.-12% YoY stemmed from: i) Decline in the national industry (-8% YoY) given the international border reopening, and ii) more intense competition landscape locally. Morula still holds c.43% IVF market share in 2023. The company sees improvement has started in 2M24, with higher-than-expected performance.</p> <p>BMHS aims to improve its corporate and insurance patients, which stood at c.42% of revenue in 2023. It noted that revenue from corporate and insurance made up c.55% revenue portion before the COVID-19 period. On the digital development, the company plans to improve the features of OneBunda application from its current basic features (ie booking schedule and teleconsultation) to more value-added services encompassing better patient journey, ie including digital medical record for vaccination, USG.</p> <p>We currently do not cover BMHS and DGNS.</p>	<p>BMHS: NOT RATED</p> <p>DGNS: NOT RATED</p>

<p>Bank Central Asia (BBCA IJ)</p>	<p>Bank Central Asia's (BBCA) 2M24 PATMI of IDR8.3trn (+2% YoY) made up 15.5% of our 2024F, broadly similar to the run rate last year, where 2M23 PATMI was 16.7% of full-year total. <i>(Company)</i></p>	<p>BBCA's 2M24 operating income was decent (+6% YoY) on the back of both NII and non-II, partly offset by higher CoC (writeback in 2M23, although on a full-quarter basis, 1Q23 CoC was 82bps) and opex. A key positive was loan growth, which was up 15% YoY and ahead of the 9-10% loan growth guidance for 2024. Typically, 1Q tends to be a seasonally soft quarter, eg 2M23 loan base was down 1% vs Dec 22 but Feb 24 loans were flat from end-2023. In our model, we assumed 10.4% YoY loan growth.</p> <p>Main negative was on opex, with personnel cost up 8% YoY. We believe this reflects the effects from last year's headcount investment for business growth. We understand that headcount additions this year will not be as major and hence, we think the growth rate would moderate in the quarters ahead. Overall, with a solid and liquid balance sheet, healthy capital levels coupled with management's proven ability to tap new growth opportunities, we continue to like BBCA as a proxy to the broader economic momentum.</p> <p>We maintain our call and TP for BBCA.</p>	<p>BUY: TP: IDR11,100</p>
<p>Ace Hardware (ACES IJ)</p>	<p>Ace Hardware (ACES) recorded 4Q23 net profit of IDR278bn (+51.4% QoQ, -11.2% YoY) – bringing the FY23 net income to IDR764bn (+14.9% YoY). This was above at 115% and 106% of ours and consensus' FY23 estimates.</p> <p>4Q23 revenue came at c.IDR2.1trn (+14% QoQ, +13.4% YoY), bringing the FY23 topline to IDR7.6trn (+12.6% YoY) – in line at c. 102% of ours and consensus' FY23 estimates. In 4Q23, Home Improvement and Lifestyle products led the sales growth with +10.5% YoY and +13.5% YoY, while Toys segment booked -0.3% YoY. All segments booked positive QoQ sales growth in 4Q23. <i>(Company)</i></p>	<p>During 4Q23, ACES' GPM was 49.7% (vs 47.6% in 3Q23, 48.4% in 4Q22), gross margin in FY23 was 48.6% (vs 48.3% in FY22). EBIT margin came at 15.5% in 4Q23 (vs 10.5% in 3Q23, 20.8% in 4Q22).</p> <p>ACES has 231 inventory days as of 4Q23 (vs 256 days in 3Q23, 242 days in 4Q22). The company remains in net cash position in 4Q23 (vs net cash position in 3Q23 and 4Q22).</p> <p>We keep our call and TP for ACES.</p>	<p>NEUTRAL, TP: IDR830</p>

