

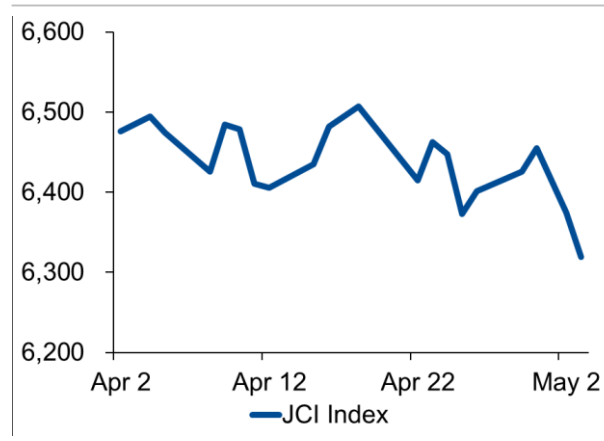
Weekly Brief (May 6 – May 10)

Summary:

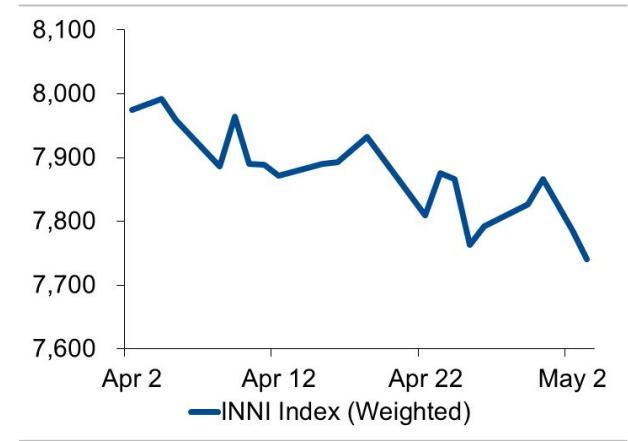
Last week review: A flood of sentiments—negative sentiments in particular—dragged JCI to well below 1.3%. Despite foreign inflows of IDR869 billion, JCI nudged up 0.44% on Monday, 04/29/2019. That was underlined by investors' wait-and-see stance ahead of the U.S. 1Q19 earnings season. JCI, on Tuesday, continued to strengthen as foreign investors posted inflows of IDR51 trillion, stemming from the merger between PT Bank Danamon Indonesia (BDMN) and PT Bank Nusantara Parahyangan Tbk (BBNP). On Thursday, JCI recorded foreign outflows of IDR191 billion, triggered by the Fed's stance of leaving FFR unchanged amid benign inflation. On Friday, it weakened further as investors panicked the U.S. and China found no deals over tit-for-tat trade disputes.

This week's outlook: We pencil in that the world's coal prices are likely to rally this week, underlined by 1) Gradually depleted stockpiles of coal in Chinese 6 major coal-fired power plant; 2) Inclining ratio of coal turn days in Chinese 6 major power plants; 3) Estimate of Chinese consistent manufacturing expansion. We oversee that Chinese manufacturing production grew by 6.5% in April 2019 (vs. March's 5.3%), and an inextricable correlation between Chinese manufacturing production and electricity consumption. That results in sharp inclines of coal exported to China in the near future; thus, soaring coal prices are inevitable. The projection spawns a positive sentiment, driving Indonesian coal stocks to rally.

