

5 November 2021

Financial Services | Non-Bank Financials

Saratoga Investama Sedaya (SRTG IJ)

Buy

Unlocking Value With a Solid Track Record; BUY

Target Price (Return): IDR2,900 (37%)
 Price (Market Cap): IDR2,120 (USD2,009m)
 ESG score: 3.00 (out of 4)
 Avg Daily Turnover (IDR/USD) 26,070m/1.83m

- **Initiate coverage with BUY and IDR2,900 TP, 37% upside.** Saratoga Investama Sedaya's share price has surged 209% YTD, driven by key investments – Adaro Energy (ADRO), Merdeka Copper Gold (MDKA) and Tower Bersama Infrastructure (TBIG) – enjoying the first wave of market valuation upgrades. Our outlook is upbeat, premised on: i) Significant realisation of divestment gains (likely TBIG and Provident Agro (PALM) at 14-16x investment costs); ii) robust dividend income from investees (ADRO and MDKA); and iii) potential gains from its investment in tech start-ups.
- **Valuations at a sweet c.57% discount to SOP, post potential divestments.** Established during the Asian Financial Crisis in 1997, SRTG has generated a 20% CAGR (vs JCI's 4.4% or the country's 9-13% average WACC) in the past five years. Potential divestments in TBIG (TBIG IJ, NR) and PALM (PALM IJ, NR) could drive up SOP discounts to c.48%, assuming that none are applied to the cash proceeds. Looking ahead, its focus for future investments will be on: i) Companies at a nascent stage with significant upside, ii) those in the growth stage entering a mature high-cash generation phase, and iii) large corporations with well-established market positions offering long-term growth and capital appreciation, with 20% in target IRR pa. ADRO (ADRO IJ, NEUTRAL, TP: IDR1,900), MDKA (MDKA IJ, BUY, TP: IDR3,140), and TBIG contribute 90% of total NAV. The aforementioned is testament to its ability to win investor interest, and subsequently secure sizable funding.
- **Financial outlook: 7-30% YoY growth in 2021-2022F from dividend income and fair value adjustments.** SRTG is trading at a 40% discount to NAV, above its 5-year mean of c.52%. The 223% YoY expected earnings growth for ADRO in 2021F, owing to strong coal prices, should drive up SRTG's dividend income (2021F: +31% YoY). There is a potential rerating post materialisation of SRTG's investments in tech start-ups (current position of USD50-60m or 2% of NAV), and most exposure under Provident Growth and Skystar funds. Tech start-ups that may become the next unicorns are SIRLO, Fuse, Pomelo Fashion, and Topica Edtech – given strong competitive advantage and ample growth opportunities.
- **ESG investing.** SRTG has adopted good corporate governance practices since 2014, and employed a sustainability development framework that serves as the overarching guidance towards its investments. It is committed to accountability and transparency through communicating its sustainability development annual issuance of sustainability report, which commenced in 2020.
- **Downside risks:** i) Potential divestments being aborted, translating to the discount to NAV remaining at just 40%, (which is already at a premium to the historical levels) and ii) high risks related to start-up investments, albeit diversified with indirect investments via >20 venture capital portfolios.
- **ESG aspects have a neutral impact on our TP,** based on our in-house methodology.

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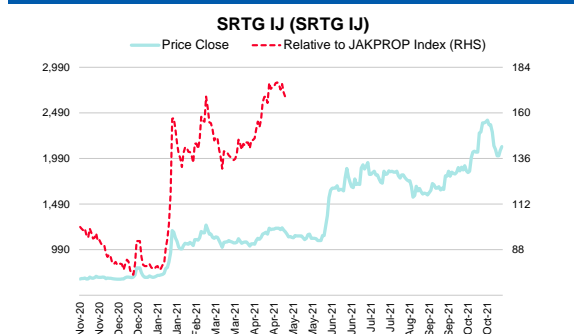
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	209.0	11.0	15.2	87.6	217.4
Relative	220.4	11.0	15.2	87.6	208.2
52-wk Price low/high (IDR)				666 – 2,410	



Source: Bloomberg

Overall ESG Score: 3.00 (out of 4)

E: GOOD

SRTG always encourages its employees to turn off all the equipment at the main plug upon leaving the office and keep things digital. The company also collaborated with Eco Learning Camp Foundation to empower local leaders and teachers about home organic farming and students to be Green Leaders.

S: EXCELLENT

SRTG has provided support on equipment assistance for hospitals and health workers as well as assistance to communities affected by COVID-19 is a manifestation of SRTG's responsibility to ease the burden on the Government and society in facing pandemic condition.

G: GOOD

SRTG is consistently aiming to improve the quality and ensure effective and efficient corporate governance implementation to all levels within organization. Under ASEAN CG Scorecard, the company achieved above average score at 84.93.

Forecasts and Valuation	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
Total turnover (IDRb)	8,219	9,169	10,136	13,120	13,225
Recurring net profit (IDRb)	7,468	8,891	9,970	12,965	13,053
Recurring net profit growth (%)	-	19.1	12.1	30.0	0.7
Recurring P/E (x)	3.85	3.23	2.88	2.22	2.20
P/B (x)	1.3	0.9	0.7	0.5	0.4
P/CF (x)	68.84	63.32	93.39	40.30	39.12
Dividend Yield (%)	0.5	1.0	1.1	1.4	1.4
EV/EBITDA (x)	0.74	(0.33)	(1.22)	(1.87)	(2.78)
Return on average equity (%)	38.6	32.8	27.8	27.9	22.3
Net debt to equity (%)	12.9	8.9	6.9	4.5	3.2

Source: Company data, RHB

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Financial Exhibits

Asia	Financial summary (IDR)	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
Indonesia	Recurring EPS	550.52	655.42	735.00	955.75	962.28
Financial Services	DPS	10.98	21.85	23.43	30.46	30.67
Saratoga Investama Sedaya	BVPS	1,668.11	2,304.06	2,980.04	3,864.01	4,747.15
SRTG IJ	Return on average equity (%)	38.6	32.8	27.8	27.9	22.3
Buy						
	Valuation metrics	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
Valuation basis	Recurring P/E (x)	3.85	3.23	2.88	2.22	2.20
SOTP	P/B (x)	1.3	0.9	0.7	0.5	0.4
	FCF Yield (%)	1.5	1.6	1.1	2.5	2.6
	Dividend Yield (%)	0.5	1.0	1.1	1.4	1.4
Key drivers	EV/EBITDA (x)	0.74	(0.33)	(1.22)	(1.87)	(2.78)
i. Wide gap on its NAV;	EV/EBIT (x)	0.74	(0.33)	(1.22)	(1.87)	(2.78)
ii. Strong fund performance and track record.						
Key risks						
Failure on its new start-ups investment.						
Company Profile						
Saratoga Investama Sedaya is an active investment company in Indonesia that was founded in 1998. The Company focuses on investment opportunities in the early-stage, growth stage as well as in special conditions with emphasis on sectors that support Indonesian economic development, such as consumer, infrastructure and natural resources.						
	Income statement (IDRb)	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
	Total turnover	8,219	9,169	10,136	13,120	13,225
	Gross profit	8,219	9,169	10,136	13,120	13,225
	EBITDA	8,061	8,986	9,937	12,864	12,966
	Depreciation and amortisation	1	1	1	1	1
	Operating profit	8,062	8,987	9,938	12,865	12,967
	Net interest	(295)	(203)	(221)	(229)	(245)
	Pre-tax profit	7,738	8,693	9,718	12,636	12,722
	Taxation	(394)	130	194	253	254
	Reported net profit	7,371	8,825	9,970	12,965	13,053
	Recurring net profit	7,468	8,891	9,970	12,965	13,053
	Cash flow (IDRb)	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
	Change in working capital	(0)	341	(8)	(26)	(1)
	Cash flow from operations	418	454	308	714	735
	Dividends paid	(298)	(149)	(296)	(318)	(413)
	Cash flow from financing activities	(806)	(417)	(296)	(318)	(413)
	Cash at beginning of period	783	394	431	443	839
	Net change in cash	(388)	37	12	396	322
	Ending balance cash	394	431	443	839	1,161
	Balance sheet (IDRb)	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
	Total cash and equivalents	394	431	443	839	1,161
	Total investments	25,794	34,508	43,658	55,227	66,883
	Total assets	26,658	35,049	44,218	56,209	68,189
	Total long-term debt	3,325	3,230	3,230	3,230	3,230
	Total liabilities	3,883	3,652	3,652	3,652	3,652
	Total equity	22,774	31,397	40,566	52,557	64,537
	Total liabilities & equity	26,658	35,049	44,218	56,209	68,189
	Key metrics	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
	Revenue growth (%)	0.0	11.6	10.5	29.4	0.8
	Recurrent EPS growth (%)	0.0	19.1	12.1	30.0	0.7
	Gross margin (%)	100.0	100.0	100.0	100.0	100.0
	Operating EBITDA margin (%)	98.1	98.0	98.0	98.0	98.0
	Net profit margin (%)	89.7	96.2	98.4	98.8	98.7
	Dividend payout ratio (%)	2.0	3.4	3.2	3.2	3.2
	Interest cover (x)	25.4	40.7	45.0	56.2	52.9

