

Equity Strategy

A Quick Look at Potential LQ45 Newcomers

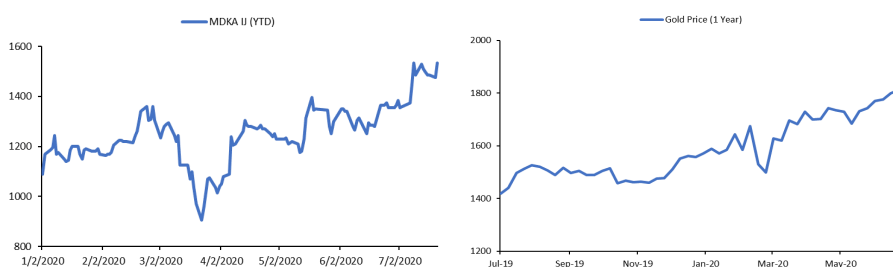
The LQ45 Index will soon enter its next cycle of rebalancing for the August 2020 - January 2021 period. As one of the top benchmark indices in the country, changes in LQ45 constituents will have many implications as investors respond to their respective portfolios. Some of the criteria for inclusion are: Transaction activities for the past 12 months, Size of market capitalization, fundamental aspects, and overall business prospects.

As we approach the effective date on 1 August 2020, we try to identify the most likely stocks to be included in the new LQ45 list. Based on our screening process using the criteria guidelines set out by the Indonesian Stock Exchange (IDX), we believe that the following stocks are the main inclusion candidates:

PT Merdeka Copper Gold Tbk (MDKA)

MDKA's stock price has been on a steady rise since the end of 2Q19, backed by a surge in volume. The stock has benefited from the economic slowdown which in turn increased gold prices as a Safe haven instrument. On the other hand, the company still aims to retain the gold production target of between 165,000–185,000 ounces in 2020. As of 1Q20, MDKA has produced 54,151 ounces gold and 1,785 tonnes of copper.

The company's biggest asset is currently the Tujuh Bukit porphyry in Banyuwangi – East Java, with an inferred resource of 1.9 billion tonnes of ore containing 28 million oz of gold and 8.7 million tonnes of copper. MDKA also holds other projects, such as Pani gold in Gorontalo and the Wetar mine in Maluku. Furthermore, the fact that MDKA's ownership are filled with prominent stakeholders with plenty of experience in Indonesian mining, is another factor that makes the company even more attractive.



Source: Bloomberg, NHKSI

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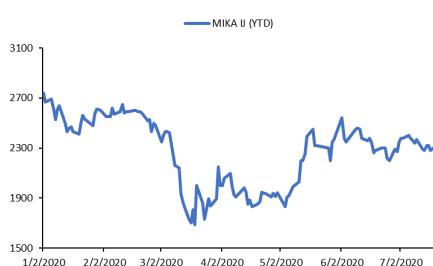
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PT Mitra Keluarga Karyasehat Tbk (MIKA)

The COVID-19 pandemic has caused a negative impact to the hospital business, and MIKA is no exception. The company has estimated that the number of outpatients has decreased around 40-50% since the start of the pandemic, which will translate into a sluggish 2Q20 performance. However, the company also notes that patients traffics have improved in May/June period with most cities start to undertake the new normal approach in resuming activities. Furthermore, we are very optimistic with MIKA's future performance backed by the facts that the firm is very well-run and has a very healthy balance sheet. As per 1Q20, MIKA has almost zero in debt with a cash reserves of IDR 794 billion.

MIKA operates 24 hospitals under both its Mitra Keluarga and Kasih brands. The company add 2 more hospitals this year, with the first one will be located in Surabaya with almost 80% of construction progress done. The second hospital will be acquired through the acquisition of Adi Dharma Women and Children hospital in Cirebon.

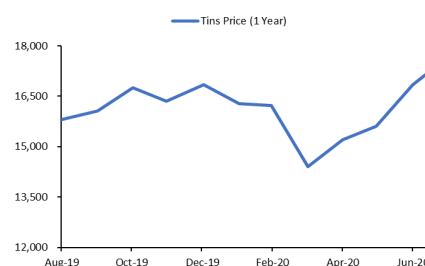


Source: Bloomberg, NHKSI

PT Timah Tbk (TINS)

The decrease in Average Selling Price (ASP) has caused TINS to book a net loss of IDR 413 billion in 1Q20. This is despite the fact that the company was able to record more sales, with 1Q20 sales volume of 17,553 MT compared to 12,553 MT in the same period last year. As a note, TINS' ASP in 1Q20 was down by 22,3% yoy.

To face the challenge posed by sluggish demand due to the pandemic, TINS management has prepared several initiatives, such as: cutting down operational expenses by 30% in 2020 and financial improvement by reducing interest expense costs. Furthermore, the new smelter project is also expected to be a positive catalyst for the company, as it will result in production and processing cost efficiencies. With an improvement in global tin price projected in 2H20, we are still confident that TINS prospect remains promising.



