

Weekly Brief (February 04 – February 08)

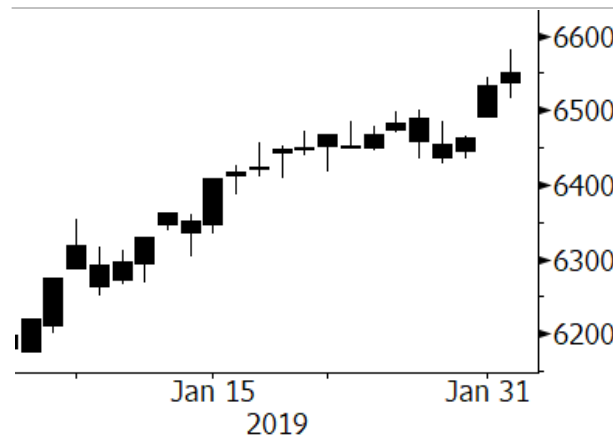
Summary:

Last week, JCI strengthened to 0.9% due to foreign investors' inflows of IDR3.7 trillion. Markets cheered the massive inflows as they figured out the Fed's accommodative monetary stance. The Fed's stance is a positive sentiment for further foreign inflows into Indonesia's equity market, particularly the banking sector, the biggest weighing for JCI.

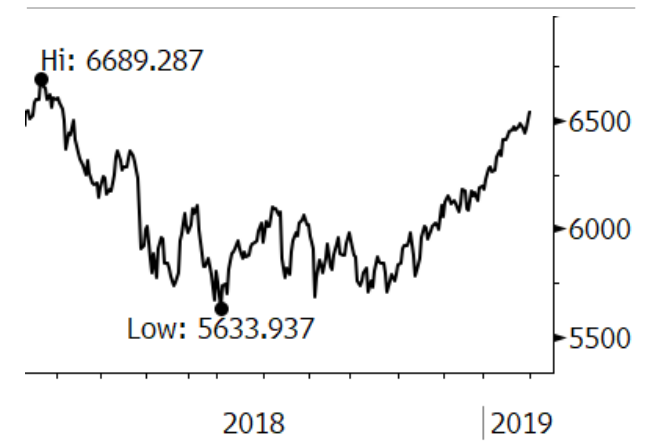
Two major data to be released within this week are the 4Q18 GDP on Wednesday, 02/06/19, and January's forex reserves on Thursday, 02/07/19. We discern domestic consumption as the backbone for Indonesia's GDP, and hence MAPI's stock, a retailer with the middle-to-high class target, is our top-pick stock, enjoying high and stable domestic consumption.

In addition, coal miners' stocks are also our-recommended stocks because coal commodity is Indonesia's first export and biggest contributor to Indonesia's forex reserves. We opt ITMG's stock as the preferred stock due to its credibility of coal miner posting the biggest export sales.

JCI - one month



JCI - one year



Last Week's Movement

- Jakarta Composite Index (JCI) : 6,538.63 (+0.9%)
- Foreign Investors : The *net buy* of IDR3.7 trillion (vs. the prior-week's *net buy* of IDR372 billion)
- USDIDR : 13.948 (-1.03%)
- Yields of sovereign bonds with 10-year tenor : 7.90% (-20.8 bps)

