

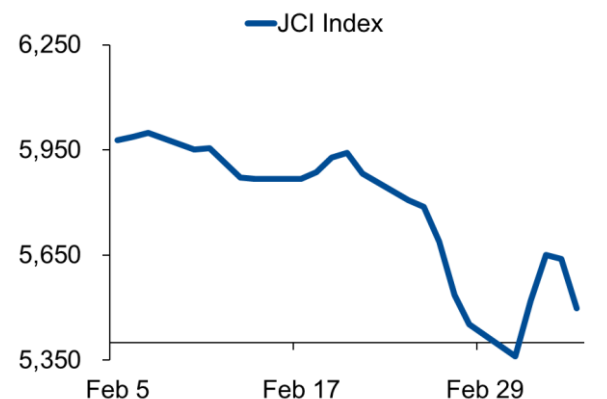
Weekly Brief (March 09th – 13th)

Summary:

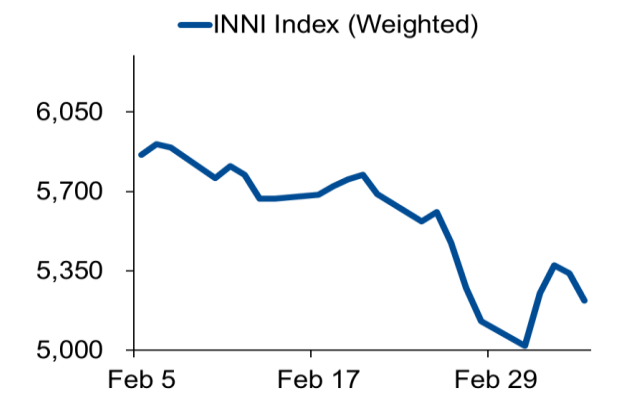
Last week review: the Indonesian government rolls out economic incentives to temper upheaval caused by coronavirus crisis. The preemptive stance aligning with the Fed's sudden dovish stance of trimming benchmark rates to keep economy stable underlined JCI's mixed paces in last week.

This week's outlook: coronavirus crisis throws all-across industries' activities disarray, including the pharmaceutical industry whose production banks on Chinese and India imported raw materials. Nonetheless, the crisis is a blessing in disguise for that industry as consumers' voracious consumption of vitamins and food supplements are ubiquitous and therefore we pencil in the pharmaceutical makers are capable of achieving conservative growth lasting for short to middle terms. Indeed, economic incentives to whet consumers' appetite for buying potentially gear up the industry's performance. NHKSI recommends KLBF as this week's top-pick stock estimated to attain the price target of IDR1,780 based on a 30.2x P/E trailing band.

