

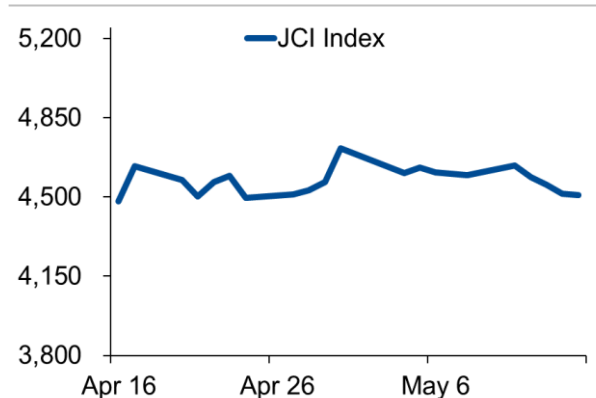
Weekly Brief (May 18th – 20th)

Summary:

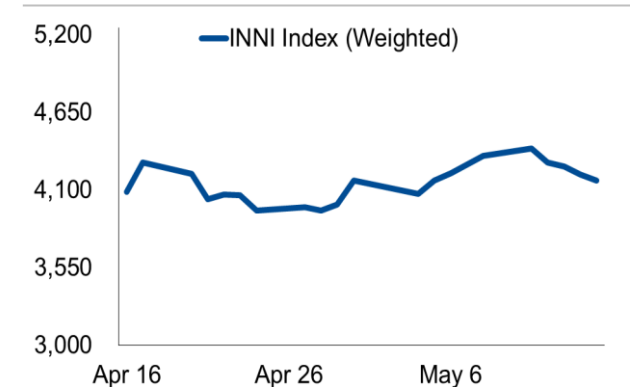
Last week review: relaxed lockdowns in a number of countries bring positive impacts for the economy, but it also escalate investors' jitters of surging new cases of COVID-19. Besides, higher premiums for BPJS and re-balanced MSCI to cause JCI's massive foreign outflows and bearish state.

This week's outlook: COVID-19 wrecks all sectors, but we pencil in GGRM to be capable of posting positive performance during 1Q20 and stable cigarette consumption amid the soft consumption. Thus, **NHKS** recommends GGRM as this week's preferred stock estimated to reach the price target of IDR61,800 based on a 15.3x P/E trailing band.

JCI - one month



INNI Index – one month



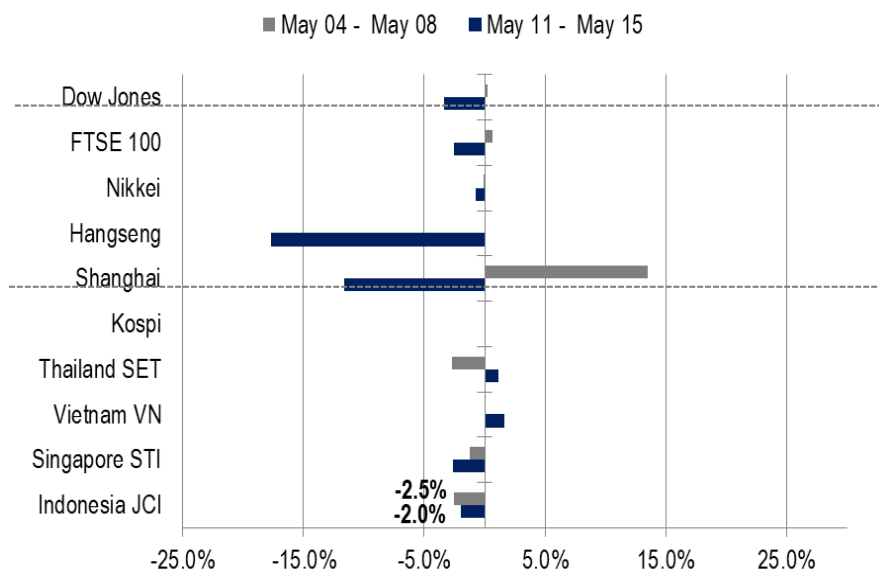
Last Week's JCI Movement

- JCI Index : 4,507.60 (-2.0%)
- Foreign Flow : Net sell of IDR4.1 trillion (vs. last week's net sell of IDR1.6 trillion)
- USD/IDR : 14,860 (-0.40%)
- Yields of sovereign bond with 10-years tenor : 7.785% (-31.70 bps)

