

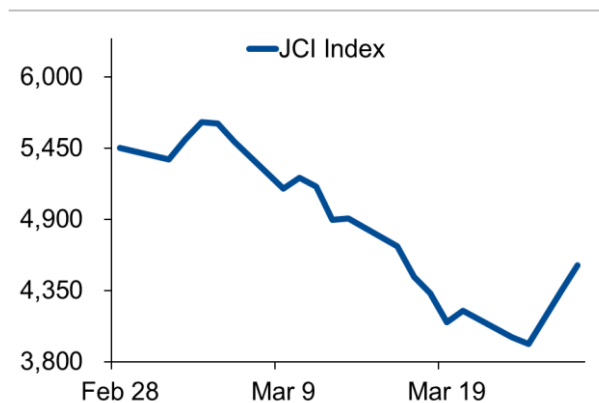
Weekly Brief (March 30th – April 03rd)

Summary:

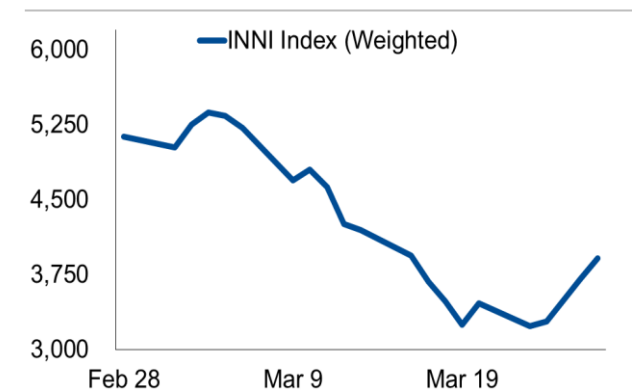
Last week review: The Indonesia Stock Exchange (IDX) in response to the trading halt minimizing volatilities on the Indonesian stocks had suspended stock trading for 5x. The mounting COVID-19 death toll and infection worldwide leave markets and economies volatile. The global government, including Indonesia, is committed to a concerted battle against the pandemic by unveiling stimulus package to ease COVID-19 lethal blow to the world economies. Indeed, the Indonesian government unwinds tough measures and relaxes policies to uphold the economy.

This week's outlook: The spread of COVID-19 is vicious and rapid as the death and infected cases mount. Until this week, the pandemic killed 24,000 people and infected more than 500,000 people. But, the equity market is likely to remain optimistic as the US senate finally agreed on unwinding economic aid measures of USD2 trillion to ease economic and health crises triggered by vicious COVID-19. NHKSI recommends TLKM with the target P/E of 17.1x as the mandatory online learning and work from homes until April will boost demand for traffic data.

JCI - one month



INNI Index – one month



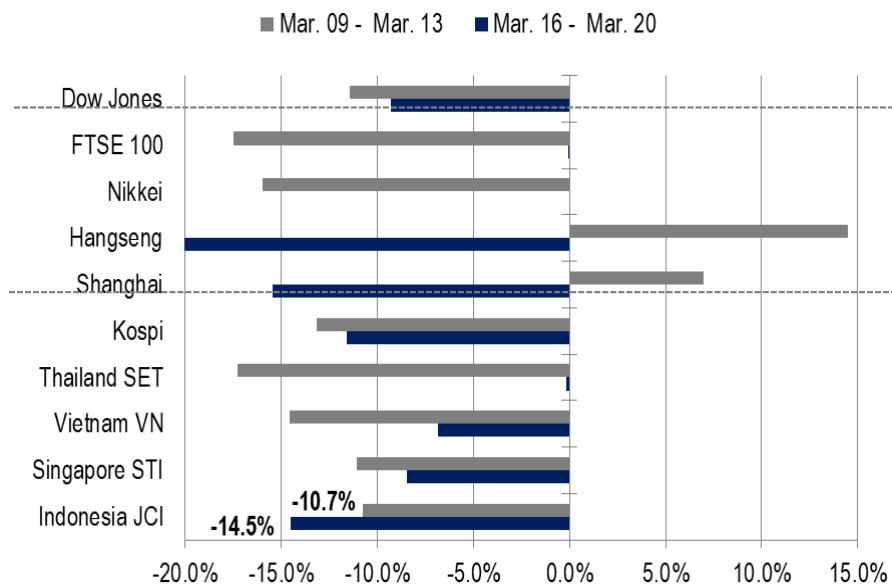
Last Week's JCI Movement

- JCI Index : 4,545.57 (+8.36%)
- Foreign Flow : *Net buy* of IDR289 billion (vs. *net sell* last week of IDR2.4 trillion)
- USD/IDR : 16,170 (-1.32%)
- Yields of sovereign bond with 10-years tenor : 7.888% (-19.40 bps)

