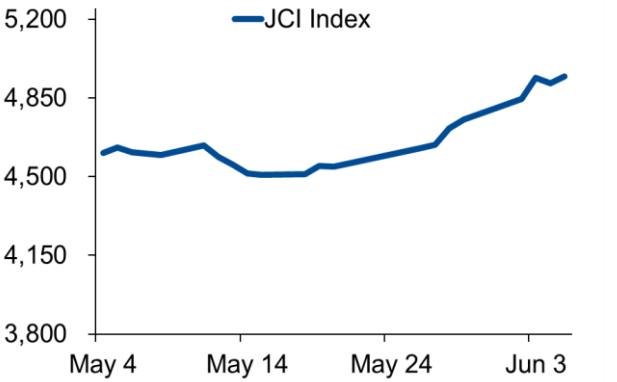
Weekly Brief (June 8th – 12th)

Summary:

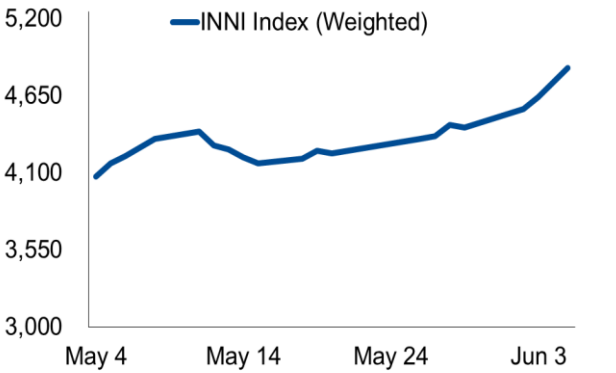
Last week review: Inflation and Manufacture data were the catalyst of JCI during last week. Investors currently are observing the transition period in Jakarta from Social Limitation to New Normal. Meanwhile, the massive foreign inflow specifically in banking stocks has propelled the JCI to closed higher last week.

This week's forecast: The New Normal policy that is currently being prepared will bring positive sentiment to some sectors, especially Telecommunication industry. Demand for Internet data will continue to rise as the people become more reliant on internet use to follow social and physical distancing protocol. **NHKSI** continues to recommend TLKM with a target price of IDR 3,800 with P/E of 19,3x until the end of 2020.

JCI - one month



INNI Index – one month



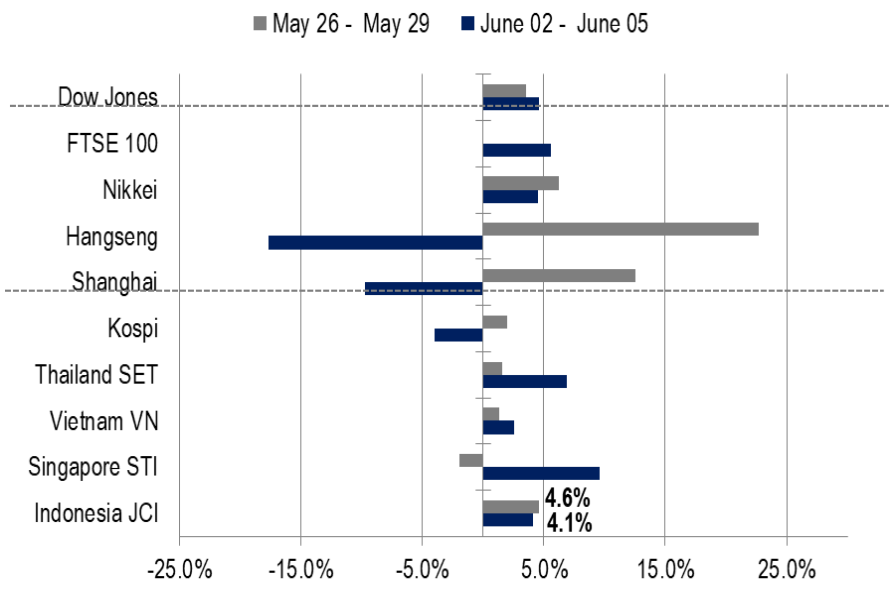
Last Week's JCI Movement

•JCI Index	: 4,947.78 (+4.1%)
Foreign Flow	: Net buy of IDR3.3 trillion (vs. last week's net sell of IDR495 billion)
USD/IDR	: 15,080 (+3.22%)
Yields of sovereign bond with 10-years tenor	: 8.074% (-72.80 bps)

