

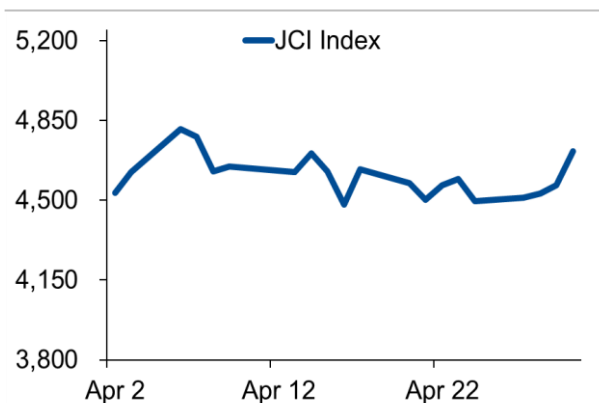
Weekly Brief (May 04th – 08th)

Summary:

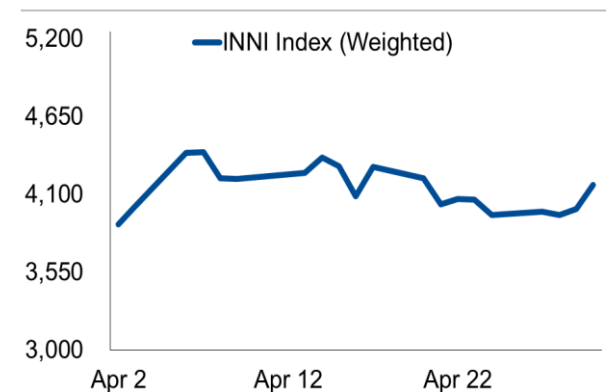
Last week review: The prolonged PSBB and ban on Idul Fitri exodus (mudik) effectively contained the corona spread in Jakarta to record mounting cases of COVID-19 infection. The regulations, paradoxically, were blows to all-across industrial sectors. Despite massive foreign sell-off, JCI rallied still on a weekly basis

This week's outlook: The large-scale social restrictions (PSBB) curb nationwide economic activities---the toll-road business sector in particular. The toll-road traffic showed a higher-than 40% decrease, and the bleak prospect of downbeat revenues for toll-road operators is unavoidable. Toll-road operators engaged in toll road concession, namely the toll-road business entity (BUJT) hope for fiscal policies and COVID-19 relief measures to sustain cash flow performance and maintain asset-backed loans. The relief measures are shields for BUJT-listed operators' liquidity against corona's severe threats. NHKSI recommends JSMR with the price target of IDR4,450 based on a 19.2x forward P/E on the basis of its 3Q19's margins growth and to-date positive cash flow performance. We are sanguine that the Company's is pretty agile to re-accelerate its revenue growth upon the end of corona's vicious spread.

