

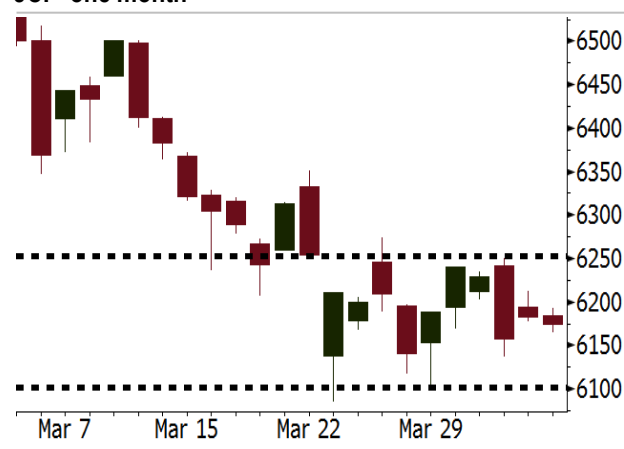
Weekly Brief (April 09 – 13)

Summary:

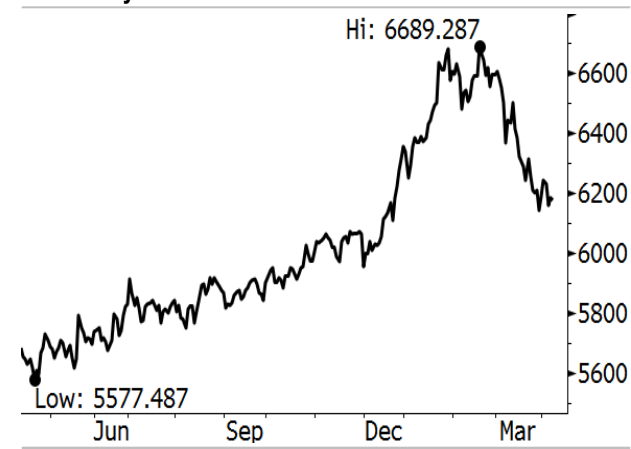
JCI ended slightly lower last week, continuing its sideways trend in past two weeks. The global concern of given trade war between U.S. and China had no significant impact on JCI. From domestic, March's inflation figures came slightly higher; however, the core inflation's figures succeeded to accelerate and stop downtrend persisting as of November 2017.

For this week, we estimate JCI to continue the sideways pattern. Stable rupiah coupled by the lower net foreign sell position likely boosts confidence of ending momentum of significant dive by JCI's drop. Investors should focus on the retail-sales figures. In only three months ahead of Eid-Mubarak season, the retail sales should gain its momentum. For this week, we recommend TLKM due to a healthier industry expectation after SIM Card Registration. Meanwhile, in retail consumption industry, we recommend ACES and ICBP as both companies dominate the industry.

