


PT Koka Indonesia Tbk (KOKA IJ)
Modest in Size, Mighty in Merit
Leading construction company with a solid track record

PT Koka Indonesia (KOKA IJ) is a construction company established in 2011, specializing in general contracting, mechanical engineering, geotechnical engineering, interior design, and furniture services. KOKA has a strong track record of success, having completed numerous projects for well-known clients, such as Huawei, Oppo, Vivo and several other companies. Overall, KOKA has a diverse portfolio of completed projects across Indonesia, including Central Sulawesi (nickel smelter), South Sumatra, and Tangerang (Oppo factory & office). KOKA is known for its expertise in foundation work, slope stabilization, hauling roads, and EV-related manufacturing facilities. Apart having large fleet of machinery and a team of experienced experts, KOKA has an additional forte in their strong relationships with overseas or foreign-related clients, particularly those from China.

KOKA's prospective success in upcoming projects is noteworthy

- **On the nickel front**, there's a promising avenue for KOKA to expand its reach and secure a significant infrastructure project in Morowali. The management anticipates around 8 projects in the pipeline, totaling approximately IDR540bn in FY23E-24F. Thanks to KOKA's adeptness and prior experience in constructing infrastructure in the Morowali smelter area, it holds a competitive edge over its peers.
- **Additionally**, in connection with the increasing demand for construction and infrastructure in the IKN development, KOKA has identified potential clients with needs at the IKN project site. This presents strategic opportunity for KOKA, in order to expand its customer base within the IKN framework.
- **To enhance its profit margins**, KOKA has ventured into a joint venture with the Lygend group, leading to the establishment of PT Cahaya Mega Beton Indonesia (CMBI). This collaboration focuses on manufacturing pile building materials in Purwosari Village, Sayung District, Demak Regency, Central Java. This strategic move is aimed at strengthening KOKA's position in the market and improving its overall business prospects.

The upcoming new contract could translate to revenue growth with a CAGR FY22-24F +37.3%

In 1Q23, KOKA recorded revenue of IDR69.5bn, reflecting a +13.3% YoY increase (vs IDR61.4bn in 1Q22). The infrastructure segment saw a remarkable +106.4% YoY growth, offsetting the -95.0% YoY decline in the construction segment. The revenue growth in 1Q23 was primarily driven by increased contract realizations at PT Kinxiang New Energy Technologies Indonesia and PT Chengtok Lithium Indonesia. We anticipate revenue growth with a CAGR FY22-24F +37.3% to reach IDR345.0bn in FY24F. This projection is expected to be driven by the potential addition of new contracts worth IDR480.5bn and existing carry-over projects.

Valuation and Recommendation: BUY with a TP IDR200

We recommend **BUY for KOKA** with initiate **TP of IDR200**, which implies PE and EV/Ebitda of 14.1x/8.9x in FY23E. KOKA stands poised to harness the upward trajectory of the downstream industry in Morowali, leveraging over 12 years of valuable experience and robust connections with foreign clients, notably those hailing from China. Furthermore, the development of the mega-project IKN serves as a tailwind for KOKA's future prospects. Our risk: 1) project cost overruns; 2) funding shortfall; and 3) risk of high customers dependency.

Key Financial Highlight	FY21	FY22	FY23E	FY24F
Revenue (IDR bn)	139.8	182.9	262.0	345.0
Net Profit (IDR bn)	11.1	19.4	40.6	57.6
Net Profit Margin (%)	7.9	10.6	15.5	16.7
ROE (%)	24.0	29.6	20.5	23.5
EPS (IDR)	3.9	6.8	14.2	20.1
BVPS (IDR)	16.1	22.9	69.1	85.7
PE (x)	33.1	18.9	9.0	6.4
PBV (x)	8.0	5.6	1.9	1.5

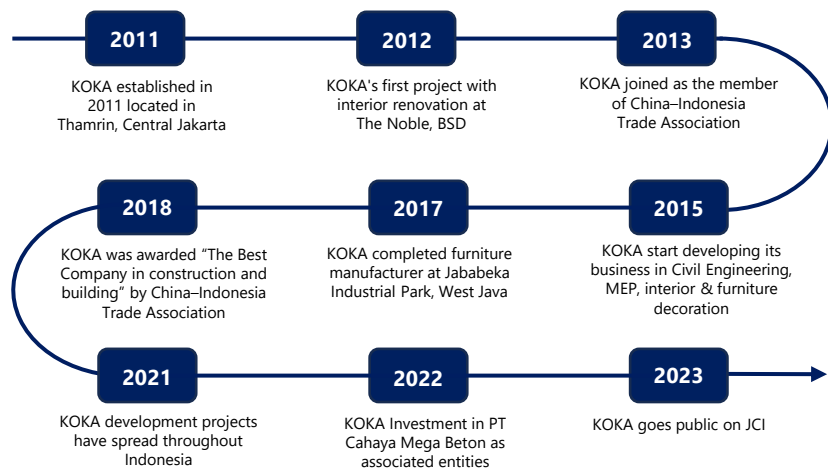
Sources : Company, MNCS (Price: IDR128/sh)

COMPANY PROFILE

Leading construction company with a solid track record

PT Koka Indonesia (KOKA IJ) is a construction company established in 2011, specializing in general contracting, mechanical engineering, geotechnical engineering, interior design, and furniture services. Comprehensively, KOKA is known for its expertise in foundation work, slope stabilization, hauling roads, and EV-related manufacturing facilities. Apart having large fleet of machinery and a team of experienced experts, KOKA has a additional forte in their strong relationships with overseas or foreign-related clients, particularly those from China. Therefore, KOKA has a strong track record of success, having completed numerous projects for well-known clients, such as Huawei, Oppo, Vivo and several other companies. Overall, KOKA has a diverse portfolio of completed projects across Indonesia, including Central Sulawesi (nickel smelter), South Sumatra, and Tangerang (Oppo factory & office).

Exhibit 01. KOKA key milestones



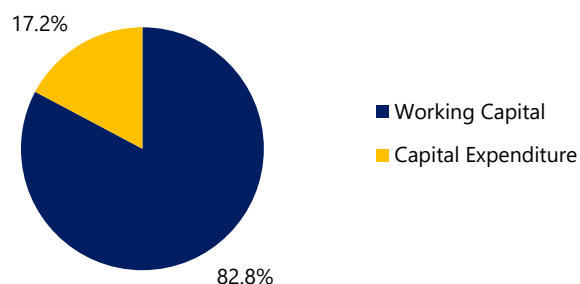
Sources : Company, MNCS

Exhibit 02. KOKA existing clients



Source : Company

Exhibit 03. IPO utilization



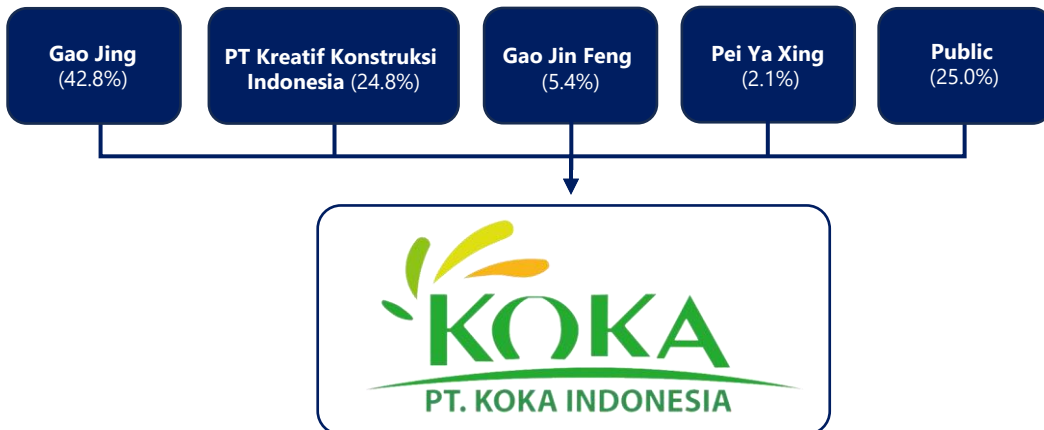
Sources : Company, MNCS

Exhibit 04. Board of commissioners and directors

<div data-bbox="240 277 850 331" data-label="Section-Header"> <p>Board of Commissioner</p> </div> <div data-bbox="288 376 472 685" data-label="Image"> </div> <div data-bbox="517 360 850 409" data-label="Caption"> <p>Zhao Ming Wei</p> </div> <div data-bbox="528 421 845 678" data-label="Text"> <p>President Commissioner He was appointed as KOKA president commissioner in 2021. He also has over ten years of experience in China Expat Administration, including a previous role as Administration General Manager of Shanghai Electric Power Construction – Indonesia Branch.</p> </div>	<div data-bbox="920 277 1520 331" data-label="Section-Header"> <p>Board of Director</p> </div> <div data-bbox="940 376 1123 685" data-label="Image"> </div> <div data-bbox="1187 360 1520 409" data-label="Caption"> <p>Gao Jing</p> </div> <div data-bbox="1198 421 1528 703" data-label="Text"> <p>President Director She is the founders of KOKA and has been a president director since 2011. She previously worked as Business Development Manager of Shanghai Yiquan Trading Co, Ltd China, and currently also worked as Vice President of the China Chamber of Commerce in Indonesia since 2017.</p> </div>
<div data-bbox="312 741 472 1037" data-label="Image"> </div> <div data-bbox="517 734 850 784" data-label="Caption"> <p>Yanti Hartanti</p> </div> <div data-bbox="528 795 829 1055" data-label="Text"> <p>Independent Commissioner She joined KOKA as an independent commissioner in 2023. With over eight years of experience in the mining industry, she also concurrently served on the boards of PT Sumsel Bara Energi, PT Vanguard Energi Indonesia, and PT Bachari Jaya Mandiri.</p> </div>	<div data-bbox="906 745 1123 1041" data-label="Image"> </div> <div data-bbox="1187 734 1520 784" data-label="Caption"> <p>Michael Albert Massie</p> </div> <div data-bbox="1198 790 1500 972" data-label="Text"> <p>Director He joined KOKA as a finance & accounting manager in 2021 and was appointed as director in 2023. He previously worked as a consultant at KKP Salimin Hardjanto (2015 – 2021).</p> </div>
	<div data-bbox="948 1081 1150 1377" data-label="Image"> </div> <div data-bbox="1187 1081 1520 1131" data-label="Caption"> <p>Pei Ya Xing</p> </div> <div data-bbox="1198 1137 1500 1344" data-label="Text"> <p>Director He joined KOKA as Director in 2019. He also has a previous role as Vice General Manager of Hubei Guangrui Engineering Technology Co, Ltd. and a total of 23 years of experience in the engineering industry.</p> </div>

