

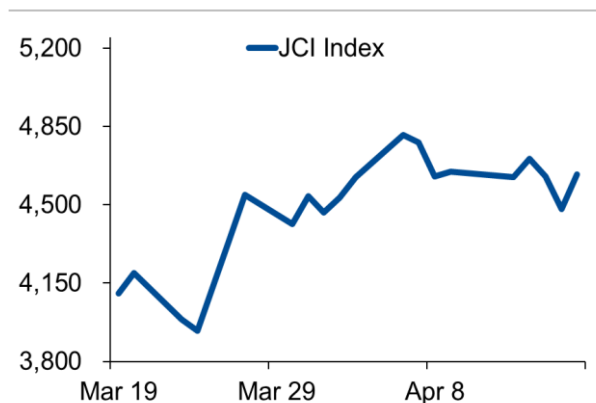
Weekly Brief (April 20th – 24th)

Summary:

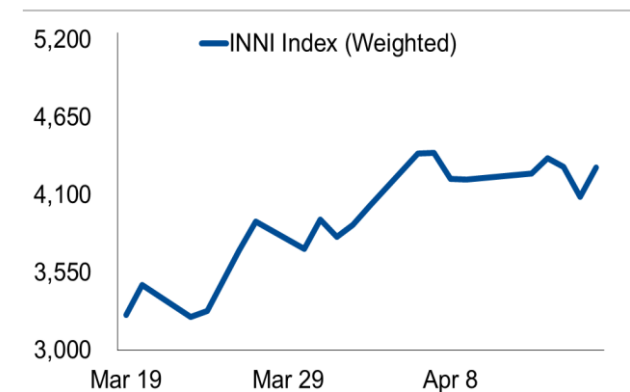
Last week review: Last week's summary: JCI moved mixed, driven by domestic sentiments, i.e., BI's unchanged BI-7DRRR, Quantitative Easing (QE), and March's trade balance surpluses. Additionally, OPEC's output curb was a positive sentiment for JCI. Despite those positive sentiments, JCI still gave up foreign funds.

This week's outlook: President Joko Widodo revised the 2020 state budget to contain the virus spread and stimulate economic growth. The budget allocated for Ministry of Education and Culture as well as Ministry of Health were subject to higher revisions by 95% and 33%, respectively. The higher budget allocation for those two ministries trimmed the infrastructure budget to lead delays in the completion of infrastructure projects. The Financial Services Authority (OJK) and IDX regulations of stock buyback without AGM is a stimulus for JCI. WIKA, WSKT, PTPP, and ADHI to include in BUMN Karya actively participated in stock buyback in order to cushion market volatility and boost stock price liquidity. WIKA recorded FY19's higher profit of 26%, backed by projects from Joint Operation (JO) and Operational Cooperation (KSO). WIKA's positive cash flow enables it to perform stock buyback without disturbing internal financial performance. NHKSI recommends WIKA as this week's top stock pick estimated to reach the price target of IDR1,770 based on an 8.1x P/E trailing band.

