

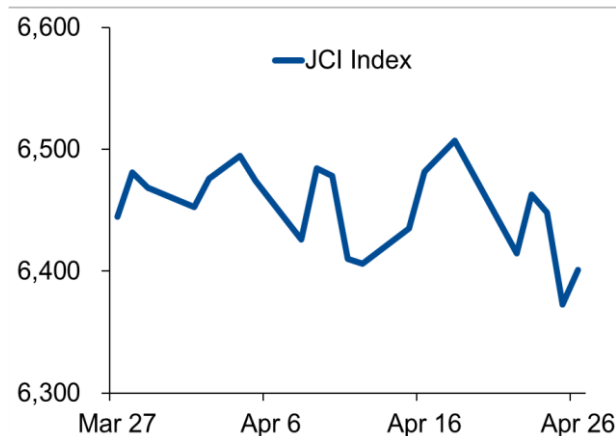
Weekly Brief (April 29 – May 3)

Summary:

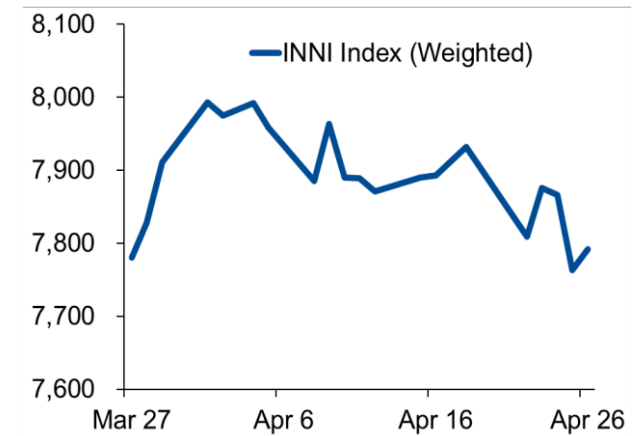
Last week review: Last week, a flood of negative sentiments weakened JCI by 2.1%. On Monday, JCI dropped by 1.4%, attributable to the net sell worth IDR2 billion; on Tuesday, it nudged up 0.9% despite foreign outflows of IDR1.449 billion. On Wednesday, JCI moderated, held back by declines of 5.7% and 4.9% in AALI and LSIP: CPO stocks. Then, on Thursday, JCI tumbled after Bank Indonesia (BI) held 7-DRRR unchanged at 6%. Finally, on Friday, JCI was rebounding by 0.4% thanks to Trump's positive statement of Jinping's visit to White House with a view to end trade war between the world's two biggest economies.

This week's outlook: One of the visions, actively promoted by the incumbent candidates is implementations of cutting-edge digital technologies ranging from digital economies, e-commerce, internet of things to 4.0 industrial revolution. The Indonesian government plans to reform Indonesian administration to digital-based public services, subsuming e-government, e-procurement, e-budgeting. We Are Social survey, released in January 2019, noted that Indonesian internet users accounted for 150 million people with 56% penetration level from the total population. Despite Indonesian lower internet penetration compared with its peers in ASEAN—Thailand 82% and Malaysia 80%, Indonesian internet users growing by 17.3 million people (+13% y-y)—are the world's fourth biggest after India, China, and the U.S. Thus, NHKS recommends TLKM as this week's top-pick stocks, potential for reaching the target price of 4,700 with 5-years P/E trailing band of 22.7x, backed by the focus on a digital-based economy.

