

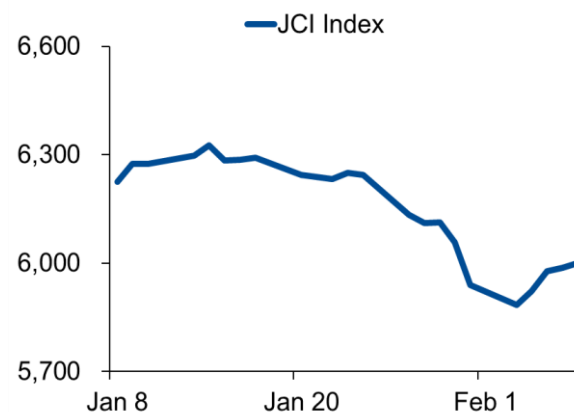
## Weekly Brief (February 10th – 14th)

### Summary:

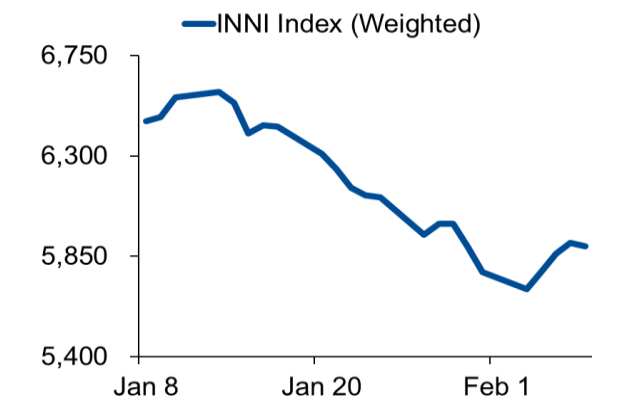
**Last week review:** Domestic sentiments were dominant factors to drive JCI last week after Statistics Indonesia (BPS) released a few economic data (i.e., benign inflation, modest economic growth, stable consumer optimism, and Indonesia's Jan. upbeat official reserve assets). Investors praised Chinese government's swift battles against coronavirus wreaking havoc on its economy as global stocks returned in the green, including JCI to secure foreign inflows.

**This week's outlook:** Collecting mid-cap. consumer stocks of defensive sectors amidst the global economic volatility and Indonesia's contracted GDP is worth of attractive investment. Defensive consumer stocks to better perform than the rest regardless of stock market state remains stable as burgeoning consumption and optimistic CCI serves consumer stocks with a sound footing. Learning the facts, NHKSI recommends KINO as this week's top-pick stock, estimated to attain the price target of IDR4,680 based on a 9.3x P/E trailing band and a 2.1x P/BV.

JCI - one month



INNI Index – one month



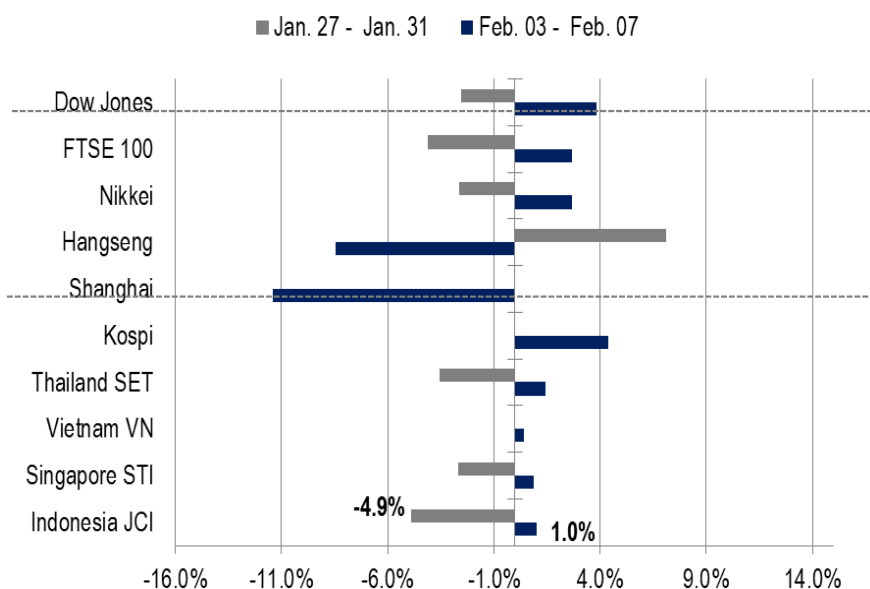
# Last Week's JCI Movement

- JCI Index : 5,999.61 (+1.0%)
- Foreign Flow : Foreign inflows of Rp143 billion (vs. last week's foreign inflows of IDR2.3 trillion )
- USD/IDR : 13,675 (+0.15%)
- Yields of sovereign bond with 10-years tenor : 6.557% (-10.30 bps)

