

Weekly Brief (Apr 22 – Apr 26)

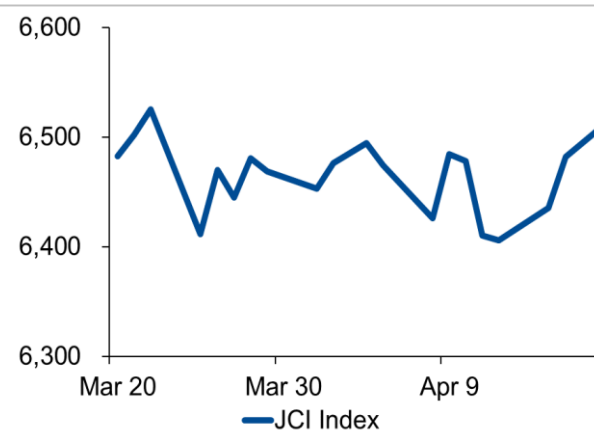
Summary:

Last week's review: Massive positive sentiments flooded Indonesian equity markets. In last week's early days, China's bright exports reading of 14.2% in March (vs. estimated-reading of 7.3%) was the positive catalyst, driving JCI up by 0.24%; Indonesian trade balance surpluses of USD540 million added to the bolster, strengthening JCI. Based on Indonesian trade balance reading, March's exports edged up 11.71% compared to February's exports

The outcome of quick count fitted well foreign investors' estimate: Jokowi to succeed its presidential administration until 2024. We expect that such euphoria will create a way more conducive and optimistic stocks markets. Thus, stocks taking benefits of Jokowi's policies will secure more bountiful benefits as Jokowi's effects persist.

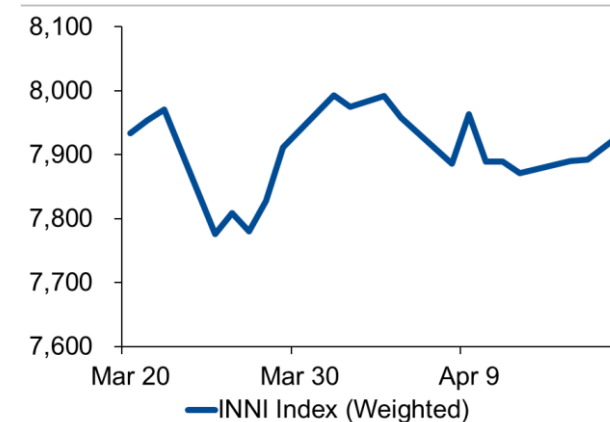
This week's outlook: President-elect revives the property sector, suffering from 5-year-lagging cycle. We forecast the Jokowi-Amin administration will perpetuate Loan to Value (LTV) relaxation, possible to exaggerate the allude of mortgage loan. Another positive catalyst is the Fed's stance leaving FFR unchanged in response to markets. As the possibility of hikes in FFR, appropriate for 2019 is lower, Bank Indonesia will re-cut its benchmark rate (7DRR) by 2x25 bps in 2019

JCI - one month



Source: Bloomberg, NH Korindo Research

INNI Index – one month



Source: Bloomberg, NH Korindo Research

Last Week's JCI Movement

- JCI Index : 6.507,22 (+0,4%)
- Foreign Flow : Net buy of Rp522 billion (vs. net buy last week of IDR1,2 trillion)
- USD/IDR : 14.045 (-0,35%)
- Yields of sovereign bond with 10-years tenor : 7,584% (-9,9 bps)