JCI - one month



INNI Index – one month



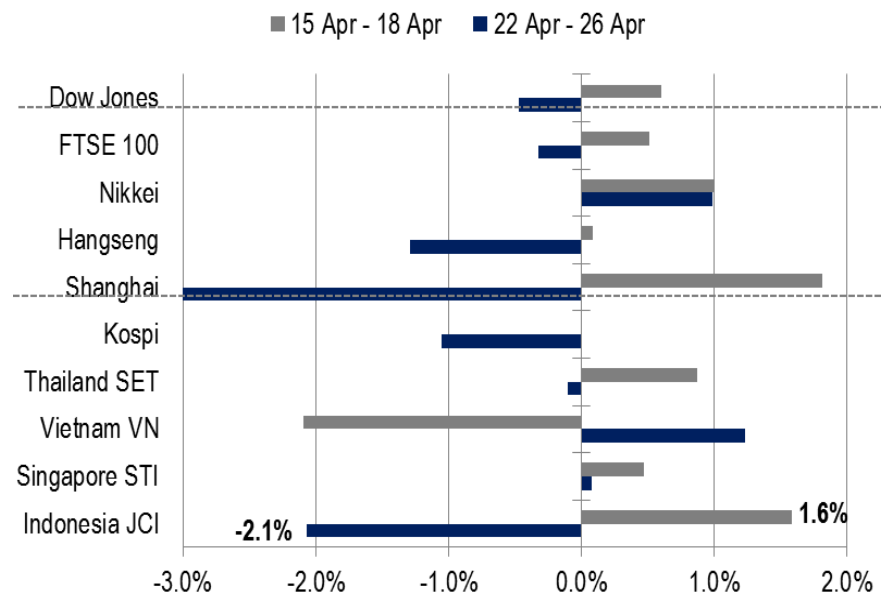
Last Week's JCI Movement

•JCI Index	: 6.372,78 (-2,1%)
Foreign Flow	: Net buy of IDR1,4 trillion (vs. net buy last week of IDR522 billion)
USD/IDR	: 14,187 (+1.01%)
Yields of sovereign bond with 10-years tenor	: 7.774% (+19.0 bps)

JCI's Sharp Plunge

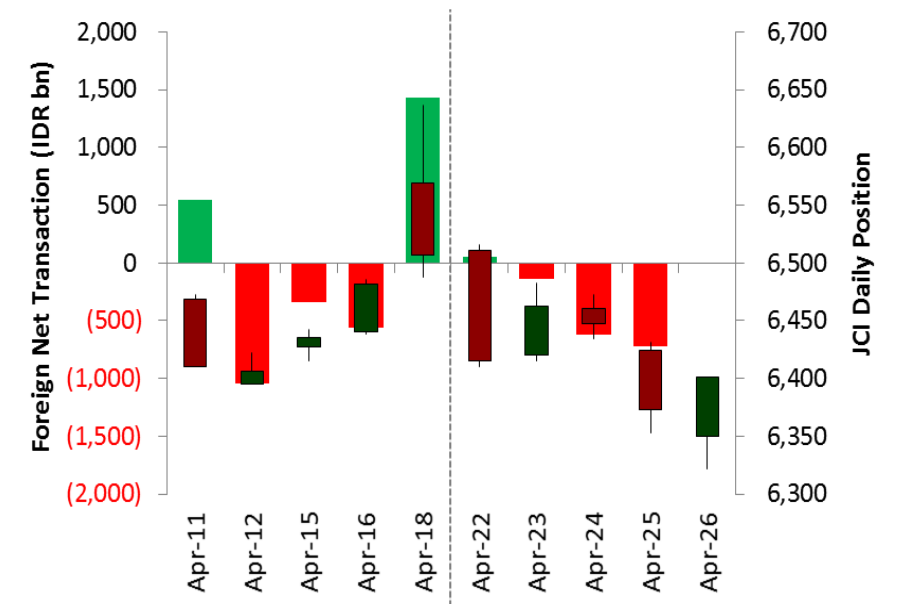
Last week, a flood of negative sentiments weakened JCI by 2.1%. On Monday, JCI dropped by 1.4%, triggered by the net sell worth IDR2 billion. Foreign investors sold HMSP and GGRM, adding to the evidence of cigarette makers as last week's biggest losers as they posted net sell of IDR133 billion. That was also attributable to pessimism over a murky outlook of cigarette sales, coupled with profit-taking act. On Tuesday, JCI nudged up 0.9% despite foreign outflows of IDR1.449 billion. Furthermore, profit-taking acts over large-cap banking stocks, i.e., BMRI and BBRI were negative stimulus, causing foreign outflows of IDR130 billion. However, rallies in commodities stocks such as gold and coal due to all-time high crude prices were payback for Tuesday's foreign outflows from the banking sector. On Wednesday, JCI moderated, held back by declines of 5.7% and 4.9% in AALI and LSIP: CPO stocks. Indeed, trade disputes between the U.S. and EU weakened Asian markets, including Indonesia. High tariffs on imported raw materials, imposed by the U.S. and the U.E. import duties slashed Harley Davidson's net profits and moderated most of Asian markets' stocks. On Thursday, JCI tumbled after Bank Indonesia (BI) held 7-DRRR unchanged at 6%. Investors' disappointment over BI's unchanged 7-DRRR made properties stocks reign in bearish favor. On Friday, JCI was rebounding by 0.4% thanks to Trump's positive statement of Jinping's visit to White House with a view to end trade war between the world's two biggest economies.