JCI Closed Higher

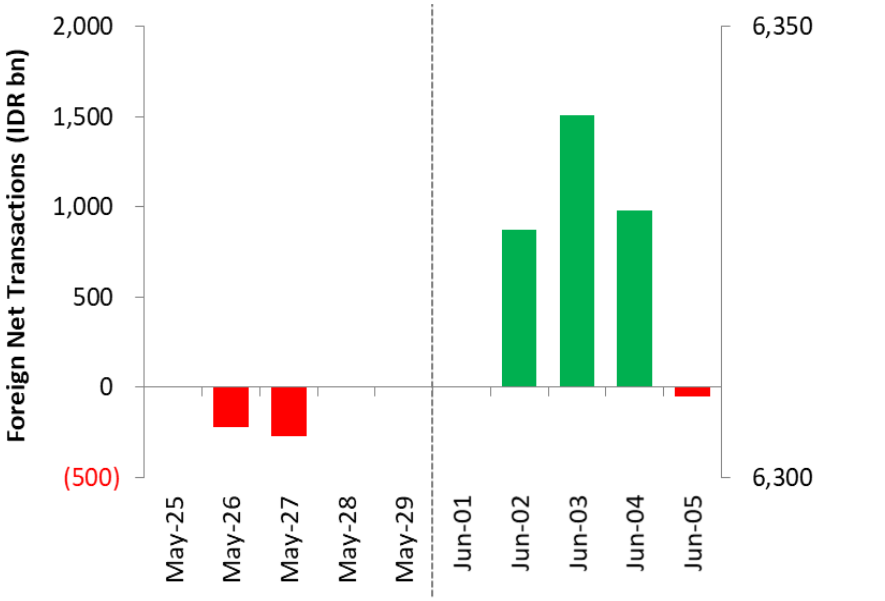
The JCI movement at the start of last week was mainly influenced by domestic sentiment such as May inflation data of 0,07 MoM, or lower than last year's Idul Fitri period inflation of 0,55 MoM. Moreover, Indonesian manufacture data showed an improvement from the lowest point of 27,5 in April to 28,5 in May. From global side, US Manufacture data also recorded an increase to 43,1 in May from 41,5 in April, as economy activities recover following lockdown relaxation in several states. Meanwhile, the JCI closed higher last week as foreign investors book a net buy for 3 straight days.

Global Market Movement



Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

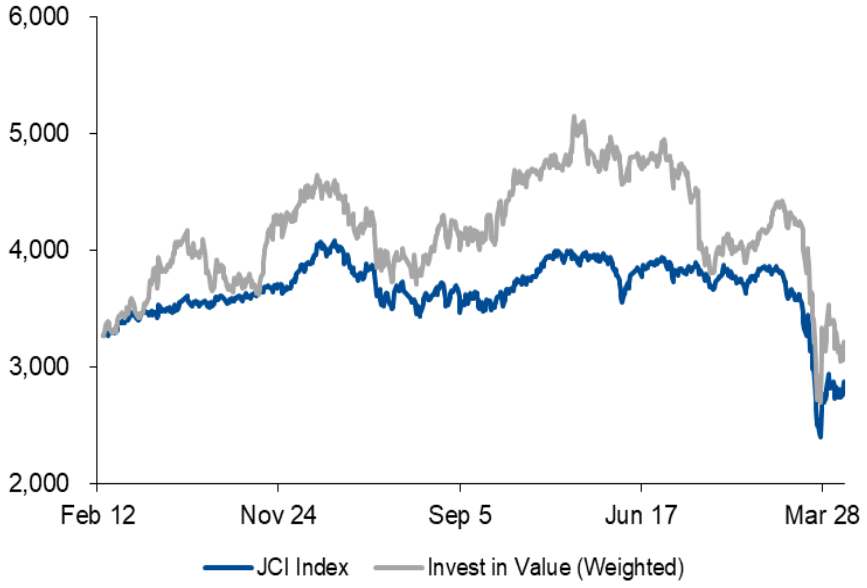
Last Week's INNI Movement

•INNI Index : 4,849.91 (+9.7%)
INNI Theme 1 (Value) : 3,150.49 (+4.1%)
INNI Theme 2 (Trend) : 5,742.02 (+12.1%)

