

Weekly Brief (January 21 – 25)

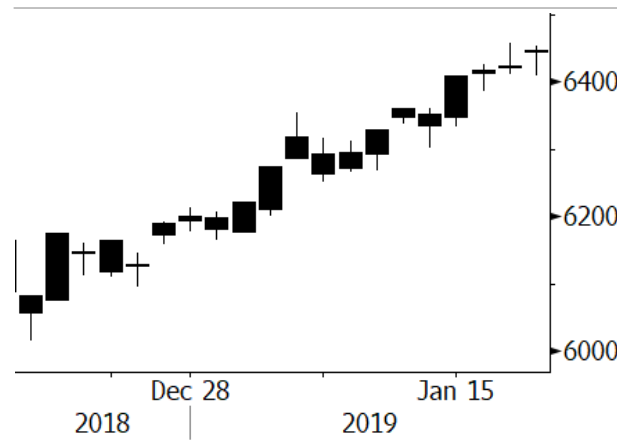
Summary:

Last week, JCI was bullish on the back of the net foreign buy of IDR6.4 trillion. Indeed, foreign investors allured to buy banking stocks as they posted the net buy of IDR4,3 trillion or 67% of the total net foreign buy, a positive sentiment driven by the unchanged 7-day Reverse Repo Rate.

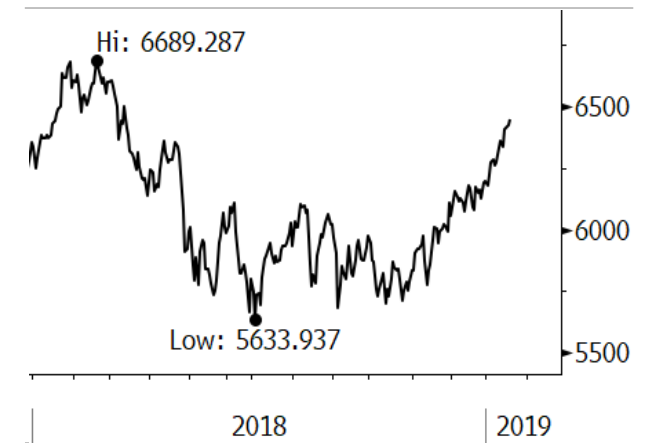
We project that within this week, foreign investors start to flirt to initially-overlooked stocks such as stocks of media companies. The media industry will enjoy increment in ads aired on TV stations during the presidential election debate. In addition, sectors expanding their exports are other top-pick stocks.

We recommend MNCN's stocks as media top-pick stock because MNCN reserves the broadcasting license of the second round of the presidential election debate. Another to MNCN, SMGR's stocks are quite profitable to accumulate due to its picking-up exports.

JCI - one month



JCI - one year



Last Week's Movement

- Indeks Harga Saham Gabungan (JCI) : 6,448.15 (+1.4%)
- Foreign Investors : the *net buy* of Rp6.4 trillion (vs. the prior *net buy* of Rp3.2 billion)
- USDIDR : 14,178 (+0.93%)
- Yields of the government bonds with 10-year tenor : 8.093% (+11.2 bps)

