

2024 Market Outlook

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Monetary policy easing cycle in 2024. Only several weeks until the end of the year, and we see that our JCI had bottomed out in Oct-23 and rallied since then, as the market believes that the Fed is finished with its rate hike cycle (the Fed projects its FFR at 4.6% in 2024, suggesting 75bps rate cut next year). Emerging market investors might interpret this as an early indication of risk-on sentiment, which may eventually spill over into emerging market assets. Moreover, equity assets, whose valuation as risk assets is quite undemanding, should benefit from the situation. We anticipate a transition in market attention towards the monetary policy easing cycle in 2024, as the global growth slowdown becomes more severe. Domestically, we expect GDP growth to receive a temporary boost from stronger consumption due to election spending as well as the new stimulus measures from the government to maintain purchasing power and inflation rate, including the Rice Handout Programme (IDR2.6tn), and El Nino cash aid for low-income households (IDR7.5tn). However, deteriorating ToT and weak external demand might lead to a CAD widening to 0.9% in 2024F, whereas imports are anticipated to remain stable. Given administered prices, we anticipate inflation to remain within BI's 1.5–3.5% target and BI to start its cutting cycle in Oct-24 at the earliest.

Foreign outflow from JCI. After booking a net foreign inflow of IDR 200bn in Nov-23, JCI reported a foreign outflow of IDR1.5tn MTD. On a YTD basis, net foreign inflows were IDR 1.5tn, lower than in 2022 (IDR44tn). We noticed that GOTO, BBCA, and BMRI recorded the highest capital outflows MTD. Amongst the big-4 banks, BBRI is the only one recording foreign inflow (IDR227.1bn) MTD. Meanwhile, TLKM, ASII, and BBRI booked the highest foreign inflows MTD. The total foreign institutional ownership fell to 11.8% in Nov-23 vs. 12.8% in the previous month and 15.1% in Nov-22.

2024F index target and key themes. We anticipate the index to be more volatile in 2024 as a result of investors possibly adopting a wait-and-see approach in light of the presidential election in 1H24. We forecast the JCI at 7,600 at the end of 2024, implying a forward valuation of 14x PE, which is still lower than its 1.0SD. We expect 2024 EPS growth to accelerate to 8.6% vs. 6.1% in 2023. We maintain our OVERWEIGHT call on consumer staples, banks, telecommunications, and property sectors. For the consumer sector, there is a potential positive catalyst coming from political campaigns that can boost people's purchasing power, especially for the middle-low segment, as well as support from manageable input costs. For banks, most of them are quite confident that their LARs could improve further in the future, and they are already comfortable with their current LAR and NPL coverage ratio, suggesting that CoC may still decline and they can maintain strong, long growth in the coming years. For telecom, we expect telco companies to book higher data traffic growth this year, supported by election momentum, and favorable mobile competition will continue to support their ARPU. If we take a look at historical data, regional telco companies' data traffic usually started to spike two quarters before an election. For property, the property tax reduction stimulus (budget of IDR3.2tn) could lift presales in 2024F, and their valuations are quite attractive (currently trading at a 75% discount to NAV). **Our top picks:** BBRI, BMRI, TLKM, ICBP, DRMA, TOWR, and CTRA.

Market Update December 2023

Strategy Report

14 December 2023

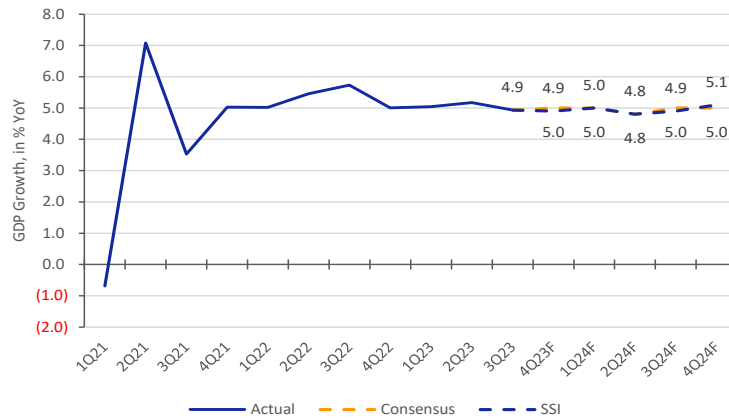
Table 1. 12-month top picks

Ticker	Recommendation	CP	TP	Upside	Net Profit Growth (%)		ROE (%)		ROA (%)	
		IDR	IDR	%	23F	24F	23F	24F	23F	24F
BBRI	BUY	5,300	6,100	15%	12.2%	10.2%	21.0	20.8	3.5	3.5
BMRI	BUY	5,725	7,200	26%	13.1%	10.3%	21.2	21.2	2.5	2.4
TLKM	BUY	3,920	4,500	15%	-16.2%	21.3%	16.2	17.1	9.1	10.0
ICBP	BUY	10,575	13,000	23%	25.0%	5.9%	20.1	19.1	7.3	7.3
DRMA	BUY	1,445	1,900	31%	68.6%	9.9%	33.9	28.8	18.3	17.3
TOWR	BUY	990	1,310	32%	-2.5%	20.3%	21.6	22.3	5.0	5.9
CTRA	BUY	1,070	1,400	31%	-5.4%	16.9%	8.1	8.8	4.0	4.4

Source: SSI Research

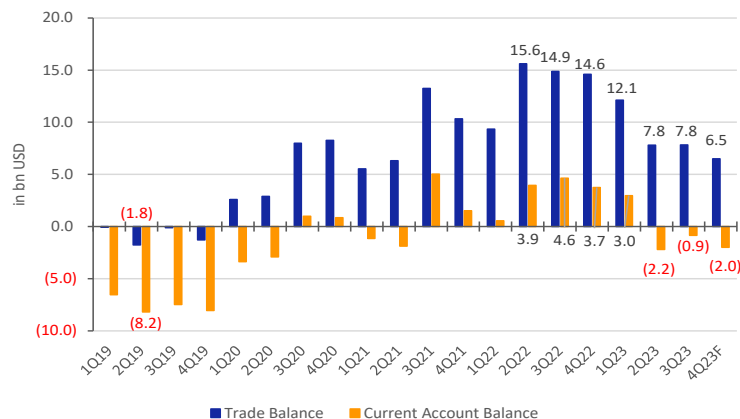
Monetary policy easing cycle in 2024. Only several weeks until the end of the year, and we see that our JCI had bottomed out in Oct-23 and rallied since then, as the market believes that the Fed is finished with its rate hike cycle (the Fed projects its FFR at 4.6% in 2024, suggesting 75bps rate cut next year). Emerging market investors might interpret this as an early indication of risk-on sentiment, which may eventually spill over into emerging market assets. Moreover, equity assets, whose valuation as risk assets is quite undemanding, should benefit from the situation. We anticipate a transition in market attention towards the monetary policy easing cycle in 2024, as the global growth slowdown becomes more severe. Domestically, we expect GDP growth to receive a temporary boost from stronger consumption due to election spending as well as the new stimulus measures from the government to maintain purchasing power and inflation rate, including the Rice Handout Programme (IDR2.6tn), and El Nino cash aid for low-income households (IDR7.5tn). However, deteriorating ToT and weak external demand might lead to a CAD widening to 0.9% in 2024F, whereas imports are anticipated to remain stable. Given administered prices, we anticipate inflation to remain within BI's 1.5–3.5% target and BI to start its cutting cycle in Oct-24 at the earliest.

Figure 1. SSI's Forecast on Indonesia's GDP Growth



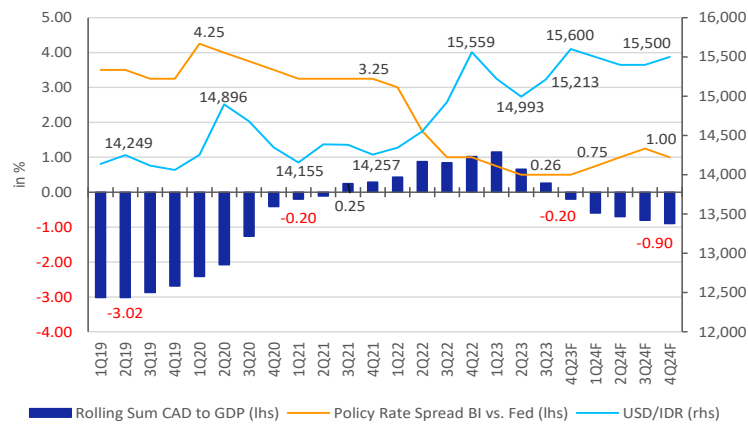
Source: BPS, SSI Research

Figure 2. Indonesia's External Balance Position



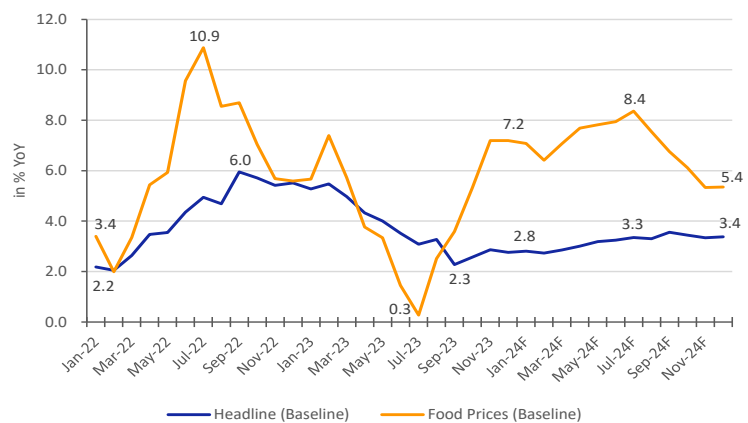
Source: BI, BPS, SSI Research

Figure 3. SSI's Exchange Rate and External Balance Forecast



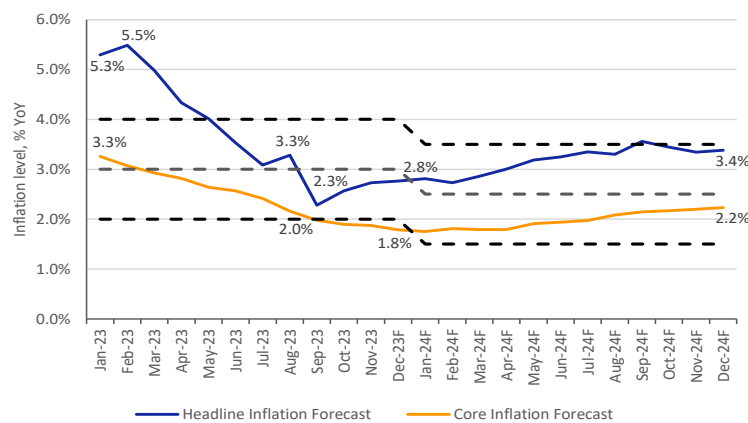
Source: BI, CME Group, Bloomberg, SSI Research

Figure 4. SSI's Inflation Projection



Source: BPS, SSI Research

Figure 5. SSI's Core Inflation Projection



Source: BI, BPS, SSI Research

Table 2. SSI's Forecast Table

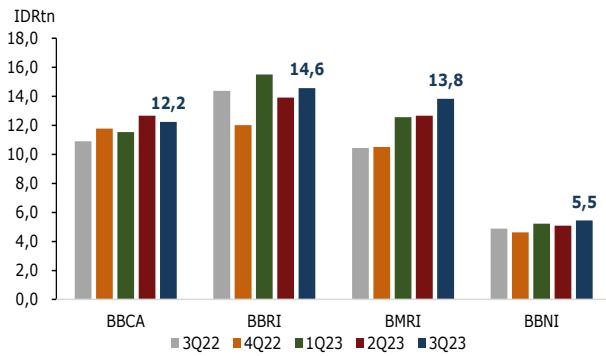
Indicators (% yoy)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23F	1Q24F	2Q24F	3Q24F	4Q24F	FY22	FY23F	FY24F
Real GDP (NSA % qoq)	(0.9)	3.7	1.8	0.4	(0.9)	3.9	1.6	0.3	(0.8)	3.6	1.7	0.6			
Real GDP	5.0	5.5	5.7	5.0	5.0	5.2	4.9	4.9	5.0	4.8	4.9	5.1	5.3	5.0	5.0
Unemployment rate (% nsa)	5.8	5.8	5.9	5.9	5.5	5.5	5.3	5.3	5.2	5.1	5.1	5.0	5.9	5.3	5.0
Consumer price	2.6	4.4	6.0	5.5	5.0	3.5	2.3	2.8	2.9	3.3	3.6	3.4	5.5	2.8	3.4
Current account balance (% to GDP)	0.2	1.2	1.4	1.1	0.9	(0.6)	(0.3)	(0.6)	(0.8)	(0.9)	(0.8)	(1.0)	1.0	(0.2)	(0.9)
12M rolling sum	0.4	0.9	0.8	1.0	1.2	0.7	0.3	(0.2)	(0.6)	(0.7)	(0.8)	(0.9)			
Fiscal balance (% to GDP)	0.1	0.5	0.3	(2.4)	0.6	0.7	0.3	(2.0)	(0.4)	(1.0)	(1.5)	(2.3)	(2.4)	(2.0)	(2.3)
Policy rate, 7 day reverse repo rate (%)	3.50	3.50	4.25	5.50	5.75	5.75	5.75	6.00	6.00	6.00	6.00	5.50	5.50	6.25	5.50
10-year government bond yield (%)	6.74	7.22	7.37	6.94	6.79	6.26	6.91	6.90	6.90	6.80	6.70	6.50	6.94	6.90	6.50
Exchange rate (USD/IDR)	14,369	14,898	15,228	15,568	14,995	14,993	15,455	15,600	15,500	15,400	15,400	15,500	15,568	15,600	15,500

