

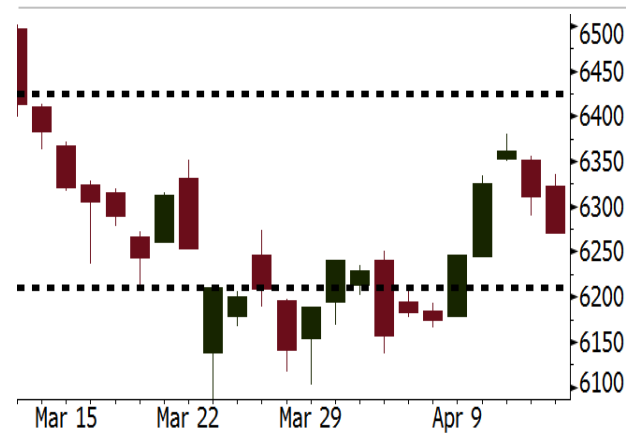
## Weekly Brief (April 16 – 20)

### Summary:

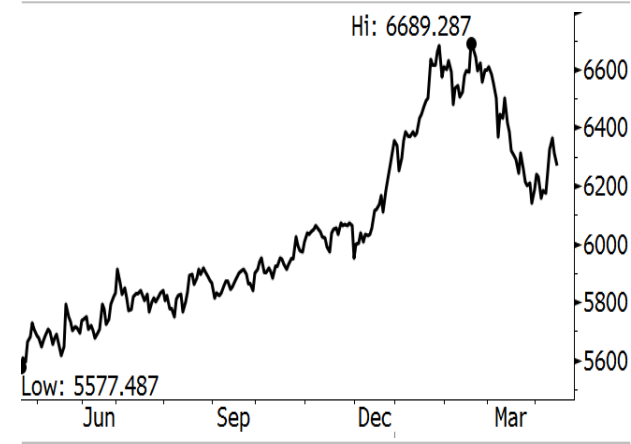
JCI succeeded in posting last week's significant rally. The eased global markets backdrop after President Xi Jinping's speech recovered investors' confidence. On the other side, a positive sentiment also derived from domestic markets—rebound in retail sales and Moody's upgrade to Indonesia's government bond rating.

In this week, we estimate JCI to rally. A more conducive global markets backdrop amid the expectancy of China's stable GDP growth gave chance for investors to focus on the recovery in domestic consumption. We recommend stated-owned construction company, namely PTPP bolstered by the acceleration in 1Q18 new contracts growth. Investors should also eye GGRM's stocks underpinned by robust pricing power amid the stable inflation. Additionally, telecommunication operator, EXCL, is also this week's top pick amid the expectancy of better industrial backdrop underlined by SIM registration.

