INVESTMENT BANKING
Top Indonesia Small Cap Companies

20 Jewels 2023 Edition

RHB

TOP INDONESIA SMALL CAP COMPANIES

20 JEWELS

2023 EDITION

INDONESIA		
Andrey Wijaya	andrey.wijaya@rhbgroup.com	+6221 5093 9846
Bryan Soegianto	bryan.soegianto@rhbgroup.com	+6221 5094 0989
Fauzan Luthfi Djamal	fauzan.djamal@rhbgroup.com	+6221 5093 9994
Ryan Yani Santoso	ryan.santoso@rhbgroup.com	+6221 5093 9843
Vanessa Karmajaya	vanessa@rhbgroup.com	+6221 5093 9888
Wendy Chandra	wendy@rhbgroup.com	+6221 5093 9848

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CONTENTS

List Of Companies By Alphabetical Order

List Of Companies By Industry Classification

Foreword

Dear valued investors,

After risks related to the COVID-19 pandemic toned down, Indonesia's economy began to recover. This capped off a largely positive FY22 – there was a net foreign fund inflow of IDR60.5trn in 2022. However, additional risks from geopolitical tensions – yet unresolved – have further shaken the global macro-economic outlook. A looming risk of recession in developed markets still exists, exacerbated by the US debt ceiling debate. And, when OPEC decided to reduce its production output in early 2023, oil prices experienced a brief shock – further adding to the disruption. However, once the market regained awareness over the oil supply situation – which may have increased underlying jitters due to worries that the developed economies may soon enter a recession – things quickly returned to normal. Yet, glimmers of hope still remain, such as the rebound in China's economic activity following the end of its zero-COVID policy and numerous government incentives to revive the East Asian nation's moribund domestic property sector. Benchmark prices of base metals also moved cautiously despite the weakening USD trend (accompanied by an increase in gold prices), as if to emphasise that support sentiment from other parts of the world are still difficult to manifest, albeit slowly. Despite all these conundrums, Indonesia's overall economy was able to defend itself against external shocks, thanks to a strong trade balance brought on by higher nominal export values from the previous year. This was backed by an increase in consumer spending that has allowed the recovery to continue, with the IMF now guiding for a conservative FY23 GDP growth of 5.0% YoY (RHB's FY23 GDP growth forecast: +4.9% YoY). Our Top 20 Indonesia Small Cap Jewels 2022, which we used as evidence for our thesis last year, generated overall gains of 20% when compared to the JCI's 4.1%.

In carrying on with our long tradition, RHB Research is pleased to present the RHB Top 20 Indonesia Small Cap Jewels 2023 – our 13th edition of this long-term initiative. We highlight 20 small cap firms that have successfully completed our standard corporate governance checklist processes – they also have market caps of roughly USD500m. These companies cover a range of industries including building materials, shipping logistics, property, and consumer (related to tobacco, healthcare, and the automotive sectors). Last but not least, we continue to include some companies in the mining and energy industries, which still have strong fundamentals, ie stable earnings growth from topline turnaround stories. We are confident that, supported further by ongoing economic growth, our small cap jewels will outperform the JCI over the course of the next 12 months (and maintain the handsome gains from prior years).

Long-term gains from the acceleration of cleaner energy should benefit renewable utilities, ie Kencana Energi Lestari and Arkora Hydro (owners and operators of hydropower plants). Additionally, taking into consideration that ESG-based investment themes are becoming a requirement for certain aspects, ie forest products and preservation, we include Integra Indocabinet and Sumalindo Lestari – given growing public awareness on green businesses. The unexpectedly positive trends for 2- and 4 wheelers, which started around this time last year, have persisted – things are going well for both spare part suppliers and auto sellers, eg Dharma Polimetal and Autopedia Sukses. Numerous sectors have also benefited from the domestic economy's resilience, including the: i) Expansion of oil & gas exploration (energy services company Elnusa); ii) preservation of the middle-income segment's purchasing power (Wismilak Inti Makmur in the tobacco, Malindo Feedmill in the poultry, and Jayamas Medika, Prodia Widyahusada, and Victoria Care Indonesia in the personal healthcare industries); iii) restarting of housing projects; and iv) establishment of new businesses in Indonesia (Nusa Raya Cipta in the construction industry, Intiland Development and Surya Semesta in property and industrial estates, and Arwana Citramulia and Semen Baturaja in building materials). Along with the heightened industrial activities, more stable energy is required to cater to the jolt in electricity demand – the Government has decided to increase its national coal output while the development of renewable energy sources remains underway (eg RMK Energy in coal mining and logistics). In a way, this also resulted in heightened demand for the logistics needed to channel the required energy, eg IMC Pelita Logistik in shipping. Lastly, the prolonged uncertainty that still shrouds the global economy has brought back the uptrend in gold prices, which have soared to record levels – which is why we include Wilton Makmur for gold mining.

As we continue our tradition of choosing gems that shine, we hope this 13th edition of our signature product will further solidify our strength in small- and mid-cap research in Indonesia. RHB advises choosing quality laggards and small cap gems from the bottom up before a stronger domestic recovery begins to take shape. We also anticipate the Top 20 Indonesia Small Cap Jewels 2023 to perform better going forward. Finally, we wish you continued good health and prosperity!

Andrey Wijaya
Head of Indonesia Research
RHB Sekuritas Indonesia

Jakarta, 16 May 2023

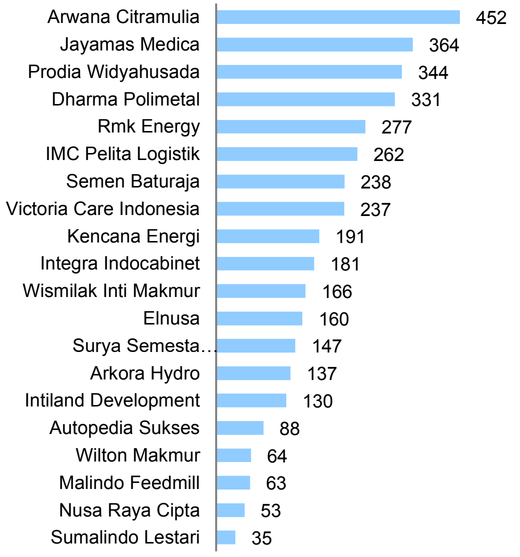
20 Jewels – at a glance

Company name	Rating	Fair Value (IDR)	Current Price (IDR)	Potential Upside (%)	Mkt Cap (USDm)	P/E (x)		P/BV (x)		Div Yield (%)		ROE (%)	
						FY22	FY23F	FY22	FY23F	FY22	FY23F	FY22	FY23F
Arkora Hydro	Non Rated	800	675	19	134	37.5	32.6	5.0	4.3	-	-	18.5	18.7
Arwana Citramulia	Buy	1,370	910	51	453	11.6	9.9	3.7	3.3	6.0	7.4	34.4	33.6
Autopedia Sukses	Non Rated	120	104	15	90	472.1	363.2	2.0	2.0	-	-	0.8	0.5
Dharma Polimetal	Non Rated	1,200	1,045	15	333	12.5	10.3	3.5	2.7	2.0	2.3	32.0	26.5
Elnusa	Non Rated	400	328	22	162	6.3	5.7	0.6	0.5	2.1	2.6	9.6	10.3
IMC Pelita Logistik	Buy	800	710	13	261	6.1	5.7	1.7	1.5	4.4	4.9	32.6	33.1
Integra Indocabinet	Non Rated	600	406	48	177	14.7	N/A	0.7	N/A	1.7	-	4.8	N/A
Intiland Development	Non Rated	296	182	63	128	(19.1)	N/A	0.4	N/A	-	-	(1.9)	N/A
Jayamas Medica	Non Rated	250	198	26	363	18.7	N/A	2.6	N/A	-	-	17.5	N/A
Kencana Energi	Buy	1,380	750	84	186	14.7	7.8	1.2	0.9	0.7	1.2	8.5	9.3
Malindo Feedmill	Non Rated	497	416	19	63	35.5	23.3	0.4	0.4	-	5.3	1.1	3.9
Nusa Raya Cipta	Non Rated	425	320	33	54	10.7	N/A	0.6	N/A	4.7	4.7	6.3	N/A
Prodia Widyahusada	Buy	6,500	5,550	17	353	14.0	13.4	2.3	2.1	4.3	4.2	16.1	16.2
RMK Energy	Non Rated	1,300	910	43	270	10.2	10.3	3.3	2.5	-	-	39.0	24.8
Semen Baturaja	Non Rated	450	378	19	255	39.6	N/A	1.2	N/A	-	-	3.1	N/A
Sumalindo Lestari	Non Rated	328	129	154	36	2.3	N/A	1.5	N/A	-	-	N/A	N/A
Surya Semesta Internusa	Buy	680	456	49	145	12.2	10.8	0.6	0.5	0.0	0.0	4.7	8.9
Victoria Care Indonesia	Non Rated	600	520	15	236	35.7	N/A	4.4	N/A	1.3	-	12.6	N/A
Wilton Makmur	Non Rated	90	63	43	66	N/A	N/A	N/A	N/A	-	-	N/A	N/A
Wismilak Inti Makmur	Non Rated	1,435	1,255	14	179	10.6	9.1	1.7	1.5	1.8	1.8	17.7	N/A

Note: All prices as at 10 May 2023
Note 2: Non-rated stocks FY23F PE are using Bloomberg Estimate EPS
Note 3: na = not available; company booked negative earnings or insufficient data
Source: Bloomberg, RHB

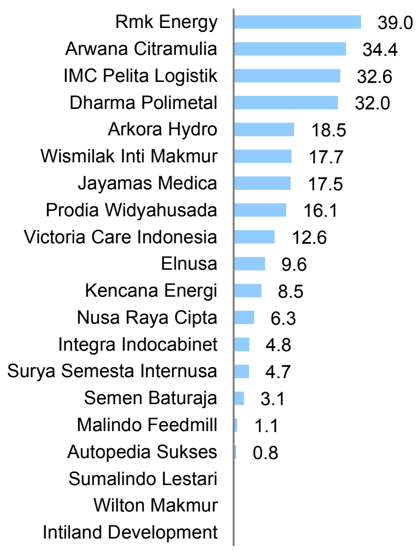
WHAT WE HAVE THIS YEAR

Market capitalisation (USDm)



Source: Bloomberg, RHB

FY22 ROE (%)



Source: Bloomberg, RHB

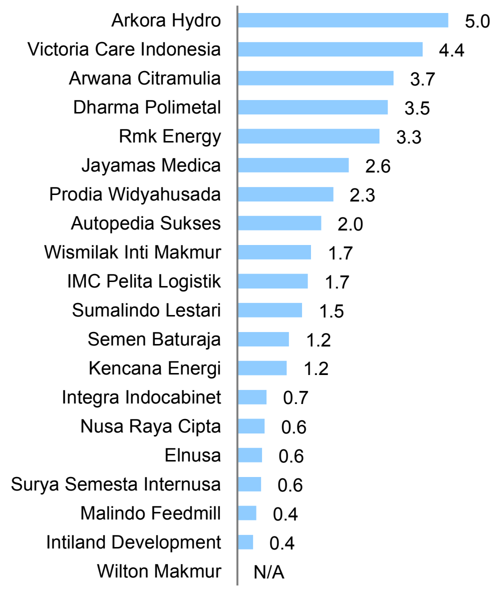
FY23F P/E (x)

Source: Bloomberg, RHB

*Note: *Non rated stocks FY23F PE are Bloomberg consensus number*

N/A = not available; company booked negative earnings or insufficient data

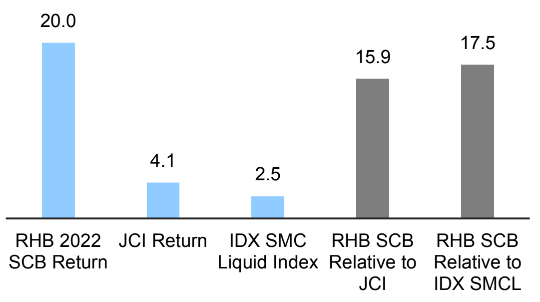
FY22 P/BV (x)



Source: Bloomberg, RHB

A RECAP OF WHAT WE HAD LAST YEAR

RHB 2022 Top 20 small cap stocks' performances vs JCI and IDX SMC Liquid Index (%)

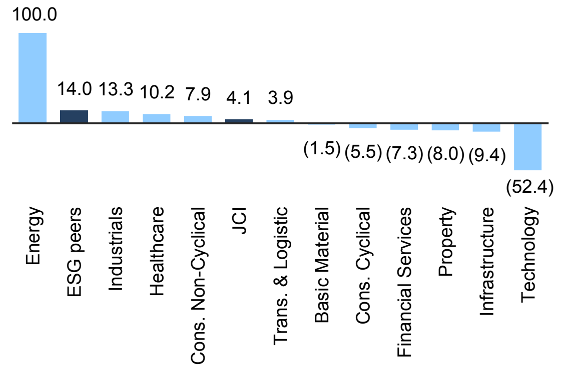


Source: Bloomberg, RHB

Note: RHB 2022 SCB return is weighted average return

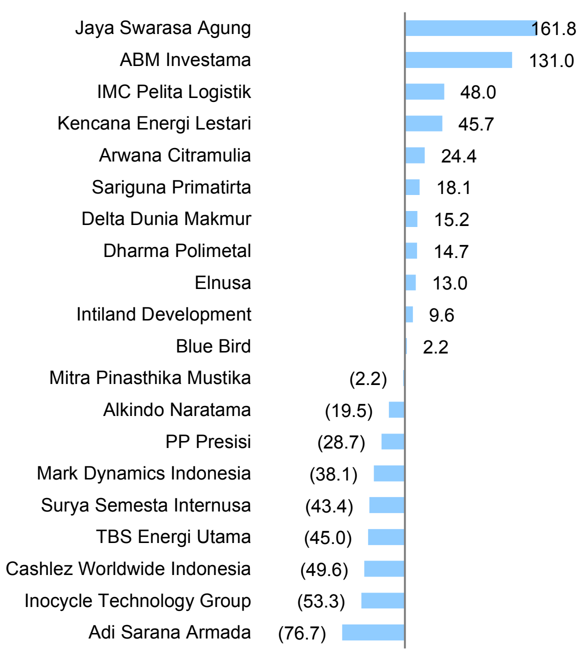
Note: JCI = Jakarta Composite Index, IDX SMCL: Indonesia Stock Exchange Small Mid Cap Liquid Index

Breakdown of the JCI's performance in 2022 (%)



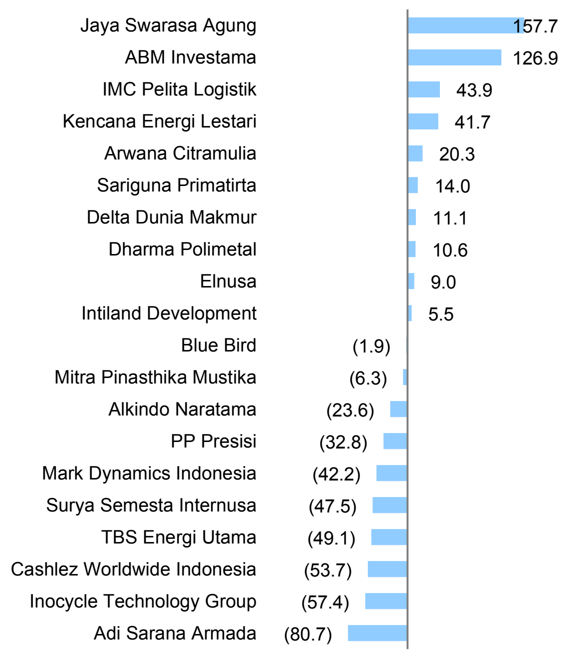
Source: Bloomberg, RHB

Breakdown of RHB 2022 Top 20 small cap stocks' absolute performance (%)



Source: Bloomberg, RHB

Breakdown of RHB 2022 Top 20 small cap stocks' relative performance net of JCI (%)

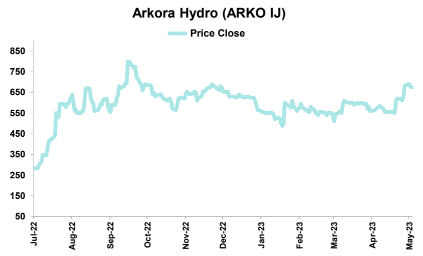


Source: Bloomberg, RHB

Fair Value: IDR800
Price: IDR675

Arkora Hydro

Striving For Cleaner Energy



Source: Bloomberg

Stock Profile

Bloomberg Ticker	ARKO IJ
Avg Turnover (IDR/USD)	3,306m/0.22m
Net Gearing (%)	58
Market Cap (USDm)	131
Beta (x)	1.3
BVPS (IDR)	259
52-wk Price low/high (IDR)	262 - 835
Free float (%)	26

Major Shareholders (%)

Arkora Bakti	47.5
Energia Prima	26.6

Share Performance (%)

	1m	3m	6m	12m
Absolute	15.79	13.79	3.13	N/A
Relative	16.82	15.82	8.04	N/A

Indonesia Research +6221 5093 9888
rhb.id.research@rhbgroup.com

Investment Merits

- Decent business trajectory with positive social and environmental impact
- Synergies with large conglomerates to ensure expansion
- Potential projects from the Government's renewable energy (RE) push.

Company Profile

Arkora Hydro (ARKO) is involved in the setting up and management of hydropower plants in Indonesia. By acquiring new projects and developing existing ones, the company is expanding its hydropower portfolio throughout the country. ARKO's c.55MW expansion pipeline has been included in Perusahaan Listrik Negara's (PLN, as the sole taker of electricity sales in Indonesia) medium-long term plan for additional energy in the future.

Highlights

To join the ecosystem of Astra International (ASII IJ, BUY, IDR7,750). One of ASII's subsidiaries, United Tractors (UNTR IJ, BUY, TP: IDR32,600) has increased its ownership in ARKO to 31.49% for a total cost of IDR176.5bn. This transaction could benefit ARKO in terms of better financing access for future expansions (such as for Arkora Solar Power) and better technical expertise. This transaction also provides a boost to ARKO's sound fundamentals, fair ESG practices, and strong business prospects.

Focusing on RE. ARKO's focus on RE is in line with global initiatives to cut the reliance on carbon fuels. These initiatives will also be a long-term catalyst for the RE industry. ARKO's current capacity is 17MW from hydropower plants (an additional 15.4MW is under construction). In Dec 2022, ARKO, through its subsidiary Arkora Kalimantan Energy Hijau, began developing a large-scale hydroelectric power plant with a capacity of 50MW. In Mar 2023, ARKO set up a new subsidiary, Arkora Padalembara Terbarukan, to assist in the development of hydroelectric projects. The company is targeting to have c.200MW of hydroelectric power plants in its portfolio by 2025.