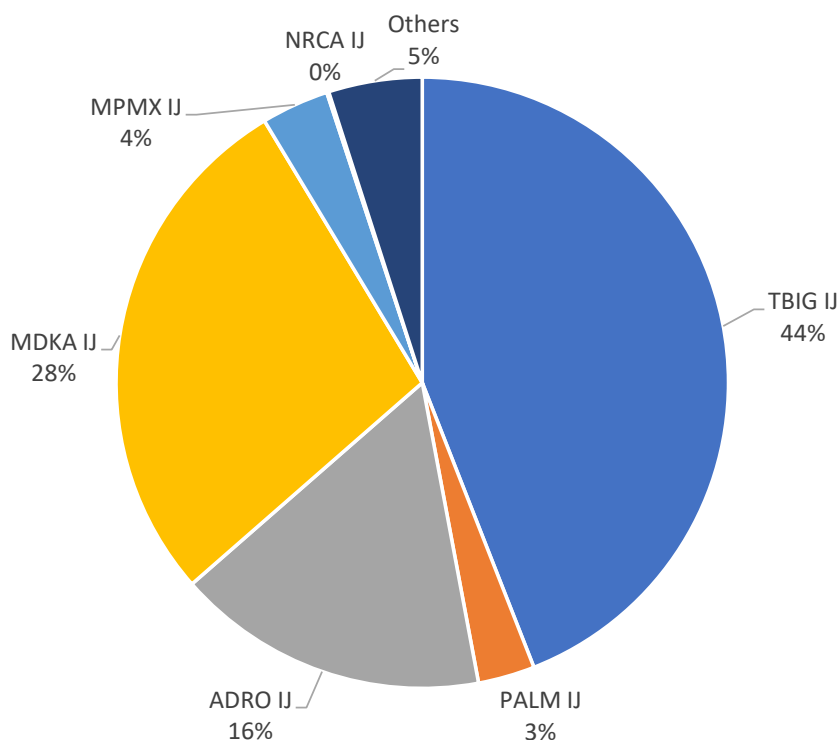
Source: Company data, RHB

Investment Thesis

Proven track record: Strong >20% CAGR for NAV in the past five years

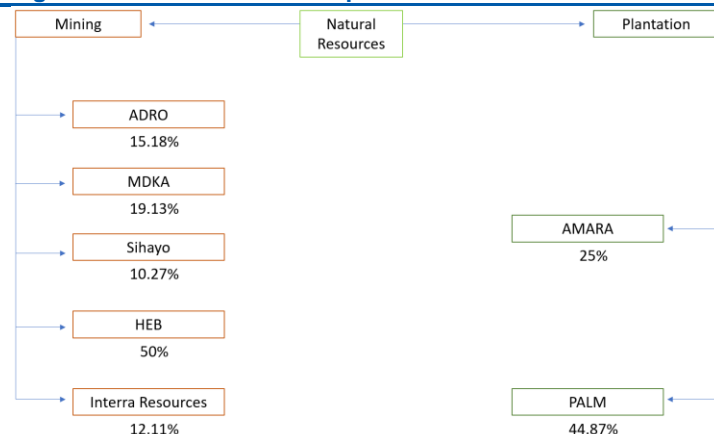
Established during the Asian Financial Crisis, SRTG is an investment firm with a strong track record, having booked a CAGR of over 20% in NAV over the past five years. Its main objective is to carry out trading activities and investment businesses in firms that are involved in the natural resources, infrastructure, and consumer products and services sectors. Of late, market valuations of the companies it has significantly invested in have done well YTD – TBIG's has appreciated by 70%, while ADRO and MDKA's have risen by 28-29%. These increases are underpinned by strong commodity prices (especially of coal and copper) and favourable government regulations on foreign investment in tower companies. The latter has engendered a positive rerating for TBIG, so the stock's valuation is now closer to that of its comparable regional peers, at 25x EV/EBITDA.

Figure 1: SRTG's current investment portion



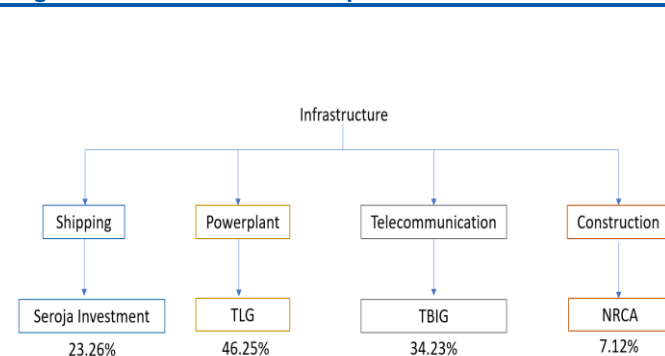
Source: Company data, RHB

Figure 2: Current investment portfolio on natural resources



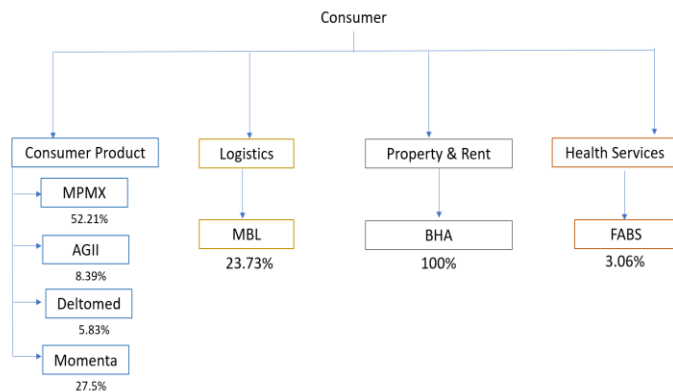
Source: Company

Figure 3: Current investment portfolio on infrastructure



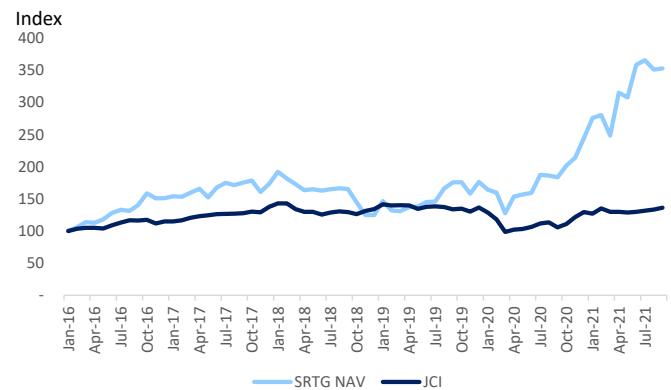
Source: Company

Figure 4: Current investment portfolio on consumer companies



Source: Company

Figure 5: SRTG's NAV trend vs JCI



Source: Company data, Bloomberg, RHB

Larger SOP discounts post potential large divestments

SRTG is trading at a c.40% discount to NAV, above the 5-year historical mean of 52%. TBIG is its biggest contributor to total numbers, since SRTG has a 34.2% stake (valued at c.IDR22trn) in the former. Management is also looking to divest its PALM, whose current market cap is worth c.IDR3trn, but PALM holds a 6% stake in MDKA worth IDR4.4trn. Assuming that SRTG hives off half of its stake in TBIG and 100% of PALM, it would clock nearly IDR14.7trn in divestment value. These, in turn, may be recorded as cash proceeds, and will not be valued with holding company discounts. This would leave IDR34.7trn in NAV, while its market cap-adjusted value of divestments would be IDR13.3trn. This points to a discount to SOP of more than 60%.

Figure 6: Current NAV translates to c.40% SOP discount

List of Investments	Ownership (%)	Market Cap (IDRbn)	NAV (IDRbn)
Tower Bersama (TBIG IJ)	34.23	63,440	21,715
Provident Agro (PALM IJ)	44.87	3,289	1,476
Adaro Energy (ADRO IJ)	15.18	53,576	8,133
Merdeka Copper Gold (MDKA IJ)	19.13	71,692	13,715
MPM (MPMX IJ)	52.21	3,370	1,759
Nusa Raya Cipta (NRCA IJ)	7.12	734	52
Seroja Investment (SER SP)	23.26	-	76
Interra Resources (ITRR SP)	10.89	306	33
Sihayo Gold (SIH AU)	10.27	354	36
Others: (9M21 Fair Value)			2,291
Total Asset Value			49,286
+Cash and equivalent (FY22F)			839
-Interest bearing liabilities (FY22F)			3,230
Net Asset Value			46,896
Current market cap			28,215
SOP discount			-39.8%

Note: Data as at 3 Nov 2021

Source: Company data, RHB, Bloomberg

Opportune time to hive off stakes in TBIG and PALM with 10-14x investment gains on hand

SRTG's 34.2% stake in TBIG is currently valued at IDR22trn or equal to c.45% of SRTG's equity value. With Indonesia's new Omnibus Law in effect, the government has removed many sectors from the negative investment lists. These include the telco tower industry – and foreign investors are now allowed to have controlling stakes in tower companies in Indonesia. This has triggered a positive rerating of 35-60% for industry players, but TBIG's 2022F consensus EV/EBITDA of 17x is still at a discount to the regional peer average of 25x. Note that TBIG has an EBITDA margin exceeding 80%, compared with its regional peers' 50-65%. In addition, the management has indicated its plan to divest PALM, in view of CPO prices being at record highs, and potential ESG issues that may arise and dampen SRTG's own valuation.

PALM's current market cap is c.IDR3.3trn. It has 6.05% stake in MDKA, which should be valued at IDR4.5trn, excluding PALM's core CPO business that generates IDR420bn in profit pa (based on 1H21 annualised numbers). At 10x P/E, this should boost its value by another IDR4.2trn – which could mean that if PALM is divested, the value of this stake would be IDR8.7trn. We believe that, post-divestments, these significant gains (15x of cost for TBIG and c.20x for PALM) could unlock value for SRTG assets. Given that the value of its current investments in TBIG and PALM have a 30% discount applied (the current SOP discount), cash proceeds from the divestments should not be discounted.

