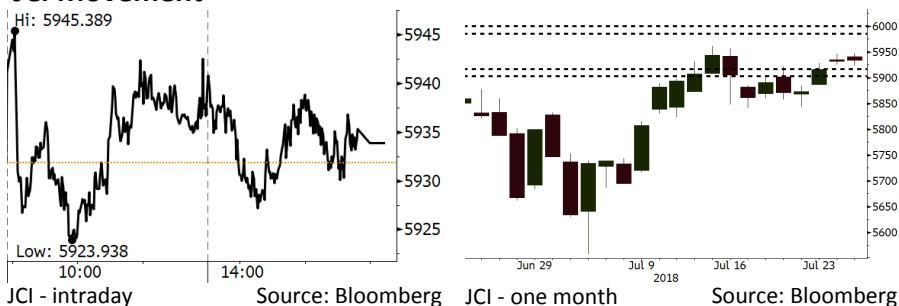


Morning Brief

Daily | July 26, 2018

JCI Movement



IHSG (Jakarta Composite Index)

| | |
|--------------------|-------------------|
| July 25 | 5,933.89 |
| Chg | +2.05pts (+0.04%) |
| Volume (bn shares) | 106.54 |
| Value (IDR tn) | 6.75 |

Adv 186 Dec 191 Unc 233 Untr 126

Foreign Transaction (IDR bn)

| | |
|----------------|-------|
| Buy | 1,672 |
| Sell | 1,642 |
| Net Buy (Sell) | 30 |

| Top Buy | NB Val. | Top Sell | NS Val. |
|---------|---------|----------|---------|
| BBCA | 122.5 | TLKM | 130.7 |
| INKP | 75.3 | BMRI | 44.0 |
| UNTR | 50.1 | MAIN | 21.8 |
| PTBA | 46.4 | BUMI | 20.4 |
| ASII | 38.6 | BBRI | 20.0 |

LQ-45 Index Top Gainers & Losers

| Gainers | % | Losers | % |
|---------|------|--------|-------|
| MYRX | 8.5% | EXCL | -3.7% |
| UNTR | 5.0% | TLKM | -3.2% |
| ADRO | 4.4% | SSMS | -2.7% |
| BUMI | 4.1% | JSMR | -2.4% |
| ASII | 3.4% | SCMA | -2.0% |

Government Bond Yield & FX

| | Last | Chg. |
|----------------|--------|--------|
| Tenor: 10 year | 7.77% | -0.04% |
| USDIDR | 14,475 | -0.48% |
| KRWIDR | 12.86 | 0.39% |

Global Indexes

| Index | Last | Chg. | % |
|-----------|-----------|----------|--------|
| Dow Jones | 25,414.10 | 172.16 | 0.68% |
| S&P 500 | 2,846.07 | 25.67 | 0.91% |
| Nasdaq | 7,932.24 | 91.47 | 1.17% |
| FTSE 100 | 7,658.26 | (50.79) | -0.66% |
| CAC 40 | 5,426.41 | (7.78) | -0.14% |
| DAX | 12,579.33 | (110.06) | -0.87% |
| Nikkei | 22,614.25 | 103.77 | 0.46% |
| Hang Seng | 28,920.90 | 258.33 | 0.90% |
| Shanghai | 2,903.65 | (1.92) | -0.07% |
| KOSPI | 2,273.03 | (7.17) | -0.31% |
| EIDO | 24.02 | 0.29 | 1.22% |

Commodities

| Commodity | Last | Chg. | % |
|----------------------|---------|------|-------|
| Gold (USD /troy oz.) | 1,231.6 | 7.1 | 0.58% |
| Crude Oil (USD /bbl) | 69.30 | 0.78 | 1.14% |
| Coal Newcas(USD/ton) | 115.00 | 1.50 | 1.32% |
| Gas (USD /mmbtu) | 2.78 | 0.04 | 1.57% |
| Nickel LME (USD /MT) | 13,680 | 80.0 | 0.59% |
| Tin LME (USD /MT) | 19,750 | 75.0 | 0.38% |
| CPO (MYR/Ton) | 2,163 | 11.0 | 0.51% |