JCI - one month



INNI Index – one month



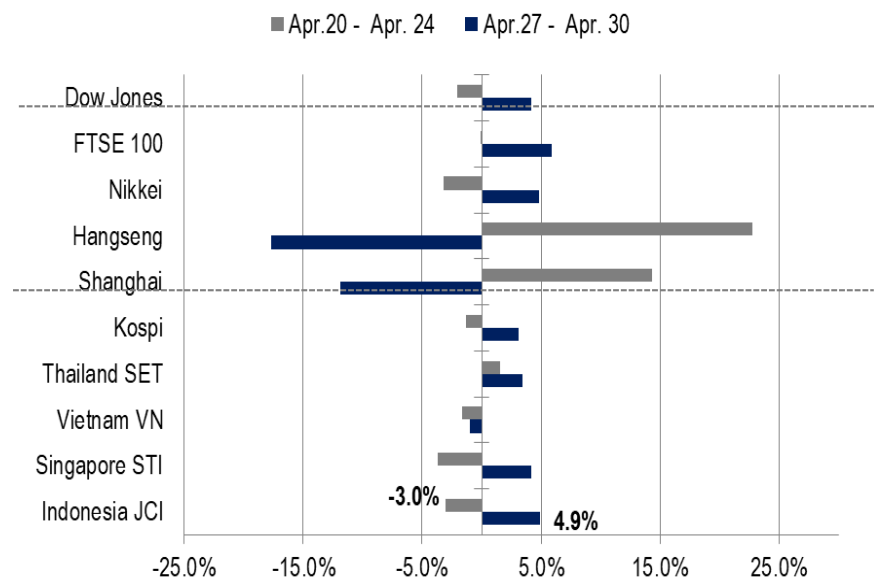
Last Week's JCI Movement

- JCI Index : 4,716.40 (+4.9%)
- Foreign Flow : Net sell of IDR1.5 trillion (vs. last week's net sell of IDR1.2 trillion)
- USD/IDR : 14,822 (+3.36%)
- Yields of sovereign bond with 10-years tenor : 8.041% (+12.10 bps)

JCI Ends Mid-Week Trading Sessions with Rally

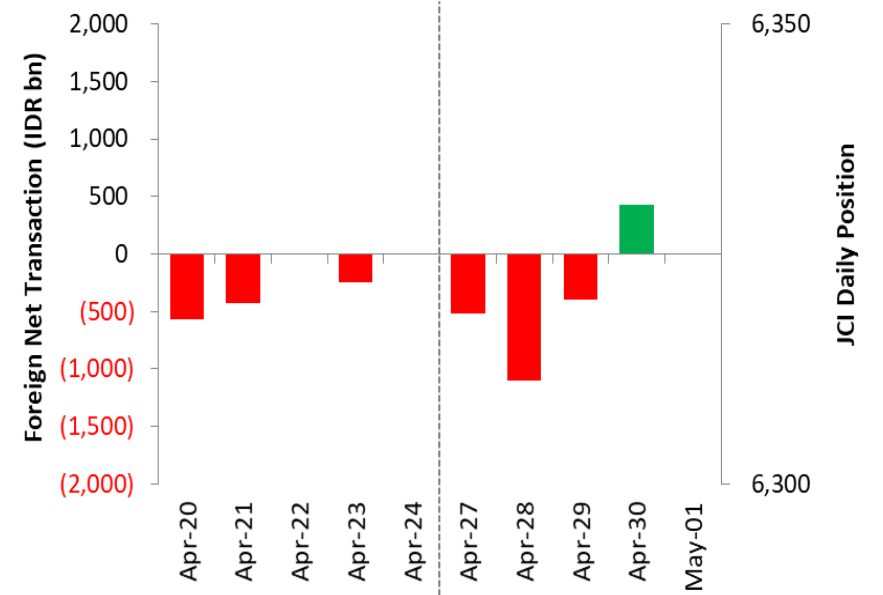
JCI ended the early week's trading with rebound even though the government's regulations of prolonged PSBB and ban on Idul Fitri exodus disappointed some sectors--- transportation, toll-road operators, and retailers. Regardless of PSBB's hit hard effects, the regulation proved effective in curbing corona's vicious spread as infection cases in Jakarta showed declines in number. PSBB's successful implementation was a positive sentiment for JCI. Apart from the domestic sentiments, some states in the U.S. to relax physical distancing regulation and begin reopening economic quarantine--- to give a glimpse of pre-corona economic circumstance--added boosts for JCI. Although JCI recorded a two-day rebound streak, foreign sell-off to reach IDR1.6 trillion was an inseparable fact. The global positive catalyst to sustain JCI's mid-week strong footing in the green came from Gilead's remdesivir to successfully pass two drug trials and prove a new treatment for COVID-19 patients.