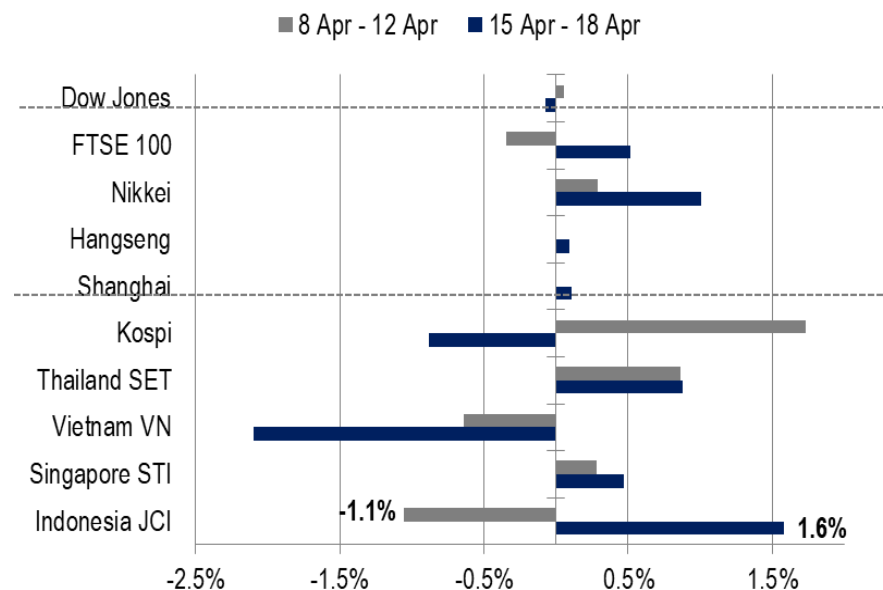
JCI's Last-Week Rally

Massive positive sentiments flooded Indonesian equity markets. In last week's early days, China's bright exports reading of 14.2% in March (vs. estimated-reading of 7.3%) was the positive catalyst, driving JCI up by 0.24%; Indonesian trade balance surpluses of USD540 million added to the bolster, strengthening JCI. Based on Indonesian trade balance reading, March's exports edged up 11.71% compared to February's exports.

Another positive catalyst for JCI was the optimism about trade deals between the U.S and Japan to settle trade disputes, a peaceful negotiation avoiding the possible II trade war; accordingly, JCI, on Tuesday, April 16th, JCI nudged up 0.03%. Foreign outflows were at USD559 billion in response to 2019's presidential election, held in Wednesday, April 17th.

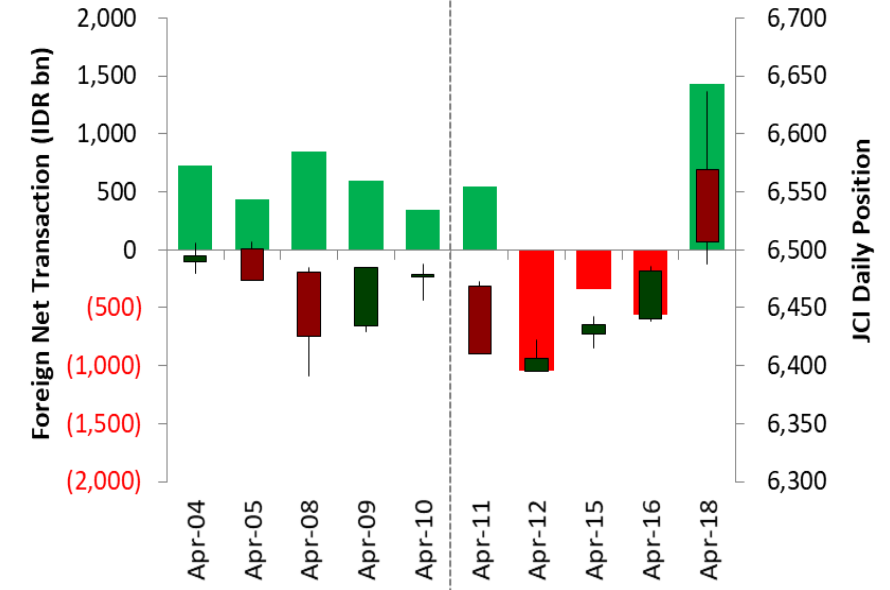
Foreign investors retained wait-and-see while awaiting the election outcome. In last week's last day, JCI strengthened slightly at 0.40% as the outcome of quick count fitted well foreign investors' estimate: Jokowi to succeed its presidential administration until 2024.

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	: 7.932,22 (+0,8%)
INNI Theme 1 (Value)	: 7.772,31 (+2,2%)
INNI Theme 2 (Trend)	: 8.204,44 (-1,4%)

INNI Index Strengthening Last Week

Last week, INNI Index nudged up 0.5%, as most of INNI Index's members to rally, and only 9 stocks moderated. The rally in property-construction and banking sectors led the rally of INNI Index.

