UOBKayHian

Strategy – Alpha Picks | Indonesia

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Alpha Picks: Earnings Resilience Amid MSCI Uncertainty

Highlights

- October sell-off: Our picks fell 13.9%, outperforming the JCI's 18.1% decline by 4.3%.
- November remains challenging: Commodity-led earnings growth faces rising yields, elevated input costs and MSCI-related flow risks.
- Retain our existing picks but add UNVR as its operating recovery and dividend prospects support its inclusion, despite continued margin pressure.

What's New

- **October: MSCI shock triggered another broad sell-off.** The JCI fell 18.1% mom in Oct 26 after the MSCI lanched a consultation to reclassify Indonesia from EM directly to Standalone Market status, pushing the index below 5,000 during the month. Infrastructure (-27.4%), basic materials (-25.3%), industrials (-24.3%), and energy (-23.1%), recorded the steepest declines while financials (-9.8%) and healthcare (-11.1%) relatively outperformed. The rupiah weakened a further 1.4% against the US dollar. Our 10 picks declined by an average of 13.9%, ourperforming the JCI by 4.3%. AADI (3.4%) and ASII (+2.9%) were only positive performers, while CMRY (-4.4%) and ELSA (-4.5%) were relatively defensive. BULL (-34.4%) and EXCL (-30.0%) recorded the largest declines, followed by INKP (-21.5%) and BBCA (-19.4%).
- **November outlook: Solid earnings face a toughter macro environment.** Of the 43 companies under our coverage that reported 9M26 results, 42% beat our estimates, 28% were in line, and 30% missed. Aggregate revenue and net profit grew 13% yoy and 19% respectively, but growth moderated to 7% for both after excluding commodity companies, pointing to more modest underlying earnings momentum. Looking ahead, the rising global bond yield will pressure the rupiah and limit Bank Indonesia's (BI) policy flexibility, leading to an increase the cost borrowing, while elevated oil prices and El Nino-related food inflation could weaken purchasing power and keep input costs elevated. We therefore expect an uneven recovery led by companies with pricing power, defensive earnings, low leverage, and strong cash flows.
- **MSCI remains the main structural overhang.** The proposed reclassficiation of Indonesia from EM directly to Standalone Market status could keep foreign participation low and valuations depressed throughout the consultation period, which runs until 30 Apr 27, with final decision due by 30 Jun 27. In the near term, MSCI will announce its quarterly review on 11 Nov 26, with changes affective on 1 Dec 26. Based on their US$ free-float-adjusted market capitalisation, we estimate that BRPT, BRMS, and UNTR will be screened as potential deletion candidates. UNTR faces additional risk from a possible FIF reduction following its share buybacks. These remain our estimates, as the final thresholds, price cut-off and free-float treatment will be determined by MSCI.

Actions

- **November positioning: Maintain existing picks and add UNVR.** Following Oct 26's sharp correction, we retain AADI, ASII, BBCA, BULL, CMRY, ELSA, GOTO, INKP, TLKM, and EXCL and add UNVR. BBCA, ASII, and TLKM face the direct passive-selling exposure among our picks should the MSCI proceed with Indonesia's reclassification to Standalone Market status. Foreign flows could overshadow earnings during the consultation period, but their 3Q26 operating performances support retentions. BBCA's net profit rose 5.6% qoq as NIM recovered to 5.6% (3Q26: 5.3%) and loan growth guidance was raised to 10-11%. ASII's 3Q26 core net profit of Rp9.7t (+19.7% qoq; +11.5% yoy) brought 9M26 to 87% of our estimates and 84% of consensus estimates, led by a recovery in mining solutions and heavy

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Alpha Picks Recommendations

Company	Ticker	Rec	Share Price (Rp)	Target Price (Rp)
Adaro Andalan	AADI	BUY	10,725	14,300
Astra International	ASII	BUY	4,830	7,100
Bank Central Asia	BBCA	BUY	4,990	8,150
Buana Lintas Lautan	BULL	BUY	248	780
Cisarua Mountain Dairy	CMRY	BUY	4,120	5,800
Elnusa	ELSA	BUY	615	1,450
Gojek Tokopedia	GOTO	BUY	24	60
Indah Kiat Pulp & Paper	INKP	BUY	6,650	15,700
Telkom Indonesia	TLKM	BUY	1,960	3,300
Unilever Indonesia	UNVR	BUY	1,390	1,800
XLSMART Telecom	EXCL	BUY	1,690	3,600