JCI - one month



INNI Index – one month



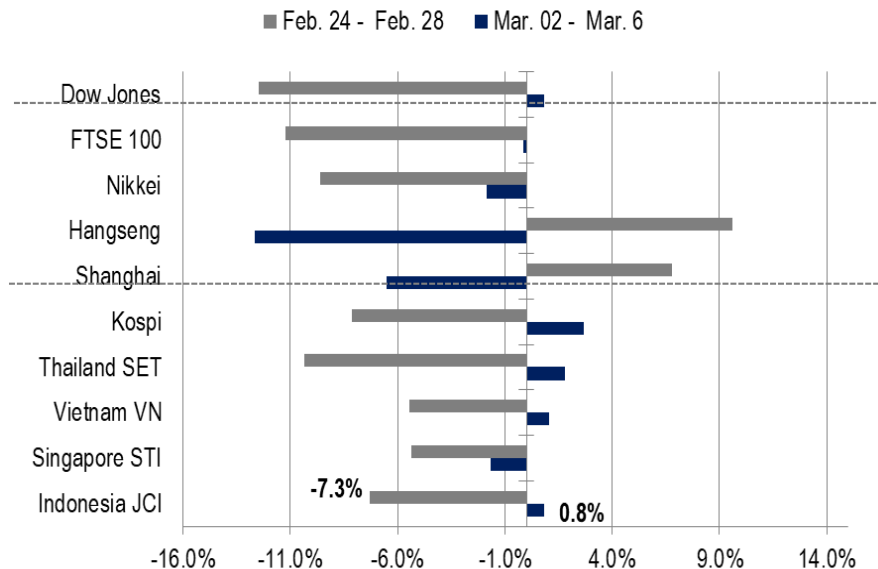
Last Week's JCI Movement

- JCI Index : 5,498.54 (+0.8%)
- Foreign Flow : *Net sell* of IDR1.7 trillion (Vs. last week's net sell of IDR4.1 trillion)
- USD/IDR : 14,243 (-0.52%)
- Yields of sovereign bond with 10-years tenor : 6.749% (-20.20 bps)

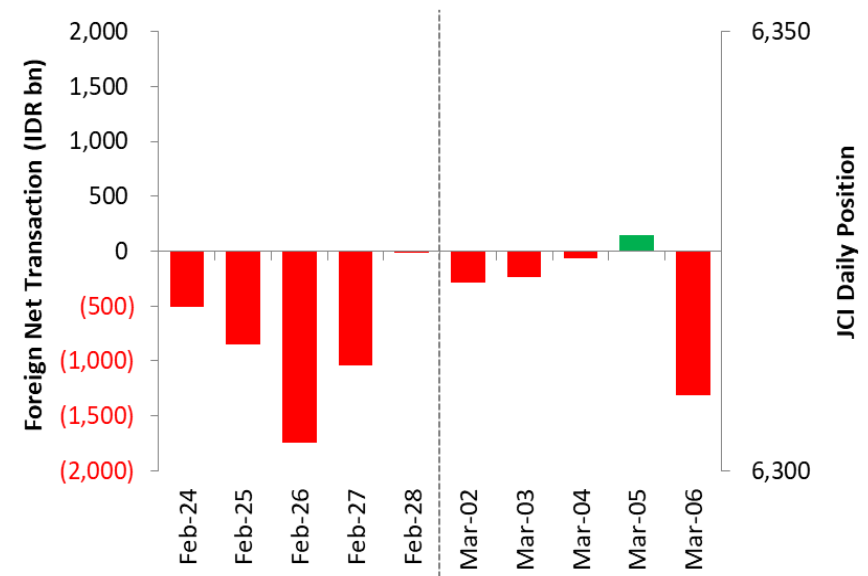
JCI Nudged Up

JCI was rebound in the early weekend after it was in the red for 7 consecutive days. Gold continued to be bullish, and CPO was also rebound following a better trade relationship between Malaysia and India. Turning to the global backdrop, the Fed initially viewing the US solid economic state took a sudden dovish stance of trimming its benchmark rates by 50 bps to 1%-1.25% to temper lethal threats of the crisis on the US economy. JCI continued to be bullish in the midweek, supported by economic incentives rolled out by the government. The Indonesian government had initially disbursed funds to boost the tourism sector and then injected the second stimulus package to maintain stable good supplies through exports and imports. JCI on Friday of March 6 was weak and retreated after the US government disclosed the spread of coronavirus outbreak in New York and San Francisco and surging death toll of that infectious pandemic.