From domestic backdrop, such top-gainers of property-construction and banking stocks as WIKA, CTRA, PTPP, WSKT, and BMRI picked up by 13.6%, 11.7%, 10.7%, 8.0%, and 6.5%, respectively. Their bullish state was underpinned by the quick count result coming as what foreign investors' forecast: Jokowi to succeed its second term until 2024. We expect that such euphoria will create a way more conducive and optimistic stocks markets. Thus, stocks taking benefits of Jokowi's policies will secure more bountiful benefits as Jokowi's effects persist.

From global backdrop, Chinese economic growth was a positive catalyst for INNI Index. 1Q19 global economic growth was at 6.4% y-y, beating consensus of 6.3% y-y. Furthermore, March's industrial production grew by 8.5%, outpacing consensus figure of 5.9% y-y. Meanwhile, March's retail sales soared to 8.7% y-y, topping consensus figure of 8.4% y-y.

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

INNI Index's Boosters

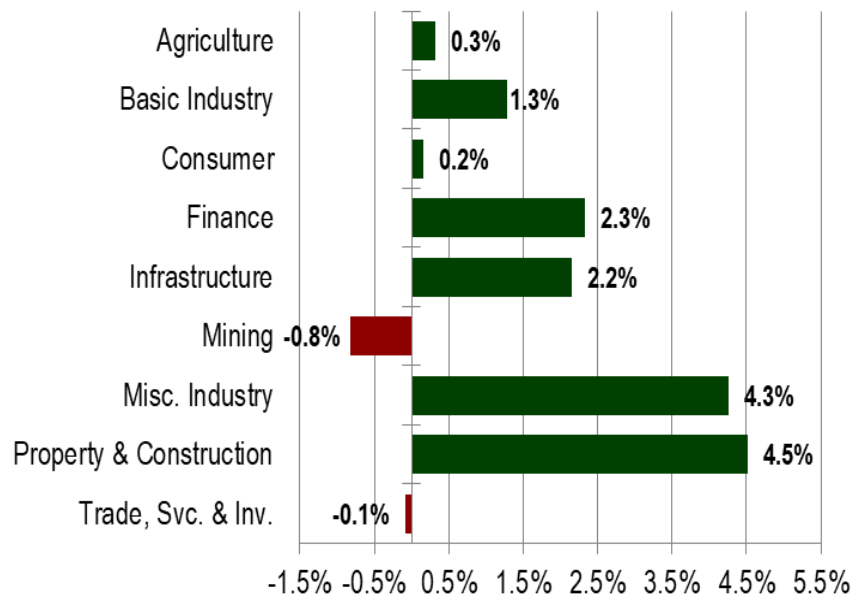
•Sectors Bolstered by Jokowi's II Effects

Last week, top-gainer sectors were property-construction and miscellaneous stocks, respectively picking up 4.5% and 4.3%.

