



2022 Market Outlook



 **NH** KORINDO
SEKURITAS INDONESIA



CONTENTS



MACROECONOMIC EQUITY MARKET SECTORAL

Financials
Consumer Cyclical
Basic Materials
Energy
Infrastructure
Technology
Consumer Non-Cyclical
Properties & Real Estate
Industrials
Healthcare
Transportation

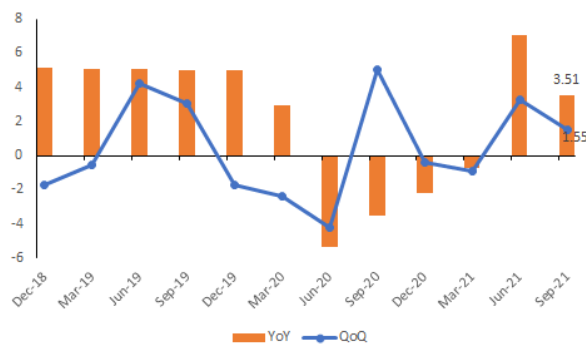


MACROECONOMIC

Economic Growth - Maintaining Recovery Momentum

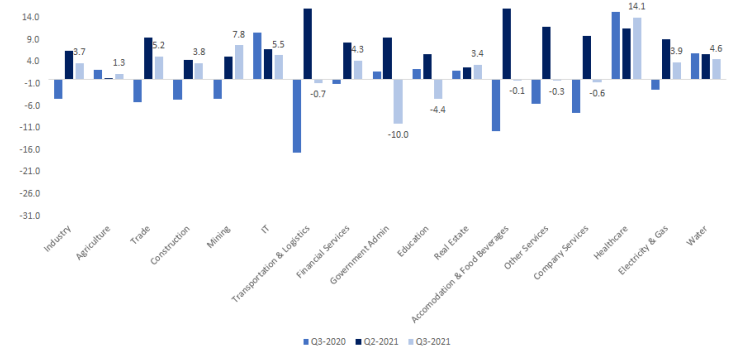
- The Indonesian economy has been on a successful recovery mode in 2021; with the country officially came out from recession zone. The economy rebounded in a spectacular way in 2Q21 with a better than expected growth of 7.07% yoy; mainly due to higher economy activities and low-base effect from previous year. Although social-activity restrictions (PPKM) were re-tightened at the beginning of third quarter as Delta-variant struck, Indonesia was able to maintain recovery momentum with 3Q21 GDP growth of 1,55% QoQ or 3.51% YoY.
- As per 3Q21, Healthcare services had the highest growth of 14.1% yoy; supported by demands for Covid-19 testing and treatment. Meanwhile, higher global commodity prices helped the Mining sector to achieve a 7.8% annual growth. On the other hand, Government Administration (-9.9% yoy) and Education Services (-4.4% yoy) were among industries with the biggest contractions.
- Under the 2022 state budget, the government has allocated IDR 2,708 trillion for spending; which aimed to maintain recovery momentum and strengthen structural reform. Budget deficit is set at 4.85% of GDP; and targeted to be under 3% in 2023.
- According to macroeconomic assumption, economic growth for 2022 is projected at 5.0% - 5.5%. Meanwhile, IMF forecasts a higher real GDP growth of 5.9% for Indonesia; as stated in its October 2021 edition of World Economic Outlook. Other projections from international institutions include: World Bank (5.0%), ADB (4.8%), and OECD (5.0%).

Indonesia GDP Growth



Source: Statistics Indonesia, NHKSI Research

Sectoral GDP Growth (yoy)

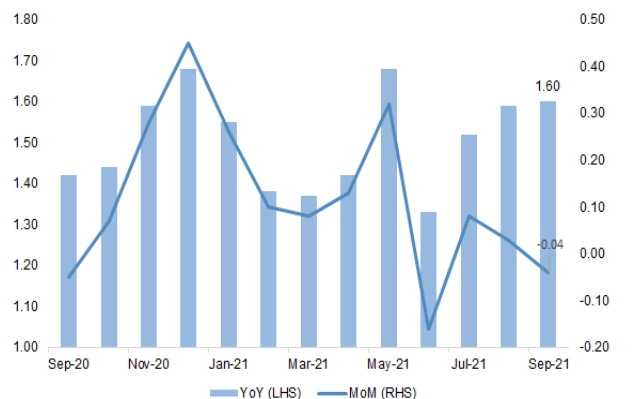


Source: Statistics Indonesia, NHKSI Research

Inflation - Anticipating Demand-Pull Inflation

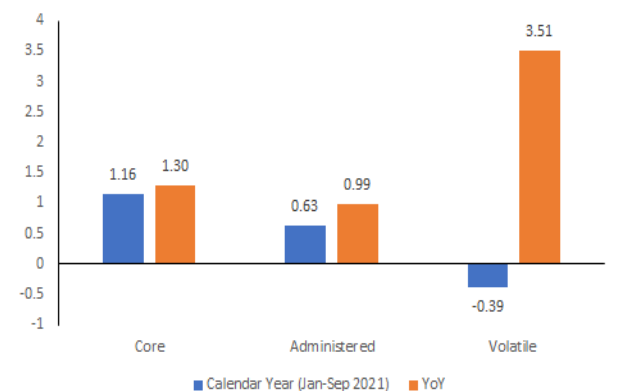
- Up to 9M21, inflation remained stubbornly low with ytd figure recorded at 0.8% or 1.6% yoy. This was still below Bank Indonesia's full year target of 2-4%. Indonesia had two monthly deflations in 2021, which occurred in June and September.
- Soft purchasing power was still largely seen throughout the first three quarters in 2021, as stricter PPKM were imposed at the beginning and middle of the year. Consumer Confidence Index (CCI) was mostly recorded below the 100-level, with ytd low at 80.2 in July 2021 as the Delta variant struck. The survey rebounded gradually to 95.5 in September and is expected to return to optimistic level in 4Q21.
- Volatile goods were the main laggard component for inflation, with a deflation of 0.39% for the period Jan-Sep 2021. Meanwhile, core inflation had moderately increase by 1.16% YTD.
- Inflation rate is expected to rise for the rest of 2021 and continue into 2022. The gradual relaxation of PPKM and seasonality factors potentially result in demand-pull inflation. Moreover, rising energy and raw material prices will lead to higher costs; which in turn may affect prices of goods and services.
- Bank Indonesia has maintained its 2022 inflation target at 3% (+/- 1%). However both the central bank and government had also agreed to gradually reduce the projected inflation to be 2.5% by 2024.

Indonesia Consumer Price Index (CPI)



Source: Bloomberg, NHKSI Research

Inflation Contribution by Components

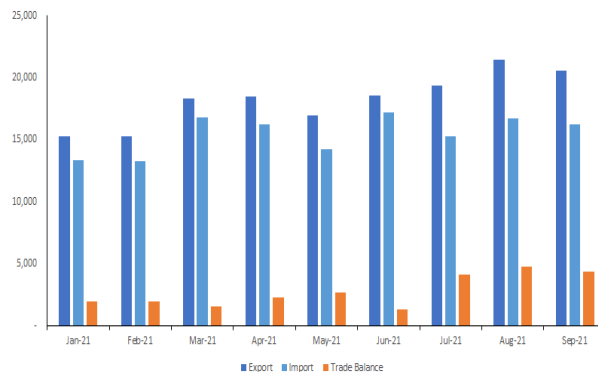


Source: Bloomberg, NHKSI Research

Trade Balance - Supported by Strong Export Growth

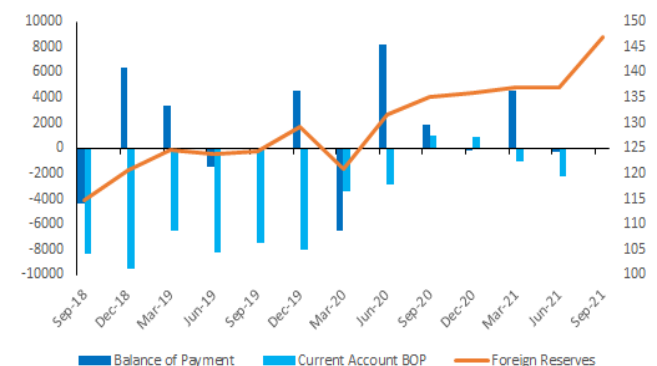
- For the period Jan-Sep 2021, Indonesia has recorded a cumulative trade balance surplus of USD25.1 Bn; or an 87.3% increase compared to the USD13.4 Bn surplus booked throughout 9M20. The trade balance has been on a surplus for 17 consecutive months as of September 2021, with Exports value continued to grow at a higher pace than Imports.
- Rising global commodity prices was one of the main factor that boosted export performance in 3Q21, which totalled USD61.4 bn. The United States, India, and Philippines were among the top export destinations; while Australia and Thailand were the biggest deficit contributors in September 2021.
- For 2022, the government is targeting Export to grow between 5.8%-7.9%; while Import aimed to increase by 6.0%-8.6%. With commodity prices potentially normalized, Indonesia must also raise export performances of manufactured goods such as Automotive, Textile, and Furniture in order to compensate. On the other hand, Imports are expected to return to pre-pandemic level as economy recovery continues to drive up demands for raw materials.
- Foreign Reserves reached an all-time high position of USD146.9 Bn in September 2021. Solid export performances, loan drawdown, and net foreign direct investments were some of the contributing factors; which should make Indonesia better-equipped in facing impacts from the Federal Reserve's tapering-off program which scheduled to run through mid-2022.

Indonesia Trade Balance (USDBn)



Source: Bloomberg, NHKSI Research

Balance of Payment and Foreign Reserves

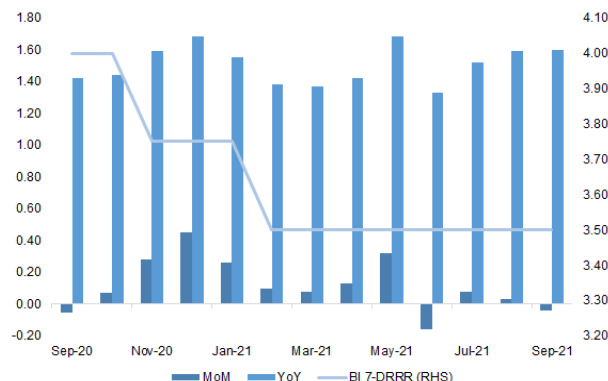


Source: Bloomberg, NHKSI Research

BI 7-DRRR – Anticipating Benchmark Rate Increase

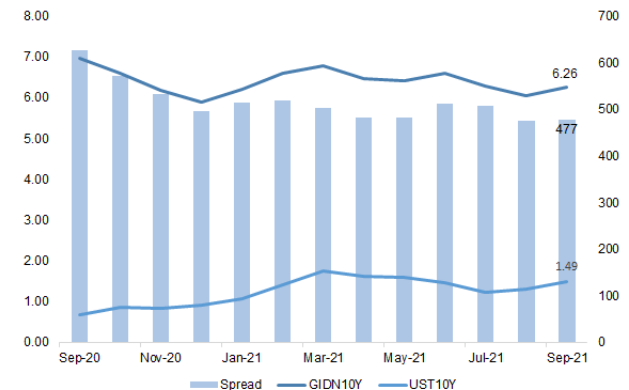
- For most of 2021, Bank Indonesia has kept its 7-Days Reverse Repo Rate (BI 7-DRRR) at an all-time low of 3.50%, with deposit facility and lending facility rate at 2.75% and 4.25% respectively. The central bank’s decision to maintain low benchmark interest rate since February is a part of its accommodative stance to support domestic economic recovery.
- NHKSI Research sees that the benchmark interest rate BI has potential to increase by 50 bps from its current position to 4.00% by the end of 2022. This stance may be taken as a response to the potential increase of the Fed Fund Rate (FFR) after tapering off ends.
- The Federal Reserve has announced to start tapering off USD15 billion in monthly bond-buying program; with USD10 billion in US Treasury and USD5 billion in mortgage-backed securities, beginning from November 2021. Assuming the rate of tapering amount remains constant each month, the normalization process should run until mid-2022. However, the amount of monthly tapering may varied due to macroeconomic prospects; which will affect the duration of the program.

CPI (%) Vs. BI 7-DRRR (%)



Source: Bloomberg, NHKSI Research

Capital Inflow amidst High Spread Yield (%)

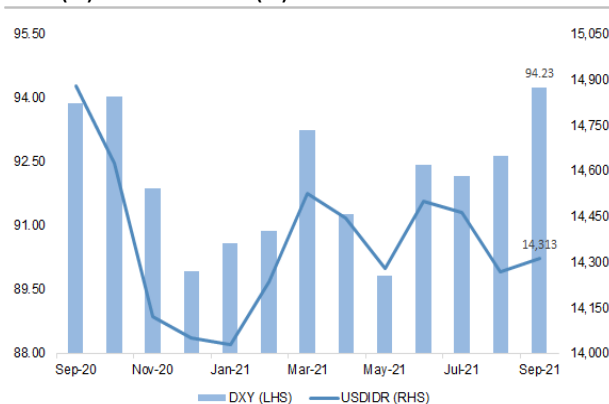


Source: Bloomberg, NHKSI Research

Currency - IDR Gradually Depreciates

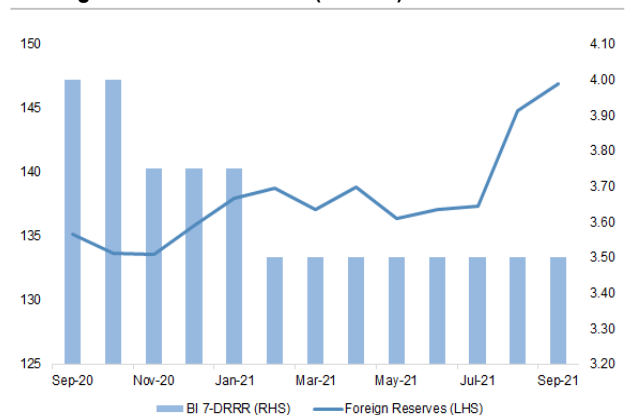
- High inflation rate in the US may potentially cause FFR to rise earlier than expected at the end of 2022 / early 2023. The expected increase after the end of tapering off may result in gradual depreciation of rupiah.
- We project the USD/IDR exchange rate to move around IDR13,900/USD to USD15,000/USD throughout 2022. As a note, the Fed has maintained benchmark interest rate near zero since the beginning of Covid-19 pandemic in March 2020.
- Another risk that factors into the depreciation of rupiah is should the trade balance returns to a deficit. Currently, the trade balance surplus is supported partially by high commodity prices.
- Normalization of global commodity prices in 2022 may occur when production level have recovered to meet increasing demands caused by recovery in economic activities. Some investors also expect commodity prices such as coal, palm oil, crude oil, nickel, gold, and tin to trend down in 2022.
- Solid forex reserves position plays a crucial factor in determining the monetary capabilities of Bank Indonesia in responding to the Federal Reserve's tapering off policy. The current forex position is considerably higher compared to the first edition of tapering-off in 2013 which resulted in massive foreign outflow.

CPI (%) Vs. BI 7-DRRR (%)



Source: Bloomberg, NHKSI Research

Foreign Reserve Movement (USDBn)

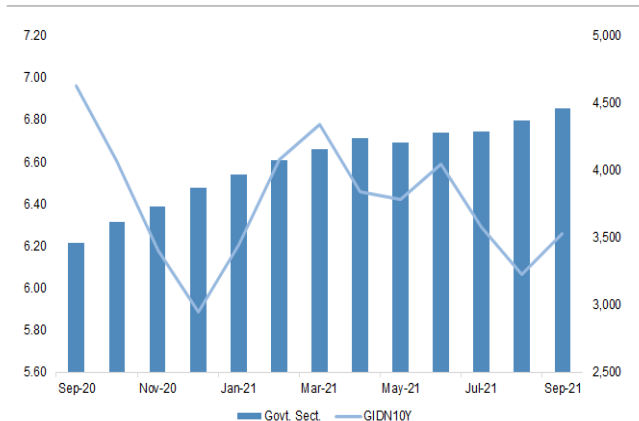


Source: Bloomberg, NHKSI Research

Fixed Income – Front Loading with Low Interest Rate

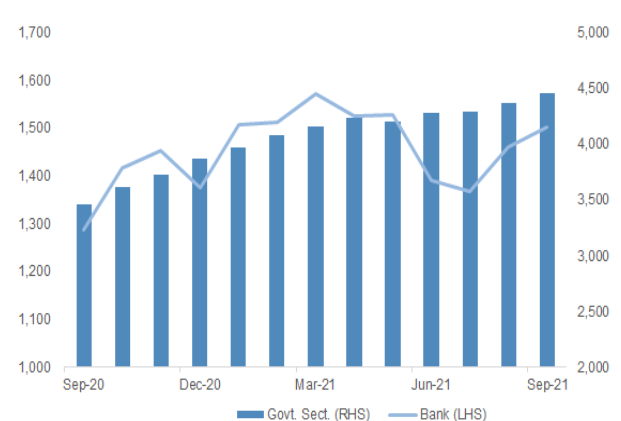
- Front loading strategy will once again be used in 2022, with the government potentially issue 55%-60% of the gross total of Government Securities (SBN) in 1H22. Directorate General of Budget Financing and Risk Management (DJPPR) of the Ministry of Finance (Kemenkeu) plans on issuing SBN, both Government Debt Securities (SUN) and Government Sharia Securities (SBSN), with a gross total of IDR991.3 trillion, prioritizing rupiah-denominated instruments.
- The front loading strategy will continue to take advantage of low BI 7-DRRR; which has remained at 3.50% since February 2021.
- Bank ownership in SBN is expected to decline, as loan disbursement increases. Based on the data from DJPPR, banks ownership was at more than IDR1,500 trillion as of 3Q21. This was significantly higher than ownership during the pre-pandemic period in December 2019 which was around IDR581.4 trillion.
- Bank Indonesia will gradually tighten liquidity, despite its agreement with the Ministry of Finance on another burden sharing scheme. The central bank is expected to adjust the BI 7-DRRR at the end of 2022.
- As a note, the purchase of SBN by Bank Indonesia under the 2022 State Budget is allocated at IDR224 trillion. This is 4% higher than the burden sharing allocation in the 2021 State Budget which was IDR215 trillion.

