

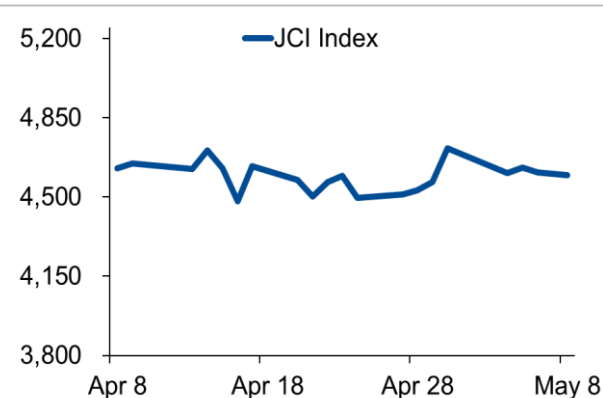
Weekly Brief (May 11st–15th)

Summary:

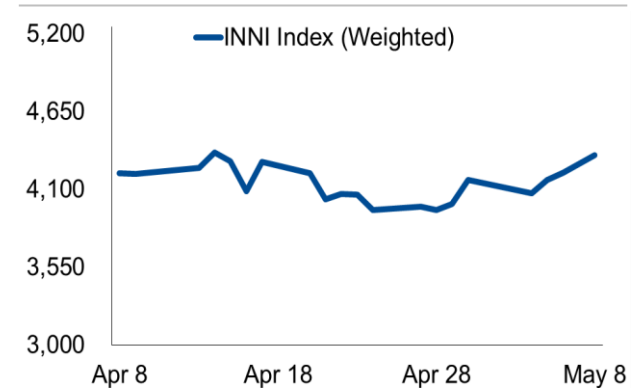
Last week review: the reading of Indonesia's macroeconomic data was catalysts for this week's JCI trend. JCI hardly hurdled two barriers--much lower inflation ahead of Ramadan and 1Q20's lethargic growth GDP in PSBB--and found no exit path from the red zone. Not even global positive catalysts came to JCI's rescue from the red.

This week's outlook: the U.S. within this week will announce the Producer Price Index (PPI) to stubbornly settle at the minus level---like a contagion or domino effect ---diminish the Dow Jones, and finally daunt JCI's exit path to the green. Investors take "whatever necessary" precaution against looming recession as they sell off their equity assets and binge on gold. So, that tailwinds bring benefits for gold miners. NHKSI on the basis of a 26.1x P/E trailing band recommends ANTM as the best performing stock to steady at the price target of IDR1,100.

JCI - one month



INNI Index – one month



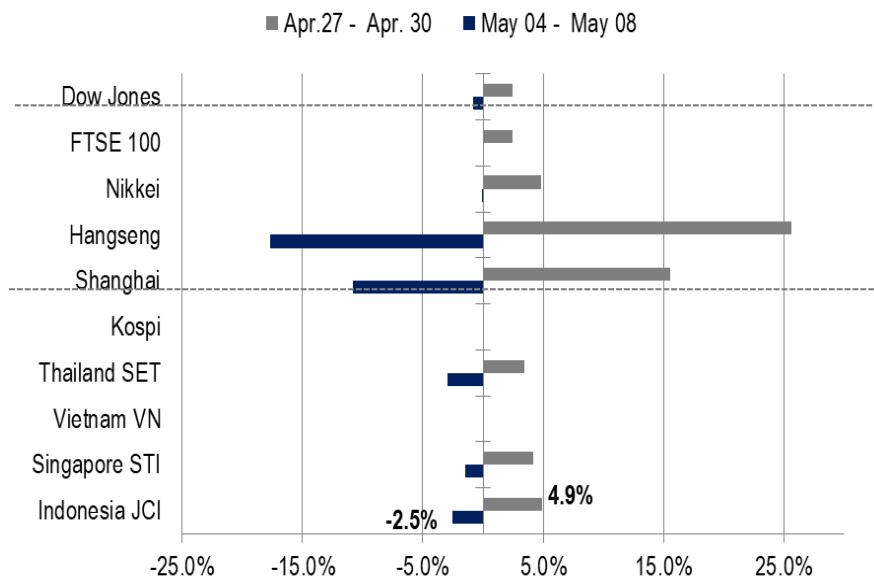
Last Week's JCI Movement

- JCI Index : 4,597.43 (-2.5%)
- Foreign Flow : Net sell of IDR1.6 trillion (vs. last week's net sell of IDR1.1 trillion)
- USD/IDR : 14,920 (+0.26%)
- Yields of sovereign bond with 10-years tenor : 8.102% (+22.40 bps)

