

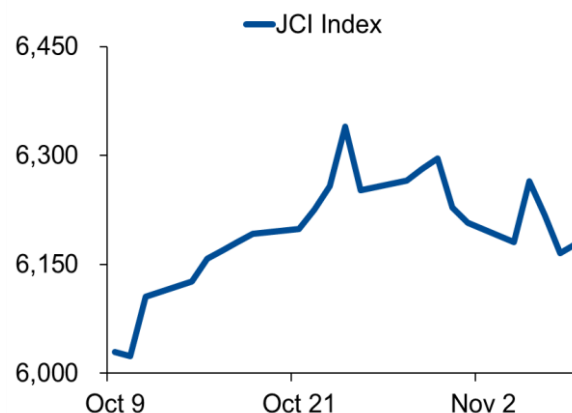
Weekly Brief (November 11th – November 15th)

Summary:

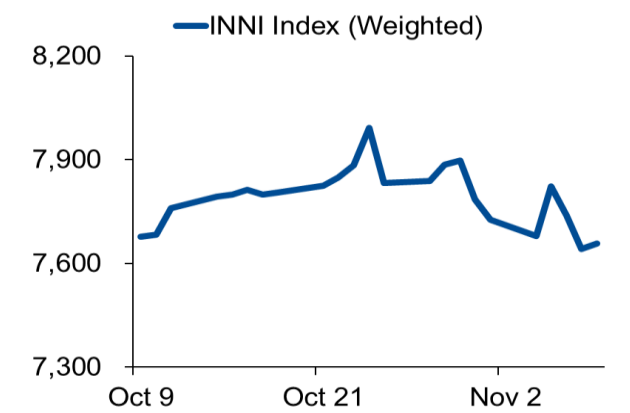
Last week review: Indonesia's economic data reading—Indonesia's economic growth, Consumer Confidence Index (CCI), and Oct. foreign exchange reserves—were catalysts for JCI. Indonesia's economic growth slowed, while CCI dimmed. Conversely, Indonesia's foreign exchange reserves rose as foreign investments in Indonesia picked up.

This week's outlook: JCI's moves are likely to be driven up or dragged down by Dow Jones, anticipating the US Core CPI reading and Indonesia's Oct. trade balance. Satisfying economic data reading is an unconditioned prerequisite for JCI's moves to the green zone, while disappointing economic reading will be hiccups in JCI's big moves. Cement stocks are this week's top pick as Indonesian cement makers expand their export markets albeit cement oversupply. NHKS recommends Hold on SMGR with the price target of IDR14,200 based on P/E trailing band of 27.5x.

JCI - one month



INNI Index – one month



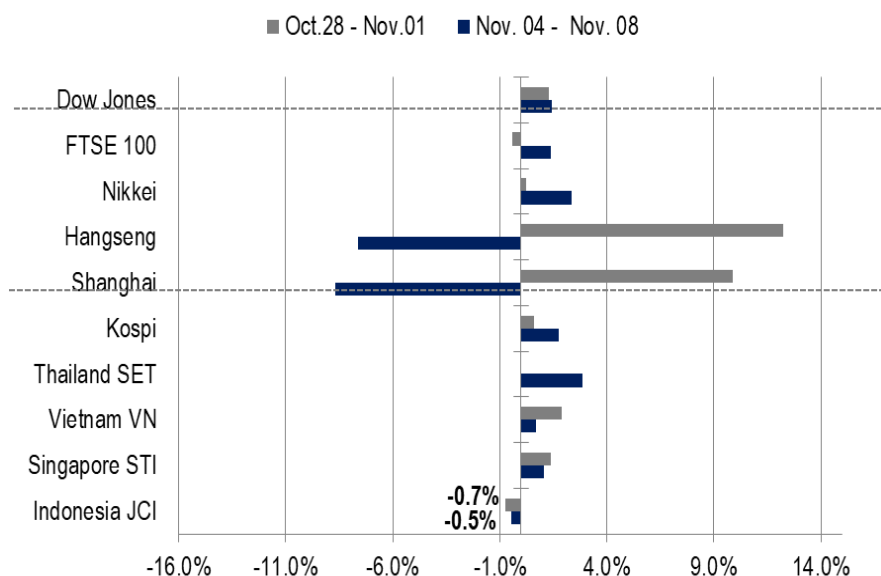
Last Week's JCI Movement

- JCI Index : 6,177.99 (-0.47%)
- Foreign Flow : Net sell of IDR2.5 trillion (vs. net sell last week of IDR1.7 trillion)
- USD/IDR : 14,014 (-0.18%)
- Yields of sovereign bond with 10-years tenor : 6.974% (-4,15 bps)

