

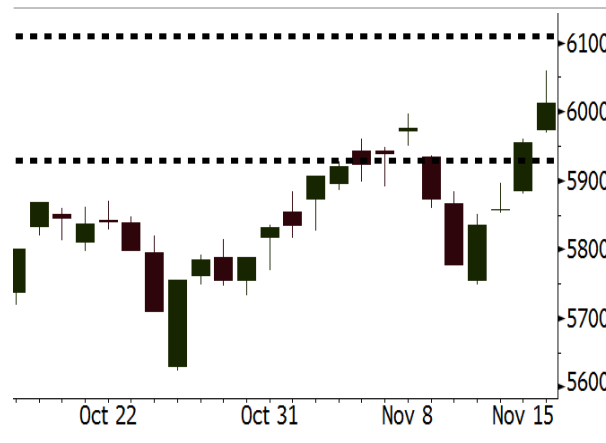
Weekly Brief (November 19 – 23)

Summary:

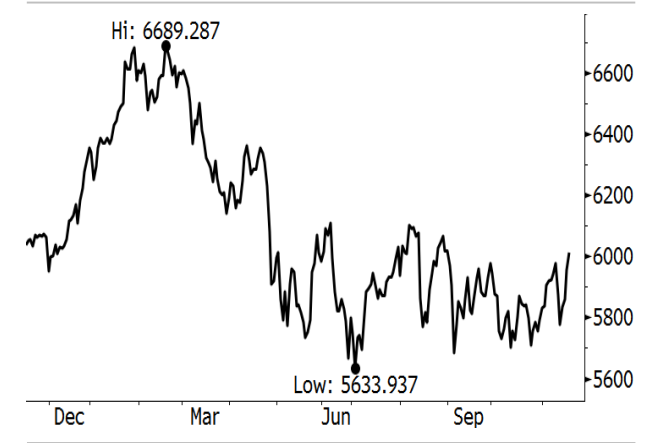
Last week JCI surged 2.4% and became one of indexes posting the rally amid the sluggish global market. Although October's trade balance showed the deficit, BI's pre-emptive stance of increasing its benchmark rate built investors' confidence. Last week foreign investors posted significant net buy amid the trend of rupiah appreciation.

This week investors will attune to global sentiments, e.g., the unresolved dispute between the U.S. and China. Investors will digest whether or not the two countries will reach a deal as the leaders of the two economies will hold talks at the end of November. Besides, the slowdown in global crude prices is a significant factor for the improvement in Indonesia's external deficit. We estimate JCI to rally further this week. We recommend two top-pick stocks: BBTN and TLKM.

JCI - one month



JCI - one year



Last Week's Recap

- Jakarta Composite Index (JCI) : 6,012.35 (+2.35%)
Foreign Investor : net buy of IDR3.4 trillion (vs. previous week's net buy of IDR3.8 trillion)
USDIDR : 14,612 (-0.45%)
10-year Government Bond Yield : 8.052% (-9.2 bps)

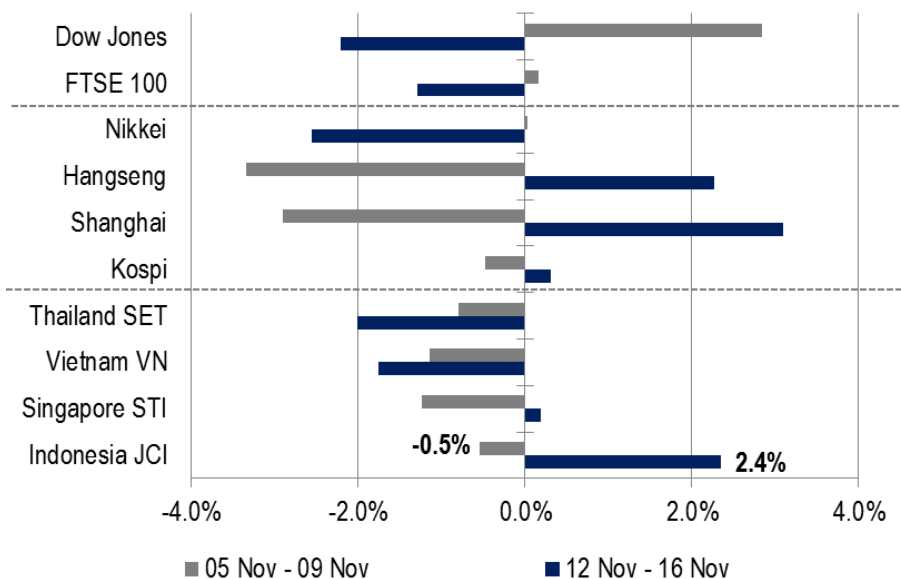
- **October's Trade Deficit to Rocket to USD1.80 Billion**

