INVESTMENT BANKING

Top Indonesia Small Cap Companies

20 Jewels 2022 Edition

RHB

TOP INDONESIA SMALL CAP COMPANIES

20 JEWELS

2022 EDITION

INDONESIA		
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CONTENTS

List Of Companies By Alphabetical Order

List Of Companies By Industry Classification

Foreword

Dear valued investors,

The un-ravelling of volatility towards the end of FY21 from easing pandemic risks has paved the way for a more positive outlook for the national economy. This was signalled by a bounce-back of capital inflows into the country – the highest seen over the last two years – which totalled IDR29.58trn during 1Q22. However, unexpected turmoil from geopolitical issues has spun another trajectory upon the global economic pathways. The Russia-Ukraine conflict sparked a critical situation where supply chains in a number of vital commodities were disrupted, propping up prices (especially for fuel) to ever-higher records and putting forward a risk of uncontrolled inflation. Despite of these negatives, Indonesia's overall economy has been fairly insulated in terms of defending itself against these external shocks – a strong trade balance from higher nominal export values combined with a recovery in terms of domestic consumption has enabled the country's recovery to remain on track (Ministry of Finance FY22 GDP guidance: 4.8% vs FY21's 3.7%). Testing our thesis, our 2021 Top 20 Indonesia Small Cap Picks generated 211% in gains based on weighted average returns (105% of returns based on simple average returns) throughout the whole of last year.

Continuing the tradition, RHB Research proudly present the 12th edition of the RHB Indonesia Small Cap Jewels book. We feature 20 small-cap companies with market caps of around c.USD500m that have passed our standard corporate governance checklist processes. These span across various sectors, ranging from consumer (eg automotive & spare parts and staples), and building materials to financials, transportation, and property. Last, but not least, we continue to include some players from the mining industries that have hidden fundamental prospects – ie low multiples and strong earnings recoveries – given the potential benefits from the ongoing commodity trends that could still linger until the end of 2022. We are optimistic that our small-cap jewels can outperform the JCI over the next 12 months and continue the handsome gains of the past years – further backed by economic boosts. We hope these small-cap companies will be tomorrow's mid- and large-cap players. As in the past, the Indonesia edition is part of the regional small-cap compendium that also includes other small-cap jewel ideas within ASEAN.

We are grateful to the respective management teams of all the companies featured in this book for giving us their time to help us understand their business models and prospects. We are also thankful to our research analysts for their unwavering efforts in screening, analysing, and picking the best stock ideas – which will not only provide solid growth prospects but also re-rating opportunities.

Lastly, as the research team of RHB Investment Bank, we are committed towards maintaining, developing, and strengthening our small- and mid-cap franchises. With this effort, we believe we can provide meaningful research products to our valuable clients. We hope this 12th edition of our hallmark product will further cement our strength in small- and mid-cap research in Indonesia and continue our tradition of picking jewels that shine. RHB recommends a bottom-up approach in picking quality laggards and small-cap jewels before a stronger domestic recovery materialises – starting from 1Q22 onwards. We hope the 2022 Top 20 Indonesia small-cap picks may project better performances ahead, and we hope you keep healthy and safe!

Jakarta, 28 Apr 2022

Andrey Wijaya
Head of Indonesia Research
PT RHB Sekuritas Indonesia

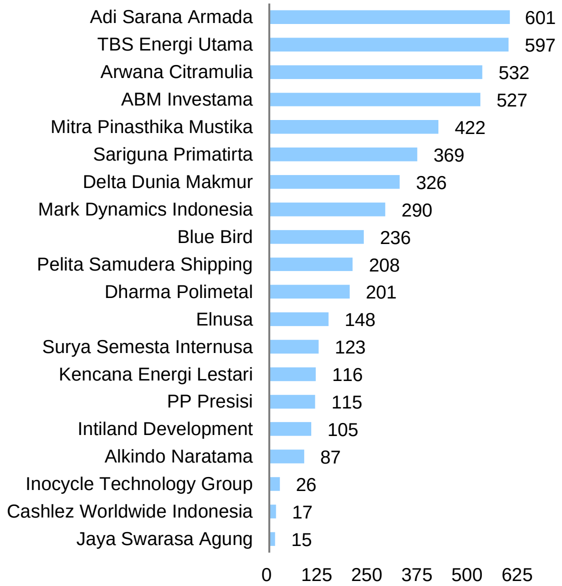
20 Jewels – at a glance

Company name	Rating	FV (IDR)	Mkt Cap (IDRbn)	P/E (x) FY21	P/E (x) FY22F	P/BV (x) FY21	P/BV (x) FY22F	Div Yield (%) FY21	Div Yield (%) FY22F	ROE (%) FY21	ROE (%) FY22F
ABM Investama	Non Rated	3,500	7,599	3.6	3.1	1.5	1.5	0.0	0.0	55.8	57.0
Adi Sarana Armada	Non Rated	5,600	8,664	33.3	27.5	6.5	3.9	0.0	0.0	9.4	12.1
Alkindo Naratama	Non Rated	1,135-1,250	1,258	16.6	10.6	1.8	N/A	0.2	0.2	13.1	N/A
Arwana Citramulia	Buy	1,350	7,672	15.8	12.5	4.8	4.2	3.0	4.9	33.3	36.0
Blue Bird	Buy	1,900	3,403	N/A	15.7	0.6	0.6	0.0	0.0	0.1	4.2
Cashlez Worldwide Indonesia	Non Rated	485	243	N/A	N/A	2.5	2.7	0.0	0.0	N/A	N/A
Delta Dunia Makmur	Non Rated	750-850	4,698	N/A	2.6	1.2	0.8	0.0	0.0	0.1	37.9
Dharma Polimetal	Non Rated	850	2,894	9.6	8.7	2.7	2.2	4.0	4.0	38.0	24.6
Elnusa	Non Rated	316-355	2,131	12.3	N/A	0.6	N/A	3.5	0.0	2.9	N/A
Inocycle Technology Group	Non Rated	227-242	380	11.4	N/A	1.2	N/A	0.0	0.0	8.0	N/A
Intiland Development	Non Rated	252	1,513	3.6	N/A	0.3	N/A	0.0	0.0	N/A	N/A
Jaya Swarasa Agung	Non Rated	260	216	18.2	N/A	1.6	N/A	0.0	0.0	7.8	N/A
Kencana Energi Lestari	Buy	670	1,679	17.7	14.6	0.8	0.8	0.8	1.0	4.7	5.5
Mark Dynamics Indonesia	Non Rated	1,700	4,180	10.5	N/A	5.7	N/A	0.0	0.0	68.3	N/A
Mitra Pinasthika Mustika	Non Rated	1,650	6,092	10.6	13.5	0.9	0.9	8.4	7.9	6.5	5.8
Pelita Samudera Shipping	Non Rated	710-740	3,006	7.8	N/A	1.8	N/A	1.5	0.0	24.0	N/A
PP Presisi	Non Rated	282-350	1,656	21.5	18.4	0.7	0.7	0.7	0.9	3.5	3.7
Sariguna Primatirta	Non Rated	500	5,328	26.1	N/A	5.3	N/A	0.0	0.0	19.1	N/A
Surya Semesta Internusa	Buy	450	1,779	N/A	36.3	0.5	0.5	0.0	0.0	(5.5)	1.5
TBS Energi Utama	Non Rated	1,250	8,613	12.5	10.9	2.1	2.1	0.0	0.0	18.5	19.0

Note: All prices as at 28 Apr 2022
Note 2: FY21F PE for non-rated were derived using Bloomberg Estimate EPS
Note 3: N/A = not available; company booked negative earnings or insufficient data
Source: Bloomberg, RHB

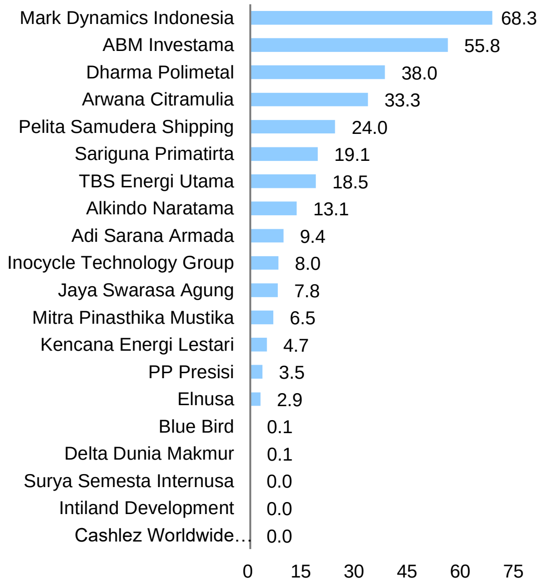
WHAT WE HAVE THIS YEAR

Market capitalisation (USDm)



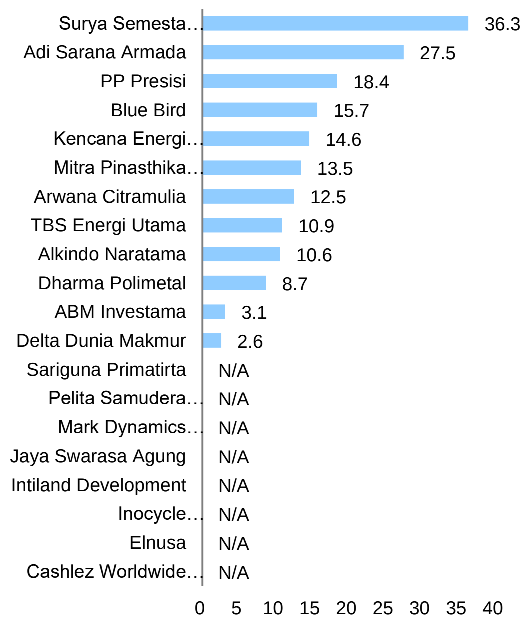
Source: Bloomberg, RHB

FY21 ROE (%)



Source: Bloomberg, RHB

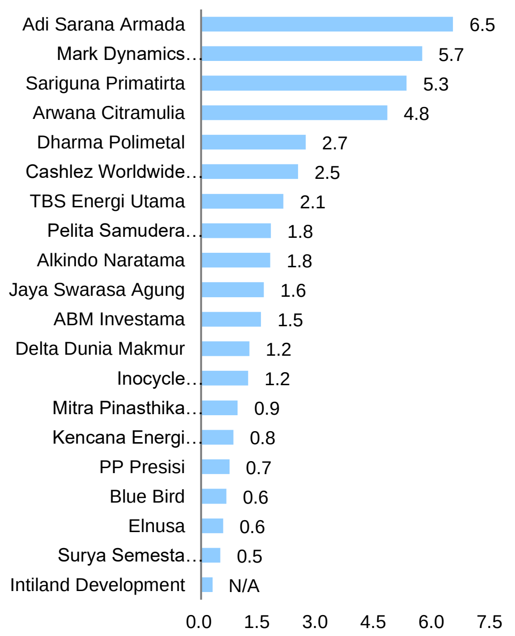
FY22F P/E (x)



*Note: *Non rated stocks FY22F PE are Bloomberg consensus number*

Source: Bloomberg, RHB

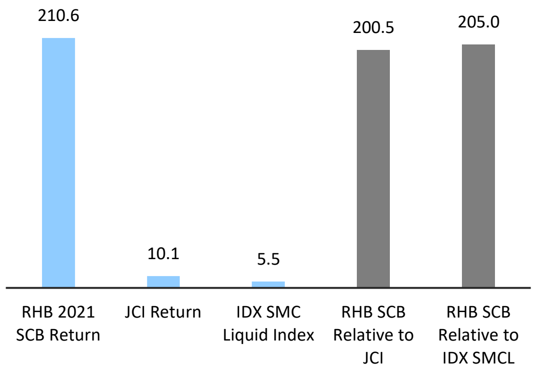
FY21 P/BV (x)



Source: Bloomberg, RHB

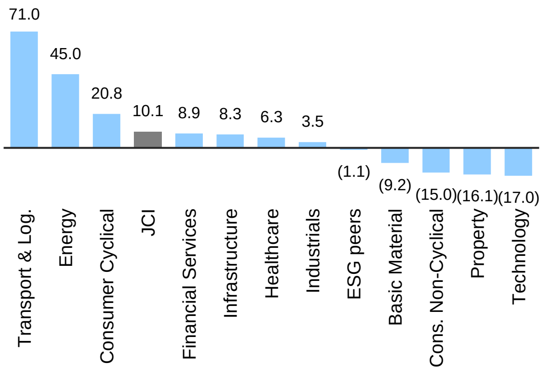
A RECAP OF WHAT WE HAD LAST YEAR

RHB 2021 Top 20 small-cap stocks' performances vs JCI and IDX SMC Liquid Index (%)



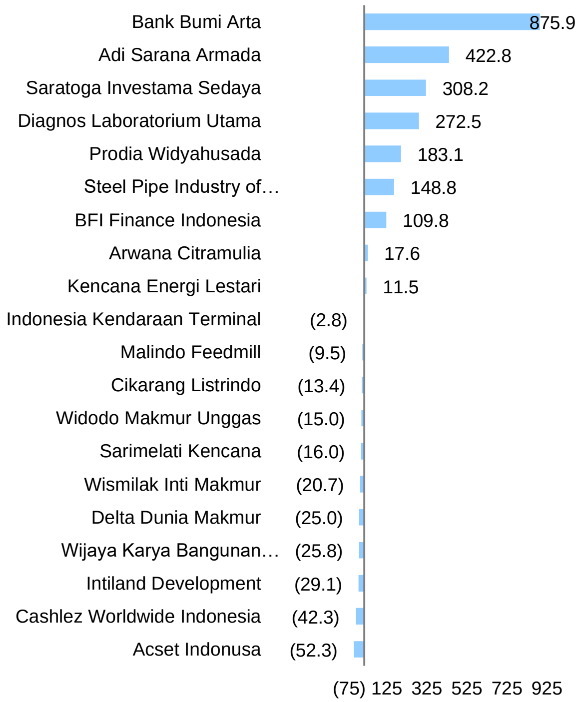
Note: RHB 2021 SCB return is weighted average return
Note 2: JCI = Jakarta Composite Index, IDX SMCL: Indonesia Stock Exchange Small Mid Cap Liquid Index
Source: Bloomberg, RHB

JCI performance breakdown 2021 (%)



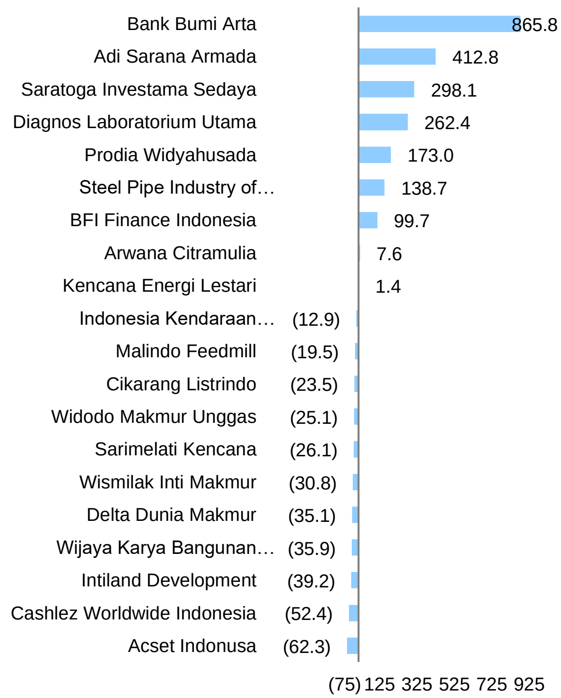
Source: Bloomberg, RHB

RHB 2021 Top 20 small-cap stocks' absolute performance breakdown (%)



Source: Bloomberg, RHB

RHB 2021 Top 20 small-cap stocks' relative performance breakdown net of JCI (%)

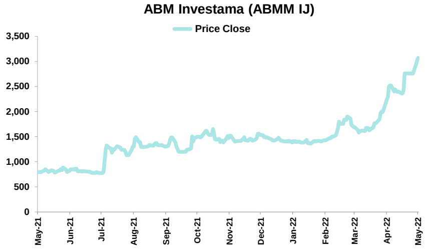


Source: Bloomberg, RHB

ABM Investama (ABMM IJ)

Convincing Play From a Turnaround Story

Fair Value: IDR3,500
Price: IDR2,760



Source: Bloomberg

Stock Profile

Bloomberg Ticker	ABMM IJ
Avg Turnover (IDR/USD)	8,807m/0.61m
Net Gearing (%)	37
Market Cap (IDRbn)	7,599
Beta (x)	0.7
BVPS (IDR)	1,783
52-wk Price low/high (IDR)	770 – 3,140
Free float (%)	20.7

Major Shareholders (%)

Tiara Marga Trakindo	53.6
Valle Verde	25.5
Momentum Fund	11.34

Share Performance (%)

	1m	3m	6m	12m
Absolute	37.05	115.44	101.97	286.16
Relative	42.38	114.78	99.44	271.32

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Investment Merits

- Integrated coal mining company with stellar experience
- Convincing turnaround story from revival of mining activities
- Attractive valuation with fair discount against peers

Company Profile

ABM Investama is an energy company with an integrated supply chain. It was founded by Achmad Hamami 40 years ago and is owned by the Tiara Marga Trakindo (TMT) group, which is affiliated with the Hamami family. TMT holds a 53.6% stake while Singaporean strategic investment firm Valle Verde owns 25.5%. The remaining 20.9% balance is held by the public. ABMM holds majority stakes in its main subsidiaries, which are engaged in various segments: i) Coal mining & contracting – Reswara Minergi Hartama (Reswara) and Cipta Kridatama (CK: Indonesia's third-largest coal mining contractor and been in this sector for more than 20 years), ii) logistics (CKB Logistics), iii) engineering services (Sanggar Sarana Baja), and iv) fuel distribution (Parama Energi Raya). As at FY21, the coal business accounted for c.95% of ABMM's overall topline. It has received numerous accolades for its implementation of ESG, eg Excellence Rating in Green & Environmental Management and Best Innovations on Global CSR at the 2022 Indonesia CSR Excellence Award or ICEA, which was held in collaboration with the Ministry of Environment & Forestry.

Highlights

The ongoing uptrend in coal prices remains as positive sentiment for ABMM's business, as similar catalysts ramped up operational achievements last year – CK's FY21 overburden removal increased 28% YoY to 179m bank cubic metres while Reswara's coal sales rose 16% YoY to 13.5m tonnes (selling price grew 70% YoY) during this period. The reduced risks from the pandemic since 2H21 has brought with it an optimistic outlook on economic activity, propping up coal demand due to higher electricity needs. Conversely, weather issues from *La Nina* in Indonesia's south-eastern regions, combined with unexpected geopolitical tensions, have brought pressure on the supply side and caused a shortage in global coal inventory. This has heated up coal prices beyond their normal value – we believe this will sustain as the major sentiment for thrust movements on coal stocks, ie at least until the end of 2022.