JCI Contracts

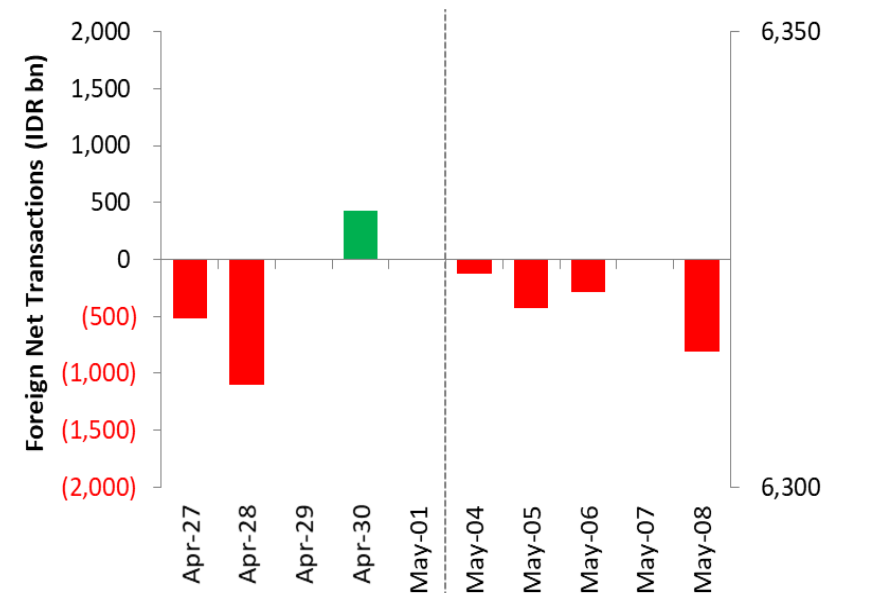
JCI snapped lower in two days of the early week's trading sessions as Indonesia's macroeconomic reading--inflation and 1Q20's GDP--were disappointing. Statistics Indonesia (Badan Pusat Statistik, "BPS") on Monday of May 04, 2020 announced April's inflation of 0.08% m-m or a slight drop from March's 0.10% m-m. April 2020 inflation--as opposed to typically hiking inflation ahead of Ramadan--was more benign. Governor of Bank Indonesia Perry Warjiyo explained that the large-scale social restrictions (PSBB) must have curtailed demands for goods and services and diminished April's inflation to the lowest. Statistics Indonesia (BPS) on Tuesday of May 05, 2020 also released 1Q20 gross domestic product (GDP) pacing lethargically at 2.97% y-y much lower than the estimate. JCI found a retreat from the bearish mood was uneasy, not even optimism about COVID-19 progress and easing tension between the U.S. and China were able to move it away from the red. JCI finally ended Friday's trading session of May 08, 2020 with bearish state on the back of massive sell-off large-cap. stocks.