Govt. Securities Outstanding (IDR Trn) Hike amidst Low Yield (%)



Source: Bloomberg, NHKSI Research

Banking Liquidity Boosted Govt. Securities Ownership



Source: Bloomberg, NHKSI Research

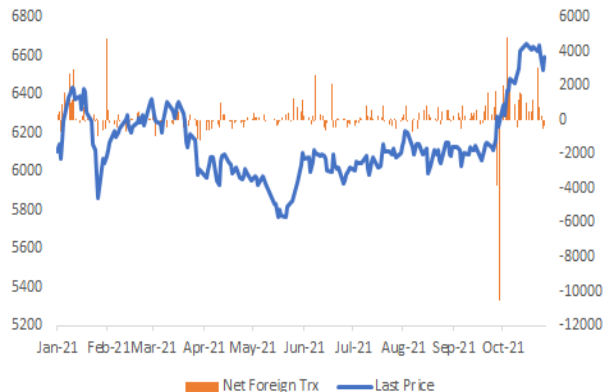


EQUITY MARKET

Equity Market - JCI Review 2021

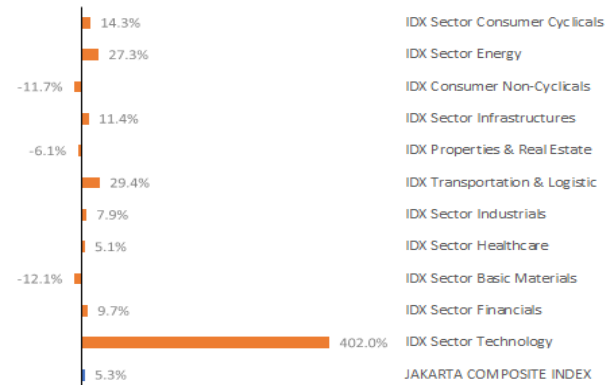
- Up to October 2021, the JCI had increased 10.2% ytd to close at 6,591. The benchmark index started the year strong, before spending most of 2nd and 3rd quarters hovering around the 6,000 mark. Entering 4Q21, the JCI had a strong rally which brought it to a new all-time intraday high above the 6,700 in mid-November.
- The acceleration of Covid-19 vaccine rollout and strong earnings recovery were the two key catalysts supporting equity market in 2021. Moreover, higher commodity prices coupled with a strong IDR appreciation brought the market to gain significantly in October. On the other hand, the Federal Reserve plan to start tapering-off; spike in Covid-19 cases caused by Delta variant; and concerns regarding the effects of Evergrande default; were amongst the negative sentiments that momentarily halt the market to move further up.
- Technology sector was the outlier in 2021, with a gain of 402% since the introduction of IDX-Industrial Classification (IDX-IC) on January 25th 2021. The hype of digital transformation acceleration has helped previously little known stocks such as DMMX, TFAS, and DCII to spectacular gains. Momentum of technology sector slowed down in the second half of 2021, dragged by the stock price of e-commerce unicorn Bukalapak.com (BUKA); which has been trading lower since its IPO in August.

JCI Movement and Foreign Transactions



Source: Bloomberg, NHKSI Research

Sectoral Performance



Source: Bloomberg, NHKSI Research

Equity Market - JCI Review 2021

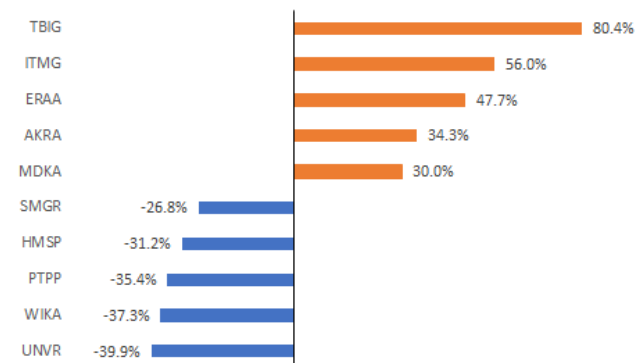
- Indonesian equity market has seen the return of foreign inflow in 2021, with foreign investors booked a net buy of IDR 39.5 trillion in all markets during Jan-Oct 2021; after recording a net sell of IDR 47.8 trillion in the previous year. The state-owned lender BBRI had seen the largest net foreign buy totalling IDR 13.4 trillion. The bank underwent an IDR 96 trillion Rights Issue process in September 2021, which resulted in the formation of an Ultra-micro holding entity. Other top foreign buys include big cap stocks such as: TLKM, BBKA, and BMRI.
- On the other hand, the list of Top Foreign Sell throughout 9M21 period was mostly occupied by mid-cap stocks, led by the multifinance company BFIN and market newcomer TAPG. However, there were also some notable names sold by foreign investors throughout the year, including: PGAS, EXCL, SMGR, and TOWR.
- Telco infrastructure provider TBIG was the top gainer amongst the LQ45 index, with Jan-Oct gain of 80.4%; as the company continued to book strong earnings during the pandemic. Furthermore, rising coal price has propelled ITMG to a ytd gain of 56%; while last year's winner MDKA carried on its momentum with 30% stock price increase to come in at 5th place.
- On the other hand, the consumer goods sector has been lagging the overall market throughout 2021; with UNVR led the LQ45 loser with 39.9% decline and cigarette-maker HMSP (-31.2%) came in at 4th place. Moreover, construction sector also had a rough period after a strong start to the year on the back of the Sovereign Wealth Fund (SWF) sentiment. State-owned construction firms WIKA (-37.3%) and PTPP (-35.4%) were also among the top laggards; with cement producer SMGR rounding out the top 5 with a 26.8% decline.

Top Net Foreign Buy and Sell (Regular Market) in IDR mn

Net Foreign Buy		Net Foreign Sell	
BBRI	13,409,758	BFIN	-1,547,970
TLKM	8,137,522	TAPG	-1,230,606
BBKA	6,931,520	CASA	-998,581
BMRI	4,621,842	PGAS	-820,290
ANTM	2,829,763	EXCL	-810,889
UNTR	1,886,976	SMGR	-745,303
ARTO	1,648,112	TOWR	-521,250
KLBF	1,488,886	BUMI	-509,418
BBNI	1,471,414	AMRT	-423,666
AGRO	1,302,819	ABMM	-402,377

Source: NHKSI Research

LQ45 Winners and Losers



Source: Bloomberg, NHKSI Research

Equity Market - JCI 2022 Outlook

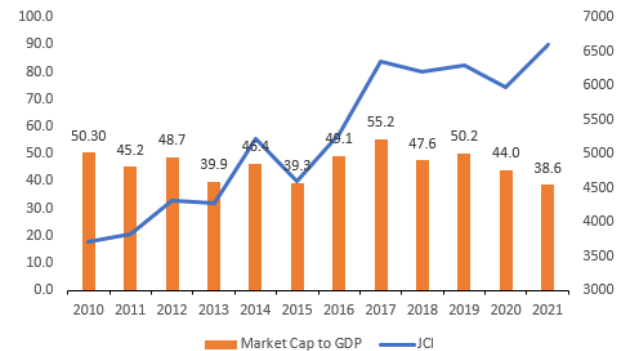
- Normal case** → **7,030** (Implied Forward P/E 14.9x). Our base target of the JCI derived from the following key assumptions: 1) Economic growth in line with projections; 2) Moderate EPS growth of up to 15%; 3) No further enforcement of social activity restrictions; and 4) Minimum impact caused by tapering-off
- Bull case** → **7,810** (Implied Forward P/E 16.6x). The JCI may perform better than expected in 2022, supported by the following catalysts: 1) Social and economic activities return to normal / pre-covid level; 2) Strong EPS growth of more than 15%; 3) Higher global commodity prices; 4) Low interest rate policy continues to support economic growth ; and 5) Significant net buy amount from foreign investors
- Bear case** → **6,190** (Implied Forward P/E 13.1x). Conversely, the JCI might fare worse than predicted under some unfavorable circumstances, such as: 1) Resurging Covid-19 cases which resulted in re-tightening of social activity restrictions; 2) Massive foreign outflow from the market; 3) Soft purchasing power and persistently low inflation; 4) Lower EPS growth than expected; and 5) Slowdown in global economic growth.

JCI 12-month Blended Forward P/E



Source: Bloomberg, NHKSI Research

Market Cap to GDP



Source: Bloomberg, NHKSI Research

JCI - Technical View

The Jakarta Composite Index (JCI) is currently in a strong bullish phase, after breaking out of the Triangle Pattern resistance. From a technical perspective, the JCI's next target level is at 7,504.



Top Picks 2022

2022 Top Stock Picks - Key Fundamental Ratios (as of 10 November 2021)

Ticker	Market Cap (IDR Bn)	P/E Ratio (x)	P/B Ratio (x)	GPM (%)	EBITDA Margin (%)	NPM (%)	ROE (%)	DER (%)	Net Debt/Equity (%)
TLKM	366,530	16.5	3.7	33.5	53.1	15.2	22.9	54.2	36.1
ICBP	103,791	16.1	3.2	36.9	22.6	14.1	20.9	63.0	44.1
PTBA	30,875	5.5	1.5	26.4	20.0	13.8	29.2	5.5	Net Cash
BBNI	131,939	19.6	1.1	71.2	25.0	6.5	5.8	53.5	Net Cash
JSMR	30,193	27.6	1.5	39.1	41.6	3.7	5.7	256.0	232.4
PWON	25,043	27.5	1.7	48.8	45.5	23.4	6.2	22.4	6.0
ERAA	10,208	9.7	1.8	10.0	5.1	1.8	19.9	40.2	5.0
ANTM	56,232	25.3	2.8	16.4	11.4	4.2	11.7	40.7	19.8
ASII	249,986	14.6	1.5	22.0	16.0	9.2	10.6	40.7	15.9
LSIP	9,552	8.6	1.0	30.4	44.6	19.7	12.0	0.0	Net Cash

Source: Bloomberg, NHKSI Research



SECTORAL REPORT

FINANCIALS



Financials – Technical View

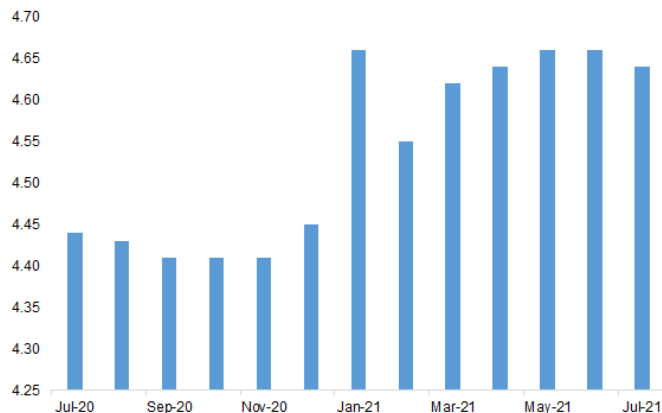
The IDX Financials index is currently in a strong bullish phase, where after Break Out Triangle at 1,480; potentially continue to rally to around 1,730-level.



Banking: Overweight

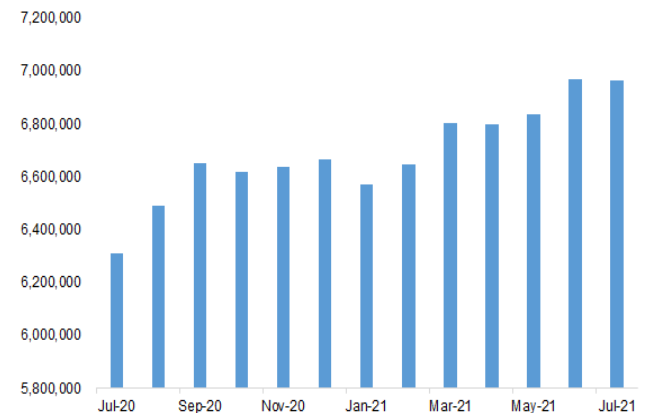
- Banking sector continues to see increasing Current Account Saving Account (CASA) ratio, in the midst of low interest rate period. From assets side, loan growth is targeted at 9%-9,3% in 2021; with incentives such as property PPnBM and PPN relaxation to continue support credit disbursements.
- We see that Net Interest Margin (NIM) expansion is focused on topline, as there is no more room for further interest rate cuts. This will result in banks to focus on lowering the Cost of Fund (CoF) by continuing to increase CASA ratio. However, competition for third-party funds (DPK), will remain challenging amongst smaller banks.
- From this sector, our 2022 big banks picks in order of preference are: BBNI, BMRI, BBCA, and BBRI. Valuations for BBNI and BMRI continue to be attractive at 1.4x and 1.6x; with NIM set to increase gradually to support our overweight sectoral call.

Indonesia Banking Net Interest Margin (%)



Source: Bloomberg, NHKSI Research

Indonesian Banks' Third Party Fund (IDR Bn)



Source: Bloomberg, NHKSI Research

Bank Mandiri Tbk (BMRI)

Target Price (IDR)	8,600
Consensus Price	8,233
TP to Consensus Price	+4.5%
vs. Last Price	+20.3%
Last Price (IDR)	7,150
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	7,450/5,600
Free Float (%)	37.9
Outstanding sh. (mn)	46,667
Market Cap (IDR bn)	333,667
Market Cap (USDmn)	23,345
Avg. Trd Vol – 3M (mn)	45.54
Avg. Trd Val – 3M (bn)	298.74
Foreign Ownership	26.9%
Loan Composition:	
Corporate	35.7%
Subsidiaries	20.8%
Commercial	16.5%
Others	27.0%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	87,321	97,416	106,606	117,297
y-y	-4.6%	11.6%	9.4%	10.0%
Net Profit	17,119	23,671	31,650	36,453
EPS (IDR)	367	507	678	788
y-y	-37.7%	38.1%	33.7%	16.2%
P/E	17.2x	14.7x	11.0x	9.1%
P/BV	1.5x	1.6x	1.5x	1.4x
NIM	4.5x	4.5x	4.6x	4.6%
ROE	8.5%	11.7%	14.3%	16.1%
ROA	1.2%	1.6%	2.0%	2.1x

Asset Quality Improves as Loan Growth Increases

BMRI booked consolidation loan growth of 16.93% YoY to IDR1,021.6 trillion until 3Q21. The growth is balanced by asset quality, through slashing Non-Performing Loan (NPL) by 37 bps to 2.96% YoY. Meanwhile, BMRI still maintains its reserve ratio at 230.01% YoY. This figure is 24.86 bps higher than previously 205.15%. The loan growth was also complemented by low cost of fund with BMRI's CASA ratio went up to 74.57%. Furthermore, the bank successfully maintained liquidity, booking DPK of 18.5% YoY to IDR 1,214 trillion.

CASA Pushes CoF Down by 108 Bps

The ample liquidity was also matched by maintained low Cost of Fund (CoF) which stood at 1.62%. Meanwhile, loan disbursement growth boosted BMRI's consolidated asset to grow 16.44% YoY to IDR1,637.9 trillion. BMRI was focused on digital transformation, launching the application Livin 2.0 on October 2, 2021, which has now been downloaded 1.5 million times. The financial super app is aimed to increase the penetration of BMRI's retail products. Meanwhile, BMRI also launched Kopra, a platform targeting the wholesale banking market.

Maintain Buy with TP of IDR8,600

We maintain Buy rating by increasing the target price to IDR8,600/share. Our target price reflects forward PBV FY21/22 at 1.6x/1.5x. Meanwhile, some key risks to our TP are: the ongoing loan restructuring program, and the tighter competition for third party funding amidst low interest rate period.

Bank Negara Indonesia Tbk (BBNI)

Target Price (IDR)	9,000
Consensus Price	8,306
TP to Consensus Price	+8.4%
vs. Last Price	+27.2%
Last Price (IDR)	7,075
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	7,575/4,560
Free Float (%)	40.0
Outstanding sh. (mn)	18,649
Market Cap (IDR bn)	129,608
Market Cap (USDmn)	9,048
Avg. Trd Vol – 3M (mn)	34.8
Avg. Trd Val – 3M (bn)	214.2
Foreign Ownership	14.3%
Loan Composition:	
Corporate	50.2%
Medium	17.4%
Consumer	16.2%
Others	16.2%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	56,173	57,655	65,668	74,008
y-y	-4.0%	2.6%	13.9%	12.7%
Net Profit	3,280	9,669	15,532	16,516
EPS (IDR)	176	519	833	886
y-y	-78.7%	194.8%	60.6%	6.3%
P/E	35.1x	17.4x	10.8x	10.2x
P/BV	1.0x	1.4x	1.2x	1.1x
NIM	4.5%	5.0%	5.2%	5.5%
ROE	2.8%	8.2%	11.9%	11.4%
ROA	0.4%	1.1%	1.6%	1.6x

CASA up 10 Bps in 3Q21

The increase in Current Account and Saving Account (CASA) resulted in BBNI's interest expense to be well-maintained. CASA ratio increased by 10 Bps in 3Q21 compared to previous quarter. Currently, CASA portion has formed 69.7% of total Third Party Fund (TPF) with amount of IDR 465.7 trillion in 3Q21; growing 8% YoY compared to the same period last year at IDR 431.3 trillion. CASA grew at higher rate than TPF, which only increased by 1.4% YoY from IDR 659.5 trillion to IDR 668.6 trillion in 9M21.

Lower Risk Segment Supports BBNI Loans

Despite weighing down margin, we still see BBNI's loan focus on the lower risk segment as a positive. Up until 9M21, payroll-based loans grew significantly by 17.5% YoY or 4.3% QoQ. While other lower risk segments, consumer loan, grew 9.9% YoY. Overall, BBNI loans grew 3.7% YoY boosted by a jump in business and loan application as PPKM eases. BBNI total loan reached IDR 569.7 trillion until 3Q21 from IDR 550 trillion in 3Q20. Moreover, NPL and Loan Restructuring were also trending down.

Maintain BUY, Upgrades TP to IDR 9,000

We maintain our BUY recommendation for BBNI while raising our Target Price to IDR 9,000/share. The maintained asset quality and lower loan restructuring, along with growth in lower risk segment credit are some key investment highlights for BBNI. Our TP implies PBV FY21/22 of 1.4x/1.2x, with a potential upside of 29.5% from last price. Risk factors to our call include: 1) Increase in credit restructuring; 2) Higher provision costs; 3) Competition with other BUKU IV banks for loan growth.

Bank Central Asia Tbk (BBCA)

Target Price (IDR)	8,375
Consensus Price	7,773
TP to Consensus Price	+7.7%
vs. Last Price	+9.5%
Last Price (IDR)	7,650
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	8,250/5,720
Free Float (%)	44.9
Outstanding sh. (mn)	123,275
Market Cap (IDR bn)	912,235
Market Cap (USDmn)	64,246
Avg. Trd Vol – 3M (mn)	84.9
Avg. Trd Val – 3M (bn)	573.8
Foreign Ownership	26.1%
Loan Composition:	
Corporate	44.5%
Commercial & SME	30.6%
Consumer	23.9%
Others	1.0%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	65,403	69,105	75,273	82,761
y-y	2.5%	5.7%	8.9%	9.9%
Net Profit	27,131	33,457	37,660	41,790
EPS (IDR)	220	271	305	339
y-y	-5.0%	23.3%	12.6%	11.0%
P/E	30.8x	30.9x	27.4x	24.7x
P/BV	4.5x	4.7x	4.1x	3.7x
NIM	5.7%	5.2%	5.2%	5.1%
ROE	15.1%	16.5%	16.0%	15.8%
ROA	2.7%	3.0%	3.1%	3.1%

3Q21 Loan Growth Boosts Performance

As of 3Q21, BBCA recorded loan disbursement of IDR605.9 trillion or up 2.1% QoQ. Loan growth in 3Q21, represented more than 70% of loan growth in 2021 which grew 2.9% YtD. On an annual basis, loan growth in 3Q21 was up 4.1% YoY, the first positive growth since 2Q20 which grew 5.2% YoY. The pandemic outbreak suppressed BBCA's lending to fall in the range of -0.3% to -4.2% during 3Q20 to 2Q21. The corporate segment booked the highest loan growth in 3Q21 of up to 5.8% YtD. Meanwhile, loan to deposit ratio (LDR) was relatively stable at 62%, with our estimate to increase to 68% in 4Q21, in line with the domestic economic recovery.

Improving Asset Quality

BBCA's LAR fell to 17.1% until September 2021, an improvement compared to the first half of 2021 which was at 19.1%. Meanwhile, restructured loans decreased to IDR88.9 trillion as of September 2021, from IDR97.5 trillion at the end of 2020. Improved asset quality can also be seen from the NPL which has been maintained at 2.4%. However, relatively high NPL still occur in the manufacturing and trade sectors. Meanwhile the growth of low-cost funds still dominated, with CASA growing by 21.0% YoY, and time deposits by 9.7% YoY. Overall, third party funds grew by 18.3% to IDR923.7 trillion.