Strategically located coal mining concession. Through Reswara, ABMM operates three mining areas or IUPs in South Kalimantan (c.4,200Kcal/kg) and Aceh (c.3,400Kcal/kg). The latter province provides more than half of total its current coal production (total coal reserves are at c.205m tonnes as per FY21; 16 years of mining life). Due to a relatively low-calorie content, coal from Aceh is preferred as a blend to reach optimum energy production for power plant needs, especially in India – the latter nation took c.70% of ABMM's coal production in Aceh. We see more potential demand for coal to be secured from India – Indonesian coal represent c.50% of India's total imported coal volumes – as weather anomalies incite record-breaking high temperatures there while the Indian Government has put extra efforts towards securing more coal inventory. Note: An unrelenting heatwave has pushed electricity demand in India to record highs in April, leading to its worst power crisis in over six years. Additionally, Aceh's geographical position means it is relatively closer to South Asia vis-à-vis other Indonesian coal-producing provinces, ie mainly South Sumatera and Kalimantan – this benefits Reswara in terms of taking up the demand portion with relatively cheaper freight costs, in our view.

Company Report Card

Latest results. FY21 earnings stood at USD148m (NPM: 14.5% vs the 10-year average of c.3%), up from FY20's USD36m in net losses. Overall profit achievements were positive thanks to a stronger topline (FY21: USD1bn; +69% YoY) on higher contributions from coal sales (FY21: USD537m; +109% YoY) and better mining contracting orders from clients (FY21: USD432m; +42% YoY). The logistics arm also displayed a similar positive growth feat (FY21: USD147m; +14% YoY). Despite cost increases on higher mining activity – FY21 cash costs on coal operations in Aceh were at USD19.40 per tonne (+23% YoY) while South Kalimantan stood at USD25.40 per tonne (+5% YoY) – operational margins were still able to expand (FY21: 29.7% vs the 10-year average of c.7%).

Balance sheet/cash flow position. The credit profile is in a better state (FY21 EBITDA/interest coverage improved to 6.9x vs the 3-year average of 3.5x) on stronger operations amidst a recovery in mining activities. This also translated into healthier cash reserves of USD238m (FY21 net debt to EBITDA ratio was diminished to 0.4x vs FY20's 2.3x) – cash flows from operational activities turned to a surplus at USD365m. We think this ample support in cash will be able to cater for ABMM's expansion needs (2022 capex projection: USD175m).

Management. ABMM's senior management consists of three directors. Since 2010, the CEO position has been helmed by Achmad Ananda Djajanegara. Achmad previously had 12 years of experience in the banking industry, which included roles as senior vice president (Bank of America), managing director (Abacus Capital), and senior director (Standard Chartered Bank).

Investment Case

Valuation. ABMM currently trades at 3.6x FY22 P/E – relatively attractive when considering the current multiple on the coal sector averages at 8x (reflecting the potential earnings growth in the sector by 15% YoY for FY22). This translates into our fair value calculation of IDR3,500 per share, a c.27% upside potential and c.50% discount to its peers.

Key risks. Further weakening in coal benchmark price, a longer-than-expected impact from COVID-19, and coal demand stoppages from slower economic growth.

Profit & Loss	2019	2020	2021
Total turnover (USDm)	592	606	1,022
Reported net profit (USDm)	8	(36)	148
Recurring net profit (USDm)	8	(36)	148.0
Recurring net profit growth (%)	(88.5)	N/A	N/A
Recurring EPS (IDR)	39	(184)	763.4
DPS (IDR)	-	-	-
Dividend Yield (%)	-	-	-
Recurring P/E (x)	70.8	N/A	3.6
Return on average equity (%)	2.8	N/A	55.8
P/B (x)	2.0	2.9	1.5
P/CF (x)	N/A	68.9	4.2

Source: Company data, RHB

Balance Sheet (USDm)	2019	2020	2021
Total current assets	261	314	495
Total assets	854	827	1,037
Total current liabilities	217	263	300
Total non-current liabilities	392	403	380
Total liabilities	609	665	680
Shareholder's equity	266	185	346
Minority interest	(21)	(23)	11
Other equity	0	0	0
Total liabilities & equity	854	827	1,037
Total debt	46	402	365
Net debt	(56)	293	128

Source: Company data, RHB

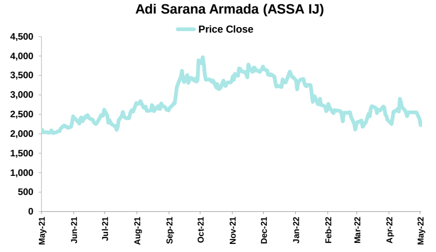
Cash Flow (USDm)	2019	2020	2021
Cash flow from operations	60	132	365
Cash flow from investing activities	(88)	(63)	(81)
Cash flow from financing activities	(15)	(62)	(156)
Cash at beginning of period	144	102	109
Net change in cash	(43)	8	128
Ending balance cash	101	110	238

Source: Company data, RHB

Adi Sarana Armada

Delivering Multiple Growth Streams

Fair Value: IDR5,600
Price: IDR2,550



Source: Bloomberg

Stock Profile

Bloomberg Ticker	ASSA IJ
Avg Turnover (IDR/USD)	35,283m/2.42m
Net Gearing (%)	143
Market Cap (IDRbn)	8,664
Beta (x)	1.36
BVPS (IDR)	390
52-wk Price low/high (IDR)	1,995 – 4,000
Free float (%)	36

Major Shareholders (%)

PT Adi Dinamika Investindo	25.1
PT Daya Adicipta Mustika	19.2

Share Performance (%)

	1m	3m	6m	12m
Absolute	(5.93)	(19.86)	(36.21)	5.21
Relative	(0.51)	(19.80)	(38.25)	(8.91)

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Investment Merits

- Growing digital platforms
- AnterAja continues to deliver growth
- Anticipate synergies from collaboration with Grab and Gojek

Company Profile

Adi Sarana Armada launched its nationwide automobile rental market business in 1999. The company also successfully grew its 2019-launched logistics company into one of Indonesia's Top-4 operators. ASSA is currently focused on expanding its last-mile delivery business – under the AnterAja name – to become the company's growth engine as it looks to ride the e-commerce expansion wave. As of FY21, ASSA's AnterAja logistics subsidiary became the company's main contributor to revenue, contributing 54.2% of topline (+248% YoY revenue growth) from just 26.2% in FY20. Other business segments include transportation (31.7%), sales of second-hand automobiles and auctions (3.4%), and logistics (2.7%).

Highlights

Growing digital platforms. ASSA's online automotive marketplace (Caroline) and auction platform (JBA Indonesia or JBA) businesses may be as lucrative as other start-ups, ie Carro and Carsome – both firms have lofty valuations and generous funding. Compared to these two, Caroline has already booked a profit within its first year of business. It also offers warranty, insurance, and financing services. Meanwhile, used cars that go unsold on Caroline can be auctioned via JBA, which should keep ASSA's working capital lean. JBA recorded IDR5.5trn in gross merchandising value last year, translating into transactions involving 44,000 cars in 2021. ASSA's used vehicles business may be valued as high as IDR19.6trn, ie equivalent to USD1.3bn.

Continues to deliver growth. In Aug 2021, AnterAja achieved 800,000 parcels delivered per day average. When there are e-commerce promotions like 8.8 (8 Aug) or 9.9 (9 Sep), total parcels delivered can hit more than 1.7m. To increase capacity, ASSA has commenced operations of an automated sorting facility in East Jakarta, which should help improve flexibility and boost capacity vis-à-vis conventional conveyor belts. The facility has a 168k parcels per day capacity now. ASSA aims to install three more robot sets in the facility and increase capacity to 1m parcels per day, which will – in our view – support the aim of reaching 1.5m parcels per day delivery in FY22.

Anticipating synergies from collaborations with Grab and Gojek. We believe ASSA's collaborations with the two biggest ride-hailing companies in Indonesia should: i) Boost traffic from a total of over 50m active users from both apps for AnterAja's mid-mile delivery services, and ii) allow the company to outsource last-mile delivery services to Gojek or Grab, especially during peak seasons, eg the 8.8 or 9.9. e-commerce sale bonanzas. This way, ASSA can secure its network expansion while focusing on mid-mile delivery services.

Company Report Card

Results highlight. ASSA successfully booked a 4Q21 revenue of IDR1.6tn (+82% YoY), which translated to an FY21 topline of IDR5.1trn (+68% YoY). Its 4Q21 net profit stood at IDR62.4bn (+74% YoY), leading to IDR142.6bn (+64% YoY) in earnings for FY21. The delivery segment alone (AnterAja) booked a 248% revenue growth last year, making this business the main revenue contributor at 54% of total FY21 topline. GPMs, however, contracted to 20.8% vs 26% in FY20.

Debt level. ASSA's net gearing in FY21 stood at 143%, a lower level when compared to FY20's 192%. Its FY21 ROAE reached 2.4% in FY21 vs 1.7% in FY20.

Dividends. ASSA has not paid dividends since 2018. The most recent dividend payout ratio was 40%.

Management. President Director Prodjo Sunarjanto Sekar Pantjawati is an Indonesian citizen with experience in the automotive and logistics industries. Prodjo has been serving as ASSA's CEO since 2011. The company is ultimately owned by Adi Dinamika Investindo (25.1%), Daya Adicipta Mustika (19.2%), and Prodjo himself (10%).

Investment Case

ASSA is targeting 30-40% revenue growth in FY22, underpinned by confidence in AnterAja's performance. We derive our FV estimates by using SOTP method, assuming AnterAja is able to deliver 1m parcels per day, which translates into IDR14.2trn (a 55% stake in AnterAja), 14.3x P/E on car rentals or IDR1.7trn, and 14.1x P/E on auctions or IDR180bn. That said, this translates to a FV of IDR5,600 per share or a 45% SOTP discount from the current price.

Key risks. Lower consumer spending due to inflation, intensifying competition from logistics companies, and higher raw material prices that suppress the buying power recovery are all key risks to ASSA.

Profit & Loss (IDRbn)	2019	2020	2021
Total turnover (IDRbn)	2,334	3,037	5,088
Reported net profit (IDRbn)	110	87	143
Recurring net profit (IDRbn)	95	74	298
Recurring net profit growth (%)	(29.2)	(22.8)	305.8
Recurring EPS (IDR)	28	22	77
DPS (IDR)	-	-	-
Dividend Yield (%)	-	-	-
Recurring P/E (x)	77.0	99.8	33.3
Return on average equity (%)	9.7	7.0	9.4
P/B (x)	6.2	5.7	6.5
P/CF (x)	na	24.4	91.9

Source: Company data, RHB

Balance Sheet (IDRbn)	2019	2020	2021
Total current assets	653	628	1,062
Total assets	4,849	5,171	6,032
Total current liabilities	1,240	1,437	1,183
Total non-current liabilities	2,271	2,295	3,084
Total liabilities	3,511	3,732	4,266
Shareholder's equity	1,192	1,284	1,520
Minority interest	146	156	245
Other equity	-	-	-
Total liabilities & equity	4,849	5,171	1,766
Total debt	2910	2950	2979
Net debt	2,656	2,758	2,533

Source: Company data, RHB

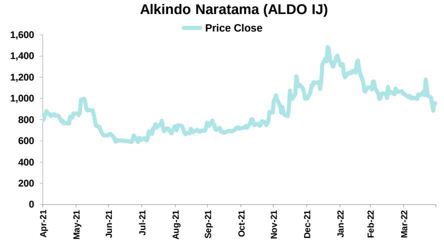
Cash Flow (IDRbn)	2019	2020	2021
Cash flow from operations	(222)	301	108
Cash flow from investing activities	(10)	(141)	(320)
Cash flow from financing activities	284	(224)	466
Cash at beginning of period	228	255	192
Net change in cash	27	(63)	254
Ending balance cash	255	192	446

Source: Company data, RHB

Alkindo Naratama

Growing a Sustainable Future

Fair Value: IDR 1,135-1,230
Price: IDR 955



Source: Bloomberg

Stock Profile

Bloomberg Ticker	ALDO IJ
Avg Turnover (IDR/USD)	11,104m/0.77m
Net Gearing (%)	3
Market Cap (IDRbn)	1,258
Beta (x)	-0.08
BVPS (IDR)	8.28
52-wk Price low/high (IDR)	571 – 1,495
Free float (%)	23

Major Shareholders (%)

Golden Arista International	68.8
Lili Mulyadi Sutanto	3.2

Share Performance (%)

	1m	3m	6m	12m
Absolute	(8.6)	(27.1)	33.6	20.0
Relative	(11.7)	(35.9)	24.0	(0.3)

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Investment Merits

- Increase in demand of paper packaging
- Future expansion plans and high entry barrier
- Brown bag rising demand
- A proxy for ESG initiatives

Company Profile

Alkindo Naratama was founded in 1989. Initially a paper conversion company specialising in producing paper tubes for the textile industry, for 30 years ALDO has continued to grow by producing other products – eg paper cores, hexcells, and edge protectors – as well as the latest products for 2020-2021, namely paper boxes and bags that apply the environmentally friendly principle of eco-friendly packaging. ALDO has also acquired: i) Textile dyes & chemicals distributor Swisstex (2011), ii) water-based polymer manufacturer Alfa Polimer Indonesia (API) (2013), and iii) recycled brown paper manufacturer Ecopaper Indonesia (2019).

Highlights

Rising trend in eco-friendly packaging. ALDO's earnings have been rising despite the pandemic. The export market also increased during 2021, amounting to 5% of sales or a 2% increase from last year. Since Jul 2020, the Government has banned the use of single-use plastic, meaning the use of paper bags is now preferred by businesses. ALDO is aiming to focus on the fast-moving consumer goods or FMCG segment, which provides higher margins.

Increasing utilisation rate. ALDO capacity is now at 39,500 tonnes, ie a 500 tonne increase in capacity. Utilisation has remained the same with the increase in capacity. Eco capacity has increased significantly to 117,000 tonnes in FY21 vs FY20's 90,000 tonnes, while the utilisation rate slightly decreased to 70.6% vs 79.9% last year. API's capacity stayed the same at 42,000 tonnes with a 63% utilisation rate vs FY20's 43.9%.

More expansion. ALDO plans to focus on the expansion of its flexible packaging and brown paper production. In FY22, the company has set aside IDR195bn in capex with the aim of replacing bubble wrap with corrugated paper and expanding the brown paper industry by taking advantage of US and China's strained relationship.

Obtaining green financing commitment. ALDO's Eco Paper Indonesia subsidiary, which manufactures recycled brown paper, is on track to receive its first-ever green financing funding worth IDR27bn from an international bank – this will be used to develop a new full packaging products business line.

Company Report Card

Results highlight. FY21 revenue increased 31.8% to IDR1.5trn. Gross profit of IDR294bn was up 25%. Net income of IDR75bn was an increase of 50%. Gross margins remained relatively the same at 20.2% while operating and net margins improved from 9.1% to 9.8% and 4.6% to 5.2%. Ecopaper and recycled brown paper products contributed 38% of overall net sales.

Better overall performance. ROA increased to 8.3% from 6.9% last year. ROAE was up to 13.1% in FY21 vs 11.6% in FY20. Inventory turnover also decreased to 73 days from 93 days in FY21 vs FY20. Payable turnover stood at 80days vs the prior 103 days.

Prepping for expansion. Assets have increased to IDR1.2trn (+27% YoY) while liabilities and equity stood at IDR507bn (+39.6%) and IDR703.4bn (+19.2% YoY). ALDO increased its assets in brown paper production capacity with a IDR195bn allocation for capex in 2022. Management is confident that FY22 topline and bottomline will grow c.30% and 40%.

Management. Lili Mulyadi Sutanto is the founder of the company and currently serves as president commissioner. He has served in this capacity since 2011 and has a long experience in the paper conversion business. Hermawan Sutanto is president director. He was first appointed to this post in 2011 and has been instrumental in developing client relations and marketing activities.

Profit & Loss	2019	2020	2021
Total turnover (IDRbn)	1,096	1,106	1,457
Reported net profit (IDRbn)	56	51	76
Recurring net profit (IDRbn)	56	51	76
Recurring net profit growth (%)	135	(10.2)	50.0
Recurring EPS (IDR)	64	40	68
DPS (IDR)	1.1	1.1	1.4
Dividend Yield (%)	0.1	0.1	0.1
Recurring P/E (x)	16.0	25.4	11.4
Return on average equity (%)	0.2	11.6	13.1
P/B (x)	2.8	2.5	1.9
P/CF (x)	10.9	9.8	15.3

Source: Company data, RHB

Balance Sheet (IDRbn)	2019	2020	2021
Total current assets	527	537	710
Total assets	925	954	1,211
Total current liabilities	291	304	388
Total non-current liabilities	101	60	120
Total liabilities	392	363	507
Shareholder's equity	258	254	418
Minority interest	117	131	6
Other equity	(1)	(3)	1
Total liabilities & equity	925	954	1,211
Total debt	190	125	229
Net debt	171	100	13

Source: Company data, RHB

Cash Flow (IDRbn)	2019	2020	2021
Cash flow from operations	100	120	74
Cash flow from investing activities	(47)	(39)	(113)
Cash flow from financing activities	(56)	(75)	110
Cash at beginning of period	23	19	25
Net change in cash	(4)	6	71
Ending balance cash	19	25	96

Source: Company data, RHB

Investment Case

ALDO remained resilient during the pandemic, supported by the company's strategy and development. Management handled the COVID-19 situation by switching production to products that were in demand. It may also benefit from green financing due to its recycling business, which should aid in its expansion plans. Due to the high production costs and long duration, ALDO benefits from the high entry barriers to the industry and enjoys less competition.

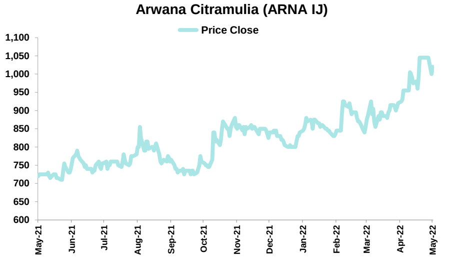
Fair Value. The company is currently trading at 10.6x P/E, which is still below the peer average of 12x with a ROAE of 13%. ALDO expects to achieve bottomline growth of 40% in 2022. Hence, assuming 12-13x FY22F P/E, fair value will be at IDR1,135-1,230 per share. We remain positive on ALDO's outlook and potential ventures in the FMCG business with margins improvements.

Key risk: Delays in future expansions and increasing energy prices that can drive higher inflation while burdening profitability.

