

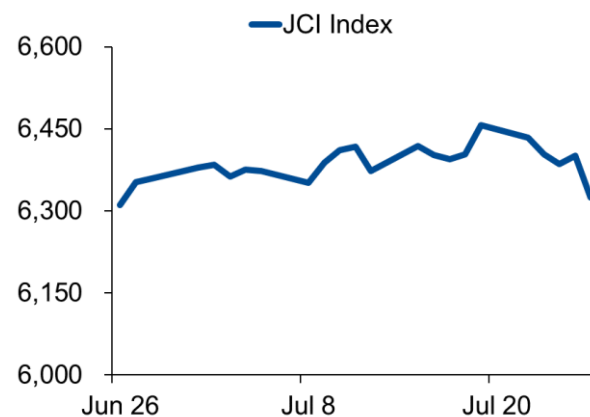
Weekly Brief (July 29 – August 2)

Summary:

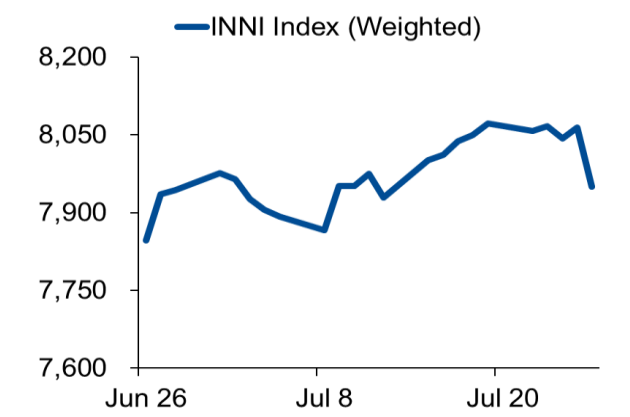
Last week review: Global sentiments lagged JCI's movements and caused foreign funds to flee from JCI's portfolios. Seizure of the British-flagged oil tanker by Iran and ECB's less aggressive message were series of broader setback.

This week's outlook: The national economic growth is a catalyst for the property industry as macroeconomic slowdown hinders the property growth. In 2018, the property industry was at its slowest pace, but in 2019 the industry is expected to recover as the Fed's easing monetary rates and the Indonesian government's reformed tax regimes against property are friendly macroeconomic circumstances for the industry to regain its footing in 2019. NHKS recommends CTRA estimated to reach the price target of IDR1,550 with the discount to RNAV of 60%. The estimate is based on pro-growth policies, easing rates, macroeconomic re-strengthening. CTRA's cautious aptness to the macroeconomic backdrop is likely to lead it to gain bulk earnings in IH19.

JCI - one month



INNI Index – one month



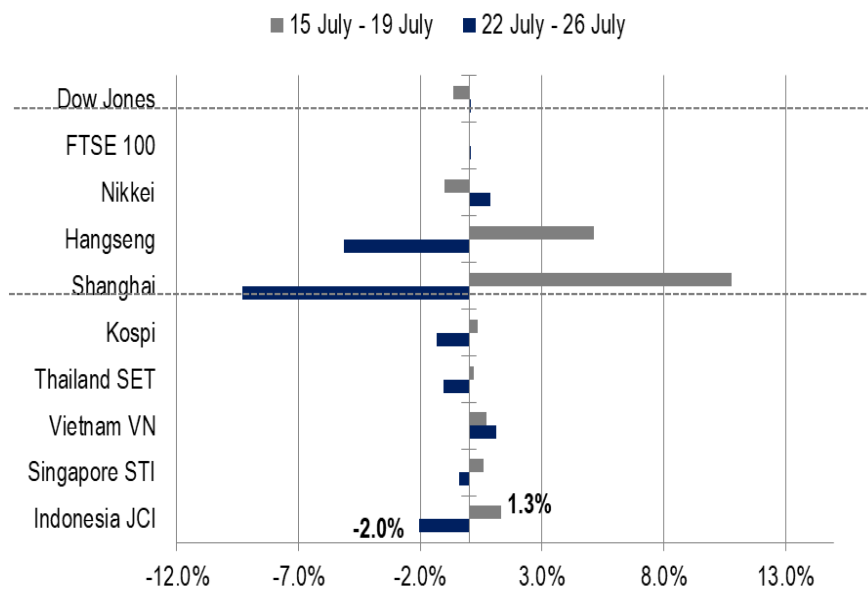
Last Week's JCI Movement

- JCI Index : 6,325.24 (-2,0%)
- Foreign Flow : Net sell of IDR2.4 trillion (vs. net sell last week of IDR652 billion)
- USD/IDR : 14,008 (+0.50%)
- Yields of sovereign bond with 10-years tenor : 7.206% (-6.10 bps)