Sources : Company, MNCS

Exhibit 05. Post IPO ownership structure



Sources : Company, MNCS

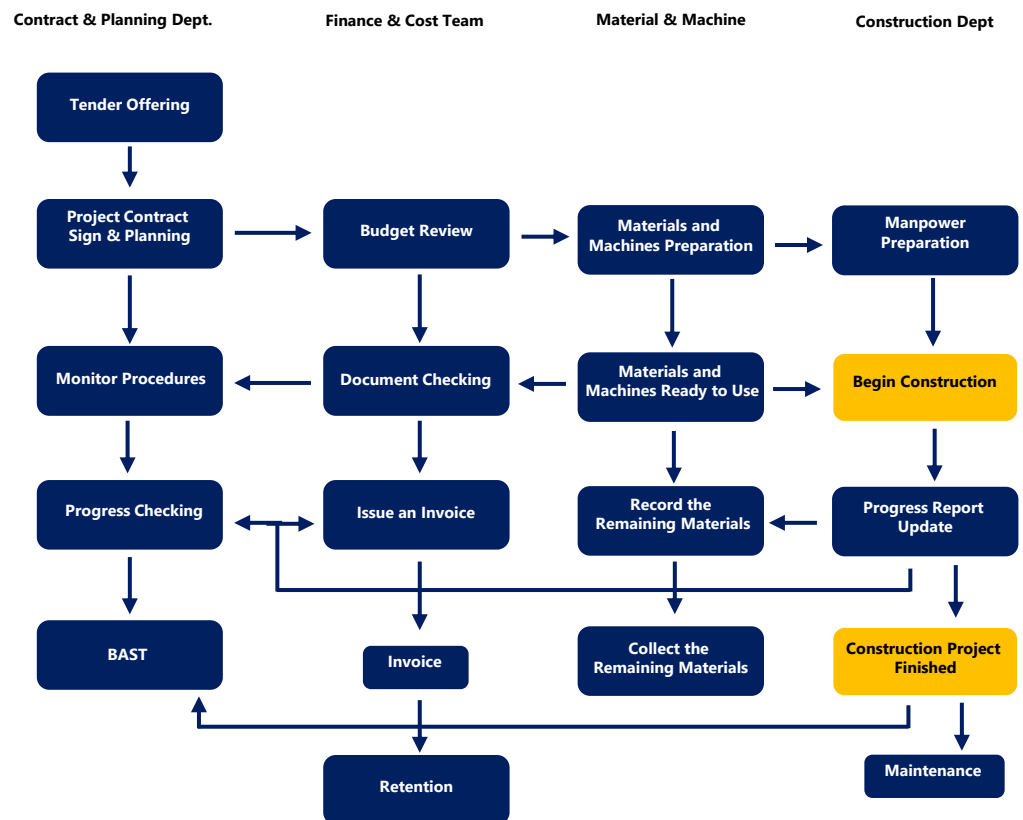
BUSINESS OVERVIEW

KOKA has 2 business segments: construction contractors and infrastructure contractors

PT Koka Indonesia offers a wide range of complex and intense contracting services, divided into 2 main segments: **Construction** and **Infrastructure**.

- **Construction Contractors:** includes EPC (Engineering-Procurement-Construction), smelter factory contractor, industrial estate factory, MEP-HVAC, EV related manufacturing facility and other fields.
- **Infrastructure Contractors:** includes foundation work, slope, hauling road construction, Municipal engineering and geotechnical engineering.

Exhibit 06. KOKA project management process



Sources : Company, MNCS

1. Project Tender and Screening

KOKA participates in the project tender. Concurrently, the business and the project department screen and filter the projects by checking project status and calculating the risk and the project cost.

2. Contract Signing and Preparation

Once a project is awarded, KOKA signs the contract. The procurement and construction departments prepare materials, human resources, tools, and machines. During this process, the planning and business team supervises human resources and material procurement to ensure the projects run smoothly. Lastly, the project agreement is created and signed by both parties to mark the project's official start.

3. Progress Review and Payment

The business and contract department will report the progress review to the project owner and MK for approval. Once approved, the report is submitted to the finance department to generate an invoice. The project progress will be calculated as a percentage.

4. Revisions and Additional Contracts

If the shop drawing or construction plan needs to be revised, KOKA will provide a cost analysis and feedback to the project owner. If the revision cost exceeds 5% of the total contract value, both parties must sign an additional contract. Otherwise, both parties can sign an addendum or confirmation letter.

5. Project Completion and Settlement

Once the project is completed, KOKA will submit the as-built drawing and settle payment with the complete BAST or Handover Acceptance Minutes.

6. Maintenance Period and Retention Return

After the project is completed, KOKA will maintain the construction projects that have been completed. After the maintenance period is finished, KOKA applies for retention.

KOKA Project Portfolios: A Showcase of Expertise and Innovation

Founded in 2011, KOKA has completed over 100 projects with a total contract value of over IDR400bn. KOKA's early years were focused on interior design, renovation, and furniture. However, as the company has gained experience and expertise, KOKA has expanded into more complex and prestigious projects, such as municipal engineering and geotechnical engineering.

Exhibit 07. KOKA notable projects

Project Name	Location	Client
Sumsel-8 2x660MW Mine Mouth Power Plant Slope Treatment	South Sumatera	PT Wuhan Southern Geo Engineering Indonesia
BMT Intelligent Manufacturing Center Phase 1 Tower 1	Tangerang	PT Bright Mobile Telecommunication (OPPO)
Indonesia Chengtok Lithium Energy 60,000 tons of Lithium Salt Project Slope Support	Morowali	PT Chengtok Lithium Indonesia
500.000 ton Aluminum Factory with its supporting facilities	Morowali	PT Hua Chin Aluminum Indonesia
Kinxiang Slope Treatment Project	Morowali	PT Kinxiang New Energy
Puqing IMIP Gabion Slope Protection Project	Morowali	PT Indonesia Puqing Recycling Technology 1

Sources : Company, MNCS

Exhibit 08. KOKA key clients



Sources : Company, MNCS

**INDUSTRIAL
OUTLOOK**

Infrastructure development in government focus for “Indonesia Emas 2045”

To achieve “Indonesia Emas 2045”, the Indonesian government is focused on building infrastructure development and distribution. Land connectivity is being improved through the completion of:

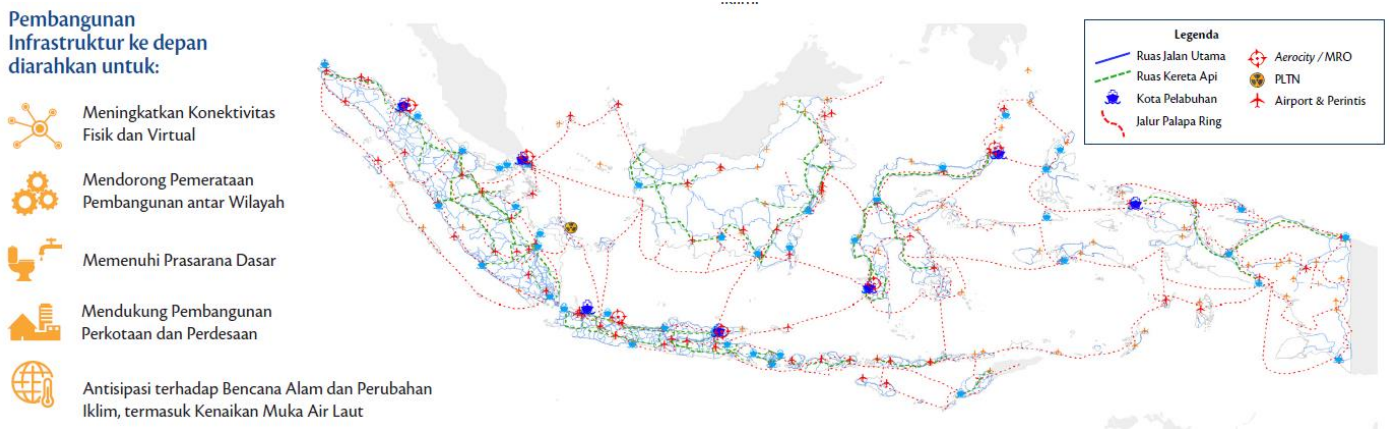
1. Major road section in Java and Sumatra toll roads.
2. Border roads and trains in Sulawesi, Kalimantan, and Papua.
3. Rail and fast train to anticipate the mega urbanization in Java.