Fair Value: IDR1,350
Price: IDR990

Arwana Citramulia

Outstanding Business Performance



Source: Bloomberg

Stock Profile

Bloomberg Ticker	ARNA IJ
Avg Turnover (IDR/USD)	3,072m/0.21m
Net Gearing (%)	Net cash
Market Cap (IDRbn)	7,672
Beta (x)	0.62
BVPS (IDR)	240
52-wk Price low/high (IDR)	700 – 1,070
Free float (%)	48

Major Shareholders (%)

Rustandy Tandean	37.3
Suprakreasi Eradinamika	14.0

Share Performance (%)

	1m	3m	6m	12m
Absolute	10.87	20.71	20.00	41.67
Relative	16.20	20.65	18.08	26.82

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Investment Merits

- Operating in a net cash position, frequent dividend distributions
- Penetrating into the high-end market
- Expanding production capacity
- Continuous efforts to lower production costs

Company Profile

Arwana Citramulia is a ceramic tile producer that targets the mid-to-low-income segment, and has recently entered the high-end market. It has a total of five production plants in Sumatra, West Java, and East Java, with an annual production capacity of 64.4m sqm.

Highlights

Robust balance sheet, resilient to the pandemic. Despite the pandemic, ARNA was able to book a record-high performance, partially owing to its strong balance sheet position. In FY21, ARNA's cash position was at IDR436bn (+29.2% YoY), while still operating in a net cash position. Thanks to its strong cash reserves, the company is able to frequently pay dividends. It distributed 70% of FY21 earnings at a c.5% yield.

Continuous capacity expansions. ARNA is expecting the completion of its Plant 5c at the end of this year to boost its glaze porcelain production by 4.4m sqm. With this, its production capacity is set to reach 68.7m sqm. It also has further expansion plans in the pipeline with Plant 4c (3.7m sqm) and Plant 6 (6m sqm).

Huge potential in the high-end market. ARNA recently entered the high-end market with a supply of 3m sqm pa. The market's annual demand is c.115m sqm, of which 70% is dominated by imported products from China. We believe the company will be able to gain market share in this segment, as it increases its production capacity by end 2022. The main distinctions between ARNA's products vs imported goods are: ARNA has more attractive terms of payment (60 days) and lower production costs, thanks to the Government's price cap on gas.

Company Report Card

Latest results. 1Q21 sales of IDR744bn (+11.1% QoQ, +12.3% YoY), were driven by robust sales volumes of 19.3 sqm (+8.9% QoQ, +7.8% YoY) and higher blended ASPs of IDR38,508/sqm (+4.1% YoY). Margin was at 40.6% (1Q21: 35.0%) supported by contribution from glazed porcelain products, which are targeted at the high-end segment. The company's cost efficiencies continue to improve, with its opex/sqm cut to IDR4,381k (-2.1% YoY), as seen in its robust EBIT and earnings, at IDR217bn (+43.2% YoY) and IDR171bn (+44.2% YoY)**.** This year the company plans to further reduce its gas consumption by 6% (2021: 10%), and this will push down its production costs.

Dividend. ARNA distributed FY21 cash dividends of IDR327.2bn or IDR45 DPS (+50% YoY), which implies a 5% yield and 70% payout ratio.

Management. The company is well known for its good corporate governance and prudent management. It is helmed by founder Tandean Rustandy. ARNA is also the market leader in terms of cost efficiencies. In addition, the company has strong relationships with its distributors, which have extensive networks nationwide.

Investment Case

We maintain our BUY rating and IDR1,350 TP, 36% upside plus c.5% yield, implying 16.7x-15.9x FY22F-23F P/E. ARNA's sales volume hit a record high in 1Q22, with higher blended ASPs, thanks to its glazed porcelain products which have wider margins. The company aims to increase its sales volumes by 6% YoY. EBIT margin is estimated to widen, driven by higher contribution from glazed porcelain ceramics. The company also has a strong competitive advantage, as it has higher production efficiencies and more attractive terms of payment.

Key risks. Safeguard reduction to 13-17% for imported goods, and global uncertainties that impact high commodity prices.

Profit & Loss	2021	2022F	2023F
Total turnover (IDRbn)	2,555	2,686	2,829
Reported net profit (IDRbn)	470	593	633
Recurring net profit (IDRbn)	466	590	630
Recurring net profit grow th (%)	45	26	7
Recurring EPS (IDR)	64	80	86
DPS (IDR)	30	48	61
Dividend Yield (%)	3.0	4.8	6.0
Recurring P/E (x)	15.8	12.5	11.7
Return on average equity (%)	33	36	34
P/B (x)	4.8	4.2	3.8
P/CF (x)	2.7	1.6	1.7

Source: Company data, RHB

Balance Sheet (IDRbn)	2021	2022F	2023F
Total current assets	1,451	1,477	1,741
Total assets	2,244	2,230	2,422
Total current liabilities	604	386	390
Total non-current liabilities	66	63	63
Total liabilities	670	449	453
Shareholder's equity	1,548	1,760	1,948
Minority interest	25	21	21
Other equity	(27)	209	(82)
Total liabilities & equity	2,244	2,230	2,422
Total debt	20	30	30
Net debt	Net cash	Net cash	Net cash

Source: Company data, RHB

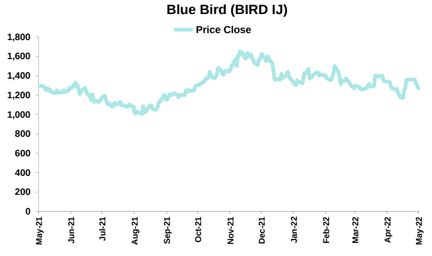
Cash Flow (IDRbn)	2021	2022F	2023F
Cash flow from operations	357	610	569
Cash flow from investing activitie:	(87)	(92)	(45)
Cash flow from financing activitie	(218)	(345)	(445)
Cash at beginning of period	436	603	914
Net change in cash	52	173	80
Ending balance cash	620	894	1,112

Source: Company data, RHB

Blue Bird

Flying High To The New Normal

Fair Value: IDR1,900
Price: IDR1,360



Source: Bloomberg

Stock Profile

Bloomberg Ticker	BIRD IJ
Avg Turnover (IDR/USD)	4,541m/0.31m
Net Gearing (%)	2
Market Cap (IDRbn)	3,403
Beta (x)	1.57
BVPS (IDR)	193.3
52-wk Price low/high (IDR)	1,000 – 1,700
Free float (%)	26.0

Major Shareholders (%)

PT Pusaka Citra Djokosoetomo	31.5
Prawiro Purnomo	11.4

Share Performance (%)

	1m	3m	6m	12m
Absolute	(5.22)	(7.97)	(13.01)	(1.93)
Relative	0.20	(7.91)	(15.06)	(16.05)

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Investment Merits

- High growth potential from border reopening.
- Better operational efficiencies post pandemic with rising traffic.
- Attractive c.12x FY22F-23F P/E with strong EPS growth.

Company Profile

Blue Bird is Indonesia's largest and dominant private transportation provider with a good corporate governance track record. Taxi is the largest revenue contributor (73% of FY21) with 70% in the greater Jakarta area, private hire car (mostly long-term or airport transfers) 27%, while the remaining revenue is mainly contributed from inter-city or inter-province range of buses. Growth focus ahead stems from the taxi segment on potential recovering travel industry with border reopening and limited COVID-19 testing requirement as well as developed toll road networks in Sumatra and Java that provide opportunities for larger growth in inter-province land transport (ie bus).

Highlights

Large growth potential on the new normal. Strong year-end operational performance for BIRD's average revenue per vehicle (ARPV) gave a glimpse of the new normal, with ARPV already surpassing pre-pandemic levels. The Omicron wave and fasting month may dampen BIRD's operations but we believe it should have already been priced in. Higher passenger traffic is expected as we enter the new normal, while lower border and travel restrictions could increase travel, especially with the pent-up demand. The company has budgeted to recondition 5,000 taxis, and aims to achieve a net addition of 3,500 more cars for its fleet. It expects ARPV and the utilisation rate to exceed IDR550,000 and 70%.

Strong growth in non-taxi businesses to continue. Multiple new toll road projects traversing Sumatra and Java have boosted growth opportunities for inter-province travel services. BIRD continues to see strong demand for large buses and higher-end inter-city mini buses (Citi Trans), even during the pandemic. Management will focus on expanding Citi Trans services in Sumatra. During the pandemic, BIRD also began working with logistics firms – mainly business-to-consumer and e-commerce companies – to facilitate delivery services that could be fulfilled by its underutilised taxi fleet. As we head into the new normal, and its taxi fleet utilisation rate increases to above 75%, BIRD plans to have a dedicated fleet of vehicles just for this segment.

48% YoY revenue growth in FY22F, driven by economic reopening. BIRD's top-tier drivers should boost taxi ARPV by 15% YoY to IDR547,000 per day this year – still lower than levels recorded in 2018-2019. Its regular taxi fleet is expected to grow by 30% YoY, as BIRD intends to add 3,500 new cars, while reconditioning 5,000 vehicles and retiring 1,500 old ones. We expect above 50% YoY growth for its chartered bus segment, driven by additional routes and higher utilisation rates as the Java and Sumatra toll road networks expand.

Company Report Card

Results highlight. BIRD booked strong 4Q21 earnings of IDR74bn coming from IDR5bn loss in 4Q20. This translates to FY21 earnings of IDR8bn (vs IDR161bn loss in FY20); above our FY21 estimate at 130% and consensus forecasts of a net loss. The strong rebound was driven by the improvement of COVID-19 and easing of mobility restrictions by end-2021.

4Q21 revenue was IDR771bn (+91% QoQ; +56% YoY), translating to FY21 revenue of IDR2.2trn (+9% YoY). This achievement was in line with our and consensus estimates at 101% and 102%. Strong 4Q21 revenue growth is supported by the taxi (+73% YoY) and non-taxi (+27% YoY) segments.

4Q21 gross margin was at 28.3% (vs 16.6% in 3Q21 and 16.4% in 4Q20) supported by higher traffic. Meanwhile, FY21 gross profit reached IDR494bn (+48% YoY), leading to 22.2% gross margin (vs 16.3% in FY20). This performance is above our (121%) and consensus (108%) FY21 forecasts.

Note that BIRD's ARPV peaked at IDR656,000 in Dec 2021, even higher than its pre-COVID-19 levels of around IDR570,000 in early 2020. However, anticipate lower ARPV in 1Q22 due to seasonality and the Omicron wave.

Low debt level and large asset base. In 2021, BIRD recorded net cash, while it has more than IDR5.7trn in fixed assets in the form of cars and taxi pools in strategic locations surrounding greater Jakarta and key cities that have its presence.

Positive cash flow during the pandemic. As a testament to its strong management and solid balance sheet during the pandemic over the past two years, BIRD recorded a positive net change in cash, mostly through the retiring its operational fleet to lower fixed costs. Given the recovering ARPVs, management is actively looking to increase operational fleet (currently using 2,000-3,000 unutilised taxis), before incurring more capex to increase its fleet size in the medium term.

Management. BIRD is currently led by Ir Sigit Priawan Djokosoetono as the President Director – appointed since 2021. He first joined the company in 2001 as Senior Operations Manager (2001-2007) and appointed as a Director in 2012.

Investment Case

BIRD's current market cap is lower than its replacement costs (ie costs of acquiring the taxi pools and c.12,000 fleet). We expect 48% revenue growth in 2022F, driven by recovering passenger taxi traffic, inter-city and inter-province buses and B2B logistics expansion. Potentially weak 1Q22F results could be an attractive entry point, also after a weaker April 2022 operational performance due to the fasting season. It currently trades at 15x 2022F P/E. We have IDR1,900 TP, based on a 10-year DCF valuation with 11% WACC and 2% terminal growth rate.

Key risks. Other severe COVID-19 variants that could raise borders once again and/or have movement restrictions reinitiated.

Profit & Loss	2021	2022F	2023F
Total turnover (IDRbn)	2,191	3,243	4,061
Reported net profit (IDRbn)	6	232	369
Recurring net profit (IDRbn)	(42)	217	392
Recurring net profit growth (%)	(39.5)	612.8	80.5
Recurring EPS (IDR)	(17)	87	157
DPS (IDR)	-	-	-
Dividend Yield (%)	0.0	0.0	0.0
Recurring P/E (x)	(80.3)	15.7	8.7
Return on average equity (%)	0.1	4.4	6.7
P/B (x)	0.6	0.6	0.6
P/CF (x)	16.5	9.8	7.7

Source: Company data, RHB

Balance Sheet (IDRbn)	2021	2022F	2023F
Total current assets	1,400	1,125	1,698
Total assets	7,295	7,626	8,851
Total current liabilities	805	827	865
Total non-current liabilities	1,243	1,318	2,203
Total liabilities	2,048	2,145	3,068
Shareholder's equity	5,144	5,376	5,676
Minority interest	103	105	107
Other equity	-	-	-
Total liabilities & equity	7,295	7,626	8,851
Total debt	1,000	1,000	1,800
Net debt	N/C	N/C	102

Source: Company data, RHB

Cash Flow (IDRbn)	2021	2022F	2023F
Cash flow from operations	357	611	780
Cash flow from investing activities	(248)	(1,052)	(1,010)
Cash flow from financing activities	45	78	817
Cash at beginning of period	799	954	592
Net change in cash	155	(364)	587
Ending balance cash	954	592	1,178

Source: Company data, RHB

Fair Value: IDR485

Price: IDR170

Cashlez Worldwide Indonesia

Growing In The Era Of Digitalisation

Source: Bloomberg

Stock Profile

Bloomberg Ticker	CASH IJ
Avg Turnover (IDR/USD)	1,781m/0.12m
Net Gearing (%)	N/A
Market Cap (IDRbn)	243
Beta (x)	0.4
BVPS (IDR)	68
52-wk Price low/high (IDR)	129 – 464
Free float (%)	46

Major Shareholders (%)

Sutiono Hasim	14.2
Sutiono Andri Wijono	11.2

Share Performance (%)

	1m	3m	6m	12m
Absolute	(4.59)	(29.70)	(41.19)	(38.08)
Relative	0.74	(29.76)	(43.11)	(52.92)

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Investment Merits

- Offers a complete range of payment solutions
- Huge untapped market
- Collaborating with fintech companies to acquire merchants and increase transactions

Company Profile

Cashlez Worldwide Indonesia (Cashlez) is a fintech start-up. It was established in 2015, and has been operating since 2016. The company developed a mobile point-of-sale (mPOS) system, which accepts non-cash payments via debit and credit cards, QR codes, online payments, virtual accounts, and its own Cashlez Link. It also offers points-of-sale and back office report features – free of charge – to support merchants in growing their businesses. This system can monitor merchants' transactions in real time.

Highlights

Beyond the payment gateway. Cashlez offers a complete set of solutions to support its merchants in organising and developing their businesses. It has an Android-based payment solution with a mPOS application for small businesses – this enables clients to process non-cash payment transactions by using credit & debit cards, QR codes, virtual accounts, and Cashlez Link. It also developed Smartpoz, which has reporting features to help merchants to monitor real-time transactions and receive customer loyalty reports. At the same time, it is also practical for the customer, as it reports transactions via email or short message service (SMS) to reduce paper receipts.

Huge market potential. In 2021, Cashlez collaborated with 13k merchants across six cities, and has distributed a total of 7k devices. The market is huge – only 15m out of 62m micro, small and medium enterprises have been digitised. However, the pandemic has dampened consumer purchasing power and caused the closure of numerous merchants. This dragged the company's gross transaction value (GTV) to IDR3.3trn (-44% YoY). It aims to record IDR15trn in GTV, and is also targeting to service new clients – 50k micro merchants and 5k middle & enterprise merchants – this year.

Collaboration with fintech companies. Cashlez has been partnering with Kredivo since 2019. In 4Q21, it officially became a facilitator for merchants at Matahari Department Store – deploying 1,000 electronic data capture (EDC) machines. Recently, it partnered with Indodana (fintech lending), which allows Cashlez merchants to add a "pay later" payment option. The Buy Now Pay Later (BNPL) payment method itself is getting popular, in line with the ramp-up in digitalisation. McKinsey studies mentioned that the feature has increased merchants' sales by 45%.

Company Report Card

Latest results. In FY21, company booked a revenue of IDR140.9bn (+69% YoY), while GPM was at 26.2%. However, Cashlez booked a loss of IDR10.3bn (FY20: IDR6.7bn), impacted by lower GTV due to the pandemic. It expects to book a GTV of IDR15trn this year – which is also its breakeven point.

Balance sheet/cash flow. The company is in a net cash position, with total cash at IDR14.4bn.

ROE. Cashlez, which is still in the red as of FY21, had a ROE of -13% for the same period.

Dividend. Cashlez has yet to pay dividends.

Management. Its CEO was the former President Director of Softorb Technology Indonesia (STI). Members of its Board of Directors have experience in the finance sector as well as in product development, in their previous jobs in various companies.

Investment Case

Cashlez is trading at a 0.07x market cap-to-GTV, which is much lower compared to its global peers that are at the first quartile average market cap to GTV (they are trading at 1x). After applying an 80% discount to 0.2x market cap-to-GTV, we derived a fair value for its market cap – at IDR695bn – which is equivalent to IDR485/share

Key risks: The tech sector has been under pressure lately, due to tightening liquidity, and this may hurt CASH's share price for the time being, in our view.

Profit & Loss	2019	2020	2021
Total turnover (IDRbn)	166	843	141
Reported net profit (IDRbn)	(11)	(7)	(10)
Recurring net profit (IDRbn)	(11)	(7)	(10)
Recurring net profit grow th (%)	N/A	N/A	N/A
Recurring EPS (IDR)	(8)	(5)	(7)
DPS (IDR)	N/A	N/A	N/A
Dividend Yield (%)	N/A	N/A	N/A
Recurring P/E (x)	N/A	N/A	N/A
Return on average equity (%)	N/A	N/A	N/A
P/B (x)	8.0	2.3	2.5
P/CF (x)	(9.2)	9.5	(4.5)

Source: Company data, RHB

Balance Sheet (IDRbn)	2019	2020	2021
Total current assets	40	128	87
Total assets	53	200	155
Total current liabilities	21	83	48
Total non-current liabilities	2	4	2
Total liabilities	23	87	50
Shareholder's equity	31	107	97
Minority interest	0	6	8
Other equity	0	0	0
Total liabilities & equity	53	200	155
Total debt	0	1	1
Net debt	N/A	N/A	N/A

Source: Company data, RHB

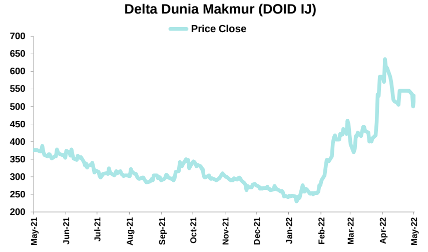
Cash Flow (IDRbn)	2019	2020	2021
Cash flow from operations	(19)	18	(38)
Cash flow from investing activitie	(2)	(81)	10
Cash flow from financing activitie	36	80	(2)
Cash at beginning of period	10	26	43
Net change in cash	16	17	(29)
Ending balance cash	26	43	13

Source: Company data, RHB

Delta Dunia Makmur (DOID IJ)

Fair Value: IDR750-850
Price: IDR545

Riding On Strong Medium-Term Prospects



Source: Bloomberg

Stock Profile

Bloomberg Ticker	DOID IJ
Avg Turnover (IDR/USD)	94,895m/6.53m
Net Gearing (%)	271
Market Cap (IDRbn)	4,698
Beta (x)	1.66
BVPS (IDR)	438
52-wk Price low/high (IDR)	230 - 645
Free float (%)	51

Major Shareholders (%)

Northstar Tambang Persada Ltd	37.9
Andy Untono	5.5
Others	0.2

Share Performance (%)

	1m	3m	6m	12m
Absolute	(9.40)	82.76	76.67	40.96
Relative	(4.07)	82.27	74.31	26.11

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Investment Merits

- Prominent coal contractors with established relationships with clients
- Direct beneficiary of the global economic recovery
- Fair rating profile ensuring the company is able to secure new funding
- Initiatives to venture outside coal business; potential value ahead

Company Profile

Through its subsidiary, Bukit Makmur Mandiri Utama (BUMA; 99.9% ownership), Delta Dunia Makmur (DOID) operates as a provider of coal mining services and carries out a comprehensive scope of works – from overburden removal (OB), coal mining, and coal hauling to reclamation and land rehabilitation. BUMA is the second largest independent contractor in Indonesia (c.15% market share), working with eight different customers on 11 mining sites located entirely in Kalimantan. BUMA has 11,000 employees and about 2,800 high-quality equipment from renown brands such as Komatsu, Caterpillar, and Scania. DOID's other two subsidiaries, Banyubiru Sakti (BBS; 99.9%) and Pulau Mutiara Persada (PMP; 99.9%) are non-active entities which previously held coal exploration permits.