Company Report Card

Latest results. ARKO booked FY22 topline of IDR248bn (+25% YoY), boosting FY22 EBIT to IDR96bn (+5% YoY). However, operating margin contracted to 39% (FY21 EBIT margin: 46%). Revenue was supported by operational activities from its power plants – mini hydro power plant in Cikopo, West Java (7.4MW), as well as in Tomasa, Central Sulawesi (10MW) – and revenue recognition from the construction (due to the ISAK 16 accounting standard) of its plant in Yaentu, Central Sulawesi (10MW). FY22 pre-tax profit rose to IDR80bn (+6% YoY), while net profit improved to IDR53bn (+8% YoY), with NPM at 21% (FY21 NPM: 25%).

Balance sheet/cash flow. In FY22, ARKO's total assets expanded by 38% YoY to IDR948bn from an increase in capital stock and additional paid-in capital, rather than liabilities. ARKO's net gearing ratio stood at 0.57x (FY21: 1.18x), while its cash position increased to IDR93bn from IDR162bn at end FY22 – mainly from its IPO proceeds. However, cash flow from operations turned negative at -IDR41bn from IDR25.77bn in FY21.

Management. The company is led by President director and founder Aldo Artoko, who started the company in 2009. The company's senior management team consists of three directors who have backgrounds in engineering and business, and a combined 24 years of experience in ARKO.

Investment Case

Fair value of IDR800, derived from FY23F P/BV target of 5x, which is at a premium to its closest peers. The stock has appreciated ahead of its fundamentals since UNTR decided to increase its stake in ARKO. However, we remain optimistic that more value can be unlocked in the future, given its strong pipeline of projects that have been included under the national RE target.

Key risks. ARKO is exposed to the changes in macroeconomic conditions, in the event of an economic downturn. It is also subject to risks of changes in laws and regulations relating to the sectors it is involved in.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (IDRbn)	52	198	248
Reported net profit (IDRbn)	(23)	49	53
Recurring net profit (IDRbn)	(23)	49	53
Recurring net profit growth (%)	(363.0)	(316.4)	7.6
Recurring EPS (IDR)	(15)	32	34
DPS (IDR)	-	-	-
Dividend Yield (%)	-	-	-
Recurring P/E (x)	(45.9)	21.2	19.7
Return on average equity (%)	(17.3)	33.7	18.5
P/B (x)	8.6	6.1	2.6
P/CF (x)	95.0	40.3	(25.2)

Source: Company data, RHB

Balance Sheet (IDRbn)	Dec-20	Dec-21	Dec-22
Total current assets	50	54	183
Total assets	561	689	948
Total current liabilities	18	167	161
Total non-current liabilities	422	351	387
Total liabilities	440	518	548
Shareholder's equity	120	170	399
Minority interest	0	1	1
Other equity	-	-	-
Total liabilities & equity	561	689	948
Total debt	233	218	324
Net debt	208	202	231

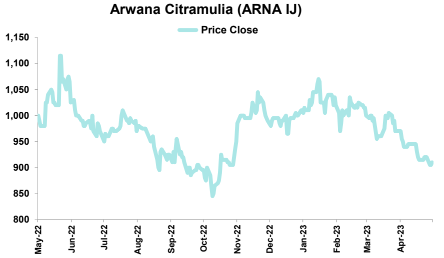
Source: Company data, RHB

Cash Flow (IDRbn)	Dec-20	Dec-21	Dec-22
Cash flow from operations	11	26	(41)
Cash flow from investing activities	(10)	(4)	(15)
Cash flow from financing activities	10	(31)	132
Cash at beginning of period	14	25	16
Net change in cash	11	(9)	77
Ending balance cash	25	16	93

Source: Company data, RHB

Arwana Citramulia

New Plant To Boost Sales Mix



Source: Bloomberg

Stock Profile

Bloomberg Ticker	ARNA IJ
Avg Turnover (IDR/USD)	3866.6m/0.26m
Net Gearing (%)	Net Cash
Market Cap (USDm)	456
Beta (x)	0.70
BVPS (IDR)	254.79
52-wk Price low/high (IDR)	840 - 1120
Free float (%)	48.7

Major Shareholders (%)

Rustandy Tandean	37.3
Suprakreasi Eradinamika	14.1

Share Performance (%)

	1m	3m	6m	12m
Absolute	(5.67)	(10.29)	(7.11)	(8.50)
Relative	(4.67)	(8.30)	(2.23)	(7.43)

Andrey Wijaya +6221 5093 9846
andrey.wijaya@rhbgroup.com

Investment Merits

- Robust cash pile, high dividend yields
- Strong market share, huge potential in high-income market segment
- New plant has commenced operations in April
- To benefit from the minimum local content regulation

Company Profile

Arwana Citramulia is a ceramic tile producer targeting the low- to middle-income segment. It has an annual production capacity of 69m sqm. The company operates two plants in Western Java, two in Eastern Java, and one in South Sumatra.

Highlights

Despite its aggressive expansions being funded by internal cash, dividends are still lucrative. ARNA intends to construct three new plants between 2023 and 2025, increasing its capacity by 14m sqm, or c22% from its end-2022 production capacity. The capex, estimated at IDR1trn, will be funded by internal cash. It intends to maintain its attractive dividend yields (FY23F yield is c.6%) in FY23F. Note that ARNA has no long-term debt, and is in a net cash position. Good working capital management, such as maintaining low inventory levels and matching payable and receivable payment terms, has led to the company having a robust balance sheet.

Strong market share. ARNA has a strong market position in the mid- to low-end ceramic tile segment. Its sales mix has improved significantly, and tile sales for its higher-end segment's porcelain ceramic products under the "ARNA" brand should secure better margins going forward. ARNA plans to increase the contribution of its high-end ceramic tile sales to 9% of total sales in 2023F, and to 13% in 2024F (from 4% in 2022). As a result, it should see a better sales mix and higher GPM. Management noted that while its high-end porcelain ceramic tiles' selling prices are steeper than that of its competitors, demand remains robust. It attributed this to its attractive, trendy designs that competitors (which import tiles) cannot match up to.

Expanding to a higher-income market segment. In early April, management stated that its Plant 5C (in Mojokerto, East Java) has been completed. The plant will produce ARNA's high-end glazed porcelain product. The addition has increased its production capacity to 68.77m sqm pa. ARNA says its distribution network is ready to market this high-end product. The company also aims to construct a new facility within the next two years, increasing its output to 78m sqm pa. For FY23F, it expects sales volumes to increase by 8% YoY (FY22: 66.6m sqm; -1.6% YoY)

To take advantage of the minimum local content regulation for government projects. We believe ARNA will benefit from government projects, such as the construction of civil workers' housing in the new capital city, as well as subsidised houses, as these projects – which are based on state Budget expenditures – are required to use a certain percentage of local content.

New plant to commence operations, boosting sales mix. ARNA's new plant (5C), with a capacity of 4.4m sqm, will produce high-end porcelain ceramic, increasing its capacity by 7%. This should improve its sales mix and ASPs. However, it expects COGS/unit to rise due to the weaker IDR. The company anticipates porcelain ceramic sales to contribute 9% of total sales in 2023 (up from 4% in 2022).

Company Report Card

Latest results. Full-year earnings grew by 22.4% YoY to IDR576bn, meeting 97% and 99% of our and consensus full-year estimates. Note that 4Q23 earnings contracted by 22.8% QoQ (-4.5% YoY) to IDR118bn due to: i) Quarterly sales volumes falling 9.6% QoQ (-15.4% YoY) to 15.0m sqm; ii) Higher COGS per unit, which rose 3.8% QoQ (-2.4% YoY) to IDR23,509/sqm. We believe the lower sales volume was driven in part by weak consumer spending in the low-income segment, as a result of accelerated inflation, due to the fuel price hike in Sep 2022. Meanwhile, the rising COGS per unit was driven by a weaker IDR, as the majority of production costs are indirectly related to the USD.

Dividend. On 14 Mar, ARNA distributed its FY22 cash dividends of IDR55 per share (+22% YoY), implying 6% yield (vs an 8-year average of 3%) with a payout ratio of 70% (vs 8-year average of c.60%).

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

Investment Case

We maintain BUY and IDR1,350 TP, with 50% upside and c.6% yield. Our TP reflects 16.5x and 14.6x FY23F-24F P/E. Our TP includes a 6% ESG premium applied to ARNA's intrinsic value, as the company's ESG score is above the country median. Steady improvements to its sales mix from the growing higher-end segment ceramics' "ARNA" tile sales should secure better margins in the future.

Key risks. The weaker IDR should increase ARNA's production costs, as c.60% of costs are USD-related. Other downside risks are slower economic growth, as well as weaker consumer spending, especially in the low-end segment which is impacted by the high inflationary environment.

Profit & Loss	Dec-22	Dec-23F	Dec-24F
Total turnover (IDRbn)	2,587	2,807	3,117
Reported net profit (IDRbn)	564	614	692
Recurring net profit (IDRbn)	560	611	688
Recurring net profit growth (%)	20.2	9.1	12.6
Recurring EPS (IDR)	76	83	94
DPS (IDR)	45	55	58
Dividend Yield (%)	4.9	6.0	6.4
Recurring P/E (x)	12.0	11.0	9.8
Return on average equity (%)	33.4	33.3	34.4
P/B (x)	3.7	3.6	3.1
P/CF (x)	16.9	14.5	12.3

Source: Company data, RHB

Balance Sheet (IDRbn)	Dec-22	Dec-23F	Dec-24F
Total current assets	1,602	1,431	1,709
Total assets	2,579	2,402	2,671
Total current liabilities	686	443	448
Total non-current liabilities	60	60	60
Total liabilities	746	502	508
Shareholder's equity	1,804	1,871	2,134
Minority interest	29	29	29
Other equity	-	-	-
Total liabilities & equity	2,579	2,402	2,671
Total debt	50	50	50
Net debt	Net Cash	Net Cash	Net Cash

Source: Company data, RHB

Cash Flow (IDRbn)	Dec-22	Dec-23F	Dec-24F
Cash flow from operations	397	462	544
Cash flow from investing activities	(92)	(96)	(101)
Cash flow from financing activities	(295)	(402)	(428)
Cash at beginning of period	603	600	568
Net change in cash	10	(36)	15
Ending balance cash	600	593	810

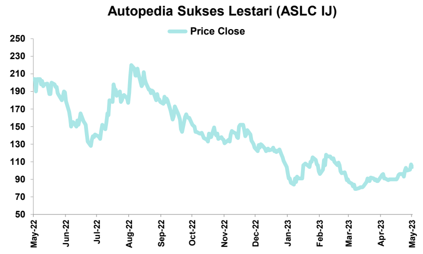
Source: Company data, RHB

Fair Value: IDR120

Price: IDR109

Autopedia Sukses Lestari

Earnings Recovery Still In Drive Mode



Source: Bloomberg

Stock Profile

Bloomberg Ticker	ASLC IJ
Avg Turnover (IDR/USD)	4996.48m/0.34m
Net Gearing (%)	Net Cash
Market Cap (USDm)	94
Beta (x)	0.8
BVPS (IDR)	53
52-wk Price low/high (IDR)	77 - 224
Free float (%)	20

Major Shareholders (%)

Adi Sarana Armada	77.6

Share Performance (%)

	1m	3m	6m	12m
Absolute	14.74	13.54	(17.42)	(46.57)
Relative	15.73	15.53	(12.55)	(45.50)

Andrey Wijaya +6221 5093 9846
andrey.wijaya@rhbgroup.com

Investment Merits

- The market for used cars is huge and continues to grow
- Leading automotive auction marketplace in Indonesia
- Retail business expansion to support earnings growth
- Quarterly earnings turnaround

Company Profile

Autopedia Sukses Lestari (ASLC), founded in 2013, is part of the Adi Sarana Armada Group (ASSA). This used vehicle trading company was listed on the Indonesia Stock Exchange in early 2022. ALSC buys and sells used vehicles in business-to-business (B2B), consumer-to-consumer (C2C) and business-to-consumer (B2C) platforms, and aims to be the most trusted omnichannel automotive marketplace. It now owns Indonesia's largest marketplace ecosystem for buying and selling used vehicles. It has two main businesses, and one is an automotive auctioneer called JBA BidWin (KBA), which runs both offline and online (hybrid) auctions. JBA BidWin is Indonesia's largest auction house, with 37 branch offices across the country. ASLC also operates an online-to-offline (O2O) car dealer business under the Caroline.id brand, which currently has 10 showrooms. Caroline.id also uses JBA and ASSA networks as purchasing points. Caroline.id showrooms should expand, in view of the great growth potential of Indonesia's used vehicle trade.

Highlights

Massive, consistently growing market for used cars. Despite decelerating economic activity and externalities that have shaken the auto industry, Indonesia's used car market has continued to grow. According to Ken Research, the used car industry in Indonesia is expected to expand at CAGRs of 15.7% in terms of gross transaction value and 14.2% in terms of sales volume over 2020-2025. Furthermore, according to Redseer.com, the ratio of used car sales to new car sales in Indonesia was the highest in ASEAN at 3.3x, compared to 1.9x in Thailand and 1.8x in Malaysia (as of 2019).

Leading automotive auction marketplace in Indonesia. JBA sold 44k units of the approximately 120k cars auctioned nationwide, implying a 40% market share in the national auction market in 2020. JBA's assets are primarily cars and motorcycles seized by financial institutions (leasing companies), accounting for roughly 70% of units sold. This is followed by dealer inventory vehicles (20%) and ASSA's fleet (10%), with the majority of its customers being small dealers. ASLC can strive for long-term cost savings by collaborating in a mutually beneficial relationship with key suppliers. As a result, JBA is more B2B-oriented. It also offers dynamic, personalised, and financing offers from multiple finance and insurance providers to vehicle buyers.

Retail business expansion to support earnings in the future. In early 2022, ASLC launched Caroline, a digital dealer platform for used cars that uses a C2C and B2C model. Caroline's platform/system was previously operated by its sister company, Caroline Karya Teknologi (CKT), and was purchased by the ASLC in Nov 2021. The platform will include physical showrooms as well as an online channel (O2O). Caroline will buy cars, then resell them to end-users (selective/premium used cars) and to JBA for auction (normal used cars). We see this as the development of new solutions, broadening the scope of the used-car ecosystem. Caroline anticipates generating additional revenue through partnerships with multi-finance companies that provide loans to its customers, as well as revenue from other services such as insurance.

Company Report Card

Latest results. ASLC's earnings turned positive, and were at IDR10.4bn in 4Q22. It recorded net losses in the previous two quarters (3Q22: -IDR4.7bn, 2Q23: -IDR3.9bn). 4Q22 topline accelerated to IDR172bn (+15% QoQ), much higher than in 3Q22 and 2Q22 (IDR149bn and IDR90bn), as its O2O used car unit (Caroline) saw a 22% QoQ increase in revenue to IDR135bn. This more offset a 3% decline in revenue at the auction unit (JBA) to IDR36.5bn. The EBITDA margin began to improve to 4.0% in 4Q22, after falling to 2.8% in 3Q22 due to a higher Caroline revenue contribution (Caroline's GPM is lower than JBA's). These metrics, along with strong other operating income (primarily penalty income chalked by JBA) and finance income, helped ASLC post positive earnings in 4Q22.

Balance sheet/cash flow. ASLC's cash increased to IDR396bn (+350% YoY) at the end of Dec 2022, thanks to IDR653bn earned in IPO proceeds. ASLC has no bank loans or fixed income loans. Meanwhile, other payables to affiliated companies fell to IDR64bn at the end of Dec 2022, from IDR228bn in end-Dec 2021.

Dividends. According to its IPO prospectus, ASLC's dividend payout policy is a maximum of 40% of earnings from the previous year. However, due to the current aggressive expansion mode, we anticipate that dividends will be minimal in the coming years.

Management. Jany Candra, the company's President Director, has over 16 years of experience working in the automotive industry. Meanwhile, ASLC's Director, Deborah Debyanti Sugiarto, has over twenty years of extensive experience in finance and has held managerial positions in several leading companies.

Investment Case

Valuation. We assigned 5.6x 2023 P/S to JBA, in line with its Thai auction peer Auction Union's (AUCT TB, NR) valuation, and 1.5x 2023 P/S to Caroline, in line with the valuations of China O2O peers' – this led to a fair value of IDR120.

Key risks: i) An increase in interest rates, which may increase financing costs and slow vehicle sales growth; and ii) increased industry competition, as many companies, including Carsome, Carmudi, OLX Autos, and Mobile88, have entered the vehicle platform business.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (IDRbn)	188	178	480
Reported net profit (IDRbn)	21	10	0
Recurring net profit (IDRbn)	21	10	0
Recurring net profit growth (%)	24.7	(49.1)	(95.4)
Recurring EPS (IDR)	2	1	0
DPS (IDR)	-	-	-
Dividend Yield (%)	-	-	-
Recurring P/E (x)	63.9	125.6	2,758.1
Return on average equity (%)	12.9	10.7	0.1
P/B (x)	8.0	41.4	2.0
P/CF (x)	10.8	(43.5)	4.3

Source: Company data, RHB

Balance Sheet (IDRbn)	Dec-20	Dec-21	Dec-22
Total current assets	171	124	490
Total assets	413	389	790
Total current liabilities	154	308	70
Total non-current liabilities	17	19	14
Total liabilities	171	327	85
Shareholder's equity	164	32	672
Minority interest	79	30	33
Other equity	-	-	-
Total liabilities & equity	413	389	790
Total debt	-	-	-
Net debt	Net Cash	Net Cash	Net Cash

Source: Company data, RHB

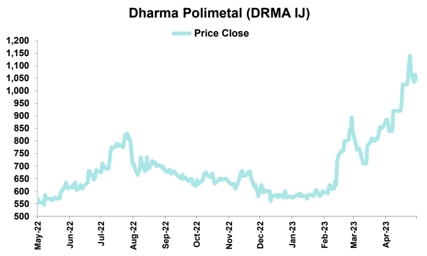
Cash Flow (IDRbn)	Dec-20	Dec-21	Dec-22
Cash flow from operations	122	(1)	(42)
Cash flow from investing activities	(110)	(238)	(47)
Cash flow from financing activities	(36)	209	397
Cash at beginning of period	142	118	88
Net change in cash	(24)	(30)	308
Ending balance cash	118	88	396

Source: Company data, RHB

Dharma Polimetal

Solid Strategy To Grab New Market

Fair Value: IDR1,200
Price: IDR1,035



Source: Bloomberg

Stock Profile

Bloomberg Ticker	DRMA IJ
Avg Turnover (IDR/USD)	9491.55m/0.64m
Net Gearing (%)	23
Market Cap (USDm)	330
Beta (x)	1.1
BVPS (IDR)	295
52-wk Price low/high (IDR)	540 – 1,160
Free float (%)	15

Major Shareholders (%)

Dharma Anugerah	47.6
Triputra Investindo Arya	14.2

Share Performance (%)

	1m	3m	6m	12m
Absolute	16.95	73.95	62.99	81.58
Relative	17.95	75.94	67.87	82.65

Andrey Wijaya +6221 5093 9846
andrey.wijaya@rhbgroup.com

Investment Merits

- Key beneficiary of the Government's local content mandate for electric vehicle (EV) incentives
- Toyota/Daihatsu's new contracts should boost 4-wheeler (4W) spare parts sales
- Trimitra Chitrahasta's (TCH) acquisition should strengthen its position in the 2-wheeler (2W) components market
- Solid strategy for forming an alliance with major 4W manufacturers with a substantial market share in specialised spare parts

Company Profile

Dharma Polimetal (DRMA) is an automotive component manufacturer with subsidiaries specialising in component production (member suspension, fasteners, body parts and mufflers). It is in an excellent position to capture a significant position in the national manufacturing industry, particularly in the member suspension parts market, where it holds a c.75% share. Triputra Group owns a 71.9% stake in DRMA. Apart from the six subsidiaries (majority ownership) that comprise the company's group structure, DRMA also has two exclusive collaborations with well-known global manufacturers (minority ownership, with c.49% shares) – Japan's Sankei Giken (through Sankei Dharma Indonesia) and South Korea's Kyungshin (through Dharma Kyungshin Indonesia) – solidifying its reputation as a leading auto parts manufacturer in Indonesia.

