

Weekly Brief (Apr 15 – Apr 19)

Summary:

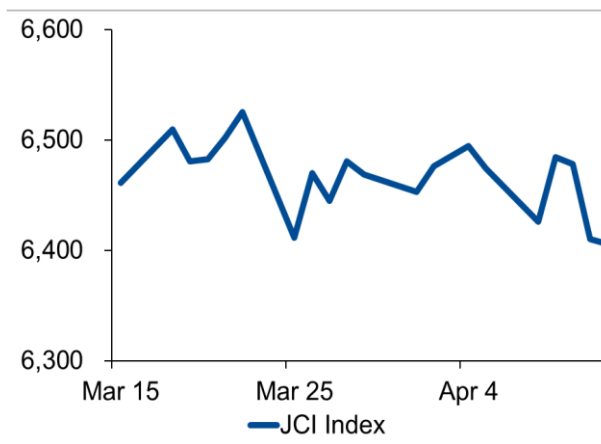
Weekly review: A flood of negative sentiments run into Indonesia's equity markets. In last week's early days, JCI slump at 0.91% y-y as investors performed profit-taking ahead of the national election, spawning the rebalance between high-risk stocks and low-risk assets, i.e. bonds and corporate bonds. The top losers were infrastructure and consumers (-2.1%) and (-1.2%), respectively. In last week' mid-days, the reading of March's reserve assets and hikes in commodities prices were positive catalysts for JCI. On last weekends, IMF's downward revisions to 2019's global economic growth of 3.3% dragged JCI down.

INNI Index was modest at 1.1%, held back by bearish consumer and trade stocks. GGRM, INDF, KAEF, KLBF, UNTR, LPPF, and MAPI dropped by 2.8%, 2.3%, 3.2%, 1.6%, 2.8%, 5.3%, and 3.0%, respectively. The bullish property, construction, and hospital stocks were payback for such bearish stocks. CRTA, PPTA, MIKA, and SILO--stocks listed in INNI Index--strengthened by 1.4%, 2.3%, 3.3%, and 0.3%, respectively.

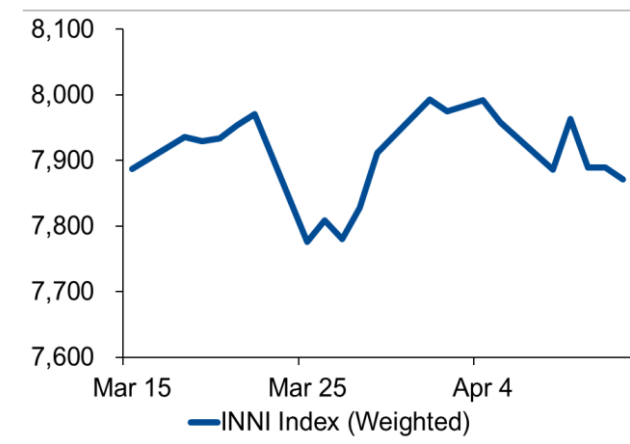
Weekly outlook: Stable GDP growth and benign inflation in recent years are an impetus to improved welfare of low-to-high class individuals. We reckon that Indonesian authorities' concerted efforts to maintain benign inflation by keeping electricity tariffs and subsidized fuel on hold spawn improved the welfare of low-class individuals.

We gauge that improved welfare of the poor is an impetus for upbeat consumers spending, slowing in 2017. 2018's buoyant retail sales—RALS and MAPI (members of INNI Index) were the portrayal of the lustrous backdrop. The growing retail sales were exceptional in light of mushrooming e-trading development in Southeast Asia.

