

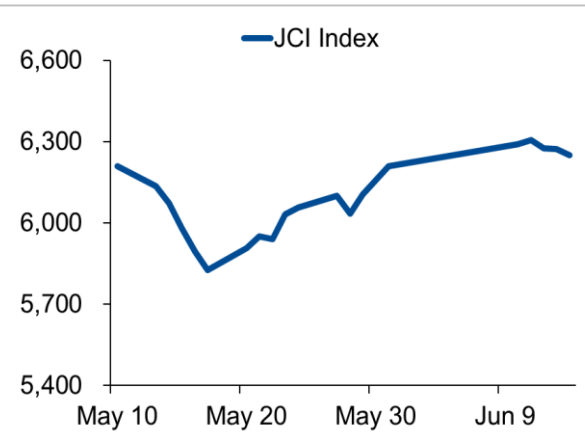
Weekly's Brief (June 17– June 21)

Summary:

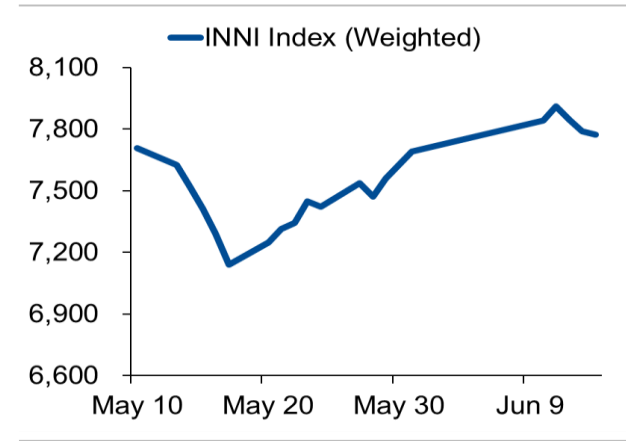
Last Week's Review: Global and domestic catalysts dragged JCI's last-week movement lower at 0.6%. Trump's stance of suspending the 5% tariff against Mexican goods, the Fed's dovish stance of possible FFR cut, higher levies on Chinese goods were mixed of positive and negative sentiments for JCI. May's 3.32% y-y pickup in inflation and BI's signal of cutting 7DRRR, in response to dovish stance by other central banks strengthened JCI, while stunting forex reserves of USD120.3 billion or the decline of USD4 billion from April's reserves slowed JCI's pace.

This Week's Outlook: We pencil in the tobacco industry is still promising on the ground that the Consumer Confidence Index (CCI) rising data revealed consumers appetite for purchase, albeit a slight hike in inflation. The unchanged tariffs on tobacco products and surging state incomes from excise duties on tobacco products brighten the outlook of tobacco industry. Based on the data, NHKS reviews GGRM, estimated to attain the target price of IDR110,000 with P/E trailing band of 22.57x, driven by unchanged excise duties on cigarettes and consumers' solid spending.

JCI - one month



INNI Index – one month



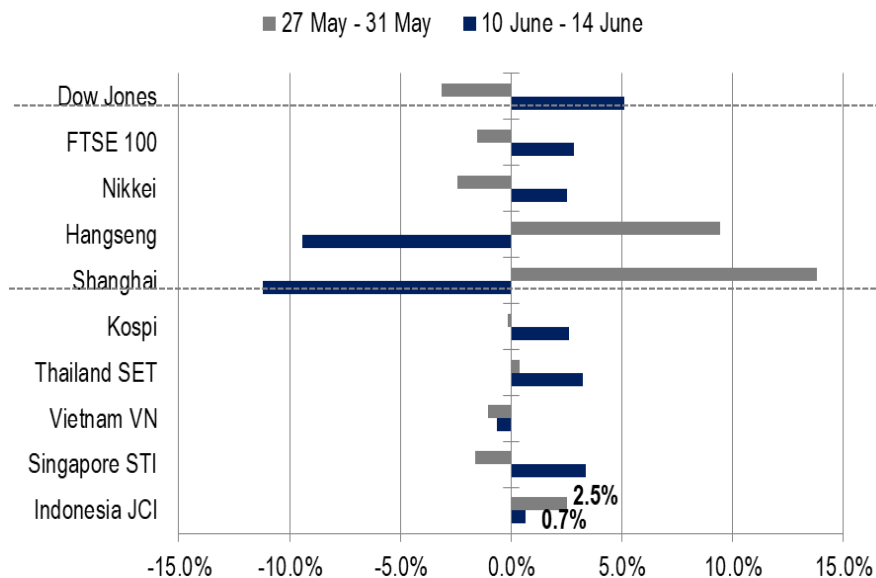
Last Week's JCI

- JCI Index : 6,250.27 (-0.6%)
- Foreign Flow : Net buy of IDR228 billion (vs. net sell last week of IDR1.5 trillion)
- USD/IDR : 14,325 (+0.36%)
- Yields of sovereign bond with 10-years tenor : 7.686% (-27.6 bps)