INNI Index Closed in the Green

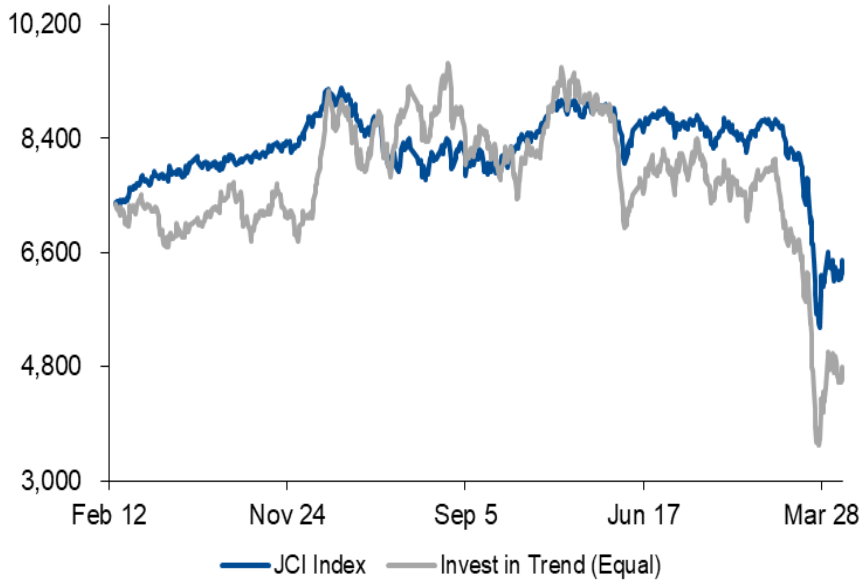
INNI index moved higher at the beginning of last week, thanks to gains from large-cap banking stocks. This was triggered by massive foreign net buy and OJK additional stimulus which were positively responded by the market. On the other hand, TLKM also became one of the highly sought stocks by foreign investors after the company stated that its financial condition remain strong during COVID-19 pandemic. On June 5th, INNI Index closed on positive territory supported by the property stock CTRA 14,4%.

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



Source: Bloomberg, NHKSI Research

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



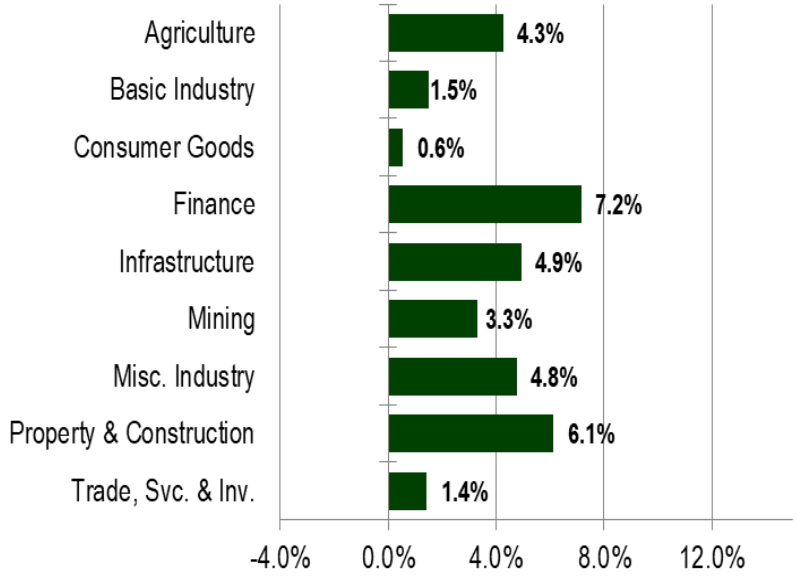
Source: Bloomberg, NHKSI Research

Last Week Sectoral Review

- **JCI Moved Higher**
  All JCI sectors were closed higher. Banking sectors recorded the highest gain of 7,2% mainly from BBCA and BBRI with foreign net buy of IDR 1,7 Trillion and IDR 874 Billion respectively. However, the pandemic has made BBRI cut its projected NIM to 5,5% down from initial target of 7%. This projected NIM would be lower than the last 10 years.