Source: SSI Research

Banking Sector (OVERWEIGHT)

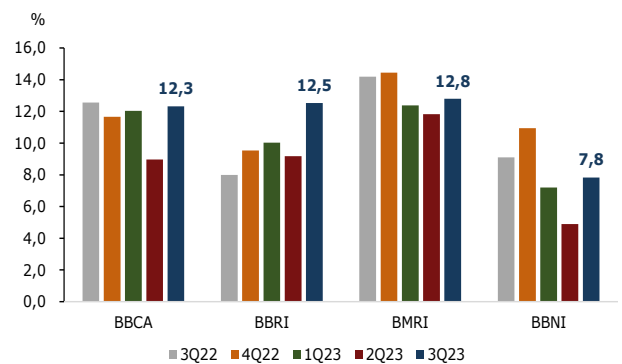
- The big-4 banks have reported their 3Q23 financial statements, with (consolidated) net profit growth of +13.5% YoY (+4.0% QoQ). The big-4's solid net profit growth was driven mainly by better loan growth and lower provision expenses, with (consolidated) loan growth of 11.8% YoY and 3.7% QoQ in 3Q23, driven mainly by consumer (+13.3% YoY) and corporate loans (+13.1% YoY). Despite the liquidity tightening in the banking sector, the big-4 banks still managed to book higher NIM in 3Q23 (+17bps QoQ and +16bps YoY), supported by better loan yield, especially in the corporate segment, which helped offset the increase in CoF (+9bps QoQ and +74bps YoY).
- The big-4 are confident that they could maintain NIM at the current levels; BBKA still has the highest CASA ratio amongst the big-4 banks (79.9% in 9M23) with a low LDR ratio (67.4% in 9M23), BBRI will keep pushing the growth of Kupedes and other high-yielding ultra-microloans (PNM and Pegadaian) to offset the increase in its CoF, while BMRI and BBNI still have room to reprice their corporate loan yields. Regarding asset quality, most banks are quite confident that their LARs could improve further going forward, and they are already comfortable with the current LAR and NPL coverage ratio, suggesting that CoC may still decline in the coming years.
- We maintain our OVERWEIGHT rating for the sector due to the robust 3Q23 performance, particularly in comparison to other sectors. Our pecking order is as follows: BMRI (IDR 7,200/share), BBNI (IDR 5,800/share), BBRI (IDR 6,100/share), and BBKA (IDR 10,500/share). We chose BMRI as our top pick, mainly due to 1) adequate coverage, 2) strong loan growth with improvements in asset quality, and 3) NIM expansion due to strong CASA.

Figure 6. Conventional Banks' Net Profit



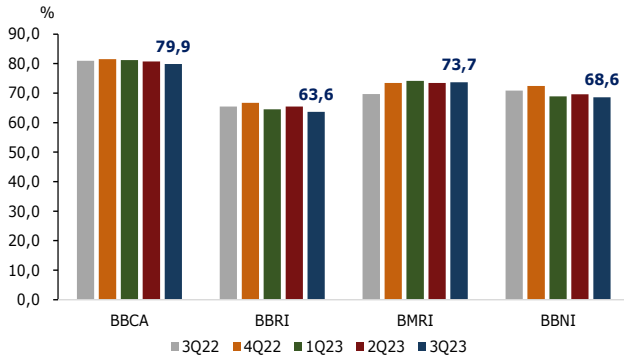
Source: Companies, SSI Research

Figure 7. Conventional Banks' Loan Growth (%)



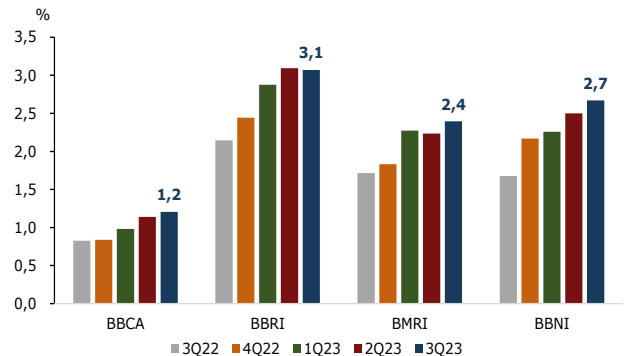
Source: Companies, SSI Research

Figure 8. Conventional Banks' CASA (%)



Source: Companies, SSI Research

Figure 9. Conventional Banks' CoF (%)

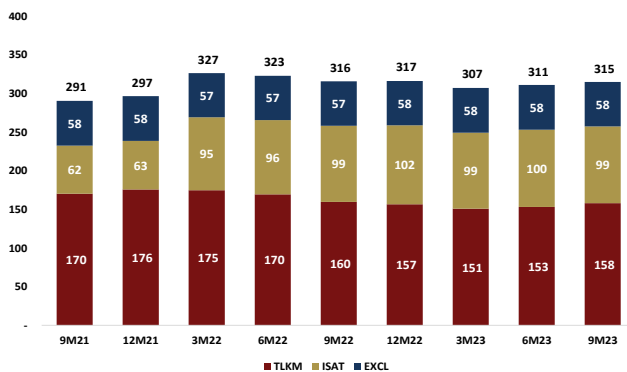


Source: Companies, SSI Research

Telecommunication Sector (OVERWEIGHT)

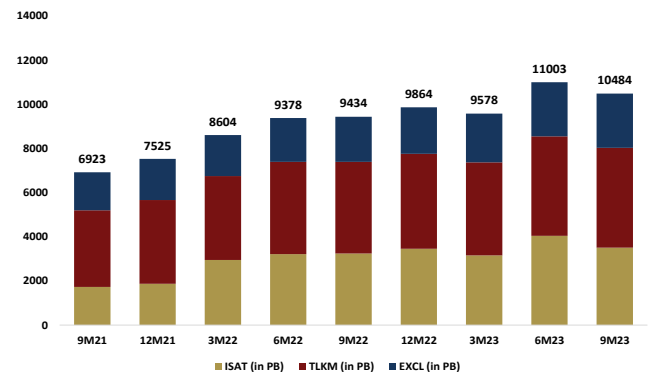
- All three telco companies under our coverage recorded inline numbers both in top and bottom line, backed by resilient data traffic (despite seasonality in 3Q) and stable ARPU. Consolidated data traffic came in at 10,484 PB in 3Q23 (-4,7% QoQ; +11,1% YoY), with a consolidated ARPU of IDR 41.4k (-0,1% QoQ; +3,9% YoY). We expect to see more ARPU growth in the future as the competition in the cellular market becomes more and more mature. In the FBB market, Indihome's ARPU fell to IDR 257k in 3Q23 (-1.2% QoQ; -4.5% YoY); we expect the competition in the FBB market to remain relatively intense for the foreseeable future due to the low penetration of FBB in Indonesia.
- We expect telco companies to book higher data traffic growth this year, supported by election momentum (which will be held in early 2024F). If we take a look at historical data, regional telco companies' data traffic usually started to spike two quarters before an election; however, we expect the impact of next year's election on data traffic to be less significant than in previous elections (historically, there is a one-off impact from a data-driven campaign; in 2014 election, for instance, data traffic went up +~80% YoY).
- We chose TLKM as our top pick, as we believe that its dominance will help support its earnings growth and profitability in the long term. Also, it is worth noting that its robust balance sheet will put TLKM in a favorable position for the spectrum auction in 2024-2025F. Meanwhile, we expect ISAT's synergy with Hutch to help unlock better profitability and improve its operations. Also, we expect its subs and ARPU to maintain their positive trajectory. Our pecking order for the sector is as follows: TLKM (TP IDR 4,500)>ISAT (IDR 11,500)> EXCL (IDR 2,700).

Figure 10. Total Subscribers (in mn)



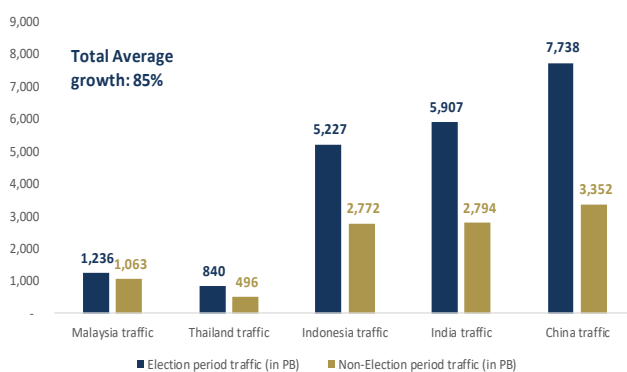
Source: Companies, SSI Research

Figure 11. Total Data Traffic (in PB)



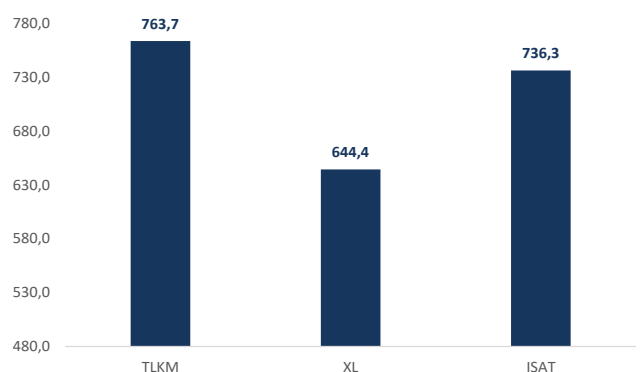
Source: Companies, SSI Research

Figure 12. Traffic (Election vs Non-Election)



Source: Companies, SSI Research

Figure 13. Subs/Spectrum ('000)

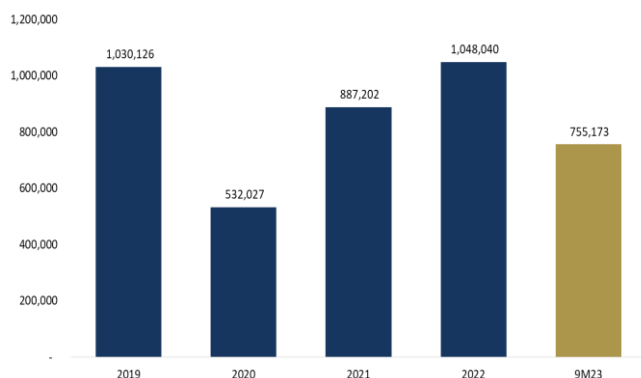


Source: Companies, SSI Research

Automotive Sector (OVERWEIGHT)

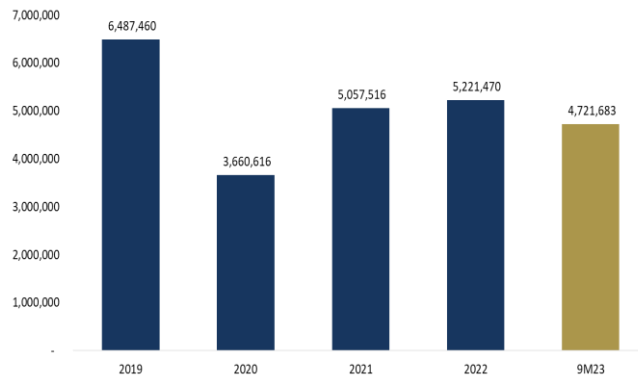
- Domestic 4W sales grew +11.4% QoQ in 3Q23, experiencing a nice rebound after the -20.8% drop in the previous quarter due to the Eid holiday, which slowed down production activities. Cumulatively, domestic 9M23 4W sales came in at 755,173 units (-0.4% YoY), in line with our estimate (75.5% of SSI's FY23F projection), while 2W domestic sales went up +30.7% YoY to 4.7 million units, in line with our projection (78.7% of SSI's FY23F projection). ASII continues to maintain its position as the market leader, both in 4W (55.8% from Toyota and Daihatsu) and 2W (79.0% from Honda brand).
- Domestic BEV sales were much better than last year, coming in at 10,121 units in 9M23 (9M22: 3,801 units), with the Hyundai Ioniq5 as the best-selling model (50.5% of 4W EV sales), followed by the Wuling Air EV (32.0%). However, BEV sales were still considered insignificant since they only contributed 1.3% of domestic 4W sales (SSI's FY23F projection: <3%).
- We maintain DRMA as our top pick with a TP of IDR 1,900, driven by several positive catalysts, including: (1) consolidation of PT Trimitra Chitrahasta numbers to DRMA's books (TCH's FY23F revenue target: IDR 700 billion, ~18% of DRMA's FY22 revenue), (2) its new 4W factory, which will produce suspension members for the Toyota New Yaris Cross, and (3) EV-related initiatives, including component localization (one of which is battery pack) and charging stations.