October's trade balance was the deficit at USD1.80 billion after September's surplus of USD230 million. On a cumulative basis, from January to October 2018, the deficit was at USD5.51 billion. October's deficit was beset by worsening non-oil and gas trade balance and the higher deficit of oil and gas trade. October's trade showed the increment in oil and gas as well as non-oil and gas exports. The total exports in October grew by 5.87% m-m. Meanwhile, October's imports soared by 20.60% m-m to USD17.6 billion, attributable to the hike of 24.66% m-m in refined oil imports.

- **BI's Stance of Raising Its Benchmark Rate**

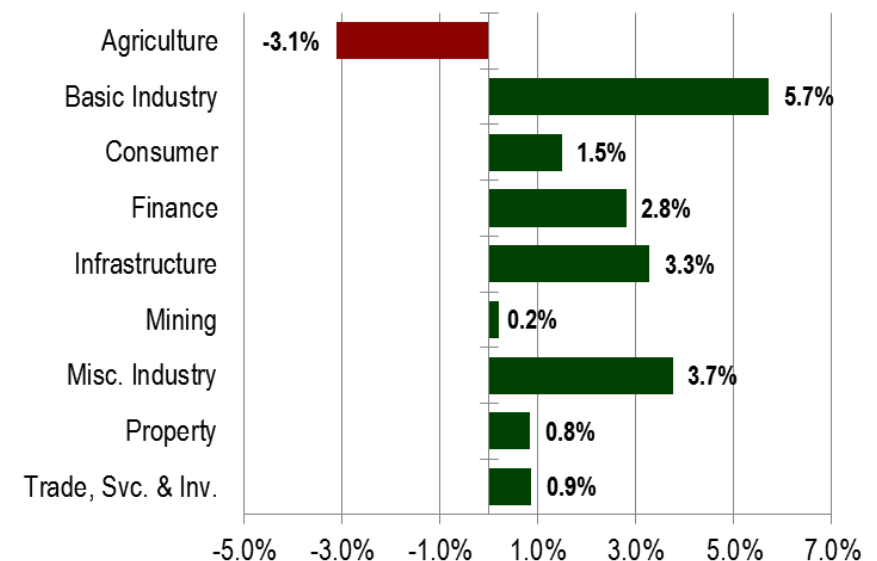
BI's Board of Governors Meeting held on Wednesday and Thursday, 11/14 and 11/15, decided to hike BI 7-day reverse repo rate (benchmark rate) by 25 bps to 6.00%. In September, BI hiked its benchmark rate by 25 bps. Since May, it hiked its benchmark rate for 6 times with the total hike of 150 bps. BI's pre-emptive stance of raising its benchmark rate as a method for facing the hike in the Fed's Fund Rate (FFR) of December likely suppressing the rupiah.

