

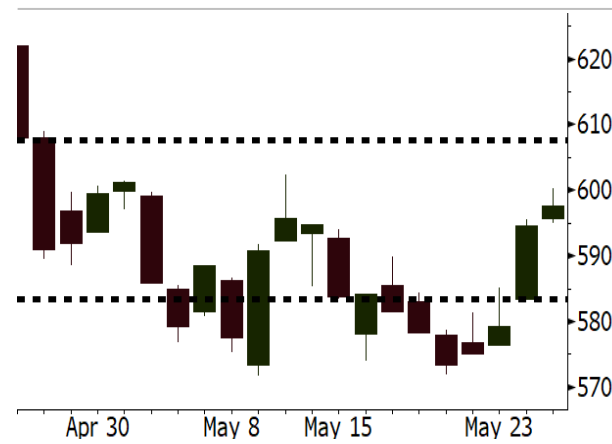
Weekly Brief (May 28 – May 31)

Summary:

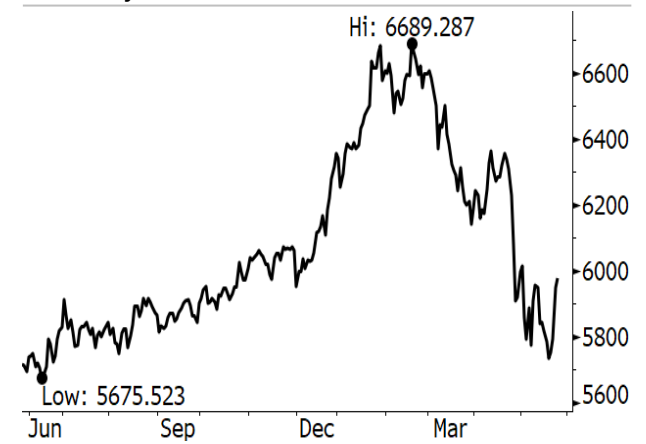
Last week JCI was in rally mood backed by the positive sentiment in global and domestic outlook. From the domestic outlook, the growth of 8.9% in national loan indicates that the domestic economy is in good-enough condition amid the pressure from the global financial markets. On the other side, the Fed's minutes indicating a substantial level of debate over how the Fed should approach inflation was potential for halting the depreciated rupiah.

In this week we estimate that profit taking action likely prevails in 3-day equity trading. The global markets will await the release of U.S. PCE deflator indicating whether the trend of 2% inflation is consistent or temporary circumstances. This backdrop causes global investors to perform wait-and-see acts. However, the downtrend of depreciated rupiah will curb the risk of bearish JCI in this week. We recommend JPFA and PWON as top-pick stocks having robust performance amid the volatile domestic outlook. Another to those two stocks, we also have ITMG as one of preferred stocks amid the globally robust coal industry.

