

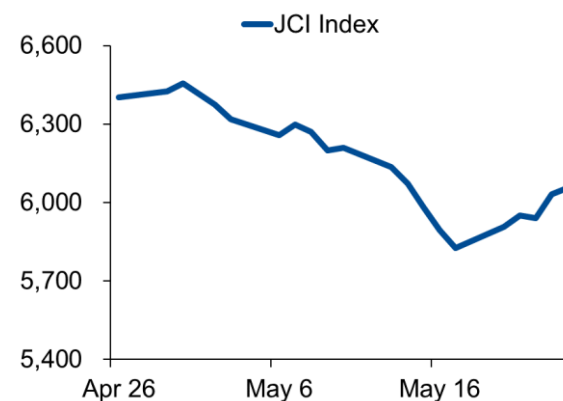
Weekly Brief (May 27–May 31)

Summary:

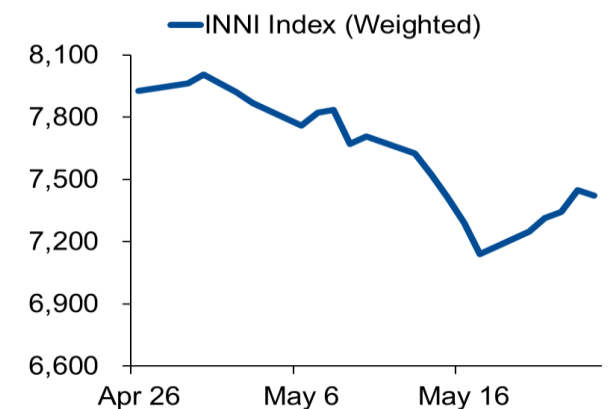
Last Week's Review: Although JCI was loomed by negative sentiments and cheered positive sentiments, it rallied at 4.0%. Google cutting cooperation ties with Huawei, shortly after the US boycott on Chinese technology giant escalated trade war between the world's two economic powerhouses. The US mistreatment over Huawei angered China and put Apple Inc, assembling plants of which mostly are situated in China, into jeopardy. The more bruising US-China trade war dimmed the hope of mutual trade negotiation in near future. In the domestic outlook, 22 May riot caused rupiah depreciation and JCI to be bearish. Conducive circumstances after 22 May riot strengthened JCI

This Week's Outlook: 1Q19 stable GDP and benign inflation whetted consumers' appetite for spending more. The RSI surging to 10.1% y-y on the data sent a strong signal on a buoyant retail sector. Retailers turn to virtual spaces and tie cooperation with marketplaces to boost their revenues during Idul Fitri season. Thus, NHKS recommends RALS as this week's top-pick stock. RALS is likely to hit the target price of IDR2,070 with 5 years P/E trailing band of 21.78 x, evidenced by its 1Q19 outstanding performance and Idul Fitri season.

JCI - one month



INNI Index – one month



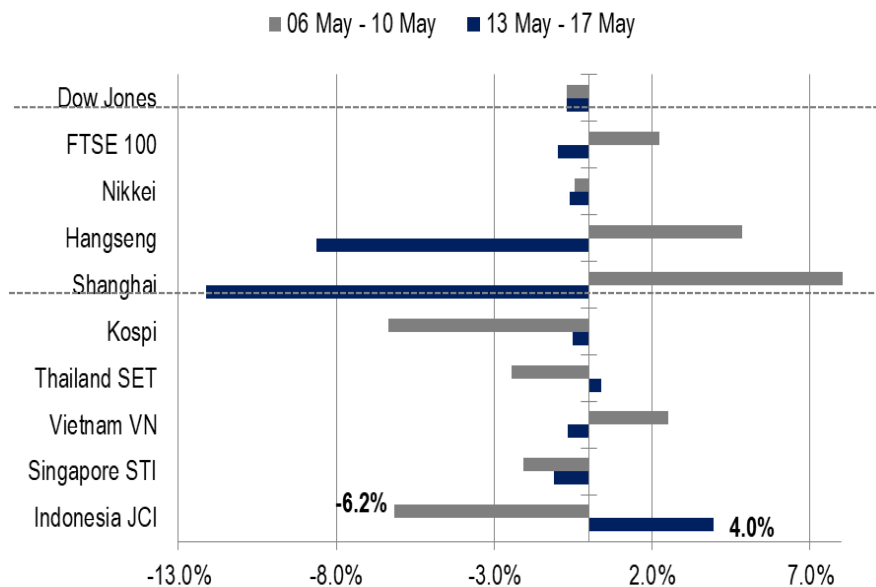
Last Week's Review of JCI

- Jakarta Composite Index (JCI) : 6,057.35 (+4.0%)
- Foreign Investors : Net sell of IDR1.5 trillion (vs. last week's net sell of IDR3.6 trillion)
- USDIDR : 14,390 (-0.44%)
- Yields of sovereign bonds with 10-year tenor : 7.923% (-13.1 bps)