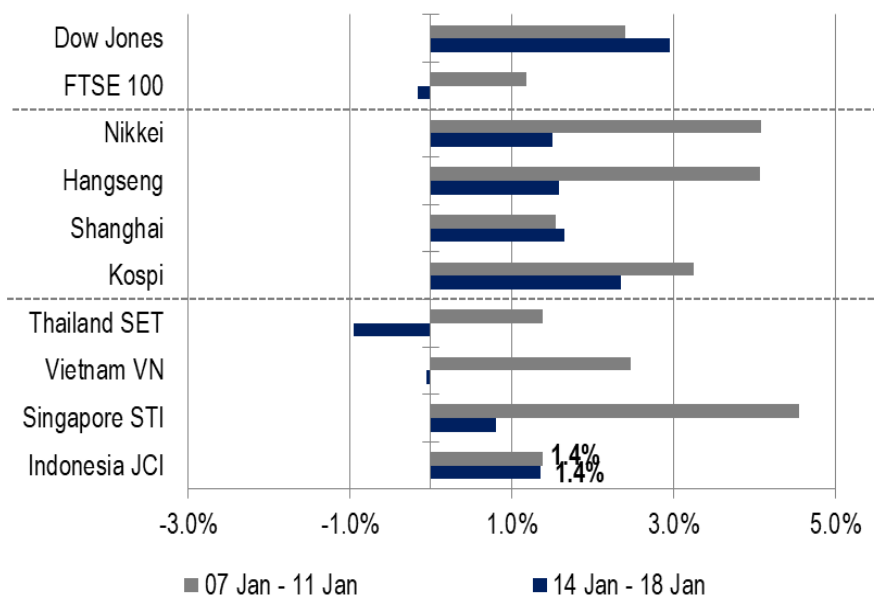
JCI's Last-Week Performance in Top 6 Position

The positive performance came from foreign investors' interest in emerging markets, Indonesia in particular. We oversee that foreign investors digest the Fed's dovish stance, coupled with BI's concerted commitment to maintaining better trade balance performance as a positive sentiment for Indonesia's market. It was shown in a record-foreign inflows of 10 days of consecutive net buy.

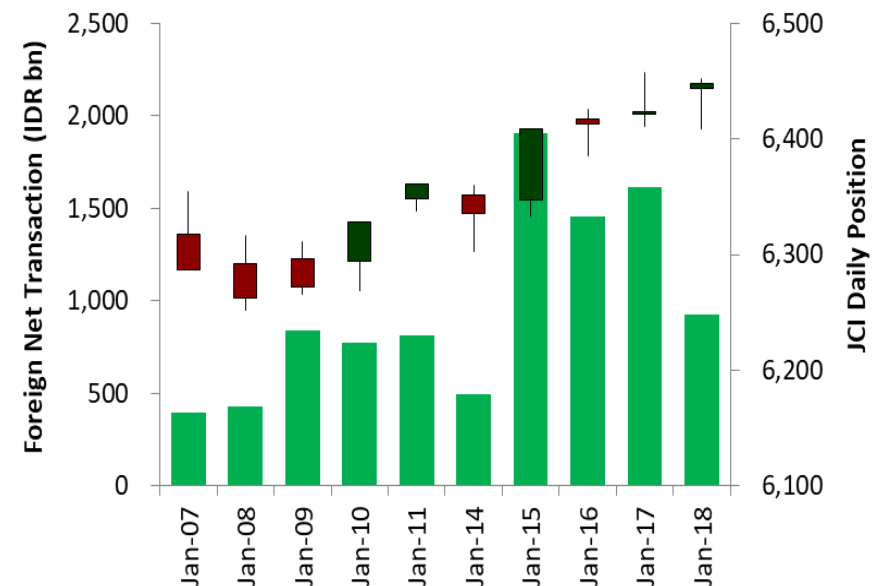
Last-Week Foreign Inflows of IDR6.4 trillion

The foreign inflow last week posted net buy in Indonesia's equity market. That massive foreign inflows were the potent driver for JCI to strengthen by 1.4% last week and currently JCI is less than 4% to hit all-time high at 6,689. Last-week the most-scrutinized release was BI's stance to hold its 7-day Reverse Repo Rate unchanged at 6.0%, pursuant to investors' expectancy.