JCI Slowed

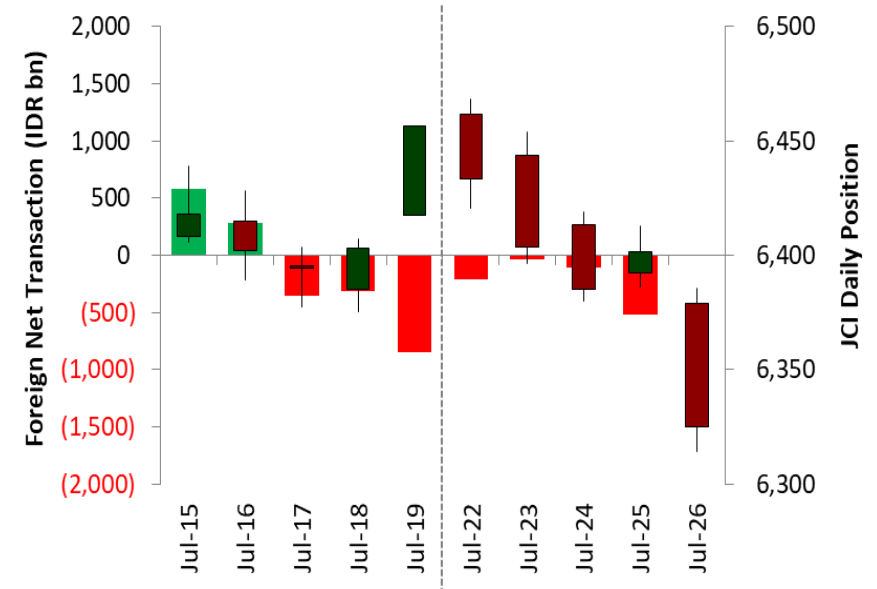
Last week, JCI mostly closed lower due to 3-consecutive-day foreign outflows from its portfolios, driven by murky global sentiments and no positive domestic sentiments. Iran seized the British-flagged oil tanker, Stena Impero, in the Strait of Hormuz, for Stena Impero violated international maritime rules. The seizure exaggerated the worsening tensions between Iran and Western powers and was a threat for the US to revoke its legal sanctions, impeding Iran's economy. The conflict pictures crippled global trades and retreats commercial activities between Indonesian and Iran. Markets is still anticipating ECB and the Fed's monetary policies as they predict ECB to take less aggressive stance of slashing its rates by 25 bps. ECB's decision to hold off loosening monetary policies by leaving its rates unchanged is its strategy for precise easing monetary policy it can decide. The proximity of FOMC's next week rate cut decision is ECB's top tactical preference as the Fed's decided rates impacts the single currency's economies. ECB also banks on the euro economies data--- 2Q19 inflation and economic reading--- prior to the calculation of its monetary rates. JCI, on a weekly basis closed lower at 6,325.

Global Market Movement



Source: Bloomberg, NH Korindo Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NH Korindo Research

