

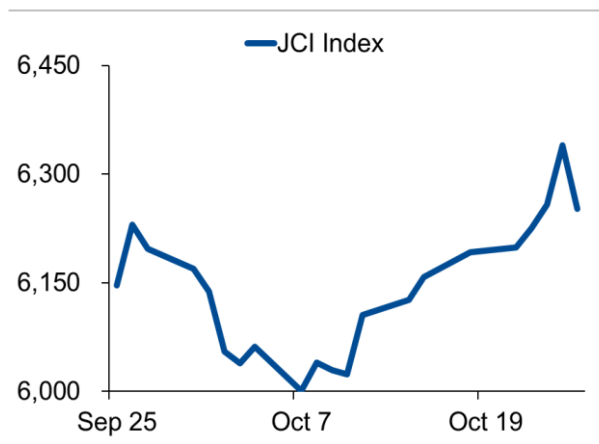
Weekly Brief (October 28th – November 01st)

Summary:

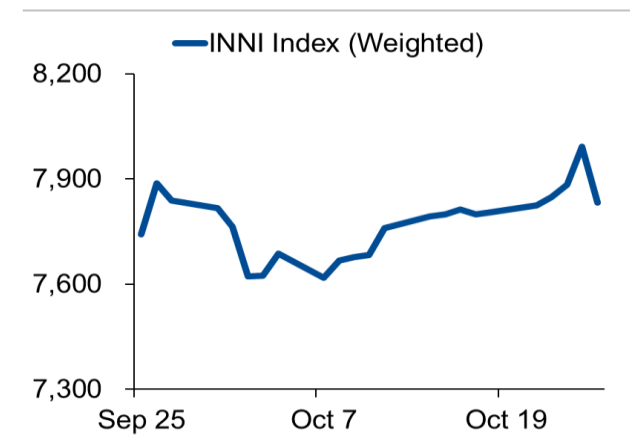
Last week review: Domestic sentiments, i.e. the minister lineup of 2019-2024 Indonesia Maju Cabinet and lower BI 7-DRRR were major catalysts for JCI's last-week moves. In global backdrop, the signing of first phase deals between the US and China in November was external positive driving JCI to the green zone for a week.

This week's outlook: E-wallet domination over cashless transactions is seen as an opportunity by a number of banks having e-money products. Bank Rakyat Indonesia (Persero) Tbk (BBRI), with Brizzi e-money develops MyQR and Tbank whose applications can be downloaded via BRI mobile. Banks develop e-wallet to anticipate NIM trend after BI cut BI 7-DRRR to 100 bps from July to October 2019. NHKS recommends BBRI as this week's top-pick stock capable of reaching the price target of IDR4,950, with the PBV target of 2.3x.

JCI - one month



INNI Index – one month



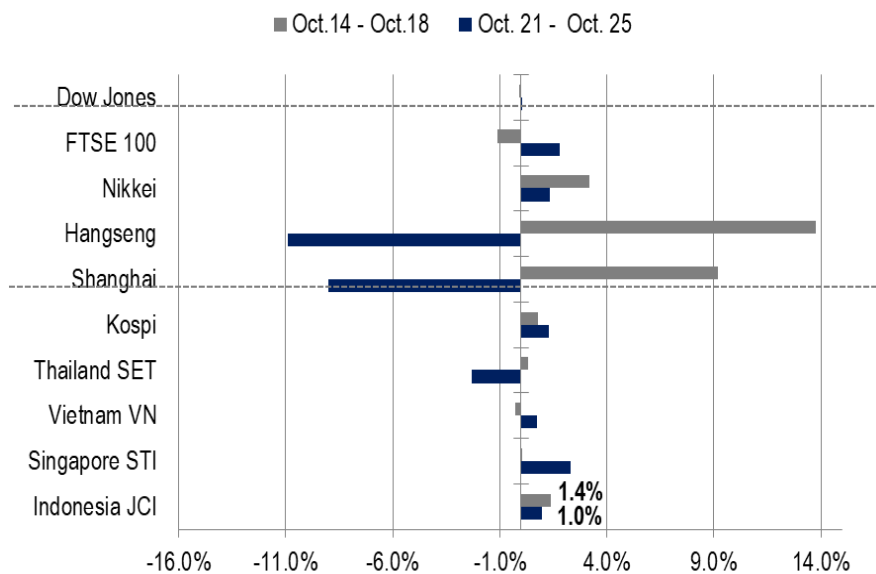
Last Week's JCI Movement

- JCI Index : 6,252.35 (+0.98%)
- Foreign Flow : *Net buy* of IDR326 billion (vs. *net sell* last week of IDR1.3 trillion)
- USD/IDR : 14,038 (-0.78%)
- Yields of sovereign bond with 10-years tenor : 7.083% (-5.80 bps)