JCI - one month



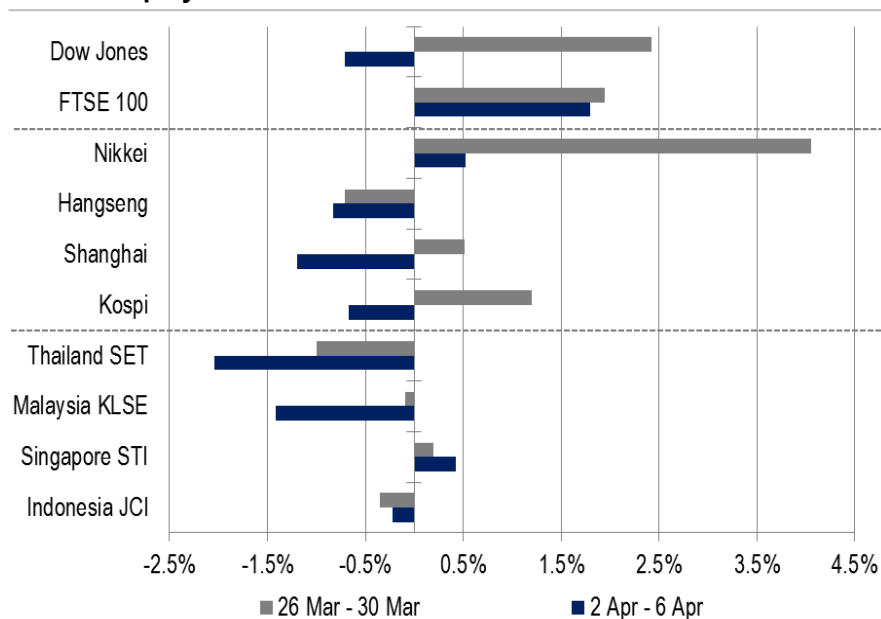
JCI - one year



Last Week's Recap

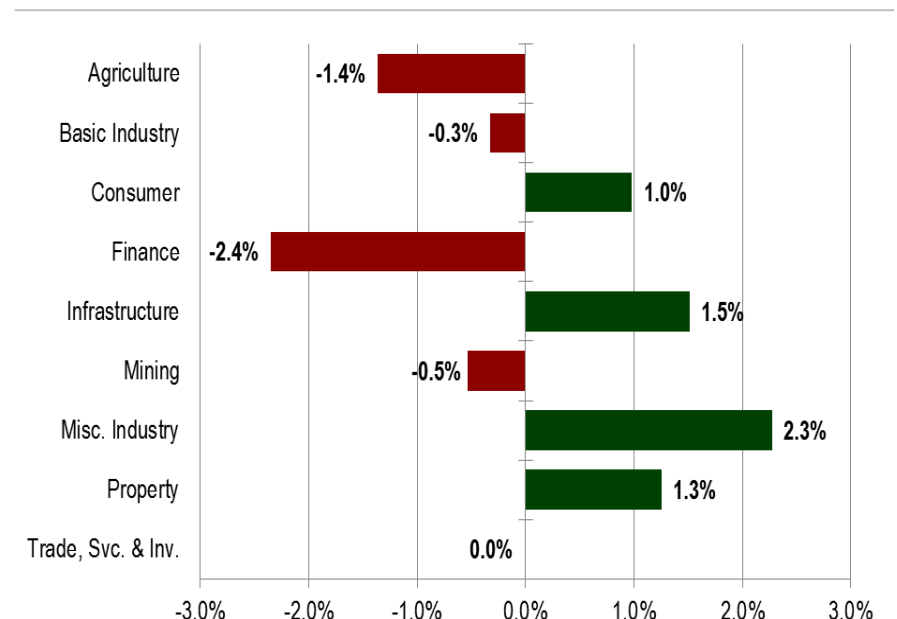
- Jakarta Composite Index (JCI) : 6,175.05 (-0.23%)
 Foreign Investor : Net sell of IDR1.4 trillion (Vs previous week's net sell of IDR2.4 trillion)
 USDIDR : 13,775 (+0.05%)
 Indonesia's yield of 10-year government bond : 6.635% (-4.0 bps)
- Trade War Affecting Manufacturing-Based Markets**
 Trade war between U.S and China continued last week as both countries listed products to be imposed with import tariff. The market's reactions were mixed: the U.S. markets posting slight decline last week, while Asian manufacturing based markets significantly plummeting.
- March Inflation of 3.4%**
 Indonesia posted March's inflation of 3.4% slightly higher than February's inflation of 3.18%. The most interesting figures are the core inflation of 2.67% higher than 2.58%; indeed, the core inflation stopped the downtrend occurring since November 2017.