Figure 14. 9M23 4W Sales (Units)



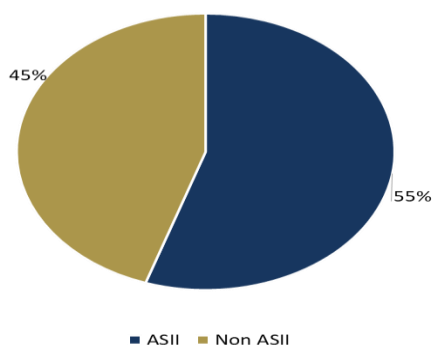
Source: Companies, SSI Research

Figure 15. 9M23 2W Sales (Units)



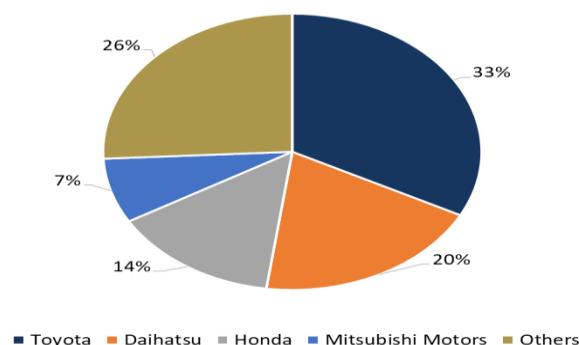
Source: Companies, SSI Research

Figure 16. ASII's Market Share



Source: Companies, SSI Research

Figure 17. Market Share (Brand)

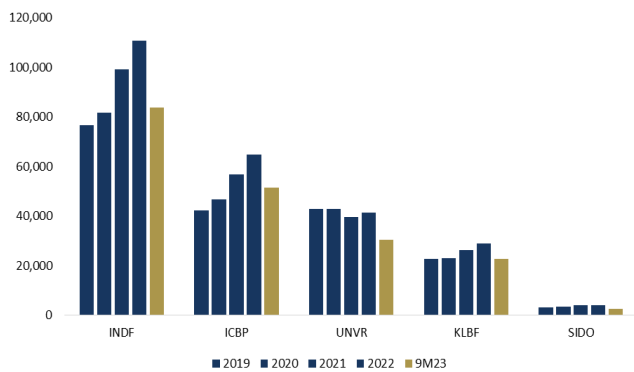


Source: Companies, SSI Research

Consumer Sector (OVERWEIGHT)

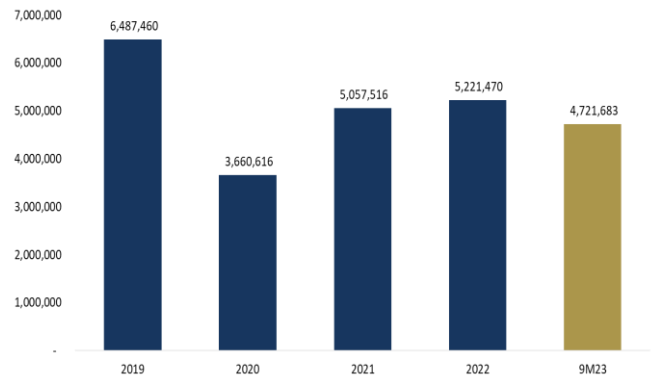
- 2 out of 5 consumer staples companies under our coverage reported below-expected numbers (SIDO and KLBF) due to the decline in demand for healthcare products and the drop in purchasing power (due to persistent inflation), which led to those companies revising their performance targets for the year (SIDO: top line by -10%, bottom-line by -15-20%, KLBF: top line by -5-7%, bottom-line -12-15%). KLBF reported the highest revenue growth among those 5 companies, supported by its expansion strategy (including the acquisition of Sanofi), while SIDO posted the lowest (due to the drop in demand for herbal products).
- The sector might see a potential positive catalyst in 2H23F and FY24F from political campaigns ahead of the election, which should help boost people's purchasing power, especially for the middle-low segment. We believe ICBP will reap the most benefit from the election momentum, as seen in the previous election (ICBP experienced a jump in sales in the two quarters before the election; 2019: +11.8% YoY, 3-year average: +5.9 %).
- We maintain our OVERWEIGHT call on the consumer staples sector, with ICBP as our top pick, supported by its position as the market leader, giving the company considerable pricing power.

Figure 18. SSI's Consumer Universe 9M23 Revenue (IDR Bn)



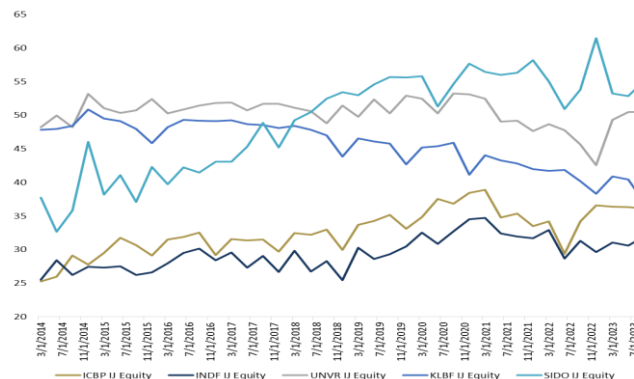
Source: Companies, SSI Research

Figure 19. Profitability Margins (9M23)



Source: Companies, SSI Research

Figure 20. GPM (%)



Source: Companies, SSI Research

Figure 21. Wheat Prices (USD/ Bu)

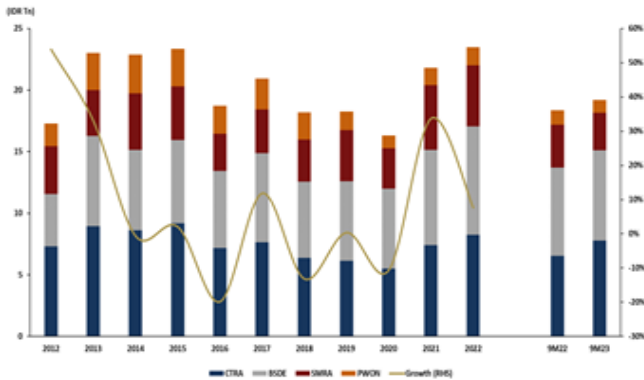


Source: Companies, SSI Research

Property Sector (OVERWEIGHT)

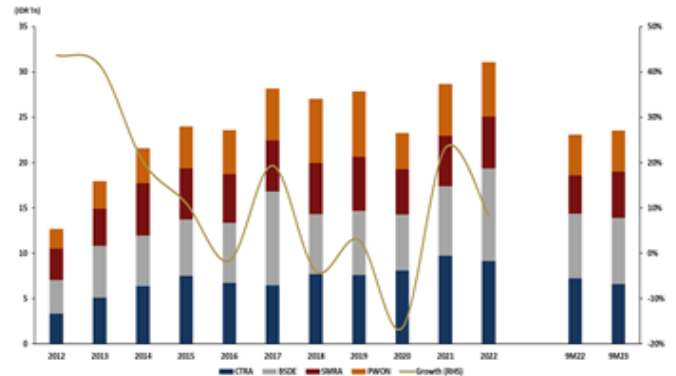
- SMRA posted the best numbers among SSI's property universe in 9M23, owing to its remarkable revenue growth, partly thanks to the recognition of its Bogor and Serpong projects. However, its gross margin remained relatively stable at 54% in 3Q23, while BSDE and CTRA booked QoQ margin growth thanks to better non-recurring margins.
- Despite the presidential elections in FY24 might pose as a temporary headwinds for the sector, we believe the impact might be more muted in the current election due to shorter election period as well as some buffer from the stimulus program. It is also worth highlighting that these developers valuation remain attractive at the moment, as it trades at 75% discount to NAV, compared to 5 years average of 69%.
- We maintain our OVERWEIGHT rating on the property sector as the property tax reduction stimulus (budget of IDR3.2tn) could lift developers' presales in 2024F, and their valuations are quite attractive. CTRA is our top pick, mainly due to: 1) CTRA has better growth potential due to the diversity of its inventory, and 2) the PPN DTP incentive.

Figure 22. Marketing Sales (Aggregate)



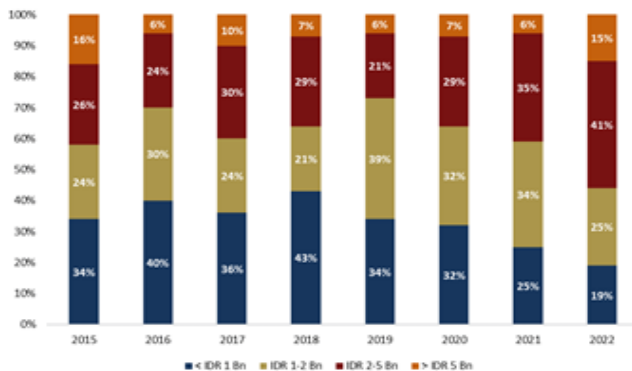
Source: Companies, SSI Research

Figure 23. Revenue (Aggregate)



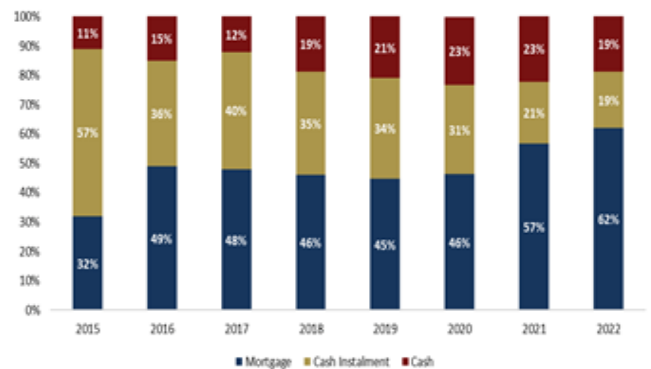
Source: Companies, SSI Research

Figure 24. Prices (Aggregate)



Source: Companies, SSI Research

Figure 25. Payment profile (Aggregate)

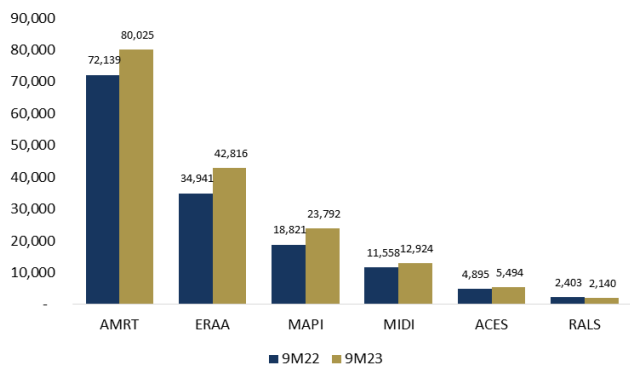


Source: Companies, SSI Research

Retail Sector (OVERWEIGHT)

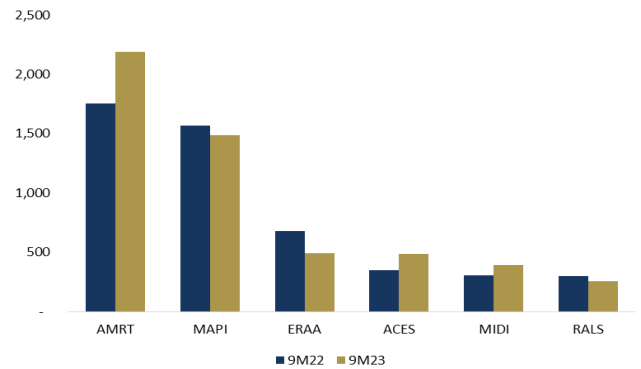
- Most retailers under SSI's coverage recorded revenue growth in 9M23, except RALS, which booked a decline in revenue of -10.9% YoY. The highest growth was recorded by MAPI (+26.4% YoY), followed by ERAA (+22.5% YoY), ACES (+12.2% YoY), MIDI (+11.8% YoY) and AMRT (+10.9% YoY). Despite the positive numbers, we see risks from the decline in purchasing power of the lower middle segment due to persistent inflation, which might lead to a shift in spending from discretionary products to basic necessities. We maintain a SELL rating for RALS.
- Most of those retailers implemented a rather aggressive expansion strategy this year (FY23F), including AMRT (9M23: +922 outlets), MAPI (+348 outlets), ERAA (+357 outlets), ACES (+9 outlets) and MIDI (+418 outlets).
- We maintain an OVERWEIGHT call for the retail sector, and we believe retailers will book solid numbers in 4Q23F, supported by Christmas and New Year festivities. We chose ACES as our top pick with a TP of IDR 930, due to its excellent performance throughout the year (which convinces us that this year will be when ACES finally breaks its net profit downtrend) and target market's (middle-up) resiliency in a high inflation environment.