JCI - one month



INNI Index – one month



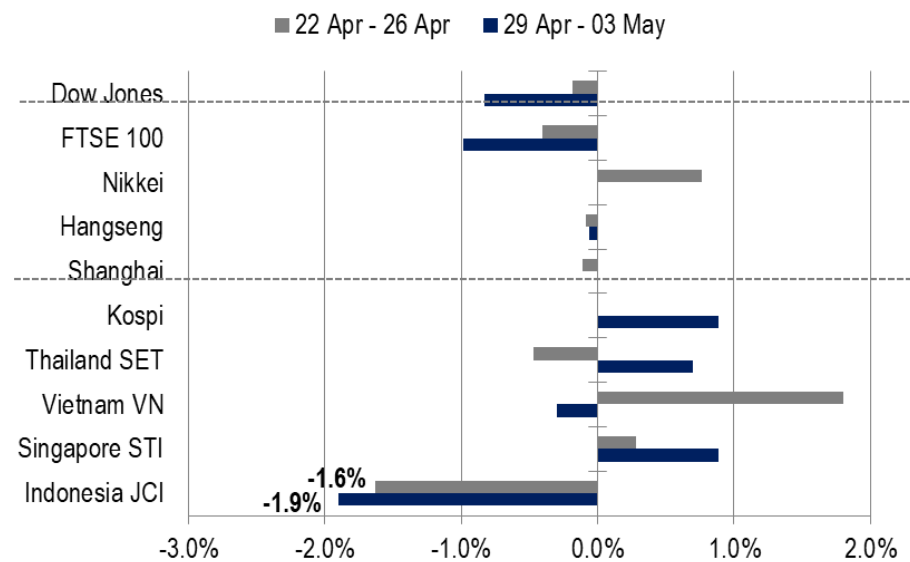
Last Week's JCI Movement

- Jakarta Composite Index (JCI) : 6,319.46 (-1,3%)
- Foreign Investor : Net buy of IDR 51.2 trillion (vs. last week's net buy of IDR 1.4 trillion)
- USD/IDR : 14,279 (+0.63%)
- Yields of sovereign bonds with 10-year tenor : 7.855% (+10.7 bps)

JCI Moderated

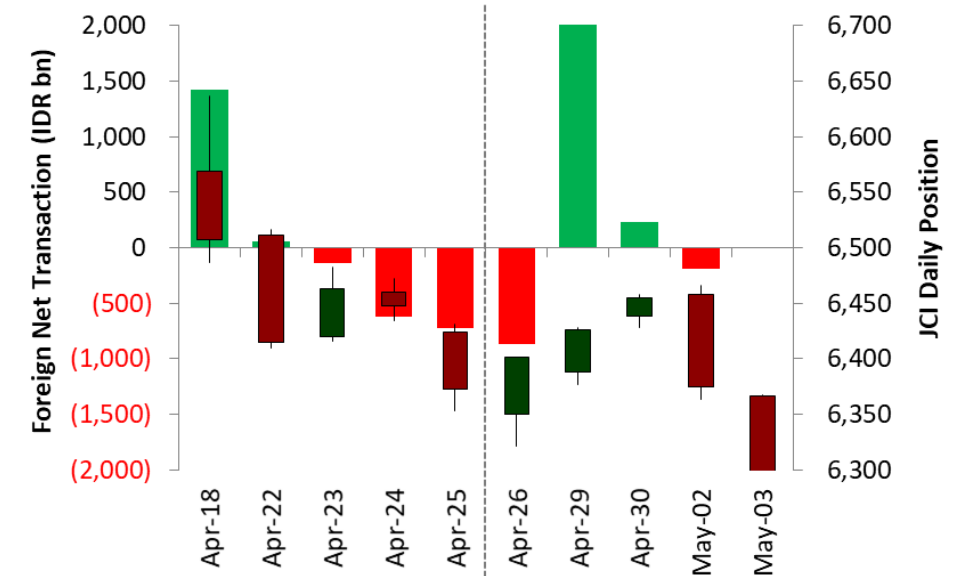
A flood of sentiments—negative sentiments in particular—dragged JCI to well below 1.3%. Despite foreign inflows of IDR869 billion, JCI nudged up 0.44% on Monday, 04/29/2019. That was underlined by investors' wait-and-see stance ahead of the U.S. 1Q19 earnings season. JCI, on Tuesday, continued to strengthen as foreign investors posted inflows of IDR51 trillion, stemming from the merger between PT Bank Danamon Indonesia (BDMN) and PT Bank Nusantara Parahyangan Tbk (BBNP). On Thursday, JCI recorded foreign outflows of IDR191 billion as investors awaited outcomes of trade deals between the U.S. and China and the Fed's stance of leaving FFR unchanged amid benign inflation. USDIDR depreciation weighed JCI down. On Friday, it weakened further as investors panicked the U.S. and China found no deals over tit-for-tat trade disputes. Both economic powerhouses are getting to next-week final laps, possible to end without deals and spreading jitters of new chapters of trade wars.

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	: 7,740.20 (-0.7%)
INNI Theme 1 (Value)	: 7,677.33 (-0.3%)
INNI Theme 2 (Trend)	: 7,847.25 (-1.3%)

INNI Index Closed Lower Last Week

Last week, INNI Index nudged down 0.7% on a weekly basis as mining and property sectors dives. PTBA, a mining stock, dropped by 3.8%, while WIKA and PTPP, property stocks, declined by 6.1% and 9.3%, respectively.

