

FROM EQUITY REPORT

XL Axiata: Potential FMC strategy acceleration and value unlocking from the merger scenario

(EXCL.IJ IDR 2.370 BUY.TP IDR 3.000)

- XL may accelerate its FMC by acquiring the subs of LINK and rolling out of new 3mn homepasses upon obtaining funding at associated co. level.
- We see a merger scenario to potentially unlock XL's unique value propositions.
- We reiterate our Buy rating with unchanged TP of Rp3,000 (based on our DCF, implies 4.9x 2024 EV/EBITDA).

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- Bank of Japan Maintained its -0.1% Short-term Rate
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- UNTR Expects an Increase in Gold Sales Volume this Year
- INTP Targets an Increase of 1.5mn tons in Cement Sales this Year
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KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	7,256	0.1	(0.2)	615
Thailand	1,357	(1.0)	(4.2)	1,373
Philippines	6,622	0.6	2.7	63
Malaysia	1,496	0.3	2.8	660
Singapore	3,135	(0.4)	(3.2)	775
Regional				
China	2,771	0.5	(6.9)	60,668
Hong Kong	15,354	2.6	(9.9)	15,853
Japan	36,518	(0.1)	9.1	24,141
Korea	2,479	0.6	(6.7)	6,315
Taiwan	17,875	0.3	(0.3)	n.a
India	70,371	(1.5)	(2.6)	1,365
Nasdaq	15,426	0.4	2.8	230,699
Dow Jones	37,905	(0.3)	0.6	14,590

CURRENCY AND INTEREST RATE

		Rate	wow (%)	mom (%)	ytd (%)
Rupiah	Rp/1US\$	15,630	(0.3)	(0.9)	(1.5)
BI7DRRR	%	6.00	-	-	-
10y Gov	Indo bond	6.60	(0.1)	0.1	0.1

HARD COMMODITY

	Unit	Price	d-d (%)	mom (%)	ytd (%)
Coal	US\$/ton	127	(0.1)	(12.5)	(13.0)
Gold	US\$/toz	2,028	(0.0)	(1.2)	(1.7)
Nickel	US\$/mt.ton	15,765	(0.2)	(3.2)	(3.7)
Tin	US\$/mt.ton	25,415	1.2	3.2	1.0

SOFT COMMODITY

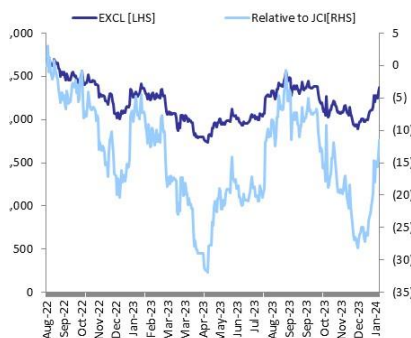
	Unit	Price	d-d (%)	mom (%)	ytd (%)
Cocoa	US\$/mt.ton	4,573	(0.2)	7.3	9.9
Corn	US\$/mt.ton	167	(0.3)	(3.5)	(2.8)
Oil (WTI)	US\$/barrel	75	0.2	1.3	4.0
Oil (Brent)	US\$/barrel	80	(0.6)	0.6	3.3
Palm oil	MYR/mt.ton	3,948	(0.1)	7.8	6.2
Rubber	US\$/kg	153	0.9	3.7	(2.0)
Pulp	US\$/tonne	1,205	n.a	2.8	20.5
Coffee	US\$/60kgbag	164	0.9	7.2	9.6
Sugar	US\$/MT	670	1.0	13.5	12.3
Wheat	US\$/ton	162	-	(3.2)	(5.0)
Soy Oil	US\$/lb	48	0.1	(0.7)	0.8
SoyBean	US\$/by	1,240	1.2	(4.6)	(4.2)

BUY

(Maintained)

