

Indonesia Morning Cuppa

Top Story

Telekomunikasi Indonesia (TLKM IJ, BUY, TP: IDR4,000)

Earnings Call KTA: ARPU Set To Improve; BUY

Company Update

Keep BUY and IDR4,000 TP, 40% upside. We recently attended Telekomunikasi Indonesia's 3Q20 earnings call. Key takeaways (KTA): i) TLKM continues to keep its Unlimited data offerings rational, maintaining a blended average price premium to peers at a lower gap vs historical levels, ii) Telkomsel is also utilising its current network to regain lost market share by acquiring new data users, while its management continues to monitor the competition dynamics, and iii) IndiHome is partnering with Telkomsel to further develop fixed wireless, targeting subs the former cannot reach.

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Today's Report: [Telekomunikasi Indonesia : Earnings Call KTA: ARPU Set To Improve; BUY \(11 Nov 2020\)](#)

Previous Report: [Telekomunikasi Indonesia : 3Q20 Results Beat On Indihome And Enterprise \(5 Nov 2020\)](#)

Other Story

Bumi Serpong Damai (BSDE IJ, NEUTRAL, TP: IDR990)

The Future Is Bright

Results Review

NEUTRAL, new IDR990 TP from IDR900, 6% downside. 9M20 results were below expectations. Topline was at 60% and 70% of our and Street estimates, while earnings were at 24% and 40%. However, with FY20's solid marketing sales, more revenue is expected to be recognised in FY21. As at 9M20, Bumi Serpong Damai booked IDR4.7trn (65% of FY target) of marketing sales on innovative new product launches, despite the pandemic

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Today's Report: [Bumi Serpong Damai : The Future Is Bright \(11 Nov 2020\)](#)

Previous Report: [Bumi Serpong Damai : Lower NAV/Share; D/G To NEUTRAL \(22 Jun 2020\)](#)

Regional Research

Plantation (NEUTRAL)

Pathetic Peak Output In 2020

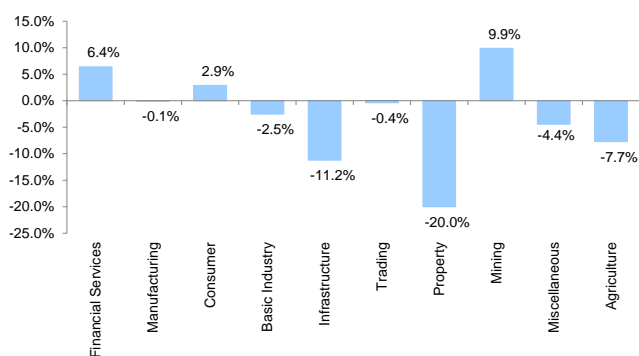
Sector Update

Maintain NEUTRAL with Top Picks: Wilmar International, First Resources, Sarawak Oil Palms and Kuala Lumpur Kepong. Malaysia's production disappointed again in October, which implies that the peak month (of September) is behind us. That said, CPO prices may have already reflected such bullishness, rising 35% in three months.

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Today's Report: [Plantation : Pathetic Peak Output In 2020 \(11 Nov 2020\)](#)

Previous Report: [V For Volatility; Still NEUTRAL On Sector \(2 Nov 2020\)](#)

Chart 1: Industry group relative to the JCI

Table 2: Commodities & currencies (10 Nov 2020)

	Last Value	DoD (%)	YTD (%)	YoY (%)	MoM (%)
Oil (Brent) Price	43.9	3.6	(33.4)	(29.7)	2.5
Oil (WTI) Price	41.4	2.7	(32.3)	(27.7)	1.9
Coal Price (USD/ton)	62.3	0.4	(8.0)	(6.7)	8.5
CPO Price (MYR/ton)	3,256.0	0.9	13.3	36.3	14.0
Soy Oil Price (USD/ton)	795.1	1.6	4.6	14.5	5.6
Nickel (USD/ton)	15,858.0	0.9	13.7	(2.1)	4.5
Tin (USD/ton)	18,278.5	(0.0)	6.4	9.5	0.0
Gold (USD/oz)	1,877.3	0.8	23.7	28.9	(2.4)
Wheat (USD/bu)	608.5	1.8	5.3	12.0	2.5
Corn (USD/bu)	431.0	3.8	4.8	4.9	7.1
USD/IDR	14,058.0	0.0	(1.4)	0.1	4.6
EUR/IDR	16,632.7	0.4	(6.5)	(6.7)	4.4
HKD/IDR	1,812.4	0.2	(1.7)	(0.9)	4.9
SGD/IDR	10,436.8	0.4	(1.2)	(1.0)	3.9
JPY/IDR	133.7	1.6	(4.5)	(3.5)	4.1
MYR/IDR	3,412.2	0.3	(0.7)	(0.5)	3.9
THB/IDR	463.0	0.1	0.8	0.1	1.9

