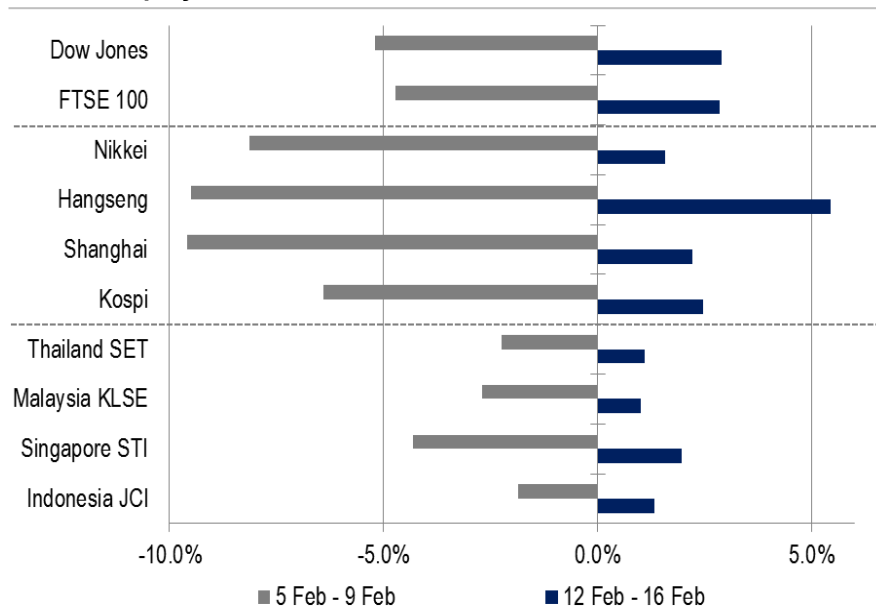


Weekly Brief

Last Week's Recap

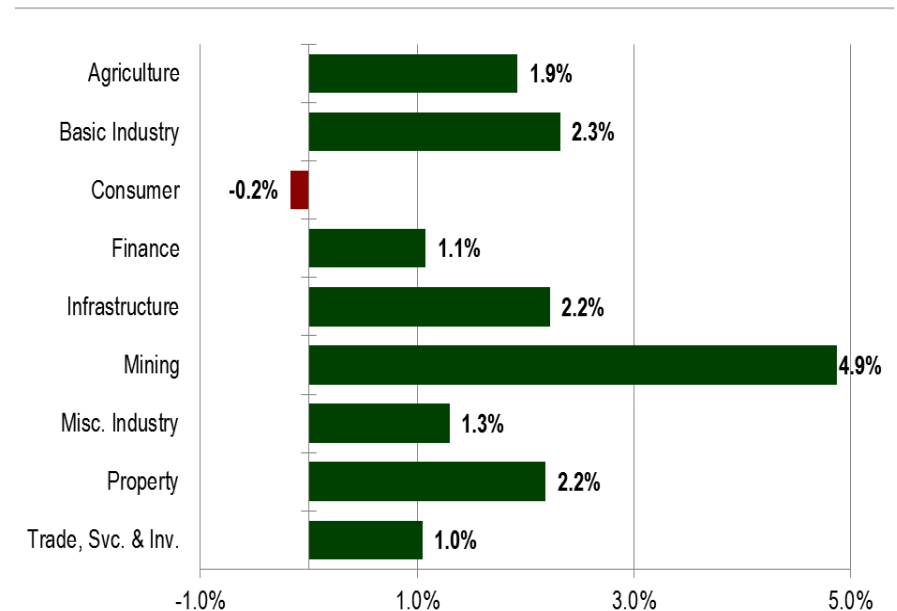
- Jakarta Composite Index : 6,591.6 (+1.32%)
 Foreign Investor : net sell of IDR1.58 trillion (vs net sell of IDR5.39 trillion in prior week)
 USD/IDR : 13,560 (+0.77%),
 Yield Indonesia 10-year : 6.42% (+4.90 bps)
- Diminishing Fears of Inflation**
 In spite of U.S inflation figures coming above consensus, U.S. markets could make a significant rally in last week. The U.S. government bond yield jumped into above 2, 9% or new 4-year high, yet equity markets started to focus on the fact that growing economy will spark profitability.
- Trade Deficit in January**
 Indonesia posted trade deficit of USD677 million in January (vs estimate of trade surplus of USD220 million). This deficit continued the deficit of USD270 million in prior month.