Global Market Movement



Foreign Net Flow – Last 10 Days



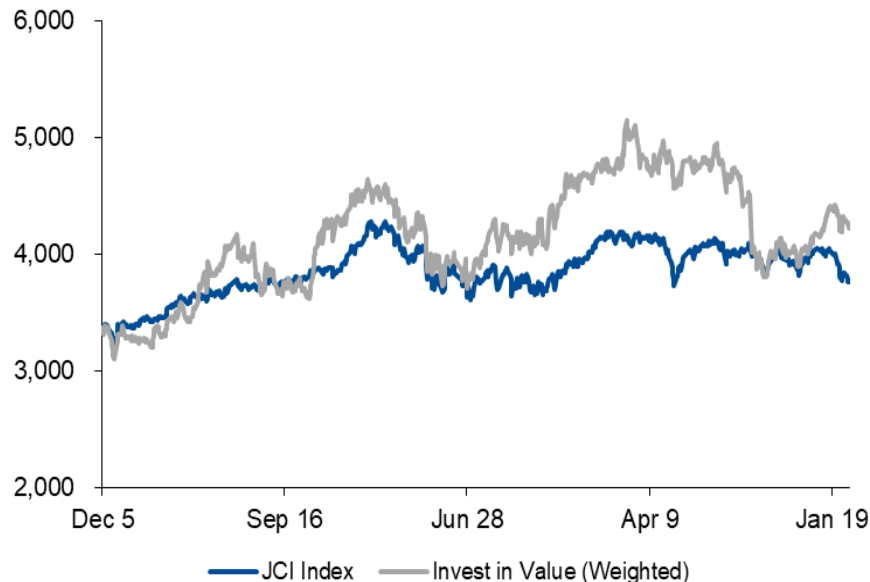
Last Week's INNI Movement

•INNI Index	: 5,218.08 (+1.7%)
INNI Theme 1 (Value)	: 3,874.40 (-1.9%)
INNI Theme 2 (Trend)	: 6,113.86 (+3.3%)

INNI Index Was Rebound

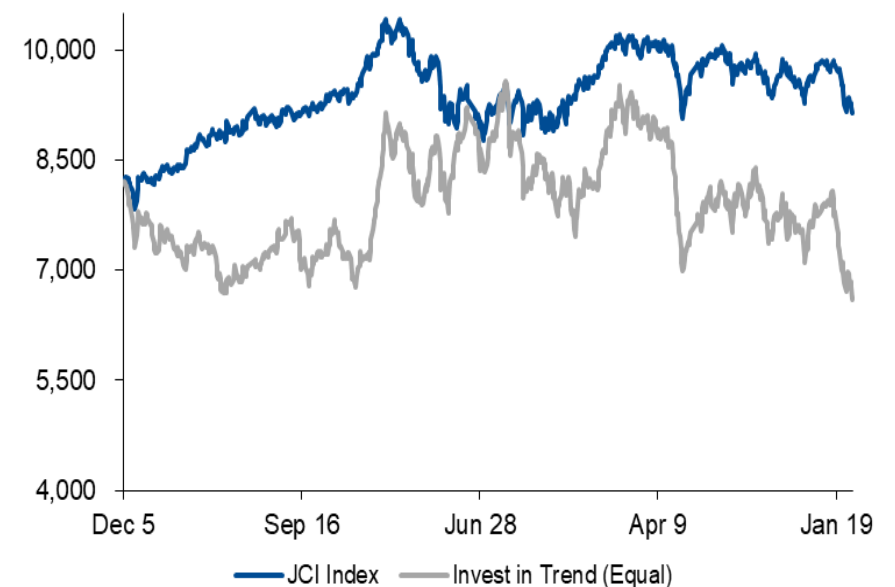
INNI index showed a rebound in the early week as all of its stock portfolios rallied, with INCO to secured the largest gains of 8.8%. INCO still put serious endeavors to succeed its divestment goal even though it must conquer problems of the volatile equity market. The divested stocks will be bought by MIND ID, a state-owned holding miner, and completed in IH20. INNI Index rallied further in the midweek thanks to TLKM and KLBF's rally. TLKM rallies as it succeeds to reign in the position of top foreign buy for a week; meanwhile, KLBF's bullish mood was underlined by the government's urge to live up health and safety precautions against lethal threats of coronavirus. But, on Friday of March 06, stocks of INNI index virtually retreated, excluding ICBP and MAPI to close Friday's trading session at flat.