JCI - one month



INNI Index – one month



Last Week's JCI Movement

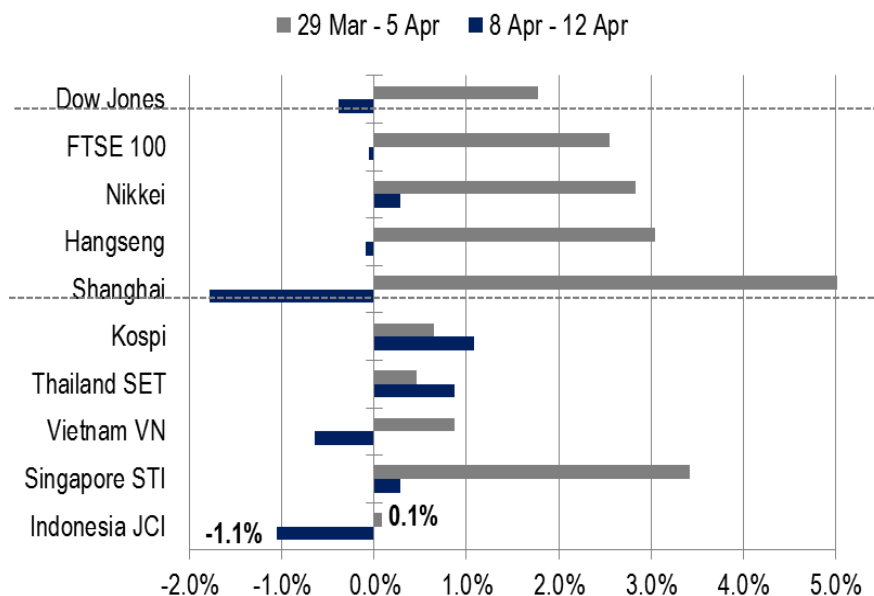
- JCI Index : 6.405,87 (-1,1%)
- Foreign Flow : Net buy of IDR1,2 trillions (vs. net buy last week of IDR1,2 trillions)
- USD/IDR : 14.095 (-0,27%)
- Yields of sovereign bond with 10-years tenor : 7,681% (+10,8 bps)

JCI's Mixed Movement

A flood of negative sentiments run into Indonesia's equity markets. In last week's early days, JCI slump at 0.91% y-y as investors performed profit-taking ahead of the national election, spawning the rebalance between high-risk stocks and low-risk assets, i.e. bonds and corporate bonds. The top losers were infrastructure and consumers (-2.1%) and (-1.2%), respectively. In last week' mid-days, the reading of March's reserve assets of USD125 billion --an all-time high-- over the last 11 months, the hike of 1.9% and 2.1% in coal and crude prices were positive catalysts for JCI. The rally in crude prices persisted amid the turmoil in Libya, one of major OPEC oil producers.

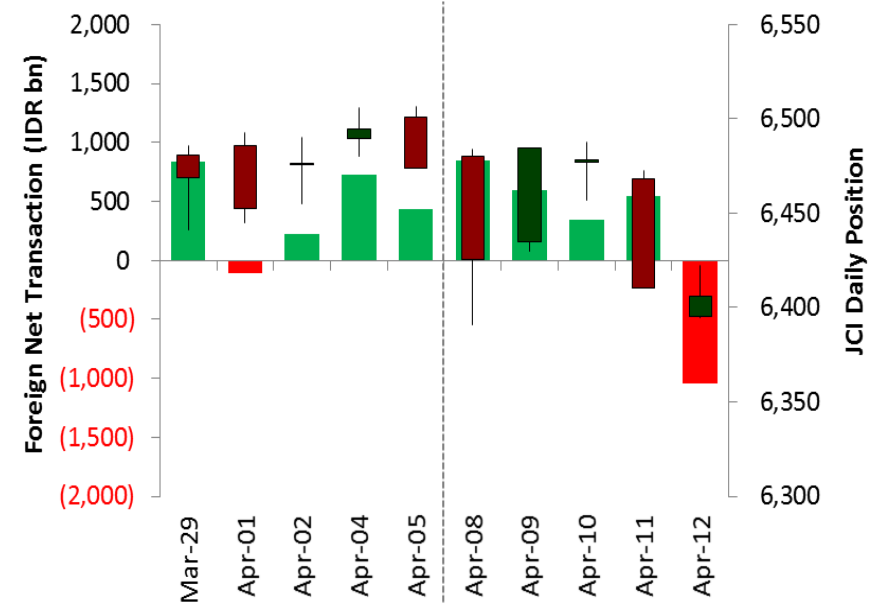
After the mixed sentiments, negative sentiments loomed JCI on last weekend. IMF cautioned 2019's global economic growth of 3.3%: the lowest figure since 2016. The U.S new tariffs of 11 billion on UE's products rattled markets and added to another strain, dragged down JCI at 1.1%.