Global Market Movement



Source: Bloomberg, NH Korindo Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NH Korindo Research

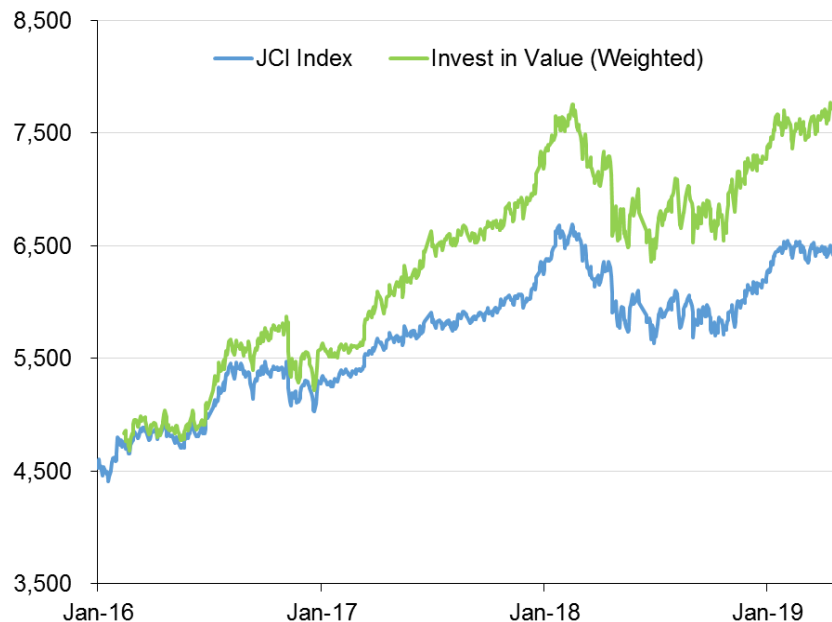
Last Week's INNI Movement

•INNI Index	: 7,791.59 (-1.8%)
INNI Theme 1 (Value)	: 7,699.46 (-0.1%)
INNI Theme 2 (Trend)	: 7,948.44 (-0.4%)