Global Market Movement



Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

Last Week's INNI Movement

•INNI Index	: 4,342.62 (+4.2%)
INNI Theme 1 (Value)	: 3,154.51 (-1.8%)
INNI Theme 2 (Trend)	: 5,134.70 (+6.9%)

INNI Index Snaps Lower

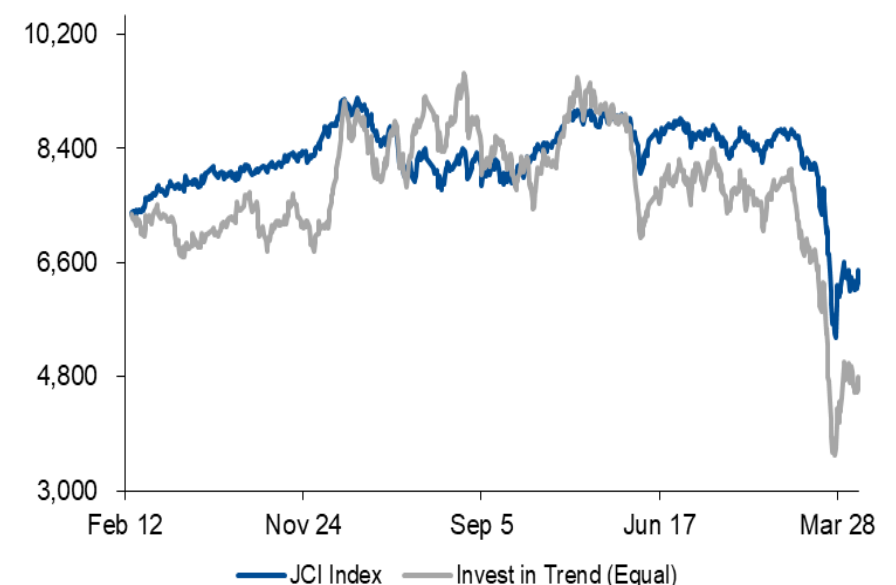
INNI Index ended the early two-day trading sessions in the red as most of its stocks--excluding BBCA and INCO--were virtually bearish. The virus wrecks havoc on all across industries, and the businesses--the banking sector in particular--survival from economic lockdowns are daunting. To ease uneasy recovery from the virus shock, Bank Indonesia (BI) and the Financial Services Authority (OJK) are acting in unison to unleash unlimited measures---countercyclical capital buffer (CCyB) and relaxed the averaging primary reserve requirement (GWM)-- so that companies are resilient to re-function in long-run prospects. A glimpse of mining sector--nickel particularly, Bloomberg disclosed London Metal Exchange (LME) nickel futures contract per quarter was in the bullish trend. That was a positive catalyst for INCO as one of the nickel miners. After a two-day losing streak, INNI Index snapped higher at the mid-week trading sessions as JSMR posted a double-digit gain. INNI Index finally closed Friday's trading session of May 08, 2020 with higher snapping.

