

Market Outlook

2nd Semester - 2021



Market Outlook - 2nd Semester 2021

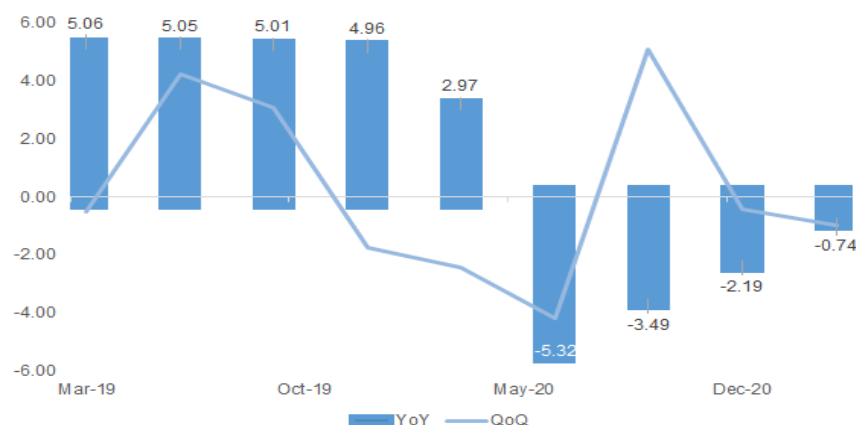
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Economic Outlook



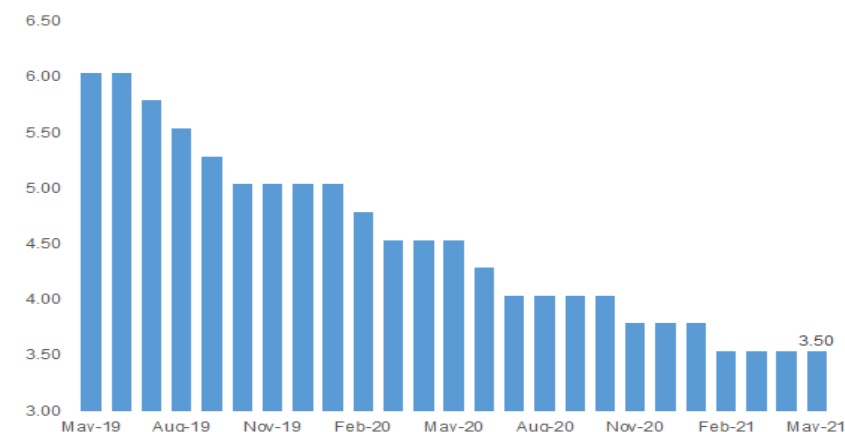
Economic Outlook

Indonesian GDP: Strong export & government spending to support economic recovery; 2021 GDP growth projected at 4.1 - 5.1%.



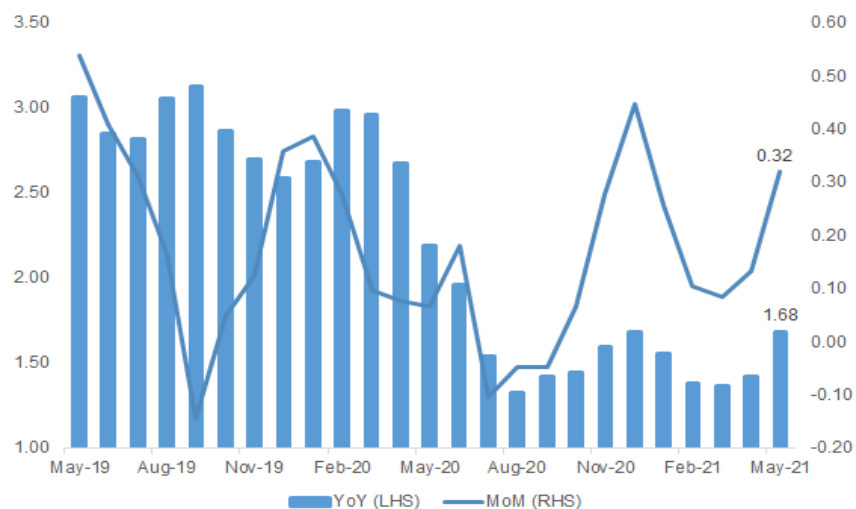
Source: Bloomberg, NHKSI Research

Benchmark Rate: Bank Indonesia to hold BI 7-DRRR steady at 3.50% until FY 21.



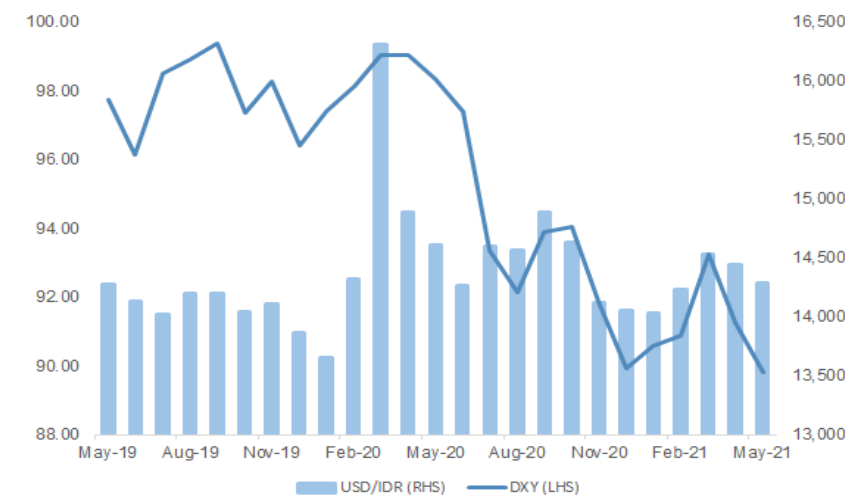
Source: Bloomberg, NHKSI Research

Inflation: CPI remains low despite an increase in demand.



