

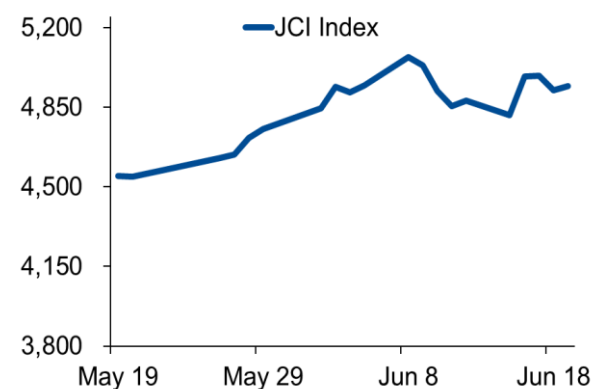
Weekly Brief (June 29th – July 03rd)

Summary:

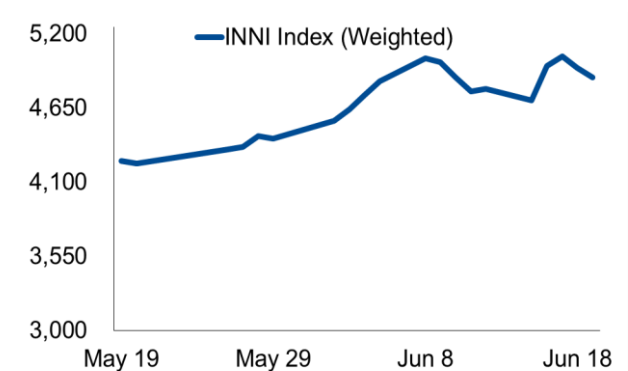
Last week review: The JCI movement last week was mainly influenced by external factors such as statements from US officials regarding the continuation of trade deals between US and China, and the release of World Economic Outlook report from IMF where the global economic is predicted to contract by 4.9% this year.

This week's outlook: The global market movement this week will be influenced by sentiments from economy data releases such as the Markit Manufacturing PMI, the Fed benchmark interest rates, Balance of Trade, export import and the unemployment rates in the US for the June 2020 period. Domestically, the rise in inflation is expected to be a stimulus for the JCI movement. While the property sector has not responded to the cuts of BI benchmark interest rates, since the banking loan interest rates is still high. Funding source is still dominated by mortgage, making the trend of falling banking loan interest rates is expected by market players to encourage growth in the property sector. In addition, some Book IV banks have started to decrease their loan interest rates which is expected to be followed by other banks. CTRA in Q1 2020 succeeded in booking marketing sales growth of 2.3% by implementing online launch strategy during the pandemic. Thus, we recommend CTRA as this week's preferred stock with the target price of IDR810 using discount to RNAV of 87%.