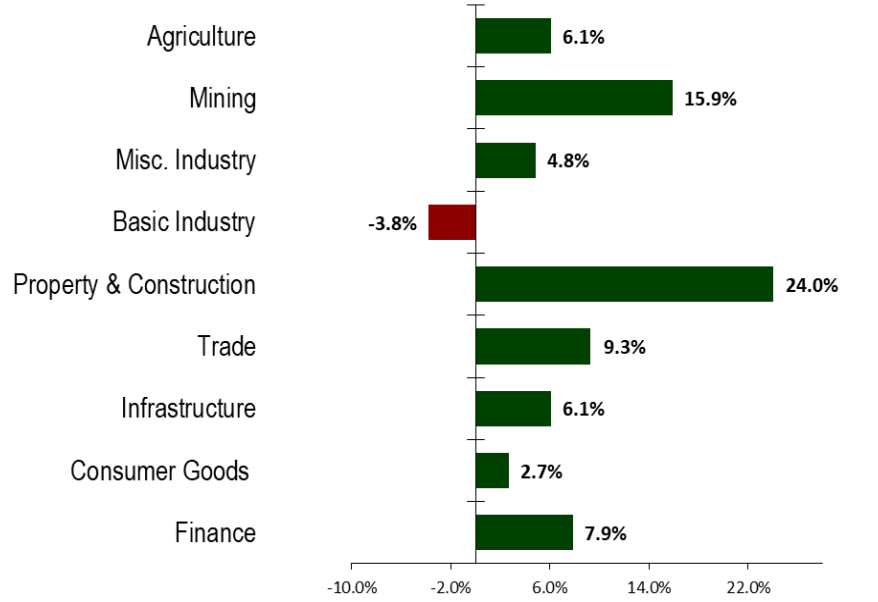
- **INNI Index's Went Up**
  As for INNI Index, property sector booked the highest gain of 24% last week. This is solely due to CTRA which had a weekly gain of 31,3% as management remains optimistic with office building business during new normal era. CTRA owns 3 office buildings, which are DBS Bank Tower, Tokopedia Tower, and Tokopedia Care at Ciputra International with occupancy rates of 90%, 70%, and 75%.

Last Week's JCI Sectoral Movement



Source: Bloomberg, NHKSI Research

Last Week's INNI Sectoral Movement



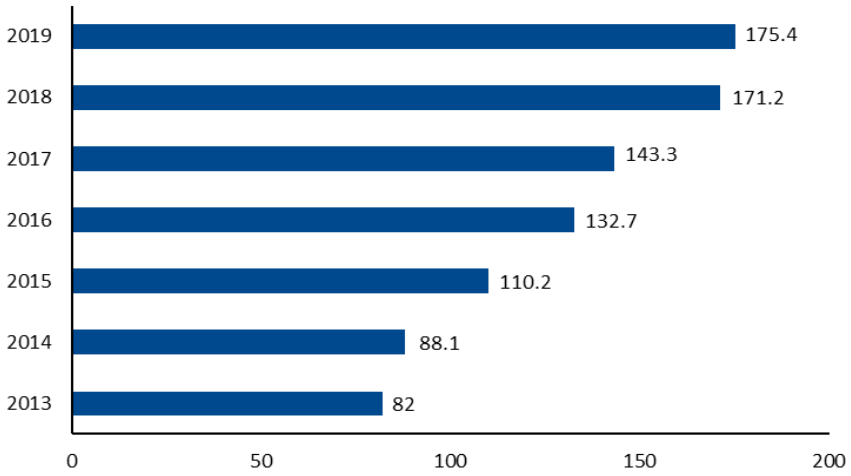
Source: Bloomberg, NHKSI Research

This Week Outlook: Telecommunication Sector

- **New Normal as a Positive Catalyst for Telecommunication Industry**
  During the Large Scale Social Limitation, the number of internet users has increased. The usage of data traffic was due to most companies and schools adopt a work and learn from home. The Social Limitation has created a change of habit (New Normal). This new normal condition will continue to be adopted in Indonesia which will stimulate the realisation of investment in Telecommunication. The role of technology has become even more important under social and physical distancing. According to data from the Internet Provider Association, internet traffic during social limitation period was up 20%.