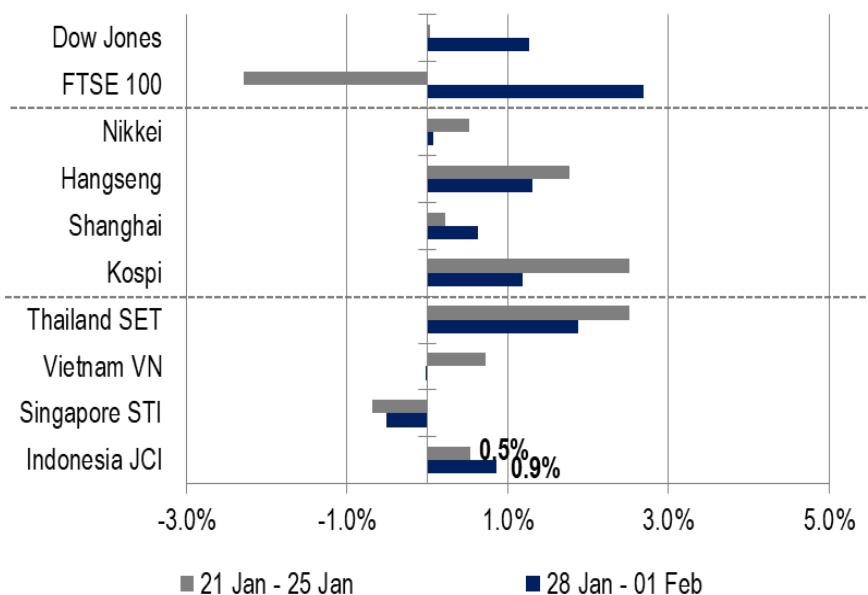
JCI Edging Up 0.9%

Global markets cheered the Fed's dovish stance after the FOMC meeting, arising investors' "risk on" appetite for domestic markets. That stance resulted in the rally of 0.9% in Indonesia's equity market, closing at 6,538, while yields of sovereign bonds with 10-year tenor dipped 20.8 bps and closed at 7.90%.

Massive Foreign Inflows

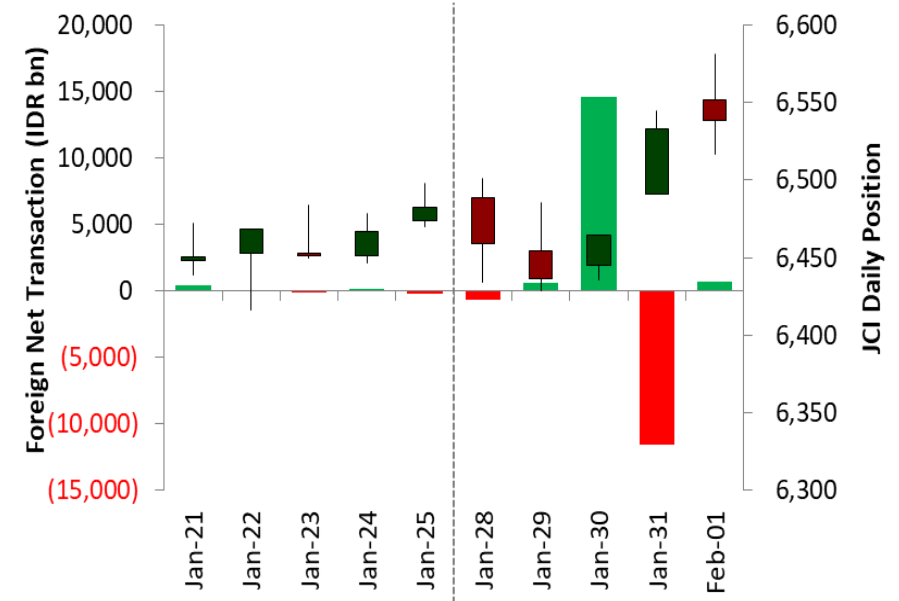
Indonesia's equity market posted the foreign investors' inflows of virtually IDR3.7 trillion and hence secured the total net buy to IDR14.5 trillion during 2019. Comparing the early-2019 foreign net buy to the foreign net buy of IDR859 billion in the same period of 2018, it draws a conclusion: foreign investors' high appetite for investing in Indonesia during 2019.

Global Market Movement



Source: Bloomberg, NH Korindo Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NH Korindo Research