JCI - one month



INNI Index – one month



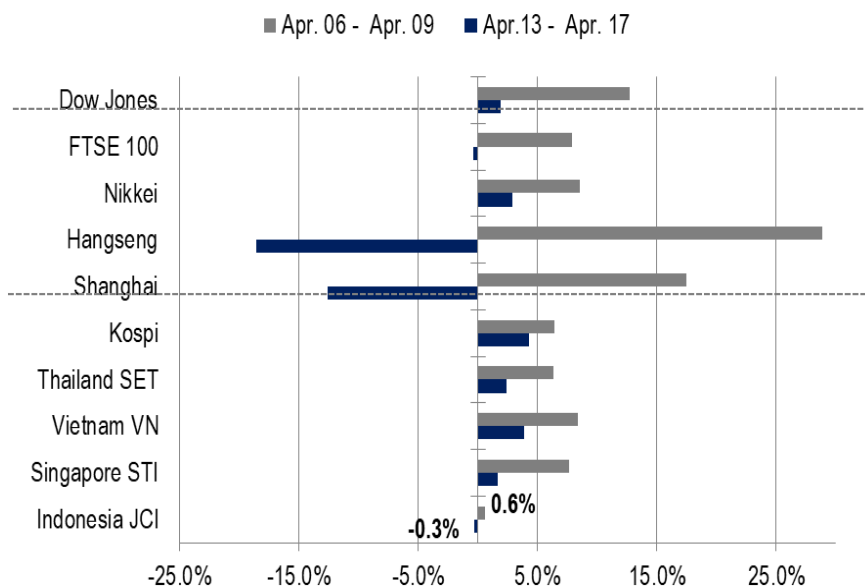
Last Week's JCI Movement

- JCI Index : 4,634.82 (-0.31%)
- Foreign Flow : Net sell of IDR2.2 trillion (vs. last week's net sell of IDR1.5 trillion)
- USD/IDR : 15,465 (+3.35%)
- Yields of sovereign bond with 10-years tenor : 7.924% (-11.10 bps)

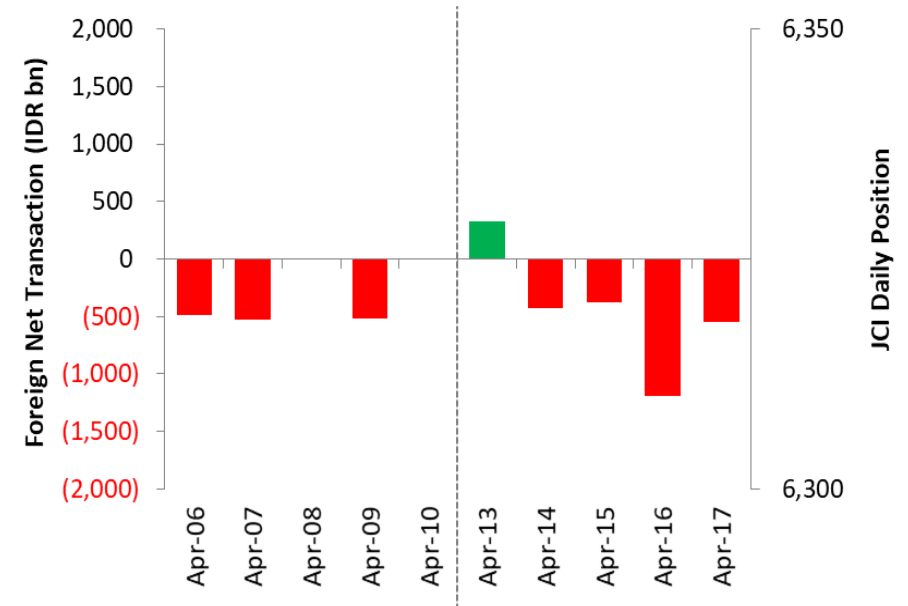
JCI Edged Down

Investors positively responded to BI's decision to hold BI-7DRRR unchanged at 4.5%, while expanding looser monetary operations, i.e, term-repo facilities for banking and corporation sectors, relaxed GWM (the Average Primary Reserve Requirement), and relaxing additional deposit obligation for Macroprudential Intermediation Ratio (MIR). In the global economic backdrop, OPEC's May-to-June output curb of 9.7 million barrel per day (bpd) or equal to a 10% global output was a positive catalyst for JCI. Those domestic and global catalysts were boosts for JCI's moves in the green in the early week. Furthermore, March's trade balance announced by Statistics Indonesia (BPS) on Wednesday of April 15, 2020, recorded a surplus of USD740 million as exports of USD14.09 billion (-0.20% y-y) surpassed imports of USD13.35 billion (-0.75% y-y). BPS explained import contraction was attributable to imported raw materials and capital goods: a portrayal of the manufacturing industry contraction. PMI contraction, followed by foreign outflows left JCI bearish in the middle week. On Friday's trading session of April 17, 2020 JCI was rebound.