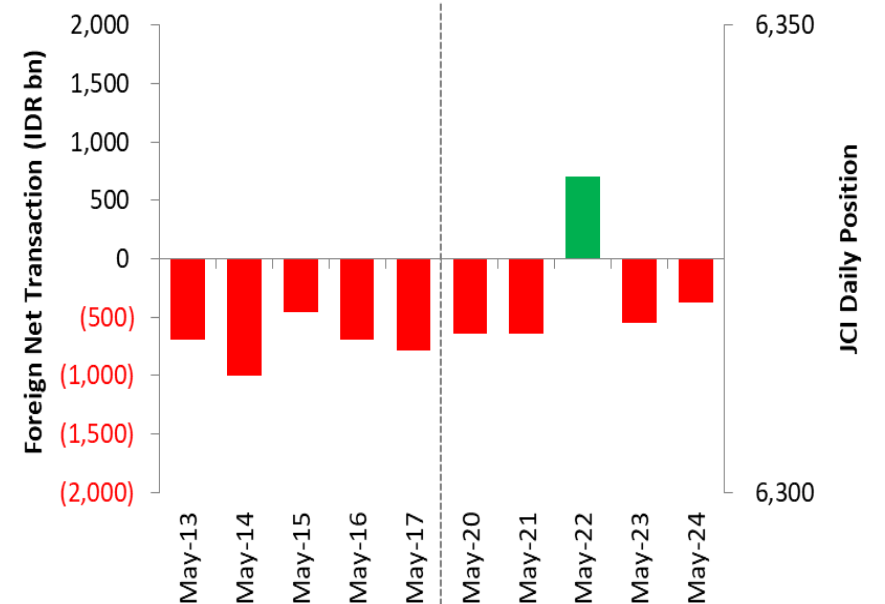
JCI's Mixed Movement

Last week, JCI was loomed by negative sentiments and cheered positive sentiments. China flew into a rage as the US boycott on Huawei and jeopardized Apple Inc, assembling plants of which mostly are situated in China. Google retaliated against China by a temporary halt to any business activities with Huawei. On May 22, soon after the US lenient trade boycott on Huawei, Google was willing to give Huawei a 90-day-license for software updates, protecting Huawei's users from any security risks. The tit-for-tat battles between the world's two giant economies shatter optimism for near-future trade negotiation. In the domestic backdrop, the result of 2019's announced by the General Elections Commission (KPU) in the early day of May 21 named Joko Widodo–KH Ma'ruf Amin as Indonesia's President and Vice President. It was positive catalyst for JCI's bullish close at 1.38% to 5,970 as investors were optimistic about Jokowi's administration. But, May 22 riot—adding to the evidence of Indonesia's wobbly economic and political circumstances—rattled markets and left JCI at intraday low of 0.20% to 5,939. The riot was ignited by the opponent party's disappointment to the election result. Foreign inflows of IDR702 billion, stemming from roughly IDR993 billion worth of crossing shares over PT Multistrada Arah Sarana Tbk (MASA) in the negotiation market, eased JCI bruised by 22-May riot. Although on Friday (05/24) JCI was solid at 6,057.35 due to conducive political circumstance, foreign investors worrying about trade war and middle east turmoil fled their money from JCI . Although on Friday (05/24) JCI was solid at 6,057.35 due to conducive political circumstance, foreign investors worrying about trade war and middle east turmoil fled their money from JCI

