

# Indonesia Morning Cuppa

## Top Story

### Medikaloka Hermina (HEAL IJ, BUY, TP: IDR1,700)

Sustained Growth Path; Stay BUY

Company Update

Stay BUY with IDR1,700 TP and 25% upside. We joined the call with Medikaloka Hermina's management to discuss its growth strategy after the sudden resignation of Chief Financial Officer Aristo Setiawidjaja triggered a massive sell-off. We deem market reaction to be positive post-discussion as HEAL's share price rose 6.6% yesterday. The stock is trading at c.11-12x 2024F EV/EBITDA (at around mean level of 5-year EV/EBITDA band) – c.50% discount to closest peer Mitra Keluarga Karyasehat (MIKA IJ, BUY, TP:IDR3,300). HEAL remains our health sector Top Pick.

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*Today's Report:* [Medikaloka Hermina : Sustained Growth Path; Stay BUY \(19 Jan 2024\)](#)

*Previous Report:* [Medikaloka Hermina : Paving The Way For a Healthier Future; Keep BUY \(22 Sep 2023\)](#)

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## Bulletins

| STOCK/SECTOR                              | NEWS  | COMMENT   | RATING  |
|---|---|---|---|
| Auto<br><br>Astra International (ASII IJ) | <p>Chinese electric vehicle (EV) manufacturer BYD introduced new models to the Indonesian market on 18 Jan. After providing electric buses for TransJakarta and electric taxis for Bluebird, BYD plans to sell new electric passenger cars in Indonesia.</p> <p>BYD Indonesia has also posted a teaser video on its official Instagram account. The teaser shows BYD's Atto 3, Seal, and Dolphin electric cars. According to channel checks, the BYD Dolphin will be priced between IDR350m-450m. Meanwhile, the price of BYD Atto 3 ranges from IDR500m-600m, while BYD Seal costs between IDR650m-800m. <i>(detikoto)</i></p> | <p>We believe that BYD's entry into Indonesia will increase competition in the four-wheeler (4W) vehicles market. However, based on the models available and their specifications, BYD poses a greater threat to Hyundai, which also offers sedan-type EVs, than to Astra International's (ASII) brands.</p> <p>In the Indonesian market, ASII continues to rely on hybrid and internal combustion engine (ICE) vehicles, with the 3-row model serving as the main driver of short-term growth. According to ASII, based on Indonesia's EV infrastructure and affordability, the hybrid and ICE segments are still the best options for the Indonesian consumers at this time. ASII's plan to launch an electric car for the mass market is in line with the plans of its partner Toyota Motor – likely in 2026.</p> <p>We maintain our TP and call for ASII.</p> | <p>NEUTRAL</p> <p>ASII:<br/>BUY,<br/>TP: IDR7,100</p> |

|                                 |  |   |                              |
|---------------------------------|--|---|------------------------------|
| <p>AKR Corporindo (AKRA IJ)</p> | <p>Key takeaways from our meeting with AKRA Corporindo: AKR Corporindo's (AKRA) management is expecting growth in net profit for FY23 with approximately +14-16%. AKRA's management is also very optimistic on delivering net profit growth of +12-15% for FY24F. New land sales in Java Integrated Industrial and Ports Estate (JIPE) in Gresik SEZ, secured at the end of FY23, brought AKRA 2023 land sales achievement of 91ha land sales – exceeding 2023 target of 75ha land sales, in turn bumping the earnings of FY23 to +14-16% YoY growth. For 2024F, AKRA targets 130ha land sales in JIPE and accumulate IDR3.8trn to total revenue with gross profit at IDR 1trn.</p> <p>Significant development is coming from Freeport Indonesia's smelter construction progress, scheduled on stream in May. This would likely bring more potential upside on AKRA's chemical business, with Freeport's copper processing by-products, ie sulfuric acid, caustic soda, and soda ash, will be shipped to potential clients, eg nickel smelters.</p> <p>With the growing number of smelters along the nickel belt in North-East Sulawesi to Northern Maluku, management is confident on serving the distribution for the smelters. For now, we see this as prospect and will dive deeper on chemical business once Freeport's smelter start running. On the petroleum business, management is focusing on two areas: i) Serving demand from Eastern Indonesia (in 2023, East Indonesia contributed 76% towards petrol sales volume), and ii) opening 50 new BP-AKRA outlets (having 100 outlets by end of 2024). Management believes these initiatives should allow petrol sales volume to grow 8-10% YoY for 2024. <i>(Company, RHB)</i></p> | <p>Continuing the historical high-dividend payout ratio tradition, AKRA's management plans to maintain above 50% dividend payout ratio for 2024F. Hence, our projection suggests that with FY24F net profit at IDR154/share, the DPR should generate DPS at IDR77/share, dividend yield at 5%.</p> <p>We keep our recommendations for AKRA.</p> | <p>BUY,<br/>TP: IDR1,970</p> |
|---------------------------------|--|---|------------------------------|