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	: 7.871,14 (-1,1%)
INNI Theme 1 (Value)	: 7.605,51 (-0,7%)
INNI Theme 2 (Trend)	: 8.323,48 (-1,7%)

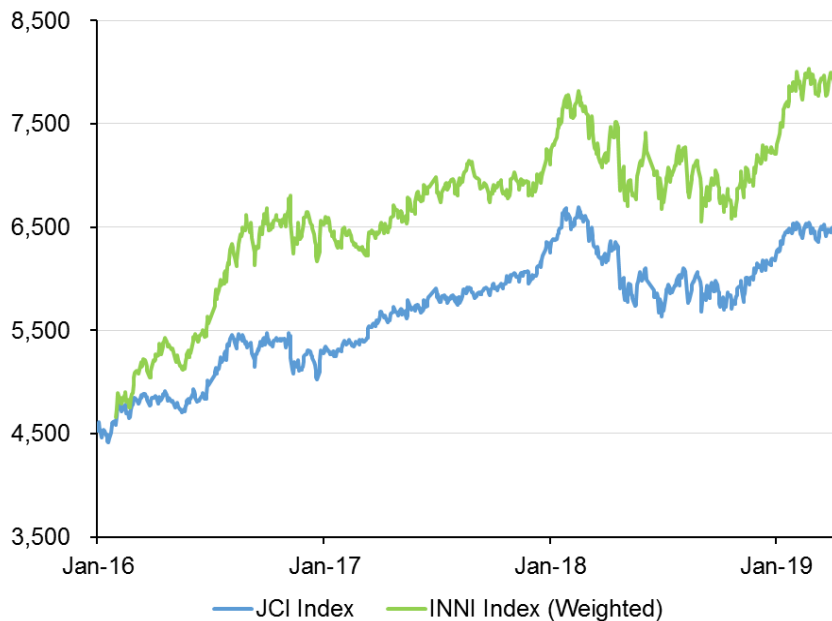
INNI Index's Last Week Modest Pace

INNI Index was modest at 1.1%, held back by bearish consumer and trade stocks. GGRM, INDF, KAEF, KLBF, UNTR, LPPF, and MAPI dropped by 2.8%, 2.3%, 3.2%, 1.6%, 2.8%, 5.3%, and 3.0%, respectively.

Last week, the International Monetary Fund (IMF) revised higher Indonesia's 2019 economic outlook into 5.2% (vs. 5.1% in October 2018). The projection is on the grounds of moderate fiscal policies, governmental reformation, gradual increases in social spending and middle-term capitals, aligning well with fiscal rooms, profitable for retailers, consumer, and trade sector.

We are sanguine about the lustrous prospect for the consumer sector in 2019 despite its modest pace since early of 2019. But, the national election is likely to be bright momentum for the rise of household consumption. Furthermore, the consumer sector is likely to rebound after the national election regardless of the President-elect, we pencil in. The Ramadhan and Eid Mubarak momentum are catalysts for soaring consumer spending. Such positive catalysts spawn profits the consumer sector should enjoy.

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



Source: Bloomberg, NH Korindo Research

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



Source: Bloomberg, NH Korindo Research

Last Week's Sector Movement

Sectors Balancing Declines in Stock Markets

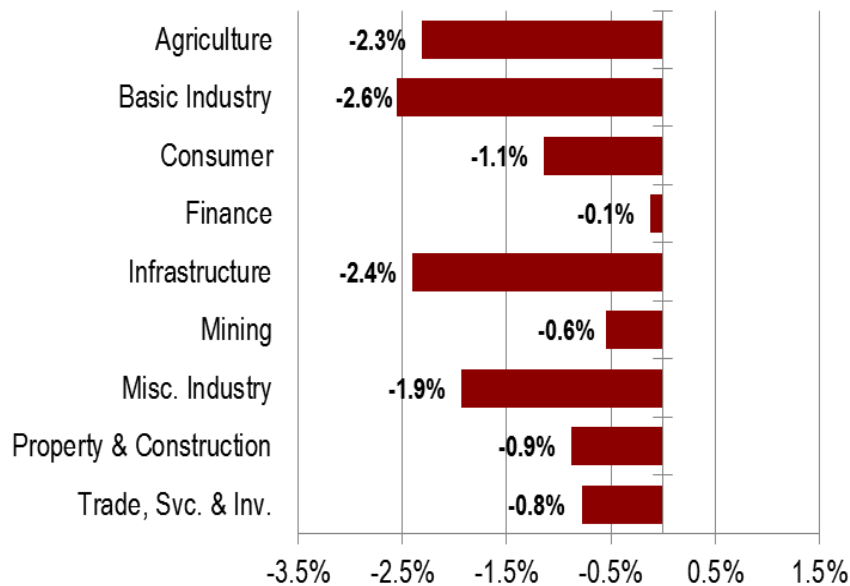
- Property-Construction and Hospital Sectors**

Last week's robust property-construction and hospital stocks were the payback for declines in JCI index. CTRA, PPTA, MIKA, and SILO –stocks listed in INNI Index– strengthened by 1.4%, 2.3%, 3.3%, and 0.3%, respectively.

