

Weekly Brief

Last Week's Recap

- Jakarta Composite Index : 6,433.32 (-2.26%)
- Foreign Investor : net sell of IDR4.5 trillion (vs previous week's net sell of IDR2.6 trillion)
- USDIDR : 13,786 (+0.20%)
- Yield Indonesia 10-year : 6.818% (+24.3 bps)

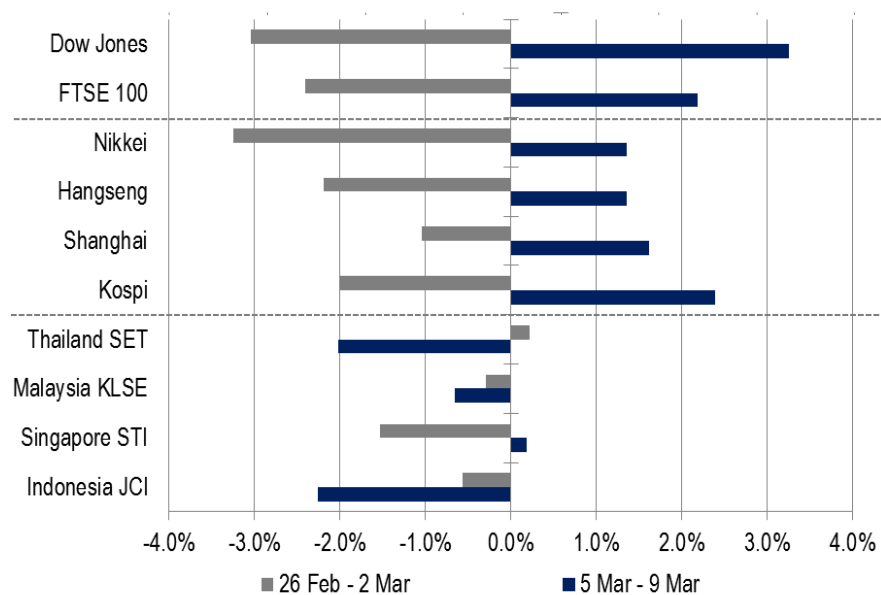
• Trump's Tariff

Last week the emerging markets concerned about Trump's tariff on imported steel and aluminum. Markets feared that the plan is potential for igniting further global trade war. The countries such as EU and China raised statements about intention of any revenge on the U.S. trade protectionist strategy.

• Warning from Moody's

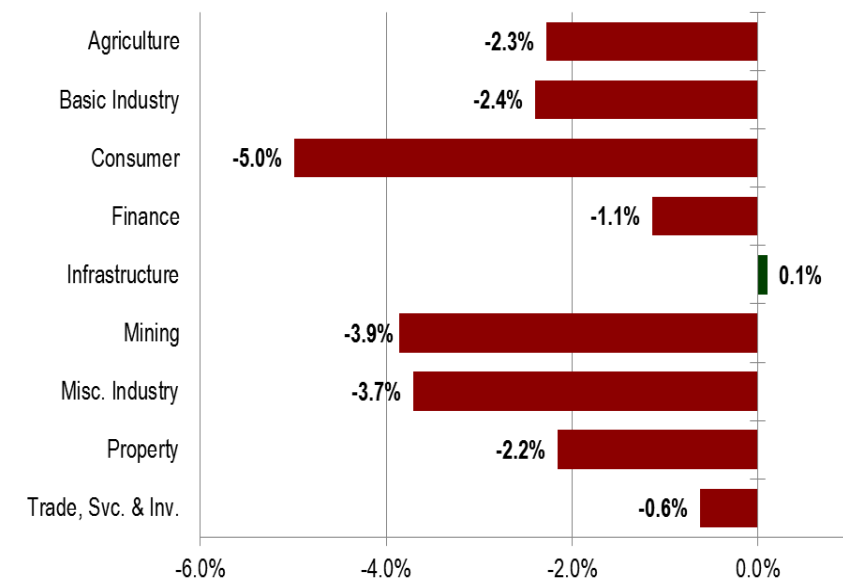
JCI's last-week declined last was significantly affected by Moody's negative statement about the Indonesian government decision on freezing the subsidized fuel and electricity tariff until 2019. Moody's said that the plan was the backward step in the fiscal reformation agenda. The government previously announced to increase the budget for energy subsidy amid the challenge of the energy prices with a view of maintaining domestic purchasing power.

