

# Indonesia Morning Cuppa – Mid-Morning Edition

This report is an update of the “Indonesia Morning Cuppa” we provided earlier today.

Story Update	Thematics / Ground Checks
<p><b>Healthcare Facilities &amp; Svcs (OVERWEIGHT)</b>            Envisioning a Healthier 4Q23; Still OVERWEIGHT            Sector Update            Maintain O/W; Top Pick: Medikaloka Hermina. We remain positive on the sector for 2H23 – particularly on hospital companies – given the high likelihood of improving patient traffic on the back of fewer public holidays and other seasonal factors. Laboratory (lab) players should also benefit from these factors, albeit not as much as hospital players. We stay cautious on the pharmaceutical (pharma) sector, given the soft purchasing power, potential increase in costs, IDR depreciation, and rise in oil prices – these would hinder margin expansion. Our preference: Hospital &gt; lab &gt; pharma players.            Analysts: Vanessa Karmajaya +6221 5093 9888 Ext 985,            Indonesia Research +6221 5093 9888  <i>Today's Report: <a href="#">Healthcare Facilities &amp; Svcs : Envisioning a Healthier 4Q23; Still OVERWEIGHT (16 Oct 2023)</a></i>  <i>Previous Report: <a href="#">Healthcare Facilities &amp; Svcs : 1Q23 Performance Below Expectations; Still O/W (8 May 2023)</a></i></p>	<ul style="list-style-type: none"> <li>◆ <a href="#">IKN: Investment Prospects And Its Challenges (21 Sep 2023)</a></li> <li>◆ <a href="#">Energy : Carbon Trading In The Era Of Decarbonisation (31 Jul 2023)</a></li> <li>◆ <a href="#">Plantation : From Seed To Harvest: Site Visit To Lahad Datu (6 Jul 2023)</a></li> <li>◆ <a href="#">RHB Top 20 Indonesia Small Cap Companies Jewels 2023 (2023 Edition)</a></li> <li>◆ <a href="#">Regional Thematic : ESG – Envisioning a Better Future: Change In Methodology (2 May 2023)</a></li> <li>◆ <a href="#">Telecommunications : The Rise Of Data Centres In ASEAN (13 Apr 2023)</a></li> <li>◆ <a href="#">Indofood CBP : Ground Checks: Keeping Abreast Of Trends; BUY (24 Mar 2023)</a></li> <li>◆ <a href="#">Indonesia Telecommunications : Ground Checks: Easing Price War; Stay O/W (20 Mar 2023)</a></li> <li>◆ <a href="#">Auto &amp; Autoparts : Ground Checks: 4W EVs Becoming More Prominent (13 Mar 2023)</a></li> <li>◆ <a href="#">Indonesia Auto : Ground Checks: 2W EV Hype In 2023 IIMS (20 Feb 2023)</a></li> <li>◆ <a href="#">ESG Diamonds In The Rough : Our Best Investment Ideas (14 Feb 2023)</a></li> <li>◆ <a href="#">Logistics : The Future Of ASEAN Logistics (29 Nov 2022)</a></li> <li>◆ <a href="#">Construction : Net Zero Construction</a></li> </ul>
Top Story	Recent Stories
<p><b>Auto &amp; Autoparts (OVERWEIGHT)</b>            3Q23: Vehicle Wholesales Improved QoQ; O/W            Sector Update            Analysts: Andrey Wijaya +6221 5093 9846,            Indonesia Research +6221 5093 9888  <i>Today's Report: <a href="#">Auto &amp; Autoparts : 3Q23: Vehicle Wholesales Improved QoQ; O/W (16 Oct 2023)</a></i>  <i>Previous Report: <a href="#">Auto &amp; Autoparts : August Vehicle Wholesales Rebounded; Keep O/W (15 Sep 2023)</a></i></p>	<p><a href="#">Indonesia Morning Cuppa 13 October 2023</a>  <a href="#">Indonesia Consumer : Switching Preference To Cyclical</a></p> <p><a href="#">Indonesia Cuppa Update 12 October 2023</a>  <a href="#">Merdeka Copper Gold : Strong Potential For Year-End Turnaround; BUY</a></p> <p><a href="#">Indonesia Morning Cuppa 11 October 2023</a>  <a href="#">Bank CIMB Niaga : Chalks 8M23 Sector-Leading Earnings Growth</a>  <a href="#">Plantation : The Haze is Back, But Malaysia Output Still Rising</a></p> <p><a href="#">Indonesia Morning Cuppa 10 October 2023</a>  <a href="#">Mitra Pinasthika Mustika : Upside Still In Place, Outlook Still Upbeat</a>  <a href="#">Regional Oil &amp; Gas : Geopolitical Tensions Intensify Again; Still O/W</a></p> <p><a href="#">Indonesia Morning Cuppa 9 October 2023</a>  <a href="#">Indonesia Construction and Engineering : Multiple Challenges Lie Ahead</a></p> <p><a href="#">Indonesia Morning Cuppa 6 October 2023</a>  <a href="#">Indonesia Banks : 8M23: Rapid Loan Growth Boosts PPOP; Still O/W</a></p>