JCI - one month



INNI Index – one month



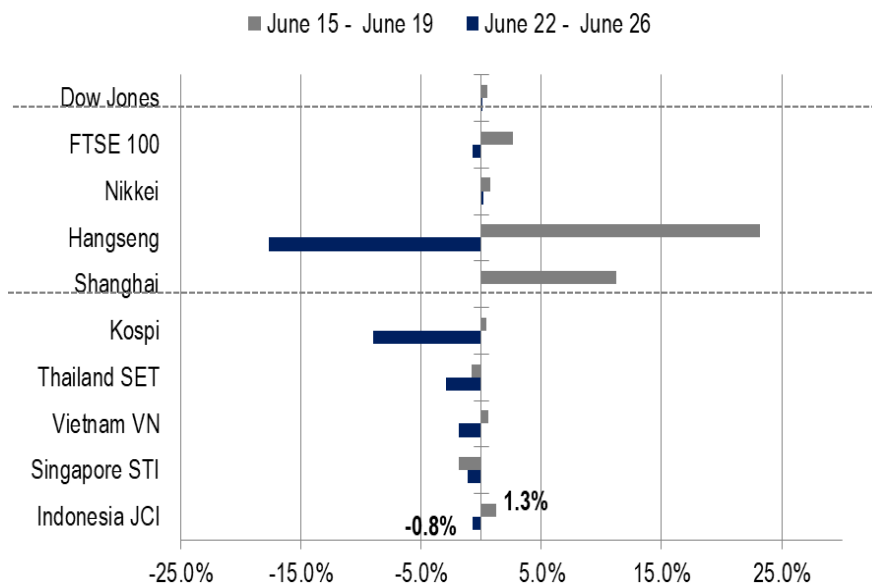
Last Week's JCI Movement

- JCI Index : 4,904.09 (-0.8%)
- Foreign Flow : Net sell of IDR2.2 trillion (vs. last week's net sell of IDR2.8 trillion)
- USD/IDR : 14,220 (-0.85%)
- Yields of sovereign bond with 10-years tenor : 7.194% (+1.00 bps)

JCI Moved Lower Last Week

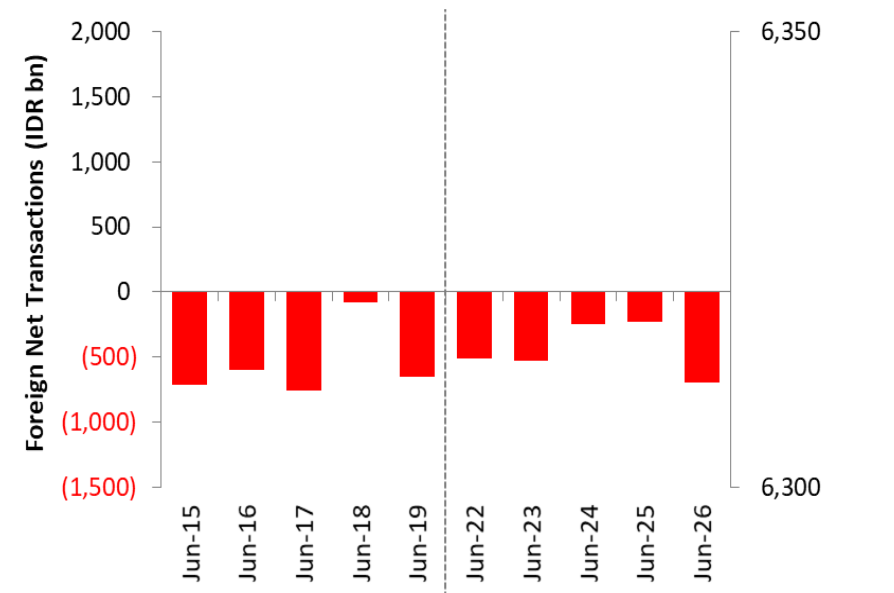
The lack of sentiments from domestic market at the start of last week caused the JCI to fall on Monday and Tuesday, 22-23 June 2020. The benchmark index was able to rebound on Wednesday (24/06/2020) by 1,75% as the Ministry of Finance released a decree regarding fund placement in commercial banks, which propelled banking stocks to move up. The JCI again had a correction at Thursday (25/06/2020) trading as a response to the IMF report which predict global economy to contract by 4,9% in 2020. During last week, the JCI decreased by 0,77% cumulatively, with net foreign sell of IDR 2,22 Trillion.