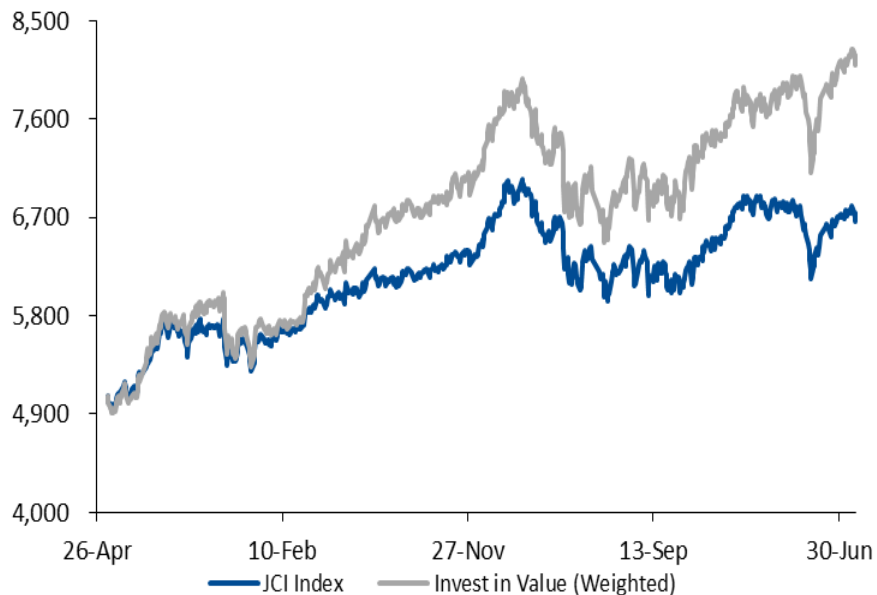
Last Week's INNI Movement

•INNI Index	: 7,950.11 (-1.5%)
INNI Theme 1 (Value)	: 8,096.72 (-1.7%)
INNI Theme 2 (Trend)	: 7,700.46 (-1.2%)

INNI Index Dipped

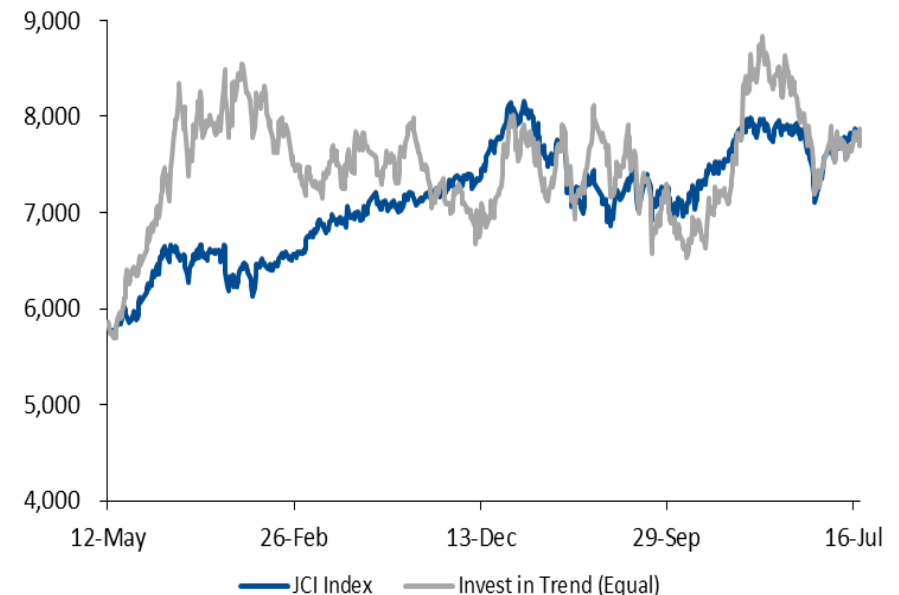
INNI index finished Wednesday's trading day at a 1.2% gain, driven by portfolios of Lippo Group, SILO (+7.7%) and LPPF (+6.7%). PT Lippo Karawaci Tbk (LPKR) —the parent entity of SILO and LPPF—the rating of which was upgraded from BB- to BB+ with the stable prospect was the potent driver for INNI index's Wednesday gain. Fitch ratings revised higher LPKR's rating, for its strengthened liquidity management and narrowed risks of re-financing. But, in Thursday's trading session, subdued by pharma headwinds —a 2.4% drop in KAEF and a 2.0% slump in KLBK—INNI index finished its trading day at a 0.30% decline. The incorporation of state-owned pharmaceutical holding whose the initial deadline is in IH19 lagged KAEF's movements. But three state-owned pharmaceutical enterprises—KAEF, PT Indofarma Tbk (INAF), and PT Biofarma—is posed to carried out the incorporation. INNI index continued to finish Friday's trading day lower, held back by KRAS's 3.8% decline. The idle blast furnace project causing the resignation of one of KRAS's commissioners slowed its stocks movement. The project subsumes sintering plant, coke oven plant, blast furnace, and hot metal treatment plant with the total production capacities of 1.2 million tons per year. INNI index closed its week trading at 7,950.