Figure 7: Potential adjusted NAV translates to a 57% discount to SOP

PALM Equity Valuation		IDRbn
Value of 6.05% stake in MDKA		4,337
PALM's core earnings, annualised 1H21		90
Core business valuation, @ 10x P/E		900
PALM's implied valuation		5,237
SRTG 's stake in PALM		2,350
50% TBIG divestment, at current value		10,858
Total divestments proceeds		13,208
NAV after divestment		
Tower Bersama (17.1% stake)		10,858
Provident Agro (100% divestment)		-
Others (<i>ceteris paribus</i>)		26,095
Total Asset Value		36,953
+Cash and equivalent (FY22F)		839
-Interest bearing liabilities (FY22F)		3,230
Net Asset Value		34,562
Net market cap - cash divestment proceed		15,007
Implied SOP discount after divestments		-56.6%

◆ This illustrates the assumption that SRTG divests 50% of its stake in TBIG, and all of its equity in PALM

◆ SRTG owns 44.9% of PALM, which could lead to potential cash proceeds of IDR2.4trn upon divestment

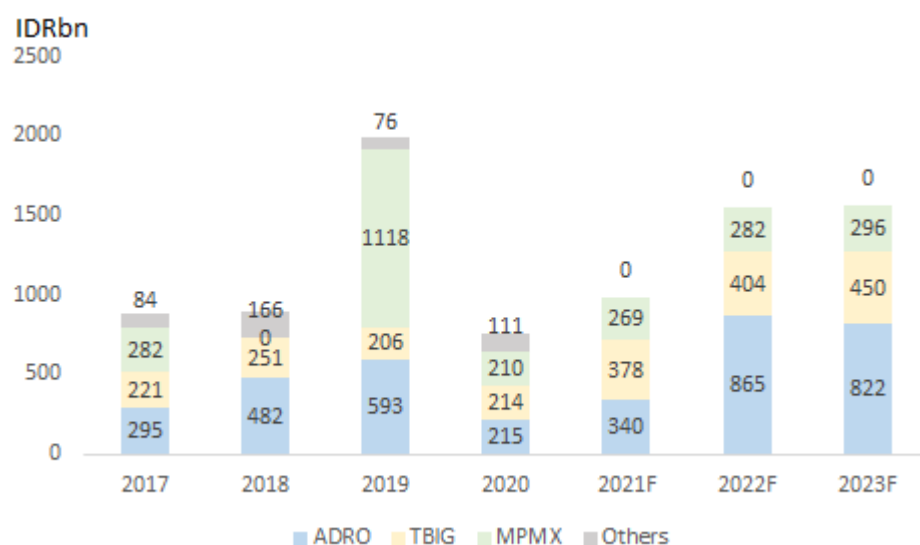
◆ Cash proceeds from the divestment are excluded from the SOP discount calculation

Note: Data as of 3 Nov 2021
Source: Company data, RHB, Bloomberg

Diversified dividend income stream with large growth potential from ADRO in 2022F

The real cash flow generator for SRTG stems from dividend income. Although the contributions to revenue may be small, most of the net gains on investments in shares and other equity securities recorded in the income statement have not yet materialised. 320% of the operational cash flow is contributed by dividend income. ADRO, TBIG, MPMX, and Deltomed Laboratories (Deltomed) are the main contributors, while MDKA is still in an expansionary phase and has not been paying dividends, despite its sizeable equity value. With coal prices skyrocketing in 2021, ADRO's earnings are estimated to jump 223% YoY this year. We expect SRTG to book a 158% YoY increase in dividend payment in 2022, mainly driven by ADRO's contributions.

Figure 8: Dividend income breakdown and projections



Source: Company data, RHB

Strong management team with a solid track record

President Commissioner Edwin Soeryadjaya co-founded the company and is also the supervisor of its investment committee. He is also SRTG's main shareholder, and has a solid background in management and finance.

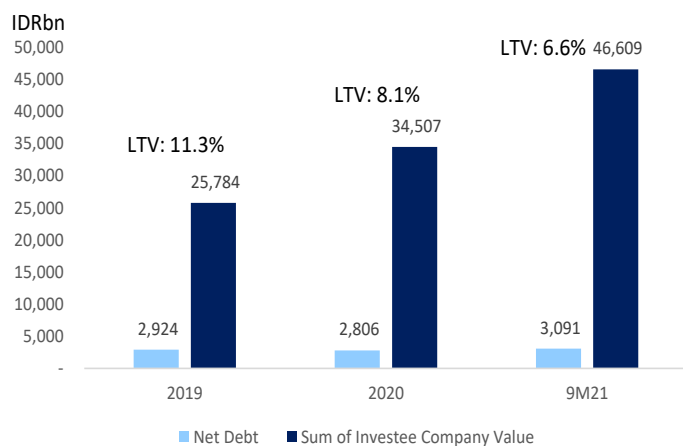
The management team upholds three investment strategies:

- Provide a platform for each investee, strategically for organic growth and synergies of the entire value chain;
- Work closely with existing key decision makers of the invested companies, and be a vital local partner in providing market knowledge, expertise and regulatory advice for investee companies as well as professional investors;
- Value creation, which involves providing capital support, operational input, financial advice and access to significant business expertise.

These strategies should enable SRTG to grow its NAV by 20 times, as the company focuses on the natural resources, infrastructure and consumer products and services sectors. In addition, SRTG actively supports its investments' competitive advantages by helping to strengthen the management teams' (of the investee companies) expertise, sector knowledge while opening up further access to a wide range of financial instruments. Minister of Tourism and Creative Economy Sandiaga Uno – who was also Prabowo Subianto's presidential campaign partner – has a 21.5% stake in the company. He is also a co-founder of SRTG, and we believe his network and professional expertise should add further value to the company.

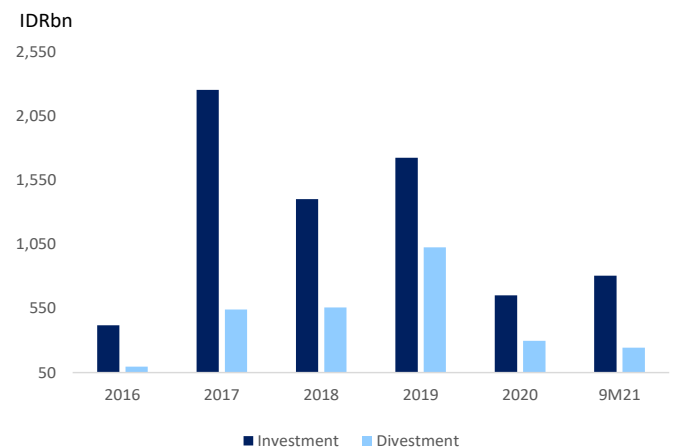
We note that the controlling stakeholders do not have personal holdings in any of the investee companies. In addition, SRTG has implemented good corporate governance and whistle-blowing policies, as highlighted in the company's sustainability report for 2020.

Figure 9: Historical net asset value vs net debt



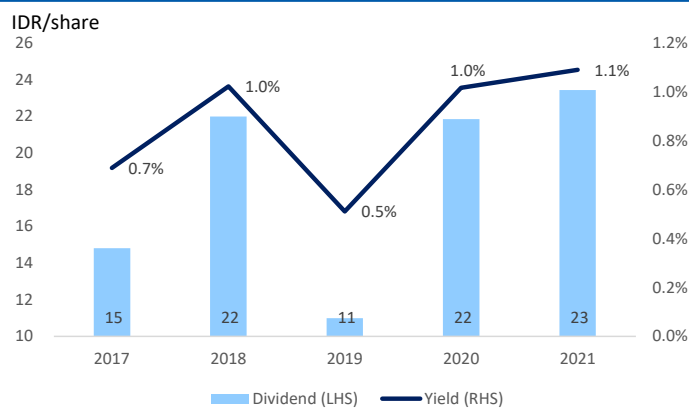
Source: Company data, RHB

Figure 10: Healthy active investment churn



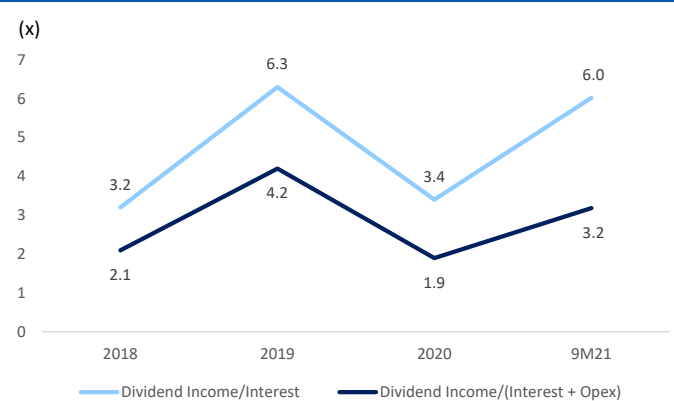
Source: Company data, RHB

Figure 11: Trend of dividend payments



Source: Company data, RHB

Figure 12: Healthy interest coverage ratio



Source: Company data, RHB

Potentially significant gains from tech start-up investments

SRTG is involved in the rapidly growing technology sector with most of its exposure from investments in Provident Growth and Skystar Capital funds. These venture capitals are managed by third party, and SRTG is one of the key investors to these funds, while the % stake on these funds remain undisclosed. SRTG also has direct investments to JULO and SIRCLO, although the aforementioned venture capitals have already invested in these both companies. The current NAV for tech-related investments are USD60mn, still less than 2% of SRTG's NAV. Going forward, SRTG will allocate 20-30% of its new investments in technology start-ups. We believe the management's strong track record could provide strong investment gains to stakeholders.

Downside risks

Few of the potential risks to our call are the potential divestments being aborted translating to maintained current NAV discount at just 40% already at premium to the historical levels. SRTG invested USD60mn in tech start-ups, which are much higher default risk than established investments. Note that this is only less than 2% of the current NAV, and SRTG invested not directly to the early start-ups, but through venture capitals that have diversified investments of c.20 start-ups.

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Valuation

TP IDR2,900 derived from a 25% SOP discount

Since SRTG is a private equity firm, most of its value stems from the company's investments. Hence, an SOP approach is the most suitable method to value the company, as management provides up-to-date NAV data of its investments. The largest NAV contribution stems from the listed commodity and infrastructure companies. Both sectors have performed strongly YTD, thereby driving up SRTG's investment value.

Going forward, we expect SRTG's NAV to be driven by active new investments in tech start-up firms, especially the Provident Growth Fund, which has stakes in Goto and Traveloka. Traveloka is planning to undergo an IPO in 2022, and this should boost Provident Growth Fund's investment value (and indirectly, that of SRTG as well). Currently SRTG's exposure to tech names are mostly under the venture capital arms, Provident Growth Fund and Skystar Investment.