Source: Bloomberg

Alpha Picks Performance In Oct 26

Company	Rec	Oct 26 (%)	To Date (%)
AADI	BUY	3.4	43.6
ASII	BUY	2.9	-37.5
BBCA	BUY	-19.4	-46.4
BULL	BUY	-34.4	-59.4
CMRY	HOLD	-4.4	-34.3
ELSA	BUY	-4.5	12.0
GOTO	BUY	-15.7	-73.8
INKP	BUY	-21.5	-32.8
TLKM	BUY	-15.0	-52.1
EXCL	BUY	-30.0	-63.5
USD-IDR X-Rate		1.4	8.6
JCI		**-18.1**	**-41.7**
UOBKH Portfolio		**-13.9**	**-37.5**

Source: Bloomberg

Portfolio Return

(%)	2025	1Q26	2Q26	3Q26
JCI return	22.1	-18.5	-19.9	7.6
Alpha Picks Return				
- Price-weighted	-2.3	-6.1	-17.4	7.9
- Market cap-weighted	-5.5	-6.8	-11.4	6.8
- Equal-weighted	16.5	-6.0	-17.5	13.8

Assumptions for the 3 methodologies:
1) Price-weighted: Assuming the same number of shares for each stock, a higher share price will have a higher weighting.
2) Market cap-weighted: Weighting is based on the market cap at date of inclusion, a higher market cap will have a higher weighting.
3) Equal-weighted: Assuming the same investment amount for each stock, every stock will have the same weighting.
Source: UOB Kay Hian

equipment and the resumption of Martabe gold production. Its Rp8t buyback and AUTO tender offer provide capital management support.

We keep TLKM as some 3Q26 costs were front-loaded or non-operating, with mobile revenue expected to stabilise in 4Q26. We add UNVR for its improving sales volume and dividend prospect. Revenue has grown for five consecutive quarters, with 9M26 sales up 7.2% and continuing operation profit up 10.6%. UNVR carries a 100% payout policy with an interim dividend expected before year-end.

Analysts' Alpha Picks

Analyst	Company	Rec	Performance (%)*	Catalyst
Benyamin Mikael, Alden Gabriel	Adaro Andalan Indonesia	BUY	3.4	a) Winter seasonal demand, b) additional income from Kaltara power plant rental, and c) Kestrel divestment.
Willinoy Sitorus & Alden Gabriel	Astra International	BUY	-2.2	Rp8t buyback budget for the next 12 months.
Posmarito Pakpahan	Bank Central Asia	BUY	-26.5	Has the most resilient NIM among our coverage during rate hikes and tighter liquidity.
Willinoy Sitorus & Audrey Celia	Buana Lintas Lautan	BUY	-59.1	4Q26 results confirming higher freight rates.
Willinoy Sitorus & Audrey Celia	Cisarua Mountain Dairy	BUY	-15.3	a) Continued strong growth momentum in dairy, and b) new consumer food lines beginning operations in 1Q27.
Benyamin Mikael, Alden Gabriel	Elnusa	BUY	-15.9	New contracts secured in late-25 and early-26, government support, clear earnings visibility for 2026-27.
Willinoy Sitorus & Audrey Celia	Gojek Tokopedia	BUY	-15.7	a) Regulatory clarity on the take-rate scope; b) continuous profitability improvement; c) progressive buyback deployment.
Willinoy Sitorus & Audrey Celia	Indah Kiat Pulp & Paper	BUY	-29.0	a) Firm pulp prices, b) higher paper demand and ASP adjustments, and c) new capacity additions.
Willinoy Sitorus & Andrew Agita	Telkom Indonesia	BUY	-15.0	Announcement of value unlocking progress.
Willinoy Sitorus & Audrey Celia	Unilever Indonesia	BUY	n.a.	a) Interim dividend payment in Dec 26; b) update on the foods business following Unilever PLC's deal with McCormick.
Willinoy Sitorus & Andrew Agita	XLSMART Telecom Sejahtera	BUY	-45.5	Proper EBITDA margin improvement.

