

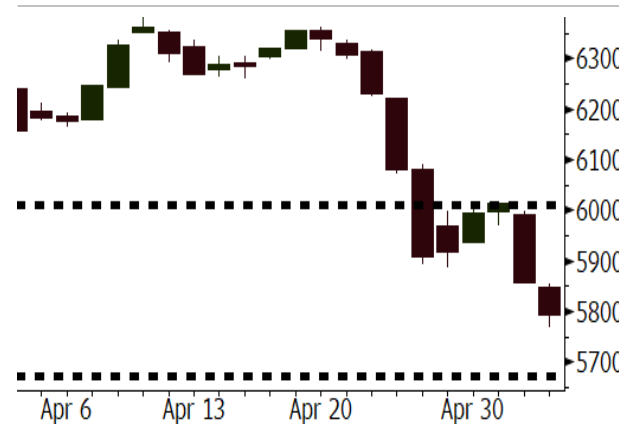
Weekly Brief (May 07 – May 11)

Summary:

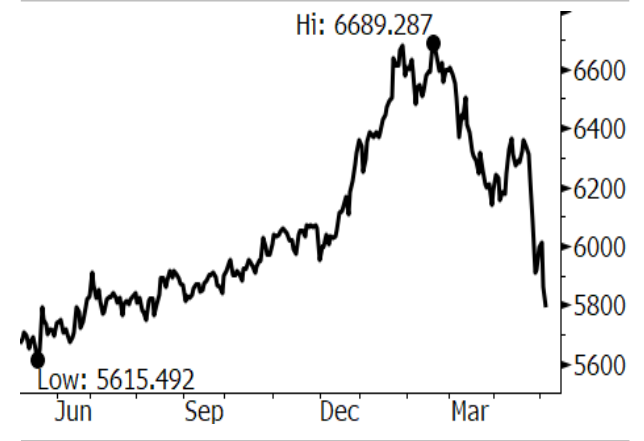
Last week, JCI suffered from the massive sell-off. Global investors' escalating jitters of the U.S. monetary tightening caused the capital outflow from the emerging countries. From the domestic outlook, the release of Indonesia's stable inflation is considered by investors, particularly foreign investors as a negative factor as investors point that the government's intervention in stabilizing inflation likely trouble the state budget reforms.

In this week, we project that JCI is in rebound range. Investors are projected to gradually accumulate after JCI's tumble in the last two weeks. The release of Indonesia's 1Q18 GDP growth will give clues relating to the consistent growth acceleration. From the global outlook, China is estimated to post a trade surplus in April after posting a trade deficit in March. SCMA is top pick ahead of Ramadhan days as the ads expense escalates. Meanwhile, UNTR posting the 1Q18 excellent performance is another top pick for investors having interest in the commodities sector. Additionally, investors can consider TLKM as it gives higher dividends than the prior years' dividends distribution.

JCI - one month



JCI - one year



Last Week's Recap

- Jakarta Composite Index (JCI) : 5,792.35 (-2.14%)
- Foreign Investor : net sell of IDR2.7 trillion (Vs previous week's net sell of IDR5.3 trillion)
- USDIDR : 13,945 (+0.37%)
- 10-year Government Bond Yield : 7.020% (+4.4 bps)

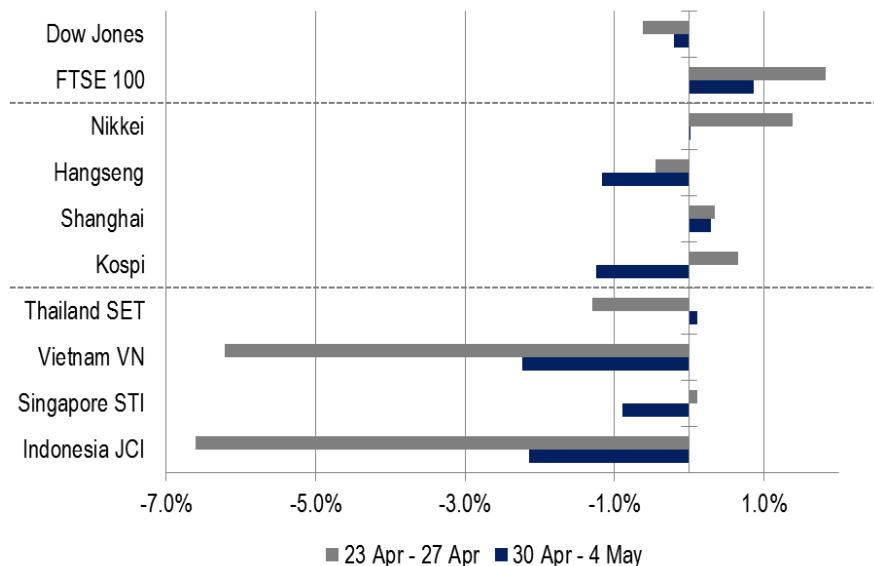
- **The Fed: The U.S. Inflation to Soar**