JCI - one month



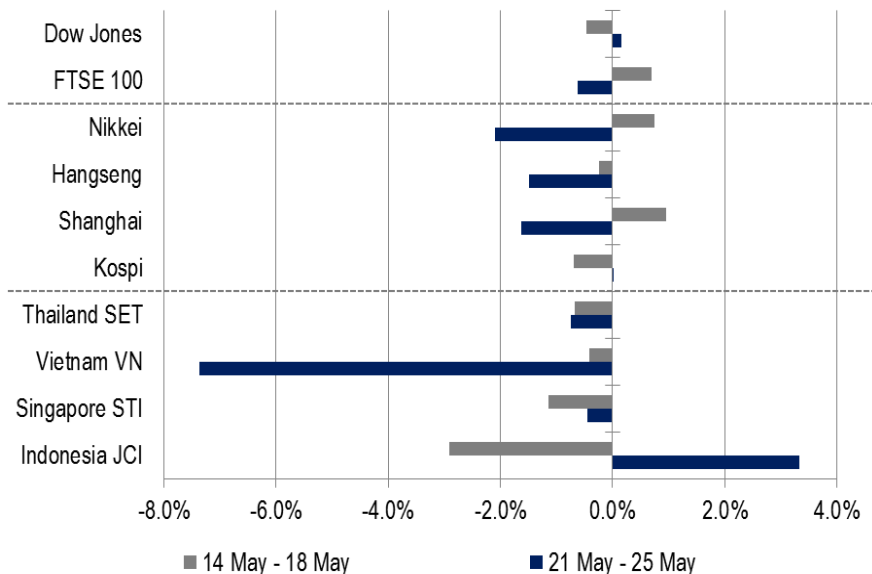
JCI - one year



Last Week's Recap

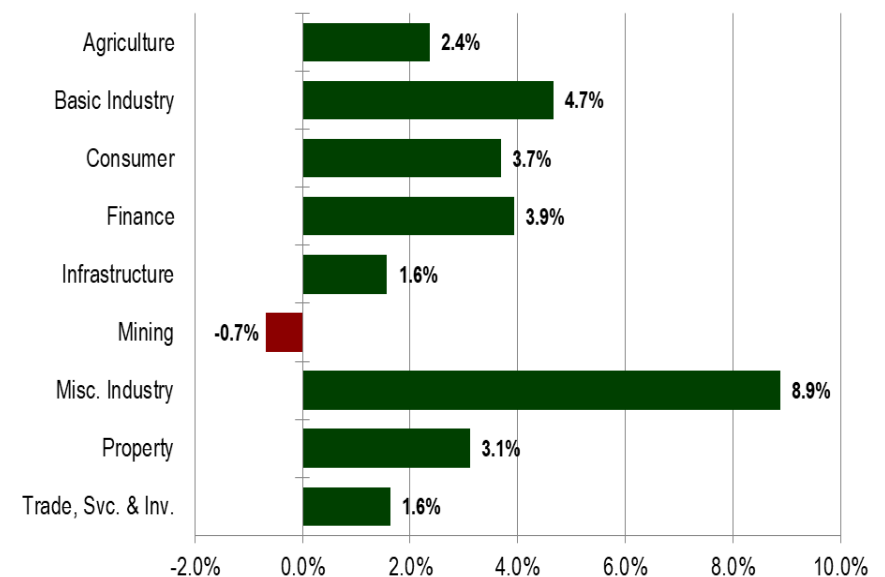
- Jakarta Composite Index (JCI) : 5,975.74 (+3.33%)
 Foreign Investor : net buy of IDR867 billion (Vs previous week's net sell of IDR3.4 trillion)
 USDIDR : 14,125 (-0.22%)
 10-year Government Bond Yield : 7.366% (-2.7 bps)
- The Minutes from the Fed's Last Meeting**
 The Fed's minutes indicate that the Fed's officials would be content to let inflation briefly runs above the 2%. The Fed's officials are still debating whether the consistency of inflation can be maintainable further or only temporarily. The minutes boost investors' confidence that the hike in the Fed's rate will be not more than 3x in 2018.
- Growth of 8.94% in Banking Loan of April**
 Based on the Financial Service Authority's data, the banking loan of April 2018 grew by 8.94% y-y. The growth was higher than the growth of 8.5% in March. This backdrop, coupled with the hike in import and the recovery in retail sales indicates the recovery in Indonesia's domestic economic condition

