Alpha Picks: Sep 26 Alpha Picks: Strong August Rally; Selective Thematic Opportunities

Highlights

- **Alpha picks outperformed in August.** Our 10 stock picks returned 8.9%, outperforming the JCI's 6.3% gain by 2.6%, led by ARCI and EXCL.
- **Global headwinds favour selective thematic exposure**. Higher global bond yields and oil prices could pressure the rupiah and constrain BI's policy flexibility, while RKAB revisions, El Niño and DC investment offer stock-specific opportunities.
- **Retain our alpha picks**. With the risk from the Fed meeting on 16-17 Sep 26, we remain constructively balanced between high- and low-beta names and retain our alpha picks: AMMN, ARCI, ASII, BBCA, BMRI, BULL, CMRY, ELSA, INKP and EXCL.

What's New

- **JCI gained 6.3% mom in Aug 26, supported by a 1.7% appreciation in the rupiah and a strong rotation into commodity- and infrastructure-related stocks.** Basic materials, energy, infrastructure and property led the market, rising 11.8%, 11.5%, 9.7% and 8.0% respectively, while technology and industrials lagged at -0.5% and 1.4% respectively. Our 10 stock picks generated an average return of 8.9%, outperforming the JCI by 2.6%, as the rally was concentrated in higher-beta thematic names. ARCI (+26.8%) was the strongest performer due to higher gold prices in August, followed by EXCL (+17.2%), AMMN (+7.3%) and INKP (+6.4%); CMRY (+6.7%) was supported by solid 2Q26 earnings and an interim dividend announcement. ELSA (+5.3%) also gained on strong 1H26 earnings, its share-buyback programme and positive energy-sector sentiment. Meanwhile, BMRI (+2.6%), BBCA (+4.0%), BULL (-0.1%), and ASII (-4.2%) lagged the benchmark.
- **From global yields to El Nino: September's key market drivers**. We see the following four themes shaping the JCI in Sep 26:
- **First,** higher global bond yields and oil prices represent the main market-wide risk, potentially pressuring the rupiah, while limiting Bank Indonesia's (BI) room to ease.
- **Second,** revised work plan and budget (RKAB) approvals for commodities companies will determine how much production miners can restore, while China's winter restocking and potential coal-for-hydro substitution during El Nino should support regional coal demand.
- **Third,** a potential strong-to-very-strong El Nino creates broader implications for energy security, food inflation and water availability: it is potentially positive for coal and CPO, but negative for hydropower, FMCG input costs and water-intensive operations.
- **Finally**, Indonesia's data centre (DC) ecosystem remains an attractive structural theme across power, industrial estates, fibre, cooling and water infrastructure. However, as valuations begin to reflect the narrative, further upside should increasingly depend on projects securing customers, power, water, financing and actual contract awards.

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Alpha Picks Recommendations

Company	Ticker	Rec	Share Price (Rp)	Target Price (Rp)
Amman Mineral	AMMN	BUY	4,280	7,000
Archi Indonesia	ARCI	BUY	1,265	2,200
Astra International	ASII	BUY	4,850	7,100
Bank Central Asia	BBCA	BUY	6,650	8,150
Bank Mandiri	BMRI	HOLD	4,330	5,150
Buana Lintas Lautan	BULL	BUY	462	750
Cisarua Mountain Diary	CMRY	BUY	4,690	6,400
Elnusa	ELSA	BUY	715	1,450
Indah Kiat Pulp & Paper	INKP	BUY	8,850	15,700
XLSMART Telecom	EXCL	BUY	2,710	3,600