INNI Index's Last-Week Moderate Pace

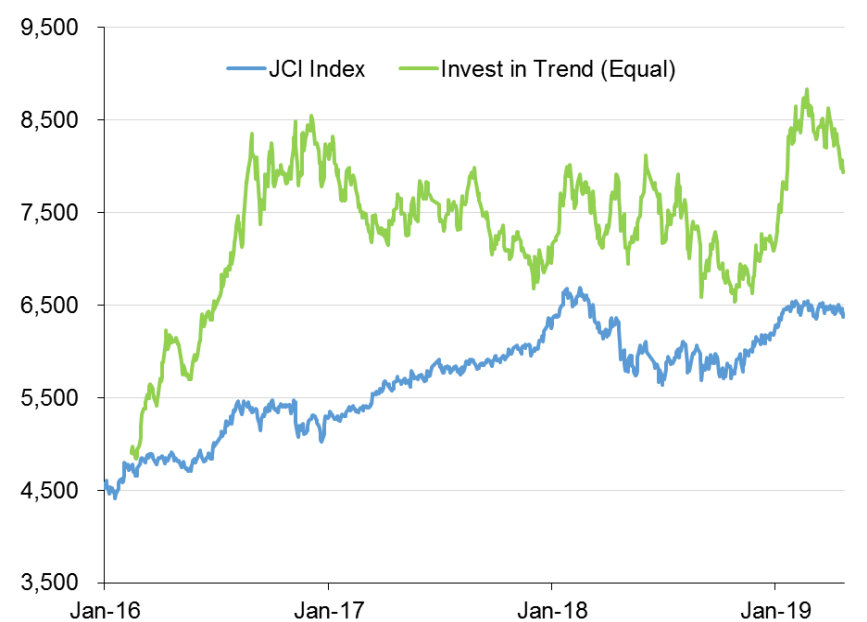
Last week, INNI Index, on weekly basis, dropped by 1.8%. On Monday, INNI Index was moderate at 1.6% as massive profit taking prevailed after Jokowi's euphoria driving Thursday's rally. Indeed, foreign net sell over consumer and banking stocks and Easter bombings in Sri Lanka added to negative catalysts for Thursday's intraday. In sharp turn, Indonesian 10-year Credit Default Swap tenor was stable at 2019's lowest level of 157.8. On Tuesday, INNI Index nudged up at 0.8% as commodities stocks such as crude, gold, and coal strengthened. Brent crude prices were rebounding by 2.33% to USD73.7 per barrel as the U.S. sanction of slashing Iran's crude exports to zero depleted stockpiles of global crude. On Wednesday, INNI Index nudged down 0.1% as CPO stocks such as AALI and LSIP declined by 5.7% and 4.9%, respectively. The decline was in a stark contrast to 1.1% YTD inclines in CPO prices listed on Malaysian Derivatives Exchange. On Thursday, INNI Index weakened by 1.32% as investors' disappointment over BI's unchanged 7-DRRR made properties stocks unfavorable. Finally, on Friday, Japan's murky economic outlook loomed INNI Index. Japan failed to achieve a 2% inflation target as consumption tax raised from 8% to 10%. We pencil in that BOJ is likely to slash its benchmark rate in near time, while slumping commodities prices are likely to stunt rising prices of commodities stocks.

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

Last Week's Sector Review

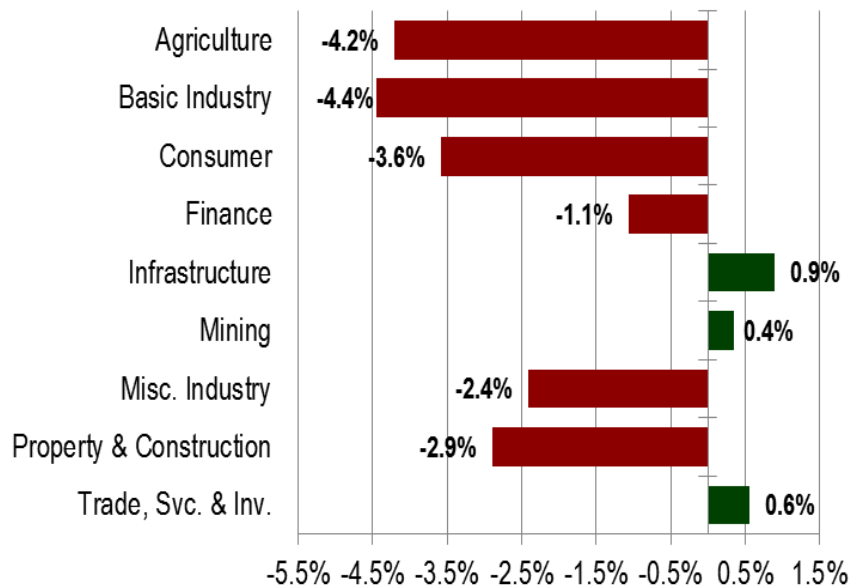
Review of Sectors Balancing INNI Index

Last week, the retailer and trading sectors were top gainers. We analyze that both sectors buoyed as investors' euphoria over Jokowi's 2019-2024's popular policies focusing on social aid funds. Real-count results by the General Election Commission (KPU) showed that Jokowi-Amin still outpaced Prabowo-Sandi. Meanwhile, LPPF, posting the hike of 13.7% on weekly basis, was the top gainer in the retailer sector. It was attributable to LPPF's currently attractive valuation after its sharp declines. Besides, investors were sanguine about LPPF's higher sales ahead of Ramadhan and Eid Mubarak festive when Indonesian spend their money more on new apparels. Such seasonally consumptive spending prove a boon for middle-to-low retailers.