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

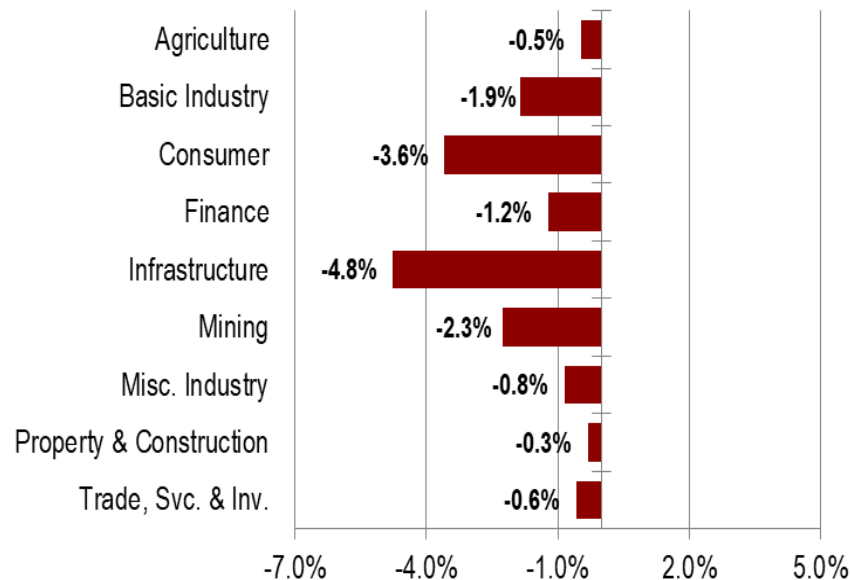
Last Week's Sector Review

INNI Index's Top Losers

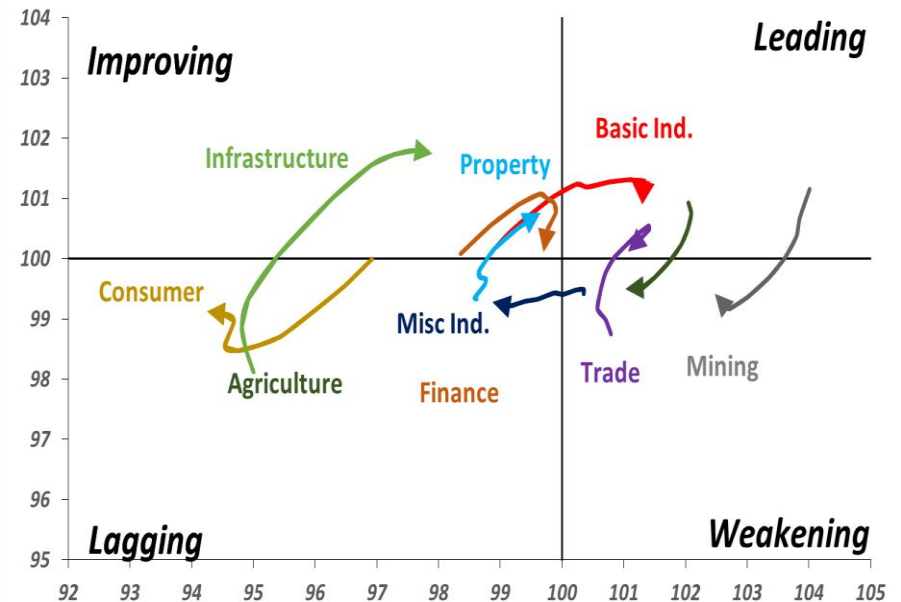
The infrastructure posting a 4.8% slump was the last-week top loser. JSMR fell after disclosing its 2Q19 earnings as its revenues of IDR13.38 trillion declining 26% from IDR18.66 trillion in 2Q18. Its overall revenues dropped because its construction segment posted declining revenues due to most of Jasa Marga's toll road had took into active operation in 2018. TLKM, as did JSMR, also shed for a week trading sessions. TLKM stated that it is poised to bring in the 5G network with a Business to Business (B2B) scheme, but the regulation of spectrum allocation has yet to be tackled prior to 5G implementation hinder TLKM's business target.

The consumer sector dipped at 3.6% was the last-week second top loser. UNVR ---one of the biggest FMCG company in Indonesia---book but a slight increase of 1.2% in IH19 revenues, hampered its stocks movements. The sligh growth was attributable to the sale of its famous spread business line, Blue Band, in 3Q18. Another to UNVR, GGRM slashed the amount of paid-up capital from IDR 500 billion to IDR300 billion injected to its subsidiary, PT Surya Inti Tembakau (SIT) caused its stocks movement lagged within a week.