JCI was reigning at Red Zone

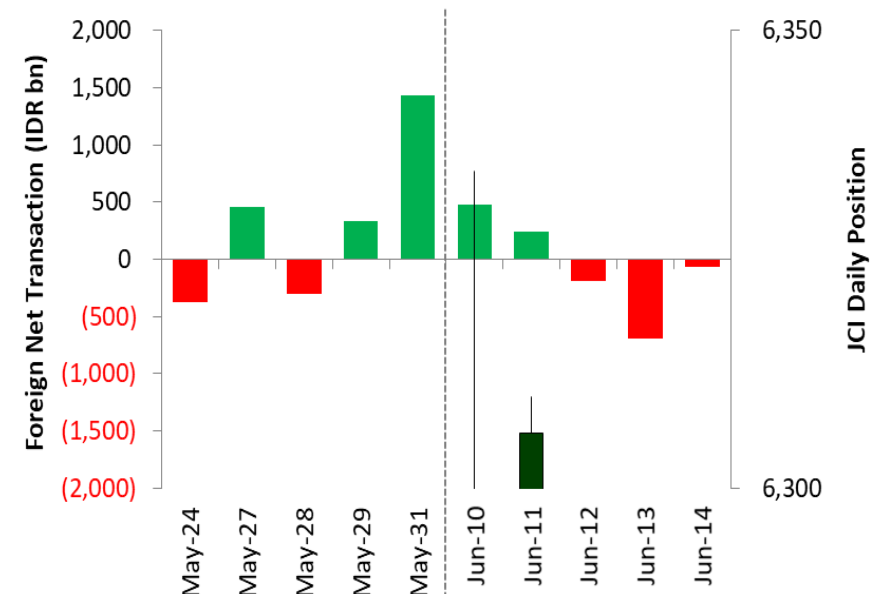
Trump's stance of suspending the 5% tariff against Mexican goods as Mexico enacting laws against illegal migration to the US was one of the global sentiments for JCI. The Fed signaled to cut FFR after the bruising trade battle slashed the growth of the US PMI to only settle at 50.9 in May, lower than 53 in April. The number exaggerating worries about the US's lagging economic growth in 2Q19. Trump threatened to impose additional tariffs on Chinese goods if no mutual trade deals reach in this late month's G-20 summit where Trump and Xi Jinping is supposed to meet. Trump's threat heightened trade war's frictions, yet Chinese exports slightly dropped by 1.1% in May, better than April's 2.7% drop. JCI was received mixed domestic sentiments. May's 0.68% m-m or 3.32% y-y increase in inflation was quite reasonable as Ramadan fell in May; it was a positive catalyst for JCI to hike by 1.30% to 6,289. BI's signal of cutting 7 Days Reverse Repo Rate (7-DRRR) coupled with benign inflation and its efforts to support domestic economic growth was a boost for JCI, experience a tepid close at 0.47% on Wednesday (06/13) due to profit taking and lower-than-estimate forex reserves. April's 6.7% increase in retail sales, a sharp surge from 4.1% y-y in April 2018. Although April's surging level indicating a solid signal on consumers' appetite for purchasing, it failed to drive JCI up as JCI was at tepid close to 6,250 on Friday (06/14)

Global Market Movement



Source: Bloomberg, NH Korindo Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NH Korindo Research

