

Indonesia Morning Cuppa

Top Story

Wintermar Offshore Marine (WINS IJ, NOT RATED, FV: IDR540)

A Fruitful Transition

Trading Idea

IDR540 FV based on 3-year EV/EBITDA. Wintermar Offshore Marine is a key beneficiary of Indonesia's growing upstream investments, particularly with the anticipated offshore oil & gas (O&G) explorations in the pipeline. WINS also stands to benefit from the industry's limited supply of suitable vessels, as it owns over 40 mid- and high-tier vessels. Its transition from low-tier to higher-tier vessels has proven fruitful, with its average charter rates surging 15% in June compared to Dec 2023, leading to a 46% YoY increase in 1H24 EBITDA. Consensus projects USD39m EBITDA (+77% YoY) for FY24.

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Today's Report: [Wintermar Offshore Marine: A Fruitful Transition \(11 Sep 2024\)](#)

Previous Report: N/A

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Regional Research

Plantation (NEUTRAL)

2Q24 Earnings In Line, Expecting a Better 2H24

Regional Sector Update

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Today's Report: [Plantation: 2Q24 Earnings In Line, Expecting a Better 2H24 \(11 Sep 2024\)](#)

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Bulletins			
STOCK/SECTOR	NEWS	COMMENT	RATING
Consumer Mayora Indah (MYOR IJ) Indofood CBP (ICBP IJ) Nippon Indosari (ROTI IJ) Ultrajaya Milk Industry (ULTJ IJ) Cisarua Mountain Dairy (CMRY IJ) Kalbe Farma (KLBF IJ) Sido Muncul (SIDO IJ)	The State Finance Accountability Committee (BAKN) of the House of Representatives (DPR) has proposed an excise tax of 2.5% on sugar-sweetened beverages, with a gradual increase to a maximum of 20%. (<i>Jakarta Globe</i>)	We are still assessing the detailed impact of this regulation, though this should bring adverse impact to consumer companies, in our view. We deem consumer companies may pass on the additional tax should this regulation transpire – potentially posing a challenge to its volume and pinching the purchasing power. Several consumer companies that might feel the impact include Mayora Indah (MYOR), Indofood CBP (ICBP), Nippon Indosari (ROTI) which sells chocolate milk currently, Ultrajaya Milk Industry (ULTJ), Cisarua Mountain Dairy (CMRY), Kalbe Farma (KLBF), and Sido Muncul (SIDO). We maintain our recommendations for all the mentioned stocks under our coverage. We currently do not cover ULTJ.	Sector: NEUTRAL Stocks: MYOR: BUY, TP: IDR3,300 ICBP: BUY, TP: IDR13,800 ROTI: NEUTRAL, TP: IDR1,150 ULTJ: NOT RATED CMRY: BUY, TP: IDR5,700 KLBF: BUY, TP: IDR1,970 SIDO: BUY, TP: IDR860
Tobacco Hanjaya Mandala Sampoerna (HMSP IJ) Gudang Garam (GGRM IJ) Wismilak Inti Makmur (WIIM IJ)	The State Finance Accountability Committee (BAKN) of the House of Representatives (DPR) proposed an excise tax hike of 5% in 2025 and encouraged the Government to implement at least another 5% hike in 2026. However, the BAKN recommended that the hand-rolled cigarettes' excise tax hike should be limited as it has boosted employment. (<i>CNBC</i>)	The recommendation would push tobacco players to implement at least 5% ASP hikes to offset higher excise tax in 2025. This should negatively impact the Tier-1 tobacco players such as Hanjaya Mandala Sampoerna (HMSP) and Gudang Garam (GGRM), as their current selling price has led to a surge in downtrading and shift towards illegal cigarettes. However, Tier-2 cigarettes should benefit as a downtrading alternative. Note that Tier-2 excise tax hike usually tends to be lower than Tier-1, hence any price increment from Tier-1 should provide room for Tier-2 players such as Wismilak Inti Makmur (WIIM) to expand its margin. We keep our calls and TPs for HMSP and GGRM. WIIM is not under our coverage at this time.	Sector: NEUTRAL HMSP: BUY, TP: IDR970 GGRM: SELL, TP: IDR13,700 WIIM: NOT RATED

