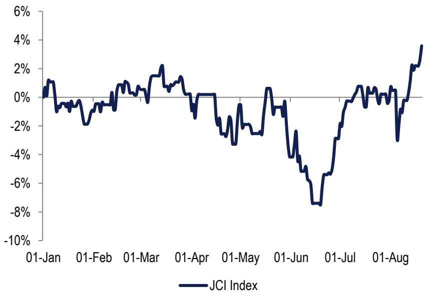
INDOPREMIER

Indonesia Strategy

Strategy Update | 21 August 2024

JCI Performance

	3M	6M	12M
Absolute	3.7%	3.3%	9.7%



Earnings revision seems to be a major share price driver; banks is clear pick

- Post 2Q results, we analyse what has been driving the outperformance. We found two major factors: earnings revision and 2H outlook.
- Vice-versa, weak outlook and downward revision have been the factor of underperformance thus far.
- Out of all sectors that we cover, we think currently banks may provide the biggest revision upside in 2H; and staples/commodities to some extent.

2Q24 results: an overall better quarter

Overall JCI results came in-line (flat yoy in 1H24 and +1% yoy/qoq in 2Q24) with ours/consensus estimates with few sectors beating estimates i.e. auto, healthcare, poultry and staples. On the other hand, metals and cigarettes came below (worth noting some of the metal/energy names haven't reported their results i.e. MDKA/MBMA/ADRO/ADMR). However, there are few sectors that reported in-line results but posted very weak share price performance i.e. telco and retailers which we think due to weak 2H outlook.

Earnings revision has been driving share price performance; only poultry, coal and healthcare has earnings upgrade

We observed that pre 2Q results, overall JCI earnings were revised by c.-4% by our analysts and also consensus. This brought FY24 JCI EPS growth to +1 to +2%. Concurrently, we believe that stock performance is actually pretty well correlated against earnings revision; few notable examples: retailers is expected to generate strong earnings growth of 24-30% yoy but consensus has downgraded earnings by c.-8% and this reflected in YTD performance of -9%. Similarly, overall banks posted in-line results in 1Q24 but downward revision in guidance which led to earnings downgrade (-3 to -7% revision) has been resulted in massive sell-off (SOE banks -14% mom post 1Q results). Coal, poultry and healthcare posted earnings upgrade (+3% to +21%) and was also reflected in the outperformance (+7-8% YTD). Biggest downgrade was on metals and tobacco at -18% to -26% similar to its underperformance.

Foreign flow is skewed towards punishing companies/sector with weak outlook

YTD Jul24, foreign recorded -Rp15tr of outflow despite recording Rp3tr of inflow in Jul24 alone. Banks recorded the biggest outflow of -Rp15tr, followed by auto at -Rp4.8tr and telco at -Rp2.4tr. In terms of company specific flow, TPIA recorded highest inflow of Rp6tr due to index inclusion, followed by BBCA at Rp4tr and AMMN at Rp3tr. ADRO and AMRT also recorded c.Rp1tr inflow. Consequently, BBRI/ASII/TLKM/BBNI recorded -Rp18/4.8/2.5/1.6tr of outflow – all companies are plagued by relatively weak outlook.

How to position for the remainder of the year: banks and to some extent staples along with commodities are our preferred picks

We believe banks outlook will only get better post 2Q results driven by lower CoC in BRI and better margin for the rests amid lower benchmark rate outlook (link); it also benefitted from multiple re-rating during lower rate cycle. Staples may get some tailwind from regional-election spending spill-over (although it may not be much considering the muted competition in regional election) while low input cost is also a boon (link). For commodities, we like base metals amid lower rate outlook/recession risk also coal due to strong results and cash flow (link). Our picks are: BMRI, BBRI, MYOR, ICBP, MDKA, ADRO and UNTR.

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2Q24 results: an overall better quarter

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Fig. 1: JCI 2Q24 results recap

Sector	Consists of	1H24	1H23	%YoY	2Q24	2Q23	%YoY	1Q24	%QoQ	Pre 2Q24	% of IPS	Status	Pre 2Q24	% of Cons	Status
Auto	ASII*	16,673	17,319	-4%	8,544	8,717	-2%	8,129	5%	31,543	53%	In-line	30,212	55%	Above
Banks	BBCA, BBRI, BMRI, BBTN, ARTO	84,681	80,358	5%	42,331	39,948	6%	42,349	0%	177,654	48%	In-line	175,601	48%	In-line
Coal	UNTR, HRUM, ITMG, PTBA	14,238	21,361	-33%	7,892	10,269	-23%	6,352	24%	29,694	48%	In-line	31,231	46%	In-line
Healthcare	MIKA, SILO*, HEAL	1,499	1,159	29%	764	570	34%	734	4%	3,197	47%	Above	2,893	52%	Above
Metals	ANTM, INCO, NCKL	4,959	7,370	-33%	3,623	2,743	32%	1,341	170%	11,540	43%	Below	10,038	49%	Below
Poultry	CPIN, JPFA	3,247	1,461	122%	1,872	1,470	27%	1,376	36%	5,818	56%	Above	4,725	69%	Above
Property	CTRA, PWON	1,875	1,878	0%	1,061	870	22%	814	30%	3,952	47%	In-line	4,275	44%	Below
Retailer	ACES, MAPI, LPPF, RALS, AMRT, CNMA	4,322	4,062	6%	2,239	2,629	-15%	2,083	7%	9,485	46%	In-line	9,145	47%	In-line
Staples	UNVR, KLBF, SIDO, ICBP*, INDF*, MYOR	17,888	15,295	17%	7,539	6,237	21%	10,349	-27%	34,357	52%	Above	32,038	56%	Above
Telco**	TLKM, ISAT, EXCL	60,238	57,419	5%	29,853	29,513	1%	30,384	-2%	124,936	48%	In-line	125,102	48%	In-line
Tobacco	GGRM, HMSP	4,243	7,038	-40%	1,400	2,915	-52%	2,843	-51%	11,267	38%	Below	12,851	33%	Below
Towers**	TBIG, MTEL	6,633	6,197	7%	3,327	3,126	6%	3,306	1%	13,524	49%	In-line	13,403	49%	In-line
Total (39 stocks)		**220,496**	**220,917**	**0%**	**110,445**	**109,006**	**1%**	**110,060**	**0%**	**456,967**	**48%**	**In-line**	**451,515**	**49%**	**In-line**

**ASII, SILO, ICBP, and INDF use core profit*
***Telco and Towers use EBITDA*

Source: Bloomberg, Company, Indo Premier

Earnings revision has been driving share price performance; only poultry, coal and healthcare has earnings upgrade

We observed that pre 2Q results, overall JCI earnings were revised by c.-4% by our analysts and also consensus. This brought FY24 JCI EPS growth to +1 to +2%. At the same time, we believe that stock performance is actually pretty well correlated against earnings revision; few notable examples: retailers is expected to generate strong earnings growth of 24-30% yoy but consensus has downgraded earnings by c.-8% and this reflected in YTD performance of -9%.

Similarly, overall banks posted in-line results in 1Q24 but downward revision in guidance which led to earnings downgrade (-3 to -7% revision) has been resulted in massive sell-off (SOE banks -14% mom post 1Q results). Coal, poultry and healthcare posted earnings upgrade (+3% to +21%) and was also reflected in the outperformance (+7-8% YTD). Biggest downgrade was on metals and tobacco at -18% to -26% similar to its underperformance.