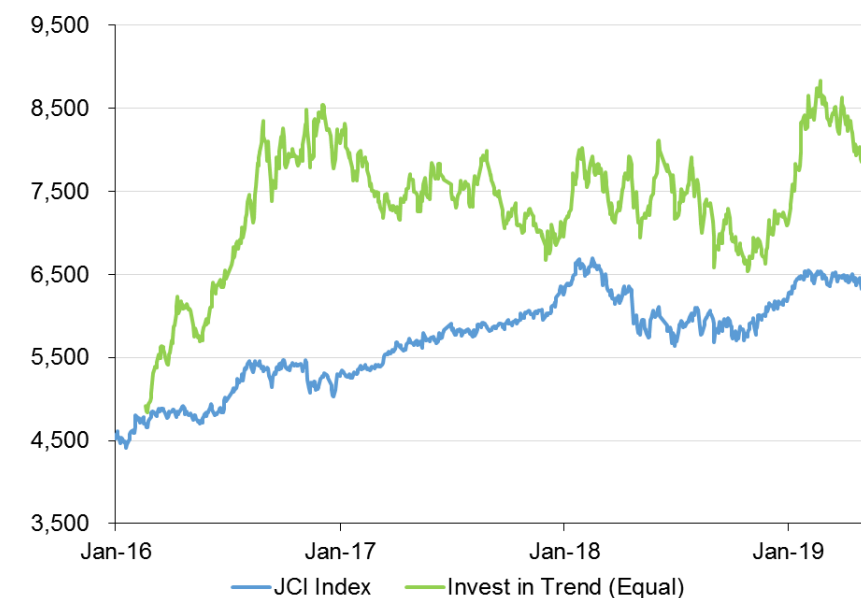
Last week, INNI Index nudged down 0.7% on a weekly basis as mining and property sectors dives. PTBA, a mining stock, dropped by 3.8%, while WIKA and PTPP, property stocks, declined by 6.1% and 9.3%, respectively. Mining is currently the most suppressed sector as the world's coal prices are determined by outcomes of the U.S. and China trade negotiation. Trade deals between two economic powerhouses are likely to have positive impacts on Chinese manufacture and power plants. In contrast, trade talks ending without deals may slowdown economic growth of those two countries. That leads to declining demand for commodities; thus, downbeat coal prices are inevitable.

