

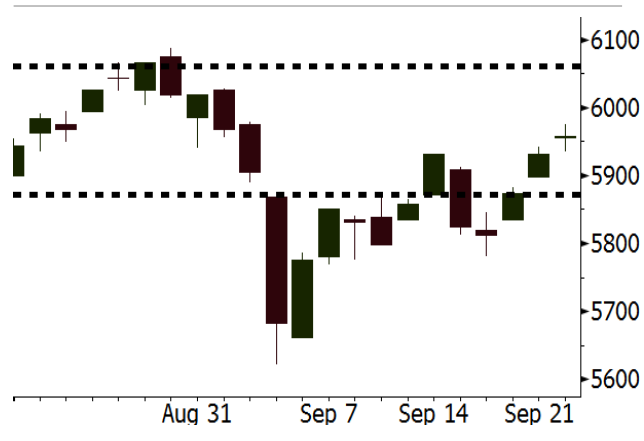
## Weekly Brief (September 24 – 28)

### Summary:

Last week, JCI was capable of strengthening further along with the rally in global markets. Investors' dissipating concerns about the escalating-ever tension arising from the U.S. and China trade war was the main factor driving the rally in JCI. On the other side, the release of Indonesia's trade balance showed that Indonesia still posted a deficit in August's trade balance. However, the deficit was lower than June's deficit.

This week, investors likely keep their wary eyes on the agenda for Federal Open Market Committee (FOMC) meeting. It is estimated that on the current FOCM, the Fed likely raises its benchmark rates for the third times during 2018. Investors keep their eyes on the Fed's statements indicating the possibility of any benchmark rate in December instead of the hike in September's benchmark. BI's Board of Governors meeting is another investors' focus. BI is estimated to hike its benchmark rates if the Fed shows signals of monetary tightening in December. In this week, we recommend ANTM as top pick stocks because of its excellent gold sales performance. Another to ANTM's stocks, INDF's stocks are also top picks amid the expectancy of recovery in flour segment.

JCI - one month



JCI - one year



## Last Week's Recap

- Jakarta Composite Index (JCI) : 5,957.74 (+0.45%)
- Foreign Investor : net buy of IDR1.0 trillion (Vs. previous week's net sell of IDR748 billion)
- USDIDR : 14,817 (+0.07%)
- 10-year Government Bond Yield : 8.413% (-27.3 bps)

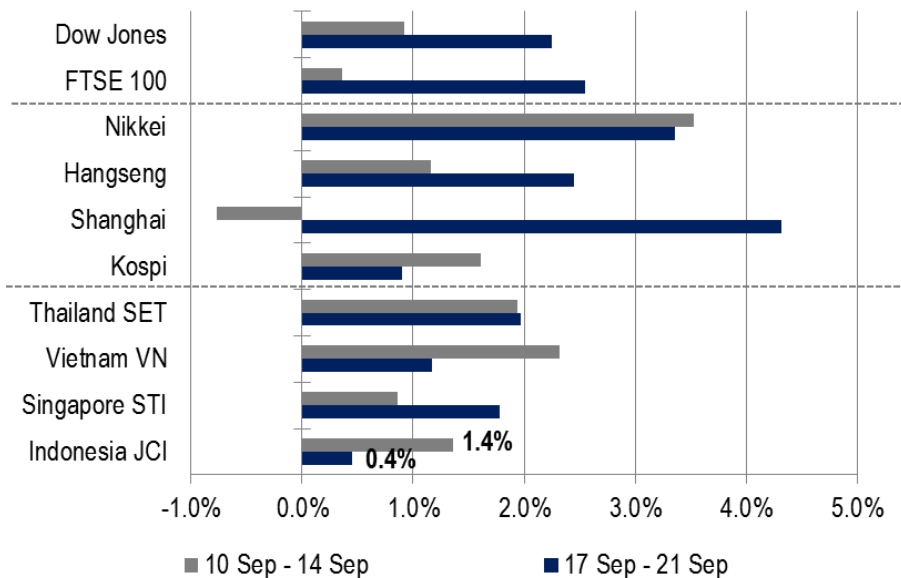
### • August's Declining Trade Deficit

August's trade balance posted the deficit of USD1.02 billion, lower compared to the deficit of USD2.01 billion in July 2018. The declining deficit was attributable to the surplus of USD0.64 billion posted by the non-oil and gas (non-migas) trade balance. Meanwhile, the oil and gas (migas) trade balance posted August's deficit of USD1.66 billion bigger than July's deficit of USD1.23 billion. The hike in the migas imports, particularly crude imports sent August's deficit higher.