Global Equity Market



Source: Bloomberg, NH Korindo Research

Sector Index



Source: Bloomberg, NH Korindo Research

This Week's Outlook

- **U.S. Inflation**

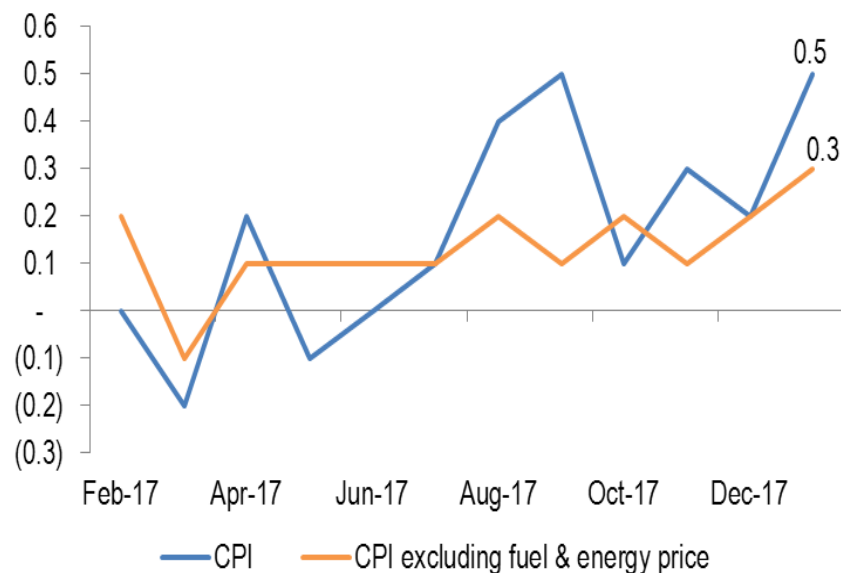
Global markets' this-week main focus is the number of U.S. February's inflation to be published on Tuesday 03/13/2018. Last month, the global markets experienced the high-level volatility attributable to the above-estimated inflation numbers. The February's inflation is estimated to be lower than the prior-month inflation; nonetheless, it is recommended that investors wait patiently markets' reaction to the upcoming number. In addition, the February's figures are the latest inflation data before FOMC upcoming-month meeting in which markets expect hike in rate.

- **Indonesia Trade Balance**

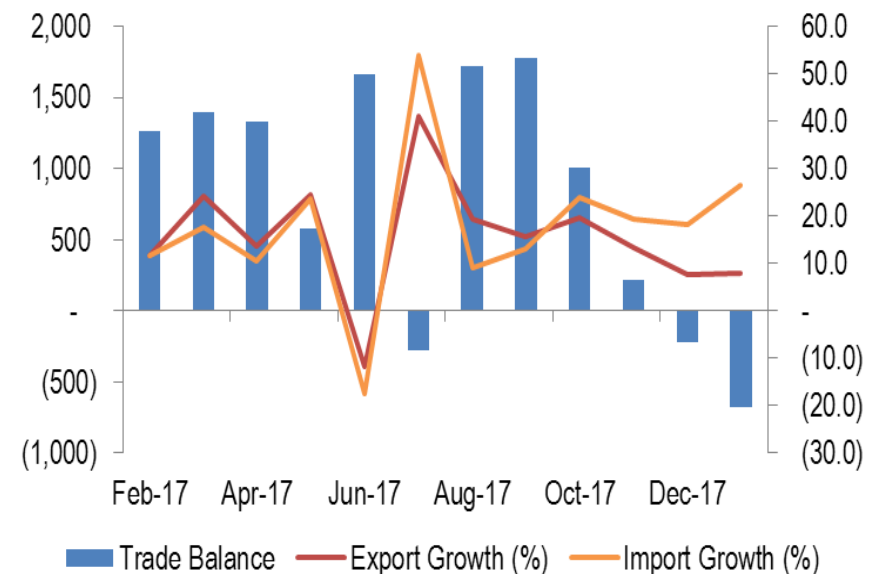
Indonesia Central Statistic Agency is scheduled to announce the February's trade balance on Thursday 03/15/2018. In the previous two months, Indonesia consistently posted a trade deficit. Observing on the export and import trend, the trend of export growth failed to follow pace of the uptrend of import since the end of the last year. Although the accelerating uptrend of import suggests a gradual increase in the domestic economic activity, investors should also discern that the uptrend of import could be affected by the high price of commodities especially oil.

