

ANALISA SAHAM INDONESIA

December 11, 2020

- * **The JCI trading range: 5,885pt - 6,050pt (Yesterday close: 5,934pt)**
- * **Wall Street closed with little change on stagnancy of second COVID-19 aid bill**
- * **The JCI is expected to fluctuate and be supported by stronger USDIDR and oil close**

Morning,

The Jakarta Composite Index (JCI) today (12/11) is expected to be in the range of 5,885pt – 6,050pt, also be supported by stronger USDIDR and oil close. Meanwhile, yesterday (12/10), the DJIA closed lower by 70 points or 0.2% to 29,999pt, while the S&P500 and the Nasdaq both ended lower by 0.1% and higher by 0.5%, respectively.

Excise rates for tobacco products at 12.5% in 2021 (2020: 23%)

Given the latest performance of Gudang Garam's (GGRM) sales that showed resilience during the pandemic climate, and also undemanding earnings multiple valuation based on this year's annualized earnings at 11.2 x, a significant discount to that of the JCI big-capitalization universe of 35.7 x, we maintain our BUY recommendation with an unchanged 12-M TP of IDR62,100/share (please see our report dated July 22). At our estimated 12M-TP of IDR62,100 /share, the counter is trading at 15.6x or about in-par with its historical multiple of 16,9x.

GGRM 9M20 financial performance showed resilient during the pandemic climate, in terms of product demand. However, gross margin in 9M20 declined as a result of this year's increase in the government's excise rates of 26% YoY (2019: none). Gross margin in 9M20 declined to 15,5% vs. 19,2% the affected into the bottom line. GGRM remains a net cash company and a major player in the industry.

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At the other end, yesterday the WTI price closed higher by 2.8% to USD46.8/barrel, mainly on expectation that coronavirus vaccine would fuel a recovery in global oil demand. Meanwhile, the USDIDR closed at IDR14.130 vs. IDR14.164 the previous one.

We advise the following recommendations, for both trading and longer-time investment purpose. **AAII, LSIP (sector of Agri, allocation suggestion Underweight), UNTR, ITMG, ADRO, PTBA (sector of Coal Mining, allocation suggestion Market-weight), GGRM, UNVR, ICBP (sector of Consumer, allocation suggestion Overweight), ASII (sector of Automative, allocation suggestion Market-weight), and ACES, SCMA, MAPI (sector of Trade, allocation suggestion Overweight),and TKIM (sector of Basic Industry, allocation suggestion Market-weight).**

Cheers,

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