<p>Bank Mandiri (BMRI IJ)</p>	<p>Bank Mandiri's (BMRI) 2M24 PATMI of IDR7.2trn (-3% YoY) made up 12.2% of our 2024F (2M23 accounted for 13.4% of 2023 actual PATMI). (Company)</p>	<p>BMRI's 2M24 operating income was flat YoY with 5% NII growth offset by a 13% YoY drop in non-II. We suspect the drop in non-II largely reflects lower recoveries YTD but on the whole, we understand that asset quality remains under control. Loans expanded 19% YoY, trending ahead of the 13-15% guidance. Management had assumed that the high base effect in 2023, coupled with uncertainties in an election year could impact growth. However, given the strong figures, we would not discount the possibility that the guidance could be revisited. In our model, we assumed 12% YoY loan growth.</p> <p>Despite the jump in loans, NII was only up 5% YoY, which reflects NIM squeeze. We expect 1Q24 NIM to be under pressure due to the special rate deposits from 4Q23. That said, we expect NIM to improve in the quarters ahead on the back of improved liquidity and adjustments to the policy rate and reserve requirement ratio (RRR), among others. On the whole, we think the strong loan demand and stable asset quality are positives. We would also look beyond the near-term NIM pressure for a potential recovery, which we think is just a matter of timing.</p> <p>Our TP on BMRI is IDR8,240, a 19% upside with a forecasted 5.5% FY24 dividend yield. We believe the recent ROE expansion is structural and our call reflects our optimism that the level can be sustained.</p>	<p>BUY, TP: IDR8,240</p>
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<p>Bank Indonesia (BBNI IJ)</p>	<p>Negara</p>	<p>Bank Negara Indonesia's (BBNI) 2M24 PATMI of IDR3trn (-6% YoY) made up 13.2% of our 2024F (2M23 accounted for 15.5% of 2023 actual PATMI). (Company)</p>	<p>BBNI's 2M24 operating income was down 3% YoY with NII dropping 11% YoY, cushioned by 18% rise in non-II. Otherwise, opex was up a modest 1% YoY while impairments were stable YoY. Loans expanded 7% YoY, trending behind the 9-11% guidance. While loan growth was lagging behind its peers, we believe this may have been partly in view of the liquidity situation and high cost deposits the bank was carrying. As mentioned above, NII fell 11% YoY mainly due to higher funding cost. As funding cost eases, we expect a catch-up in loan growth and recovery in NIMs.</p> <p>Positively, non-II was up 18% YoY on lower losses from treasury and higher fees. Management sees room for improvement from treasury vs 2023, while there is room for improvement in syndication and wealth fees to help supplement resilient banking fee income. At 1.3x 2024F P/B, we think BBNI's valuations remain attractive, given its ROE trajectory. We forecast 2024 ROE of 15% and rising to 15.7% in 2026 on a combination of slightly better NIM and CoC, as well as improved cost efficiencies. There could be headroom for valuations to rise further should ROE trend closer to BBNI's ROE aspirations of 18% by 2025 and 20% in 2028 (2023: 14.9%).</p> <p>Our TP on BBNI is IDR6,500, a 15% upside with a 5.5% FY24F dividend yield.</p>	<p>BUY, TP: IDR6,500</p>
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<p>Indah Kiat Pulp & Paper (INKP IJ)</p>	<p>Indah Kiat Pulp & Paper's (INKP) 4Q23 topline grew 4.7% QoQ but dropped 21.2% YoY. Pulp and cultural paper prices recoveries pushed INKP pulp and cultural paper revenues to grow 13.5% and 7.9% QoQ. However, industrial paper prices, notably the corrugated container prices, are still under pressure during Sep-Nov 2023, hence its revenue dropped 5.3% QoQ. Meanwhile, on YoY basis, all segments were still down as 2022 prices of pulp, cultural, and industrial papers were at the peak. Note that in 2022, pulp prices reached historical peak at above USD850/tonne due to unexpected downtime, shipping congestion, and mills closure. However, the topline still below ours and Street's estimates at 93.9% and 98.1%. (Company)</p>	<p>INKP's gross profit was up 22.3% QoQ but dropped 34.8% YoY in 4Q23. The pulp and cultural paper gross margin expanded to 39.1% (vs 32.9% in 3Q23), supported mainly by ASP hike and stable production cost. Meanwhile, we saw price hikes in the stock for industrial paper but since its ASP is under pressure, its gross margin contracted to 13.6% (vs 14.8% in 3Q23).</p> <p>4Q23 earnings grew a significant 73.3% QoQ but dropped 56.9% YoY. Pulp and cultural paper prices recovered from Aug 2023 onwards, but were partly offset by industrial paper prices pressure - resulting in strong 4Q23 performance, where gross margin expanded to 31% (vs 26.6% in 3Q23). Hence, this brings its net profit to USD91 (+73% QoQ) and core net profit to USD86 (+351% QoQ). Earnings was above Street's estimate at 101.6% but below ours at 70.2%. 1Q24 result should show another strong profit on the back of pulp price hike of 5-6% QoQ, and recovery of cultural and industrial paper prices by 1-2% QoQ. However, sales volume might be a temporary concern due to the long Lunar New Year holiday period in February.</p> <p>We keep our recommendations for the stock.</p>	<p>BUY, TP: IDR22,975</p>
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Top BUYs