Global Market Movement



Foreign Net Flow – Last 10 Days



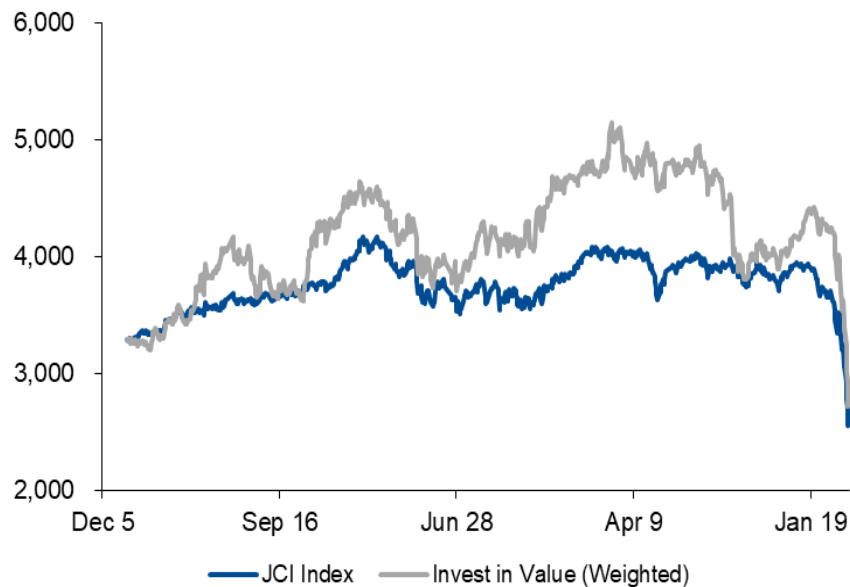
Last Week's INNI Movement

•INNI Index	: 4,296.67 (+2.1%)
INNI Theme 1 (Value)	: 3,305.24 (-2.4%)
INNI Theme 2 (Trend)	: 4,957.62 (+4.2%)

INNI Index Edged Up

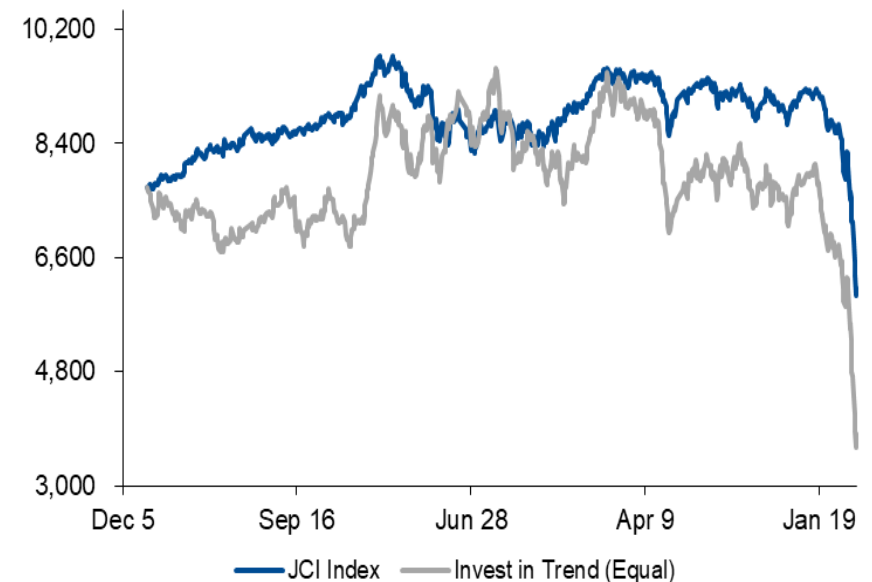
Stocks of consumer goods--KLBF and KINO--supported INNI Index's early week gains. In 2019, KINO posted positive growth by posting a 29.5% growth in revenue, while KLBF to cooperate with foreign pharmaceutical focuses on production of COVID-19 medicines. INNI Index in the middle week gave up gains, held back by its mining stocks--PTBA and ANTAM. On Friday's trading session of April 17, 2020, INNI Index outperformed JCI as its consumer goods and retail stocks led gains.