JCI Snapped Lower

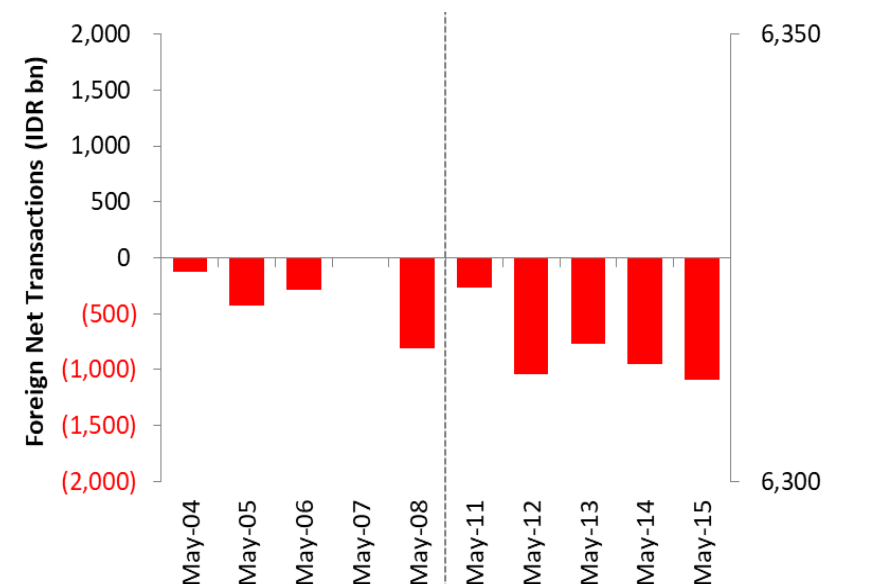
JCI in the early week nudged up despite investors' anxiety about the relaxed lockdowns to possibly cause the second wave of coronavirus infection. The surge in COVID-19 new positive cases in German and South Korea exacerbated JCI's bearish state. Besides, the banking stocks also suppressed JCI's early week moves as foreign investors withdrew their capital. JCI in the mid-week continued to drop further after MSCI rebalanced and diminished six stocks, BBTN, PTBA, BSDE, JSRM, TKIM, and PWON from its MSCI Global Standard and included them into MSCI's small-cap. index. The adjustment to index constituent caused mounting foreign net sell in IDX. Besides, the Government also hiked premiums for the Health Care and Social Security Agency (BPJS Kesehatan) to take into force in July 1, 2020. The higher premiums are in compliance with Presidential Regulation (Perpres) Number 64 Year of 2020 on Second Amendment to Presidential Regulation (Perpres) 82 Year of 2018 on Health Coverage.

Global Market Movement



Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

Last Week's INNI Movement

•INNI Index	: 4,168.01 (-4.0%)
INNI Theme 1 (Value)	: 3,153.64 (+0.0%)
INNI Theme 2 (Trend)	: 4,844.25 (-5.7%)

INNI Index Drops

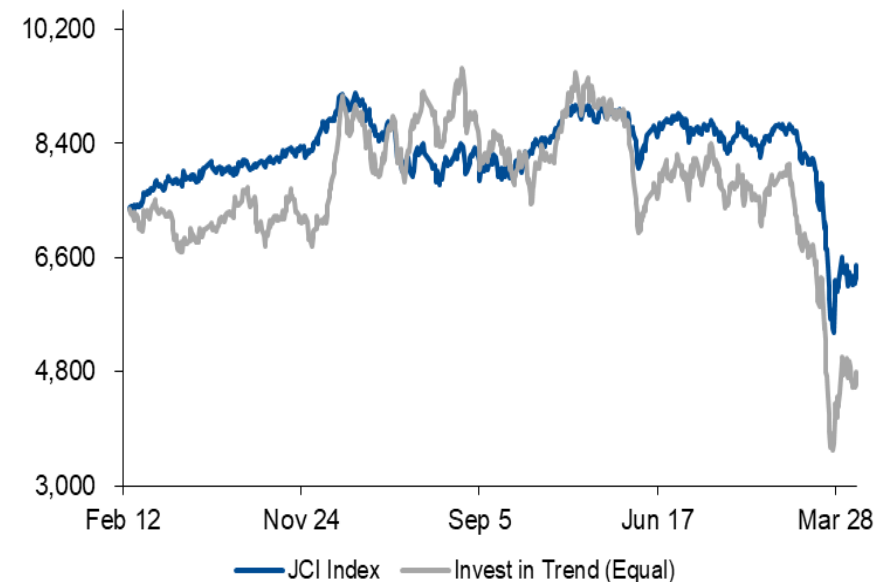
INNI Index in the early week rallied, backed by SMGR—one of the basic industry stocks. Based on the Indonesia Cement Association (ASI), SMGR per March 2020 still retained its position as the top leader by dominating 52% of the national market share. But, INNI Index continued to diminish, subdued by JSR to post declines of 15% and 50% respectively in March and April 2020's revenues. On Friday's of May 15, 2020, INNI Index closed lower, held back by the banking stocks, i.e., BBRI and BBKA. The bearish banking stocks were caused by the higher risks of Non-Performing Loan (NPL) due to customers' in default loans and risks triggered by the rupiah depreciation and liquidity risks.

