

Weekly Brief

Last Week's Recap

- Jakarta Composite Index : 6,505.5 (-1.86%)
- Foreign Investor : net sell of IDR5.39 trillion (vs net sell of IDR4.2 trillion in prior week)
- USD/IDR : 13,628 (-1,29%),
- Yield Indonesia 10-year : 6.37% (+9.50 bps)

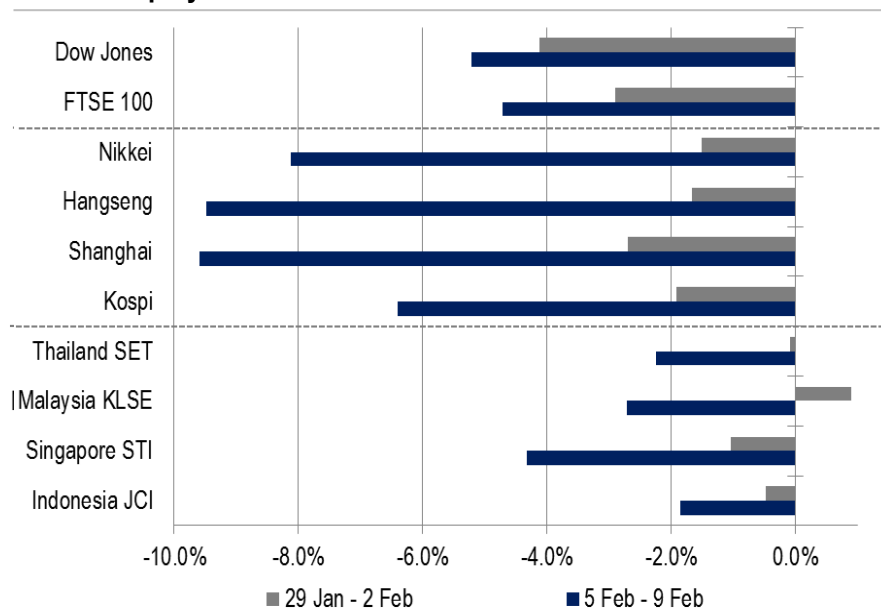
- **Plummeting U.S. market**

The U.S. market dramatically plummeted for the first time after experiencing long-term uptrend. The robust job data topping estimate has spurred expectancy of inflation reflected in the hike of the U.S. government yield to the 4-year highest level.

- **Indonesia's Macroeconomic Data**

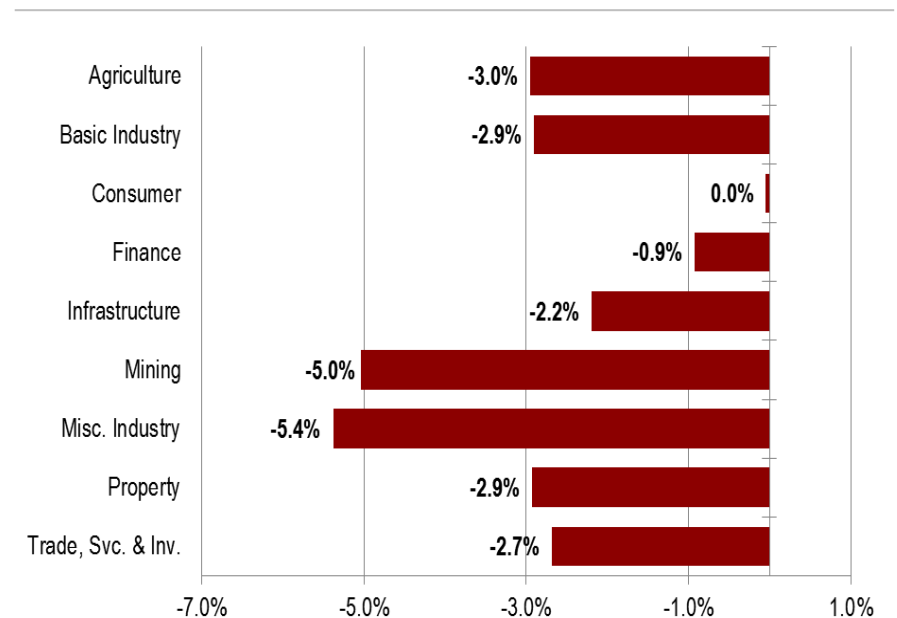
Indonesia's 4Q17 economy grew by 5.19% faster than either 3Q17 growth of 5.06% or estimated growth of 5.12%. The growth was boosted by the hike in export amid the rally in commodities' prices. Indonesia's foreign reserves posted the highest level of USD131.98 billion in January 2018.