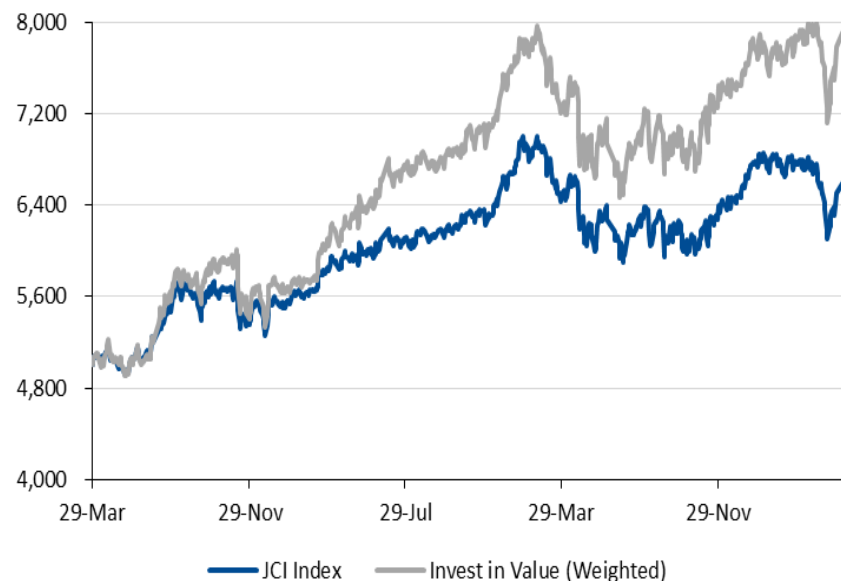
Last Week's INNI Movement

• INNI Index	: 7,774.43 (-0.9%)
INNI Theme 1 (Value)	: 7,840.78 (-0.8%)
INNI Theme 2 (Trend)	: 7,661.45 (-1.0%)

INNI Index Muted

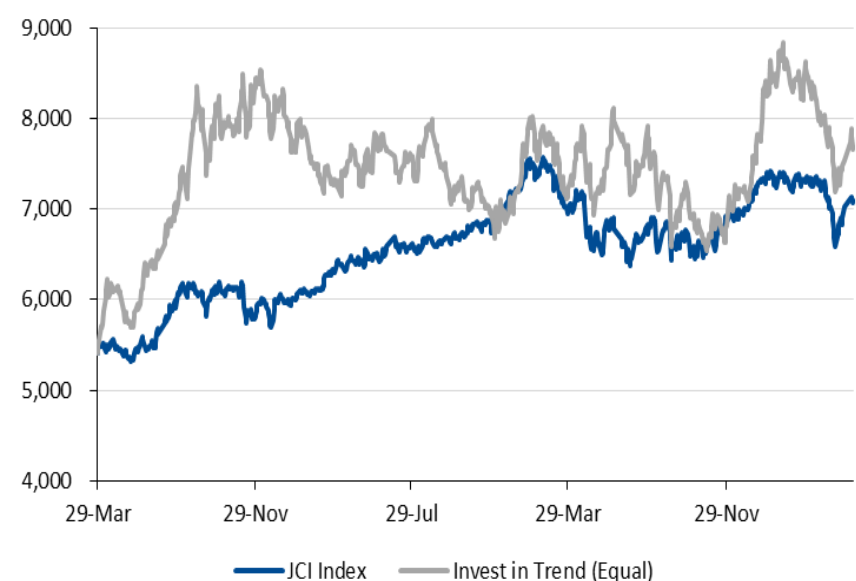
INNI Index, in last week's early days, was solid at 0.88% as the rally in Brent crude futures was a potent driver to gas and oil sector's bull, i.e. INCO (+4.6%). Russia agreed on production curbs cushioned the risks of low demand for crude. In the following day, INNI Index nudged down 0.80% as investors' concerns about Jokowi's new ministries to hinder the ongoing infrastructure progress held back construction stocks, i.e. PTPP (-2.4%) and WSKT (-2.7%). But, 2Q19 banking credit data disclosing the construction sector's contribution of 14.1% to the corporate credit growth was the proof of the construction sector's promising growth. BI stated that acceleration in the construction sector was underpinned by the subsector of toll-road construction in Banten and West Java areas. Retailers' moderate performance, i.e. respective declines of 6.0% and 3.8% in RALS and LPPF on the ground that sales performance during Idulfitri 2019 was as modest as the 2018's performance muted INNI Index at 0.74%. On Friday (06/14) INNI Index was at tepid close of 0.36% as declines of 3.1% in ADRO weighed down its movement. That was attributable to the struggling benchmark prices for coal, tumbling to USD81,48 in June 2019: the lowest level since August 2017. INNI Index, on weekly basis, nudged down 0.9% to 7,774.