Highlights

One of the key beneficiaries of EV incentive requirements for local contents. DRMA sees numerous opportunities in supplying 2W and 4W EV spare parts. According to DRMA, a number of 2W spare parts manufacturers have placed orders. Government regulations requiring a minimum of 40% local components for EV incentives are advantageous to the company. GPM of EV spare parts is greater than that of conventional vehicles, but the volume is still small.

4W spare parts revenue should increase, boosted partly by new Toyota/Daihatsu new contracts. 90% of the new manufacturing facility dedicated to Toyota and Daihatsu by DRMA has been constructed, with plans to begin production in 2H23. The company expects this facility to generate IDR200bn in annual revenue (IDR50bn revenue in 2023 for half year production). Using proceeds from the IPO, construction of the manufacturing facility will cost IDR239bn.

The acquisition of TCH should increase DRMA's 2W spare parts market share. DRMA recently acquired 72.75% of TCH, an automotive component manufacturer specialising in metal stamping, welding, and bending. The latter's products include 2W, 4W, and commercial vehicle OEM. This acquisition will strengthen DRMA's position as a supplier of

2W replacement parts for Yamaha and Suzuki. Consequently, DRMA, which has Honda as a client for 2W, will also have a strong position in Yamaha and Suzuki. DRMA intends to increase the profitability of TCH because its current GPM is significantly lower than its own.

To capture robust momentum in wholesale 4W sales. Despite current obstacles (high inflation due to soaring fuel prices and still weak consumer spending), we remain optimistic about Indonesia's economic recovery. This is evidenced by the fact that the number of 4W vehicles sold in January (+12% YoY; 94,087 units) was significantly higher than the pre-pandemic monthly average. A similar positive trend was also observed in the 2W market. Consequently, DRMA has significant growth potential.

Gains support from strategic alliances. DRMA is a trusted partner of well-known global manufacturers such as Sankei Ginken and Kyungshin – the latter primarily supplies its products to Hyundai, which has begun to increase 4W vehicle production in Indonesia. Hyundai now has the largest domestic hybrid vehicle market share. Additionally, DRMA has begun to produce EV components and made some preparations at its manufacturing facility.

Company Report Card

Latest results. Core earnings for FY22 increased 86.5% YoY to IDR397bn. The revenue contribution of 4W spare parts increased to 29.3% in 2022 (from 22.1% in 2021) due to increased sales of spare parts to Hyundai. In 2022, GPM for 4W spare parts increased to 16.2% from 12.3% in 2021.

Balance sheet/cash flow. As at Dec 2022, DRMA's net gearing ratio stood at 0.22x (FY21: 0.19x). Meanwhile, its working capital is manageable – surplus cash from operating activities (FY22's IDR407bn vs FY21's IDR357bn) indicates strong growth of its ongoing business in line with the growth of the country's vehicles market.

Dividends. Based on its last closing price, DRMA will distribute dividends with a potential yield of 2.3% (or approximately IDR21 per share) in 2023. 25% is the dividend payout ratio. Management stated that it intends to maintain stable dividend yields in the future.

Management. The senior management team of DRMA consists of four directors with an average of over 30 years of industry experience. The company is led by Irianto Santoso, its CEO. Prior to assuming this role, Irianto held various senior positions within the organisation. Additionally, he worked for Astra Group.

Investment Case

Valuation. DRMA trades at approximately 9.6-8.5x P/E to FY23F-24F EPS, according to consensus estimates. We place a fair value of IDR1,200 per share for this stock, which corresponds to 12.5-11.1x P/Es for FY23F-24F. DRMA offers attractive ROEs of 24.6-23.7% for FY23F-24F.

Key risks: An economic slowdown in Indonesia and rising prices for steel and other basic materials.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (IDRbn)	1,875	2,913	3,905
Reported net profit (IDRbn)	19	301	394
Recurring net profit (IDRbn)	19	301	394
Recurring net profit growth (%)	N/A	1,492.8	30.9
Recurring EPS (IDR)	4	64	84
DPS (IDR)	-	25.6	33.5
Dividend Yield (%)	-	4.2	5.4
Recurring P/E (x)	153.1	9.6	7.3
Return on average equity (%)	3.5	37.3	31.7
P/B (x)	5.7	2.7	2.1
P/CF (x)	387.2	8.3	(13.1)

Source: Company data, RHB

Balance Sheet (IDRbn)	Dec-20	Dec-21	Dec-22
Total current assets	668	1,346	1,361
Total assets	1,619	2,537	2,683
Total current liabilities	698	1,098	1,055
Total non-current liabilities	389	357	225
Total liabilities	1,087	1,455	1,281
Shareholder's equity	509	1,074	1,390
Minority interest	23	8	12
Other equity	0	0	1
Total liabilities & equity	1,619	2,537	2,683
Total debt	566	626	515
Net debt	498	210	320

Source: Company data, RHB

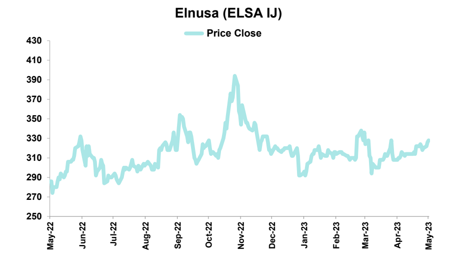
Cash Flow (IDRbn)	Dec-20	Dec-21	Dec-22
Cash flow from operations	161.7	337.6	186.9
Cash flow from investing activities	(196.4)	(207.6)	(201.6)
Cash flow from financing activities	42.1	216.7	(205.5)
Cash at beginning of period	61.1	68.6	415.3
Net change in cash	7.5	346.7	(220.1)
Ending balance cash	68.6	415.3	195.1

Source: Company data, RHB

Elnusa

Fair Value: IDR400
Price: IDR326

Seeing Improvements Post Pandemic



Source: Bloomberg

Stock Profile

Bloomberg Ticker	ELSA IJ
Avg Turnover (IDR/USD)	9,946m/0.67m
Net Gearing (%)	Net Cash
Market Cap (USDm)	161
Beta (x)	1.1
BVPS (IDR)	564
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	5.16	3.82	(10.44)	13.99
Relative	6.20	5.85	(5.53)	15.09

Indonesia Research +6221 5093 9888
rhb.id.research@rhbgroup.com

Investment Merits

- Beneficiary of improving upstream oil & gas (O&G) activities
- Solid strategies for margin improvement
- Harnessing synergies with Pertamina

Company Profile

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

Highlights

Pace of O&G investments improving post pandemic, as seen from the funds coming in to the sector (c.USD12bn in total for FY22; +13% YoY). There has also been an increase in the number of O&G exploration activities (FY22 well drilling exploration: 30, with total investment at c.USD800m; +33% YoY). Indonesia's upstream regulator, SKK Migas has stated that although there are still some challenges – in terms of the readiness and availability of drilling and well maintenance equipment – they were still optimistic on the improvements in exploration activities. SKK Migas has an FY23 exploration drilling target of 57 activities (c.USD2bn investment). This positive sentiment should provide a boost for ELSA's business, aside from the increase in demand for O&G services – especially after the global alert on COVID-19 was lifted – and should result in better service rates ahead for ELSA.

Ongoing strategies for margin improvement, with the company still selectively seeking high-margin contracts. Currently, 30% of its total contracts are on 6-month contracts, 40% on 1-month contracts, and the rest are longer-term contracts for periods of over one year. Pertamina remains ELSA's largest contributor, accounting for 79% of ELSA's total revenue in 2022 (FY21: 76%). The resilience of the domestic economy (FY23F GDP at 4.5-5.3% YoY) also ensures stable demand for fuel logistics throughout the region (this business accounts for 59% of ELSA's total topline), providing another layer of support for the company, aside from the increased productivity seen in its well services, workover, as well as seismic businesses.

Focus for 2023. Management expects the optimism in the sector to continue, despite the transitional period ahead of the presidential elections. Management has earmarked IDR500bn for FY23 capex (c.46% for equipment maintenance for land seismic and well conservation activities, c.35% for hydraulic workover and revitalisation of liquified gas terminals, and the rest for supporting services).

Company Report Card

Results highlights. ELSA booked FY22 topline of IDR12.3trn (+51% YoY), mainly driven by the distribution & logistics segment, followed by the upstream & support services divisions. Costs were also higher (most notably from employees' salaries and sub-contract services), in tandem with strong revenue growth – FY22 GPM contracted to 7.4% (FY21: 7.9%). However, the strong topline achievement brought ELSA's overall net earnings to IDR378bn (+247% YoY).

Balance sheet/net cash position. In FY22, ELSA was in a net cash position of c.IDR250bn, owing to strong cash flow and debt repayment during the previous year. ROE was at c.9.6% (5-year average: 7.8%).

Dividends. From FY16 to FY22, DPS ranged from IDR5-12, equivalent to an average annual dividend yield of c.3%. There is possibility of higher yields this year (ex-date usually in July), given its stellar FY22 net profit achievement. With a dividend payout ratio of 40-50%, estimated yields could reach c.7%.

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

Investment Case

We believe ELSA will continue to benefit from the increase in upstream activities this year. Coupled with synergies with Pertamina, this should provide a competitive advantage for the company.

Fair Value: We believe financial conditions will be better in 2023, as the company continues to see positive sentiment post pandemic. Management expects ELSA's topline to move up by c.12% YoY, with an earnings growth target of +14% YoY. Our FY23F EV/EBITDA target is at c.2x, resulting in a fair value of IDR400.

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

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (IDRbn)	7,727	8,137	12,306
Reported net profit (IDRbn)	249	109	378
Recurring net profit (IDRbn)	249	109	378
Recurring net profit growth (%)	(30.1)	(56.3)	247.7
Recurring EPS (IDR)	287	665	395
DPS (IDR)	12.2	10.2	7.5
Dividend Yield (%)	3.7	3.1	2.3
Recurring P/E (x)	1.1	0.5	0.8
Return on average equity (%)	6.7	2.9	9.2
P/B (x)	0.6	0.6	0.6
P/CF (x)	2.6	2.2	1.6

Source: Company data, RHB

Balance Sheet (IDRbn)	Dec-20	Dec-21	Dec-22
Total current assets	4,217	4,447	5,287
Total assets	7,563	7,235	8,836
Total current liabilities	2,573	2,561	3,532
Total non-current liabilities	1,248	895	1,187
Total liabilities	3,822	3,457	4,719
Shareholder's equity	3,739	3,777	4,116
Minority interest	2	2	2
Other equity	0	0	0
Total liabilities & equity	7,563	7,235	8,836
Total debt	1,753	1,132	1,405
Net debt	522	(13)	(252)

Source: Company data, RHB

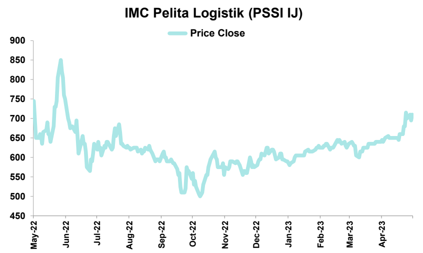
Cash Flow (IDRbn)	Dec-20	Dec-21	Dec-22
Cash flow from operations	928	1,105	1,461
Cash flow from investing activities	(483)	(361)	(388)
Cash flow from financing activities	(69)	(833)	(587)
Cash at beginning of period	856	1,232	1,145
Net change in cash	376	(87)	512
Ending balance cash	1,232	1,145	1,657

Source: Company data, RHB

Target Price: IDR800
Price: IDR710

IMC Pelita Logistik

Sailing Through With Fair Tailwinds



Source: Bloomberg

Stock Profile

Bloomberg Ticker	PSSI IJ
Avg Turnover (IDR/USD)	472.68m/0.03m
Net Gearing (%)	Net Cash
Market Cap (USDm)	257
Beta (x)	0.62
BVPS (IDR)	470
52-wk Price low/high (IDR)	490 - 865
Free float (%)	18

Major Shareholders (%)

Indoprima Marine	48.4
Kendilo	4.8

Share Performance (%)

	1m	3m	6m	12m
Absolute	8.53	12.00	21.74	(6.04)
Relative	9.56	14.03	26.65	(4.93)

Indonesia Research +6221 5093 9888
rhb.id.research@rhbgroup.com

Investment Merits

- Beneficiary of an upcycle in commodity prices
- Imbalance of supply vessels in the industry leading to higher shipping rates
- Ample support from cash availability to support the expansion

Company Profile

IMC Pelita Logistik (PSSI), formerly known as 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

PSSI is one of the largest domestic shipping companies in terms of fleet size, with mixed exposure from tug boats (T&B), mother vessels (MV), and floating loading facilities (FLF). All its segments are now operating at utilisation rates exceeding 90% post-pandemic. Given the current surging demand, rates were increased – providing a support for future topline. Coal accounts for c.70% of the company's total delivered volume of commodities, while the remaining c.30% is from nickel, bauxite, clinker, and others. However, the proportion of contribution from each business segment to revenue is quite similar – T&B: 34%, MV: 31%, and FLF: 35%. PSSI caters for both domestic and international routes, ie Russia and Middle East countries.

Topline prospects are still strong, with most shipping contracts now linked to a long-term base – c.2 years or more, with coal shipment remaining the core business – with fairly high rates compared to previous years. The current rate is c.USD2.50 per tonne for T&B and c.USD8 per tonne for MV. Coal price fluctuations should not have a significant impact on shipping companies, while fuel price increases can be managed via renegotiations with customers, with the companies able to maintain margins. For coal-mining companies, the higher shipment costs are insignificant to their overall margins.

Near-term plan to minimise volatility. PSSI is continuing its efforts to expand in stages its non-coal portion to reach 50% of the company's total transportation by 2025. Thanks to a sturdy balance sheet and healthy cashflow, PSSI targets adding 6-10 vessels per year, with another 10 to be added in 2028. Total capex spent is c.USD42m on average annually for 2022-2028.

Company Report Card

Results highlight. PSSI's FY22 revenue increased 10% YoY to USD119m, – in line with our full-year estimates on better shipping rates – with EBITDA margin improving to 41% in FY22 (vs 38% in FY21). Although there is a possibility of normalising coal price, we believe PSSI can handle the risk by managing the combination between freight charters. With a bunker adjustment factor applied to freight rates, the company's earnings recovery would continue in FY23.

Relatively low debt position. The group operates at current net cash of c.USD21m and a debt-service coverage ratio of c.3x. As for expansion plans, management has a prudent approach in growing its fleet – by being disciplined in capacity building and focusing 2023's capex on repair and maintenance works (USD31m; +19% YoY). The company continues to monitor business and commodity cycles, and seeks opportune timing to acquire vessels at reasonable prices.

Dividends. PSSI has a proven track record of paying dividends. From FY18-22, dividends per share ranged from IDR5-28 with an average of 4%. The DPR was 15-45%.

Management. Alex Iriawan Ibarat was appointed the company's president director in 2015. He currently serves as managing director of PSSI's Indonesia business unit and country head for the IMC group. Alex 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. PSSI should further manage the combination between freight charters – with a bunker adjustment factor applied to freight rates if fuel costs change dramatically. The flexibility to perform more time charters, where 100% of fuel costs are borne by the customer, would help insulate its business from oil prices volatility.

Valuation. Our IDR800 TP is based on a relative valuation, with an additional discount of 15% applied to account for liquidity and a 2% ESG discount from the average 7x FY23 P/E of its domestic T&B operator peers. This translates to a FY23 P/E of 5.8x. At the current valuation, the company trades at a FY23 P/E of 4.3x and FY23 EV/EBITDA of 2.8x, with a P/BV of 1.2x – which is relatively low compared to its domestic peers. We believe PSSI still has some upside from the aforementioned attributes and hence, trades at undemanding valuations vs domestic peers, with a relatively high ROE (c.30%).

Key risks include dependency on coal transportation, economic growth slowdown affecting demand for commodities, and high fuel prices that can dampen freight rate margins.