The inter-island transportation system is also being developed through sea and air transportation to support population mobility and the distribution of goods between regions. With the development of port cities, the economic access in Eastern Indonesia is expected to improve by taking advantage of the regular routes to the West and the international trade routes in the center and east. Constructing ports and airports also provides access to remote and outermost areas. The government aims to reduce logistics costs to 8% of GDP by FY45 and increase infrastructure stock to 70% of GDP. Sea transportation is being developed as the main element of maritime connectivity through the development of:

1. 48 port cities.
2. Main sea highway port system and 7 international hubs.
3. Short sea-shipping.
4. Modern port management.

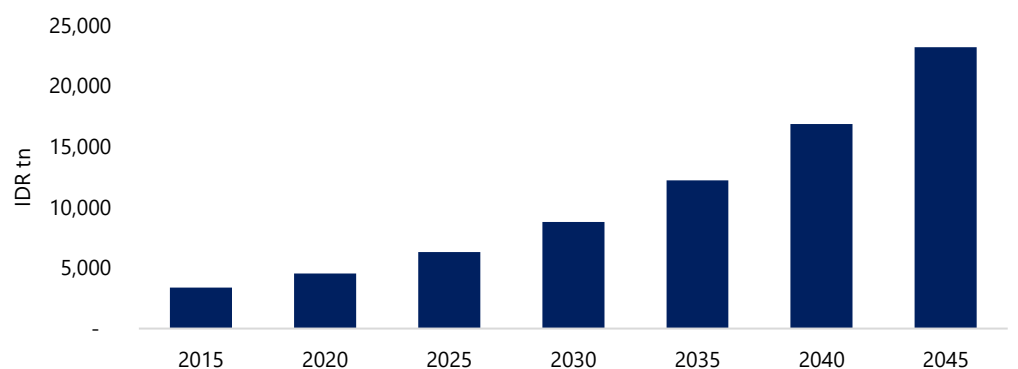
Meanwhile, the domestic and international air transportation systems were developed by constructing main airports, 4 Aerocities, and pioneer airports.

Exhibit 09. Indonesia's transportation infrastructure roadmap



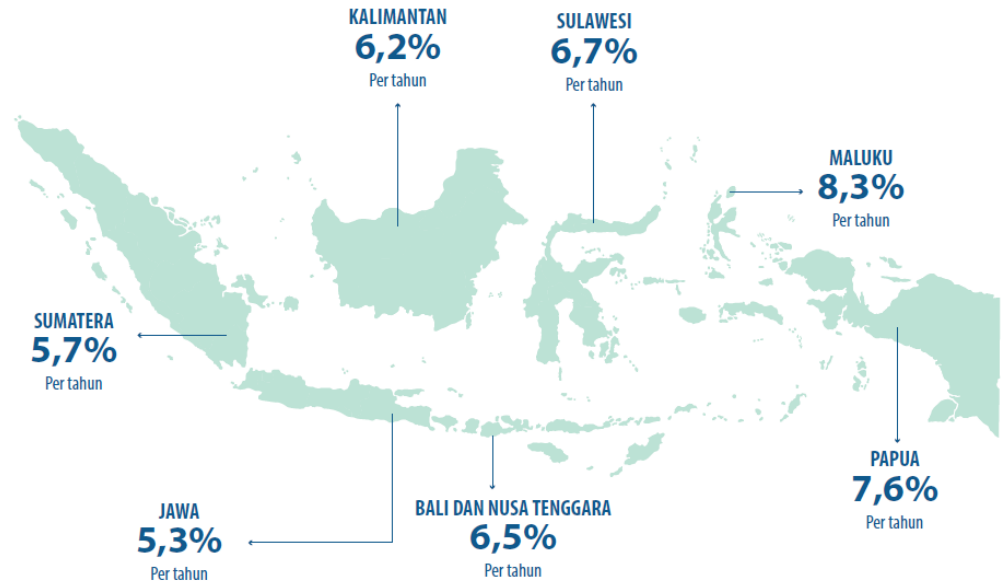
Sources : Ministry of National Development Planning, MNCS

Exhibit 10. Indonesia's GDP per capita target in 2015-2045



Sources : Ministry of National Development Planning, MNCS

Exhibit 11. Development growth targets per region in 2045

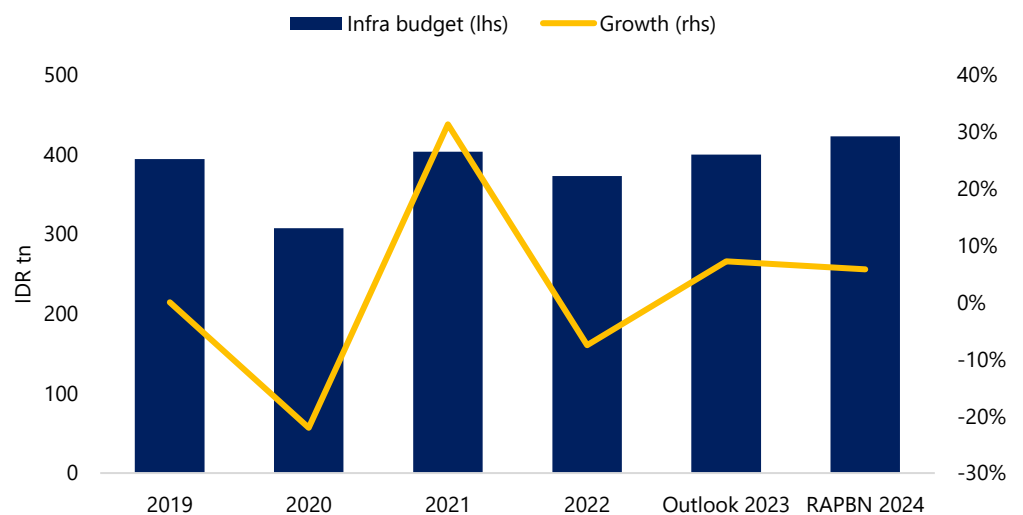


Sources : Ministry of National Development Planning, MNCS

Infrastructure Budget to Rise in FY24F, but Government Budget Cannot Fund All Projects

The government envisions infrastructure as a catalyst for economic growth in FY24F, evident in the upswing of the RAPBN infrastructure budget to IDR422.7tn, marking a 5.8% YoY increase from FY23E's IDR399.6tn. In 2023, the Indonesian Government has allocated IDR154.4tn for the Ministry of Public Works and Public Housing (PUPR) to propel infrastructure development. This allocation aims to conclude Priority Strategic National Projects (PSNs) and other initiatives, with a primary focus on pivotal economic infrastructure (such as connectivity, transportation, energy, electricity, and food) and essential service infrastructure to bolster the education and health sectors. Despite the government's steadfast commitment to funding infrastructure projects, there are budgetary constraints, prompting an expectation that alternative financing sources will be explored.

Exhibit 12. The trend of infrastructure budget in FY19-FY24F



Sources : Ministry of Finance, MNCS

SWF dan SBSN as one of the infrastructure financing options

In FY21, the Indonesian government established the Indonesia Investment Authority (INA), a sovereign wealth fund (SWF) aimed at strategic investments in key sectors: 1) infrastructure and logistics; 2) Health; 3) Energy transition; and 4) Digital. Since its inception, INA has committed investments totaling ~USD3bn. Notably, in the infrastructure and logistics sector, INA has contributed to the development of the Trans Java toll road, spanning 100 km and valued at IDR6tn in FY22. Moving into FY23, INA has expanded its infrastructure portfolio through collaborations with various partners:

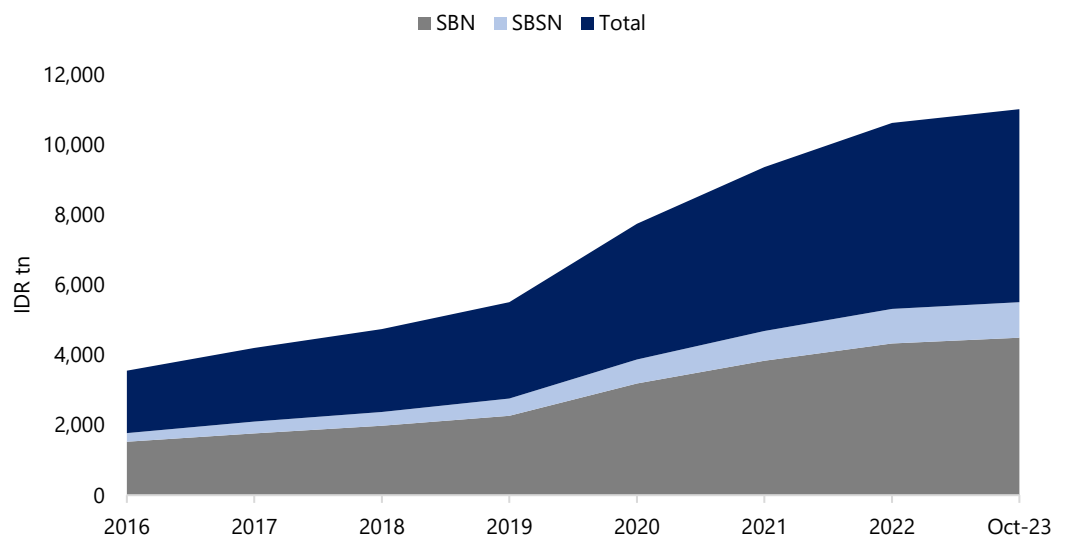
1. Invested worth of IDR1.5tn for three modern warehouse assets in the Jakarta area with ESR and Mitsubishi Corporation.
2. Invested worth of IDR15tn for two toll roads as assets in Trans Sumatra with Hutama Karya.
3. Invested worth of IDR4.5tn for the international container terminal in Belawan with DP World and Pelindo.