Source: Bloomberg, NHKSI Research

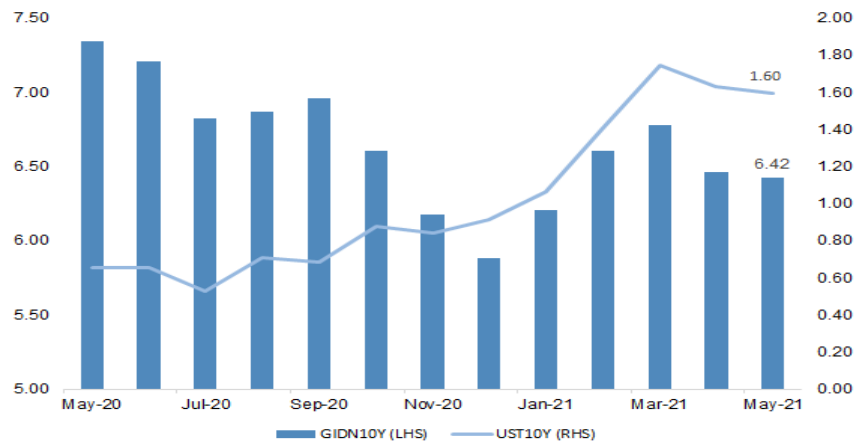
Exchange Rate: Rupiah movement will be influenced by the Fed's tapering-off plan.



Source: Bloomberg, NHKSI Research

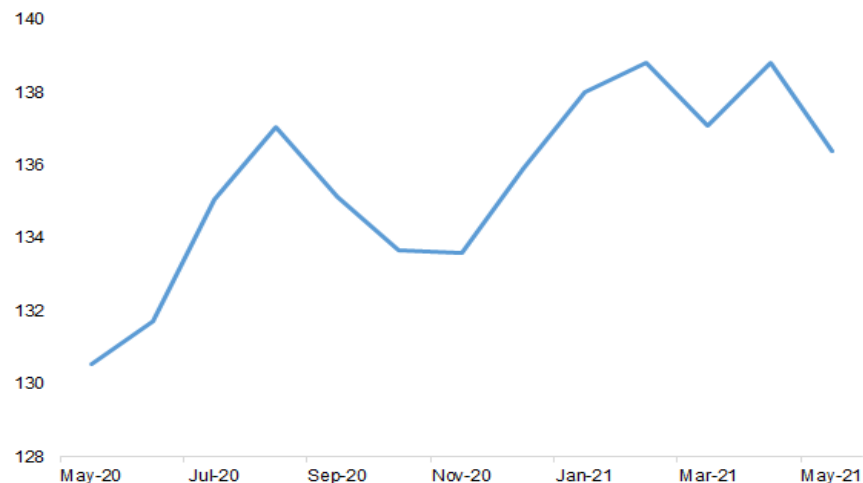
Economic Outlook

Government Bond: The gap between US and Indonesia 10-year yield has become more attractive



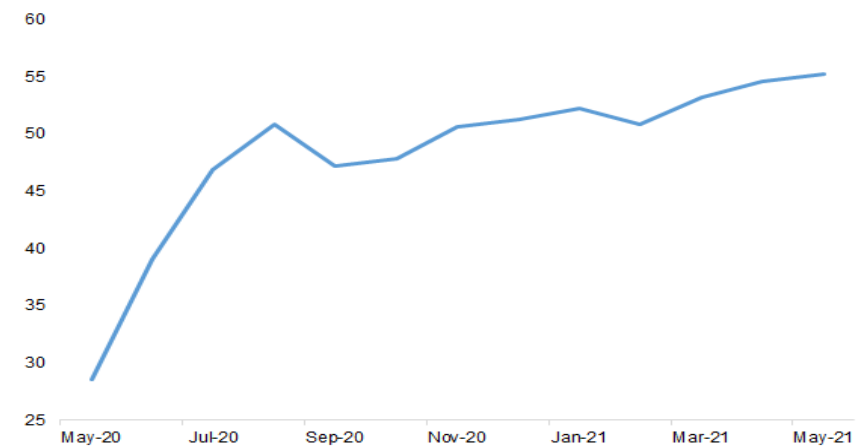
Source: Bloomberg, NHKSI Research

FX Reserves: Coal & CPO exports increased foreign reserves to USD 138.8bn in April 2021. The highest in the last 20 years.



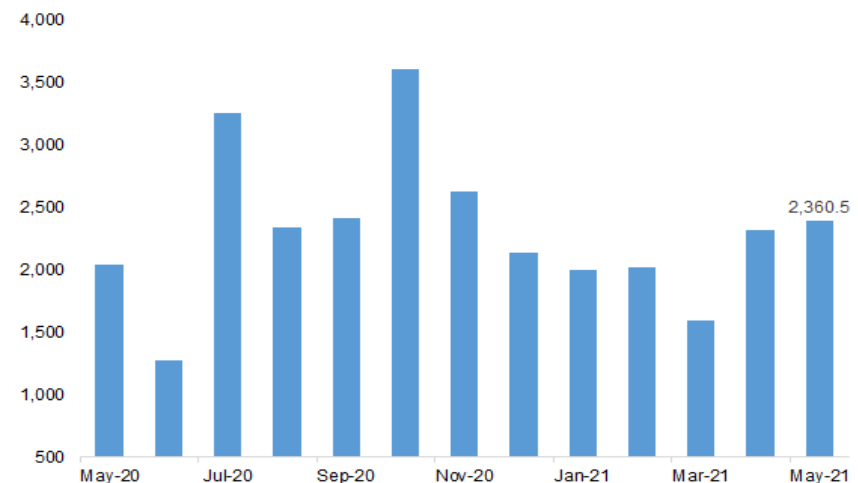
Source: Bloomberg, NHKSI Research

Purchasing Manager Index (PMI): Recorded an all-time high at 55.3 in May 2021; indicating higher manufacturing activities.



Source: Bloomberg, NHKSI Research

Trade balance: Trade surplus increased, optimism for economic recovery is strengthening.