Global Market Movement



Foreign Net Flow – Last 10 Days



Last Week's Sector Movement

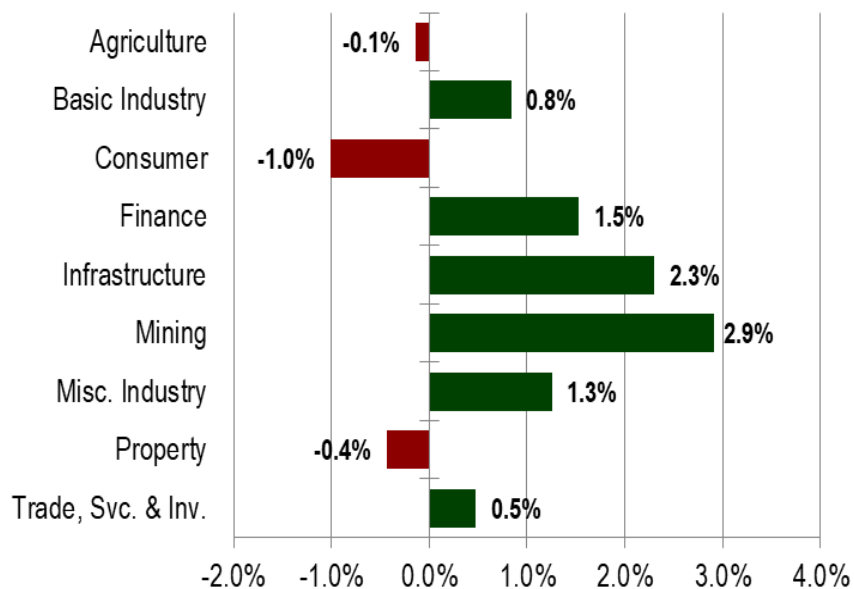
- Foreign Net Buy over Banking Sector & TLKM**

Last week, foreign investors posted the net buy of IDR4.3 trillion over the banking sector. The massive foreign inflows were attributable to both interlocking factors of the banking sector with the largest market capitalization in Indonesia and BI's unchanged 7-day Reverse Repo Rate, leaving banks to easily set business strategies and profit margins. In addition, foreign investors also posted the net buy of IDR839 billion for TLKM's stocks; thus, its stocks surged by 4.15% within a week. Because TLKM's stocks contributed 51% to the infrastructure sector, the surge of 2.3% in foreign net buy boosted the infrastructure sector to at the second highest position. We discerned that foreign investors favored TLKM's stocks due to its fourth highest market capitalization rating on JCI (weighing on JCI by 5.4%)

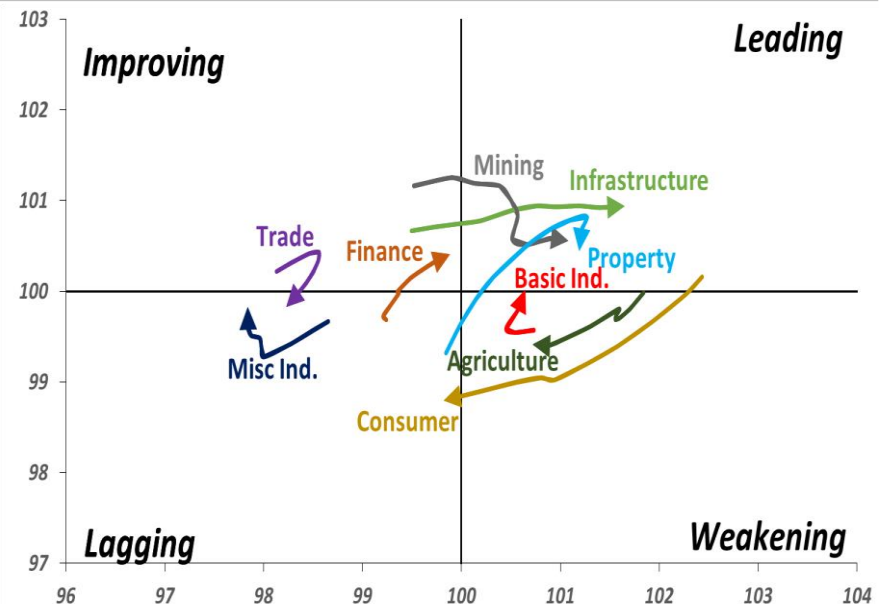
- Domestic Net Buy over Sectors Enjoying Rally in Coal Prices**