Last Week's Sector Movement

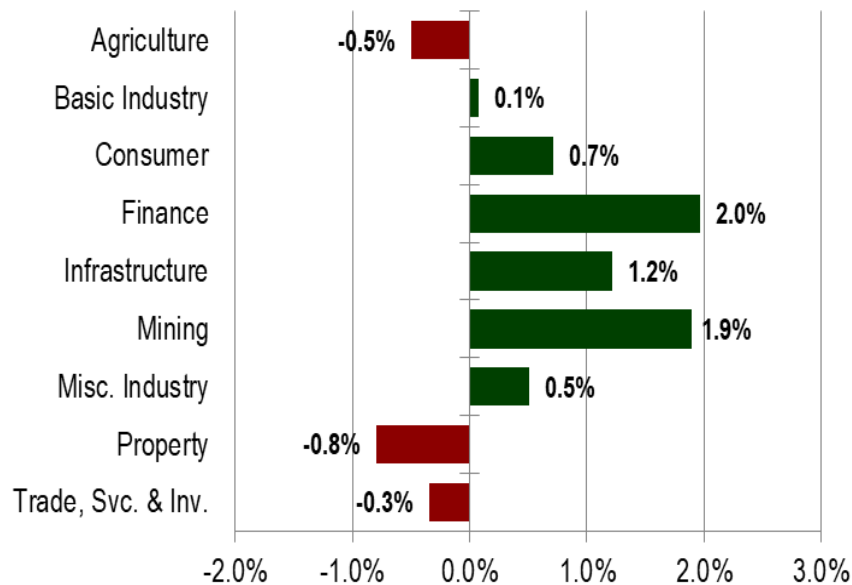
- **The Banking Sector Posting Foreign Net Buy of IDR16 Trillion**

The banking sector posted the first's largest foreign net buy of virtually IDR16 trillion last week. Most of the net buy derived from BTPN's acquisition worth IDR14.2 trillion by Sumitomo Mitsui Banking Corporation. The acquisition was the merger between BTPN and PT Bank Sumitomo Mitsui Indonesia. The second's largest foreign net buy was BBRI and BBKA's stocks posting the foreign inflows of almost IDR1.4 trillion. That was understandable due to the Fed's more accommodative monetary policy, giving bull favor to emerging markets—Indonesia in particular.

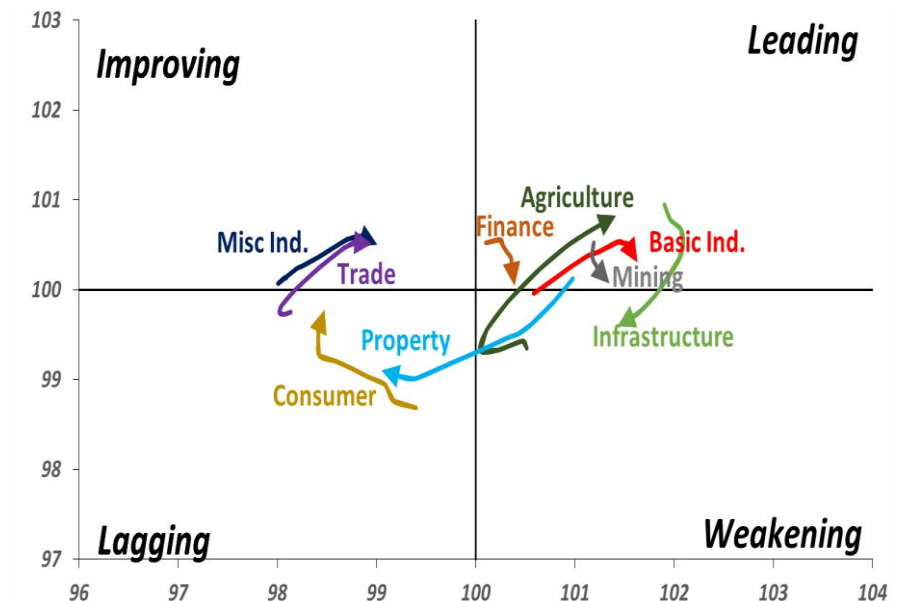
- **Miners Nudging Up 1.9%**

Domestic investors targeted miners' stocks, they posted the net buy of IDR160 billion and spurred miners' stocks at the second's highest rating last week. MEDC's stocks soaring 20% within 5-consecutive trading days dominated the net buy. MEDC's announcement of its acquisition over Ophir Energy Ltd, aiming to buoy its downstream business underlined domestic investors' preference for its stocks. MEDC, through the acquisition, positions itself as the seventh's biggest oil producers in Southeast Asia. We oversee the movement of MEDC's stocks as a short-term play for domestic investors.