Source: Bloomberg

Alpha Picks Performance In Aug 26

Company	Rec	Aug 26 (%)	To Date (%)
AMMN	BUY	7.3%	-47.5%
ARCI	BUY	26.8%	-42.4%
ASII	BUY	-4.2%	-32.8%
BBCA	BUY	4.0%	-28.9%
BMRI	HOLD	2.6%	-25.2%
BULL	BUY	-0.1%	-17.9%
CMRY	BUY	6.7%	-24.9%
ELSA	BUY	5.3%	28.5%
INKP	BUY	6.4%	-12.0%
EXCL	BUY	17.2%	-42.7%
USD-IDR X-Rate		-1.7%	7.8%
JCI		**6.3%**	**-28.7%**
UOBKH Portfolio		**8.9%**	**2.2%**

Source: Bloomberg

Portfolio Return

(%)	4Q25	2025	1Q26	2Q26
JCI return	7.3	22.1	-18.5	-19.9
Alpha Picks Return				
- Price-weighted	3.8	-2.3	-6.1	-17.4
- Market cap-weighted	0.6	-5.5	-6.8	-11.4
- Equal-weighted	16.3	16.5	-6.0	-17.5

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

Analysts' Alpha Picks

Analyst	Company	Rec	Performance (%)*	Catalyst
Benyamin Mikael	Amman Mineral	BUY	7.3	Higher sales volume 2Q26.Higher volume 2026
Benyamin Mikael	Archi Indonesia	BUY	26.8	Higher gold volume in 2H26.
Willinoy Sitorus & Alden Gabriel	Astra Internationals	BUY	-1.7	Rp8t buyback budget for the next 12 months.
Posmarito Pakpahan	Bank Central Asia	BUY	4.0	Having most resilient NIM among our coverage during rate hikes and tighter liquidity
Posmarito Pakpahan	Bank Mandiri	HOLD	2.6	Amid NIM pressure, resilient fee and treasury income, and digital monetisation support earnings
Willinoy Sitorus & Audrey Celia	Buana Lintas Lautan	BUY	26.2	Windfall from higher freight rates, fleet expansion, potential strategic partnership.
Willinoy Sitorus & Audrey Celia	Cisarua Mountain Dairy	BUY	1.4	Continued strong growth momentum in dairy, New consumer food lines to operate in 3Q26.
Benyamin Mikael, Alden Gabriel	Elnusa	BUY	23.4	New contracts secured in late-25 and early-26, government support, clear earnings visibility for 2026-27.
Willinoy Sitorus & Audrey Celia	Indah Kiat Pulp & Paper	BUY	16.5	New Karawang plant commercial start-up, pulp price recovery.
Willinoy Sitorus & Andrew Agita	XLSMART Telecom Sejahtera	BUY	17.2	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 Sep 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 (%)
Amman Mineral Internasional	AMMN	BUY	4,280	7,000	63.6	17,473	21.6	15.3	2.7	10.5	-	106.8
Archi Indonesia	ARCI	BUY	1,265	2,200	73.9	1,797	3.1	10.0	3.6	40.9	-	121.2
Astra International	ASII	BUY	4,850	7,100	46.4	11,054	16.4	6.9	0.8	11.9	7.9	19.4
Bank Central Asia	BBCA	BUY	6,650	8,150	22.6	46,151	25.7	13.6	2.7	20.1	5.1	(30.9)
Bank Mandiri	BMRI	HOLD	4,330	5,150	18.9	22,751	42.4	6.9	1.3	19.6	10.2	(32.0)
Buana Lintas Lautan	BULL	BUY	462	750	62.3	403	8.1	6.5	1.2	24.7	-	53.6
Cisarua Mountain Diary	CMRY	BUY	4,690	6,400	36.5	2,095	0.6	16.2	4.9	28.8	4.1	(25.1)
Elnusa	ELSA	BUY	715	1,450	102.8	294	1.0	6.0	0.9	15.6	6.2	(39.9)
Indah Kiat Pulp & Paper	INKP	BUY	8,850	15,700	77.4	2,726	2.3	4.5	0.4	8.1	0.4	21.6
XLSMART Telecom Sejahtera	EXCL	BUY	2,710	3,600	32.8	2,777	1.0	n.a	1.7	(6.0)	2.9	200.3