- For this week we view **JCI is still on high level of volatility**. We estimate JCI to have the downside potential within range of 6,315-6,491.

U.S. CPI m-m (%)



Indonesia Trade Balance (USD mn)



Indofood Sukses Makmur (INDF – Packaged Food & Agricultural Products)

- **INDF at A Glance**

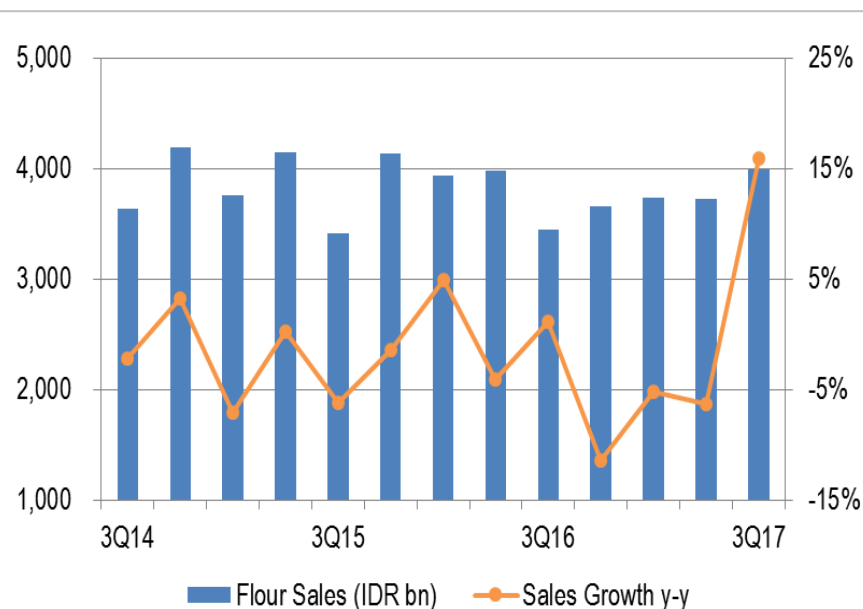
Indofood has progressively transformed into A Total food Solutions company with operations in all stages of food manufacturing, from the production of raw materials and the processing, to consumer products in the market. It capitalizes on economies of scale and a resilient business model with four complementary Strategic Business Groups, namely 1. Consumer Branded Products produces a diverse range of consumer branded products such as noodles, dairy, snack foods, food seasonings, nutrition and special foods, and beverages; 2. Bogasari produces wheat flour and pasta and has its own shipping and packaging units to support its business operations; 3. Agribusiness has principal activities ranging from research and development, seed breeding, oil palm cultivation and milling to production and marketing of branded cooking oils, margarine and shortening; 4. Distribution with the most extensive distribution network in Indonesia distributes the majority of consumer products manufactured by Indofood and its subsidiaries.

- **Rebound in Flour Division**

Although the flour division contributed 22% to INDF's total sales, this division posted the fantastic growth of 16% in sales after posting the average growth of -3% in 3-recent-year sales. The rebound accomplished by the flour division was attributable to the high sales volume instead of the wheat price due to the international flour price remaining at the level of USD4.3/bushel.

- **Weekly Range 7,250– 7,700; Last Price: 7,450; Market Cap: IDR65,4 trillion; Free Float: 49.9%**

Flour Division Sales Trend



Source: Company, NH Korindo Research

Financial Summary (IDR bn)

	FY2016	FY2017E	FY2018E	FY2019E
Sales	66,750	71,136	76,196	81,796
<i>Sales growth</i>	4.2%	6.6%	7.1%	7.3%
EBITDA	10,614	11,218	12,393	13,223
Net profit	4,145	4,436	4,950	5,502
EPS (IDR)	472	505	564	627
<i>EPS growth</i>	39.6%	7.0%	11.6%	11.2%
BVPS (IDR)	5,004	5,367	5,679	6,025
NPM	6.2%	6.2%	6.5%	6.7%
ROE	9.5%	9.7%	10.2%	10.7%
ROA	4.8%	5.3%	5.8%	6.3%
P/E	16.8x	14.5x	13.0x	11.7x
P/BV	1.6x	1.4x	1.3x	1.2x
EV/EBITDA	9.6x	8.9x	8.0x	7.3x
Dividend yield	2.1%	3.2%	3.4%	3.8%