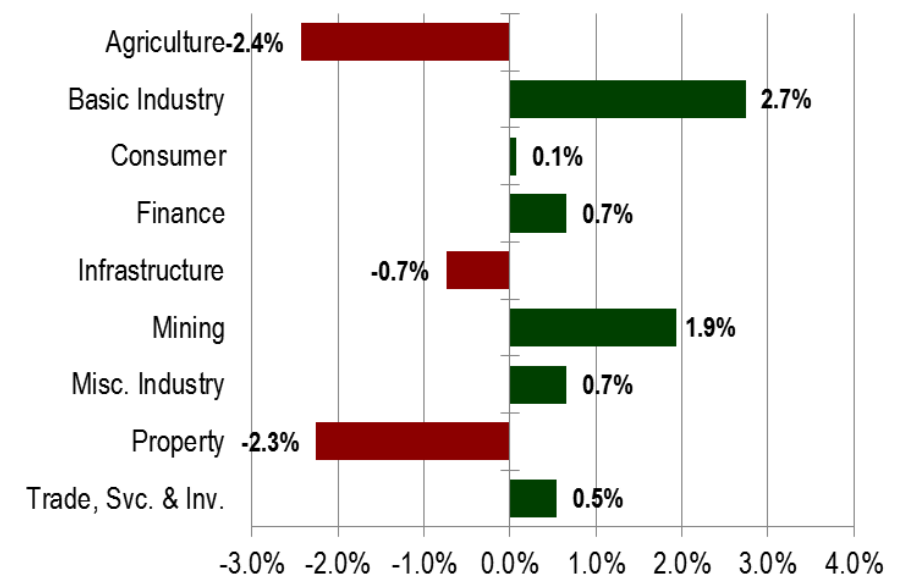
### • Shrugging off Concerns Over Trade Balance

China announced the tit-for-tat tariff of 10% on the U.S. products worth USD60 billion. The tariff was lower than the initial tariff of 20%. The U.S. initially planned to impose the tariff of 10% on China's product worth USD200 billion taking effect on September, 24<sup>th</sup> 2018 and hiking to 25% at the end of 2018. The lower-than-estimated tariff shrugged of the concerns over the trade war between the U.S. and China. Last week, rupiah's exchange rate for the U.S. dollar was stable at around 14,800.

### Global Equity Market



### Sector Index



# This Week's Outlook

- September's FOMC Meeting**

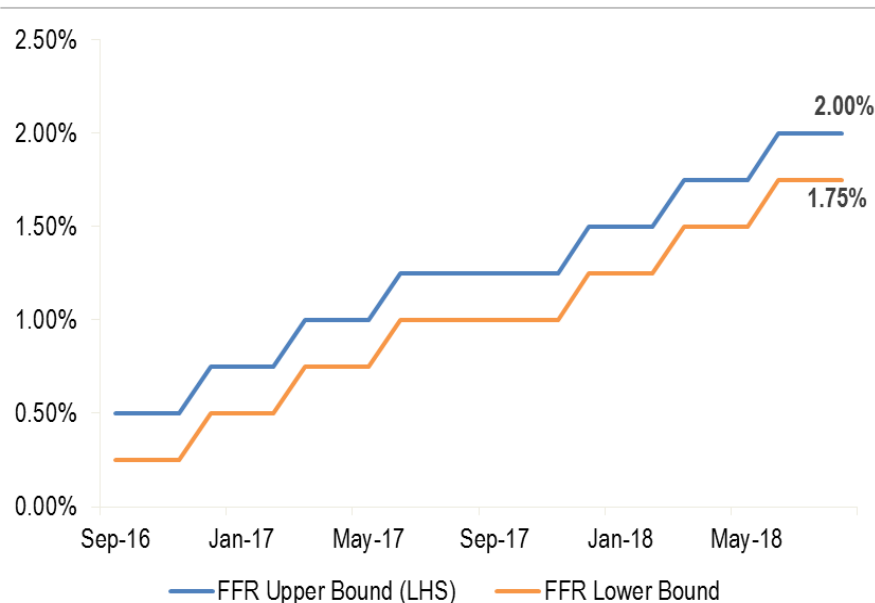
Global investors likely keep their wary eyes on FOMC meeting dated on Tuesday, 09/25/18 and Wednesday 09/26/18. Investors estimate that the Fed likely raise its benchmark rates. The survey of CME Group's FedWatch Tool identifies that the Fed will hike its interest rates with the percentage of 97.4%. Investors' main focus is not the hike in September's rates, but they likely digest the Fed's statements in relation to the possible hike in the Fed's rate announced at the FOMC meeting in December. Based on the survey of CME Group's FedWatch Tool, the chance of December's Fed rate hike reaches 83.3%.