JCI Dipped

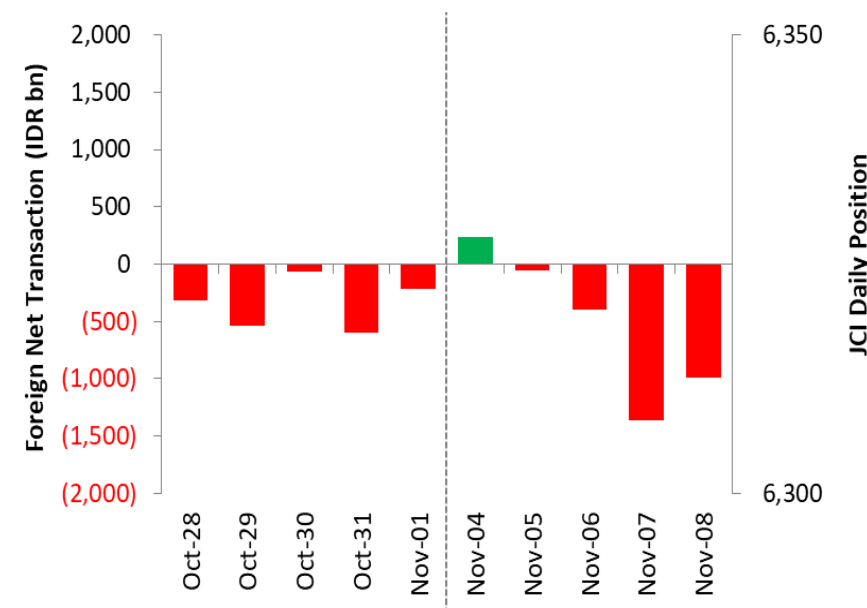
Although JCI closed lower on Monday (11/04), it secured foreign capital of IDR240 billion, with the largest portion of IDR200 billion, contributed by PGAS. PGAS posted gains as President Jokowi urged to leave gas prices for industrial demands unchanged. Indonesia's 3Q19 economic growth of 5.2% y-y and Oct. CCI dipped 2.8% to 118.4 made JCI vulnerable to declines. JCI continued to post 2-day losing streak as the banking sector was bearish after posting capital outflows of IDR1.3 trillion. President Jokowi insisted on banks lowering their loan rates, and it dragged banking stocks down. Even, Oct. foreign exchange reserves of USD126.7 billion or increasing from Sept. level failed to quicken JCI's pace to the green zone. On Friday (11/08), JCI nudged up.

Global Market Movement



Source: Bloomberg, NHKS Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKS Research

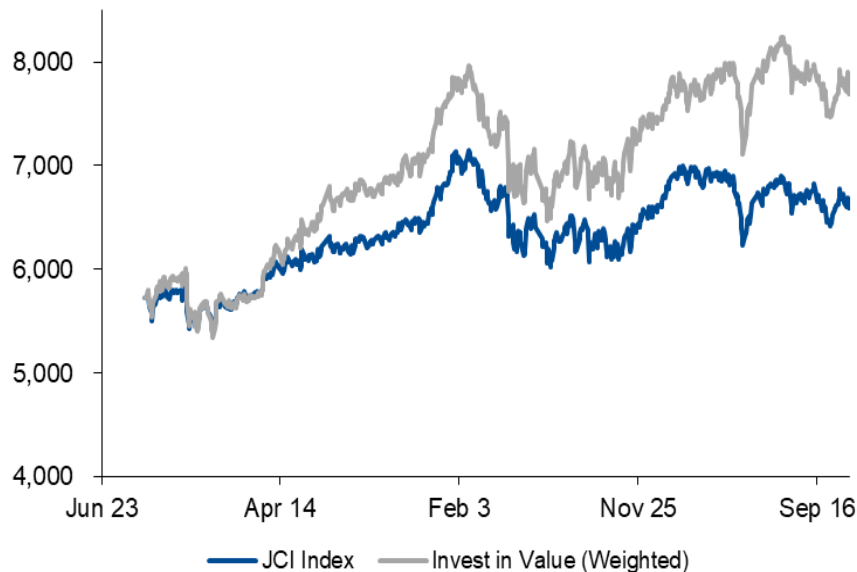
Last Week's INNI Movement

•INNI Index	: 7,657.46 (-0.9%)
INNI Theme 1 (Value)	: 7,741.61 (-0.2%)
INNI Theme 2 (Trend)	: 7,514.17 (-2.1%)