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 Sectoral Review

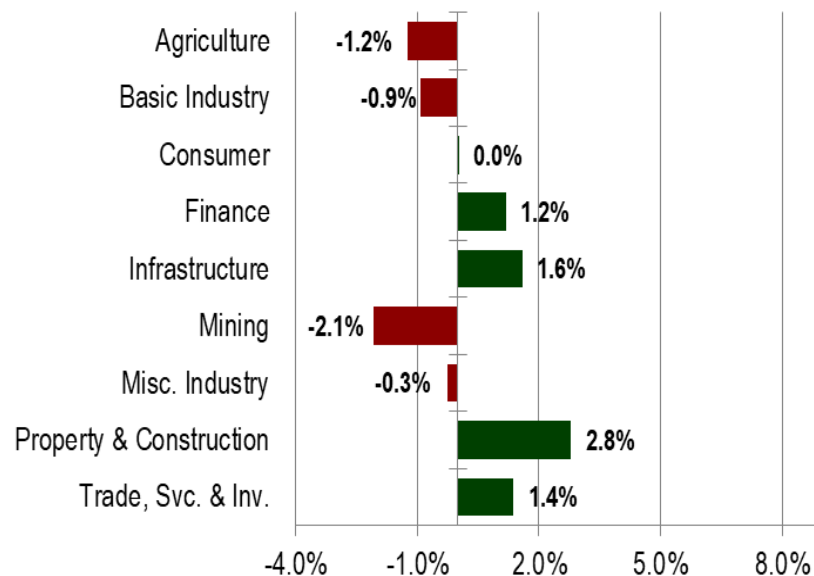
• INNI Index's Top Gainers

The property stocks were the last-week's top gainers (+2.8%). The Fed signaled to cut FFR for upholding economic growth left bruised by the escalating trade war. The fed's stance will be followed by BI's dovish stance of cutting 7D-RRR, corresponding to easing rates by its peers, Reverse Bank of Australia (RBA) and Reserve Bank of India. Those stance will benefit the property stocks e.g. PWON and CTRA categorized into INNI Index. The monetary easing will wheat consumers' demand for properties offered in credit-scheme with low interest rates.

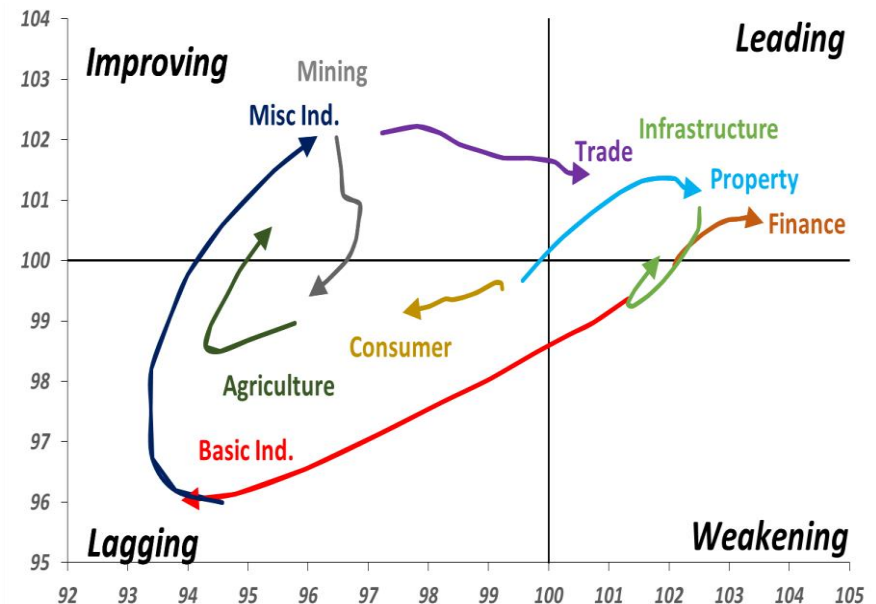
• INNI Index's Top Loser

The mining stocks were last-week top losers (-2/1) as ICE NewCastle Coal July 2019 Futures Price is at USD72.25/metric ton or edging down 0.55%. Declines in domestic coal prices are projected to slash state incomes from non-tax revenues (PNBP), contributed by the sub sector of coal mineral. The struggling coal prices are attributable to large supply and Norway's authorities decision to sell its stock ownership of USD 1 trillion from Glencore and Anglo America with a view to reducing global warming, triggered by the use of coal in power plants. That is a negative catalyst for the mining sector. We estimate that mining stocks, i.e. PTBA and ADRO listing among INNI Index is likely to lag

Last Week INNI Sector Movement



Sector Rotation – Last 10 Days



This Week's Outlook: A Tobacco Industry (1)