Fig. 2: JCI earnings revision as of August 16th, 2024

Sector	Consists of	FY23	Post 4Q23	Current	Revision	%YoY	Post 4Q23	Current	Revision	%YoY	IPS vs. Cons
Auto	ASII*	34,532	33,460	31,543	-6%	-9%	31,665	30,590	-3%	-11%	103%
Banks	BBCA, BBRI, BMRI, BBTN, ARTO	167,372	189,492	176,817	-7%	6%	180,991	175,386	-3%	5%	101%
Coal	UNTR, HRUM, ITMG, PTBA	36,630	28,508	29,694	4%	-19%	30,426	31,045	2%	-15%	96%
Healthcare	MIKA, SILO*, HEAL	2,565	3,080	3,169	3%	24%	3,092	2,985	-3%	16%	106%
Metals	ANTM, INCO, NCKL	12,870	13,061	10,555	-19%	-18%	11,507	9,411	-18%	-27%	112%
Poultry	CPIN, JPFA	3,248	4,940	5,996	21%	85%	5,079	5,135	1%	58%	117%
Property	CTRA, PWON	3,951	4,213	3,952	-6%	0%	4,216	4,246	1%	7%	93%
Retailer	ACES, MAPI, LPPF, RALS, AMRT, CNMA	7,298	9,151	9,485	4%	30%	9,831	9,052	-8%	24%	105%
Staples	UNVR, KLBF, SIDO, ICBP*, INDF*, MYOR	30,762	34,701	33,800	-3%	10%	32,878	31,050	-6%	1%	109%
Telco**	TLKM, ISAT, EXCL	117,402	126,394	124,936	-1%	6%	127,732	123,872	-3%	6%	101%
Tobacco	GGRM, HMSP	13,421	12,886	9,530	-26%	-29%	14,628	11,788	-19%	-12%	81%
Towers**	TBIG, MTEL	12,650	13,880	13,524	-3%	7%	13,578	13,442	-1%	6%	101%
Total (39 stocks)		**442,703**	**473,766**	**453,001**	**-4%**	**2%**	**465,622**	**448,002**	**-4%**	**1%**	**101%**

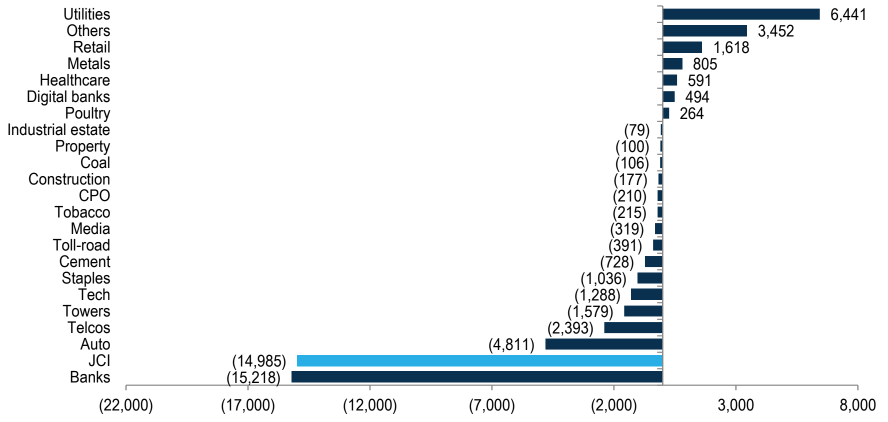
**ASII, SILO, ICBP, and INDF use core profit*
***Telco and Towers use EBITDA*

Source: Bloomberg, Company, Indo Premier

YTD foreign flow is skewed towards punishing companies/sector with weak outlook

YTD Jul24, foreign recorded -Rp15tr of outflow despite recording Rp3tr of inflow in Jul24 alone. Banks recorded the biggest outflow of -Rp15tr, followed by auto at -Rp4.8tr and telco at -Rp2.4tr. In terms of company specific flow, TPIA recorded highest inflow at Rp6tr due to index inclusion, followed by BBCA at Rp4tr and AMMN at Rp3tr. ADRO and AMRT also recorded c.Rp1tr inflow. Consequently, BBRI/ASII/TLKM/BBNI recorded -Rp18/4.8/2.5/1.6tr of outflow – all companies are plagued by relatively weak outlook.

Fig. 3: YTD Jul24 foreign net flow (RG+TN) – in Rp bn



Source: Indo Premier

Fig. 4: Jul24 top 15 foreign inflow (YTD)

YTD	Foreign flow (Rp bn)	Stock perf.	Changes in local fund weight (bp)	Changes in foreign fund weight (bp)
TPIA	6,128	83%	(32)	55
BBCA	4,123	8%	40	329
AMMN	3,124	82%	59	101
BRIS	1,361	43%	35	15
ADRO	1,189	36%	42	30
AMRT	1,061	-3%	12	20
PGAS	1,016	42%	44	19
ITMA	1,011	-29%	(0)	0
FILM	755	-6%	1	0
BULL	641	-32%	(0)	0
BFIN	597	-27%	(14)	(4)
OASA	487	-6%	0	0
ARTO	479	-8%	(5)	1
MIKA	477	6%	(0)	3
BIPI	396	-44%	(2)	(1)

Source: Indo Premier

Fig. 5: Jul24 top 15 foreign outflow (YTD)

YTD	Foreign flow (Rp bn)	Stock perf.	Changes in local fund weight (bp)	Changes in foreign fund weight (bp)
BBRI	(17,967)	-18%	(51)	(405)
ASII	(4,811)	-20%	(75)	(109)
TLKM	(2,590)	-27%	(207)	(193)
BBNI	(1,609)	-8%	(9)	(20)
MDKA	(1,412)	-8%	42	(4)
TOWR	(1,372)	-21%	(12)	(20)
GOTO	(1,027)	-36%	(38)	(23)
BMRI	(962)	7%	13	169
KLBF	(877)	-3%	38	(5)
BRPT	(592)	-19%	(7)	(8)
INCO	(588)	-9%	4	0
ANTM	(587)	-24%	(13)	(12)
UNTR	(481)	10%	68	15
SMGR	(445)	-39%	(69)	(25)
JSMR	(391)	9%	54	3

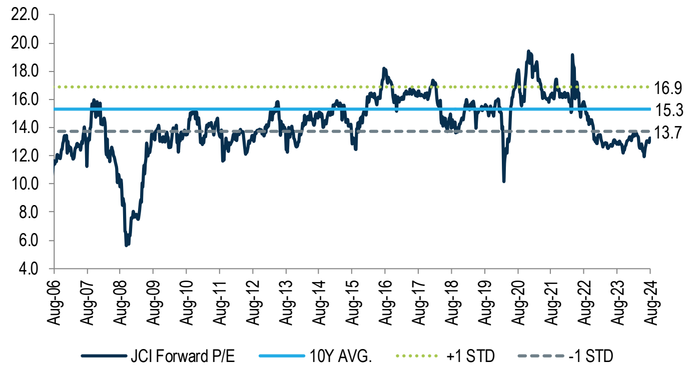
Source: Indo Premier

How to position for the remainder of the year; banks, staples and to some extent commodities are our preferred picks

We believe banks outlook will only get better post 2Q results driven by lower CoC in BRI and better margin for the rests amid lower benchmark rate outlook (link). At the same time, lower rate cycle usually resulted in multiple re-rating for banks with BBRI is the most sensitive.

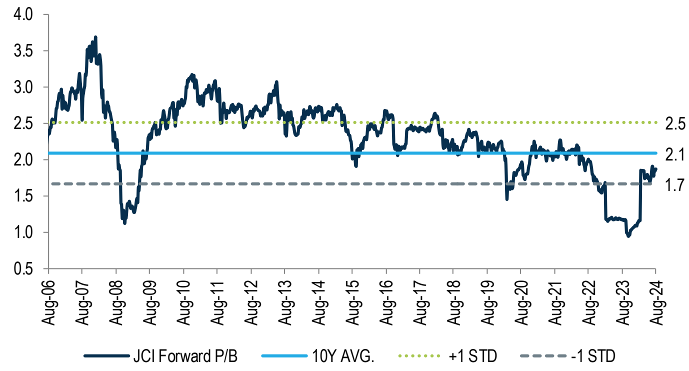
Staples may get some tailwind from regional-election spending spill-over, although worth noting it may not be much considering the muted competition in regional election; while low input cost is also a boon (link). For commodities, we like base metals amid lower rate outlook/recession risk also coal due to strong results and cash flow (link). Our picks are: BMRI, BBRI, MYOR, ICBP, MDKA, ADRO and UNTR.