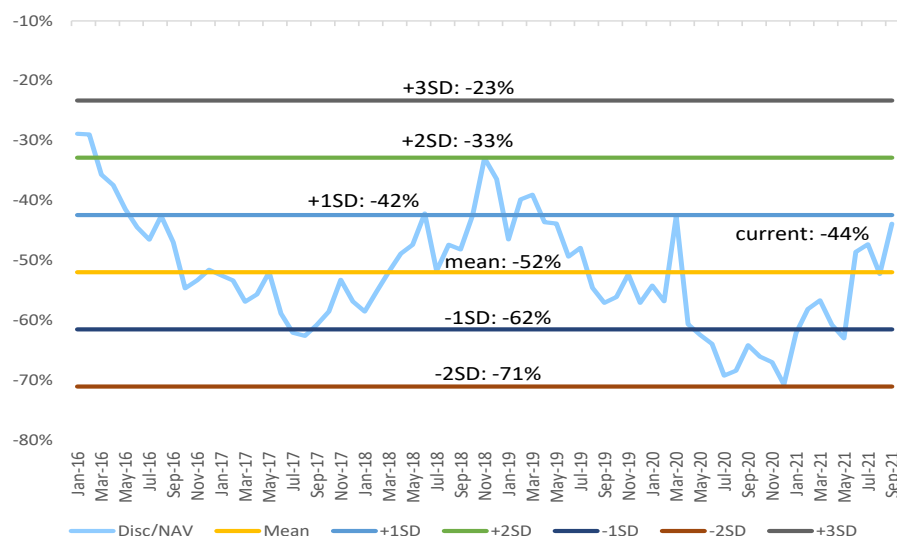
We applied the SOP to derive our TP, while comparing the stock to global private equity peers. In our NAV calculation, we used the market capitalization of listed investees at target, while unlisted using fair value as of 3Q21 reported by the management. PALM's value should be at IDR5.2trn as PALM has a 6.05% stake in MDKA, and this is worth more than PALM's own market cap. Hence, PALM's valuation will be calculated as MDKA's stake, at IDR4.2trn + 10x P/E on 2021F earnings (annualised). SRTG is trading at a 44% discount to NAV, near its +1SD above the 5-year mean – but this still reflects a heavy discount to the regional peer average's 6.6% discount.

Figure 13: SRTG's SOP at target

List of Investments	Ownership (%)	Market Cap at target (IDRbn)	NAV (IDRbn)	Description
Tower Bersama (TBIG IJ)	34.2	72,276	24,740	Cons Market Cap
Provident Agro (PALM IJ)	44.9	5,251	2,356	Valuation of PALM and MDKA ownership
Adaro Energy (ADRO IJ)	15.2	60,773	9,225	RHB Target price at IDR1,900/sh
Merdeka Copper Gold (MDKA IJ)	19.1	71,921	13,759	RHB Target price at IDR3,140/sh
MPM (MPMX IJ)	52.2	3,370	1,759	Current market cap
Nusa Raya Cipta	7.1	734	52	Current market cap
Seroja Investment	23.3		76	Current market cap
Interra Resources	10.9	306	33	Current market cap
Sihayo Gold	10.3	354	36	Current market cap
Others: (9M21 Fair Value)			2,291	As of 9M21
Total Asset Value			54,328	
+Cash and equivalent (FY22F)			839	
-Interest bearing liabilities (FY22F)			3,230	
Net Asset Value			51,937	
Conglomerate Discount			25%	
NAV - Conglo Discount			38,953	
Implied TP (IDR/share)			2,872	
Rounded TP (IDR/share)			2,900	

Source: Bloomberg, RHB

Figure 14: Historical discounts to SOP-derived value in the past five years



Source: Company data, RHB
Note: Monthly NAV as of 9M21

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Figure 15: Peer comparison

BBG Ticker	Company	Current px (Local LCY)	Market Cap (USDm)	Rating	Target Price	Upside	Disc/Premium to NAV	3M ADTV
SRTG IJ EQUITY	Saratoga Investama Sedaya	2,080	1,959	BUY	2,900	39.4%	-39.80%	1.9
HGT LN EQUITY	HgCapital Trust	394	1,753	NR	NR	N/A	7.82%	357.1
PEY LN EQUITY	Princess Private Equity Holding	14	946	NR	NR	N/A	-6.60%	0.9
ONEXF US EQUITY	Onex Corp	77	6,868	NR	NR	N/A	-8.41%	0.1
APAX LN EQUITY	Apax Global	219	1,076	NR	NR	N/A	-8.92%	192.3
PIN LN EQUITY	Pantheon International	318	1,715	NR	NR	N/A	-19.95%	197.1
CNNE US EQUITY	Cannae Holdings	35	3,086	NR	NR	N/A	-37.44%	15.5
ICGT LN Equity	ICG Enterprise Trust	1,254	862	NR	NR	N/A	-17.60%	127.4
BRK/B US Equity	Berkshire Hathaway INC-CL B	289	653,882	NR	NR	N/A	35.08%	1,129.8
Simple Average							-10.6%	224.7

Source: Company data, RHB

Note: Data was as of 3 Nov 2021

Figure 16: Peer comparison – company details

Bloomberg Ticker	Details
HGT LN	HgCapital Trust is an investment trust incorporated in the UK, with the aim of providing shareholders with long-term capital appreciation and NAV growth in excess of the FTSE All-Share Index. The fund provides investors with exposure to a diversified portfolio of private equity investments in Western Europe.
PEY LN	Princess Private Equity is a closed-ended investment company incorporated in Guernsey. It invests in private equity and private debt investments. The company seeks to provide shareholders with long-term capital growth and an attractive dividend yield in the mid- to long-term.
ONEXF US	Onex has employed an active approach to building industry-leading businesses. The company manages its own capital and that of its global investors. Onex makes investments in private equity and credit.
APAX LN	Apax Global Alpha operates as an investment company that focuses on private equity and derived investments in debt and equity. It serves clients in Guernsey.
PIN LN	Pantheon International is a closed-end publicly listed fund incorporated in the UK. The company's primary investment objective is to maximise capital growth by investing in a diversified portfolio of private equity funds and, occasionally, directly in private companies.
CNNE US	Cannae Holdings operates as a holding company. The company, through its subsidiaries, manages and operates a group of firms and investments. Cannae Holdings serves investors in Nevada in the US.
ICGT LN	ICG Enterprise Trust is an investment trust incorporated in the UK, with a diversified portfolio of equity assets. Its aim is to provide shareholders with long-term capital growth through investment in unquoted companies, mainly through specialist funds but also directly.
BRK/B US	Berkshire Hathaway is a holding company owning subsidiaries in a variety of business sectors. Principal operations are in insurance, conducted nationwide on a primary basis and worldwide on a reinsurance basis. Berkshire's other operations include a railway company, a specialty chemical company, and an international association of diversified businesses.

Source: Bloomberg, RHB

Outlook And Analysis Of Investee Companies

Tower Bersama Infrastructure (TBIG IJ, NR)

The third-largest tower company in Indonesia, TBIG operates 21k towers and a 12km fibre optic network. Its principal business is leasing space for antennas and other equipment at tower sites under long-term lease agreements. TBIG also provides telecommunications operators with access to its Distributed Antenna System networks in shopping malls and office buildings in major urban areas.

Currently trading at 15.4x 2022F EV/EBITDA, TBIG's valuation is attractive for foreign tower companies to partner or enter into a JV with, in order to further strengthen its presence in Indonesia. As the Omnibus Law has come into effect, foreign investors are now allowed to have a controlling stake in telco tower companies. As the regional peers EV/EBITDA average is at 25x, the 13-17x EV/EBITDA range for Indonesian tower companies look very attractive. In addition, the long-term growth outlook for tower companies is still sturdy, supported by slow or weak cellular reception in remote areas, strong growth in data usage, and upcoming 5G rollouts that may point to further demand for more towers to be built and installed.

Adaro Energy (ADRO IJ, NEUTRAL, TP: IDR1,900)

Our TP of IDR1,900 implies limited upside to ADRO's current share price, post its 21% rally YTD. We believe that its current market cap reflects the strong coal price support, which should underpin its 2H21E earnings growth. Some risks still pose a challenge in the near term, however: i) Potentially weaker ASPs due to demand normalising by early 2Q22F, which will balance out supply, ii) limited options to increase output, and iii) tighter environmental policies impacting the global trade of seaborne coal ahead.

Nevertheless, there are potential upside catalysts – a faster-than-expected increase in coal benchmark prices that could further drive up ADRO's share price on expected higher earnings assumptions. The company's strengths remain in place, from its strategy to secure potential demand while maintaining its position in traditional export markets, combined with its tactic to mix exposure – to high-coking coal and power plants.

Despite negative perceptions towards its coal business (affecting the Environment pillar on ESG factors), ADRO's good governance in maintaining stable operations, a healthy balance sheet, public transparency, and fair dividends remain as strong points. The company also extensively contributes in supporting social and community development around its mining areas. ADRO has a very good [sustainability report](#). It is investing in green renewable energy and has embarked on initiatives related to environmental conservation.

Outlook on the coal industry

We downgraded our sector weighting to NEUTRAL from Overweight. The uptrend in coal prices throughout the year has brought back optimism for a recovery in the sector. We expect 2H21 earnings to improve, stemming from the anticipation of stronger revenues. The higher-than-expected rebound on coal prices has supported our thesis for a retrieval in the coal sector since early this year. Both trends soon aligned, but the heightened reaction from the markets prematurely pushed share prices towards their fair values.

Uncertainty from the high coal prices should remain a risk, even though investor sentiment will likely remain buoyed on rising demand amid limit coal supply. However, we see some gradual normalisation in coal prices post the winter season, as demand should ease on seasonal factors. This should give time for coal supply to balance out demand.

Merdeka Copper Gold (MDKA IJ, BUY, TP: IDR3,140)

MDKA has seen a significant increase in commodity prices throughout 2020. Its main commodities are gold and copper. The company is not significantly affected by the pandemic, given successful preventive measures put in place – MDKA imposes strict quarantine for staff who fly to its site, conducts straight testing, and carries out extensive tracking and tracing activities.

This year MDKA also signed a MoU with Eternal Tsingshan Group to develop an acid-ferrous metal (AIM) project to unlock the added value of Wetar Copper's ore. We believe this project provides a significant increase in potential – this is because it is estimated to have a long project life with an attractive rate of return. The AIM project is expected to reach commercial production in two years.

Despite cuts in earnings estimates due to squeezed margins from higher repair costs, MDKA's valuation remains high. This is supported by a recovery in volume output in 2H21 and overall stable ASPs. Robust operational results in 2H21 are expected, supported by a recovery in gold production from the reinstatement of the heap leach pad and steady copper output since the commencement of operations at the Partolang Pit.

Monthly volumes on both metals have surged two-fold in May and were sustained at similar levels up to end 2Q21. Mixed sentiment on global metal prices have set a conservative view on gold prices, which is expected to hover at c.USD1,800 as the support level until year's end, factoring in the probability of higher US interest rates.

Conversely, copper prices may be sustained at c.USD9,000 per tonne due to heightened demand from retrieval activities from the manufacturing and automotive sectors. In spite of such turbulence, MDKA's ASP will remain defensive, in our view. Downside risks to our call are softer global demand for commodities and slower-than-expected economic recovery from a prolonged pandemic.