## JCI Was Rebound

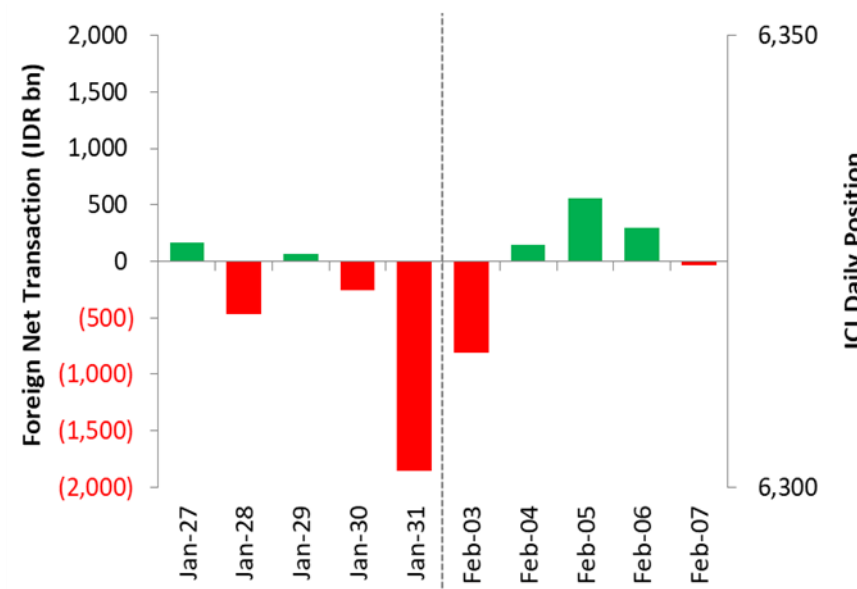
Statistics Indonesia (BPS) on Monday (02/03) released Jan. inflation to stand 0.39% m-m and 2.68% y-y: a driver for JCI's early week moves in the green zone. Chinese government's swift battles to avert coronavirus' lethal effects and PBOC's liquidity injection into its financial system shot global investors' anxieties over the pandemic's possible wreaking havoc on the global state as JCI recorded the return of foreign inflows and paced in the green zone in the mid-week regardless of 2019's GDP modest growth. Indonesia's economy during 2019 grew by 5.02% y-y, slower than 5.17% y-y in 2018. On the following day, Bank Indonesia (BI) announced Jan. Consumer Confidence Index (CCI). Although Jan. CCI dipped, it still stood at 121.7 (vs. 125.4 in Dec. 2019) well above 100 and displayed consumers' optimism. On Friday of Jan. 07, BI announced Jan. forex reserves to surge by USD2.5 billion to USD131.7 billion, and that was a boost for JCI to reign in the green zone..

## Global Market Movement



Source: Bloomberg, NHKSI Research

## Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

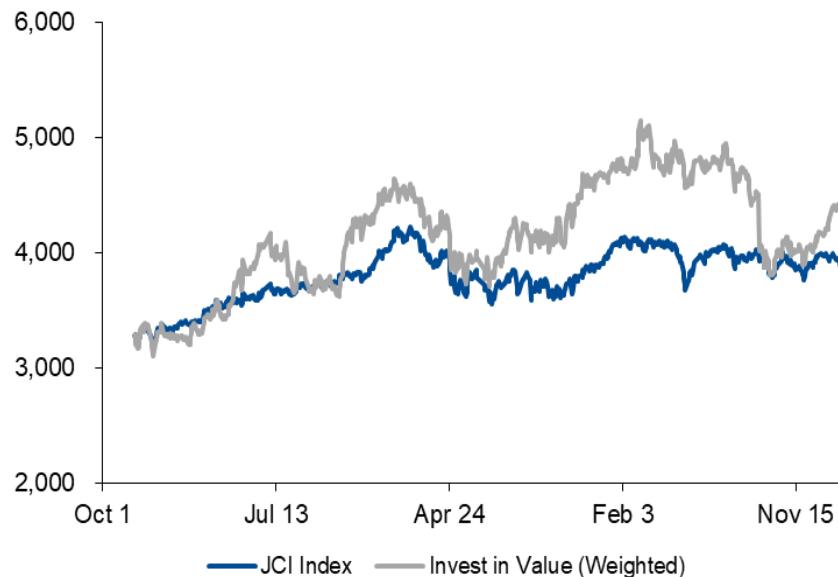
# Last Week's INNI Movement

•INNI Index	: 5,894.93 (+2.0%)
INNI Theme 1 (Value)	: 4,306.28 (+2.4%)
INNI Theme 2 (Trend)	: 6,954.02 (+1.8%)