Global Equity Market



Source: Bloomberg, NH Korindo Research

Sector Index



Source: Bloomberg, NH Korindo Research

This Week's Outlook

- **Expectancy of Further Rupiah Appreciation**

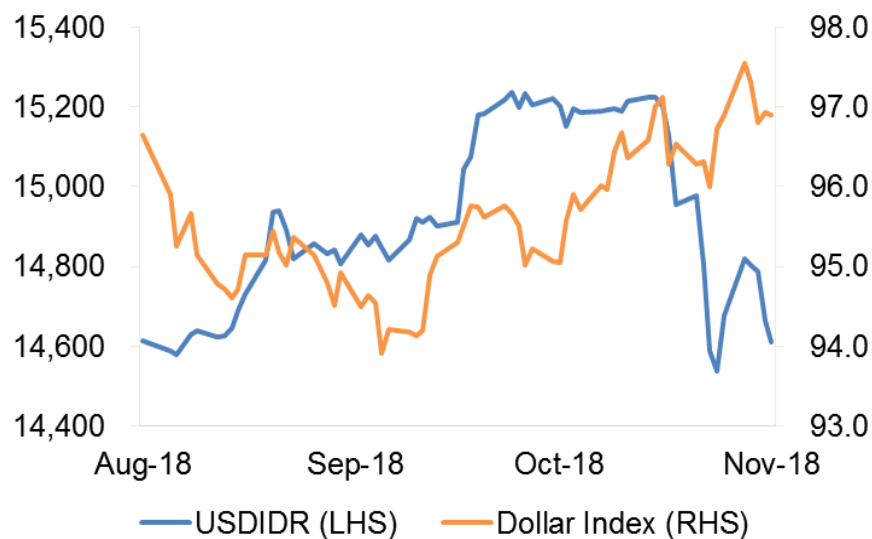
The rupiah's exchange rate for USD strengthens for 3 back-to-back weeks. The external and domestic positive sentiments keep the rupiah appreciation in check. One of that external positive sentiment is the subdued trade war tension between the U.S. and China, proved by talks arranged by the two countries. Yet, the issue of possible failure of such talks is likely to impact on the rupiah appreciation. Of note, Trump and Xi Jinping will meet at G2 held in Argentina in the end of November.

- **Slowdown in Global Crude Prices**

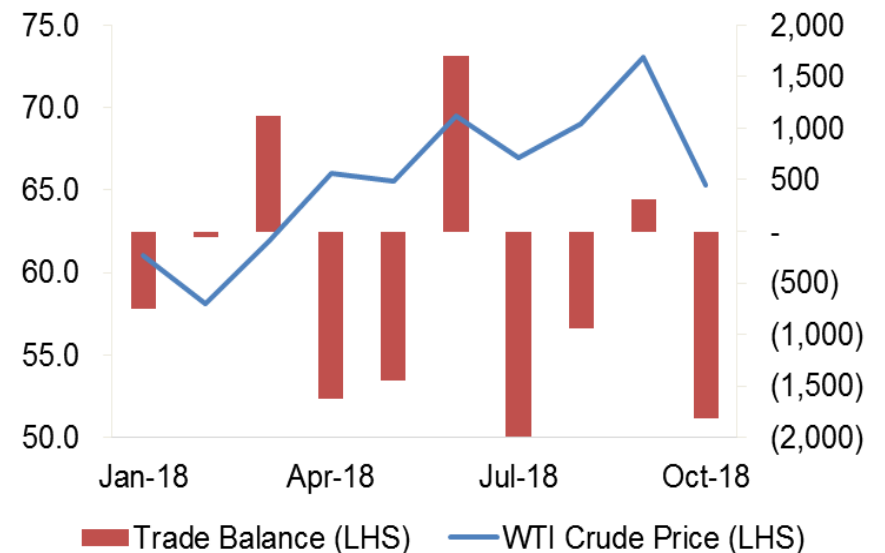
Global crude prices declined further since the early of October. It was beset by the crude stockpiles— the increment in production by the U.S., Saudi Arabia, and Rusia; the U.S. lenient sanctions against Iran, and Trump's urging OPEC to not curb its crude production in 2019. The decrease in global crude prices will have positive impacts on Indonesia's trade balance. The high demand for crude triggers the oil and gas trade deficit, but the decline in global crude prices is possible to decrease oil and gas imports value and improve the trade balance.

- We estimate that JCI is likely to rally with the range of 5930-6110. Foreign investors posted net buy within 3-consecutive week and the rupiah appreciation showed stable market circumstances.

USDIDR & Dollar Index



WTI Crude Price (USD/barrel) & Indonesia Trade Balance (USD mn)



Bank Tabungan Negara (BBTN – Commercial Bank)

Dec 2019 TP	3,050
Consensus Price	2,975
TP to Consensus Price	+2.5%
vs. Last Price	+27.1%
Last Price (IDR)	2,400
Price date as of	Nov 16, 2018
52wk range (Hi/Lo)	3,890 / 2,010
Free Float (%)	40.0
Outstanding sh. (mn)	10,590
Market Cap (IDR bn)	25,416
Market Cap (USD mn)	1,740
Avg. Trd Vol – 3M (mn)	32.04
Avg. Trd Val – 3M (bn)	78.85
Foreign Ownership	17.9%
Interest Income Breakdown:	
Loan	95.9%
Non-Loan	4.1%