CPO sector put a strain on INNI Index

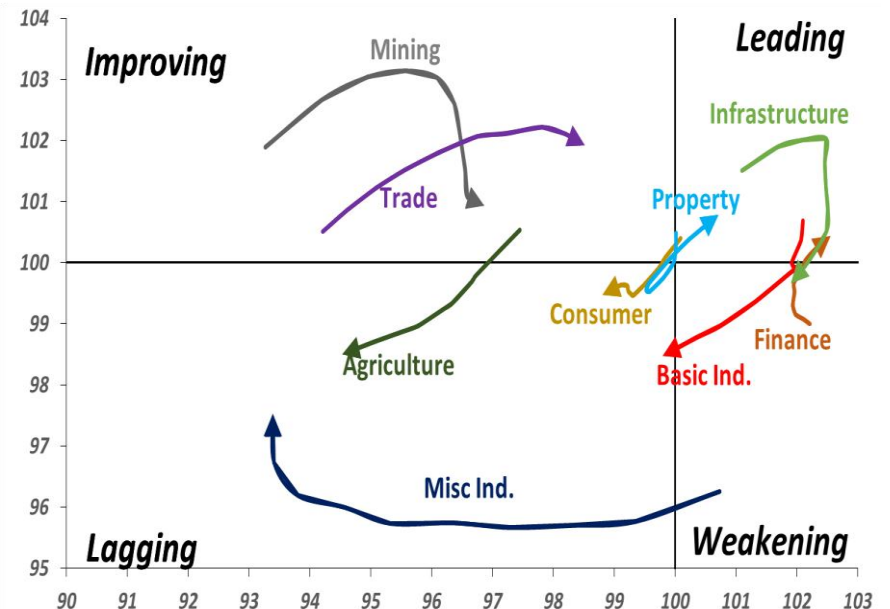
CPO prices on Malaysia Derivative Exchange weakened by 1.9% on an annual basis. AALI and LSIP declined by 10.0% and 3.6%, respectively. AALI's net profits were lower than market's consensus. We estimate that like AALI's declining net profits, its peers' net profits would also whittled away due to the struggling global CPO prices. We expect that the gradual rise of global crude prices will drive CPO prices higher as CPO is a substitute for crude. Moreover, we are optimistic about B30 and B100 programed by Jokowi administration can smoothly run. We gauge that new CPO companies will reap profits when prices of global crude are at higher than USD60 per barrel.

Last Week JCI Sector Movement



Source: Bloomberg, NH Korindo Research

Sector Rotation – Last 10 Days



Source: Bloomberg, NH Korindo Research

This Week's Outlook

Quick-Count Results

Based on quick counts, performed by 12 survey pollsters, Jokowi and Maruf Amin, the incumbent, will win the presidential election dated April 17th, 2019 and be President and Vice President-elect. Acknowledging well 2014's presidential election, real-count results were identical to quick-count results. Until 04/26/2019, real-count results revealed that Jokowi-Maruf secured 56.11% votes vs. Prabowo-Sandiaga Uno secured 43.89%, and Jokowi inevitably succeeds next-5-year presidential administration.

Pro-Digital Government to Serve

One of the visions, actively promoted by the incumbent candidates is implementations of cutting-edge digital technologies ranging from digital economies, e-commerce, internet of things to 4.0 industrial revolution. The Indonesian government plans to reform Indonesian administration to digital-based public services, subsuming e-government, e-procurement, e-budgeting. Furthermore, Minister of Energy and Mineral Resource Ignasius Jonan stressed that artificial intelligence of 5G applied in health to manufacturing sectors will be the next 25-year trend in Indonesia. To actualize a digital-based economy, Indonesian authorities work towards 1) Broadband digital infrastructure, Palapa Ring, completed in the mid of 2019; 2) Developing a friendly ecosystem for a digital-based economy; 3) Creating quality human resources, working for the digital sector. Indonesia's success in actualizing a digital-based economy inextricably relates to the availability of internet connectivity.