**Denotes a timeframe of 1-3 months and not UOB Kay Hian's usual 12-month investment horizon for stock recommendation*
Source: UOB Kay Hian

Valuation Of Analysts' Alpha Picks

Company	Ticker	Rec	Price 2 Nov 26 (Rp)	Target Price (Rp)	Upside To TP (%)	Market Cap (US$m)	3M Avg Turnover (US$m)	P/E 2026F (x)	P/B 2026F (x)	ROE 2026F (%)	Div.Yield 2026F (%)	Net Gearing (%)
Adaro Andalan Indonesia	AADI	BUY	10,725	14,300	33.3	4,604	7.5	4.2	1.2	30.2	11.8	(3.6)
Astra International	ASII	BUY	4,830	7,100	47.0	10,780	13.6	6.9	0.8	11.9	8.0	19.4
Bank Central Asia	BBCA	BUY	4,990	8,150	63.3	33,896	25.7	10.2	2.0	20.1	6.8	(30.9)
Buana Lintas Lautan	BULL	BUY	248	780	214.5	212	0.1	2.0	0.7	43.8	n.a.	97.8
Cisarua Mountain Dairy	CMRY	BUY	4,120	5,800	40.8	1,802	0.7	14.2	4.4	28.8	4.4	(25.1)
Elnusa	ELSA	BUY	615	1,450	135.8	247	0.8	5.2	0.8	15.6	7.5	(39.9)
Gojek Tokopedia	GOTO	BUY	24	60	150.0	1,576	8.8	24.0	0.8	4.3	-	(49.9)
Indah Kiat Pulp & Paper	INKP	BUY	6,650	15,700	136.1	2,005	2.2	3.3	0.3	8.1	0.5	21.6
Telkom Indonesia	TLKM	BUY	1,960	3,300	68.4	10,702	23.2	8.9	1.4	13.2	10.4	26.2
Unilever Indonesia	UNVR	BUY	1,390	1,800	29.5	2,923	1.8	13.0	18.1	185.2	12.4	(113.1)
XLSMART Telecom Sejahtera	EXCL	BUY	1,690	3,600	113.0	1,696	1.2	n.a.	1.0	(6.0)	2.7	200.3

Source: Bloomberg, UOB Kay Hian

Adaro Andalan Indonesia – BUY (Benyamin Mikael/Alden Gabriel Lam)

- **AADI's mines sit in South Kalimantan, away from the constrained upstream Barito.** Adaro Andalan Indonesia (AADI)'s coal deliveries remain uninterrupted. Its major producing assets and the Adaro Indonesia (AI) coal mine are all in South Kalimantan and feed Kelanis via AADI's own 80km

Share Price Catalyst

- **Event:** a) Winter seasonal demand, b) Additional income from Kaltara power plant rental, and c) Kestrel divestment.
- **Timeline:** 2026.

hauling road rather than by river. AADI only enters the river at the mid-Barito loading station and controls dredging on the stretch below through Sarana Daya Mandiri. We expect AADI to achieve 48% growth in net profit on higher coal prices.

- **Coal prices to stay elevated as supply disruption meets seasonal demand.** Newcastle coal price is up 37.7% since the US-Iran conflict began in Feb 26, while seasonal demand and El Niño supply disruption should keep prices supported into 2H26. On the supply side, El Niño-driven low water levels have made parts of the upper Barito in Central Kalimantan unnavigable, with force majeure already declared by some shippers and Apindo estimating around 3.9 mt per month of barging at risk. On the demand side, the July to October window typically prices at the upper end of the range as the Northern Hemisphere cooling demand overlaps with restocking ahead of winter, with the same El Niño is cutting Indian hydro output and monsoon replenishment this year, which pulls India back into the seaborne market.
- **AADI offers an attractive 2027 dividend yield of about 13%,** with potential upside from a special dividend exceeding 12% by end-26 following the completion of the transfer of all Kestrel shares and warrants to Yancoal Australia Limited on 1 Oct 26.
- **Defensive US dollar earner outside MSCI.** High oil and LNG prices and winter demand underpin coal prices, while AADI's US dollar earnings provide a natural hedge against rupiah weakness. AADI is not in the MSCI indices, so it faces no benchmark-related selling.
- **Maintain BUY with target price of Rp14,300.** Our target price of Rp14,300 is based on 6.3x 2027F PE, which is ADRO's 2019-24 average PE prior to the spin-off of AADI. We increase our target price as coal prices continue to sustain at an elevated level with the upcoming winter seasonal demand and potential supply disruption from the El Nino effect. Additionally, AADI is expected to receive US$60m in rental income for 2026.
- **Key risks:** a) Supply disruption from El Nino, and b) lower-than-expected coal prices.