Global Market Movement



Foreign Net Flow – Last 10 Days



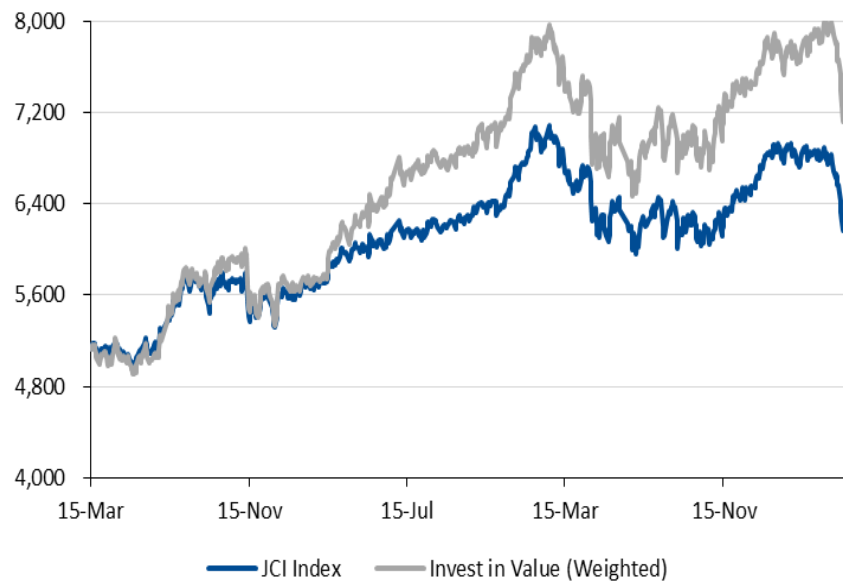
Last Week's INNI Movement

- INNI Index : 7,423.01 (+3.9%)
- INNI Theme 1 (Value) : 7,513.04 (+5.6%)
- INNI Theme 2 (Trend) : 7,269.71 (+1.1%)

• INNI Index Rallied

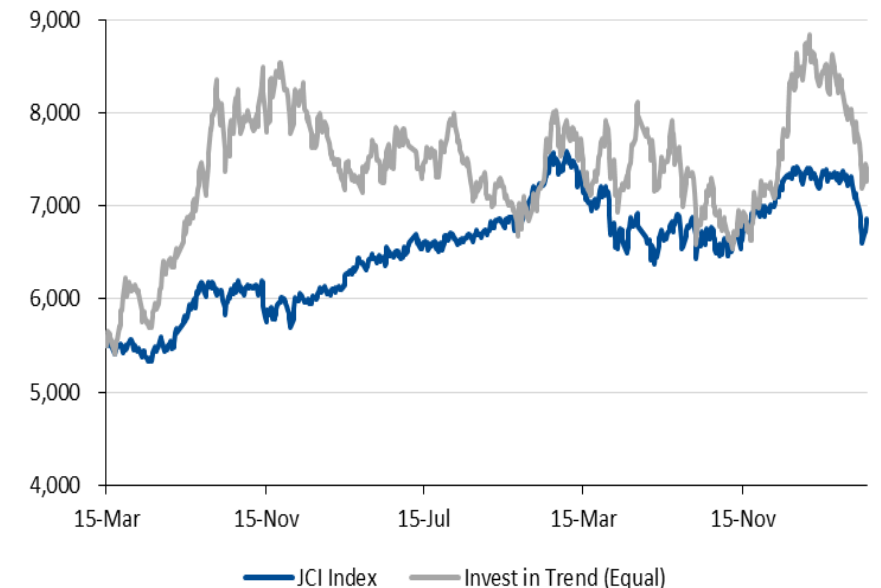
On Monday (05/20), INNI Index dropped at 2% as retail stocks slumped, i.e., MAPI (-6.1%) and RALS (-4.5%). In a sharp turn, it nudged up 0.48% on Tuesday (05/21) thanks to BBCA's rally of 3.9%. Foreign investors fearing for wobbly global economy turned to defensive stocks with solid fundamental and large capitalization. On May 22-23, INNI Index continued to rally, underpinned by gold commodity stocks, gold in particular. ANTM picked up 3.66% as gold prices in commodity exchange revived after knocked down by the US-China counterpunch, equities slump, and US dollar depreciation. ADRO, well ahead of ANTM, robustly stood at 5.1% despite tumbling prices of benchmark Newcastle coal. Foreign investors collected ADRO for its 1Q19 outstanding earnings, laying in the fact of surging export sales at 11.82%. On Friday (05/24), INNI Index strengthened as infrastructure and utilities stocks rallied, i.e., JSRM (+2.7%) and TLKM (+2.7%). TLKM kicked into higher gears after AGM decided to not only distribute dividend worth of 90% from 2018's net profit but also change the members of its directors and commissioners. Furthermore, Idul Fitri season hiking the number of vehicles accessing toll road spike JSRM's revenues. INNI Index, on a weekly basis, was solid at 3.9% to 7,423