Last week, the Fed decided to hold its benchmark rate unchanged, yet the Fed stated that the U.S. inflation to spike further. The statement was in stark contrast to its statement in March's meeting in which the Fed stated that the U.S. inflation to move slightly lower than 2%.

- **April's Inflation of 3.41%**

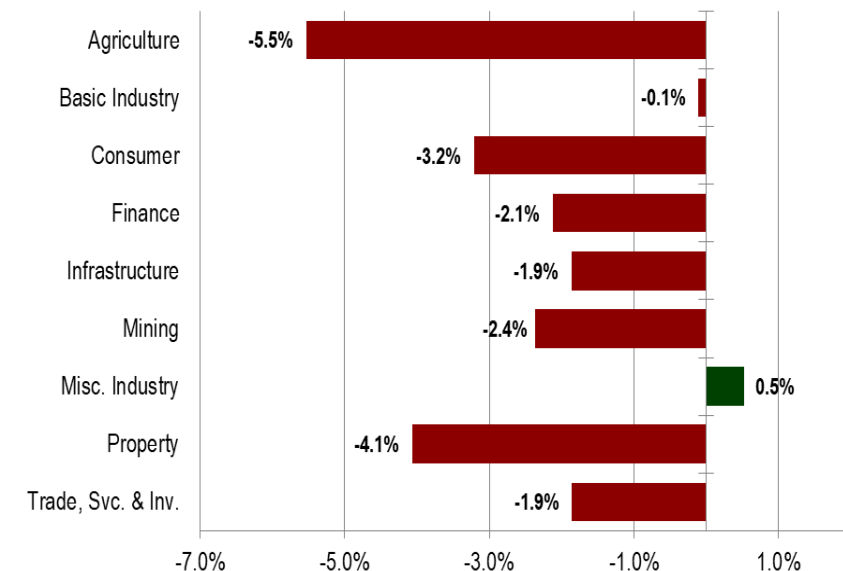
The Central Statistics Agency released the April's inflation of 3.41% in last week. The figures are slightly higher than the March's inflation of 3.40% and lower than the consensus of 3.50%. It evidence that the government has succeeded in controlling inflation even though the pressure ahead of Ramadhan days. However, foreign investors oversee that the government's significant intervention in inflation likely impacts on the state budget reform carried on since 2014.