Coal prices surprisingly buoy by 5% due to the curbed coal output by the Indonesian government. The lower output inevitably spikes coal prices adjusting to the demand. The backdrop allows the miners to enjoy profits. Of note, coal miners contribute 59.5% to the mining sector in Indonesia. Domestic investors expose more to coal miners' stocks, e.g., UNTR and post the net buy of IDR353 billion for coal stocks and IDR262 for UNTR's stocks. Although the amount of domestic net buy was much lower than that of foreign net buy, the coal sector capitalization of only 5.23% to JCI (vs. the financial sector of 31.1%) results in the growth of 2.9% in mining sector index.

Last Week JCI Sector Movement



Sector Rotation – Last 10 Days



This Week's Outlook

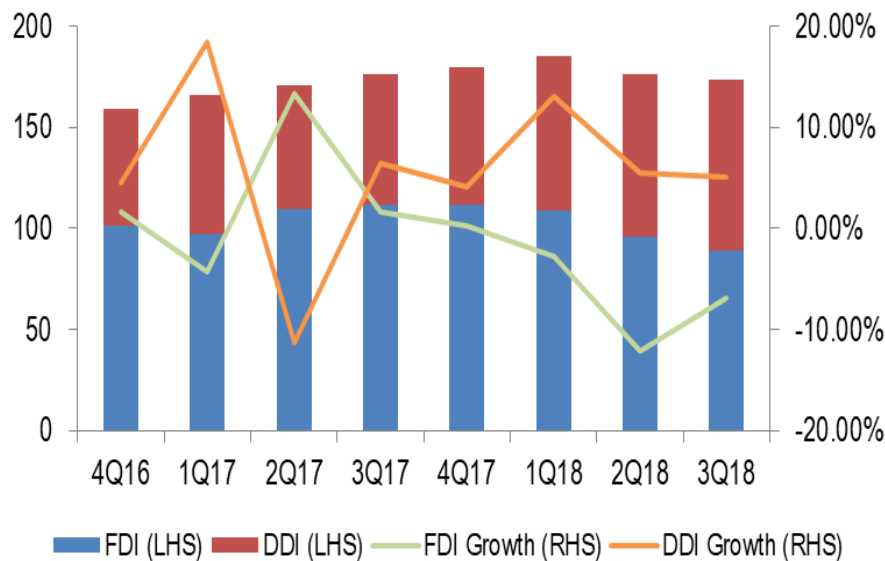
- Investment Data of 4Q18 to Be Released This Week**

The Investment Coordinating Board (BKPM) will release the 4Q18 investment realization data on Friday, January 25th, 2019. The 2018 investment was reining in sluggish favor, just getting lower and lagging in 2Q18 and 3Q18, respectively. The 2Q18 investment slumped by 4.86% m-m to IDR176.3 and 1.42% m-m to IDR173.8 trillion in 3Q18. The massive decline in foreign direct investment (FDI) for most of 2018 was the logical takeaway for the slowdown in 2018 investment. FDI tumbled by 20.2% to IDR22.6 trillion from 1Q18 to 3Q18. The deleveraging FDI was understandable given such interlocking factors as the trade war between the U.S. and China and the Fed's hawkish stance, fueling the volatile global economy. Despite the global volatility, we appreciated the domestic Direct Investment (DDI) surging to 39.8% to IDR84.7 trillion from 2Q17 to 3Q18.