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

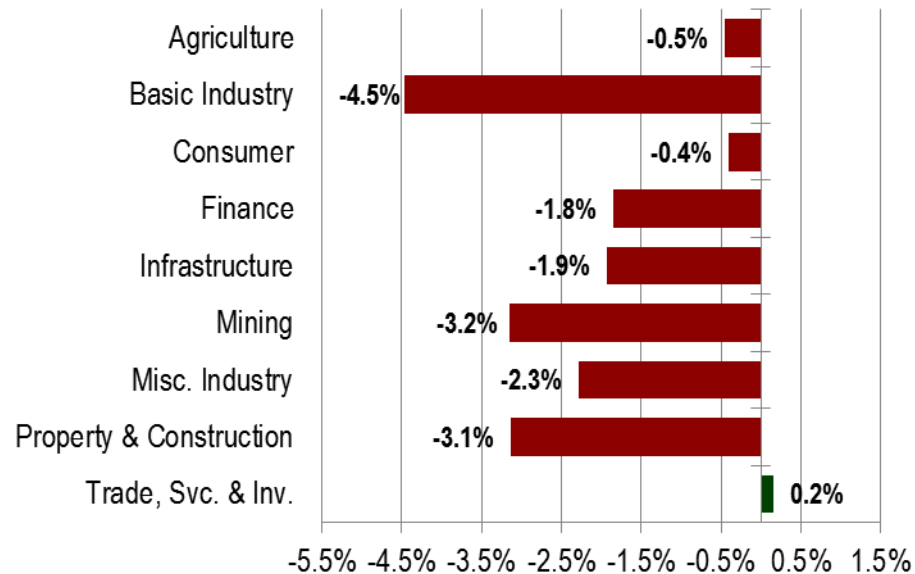
Last Week's Sector Movement

Review of Last Week's INNI Index Movement

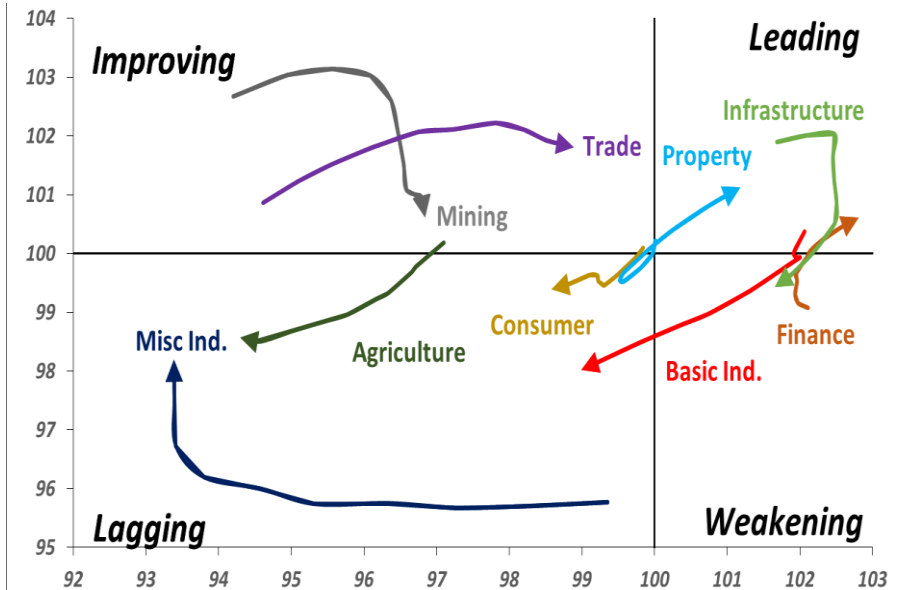
- Consumer Sectors**

The consumer sector slightly dropped, compared with other sectors. Despite the slight drop of 4.0% in consumer stocks, INDF and ICBP—consumers stocks listed in INNI Index—respectively rallied by 6.2% and 3.5%. The rally corresponded to Ramadan days and ahead of Eid Mubarak festive. Statistics Indonesia (BPS) recorded April's high inflation of 0.44 m-m due to a seasonal factor: Ramadan days, yet April's reading still fall into estimates. Well-controlled inflation is a logical takeaway for Indonesian robust consumption. March's retail sales growth of 8%, higher than that of 2.5% in March 2018 added to the evidence of Indonesian buoyant consumption. 1Q19 higher-than-estimate earnings were factors strengthening consumer stocks.

Last Week JCI Sector Movement



Sector Rotation – Last 10 Days



This Week's Sector Outlook (1)

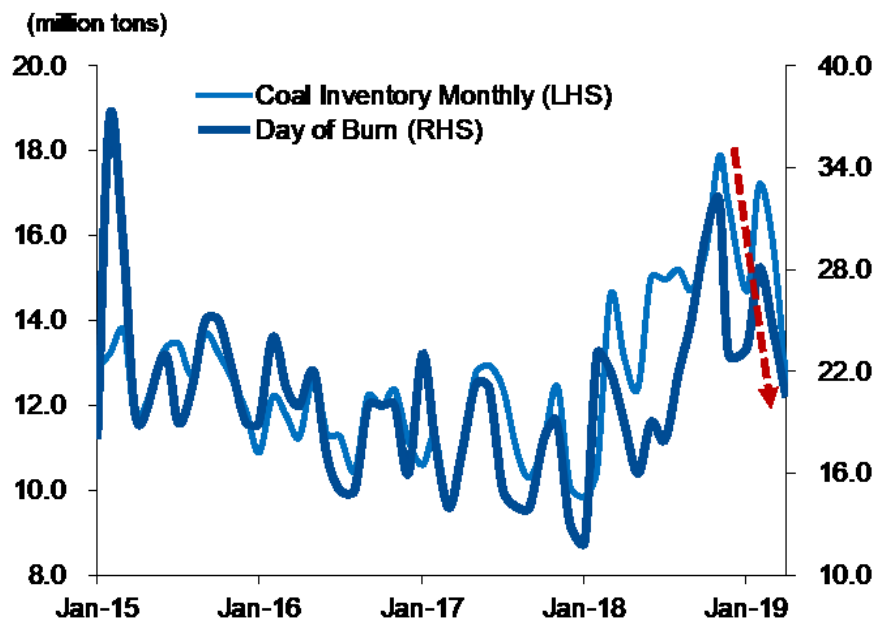
- **Near Future Rises in Coal Imports by China: A Projection**