Global Equity Market



Source: Bloomberg, NH Korindo Research

Sector Index



Source: Bloomberg, NH Korindo Research

This Week Outlook

- **Global Sentiment: The U.S. inflation**

The potency of global market volatility in this week will be affected by January's inflation to be released on Wednesday, 02/14/2018. Although the estimated core inflation is 1.7% y-y (vs 1.8% in December), the higher realization likely triggers further volatility.

- **Domestic Sentiment: Trade Balance & Bank Indonesia (BI) Board of Governors Meeting**

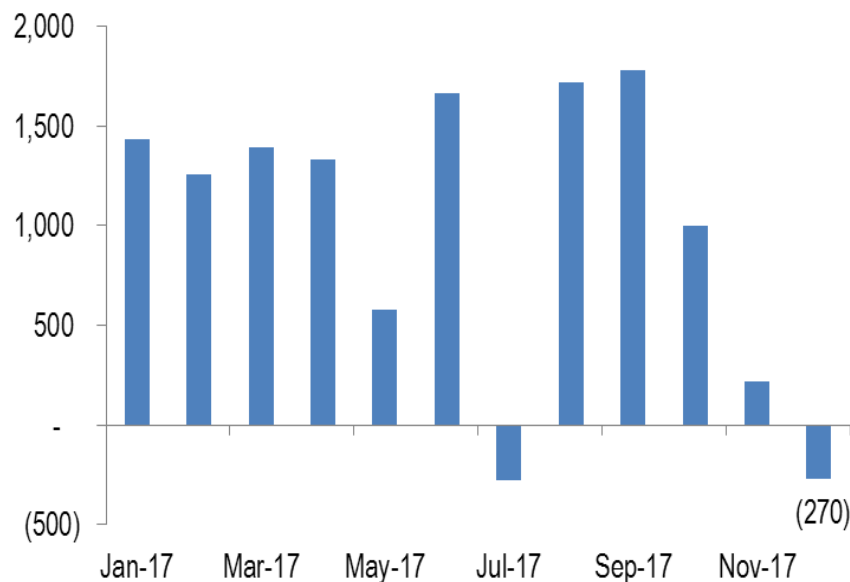
The release of January's trade balance data likely determines Indonesia's strength relating to the external factor. After registering December's deficit of USD270, it is estimated that January's trade balance likely experiences the surplus of USD320 million. Besides, the statements of BI's Board of Governors Meeting dated Thursday, 02/15/18, relating to the change in the updated economic conditions likely affects investors' confidence.

- **JCI Healthy Correction**

Now, JCI is in trend of healthy correction with a view to neutralize the rapid uptrend in the initial December 2017 until the end of January 2018. The uptrend is in the stark contrast to the normal uptrend in the early period of 2017 until the early of December 2018.

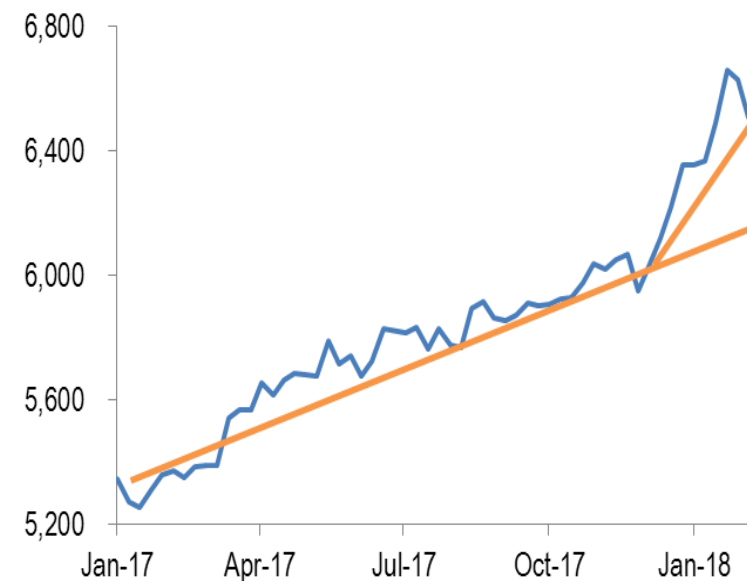
- **We estimate JCI to move flat** in the range of 6,412-6,600 in this week.