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



Source: Bloomberg, NHKSI Research

Theme 2. Investments in Trend (10 Stocks) – Policies Base



Source: Bloomberg, NHKSI Research

Last Week Sectoral Review

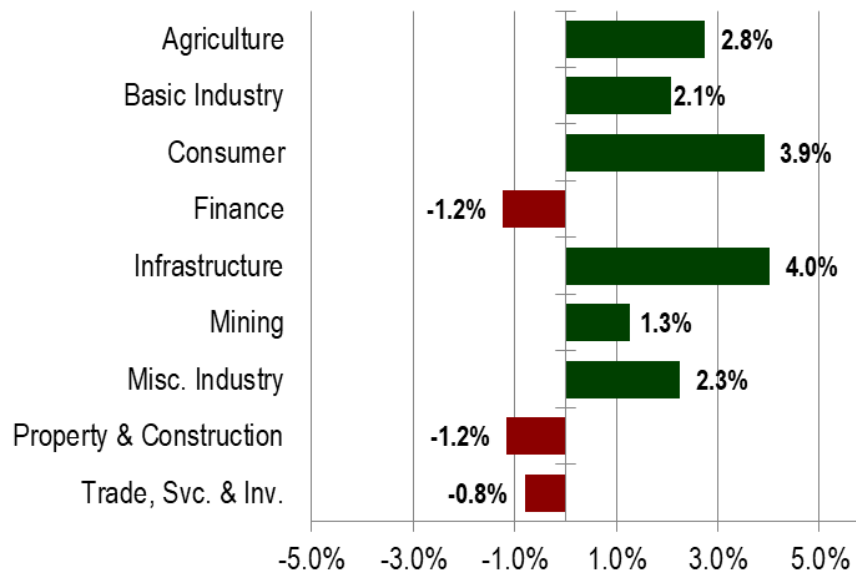
- **JCI's Top Gainers**

Stocks of JCI's all across sectors virtually rallied, and stocks of the infrastructure industry won the largest gains of ~4%. TLKM to advance by 7.4% and post 5-day foreign inflows in a row depicted the bullish infrastructure stocks. Telkomsel, a subsidiary of TLKM, and Microsoft are working toward their goal of building a strategic partnership to implement the cutting-edge technology enabling both remote areas and big cities across Indonesia to have equal access to LTE bandwidths. We pencil in that strategic partnership is a boost for TLKM's expansive business.

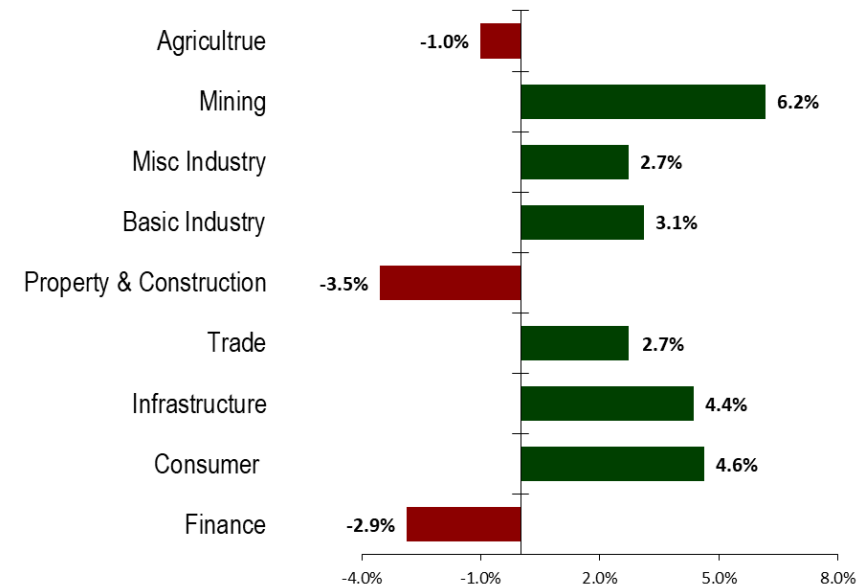
- **INNI Index's Top Gainers**

Stocks of miners secured the largest gains of ~6.2%. PTBA proved simple better performance than the rest by winning a 9.4% gain during last week as PTBA's public statements displayed its 2019 sales to hike 13% equal to a 27.8 million ton increase from 2018's sales.