Figure 26. Retailers' Revenue (IDR bn)



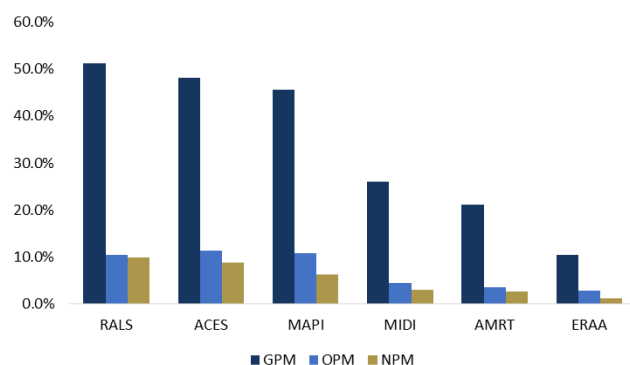
Source: Companies, SSI Research

Figure 27. Retailers' Net Profit (IDR bn)



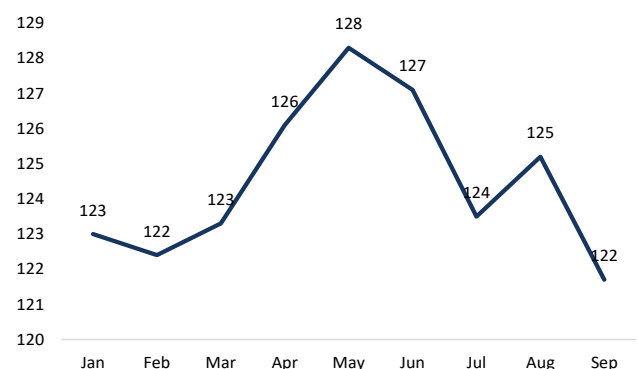
Source: Companies, SSI Research

Figure 28. Retailers' Profitability Margins (9M23)



Source: Companies, SSI Research

Figure 29. Consumer Confidence Index

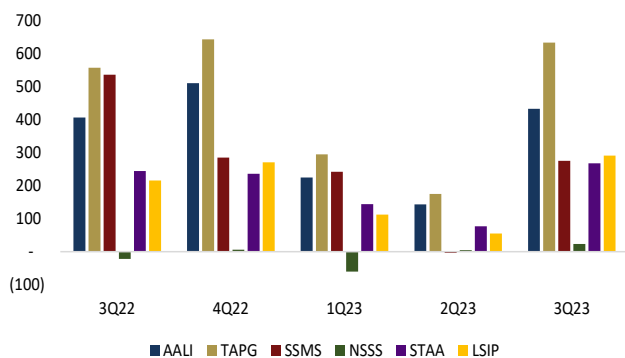


Source: Companies, SSI Research

Plantation Sector (OVERWEIGHT)

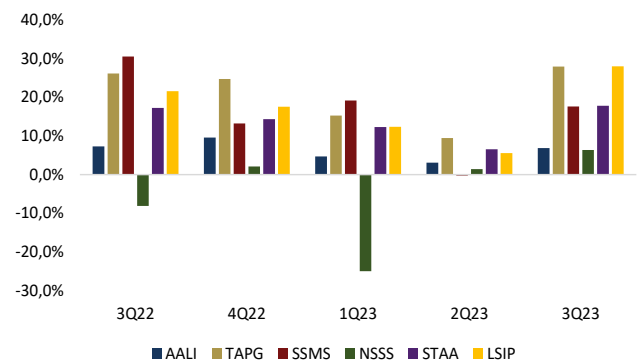
- All CPO companies under our coverage managed to post QoQ net profit growth of more than +100%, supported by several factors: 1.) better sales volume (+20% QoQ on average), 2.) strong ASP (> IDR 10.5k/kg) and 3.) lower fertilizer expense. Most of those companies posted operating margins of over 20% in 3Q23, except AALI (8.5%). All those companies' net profit margins improved significantly compared to the previous quarter (2Q23). The El-Nino phenomenon (which leads to a decline in supply) and global economic recovery convince us that domestic CPO prices could go up to IDR 12k/kg (+8.0% YoY). In addition, we believe that fertilizer expense, which is one of CPO companies' largest expenses in 2023, will decline by -25% YoY on average, supported by better geopolitical stability and the increase in the supply of fertilizer raw materials.
- We maintain our OVERWEIGHT call for the sector due to its solid outlook. We advise investors to pick companies with massive production growth potential, especially those owning prime and younger palm oil plants. Downside risks: Fluctuating CPO and other vegetable oils' prices, regulatory changes.

Figure 30. Revenue (IDR bn)



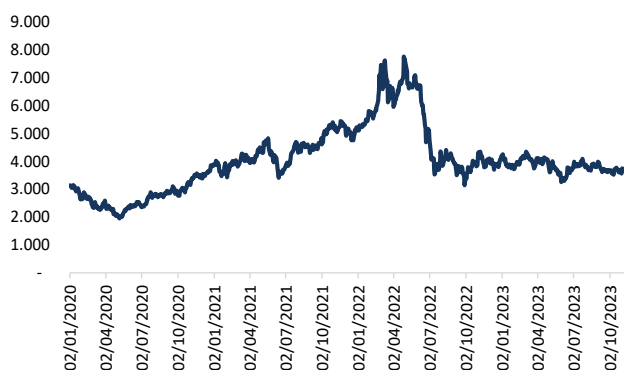
Source: Companies, SSI Research

Figure 31. Net Profit (IDR bn)



Source: Companies, SSI Research

Figure 32. Global CPO Prices (MYR/Ton)

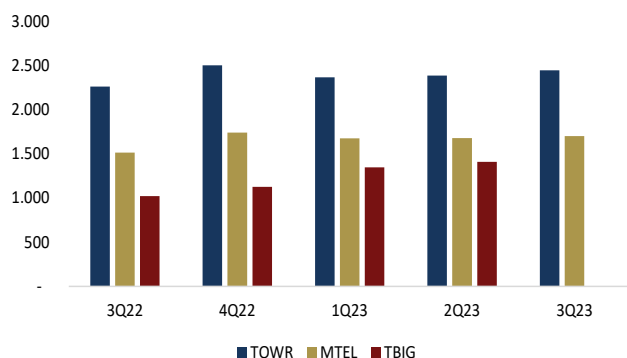


Source: Companies, SSI Research

Tower Sector (OVERWEIGHT)

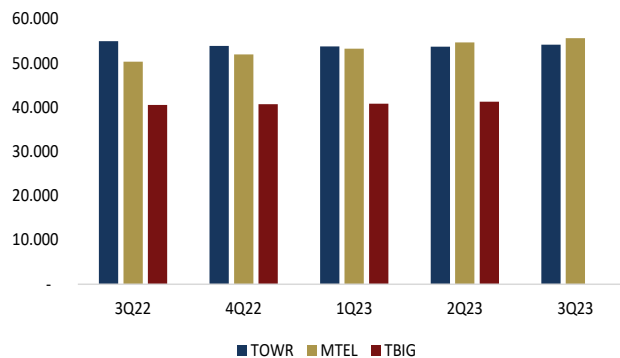
- MTEL and TOWR booked EBITDA growth of +12.3% YoY and +4.5% YoY in 3Q23, driven mainly by the increase in the number of tenants and excellent cost-control measures, enabling both companies to maintain their EBITDA margins at relatively high levels (MTEL 79.3%, TOWR 85.0%; at the time of writing, TBIG has not yet released its 3Q23 financial statements). MTEL reported tenant growth of +7.1% YTD, supported by the increase in its tower portfolio (+4.7% YTD) with a tenancy ratio of 1.5x. Meanwhile, even though TOWR's tower portfolio went up +0.7% ytd, its tenancy fell -1.4% ytd (mainly due to the IOH consolidation). However, its fiber asset portfolio grew +18.9% ytd. Persistent rate hike pressure led to a -21.7% QoQ (+21.8% YoY) drop in MTEL's 3Q23 net profit, while TOWR managed to book net profit growth of +7.4% QoQ (-0.1% YoY). We believe the industry still has a large room for growth, supported by the increase in demand and data transmission speed, the expansion of telco operators' networks to regions outside Java, the completion of IOH consolidation, and 5G's penetration into Indonesia.
- We maintain our OVERWEIGHT call on the sector due to its strong 3Q23 performance. Our pecking order is as follows: MTEL (IDR 875/share), TOWR (IDR 1,310/share) and TBIG (HOLD, IDR 2,040/share). We chose MTEL as our top pick, mainly due to 1) its status as the largest tower company in Southeast Asia, 2) large room for growth with a low tenancy ratio, 3) 58% of its tower is located outside Java (which should help attract telco operators trying to expand their network), and 4) strong balance sheet with a DER of < 1x. We chose TOWR as our 2nd pick because: 1) its huge portfolio (29,915 towers), 2) its fiber-optic business, with ~178,300 km of revenue-generating fiber-optic line. Downside risks: higher-than-expected interest rate, regulatory changes, and slowing demand for telco towers.

Figure 33. Tower Companies' EBITDA (IDR Bn)



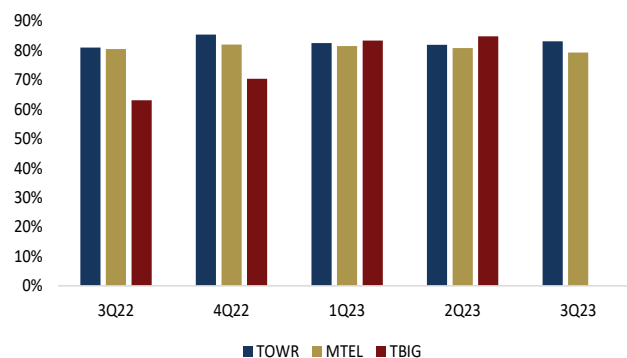
Source: Companies, SSI Research

Figure 34. Tower Companies' Total Tenants (Units)



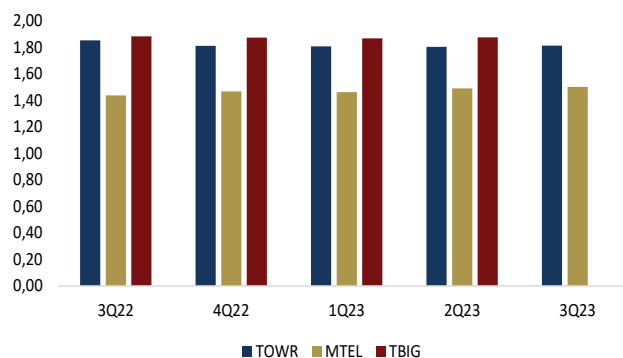
Source: Companies, SSI Research

Figure 35. Tower Companies' Total EBITDA Margins



Source: Companies, SSI Research

Figure 36. Tower Companies' Tenancy Ratios (x)

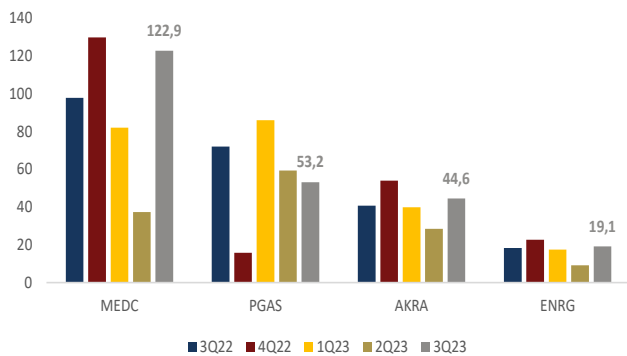


Source: Companies, SSI Research

Oil & Gas (OVERWEIGHT)

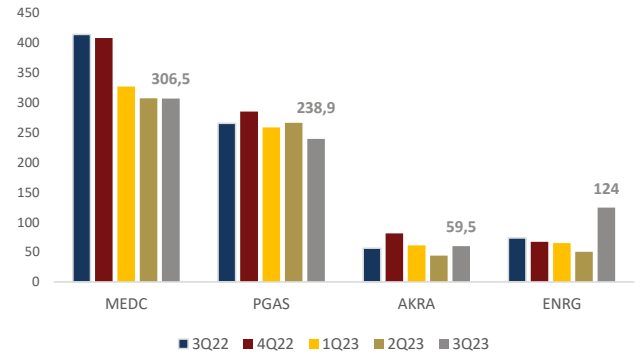
- All O&G companies in our coverage have released their 3Q23 financial statements, with three of them falling short of our estimates (though relatively in line with the consensus). However, the main reason for the underperformance of two of the three was non-operating variables, and their future outlooks remain relatively solid. Despite the rather mixed 3Q23, we believe our O&G universe will post good results in 4Q23 onwards, thanks to better global oil & gas prices and additional investments made by those companies, which should help boost earnings.
- We maintain our OVERWEIGHT call on the sector due to the potential upside from the global oil & gas prices and the sector's relatively low valuation. We chose MEDC & AKRA as our top pick, mainly due to 1) attractive valuation and 2) strong growth story. We have BUY rating for MEDC with a TP of IDR 2,200 and AKRA with a TP of IDR 1,900. We believe MEDC will benefit from the negotiations for the price of gas from its Corridor block and the oil price hike, and AKRA will have a favorable 4Q23 outlook thanks to robust JIPE land sales.