INNI Index Dropped

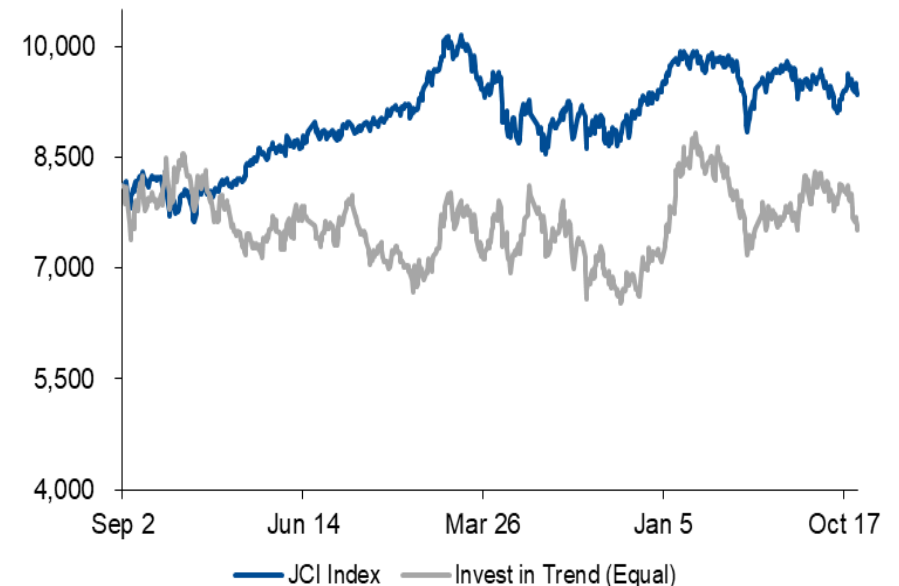
INNI index, on Nov. 04, dipped as CTRA gave up a 3.7% gain. CTRA's 3Q19 earnings were disappointing because its net profits declined. INNI declined further on Wednesday (11/06) as banks' stocks were bearish. Although BI has cut 7-D RRR for four times, banks are reluctant to respond to BI's monetary policies and still hold their loan rates unchanged. Besides, banks' bearish stocks, KAEF's performance was disappointing as it gave up a 4.8% gain after the issuance of the government regulation (PP) No.76/2019 on capital injected by the government into capital stocks of PT Bio Farma. On Friday (11/08), INNI nudged up, backed by PTBA (7.9%) and ADRO (2.2%).

Theme 1. Invest in Value (19 Stocks) – Market Cap Base



Source: Bloomberg, NHKS Research

Theme 2. Invest in Trend (11 Stocks) – Policy Base



Source: Bloomberg, NHKS Research

Last Week Sectoral Review

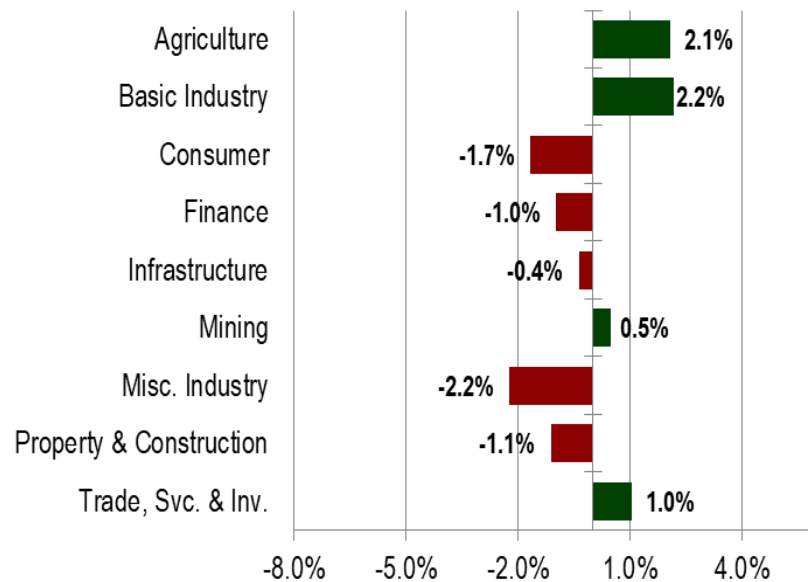
- **JCI's Top Gainers**

Last week, the basic industry sector posted a 2.2% gain higher than other sectors' gains because PT Sierad Produce Tbk (SIPD) posted higher revenues and net profits in 3Q19. SIPD's net sales grew by 31% to IDR2.95 trillion higher than Sept.'s IDR2.25 trillion. Although selling prices of broiler chickens declined in 3Q19, SIPD posted 3Q19's sound performance and gained 9.5% on Friday (11/08).