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

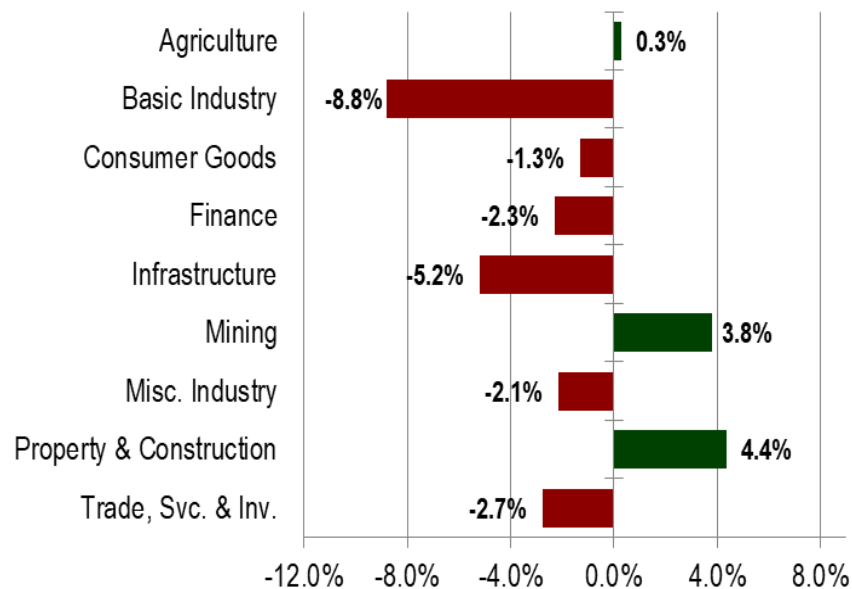
- JCI's Worst-Performing Stocks**

JCI's varied sectors virtually were in the red zone as the basic industry sector gave up the largest gains of 8.8%, and TPIA as one of the basic industry stocks contracted by 7.24% last week. Although TPIA recorded lower correction, it is optimistic about petrochemical's brighter outlook as demands for polymer by overseas exporters are still pretty stable in economic lockdowns. Reopening of economic activities in some countries which start to export polymer cushion declining demands in the domestic markets. TPIA estimates a minimum 30,000 ton polymer exports per month after more countries start to re-open their economic activities.

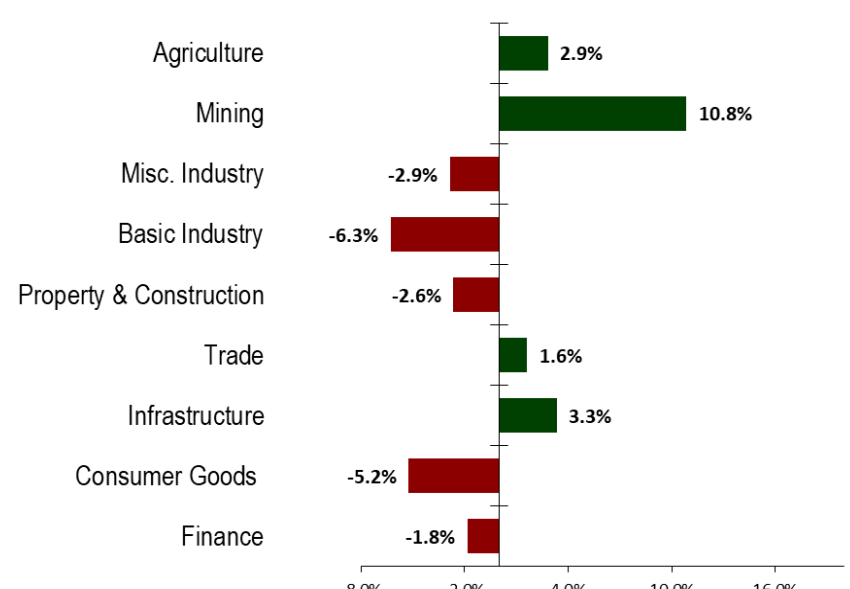
- INNI Index's Worst-Performing Stocks**

INNI Index alike JCI was at bearish state. Its basic industry stocks to give up the first largest gains and consumer-goods stocks to account for the second-largest losses of 5.2% were setback in the rally. KINO as one of consumer-goods stocks recorded a 12.9% decline endeavors to survive against COVID-19 lockdowns by selling hand-sanitizer products with 75% alcohol content: one of its strategies to boost revenue.