Highlights

Strong coal price uptrend accentuates this year's positive outlook. In FY21, DOID's operations recovered (OB: 326m bcm, +16% YoY; coal output: 54m tonnes, +19% YoY; stripping ratio (SR): 6.1x vs FY20's 6.2x), thanks to the normalisation in mining activity that started soon after the pandemic risk was reduced in 2H21 – triggering strong demand recovery for coal. DOID's mining operational results continued to improve, with OB growing +31.4% YoY as of 2M22. Prolonged weather issues (La Nina in late FY21 until end 1Q22) and unexpected geopolitical tensions also impacted supply chains and caused a shortage of coal inventory across the globe – leading to further increases in coal prices (Newcastle YTD: USD327.00; +251% YoY) and other fuel commodities in general. We expect the catalysts to remain for some time, and act as a backbone for stronger earnings this year (especially for coal-related companies in Indonesia). FY22F topline guidance is at USD1.5bn (+65% YoY), with OB growth assumptions close to +50% YoY.

Potential value. DOID's c.90% acquisition (through BUMA Australia) of Mining East (previously owned by EDI Mining, Australian coal contractor company; c.USD99m transaction) will secure additional earnings in the future and expand the company's foothold in the coking coal business – Mining East reports an annual topline of c.USD365m. Potential is also seen in the investments into non-coal businesses – Heads of Agreement was signed with Asiamet Resources for due diligence to further study copper mining in the Beruang Kanan Mine, located in Central Kalimantan.

Company Report Card

Latest results. DOID's FY21 topline expanded to USD911m (+51.3% YoY), mainly supported by higher contribution from its biggest clients – revenue from Berau Coal (45% contribution) soared to USD409m (+41% YoY). While increased mining activity throughout the year translated to higher costs incurred (FY21 COGS: USD2.38 per m bcm; +22% YoY), gross margin remained robust at 14.8% vs FY20's 8.6%. The achievement contributed to stronger profit at the operational level – FY21 EBITDA rose sharply to USD82m (+315% YoY). However, higher tax imposed, and heftier interest rates offset a large portion of the improvements, leaving its bottomline at USD0.3m – still better than FY20's net loss of USD23m (vs FY15-19 5-year average of c.USD34m with NPM at c.4%).

Balance sheet/cash flow position. As of FY21, DOID's net gearing ratio stood at 2.7x (FY20: 1.7x), with nominal net debt growing to USD720m (+57% YoY) – the increase was in line with the company's long-term diversification plan (EBIT to interest coverage remains feasible at 1.3x vs FY20's 0.4x). DOID's working capital remained at a manageable level – surplus from financing activities mitigated a minor correction in operating cash flow and higher investments during the year, leading to cash reserves of USD194m (+74% YoY).

Management. BUMA's senior management consists of five directors, with an average of over 25 years of industry experience (about eight years with BUMA). DOID, as the parent company, is currently helmed by Hagianto Kumala (over 33 years of experience) as President Director since 2009. He has held various senior roles in Astra Group, including at United Tractors.

Investment Case

Valuation. Based on consensus' estimates, DOID is currently trading at 2.5x P/E to FY22-23F EPS (net profit to soar above c.USD120m, thanks to better OB contracts and additional earnings from investments) – fairly cheaper than its peers' c.8x of current P/E. This translates to our FV of IDR750-850 per share, with 49-68% upside potential. Note that our target for DOID in last year's SCB edition was accurate – our previous 12-month FV target (as of Apr 2021, at IDR480-510) has been reached, translating to a c.40% gain since last year.

Key risk. Further weakening of coal benchmark prices, a longer-than-expected impact from COVID-19, coal demand stoppages from slower economic growth.

Profit & Loss	2019	2020	2021
Total turnover (USDm)	882	602	911
Reported net profit (USDm)	20	(23)	0.3
Recurring net profit (USDm)	20	(23)	0.3
Recurring net profit growth (%)	(72.9)	N/A	N/A
Recurring EPS (IDR)	34	(39)	0.5
DPS (IDR)	-	-	-
Dividend Yield (%)	-	-	-
Recurring P/E (x)	16.2	N/A	N/A
Return on average equity (%)	7.3	(8.9)	0.1
P/B (x)	1.2	1.3	1.2
P/CF (x)	15.8	13.5	4.0

Source: Company data, RHB

Balance Sheet (USDm)	2019	2020	2021
Total current assets	472	368	674
Total assets	1,182	974	1,636
Total current liabilities	257	220	474
Total non-current liabilities	644	490	896
Total liabilities	901	711	1,370
Shareholder's equity	281	264	266
Minority interest	0	0	0
Other equity	0	0	0
Total liabilities & equity	1,182	974	1,636
Total debt	702	569	914
Net debt	615	457	720

Source: Company data, RHB

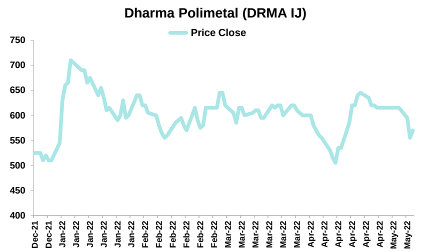
Cash Flow (USDm)	2019	2020	2021
Cash flow from operations	135.7	203.9	144.2
Cash flow from investing activitie	(50.3)	(9.5)	(331.0)
Cash flow from financing activitie	(65.8)	(167.0)	269.5
Cash at beginning of period	66.6	87.5	112.0
Net change in cash	20.9	24.5	82.3
Ending balance cash	87.5	112.0	194.3

Source: Company data, RHB

Dharma Polimetal (DRMA IJ)

On An Exciting Growth Path

Fair Value: IDR850
Price: IDR615



Source: Bloomberg

Stock Profile

Bloomberg Ticker	DRMA IJ
Avg Turnover (IDR/USD)	12,564m/0.86m
Net Gearing (%)	20
Market Cap (IDRbn)	2,894
Beta (x)	N/A
BVPS (IDR)	228
52-wk Price low/high (IDR)	466 - 730
Free float (%)	14

Major Shareholders (%)

PT Dharma Anugerah	47.6
PT Triputra Investindo Arya	14.2

Share Performance (%)

	1m	3m	6m	12m
Absolute	7.55	1.79	N/A	N/A
Relative	12.88	1.13	N/A	N/A

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Investment Merits

- High manufacturing expertise, with an advanced facility to accommodate the needs of electric vehicle (EV) production in the future
- Better operational margins compared to that of its domestic peers
- Solid strategy in building an exclusive partnership with major 4W producers, with a high market share in specialised spare parts

Company Profile

Dharma Polimetal (DRMA) is a manufacturer of automotive parts, with subsidiaries focusing on specific component production (member suspension, fasteners, body parts and mufflers). It is in a great position to capture a significant position in the national manufacturing industry, especially in member suspension parts where the company holds a c.75% share of the domestic market. DRMA is owned by Triputra Group, which holds a 71.9% stake. Apart from six subsidiaries (majority ownership) that fall under the company's group structure, DRMA also has two exclusive collaborations with well-known global manufacturers (minority ownership, with c.49% shares) – Japans' Sankei Giken (through Sankei Dharma Indonesia) and South Korean's Kyungshin (through Dharma Kyungshin Indonesia) – cementing its name as a prominent auto parts manufacturer in Indonesia. DRMA is a component member of the Indonesian Shariah Index (ISSI).

Highlights

To capture strong momentum in 4-wheeler (4W) wholesales. Despite external challenges (inflation risk from spiking fuel prices and supply chain disruptions), we are optimistic that Indonesia's economic recovery is still on track. This is evidenced by the demand for 4W vehicles since 2H21 (YTD national wholesales at 263k units, up 41% YoY) outpacing production – FY22F 4W wholesales is at 950,000 units (+7% YoY). This is still below its optimum level, ie recorded prior to COVID-19, at 1.1m units per year. As such, there is much potential for DRMA to grow. This is supported by the rebound in consumer purchasing power, which comes in tandem with the uptrend in commodity prices. Based on our channel checks, major 4W producers have ordered more spare parts upfront to accommodate their future production – a major catalyst for DRMA, in our view.

Earnings support from strategic partnerships. Thanks to its high level of expertise, DRMA is a trusted partner for well-known global manufacturers such as Sankei Ginken and Kyungshin – the latter company mainly supplies its product to Hyundai, which has begun to ramp up its 4W vehicle production in Indonesia. Hyundai now has the largest domestic market share in hybrid vehicles. DRMA has also started to become involved in the production of EV parts, and has made some preparations at its manufacturing facility. This would entail processing lightweight materials for EV body components, and tapping into the electric motorcycle space, as well. DRMA's healthy operations are evidenced by its margin growth (at c.10-12%) vs that of its closest peers (EBIT margins at c.2%) – mostly supported by additional revenue from recent collaborations, which toned down overall fixed costs. Management expects to achieve 20% YoY revenue growth this year.

Company Report Card

Latest results. 1Q22 revenue grew 35.6% YoY to IDR916bn, in line with the Street's full-year estimate. This was mostly driven by additional orders from Hyundai, which began in January. Meanwhile, the 2-wheeler (2W) segment was the biggest contributor to DRMA's topline, at c.57% in 1Q. This was in comparison to its 4W (c.28%) and Others (c.15%) segments. The company booked earnings of IDR116bn (+122% YoY, NPM at c.13%), beating the Street's full-year growth projection of c.35.0%. This was partially helped by significant income from its Others segment, which involves the sales of manufacturing tools (ie, dies, jigs, molds) to Hyundai. Later on, an increase of orders from Hyundai should expand its GPM further, supported by higher exposure towards the 4W segment.

Balance sheet/cash flow. As at 1Q22, DRMA's net gearing ratio stood at 0.14x (FY21: 0.19x). Meanwhile, its working capital is manageable – surplus cash from operating activities (1Q22's IDR40bn vs 1Q21's IDR9bn) pointed to a strong recovery of its ongoing business as movement restrictions were relaxed. This resulted in a positive addition of cash to IDR429bn as per 1Q22 (1Q21: IDR79bn).

Dividends. DRMA will distribute its first dividend since its IPO (listed on the JCI on 17 Dec 2021) with a potential yield of 2.4% (or c.IDR15 per share) based on its last closing price. Prior to the IPO, DRMA paid its private investors an interim DPS of c.IDR11, which translated to a c.40% payout ratio (a proportion that will likely be maintained, in our view).

Management. DRMA's senior management team consists of two directors with industry experience averaging over 30 years. The company is helmed by its CEO, Irianto Santoso. Prior to this position, Santoso held various senior roles within the company. He has also worked at Astra Group.

Investment Case

Valuation. Based from Street estimates, DRMA is trading at c.9x P/E to FY22-23F EPS, which is fairly attractive – at a c.25% discount to its peer average P/E. We derived a fair value of IDR850 per share for this stock.

Key risks: i) An increase in pandemic risks and geopolitical tensions (further spiking up commodity prices due to disruptions in the supply chain) will have a significant negative impact on the auto industry, as well as ii) a further weakening in global economic growth.

Profit & Loss	2020	2021	Mar-22
Total turnover (IDRbn)	1,875	2,913	916
Reported net profit (IDRbn)	19	301	116
Recurring net profit (IDRbn)	19	301	116
Recurring net profit growth (%)	(88.9)	1,492.8	121.9
Recurring EPS (IDR)	4	64	25
DPS (IDR)	-	25.6	-
Dividend Yield (%)	-	4.2	-
Recurring P/E (x)	153.1	9.6	25.0
Return on average equity (%)	3.5	37.3	38.7
P/B (x)	5.7	2.7	2.4
P/CF (x)	387.2	8.3	204.8

Source: Company data, RHB

Balance Sheet (IDRbn)	2020	2021	Mar-22
Total current assets	668	1,555	1,512
Total assets	1,619	2,537	2,605
Total current liabilities	698	1,098	1,075
Total non-current liabilities	389	357	331
Total liabilities	1,087	1,455	1,406
Shareholder's equity	509	1,074	1,190
Minority interest	23	8	9
Other equity	0	0	0
Total liabilities & equity	1,619	2,537	2,605
Total debt	566	626	599
Net debt	498	210	170

Source: Company data, RHB

Cash Flow (IDRbn)	2020	2021	Mar-22
Cash flow from operations	161.7	128.9	40.4
Cash flow from investing activities	(196.4)	1.1	0.1
Cash flow from financing activities	42.1	216.7	(26.4)
Cash at beginning of period	61.1	68.6	415.3
Net change in cash	7.5	346.7	14.1
Ending balance cash	68.6	415.3	429.4

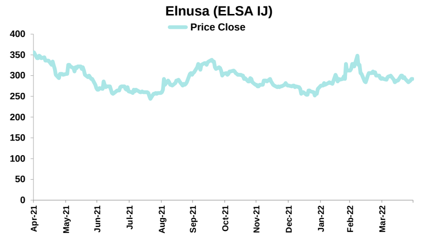
Source: Company data, RHB

Elnusa

Fair Value: IDR316-355

Price: IDR292

Riding On Potential Upstream Activities



Source: Bloomberg

Stock Profile

Bloomberg Ticker	ELSA IJ
Avg Turnover (IDR/USD)	27,942m/1.93m
Net Gearing (%)	1.5
Market Cap (IDRbn)	2,131
Beta (x)	1.7
BVPS (IDR)	518
52-wk Price low/high (IDR)	240 – 360
Free float (%)	39

Major Shareholders (%)

Pertamina	51.1
Pertamina Pension Fund	10.0

Share Performance (%)

	1m	3m	6m	12m
Absolute	(0.7)	5.8	(4.0)	(18.0)
Relative	(3.8)	(3.0)	(13.6)	(38.2)

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Investment Merits

- Beneficiary of potential increase in upstream activities;
- Solid strategies for margin improvement;
- Harnessing synergies with Pertamina

Company Profile

Elnusa (ELSA) is an energy service company with core competencies in oil & gas (O&G) upstream services, support services, and energy distribution & logistic services through its subsidiary Elnusa Petrofin. Elnusa is a subsidiary of Pertamina. It also sources its revenue largely from Pertamina projects such as seismic activities, well maintenance, and other upstream operations and maintenance.

Highlights

Beneficiary of potential increase in upstream activities. Indonesia upstream regulator SKK Migas stated that YTD Feb 2022, there were some challenges in terms of the readiness and availability of drilling and well maintenance equipment – especially in the offshore operations – as a result of delayed capex, since the start of the COVID-19 pandemic in 2020. It noted that while this did not halt explorations, it delayed and made explorations more challenging than before. SKK Migas expects to drill 790 wells to achieve 1m boepd production by 2030. We think this will benefit O&G services companies such as ELSA, given the increase in demand, and should lead to renegotiations of service rates.

Solid strategies for margin improvement. Since 2021, there have been delays in upstream activities, and this has impacted margins and also the company's performance. In FY22, ELSA will focus on optimising asset utilisation, and on improving margins going forward. ELSA will focus on getting high-margin contracts, while also divesting maturing assets, and initiate formula-based contracts to link with commodity prices. In terms of service contracts, currently c.30% of the total contracts are on 6-month tenors, 40% of them are 1-month contracts, and the remaining are longer-term contracts of above one year.

Harnessing synergies with Pertamina. The acquisition of a larger stake in ELSA by Pertamina will provide ELSA with a captive business. As of Dec 2021, Pertamina represented 76% of ELSA's total clients, and this is expected to increase to 78-80%. This should benefit ELSA, as Pertamina has several large projects in the pipeline, and ELSA is able to provide support in terms of seismic, drilling, and well maintenance for the assets. For 2022, Pertamina's regions in Kalimantan (through PHM) and Java are aiming for a larger exposure for all mentioned projects, with large potential prospect in Sumatra through the Rokan project.

Company Report Card

Results highlights. ELSA booked 4Q21 revenue of IDR2.4trn (+20% QoQ, +23% YoY), translating to FY21 revenue of IDR8.1trn (+5% YoY). The performance for 2021 was mainly driven by the distribution and logistics segment, followed by upstream and support services. 4Q21 earnings were recorded at IDR71.2bn (+15% YoY), translating to IDR109bn (+64% YoY) profit for FY21. However, ELSA's GPM contracted to 3.9% in FY21 (vs. 5.7% in FY20).

Net cash position. In FY21, ELSA managed to book a net cash position after its debt repayment activities in 2021. The group has a healthy balance sheet with net cash of IDR13bn. It has managed to maintain a low and manageable gearing level of 0.3-0.4x.

Dividends. From FY15 to FY21, dividends per share ranged from IDR4-12. ELSA distributed IDR10 per share in 2021 despite a lower net profit position, reflecting its strong balance sheet.

Management. ELSA's President Director is John Hisar Simamora, an Indonesian with more than 30 years' experience in the Pertamina Group, having held various positions in Pertamina's upstream businesses. John has been serving as ELSA's CEO since 2021.

Investment Case

We believe ELSA will benefit from the increase in upstream activities this year, and the synergy with Pertamina should provide a competitive advantage for the company. The relatively higher portion of short and mid-term contracts is expected to result in better renegotiated service rates.

Fair Value: Based on an estimated regional average of O&G services companies' EV/EBITDA of 4.2-4.4x for 2022, we derive a fair value range of IDR316-355. We believe 2022 financial conditions will be better, as ELSA should see improved financial margins and further optimise revenue generation.