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

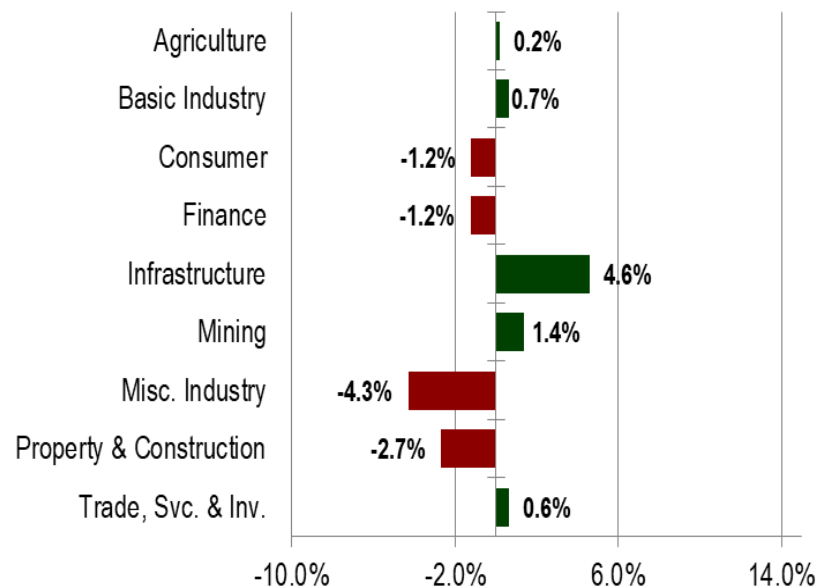
- JCI's Top Gainers**

Stock of miscellaneous industry gave up the largest gains of 4.3% last week. ASII-- the stock of miscellaneous industry accounted for a 7.1% decrease. The Association of Indonesia Automotive Manufactures (Gaikindo) managed by Astra unveiled 4W wholesale sales instead of retail sales in 1Q20 to hit 129,715 units of a 3.36% y-y decrease. Of note, 4W wholesale sales only included sales from the factory to brand retailer instead of direct sales to consumers.

- INNI Index's Top Gainers**

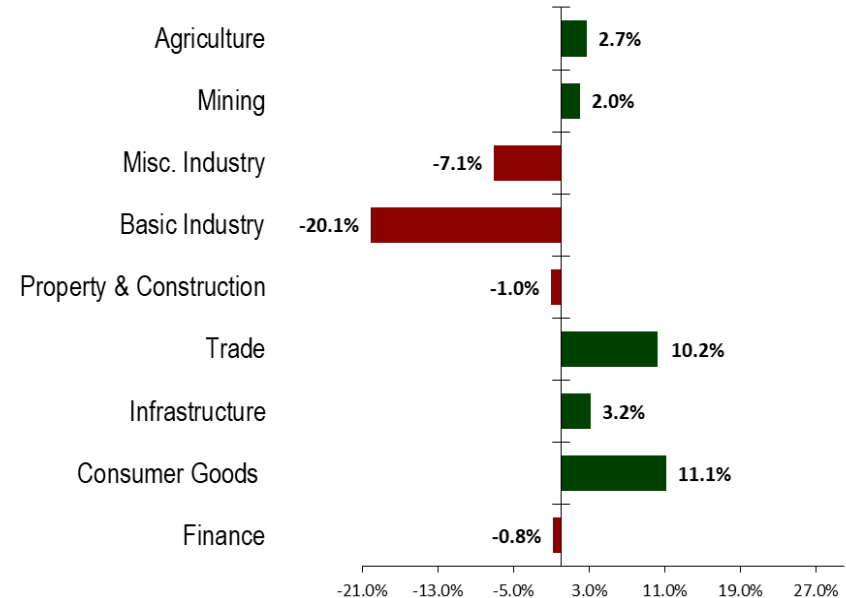
The basic industry sector gave up the largest gains of 20.1% among other sectors listed in INNI Index. SMGR-- one of basic industry stocks--focuses on establishing a joint venture by cooperating with six village-owned enterprises (Badan Usaha Millik Desa/BUMDes) in Rembang, East Java. SMGR holds 52% stock ownership of the joint venture, while the remaining 48% is owned by BUMDes.

