

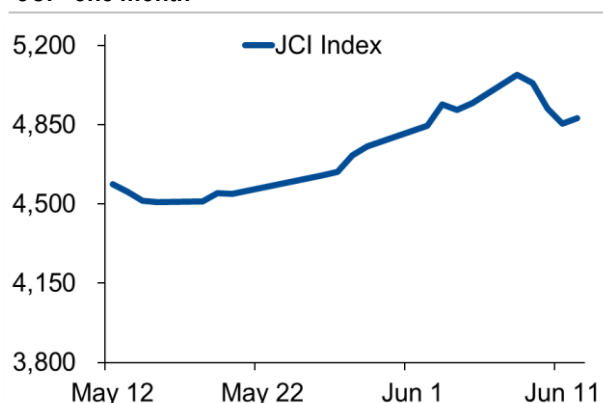
Weekly Brief (June 15th – 19th)

Summary:

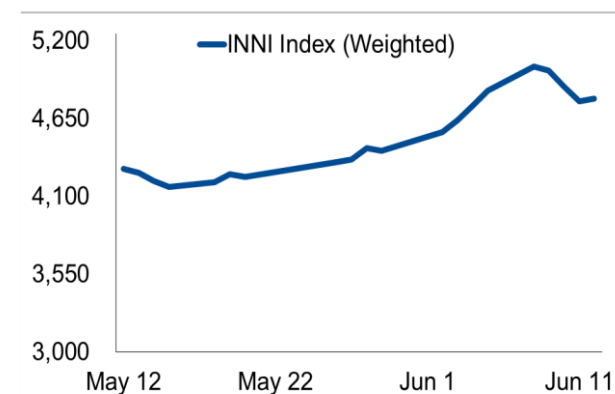
Last week review: The JCI movement was put on a halt after being overshadowed by profit taking actions from investors. In another sentiment, The Central Bank released the Foreign Reserve data for May 2020 which recorded an increase from previous month. From global side, the Fed decided to hold its benchmark rate after considering the effects of Covid-19 pandemic which shut down economy activities and create some risks in medium term prospects.

This week's outlook: For this week, the US will release retail sales data, while Indonesia is scheduled to release the Trade Balance data. If both indicators can meet or exceed the market consensus, it would be a positive sign for JCI movement this week. Investors can consider agriculture stocks which currently being helped by a regulation to prioritize domestic consumption and the potential rise in CPO price. NHKSI recommends AALI as a stock pick with an end of year target price of IDR 10.000 based on P/E trailing band of 35,9x

JCI - one month



INNI Index – one month



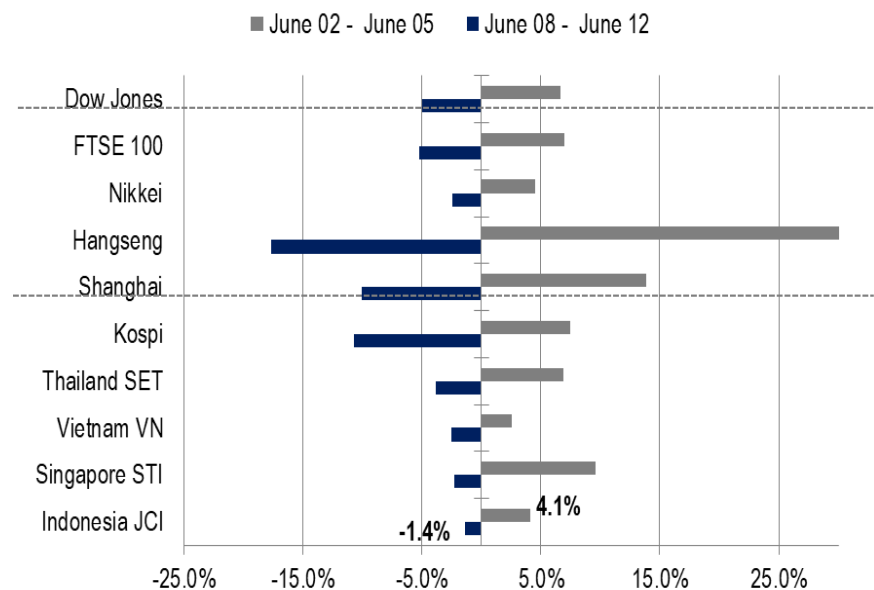
Last Week's JCI Movement

- JCI Index : 4,880.35 (-1.4%)
- Foreign Flow : Net sell of IDR1.7 trillion (vs. last week's net buy of IDR3.3 trillion)
- USD/IDR : 14,133 (-1.84%)
- Yields of sovereign bond with 10-years tenor : 7.232% (+9.40 bps)

