

JCI Performance

	3M	6M	12M
Absolute	0.1%	1.0%	-2.7%



Oct23 flow recap: largest mom outflow; reversal is imminent

- JCI (ex-BREN) dropped 5% mom, the largest mom drop YTD amid large foreign outflow of Rp6.3tr in Oct, now total inflow YTD only at Rp2.7tr.
- Banks contributed Rp5tr of outflow alone (-4% mom), followed by tech at Rp900bn (-17% mom). Only telcos experienced inflow at Rp83bn.
- This situation is almost identical to 4Q22 and we think the market has bottomed and bound for reversal (fig. 9). Our picks are banks, telcos, commodities and tech.

Largest mom outflow YTD

JCI (ex-BREN) experienced Rp6.3tr of outflow in Oct and dropped -5% mom (largest YTD). This brought down cumulative inflow to Rp2.7tr in Oct23 from Rp9tr in Sep23. Banks contributed the biggest outflow at Rp5tr (-4% mom), followed by tech at Rp900bn (-17% mom); surprisingly, staples also recorded an outflow of Rp300bn (-2% mom). Despite recording inflow of Rp83bn, telco still dropped by 7% mom. Other than tech, digital banks/metals/coal posted -22/-14/-12% mom performances in Oct. We believe the knee jerk reaction was mainly due to: 1) depreciation of Rupiah and 2) series of weak results (only banks and some commodities that posted beat result).

On stock level, GOTO and BBNI was an outlier

We observed that all banks (except BBNI) recorded massive foreign outflow of -Rp2.7/1.8/1.3tr for BBRI/BBCA/BMRI. BBNI meanwhile recorded inflow of Rp840bn in Oct23 alone, this brought YTD inflow to Rp3.2tr on-par with BRI. Both BBNI and BMRI recorded an YTD outflow of -Rp2tr and -Rp877bn. Combined with the fact that all banks posted in-line results except BMRI (beat), we believe the flow may have peaked for BBNI. Separately, GOTO recorded an outflow of Rp883bn alone in Oct which we think was due to selling pressure from one of its pre-IPO investor exacerbated by the recent disclosure on founders' plan to sell its stake. ASII/MEDC/BTPS/ADRO also recorded sizable outflow of Rp554/437/177/115bn in Oct23. Sizable inflow was observed in INKP; while ITMG/CTRA/TLKM/JSMR recoded small inflow.

Sign of bottoming market coupled with generally weak 3Q results

We believe the current situation is very similar to 4Q22 i.e. Rupiah depreciate to Rp15.7k in Nov22 from Rp14.2k in Mar22 while bond yield rose to 7.5% (vs. 7.2% in Oct23) from 6.7% (vs. 6.6% in Feb23) and 10Y UST rose by 220bp vs. (140bp this year) – fig. 9, which seems to be the bottom of the market. With recent dovish statement by the Fed, we think the reversal is imminent although we remain cautious given the lingering uncertainties i.e. current war, weak fiscal spending and domestic political landscape.

Our picks stay relatively the same but we add some new names

Given the series of weak results (only banks were in-line and some commodities), our picks stay relatively the same with banks (especially BMRI), ISAT, MYOR and ICBP. But we add three more names: MDKA (sequential improvement in qoq result), ADMR (stellar 3Q and possibly better 4Q amid elevated coking coal ASP) and GOTO (due to oversold situation and dovish Fed -23% YTD-Oct23 vs. -4% for GRAB). Main catalysts are stronger consumption due to election spending and Rupiah reversal amidst peaking short position (fig. 11). Risks are weaker Rupiah from worse than expected CAD and/or higher bond yield.

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Largest mom outflow YTD; GOTO and BBNI was an outlier

JCI (ex-BREN) experienced Rp6.3tr of outflow in Oct and dropped -5% mom (largest YTD). This brought down cumulative inflow to Rp2.7tr in Oct23 from Rp9tr in Sep23.