Profit & Loss	Dec-22	Dec-23F	Dec-24F
Total turnover (USDm)	119	129	146
Reported net profit (USDm)	42	48	50
Recurring net profit (USDm)	42	48	50
Recurring net profit growth (%)	69.6	13.9	4.9
Recurring EPS (IDR)	120	138	135
DPS (IDR)	28.0	27.0	31.0
Dividend Yield (%)	4.0	3.9	4.4
Recurring P/E (x)	5.8	5.1	5.2
Return on average equity (%)	29.1	27.1	24.0
P/B (x)	1.8	1.5	1.3
P/CF (x)	30.8	128.6	(10.4)

Source: Company data, RHB

Balance Sheet (USDm)	Dec-22	Dec-23F	Dec-24F
Total current assets	59	102	119
Total assets	179	213	248
Total current liabilities	27	24	28
Total non-current liabilities	7	11	9
Total liabilities	33	35	37
Shareholder's equity	145	177	210
Minority interest	1	0	0
Other equity	0	0	0
Total liabilities & equity	179	213	248
Total debt	9	13	13
Net debt	Net Cash	Net Cash	Net Cash

Source: Company data, RHB

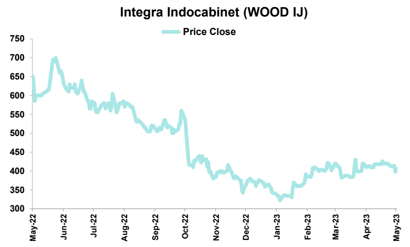
Cash Flow (USDm)	Dec-22	Dec-23F	Dec-24F
Cash flow from operations	8	67	61
Cash flow from investing activitie	31	(18)	(36)
Cash flow from financing activitie	(30)	(16)	(18)
Cash at beginning of period	22	31	33
Net change in cash	9	2	(26)
Ending balance cash	31	33	7

Source: Company data, RHB

Integra Indocabinet

Time To Recover

Fair Value: IDR600
Price: IDR406



Source: Bloomberg

Stock Profile

Bloomberg Ticker	WOOD IJ
Avg Turnover (IDR/USD)	3,198m/0.22m
Net Gearing (%)	66.6
Market Cap (USDm)	178
Beta (x)	1.2
BVPS (IDR)	589.5
52-wk Price low/high (IDR)	312 - 720
Free float (%)	26

Major Shareholders (%)

Integra Indo Lestari	71.0

Share Performance (%)

	1m	3m	6m	12m
Absolute	(0.97)	5.70	3.03	(34.19)
Relative	0.12	7.78	7.99	(33.04)

Indonesia Research +6221 5093 9888

rhb.id.research@rhbgroup.com

Investment Merits

- Benefiting from the US-China trade war, as well as the anti-dumping duty (AD) and countervailing duty (CVD) implementation on China's timber products
- Largest vertically-integrated timber products manufacturer
- Cheaper and abundant certified logs availability to support its margin expansion

Company Profile

Integra Indocabinet (WOOD) is involved in forest concessions and manufacturing wood furniture and building components. It is the biggest vertically integrated manufacturer of furniture and building component products in Indonesia. The company's key competitive advantage lies in its >30 years of experience in the industry and strategic location, where it has access to an abundant supply of raw materials.

Highlights

US-China trade war and AD and CVD in China still present growth opportunities. WOOD's furniture exports segment is still charting stable growth (+3% YoY in 2022), underpinned by strong demand from the US. As of 2022, the US is still the world's biggest wood furniture importer, accounting for 13.5% of global imports of such products. Due to the AD and CVD regulations as well as its trade war with the US, China has dropped into second place in terms of highest value of wood furniture imported into the US. This enabled Indonesian wood furniture exporters to grow their shipments to account for 5.3% of total US wood furniture imports in 2022 (2021: 5.1%). As such, WOOD should have ample room to grow its furniture export business – especially in view of its long history of supplying to major US retailers like Costco and Target.

Direct-to-retailers strategy a win-win. WOOD has begun to work with retailers directly – thereby eliminating the need for a middleman – which should boost revenue, improve inventory management and strengthen margins. In 2022, its building component exports plunged by 26.6% YoY due to excess inventory parked with distributors. However, its retailers' inventory was limited and depleting. Due to high shipping costs when distributors were involved, there was a great chasm in pricing between WOOD and the retailers. As such, its strategy to work directly with US retailers should benefit both parties' pricing and margins.

Potential revenue stream from aggressive carbon footprint reduction. The rising level of emissions has become a major global concern. As such, businesses and governments have been working on strategies to reduce their carbon footprint. However, achieving net zero emissions is not easy – so being carbon-neutral (with the help of the voluntary carbon market) should be an easier endeavor. WOOD currently owns a tropical forest concession for 163,425ha, and a mangrove jungle concession of 18,130ha – so it could benefit from the pick-up in demand from the voluntary carbon market – as businesses would be aiming to be carbon-neutral in order to earn carbon credits.

Company Report Card

Results highlights. FY22 revenue fell by 16.6% YoY, mainly due the drop in export sales of the building component segment. Higher mortgage rates and swelling building component inventory in the US at the distributor level has led this segment chalking weaker export sales – which plunged by 26.6% YoY. On the flip side, its furniture exports grew by 3% YoY, as the demand for furniture is more related to home improvement than home-building.

Dividends. WOOD has continuously distributed dividends in the past two years. The dividend payout ratio also grew to 7.74% in 2022, from 5.06% in 2021. As it is still growing, the company will have to manage earnings to fund expansion – which would engender better dividend payout ratios in the future.

Balance sheet/cash flow. As of 2022, WOOD's cash position amounted to IDR226bn, partly bolstered by its positive operating cash flow of IDR88bn and cash flow from financing of IDR96bn. Lower cash flow from financing shows that the company has prudently managed its debt levels.

Management. CEO Halim Rusli and Chief Marketing Officer Widjaja Karli are the founders of WOOD. Both have overseen the entire operation since its establishment, and have over 30 years of experience in the industry.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (IDRbn)	2,929	5,416	4,527
Reported net profit (IDRbn)	314	537	178
Recurring net profit (IDRbn)	314	537	178
Recurring net profit growth (%)	44.7	70.9	(66.9)
Recurring EPS (IDR)	49	83	28
DPS (IDR)	-	2	6
Dividend Yield (%)	-	0.6	1.6
Recurring P/E (x)	8.3	4.9	14.7
Return on average equity (%)	11.1	16.3	4.8
P/B (x)	0.9	0.7	0.7
P/CF (x)	27.5	(50.5)	29.7

Source: Company data, RHB

Balance Sheet (IDRbn)	Dec-20	Dec-21	Dec-22
Total current assets	3,439	4,311	4,442
Total assets	5,857	6,801	6,956
Total current liabilities	2,540	2,084	1,826
Total non-current liabilities	357	1,074	1,370
Total liabilities	2,897	3,158	3,196
Shareholder's equity	2,950	3,632	3,750
Minority interest	10	11	10
Other equity	-	-	-
Total liabilities & equity	5,857	6,801	6,956
Total debt	2,291	2,612	2,936
Net debt	2,251	2,495	2,669

Source: Company data, RHB

Cash Flow (IDRbn)	Dec-20	Dec-21	Dec-22
Cash flow from operations	95	(52)	88
Cash flow from investing activities	133	(11)	(40)
Cash flow from financing activities	49	154	96
Cash at beginning of period	(12)	(1)	90
Net change in cash	12	92	144
Ending balance cash	(1)	90	266

Source: Company data, RHB

Investment Case

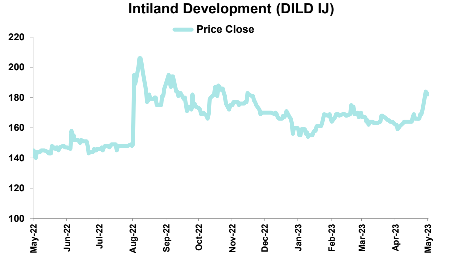
Expects revenue to grow by c.10% YoY in 2023. Growth will be mostly driven by recovering building component segment sales – since WOOD is now dealing directly with retailers here. As of 2022, US millwork and wood moulding (building component) imports still grew by 31.8% YoY. This indicates demand from the US still has growth potential. As such, WOOD's direct-to-retailers strategy will support its performance ahead. Also, the demand for furniture has seen stable growth over the past few years, so we expect WOOD's exports to support its growth ahead. In the meantime, if WOOD can monetise its forest concession and leverage on the voluntary carbon market, it may be able to carve out an additional income stream – which will further boost earnings. This counter is trading at c.6x 2023F P/E. Our fair value of IDR600 reflects its guidance of 2023F EPS with 9x P/E, and is at a 20% discount to the global peer average.

Key risks. Weakening US housing market and Vietnam expanding its wood furniture exports more aggressively.

Intiland Development

Building Landed Homes At Premium Locations

Fair Value: IDR296
Price: IDR182



Source: Bloomberg

Stock Profile

Bloomberg Ticker	DILD IJ
Avg Turnover (IDR/USD)	2001.73m/0.14m
Net Gearing (%)	73.5
Market Cap (USDm)	128
Beta (x)	0.76
BVPS (IDR)	498.24
52-wk Price low/high (IDR)	139 - 226
Free float (%)	64.2

Major Shareholders (%)

CGS-CIMB Securities (Singapore)	15.0
CGS-CIMB Sekuritas Indonesia	13.5
Bina Yatra Sentosa	12.0
Bali Private Villa	7.5
Dr Lo Kheng Hong	6.3

Share Performance (%)

	1m	3m	6m	12m
Absolute	12.35	10.98	2.82	29.08
Relative	13.16	12.78	7.53	29.96

Ryan Santoso +6221 5093 9843
ryan.santoso@rhbgroup.com

Investment Merits

- 2,269ha landbank offers development visibility of 20 years
- Premium housing buyers have lower sensitivity to inflation
- Stable recurring income CAGR of 4.9%
- Portfolio diversification boosts agility

Company Profile

Intiland Development (DILD) is property developer with four decades of experience and over 61 successful projects. Its portfolio of real estate is divided into four segments: Mixed use & high rise, landed residential, industrial estates, and investment properties. Its projects are mainly located in Jakarta (including Greater Jakarta) and Surabaya (including Greater Surabaya).

Highlights

Sufficient landbank for 20 years of development. DILD has 2,269ha of land as of Dec 2022, of which 78% is located in Jakarta (and Greater Jakarta). The remainder of its land is in Surabaya and the vicinities. The majority of its landbank is still undeveloped (in Maja and Tangerang, Banten) – and this can be used to build homes, commercial properties or be developed into industrial areas.

Aggressive marketing sales target. This year, it aims to clock IDR2.3trn in marketing sales (+113% over the FY22 achievement). Over half of this, ie IDR1.25trn, is expected to come from landed housing sales. A strategy it has adopted to achieve this target, is to launch events like Intiland Specta Fair 2023, which aims to record presales amounting to IDR350bn.

Mid- to high-income target market is less affected by inflation. Its landed housing and apartments are mainly for the premium market, and have price tags of over IDR2bn. The purchasing power of the mid- to high-income buyers is less sensitive to changes in the inflation rate and interest rates. As such, as it aims to launch new projects this year, we think DILD will also chalk higher marketing sales.

Stable growth from recurring income. The percentage of its recurring income contribution to total income dropped to 22.9% in FY22 (FY21: 25.1%) but grew by 9.4% YoY – driven by building and estate management fee growth, and also from industrial estate charges. For 2018-2022, recurring income had a CAGR of 4.9%.

Diversified portfolio allows for a flexible strategy. In FY22, DILD's revenue was largely due to high-rise projects, which accounted for 49% of total sales. The company is planning to only complete its on-going projects (57 Promenade and SQ Res) this year.

To offset the anticipated decrease in contributions from high-rise developments, company expects its residential landed housing projects to drive its performance in both the Jakarta and Surabaya areas. Some of its landed housing projects are Serenia Hills, Telaga Bestari, Graha Natura and Amnesta Living.

Company Report Card

Latest results. In FY22, DILD's total sales grew 19.8% YoY to IDR3.1trn, dominated by high-rise projects which represented 49% of total sales. However, marketing sales plunged by 34% YoY to IDR1.1trn, at only 45% of its 2022 target – dragged by sales of mixed-use projects and landed homes coming up to only 19% and 48% of the full-year targets. This year, it expects to record marketing sales of IDR2.3trn – driven by sales of residential units at ongoing projects. The developer recorded a FY22 net loss of IDR99bn (FY21: IDR13bn), caused by accounting recognition on the JV projects in which it has a non-controlling interest worth IDR291bn.

Balance sheet. Its total debt increased in FY22 to IDR4.9trn (+7.2% YoY) with a net debt-to-equity ratio at a manageable 0.6x. This was impacted by negative operating cash flow of IDR444bn, as the company significantly reduced contract liabilities to suppliers and also booked lower cash receipts from customers.

Management. DILD is led by Hendro Santoso Gondokusumo, who has been with the company since its inception over 40 years ago.

Investment Case

Fair value. Intiland is trading at 0.33 P/BV with a FY22 BVPS of IDR495, compared to its peers' range of 0.6-1.0x. With a string of past successful projects under its belt and a solid track record, we value DILD at the lower end of its peer range, ie 0.6x P/BV. This results in a fair value at IDR296.

Key risks. Slower demand on high-rise buildings, and an upcoming election year that may impact residential housing sales.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (IDRbn)	2,891	2,629	3,149
Reported net profit (IDRbn)	77	13	(99)
Recurring net profit (IDRbn)	77	13	(99)
Recurring net profit growth (%)	(69.5)	(82.9)	(852.4)
Recurring EPS (IDR)	7	1	(10)
DPS (IDR)	-	-	0
Dividend Yield (%)	0.0	0.0	0.0
Recurring P/E (x)	24.6	143.6	(19.1)
Return on average equity (%)	1.5	0.3	(1.9)
P/B (x)	0.4	0.4	0.37
P/CF (x)	16.7	2.4	(4.3)

Source: Company data, RHB

Balance Sheet (IDRbn)	Dec-20	Dec-21	Dec-22
Total current assets	4,518	6,669	6,460
Total assets	15,700	16,460	16,352
Total current liabilities	4,368	6,489	6,191
Total non-current liabilities	5,265	3,923	3,945
Total liabilities	9,632	10,413	10,136
Shareholder's equity	5,216	5,239	5,135
Minority interest	851	809	1,081
Other equity	-	-	-
Total liabilities & equity	15,700	16,460	16,352
Total debt	5,034	4,605	4,938
Net debt	3,912	2,851	3,776

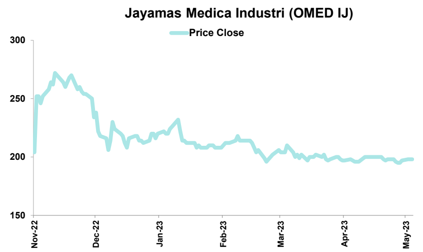
Source: Company data, RHB

Cash Flow (IDRbn)	Dec-20	Dec-21	Dec-22
Cash flow from operations	113	779	(444)
Cash flow from investing activities	(94)	27	(178)
Cash flow from financing activities	74	(174)	30
Cash at beginning of period	1,029	1,122	1,754
Net change in cash	92	632	(591)
Ending balance cash	1,122	1,754	1,163

Source: Company data, RHB

Fair Value: IDR250
Price: IDR198

Jayamas Medica Industri
Envisioning a Healthier Future



Source: Bloomberg

Stock Profile

Bloomberg Ticker	OMED IJ
Avg Turnover (IDR/USD)	8969.25m/0.61m
Net Gearing (%)	Net cash
Market Cap (USDm)	363
Beta (x)	0.8
BVPS (IDR)	75.6
52-wk Price low/high (IDR)	187 – 280
Free float (%)	15

Major Shareholders (%)

Intisumber Hasilsempurna	83.3
Yacobus Jemmy Hartanto	0.9
Siane Soetanto	0.9

Share Performance (%)

	1m	3m	6m	12m
Absolute	(1.5)	(8.5)	(23.0)	N/A
Relative	(0.7)	(6.7)	(18.3)	N/A

Vanessa Karmajaya +6221 5093 9888
vanessa@rhbgroup.com

Investment Merits

- Plenty of growth headroom
- Solid business acumen
- A multitude of expansion plans in the offing

Company Profile

Jayamas Medica Industri (OMED) manufactures medical products, with an undisputable track record of more than 30 years of operation. The company remains optimistic of its future – driven by Indonesia's under-penetrated healthcare industry and stronger government support for local content in medical products. This is supported by the company's ample competitive edge, eg a seasoned management team, solid market presence nationwide, wide product offerings, and integrated business operations. OMED offers antiseptics and disinfectants, disposable medical products, surgical apparels, wound care, diagnostics, and hospital furniture to its customers nationwide.

Highlights

Plenty of growth headroom for healthcare industry, and favourable government support. We observed stronger government support for healthcare, reflected through higher budgets and preferences for products with increased local content. OMED should also be able to monetise on Indonesia's favourable demographic environment, ie an ageing population and rising prevalence of non-communicable diseases. This could trigger a higher demand in the domestic healthcare industry. We have seen continuing expansion plans by the hospital players, which translates to more new medical facilities opened annually. We noted that Indonesia's number of hospital beds per 1,000 persons only reached 1.4 – far below the World Health Organisation's 5.0 standard. In our view, this represents plenty of growth potential.

Solid business acumen. OMED has a wide range of product offerings – from medical disposables and consumables to hospital furniture. It also continues to add to its number of stock keeping units or SKUs to stay ahead of the competition. Ranked Top 5 in market shares of almost every segment it operates in, the company has secured such sturdiness with the massive number of long-standing suppliers it does business with – most of these relationships have been ongoing for more than 10 years. It also has a diversified and vast customer base of over 6,000, ranging from hospitals to retail customers. Its operations are supported by a nationwide strong distribution network.

A multitude of expansion plans are in the offing. OMED plans to open new production facilities in several areas to increase production capacity. In our view, this would help it widen product offerings, fuel sales, and increase local content. The company also plans to open 15 warehouses to shorten delivery times and improve operational processes. OMED also plans to open 25 new stores over the next five years to be closer to end-customers and enhance brand awareness. It will also put a higher focus on digital strategies, eg opening online stores and using digital channels for marketing. This might also help bolster brand awareness, especially for the younger generation.

Company Report Card

Latest results. OMED's net income fell 49.4% YoY in 2022, largely driven from the 21.9% YoY drop in revenue following the COVID-19 pandemic. The company sees a healthier future ahead – driven from normalisation of earnings in 2022, ample support from Government, its extensive business expertise, and a set of expansion in the pipeline.

Balance sheet/cash flow. OMED has a healthy balance sheet profile, especially post-pandemic and following its IPO initiative. It has an ample war chest of IDR831bn as of end-2022. Its current ratio hovers at c.9x, suggesting a formidable liquidity profile. Its cash flow from operations also remained positive over the last few years.

ROAE. OMED's ROAE decreased 17.5% in 2022 (vs c.52% in 2021). This mainly stemmed from a lower net income from a post-pandemic milieu and increased equity following its listing. We deem the company's ROE should improve in the coming years, given its improved earnings and profitability on the back of positive catalysts and expansion initiatives.

