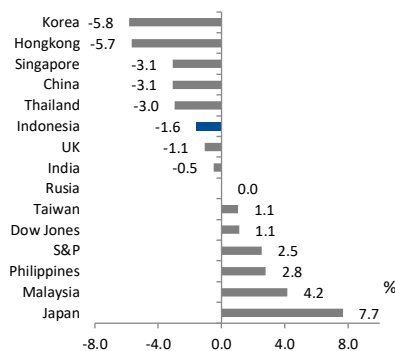


## Equity Strategy

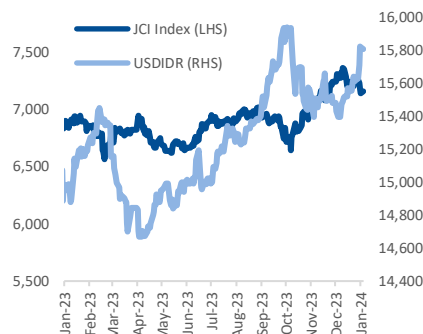
### Re-emerging risk factors may warrant more conservative positioning in Feb24

#### YTD Regional Market (%)



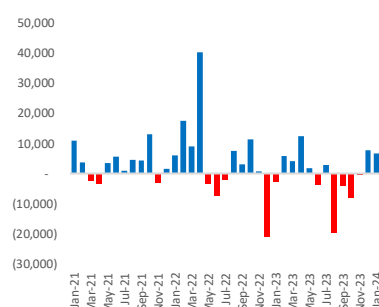
Source: Bloomberg

#### JCI vs USD



Source: Bloomberg

#### Net Foreign Flow (Rp1tr)



Source: Bloomberg

#### BRI Danareksa Sekuritas Analysts

**Erindra Krisnawan, CFA**

(62-21) 5091 4100 ext. 3500

erindra.krisnawan@brids.co.id

**Wilastita Muthia Sofi**

(62-21) 5091 4100 ext. 3509

wilastita.sofi@brids.co.id

- Reversals in foreign flows in recent weeks indicate foreign investors may be starting to price in re-emerging risk factors.
- We think large banks' 4Q23 earnings may dictate ST market direction, as domestic funds are OW and valuations are at premiums.
- We see Telcos (ISAT, EXCL) and middle-high retailers as sectors with potential growth surprises, reasonable valuations and are less crowded.

#### Earnings growth driver remains a key question

A key concern shared by domestic funds is the lack of a visible driver for JCI earnings growth for FY24. On a positive note, confirmation of the continuation of the govt's social aid program (BLT, rice aid, food security assistance) and govt election spending (a budget of Rp7tr) shall support the purchasing power of the low-end segment in Jan-Feb24 and bodes well with our sector preference on Consumer Staples (ICBP, MYOR). Nonetheless, concerns remain on the lack of a visible growth driver for the general middle-income segment.

#### Re-emerging risk factors may have driven flow reversals

We think JCI and EM foreign fund flow reversals in recent weeks may partly be explained by the unexpected outperformance in the US equity market YTD (SPX +3.3% vs. EEM -2.5%) and positive surprises in US economic data points. Furthermore, we think the market is starting to gradually factor in re-emerging risk factors for EM, with the crude oil price rising back to above US\$80/barrel. On the election front, investors seem to expect a one-round election to be the best scenario for the market, but this remains uncertain at this stage.

#### More conservative positioning may be warranted

While we maintain our positive view on the JCI (FY24-end target of 7,830), we think the ST outlook may warrant more conservative positioning. With domestic funds currently OW in big-cap banks (+380bps OW in Dec23) and the premium valuations of big banks, we think the sector's 4Q23 earnings may influence the ST market direction, especially if there is earnings weakness. Our bank analyst, Victor Stefano, forecasts banks' earnings growth to temporarily slow down to 9% in FY24 (below the consensus 11-12%) and recently lowered the earnings estimates for BBNI and BBKA following the 4Q23 results.