In parallel, the government has issued SBSN to bolster the financing of 5,163 projects across 38 provinces, with a total allocation of IDR209.8tn. The projects funded through SBSN encompass various sectors, including 699 roads and bridges (IDR73.7tn), 749 water resources infrastructure (IDR36.6tn), and 217 land, sea, and air transportation infrastructure projects (IDR61tn). This strategic financial maneuver aims to support widespread development initiatives throughout the country.

Exhibit 13. Projects that receive investment from INA

Project	Value	Investor	Sector
1. Mitratel	IDR12tn	ADIA, GIC, ADG	digital
2. Trans Jawa toll road	IDR6tn	ADIA, APG	infrastructure & logistic
3. Traveloka	IDR4.5tn	BlackRock, Allianz Global Investors, Orion Capital Asia, Traveloka	digital
4. Kimia Farma	IDR2.25tn	Silk Road Fund	healthcare
5. Geothermal energy	IDR7.3tn	Masdar, PGE	green energy
6. warehouse	IDR1.5tn	ESR, Mitsubishi	infrastructure & logistic
7. Sumatra toll road	IDR15tn	Hutama Karya	infrastructure & logistic
8. international container terminal	IDR4.5tn	DP World, Pelindo	infrastructure & logistic

Sources : Indonesia Investment Authority, MNCS

Exhibit 14. Turnover of Indonesian SBN and SBSN values in FY16-10M23


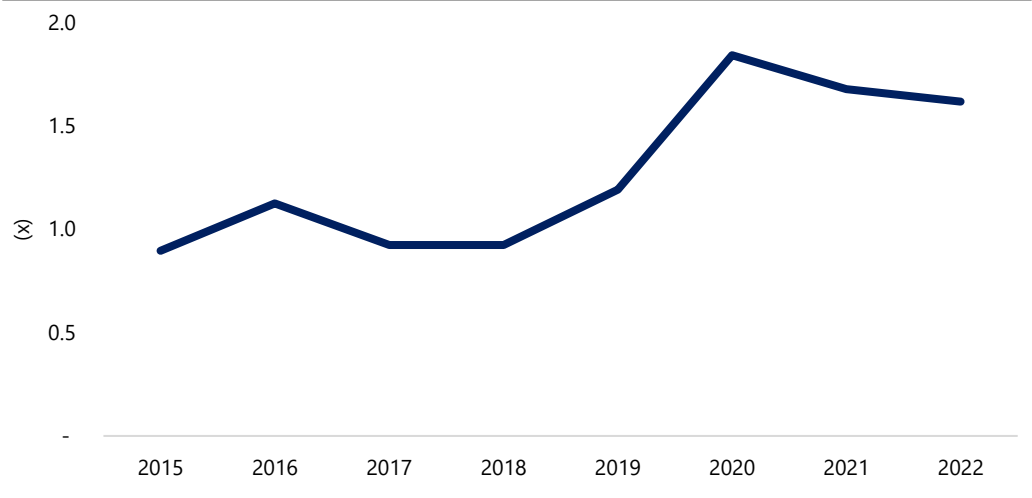
Sources : DJPPR, MNCS

IKN megaproject opening opportunities for private contractors

With state-owned enterprise (SOE) contractors facing constrained funding, evident in their average DER reaching 1.6x in FY22, a window of opportunity has emerged for private contractors to actively engage in the construction of the new capital city, IKN. The government opens up this opportunity through an operational cooperation scheme (KSO) between SOE and the private sector. We expect investors are interested in being involved in this project. Besides that, the IKN authority has designed tax holidays for 10 – 30 years as incentives. Several attractive incentives include:

1. companies that move their headquarters or regional office to IKN can enjoy 100% corporate income tax holiday for 10 years and be charged a tax rate of only 6% (vs 22% regular rate) for the next 10 years.
2. 0% value-added tax for purchasing property and domestic production machinery/equipment.
3. 0% income tax for selling/purchasing land and buildings (up to FY32).
4. super tax deduction for investors that build public facilities (200% deduction), vocational facilities (250% deduction) and research and innovation facilities (350% deduction).

Exhibit 15. Trend of the average debt to equity ratio construction players



Sources : Bloomberg, MNCS

Exhibit 16. Various incentives for IKN's

NIKKEI Asia
 World Trending Business Markets Tech Politics Economy Features Opinion Life & Arts Podcast

ECONOMY
Indonesia's Jokowi approves new list of tax holidays for Nusantara
 Capital authority receives 100 letters of intent, including from China, U.S.

Indonesian President Joko Widodo signed a new regulation on March 6 offering tax holidays for investments in Indonesia's planned new capital, Nusantara. (Source photo by AP and Erinda Maulia)

CNN Indonesia
 Home Nasional Internasional Ekonomi Olahraga Teknologi Otomotif Hiburan Gaya Hidup

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Badan Otorita Beber Sederet Insentif Bagi Investor di IKN
 tim | CNN Indonesia
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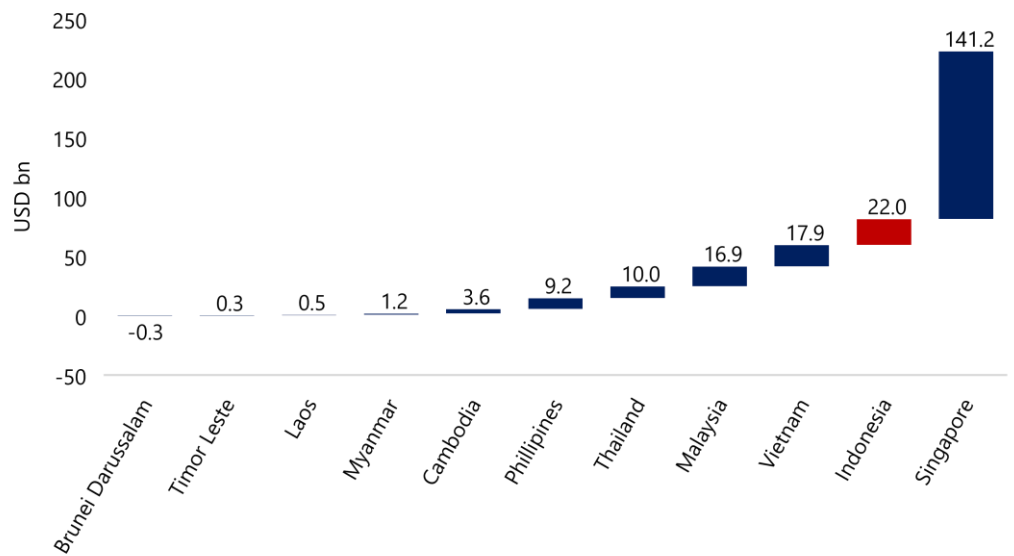
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Sources : Nikkei Asia, CNN Indonesia

Indonesia became the 2nd most attractive investment destination in ASEAN

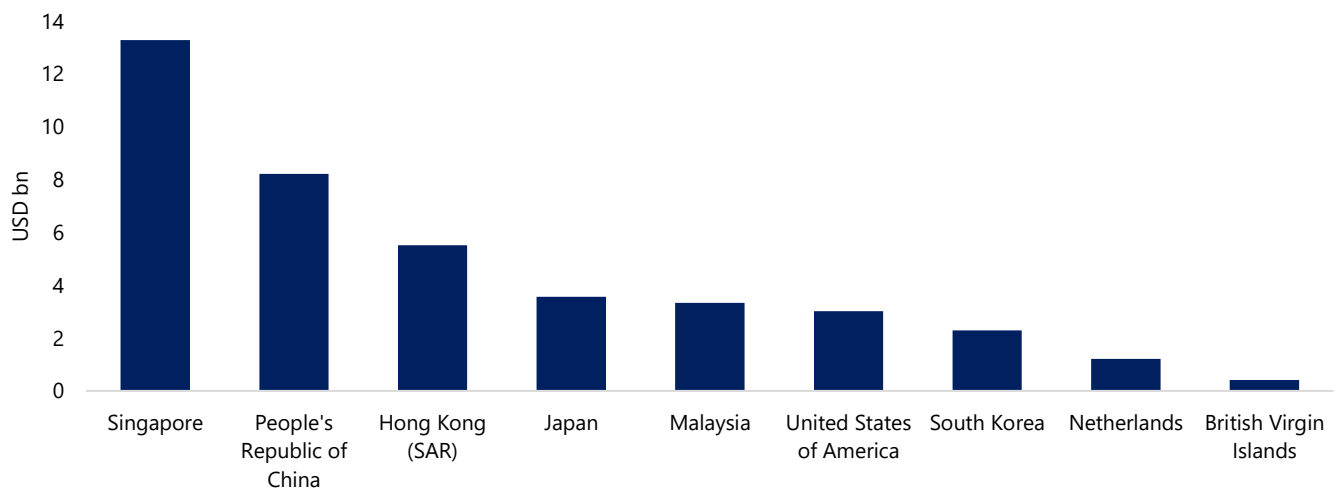
Indonesia received the second-largest amount of foreign direct investment (FDI) in Southeast Asia in FY22, with a total value of USD22bn. This puts Indonesia behind only Singapore, which attracted USD141.2bn in FDI. The United States was the largest global investor in Indonesia in FY22, with a total investment of USD3bn or a 6% increase YoY. The largest sectors for FDI in Indonesia were manufacturing and financial investments, which attracted a combined USD20bn. FDI from intra-ASEAN (Association of Southeast Asian Nations) countries was also significant, at USD28bn. The main drivers of FDI growth in ASEAN in FY22 were investments in manufacturing, finance, wholesale and retail trade, transportation and storage, and information and communications. These five sectors accounted for 86% of the total FDI inflow in ASEAN. Manufacturing remains the most significant sector for FDI in ASEAN, with investment rising to an all-time high of USD62bn. The electronics and electrical industry in ASEAN remains the main recipient of investment in manufacturing. Overall, the ASEAN region remains a magnet and attractive destination for investors.