Table 1: Regional markets (10 Nov 2020)

Bloomberg Code	Last value	DoD (%)	YTD (%)	YoY (%)
Dow Jones : DJI	29,421	0.9	3.1	6.3
Nasdaq : Nasdaq	11,554	(1.4)	28.8	36.3
UK : FTSE	6,297	1.8	(16.5)	(14.4)
Hong Kong : HIS	26,301	1.1	(6.7)	(2.3)
Indonesia : JCI	5,463	2.0	(13.3)	(11.2)
MSCI : EIDO	21.7	2.6	(15.3)	(13.5)
Malaysia : FBMKLCI	1,575	3.3	(0.9)	(2.1)
Korea : KOSPI	2,453	0.2	11.6	15.5
Philippines : PCOMP	7,035	5.2	(10.0)	(12.2)
Thailand : SET	1,341	4.3	(15.1)	(17.3)
China : SHCOMP	3,360	(0.4)	10.2	15.5
Singapore : STI	2,705	3.7	(16.1)	(16.5)

Note: *Data as at 10 Nov 2020's close

Bulletins

STOCK/SECTOR	NEWS	COMMENTS	RATING
Gudang Garam (GGRM IJ)	<p>Investors were once again reminded about Gudang Garam's overhang in the airport-related investment, following the company's recent announcement of its IDR300bn investment into a new subsidiary, Surya Kertaagung Toll.</p> <p>The new subsidiary will construct and maintain road infrastructure. The remaining IDR900bn worth of capital/portfolio shares are still available for GGRM to inject in the future. <i>(IDX)</i></p>	<p>Overhang related to the 2021F excise tariff hike has made GGRM less attractive at this point, although we have a BUY recommendation of the stock.</p> <p>Short-term sentiment should be negative, with non-core business development.</p>	BUY, TP: IDR60,000
Plantation	<p>Palm oil stockpiles in Malaysia, the world's second-largest producer, fell 8.6% MoM to 1.57m metric tons in October, the Malaysian Palm Oil Board said in a statement on Tuesday.</p> <p>Output fell 7.8% MoM to 1.72m tons; exports rose 3.8% MoM to 1.67m tons, while imports stood at 45,398 tons <i>(Bloomberg)</i>.</p>	<p>MPOB has released its monthly numbers, which have been priced in by the market, given the lower inventory during the higher crop season. Inventory appeared to be lower than last month, indicating production still has not recovered, despite the higher crop season.</p> <p>We think the lower crop indicates a strong production recovery next year, as the cyclical may move. With oil prices not moving above USD50, the spread continues to widen.</p>	NEUTRAL
Indocement (INTP IJ)	<p>Indocement sees its FY20F domestic cement sales volume declining 10-11% YoY. There will be a long holiday in December, which may cause cyclically lower cement sales in 4Q20. Meanwhile, FY21F domestic cement sales volumes are likely to go up 4-5% YoY. Two small cement producers - Semen Sun Fook and Semen Puger are continuing with their temporary halt of production, due to weak cement demand.</p> <p>INTP is likely to benefit from a stronger IDR, which should soften production costs, and hence, there would be no urgency to raise ASPs. Increased ASP is subject to a change in costs relating to coal, the IDR, as well as competitors' selling price strategies. The company plans to improve its sales mix by introducing environmentally-friendly cement products with lower clinker content. This should widen GPM.</p> <p>Two new cement players, Semen Hongshi (annual capacity 1.2m tonnes pa) and Semen Grobogan (0.8m tonnes pa), located in East and Central Java, may increase competition in the industry. However, INTP expects the competition to be stronger in second-tier brands. It believe the impact</p>	<p>We maintain our call and TP on the counter.</p>	BUY, TP: IDR14,000