Global Equity Market



Source: Bloomberg, NH Korindo Research

Sector Index



Source: Bloomberg, NH Korindo Research

This Week's Outlook

- **China's Trade Data**

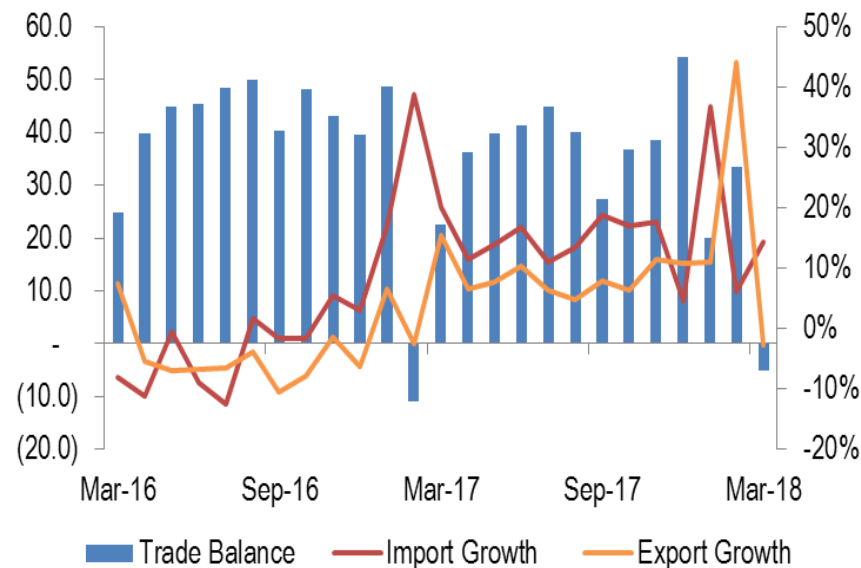
China will release its trade balance data of April on Tuesday, 05/08/2018. In March, China unexpectedly posted the trade deficit of USD4.98 billion due the decline of 2.7% y-y in export. China is estimated to repost the surplus of USD27.7 billion in April. The export of April is estimated to recover and posts the growth of 7.5%. Meanwhile, the import of April is estimated to spike from 14.4% in March into 15.9% in April. China's trade data is one of significant indicators amid the escalating jitters of the trade war between the U.S. and China

- **Indonesia's Economic Growth**

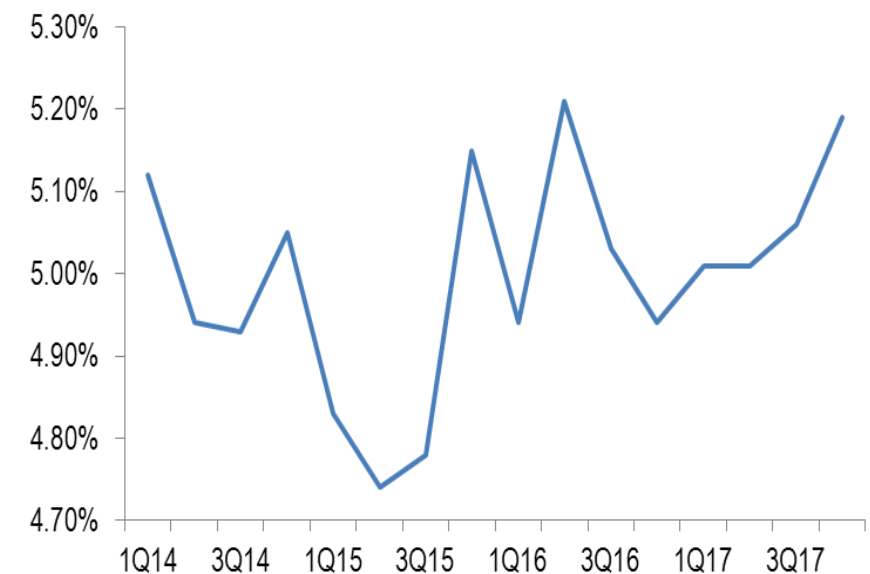
Indonesia will release the 1Q18 GDP growth on Monday, 05/07/2018. In 4Q17, the Indonesia's economy grew by 5.19%. Based on the consensus, the 1Q18 GDP growth is estimated to reach 5.18%. On the seasonal basis, the 1Q18 growth is likely lower than the 4Q-prior-year growth. However, compared to the 1Q17 growth of 5.01%, the figures of 5.18% show the maintainable momentum of growth acceleration.

- For this week, we estimate that JCI is likely in rebound range of 5672-6012. Investors are estimated to gradually accumulate after JCI's tumble in the last back-to-back week.