Global Market Movement



Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

Last Week's INNI Movement

- INNI Index : 4,167.19 (+5.4%)
- INNI Theme 1 (Value) : 3,212.49 (+5.4%)
- INNI Theme 2 (Trend) : 4,803.66 (+5.4%)

INNI Index Finishes Mid-Week Trading Sessions at the Green

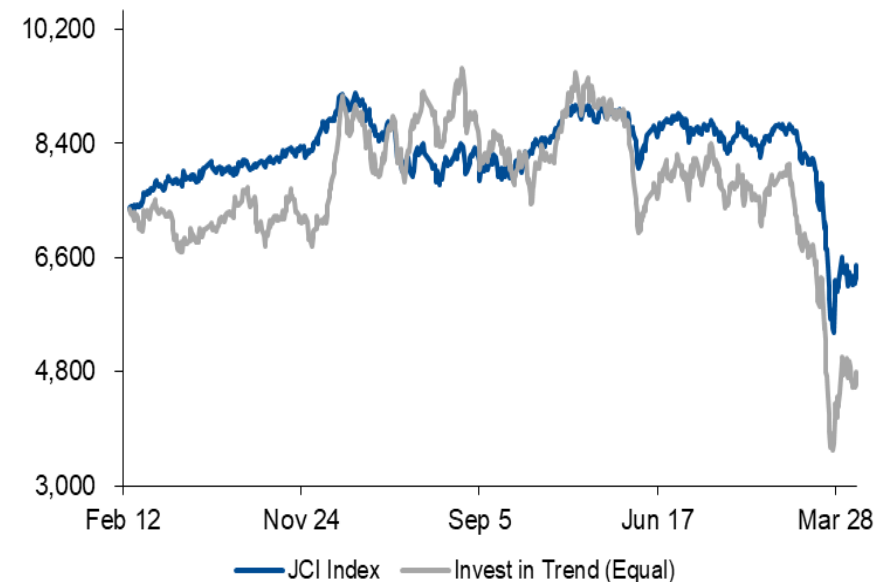
BBRI and BBCA to record sell-off transactions of IDR 453.8 billion and IDR360.6 billion and get stuck at the top five foreign net sell left INNI Index in the red zone. The economic quarantine and Financial Service Authority (OJK) relaxed credit restructuring to add the bleaker prospect of 1H20's downbeat net profits for the banking sectors left INNI's banking stocks---BBRI and BBCA---bearish and disrupted INNI Index's moves to the green. INNI Index in the mid-week topped JCI as KINO and JSMR made double-digit gains. KINO rallied after releasing 1Q20 financial statements to reveal an 11% y-y hike in revenues to IDR1.11 trillion. JSMR, meanwhile, rallied even though FY19's revenues declined and stood at IDR26.35 trillion or a 28.75% decline from FY18's revenues.