JCI Was Rebound

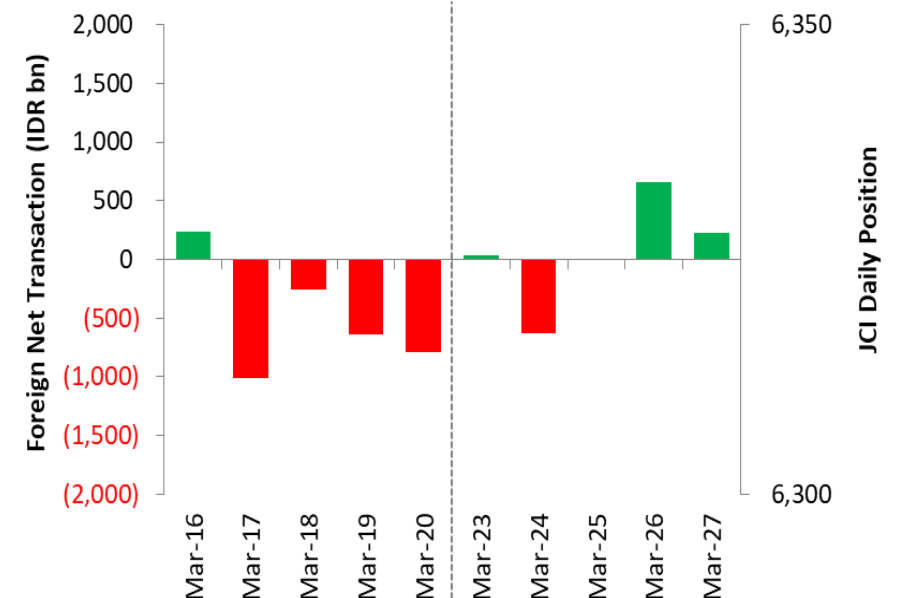
WHO disclosed COVID-19 cases to continuously surge per day. Until last week, total death and infected cases reached 500,000 worldwide, and Indonesia reporting more than 1,000 cases positioning it as the world 37th rating. To combat deteriorating impacts of pandemic on the economy, the global government unveil economic stimuli to shield commercial activities. In the US, stakeholders lobbied the US Congress to not shut markets, approve active operation of financial institutions trading financial instruments, and unwind economic stimuli. Turing to the domestic backdrop, Ministry of Finance Sri Mulyani's projection of Indonesia's economic growth at 2.5% to 0% exaggerated investors' fears and stumbled JCI's paces in the red as it suspended trading for 5x in a week. In the mid week, the Indonesian government bombard COVID-19 threats with loads of stimuli, and that drove JCI to post double-digit gains and pace in the green as well as strengthened USD/IDR. On Friday of March 27, 2020, JCI continued to advance.