## INNI Index Rallied

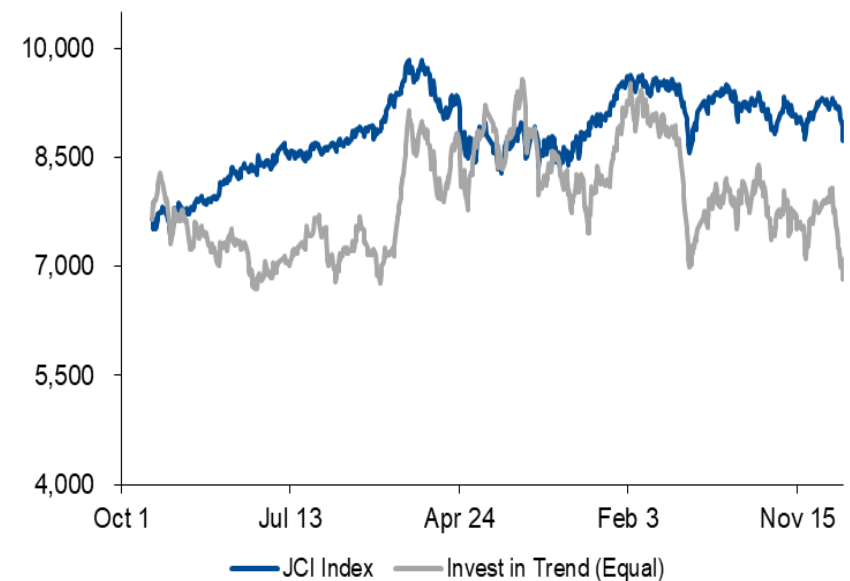
Minister of Industry is optimistic about the construction industry's promising prospect along with a boom in infrastructure projects. President Joko Widodo's second successive term calling for continuing infrastructure expansion benefits WIKA boosting INNI's early week moves in the green. It stood still in the green during the mid-week. PTBA, one of INNI's mining stocks, won the largest gains as Indonesia's Feb Coal Benchmark Price (HBA) set at USD66.89 per ton surging from USD65.9 per ton in January. The surge was attributable to China's smaller stockpiles of coal after the national holidays for celebrating Lunar New Year 2020 and the slowdown in Australia's coal output. Chinese coal miners delayed their production activities in the wake of the coronavirus outbreak, while wildfires are the main culprit in Australia's down coal output. On Friday of Feb. 7, 2020, INNI index ebbed as WSKT and WIKA, construction stocks, contracted.