Global Equity Market



Source: Bloomberg, NH Korindo Research

Sector Index



Source: Bloomberg, NH Korindo Research

This Week's Outlook

- **Global Sentiment: FOMC Minutes**

While volatility in global markets has been gradually decreased amid re-emergence of risk appetite, minutes of latest FOMC meeting published on Thursday 02/22/2018 should be carefully anticipated. With three rate hikes expected by market right now, any unpredicted statement on the minutes showing possibility of more than current expectation may trigger another fear of uncertainty.

- **Domestic Sentiment: Rebound in Rupiah**

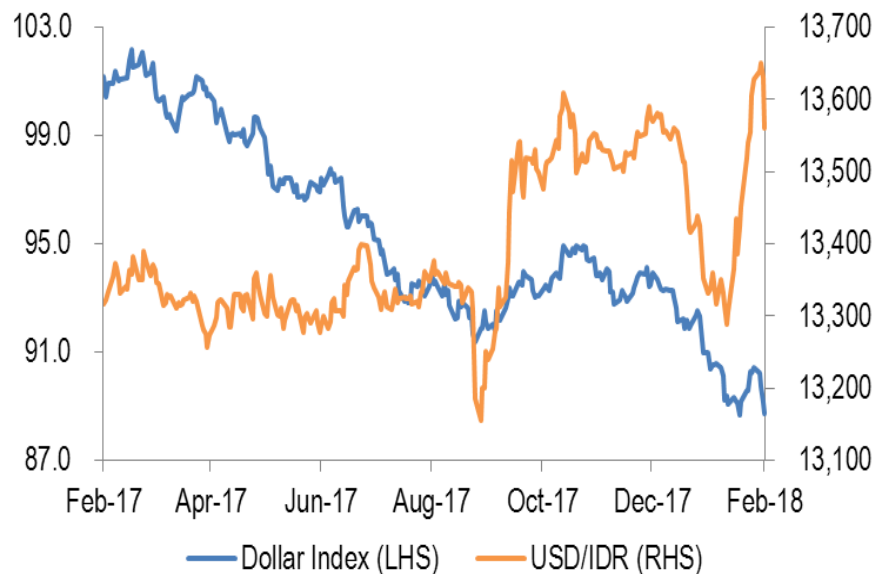
After a significant decline in the past two-week due to global financial market turmoil, Rupiah is expected to make a significant rebound into the convenience range of 13,300-13,400. In last Thursday's Board of Governor Meeting, Bank Indonesia stated that it focused on currency risk. BI confirmed its step to stabilize rupiah. The further trend of decline in dollar index will also give positive sentiment for rupiah.

- **Uptrend Import**

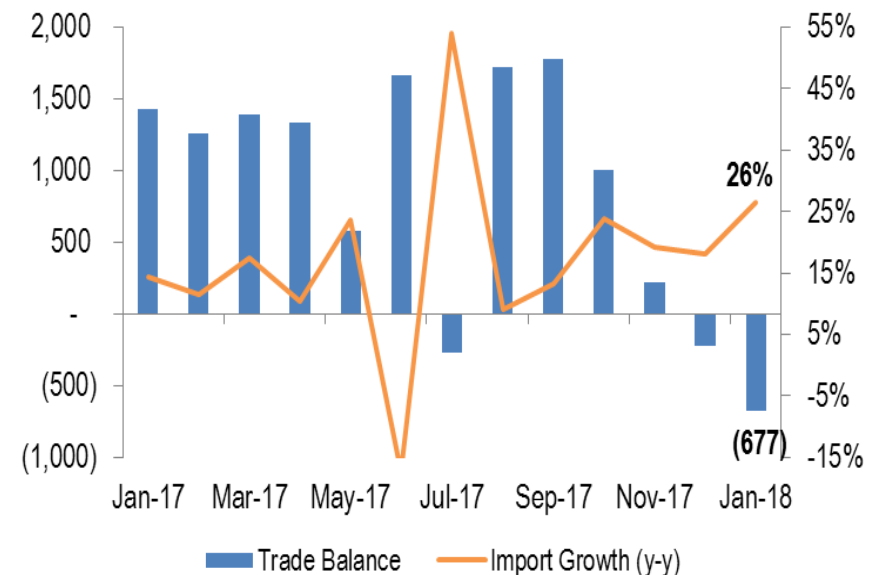
Trade deficit in the beginning of 2018 indicates the improving domestic economic engine. Trade deficit in January was influenced by import growth of 26,44% y-y. The uptrend import is especially occurred in consumer goods, capital goods, and raw materials for manufacturing.