Global Market Movement



Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

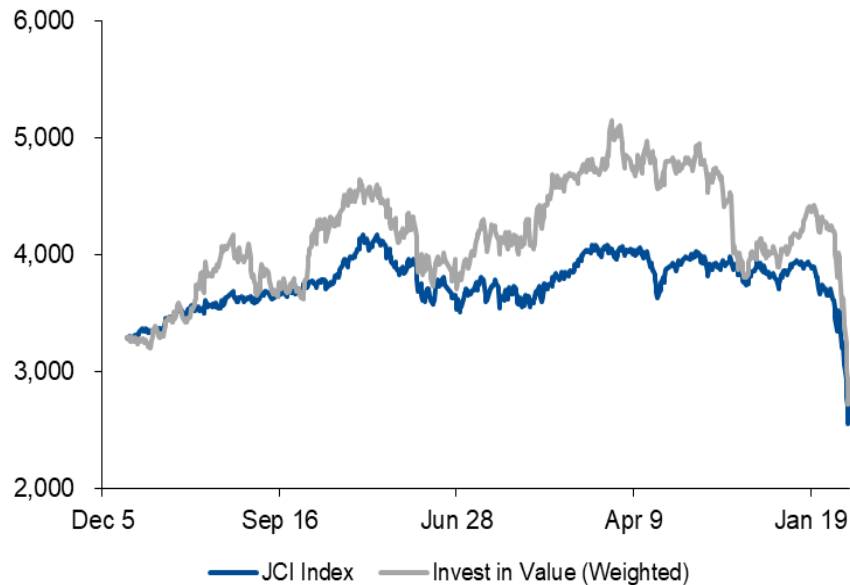
Last Week's INNI Movement

•INNI Index	: 3,912.92 (+13.0%)
INNI Theme 1 (Value)	: 3,335.36 (+13.7%)
INNI Theme 2 (Trend)	: 4,297.95 (+12.7%)

INNI Index Made Double-Digit Growth

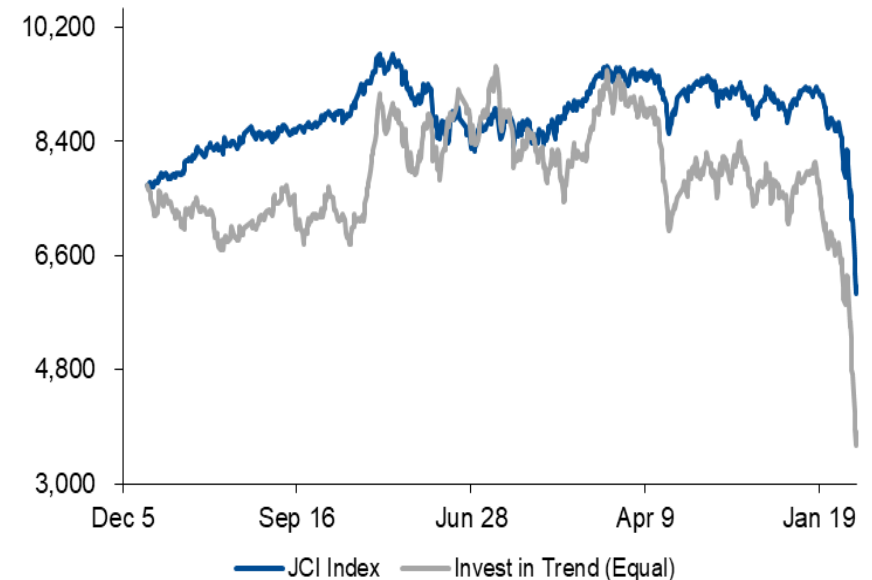
INNI index was as bearish as JCI as its consumer stocks were halted by a minimum limit of auto rejection. We estimate that soft consumption is likely to be a pressure for the consumer sector. To boost consumption, the Indonesian government plans to give direct donations to individuals in desperate poverty against the coronavirus outbreak. But, in the mid-week, INNI was rebound to top JCI, backed by banking and mining stocks. Investors had still an insatiable appetite for banking stocks. They considered banking stocks were attractive because of providing constant dividends and stable earnings, but those stocks were vulnerable to higher NPL due to lagging credit growth. We take into account the fact cautiously and estimate that banking stocks tangled in two-contrast sides will be a short-term downside as the policy of buyback without AGP approval will temper volatile equity markets. Finally, on Friday's trading session of March 27, 2020, INNI index rallied, backed by the basic industry stock: SMGR.