JCI Rallied

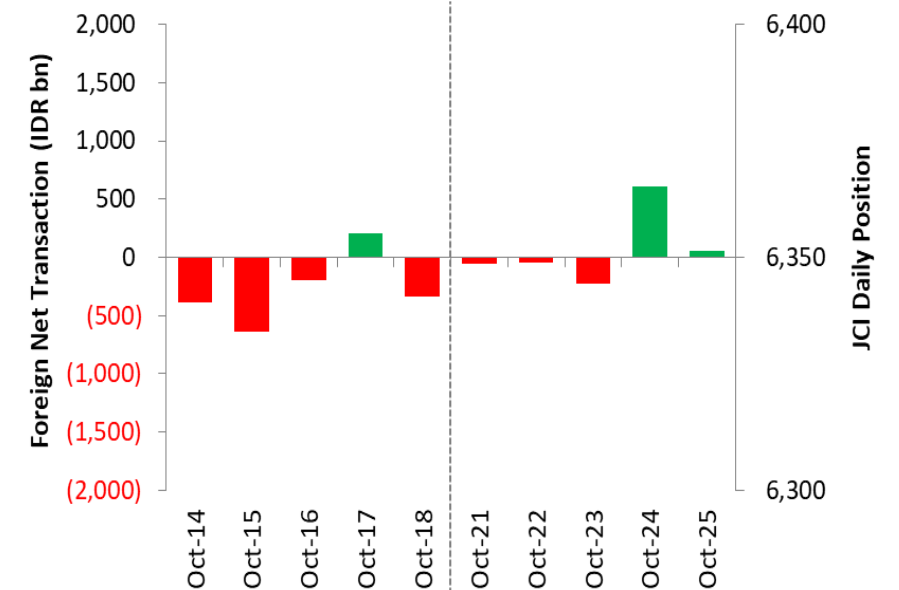
On early days of last week, investors retained wait-and-see stance to anticipate the ministers lineup of 2019-2024 Indonesia Maju Cabinet announced on Wednesday (10/23). Meanwhile, markets optimism about the signing of first phase deals between the US and China in November was a boost for JCI's moves to the green zone so that JCI rallies as did most of Asia markets. On mid-days of last week, JCI continued to rally after President Jokowi announced and inaugurated ministers of Indonesia Maju Cabinet. Investors positively responded to Indonesia Maju Cabinet as SOEs stocks in banking and construction sectors rallied on Thursday (10/24). Besides, BI decided to cut BI 7-DRRR by 25 bps to 5% after Board of Governors meeting. On Friday (10/25), JCI closed lower to end its 10-day winning streak.

Global Market Movement



Source: Bloomberg, NHKS Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKS Research

