Regional Morning Cuppa

Top Story

Indonesia

Market Strategy : A Tactical Strategy In An Election Period

Indonesia Strategy

Strategy. We expect the JCI to rise 10% from current levels to 7,900pts by end 2024, implying 12.5x and 11.3x FY24F-25F P/Es at -1SD from the 5-year mean. We also expect the IDX80 Index to outperform the JCI (+15%) in 2024 on appealing laggard good quality counters within the IDX80 universe. The JCI is likely to be volatile in the short term. The fact that it has surpassed 7,200pts may prompt market profit-taking, especially for stocks that have risen significantly despite low share trading liquidity.

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Thematics / Ground Checks

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Top BUYs

Stocks	TP	Upside (%)	Catalysts
Bank Rakyat Indonesia (BBRI IJ)	6,450	13.66	• Bank Rakyat Indonesia's 1H23 earnings grew 18.7% YoY to IDR29.4trn • 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 • General rural credit or KUPEDES loans with high yields now account for 39% of micro loans (1H22: 30%) • CIR fell from increased digital operations in subsidiaries • NPL rose slightly but remained manageable as LAR fell further • 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
AKR Corporindo (AKRA IJ)	1,880	29.66	• A cyclical factor briefly hampered AKR Corporindo's earnings trajectory in 2Q23, but the cumulative view remains upbeat • Management has shared its optimism for a more conducive situation in 2H23 – based on higher contribution from land sales, and better sales volume of its fuel and chemical products ahead of improved industrial activities owing to a more conducive weather • Despite the turbulences, AKRA's cost efficiency stabilises its overall margins
Astra Otoparts (AUTO IJ)	3,510	51.29	• 2Q23 earnings rose 77.9% YoY, broadly in line • Despite the lower quarter revenue which lifted fixed costs per unit, EBIT margin maintained in 2Q23 • Higher manufacturing sales, driven by robust 2-wheeler or 2W vehicle wholesales, drove revenue • Earnings should accelerate in the coming quarters, owing to increased national vehicle production levels • Astra Otoparts recently signed a MoU with Perusahaan Listrik Negara to develop EV charging stations
YTL Power (YTLP MK)	2.72	8.80	• The power division (which include the PowerSeraya and Tuaspring plants) is expected to deliver solid earnings ahead, on strong wholesale prices in the near term • Wessex Water numbers are expected to improve, as the tariff has been lifted by an average 9% effective Apr 2023 • YTLP's venture into digital banking and green data centre businesses, in our view, are long-term positives despite near-term earnings impact being minimal
Dayang Enterprise (DEHB MK)	2.47	51.53	• We expect offshore topside maintenance services (TMS) work orders to remain resilient in 2H23 and marine utilisation this year is on track to achieve 55-60% (1H23: 49%), which suggest an overall better utilisation in 2H23 • Margins from offshore TMS is likely to improve with better revised rates as well as lower lumpy marine spread due to a change of vessel chartering contract strategies by clients • Dayang stands a good chance of winning a portion of the newly tendered asset integrity backlog clearance project, which could be awarded by 4Q23
Gamuda (GAM MK)	5.41	17.86	• Overseas markets (particularly Australia) will be the main earnings driver within the next two years, as more than 50% of orderbook comes from there • Exposure in overseas markets to serve as a strategic buffer towards any downside risks within the domestic construction sector • Valuation remains undemanding at 14x as it was trading around 16x P/E during the construction upcycle in 2017
ComfortDelGro (CD SP)	1.50	8.70	• Ongoing improvement in public transport earnings in overseas operations throughout 2H23 • Positive impact to taxi earnings from the reduction in rent rebates and the introduction of a new platform fee • The return of Chinese tourists could further boost Singapore's taxi and public transport ridership • Valuation is compelling amid ongoing YoY earnings growth and strong improvements in ROE

Singtel (ST SP)	3.20	31.69	• Stronger recovery in mobile revenue momentum and 5G monetisation across Singapore and Australia (Optus) • Regional enterprise growth opportunities following multiple synergistic acquisitions and the carving-out of the regional data centre (RDC) business as a standalone business unit. The partial divestment of RDC to global investment firm KKR partially unlocks value and provides growth capital for expansion • Positive execution of strategic business reset (synergies from the consolidation of consumer and enterprise businesses in Singapore, regionalisation of enterprise and B2B businesses, and further asset recycling activities) • Attractive forward dividend yield of >5% with scope for additional or special dividends to be returned
ST Engineering (STE SP)	4.45	17.41	• Sustained recovery in earnings driven by gradual improvement in commercial aerospace • A record-high orderbook provides close to three years of revenue visibility • Acquisition of Transcore, along with the recent restructuring of the urban solutions & satellite communications (sitcom) segment, should boost growth • A defensive business model that will allow it to sustain a DPS of at least 16 SG cents
Airports of Thailand (AOT TB)	84	40.00	• 1HFY23F (Sep) will be the first lively peak travel season for AOT in two years. Medium- to long-haul flights from East Asia, the Middle East, and Europe are likely ramping up, and acting as key performance drivers • China's border re-opening from 8 Jan onwards will strongly benefit both AOT's aeronautical and commercialised activities. With air traffic being unlocked, we expect the scheduled flights between Thailand and China to increase six-fold to c.180 per week by end 2023 (1QFY24) • AOT implemented measures to help concessionaires until 31 Mar and is applying the minimum guarantee sharing per head for its duty-free and commercial area concessions from 1 Apr. This should bring FY23 concession revenue up 226% to THB13.13bn (29% of revenue) • Expect FY23F core profit of THB11.5bn, with total aircrafts and passengers at 74% and 67% of 2019 levels. Stronger operations may improve profit margins
Bangkok Dusit Medical Services (BDMS TB)	37	34.55	• Stabilised earnings growth to be driven by ongoing recovery of general treatments from locals, expatriates, and fly-in demand – ie medical tourism (eg Chinese patients) – and growing new markets (eg Saudi Arabia). We expect normalising foreign patient revenue mix of 30%, with well-balanced contributions from COVID-19 treatments • BDMS targets a 3-year organic revenue of 6-8% CAGR (2022-2025) and superior 23-24% EBITDA margin – to be driven by more revenue intensity and case mix (ie fly-in patients and Centres of Excellence) • BDMS is looking to increase market share in Social Security and enhance health insurance revenues for Thai and expatriate patients • Expect healthy core profit expansion by 6% in 2023. Stable bed occupancy rates vs 2022's 73% (including COVID-19 treatment) are assumed. Profit margins may jointly benefit from patients and price intensity
Central Retail Corp (CRC TB)	54	32.52	• We expect THB8.26bn core profit for 2023, expanding 19% to pre-pandemic levels. Key drivers: i) Aggressive new store openings (mainly hardline stores, retail malls, and various small-format outlets), ii) back-to-normal fashion and leasable property segments, iii) high-spending customers via omni-channel platforms, and iv) full-year tourism recovery with the potential return of Chinese visitors to the kingdom • Enhancing food segment performance post rebranding, with potential development of its wholesale business unit in early 2023 • Ramping up cost optimisations for all its business segments – mainly fashion – to attain profit margin increases

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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