JCI Closed Lower

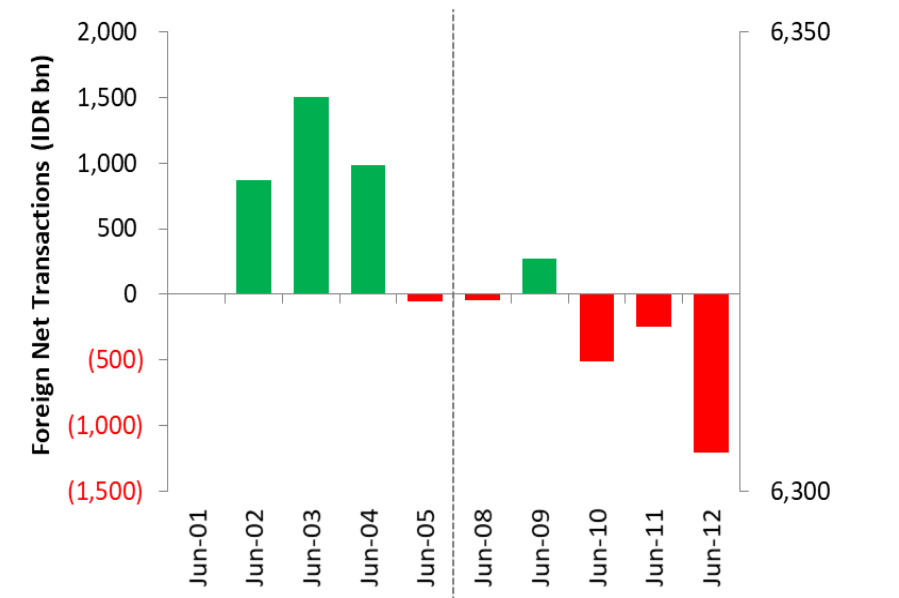
The release of Foreign Reserves data was a positive catalyst for JCI at the start of last week. In May 2020, Foreign Exchange recorded at USD 130,5 billion, an increase from April 2020 position at USD 127,5 billion. This raise was caused by foreign debt drawdown and foreign currencies placement in Central Bank. On June 11th, the JCI had a correction due to profit taking by investors and the Fed's decision to hold benchmark rate at 0-0,25% after FOMC meeting on 9-10 June. On June 12th, the JCI rebounded with boosts from banking and miscellaneous industry sectors. Overall, during last week, the JCI was down with a foreign net sell of IDR 1,7 Trillion. Furthermore, most sectors closed lower with infrastructure as the biggest losing sector with a 4,0% decrease, and only banking and agriculture had gains of 0,5% and 0,8% respectively.