JCI - one month



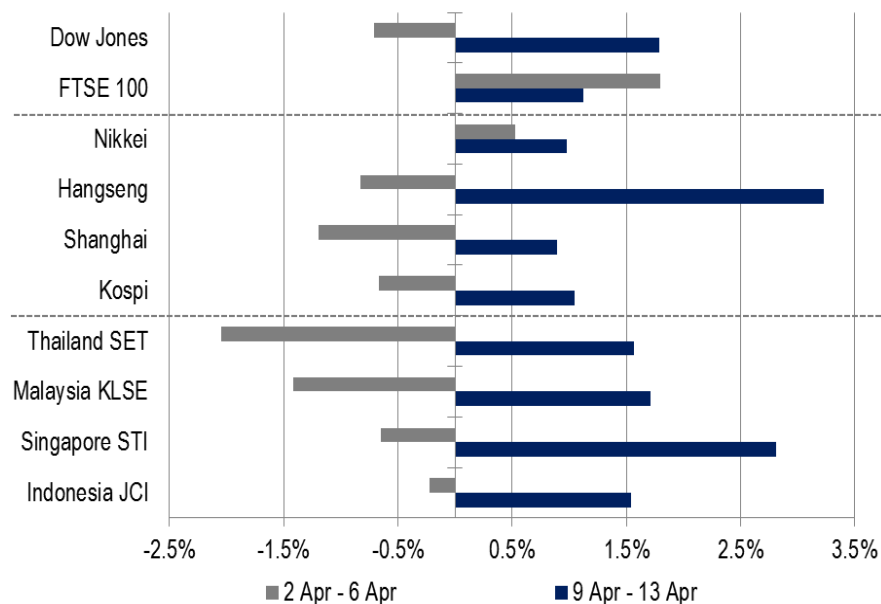
JCI - one year



## Last Week's Recap

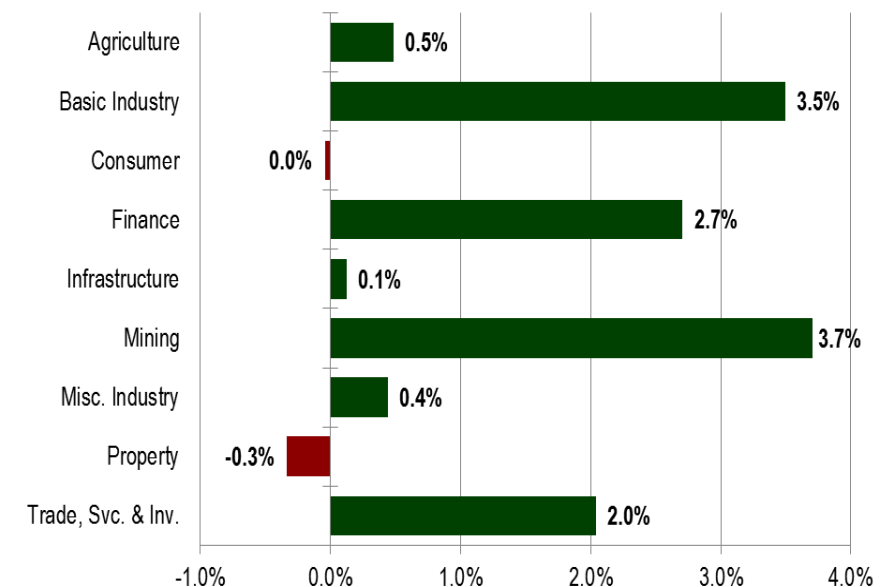
- Jakarta Composite Index (JCI) : 6,270.33 (+1.54%)  
 Foreign Investor : net sell of IDR1.6 trillion (Vs previous week's net sell of IDR1.4 trillion)  
 USDIDR : 13,755 (-0.09%)  
 10-year Government Bond Yield : 6.568% (-2.7 bps)
- President Xi Jinping Speech Eased Trade War's Tension**  
 The trade war tension between the U.S. and China eased. President Xi Jinping stated that China will implement a more-open market system.
- Recovery in Retail Sales**  
 Last week, Bank Indonesia (BI) released survey of 2018 February retail sales showing the growth of 1.5% y-y after January's contraction of 1.8% y-y. BI also estimated that March's retail sales to edge up by 1.7% underlined by the consumers' preparation ahead of Eid Mubarak season
- Indonesia's Upgraded Rating by Moody's**  
 On Friday, 04/13/2018, Moody's hiked Indonesia's government rating from Baa3 into Baa2. The upgraded rating eased markets' jitters of Indonesia's unstable fiscal and macroeconomic after the Indonesian government hold the subsidized fuel tariff steady.