Indonesian Market Recap

JCI ended flat yesterday amid the rupiah appreciated. Bank Indonesia projected the 2018's current account deficit to reach USD25 billion. **Top Gainers: Misc (+2.67%), Mining (+1.44%), Trade (+1.19%)**

Today's Outlook: Sharia-Based Economic as National Strategy

We estimate JCI to move higher with the **support range of 5900-5915** and **resistance range of 5980-6000**. Bank Indonesia (BI) offers 5 strategies of Sharia-based economic development so that Indonesia can compete with other countries. According to BI Governor Perry Warjiyo, the Sharia-based economic shall be set as a national program. The development of Sharia-based economic required the concerted endorsement from the Indonesian government and BI is confidence that Joko Widodo can give the needed support.

Stocks Recommendation (details on the next page)

Trading Buy: PWON, PTBA, UNTR

Global Market

United States

The U.S. stocks ended lower. Investors positively responded to the possibility of the U.S.-EU trade deal.

Europe

European stocks ended lower. Investors concerned about the decision resulted from the meeting between Jean Claude Juncker and Trump.

Asia

Asia stocks moved mixed amid the China's government commitment to a vigorous fiscal policy.

Company News

| | |
|------|---|
| INCO | : Posts Revenue of USD374.61 Million |
| AALI | : Decline of 23% in Net Profit |
| SAME | : Constructs Bekasi-Based Omni Hospital by Loan |
| UNTR | : Posts Sales of 2,400 Heavy Machinery |

Domestic & Global News

BI Support Development of Sharia-Based Economy in Indonesia
The U.S. and EU Agree to Lower Tariffs

Indonesia Economic Data

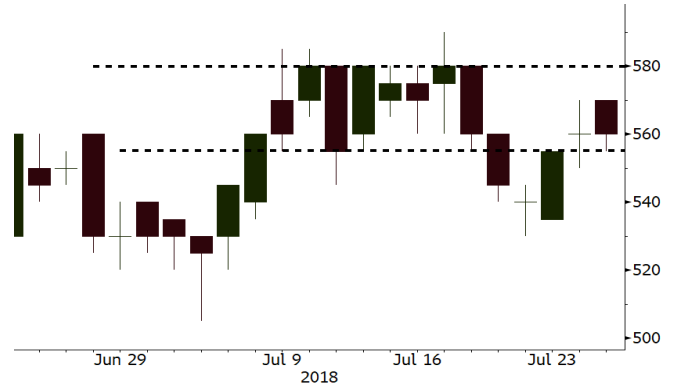
| Monthly Indicator | Last | Prev. | Quarterly Indicator | Last | Prev. |
|------------------------|--------|--------|----------------------|--------|--------|
| BI 7 Day Rev Repo Rate | 5.25% | 5.25% | Real GDP | 5.06% | 5.19% |
| FX Reserve (USD bn) | 119.80 | 122.90 | Current Acc (USD bn) | (5.54) | (6.04) |
| Trd Balance (USD bn) | 1.74 | (1.52) | Govt. Spending Yoy | 2.73% | 3.81% |
| Exports Yoy | 11.47% | 12.47% | FDI (USD bn) | 3.69 | 9.40 |
| Imports Yoy | 12.66% | 28.17% | Business Confidence | 106.28 | 112.39 |
| Inflation Yoy | 3.12% | 3.23% | Cons. Confidence* | 128.10 | 125.10 |

PWON Last = 560

Analysis PWON succeeded to post the growth of 10% y-y to IDR1.72 trillion in the 2Q18's sales. Its net profit grew by 3.6% y-y bearing EPS of 11.39. Thus, it results in a surprise of 13.5% from consensus estimate.