Global Market Movement



Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

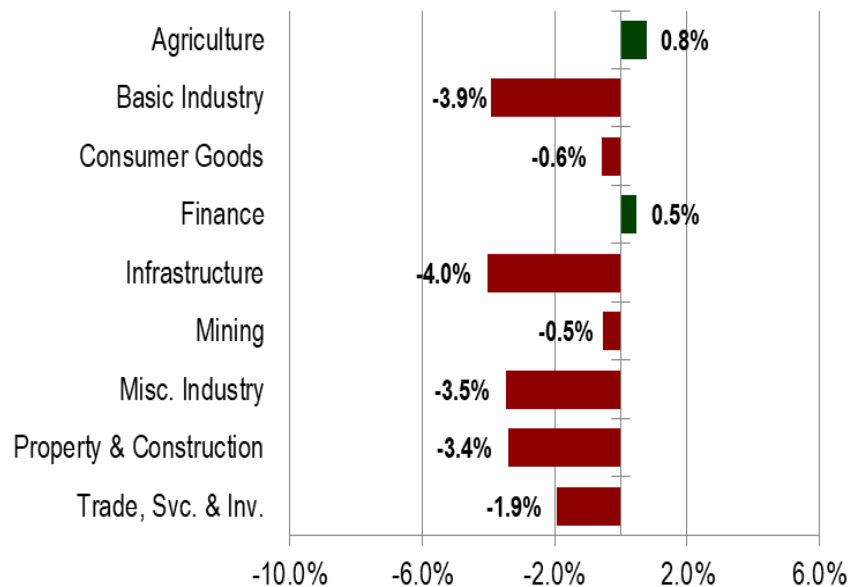
Last Week's INNI Movement

•INNI Index	: 4,791.28 (-1.2%)
INNI Theme 1 (Value)	: 3,444.35 (-1.9%)
INNI Theme 2 (Trend)	: 5,689.24 (-0.9%)

INNI Index Fell Down

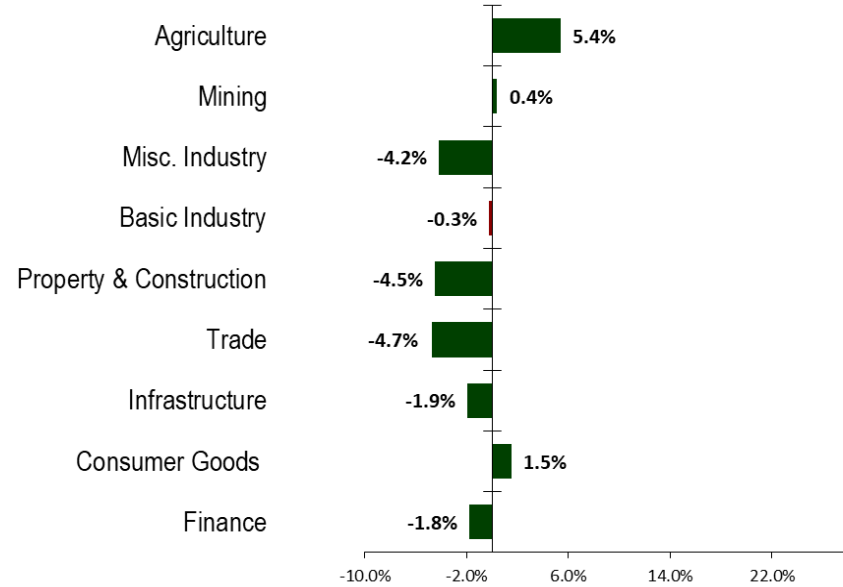
At the beginning of the week, INNI Index was up with gains from almost every stock except INCO, which is affected by the delay of its acquisition process by Inalum. INNI Index closed on the negative on June 11th & 12th led by losses from construction stocks like WIKA and WSKT. As a note, Fitch Rating cut WKST's long-term bond rating from A-(idn) to BBB+(idn). This was due to lower order book amount which put pressure on the company's profitability. Meanwhile, WIKA 1Q20 performance was highlighted by a shrinking revenue of 35,4% to IDR 4,19 Trillion. This drop was determined by the postponement of several projects due to Covid-19 pandemic. On June 12th, INNI Index climbed with support from the infrastructure stock, JSMR. The company has announced to pay out dividends amounting to IDR 110 bn as decided on its AGM. During last week, INNI Index was down with Trade sector recording the biggest weekly drop of 4,7%.

Last Week's JCI Sectoral Movement



Source: Bloomberg, NHKSI Research

Last Week's INNI Sectoral Movement



Source: Bloomberg, NHKSI Research

This Week's Outlook: The JCI's Direction

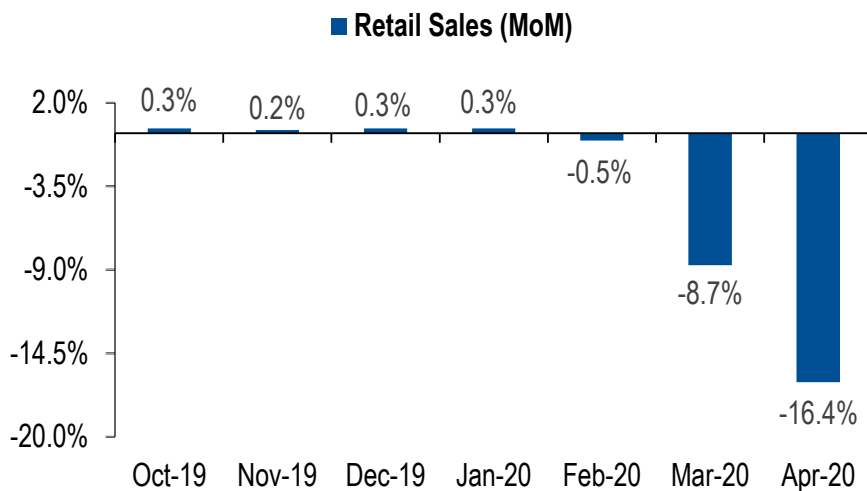
- **U.S. Retail Sales Navigates Dow Jones' Trend**