Global Market Movement



Source: Bloomberg, NHKSI Research

Foreign Net Flow – Last 10 Days



Source: Bloomberg, NHKSI Research

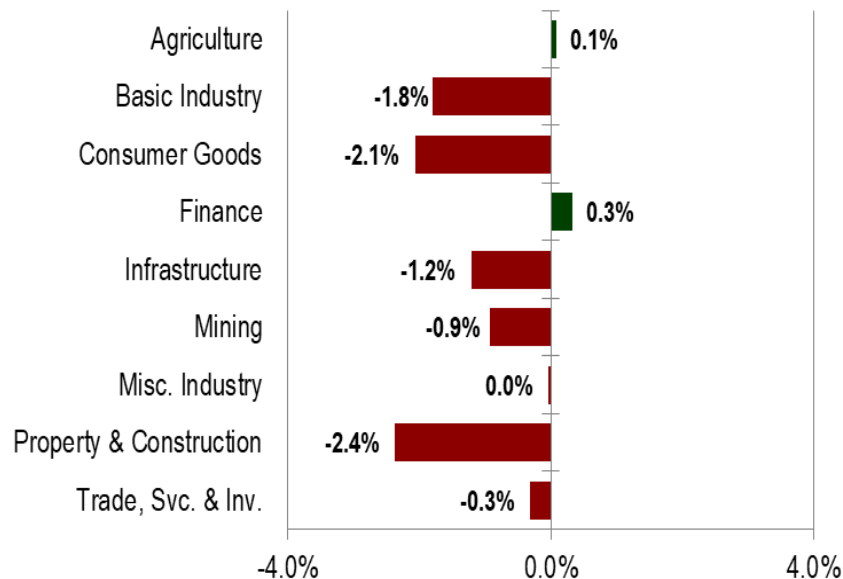
Last Week's INNI Movement

| | |
|------------------------|------------------|
| •INNI Index | : 4,792.92 |
| Last week's INNI Index | : 3,501.92 |
| Change (%) | : 145.68 (-3.0%) |

INNI Index Fell Down

INNI index closed lower on June 22th, subdued by the mining stock, PTBA (-6.6%) as foreign investor pulled out IDR39 billion. On the next day, the INNI Index continued its fall with losses in the property sector, CTRA (-6.5%). These losses were attributable to CTRA's plan on issuing IDR 1.85 billion new shares, equivalent to 10% of issued capital. However, on June 24, INNI index rebound supported by infrastructure stocks, JSMR (+5.1%), as the government's plan to connect the trans Java highway to Bali. In addition, banking sector rallied led by positive sentiment of the placement funds from the Government to accelerate national economic recovery. At the end of last week, INNI index was closed higher supported by consumer good and trade sectors, ICBP (+2.8%) and MAPI (+2.6%). During this week, INNI index closed in the red zone.

JCI Sector Movement



Source: Bloomberg, NHKSI Research

INNI Index's Top Gainers & Losers

| Gainers | % | Losers | % |
|---------|------|--------|--------|
| JSMR | 7.7% | CTRA | -12.6% |
| ICBP | 2.0% | PTBA | -9.6% |
| BBCA | 1.8% | UNTR | -7.8% |
| ASII | 0.4% | GGRM | -4.7% |
| AALI | 0.3% | WSKT | -3.4% |

Source: Bloomberg, NHKSI Research

This Week's Outlook: Domestic and Global's Market Direction

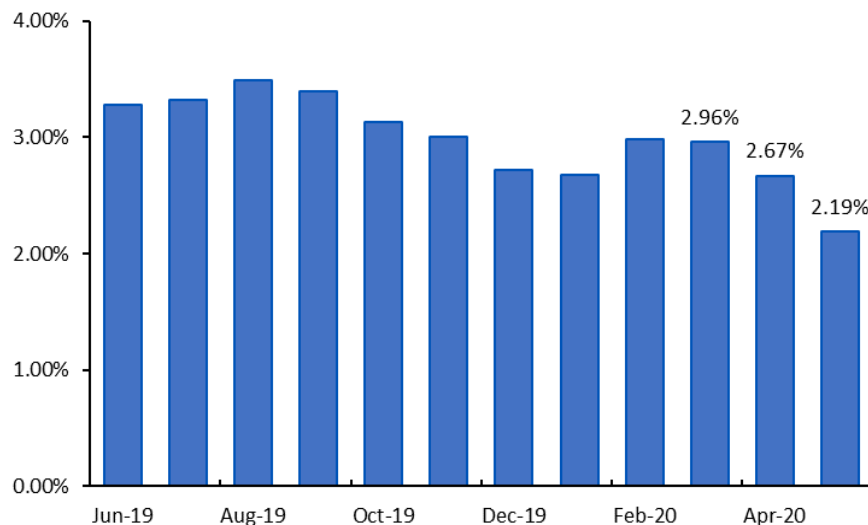
- **Inflation Predicted to be Higher than Last Month**

On July 1 2020, Bank Indonesia (BI) will announce the June 2020 inflation. On May 2020, the recorded inflation was 2.19%. It was better than the expected 2.15%, but it was the lowest since June 2019. We expect the June 2020 inflation to be higher than the previous period due to the easing of large scale social restrictions since mid-June, opening of shopping malls, restaurants, offices effectiveness returned, and the the extension of public transportation operational hours. Those are the steps taken by the government to reopen the economic activity and encourage Indonesia's economic growth. But if the inflation continues to fall, it will negatively impact the JCI movement.