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

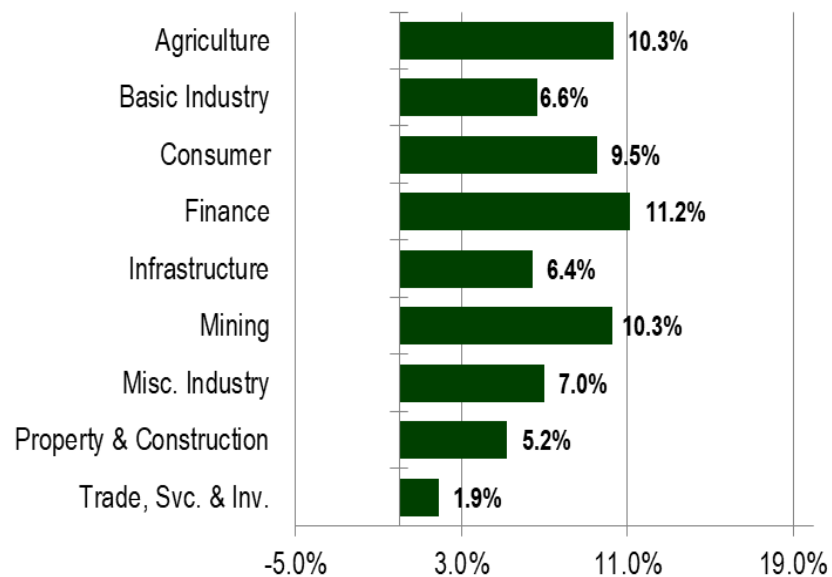
- **JCI's Top Gainers**

JCI's stocks were mostly rebound, and banking stocks led the largest gains of 11.2%. The Financial Service Authority (OJK) estimates that the financial sector remains stable until March 2020 regardless of the vicious spread of COVID-19. The key to this sector's stable performance is positive intermediation. Besides, the banking credit per February 2020 posted a positive growth at 5.49% y-y, backed by investment credits to make the double-digit growth of 10.29% y-y.

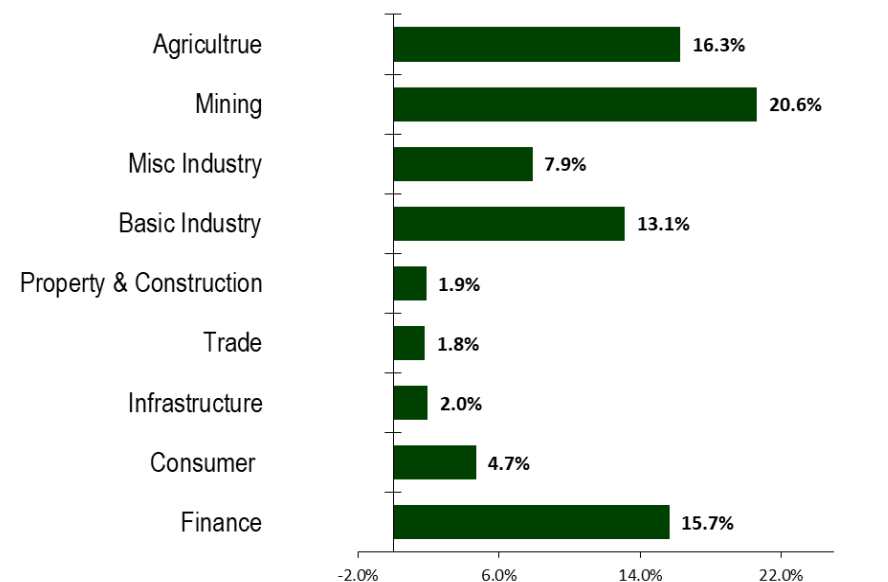
- **INNI Index's Top Gainers**

Mining stocks advanced by 20.6%. Natural hedging strategies succeed to balance well USD-denomination expenses and income amid the USD/IDR depreciation. This backdrop benefits some miners. Nevertheless, some countries (i.e., China, India, South Korea, and Japan) show decreasing demands for coal as source of energy. That proves a negative catalyst for miners.

JCI's Last Week Sectoral Movements



INNI's Last Week Sectoral Movements



This Week Outlook: Telecommunication Sector

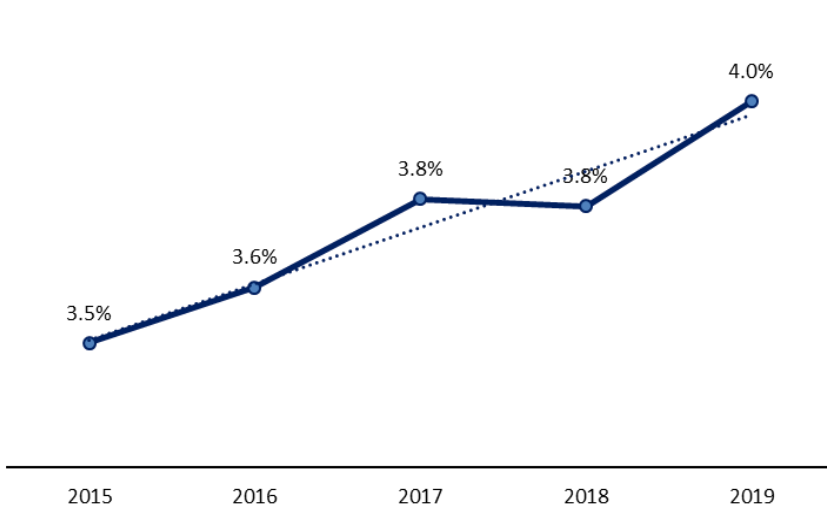
- Information & Communication Sector Contributes Larger Proportion of GDP**