Last Price (Rp)	2,370
Target Price (Rp)	3,000
Previous Target Price (Rp)	3,400
Upside/Downside	+26.6%
No. of Shares (mn)	13,072
Mkt Cap (Rpbn/US\$mn)	30.981/1.984
Avg, Daily T/O (Rpbn/US\$mn)	47.4/3.0
Free Float (%)	33.2
Major Shareholder (%)	
Axiata Investments Indonesia Sdn Bhd	66.3
EPS Consensus (Rp)	
	2023F 2024F 2025F
BRIDS	100.9 116.3 160.6
Consensus	99.5 132.6 158.8
BRIDS/Cons (%)	1.5 (12.3) 1.1

EXCL relative to JCI Index



Source: Bloomberg

XL Axiata (EXCL IJ)

Potential FMC strategy acceleration and value unlocking from the merger scenario

- XL may accelerate its FMC by acquiring the subs of LINK and rolling out of new 3mn homepasses upon obtaining funding at associated co. level.
- We see a merger scenario to potentially unlock XL's unique value propositions.
- We reiterate our Buy rating with unchanged TP of Rp3,000 (based on our DCF, implies 4.9x 2024 EV/EBITDA).

XL's FMC catalyst to be triggered by funding plan at Linknet.

Linknet (19.2%-owned by EXCL) is targeting to raise US\$450-500mn from third party investors to fiberize its coverage and build new homepasses (HPs). If materializes, we believe the funding will allow LINK to: a) decisively change course into becoming an InfraCo by executing on its rollout FTTH HPs plan (pls see exh 2) and b) turn its ~750k First Media (FM) subscribers over to ServeCo XL Axiata. Based on this scenario, we may see a jump in XL's fixed BB revenue (estimated at ~Rp3tr), which combined with associated HP financial leases, should add in the bottomline (initially ~10% margin, we estimate).

Broadening XL portfolio to new products and segments.

XL recently added new business classifications in its Articles of Association to build services portfolio primarily in IPTV, AI, Blockchain to grow its FMC and B2B segment. This should add to XL's growth opportunities in the post 4G cycle, becoming an enticing vehicle for new ICT investments.

Unique value propositions to be potentially unlocked with a merger.

XL position in the current landscape, makes it an attractive vehicle for merger. The arguments supporting this view are: a) sturdy 58mn subs base with ~50% EBITDA margin b) complimenting spectrums bands with FREN, c) FMC solid positioning d) large ex-Java market to invest. In Dec-23 Axiata Analyst Day, Axiata responded positively when asked on merger talks with FREN. We project a non-cash deal will see XL and FREN shareholders owning ~70%/30% stakes at the mergedCo (pls see exh.6). We see possibility for FREN to balance the stakes by proposing to buy stake of XL or injecting at the mergedCo.

Reiterate Buy rating on potential valuation upsides

We reiterate our Buy rating on EXCL with unchanged TP of Rp3,000 (based on our latest DCF). We see potential upsides from acquisition of LINK subs and the merger scenario which shall drive EXCL's re-rating to north of 5.5x to meet the midpoint in the valuation multiple gap between EXCL & FREN. Key risks is derailing merger negotiations, and lack of investor interest on LINK level.

Key Financials

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Revenue (Rpbn)	26,754	29,142	32,089	33,853	36,212
EBITDA (Rpbn)	13,287	14,235	15,822	16,693	17,947
EBITDA Growth (%)	1.7	7.1	11.1	5.5	7.5
Net Profit (Rpbn)	1,288	1,109	1,320	1,520	2,099
EPS (Rp)	98.5	84.9	100.9	116.3	160.6
EPS Growth (%)	246.6	(13.9)	18.9	15.2	38.0
BVPS (Rp)	1,536.8	1,961.7	2,020.2	2,075.9	2,166.7
DPS (Rp)	25.9	41.6	42.4	60.6	69.8
PER (x)	23.5	27.3	23.0	19.9	14.4
PBV (x)	1.5	1.2	1.1	1.1	1.1
Dividen yield (%)	1.1	1.8	1.8	2.6	3.0
EV/EBITDA	2.9	2.6	2.3	2.2	1.9