Last Week's JCI Sectoral Movement



Source: Bloomberg, NHKSI Research

Last Week's INNI Sectoral Movement



Source: Bloomberg, NHKSI Research

This Week's Outlook: Construction Sector

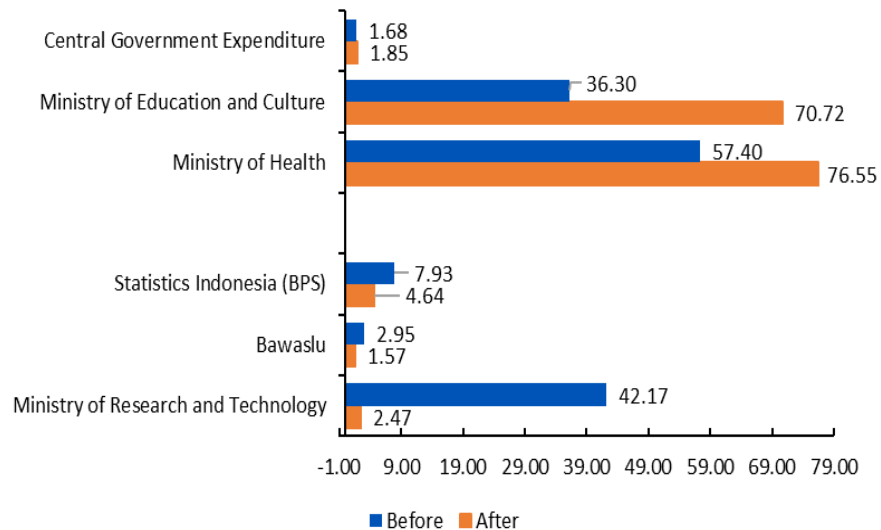
- **Jokowi Re-allocates Budget**

Jokowi signed Presidential Regulation Number 54/2020 on Revisions to the 2020 State Budget and re-allocated budgets for containing the coronavirus as well as stimulating the hit-hardest economy. There are 86 organizations and governmental bureaus to revise their budgets. Ministry of Research and Technology, the General Elections Supervisory Agency (Bawaslu), and Statistics Indonesia significantly trimmed their initial budget by 94%, 47%, and 41%. Ministry of Education and Culture, Ministry of Health, and Central Government Expenditure were subject to higher revisions by 95%, 33%, and 10% from the initial budget.

- **SRO Unveils Relief Policies**

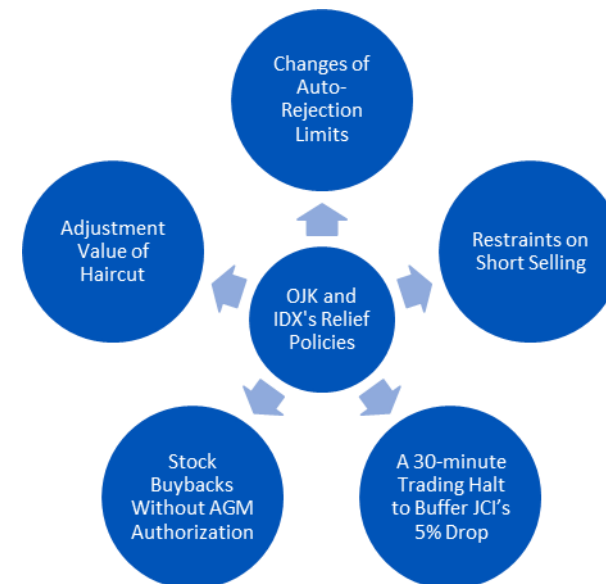
The Financial Authority Services (OJK) and Indonesia Stock Exchange (IDX) as Self-Regulatory Organization (SRO) unveiled relief policies to stimulate JCI with respect to impacts of the virus severity and duration. Such policies are changes of auto-rejection limits, a 30-minute trading halt to buffer JCI's 5% drop, restraints on short selling, stock buybacks without AGM authorization. Extensive regulations to govern stock buybacks are stock repurchases amounting to 10%-20% of paid-up capital, a 7.5% outstanding shares minimum, cash instead of debt to repurchase stocks, determine periods of and details about stock buybacks.