- BI's Board of Governors Meeting**

From the domestic market outlook, investors will eye on BI's Board of Governors Meeting dated Wednesday, 09/26/18 and Thursday, 09/27/18. BI intentionally schedule the meetings to be held in the late September after the results of FOMC meeting. Although the tension arising from the global trade war gradually shrugged off and rupiah paced stably at the around of 14,700-14,900 per the U.S. dollar, BI is aware of the impacts of the possible the Fed's rate hike in December. If the chance of the Fed's rate is higher, BI likely raises its benchmark rate right away with a view to avoiding the further depreciated rupiah at the end of 2018.

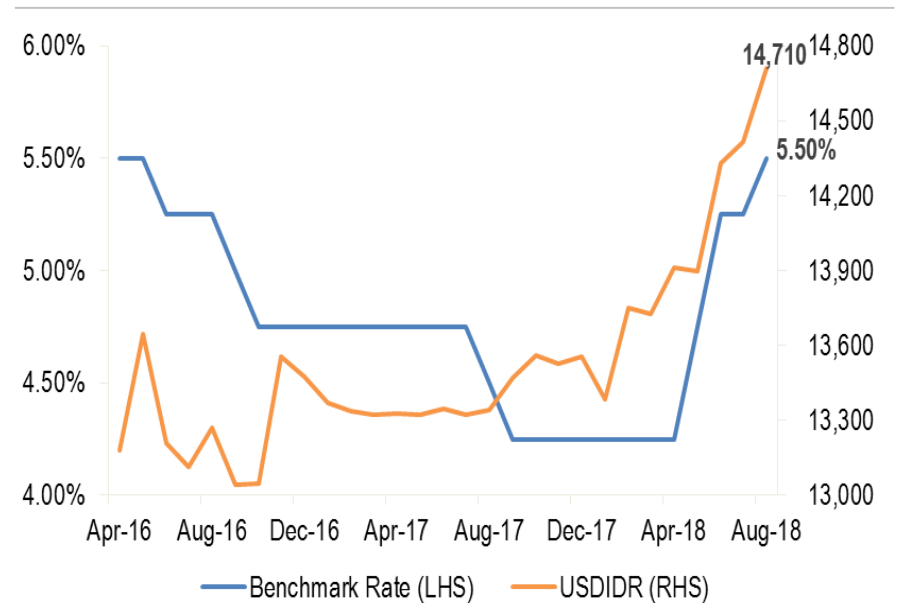
- We estimate that JCI likely moves at a flat pace at the average of **5871-6060**. The anticipative stance over the Fed's agenda will constraint JCI's movement.