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

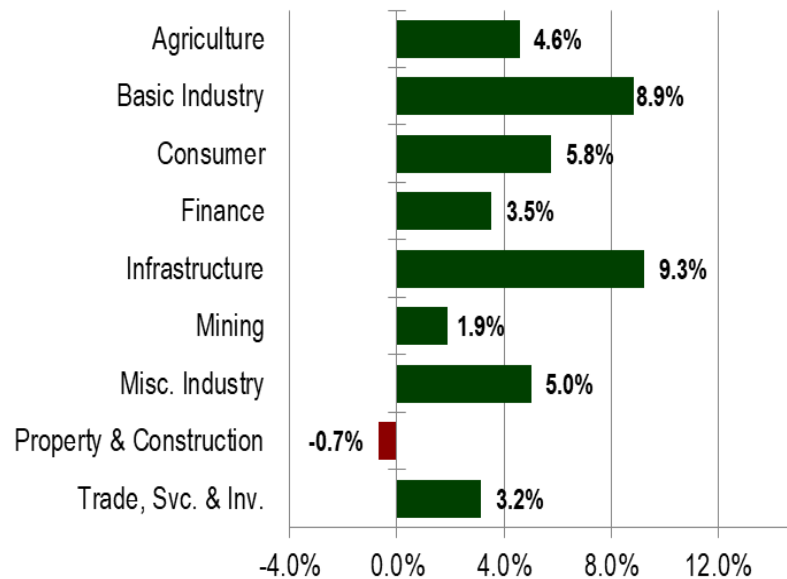
- **JCI's Top Gainers**

JCI's all across sectors--excluding the property & construction sector to gave up slight gains-- rallied on a weekly basis. The infrastructure sector marked a 9.3% gain, backed by TBIG's 9.63% rally. Fitch Ratings projects rupiah depreciation has insignificant effects on telecommunication operators' debt outlook because they implement hedging, i.e., TBIG to apply cross-currency swaps for its US dollar-denominated debts at 82% of its total liability.

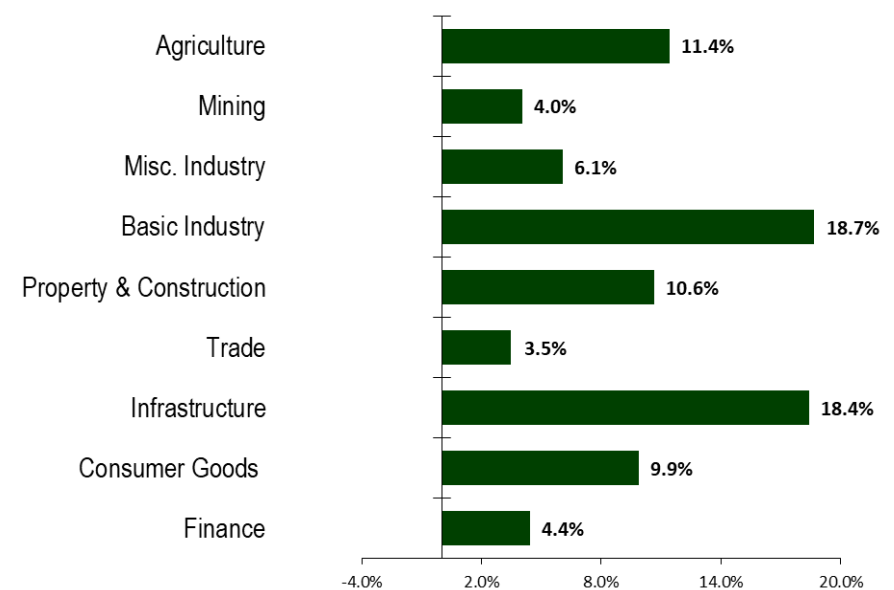
- **INNI Index's Top Gainers**

Alike JCI's all across sectors, INNI Index's sectors virtually made gains with the basic industry sector to lead the largest gains *circa* 18.7%. SMGR--one of stocks in the basic industry sector--rallied as investors bought SMGR on the basis of Japan-headquartered cement maker Taiheiyo Cement Co. Ltd (TCC) investment in SMGR. PT Semen Indonesia Tbk as the parent entity of SMCB will divest its 15% stock ownership to TCC with the transaction value of USD220 million.