Global Equity Market



Source: Bloomberg, NH Korindo Research

Sector Index



Source: Bloomberg, NH Korindo Research

This Week's Outlook

- **The U.S. PCE Deflator**

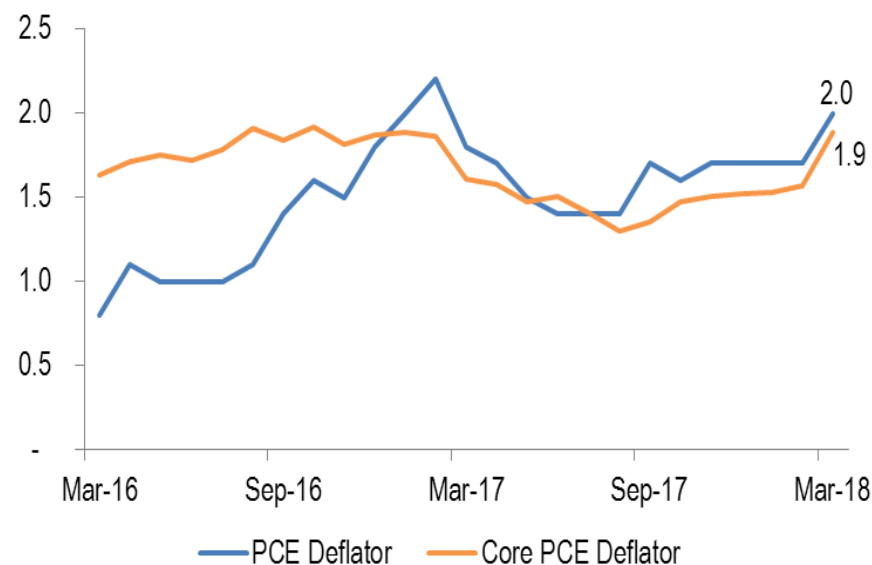
In this week the global markets focus mainly on the release of the U.S. PCE deflator in April. Compared to other inflation measurements, the PCE deflator is the measurement highly scrutinized by the Fed. In March, the PCE deflator increase reached 2%, the Fed's inflation target. Although the inflation reached the Fed's target, the Fed's officials were still debating whether the trend of 2% inflation will be maintainable further or only temporarily. The uncertainty is estimated to cause global market s to keep their eyes on the release of PCE deflator of April.

- **A Stop to Trend of Indonesia's Sluggish Financial Market**

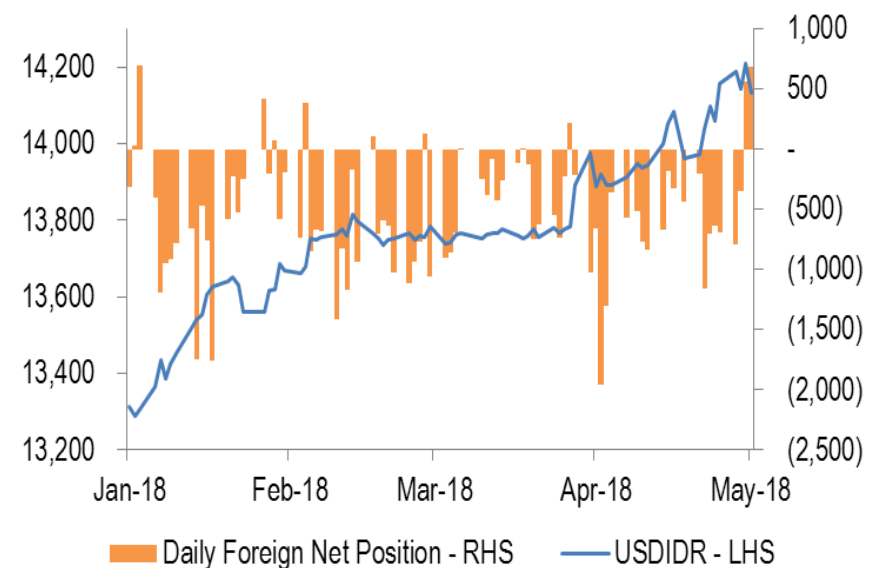
Foreign investors start showing their confidence in Indonesia's financial market. After reaching 14.209 per dollar, rupiah is appreciated. We estimate that Bank Indonesia's massive monetary tightening under the administration its new Governor Perry Warjiyo will curb the significant trend of depreciated rupiah. Warjiyo focuses on the monetary policy emphasizing on the stable financial system. On the other side, the trend of foreign investors' rising confidence is reflected in the net buy in the 3-day equity trade.

- In this week, we estimate **JCI to move slightly lower with the range of 5834-6077**. The only 3 days of trading day amid the volatile global markets cause investors to perform wait-and-see acts.

U.S. PCE Deflator (%)



USDIDR & Foreign Net Position (IDR bn)



Japfa Comfeed Indonesia (JPFA – Poultry)

Dec 2018 TP	2,000
Consensus Price	1,862
TP to Consensus Price	+7.4%
vs. Last Price	+23.5%
Last Price (IDR)	1,620
Price date as of	May 25, 2018
52wk range (Hi/Lo)	1,700 / 1,100
Free Float (%)	37.0
Outstanding sh. (mn)	11,411
Market Cap (IDR bn)	18,485
Market Cap (USD mn)	1,312
Avg. Trd Vol – 3M (mn)	3.21
Avg. Trd Val – 3M (bn)	5.07
Foreign Ownership	5.3%
Sales Breakdown:	
Commercial Farm & Consumer Products	43.4%
Animal Feeds	35.1%
Others	21.5%