Maintaining Overweight with TP IDR 8,375

We maintain our Overweight rating by increasing our target price to IDR8,375/share. Our target price reflects FY21/22 forward PBV at 4.7x/4.1x levels. Some of the risk factors for our TP include: 1) Loan restructuring which is ongoing until 1Q22; 2) Increase in NPL and depressed NIM; 3) Competition for low cost funds.

Bank Rakyat Indonesia Tbk (BBRI)

Target Price (IDR)	4,800
Consensus Price	4,814
TP to Consensus Price	-0.3%
vs. Last Price	+12.9%
Last Price (IDR)	4,250
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	4,829/3,500
Free Float (%)	43.1
Outstanding sh. (mn)	151,277
Market Cap (IDR bn)	642,927
Market Cap (USDmn)	44,966
Avg. Trd Vol – 3M (mn)	204.06
Avg. Trd Val – 3M (bn)	801.29
Foreign Ownership	24.6%
Loan Composition:	
Micro	40%
Small	22%
Consumer	16%
Others	22%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	102,394	128,494	143,910	159,225
y-y	-2.8%	25.5%	12.0%	10.6%
Net Profit	18,643	28,584	39,894	47,790
EPS (IDR)	148	209	280	329
y-y	-45.9%	41.2%	33.9%	17.5%
P/E	14.4x	20.4x	15.1x	12.8%
P/BV	2.1x	2.2x	2.1x	1.9x
NIM	6.2%	6.6%	6.4%	6.5%
ROE	9.2%	12.1%	14.3%	15.5%
ROA	1.2%	1.7%	2.2%	2.5%

Loan Reaches IDR1,000 Trillion

Until 3Q21, BBRI booked a consolidated loan growth of 9.74% YoY to IDR1,026 trillion. This figure was supported by the Micro, Small and Medium Enterprises (MSME) that grew 12.5% YoY to IDR848.6 trillion. The increase boosted BBRI's MSME portion to 82.67% of total loan, while corporate loans booked at IDR177.84 trillion. Meanwhile, non-performing loan (NPL) increased slightly to 3.29% from 3.02%. NPL coverage jumped to 259.70% amid lower loan restructuring.

Cost of Fund Down to 2.14%

BBRI's DPK was recorded at IDR 1,135.3 trillion in 9M21, supported by the low cost of fund ratio in CASA which was 59.6%. Annual increase in CASA ratio by 58 bps resulted in the decline of CoF to 2.14%. The growth pushed BBRI's assets up 11.87% YoY to IDR1,619.7 trillion. On the liquidity side, LDR was recorded at 83.27% with Capital Adequacy Ratio (CAR) at 24.54%.

Maintains Overweight with TP of IDR 4,800

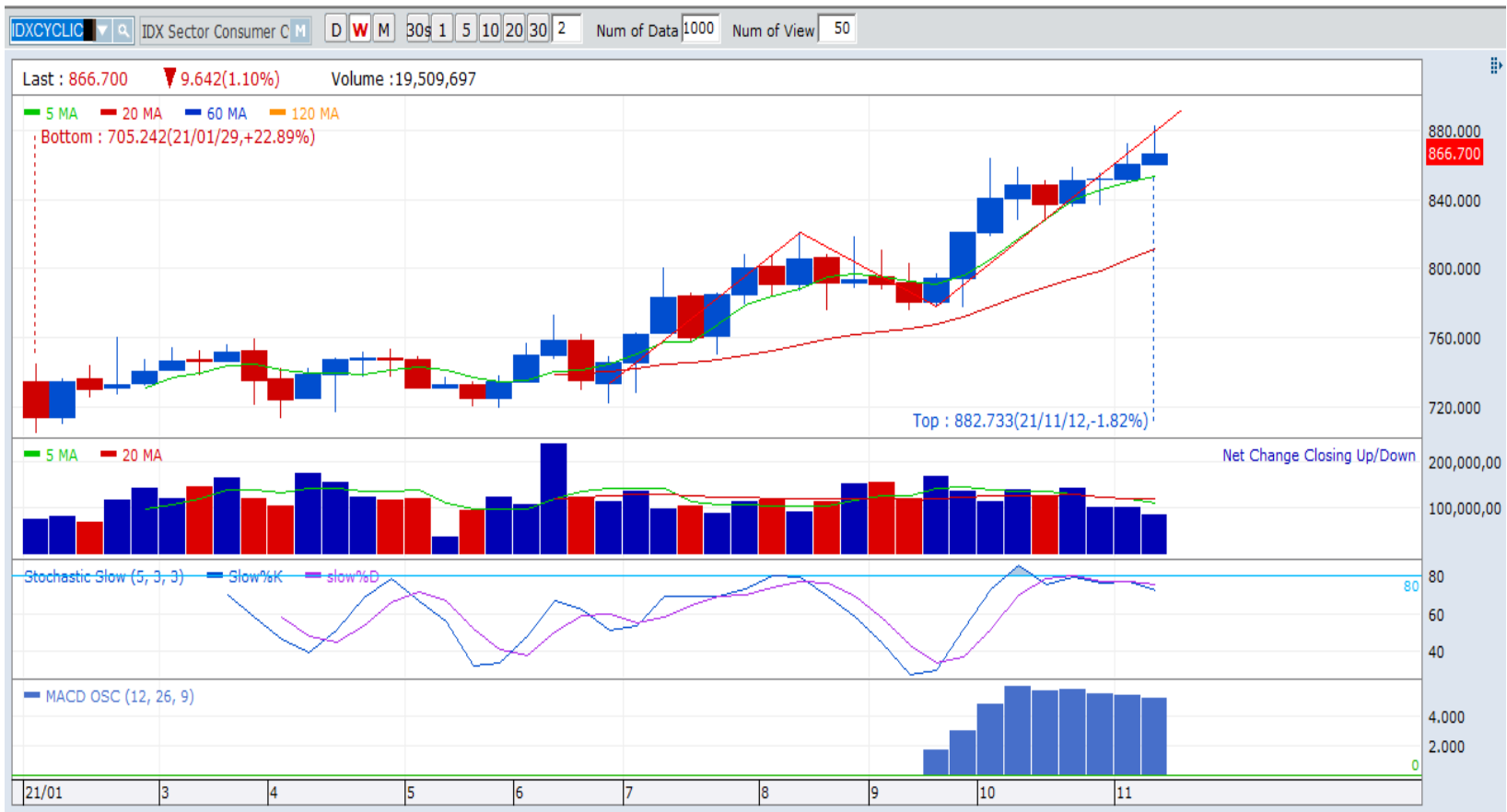
We maintain Overweight rating with target price at IDR4,800/share. Our TP reflects forward PBV FY21/22 of 2.2x/2.1x. We are still observing the progress of synergy with Pegadaian and Permodalan Nasional Madani (PNM), and the domestic economy that has not fully recovered. BBRI's management has loan growth target of 6%-7% in 2021; with NPL maintained at 3.3%-3.5%. From the profitability side, NIM is targeted at around 6.7%.

CONSUMER CYCLICAL



Consumer Cyclical – Technical View

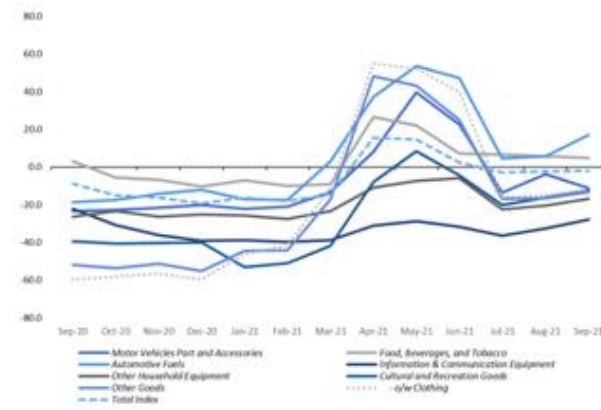
The IDX Consumer Cyclical index is currently in the Strong Bullish trend (Riding), which is projected to continue to 980.



Retail: Overweight

- Retail sector in 2H21 has generally been stronger despite the pandemic. As Indonesia began to gradually ease mobility restriction in 4Q21, we expect the favorable situation to support the recovery of retail sector in 2022
- We also note that the improvement in retail sales and mobility indexes, likely backed by the reopening of public places and national vaccination program rollout, have gradually encouraged public confidence.
- In September, Bank Indonesia reported retail sales index to contract by 1.8% YoY to 190.3, but the figure is narrowing compared with 2.1% YoY in August. The sales increase was likely contributed by automotive fuels, motor vehicles and accessories, and clothing.
- As Covid-19 cases continued to decline in mid-September causing PPKM level reduction, mobility in public places have gradually recovered by 5%-30% compared to baseline. As data show, Indonesia's mobility index is continuously showing sign of recovery especially in retail & recreation and grocery & pharmacy stores.
- Meanwhile, uncertainty and challenges due to temporary store closures have led many retailers to adapt to digital channels and shift to being multichannel. The growing online sales partially offset the loss of declining store traffic, although offline shopping still played a significant part in retail growth.

Annual Growth of Retail Sales Index YoY (%)



Source: Bank Indonesia, NHKSI Research

Indonesia's Mobility Index



Source: OurWorldInData, NHKSI Research

Erajaya Swasembada Tbk (ERAA)

Target Price (IDR)	850
Consensus Price	842
TP to Consensus Price	+0.9%
vs. Potential Upside	+32.8%
Last Price (IDR)	640
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	720/296
Free Float (%)	45.2
Outstanding sh. (mn)	15,950
Market Cap (IDR bn)	9,251
Market Cap (USDmn)	642
Avg. Trd Vol – 3M (mn)	104.3
Avg. Trd Val – 3M (bn)	66.72
Foreign Ownership	12.5%
Revenue Contributions:	
Cellular Phone	84.1%
Voucher	8.6%
Accessories	7.3%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	34,113	42,103	45,523	47,560
y-y	3.5%	23.4%	8.1%	4.5%
EBITDA	1,236	1,667	2,151	2,298
Net Profit	612	973	1,094	1,189
EPS (IDR)	38	61	68	74
y-y	108.6%	60.5%	11.4%	8.8%
ROE	11.5%	16.1%	16.1%	15.5%
ROA	5.8%	8.0%	7.8%	7.9%
EV/EBITDA	5.8x	8.4x	6.3x	5.8x
P/BV	1.2x	2.1x	1.9x	1.7x

Stellar Performance with Margin Expansion

ERAA reported net sales of IDR21.3 trillion in 1H21. The company continued to maintain its growth momentum on the back of stronger sales of smartphone and its ecosystem. Moreover, this resulted in ERAA's margin expansion all across the board with GPM and NPM measured at 10.2% and 2.6%, respectively. Amid challenging times, we notice all segments grew significantly, except operator product which declined. Moreover, there was a good sign of IMEI implementation, boosting ASP. Thus, we see a potential ASP growth of around 20% p.a, resulting in 13.1% CAGR in the next 2 years.

Rapid Store Expansion Amid Revival

The company has been focusing on digital strategy since PPKM began last year. This year, ERAA introduced a new concept: "Erafone Cloud Retail Partner". This concept was formed through partnership between ERAA and individual investors. We believe the company will be able to quickly tap new market with less overall risk. However, we think this initiative strategy will take some time to be reflected into higher top line growth. Besides, as of 1H21, the company has managed to open 82 stores, reaching nearly 30% of their initial expansion plan.

Strong Growth Visibility Ahead

The company is already lining up a few initiatives strategy to boost its performance going forward. This year, ERAA has introduced its first flagship beauty store under the well-known brand "The Face Shop", which we believe to look quite promising considering the beauty and lifestyle segment will remain attractive in the long run. Recently, ERAA also has an exclusive partnership with a South Korea based bakery chain. We believe this partnership aims to strengthen its F&B portfolio.

Mitra Adiperkasa Tbk (MAPI)

Target Price (IDR)	1,100			
Consensus Price	985			
TP to Consensus Price	+11.6%			
vs. Potential Upside	+26.4%			
Last Price (IDR)	870			
Price date as of	Nov. 10, 2021			
52wk range (Hi/Lo)	945/560			
Free Float (%)	44.0			
Outstanding sh. (mn)	16,600			
Market Cap (IDR bn)	14,442			
Market Cap (USDmn)	1,014			
Avg. Trd Vol – 3M (mn)	17.64			
Avg. Trd Val – 3M (bn)	13.96			
Foreign Ownership	28.5%			
Revenue Contributions:				
Retail	75.2%			
Cafe and Restaurant	13.1%			
Department Stores	11.7%			
IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	14,847	16,898	18,301	20,241
y-y	-31.2%	13.8%	8.3%	10.6%
EBITDA	814	1,914	2,185	2,389
Net Profit	(554)	413	551	645
EPS (IDR)	(33)	25	33	39
y-y	N/A	N/A	32.0%	18.1%
ROE	-8.5%	5.7%	7.3%	8.2%
ROA	-3.1%	2.2%	3.1%	3.3%
EV/EBITDA	13.0x	6.2x	5.7x	5.5x
P/BV	2.4x	2.3x	2.1x	2.0x

Strong Recovery in Sales

MAPI has been impacted by the imposition of PPKM, but increasing sales performance this year shows that company coming back stronger. As of 9M21, MAPI managed to record a net sales of IDR12.1 trillion (+18.3% YoY), while net loss narrowed to IDR114.8bn. However, the stricter PPKM has suppressed sales performance considering >50% of their total stores are located in first-tiered mall. This also resulted in margin deterioration as company focused on keeping inventory level lean. Going forward, we expect MAPI to catch up on sales growth in the upcoming quarter, as eased restrictions will encourage customers to visit physical stores.

Expansion Initiatives Looks Promising

Despite challenging times, MAPI expansion plan is still on track. MAPI has collaborated with some well-known beauty brand including *Laneige*, *Innisfree*, *Sulwhasoo*, and *Boots*, which is inline with one of company's primary focuses to expand its beauty products. In addition, the company launched Digiplus - the first multi brand electronic device, which aims to capture the growing demand in smartphones. Moreover, MAPI has embarked on an F&B expansion plan by signing an exclusive franchise agreement with Subway (US based sandwich chain).

Online Sales to Cushion Profit

We believe online sales will help the company to keep profit from further downfall in the wake of temporary store closures. Currently, MAPI is focusing on strengthening its digital position through collaboration with Atome, providing online platforms (Mapemall and Mono brand), as well as "chat and buy" online service.

BASIC MATERIALS



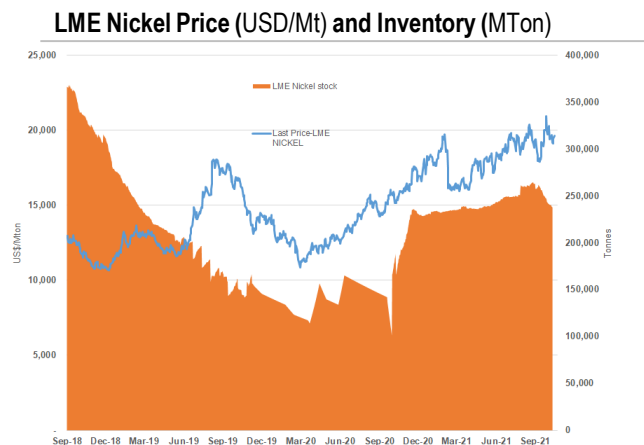
Basic Materials – Technical View

The IDX Basic Materials index is currently in a Technical Rebound phase, after breaking out of the Cup and Handle pattern at 1225 with the potential to rally to 1435.

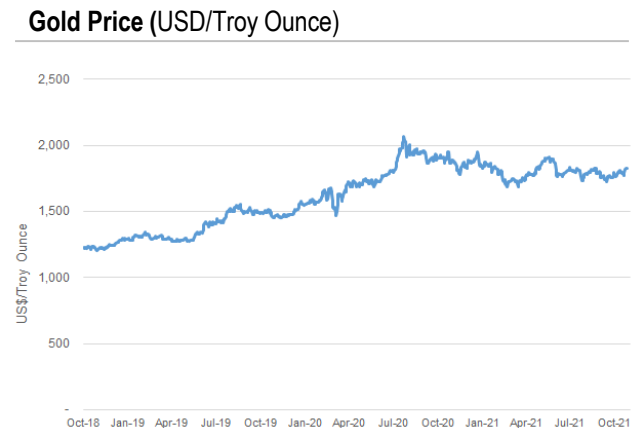


Mining (Metal): Nickel (Overweight) & Gold (Neutral)

- Export ban & tariff will support nickel price in 2022. We believe that Indonesian government's plan to impose restriction on nickel ore export will have positive effects. On the other hand, the government is determined to shift Indonesia from nickel export country to nickel-processor country in order to add value to nickel based products. With such large incentives, higher tariff would certainly be plausible to limit the export of raw nickel offshore.
- Along with increased demand for electric vehicles in US, Europe and China, we believe that nickel usage in vehicle batteries will continue to propel its price in 2022. Moreover, global car manufacturers such as Volkswagen and Tesla continue to utilize Nickel as greener fuel sources. Thus, we place Overweight rating on the Nickel sector and we forecast its price to be in the range of USD19,000-20,000/ton in 2022.
- Upside for Gold remain limited, with uptrend in commodity prices, above the average economic results, and global vaccination has enabled businesses to begin normal operations and shift investors' appetite for riskier assets. However, we believe that when Federal Reserve tapering begins, investors could prefer safe haven assets as market volatility increases.
- We give Neutral rating for Gold sector and we estimate gold price to return to level USD1,800/ounce in 2022.



Source: Bloomberg, NHKSI Research



Source: Bloomberg, NHKSI Research

Aneka Tambang Tbk (ANTM)

Target Price (IDR)	2,860
Consensus Price	3,224
TP to Consensus Price	-11.3%
Potential Upside	+22.2%
Last Price (IDR)	2,340
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	3,440/1,105
Free Float (%)	34.9
Outstanding sh. (mn)	24,030
Market Cap (IDR bn)	56,712
Market Cap (USDmn)	3,968
Avg. Trd Vol – 3M (mn)	111.2
Avg. Trd Val – 3M (bn)	256.3
Foreign Ownership	5.3%
Revenue Contributions:	
Gold	66.3%
Feronickel	30.9%
Alumina	3.1%
Others	0.4%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	27,367	30,685	34,592	39,335
y-y	-16.7%	12.3%	12.7%	12.9%
EBITDA	3,130	4,281	4,676	6,306
Net Profit	1,163	2,135	2,362	2,752
EPS (IDR)	48.4	89.0	98.4	114.7
y-y	483.5%	72.9%	11.6%	16.5%
ROE	6.1%	10.7%	1.9%	9.4%
ROA	3.7%	6.4%	7.4%	7.1%
EV/EBITDA	17.5x	15.9x	15.9x	12.1x
P/BV	2.4x	2.9x	3.0x	2.3x

High-Scale Smelter Construction is at Finishing Stage

The East Halmahera ferronickel plant project, which is currently at 98,19% of completion as of May 2021, is scheduled to be completed by December 2021. The smelter will create additional value to nickel products, safeguarding its raw material level and improving its storage quality. The smelter will also increase annual production to be 40,500 tons. We believe this will bring significant economic value to ANTM's nickel segment.