Dividend. The company paid IDR250bn cash dividend in 2022, representing c.40% of 2021's income. This translates to IDR9.2 per share cash dividend and 4.7% yield. This is higher than OMED's policy of minimum 25% payout ratio from 2022 onward.

Management. Dr. Herlien Sri Ariani is OMED's president director since 2018. She has been with the company since 2001, signalling her deep understanding on its operations. She also possesses a solid track record with over 30 years of experience in the medical industry.

Investment Case

OMED set a guidance of c.25-26% revenue growth and c.17% net margins for 2023. The company currently trades at c.14-15x 2023 P/E. We believe it should be trading at c.18x, ie c.28-31% discount vs competitor Kalbe Farma (KLBF IJ, NEUTRAL, TP: IDR2,100), given its healthy growth and margin profiles which translates to an FV of IDR250 per share. Downside risks for the company include a short IPO track record (it was listed in 2022), intensifying competition, and unfavourable government regulations.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (IDRbn)	1,995	2,227	1,739
Reported net profit (IDRbn)	686	563	286
Recurring net profit (IDRbn)	681	564	275
Recurring net profit growth (%)	198.2	(17.2)	(51.3)
Recurring EPS (IDR)	25	21	10
DPS (IDR)	0	9	9
Dividend Yield (%)	0.0	4.8	4.7
Recurring P/E (x)	7.9	9.5	19.5
Return on average equity (%)	91.4	52.0	17.5
P/B (x)	5.7	4.4	2.6
P/CF (x)	19.2	10.6	57.8

Source: Company data, RHB

Balance Sheet (IDRbn)	Dec-20	Dec-21	Dec-22
Total current assets	1,268	1,490	2,171
Total assets	1,417	1,726	2,507
Total current liabilities	264	273	231
Total non-current liabilities	202	208	207
Total liabilities	466	481	438
Shareholder's equity	939	1,224	2,044
Minority interest	12	21	25
Other equity	0	0	0
Total liabilities & equity	1,417	1,726	2,507
Total debt	159	159	160
Net debt	Net Cash	Net Cash	Net Cash

Source: Company data, RHB

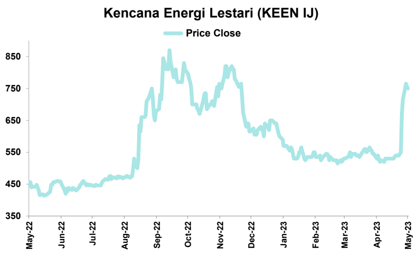
Cash Flow (IDRbn)	Dec-20	Dec-21	Dec-22
Cash flow from operations	279	505	93
Cash flow from investing activities	(50)	(187)	(495)
Cash flow from financing activities	152	(282)	500
Cash at beginning of period	316	697	733
Net change in cash	381	36	98
Ending balance cash	697	733	831

Source: Company data, RHB

Target Price: IDR1,380
Price: IDR755

Kencana Energi Lestari

For a Greener Future



Source: Bloomberg

Stock Profile

Bloomberg Ticker	KEEN IJ
Avg Turnover (IDR/USD)	5,287m/0.36m
Net Gearing (%)	43
Market Cap (USDm)	187
Beta (x)	0.46
BVPS (IDR)	714
52-wk Price low/high (IDR)	410 - 910
Free float (%)	11.8

Major Shareholders (%)

Paramata Indah Lestari	30.3
Tepco Renewable Power	25.0

Share Performance (%)

	1m	3m	6m	12m
Absolute	39.81	41.12	0.67	65.57
Relative	40.85	43.15	5.58	66.68

Indonesia Research +6221 5093 9888
rhb.id.research@rhbgroup.com

Investment Merits

- Potential projects from the Government's renewable energy push
- Fair profile to gain more strategic partners will ensure continuity of more renewable energy projects
- Fair alternative for ESG investment

Company Profile

Kencana Energi Lestari (KEEN) 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 the Government-owned electricity company Perusahaan Listrik Negara (PLN) in 2009. On 2 Sep 2019, KEEN succeeded in raising USD20.5m via an IPO. The company focuses on run-of-the-river (RoR) hydroelectric system for all its plants – deemed the safest method for protecting the surrounding environment. All its power plants are constructed under a build-own-operate-transfer contract and it sells the electricity produced solely to PLN.

Highlights

Abundant potential for hydro-powered projects in Indonesia. KEEN's latest energy portfolio is 65MW capacity, with 59MW from hydropower, 5MW from biomass, and 1.4MW from solar photovoltaic. Management is eyeing two new projects – an extension of its first hydropower plant in North Sumatera with a target capacity of 35MW (construction to begin in 2024) and a c.75MW-producing plant in Sulawesi (to be constructed by 2025). We might see strong topline pace to remain on track for a couple of years ahead, as the value of construction progress is recognised as revenue due to standardised accounting treatment from International Financial Reporting Standard 16 application. The application dictates that service concessions are recognised as intangible or financial assets – all of the hydropower plants will be transferred to PLN's book after the contract is over in c.30 years. Due to massive untapped potential in Indonesia, we believe in the company's ability to gather more projects onward. KEEN has been issued Indonesia's Renewable Energy Certificate.

Positive business outlook going forward. The initiative from Tokyo Electric Power (TEPCO; c.USD5bn market cap) in acquiring c.25% stake in KEEN last year supports the optimism. The move is in line with management's strategy to seek out strategic partnerships to realise capacity expansion of c.500MW (included in PLN's forecast on national energy capacity). We believe the company's long-term outlook is quite bright, given its renewable energy commitments are in line with the Government's efforts to reduce emissions (23% of renewable segment by 2025; FY22: 12.3%).

Company Report Card

Latest results. KEEN booked FY22 topline of USD41.8m (+14.5% YoY) – sustained at a positive growth pace since 2016 (6-years CAGR: +8% YoY). The achievement enhanced the overall profits – FY22 EBIT margins expanded to 57% at USD24m (+28% YoY), with net earnings soaring to USD13m (+88% YoY; FY22 NPM 30% vs FY21's 18%). Electricity sales contribution was a key factor driving the achievement. It also takes into consideration the revenue recognition from the Ordi Hulu power plant (c.10MW capacity; to be completed by 2024).

Credit profile and cash position. As at FY22, KEEN's EBITDA coverage improved to 4.0x (vs FY21: 3.3x). FY22's cash position increased to USD3.9m from FY21's USD1.3m. Its ROE was 8.5% (vs FY21's 4.8%).

Dividend. KEEN distributed a third dividend issuance since the IPO – c.17% of FY21's net profit, c.1% yield.

Management. President director Henry Maknawi is the founder of KEEN, and had also founded and helmed the Singapore-listed Kencana Agri. His eldest son, Albert, has served as KEEN's president commissioner since 2018. Henry's second son, Wilson, now serves as KEEN's vice president director. Wilson is also a director for KEEN's subsidiaries – Energi Sakti Sentosa and Bangun Tirta Lestari.

Investment Case

Twelve-month TP of IDR1,380 is derived from a 10-year DCF valuation with 16.5% WACC assumption (TG: 3%) and c.25% discount from liquidity factor. We believe the number of potential Government projects KEEN can secure may not be reflected on its undemanding valuation as its current 0.6x P/BV is below the regional utility sector's c.2x.

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

Profit & Loss	Dec-22	Dec-23F	Dec-24F
Total turnover (USDm)	42	134	219
Reported net profit (USDm)	13	41	70
Recurring net profit (USDm)	13	41	70
Recurring net profit growth (%)	88.1	228.6	68.6
Recurring EPS (IDR)	49	160	269
DPS (IDR)	7.3	24.0	40.4
Dividend Yield (%)	1.0	3.2	5.4
Recurring P/E (x)	15.5	4.7	2.8
Return on average equity (%)	8.2	22.4	28.3
P/B (x)	1.3	1.1	0.8
P/CF (x)	75.7	6.3	17.3

Source: Company data, RHB

Balance Sheet (USDm)	Dec-22	Dec-23F	Dec-24F
Total current assets	32	55	67
Total assets	316	380	449
Total current liabilities	17	25	25
Total non-current liabilities	124	146	155
Total liabilities	141	171	180
Shareholder's equity	153	184	246
Minority interest	22	22	22
Other equity	0	0	1
Total liabilities & equity	316	378	447
Total debt	88	115	123
Net debt	84	80	76

Source: Company data, RHB

Cash Flow (USDm)	Dec-22	Dec-23F	Dec-24F
Cash flow from operations	4.7	46.9	27.6
Cash flow from investing activitie	(1.0)	(30.9)	(16.0)
Cash flow from financing activitie	(1.1)	15.1	(0.3)
Cash at beginning of period	1.3	3.9	35.1
Net change in cash	2.6	31.2	11.3
Ending balance cash	3.9	35.1	46.4

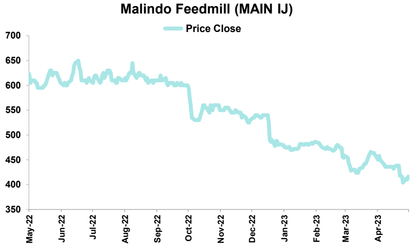
Source: Company data, RHB

Fair Value: IDR497

Price: IDR416

Malindo Feedmill

Poultry Still a Basic Need



Source: Bloomberg

Stock Profile

Bloomberg Ticker	MAIN IJ
Avg Turnover (IDR/USD)	286.05m/0.02m
Net Gearing (%)	107
Market Cap (USDm)	63
Beta (x)	0.86
BVPS (IDR)	927.9
52-wk Price low/high (IDR)	402 – 660
Free float (%)	42

Major Shareholders (%)

Dragon Amity	57.3

Share Performance (%)

	1m	3m	6m	12m
Absolute	(8.00)	(14.81)	(24.73)	(33.23)
Relative	(7.19)	(13.01)	(20.03)	(32.34)

Indonesia Research +6221 5093 9888

rhb.id.research@rhbgroup.com

Investment Merits

- Ample growth headroom – Indonesia has the lowest poultry consumption per capita vis-à-vis several neighbours
- Strengthening the downstream chain to manage the impact of unstable broiler prices…
- …despite having the least exposure from such prices

Company Profile

Established in 1997, Malindo Feedmill is currently one of Indonesia's largest fully integrated poultry firms. In the upstream segment, animal feed production is the top revenue contributor. Topline contributions from the mid-stream segment come from grandparents and parent stock breeding farms. It also comes from its own broiler farms. Topline downstream contributors are from MAIN's processed food offerings and F&B retail store, ie Sunny Chick. The company is a subsidiary of Malaysia-based Leong Hup International.

Highlights

Ample growth headroom from Indonesia having the lowest poultry consumption per capita vs several neighbours. As of 2022, MAIN has five feed mill production facilities with a total capacity of 1.65m tonnes pa. While we note that its Lampung feed mill plant has yet to commence production operations, as the company is still monitoring market conditions, we think this facility can further support sales volume growth going forward when needed. Given that Indonesia has one of the lowest poultry meat consumption on a per capita basis – at 8.2kg vs Malaysia and Vietnam's 50.1kg and 17.2kg – we see ample growth opportunities for poultry meat consumption ahead. We believe this will help MAIN remain at the forefront in terms of seizing opportunities when they arise.

Strengthening the downstream chain to manage the impact of unstable broiler prices…The company's slaughterhouse, which commenced operations in Jul 2022 – aims to reach at least 80% capacity from next year (current utilisation rate: c.30-40%). We believe this facility can provide MAIN with more stable earnings, as it can reduce the company's exposure to fluctuating broiler prices. Meanwhile, to strengthen further its value chain in the downstream segment, MAIN established a fried chicken F&B outlet called Sunny Chick in 2021. With 54 retail outlets – operating mainly in the Greater Jakarta area – average prices are below IDR20,000 (c. USD1.40) per piece. This enables Sunny Chick to cater the mid-to-low income segments. Based on our ground checks, average price per piece is around 24% lower on average vs other fried chicken providers. We believe this move will enable MAIN to have additional income streams from more stable markets whilst improving profitability in the long term. Processed food segments is also becoming one of MAIN's fastest-growing business divisions, recording 53% in terms of sales CAGR between 2013 and 2022. Evolving lifestyles – with many having busier lives with limited time to cook – is triggering demand for fast/instant food. We have also seen rising demand for chicken nuggets during the pandemic – the processed food segment booked a 18.3% YoY growth during 2020, ie the highest growth when compared to other segments.

…despite having the least exposure to broiler prices. MAIN's net sales contributions from the broiler segment stood at c.16% as at FY22 – it averaged at c.14% over the past five years. This is the lowest figures when compared to peers Japfa Comfeed (JPFA) and Charoen Pokphand Indonesia (CPIN). In terms of FY22 net sales, we noted that JPFA's commercial farms and CPIN's broiler business contributed c.38% (5-year average: c.35%) and c.56% (5-year average: c.45%). However, we think the impact from broiler price volatility and weakness to MAIN should be more manageable vis-à-vis the other two giants.

Company Report Card

Latest results. MAIN posted a 4Q22 net profit of IDR77bn (+394.5% QoQ, +85.1% YoY), bringing FY22 earnings to IDR26bn (-56.5% YoY). Gross margins for FY22 stood at 6.3%, a slight 0.14ppts YoY improvement. Topline sales growth was strong, with the company booking IDR11.1trn (+21.6% YoY) in FY22. We saw the animal feed segment becoming the key revenue growth last year, posting a 22.9% YoY growth.

Balance sheet/cash flow. As of FY22, MAIN recorded net debt of c.IDR2.2trn. This translates to a net gearing of 107.3%. It booked an operating cash flow of c.IDR269bn vs -IDR274bn in 2021.

Dividend. MAIN did not distribute any dividends between 2020 and 2022. The most recent dividend payments were made in 2019, where it distributed IDR22 per share, ie IDR49.3bn in dividend payments or a c.17% payout ratio.

Management. MAIN President Director Tan Sri Lau Tuang Nguang has more than 38 years of experience and expertise in the integrated livestock industry.

Investment Case

Based on Street estimates, MAIN is currently trading at 10.3x 2023F P/E or c.-0.25SD of its 5-year P/E band. If the company is valued at +0.25SD, MAIN would be trading at 12.3x 2023F P/E or a c.68% premium vs JPFA's valuation, given its stronger growth profile. This translates to a FV of IDR497 per share.

Despite relatively weak broiler and DOC prices in the past quarters, there are couple of factors that should help mitigate the oversupply conditions, eg Indonesia's full economic reopening, improving purchasing power, the election impact, and – in turn – enhanced broiler demand. The Government also recently announced another culling instruction to mitigate the potential surplus of c.135m day-old chicks or DOC final stock in May-July.

However, there are couple of downside risks. Firstly, the risk of soft purchasing power that might lead to a higher-than-expected oversupply condition. Secondly, volatility in terms of key raw material prices. Although we note that soybean meal prices have softened YTD, there are rising concerns over the recent YTD surge in local corn prices.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (IDRbn)	7,001	9,131	11,102
Reported net profit (IDRbn)	(39)	60	26
Recurring net profit (IDRbn)	(41)	52	(22)
Recurring net profit growth (%)	N/A	N/A	N/A
Recurring EPS (IDR)	(18)	23	(10)
DPS (IDR)	-	-	-
Dividend Yield (%)	-	-	-
Recurring P/E (x)	N/A	18.0	N/A
Return on average equity (%)	N/A	3.0	1.3
P/B (x)	0.5	0.5	0.4
P/CF (x)	3.3	N/A	3.5

Source: Company data, RHB

Balance Sheet (IDRbn)	Dec-20	Dec-21	Dec-22
Total current assets	1,990	2,664	2,952
Total assets	4,674	5,437	5,747
Total current liabilities	1,660	2,121	2,525
Total non-current liabilities	869	928	828
Total liabilities	2,529	3,048	3,353
Shareholder's equity	1,986	2,050	2,077
Minority interest	(2)	(2)	(2)
Other equity	162	340	319
Total liabilities & equity	4,674	5,437	5,747
Total debt	1,961	2,393	2,707
Net debt	1,784	2,213	2,229

Source: Company data, RHB

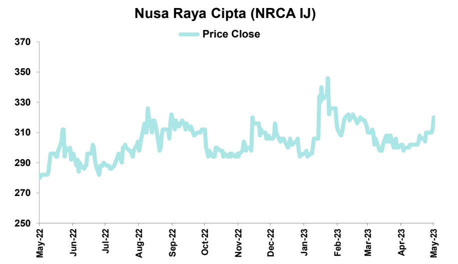
Cash Flow (IDRbn)	Dec-20	Dec-21	Dec-22
Cash flow from operations	285	(274)	269
Cash flow from investing activities	(313)	(333)	(276)
Cash flow from financing activities	86	609	305
Cash at beginning of period	120	178	180
Net change in cash	57	2	298
Ending balance cash	178	180	477

Source: Company data, RHB

Nusa Raya Cipta

Fair Value: IDR425
Price: IDR320

Consistent Performance In Construction



Source: Bloomberg

Stock Profile

Bloomberg Ticker	NRCA IJ
Avg Turnover (IDR/USD)	145.86m/0.01m
Net Gearing (%)	Net Cash
Market Cap (USDm)	56
Beta (x)	0.74
BVPS (IDR)	498.00
52-wk Price low/high (IDR)	278 - 350
Free float (%)	16.7

Major Shareholders (%)

Surya Semesta Internusa Tbk	63.4
Saratoga Investama Sedaya Tbk	7.0

Share Performance (%)

	1m	3m	6m	12m
Absolute	9.93	6.41	12.16	17.73
Relative	10.75	8.22	16.86	18.61

Ryan Santoso +6221 5093 9843
ryan.santoso@rhbgroup.com

Investment Merits

- Experienced in high-rise buildings
- Beneficiary of Subang Smartpolitan development
- Constantly paying out dividends
- Net cash balance sheet

Company Profile

Nusa Raya Cipta (NRCA) was established in 1975 as a construction service company. It had, however, completed its first project (South Sumatra Provincial Road) back in 1968 while being known as National Roadbuilders & Construction. It was then acquired by property developer Surya Semesta Internusa Group and successfully completed the Gran Melia Complex – a five-star hotel and office tower in Kuningan. Among others, the company is experienced in building hotels, shopping malls, apartments, and hospitals.

Highlights

More than 54 years of experience in construction service. NRCA is specialised in high-rise commercial buildings – hotels, apartments, offices, hospitals, and shopping centres. It has a strong presence with branches in Surabaya, Medan, Semarang, and Bali. NRCA's clients are major national property players eg Agung Podomoro, Ciputra, Surya Semesta Internusa, and Alam Sutera.