- **INNI Index's Top Gainers**

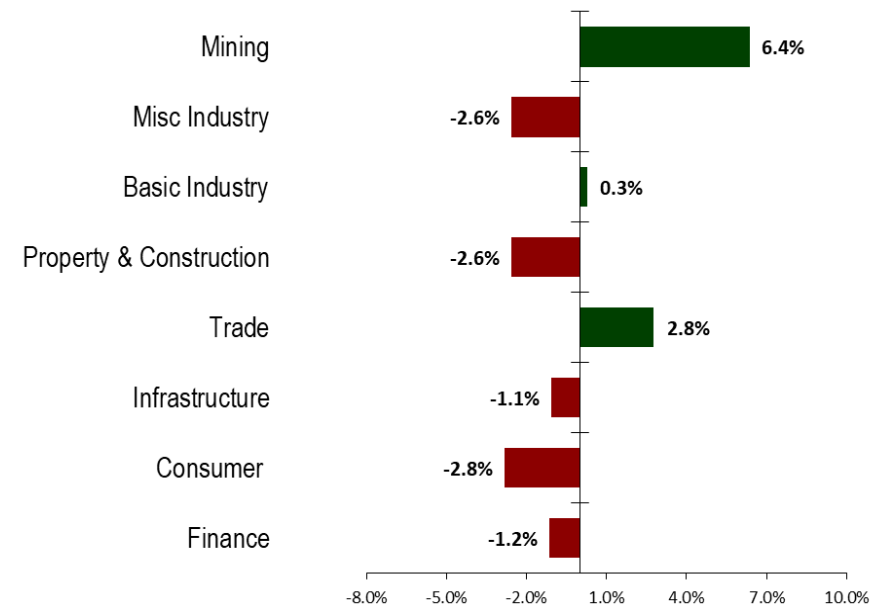
The mining sector posted the greatest gains of 6.5% compared with its peers in INNI. Nov. benchmark for coal selling prices is at USD66.27 per ton or a 2.27% increase from Oct. benchmark prices at USD64.8 per ton. Nov. prices are in compliance with the Minister's Decree Number 224K/30/MEM/2019 on Nov. Benchmark Prices for Mineral Metal and Coal, signed by the Minister of Energy and Mineral Resources Arifin Tasrif. Mining stocks such as ADRO (+11.41%) dan PTBA (+17.80%) positively responded to the decree and rallied for a week.

JCI's Last Week Sectoral Movements



Source: Bloomberg, NHKS Research

INNI's Last Week Sectoral Movements



Source: Bloomberg, NHKS Research

This Week's Outlook: JCI's Trend

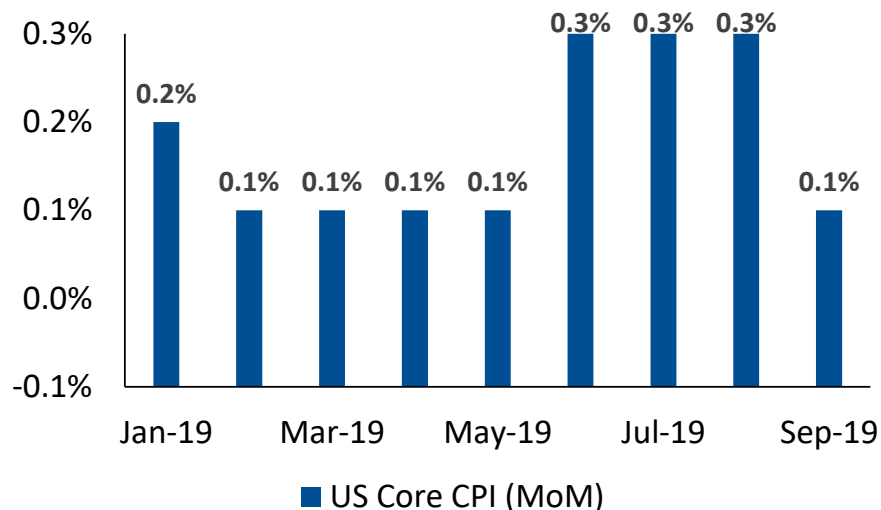
- **The US CPI Reading**

The US core consumer price index (CPI) measuring changes in prices of goods and services, excluding food & energy is this week's most anticipated data. Oct. CPI reflecting spending patterns for urban and nonurban consumers will be announced on Nov. 13 and is estimated to be at 0.2% or higher than Sept's 0.1%. It is one of the most anticipated data as it indicates how fiscal stimulus and the Fed's monetary policies prove effective to foster a stronger US economy. The higher CPI level, the more optimistic market responses. Should CPI reading is higher than an estimate, chances are the US stronger economy and Wall Street's rally mood: unconditioned responses of bullish Asia markets.