Banks contributed the biggest outflow at Rp5tr (-4% mom). We observed that all banks (except BBNI) recorded massive foreign outflow of -Rp2.7/1.8/1.3tr for BBRI/BBCA/BMRI. BBNI meanwhile recorded inflow of Rp840bn in Oct23 alone, this brought YTD inflow to Rp3.2tr on-par with BRI. Both BBCA and BMRI recorded an YTD outflow of -Rp2tr and -Rp877bn. Combined with the fact that all banks posted in-line results except BMRI ([see banks 3Q23 result recap here](#)), we believe the flow may have peaked for BBNI.

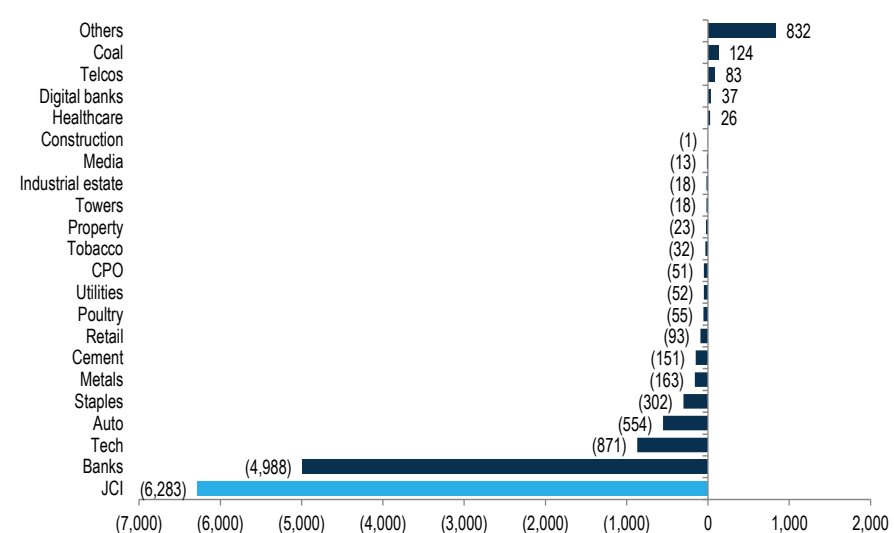
Tech was the second biggest outflow contributor at Rp871bn (-17% mom), mostly from GOTO at -Rp883bn which we suspect was due to selling pressure from one of its pre-IPO investors exacerbated by the recent disclosure on founders' plan to sell its stake. Meanwhile, BUKA recorded a small inflow of Rp13bn.

Surprisingly, all **staples** (i.e. INDF, ICBP, CMRY, MYOR, UNVR, KLBF) also recorded an outflow of Rp40-60bn each, which bring a total outflow of Rp302bn (-2% mom) for the sector.

Telco recorded an inflow of Rp83bn, but still dropped by -7% mom. Moreover, digital banks, metals, and coal posted -22/-14/-12% mom respectively in Oct23. ASII/MEDC/BTPS/ADRO also recorded sizable outflow of Rp554/437/177/115bn in Oct23. Sizable inflow was observed in INKP; while ITMG/CTRA/TLKM/JSRM recoded small inflow.

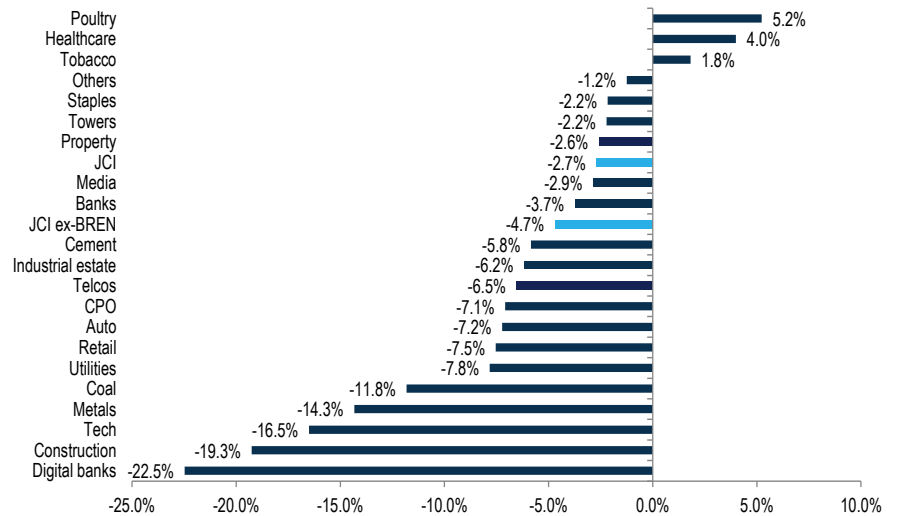
We believe the knee jerk reaction was mainly due to: 1) depreciation of Rupiah and 2) series of weak results (only banks and some commodities that posted beat result).

