

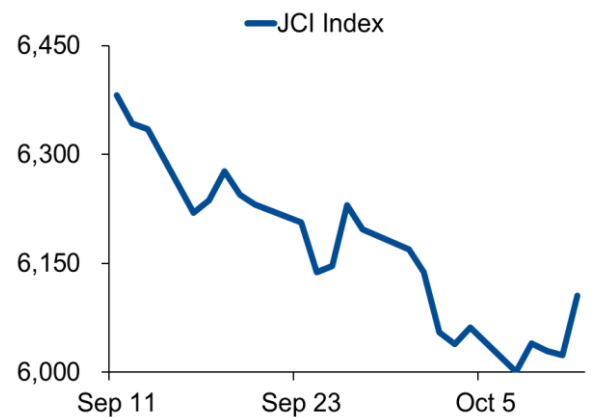
Weekly Brief (October 14th – October 18th)

Summary:

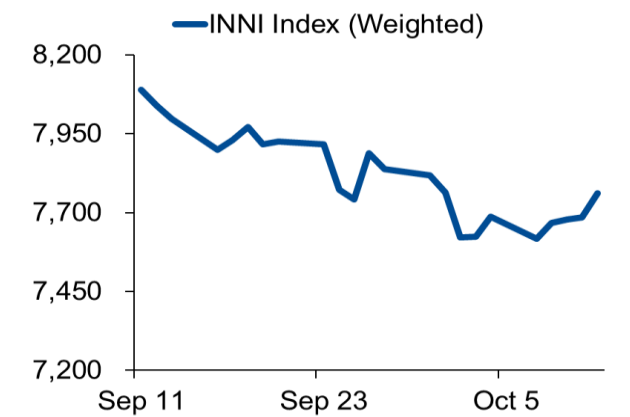
Last week review: JCI was backed or subdued by varied global and domestic sentiments. Sep. sliding CCI indicated consumers' less spending and low performance of Indonesia's reserve assets were hiccups in JCI's moves to the green zone. Its moves to the green zone were hampered by tangle disputes between the US and China as the US added Chinese AI startups into its blacklists and announced visa restrictions on Chinese officers violating the rights of Uyghur Muslims in Xinjiang.

This week's outlook: The Indonesia Food and Beverage Producer Association (GAPMMI) estimates the food & beverage industry's conservative growth of 9%. NHKS reviews ICBP, estimated to attain the price target of IDR11,800 with the PE trailing band of 32.2x. The estimate is in light of Sept. robust average propensity to consume ratio and headwinds of low purchasing power.

JCI - one month



INNI Index – one month



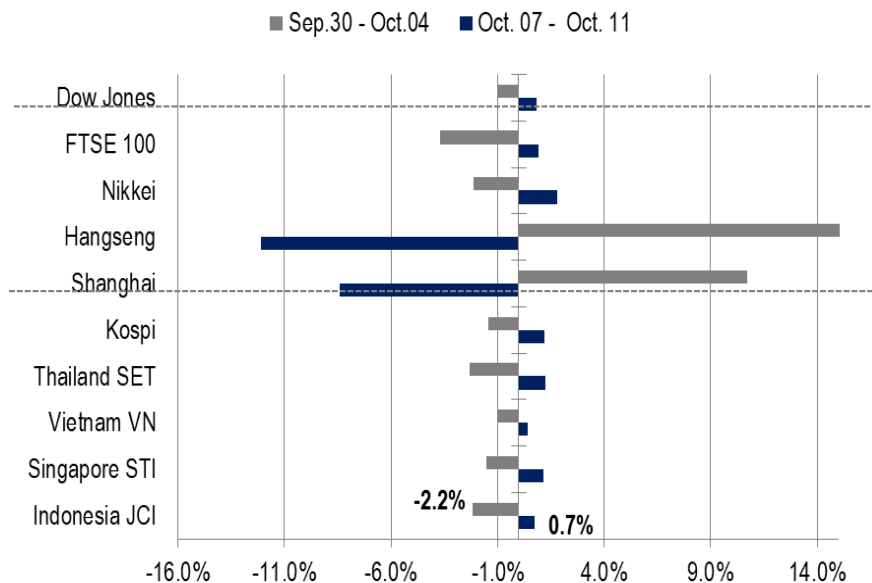
Last Week's JCI Movement

- JCI Index : 6,105.80 (+0.73%)
- Foreign Flow : *Net sell* of IDR1.1 trillion (vs. *net sell* last week of IDR205 billion)
- USD/IDR : 14,138 (+0.00%)
- Yields of sovereign bond with 10-years tenor : 7.248% (+1.50 bps)