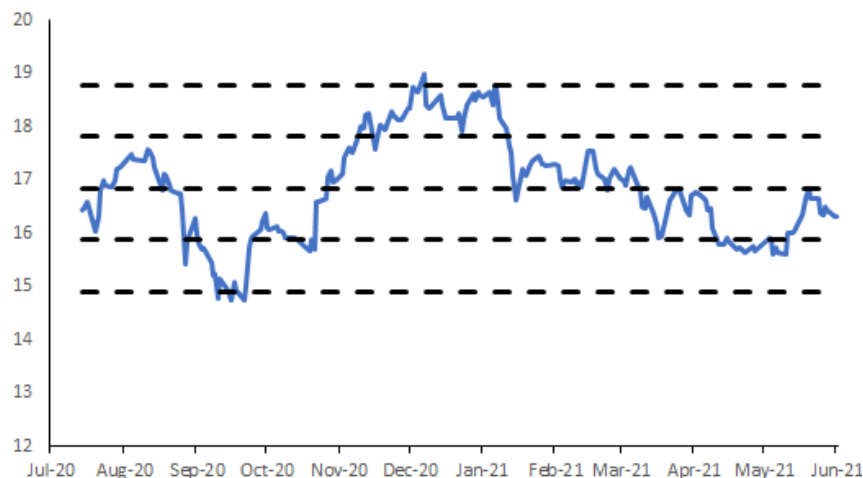


Source: Bloomberg, NHKSI Research

JCI 1H21 Review and 2H21 Projection

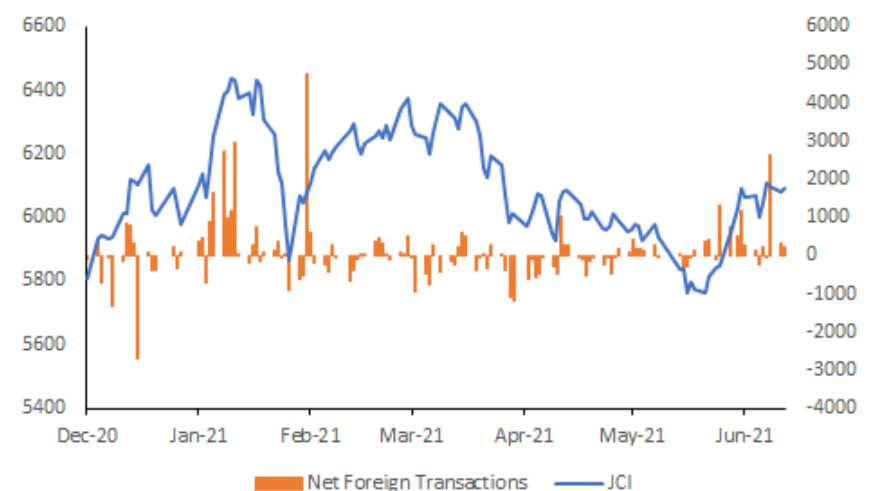
- As of June 18th 2021, the JCI movement remained relatively flat with YTD performance merely up by 0.47%. Several key sentiments which influenced the market in 1H21, include: The start of National Vaccination Program, Establishment of Indonesia's first sovereign wealth fund (Indonesia Investment Authority), Bank Indonesia's decision to cut benchmark rate to 3.5% , and numerous relaxation measures/incentives (such as: PPnBM & Mortgage down payment)
- However, negative catalysts such as: BPJS Ketenagakerjaan's plan to reduce exposure in equity market and fresh concerns regarding the spike in Covid-19 cases toward the end of 2nd Quarter; have held JCI's momentum from further increase.
- Top performers from LQ45 are being led by TBIG with ytd share price increase of 93.9%. Another telco tower provider, TOWR (24,5% ytd); was also among the top winners up until mid-June 2021. Other leaders include stocks with strong 1Q21 earnings such as ERAA and JPFA with price appreciation of 54.5% and 26.3% ytd respectively. On the other hand, LQ45 laggards were topped by two state-owned construction companies WIKA (-45.3% ytd) and PTPP (-49.3% ytd).
- Entering the second half of 2021, JCI movement will largely be influenced by the progress of Covid-19 handling and the acceleration of vaccination program. Furthermore, the adoption of index weighting from Market Capitalization to Free Float-adjusted and the planned IPOs of potentially new large cap stocks such as: GoTo, Bukalapak, and Mitratel, may lead to a shift of balance in JCI. From the global side, market will anticipate the tapering-off effects from the Federal Reserve.
- NHKSI retains its 2021 end of year JCI projection at 6,800; which reflects FY22 Forward P/E at 16.6x.

JCI 12-month Blended Forward P/E Ratio



Source: Bloomberg, NHKSI Research

JCI Movement & Foreign Transactions



Source: Bloomberg, NHKSI Research

Technical View - JCI

From technical perspective, JCI should continue its long-term trend to rally up towards 6,700 in 4Q21



Source: Investing, NHKSI Research

Key Domestic Factors

JCI Weighting Adjustments

- From 2H21, IDX will change its index weighting methodology, from *Market Capitalization Weighting* to *Capped Free Float Adjusted Market Cap Weighting (Free Float)*. This step is taken in order to provide a more accurate reflection of market condition and encourage listed companies to increase their free floats.
- For JCI, the first phase of this new weighting methodology will take effect on October 1st 2021; with the full adoption (100% free float) scheduled to begin from April 1st 2022. To ensure that no component is too dominant in dictating JCI movement, a 9% maximum cap for any one stock is introduced.
- Based on data as of June 15th 2021; TLKM, BBRI, and ASII are projected to be the top stocks with the biggest increase in weighting to JCI. On the other hand; BBKA, TPIA, UNVR, and HMSP are among the biggest losers in weighting changes.

Covid-19 Pandemic Handling Progress in Indonesia

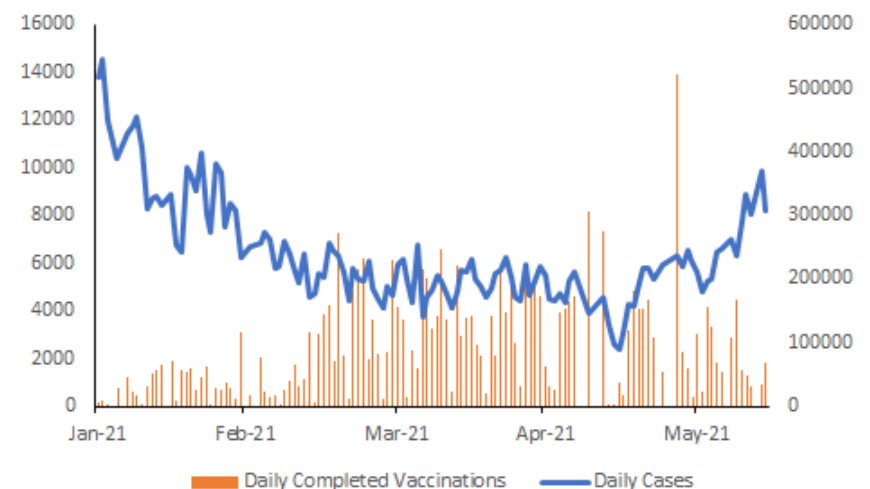
- Towards the end of 1H21, Indonesia was hit by the second wave of Covid-19 cases; partly due to post-Eid mobilities and the more transmissible Delta variant. In the 4 weeks after 2021 Eid holiday, number of cases spiked 112.2%. In mid-June, new daily cases have consistently reported above 12,000.
- As of June 20th, over 12.2 million people have received complete vaccinations (7% of targeted population). Indonesia has received 105 million vaccine bulks from Sinovac/Sinopharm and AstraZeneca; with Pfizer shipment due to arrive in August. The government has set a target of 1 million shots per day beginning in July.