Source: EXCL, BRIDS Estimates

BRI Danareksa Sekuritas Analysts

Niko Margaronis

(62-21) 5091 4100 ext. 3512

niko.margaronis@brids.co.id

MACROECONOMY**Bank of Japan Maintained its -0.1% Short-term Rate**

The BOJ Maintained its -0.1% Short-term Rate and kept its yield curve control parameters intact Tuesday. It also updated its price and growth forecasts with no overall change to the picture of an economy heading slowly toward its first-rate hike since 2007. The governor said the certainty of achieving the BOJ's projections has continued to gradually increase. At the meeting, the central bank cut its inflation forecast for the fiscal year starting in April to 2.4% from 2.8% in a quarterly outlook report due to recent declines in oil prices. That still leaves price gains continuing to exceed the BOJ's 2% target for some time, as has been the case since April22. (Bloomberg)

Indonesia: New Loan Disbursements are Poised for Growth in 1Q24

New loan disbursements are poised for growth in the 1Q24, albeit at a more moderate rate, as indicated by the latest findings from the Quarterly Banking Survey. This deceleration aligns with a typical seasonal pattern. Banks are projecting a tightening of their lending standards. Looking ahead to 2024, banks anticipate an overall loan growth of 10.8% yoy, surpassing the 10.4% recorded in the previous fiscal year (FY23). The accumulation of Third-Party Funds (TPF) is also expected to experience a slowdown in the first quarter of 2024, with a subsequent positive trajectory by year-end. (Bank Indonesia)

CORPORATE**BBRI Expects QRIS Merchant Transaction Volume to Increase by 18% in 2024**

BBRI expects the number of payment transactions via QRIS to increase by approximately 18% yoy by 2024. BBRI recorded more than 400% increase (yoy) in 2023. Furthermore, the number of BBRI QRIS merchants grew 30% yoy. In 2024, BBRI plans to acquire more QRIS merchants, targeting stores in shopping centers, tourist attractions, culinary centers, and other transaction centers. In addition, the company will also expand its QRIS acceptance through an application programming interface (API) in order to integrate with partner applications easily. (Kontan)

UNTR Expects an Increase in Gold Sales Volume this Year

UNTR continues to push company diversification into non-coal sectors. UNTR intends to expand gold production at the MARTABE mine this year. UNTR forecasts gold sales 235,000 oz this year, MARTABE expected produce 210,000 oz (higher than estimate last year) and SJR expected produce 25,000 oz. To streamline preparations in the gold industry, UNTR allotted Rp1.8tr CAPEX. CAPEX are often employed for exploration activities and mining facility upkeep. (Kontan)

INTP Targets an Increase of 1.5mn tons in Cement Sales this Year

INTP aims for an increase of 1.5mn tons of cement sales volume in 2024. The increase will come from the acquisition of Semen Grobogan (SGB), which the company completed on December 1, 2023. It is expected that Indocement will get an additional cement sales volume of around 1.5mn tons of cement that Semen Grobogan has sold. Furthermore, the company will optimize cement operations and distribution to pursue sales volume growth this year. (Investor Daily)

VICI Aims For Double-Digit Revenue Increase this Year

VICI is targeting double-digit revenue growth this year with a minimum net profit margin similar to 2023. There are several brands that are the main contributors to growth throughout 2023, such as Herborist, CBD Professional, and Nuface. VICI also has plans to open new outlets but it is still monitoring and studying the market. for CAPEX allocation the company cannot yet convey because it is still finalizing the 2024 budget. (Kontan)