<p>Consumer</p> <p>Sumber Alfaria Trijaya (AMRT IJ)</p> <p>Aspirasi Hidup Indonesia (ACES IJ)</p> <p>Mitra Adiperkasa (MAPI IJ)</p> <p>MAP Adiperkasa (MAPA IJ)</p>	<p>Retail sales index growth in Jul 2024 came at +4.5% YoY - with Food, Beverages, and Tobacco delivering the highest growth of +6.5% YoY whilst Information and Communication Equipment recorded the steepest drop of -12.8% YoY. On a MoM basis, retail sales index came at -7.2% in July, with Cultural and Recreation Goods recording the highest growth of +6.3% MoM whilst Food, Beverages, and Tobacco recorded the greatest drop of -8.4% MoM.</p> <p>For Aug 2024, Bank Indonesia (BI) estimates retail sales index to grow 1.6% MoM and 5.8% YoY. The consumer confidence index (CCI) came at 124.4 in August (vs Jul 2024: 123.4; Aug 2023: 125.2). Almost all groups of people across all expenditure levels posted MoM increase in CCI, except for those who spent between IDR3.1m-4m. Meanwhile, YoY drop emerged in spending groups between IDR3.1m-5m.</p> <p>Spending portion in Aug 2024 came at 73.5% (vs Jul 2024: 73.8% and Aug 2023: 75.6%). Interestingly, the portion for loan repayment reached 10.9% in Aug 2024 - the highest since Oct 2021. (<i>Bank Indonesia</i>)</p>	<p>We note the growth in retail sales index came slightly higher than BI's estimate of -7.4% MoM and +4.3% YoY in Jun 2024. The positive YoY improvement for the retail sales index, we deem, may partly be due to low base since Jul 2023's YoY growth only came at +1.6%. However, we have concerns on the higher loan repayment portion, of which consumer spending might be financed through obtaining loans.</p> <p>In all, this has brought positive sentiment for retailers' stocks yesterday. We keep our preference for Sumber Alfaria Trijaya (AMRT) and see some TRADING BUY opportunity for Aspirasi Hidup Indonesia (ACES), which only increased by 4% DoD (vs other mid-to-high retailers - Mitra Adiperkasa (MAPI): +10.6% and MAP Aktif Adiperkasa (MAPA): +7.5%</p> <p>We retain our recommendations for the sector and the abovementioned stocks.</p>	<p>Sector: NEUTRAL</p> <p>AMRT: BUY, TP: IDR3,400</p> <p>ACES: TRADING BUY, TP: IDR815</p> <p>MAPI: BUY, TP: IDR1,800</p> <p>MAPA: BUY, TP: IDR930</p>
<p>Erajaya Swasembada (ERAA IJ)</p> <p>Mitra Adiperkasa (MAPI IJ)</p>	<p>Apple launched the iPhone 16 series, which showcases a range of new features, on 12 Sep. The iPhone 16 Pro and Pro Max models stand out with their A18 Pro chips, enhanced camera systems, and 4K video recording at 120 frames per second. Both models boast a 48MP fusion camera, an ultra-wide lens, and improved telephoto capabilities. The addition of Spatial Audio and Dolby Vision enhances both video and audio experiences. The phones are priced starting at USD999 for the Pro model and USD1,199 for the Pro Max, with pre-orders beginning on 13 Sep, and availability starting from 20 Sep.</p> <p>In addition to the new iPhone series, Apple also introduced updates for its Apple Watch Series 10, AirPods 4, and announced the iOS 18 operating system. (<i>Apple, Engadget, HT Tech</i>)</p>	<p>Apple has stated that the AI feature would become the key highlight of Iphone 16 and provides it with the edge and difference over the previous edition. We will closely monitor this development, which should become the catalyst for sales in Erajaya Swasembada (ERAA) and Mitra Adiperkasa (MAPI) (16% of revenue came from Digimap in 1H24) for 4Q24 and 1Q25 to some extent. iPhone currently makes up c.11-12% market share in Indonesia smartphone segment as of Aug 2024 based on StatCounter data - remaining largely stable YoY and MoM.</p> <p>We maintain our TPs and calls for ERAA and MAPI.</p>	<p>ERAA: NEUTRAL, TP: IDR420</p> <p>MAPI: BUY, TP: IDR1,800</p>