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

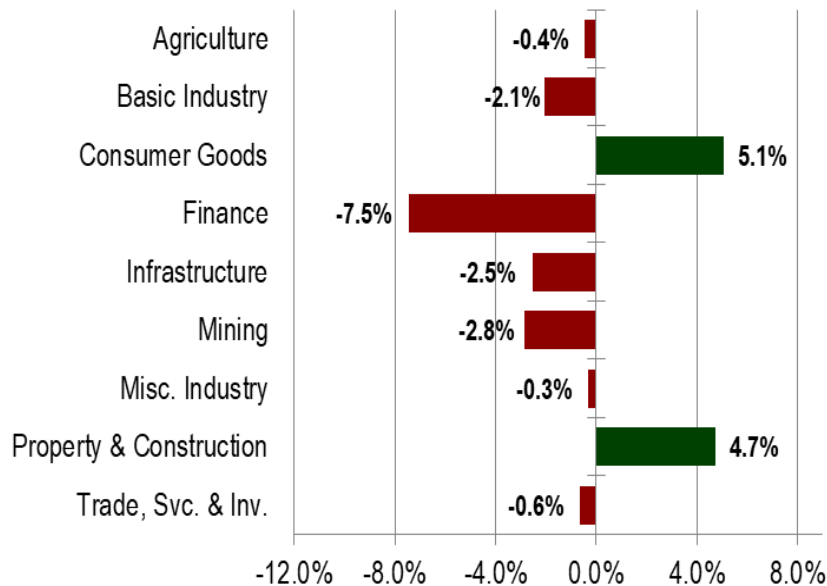
- JCI's Worst- Performed Stocks**

Most of JCI's sectors were in the red, with the banking sector to post the largest losses of 7.5% as large-cap. banking stocks-- BBKA (-8.7%); BBRI (-13.5%); and BMRI (-10.4%)--performed worst last week. Investors worried about the Government's regulation relating to credit restructuring given to the banking sector to curb financial performance.

