

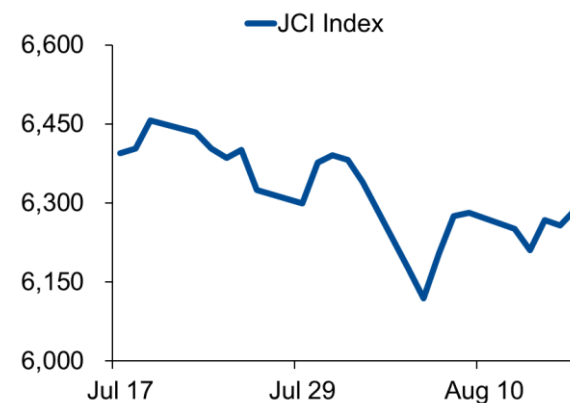
Weekly Brief (19 August – 23 August)

Summary:

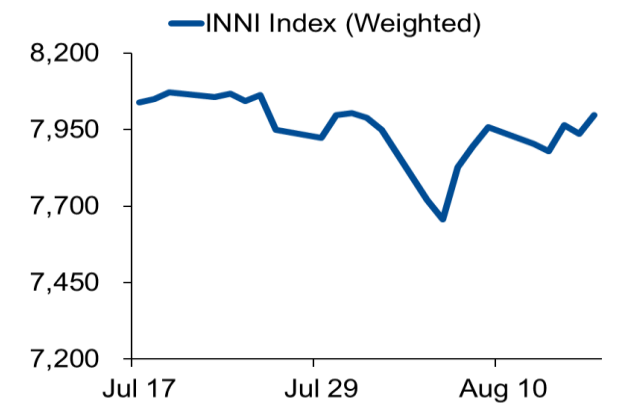
Last week review: Anxieties over the state of the current world were catalysts for JCI's movements. The worrying signal on the US recession and Hong Kong riot were setbacks in JCI's big moves to closed at the green zone, but the US decision to delay tariffs on Chinese products proved a boost for JCI. Apart from external sentiments, the more narrowed trade deficit in July 2019 than was that of deficit in July 2018 was a positive catalyst for JCI's moves.

This week's outlook: The global economy, not to mention Indonesia, is dismal by the current state of stagnation: a blow to the Indonesian retail industry. Nevertheless, benign inflation and optimism upon the rising income of six months ahead, in early of 2020, which are boosts for consumers purchasing power brighten the outlook of retailers. The digital economy defined by the rapid prevalence of e-commerce, tech. disruption, raid-hailing unicorns, and mushrooming virtual marketplace proves a boon for retailers to unleash their profit-making performance. NHKS recommends MAPI estimated to hit the price target of IDR 1,200 with a 22.64x P/E trailing band

JCI - one month



INNI Index – one month



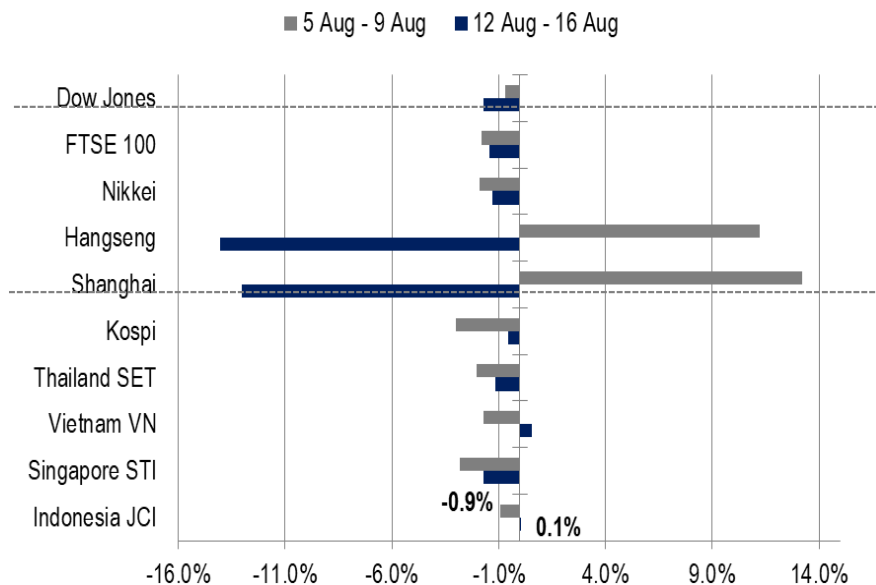
Last Week's JCI Movement

- JCI Index : 6,286.66 (+0.07%)
- Foreign Flow : *Net sell* of IDR2.6 trillion (vs. *net sell* last week of ID3.0 trillion)
- USD/IDR : 14,243 (+0.35%)
- Yields of sovereign bond with 10-years tenor : 7.422% (+10.40 bps)