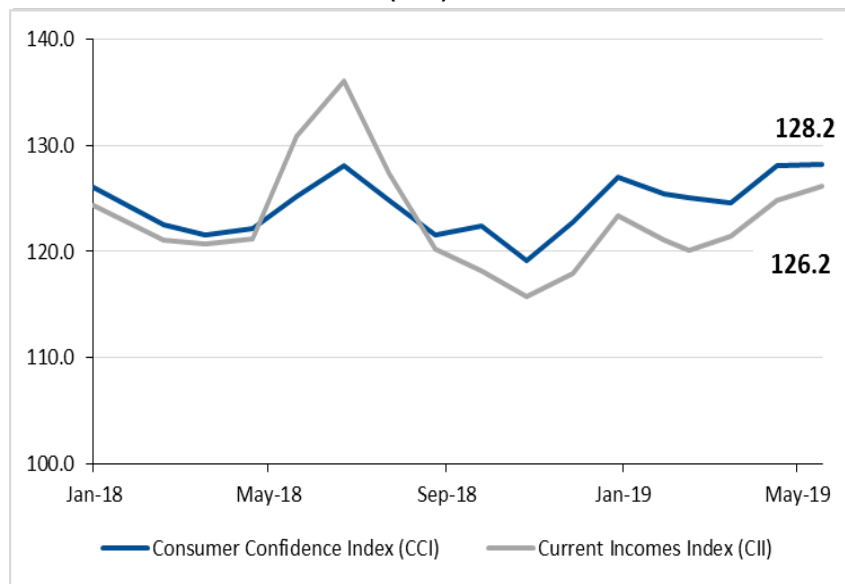
- CCI Data Slightly Nudging Up**

The consumer survey, released on Wednesday (06/12) by BI disclosed that consumers' optimism was maintainable. The Consumer Confidence Index (CCI) of May stood at 128.2, slightly nudging up from April's 128.1. The Current Income Index (CII) was at 126.2, higher than April's 124.8. That was underpinned by Idulfitri bonus distribution and buoyant business revenues. Subsidized spending, until April 30, 2019, was at IDR37.95 trillion—representing 16.92% of 2019 state budget's maximum limit and the 6.85% y-y decline to IDR2.79 trillion. It sent a potent signal on rising subsidized spending—whetting middle-to-low consumers' appetite for purchase and driving disposable incomes up.

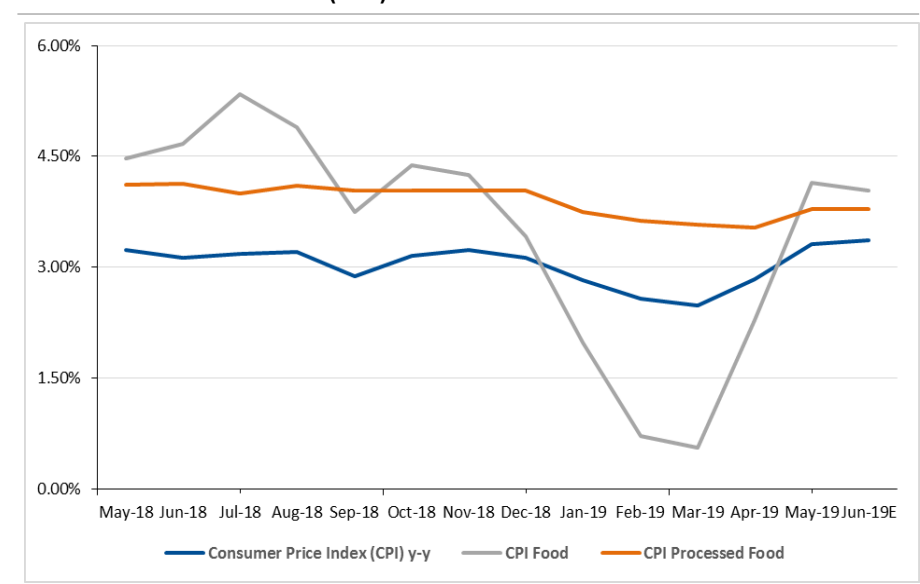
Upward Inflation but Sustained Purchasing Power

May's inflation raised on the data—the 0.68% m-m or 3.32% y-y increase—as exaggerating purchase during Idulfitri drove prices of spending subcategories up. The increase revealed persistent consumer spending, albeit rocketing prices of foodstuff. Based on the spending category index, the subcategory of foodstuff led by a surge of 2.02%, then followed by an increase of 0.56% in the subcategory of processed food, beverages, cigarettes. Such commodities as rice & side dishes, clove cigarettes, and refined sugar contributing respectively 0.01% to the subcategory of processed food, beverages, and cigarettes were the dominant contributors. May's higher inflation was still well controlled as its number still fell into the target of 3.5%.