Fig. 6: JCI forward P/E – now trading at 13.3x FY24F P/E vs. 10Y avg. of 15.3x P/E



Source: Bloomberg, Indo Premier

Fig. 7: JCI forward P/E – now trading at 1.9x FY24F P/E vs. 10Y avg. of 2.1x P/B



Source: Bloomberg, Indo Premier

2Q24 sector results recap

Auto

ASII core profit in 1H24 (-4% yoy/+5% qoq) came slightly ahead of consensus but in-line with our estimates, driven by solid UNTR's performance and improving auto margin but partly offset by softer-than-expected agribusiness performance.

We expect the 4W industry's wholesale volume to decline by -7% yoy this year, as spending appetite for 4W remains remained weak. Moreover, we believe that rising concerns on deteriorating asset quality in 4W/2W loan may potentially hamper loan disbursement in 2H24.

For ASII specifically, we believe that auto and UNTR margins likely to have peaked. Of note, 2Q24 auto margin qoq improvement qoq was supported by lower material costs and forex gain at associates' level, which we believe is unlikely to be sustainable in 2H24. Hence, we continue to expect ASII's auto net margin to decline by -80bp yoy this year, due to: 1) lower 4W domestic sales volume (-7% yoy); and 2) lower 4W ASP (-2% yoy). Meanwhile, we project flattish 2W and lower components margins. UNTR's net margin should also contract by about 120bp yoy this year.

On a more positive note, given its share price deterioration since Jul23 (c.-27%), we believe that most of the concerns are likely already largely priced-in at current valuation (6.3x FY25F P/E). Potential positive catalysts in the coming months include but not limited to: 1) higher-than-expected 4W and 2W sales volumes and/or market shares; 2) lower interest rates and/or normalizing NPF; and 3) higher coal prices (which could lead to less severe margin erosions).

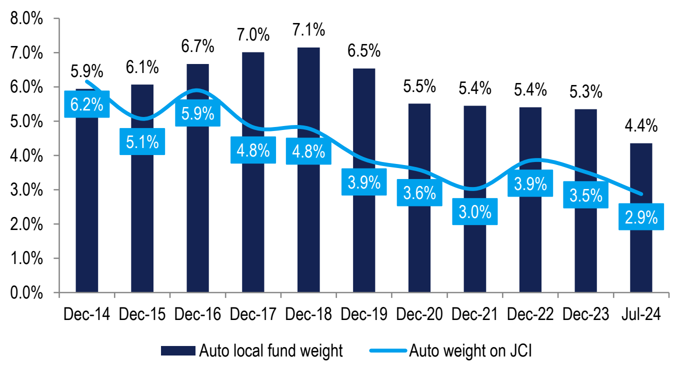
In terms of positioning, local fund remains OW on the sector but the weight had declined to 4.4% in Jul24 (vs. 5.3-5.5% in 2019-23) following lower weight on JCI of 2.9%. Meanwhile, foreign fund maintains an UW position and continuously decline to 3.6% in Jul24 from 8.4% in 2019.

Fig. 8: Auto 2Q24 earnings recap

Core profit (in Rp bn)	1H24	1H23	%YoY	2Q24	2Q23	%YoY	1Q24	%QoQ	IPS	IPS % of IPS	Status	Cons	Cons % of Cons	Status
ASII	16,673	17,319	-4%	8,544	8,717	-2%	8,129	5%	31,543	53%	In-line	30,212	55%	Above

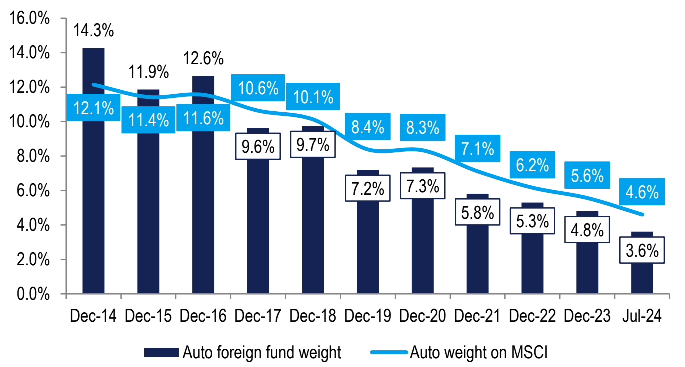
Source: Bloomberg, Company, Indo Premier

Fig. 9: Auto local fund weight vs. JCI



Source: KSEI, Bloomberg, Indo Premier

Fig. 10: Auto foreign fund weight vs. MSCI



Source: KSEI, MSCI, Indo Premier

Banks

Aggregate BBCA, BBRI, and BMRI net profit in 1H24 came broadly in-line at 48% our/consensus FY24F estimates. Among the three banks, BBCA recorded the highest earnings growth of +11% yoy/+9% qoq supported by strong PPOP growth of +11% yoy/+5% qoq.

In terms of margin, NIM improvement is apparent on banks with strong CASA franchise i.e. BBCA and BMRI by +20bp and +30bp qoq, respectively. Both were driven by higher yield (from successful loan repricing) and flattish CoF. Meanwhile, BBRI's NIM drop was due to change in loan mix (higher corporate) and higher CoF (as deposit was driven by TD and high costs CA). Overall NIM guidance kept unchanged.

We continue to like the overall sector and prefer BMRI and BBRI as our top picks. Our reasoning on BBRI is due to the fact most of the risks have been priced-in and any improvement on CoC will result in re-rating. We have all Buy rating for BMRI/BBRI/BBCA but Hold rating on BBNI as we believe the asset quality risk hasn't been priced-in.

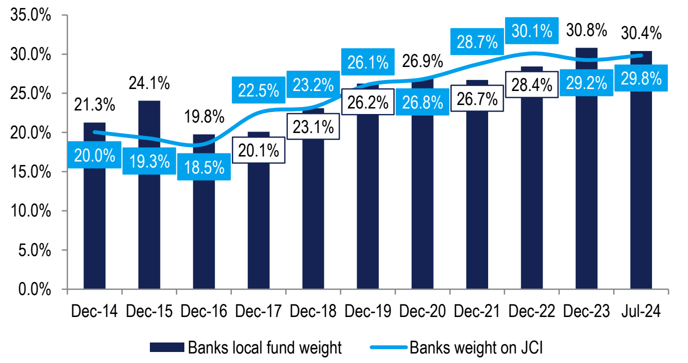
In terms of positioning, local fund continue to like sector at 30.4% weight in Jul24 vs. weight on JCI of 29.8%. Meanwhile, foreign fund has an in-line position at 58.3% in Jul24, similar to the weight on MSCI at 59.9%, dropped from peak of 60.1% in 2023.

Fig. 11: Banks 2Q24 earnings recap

Net profit (in Rp bn)	1H24	1H23	%YoY	2Q24	2Q23	%YoY	1Q24	%QoQ	IPS	% of IPS	Status	Cons	% of Cons	Status
BBCA	26,876	24,190	11%	13,997	12,660	11%	12,879	9%	54,684	49%	In-line	53,913	50%	In-line
BBRI	29,702	29,422	1%	13,816	13,920	-1%	15,886	-13%	62,520	48%	In-line	62,093	48%	In-line
BMRI	26,551	25,232	5%	13,848	12,672	9%	12,702	9%	56,395	47%	In-line	55,768	48%	In-line
BBTN	1,502	1,474	2%	642	673	-5%	860	-25%	3,881	39%	Below	3,672	41%	Below
ARTO	50	41	23%	28	23	23%	22	30%	174	29%	Below	155	32%	Below
Aggregate	**84,681**	**80,358**	**5%**	**42,331**	**39,948**	**6%**	**42,349**	**0%**	**177,654**	**48%**	**In-line**	**175,601**	**48%**	**In-line**