JCI Advanced

On early days of last week, JCI was at a tepid closed as Sept. CCI of 121.8, much lower than August's 123.1. Of note, the decline in CCI was attributable to Sept. Current Economic Condition Index (CECI). Adding to the less optimistic reading of both indexes was Sept. official reserve assets narrowed to USD124.3 billion due to the government's foreign debt payment. On mid-day of last week, JCI continued to subdue on the back of the US policies exacerbating its disputes with China. The US to include China's top AI startups to its trade blacklists and to impose restrictions on visas for Chinese officers abusing Muslim minority groups in Xinjiang intensified tensions ahead of Thursday' trade talks in Washington on Thursday, Oct. 10. On the late days of last week, JCI closed higher as Trump's tweets about the first day of trade talks running smoothly.

Global Market Movement



Source: Bloomberg, NHKS Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKS Research

Last Week's INNI Movement

•INNI Index	: 7,760.95 (+1.0%)
INNI Theme 1 (Value)	: 7,545.79 (+0.2%)
INNI Theme 2 (Trend)	: 8,127.30 (+2.2%)

INNI Index Advanced

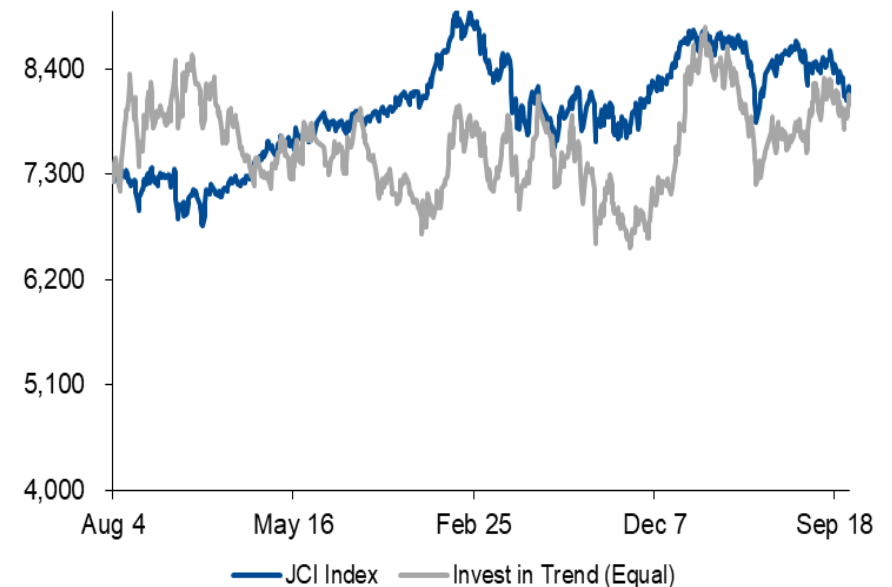
INNI index advanced in the early days of last week on the back of property stocks, PWON and CTRA. Plans of a number of banks, i.e. BCA and Bank Mandiri to lower mortgage loan (KPR) rates were positive sentiments for the property stocks. It continued its advance moves on the mid-days of last week due to sound performance posted by retail stocks (LPPF and RALS). Last week, the rupiah made stable performance; it was a positive catalyst for sound retail performance. On the late days of last week, INNI ended at higher close, backed by construction stocks, i.e. WIKA and WSKT. Construction stocks' strong earnings make their outlook promising.