Foreign inflows into such sectors exaggerated their strength. The Fed's stance of keeping the FFR on hold, appropriate for 2019 sparked foreign investors' optimism and added to a flood of inflows into emerging markets: Indonesia in particular. That should be bullish momentum for property and construction sectors.

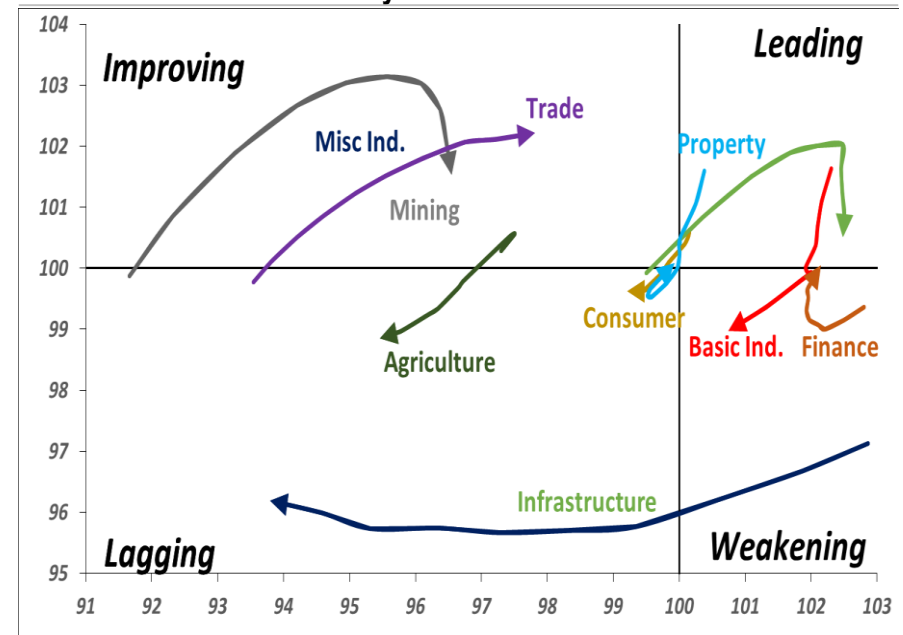
FY18 outstanding earnings, well above consensus sends hospital stocks on a bullish state. The respective surge in inpatient revenues, outpatient revenues, and Emergency Room visit were operational factors, fundamental to FY18 outstanding earnings. Indeed, investors' optimism about the improvement in health qualities through programs, pleaded by two president candidates adds to the evidence of bullish hospital stocks.

Last Week JCI Sector Movement



Source: Bloomberg, NH Korindo Research

Sector Rotation – Last 10 Days



Source: Bloomberg, NH Korindo Research

This Week's Outlook

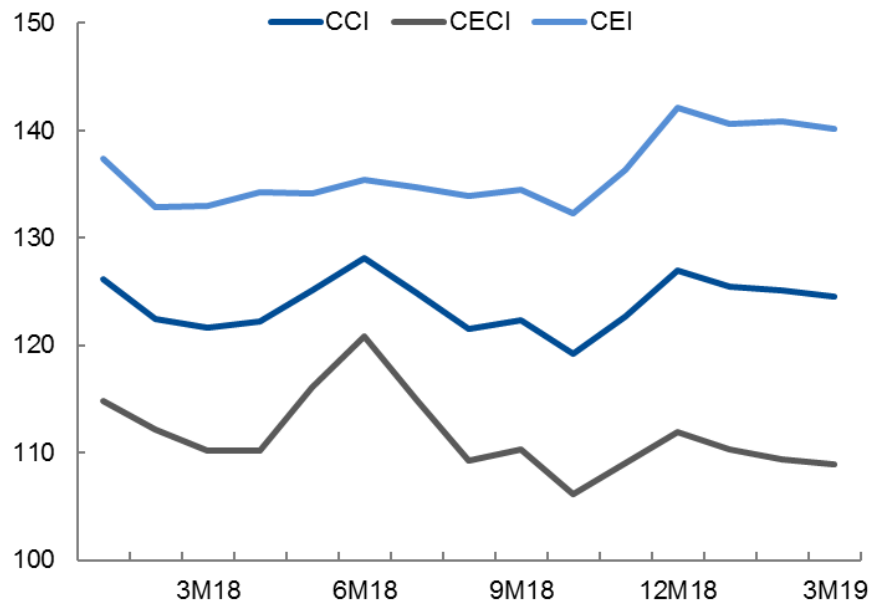
- **Slight Drop in Consumer Confidence Index**

After peaking in December 2018, the Consumer Confidence Index (CCI) gradually fell from its peak and stood at 124.5 in March 2019. Like CCI, the Current Economic Condition Index (CECI) and the Consumer Expectation Index (CEI) slipped to 108.9 and 140.2, respectively. As consumers panic fading economic momentum, along with the national election on April 17th, 2019, declines in CCI, CECI, and CEI are not a surprise. The worsening outlook and forthcoming backdrop spark warnings to consumers and install hardwired perception of less consumption and more savings. Despite the prevalent attitudes, the reading of 1Q19 average IKK came into surprises as its figure was higher than that in 1Q18 (125.0 vs. 123.4).