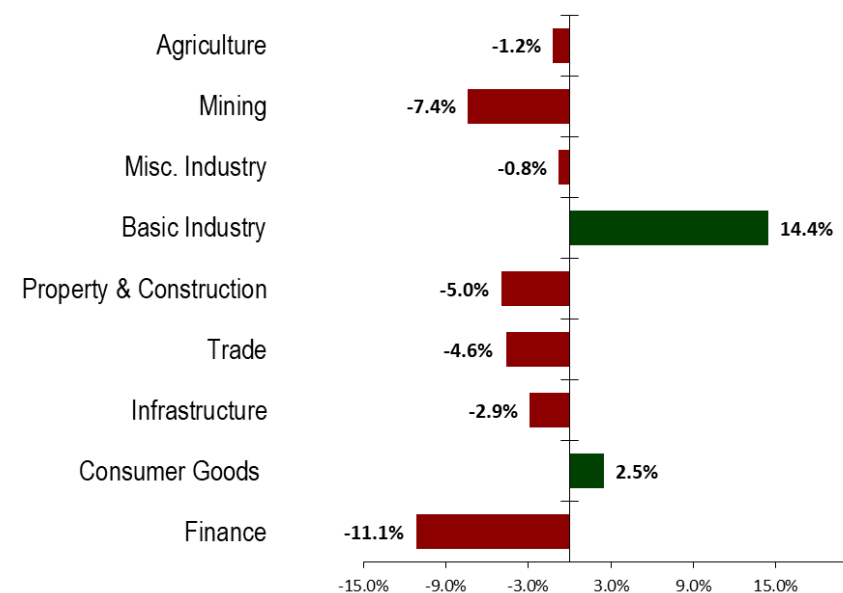
- INNI Index's Worst-Performed Stocks**

INNI Index alike JCI gave up gains, held back by the banking sector to give up the first-largest gains and the mining sector to give up the second-largest gains to 7.4%. Those two sectors performed worst and were major setback in INNI's big moves to the green. PTBA posted a 11.9% correction as it strives to carry out efficiency and selection process through higher-margin mining optimization.

Last Week's JCI Sectoral Movement



Last Week's INNI Sectoral Movement



This Week's Outlook: Consumer Sector

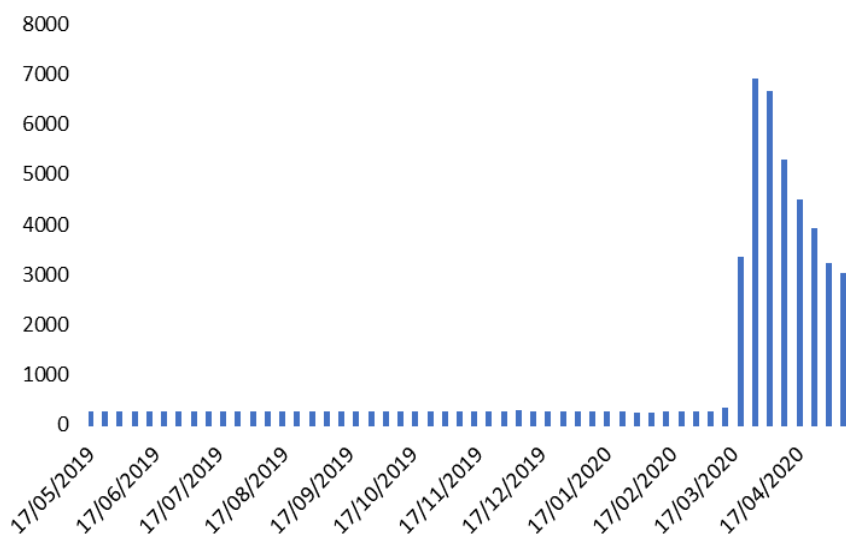
- **Macroeconomic Data Reading Navigates JCI**

We project that Initial Jobless Claims and The U.S. Manufacturing PMI to be released by May 21, 2020 navigate this week's JCI trend. Economic lockdowns in a number of countries to stop COVID-19 spread cause the U.S. contracted economy and the jump in laid-off workers. The unemployment benefits soared higher compared to prior-year number. The U.S. manufacture also tanked since September 2019. However, a number of states in the U.S. to relax its economic lockdowns hopefully will be a good sign for the U.S. economy in years ahead. On the domestic side, BI 7-DRRR to be released on May 19, 2020 will be a sentiment to navigate JCI's trend.