Last Week INNI Sector Movement



Sector Rotation – Last 10 Days



This Week's Outlook: Property Sector (1)

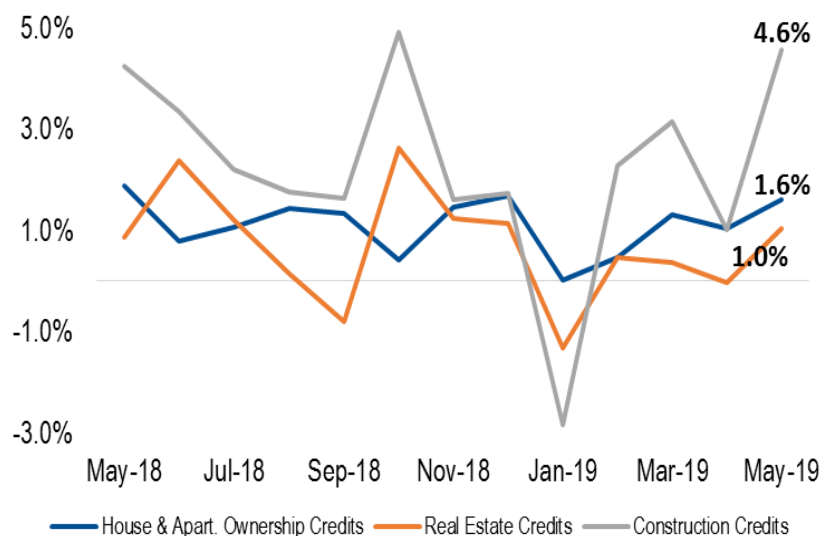
- Pro-Growth Policies**

Indonesian authorities have moved to reform tax regimes against property, with a series of incentives, stimulating its rapid future growth. Finance Ministry Regulation No.81/PMK.010/2019 regulating the rising threshold for value-added tax on modest property; valued-added tax (PPN) exemption on property wrecked by natural disasters; a higher revision to the value threshold of luxury tax (PPnBM) on property with selling price of IDR5-10 billion to IDR30 billion.; simplified validation procedures of income tax (PPh) for land and building sales from 15 working days to 3 working days support the property industry for its turnaround in 2019 and beyond.

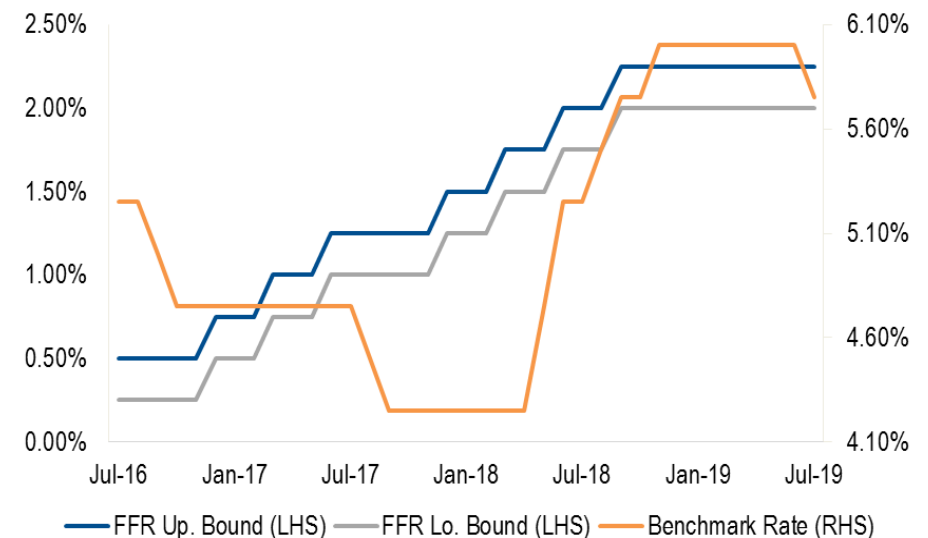
- Central Banks' Dovish Messages**

Washington and Beijing continued trade battles, with retaliatory tariffs rattle broader economy with a gloomy revelation of the US outstanding debt ceiling leading to economy catastrophe. Worries over the tit-for-tat trade battles raise the Fed's concerns about a more accommodative monetary rates to be decided at FOMC meeting on July 30-31, 2019. After responding to the Fed's hint of rate cut, BI took pre-emptive stance by slashing BI 7-DRRR 25 bps lower to 5.75% decided at a 2-day BI's Board of Governors Meeting on July 17-18, 2019. BI's dovish monetary rate re-build optimism for the property industry recovery in coming years as lower lending rates offered at commercial banks subsequent to BI 7-DRRR rate cut lead to higher demands for mortgage loans. The 1Q19 Residential Property Price Survey by Bank Indonesia revealed that home buyers mostly applying for mortgage loans for financing their dreams home signal impacts of BI's dovish rates to the property industry.