Fig. 1: MoM Oct23 foreign net flow (RG+TN) – in Rp bn



Source: Indo Premier

Fig. 2: MoM Oct23 stock performance (calculated from market cap)



Source: Bloomberg, Indo Premier

Fig. 3: Top 15 foreign inflow (MoM)

MoM	Foreign flow (Rp bn)	Stock perf.	Changes in local fund weight (bp)	Changes in foreign fund weight (bp)
BBNI	841	-7%	(32)	(3)
FILM	610	-18%	(0)	(0)
AMMN	489	10%	3	3
INKP	315	-14%	(11)	(4)
TPIA	140	18%	6	0
ITMG	125	-8%	(6)	(1)
CTRA	112	9%	7	4
BNGA	109	2%	(1)	1
TLKM	88	-7%	(26)	(35)
CUAN	85	89%	1	0
JSMR	84	-1%	6	2
NSSS	76	-19%	(0)	0
ACES	73	7%	7	2
UNTR	71	-11%	(19)	(14)
HRUM	68	-14%	(8)	0

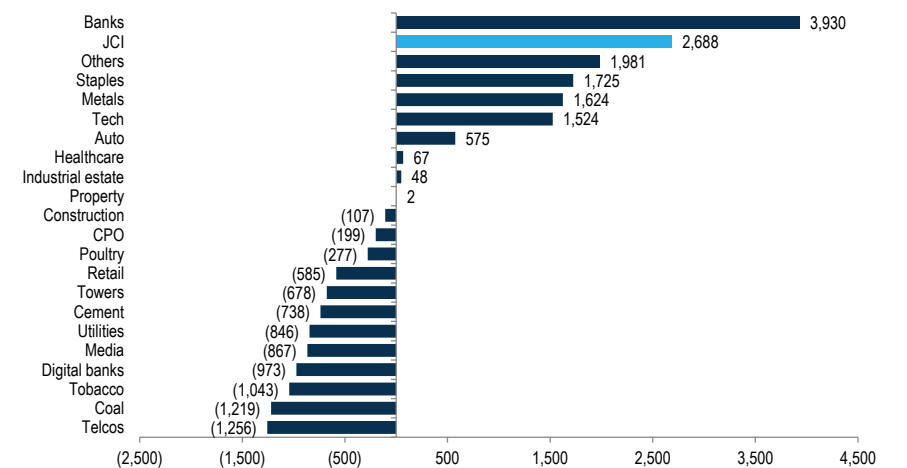
Source: Bloomberg, Indo Premier

Fig. 4: Top 15 foreign outflow (MoM)

MoM	Foreign flow (Rp bn)	Stock perf.	Changes in local fund weight (bp)	Changes in foreign fund weight (bp)
BBRI	(2,696)	-5%	8	(88)
BBCA	(1,842)	-1%	55	34
BMRI	(1,282)	-6%	16	(60)
GOTO	(883)	-28%	(22)	(24)
ASII	(554)	-7%	(20)	(38)
MEDC	(437)	-21%	2	(5)
AKRA	(295)	-4%	9	0
BTPS	(177)	-17%	(1)	(3)
ADRO	(115)	-10%	(6)	(9)
AVIA	(96)	-11%	(0)	(5)
MDKA	(84)	-23%	(34)	(15)
INTP	(82)	-7%	(2)	(3)
MBMA	(80)	-17%	(7)	(0)
PWON	(70)	-9%	(2)	(3)
ANTM	(69)	-6%	(2)	(2)