Quick Count vs Real Count President Election 2014

	Prabowo-Hatta	Jokowi-JK
Quick Count		
LSI Denny JA	46,37	53,37
SMRC	47,02	52,98
Indikator	47,06	52,94
Poltracking	46,63	53,37
Litbang Kompas	47,60	52,34
Real Count KPU	46,85	53,15

Source: Katadata

Indonesia Potential Digital Economic



Source: Katadata

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

- Rise of Internet Users**

We Are Social survey, released in January 2019, noted that Indonesian internet users accounted for 150 million people with 56% penetration level from the total population. Despite Indonesian lower internet penetration compared with its peers in ASEAN—Thailand 82% and Malaysia 80%, Indonesian internet users growing by 17.3 million people (+13% y-y)--are the world's fourth biggest after India, China, and the U.S. Based on the growth of social media users, Indonesia position the third biggest after China and India with an additional 20 million users (+15% y-y). Based on the time allocated, the average amount of time spent on internet is 8 hours 36 minutes per day. Meanwhile, the average time spent on accessing social media is 3 hours 26 minutes, while the average time spent on watching TV, broadcast, streaming, and video on demand is 2 hours 52 minutes per day.

- Quantities vs. Qualities**

Internet users in Indonesia mushroom, yet internet speed and its safety system are low. The paradoxical facts are the major setback: telecommunication infrastructure companies have to face. Indonesia with its large areas requires a substantial amount of investment in constructing connectivity. Indonesia currently positions the lowest among its ASEAN peers in term of speed for uploading and downloading, using mobile or fixed broadband. Meanwhile, Indonesia is the world's 118th ranking and the last ranking among its ASEAN peers for the fixed broadband category.

Indonesia Connectivity Overview



Source: We are Social

ASEAN Internet Speed

Country	Mobile (Mbps)			Fixed Broadband (Mbps)		
	Rank	Download	Upload	Rank	Download	Upload
Singapura	1	195.36	198.94	6	55.5	18.54
Malaysia	32	64.51	41.5	82	18.79	9.61
Thailand	36	59.71	33.89	93	16.75	9.91
Vietnam	73	26.51	26.37	66	23	12.9
Laos	87	21.48	21.72	58	26.64	14.92
Filipina	97	19.28	17.57	104	14.46	6.49
Brunei	104	16.4	9.94	96	15.36	10.65
Indonesia	105	16.31	9.7	118	10.45	8.32
Kamboja	117	14.6	16.03	105	13.45	10.8

Source: detik.com NH Korindo Research

Telekomunikasi Indonesia (TLKM – Telco)

Dec 2019 Target Price	4,700
Consensus Price	4,300
Last Price (IDR) as of Mar 15, 2019	3,910
TP vs. Last Price	20%

Revenue Breakdown:	
Data, internet & IT Service	51.9%
Cellular voice & SMS	30.7%
Others	17.4%

IDR bn	FY2017	FY2018E	FY2019E	FY2020E
Revenue	128,256	134,284	148,149	164,194
y-y	10.2%	4.7%	10.3%	10.8%
Net profit	22,145	19,864	22,720	25,663
y-y	14.4%	-10.3%	14.4%	13.0%
NPM	17.3%	14.8%	15.3%	15.6%
EPS	220	201	229	259
P/E	20.2x	19.7x	17.2x	15.2x

- NHKS** recommends TLKM as this week's top-pick stocks, potential for reaching the target price of 4,700 with 5-years P/E trailing band of 22.7x, backed by the focus on a digital-based economy, we pencil in.

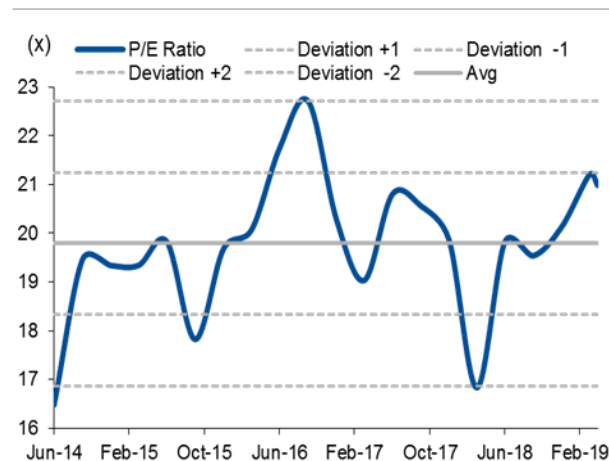
- More Excellent Network Qualities**

A research conducted in 6 big cities (Jakarta, Bandung, Semarang, Surabaya, Medan, and Makassar) from 08/01/18 to 10/29/18 by OpenSignal figured out that Telkomsel positioned the first rating in terms of the fastest speeds for download, upload, and the lowest latency. In sharp turn, its 4G availability was the smallest by 77.5% among its peers Indosat by 80.3%; XL by 81.6%; '3' by 84.6%, and Smartfren 94.3%.