Credit Disbursement Growth by Commercial Banks & Microcredit Banks (in percentage)



Movements of Fed Funds Rate & BI 7 D-RRR



Source: Ministry of Finance, NHKS Research

Source: Bloomberg, NHKS Research

This Week's Outlook: Property Sector (2)

- **Better Infrastructure, Promising Property Outlook**

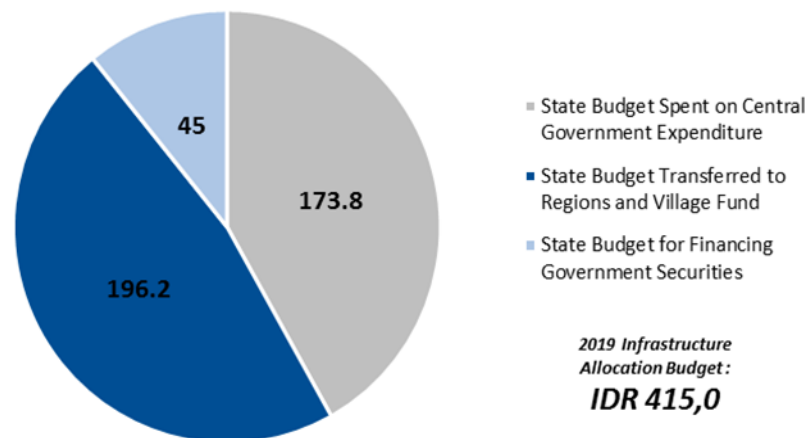
An infrastructure boom is the first priority of Joko Widodo's second arrival to power. He makes sense the infrastructure expansion into construction of toll roads, railways, harbors, and airports integrated with industrial estates, commercial centers and residences to benefit public with accelerated mobility and connectivity. Integrated infrastructure is the top-positioned consideration of buying new homes. The survey of "Property Affordability Sentiment Index HI 2019" by Rumah.com disclosed that 76% respondents prioritize the km distance between their future homes to the public transportation facilities.

- **Inflation and CPI Index: Indicators for Property Outlook**

June's inflation revealed that June's Consumer Price Index (CPI) was kept in check at 3.28% y-y even though it was slightly lower than May's 3.23 y-y. June's figure signaled consumers' stable appetite for purchasing, including residences. The 1Q19 residence sales at 23.77% q-q was an increase from 1Q18, with small-type homes as the largest contributor to the total sales in 1Q19; that is a signal on the property recovery in 2019. CTRA estimated to target small-type property for the middle to low income individuals is our top-pick stock for this week.

The 2019 Infrastructure Budget Allocations

The 2019 Infrastructure State Budget Disbursement (IDR in tn)



Source: Ministry of Finance, NHKS Research

Quarter Property Sales Growth (in percentage)



Source: Bank Indonesia, NHKS Research

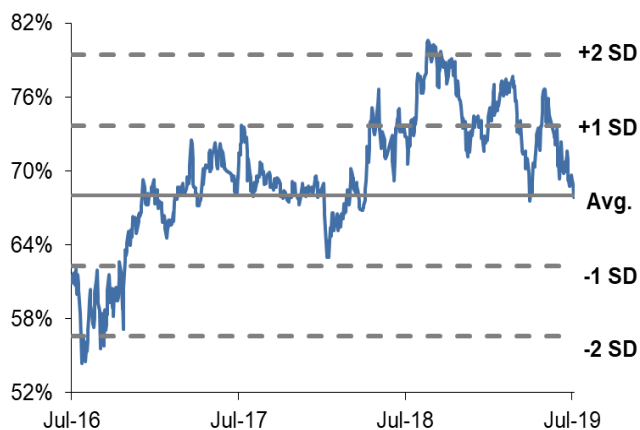
Ciputra Development Tbk (CTRA IJ – Property)

Dec 2019 Target Price	1,550
Consensus Price	1,328
Last Price (IDR) as of July 12, 2019	1,280
TP vs. Last Price	21,09%

Revenue Breakdown:	
Houses, Shophouses, & Land Lots	54%
Shopping Malls	13%
Others	33%

IDR bn	FY2017	FY2018	FY2019E	FY2020E
Revenue	6,443	7,670	7,302	7,453
y-y	-4.4%	19.1%	-4.8%	-2.1%
Net Profit	894	1,185	1,000	988
y-y	-4.2%	32.6%	-15.6%	-1.2%
NPM	13.9%	15.5%	13.7%	13.3%
EPS	48x	64x	54x	53x
P/B	1.4x	1.1x	1.2x	1.1x

Last 3 year discount to RNAV



Source : Company, NHKS Research

- **NHKS** recommends CTRA estimated to reach the price target of IDR1,550 with the discount to RNAV of 60%. The estimate is based on pro-growth policies, easing rates, macroeconomic re-strengthening. CTRA is likely to gain bulk earnings in IIF19.