Range 555 - 580

Action Trading Buy. Cut Loss If Below 555



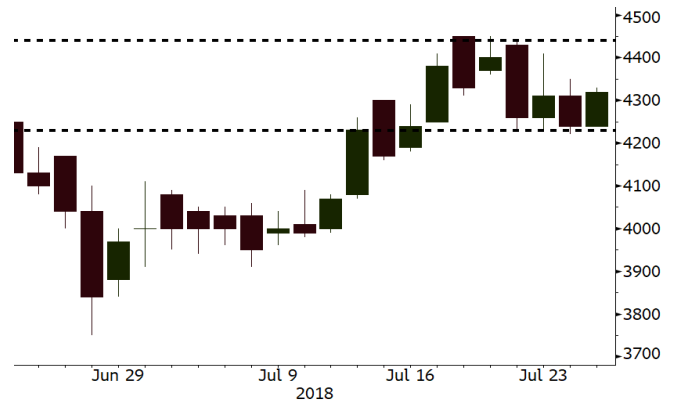
Source: Bloomberg

PTBA Last = 4320

Analysis PTBA succeeded to book the hike of 8.1% y-y to IDR4.7 trillion in the 2Q18's sales. The net profit margin posted the growth from 19.3% in 2Q17 to 23.6% in 2Q18. Thus, EPS grew by 31.9% to 106.75.

Range 4230 - 4440

Action Trading Buy. Cut Loss If Below 4230



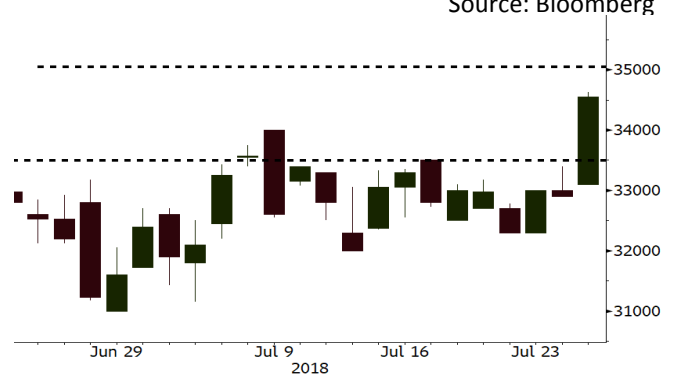
Source: Bloomberg

UNTR Last = 34550

Analysis UNTR posted the sales reaching 2,400 units in 2H18 or growing by 37% y-y. The biggest growth derives from the sales of 32% q-q by the construction segment, and the sales of 25% q-q by the agro segment, and the sales of 19% y-y by the forestry segment.

Range 33500 - 35000

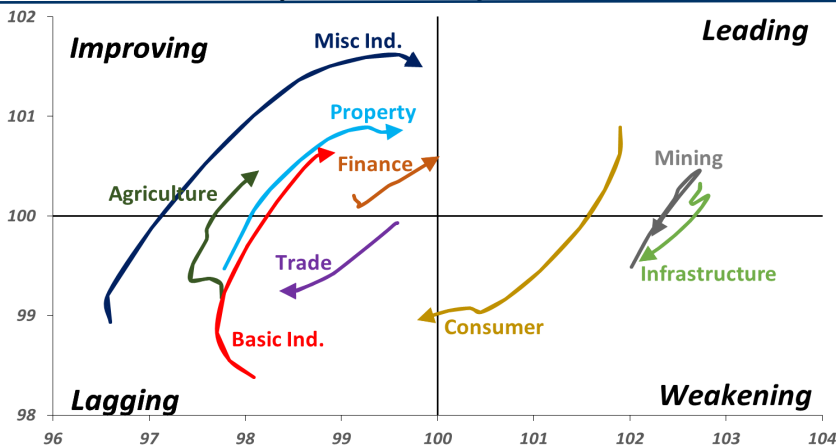
Action Trading buy. Cut Loss If Below 33500