- **We estimate JCI to move higher** in the range of 6,540-6,700 in this week.

Dollar Index & USD/IDR



Indonesia Trade Balance (USD mn)



Hanjaya Mandala Sampoerna (HMSP – Cigarette)

- **HMSP at A Glance**

HMSP is the market leader of cigarette industry in Indonesia as it dominates 35% of cigarette's market share. About 92,5% of it shares is owned by Phillip Morris, a respectable global cigarette company.

- **Indonesia's Cigarette Industry is the Leader in ASEAN**

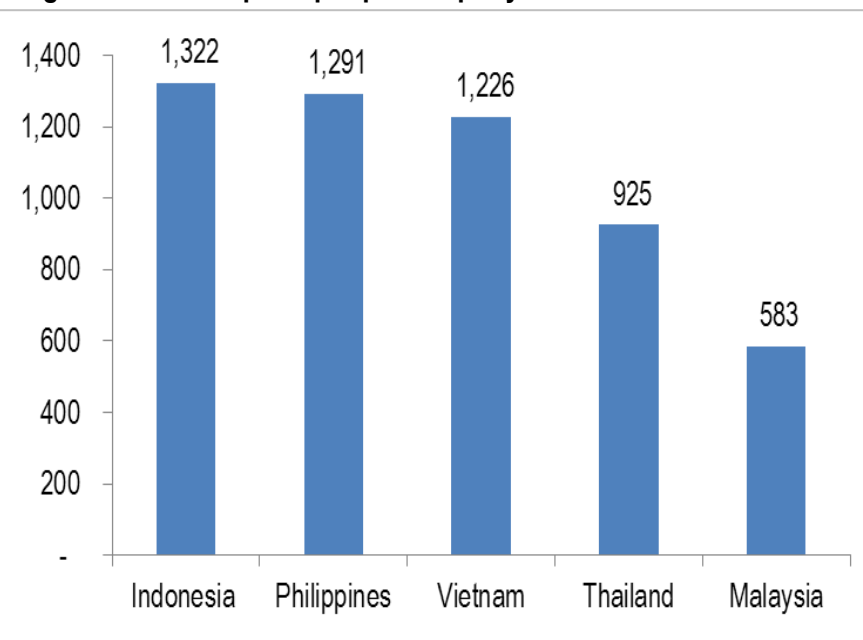
The cigarette industry in Indonesia is quite big in size underpinned by the largest population in ASEAN and the highest level of per person cigarette consumption in Indonesia.

- **Dji Sam Soe Brand**

Dji Sam Soe is HMSP's most popular product with a special flavor and premium price. Its market shares increased from 6,6% in 3Q16 into 8,1% in 4Q17. We estimate that Dji Sam Soe will remain robust due to the less intense competition due to the limitation on price discount usually applied on new cigarette product launched by cigarette maker.