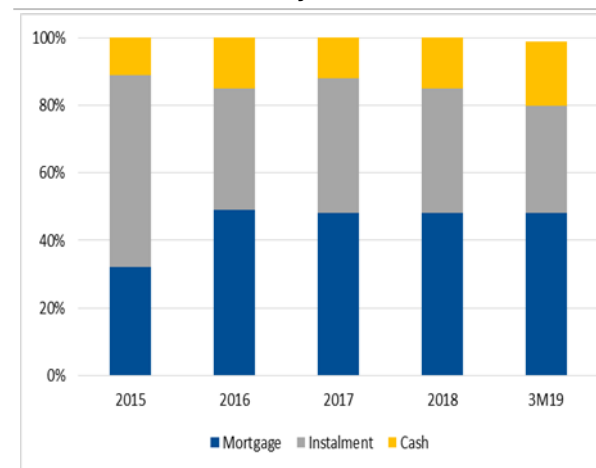
- **Middle-to-Low Property: Revenue Backbone**

Despite the slow property industry, the 1Q19 Residential Property Price Survey (RPPS) revealed the sales of small-type houses soared by 30.13% q-q from 12.28% in 1Q18. The data pictures a momentum gain; CTRA read the hint of sales optimism and develops two property projects, targeting middle to low income individuals. Those two projects are a new integrated city, Citra Sentul Raya, and LRT City Ciracas—an Urban Signature apartment adopting the concept of transit-oriented and mixed-used spatial development. CTRA sets the pre-sales targets of IDR200 billion and IDR250 billion for each of developed property projects.

- **1Q19 Regaining Performance**

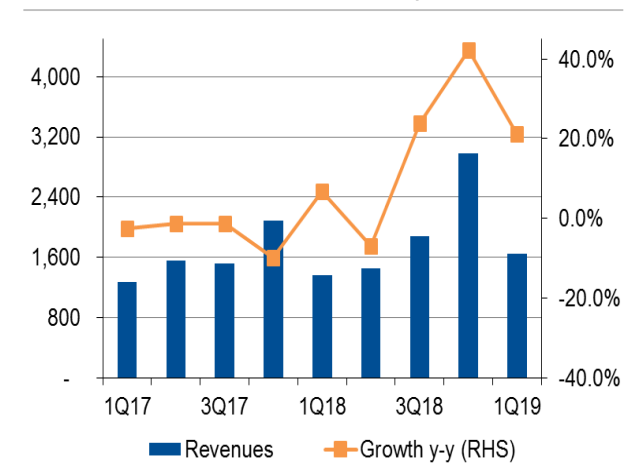
CTRA began to regain its footing in 1Q19 with revenues surging to IDR1.6 trillion or a 21% y-y increase from 1Q18 as revenues contributed by marketing sales and recurring income soared on the figure—a 27% y-y gain in marketing sales to IDR1.2 trillion or a 7% y-y increase to IDR447 billion in recurring income. The 1Q19 marketing sales contributed most to revenues; still, it hit but 19% of the 2019 target of IDR6 trillion. CTRA—after BI’s dovish rate—is poised for a turnaround in 2019 as it targets end-user customers applying mortgage loans for financing their dreams home.