JCI Made Sideways Moves

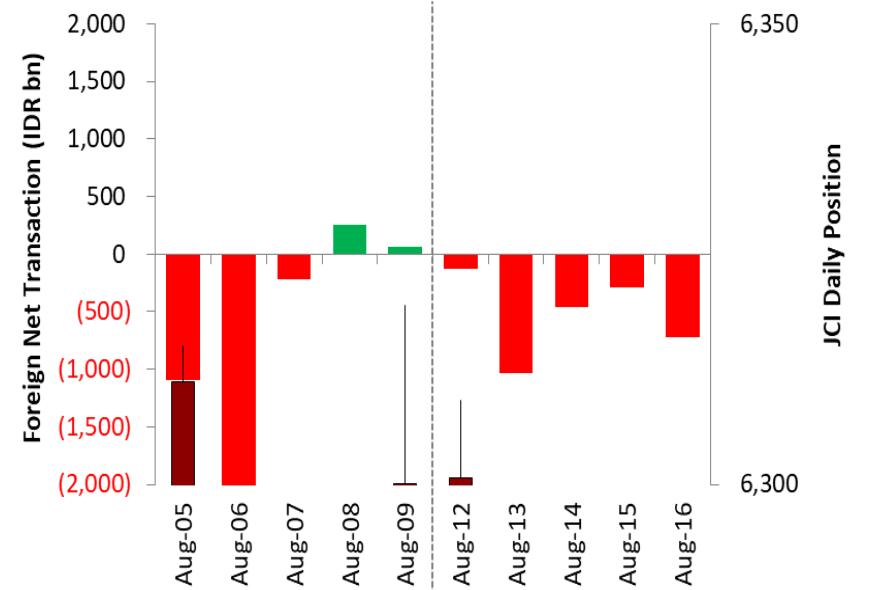
An inverted yield curve—10-year yields bottoming 2-year ones—which is a preceding signal of the US recession rattles markets as JCI also retreated to close lower on early days of last week. The protest against controversial extradition bills in Hong Kong bursting into a riot and developing to flights cancelation intensifies the global chaotic state as investors pull their money out from stock markets, i.e. JCI witnessing a flood of foreign capital from its portfolios on the early days of last week. But, the delay of tariffs on Chinese goods was a boost for JCI's moves to rebound on 14 August's trading day. The United States Trade Representative removed a number of products from the tariff list and put off the implementation of tariffs on Chinese products to December 15th. Back to domestic sentiments, July's trade balance reading was in deficit and impeded JCI's move. Statistics Indonesia (BPS) reported July's deficit of USD63.5 million because non-oil and gas trade surplus shrank. President Jokowi's speech on the 2020 State Budget Bills drafted based on the 2020 economic growth estimate of 5.3% on the back of increasing consumption and investment. JCI closed slightly higher at 0.07% to 6,286 on Friday (08/16).

Global Market Movement



Source: Bloomberg, NH Korindo Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NH Korindo Research

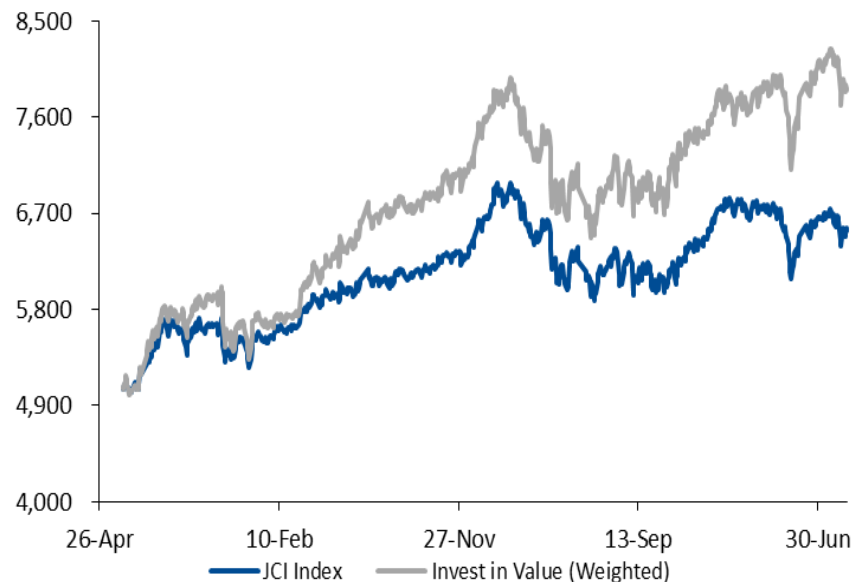
Last Week's INNI Movement

•INNI Index	: 7,998.40 (+0.5%)
INNI Theme 1 (Value)	: 7,852.78 (-1.2%)
INNI Theme 2 (Trend)	: 8,246.35 (+3.4%)