		<p>from the two new cement players' sales may not be significant to INTP, as their plants are located quite far from its home market. Both Hongshi and Grobogan's total production capacity is c.2% of national capacity. INTP is likely to maintain its high dividend payout ratio, as there is no urgency to spend high capex in near term. <i>(Company)</i></p>		
Telekomunikasi Indonesia (TLKM IJ)		<p>Grab, along with existing investors Telekomunikasi Indonesia, BRI Ventures, and Mandiri Capital have committed a total of USD100m in the series B investment of Link Aja, an Indonesian digital payment firm initiated by the SOE digital financial services firm.</p> <p>Upon the completion of the Series B round, TLKM remains the biggest shareholder with 25%, followed by Mandiri Capital (16.3%), and BRI Ventures (13.2%). <i>(Deal Street Asia)</i></p>	<p>The fund-raising has shown the Government's seriousness in developing its own e-wallet, which connects the four large SOE banks.</p> <p>TLKM, being the largest shareholder and coordinator, continues to focus on expanding its digital business, which could be value accretive in the future.</p>	<p>BUY, TP: IDR4,000</p>
Economy		<p>MSCI has released its semi-annual review, and all changes will be made at the close of 30 Nov, effective on 1 Dec. Changes for Indonesia are as follows:</p>	<p>This is positive for the stocks added to the MSCI, such as MDKA, TOWR, BRIS, CARE, FREN, TINS, and EXCL.</p>	<p>MDKA: BUY, TP: IDR 2,000</p>
Merdeka Copper Gold (MDKA IJ)		<ul style="list-style-type: none"> • MSCI Global Standard Indexes List 		<p>HMSP: NEUTRAL, TP: IDR1,950</p>
Hanjaya Mandala Sampoerna (HMSP IJ)		<p>Additions : Merdeka Copper Gold, Sarana Menara Nusantara</p> <p>Deletions : Hanjaya Mandala Sampoerna, XL Axiata</p>		<p>TOWR: NOT RATED</p>
Sarana Menara Nusantara (TOWR IJ)		<ul style="list-style-type: none"> • MSCI Small Cap Indexes List 		<p>BRIS: NOT RATED</p>
BRI Syariah (BRIS IJ)		<p>Additions : Bank BRI Syariah, Metro Healthcare, Smartfren Telecom, Timah, XL Axiata</p> <p>Deletions : Matahari Department Store, Pelayaran Tamarin Samudara, Ramayana Lestari Sentosa, Sawit Sumbermas Sarana <i>(MSCI)</i></p>		<p>CARE: NOT RATED</p>
Metro Healthcare (CARE IJ)				<p>FREN: NOT RATED</p>
Smartfren Telecom (FREN IJ)				<p>TINS: NOT RATED</p>
Timah (TINS IJ)				<p>EXCL: BUY, TP:IDR3,850</p>
XL Axiata (EXCL IJ)				<p>LPPF: NEUTRAL, TP: IDR 1,350</p>
Matahari Department Store (LPPF IJ)				<p>TAMU: NOT RATED</p>
Pelayaran Tamarin Samudara				<p>RALS:</p>

(TAMU IJ)			BUY, TP: IDR900
Ramayana Lestari Sentosa (RALS IJ)			SSMS: NOT RATED
Sawit Sumbermas Sarana (SSMS IJ)			

Top BUYs

	TP (IDR)	Upside (%)	Catalysts
Bank Negara Indonesia (BBNI IJ)	5,600	5	<ul style="list-style-type: none"> Conservative earnings estimate in consensus, with 5M20 numbers already achieving 75% of FY20 estimates (58% of our forecast). This should point to a huge outperformance in 2Q20 results A laggard when compared to peers, at only 0.8x PBV (still near -2SD) vis-à-vis BBKA at 3.55x and BBRI at 1.71x
Telekomunikasi Indonesia (TLKM IJ)	4,000	40	<ul style="list-style-type: none"> Strong data traffic growth on low internet subscriber penetration TLKM is to focus on high-quality customers on lower churn rate (6-7%) with an effective marketing campaign It is the market leader with defensive data demand
Adaro Energy (ADRO IJ)	1,360	19	<ul style="list-style-type: none"> Potential ASP recovery, boosted by a higher level benchmark price for FY21F – we see a better outlook from the global economy Its long-established presence within the South-East Asian coal-fired power plant markets should mean stable coal demand ahead.
Puradelta Lestari (DMAS IJ)	280	19	<ul style="list-style-type: none"> The leader in industrial land sales in Indonesia With Hyundai set to complete its factory by 2021, a lot of firms in its supply chain are eyeing DMAS With the Omnibus Law set to be signed soon, we think DMAS should be a beneficiary, as a lot of investors are waiting for a more simplified law before making an investment decision
Erajaya Swasembada (ERAA IJ)	2,000	8	<ul style="list-style-type: none"> MEI block and stay-at-home policy should boost ERAA's sales volumes and reduce pricing competition, supporting margins, especially for the low-end market We forecast 2021 sales volume to grow 7% – the highest since the 2019 level, as the black market will be no more ERAA sees large growth opportunity in Internet of Things products, especially as it was recently assigned as the sole distributor for Garmin and DJI.

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