Indonesia Battery Corporation (IBC) as Positive Catalyst

IBC is a Special Holding Company established by the government which oversees the industry for producing electric vehicle (EV) batteries. The corporation is also co-owned by MIND.ID, PT Pertamina (Persero), and PT PLN (Persero). Its factory which is located in Karawang, West Java, cost USD1.1 billion and is a co-partnership with CATL from China and LG Chemical Ltd from South Korea. The factory will provide raw materials for precursor and cathode, battery cell and battery pack. The government has estimated that ANTM's total recurring income from this project to be USD7.5 billion.

Riding On Nickel's Price Rally

6M-2021 statements show significant increase in terms of revenue and net earnings, growing by 66.7% YoY to IDR16.2 trillion and 710.5% YoY to IDR1.2 trillion respectively. The management has commented that rise in global nickel price and usage are two crucial factors in boosting the segment, which contributes 31.4% of total revenue. Furthermore, production volume for ferronickel has jumped 287% YoY to 5.3 million wet metric tonnes (WMT) while sales volume grew 21 times larger than same period last year, reaching 3.66 million WMT. We estimate that FY-22 sales will reach IDR34.5 trillion and net earnings to be IDR2.3 trillion.

Vale Indonesia Tbk (INCO)

Target Price (IDR)	5,500
Consensus Price	6,388
TP to Consensus Price	-13.9%
Potential Upside	+13.8%
Last Price (IDR)	4,830
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	7,100/4,110
Free Float (%)	20.4
Outstanding sh. (mn)	9,936
Market Cap (IDR bn)	48,091
Market Cap (USDmn)	3,337
Avg. Trd Vol – 3M (mn)	15.1
Avg. Trd Val – 3M (bn)	69.1
Foreign Ownership	79.3%
Ownership Summary:	
Vale Canada Limited	43.3%
Inalum	20.9%
Sumitomo Metal Mining	15.4%
Others	21.4%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	11,567	14,674	15,561	16,777
y-y	4%	27.3%	6.1%	10.1%
EBITDA	3,698	4,337	4,448	4,717
Net Profit	1,182	1,870	1,723	1,800
EPS (IDR)	120.4	188.2	173.2	181.4
y-y	37.5%	56.8%	-0.7%	4.6%
ROE	5.8%	5.9%	5.1%	5.1%
ROA	5.2%	5.2%	4.4%	4.5%
EV/EBITDA	13.5x	12.5x	12.2x	11.0x
P/BV	1.7x	1.7x	1.6x	1.5x

Strategy to Reduce Cost: Self Drilling & Refinery

In November, INCO's management has commented on cost reduction strategies for its smelters. The strategies, which it aim to meet the long term demand for nickel; will start with self mining, drilling and refining nickel in its Sorowako, Pomalaa, Bahodopi Factories. We believe that the strategy to not rely on other mining companies or to perform transaction with other parties could contribute significant cost reduction. The management has commented that its *Pyrometallurgy* technology would provide economic benefits by allowing faster refining process and increase production rate.

Massive Project with Chinese Consortium

INCO has signed partnership contract with Taiyuan Iron & Steel (Group) Co. Ltd (TISCO) and Shandong Xinhai Technology Co., Ltd (Xinhai) this past September, to develop 8 ferronickel smelters in Bahodopi. The ferronickel smelters will add 70,000 metric ton/year to the current production level. We believe this will be a positive catalyst for INCO in meeting demands for massive government projects which use nickel-based products, such as electrical car battery.

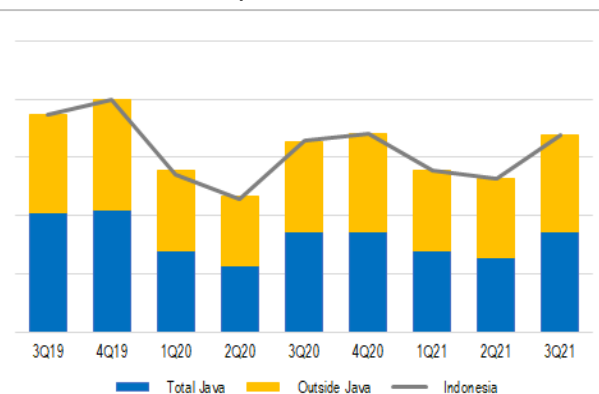
Value Drivers for INCO

The rebound in nickel industry in China has propelled domestic production for stainless steel. This has unexpectedly raised the nickel consumption. The recent closure of nickel mine in Philippines and the Russian government's plans to impose tariff on nickel export by as much as 15% are positive catalysts for nickel price. In 9M21, INCO's selling price increased by 31.2% YoY. In 9M-2021, INCO's revenue is IDR10.1 trillion (+25% YoY) while net earnings is IDR 1.8 Trillion (15% YoY). The production volume also rose 20.5% QoQ. We estimate FY-22 revenue to reach IDR15.5 trillion and net income to be IDR1.7 trillion.

Cement: Neutral

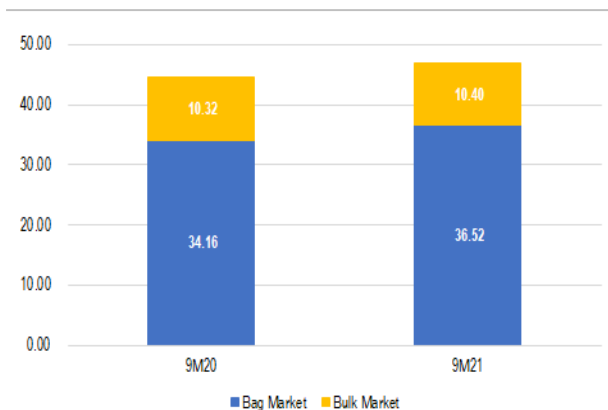
- Throughout 9M21, the national cement consumption was booked at 46.93 million tons or up 6% YoY. Cement consumption outside Java went up 8% YoY while it grew 3% YoY in Java.
- Until September 2021, bulk cement consumption was booked at 10.4 MT or slightly up by 1% YoY. We see that major construction projects are still relatively stagnant due to the second wave of Covid-19.
- Meanwhile, bag cement consumption increased 7% YoY to 36.5 MT until September 2021. The government's support towards the property sector, boosting construction and sales of new houses, resulting in the increase of cement consumption.
- As Covid-19 cases decline and PPKM policy is relaxed, we expect the national cement consumption to grow 9%-10% in 2022.
- In 2022, coal price fluctuation will be one of the challenges for cement producers which may inflate the production costs. Meanwhile, Average Selling Price (ASP) currently remains stagnant.
- However, cement producers may need to reconsider prior to increasing prices as there have been some new competitors and the national cement stock is still at oversupply.
- The government set the selling price of coal for the cement sector at USD70 per ton until March 31, 2022; whereas previously it follows the market price. This supports in maintaining margin level for cement producers when coal prices go up.

National Cement Consumption



Source: Association Cement Indonesia (ASI), NHKSI Research

Bag and Bulk - National Cement Consumption (in Mn)



Source: Association Cement Indonesia (ASI), NHKSI Research

Indocement Tunggal Prakarsa Tbk (INTP)

Target Price (IDR)	15,275
Consensus Price	13,796
TP to Consensus Price	+10.7%
Potential Upside	+21.7%
Last Price (IDR)	12,550
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	15,975/8,800
Free Float (%)	49.9
Outstanding sh. (mn)	3,681
Market Cap (IDR bn)	45,555
Market Cap (USDmn)	3,186
Avg. Trd Vol – 3M (mn)	3.5
Avg. Trd Val – 3M (bn)	38.68
Foreign Ownership	98.0%
Revenue Contributions:	
Cement	92.8%
Ready Mix Concrete	7.1%
Aggregates Quarries	0.2%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	14,184	15,022	15,767	16,556
y-y	-11.0%	5.9%	5.0%	5.0%
EBITDA	3,278	3,480	3,839	4,260
Net Profit	1,806	1,915	2,231	2,586
y-y	-1.6%	6.0%	16.5%	15.9%
EPS (IDR)	491	520	606	702
ROE	8.0%	8.8%	10.2%	11.9%
ROA	6.6%	7.0%	8.2%	9.4%
P/E	37.6x	27.3x	23.5x	20.2x
P/BV	3.1x	2.4x	2.4x	2.5x

9M21 Sales Volume and Performance

In 9M21, INTP booked cement sales of 11.97 MT, or an increase of 3.1% YoY. Next year, as mobility is more relaxed, we project INTP's sales volume to increase by 5% to 7%. Until September 2021, INTP have absorbed around 40% of the allocated capex of IDR1 trillion. The fund has been used to complete projects such as the reception facility of Refuse Derived Fuel (RDF) in their factory in Citeureup. We see that INTP has been careful in using the fund throughout the pandemic.

Consistently Maximizing the Use of Alternative Fuel

Amid the fluctuation of global coal price, INTP has consistently increased the usage of alternative fuel. This impacted the GPM in 6M21 which was relatively stable at 31% (vs 30% in 6M20). In 2022, we estimate the usage of alternative fuel by INTP can increase to 18.4% from 11.7% in 6M21. In the future, other than to maintain margin, INTP also targets the usage of alternative fuels to increase up to 25% in 2025, to replace clinker to conserve energy. Meanwhile, every year INTP maximizes the usage of LCV coal and plans to increase the prices of some of their products.

Boost Sales of New Products

INTP lost almost 2% of its market share in Java in September 2021 due to significant penetration from its main competitor. Thus, for 2022, INTP needs to increase sales especially in the home market. INTP can maximize the sales of new products, Mortar TR-10, TR-15, and TR-20 which were released in October 2022. On the financial performance side, we project FY22 sales and profit to grow 5% YoY, and 16% YoY respectively.

ENERGY



Energy – Technical View

The IDX Energy sector is currently in a Correction phase, where it is projected to continue declining to around 800-level.



Mining (Mineral): Coal (Neutral) & Crude Oil (Overweight)

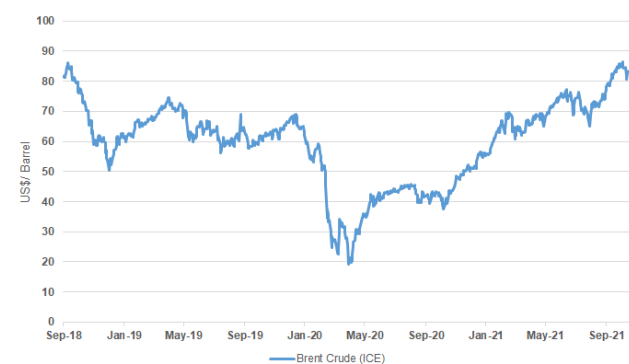
- Industrial and electrical consumption will push coal price in 2022. The uptrend in coal prices coincide with rigorous industrial activity in China and US. We believe that usage of coal for industry will continue to thrive in 2022. In line with increasing gasoline prices, demand for coal as substitute to power electricity plants in China and US will continue to increase.
- Supply shortages add fuel to coal uptrend. Top coal exporters, such as Australia and Russia are facing waning coal inventory due to Covid-19 while Indonesia's exports are suffering from heavy rainfall and government limitation throughout 2021. Meanwhile, China and India's surging demands for coal has overtook the supply needed. Thus, we believe that their dependence on coal imports serve as positive catalyst for coal prices in 2022 despite price cap and supply intervention by the Chinese government.
- We place Neutral rating on the Coal sector and we forecast its price to be in the range of USD145-165/Mt in 2022.
- Crude oil remain persistent. As OPEC+ group declined US pleas to increase higher output production, we estimate that this sentiment will maintain the growth trajectory for global oil prices in 2022.
- For Crude oil, we rate it Overweight and we estimate its price to be in the level USD82-86/barrel in 2022.

Coal Price (USD/Mt)



Source: Bloomberg, NHKSI Research

Brent Crude Oil USD/ Barrel



Source: Bloomberg, NHKSI Research

Adaro Energy Tbk (ADRO)

Target Price (IDR)	1,840
Consensus Price	2,115
TP to Consensus Price	-13.5%
Potential Upside	+8.9%
Last Price (IDR)	1,690
Price date as of	Nov. 10, 2021
52wk range (Hi/Low)	1,980/1,145
Free Float (%)	43.7
Outstanding sh. (mn)	31,985
Market Cap (IDR bn)	53,576
Market Cap (USDmn)	3,750
Avg. Trd Vol – 3M (mn)	116.2
Avg. Trd Val – 3M (bn)	224.3
Foreign Ownership	31.3%
Revenue Contributions:	
Coal Mining & Trading	93.3%
Mining Service	4.9%
Logistic	1.4%
Others	0.4%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	36,952	51,525	74,188	88,947
y-y	-53.7%	34.3%	41.1%	19.9%
EBITDA	12,635	12,960	17,460	20,666
Net Profit	2,363	2,850	5,376	6,651
EPS (IDR)	74.3	88.6	167.2	207.2
y-y	-63.5%	38.5%	92.1%	23.7%
ROE	3.7%	4.9%	9.6%	11.6%
ROA	2.2%	2.9%	5.4%	6.4%
EV/EBITDA	4.5x	5.2x	4.3x	3.7x
P/BV	0.9x	1.0x	1.2x	1.3x

Large-Scale Electric Plant at Finishing Stage

Adaro Power, a subsidiary of ADRO, is in the process of preparing a 2x 1000 Mega Watt Electric Plant (94% completion) in Batang, Central Java. Adaro will supply 5-7 million metric tonnes of coal to the plant annually. This will provide additional recurring income for Adaro in 2022.

Enters Green Fuel Segment

On April, ADRO signed an agreement with Fortescue Metal Group from Australia to develop hydrogen fueled electric plant. In October, it finalized a project tender hosted by Perusahaan Listrik Negara (PLN), a state owned electric supplier, in which ADRO will construct an upgraded Solar Panel in Kelanis Port, Central Kalimantan. The upgraded panel is estimated to supply another 130 Kilowatt (kWp), allowing a total of 597 kWp. It will supply electricity to Indonesia Bulk Terminal, the center hub that operates coal discharging and loading service in South Kalimantan.

Aftermath of Coal Price Hike

The supply crisis in China as the largest consumer of coal has propel ADRO's financial performance. 6M-2021 report shows ADRO's average selling price to increase by 11.2% YoY to USD57.4/Mt while export for thermal and metallurgical coal to Chinese market rose by 18.4% YoY, and to the Japanese market by 12.6%YoY. In 2022, we believe that the policy for coal price cap by the Chinese government could have larger effect towards the beginning of the second semester in 2022 than the first six months. We estimate that FY22 revenue will be IDR74.9 trillion and net earnings to be IDR 5.4 trillion. We also expect ADRO's annual production to increase by 6.2% YoY to 53 million MT.

Bukit Asam Tbk (PTBA)

Target Price (IDR)	3,420
Consensus Price	3,308
TP to Consensus Price	+3.4%
Potential Upside	+28.1%
Last Price (IDR)	2,670
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	3,180/1995
Free Float (%)	33.7
Outstanding sh. (mn)	11,520
Market Cap (IDR bn)	30,645
Market Cap (USDmn)	2,145
Avg. Trd Vol – 3M (mn)	36.8
Avg. Trd Val – 3M (bn)	115.3
Foreign Ownership	8.3%
Revenue By Geography	
Indonesia	36.3%
China	32.9%
Taiwan	5.4%
Philippines	4.4%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	17,325	25,126	30,603	32,492
y-y	-20.7%	49.3%	22.1%	6.9%
EBITDA	3,391	6,260	6,980	6,616
Net Profit	2,363	6,850	5,162	5,116
EPS (IDR)	208.4	527.3	472.6	467.2
y-y	-43.5%	334.8%	-9.7%	1.2%
ROE	13.9%	32.7%	25.9%	25.4%
ROA	9.4%	18.4%	16.4%	15.1%
EV/EBITDA	6.5x	5.9x	5.9x	5.1x
P/BV	3.2x	3.0x	3.0x	2.7x

Expansion to New Market

PTBA's management has planned to increase its clients base in 2022 by adding Bangladesh as export target. As of 9M-2021, PTBA's export segment has contributed to 46.1% of total sales volume. China is the largest consumer, followed by Taiwan and Philippine. Aside from Bangladesh, management has planned for expansions to Malaysia, Japan, South Korea, and Hong Kong as target market in 2022.

Solid Result from Coal Price Uptrend

9M-21 report stated that revenue rose by 51.4% YoY to IDR19.3 trillion while net earnings also increased by 176.5% YoY to IDR5.1 trillion. Average selling price also increased 32.3% YoY to IDR886,000/tonnes and volume production increased 18.2% YoY to 22,9Mt. The September data in which China increased its import to 3Mt of thermal coal from Indonesia might indicate continuous import in 3M-22 to meet industrial demand. We forecast FY-22 revenue to be IDR30.6 trillion and net earnings to be IDR5.2 trillion.

Dimethyl Ether (DME) Project with Pertamina

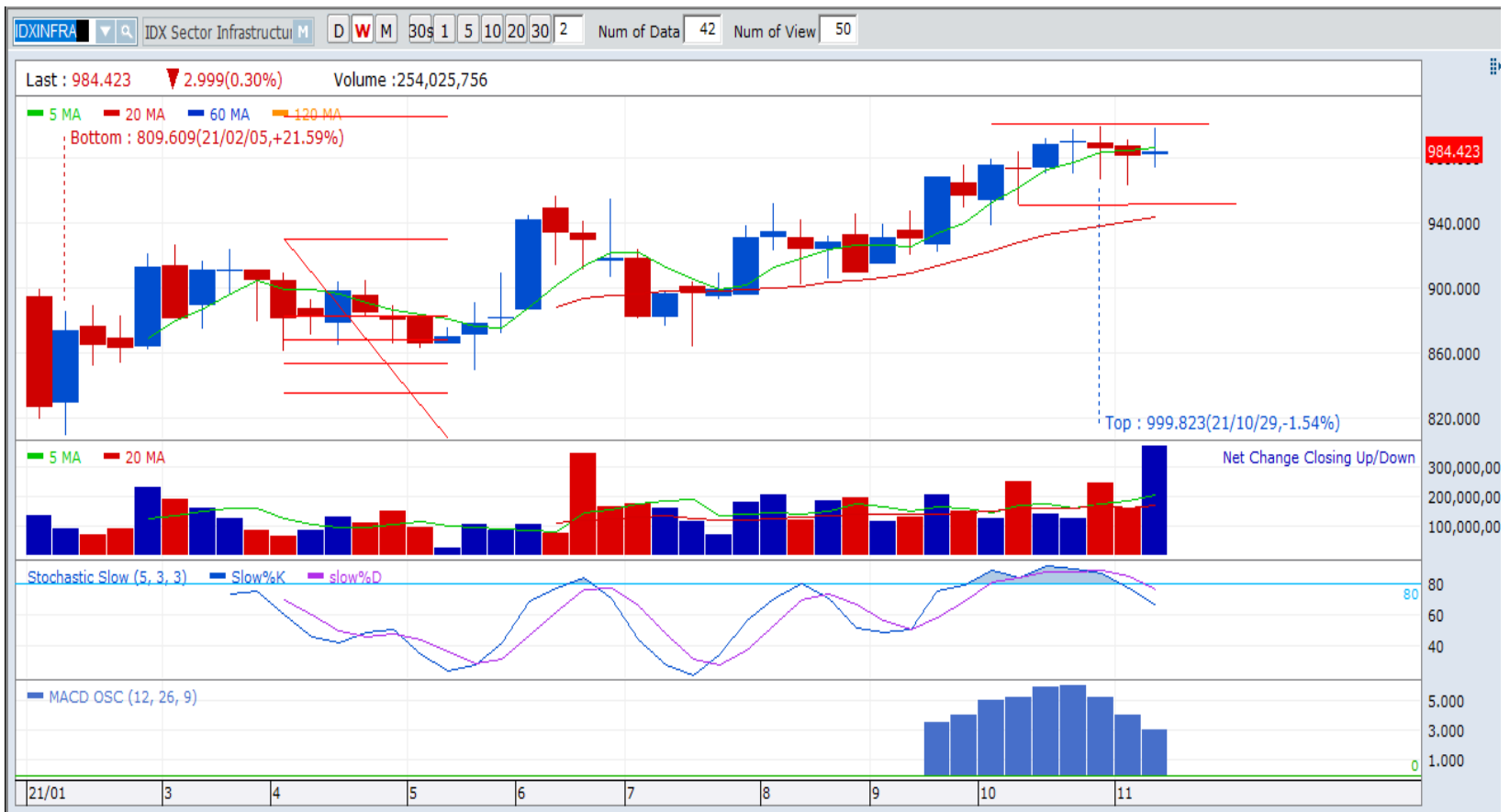
With the aim to find alternative and more durable energy, PTBA and Pertamina (state-owned gasoline supplier) constructed a USD2 billion plant that enables coal to be refined as DME, a more environmental friendly form of organic fuel. This is one of PTBA's long term cost reduction strategy since importing Liquefied Petroleum Gas for operation is becoming more costly. We believe PTBA will gain long term benefits from this project; resulting from raw material alternative as substitute to expensive materials and recurring income from Pertamina.