Projected Changes from Free Float-adjusted Weighting (%)

Ticker	Market Cap Weighting	Free-float Adjusted Weighting	Change
TLKM	4.77	6.64	1.88
BBRI	7.23	9.00	1.77
ASII	2.92	4.28	1.37
ARTO	2.48	3.36	0.88
BMRI	4.09	4.56	0.47
CPIN	1.53	1.97	0.44
SMGR	0.85	1.21	0.37
INDF	0.77	1.13	0.36
MDKA	0.93	1.28	0.36
TOWR	0.87	1.21	0.34

Ticker	Market Cap Weighting	Free-float Adjusted Weighting	Change
BBKA	11.05	9.00	-2.05
TPIA	2.33	232.62	-1.87
UNVR	2.76	276.16	-1.53
HMSP	1.92	192.00	-1.50
DCII	1.68	167.56	-0.94
BYAN	0.65	64.93	-0.60
ICBP	1.33	132.95	-0.57
DNET	0.63	63.49	-0.47
MYOR	0.79	79.44	-0.43
GGRM	0.93	93.39	-0.30

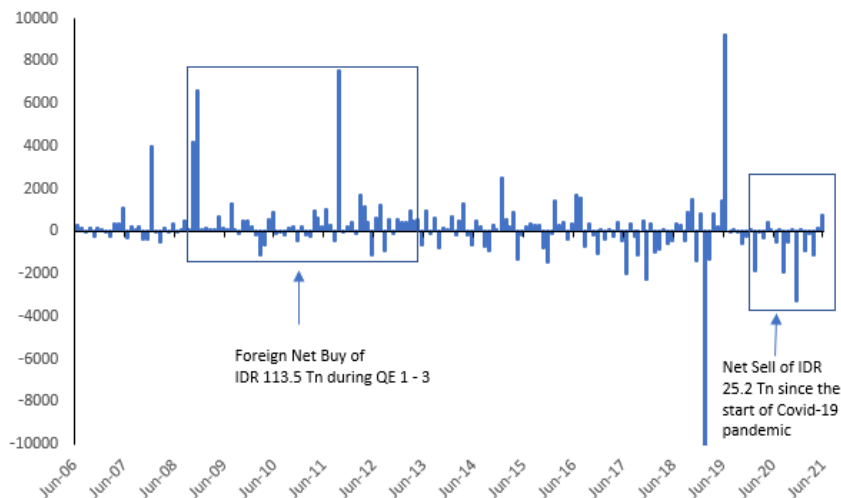
Covid-19 in Indonesia - Positive Cases and Vaccination Progress



Key Global Factors

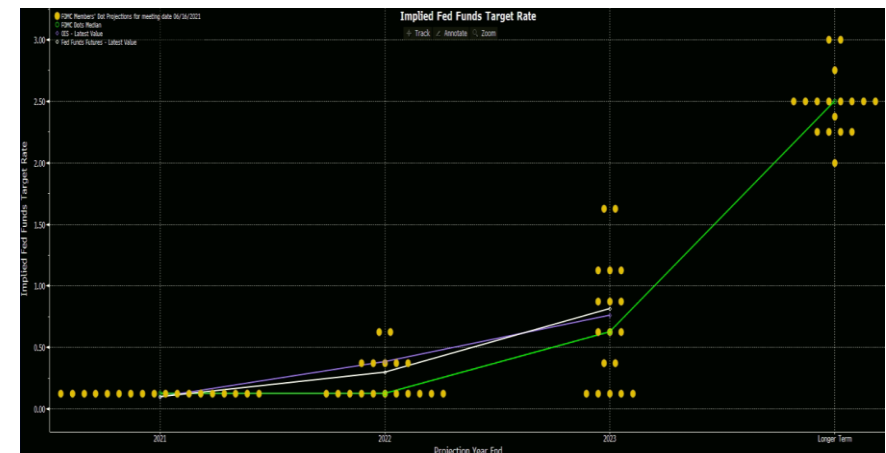
- With the United States largely successful in containing the Covid-19 pandemic, the economy continues to indicate strong signs of recovery. Inflation is running well above the Federal Reserve target rate; with the preferred indicator showed an inflation rate of 3.1% YoY in April 2021. While the Fed viewed this jump in inflation to be temporary, some market participants argued that the central bank is currently behind the curve.
- In its June FOMC meeting, the Fed decided to maintain rates near 0%; while projecting two rate hikes in 2023 with a median of 0.6%. However, it did not offer clear guidance on when to start tapering off its current USD 120 billion monthly bond-buying program.
- Concerns over taper tantrum similar to 2013 will be a key sentiment clouding the JCI entering 2H21. In 2013, the JCI dropped over 20% in response to the surprising announcement of tapering off plans. However, we are optimistic that the Federal Reserve will take the necessary steps to ensure that the decision to reduce its bond buying does not lead to a worldwide market sell-off.
- A key difference between the 2013 tapering and the Covid-19 crisis is the amount of foreign flow in Indonesia equity market. During the QE periods post- subprime mortgage crisis, the stock market had been poured with over IDR 113.5 tn in foreign net buy. Conversely, since the start of Covid-19, foreign investors have booked a net sell of IDR 25.2 tn. Hence, while tapering-off is a certainty; we view that a taper tantrum similar to 2013 does not necessarily need to occur.