Equity SNAPSHOT

Wednesday, 24 January 2024

BRI danareksa sekuritas		Equity Valuation		Rating	Outstanding		Shares (Mn)	Price (Rp)	Price Target	Mkt Cap Rp Bn	Net Profit, Rp bn		EPS (Rp)		Core EPS (Rp)		EPS Growth		PER (x)		EV / EBITDA (x)		PBV		ROE		
BRI-Danareksa Universe					3,148,650		4,598,033			2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
Financials & Banks					362,684		2,186,669			133,541	146,813	2,160	2,434			17.3%	12.7%	16.4	14.9	N/A	N/A	2.9	2.7	18.8	18.9		
	BCA	BUY	BBCA	BUY	123,275	9,600	12,100	21,041	22,769	564	610	564	610	14.9%	8.2%	9.6	8.9	N/A	N/A	1.4	1.2	14.8	14.7				
	BNI	BUY	BBNI	BUY	14,034	1,330	2,000	18,666	3,171	3,571	226	254	226	254	4.1%	12.6%	5.9	5.2	N/A	N/A	0.7	0.6	11.6	11.9			
	Bank Mandiri	BUY	BBRI	BUY	93,333	6,500	7,300	606,667	51,138	54,948	548	589	548	589	24.2%	7.5%	11.9	11.0	N/A	N/A	2.4	2.2	21.3	20.8			
	Bank Jago	BUY	BBJO	BUY	13,856	3,570	6,600	49,467	99	302	7	22	7	22	519.4%	206.5%	501.9	163.8	N/A	N/A	5.9	5.7	1.2	3.5			
	Bank Neo Commerce	BUY	BBNB	BUY	12,039	350	700	4,214	(654)	(234)	(54)	(19)	(54)	(19)	17.1%	64.2%	(6.4)	(18.0)	N/A	N/A	1.4	1.5	(19.1)	(7.9)			
	BPD Jatim	BUY	BBJM	BUY	15,016	655	900	9,835	1,591	1,743	106	116	106	116	3.1%	9.5%	6.2	5.6	N/A	N/A	0.8	0.8	13.4	13.8			
	Bank Syariah Indonesia	BUY	BBIS	BUY	46,129	2,160	2,000	99,639	5,577	6,870	121	149	121	149	30.9%	23.2%	17.9	14.5	N/A	N/A	2.7	2.4	15.8	17.3			
	Bank Tabungan Pensiunan Nasional Syariah	BUY	BBTP	BUY	7,704	1,610	3,000	12,403	1,844	2,074	239	269	239	269	3.6%	12.5%	6.7	6.0	N/A	N/A	1.3	1.1	20.6	20.4			
Cement					10,433		73,656			5,155	6,049	1,015	1,218			19.3%	20.0%	14.3	12.2	6.2	5.3	1.2	1.1	8.2	9.3		
	Indocement	BUY	BBIN	BUY	3,681	9,050	13,300	33,315	2,036	2,603	553	707	553	707	10.5%	27.9%	16.4	12.8	7.7	6.3	1.7	1.6	10.4	13.0			
	Semen Indonesia	BUY	BBIS	BUY	6,752	5,975	10,000	40,340	3,119	3,445	462	510	462	510	31.9%	10.5%	12.9	11.7	5.6	4.8	0.9	0.9	7.2	7.6			
Cigarettes					116,242		139,775			14,032	15,529	3,188	3,417			11.2%	7.2%	10.0	9.0	6.1	5.6	1.5	1.5	15.8	16.7		
	Gudang Garam	BUY	BBGG	BUY	1,924	20,050	24,000	38,578	6,001	6,424	3,119	3,338	3,119	3,338	115.9%	7.0%	6.4	6.0	3.5	3.3	0.6	0.6	10.1	10.3			