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

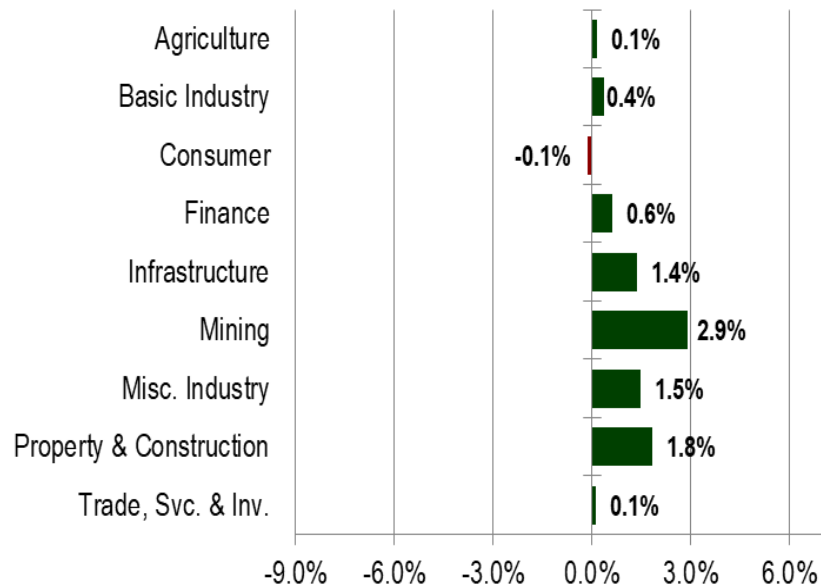
- **JCI's Top Gainers**

Last week, most of JCI's sectors secured gains; the mining sector posted the largest gain of 2.9%. The global crude oil rallied after OPEC declared to curb its production in order to keep crude prices rallying. ICE NewCastle Coal Price of Oct 3rd to 8th, meanwhile, advanced 5.3%. But it was contracted on Friday (10/11) as investors retained profit-taking. The positive momentum of coal price sent ADRO and PTBA to surge by 2.3% and 3.18%, respectively.

- **INNI Index's Top Gainers**

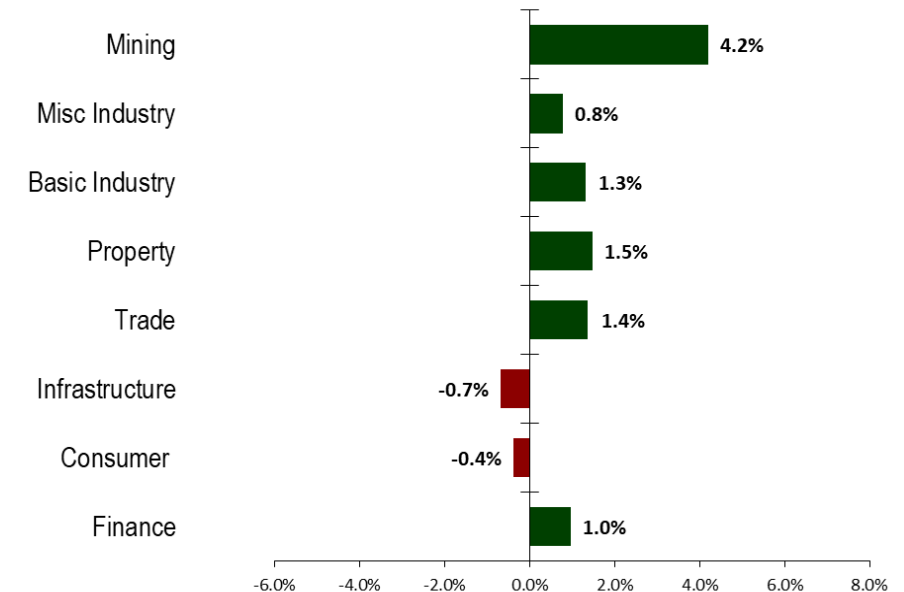
In response to JCI, more than half of INNI's sectors were in strengthening mode. The mining sector was the fist top gainer, whereas the property was the second top gainer with a 1.5% gain. CTRA, on a weekly basis, advanced 7.0% because it attained marketing pre-sales of ~IDR4.1 trillion out of the targeted amount of IDR6 trillion. Adding to CTRA's stellar performance was PWON's solid gains of 5.0%. Property stocks rallied despite the property slowing performance, reflected in the lower mortgage loan (KPR) disbursement.