Beneficiary on Subang Smartpolitan. Surya Semesta Internusa (SSIA), which acquired NRCA in 1994, has contributed numerous projects to the latter's portfolio. The investment for Patimban toll access road will be done through NRCA, which will benefit both from the toll road construction and also the demand for Subang Smartpolitan. As tenants require construction services for factory developments, we expect NRCA to possess higher competitiveness on the project tender – and can increase its new contracts from 2024 onward (after the Patimban toll access road project).

Stable dividend payment. NRCA has been consistently paying out dividends in the past 10 years, and in 2020-2022, it distributed IDR36bn of total dividend – at c.4-5% yield. As the COVID-19 pandemic is transitioned to endemic, we expect new contracts and financial performance to improve – possibly increasing NRCA's dividend distribution.

Net cash position supported financial performance. NRC is prudent regarding its leverage management. Although total debt fluctuates throughout its operations, the company always operates in a net cash position and is able to consistently book positive earnings. Its debt increased from IDR22bn to IDR226bn in 2022, which is likely due to investment for the Patimban project. However, we view the debt as still manageable and should not burden its balance sheet.

Company Report Card

Latest results. NRCA's FY22 new contract outperformed its target at IDR2.4trn (vs IDR1.9trn). Revenue is also upbeat – accountable for 123% of company's target, recorded IDR2.5trn. Gross margin contracted to 10.8% (FY21: 11.4%), mainly caused by higher building materials cost (cement, steel, and fuel). Meanwhile, net margin is relatively stable at 3% (FY21: 3.1%), supported by JV loss that turned positive in 2022. Also, it was able to maintain positive operating cashflow in the past two years (2021: IDR133bn, 2022: IDR4bn).

Balance sheet. The company's total debt rose to IDR226bn (2021: IDR22bn), which we expect would be used for equity injection on the Patimban toll access road concession (c.IDR330bn). This debt level is still manageable as NRCA operates in a net cash position.

Management. NRCA's president commissioner is Johannes Suriadjaja, who is concurrently serving as president director of SSIA. Hadi Winarto Christanto is the appointed president director of NRCA since 2013. He has served the company since 1981 and has vast experience in the construction service.

Investment Case

Fair value. One of the company's closest competitor is trading at c.9x P/E, with c.7% yield, which is 38% premium compared to NRCA at 6.5x, with c.4% yield. Expecting new projects from Subang Smartpolitan development and also the Patimban toll access road project, we anticipate it to be valued at least at-par with its peers – resulting in a fair value of IDR425.

Key risks. Delays for the Patimban toll access road construction, which will have a domino effect on the demand for Subang Smartpolitan development. Last year's fuel price hike can also impact the overall material cost for ongoing projects, and may cause margin contraction.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (IDRbn)	2,086	1,670	2,462
Reported net profit (IDRbn)	55	52	75
Recurring net profit (IDRbn)	55	52	75
Recurring net profit growth (%)	(45.5)	(6.3)	44.6
Recurring EPS (IDR)	22	21	30
DPS (IDR)	24	15	15
Dividend Yield (%)	7.3	4.4	4.4
Recurring P/E (x)	15.0	16.0	11.1
Return on average equity (%)	4.8	4.4	6.2
P/B (x)	0.7	0.7	0.7
P/CF (x)	(5.9)	6.2	211.2

Source: Company data, RHB

Balance Sheet (IDRbn)	Dec-20	Dec-21	Dec-22
Total current assets	1,983	1,934	2,249
Total assets	2,221	2,143	2,455
Total current liabilities	964	891	1,163
Total non-current liabilities	104	85	88
Total liabilities	1,068	976	1,251
Shareholder's equity	1,153	1,167	1,204
Minority interest	0	0	0
Other equity	-	-	-
Total liabilities & equity	2,221	2,143	2,455
Total debt	196	22	226
Net debt	Net Cash	Net Cash	Net Cash

Source: Company data, RHB

Cash Flow (IDRbn)	Dec-20	Dec-21	Dec-22
Cash flow from operations	(141)	133	4
Cash flow from investing activities	15	(4)	(18)
Cash flow from financing activities	14	(210)	166
Cash at beginning of period	689	578	496
Net change in cash	(111)	(82)	152
Ending balance cash	578	496	647

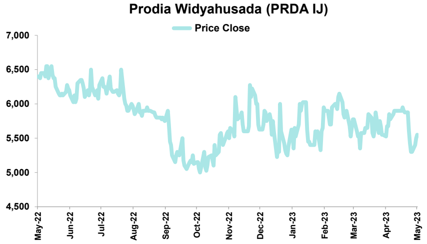
Source: Company data, RHB

Fair Value: IDR6,500

Price: IDR5,550

Prodia Widyahusada

The Undisputed Leader



Source: Bloomberg

Stock Profile

Bloomberg Ticker	PRDA IJ
Avg Turnover (IDR/USD)	6910.03m/0.47m
Net Gearing (%)	Net Cash
Market Cap (USDm)	353
Beta (x)	0.57
BVPS (IDR)	2,462
52-wk Price low/high (IDR)	4,910 – 6,675
Free float (%)	28

Major Shareholders (%)

Prodia Utama	57.0
Bio Majesty	15.0

Share Performance (%)

	1m	3m	6m	12m
Absolute	(2.2)	(5.9)	(1.8)	(13.3)
Relative	(1.4)	(4.1)	2.9	(12.4)

Vanessa Karmajaya +6221 5093 9888

vanessa@rhbgroup.com

Investment Merits

- Market share gain on potential consolidation of clinical labs industry
- Growing health awareness presents ample growth opportunities
- Potential margins improvement in light of normalised post-pandemic earnings and growing contributions from esoteric tests.
- Digitalisation strategy to fortify distinctive leadership
- A host of development pipelines to sustain long-term growth

Company Profile

Established in 1973, Prodia Widyahusada (PRDA) is a pioneer for clinical laboratories in Indonesia, and is established as one of the industry leaders. It maintained formidable dominance by securing 37.9% of the market share for independent clinical labs in 2021 – the largest among industry players. PRDA also remains the top preference among consumers by providing an extensive range of clinical tests – catering to a wide variety of customers' types and needs.

Highlights

Market share gain on potential consolidation of clinical labs industry, and monetising opportunities from growing health awareness. We are of the view that a potential post-COVID-19 pandemic consolidation of clinical laboratories (labs) would benefit PRDA. In 2021, the company's strong growth was mainly attributed to COVID-19 testing, which should decline moving forward. Its market share fell to 37.9% in 2021 (vs 39.5% in 2020). We believe PRDA will remain a main beneficiary of rising post-COVID-19 health awareness, due to its comprehensive offerings and unrivalled network of 276 outlets nationwide. Despite a slight drop YoY, the number of customers and test volumes still exceed 2019's pre-pandemic levels. This might help PRDA return to its pre-pandemic market share level of c.38-39%.

Potential margin improvement following normalised post-pandemic earnings and growing contributions from esoteric tests. We believe strong health awareness, coupled with the growing purchasing power of a rising middle-income demographic, should support demand for high-end medical testing. This is proven by the 5.8% test volume booked for esoteric testing in 2022 (vs 3.3% in 2019). Looking ahead, PRDA aims to launch more types of tests – especially genomic. We feel this strategy can help the company fulfil its long-term strategy to stay ahead of the competition. We also believe this initiative will bolster PRDA's profitability profile, owing to a notably higher price point and, subsequently, elevated margin profile.

Digitalisation strategy to fortify distinctive leadership. Statista estimates Indonesia's digital healthcare market to grow c.62-63% annually between 2023 and 2025. To tap into this segment, PRDA has launched mobile applications for its end-customers and doctor partners. It plans to integrate all its various apps under one super application to enhance service and improve operations. Based on visits to its digital channels, c.21-22% comprised new customers – mainly the younger generation. More importantly, revenue per visit from the digital channel was c.17-18% higher than regular customers. We remain positive on the strategy to help develop data and analytics to enhance business value and operating efficiencies. Additionally, we are of the view that the launch of such apps would help boost walk-in traffic and doctor referrals, which have better cash flows and margin profiles.

A host of development pipelines to sustain long-term growth. PRDA has forged a partnership with IHH Healthcare (IHH MK, BUY, TP: MYR7.07). Despite producing meagre revenue so far, we like this strategy as it allows the company to expand its foothold and ride the medical tourism recovery wave. Potential regulations that allow domestic labs to receive overseas test samples might also benefit PRDA. It also has plans to upgrade existing clinical labs to provide a wider range of tests and services to fuel future traffic growth. The company also sees ample opportunities from collaborations with insurance clients and national social security programme (BPJS) patients, given current more favourable regulations.

Company Report Card

Latest results. Earnings dropped 40.4% YoY in 2022, mainly attributable to a decline in revenue post normalisation of the COVID-19 pandemic situation. A drop in test volume (c.-8.1% YoY) in 2022 also lowered its economic of scale, which also applies pressure to margin. PRDA sees a brighter future in 2023 as customer traffic has started to improve, a growing number of tests per visit, and revenue per visit from higher health awareness, along with digitalisation strategies.

Balance sheet/cash flow. PRDA has a solid balance sheet profile. As of end-2022, it had a net cash position of IDR694bn. It also displays a healthy liquidity profile – with a current ratio of 6.4x in 2022.

Dividend. The company distributed 60% of 2021's income as cash dividends in 2022, owing to its strong liquidity profile. This translates to IDR398 dividend per share and 7.2% yield.

Management. Dewi Muliaty is PRDA's president director since 2009. She possesses a strong track record with over 30 years of experience.

Investment Case

PRDA is currently trading at an undemanding valuation of c.6x 2023F EV/EBITDA using consensus estimates, ie around mean of its 5-year EV/EBITDA band. The counter could be an alternative for investors keen on the healthcare sector and seeking alternatives to hospital-owner stocks, which also offer lucrative growth potential. On the back of the aforementioned catalysts, we believe PRDA should be trading at c.8x 2023F EV/EBITDA (around mean to +1SD from the 5-year EV/EBITDA band). This translates to a FV per share of IDR6,500. Downside risks: Intensifying competition, slower than-expected volume growth, softer than expected purchasing power, and unfavourable regulations.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (IDRbn)	1,873	2,652	2,182
Reported net profit (IDRbn)	269	623	372
Recurring net profit (IDRbn)	268	622	364
Recurring net profit growth (%)	28.5	132.2	(41.5)
Recurring EPS (IDR)	286	663	388
DPS (IDR)	112	172	398
Dividend Yield (%)	2.0	3.1	7.2
Recurring P/E (x)	19.4	8.4	14.3
Return on average equity (%)	15.3	30.0	16.1
P/B (x)	2.8	2.3	2.3
P/CF (x)	12.0	6.7	11.3

Source: Company data, RHB

Balance Sheet (IDRbn)	Dec-20	Dec-21	Dec-22
Total current assets	1,360	1,769	1,465
Total assets	2,216	2,702	2,670
Total current liabilities	210	269	230
Total non-current liabilities	161	123	128
Total liabilities	371	392	358
Shareholder's equity	1,845	2,310	2,308
Minority interest	0	0	3
Other equity	0	0	0
Total liabilities & equity	2,216	2,702	2,670
Total debt	10	6	4
Net debt	Net Cash	Net Cash	Net Cash

Source: Company data, RHB

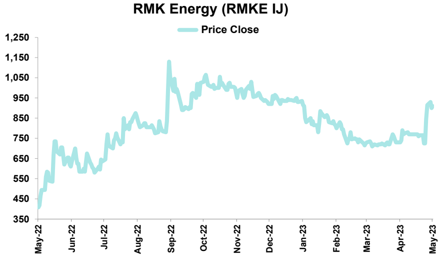
Cash Flow (IDRbn)	Dec-20	Dec-21	Dec-22
Cash flow from operations	435	777	460
Cash flow from investing activities	6	(333)	65
Cash flow from financing activities	(167)	(201)	(435)
Cash at beginning of period	92	365	608
Net change in cash	273	243	91
Ending balance cash	365	608	698

Source: Company data, RHB

RMK Energy

Fair Value: IDR1,300
Price: IDR910

The Most Efficient Coal Transportation System



Source: Bloomberg

Stock Profile

Bloomberg Ticker	RMKE IJ
Avg Turnover (IDR/USD)	4932.79m/0.34m
Net Gearing (%)	12.6
Market Cap (USDm)	263
Beta (x)	0.80
BVPS (IDR)	272.22
52-wk Price low/high (IDR)	406 - 1215
Free float (%)	20.0

Major Shareholders (%)

RMK Investama	76.8

Share Performance (%)

	1m	3m	6m	12m
Absolute	19.59	10.63	(10.15)	111.72
Relative	20.41	12.43	(5.45)	112.61

Ryan Santoso +6221 5093 9843
ryan.santoso@rhbgroup.com

Investment Merits

- Largest integrated coal logistics company in South Sumatra
- Strategic location, surrounded by numerous licensed mining sites (IUP)
- Growing service and trading volumes
- The most efficient coal transport company

Company Profile

RMK Energy was established in 2009 as a coal logistics service provider in South Sumatra. Its infrastructure, which is strategically located in the middle of several coal mining sites, enables it to be involved in coal-trading activity – improving its revenue and overall financial performance.

Highlights

Largest mine-to-barge coal logistics player in South Sumatra. RMKE and Kereta Api Indonesia (KAI) entered an agreement to transport coal from several loading stations, to be discharged at the Simpang station using a 5-track container yard and gantry crane. It also operates the Musi port in Keramasan, which has three lines of barge loading conveyors. The fully integrated coal logistics system ensures the timeliness of delivery to customers. The company aims to reach 17m tonnes of unloading capacity and to ship a minimum of 25m tonnes of coal pa.

Strategic location. The company is currently constructing a hauling road from the mining sites to the Gunung Megang station, which is surrounded by numerous IUPs including those held by Bukit Asam (PTBA IJ, NEUTRAL, TP: IDR4,280), Trans Power Marine, and Bukit Enim. The station has an integrated Train Loading System (TLS) to cater to the Lahat and Muara Enim areas. From the Enim hauling road (39km), the company expects to load 2.5m tonnes of coal (just from PTBA) and three other potential mines. Then, the coal is transported via railways by KAI and unloaded at the Simpang station before it is shipped from the RMKE Kramasan Port.

Growing service volumes and trading. In 2023, the company aims for service and trading volumes to reach 10.8m/2.8m tonnes, up 38% and 11% YoY. The majority of the trading segment should be driven by the in-house mining from Truba Bara Banyu Enim (TBBE), contributing 2.1m tonnes. RMKE will focus on completing the construction of a hauling road that can create access to several mining sites in Muara Enim.

Efficient mode of transportation. RMKE's logistics tariff via railway is at IDR620-720/ton/km, much lower compared to its peers' via hauling roads (IDR1,600-2,000/ton/km). Its integrated TLS also allows the loading-unloading process to be more efficient vs conventional dumping with trucks. Moreover, it has more operational time as it avoids public roads.

Company Report Card

Latest results. RMKE recorded robust operating revenue of IDR2.7trn (+46.6% YoY), of which 77% was contributed by coal sales and the rest from coal services. The company achieved its coal sales volume target of 2.5m tonnes, with unloading service volumes exceeding the target at 149%. Both trading & service margins expanded to 19.2% and 29.3% as coal prices reached a historical high last year. All in, it doubled its earnings to IDR404bn, partially supported by its debt reduction.

Balance sheet. RMKE lowered its debt by 49% in FY22 to IDR217bn, with a light gearing ratio of 0.18x. It has continuously booked positive operating cash flow. As the underground railway development may require heavy capex, and given management's prudent characteristics, we may see RMKE execute a rights issuance.

Management. The Board of Directors consist of the founding family. The company is helmed by Tony Saputra who is experienced in the areas of industrial chain and conveyor belt installation.

Investment Case

Fair value. Its regional peers in the railway coal transport space are trading at 16x FY23F P/E, above RMKE's current valuation of 7.8x. Applying a 30% discount, as the railway is still operated by KAI, and taking into account the normalising coal prices this year, we believe RMKE's fair value is 11.2x P/E. This translates to an FV of IDR1,300 providing 43% upside.

Key risks. Lower coal prices that can reduce revenue contribution from coal trading and drag the overall earnings.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (IDRbn)	635	1,865	2,734
Reported net profit (IDRbn)	74	199	389
Recurring net profit (IDRbn)	74	199	389
Recurring net profit growth (%)	0.0	170.1	95.2
Recurring EPS (IDR)	21	56	110
DPS (IDR)	-	-	-
Dividend Yield (%)	0.0	0.0	0.0
Recurring P/E (x)	42.6	15.8	8.1
Return on average equity (%)	17.3	24.8	32.7
P/B (x)	7.4	3.9	2.64
P/CF (x)	30.9	10.2	10.9

Source: Company data, RHB

Balance Sheet (IDRbn)	Dec-20	Dec-21	Dec-22
Total current assets	255	527	67
Total assets	915	1,400	1,677
Total current liabilities	299	381	333
Total non-current liabilities	194	217	137
Total liabilities	493	598	470
Shareholder's equity	426	802	1,191
Minority interest	(4)	1	16
Other equity	-	-	-
Total liabilities & equity	915	1,400	1,677
Total debt	366	428.8	217
Net debt	350	362	150

Source: Company data, RHB

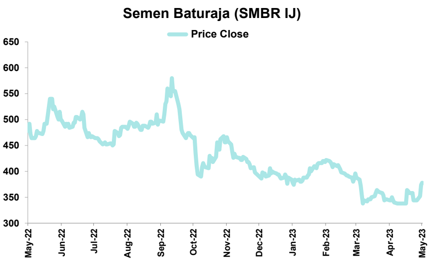
Cash Flow (IDRbn)	Dec-20	Dec-21	Dec-22
Cash flow from operations	102	309	288
Cash flow from investing activities	(123)	(334)	(67)
Cash flow from financing activities	(12)	72	(181)
Cash at beginning of period	11	(22)	26
Net change in cash	(33)	47	39
Ending balance cash	(22)	26	65

Source: Company data, RHB

Semen Baturaja

Fair Value: IDR450
Price: IDR378

Higher Operational Efficiency Post Consolidation



Source: Bloomberg

Stock Profile

Bloomberg Ticker	SMBR IJ
Avg Turnover (IDR/USD)	899.45m/0.06m
Net Gearing (%)	29.7
Market Cap (USDm)	244
Beta (x)	1.34
BVPS (IDR)	311.97
52-wk Price low/high (IDR)	332 - 595
Free float (%)	24.5

Major Shareholders (%)

Semen Indonesia	75.5
Asuransi Jiwa IFG	7.9

Share Performance (%)

	1m	3m	6m	12m
Absolute	5.23	(14.22)	(20.96)	(26.42)
Relative	6.05	(12.41)	(16.26)	(25.54)

Ryan Santoso +6221 5093 9843
ryan.santoso@rhbgroup.com

Investment Merits

- A 53% market share in South Sumatra
- Improvements in production efficiencies ahead
- Debt refinancing to reduce interest rates
- Production plant near coal a mine

Company Profile

Semen Baturaja has an installed production capacity of 3.85m tonnes, consisting of one integrated plant in Baturaja and two packing plants in Palembang and Panjang. It is the market leader in Southern Sumatra, with a 34% market share in 2022. The company recently consolidated with Semen Indonesia (SMGR IJ, BUY, TP: IDR9,300) through asset transfers from the Government, with the aim of creating synergies between the state-owned enterprise (SOE) cement producers.