Astra International – BUY (Willinoy Sitorus/Alden Gabriel Lam)

- **Another delay in BEV incentives.** The battery electric vehicle (BEV) incentives, which were supposed to be released on 1 Aug 26, have been delayed again. There is no update yet on the timing of the BEV incentive announcement, but the latest indication is that the incentive package will cover 500,000 BEVs and 500,000 electric motorcycles, for a total of 1m units. The incentive being prepared is a government-borne VAT (PPN-DTP) in the range of 40-100%, though the scheme is still being finalised and may treat nickel-based and lithium-based batteries differently. Surprisingly, we saw many BEV launches priced at lucrative value-for-money levels, especially in the Rp200m-500m/unit range during the event. If demand remains strong, the risk of the incentives not being extended is plausible in our view.
- **2H26 outlook.** The 4W industry recovery is expected to continue, with the industry maintaining its 2026 sales target of 850,000 units and ASII still targeting a solid 50% market share target. Manufacturing margins are expected to soften in 2H26, especially toward year-end, as forex and raw material cost pressures flow through and price increases stay gradual amid competitive conditions. Sales margins, however, should stay resilient on a better product mix, disciplined discounting, and higher after-sales contribution.

  In financial services, higher interest rates should have limited near-term impact as funding costs adjust gradually, with longer-term repricing managed through funding optimisation, risk-based pricing, and a preference for profitability over aggressive loan growth. Heavy equipment, mining, construction and energy (HEMCE) will improve in 2H26, with the geothermal

Share Price Catalyst

- **Event:** a) Rp8t buyback programme, and b) continued delay in the rollout of BEV incentives.
- **Timeline:** Jul 26-Jul 27.

impairment already booked in 1H26 and Martabe gold volumes normalising toward a full-year target of 60,000 oz. There is upside for the coal segment, as the coal RKAB budget has been raised from 7.5mt to 12.4mt.

- **Maintain BUY with an SOTP-based target price of Rp7,100.** Our valuation implies 10.1x 2026F PE.
- **Key risks:** a) further rate hikes, which would make financing costlier; and b) weaker purchasing power.

Bank Central Asia – BUY (Posmarito Pakpahan)

- **Resilient NIM amid rate hikes and tighter liquidity.** Among the banks under our coverage, Bank Central Asia (BBCA) stands out as the most resilient in a rate hike cycle and a tighter liquidity environment, supported by its high exposure to floating-rate loans and bonds while its CASA-dominated funding structure renders it less sensitive to interest rate changes. Following the aggressive rate hikes, bond yields have moved higher, which should support asset yield expansion given BBCA's sizeable holdings of government bonds and SRBI.
- **Prudent lending stance amid soft demand and elevated retail risks.** The bank remains selective in the corporate segment despite continued lending opportunities, while demand in the commercial and SME segments continues to be weak, reflecting subdued underlying economic activity. Meanwhile, asset quality in the retail segment remains elevated, particularly in auto loans, where NPLs have risen to nearly 3% from a normal level of around 2%. Looking ahead, higher interest rates could further pressure loan demand in the already-weak commercial and SME segments, while also weighing on asset quality. As a result, we expect BBCA to remain prudent in loan origination, prioritising asset quality and risk-adjusted returns over volume growth despite its ample liquidity position.
- **Maintain BUY with a target price of Rp8,150.** At 2.6x P/B against a through-cycle ROE of 23-25%, BBCA's valuation is increasingly compelling following a de-rating driven more by foreign outflows and sovereign risk repricing than by any meaningful deterioration in fundamentals. Currently, BBCA is trading at -2SD to its 20-year historical P/B. Our Gordon Growth Model assumptions are ROE of 20.5%, growth of 8% and cost of equity of 11.9%, implying 3.2x P/B. However, higher bond yield and MSCI-related uncertainty warrant reassessing these assumptions. BBCA carries the largest estimated selling exposure among Indonesian banks in our MSCI scenarios, leaving its share vunerable to foreign outflow despite resilient fundamentals. We will revisit our recommendation and target price as part of the sector valuation review.
- **Key risks:** a) adverse macro development(s); b) rupiah instability that could impact rate cuts; c) uncertainty in geopolitical issues; d) a slowing economy, which would affect loan growth and worsen asset quality; e) NIM compression, and f) changes in regulations.