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

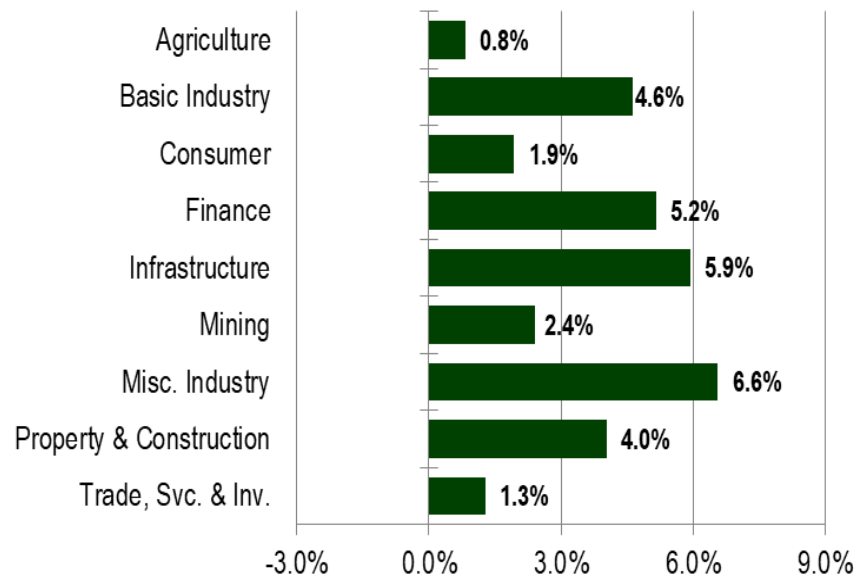
Last Week's Reviewed Sectors

- INNI Index's Top Gainers**

The miscellaneous industry was last week's top gainer (+6.6%). ASII listed on INNI Index was rebounding at 1.06% despite declines of 14.3% to 337.892 in automotive wholesales—4W in particular—from January to April 2018. Albeit tumbling 4W sales in 1Q19, ASII succeeded to post increases of 5.22% to IDR6.66 trillion in net profits. It also diversified its business portfolios as a toll-road operator. ASII through its subsidiary, Astra Infra, took over 44.5% of Jasa Marga Mojokerto's stocks. Such acquisition is potential for boost ASII's revenues ahead of Idul Fitri.

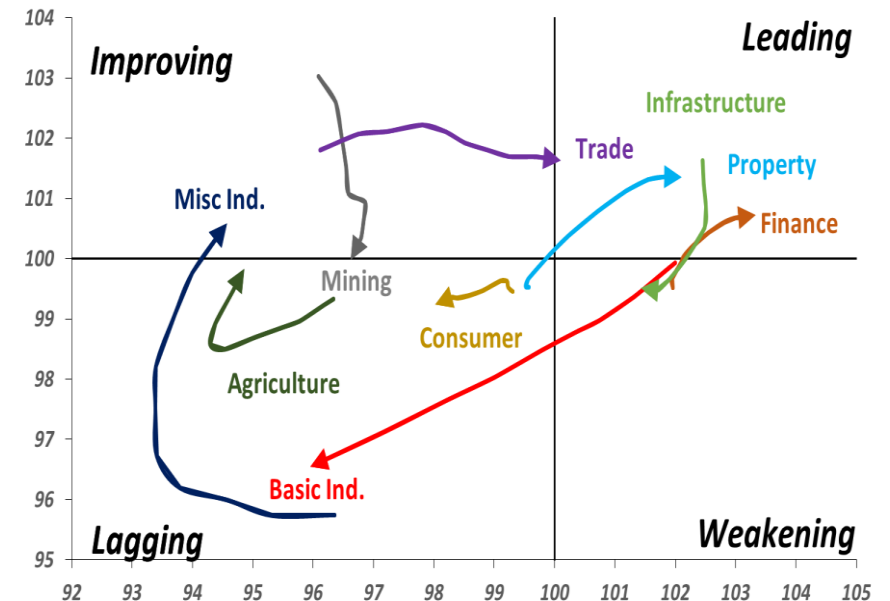
In addition, the infrastructure stocks solid at 5.9% was the second top gainer. Jokowi winning 2019's election was a positive sentiment strengthening the infrastructure sector—the main focus of Jokowi's second administration. The National Development Planning Board (Bappenas) plans of allocating USD412 billion worth of infrastructure budget in Jokowi's second administration is potent driver of construction stocks such as WIKA, WSKT, and PTPP listed on INNI Index.