JCI Foreign Flow Movement pre-Tapering



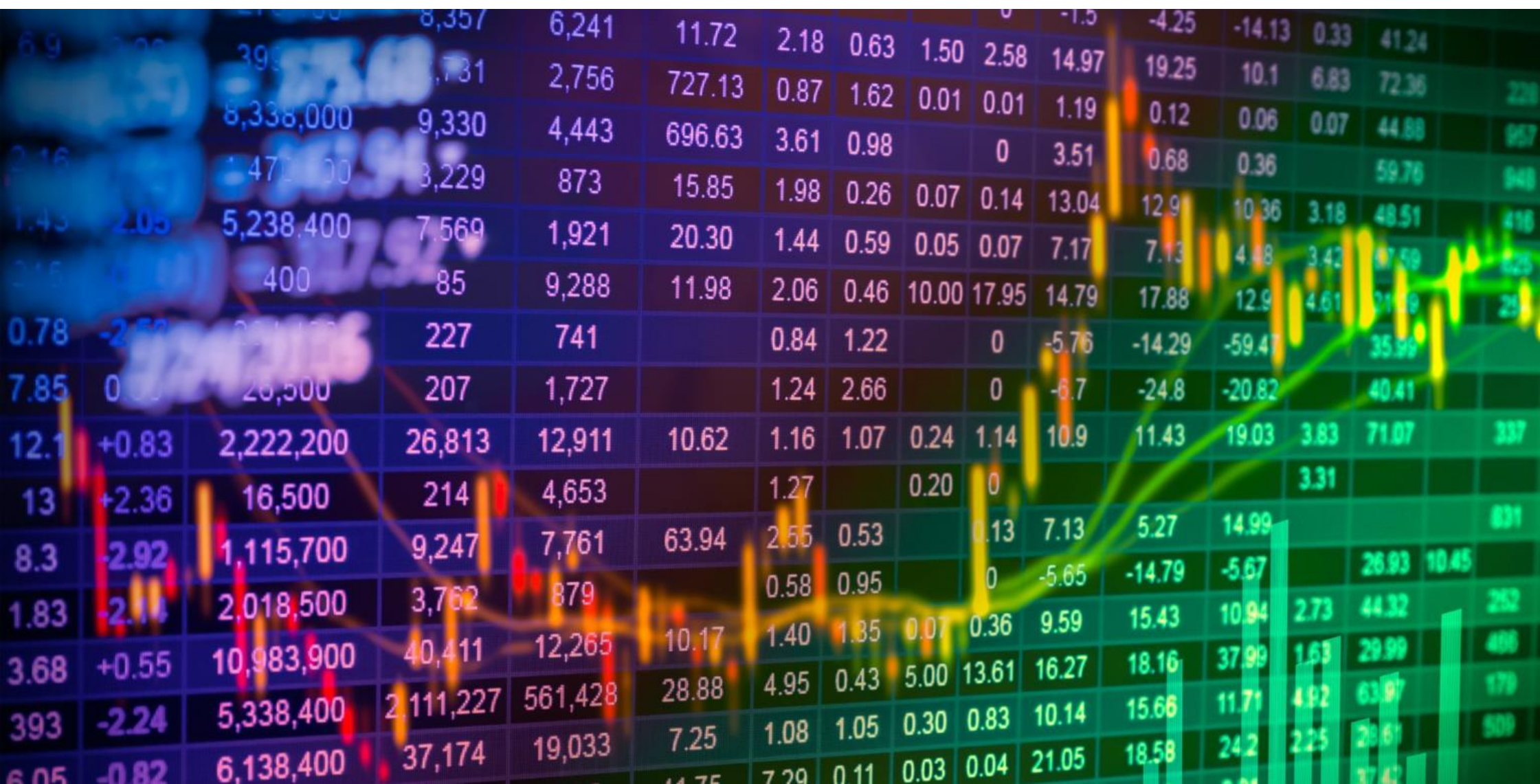
Source: Bloomberg, NHKSI Research

FOMC Dot Plot



Source: Bloomberg

Top Stock Picks



Bank Rakyat Indonesia Tbk (BBRI)

Target Price (IDR)	5,100
Consensus Price	5,040
TP to Consensus Price	+1.2%
vs. Last Price	+26.2%
Last Price (IDR)	4,040
Price date as of	June 22, 2021
52wk range (Hi/Low)	2,960/4,950
Free Float (%)	43.2
Outstanding sh. (mn)	123,324
Market Cap (IDR bn)	494,532
Market Cap (USDmn)	34,711
Avg. Trd Vol – 3M (mn)	139.2
Avg. Trd Val – 3M (bn)	591.0
Foreign Ownership	25.3%
Revenue Breakdown:	
Micro	47.1%
Retail	27.7%
Others (Subsidiaries, Corporate)	25.8%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	116,933	124,753	139,848	146,382
y-y	-4.0%	6.7%	12.1%	4.7%
Net Profit	18,655	28,565	37,324	44,594
EPS (IDR)	151	151	232	303
y-y	-45.7%	53.1%	30.7%	30.6%
P/E	27.6x	22.0x	16.9x	16.8x
P/BV	2.6x	3.0x	2.9x	2.7x
NPM	16.0%	22.9%	26.7%	30.5%
ROE	9.1%	13.8%	16.6%	17.7%

The Creation of Ultra Micro Holding

In June 2021, BBRI has announced plan to initiate an Ultra Micro ecosystem; synergizing with Pegadaian and PNM. The plan will be executed through Rights Issue which will result in BBRI to own 99.9% shares of each company. While the government will exercise its rights through non-cash (*inbreng*) of shares transfer; funds raised from the public can be used to strengthen the banks capital.

Synergies from Ecosystem to be Drivers for Growth

BBRI will benefit from this new ecosystem as the synergies created may result in higher loan growth. Furthermore, it will also lead to better data quality and reduction in CoF. With over 90 million people still underserved; a stronger ultra micro ecosystem will improve BBRI's power in capturing this untapped market.

Maintain BUY with unchanged TP at 5,100

We reiterate our BUY call for BBRI with TP at 5,100; which reflects a Forward P/BV of 2.9x. Factors considered include: benefits from ultra micro synergy, BBRI's manageable NPL and improving NIM in 1Q21.