We pencil in that the world's coal prices are likely to rally this week, underlined by 1) Gradually depleted stockpiles of coal in Chinese 6 major coal-fired power plant; 2) Inclining ratio of coal turn days in Chinese 6 major power plants; 3) Estimate of Chinese consistent manufacturing expansion. We oversee that Chinese manufacturing production grew by 6.5% in April 2019 (vs. March's 5.3%), and an inextricable correlation between Chinese manufacturing production and electricity consumption. That results in sharp inclines of coal exported to China in the near future; thus, soaring coal prices are inevitable. The projection spawns a positive sentiment, driving Indonesian coal stocks to rally.

- **China to Hold World's Coal Prices Proper**

We are sanguine about the world's average coal price solidly stand at USD85/ton in a mid-to-long run. Chinese as the world's biggest coal producer will keep coal production volume in check and pass policies to maintain appropriate coal prices. Bloomberg noted that Chinese coal mining sites across provinces contribute 19.9% to 2017's total GDP. Chinese miners make high coal debts; accordingly, rising coal prices prove a boon to Chinese coal miners for paying their debts.

Chinese six major power plant coal inventories



Source: Bloomberg, NH Korindo Research

China's PMI manufacture index movement



Source: Bloomberg, NH Korindo Research

This Week's Sector Outlook (2)

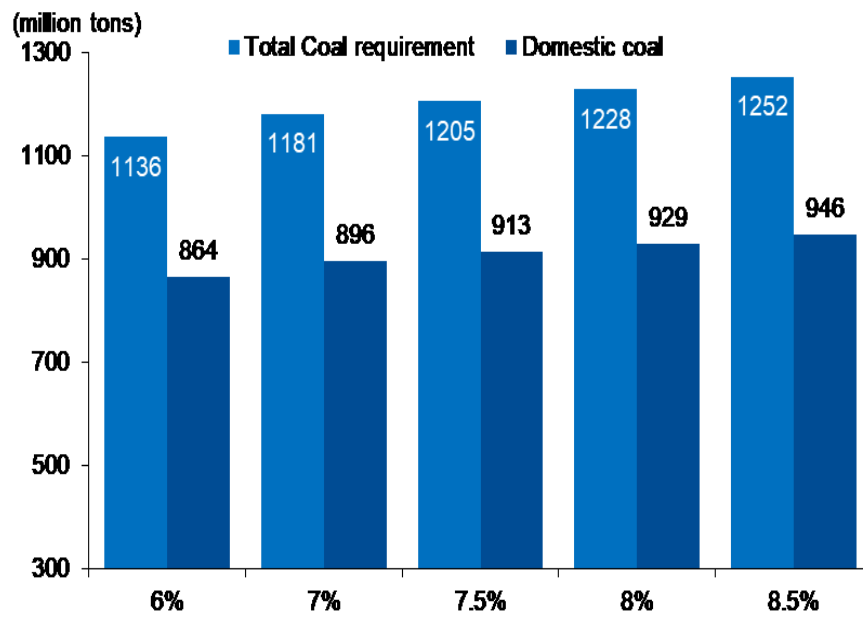
- **Consistently Promising Coal Prospect**

The Indonesian coal industry is still promising, yet the world's coal prices of 2019E are less lustrous than in 2017 and 2018. That is attributable to several factors as follows 1) Chinese and Russian plans to shift from coal-fired power plants to eco-friendly solar power plants, resulting in gradually declining coal consumption; 2) Temporary limitation of imported coal by India due to the shutdown of India's ceramic factories: the major coal consumers, with consequent environment detriment; 3) Revision to Government Regulation (PP) 23/2010 on coal mining business permits, limiting expansion of mining sites =< 15,000 hectares. Coal miners need legal validity as they have made long-term investments in infrastructures, heavy machines, coal sale contracts. 4) Sliding Australian coal supplies in China shift Australian coal to be exported to Japan and South Korea. That cause declining sales of Indonesian coal to both countries.