Three Highest of Re-allocated Budgets by Percentage (in IDR tn)



Source: Ministry of Finance, NHKSI Research

OJK and IDX's Relief Policies



Source: OJK, NHKSI Research

This Week's Outlook: Construction Sector

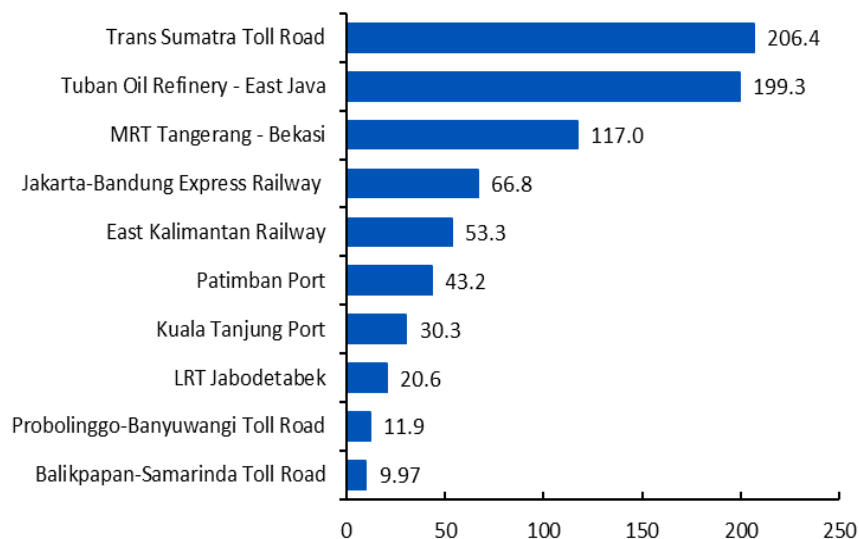
• Infrastructure Projects Is Likely to Be Delayed

The infrastructure budget is still subject to reallocation; for example, the 2020 State Budget (APBN) of IDR423.3 trillion for the infrastructure projects are subject to lower correction. Besides, the budget allocated for Public Works and Housing (PUPR) Ministry was trimmed by 20.4% from IDR120.2 trillion to IDR95.7 trillion. Furthermore, the budget allocated for Ministry of Transportation was also subject to lower correction of 14.2% from IDR43.1 trillion to IDR36.9 trillion. The National Strategic Projects (PSN) are also filtered as projects to accelerate economic recovery are prioritized and non-prioritized projects are postponed. Finance Minister Sri Mulyani proposed reduction in 2020-2021 project construction.

• BUMN Karya Performs Buyback Stocks

The Financial Services Authority (OJK) latest policies and tumbling prices of stocks to cause bearish JCI underlined stock buyback. Four state-owned construction enterprises or know as BUMN Karya to include PT Wijaya Karya Tbk (WIKA), PT Waskita Karya Tbk (WSKT), PT PP Tbk (PTPP), and PT Adhi Karya Tbk (ADHI) performed stock buyback of IDR300 billion, IDR300 billion, IDR250 billion, and IDR100 billion from March to June 2020. Overseeing the solid financial performance of BUMN Karya to record FY19's positive cash flow, the stock buyback is expected to be capable of buffering market volatility and maintaining stock price liquidity: a reflection of companies' resilience.

Government's Priority Projects and Value (in IDR tn)



Source: KPPIP, NHKSI Research

Details Buyback of BUMN Karya

ADHI		WIKA	
Value	: IDR100 bn	•Value	: IDR300 bn
Period	: 13 March - 13 June, 2020	•Period	: 13 March - 13 June, 2020
Source	: Retained Earnings per 30 Sept.	•Source	: Retained Earnings per 30 Sept.
WSKT		PTPP	
Value	: IDR300 bn	Value	: IDR250 bn
Period	: 13 March - 12 June, 2020	Period	: 13 March - 12 June, 2020
Source	: Internal Cash per 30 Sept.	Source	: Internal Cash per 30 Sept.