Last Week JCI Sector Movement



Source: Bloomberg, NH Korindo Research

Sector Rotation – Last 10 Days



Source: Bloomberg, NH Korindo Research

This Week's Outlook: Retail Industry (1)

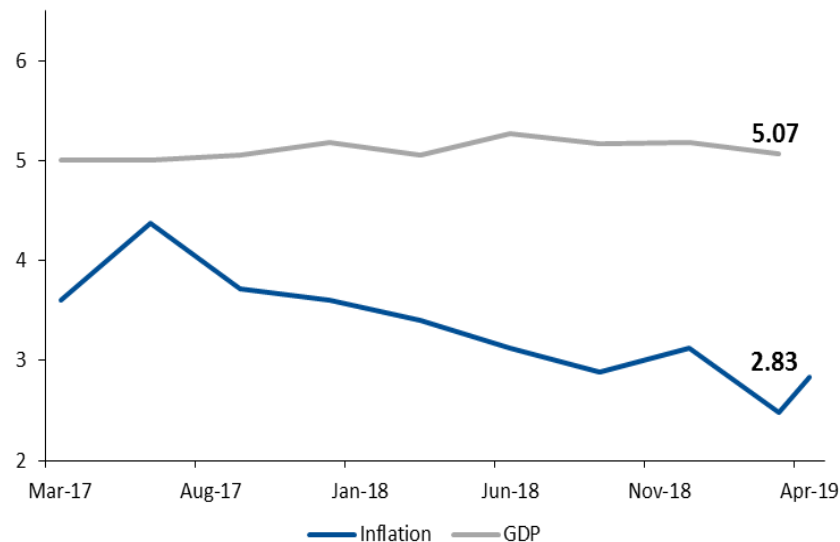
- GDP's Stable Pace**

Indonesian 1Q19 GDP was stable at 5.07% y-y, outpacing 5.06% in 1Q18. Meanwhile, April's benign inflation at 2.83% y-y, still falling at a range of 2.5%–3.5%. Yet, festive seasons— Ramadan and Idul Fitri—pave the way for creeping higher inflation at 3.14%. Indonesian Retailers Association (Asosiasi Pengusaha Ritel Indonesia, "Aprindo") forecasted that the rising consumption at roughly 30%-40% brightens retailers' optimism. Indonesian authorities' concerted commitment to keeping GDP and inflation in check whet consumers' appetite for spending more.

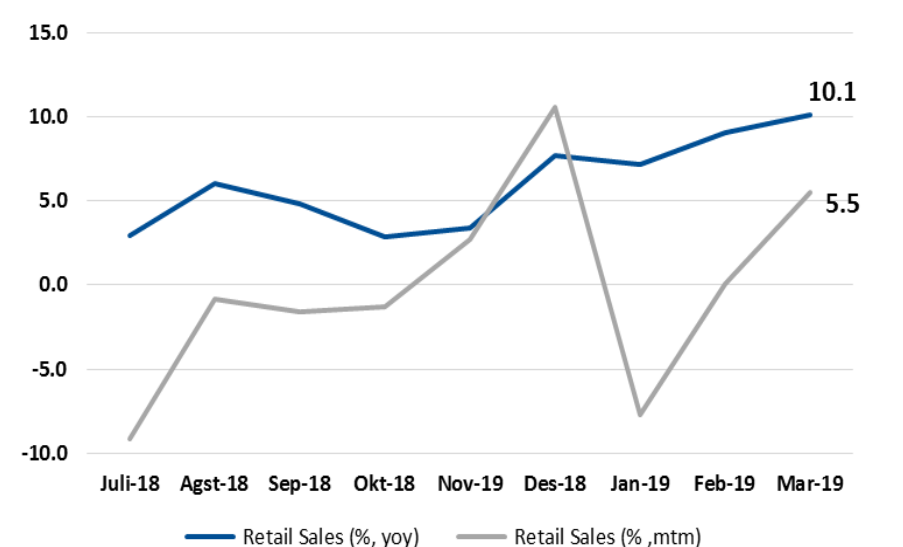
- Stronger RSI**

The Retail Sales Survey, released on Tuesday (05/07), disclosed the retail sales index (RSI) rising on the data—March's 10.1% y-y and 5,5% m-m, beating February's 9.1% y-y. Bank Indonesia (BI) penciled in an optimistic signal on April's soaring number at 5.7% y-y. It lies in the fact that consumers' insatiable appetite for more spending spikes retailers' profits.