Last Week JCI Sector Movement



Sector Rotation – Last 10 Days



This Week's Outlook

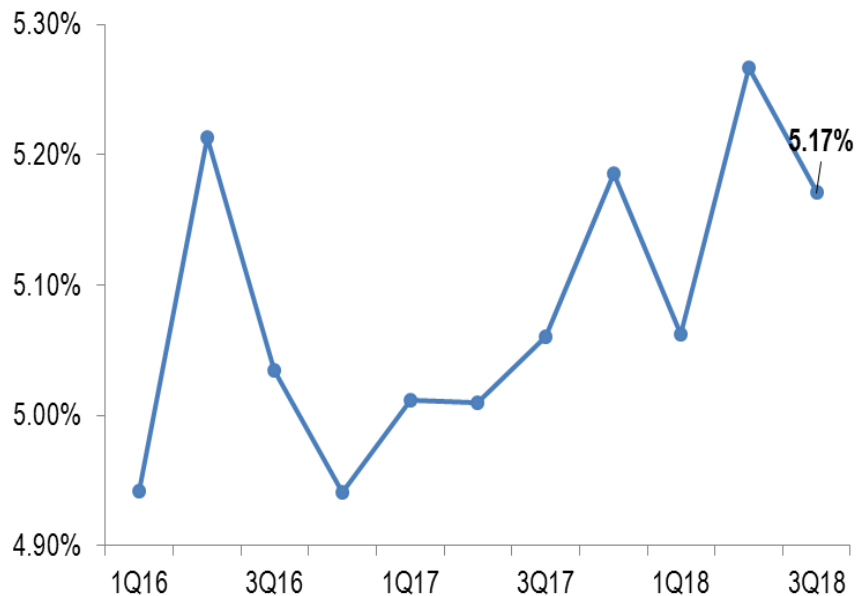
- **Economic Growth of 4Q18**

The Statistics Indonesia (BPS) will announce the GDP of 4Q18 on Wednesday, 02/06/2019. In 3Q18, the GDP was at 5.17% y-y—a slight decline than 5.27% y-y in 2Q18. The key drivers for the GDP were the escalating investment and the increment in fiscal spending: an expense outlook. The job data outlook viewed the potent driver for brighter economic in Indonesia is the improvement in employment, particularly the mining and manufacturing industry. We project that the 4Q18 GDP is possible to settle at 5.19% y-y due to the rosier economic activities, spurred by the higher demand during Christmas and New Year.

- **January's Forex Reserves**

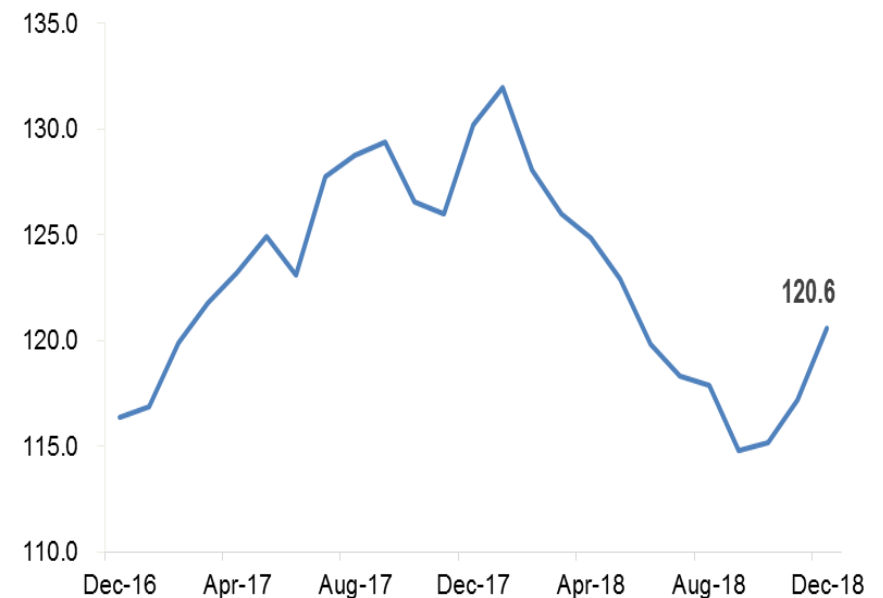
Bank Indonesia (BI) will release forex reserves of January 2019 on Thursday, 02/07/2019. Forex reserves of December 2018 posit the edging up figure of USD120.6 billion. The figure topped November's figure of USD117.2 billion and was a 3-consecutive month accumulation. Both robust financial transaction and domestic capital, strengthened by the bull favor in the domestic market were interlocking factors drove December's forex reserves higher. January's forex reserves, as was December's figure, is possible to edge up. Based on the history, as of 2010, early-year forex reserves tend to climb higher. The rupiah appreciation in January and the bull favor in both equity market and domestic bond market cause January's forex reserves to posit a higher figure.