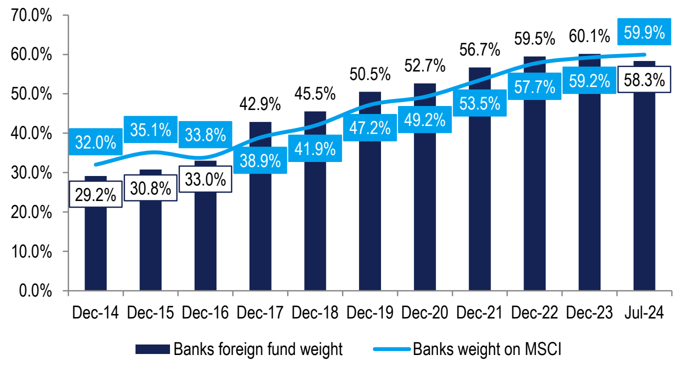
Source: Bloomberg, Company, Indo Premier

Fig. 12: Banks local fund weight vs. JCI



Source: KSEI, Bloomberg, Indo Premier
Consists of: BBCA, BBRI, BMRI, BBNI, BRIS, BBTN, ARTO

Fig. 13: Banks foreign fund weight vs. MSCI



Source: KSEI, MSCI, Indo Premier

Coal

Overall coal earnings in 1H24 came broadly in-line driven by strong UNTR performance, while HRUM, ITMG, and PTBA were still below consensus' estimates mostly due to a lag in earnings revision.

On a quarterly basis, coal miners' earnings within our coverage improved across the board and outperformed their respective coal prices benchmark (2Q24 Newcastle/ICI: +7/-7%), thanks to lower cash cost for ITMG/PTBA and Pama margin expansion for UNTR. Cash cost declined on mining fee normalization for ITMG and lower inventory cost for PTBA. Meanwhile, Pama margin expanded on higher volumes (2Q24: +7% qoq).

We expect thermal coal price to remain elevated above $140/t level up until year end on the back of strong electricity consumption growth in both China and India (+6/+10% yoy), which outpaces growth in renewables output. We see La Nina (66% chance in Sep-Nov) and intensifying tension between Russia-Ukraine and Iran-Israel as an upside risk to price. UNTR remains as our top pick amid strong Pama performance and attractive valuation. However, royalty rate cut is a tailwind for ADRO.

In terms of positioning, local fund was seen increasing the sector weight to 4.6% in Jul24 from 4% in Dec23, despite relatively stable weight on JCI at 3.2-3.4%. Meanwhile, foreign fund maintains an underweight position at 2.5% in Jul24 from 2.4% in Dec23 although weight on MSCI increased by 90bp to 4.2% from 3.3%.

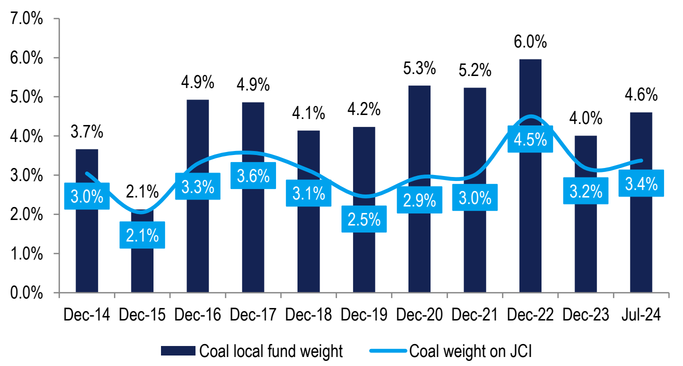
Fig. 14: Coal 2Q24 earnings recap

Net profit (in Rp bn)	1H24	1H23	%YoY	2Q24	2Q23	%YoY	1Q24	%QoQ	IPS	% of IPS	Status	Cons	% of Cons	Status
UNTR	9,532	11,216	-15%	4,985	5,893	-15%	4,547	10%	18,229	52%	In-line	17,220	55%	Above
HRUM*	596	2,425	-75%	586	766	-24%	16	3585%	2,061	29%	Below	2,383	25%	Below
ITMG*	2,077	4,943	-58%	1,079	1,997	-46%	998	8%	5,765	36%	Below	6,489	32%	Below
PTBA	2,033	2,776	-27%	1,242	1,613	-23%	791	57%	3,639	56%	Above	5,139	40%	Below
Aggregate	**14,238**	**21,361**	**-33%**	**7,892**	**10,269**	**-23%**	**6,352**	**24%**	**29,694**	**48%**	**In-line**	**31,231**	**46%**	**In-line**

**USDIDR = Rp16,102*

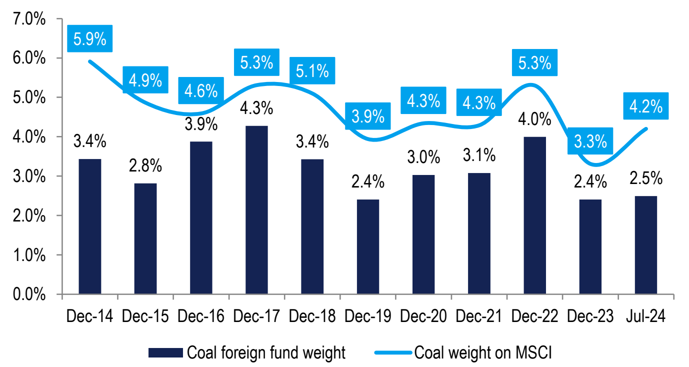
Source: Bloomberg, Company, Indo Premier

Fig. 15: Coal local fund weight vs. JCI



Source: KSEI, Bloomberg, Indo Premier
Consists of: ADRO, ITMG, PTBA, UNTR, HRUM

Fig. 16: Coal foreign fund weight vs. MSCI



Source: KSEI, MSCI, Indo Premier

Health Care

Indonesia hospital 1H24 aggregate revenue grew significantly by 18.5% yoy (vs. 1H24 staples' +4.7% yoy) driven by inpatient traffic growth of +22.8% yoy and this was in-line with consensus' estimate.

Based on our channel check, Jul24' inpatient traffic was similar like Jun24 as Jul24' was still impacted from holiday school from 3rd week of Jun until 1st week of Jul. With the current development, we expect 3Q24F inpatient traffic trend to still grow by double digit yoy.

MIKA upgraded its FY24F guidance and the new guidance is in-line with our estimate (link), while HEAL and SILO maintained their FY24F guidance. However, we expect there is a potential slight revenue upgrade for HEAL due to robust 1H24 inpatient traffic (vs. guidance of +14-16% yoy).

We maintain OW rating on the sector as Indonesia hospital provides robust FY24F top-line growth outlook of 13.9% (vs. staples' 6%). In addition, we think KRIS implementation in Jul25 will give a positive impact into hospital industry, especially for HEAL (link).

In terms of positioning both local and foreign fund maintains a stable position YTD at 1.2% and 0.3%, respectively.

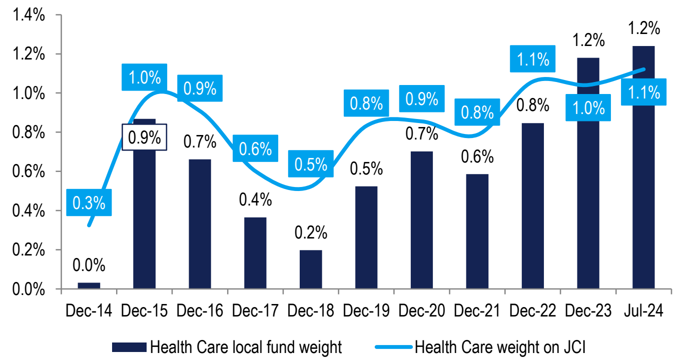
Fig. 17: Health care 2Q24 earnings recap

Net profit (in Rp bn)	1H24	1H23	%YoY	2Q24	2Q23	%YoY	1Q24	%QoQ	IPS	% of IPS	Status	Cons	% of Cons	Status
MIKA	601	453	33%	312	222	40%	289	8%	1,154	52%	Above	1,137	53%	Above
SILO*	555	503	10%	301	254	18%	254	18%	1,428	39%	In-line	1,143	49%	Above
HEAL	343	202	70%	152	93	63%	191	-20%	615	56%	Above	613	56%	Above
Aggregate	**1,499**	**1,159**	**29%**	**764**	**570**	**34%**	**734**	**4%**	**3,197**	**47%**	**Above**	**2,893**	**52%**	**Above**

