

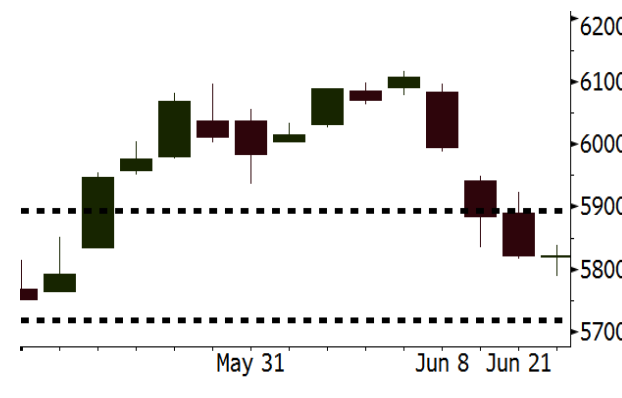
Weekly Brief (June 25 – June 29)

Summary:

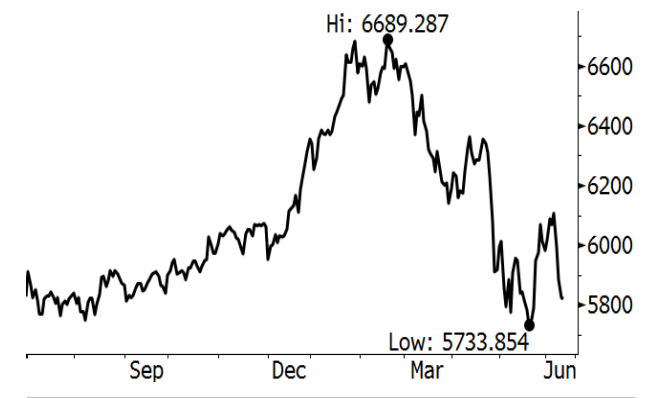
After Eid Mubarak long holidays, Indonesia Stock Exchange (IDX) trading was resumed on Wednesday, June 20th, 2018. Last week, JCI posted a steep decline as a response to global negative sentiment occurred during Eid Mubarak holidays. Another to the agenda for the Fed's meeting, the exacerbated concerns about trade war constituted as a negative sentiment. Not only China but also other countries such as Canada and European Union fought back against the Trump administration's tariffs.

The Bank Indonesia's Board of Governors Meeting held this week is crucial to be digested by investors. Bank Indonesia (BI) is projected to tighten its monetary stance by increasing its benchmark rate after 2x hike of 25 bps in its benchmark rates of May. It is crucial to keep eyes on the regional election held in 17 provinces as the result of the regional election constitutes as an indicator whether Jokowi is quite potential or not for winning the 2019 Presidential election.

JCI - one month



JCI - one year



Last Week's Recap

- Jakarta Composite Index (JCI) : 5,821.81 (-2.87%)
- Foreign Investor : net sell of IDR3.8 trillion (Vs previous week's net sell of IDR3.1 trillion)
- USDIDR : 14,086 (+1.11%)
- 10-year Government Bond Yield : 7.544% (+24.5 bps)