Last Week's JCI Sectoral Movement



Last Week's INNI Sectoral Movement



Source: Bloomberg, NHKSI Research

Source: Bloomberg, NHKSI Research

This Week's Outlook: The JCI's Direction

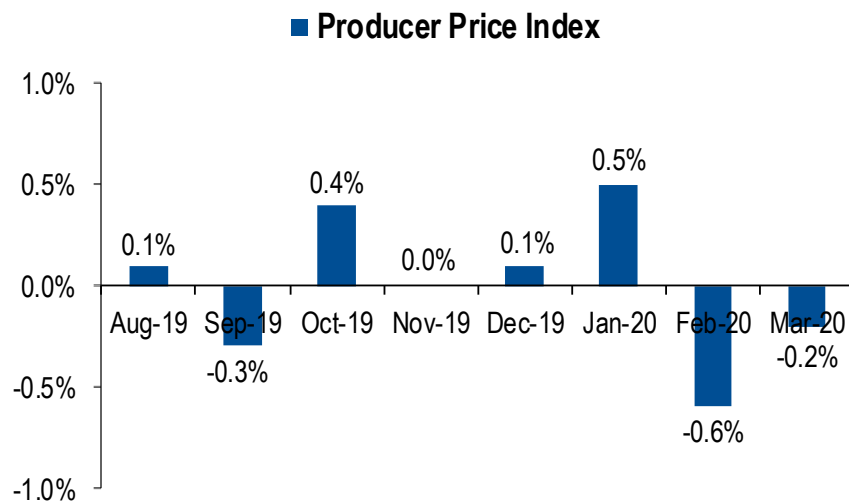
- **PPI Navigates Dow Jones's Trend**

The U.S. Producer Price Index (PPI) in April is one of the indicators for the Dow Jones' trend. PPI measures the over-time average changes in selling prices of goods produced by domestic producers and consumer price index (CPI)--- the main indicator of inflation. Last two weeks' U.S. PPI tanked to minus level and left the Dow Jones to shed *circa* 21.7%. A glimpse of PPI's effects on the Dow Jones infers: should April's PPI is stubborn at minus level, the Dow Jones during this week is most likely to be bearish and leave the grim pathway for JCI. The reverse plausibility applies.

- **Relaxed PSBB Has Yet to Be Approved**

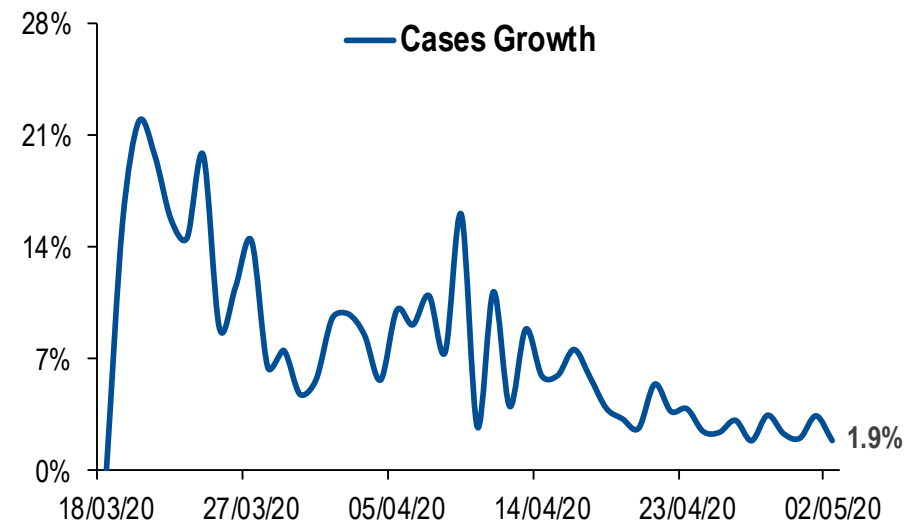
COVID-19 positive cases in Jakarta declined as infection and death toll was at *circa* 1.9% or as many as 2,062 patients undergoing treatments per May 2020. The number on daily basis lessened to account only for 27 patients, so that tailwind and getting-better health protocols are potential for the more relaxed large-scale social restrictions (PSBB). The less positive cases do not necessarily mean the virus' less vicious spread, and the Government with respect to that insight commands the prolonged PSBB until this week. The foreign investors weigh up the prolonged lockdowns and are not bold enough to invest in Indonesia as exit pathways from disruptive lockdowns are pretty tough, and JCI's bearish pathway is a plausibility.