The U.S. Retail Sales in May is one of the indicators for the Dow Jones' trend. U.S. Retail Sales measures the change in total value of sales at retail level and the main indicator of consumer spending, which accounts for majority of overall economic activity. In the last two months, U.S. Retail Sales tanked to negative level and affected the overall economy in the United States. Should May's U.S Retail Sales jumped to surplus level, the Dow Jones during this week is most likely to be bullish and leave the pathway for JCI to surge, and vice versa.

- **Indonesia's Trade Balance Navigates JCI's Trend**

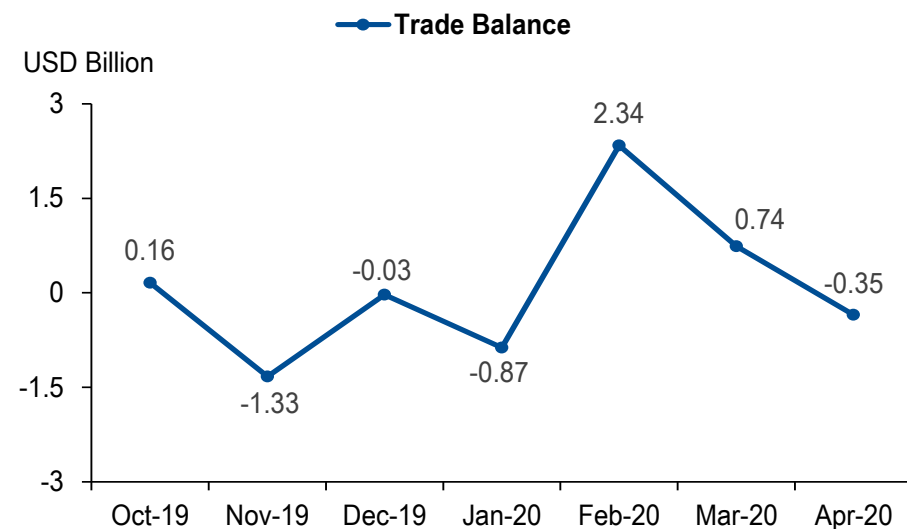
Statistics Indonesia will release May trade balance data on Jun. 15 which is the first trading day in a week. The reading will determine JCI's trend. After April's deficit of USD350 million, May's position is estimated to still be on a deficit of USD200 million based on market consensus. If a lower deficit occurs in May data, we believe investors will react to hold the position in JCI. However, investors must remember that trade balance data for January-April 2020 period is still in a surplus position of USD1.86 billion. Hence, if the trade balance still in a deficit position around USD200 million, Indonesia's trade balance for 2020 still in a surplus position of USD1.66 billion. Should May's number be higher than the estimate (-USD200 million), JCI will move to the green zone, and vice versa.