Indonesia GDP Growth y-y



Source: Bloomberg, NH Korindo Research

Indonesia Forex Reserves (USD bn)



Source: Bloomberg, NH Korindo Research

Highlighted Sectors, According to This Week Outlook

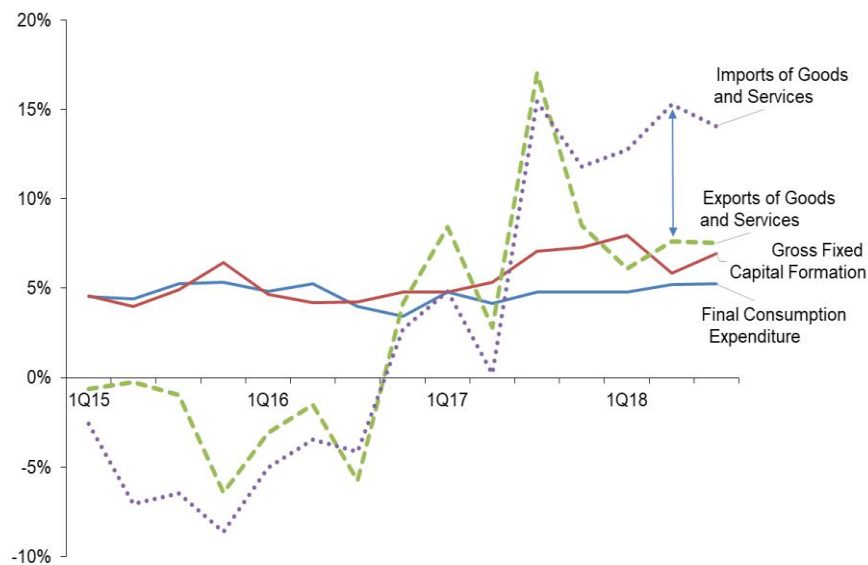
- **Retailers Enjoying Indonesia's Domestic Consumption**

Having analyzed the GPD released this week, we point the household consumption to remain the main bolster, fundamental to create stable economic growth in 2019. Neither did Indonesia's economic structures change in a few years ago, so does the household consumption remain the main potent driver for the national economy. The domestic consumption contributes 56% to the GDP. The Chief of The Fiscal Policy Agency Suahasil Nazara affirmed that the presidential election will bring a positive sentiment for higher domestic consumption. In light of the current circumstances, we recommend MAPI as a top-pick stock, reaping profits of the election momentum. In the short run, the 2019 Chinese New Year celebration proves a positive sentiment for MAPI's buoyant performance, supported by its special promotion programs and the surge of 15% in sales ahead of the 2019 Chinese New Year Celebration .