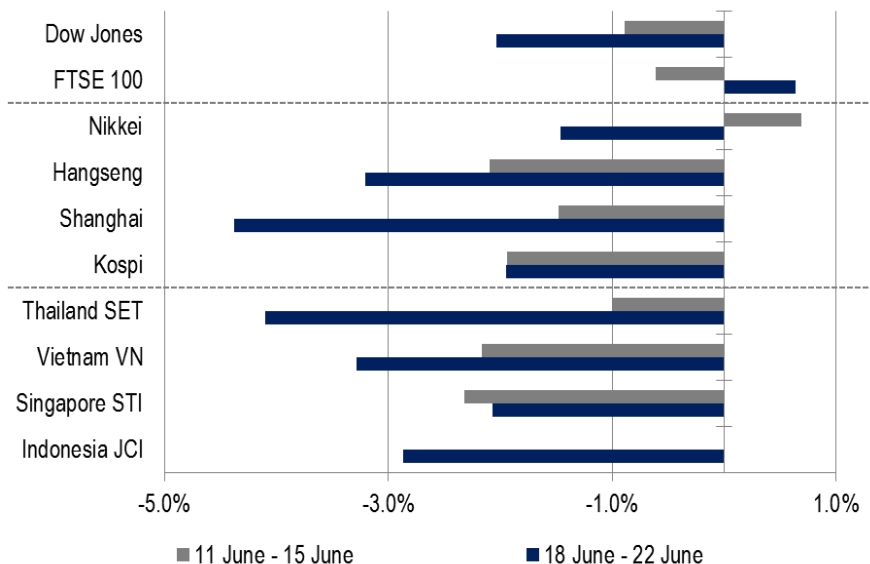
- **Exacerbated Global Trade War**

The global war tension exacerbates not only the trade relationship between the U.S. and China. Last week, European Union retaliated with the hike of 25% in the tariff imposed on varied products imported from the U.S. It is a counterattack on the trump administration's tariff on steel and aluminum imported from European Union.

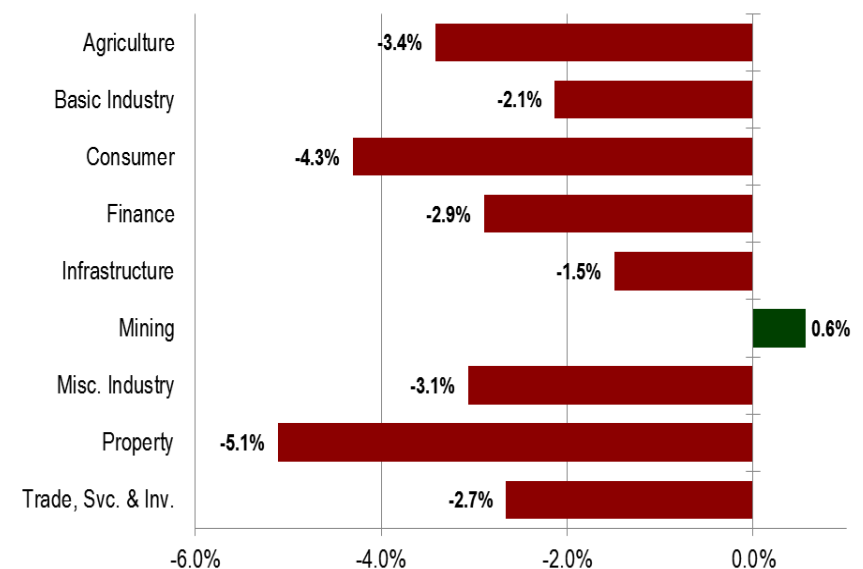
- **Rupiah Depreciated at Above 14,000 per USD**

Rupiah gets depreciated further at above 14,000 per USD last week after Eid Mubarak long holiday. Prior to Eid Mubarak holidays, rupiah got appreciated at around 13,900 per USD. The Fed's meeting and the trade war tension exacerbated rupiah depreciation.