<p>Strategy</p> <p>Pembangunan Perumahan (PTPP IJ)</p> <p>Adhi Karya (ADHI IJ)</p>	<p>During our visit to Nusantara (IKN), the new capital city, we observed that most basic infrastructure projects, such as water system and electricity, are near completion. Key government buildings like the Presidential Palace are also close to completion. However, delays in constructing housing for civil servants, armed forces, and police have caused setbacks in relocating staff to the new city.</p> <p>Starting mid-September, President Jokowi, who is nearing the end of his administration term, will relocate to his office in IKN. We believe this is to ensure more focus in overseeing the preparations for the second phase of development from 2025-2029. This next phase will focus on expanding public transportation systems, residential areas, and central government offices, and completing the transfer of civil servants. As of Aug 2024, basic infrastructure development in IKN has utilised a state budget of IDR84.9trn.</p> <p>Additionally, the Indonesian House of Representatives has approved an extra budget of IDR27.8trn for the Nusantara Capital Authority, with the majority of funds allocated to the Infrastructure and Facilities Department. This funding will support various projects, including roads, utility tunnels, and essential infrastructure. The budget was approved following coordination with the Ministry of Finance, Ministry of National Development Planning (Bappenas), and other relevant bodies to ensure alignment with ongoing projects by the Ministry of Public Works and Housing. <i>(Various sources)</i></p>	<p>During the Qatar Economic Forum which was held in May 2024, Indonesian President-elect Prabowo Subianto outlined the financing plan for IKN, with an estimated cost of USD35bn (c.IDR501trn) over 25-30 years. He stated that the annual State budget requirement would be about USD1bn (IDR16trn), which he believes is manageable within Indonesia's state budget. The Government will cover 20% of the cost, with the remaining 80% funded by investments. The Ministry of Public Works and Housing confirmed the adequacy of the proposed budget for ongoing infrastructure projects.</p> <p>Media reported that foreign investors from China and Australia are showing interest in IKN. According to Acting Deputy Head of the Nusantara Capital Authority, China's Delonix plans to invest IDR500bn in a mixed-use development, including a mall, hotel, and apartments. Meanwhile, the Australian Independent School intends to build a school with an investment of IDR150bn. According to the Deputy for Funding and Investment at the IKN Authority, Agung Wicaksono, Sembcorp has been involved in IKN, partnering with Perusahaan Listrik Negara to build a 50MW solar power plant, of which 10MW is already operational. Sembcorp's new project involves a 5-6MW solar panel installation valued at USD60m.</p> <p>Up to early September, Agung revealed that private investments in IKN have reached around USD3.7bn (IDR56.8trn). To boost investment opportunities and investor confidence, IKN is collaborating with various institutions, with seven ground breaking ceremonies held so far. The Government is commitment to IKN's development as a new economic hub and has made efforts to attract investments through regulatory incentives and support for small businesses, ensuring inclusive economic growth for all segments of society.</p> <p>We see the direct beneficiaries are the construction companies, especially Pembangunan Perumahan (PTPP) and Adhi Karya (ADHI).</p>	<p>Sector: N/A</p> <p>Stocks: PTPP: UNDER REVIEW</p> <p>ADHI: UNDER REVIEW</p>
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Top BUYs

	TP (IDR)	Upside (%)	Catalysts
Bank Negara Indonesia (BBNI IJ)	6,500	14.0	<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	15.1	<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	59.4	<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)	2,100	46.3	<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	11.7	<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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