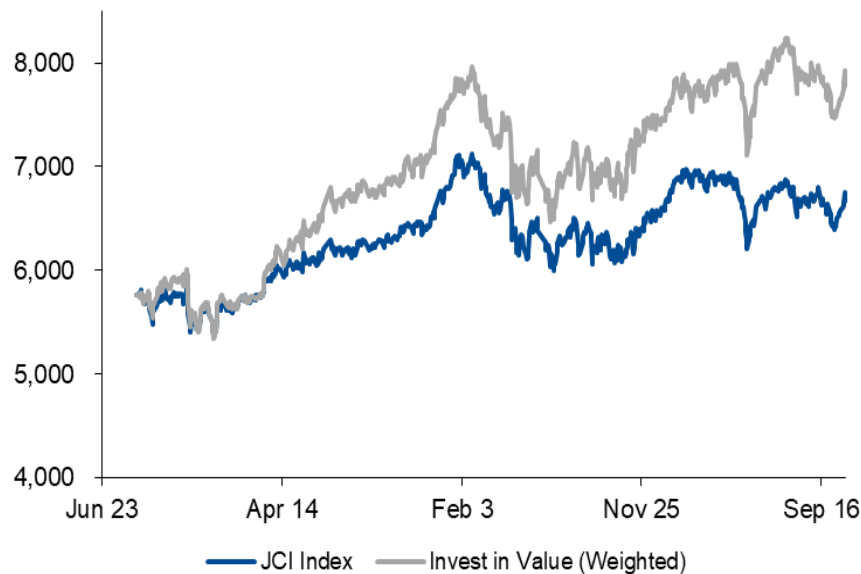
Last Week's INNI Movement

| | |
|----------------------|--------------------|
| •INNI Index | : 7,833.52 (+0.4%) |
| INNI Theme 1 (Value) | : 7,780.52 (+1.4%) |
| INNI Theme 2 (Trend) | : 7,923.78 (-1.3%) |

INNI Index Nudged Up

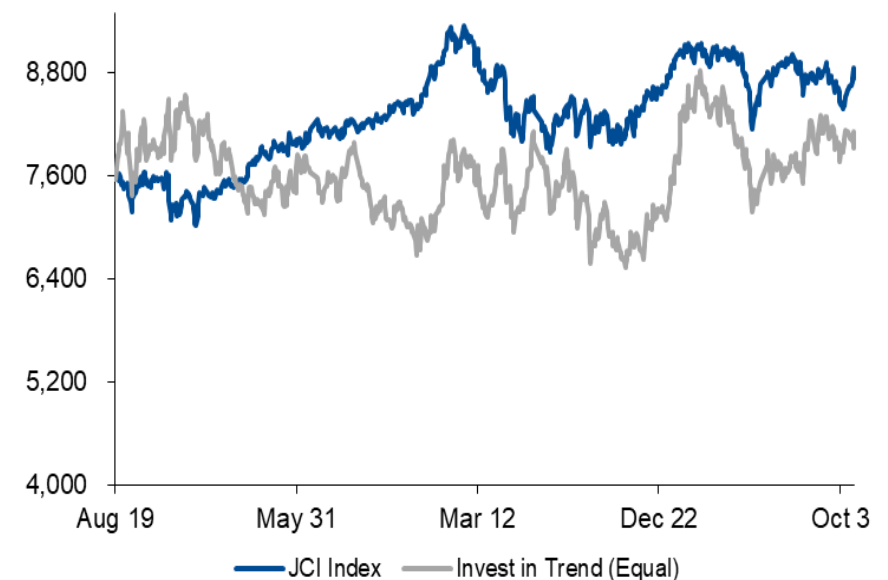
On few early days of last week, INNI index nudged as did JCI. CTRA, top 5 gainers, succeeded to make a 2.2% gain as its 3Q19 marketing sales reached IDR4.2 trillion. Another to CTRA, JPFA on Wednesday (10/24) rallied 5.4% and became INNI's top gainer due to declining DOC supply and foreign inflows. Additionally, INCO also picked up 6.6% after its 3Q19 earnings posting net profits of USD160,000 compared with 1H19 net loss. But, its 3Q19 earnings, compared with 3Q19 earnings showed a significant loss. On Friday (10/25), INNI was subdued by declines in retail stocks, i.e. MAPI (-5.7%) and LPPF (-4.8%). Another to retail stocks, hospital stocks also dropped, i.e. MIKA (-4.4%) and SILO (-3.7%).