Exhibit 18. Indonesia received foreign direct investment amounting USD22bn in FY22



Sources : UNCTAD, MNCS

Exhibit 19. Top foreign direct investment in FY22

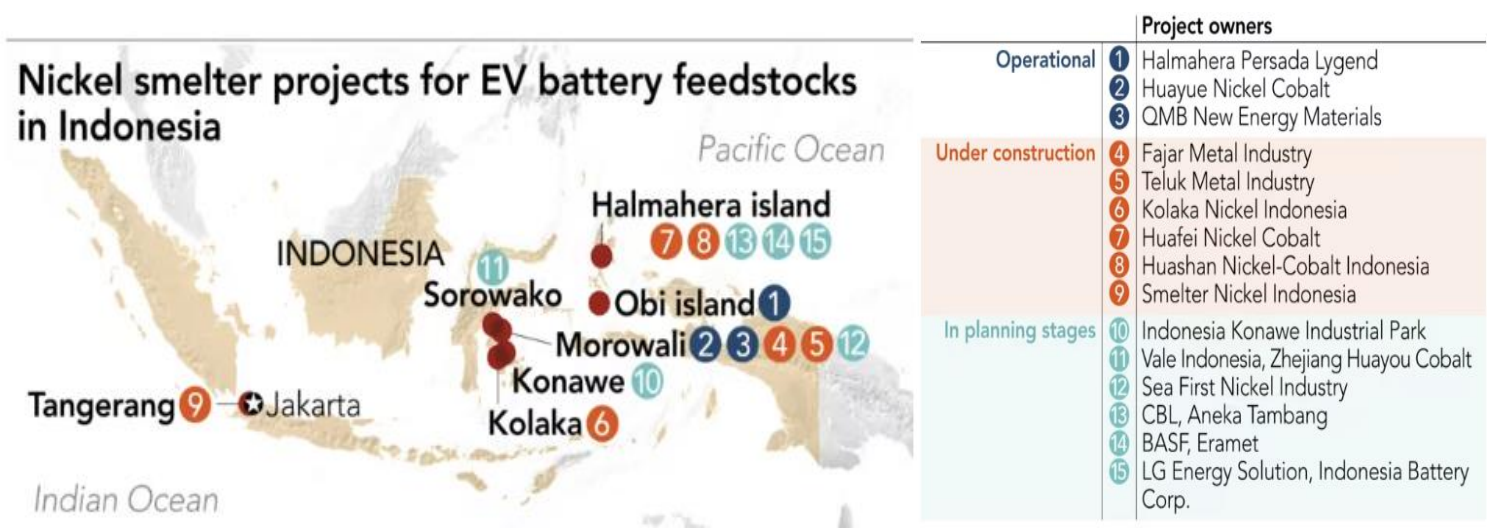


Sources : Ministry of Investment, MNCS

Nickel boom opens up tender opportunities for construction companies in Indonesia

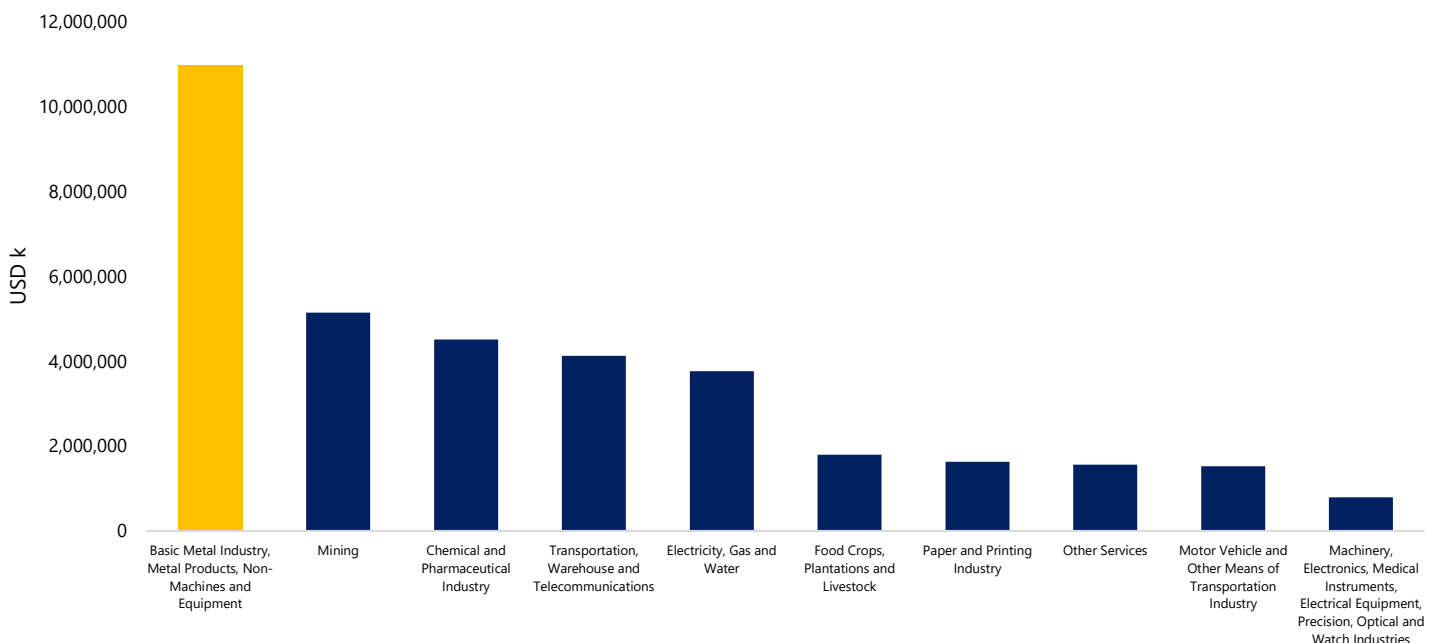
The nickel industry in Indonesia is booming, with exports reaching USD33bn in FY22. The data shows the nickel exports from Indonesia have increased significantly in recent years, from USD20.9bn in FY21 to USD33bn in FY22. This was primarily driven by the Indonesia's large nickel reserves (21mn tons) and the increasing global demand for nickel in the electric vehicle (EV) industry. To meet the rising demand, Indonesia currently is building more nickel smelters. The number of nickel smelters in Indonesia has jumped from 15 in FY18 to 62 in Apr-23. Currently, there are around 30 smelters under construction and 50 smelters in the planning stage. This presents an opportunity for construction companies in Indonesia to join the tender offers on smelter projects.

Exhibit 20. Pipeline and roadmap for smelter projects in Indonesia



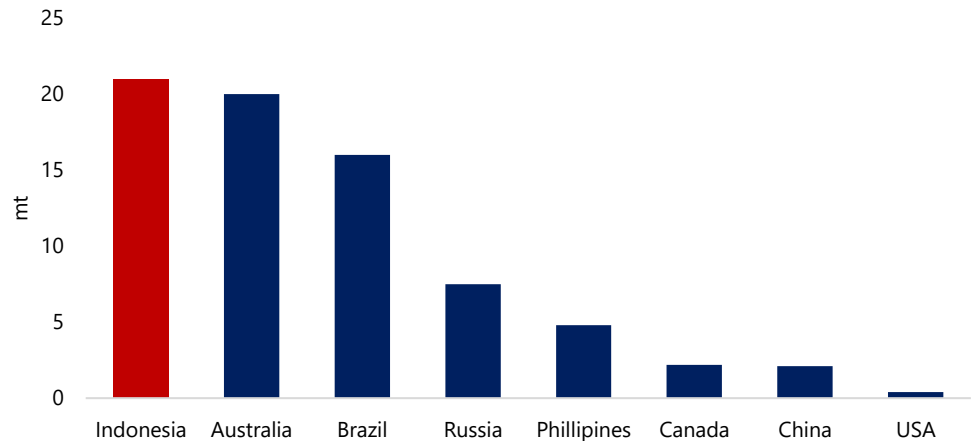
Sources : Nikkei Asia, MNCS

Exhibit 21. Investment destination sectors in Indonesia in FY22



Sources : Ministry of Investment, MNCS

Exhibit 22. Top countries with nickel reserves

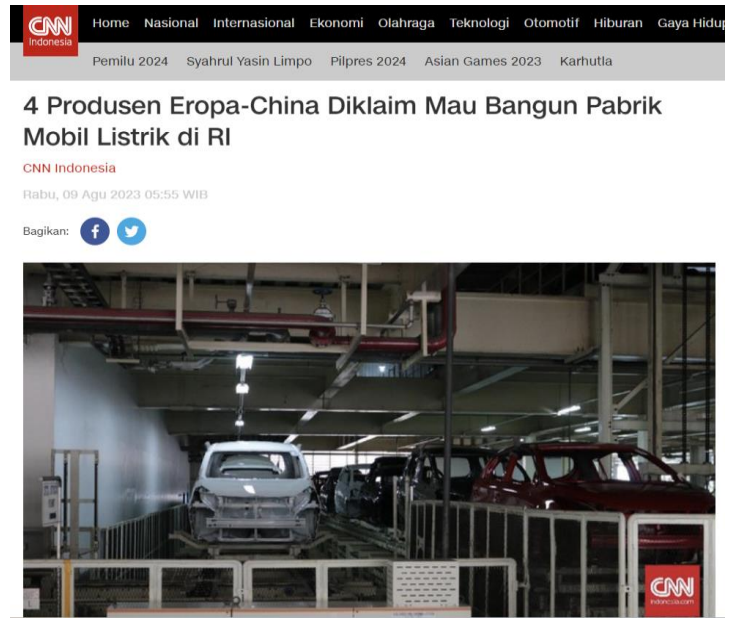


Sources : Ministry of National Development Planning, MNCS

The development of technology and EV company factories in Indonesia is also a positive sentiment