Global Equity Market



Source: Bloomberg, NH Korindo Research

Sector Index



Source: Bloomberg, NH Korindo Research

This Week's Outlook

- **U.S. March Inflation**

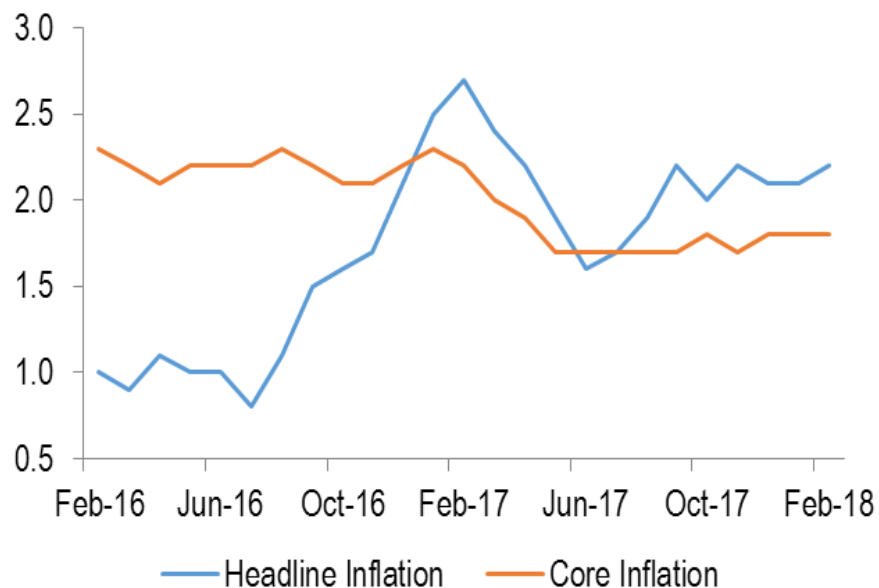
The U.S. March inflation figures published this week is a potential negative sentiment for the emerging markets. Prices paid by U.S. households for goods and services probably accelerated in the year through March, adding to signs of gradually building inflation. Based on consensus, U.S. inflation in March to come at 2.4%, accelerating from 2.2% in February.

- **Indonesia Retail Sales Momentum**

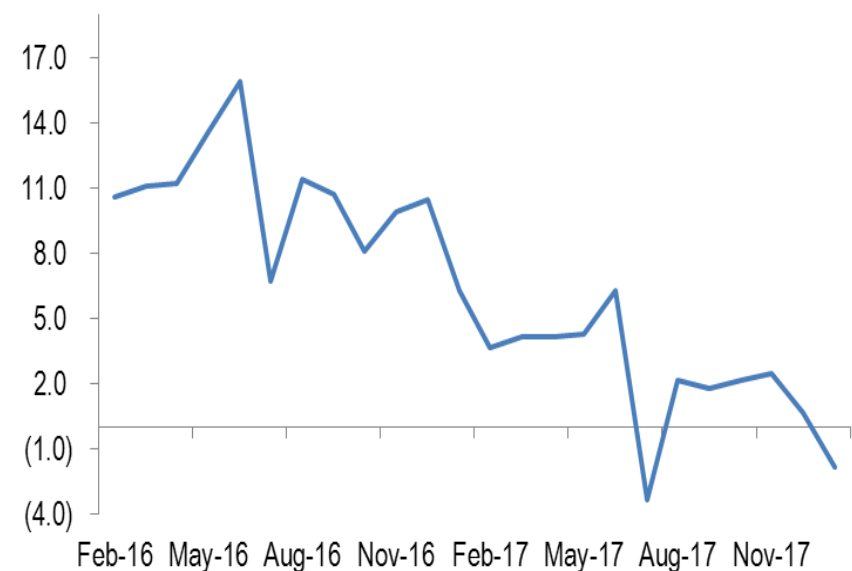
Bank Indonesia (BI) publishes its survey on February's retail sales in this week. The reading is the most-closely watched indicator this week as it is significant for digesting the ahead trend of Indonesia's consumption. In January 2018, retail sales declined by 1.8% as the holiday season ended. In the previous report, BI expected the retail sales to start recover by 1.0% in February. Investor should aware of less-than-3-month Eid Mubarak season accelerating the growth in retail sales.

- We view the global pressure for JCI to lose momentum. Steady rupiah coupled with the lower foreign net sell supported the sideways pattern of JCI in past two weeks. For this week, we still suggest investor to carry on short-term trading strategy, but we also recommend long-term investor to start accumulating prospective big-cap stocks. We estimate **JCI to move sideways within range of 6,102-6,253**.