- **Oct. Trade Balance Reading**

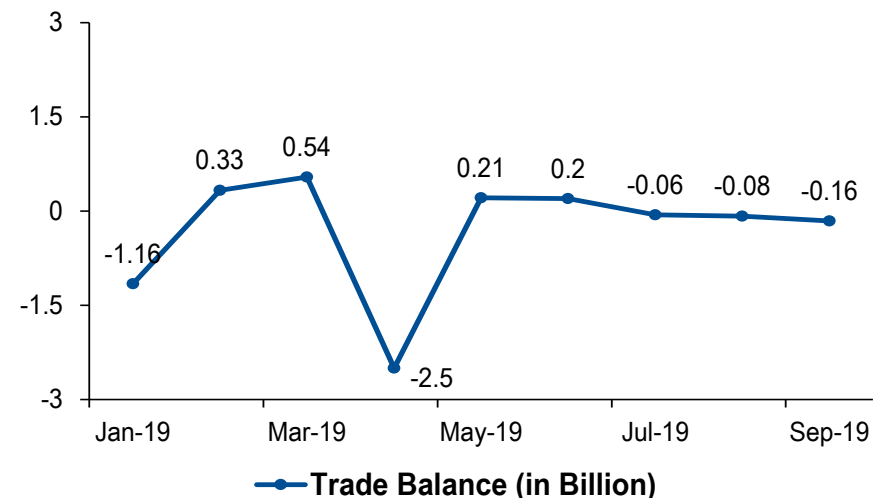
Statistics Indonesia will release Oct. trade balance data on Nov. 15: the final trading days in a week. The reading will determine JCI's trend. After Sept. deficit of USD160.5 million, Oct. reading is estimated to announce a surplus of USD10 million based on markets' consensus. Sept. deficit was attributable to a 5.17% QoQ drop in oil & gas exports and a 1.03% QoQ decline in nonoil & gas imports, while nonoil & gas imports only accounted for a 1.02% QoQ increase. The estimate of Oct. stronger exports is on grounds of mandatory B20 to reduce domestic demand for crude oil and declining trend of Crude Oil WTI at USD51/barrel-USD62/ barrel within the last 3 months. Should Oct. reading be higher than estimate, JCI will move to the green zone, vice versa condition applies.

US Core CPI (MoM)