### Global Equity Market



Source: Bloomberg, NH Korindo Research

### Sector Index



Source: Bloomberg, NH Korindo Research

## This Week's Outlook

- **Growth in 1Q18 China's Economy**

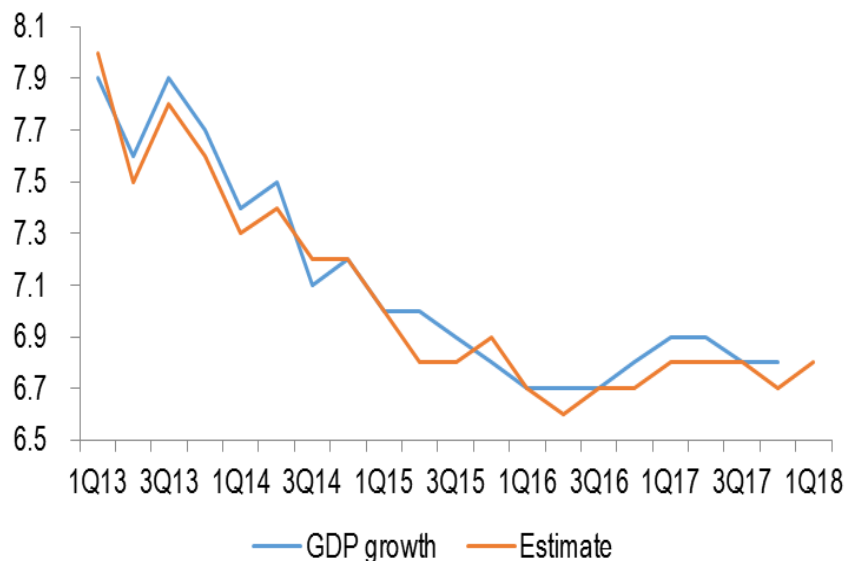
The main focus of this's week global market movement is the data release of 1Q18 China's GDP growth. China posted the growth of 6.8% in 4Q17 GDP topping estimate growth of 6.7%. It is estimated that China is capable of maintaining 1Q18 GDP growth of 6.8%. The consistent growth in China's GDP is capable of giving global market assurance that China's monetary tightening gave no significant impact on economic growth.

- **Indonesia Trade Balance of March 2018**

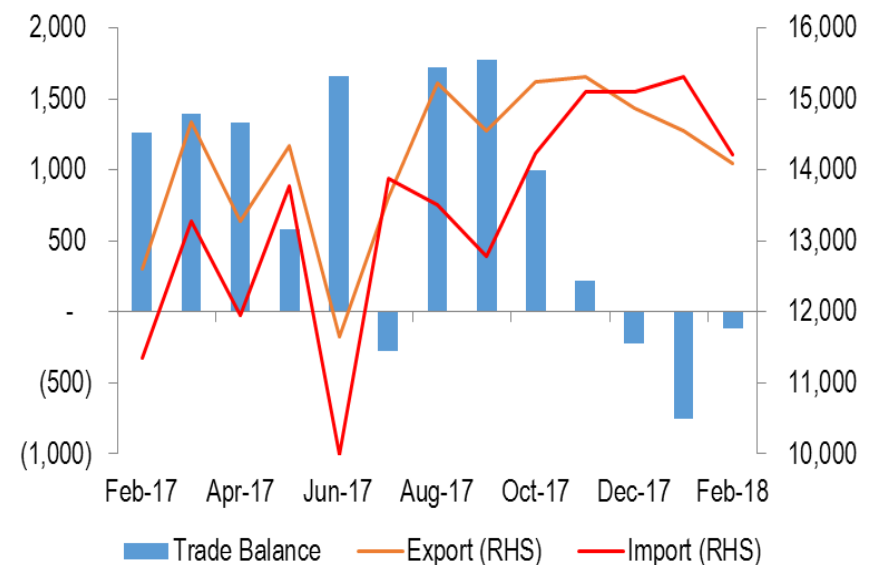
In this week, the Central Statistics Agency (BPS) releases Indonesia's trade balance of March. As of December 2017 to February 2018, Indonesia consistently posted deficit attributable to the trend of soaring import. The trade deficit of February narrowed from USD756 million into USD116 underlined by the declining import. We estimate that import of March re-hiked caused widened trade deficit. The consistently high import as of November 2017 showed that 2018 domestic economic activities are improving compared to 2017 domestic economic activities.

- We estimate during this week JCI to rally further, continuing its last week rally. The less global negative sentiments give investors chance to eye varied positive sentiments in domestic market, particularly relating to the recovery in domestic consumption. **We estimate JCI to rally within the range of 6,210-6,425.**

**China GDP Growth (%)**



**Indonesia Trade Balance (USD mn)**



## Pembangunan Perumahan (PTPP – Construction)

<b>Dec 2018 TP</b>	<b>3,850</b>
Consensus Price	3,910
TP to Consensus Price	-1.5%
vs. Last Price	+37.5%
<b>Last Price (IDR)</b>	<b>2,800</b>
Price date as of	Apr 13, 2018
52wk range (Hi/Lo)	3,470 / 2,250
Free Float (%)	48.9
Outstanding sh. (mn)	6,200
Market Cap (IDR bn)	17,360
Market Cap (USD mn)	1,261
Avg. Trd Vol – 3M (mn)	14.80
Avg. Trd Val – 3M (bn)	44.44
Foreign Ownership	26.37
<b>Revenue Breakdown:</b>	
Construction	81.0%
Property & Realty	11.8%
Others	7.2%