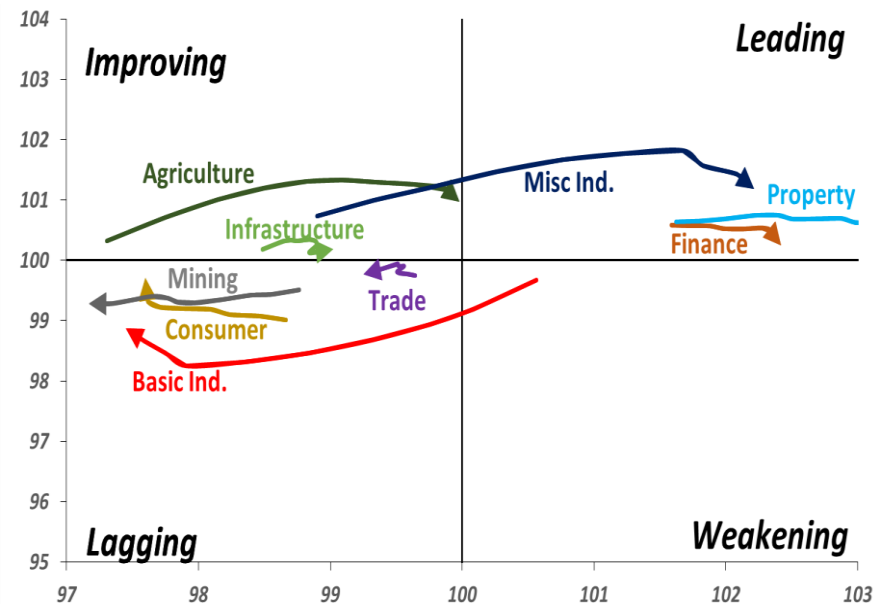
The quick count resulted in Jokowi's second term administration as Jokowi-Amin outpaced Prabowo-Sandi : 57.5% vs. 42.4%, based on the announcement of the Indonesian General Elections Commission at 06:30 p.m. dated 04/18/19. In light of the result, we forecast infrastructure projects, to keep being developed in a way more selective with some projects coming as a priority. It also spawns hints of brighter cash flows of state-owned construction companies, e.g. WIKA, ADHI, PTPP, and WSKT. This momentum also proves a boon for banks facilitating infrastructure projects. On a flip side, the consumer stocks are likely to reap profits with such high social allocation. We pencil in, Jokowi's populist policies are less in numbers as his second presidential administration will end in 2024.

In responses to the rapid infrastructure projects, the miscellaneous industries, automotive and spare-parts in particular, are likely to enjoy buoyant sales. Indeed, investors are likely to have more preference on defensive and large cap stocks, i.e., TLKM and JSMR. Moreover, sharia-banking stocks, i.e. BRIS or BTPS, affiliated to Ma'ruf Amin's, are likely to enjoy positive sentiments.

Last Week JCI Sector Movement



Sector Rotation – Last 10 Days



This Week's Outlook

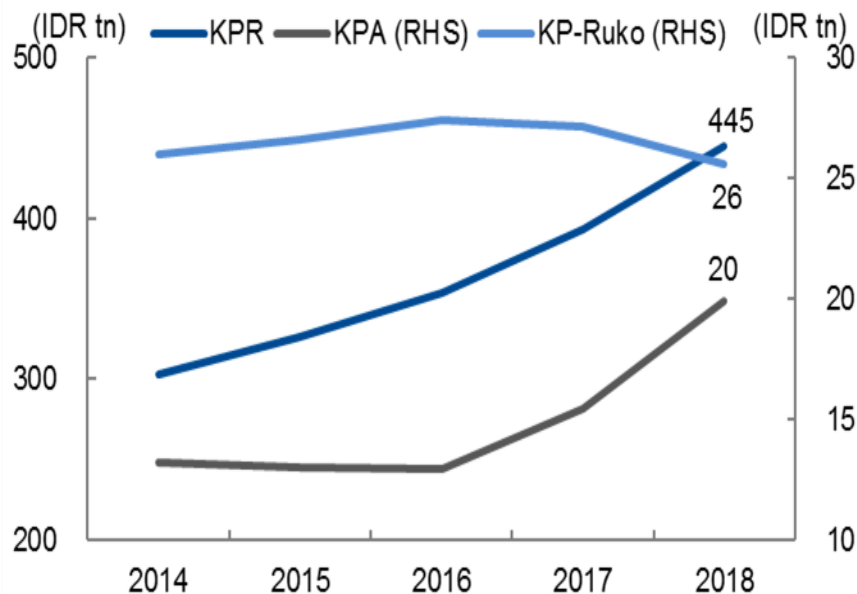
• Outcome of Presidential Election Reviving Property Sector

We pencil in that the national properties lag since 2015. But, it will revive in II semester of 2019 as the incumbent party, winning the quick count result is the potent driver for the national properties sector. The win of Jokowi, President-elect, for next-5-year administration until 2024 comes as what foreign investors expect. The property sector has suffered from 5-year-lagging cycle, and the demand for properties should revive. We forecast the Jokowi-Amin administration will perpetuate Loan to Value (LTV) relaxation, possible to exaggerate the allude of mortgage loan.