Source: Bloomberg, UOB Kay Hian

Action

- **Portfolio positioning for September.** With the risk from the Fed meeting on 16-17 Sep 26, we remain constructively balanced between high- and low-beta names and retain **our alpha picks: AMMN, ARCI, ASII, BBCA, BMRI, BULL, CMRY, ELSA, INKP and EXCL.** Overall, the portfolio combines commodity and geopolitical beneficiaries with quality domestic franchises, which should provide some protection if September shifts from the broad August rally towards more selective stock pecking. AMMN and ARCI provide exposure to gold and copper amid heightened geopolitical risks and longer-term fiscal concerns, although higher real yields could limit near-term precious-metal upside. ELSA and BULL offer exposure to stronger energy activity and logistics, while INKP provides commodity and export-oriented exposure.
- On the defensive side, BBCA benefits from its superior low-cost funding franchise, while BMRI offers resilient fee and treasury income, digital monetisation and continued loan growth, although funding costs and returns from state-related lending remain key watchpoints. ASII offers diversified exposure, including an indirect benefit from potentially higher CPO prices through AALI, while CMRY provides structural consumer growth supported by solid earnings delivery. EXCL could benefit indirectly from DC growth through fibre and enterprise connectivity, although its nearer-term thesis remains driven by post-merger integration and synergy deliver.

Amman Mineral Internasional – BUY (Benyamin Mikael)

- **Expect all-time high earnings driven by smelter ramp-up, higher ore grades and stronger commodity prices.** Following the weak 2025 operational performance due to lower ore grades, we expect Amman Mineral Internasional (AMMN) to deliver record earnings in 2026, supported by a sales volume recovery and higher copper and gold prices vs 2023-24 levels. We forecast copper cathode sales volume of 143,000 tonnes (+88.3% yoy) and refined gold sales volume of 376,000 oz (+229.7% yoy), driven by higher mill throughput and Batu Hijau's Phase 8 transition. Thus, we expect net profit to surge 366.9% yoy to US$1.16b in 2026, and continue to rise 19.1% yoy to US$1.38b in 2027 and 15.9% yoy to US$1.60b in 2028.
- **Key overhangs now resolved.** The negative sentiment surrounding AMMN has subsided, with selling pressure easing after the MSCI's decision to remove AMMN from its indexes effective 1 Jun 26, while the FTSE Jun 26 review confirmed that AMMN will maintain its inclusion. Operationally, the lower-grade cycle that dragged the 2025 performance is over. During 1Q26, mining successfully transitioned from waste removal to fresh ore extraction in Phase 8, with copper grades surging to 0.53% in 1Q26 (1Q25: 0.31%) and gold grades improving to 0.54 gram/tonne in 1Q26 (1Q25: 0.17 g/t).
- **Strong 2Q26 outlook.** We expect a significantly stronger net profit performance in 2Q26, driven by a sharp recovery in gold sales volumes. Gold sales in 1Q26 were limited to only 16,000 oz, despite gold production reaching 66,200 oz, resulting in a substantial inventory build-up. With operations normalising, we expect the previously unsold ounces to be recognised in 2Q26, supporting a strong rebound in revenue and earnings.
- **Maintain BUY with a target price of Rp7,000,** based on a 2026 EV/EBITDA multiple of 13.9x. This multiple is aligned with the current global and domestic peer average, providing a conservative valuation for AMMN considering its earnings turnaround and strong volume growth. Furthermore, the 13.9x forward multiple trades below AMMN's historical -1SD EV/EBITDA band, offering an attractive margin of safety.
- **Key risks:** a) government policy uncertainties, b) further deletion from global indexes, c) fluctuations in commodity prices and forex stability, and d) delays in Elang project development.

Share Price Catalyst

- **Event:** a) Stronger production volume in 2026, b) higher gold and copper grades, c) stronger sales volume in 2Q26.
- **Timeline:** 2Q26.