INNI Index Picked Up

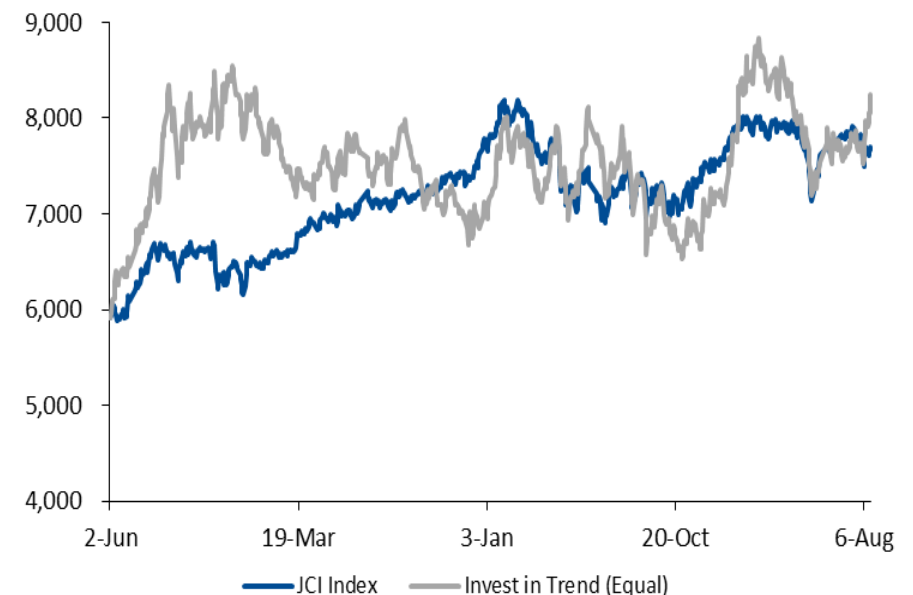
INNI index, as did JCI, posted two-day tepid streak. Coal miners, ADRO and PTBA, were sluggish and hampered INNI's moves. Coal is dismal by stagnation as ICE NewCastle Sep'19 Futures Price is low. The possibility of 2019 coal production to hit 500 tons exceeding the production of 489 million tons targeted by the Indonesian Coal Mining Association (APBI) causes excessive outputs, leaving coal price low. After posting two-day losing streak, INNI index was rebounding on 14 August's trading session, for its construction portfolio made gains. WIKA, including in INNI, posted a 3.1% gain, for it won revitalization project of Ragunan sports center whose contract value is worth of IDR419 billion. It continued Wednesday's rebound to close 15 August's trading session at bearish state. Its two-day rebound streak was underpinned by gains posted by its consumers-goods portfolios. KAEF as INNI's top gainer made advanced increase of 11.1% on 16 August's trading session after announcing to held right issue for boosting CapEx and expanding its businesses.