Last Week's JCI Sectoral Movement



Last Week's INNI Sectoral Movement



This Week's Outlook: Pharmaceutical Sector

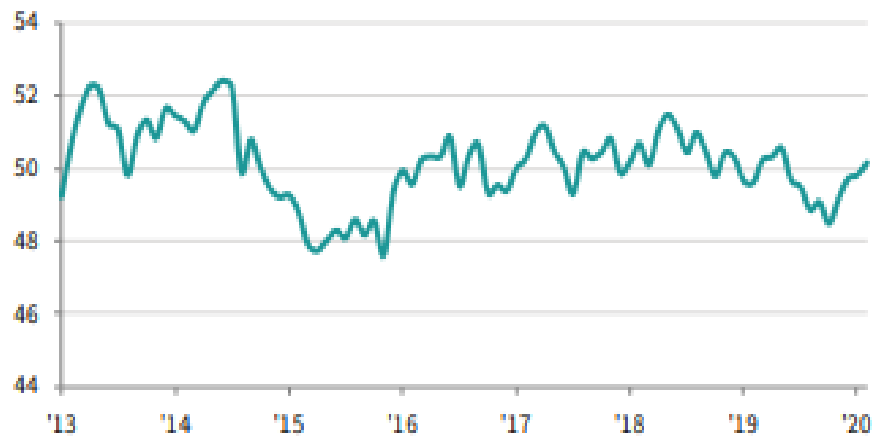
- **Indonesia's Manufacturing PMI Is Resilient to Lethal COVID-19**

The IHS Markit Indonesia Manufacturing PMI in February finally rose after an 8-month steep pace; the Feb. reading boasted of its level at 51.9 from 49.3 in Jan. That proved Indonesia's manufacturing sector resilience against worldwide infectious COVID-19, while the manufacturing sectors of neighboring countries were weakened by the pandemic. Upbeat domestic demands, higher gear production, more laborers drove Indonesia's manufacturing industry to outperform, but it cautiously checks the adequate stockpiles of raw materials for production.

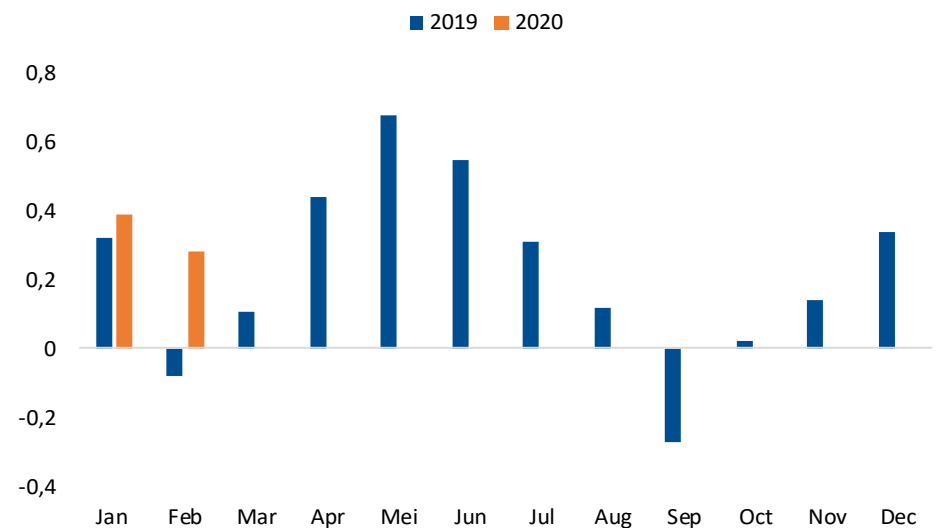
- **CPI Slows in February**

Statistics Indonesia on Monday of March 02, 2020 displayed the Consumer Price Index (CPI) to stand at 0.28% m-m in February. That level was lower than Jan. level of 0.39% m-m. The foodstuffs, beverages, and tobaccos made up the largest proportion of 0.95% to Feb. inflation. Furthermore, transportation recorded a 0.37% decline due to lower prices of Pertamina octane number (RON) 92, and turbo as well as lower airline tariffs. Those decreases lagged inflation's paces as the rainy season, COVID-19 outbreak and soft consumption to weaken supply and demand left Feb. inflation lower.