INFRASTRUCTURE



Infrastructure – Technical View

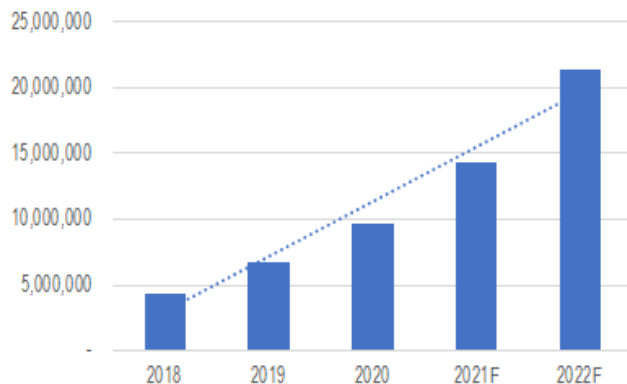
The IDX Infrastructure index is currently in a minor Consolidation phase with a range of movement at 951-997. However its long-term trend is still an uptrend, with potential to continue rising to 1240.



Telecommunication (Carriers and Tower): Overweight

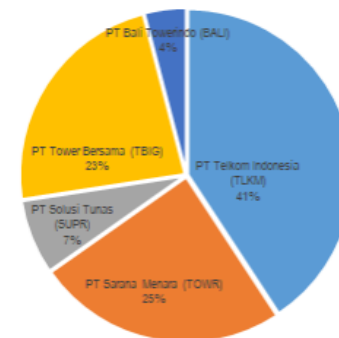
- Internet traffic has grown during PPKM. Data traffic is expected to grow from 2021 to the first semester of 2022 as super-apps that support work and lifestyle habits are still integral to all age segments. The number of internet users have increased by 4.9% YoY to 201.7 million users by the first semester of 2021 and is estimated to steadily grow in 2022.
- Government support on the current trend of consolidation amongst large Telecommunication companies. Recent merger between *Indosat* and *Hutchison 3* has been a catalyst for government's campaign to limit tariffs of telecommunications networks operations, improve struggling companies earnings & promote infrastructure cooperation scheme which will result in higher cost efficiency. The ongoing discussion for next merger would be for *XL* and *Smartfren*.
- 5G network was introduced in May 2021 by Telkomsel in the Greater Jakarta area. The company has planned an expansion to other major cities such as Batam, Medan, Solo, Bandung, Surabaya, Makassar, Denpasar and Balikpapan. In order to meet demand for data traffic with expanding population, Telkomsel has committed a budget for 5G infrastructure in its 2022 plan despite the massive capital expenditure to build the ecosystem.
- The recent acquisition of PT Solusi Tunas (SUPR) by PT Protelindo (TOWR's subsidiary) through the stock market has open the pathway to a more monopolistic tower industry. With less competition between the telecommunication operators, they could focus their capital expenditure on 4G network improvement or expansion. We give Overweight rating for the telecommunication sector, considering the potential benefits to be made in 2022 remain intact.

Indonesia Data Traffic (Terra Byte)



Source: Bloomberg, NHKSI Research

Market Share (9M-21)



Source: Bloomberg, NHKSI Research

Telekomunikasi Indonesia Tbk (TLKM)

Target Price (IDR)	4,190
Consensus Price	4,437
TP to Consensus Price	-5.5%
Potential Upside	+13.2%
Last Price (IDR)	3,700
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	3,880/2,844
Free Float (%)	47.9
Outstanding sh. (mn)	99,062
Market Cap (IDR bn)	364,549
Market Cap (USDmn)	25,521
Avg. Trd Vol – 3M (mn)	85.2
Avg. Trd Val – 3M (bn)	288.3
Foreign Ownership	27.3%
Revenue Contributions:	
Data, Internet & IT Services	52.3%
Telephone	17.9%
Indihome	17.4%
Others	12.4%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	136,642	138,685	148,592	154,335
y-y	-0.7%	8.3%	7.1%	3.9%
EBITDA	72,991	69,660	75,480	80,127
Net Profit	21,663	19,550	21,062	21,516
EPS (IDR)	218.4	197.3	212.6	217.2
y-y	14.5%	-9.8%	7.7%	2.2%
ROE	18.4%	16.7%	17.9%	15.4%
ROA	10.4%	8.8%	8.4%	8.6%
EV/EBITDA	5.2x	4.9x	5.2x	5.1x
P/BV	3.2x	3.0x	3.0x	2.7x

Data Center Consolidation

To improve data centralization process and reduce operational costs, TLKM is considering the merger of its three subsidiaries: PT Telekomunikasi Indonesia Internasional (Telin), PT Sigma Cipta Caraka (Telkomsigma), and Telkom. The management aims to reap benefits from data center consolidation, as Telin currently operates 19 data centers in Hong Kong, Singapore, and Timor Leste while Telkomsigma serves 238 companies, including the highly regulated banks and financial companies in Indonesia.

Establishing Mitratel's Dominance

Two of the biggest benefits of Mitratel's IPO are expanding TLKM's dominance in tower sector and reducing cost of fund for TLKM. Throughout the past 5 years, Telkom has been adding to Mitratel's ammunition by providing Mitratel with more than 28,000 unit of telecommunication towers. Mitratel has also attracted groups of foreign investors in this IPO such as the Abu Dhabi Investment Authority, GIC Singapore, and Indonesia Investment Authority (INA). The IPO's value will be around IDR 18.4 trillion, second to Bukalapak as the largest IPO. We believe the spin off of Mitratel from TLKM will provide long term benefits by allowing TLKM assets to be funded and utilized by foreign investors instead of from TLKM's capex.

Stable Performance During PPKM

Work-from-home policy as well as PPKM continued to increase data traffic. 6M-2021 data shows that data traffic from TLKM's mobile segment increased 54.2% YoY to 6 million terabyte. TLKM's revenue segment from the enterprise and wholesale & international business also grew 12.1% YoY to IDR8.4 trillion and 2.5% YoY to IDR7.6 trillion respectively. The management also commented on growing digital platforms in Indonesia which uses TLKM's data center. We believe that this will have long term benefits in future. We estimate FY-22 sales to reach IDR148.5 trillion and net earnings to reach IDR21.1 trillion with PE implied at 18.6x (currently 17.2x).

Indosat Ooredoo Tbk (ISAT)

Target Price (IDR)	7,470
Consensus Price	7,567
TP to Consensus Price	-1.3%
Potential Upside	+6.3%
Last Price (IDR)	7,025
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	7,675/2,090
Free Float (%)	20.7
Outstanding sh. (mn)	5,433
Market Cap (IDR bn)	38,306
Market Cap (USDmn)	2,681
Avg. Trd Vol – 3M (mn)	3.2
Avg. Trd Val – 3M (bn)	24.1
Foreign Ownership	82.3%
Revenue Contributions:	
Data, Internet & IT Services	52.3%
Telephone	17.9%
Indihome	17.4%
Others	12.4%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	27,925	29,897	32,002	33,958
y-y	5.7%	9.3%	10.1%	3.2%
EBITDA	11,991	12,660	15,480	16,127
Net Profit	-716	3,460	1,162	556
EPS (IDR)	-138.4	637.3	202.6	101.2
y-y	-115.9%	415.7%	-255.9%	-105.4%
ROE	-5.9%	15.7%	10.9%	5.4%
ROA	-1.4%	6.4%	2.4%	1.1%
EV/EBITDA	6.5x	5.9x	5.9x	5.1x
P/BV	3.2x	3.0x	3.0x	2.7x

Post-Merger Direction

The successful merger of ISAT and Tri has been noted as a pact to strengthen their operational efficiency and lower their cost of funding. We estimate that the combined revenue would be around USD3.2 billion. Based on the management's estimates, rental cost and employee expense for ISAT have lowered. Furthermore, synergy of the two providers' spectrum is estimated to reduce operational cost by as much as USD300 million for towers rented by ISAT in the future. This is important as ISAT's operational expenses had accounted to more than 44.2% of total revenue.

Net Earnings Rebounded

ISAT's net earnings rebounded to IDR5.8 trillion in 9M-2021, from loss of IDR 300 billion in the same period last year. Revenue also grew 11.3 % YoY to IDR23.2 trillion, 76.2% of our sales estimation. The biggest contributors are the cellular segment which grew by 11.2% YoY, and the B2B Enterprise Service, Cloud and Security by 16.3%YoY. Meanwhile, subscribers increased by 3.1% YoY to 62.3 million customers, with average revenue per user rising 8.1% YoY to IDR 34,200. We expect FY-2022 sales to reach IDR32.0 trillion and net earnings to reach IDR1.2 trillion.

Capex Utilization only 32.4%

ISAT has prepared IDR9.2 trillion capex in the beginning of 2021, and the management has used IDR2.9 trillion. ISAT focused 89.3% of the capex to the cellular and data service centre segments which contribute to more than 77% of the total annual revenue. We believe that ISAT's signal to focus on strengthening 4G Infrastructure will benefit it in expanding their market share to rural areas since the urban areas are getting more saturated.

Sarana Menara Nusantara Tbk (TOWR)

Target Price (IDR)	1,288
Consensus Price	1,655
TP to Consensus Price	-28.4%
Potential Upside	+9.1%
Last Price (IDR)	1,180
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	1625 / 920
Free Float (%)	45.2%
Outstanding sh. (mn)	51,015
Market Cap (IDR bn)	59,942
Market Cap (USDmn)	4,195
Avg. Trd Vol – 3M (mn)	83.4
Avg. Trd Val – 3M (bn)	101.6
Foreign Ownership	21.6%
Revenue Contributions:	
Tower Rental	81.3%
Internet & VSAT Service	18.6%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	7,445	8,747	10,202	11,087
y-y	15.4%	17.5%	16.6%	8.7%
EBITDA	6,405	7,092	7,083	7,550
Net Profit	2,836	3,126	3,391	3,242
EPS (IDR)	56	61	66	64
y-y	21.1%	10.2%	8.5%	-4.4%
ROE	27.8%	26.0%	24.5%	21.1%
ROA	8.3%	7.6%	6.9%	5.8%
EV/EBITDA	10.6x	13.9x	14.7x	14.4x
P/BV	4.8x	5.5x	5.3x	5.3x

Acquisition Improves Operation and Valuation

TOWR's recent acquisition of PT Solusi Tunas Pratama allows their total number of tenant to reach 51,100 and total towers to reach 27,700 unit. This improves their tenancy ratio to 1.9x from 1.8x in the same period last year. With the acquisition, the revenue will increase 21.2%, and their EV/EBITDA will be 10.5x which is still attractive as the peer industry is at 21.1x.

Increasing Demand for Fiber Optic Infrastructure

As of September, TOWR owns more than 51,000 km of fiber optic cable which allows larger and faster data transfer. TOWR stated that with anticipation for 5G network expansion in 2022, its fiber optic infrastructure grew 55.3% from 2018. On June 2021, lforte, TOWR's subsidiary which handles fiber optic rental service, planned to add another 12,600 km of fiber optic cables, amounting to a total of 47,000 km. TOWR's management has estimated that fiber optic network will allow TOWR to reach target revenue growth by 8% in FY 2021. Furthermore, TOWR has allocated 40% of total capex (IDR3.2 trillion) to expand its 5G infrastructure. This is to accommodate the demand from its consumer such as XL, Indosat, Hutchison 3, and Smartfren in 2022.

Solid Growth in 4G and Fiber Optic Segments

6M-21 report states TOWR's utilisation ratio for Fibre Optic (FO) reached 150.1% from its 51,600 km cable. It also states that 48.5 % of its 40,158 tenants had used TOWR's existing cables. On earnings side, TOWR's 6M-21 revenue increased 7.8% YoY To IDR3.97 trillion with rental revenue accounting for 91.4% of total revenue. TOWR's net earnings also increased to IDR1.7 trillion or 9.5% YoY growth. Our FY22 estimates for sales is IDR10.2 trillion and IDR 3.3 trillion for net income. We implied PE of 21.1x (currently 18.9x).

Tower Bersama Infrastructure Tbk (TBIG)

Target Price (IDR)	3,195
Consensus Price	3,189
TP to Consensus Price	+0.2%
Potential Upside	+10.9%
Last Price (IDR)	2,880
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	3,440/1,330
Free Float (%)	39.7
Outstanding sh. (mn)	22,657
Market Cap (IDR bn)	64,345
Market Cap (USDmn)	4,504
Avg. Trd Vol – 3M (mn)	46.1
Avg. Trd Val – 3M (bn)	137.1
Foreign Ownership	13.3%
Ownership Summary:	
Indonesia	86.3%
United States	4.9%
Norway	1.4%
Others	8.4%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	5,327	5,797	5,833	6,367
y-y	13.4%	8.8%	0.6%	9.2%
EBITDA	4,573	5,127	5,134	5,631
Net Profit	1,010	1,147	1,048	1,310
EPS (IDR)	45	55	50	62
y-y	23.5%	24.8%	-7.7%	22.2%
ROE	10.9%	12.5%	10.9%	13.4%
ROA	2.8%	3.4%	2.8%	3.1%
EV/EBITDA	13.1x	19.3x	19.4x	17.7x
P/BV	4.0x	7.4x	7.0x	6.5x

Inorganic Growth as Additional Income Driver

TBIG has performed strategic transaction with PT Smartfren Telecom (FREN) in which FREN's towers were purchased by TBIG. From this, TBIG received IDR363 billion in 6M-2021, growing 35.4% YoY. This strategic form of revenue contributed 11.8% to the total revenue. Furthermore, TBIG could potentially rent these towers to other operators in the Sinarmas Group.

Strengthening Tower Ownership to Meet Demand

On April, TBIG purchased 3,000 units (valued at IDR3.9 trillion) towers from PT Inti Bangun Sejahtera. Thus, as of June 2021, TBIG has owned 37,232 tenants. TBIG refinanced its debts to secure the fundings used to purchase additional towers. TBIG has also extended the length of debt covenant with creditors and perform exchange rate hedging to limit credit risk.

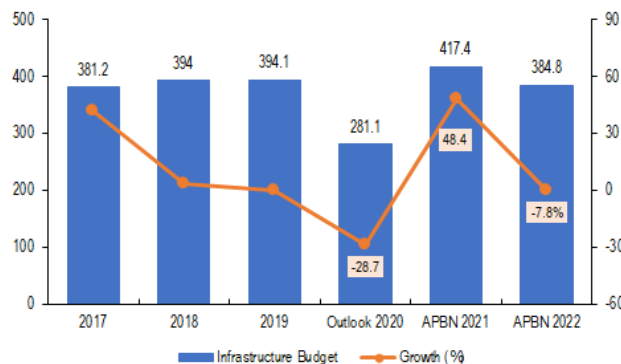
Long-term Contracts Support 6M-21 Results

TBIG's revenue has increased by 11.2% YoY to reach IDR 2.97 trillion. Net income from TBIG also rose 28.2% YoY, reaching IDR689.3 billion. In terms of operation, TBIG's rental figures on telecommunication tower is 37,121 units, up 12.5% YoY. Thus, tenancy ratio was at 1.89x, an improvement from 1.81x in the same period last year. Despite pressure from the government for the number of telecommunication carrier to be reduced, TBIG has focused on securing long term contract with telecommunication carriers, with XL and Hutchison 3 as the two largest consumer. Furthermore, stable growth in revenue was also derived from TBIG's ability to secure 88.4% of total revenue by entering long term contract.

Construction: Overweight

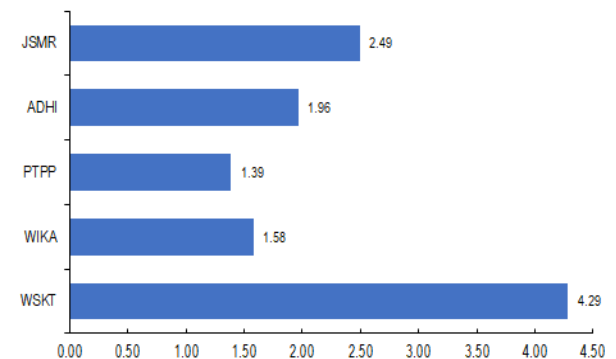
- Infrastructure budget in 2022 was booked at IDR384.77 trillion or lower than in 2021 which was IDR417.4 trillion. Based on Presidential Regulation Number 85 of 2021, the government allocates IDR510.79 billion in the 2022 state budget for the development of the New Capital City in East Kalimantan.
- In 2021, we predicted the contribution of private sector in new projects to fall 15-20% YoY as the pandemic caused private companies to hold back their cash flow and tend to hold project developments. We estimate projects from the private sector to bounce back in 2022.
- In 2021, Indonesia Investment Authority (INA) has established a consortium with 3 international agencies with a potential managed funds of IDR54 trillion. The funds will specifically be used for the capital of infrastructure in Indonesia, which we expect to start in 2022.
- Throughout 2022, construction companies must be able to set the fundings for projects that will begin. Until 1H21, the gross gearing ratio of WIKA and PTPP are recorded lower than other state owned construction enterprises (WIKA 1.58x; PTPP 1.39x). Meanwhile, WSKT and JSMR booked 4.29x and 2.49x.
- In 2022, state-owned construction enterprises will still execute corporate actions such as restructuring and asset recycling to restore cash flow. Next year, WSKT plans to divest 4 toll roads, while WIKA and JSMR also plan to divest their assets.