Theme 1. Invest in Value (19 Stocks) – Market Cap Base



Source: Bloomberg, NHKS Research

Theme 2. Invest in Trend (11 Stocks) – Policy Base



Source: Bloomberg, NHKS Research

Last Week Sectoral Review

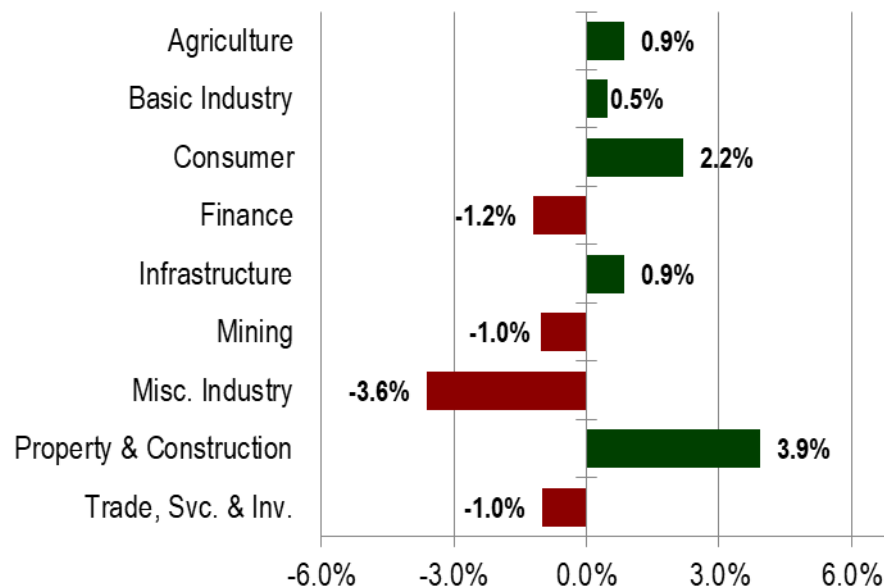
- **JCI's Top Gainers**

The property sector was JCI's last week top gainer as it posted a 3.9% increase on the back of looser BI 7-Day Reverse Repo Rate (BI 7-DRRR) signal. BI announces that looser monetary policy is possible and the timing for rate cuts will be discussed at BI's Board of Governors Meeting to be held from 21 to 22 August 2019. Adding to the looser monetary stance is President Jokowi to chose Kalimantan — the Indonesian part of Borneo — to host the new center of state administration. That is a long-term potent driver for property developers such as CTRA and PWON including in INNI index.

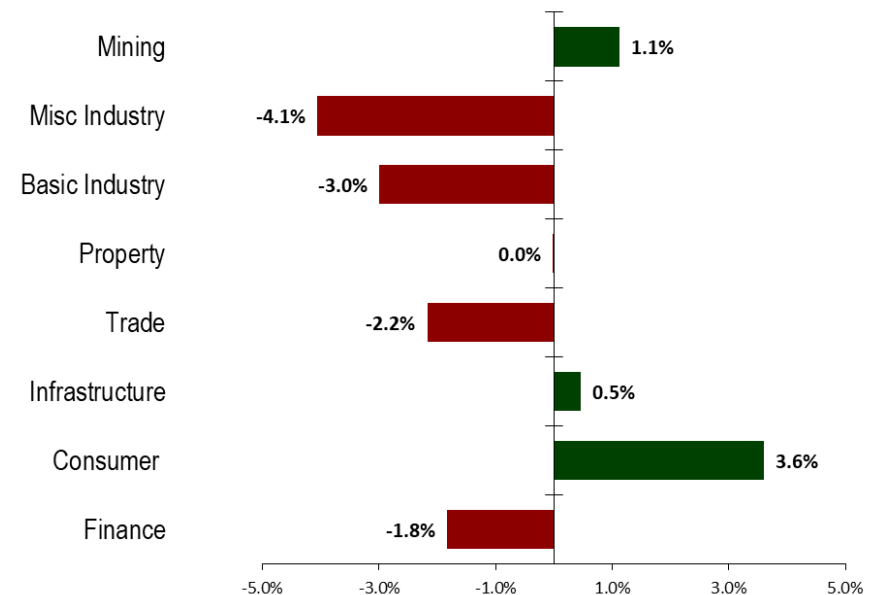
- **INNI Index's Top Gainers**

The consumers-goods sector was INNI's last week top gainer because of posting a 3.6% gain. The Minister of Health ensures that the amendment to Presidential Regulation on Indonesia's Health Coverage Program has been completed. The amendment regulates the hike in premium payments paid by BPJS's beneficiaries. Of note, BPJS Kesehatan has suffered from deficit due to the trouble of collecting premium payments; thus the amendment aims to cut the deficit and proves a positive catalyst for pharmaceutical companies such as KAEF and KLBF supplying generic medicines for patients under the BPJS scheme. But, the ballooning deficits prolong payments given to KAEF and KLBF.

JCI's Last Week Sectoral Movements



INNI's Last Week Sectoral Movements



This Week's Outlook: Retail Sector (1)

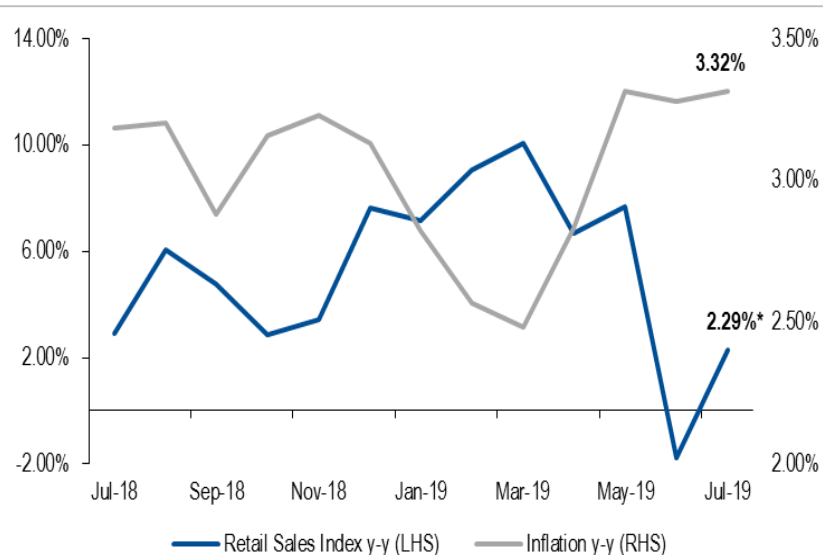
- Downbeat RSI: A Normalized Consumption Pattern**