Archi Indonesia – BUY (Benyamin Mikael)

- **Lucrative production growth outlook.** Archi Indonesia (ARCI) expects gold production to grow 15% in 2026, supported by improved gold grades and incremental contributions from underground mining, slightly higher than our 2026 estimate of 135,900 oz (+13% yoy). The company plans to expand ore processing capacity by 2m tonnes per year (from the current 4m tonnes) in 2027, which is expected to lift gold production by 30,000-40,000 oz annually. Over the medium term, we expect the higher utilisation of lower-grade materials through increased processing capacity and potential discoveries in Maruwuwung to drive gold sales volume to around 201,000 oz by 2030, implying a five-year CAGR of 13.8% (2025-30).
- **Reserves poised for a major upgrade.** ARCI's current gold reserves are estimated at 3.2m oz, based on the latest Joint Ore Reserves Committee (JORC) compliant statement in Dec 20. The estimate was made when gold prices were around US$1,800/oz, over 50% below current levels. Key contributions come from Toka (0.8-1.0 g/t), Araren (2.0-3.0 g/t), and Marawuwung (~300,000 oz at 1.0-1.5 g/t). With rising gold prices and ongoing exploration at Marawuwung, Kopra, and Araren, a JORC update is expected by year-end. The developments are likely to unlock significant reserve upside.

Share Price Catalyst

- **Event:** a) Stronger production volume in 2026, b) higher gold grades, c) JORC reserve upgrade, d) stronger sales volume in 2H26.
- **Timeline:** 2Q26 to 4H26.

- **Expect a stronger 3Q26 performance,** supported by higher gold sales volumes of 33,000-36,000oz as production ramps up at both Araren and Marawuwung. Given the anticipated earnings uplift vs 2Q26, we believe ARCI is well positioned to deliver solid quarterly results, which could drive upward revisions to consensus earnings forecasts.
- **Maintain BUY with a target price of Rp2,200** based on 9.8x 2026F EV/EBITDA, or a four-year mean. ARCI is appealing given its strong earnings growth in the next three years, potential for reserve addition, monetisation of its underground mine, and its 40MW geothermal development.
- **Key risks:** a) Stronger production volume in 2026, b) higher gold grades, c) JORC reserve upgrade, d) stronger sales volume in 2Q26.

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) ranging from 40% to 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 ASII maintaining its 2026 sales target of 850,000 units and a 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 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 2026 PE.
- **Key risks:** a) further rate hikes, which would make financing costlier; and b) weaker purchasing power.

Share Price Catalyst

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

Bank Central Asia – BUY (Posmarito Pakpahan)

- **Resilient NIM during rate hikes and in tighter liquidity environment.** 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.

Share Price Catalyst

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

- **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.
- **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.

Bank Mandiri – HOLD (Posmarito Pakpahan)

- **Earnings remain supported by non-interest income.** Smaller bond trading gains have been largely offset by stronger forex trading income amid higher market volatility, while digital fee income continues to grow through increased monetisation of the Livin' platform. Meanwhile, the export proceeds balance has reportedly increased from around Rp30t at the beginning of the year to approximately Rp50t in mid-June.
- **NIM outlook faces pressure amid rising funding costs and lower loan yield.** Loans grew 19.2% yoy, but NII increased only 8.1%, reflecting lower incremental returns from corporate lending and a weaker funding mix. Better-than-expected asset quality and funding-cost normalisation would be key catalysts.
- **Maintain HOLD with a target price of Rp5,150.** Our fair 1.5x P/B is derived from the Gordon Growth Model with assumptions of ROE at 17.1%, growth of 4%, and cost of equity at 12.7%. Bank Mandiri (BMRI) is trading at 1.23x 2026F P/B, close to -2SD to its 20-year historical forward P/B. Our call on BMRI is based on our 12-month view, but tactically 2H provides attractive upside.
- **Key risks:** a) policy uncertainty and credibility, b) potential regulatory changes affecting the banking industry, c) weaker-than-expected macro conditions, d) rupiah volatility that could delay rate cuts, e) heightened geopolitical uncertainty, and e) slower economic growth weighing on loan demand and asset quality.