Investment by technology companies and electric car manufacturers also significantly boost the construction industry in Indonesia. Cellphone manufacturers, such as Samsung, Oppo, and Xiaomi, are building factories in Indonesia to comply with the government's tightening of TKDN regulations. On the other hand, Indonesia is also a destination country for investment by automotive companies in developing electric cars. Wuling and Hyundai have invested significantly in Indonesia to build electric car factories. The opportunity to increase manufacturing in Indonesia is still very possible as the Indonesian economy is relatively resilient and the country's large and growing population makes it an attractive market for foreign investment. As a result, we expect the potential for factory development in Indonesia continue in the future.

Exhibit 23. Indonesia is still a destination for foreign investment



Sources : CNBC, CNN Indonesia, MNCS

**INVESTMENT
THESIS**

KOKA: Ascending the Construction Horizon

Despite being the new players in the Indonesia stock exchange, KOKA has made significant progress in recent years. The company started out in FY12 with a renovation project for The Noble, BSD, and has since grown to work on over 100 projects in Indonesia with a value of over IDR400bn (including a significant number of projects from Chinese investors in Indonesia). Some of the KOKA clients are: 1) PT Bright Mobile Technology (OPPO); 2) SGMW Wuling Indonesia; 3) DFSK; 4) VIVO Indonesia; 5) CNEC; 6) PT QMB New Energy Materials; 7) PT Huachin Aluminium Indonesia; 8) PT Kinxiang New Energy Technologies Indonesia; dan 9) PT Chengtok Lithium Indonesia.

KOKA's experience working on a variety of projects, both as a construction contractor and infrastructure contractor, gives it a competitive advantage. The company also has strong relationships with overseas and foreign-related clients, especially those from China. For example, Xinyi International Investment Limited has recently committed to investing USD11.5bn in Indonesia to build the development of the glass industry ecosystem and the solar panel glass industry. This is the second project in Indonesia for Xinyi Group, which previously made a USD700mn investment in Gresik in FY21. KOKA is well-positioned to benefit from this continued investment by Chinese companies in Indonesia.

Exhibit 24. Portfolio projects KOKA in Indonesia



OPPO Office & Factory



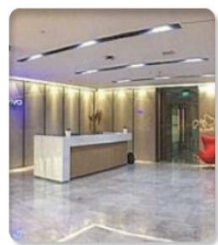
Ra Inn Hotel Kemang



SGMW Wuling Indonesia



DFSK Office Pondok Indah



Vivo Indonesia
HeadQuarter Office



QMB Control Center
Decoration Project



Mason Pine Hotel



CNEC Indonesia

Source : Company

Benefit from Indonesia’s nickel industry in Morowali continue growing in FY24F

As the nickel industry in Morowali grows more prominent and the number of smelters in the Indonesia Morowali Industrial Park (IMIP) area also continues to increase, we see KOKA can increase its penetration to secure this work project. KOKA management sees at least 8 projects for infrastructure work in Morowali, with an indicated project value of around ~IDR540bn in FY23E-FY24F. Leveraging its expertise in constructing infrastructure within the Morowali smelter area, KOKA holds a competitive edge over its rivals in securing projects of this nature. Additionally, over half of the nickel companies operating in Morowali originate from China.

Exhibit 25. Potential projects in the pipeline

Project Owner	Location	Value (IDR bn)	Starting date
1. PT Chengtok Lithium Indonesia	Morowali	83.8	On Going
2. PT Indonesia Puqing Recycling Technology	Morowali	10	On Going
3. PT Kinxiang New Energy Technologies Indonesia	Morowali	40.7	On Going
4. PT Huachin Aluminum	Morowali	99	On Going
5. PT Chengtok Lithium Indonesia	Morowali	70	3Q23
6. PT Indonesia Puqing Recycling Technology	Morowali	45	3Q23
7. PT Kinxiang New Energy Technologies Indonesia	Morowali	120	3Q23
8. PT GH EMM Indonesia	South Sumatra	70	2Q24
9. PT Virtue Dragon Nickel Industry	Morowali	53	1Q24
Total		591.5	

Sources : Company, MNCS

KOKA to participate in IKN development, reinforcing its commitment to Indonesia infrastructure sector

Along with the IKN megaproject, which requires a funding around -IDR466tn, several investors are committed to making this development a success. KOKA can utilize this opportunity well because there are still opportunities for other projects or greater value in the future at IKN. By the end of 2024, the President is to mandate the relocation of 16k civil servants to IKN as the first residents of the new capital. We aim to create an interconnected community and green living ecosystem for our residents. By June 2024, we aim to complete 155 apartment housing towers.

KOKA joint venture in pile manufacturing companies to improve margins

KOKA carried out a joint venture with the Lygend group to strengthen its business to establish the company PT Cahaya Mega Beton Indonesia (CMBI). This company will focus on manufacturing pile building materials located in Purwosari Village, Sayung District, Demak Regency, Central Java. Management said that later, this pile product could be distributed throughout Indonesia. Management has a target to generate revenue of around ~IDR600bn per year. We believe that CMBI has the potential to contribute to KOKA's margin improvement by effectively managing costs in the future.

Exhibit 26. Ceremony of PT Cahaya Mega Beton Indonesia

Source : Google

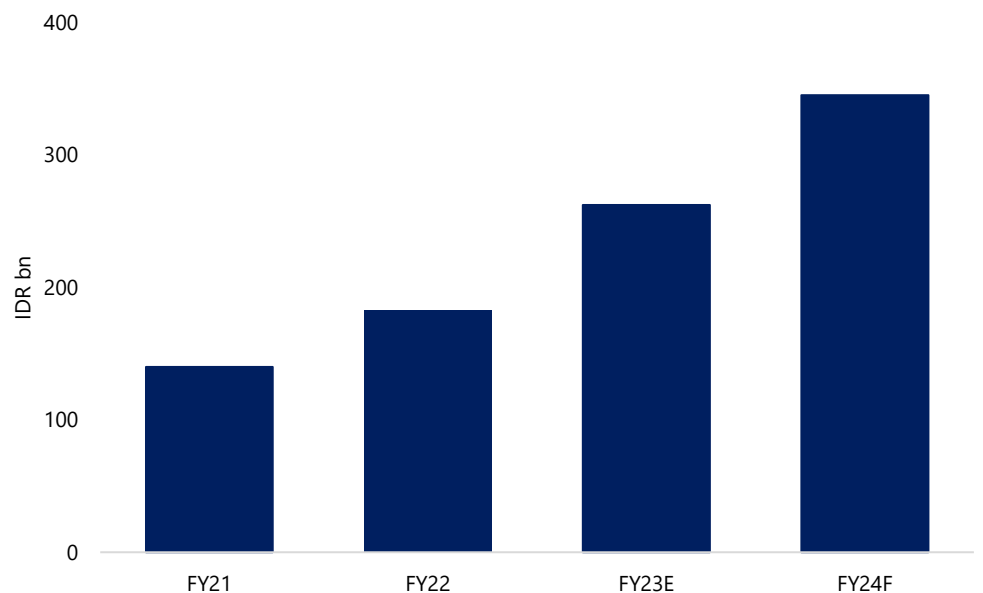
FINANCIAL ANALYSIS

The upcoming new contract could translate to revenue growth with a CAGR FY22-24F +37.3%

In 1Q23, KOKA recorded revenue of IDR69.5bn, reflecting a +13.3% YoY increase (vs IDR61.4bn in 1Q22). The infrastructure segment saw a remarkable +106.4% YoY growth, offsetting the -95.0% YoY decline in the construction segment. The revenue growth in 1Q23 was primarily driven by increased contract realizations at PT Kinxiang New Energy Technologies Indonesia and PT Chengtok Lithium Indonesia. In FY22, KOKA achieved impressive revenue growth with a CAGR FY20-22 of +266.0%, reaching IDR182.9bn. It is noteworthy that this aggressive growth was supported by a substantial order book of contracts amounting to IDR427.5bn in FY20-22.

We anticipate revenue growth with a CAGR FY22-24F +37.3% to reach IDR345.0bn in FY24F. This projection is expected to be driven by the potential addition of new contracts worth IDR480.5bn and existing carry-over projects. We believe KOKA can capture the downstreaming industry momentum in Morowali, backed by its experience (>12 years) as well as strong relationships with foreign-related clients, especially those from China. Furthermore, the development of the mega-project IKN serves as a tailwind for KOKA's future prospects. We see significant opportunities for KOKA in executing the residential ASN projects in IKN with an estimated investment value of around IDR30.8tn.