Official reading on the Real Sales Index (RSI) for June 2019 was at 1.8% y-y, a sharp turn from May's 7.7% y-y. That was a seasonally adjusted retail data after the end of Ramadan and Idulfitri. Nevertheless, July's figure is cautioned to settle at 2.3% y-y or at 221.0 from June's 233.6 as the seasonally semester academic term likely pick July's number up. Adding to June's rebounding consensus is August's inflation projection at 3.44% y-y, nudging up from July's 3.32% y-y. Keeping a cautious look at the government's inflation target, falling short at 3.5%, consumers' appetite for spending remains sound.

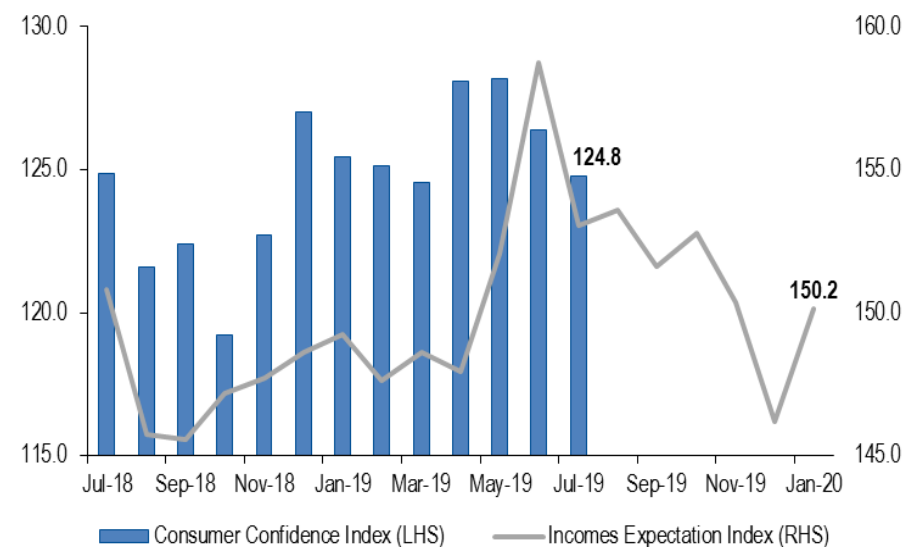
- Light Appetite for Consumption**

The Consumer Confidence Index (CCI) for July 2019 dipped by the slightest level at 124.8 from June's 126.4%. July's number is a lucid signal of stagnant consumption despite its stable figure. July's CCI path ahead likely remains dim as the current state of domestic and global volatility retreat consumption activities. The International Monetary Fund (IMF) downward revisions to the global economic growth at 3.2% in light of the US-China protracted clash, no-deal Brexit, and Indonesia's GDP at 5.05% calls into question retailers' performance. Nevertheless, consumers' expectancy of higher income in 6-month ahead should be a boost for retailers' spirits.

Retail Sales Index and Inflation Growth (y-y)



Consumer Confidence Index and Income Expectation Index



Source: Bank Indonesia, NHKS Research

Source: Bank Indonesia, NHKS Research

This Week's Outlook: Retail Sector (2)

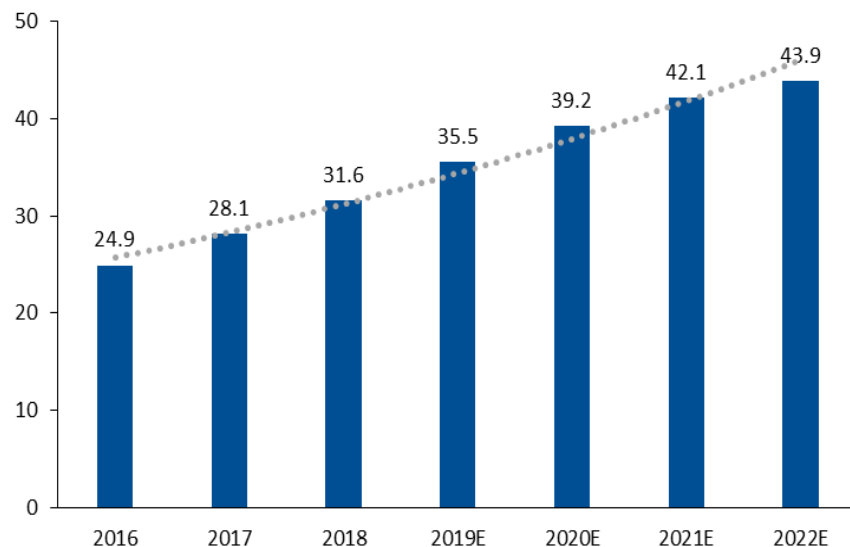
- **Retailers Benefit from Demographic Bonus**