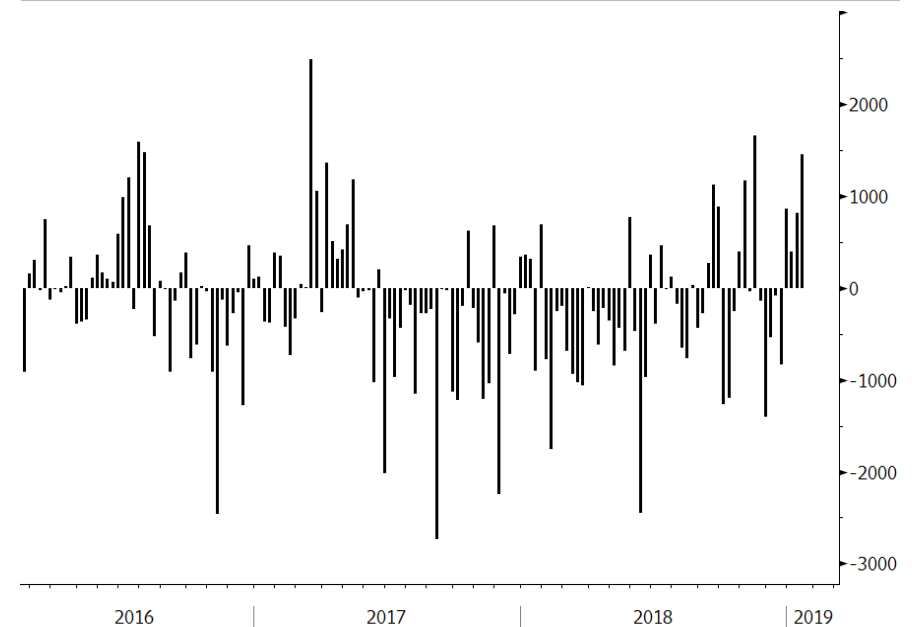
- Will Foreign Net Buy Prevail Further?**

Foreign investors posted the net buy of IDR10 trillion year to date. In the same period of 2018, the foreign net buy was at IDR5 trillion, yet the positives beginning does not always entail a positive ending. It is noteworthy to recall that in 1Q18, foreign investors surprisingly posted the net sell of nearly IDR24 trillion. In light a careful consideration that continued foreign net buy is impossible, foreign investors are likely to perform modest net buy as they keep their wary eyes on Indonesia's political circumstances. Thus, we recommend stocks reaps profits from the heated political circumstances.

Foreign & Domestic Direct Investment



Indonesia Stock Exchange Net Foreign Stocks Investment (IDR bn)



Highlighted Sectors, According to This Week Outlook

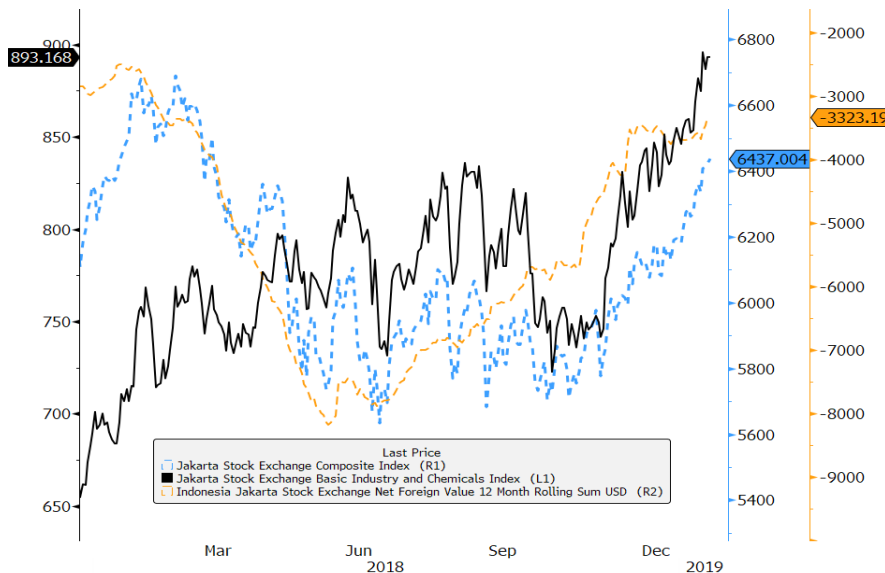
- **MNCN to Enjoy Heated Political Circumstances in Indonesia**

Media companies—free-to-air in particular—are another this-week-in-the-spotlight industry. The momentum of the presidential election in the mid of April is likely to have profitable impacts on ads. expenses received by media companies. The surge in ads. expenses spent by the consumer sector maximizing sales 5x round of pilpres debate broadcasted on all TV stations in Indonesia. Different from its peers, SCMA that must share a slot with Metro TV in the fourth debate slot, MNCN reserving the license to broadcast the second debate in four of its TV free-to-air stations enjoy more benefits from the pilpres momentum.