•The Fed's Dovish Stance: Impetus for Property Sector

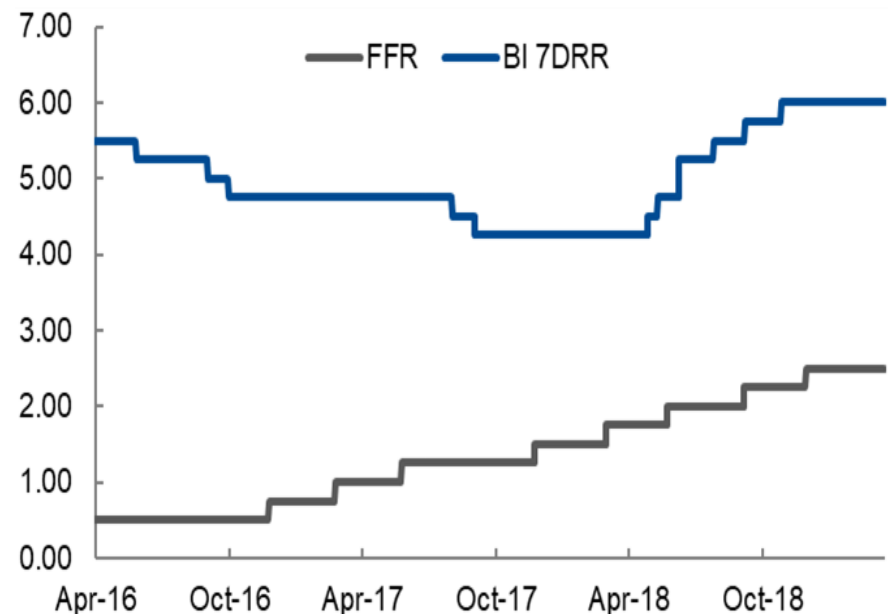
Another positive catalyst is the Fed's stance leaving FFR unchanged in response to markets. As the possibility of hikes in FFR, appropriate for 2019 is lower, Bank Indonesia will re-cut its benchmark rate (7DRR) by 2x25 bps in 2019. Such monetary policies are impetus for the property sector and boost demand for properties as low to middle income classes are likely to enjoy low 7DRR, we pencil in. We pick properties developers with targets of low-cost housing to post growth in sales.

Credit channeling



Source: Bloomberg, NH Korindo Research

IMF projected that there will be no Fed Rate hikes in 2019



Source: Bloomberg, NH Korindo Research

Positive Catalyst for This Week's Sector

• Demographic Bonuses: Bolster for Low-to-Middle Properties

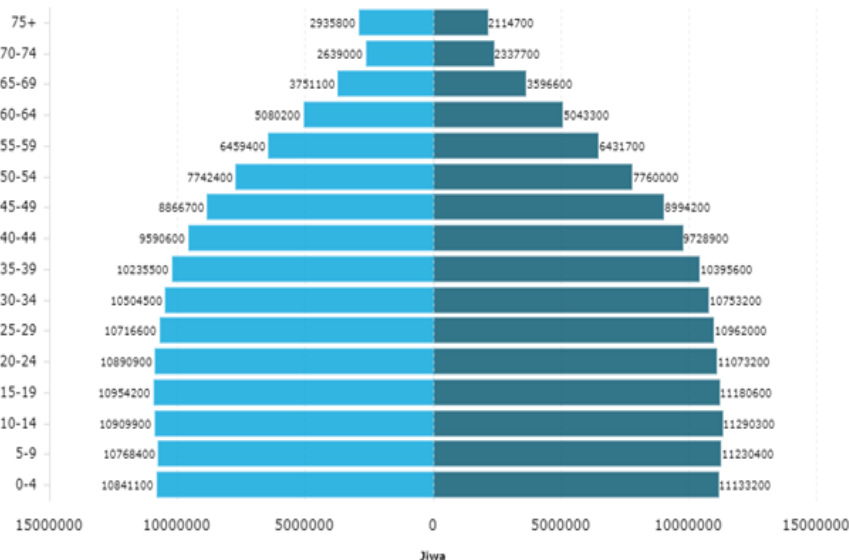
We overview the demand for houses, bought by young couples as their first houses are high. Besides, the demand for low-to-middle properties by buyers who want to re-sell or re-rent those properties are keep growing because those typed-properties have bigger capital gains. Another positive catalyst is Indonesian demographic bonuses. The number of Indonesian middle-class incomes (annual salaries of USD 3,600) is estimated to reach 85 million in 2020- double growth of 45 million population in 2010. The number will keep growing faster and reach 135 million in 2030 (the assumption of annual GDP growth of 5-6% applies) and add to the evidence of 50 million middle income individuals or even reach 17 million in 2030 (the assumption of an annual GDP growth of 7% applies). Additionally, the urban class reach 71% in 2030, surging from its 2011's level of 71%, underlined by the fact of 32 million people will move from suburban to urban areas.