- **Start looking at the Southeast Asian Coal Market**

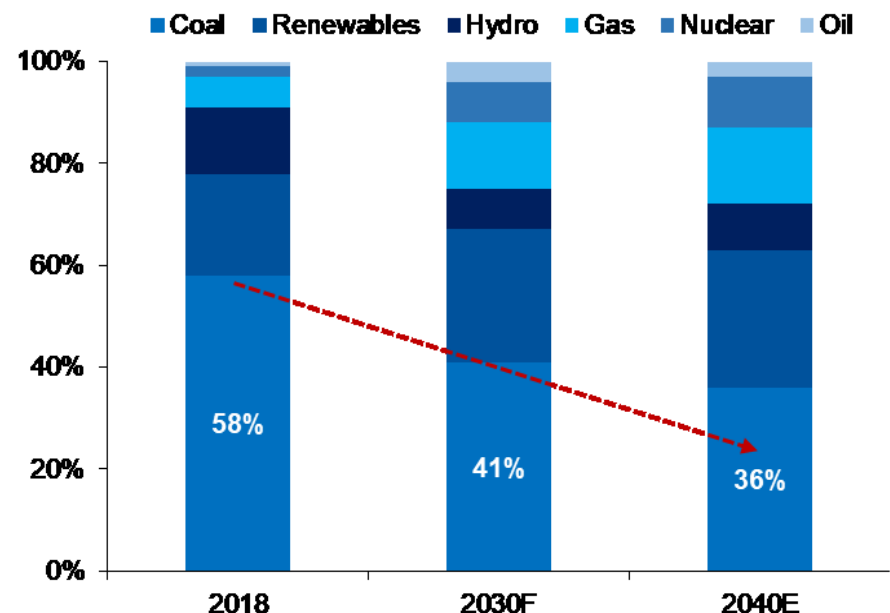
Indonesian coal is mainly exported to India and Chinese markets; thus, Indonesian export performance banks heavily on import policies, enacted by those two countries. In light of the fact, we oversee that Indonesian coal miners start to export their coal to Southeast Asia's markets due to rising demands until 2030 and proper geographic locations and coal qualities---particularly Vietnam and Malaysia.

India's GDP sensitivity to coal requirement in 2020



Source: Bloomberg, NH Korindo Research

China's primary energy mix consumption trend



Source: Bloomberg, NH Korindo Research

United Tractors Tbk (UNTR IJ – Mining Contracting)

Dec 2019 Target Price	39,550
Consensus Price	42,962
Last Price (IDR) as of May 03, 2019	26,625
TP vs. Last Price	48.5%

Revenue Breakdown:	
Mining Contracting Services	47%
Heavy Equipment Sales	35%
Others	18%

IDR bn	FY2017	FY2018	FY2019E	FY2020E
Revenue	64,559	82,932	106,625	117,840
y-y	41.8%	28.5%	28.6%	10.5%
Net profit	7,403	12,271	17,158	17,924
y-y	47.9%	65.8%	39.8%	4.5%
NPM	11.5%	14.8%	16.1%	15.2%
EPS	1,985	3,290	4,600	4,805
P/B	2.8x	2.2x	1.8x	1.6x

• **NHKS** recommend UNTR as this week's top pick as its price is estimated to reach the target price of IDR39.550 with P/E trading band of 17.1x.