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

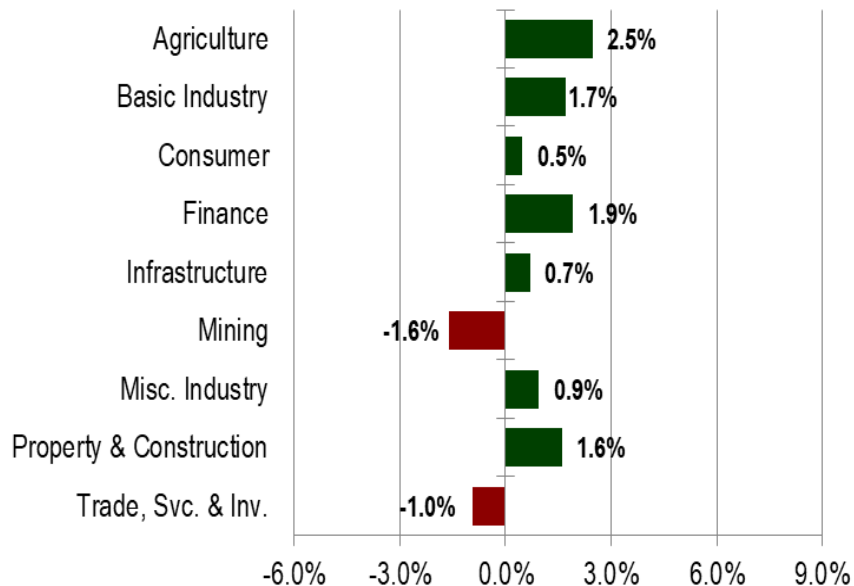
• JCI's Top Gainers

Last week, all sectors virtually rallied as the agricultural sector posted the largest gains of 2.5%. Prices of CPO rose, reflected in prices of CPO futures contract for January 2020 on Bursa Malaysia Derivatives posted the highest record. The rally was attributable to Malaysian ringgit depreciated against USD and the rising of soybean oil as the substitute for CPO. The rally in CPO prices drove CPO stocks up, i.e. SIMP (+7.2%), SGRO (+4.5%), TBLA (+0.5%), and BWPT (+7.6%).

• INNI Index's Top Gainers

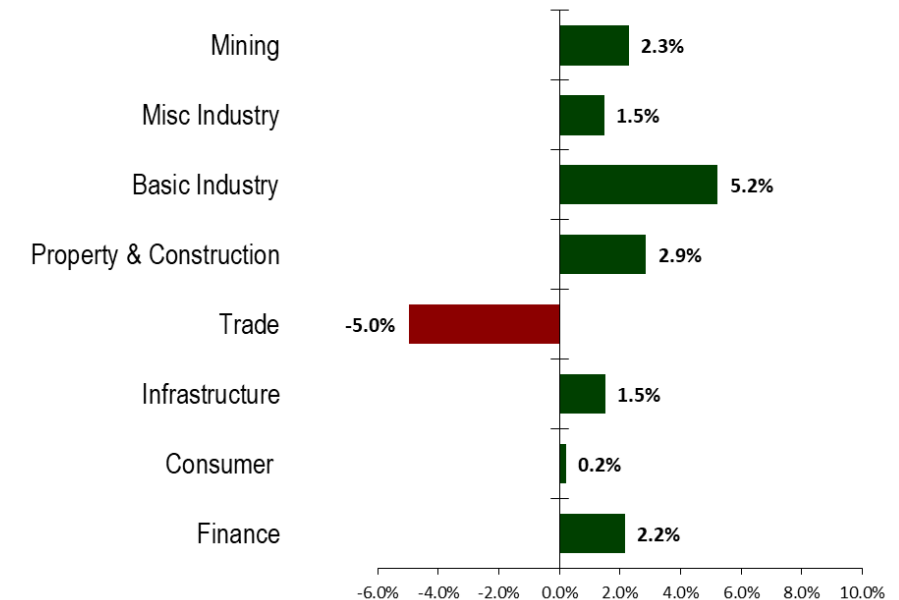
Most of INNI's portfolios rallied as did JCI's sectors. The basic industry sector posted the largest gains of 5.2% as the poultry feed stocks advanced, i.e. JPFA (+5.2%) on the back of declining DOC supply and foreign inflows. Another to focusing on the poultry feed business, JPFA through its subsidiary, PT Santosa Agrindo (Santori) also develops FI Nelore American-Brazilian beef cattle in order to supply domestic demands for beef.

JCI's Last Week Sectoral Movements



Source: Bloomberg, NHKS Research

INNI's Last Week Sectoral Movements



Source: Bloomberg, NHKS Research

This Week's Outlook: Banking Sector

- **E-Wallet vs. E-Money**

Server-based electronic money or E-Wallet currently dominates cashless transactions, initially dominated by chip-based electronic money or E-Money. OVO, GoPay, and DANA are E-Wallets, endorsed by no banks, but their popularity outperforms Mandiri e-Money; Brizzi issued by BRI; and Flazz by BCA. Prevalent smartphones & internet use and easy top-up via mobile banking attributable to mushrooming E-Wallet. The shifting preference has banks, issuing E-Money, to counter E-Wallet domination with easy E-Money top up or creating E-Wallet application. E-Wallet or E-Money based on each of its function has different consumers.