•Infrastructure: Fundamental to Properties Sales

We forecast that Indonesian authorities will have determined focus on developing infrastructure and public housing in years ahead, reflected in substantial budget amount of IDR415 trillion set forth in 2019 state budget (APBN). Infrastructure development, particularly the transportation sector, is fundamental to properties sales. People's first crucial consideration prior to buying houses is the distance length from houses to public transportation facilities such as bus stops or stations.

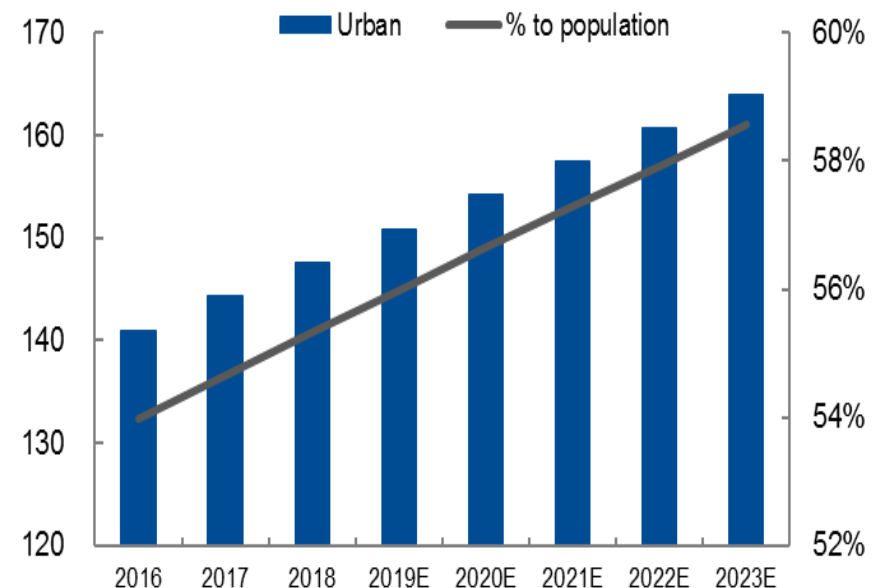
Indonesia population by sex and age group

Jumlah Penduduk Indonesia Menurut Kelompok Umur dan Jenis Kelamin (2019)



Source: Bloomberg, NH Korindo Research

More urban population will drive first-home buyer



Source: Bloomberg, NH Korindo Research

Ciputra Development Tbk (CTRA IJ – Property and Real Estate)

Dec 2019 Target Price	1,330
Consensus Price	1,267
Last Price (IDR) as of Apr 18, 2019	1,245
TP vs. Last Price	6.8%
Revenue Breakdown:	
Houses, Shop houses, & Land Lots	54%
Shopping Malls	13%
Others	33%

IDR bn	FY2017	FY2018	FY2019E	FY2020E
Revenue	6,443	7,670	7,302	7,453
y-y	-4.4%	19.1%	-4.8%	2.1%
Net profit	894	1,185	1,000	988
y-y	-4.2%	32.6%	-15.6%	-1.2%
NPM	13.9%	15.5%	13.7%	13.3%
EPS	48	64	54	53
P/B	1.4x	1.1x	1.2x	1.1x

- **NHKS** recommend CTRA as this week's top pick stock, estimated to reach the target price of IDR1,330 with the discount to RNAV of 64%. The Fed's dovish stance and USDIDR appreciation are positive stimuli for CTRA.