- **Weekly Range 4,780 – 5,050; Last Price: 4,850; Market Cap: IDR564,1 trillion; Free Float: 7.5%**

Cigarette Consumption per person per year



Source: Bloomberg, NH Korindo Research

Financial Summary (IDR bn)

	FY2016	FY2017E	FY2018E	FY2019E
Sales	95,467	98,748	105,857	114,973
<i>Sales growth</i>	7.2%	3.4%	7.2%	8.6%
EBITDA	16,745	17,350	18,594	20,179
Net profit	12,762	13,175	13,906	15,229
EPS (IDR)	110	113	120	131
<i>EPS growth</i>	23.1%	3.2%	5.5%	9.5%
BVPS (IDR)	294	299	307	321
NPM	13.4%	13.3%	13.1%	13.2%
ROE	37.3%	37.9%	38.9%	40.8%
ROA	30.0%	31.0%	31.7%	33.5%
P/E	34.9x	35.8x	33.9x	30.9x
P/BV	13.0x	13.5x	13.2x	12.6x
EV/EBITDA	26.3x	26.7x	24.9x	22.9x
Dividend yield	2.3%	2.7%	2.7%	2.9%

Source: Bloomberg, NH Korindo Research

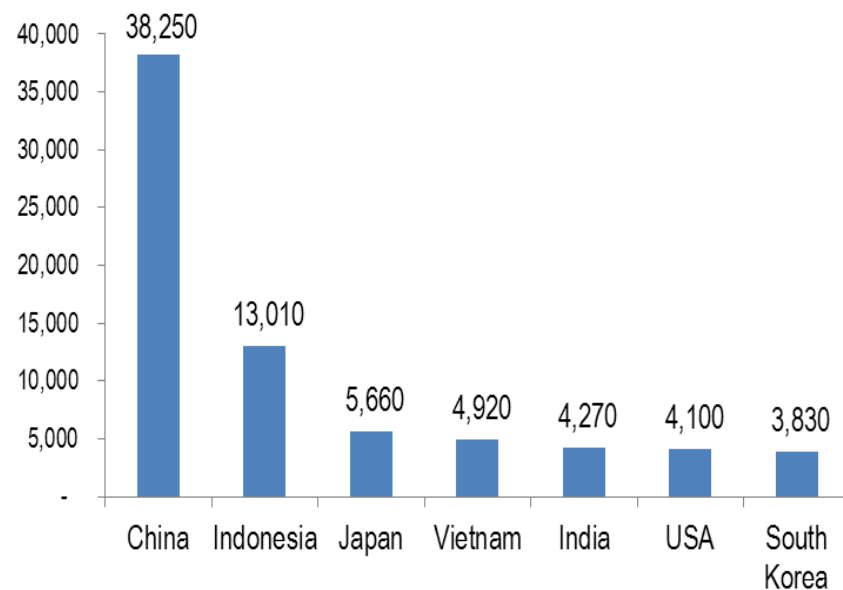
Indofood CBP Sukses Makmur (ICBP – Noodle)

• ICBP at A Glance

ICBP engages in diverse business categories, including noodles, dairy, snack foods, food seasonings, nutrition, special foods and beverages. It has 6 divisions of which the noodle division gave the biggest contribution of 87% to ICBP profit.

- Indonesia is the second biggest instant noodle market after China. ICBP, backed by its legendary instant noodle product, namely Indomie and 70% market share is the market leader of instant noodle industry in Indonesia. Its big market share is supported by its main parent, namely Indofood Group having broad distribution network across Indonesia.
- **Higher Consumption in Politic Year**
The politic agenda in 2018 and 2019 usually accompanied by the increment in government spending will spur public consumption. Besides, the sluggish consumption in 2017 will result in higher growth in 2018.
- **Weekly Range 8,850 – 9,350**; Last Price: 8,975; Market Cap: IDR104,7 trillion; Free Float: 19.5%

Demand for Instant Noodles (per million servings)



Source: Bloomberg, NH Korindo Research

Financial Summary (IDR bn)

	FY2016	FY2017E	FY2018E	FY2019E
Sales	34,466	36,405	38,649	41,238
<i>Sales growth</i>	8.6%	5.6%	6.2%	6.7%
EBITDA	5,534	5,849	6,249	6,736
Net profit	3,600	3,798	4,024	4,321
EPS (IDR)	309	326	345	371
<i>EPS growth</i>	20.0%	5.5%	5.9%	7.4%
BVPS (IDR)	1,586	1,796	1,978	2,176
NPM	10.4%	10.4%	10.4%	10.5%
ROE	20.6%	19.3%	18.3%	17.8%
ROA	13.0%	12.5%	12.2%	12.3%
P/E	27.8x	27.2x	25.6x	23.9x
P/BV	5.4x	4.9x	4.5x	4.1x
EV/EBITDA	17.1x	16.7x	15.6x	14.3x
Dividend yield	1.5%	1.7%	1.8%	1.9%