Key risks: Weakening oil prices, inefficient usage of assets, and the inability to renegotiate service rates

Profit & Loss	2019	2020	2021
Total turnover (IDRbn)	8,385	7,727	8,137
Reported net profit (IDRbn)	356	249	109
Recurring net profit (IDRbn)	394	345	174
Recurring net profit growth (%)	9.8	(12.6)	(49.5)
Recurring EPS (IDR)	54	47	24
DPS (IDR)	9.5	12.2	10.2
Dividend Yield (%)	3.2	4.2	3.5
Recurring P/E (x)	5.4	6.2	12.3
Return on average equity (%)	1.4	1.0	0.4
P/B (x)	0.6	0.6	0.6
P/CF (x)	3.7	2.3	2.1

Source: Company data, RHB

Balance Sheet (IDRbn)	2019	2020	2021
Total current assets	3,698	4,217	4,447
Total assets	6,805	7,563	7,235
Total current liabilities	2,504	2,573	2,561
Total non-current liabilities	724	1,248	895
Total liabilities	3,228	3,822	3,457
Shareholder's equity	3,575	3,739	3,777
Minority interest	2	2	2
Other equity	-	-	-
Total liabilities & equity	6,805	7,563	7,235
Total debt	1,127	1,753	1,203
Net debt	271	522	58

Source: Company data, RHB

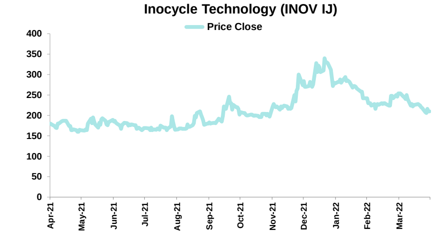
Cash Flow (IDRbn)	2019	2020	2021
Cash flow from operations	576	928	1,004
Cash flow from investing activities	(671)	(483)	(361)
Cash flow from financing activities	232	(69)	(730)
Cash at beginning of period	719	856	1,232
Net change in cash	137	376	(87)
Ending balance cash	856	1,232	1,145

Source: Company data, RHB

Inocycle Technology Group

Greenlighting Green Industries

Fair Value: IDR227-242
Price: IDR206



Source: Bloomberg

Stock Profile

Bloomberg Ticker	INOV IJ
Avg Turnover (IDR/USD)	1,933m/0.13m
Net Gearing (%)	119
Market Cap (IDRbn)	380
Beta (x)	1.19
BVPS (IDR)	184
52-wk Price low/high (IDR)	159 – 360
Free float (%)	21

Major Shareholders (%)

Hilon Indonesia	45.5
Samudera Industri	20.8

Share Performance (%)

	1m	3m	6m	12m
Absolute	(14.63)	(24.46)	0.96	16.67
Relative	(17.73)	(33.24)	(8.71)	(3.56)

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Investment Merits

- Attractive margins
- Beneficiary of high oil prices
- Investments into technological solutions to secure its supply chain
- Plant & facility expansions to support future growth

Company Profile

Established in 2001, Inocycle Technology is one of the largest integrated non-woven fabric producers in Indonesia, serving some of the world's top retailers. The company produces recycled polyester staple fibre (Re-PSF) by processing recycled plastic bottles. Inocycle buys used polyethylene terephthalate (PET) bottles and processes them into flake chips, which are then used as the raw material for Re-PSF. Re-PSF has many applications, including for pillows, dolls, bedding, furniture, carpets, automotive interiors, and geotextile non-woven fabrics.

Highlights

Sustainable business model with attractive margins. A large portion of INOV's earnings is attributable to Re-PSF, which represents c.75% of its revenue. Gross profit margins remain strong despite the pandemic-related hiccup in FY20. 9M21 gross profits grew by 5% QoQ and 52% YoY. Despite the disruptions to the supply chain, the company proved its resilience by increasing 9M21 net income by 120% QoQ and 254% YoY. The resilient profit margins are a testament to the sustainable nature of INOV's business model.

Capitalising on high oil prices. Crude oil price hikes will drive up the price of virgin PSF. Historically, virgin PSF has shown some level of positive correlation with oil prices. High oil prices will drive companies to seek alternatives. This, in turn, leads to higher demand and prices for Re-PSF. The short-term price surge will be a positive catalyst for INOV's growth in 3M22. In the long term, we expect demand for Re-PSF to remain strong. With high-profile companies moving towards green alternatives, Re-PSF should still be in high demand.

PlasticPay to pave the way forward. PlasticPay is a digital-based solution that helps the community and corporations to convert their plastic waste into useful and productive materials. PlasticPay uses reverse vending machines (RVM) and mini collection points to collect waste PET bottles from the community. In collaboration with Bank Syariah Indonesia, Grand Indonesia Mall, Danone-Aqua, and Alfamart, PlasticPay aims to provide an innovative way of waste collection. PlasticPay will play a pivotal role in securing and stabilising INOV's supply chain. Besides digitalising and improving the supply chain process, PlasticPay aims to: i) Encourage the creative industry to use recycled materials, ii) raise environmental awareness in the community, iii) involve the community in the reduction of plastic waste.

Currently, there are seven RVMs and 238 mini collection points placed strategically across the Jakarta Metropolitan Area or Jabodetabek. The company plans to increase this to 40 RVMs and 800 mini collection points by the end of 2022.

Expanded capacities to sustain growth. Additional facilities in Medan and Makassar were initiated in early Feb 2021. The new facilities will increase the processing (washing) capacities by 7,200 tonnes per year while adding 1,900 tonnes per year to its non-woven and home ware capacities. The new Medan plant is expected to be commercially operational by 9M-12M22. Further down in the pipeline, additional plants and facilities will be developed. Plans for expansions in Lampung and Subang are currently in the development phase. We believe that investments in additional facilities and plants will be able to capture the growing market for recycled materials.

Company Report Card

Results highlights. FY21 revenue increased 22% YoY as INOV booked earnings on higher volume loadings. While the high shipping costs were expected to adversely affect the company, we anticipate the situation will be eventually resolved, and longer-term trend of recyclable materials will carry INOV forward. We expect sustained growth in FY22.

Strong revenue growth. FY16-21 revenues grew at a CAGR of 15%. Despite the supply chain disruptions in 2020-2021, FY21 revenue grew by 22.1% YoY. We believe the revenue growth will continue in FY22.

Net income. As of FY21, INOV booked IDR27bn in net income – an impressive increase from FY20's IDR9bn loss. The increase resulted from significant decreases in other operating expenses. Other operating costs decreased by 99% YoY.

Investment Case

We recommend the stock for its unique and sustainable business proposition. The short-term surge in oil prices will have a positive impact on INOV's 3M22 earnings. In the longer term, demand for Re-PSF should continue to grow as companies transition towards green solutions. Additionally, increased collection, processing, and production capacities will help INOV capture the growing market for recycled materials.

Valuation: INOV is currently trading at 14x FY21 P/E and still below the peer average of 16x, with ROE of 9%. With a range of 15-16x FY21 P/E, its fair value ranges between IDR227 and IDR242 per share.

Key risks include high shipping costs, closure of plants & facilities due to COVID-19, and disruptions in the supply of PET bottles.

Profit & Loss	2019	2020	2021
Total turnover (IDRbn)	495	519	633
Reported net profit (IDRbn)	23	(9)	27
Recurring net profit (IDRbn)	21	13	37
Recurring net profit growth (%)	(40.9)	(40.6)	195.4
Recurring EPS (IDR)	12	7	21
DPS (IDR)	-	7.5	-
Dividend Yield (%)	-	3.6	-
Recurring P/E (x)	17.6	29.6	10.0
Return on average equity (%)	9.1	(2.9)	7.9
P/B (x)	1.1	1.2	1.1
P/CF (x)	(5)	38	20

Source: Company data, RHB

Balance Sheet (IDRbn)	2019	2020	2021
Total current assets	335	370	360
Total assets	691	797	891
Total current liabilities	255	377	427
Total non-current liabilities	105	112	129
Total liabilities	360	489	556
Shareholder's equity	331	308	335
Minority interest	-	-	-
Other equity	-	-	-
Total liabilities & equity	691	797	891
Total debt	283	402	461
Net debt	186	286	399

Source: Company data, RHB

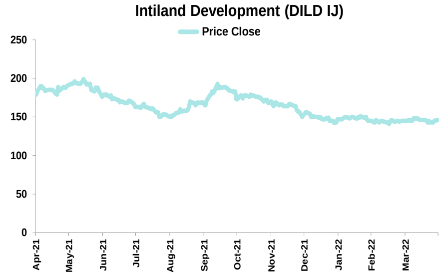
Cash Flow (IDRbn)	2019	2020	2021
Cash flow from operations	(70)	10	19
Cash flow from investing activities	(16)	(64)	(130)
Cash flow from financing activities	137	73	59
Cash at beginning of period	45	97	115
Net change in cash	50	18	(53)
Ending balance cash	97	115	63

Source: Company data, RHB

Intiland Development

It Is The Time To Shine

Fair Value: IDR252
Price: IDR 146



Source: Bloomberg

Stock Profile

Bloomberg Ticker	DILD IJ
Avg Turnover (IDR/USD)	434.04m/0.03m
Net Gearing (%)	51.4
Market Cap (IDRbn)	1,513
Beta (x)	1.2
BVPS (IDR)	504
52-wk Price low/high (IDR)	138-210
Free float (%)	19

Major Shareholders (%)

Hendro Santosa Gondokusumo	50.2
PT Bina Yatra Sentosa	12.0

Share Performance (%)

	1m	3m	6m	12m
Absolute	0.7	(0.7)	(15.6)	(18.4)
Relative	(2.4)	(9.5)	(25.3)	(38.7)

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Investment Merits

- 2,000ha landbank for long-term growth
- Strategic partnerships to mitigate risks
- Developing industrial estates to support growth

Company Profile

Established 30 years ago, Intiland Development has four core business segments: i) Development of mixed-use and high-rise buildings, ii) residential estates, iii) industrial estates, and iv) investment properties in the Greater Jakarta area (Jakarta, Bogor, Depok, Tangerang and Bekasi) as well as Surabaya and its surrounding areas.

The company earns revenue from sales of real estate, recurring income from office rentals, the development of hotel chains, and management of golf courses, as well as sports facilities in several cities in Indonesia.

Highlights

Large landbank to sustain long-term development. The company has over 2,000ha of remaining landbank spread across key locations in Jakarta, Surabaya, and Greater Surabaya. Currently, 75% of the undeveloped landbank is located in Jakarta & Greater Jakarta areas, while the remaining 14% is located in Surabaya and greater Surabaya area. Maja, Banten makes up over 50% of the undeveloped land bank.

Diversified portfolio with residential and industrial mix. Although it focuses mainly on residential property, Intiland also invests in mixed-use and high-rise properties, as well as industrial estates. As of 9M21, 43% of its sales are from landed residential properties, 35% from mixed-use, and the remaining 22% from industrial estates.

Strategic partnerships to strengthen its position. Partnerships allow Intiland to expand into new projects while reducing capital and funding requirements. Currently, it has entered into a JV with Singapore sovereign wealth fund GIC for the ownership and development of South Quarter Residence and 57 Promenade project, which are two mixed use & high-rise projects in South Jakarta.

Growing recurring income stream. Recurring income made up 25.1% of FY21 revenue, compared to 20.4% in FY20. Industrial estates and offices currently contribute c.50% of the recurring revenue (from 49% in FY20).

Batang as an industrial hub. Intiland has two industrial estates in Ngoro, East Java and Batang, Central Java. The Batang Industrial Estate is Intiland's latest development. Batang is connected to East and West Java through the Trans-Java toll, and will play a key part in the development of industrial hubs in Central Java. Currently, the company has 159ha of landbank in Batang Industrial Park.

Company Report Card

Latest results. In FY21, revenue was dominated by high-rise sales, which accounted for 29% of total revenue – a lower portion from FY20's 63%. Contribution from sales of house and land expanded to 26%, with recurring revenue representing 25% of sales (from 20% in FY20). The company booked marketing sales of IDR1.6bn (+75% YoY), which was at 81% of its FY21 target of IDR2.0trn. For 1Q22, Intiland booked IDR500bn in marketing sales (up 61% YoY), representing 24% of its FY22 target, with 50% of the total from landed residential property, and 25% from industrial estates – derived from sales of industrial lots in Batang Industrial Park, Ngoro Industrial Park, and the warehouse in Aeropolis Technopark.

Balance sheet/debt ratio. In FY21, net debt to equity stood at 0.51, which was a slight decline from FY20's 0.65. This is a relatively manageable level for a property company.

Positive increase in net cash flow. Net cash flow rebounded to pre-pandemics levels. In FY21, net cash flow increased by IDR632bn, elevating its cash position to IDR1.7trn in FY21.

Investment Case

We believe Intiland is an alternative for investors looking for property companies in Indonesia. Although most of Intiland's projects are located within the proximity of major cities, we believe industrial estates such as Batang Indsutrial Park can unlock its true potential. Its marketing sales have been relatively tepid as its current projects only cater to the high-end luxury market and high-rise property.

Fair value. Intiland is trading at around 0.3x of its BVPS while its peers are trading at 0.5-0.9x of book value. Intiland's RNAV as of Sep 2021 was at IDR1,778 per share – and under the current price, is at 92% discount to NAV. Adjusting to a PB/V of 0.5x, Intiland's FV can reach IDR252 per share. Based on an average property sector discount of 75% discount to NAV, the company has a fair value of IDR533 per share.

Key risk: Weakening FDI inflow which impacts industrial estate sales, slowing high-rise segment, delays in property development projects, and higher-than-expected interest rate hikes.

Profit & Loss	2019	2020	2021
Total turnover (IDRbn)	2,736	2,891	2,629
Reported net profit (IDRbn)	251	77	12
Recurring net profit (IDRbn)	630	284	378
Recurring net profit growth (%)	1.7	(54.8)	32.8
Recurring EPS (IDR)	60	26	31
DPS (IDR)	2.0	-	-
Dividend Yield (%)	1.4	-	-
Recurring P/E (x)	2.4	5.6	4.7
Return on average equity (%)	4.2	1.3	(1.5)
P/B (x)	0.2	0.3	0.3
P/CF (x)	(3.0)	13.4	4.2

Source: Company data, RHB

Balance Sheet (IDRbn)	2019	2020	2021
Total current assets	4,180	4,518	6,669
Total assets	14,777	15,702	16,462
Total current liabilities	3,551	4,368	6,489
Total non-current liabilities	3,992	5,285	3,940
Total liabilities	7,543	9,653	10,430
Shareholder's equity	7,235	6,049	6,032
Minority interest	1,039	849	807
Other equity	-	-	-
Total liabilities & equity	14,777	15,702	16,462
Total debt	4,960	5,034	4,855
Net debt	3,544	3,912	3,101

Source: Company data, RHB

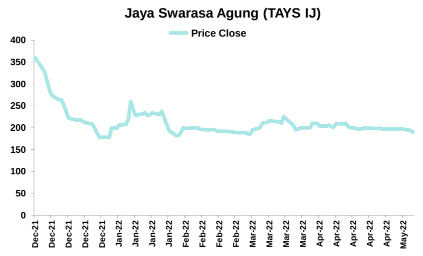
Cash Flow (IDRbn)	2019	2020	2021
Cash flow from operations	(504)	113	359
Cash flow from investing activities	722	(481)	367
Cash flow from financing activities	73	74	(94)
Cash at beginning of period	1,124	1,416	1,122
Net change in cash	292	(294)	632
Ending balance cash	1,416	1,122	1,754

Source: Company data, RHB

Jaya Swarasa Agung

The Next Food Protégé

Fair Value: IDR260
Price: IDR197



Source: Bloomberg

Stock Profile

Bloomberg Ticker	TAYS IJ
Avg Turnover (IDR/USD)	173m/0.01m
Net Gearing (%)	93
Market Cap (IDRbn)	216
Beta (x)	N/A
BVPS (IDR)	122
52-wk Price low/high (IDR)	167 - 400
Free float (%)	22

Major Shareholders (%)

Anwar Tay	50.9
Alexander Anwar	7.3

Share Performance (%)

	1m	3m	6m	12m
Absolute	(9.52)	(3.06)	N/A	N/A
Relative	(4.10)	(3.00)	N/A	N/A

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Investment Merits

- Solidifying position in biscuit segment
- Cementing stronger foothold;
- Innovative product development and promotion strategies.

Company Profile

We recently visited Jaya Swarasa Agung's (TAYS IJ, NR) factory or widely known by its brand name Tays Bakers. It has four business units which are biscuit and crackers, rolled wafer, extruded puff snack, and confectionary. The company still sees a number of growth catalysts ahead, underpinned by: i) A wider footprint in the domestic and export markets, ii) expanding presence in the modern trade, iii) upcoming product innovation, and iv) stronger promotion strategies.

Highlights

Solidifying position in biscuit segment. The company allocates a higher focus in boosting the sales of its biscuit and crackers segment. This segment accounted c.60% of TAYS' revenue, with TRICKS baked potato crisps as its mainstay product. Growth potential remains intact given less intense competition in this business, with supply currently only meeting around 60% of demand. TAYS aims to double this segment's production capacity by establishing a new factory in Sumedang by 2022. Also, it has launched TRICKS Bulgogi in order to capitalise on the KPOP wave. We think this strategy (monetising the KPOP hype) may prove to be successful in boosting sales.

Cementing stronger foothold. It aims to enlarge contribution from Java from 50% to 70% in the future. We think the company needs to increase its effort given the already crowded market in Java. Aside from that, TAYS targets to boost penetration in the modern trade. Its products are expected to be available across 1,000 Alfamart stores (AMRT IJ, NR) starting Feb 2022. The company plans to supply its products to other modern trade channels ahead. We believe better penetration in the modern trade should open more growth avenues. Export contribution should maintain at c.30% and it has target of opening up in new destinations such as the Philippines.

Innovative product development and promotion strategies. The company has used key opinion leaders and influencers as part of marketing programme, having recently collaborated with Indonesian entrepreneur and YouTuber Kaesang Pangarep. We like this strategy to raise brand awareness. TAYS is also mulling to tap into healthy snacks such as gluten free, low sugar, and low calories snacks as well as plant-based meats. We think it may take some time to develop these products. However, this strategy, which aims at monetising the rising health awareness trend, should help to sustain its long-term growth.

Company Report Card

Results highlight. The company booked IDR316bn revenue, which was briefly up by c.3% YoY in FY21. Gross margin was at 24% in 2021, largely remain stable on yearly basis. This also translated to net margin of 2%, which was higher than 1% booked in FY20 and higher than the last three years. The company aims to increase its revenue by around 40-50% in 2022 on top of beefing up its margin profile.

Improving gearing ratio. The company is still in a net debt position. We note that it managed to improved its net gearing ratio to about 0.9-1.0x as of FY21 vs 6-7x in FY20.

Dividends. The company has yet to distribute any dividends. Based on its IPO prospectus, TAYS aims to start paying dividends from 2021, with a policy of a 30% payout ratio. However, the payout ratio might also depend on the current circumstances.