JCI's Last Week Sectoral Movements



Source: Bloomberg, NHKS Research

INNI's Last Week Sectoral Movements



Source: Bloomberg, NHKS Research

This Week's Outlook: Food and Beverage Sector

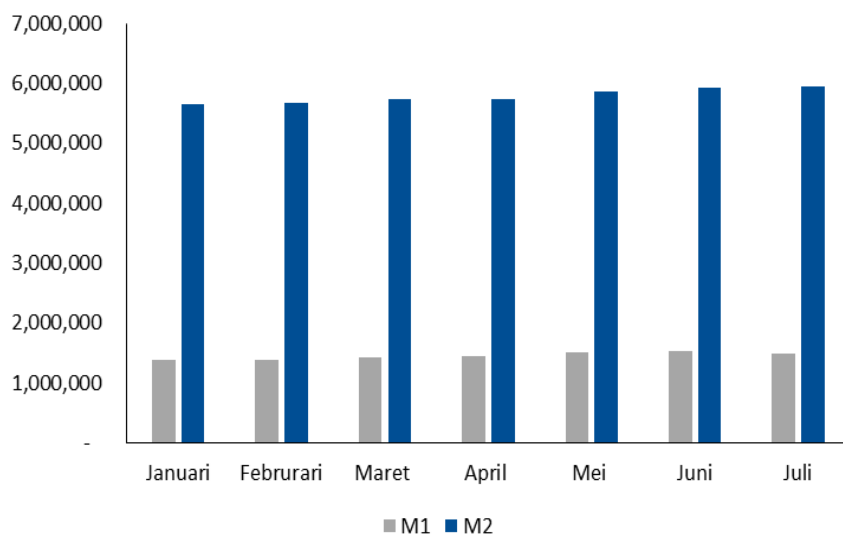
- **Tight Liquidity, Dim Purchasing Power**

On Sept. 09, 2019, Bank Indonesia (BI) recorded broad money (M2)—a measure of liquidity in the economy—amounted to IDR5.93 trillion or a 7.3% y-y growth in August. However, August's M2 declined from July's 7.8% y-y growth and indicated the household consumption moderate growth regardless of its greatest contribution to Indonesia's GDP of 5%. August's tighter liquidity was attributable to smaller credits disbursement of 8.6% y-y than July's 9.7% y-y which curbed consumers' appetite for spending. In fact, the 13th salary and bonus disbursed in 1H19 added to the evidence of 2H19 consumers' spending vulnerable to declines. But, August's subsidized state expenditure of IDR103.46 trillion accounting for only 46.12% from the maximum amount set forth in the state budget (APBN) was not optimal for boosting the public and government's spending. Thus, should August's household consumption be at moderate growth, the underlying reason prevails.

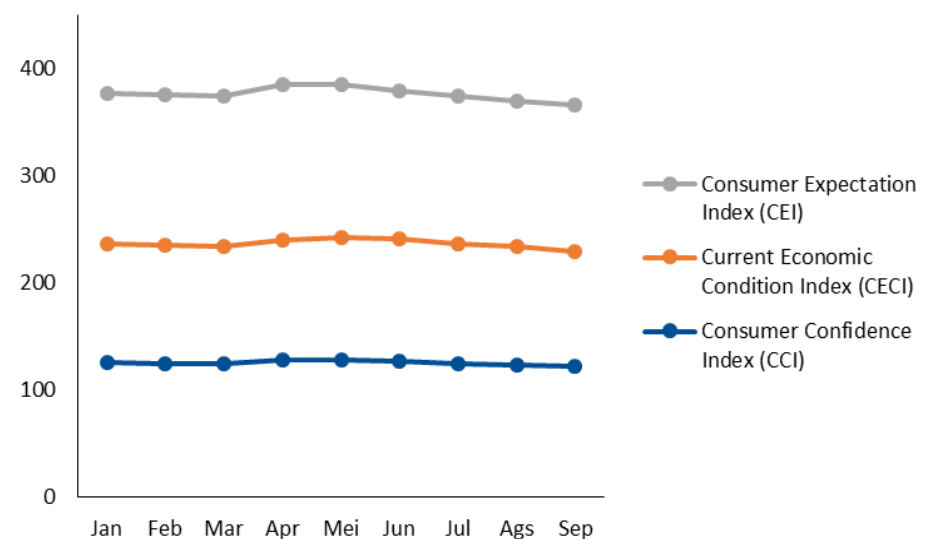
- **Consumers' Dim Optimism, Benign Inflation**