Source: Bloomberg, NH Korindo Research

XL Axiata (EXCL - Telecommunication Operator)

- **EXCL at A Glance**

EXCL is a mobile service provider with more than 17-year operational experience in Indonesia's market. Its services cover data, voice, SMS, and other value added digital services. As of December 2017, EXCL had 53.5 million subscribers.

- **Highest Growth in the Industry**

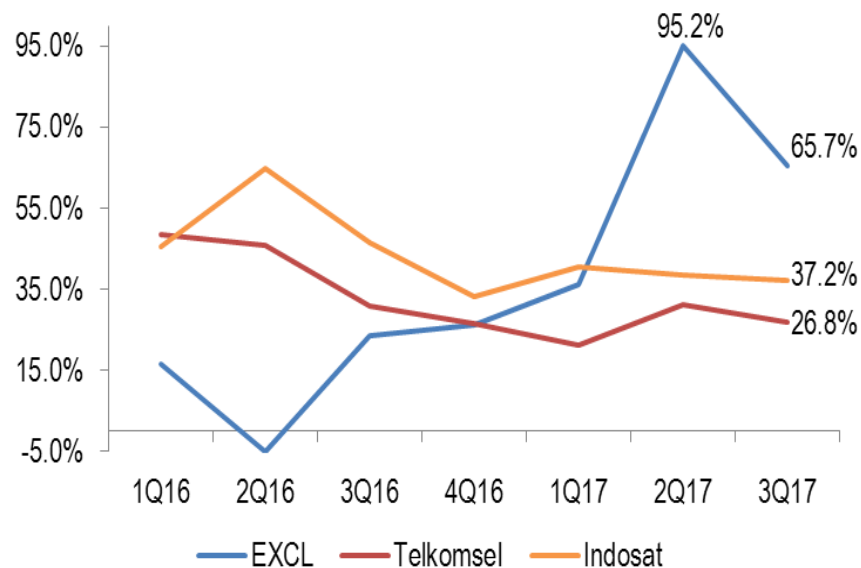
EXCL persistently seizes the industry growth momentum by posting highest growth in the telecommunication industry. In 2017, its data traffic soared by 148% y-y into 1250 PB, while its data revenue hiked by 61% y-y into IDR13 trillion.

- **Capacity Advantage**

EXCL consistently closes the gap with Telkomsel as the market leader in terms of coverage. EXCL's plan of allocating more capital expenditure to ex Java will result in intense competition with Telkomsel. EXCL has more excess capacity and offers the lowest price in the industry; accordingly, it can continue its strong growth in 2018.

- **Weekly Range 2,850 – 3,100; Last Price: 2,910; Market Cap: IDR30 trillion; Free Float: 33.6%**

Revenue Growth of Data Service (y-y)



Source: Bloomberg, NH Korindo Research

Financial Summary (IDR bn)

	FY2016	FY2017	FY2018E	FY2019E
Sales	21,341	22,876	24,568	26,420
<i>Sales growth</i>	-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
<i>EPS growth</i>	N/A	-0.1%	12.8%	4.3%
BVPS (IDR)	1,984	2,024	2,063	2,105
NPM	1.8%	1.6%	1.7%	1.7%
ROE	2.1%	1.8%	1.9%	2.0%
ROA	0.7%	0.7%	0.8%	0.8%
P/E	6.2x	7.6x	6.8x	6.5x
P/BV	1.2x	1.4x	1.4x	1.4x
EV/EBITDA	5.2x	5.8x	5.3x	4.9x
Dividend yield	0.0%	0.0%	0.0%	0.0%

Source: Bloomberg, NH Korindo Research