Infrastructure Budget on APBN (in Tn)



Source: APBN, NHKSI Research

Gross Gearing Ratio (x)



Source: Bloomberg, NHKSI Research

Jasa Marga Tbk (JSMR)

Target Price (IDR)	5,130
Consensus Price	5,031
TP to Consensus Price	+2.0%
Potential Upside	+23.3%
Last Price (IDR)	4,160
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	4,990/3,250
Free Float (%)	30.0
Outstanding sh. (mn)	7,258
Market Cap (IDR bn)	29,975
Market Cap (USDmn)	2,096
Avg. Trd Vol – 3M (mn)	5.1
Avg. Trd Val – 3M (bn)	20.8
Foreign Ownership	8.7%
Revenue Contributions:	
Toll Operator	71.5%
Construction Revenue	22.3%
Toll Road Operating Service	2.8%
Others	3.4%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	13,704	15,074	16,582	19,898
y-y	-48.0%	10.0%	20.0%	15.0%
EBITDA	6,155	7,313	8,603	9,990
Net Profit	501	1,116	1,610	2,153
y-y	-77.3%	122.8%	44.3%	33.7%
EPS (IDR)	66	147	212	284
ROE	2.1%	4.4%	5.9%	7.3%
ROA	0.5%	1.0%	1.3%	1.6%
P/E	68.8x	34.8x	24.1x	18.1x
P/BV	1.3x	1.5x	1.4x	1.3x

Toll Road Revenue Recovery

JSMR increased the toll road operation in 2021 to 55.94km. The government has also inaugurated some toll road sections such as the Section 3A Bogor Ring Road (2.85km); Cengkareng-Batucapeper-Kunciran (14.19km); Serpong-Pamulang section of Serpong-Cinere (6.50km). Thus, JSMR's market share is at 51%. The operation of the new toll roads boosted 9M21 revenue up 20.75% YoY. Until the end of the year, we see that revenue from toll roads has not fully recovered, since the government nullified yearly leave, withholding traffic in the toll roads.

Assets Divestment Potential in 2022

In 2021, JSMR successfully divested its share ownership in PT Marga Lingkar Jakarta (MLJ), and gained a profit of IDR788.74 billion. This boosted the profit margin in 1H21 to 15.2% (vs 2.4% di 1H20). We see that JSMR still has the potentials to divest its assets to the Indonesia Investment Authority (INA) in 2022. Currently, INA is still in the valuation stages of potential asset divestments. We estimate INA's funds for the infrastructure and construction project will proceed in 1H22, which will be a positive catalyst for JSMR.

Plans to Operate New Toll Roads in 2022

In 2022, JSMR plans to operate the Jakarta-Cikampek II South (Section III) of 27.9km, and Cinere-Serpong Section II of 3.64km. The 55.94km increase in toll road operation will add to the company's future toll road revenue value. Meanwhile, JSMR still has 2 other projects that are still under construction, which are the Yogya-Bawen Toll Road (75.82 km), and Probolinggo-Banyuwangi Toll Road (172.9 km).

Wijaya Karya Tbk (WIKA)

Target Price (IDR)	1,750
Consensus Price	1,296
TP to Consensus Price	+35.0%
Potential Upside	+31.6%
Last Price (IDR)	1,330
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	2,450/850
Free Float (%)	34.9
Outstanding sh. (mn)	8,970
Market Cap (IDR bn)	12,065
Market Cap (USDmn)	844
Avg. Trd Vol – 3M (mn)	55.3
Avg. Trd Val – 3M (bn)	63.7
Foreign Ownership	6.1%
Revenue Contributions:	
Infrastructure and Building	65.0%
Industrial	17.7%
Energy and Industrial Plant	15.4%
Others	1.9%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	16,536	18,960	23,561	26,834
y-y	-39.2%	14.7%	24.3%	13.9%
EBITDA	1,099	1,920	2,832	3,788
Net Profit	186	327	1,111	1,071
y-y	-91.9%	75.9%	240.2%	-3.6%
EPS (IDR)	21	36	124	119
ROE	1.0%	1.9%	6.3%	5.8%
ROA	0.3%	0.5%	1.6%	1.4%
P/E	95.8x	38.7x	11.4x	11.8x
P/BV	1.1x	0.7x	0.7x	0.7x

New Project Acquisition

Until September 2021, WIKA successfully secured new contracts worth IDR13.16 trillion (+92.4% YoY) or 38% of the 2021 target. This figure is 74% lower than our estimates, as new contracts from the infrastructure and building segments in 3Q21 declined, due to PPKM tightening that hindered tender process realisations. For FY21, we expect WIKA's new contracts will grow around 19% YoY, with the recovery of contracts from the infrastructure and building segments.

Government Contribution in the Jakarta-Bandung High Speed Railway

The government appointed PT KAI as the leader of the Jakarta-Bandung project consortium, replacing WIKA. The cost overrun in the project resulted in the government's intervention. The government plans to include state capital to fund the project, making it possible for the project to wrap up sooner. The project is expected to complete in mid-2022, and operate at the end of 2022. In the future, WIKA has a chance to divest its ownership of the high speed railway project, and gain fresh fund to finance its other carryover projects.

Continue the IPO Plan of Subsidiaries

In 2022, WIKA will continue to divest to strategic investors. However, the assets offered are still being discussed. For 2022, we estimate WIKA's income to grow 24.3% YoY. Meanwhile, WIKA plans to execute IPO for its subsidiary, Wijaya Karya Industri & Konstruksi (Wikon). In addition, Wikon is currently working with Garansindo Technologies Indo (GTI) to form a consortium, Wika Industri Manufaktur (Wima), which produces electric bikes under the brand "Gesits". Wima aims for sales of 5,000-7,000 units of electric bikes until the end of 2021.

Pembangunan Perumahan Tbk (PTPP)

Target Price (IDR)	1,700
Consensus Price	1,220
TP to Consensus Price	+39.3%
Potential Upside	+33.9%
Last Price (IDR)	1,270
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	2,360/800
Free Float (%)	48.9
Outstanding sh. (mn)	6,200
Market Cap (IDR bn)	7,843
Market Cap (USDmn)	549
Avg. Trd Vol – 3M (mn)	39.4
Avg. Trd Val – 3M (bn)	43.5
Foreign Ownership	13.7%
Revenue Contributions:	
Construction	78.9%
EPC	9.1%
Property & Real Estate	8.9%
Others	3.1%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	15,831	18,484	22,426	27,431
y-y	-35.8%	16.8%	21.3%	22.3%
EBITDA	1,496	1,782	2,279	2,817
Net Profit	129	415	826	774
y-y	-86.2%	222.4%	99.0%	-6.3%
EPS (IDR)	21	67	133	125
ROE	0.9%	2.9%	5.5%	4.9%
ROA	0.2%	0.7%	1.4%	1.2%
P/E	89.8x	20.6x	10.4x	11.1x
P/BV	0.8x	0.6x	0.6x	0.5x

Divestment Boosts Bottom Line

Throughout 9M21, PTPP booked a revenue increase of 12% YoY, boosted by the construction segment that rose 12%. Construction itself contributes 78% to the total revenue. PTPP sold 15% of ownership in PT Jasamarga Kualanamu Tol, and 14% of ownership in PT Citra Karya Jabar Tol. Both divestments provided PTPP with IDR199 billion of fresh funds, boosting profit significantly by 391% YoY to IDR129 billion in 9M21.

PPRE Provides 30% of New Contracts

PTPP booked new contracts of IDR13.48 trillion in 9M21 or up 15% YoY. PT PP Presisi Tbk (PPRE) as a subsidiary contributed 30% of new contracts, second after the construction segment that contributed 58%. In 2022, we estimate new contract growth to reach 21% YoY, dominated by contracts from the construction segment and EPC.

Aims for PSN in Infrastructure and EPC

For next year, PTPP will continue the existing projects in the National Strategic Projects (PSN), such as: Kisaran-Tebing Tinggi Toll Road (to be completed in QII-2022, Berlian Port Terminal in Tanjung Perak, Surabaya (to be completed in QIII-2022), and Semarang-Demak Toll Road (to be completed in QI-2022).

In the future, PTPP will also aim for PSN projects in the infrastructure and EPC segments with a contract target of IDR5.9 trillion. The relocation to the new capital city will be a positive sentiment for PTPP, especially its subsidiary PT PP Properti Tbk (PPRO). PPRO has owned some businesses in Kalimantan, such as Ocean Square and Swiss-Bel in Balikpapan.

TECHNOLOGY



Technology – Technical View

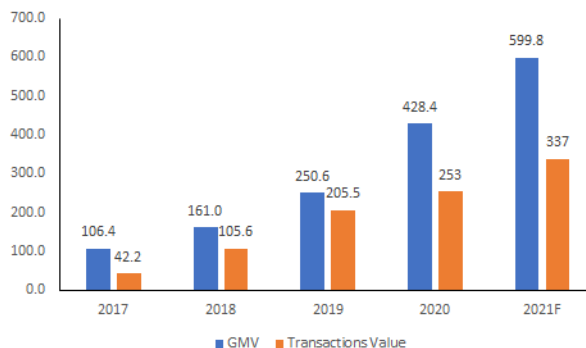
The IDX Technology sector is in the Accumulation phase of around 8,590-10,200. It may potentially continue to strengthen (Bull Flag) towards 12,700.



Technology: Overweight

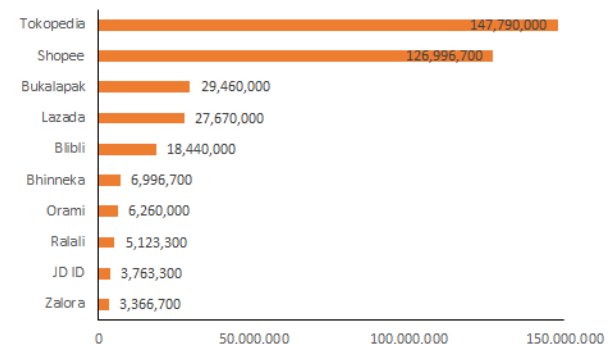
- The acceleration of digital transformation will continue to play a crucial role in Indonesia Economy. The adoption of Big Data, Internet of Things (IoT), and the ever growing presence of e-commerce are some of the key trends in the Industry 4.0 era. The Fiscal Policy Agency (Badan Kebijakan Fiskal) expects the IT and communication sector to grow around 9.8%-10.3% in 2022.
- The Covid-19 pandemic has sped up the shift of consumers into online shopping which currently makes up for 21.7% of total retail market in Indonesia. Moreover, Gross Market Value (GMV) from e-commerce transactions is projected to grow at a CAGR of 20% until 2025.
- Tokopedia and Shopee remain the two most popular e-commerce sites, with 147 & 126 mn monthly traffics; while the recently listed Bukalapak (BUKA) stood at a distant third place in terms of web traffics (as of 2Q21). The rise of e-commerce has also positively impacted the growing digitalization of MSMEs. In 2021, over 12 millions MSMEs are estimated to be accessible via online platforms; which targeted to rise to 20 millions in 2022.
- The IDX has taken some breakthrough steps in facilitating start-ups and tech-related businesses to have wide access to the capital market, starting with the launch of a stand-alone Technology sectoral index in early 2021. The inclusion of BUKA to several benchmark indexes via fast-track was also seen as an effort to adapt into a more tech-friendly market. Moreover, the authority is also set to pass the multiple voting share (MVS) regulations in order to pave ways for more big tech companies to be listed in IDX. Several tech start-ups such as GoTo, Traveloka, and SiCepat are planning to go public in the first half of 2022.

E-Commerce GMV and Transactions (in IDR Tn)



Source: Frost & Sullivan, Bukalapak filings, Bank Indonesia, NHKSI Research

Top E-commerce Sites in Indonesia (Monthly User Traffics)



Source: iPrice, NHKSI Research

Bukalapak.com Tbk (BUKA)

Target Price (IDR)	Not Rated
Consensus Price	1,278
TP to Consensus Price	n/a
Potential Upside	n/a
Last Price (IDR)	750
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	1,325 / 655
Free Float (%)	23.4
Outstanding sh. (mn)	103,062
Market Cap (IDR bn)	76,266
Market Cap (USDmn)	5,331
Avg. Trd Vol – 3M (mn)	428.1
Avg. Trd Val – 3M (bn)	366.7
Foreign Ownership	20.9%
Revenue Contributions:	
Marketplace	62.5%
Online to Offline	33.0%
Open Procurement	4.5%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	1,352	2,029	3,565	5,764
y-y	25.5%	50.1%	75.7%	61.7%
EBITDA	(1,651)	(-1,787)	(1,510)	(532)
Net Profit	(2,795)	(1,427)	(1,134)	(430)
EPS (IDR)	(13)	(14)	(11)	(4)
y-y	-50.9	7.7%	-21.4%	-67.0%
ROE	-95.6%	-10.6%	-5.4%	-2.2%
ROA	-52.0%	-5.4%	-4.1%	-0.2%
P/E	n/a	n/a	n/a	n/a
P/BV	62.5x	4.3x	4.6x	4.9x

Robust TPV Growth, Net Loss Declines

BUKA managed to book significant growth in terms of TPV (the company's preferred metric); with 2Q21 and 1H21 TPV up by 56% and 54% yoy respectively. This results in total 1H21 revenue of IDR 864 Bn (+34.7%). From profitability perspective, contribution margin (revenue minus cost of sales) recorded at IDR 746 Bn; a 30.4% growth from IDR 572 Bn in 1H20. Bottom line also improved, albeit still at a net loss, by 25.7% with 1H21 net income at (IDR 763 Bn). We see that while BUKA is trending in the right direction towards profitability, it must improve its take rate which is currently considerably lower than industry.

Mitra Business as Key Growth Driver

The biggest catalyst for BUKA's growth came from its Mitra Bukalapak segment, which had an outstanding revenue growth of 350% yoy to IDR 290 bn in 1H21. Mitra business now contributes 34% to total revenue (compared to only 10% in 1H20). The company's online to offline (O2O) business model will play a key role in expanding BUKA's ecosystem which currently consists of Emtek group, Salim group, and Grab. We see BUKA's focus on outside tier-1 cities as its biggest strength; setting it apart from competitors.

Making the Most out of Ample Cash Position

Following the IPO in August 2021, focus now shifts on how effective the company will use the >IDR 20 bn funds raised. As stated in the company's prospectus, the proceeds will be used as working capital for BUKA and its subsidiaries. NHKSI Research views that it is imperative for the company to make the most out of this massive funds with the increasing competition in the e-commerce landscape. Other factors that will contribute to BUKA's post IPO success are: ability to increase margin and take rate; ecosystem expansion outside tier-1 cities; and progress in achieving profitability.

CONSUMER NON-CYCLICAL



Consumer Non-Cyclical – Technical View

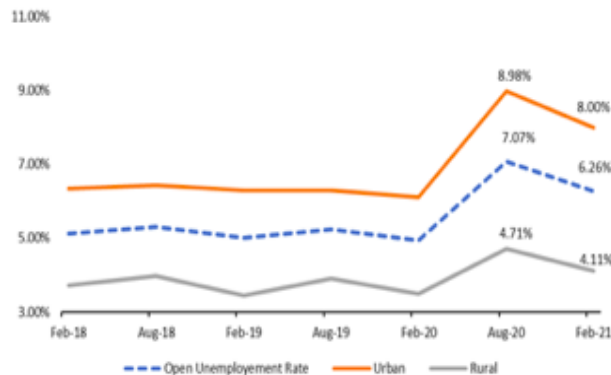
The IDX Consumer Non-Cyclical sector is currently in the Bottom Fishing area, and has potential for Technical Rebound heading towards 780.



Consumer Goods: Neutral

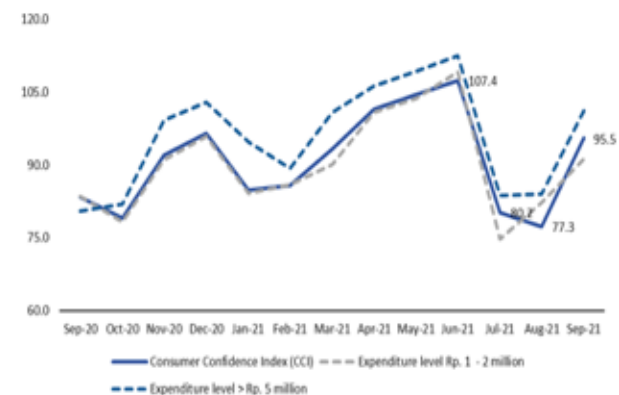
- To mitigate the possibility of the worst outcome of Covid-19, the government has allocated a social protection budget of IDR427.5 trillion in the 2022 draft state budget (APBN). This is 12.4% lower than IDR487.9 trillion in the 2021 outlook, considering the decline in Covid-19 cases.
- The pandemic has also prompted many companies to lay off employees, resulting in open unemployment rate to record its highest level at ~7% in August 20. However, the data have shown some improvement in 2021, attributed to the gradual reopening of the economy.
- As such, we expect the open unemployment rate to be lower in 2022, leading to higher purchasing power. This is in line with the government's unemployment target of 5.5%-6.3%.
- CCI has significantly dropped to its lowest level of 77.3 in August 2021 as the government implemented stricter PPKM due to the surge in Covid-19 cases. Although CCI has recovered since September due to lower PPKM level at 2 or 1 in several regions and higher vaccination rates, it was still below the 100 level (pessimistic area).
- Concerning the ongoing global supply crisis, we believe commodity prices are unlikely to soften soon. This put the gross margin of FMCG companies at risk of erosion, considering the limited room to increase its ASP due to soft purchasing power.

Open Unemployment Rate Feb 2021



Source: Statistics Bureau, NHKSI Research

Consumer Confidence Index (CCI)



Source: Bank Indonesia, NHKSI Research

Indofood CBP Sukses Makmur Tbk (ICBP)

Target Price (IDR)	11,300
Consensus Price	11,221
TP to Consensus Price	+0.7%
vs. Last Price	+17.6%
Last Price (IDR)	8,900
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	10,600/7,750
Free Float (%)	19.4
Outstanding sh. (mn)	11,662
Market Cap (IDR bn)	103,790
Market Cap (USDmn)	7,289
Avg. Trd Vol – 3M (mn)	5.49
Avg. Trd Val – 3M (bn)	47.57
Foreign Ownership	4.1%
Revenue Contributions:	
Noodles	69.9%
Dairy	15.8%
Snack Foods	5.7%
Others	8.6%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	46,641	56,697	61,037	65,796
y-y	10.3%	21.6%	7.7%	7.8%
EBITDA	10,273	13,713	14,811	16,135
Net Profit	6,586	7,170	7,711	8,373
EPS (IDR)	565	615	661	718
y-y	30.9%	8.8%	7.5%	8.6%
ROE	24.7%	14.2%	13.4%	13.6%
ROA	17.0%	6.9%	7.1%	7.6%
EV/EBITDA	15.2x	12.2x	11.2x	10.2x
P/BV	2.2x	2.5x	2.3x	2.2x

Top Line Growth Remains Positive

ICBP cheered a growth of 22.4% YoY in 1H21 sales. The acceleration in sales was backed by solid domestic consumption particularly in the noodle segment (c. 70% of total sales). We also note positive YoY sales growth from all ICBP divisions amid the economic recovery. Going forward, the margin outlook with the sharp uptick in soft commodity prices is concerning. However, we believe the company's strong market position should enable it to adjust its ASPs going forward. In our view, ICBP's strong brand portfolio and robust innovation will allow it to sustain its growth momentum as well as profitability.

Strong Product Innovation

Strong growth prospect was also supported by the company's robust expansion. This year, ICBP has introduced two new noodle flavours called *Hype Abis Mieghetti Bolognese* and *Sarimi Puas Fried Chicken*, while also launching "Supermi Nutrim" chicken steak flavour, in order to capture the demand of people who are more health conscious. Meanwhile, in the snack segments, the company has launched new products such as Chitato Lite and Maxicorn. Based on our ground checks in modern trade, these products are similar with the existing product in term of ASP and size. Thus, we believe this strategy will support the company to maintain its position as market leader in the snack food industry.