The U.S. PPI MoM



Source: US Bureau of Labor Statistics, NHKSI Research

COVID-19 Cases Statistic in Jakarta



Source: CEIC, NHKSI Research

This Week's Outlook: Gold Miners' Lustrous Outlook

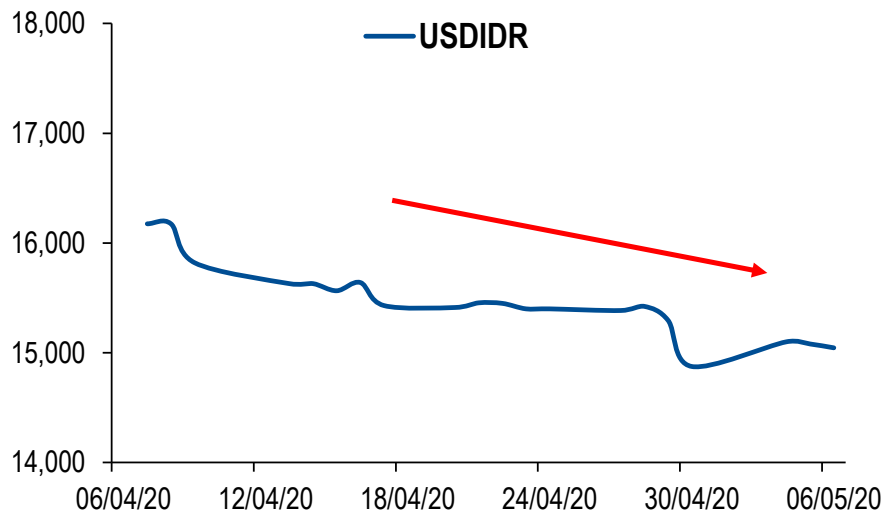
- **Investors Daunt Rupiah Appreciation**

USD/IDR is in the trend of appreciation within one recent month—a glimpse of domino effects from declines in COVID-19 death toll and likely to nudge up regardless of last week's disappointing inflation reading. The appreciation trend fails to ease investors' anxiety about recession as they diversify their equity assets into gold as a typical hedge against USD/IDR debasement and inflation.

- **ANTM's Gold Prices Are Potential for Surging**

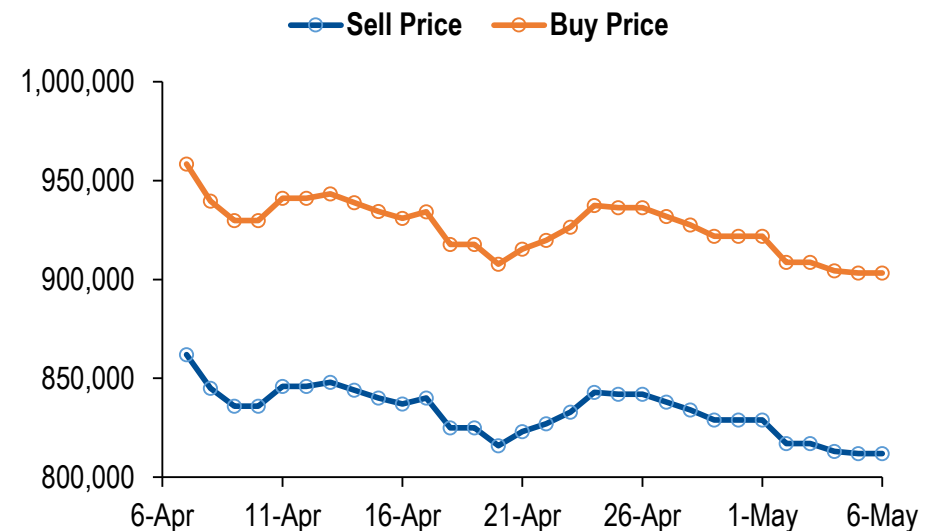
As survival from precarious lockdowns is daunting, worried investors over economic collapse rush to gold as safe haven, so that tailwind is a strong footing for upbeat gold prices. ANTM's gold price is inevitably as upbeat as global gold prices. ANTM's future buying price closed Wednesday's trading session of May 06, 2020 at IDR913,000/gram and selling price at IDR812,000/gram. Miners, i.e., ANTM benefits from COVID-19 wrecking havoc as binge gold persist. We pencil in gold to perform best during this week as opposed to JCI's precarious trend.