China Trade Balance (USD bn) & Export Import Growth (y-y)



Indonesia GDP Growth



Surya Citra Media (SCMA – Media)

Dec 2018 TP	3,200
Consensus Price	2,879
TP to Consensus Price	+11.1%
vs. Last Price	+37.3%
Last Price (IDR)	2,330
Price date as of	May 04, 2018
52wk range (Hi/Lo)	3,010 / 1,935
Free Float (%)	39.1
Outstanding sh. (mn)	14,622
Market Cap (IDR bn)	34,068
Market Cap (USD mn)	2,438
Avg. Trd Vol – 3M (mn)	8.46
Avg. Trd Val – 3M (bn)	22.82
Foreign Ownership	20.4%
Revenues Breakdown:	
Advertising	97.8%
Others	2.2%

IDR bn	FY2016	FY2017	FY2018E	FY2019E
Revenue	4,524	4,454	4,829	5,282
y-y	6.7%	-1.6%	8.4%	9.4%
EBITDA	2,140	1,969	2,108	2,439
Net profit	1,503	1,331	1,499	1,717
EPS (IDR)	103	91	100	107
y-y	-1.6%	-11.4%	12.6%	14.6%
NPM	33.2%	29.9%	31.0%	32.5%
ROE	42.2%	32.8%	23.0%	19.0%
P/E	27.2x	27.2x	25.0x	21.8x
P/BV	11.0x	8.2x	4.3x	4.0x

• SCMA at A Glance

SCMA currently is the market leader in Indonesia's free to air TV industry. It has two prominent TV stations, namely SCTV and Indosiar (IVM). The local soap opera is the key contributor to SCTV's audience share, while the talent show program is the key contributor to IVM's audience share. Another to the free-to-air TV, SCMA also has the supporting businesses such as production house and artists management.

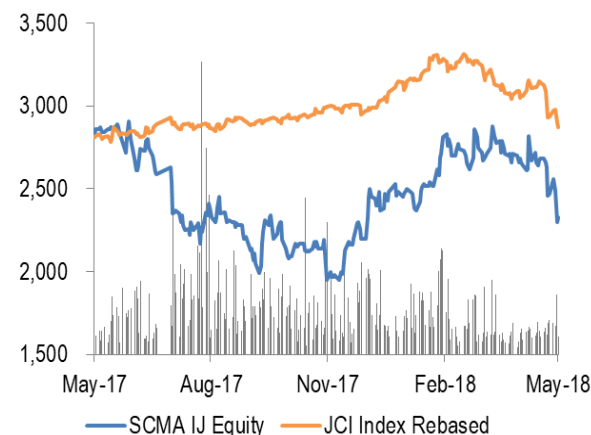
• SCTV to Lead in April

Since December 2017, SCMA's TV channels succeeds to lead the all-time and prime-time market shares. Its local soap operas popular among public succeeded to send SCTV' audience share to reach 21% in April and top further since December 2017. The quality likely maintains the accelerating growth in ads revenue, highly reliant on the audience share.

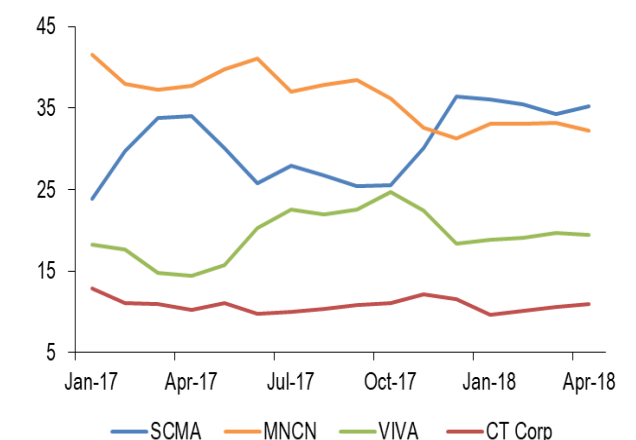
• To Hike Further until August

Ahead of Ramadhan days and Eid Mubarak, FMCG, e-commerce, and telecommunication companies spend more funds on ads expenses. The momentum likely spurs the overall performance of media industry. SCMA's ads revenue, in particular, likely spikes ahead of August as SCTV has the broadcasting license for Asia Games.