- **Suppressed Purchasing Power, Lagging Economic Growth**

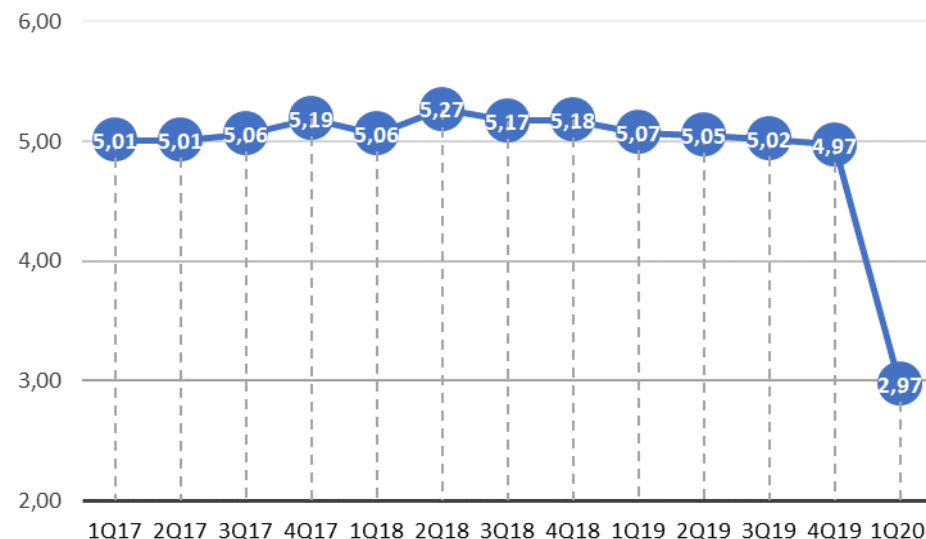
Statistics Indonesia (BPS) recorded 1Q20's lagging economic growth of 2.97% y-y. A 2.84% y-y growth in household consumption or lower than 5.02% in 1Q19 as well as a 3.74% y-y growth in the Government spending or lower than 5.22% in 1Q19 were factors to lag 1Q20's economic growth. The household consumption lagged due to contracted retail and wholesale sales of 4W and 2W as well as negative growth in the number of train and airplane passengers. Meanwhile, declines in goods and services spending slow the Government consumption as the economic lockdown to stop the virus vicious spread takes into force since the second week of March 2020. However, purchasing power will get better along with the Finance Minister Sri Mulyani's decision to ensure Idul Fitri holiday bonuses for state civil apparatus (ASN), the Indonesian National Police (POLRI), and the Indonesian Military (TNI) to be given on May 15, 2020 at the latest. Although the amount of Idul Fitri holiday bonuses allocated was as much as IDR29.3 trillion or much lower than 2019's IDR40 trillion.

The U.S. Initial Jobless Claims



Source: Bloomberg, NHKSI Research

Indonesia's GDP



Source: Statistics Indonesia, NHKSI Research

This Week's Outlook: Consumer Sector

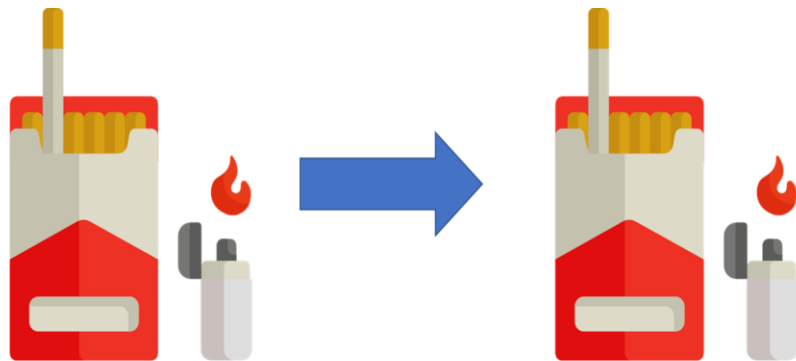
- **Relaxed Excise Duty on Cigarettes**

The Ministry of Finance (Kemenkeu) Directorate General of Customs and Excise (DJBC) gave facilities of postponed payments of tobacco excise (CHT) for 3 months from April 9 to July 2020 as stated in the Regulation of Financial Minister (PMK) Number 30/PMK.04/2020 on the Postponed Excise Payments for Factories or Goods Importers Settled Excise Payments with embedding cigarette excise tax. The relaxed tax payment will cushion COVID-19 wreaking havoc on logistic disruption weighed on cigarette makers. It becomes a positive sentiment for the cigarette industry in order to maintain cash flows.

- **Cigarettes Industry Is Resilient**

Cigarette subsector is the defensive sector considered to be capable of being resilient amid the pandemic due to adequate domestic raw-material supply; thus, the rupiah's volatile exchange rate is most likely sustain the cigarette subsector. Besides, we also certain that stocks of cigarette makers is worth of collection amid the stable demands for cigarette products, higher tariffs imposed on cigarette excises, retail selling prices, and large-scale social restrictions to disrupt production activities. Thus, we pencil in that cigarette makers are most likely to be capable of securing better prospects in years ahead.