USD/IDR Movement



Source: Bloomberg, NHKSI Research

ANTM's Gold Prices (IDR/Gram)



Source: Harga-Emas.org, NHKSI Research

Aneka Tambang Tbk (ANTM IJ – Gold Mining)

Dec. 2020 Price Target	1,100
Consensus Price	738
Last Price (IDR) as of May 08, 2020	535
PT vs. Last Price (%)	105.6
Revenue Breakdown:	
Gold Mining	69%
Feronikel Mining	15%
Others	16%

IDR bn	FY2018	FY2019	FY2020E	FY2021E
Revenue	25,241	32,720	36,458	42,014
y-y (%)	99.4	29.6	11.4	15.2
Net Profit	874	193	889	967
y-y (%)	540.6	-77.9	360.6	8.7
NPM (%)	3.5	0.5	2.4	2.3
EPS (IDR)	36	8	37	40
P/E (x)	21.0	61.7	26.1	26.5

- **NHKS** this week recommends ANTM as the top stock pick and estimates its price target of IDR1,100 on the basis of a 26.1x P/E trailing band. The basis of the recommendation is ANTM's solid revenue in 2020, supported by relaxed tax and active operation of East Halmahera-based ferronickel smelter.

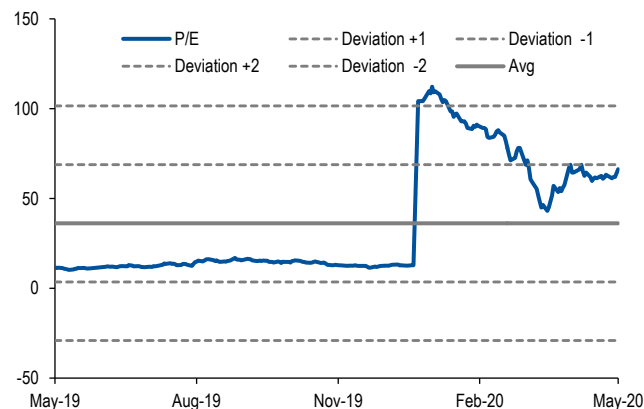
Despite Declining Revenues, ANTM's Performance Remains Attractive

- Revenue in FY19 hiked by 29.4% YoY, backed by a 37.5%YoY hike in sales of gold to IDR22.4 trillion and ferronickel sales of IDR4.8 trillion. Net profit, nevertheless, dropped by 88.1% YoY to IDR193 billion due to a 37.5% YoY surge in COGS. Despite ANTM's mediocre performance in 2019, ANTM is pretty resilient and bounces back in 2020 as its revenue is likely to grow by 16.5% YoY on the back of global gold price to fall above USD1,700/ounce troy along with more efficient operational costs. All of those tailwinds bring into an estimated growth of 3% YoY in 2020's net profit.

Relaxed Tax and Ferronickel Prospect

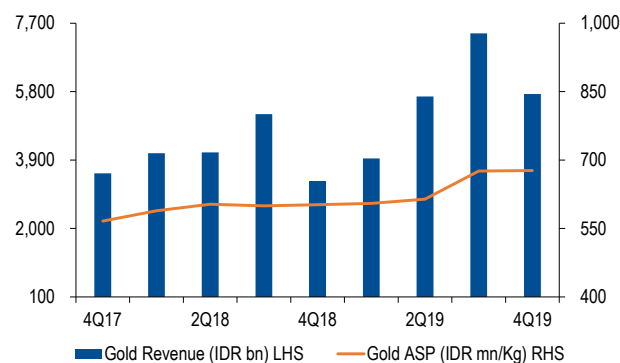
The Indonesian government unleashed relaxed tax for 18 businesses sectors—one of them is the mining sector—to survive from severe COVID-19 lockdowns. We analyze the relaxed tax will trim ANTM's tax costs so that its net profit in 2020 is possible to positively grow. The active operation of East Halmahera-based ferronickel smelter with capacities of 13,500 Tni is a strong footing for revenue growth.