Highlights

Market leader in South Sumatra. SMBR commands a 53% market share in the South Sumatra province, and 34% in the Sumbangsel area, which consists of Jambi, Bengkulu, Bangka Belitung, South Sumatra, and Lampung. It has a total production capacity of 3.85m tonnes pa, while the utilisation rate in 2022 was only at 52%. As the holding company controls over 50% of the national market share, we expect SMBR to have stronger pricing power and to be able to penetrate into the surrounding areas – this should increase its utilisation rate.

Operational integration between SMGR and SMBR. We see SMBR as the key beneficiary of the consolidation, as SMGR applies its best practices in the production process. The goal is to reduce the clinker factor – which is correlated to coal consumption and the thermal substitution rate (TSR) – to 65% (from >70%). SMGR saves IDR4,000/ton in production costs for every 1% drop in the clinker ratio.

Lower interest rates. SMBR has refinanced its existing syndicated loan at an interest rate of 9.45-9.25% pa, with a sustainability-linked loan (SLL) of IDR901bn. This has a potentially lower interest rate of up to 300bps, which can save c.IDR30bn for SMBR.

Strategically located plant near a coal mine. Amidst rising energy costs last year, SMBR was able to book a slightly wider GPM of 44.8% (FY21: 44.3%), thanks to its location which is close to Bukit Asam's (PTBA IJ, NEUTRAL, TP: IDR4,280) mining site. As the Government has implemented the Domestic Market Obligation (DMO) for the cement sector, SMBR's coal purchase price is better than other cement players.

Company Report Card

Latest results. SMBR recorded an upbeat FY22 cement sales volume of 2.01m tonnes (+3.5% YoY), outperforming the industry, which contracted 3.4% YoY. It booked total sales of IDR1.9trn (+7.4% YoY), achieving 95% of its full-year guidance. The bag segment's contribution was slightly lower at 86% (FY21: 89%) as bulk segment sales grew 49.8% YoY.

Net margin expanded to 5.0% (from 2.7%), driven by topline growth and lower financing costs. The company doubled its earnings to IDR95bn (from IDR47bn) as interest costs fell 11.9%. This year, interest costs can be further reduced, as the company refinanced its syndicated loan with a sustainability-linked loan, which will refer to SMGR's rate.

Lower debt ratio. The company made a IDR238bn early repayment of its investment loan, lowering its net gearing ratio to 0.3x (from 0.42x) – this supported earnings growth last year. In our view, debt is likely to be maintained at this level, as SMBR has positive operating cash flow and does not require heavy capex.

Governance. The consolidation with SMGR may lead to an operational restructuring that could strengthen production efficiencies. The parent company is also a market leader in the industry and is an SOE with good corporate governance records.

Investment Case

Fair value. SMBR is trading at 35.4x P/E and USD142 EV/tonne. Assuming the synergies run smoothly and the company is able to increase its utilisation rate, reduce production costs (normalising coal prices and operational efficiencies), and bring down its financing costs, its fair value should be at IDR450, at 25x FY23F P/E.

Key risks. Oversupply conditions in the cement sector, flat-to-low demand in the property sector ahead of the elections next year, and the implementation of the zero over-dimension and overloading (ODOL) policy and carbon tax.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (IDRbn)	1,722	1,752	1,882
Reported net profit (IDRbn)	52	47	95
Recurring net profit (IDRbn)	52	47	95
Recurring net profit growth (%)	371.7	(9.9)	103.0
Recurring EPS (IDR)	5	5	10
DPS (IDR)	1	-	-
Dividend Yield (%)	0.2	-	-
Recurring P/E (x)	69.4	77.0	37.9
Return on average equity (%)	1.5	1.6	3.1
P/B (x)	1.1	1.2	1.2
P/CF (x)	10.2	21.0	8.7

Source: Company data, RHB

Balance Sheet (IDRbn)	Dec-20	Dec-21	Dec-22
Total current assets	1,102	920	1,009
Total assets	5,737	5,272	5,211
Total current liabilities	850	427	586
Total non-current liabilities	1,479	1,845	1,539
Total liabilities	2,329	2,272	2,124
Shareholder's equity	3,408	3,000	3,087
Minority interest	0	0	0
Other equity	-	-	-
Total liabilities & equity	5,737	5,272	5,211
Total debt	1,728	1,743	1,440
Net debt	1,365	1,258	917

Source: Company data, RHB

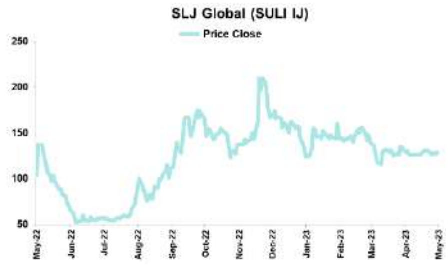
Cash Flow (IDRbn)	Dec-20	Dec-21	Dec-22
Cash flow from operations	352	172	411
Cash flow from investing activities	(82)	40	(53)
Cash flow from financing activities	(93)	14	(320)
Cash at beginning of period	186	339	485
Net change in cash	177	146	38
Ending balance cash	362	485	523

Source: Company data, RHB

SLJ Global

Maximising Sustainable Resources

Fair Value: IDR328
Price: IDR129



Source: RHB, Bloomberg

Stock Profile

Bloomberg Ticker	SULI IJ
Avg Turnover (IDR/USD)	186.34m/0.01m
Net Gearing (%)	Net Cash
Market Cap (USDm)	35
Beta (x)	0.7
BVPS (IDR)	77.9
52-wk Price low/high (IDR)	50 - 228
Free float (%)	36

Major Shareholders (%)

Amir Sunarko	25.13
Carriedo	21.48

Share performance (%)

	1m	3m	6m	12m
Absolute	(0.78)	(11.11)	(7.25)	23.08
Relative	0.31	(9.03)	(2.28)	24.23

Indonesia Research +6221 5093 9888
rhb.id.research@rhbgroup.com

Investment Merits

- Owns 625ths ha of natural forest concession area
- Potential revenue stream from carbon trading
- Sustainable and certified plywood products
- Undemanding and cheap valuation

Company Profile

SLJ Global (SULI) is a forestry company which primarily engages in sustainable forest management and wood manufacturing. SULI has established itself in the marketplace as the leading producer and exporter of high-quality engineered wood products to customers worldwide by upholding the highest integrity to sustainable forest management and international quality standard across its business. It has the largest portfolio of natural forest concession areas managed under sustainable forest management certification in Indonesia.

Highlights

Strong future growth potential from carbon trading. It is not easy for mining, oil & gas, and coal industry companies to achieve net zero, but becoming carbon neutral is more feasible. Going forward, the voluntary carbon market should grow as carbon emission increase has become a concern. As a sustainable forest management and wood manufacturing company, SULI's forte is particularly in forest management. Utilising its 625ths ha natural forest concession, the company could potentially obtain a large number of carbon credit, which can be traded to those that want to be carbon neutral. With the clarity of its multi-use forestry permit and clear path to obtain carbon credit, we expect SULI to boost its revenue with an expanded profit margin. For its manufacturing supply, the company would not harvest logs from its own forestry reserve but obtain it from a third party. We note that Indonesia has the third largest tropical forest in the world, hence the supply of logs are abundant with more competitive prices compared to other countries in the region.

Divestment of non-core business units to focus more on high growth business. In 2022, SULI conducted strategic divestments of its non-core business units and assets, which led to significant improvement of its equity and capital structure. Its major divestment was selling all shares in subsidiary Kalimantan Powerindo (KP), a power plant company, to three strategic investors. Additionally, it also divested non-core assets, medium density fibreboard assets, and its debt to KP.

Growing demand on plywood should push revenue growth. United States is the world's largest plywood importer in 2022. Despite inflation pressure, US plywood import grew 9.2% YoY, or reached USD4.9bn. Indonesia accounted for 17% of the US' total plywood import. We believe with its sustainable and certified raw materials, SULI can expand its market share. Additionally, the abundance of raw materials obtained at a more competitive IDR pricing would benefit the company's margin expansion, especially against the strengthening USD.

Company Report Card

Results highlight. SULI's FY22 revenue dropped 17.5% YoY, mainly due to 31.4% YoY decline of plywood sales volume. The average sales price of plywood was 944/m^3 (+23.6% YoY). This indicates a strong demand which drove the sales price up. The volume drop can be attributed to insufficient raw materials in 1H22, and 4Q22's weak demand from the US market on the back of inflation and high interest rates.

Dividends. SULI has not distributed dividends in the past few years due to unfavourable financial conditions. However, following the divestment of non-core businesses and potential income from carbon trading, we expect the company to become profitable and start distributing dividends.

Management. Amir Sunarko, the CEO, owns 25.13% of the company. He has more than 28 years of experience in the industry.

Investment Case

SULI expects plywood sales volume to reach 65,000m^3 or grow 8.1% YoY, but ASP should drop to 2021-22 levels. To improve its profitability and expand profit margin, the company will start to replace high-cost financing, improve productivity, and reduce fixed costs. On the production side, it plans to stock sufficient raw materials to avoid halts in production and to meet target and delivery. Additionally, we expect it to obtain carbon credit verification and more clarity on the regulations in the near term. Hence, SULI has the potential to receive additional income from more profitable revenue streams and carbon credit, considering that the voluntary carbon market has been gaining importance in the role of reducing global emission.

Undemanding valuation. SULI currently trades at 2.4x 2022FY P/E. We believe it deserves 6x P/E valuation, which translates to IDR328 per share if we assume its EPS remains constant – considering potential flattish revenue in 2023 on the back of lower ASP. On the upside risk, – with a cost efficiency plan in place – the stock should book higher EPS.

Key risks. Weakening US demand, tightening competition, and slower-than-expected carbon credit issuance.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (USDmn)	53	71	59
Reported net profit (USDmn)	-21	3	15
Recurring net profit (USDmn)	-21	3	15
Recurring net profit growth (%)	(327.6)	116.3	340.3
Recurring EPS (IDR)	-76	12	55
DPS (IDR)	-	-	-
Dividend Yield (%)	-	-	-
Recurring P/E (x)	(1.7)	10.4	2.4
Return on average equity (%)	3.1	(0.2)	3.9
P/B (x)	(2.0)	(2.5)	1.6
P/CF (x)	13.4	(9.6)	7.3

Source: Company data, RHB

Balance Sheet (USDmn)	Dec-20	Dec-21	Dec-22
Total current assets	17	26	21
Total assets	85	90	62
Total current liabilities	99	101	37
Total non-current liabilities	4	4	2
Total liabilities	103	104	39
Shareholder's equity	-18	-15	22
Minority interest	-0	-0	-0
Other equity	-	-	-
Total liabilities & equity	85	90	62
Total debt	40	40	-
Net debt	39	38	nc

Source: Company data, RHB

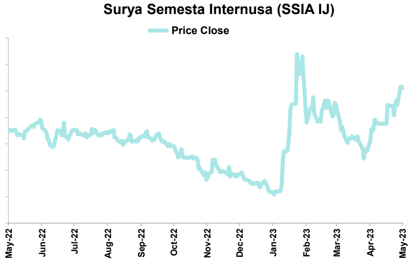
Cash Flow (USDmn)	Dec-20	Dec-21	Dec-22
Cash flow from operations	3	-4	5
Cash flow from investing activitie	-2	6	-3
Cash flow from financing activiti	-1	-2	-1
Cash at beginning of period	2	1	1
Net change in cash	-1	0	0
Ending balance cash	1	1	2

Source: Company data, RHB

Surya Semesta Internusa

Strategic Industrial Land For EV Players

Fair Value: IDR680
Price: IDR456



Source: Bloomberg

Stock Profile

Bloomberg Ticker	SSIA IJ
Avg Turnover (IDR/USD)	12544.6m/0.85m
Net Gearing (%)	30
Market Cap (USDm)	142
Beta (x)	0.95
BVPS (IDR)	976
52-wk Price low/high (IDR)	252 - 545
Free float (%)	97

Major Shareholders (%)

Arman Investments Utama	8.6
Persada Capital Investama	7.9
Intrepid Investments	7.7

Share Performance (%)

	1m	3m	6m	12m
Absolute	17.99	14.36	51.70	18.62
Relative	18.80	16.17	56.40	19.50

Ryan Santoso +6221 5093 9843
ryan.santoso@rhbgroup.com

Investment Merits

- Patimban toll road to drive demand in Subang Smartpolitan
- Lower minimum wage and good labour supply
- Better occupancy rates
- High number of inquiries for Subang Smartpolitan industrial land

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 Subang Smartpolitan is also in close proximity to the Patimban Port, which is currently being developed.

Highlights

Construction of Patimban access toll road to start in 2H23. The construction of the toll road will be divided into two parts – the Government portion (22.9 km) and the consortium portion (14.1 km), with a fair equity portion from SSIA (c.IDR330bn). The impact on demand for Subang Smartpolitan will be significant, as the access road will be able to reduce the travel time to Patimban port to about one hour (±55km). The port is expected to become the country's main hub for export activities, especially for EVs, and Subang Smartpolitan is the nearest industrial land to the port.

Labour advantage. Subang Smartpolitan is located c.53km from Kawarang, which is currently the largest automotive manufacturing area in the country – making it easier to train or hire skilled workers in Subang. The area also has a lower minimum wage of IDR3.3m (Karawang: IDR5.2m).

Recovery of the hospitality segment. Occupancy rates are starting to see a recovery after bottoming out during the pandemic (2020-2021), with hospitality revenue growing 212% in FY22. Meaningful improvement was seen at Melia Bali and Grand Melia Jakarta with occupancy rates of 57% and 46% (FY21: 12% and 30%). This year, the company aims for recurring income to grow 17.6% to IDR700bn, as COVID-19 has been declared an endemic.

High number of inquiries for industrial land. SSIA has received inquiries for approximately 400 ha of land at Subang Smartpolitan, ahead of the construction of the access toll road. The company aims for Subang Smartpolitan to contribute 60ha of land to FY23's marketing sales, mainly from the EV and supporting industries. SSIA has acquired 1,491 ha of land as of 3M23. Last year, the company sold 2ha of land in Subang Smartpolitan for USD125/sqm.

Company Report Card

Latest results. SSIA booked FY22 accounting revenue of IDR3.6trn (+54% YoY). The strongest growth was from the hospitality segment, which rose 211% YoY in line with the recovery in hotel occupancy rates, followed by the construction segment at IDR2.5trn (+48% YoY). While marketing sales levels were relatively low last year at 12.5ha, the company has guided for it to reach 90ha in 2023, as the construction of the Patimban access toll road will begin in 2H23. Overall, the company was able to turn its bottomline positive at IDR176bn (FY21: -IDR200bn), and the profitability is likely to continue as Subang Smartpolitan sales pick up, and the hospitability business continues to improve.

Balance sheet. SSIA's debt rose slightly to IDR2.5trn (2021: IDR2.3trn), but remains at manageable levels with DER of 0.6x. Interestingly, SSIA's current market cap (IDR2trn) is lower than its landbank acquisition cost of IDR2.9trn.

Management. Johannes Suriadjaja is currently the President Director of SSIA, and was Vice President Director between 1996 and 2001.

Investment Case

BUY with TP of IDR680. Our TP is based on SOTP valuation, and we applied a 75% discount to NAV. We have included SSIA's industrial landbank, construction services based on Nusa Raya Cipta's (NRCA IJ, NR) market cap, and recurring income from SSIA's hotel businesses with a WACC of 14% and TG of 2%.

Key risks. Slower FDI flow due to an open-seat election and delays in construction of the Patimban access toll road.

Profit & Loss	Dec-22	Dec-23F	Dec-24F
Total turnover (IDRbn)	3,615	3,636	3,983
Reported net profit (IDRbn)	176	408	675
Recurring net profit (IDRbn)	176	408	675
Recurring net profit growth (%)	(187.8)	132.0	65.5
Recurring EPS (IDR)	39	90	148
DPS (IDR)	-	-	-
Dividend Yield (%)	0.0	0.0	0.0
Recurring P/E (x)	11.5	5.0	3.0
Return on average equity (%)	4.6	9.2	12.4
P/B (x)	0.5	0.5	0.4
P/CF (x)	(13.5)	3.6	1.9

Source: Company data, RHB

Balance Sheet (IDRbn)	Dec-22	Dec-23F	Dec-24F
Total current assets	3,325	3,834	4,464
Total assets	8,290	8,991	10,108
Total current liabilities	1,831	1,839	1,878
Total non-current liabilities	2,199	2,292	2,375
Total liabilities	4,030	4,131	4,253
Shareholder's equity	3,840	4,441	5,437
Minority interest	419	419	419
Other equity	0	0	0
Total liabilities & equity	8,290	8,991	10,108
Total debt	2,859	2,714	2,780
Net debt	1,615	1,334	962

Source: Company data, RHB

Cash Flow (IDRbn)	Dec-22	Dec-23F	Dec-24F
Cash flow from operations	(151)	561	1,059
Cash flow from investing activities	400	(377)	(684)
Cash flow from financing activities	103	61	64
Cash at beginning of period	782	1,136	1,380
Net change in cash	352	244	438
Ending balance cash	1,136	1,380	1,818

Source: Company data, RHB

Victoria Care Indonesia

The Sweet Smell Of Victory

Fair Value: IDR600
Price: IDR520

Source: Bloomberg

Stock Profile

Bloomberg Ticker	VICI IJ
Avg Turnover (IDR/USD)	155.48m/0.01m
Net Gearing (%)	16.8
Market Cap (USDm)	236
Beta (x)	0.68
BVPS (IDR)	119.4
52-wk Price low/high (IDR)	394 – 660
Free float (%)	15

Major Shareholders (%)

Sukses Sejati Sejahtera	59.95
Beauty Brands International	25.00

Share Performance (%)

	1m	3m	6m	12m
Absolute	2.0	9.0	(3.8)	2.8
Relative	2.8	10.8	0.9	3.7

Vanessa Karmajaya +6221 5093 9888
vanessa@rhbgroup.com

Investment Merits

- Aggressive product development strategy
- Maximising growth potential across all channels
- Continuous efforts to explore various growth avenues

Company Profile

With its strong track record and experience spanning over a decade in the local beauty industry, Victoria Care Indonesia has become one of the country's leading personal care companies. It offers a variety of beauty and skincare-related products through an end-to-end business model, with a strong distribution network. It has benefited from the increasing awareness on skincare, as well as from the economic reopening. VICI has implemented various initiatives to capitalise on these opportunities, particularly targeting the younger generation. It is also a beneficiary of the rising popularity of TikTok, with a sizeable revenue contribution from the social media platform.