U.S. Retail Sales MoM



Source: Census Bureau, NHKSI Research

Indonesia Trade Balance MoM



Source: Badan Pusat Statistik, NHKSI Research

This Week's Outlook: Plantation's Lustrous Outlook

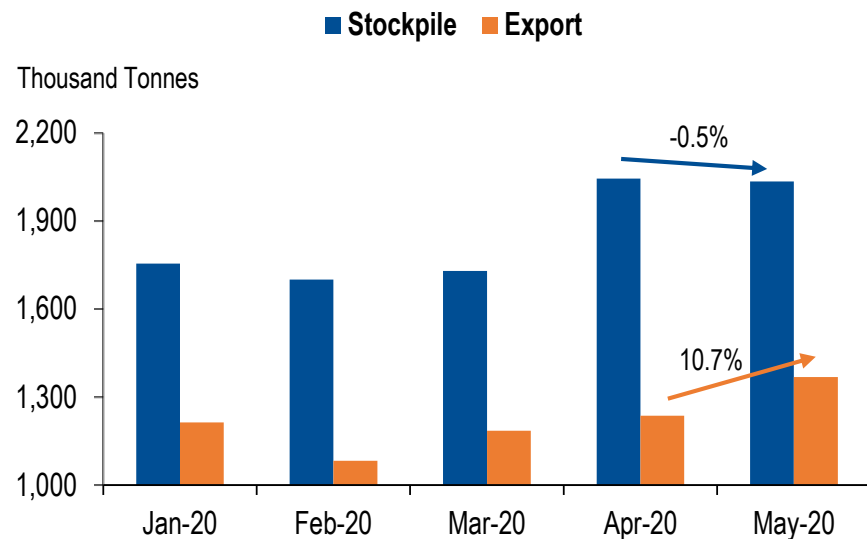
- Malaysia's CPO Stockpile Starting to Decline**

On 10 June 2020, the Malaysian Palm Oil Board (MPOB) released Malaysian CPO stockpile data for May which fell to 2.03 million tons or a decrease by 0.5% MoM and Malaysian CPO export data which rose to 1.37 million tons or a jump of 10.7% YoY. These conditions illustrate the current condition of CPO stockpile is about to decline but consumption continues to increase, and the data gave a positive sentiment for CPO prices for the last week. We see this condition will have a positive effect this week and the potential to strengthen the CPO prices of the Malaysian Derivatives Exchange to peak at the level of MYR2,450/tonne. The potential bullish of CPO prices this week will certainly benefit the plantation sector to move upward, especially for AALI and LSIP, which posted a satisfying financial performance with an increase in net profit of 891% YoY and 109% YoY respectively.

- Indonesia's CPO Export Tariffs Rising Up to Increase Domestic Consumption**

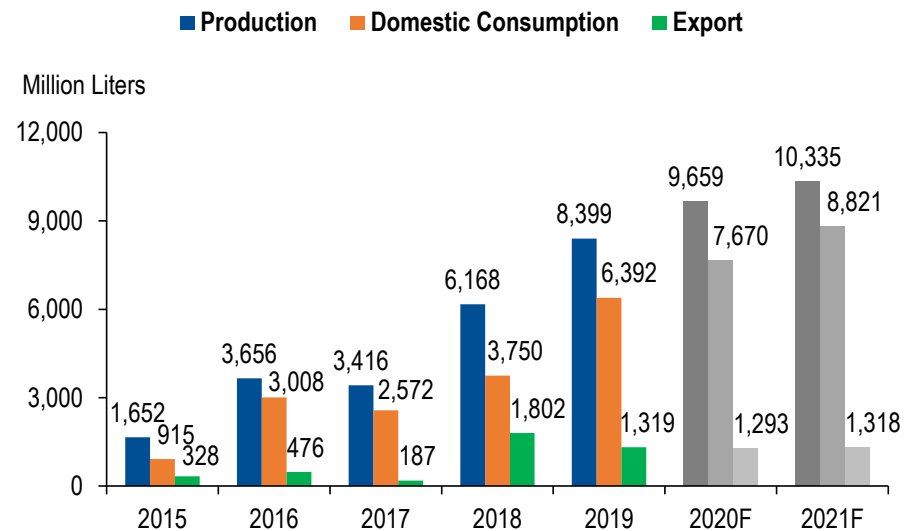
The Minister of Finance, Sri Mulyani has officially raised the CPO export tariffs from USD50/ton to USD55/ton based on Minister of Finance Regulation No. 57/PMK.05/2020. The increase in export tariffs will be implemented from 1 June 2020 and will inevitably affect the CPO company's sales in the future. We believe this new regulation will reduce demand from exports and increase domestic consumption. So, the B30 program will have sufficient supply this year and become a positive sentiment for the plantation sector. We estimate for 2020F, domestic biodiesel consumption can reach 7.6 million liters (+20% YoY) with a blended rate of 28.5% in diesel.