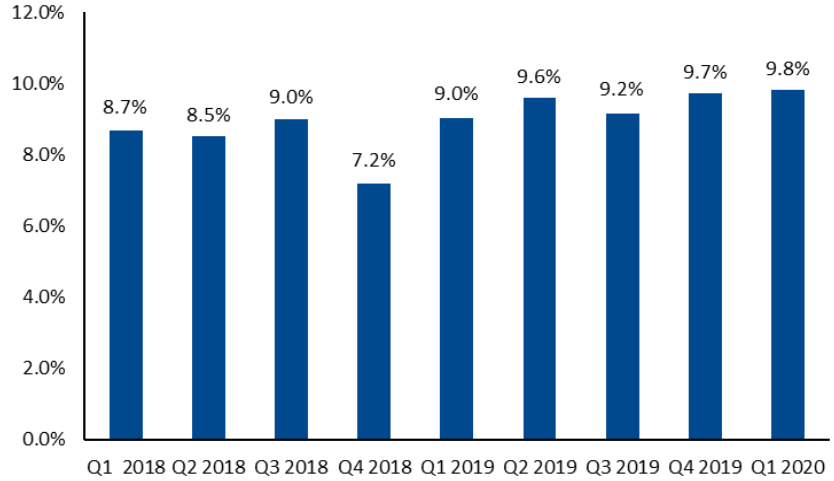
- **Digital Business Continues to Open More Opportunities for Telecommunication Industry**
  Central Bureau of Statistics recorded a growth in Information and Communication sector by 9,81% YoY in 1Q20 compare to 9,71% in the previous quarter. With the COVID-19 pandemic, more opportunities from digital business come especially from Internet Data Services. The figure is the third highest behind Insurance and Finance (10,67% YoY) and Health Industry (10,39% YoY). TLKM has become one of the most favoured stocks in this industry. A subsidiary of TLKM has built a new innovation in the midst of the pandemic by launching the4G LTE based Voice Long Term Evolution (VoLTE) which enables internet use without disconnecting while performing premium-quality phone call.

Number of Internet Users in Indonesia (Mn)



Source: APJII, NHKSI Research

Information and Communications Sector Growth



Source: BPS, NHKSI Research

This Week Outlook: Telecommunication Sector

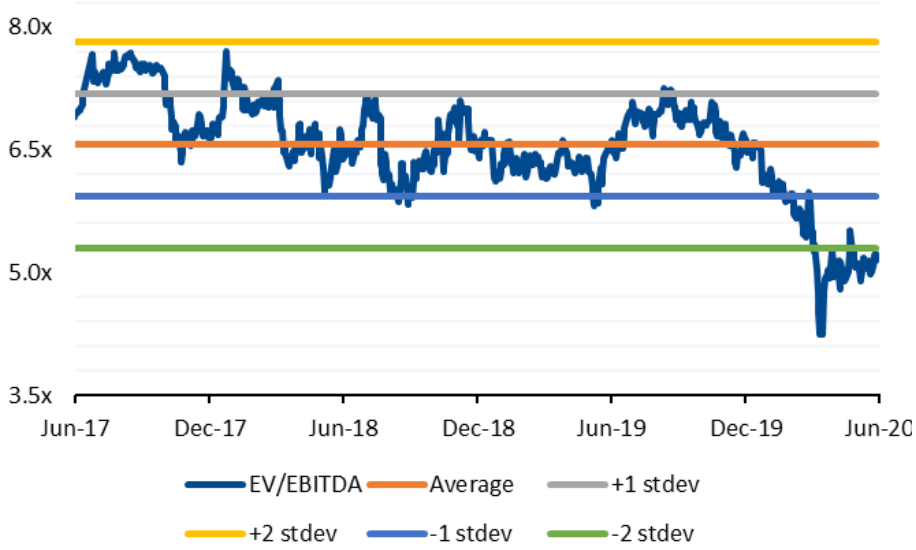
- **Data Traffic up 22,8% during Ramadhan 2020**
  During Ramadhan and Idul Fitri period, TLKM subsidiary booked an increase in data traffic by 22,8% with increasing SMS and voice access by 12,1% and 0,9%. By percentage, TKLM operational coverage in South Sumatera and North Sumatera recorded the highest growth in traffic by 35% compared to normal period. Moreover, as a government policy to delay Mudik tradition during Idul Fitri, TLKM posted a 60,9% increase in data traffic in Jabodetabek region.

- **Low EV/EBITDA presents a BUY opportunity**
  TLKM as the leader of Telecommunication industry in Indonesia has the second largest market-cap in South-East Asia after Singtel Singapore. Currently, TLKM is trading an EV/EBITDA level of 5,1x, or below the 3-year average at 6.5x. This shows that TLKM still has low valuation, considering the company still able to sustained a Net Profit Margin of 13,8%.