Share Price Performance



Prime Time Audience Share by Group



United Tractors (UNTR – Heavy Machinery Distributor)

Dec 2018 TP	43,575
Consensus Price	42,149
TP to Consensus Price	+3.4%
vs. Last Price	+29.6%
Last Price (IDR)	33,625
Price date as of	May 04, 2018
52wk range (Hi/Lo)	40,500 / 22,875
Free Float (%)	40.5
Outstanding sh. (mn)	3,730
Market Cap (IDR bn)	125,426
Market Cap (USD mn)	8,975
Avg. Trd Vol – 3M (mn)	4.87
Avg. Trd Val – 3M (bn)	169.18
Foreign Ownership	20.1%
Sales Breakdown:	
Heavy Machinery	39.7%
Mining Contracting	46.0%
Others	14.3%

IDR bn	FY2016	FY2017	FY2018E	FY2019E
Sales	45,539	64,559	80,019	95,782
y-y	-7.7%	41.8%	23.9%	19.7%
EBITDA	9,995	14,261	16,842	19,987
Net profit	5,074	7,677	9,539	11,623
EPS (IDR)	1,360	2,058	2,557	3,116
y-y	31.7%	51.3%	24.2%	21.9%
NPM	11.1%	11.9%	11.9%	12.1%
ROE	12.4%	17.0%	18.8%	19.9%
P/E	15.6x	17.2x	13.1x	10.8x
P/BV	1.9x	2.8x	2.3x	2.0x

• A Glance at UNTR

United Tractor (UNTR), a subsidiary of Astra International Group, focuses its business on construction machinery, mining contracting, and coal mining. In the construction machinery, UNTR provides the heavy equipment for mining, construction, transportation, and plantation sectors. In mining contracting, UNTR supports coal miners in Indonesia by providing mining services, such as exploration, extracting, hauling, barging and transporting commodities. Additionally, it, through its coal mining business, produces coal and markets coal products.

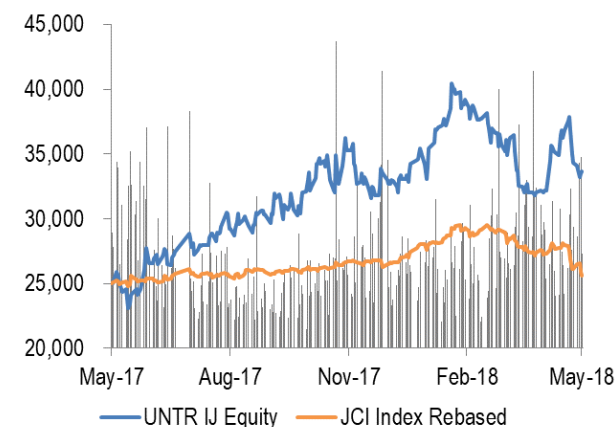
• 1Q18 Soaring Sales by Overall Segments

UNTR's overall segments posted the 1Q18 stellar performance. For example, the construction machinery posted the sales volume of 1,171 units growing by 38% y-y and reaching 31% from the 2018 target of 3,800 units. The sales posted by the construction machinery were worth IDR6.8 trillion or soaring by 43% y-y. Meanwhile, the mining contracting and coal mining posted the soaring sales of 26% and 66% respectively.

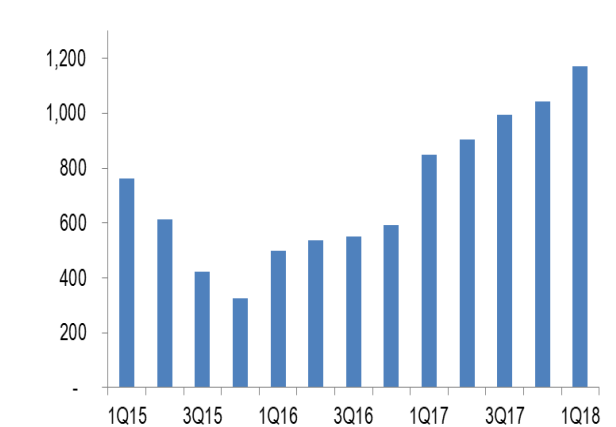
• Positive Diversification Prospect

UNTR carries on the non-mining business diversification strategy with a view to lower its reliance on the commodities prices. Besides, in 2019, it will operate a coal-fired power plant (PLTU) Pama-1 with the capacity of 2x15 MW situated in Central Kalimantan; in 2H2019, it starts to produce gold in West Nusa Tenggara.