Figure 37. O&G Companies' net profit (USD mn)



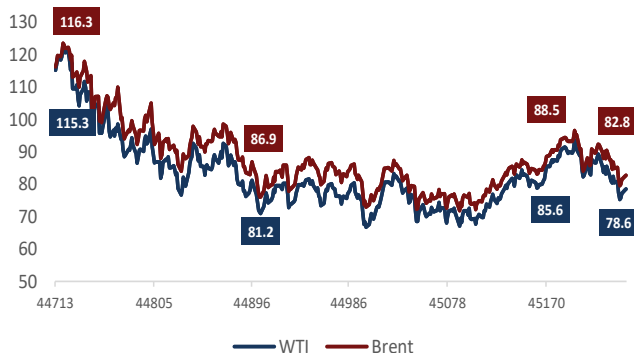
Source: Companies, SSI Research

Figure 38. O&G Companies' EBITDA (USD mn)



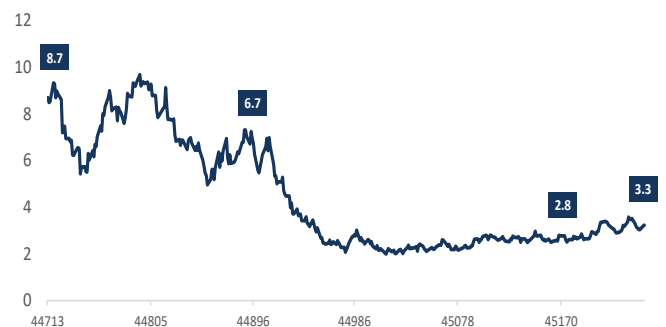
Source: Companies, SSI Research

Figure 39. 1-Year Historical Oil Prices (USD/bbl)



Source: Companies, SSI Research

Figure 40. 1-Year Historical Gas Price (USD/MMBtu)

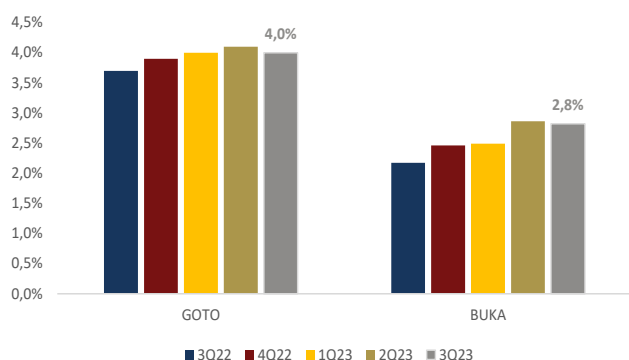


Source: Companies, SSI Research

Technology (NEUTRAL)

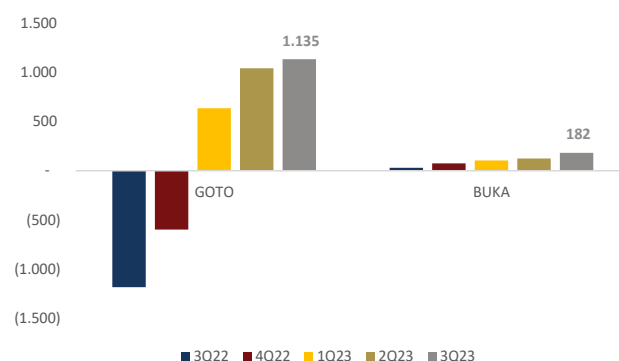
- BUKA & GOTO have posted their earnings, with their top line being in line with ours and cons. Both BUKA and GOTO expect to book positive adjusted EBITDA in 4Q23. While we believe there are some merits in both companies' guidance, we expect BUKA will be the first to reach that goal, thanks to its business nature, huge room for scalability, and five consecutive quarters with a positive contribution margin.
- TikTok is set to invest over USD 1.5 billion and will subsequently hold a 75.01% stake in Tokopedia. We see this move as a positive signal for GOTO as Tokopedia has been the bulk of GOTO's costs (31.5% of total costs) and contributed to 23.6% of total net loss in 9M23. We have always argued that Tokopedia has somewhat reached its peak, especially without external funding, while its closest competitor in Indonesia (SEA Group-backed Shopee) still has lots of capital to spend. However, live commerce is starting to consume the e-commerce space, and with TikTok Shop as the leader in the space, GOTO might have just found the perfect partner. Furthermore, we see this move will enable GOTO to focus on its hidden gem, GoTo Financials (GTF), which offers high scalability, and with TikTok coming into Tokopedia, we might see new product offerings, which should help boost transactions and upscale GTF's take rate further.
- We maintain our NEUTRAL call on the Tech sector while recommending BUKA with a TP of IDR 310.

Figure 41. Take Rate (%)



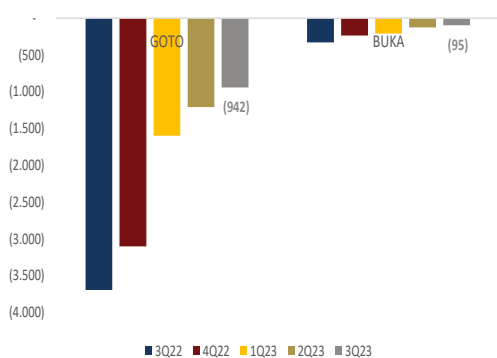
Source: Companies, SSI Research

Figure 42. Contribution Margin (IDR bn)



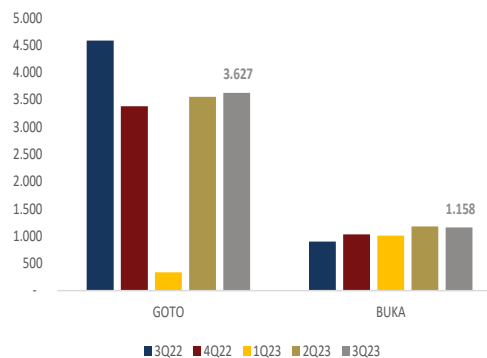
Source: Companies, SSI Research

Figure 43. Adjusted EBITDA (USD/bbl)



Source: Companies, SSI Research

Figure 44. Revenue (IDR bn)

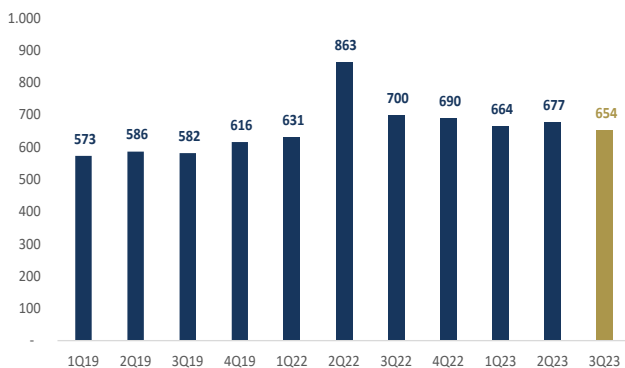


Source: Companies, SSI Research

Healthcare Sector (NEUTRAL)

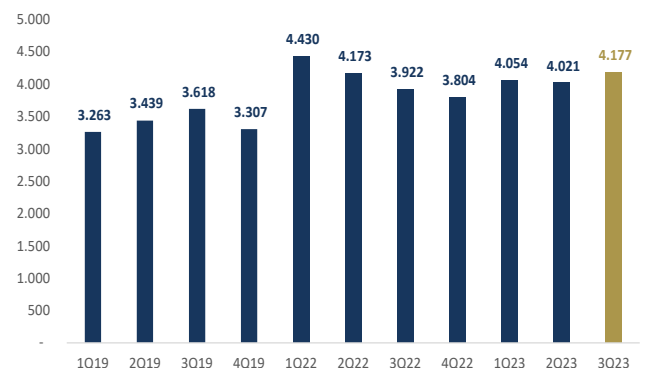
- SSI healthcare universe's (consisting of MIKA, SILO, and HEAL) consolidated outpatient visits rose by +8.6% QoQ, +9.4% YoY, and inpatient admissions increased by +8.3% QoQ, +13.0% YoY, thanks to the higher number of productive days in 2H. Moreover, they reported (consolidated) net profit growth of +37.5% YoY (+29.0% QoQ); the positive growth was mainly driven by patient volume. However, case intensity was relatively comparable to the previous quarters, with revenue per inpatient day coming in at IDR 4.2mn (+3.9% QoQ, +6.5% YoY) and revenue per outpatient at IDR 654k (-3.5% QoQ; +6.7% YoY) [due to the large influx of respiratory disease patients, which has lower ticket size]
- SILO and HEAL kept their 2023F top line growth guidance, while MIKA slashed its top line growth guidance to +4.5-6% (prev: +8-10% YoY) as the company expects its volume and intensity to remain relatively the same as in the previous quarters. For 2024F, HEAL expects to book double-digit volume growth, while MIKA projects its volume growth to normalize at the mid-teens level (Price+intensity: +8%-10%; volume: ~+8%-10%). Regarding margins, we expect all hospital companies under our coverage to book 30-ish% EBITDA margins in 2024F, backed by several factors: positive traction of CONGO departments and potential uplift from cost efficiency initiatives (SILO), cost normalization and the impact of the INACBG rate hike (HEAL), and somewhat comparable case intensity to this year's (MIKA).
- We maintain our NEUTRAL call on the healthcare sector, and our pecking order is as follows: HEAL (TP: IDR 1,800/share) > SILO (TP: IDR 2,900/share) > MIKA (TP: IDR 2,700/share).

Figure 45. Average Revenue/Outpatient Visit (IDR '000)



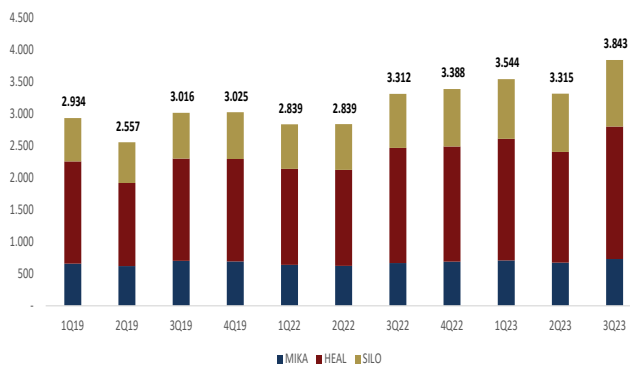
Source: Companies, SSI Research

Figure 46. Average Revenue/Inpatient Day (IDR '000)



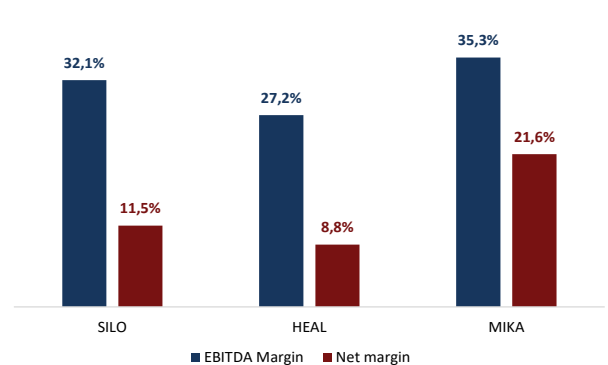
Source: Companies, SSI Research

Figure 47. Quarterly Outpatient Visits (IDR '000)



Source: Companies, SSI Research

Figure 48. 2023F Profitability Margins (%)

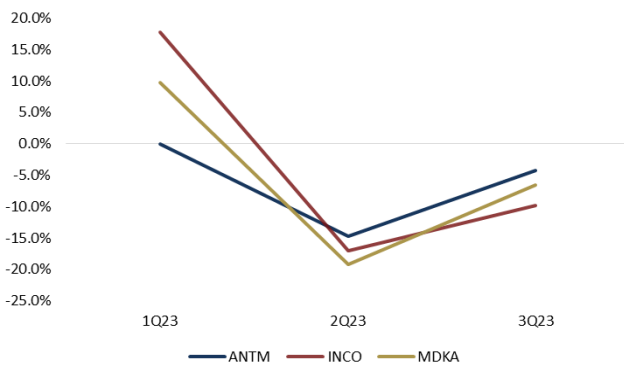


Source: Companies, SSI Research

Metal Mining Sector (NEUTRAL)

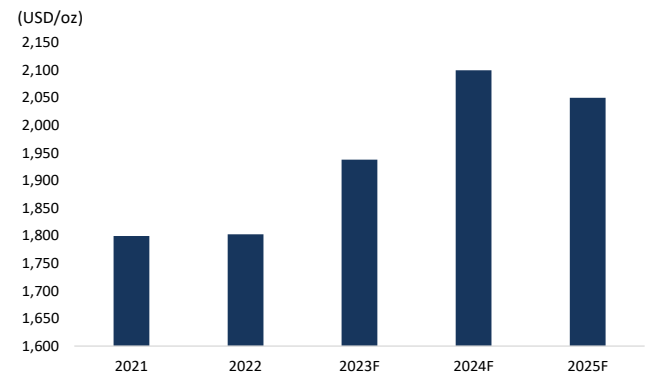
- Four of the seven metal mining companies in SSI's universe (AMMN, INCO, ANTM, and BRMS) have released their 3Q23 financial statements, and almost all of them reported lower revenue compared to the previous quarter (between 5% –8% lower), mainly due to commodity downfall. BRMS was the only one that managed to book positive QoQ revenue growth in 3Q23 (+68% QoQ), supported by sales volume growth (thanks to its 2nd gold processing plant). We expect mixed results in 4Q23; while NCKL, AMMN, and BRMS might book better earnings thanks to higher sales volume, others might suffer due to lower ASP as the commodity slump continues.
- We believe global nickel prices will remain under pressure in 2024F-2025F due to the abundance of supply, especially from Indonesia (due to the increase in Indonesia's nickel smelter capacity). Hence, we expect global nickel prices to decline to USD 18,500/ton in 2024F and USD 18,000/ton in 2025F. We expect to see supply surpluses in the global copper market in 2023F-2024F, which will turn into a deficit in 2025F, as we believe the global copper supply won't see any significant growth in the long run, mainly due to 1) depleted reserves, and 2) lower ore grade. Meanwhile, we expect demand for copper to experience robust growth as the world transitions from fossil fuel to renewable energy. We still like gold at the moment, as we believe that the Fed's less hawkish stance (which leads to USD weakness) and global uncertainty following the Israel-Hamas war might persuade investors to shift to safe-haven assets, including gold.
- We maintain our NEUTRAL call on the sector as we believe that commodity slump will continue to hamper metal miners' earnings growth for a while.