#### BRIDS Equity Research key views in Jan24:

- **Telco: possible catalysts from further industry consolidation**  
We continue to like the Telco sector, particularly ISAT (Buy, TP Rp11,100) on the visible earnings growth driver and also like EXCL (Buy, TP Rp3,000) on potential FMC strategy acceleration and merger.
- **Retailers: a less crowded space with a potential growth surprise**  
Retailers continue to offer a proxy for the more resilient middle-high income segment, which has continued to play out well in select stocks (e.g., ACES' SSSG beat at 8.1% in FY23 and the positive Jan24 traffic).
- **ASII: re-initiated with a Hold rating and TP of Rp5,700.** Longer-term, we see ASII's ICE 4W product competitiveness to remain intact, but we see that ASII's valuation will remain under pressure in the ST as newsflow may continue to be skewed in support of EV.

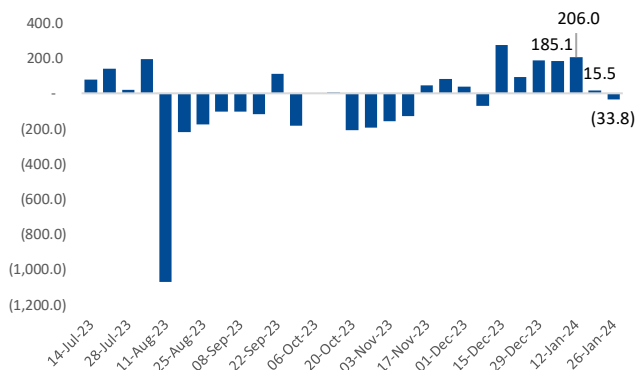
## Leaning toward more conservative positioning in Feb24

### JCI Jan24 flows: re-emerging risk factors may have driven flow reversals

After encouraging inflows in the first two weeks of FY24 (~US\$360mn), foreign fund flows into the JCI reversed in the third and fourth weeks of Jan24 (-US\$240mn). With big banks and large cap stocks dominating the trades, we see that the market flows have thus far been largely driven by passive money, which also explained flows in other EMs in recent weeks.

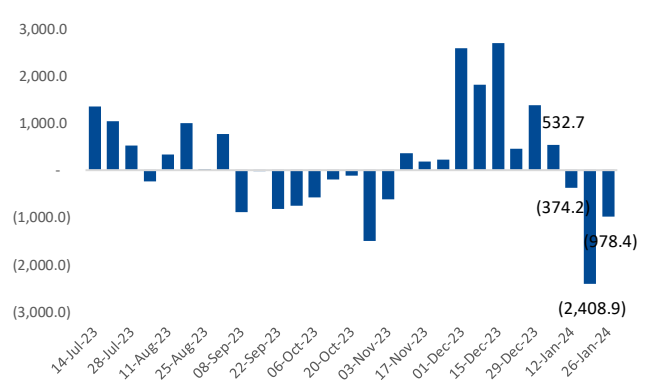
We think the flow reversals in recent weeks may partly be explained by the unexpected outperformance in the US equity market YTD (SPX +3.3% vs. EEM -2.5%) and positive surprises in US economic data prints. Furthermore, we think the market is starting to gradually factor in re-emerging risk factors for EM, with the crude oil price rising back to above US\$80/barrel on the back of the escalating conflicts in the Red Sea.