Indonesia, an emerging economy in Asia, witnesses the rise of consumer class as the demographic bonus of young populations is propitious for shifting consumption patterns. Necessities-driven consumption and brick-and-mortar stores were a throwback in the past; desire-driven consumption and virtual spaces are present and will be future ubiquity. Demographic bonuses is definable by the pinnacle of digital native millennials, online shopping, virtual marketplaces, and tech. disruption. The tech. geeks or netizens comprise 95.2 million people in 2019 and are estimated to grow into 107.2 million in 2019. The pinnacle should prove a boon for retailers, eating up e-commerce platforms for “clicking-and-collecting” higher revenues as online shopping wins techies’ shopping preference. Virtual marketplaces are even a gateway to handy-and-profit-making markets.

- **Looser Zoning Regulations**

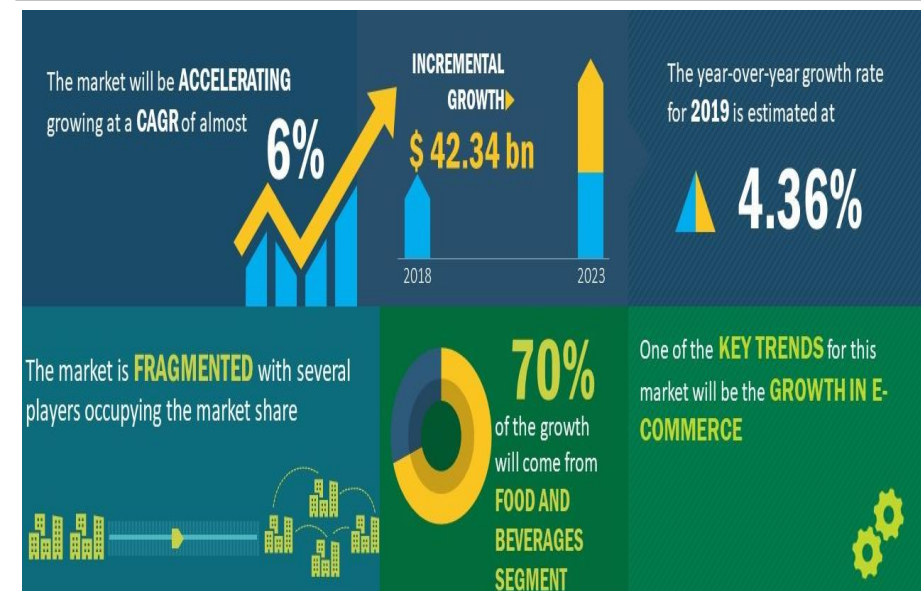
The government is about to complete amendments to Presidential Regulation Number 112 Year of 2007 on Spatial Planning and Revitalization for Traditional Markets, Shopping Centers, and Modern Brick-and-Mortar Stores. The amendments smooth retailers' business expansions, for the former Detailed Spatial Planning (Rencana Detail Tata Ruang, "RDTR"), regulating the development of modern brick-and-mortar stores applied only in 30 regions across Indonesia. That proves a major setback in retailers' expansion; accordingly, the amendments set forth that the expansion of modern brick-and-mortar stores is in compliance with Spatial Planning (Rencana Tata Ruang Wilayah, "RTRW").

Number of Online Shoppers in Indonesia (in mn)



Source: Statista, NHKS Research

Retail Market in Indonesia Forecasted 2019 – 2023



Source: Techavio Market Research Reports

Mitra Adi Perkasa Tbk (MAPI IJ – Retail Trade)

Dec. 2019 Price Target	1,200
Consensus Price	1,117
Last Price (IDR) as of Aug. 16, 2019	1,010
TP vs. Last Price	18,81%

Revenue Breakdown:

Retail – Clothes, Sports Equipment	72%
Department Stores	14%
Café and Restaurants	14%

IDR bn	FY2018	FY2019E	FY2020E	FY2021E
Revenue	18,921	21,459	23,975	26,272
y-y	-4.4%	19.1%	-4.8%	-2.1%
Net Profit	574	874	1,026	1,170
y-y	-4.2%	32.6%	-15.6%	-1.2%
NPM	32.9%	24.5%	23.4%	22.5%
EPS	34x	53x	61x	69x
P/E	22.8x	19.1x	16.4x	14.5x

Three-Year P/E Trailing Band



Source : Company, NHKS Research

- **NHKS** maintains recommendation on MAPI as it is potential for attaining the price target of IDR 1,200 based on a 22.64x P/E trailing band. The recommendation is based on robust purchasing power due to stable inflation; consumers' optimism on rising income; demographic bonuses driving online sales up; looser zoning regulations. MAPI's path ahead remains promising as the four potent drivers and its robust middle-to-upper market share are boosters for MAPI to win the intense competition against its peers, in our view.