- **Undermined by Dim CEI**

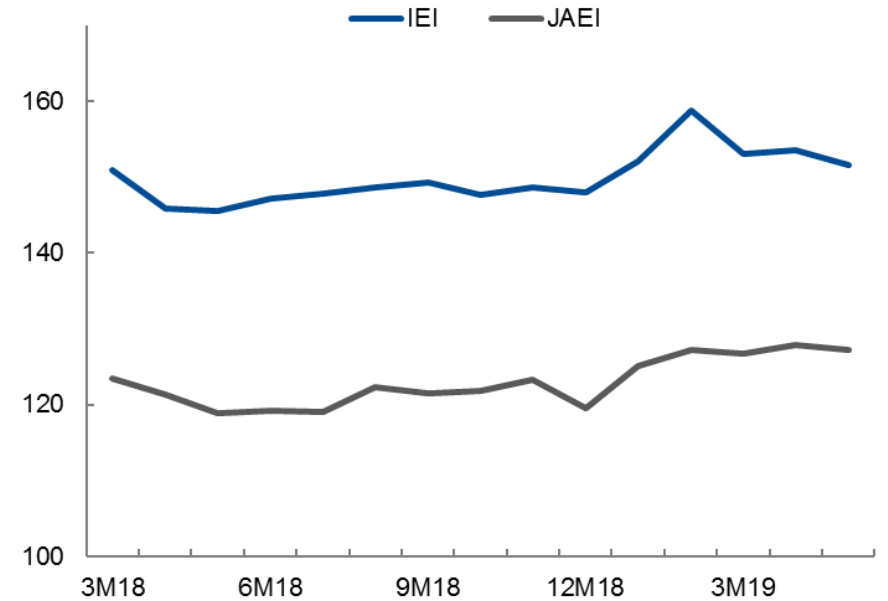
The bleak CEI over 6 months ahead is an ominous portent for March's CEI. Consumers' flat income level is likely to weaken the Incomes Expectation Index (IEI) at 7.1 points, crumbling from December. Yet, we reckon that the modest IEI is likely to last in a short-run as it will rebound after the outcome of the national election. Foreign investors confidence with the orderly run election spawned the consistent flood of inflows. On the flip side, the national election proves a boon for retailers, targeting middle-to-low-income individuals.

Consumer confidence index development



Source: Bloomberg, NH Korindo Research

Consumer expectation index (for the next 6 months)



Source: Bloomberg, NH Korindo Research

Top-Pick Stocks, Based on This Week's Outlook

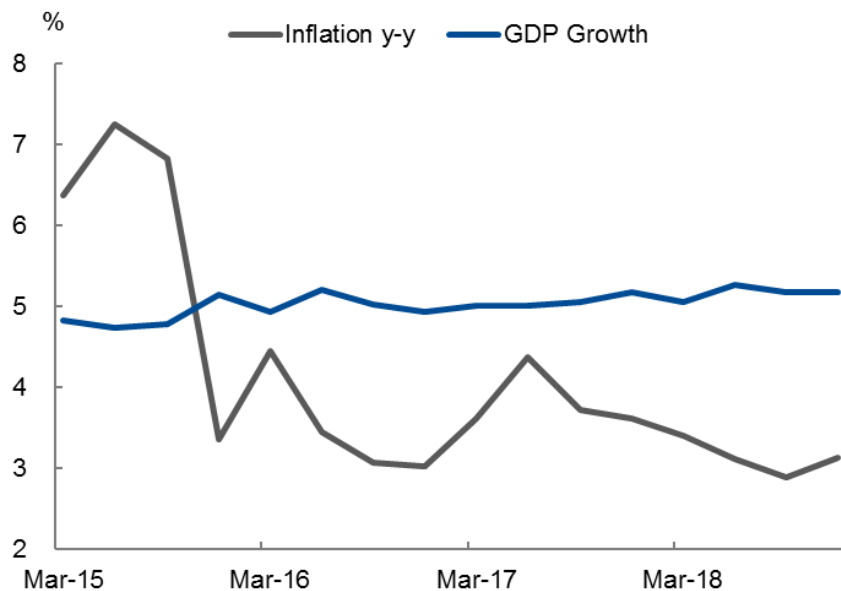
- **Improved Welfare of Low-Class Individuals**