Source: U.S Bureau of Labor Statistics, NHKS Research

Indonesia Trade Balance



Source: Badan Pusat Statistik, www.investing.com, NHKS Research

This Week's Outlook: Cement Gains Positive Momentum

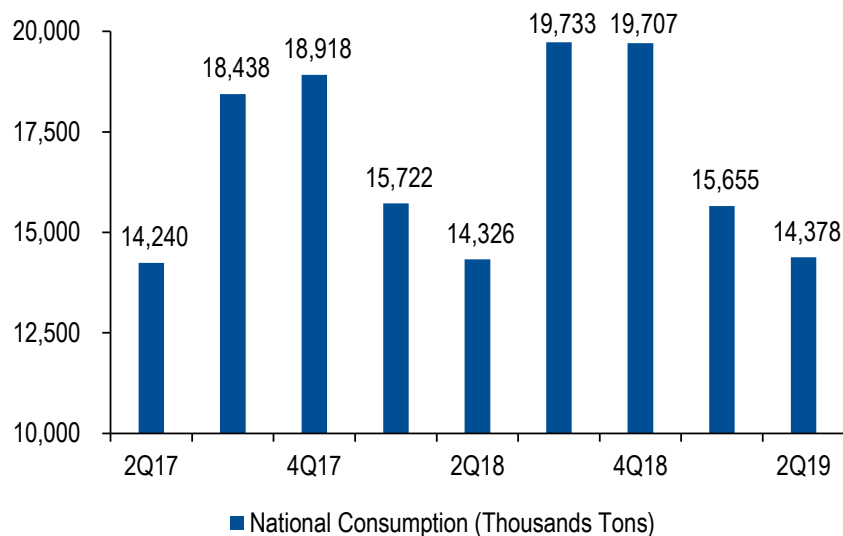
- **Contracted National Consumption**

The 3Q19's cement consumption accounted for 48.7 million tons, lower than 3Q18's 49.7 million tons; that was 2.01% YoY decline. Java and Sumatra recorded declines of 2.5% YoY and 5.6% YoY in sales and slashed the biggest parts of national consumption. Lesser appetite for buying properties and predatory pricing by Chinese cement products are challenges, faced by the cement industry. Despite the challenges, several cement makers still marked sound performance in 3Q19; SMGR and SMCB respectively succeeded to post increasing sales of 0.3% YoY and 2.3% YoY, for example. Other than the two cement makers, SMBR booked 3Q19's sales as great as that of 3Q18 and are likely to post more buoyant sales until the end of 2019. The cement sector is likely to post gains during this week on grounds of cement makers' sound performance of 3Q19.

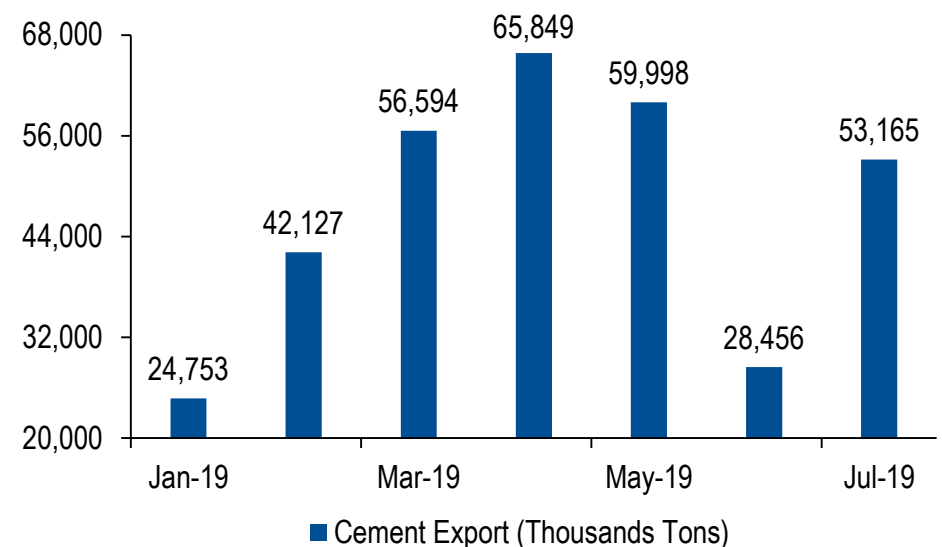
- **Cement Makers Expand Export Markets**

We are optimistic that Indonesian cement makers, at the end of 2019, are likely to produce 71.6 million tons of cement or a 3.02% YoY increase, while their factory utilities will be at 64.2% or a 1% gain from 2018. Cement makers will make fortunes from increasing factory utilities as they expand their exports to Vietnam and Thailand accounting for idle capacities of 39.2 and 26.5 million tons, respectively. Indonesia's two biggest players—SMGR and Semen Merah Putih—will make fortunes from the two counties' idle capacities as cement exports, from Jan. to Sept., boosted factory utilities to 4.1 million tons or a 40% YoY increase. We pencil in export market expansion is a catalyst for SMGR's big moves this week as its export markets are more expansive than its peers.

Domestic Cement Consumption



Indonesia's Cement Export



Semen Indonesia Tbk (SMGR IJ – Cement)

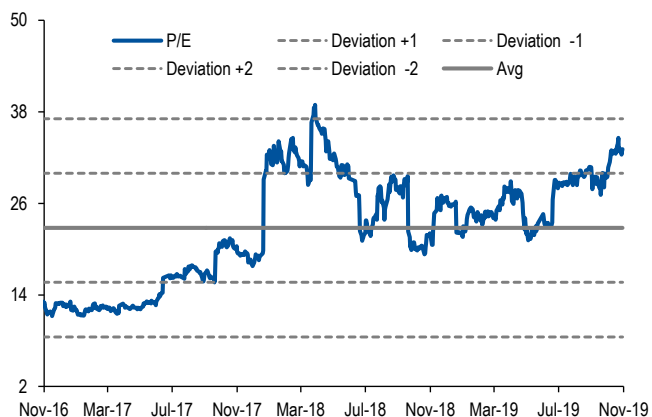
Dec 2020 Target Price	14,200
Consensus Price	14,270
Last Price (IDR) as of Nov 8, 2019	12,825
TP vs. Last Price	10.7%