2Q19 Sound Performance

The intense retail competition is not a setback in strong earnings, proved by the 2Q19 revenues of IDR10 trillion or a 10% y-y gain from the 2Q18 of IDR9.1 trillion. Margins EBIT also picked up 34% y-y to IDR969 billion from IDR721 billion in 2Q18. SSSG's conservative growth at roughly 3% (vs. the FY19 target of 7%), backed by aggressive space expansion of stores (department stores, specialty stores, and F&B) to 832,003 sqm is a strong footing for robust earnings.

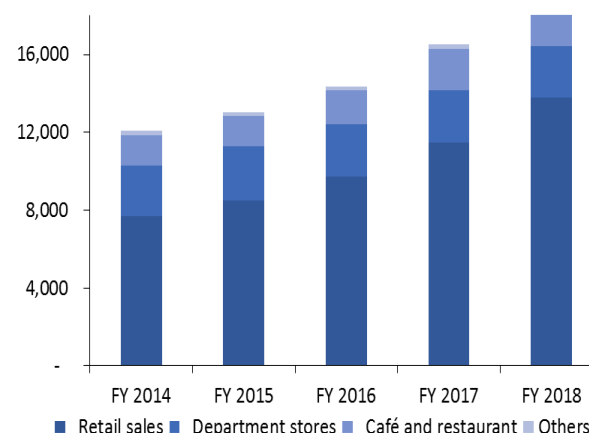
Optimism on Virtual Platforms

Department stores segment made mere declines of 2.1% y-y to IDR1.2 trillion underlined by the shift in shopping patterns and fierce competition leaving retailers' performance dismal, hence retailers, including MAPI, eat up virtual spaces. MAPI through its virtual platforms targets FY19 growth at roughly 2% or ~IDR580 billion. Although its virtual platforms have yet to contribute significantly to overall revenues, their paths ahead remain lucrative on the back of digital tech. defined world.

Active Lifestyles Driving MAPA's Sales Up

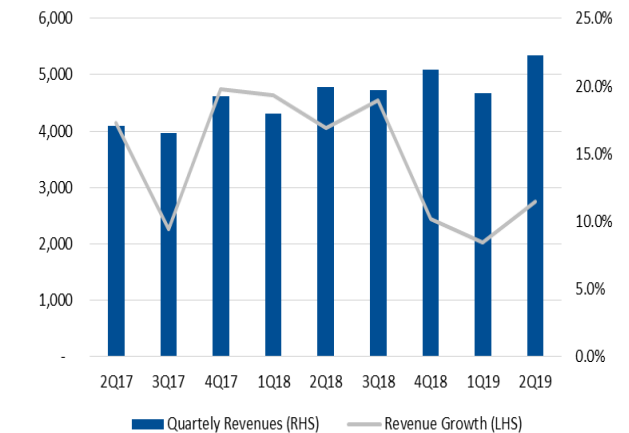
The increasing awareness of integrating physical activities into day-to-day sedentary behavior is a potent driver for MAPA's revenues. In 2Q19, MAPA, one of MAPI subsidiary, cheered its robust revenues of IDR3.4 trillion or a 19.41% y-y increase from IDR2.9 trillion in 2Q18. The IH19 was solid at 9% (vs FY19 target of 8%-10%). Of note, the sports segment with revenues of 75.2% was the top performer to give the largest contribution to SSSG, while leisure and kids segments respectively contributed 13.3% and 11.4% to SSSG.