Stable GDP growth and benign inflation in recent years are an impetus to improved welfare of low-to-high class individuals. We reckon that Indonesian authorities' concerted efforts to maintain benign inflation by keeping electricity tariffs and subsidized fuel on hold spawn improved the welfare of low-class individuals. Since the end of 2014, Gini coefficient—measuring economic inequality—consistently edge down. As the coefficient lowers, poverty decelerates to well below 10%. Keeping benign inflation in check and enacting such policies in favor of the poor as the hike of 5% in salaries, given to civil servants, Indonesian Military's personnel, and National Police; the Family Hope Program (PKH); the increasing recipients of Non-Cash Aid programs are determined efforts Indonesian authorities are committed to.

- **Driving Retail Up**

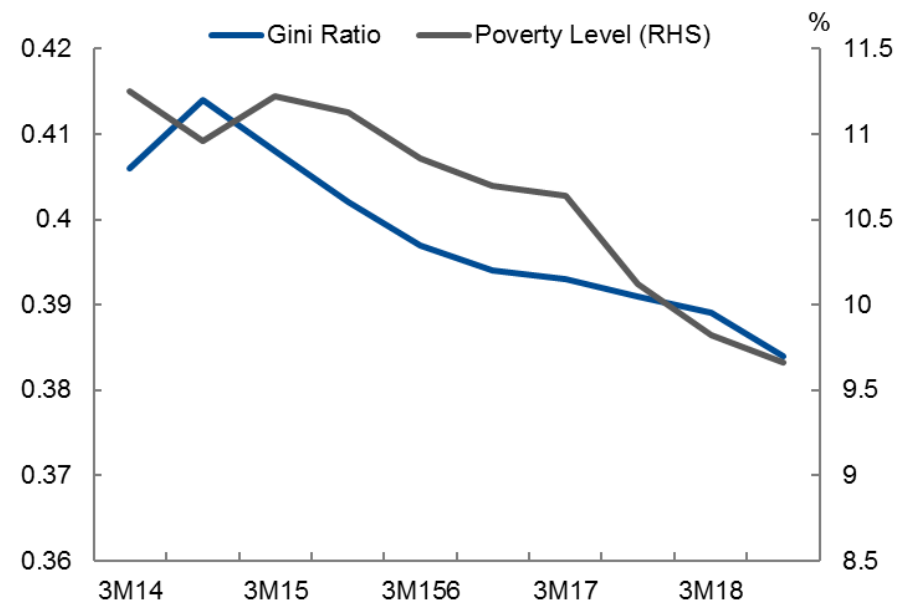
We gauge that improved welfare of the poor is an impetus for upbeat consumers spending, slowing in 2017. 2018's buoyant retail sales—RALS and MAPI (members of INNI Index) were the portrayal of the lustrous backdrop. The growing retail sales were exceptional in light of mushrooming e-trading development in Southeast Asia. Indonesian authorities' determined efforts to decelerate poverty and prevailing social aid programs keep conducive momentum for increasing top line in check until 2Q19 ahead of Eid Mubarak at the early of June.

Stable GDP growth and low-inflation era



Source: Bloomberg, NH Korindo Research

The improvement of low income welfare



Source: Bloomberg, NH Korindo Research

Ramayana Lestari Sentosa (RALS IJ – Retail)

Dec 2019 Target Price	2,070
Consensus Price	1,817
Last Price (IDR) as of Apr 10, 2019	1,800
TP vs. Last Price	+15.0%
Sales Breakdown:	
Direct Purchase	57.4%
Consignment Sales	42.6%

IDR bn	FY2017	FY2018	FY2019E	FY2020E
Gross Sales	8,146	8,539	8,998	9,419
y-y	-1.1%	4.8%	5.4%	4.7%
Net profit	407	587	693	772
y-y	-0.5%	44.4%	18.1%	11.4%
NPM	5.0%	6.9%	7.7%	8.2%
EPS	60	87	103	115
P/E	13.8x	16.3x	17.5x	15.7x

- **NHKS** recommend RALS as this week's top-pick stock, likely to hit well the target price at IDR2,070 with the P/E trailing band of 23.0x due to the improved public welfare, the poor in particular.