- **Coal Miners: Contributors for Forex Reserves**

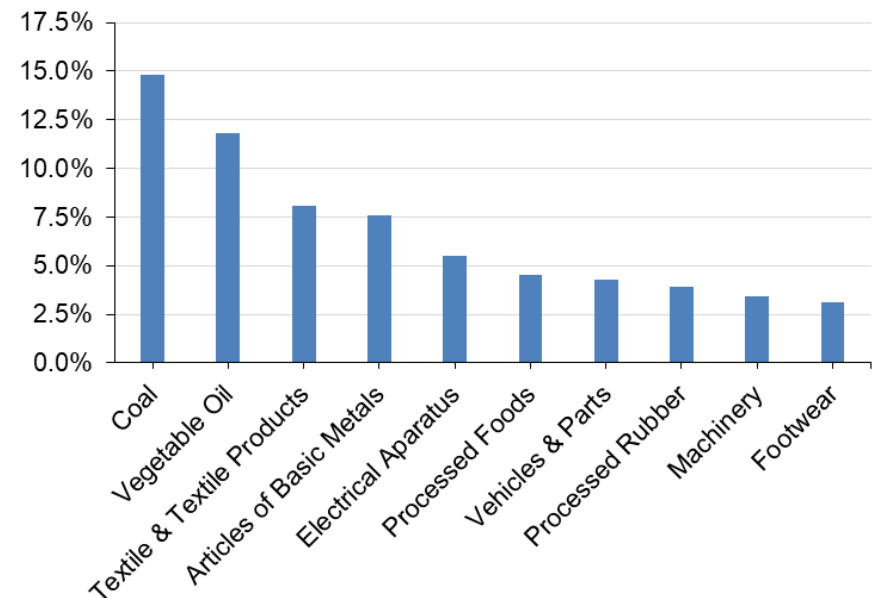
Next week, Bank Indonesia (BI) will release January's forex reserves, estimated to hike thanks to foreign inflow into the domestic market. The coal industry is Indonesia's first contributors to forex reserves, with the ratio of 15% to the total non-oil and gas exports: a real sector's outlook. Consequently, the government does as much as possible to provide the maximum support to the coal industry; to keep the highest possible contribution that the coal miners can give to forex reserves.

Indonesia Consumption as GDP's Back Bone



Source: Bloomberg, NH Korindo Research

Top 10 Indonesia Exports (% shares of total exports)



Source: Bank of Indonesia, NH Korindo Research

MAPI (Mitra Adiperkasa – Retail)

Dec 2019 Target Price	1,170
Consensus Price	1,099
Last Price (IDR) as of Feb 01, 2019	975
TP vs. Last Price	+20.0%

Revenue Breakdown:	
Retail Sales	72.3%
Department Stores	14.4%
Others	13.3%

IDR bn	FY2017	FY2018E	FY2019E	FY2020E
Revenue	16,306	19,069	21,521	23,737
y-y	15.2%	16.9%	12.9%	10.3%
Net profit	335	777	849	1,206
y-y	60.5%	132.0%	9.3%	42.0%
NPM	2.1%	4.1%	3.9%	5.1%
EPS	20	47	51	73
P/E	30.8x	17.2x	18.2x	12.8x

- **NHKS** recommend MAPI's stocks as this-week top-pick stock as it is possible to hit the target price of IDR1,170 at the targeted PE of 33.5x, using trailing EPS. The target price indicates the PE of 22.9x for FY2019E.

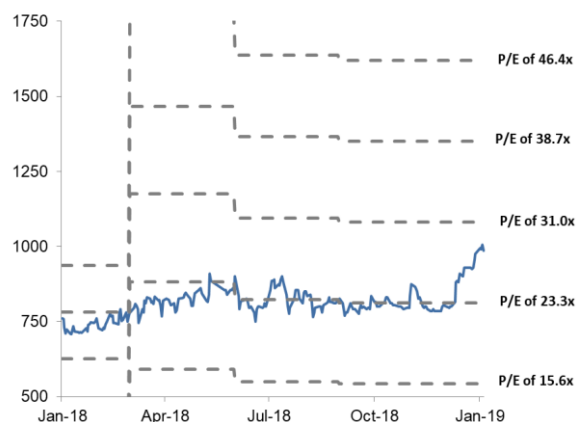
- **Picked Up by Higher Purchasing Power**

Indonesia's robust GDP inevitably reflects the buoyant consumption or purchasing power of the public as the household consumption constitutes 56% of Indonesia's GDP. For most of 2018, particularly since Eid Mubarak of 2018, retailers marked stellar performance thanks to the government's concerted commitment to keeping household consumption in check by assuring the stable price for staple food commodities. We project the buoyant purchasing power to prevail further for most of 2019 in light of the 2019 presidential election. The momentum proves a boon for retailers— particularly MAPI equipped with robustly-segmented products and leading brand portfolios.