Indonesia's Service Activity Indexes



Monthly Inflation Rates



This Week's Outlook: Pharmaceutical Sector

- Indonesian Government Endeavors to Whet Appetite for Consumption**

The Fed, Reserve Bank of Australia (RBA), and Bank Negara Malaysia retained dovish monetary policies as they trimmed their benchmark rates to keep their economies immune from lethal threats of COVID-19. Indonesia following other central banks' supports for more resilient economies rolls out development incentive programs (i.e., funds for vocational education equipping job seekers with adequate skills, additional funds for staple food program & subsidized housing, and unchanged electricity tariffs). Those incentives whet consumers' appetite for purchasing to be discouraged by fears of COVID-19 outbreak.

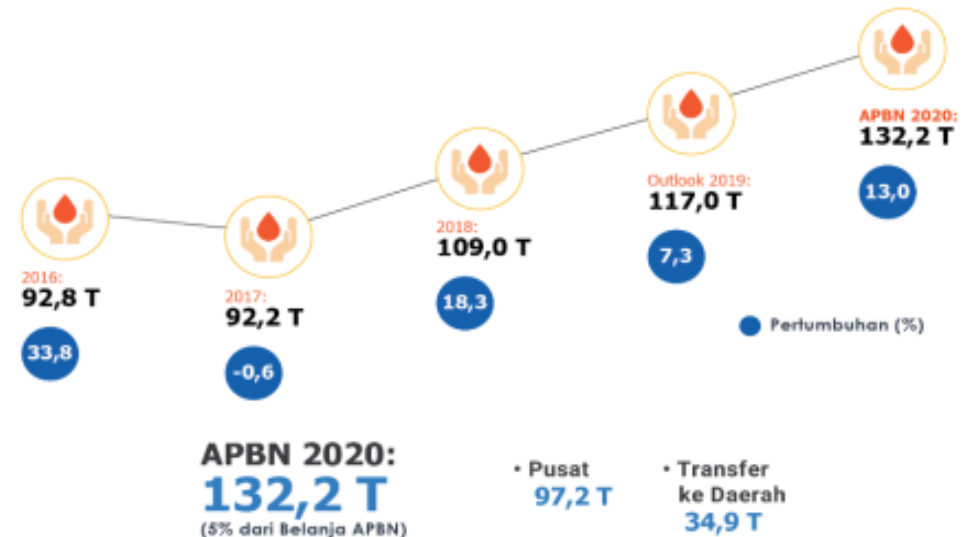
- Pharmaceutical Industry Remains Sound**

Mounting fears of COVID-19 pandemic to paint extremely bleaker global economic prospect is a lethal blow for all across industries, including the pharmaceutical industry whose production heavily banks on Chinese and India imported raw materials. The depreciated rupiah puts heavier burden on the industry; nevertheless, the Indonesian government's urge to carry healthy and safety precautions against infectious COVID-19 relieves pharmaceutical makers' anxiety over their gloomier outlook as the urge escalates demands for vitamins and food supplements; not to mention that more funds allocated for 2020's health budget is a fortune for the industry. We estimate those positive catalysts will last for short to middle terms.

