

# Indonesia Morning Cuppa

Top Story	Thematics / Ground Checks
<p><b>Integrated Oil &amp; Gas (NEUTRAL)</b> Anticipating Attractive Dividend Yields; D/G NEUTRAL Sector Update D/G to NEUTRAL (from O/W) as we cut our 2025 oil price forecast to USD75/bbl. We believe oil and gas (O&amp;G) companies' 2025 share price performance will be in line with the JCI's returns, based on their fundamental growth. Top Pick: Elnusa. Analyst: Indonesia Research +6221 5093 9888 <i>Today's Report:</i> <a href="#">Integrated Oil &amp; Gas : Anticipating Attractive Dividend Yields; D/G NEUTRAL (6 Jan 2025)</a> <i>Previous Report:</i> <a href="#">Integrated Oil &amp; Gas : Additional Output In 2025 Drives Prospects; O/W (5 Dec 2024)</a></p>	<ul style="list-style-type: none"> <li>♦ <a href="#">Regional Oil &amp; Gas : From Fossil To Future</a></li> <li>♦ <a href="#">Indonesia Consumer Thematic : Investing In Generation Alpha</a></li> <li>♦ <a href="#">Consumer Products : Net Zero In a Consumer World</a></li> <li>♦ <a href="#">Indonesia Thematic : Indonesia's Nickel Rush - Fuelling The EV Boom</a></li> <li>♦ <a href="#">Medical Tourism In ASEAN : Connecting Wellness And Tourism</a></li> <li>♦ <a href="#">Japfa Comfeed : Site Visit: Strengthening Its Downstream Operations</a></li> <li>♦ <a href="#">Plantation : At The Crossroads</a></li> <li>♦ <a href="#">Indonesia Consumer, Banks, Tobacco, Poultry : Highlights Of Our Visit To Jakarta Fair</a></li> <li>♦ <a href="#">Net Zero Transportation : Transitioning Towards Low-Carbon Transport</a></li> <li>♦ <a href="#">RHB Top 20 Indonesia Small Cap Companies Jewels 2024</a></li> <li>♦ <a href="#">Charoen Pokphand Indonesia : KTAs From Feedmill Visit: Pillar Of Profitability</a></li> <li>♦ <a href="#">Auto &amp; Autoparts : ASEAN In The EV Supply Chain</a></li> <li>♦ <a href="#">Telecommunications : The Road To NZE</a></li> <li>♦ <a href="#">Plantation : EUDR Unveiled: Bridging The Regulatory Gap</a></li> <li>♦ <a href="#">Aging ASEAN : All That Glitters In The Silver Economy</a></li> <li>♦ <a href="#">Erajaya Swasembada : KTAs From Site Visit: Innovate To Elevate; Stay BUY</a></li> <li>♦ <a href="#">IKN : Investment Prospects And Its Challenges</a></li> <li>♦ <a href="#">Indonesia Telecommunications : XL Axiata's Turn To Increase Prices; Stay O/W</a></li> <li>♦ <a href="#">Market Strategy : Site Visits: Expecting Strong Growth Ahead</a></li> </ul>
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## Bulletins

STOCK/SECTOR	NEWS	COMMENT	RATING
Bank Rakyat Indonesia (BBRI IJ)	<p>In November 2024, Bank Rakyat Indonesia (BBRI) reported a net profit (bank only) of IDR4.28trn, reflecting a 5.6% MoM increase but an 8.5% YoY decline. This brought the cumulative net profit for 11M24 to IDR50trn, marking a 4% YoY growth. This figure represents 79% and 81% of our and consensus' full-year estimates for the group in FY24, aligning with historical trends. Notably, BBRI's 11M24 earnings (bank only) reached 80% of the group's full-year projections. <i>(Company)</i></p>	<p>BBRI reported solid growth in pre-provision operating profit (PPOP) (bank only) during 11M24 (+13% YoY). This performance was driven by a significant 34% YoY rise in non-II, bolstered by a surge in dividend income.</p> <p>Loan growth (bank only) slowed to 5% YoY in 11M24, vs 6.4% YoY in 10M24, falling short of management's full-year guidance of 10–12% (group level). In contrast, third-party funds grew 7% YoY (vs 6.7% YoY in 10M24), supported by an impressive 10.8% YoY increase in CASA (vs 6.8% YoY in 10M24). The bank only NIM declined to 6.2% in 11M24, vs 6.5% in 11M23 and 6.4% in 10M24 – below the full-year guidance of 7.6–8%. However, the consolidated NIM was supported by higher contributions from subsidiaries, ie Pegadaian and PNM, which have higher NIMs than the bank. Credit cost slightly rose to 3.26% in 11M24, up from 3.19% in 10M23, likely reflecting management's strategy to increase loan loss provisions for subsidiary loans, particularly at PNM.</p> <p>We maintain our recommendations for BBRI, highlighting the stock's attractive valuation at 1.7x FY25F P/BV and an appealing dividend yield of approximately 8% for FY25. Despite the uptick in credit costs in November, BBRI's 11M24 performance remains aligned with historical trends, demonstrating resilience through robust PPOP growth, stable liquidity, and an improved CASA ratio.</p>	<p>BUY, TP: IDR5,700</p>
<p>Erajaya Swasembada (ERAA IJ)</p> <p>Sinar Eka Selaras (ERAL IJ)</p>	<p>Erajaya Swasembada (ERAA), known for its focus on marketing electronic products, announced that its subsidiary Sinar Eka Selaras (ERAL) or Erajaya Active Lifestyle, has been appointed as the authorised distributor (APM) for XPENG electric vehicles.</p> <p>XPENG officially designated ERAL as the authorised distributor through the MoU signing between ERAL CEO Djohan Sutanto and XPENG's head of international division of sales and service Alex Tang. <i>(Tribun)</i></p>	<p>The appointment serves as ERAA's diversification strategy to obtain another growth avenue. However, we remain concerned on the execution since the company has minimal track record in automotive business which requires distinct expertise, and offers minimal synergy to its other businesses, in our view.</p> <p>We keep our TP and call for ERAA. We do not cover ERAL at this time.</p>	<p>ERAA: NEUTRAL, TP: IDR420</p> <p>ERAL: NOT RATED</p>