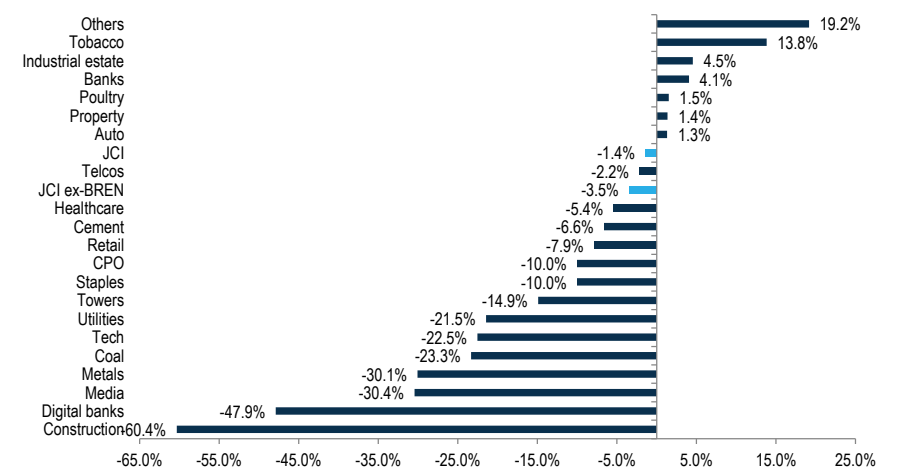
Source: Bloomberg, Indo Premier

Fig. 5: YTD Oct23 foreign net flow (RG+TN) – in Rp bn



Source: Indo Premier

Fig. 6: YTD Oct23 stock performance (calculated from market cap)



Source: Bloomberg, Indo Premier

Fig. 7: Top 15 foreign inflow (YTD)

YTD	Foreign flow (Rp bn)	Stock perf.	Changes in local fund weight (bp)	Changes in foreign fund weight (bp)
BBRI	3,361	0%	(88)	(54)
BBNI	3,178	4%	(65)	21
ICBP	2,611	3%	(28)	15
FILM	1,528	26%	2	(0)
AMMN	1,522	NA	25	34
BUMI	1,394	-30%	(12)	4
BRMS	1,065	22%	5	9
GOTO	855	-33%	(65)	16
MDKA	845	-46%	(134)	(31)
ISAT	755	53%	36	47
ANTM	706	-14%	(11)	(6)
BUKA	685	-20%	(19)	2
ASII	575	1%	60	2
JSMR	476	43%	50	10
KLBF	474	-19%	(39)	(40)

Source: Bloomberg, Indo Premier

Fig. 8: Top 15 foreign outflow (YTD)

YTD	Foreign flow (Rp bn)	Stock perf.	Changes in local fund weight (bp)	Changes in foreign fund weight (bp)
BBCA	(2,056)	2%	62	(74)
TLKM	(1,601)	-7%	20	(97)
BTPS	(1,051)	-44%	(11)	(26)
ADRO	(977)	-34%	(53)	(55)
UNTR	(976)	-4%	(3)	(20)
ARTO	(882)	-58%	(11)	(13)
BMRI	(877)	14%	115	105
PGAS	(823)	-29%	(60)	(14)
UNVR	(783)	-23%	(14)	(31)
MTEL	(754)	-22%	(1)	(13)
NCKL	(746)	NA	35	4
MNCN	(743)	-33%	(3)	(13)
GGRM	(647)	29%	15	(0)
INCO	(558)	-30%	(26)	(7)
ITMG	(544)	-32%	(20)	(19)

Source: Bloomberg, Indo Premier

Sign of bottoming market

We believe the current situation is very similar to 4Q22 i.e. Rupiah depreciate to Rp15.7k in Nov22 from Rp14.2k in Mar22 while bond yield rose to 7.5% (vs. 7.2% in Oct23) from 6.7% (vs. 6.6% in Feb23) and 10Y UST rose by 220bp vs. (140bp this year) – fig. 9, which seems to be the bottom of the market. With recent dovish statement by the Fed, we think the reversal may be nigh although we remain cautious given the lingering uncertainties i.e. current war, weak fiscal spending and domestic political landscape.