Source: Company, NH Korindo Research

Matahari Department Store (LPPF – Retail)

- **A Glance at LPPF**

LPPF is the market leader of the retail industry in Indonesia. Its businesses covering retail sales, consignment, and service revenues targets the low to middle income classes of which the purchasing power is heavily dependable on the national commodities prices. It has 156 stores in 73 cities across Indonesia, and one online platform, namely mataharistore.com.

- **Target of 2018's SSSG Growth of 4%-6%**

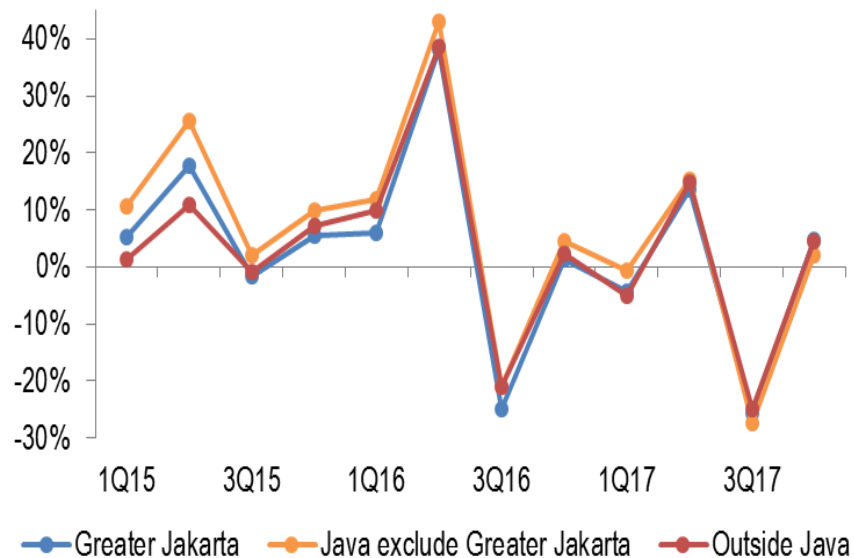
In 3Q17, its same store sales growth (SSSG) declined by 26.0% y-y due to the shift in festive season (Idul Fitri) from 3Q of 2016 into 2Q of 2017. However, its SSSG grew by 3.7% in 4Q17. The growth was underpinned by the uptrend of public purchasing power as the commodities prices picked up. Indonesian Retailers Association (Aprindo) also targeted the growth of 9% in 2018' retail sector. We estimate that LPPF can achieve its growth target along with the growth in the retail sector.

- **Focusing more on Marketing and Merchandising Strategy**

In 2017, LPPF posted the increment of 65% in the total online transactions, and the increment of 47% in loyalty membership program. It was opportune backdrop for the marketing and merchandising strategy. LPPF uses big data analytics for figuring consumers purchasing pattern, repeat order, and products preferred by consumers; thus, the products it offers fit better the markets. Besides, it continuously performs collaboration with Disney and a number of local actress with a view to boost the sales of retail segment.

- **Weekly Range 10,500 – 12,000; Last Price: 11,000; Market Cap: IDR32.1 trillion; Free Float: 82.5%**

SSSG by Region



Financial Summary (IDR bn)

	FY2016	FY2017	FY2018E	FY2019E
Sales	9,897	10,024	10,670	11,213
<i>Sales growth</i>	9.9%	1.3%	6.4%	5.1%
EBITDA	2,795	2,670	3,016	3,177
Net profit	2,020	1,907	2,160	2,275
EPS (IDR)	692	654	740	779
<i>EPS growth</i>	13.4%	-5.6%	13.2%	5.3%
BVPS (IDR)	636	798	1,146	1,412
NPM	20.4%	19.0%	20.2%	20.3%
ROE	136.4%	91.2%	76.2%	60.9%
ROA	46.2%	37.1%	36.4%	33.0%
P/E	21.9x	15.3x	14.6x	13.9x
P/BV	23.8x	12.5x	9.4x	7.6x
EV/EBITDA	15.2x	10.3x	9.7x	8.9x
Dividend yield	3.2%	3.9%	4.8%	5.0%