	HM Sampoerna	BUY	BBHM	BUY	116,318	870	1,100	101,197	8,031	9,106	69	78	69	78	27.0%	13.4%	12.6	11.1	8.8	7.8	3.4	3.2	27.6	29.8			
Construction					30,835		41,918			2,293	3,322	327	460			-23.2%	40.8%	18.3	12.6	7.55	6.92	0.7	0.7	4.1	5.7		
	Wijaya Karya	BUY	BBWK	BUY	8,970	240	490	2,153	(174)	324	(19)	36	(19)	36	(4)	49	-192.8%	285.5%	(12.3)	6.7	5.9	4.4	0.2	0.2	(1.4)	2.5	
	Pembangunan Perumahan	BUY	BBPP	BUY	6,200	432	750	2,678	301	473	48	76	48	76	107	107	10.6%	57.4%	8.9	5.7	5.3	4.9	0.2	0.2	2.6	4.0	
	Adhi Karya	BUY	BBAD	BUY	8,408	302	500	2,539	55	39	6	5	6	5	13	13	-32.8%	-28.2%	46.5	64.7	6.4	6.6	0.3	0.3	0.6	0.5	
	Jasa Marga	BUY	BBJM	BUY	7,258	4,760	5,100	24,547	2,112	2,486	291	343	291	343	291	343	-23.1%	17.7%	16.4	13.9	9.4	8.8	1.4	1.3	9.1	9.8	
Consumer					87,138		369,823			26,845	29,464	2,144	2,347			51.5%	9.5%	13.8	12.6	8.5	7.7	3.0	2.7	23.5	22.8		
	Indofood CBP	BUY	BBIC	BUY	11,662	11,375	13,000	132,654	9,207	10,695	789	917	789	917	821	859	100.7%	16.2%	14.4	12.4	9.9	8.9	3.1	2.7	23.4	23.6	
	Indofood	BUY	BBIN	BUY	8,780	6,400	8,000	56,195	9,029	10,047	1,028	1,078	1,099	1,078	1,099	42.0%	11.3%	6.2	5.6	4.1	3.7	0.9	0.8	15.7	15.6		
	Unilever	HOLD	BBUN	HOLD	38,150	3,180	4,300	121,317	5,400	5,626	142	147	142	147	142	147	0.7%	4.2%	22.5	21.6	15.5	15.0	30.2	30.0	134.7	139.6	
	Mayora Indah	BUY	BBMY	BUY	22,359	2,350	3,300	52,543	2,858	3,096	128	138	125	143	125	143	47.1%	8.3%	18.4	17.0	11.2	9.9	3.7	3.3	21.2	20.5	
	Nippon Indostar Corpindo	BUY	BBNI	BUY	6,186	1,150	1,700	7,114	352	430	57	70	57	70	57	70	-18.7%	22.4%	20.2	16.5	10.0	8.7	2.7	2.7	13.1	16.1	
Pharmaceutical					76,875		87,891			3,537	3,675	90	90			-21.0%	4.3%	24.8	23.9	16.0	15.0	3.5	3.3	14.4	14.1		
	Sido Muncul	HOLD	BBSD	HOLD	30,000	500	500	15,000	887	948	30	32	30	32	30	32	-19.7%	6.9%	16.9	15.8	13.8	12.9	4.2	4.1	25.1	28.3	
	Kalbe Farma	BUY	BBKF	BUY	46,875	1,555	1,600	72,891	2,650	2,727	57	58	56	59	56	59	-21.7%	2.9%	27.5	26.7	16.5	15.5	3.4	3.1	12.6	12.1	
Healthcare					43,225		88,988			2,952	2,005	563	505			4.1%	-10.3%	30.1	44.4	25.3	22.2	6.8	6.2	24.3	14.6		