	TP (IDR)	Upside (%)	Catalysts
Bank Negara Indonesia (BBNI IJ)	6,500	15.0	<ul style="list-style-type: none"> Near-term, while tight liquidity may continue to pressure NIM, we think Bank Negara Indonesia has sufficient levers to underpin growth. BBNI also aspires to lift ROE to 18% by 2025 vs 2023's 14.9% and 20% in 2028, with NII, better efficiency, and asset quality doing the heavy lifting. While not without challenges, recent achievements suggest some of the assumptions are reasonable. At 1.2x 2024F P/BV, we believe the market has yet to reflect improved BBNI performance.
Sumber Alfaria Trijaya (AMRT IJ)	3,500	20.3	<ul style="list-style-type: none"> Feb 2024 pointing to a MoM improvement – partly driven by social assistance measures and election tailwinds (polls were held in mid-February) Still remain upbeat on the Lebaran performance. The company noted that some of its warehouses are also busy managing the higher stock inventories and increased distribution activities in tandem with Ramadhan and the imminent Lebaran festival. Seeing potential in ready-to-drink (RTD) and ready-to-eat (RTE) products. Still growing fee-based income, which presents another growth avenue
Indah Kiat Pulp & Paper (INKP IJ)	22,975	140.6	<ul style="list-style-type: none"> Pulp price recovery in 2024 to push strong growth in INKP earnings in FY24F as pulp gross margin tend to be higher than paper and packaging segment New industrial paper capacity line in Karawang of 3.9m tons to strengthen INKP margin during pulp price volatility. The new capacity almost double than its current industrial paper capacity of 2.2m tons. Cheap valuation compare to its global peers. As the largest integrated pulp and paper producer in Indonesia, INKP deserve better valuation than its global peers as its remain profitable despite pulp price volatility.
AKR Corporindo (AKRA IJ)	1,970	15.2	<ul style="list-style-type: none"> With about 50% of AKRA's petroleum volume distribute to coal mining company. Thus, higher Indonesia coal production target by 2.2% YoY to 710m mt, should support management's petroleum target of 8% YoY growth to 3m kl. Targets 130ha land sales for 2024F, with Sichuan Hebang done deal in 1Q24 for 67ha, the Company will only need around 62ha land sales in the remaining 2024. Freeport Copper Smelter, scheduled to commissioned in 2H24. In time, this would attract supporting industry to invest in JIPE. Management estimate around IDR 3.8t obtained upon achieving 130 ha land sales target. In total, JIPE potentially generate IDR 4.6t for AKRA, representing 10% of our 2024F total revenue estimate.
Vale Indonesia (INCO IJ)	6,000	47.4	<ul style="list-style-type: none"> INCO's nickel matte output will remain stable (at c.70k tonnes with a potential for higher production post scheduled maintenance in FY25), with a reasonable margin (cash cost to be maintained below c.USD10,000/tonne compared to ASP range at USD15-16,000/tonne). The company has weaved a convincing collaborations with world renowned companies in the industry (Ford, Tisco, Xinhai, Huayou) with all ongoing projects within the time track – new contributions from new RKEF and HPAL smelters will likely be recorded in 2026-27 onward. The stock is fairly cheap (compared to its peers) and subject for a turnaround potential from revival of higher nickel price (from positive outlook in macro economy that will spur more demand towards base metal).

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Not Rated:	Stock is not within regular research coverage

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