Telkomsel Data Services Traffic

Source: TELKOMSEL, NHKSI Research

TLKM's Currently Trading at –2STD EV/EBITDA (3 Years)



Source: Bloomberg, NHKSI Research

Telekomunikasi Indonesia Tbk (TLKM IJ – Telecommunication Sector)

Dec 2020 Target Price	**3,800**
Consensus Price	4,075
Last Price (IDR) as of June 05, 2020	3,230
TP vs. Last Price	17.6%
Revenue Breakdown:	
Telp. & Interconnection Rev.	25.3%
Internet Data & IT Services Rev.	53.7%
Network & Indihome Rev.	14.9%
Others	6.2%

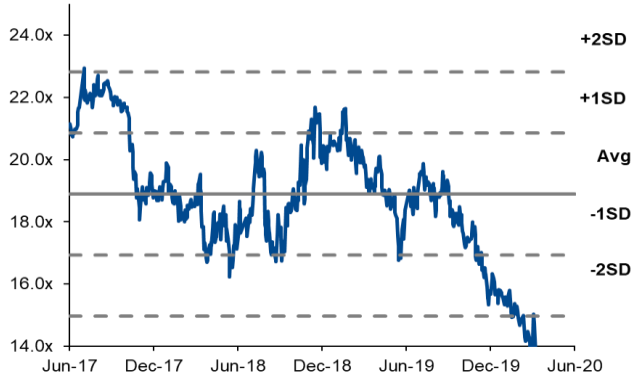
IDR bn	FY2019A	FY2020F	FY2021F	FY2022F
Net. Rev	135,567	138,685	148,592	154,335
y-y	*3.7%*	*2.3%*	*7.1%*	*3.9%*
Op. Exp	93,087	94,306	101,043	104,948
Net profit	18,663	19,550	21,062	21,516
EPS (IDR)	188	197	213	217
y-y	*3.5%*	*4.8%*	*7.7%*	*2.2%*
ROE	15.9%	15.7%	15.9%	15.4%
P/E	20.3x	19.3x	17.9x	17.5x

- **NHKSI** recommends TLKM as a stock pick for this week as the share price projected to reach IDR 3,800 with 19,3x P/E until the end of 2020. The projection is based on revenue growth from the consumer segment such as IndiHome and data segment which grew 28,1% and 11,0% respectively in FY19.

- **Telkomsel's EBITDA Margin Stable 54%.** TLKM subsidiary, Telkomsel posted an increase in revenue and net profit of IDR91.1 trillion (2.1% YoY) and IDR25.8 trillion (1.0% YoY) respectively with a stable EBITDA margin of 54%. Growth is sustained by the transformation of digital business which surged along with a large number of customers using traffic. Current market dynamics caused by COVID-19, which has plagued since March 2020 in Indonesia impacted the telecommunications sector by creating opportunities for customer in need for digital services. This ensures that Telkomsel will continue to be a market leader and provide better opportunities for growth from data and digital services in the future of the telecommunications industry.

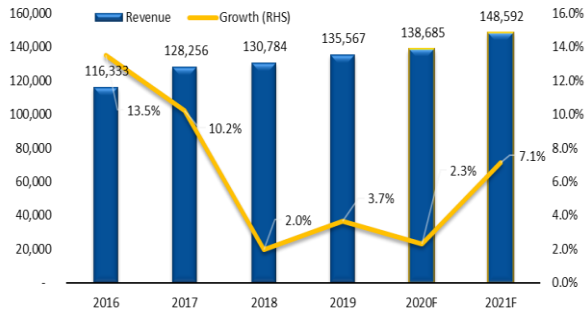
- **Performance of FY19 Growth.** TLKM recorded FY19 sales of IDR135.6 trillion, rose by IDR4.8 trillion or a 3.7% YoY. The rise was supported by an increase in revenue from Indihome to IDR18.3 trillion or a 28.1% increase from FY18 revenue of IDR14.3 trillion and an increase in sales of the data, internet and IT services revenue to IDR72.8 trillion or a 11.0% increase YoY. The company's cost control is seen to be maintained, with operating expenses, maintenance and telecommunications services decreased by 3.6% YoY or IDR1.6 trillion. This indicates that the Company remained consistent with efforts to maintain costs until the end of 2019, hence the Company's net profit was recorded to increase 3.5% YoY or to IDR18.7 trillion.