Fig. 9: Current situation is similar like last year and we expect the market has been bottoming

Period			USDIDR			Indo bond yield (10Y)			US bond yield (10Y)			JCI index		
	Start	End	Start	End	Change (%)	Start	End	Change (bp)	Start	End	Change (bp)	Start	End	Change (%)
2022	10-Mar	28-Apr	14,276	14,494	2%	6.7%	7.0%	0.2%	2.0%	2.8%	0.8%	6,924	7,229	4%
	5-May	19-May	14,415	14,719	2%	7.0%	7.3%	0.3%	3.0%	2.8%	-0.2%	7,229	6,823	-6%
	3-Jun	21-Jul	14,433	15,037	4%	6.9%	7.5%	0.6%	2.9%	2.9%	-0.1%	7,183	6,864	-4%
	12-Aug	3-Oct	14,668	15,303	4%	7.0%	7.3%	0.4%	2.8%	3.6%	0.8%	7,129	7,010	-2%
	6-Oct	4-Nov	15,188	15,738	4%	7.2%	7.5%	0.3%	3.8%	4.2%	0.3%	7,077	7,046	0%
	11-Nov	29-Nov	15,495	15,743	2%	7.1%	7.0%	-0.1%	3.8%	3.7%	-0.1%	7,089	7,012	-1%
	2-Dec	28-Dec	15,426	15,719	2%	6.9%	6.9%	0.1%	3.5%	3.9%	0.4%	7,020	6,851	-2%
2023	2-Feb	7-Feb	14,888	15,148	2%	6.6%	6.7%	0.1%	3.4%	3.7%	0.3%	6,891	6,935	1%
	9-Feb	10-Mar	15,097	15,450	2%	6.6%	7.0%	0.3%	3.7%	3.7%	0.0%	6,897	6,765	-2%
	14-Apr	19-Apr	14,705	14,982	2%	6.7%	6.7%	0.0%	3.5%	3.6%	0.1%	6,819	6,822	0%
	5-May	31-May	14,678	14,994	2%	6.4%	6.4%	-0.1%	3.4%	3.6%	0.2%	6,788	6,633	-2%
	9-Jun	10-Jul	14,840	15,205	2%	6.3%	6.3%	-0.1%	3.7%	4.0%	0.3%	6,694	6,731	1%
	14-Jul	15-Aug	14,959	15,342	3%	6.2%	6.4%	0.2%	3.8%	4.2%	0.4%	6,870	6,915	1%
	31-Aug	27-Oct	15,230	15,939	5%	6.4%	7.2%	0.9%	4.1%	4.8%	0.7%	6,953	6,759	-3%

Source: Bloomberg, Indo Premier

Summary of 3Q23 results

The big 4 banks net profit of Rp135tr (+20% yoy/+4% qoq) in 9M23 came in-line with ours/cons estimates at 75/76%. Loan growth (+12% yoy/+4% qoq) was faster than deposit growth (+9% yoy/+4% qoq), as liquidity starts to tighten. Bank assets also showed a better asset quality (LAR) for 3Q23, with improvements for BBKA/BBRI/BMRI/BBNI at -50/110/110/170bp qoq. BMRI was the only bank that outperformed among the big banks for its 9M23 net profits (78/79% of ours/cons' estimates), driven by a robust PPOP growth (+15% yoy) and a lower than expected CoC (1% in 9M23), with BMRI management downgrading its guidance target to <1.1% from 1.1-1.3% in FY23F, due to good progress on asset quality.