Bank Indonesia (BI) released the Consumer Survey on Sept. 04, 2019 and recorded consumers' dim optimism, evidenced by the Consumer Confidence Index (CCI) in September dropped 0.8% to 121.8 from August's 123.1. The lower CCI corresponded to September's Current Economic Condition Index (CECI) of 107.5 lower than August's 110.3. The Statistics Indonesia (BPS) announced Sept.' Consumer Price Index (CPI) to post a 1.97% decline in foodstuff prices and benign core inflation amid rising administered prices.

Money Supply | Jan – Jul 2019



Residential Property Price Index (%) | Jan - Sep



Source: Ministry of Trade, NHKS Research

Source: Bank Indonesia, NHKS Research

This Week's Outlook: Food and Beverage Sector

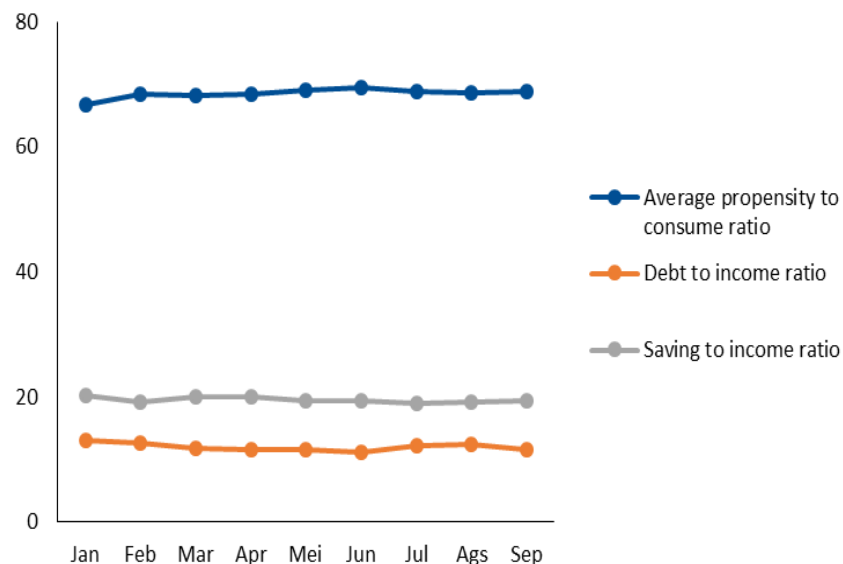
- Consumers' Rising Income**

BI's Consumers Survey disclosed that the average propensity to consume ratio in September nudged up to 68.8% from August's 68.6%. Based on the spending group, respondents with spending well above Rp5 million per month posted the greatest consumption. Meanwhile, respondents with spending falling short in IDR2.1-IDR3 million and well above IDR4 million contributed the greatest to savings-to-income ratio. In December 2019, household consumption is expected to hike due to Christmas and New Year festive mood. The 2020 ABPN of IDR385.3 trillion higher than IDR369.1 trillion in 2019 is the government's concerted commitment to the nation's better wealth: an indicator of higher population income. The 2020 APBN allocations to support nation wealth are in form of a series of programs, e.g. the Family Hope Program (PKH), foodstuff support, and other social security programs. It is expected that the government's social security programs providing protection against loss of earnings strengthen disposable income and whet consumers' appetite for consumption.