Exhibit 27. We estimated revenue stood at IDR345.0bn in FY24F



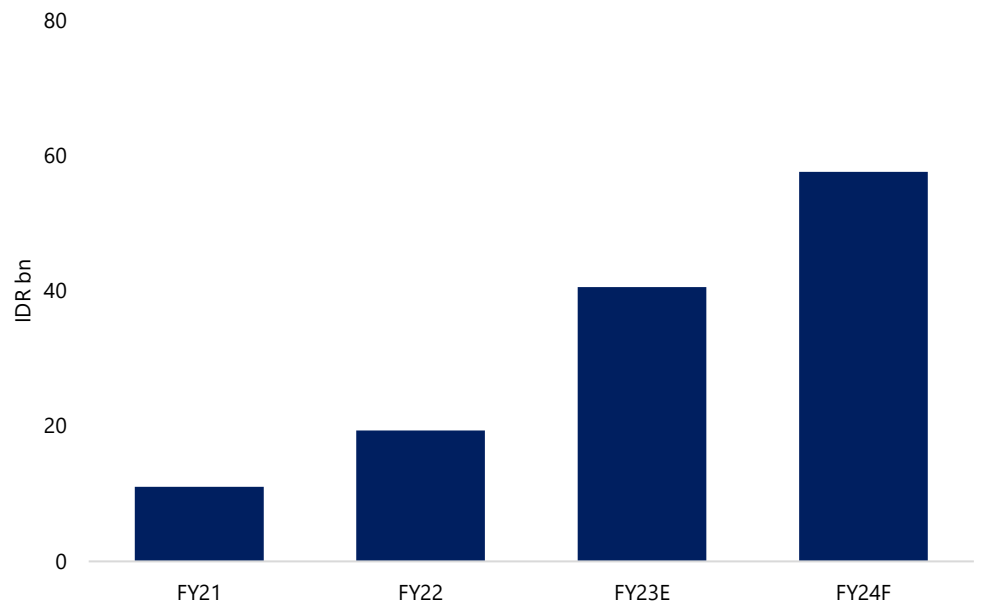
Sources : Company, MNCS

Expected net profit growth with a CAGR FY22-24F +72.3% propelled by cost management discipline

On the bottom line, KOKA's net profit reached IDR11.9 bn in 1Q23, marking a robust +48.6% YoY growth (vs IDR8.0bn in 1Q22). This increase in net profit aligns with revenue growth and is supported by effective cost management. Consequently, the net profit margin expanded to 17.1% in 1Q23, representing a +405 bps YoY increase (vs 13.0% in 1Q22). In FY22, net profit experienced a significant +75.2% YoY growth, reaching IDR19.4bn (vs IDR11.1bn in FY21), marking a turnaround from a net loss of IDR1.4bn in FY22. This substantial achievement was primarily driven by revenue growth, successful contract acquisitions, and the company's ability to maintain a favorable cost ratio.

We project net profit to continue its growth trajectory, with a CAGR FY22-24F of +72.4%, reaching IDR57.6bn in FY24F. This impressive growth will be translated through a better revenue performances (CAGR FY22-24F: +37.3%) and disciplined cost management. Furthermore, we anticipate that the positive post-IPO effects will help maintain a 22% tax rate and contribute to KOKA's robust profitability.

Exhibit 28. Net profit is expected to increase stemmed by revenue growth and cost management discipline

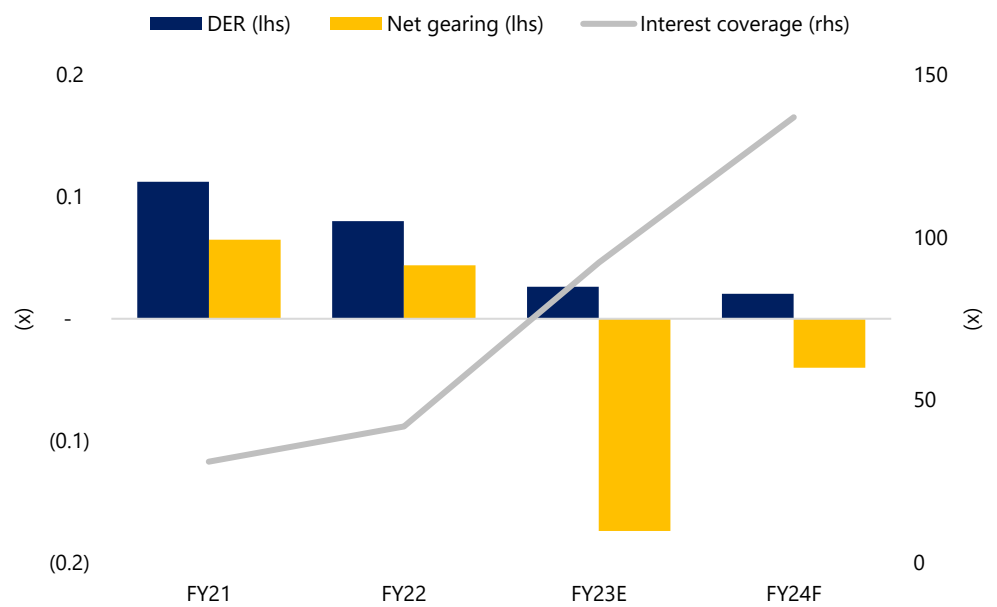


Sources : Company, MNCS

Lower debt exposure among its peers

We highlight that KOKA maintains a favorable debt exposure compared to its competitors. The total interest-bearing debt has decreased by -47.5% YtD in 1Q23, resulting in a DER/net gearing ratio of 0.04x/0.03x in 1Q23 (vs 0.08x/0.04x in FY22). Additionally, the interest coverage ratio stood at 41.9x in FY22 (vs 31.1x in FY21). In contrast, domestic peers had an average DER of 1.5x in 1Q23, while overseas peers had a ratio of 0.8x during the same period. With the additional proceeds from the IPO amounting to IDR91.6bn which will strengthen KOKA's balance sheet, we expect DER to remain solid at 0.02x/0.02x in FY23E/FY24F and the net cash position in FY23E/FY24F. This maintained debt exposure is expected to contribute to profitability improvements going forward.

Exhibit 29. KOKA's DER, net gearing and interest coverage in FY21-24F

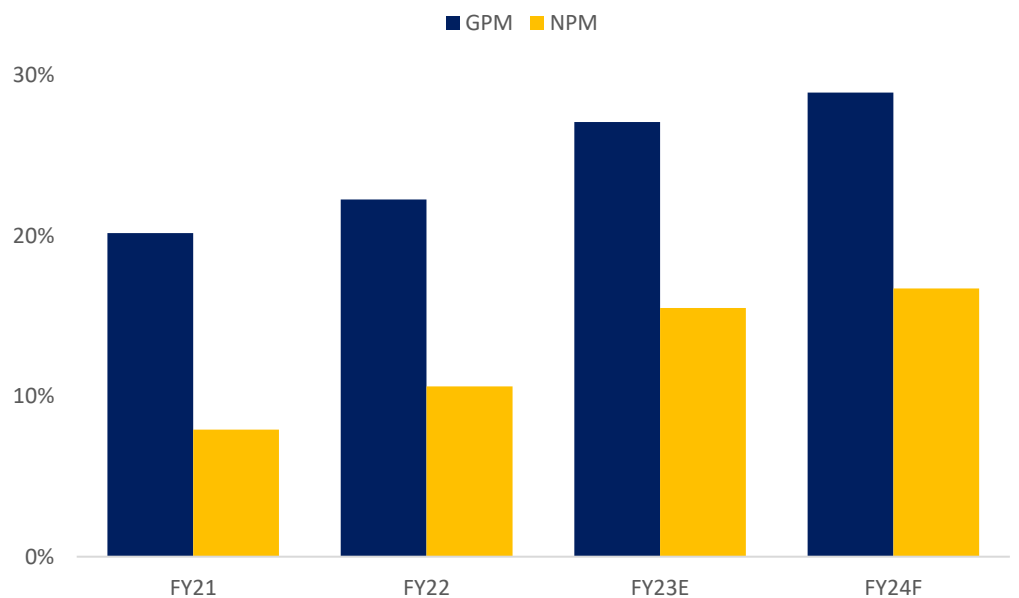


Sources : Company, MNCS

Better profitability should pave the way for dividend value

On the profitability front, KOKA has consistently delivered margin improvements. We observed GPM/NPM of 28.1%/17.1% in 1Q23, representing a growth of +741 bps YoY/+405 bps YoY (vs 20.7%/13.0% in 1Q22). Notably, these profitability figures are also higher than industry peers, with domestic peers averaging GPM/NPM of 10.9%/3.6% and overseas peers at 11.5%/9.2% in 1Q23. We anticipated that the ongoing trend of improving profitability will continue, supported by disciplined cost management and JV with Lygend Group. We estimate GPM/NPM of 27.1%/15.5% for FY23E and 28.9%/16.7% for FY24F. We believe that the future margin expansion will have a positive impact on the company's value, including dividends for shareholders.

Exhibit 30. We projected GPM/NPM of 28.9%/16.7% in FY24F



Sources : Company, MNCS

Valuation and Recommendation

We recommend BUY for KOKA with initiate TP of IDR200, which implies PE and EV/Ebitda of 14.1x/8.9x in FY23E. KOKA stands poised to harness the upward trajectory of the down streaming industry in Morowali, leveraging over 12 years of valuable experience and robust connections with foreign clients, notably those hailing from China. Furthermore, the development of the mega-project IKN serves as a tailwind for KOKA's future prospects. Our risk: 1) project cost overruns; 2) funding shortfall; and 3) risk of high customers dependency.