	Medikaloka Hermina	BUY	BBHE	BUY	15,035	1,320	1,800	19,846	484	598	32	40	32	40	32	40	62.1%	23.5%	41.0	33.2	14.2	12.3	4.2	3.8	11.9	12.1	
	Mitra Keluarga	HOLD	BBMK	HOLD	14,246	2,530	2,900	36,043	922	1,040	65	73	65	73	65	73	-8.6%	12.8%	39.1	34.7	24.0	21.0	6.1	5.5	16.2	16.6	
	Prodia Widayahusada	BUY	BBPD	BUY	938	5,200	6,400	4,875	350	367	374	392	374	392	374	392	-5.7%	4.8%	13.9	13.3	6.8	6.2	2.0	1.9	14.8	14.6	
	Siloam Hospital	BUY	BBSH	BUY	13,006	2,170	2,900	28,223	1,195	1,307	122	132	92	103	92	103	71.6%	13.0%	23.0	22.1	9.0	8.2	3.5	3.5	15.8	15.2	
Heavy Equipment					3,730		84,674			21,407	17,167	5,739	4,602			2.0%	-19.8%	4.0	4.9	1.5	2.0	0.8	0.8	23.2	16.6		
	United Tractors	HOLD	BBUT	HOLD	3,730	22,700	24,900	84,674	21,407	17,167	5,739	4,602	5,739	4,602	5,739	4,602	2.0%	-19.8%	4.0	4.9	1.5	2.0	0.8	0.8	23.2	16.6	
Industrial Estate					62,551		10,944			1,347	1,359	45	90			-29.5%	100.1%	8.1	8.1	5.6	5.0	0.8	0.8	9.6	9.5		
	Puradelta Lestari	BUY	BBPL	BUY	48,198	161	220	7,760	1,181	926	25	19	24	19	24	19	-3.0%	-21.6%	6.6	8.4	5.5	6.8	1.3	1.3	20.5	16.0	
	Bekasi Fajar	HOLD	BBBF	HOLD	9,647	133	140	1,283	135	194	14	20	14	20	14	20	298.8%	43.9%	9.5	6.6	8.3	6.9	0.3	0.3	3.1	4.2	
	Surya Semesta	BUY	BBSS	BUY	4,705	404	700	1,901	31	240	7	51	7	51	7	51	-81.1%	666.3%	60.8	7.9	4.4	2.6	0.5	0.5	0.8	6.1	
Media					89,020		17,196			2,882	2,478	143	117			-18.3%	-19.3%	8.0	6.9	2.3	2.3	0.6	0.6	10.3	8.2		
	Media Nusantara Citra	BUY	BBNC	BUY	15,050	366	800	5,508	1,972	1,579	131	105	131	105	131	105	4.1%	-19.9%	2.8	3.5	0.8	0.8	0.3	0.2	9.8	7.2	
	Surya Citra Media	BUY	BBSC	BUY	73,971	158	325	11,687	910	900	12	12	12	12	12	12	7.6%	-1.2%	12.8	13.0	6.0	5.7	1.4	1.4	11.6	10.7	
Mining					328,530		388,922			63,245	53,538	11,900	6,212			-38.9%	-47.8%	6.1	7.3	3.6	4.0	1.3	1.3	22.9	17.9		
	Medco Energi	BUY	BBME	BUY	25,136	1,180	1,900	29,661	5,350	4,497	213	179	213	179	213	179	-32.8%	-15.9%	5.5	6.6	3.3	3.3	1.1	1.0	21.3	15.8	
	Adaro Energy	BUY	BBAD	BUY	31,988	2,350	2,800	75,167	24,747	18,540	774	580	774	580	774	580	-31.6%	-25.1%	3.0	4.1	1.4	1.6	0.8	0.8	29.5	19.8	
	Timah	HOLD	BBTM																								