IDR bn	FY2017	FY2018	FY2019E	FY2020E
Int. Income	19,272	22,629	26,921	32,432
y-y	12.4%	17.4%	19.0%	20.5%
Op. Rev	10,945	12,947	15,636	18,895
Net profit	3,027	3,498	4,330	5,348
EPS (IDR)	286	330	409	505
y-y	15.6%	15.5%	23.8%	23.5%
NIM	4.1%	4.1%	4.3%	4.4%
ROE	14.8%	15.1%	16.5%	17.6%
P/E	12.5x	6.8x	5.5x	4.5x
P/BV	1.7x	1.0x	0.8x	0.7x

• Fantastic Growth in Net Interest Income

BBTN recorded the interest income growth of 16.3% into IDR5.7 trillion. The net interest income grew higher by 19.9% into IDR2.8 trillion. However, these fantastic results were not followed by the net income growing only by 10.7% to IDR812 billion. The crucial factor hampering the net profit growth was increasing provision expenses to IDR449 billion, higher than previous quarters growth of IDR200 billion.

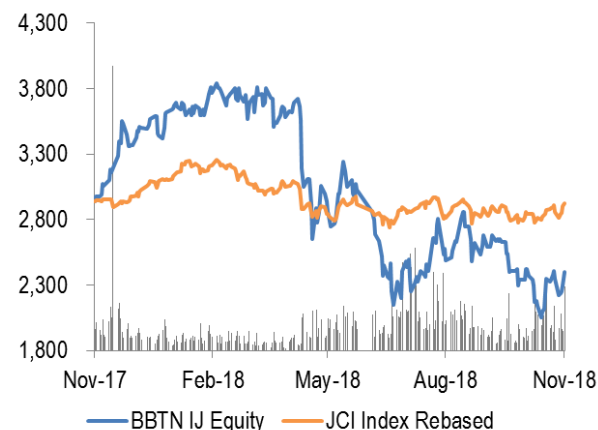
• Stable Loan Growth

BBTN still maintained the loan growth of 19% in 3Q18. The loan distribution performance was spurred by the subsidized mortgage segment successfully maintaining the growth of 30%. Now, the portion of subsidized mortgage segment has surpassed 40% of the total loan. The consistent growth of 19%-21% lasting for the next several years will be the driver for the acceleration in the interest income.

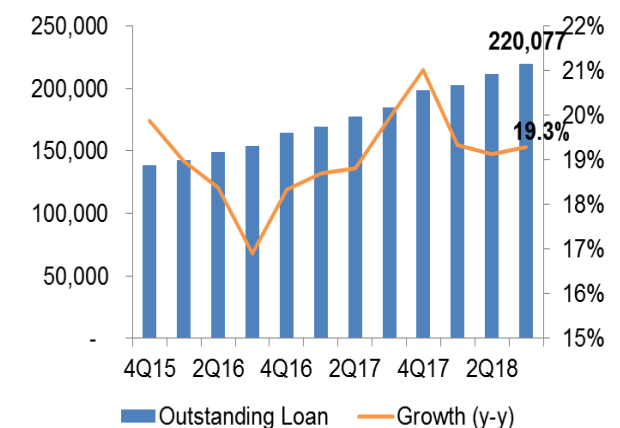
• Risks of Higher Time Deposit

Risks stemmed from the increasing time deposit accommodating the loan acceleration. In 3Q18, the time deposit jumped by 20% y-y to IDR103.7 trillion. In previous 3 quarters, time deposit hovered stably at IDR96-98 trillion. However, the impacts of increasing interest expenses were insignificant. The 3Q18 interest expenses grew by 13%, lower than the interest income growth of 16%.