- **Basic Industry with Higher Exports Orientation: Top-Pick Stocks**

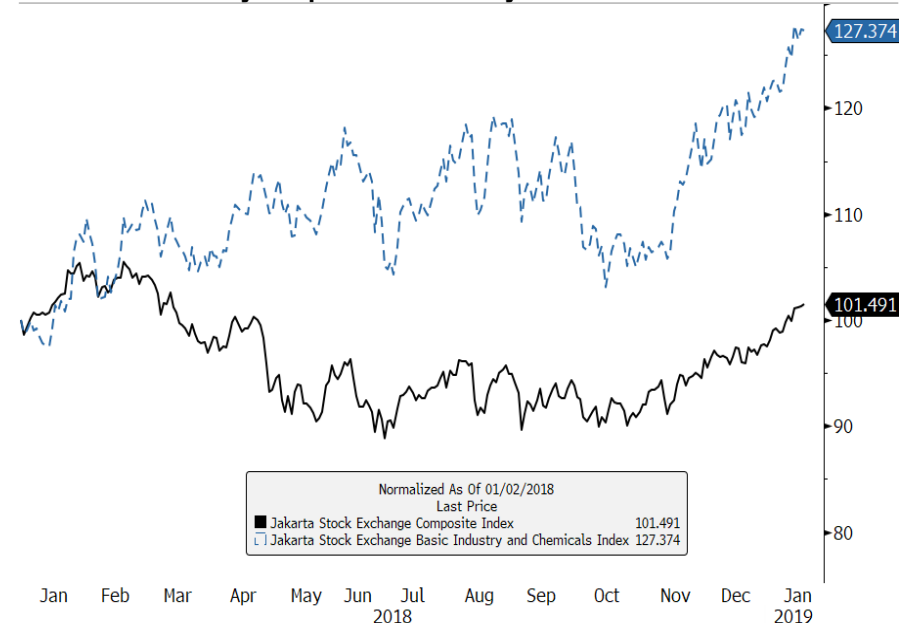
We project investors to keep their wary eyes on other stocks, except large caps, e.g., banking and telecommunication. On-spotlight stocks are stocks of companies whose the 2019 exports are higher than that in 2018. Companies with the higher export target are in the spotlight because Indonesia currently banks on robust exports with a view to spurring trade balance. We opt SMGR’s stock as the basic industry’s top-pick stock. SMGR will keep its exports to overseas markets, regardless of the angst of intense business competition in Indonesia.

JCI Basic Industry Outperform When Foreign Net Sell



Source: Bloomberg, NH Korindo Research

JCI Basic Industry Outperform IHSG By 25%



Source: Bloomberg, NH Korindo Research

Media Nusantara Citra (MNCN – Media)

Dec 2019 Target Price	1,025
Consensus Price	1,180
Last Price (IDR) as of Jan 18, 2019	860
TP vs. Last Price	+19.2%

Revenue Breakdown:	
Advertisement	80.6%
Content	16.5%
Others	2.9%

IDR bn	FY2017	FY2018E	FY2019E	FY2020E
Revenue	7,053	7,361	7,737	8,089
y-y	4.8%	4.4%	5.1%	4.5%
Net profit	1,453	1,308	1,640	1,764
y-y	6.2%	-10.0%	25.4%	7.5%
NPM	20.6%	17.8%	21.2%	21.8%
P/E	12.6x	7.5x	7.4x	6.9x
P/BV	1.9x	0.9x	1.0x	0.9x

- **NHKS** recommends MNCN's stock as the top-pick to reach the target price of IDR1,025 at 33.6x, backed by the possible hike in ads. expenses due to the broadcast of the presidential election debate.