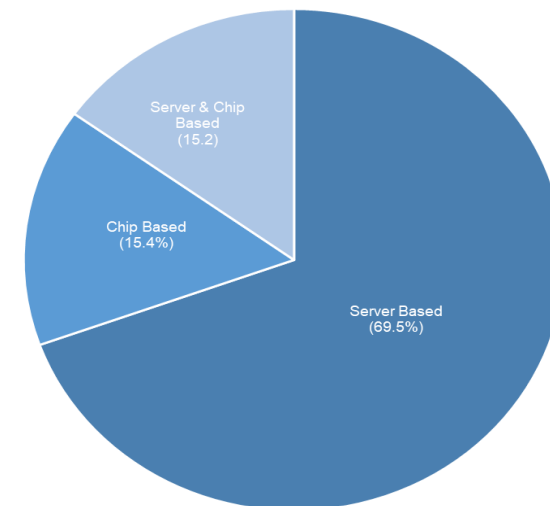
- **Server Based Completes Chip Based**

E-Wallet dominates cashless transactions for purchasing food & beverages, while E-Money dominates recurring transactions, i.e. toll-road payments, public transportation, and parking. To counter E-Wallet domination, E-Money should ensure transportation infrastructure to run well; merchants expansion in term of business lines and areas. Banks issuing E-Money should expand top-up branches; Automated Teller Machine (ATM); Electronic Data Capture (EDC); and their online banks. E-Money top-up are available at convenience stores, Pos Indonesia, and E-Commerce, i.e. Tokopedia, Shoppe, Bukalapak, Blibli, iSaku, and LinkAja. E-Wallet or E-Money has different segmentation; and they are applicable for different transactions.

Electronic Payment Rating

| Rating | Name | Market Share | User | 2018 Transaction |
|--------|--------------|--------------|-------------------------|-------------------|
| 1 | OVO | 37% | 115 million (June 2019) | n.a. |
| 2 | GoPay | 18% | n.a. | Rp 28 Trillion |
| 3 | Bank Mandiri | 13% | n.a. | Rp 13.35 Trillion |
| 4 | DANA | 10% | 10 million (Mar 2019) | 1 Million per day |
| 5 | Shoope Pay | 6% | n.a. | n.a. |
| 6 | Bank BRI | 5% | n.a. | n.a. |
| 7 | Bank BCA | 5% | n.a. | Rp 4.04 Trillion |
| 8 | Link Aja | 3% | 26 million (Jul 2019) | n.a. |
| 9 | iSaku | 2% | n.a. | n.a. |
| 10 | Others | 1% | n.a. | n.a. |

Electronic Payment Market Share



This Week's Outlook: Banking Sector

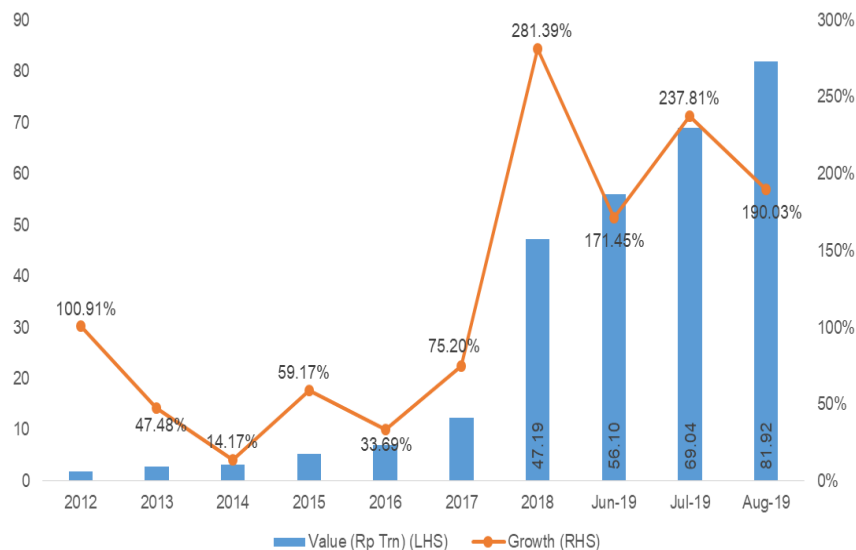
- Banks to Issue E-Wallet**

E-Wallet is projected to picture the archetype of cashless society as its ubiquitous use is endorsed by telecommunication providers, start-ups, and smartphone users. Users simply needs to mention their mobile-phone number to subscribe E-Wallet account. The age category of E-Wallet users help to popularize the use of certain transportation, food and beverages, entertainment, travel and accommodation and trigger intense business competition. Meanwhile, E-Money growth is likely to be stagnant or slowing so that banks issuing E-Money have to develop E-Wallet application. Adapt to the shifting trend, BRI, with Brizzi E-Money, introduces MyQR targeting millennial.