Indonesia Trade Balance (USD mn)



Source: Bloomberg, NH Korindo Research

Current JCI Trend



Source: Bloomberg, NH Korindo Research

Kalbe Farma (KLBF) - Pharmaceutical

- **KLBF at A Glance**

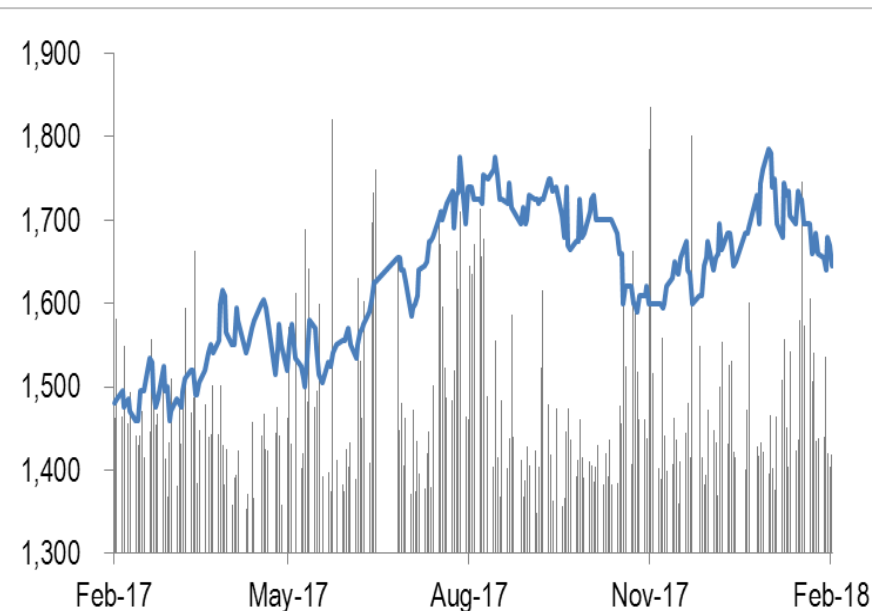
Established in 1966, Kalbe has embarked its long-way business path from a humble operation started in a garage to a leading pharmaceutical company in Indonesia. Kalbe Farma is also the largest pharmaceutical company in South East Asia as it manages extensive portfolios ranging from prescription pharmaceuticals, OTC drugs, energy drink, nutrition products, to a robust distribution arm serving more one million outlets across Indonesia's vast archipelago.

- **KLBF Prospect: Intact Growth Potential**

The robust purchasing power and the growth in the middle class income in Indonesia are the potent drivers for KLBF's sales growth in the couple of years ahead. We estimate that in 2018, it will be capable of posting the upward sales of 7.4% into IDR21.8 trillion.

- **Weekly Range 1,600 – 1,750; Last Price: 1,645; Market Cap: IDR77,1 trillion; Free Float: 43.3%**

KLBF Share Price



Source: Bloomberg, NH Korindo Research

Financial Summary (IDR bn)

	FY2016	FY2017E	FY2018E	FY2019E
Sales	19,374	20,348	21,845	23,565
<i>Sales growth</i>	8.3%	5.0%	7.4%	7.9%
EBITDA	3,382	3,560	3,780	4,097
Net profit	2,300	2,396	2,559	2,765
EPS (IDR)	49	51	55	59
<i>EPS growth</i>	14.7%	4.2%	6.8%	8.0%
BVPS (IDR)	266	296	328	362
NPM	11.9%	11.8%	11.7%	11.7%
ROE	19.7%	18.2%	17.5%	17.1%
ROA	15.9%	14.8%	14.2%	14.0%
P/E	30.9x	33.2x	31.1x	28.7x
P/BV	5.7x	5.7x	5.2x	4.7x
EV/EBITDA	20.4x	21.5x	20.2x	18.5x
Dividend yield	1.3%	1.3%	1.4%	1.4%