U.S. Inflation y-y (%)



Indonesia Retail Sales Growth y-y (%)



Telekomunikasi Indonesia (TLKM – Telecommunication Operator)

Dec 2018 TP	4,600
Consensus Price	4,529
TP to Consensus Price	+1.6%
vs. Last Price	+26.0%
Last Price (IDR)	3,650
Price date as of	Apr 06, 2018
52wk range (Hi/Lo)	4,840 / 3,520
Free Float (%)	48.8
Outstanding sh. (mn)	100,800
Market Cap (IDR bn)	367,920
Market Cap (USD mn)	26,709
Avg. Trd Vol – 3M (mn)	102.33
Avg. Trd Val – 3M (bn)	405.73
Foreign Ownership	30.0
Sales Breakdown:	
Data, Internet & IT Services	43.2%
Telephone	34.2%
Others	22.6%

IDR bn	FY2016	FY2017	FY2018E	FY2019E
Revenue	116,333	128,256	137,732	148,627
y-y	13.5%	10.2%	7.4%	7.9%
EBITDA	59,498	64,609	67,893	74,219
Net profit	19,352	22,145	23,447	25,921
EPS (IDR)	192	220	233	257
y-y	24.9%	14.4%	5.9%	10.5%
NPM	16.6%	17.3%	17.0%	17.4%
ROE	19.5%	20.3%	19.6%	19.2%
P/E	20.7x	16.2x	15.3x	13.8x
P/BV	3.8x	3.2x	2.8x	2.5x

• A Glance at TLKM

TLKM is a stated-owned telecommunication provider having quality services and integrated telecommunication network. It is the shareholders of 65% Telkomsel stocks—the market leader for the mobile telecommunication industry in Indonesia. Until the end-2017, it had 196 subscribers.

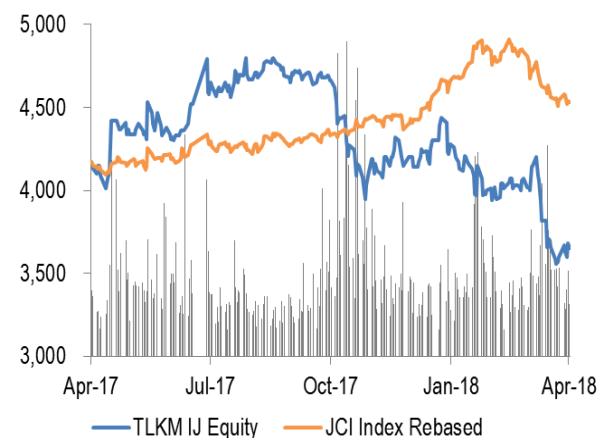
• A Way Healthier Telecommunication Industry Supported by SIM Card Registration

The regulation of SIM card registration likely creates a way healthier telecommunication industry. The positive impact of SIM card regulation occurs in 2H18— according to management. The regulation is projected to slid the churn level and customer acquisition, as well as increase margin. Having excellency in quality network and coverage, TLKM reaps profit stemming from a way healthier telecommunication industry amid the significant hike in traffic data and smartphone penetration in Indonesia.

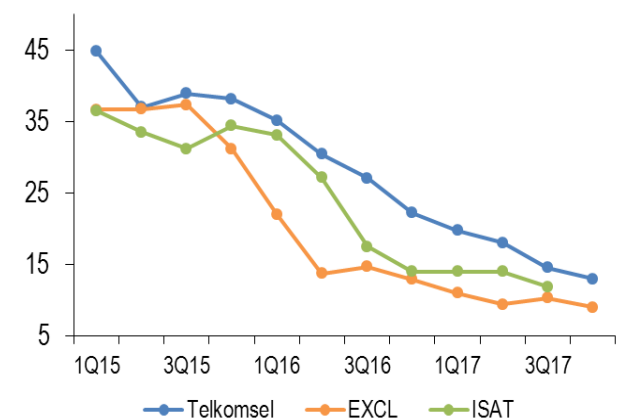
• Fixed Line Contribution

Another to counting on cellular business, TLKM also has fixed line business through Indihome product contributing the revenue of IDR8.2 trillion as it success in posting increment of 1.34 million new subscribers in 2017. It projected that in 2018's Indihome subscribers reach 1.5-1.7 million.