Mulia Bosco Logistik (MBL)

During this year, MBL saw an increase in the shipment of pharmaceutical products, agricultural commodities, and consumer goods. In addition, demand for frozen food and beverages – as well as domestic franchises – also grew significantly. This, in turn, boosted the positive growth of the national cold chain industry.

These conditions provide wider opportunities for MBL to improve its performance in line with investment support from SRTG to increase liquidity and upgrade its cold storage facilities.

Healthcare

Indonesia's large population, coupled with the unequal distribution of healthcare facilities, presents an attractive potential for capitalisation. Consequently, SRTG has ventured into this segment via Deltomed – the country's key herbal medicine producer – and Primaya Hospital Group (Primaya; formerly Awal Bros Hospital), one of Indonesia's leading hospital players.

Currently the NAV contribution from this segment remains meagre at less than 5%. We expect brighter future ahead for this segment due to the aforementioned reason.

Primaya

SRTG started its maiden venture in the healthcare business in 2016 by investing in hospitals. As of 2020, the company holds a 3.06% stake in Primaya. The hospital group also took another strategic initiative by changing its name and logo from Awal Bros Hospital in Apr 2020 – which represents a commitment towards providing first-rate or "*prima*" medical care to all layers of society. By carrying this new signature name, the goal is for Primaya to be recognised for its commitment towards delivering excellent medical services.

During 2020, despite a challenging year, Primaya managed to record a more than 25% increase in revenue when compared to the prior year. Its 1H21 financial performance remained robust, as Primaya recorded both revenue and EBITDA growth.

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We believe this hospital group will should record robust FY21 earnings results overall, given the current COVID-19 situation and high reimbursements of pandemic patients. In 2021 so far, Primaya's hospitals treated close to 7,500 COVID-19 patients and administered more than 126,000 rapid and polymerase chain reaction (PCR) swab tests. The hospital group has also launched several strategic initiatives, such as the introduction of fever clinic (separation between COVID-19 and non-COVID-19 patients), PCR labs, telemedicine services in collaboration with South Korea's Pusan National University Hospital, and the LinkSehat app.

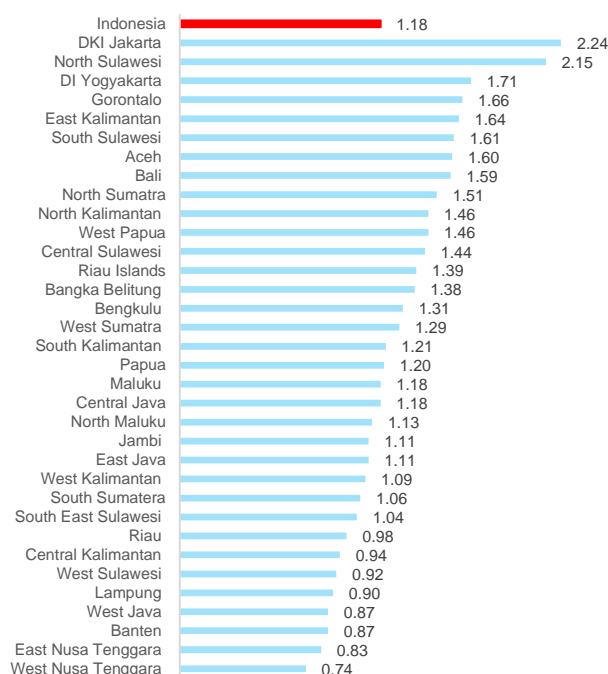
Post COVID-19, particularly in 2022, we have concerns over earnings, given the lower reimbursements from non-COVID-19 patients. Though the non-COVID-19 patient segment is expected to recover, given pent-up demand and limited internal borders movements, we believe margins might feel a pinch due to the aforementioned reason.

Nonetheless, we think implementation of the Social Insurance Administration Organisation's (BPJS) single-class policy in 2022 might provide some assistance to Primaya and SRTG's performance, with the being more tangible in 2023 with the complete implementation of this policy. The hospital group is one of BJPS' largest hospital operators and aligns with SRTG's commitment towards supporting government programmes aimed at improving healthcare services and infrastructure in Indonesia.

Overall, Primaya manages to provide high-quality healthcare services and adheres to international standards. It currently operates 14 hospitals with over 1,000 beds in Java, Sulawesi, and Kalimantan. The group also targets to add three or four new hospitals per year, though it might add five in 2021 – it opened three new hospitals in 1H21, at Pangkal Pinang, Sukabumi, and Pasar Kemis, and is planning to launch two more hospitals in 2H21.

Primaya is looking at an IPO listing going ahead, which should bode well for SRTG – allowing it to beef up its capital base to support its future business expansion. Concurrently, given that many cities here face acute shortages in terms of the number of hospitals and bed facilities, this creates ample opportunity for the hospital group to fill the gap. Primaya's strategy to venture into a relatively untapped area may allow it to gain an advantage in terms of less-intense competition. Primaya currently has four hospitals located outside of Java.

Figure 17: Ratio of hospital beds per 1,000 people in Indonesia as of 2019



- ◆ Indonesia's hospital beds ratio is still below the World Health Organisation's c.5.0 standard. This represents ample potential for hospital players to monetise, going forward
- ◆ We note that there is an unequal distribution in terms of the ratio of hospital beds per 1,000 people in Indonesia
- ◆ This creates an opportunity for SRTG and Primaya to capitalise on, especially in terms of first-mover advantage
- ◆ With strong infrastructure development happening outside of Java and Bali, Primaya – given its existing footprint and knowledge – might have the upper hand in terms of easily enlarging its footprint in such places

Source: Ministry of Health

Deltomed

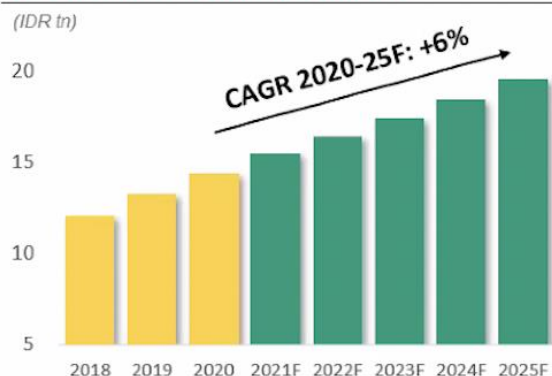
After investing in Primaya and its hospital business, SRTG enlarged its healthcare exposure by investing in Deltomed in 2017 – as of 2020, it holds a 5.83% stake in the company. Deltomed is one of Indonesia's leading herbal remedy players with a strong track record of over 40 years. The company is also uniquely positioned as one of the few herbal firms with solid integrated operations and vast distribution network. One of the Deltomed's mainstay brands, Antangin, is the second-largest herbal remedy brand for colds, nausea, tiredness, and/or flatulence by market share. At the same time, OB Herbal is the market leader for herbal cough medicine in Indonesia. Deltomed also launched a number of herbal F&B products, as well as lifestyle herbal medicines and supplements, under the Herbana brand.

We think the company might enjoy strong product sales during the pandemic, given growing consumer awareness over the importance of maintaining a healthy lifestyle. To seize the momentum, Deltomed launched Antangin Good Night and Antangin Habbatussauda. The former is an herbal supplement that helps improve sleep quality while the latter helps treat cold symptoms along with boosting the immune system. Deltomed achieved double-digit revenue growth in 1H21, supported by the launch of Antangin Habbatussauda.

Looking ahead, we believe the high health awareness state in the country will continue going forward, even after COVID-19 case numbers dissipate, especially with regards to local remedies. Traction has been strong owing to the trend of switching towards a natural/herbal lifestyle. We believe the demand for extra immunity boosters will remain in place – supported by Indonesia's rising middle income and demographic bonus

Figure 18: Projections on medicine and supplements markets

Herbal Medicine Market Outlook



Vitamin & Supplement Market Outlook



Source: Sido Muncul

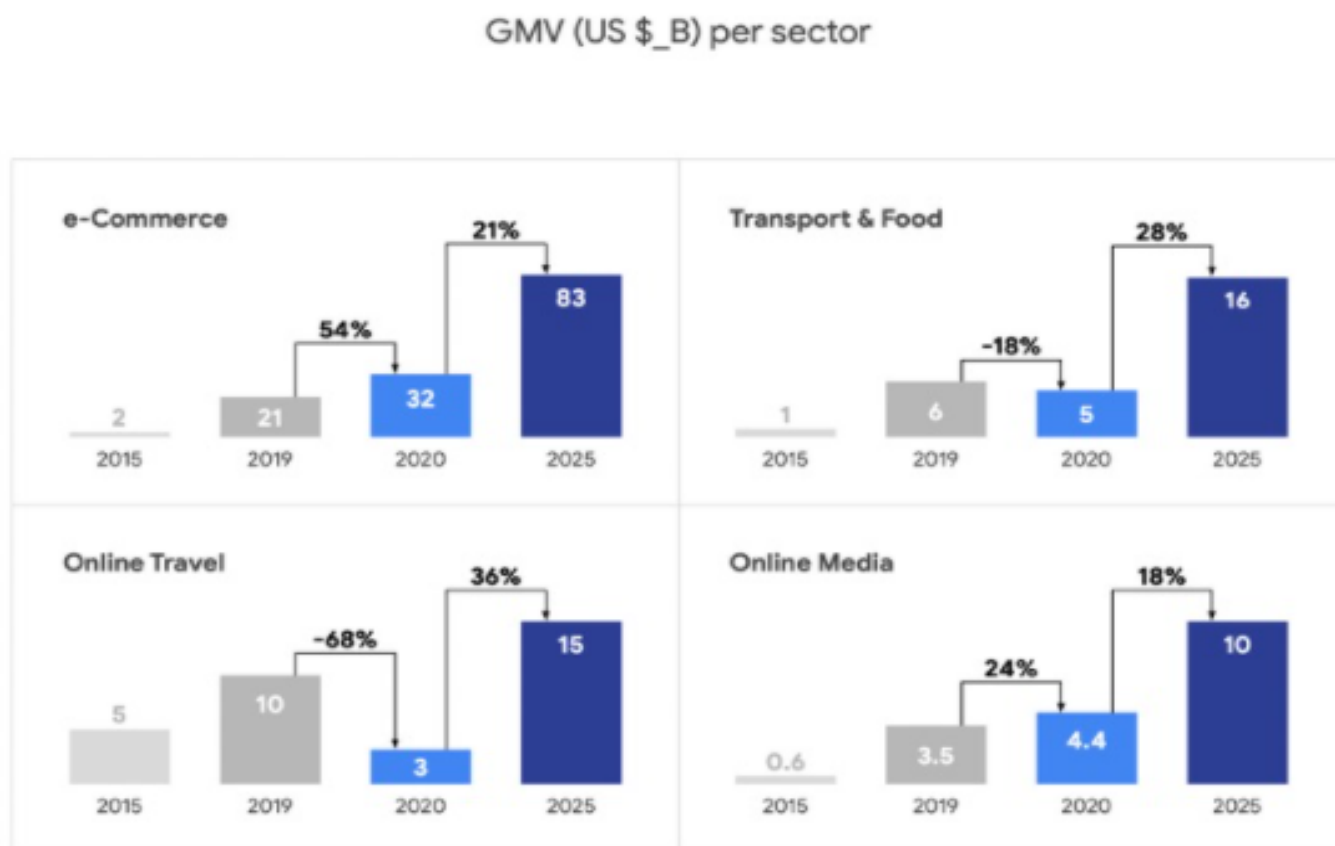
Aside from the local market, herbal medicines have gained international recognition for their proven natural healing properties. According to the Ministry of Trade, the export value of Indonesian herbal medicines or biopharma products in the Jan-Sep 2020 period increased by 14.08% when compared to the same period in 2019.