Source: Bloomberg

Sector Rotation

Relative Rotation Graph - Last 10 Days



Source: Bloomberg

Relative Valuation

| | Last Price | End of Last Year Price | Target Price* | Rating | Upside Potential (%) | 1 Year Change (%) | Market Cap (IDR tn) | Price / EPS (TTM) | Price / BVPS | Return on Equity (%) | Dividend Yield TTM (%) | Sales Growth Yoy (%) | EPS Growth Yoy (%) | Adjusted Beta |
|-----------------------|------------|------------------------|---------------|--------|----------------------|-------------------|---------------------|-------------------|--------------|----------------------|------------------------|----------------------|--------------------|---------------|
| JCI Index | 5,934 | 6,356 | | | | 2.3 | 6,708.8 | | | | | | | |
| Finance | | | | | | 8.0 | 1,940.9 | | | | | | | |
| BBCA | 23,575 | 21,900 | 25,400 | Hold | 7.7 | 25.6 | 581.2 | 24.4x | 4.3x | 18.7 | 1.1 | 7.1 | 10.4 | 1.0 |
| BBRI | 2,990 | 3,640 | 3,510 | Buy | 17.4 | 1.2 | 368.8 | 12.3x | 2.3x | 19.6 | 3.6 | 13.0 | 11.4 | 1.3 |
| BMRI | 6,475 | 8,000 | 10,300 | Buy | 59.1 | (3.0) | 302.2 | 12.9x | 1.8x | 14.5 | 3.1 | (0.5) | 28.7 | 1.4 |
| BBNI | 7,300 | 9,900 | 8,125 | Hold | 11.3 | 2.1 | 136.1 | 9.3x | 1.4x | 15.5 | 3.5 | 11.8 | 16.2 | 1.3 |
| BBTN | 2,330 | 3,570 | 3,790 | Buy | 62.7 | (3.7) | 24.7 | 7.7x | 1.1x | 15.1 | 2.5 | 14.3 | 11.7 | 1.6 |
| BJTM | 635 | 710 | 810 | Buy | 27.6 | - | 9.5 | 7.9x | 1.3x | 16.5 | 6.9 | 3.1 | 10.7 | 1.0 |
| Consumer | | | | | | (2.4) | 1,362.4 | | | | | | | |
| HMSP | 3,770 | 4,730 | 4,575 | Buy | 21.4 | 2.4 | 438.5 | 35.4x | 11.8x | 33.3 | 2.8 | 2.5 | (7.1) | 1.4 |
| GGRM | 70,550 | 83,800 | 88,650 | Buy | 25.7 | (7.3) | 135.7 | 17.5x | 3.1x | 18.2 | 3.7 | 10.1 | 0.1 | 1.3 |
| UNVR | 44,050 | 55,900 | 44,200 | Hold | 0.3 | (7.7) | 336.1 | 48.8x | 47.9x | 100.6 | 2.1 | (0.9) | (6.2) | 1.1 |
| ICBP | 8,550 | 8,900 | 9,625 | Hold | 12.6 | (0.9) | 99.7 | 25.5x | 4.9x | 20.0 | 1.9 | 4.5 | 10.6 | 1.2 |
| INDF | 6,350 | 7,625 | 8,175 | Buy | 28.7 | (26.4) | 55.8 | 13.4x | 1.7x | 13.2 | 3.7 | (1.1) | 0.7 | 1.2 |
| KLBF | 1,305 | 1,690 | 1,730 | Buy | 32.6 | (23.2) | 61.2 | 25.4x | 4.4x | 18.2 | 1.9 | 2.4 | 0.2 | 1.2 |
| KAEF | 2,320 | 2,700 | 3,280 | Buy | 41.4 | (26.3) | 12.9 | 38.5x | 5.1x | 14.0 | 0.8 | 24.4 | 27.4 | 1.3 |
| Infrastructure | | | | | | (9.3) | 746.97 | | | | | | | |