Economic Incentive Packages

Economic Policy Packages	
1	"Pre-Work Card" Program Starting in March 2020
2	Basic Food Card Program
3	Home Loan Interest Subsidy
4	Incentives for the tourism industry for 10 priorities tourist destinations
5	Incentives for the airlines industry
6	Pertamina offered a discounted price of Avtur
7	Reallocate the Special Allocation Fund (DAK) budget for infrastructure development
8	Exemption from Hotel and Restaurant Tax in 10 Priority Travel Destinations

2020's Government Budget Allocated for HealthCare Coverage



Kalbe Farma Tbk (KLBF IJ – Pharmaceutical Sector)

Dec 2020 Target Price	1,780
Consensus Price	1,562
Last Price (IDR) as of Mar 06, 2020	1,235
TP vs. Last Price	44.1%

Revenue Breakdown:	
Distribution & Packaging	31.5%
Nutritional Food	27.5%
Prescription Drugs	23.3%
Consumer Health	17.7%

IDR bn	FY2018	FY2019E	FY2020E	FY2021E
Revenue	21,074	22,495	23,744	25,060
y-y	4.4%	6.7%	5.6%	5.5%
Net Profit	2,457	2,651	2,771	2,982
y-y	2.2%	7.9%	4.5%	7.6%
EPS	11.7%	11.8%	11.7%	11.9%
P/E	52	57	59	64
P/BV	32.2x	26.9x	25.3x	23.5x

5-Year P/E Trailing Band



Source : Bloomberg, NHKSI Research

- **NHKS**I recommends KLBF as this week's top-pick stock estimated to attain the price target of IDR1,780 based on a 30.2x P/E trailing band. We maintain BUY recommendation on grounds of Indonesian policy makers' economic incentives and upbeat demands for food supplements and vitamins to stay healthy from infectious COVID-19.

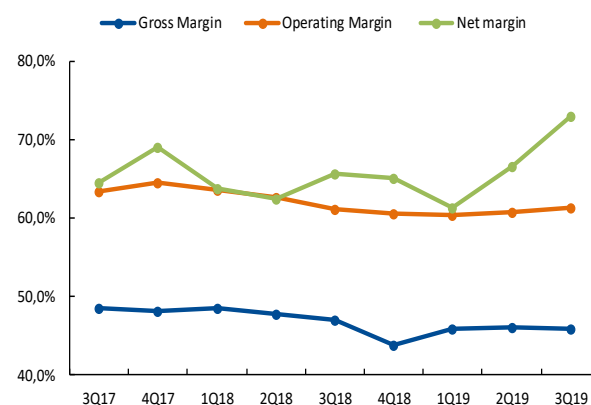
Net Profits Grow Little

KLBF's FY19 indicative financial statements disclosed sales to grow by 7.4% y-y to IDR22.6 trillion from IDR21 trillion in FY18; nevertheless, net profits to slowly increase only by 1.7% or IDR2.4 trillion. Based on the segmental breakdown, the distribution & logistics segment achieved the first's largest revenues of 15.7% or outperforming consolidated growth; then, the prescription and nutritional segments positioned as the second and third largest revenue makers by posting a 7.1% growth 5.0% growth, respectively. In contrast to those three segments' sound performance, the consumer health segment made poor performance as it posted a 2.8% decrease in sales. We oversee KLBF's sound performance of maintaining OpEx ratio stable at 30%-32%.

KLBF Innovates New Biologic Medications

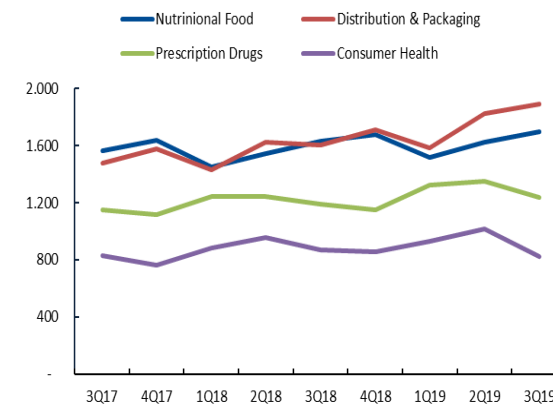
KLBF spent IDR1 trillion worth of Epoetin Alfa biologic medications to treat anemia and cooperated with Genexine, Inc., a Korean clinical stage biotechnology company to incorporate a joint venture PT Kalbe Genexine Biologics whose 60% of stocks are owned by KLBF, while the remaining 40% is owned by Genexine, Inc. KLBF officially commercializes Epoetin Alfa injection in 2020, and upon its national commercialization, the injection in 2023 will be exported to Southeast Asia, East Asia, Australia, Taiwan, and Korea.