Malaysia's CPO Stockpile & Export MoM



Source: MPOB, NHKSI Research

Indonesia's Biodiesel Statistics



Source: APROBI, NHKSI Research

Astra Agro Lestari Tbk (AALI IJ – Plantation)

Dec 2020 Target Price	10,000
Consensus Price	9,219
Last Price (IDR) as of Jun 12, 2020	8,275
TP vs. Last Price (%)	20.8
Revenue Breakdown:	
Crude Palm Oil	92%
Palm Kernel	7%
Others	1%

IDR bn	FY2019	FY2020E	FY2021E	FY2022E
Revenue	17,453	18,065	19,654	20,873
y-y (%)	-8.5	3.5	8.8	6.2
Net Profit	211	536	926	1,029
y-y (%)	-85.3	153.9	20.8	18.7
NPM (%)	1.2	3.0	4.7	4.9
EPS (IDR)	110	278	481	535
P/E (x)	113.2	35.9	20.8	18.7

- NHCSI** this week recommends AALI as the top stock pick with a target price of IDR10,000 which represents a 39.5x P/E trailing band until the end of 2020. The basis of the recommendation is AALI's solid revenue in 2020, supported by better operational performance this year.

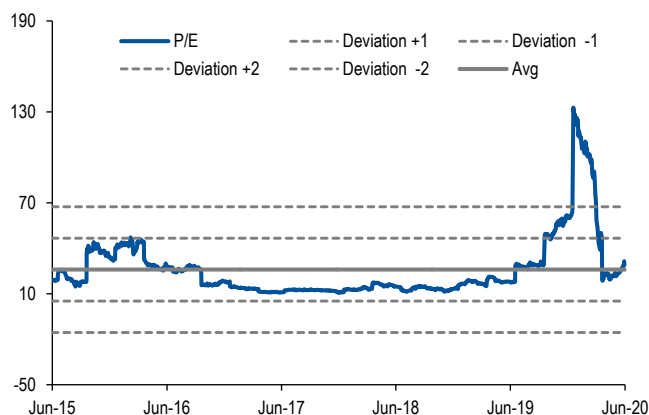
- Operating Performance Declines, Selling Prices Rise**

Throughout 1Q20, AALI produced a lower operational performance with FFB production of 1.12 million tonnes (-8.5% YoY) and CPO production of 354,100 tonnes (-14.7% YoY). However, with ASP increased to IDR9,030/kg, AALI posted revenue of 4.7 trillion (+13.3% YoY) and net profit of IDR371 billion (+891.8% YoY). AALI's NPM rise to a level of 13% (vs 3M19 NPM of 1%) and 3M20 revenue has reached 26.5% of our FY20 target of IDR18 trillion.

- Estimates of the AALI's Performance Still Optimistic**

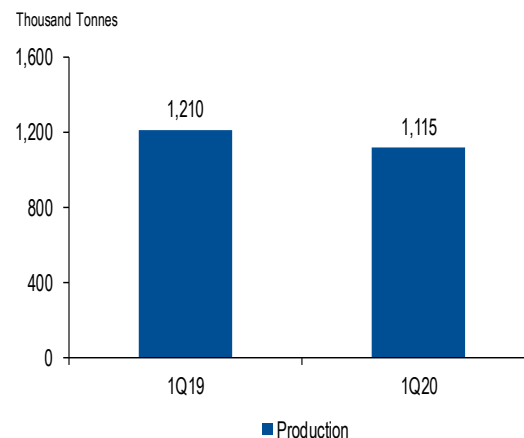
We estimate FFB production of 5.25 million tonnes for 2020F and 5.42 million tonnes for 2021F with CPO production of 1.84 million tonnes for 2020F and 1.91 million tonnes for 2021F. Consumption will go down in 2Q20 due to the condition of the COVID-19 pandemic. This will affect AALI's sales volume, and we estimate sales volume of 2.2 million tonnes for 2020F and sales volume of 2.4 million tonnes for 2021F. ASP in 2020 will potentially be higher than 2019, so we estimate an ASP of IDR8,250/kg for 2020F and ASP of IDR8,845/kg for 2021F.