- **Week of Sentiments for Global Market**

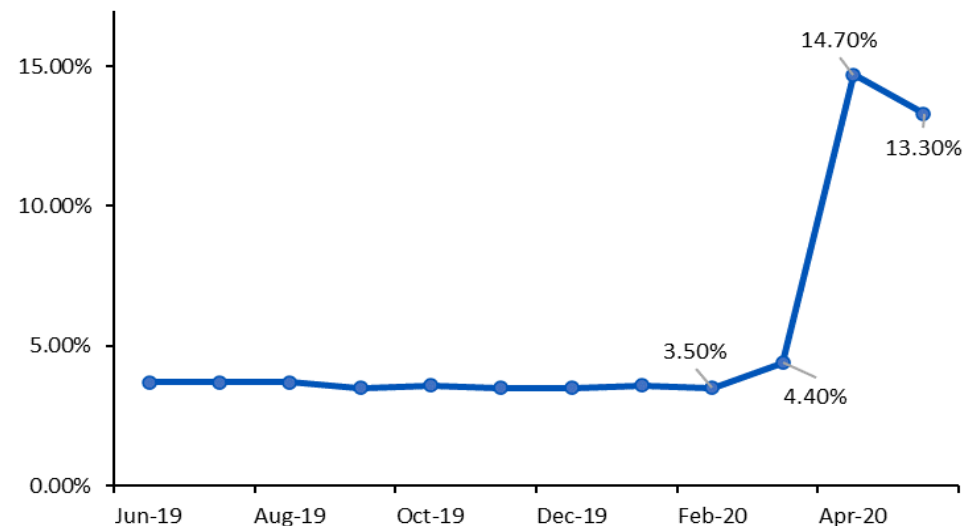
Globally, the Dow Jones movement this week will be influenced by sentiments for US economy data releases such as Markit Manufacturing PMI, the Fed benchmark interest rate, export import, to the US June 2020 period unemployment rate. On the previous period, the Fed stated that it would maintain rates on 0%-0.25% until the economy is back on track. While the unemployment rate marked the highest record since 1939 at 14.7% in April and fell again to 13.3% on May. If the unemployment rate goes down again, it will be a positive sentiment for the Dow Jones this week.

Indonesia Inflation Rate | June 19 – May 20



Source: Bank Indonesia, NHKSI Research

U.S Unemployment Rate | June 19 – May 20



Source: US. Bureau of Labor Statistic, NHKSI Research

This Week's Outlook : Property Sector

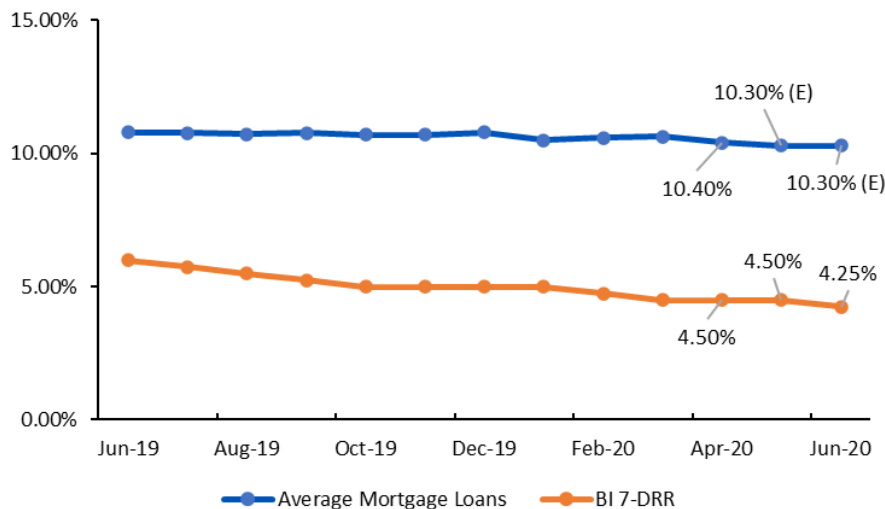
- Waiting for Bankings to Further Cut Loan Interest Rates**