Consumer Confidence Index (CCI)



Consumer Price Index (CPI)



Source: Bloomberg, NH Korindo Research

Source: BPS, NH Korindo Research

This Week's Outlook: A Tobacco Industry (2)

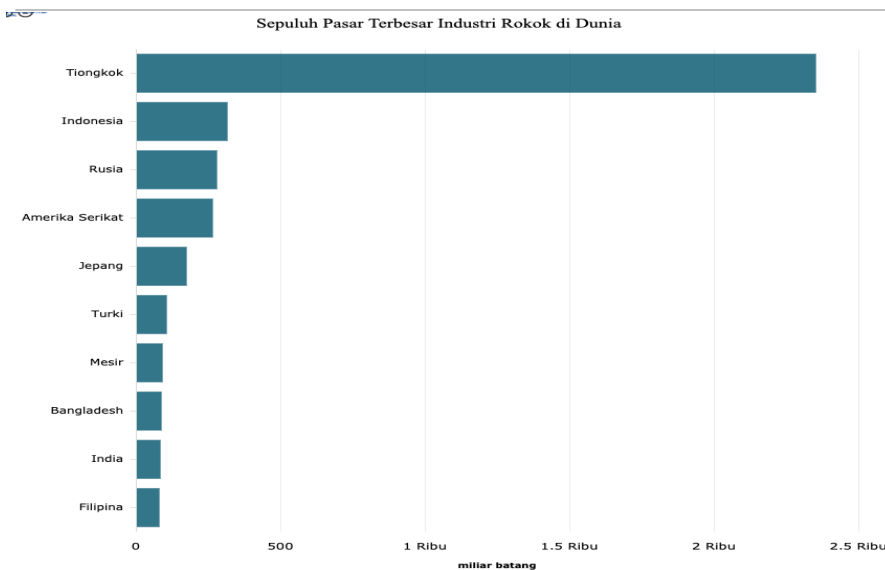
- Unchanged Excise Duties on Cigarettes: Benefits for Cigarette Makers**

Indonesian authorities in compliance with the Finance Minister Regulation (PMK) 156/2018— leave excise duties on cigarettes unchanged and applies tariffs setting forth in the Finance Minister Regulation (PMK) 146/2017 to take into effects in 2019. They also postponed the implementation of simplified tariffs as the Indonesian Cigarette Producers Association (Gappri) argued that simplified tariff layers would have impaired middle-to-low cigarette enterprises. Given subsequent impacts, Indonesian authorities will take a gradual stance of implementing simplified tariff layers while they curb production of machine-made clove cigarettes (SKM) and machine-made white clove cigarettes. Authorities' stance provides boosts for sales volume and cigarette players' margins. In 2018, Indonesia was the world's biggest cigarette market with the retail sales volume of roughly 316.1 billion, surging 32.8% from 2017.

- Soaring State Incomes from Excises Duties on Cigarettes**

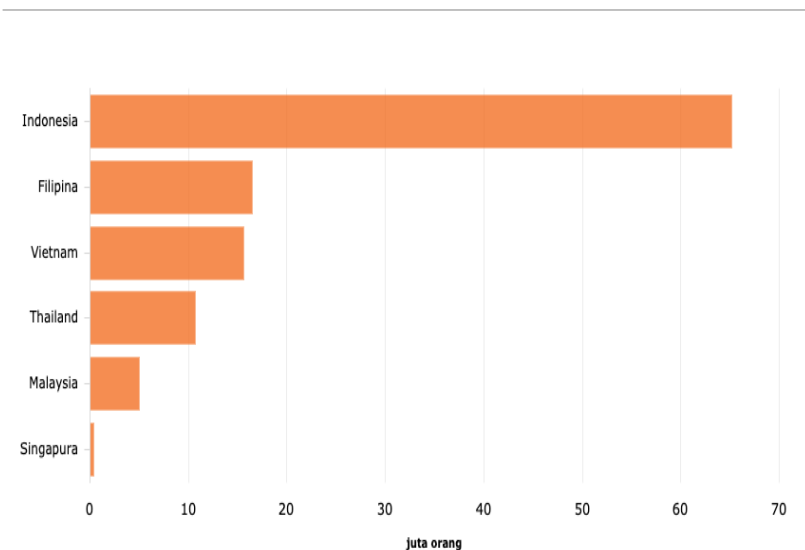
January-April state incomes from excise duties on cigarettes amounting IDR49.2 trillion—the number boasting the 46.98% y-y gain from April 2018 and attaining 23.66% of the 2019 APBN target—revealed the substantial number of smokers and cigarettes production in Indonesia. Based on the number of smokers in ASEAN countries, Indonesia with 65.19 million smokers ruled amongst its peers: a report by Southeast Asia Tobacco Control Alliance (SEATCA). The data heighten cigarettes' allure outlook for wary investors.