Stable GDP and Benign Inflation



Retail Sales Index (RSI)



Source: Bloomberg, NH Korindo Research

Source: BPS, NH Korindo Research

This Week's Outlook: Retail Industry (2)

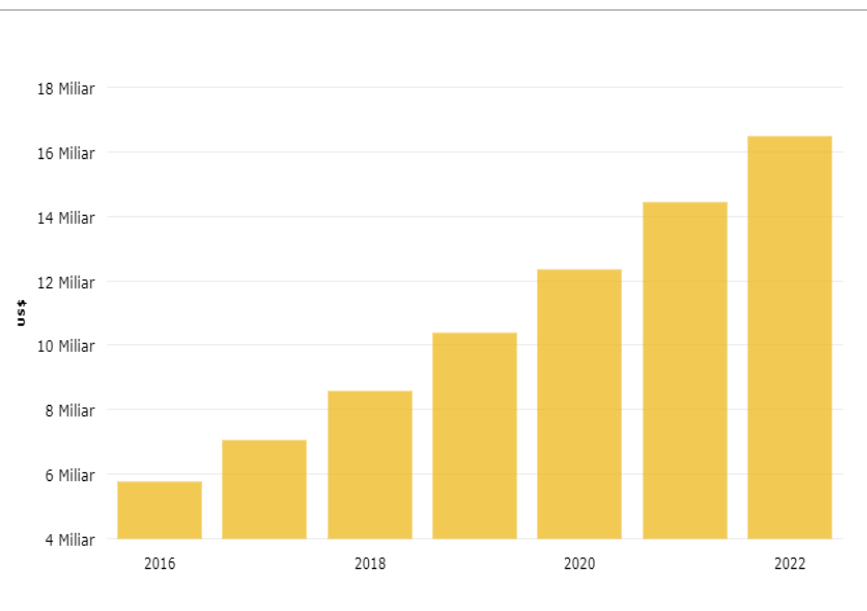
- **Retailers Eating Up e-Commerce Platforms**

More retailers turn to e-commerce platforms for “clicking-and-collecting” higher sales and supporting their operational activities. No longer do retailers bank on bricks-and-mortar stores to collect revenues as virtual spaces prove a handy-yet-profit-making boon for retailers.

- **Promising Marketplaces**

Virtual spaces are gateway to lucrative markets as they save retailers from intense competition leaving them bruised. They cooperate with marketplaces, providing easy facilities for online shopping. Those marketplaces allures shoppers with promos—discounts, cash back, free delivery costs— in the light of the distribution of Idul Fitri bonus (Tunjangan Hari Raya, THR).

Indonesian E-Commerce-based Retail Sales| 2016 -2022E



Source: Katadata

Retailers Occupying Virtual Spaces



Source: Katadata

Ramayana Lestari Sentosa Tbk (RALS – Retail Trade)

Dec 2019 Target Price	2,070
Consensus Price	1,898
Last Price (IDR) as of May 17, 2019	1,535
TP vs. Last Price	34,8%
Revenue Breakdown:	
Direct Purchase	57.4%
Consignment Sales	42.6%

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** assesses RALS estimated to hit the target price of IDR2,070 with P/E trailing band of 21.78x due to its 1Q19 outstanding performance and Idul Fitri festive.

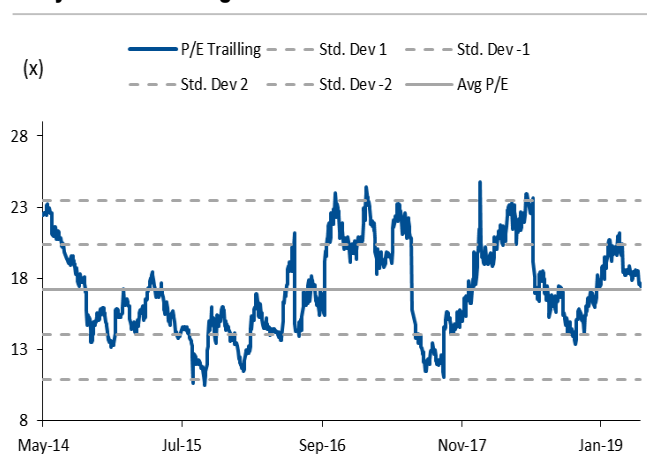
- **1Q19 Outstanding Performance, Underpinned by Soaring Gross Margins**