**SILO use core profit*

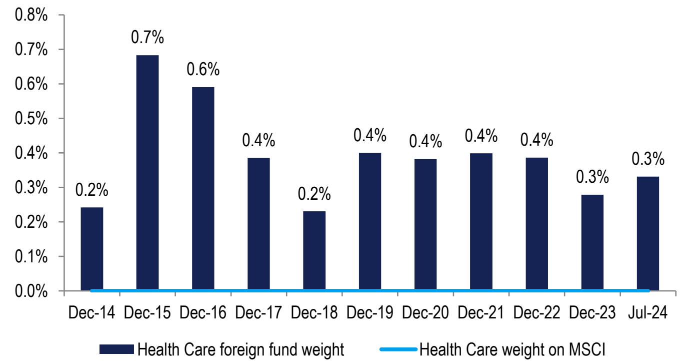
Source: Bloomberg, Company, Indo Premier

Fig. 18: Health care local fund weight vs. JCI



Source: KSEI, Bloomberg, Indo Premier
Consists of: MIKA, SILO, HEAL

Fig. 19: Health care foreign fund weight vs. MSCI



Source: KSEI, MSCI, Indo Premier

Metals

Overall metal 1H24 earnings came below consensus' NP, with the exception of NCKL (in-line) and ANTM (in-line on forex gain), albeit several names have yet to report their NP (i.e. MDKA, MBMA).

However, on quarterly basis, NP improved on qoq basis, thanks to higher ASP primarily driven by higher NPI price (+3% qoq), MHP and NiSO4 price (+21% and +14% qoq), respectively. Several names under our coverage also recovered from a low-base owing to the late approval of RKAB in March/April. For instance, ANTM's nickel ore sales volume were higher by +135% qoq. Cash costs trend, however, were mixed, with NCKL recording an improvement in FeNi cash costs (-7% qoq), while Harum Energy (HRUM) recorded an increase in NPI cash costs (+2% qoq) due to weather-related issue in Weda Bay area, similar to Nickel Industries Ltd (NIC AU).

In 2H24F, we expect better improvement in comparison to 1H24, although we are seeing a decline in battery-grade nickel price in 3Q24 to date vs. 2Q24, while we expect NPI price to gradually improve on weather-related seasonality.

For MDKA, gold price is expected to be higher qoq as gold reached US$2.5k/oz all-time-high level recently, while copper price actually declined by -4% qoq in 3Q24 to date. Overall, we like INCO and MDKA as our top pick, as we believe INCO could benefit from higher LME nickel price in 2H24F, owing to relatively significant net-short position from speculators (COT), which could initiate a spike in LME nickel price. On MDKA, we believe higher gold price and better performance from MBMA, owing to AIM commencement, shall act as a re-rating catalysts.

In terms of positioning, local fund already has an overweight position towards the sector at 4.9% vs. weight on JCI of 2.8%, while foreign fund still underweight at 0.9% vs. weight on MSCI of 1.7%

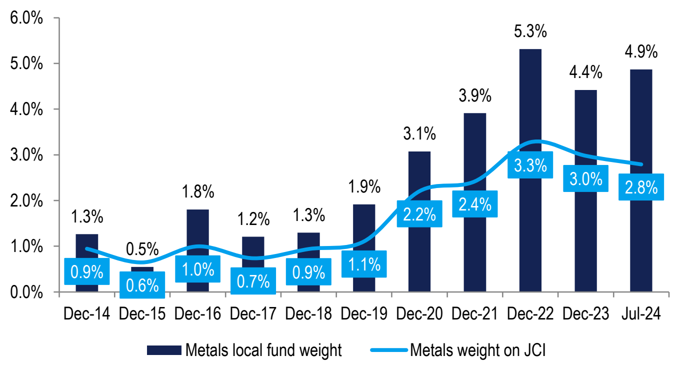
Fig. 20: Metals 2Q24 earnings recap

Net profit (in Rp bn)	1H24	1H23	%YoY	2Q24	2Q23	%YoY	1Q24	%QoQ	IPS	% of IPS	Status	Cons	% of Cons	Status
ANTM	1,551	1,890	-18%	1,312	227	479%	238	450%	2,779	56%	Above	2,484	62%	Above
INCO*	602	2,735	-78%	506	1,140	-56%	101	402%	2,100	29%	Below	2,019	30%	Below
NCKL	2,806	2,745	2%	1,805	1,377	31%	1,001	80%	6,661	42%	Below	5,536	51%	In-line
Aggregate	**4,959**	**7,370**	**-33%**	**3,623**	**2,743**	**32%**	**1,341**	**170%**	**11,540**	**43%**	**Below**	**10,038**	**49%**	**Below**

*USDIDR = Rp16,102

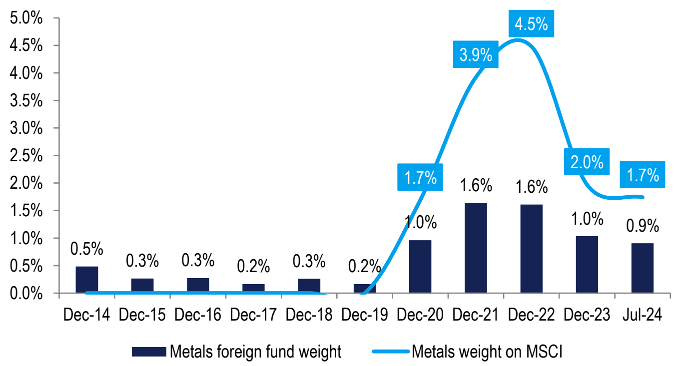
Source: Bloomberg, Company, Indo Premier

Fig. 21: Metals local fund weight vs. JCI



Source: KSEI, Bloomberg, Indo Premier
Consists of: MDKA, ANTM, INCO, ADMR, MBMA, NCKL

Fig. 22: Metals foreign fund weight vs. MSCI



Source: KSEI, MSCI, Indo Premier

Poultry

Both poultry players posted strong performance in 2Q24 mainly due to higher DOC price (+37% qoq) and lower corn price (-30% qoq). However, DOC price dropped to c.Rp4.5k/chick in Aug24 due to prolonged soft broiler price (Rp18k/kg). At the same time, companies maintained their voluntary PS culling size; hence, DOC & broiler price recovery will come from demand side and as such, we expect 2H24F outlook is less rosy comparing with 1H24's.

For CPIN, the robust 2Q24 earnings was driven by feed and DOC segment's strong performance, while processed food continued to be loss making. However, the management expects this segment will turn profitable in 2H24F as the inventory has been lighter in Jun24.

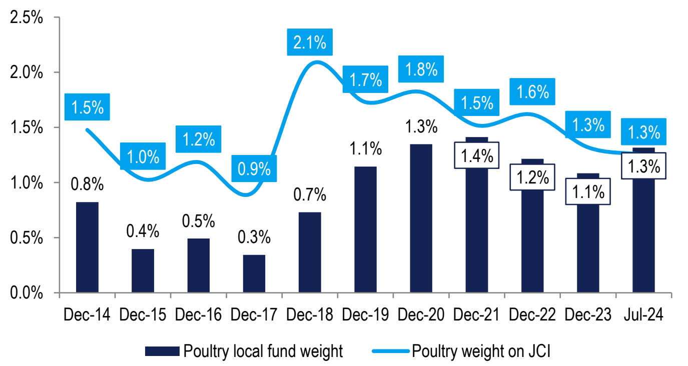
For JPFA, stellar 2Q24 earnings was driven by feed, DOC and Broiler segments.