### Theme 1. Invest in Value (10 Stocks) – Market Cap Base



Source: Bloomberg, NHKSI Research

### Theme 2. Invest in Trend (10 Stocks) – Policy Base



Source: Bloomberg, NHKSI Research

# Last Week Sectoral Review

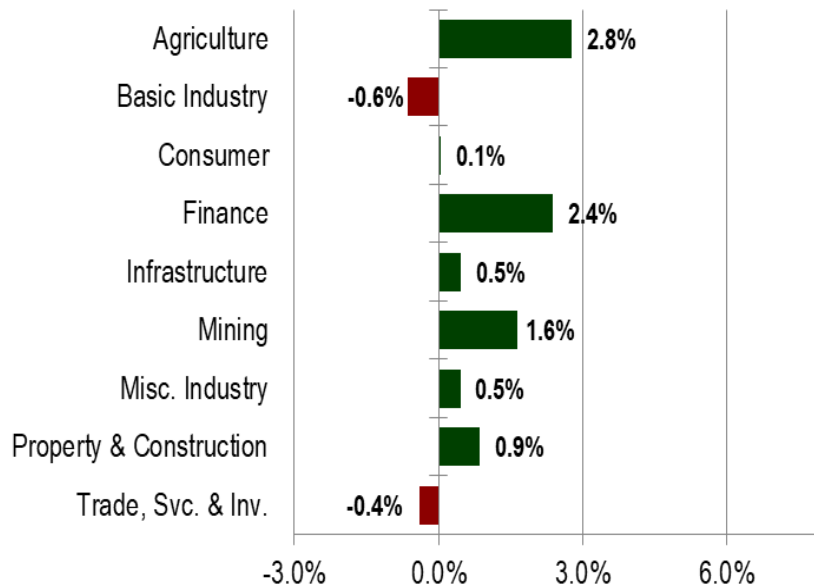
- JCI's Top Gainers**

Last week, all of JCI's sector virtually posted gains, excluding basic industry and retail sectors. The agriculture sector won the largest gains of 2.8%, backed by Prime Minister of Pakistan pledge of purchasing more Malaysia's CPO to compensate for declines in CPO imported from India. In addition, AALI and LSIP strengthened 1.5% and 8.5%, respectively.

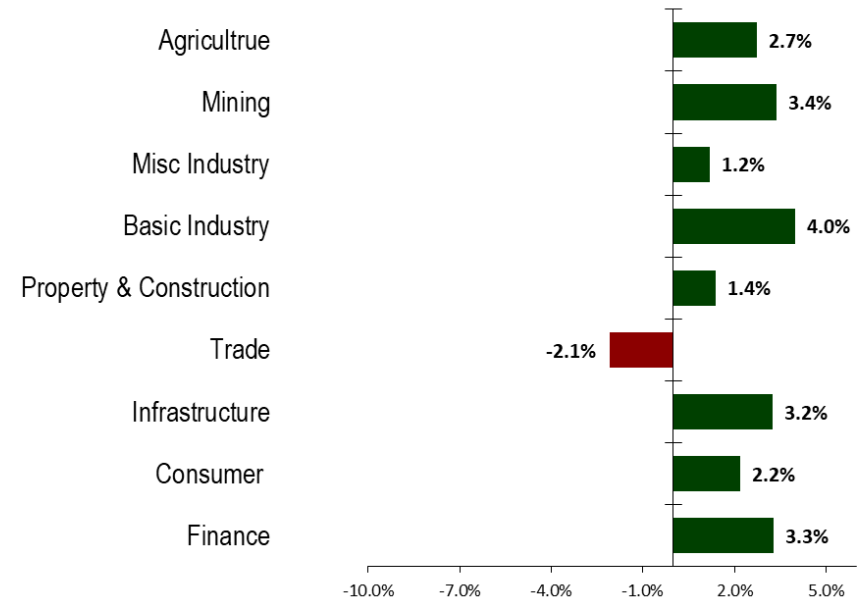
- INNI Index's Top Gainers**

The basic industry sector attained the largest gains of 4.0% along with SMGR's rally. The cement industry still faces such challenges as oversupply and cement imported from China and Thailand as the predatory pricing. Of note, 2019's domestic sales of cement grew modestly by 0.3% yoy to 69.77 million tons, while export sales significantly surge by 11.8% to 6.36 million tons.