- **2018 Buoyant favor of Ads. Expenses on TV**

For most of 2018, ads. expenses were on the rise—including ads on TV. Despite the advanced growth of online ads., ads on TV still dominated 82% of the total ads. expenses due to its high market penetration. The 2018 ads. expenses on TV was projected to amount to more than IDR109.66 trillion or edging up 12.5% y-y. That was attributable to the 2018 regional election and the 2018 Asian Games & Para Games. In 2019, consumer companies' strategies for spurring sales ahead of the Presidential election proves a boon for the media industry to enjoy soaring ads. expenses.

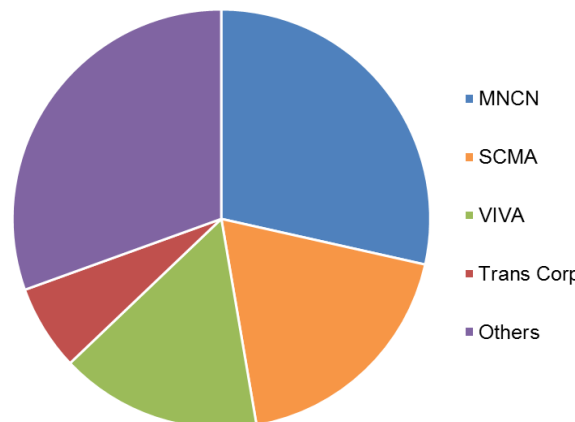
- **II Round of Presidential Election Debate: Catalyst for Picking-Up Audience Share**

Ahead of the presidential election (pilpres), 5x pilpres debate are potential for spurring the audience share of media TV. Among them is MNCN enjoying higher audience shares because of reserving the exclusive right of broadcasting the second round of pilpres debate. Four MNCN's TV free-to-air stations, i.e., RCTI, GTV, MNCTV, and iNews will broadcast the debate on February 17th, 2019. We oversee that MNCN's ads. revenues stemming from the debate is much higher than that of its peers. That is due to many TV stations reserving the licenses to broadcast the debate.

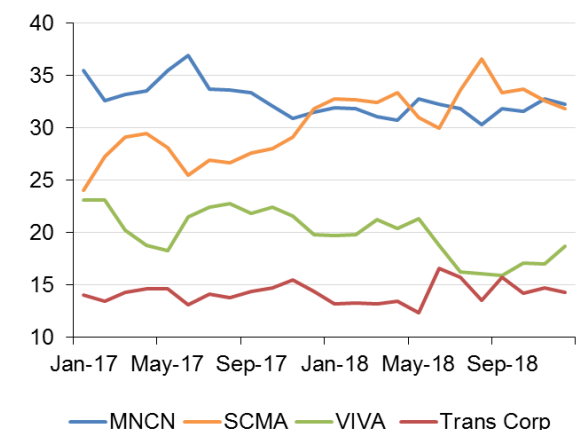
P/E Band Last 5 Years (Price Last 1 Year)



Ads Revenue by Group | FY18



All-Time Audience Share by Group | Jan '17 – Dec '18



Semen Indonesia (SMGR - Cement)

Dec 2019 Target Price	14,200
Consensus Price	12,484
Last Price (IDR) as of Jan 18, 2019	12,700
TP vs. Last Price	11.8%
Sales Breakdown:	
Cement	85.3%
Ready Mix Concrete	7.4%
Others	7.3%

IDR bn	FY2017	FY2018E	FY2019E	FY2020E
Sales	27,814	29,743	41,722	44,642
y-y	6.4%	6.9%	40.3%	7.0%
Net profit	2,043	3,005	3,051	4,022
y-y	-55.0%	47.1%	1.5%	31.8%
NPM	7.3%	10.1%	7.3%	9.0%
P/E	28.7x	23.2x	22.9x	17.4x
P/BV	1.9x	2.1x	2.0x	1.8x

- **NHKS** is in favour of SMGR's stocks a top-pick to reach the target price of 14,200 at 32.5x, backed by the possible hike in exports and the less intense business competition in domestic market.