Share Price Performance



Heavy Machinery Sales Volume



Telekomunikasi Indonesia (TLKM – Telecommunication Operator)

Dec 2018 TP	4,600
Consensus Price	4,541
TP to Consensus Price	+1.3%
vs. Last Price	+23.3%
Last Price (IDR)	3,730
Price date as of	May 04, 2018
52wk range (Hi/Lo)	3,520 / 4,840
Free Float (%)	48.8
Outstanding sh. (mn)	100,800
Market Cap (IDR bn)	375,984
Market Cap (USD mn)	26,904
Avg. Trd Vol – 3M (mn)	91,39
Avg. Trd Val – 3M (bn)	352,09
Foreign Ownership	29.8%
Revenue Breakdown:	
Data, Internet, and IT Services	43.2%
Telephone	31.2%
Others	22.6%

IDR bn	FY2016	FY2017	FY2018E	FY2019E
Revenue	116,333	128,256	137,732	148,627
y-y	13.5%	10.2%	7.4%	7.9%
EBITDA	59,498	64,609	67,893	74,219
Net profit	19,352	22,145	23,447	25,921
EPS (IDR)	192	220	233	257
y-y	24.9%	14.4%	5.9%	10.5%
NPM	16.6%	17.3%	17.0%	17.4%
ROE	19.5%	20.3%	19.6%	19.2%
P/E	20.7x	20.2x	16.0x	14.5x
P/BV	3.8x	4.0x	3.0x	2.6x

• A Glance at TLKM

TLKM is a stated-owned telecommunication provider having quality services and integrated telecommunication network. It is the shareholders of 65% Telkomsel shares — the market leader for the mobile telecommunication industry in Indonesia. In the end of 2017, Telkomsel had 196 million subscribers.

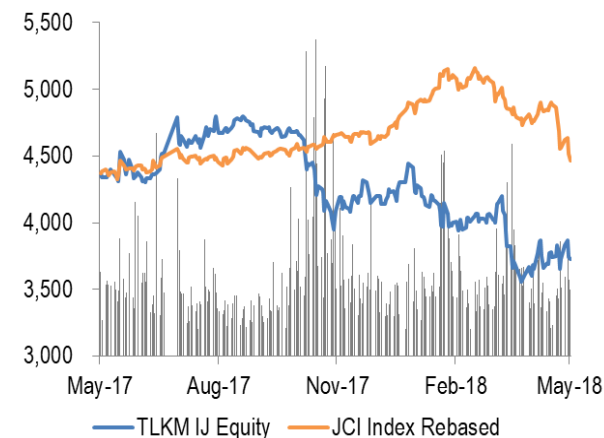
• Healthier Cellular Industry Starting in 2H18

We estimate that the competition in the cellular industry is likely to be healthier and the churn level as well as the customer acquisition decline after the regulation governing SIM registration. Its two peers, namely ISAT and EXCL are estimated to hike prices with a view to obtaining profits. This backdrop will halt the overdue tariff war. Besides, TLKM is likely capable of improving its market share in the middle term in light of its better-offered services than do its peers.

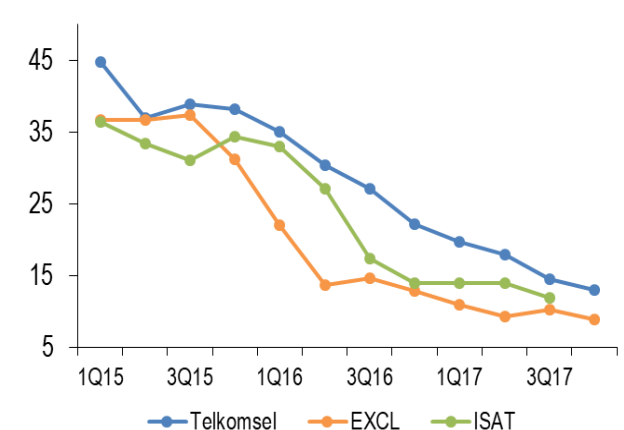
• Higher Dividend

TLKM announced to distribute the dividend of IDR16.6 trillion or 75% from the 2017's net profit. The dividend payout ratio of 75% was higher than the dividend payout ratio of 60% in the prior two years. The dividend of IDR168 per share results in the higher-than-4.0% dividend yield. The cum dividend date is scheduled on Monday, 05/07/2018.

Share Price Performance



Data Price (IDR/MB)



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