IDR bn	FY2016	FY2017	FY2018E	FY2019E
Revenue	16,459	21,502	25,526	30,785
y-y	15.8%	30.6%	18.7%	20.6%
EBITDA	1,983	2,587	3,701	4,289
Net profit	1,020	1,453	1,762	2,264
EPS (IDR)	165	234	284	365
y-y	37.8%	42.5%	21.2%	28.5%
NPM	6.2%	6.8%	6.9%	7.4%
ROE	12.8%	11.6%	11.7%	13.5%
P/E	23.2x	11.3x	9.7x	7.6x
P/BV	2.2x	1.1x	1.1x	1.0x

### • A Glance at PTPP

PTPP is one of state-owned enterprises (BUMN) whose expertise is in a construction service sector. Based on contracts value it receives, PTPP is the second-biggest state-owned constructor after WSKT. Virtually 55.5% contracts it handles are projects owned by BUMN, the remaining 37.5% are private projects, and 7.0% is the Indonesian's government projects.

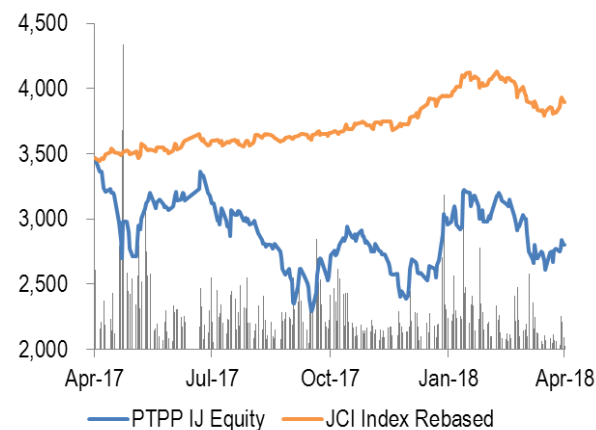
### • Secured Growth of New Contracts

PTPP enjoyed 2017 new contracts accomplishment worth IDR40.9 trillion (+25.5%) higher than the growth of 20.4% in 2016 new contracts accomplishment. It sets the target of 2018 new contracts worth IDR49 trillion (+19.8%). We oversee that its determined growth of around 20% is realistic in light of its success in securing 1Q18 new contracts worth IDR9.5 trillion surging 42.4% y-y.

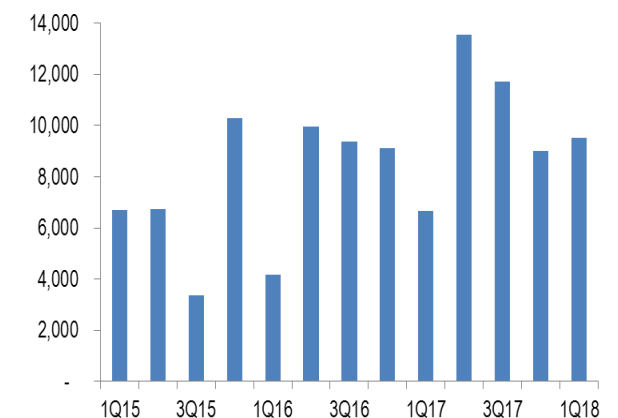
### • Setting A Way More Effective Strategy

PTPP sets strategies to receive no turnkey projects and eye only at contracts worth higher than IDR300 billion. We analyze that the strategies are effectively solves the cash flow issue: common project headwind looming state-owned constructors. In fact, these strategies are key takeaways for taking hold higher rhythm of margin growth.