| TLKM | 3,900 | 4,399 | 4,600 | Buy | 17.9 | (16.3) | 393.1 | 18.2x | 3.9x | 22.4 | 4.3 | 4.3 | (14.3) | 0.9 |
| EXCL | 2,870 | 2,960 | 3,800 | Buy | 32.4 | (10.6) | 30.7 | 90.4x | 1.4x | 1.6 | N/A | 4.5 | (75.0) | 1.2 |
| ISAT | 3,970 | 4,800 | 6,750 | Buy | 70.0 | (36.7) | 21.6 | 47.3x | 1.6x | 3.3 | 1.8 | (21.9) | N/A | 0.8 |
| JSMR | 5,050 | 6,400 | 6,050 | Buy | 19.8 | (5.2) | 36.7 | 16.4x | 2.3x | 14.8 | 1.2 | 42.5 | 2.9 | 1.0 |
| TBIG | 4,940 | 6,425 | 6,050 | Buy | 22.5 | (26.8) | 22.4 | 9.7x | 7.0x | 92.7 | 3.4 | 8.4 | 16.1 | 0.6 |
| INDY | 3,320 | 3,060 | 5,000 | Buy | 50.6 | 297.6 | 17.3 | 3.2x | 1.2x | 46.6 | 3.2 | 263.6 | 166.7 | 0.9 |
| Trade | | | | | | (6.3) | 746.2 | | | | | | | |
| UNTR | 34,550 | 35,400 | 42,350 | Buy | 22.6 | 19.8 | 128.9 | 15.3x | 2.7x | 18.6 | 2.6 | 39.0 | 68.7 | 1.0 |
| AKRA | 4,450 | 6,350 | 8,025 | Buy | 80.3 | (31.0) | 17.9 | 21.1x | 2.1x | 24.1 | 4.9 | 34.4 | (22.8) | 1.3 |
| SCMA | 2,010 | 2,480 | 2,700 | Buy | 34.3 | (7.4) | 29.4 | 21.1x | 6.9x | 34.8 | 3.7 | 15.0 | 19.3 | 1.0 |
| MNCN | 1,000 | 1,285 | 1,550 | Buy | 55.0 | (44.6) | 14.3 | 9.9x | 1.4x | 14.3 | 1.5 | (0.4) | (28.3) | 1.1 |
| LPPF | 9,450 | 10,000 | 11,250 | Buy | 19.0 | (27.3) | 27.6 | 14.4x | 10.7x | 81.7 | 4.8 | 5.9 | 1.2 | 1.1 |
| ACES | 1,310 | 1,155 | 1,425 | Hold | 8.8 | 17.5 | 22.5 | 26.8x | 6.0x | 24.0 | 1.7 | 21.5 | 35.7 | 0.9 |
| RALS | 1,390 | 1,200 | 1,400 | Hold | 0.7 | 41.1 | 9.9 | 22.3x | 2.7x | 12.2 | 2.9 | (2.6) | 407.0 | 0.7 |
| MAPI | 810 | 620 | 945 | Buy | 16.7 | 33.9 | 13.4 | 21.4x | 3.0x | 16.4 | 0.5 | 19.3 | 505.7 | 0.9 |
| Property | | | | | | (5.1) | 390.0 | | | | | | | |
| BSDE | 1,485 | 1,700 | 1,850 | Buy | 24.6 | (15.6) | 28.6 | 6.2x | 1.1x | 19.5 | 0.3 | (5.8) | (45.2) | 1.3 |
| PWON | 560 | 685 | 625 | Hold | 11.6 | (13.2) | 27.0 | 12.8x | 2.4x | 20.5 | 1.1 | 14.4 | 25.4 | 1.1 |
| CTRA | 1,110 | 1,185 | 1,130 | Hold | 1.8 | 3.3 | 20.6 | 25.5x | 1.5x | 6.1 | 1.3 | 6.8 | (41.7) | 1.2 |
| SMRA | 805 | 945 | 1,050 | Buy | 30.4 | (23.7) | 11.6 | 34.8x | 1.8x | 5.2 | 0.6 | (2.5) | (40.0) | 1.4 |
| WSKT | 1,985 | 2,210 | 2,810 | Buy | 41.6 | (11.0) | 26.9 | 4.6x | 1.6x | 39.6 | 2.9 | 47.3 | 134.6 | 1.3 |
| PTPP | 2,140 | 2,640 | 3,850 | Buy | 79.9 | (27.5) | 13.3 | 9.0x | 1.1x | 13.9 | 2.2 | 26.3 | 19.0 | 1.4 |