IDR bn	FY2016	FY2017	FY2018E	FY2019E
Sales	27,063	29,603	33,793	38,864
y-y	8.2%	9.4%	14.2%	15.0%
EBITDA	3,563	2,933	3,359	3,864
Net profit	2,065	979	1,649	2,016
EPS (IDR)	181	86	145	177
y-y	340.9%	-52.6%	68.4%	22.3%
NPM	7.6%	3.3%	4.9%	5.2%
ROE	26.7%	10.2%	16.6%	18.7%
P/E	8.0x	15.1x	11.2x	9.2x
P/BV	1.8x	1.5x	1.8x	1.6x

• JPFA at A Glance

PT Java Pelletizing Factory, Ltd (JAPFA) was established in 1971. After 10 years of its establishment, it penetrates into breeding operation with a view to integrating its business. In 1990, it acquired the assets of PT Comfeed Indonesia and it changed its name into PT Japfa Comfeed Indonesia Tbk. Currently, it has the second largest market share of animal feed and chicken breeding in Indonesia.

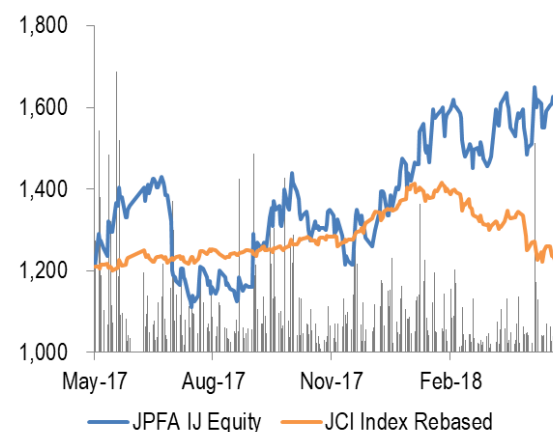
• Fantastic Growth in Profit

JPFA posted the fantastic growth of 491% in profit from IDR73 billion in 1Q17 into IDR433 billion in 1Q18. The main driver for the fantastic growth is the turnaround in the commercial farm and consumer products from posting the operational loss of IDR70 billion in 1Q17 into posting the operational profit of IDR247 billion in 1Q18.

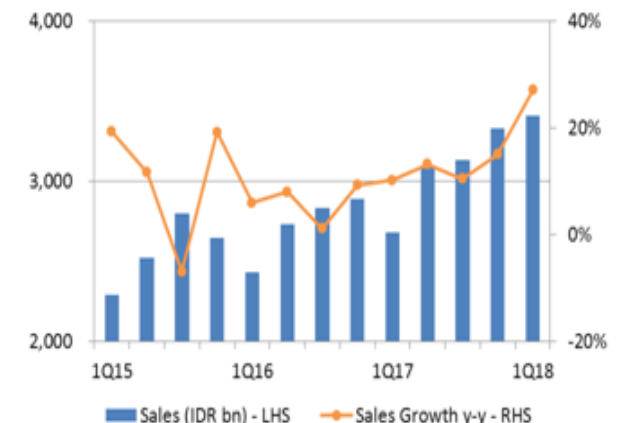
• More Regulated Costing

We estimate that the Minister of Trade's Regulation Number 58/2018 on the Lowest Broiler Reference Prices of IDR17,000/kg and the Highest Broiler Reference Prices of IDR19,000/kg results in an easy review of production costs boosting stable profitability for the poultry industry.

Share Price Performance



Quarterly Net Sales



Pakuwon Jati (PWON – Real Estate Developer)

Dec 2018 TP	625
Consensus Price	721
TP to Consensus Price	-13.3%
vs. Last Price	+16.8%
Last Price (IDR)	535
Price date as of	May 25, 2018
52wk range (Hi/Lo)	725 / 494
Free Float (%)	30.2
Outstanding sh. (mn)	48,160
Market Cap (IDR bn)	25,765
Market Cap (USD mn)	1,829
Avg. Trd Vol – 3M (mn)	24.76
Avg. Trd Val – 3M (bn)	14.52
Foreign Ownership	13.5%
Revenue Breakdown:	
Rental and Service Charges	33.8%
Condominiums and Offices	32.7%
Others	33.5%