- Banking on the Food and Beverage Industry**

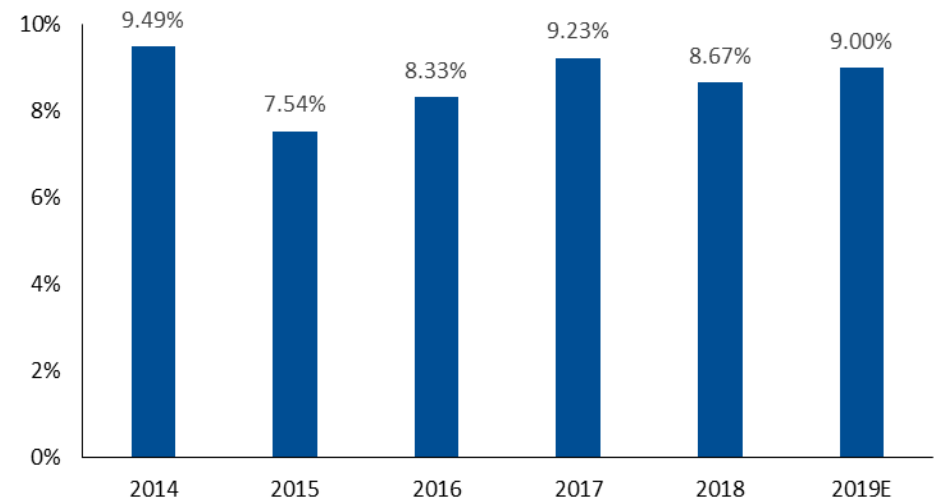
The food & beverage industry is one of 5 fundamental manufacturing sectors, supporting Indonesia's economy. In 1H19, the domestic direct investment (PMDN) amounted to IDR1.43 trillion, whereas foreign direct investment (PMA) amounted to USD68.72 million. The food & beverage industry comprehensively posted solid performance, backed by natural resources and robust domestic demands. Besides, the Indonesian Food and Beverage Producers Association (GAPMMI) targets a 9% growth in 2019. Despite the target, the food and beverage industry has to strive using new strategies to counter authorities' tighter regulations, i.e. the Regulation of Food and Drug Monitoring Agency (BPOM) Number 22 Year of 2019 on Nutrition Ingredients on Processed Food Label.

Expenditure Proportion Development (%) | Jan - Sep



Source: Bank Indonesia, NHKS Research

Food and Beverage Growth | 2014 - 2019



Source: tempo, the ministry of Industry, NHKS Research

Indofood CBP Sukses Makmur Tbk (ICBP IJ – Food and Beverage)

Dec. 2019 Price Target	11,800
Consensus Price	12,589
Last Price (IDR) as of Oct. 11, 2019	11,625
TP vs. Last Price	1,5%

Revenue Breakdown:	
Noodles	64.7%
Dairy	18.2%
Others	17.1%

IDR bn	FY2017	FY2018	FY2019E	FY2020E
Revenue	35,607	38,414	41,650	44,993
y-y	3.3%	7.9%	8.4%	8.0%
Net profit	3,797	4,576	4,709	5,143
y-y	5.4%	20.5%	2.9%	9.2%
NPM	10.7%	11.9%	11.3%	12.0%
EPS	326	391	404	441
P/E	27.3x	23.7x	23.6x	21.6x

- **NHKS** reviews ICBP estimated to reach the price target of IDR11,800, with PE trailing band of 32.2x on grounds of 1H19 solid performance and conservative growth of the food & beverage industry.

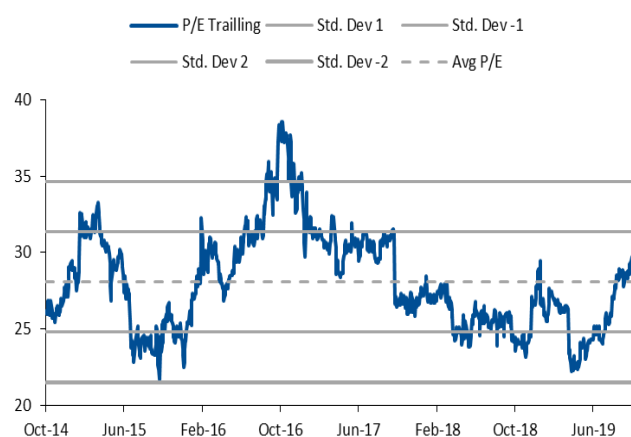
- **1H19 Solid Performance**

ICBP posted a double-digit growth of 13.72% y-y to IDR22.13 trillion from IDR19.46 trillion in 1H18. Besides, profits also surged by 17.85% y-y to IDR2.72 trillion from IDR2.31 trillion in 1H18. ICBP's credible brand equity is fundamental to 1H19 solid growth. Besides, ICBP always carries out innovation; the food seasoning segment launched Bumbu Racik Nasi Goreng Seri Sambal with 5 variant flavors to sustain sales performance. Based on 1H19 financial statements, the instant noodle segment posted a 14.83% y-y gain to IDR14.5 trillion in sales and was the largest contributor to ICBP's revenues. The robust ASP and sales volume were boosts for the instant noodle's sound sales performance.