Source: Companies, NHKSI Research

Wijaya Karya Tbk (WIKA IJ – Construction Sector)

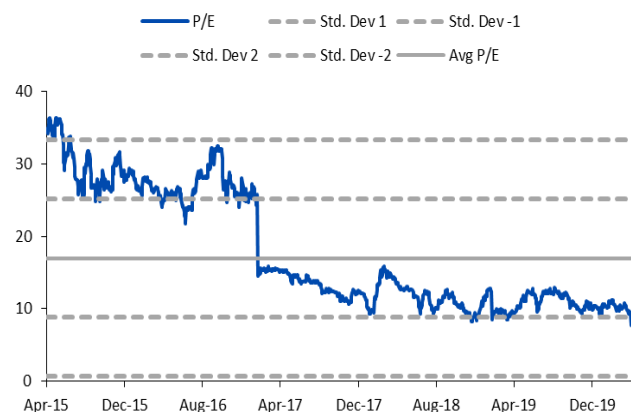
Dec. 2020's Price Target	1,770
Consensus Price	1,792
Last Price (IDR) as of Apr. 17, 2020	1,075
PT vs. Last Price	64.6%

Revenue Breakdown:

Construction	62.3%
Industrial (Concrete Products)	20.3%
Mechanical Construction	12.9%
Real Estate	4.5%

IDR bn	FY2019	FY2020E	FY2021E	FY2022E
Revenue	27,213	35,328	39,777	41,984
y-y	-12.7%	29.8%	12.6%	5.5%
Net Profit	2,285	1,967	2,302	2,535
y-y	32.0%	-13.9%	17.0%	10.1%
EPS	254	233	266	322
P/E	4.18	4.92	4.18	3.74
P/BV	0.58x	0.56x	0.51x	0.47x

5-Year P/E Trailing Band



Source : Bloomberg, NHKS Research

- **NHCSI recommends WIKA as this week's top stock pick** to likely attain the price target of IDR1,770 based on the P/E trailing band of 8.1x. The recommendation is on grounds of WIKA's outshining performance in 2019 and the stock buyback expected to cushion pressures on prices of stocks. The infrastructure budget reallocation could have no significant impacts on WIKA as private companies own 50.27% of WIKA's new contract in 2019. Nevertheless, the mandatory large-scale social restrictions (PSBB) could be a hiccup in the project completion.

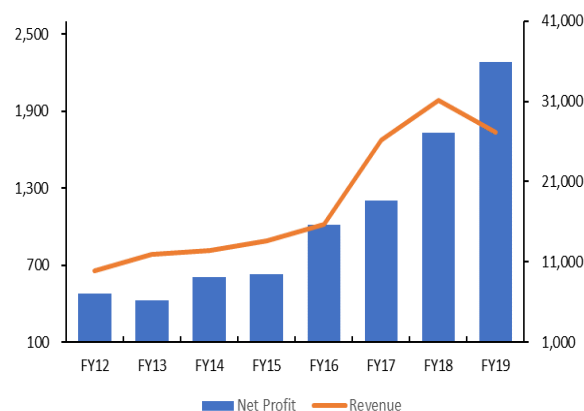
JO and KSO Support FY19's Higher Profits

WIKA succeeded to post FY19's net profits of IDR2.62 trillion or a 26% YoY increase (vs. IDR2.07 trillion in FY18). However, revenues dropped by 13% YoY from IDR31.15 trillion in FY18 to IDR27.21 trillion in FY19. The drop was attributable to revenue deriving from joint-operation (JO) operational cooperation (KSO) posted in joint-venture profit statement instead of revenue statement. Jakarta-Bandung high-speed railway project, Jakarta International Stadium (JIS), II Phase of Cisumdawu toll road project, I Phase of Solo-Kertosono toll road project --- a number of KSO projects---contributed IDR496.35 billion, IDR45.30 billion, IDR33.09 billion, and IDR27.18 billion to WIKA's overall profit. Additionally, the implementation of Building Information Modelling (BIM) technology accelerates efficient operation so that higher profit is achievable.

WIKA Proves Agile Buyback and Active Participation In COVID-19 Relief

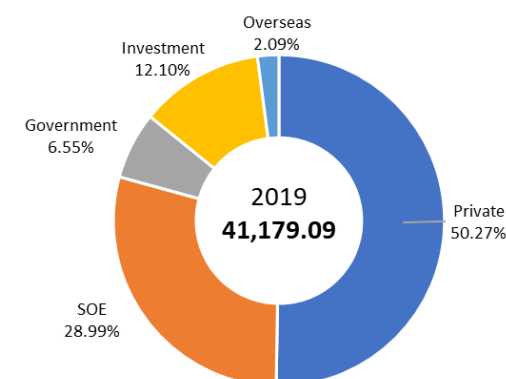
WIKA funds stock buyback from 3Q19's unappropriated retained earnings. WIKA until the end of 2019 succeeded to post positive cash flow and higher profit. Based on WIKA's detailed performance, we are confidence in WIKA's stock buyback to have no significant impacts on its internal financial performance. Besides, WIKA actively participates in COVID-19 containment program by donating more than IDR1.1 billion in forms of personal protective equipment (PPE) for medical workers in Jakarta's hospitals and the program of disinfection spray in a number of spots across East of Jakarta.