Last Week's JCI Sectoral Movement



Last Week's INNI Sectoral Movement



This Week's Outlook: Infrastructure Sector

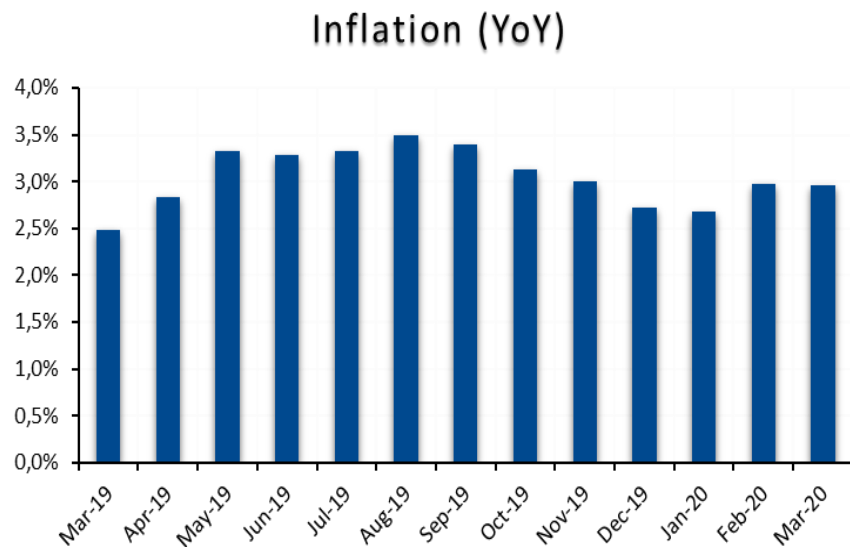
- **April's Inflation Is Expected to Stand at 2.86%**

Statistics Indonesia on Monday of May 04, 2020 at 11 a.m. Western Indonesia Time (WIB) released April's inflation, and investors expected that April's inflation would stand at 2.86% YoY following March's 2.96% YoY. April's inflation is likely to slide as the large-scale social restrictions (PSBB) curb inflation to the lowest level. Meanwhile, Bank Indonesia (BI) survey disclosed prices of commodities to contribute most to inflation remain stable. The Government's quick response to the adequate food supply is the key to stable prices of commodities. The inflation estimate maintains inflation target stable below the target.

- **April's GDP Is Predicted to Lower**

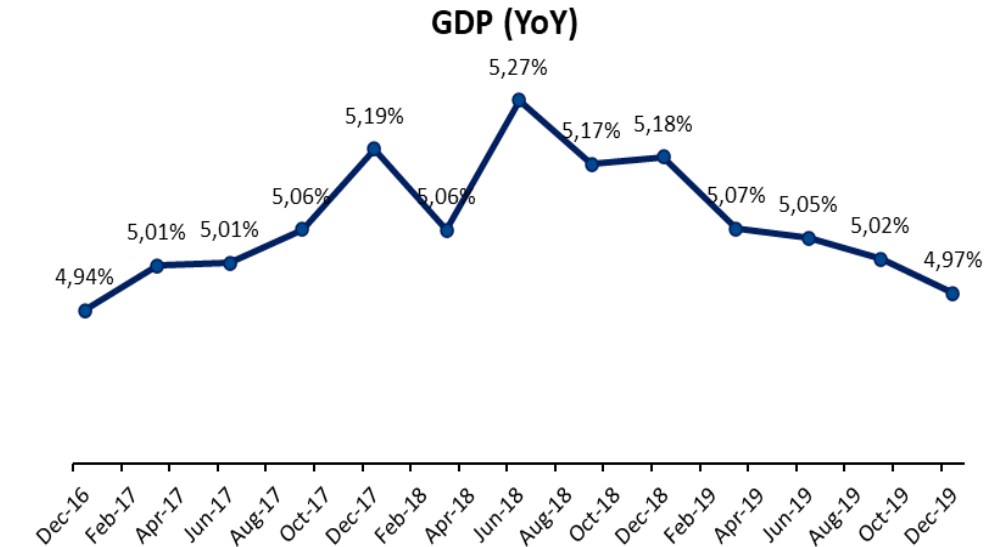
Statistics Indonesia on Tuesday of May 05, 2020 at 11 a.m. Western Indonesia Time released 1Q20's gross domestic product (GDP), and investors expected 1Q20's GDP would be at 4.53% YoY lower than 4.97% YoY in 4Q19. Factors to cut the GDP target are soft household consumption and disruption to goods supply in relation to the virus containment. INDEF explained the economic quarantine causes middle-to-low income class to consume less, and as a matter of fact, household consumption is one of the indicators to measure comprehensive economic growth.