Relaxed Excise Duty on Cigarettes



Pre-
PMK-57/PMK.04/2017

A 60-Day Maturity since the Order of Excise Tapes on Tobacco Products

Post-
PMK-30/PMK.04/2020

A 90-Day (+30 Days) Maturity since the Order of Excise Tapes on Tobacco Products

FY19's Tobacco Makers Performance

Ticker	Mkt Cap (IDR)	Rev - 1 Yr	EPS - 1 Yr	P/E	ROE	Dvd 12M Yld
Indonesia (5 securities)						
Average	63,520,100	9.21	0.18	11.03	13.31	4.62
GGRM IJ Equity	93,799,290	15.48	37.68	8.62	22.31	5.33
HMSP IJ Equity	212,280,490	-0.64	1.81	15.37	35.41	6.42
RMBA IJ Equity	9,391,493	8.21	5.98	N/A	-2.01	N/A
ITIC IJ Equity	1,881,440	23.84	N/A	N/A	7.41	N/A
WIIM IJ Equity	247,785	-0.84	-44.77	9.08	3.41	2.12

Source: Bloomberg, NHKSI Research

Source: Directorate General of Customs and Excise, NHKSI Research

Gudang Garam Tbk (GGRM IJ – Consumer Sector)

Dec. 2020's Price Target	61,800
Consensus Price	55,569
Last Price (IDR) as of May 15, 2020	49,275
PT vs. Last Price	25.4%

Revenue Breakdown:	
Machine-made Clove Cigarettes	90.8%
Hand-rolled Clove Cigarettes	7.9%
Paperboard	1.2%
Others	0.1%

IDR bn	FY2018	FY2019	FY2020E	FY2021E
Revenue	95,708	110,524	119,029	131,882
y-y	14.9%	15.5%	7.7%	10.7%
Net Profit	7,792	10,881	8,844	9,765
y-y	0.5%	39.6%	-18.7%	10.4%
EPS	4.050	5.655	3.478	4.036
P/E	20.7	9.3	15.3	16.2
P/BV	1.8x	1.8x	1.7x	1.6x

5-Year P/E Trailing Band



Source : Bloomberg, NHKSI Research

- **NHKSI** recommends GGRM as this week's preferred stock, estimated to hit the price target of IDR61,800 based on P/E trailing band of 15.3x. The estimate is based on stable cigarette consumption and positive performance based on 1Q20's financial statements.

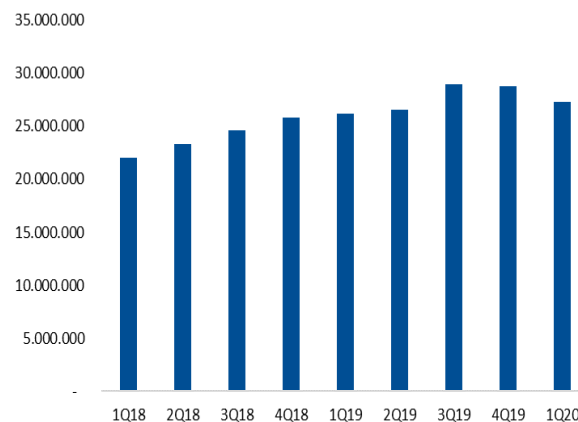
Clove Cigarettes Significantly Soar

GGRM recorded 1Q20's revenue of IDR27.2 trillion or a 4.1% y-y hike and a 3.9% y-y increase to IDR2.4 trillion in net profits. Based on the segmental breakdown, machine-made clove cigarettes (SKM) are the major contributor for GGRM's total revenue as the segment recorded a 3.5% y-y hike in revenue to IDR24 trillion, while hand-rolled clove cigarettes (SKT) posted a significant growth of 11.9% y-y to IDR2.1 trillion in revenue. Furthermore, the *klobot* segment (cigarettes wrapped in husk, bracts of the corn ear) posted revenue of IDR6.01 billion. The growth in SKT and SKM segments during 1Q20 proved that cigarette makers were pretty resilient amid lockdowns to stop the vicious spread of COVID-19.

Kediri-Based Airport Construction Project Uses KPBU Scheme

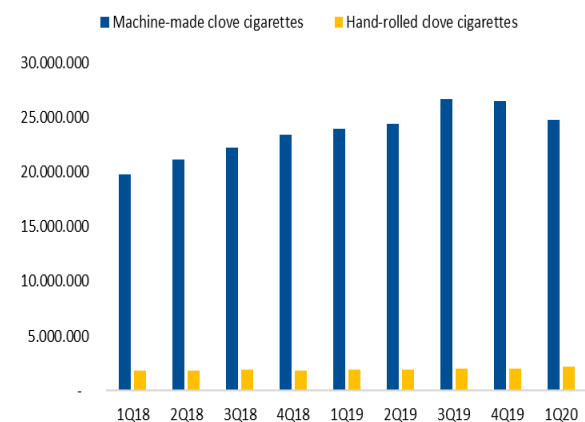
The construction of airport in Kediri, East Java is an IDR9 trillion worth of investment between the Government and the government-to-business cooperation (KPBU) scheme. GGRM invests on the construction to serve public, particularly in Kediri and surrounding areas. The airport construction is a long-term national investment, and the Company ensures that the construction will have no significant impacts on the Company's business operation, financial performance, legal issues, and sustainability.