WIKA Net Profit and Revenue | 2012 – 2019



Source : Company Data, NHCSI Research

New Contract based on Project Owners | 2019



Source : Company Data, NHCSI 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	27,125	27,975	32,000	Buy	18.0	-3.0%	668.8	23.4x	3.8x	17.5	1.3	13.7	10.5
BBRI	Theme 1	2,830	2,790	4,950	Buy	74.9	1.4%	349.1	10.1x	1.7x	17.7	5.9	11.1	6.3
Consumer														
GGRM	Theme 1	46,000	47,825	61,800	Buy	34.3	-3.8%	88.5	8.1x	1.7x	22.7	5.7	15.5	39.6
KINO	Theme 1	2,850	2,000	4,680	Buy	64.2	42.5%	4.1	7.8x	1.6x	21.8	1.8	29.5	246.7
ICBP	Theme 1	10,200	10,100	12,875	Buy	26.2	1.0%	119.0	23.9x	5.0x	22.2	1.3	11.2	11.4
KLBF	Theme 1	1,195	1,140	1,430	Buy	19.7	4.8%	56.0	22.3x	3.5x	16.4	2.2	7.4	2.0
Infrastructure														
TLKM	Theme 1	3,230	3,120	4,330	Buy	34.1	3.5%	320.0	15.8x	3.2x	21.3	5.1	3.5	15.6
JSMR	Theme 1	2,920	2,840	6,000	Buy	105.5	2.8%	21.2	11.0x	1.2x	11.3	1.6	(22.8)	(15.2)
Trade														
UNTR	Theme 2	17,325	17,125	20,000	Buy	15.4	1.2%	64.6	5.7x	1.1x	20.2	7.1	(0.2)	1.7
MAPI	Theme 2	650	545	1,300	Buy	100.0	19.3%	10.8	11.6x	1.7x	16.1	1.5	14.0	27.3
Property														
CTRA	Theme 2	590	615	1,390	Buy	135.6	-4.1%	11.0	9.5x	0.7x	7.8	1.7	(0.8)	(2.6)
WSKT	Theme 2	625	610	2,600	Buy	316.0	2.5%	8.5	9.0x	0.5x	5.2	11.7	(35.7)	(76.3)
WIKA	Theme 2	1,075	1,090	1,770	Buy	64.7	-1.4%	9.6	4.2x	0.6x	14.6	3.6	(12.7)	32.0
Basic Ind.														
SMGR	Theme 1	6,475	8,100	14,300	Buy	120.8	-20.1%	38.4	16.1x	1.2x	7.5	3.2	31.5	(22.4)
Misc Ind.														
ASII	Theme 1	3,800	4,090	8,600	Buy	126.3	-7.1%	153.8	7.1x	1.0x	15.2	5.6	(0.9)	0.2
Mining														
TINS	Theme 2	490	500	800	Buy	63.3	-2.0%	3.6	N/A	0.7x	(10.7)	5.1	75.2	N/A
PTBA	Theme 2	1,980	1,980	2,300	Buy	16.2	0.0%	22.8	5.3x	1.2x	23.7	17.2	2.9	(22.2)
INCO	Theme 2	2,500	2,270	4,200	Buy	68.0	10.1%	24.8	27.6x	0.8x	3.0	N/A	0.7	(4.9)
ANTM	Theme 2	520	520	1,100	Buy	111.5	0.0%	12.5	64.5x	0.7x	1.1	2.4	29.4	(88.1)
Agriculture														
AALI	Theme 2	6,575	6,400	15,600	Buy	137.3	2.7%	12.7	59.9x	0.7x	1.1	3.4	(8.5)	(85.3)

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

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