- Mobile & Fixed Broadband Businesses**

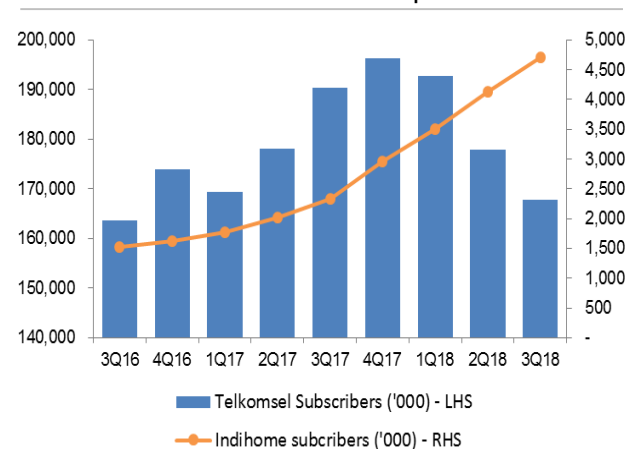
Another to network qualities, TLKM as a state-owned provider, dominating fixed line, used for fixed broadband infrastructure gets benefits from its position. The domination it has makes it more competitive in fixed broadband business compared with its peers. Despite of its declining subscribers due to SIM card mandatory, its subscribers' qualities and loyalties rose, marked with an additional number of subscribers with 12-month loyalty.