GGRM Sales | 1Q18 – 1Q20



Source : Company Data, NHKSI Research

Sales of Machine-Made & Hand-Rolled Clove Cigarettes



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	23,925	26,225	32,000	Buy	33.8	-8.8%	589.9	20.6x	3.4x	17.5	2.3	13.7	10.5
BBRI	Theme 1	2,240	2,590	4,950	Buy	121.0	-13.5%	276.3	8.0x	1.5x	18.6	7.5	13.0	(0.3)
Consumer														
GGRM	Theme 1	49,275	44,050	61,800	Buy	25.4	11.9%	94.8	8.7x	1.9x	22.7	5.3	15.5	39.6
KINO	Theme 1	2,630	2,700	4,680	Buy	77.9	-2.6%	3.8	13.8x	1.4x	10.5	1.9	11.1	(81.3)
ICBP	Theme 1	9,700	9,625	12,875	Buy	32.7	0.8%	113.1	22.4x	4.5x	21.5	1.4	10.1	10.2
KLBF	Theme 1	1,400	1,400	1,430	Hold	2.1	0.0%	65.6	25.4x	4.0x	16.3	1.9	8.0	12.5
Infrastructure														
TLKM	Theme 1	3,100	3,190	4,330	Buy	39.7	-2.8%	307.1	15.2x	3.1x	21.3	5.3	3.5	15.6
JSMR	Theme 1	3,530	3,640	4,450	Buy	26.1	-3.0%	25.6	11.6x	1.4x	12.4	1.3	(28.7)	0.2
Trade														
UNTR	Theme 2	14,250	15,825	20,000	Buy	40.4	-10.0%	53.2	5.3x	0.8x	16.9	8.7	(19.0)	(40.2)
MAPI	Theme 2	700	695	1,300	Buy	85.7	0.7%	11.6	12.5x	1.9x	16.1	1.4	14.0	27.3
Property														
CTRA	Theme 2	476	515	1,390	Buy	192.0	-7.6%	8.8	7.7x	0.6x	7.8	2.1	(0.8)	(2.6)
WSKT	Theme 2	575	600	2,600	Buy	352.2	-4.2%	7.8	8.3x	0.4x	5.2	12.7	(35.7)	(76.3)
WIKA	Theme 2	905	935	1,770	Buy	95.6	-3.2%	8.1	3.6x	0.5x	14.6	4.3	(12.7)	32.0
Basic Ind.														
SMGR	Theme 1	8,525	7,450	14,300	Buy	67.7	14.4%	50.6	19.7x	1.5x	8.0	2.4	5.6	66.7
Misc Ind.														
ASII	Theme 1	3,710	3,740	8,600	Buy	131.8	-0.8%	150.2	7.0x	1.0x	14.4	5.7	(9.4)	(7.8)
Mining														
TINS	Theme 2	462	505	800	Buy	73.2	-8.5%	3.4	N/A	0.7x	(10.7)	5.4	75.2	N/A
PTBA	Theme 2	1,815	2,060	2,300	Buy	26.7	-11.9%	20.9	5.3x	1.0x	20.6	18.7	(4.0)	(25.0)
INCO	Theme 2	2,890	3,090	4,200	Buy	45.3	-6.5%	28.7	18.1x	1.0x	5.6	N/A	38.1	N/A
ANTM	Theme 2	520	535	1,100	Buy	111.5	-2.8%	12.5	64.5x	0.7x	1.1	2.4	29.4	(88.1)
Agriculture														
AALI	Theme 2	6,200	6,275	15,600	Buy	151.6	-1.2%	11.9	21.9x	0.6x	2.9	3.6	13.3	891.7

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

DISCLAIMER

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein.

All rights reserved by PT NH Korindo Sekuritas Indonesia