RALS in 1Q19 cheered rising net profits of IDR78 billion or rocketing to 428.2% y-y, beating 1Q18 net profits of IDR14.7 billion. The rocketing net profits were underpinned by sales of treasury shares of IDR17 billion and insurance claims of IDR11 billion. RALS strives for improvements in efficiency. For instance, declines of 2% y-y to IDR529 billion in fashion direct purchase (DP) sales—apparel and accessories and hikes of 8.07% y-y to IDR154 billion in consignment sales incentives.

- **Idul Fitri's gift: Ballooning Sales**

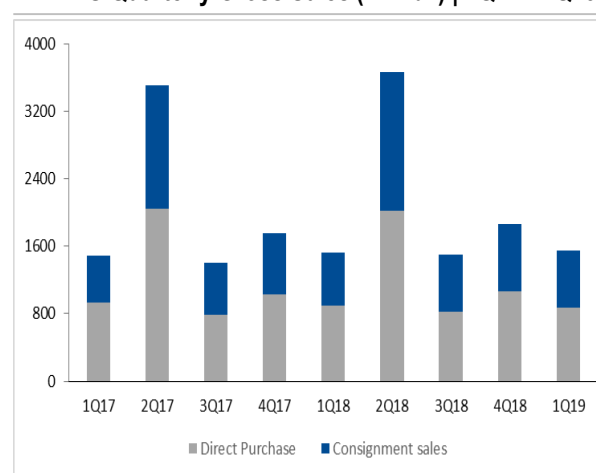
We pencil in that RALS, the targeted market of which is middle-to-low income class, is likely to enjoy Idul Fitri's gifts: buoyant sales, especially in 2Q19. It also cooperates with e-commerce marketplaces to hike its revenues. Grab and RALS offers Ramayana's shopping discount to Grab's drivers and users. To facilitate virtual shoppers, RALS ties collaboration with Go-Pay, Dana, and OVO.