Along with the implementation of New Normal, BI cut its benchmark interest rate by 0.25bps to 4.25%, continuing the downward trend since July 2019 with hopes to increase people's consumption on all sectors including the property sector. Unfortunately, the fall in benchmark interest rates have yet to be significantly accompanied by banking interest rates cut. Despite the deposit rates that have been low at around 3%-6%, the banking loan interest rates are still around 7%-14%. This shows that there is still room for banks to cut loan interests so the impact of BI's benchmark interest rate cut can be felt more significantly in the property sector.

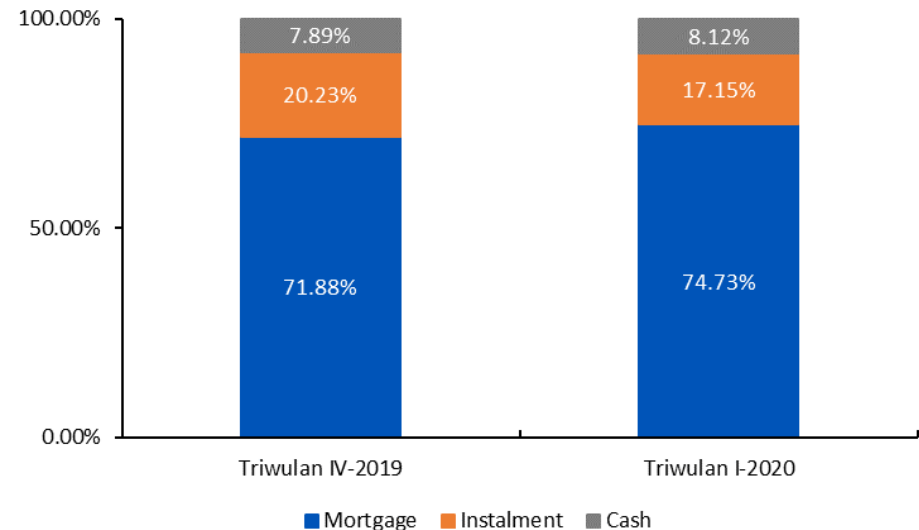
- Funding with Mortgage still Enticing**

Data from the Ministry of Public Works & Housing recorded that by 2019 there were around 81 million millennials or 76% total population who are in need of housing. Meanwhile, the Bank Indonesia data shows that fundings with mortgage are still preferred. In the first quarter of 2020, 74.3% of landed housing consumers use mortgage as their fund source, 17.15% with cash installment and the rest 8.12% in cash. With that in mind, the significant decrease of loan interest rates will breathe fresh air for property companies, especially in landed housing sales.

Avg. Mortgage Loans & BI 7-DRR | June 19 – June 20



Payment Method of Landed-House (Q-Q)



Source: OJK, Bank Indonesia, NHKSI Research

Source: Bank Indonesia, NHKSI Research

Ciputra Development Tbk (CTRA IJ – Property)

| | |
|-------------------------------------|------------|
| Target Price | 810 |
| Consensus Price | 843 |
| Last Price (IDR) as of Jun 26, 2020 | 630 |
| TP vs. Last Price (%) | 28.5% |

| | |
|---------------------------|-----|
| Revenue Breakdown: | |
| Real Estate | 70% |
| Rental | 23% |
| Others | 7% |

| IDR bn | FY2019 | FY2020E | FY2021E | FY2022E |
|------------|--------|---------|---------|---------|
| Revenue | 7,608 | 6,695 | 7,218 | 7,635 |
| y-y (%) | -0.8 | -12.0 | 7.8 | 5.8 |
| Net Profit | 1,158 | 961 | 1,026 | 1,069 |
| y-y (%) | 61.7 | -32.1 | 49.2 | 23.5 |
| EPS (IDR) | 62 | 48 | 53 | 4.2 |
| P/E (x) | 62 | 52 | 55 | 58 |
| P/BV (x) | 11.14 | 13.09 | 11.60 | 12.22 |

- **NHKS** recommends CTRA as the preferred stock this week with target price of IDR810 at 87% based on discount to RNAV method. CTRA with its development income portion of 72% will benefit from the cuts on mortgage rates. CTRA also still favor landed housing for the middle to lower class while still promoting Transit Oriented Development (TOD) concept.