## Top BUYs

|  | TP<br>(IDR) | Upside<br>(%) | Catalysts   |
|--|-------------|---------------|---|
| <b>Bank Rakyat Indonesia (BBRI IJ)</b> | 6,450       | 12.2          | <ul style="list-style-type: none"> <li>With the election year approaching, BBRI expects time deposit rates to fall – alleviating cost of funds (CoF) as liquidity improves cyclically</li> <li>1Q23 earnings exceeded expectations, increasing 26.9% YoY (+28.1% QoQ) on higher NIM, lower operational expenses, and lower CoC</li> <li>Despite slightly lower 1Q23 loan growth of 9.7% YoY, BBRI remains optimistic on meeting its FY23 loan growth target of 10-12% YoY</li> <li>Despite a higher CoF, 1Q23 NIM rose slightly to 7.82% (1Q22: 7.72%)</li> </ul>   |
| <b>Bank Central Asia (BBCA IJ)</b>     | 10,700      | 10.6          | <ul style="list-style-type: none"> <li>BBCA is poised for healthy business growth – underpinned by its superior transaction franchise and solid balance sheet. Its robust capital and provision buffers also support the above-trend P/BV</li> <li>1Q23 results were within expectations, with robust NII growth and lower provisions being key earnings drivers.</li> <li>Net profit of IDR11.53trn (-2% QoQ, +43% YoY) accounted for 25% of our and Street's FY23F earnings</li> <li>At the bank level, ROE rose to 22.3% (FY22: 21.7%) while the capital adequacy ratio was a solid 28.9% (4Q22: 25.8%)</li> </ul>   |
| <b>Indofood CBP (ICBP IJ)</b>          | 14,300      | 26.8          | <ul style="list-style-type: none"> <li>We believe earnings will be supported by solid domestic growth, limited impacts from <i>Ramadan</i> and <i>Lebaran</i> (revenue usually dips only c.1-2% during the <i>Lebaran</i> quarter), and IDR appreciation</li> <li>Margins should also expand, mainly from the noodle division, which makes up 80-90% of EBIT</li> <li>Noodle products' margins should expand, w3510ith its affiliate company Bogasari Flour Mills adjusting flour prices down 4-5% YTD and stable CPO prices</li> <li>Challenges may come from its dairy products segment (15-20% of revenue) due to decreasing volumes and rising sugar prices</li> <li>Valuation remains undemanding as the counter is still trading at c.15x 2023F P/E, or around +1SD from its 5-year mean</li> </ul> |
| <b>AKR Corporindo (AKRA IJ)</b>        | 1,970       | 22.4          | <ul style="list-style-type: none"> <li>AKRA will likely benefit from its chemical distribution business, in our view, due to the rapid development of new smelters – leading to higher demand for certain chemicals</li> <li>The company's recurring revenue from the industrial business should also see growth from emerging green industries</li> </ul>  |
| <b>Astra Otoparts (AUTO IJ)</b>        | 3,510       | 38.2          | <ul style="list-style-type: none"> <li>AUTO's 1Q23 earnings jumped to IDR433bn (-12.5% QoQ, +92.1% YoY), driven by a wider GPM and higher share of income from its associate &amp; JV businesses – exceeding expectations</li> <li>Despite last year's higher numbers, AUTO still managed to record an increase in GPM, likely due to: i) Higher production capacity utilisation that lowered fixed costs per unit (a stronger IDR also partly boosted 1Q23 GPM to 16.1% (4Q22: 15.2%, 1Q22: 12.5%) and ii) a significant increase in associate and JV income to IDR241bn (+35.9% QoQ, +41% YoY). The QoQ decline in profit was due to cyclical factors</li> </ul>  |

## RHB Guide to Investment Ratings

|                     |  |
|---------------------|--|
| <b>Buy:</b>         | Share price may exceed 10% over the next 12 months   |
| <b>Trading Buy:</b> | Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain |
| <b>Neutral:</b>     | Share price may fall within the range of +/- 10% over the next 12 months                         |
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| <b>Sell:</b>        | Share price may fall by more than 10% over the next 12 months                                    |
| <b>Not Rated:</b>   | Stock is not within regular research coverage  |

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