Higher Financing Cost Inevitable in Upcoming Year

Despite higher interest cost due to Pinehill acquisition, we believe ICBP's liquidity and solvency profile remained at good position. This was reflected on its strong cash generated from operation and company's ability to maintain its dividend payout ratio (DPR) around 50%. Meanwhile, the restructuring of syndicated loans shall improve cash flow in years ahead considering longer debt maturity.

Mayora Indah Tbk (MYOR)

Target Price (IDR)	2,700
Consensus Price	2,637
TP to Consensus Price	+2.3%
vs. Last Price	+12.9%
Last Price (IDR)	2,390
Price date as of	Nov. 10,2021
52wk range (Hi/Lo)	2,910/2,150
Free Float (%)	15.7
Outstanding sh. (mn)	22,359
Market Cap (IDR bn)	53,437
Market Cap (USDmn)	3,752
Avg. Trd Vol – 3M (mn)	3.06
Avg. Trd Val – 3M (bn)	7.29
Foreign Ownership	4.0%
Revenue Contributions:	
Packaged Food Processing	65.9%
Packaged Beverage Processing	34.1%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	24,477	27,459	28,645	30,364
y-y	-2.2%	12.2%	4.3%	6.0%
EBITDA	3,646	3,663	3,821	4,859
Net Profit	2,061	2,099	2,413	2,836
EPS (IDR)	92	94	108	127
y-y	3.1%	2.1%	14.8%	17.5%
ROE	18.3%	17.2%	17.9%	19.0%
ROA	10.4%	9.9%	10.7%	11.8%
EV/EBITDA	17.0x	16.8x	16.0x	12.5x
P/BV	5.4x	5.0x	4.5x	4.0x

Margin Remains a Major Concern

3Q21 margins have been negatively pressured by uptrend in commodity prices, resulting in MYOR registering lower profitability margins with GPM, OPM and NPM at 22.2%, 2.9% and, 0.7% (vs. 29.4%, 10.8%, 9.5%). Of note, MYOR's COGS contributed to >65% of total sales, causing significant fluctuations in margins compared to other consumer peers. Besides, the company has secured raw materials in the face of supply chain shortages. As recovery remains uneven and competition is tight in the FMCG industry, we think the company has a limited room to increase its ASP to pass on the cost hike to consumers. Fortunately, 4Q has always been the strongest quarter for MYOR. We expect the contribution earnings in 4Q to lift earnings in FY21, given the reopening of economic activities.

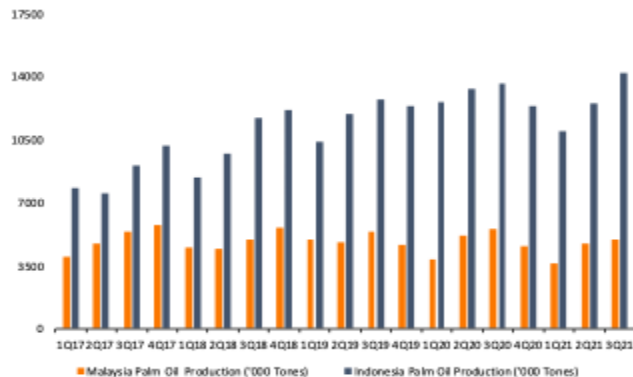
Export Sales Recovery Stalled

MYOR recorded domestic sales of IDR4.0 trillion (+12.2% YoY) in 3Q21, contributing 65.9% to total sales, while export sales remained sluggish by -6.1% YoY to IDR2.6tn. We suspect the deceleration of export sales was due to MYOR's export destination in Asia experiencing a slow pace of recovery in 3Q21, after suffering from surging covid-19 case. On the bright side, its export destinations (Malaysia and Vietnam) are set for further domestic reopening in 4Q. By category, food processing grew modestly by +15.3% YoY to IDR4.1 trillion in 3Q21, while beverage segment dropped by -40.1% YoY. We expect both segments to show notable improvement in line with the increase in out-of-home consumption. In the medium term, the company will continue its expansion strategy by looking for other export destinations. Recently, MYOR is building a new manufacturing facility to increase the capacity of biscuits and wafers production.

Plantation: Overweight

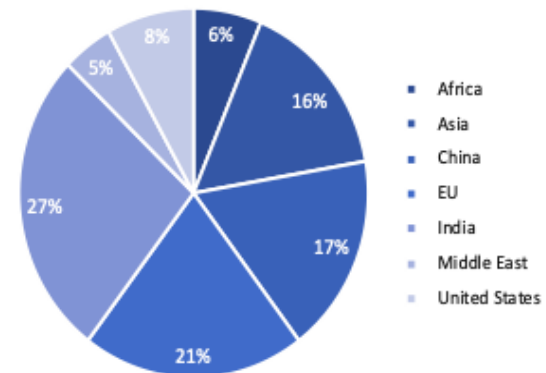
- Indonesia's palm oil production has improved throughout 2021, producing 33.5mn tonnes cumulatively in 9M21, a contrast to the Malaysian output with only 13.3mn tonnes due to labour shortage. Meanwhile, China and India are still Indonesia's main export destinations, contributing 31% and 15% to the total export.
- The Crude Palm Oil (CPO) prices experienced a rally and recently reached an all-time high, driven by tight supplies and strong demand from China as it is expected to increase its intake of palm oil for biofuel in light of its ongoing energy supply crisis. Besides, India has decided to remove the basic import duty with the upcoming festive season and to maintain food inflation in the country, which is a positive sign for CPO players in the near term.
- As we know, Indonesia has made multiple revisions to its levy structure in the last three years. The new progressive export levy structure became effective in 2H21 where the maximum export levy on CPO will be reduced to USD175/Mt when prices exceed USD1000/Mt. We believe the lower export levy is likely to encourage export from Indonesia, which resulted in higher domestic prices. This should translate into better financial performance for CPO producers.
- Going forward, we initiate with overweight on the sector considering tight supplies, lower levy tax, mandatory B30 programme, higher demand in food along with the reopening of the HORECA (Hotel, Restaurant, and Café). Key risks include: unfavourable weather conditions and sooner than expected recovery of Malaysia's labour shortage.

Palm Oil Production Trends ('000 Tonnes)



Source: Bloomberg, NHKSI Research

Indonesia CPO Export Destinations as of 9M21



Source: Bloomberg, NHKSI Research

PP London Sumatra Indonesia Tbk (LSIP)

Target Price (IDR)	1,600
Consensus Price	1,660
TP to Consensus Price	-3.6%
vs. Last Price	+14.2%
Last Price (IDR)	1,400
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	1,505/980
Free Float (%)	40.4
Outstanding sh. (mn)	6,823
Market Cap (IDR bn)	9,552
Market Cap (USDmn)	671
Avg. Trd Vol – 3M (mn)	31.16
Avg. Trd Val – 3M (bn)	40.95
Foreign Ownership	7.1%
Revenue Contributions:	
Oil Palm and Palm Kernel	95.3%
Rubber	3.9%
Seeds	0.8%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	3,537	4,521	4,507	4,349
y-y	-4.4%	27.8%	-0.3%	-3.5%
EBITDA	1,596	1,607	1,508	1,402
Net Profit	711	993	938	822
EPS (IDR)	104.3	142.1	136.9	122.5
y-y	180.6%	36.2%	-3.6%	-10.5%
ROE	7.8%	9.9%	9.4%	8.1%
ROA	6.5%	8.5%	7.6%	6.2%
EV/EBITDA	4.7x	4.2x	4.5x	4.8x
P/BV	1.0x	0.9x	0.9x	0.9x

Favourable Condition Lifts Earnings

LSIP posted 1H21 earnings of IDR491bn, mainly attributed to higher EBIT, partly offset by higher income tax expense. Cumulatively, the company reported strong revenues of IDR2.18 trillion in 1H21, driven by higher sales volume and ASP of palm products. As a note, CPO and Palm Kernel (PK) ASP have increased by 25% YoY and 56% YoY. The company managed its COGS level with a growth of only 10.3% YoY. As such, we witnessed higher profitability margins all across the board with GPM and NPM measured at 34.7% and 23.0%.

Potential for Picking Up Production

LSIP's total FFB nucleus stood at 616k tons (+7% YoY), relatively flat versus last year. Meanwhile, CPO and PK production volumes were 164k tons (+4% YoY) and 46 tons (+5% YoY). However, we expect LSIP to book higher CPO production in 2H21 on the back of seasonality factor considering productivity in the second half is usually higher than in the first half. This is also in line with management's production guidance of ~5% in FY21. Moreover, we notice the replanting program has been well-executed, where the total planted area reached 116,694 ha based on the latest operational data.

Long Term Outlook Remains Positive

As we know, positive CPO outlook will likely benefited CPO producers in the future. In our view, there are some catalyst to support CPO prices going forward, which included higher consumption of CPO in Indonesia on the back biodiesel program, the possibility of a slowdown in soybean oil production growth, and weak output from Malaysia.

PROPERTIES AND REAL ESTATE



Properties & Real Estate – Technical View

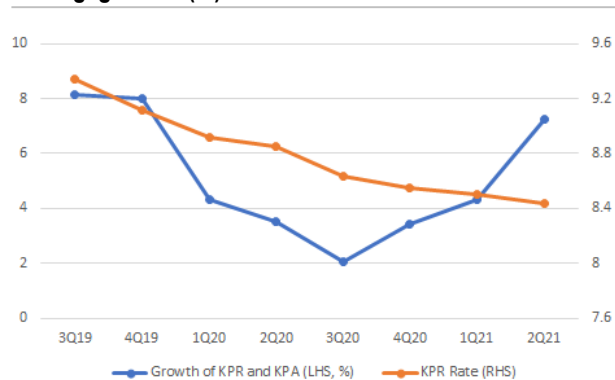
The IDX Property & Real Estate index is currently in Accumulation phase, and forming Cup & Handle pattern; with potential continuous uptrend to 1012.



Property: Overweight

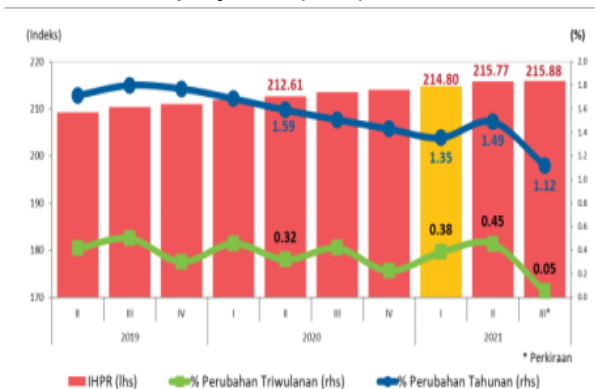
- The average mortgage interest rate was booked at 8.4%, while the benchmark interest rate was still maintained at 3.5%. Approaching 4Q21, mortgage demands grew 7.24% YoY in 2Q21 or closing in on the pre-pandemic level (7.99% YoY in 4Q19).
- The Residential Property Price Index (IHPR) in 2Q21 was up 1.49% YoY, supported by the small houses IHPR that increased 2.07% YoY. The government's policies such as PPN subsidy and Loan to Value (LTV) relaxation boosted the people's interest in landed houses, especially in the mid-to-low level.
- The government extends LTV relaxation policy until December 2022. This may be a positive sentiment in increasing purchasing interest in the property sector. However, it will be difficult for banks to give a 0% down payment or 100% LTV, as banks already have a debtor assessment system in accordance with their risk appetite.
- Demand for commercial properties in 2Q21 increased 0.06% YoY. Based on the segments, this increase can be seen in the rental category, especially hotel, rental apartment, and convention hall.
- With the decline of Covid-19 cases and vaccination rate that has reached 50% of the target, in 2022 mobility will jump significantly. This may boost the demand for commercial properties.
- Some easing such as reception and large-scale meetings being allowed, can uplift the hotel and convention hall rental segment. The return to work from office may also stimulate both sales and lease of office buildings.

Mortgage Rate (%)



Source: Bank Indonesia, NHKSI Research

Residential Property Index (IHPR)



Source: Bank Indonesia, NHKSI Research

Pakuwon Jati Tbk (PWON)

Target Price (IDR)	690
Consensus Price	612
TP to Consensus Price	+12.7%
Potential Upside	+32.7%
Last Price (IDR)	520
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	615/400
Free Float (%)	31.3
Outstanding sh. (mn)	48,160
Market Cap (IDR bn)	25,043
Market Cap (USDmn)	1,751
Avg. Trd Vol – 3M (mn)	53.3
Avg. Trd Val – 3M (bn)	25.9
Foreign Ownership	13.9%
Revenue Contributions:	
Office, Shopping Center	46.9%
Real Estate	46.0%
Hospitality	7.1%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	3,977	5,120	5,977	6,633
y-y	-44.8%	28.7%	16.7%	11.0%
EBITDA	1,810	2,392	2,936	3,339
Net Profit	930	1,200	1,619	1,839
y-y	-65.8%	29.0%	34.9%	13.6%
EPS (IDR)	19	25	34	38
ROE	5.2%	6.6%	8.3%	8.8%
ROA	3.5%	4.1%	4.9%	5.4%
P/E	26.4x	23.5x	17.4x	15.3x
P/BV	1.4x	1.5x	1.4x	1.3x

FY21 Performance Projection

Approaching 4Q21 in line with the easing of PPKM, we project FY21 revenue to grow by 28.7% YoY, supported by 2Q21 revenue which rose to 315.2% YoY due to the low-based effect in 2Q20. We also estimate the bottom line to increase by 29% YoY.

Larger Recurring Income Portion

The Commercial Property Price Index (CPI) for 1H21 recorded the deepest decline in apartment, hotel and convention hall demand. If the relaxation of PPKM continues well into 2022, PWON will benefit, since the company has a larger recurring income contribution than other property issuers.

PWON has eight hotels spread across Jakarta, Surabaya and Yogyakarta. During 1H21 RevPAR at hotels increased by 16% on average compared to FY20. Meanwhile, the implementation of Work from Home (WFH), caused PWON's office building occupancy to decrease by around 0.5%-17%. The occupancy rate of several malls had dropped to 3%. Meanwhile, the new assets are; Hartono Mall Yogyakarta, Marriot Hotel Yogyakarta, and Hartono Mall Solo. In FY22 we estimate they can contribute up to 5% of revenue.

Maintains Cash Flow and Occupancy Rate in 2022

In 2022, 27% of retail malls will enter the lease expiry profile. In this case, PWON must be able to maintain occupancy levels and return the rental payment scheme to normal so cash flow is not disrupted. Previously, PWON applied a rental discount and an extension of the lease payment term for tenants.

In terms of development revenue, condominium sales contributed 29.4% of the total development revenue in 1H21. In 2022, with increasing levels of mobilization, recovering purchasing power, and the support of the superblock concept built by PWON; we believe that condominium sales will start to increase. Meanwhile, the office sales segment will be faced with a possible increase in supply next year, which will weigh on the office building market.

Ciputra Development Tbk (CTRA)

Target Price (IDR)	1,400
Consensus Price	1,359
TP to Consensus Price	+3.0%
Potential Upside	+25.6%
Last Price (IDR)	1,115
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	1,350/815
Free Float (%)	46.7
Outstanding sh. (mn)	18,560
Market Cap (IDR bn)	20,880
Market Cap (USDmn)	1,461
Avg. Trd Vol – 3M (mn)	36.4
Avg. Trd Val – 3M (bn)	36.2
Foreign Ownership	18.1%
Revenue Contributions:	
Real Estate	79.4%
Rental	10.9%
Others	9.7%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	8,071	8,595	9,128	9,590
y-y	6.1%	6.5%	6.2%	5.1%
EBITDA	2,716	2,966	3,386	3,650
Net Profit	1,321	1,409	1,620	1,766
y-y	14.1%	6.7%	15.0%	9.0%
EPS (IDR)	71	76	87	95
ROE	7.5%	7.7%	8.3%	8.4%
ROA	3.5%	3.5%	3.8%	4.0%
P/E	13.8x	17.4x	15.1x	13.9x
P/BV	1.0x	1.3x	1.2x	1.1x

Confident Marketing Sales Will Reach Target

In 9M21, CTRA booked marketing sales of IDR5 billion (+33% YoY) or 85% of its IDR5.8 trillion target. The highest marketing sales increase was seen on the sales of landed house in Surabaya, Medan, and Tangerang. Sales of house worth around IDR1-2 billion jumped 60% YoY, a sign that purchasing power of the middle to low segment is still strong. Therefore, we are confident that marketing sales will reach the target, with a possibility of exceeding it by 16.5% YoY.

Positive Impact of Government Policy

We see that the VAT Borne by the Government policy has been well-utilized by the buyers. This is reflected in CTRA's sales, where payments using KPR and cash jumped by 45% YoY and 85% YoY respectively. Buyers tend to pursue the completion time for the transaction before the year ends, since the policy is scheduled to expire in December 2021. This will be a challenge for CTRA's sales next year.

Cooperates with PTPN II to Develop Lands in Medan

CTRA established a joint cooperation with PT Perkebunan Nusantara II (PTPN II) to develop landed house project in Medan. This project will be divided into several phases. The first phase is CitraLand KDM Helvetia, which is planned to launch in November 2021, followed by the next phase of development. In the future, CTRA will focus on constructing new clusters in the existing projects such as CitraRaya Tangerang, Citra Sentul Raya, Citra Maja Raya, and CitraLand Surabaya. Therefore, we estimate the marketing sales to grow 5%-8%, while FY22E revenue increase to 7.8% YoY.

INDUSTRIALS



Industrials – Technical View

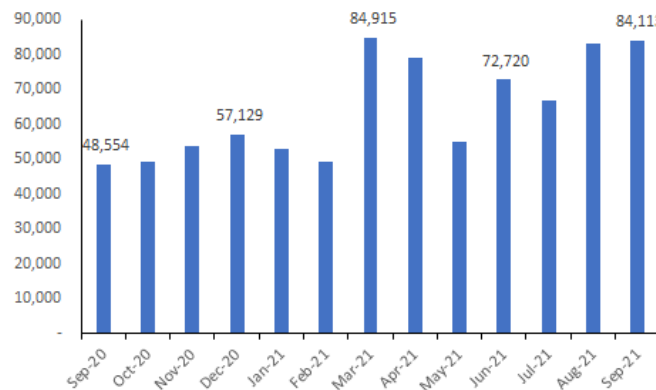
The IDX Industrial index is currently in the Bottom Fishing area, pulling back from the larger Strong Bullish trend; with its next target rally at 1380.