Source: Bloomberg, NH Korindo Research

Bank Rakyat Indonesia (BBRI) - Bank

- **BBRI at A Glance**

BBRI is state-owned bank with the biggest assets among other banks. It is facilitated with the widest network covering urban areas to remote areas. It distributes around 15% of the total credit distribution in Indonesia. Meanwhile, in the micro and SMEs divisions, it distributes around 32% of the total distributed credit.

- **Double-Digit Credit Growth**

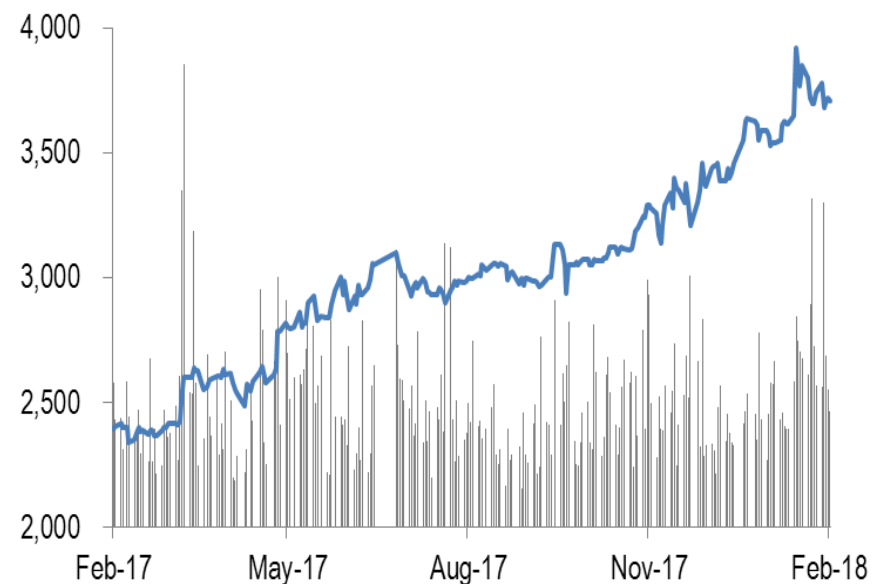
In the end of 2017, the credit distribution grew 11.4% higher than the credit distribution average growth of 8.2% posted by the banking industry. The non-corporation divisions, namely micro, consumer, and small and medium enterprises (SMEs) posting the hike of 13%-14% were the key pillars for the growth in the credit distribution. The three divisions contributed 74% to the total credit distribution.

- **Well-Maintained Margin**

The accelerated credit growth of non-corporation division in 2018 likely underpins the interest income performance as the division generates a higher yield than does the corporation division. The accelerated credit growth in such division coupled with the consistent decline of 2.7% in cost of deposit attributable to the higher portion of savings account likely boost BBRI's capability of maintaining well its net interest margin higher than 7.5% amid the headwind lowering yield.

- **Weekly Range 3,650 – 3,850; Last Price: 3,710; Market Cap: IDR453,0 trillion; Free Float: 43.2%**

BBRI Share Price



Source: Bloomberg, NH Korindo Research

Financial Summary (IDR bn)

	FY2016	FY2017	FY2018E	FY2019E
Interest Income	97,788	102,899	115,375	131,187
<i>Growth</i>	10.9%	8.6%	12.1%	13.7%
Operating Revenue	84,580	92,482	107,015	122,223
Net profit	26,196	28,997	33,254	38,242
EPS (IDR)	212	235	270	310
<i>EPS growth</i>	3.1%	10.7%	14.7%	15.0%
BVPS (IDR)	1,190	1,357	1,525	1,731
Net Interest Margin	8.0%	7.6%	7.9%	8.0%
Loan/Deposit	87.9%	87.8%	88.8%	89.5%
ROE	20.2%	18.5%	18.7%	19.0%
NPL	2.0%	2.1%	2.0%	1.9%
P/E	11.0x	15.5x	13.6x	11.9x
P/BV	2.0x	2.7x	2.4x	2.1x
Dividend yield	4.0%	3.0%	3.1%	3.5%

Source: Bloomberg, NH Korindo Research

Astra International (ASII) - Automotive

- **ASII at A Glance**

ASII is the automotive market leader in Indonesia. Around 50% of its revenue derives from the automotive business i.e. 30% from 4W sales, 10% from 2W sales, and the remaining from the component business. Another to the automotive business, it also has mining, financial, CPO, infrastructure, and property business.