Bank Mandiri Tbk (BMRI)

Target Price (IDR)	7,900
Consensus Price	7,955
TP to Consensus Price	-0.7%
vs. Last Price	+27.9%
Last Price (IDR)	6,175
Price date as of	June 22, 2021
52wk range (Hi/Lo)	7,450/4,690
Free Float (%)	37.9
Outstanding sh. (mn)	46,666
Market Cap (IDR bn)	292,833
Market Cap (USDmn)	20.563
Avg. Trd Vol – 3M (mn)	42.6
Avg. Trd Val – 3M (bn)	264.2
Foreign Ownership	26.8%
Loan Composition:	
Corporate	36.0%
Subsidiaries	20.8%
Others (Commercial, SME, Consumer)	43.2%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	87,321	97,416	103,448	111,344
y-y	-4.6%	11.6%	6.2%	7.6%
Net Profit	17,119	23,671	29,771	36,730
EPS (IDR)	367	507	638	787
y-y	-37.7%	38.1%	25.8%	23.3%
P/E	17.2x	15.6x	12.4x	10.0x
P/BV	1.5x	1.7x	1.6x	1.2x
NPM	19.6%	24.3%	28.8%	33.0%
ROE	8.5%	11.7%	13.5%	16.0%

Positive Contribution from BRIS

The integration of Bank Syariah Indonesia (BRIS) has made a positive impact to BMRI's consolidated statement. BRIS had a stellar 1Q21 marked by loan and deposit growth of 90.8% / 82.5% QoQ respectively; with superior NIM at 6.1%. This will be a driver for sustainable growth to BMRI, as it continue to expand in capturing the sharia market.

Continuous Improvement on Digital Services

Responding to new challenges from digital banks, BMRI has continued to improve its mobile banking services. The *Livin* app will evolve to its 2.0 version which will be launched in 4Q21, in the effort to become the latest Super App. Transactions through digital channels have increased 48% YoY; which generated a fee income of IDR 284 Bn in 1Q21 (up 50% YoY). BMRI has set a target of 1 mn new account openings in 2021.

Attractive Upside Potential at Reasonable Value

We recommend BUY for BMRI with TP of 7,900; w/ forward P/B at 1.6x. Risks to our call include: 1) Provision expenses remain high; 2) No meaningful improvement in loan restructuring; 3) Changes to benchmark rate.



Telekomunikasi Indonesia Tbk (TLKM)

Target Price (IDR)	4,400
Consensus Price	4,176
TP to Consensus Price	+5.4%
vs. Last Price	+33.3%
Last Price (IDR)	3,300
Price date as of	June 22, 2021
52wk range (Hi/Lo)	3,610/2,560
Free Float (%)	42.7
Outstanding sh. (mn)	99,062
Market Cap (IDR bn)	333,840
Market Cap (USDmn)	23,259
Avg. Trd Vol – 3M (mn)	86.5
Avg. Trd Val – 3M (bn)	288.3
Foreign Ownership	27.1%
Revenue Breakdown:	
Data, Internet and IT Service	52.0%
Others (Indihome & Non-Data)	48.0%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	136,462	143,274	152,457	157,626
y-y	0.7%	5.0%	6.4%	3.4%
Net Profit	20,804	23,716	24,973	25,377
EPS (IDR)	210	239	252	256
y-y	11.5%	14.0%	5.3%	1.6%
EV/EBITDA	5.3x	6.3x	5.8x	5.4x
P/BV	2.7x	3.4x	3.2x	3.0x
NPM	15.2%	16.6%	16.4%	16.1%
ROE	17.2%	18.4%	18.1%	17.4%

Satisfying Performance in 2020

TLKM booked a revenue of IDR136.5 trillion, grew by 0.7% YoY/10.4% QoQ. Data, Internet and IT service segments had the biggest contribution to TLKM's revenue at 52.0%. TLKM successfully booked a net profit of IDR20.8 trillion, which grew 11.5% YoY.

Exciting Corporate Action Plans in 2H21

TLKM will benefit from its investment in PT Aplikasi Karya Anak Bangsa (Gojek) after PT Telekomunikasi Selular (Telkomsel/TLKM subsidiary) invested USD150 million in 4Q20. Moreover, TLKM also plans to hold IPO for Mitratel in 4Q21. If realized, this will further increase the enterprise value for TLKM.

Maintain BUY with Target Price of 4,400

We maintain BUY for TLKM with a higher target price at IDR4,400 for the next 12 months. Our Target Price reflects an EV/EBITDA value of 5.8x.



XL Axiata Tbk (EXCL)

Target Price (IDR)	3,150
Consensus Price	3,164
TP to Consensus Price	-0.4%
vs. Last Price	+13.3%
Last Price (IDR)	2,780
Price date as of	June 22, 2021
52wk range (Hi/Low)	3,070/1,920
Free Float (%)	33.6
Outstanding sh. (mn)	10,725
Market Cap (IDR bn)	28,527
Market Cap (USDmn)	1,988
Avg. Trd Vol – 3M (mn)	30.8
Avg. Trd Val – 3M (bn)	70.3
Foreign Ownership	99.1%
Revenue Breakdown:	
Data	83.4%
Others (Non-data & Services)	16.6%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	26,009	26,972	28,293	29,278
y-y	3.5%	3.7%	4.9%	3.5%
Net Profit	372	782	856	1,145
EPS (IDR)	35	73	80	107
y-y	-47.9%	110.5%	9.5%	33.7%
EV/EBITDA	4.6x	3.8x	3.4x	3.0x
P/BV	1.5x	1.7x	1.6x	1.6x
NPM	1.4%	2.9%	3.0%	3.9%
ROE	1.9%	3.9%	4.2%	5.4%

Source: Bloomberg, Investing, NHKSI Research

Expenses Soar, Less than Optimal Bottom Line in 1Q21

EXCL booked a revenue of IDR6.2 trillion (-3.8% YoY, -1.7% QoQ) in 1Q21. Data segment slightly grew by 0.2% YoY to IDR5.2 trillion, with the highest contribution to the revenue at 83.4%. We see the increasing expenses at 23.0% YoY resulted in EXCL only booking net profit of IDR320.5 billion.

Strengthen Digital Transformation Program

After the auction failure for 2.3 GHz spectrum, EXCL is back to increasing the usage of digital IT, artificial intelligence, omni channel, and data analytics for customer needs. The 4G network expansion continues, with EXCL currently owning 57,089 4G BTS (+31.0% YoY vs 43,579 in 1Q20).

Maintain BUY Rating with Target Price at 3,150

We maintain BUY for EXCL with the target price set at 3,150 for the next 12 months. The EV/EBITDA implication of our target price is still low at around 3.8x.