Geographic Segments:

Indonesia	91.5%
International Sales	8.5%

IDR bn	FY2018	FY2019E	FY2020E	FY2021E
Revenue	30,688	33,236	34,478	36,891
y-y	10.3%	8.3%	3.7%	7.0%
Net Profit	6,570	7,059	7,299	7,713
y-y	51.0%	-17.6%	28.5%	7.8%
NPM	10.1%	7.6%	9.5%	9.5%
EPS	520	428	551	593
P/E	22.6x	27.5x	21.4x	19.8x

3-Years P/E Trailing Band



Source : Bloomberg, NHKS Research

- **NHKS** recommends SMGR as this week's top pick stock whose the price target is estimated to reach IDR14,200 based on a 27.5x P/E trailing band. The estimated is on grounds of rising revenues during 9M19 and SMGR's larger export markets.

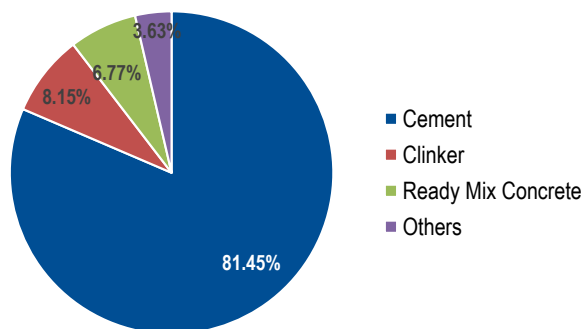
Upbeat Revenues vs Downbeat Net Profits

During 9M19, SMGR posted revenues of IDR21.4 trillion or a 31.1% YoY increase, but rising interest expenses slashed net profits by 38.2% y-y to IDR2.09 trillion. Soaring interest expenses were attributable to the acquisition, facilitated by syndicated loans, and SMGR must have paid by refinancing. The acquisition in a long-term will enlarge SMGR's market share to 56%, the larger market share, the more revenues it gains over its peers. Albeit cement oversupply in the domestic market, SMGR consistently boosts its revenues through its subsidiary, launching Dynamix as a new rebranding of Holcim and is potential for securing larger revenues.

Expanded Exports: A Solution for Domestic Oversupply

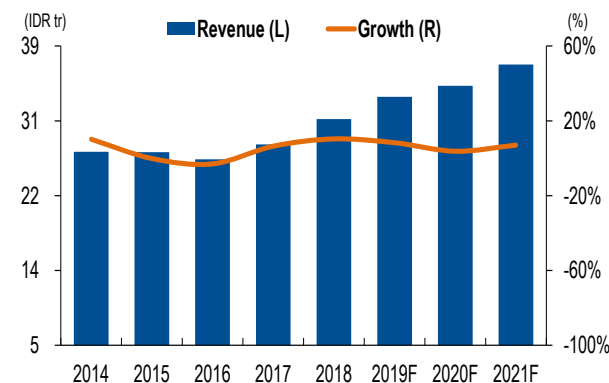
Export performance within 9M19 contributed 7.7% to the total sales; SMGR succeeded to make a fortune in Vietnam's market because it has a subsidiary, Than Long Cement. Despite the domestic oversupply, SMGR aggressively expands its export markets into countries in the Asia Pacific. We predict that in 2019F its exports to hit 9.4%, and its stocks are likely to post gains, backed by its broader export markets.