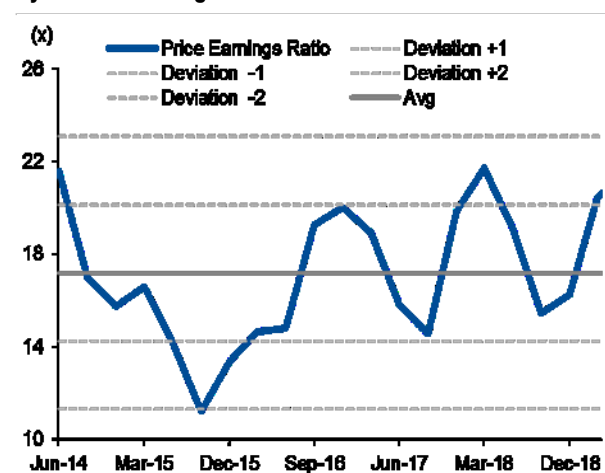
- **FY18 Performance Well Above Consensus**

Another to Gini coefficient and the decelerated poverty, RALS's 2018 performance was also a portrayal of improved welfare of the poor. RALS's growing revenues of 4.8% y-y in 2018 was payback for stunting revenues of 1.1% in 2017. The upbeat consumer spending ahead of 2018 Eid Mubarak lasted for the end of 2019 and was an impetus for 2H18 growing revenues of 6.2% y-y. It also posted 2018 net profits of IDR587 billion (+44.4% y-y): the historically-all time high.

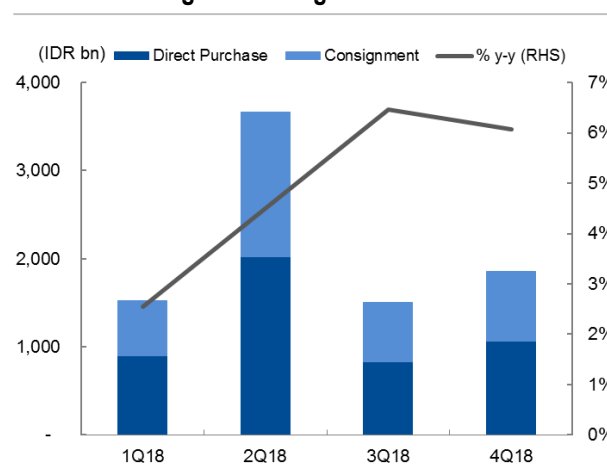
- **Preserving Momentum**

The rising of consumer spending will persist until Eid Mubarak, falling in 2Q19, we pencil in. Its business expansion since the early of 2018 is capable of keeping its growth in check. Of note, in recent months, it actively expands its market penetration through cooperation with DNA, a digital-wallet application, transforming its department stores into Ramayana Prime concept, aggressive promotion strategies, reflecting in the hike of 14.8% y-y in promotion costs.