IDR bn	FY2016	FY2017	FY2018E	FY2019E
Revenue	4,841	5,718	6,284	6,869
y-y	4.7%	18.1%	9.9%	9.3%
EBITDA	2,567	3,175	3,477	3,770
Net profit	1,671	1,873	2,104	2,332
EPS (IDR)	35	39	44	44
y-y	32.4%	12.1%	12.3%	10.8%
NPM	34.5%	32.8%	33.5%	33.9%
ROE	16.3%	15.7%	15.1%	14.4%
P/E	16.3x	17.6x	12.2x	12.2x
P/BV	2.5x	2.6x	1.7x	1.5x

• A Glance at PWON

PWON is one of real estate developers focusing on shopping malls, condominiums, offices, and superblocs. Its projects are in two biggest metropolitan cities in Indonesia: Jakarta and Surabaya, each of which project has respective revenue ratio of 40.4% and 59.6%. Those projects are situated in strategic locations and target middle to high-class incomes.

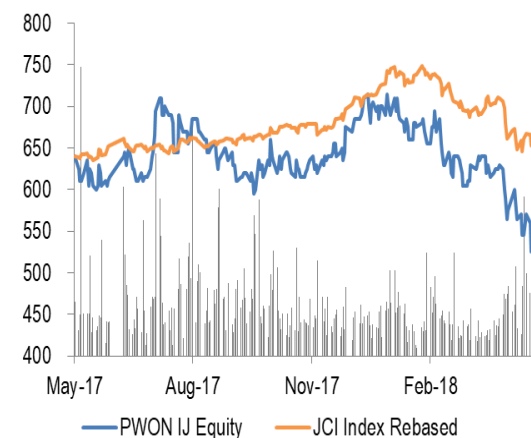
• Buoyant Revenues Contributed by Surabaya–Based Projects

PWON posted the growth of 19.5% y-y into IDR1.65 trillion in the 1Q18 net revenue and the surge of 61.8% y-y into IDR563 billion in the 1Q18 net profit. The sale of land and buildings performance surged by 74.2% y-y into IDR281 billion, while the net profit margin spiked into 34.2% from 25.2% in 1Q17. Geographically revenues deriving from Surabaya–based projects surged by 58.5% y-y into IDR981 billion backed by Pakuwon Mall and Pakuwon City projects.

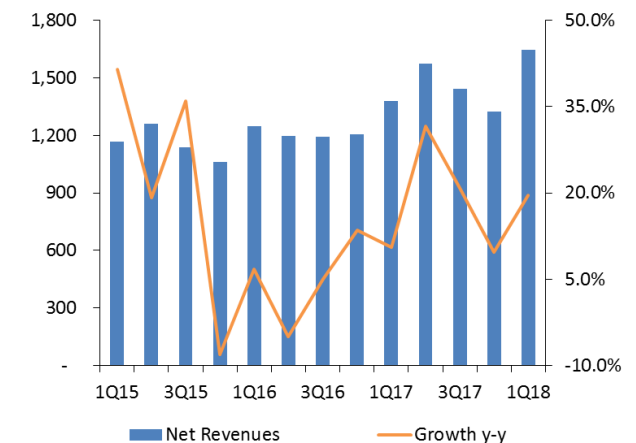
• Consistent Performance by Recurring Income Segment

PWON succeeded to post the all-time high of IDR828 billion (+22.5% y-y) in the 1Q18 recurring income. Of note, the segment's contribution hiked into 50.3% from the 1Q17 contribution of 49.1% and the 1Q16 contribution of 49.5%. In light of the quarterly consistent hike in recurring income, the segment likely gives a larger contribution in ahead years. Such contribution results in a way more resilient and stable performance robust enough to face not-fully-recovered property industry.