- **Supportive Environment**

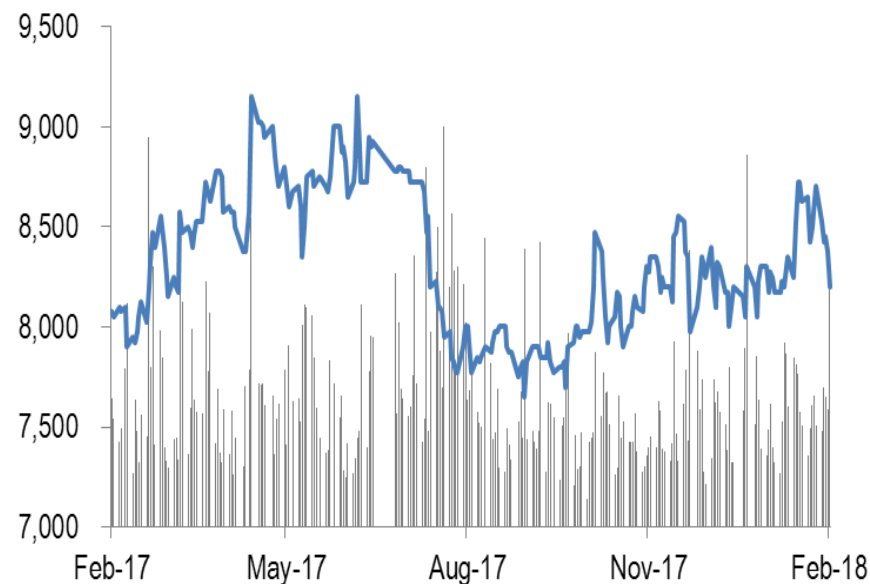
We estimate that in 2018, the recovery in purchasing power bolstered by the upward new commodities industry will likely have positive impact on sales performance, 2W division in particular. The relatively benign and stable inflation and the downbeat reference rate to have effect on credit rate after 6 month are the catalyst for 2018's sales.

- **King of MPV Class**

The economic growth projected to hike 5.3% in 2018 will align with the automotive sales. ASII through its brand, Toyota, is the biggest market share holder for the automotive product of MPV class. It seize the opportune increment in middle class income by launching the LCGC cars. Additionally, the categorization of Wuling and Mitsubishi into Low MPV class will have no significant impact on 2018's Toyota sales as ASII has excellency in production capacity and service coverage.

- **Weekly Range 7,975 – 8,725; Last Price: 8,200; Market Cap: IDR332.0 trillion; Free Float: 49.8%**

ASII Share Price



Source: Bloomberg, NH Korindo Research

Financial Summary (IDR bn)

	FY2016	FY2017E	FY2018E	FY2019E
Sales	181,084	197,090	204,650	213,940
<i>Sales growth</i>	-1.7%	8.8%	3.8%	4.5%
EBITDA	24,219	26,497	30,896	31,634
Net profit	15,156	19,758	21,076	21,300
EPS (IDR)	374	488	521	526
<i>EPS growth</i>	48%	30.4%	6.7%	1.1%
BVPS (IDR)	3,456	3,723	4,027	4,329
NPM	8.4%	10.0%	10.3%	10.0%
ROE	11.4%	13.6%	13.4%	12.6%
ROA	6.0%	7.2%	7.3%	7.0%
P/E	16.0x	16.3x	15.3x	15.2x
P/BV	1.7x	2.1x	2.0x	1.8x
EV/EBITDA	12.9x	15.2x	13.0x	12.8x
Dividend yield	2.8%	2.1%	2.8%	2.9%

Source: Bloomberg, NH Korindo Research