5 years P/E trailing band

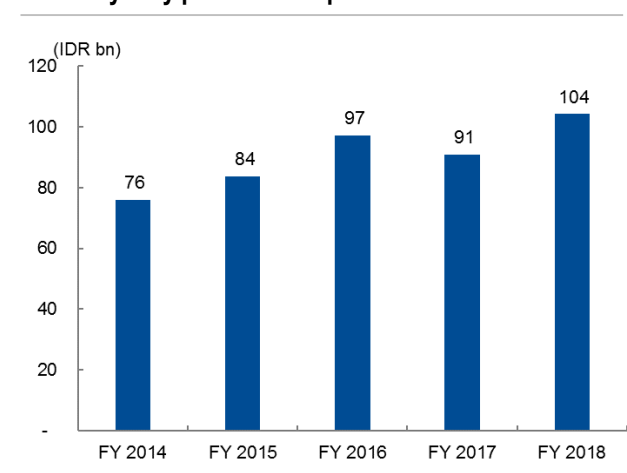


Robust 2H18 gross sales growth



Source : Company, NHKS Research

RALS yearly promotion expense



Source: Company, NHKS Research

INNI Stock 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	27,550	27,525	32,000	Buy	16.2	0.1%	679.2	26.3x	4.5x	18.3	0.9	8.7	11.0
BBRI	Theme 1	4,310	4,260	4,650	Hold	7.9	1.2%	531.6	16.3x	2.9x	18.5	2.5	10.4	11.7
BMRI	Theme 1	7,325	7,550	8,000	Hold	9.2	-3.0%	341.8	13.7x	1.9x	14.4	2.7	7.4	21.2
Consumer														
GGRM	Theme 1	77,525	79,725	110,000	Buy	41.9	-2.8%	149.2	19.1x	3.3x	17.8	3.4	14.9	0.5
UNVR	Theme 1	49,450	49,000	59,000	Buy	19.3	0.9%	377.3	41.4x	49.8x	142.9	1.9	1.5	30.1
ICBP	Theme 1	9,050	9,025	11,800	Buy	30.4	0.3%	105.5	23.1x	4.9x	22.2	2.4	7.9	20.2
INDF	Theme 1	6,325	6,475	8,700	Buy	37.5	-2.3%	55.5	13.3x	1.7x	12.8	4.8	4.6	0.2
KAEF	Theme 2	3,580	3,700	4,100	Hold	14.5	-3.2%	19.9	47.8x	6.2x	14.6	0.5	21.7	27.3
KLBF	Theme 2	1,495	1,520	1,870	Buy	25.1	-1.6%	70.1	28.5x	4.8x	17.6	1.7	4.4	2.2
Infrastructure														
TLKM	Theme 1	3,830	4,050	4,350	Hold	13.6	-5.4%	379.4	20.6x	4.2x	20.4	4.4	2.3	(20.6)
JSMR	Theme 1	6,000	6,050	6,000	Hold	-	-0.8%	43.5	19.8x	2.6x	13.8	1.0	5.4	0.1
Trade														
UNTR	Theme 1	25,625	26,350	35,000	Buy	36.6	-2.8%	95.6	8.6x	1.8x	22.4	3.8	31.1	50.3
SILO	Theme 2	3,960	3,950	4,350	Hold	9.8	0.3%	6.4	398.0x	1.0x	0.3	N/A	2.0	(85.4)
MIKA	Theme 2	2,040	1,975	2,300	Hold	12.7	3.3%	29.7	48.5x	7.2x	15.8	N/A	8.7	(10.6)
LPPF	Theme 2	3,730	3,940	5,500	Buy	47.5	-5.3%	10.9	9.9x	5.9x	53.0	12.3	2.2	(42.4)
RALS	Theme 2	1,800	1,760	2,050	Hold	13.9	2.3%	12.8	20.6x	3.2x	16.0	2.2	2.1	44.4
MAPI	Theme 2	960	990	1,300	Buy	35.4	-3.0%	15.9	23.7x	2.9x	15.5	0.4	16.0	117.8
Property														
PWON	Theme 1	730	730	725	Hold	(0.7)	0.0%	35.2	13.8x	2.8x	22.2	0.8	23.2	35.8
CTRA	Theme 1	1,115	1,100	1,080	Hold	(3.1)	1.4%	20.7	17.4x	1.4x	8.5	0.9	19.1	32.8
PTPP	Theme 1	2,250	2,200	2,450	Hold	8.9	2.3%	13.9	9.3x	1.1x	12.4	2.1	16.8	3.4
WSKT	Theme 1	2,000	2,000	2,500	Buy	25.0	0.0%	27.1	6.8x	1.5x	24.8	2.9	7.9	2.7
WIKA	Theme 1	2,130	2,210	2,100	Hold	(1.4)	-3.6%	19.1	11.0x	1.3x	12.6	1.3	19.0	43.9
Basic Ind.														
KRAS	Theme 2	436	440	600	Buy	37.6	-0.9%	8.4	N/A	0.3x	(4.1)	N/A	20.0	7.1
Misc Ind.														
ASII	Theme 2	7,475	7,600	9,100	Buy	21.7	-1.6%	302.6	14.0x	2.2x	16.6	2.5	16.1	14.8
Mining														
ADRO	Theme 1	1,300	1,260	1,750	Buy	34.6	3.2%	41.6	7.1x	0.8x	11.7	7.7	11.1	(13.6)
PTBA	Theme 1	4,030	4,000	5,100	Buy	26.6	0.8%	46.4	8.4x	2.7x	33.9	7.9	8.7	12.2
INCO	Theme 2	3,350	3,450	4,400	Buy	31.3	-2.9%	33.3	37.1x	1.3x	3.3	N/A	23.4	N/A
ANTM	Theme 2	880	905	1,200	Buy	36.4	-2.8%	21.1	24.2x	1.1x	4.6	0.2	99.5	540.7
Agriculture														
AALI	Theme 1	12,300	12,400	16,000	Buy	30.1	-0.8%	23.7	16.5x	1.2x	7.7	3.5	10.3	(26.9)
LSIP	Theme 1	1,110	1,230	1,500	Buy	35.1	-9.8%	7.6	22.8x	0.9x	4.0	4.1	(15.2)	(54.6)

Source : Bloomberg, NHKS Research

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