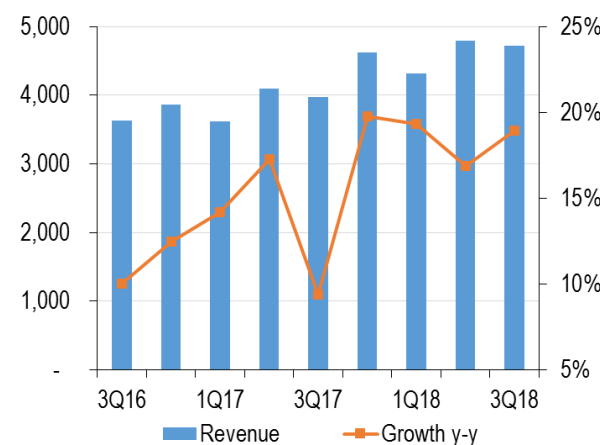
- **Make Best Use of the 2019 Chinese New Year**

During this week, retailers are likely to secure profits from the momentum of the Chinese New Year Festive on February 5th, 2019. Making best use of the momentum, MAPI pursues the growth of 15% in sales, much higher than that of 5% during the 2018 Chinese New Year. The high growth is on the basis of MAPI expansively launched new stores for most of 2018, coupled with the aggressive special promotion programs, e.g., discounts, vouchers, and cash-back. The Indonesian Shopping Center Association also projects that the number of mall visitors ahead of the Chinese New Year will hike by 10%-15%.

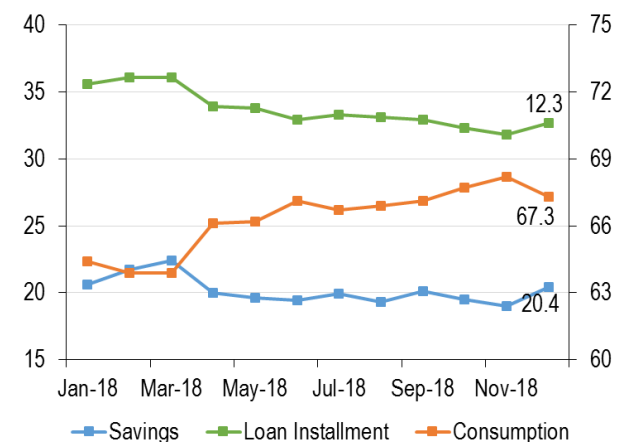
P/E Band (EPS Trailing)



MAPI Quarterly Revenue | 3Q16 – 3Q18



Allocation of Household Income | Jan '18 – Dec '18



ITMG (Indo Tambangraya Megah– Coal)

Dec 2019 Target Price	25,475
Consensus Price	28,770
Last Price (IDR) as of Feb 01, 2019	22,175
TP vs. Last Price	+14.9%

Revenue Breakdown:	
Coal Sales	100%

USD mn	FY2017	FY2018E	FY2019E	FY2020E
Revenue	1,690	2,066	2,281	2,540
y-y	23.5%	22.3%	10.4%	11.4%
Net profit	253	320	350	403
y-y	93.8%	26.5%	9.2%	15.3%
NPM	15.0%	15.5%	15.3%	15.9%
EPS (IDR)	3,059	4,339	4,783	5,533
P/E	6.8x	4.5x	4.1x	3.5x

- **NHKS recommend** ITMG's stocks as this week's top-pic stock possible to hit the target price of IDR25,475 at the targeted LTM P/E of 7.2x or P/E FY2019E of 5.3x, underpinned by the government's mandatory of the maximum increment of 100 million tons coal to be exported. ITMG's exports constituting 88% of its total sales is quite a dominant figure.