| WIKA | 1,475 | 1,550 | 2,150 | Buy | 45.8 | (25.9) | 13.2 | 11.7x | 1.0x | 9.2 | 1.8 | 64.1 | (30.9) | 1.0 |
| ADHI | 1,610 | 1,885 | 2,160 | Buy | 34.2 | (23.7) | 5.7 | 10.1x | 1.0x | 10.1 | 1.8 | 39.7 | 282.5 | 1.0 |
| Misc Ind. | | | | | | (13.5) | 355.2 | | | | | | | |
| ASII | 6,875 | 8,300 | 9,300 | Buy | 35.3 | (15.1) | 278.3 | 14.8x | 2.2x | 15.3 | 2.7 | 14.4 | (1.6) | 1.3 |
| Basic Ind. | | | | | | 28.7 | 613.2 | | | | | | | |
| INTP | 14,900 | 21,950 | 21,575 | Buy | 44.8 | (15.0) | 54.9 | 33.6x | 2.2x | 6.3 | 4.7 | 1.9 | (46.2) | 1.4 |
| SMGR | 7,675 | 9,900 | 11,550 | Buy | 50.5 | (23.8) | 45.5 | 27.2x | 1.6x | 5.9 | 1.8 | 3.4 | (45.2) | 1.2 |
| CPIN | 4,360 | 3,000 | 4,200 | Hold | (3.7) | 46.8 | 71.5 | 24.9x | 4.3x | 18.2 | 1.3 | (1.3) | 60.5 | 1.0 |
| JPFA | 2,260 | 1,300 | 2,000 | Hold | (11.5) | 89.9 | 26.5 | 19.2x | 3.0x | 15.5 | 2.2 | 18.7 | 533.3 | 0.7 |
| MAIN | 905 | 740 | 780 | Hold | (13.8) | (9.5) | 2.0 | 26.8x | 1.2x | 4.1 | 4.2 | 16.5 | 109.1 | 1.0 |
| KRAS | 462 | 424 | 500 | Hold | 8.2 | (24.3) | 8.9 | N/A | 0.3x | (3.6) | N/A | 38.9 | 72.7 | 1.2 |
| TPIA | 5,100 | 6,000 | 6,275 | Buy | 23.0 | (3.9) | 91.0 | 21.8x | 3.6x | 19.1 | 1.6 | 9.9 | (36.3) | 0.8 |
| BRPT | 1,865 | 2,260 | 2,420 | Buy | 29.8 | 13.0 | 33.2 | 23.0x | 1.7x | 8.9 | 1.3 | 9.8 | (7.3) | 0.8 |
| Mining | | | | | | 40.3 | 461.2 | | | | | | | |
| ADRO | 1,880 | 1,860 | 2,500 | Buy | 33.0 | 4.4 | 60.1 | 9.1x | 1.2x | 13.6 | 5.8 | 5.1 | (23.4) | 1.1 |
| PTBA | 4,320 | 2,460 | 3,950 | Hold | (8.6) | 66.8 | 49.8 | 8.5x | 3.6x | 43.4 | 7.4 | 17.4 | 49.1 | 0.9 |
| ITMG | 26,350 | 20,700 | 32,400 | Buy | 23.0 | 27.0 | 29.8 | 8.0x | 2.3x | 29.2 | 11.9 | 2.8 | 0.0 | 0.9 |
| INCO | 4,310 | 2,890 | 3,550 | Sell | (17.6) | 81.1 | 42.8 | 76.8x | 1.6x | 1.9 | N/A | 28.3 | N/A | 1.1 |
| ANTM | 880 | 625 | 985 | Hold | 11.9 | 22.2 | 21.1 | 56.3x | 1.1x | 2.0 | 0.2 | 247.2 | 3550.0 | 1.1 |
| TINS | 840 | 775 | 1,240 | Buy | 47.6 | 3.1 | 6.3 | 12.6x | 1.0x | 8.3 | 2.8 | (0.6) | (18.1) | 1.1 |
| ELSA | 362 | 372 | 625 | Buy | 72.7 | 30.2 | 2.6 | 8.4x | 0.8x | 10.5 | 1.4 | 50.1 | 1267.6 | 1.3 |
| Agriculture | | | | | | (18.4) | 92.7 | | | | | | | |
| AALI | 10,825 | 13,150 | 14,800 | Buy | 36.7 | (29.6) | 20.8 | 11.9x | 1.1x | 9.7 | 4.3 | 8.9 | (23.3) | 0.6 |
| LSIP | 970 | 1,420 | 1,380 | Buy | 42.3 | (31.4) | 6.6 | 13.1x | 0.8x | 6.2 | 4.6 | (40.7) | (64.6) | 0.7 |