Telco net profit was below consensus (75%) but in-line with our (79%) estimates vs. 3Y avg. of 79%. Our pick, ISAT's 9M23 core profit was a beat at 82% of our FY23F estimates, while net profit was below at 73% of consensus. Its net profit improvement was driven by cost synergies and a solid topline, notably its cash cost declined by -6% yoy, driven by lower personnel and O&M expenses (-24%/-5% yoy).

For **metals**, we see slight improvement in NPI cash margin in 4Q23F, as higher ore costs (+6% qoq) are set to be offset by a further decline in thermal coal prices (-8% qoq), while ASP is expected to be flat qoq.

- Among our coverage in metals, ADMR is added to our pick as it is able to deliver a beat in net profit (84% our/cons' estimates), driven by a higher coking coal volume (+23% qoq), we also expect a higher coking coal ASP in 4Q23F due to an ongoing logistical challenge in Queensland, Australia.
- We also added MDKA as it experienced sequential improvement qoq, it recorded a strong revenue in 3Q23, its 9M23 revenue stood at 65/76% of our/cons' FY23F forecast, with majority of MDKA revenue to be recorded in 2H23F, from the ramp-up of MBMA's ZHN and skewed TB oxide gold sales volume in 2H23F. We expect 4Q23F EBITDA to be better vs. 3Q23F from more contribution of MBMA's SCM, higher NPI margin from RKEF and normalization in Wetar production.

The **staples** aggregate sales growth for 3Q23 was flattish yoy and aggregate sales came below expectations (companies' guidance), reflecting a consumption growth slowdown. However, the aggregate profit was relatively in-line for our/cons' at 73/74%, due to gross profit margin expansion from lower raw material price, as wheat price continues to decline (-10 to -12% 9M23 YTD) and CPO prices retreated by -6.1% yoy. Going to 4Q23/FY24F, the risk would be that election funding may fall short of initial expectation as the campaign duration for FY24F election is shorter at c. 2.5 months vs. c.15/7 months in FY14/19. Rising rice prices (+19.8% yoy) and weaker Rupiah may dampen consumption spending recovery.

For **tobacco**, the results was relatively in-line at 77/75% our/cons estimates (although HMSP was a beat due to margin expansion on higher SKT contribution). The key challenge going into 4Q23/FY24F will be soft purchasing power and challenges to raise prices to pass on the excise hike of 10%.

For **retailers**, it was below our/con's estimates at 69/65%, due to a slowdown in consumption growth, for example AMRT's (Grocery retailers) SSSG was decelerating from 5.9% in 2Q23 to 1.5% SSSG in 3Q23. However, 4Q seasonally contributes to a larger portion of profits and Lebaran recovery is a potential short term catalyst going into 4Q23/FY24F.

Poultry sector was above our/cons' estimates at 83%, driven by margin improvement from all sectors (Animal feed, poultry breeding, commercial farm, poultry processing), to highlight, CPIN's poultry processing EBIT margin improved by +767bp qoq to 15.4% in 3Q23. We remain positive as the government social aid spending shall boost grass roots purchasing power, supported by a 4/5th culling program in 4Q23F.