Indonesia's Inflation



Source: BPS, NHKSI Research

Indonesia's GDP



Source: BPS, NHKSI Research

This Week's Outlook: Infrastructure Sector

- **ATI Anticipates COVID-19 Relief Measures**

PSBB to end the virus spread and take into force on certain areas impacts on the Indonesia Toll Road Authority (BUJT) performance. The 1Q20 toll-road traffic is estimated to fit the initial target, but the quarantine backstop to contain corona is most likely to leave 2Q20 performance disappointing. The Indonesia Toll Road Association (ATI) to buffer grim quarantine on its future performance coordinates with Public Works and Housing Ministry with a view to monitoring COVID-19 relief measures and incentives for BUJT.

- **JSMR Prioritizes Liquidity**

Toll-road traffics dominated by domestic commuters in greater Jakarta accounted for declines to surpass 40% as the mandatory PSBB takes into force. Data of the Public Works and Housing Ministry (PUPR) disclosed that a number of toll-road sections---7 toll-road sections in Jakarta, two toll-road sections in Banten, and 5 toll-road sections in West Java--hit hardest by the mandatory restrictions. Restrictions on toll-road access are culprits in PT Jasa Marga Tbk (the Company) bleak business outlook as the restrictions reduce revenues and have the Company re-calculate CapEx in order to maintain adequate liquidity amid the economic quarantine.

BUJT-Listed Toll-Road Operators Hit Hardest by PSBB



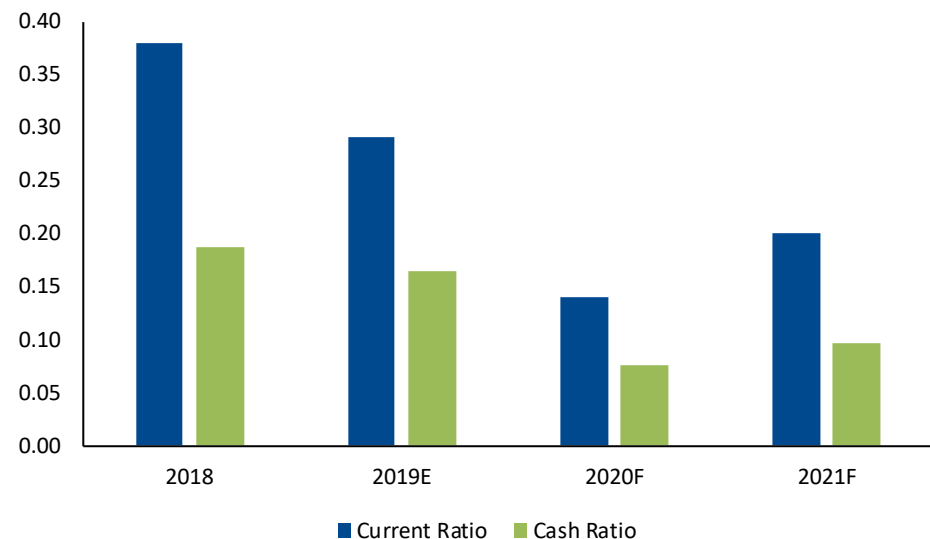
Jakarta - Tangerang	Surabaya - Gempol
Jakarta - Cikampek	JORR S
Cawang – Tomang - Grogol - Pluit	JORR(W2-E1-E2-E3)
Pondok Aren - Ulujami	
Semarang Seksi ABC	
Cikampek - Purwakarta-Padalarang	
Palimanan - Plumbo Kanci Jakarta-Bogor Ciawi	
Padalarang - Cileunyi	



Terbanggi Besar- Pematang Panggang
 Pematang Panggang - Kayu Agung
 Pekanbaru - Kandis-Dimai
 Akses Tanjung Priok
 Medan - Binjai
 Palembang - Indralaya
 Pekanbaru - Padang

Source: BPJT, NHKSI Research

JSMR's Liquidity



Source: Company Data, NHKSI Research

Jasa Marga (Persero) Tbk (JSMR IJ – Infrastructure Sector)