Share Price Catalyst

- **Event:** Amid NIM pressure, resilient fee income, treasury income, and digital monetisation supports earnings.
- **Timeline:** 2026.

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

- **Strong 2026 earnings recovery on rate upcycle.** Buana Lintas Lautan (BULL) is projected to see a 178.1% surge in 2026 net profit to US$59m, driven by record-high overseas spot freight rates and strategic expansion into the domestic LNG market. This growth is supported by a heavily de-leveraged balance sheet that enables further fleet expansion, alongside potential corporate actions with a strategic partner that could serve as a major catalyst for the company.

Share Price Catalyst

- **Event:** a) Commencement of operations for the third and fourth LNG carriers, b) potential acquisition of five additional Handysize tankers, and c) persistent high spot rates due to continued Hormuz disruptions.
- **Timeline:** 2Q26-4Q26.

- **1Q26 net profit surged 141.6% yoy to US$14.2m, in line with our full-year estimate (24.2%).** This bottom line growth was primarily margin-driven, as revenue grew a modest 11.8% to US$43.9m while cost of sales fell 9.8% due to a sharp decline in port charges. Management expects the strong earnings quality to sustain, supported by elevated freight rates due to the US-Iran geopolitical conflict.
- **Maintain BUY with a target price of Rp750.** Our valuation is based on 7x 2026 EV/EBITDA, representing a 17% discount to global peers to account for BULL's higher exposure to volatile spot rates.
- **Key risks:** a) Fluctuations in oil prices and shipping rates, b) faster-than-expected global conflict de-escalation, c) operational disruptions.

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

- **Solid 2Q26 results.** CMRY continued to deliver solid results in 2Q26, with revenue and net profit growing 23.4% yoy and 20.0% yoy, respectively. Dairy remained the key growth driver, extending its strong momentum from 1Q26 with sales up a further 11.6% qoq. Gross margin remained healthy at 43.5%, within management's guidance of 42-44%. Overall, 1H26 earnings are in line at Rp1.17t (+18% yoy), representing 51% of our forecast and 52% of consensus.
- **Strong growth story remains intact.** We remain positive on CMRY, underpinned by continued product innovation, expanding distribution channels, and the ongoing rollout of the Free Meal Program (MBG), which should indirectly support growth by driving traffic across its GT and Miss Cimory channels. Looking ahead, the new consumer foods facility, scheduled to commence operations in 3Q26, should provide an additional growth catalyst and accelerate consumer foods growth in 2H26.
- **Maintain BUY with a target price of Rp6,400,** 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 3Q26.
- **Timeline:** 2026.

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.
- **Expect earnings to improve from 2Q26 onwards,** supported by stronger revenue recognition as seismic project execution ramps up. Notably, several contracts secured in late-25 and early-26 including 3D Marine Seismic Kandawulo (PHE), 3D Mangatal (PEP), 3D OBN Zulu (PHE), and 2D/3D Tedong (PEP), are scheduled for execution through Jun-Jul 26. This should drive higher utilisation and a meaningful pick-up in seismic revenue from 2Q26 onwards.
- **Maintain BUY with target price of Rp1,450.** Its current valuation is undemanding at below that of regional peers, and offers re-rating potential

Share Price Catalyst

- **Event:** Earnings expected to improve from 2Q26 onwards.
- **Timeline:** 2Q26-3Q26.

driven by stronger contract wins, an improving earnings mix, and possible corporate actions.

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. Near-term earnings should be supported by firmer pulp prices (currently >US$600/tonne vs US$557/tonne six-month average), 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 2Q26 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.

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

- **Accelerated depreciation is expected to keep EXCL loss-making in 2026 though we could see a possible 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.
- **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.

Share Price Catalyst

- **Event:** a) Proper EBITDA margin improvement, b) Sinarmas Group acquiring more stake.
- **Timeline:** 2026.

- **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.