- Optimizing Fee-Based Income**

A number of banks continuously boost their fee-based incomes to counter declining net interest margins (NIMs) after Bank Indonesia (BI) cut BI 7-DRRR to 100 bps from July to October 2019. Lower BI 7-DRRR aims to stimulated economic growth through banking loans distribution as BI's stimulus package through its monetary policies and accommodating macro-prudential policies are boosts for loans growth. Of note, banking loans only grew 8.59% YoY in August 2019 lower than that of July's 9.59% along with low demands for corporate loans. BBRI focusing on micro loans targets fee-based income growth to fall short in the range of 12%-14% in 2019, compared with IDR11.9 trillion in 2018. Additionally, it strives to boost the growth of fee-based income, sourced from transaction banking (trade finance), Brilink agents, mobile banking, and internet banking.

Electronic Money Transaction (by Value)



Source: Kontan, NHKS Research

BBRI Brizzi Promotion



Source: Company

Bank Rakyat Indonesia (Persero) Tbk (BBRI IJ – Bank)

| | |
|-------------------------------------|--------------|
| Dec 2019 Price Target | 4,950 |
| Consensus Price | 4,722 |
| Last Price (IDR) as of Oct 25, 2019 | 4,230 |
| PT vs. Last Price | 17.0% |

| | |
|-------------------|-------|
| Liquidity: | |
| LDR | 94.1% |
| CASA | 57.9% |

| IDR Bn | FY2017A | FY2018A | FY2019E | FY2020E |
|------------|---------|---------|---------|---------|
| Revenue | 87,647 | 95,840 | 109,499 | 122,693 |
| | y-y | 12.4% | 9.3% | 14.2% |
| Op. Profit | 36,829 | 41,739 | 45,762 | 52,186 |
| Net Income | 28,997 | 32,351 | 35,399 | 40,714 |
| NIM | 7.9% | 7.4% | 7.5% | 7.6% |
| P/E | 14.05x | 13.05x | 14.65x | 12.73x |
| P/BV | 2.75x | 2.57x | 2.31x | 2.09x |

- **NHKS** recommends BBRI as the top-pick stock, estimated to reach the price target of IDR4,950, with the PBV target of 2.31x. On the other side, fee-based income, efficiency, and high CASA ratio are potent drivers for rising NIM. BBRI known for its sold micro loans will be driven by People's Business Credit (KUR) growth and loans for micro businesses (Kupedes).

- **NIM Hits 6.81% QoQ**

BBRI's NIM hikes 2 bps QoQ, backed by funding cost declining by 1 bps QoQ; thus, NHKS projects the adjustment of credit interest rates is limited along with declines in interest rates of third party funds, i.e. time deposits, with tenors well above 12 months, re-occurring in 4Q19. BBRI benefits from additional cuts of BI 7-DRRR by 25 bps on October 2019 with the total cut of 100 bps from July to October 2019 so that NHKS expects BBRI's margins to increase from 4Q19 to 2020.

- **Fee-Based Income Reaches 13.9% QoQ**

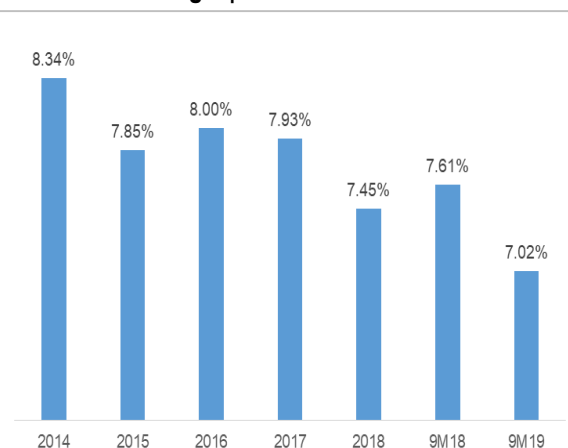
Administrative costs from deposits, and e-channel give the largest contribution of 31% respectively to fee-based income. Followed by trade finance and int'l business and loans administrative costs, and others. At the end of September 2019, BBRI's fee-based income grew 13.7% YoY equal to IDR9.74 trillion compared with IDR8.57 trillion in the prior year. NHKS estimates the launch of MyQR will boost fee-based income from transactions payments. Of note, BBRI targets QRIS transactions to increase by 15%-20% with fee-based income to reach IDR40 billion per year.