Highlights

Aggressive product development strategy. The latest ZAP Beauty Index report stated that skincare awareness among Indonesians in 2023 has tripled since 2019. Local skincare products have gained strong traction, with 96.8% of Indonesian women saying they use some local products as part of their skincare routine, while 19% use purely local skincare products. In view of this, VICI has continued to launch new products with more options and appealing packaging. In 2022, it launched 102 new products (vs 43 in 2021). This should help the company remain up to date with the latest trends, and stay ahead of the competition. While it plans for fewer new launches in 2023, it will introduce products that fetch higher margins. The fewer product launches should help it manage promotion costs and improve margins.

Maximizing sales growth across all channels, both online… VICI's online sales accounted for 15% of total revenue in 2022 – among the highest in the fast-moving consumer goods (FMCG) space. Most of its online sales are from TikTok, with some of its products having become top sellers on the platform. The company is among the proxies of the rising popularity of TikTok in Indonesia. A report by Populix stated that TikTok has become Indonesia's most used social media platform for shopping. That said, VICI's new product launches are also mostly done online, as a cost-saving strategy. This strategy is also aimed at gaining a larger audience and greater popularity for its products, especially among the younger generation.

...and offline. VICI sees the success of its products on online platforms leading to strong demand in the offline channels. Stronger ground in offline channels should reduce concerns relating to the fewer promotions on the online channel, as e-commerce players are placing more focus on profitability. The company already has a strong grip on general trade. We remain positive on this, as general trade still has vital role in Indonesia's FMCG market. Meanwhile, the company has recently seen strong traction in modern trade channels given the popularity of its products on online platforms. This should fuel its growth, as it capitalises on the potential of Indonesia's modern trade space.

Continued efforts to explore various growth avenues. Intensifying competition and the decreasing number of COVID-19 cases have pressured sales of its antiseptic products under the Secret Clean brand. VICI attempted to rejuvenate this brand by launching the Secret Clean Mouth Wash, and has seen positive results. It aims to launch more variants of its cosmetics products to boost sales – this category has seen less traction than its other products. VICI has also seized various opportunities from the economic reopening. It aims to widen the varieties of its decorative products and produce products using its own facility to maintain the quality.

Company Report Card

Latest results. In 2022, revenue dipped by 9.3% YoY, mainly due to lower antiseptic sales post pandemic. Note that antiseptic sales contribution was at 7% in 2022 (from 25% in 2021). However, gross sales excluding antiseptics grew by 13% YoY in 2022. Lower sales and margins from antiseptic products, as well as higher opex from new product launches resulted in a 44.9% YoY decline in net profit.

Balance sheet/cash flow. The company recorded net debt of IDR135bn in 2022. We think its balance sheet remains healthy, as net gearing was at 16.8% in 2022 (vs 18.6% in 2021) and its current ratio was at 2.6x.

Dividend. VICI paid 26% of 2021's income as cash dividends in 2022. This is line with the company's policy of a maximum 40% payout ratio. This makes sense, considering the company is still in an expansionary phase, indicating strong growth ahead. This translates to c.IDR7cash dividend/share and a 1.3% dividend yield.

Management. Billy Hartono Salim has held the position of President Director since 2010. He possesses a strong track record with more than a decade of experience.

Investment Case

VICI has guided for 12-15% YoY revenue growth this year, mainly from volume growth. A better product mix with greater margins, and fewer new product launches in 2023 should improve margins. The location of its factory in Central Java should help manage salary costs, as the province has a relatively low minimum regional wage. VICI aims to post a 12-13% net margin in 2023 (2022: 9-10%). It is trading at c.21x P/E. We think VICI should be trading at c.25x 2023F P/E – at a 11-15% discount vs Unilever Indonesia (UNVR IJ, BUY, TP: IDR4,700), given VICI's stronger growth profile – translating to an FV of IDR600/share.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (IDRbn)	1,046	1,153	1,046
Reported net profit (IDRbn)	148	177	98
Recurring net profit (IDRbn)	149	172	97
Recurring net profit growth (%)	31.4	15.3	(43.6)
Recurring EPS (IDR)	22	26	14
DPS (IDR)	4	9	7
Dividend Yield (%)	0.7	1.6	1.3
Recurring P/E (x)	23.4	20.3	35.9
Return on average equity (%)	28.3	25.7	12.6
P/B (x)	5.5	4.6	4.4
P/CF (x)	32.1	31.6	29.3

Source: Company data, RHB

Balance Sheet (IDRbn)	Dec-20	Dec-21	Dec-22
Total current assets	520	561	631
Total assets	960	998	1,151
Total current liabilities	229	162	246
Total non-current liabilities	100	86	104
Total liabilities	330	248	350
Shareholder's equity	630	750	801
Minority interest	0	0	0
Other equity	0	0	0
Total liabilities & equity	960	998	1,151
Total debt	223	144	141
Net debt	155	140	135

Source: Company data, RHB

Cash Flow (IDRbn)	Dec-20	Dec-21	Dec-22
Cash flow from operations	109	110	119
Cash flow from investing activities	(76)	(16)	(23)
Cash flow from financing activities	33	(159)	(95)
Cash at beginning of period	3	69	4
Net change in cash	66	(64)	1
Ending balance cash	69	4	6

Source: Company data, RHB

Fair Value: IDR90

Price: IDR62

Wilton Makmur

Strong Turnaround Story

Source: Bloomberg

Stock Profile

Bloomberg Ticker	SQMI IJ
Avg Turnover (IDR/USD)	653m/0.04m
Net Gearing (%)	12
Market Cap (USDm)	65
Beta (x)	0.9
BVPS (IDR)	11
52-wk Price low/high (IDR)	55 - 95
Free float (%)	17

Major Shareholders (%)

Wilton Resources Holdings	76.03

Share Performance (%)

	1m	3m	6m	12m
Absolute	(8.82)	(10.14)	(24.39)	6.90
Relative	(8.27)	(7.99)	(19.36)	7.52

Indonesia Research +6221 5093 9888
rhb.id.research@rhbgroup.com

Investment Merits

- A turnaround story
- Better margins from high gold grade content
- Positive sentiment from the safe haven trend

Company Profile

Wilton Makmur Indonesia (SQMI) – c.83% owned by Singapore-based Wilton Resources Holdings – is engaged in a gold mining concession focused in Ciemas, West Java. Its permit is valid until Sep 2030 and the total concession area of c.3,000ha contains estimated resources (measured and Indicated) of c.3,400k tonnes of ore with a gold grade of 8.6grams per tonne (g/t). Aside from this, c.2,500k tonnes of inferred mineral resources are estimated to have a gold grade of 6.5g/t – all estimations have been reported in accordance with the Joint Ore Reserve Committee Code or JORC Code.

Highlights

All that glitters. SQMI began gold production at Ciemas (comprising six prospecting locations) in 2017 after initial leaching and processing trials. SQMI later announced its large-scale plant's maiden operational stage was successfully run in March (c.500 tonnes ore per day), with this facility currently running at 50% utilisation. The company also plans gradual incremental capacity increases up till July. SQMI is also eyeing possible upgrades in the years ahead, which will bring total processing capacity to c.1,500 tonnes of ore per day.

Potential value. Management guided that its all-sustaining cash costs will run at under c.USD1,000 per oz by utilising the carbon-in-leach process vis-à-vis its regional peers' c.USD1,200 per oz – making the company slightly ahead in terms of production efficiency. The relatively high gold grade at the Ciemas site (enriched by geological factors like seams located close to fault lines) could benefit SQMI's overall margins too. Management believes the company's profitability will turn positive by the final quarters of this year, after taking into account successful trial tests before its processing facility runs optimally – 100% utilisation is slated for 2H23. No official guidance has been given at the moment with regards to operational and financial targets, but our rough estimate for this year is for c.5,000oz of gold at the very least.

Company Report Card

Latest results. SQMI's topline is mainly supported by sales of ore bullion – it booked sales of IDR5bn throughout FY22 (+12% YoY). Note: The company purchases raw materials from outside parties for its inventory. However, the transitional phase currently being conducted by management – in order to ensure stable and higher output – still incurred losses at the operational level. This was attributed to elevated utilities and maintenance expenses relative to its current revenue – the bulk of which has not yet come from its own concession. SQMI posted an FY22 operational loss of IDR24bn (excluding an FX loss of c.IDR7bn) vs FY21's operation loss at IDR18bn.

Balance sheet/cash flow position. The capex needed to realise management's stable production target means massive amounts of funds are required. For now, SQMI is still reliant on bank loans – as at FY22, this stands at IDR21.7bn with a current ratio of 0.16x. We see positive developments ahead, though – marked by the operational commencement of the company's processing plant in March. We think this will result in the fair output realisation for this year and contribute to strong cash flows going forward. We note that FY22 operational cash flow stood at -IDR13.9bn vs FY21's -IDR15.4bn.

Management. SQMI is led by President Director Oktavia Budi Rahardjo who has over 25 years of experience in management and operations in various industries such as logistics, transportation, and coal mining. The company's senior management is helmed by two other directors – Andrianto Darmasaputra Lawrence and Ethan Chia Wei Yang – who have been with SQMI for up to 10 years.

Investment Case

Valuation. We believe SQMI will be able to realise its trajectory plan by hitting its year-end production target (our estimate: c.5,000oz) given the current positive gold price trends – we think spot prices may be sustained above c.USD1,900 per oz going forward. Consequently, we might see a significant jump in FY23F revenue – close to c.USD12m (c.IDR164bn). Furthermore, if we use conservative estimates for its net margins (at c.26%), it is very probable that earnings can shoot up to c.USD3m (c.IDR46bn). We put its fair value at IDR90 (c.48% upside), given its past resistance on its historical price trend a year ago. The valuation also based on probable of optimum utilization in FY24F, which brings more earnings to come (at c.USD140m of bottomline, derived from potential output at c.16,000oz of gold output, in our view) .

Key risks: i) Fluctuations in gold sentiment, ii) rising mining and operational costs (especially fuel), and iii) possible technical delays, eg unexpected maintenance, faulty equipment, and natural disasters.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (IDRbn)	5	5	5
Reported net profit (IDRbn)	(32)	(18)	(31)
Recurring net profit (IDRbn)	(32)	(18)	(31)
Recurring net profit growth (%)	7.1	44.3	(76.5)
Recurring EPS (IDR)	(2)	(1)	(2)
DPS (IDR)	-	-	-
Dividend Yield (%)	-	-	-
Recurring P/E (x)	(30.7)	(55.1)	(31.2)
Return on average equity (%)	17.9	(9.1)	(19.0)
P/B (x)	(5.5)	5.0	5.9
P/CF (x)	(82.0)	(63.4)	(70.1)

Source: Company data, RHB

Balance Sheet (IDRbn)	Dec-20	Dec-21	Dec-22
Total current assets	32	30	47
Total assets	412	446	476
Total current liabilities	540	202	288
Total non-current liabilities	54	52	27
Total liabilities	594	254	316
Shareholder's equity	(178)	196	165
Minority interest	(4)	(4)	(4)
Other equity	-	-	-
Total liabilities & equity	412	446	476
Total debt	20	22	22
Net debt	21	23	7

Source: Company data, RHB

Cash Flow (IDRbn)	Dec-20	Dec-21	Dec-22
Cash flow from operations	(12)	(15)	(14)
Cash flow from investing activities	(31)	(39)	(40)
Cash flow from financing activities	42	55	66
Cash at beginning of period	3	2	2
Net change in cash	(1)	0	12
Ending balance cash	2	2	14

Source: Company data, RHB

Wismilak Inti Makmur

Beneficiary Of Downtrading

Fair Value: IDR1,435
Price: IDR1,255

Source: Bloomberg

Stock Profile

Bloomberg Ticker	WIIM IJ
Avg Turnover (IDR/USD)	6,586m/0.45m
Net Gearing (%)	Net Cash
Market Cap (USDm)	169
Beta (x)	1.2
BVPS (IDR)	723.5
52-wk Price low/high (IDR)	448-1,275
Free float (%)	35.5

Major Shareholders (%)

Indahtati Widjajadi	16.14
Ronald Walla	15.18
Stephen Walla	15.18

Share Performance (%)

	1m	3m	6m	12m
Absolute	35.23	37.57	52.56	131.07
Relative	36.31	39.65	57.53	132.22

Indonesia Research +6221 5093 9888
rhb.id.research@rhbgroup.com

Investment Merits

- Attractive valuation on strong earnings growth
- Higher excise taxes that led to down-trading should benefit WIIM
- Ample room for WIIM to grow market share in hand-rolled kretek cigarettes (SKT) segment

Company Profile

Wismilak Inti Makmur was established in 1987 under the name Gelora Djaja. Since then, WIIM has become one a prominent cigarette manufacturer in Indonesia. Its manufacturing process is fully integrated – cigarette flavoring, production, processing and distribution. Its products are classified into several categories: i) SKT ii) machine-rolled kretek (SKM) iii) premium cigars, and iv) filter rods for cigarettes.

Highlights

Growth opportunities in SKT segment. Inflation pressures are likely to lead to down-trading, with tier 2 players such as Wismilak to be major beneficiaries. Wismilak's SKT segment is categories as tier 3, whereby its SKT sales reached 473m sticks in 2022. However, its SKM cigarettes have reached tier 2 maximum sales (2,98bn sticks), and hence, there is limited upside for Wismilak to enjoy the tier 2 lower excise tax rates. Therefore, Wismilak is likely to expand its SKT sales, even if it has to move up to the tier 2 category. Note that the tier 2 SKT excise tax is 68.7% higher than tier 1, with a 73.6% difference in the retail price floor, while the difference between the tier 2 and tier 3 retail price floor is only 19%. Wismilak also recently launched its Wismilak Arja SKT brand, as part of its aggressive strategy to expand the SKT market share.

Sales volumes exceeded industry average. Wismilak's sales volume reached 3.5bn sticks (+22% YoY) – above the industry's relatively flat growth of -0.6% YoY – at 330bn sticks in 2022, from 332bn sticks in 2021. The strong growth was primarily driven by strong sales volumes in the SKM segment, particularly the SKM mild cigarettes which saw sales of 2.5bn sticks (+35.8% YoY). The difference in the retail price floor and excise tax for tier 1 and tier 2 are 63.7% and 64.6% respectively, and therefore, downtrading by customers has benefitted Wismilak. As the industry is saturated, industry growth should be relatively flat. However, Wismilak, as a tier 2 player, should keep expanding its market share – particularly in the SKT segment.

Undemanding valuation. The stock is currently trading at 7.45x FY22 P/E, which is at a 63% discount to peers. Our fair value is based on 9.0x FY22 P/E, or a 50% discount to peers. We believe WIIM will be able to book relatively strong growth due to higher demand from the downtrading by consumers, given the company's lower-priced product range.

Company Report Card

Results highlights. FY22 revenue grew by 35.5% YoY mainly due to strong growth in the SKM segment (+42.6% YoY), as the main revenue contributor (78.6% of total revenue). The EBIT margin expanded to 8.3% (vs 7.7% in 2021) on the back of higher ASPs in its competitive tier 2 SKM segment.

Dividends. The company distributed IDR7.4bn in dividends last year, which translated into a payout ratio of 25.6% (IDR21.60 per share). Wismilak has been maintaining its payout ratio at 25-26% pa. If it manages to maintain its payout ratio, this will translate to DPS of c.IDR30/share or a 3.4% yield at the current share price.

Net cash position. Wismilak is in a net cash position, similar to other tobacco players

ROE. WIIM's FY22 ROE reached 17.7%, improving from 14.2% in FY21.

Management. The company is 62.72%-owned by its management team and founding family. President Director Ronald Walla has been holding his position since 2012. He was previously a company commissioner.

Investment Case

WIIM is still undervalued, given its above-industry sales growth, with a net cash position. It is currently trading at an undemanding valuation of 10.6x FY22 P/E, which is at a 18.6% discount to peers. Given its potential strong growth in the SKT segment, which should allow WIIM to record significant growth in 2023F, we believe WIIM deserves to be valued at IDR1,435/share or 11x 2023F P/E.

Key risks. Weakening US housing market and more aggressive Vietnam expansion.

Profit & Loss	Dec-20	Dec-21	Dec-22
Total turnover (IDRbn)	1,994	2,734	3,704
Reported net profit (IDRbn)	172	177	249
Recurring net profit (IDRbn)	172	177	249
Recurring net profit growth (%)	537.0	2.9	40.7
Recurring EPS (IDR)	82	84	119
DPS (IDR)	4	21	22
Dividend Yield (%)	0.3	1.6	1.7
Recurring P/E (x)	15.3	14.9	10.6
Return on average equity (%)	15.5	14.2	17.7
P/B (x)	2.2	2.0	1.8
P/CF (x)	12.2	14.6	8.8

Source: Company data, RHB

Balance Sheet (IDRbn)	Dec-20	Dec-21	Dec-22
Total current assets	1,289	1,591	1,876
Total assets	1,614	1,891	2,169
Total current liabilities	352	543	662
Total non-current liabilities	77	30	6
Total liabilities	429	573	668
Shareholder's equity	1,184	1,317	1,499
Minority interest	2	2	2
Other equity	-	-	-
Total liabilities & equity	1,614	1,891	2,169
Total debt	15	-	-
Net debt	nc	nc	nc

Source: Company data, RHB

Cash Flow (IDRbn)	Dec-20	Dec-21	Dec-22
Cash flow from operations	216	181	300
Cash flow from investing activities	3	(27)	(45)
Cash flow from financing activities	(54)	(62)	(66)
Cash at beginning of period	265	430	522
Net change in cash	165	93	190
Ending balance cash	430	522	712

Source: Company data, RHB

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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 9280 8888
Fax : +603 9200 2216

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

BANGKOK

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470

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