Automotive: Neutral

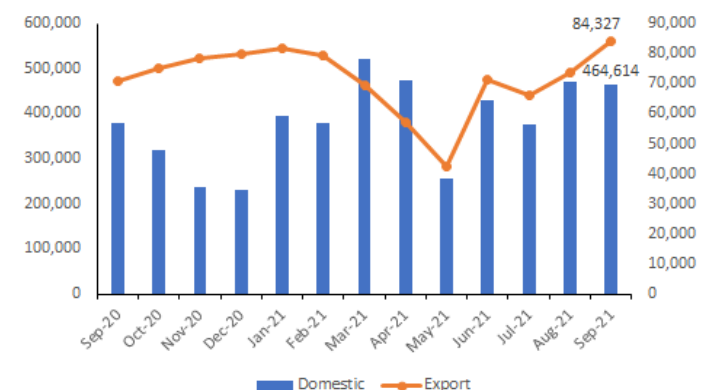
- Wholesales for 4-wheel vehicle were able to rebound significantly in 2021. For the period Jan-Sep 2021, sales from factories to dealerships recorded at 627,537 units; or a 68,7% increase from the same period last year. While *Gaikindo* remains optimistic that the figure can reach 750,000 for FY21; this would still be lower than pre-pandemic level which typically comes in at above one million units. For 2022, NHKSI Research estimates that car sales to reach 900,000 units..
- Toyota stands as the highest selling brand, increasing its 9M21 market share to 33.1% (from 29.8% last year). Daihatsu and Mitsubishi followed with 18,5% and 12,4% market share respectively.
- VAT discount for luxury goods which was imposed in March 2021 has proven to be an effective catalyst to drive up car sales. The incentive program, previously slated to end by Aug 2021; was extended through December 2021. The government plans to introduce a new tax scheme next year, which will be based on exhaust gas emissions.
- Several car producers have revealed plans to manufacture electric / hybrid vehicles in 2022. Hyundai has invested USD1.5 Bn to build a factory in Bekasi-West Java which has a planned capacity of 150-250 thousand units per year.
- Meanwhile, domestic motorcycle sales also able to increase by 31.9% yoy in 9M21 to 3.7 million units; with full year estimate at 4.3 million units. Recovery in motorcycle sales is expected to continue in 2022; as a result of stronger purchasing power and pent-up demand.

Monthly Car Sales (Units)



Source: Bloomberg, NHKSI Research

Monthly Motorcycle Sales (Units)



Source: Association of Indonesia Motorcycle Industry, NHKSI Research

Astra International Tbk (ASII)

Target Price (IDR)	6,650
Consensus Price	6,937
TP to Consensus Price	-4.1%
Potential Upside	+7.7%
Last Price (IDR)	6,175
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	6,925 / 4,640
Free Float (%)	45.1
Outstanding sh. (mn)	40,484
Market Cap (IDR bn)	250,998
Market Cap (USDmn)	17,560
Avg. Trd Vol – 3M (mn)	50.3
Avg. Trd Val – 3M (bn)	286.2
Foreign Ownership	99.1%
Revenue Contributions:	
Automotive	36.8%
Heavy Equipment & Mining	31.0%
Financial Services	22.6%
Others	9.6%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	175,046	219,627	247,947	259,061
y-y	-26.2%	25.5%	12.0%	5.3%
EBITDA	24,571	34,984	36,831	36,883
Net Profit	16,164	18,727	21,387	22,971
EPS (IDR)	399	448	514	562
y-y	3.5%	12.4%	14.6%	9.3%
ROE	10.7%	11.6%	12.1%	12.0%
ROA	4.7%	5.0%	5.9%	6.0%
P/E	15.7x	14.8x	12.9x	11.8x
P/BV	1.6x	1.5x	1.4x	1.3x

Automotive Leads Recovery

ASII's performance managed to recover, marked by an increase in Revenue and Net Profit by 28% & 6.7% yoy respectively in 9M21. The automotive segment posted the highest increase in net profit (+207% yoy), followed by the Agribusiness division (+152% yoy). Car sales jumped 79% yoy to 343,837 units in 9M21; with the market share increasing from 52% to 55%. PPnBM discount incentive is one of the main positive catalysts for four-wheel sales. Meanwhile, the two-wheel sales were also able to increase 26% to 2.9 million units compared to the same period the previous year.

Commodity Prices Support Performance

With automotive sales growth projected to normalize in 2022, commodity prices are expected to remain high as a key catalyst to maintain ASII's performance growth. The sharp increase in coal prices that occurred in 3Q21 had a positive impact on its subsidiaries, United Tractors Tbk (UNTR); especially heavy equipment sales which rose 84% yoy to 2,194 units in 9M21. Looking ahead, NHKSI Research projects coal prices to be in the range of USD145/ton. From the Agribusiness sector, tight supply and the implementation of the B30 policy are expected to keep CPO prices high.

Looking into the New Economy Era

With cash fund position at IDR60 trillion as of September 2021, ASII has enough flexibility to continue its digital expansion. So far, the company has been quite aggressive in investing in various platforms such as Gojek, Sayurbox, and Halodoc. Meanwhile, through PT Astra Digital Arta, it also has launched AstraPay as a payment system integrated within the Astra group ecosystem. We believe the investment on high-quality new economy companies may potentially boost the financial performance in the future.

HEALTHCARE



Healthcare – Technical View

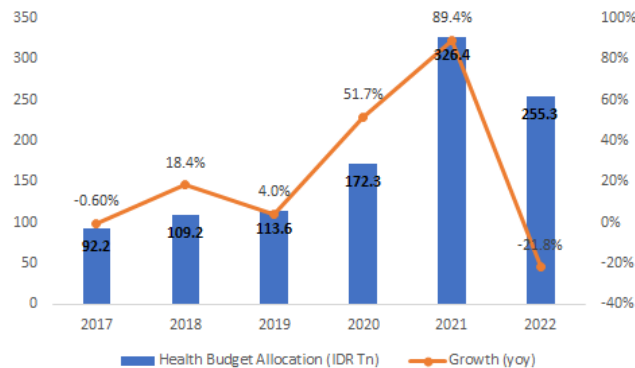
The Healthcare Sector Index is currently in a new Uptrend Channel; which may continue its rally to 1800 level.



Healthcare: Neutral

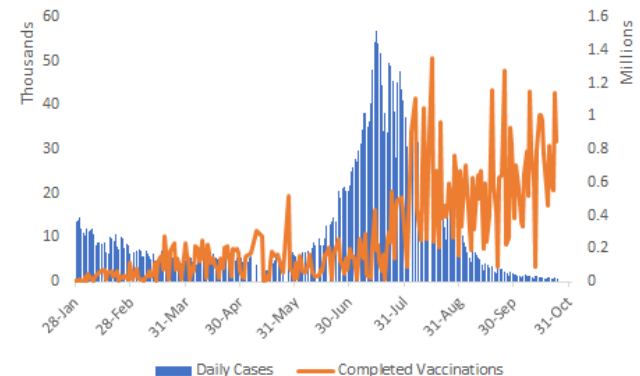
- Indonesian government has allocated IDR 255.3 trillion for healthcare spending, or equivalent to 9.4% of the 2022 State Budget. The planned allocation will be sourced from regular budget (IDR139.4 tn) and the National Economic Recovery (PEN) program fund (IDR115.9 tn). While the 2022 healthcare allocation decreased by 21.8% from FY21F; the figure compared to regular budget-only is still up by 11.3%; as we expect that the Covid-19 pandemic will remain under control.
- Portions of the healthcare budget will remain to be allocated for Covid-19 handling; with the main focus being on the vaccination programs, prevention measures, and healthcare worker incentives. Outside of Covid-19 allocation, the budget will also aim to improve healthcare facilities, reduce stunting rates, and strengthening the National Health Insurance (JKN) program.
- After being hit by the second Covid-19 wave caused by the Delta Variant in mid-2021, the number of new cases have dropped significantly to under 1000 cases/day in October. On the other hand, the government continues to ramp up vaccination rate with almost 25% of the population have been fully vaccinated as of Oct 2021.
- In 2022, the healthcare sector will be faced with the possibility of earnings normalization, as the pandemic is predicted to shift into an endemic and the government's continuous effort to lower the cost of testings. However, increasing health awareness is expected to drive up demand for supplements and other health products; which potentially benefits pharmaceutical companies.

Healthcare Budget Allocation



Source: Ministry of Finance, NHKSI Research

Covid-19 Progress in Indonesia



Source: Bloomberg, NHKSI Research

Sido Muncul Tbk (SIDO)

Target Price (IDR)	1,030
Consensus Price	979
TP to Consensus Price	+5.2%
vs. Last Price	+13.1%
Last Price (IDR)	910
Price date as of	Nov.10, 2021
52wk range (Hi/Lo)	910/705
Free Float (%)	18.9
Outstanding sh. (mn)	30,229
Market Cap (IDR bn)	27,508
Market Cap (USDmn)	1,931
Avg. Trd Vol – 3M (mn)	12.61
Avg. Trd Val – 3M (bn)	10.39
Foreign Ownership	7.3%
Revenue Contributions:	
Herbal Medicine	63.0%
Beverages and Confectionery	33.0%
Pharmacy	4.0%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	3,335	3,885	4,503	5,247
y-y	8.7%	16.5%	15.9%	16.5%
EBITDA	1,249	1,609	1,846	2,148
Net Profit	934	1,216	1,405	1,649
EPS (IDR)	31	38	46	55
y-y	15.6%	22.5%	21.05%	19.5%
ROE	29.0%	35.6%	39.1%	43.2%
ROA	24.3%	31.3%	33.9%	36.9%
EV/EBITDA	18.4x	18.6x	16.1x	13.7x
P/BV	7.5x	9.1x	8.7x	8.2x

Impressive Performance

After several quarters of continually growing revenue, SIDO posted a revenue of IDR2.7tn, with an impressive sales growth of 23% YoY in 9M21. This was bolstered by higher demand for immunity-boosting supplements. This brought SIDO's net profit to jump 35.0% YoY to IDR865bn. In detail, herbal medicine (TA) and beverages as top contributors of total sales booked revenue of IDR1.2 trillion (+26.9% YoY) and IDR326bn (+33.0% YoY), respectively. Besides, we expect market share to remain high despite the company's plan to implement slight ASP increase for selected products in early next year.

New Product Demand Grows Faster

SIDO may still see potential revenue growth, as the new product line (NPD) have been well received without cannibalizing existing product in the market. Furthermore, these products delivered impressive 51% CAGR over the last 3 years. The company also saw a substantial quarterly growth increase, driven by strong sales of new Vitamin C1000 flavor, Ready to Drink (RTD) variants, and new supplement product. Meanwhile, SIDO has also stepped up its effort to increase brand awareness and new products by collaborating with >20 marketplaces in Indonesia. As data shows, herbal supplements are the largest contributor to online sales. This, in our view, is mainly attributed to the increased health awareness among the population.

Export Recovery Poised to Continue

As of 9M21, export sales have increased by 39%, contributing 2.6% of total sales. Meanwhile, Nigeria and Malaysia are still the top contributors with Kuku Bima and Tolak Angin as the main products. Going forward, we expect other export destinations such as the Philippines and Saudi Arabia to show marked improvement. Currently, we are still paying attention to the progress of the company's new business in essential oil.

Mitra Keluarga Karyasehat Tbk (MIKA)

Target Price (IDR)	2,750
Consensus Price	2,850
TP to Consensus Price	-3.5%
vs. Last Price	+24.4%
Last Price (IDR)	2,210
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	3,200/2,210
Free Float (%)	38.1
Outstanding sh. (mn)	14,246
Market Cap (IDR bn)	31,484
Market Cap (USDmn)	2,211
Avg. Trd Vol – 3M (mn)	25302
Avg. Trd Val – 3M (bn)	57759
Foreign Ownership	5.2%
Revenue Contributions:	
Inpatient	65.6%
Outpatient	34.4%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	3,419	4,306	3,576	3,958
y-y	6.7%	25.9%	-17.0%	10.7%
EBITDA	1,302	1,744	1,347	1,474
Net Profit	842	1,150	893	993
EPS (IDR)	59	81	63	70
y-y	15.6%	37.2%	-22.2%	11.1%
ROE	15.3%	18.9%	13.9%	14.4%
ROA	13.2%	16.8%	12.2%	12.6%
EV/EBITDA	29.8x	21.6x	27.9x	25.3x
P/BV	7.0x	6.5x	6.1x	5.7x

9M21 Result Shows Continued Solid Performance

As of 9M21, sales revenue recorded at IDR3.4 trillion (+47.1% YoY), forming 80% of consensus' and our estimate. Both Outpatient (OPD) and Inpatient (IPD) admissions have improved strongly, resulting in MIKA's OPD and IPD revenue per patient growing by 29.2% YoY and 20.8% YoY respectively in 9M21. Meanwhile, with the government have lowered the price ceiling for Covid-19 related services. We believe this should normalize overall margins for the upcoming quarters. Given the current situation, we like MIKA's strategy to shift its focus on non-Covid19 by increasing operational bed and converting 23 hospitals to become Green Zone Hospital, while 3 hospitals continue to treat Covid-19 patients.

The Next Revenue Growth Driver

So far revenue growth has been supported by Covid-19 related services. However, we believe this catalyst would no longer continue in the long term considering the rapid vaccines rollout. Thus, the company has planned to offer new sophisticated medical services such as IVF clinics and Radiotherapy Center, which is expected to be the revenue growth driver in the coming years. That should also leverage the margins and increase revenue per patient as most expenses of complex services are relatively fixed. Besides, the management is confident to operate two hospital (Cikarang and Tangerang Selatan) on schedule in 3Q and 4Q in 2022, each with 200-bed capacity. According to the management's plan, MIKA is also targeting to build 1 hospital in Tegal.

Tapping into Digital Healthcare

Envisioning future healthcare, MIKA has partnered with Telehealth company through a telemedicine app called *Altea Care*. This application will improve patient access to MIKA's specialist doctors and their medical records. The app can also deliver drugs directly to their homes. We believe this initiative was taken after seeing many people are reluctant to visit hospitals in fear of catching Covid-19.

TRANSPORTATION



Transportation – Technical View

The IDX Transportation index is in a Strong Bullish Phase (Riding); with the next target at 1710.



Transportation: Overweight

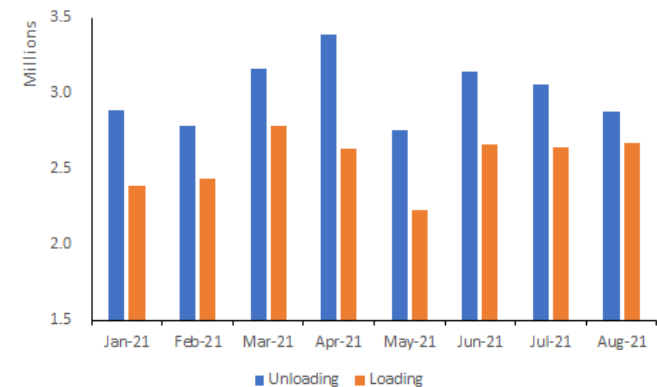
- The transportation sector had a massive recovery in 2021, with 2Q21 growth of 25.1% yoy according to Statistics Indonesia (BPS), the largest increase amongst all industries. Key factors that support this growth were: increasing mobility of passengers from all forms transportation; and higher volume of cargo from import export activities.
- Total number of passengers for January-June 2021 went up by 9.3% compared to previous semester (Jul-Dec 2020). Passengers travelling through sea transportation had the highest growth with 18.0%; followed by air transportation and trains with 10.0% and 8.4% growth respectively. While these figures potentially become lower at the beginning of 3Q21 due to temporary re-tightening in Social Activities Restrictions (resulting from the spread of Covid-19 Delta variant); we see that passenger number will resume its recovery as the PPKM is gradually lifted.
- Cargo volume is also expected to rise, as domestic and international trade activities go up. In September 2021, import and export grew by 55.3% and 64.1% yoy respectively.
- Logistics and Forwarder Association of Indonesia (ALFI) estimate that the industry will grow by 7% in 2021 and expect to continue improving to reach pre-pandemic level of more than 10% growth. The rapid rise of e-commerce transactions will also play a key factor in upcoming years. Transactions value from e-commerce is expected to rise by 20% annually until 2025.

No of Passengers (in Mn)



Source: Statistics Indonesia, NHKSI Research

Cargo Volume in Major Ports (in Tonnes)



Source: Statistics Indonesia, NHKSI Research

Adi Sarana Armada Tbk (ASSA)

Target Price (IDR)	3,900
Consensus Price	3,800
TP to Consensus Price	+2.6%
vs. Last Price	+12.0%
Last Price (IDR)	3,480
Price date as of	Nov. 10, 2021
52wk range (Hi/Lo)	3,970/515
Free Float (%)	35.8
Outstanding sh. (mn)	3,398
Market Cap (IDR bn)	12,592
Market Cap (USDmn)	886
Avg. Trd Vol – 3M (mn)	17.18
Avg. Trd Val – 3M (bn)	52.18
Foreign Ownership	7.4%
Revenue Contributions:	
Express	47.5%
Vehicle Rental	34.0%
Logistics	7.9%
Others	10.6%

IDR bn	FY2020	FY2010F	FY2022F	FY2023F
Revenue	3,037	3,853	4,585	5,660
y-y	30.1%	26.9%	19.0%	23.4%
EBITDA	363	505	592	719
Net Profit	87	173	229	317
EPS (IDR)	25.6	50.9	67.5	93.2
y-y	-21.1%	98.6%	32.5%	38.1%
ROE	7.04%	13.5%	17.8%	24.6%
ROA	1.7%	3.5%	4.4%	6.1%
EV/EBITDA	5.5x	14.9x	11.6x	9.6x
P/BV	1.7x	6.8x	5.7x	4.0x

Digital Transformation Drives Business Performance

ASSA is a transportation services company, providing comprehensive solutions for transportation and logistics. The main business line includes (1) vehicle rental, (2) used vehicle sales, and (3) end-to-end logistics. The company aims to leverage its business performance by integrating digital transformation into its segments. For rental service (ASSA Rent), the company has introduced Share Car app which enables users to rent cars for ease of mobility for individuals and corporates. For logistic services, the company has developed a robotic item sorter to improve the inventory management system. This year, ASSA has allocated capex of IDR1.2tn-1.5tn, mainly used for rental business, especially for car purchases. As the government has relaxed PPKM restriction, we are optimistic that rental and auction segments will show some improvement.

Strengthens Logistics Ecosystem

The rapid growth of e-commerce has put ASSA in a good position to take advantage of the heavy demand sparked by people staying at home. This momentum has driven the company to strengthen its logistic ecosystem through collaboration between its subsidiary, *Anteraja*, and Gojek and Grab; the two ride-hailing giants in SEA. This lucrative collaboration helped the company increase its revenue amid PPKM. *Anteraja*, with 43% contribution to total sales; has become the new growth driver for ASSA. *Anteraja* has shown remarkable improvement in shipping volume as the company reached 440-500k parcels/day and delivered to more than 120 cities. The total of parcels delivered jumped 1.7mn during e-commerce promotion dates (i.e: 9.9 and 10.10). Going forward, the company is targeting 2mn parcels/day within the next two years. Besides, *Anteraja* has launched new initiative to establish new business venture called *Titipaja*, which aims to provide sharing warehouses for e-commerce sellers in order to deliver packages to customer more efficiently.

DISCLAIMER

This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein. All rights reserved by PT NH Korindo Sekuritas Indonesia.

RESEARCH TEAM

Anggaraksa Arismunandar

Head of Research
Market Strategy, Economy, Misc. Industry
T +62 21 5088 9134 ext. 9134
E anggaraksa@nhsec.co.id

Ajeng Kartika Hapsari

Analyst
Property, Construction
T +62 21 5088 ext 9130
E ajeng@nhsec.co.id

Glenn Samuael T

Analyst
Telco, Mining
T +62 21 5088 ext 9128
E glenn.samuael@nhsec.co.id

Jasmine Kusumawardani

Research Support
T +62 21 5088 ext 9132
E jasmine.kusumawardani@nhsec.co.id

Dimas Wahyu Putra P

Senior Technical Analyst
Technical
T +62 21 5088 ext 9128
E dimas.wahyu@nhsec.co.id

Arief Machrus

Economist
Macroeconomics, Banking
T +62 21 5088 ext 9127
E arief.machrus@nhsec.co.id

Putu Chantika D

Analyst
Consumer, Retail
T +62 21 5088 ext 9129
E putu.chantika@nhsec.co.id