* Target Price for December 2018

Source: Bloomberg, NHKS Research

INCO : Posts Revenue of USD374.61 Million

INCO posted the growth of 28.34% y-y to USD374.61 million in I semester's revenues. The growth was backed by the sales volume of matte nickel of 18.764 tons and the average price of nickel sales increasing to USD10.880 per ton in 2Q18. Of note in 2018, INCO will focus on optimizing production capacity, elevating efficiency, and cost reduction. (Bisnis Indonesia)

AALI : Decline of 23% in Net Profit

AALI booked the growth of 5.56% y-y to IDR9.02 trillion in I semester's net revenues. However, the hike of 13.66% y-y to IDR7.37 trillion in COGS suppressed AALI's performance. Thus, the gross profit and net profit respectively declined by 19.90% y-y to IDR1.65 trillion and 23.33% y-y to IDR783.91 billion. Of note, its assets was IDR26.84 trillion in 2Q18. (Kontan)

SAME : Constructs Bekasi-Based Omni Hospital by Loan

SAME through its subsidiary, PT Kurnia Sejahtera Utama (KSU) received an investment credit loan given by BBNi with the principle amount of IDR258 billion. The loan will be allocated for the construction of Bekasi-Based Omni Hospital estimated to operate in the 4Q18. Besides, it also took over land in Balikpapan, yet the hospital construction in such land is postponed due to the sluggish commodity sector. (Bisnis Indonesia)

UNTR : Posts Sales of 2,400 Heavy Machinery

UNTR posted the growth of 37.06% y-y to 2,400 units in I semester's sales of heavy machinery. Of note, the sales reached 53.33% from the 2018's sales target of 4,500 units. The growth was backed by the rosier coal sales and the uptrend of higher coal prices. The sales contributed by the mining sector was 55%, construction 21%, plantation 15%, and forestry 9%. (Bisnis Indonesia)

Domestic & Global News

BI Support Development of Sharia-Based Economy in Indonesia

Bank Indonesia (BI) prepares 5 strategies to develop the Sharia-based economy so that Indonesia is capable of competing with other countries. The 5 strategies are the government concerted support, the Sharia-based economy as a national program, the establishment of special coordination board, focus on sectors having competitive benefit and the importance of national strategy of sharia financial. BI is also confidence that President Joko Widodo will give a concerted support to the set strategies. (Bisnis Indonesia)

The U.S. and EU Agree to Lower Tariffs

President Trump stated that the U.S. and European Union agreed to work on zero tariffs, zero non-tariff barriers, and zero subsidies for the non-auto industrial goods. Meanwhile, the European Commission President Jean-Claude Juncker stated that the EU will hold off further tariffs and reassess existing tariffs on steel and aluminum. He also added that the meeting run well and in constructive manner. (CNBC)

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