- **Robust Middle-Class Economy**

We pencil in that CTRA's has lustrous outlook because of its business focus on middle-class incomes. It focuses on selling houses, prices of which are well below IDR1 billion, e.g., Ciputra Maja Raya with prices of around IDR200 million; Citra Raya Tangerang with prices below IDR500 million. Prices it offers makes CTRA as the most varied developer whose market shares spread across Indonesia and adds to its strength to secure the nation growth in a more diversified strategies.

- **CTRA's Strategies for Lustrous Sales**

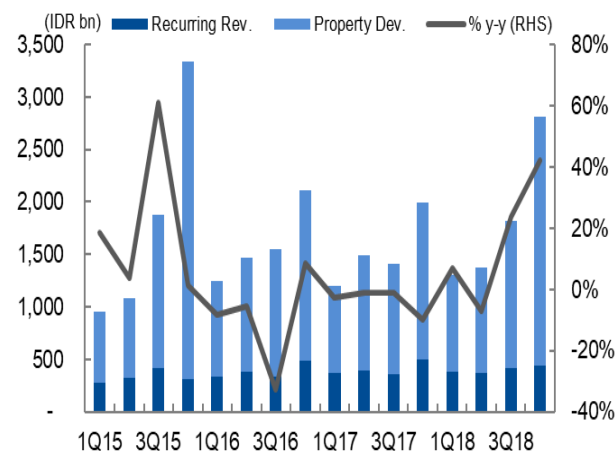
We discern that CTRA has 5 growth strategies as follows 1) CTRA strives to keep in check that its land bank is in a health level (sufficient enough for more than 15-year development; 2) CTRA endeavors to well maintain its current broad geographic coverage across 33 cities in Indonesia; thus it has well diversified products and targeted segments, spanning diversified risks; 3) CTRA puts efforts to keep its net gearing ratio at healthy level, with rational debt composition as is funding sources; 4) CTRA jostles for pioneering innovative products, capable of fulfilling diversified demand in varied areas with various targeted segments; 5) CTRA attempts to hike its recurring incomes by leveraging the development of an well integrated malls, hospitals, office spaces, residences in one area.