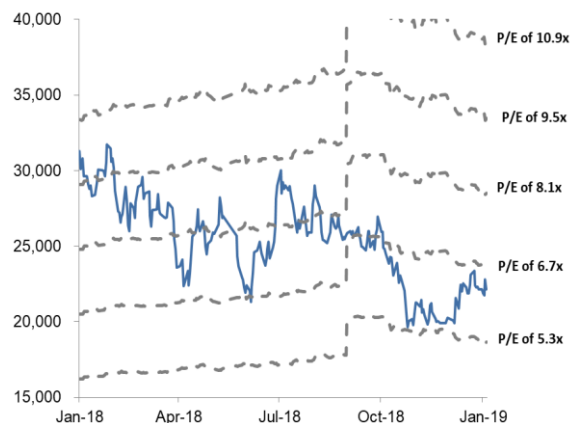
- **Increment of USD1.5 Billion in Forex Reserves**

The coal export is one of the biggest forex reserves contributors for Indonesia. The government targets that the coal industry, in 2019E, contributes the increase of USD1.5 billion in forex reserves. That aligns with ITMG's plan to boost its exports as countries with ultra-supercritical power plants, e.g., Japan and South Korea highly bank on high-calories coal produced by ITMG. The high-calorific coal becoming Indonesia's main exported commodity, because of higher in margins, eco-friendly in nature, and major domestic power plants consume low calorie coal.

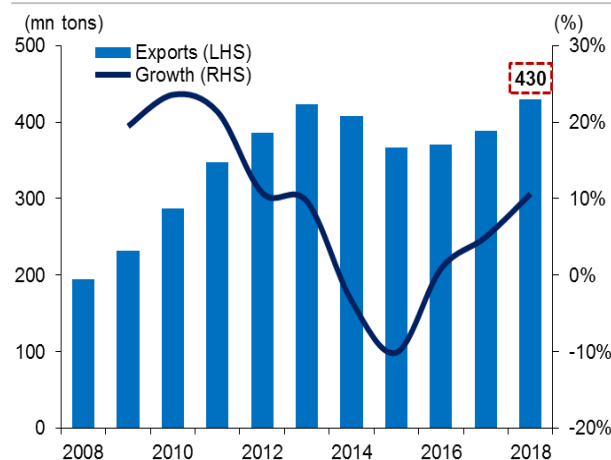
- **Elimination of Administrative Requirement**

We estimate bull favor of coal exports-contributing higher forex reserves to Indonesia -- to prevail further in 2019E. The backdrop is flourished by the trade ministry eliminating the time and costs wasting requirement of Surveyor Report: a setback for coal exports. We are certain that the elimination helps to spur coal exports and becomes a positive sentiment for ITMG's performance.

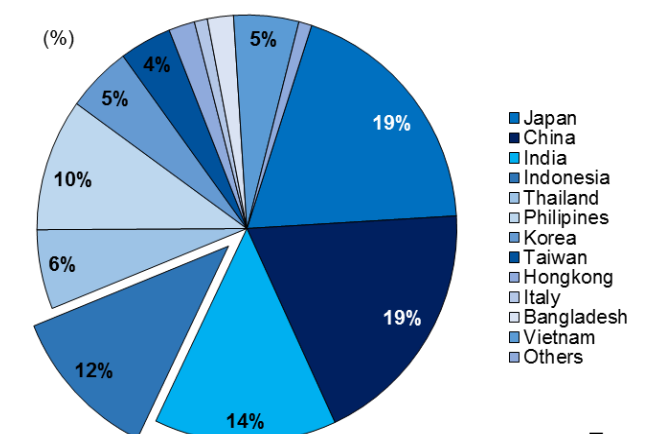
P/E Band (EPS Trailing)



Increasing Indonesia's Coal Export Volume



9M18 Sales Breakdown by Country



PT NH Korindo Sekuritas Indonesia

Member of Indonesia Stock Exchange

Head Office :

Wisma Korindo 7th Floor
Jl. M.T. Haryono Kav. 62
Pancoran, Jakarta 12780
Indonesia
Telp : +62 21 7976202
Fax : +62 21 7976206

Branch Office BSD:

ITC BSD Blok R No.48
Jl. Pahlawan Seribu Serpong
Tangerang Selatan 15322
Indonesia
Telp : +62 21 5316 2049
Fax : +62 21 5316 1687

Branch Office Solo :

Jl. Ronggowarsito No. 8
Kota Surakarta
Jawa Tengah 57111
Indonesia
Telp : +62 271 664763
Fax : +62 271 661623

DISCLAIMER

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein.

All rights reserved by PT NH Korindo Sekuritas Indonesia