Source: Bloomberg, NHKSI

Key Fundamental Statistics

Stock	Market Cap (IDR Bn)	P/E (x)	P/B (x)	EPS Growth (%)	GPM (%)	NPM (%)	ROE (%)	DER (%)	Net Debt (IDR Bn)
MDKA	33,174.84	33.67	4.54	28.57	33.30	14.40	15.00	54.68	214.4
MIKA	33,051.53	41.43	7.42	7.69	47.50	22.70	17.20	0.11	Net Cash
TINS	4,803.80	-2.88	1.00	-2.37	-4.00	-9.40	-22.60	219.84	9,961.1

Source: Bloomberg, NHKSI

Most Active Stocks by Value

No	Code	Freq	Volume	Value(T)
1	BBRI	4,533,435	413,208,265	142,861,432,598
2	BBCA	2,770,675	45,156,040	132,195,714,080
3	TLKM	2,765,629	257,697,331	93,158,750,087
4	BMRI	1,929,195	139,112,625	83,379,147,962
5	BBNI	1,898,365	98,792,851	53,811,035,220
6	ASII	1,702,224	99,756,740	53,393,479,544
7	PGAS	1,769,597	231,032,619	29,886,686,374
8	UNVR	1,386,759	22,491,842	25,939,276,975
9	HMSP	1,455,065	115,653,099	24,169,267,016
10	HOME	397,030	3,015,037,543	23,499,160,622
11	MDKA	1,007,113	147,416,900	23,221,363,294
12	PTBA	1,535,245	94,282,786	21,418,331,094
13	GGRM	913,068	3,766,569	20,636,801,350
14	UNTR	1,123,855	10,309,077	20,003,596,685
15	ICBP	983,336	19,032,587	19,193,964,142
16	BRPT	1,483,477	170,724,030	19,023,920,247
17	POOL	111,855	126,114,241	18,970,563,735
18	ADRO	1,591,446	150,877,772	18,111,458,998
19	ANTM	1,551,234	218,575,541	17,157,917,822
20	BTPS	1,341,396	54,818,639	16,842,448,940
21	BBTN	1,284,562	128,309,358	16,817,212,408
22	INDF	993,527	23,611,974	16,402,014,155
23	SMGR	787,063	15,180,069	15,978,225,710
24	TCPI	1,798,363	26,050,321	15,326,403,904
25	TOWR	2,026,601	172,437,288	14,425,268,709
26	MNCN	4,533,893	119,662,165	13,691,385,157
27	INCO	813,083	41,764,684	13,547,272,643
28	TBIG	626,760	85,395,747	12,726,577,572
29	INKP	991,013	19,021,066	12,717,360,615
30	CPIN	1,019,919	21,667,900	12,118,178,656

No	Code	Freq	Volume	Value(T)
31	TPIA	354,828	13,741,963	11,392,673,860
32	ERAA	1,324,614	70,417,166	11,278,438,072
33	KLBF	960,180	79,157,122	11,141,497,784
34	EXCL	1,013,202	38,347,095	11,115,535,814
35	TRAM	249,149	1,026,821,965	10,572,034,319
36	INTP	660,372	6,486,906	10,160,510,802
37	WSKT	953,675	98,843,143	10,093,989,715
38	TKIM	811,724	15,967,481	9,689,576,924
39	WIKA	942,040	66,050,277	9,572,497,546
40	PTPP	859,096	84,998,360	9,234,566,522
41	JPFA	1,032,858	67,482,388	9,070,318,532
42	BNLI	396,327	77,011,860	8,972,634,136
43	FIRE	308,370	50,974,434	8,951,520,490
44	LPPF	948,441	35,726,104	8,666,794,732
45	AKRA	504,906	29,525,164	8,601,718,960
46	SCMA	738,178	74,159,236	8,540,102,684
47	JSMR	692,586	20,870,683	8,539,009,852
48	PWON	1,029,052	178,462,536	8,425,538,795
49	ACES	1,106,579	49,787,565	7,879,436,608
50	SSMS	129,862	89,701,117	7,677,673,582
51	MEDC	771,815	116,892,820	7,307,015,211
52	ZINC	463,220	205,989,880	6,694,686,204
53	SRIL	686,432	217,519,226	6,465,549,416
54	KREN	446,535	162,475,894	6,450,777,350
55	CTRA	732,461	77,772,053	6,287,582,486
56	MIKA	445,662	23,638,155	5,959,039,217
57	TINS	610,165	69,710,304	5,860,229,994
58	MAMI	2,077,907	304,173,812	5,721,218,663
59	BSDE	647,236	63,109,434	5,685,264,719
60	HOKI	260,628	64,091,167	5,348,560,104

Period: 20 July 2019 - 20 July 2020, Source: NHKSI

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