Indonesia's 2019 GDP grew at 5.0% YoY lower than 5.2% in 2018 and the lowest since 2015. Indonesia's 2019 economic structure was dominated spatially by provinces in Java Island to contribute the largest proportion of the GDP, then Sumatera, Kalimantan, Sulawesi, and other islands respectively to make up 21.3%;8.1%;6.3%; and 5.3% proportion of the GDP. The 2019's GDP was made up by different sectors, and the information & communication sector since 2015 accounted for growth higher than 3.5%, backed by online transportation, online shops, and election ads.

- Foreign Movers Are Wobbly amid COVID-19 Pandemic**

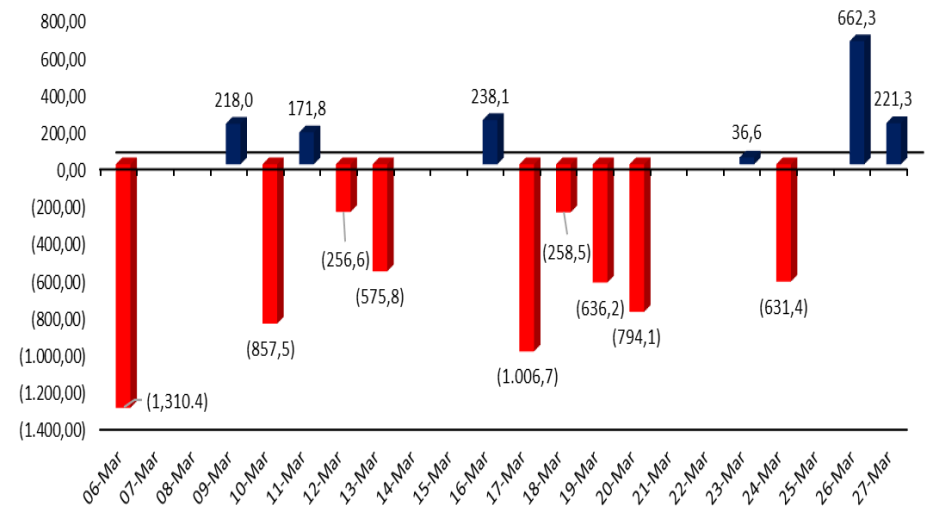
Days of arduous negotiations over the aid measure to shield the US economy against COVID-19 left JCI volatile and bearish on Tuesday's trading session of March 24, 2020 as JCI recorded foreign outflows of IDR883.5 billion. In March, foreign funds of IDR5.2 trillion flew from JCI's stocks, but foreign investors decided to buy JCI's stocks after the US Senate finally passed USD2 trillion coronavirus relief bill. After Day of Silence (Seclusion Day) passed, foreign investors re-invested their funds of IDR662.26 billion in JCI's stocks. In March, TLKM posted foreign outflows of IDR262.14 billion.