Figure 49. Metal Mining Companies' Revenue Trend



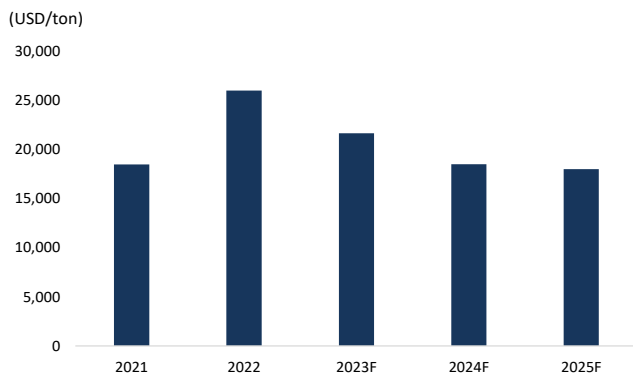
Source: Companies, SSI Research

Figure 50. Gold Trend



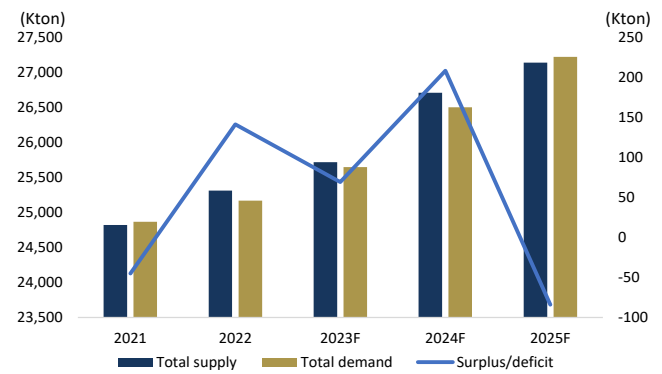
Source: Companies, SSI Research

Figure 51. Nickel Price Trend



Source: Companies, SSI Research

Figure 52. 2023F Profitability Margins (%)

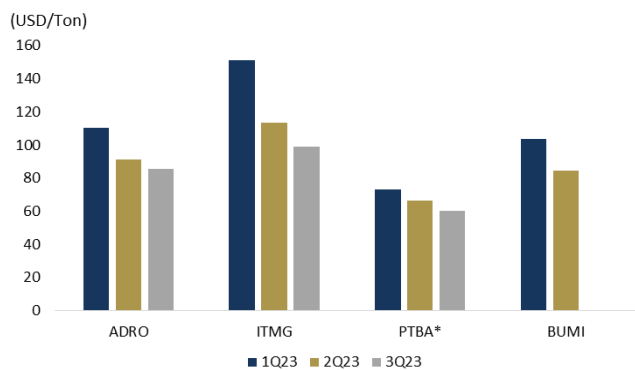


Source: Companies, SSI Research

Coal Mining Sector (NEUTRAL)

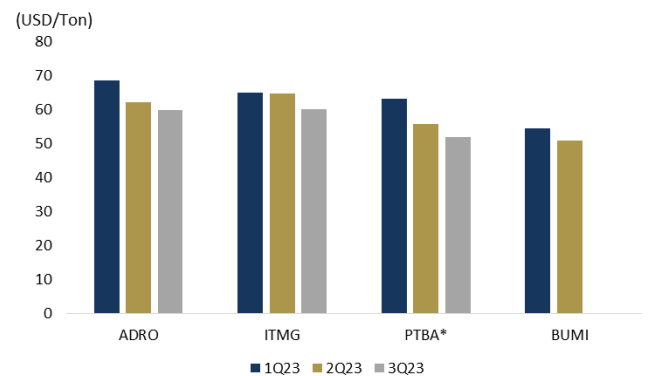
- All coal miners under our coverage reported a QoQ decline in net profit in 3Q23, ranging from 17.0%-37.8%; the decline was mainly caused by the global coal slump. Meanwhile, cash cost fell by 2%-7%, thanks to lower royalty rates. We expect to see even lower earnings from those coal miners in 4Q23, mainly due to lower ASP (as of November 10, Newcastle coal prices had dropped by -9.2% from the 3Q23 levels), even though sales volume saw some positive growth.
- We expect coal prices to remain under pressure in 2024, given the rather slow global economic growth (projection: +2.9% YoY) due to persistent inflation, which leads to a longer-than-expected high-interest rate environment. China's economic growth is severely hindered by weak consumer and business confidence as external demand is expected to decline, partly due to the property sector crisis in the country. To prevent another energy shortage, China has been ramping up its domestic coal production and increasing coal imports. This might lead to a drop in demand for coal from China.
- We maintain our NEUTRAL call on sector, as we saw those coal players' earnings will be severely hurt by low coal prices. We chose ADRO as our top pick, mainly due to 1) its business diversification strategy, which should help the company to survive the global coal slump, 2) solid balance sheet, and 3) its vertically integrated coal business model, enabling the company to reduce its cash cost considerably (ADRO's cash cost is one of the lowest in the industry).

Figure 53. ASP Trend



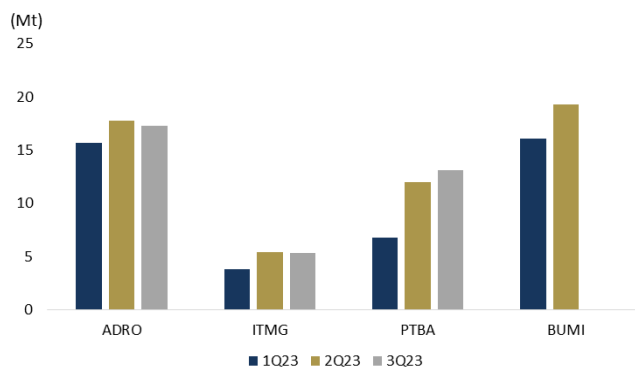
Source: Companies, SSI Research

Figure 54. Cash Cost Trend



Source: Companies, SSI Research

Figure 55. Production Trend



Source: Companies, SSI Research

Figure 56. China's Coal Inventory

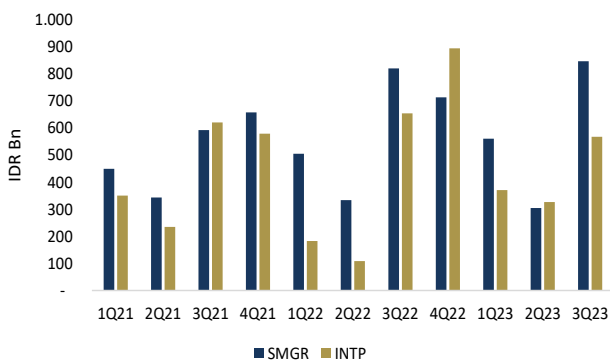


Source: Companies, SSI Research

Cement Sector (NEUTRAL)

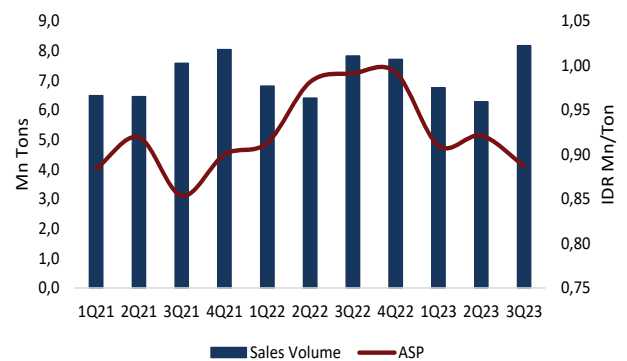
- Both cement companies under our coverage (SMGR and INTP) have released their 3Q23 financial statements, with (consolidated) net profit growth/decline of -4.1% YoY (+224.3% QoQ). Both companies reported QoQ decline in net profit, mainly due to the increase in clinker exports (SMGR) and contribution from 2nd tier brand (INTP), which hurt their margins. The two companies recorded a (consolidated) sales volume of 12.7mn tons in 3Q23 (+131.5% QoQ, +4.7% YoY); the growth was mainly driven by bulk cement (5.3mn tons; +44.0% QoQ, +9.6% YoY). We believe the uptrend in sales volume will continue until 2025F, supported by the IKN project (which should help boost demand from Kalimantan).
- In 2023, IKN needs around 700k tons of bulk cement, and the figure will double to around 1.3mn tons in 2024F, boosting demand for bulk cement to cement players in Indonesia. To note, SMGR has secured a deal to supply ~71% of IKN's bulk cement needs in FY23F (500k tons), and the figure is projected to grow by approx. +10% YoY in 2024F.
- We maintain our NEUTRAL call on the sector due to the rather moderate 3Q23 results, as the increase in contribution from 2nd tier products squeezed those companies' margins. Nevertheless, we believe 2024F will be better, partly due to the acquisition of Semen Grobogan by INTP, which should help reduce competition and consolidate the market. We pick SMGR as our top pick, mainly due to 1) the company supplies most of IKN's bulk cement needs, ensuring the inflow of revenue from bulk cement, 2) sales volume growth, and 3) solid market share. Downside risks: 1) lower-than-expected sales volume, 2) higher fuel and logistic costs.

Figure 57. Cement Companies' Net Profit (%)



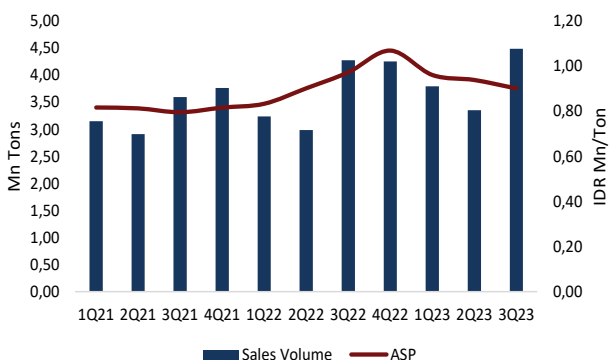
Source: Companies, SSI Research

Figure 58. SMGR's Sales Volume and ASP



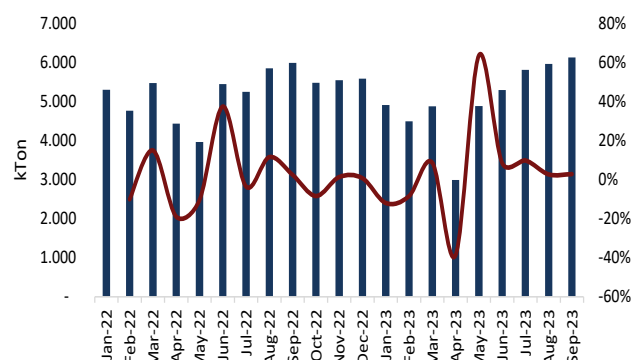
Source: Companies, SSI Research

Figure 59. INTP's Domestic Sales Volume and ASP



Source: Companies, SSI Research

Figure 60. Domestic Cement Sales Volume (Mn Tons)

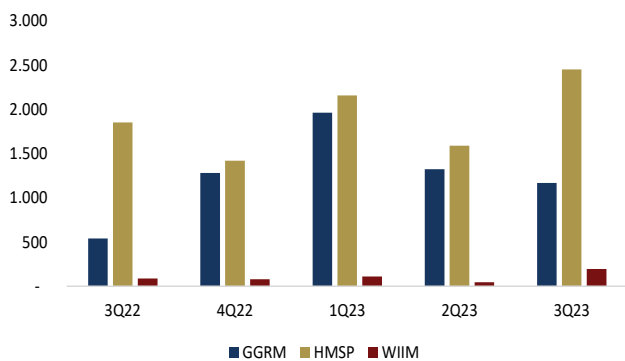


Source: Companies, SSI Research

Cigarette Sector (UNDERWEIGHT)

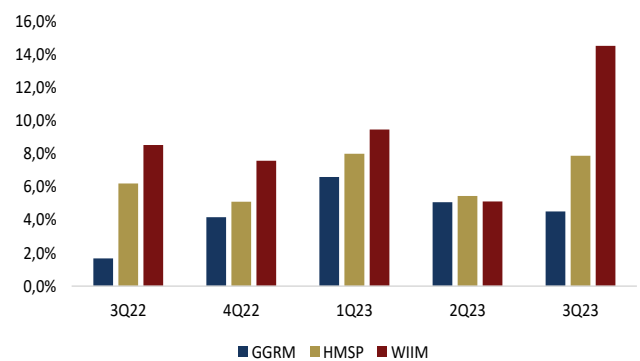
- SSI's cigarette universe reported mixed sales numbers in 3Q23; HMSP reported sales growth of +4.2% YoY, GGRM's sales fell -19.7% YoY, while WIIM's rose +31.1% YoY. The same thing happened with the cumulative 9M23 sales figures: HMSP +4.7% YoY, GGRM -13% YoY and WIIM +40.5% YoY. According to PMI, in 3Q23, domestic cigarette consumption fell -3.9% YoY to 77.9 billion, bringing the cumulative 9M23 figure to 219.1 billion (-5.0% YoY). The drop was mainly caused by the increase in prices due to the excise rate hike, which has triggered many consumers to switch to more affordable roll-your-own cigarettes. Despite the mixed sales numbers, all three companies reported solid net profit growth, thanks to cost efficiency and the increase in ASP at the beginning of the year. HMSP posted net profit growth of +32.4% YoY in 3Q23, while GGRM booked +115.9% YoY and WIIM recorded +43.0% YoY. Regarding their profit margins, HMSP and GGRM's NPM were still below 10%, while WIIM's came in at 14.5%.
- We maintain our UNDERWEIGHT call on the sector due to the rather weak sales volume growth in 3Q23 and the possibility for further declines in the near future due to the new excise tax rate in 2024, which will force cigarette producers (especially Tier-1) to raise their prices, hurting their sales volume. If those producers choose not to raise their ASPs, they will risk putting their profit margins under pressure. However, there's a possibility for an increase in demand for consumer goods ahead and during the election, in which people's purchasing power or consumption usually gains some boosts. We like WIIM (Non-Rated), due to its status as a Tier-2 producer, giving the company a lower excise tax rate than Tier-1 producers, which in turn gives WIIM more flexibility to raise its ASP without losing sales volume.