Management. Anwar Tay is the founder of the company, which was established the company in 1998, In 2019, he became President Commissioner. Alexander Anwar is currently TAYS' President Director. He was first appointed to the board in 2019 and is responsible for the entire company's operations. He has a strong track record in a number retail and food business companies.

Investment Case

TAYS targets c.40-50% revenue growth in 2022 in light of the abovementioned strategies. It foresees net margin to jump from 1% to 6%. Despite rising raw material prices and no product price increase, margin should be maintained by adjusting the product size. Further production automatisation ought to also enhance margin. On valuation, the company is currently trading at 7-8x 2022F P/E. That said, we think TAYS' fair value should hover at c.IDR260 (approximately c.9-10x 2022F P/E, or a 30% discount to peer Mayora Indah (MYOR IJ, BUY, TP: IDR3,000).

Key risks higher commodity prices, increasing competition, weaker bargaining power in Indonesia and some export destinations countries as well as slower expansion plans.

Profit & Loss	2019	2020	2021
Total turnover (IDRbn)	296	308	316
Reported net profit (IDRbn)	(1)	3	5
Recurring net profit (IDRbn)	70	18	12
Recurring net profit growth (%)	324.3	(74.4)	(33.9)
Recurring EPS (IDR)	64	16	11
DPS (IDR)	-	-	-
Dividend Yield (%)	-	-	-
Recurring P/E (x)	3.1	12.0	18.2
Return on average equity (%)	N/A	12.3	7.8
P/B (x)	8.5	8.6	1.6
P/CF (x)	16.6	4.0	(3.1)

Source: Company data, RHB

Balance Sheet (IDRbn)	2019	2020	2021
Total current assets	158	202	238
Total assets	238	282	377
Total current liabilities	179	226	221
Total non-current liabilities	33	31	22
Total liabilities	212	257	244
Shareholder's equity	26	25	134
Minority interest	(0)	(0)	(0)
Other equity	-	-	-
Total liabilities & equity	238	282	377
Total debt	168	163	155
Net debt	160	159	124

Source: Company data, RHB

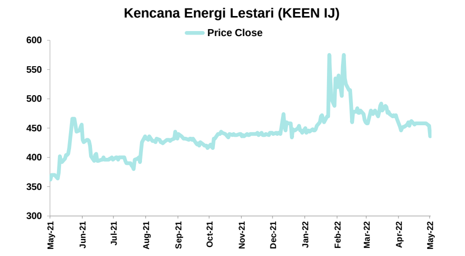
Cash Flow (IDRbn)	2019	2020	2021
Cash flow from operations	13	54	(70)
Cash flow from investing activities	(13)	(52)	(19)
Cash flow from financing activities	5	(6)	115
Cash at beginning of period	3	8	4
Net change in cash	5	(4)	26
Ending balance cash	8	4	30

Source: Company data, RHB

Kencana Energi Lestari (KEEN IJ)

Target Price: IDR670
Price: IDR458

Positive Outlook Remains Over The Long Run



Source: Bloomberg

Stock Profile

Bloomberg Ticker	KEEN IJ
Avg Turnover (IDR/USD)	1,335m/0.09m
Net Gearing (%)	60
Market Cap (IDRbn)	1,679
Beta (x)	0.80
BVPS (IDR)	551
52-wk Price low/high (IDR)	352 - 685
Free float (%)	11.8

Major Shareholders (%)

PT Paramata Indah Lestari (PIL)	30.3
Tepco Renewable Power	25.0

Share Performance (%)

	1m	3m	6m	12m
Absolute	(3.54)	(19.26)	(0.46)	17.84
Relative	1.79	(19.32)	(2.38)	2.99

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Investment Merits

- Renewable energy specialist in hydropower utilisation
- Potential projects from the Government's renewable energy push
- Fair profile to gain more strategic partners will ensure the continuity of more renewable energy projects

Company Profile

Kencana Energi Lestari was established in 2008 with a focus on building and operating renewable energy facilities in Indonesia. The company began construction of its first hydropower plant in 2010 after obtaining a power purchase agreement from Perusahaan Listrik Negara (PLN) in 2009. On 2 Sep 2019, KEEN succeeded in raising USD20.5m via an IPO. The company currently owns and operates hydropower plants with a running capacity of 39MW – a further 10MW is currently still in development, but has already started booking revenue from the recognition of its construction progress. The company focuses on the run-of-the-river (RoR) hydroelectric system for all its plants; this system is deemed the safest method for the surrounding environment. Each of the power plant is constructed under a build-own-operate-transfer contract and sells the electricity produced solely to the state-owned electricity company (PLN).

Highlights

The business outlook is positive going forward. The initiative from Tokyo Electric Power (TEPCO; c.USD5bn market cap) to acquire a c.25% stake in KEEN will support the optimism, in our view. This is because the move is in line with management's strategy to seek out strategic partnerships to realise capacity expansion of c.250MW by 2025. We believe the company's long-term outlook is quite bright, given its renewable energy commitments – not taking into account KEEN's current progress on solar photovoltaic (PV) and biomass with planned capacities at 5MW and 1.3MW – that are in line with the Government's efforts to reduce emissions (23% of renewable segment by 2025; FY21: 11.5%).

Abundant potential for hydro-powered projects in Indonesia. KEEN's current and future projects are already located across the Indonesian archipelago that provide abundant potential for the RoR type hydro power plant – Sumatera and Sulawesi account for 43% (3.8GW) of the national hydroelectricity potential. Demand for electricity in Sulawesi especially will be supported by industrial activity in the region (especially nickel processing) in order to accommodate the steel industry (and electric vehicles (EV) battery investment in the future). The company also plans to expand to other renewable projects (biomass, biogas, solar PV, wind, and geothermal), thereby bringing further growth potential to the company.

Company Report Card

Latest results. KEEN booked FY21 topline of USD36.5m (+44% YoY), which enriched its lower-level profits down the way – FY21 EBIT prospered at USD18.8m (+79% YoY), with margins expanding at 51.6% (FY20 EBIT margins: 41.5%). This takes into account the overall activities from its operational power plants – Pakkat (18MW, 75% owned) and Air Putih (21MW, 98.4% owned) – which are relatively stable. It also takes into consideration the revenue recognition from the recently completed Madong (operational as of 1Q22; 16.5MW, 74% owned).

However, penalty fees (at USD1.1m; c.30-days delay) due to Air Putih's first operational date in Jan 2020, revaluation of Pakkat's financial books – combined with heftier interest expenses (FY21: USD5.7m, +6% YoY) and higher income tax (FY21: USD4.5m vs FY20's USD4.9m tax benefit) – offset KEEN's prolific FY21 pre-tax profit of USD12.5m (+234% YoY). The resulted in compressed NPM at 18% (FY20: 26%, 5-year average at c.17%) – FY21's bottomline was USD6.7m (flat).

Credit profile and cash position. As at FY21, KEEN's EBITDA coverage improved to 3.3x vs FY20's 1.9x. FY21's cash position diminished to USD1.3m from USD1.9m in the previous year.

Dividend. KEEN distributed a second dividend issuance since the IPO at c.12% of its FY20 net profit to its parent entity back in Sep 2021, translating into a yield of c.1%.

Management. President Director Henry Maknawi is the founder of KEEN, and has been the Executive Chairman of Kencana Agri since 1995. His eldest son, Albert Maknawi has served as KEEN's President Commissioner since 2018. Henry's second son, Wilson Maknawi, now serves as KEEN's Vice President Director. Since 2012, Wilson has also been a Director with PT Energy Sakti Sentosa (Pakkat) and PT Bangun Tirta Lestari (Air Putih).

Investment Case

12-month TP of IDR670 is derived from a 10-year DCF valuation with 10.0% WACC assumption (TG at 3%). We believe the number of potential projects from the Government that KEEN can secure may not be reflected on its undemanding valuation as its current P/BV of 0.7x is below the regional utility sector's 2x

Key risks. KEEN is exposed to the changes in macroeconomic conditions if there is an economic downturn. It is also subjected to risks when there are drastic changes in laws with regards to the company's field of business.

Profit & Loss	2021	2022F	2023F
Total turnover (USDm)	37	25	24
Reported net profit (USDm)	7	8	8
Recurring net profit (USDm)	7	8	8
Recurring net profit growth (%)	(0.7)	21.0	(2.0)
Recurring EPS (IDR)	26	31	31
DPS (IDR)	3.9	4.7	4.6
Dividend Yield (%)	0.8	1.0	1.0
Recurring P/E (x)	17.7	14.6	14.9
Return on average equity (%)	4.7	5.5	5.1
P/B (x)	0.8	0.8	0.8
P/CF (x)	N/A	N/A	N/A

Source: Company data, RHB

Balance Sheet (USDm)	2021	2022F	2023F
Total current assets	29	20	23
Total assets	301	293	293
Total current liabilities	17	19	20
Total non-current liabilities	120	106	98
Total liabilities	137	125	118
Shareholder's equity	142	147	154
Minority interest	21	21	21
Other equity	0	0	0
Total liabilities & equity	301	293	293
Total debt	87	70	62
Net debt	85	69	59

Source: Company data, RHB

Cash Flow (USDm)	2021	2022F	2023F
Cash flow from operations	(17.7)	25.6	11.3
Cash flow from investing activitie	(0.6)	(0.4)	(0.4)
Cash flow from financing activitie	16.6	(25.4)	(9.2)
Cash at beginning of period	2.0	1.3	1.2
Net change in cash	(0.2)	(0.2)	1.6
Ending balance cash	1.8	1.2	2.8

Source: Company data, RHB

Mark Dynamics Indonesia

King Of The Hill

Fair Value: IDR1,500
Price: IDR1,100

Source: Bloomberg

Stock Profile

Bloomberg Ticker	MARK IJ
Avg Turnover (IDR/USD)	15,781m/1.08m
Net Gearing (%)	4
Market Cap (IDRbn)	4,180
Beta (x)	1.3
BVPS (IDR)	193.3
52-wk Price low/high (IDR)	835 – 1,380
Free float (%)	17.5

Major Shareholders (%)

Tecable (HK) Co Limited	78.8
Sutiyoso Bin Risman	2.7

Share Performance (%)

	1m	3m	6m	12m
Absolute	(9.69)	(10.87)	(9.29)	8.47
Relative	(4.27)	(10.81)	(11.34)	(5.66)

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Investment Merits

- Large growth potential persists even post COVID-19
- Better scale and efficiencies to drive margin improvement
- Maintaining its grip of more than half of global market share whilst continuously seeking new opportunities

Company Profile

Mark Dynamics Indonesia mainly produces nitrile and latex glove formers based in Indonesia with three manufacturing plants located in North Sumatera. The product is continuously needed with a lifecycle of a maximum of nine months. The key competitive advantages are the good quality with high durability and its specialty in nitrile component gloves. The company has shown a strong track record, of which its monthly capacity has expanded by almost four-fold over the span of three years.

Highlights

Large growth potential persists even post COVID-19. 2020 data shows developed markets use an average of 150 gloves per capita annually (vs four gloves per capita in Indonesia or 8/11 for China/Philippines). Rising GDP per capita in emerging markets and better healthcare quality should continue to drive demand growth for gloves. Based on past trends, management estimates 10-15% YoY growth in the global gloves industry. This should drive higher demand of capacity expansion, which would lead to sales growth potential for hand formers, regardless of the easing of COVID-19. We view the usage of gloves to still be enforced due to rising health concerns, despite the decrease in cases.

Better scale and efficiencies to drive margin improvement. As the price of hand formers sold to China customers are higher, this should improve its margin ahead. The company guided for net margin to remain at 30-35% in 2022, vs pre-pandemic levels of 20-30%, given combined efficiencies from a better raw material mix and expanded production capacity. Raw material prices have remained stable, with no disruptions in supply despite soaring logistics costs. Also, MARK's long relationship with customers should aid it in negotiating for prices, should raw material costs spike.

Maintaining its grip of more than half of global market share whilst continuously seeking new opportunities. MARK controls more than half the global hand former market, and has strong pricing power (being a price leader). Its product prices are generally higher than that of other competitors, given the quality of its products. Production capacity is also much higher than that of its competitors. The company uses waste from hand formers for raw materials in its subsidiary businesses (making sanitary industrial products and agriculture supporting chemicals). This initiative, we believe, may help to strengthen its business, especially in fueling revenue growth in the long run. Its new business that uses hand formers' production waste should also improve its ESG score.

Company Report Card

Results highlight. FY21 revenue doubled to IDR1.2trn, predominantly derived by from the surge in volume and price due to high COVID-19 cases. This resulted in its net income surging by almost three-fold YoY to IDR392bn, while net margin was also substantially improved to 32.9% in FY21 from 25.4% in 2020. The company expects revenue growth to remain solid, especially for 1H22 from 2021 excess contracts.

High ROAE and low debt level. In 2021, MARK recorded ROAE of 68.3%. The company has a strong track record of delivering high ROAE of around 30-40% over the last few years. The company also has a low debt level with a net gearing of 4% in 2021.

Dividends. The company has continuously distributed dividends over the past three years. MARK guided for a higher dividend payout for 2022 at 50% (vs c.30-40% over the last three years) owing to stronger cash generation in 2021. We estimate this translates to around 3-4% of dividend yield using the latest share price.

Management. Ridwan Goh is currently MARK's President Director. He was first appointed to the board since 2018. He oversees the entire company's business. He has more than a decade of experience of the company's business and operations. He first joined the company in 2008 as a Marketing Manager.

Investment Case

The company expects revenue to grow by c.30% YoY in 2022. Growth will be mostly driven by volume, as prices are expected to remain stable (but still higher than pre-pandemic levels). Orders for its hand formers have been secured until 1H22, from 2021's excess contracts. The demand for gloves should be buoyed by the gradual increase in health awareness, especially in emerging markets. Given the large expansion was made in 2021, we should be able to see a better cash flow profile in 2022, especially with the higher economies of scale and growing productivity of its complimentary subsidiaries – in sanitary products and chemicals that utilise production waste from the primary product (ie hand former). MARK currently trades at c.8-9x 2022F P/E. We derive the IDR1,500 fair value from its guidance of 2022F EPS with 13x P/E ie 20% discount to regional peers, while offering more than 30% upside from the current share price level.

Key risks. Soaring logistics costs and lower demand once the COVID-19 pandemic is over.

Profit & Loss	2019	2020	2021
Total turnover (IDRbn)	362	565	1,194
Reported net profit (IDRbn)	88	144	392
Recurring net profit (IDRbn)	91	142	399
Recurring net profit growth (%)	11.4	55.3	182.1
Recurring EPS (IDR)	24	37	105
DPS (IDR)	7.0	7.0	15.0
Dividend Yield (%)	0.6	0.6	1.4
Recurring P/E (x)	45.8	30.0	10.5
Return on average equity (%)	32.7	40.8	68.3
P/B (x)	14.0	10.4	5.7
P/CF (x)	86.8	19.4	12.6

Source: Company data, RHB

Balance Sheet (IDRbn)	2019	2020	2021
Total current assets	220	357	586
Total assets	441	720	1,078
Total current liabilities	75	299	273
Total non-current liabilities	67	11	61
Total liabilities	142	310	335
Shareholder's equity	299	407	741
Minority interest	-	3	3
Other equity	2	-	-
Total liabilities & equity	441	720	1,078
Total debt	115	163	135
Net debt	87	123	31

Source: Company data, RHB

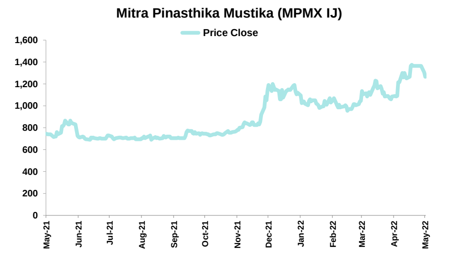
Cash Flow (IDRbn)	2019	2020	2021
Cash flow from operations	48	219	332
Cash flow from investing activities	(65)	(152)	(176)
Cash flow from financing activities	39	(55)	(92)
Cash at beginning of period	5	28	40
Net change in cash	23	12	65
Ending balance cash	28	40	104

Source: Company data, RHB

Mitra Pinasthika Mustika

Branching Out For Opportunities

Fair Value: IDR1,650
Price: IDR1,365



Source: Bloomberg

Stock Profile

Bloomberg Ticker	MPMX IJ
Avg Turnover (IDR/USD)	23,350m/1.6m
Net Gearing (%)	Net Cash
Market Cap (IDRbn)	6,092
Beta (x)	1.1
BVPS (IDR)	1,451
52-wk Price low/high (IDR)	675 – 1,430
Free float (%)	35

Major Shareholders (%)

Saratoga Investama	56.7
Affinity Asia Pacific Fund	9.1

Share Performance (%)

	1m	3m	6m	12m
Absolute	16.59	20.48	62.18	69.80
Relative	22.01	20.53	60.13	55.67

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Investment Merits

- Solid expansion plans; diving into EV business.
- Beneficiaries of auto sector recovery, especially 2W.
- Digital initiatives to widened opportunities.

Company Profile

Mitra Pinasthika Mustika (MPMX IJ) was established in 1987 by William Soeryadjaya. The company's operations are divided into four segments: distribution & retailer (2W), transportation (B2B car rental), insurance, and financing. The company is known to be one of the largest two-wheeler (2W) distributors in East Java and East Nusa Tenggara (NTT). Note that in FY21, the distribution, retail, and aftermarket segment contributed 90% of the total revenue. MPMX is also a part of Saratoga Investama Sedaya (SRTG IJ, BUY, TP: IDR4,100), with the latter having a 56.6% ownership.

Highlights

Solid expansion plans; diving into EV business. The company plans to open two more auction locations in Semarang and Surabaya in the near term, as it is seeing increasing demand from this segment. This is also shown from its open channels auction that has been attracting more of the transportation segment customers (B2B) to also list their cars to be auctioned. On the other hand, MPMX also plans to dive into the electric vehicle (EV) business. While the company has not disclosed the specific end-product of this business unit, it mentioned that it will not be limited to manufacturing, and is also considering the EV infrastructure business. With the trend leaning towards EV, we view this strategy as preparing MPMX to be one of the pioneers in this business.

Beneficiaries of auto sector recovery, especially 2W. The recovery momentum from the auto sector post-pandemic will continue to benefit MPMX. Note that, 2W sales in FY21 reached 5.1m units (+38% YoY). The Indonesian Motorcycle Industry Association (AISI) also forecasts 2W sales to continue its recovery and targets 2W sales of 5.4m units (+6% YoY) in FY22. As the top 2W distributor in East Java and East Nusa Tenggara (88% of their total sales), MPMX would also benefit from rising commodity prices that bring a positive catalyst for higher buying power in ex-Java areas. However, there are increasing concerns coming from the recently hike of Pertamax (RON 92) fuel price to IDR12,500-13,000 since 1 Apr 2022 (+IDR3,500-4,000).