Last 5-Year P/BV Trailing Band



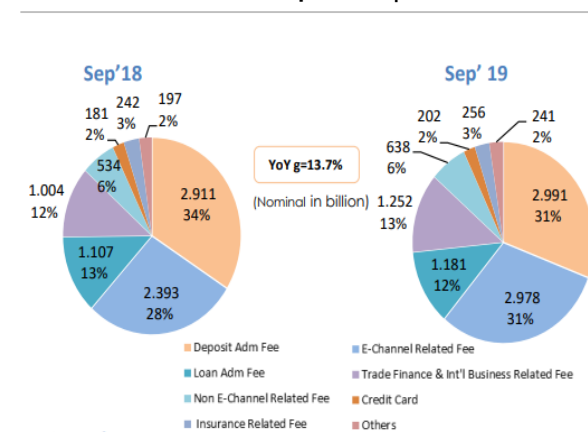
Source : Bloomberg, NHKS Research

Net Interest Margin | 9M18 – 9M19



Source : Company Data, NHKS Research

Fee Based Income Composition | 9M18 – 9M19



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 | 31,000 | 30,800 | 32,000 | Hold | 3.2 | 0.6% | 764.3 | 28.0x | 4.8x | 18.4 | 1.1 | 16.8 | 12.7 |
| BBRI | Theme 1 | 4,230 | 4,170 | 4,950 | Buy | 17.0 | 1.4% | 521.8 | 15.4x | 2.6x | 18.2 | 3.1 | 10.8 | 5.6 |
| BMRI | Theme 1 | 7,000 | 6,775 | 8,275 | Buy | 18.2 | 3.3% | 326.7 | 12.4x | 1.8x | 15.0 | 3.4 | 9.1 | 11.1 |
| Consumer | | | | | | | | | | | | | | |
| GGRM | Theme 1 | 54,650 | 52,050 | 75,075 | Buy | 37.4 | 5.0% | 105.2 | 12.3x | 2.4x | 20.0 | 4.8 | 16.4 | 20.5 |
| UNVR | Theme 1 | 43,150 | 43,125 | 59,000 | Buy | 36.7 | 0.1% | 329.2 | 45.0x | 47.8x | 92.3 | 2.7 | 2.6 | (24.4) |
| ICBP | Theme 1 | 11,425 | 11,275 | 11,800 | Hold | 3.3 | 1.3% | 133.2 | 27.4x | 5.8x | 22.9 | 1.7 | 13.7 | 12.8 |
| INDF | Theme 1 | 7,550 | 7,550 | 8,700 | Buy | 15.2 | 0.0% | 66.3 | 13.9x | 1.9x | 14.4 | 3.1 | 7.2 | 30.0 |
| KAEF | Theme 2 | 2,800 | 2,810 | 4,100 | Buy | 46.4 | -0.4% | 15.6 | 45.5x | 6.9x | 16.6 | 0.5 | #N/A | N/A |
| KLBF | Theme 2 | 1,570 | 1,625 | 1,870 | Buy | 19.1 | -3.4% | 73.6 | 29.4x | 5.0x | 17.9 | 1.7 | 7.7 | 3.5 |
| Infrastructure | | | | | | | | | | | | | | |
| TLKM | Theme 1 | 4,280 | 4,190 | 4,700 | Hold | 9.8 | 2.1% | 424.0 | 20.8x | 4.5x | 22.8 | 3.8 | 7.7 | 27.4 |
| JSMR | Theme 1 | 5,800 | 5,575 | 6,000 | Hold | 3.4 | 4.0% | 42.1 | 19.0x | 2.4x | 13.3 | 0.8 | (25.9) | 1.4 |
| Trade | | | | | | | | | | | | | | |
| UNTR | Theme 1 | 21,200 | 20,850 | 39,550 | Buy | 86.6 | 1.7% | 79.1 | 7.0x | 1.4x | 21.6 | 5.8 | 11.2 | 1.8 |
| SILO | Theme 2 | 7,100 | 7,450 | 7,230 | Hold | 1.8 | -4.7% | 11.5 | 250.2x | 1.8x | 0.7 | N/A | 18.5 | N/A |
| MIKA | Theme 2 | 2,580 | 2,850 | 2,300 | Hold | (10.9) | -9.5% | 37.5 | 56.7x | 8.7x | 16.3 | 0.7 | #N/A | N/A |