Start-ups

SRTG has said its tech investment portion remains miniscule. Nonetheless, the company expects contributions from this sector to grow going forward. It is aiming to allocate 20-30% of annual capital deployment to the tech industry – we deem this as quite understandable, given the lucrative potential of this sector. Total investment value in tech has reached USD50-60m – the tech portfolio currently contributes c.2% to total NAV.

SRTG does not have a specific target for tech NAV contributions. This is because it is a moving target due to other portfolio values also growing. Saratoga sees high potential in the technology sector and might directly invest in the companies that offer attractive growth potential. Indirectly, Saratoga made a few investments in the tech space through Provident Growth Fund and Skystar Capital. Existing notable investment companies such as GoTo, Traveloka, and others also present massive growth headroom that might increase contributions from the tech sector in future.

Figure 19: E-commerce and media growth in transport and food travel in Indonesia



Source: Google, Temasek, Bain & Co

SRTG and its funds also do not have specific criteria in terms of funding rounds, as they participated in several seed funding rounds. The company also does not have specific restrictions in terms of possible overlapped investments, eg SRTG makes direct investments in JULO while Provident and Skystar undertake indirect investments in the firm.

Other prominent investments like JD.ID, Traveloka, Carro, and ADVANCE.AI have already gained “unicorn” status. Most importantly, SRTG invested in Gojek, which remains as Indonesia’s first decacorn. We see potential for other investments as well, eg Pomelo and Dekoruma – these have already reached Series C funding rounds – and Topica, which already completed Series D funding rounds.

Potential gains might come from a number of companies that are aiming to go public over the next few years:

- i. GoTo aims to launch an IPO in 2022 with a dual-listing scheme, of which one is the IDX;
- ii. Dekoruma aims to IPO by 2023 – targeting to fuel expansion growth and become the No. 2 player in home interior design after Informa;

- iii. Traveloka also aims to go public immediately, though the plans remain unclear whether the company will be listed in the US or on the IDX;
- iv. According to a statement from CEO Aaron Tan, Carro's planned US IPO will hopefully be in the next 18-24 months – this is dependent on market conditions;
- v. Pomelo, South-East Asia's leading omni-channel platform, plans to launch a domestic IPO that could value the company at around USD300-400m, according to Reuters.

Gojek

Aplikasi Karya Anak Bangsa or Gojek is an Indonesian on-demand multi-service platform and digital payment technology group based in Jakarta. It was first established in Indonesia in 2010 as a call centre to connect consumers to courier delivery and 2-wheel ride-hailing services. Gojek launched its app in 2015 with only four services: GoRide, GoSend, GoShop, and GoFood. Valued at USD10bn today, it has transformed into a super app, providing more than 20 services to its customers.

Gojek operates in Indonesia, Vietnam, Singapore, Thailand, and the Philippines (via the acquisition of Coins.ph). Gojek is the first Indonesian unicorn company, as well as the country's first "decacorn" outfit. It is the only company in South-East Asia that is included in Fortune's 50 Companies That Changed The World in 2017 and 2019, at the 17th and 11th spots. As of Jun 2020, it had about 170m users throughout South-East Asia. On 17 May, Gojek and Tokopedia announced the completion of their merger and established a new holding company called GoTo. The combined entity aims to be listed on the Indonesia Stock Exchange by 2022.

JD.ID

JD.ID – legally Jingdong Indonesia Pertama – is an e-commerce company based in Jakarta, Indonesia. The company is part of JD.com, a prominent Chinese e-commerce player. JD.ID started operating in Indonesia in Nov 2015, with a focus on supplying customers with electronic products and gadgets previously not easily available in Indonesia. Since then, its product range has grown to include footwear, sports apparel as well as beauty and health products, with more than 100,000 store-keeping units (SKU) in hand. JD.ID also provides delivery services across 365 cities and towns throughout Indonesia.

The company obtained its status as a unicorn, being valued at c.USD1bn as of Feb 2020. JD.ID is the seventh unicorn in Indonesia, after ride-hailing company Gojek, travel service firm Traveloka, two e-commerce companies Bukalapak and Tokopedia, media-entertainment Asia First Media and digital payment service OVO. JD.ID is currently ranked ninth in terms of the number of monthly visits as of 2Q21, based on iPrice.com data.

Traveloka

Traveloka is South-East Asia's leading unicorn technology company that facilitates bookings and purchases of a wide range of transportation, accommodation, lifestyle activities, and financial services products. Its app has been downloaded more than 60m times, and is one of the most popular travel and lifestyle booking applications in the region. Traveloka has a comprehensive product portfolio that includes transport booking services (flights, tickets for buses and trains, car rental, airport transfers). It also provides users access to the largest inventory for hospitality accommodation in South-East Asia – including hotels, apartments, guest houses, homestays, resorts, and villas. This has made it the booking platform with widest selections of accommodation and packages.

The company has also ventured into the lifestyle segment, offering reservations for a wide range of local attractions and activities, as well as culinary directories – users can order food to be delivered through Traveloka Eats. Through its financial services products (a major business pillar for the company), Traveloka also offers financing, payment and insurance solutions for the underbanked.

Carro

Founded in 2015, Carro facilitates about USD1bn in annualised run rate gross merchandise value. The Carro group includes Genie, myTukar and Jualo. As of June, it has raised over USD400m in equity from SoftBank Vision Fund 2, EDBI, Mitsubishi Corporation, MS&AD Ventures, Insignia Ventures Partners and B Capital Group.

Carro provides a full-stack service for all aspects of car ownership and uses artificial intelligence (AI)-powered technology to transform the car buying and selling experience. By offering a trustworthy and transparent experience, Carro challenges the traditional way of buying and selling cars through proprietary pricing algorithms and AI-enabled capabilities.

Carro provides a range of services across the entire car ownership ecosystem. These include in-house financing solutions, innovative insurance products, a flexible car ownership experience and after-sales services. It has pioneered innovative services such as Singapore's first contactless online car purchase service, first-car subscription services and the first region-wide behaviour and usage-based car insurance solutions.

ADVANCE.AI

ADVANCE.AI is a leading big-data and AI company in Asia, helping to solve digital transformation, fraud prevention and process automation for enterprise clients. Backed by notable venture capital firms from the Silicon Valley and Asia, it has a regional footprint in the Asia-Pacific. Its headquarters are in Singapore, but it also has offices in Indonesia, India, China, the Philippines and Vietnam. Sector focuses include banking, financial services, fintech, payment, retail and e-commerce.

ADVANCE.AI is part of Advance Intelligence Group, a Series-C AI-driven technology company headquartered in Singapore, with over 1,500 employees and 13 offices across 11 markets. Advance Intelligence Group is committed to leveraging innovative technology and partnerships to build an ecosystem to serve consumers, enterprises and merchants in the region.

Pomelo

Launched in 2013, Pomelo is South-East Asia's leading omnichannel platform with a global mind-set: On-trend, online, on-the-go. It aims to offer women fashion items, with fast shipping offered with a minimal spending amount of USD49.00 per transaction.

POMELOFASHION.COM features new items that incorporate a range of looks. With a growing range of styles, Pomelo's garments are designed in Bangkok, and its items can be shipped worldwide. Orders are now delivered to over 50 countries.

Dekoruma

Dekoruma began as a furniture and decoration marketplace in 2015, then expanded into interior design in 2017, which grew quite rapidly. This led to the company becoming a pioneer in online interior design services. To help realise #rumahimpianjadinyata (ie the company's vision to make its customer dream house), in 2019, Dekoruma launched a property sales business unit that was well-received by the market.

To give its customers a positive and diverse experience, Dekoruma also opened several showrooms called Dekoruma Experience Centre (DEC) in Jakarta, Bekasi and Tangerang. At DEC, customers can see, trial and shop for products directly. At the same time, these customers can get inspiration from various design plans as well as face-to-face consultations on interior design. Dekoruma now has six showrooms, and aims to operate 40-50 stores before undergoing an IPO in 2023. Floating its shares on the stock exchange would fuel growth – especially in areas outside of Java, like Medan and Makassar. According to the company, it currently ranked third or fourth in the market in terms of size and aims to be in second place after Informa, post-IPO.

The company has racked up some achievements:

- i. Over 1m loyal customers;
- ii. Over 100,000 furniture and decoration products available;
- iii. More than 3,000 interior design projects have been created by its selected partner interior designers, which number over 100;
- iv. Over 2,000 interior designers are using Dekoruma Design Tools;
- v. Over 100 partner property developers and banks work with Dekoruma.