KLBF's Margin Ratio



Source : Company Data, NHKSI Research

Segmental Breakdown



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	31,000	31,450	32,000	Hold	3.2	-1.4%	764.3	26.8x	4.4x	17.5	1.1	13.7	10.5
BBRI	Theme 1	4,010	4,190	4,950	Buy	23.4	-4.3%	494.6	14.3x	2.4x	17.7	4.2	11.1	6.3
Consumer														
GGRM	Theme 1	50,400	51,000	61,800	Buy	22.6	-1.2%	97.0	10.5x	2.0x	20.5	5.2	16.9	25.8
KINO	Theme 1	3,110	2,780	4,680	Buy	50.5	11.9%	4.4	9.0x	1.7x	21.2	1.6	34.1	323.0
ICBP	Theme 1	10,950	10,275	12,875	Buy	17.6	6.6%	127.7	25.6x	5.3x	22.2	1.3	11.2	11.4
KLBF	Theme 1	1,235	1,220	1,780	Buy	44.1	1.2%	57.9	22.5x	3.8x	17.6	2.1	7.3	6.2
Infrastructure														
TLKM	Theme 1	3,750	3,490	4,700	Buy	25.3	7.4%	371.5	18.3x	3.7x	21.3	4.4	3.5	15.6
JSMR	Theme 1	4,740	4,680	6,000	Buy	26.6	1.3%	34.4	17.8x	1.9x	11.3	1.0	(22.8)	(15.2)
Trade														
UNTR	Theme 2	17,300	16,600	26,300	Buy	52.0	4.2%	64.5	5.7x	1.1x	20.2	7.1	(0.2)	1.7
MAPI	Theme 2	810	800	1,300	Buy	60.5	1.3%	13.4	16.4x	2.3x	14.8	1.2	11.4	14.7
Property														
CTRA	Theme 2	885	945	1,390	Buy	57.1	-6.3%	16.4	16.2x	1.1x	7.2	1.1	(0.7)	(28.9)
WSKT	Theme 2	975	975	2,600	Buy	166.7	0.0%	13.2	9.5x	0.7x	7.8	7.5	(39.2)	(69.4)
WIKA	Theme 2	1,795	1,875	2,500	Buy	39.3	-4.3%	16.1	7.2x	1.0x	15.3	2.2	(12.9)	57.3
Basic Ind.														
SMGR	Theme 1	10,800	10,475	14,300	Buy	32.4	3.1%	64.1	28.0x	2.1x	7.5	1.9	31.1	(38.1)
Misc Ind.														
ASII	Theme 1	5,675	5,525	8,600	Buy	51.5	2.7%	229.7	10.6x	1.6x	15.2	3.7	(0.9)	0.2
Mining														
TINS	Theme 2	600	575	800	Buy	33.3	4.3%	4.5	31.6x	0.7x	1.6	4.2	114.6	N/A
PTBA	Theme 2	2,450	2,240	2,300	Hold	(6.1)	9.4%	28.2	6.6x	1.5x	23.7	13.9	2.9	(22.2)
INCO	Theme 2	2,570	2,450	4,200	Buy	63.4	4.9%	25.5	30.9x	0.9x	3.0	N/A	0.7	(4.9)
ANTM	Theme 2	610	575	1,100	Buy	80.3	6.1%	14.7	18.2x	0.7x	4.1	2.1	23.0	(11.1)
Agriculture														
AALI	Theme 2	9,700	9,800	15,600	Buy	60.8	-1.0%	18.7	88.4x	1.0x	1.1	2.3	(8.5)	(85.3)

Source : Bloomberg, NHKS Research

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