Information and Communication Sector Contribution to GDP



Source: Badan Pusat Statistik, NHKSI Research

Foreign Movers - March 2020



Source: Bloomberg, NHKSI Research

This Week Outlook: Telecommunication Sector

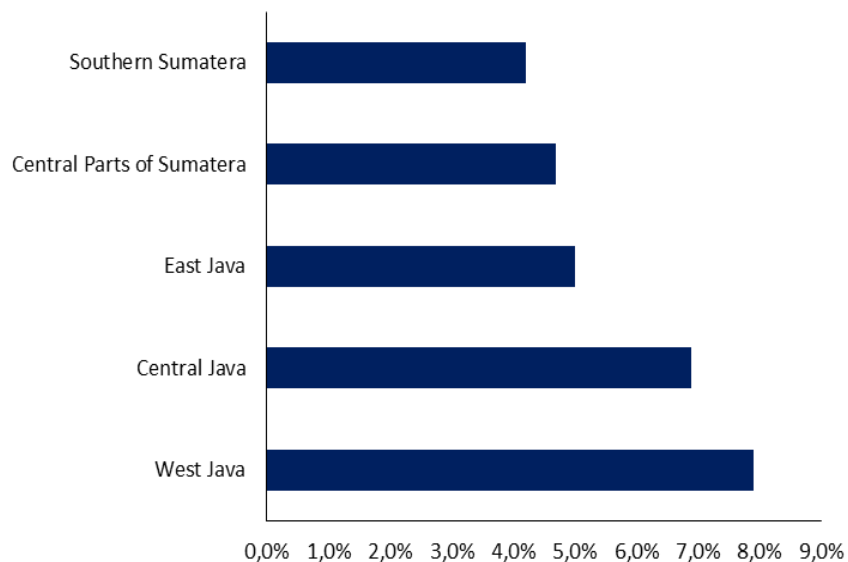
- **WFH Spurs Internet Traffic**

The Indonesian government as of March 2020 urged educational institutions and companies to practice e-learning and work from home (WFH) as the death case and suspects infected by COVID-19 mount. The pandemic is a blessing in disguise for the telecommunication operators; the mandatory WFH spurs March's traffic data for internet connection sharply. Telkomsel is one of the biggest operators recorded internet payload to surge by 5% from February when no policies donated free internet quota for online e-learning, but now data traffic rockets by 236% and the soaring demand for traffic data will last for two weeks.

- **TLKM Expands Networks Outside Java Island**

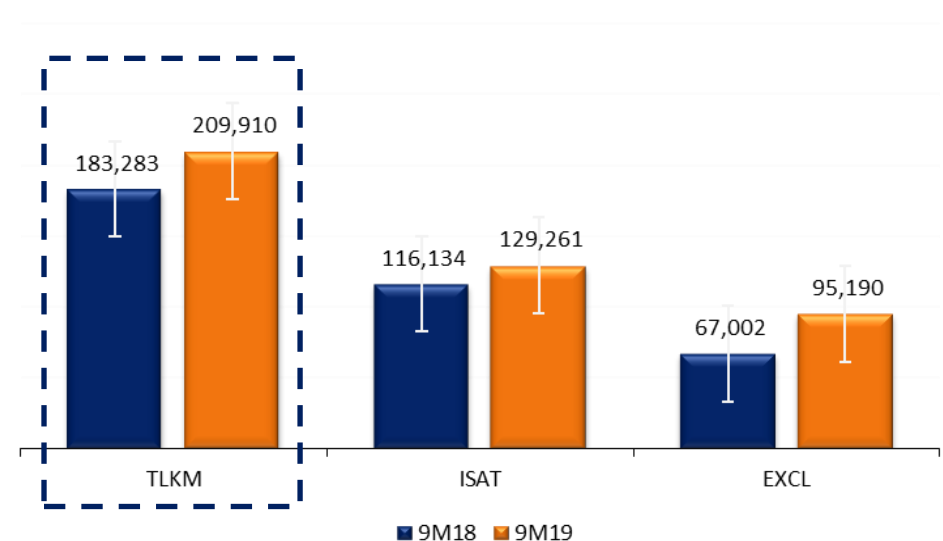
The number of internet users outside Java Island is small; that provides a lucrative opportunity for telecommunication providers to expand their coverage to outside Java. The network coverage is an inevitable boost for corporate performance. PT Telekomunikasi Indonesia Tbk (TLKM) is aggressively expanding its coverage to multiple its users outside Java, particularly Borneo Island where Indonesia's new capital city will be relocated. Telkom's expansion is imitated by its peers PT Indosat Tbk (ISAT) and PT XL Axiata Tbk (EXCL) to offer coverage to areas outside Java.