- **The Biggest Cement Maker in Southeast Asia**

After taking over the stocks ownership of SMCB by 80.6%, SMGR will produce 53 million tons of cement per year; that makes it the biggest cement maker in Southeast Asia and the leader in Indonesia-based cement market share. With 55% market share, SMGR's market penetration is likely to be much robust and get no negative impacts from price competition in the domestic market.

- **Target Much Higher Growth in Exports**

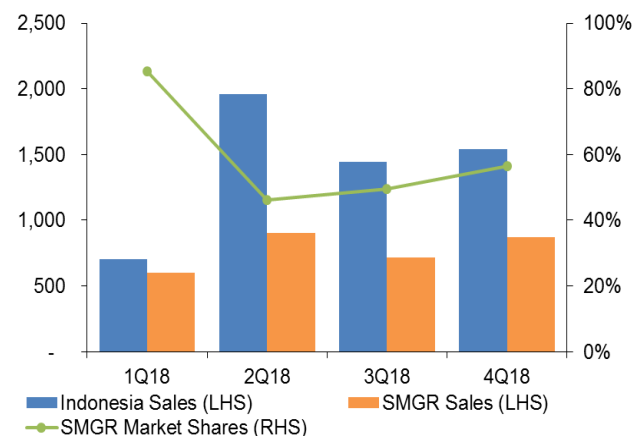
SMGR cheered the 2018 much higher growth of 76% y-y to 3 million tons in exports. The 2018 national cement export totaled 5.7 million tons or surging by 96% y-y whose 52% was contributed by SMGR. SMGR's exports are backed by production capacities of both its Indonesia-based factory and its Vietnam-based subsidiary, namely Thang Long Cement Company (TLCC). SMGR's biggest export markets are Bangladesh and Sri Lanka. Until October 2018, its Indonesia-based factory exported 2.3 million tons of cement to Bangladesh and Sri Lanka, while its TLCC-based factory exported 0.7 million tons of cement to both export markets. The 2019 national cement exports are likely to stoke by 23% y-y to 7 million tons, with SMGR targeting to secure 57% of that national exports. The set target make clear SMGR will strive as much as possible to spurs its exports to 4 million tons.

P/E Band Last 1 Year (Price Last 1 Year)



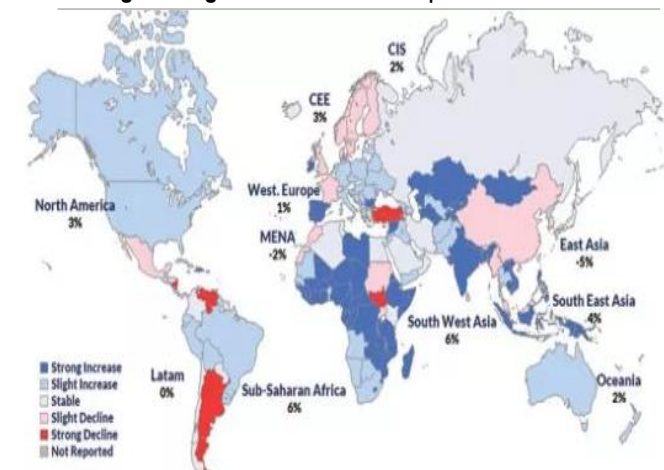
Source: Bloomberg, NHKS Research

Cement Export Vol ('000) & Market Shares | 1Q18-4Q18



Source: ASI, NHKS Research

Change in Region Cement Demand | 2018 vs. 2019E



Source: OFIR, trade association, Cemnet

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