Fig. 23: Poultry 2Q24 earnings recap

Net profit (in Rp bn)	1H24	1H23	%YoY	2Q24	2Q23	%YoY	1Q24	%QoQ	IPS	% of IPS	Status	Cons	% of Cons	Status
CPIN	1,768	1,379	28%	1,057	1,138	-7%	711	49%	3,815	46%	Below	3,055	58%	Above
JPFA	1,479	82	1704%	814	332	145%	665	23%	2,003	74%	Above	1,670	89%	Above
Aggregate	**3,247**	**1,461**	**122%**	**1,872**	**1,470**	**27%**	**1,376**	**36%**	**5,818**	**56%**	**Above**	**4,725**	**69%**	**Above**

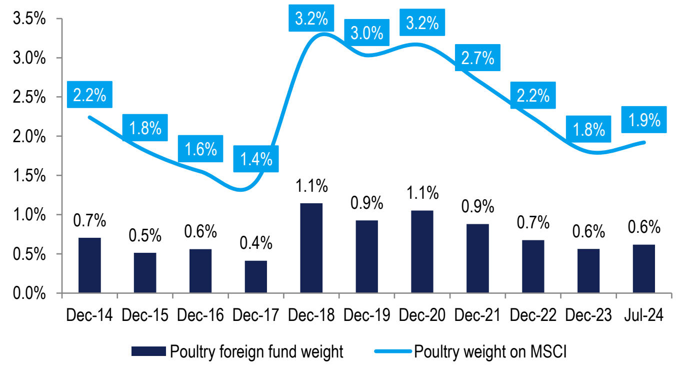
Source: Bloomberg, Company, Indo Premier

Fig. 24: Poultry local fund weight vs. JCI



Source: KSEI, Bloomberg, Indo Premier
Consists of: CPIN, JPFA

Fig. 25: Poultry foreign fund weight vs. MSCI



Source: KSEI, MSCI, Indo Premier

Property

While SMRA and BSDE haven't published their results; current results from CTRA and PWON were a mixed as CTRA was above while PWON came below. Slow revenue recognition in PWON is expected as the revenue recognition from high rise project will be slower vs. landed.

Our top pick is CTRA given the strong presales and above than expected result. 1H24 presales formed 55% of its FY target and it is confident it will reach its target of Rp11tr, while sales from Greater Jakarta area (Serpong, Bintaro, Bekasi) has slowed down in FY24 vs. FY23, its projects in Surabaya and Sumatra is expected to grow significantly to offset the decline in Greater Jakarta area.

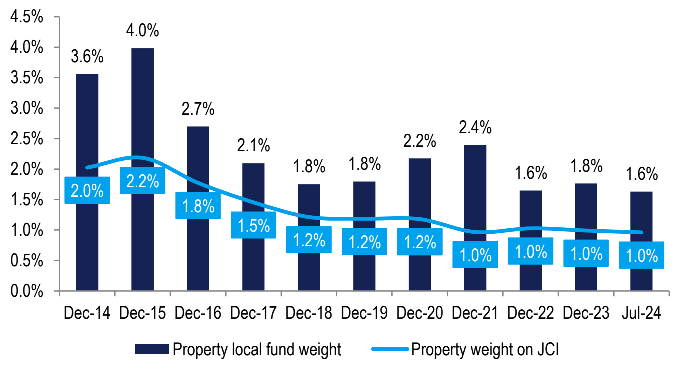
Positioning wise, both local and foreign fund maintains a stable weight towards the sector at 1.6% and 0.8%, respectively.

Fig. 26: Property 2Q24 earnings recap

Net profit (in Rp bn)	1H24	1H23	%YoY	2Q24	2Q23	%YoY	1Q24	%QoQ	IPS	% of IPS	Status	Cons	% of Cons	Status
CTRA	1,029	779	32%	546	366	49%	483	13%	2,057	50%	Above	2,090	49%	Above
PWON	846	1,099	-23%	515	503	2%	331	56%	1,895	45%	Below	2,185	39%	Below
Aggregate	**1,875**	**1,878**	**0%**	**1,061**	**870**	**22%**	**814**	**30%**	**3,952**	**47%**	**In-line**	**4,275**	**44%**	**Below**

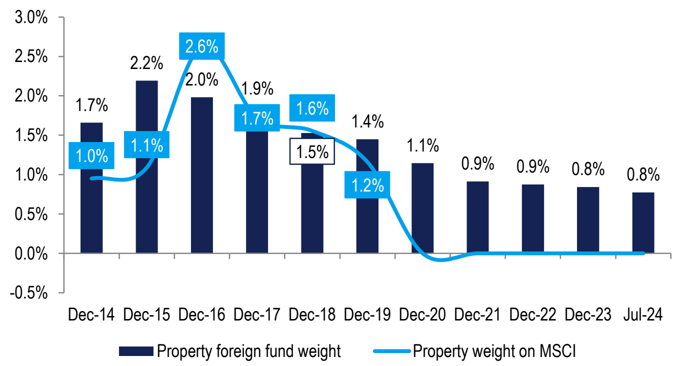
Source: Bloomberg, Company, Indo Premier

Fig. 27: Property local fund weight vs. JCI



Source: KSEI, Bloomberg, Indo Premier
Consists of: PWON, BSDE, SMRA, CTRA

Fig. 28: Property foreign fund weight vs. MSCI



Source: KSEI, MSCI, Indo Premier

Retailer

Retailers under our coverage generally delivered decent 2Q24 sales growth (aggregate of +6.4% yoy growth) which was in-line with consensus and our expectations. On GPM level, only ACES/AMRT booked a higher GPM, while MAPI's was weak at -240bps yoy.

Maintaining Neutral as 3Q is seasonally a non-event for retailers amidst soft buying power backdrop: Following 2Q24's mixed results with only ACES delivering against expectations, we gathered that the market may be a little concerned on the opex growth of retailers.

As highlighted in our recent report, we believe that ACES (our top pick) shall see opex normalization in the upcoming quarters noting some one-off elements in 2Q24 opex. On the other hand, MAPI's on-going aggressive store expansion may imply stubborn opex growth along with higher inventory days.

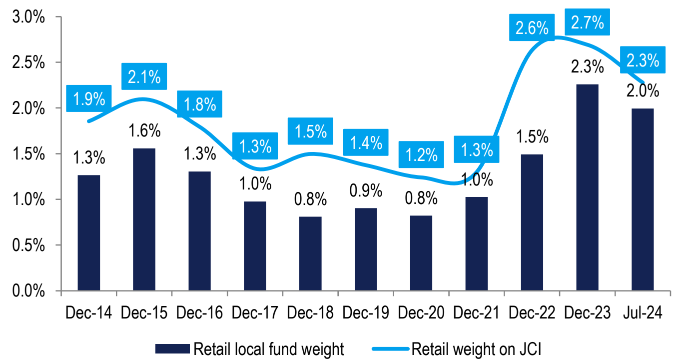
For AMRT's case, the thesis in improving GPM holds true but is offset by higher opex (chiller addition, rental of cash deposit machines, etc). In sum, we maintain our Neutral sector call as 3Q is typically a softer quarter (post festive and back to school spending allocation in July) for retailers, amidst the current sustained soft buying power backdrop.