Share Price Performance



Outstanding Loan (IDR bn) | 4Q15 - 3Q18



Telekomunikasi Indonesia (TLKM – Telco Operator)

Dec 2019 TP	4,700
Consensus Price	4,265
TP to Consensus Price	+10.2%
vs. Last Price	+16.0%
Last Price (IDR)	4,050
Price date as of	Nov 16, 2018
52wk range (Hi/Lo)	4,419 / 3,250
Free Float (%)	47.9
Outstanding sh. (mn)	99,062
Market Cap (IDR bn)	401.202
Market Cap (USD mn)	27,468
Avg. Trd Vol – 3M (mn)	94.56
Avg. Trd Val – 3M (bn)	338.93
Foreign Ownership	5.9%
Revenue Breakdown:	
Data, internet & IT Service	51.9%
Cellular voice & SMS	30.7%
Others	17.4%

IDR bn	FY2017	FY2018E	FY2019E	FY2020E
Revenue	128,256	134,284	148,149	164,194
y-y	10.2%	4.7%	10.3%	10.8%
EBITDA	64,609	61,556	68,092	75,927
Net profit	22,145	19,864	22,720	25,663
EPS (IDR)	220	201	229	259
y-y	14.4%	-10.3%	14.4%	13.0%
NPM	17.3%	14.8%	15.3%	15.6%
ROE	20.3%	17.2%	18.3%	19.2%
P/E	20.2x	19.7x	17.2x	15.2x
P/BV	4.0x	3.3x	3.0x	2.8x

• Fruitful Endeavors

TLKM's endeavors to improve 3Q18 performance resulted in the hike of 8.8% q-q to IDR34.8 trillion in revenues, with the increment of 57% in operational profits, 35.5% in EBITDA, and 86.7% in net profits, respectively. The results inextricably linked to the successful cost control seen in the decline of 18% q-q to IDR3.26 trillion in staff expenses and the decrease of 41% q-q to IDR1.21 trillion in the general and administration expenses.

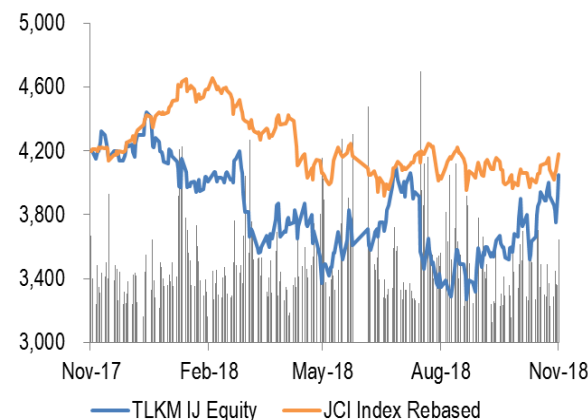
• Performance of Per Business Segment

The external sales performance of per business segment in 9M18 mostly increased 3 out of 5 segment, namely consumer, enterprise, and WIB posted two-digit growth of 23.1%, 18.9%, and 32.6% y-y, respectively. Meanwhile, the mobile and other segments only declined slightly by 6.3% y-y and 7.8% y-y, respectively. The decline in the mobile segment was triggered by the decrease of 11.85% y-y to 167,809 subscribers due to the regulation of SIM card registration. However, the regulation does not entirely bring negative impacts for TLKM because the quality and loyalty of subscribers get better marked by the consistent increment in the number of subscribers for more than 12 months.

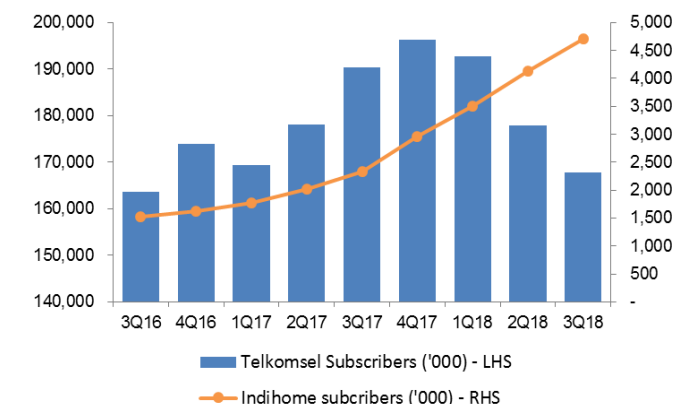
• Capital and Dividend Profile

From the company capital profile, TLKM has lower risks because of its debt ratio of 21%. Only 5% of its overall debt is in foreign currencies denomination. Thus, it bears little risks of foreign exchange. Besides, it stably distributes the dividend as its payout ratio of 2017 reached 75%.

Share Price Performance



Telkomsel and Indihome Subscribers | 3Q16 – 3Q18



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