**JCI's Last Week Sectoral Movements**



**INNI's Last Week Sectoral Movements**



# This Week's Outlook: Consumer Goods Sector

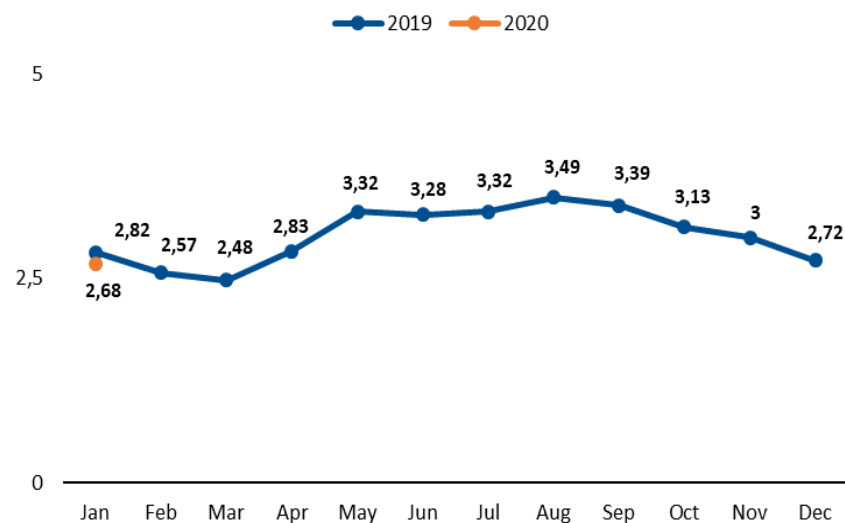
- January's CPI Remains Stable**

Statistics Indonesia (BPS) released the Consumer Price Index (CPI) of January 2020 reached 2.68% y-y and inflated 2.88%. BPS recorded that the category of food, beverages, and cigarettes gave the biggest contribution of 1.62% to Jan. inflation, for prices of some commodities (i.e., filter-tipped clove cigarettes, tobacco cigarettes, clove cigarettes) surged. In contrast to that category contribution to Jan. inflation, administered prices contributed to Jan. deflation of 0.28% attributable to the revised lower prices of general fuel (BBM Umum) under the Ministerial Decrees (Kepmen) ESDM 187K/10/MEM/2019.

- Lethargic CCI Signals Still Consumers' Optimism**

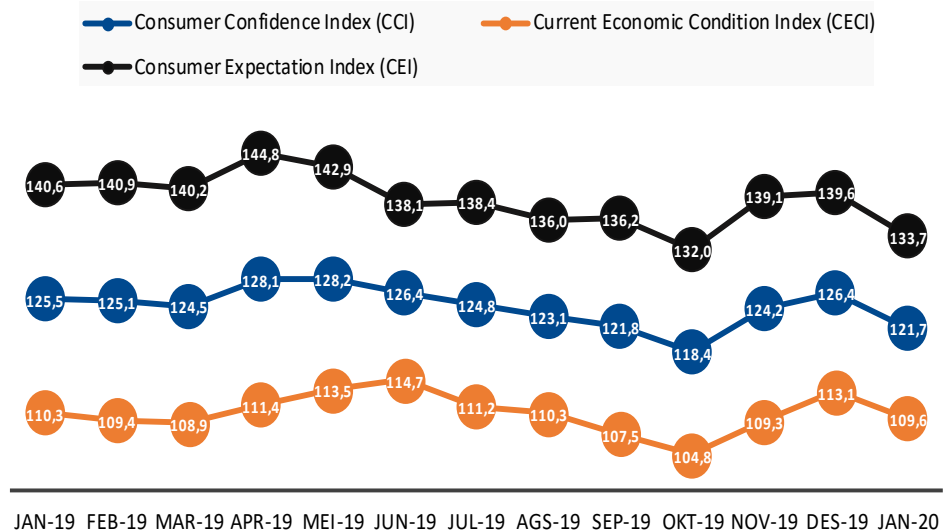
Bank Indonesia (BI) on Thursday of Feb. 06 released Jan. Consumer Confidence Index (CCI) to set at 121.7 lower than 126.4 in December 2019. Although it slowed, Jan. CCI to consistently top 100 indicated still consumers' optimism. Jan. CCI was not as sound as Feb. CCI, for both the Current Economic Condition Index (CECI) and the Consumer Expectation Index (CEI) were contracted. The slowdown in CECI was attributable to consumers' less spending on durable goods and their diminishing expectation of higher incomes in the next six months.

Consumer Price Inflation (y-y)