Global Equity Market



Sector Index



This Week's Outlook

- **Bank Indonesia's Board of Governors Meeting**

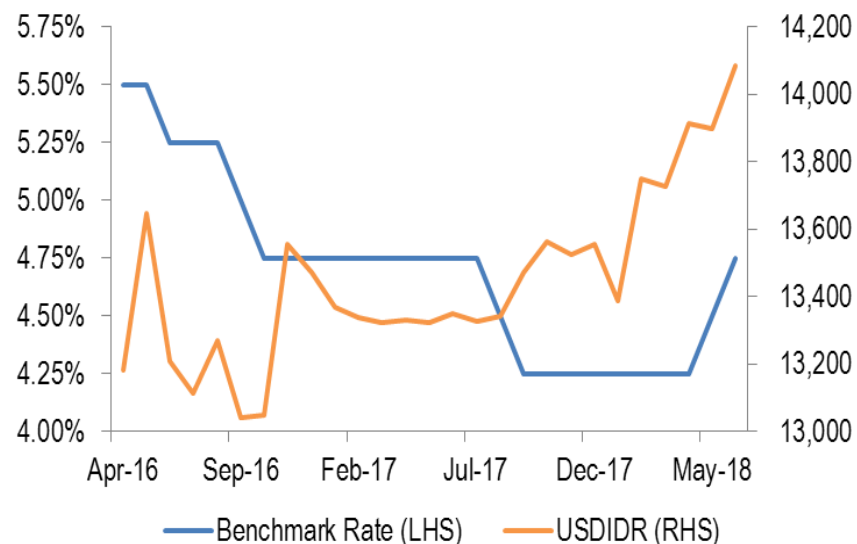
Bank Indonesia's Board of Governors will schedule a routine meeting dated on Wednesday, June 27th and Thursday, June 28th. In May BI raised its benchmark rate by 2x with the total hike of 50 bps. In light of the massive pressure on rupiah after Eid Mubarak holidays, BI will again raise its benchmark rate higher by 25 bps to 5.00%.

- **Regional Election**

Indonesia will hold regional election dated Tuesday, June 27th in 17 provinces from the total 34 provinces. The total registered voters are 152 million citizens. As a comparison, in the 2014 presidential election, the total registered voters were 190 million citizens. Such densely populated provinces as West Java, Central Java, and East Java held regional elections this year. The result from the 2018 regional elections is a crucial indicator for Jokowi to win the 2019 Presidential election. Basuki Tjahaja Purnama facing defeat in the Jakarta's Regional Election of 2017 ignites investors' concerns about downtrend of Jokowi's popularity.

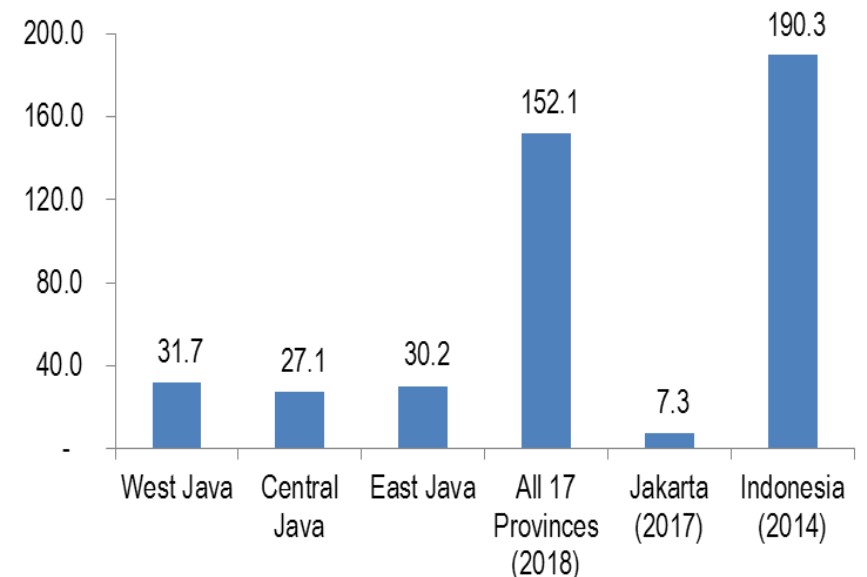
- We estimate that this week JCI will move stably with the **range of 5719-5894**. BI's commitment to minimizing the impact of global negative sentiment likely curbs last-week volatility.