Revenue Breakdown FY14 – FY18



Source : Company, NHKS Research

Revenues and Their Growth Rates | 2Q17 - 2Q19



Source: Company NHKS Research

INNI Index's Stocks List

	Theme 1/2	Last Price	Last Week Price	2019 Target Price	Rating	Upside Potential (%)	1 Week Change (%)	Market Cap (IDR tn)	Price / EPS (TTM)	Price / BVPS	Return on Equity (%)	Dividend Yield TTM (%)	Sales Growth Yoy (%)	EPS Growth Yoy (%)
Finance														
BBCA	Theme 1	29,800	30,325	32,000	Hold	7.4	-1.7%	734.7	26.9x	4.6x	18.4	1.1	16.8	12.7
BBRI	Theme 1	4,210	4,330	4,950	Buy	17.6	-2.8%	519.3	15.3x	2.7x	19.0	3.1	17.3	8.6
BMRI	Theme 1	7,375	7,450	8,275	Hold	12.2	-1.0%	344.2	13.1x	1.9x	15.0	3.3	9.1	11.1
Consumer														
GGRM	Theme 1	76,500	73,625	110,000	Buy	43.8	3.9%	147.2	17.3x	3.3x	20.0	3.4	16.4	20.5
UNVR	Theme 1	44,975	44,825	59,000	Buy	31.2	0.3%	343.2	37.0x	67.6x	183.9	2.6	1.3	5.2
ICBP	Theme 1	11,625	11,300	11,600	Hold	(0.2)	2.9%	135.6	27.9x	5.9x	22.9	1.7	13.7	12.8
INDF	Theme 1	7,575	7,475	8,700	Hold	14.9	1.3%	66.5	14.0x	1.9x	14.4	3.1	7.2	30.0
KAEF	Theme 2	3,400	3,140	4,100	Buy	20.6	8.3%	18.9	47.3x	8.4x	16.6	0.4	21.8	(44.6)
KLBF	Theme 2	1,510	1,440	1,870	Buy	23.8	4.9%	70.8	28.3x	4.8x	17.9	1.7	7.7	3.5
Infrastructure														
TLKM	Theme 1	4,280	4,260	4,700	Hold	9.8	0.5%	424.0	20.8x	4.5x	22.8	3.8	7.7	27.4
JSMR	Theme 1	5,750	5,725	6,000	Hold	4.3	0.4%	41.7	18.8x	2.4x	13.3	0.8	(25.9)	1.4
Trade														
UNTR	Theme 1	20,500	23,175	39,550	Buy	92.9	-11.5%	76.5	6.8x	1.4x	21.6	5.8	11.2	1.8
SILO	Theme 2	6,275	6,375	4,350	Sell	(30.7)	-1.6%	10.2	221.1x	1.6x	0.7	N/A	#N/A	N/A
MIKA	Theme 2	2,230	2,210	2,300	Hold	3.1	0.9%	32.4	49.0x	7.5x	16.3	0.8	#N/A	N/A
LPPF	Theme 2	3,250	3,270	5,500	Buy	69.2	-0.6%	9.1	10.1x	5.0x	45.2	10.3	0.6	(11.5)
RALS	Theme 2	1,295	1,310	2,070	Buy	59.8	-1.1%	9.2	12.6x	2.1x	17.7	3.9	(0.2)	21.1
MAPI	Theme 2	1,010	1,000	1,200	Buy	18.8	1.0%	16.8	22.6x	2.9x	14.5	1.0	10.2	25.0
Property														
PWON	Theme 1	685	705	725	Hold	5.8	-2.8%	33.0	11.9x	2.4x	22.4	1.0	3.8	20.9
CTRA	Theme 1	1,235	1,225	1,550	Buy	25.5	0.8%	22.9	17.6x	1.6x	9.4	0.8	12.1	74.3
PTPP	Theme 1	1,910	1,885	2,450	Buy	28.3	1.3%	11.8	8.6x	0.9x	12.4	2.5	12.8	(23.4)
WSKT	Theme 1	1,815	1,780	2,500	Buy	37.7	2.0%	24.6	12.5x	1.4x	11.3	4.0	(35.4)	(66.8)
WIKA	Theme 1	2,280	2,310	2,100	Hold	(7.9)	-1.3%	20.5	9.7x	1.3x	14.9	1.7	#N/A	N/A
Basic Ind.														
KRAS	Theme 2	324	334	600	Buy	85.2	-3.0%	6.3	N/A	0.3x	(11.2)	N/A	(17.8)	(775.0)
SMGR	Theme 2	12,900	12,800	14,600	Hold	13.2	0.8%	76.5	29.5x	2.5x	8.7	1.6	#N/A	N/A
INTP	Theme 2	22,075	21,800	22,300	Hold	1.0	1.3%	81.3	56.8x	3.7x	6.5	2.5	7.7	80.2
Misc Ind.														
ASII	Theme 2	6,500	6,775	8,600	Buy	32.3	-4.1%	263.1	12.5x	1.9x	16.2	3.3	3.2	(5.8)
Mining														
ADRO	Theme 1	1,030	1,095	1,750	Buy	69.9	-5.9%	32.9	5.0x	0.6x	12.6	8.8	10.8	59.2
PTBA	Theme 1	2,440	2,540	5,100	Buy	109.0	-3.9%	28.1	5.5x	1.5x	29.2	13.9	(7.2)	(21.7)
INCO	Theme 2	3,550	3,250	3,370	Hold	(5.1)	9.2%	35.3	472.7x	1.3x	0.3	N/A	(22.0)	N/A
ANTM	Theme 2	1,120	1,065	1,200	Hold	7.1	5.2%	26.9	33.6x	1.4x	4.1	1.1	8.5	(30.1)

Source : Bloomberg, NHKS Research

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