Five Regions Contributing to Largest Number of Internet Users- March 2020



Source: TELKOMSEL, NHKSI Research

Total BTS Cellular Operators in 9M19



Source: Company, NHKSI Research

Telekomunikasi Indonesia Tbk (TLKM IJ – Telecommunication Sector)

Dec 2020 Target Price	4,330
Consensus Price	4,389
Last Price (IDR) as of Mar 27, 2020	3,090
TP vs. Last Price	40.1%

Revenue Breakdown:	
Interconnection Revenue	25.6%
Internet Data & IT Services Revenue	12.8%
TLKM ARPU Blended	1.6%

IDR bn	FY2019A	FY2020F	FY2021F	FY2022F
Net Rev	144,276	157,093	169,782	178,226
y-y	10.3%	8.9%	8.1%	5.0%
Op. Exp	95,222	106,823	115,452	121,194
Net profit	25,293	25,030	27,611	29,142
EPS (IDR)	255	253	279	294
y-y	40.3%	-1.0%	10.3%	5.5%
ROE	19.8%	18.1%	18.5%	18.1%
P/E	15.0x	17.1x	15.5x	14.7x
P/BV	2.9x	3.1x	2.9x	2.7x

- **NHCSI** recommends TLKM as this week's top-pick stocks estimated to reach the price target of IDR4,330 with the P/E target of 17.1x. The estimate is supported by the increase of 12.8% YoY in 3Q19's revenues posted by the data, internet and IT services.

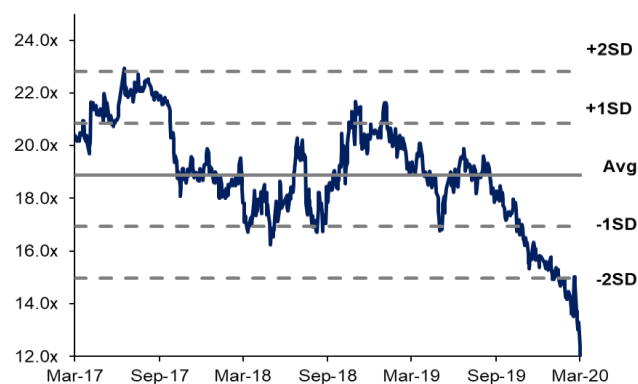
- **Solid Balance Sheet Supports Network Expansion**

Telkom has the strongest balance sheet among its peers' balance sheet as its net gearing of 0.4x was lower than are net gearing of its peers of 1-2x. The low leverage proves Telkom's more flexible network expansion than its peers' expansion. We estimate Telkom's FY20 CapEx to hover at around IDR30 trillion derived from internal cash.

- **3Q19 Performance Rises**

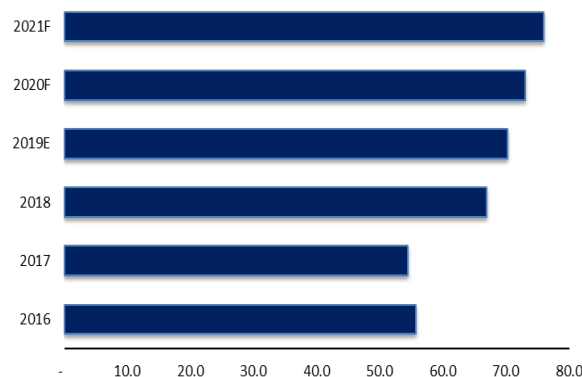
Telkom recorded 3Q19 sales of IDR102.6 trillion rising by IDR 3.4 trillion or a 3.5% YoY increase. The rise was supported by an increase in interconnection revenues to Rp4.8 trillion or a 25.6% increase from 3Q18 revenues of Rp3.8 trillion and a 12.8% YoY increase to IDR66.1 trillion in sales of data, internet, and IT services segment. The efficiency at cost control was reflected in decreasing operational, maintenance, and telecommunication services by 7.1% YoY to IDR31.1 trillion and narrowing general costs by 5.4% YoY to IDR9.7 trillion. Additionally, the efficiency boosted the Company's OPM to reach 49.5% from 3Q18's OPM of 48.3%.