- **Termination of EBA**

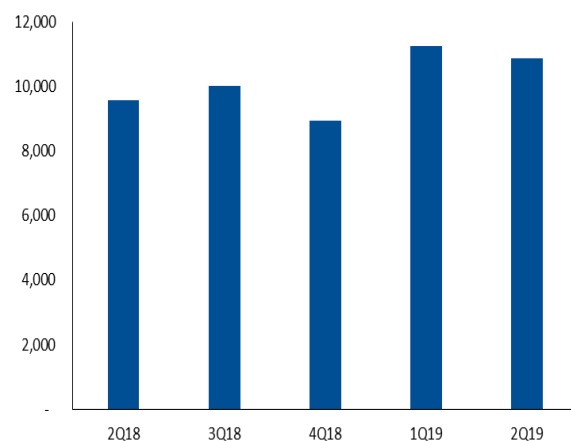
PT Anugrah Indofood Barokah Makmur (AIMB) and PepsiCo, Inc. ("Pepsi Co") agreed to terminate the Exclusive Bottling Agreement (EBA). The termination takes into effect on Oct. 10, 2019. The contract starting in 2014 addressed AIMB to have an exclusive license to produce, bottle, distribute, and sell "Pepsi Co" carbonated soft drink brands. The termination is likely to have no significant impacts on both AIMB and ICBP's sales performance in light of AIMB's other varied beverage products and ICBP's reliance on other segments for its main revenue source.