Digital initiatives to widened opportunities. The company is currently focusing on expanding its digital initiatives. It launched an online used car selling platform called Otodeals on 22 Sep 2021 as a part of its digital transformation plan to support revenue growth. With 3,000-3,500 secondhand cars sold annually, we believe that this platform will provide new channels (in addition to auction) to sell its rental cars that have already reached certain years of usage. Going forward, MPMX will continue to accelerate its digitalization efforts through streamline, partnerships, decision making process, and investments.

Company Report Card

Results highlights. Even though the company booked -31% YoY earnings growth in 4Q21, MPMX successfully made a turnaround in FY21 with solid full-year earnings of IDR411.7bn (+248% YoY). FY21 revenue reached IDR12.9tn (+15% YoY) – still 22% below pre-pandemic level (FY19). However, despite the pandemic impact, the company was still able to maintain its GPM at 9.3% and 9.4% in FY20 and FY21, which was even higher than FY19's GPM of 8.4%.

Low debt level. Net gearing in FY21 was 14%, a considerably low level of debt. Meanwhile, FY21 ROAE reached 6.5% in FY21 (vs 1.8% in FY20.

Dividends. MPMX has been constantly disbursing dividends since 2015 with 2017-2021 average dividend yield of 7.3% (excluding the super dividend in FY21 that led to average dividend yield of 14%). Note that the super dividend resulted in 420% dividend payout ratio in FY21 despite the weak earnings due to the pandemic. We expect the company to continue to set for 60-70% dividend payout ratio (4-year average of dividend payout ratio, excluding the super dividend year) going forward.

Management. The position of MPMX's President Director is currently held by Suwito Mawarwati, who was appointed in 2018. He joined MPM Group in 1997 as the Director of Mitra Pinasthika Mustika in Surabaya, following his 10-year career in Astra International's Honda Sales Operations.

Investment Case

MPMX aims for 10-15% revenue growth in FY22F on the back of the ongoing economic recovery, especially in the auto sector. The company also targets IDR600-700bn capex for this year in which 10-15% of it will be allocated for ongoing digital initiatives. Management also guided that while the company is still 25% below the recovered level, it is expecting to experience full recovery by early next year. Currently, MPMX is trading at 8.8x P/E (at +1.0sd of 5-years P/E band). We view that MPMX fair value should be around IDR1,650 based on the company's targets and 15.0x P/E 2022 (+1.5sd of 5-years P/E band). Improving ESG scores through its social responsibility with its surrounding communities (education, economic empowerment, philanthropy, etc) also helped justify a higher valuation for MPMX.

Key risks. Slower-than-expected recovery in the auto sector, heightening competition, and higher raw material prices to suppress buying power recovery.

Profit & Loss (IDRbn)	2019	2020	2021
Total turnover (IDRbn)	16,560	11,182	12,908
Reported net profit (IDRbn)	433	118	412
Recurring net profit (IDRbn)	613	143	554
Recurring net profit growth (%)	(83.3)	(76.8)	288.4
Recurring EPS (IDR)	144	33	128
DPS (IDR)	484	90	115
Dividend Yield (%)	35.5	6.6	8.4
Recurring P/E (x)	9.5	41.3	10.6
Return on average equity (%)	5.5	1.8	6.5
P/B (x)	0.8	0.9	0.9
P/CF (x)	(30.8)	12.6	10.1

Source: Company data, RHB

Balance Sheet (IDRbn)	2019	2020	2021
Total current assets	3,522	2,770	3,044
Total assets	9,564	9,210	9,870
Total current liabilities	1,755	1,798	2,107
Total non-current liabilities	542	1,088	1,504
Total liabilities	2,297	2,886	3,611
Shareholder's equity	7,087	6,324	6,259
Minority interest	179	0	0
Other equity	-	-	-
Total liabilities & equity	7,266	6,324	6,259
Total debt	405	691	985
Net debt	1,424	940	863

Source: Company data, RHB

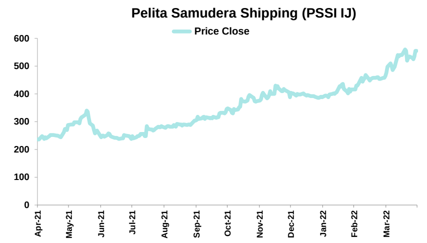
Cash Flow (IDRbn)	2019	2020	2021
Cash flow from operations	(189)	467	580
Cash flow from investing activities	(117)	(542)	(162)
Cash flow from financing activities	(1,897)	(124)	(201)
Cash at beginning of period	4,032	1,830	1,631
Net change in cash	(2,203)	(198)	218
Ending balance cash	1,830	1,631	1,849

Source: Company data, RHB

Pelita Samudera Shipping

Sailing Firm Amid Volatility

Fair Value:	**IDR710-740**
Price:	**IDR510**



Source: Bloomberg

Stock Profile

Bloomberg Ticker	PSSI IJ
Avg Turnover (IDR/USD)	1,676m/0.12m
Net Gearing (%)	3
Market Cap (IDRbn)	3,006
Beta (x)	0.63
BVPS (IDR)	283
52-wk Price low/high (IDR)	228 - 565
Free float (%)	14

Major Shareholders (%)

Indoprima Marine	48.4
Kendilo	4.8

Share Performance (%)

	1m	3m	6m	12m
Absolute	21.18	43.04	59.48	135.17
Relative	18.08	34.26	49.81	114.95

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Investment Merits

- Beneficiary of an upcycle in commodity prices
- Imbalance of supply vessels in the industry leading to higher shipping rates
- Near-term plan to minimise volatility

Company Profile

Pelita Samudera Shipping provides logistics and sea transportation solutions to coal-mining companies in Indonesia. It is an integrated provider of industrial and maritime solutions for various logistics and sea transportation needs to transport dry and liquid cargo in Asia.

Highlights

Strong margins amid volatile commodity prices. PSSI largely transports coal. Its profitability has improved in the past three years following the increase in coal prices, as well as the utilisation of motor vessels (MV) that enables it to operate in international waters. Fuel prices may be rising, but it has managed to weather such challenges. The company has also begun to grow its non-coal transportation segment – to transport nickel, bauxite, copper, cement/clinker, steel and others – to reduce its dependence only on one particular commodity.

Focusing further on margins. This year, the company expects its topline to be at a level similar to that of FY21, at c.USD108m. PSSI is focusing more on improving margins. It aims to achieve this by: i) Managing bunker operation costs, ii) managing the combination between freight charters with a bunker adjustment factor applied to freight rates should fuel costs change dramatically, and iii) running more time charters where 100% of fuel costs are borne by customers – this will help insulate its business from oil price volatility. With a freight charter to time charter ratio of 60:40, PSSI's fuel costs make up c.15-20% of its total direct costs.

Near-term plan to minimise volatility. In 2021, PSSI expanded its non-coal transportation portion to 29% of total transportation from 10% in 2020. The non-coal transportation segment is expected to expand in stages to reach 50% by 2025. PSSI manages 83 units of assets including 41 tugboats, 38 barges, four floating loading facilities or FLFs, and six MVs under subsidiary Pelita Global Logistik. Each segment contributes c.33% of total revenue, with most tugboats, barges and MVs operating at utilisation rates exceeding 90%. In terms of duration, long-term contracts comprise c.80% of total contracts – these provide steady revenue, as contract timeframes are between 18 and 24 months.

Company Report Card

Results highlight. FY21 revenue increased 17% QoQ on higher transportation volumes and better shipping rates, with EBITDA margins improving to 39% in FY21 vs 33% in FY20. Although there is a possibility of rising fuel prices, we believe PSSI can manage the rise by managing the combination between freight charters, with a bunker adjustment factor applied to freight rates. We expect a meaningful earnings recovery in FY22F.

Relatively low debt position. The company has net gearing of 0.2x and debt service coverage ratio of 3x, on top of a consistent average dividend payout ratio of 24% for the past four years. As for expansion plans, management has a prudent approach in growing its fleet – by being disciplined in capacity building and focusing capex for this year on repair and maintenance works. PSSI continues to monitor business and commodity cycles and looks for more opportune timing to acquire vessels at reasonable prices.

Dividends. While it does not have a dividend policy, PSSI has a track record of paying dividends. During FY18-20, dividends per share stood at the IDR5-12 range.

Management. Irawan Ibarat was appointed President Director of the company in 2015. He currently serves as Managing Director of Indonesia Business and has been Country Head for IMC Group Indonesia's business units since 2014. Irawan has extensive experience in the shipping and manufacturing industries.

Investment Case

We like the stock for its plan to enlarge the non-coal transportation segment in stages to reach 50% by 2025. It should also be able to further manage the combination between freight charters, with a bunker adjustment factor applied to freight rates should fuel costs change dramatically, and the flexibility to perform more time charters, where 100% of fuel costs are borne by the customer – which will help insulate its business from the volatility in oil prices.

Fair Value: Assuming EPS growth of 15-20%, PSSI is trading at a FY22F P/E of 7.1x, ie still below the regional average of 9.4x. With 9.4x P/E, PSSI may reach a fair value of IDR710-740.

Key risks include its dependency on coal transportation, a rise in COVID-19 cases that could slow economic growth and demand for commodities, and high fuel prices that can dampen freight rate margins.

Profit & Loss	2019	2020	2021
Total turnover (USDm)	75.3	68.4	109
Reported net profit (USDm)	13	8	25
Recurring net profit (USDm)	14	8	26
Recurring net profit growth (%)	36.0	(40.3)	215.7
Recurring EPS (IDR)	35	21	68
DPS (IDR)	5.0	7.0	8.0
Dividend Yield (%)	0.9	1.3	1.5
Recurring P/E (x)	15.2	25.0	7.8
Return on average equity (%)	16.6	9.2	24.0
P/B (x)	2.4	2.2	1.8
P/CF (x)	8.4	7.6	5.6

Source: Company data, RHB

Balance Sheet (USDm)	2019	2020	2021
Total current assets	25	30	51
Total assets	143	147	161
Total current liabilities	37	27	32
Total non-current liabilities	17	25	14
Total liabilities	55	52	47
Shareholder's equity	89	95	114
Minority interest	-	-	0
Other equity	-	-	-
Total liabilities & equity	143	147	161
Total debt	46	20	26
Net debt	43	8	4

Source: Company data, RHB

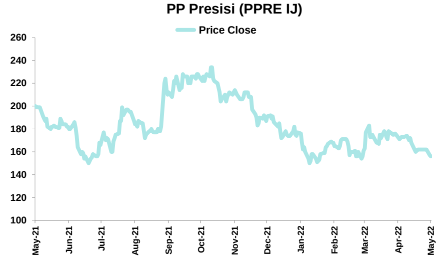
Cash Flow (USDm)	2019	2020	2021
Cash flow from operations	25	27	36
Cash flow from investing activities	(44)	(11)	(10)
Cash flow from financing activities	9	(7)	(17)
Cash at beginning of period	13	3	13
Net change in cash	(10)	9	9
Ending balance cash	3	13	22

Source: Company data, RHB

PP Presisi

Nickel Mining For Growth

Fair Value: 282-350
Price: IDR162



Source: Bloomberg

Stock Profile

Bloomberg Ticker	PPRE IJ
Avg Turnover (IDR/USD)	1,809m/0.12m
Net Gearing (%)	78
Market Cap (IDRbn)	1,656
Beta (x)	1.78
BVPS (IDR)	220
52-wk Price low/high (IDR)	147 - 252
Free float (%)	17

Major Shareholders (%)

Pembangunan Perumahan (PTPP IJ)	76.99

Share Performance (%)

	1m	3m	6m	12m
Absolute	(10.86)	(5.45)	(27.10)	(22.00)
Relative	(5.53)	(5.52)	(29.02)	(36.84)

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Investment Merits

- Prospective nickel mining
- New contract growth, independent from the PTPP group
- Construction and mining acceleration in 2022

Company Profile

PP Presisi, a subsidiary of Pembangunan Perumahan (PTPP), was established in 2004 as a heavy equipment rental company. In 2015, the company expanded its services into civil works, structure works, production plants, and mining services. Since the pandemic, PPRE's mining contracting segment has been improving and, as of Dec 2021, the company owns more than 2,985 units of heavy equipment.

Highlights

Long-term prospects in nickel mining. PPRE has secured mining site development and hauling services contracts on Halmahera Island totalling IDR772bn. There is also another IDR3.7trn in prospective value until 2026 for further development, hauling, and mining contracting services. Meanwhile, on Morowali site, the company is expected to receive IDR1trn in mining services contracts until 2025. Note: Mining contracts are longer when compared to construction services at 4-5 years. Margins are also c.18% higher.

Sustainable new contract growth. PPRE is growing independent from its parent company PTPP in terms of winning new contracts. Just 13% of its IDR5.6trn in new contracts came the PTPP group of companies. Up to March, PPRE has secured IDR578bn in new contracts, achieving 9.7% of its FY22 target. This was due to cyclicality within the construction services sector, for which we expect to see some acceleration in 2H22.

Growing construction and mining sectors. In 2022, the construction sector is expected to grow at 6-6.8% YoY, driven by the Government's strategic national projects. The Government has allocated IDR384.8trn for the development of 205km in new roads, 8,244m of new bridges, the Trans Sumatra Toll Road, 6,624km of railway lines, and six new airports. Also, during the recovery of the global economy, energy consumption is set to increase by 2.2% YoY. We also believe that, amidst the development of electric vehicles and nickel smelters in Indonesia, demand for heavy equipment and mining contracting businesses will grow as well.

Company Report Card

Latest results. 1Q22 sales stood at IDR830bn (+24.7% YoY), of which the majority was still dominated by civil works projects, eg infrastructure, ports, and runways. PPRE's topline is fairly in line with the company's 22.6% target. EBITDA margin contracted to 13.6% (1Q21: 17.6%), impacted by high oil prices. In 2022, PPRE expects its performance to driven by civil works and the mining contracting segment. It expects to see a reduction in structure works and heavy equipment rentals. Mining services contributions are estimated to be 40-45% of the company's FY22F revenue.

Dividend. PPRE has been a regular dividend payer even during the pandemic. This year, the company is distributing IDR7.7bn or c.10% of FY21 earnings – accounting for a DPS of IDR0.76 or c.5% yields.

Management. The majority share is owned by PTPP, a giant state-owned enterprise construction firm that has a strong balance sheet and is prudent in debt management. PPRE is lead by Rully Noviandar, who has more than 20 years of experience in the construction sector.

Investment Case

In 2022, PPRE targets new contract growth of 6.6% YoY to IDR6trn, driven by growth from mining services. Its EBITDA is expected to reach IDR1.2trn (+24% YoY). PPRE is still attractively trading at 2.94x EV/EBITDA vs its pre-pandemic valuation at 4-6x EV/EBITDA. This results in a fair value of IDR282-350.

Key risks: High oil prices have become the main risk to PPRE's cost of revenue. Higher interest rates may also impact margins going forward, due to higher capital needs from the company's expansion into mining contracting services.

Profit & Loss	2020	2021	Mar-22
Total turnover (IDRbn)	2,337	2,807	830
Reported net profit (IDRbn)	59	77	39
Recurring net profit (IDRbn)	59	77	39
Recurring net profit growth (%)	(82)	31	27
Recurring EPS (IDR)	5.7	7.5	3.8
DPS (IDR)	6.5	1.1	0.0
Dividend Yield (%)	4.0	0.7	0.0
Recurring P/E (x)	28.3	21.5	10.6
Return on average equity (%)	2.7	3.5	1.7
P/B (x)	0.8	0.7	0.7
P/CF (x)	6.9	6.7	6.7

Source: Company data, RHB

Balance Sheet (IDRbn)	2020	2021	Mar-22
Total current assets	3,866	4,217	4,436
Total assets	6,767	7,030	7,265
Total current liabilities	2,951	3,620	3,371
Total non-current liabilities	975	430	875
Total liabilities	3,925	4,050	4,246
Shareholder's equity	2,173	2,245	2,258
Minority interest	669	734	760
Other equity	-	-	-
Total liabilities & equity	2,842	7,029	7,265
Total debt	1,738	1,814	1,865
Net debt	1,604	1,558	1,763

Source: Company data, RHB

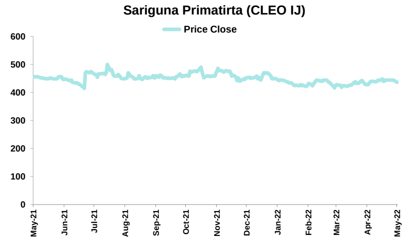
Cash Flow (IDRbn)	2020	2021	Mar-22
Cash flow from operations	241	249	249
Cash flow from investing activitie:	(194)	(41)	(41)
Cash flow from financing activitie	(461)	(87)	(87)
Cash at beginning of period	549	135	135
Net change in cash	(414)	121	121
Ending balance cash	135	255	255

Source: Company data, RHB

Sariguna Primatirta

The Future Still Looks Bright

Fair Value:	IDR500
Price:	IDR444



Source: Bloomberg

Stock Profile

Bloomberg Ticker	CLEO IJ
Avg Turnover (IDR/USD)	2,958m/0.2m
Net Gearing (%)	16
Market Cap (IDRbn)	5,328
Beta (x)	0.94
BVPS (IDR)	83.1
52-wk Price low/high (IDR)	412 - 505
Free float (%)	17

Major Shareholders (%)

PT Tancorp Global Abadi	55.8
PT Tancorp Global Sentosa	25.6

Share Performance (%)

	1m	3m	6m	12m
Absolute	1.87	0.93	(8.40)	(3.96)
Relative	7.29	0.98	(10.45)	(18.09)

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Investment Merits

- Ample of growth potential.
- Multitude strategies to gain stronger position.
- Finding balance between economic and environmental sustainability.

Company Profile

Sariguna Primatirta (CLEO IJ) stands as one of the national beverage companies chiefly known as a prominent bottled water producer. It has number of product assortments, spanning from bottle type, non-bottle (gallon) and cup water. This allows the company to cater to various consumer demand. It also has a wide presence nationwide through a number of channels which help the company to fortify its toehold. It will continuously seek multiple initiatives to expand its business.

Highlights

Ample of growth potential. The water industry in Indonesia still has opportunity to grow, compared to bigger countries. For instance, bottled-water market in China is estimated to reach six times bigger compared to Indonesia. We think the increase of the Indonesian household income may be associated with higher bottled water consumption. Additionally, the prohibition of the use of groundwater in Jakarta may trigger higher consumption of bottled mineral water. Note, consumption of mineral water (non-gallon) is still concentrated in Java. Nonetheless, we see large opportunity outside Java. We think CLEO sits in the sweet spot to capitalise on the opportunity, owing to its vast product offering, state-of-the-art innovation and nationwide presence.

Multitude strategies to gain stronger position. It aims to build three new factories and expand five existing factories by 2022. On the modern trade channel, the company aims to enhance its presence by collaborating with key minimarkets players. As purchase decision for bottled-water is impulsive, proximity to customers remains critical. Only small bottled mineral water players have a nationwide network. CLEO will continuously launch new products such as Super O_2 and Vio 8+. These products are targeted to improve consumers' health and may open cooperation with new channels, such as hospital players. It plans to launch a non-mineral water beverage product by 2022. The company could gain more market share (particularly from the market leader) on the ban of BPA gallons in the near term. Note that CLEO currently holds around 5% market share.