Share Price Performance



New Contracts (IDR bn)



## Gudang Garam (GGRM – Cigarette)

<b>Dec 2018 TP</b>	<b>88,650</b>
Consensus Price	87,114
TP to Consensus Price	+1.8%
vs. Last Price	+16.6%
<b>Last Price (IDR)</b>	<b>76,000</b>
Price date as of	Apr 13, 2018
52wk range (Hi/Lo)	86,400/61,925
Free Float (%)	23.8
Outstanding sh. (mn)	1,924
Market Cap (IDR bn)	146,231
Market Cap (USD mn)	10,625
Avg. Trd Vol – 3M (mn)	0.82
Avg. Trd Val – 3M (bn)	63.97
Foreign Ownership	8.31%
<b>Sales Breakdown:</b>	
Machine Made Kretek	89.9%
Hand Rolled Kretek	8.7%
Others	1.4%

IDR bn	FY2016	FY2017	FY2018E	FY2019E
Sales	76,274	83,306	91,134	100,281
y-y	8.4%	9.2%	9.4%	10.0%
EBITDA	12,113	13,043	14,222	15,817
Net profit	6,677	7,754	8,409	9,364
EPS (IDR)	3,470	4,030	4,370	4,867
y-y	3.8%	16.1%	8.5%	11.4%
NPM	8.8%	9.3%	9.2%	9.3%
ROE	17.2%	19.0%	19.2%	19.6%
P/E	18.4x	20.8x	17.0x	15.2x
P/BV	3.1x	3.8x	3.1x	2.9x

### • A Glance at GGRM

GGRM dominates the domestic market shares by around 20.8% with its well-known products. Its kretek cigarette production facilities are located in Kediri and Gempol. Having the total 249,000 inhabitants, Kediri is the center of regional trade and the location of GGRM's headquarters. The second production facility situated in Gempol, East Java, is only 50 km from Surabaya. The two facilities enable GGRM to supply the demand for cigarettes.

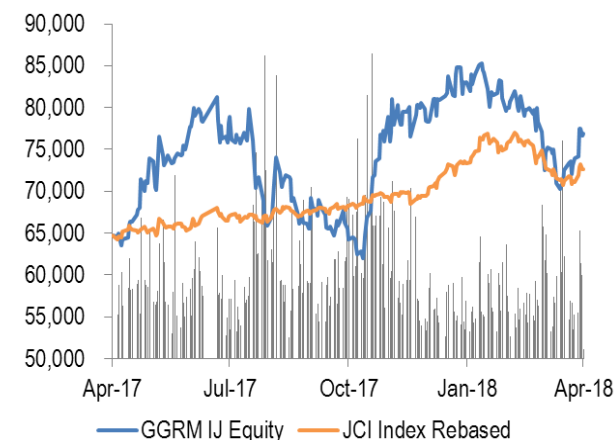
### • Robust Pricing Power

We oversee that net revenues, excluding taxes, remained to hike higher than 11% amid the surge of 10.4% in 2017 excise cigarette. It indicated GGRM's robust pricing power. In light of its robust pricing power, we project that in 2018 net revenues, excluding taxes, remains to top 11% despite the increase of 11.3% in excise imposed on I tier of machine-made kretek (SKM); therefore, net revenues are estimated to hike by 9.4% amid the downtrend of national cigarette production figures as of 2016.

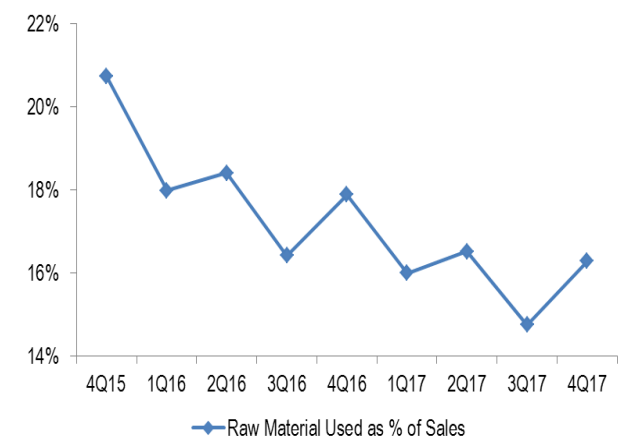
### • Efficiency: Net Profit Bolster

Although GGRM's sales grew by a single digit in 2017, it posted the double-digit growth of 16.1% in 2017 net profit. The efficiency was marked by the decrease in the ratio of raw material purchase to sales from 17.7% in 2016 into 15.9% in 2017.