Figure 20: SRTG's direct investments in start-ups

	Location	Definition	Founding year	Funding round	Funding amount (USDm)	# Funding rounds	Other investors
JULO	Indonesia	Provides affordable unsecured personal loans.	2014	Series A	15	3	Convergence Ventures, East Ventures, Quona Capital, and Gobi Partners.
SIRCLO	Indonesia	Provides a website-building platform designed to create e-commerce services that can facilitate online sales.	2013	Series B	92	5	SMDV, Sinar Mas Land, Meranti Global Investment, Baltimore Investment, East Ventures, OCBC NISP Ventura, and Traveloka.
Fuse	Indonesia	A latest insurance app that will allow you to do all insurance activities	2014	Series B	30	3	CE Innovation Capital, eWTP Technology & Innovation Fund, Saratoga Partners, GGV Capital, EV Growth, Golden Gate, and Heyokha Brothers.

Source: Company data, RHB

JULO

Established in 2016, JULO is an innovative fintech services provider accredited by Indonesia's Financial Services Authority or OJK. It provides uncollateralised personal loans by utilising big data and innovative machine-learning through the ease of mobile applications – providing easy and affordable access to financial inclusivity, as well as meeting financial needs and stimulating economic growth.

SIRCLO

Founded in 2013, SIRCLO or Lingkar Niaga Solusindo is a leading e-commerce solutions company in Indonesia that helps businesses sell online. It offers solutions that are divided into two main categories: i) Entrepreneur and ii) enterprise. SIRCLO has helped more than 100,000 brands to grow their businesses online.

Local brands that trust its solutions include ATS The Label, Evete Naturals, Namaste Organic, This Is April, and Heytimmy Kidswear. Its solutions have also been adopted by established brands like Unilever, Reckitt, KAO, L'Oréal, and Levi's.

It is worth mentioning that SIRCLO has also acquired two other start-ups:

- i. Orami – the first parenting platform in Indonesia that combines commerce, content, and community within one ecosystem;
- ii. iCube – an e-commerce agency that helps users to evaluate their current businesses, identify opportunities, and define requirements.

Fuse

Fuse is an insurtech platform that connects various products from many insurance companies with multiple distribution means, channels, or partners. It deploys the latest cutting-edge technology to make insurance easily accessible, instantly available, and affordable to everyone.

Provident Growth Fund (Provident)

Provident is a uniquely positioned growth fund focused on technology investments in South-East Asia with a particular focus on Indonesia. It sees wide opportunity in expanding the tech-savvy middle-class, characterised by fast-growing domestic markets that have embraced mobile technology, which has led to rapid internet and smartphone penetration. This has been supported by Provident's extensive domestic network, which helps it to source top quality and highly sought after deals in the region's most populous nation.

Provident takes minority stakes in growth-stage technology companies. Target investee firms would have established strong brand or market-leading presences in their chosen key markets and may be looking for growth capital to venture into a new market or further accelerate growth through nascent products or services. Most importantly, the growth fund's target investees are typically characterised by a talented, solid team of founders, large market opportunities, and highly scalable products, adaptation and customisation – as well as an attractive exit potential.

Provident has stakes in several leading South-East Asian tech companies, eg JD.ID or Jingdong Indonesia Pertama, Traveloka, Gojek, Pomelo Fashion (Pomelo), JULO, Carro, Topica Edtech Group (Topica), Horangi Cyber Security (Horangi), and GoPay, among others.

Figure 21: Provident's portfolio

	Location	Definition	Founding year	Funding round	Funding amount (USDm)	# Funding rounds	Other investors
JULO	Indonesia	Provides affordable unsecured personal loan	2014	Series A	15	3	Convergence Ventures, East Ventures, Quona Capital, and Gobi Partners.
JD.ID	Indonesia	Provides a reliable, fast, safe to select a range of original quality products at competitive prices.	2015	Venture round	-	-	GoJek, JD.Com, Google, Tencent
Traveloka	Indonesia	Online travel aggregator that helps customers choose and book their next travel location.	2012	Venture round	1,200	6	EV Growth, Qatar Investment Authority, GIC, Expedia, Hillhouse Capital Group, JD.com, East Ventures, Sequoia Capital, and Global Founders Capital.
Gojek, GoPay	Indonesia	Provides a variety of services from payments, food delivery, transportation, and logistics.	2010	Corporate round	5,300	13	Telkomsel, Golden Gate, Openspace Ventures, PayPal, Facebook, ZWC Partners, Atlas Pacific Capital, Visa, and Mitsubishi Motors.
Pomelo	Thailand	Modern fashion brand with sense of style at an unparalleled price.	2013	Series C	84	6	Lombard Investment, InterVest Co, AngelHub, Toivo Annus, The Luxembourg Company Deverel, Andre Hoffmann, Central Group of Companies, Ambient Sound Investments, and Provident Capital Partners.
ADVANCE.AI	Singapore	Fintech company that uses artificial intelligence to prevent fraud and provide automation.	2016	Series C	136	5	ZhenFund, GSR Ventures, Gaorong Capital, Pavilion Capital, Vision Plus Capital, eGarden Ventures, and Farallon Capital Management.
Pathao	Bangladesh	A digital platform that creates solutions to infrastructural problems.	2015	Funding round	13	6	Startup Bangladesh, Clearstone Venture Partners, Alter Global, Battery Road Digital Holdings, Gojek, Openspace Ventures, The Osiris Group, and RC Ventures.
JD Central	Thailand	A digital enabler of offline retail businesses seeking omni-channel transformation in Thailand.	2017	-	-	-	
Central JD Fintech	Thailand	A financial platform that offers financial management services.	2018	-	-	-	
Carro	Singapore	Online used car marketplace that offers a wide range of services for buying a car.	2015	Series C	590	8	SoftBank Vision Fund, EV Growth, Ion Pacific, Endeavor Catalyst, MSIG Holding Vietnam, MS&AD Ventures, Mitsubishi Corp, and Golden Gate
Topica	Vietnam	A leading online education provider in Southeast Asia.	2008	Series D	54	3	Patamar Capital, Chiratae Ventures, CyberAgent Capital, EduLab, Northstar Group, UpHonest Capital, Openspace Ventures, Endeavor Catalyst, and IDG Capital.
Horangi	Singapore	SaaS cybersecurity company that offers product innovation and technology designed to protect organizations.	2016	Series B	23	2	Right Click Capital, Genesis Alternative Ventures, K3 Ventures, Monk's Hill Ventures, Hub Ventures Fund, Pandoros, and 500 Startups.

Source: Company data, RHB

Skystar Capital (Skystar)

Skystar is a venture capital firm backed by leading corporate groups with access to the media, telecommunications, financial services, agriculture, healthcare, consumer products and services, hospitality, and education sectors. It provides funding, strategic consultation, and assistance with establishing corporate partnerships through its existing network to help start-ups scale their businesses. Skystar's portfolio companies include Carro, SIRCLO, Dekoruma, Ritase, Fuse, and JULO.

Overall, the company invests across a number of industries ranging from e-commerce, software as a service or SaaS, and recruitment platforms to law solutions platforms, logistics, and fintech. Though it has invested in several Asian countries, most of Skystar's investments are related to Indonesia-based companies.

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Figure 22: Skystar's portfolio

	Location	Definition	Founding year	Funding round	Funding amount (USDm)	# Funding rounds	Other Investors
JULO	Indonesia	Provides affordable unsecured personal loans	2014	Series A	15	3	Convergence Ventures, East Ventures, Quona Capital, Gobi Partners
SIRCLO	Indonesia	Provides a website-building platform designed to create an e-commerce service that can facilitate online sales.	2013	Series B	92	5	SMDV, Sinar Mas Land, Meranti Global Investment, Baltimore Investment, East Ventures, OCBC NISP Ventura, Traveloka
Carro	Singapore	Online used car marketplace that offers a wide range of services for buying a car.	2015	Series C	590	8	SoftBank Vision Fund, EV Growth, Ion Pacific, Endeavor Catalyst, MSIG Holding Vietnam, MS&AD Venture, Mitsubishi Corporation, Golden Gate
Komunal	Indonesia	Financial technology-based company that provides peer-to-peer lending services.	2018	Series A	2	2	East Venture
Pasarnow	Indonesia	Offers fresh groceries and farm products to both individual and business customers.	2019	Seed	3	1	SMDV, Amand Ventures, Praselia Dwidharma, East Ventures
Dekoruma	Indonesia	A technology start-up that offers inspiration for a dream house and décor, at affordable prices.	2016	Series C	17	4	Nexter Ventures, Foundamental, Global Digital Niaga, OCBC NISP Ventura, KTB Network, InterVest Co
Justika	Indonesia	Providing aid for legal issues ranging from marriage, accounts payable, inheritance, business, business contracts, employment and others.	2016	Seed		2	East Ventures, Assegaf Hamzah & Partner (AHP)
Esensi Solusi Buana	Indonesia	The first restaurant technology in Indonesia with the most complete solutions under a single integrated platform.	2014	Series A	11	3	AC Ventures, BEENEXT, Alpha JWC Venture, Vulcan Capital, Selera Kapital a FnB Venture from Sour Sally Group
Wallex	Singapore	International payments and cash management for businesses – simplified.	2015	Series A		2	Bace Capital, SMDV, BEENEXT, Indonusa Dwitama, Central Capital Ventura
Waves	Vietnam	Operates as an audio and podcast start-up.	2019	Seed	1	1	Hustle Fund, Insignia Ventures
Ekrut	Indonesia	Job marketplace for professionals, recruiters, and employers.	2017	Series A		3	Azure Ventures, Venturra Discovery, Praselia Dwidharma, East Ventures, Biz Reach
Base	Indonesia	Base offers the next beauty experience by simplifying the burden of choices through personalised skincare.	2019	Seed		3	Antler, Pegasus Tech Ventures, iSeed, East Ventures, XA Network
Sweet Escape	Singapore	A global AI-driven photography platform with tens of thousands of photographers that offer photoshoots for consumers and businesses.	2016	Series A	7	2	Burda Pricipal Investment, GDP Venture, Jungle Ventures, Openspace Ventures, BEENEXT, East Venture
Ritase	Indonesia	SaaS & marketplace for trucking logistics via a digital platform.	2017	Series A	13	3	ZWC Partners, Insignia Ventures Partners, Jafco Asia, Golden gate, Patrick Cheung, Mitsubishi Corporation, Pegasus Tech Ventures, BEENEXT
Adskom	Singapore	An advertising technology company providing programmatic advertising platforms and business services.	2013	Series B	1	5	Keith Yuki Isobe, MDI Venture, GENIEE, East Ventures, 500 Startup, Convergence Venture, Beenos Partners, DG Ventures
GameOn	USA	Powers intelligent chat applications across multiple platforms for some of the world's largest brands.	2014	Venture Round	21	7	WISE Ventures, Diverse Angels, Mighty Capital, Andre Iguodala, Innovation Global Capital, Claytonia Capital, Ed Zander, Mo Bamba, Quest Ventures, Paxion Global Partners
Vospay	Indonesia	Offers virtual credit card services.	2017	Series A		2	Indonusa Dwitama, Heyokha Brothers, Indies Capital Partners
HijUp	Indonesia	Provides wide range of the best products from Indonesian Islamic fashion designers.	2011	Seed	0	4	Indogen Capital, Google Lauchpad Accelerator, Pegasus Tech Ventures, 500 Startups, Emtek Group
Hacktiv8	Indonesia	Leading coding bootcamp in Indonesia that turns absolute beginners into job-ready developers.	2016	Seed	30	1	Everhaues, Sovereign's capital, Praselia dwidharma, Convergence venture, RMKB Ventures, East Ventures, SMDV

Source: Company data, RHB

Company Background & Milestones

Saratoga Investama was established in 1997, when the Asian Financial Crisis brought along a slew of challenges. Its co-founders saw a need to support the country, while banking on an imminent economic recovery.