Share Price Catalyst

- **Event:** a) Having the most resilient NIM among our coverage during rate hikes, and b) tighter liquidity.
- **Timeline:** 2026.

Buana Lintas Lautan – BUY (Willinoy Sitorus/Audrey Celia)

- **3Q26 results slightly below expectations.** Buana Lintas Lautan's (BULL) 3Q26 revenue fell 35.8% qoq but rose 45.8% yoy to US$54.5m. Freight rates pulled back during the quarter, and two of the three Aframax vessels in the fleet were docked for about a month of maintenance. Gross margin narrowed to 45.7% (2Q26: 56.1%) as direct costs fell only 20.6% qoq. Fuel and port charges declined with fewer voyage days, but fixed costs rose to 22% of revenue (2Q26: 13%). Net profit fell 51.0% qoq but jumped 273.1% yoy to US$21.7m. 9M26 net profit of US$80.0m (+526% yoy) is 71% of our FY26 and 70% of consensus forecasts.

Share Price Catalyst

- **Event:** a) 4Q26 results confirming higher freight rates,
- **Timeline:** 4Q26-1Q27.

- **Fleet expansion continues; net gearing remains comfortable.** In line with rapid vessel purchases, net gearing rose to 0.72x (2Q26: 0.52x; 3Q25: 0.42x), but it remains well within the company's guidance of below 2.0x. BULL's fleet is on track to grow from 10 vessels at end-25 to 19 by end-26. The planned addition of an FPSO and an FSO, each backed by long-term contracts, also diversifies its earnings away from the spot tanker market.
- **4Q26 set to be a record quarter.** Tanker rates have risen further so far in 4Q26, surpassing their 2Q26 peaks. In addition, an Aframax, an MR tanker, an FPSO and an FSO are expected to be delivered and start operating in the quarter. We therefore expect 4Q26 earnings to be very strong, potentially exceeding 2Q26's.
- **Maintain BUY with a target price of Rp780,** based on 6.0x 2026F EV/EBITDA, in line with peers.
- **Key risks:** a) delays in commissioning new vessels, b) execution on the remaining additions, and c) freight rates normalising faster than we assume.

Cisarua Mountain Dairy – BUY (Willinoy Sitorus/Audrey Celia)

- **Solid 9M26 results.** Cisarua Mountain Dairy (CMRY) continued to deliver solid top-line growth in 3Q26, with revenue up 27.3% yoy, although net profit fell 10.1% yoy on higher A&P spending and lower finance income. Dairy remained the key growth driver, extending its strong momentum from 2Q26 with sales up a further 9.3% qoq (+44.6% yoy). Gross margin remained healthy at 42.9% in 9M26, within management's guidance of 42-44%. Overall, 9M26 earnings are in line at Rp1.72t (+7.3% yoy), representing 75% of our forecast and 76% of consensus.
- **Strong growth story remains intact.** We remain positive on CMRY, underpinned by its continued product innovation, expanding distribution through its GT and Miss Cimory channels, and a solid net cash balance sheet. Looking ahead, the new consumer foods facility, scheduled to commence operations in 1Q27, should provide an additional growth catalyst. Margins should also recover from a selective ASP increase in December, the insurance recovery on the fire provision in 1Q27, and direct whole milk powder imports from 2027, which bypass local distributors.
- **Maintain BUY with a target price of Rp5,800,** based on 22x forward PE (its three-year historical average).
- **Key risks:** a) Fluctuation in raw material costs, b) rupiah depreciation, c) weak purchasing power, and d) intensifying competition.