Source: Indonesia Statistics, NHKSI Research

Consumer Confidence Index January 2020



Source: Bank Indonesia, NHKSI Research

# This Week's Outlook: Consumer Goods Sector

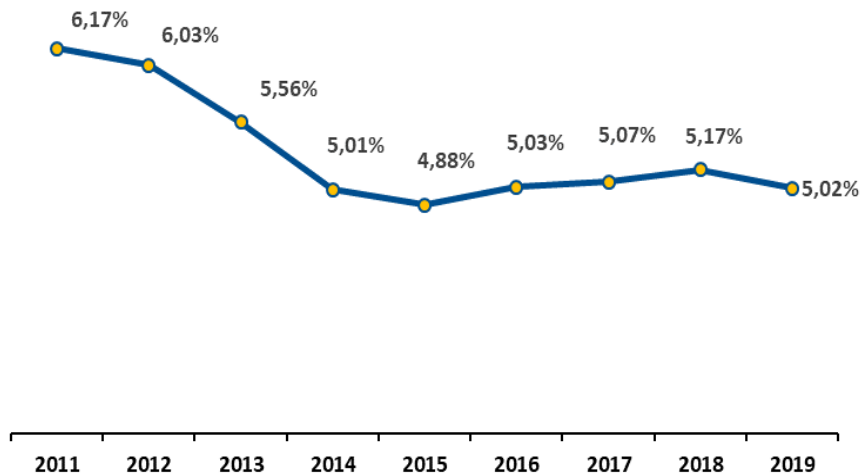
- **GDP of 4Q19 Paces at 5.02%**

GDP---the indicator of Indonesia's economic growth in 2019--paced at 5.02%, slower than that of 5.17% in 2018. The external and internal factors contributed to 4Q19 GDP. The prolonged trade disputes between the US and China, escalating political turmoils in the Middle East, and wobbly prices of commodities, Indonesia's major trading partners (China, the US, Singapore, and South Korea) to display lethargic GDP were external hiccups to lag 4Q19's GDP performance. Aside from the external setback, Indonesia struggles still to better improve the contracted manufacturing PMI. The household spending, an essential variable for 2019's GDP, was at a slight decline from 2018 (5.04% vs. 5.05%). The 4Q19's business investment-- the food and beverages industries--picked up 7.95% to grow better than that of 2.74% in 4Q18.

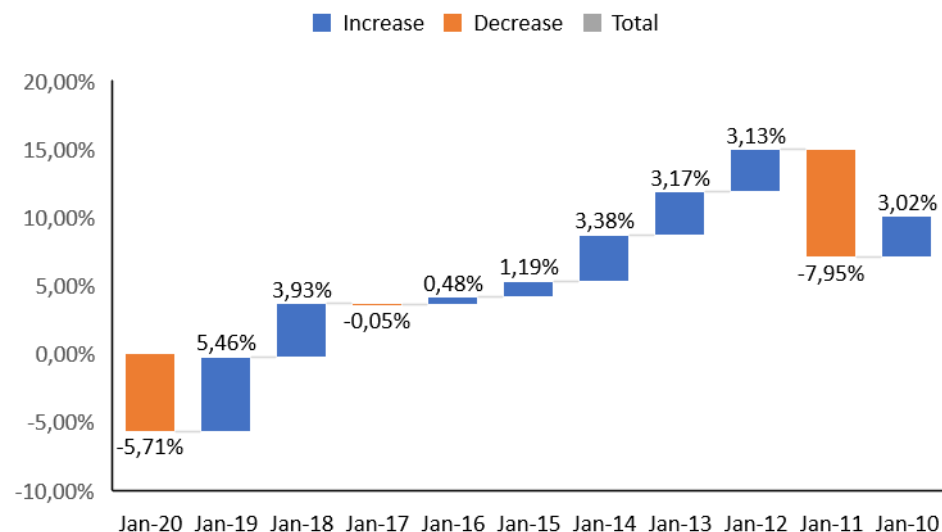
- **Investors Binge on Mid-Cap. Stock Regardless of Volatile Stock markets**

Coronavirus outbreak to spoke investors urged Chinese authorities to suspend trading on its stock exchanges until Feb. 3, 2020. The shutdown had impacts on JCI to tumble well below 6,000 as foreign investors frantically sold their large-cap. stocks. Nevertheless, we notice that some mid-cap. stocks remain solid regardless of wobbly global state to throw markets into disarray; hence, investors divest away their large-cap stocks to mid-cap. stocks, with lower prices and sound fundamental qualities: consistent top-line and bottom-line growth. Having understood better the market's facts, we recommend investments in mid-cap. consumers stocks.

Annual GDP Growth (%)



IHSG Performance in January 2010 – 2020 (%)



Source: Indonesia Statistics, NHKSI Research

Source: Indonesia Stock Exchange, NHKSI Research

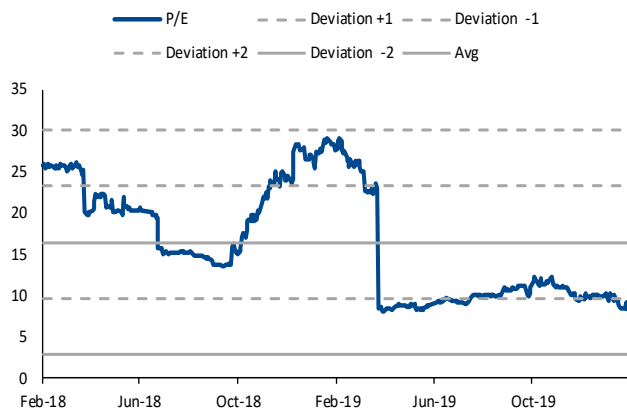
# Kino Indonesia Tbk (KINO IJ – Consumer Goods)