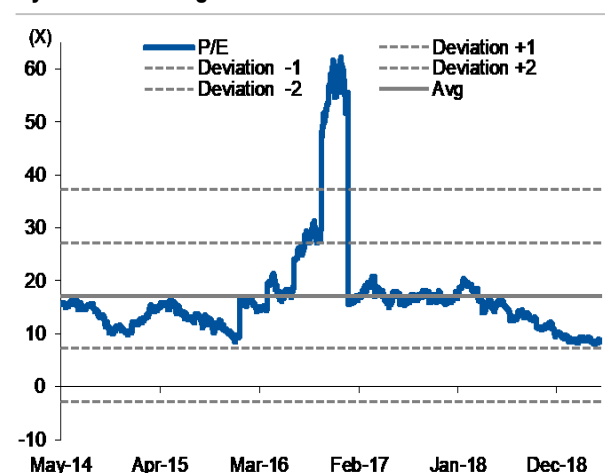
• **UNTR: Top Pick**

We estimate Indonesian robust coal stockpiles in 2019. Indeed, coal imported to China in 2019 is less significant in numbers compared with 2018, so the demand for coal contractor services is likely to low. However, we are optimistic about UNTR's 2019 earnings, underlined by 1) Possible declines in the world's coal prices resulting in production efficiencies by large-cap miners, e.g. ADRO IJ and PTBA IJ. We oversee that UNTR as the single most efficient coal mining service contractor, compared with mining services contractors, i.e., Saptas Indra Sejati (SIS)--ADRO IJ's subsidiary--and Satria Bahana Sarana (SBS). Thus, coal miners are likely to opt UNTR as top-pick mining service contractor. 2) Komatsu's lead time increasing to 12 months (vs. prior lead time of 9 months) results in 2019E rising revenues of 33.0% y-y to IDR12.7 trillion, deriving from spare-part selling and heavy machinery's routine services (vs. IDR9.6 trillion in 2018). 3) Martabe goal mine posted 1Q19 revenues of IDR1.9 trillion as gold ASP picked up to USD1,385/oz, with gross margins of 43.9% (vs. gold ASP of USD1,231/oz in 2018).

• **Risks of Target Price**

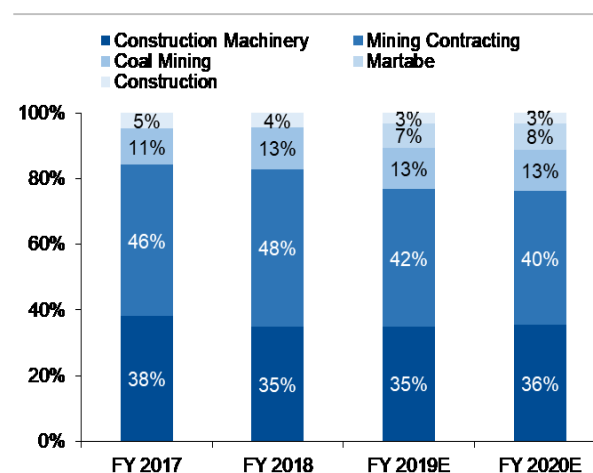
Major risks of UNTR's downbeat target price derives from 1) Declines in the world's coal prices. If the world's coal prices are well below USD80/ton, UNTR's margins will deplete; 2) The prolonged lead time shipment of Komatsu from Japan; 3) Foreign outflows from UNTR, ignited by a murky global economy.