5-Years P/E Trailing Band



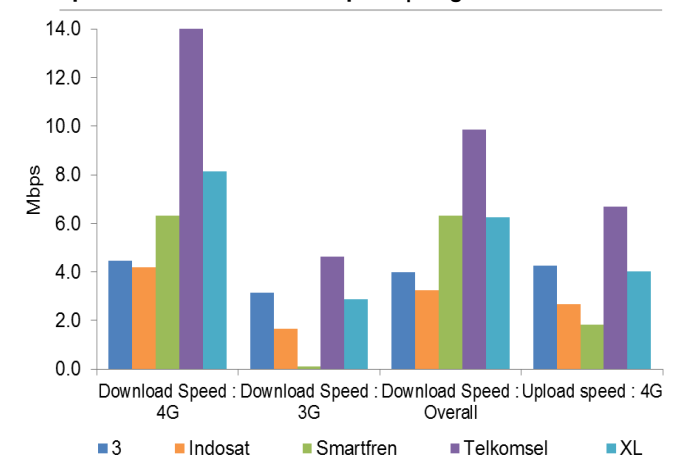
Source : Company, NHKS Research

Telkomsel and Indihome Subscribers | 3Q16 – 3Q18



Source : Company, NHKS Research

Operator Performance in Speed | Aug – Oct 18



Source: Open Signal, 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	28,100	28,125	32,000	Hold	13.9	-0.1%	692.8	26.2x	4.4x	17.9	1.2	#N/A	N/A
BBRI	Theme 1	4,330	4,440	4,650	Hold	7.4	-2.5%	534.1	16.0x	2.7x	18.8	2.5	11.2	10.3
BMRI	Theme 1	7,725	7,750	8,000	Hold	3.6	-0.3%	360.5	14.4x	2.0x	14.4	2.6	7.4	21.2
Consumer														
GGRM	Theme 1	82,950	76,400	110,000	Buy	32.6	8.6%	159.6	20.5x	3.5x	17.8	3.1	14.9	0.5
UNVR	Theme 1	45,500	48,275	59,000	Buy	29.7	-5.7%	347.2	38.5x	38.3x	112.2	2.0	(0.8)	(4.6)
ICBP	Theme 1	9,175	9,025	11,800	Buy	28.6	1.7%	107.0	23.4x	4.9x	22.2	2.4	7.9	20.2
INDF	Theme 1	6,400	6,250	8,700	Buy	35.9	2.4%	56.2	13.5x	1.7x	12.8	4.7	4.6	0.2
KAEF	Theme 2	2,990	3,100	4,100	Buy	37.1	-3.5%	16.6	39.9x	5.2x	14.6	0.6	21.7	27.3
KLBF	Theme 2	1,515	1,480	1,870	Buy	23.4	2.4%	71.0	28.9x	4.9x	17.6	1.7	4.4	2.2
Infrastructure														
TLKM	Theme 1	3,910	3,780	4,700	Buy	20.2	3.4%	387.3	21.0x	4.3x	20.4	4.3	2.3	(20.6)
JSMR	Theme 1	6,125	5,975	6,000	Hold	(2.0)	2.5%	44.5	20.2x	2.5x	13.3	1.0	(20.8)	0.3
Trade														
UNTR	Theme 1	27,600	26,075	35,000	Buy	26.8	5.8%	103.0	8.8x	1.8x	22.3	4.3	19.0	20.6
SILO	Theme 2	4,000	4,000	4,350	Hold	8.7	0.0%	6.5	402.0x	1.0x	0.3	N/A	2.0	(85.4)
MIKA	Theme 2	2,030	2,000	2,300	Hold	13.3	1.5%	29.5	48.3x	7.2x	15.8	N/A	8.7	(10.6)
LPPF	Theme 2	4,320	3,800	5,500	Buy	27.3	13.7%	12.6	11.5x	6.8x	53.0	10.6	2.2	(42.4)
RALS	Theme 2	1,730	1,765	2,050	Buy	18.5	-2.0%	12.3	19.8x	3.0x	16.0	2.3	2.1	44.4
MAPI	Theme 2	955	940	1,300	Buy	36.1	1.6%	15.9	23.6x	2.9x	15.5	0.4	16.0	117.8
Property														
PWON	Theme 1	710	715	725	Hold	2.1	-0.7%	34.2	13.4x	2.7x	22.2	0.8	23.2	35.8
CTRA	Theme 1	1,135	1,185	1,080	Hold	(4.8)	-4.2%	21.1	17.8x	1.5x	8.5	0.8	19.1	32.8
PTPP	Theme 1	2,410	2,430	2,450	Hold	1.7	-0.8%	14.9	10.0x	1.2x	12.4	1.9	16.8	3.4
WSKT	Theme 1	2,110	2,120	2,500	Buy	18.5	-0.5%	28.6	7.2x	1.6x	24.8	2.7	7.9	2.7
WIKA	Theme 1	2,350	2,380	2,100	Hold	(10.6)	-1.3%	21.1	12.2x	1.4x	12.6	1.1	19.0	43.9
Basic Ind.														
KRAS	Theme 2	446	452	600	Buy	34.5	-1.3%	8.6	N/A	0.3x	(4.1)	N/A	20.0	7.1
Misc Ind.														
ASII	Theme 2	7,650	7,525	9,100	Buy	19.0	1.7%	309.7	14.1x	2.2x	16.2	2.5	6.8	4.9
Mining														
ADRO	Theme 1	1,290	1,270	1,750	Buy	35.7	1.6%	41.3	7.0x	0.8x	11.7	7.7	11.1	(13.6)
PTBA	Theme 1	4,020	4,050	5,100	Buy	26.9	-0.7%	46.3	9.0x	2.5x	29.2	7.9	(7.2)	(21.7)
INCO	Theme 2	3,050	3,150	4,400	Buy	44.3	-3.2%	30.3	63.2x	1.1x	1.8	N/A	(25.8)	N/A
ANTM	Theme 2	875	855	1,200	Buy	37.1	2.3%	21.0	24.0x	1.1x	4.6	0.2	99.5	540.7
Agriculture														
AAJI	Theme 1	10,625	11,800	16,000	Buy	50.6	-10.0%	20.4	18.3x	1.1x	6.0	3.2	9.3	(89.5)
LSIP	Theme 1	1,065	1,105	1,500	Buy	40.8	-3.6%	7.3	21.9x	0.9x	4.0	4.2	(15.2)	(54.6)

Source : Bloomberg, NHKS Research

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