<b>Dec 2020 Target Price</b>	<b>4,680</b>
Consensus Price	4,433
Last Price (IDR) as of Feb 07, 2020	2,990
TP vs. Last Price	56.5%

<b>Revenue Breakdown:</b>	
Personal Cares	46%
Beverages	38%
Food	9%
Others	7%

IDR bn	FY2018	FY2019E	FY2020E	FY2021E
Revenue	3,612	4,649	5,456	6,447
y-y	14.3%	28.7%	17.3%	18.2%
Net Profit	150	505	285	420
y-y	36.0%	236.1%	-43.5%	12.6%
EPS	150	353	200	294
P/E	26.6x	11.1x	19.6x	13.3x
P/BV	1.8x	2.1x	1.9x	1.7x

## 3-Year P/E Trailing Band



Source : Bloomberg, NHKSI Research

- NHKS** recommends KINO as this week's top-pick stock to attain the price target of IDR4,680 based on a 9.3x P/E trailing band and a 2.1x P/BV. The estimate is on the grounds of the virtually solid growth of KINO's all business segments and macroeconomic indicators to fit best the estimate.

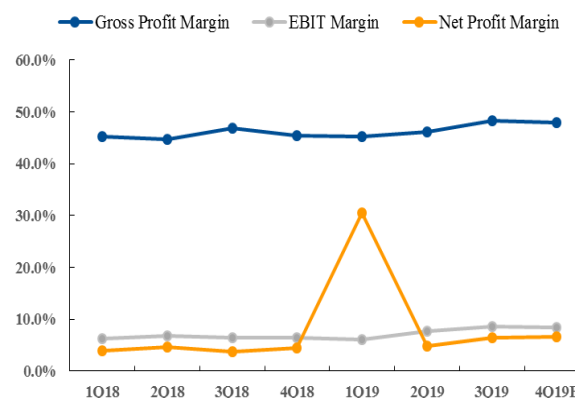
## All Business Segments Are at Solid Growth

KINO's 3Q19 revenues grew to IDR1.26 trillion (41% y-y, 3% q-q), for all of its business segments made profits. The personal care segment performed best among the rest by achieving the highest growth of 21% y-y, followed by a 17% y-y growth contributed by the beverages segment. Additionally, the food and pharmaceutical segments respectively accounted for IDR119 billion and IDR106 billion worth of revenues underpinned by sales of existing products and sales of Lola Remedios, food supplement syrup in the Philippines market. Its revenue growth was proportional to surging ads. and promotion expenses of IDR703 billion or a 27.5% y-y increase because KINO aggressively promoted its products to boost demand and expand market penetration.

## KINO Puts Best Endeavors to Expand Export Markets

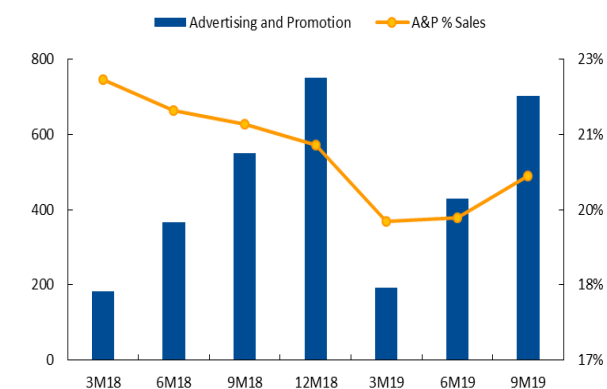
KINO, in 2020, targets for more expansive export market penetration, for its exports still gave little contribution to the total sales. Of note, KINO estimated 2019's exports to make up 9%-10% contribution. It is a noteworthy that Ellips—one of consumers' most preferred-buy hair vitamin—at the event of Alibaba 2019.11.11 Global Shopping Festival held in China, made a jump in sales compared to the daily average sales, and that achievement marked KINO's quality products to fit better global competition and win the markets. KINO through its R&D previously developed only tropical hair vitamins like ones sold in Indonesia but, now, sells its tropical hair vitamins in subtropical countries.