Fig. 29: Retailer 2Q24 earnings recap

Net profit (in Rp bn)	1H24	1H23	%YoY	2Q24	2Q23	%YoY	1Q24	%QoQ	IPS	% of IPS	Status	Cons	% of Cons	Status
ACES	366	302	21%	161	144	12%	205	-21%	891	41%	In-line	872	42%	In-line
MAPI	899	1,015	-11%	485	624	-22%	414	17%	2,398	37%	Below	2,052	44%	Below
LPPF	626	684	-8%	300	583	-48%	326	-8%	800	78%	In-line	752	83%	In-line
RALS	248	247	1%	141	216	-35%	107	32%	327	76%	Below	305	81%	Below
AMRT	1,794	1,613	11%	904	837	8%	890	2%	4,106	44%	In-line	4,209	43%	In-line
CNMA	389	201	94%	248	225	10%	142	75%	963	40%	In-line	956	41%	In-line
Aggregate	**4,322**	**4,062**	**6%**	**2,239**	**2,629**	**-15%**	**2,083**	**7%**	**9,485**	**46%**	**In-line**	**9,145**	**47%**	**In-line**

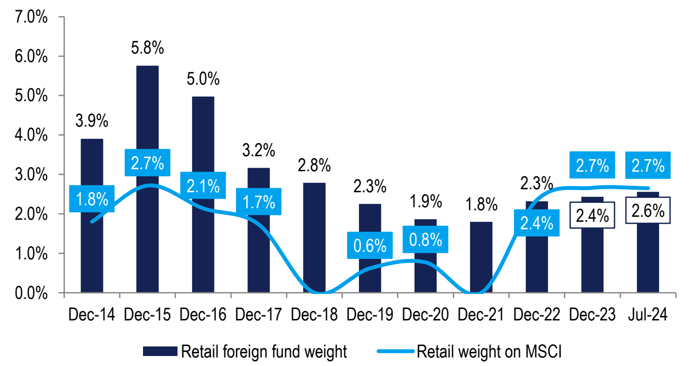
Source: Bloomberg, Company, Indo Premier

Fig. 30: Retailer local fund weight vs. JCI



Source: KSEI, Bloomberg, Indo Premier
Consists of: MAPI, RALS, LPPF, ACES, CNMA, AMRT

Fig. 31: Retailer foreign fund weight vs. MSCI



Source: KSEI, MSCI, Indo Premier

Staples

1H24 results saw strong profit beats (except UNVR) across our staples coverage – ICBP, MYOR, SIDO and KLBF. Nonetheless, contrasting macro data (three months of deflation from May24-Jul24) and decline in CCI may indicate softer buying power.

Mass market buying power, however may be softening as indicated by the three consecutive deflationary months from May24-Jul24 (link to our economist note) and Jul24's PMI data of 49.3. This is also reflected in the decline of consumer confidence index (CCI) from Apr24's 127.7 to Jun24's 123.3 – the decline of which is most apparent for consumer with spending level <Rp3mn (Fig. 2).

Downtrading trend is a consistent feedback gathered from our channel checks and is also reflected evidently within the tobacco sector. The mismatch between the strong 2Q24 aggregate domestic revenue growth and macro data discussed may unfortunately indicate that the positive multiplier impact from election spending may not last long.

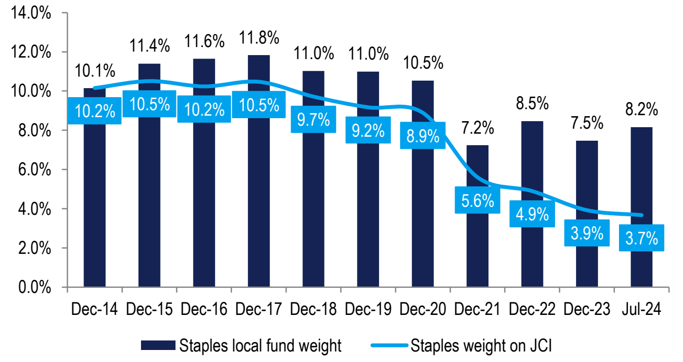
Fig. 32: Staples 2Q24 earnings recap

Net profit (in Rp bn)	1H24	1H23	%YoY	2Q24	2Q23	%YoY	1Q24	%QoQ	IPS	% of IPS	Status	Cons	% of Cons	Status
UNVR	2,467	2,759	-11%	1,018	1,354	-25%	1,449	-30%	5,359	46%	Below	5,071	49%	Below
KLBF	1,805	1,529	18%	848	673	26%	958	-11%	3,316	54%	Above	3,130	58%	Above
SIDO	608	448	36%	218	148	47%	390	-44%	1,212	50%	Above	1,157	53%	Above
ICBP*	5,620	4,680	20%	2,380	1,810	31%	3,240	-27%	9,670	58%	Above	9,481	59%	Above
INDF*	5,670	4,660	22%	2,470	1,760	40%	3,200	-23%	11,499	49%	In-line	9,883	57%	Above
MYOR	1,718	1,219	41%	606	492	23%	1,112	-46%	3,301	52%	Above	3,317	52%	Above
Aggregate	**17,888**	**15,295**	**17%**	**7,539**	**6,237**	**21%**	**10,349**	**-27%**	**34,357**	**52%**	**Above**	**32,038**	**56%**	**Above**

*ICBP and INDF use core profit

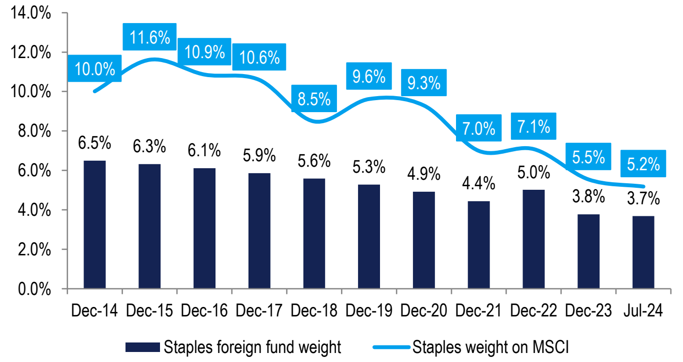
Source: Bloomberg, Company, Indo Premier

Fig. 33: Staples local fund weight vs. JCI



Source: KSEI, Bloomberg, Indo Premier
Consists of: INDF, ICBP, MYOR, UNVR, KLBF, SIDO

Fig. 34: Staples foreign fund weight vs. MSCI



Source: KSEI, MSCI, Indo Premier

Telco & Tower

We expect Indonesian telcos to see a c.5% industry top-line growth this year. Despite the optics, we believe that 2Q24 revenue and ARPU figures were positives given: 1) limited price adjustments in 1H24; and 2) 2Q23 and 1Q24 high-bases (election and Eid al-Fitr timing shift). Notably, 1H24 revenue growth (which normalizes Eid al-Fitr impact) was still higher than 1H23 (+6% yoy vs. 5%). Going forward, we also expect to see further monetization.

That said, given the price hike timing (which we now believe is more likely to materialize at end-3Q24) and the seasonally soft 3Q, ARPU could potentially decline marginally qoq in 3Q24, before rebounding in 4Q24.

We prefer ISAT and TLKM in the near-term, as they could benefit from further competition de-escalation and a potential market share spillover. The potential stock split could also provide further support for ISAT. For EXCL, although we believe that the merger will be a net-positive in the long-run (as cost-savings could be material), given FREN's sizable interest burden (negative core profit since FY08), the merged co could see lower core profit in the near-term.

For towercos, the possibility of rate cut in 2H24 is a potential near-term catalyst (with TOWR as the biggest beneficiary). However, EXCL-FREN merger could pose some risks for towercos i.e.: 1) more concentrated customer base; and 2) merged telcos likely rationalizing their sites. Accordingly, we continue to prefer telcos over towercos.