- **Early Year Performance Slows**

CTRA opened 1Q20 by recording a revenue of IDR1.51 trillion or a decline of 8.3% YoY (vs IDR1.67 trillion 1Q19). Development income which contributed 72% of total revenue also declined by 11% YoY to IDR1.01 trillion with apartment segment being the main lagger (-89.4%). On the other hand, recurring income which contributed 28% to total revenue posted of IDR397 billion also declined by 2% YoY obtained by hotel rental revenue (-10.9%). CTRA's net profit recorded at IDR178 billion or a 37.7% YoY decline (vs IDR283 billion 1Q19).

- **New Online Launching Strategy, Marketing Sales 1Q20 Grew**

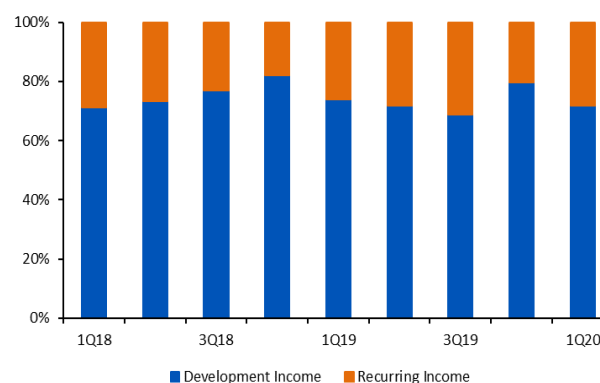
CTRA succeeded to achieve increase in marketing sales 1Q20 of IDR1.14 trillion (+2.3% YoY vs IDR1.1 trillion 1Q19). New clusters launched from 3 (three) existing projects that contributes 19% marketing sales 1Q20 of IDR211 billion. Moreover, in the midst of the Covid-19 outbreak which began to plague at the end of March, CTRA successfully developed new method of online launching that help increase marketing sales. Throughout 2020, CTRA set a marketing sales target of IDR6.7 trillion or 1.2% higher than our estimate of IDR6.06 trillion. The opening of malls since the large-scale social restrictions have been eased is also the motor for recurring income CTRA.