Share Price Catalyst

- **Event:** a) Continued strong growth momentum in dairy, and b) new consumer food lines beginning operations in 1Q27.
- **Timeline:** 4Q26-2027.

Elnusa – BUY (Benyamin Mikael/Alden Gabriel Lam)

- **Upstream recovery driving earnings visibility, supported by strong backlog conversion.** Elnusa's (ELSA) upstream activity is entering an upcycle, supported by: a) Indonesia's accelerating oil and gas development, and b) firmer global oil prices. ELSA booked new contracts worth Rp16.1t in 2025 (60% upstream), lifting the backlog to Rp21.9t (1.4x revenue) and providing clear earnings visibility for 2026-27.
- **Three-year CAGR of 19.5% in net profit over 2025-28.** With the government pushing for energy self-sufficiency, ELSA stands to benefit as a key supporting player working towards this goal. This underpins our forecast of net income growing at a three-year CAGR of 19.5% over 2025-28, supported by upstream project revenue, which we expect to grow at an 11.5% CAGR over the same period.
- **Net cash and low index exposure.** ELSA holds cash worth about 70% of its market cap, with no exposure to MSCI-related selling, making it a good fit for our defensive positioning.

Share Price Catalyst

- **Event:** Earnings expected to improve from 2H26 onwards.
- **Timeline:** 2H26.

- **Maintain BUY with target price of Rp1,450.** We see scope for a re-rating driven by: a) continued backlog growth and conversion, b) a higher-margin mix, c) ELSA potentially lifting its payout ratio to 50% from around 40% currently, implying a ~9.% dividend yield.

Gojek Tokopedia – BUY (Willinoy Sitorus/Audrey Celia)

- **Third straight profitable quarter, ahead of forecast.** Gojek Tokopedia (GOTO) booked a net profit of Rp1,165b in 9M26, reversing a Rp776b loss in 9M25, and 3Q26 was its third straight profitable quarter. 9M26 adjusted EBITDA rose 115% yoy to Rp2,867b. Fintech is now the main growth engine, with 9M26 adjusted EBITDA up 415% yoy to Rp1,395b driven by higher transaction volume (+86% yoy) and a larger loan book (+51% yoy to Rp12.0t), outpacing ODS at +28% to Rp1,250b. Management raised its 2026 group adjusted EBITDA guidance to Rp3.5t-3.7t from Rp3.2t-3.4t.
- **Commission cap weighs on ODS; delivery is the bigger risk.** The 8% cap on 2W mobility took full effect in 3Q26, cutting mobility adjusted EBITDA 16% yoy to Rp159b (2.5% of GTV), although mass-market products lifted completed orders 9% yoy. The bigger risk is the cap's extension to delivery under the 8 Oct 26 presidential regulation, with implementing rules still pending. All else being equal, we estimate a ~12% cut to 2027 net revenue from delivery, or ~18% including 2W mobility. This should be cushioned by exempt merchant commissions (~half of delivery revenue), order pooling and room to cut incentives (15.0% of ODS gross revenue in 3Q26). Management still guided that delivery should remain EBITDA-positive.
- **Maintain BUY, with a target price of Rp60.00** based on a 2.5x blended segment EV/sales on 2026F, a 25% discount to global peers. We will roll it forward to 2027 once the take-rate rules are clearer. On earnings, GOTO trades at 20x 2026F PE, in line with Grab (19x) and Sea (21x). After the Rp50 price floor was removed on 28 Sep 26, GOTO spent Rp985b buying back ~36b shares (~3% of shares, at ~Rp27/share) within a month.
- **Key risks:** a) clarity on the delivery cap rules, b) weak purchasing power, and c) NPLs from the fintech business.

Share Price Catalyst

- **Event:** a) Regulatory clarity on the take-rate scope; b) continuous profitability improvement; c) progressive buyback deployment
- **Timeline:** 4Q26-2027.