Bank Indonesia Reference Rate



Source: Bloomberg, NH Korindo Research

The Number of Election Voters



Source: NH Korindo Research

Bank Rakyat Indonesia (BBRI – Bank)

Dec 2018 TP	3,510
Consensus Price	3,783
TP to Consensus Price	-7.2%
vs. Last Price	+17.8%
Last Price (IDR)	2,980
Price date as of	June 22, 2018
52wk range (Hi/Lo)	3,920 / 2,720
Free Float (%)	43.2
Outstanding sh. (mn)	123,346
Market Cap (IDR bn)	367,571
Market Cap (USD mn)	26,091
Avg. Trd Vol – 3M (mn)	160.15
Avg. Trd Val – 3M (bn)	510.30
Foreign Ownership	24.6%
Interest Income Breakdown:	
Loan	85.1%
Securities	12.1%
Sharia	2.8%

IDR bn	FY2016	FY2017	FY2018E	FY2019E
Int. Income	94,788	102,899	111,971	122,175
y-y	10.9%	8.6%	8.8%	9.1%
Op. Rev	84,850	92,482	102,494	114,180
Net profit	26,196	28,997	33,066	36,503
EPS (IDR)	212	235	268	296
y-y	3.1%	10.7%	14.0%	10.4%
NIM	8.0%	7.6%	7.4%	7.4%
ROE	20.2%	18.5%	18.7%	18.5%
P/E	11.0x	15.5x	11.1x	10.1x
P/BV	2.0x	2.7x	2.0x	1.8x

Indonesia Banking Industry Well Cushions Global Volatility

Based on a stress test published by Fitch Ratings, Indonesia banking industry is quite solid to cushion against the potential negative impacts of the Fed's monetary tightening. Bank Indonesia is estimated to raise its benchmark higher causing the credit cost to climb. However, 4 big-cap banks, namely, BBRI, BMRI, BBCA, and BBNI are quite solid to buffer BI's benchmark rate hike due to their high margins.

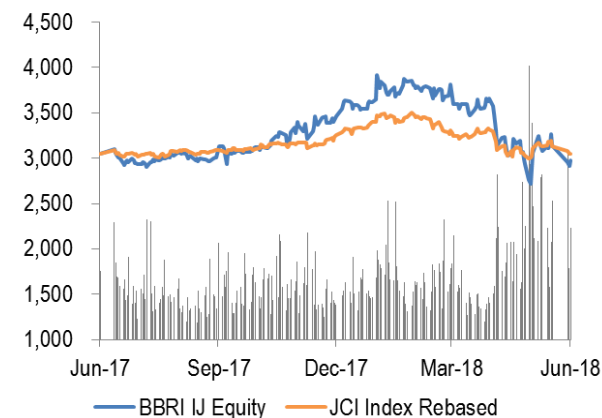
Highest Margin by BBRI

BBRI is armed with the highest margin among its peers. Such quality allows BBRI to smoothly face the hike in benchmark rate. Although its CASA is only 56% lower than BBCA's CASA of 77%, it has broader business networks capable of curbing costs of credit.

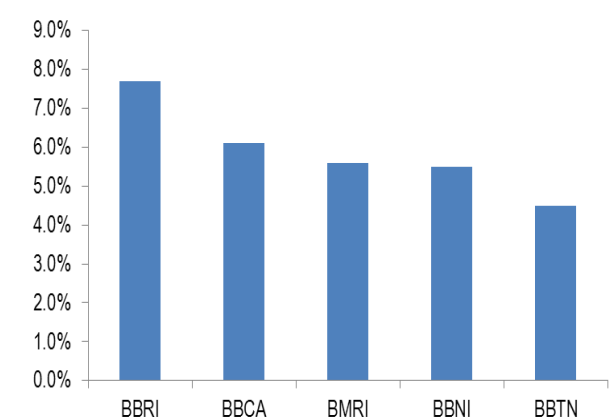
Reliance on Credit Growth Acceleration

The 1Q18 credit distribution growth was stable at 11.2%, yet the micro and consumer segments posted growth acceleration of 16%, respectively. The gradual recovery in the domestic consumption is estimated to bolster BBRI's credit growth acceleration to hit 13.2% in 2018 from 11.4% in 2017.