World's Biggest Cigarette Markets



Source: Katadata

The Number of Smokers in ASEAN Countries



Source: Katadata

Gudang Garam Tbk (GGRM – A Tobacco Player)

Price Target of Dec. 2019	110,000				
Consensus Price	92,804				
Last Price (IDR) as of May 17, 2019	77,500				
TP vs. Last Price	41,9%				
Revenue Breakdown:					
Machine Made Cigarettes	90.7%				
Hand Rolled Cigarettes	8.0%				
Others	1.3%				
	IDR bn	FY2017	FY2018	FY2019E	FY2020E
Revenue		5,622	5,740	6,762	7,120
y-y		-4.0%	2.1%	17.8%	5.3%
Net profit		407	595	685	732
y-y		-0.5%	6.3%	14.9%	6.9%
NPM		7.2%	10.4%	10.1%	10.3%
EPS		60	87	95	102
P/E		19.8x	17.8x	17.6x	16.5x

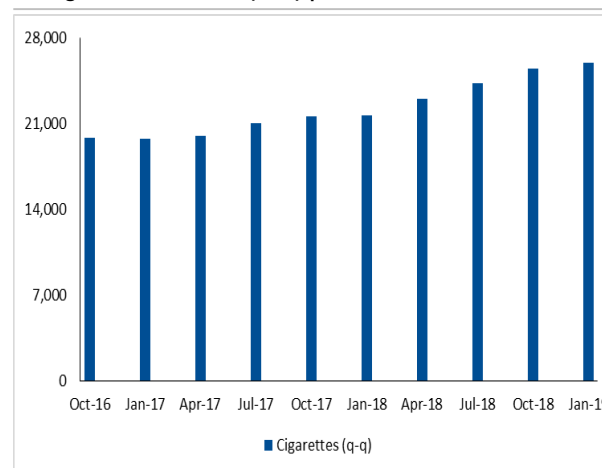
- NHKS** reviews GGRM, estimated to attain the target price of IDR110,000 with P/E trailing band of 22.57x, driven by unchanged excise duties on cigarettes and consumers' solid spending.
- Cost-efficient Sales: Boosts for 1Q19 Earnings**
 GGRM's 1Q19 revenues surged to IDR26.20 trillion, the 19.2% increase from 1Q18's revenues of IDR21.9 trillion. Of note, the 24.44% gain to IDR2.36 trillion in earnings, a sharp increase from IDR1.89 trillion in 2018. The sales of local cigarette brands—SKM typed cigarettes in particular—provided big boosts for its revenue growth. Local brands' sales, on a yearly basis, surged by 18.82% to IDR25.56 trillion as cost-efficient sales of 7.84% y-y drove earnings up.
- Cigarettes: Big Boost for National Economy**
 GGRM's outlook is promising as declines in excise duties on cigarettes, taking into effects since 2016 brighten tobacco players' performance we pencil in. April's 46.98% y-y gain in state incomes, contributed by excise duties on cigarettes had hit 23.66% of the 2019 state budget (APBN) target. Indonesian authorities' endeavors to fight cigarette smuggling by revoking excise incentives in free trade zone, taking into effects on May 17, 2019 benefits, stable excises duties on cigarettes, and consumers' solid purchasing power are positive catalysts for GGRM, the sale of which targets locals.