Indah Kiat Pulp & Paper – BUY (Willinoy Sitorus/Audrey Celia)

- **Industry tailwinds coincide with capacity ramp-up.** We continue to like Indah Kiat Pulp & Paper (INKP) as it enters a key earnings inflection point. Earnings should be supported by firm pulp prices (9M26 average at ~US$580/tonne vs US$540/tonne in 9M25), rising demand for paper-based packaging amid higher plastic prices, and the gradual ramp-up of the Karawang plant, which began commercialisation in Apr 26 and should contribute more meaningfully from 3Q26 onwards. Importantly, after around US$2.5b of capex over the past two years, INKP is now entering its monetisation phase, with new capacity ramping up while capex normalises, supporting stronger free cash flow generation and balance sheet deleveraging. Combined with its integrated low-cost structure, we forecast core profit growth of 50% in 2026, with ROE improving from 6.6% to 8.0%.
- **Maintain BUY with a target price of Rp15,700,** based on 8.3x 2026F PE, (+1SD above INKP's five-year trailing average).
- **Key risks:** a) High affiliated-party exposure, with around 75% of receivables from Cakrawala Mega Indah, which may affect collection timing; b) earnings sensitivity to volatile pulp prices; and c) delays or slower ramp-up in the Karawang expansion impacting volumes and utilisation.

Share Price Catalyst

- **Event:** a) Firm pulp prices, b) higher paper demand and ASP adjustments, and c) new capacity additions.
- **Timeline:** 2026.

Telkom Indonesia – BUY (Willinoy Sitorus/Andrew Agita)

- **TIF remains the key value-unlocking catalyst, with a 10.4% dividend yield.** Telkom Infranexia (TIF) Phase 2 is expected to be completed in early-4Q26, paving the way for a potential 20-30% strategic stake sale at an 8-9x EV/EBITDA target versus around 3.7x for Telkom Indonesia (TLKM). Management is also evaluating additional fibre consolidation before bringing in a strategic investor, which could increase TIF's scale and valuation but extend the monetisation timeline. Further upside could come from data centre, property and GOTO asset monetisation, supporting additional value realisation on top of the attractive dividend yield.
- **Management changes could create near-term execution risks.** The previous 30 September EGM included changes to some of TLKM's board of directors including a new CEO, Nanang Hendarno, which could slow ongoing initiatives as the new management team resets priorities. Meanwhile, the planned use of Graha Merah Putih (GMP) by Badan Gizi Nasional (BGN) requires the relocation of several TelkomGroup units, adding another layer of operational changes. These developments come as TLKM is simultaneously executing TIF separation, organisational streamlining and asset monetisation, increasing the risk of delays across some initiatives.
- **Maintain BUY with a target price of Rp3,300,** based on 5.1x 2026F EV/EBITDA, or -0.5SD to its five-year mean. TLKM currently trades at around 3.7x 2026F EV/EBITDA, while we see improving mobile ARPU, ERP-led efficiency gains and 5G expansion supporting the core business.
- **Key risks:** a) Weaker-than-expected ARPU recovery; b) slower-than-expected unlocking of TIF and other subsidiaries' value; c) higher-than-expected capex and forex impact; and d) execution risks from the ERP, management changes and ongoing asset reorganisation.

Share Price Catalyst

- **Event:** TIF Stake Sale.
- **Timeline:** 2027.

XLSMART Telecom Sejahtera – BUY
(Willinoy Sitorus/Andrew Agita)