9M19 Revenue (Third Parties) Breakdown



Source : Company Data, NHKS Research

Revenue & Growth Movements



Source: Company Data, NHKS Research

INNI Index's Stocks 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	31,400	31,625	32,000	Hold	1.9	-0.7%	774.2	27.4x	4.6x	18.1	1.1	15.0	13.0
BBRI	Theme 1	3,990	4,180	4,950	Buy	24.1	-4.5%	492.1	14.5x	2.5x	18.2	3.3	10.8	5.6
BMRI	Theme 1	7,100	6,975	8,275	Buy	16.5	1.8%	331.3	12.2x	1.7x	14.7	3.4	10.6	11.9
Consumer														
GGRM	Theme 1	53,500	53,650	75,075	Buy	40.3	-0.3%	102.9	11.1x	2.2x	20.5	4.9	16.9	25.8
UNVR	Theme 1	43,150	43,700	59,000	Buy	36.7	-1.3%	329.2	45.0x	47.8x	92.3	2.7	2.6	(24.4)
ICBP	Theme 1	11,275	11,625	11,800	Hold	4.7	-3.0%	131.5	26.4x	5.5x	22.2	1.2	11.2	11.4
INDF	Theme 1	7,750	7,750	8,700	Hold	12.3	0.0%	68.0	13.9x	1.9x	14.2	2.2	5.7	25.2
KAEF	Theme 2	2,450	2,720	3,210	Buy	31.0	-9.9%	13.6	58.5x	6.0x	16.6	0.6	29.6	(81.4)
KLBF	Theme 2	1,585	1,625	1,870	Buy	18.0	-2.5%	74.3	28.9x	4.8x	17.6	1.6	7.3	6.2
Infrastructure														
TLKM	Theme 1	4,110	4,080	4,700	Hold	14.4	0.7%	407.1	20.1x	4.1x	21.3	4.0	3.5	15.6
JSMR	Theme 1	5,100	5,250	6,000	Buy	17.6	-2.9%	37.0	19.1x	2.0x	11.3	0.9	(22.8)	(15.2)
Trade														
UNTR	Theme 1	23,275	21,500	39,550	Buy	69.9	8.3%	86.8	8.1x	1.6x	19.8	5.3	#N/A N/A	(4.8)
SILO	Theme 2	7,150	7,200	7,230	Hold	1.1	-0.7%	11.6	207.3x	1.8x	0.9	N/A	18.6	1333.7
MIKA	Theme 2	2,710	2,650	2,300	Sell	(15.1)	2.3%	38.6	58.7x	9.3x	16.4	0.7	17.2	12.1
LPPF	Theme 2	3,650	3,600	5,500	Buy	50.7	1.4%	10.2	13.1x	5.7x	37.8	9.1	0.7	(18.7)
RALS	Theme 2	1,155	1,145	1,515	Buy	31.2	0.9%	8.2	11.6x	1.9x	17.1	4.3	(2.0)	15.8
MAPI	Theme 2	1,055	1,010	1,200	Hold	13.7	4.5%	17.5	21.4x	2.9x	14.8	0.9	11.4	14.7
Property														
PWON	Theme 1	580	620	725	Buy	25.0	-6.5%	27.9	9.6x	1.9x	22.2	1.2	0.2	20.8
CTRA	Theme 1	1,085	1,095	1,080	Hold	(0.5)	-0.9%	20.1	19.9x	1.4x	7.2	0.9	(0.7)	(28.9)
PTPP	Theme 1	1,580	1,665	2,450	Buy	55.1	-5.1%	9.8	8.4x	0.8x	9.4	3.1	8.6	(37.6)
WSKT	Theme 1	1,485	1,495	2,500	Buy	68.4	-0.7%	20.2	14.5x	1.1x	7.8	4.9	(39.2)	(69.4)
WIKA	Theme 1	1,945	1,940	2,100	Hold	8.0	0.3%	17.4	7.8x	1.1x	15.3	2.0	#N/A N/A	57.3
Basic Ind.														
JPFA	Theme 2	1,720	1,715	1,940	Hold	12.8	0.3%	20.2	13.0x	2.0x	16.1	2.9	7.3	(38.6)
SMGR	Theme 2	12,825	12,800	14,600	Hold	13.8	0.2%	76.1	33.3x	2.4x	7.5	1.6	31.1	(38.1)
INTP	Theme 2	20,550	20,525	22,300	Hold	8.5	0.1%	75.6	44.4x	3.4x	7.6	2.7	5.3	90.4
Misc Ind.														
ASII	Theme 2	6,625	6,800	8,600	Buy	29.8	-2.6%	268.2	13.1x	1.9x	14.9	3.2	1.2	(7.1)
Mining														
ADRO	Theme 1	1,415	1,270	1,750	Buy	23.7	11.4%	45.3	6.2x	0.9x	14.2	6.4	10.2	51.9
PTBA	Theme 1	2,580	2,190	5,100	Buy	97.7	17.8%	29.7	6.6x	1.7x	26.4	13.2	1.4	(24.9)
INCO	Theme 2	3,560	3,610	3,370	Hold	(5.3)	-1.4%	35.4	437.6x	1.3x	0.3	N/A	(12.6)	N/A
ANTM	Theme 2	835	855	1,200	Buy	43.7	-2.3%	20.1	24.9x	1.0x	4.1	1.5	23.0	(11.1)

Source : Bloomberg, NHKS Research

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