## KINO's Margin Ratio



Source : Company Data, NHKSI Research

## KINO's Budget for Advertising & Promotions



Source: Company Data, NHKSI Research

# INNI Index's Stocks List

	Theme 1/2	Last Price	Last Week Price	2020 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 (%)
<b>Finance</b>														
BBCA	Theme 1	33,800	32,400	32,000	Hold	(5.3)	4.3%	833.3	29.5x	5.0x	18.1	1.1	15.0	13.0
BBRI	Theme 1	4,550	4,460	4,950	Hold	8.8	2.0%	561.2	16.2x	2.7x	17.7	2.9	11.1	6.3
<b>Consumer</b>														
GGRM	Theme 1	56,375	55,775	61,800	Hold	9.6	1.1%	108.5	11.7x	2.3x	20.5	4.6	16.9	25.8
KINO	Theme 1	2,990	2,900	4,680	Buy	56.5	3.1%	4.3	8.7x	1.7x	21.2	1.7	34.1	323.0
ICBP	Theme 1	11,500	11,375	12,875	Hold	12.0	1.1%	134.1	26.9x	5.6x	22.2	1.2	11.2	11.4
KLBF	Theme 1	1,470	1,430	1,780	Buy	21.1	2.8%	68.9	26.8x	4.5x	17.6	1.8	7.3	6.2
<b>Infrastructure</b>														
TLKM	Theme 1	3,790	3,800	4,700	Buy	24.0	-0.3%	375.4	18.5x	3.8x	21.3	4.3	3.5	15.6
JSMR	Theme 1	4,900	4,600	6,000	Buy	22.4	6.5%	35.6	18.4x	2.0x	11.3	0.9	(22.8)	(15.2)
<b>Trade</b>														
UNTR	Theme 2	18,800	19,200	26,300	Buy	39.9	-2.1%	70.1	6.6x	1.3x	19.8	6.6	7.3	(4.8)
MAPI	Theme 2	950	960	1,300	Buy	36.8	-1.0%	15.8	19.3x	2.7x	14.8	1.1	11.4	14.7
<b>Property</b>														
CTRA	Theme 2	920	895	1,550	Buy	68.5	2.8%	17.1	16.9x	1.2x	7.2	1.1	(0.7)	(28.9)
WSKT	Theme 2	1,195	1,230	2,600	Buy	117.6	-2.8%	16.2	11.7x	0.9x	7.8	6.1	(39.2)	(69.4)
WIKA	Theme 2	1,975	1,890	2,500	Buy	26.6	4.5%	17.7	8.0x	1.1x	15.3	2.0	(12.9)	57.3
<b>Basic Ind.</b>														
SMGR	Theme 1	12,350	11,950	14,300	Buy	15.8	3.3%	73.3	32.1x	2.3x	7.5	1.7	31.1	(38.1)
<b>Misc Ind.</b>														
ASII	Theme 1	6,400	6,350	8,600	Buy	34.4	0.8%	259.1	12.7x	1.8x	14.9	3.3	1.2	(7.1)
<b>Mining</b>														
TINS	Theme 2	730	710	800	Hold	9.6	2.8%	5.4	38.5x	0.9x	1.6	3.4	114.6	N/A
PTBA	Theme 2	2,320	2,210	2,300	Hold	(0.9)	5.0%	26.7	5.9x	1.5x	26.4	14.6	1.4	(24.9)
INCO	Theme 2	3,310	3,160	4,200	Buy	26.9	4.7%	32.9	416.1x	1.3x	0.3	N/A	(12.6)	N/A
ANTM	Theme 2	730	720	1,100	Buy	50.7	1.4%	17.5	21.8x	0.9x	4.1	1.7	23.0	(11.1)
<b>Agriculture</b>														
AALI	Theme 2	12,050	11,875	15,600	Buy	29.5	1.5%	23.2	54.5x	1.3x	2.3	1.9	(10.0)	(90.1)

Source : Bloomberg, NHKS Research

# PT NH Korindo Sekuritas Indonesia

Member of Indonesia Stock Exchange

## Head Office :

District 8 Treasury Tower 51  
st Fl. Unit A, SCBD Lot.28  
Jl. Jendral Sudirman Kav. 52  
-53 Jakarta Selatan 12190  
Telp : +62 21 50889100  
Fax : +62 21 50889101

## 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 Medan:

Jl. Timor No. 147  
Medan  
Sumatera Utara 20234  
Indonesia  
Telp : +62 61 4156500  
Fax : +62 61 4568560

## Branch Office Semarang:

Jl. MH Thamrin No. 152  
Semarang  
Jawa Tengah 50314  
Telp : +62 24 8446878  
Fax : +62 24 8446879

## 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