### Share Price Performance



### Raw Material Expense



## XL Axiata (EXCL – Telco Operator)

<b>Dec 2018 TP</b>	<b>3,800</b>
Consensus Price	3,972
TP to Consensus Price	-4.3%
vs. Last Price	+45.0%
<b>Last Price (IDR)</b>	<b>2,620</b>
Price date as of	Apr 13, 2018
52wk range (Hi/Lo)	4,060/2,340
Free Float (%)	33.6
Outstanding sh. (mn)	10,688
Market Cap (IDR bn)	28,002
Market Cap (USD mn)	2,035
Avg. Trd Vol – 3M (mn)	6.26
Avg. Trd Val – 3M (bn)	17.60
Foreign Ownership	99.9%
<b>Revenue Breakdown:</b>	
Cellular Telecommunication	96.0%
Others	4.0%

IDR bn	FY2016	FY2017	FY2018E	FY2019E
Revenue	21,341	22,876	24,568	26,420
y-y	-6.7%	7.2%	7.4%	7.5%
EBITDA	7,947	8,177	9,052	9,863
Net profit	376	375	423	442
EPS (IDR)	35	35	40	41
y-y	N/A	-0.1%	12.8%	4.3%
NPM	1.8%	1.6%	1.7%	1.7%
ROE	2.1%	1.8%	1.9%	2.0%
P/E	6.2x	7.6x	6.8x	6.5x
P/BV	1.2x	1.4x	1.4x	1.4x

### • A Glance at EXCL

EXCL is a telecommunication provider with more-than-17-year experience in Indonesia's telecommunication industry. Its services cover data, voice, SMS, and digital. It is the third biggest provider in Indonesia. Per December 2017, it has 53.3 million subscribers. It performs dual-brand strategy, namely XL and Axis. XL focuses on white and blue collars, whilst Axis focuses on the young generation.

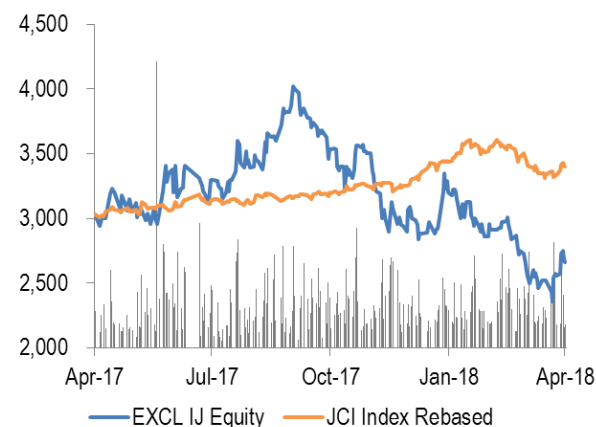
### • Lucid Industrial Roadmap

The regulation of SIM registration is estimated to further a healthier telecommunication industry. It brings about a positive impact of lowering customer acquisition cost so that better margin operator can be achieved. Indeed, SIM registration results in halting the trend of price war causing data yield to dip.

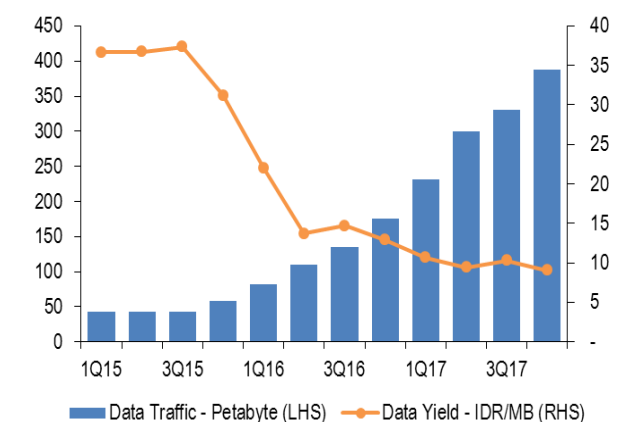
### • Rebound in 2018 Net Profit Growth

We estimate EXCL's 2018 net profit to grow by 12.8% after posting a slight decrease of 0.1% in 2017 net profit. A healthier industrial backdrop and a number of efficiencies, notably in interconnection cost and employee benefit are key takeaways of increasing net profit.

### Share Price Performance



### Data Traffic & Data Yield



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