3-Year P/E Trailing Band



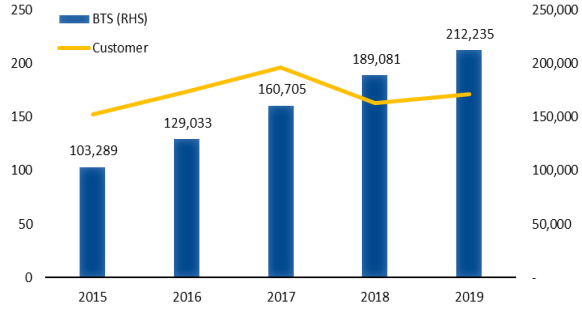
Source : Bloomberg, NHKSI Research

Revenue Growth



Source : Company Data, NHKSI Research

BTS & Customer's



Source: Company Data, NHKSI Research

INNI Index's Stocks List

	Theme 1/2	Last Price	Last Week's Price	2020's Price Target	Rating	Upside Potential (%)	One-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	28,625	25,950	28,950	Hold	1.1	10.3%	705.7	24.3x	4.1x	17.6	1.9	13.9	8.5
BBRI	Theme 1	3,110	2,950	3,100	Hold	(0.3)	5.4%	383.6	11.1x	2.2x	18.6	5.4	13.0	(0.3)
Consumer														
GGRM	Theme 1	48,400	48,750	59,550	Buy	23.0	-0.7%	93.1	8.5x	1.7x	21.8	5.4	4.1	3.9
KINO	Theme 1	2,820	2,660	2,950	Hold	4.6	6.0%	4.0	14.8x	1.5x	10.5	3.8	11.1	(81.3)
ICBP	Theme 1	8,625	8,150	Under Review	N/A	N/A	5.8%	100.6	17.7x	3.7x	22.6	1.6	6.7	47.8
KLBF	Theme 1	1,410	1,415	1,430	Hold	1.4	-0.4%	66.1	25.6x	4.0x	16.3	1.4	8.0	12.5
Infrastructure														
TLKM	Theme 1	3,230	3,150	3,800	Buy	17.6	2.5%	320.0	17.1x	3.2x	18.8	5.1	3.7	3.5
JSMR	Theme 1	3,890	3,550	4,600	Buy	18.3	9.6%	28.2	12.8x	1.5x	12.4	1.2	(28.7)	0.2
Trade														
UNTR	Theme 2	17,100	15,700	19,000	Hold	11.1	8.9%	63.8	6.3x	1.0x	16.9	2.4	(19.0)	(40.2)
MAPI	Theme 2	795	725	820	Hold	3.1	9.7%	13.2	14.2x	2.1x	16.1	1.3	14.0	27.3
Property														
CTRA	Theme 2	755	575	810	Hold	7.3	31.3%	14.0	13.2x	1.0x	7.2	1.3	(8.3)	(33.3)
WSKT	Theme 2	735	610	960	Buy	30.6	20.5%	10.0	10.6x	0.6x	5.2	9.9	(35.7)	(76.3)
WIKA	Theme 2	1,305	1,085	1,380	Hold	5.7	20.3%	11.7	5.1x	0.7x	14.6	3.0	(12.7)	32.0
Basic Ind.														
SMGR	Theme 1	9,425	9,800	10,925	Buy	15.9	-3.8%	55.9	21.8x	1.7x	8.0	2.2	5.6	66.7
Misc Ind.														
ASII	Theme 1	5,000	4,770	5,800	Buy	16.0	4.8%	202.4	9.5x	1.3x	14.4	4.2	(9.4)	(7.8)
Mining														
TINS	Theme 2	580	444	830	Buy	43.1	30.6%	4.3	N/A	0.8x	(10.7)	4.3	75.2	N/A
PTBA	Theme 2	2,210	1,945	2,775	Buy	25.6	13.6%	25.5	6.4x	1.3x	20.6	15.4	(4.0)	(25.0)
INCO	Theme 2	3,030	2,780	2,000	Sell	(34.0)	9.0%	30.1	20.3x	1.1x	5.6	N/A	38.1	N/A
ANTM	Theme 2	590	535	600	Hold	1.7	10.3%	14.2	73.2x	0.8x	1.1	2.2	29.4	(88.1)
Agriculture														
AALI	Theme 2	7,850	7,400	10,000	Buy	27.4	6.1%	15.1	27.7x	0.8x	2.9	N/A	13.3	891.7

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
-53Jakarta 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