5 - years P/E trailing band



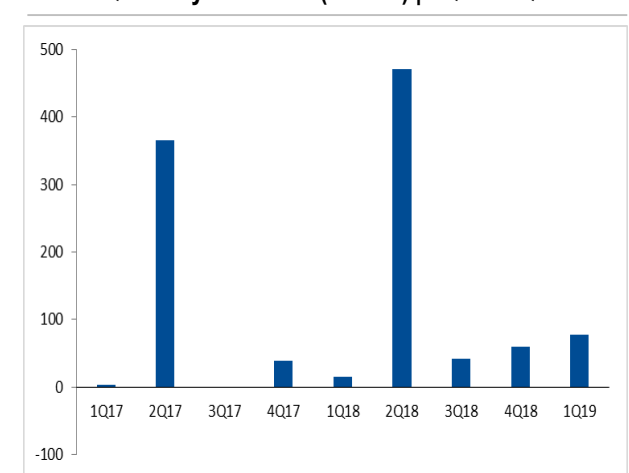
Source : Company, NHKS Research

RALS Quarterly Gross Sales (IDR bn) | 1Q17 - 1Q19



Source : Company, NHKS Research

RALS Quarterly Net Profit (IDR bn) | 1Q17 - 1Q19



Source: Company NHKS Research

INNI's 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	28,050	25,900	32,000	Hold	14.1	8.3%	691.6	26.2x	4.4x	17.9	1.2	15.1	10.3
BBRI	Theme 1	3,850	3,790	4,650	Buy	20.8	1.6%	474.9	14.2x	2.4x	18.8	3.4	11.2	10.3
BMRI	Theme 1	7,700	7,075	8,000	Hold	3.9	8.8%	359.3	13.6x	1.9x	15.0	N/A	10.9	23.4
Consumer														
GGRM	Theme 1	79,075	79,725	110,000	Buy	39.1	-0.8%	152.1	18.4x	3.2x	18.0	3.3	19.2	24.5
UNVR	Theme 1	43,525	41,600	59,000	Buy	35.6	4.6%	332.1	36.8x	36.6x	112.2	2.1	(0.8)	(4.6)
ICBP	Theme 1	9,700	9,300	11,800	Buy	21.6	4.3%	113.1	24.0x	4.9x	21.6	2.3	13.9	10.6
INDF	Theme 1	6,300	6,000	8,700	Buy	38.1	5.0%	55.3	12.8x	1.6x	12.8	4.8	8.7	14.1
KAEF	Theme 2	3,280	3,190	4,100	Buy	25.0	2.8%	18.2	45.6x	8.1x	16.6	0.5	21.8	(44.6)
KLBF	Theme 2	1,345	1,260	1,870	Buy	39.0	6.7%	63.0	25.6x	4.1x	16.9	1.9	7.0	1.0
Infrastructure														
TLKM	Theme 1	3,750	3,510	4,700	Buy	25.3	6.8%	371.5	20.1x	3.5x	18.2	3.6	7.7	8.6
JSMR	Theme 1	5,650	5,025	6,000	Hold	6.2	12.4%	41.0	18.6x	2.3x	13.3	0.8	(20.8)	0.3
Trade														
UNTR	Theme 1	25,100	24,825	39,550	Buy	57.6	1.1%	93.6	8.0x	1.7x	22.3	4.8	19.0	20.6
SIL0	Theme 2	4,270	4,360	4,350	Hold	1.9	-2.1%	6.9	365.0x	1.1x	0.3	N/A	18.2	583.3
MIKA	Theme 2	1,910	2,090	2,300	Buy	20.4	-8.6%	27.8	43.4x	6.5x	15.7	N/A	15.8	18.2
LPPF	Theme 2	3,780	3,670	5,500	Buy	45.5	3.0%	11.0	11.1x	6.0x	45.6	8.8	(1.7)	(41.2)
RALS	Theme 2	1,535	1,700	2,070	Buy	34.9	-9.7%	10.9	15.9x	2.6x	17.5	2.6	(0.4)	428.0
MAPI	Theme 2	790	840	1,300	Buy	64.6	-6.0%	13.1	29.0x	2.3x	10.5	0.5	8.4	(62.3)
Property														
PWON	Theme 1	645	630	725	Hold	12.4	2.4%	31.1	11.5x	2.3x	22.3	0.9	3.9	28.1
CTRA	Theme 1	1,000	905	1,080	Hold	8.0	10.5%	18.6	13.9x	1.3x	9.5	1.0	21.3	114.3
PTPP	Theme 1	1,890	1,790	2,450	Buy	29.6	5.6%	11.7	7.7x	0.9x	12.4	2.6	34.9	12.0
WSKT	Theme 1	1,760	1,715	2,500	Buy	42.0	2.6%	23.9	7.6x	1.3x	18.5	4.1	(30.0)	(53.0)
WIKA	Theme 1	2,100	1,930	2,100	Hold	-	8.8%	18.8	10.2x	1.2x	13.2	1.8	3.9	66.9
Basic Ind.														
KRAS	Theme 2	374	356	600	Buy	60.4	5.1%	7.2	N/A	0.3x	(7.3)	N/A	(13.8)	(966.7)
Misc Ind.														
ASII	Theme 2	7,175	6,700	8,600	Buy	19.9	7.1%	290.5	13.3x	2.0x	16.2	3.0	6.8	4.9
Mining														
ADRO	Theme 1	1,260	1,175	1,750	Buy	38.9	7.2%	40.3	6.1x	0.7x	12.6	7.2	10.8	59.2
PTBA	Theme 1	2,880	2,750	5,100	Buy	77.1	4.7%	33.2	6.4x	1.8x	29.2	11.8	(7.2)	(21.7)
INCO	Theme 2	2,690	2,470	4,400	Buy	63.6	8.9%	26.7	55.0x	1.0x	1.8	N/A	(25.8)	N/A
ANTM	Theme 2	730	670	1,200	Buy	64.4	9.0%	17.5	21.9x	0.9x	4.1	1.7	8.5	(30.1)
Agriculture														
AALI	Theme 1	10,450	10,350	16,000	Buy	53.1	1.0%	20.1	18.0x	1.1x	6.0	3.2	9.3	(89.5)
LSIP	Theme 1	1,090	1,090	1,500	Buy	37.6	0.0%	7.4	29.0x	0.9x	3.0	4.1	6.9	(64.7)

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