3-Year P/E Trailing Band



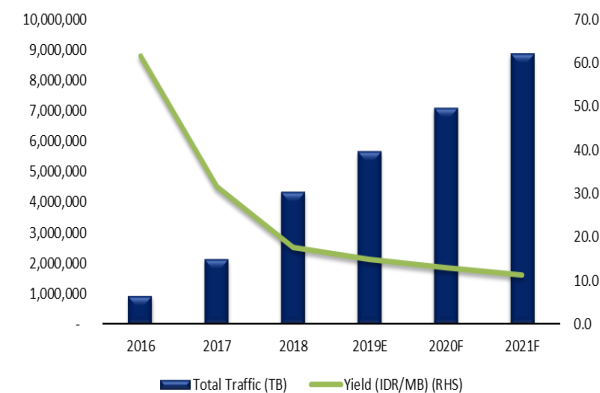
Source : Bloomberg, NHKSI Research

TLKM's Blended ARPU



Source : Company Data, NHKSI Research

Traffic and Yield



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 (%)
Finance														
BBCA	Theme 1	27,550	23,675	32,000	Buy	16.2	16.4%	679.2	23.8x	3.9x	17.5	1.3	13.7	10.5
BBRI	Theme 1	3,230	2,810	4,950	Buy	53.3	14.9%	398.4	11.5x	1.9x	17.7	5.2	11.1	6.3
Consumer														
GGRM	Theme 1	44,000	39,475	61,800	Buy	40.5	11.5%	84.7	9.1x	1.8x	20.5	5.9	16.9	25.8
KINO	Theme 1	2,190	2,350	4,680	Buy	113.7	-6.8%	3.1	6.4x	1.2x	21.2	2.3	34.1	323.0
ICBP	Theme 1	9,975	8,975	12,875	Buy	29.1	11.1%	116.3	23.4x	4.9x	22.2	1.4	11.2	11.4
KLBF	Theme 1	1,010	980	1,430	Buy	41.6	3.1%	47.3	18.4x	3.1x	17.6	2.6	7.3	6.2
Infrastructure														
TLKM	Theme 1	3,090	2,880	4,330	Buy	40.1	7.3%	306.1	15.1x	3.1x	21.3	5.3	3.5	15.6
JSMR	Theme 1	2,600	2,690	6,000	Buy	130.8	-3.3%	18.9	9.8x	1.0x	11.3	1.8	(22.8)	(15.2)
Trade														
UNTR	Theme 2	15,500	14,850	20,000	Buy	29.0	4.4%	57.8	5.1x	1.0x	20.2	8.0	(0.2)	1.7
MAPI	Theme 2	472	476	1,300	Buy	175.4	-0.8%	7.8	9.6x	1.3x	14.8	2.1	11.4	14.7
Property														
CTRA	Theme 2	482	555	1,390	Buy	188.4	-13.2%	8.9	8.8x	0.6x	7.2	2.1	(0.7)	(28.9)
WSKT	Theme 2	510	452	2,600	Buy	409.8	12.8%	6.9	7.4x	0.4x	5.2	14.3	(35.7)	(76.3)
WIKA	Theme 2	880	830	2,500	Buy	184.1	6.0%	7.9	3.5x	0.5x	14.6	4.4	(12.7)	32.0
Basic Ind.														
SMGR	Theme 1	7,975	7,050	14,300	Buy	79.3	13.1%	47.3	19.8x	1.5x	7.5	2.6	31.5	(22.4)
Misc Ind.														
ASII	Theme 1	4,080	3,780	8,600	Buy	110.8	7.9%	165.2	7.6x	1.1x	15.2	5.2	(0.9)	0.2
Mining														
TINS	Theme 2	432	380	800	Buy	85.2	13.7%	3.2	22.8x	0.5x	1.6	5.8	114.6	N/A
PTBA	Theme 2	2,040	1,800	2,300	Hold	12.7	13.3%	23.5	5.5x	1.3x	23.7	16.6	2.9	(22.2)
INCO	Theme 2	2,000	1,510	4,200	Buy	110.0	32.5%	19.9	21.3x	0.6x	3.0	N/A	0.7	(4.9)
ANTM	Theme 2	460	374	1,100	Buy	139.1	23.0%	11.1	13.7x	0.6x	4.1	2.8	23.0	(11.1)
Agriculture														
AALI	Theme 2	5,500	4,730	15,600	Buy	183.6	16.3%	10.6	50.1x	0.6x	1.1	4.1	(8.5)	(85.3)

Source : Bloomberg, NHKS Research

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