1-Year P/E Trailing Band



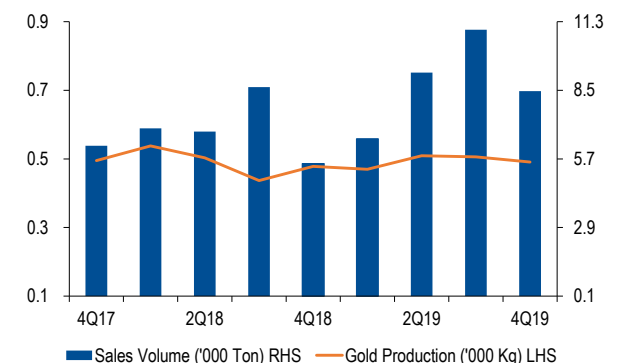
Source : Bloomberg, NHKSI Research

Gold's Revenue & ASP



Source : Company Data, NHKS Research

Gold's Sales Volume & Production



Source: Company Data, NHKS 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	26,225	25,850	32,000	Buy	22.0	1.5%	646.6	22.6x	3.7x	17.5	2.1	13.7	10.5
BBRI	Theme 1	2,590	2,730	4,950	Buy	91.1	-5.1%	319.5	9.2x	1.5x	17.7	6.5	11.1	6.3
Consumer														
GGRM	Theme 1	44,050	45,300	61,800	Buy	40.3	-2.8%	84.8	7.8x	1.7x	22.7	5.9	15.5	39.6
KINO	Theme 1	2,700	3,100	4,680	Buy	73.3	-12.9%	3.9	14.2x	1.4x	10.5	1.9	11.1	(81.3)
ICBP	Theme 1	9,625	9,875	12,875	Buy	33.8	-2.5%	112.2	22.3x	4.4x	21.5	1.4	10.1	10.2
KLBF	Theme 1	1,400	1,440	1,430	Hold	2.1	-2.8%	65.6	25.4x	4.0x	16.3	1.9	8.0	12.5
Infrastructure														
TLKM	Theme 1	3,190	3,500	4,330	Buy	35.7	-8.9%	316.0	15.6x	3.2x	21.3	5.1	3.5	15.6
JSMR	Theme 1	3,640	3,150	4,450	Buy	22.3	15.6%	26.4	12.0x	1.4x	12.4	1.3	(28.7)	0.2
Trade														
UNTR	Theme 2	15,825	16,300	20,000	Buy	26.4	-2.9%	59.0	5.9x	0.9x	16.9	7.8	(19.0)	(40.2)
MAPI	Theme 2	695	655	1,300	Buy	87.1	6.1%	11.5	12.4x	1.9x	16.1	1.4	14.0	27.3
Property														
CTRA	Theme 2	515	545	1,390	Buy	169.9	-5.5%	9.6	8.3x	0.6x	7.8	1.9	(0.8)	(2.6)
WSKT	Theme 2	600	605	2,600	Buy	333.3	-0.8%	8.1	8.7x	0.5x	5.2	12.2	(35.7)	(76.3)
WIKA	Theme 2	935	950	1,770	Buy	89.3	-1.6%	8.4	3.7x	0.5x	14.6	4.1	(12.7)	32.0
Basic Ind.														
SMGR	Theme 1	7,450	7,950	14,300	Buy	91.9	-6.3%	44.2	18.5x	1.4x	7.5	2.8	31.5	(22.4)
Misc Ind.														
ASII	Theme 1	3,740	3,850	8,600	Buy	129.9	-2.9%	151.4	7.1x	1.0x	14.4	5.6	(9.4)	(7.8)
Mining														
TINS	Theme 2	505	466	800	Buy	58.4	8.4%	3.8	N/A	0.7x	(10.7)	4.9	75.2	N/A
PTBA	Theme 2	2,060	1,875	2,300	Hold	11.7	9.9%	23.7	6.0x	1.2x	20.6	16.5	(4.0)	(25.0)
INCO	Theme 2	3,090	2,570	4,200	Buy	35.9	20.2%	30.7	19.3x	1.0x	5.6	N/A	38.1	N/A
ANTM	Theme 2	535	510	1,100	Buy	105.6	4.9%	12.9	66.4x	0.7x	1.1	2.4	29.4	(88.1)
Agriculture														
AALI	Theme 2	6,275	6,100	15,600	Buy	148.6	2.9%	12.1	22.2x	0.6x	2.9	3.6	13.3	891.7

Source : Bloomberg, NHKS Research

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