5-Year P/E Trailing Band



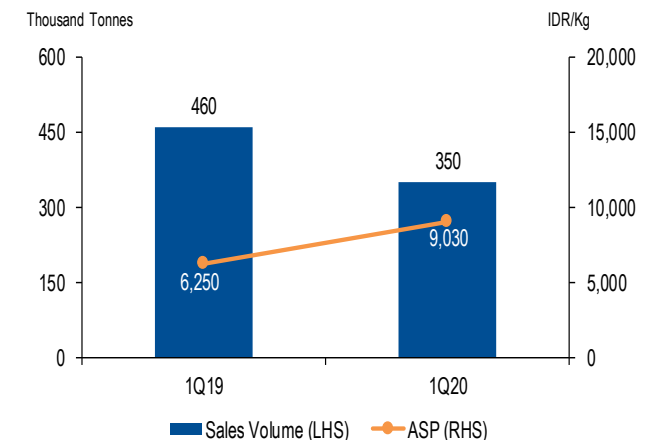
Source : Bloomberg, NHKSI Research

FFB Production



Source : Company Data, NHKSI Research

CPO Sales Volume & ASP



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	28,350	28,625	28,950	Hold	2.1	-1.0%	699.0	24.0x	4.1x	17.6	2.0	13.9	8.5
BBRI	Theme 1	3,030	3,110	3,100	Hold	2.3	-2.6%	373.7	10.8x	2.1x	18.6	5.6	13.0	(0.3)
Consumer														
GGRM	Theme 1	47,200	48,400	59,550	Buy	26.2	-2.5%	90.8	8.3x	1.7x	21.8	5.5	4.1	3.9
KINO	Theme 1	3,130	2,820	2,950	Hold	(5.8)	11.0%	4.5	16.5x	1.7x	10.5	3.5	11.1	(81.3)
ICBP	Theme 1	8,600	8,625	Under Review	N/A	N/A	-0.3%	100.3	17.6x	3.7x	22.6	1.6	6.7	47.8
KLBF	Theme 1	1,380	1,410	1,430	Hold	3.6	-2.1%	64.7	25.1x	3.9x	16.3	1.4	8.0	12.5
Infrastructure														
TLKM	Theme 1	3,030	3,230	3,800	Buy	25.4	-6.2%	300.2	16.1x	3.0x	18.8	5.4	3.7	3.5
JSMR	Theme 1	3,980	3,890	4,550	Hold	14.3	2.3%	28.9	13.1x	1.5x	12.4	1.1	(28.7)	0.2
Trade														
UNTR	Theme 2	16,450	17,100	19,000	Buy	15.5	-3.8%	61.4	6.1x	1.0x	16.9	2.5	(19.0)	(40.2)
MAPI	Theme 2	750	795	820	Hold	9.3	-5.7%	12.5	13.4x	2.0x	16.1	1.3	14.0	27.3
Property														
CTRA	Theme 2	685	755	810	Buy	18.2	-9.3%	12.7	12.0x	0.9x	7.2	1.5	(8.3)	(33.3)
WSKT	Theme 2	730	735	960	Buy	31.5	-0.7%	9.9	10.6x	0.6x	5.2	10.0	(35.7)	(76.3)
WIKA	Theme 2	1,260	1,305	1,380	Hold	9.5	-3.4%	11.3	5.4x	0.8x	14.3	3.1	(35.4)	(65.3)
Basic Ind.														
SMGR	Theme 1	9,400	9,425	10,925	Buy	16.2	-0.3%	55.8	21.7x	1.7x	8.0	2.2	5.6	66.7
Misc Ind.														
ASII	Theme 1	4,790	5,000	5,800	Buy	21.1	-4.2%	193.9	9.1x	1.3x	14.4	4.4	(9.4)	(7.8)
Mining														
TINS	Theme 2	590	580	830	Buy	40.7	1.7%	4.4	N/A	0.8x	(10.7)	4.2	75.2	N/A
PTBA	Theme 2	2,390	2,210	2,775	Buy	16.1	8.1%	27.5	6.9x	1.4x	20.6	14.2	(4.0)	(25.0)
INCO	Theme 2	2,830	3,030	3,500	Buy	23.7	-6.6%	28.1	18.6x	1.0x	5.6	N/A	38.1	N/A
ANTM	Theme 2	580	590	600	Hold	3.4	-1.7%	13.9	71.9x	0.8x	1.1	2.2	29.4	(88.1)
Agriculture														
AAII	Theme 2	8,275	7,850	10,000	Buy	20.8	5.4%	15.9	29.2x	0.8x	2.9	N/A	13.3	891.7

Source : Bloomberg, NHKSI Research

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