

Indonesia Morning Cuppa

Top Story	Thematics / Ground Checks
<p>Medikaloka Hermina (HEAL IJ, BUY, TP: IDR1,800) Anticipating Improvements Ahead; Stay BUY Company Update Still BUY, new IDR1,800 TP (from IDR1,700), 21% upside, c.1% yield. We cut our earnings assumptions by 13.3%, 14.3%, and 13.4% for 2024-2026 due to weak 3Q24 traffic and roll forward our valuation base to 2025. We still like Medikaloka Hermina for its expansion plans, initiatives to bolster margins via digitalisation, and expansion of its non-Social Insurance Administration Organisation (BPJS) segment. We think the higher stake ownership by its CFO also provides positive sentiment. HEAL is trading at c.12x 2025F EV/EBITDA, near the 5-year mean. Our TP includes a 6% ESG premium. Analysts: Vanessa Karmajaya +6221 5093 9888 Ext 985, Indonesia Research +6221 5093 9888 <i>Today's Report:</i> Medikaloka Hermina : Anticipating Improvements Ahead: Stay BUY (6 Dec 2024) <i>Previous Report:</i> Medikaloka Hermina : Maintaining a Strong Pulse: Stay BUY (3 Oct 2024)</p>	<ul style="list-style-type: none"> ♦ Regional Oil & Gas : From Fossil To Future ♦ Indonesia Consumer Thematic : Investing In Generation Alpha ♦ Consumer Products : Net Zero In a Consumer World ♦ Indonesia Thematic : Indonesia's Nickel Rush - Fuelling The EV Boom ♦ Medical Tourism In ASEAN : Connecting Wellness And Tourism ♦ Japfa Comfeed : Site Visit: Strengthening Its Downstream Operations ♦ Plantation : At The Crossroads ♦ Indonesia Consumer, Banks, Tobacco, Poultry : Highlights Of Our Visit To Jakarta Fair ♦ Net Zero Transportation : Transitioning Towards Low-Carbon Transport ♦ RHB Top 20 Indonesia Small Cap Companies Jewels 2024 ♦ Charoen Pokphand Indonesia : KTAs From Feedmill Visit: Pillar Of Profitability ♦ Auto & Autoparts : ASEAN In The EV Supply Chain ♦ Telecommunications : The Road To NZE ♦ Plantation : EUDR Unveiled: Bridging The Regulatory Gap ♦ Aging ASEAN : All That Glitters In The Silver Economy ♦ Erajaya Swasembada : KTAs From Site Visit: Innovate To Elevate; Stay BUY ♦ IKN : Investment Prospects And Its Challenges ♦ Indonesia Telecommunications : XL Axiata's Turn To Increase Prices: Stay O/W ♦ Market Strategy : Site Visits: Expecting Strong Growth Ahead
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Bulletin

STOCK/SECTOR	NEWS	COMMENT	RATING
<p>Alamtri Resources Indonesia (ADRO IJ)</p> <p>Adaro Andalan Indonesia (AADI IJ)</p>	<p>Alamtri Resources Indonesia (ADRO) has set the price for the Public Offering by Shareholders (PUPS) of Adaro Andalan Indonesia (AADI) at the upper limit of IDR5,960 per share.</p> <p>The weighted average price of AADI shares was at IDR6,650, calculated after the close of first trading day when the stock was listed on the IDX yesterday.</p> <p>Therefore, considering the closing price is higher than 107.5% of the value determined before by the Public Appraisal Service Office's assessment (at c.IDR3,200 per share), the final PUPS offering price is at the upper limit of IDR5,960 per share (as it was dictated in the previous announcement). The period to exercise the rights will be opened at 6-10 Dec, with the distribution of the shares on 9-11 Dec. (Company)</p>	<p>The right to participate in the PUPS was granted simultaneously with the distribution of dividends to shareholders registered on the cum date of 26 Nov. The dividend payout by ADRO (IDR1,358, with a 36% yield) is sufficient to cover the funds for the investors to exercise the PUPS' rights - every 4,389 ADRO shareholders are entitled (not obligated) to purchase 1,000 shares of AADI.</p> <p>Additionally, AADI is reported to have successfully raised USD270m from its planned IPO. After the IPO and PUPS, the composition of AADI's shareholders is estimated to be: i) Adaro Strategic Investments (ASI) with 3,200,142,835 shares (41.1%), ii) Garibaldi Thohir with 450,360,608 shares (5.78%), iii) ADRO shareholders participating in the PUPS with 3,357,699,117 shares (43.12%), and the public participating in AADI's IPO with 778,689,200 shares (10%).</p> <p>We do not cover AADI at the moment. We are currently reviewing the TP and call for ADRO.</p>	<p>ADRO: BUY, TP: IDR3,900</p> <p>AADI: NOT RATED</p>

Top BUYs

	TP (IDR)	Upside (%)	Catalysts
Bank Negara Indonesia (BBNI IJ)	6,710	39.2	<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)	3,800	27.1	<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)	13,625	86.6	<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)	1,680	27.8	<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 tonnes, 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 be 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.
Bank Mandiri (BMRI IJ)	8,100	31.7	<ul style="list-style-type: none"> Management aims for loan growth surpassing industry standards and a ROE exceeding 20%. It expects loan growth to accelerate to meet its 10-12% YoY target despite 1H23 loan growth being at just 8.8% YoY – slightly below expectations BMRI's growth strategy, centred around a value chain ecosystem and bolstered by digital initiatives, shows promise. CIR fell from increased digital operations in subsidiaries Furthermore, its ESG score has been upgraded from 3.0 to 3.3, primarily due to enhancements in the "E" pillar. Our GGM-based TP (includes 8% ESG premium) implies 2.7x and 2.6x FY23-24F P/BV and 19% and 20% FY23-24F ROE This improvement reflects the bank's sustained efforts to reduce emissions from its operations and initiation of reporting on financed emissions from the wholesale segment, indicating a commitment to environmental responsibility.

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