Last 3 year discount to RNAV



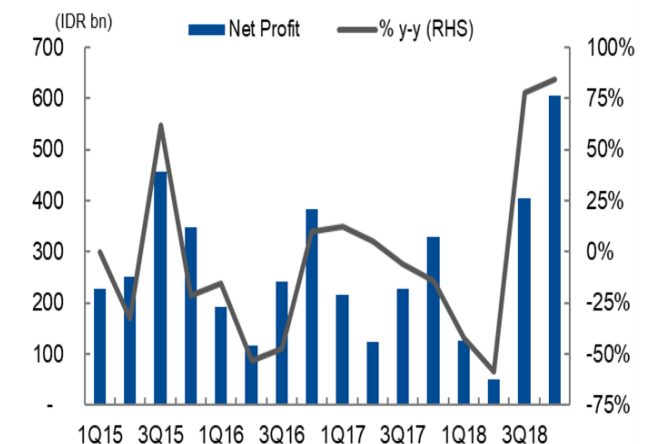
Source : Company, NHKS Research

Revenue and growth movement



Source : Company, NHKS Research

Earnings and growth movement



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	28,125	27,525	32,000	Hold	13.8	2.2%	693.4	26.8x	4.6x	18.3	0.9	8.7	11.0
BBRI	Theme 1	4,460	4,350	4,650	Hold	4.3	2.5%	550.1	16.9x	3.0x	18.5	2.4	10.4	11.7
BMRI	Theme 1	7,800	7,350	8,000	Hold	2.6	6.1%	364.0	14.6x	2.0x	14.4	2.6	7.4	21.2
Consumer														
GGRM	Theme 1	79,100	79,500	110,000	Buy	39.1	-0.5%	152.2	19.5x	3.4x	17.8	3.3	14.9	0.5
UNVR	Theme 1	49,400	48,800	59,000	Buy	19.4	1.2%	376.9	41.4x	49.7x	142.9	1.9	1.5	30.1
ICBP	Theme 1	9,100	9,050	11,800	Buy	29.7	0.6%	106.1	23.2x	4.9x	22.2	2.4	7.9	20.2
INDF	Theme 1	6,275	6,400	8,700	Buy	38.6	-2.0%	55.1	13.2x	1.6x	12.8	4.8	4.6	0.2
KAEF	Theme 2	3,200	3,560	4,100	Buy	28.1	-10.1%	17.8	42.7x	5.6x	14.6	0.6	21.7	27.3
KLBF	Theme 2	1,495	1,495	1,870	Buy	25.1	0.0%	70.1	28.5x	4.8x	17.6	1.7	4.4	2.2
Infrastructure														
TLKM	Theme 1	3,860	3,830	4,350	Hold	12.7	0.8%	382.4	20.7x	4.2x	20.4	4.3	2.3	(20.6)
JSMR	Theme 1	6,050	6,125	6,000	Hold	(0.8)	-1.2%	43.9	19.9x	2.6x	13.8	1.0	5.4	0.1
Trade														
UNTR	Theme 1	26,075	25,950	35,000	Buy	34.2	0.5%	97.3	8.7x	1.8x	22.4	3.7	31.1	50.3
SILO	Theme 2	4,000	3,980	4,350	Hold	8.7	0.5%	6.5	402.0x	1.0x	0.3	N/A	2.0	(85.4)
MIKA	Theme 2	1,995	2,010	2,300	Buy	15.3	-0.7%	29.0	47.5x	7.0x	15.8	N/A	8.7	(10.6)
LPPF	Theme 2	3,640	3,690	5,500	Buy	51.1	-1.4%	10.6	9.7x	5.7x	53.0	12.6	2.2	(42.4)
RALS	Theme 2	1,825	1,800	2,050	Hold	12.3	1.4%	13.0	20.9x	3.2x	16.0	2.2	2.1	44.4
MAPI	Theme 2	1,000	975	1,300	Buy	30.0	2.6%	16.6	24.7x	3.0x	15.5	0.4	16.0	117.8
Property														
PWON	Theme 1	740	720	725	Hold	(2.0)	2.8%	35.6	14.0x	2.8x	22.2	0.8	23.2	35.8
CTRA	Theme 1	1,245	1,135	1,080	Hold	(13.3)	9.7%	23.1	19.5x	1.6x	8.5	0.8	19.1	32.8
PTPP	Theme 1	2,490	2,310	2,450	Hold	(1.6)	7.8%	15.4	10.3x	1.2x	12.4	1.9	16.8	3.4
WSKT	Theme 1	2,160	2,060	2,500	Buy	15.7	4.9%	29.3	7.4x	1.6x	24.8	2.6	7.9	2.7
WIKA	Theme 1	2,420	2,240	2,100	Hold	(13.2)	8.0%	21.7	12.5x	1.5x	12.6	1.1	19.0	43.9
Basic Ind.														
KRAS	Theme 2	454	440	600	Buy	32.2	3.2%	8.8	N/A	0.3x	(4.1)	N/A	20.0	7.1
Misc Ind.														
ASII	Theme 2	7,850	7,600	9,100	Buy	15.9	3.3%	317.8	14.7x	2.3x	16.6	2.4	16.1	14.8
Mining														
ADRO	Theme 1	1,295	1,285	1,750	Buy	35.1	0.8%	41.4	7.1x	0.8x	11.7	7.7	11.1	(13.6)
PTBA	Theme 1	3,950	3,970	5,100	Buy	29.1	-0.5%	45.5	8.3x	2.6x	33.9	8.1	8.7	12.2
INCO	Theme 2	3,180	3,370	4,400	Buy	38.4	-5.6%	31.6	35.3x	1.2x	3.3	N/A	23.4	N/A
ANTM	Theme 2	885	885	1,200	Buy	35.6	0.0%	21.3	24.3x	1.1x	4.6	0.2	99.5	540.7
Agriculture														
AAJI	Theme 1	12,175	12,300	16,000	Buy	31.4	-1.0%	23.4	16.3x	1.2x	7.7	3.6	10.3	(26.9)
LSIP	Theme 1	1,160	1,140	1,500	Buy	29.3	1.8%	7.9	23.9x	0.9x	4.0	3.9	(15.2)	(54.6)

Source : Bloomberg, NHKS Research

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