**Fed Fund Rate**



Source: Bloomberg, NH Korindo Research

**BI Benchmark Rate & USDIDR**



Source: Bloomberg, NH Korindo Research

# Aneka Tambang (ANTM – Metal & Mineral)

<b>Dec 2019 TP</b>	<b>1,200</b>
Consensus Price	1,251
TP to Consensus Price	-4.1%
vs. Last Price	+46.3%
<b>Last Price (IDR)</b>	<b>820</b>
Price date as of	Sep 21, 2018
52wk range (Hi/Lo)	1,015 / 600
Free Float (%)	35.0
Outstanding sh. (mn)	24,031
Market Cap (IDR bn)	19,705
Market Cap (USD mn)	1,328
Avg. Trd Vol – 3M (mn)	67.56
Avg. Trd Val – 3M (bn)	58.73
Foreign Ownership	5.8%
<b>Sales Breakdown:</b>	
Gold	68.1%
Nickel	26.9%
Others	5.0%

	IDR bn	FY2017	FY2018E	FY2019E	FY2020E
Sales		12,654	22,573	24,763	26,281
y-y		39.0%	78.4%	9.7%	6.1%
EBITDA		1,434	3,255	3,160	3,453
Net profit		136	868	1,045	1,125
EPS (IDR)		6	36	43	47
y-y		110.6%	535.7%	20.4%	7.7%
NPM		1.1%	3.8%	4.2%	4.3%
ROE		0.7%	4.6%	5.3%	5.4%
EV/EBITDA		14.8x	8.6x	9.2x	9.3x
P/BV		0.8x	1.0x	0.9x	0.9x

## • 2Q18: Downbeat Margin

ANTM posted 2Q18's sales of IDR6.08 trillion (+6% q-q or +347% y-y). On the cumulative basis, 1H18's revenue reached IDR11.85 trillion (+292.4% y-y). Meanwhile, 2Q18's net profit was IDR99 billion vs. 1Q18's net profit of IDR246 billion (-60% q-q). Additionally, its EBT margin was 3.3% (vs. 5.5% in 1Q18) and net profit margin was 1.6% (vs. 4.3% in 1Q18).

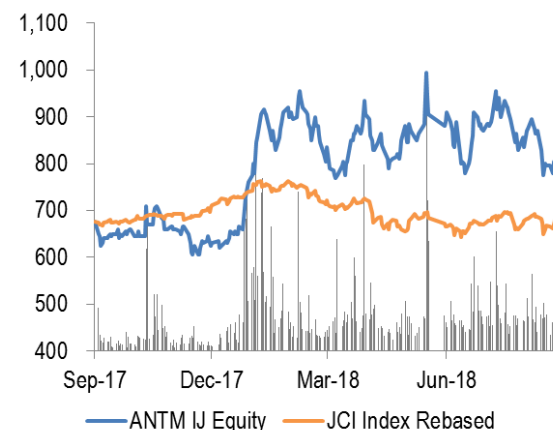
## • 2Q18: Bottom Line Constrained by the U.S. Dollar

Its finance costs amounted to IDR190 billion soaring 120% q-q (vs. IDR86 billion in 1Q18). The biggest contributors were the interest expense of long-term debt and bonds debt interest. Furthermore, the loss of forex gain was IDR173 billion soaring 122% (vs. IDR78 billion in 1Q18). 72% of its total debt was in the U.S. dollar denomination susceptible to the trend of rupiah depreciation.

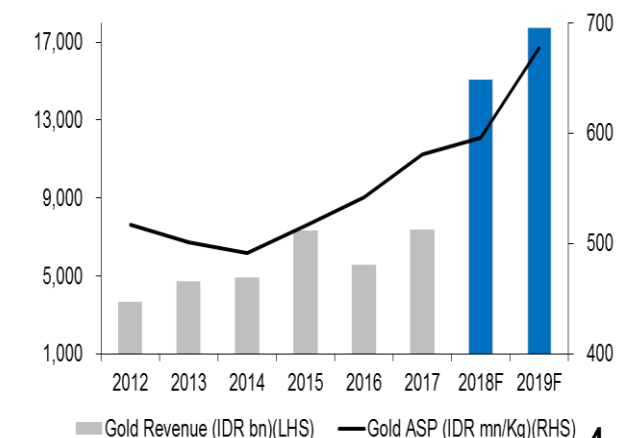
## • 2018E : Increment in Gold Sales Target

ANTM revised its target of gold sales from 24 tons at the early of 2018 to 25.3 tons consisting of the domestic sales of 13 tons and the exports sales of 12.3 tons. Until 8M18, its gold sales reached 18.1 tons consisting of the domestic sales of 10.7 tons and the exports sales of 7.4 tons. 8M18's sales reached 71.5% of 2018's sales target of 25.3 tons of gold.