Figure 61. Net Profit (IDR, in bn)



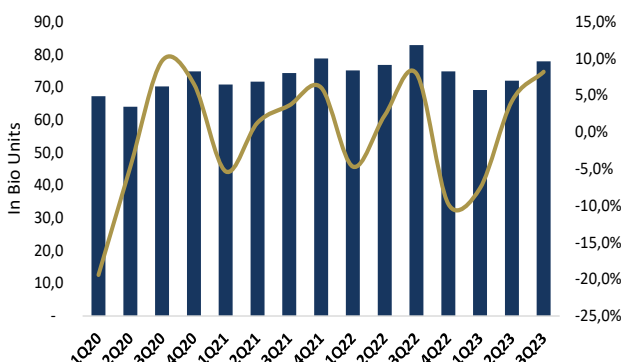
Source: Companies, SSI Research

Figure 62. Net Profit Margins (%)



Source: Companies, SSI Research

Figure 63. Domestic Cigarette Consumption

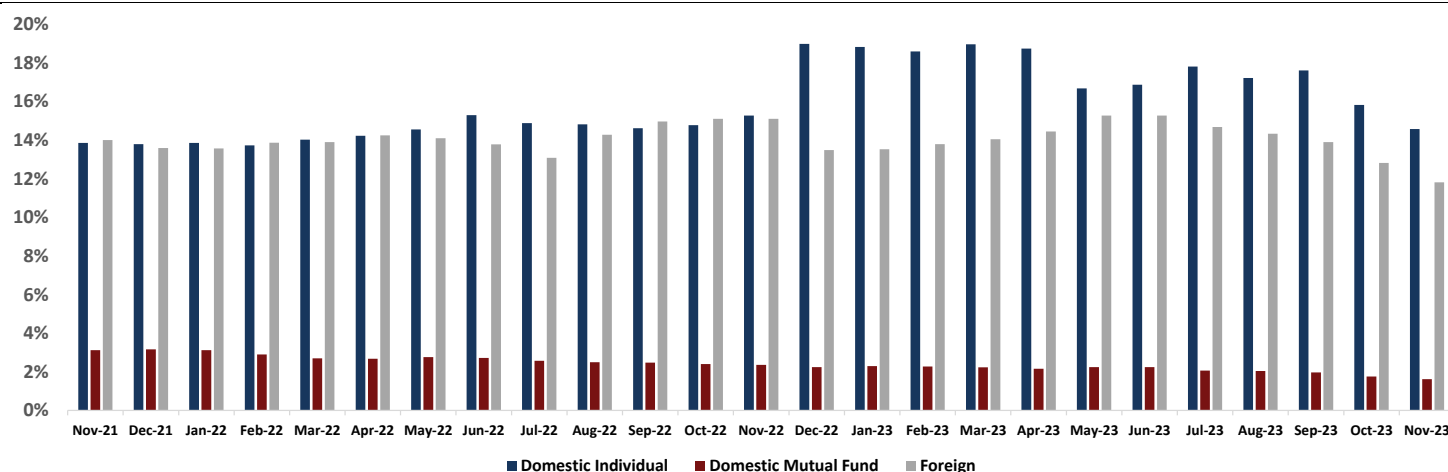


Source: PMI, SSI Research

Foreign Outflow From JCI

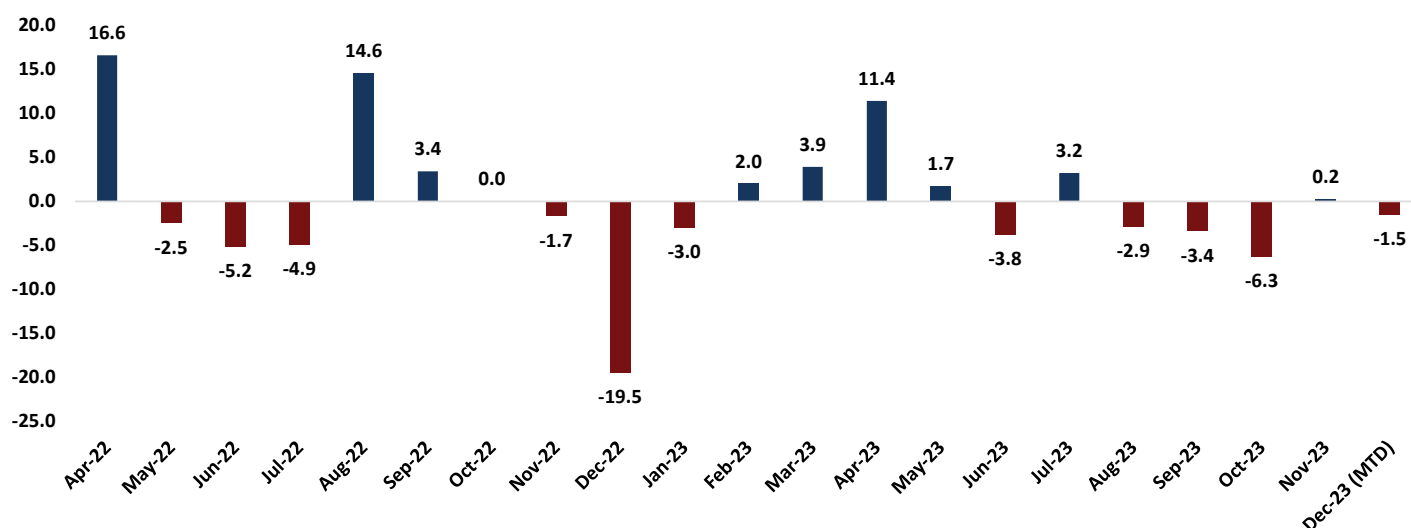
After booking a net foreign inflow of IDR 200bn in Nov-23, JCI reported a foreign outflow of IDR1.5tn MTD. On a YTD basis, net foreign inflows were IDR1.5tn, lower than in 2022 (IDR44tn). We noticed that GOTO, BBKA, and BMRI recorded the highest capital outflows MTD. Amongst the big-4 banks, BBRI is the only one recording foreign inflow (IDR227.1bn) MTD. Meanwhile, TLKM, ASII, and BBRI booked the highest foreign inflows MTD. The total foreign institutional ownership fell to 11.8% in Nov-23 vs. 12.8% in the previous month and 15.1% in Nov-22.

Figure 64. Domestic and foreign ownership in JCI



Source: KSEI, SSI Research

Figure 65. Domestic monthly equity foreign flow in the regular market (IDR, Tn)



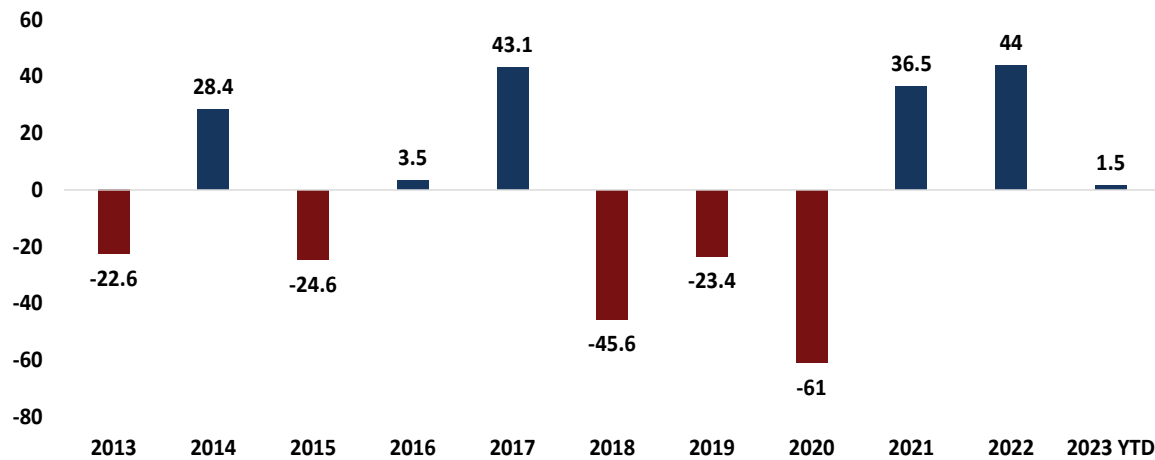
Source: Bloomberg, SSI Research

Market Update December 2023

Strategy Report

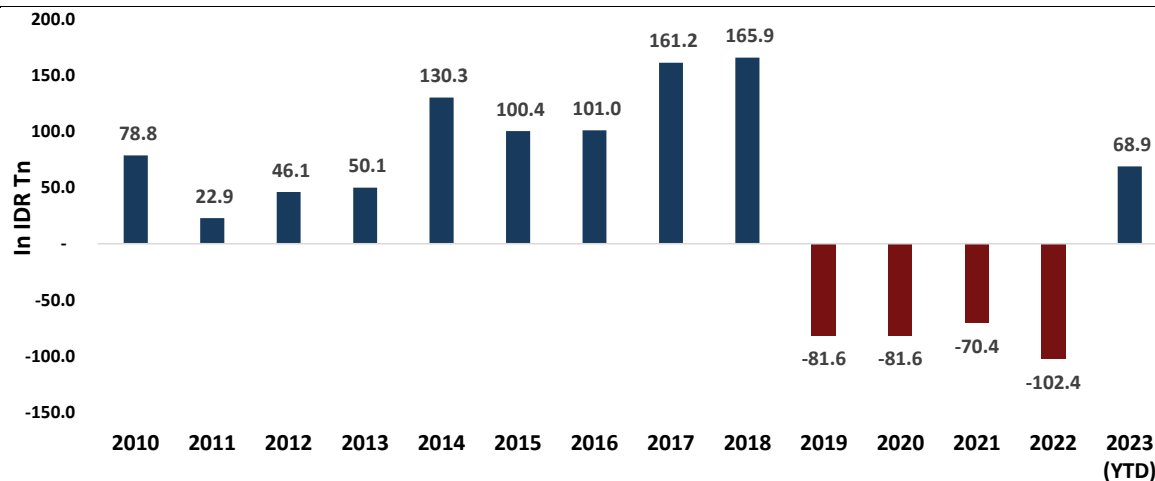
14 December 2023

Figure 66. Domestic equity foreign flow in the regular market (IDR, Tn)



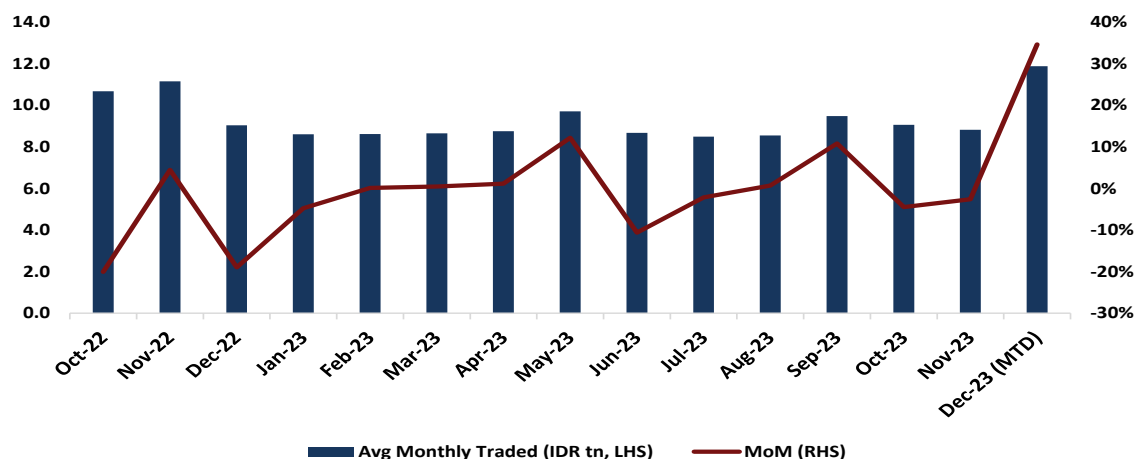
Source: Bloomberg, SSI Research

Figure 67. Domestic monthly bond flow (IDR, Tn)