**MAIN BUSINESS
RISK****Risk of funding shortfall**

Working capital funding is a significant risk that affects the Company's business continuity, especially in light of its massive expansion plans to obtain new business opportunities in the infrastructure sector. The Company needs working capital to support and fund its business. If the Company does not receive sufficient working capital funding, it may find it difficult to capture wider business opportunities, where competitors are also competing to provide comprehensive construction services.

Risk of growing construction companies in Indonesia

The number of construction companies in Indonesia has grown in the past few years, which leads to increasing competition in the foundation, construction, and infrastructure services business sector in Indonesia. Currently, KOKA competes with national companies from the private sector, government (BUMN), and foreign contractors working in Indonesia. With increasing competition, the company faces the risk of not achieving its desired contract acquisition target. This could have a negative impact on the company's income and profitability.

Risk of project cost overruns

Before starting the construction work, KOKA estimates project work costs based on price information from subcontractors, raw material suppliers, and its own experience on similar projects in the past. However, there are a number of factors that can lead to increased construction costs, such as project delays and changes in the cost of materials. Any project costs that exceed the estimated project costs will potentially reduce KOKA's profitability and financial performance.

Risk of high customer dependency

As of 1Q23, KOKA's top three customers account for 95% of its revenue, with PT Chengtok Lithium Indonesia contributing 51% of revenue. This shows that KOKA is highly dependent on a small number of customers. If one of these customers terminates a project or imposes sanctions on the Company, it could have a significant negative impact on the Company's revenue, performance, and reputation.

Risk of upcoming new president having a different vision for IKN

The development of IKN has been enacted into Indonesian law, which means the project must be continued by the next elected president. However, we believe the vision of the new leader will determine future IKN budget allocation, development focus, and progress.

Exhibit 31. KOKA's peer comparison

Ticker	Company	Country	PE(x)		EV/EBITDA(x)		GPM(%)		NPM(%)		DER(x)	
			1Q23	FY22	1Q23	FY22	1Q23	FY22	1Q23	FY22	1Q23	FY22
Domestic												
ADHI IJ EQUITY	Adhi Karya Persero Tbk PT	INDONESIA	30.9	27.4	6.7	12.1	12.5	15.2	0.3	0.5	1.2	1.9
WIKA IJ EQUITY	Wijaya Karya Persero Tbk PT	INDONESIA	N/A	N/A	36.6	31.7	7.4	9.5	(12.0)	0.7	1.9	1.6
PTPP IJ EQUITY	PP Persero Tbk PT	INDONESIA	12.8	16.3	11.7	10.6	12.9	13.0	0.8	1.6	1.4	1.4
Overseas												
586 HK EQUITY	China Conch Venture Holdings Ltd	CHINA	N/A	2.3	N/A	17.0	N/A	24.7	N/A	111.6	N/A	0.3
002140 CH EQUITY	East China Engineering Science and Technology Co Ltd	CHINA	19.8	17.5	N/A	15.4	15.2	10.7	8.2	4.1	0.3	0.5
600512 CH EQUITY	Tengda Construction Group Co Ltd	CHINA	13.5	256.0	N/A	0.4	12.7	19.4	16.1	11.8	0.1	0.0
NBCC IN EQUITY	NBCC India Ltd	INDIA	27.6	29.0	N/A	5.0	N/A	N/A	(0.3)	3.3	N/A	0.0
PNCL IN EQUITY	PNC Infratech Ltd	INDIA	8.8	11.5	N/A	6.7	N/A	N/A	11.7	9.1	N/A	1.4
VOLT IN EQUITY	Voltas Ltd	INDIA	65.6	81.8	N/A	59.5	N/A	N/A	4.0	7.0	N/A	0.1
1835 JP EQUITY	Totetsu Kogyo Co Ltd	JAPAN	16.8	14.7	N/A	6.0	12.4	16.3	2.4	7.3	N/A	0.0
IJM MK EQUITY	IJM Corp Bhd	MALAYSIA	59.7	58.6	11.6	12.1	21.9	20.8	3.1	7.7	0.5	0.6
004960 KP EQUITY	Hanshin Construction Co Ltd	SOUTH KOREA	2.2	2.2	18.5	13.5	7.1	11.5	1.4	3.7	1.5	1.4
014790 KS EQUITY	HL D&I Halla Corp	SOUTH KOREA	47.9	8.9	13.1	11.2	9.4	12.5	1.7	6.7	1.9	1.4
016250 KS EQUITY	SG CeTec E&C Co Ltd	SOUTH KOREA	2.6	1.8	0.7	N/A	3.8	10.5	1.6	5.3	0.7	0.1
GAM MK EQUITY	Gamuda Bhd	MALAYSIA	15.0	13.2	13.9	17.9	N/A	N/A	89.4	18.0	0.4	0.5
Mean												
Domestic			21.9	21.8	18.3	18.1	10.9	12.6	(3.6)	0.9	1.5	1.6
Overseas			25.4	41.4	11.6	15.0	11.8	15.8	12.7	16.3	0.8	0.5
Total			24.9	38.6	14.1	15.6	11.5	14.9	9.2	13.2	1.0	0.7

Sources : Bloomberg, MNCS

Exhibit 32. Financial projection

Income Statement					Balance Sheet				
In Billion IDR	FY21	FY22	FY23E	FY24F	In Billion IDR	FY21	FY22	FY23E	FY24F
Revenue	139.8	182.9	262.0	345.0	Cash & Equivalents	2.2	2.4	39.6	14.9
COGS	(111.6)	(142.2)	(191.1)	(245.3)	Trade Receivables	28.6	22.8	67.8	88.4
Gross Profit	28.2	40.7	70.9	99.7	Others Current Assets	6.7	-	0.3	0.4
					Total Current Assets	37.5	25.2	107.8	103.7
G&A	(5.8)	(14.2)	(16.5)	(22.1)	Fixed Assets-net	37.5	48.1	73.4	97.1
Operating Profit	22.4	26.5	54.5	77.7	Other Non-Current Assets	-	8.3	48.4	86.8
					Total Non-Current Assets	37.5	56.3	121.8	183.9
EBITDA	24.7	31.1	60.4	89.2	TOTAL ASSETS	75.0	81.5	229.6	287.6
Other Income (Expenses)	(5.7)	(1.2)	(1.9)	(3.5)	Trade Payables	14.2	5.6	12.9	19.2
Finance Income	0.0	0.0	0.1	0.3	Short-term Debt	2.3	3.0	3.0	2.9
Finance Expenses	(0.7)	(0.6)	(0.6)	(0.6)	Other Current Liabilities	9.3	4.9	13.5	17.8
Profit Before Tax	16.0	24.7	52.0	73.9	Total Current Liabilities	25.9	13.5	29.4	39.9
Tax Income (Expense)	(4.9)	(5.3)	(11.4)	(16.3)	Long-term Debt	2.8	2.3	2.2	2.2
Net Profit	11.1	19.4	40.6	57.6	Other Long-term Liabilities	0.3	0.3	0.3	0.3
					Total LT-Liabilities	3.1	2.6	2.5	2.5
					Total Equity	46.1	65.4	197.7	245.2
					TOTAL LIABILITY AND EQUITY	75.0	81.5	229.6	287.6
Cash Flow					Ratios				
In Billion IDR	FY21	FY22	FY23E	FY24F		FY21	FY22	FY23E	FY24F
Net Profit	11.1	19.4	40.6	57.6	Revenue Growth (%)	923.6	30.9	43.3	31.7
D&A	2.3	4.6	6.0	11.5	Operating Profit Growth (%)	17,027.0	18.4	105.4	42.6
Changes in WC	12.6	(2.8)	(37.7)	(14.3)	Net Profit Growth (%)	875.2	75.2	109.3	42.0
Others	(0.7)	2.3	8.3	4.2	Current Ratio (%)	144.9	186.0	366.5	260.1
Operating CF	25.3	23.4	17.1	59.0	Receivable Days (x)	74.7	45.6	94.5	93.5
Capex	(21.4)	(15.1)	(31.3)	(35.2)	Payable Days (x)	46.4	14.5	24.7	28.5
Others	-	(8.3)	(40.2)	(38.3)	DER (x)	0.1	0.1	0.0	0.0
Investing CF	(21.4)	(23.4)	(71.5)	(73.6)	DAR (x)	0.1	0.1	0.0	0.0
Dividend Paid	-	-	(10.7)	(10.1)	Net Gearing Ratio (x)	0.1	0.0	(0.2)	(0.0)
Net Change in Debt	(1.9)	0.1	(0.0)	(0.2)	Net debt to EBITDA (x)	0.1	0.1	(0.6)	(0.1)
Equity Fund Raised	-	-	102.3	-	Interest Coverage Ratio (x)	31.1	41.9	92.3	137.1
Others	0.1	0.0	0.1	0.1	Gross Profit Margin (%)	20.2	22.3	27.1	28.9
Financing CF	(1.8)	0.1	91.6	(10.2)	Operating Profit Margin (%)	16.0	14.5	20.8	22.5
Cash at Beginning	0.1	2.2	2.4	39.6	EBITDA Margin (%)	17.7	17.0	23.1	25.8
Cash at Ending	2.2	2.4	39.6	14.9	Net Profit Margin(%)	7.9	10.6	15.5	16.7
					BVPS (IDR)	16.1	22.9	69.1	85.7

Sources : Company, MNCS

MNC Research Industry Ratings Guidance

- **OVERWEIGHT** : Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL** : Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT** : Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

- **BUY** : Share price may exceed 10% over the next 12 months
- **HOLD** : Share price may fall within the range of +/- 10% of the next 12 months
 - **SELL** : Share price may fall by more than 10% over the next 12 months
 - **Not Rated** : Stock is not within regular research coverage

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