Fig. 10: 3Q23 results recap

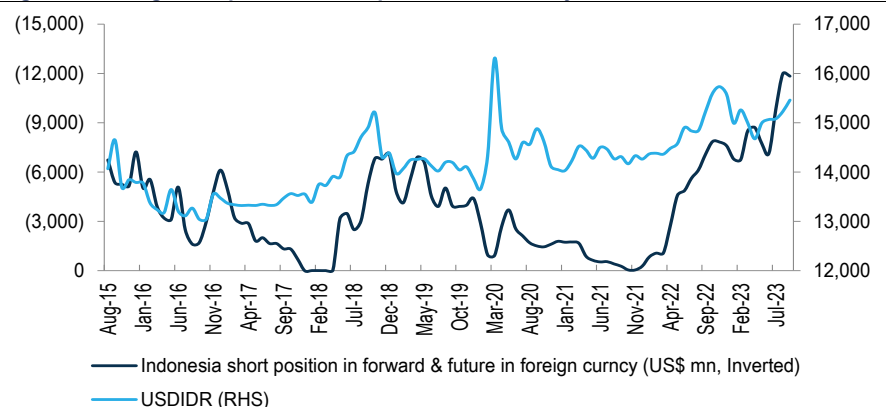
3Q23 results recap (Rp bn)	9M23	9M22	%YoY	3Q23	3Q22	%YoY	2Q23	%QoQ	IPS FY23F	% of IPS	Cons. FY23F	% of Cons.	Status
Banks	139,480	115,702	21%	47,472	41,694	14%	45,721	4%	186,459	75%	183,320	76%	In-line
Tobacco	10,662	6,400	67%	3,624	2,395	51%	2,914	24%	13,899	77%	14,162	75%	In-line
Staples	23,496	20,375	15%	7,600	7,318	4%	6,151	24%	32,150	73%	31,587	74%	In-line
Retailer	5,492	5,130	7%	1,389	1,354	3%	2,687	-48%	7,984	69%	8,529	64%	Below
Poultry	3,613	4,614	-22%	2,153	1,085	98%	1,469	47%	4,346	83%	4,345	83%	Above
Property	5,090	3,943	29%	1,577	1,468	7%	1,348	17%	7,233	70%	7,107	72%	In-line
Tech (adj EBITDA)	(3,819)	(14,657)	-74%	(886)	(4,121)	-79%	(1,220)	-27%	(12,309)	31%	(8,568)	45%	NA
Telco	22,286	23,401	-5%	7,622	7,124	7%	7,311	4%	27,216	82%	31,053	72%	Below
Coal	37,580	63,110	-40%	10,358	25,966	-60%	13,803	-25%	54,168	69%	47,200	80%	Above
Auto	25,691	17,599	46%	8,242	5,822	42%	8,730	-6%	34,489	74%	31,219	82%	Above
Cement	2,981	2,597	15%	1,417	1,477	-4%	631	124%	4,304	69%	4,776	62%	In-line
Metals	9,994	9,479	5%	3,063	6,454	-53%	2,499	23%	11,642	86%	12,272	81%	Above
Towers	3,856	3,786	2%	1,274	1,203	6%	1,328	-4%	5,688	68%	5,498	70%	Below
Total	286,402	267,899	7%	94,905	101,438	-6%	91,520	4%	377,269	76%	382,064	75%	In-line
Total (ex-Tech)	290,221	282,556	3%	95,790	105,559	-9%	92,740	3%	389,578	74%	390,632	74%	In-line

Source: Company, Indo Premier
USDIDR = Rp15,137

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Given the series of weak results (only banks were in-line and some commodities), our picks stay relatively the same with banks (especially BMRI, ISAT, MYOR and ICBP). But we add three more names: MDKA (sequential improvement in qoq result), ADMR (stellar 3Q and possibly better 4Q amid elevated coking coal ASP) and GOTO (due to oversold situation and dovish Fed -23% YTD-Oct23 vs. -4% for GRAB). Main catalysts are stronger consumption due to election spending and Rupiah reversal amidst peaking short position (fig. 11). Risks are weaker Rupiah from worse than expected CAD and/or higher bond yield.

Fig. 11: Peaking short position on Rupiah – reversal may be fast



Source: Bloomberg, Indo Premier

Fig. 12: JCI' forward P/E is currently trading at 11.5x FY24F P/E, below its -1s.d. of 13.4x P/E



Source: Bloomberg, Indo Premier

Fig. 13: JCI' forward P/B is currently trading at 1.9x FY24F P/B, below its -1s.d. of 2x P/B



Source: Bloomberg, Indo Premier

SECTOR RATINGS

- OVERWEIGHT : An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
- NEUTRAL : A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
- UNDERWEIGHT : An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

COMPANY RATINGS

- BUY : Expected total return of 10% or more within a 12-month period
- HOLD : Expected total return between -10% and 10% within a 12-month period
- SELL : Expected total return of -10% or worse within a 12-month period

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