COVERAGE PERFORMANCE

LEADERS

	Code	Price as on		Chg, %	wow, %	mom, %	YTD, %	Rating
		23-Jan-24	22-Jan-24					
Sawit Sumbermas	SSMS	1,160	990	17.2	19.6	13.7	11.0	BUY
Chandra Asri Petrochemical	TPIA	5,500	4,790	14.8	54.5	(6.4)	4.8	BUY
Bank Syariah Indonesia	BRIS	2,160	2,090	3.3	11.9	27.4	24.1	BUY
Barito Pacific	BRPT	1,120	1,090	2.8	5.2	(20.6)	(15.8)	BUY
Integra Indocabinet	WOOD	316	308	2.6	5.3	4.6	9.7	BUY
Unilever	UNVR	3,180	3,120	1.9	(6.7)	(8.4)	(9.9)	HOLD
Ace Hardware	ACES	825	810	1.9	1.9	14.6	14.6	BUY
Indosat	ISAT	9,850	9,700	1.5	(0.5)	4.8	5.1	BUY
Delta Dunia Makmur	DOID	396	390	1.5	-	15.1	12.5	BUY
Silloam Hospital	SILO	2,170	2,140	1.4	(1.4)	2.4	(0.5)	BUY

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	wow, %	mom, %	YTD, %	Rating
		23-Jan-24	22-Jan-24					
Harum Energy	HRUM	1,235	1,285	(3.9)	(7.5)	(5.4)	(7.5)	BUY
Summarecon	SMRA	565	585	(3.4)	(4.2)	1.8	(1.7)	BUY
Bank Tabungan Negara	BBTN	1,330	1,375	(3.3)	0.4	10.4	6.4	BUY
Sido Muncul	SIDO	500	515	(2.9)	(4.8)	(7.4)	(4.8)	HOLD
Surya Semesta	SSIA	404	416	(2.9)	7.4	(5.6)	(6.9)	BUY
Media Nusantara Citra	MNCN	366	376	(2.7)	(10.7)	(3.2)	(5.2)	BUY
Vale Indonesia	INCO	3,940	4,040	(2.5)	(5.1)	(7.7)	(8.6)	BUY
Surya Citra Media	SCMA	158	162	(2.5)	-	5.3	(7.1)	BUY
United Tractors	UNTR	22,700	23,250	(2.4)	(7.7)	3.1	0.3	HOLD
Gojek Tokopedia	GOTO	85	87	(2.3)	(5.6)	(1.2)	(1.2)	BUY

Sources: Bloomberg

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Equity SNAPSHOT

PT BRI Danareksa Sekuritas

Gedung BRI II Lt.23, Jl. Jenderal Sudirman Kav.44-46
Bendungan Hilir, Tanah Abang – Jakarta Pusat 10210
Indonesia
Indonesia
Tel (62 21) 50914100
Fax (62 21) 2520990

Equity Research Team

Erindra Krisnawan

erindra.krisnawan@brids.co.id

(62-21) 50914100 ext. 3500

Head of Equity Research, Strategy, Coal

Natalia Sutanto

natalia.sutanto@brids.co.id

(62-21) 50914100 ext.3508

Consumer, Tobacco, Pharmacy, Retail

Victor Stefano

victor.stefano@brids.co.id

(62-21) 50914100 ext.3503

Banks, Poultry

Niko Margaronis

niko.margaronis@brids.co.id

(62-21) 50914100 ext. 3512

Telco, Tower, Technology, Media

Hasan Barakwan

hasan.barakwan@brids.co.id

(62-21) 50914100 ext. 3530

Metal, Oil and Gas, Mining Service

Ismail Fakhri Suweleh

ismail.suweleh@brids.co.id

(62-21) 50914100 ext. 3505

**Healthcare, Property,
Industrial Estate**

Richard Jerry Tambayong

richard.jerry@brids.co.id

(62-21) 50914100 ext. 3511

Automotive, Cement

Economic Research Team

Helmy Kristanto

helmy.kristanto@brids.co.id

(62-21) 50914100 ext. 3400

Chief Economist, Macro Strategy

Dr. Telisa Aulia Falianty

telisa.falianty@brids.co.id

(62-21) 50914100

Senior Advisor

Kefas Sidauruk

kefas.sidauruk@brids.co.id

(62-21) 50914100

Economist

Sales Team

Yofi Lasini

yofi.lasini@brids.co.id

(62-21) 50914100 ext. 3120

Erliceh Suharto

erliceh@brids.co.id

(62-21) 50914100 ext.3508

Yunita L. Nababan

yunita@brids.co.id

(62-21) 50914100 ext.3503

Andreas Kenny

andreas.kenny@brids.co.id

(62-21) 50914100 ext. 3500

Adeline Solaiman

adeline.solaiman@brids.co.id

(62-21) 50914100 ext.3508

Novrita Endah Putrianti

novrita.putrianti@brids.co.id

(62-21) 50914100 ext.3503

Christy Halim

christy.halim@brids.co.id

(62-21) 50914100 ext. 3500

Jason Joseph

jason.joseph@brids.co.id

(62-21) 50914100 ext.3508

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