To support the Indonesian economy, SRTG invests in companies across a range of sectors – from energy to consumer, and lately, in financial technology. Some of these investees have gone public through its help, like ADRO, TBIG, and MDKA. These three listed counters have a combined market cap of over USD12bn.

Since 2019, SRTG has invested in technology firms like JULO (in 2019) and SIRCLO (2021) to develop its technology portfolio.

As of 3Q21, it has stakes in 17 companies – nine of these are listed either in Indonesia or overseas. In 2013, SRTG itself was listed on the IDX, becoming the first entity of its kind to have its shares floated on the market.

Figure 23: Milestone

Year	Description
1997	Year of birth
2001	The group invested in Adaro Group (ADRO) in 2001 with the rationale that the nation would need energy to fuel the economy
2004	In 2004, together with Provident Capital, it was offered an opportunity to invest in a small independent tower company. SRTG managed to grow the company substantially over time and renamed it Tower Bersama Infrastructure Group
2008	In 2008, ADRO's IPO became the largest IPO in Indonesia
2010	In 2010, SRTG invested in Mitra Pinasthika Mustika (MPMX), a diversified automotive company with leading market shares in motorcycle retail and distribution, lubricant oil, and motorcycle financing
2013	Jun 2013, Saratoga tapped into the domestic capital market, successfully listing itself on the IDX and becoming the first of its kind to be listed in the country.
2015	Merdeka Copper Gold, one of SRTG investees, conducted an IPO and became a publicly listed company on IDX
2016	SRTG invested in Primaya and MGM Bosco Logistics (cold-chain logistics)
2017	SRTG invested in herbal medicine producer Deltomed and successfully divested ownership in the Lintas Marga Sedaya Toll Road and the Medco Power Indonesia power plant
2018	SRTG invested in Aneka Gas Industri (AGII) and divested its stake in the Paiton Energy power plant
2019	SRTG invested in fintech player JULO, which utilises big data and machine learning in its underwriting processes
2020	SRTG increased its ownership in MGM Bosco Logistics
2021	SRTG invested in e-commerce enabler SIRCLO and insurtech player Fuse to further expand its digital technology portfolio




Source: Company

Figure 24: Board of Commissioners

Name	Position	Description
Edwin Soeryadjaya 	President Commissioner	<p>Edwin Soeryadjaya, an Indonesian citizen, was appointed as the company's President Commissioner by the EGM on 22 Jan 1997 – a position he still holds. Edwin also serves as the Supervisor of the Investment Committee and member of the Nomination & Remuneration Committee. He is also one of the main shareholders of SRTG and is affiliated with Michael WP Soeryadjaya, the company's President Director, as well as Joyce Soeryadjaya Kerr, SRTG's Commissioner. Edwin currently serves as the President Commissioner of ADRO, TBIG, MPMX, and MDKA. He is also the Chairman (Non-Executive) in Interra Resources Limited (oil & gas).</p> <p>A long-time proponent of education, Edwin remains active in the community through his roles as co-founder of the William Lily Foundation and member of the Board of Trustees of the Ora Et Labora Foundation.</p>
Joyce Soeryadjaya Kerr 	Commissioner	<p>Joyce Soeryadjaya Kerr, an Indonesian Citizen, was appointed as a Commissioner at the EGM on 31 Aug 1999. She continues to serve in such a capacity. Kerr is affiliated with President Commissioner Edwin.</p> <p>She currently serves as a commissioner with Unitras Pertama, one of SRTG's main shareholders, and Pandu Dian Pertiwi. Aside from that, Kerr is President Commissioner of Nonferindo Utama and Managing Director of Inter-Astrea (HK).</p>
Indra Cahya Uno 	Commissioner	<p>Indra Cahya Uno, an Indonesian Citizen, was appointed as a Commissioner based on the Shareholders' Resolution dated 14 May 2013, and continues to serve in such a capacity. He is affiliated with Sandiaga Salahuddin Uno, one of SRTG's main shareholders.</p> <p>Indra currently serves as a Commissioner with ANTV, the leading entertainment terrestrial television channel in Indonesia. He is also the Chairman of Mien R Uno Foundation (an organisation for youth entrepreneurship education), Vice Chairman of Budaya Luhur Foundation (a national curriculum middle and high school that focuses on active learning), Commissioner of Jatis Mobile (the leading mobile solution provider), and the founder of TPS Consulting Indonesia – a boutique strategic business transformation consultant. Indra is also a certified member of the Indonesian Institute of Commissioners & Directors – a division of the National Committee on Corporate Governance.</p>
Sidharta Utama 	Independent Commissioner	<p>Professor Sidharta Utama, PhD, CFA, an Indonesian Citizen, was appointed as the Independent Commissioner by the EGM on 22 Feb 2013. He also serves as the Chair of Audit Committee.</p> <p>Professor Sidharta currently serves as a Secretary of the Board of Trustees at the University of Indonesia. He is also a member of the International Accounting Education Standards Board, Trustee Board-Indonesia Institute for Corporate Directorship, National Management Board-the Indonesian Institute of Chartered Accountants, and Board of Advisory for Financial Accounting Policy of Bank Indonesia. Professor Sidharta also serves as the Independent Commissioner at Astra International, as well as an audit committee member at Indo Tambangraya Megah, and Holcim Indonesia.</p>
Anangga W Roosdiono 	Independent Commissioner	<p>Anangga W Roosdiono, an Indonesian Citizen, was appointed as the Independent Commissioner based on the Shareholders' Resolution dated 13 Mar 2013. He also serves as the Chair of the Nomination and Remuneration Committee.</p> <p>Anangga is the Chairman of the Indonesian Arbitrators Institute and also a member in several institutions, eg International Bar Association, Inter Pacific Bar Association, Indonesian Bar Association, Association of Indonesian Capital Market Legal Consultants, Indonesian National Board of Arbitration, Indonesian Sports Arbitration Body, ASEAN Business Advisory Council, and Indonesian Chamber of Commerce & Industry.</p>

Source: Company

Figure 25: Board of Directors

Name	Position	Description
Michael William P Soeryadjaya	President Director	Michael William P Soeryadjaya, an Indonesian citizen, was appointed as the President Director by the EGM on 10 Jun 2015. He is also the chair of the Investment Committee. William is affiliated with President Commissioner Edwin and is one of SRTG's main shareholders. Michael is currently a Director of MDKA and Commissioner of Provident Agro.
		
Lany Wong	Finance Director	Lany Djuwita Wong, an Indonesian citizen, was appointed as Independent Director by the AGM on 26 Jun 2018. Previously, she served as Director and Chief Financial Officer of Dharma Satya Nusantara (DSNG IJ) from 2016 until Jun 2018 and Medco Energi Internasional (MEDC IJ) from 2013 until 2015. During her tenure in MEDC, she held several positions: Director of Subsidiaries, Head of Corporate Finance, and Head of Corporate Planning & Performance. Prior to that, Wong worked at PricewaterhouseCoopers as a Manager of Financial Advisory Services, Arthur Andersen, and ASIL.
		
Devin Wirawan	Investment Director	Devin Wirawan, an Indonesian citizen, was appointed as Investment Director by the AGM on 22 May 2019. He started his professional career with University Capital Strategies Group in Saint Paul, US, as a Strategy & Trading Analyst, and then with Titan Capital in Singapore. Afterwards he was a Senior Strategy & Trading Analyst of the University Capital Strategies Group, Singapore, before deciding to strengthen SRTG's investment team. During his tenure with SRTG, Devin has served as a Member of Executive Committee of MEDC, Director of Paiton Energy (until 2018), and – till today – remains a member of Executive Committee of Deltomed.
		

Source: Company data, RHB

Recommendation Chart

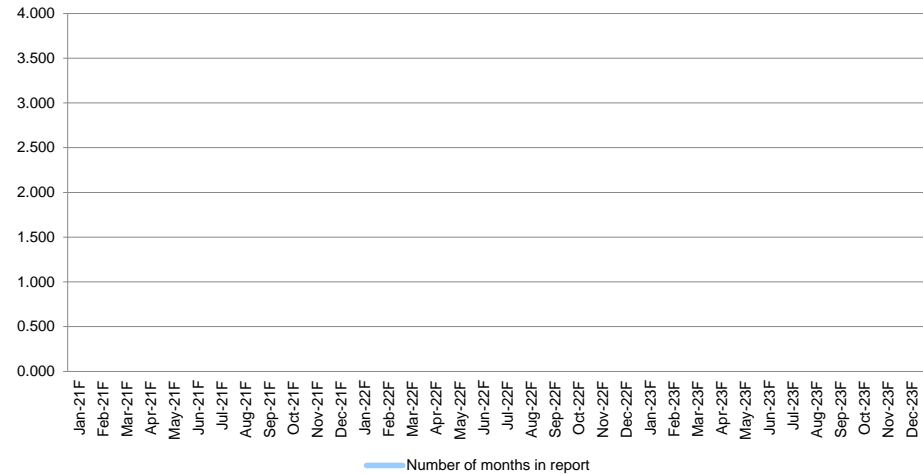


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2021-11-04			

Source: RHB, Bloomberg

ESG Rating History



Source: RHB

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