Finding balance between economic and environmental sustainability. Through its affiliated company, PT Sukses Okindo Kurnia Abadi, CLEO uses r-PET (recycled plastic) for product packaging on the path toward a greener future. This initiative should bolster its margin amidst high oil prices. The price of r-PET is about a half of PET. The company aims to increase the use of r-PET to 16% of plastic pellets usage in 2022 (vs 2% in 2021). CLEO uses r-PET for its CLEO Eco Green products.

Company Report Card

Results highlights. The company registered IDR1.1trn revenue in 2021, representing around 13% YoY growth. Gross margin remains sturdy at around 42% in 2021, stable on YoY basis. It also witnessed approximately a 2-3ppt net margin expansion in 2021, bringing its margin to c.16-17%. We have seen improvement in net margin over the last three years and expect the company to continue its high growth profile ahead given the wider distribution network as well as more product offerings.

Healthy balance sheet profile. The company recorded 16% net gearing in 2021, lower than 2020's level at 26%. ROAE is also solid at 19.1% in 2021 (vs 16.0% in 2020 and 18.7% in 2019). Liquidity profile remains healthy – CLEO has 1.5x current ratio as of 2021.

Dividends. The company started paying dividend in 2021 at around IDR29.89 per share – the first time since IPO. Should this strong growth pace persist, it should translate to better dividend distribution in the future.

Management. Belinda Natalia is currently CLEO's President Director. She was first appointed to the board since 2016. She is responsible for the entire company's operations. She has a deep understanding of CLEO's business having joined the company more than a decade ago.

Investment Case

CLEO targets c.30% revenue in 2022 with earnings to grow at the same pace in light of the abovementioned strategies. Margin may increase particularly due to the gradual increase in the use of r-PET. Further production automatisation across all aspects ought to enhance margin. The company allocated IDR220bn for capex, mainly to open new factories due to its low gearing ratio. Valuation wise, the company is currently trading at around 22x 2022 P/E. That said, we think CLEO's fair value should hover at c.IDR500, translating to around 24-25x 2022F P/E

Key risks. Higher commodity prices, increasing competition, increase in COVID-19 cases triggering the closure of public places and changes in government regulations.

Profit & Loss (IDRbn)	2019	2020	2021
Total turnover (IDRbn)	1,085	973	1,104
Reported net profit (IDRbn)	131	133	181
Recurring net profit (IDRbn)	156	167	205
Recurring net profit growth (%)	86.4	7.4	22.6
Recurring EPS (IDR)	13	14	17
DPS (IDR)	-	-	29.9
Dividend Yield (%)	-	-	6.7
Recurring P/E (x)	33.9	32.0	26.1
Return on average equity (%)	18.7	16.0	19.1
P/B (x)	6.9	6.0	5.3
P/CF (x)	25.1	23.6	17.5

Source: Company data, RHB

Balance Sheet (IDRbn)	2019	2020	2021
Total current assets	241	254	280
Total assets	1,245	1,311	1,348
Total current liabilities	205	148	183
Total non-current liabilities	274	269	164
Total liabilities	479	416	347
Shareholder's equity	766	895	1,002
Minority interest	-	-	-
Other equity	-	-	-
Total liabilities & equity	1,245	1,311	1,348
Total debt	287	253	164
Net debt	280	231	159

Source: Company data, RHB

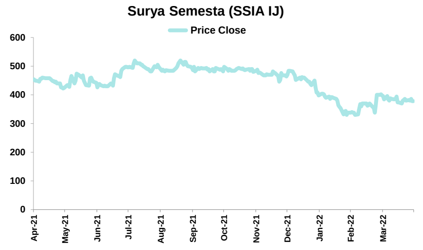
Cash Flow (IDRbn)	2019	2020	2021
Cash flow from operations	210	227	305
Cash flow from investing activities	(434)	(171)	(157)
Cash flow from financing activities	229	(40)	(166)
Cash at beginning of period	3	7	23
Net change in cash	5	16	(18)
Ending balance cash	7	23	5

Source: Company data, RHB

SURYA SEMESTA INTERNUSA

Road Towards Recovery

Fair Value: IDR450
Price: IDR378



Source: Bloomberg

Stock Profile

Bloomberg Ticker	SSIA IJ
Avg Turnover (IDR/USD)	1703.38m/0.12m
Net Gearing (%)	33
Market Cap (IDRbn)	1,779
Beta (x)	1.2
BVPS (IDR)	768
52-wk Price low/high (IDR)	328 - 530
Free float (%)	100

Major Shareholders (%)

Arman Investments Utama	8.9
Persada Capital Investama	7.9
Intrepid Investments Limited	7.7

Share Performance (%)

	1m	3m	6m	12m
Absolute	(6.0)	(5.0)	(24.1)	(16.7)
Relative	(9.1)	(13.8)	(33.8)	(37.0)

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Investment Merits

- Strong beneficiary of FDI inflows that support industrial estate sales
- Strategic location with direct access to newly developed/developing infrastructure, ie Patimban Port and Kertajati International Airport
- Improvement in occupancy rate for the hospitality business

Company Profile

Surya Semesta Internusa is primarily engaged in commercial real estate, construction services, industrial estate development, and hospitality through its subsidiaries. SSIA is the developer of the 1,400ha Suryacipta City of Industry in Karawang, West Java, which has direct access to the Jakarta-Cikampek Toll Road. SSIA's industrial estate is also in close proximity to Patimban Port, which is currently being developed.

Highlights

The recovery year. We believe SSIA's numbers will recover this year after two years of being in the red. This recovery should stem from improving land sales, as well as potential new land sales – especially in Subang. The development of Patimban Port and toll roads, as well as the recovery of its hotel business, should be major positive catalysts.

SSIA expects to achieve its FY22 land sales target of 80ha. This target is divided between land sales in Karawang and Subang, with 60ha of land sales to come from the latter. However, this will only be translated into accounting sales by 2024 once the infrastructure is completed. The remaining 20ha will come from sales in Karawang. Of this, SSIA expects to sell at least 10ha in 1H22 with the rest in 2H22.

Located near newly developed infrastructure. Suryacipta City of Industry is strategically located near Patimban Port – a newly developed port within the Jakarta-Cikampek Toll Road network and also one of 32 national strategic project targets set by the Government. With Kertajati International Airport and Patimban Port connected to nearby Cirebon City, this will be a golden triangle that can create jobs and boost the local economy.

Hospitality business showing signs of improvement. In FY21, SSIA's hospitality business began showing signs of recovery. 4Q21 hotel revenue amounted to IDR80.4bn (+148% QoQ, +98% YoY) on improvements in the occupancy rates of its BATIQA budget hotel chain (to 51% from 39%) and Gran Melia Jakarta (to 30% from 15%). We expect these improvements to continue this year amidst the relaxation of movement and social distancing restrictions, as well as rise in vaccination rates.

Sufficient sources to finance 2022 capex. SSIA has earmarked IDR700bn for capex in FY22, with c.70% to be spent to develop and sell land in Subang. The remainder will be spent on renovating Jumana Hotel Bali and develop the Edenhaus boutique homes in Simatupang. SSIA plans to finance this internally, although it still has an undrawn facility of USD15m from International Finance Corp (IFC). Another potential source of cash is via the divestment of the company's 50% stake in SLP Karawang, its warehouse investment, to a JV partner. We note that the transaction amount is still under negotiation.

Profit & Loss	2021	2022F	2023F
Total turnover (IDRbn)	2,353	2,932	3,150
Reported net profit (IDRbn)	(200)	49	179
Recurring net profit (IDRbn)	(200)	49	179
Recurring net profit growth (%)	129	N/A	266
Recurring EPS (IDR)	(43)	10	38
DPS (IDR)	-	-	-
Dividend Yield (%)	0.0	0.0	0.0
Recurring P/E (x)	(8.8)	36.0	9.9
Return on average equity (%)	(5.5)	1.4	4.7
P/B (x)	0.5	0.5	0.4
P/CF (x)	(11.2)	4.3	4.0

Source: Company data, RHB

Company Report Card

Latest results. SSIA posted a consolidated revenue of IDR2.3trn in 2021, with revenue decreasing by 20% from FY20's IDR2.9trn. The decrease mainly reflected topline contributions from construction and hospitality, which were down 20% and 14.7%. SSIA's property land plot sales halved due to the pandemic to IDR165bn. And the company posted a loss of IDR191bn – mainly JV & associates losses and a rise in financial expenses. We expect this condition to improve in 2022.

Balance sheet/cash flow. SSIA's net debt-to-equity in FY21 stood at 0.33x vs 0.04x in FY18 – the company repaid its short-term bank loan during the latter period. It has also managed to repay its IDR bonds and still has an undrawn facility of USD15m from IFC to further support capex needs if needed.

Dividend. SSIA did not pay dividends in FY21 and has not paid any since the pandemic started. The company also does not have a consistent dividend payout ratio over the past five years. From FY12-15, it consistently paid a 20% dividend payout, but this has declined since 2016.

Management. President Director Johannes Suriadjaja is affiliated to the majority shareholders of SSIA and has been a director since 2001. Its president commissioner and vice president commissioner are independent and not affiliated with the majority shareholders.

Balance Sheet (IDRbn)	2021	2022F	2023F
Total current assets	3,008	2,498	2,945
Total assets	7,752	7,834	8,239
Total current liabilities	1,452	1,389	1,431
Total non-current liabilities	2,250	2,320	2,389
Total liabilities	3,702	3,709	3,820
Shareholder's equity	3,585	3,659	3,953
Minority interest	466	466	466
Other equity	-	-	-
Total liabilities & equity	7,752	7,834	8,239
Total debt	2,113	2,189	2,243
Net debt	1,331	1,703	1,442

Source: Company data, RHB

Cash Flow (IDRbn)	2021	2022F	2023F
Cash flow from operations	(159)	411	442
Cash flow from investing activities	(250)	(804)	(180)
Cash flow from financing activities	339	97	54
Cash at beginning of period	852	783	487
Net change in cash	(69)	(296)	316
Ending balance cash	783	487	802

Source: Company data, RHB

Investment Case

SSIA should benefit from the foreign direct investment (FDI) coming into the country this year. The Government expects to attract IDR1,200trn in FDI or a 33% growth from last year's numbers – 2021 realised FDI stood at IDR901.02trn (+10% YoY) due to an improved COVID-19 situation. We think the hospitality side of the company will also be able to see a recovery due to the lowering of Indonesia's travel ban.

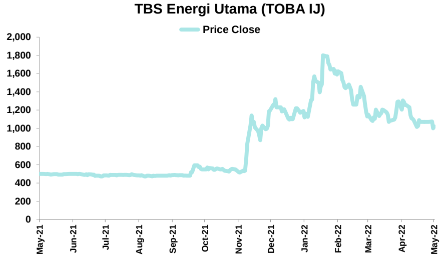
Valuation. We derive our TP of IDR450 based on SOP and apply a 69% discount to NAV. We used: i) RNAV to value SSIA's remaining landbank, ii) market value using the market cap of Nusa Raya Cipta (NRCA IJ, NR) for its construction business, and iii) DCF (13% WACC and 2% terminal growth rate) to value its hotels and recurring service & maintenance businesses.

Key Risk: i) Weakening FDI inflow due to macroeconomic uncertainty, ii) infrastructure project delays in Subang, and iii) unfavourable regulatory changes that dampen FDI into the country.

TBS Energi Utama

New Business Pathways To Unlock Better Value

Fair Value: IDR1,250
Price: IDR1,070



Source: Bloomberg

Stock Profile

Bloomberg Ticker	TOBA IJ
Avg Turnover (IDR/USD)	29,694m/2.04m
Net Gearing (%)	90
Market Cap (IDRbn)	8,613
Beta (x)	0.86
BVPS (IDR)	503
52-wk Price low/high (IDR)	460 – 1,890
Free float (%)	12.5

Major Shareholders (%)

Highland Strategic Holding	61.9
Bintang Bara BV	10.0
PT Toba Bara Sejahtera	10.0

Share Performance (%)

	1m	3m	6m	12m
Absolute	(15.35)	(37.23)	96.15	104.00
Relative	(10.02)	(38.12)	93.39	89.16

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Investment Merits

- Strong conviction on shifting the business strategy with a feasible roadmap
- Direct beneficiary from the current national policy towards renewable initiatives

Company Profile

TBS Energi Utama – previously Toba Bara Sejahtera (established on 3 Aug 2007) – is an integrated energy company focused on coal mining. TBS' current businesses cover three sectors: i) Power (c.200MW thermal-fired power plants), ii) coal mining (64m tonnes of coal reserves with 236m tonnes of resources), and iii) oil palm plantations. In recent years, TOBA has put more focus on the renewables sector, venturing into clean energy via the Toba Bara Energi (TBAE) subsidiary. TBAE has done this by acquiring stakes in Adimitra Energi Hidro (AEH – engaged in the mini-hydroelectric power segment) and Bayu Alam Sejahtera (BAS – focused on wind power). TOBA is 61.91% owned by Singaporean investment firm Highland Strategic Holdings, which focuses on energy sector investments.

Highlights

Strong intention to shift towards a greener direction. Management has set a target to source c.80% of revenue from electric vehicles (EVs) and renewable energy by 2025. However, given the recent strong uptrend in commodity prices – with the upward price trend starting since late 2H21 – TOBA's coal sales remained the largest support to its overall FY21 performance (c.86%). Nevertheless, the company is still determined to engage more towards greener sectors without being lulled by coal's continuing prospects. TOBA's coal production is also projected to peak in 2023-2024 at above c.14m tonnes and is to gradually decrease from 2025 onwards. This diversification target will be done through a feasible roadmap planned by management. For EVs: i) 4Q21-2Q22 is the pilot phase to obtain market feedback, ii) 3Q22-4Q23 will see the scaling up phase to prepare the manufacturing facilities for EVs and their batteries, and iii) 1Q24-onwards – the start of commercial sales. In early this year, TOBA started an initial collaboration with online ride-hailing and e-commerce firm Gojek Tokopedia (Gojek) to introduce a 2-wheeler (2W) EV prototype made by the Electrum JV (TOBA owns 50%) that will be tested by Gojek's fleet of riders. Initial testimonials from the latter claim fuel expenses were c.30% cheaper when using the EV vis-à-vis conventional 2Ws. Electrum itself has signed a partnership with a number of firms that have prior experience in the EV industry – ie Gogoro (Taiwanese battery-swapping 2W EV manufacturer) and Gesits Indonesia, which is owned by Wijaya Karya – to collaborate in developing a future national EV ecosystem. About USD350m in long-term capex is needed by TOBA to contribute towards this initiative.

Sustainable prospects from renewable energy. TOBA is eyeing a target capacity addition to its pipeline for renewable projects of 116MW with another c.802MW under a study phase. This is on top of a 2.9MW net capacity mini hydro pant (owned by c.49% associate AEH) and c.22MW wind power facility (owned by wholly owned BAS) that are already operational. Conversely, TOBA's diversification in the downstream coal industry was also done through the utilisation of a thermal-powered plant operated by Gorontalo Listrik Perdana (2x50MW capacity, c.60% ownership). Separately, the company has sold its 5% stake in Paiton Energy, Indonesia's largest independent power producer with 2,045MW of thermal-powered capacity. This was intended as a strategic sale at c.USD65m. We believe the company's initiatives towards green energy will help the national target of a 29% cut in emissions by 2030. In other words, the probabilities of implied provisions are open for TOBA's business continuity in future, ie supportive regulations from local governments, easier funding support from an increase in ESG ratings, tax relaxations, and more, in our view.

Company Report Card

Latest results. TOBA recorded an FY21 revenue at USD463m (+39% YoY). This was dominated by strong achievements from coal sales (USD396m; +105% YoY), which owed this result to strong uptrends in this commodity since end 2021. New additional contributions were seen from electricity sales (USD12.6m) while revenue from the plantations segment remained stable, up 2% YoY to USD4.6m. Operational margins expanded to 24% (FY20: 19%), nurtured by a stronger topline that adapted to an increase in overall costs by 28% YoY throughout the year. All in, bottomline remained fruitful (FY21: USD48m; +96% YoY) with increases in NPMs to 10% vs FY20's 7%.

Balance sheet/cash flow. As at FY21, TOBA's net gearing ratio stood at 0.9x (FY20: 1.2x) – reflecting a relatively high capital need to realise the company's diversification target but with its credit ability (FY21 interest coverage ratio to EBIT was at 4.6x vs FY20's 2.6x) still manageable. TOBA's working capital is also under control, reflected by cash from operating activities that turned into a surplus (FY21's USD22m vs FY20's -USD112m). This resulted a better cash position at USD69m as of FY21 (FY20: USD26m).

Management. TOBA's senior management team consists of four directors with industry experiences averaging over 20 years. The company is helmed by President Director Dicky Yordan.

Investment Case

Valuation. TOBA is currently trading at 11.5x P/E, valued above its closest peers within the domestic coal industry (8x on average). However, management's plan to shift towards the renewable sectors and 2W EV business could justify TOBA's premium value in future, given a better prospect from an ESG standpoint in our view. Therefore, we put our FV projection at IDR1,250 based on c.13x FY23F target P/E to a conservative bottomline growth estimate of 15% YoY – this translates into an upside of 25%.

Key risk. Longer-than-expected impact from COVID-19 that weakens the overall national economy and prolonged inflation risks heating the prices of raw materials in general.

Profit & Loss	2019	2020	2021
Total turnover (USDm)	526	332	463
Reported net profit (USDm)	27	25	48
Recurring net profit (USDm)	27	25	48
Recurring net profit growth (%)	(29.7)	(7.5)	95.7
Recurring EPS (IDR)	47	43	84.8
DPS (IDR)	-	-	-
Dividend Yield (%)	-	-	-
Recurring P/E (x)	22.8	24.7	12.6
Return on average equity (%)	12.6	10.5	18.5
P/B (x)	2.9	2.6	2.1
P/CF (x)	N/A	128.9	13.9

Source: Company data, RHB

Balance Sheet (USDm)	2019	2020	2021
Total current assets	85	70	209
Total assets	635	772	858
Total current liabilities	92	96	120
Total non-current liabilities	279	385	384
Total liabilities	371	481	504
Shareholder's equity	210	234	285
Minority interest	54	57	69
Other equity	0	0	0
Total liabilities & equity	635	772	858
Total debt	258	389	390
Net debt	237	364	321

Source: Company data, RHB

Cash Flow (USDm)	2019	2020	2021
Cash flow from operations	(127)	(112)	22
Cash flow from investing activities	7	7	44
Cash flow from financing activities	84	110	(22)
Cash at beginning of period	57	21	25
Net change in cash	(36)	5	44
Ending balance cash	21	26	69

Source: Company data, RHB

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