Sarana Menara Nusantara Tbk (TOWR)

Target Price (IDR)	1,520
Consensus Price	1,546
TP to Consensus Price	-1.7%
vs. Last Price	+26.1%
Last Price (IDR)	1,205
Price date as of	June 22, 2021
52wk range (Hi/Lo)	1,325/920
Free Float (%)	47.1
Outstanding sh. (mn)	51,015
Market Cap (IDR bn)	60,452
Market Cap (USDmn)	4,190
Avg. Trd Vol – 3M (mn)	55.5
Avg. Trd Val – 3M (bn)	64.4
Foreign Ownership	24.0%
Revenue Breakdown:	
EXCL Tower Rental	33.8%
Others (3, Tsel, ISAT)	66.2%

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%
Net Profit	2,836	3,126	3,375	3,227
EPS (IDR)	56	61	66	63
y-y	21.1%	10.2%	8.0%	-4.4%
EV/EBITDA	10.6x	16.4x	14.8x	14.5x
P/BV	4.8x	6.5x	5.6x	5.1x
NPM	38.1%	35.7%	33.1%	29.1%
ROE	27.8%	26.0%	24.4%	21.0%

Rising Rental Demand Boosts Performance in 1Q21

TOWR booked revenue growth of 7.5% YoY to IDR2.0 trillion. The rental segment grew 7.1% YoY in 1Q21, supported by higher rental demand from EXCL (+9.2% YoY) and ISAT (+49.5% YoY). Strong efficiency in sales & marketing expense (-27.0% YoY) resulted in OPM increase to 63.2%. In 1Q21, TOWR recorded a net profit of IDR789.2 billion or grew +52.1% YoY.

Higher Data Needs will Lead to Tenant Growth

The increase is in line with the needs for data traffic that continue to rise during the pandemic, which in turn increases the number of tenant from telco operators. Estimates on Top and Bottom Line at IDR8.7 trillion/IDR3.1 trillion in 2021. Meanwhile, utilization of the 5G network will also increase the number of TOWR tenants.

Maintain BUY with Target Price at IDR1,520

Maintain BUY with a higher target price at IDR1,520 for the next 12 months. Our target price is equal to EV/EBITDA at 14.8x.



Erajaya Swasembada Tbk (ERAA)

Target Price (IDR)	800
Consensus Price	703
TP to Consensus Price	+13.8%
vs. Last Price	+17.6%
Last Price (IDR)	680
Price date as of	June 22, 2021
52wk range (Hi/Lo)	685/243
Free Float (%)	45.2
Outstanding sh. (mn)	15,950
Market Cap (IDR bn)	10,846
Market Cap (USDmn)	761.76
Avg. Trd Vol – 3M (mn)	132.01
Avg. Trd Val – 3M (bn)	76.97
Foreign Ownership	9.7%
Revenue Breakdown:	
Cellular Phones	79.9%
Others	20.1%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	34,113	41,415	45,632	51,288
y-y	3.5%	21.4%	10.2%	12.4%
Net Profit	612	719	822	950
EPS (IDR)	38	45	51	594
y-y	108.6%	17.4%	14.4%	15.6%
P/E	11.4x	17.8x	15.6x	13.5x
P/BV	1.2x	1.7x	1.5x	1.3x
NPM	1.7%	1.7%	1.8%	1.9%
ROE	11.9%	15.0%	15.9%	15.8%

Source: Bloomberg, Investing, NHKSI Research

Stellar Performance with Margin Expansion

ERAA closed 1Q21 with an exceptional performance, maintaining the company's momentum from last year. The double-digit revenue growth and margins were driven by a jump in sales of cellular phone segment, which also benefited from remote work, online education and extended stay-at home scenario.

A good sign of IMEI Implementation

We notice IMEI implementation worked well and positively impacted the sales of cellular phones and the rise of ASP. Thus, we see a potential for around 20% p.a. ASP growth, resulting in 13.1% CAGR in the next 2 years (FY20-22E), driven by the sales of premium products such as Apple. We expect gross margin to stay around 9% (9.5%/9.7% in FY21F/FY22F), driven by the impact of IMEI implementation.

Valuation

Our TP of IDR800/share is based on 15.6x FY21E P/E (approx +1 SD of its 3 years mean), justified by our forecast for sustained ROE of c.15% in the next few years.



Aneka Tambang Tbk (ANTM)

Target Price (IDR)	2,550			
Consensus Price	3,467			
TP to Consensus Price	-26.4%			
vs. Last Price	+12.8%			
Last Price (IDR)	2,260			
Price date as of	June 22, 2021			
52wk range (Hi/Lo)	3,440/570			
Free Float (%)	34.9			
Outstanding sh. (mn)	24,031			
Market Cap (IDR bn)	55,751			
Market Cap (USDmn)	3,912			
Avg. Trd Vol – 3M (mn)	170.5			
Avg. Trd Val – 3M (bn)	470.3			
Foreign Ownership	96.2%			
Revenue Breakdown:				
Gold and Refinery	71.7%			
Others (Nickel Ore Mining, Bauxite, Alumina)	28.3%			
IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	27,372	27,844	32,136	35,097
y-y	-16.3%	1.7%	15.4%	9.2%
Net Profit	1,149	2,161	2,852	3,426
EPS (IDR)	44	87	110	130
y-y	492.3%	88.1%	32.0%	20.1%
EV/EBITDA	15.2x	13.2x	19.5x	16.4x
P/BV	3.2x	2.6x	2.4x	2.2x
NPM	4.2%	7.8%	8.9%	9.8%
ROE	6.0%	11.1%	12.6%	13.6%

Solid Performance on 1Q21

In 1Q21, ANTM reported revenue of IDR9.21 trillion (+77% YoY). Nickel sales volume booked at 1.6 million wmt, compared to zero sales volume in 1Q20 as exports of nickel ore was banned. ANTM recorded 1Q21 revenue of IDR630 billion, after recording a net loss of IDR282 billion in 1Q20.

Featured by Product Diversification

ANTM is one of the stakeholders of Indonesia Battery Corporation (IBC), which will benefit from the Electric Vehicle (EV) battery development in Indonesia. Globally, growth in EV Industry will potentially result in higher nickel price. ANTM has abundant nickel reserves. We also predict that gold price will remain strong, and support ANTM's performance in FY21.

Overweight rating with TP of IDR2,550

We rate overweight with TP IDR2,550 for the next 12 months. Our TP is based on forward EV/EBITDA of 19.5x. ANTM is currently traded at 13.0x EV/EBITDA.