Methods of Presales Payment



Source : Company, NHKS Research

Revenues and Their Growth Rates | 1Q17 - 1Q19



Source: Company NHKS Research

INNI's Stocks 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	30,975	31,000	32,000	Hold	3.3	-0.1%	763.7	28.0x	4.8x	18.4	1.1	16.8	12.7
BBRI	Theme 1	4,440	4,480	4,950	Hold	11.5	-0.9%	547.7	16.4x	2.8x	18.8	3.0	11.2	10.3
BMRI	Theme 1	7,750	7,875	8,275	Hold	6.8	-1.6%	361.7	13.7x	1.9x	15.0	3.1	9.1	11.1
Consumer														
GGRM	Theme 1	74,950	79,300	110,000	Buy	46.8	-5.5%	144.2	17.5x	3.0x	18.0	3.5	19.2	24.5
UNVR	Theme 1	44,800	45,800	59,000	Buy	31.7	-2.2%	341.8	36.9x	67.4x	183.9	2.6	1.3	5.2
ICBP	Theme 1	10,575	10,850	11,600	Hold	9.7	-2.5%	123.3	26.2x	5.3x	21.6	1.8	13.9	10.6
INDF	Theme 1	6,675	7,050	8,700	Buy	30.3	-5.3%	58.6	13.5x	1.7x	12.8	3.5	8.7	14.1
KAEF	Theme 2	3,220	3,250	4,100	Buy	27.3	-0.9%	17.9	44.8x	7.9x	16.6	0.5	21.8	(44.6)
KLBF	Theme 2	1,450	1,490	1,870	Buy	29.0	-2.7%	68.0	27.6x	4.5x	16.9	1.8	7.0	1.0
Infrastructure														
TLKM	Theme 1	4,160	4,270	4,700	Hold	13.0	-2.6%	412.1	22.2x	3.9x	18.2	3.9	7.7	8.6
JSMR	Theme 1	5,750	6,225	6,000	Hold	4.3	-7.6%	41.7	18.8x	2.4x	13.3	0.8	(25.9)	1.4
Trade														
UNTR	Theme 1	26,525	27,275	39,550	Buy	49.1	-2.7%	98.9	8.5x	1.8x	22.3	4.5	19.0	20.6
SILO	Theme 2	6,275	5,700	4,350	Sell	(30.7)	10.1%	10.2	536.3x	1.6x	0.3	N/A	18.2	583.3
MIKA	Theme 2	2,110	1,940	2,300	Hold	9.0	8.8%	30.7	47.9x	7.2x	15.7	0.9	15.8	18.2
LPPF	Theme 2	3,700	3,250	5,500	Buy	48.6	13.8%	10.4	10.9x	5.8x	45.6	9.0	(1.7)	(41.2)
RALS	Theme 2	1,365	1,300	2,070	Buy	51.6	5.0%	9.7	14.1x	2.3x	17.5	3.7	(0.4)	428.0
MAPI	Theme 2	945	935	1,300	Buy	37.6	1.1%	15.7	34.7x	2.8x	10.5	1.1	8.4	(62.3)
Property														
PWON	Theme 1	670	700	725	Hold	8.2	-4.3%	32.3	11.9x	2.4x	22.3	1.0	3.9	28.1
CTRA	Theme 1	1,280	1,190	1,550	Buy	21.1	7.6%	23.8	17.8x	1.6x	9.5	1.5	21.3	114.3
PTPP	Theme 1	2,080	2,160	2,450	Buy	17.8	-3.7%	12.9	8.5x	1.0x	12.4	2.3	34.9	12.0
WSKT	Theme 1	2,070	2,130	2,500	Buy	20.8	-2.8%	28.1	8.9x	1.5x	18.5	3.5	(30.0)	(53.0)
WIKA	Theme 1	2,340	2,450	2,100	Hold	(10.3)	-4.5%	21.0	11.4x	1.4x	13.2	1.6	3.9	66.9
Basic Ind.														
KRAS	Theme 2	354	390	600	Buy	69.5	-9.2%	6.8	N/A	0.3x	(7.3)	N/A	(13.8)	(966.7)
SMGR	Theme 2	12,400	12,575	14,600	Buy	17.7	-1.4%	73.6	25.1x	2.4x	9.7	1.7	22.8	(34.8)
INTP	Theme 2	22,150	22,175	22,300	Hold	0.7	-0.1%	81.5	63.8x	3.5x	5.3	2.5	8.5	50.2
Misc Ind.														
ASII	Theme 2	7,075	7,100	8,600	Buy	21.6	-0.4%	286.4	13.1x	2.0x	16.2	3.0	6.8	4.9
Mining														
ADRO	Theme 1	1,230	1,295	1,750	Buy	42.3	-5.0%	39.3	6.1x	0.7x	12.6	7.3	10.8	59.2
PTBA	Theme 1	2,750	2,880	5,100	Buy	85.5	-4.5%	31.7	6.2x	1.7x	29.2	12.4	(7.2)	(21.7)
INCO	Theme 2	2,920	3,140	3,370	Buy	15.4	-7.0%	29.0	61.4x	1.1x	1.8	N/A	(25.8)	N/A
ANTM	Theme 2	890	940	1,200	Buy	34.8	-5.3%	21.4	26.7x	1.1x	4.1	1.4	8.5	(30.1)

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