Share Price Performance



Indonesia Telco Operator Data Yield (IDR/MB)



Ace Hardware (ACES – Home Improvement Retailer)

Dec 2018 TP	1,575
Consensus Price	1,460
TP to Consensus Price	+7.9%
vs. Last Price	+20.7%
Last Price (IDR)	1,305
Price date as of	Apr 06, 2018
52wk range (Hi/Lo)	1,430 / 865
Free Float (%)	40.0
Outstanding sh. (mn)	17,150
Market Cap (IDR bn)	22,381
Market Cap (USD mn)	1,625
Avg. Trd Vol – 3M (mn)	8.02
Avg. Trd Val – 3M (bn)	10.55
Foreign Ownership	28.0%
Sales Breakdown:	
Home Improvement	55.7%
Lifestyle	40.3%
Others	4.0%

IDR bn	FY2016	FY2017	FY2018E	FY2019E
Sales	4,936	5,939	6,490	7,097
y-y	4.1%	20.3%	9.3%	9.4%
EBITDA	953	1,044	1,169	1,250
Net profit	711	778	901	973
EPS (IDR)	41	45	53	57
y-y	20.8%	9.4%	15.8%	7.9%
NPM	14.4%	13.1%	13.9%	13.7%
ROE	25.0%	23.7%	23.7%	22.1%
P/E	20.1x	25.5x	25.9x	24.0x
P/BV	4.7x	5.6x	5.7x	5.0x

• A Glance at ACES

ACES is a retailer dominating home-improvement business in Indonesia. Its sold products whose 80% are imported products are categorized into home improvement and lifestyle segments. Targeting the middle to high income individuals, it operates 144 stores across big cities in Indonesia.

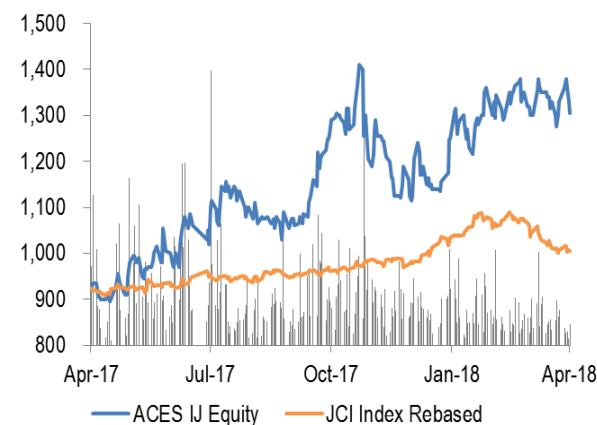
• Impressive Sales Figures

ACES posted the upswing of 20.3% y-y in 2017's net sales coupled by picking up sales in its overall segments. Another to 17-store launch in 2017, the success in merchandising and marketing strategies beefing up sales in new stores and mature stores.

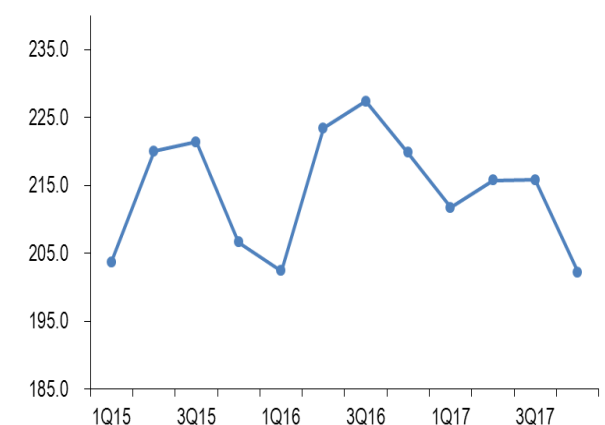
• Effective Strategies Underpinning Accelerated Growth in Sales

Likewise, it also successfully decreased the number of days in inventory from 216 days in 3Q17 into 202 days in 4Q17. We project that ACES is likely capable of posting the growth of 9% in 2018's sales underpinned by the internal refrainment coupled with the success in marketing and merchandising strategies. Furthermore, its net margin likely beeps up from 13.1% in 2017 into 13.9% in 2018; as a result, it is capable of posting the growth of 15.8% in 2018's net profit (vs 2017's net profit of 9.4%)

Share Price Performance



Days in Inventories



Indofood CBP Sukses Makmur (ICBP – Packaged Food & Beverages)