5-years P/E trailing band



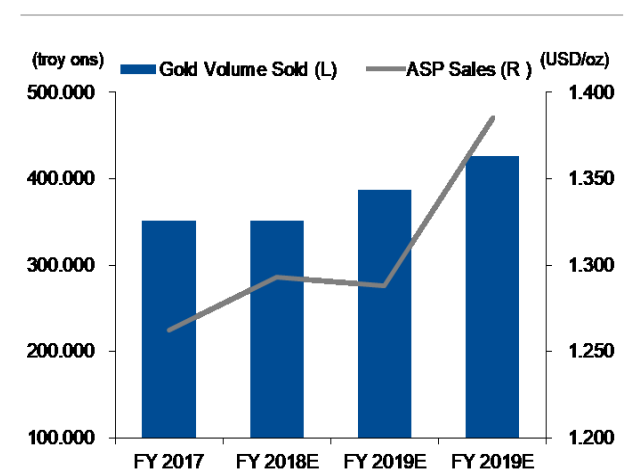
Source : Company, NHKS Research

Revenue breakdown movement



Source : Company, NHKS Research

Martabe's revenue movement



Source : Company, NHKS Research

INNI Stock 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	28,500	28,425	32,000	Hold	12.3	0.3%	699.6	26.5x	4.4x	17.9	1.2	15.1	10.3
BBRI	Theme 1	4,380	4,340	4,650	Hold	6.2	0.9%	540.3	16.2x	2.8x	18.8	2.4	11.2	10.3
BMRI	Theme 1	7,625	7,775	8,000	Hold	4.9	-1.9%	357.0	13.5x	1.9x	15.0	N/A	10.9	23.4
Consumer														
GGRM	Theme 1	82,100	83,175	110,000	Buy	34.0	-1.3%	155.5	18.8x	3.3x	18.0	3.2	19.2	24.5
UNVR	Theme 1	44,400	45,000	59,000	Buy	32.9	-1.3%	340.7	37.8x	37.6x	112.2	2.0	(0.8)	(4.6)
ICBP	Theme 1	9,625	9,300	11,800	Buy	22.6	3.5%	112.2	23.9x	4.9x	21.6	2.3	13.9	10.6
INDF	Theme 1	6,825	6,425	8,700	Buy	27.5	6.2%	59.7	13.8x	1.7x	12.8	4.4	8.7	14.1
KAEF	Theme 2	2,960	3,000	4,100	Buy	38.5	-1.3%	16.7	40.1x	5.2x	14.6	0.6	21.7	27.3
KLBF	Theme 2	1,480	1,500	1,870	Buy	26.4	-1.3%	70.1	28.5x	4.6x	16.9	1.7	7.0	1.0
Infrastructure														
TLKM	Theme 1	3,810	3,860	4,700	Buy	23.4	-1.3%	378.4	20.4x	3.6x	18.2	4.4	7.7	8.6
JSMR	Theme 1	5,700	6,175	6,000	Hold	5.3	-7.7%	42.5	19.3x	2.4x	13.3	1.0	(20.8)	0.3
Trade														
UNTR	Theme 1	26,550	26,950	39,550	Buy	49.0	-1.5%	99.3	8.5x	1.8x	22.3	4.5	19.0	20.6
SILO	Theme 2	4,720	4,060	4,350	Hold	(7.8)	16.3%	7.7	406.0x	1.2x	0.3	N/A	18.2	583.3
MIKA	Theme 2	2,210	2,180	2,300	Hold	4.1	1.4%	31.9	50.2x	7.7x	15.8	N/A	15.8	14.3
LPPF	Theme 2	4,040	4,370	5,500	Buy	36.1	-7.6%	11.9	12.0x	6.4x	45.6	11.2	(1.7)	(41.2)
RALS	Theme 2	1,775	1,740	2,050	Buy	15.5	2.0%	12.6	18.3x	3.0x	17.5	2.3	(0.4)	428.0
MAPI	Theme 2	970	985	1,300	Buy	34.0	-1.5%	16.4	36.3x	2.9x	10.5	0.4	8.4	(62.3)
Property														
PWON	Theme 1	700	700	725	Hold	3.6	0.0%	33.5	12.4x	2.5x	22.3	0.9	3.9	28.1
CTRA	Theme 1	1,040	1,140	1,080	Hold	3.8	-8.8%	19.3	14.5x	1.3x	9.5	0.9	21.3	114.3
PTPP	Theme 1	2,240	2,470	2,450	Hold	9.4	-9.3%	14.0	9.2x	1.1x	12.4	2.1	34.9	12.0
WSKT	Theme 1	1,995	2,170	2,500	Buy	25.3	-8.1%	27.3	8.6x	1.5x	18.5	2.8	(30.0)	(53.0)
WIKA	Theme 1	2,320	2,470	2,100	Hold	(9.5)	-6.1%	20.9	11.3x	1.4x	13.2	1.2	3.9	66.9
Basic Ind.														
KRAS	Theme 2	410	442	600	Buy	46.3	-7.2%	7.9	N/A	0.3x	(4.1)	N/A	(13.8)	(966.7)
Misc Ind.														
ASII	Theme 2	7,425	7,600	9,100	Buy	22.6	-2.3%	300.6	13.7x	2.1x	16.2	2.6	6.8	4.9
Mining														
ADRO	Theme 1	1,340	1,315	1,750	Buy	30.6	1.9%	42.7	6.5x	0.8x	12.6	7.5	10.8	59.2
PTBA	Theme 1	3,800	3,950	5,100	Buy	34.2	-3.8%	43.7	8.5x	2.3x	29.2	8.4	(7.2)	(21.7)
INCO	Theme 2	2,970	3,070	4,400	Buy	48.1	-3.3%	29.2	60.6x	1.1x	1.8	N/A	(25.8)	N/A
ANTM	Theme 2	800	875	1,200	Buy	50.0	-8.6%	19.0	23.7x	1.0x	4.1	0.3	8.5	(30.1)
Agriculture														
AAJI	Theme 1	10,925	10,800	16,000	Buy	46.5	1.2%	21.0	18.7x	1.1x	6.0	3.1	9.3	(89.5)
LSIP	Theme 1	1,130	1,070	1,500	Buy	32.7	5.6%	7.7	30.2x	0.9x	3.0	4.0	6.9	(64.7)

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