| LPPF | Theme 2 | 3,750 | 4,180 | 5,500 | Buy | 46.7 | -10.3% | 10.5 | 11.7x | 5.8x | 45.2 | 8.9 | 0.6 | (11.5) |
| RALS | Theme 2 | 1,210 | 1,260 | 1,515 | Buy | 25.2 | -4.0% | 8.6 | 11.8x | 2.0x | 17.7 | 4.1 | (0.2) | 21.1 |
| MAPI | Theme 2 | 1,070 | 1,110 | 1,200 | Hold | 12.1 | -3.6% | 17.8 | 24.0x | 3.1x | 14.5 | 0.9 | 10.2 | 25.0 |
| Property | | | | | | | | | | | | | | |
| PWON | Theme 1 | 610 | 610 | 725 | Buy | 18.9 | 0.0% | 29.4 | 10.6x | 2.2x | 22.4 | 1.1 | 3.8 | 20.9 |
| CTRA | Theme 1 | 1,175 | 1,125 | 1,080 | Hold | (8.1) | 4.4% | 21.8 | 16.7x | 1.5x | 9.4 | 0.9 | 12.1 | 74.3 |
| PTPP | Theme 1 | 1,815 | 1,750 | 2,450 | Buy | 35.0 | 3.7% | 11.3 | 8.1x | 0.9x | 11.3 | 2.7 | 12.8 | (23.4) |
| WSKT | Theme 1 | 1,655 | 1,625 | 2,500 | Buy | 51.1 | 1.8% | 22.5 | 11.4x | 1.2x | 11.3 | 4.4 | (35.4) | (66.8) |
| WIKA | Theme 1 | 2,120 | 2,000 | 2,100 | Hold | (0.9) | 6.0% | 19.0 | 9.0x | 1.2x | 14.9 | 1.8 | #N/A | N/A |
| Basic Ind. | | | | | | | | | | | | | | |
| JPFA | Theme 2 | 1,805 | 1,720 | 1,940 | Hold | 7.5 | 4.9% | 21.2 | 11.2x | 2.2x | 20.2 | 5.5 | 9.2 | (26.8) |
| SMGR | Theme 2 | 12,525 | 12,500 | 14,600 | Buy | 16.6 | 0.2% | 74.3 | 28.7x | 2.5x | 8.7 | 1.7 | #N/A | N/A |
| INTP | Theme 2 | 20,150 | 20,125 | 22,300 | Hold | 10.7 | 0.1% | 74.2 | 51.8x | 3.4x | 6.5 | 2.7 | 7.7 | 80.2 |
| Misc Ind. | | | | | | | | | | | | | | |
| ASII | Theme 2 | 6,800 | 6,700 | 8,600 | Buy | 26.5 | 1.5% | 275.3 | 13.0x | 2.0x | 15.8 | 3.1 | 3.2 | (5.8) |
| Mining | | | | | | | | | | | | | | |
| ADRO | Theme 1 | 1,350 | 1,310 | 1,750 | Buy | 29.6 | 3.1% | 43.2 | 5.9x | 0.8x | 14.2 | 6.7 | 10.2 | 51.9 |
| PTBA | Theme 1 | 2,350 | 2,350 | 5,100 | Buy | 117.0 | 0.0% | 27.1 | 5.7x | 1.6x | 29.7 | 14.5 | 1.2 | (25.8) |
| INCO | Theme 2 | 3,590 | 3,480 | 3,370 | Hold | (6.1) | 3.2% | 35.7 | 441.1x | 1.3x | 0.3 | N/A | (12.6) | N/A |
| ANTM | Theme 2 | 955 | 935 | 1,200 | Buy | 25.7 | 2.1% | 22.9 | 25.6x | 1.2x | 4.6 | 1.3 | 22.1 | 6.2 |

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 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