Dec 2018 TP	9,625
Consensus Price	9,308
TP to Consensus Price	+3.4%
vs. Last Price	+17.7%
Last Price (IDR)	8,175
Price date as of	Apr, 06 2018
52wk range (Hi/Lo)	9,275 / 7,975
Free Float (%)	19.5
Outstanding sh. (mn)	11,662
Market Cap (IDR bn)	95,336
Market Cap (USD mn)	6,921
Avg. Trd Vol – 3M (mn)	5.30
Avg. Trd Val – 3M (bn)	46.48
Foreign Ownership	7.2%
Sales Breakdown:	
Noodle	63.7%
Dairy	19.9%
Others	16.4%

IDR bn	FY2016	FY2017	FY2018E	FY2019E
Sales	34,466	35,607	37,049	38,744
y-y	8.6%	3.3%	4.1%	4.6%
EBITDA	5,534	5,804	6,059	6,389
Net profit	3,600	3,797	4,344	4,575
EPS (IDR)	309	326	372	392
y-y	20.0%	5.4%	14.4%	5.3%
NPM	10.4%	10.7%	11.7%	11.8%
ROE	20.6%	19.6%	20.2%	19.1%
P/E	27.8x	27.3x	22.0x	20.9x
P/BV	5.4x	5.1x	4.2x	3.8x

• A Glance at ICBP

Having well diversified business activities ranging from instant noodles, dairy products, snacks, seasonings, nutrition and special food, beverages, ICBP is a leading producer of branded consumers' products. Its operational activities are supported by more than 50 factories located in major cities in Indonesia; therefore, it easily supplies the demand of markets and ensures its quality products.

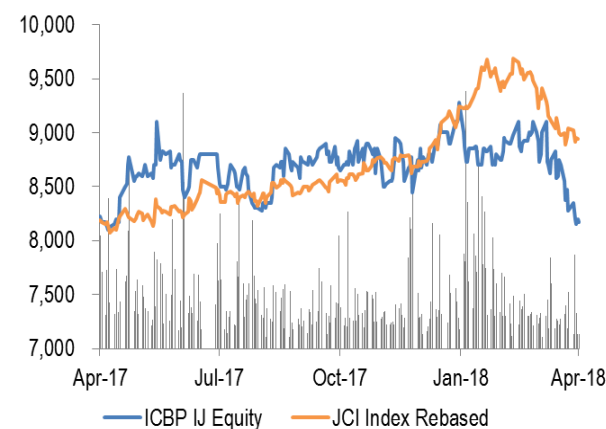
• Growth of 5.4% in 2017's Net Profit Underpinned by Efficiency

It succeeded in posting the growth of 5.4% in net profit from 2016's net profit of IDR3.6 trillion into 2017's net profit of IDR3.79 trillion. The takeaway factor sustained 2017's growth in profit was the sliding portion of raw material purchasing cost to the overall sales from 51.6% to 50.8%; in addition, the ads and promotion cost constituting the biggest portion of operational cost plummeted from IDR1.46 trillion in 2016 into IDR1.31 trillion in 2017.

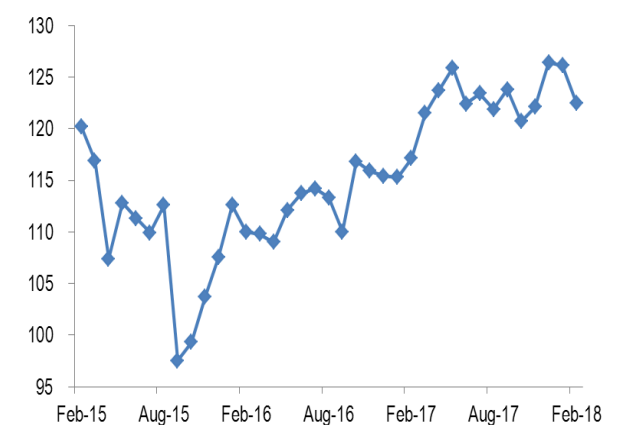
• Indonesian Consumers' Lasting Loyalty

We projected that ICBP likely posts upswing of 4.1% in 2018's sales (vs. 2017's sales of 3.3%) underpinned by the high level of Indonesian consumer confidence index. Indeed, the stable inflation allows it to post the hike of 14.4% in margin and net profit.

Share Price Performance



Indonesia Consumer Confidence Index



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