Indocement Tunggal Prakarsa (INTP – Cement)

- **A Glance at INTP**

INTP producing prominent products such as Semen Tiga Roda, and Semen Rajawali is the biggest private cement producer in Indonesia. Now, it has 13 cement plants mostly located in the western parts of Java Island. Its cement plants operate at the full capacities of 24.9 million tons of cement per year. Its total cement products are sold in the domestic market particularly in Jakarta, West Java, and Banten.

- **Growth in Sales Volume Topping Cement Industry**

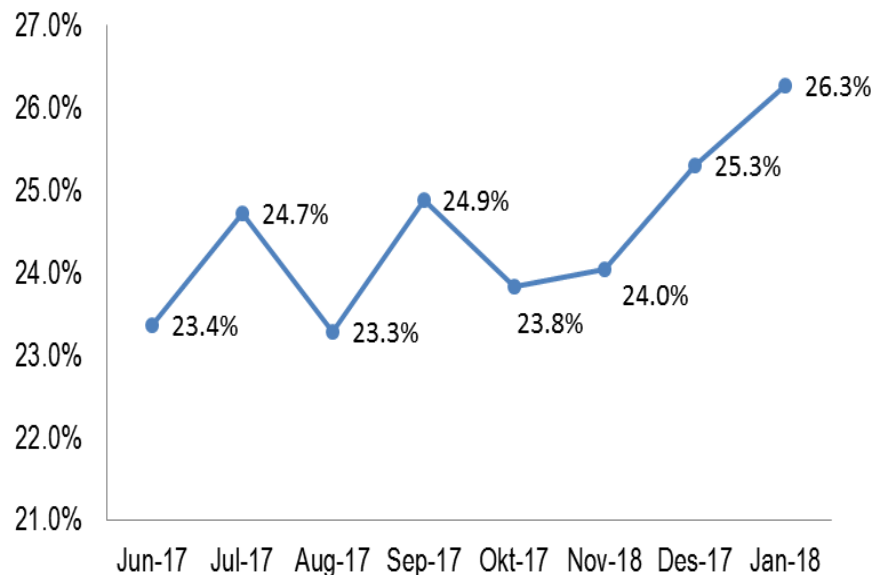
INTP posted the growth of 11.4% in sales from 1,34 million tons in January 2017 into 1.49 million tons in January 2018. The growth was higher than the national sales growth of 7.2% y-y from 5.3 million tons in January 2017 into 5.69 million tons in January 2018.

- **January's Market Share the Last 20-Month-All-High Position**

January's market share was 26.3% the last-20-month-all-high position. It was underpinned by the invention of new product, Semen Rajawali succeeding to return its market share declining since the late of 2016 due to the ample new competitors.

- **Weekly Range 19,850 – 21,800; Last Price: 20,125 ; Market Cap: IDR74.1 trillion; Free Float: 49%**

INTP's National Market Share Performance



Source: Bloomberg, NH Korindo Research

Financial Summary (IDR bn)

	FY2016	FY2017E	FY2018E	FY2019E
Sales	15,362	14,481	15,097	15,598
<i>Sales growth</i>	-13.7%	-5.7%	4.3%	3.3%
EBITDA	4,654	3,530	4,279	4,529
Net profit	3,870	2,291	3,196	3,384
EPS (IDR)	1,051	622	868	919
<i>EPS growth</i>	-11.2%	-40.8%	39.5%	5.9%
BVPS (IDR)	26,139	25,012	26,852	28,236
NPM	25.2%	15.8%	21.2%	21.7%
ROE	15.5%	9.0%	12.3%	12.3%
ROA	13.6%	7.7%	11.0%	11.1%
P/E	14.6x	32.2x	23.1x	21.8x
P/BV	2.2x	3.0x	2.7x	2.6x
EV/EBITDA	10.5x	18.9x	15.2x	14.1x
Dividend yield	1.4%	0.4%	0.5%	0.5%

Source: Company, NH Korindo Research