Source: Bloomberg, SSI Research

Figure 68. Average daily trading value



Source: Bloomberg, SSI Research

Table 3. Sectoral distribution of foreign ownership

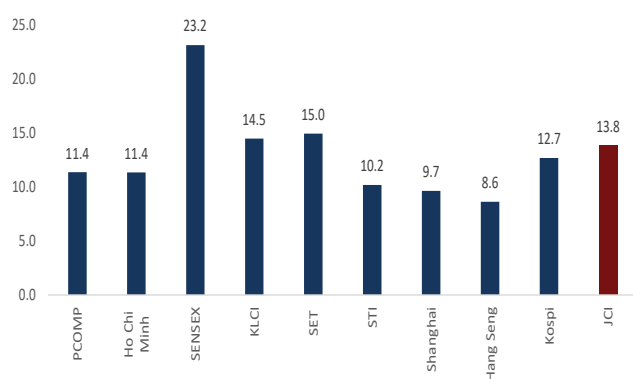
Sector	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
Bank	34%	34%	34%	35%	34%	34%	34%	35%	35%	36%	36%
Digital banks	0%	0%	1%	1%	1%	1%	1%	1%	1%	0%	0%
Consumer Staples	16%	17%	17%	19%	19%	21%	22%	23%	23%	24%	25%
Cigarette	15%	15%	14%	13%	14%	13%	13%	12%	11%	8%	8%
Healthcare	4%	5%	5%	5%	5%	5%	4%	4%	4%	4%	4%
Poultry	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Retail	20%	20%	20%	20%	19%	18%	17%	16%	14%	13%	14%
Pulp and Paper	7%	7%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Media	8%	8%	8%	8%	9%	9%	9%	8%	8%	7%	7%
Telco	19%	17%	13%	14%	14%	15%	15%	15%	15%	16%	17%
Telco Infra	18%	17%	16%	16%	15%	15%	15%	13%	12%	11%	11%
Auto	40%	38%	39%	32%	12%	13%	14%	14%	14%	15%	16%
Mining Contracting	32%	34%	34%	37%	38%	41%	40%	38%	38%	35%	36%
Property	11%	11%	10%	10%	11%	12%	12%	12%	12%	12%	12%
Industrial estate	6%	6%	5%	6%	6%	5%	4%	4%	4%	4%	5%
Construction	7%	7%	6%	6%	6%	7%	7%	7%	8%	8%	8%
Cement	24%	24%	24%	23%	21%	21%	20%	20%	20%	19%	19%
Precast	2%	2%	2%	2%	2%	2%	2%	2%	2%	1%	1%
Oil and Gas	10%	10%	10%	10%	10%	11%	11%	11%	11%	11%	11%
Chemical	2%	2%	2%	2%	2%	2%	3%	3%	2%	2%	2%
Utilities	18%	17%	17%	17%	16%	16%	16%	17%	20%	21%	22%
Metal	6%	6%	7%	7%	7%	9%	9%	9%	9%	10%	10%
Coal	11%	12%	11%	11%	12%	11%	12%	11%	12%	11%	11%
Plantation	5%	4%	5%	5%	6%	7%	8%	7%	7%	6%	6%
Technology	1%	1%	3%	3%	3%	3%	3%	3%	4%	5%	5%

Source: KSEI, SSI Research

2024F Index Target and Key Themes

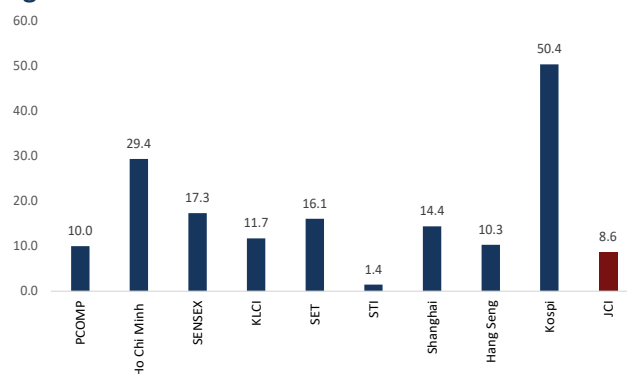
We anticipate the index to be more volatile in 2024 as a result of investors possibly adopting a wait-and-see approach in light of the presidential election in 1H24. We forecast the JCI at 7,600 at the end of 2024, implying a forward valuation of 14x PE, which is still lower than its 1.0SD. We expect 2024 EPS growth to accelerate to 8.6% vs. 6.1% in 2023. We maintain our OVERWEIGHT call on consumer staples, banks, telecommunications, and property sectors. For the consumer sector, there is a potential positive catalyst coming from political campaigns that can boost people's purchasing power, especially for the middle-low segment, as well as support from manageable input costs. For banks, most of them are quite confident that their LARs could improve further in the future, and they are already comfortable with their current LAR and NPL coverage ratio, suggesting that CoC may still decline and they can maintain strong, long growth in the coming years. For telecom, we expect telco companies to book higher data traffic growth this year, supported by election momentum, and favorable mobile competition will continue to support their ARPUs. If we take a look at historical data, regional telco companies' data traffic usually started to spike two quarters before an election. For property, the property tax reduction stimulus (budget of IDR3.2tn) could lift presales in 2024F, and their valuations are quite attractive (currently trading at a 75% discount to NAV).

Figure 69. JCI's PE vs. Peers



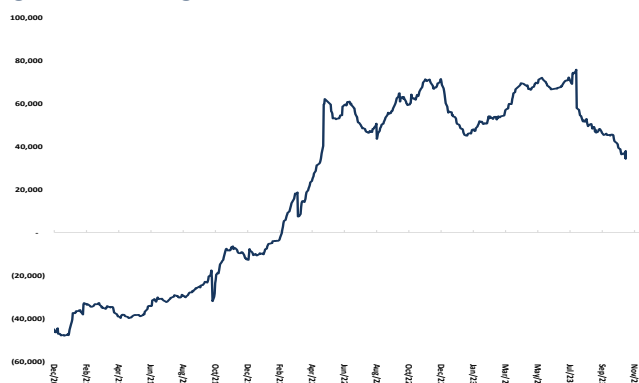
Source: Bloomberg, SSI Research

Figure 70. JCI's EPS Growth vs. Peers



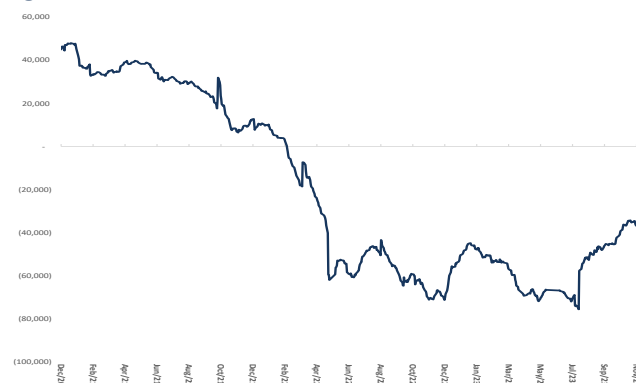
Source: Bloomberg, SSI Research

Figure 71. Foreign Flow into JCI



Source: Bloomberg, SSI Research

Figure 72. Domestic Flow into JCI



Source: Bloomberg, SSI Research

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Table 4. JCI vs developed markets

NAME	2017 % yoy	2018 % yoy	2019 % yoy	2020 % yoy	2021 % yoy	2022 % yoy	2023 %YTD
S&P 500 Index	18.9	-7.5	29.6	15.2	27.9	-19.7	20.4
Nasdaq Composite Index	27.1	-5.3	35.9	42.9	22.0	-33.5	38.7
Taiwan TaieX Index	16.3	-8.0	23.9	21.5	25.8	-22.4	22.2
Dow Jones Indus Avg	24.7	-7.1	23.4	6.2	19.7	-8.9	9.4
FTSE 100 Index	8.0	-11.7	12.7	-14.2	12.1	0.7	0.0
KOSPI INDEX	21.9	-17.3	7.7	30.4	6.0	-25.3	13.8
NIKKEI 225	18.9	-12.2	18.2	15.1	7.2	-9.4	27.5
SHANGAI SE COMPOSITE	6.8	-24.3	21.9	13.6	6.5	-14.6	-4.7
MSCI ASIA EX JAPAN	39.7	-16.4	16.3	21.8	-4.0	-20.9	-2.1
FTSE MALAYSIA	9.7	-4.9	-4.5	2.1	-6.1	-3.1	-2.1
HANGSENG INDEX	37.3	-14.6	11.0	-3.8	-12.2	-14.4	-18.9
JCI INDEX	19.9	-1.9	1.7	-5.5	8.0	4.1	4.5

Source: Bloomberg, SSI Research

Table 5. JCI and sectoral performance

Index	DoD	WoW	MoM	YoY	YTD
JCI	0.4	1.4	5.2	5.0	4.5
LQ45	0.5	1.1	4.8	0.5	1.6
IDXFİN	-1.8	-2.3	2.1	-2.7	-1.0
IDXBASIC	1.8	10.7	9.8	6.1	7.5
IDXNCYC	0.2	-0.4	-2.3	-1.0	0.5
IDXENER	1.8	1.5	4.7	-6.7	-10.4
IDXINFRA	2.0	8.5	31.1	91.4	87.8
IDXCYC	-0.4	-2.1	0.6	-7.0	-5.6
IDXTECH	2.9	-1.8	13.4	-12.6	-10.0
IDXHLTH	-0.3	1.2	-0.5	-11.3	-11.2
IDXPROP	-0.4	-2.7	-2.3	-1.8	-2.5
IDXINDUS	0.1	-0.4	-1.2	-9.3	-7.6
IDXTRANS	-1.0	-2.7	-0.4	-4.8	-1.2

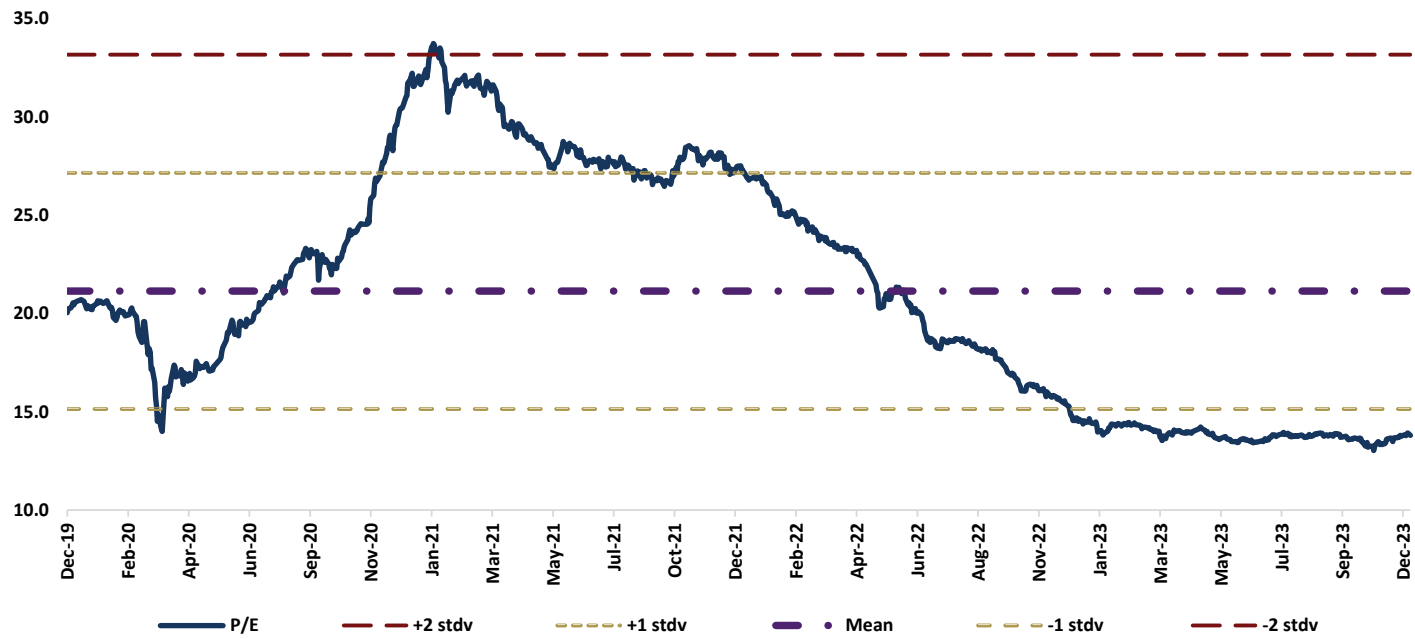
Source: Bloomberg, SSI Research

Table 6. JCI target scenario

	Bear	Base	Bull
Earnings growth (%)	3.6	8.6	13.6
5 years average JCI index P/E	22.1	22.1	22.1
Fair P/E multiple	14.0	14.0	14.0
EPS 2024	524.3	547.4	574.8
Fair index target	7300	7600	8000

Source: Bloomberg, SSI Research

Figure 73. JCI's 5-year PE band



Source: Bloomberg, SSI Research

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