Strategy	<p>The Free Nutritious Meals (MBG) programme for schoolchildren, initiated by President Prabowo Subianto, will commence on 6 Jan 2025. This information was conveyed by Minister of Cooperatives Budi Arie Setiadi after a closed meeting with Prabowo at the Bogor Presidential Palace Complex last Friday.</p> <p>Budi Arie stated that the programme would begin on 6 Jan and emphasised that his ministry is tasked with providing support. The National Nutrition Agency (BGN) has been assigned the coordinating body for the programme's implementation.</p> <p>The MBG programme targets schoolchildren from early childhood education (PAUD) to elementary, middle, and high school levels. Under this initiative, each student will receive one free meal per the designated schedule. <i>(Kompas)</i></p>	<p>If executed well, we think this government programme might positively impact consumption, owing to the trickle-down benefit from potential additional job creations along with producing additional disposable income since the Government is subsidising the meal cost for the children in a family. We deem poultry and a number of consumer companies should benefit from better demand caused by this programme.</p> <p>We retain our rating for the poultry sector.</p>	<p>Strategy: N/A</p> <p>Poultry: OVERWEIGHT</p>
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## Top BUYs

	TP (IDR)	Upside (%)	Catalysts
<b>Bank Syariah Indonesia (BRIS IJ)</b>	3,500	27.7	<ul style="list-style-type: none"> <li>BRIS stands to gain from growing <i>shariah</i>-compliant financial services demand, leveraging on its vast branch network, government support, and product offerings to promote financial inclusion.</li> <li>Pushing innovation via its BYOND super app and social finance initiatives, BRIS enhances accessibility and aligns with customer values.</li> <li>Strategic efforts boost profitability, while improved asset quality and ESG-driven valuation positions it for sustainable growth and continued segment leadership.</li> </ul>
<b>Sumber Alfaria Trijaya (AMRT IJ)</b>	3,800	33.3	<ul style="list-style-type: none"> <li>We remain optimistic on AMRT's long-term outlook, given its resilient business model.</li> <li>Its dominance in the minimarket business and initiatives to enhance margins should sustain its growth.</li> <li>Store customer traffic at 15% below pre-pandemic levels offers upside potential, in our view.</li> </ul>
<b>Bank Mandiri (BMRI IJ)</b>	8,100	39.7	<ul style="list-style-type: none"> <li>Solid 3Q24 net profit was supported by higher non-II and lower provisions.</li> <li>NIM continued to expand QoQ on a consolidated basis, but saw a contraction at bank-only level due to higher funding costs.</li> <li>Loan demand remains robust across both wholesale and commercial segments, and asset quality continues to hold up with improved loans at risk (LAR) and NPL ratios.</li> <li>We believe the recent ROE expansion is structural and can be sustained, which underpins our optimism for the stock.</li> </ul>
<b>Indofood CBP (ICBP IJ)</b>	13,800	21.3	<ul style="list-style-type: none"> <li>We like the company, given the solid growth of its noodle business as well as the recovery of its dairy arm.</li> <li>This would be supported by the fact that its products are not vulnerable to a decline in consumer buying power situation, while the Pinehill business should benefit from positive seasonal factors, especially in 4Q24.</li> <li>ICBP should also benefit from the appreciation of the IDR vs the USD.</li> <li>Despite concern on the potential increase in CPO price, we deem ICBP has solid position to pass on the price increase.</li> </ul>
<b>Mastersystem Infotama (MSTI IJ)</b>	2,000	32.5	<ul style="list-style-type: none"> <li>The implementation of Law No 27 of 2022 on Personal Data Protection (PDP Law) is expected to boost MSTI's prospects. Following the enactment of the PDP Law on data privacy protection and the push for upgrading IT infrastructure, Indonesia's financial services sector is allocating a larger budget for IT spending. Bank Mandiri has set a budget of IDR3trn (+20% YoY) to upgrade its digital infrastructure, while Bank Central Asia allocated IDR8trn for IT innovation.</li> <li>This year, the collaboration with Lintasarta and Nvidia on the GPU Merdeka project becomes MSTI's new revenue stream which we believe will continue for years to come. We estimate MSTI's 2025 revenue to grow 12% YoY</li> <li>Partnerships with prominent global IT companies likely to boost 2024F-2025F net income at +33% YoY and +13% YoY. Utilising International Data Corporation's (IDC) forecast from 2024 to 2027, we expect Indonesia's IT spending at a CAGR of 6%. With a stable net margin of c.11%, net income could potentially grow to IDR597bn (+33% YoY) for 2024F and IDR676bn (13% YoY) in 2025F.</li> </ul>

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<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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