Last 3 Years – Discount to RNAV



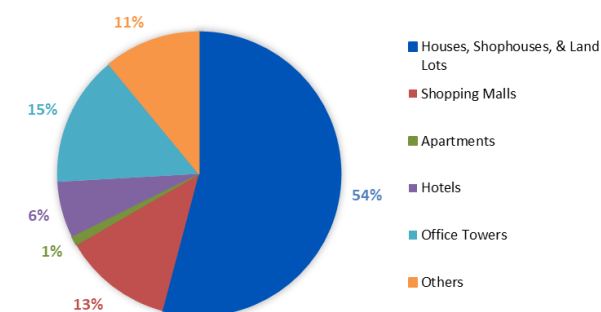
Source : Bloomberg, NHKSI Research

CTRA's Revenue | 1Q18 – 1Q20



Source : Company Data, NHKSI Research

CTRA's Revenue Breakdown | 1Q20



Source: Company Data, NHKSI Research

INNI Index's Stocks List

| | 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 | 27,875 | 28,350 | 28,950 | Hold | 3.9 | -1.7% | 697.1 | 24.0x | 4.1x | 17.6 | 2.0 | 13.9 | 8.5 |
| BBRI | 3,100 | 3,030 | 3,010 | Hold | (2.9) | 2.3% | 375.0 | 10.8x | 2.1x | 18.6 | 5.5 | 13.0 | (0.3) |
| Consumer | | | | | | | | | | | | | |
| GGRM | 49,000 | 47,200 | 59,550 | Buy | 21.5 | 3.8% | 90.3 | 8.2x | 1.7x | 21.8 | 5.5 | 4.1 | 3.9 |
| KINO | 3,400 | 3,130 | 2,950 | Hold | (13.2) | 8.6% | 4.8 | 17.6x | 1.8x | 10.5 | 3.2 | 11.1 | (81.3) |
| ICBP | 8,925 | 8,600 | 9,850 | Hold | 10.4 | 3.8% | 107.6 | 18.9x | 3.9x | 22.6 | 1.5 | 6.7 | 47.8 |
| KLBF | 1,460 | 1,380 | 1,630 | Hold | 11.6 | 5.8% | 68.0 | 26.3x | 4.1x | 16.3 | 1.4 | 8.0 | 12.5 |
| Infrastructure | | | | | | | | | | | | | |
| TLKM | 3,280 | 3,030 | 3,800 | Buy | 15.9 | 8.3% | 316.0 | 16.9x | 3.2x | 18.8 | 5.1 | 3.7 | 3.5 |
| JSMR | 4,130 | 3,980 | 4,600 | Hold | 11.4 | 3.8% | 31.9 | 14.4x | 1.6x | 12.0 | 0.3 | (45.3) | 0.5 |
| Trade | | | | | | | | | | | | | |
| UNTR | 17,850 | 16,450 | 19,000 | Hold | 6.4 | 8.5% | 61.6 | 6.1x | 1.0x | 16.9 | 7.3 | (19.0) | (40.2) |
| MAPI | 775 | 750 | 820 | Hold | 5.8 | 3.3% | 13.0 | 14.0x | 2.1x | 16.1 | 1.3 | 14.0 | 27.3 |
| Property | | | | | | | | | | | | | |
| CTRA | 715 | 685 | 810 | Hold | 13.3 | 4.4% | 11.8 | 11.1x | 0.8x | 7.2 | 1.6 | (8.3) | (33.3) |
| WSKT | 745 | 730 | 960 | Buy | 28.9 | 2.1% | 9.8 | 36.9x | 0.6x | 1.5 | 0.5 | (51.9) | (94.1) |
| WIKA | 1,265 | 1,260 | 1,840 | Buy | 45.5 | 0.4% | 11.0 | 5.3x | 0.8x | 14.3 | 4.1 | (35.4) | (65.3) |
| Basic Ind. | | | | | | | | | | | | | |
| SMGR | 9,500 | 9,400 | 10,925 | Hold | 15.0 | 1.1% | 56.3 | 21.9x | 1.7x | 8.0 | 2.2 | 5.6 | 66.7 |
| Misc Ind. | | | | | | | | | | | | | |
| ASII | 4,890 | 4,790 | 5,800 | Buy | 18.6 | 2.1% | 198.8 | 9.3x | 1.3x | 14.4 | 4.4 | (9.4) | (7.8) |
| Mining | | | | | | | | | | | | | |
| TINS | 605 | 590 | 830 | Buy | 37.2 | 2.5% | 4.4 | N/A | 0.8x | (10.7) | 4.2 | 3.5 | N/A |
| PTBA | 2,280 | 2,390 | 2,900 | Buy | 27.2 | -4.6% | 23.7 | 6.0x | 1.2x | 20.6 | 15.8 | (4.0) | (25.0) |
| INCO | 2,890 | 2,830 | 3,500 | Buy | 21.1 | 2.1% | 27.9 | 18.4x | 1.0x | 5.6 | N/A | 38.1 | N/A |
| ANTM | 610 | 580 | 600 | Hold | (1.6) | 5.2% | 14.7 | 75.7x | 0.8x | 1.1 | 0.5 | 29.4 | (88.1) |
| Agriculture | | | | | | | | | | | | | |
| AALI | 8,400 | 8,275 | 10,000 | Buy | 19.0 | 1.5% | 16.3 | 29.9x | 0.9x | 2.9 | 0.6 | 13.3 | 891.7 |

Source : Bloomberg, NHKS Research

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