5 - years P/E trailing band



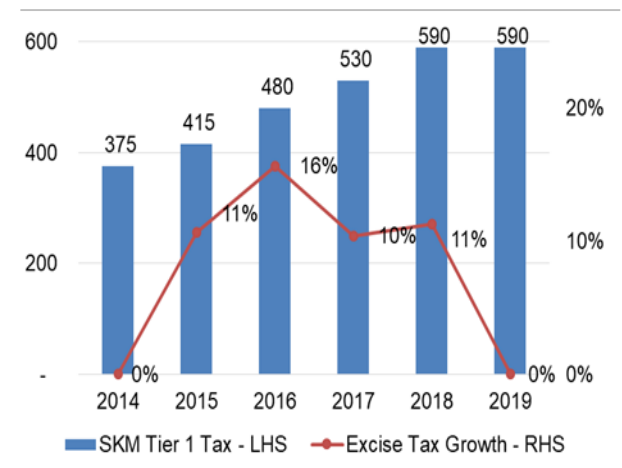
Source : Company, NHKS Research

Cigarette Revenue (IDR) | 4Q16 - 1Q19



Source : Company, NHKS Research

SKM Tier 1 Excise Tax



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	28,100	28,125	32,000	Hold	13.9	-0.1%	692.8	26.2x	4.4x	17.9	1.2	#N/A	N/A
BBRI	Theme 1	4,330	4,440	4,650	Hold	7.4	-2.5%	534.1	16.0x	2.7x	18.8	2.5	11.2	10.3
BMRI	Theme 1	7,725	7,750	8,000	Hold	3.6	-0.3%	360.5	14.4x	2.0x	14.4	2.6	7.4	21.2
Consumer														
GGRM	Theme 1	82,950	76,400	110,000	Buy	32.6	8.6%	159.6	20.5x	3.5x	17.8	3.1	14.9	0.5
UNVR	Theme 1	45,500	48,275	59,000	Buy	29.7	-5.7%	347.2	38.5x	38.3x	112.2	2.0	(0.8)	(4.6)
ICBP	Theme 1	9,175	9,025	11,800	Buy	28.6	1.7%	107.0	23.4x	4.9x	22.2	2.4	7.9	20.2
INDF	Theme 1	6,400	6,250	8,700	Buy	35.9	2.4%	56.2	13.5x	1.7x	12.8	4.7	4.6	0.2
KAEF	Theme 2	2,990	3,100	4,100	Buy	37.1	-3.5%	16.6	39.9x	5.2x	14.6	0.6	21.7	27.3
KLBF	Theme 2	1,515	1,480	1,870	Buy	23.4	2.4%	71.0	28.9x	4.9x	17.6	1.7	4.4	2.2
Infrastructure														
TLKM	Theme 1	3,910	3,780	4,700	Buy	20.2	3.4%	387.3	21.0x	4.3x	20.4	4.3	2.3	(20.6)
JSMR	Theme 1	6,125	5,975	6,000	Hold	(2.0)	2.5%	44.5	20.2x	2.5x	13.3	1.0	(20.8)	0.3
Trade														
UNTR	Theme 1	27,600	26,075	35,000	Buy	26.8	5.8%	103.0	8.8x	1.8x	22.3	4.3	19.0	20.6
SILO	Theme 2	4,000	4,000	4,350	Hold	8.7	0.0%	6.5	402.0x	1.0x	0.3	N/A	2.0	(85.4)
MIKA	Theme 2	2,030	2,000	2,300	Hold	13.3	1.5%	29.5	48.3x	7.2x	15.8	N/A	8.7	(10.6)
LPPF	Theme 2	4,320	3,800	5,500	Buy	27.3	13.7%	12.6	11.5x	6.8x	53.0	10.6	2.2	(42.4)
RALS	Theme 2	1,730	1,765	2,050	Buy	18.5	-2.0%	12.3	19.8x	3.0x	16.0	2.3	2.1	44.4
MAPI	Theme 2	955	940	1,300	Buy	36.1	1.6%	15.9	23.6x	2.9x	15.5	0.4	16.0	117.8
Property														
PWON	Theme 1	710	715	725	Hold	2.1	-0.7%	34.2	13.4x	2.7x	22.2	0.8	23.2	35.8
CTRA	Theme 1	1,135	1,185	1,080	Hold	(4.8)	-4.2%	21.1	17.8x	1.5x	8.5	0.8	19.1	32.8
PTPP	Theme 1	2,410	2,430	2,450	Hold	1.7	-0.8%	14.9	10.0x	1.2x	12.4	1.9	16.8	3.4
WSKT	Theme 1	2,110	2,120	2,500	Buy	18.5	-0.5%	28.6	7.2x	1.6x	24.8	2.7	7.9	2.7
WIKA	Theme 1	2,350	2,380	2,100	Hold	(10.6)	-1.3%	21.1	12.2x	1.4x	12.6	1.1	19.0	43.9
Basic Ind.														
KRAS	Theme 2	446	452	600	Buy	34.5	-1.3%	8.6	N/A	0.3x	(4.1)	N/A	20.0	7.1
Misc Ind.														
ASII	Theme 2	7,650	7,525	9,100	Buy	19.0	1.7%	309.7	14.1x	2.2x	16.2	2.5	6.8	4.9
Mining														
ADRO	Theme 1	1,290	1,270	1,750	Buy	35.7	1.6%	41.3	7.0x	0.8x	11.7	7.7	11.1	(13.6)
PTBA	Theme 1	4,020	4,050	5,100	Buy	26.9	-0.7%	46.3	9.0x	2.5x	29.2	7.9	(7.2)	(21.7)
INCO	Theme 2	3,050	3,150	4,400	Buy	44.3	-3.2%	30.3	63.2x	1.1x	1.8	N/A	(25.8)	N/A
ANTM	Theme 2	875	855	1,200	Buy	37.1	2.3%	21.0	24.0x	1.1x	4.6	0.2	99.5	540.7
Agriculture														
AAJI	Theme 1	10,625	11,800	16,000	Buy	50.6	-10.0%	20.4	18.3x	1.1x	6.0	3.2	9.3	(89.5)
LSIP	Theme 1	1,065	1,105	1,500	Buy	40.8	-3.6%	7.3	21.9x	0.9x	4.0	4.2	(15.2)	(54.6)

Source : Bloomberg, NHKS Research

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