Share Price Performance



Net Interest Margin



XL Axiata (EXCL – Telecommunication Operator)

Dec 2018 TP	3,800			
Consensus Price	3,693			
TP to Consensus Price	+2.9%			
vs. Last Price	+46.2%			
Last Price (IDR)	2,600			
Price date as of	June 22, 2018			
52wk range (Hi/Lo)	4,060 / 1,710			
Free Float (%)	33.6			
Outstanding sh. (mn)	10,688			
Market Cap (IDR bn)	27,789			
Market Cap (USD mn)	1,973			
Avg. Trd Vol – 3M (mn)	23.50			
Avg. Trd Val – 3M (bn)	53.12			
Foreign Ownership	99.9%			
Sales Breakdown:				
Cellular Telco	89.4%			
Cellular Interconnection	6.0%			
Others	4.7%			
IDR bn	FY2016	FY2017	FY2018E	FY2019E
Revenue	21,341	22,876	24,568	26,420
y-y	-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
y-y	N/A	-0.1%	12.8%	4.3%
NPM	1.8%	1.6%	1.7%	1.7%
ROE	2.1%	1.8%	1.9%	2.0%
P/E	6.2x	7.9x	7.0x	6.7x
P/BV	1.2x	1.5x	1.4x	1.4x

• Investment Grade by Moody's

Moody's upgraded the issuer rating of EXCL from Ba1 to Baa3 (Investment Grade). It was the first time for Moody's to rate investment-grade rating to EXCL. The investment upgrade was based on EXCL's consistent operational strengthening and stable financial profile, including lower leverage level. Additionally, Moody's also considered the extraordinary support given by EXCL's parent entity, Axiata Group Berhad (Baa2) in a distressed situation.

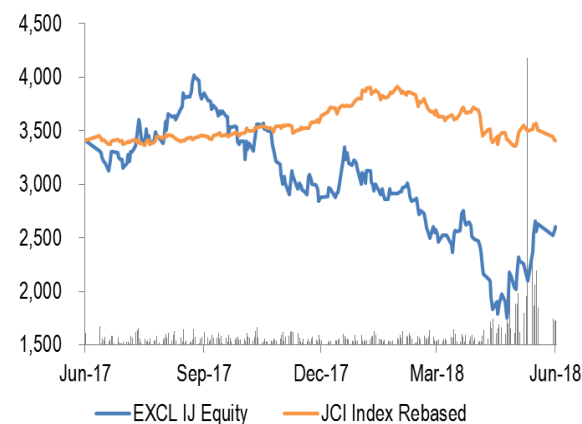
• Better Data Price

Indonesia-based telecommunication operator industry is a way healthier after 3 major operators, namely Telkomsel, EXCL, and ISA decided to hike data prices. The better data prices are concertedly bolstered by the regulation of SIM card registration causing less-intense competition among operators.

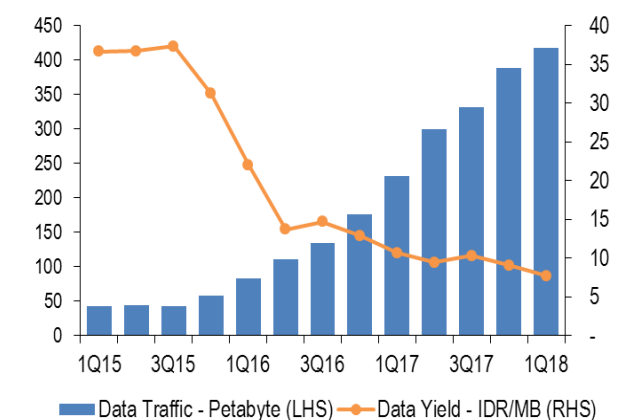
• Out Java Expansion

EXCL management discerns that the out-Java growth is two times bigger than the in-Java growth; accordingly, it is likely committed to expanding its out-Java business. Of note, in 2018, it spends IDR7 trillion on capex whose 50% will be ploughed into the out-Java business expansion. The funds spends on capex is higher than the prior capex allocation of only 20%. Moreover, 60% of based transceiver station (BTS) construction will be established out Java in light of the construction target of 16,000 BTS in 2018.

Share Price Performance



Data Traffic and Data Yield



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