## Bulletins

STOCK/SECTOR	NEWS	COMMENT	RATING
Semen Indonesia (SMGR IJ)	Semen Indonesia (SMGR) recorded September domestic sales volume of 3.2m tonnes (+3.9% MoM, +7% YoY) and export volume of 464k tonnes (-42.1% MoM, -21.8% YoY). The cumulative 9M23 domestic volume was at 23.4m tonnes (+0.7% YoY), and stronger growth is seen from exports (34.1% YoY) – SMGR's total volume grew 5.9% YoY to 29.2m tonnes. <i>(Company)</i>	<p>The volume is accountable for 77.7% of our FY23 forecast, as we use conservative assumption with flat domestic volume growth and still having an upside risk of +2%. The industry data has not been published, but we expect to see continuous monthly growth.</p> <p>We retain our recommendations for SMGR.</p>	BUY; TP: IDR9,300
Goto Tokopedia (GOTO IJ)	William Tanuwijaya, commissioner of Goto Gojek Tokopedia (GOTO) and co-founder of Tokopedia, sold his ownerships in GOTO. He sold 332m shares at the average price of IDR78.89/share between 9-13 October. The purpose of the transaction was for urgent personal needs. <i>(IDX)</i>	<p>The total value of the transaction was IDR26.2bn, and resulted in William's ownership in GOTO to be reduced to 1.72% from 1.77% previously. To sell his ownerships prior to 3Q23 results (for which we expect narrowing adj.EBITDA loss) should raise the concern of investors over the company's target to achieve adj.EBITDA positive by 4Q23. We expect the achievement of 4Q23 target should positively impact the company's share price, and is expected to be a better time to cash out for its owners, rather than the current timing.</p> <p>We do not cover GOTO at this time.</p>	NOT RATED

## Top BUYs

	TP (IDR)	Upside (%)	Catalysts
<b>Bank Rakyat Indonesia (BBRI IJ)</b>	6,450	22.3	<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	17.9	<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	31.5	<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>	1,940	32.9	<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	15.5	<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
<b>Take Profit:</b>	Target price has been attained. Look to accumulate at lower levels
<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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Kuala Lumpur	Singapore
<b>RHB Investment Bank Bhd</b> Level 3A, Tower One, RHB Centre Jalan Tun Razak Kuala Lumpur Malaysia Tel : +(60) 3 9280 8888 Fax : +(60) 3 9200 2216	<b>RHB Bank Berhad (Singapore branch)</b> 90 Cecil Street #04-00 RHB Bank Building Singapore 069531 Fax: +65 6509 0470
Jakarta	Bangkok
<b>PT RHB Sekuritas Indonesia</b> Revenue Tower, 11th Floor, District 8 - SCBD Jl. Jendral Sudirman Kav 52-53 Jakarta 12190 Indonesia Tel : +6221 509 39 888 Fax : +6221 509 39 777	<b>RHB Securities (Thailand) PCL</b> 10th Floor, Sathorn Square Office Tower 98, North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand Tel: +(66) 2 088 9999 Fax : +(66) 2 088 9799