- **Accelerated depreciation is expected to keep EXCL loss-making in 2026 though we could see a turnaround in 4Q26.** In 2025, the company booked Rp7.4t in post-tax one-off charges related to site consolidation, asset retirement, workforce alignment, and network integration. Accelerated depreciation charges are expected to reach Rp5t-6t this year, while integration costs should decline sharply to only around Rp500b as up to 70-80% of the post-merger integration spending has already been recognised. Management expects elevated depreciation costs to continue through 3Q26, while targeting 4Q26 results to be largely free from accelerated depreciation charges. Despite accounting losses, core earnings should continue improving on stronger ARPU and rising synergy realisation.
- **EXCL may follow Indosat's post-merger re-rating path, with potential ownership upside from Sinarmas.** Indosat (ISAT) re-rated after its EBITDA margin expanded from 40.3% in 1Q22 to 44.1% by 4Q22 as merger synergies materialised. XLSMART Telecom Sejahtera (EXCL) is beginning to show similar profitability improvement as integration costs taper, ARPU recovers, and management maintains FY26 guidance for EBITDA growth to outpace revenue alongside US$250m-300m of merger synergies. Separately, Dian Swastika Sentosa (DSSA) is actively consolidating Sinarmas Group's digital infrastructure assets, including the transfer of Sinarmas Group's EXCL stake in Bali Media Telekomunikasi, the acquisition of Mora Telematika Indonesia (MORA), and Ketrosden Triasmitra (KETR). This supports the view that Sinarmas may seek to further strengthen its connectivity platform by increasing its 32.0% stake in EXCL should Axiata be interested in divesting their 34.7% holding.

Share Price Catalyst

- **Event:** a) Proper EBITDA margin improvement, and b) Sinarmas Group increasing its stake.
- **Timeline:** 2026.

- **Maintain BUY with an unchanged target price of Rp3,600,** based on 5.8x 2026F EV/EBITDA, -0.5SD from its post-merger average EV/EBITDA multiple. EXCL currently trades at 4.7x 2026F EV/EBITDA, approximately 1.5SD below its post-merger historical mean.
- **Key risks:** a) Weaker-than-expected ARPU recovery; b) unfavourable changes in regulation; c) longer-than-expected merger duration; and d) although we expect core profit growth, we forecast a reported loss this year, front-loaded in 9M26, which may pressure the share price up till 3Q26 results. We view this weakness as a buying opportunity over a 6-12-month horizon.

Unilever Indonesia – BUY (Willinoy Sitorus/Audrey Celia)

- **Volume-led recovery following the 2025 reset.** Following volume and market share losses in 2023-24, Unilever Indonesia (UNVR) reset its business in 2025 by closing strategic price gaps, improving distributor health and stock levels, and expanding direct store coverage. The turnaround is now evident, with five consecutive quarters of volume-led growth and offline market share stable at ~31% since 2025. In 9M26, revenue from continuing operations rose 7.2% yoy to Rp25.8t. However, operating profit fell 1.8% yoy to Rp3.9t as gross margin narrowed to 45.1% from 48.9% on higher oil-linked costs and a weaker rupiah. Nevertheless, net profit rose 10.6% yoy to Rp3.3t, helped by higher interest income and gains on fixed asset sales. Going forward, the company is prioritising its core brands, premiumisation and online channels. Structural cost savings also support margins, as in-house surfactant production has lowered production cost per tonne by ~25% since 2024, partly offsetting higher oil-linked input costs.
- **Potential dividend yield of about 9% over the next 12 months.** UNVR has consistently paid out about 100% of net profit and distributed past divestment gains in full. We expect an interim DPS of Rp76 in Dec 26, including Rp23 from the Rp870b Sariwangi gain (a 5.5% yield), and a final FY26 DPS of Rp54 in mid-27. Separately, management is assessing the impact of Unilever PLC's planned combination of its foods business with McCormick, with an update expected by end-26. Foods account for around 26% of 9M26 revenue and approximately 23% of segment operating profit, with slower growth (4.2% vs 8.3% for home and personal care) and a lower margin (17.7% vs 21.6%). Based on our rough calculation, in line with previous deals, would imply an after-tax gain of about Rp6.2t, or a special DPS of around Rp164 (~12% yield) assuming a full payout.
- **Maintain BUY with a target price of Rp1,800,** based on 16.4x 2027F PE (-0.5SD below its three-year mean of 17.9x). The stock has fallen ~46% ytd and trades at 12.7x 2027F PE, about -1.7SD below its mean.
- **Key risks:** a) weak purchasing power, b) raw material cost increase and rupiah depreciation, c) intensifying competition

Share Price Catalyst

- **Event:** a) Interim dividend payment in Dec 26; b) update on the foods business following Unilever PLC's deal with McCormick.
- **Timeline:** End-26.

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