Share Price Performance



Quarterly Net Revenues



Indo Tambang Raya Megah (ITMG – Coal Mining)

Dec 2018 TP	32,400
Consensus Price	33,972
TP to Consensus Price	-4.6%
vs. Last Price	+28.8%
Last Price (IDR)	25,150
Price date as of	May 25, 2018
52wk range (Hi/Lo)	32,200 / 15,200
Free Float (%)	34.8
Outstanding sh. (mn)	1,130
Market Cap (IDR bn)	28,418
Market Cap (USD mn)	2,016
Avg. Trd Vol – 3M (mn)	1.61
Avg. Trd Val – 3M (bn)	43.35
Foreign Ownership	99.3%
Sales Breakdown:	
Coal	97.3%
Fuel	2.7%

USD mn	FY2016	FY2017	FY2018E	FY2019E
Sales	1,367	1,690	1,967	2,054
y-y	-14.0%	23.5%	16.4%	4.4%
EBITDA	309	468	529	545
Net profit	131	253	302	324
EPS (IDR)	1,536	2,995	3,659	3,932
y-y	111.1%	95.0%	22.2%	7.5%
NPM	9.6%	15.0%	15.4%	15.8%
ROE	15.0%	27.2%	30.7%	31.0%
P/E	11.0x	6.9x	6.9x	6.4x
P/BV	1.6x	0.5x	0.5x	1.9x

• A Glance at ITMG

Indotambangraya Megah (ITMG)—the subsidiary of Banpu Inc. Thailand—is one of big-scaled coal miners in Indonesia as it focuses its mining concession in Kalimantan Island; it has the average production capacity of 22–29 million tons per year. Its biggest sales portion is its export to Japan, China, and India, while its domestic sales portion is only at the average of 10%-12% from the total sales.

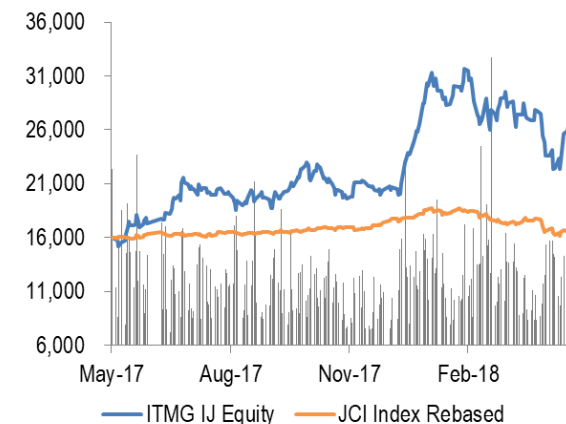
• Temporary Decline in 1Q18 Production

ITMG posted the surge of 2.8% y-y into USD378 million in 1Q18 sales backed by the 1Q18 soring ASP of USD83.6/ton vs. the 1Q17 ASP of USD67.5/ton. We estimate that until the end-2018, ITMG is likely capable of maintaining ASP to top USD80/ton amid the currently high global coal prices. Meanwhile, the sales volume slid by 18.5% y-y into 4.4 million tons. The decline in the 1Q18 sales volume was coupled with the decline in the production volume attributable to the less favorable weather. Most of coal companies experienced declining production volumes. We project that ITMG's production volumes and sales are likely buoyant in the following quarters.

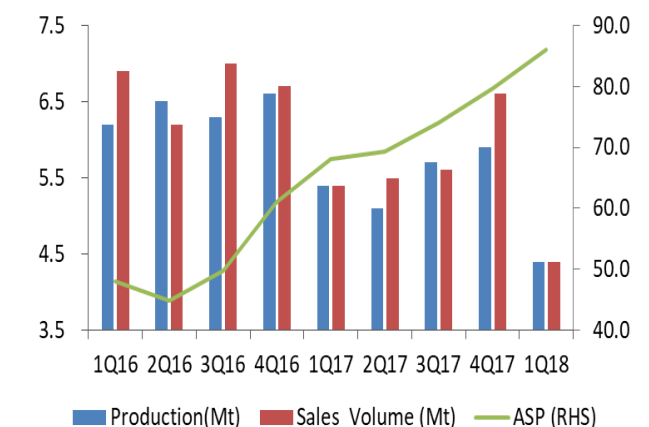
• Enjoying Contribution by Business of Selling Fuel

The business of selling fuel deriving from the acquisition of PT Emas Gas posted higher contribution. In 1Q18, it contributed USD10.3 million to ITMG's overall sales. We estimate that in ahead years, this business remains buoyant along with the high mining activities in Indonesia and the uptrend rally in global crude prices.

Share Price Performance



Quarterly Sales (USD mn)



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