Last 5 Year P/E Trailing Band



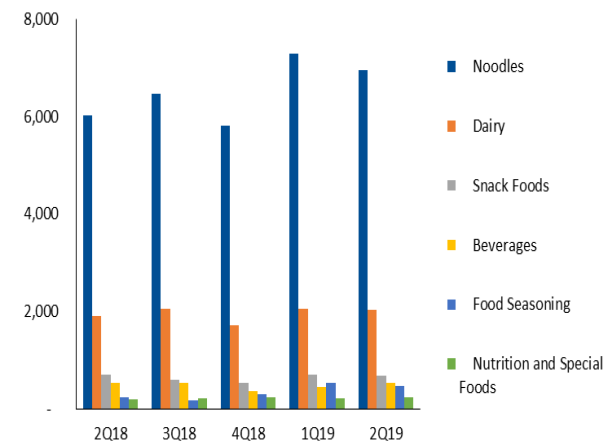
Source : Bloomberg, NHKS Research

Revenue | 2Q18 – 2Q19



Source : Company Data, NHKS Research

Revenue Breakdown | 2Q18 – 2Q19



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	30,625	30,225	32,000	Hold	4.5	1.3%	755.1	27.7x	4.7x	18.4	1.1	16.8	12.7
BBRI	Theme 1	3,920	3,950	4,950	Buy	26.3	-0.8%	483.5	14.2x	2.5x	19.0	3.4	12.5	8.5
BMRI	Theme 1	6,550	6,400	8,275	Buy	26.3	2.3%	305.7	11.6x	1.6x	15.0	3.7	9.1	11.1
Consumer														
GGRM	Theme 1	52,950	49,500	75,075	Buy	41.8	7.0%	101.9	12.0x	2.3x	20.0	4.9	16.4	20.5
UNVR	Theme 1	44,175	45,425	59,000	Buy	33.6	-2.8%	337.1	36.3x	66.4x	183.9	2.7	1.3	5.2
ICBP	Theme 1	11,625	12,225	11,800	Hold	1.5	-4.9%	135.6	27.9x	5.9x	22.9	1.7	13.7	12.8
INDF	Theme 1	7,650	7,850	8,700	Hold	13.7	-2.5%	67.2	14.1x	1.9x	14.4	3.1	7.2	30.0
KAEF	Theme 2	2,850	2,840	4,100	Buy	43.9	0.4%	15.8	46.3x	7.0x	16.6	0.5	#N/A	N/A
KLBF	Theme 2	1,660	1,650	1,870	Hold	12.7	0.6%	77.8	31.1x	5.3x	17.9	1.6	7.7	3.5
Infrastructure														
TLKM	Theme 1	4,170	4,190	4,700	Hold	12.7	-0.5%	413.1	20.2x	4.4x	22.8	3.9	7.7	27.4
JSMR	Theme 1	5,500	5,550	6,000	Hold	9.1	-0.9%	39.9	18.0x	2.3x	13.3	0.8	(25.9)	1.4
Trade														
UNTR	Theme 1	20,325	20,200	39,550	Buy	94.6	0.6%	75.8	6.8x	1.4x	21.6	6.1	11.2	1.8
SILO	Theme 2	7,600	7,400	7,230	Hold	(4.9)	2.7%	12.4	267.8x	2.0x	0.7	N/A	18.5	N/A
MIKA	Theme 2	2,780	2,930	2,300	Sell	(17.3)	-5.1%	40.5	61.1x	9.4x	16.3	0.6	#N/A	N/A
LPPF	Theme 2	3,980	3,800	5,500	Buy	38.2	4.7%	11.2	12.4x	6.2x	45.2	8.4	0.6	(11.5)
RALS	Theme 2	1,265	1,225	1,515	Buy	19.8	3.3%	9.0	12.3x	2.1x	17.7	4.0	(0.2)	21.1
MAPI	Theme 2	1,010	990	1,200	Buy	18.8	2.0%	16.8	22.6x	2.9x	14.5	1.0	10.2	25.0
Property														
PWON	Theme 1	630	600	725	Buy	15.1	5.0%	30.3	10.9x	2.2x	22.4	1.1	3.8	20.9
CTRA	Theme 1	1,140	1,065	1,080	Hold	(5.3)	7.0%	21.2	16.2x	1.5x	9.4	0.9	12.1	74.3
PTPP	Theme 1	1,600	1,670	2,450	Buy	53.1	-4.2%	9.9	7.2x	0.8x	11.3	3.0	12.8	(23.4)
WSKT	Theme 1	1,530	1,545	2,500	Buy	63.4	-1.0%	20.8	10.5x	1.2x	11.3	4.8	(35.4)	(66.8)
WIKA	Theme 1	1,865	1,855	2,100	Hold	12.6	0.5%	16.7	7.9x	1.1x	14.9	2.1	#N/A	N/A
Basic Ind.														
JPFA	Theme 2	1,525	1,505	1,940	Buy	27.2	1.3%	17.9	9.4x	1.8x	20.2	6.6	9.2	(26.8)
SMGR	Theme 2	11,825	11,525	14,600	Buy	23.5	2.6%	70.1	27.1x	2.3x	8.7	1.8	#N/A	N/A
INTP	Theme 2	18,225	19,200	22,300	Buy	22.4	-5.1%	67.1	46.9x	3.1x	6.5	3.0	7.7	80.2
Misc Ind.														
ASII	Theme 2	6,475	6,425	8,600	Buy	32.8	0.8%	262.1	12.4x	1.9x	15.8	3.3	3.2	(5.8)
Mining														
ADRO	Theme 1	1,295	1,265	1,750	Buy	35.1	2.4%	41.4	5.6x	0.8x	14.2	7.0	10.2	51.9
PTBA	Theme 1	2,270	2,200	5,100	Buy	124.7	3.2%	26.2	5.5x	1.6x	29.7	15.0	1.2	(25.8)
INCO	Theme 2	3,830	3,630	3,370	Hold	(12.0)	5.5%	38.1	512.9x	1.4x	0.3	N/A	(22.0)	N/A
ANTM	Theme 2	1,015	960	1,200	Buy	18.2	5.7%	24.4	27.2x	1.2x	4.6	1.3	22.1	6.2

Source : Bloomberg, NHKS Research

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