Share Price Performance



Gold Revenue & ASP | 2012 - 2019F



# Indofood Sukses Makmur (INDF – Packaged Food & Agricultural Products)

<b>Dec 2019 TP</b>	<b>8,175</b>
Consensus Price	8,235
TP to Consensus Price	-0.7%
vs. Last Price	+34.6%
<b>Last Price (IDR)</b>	<b>6,075</b>
Price date as of	Sep 21, 2018
52wk range (Hi/Lo)	8,750 / 5,850
Free Float (%)	49.9
Outstanding sh. (mn)	8,780
Market Cap (IDR bn)	53,341
Market Cap (USD mn)	3,596
Avg. Trd Vol – 3M (mn)	6.40
Avg. Trd Val – 3M (bn)	40.54
Foreign Ownership	98.7%
<b>Sales Breakdown:</b>	
Consumer Branded Product	52.4%
Flour Division	22.5%
Others	25.1%

IDR bn	FY2017	FY2018E	FY2019E	FY2020E
Sales	70,187	74,313	80,492	87,963
y-y	5.1%	5.9%	8.3%	9.3%
EBITDA	10,436	11,615	13,231	14,546
Net profit	4,139	4,593	5,269	5,805
EPS (IDR)	471	523	600	661
y-y	-0.1%	11.0%	14.7%	10.2%
NPM	5.9%	6.2%	6.5%	6.6%
ROE	9.1%	9.6%	10.4%	10.8%
P/E	16.2x	11.6x	10.1x	9.2x
P/BV	1.4x	1.1x	1.0x	1.0x

## • CBP Division: Main Driver for Growth

INDF is estimated to be capable of posting the single-digit growth until two to three years ahead underpinned by the sale of premium products with higher margins. The products target the growing middle class individuals in Indonesia. The CBP division posted the rosier hike of 7% and 8% in 1Q18 and 2Q18, respectively in 1Q18 and 2Q18 than the hike of 4% and -0.3% in 1Q17 and 2Q17, respectively. The CBP division contributed by 52% to INDF's total sales.

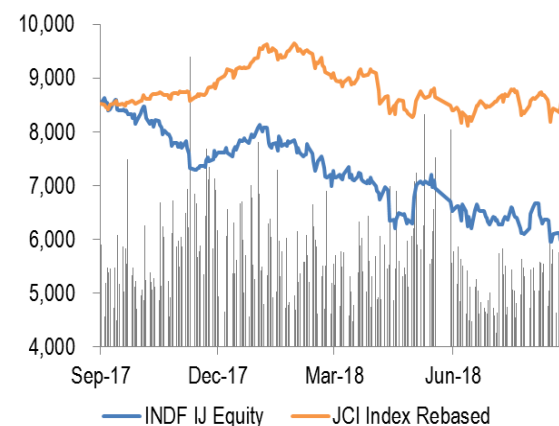
## • Flour Division: Booster for Acceleration in Growth

INDF's flour division is the biggest milling in Indonesia. Applying the strategy of cost-plus sale and the recovery in wheat prices since the early of 2018 were the bolster for the growth in the flour division. The flour division posted the rosier sales from 6% in 1Q18 to 12% in 2Q18. The growth was in stark contrast to the waning sales from 5% in 1Q18 to 6% in 2Q17.

## • Agri Division: Growth Constraint

INDF's agribusiness division still shows no signal of sales growth as CPO prices are still sluggish. The sales of agri division declined 30% and 19% in 1Q18 and 2Q18 compared to the growth of 42% and 18% in 1Q17 and 2Q17. It is expected that B20 mandatory will boost CPO prices triggered by the higher demand for CPO.

Share Price Performance



Wheat Price (IDR/kg) | 2015 - 2018



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