Fig. 35: Telco 2Q24 earnings recap

EBITDA (in Rp bn)	1H24	1H23	%YoY	2Q24	2Q23	%YoY	1Q24	%QoQ	IPS	% of IPS	Status	Cons	% of Cons	Status
TLKM	37,868	38,384	-1%	18,447	19,390	-5%	19,421	-5%	79,894	47%	In-line	80,738	47%	In-line
ISAT	13,412	11,383	18%	6,903	6,054	14%	6,509	6%	27,328	49%	In-line	26,886	50%	In-line
EXCL	8,958	7,652	17%	4,503	4,069	11%	4,454	1%	17,714	51%	In-line	17,478	51%	In-line
Aggregate	**60,238**	**57,419**	**5%**	**29,853**	**29,513**	**1%**	**30,384**	**-2%**	**124,936**	**48%**	**In-line**	**125,102**	**48%**	**In-line**

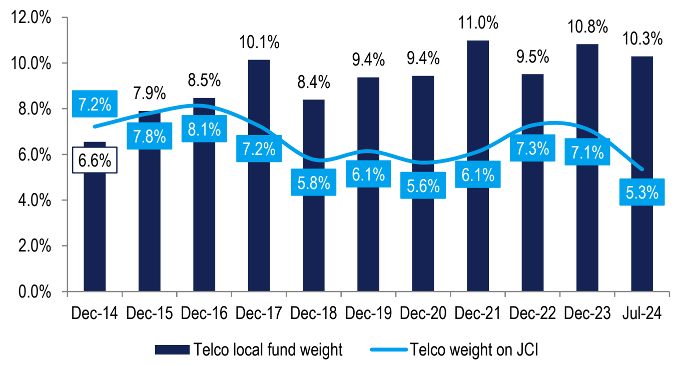
Source: Bloomberg, Company, Indo Premier

Fig. 36: Towers 2Q24 earnings recap

EBITDA (in Rp bn)	1H24	1H23	%YoY	2Q24	2Q23	%YoY	1Q24	%QoQ	IPS	% of IPS	Status	Cons	% of Cons	Status
TBIG	2,937	2,844	3%	1,472	1,449	2%	1,465	0%	5,933	50%	In-line	5,858	50%	In-line
MTEL	3,696	3,353	10%	1,855	1,677	11%	1,841	1%	7,591	49%	In-line	7,545	49%	In-line
Aggregate	**6,633**	**6,197**	**7%**	**3,327**	**3,126**	**6%**	**3,306**	**1%**	**13,524**	**49%**	**In-line**	**13,403**	**49%**	**In-line**

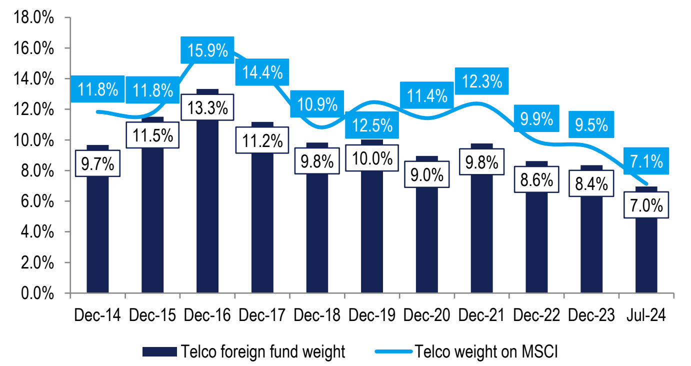
Source: Bloomberg, Company, Indo Premier

Fig. 37: Telco local fund weight vs. JCI



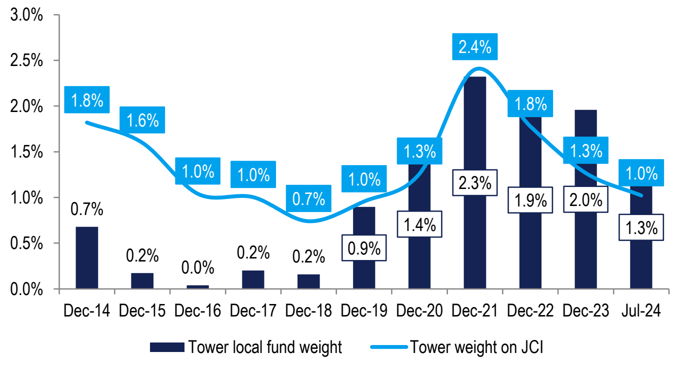
Source: KSEI, Bloomberg, Indo Premier
Consists of: TLKM, EXCL, ISAT

Fig. 38: Telco foreign fund weight vs. MSCI



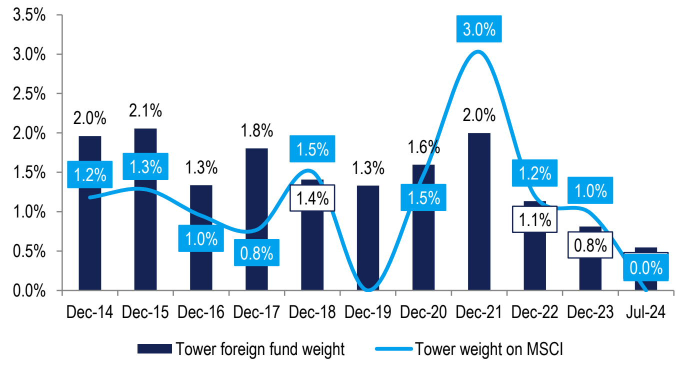
Source: KSEI, MSCI, Indo Premier

Fig. 39: Towers local fund weight vs. JCI



Source: KSEI, Bloomberg, Indo Premier
Consists of: TBIG, TOWR, MTEL

Fig. 40: Towers foreign fund weight vs. MSCI



Source: KSEI, MSCI, Indo Premier

Tobacco

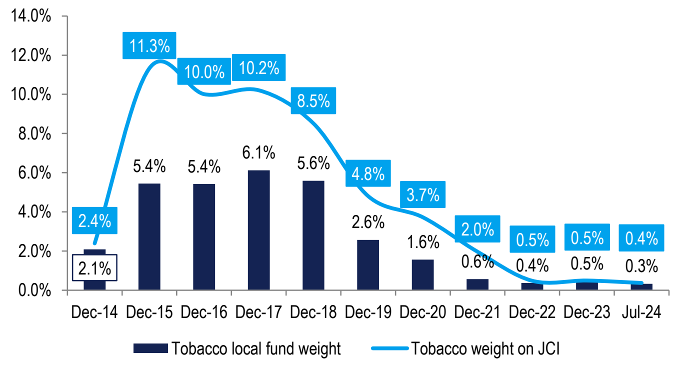
Structurally challenged by down-trading: Both HMSP and GGRM delivered sub-par performance in 2Q24 (both missed our/consensus estimates). GPM continued to decline as these companies struggle to fully pass on excise increments. HMSP (our preferred pick) has some buffer through its SKT segment and its fast-growing IQOS (heated tobacco units, HTU), which according to PMI data, grew +89% yoy in terms of volume shipment. Nonetheless, HTU's contribution is still immaterial at <4% of 2Q24 revenue.

Fig. 41: Tobacco 2Q24 earnings recap

Net profit (in Rp bn)	1H24	1H23	%YoY	2Q24	2Q23	%YoY	1Q24	%QoQ	IPS	% of IPS	Status	Cons	% of Cons	Status
GGRM	926	3,288	-72%	330	1,325	-75%	596	-45%	2,929	32%	Below	4,260	22%	Below
HMSP	3,317	3,750	-12%	1,070	1,590	-33%	2,247	-52%	8,338	40%	Below	8,591	39%	Below
Aggregate	**4,243**	**7,038**	**-40%**	**1,400**	**2,915**	**-52%**	**2,843**	**-51%**	**11,267**	**38%**	**Below**	**12,851**	**33%**	**Below**

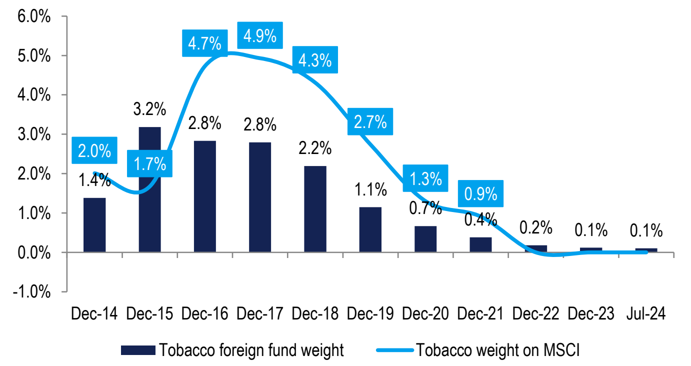
Source: Bloomberg, Company, Indo Premier

Fig. 42: Tobacco local fund weight vs. JCI



Source: KSEI, Bloomberg, Indo Premier
Consists of: GGRM, HMSP

Fig. 43: Tobacco foreign fund weight vs. MSCI



Source: KSEI, MSCI, 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

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.