Dec. 2020 Price Target	4,450			
Consensus Price	5,440			
Last Price (IDR) as of Apr. 30, 2020	3,140			
PT vs. Last Price	41.7%			
Revenue Breakdown:				
Toll-Road Revenues	20.1%			
Construction Revenues	78.1%			
Others Operating Revenues	1.8%			
IDR bn	FY2019A	FY2020F	FY2021F	FY2022F
Net Rev.	10,954	10,212	10,884	11,887
y-y	9.9%	-6.8%	6.6%	9.2%
Op. Exp.	(1,013)	(973)	(1,077)	(1,083)
Net profit	1,995	1,759	1,732	1,954
EPS (IDR)	275	232	229	258
y-y	-12.9%	-15.5%	-1.5%	12.8%
ROE	9.0%	7.0%	6.3%	6.5%
P/E	15.8	19.2	19.5	17.3
P/BV	1.3	1.3	1.2	1.1

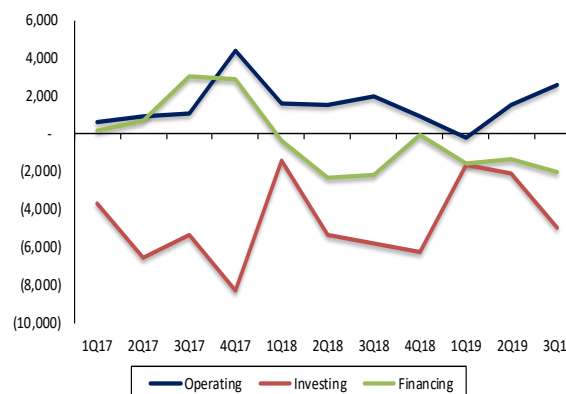
5-Year P/E Trailing Band



Source : Bloomberg, NHKSI Research

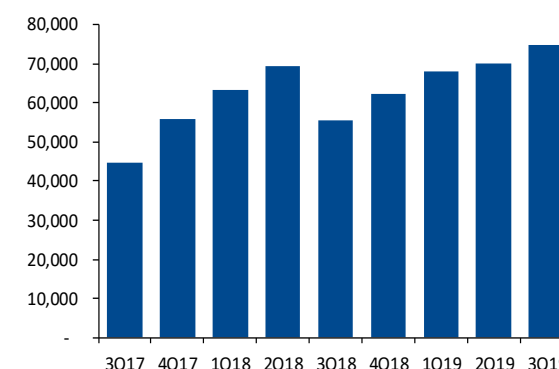
- NHKSI recommends JSMR as this week's attractive stock, estimated to be at the price target of IDR4,450 with a 19.2x P/E target.** The estimate is on grounds of 3Q19's rising toll-road and operational revenues of 10.9% and 20.6% YoY. The large-scale social restrictions (PSBB) to end the virus's vicious spread significantly curtail JSMR's revenues. To buffer greater possibility of lowering traffics, JSMR plans to further carry out efficiency at its operational performance; accordingly, positive cash flow is attainable with respect to lower revenues deriving from toll roads.
- Lower Operational Costs Spur 3Q19's Margin Ratios**
 The 3Q19's operational costs edged down 29.3% YoY, with a 12.9% YoY growth to IDR4.7 trillion in gross profits and a 22.6% YoY increase in operating margins. Meanwhile, its net debt/EBITDA was stable at 4.5x and a 2% YoY increase to IDR6.9 trillion in FY2020 EBITDA. Efficient operation costs were crucial to optimum operational performance. Significance for 3Q19's lower operational costs was no increases in provision costs, backed by adequate amount for the next periods.
- JSMR's P/E Valuation Is Cheap**
 JSMR is currently traded at IDR3,140 with a 13.5x P/E, relatively cheaper than a 3-year recent P/E of 19.5x. The Company carries out stock buyback until June 2020 with funds allocation of IDR500 billion. We are optimistic that the Company is capable of accelerating its revenues upon the end of the economic lockdown as the government decided to put collective leave days ("*cuti bersama*") for Eid al-Fitr in December 2020 along with Christmas and New Year holidays