Japfa Comfeed Indonesia Tbk (JPFA)

Target Price (IDR)	2,370
Consensus Price	2,389
TP to Consensus Price	-0.8%
vs. Last Price	+23.2%
Last Price (IDR)	1,925
Price date as of	June 22, 2021
52wk range (Hi/Low)	2,270/990
Free Float (%)	44.6
Outstanding sh. (mn)	11,727
Market Cap (IDR bn)	22,925
Market Cap (USDmn)	1,593
Avg. Trd Vol – 3M (mn)	28.5
Avg. Trd Val – 3M (bn)	57.9
Foreign Ownership	99.6%
Revenue Breakdown:	
Commercial Farm	39.0%
Others	61.0%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	36,965	40,056	44,735	48,386
y-y	-4.9%	8.4%	11.7%	8.2%
Net Profit	917	1,833	2,592	3,077
EPS (IDR)	78	156	221	262
y-y	-48.3%	100.0%	41.4%	18.7%
P/E	18.7x	15.2x	10.8x	9.1x
P/BV	1.6x	2.4x	2.2x	2.0x
NPM	2.5%	4.6%	5.8%	6.4%
ROE	8.0%	14.7%	18.9%	21.2%

Source: Bloomberg, Investing, NHKSI Research

Solid 1Q21 Performance

JPFA booked net sales of IDR10.8 trillion or grew 11.6% YoY in 1Q21. The biggest sales contribution was the Commercial Farm segment with 43.6% growth YoY. Net Profit increased significantly by 149.7% YoY to IDR858.7 million, driven by lower financial expenses (-21.7% YoY).

Higher Prices to Drive Revenue Growth

The vaccination program at the beginning of the year has had a positive impact on the poultry sector. This has shown in JPFA's strong 1Q21 performance. Taking into account that both Broiler and Day-old Chicken (DoC) prices are higher in 2021, we estimate that JPFA will continue its revenue growth by +8.4% / +11.7% in FY21/FY22.

BUY Rating with Target Price 2,370

We Recommended BUY rating with target price at area 2,370 for the next 12 months. The P/E implication of our target price is at 15.2x.



Media Nusantara Citra Tbk (MNCN)

Target Price (IDR)	1,550
Consensus Price	1,469
TP to Consensus Price	+5.5%
vs. Last Price	+64.0%
Last Price (IDR)	945
Price date as of	June 22, 2021
52wk range (Hi/Lo)	1,270/7055
Free Float (%)	53.6
Outstanding sh. (mn)	15,050
Market Cap (IDR bn)	15,200
Market Cap (USDmn)	1,062
Avg. Trd Vol – 3M (mn)	42.53
Avg. Trd Val – 3M (bn)	41.74
Foreign Ownership	23.44
Revenue Breakdown:	
Advertising Agency	92.7%
Others	7.3%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	7,956	8,511	9,341	10,122
y-y	-4.8%	7.0%	9.8%	8.4%
Net Profit	1,747	2,015	2,247	2,459
EPS (IDR)	138	159	177	194
y-y	-22.9%	13.1%	17.2%	15.0%
P/E	8.2x	8.8x	7.9x	7.2x
P/BV	1.0x	0.8x	0.7x	0.7x
NPM	21.9%	23.7%	24.1%	24.4%
ROE	13.5%	15.4%	15.5%	15.7%

Digital Ad on the rise

Despite weak earnings in FY20, MNCN saw digital ad revenue grew by ~40% YoY. This coincided with the flagship OTT platform (RCTI+); which reached 23.2 mn monthly active users (MAU) by the end of 2020. Additionally, through Advertisement-based Video on Demand (AVOD) concept, we believe digital ad will remain promising in the long run.

Big gains in prime time and non-prime time audience share

MNCN achieved 52.4%/40.4% prime time/non prime time audience shares in Jan-Apr 2021, the largest among its peers, as the company benefited from *Ikatan Cinta* and *Putri untuk Pangeran* drama series. We expect this to boost revenue growth, allowing it to increase its rate card.

Valuations

Our TP of 1,550/share is based on 8.7x FY21E P/E (near +1SD of its 3 years mean). We believe this undemanding valuation compared to its peers provides an attractive investment opportunity in MNCN.



Pembangunan Perumahan Tbk (PTPP)

Target Price (IDR)	1,870
Consensus Price	1,837
TP to Consensus Price	+2.0%
vs. Last Price	+91.8%
Last Price (IDR)	975
Price date as of	June 22, 2021
52wk range (Hi/Lo)	2,360/508
Free Float (%)	49.0
Outstanding sh. (mn)	6,200
Market Cap (IDR bn)	6,603
Market Cap (USDmn)	464
Avg. Trd Vol – 3M (mn)	28.88
Avg. Trd Val – 3M (bn)	37.38
Foreign Ownership	14.2%
Revenue Breakdown:	
Construction High Rise Building	78.7%
Others	21.3%

IDR bn	FY2020	FY2021F	FY2022F	FY2023F
Revenue	15,831	20,127	23,171	29,324
y-y	-35.8%	27.1%	15.1%	27.0%
Net Profit	129	497	778	914
EPS (IDR)	21	80	125	146
y-y	-86.2%	286.4%	56.4%	17.0%
P/E	89.8x	23.3x	14.9x	7.0%
P/BV	0.8x	0.8x	0.8x	0.5x
DER	132%	138%	138%	139%
ROE	0.9%	3.5%	3.5%	6.9%

Source: Bloomberg, Investing, NHKSI Research

Cost Efficiencies Boost 1Q21 Bottom Line

PTPP booked 1Q21 revenue of IDR2.8 trillion (-16,7% YoY). The company improved efficiencies on the construction segment, resulting in gross margin increase to 14,7%. Net profit was recorded at IDR38 billion (+187,3% YoY). Up to May 2021, PTPP booked new contracts worth IDR6.6 trillion (22% of FY21 target).

Relying on Asset Divestments

PTPP is working on the first factory construction project in KIT Batang, one of the National Strategic Projects (PSN). With current net gearing ratio at 0.8x; PTPP's do not have sufficient capacity to fund its order book. In 2H21, PTPP has 2 assets which are on the final stages of divestment process, such as Medan – Kualanam toll road and Kuala Tanjung Port worth IDR800 billion. Currently, PTPP is also on the early stages of selling the Padaan-Malang Toll Road. These divestments will have a positive impact on PTPP's FY21 financials.

Buy rating with TP of IDR1,870

We recommend BUY with a lower TP at IDR1,870 based on a forward P/E of 23.3x (+0.1 SD of its 3-year average).



Thank You



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