Cash Flow Positions | 1Q17 – 3Q19



Source : Company Data, NHKSI Research

Toll Road Concessions Rights | 3Q17– 3Q19



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	25,850	24,600	32,000	Buy	23.8	5.1%	637.3	22.3x	3.7x	17.5	2.1	13.7	10.5
BBRI	Theme 1	2,730	2,630	4,950	Buy	81.3	3.8%	336.7	9.7x	1.6x	17.7	6.2	11.1	6.3
Consumer														
GGRM	Theme 1	45,300	42,800	61,800	Buy	36.4	5.8%	87.2	8.0x	1.7x	22.7	5.7	15.5	39.6
KINO	Theme 1	3,100	2,600	4,680	Buy	51.0	19.2%	4.4	8.5x	1.7x	21.8	1.6	29.5	246.7
ICBP	Theme 1	9,875	9,900	12,875	Buy	30.4	-0.3%	115.2	22.8x	4.6x	21.5	1.4	10.1	10.2
KLBF	Theme 1	1,440	1,255	1,430	Hold	(0.7)	14.7%	67.5	26.9x	4.2x	16.4	1.8	7.4	2.0
Infrastructure														
TLKM	Theme 1	3,500	3,090	4,330	Buy	23.7	13.3%	346.7	17.1x	3.5x	21.3	4.7	3.5	15.6
JSMR	Theme 1	3,150	2,550	4,450	Buy	41.3	23.5%	22.9	10.7x	1.3x	11.3	1.4	(28.7)	0.2
Trade														
UNTR	Theme 2	16,300	16,225	20,000	Buy	22.7	0.5%	60.8	6.0x	1.0x	16.9	7.6	(19.0)	(40.2)
MAPI	Theme 2	655	615	1,300	Buy	98.5	6.5%	10.9	11.7x	1.8x	16.1	1.5	14.0	27.3
Property														
CTRA	Theme 2	545	482	1,390	Buy	155.0	13.1%	10.1	8.8x	0.7x	7.8	1.8	(0.8)	(2.6)
WSKT	Theme 2	605	555	2,600	Buy	329.8	9.0%	8.2	8.8x	0.5x	5.2	12.1	(35.7)	(76.3)
WIKA	Theme 2	950	865	1,770	Buy	86.3	9.8%	8.5	3.7x	0.5x	14.6	4.1	(12.7)	32.0
Basic Ind.														
SMGR	Theme 1	7,950	6,700	14,300	Buy	79.9	18.7%	47.2	19.7x	1.5x	7.5	2.6	31.5	(22.4)
Misc Ind.														
ASII	Theme 1	3,850	3,630	8,600	Buy	123.4	6.1%	155.9	7.3x	1.0x	14.4	5.5	(9.4)	(7.8)
Mining														
TINS	Theme 2	466	456	800	Buy	71.7	2.2%	3.5	N/A	0.7x	(10.7)	5.4	75.2	N/A
PTBA	Theme 2	1,875	1,850	2,300	Buy	22.7	1.4%	21.6	5.4x	1.1x	23.7	18.1	(4.0)	(25.0)
INCO	Theme 2	2,570	2,350	4,200	Buy	63.4	9.4%	25.5	16.0x	0.9x	5.6	N/A	38.1	N/A
ANTM	Theme 2	510	494	1,100	Buy	115.7	3.2%	12.3	63.3x	0.7x	1.1	2.5	29.4	(88.1)
Agriculture														
AAI	Theme 2	6,100	5,475	15,600	Buy	155.7	11.4%	11.7	21.6x	0.6x	2.9	3.7	13.3	891.7

Source : Bloomberg, NHKS Research

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