Exhibit 1. Indonesia equity weekly flow



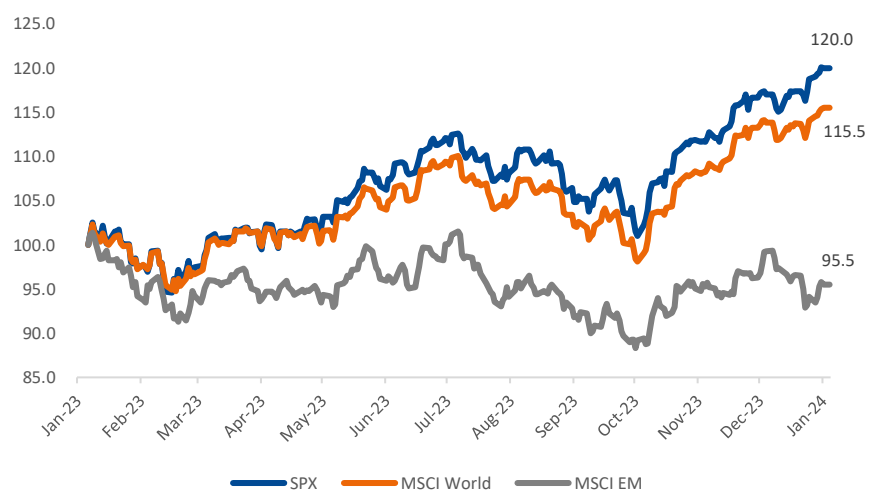
Source: Bloomberg, BRIDS

Exhibit 2. India equity market weekly flow



Source: Bloomberg, BRIDS

Exhibit 3. MSCI EM vs. MSCI World vs. SPX



Source: Bloomberg, BRIDS

### Earnings growth driver remains a key question

A key concern shared by domestic funds in our FY24 market outlook meetings has been the (lack of) a visible driver for JCI earnings growth for FY24 (despite our already conservative FY24 EPS growth forecast of 5% vs. the consensus 7-8%).

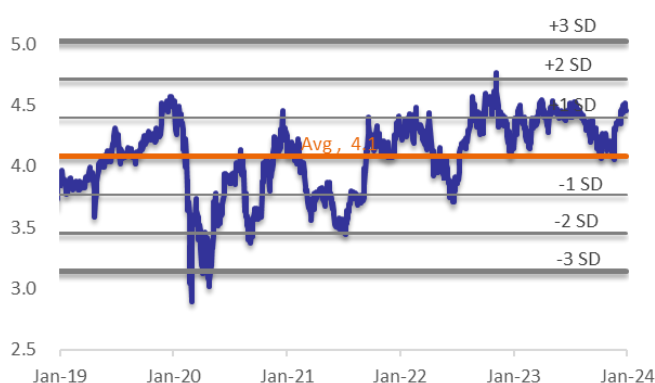
On a positive note, the govt's confirmation on the continuation of its social aid program (BLT, rice aid and food security assistance) should continue to lend support to the purchasing power of the low-end segment. Additionally, we also see the election-related spending (budget of Rp7tr) to possibly trickle down to consumption. These should bode well for our sector preference in Consumer Staples (ICBP, MYOR). However, the question remains on the growth driver for the general middle-income segment amid the limited minimum wage increases and the lack of strong evidence of election campaign spending, being 2 weeks away from the 1<sup>st</sup> round of the Presidential election.

### A more conservative view may be warranted

Given the big-4 banks' strong earnings track record and momentum in past quarters, it is not surprising that domestic investors raised their weighting in banks in Dec23 (+380bps OW, with BMRI and BBNI at +140bps and +130bps respectively as of Dec23). Based on our fund tracker, domestic investors on average reduced cash positions in Dec23, despite concerns on the overall earnings growth drivers (perhaps in anticipation of foreign inflows in the month of January).

Amid the current positioning and large banks' premium valuations, we think the sector's 4Q23 earnings may play a role in dictating the ST market direction, especially if we see earnings weakness. Our bank analyst, Victor Stefano, forecasts banks' earnings to temporarily slow down to 9% in FY24 (below the consensus 11-12%) on softer loans growth. He also lowered his earnings estimates for BBNI and BBKA following the 4Q23 results, noting the higher-than-expected CoF (for BBNI) and lower fee income (for BBKA).

Exhibit 4. BBKA's PBV band (5-year)



Source: Company, BRIDS Estimates

Exhibit 5. BBRI's PBV band (5-year)



Source: Company, BRIDS Estimates

Exhibit 6. BMRI's PBV band (5-year)



Source: Company, BRIDS Estimates

Exhibit 7. BBNI's PBV band (5-year)

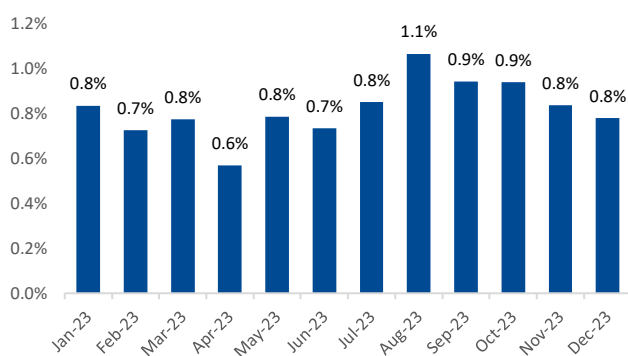


Source: Company, BRIDS Estimates

### Telco, Retailers: a less-crowded space with visible growth

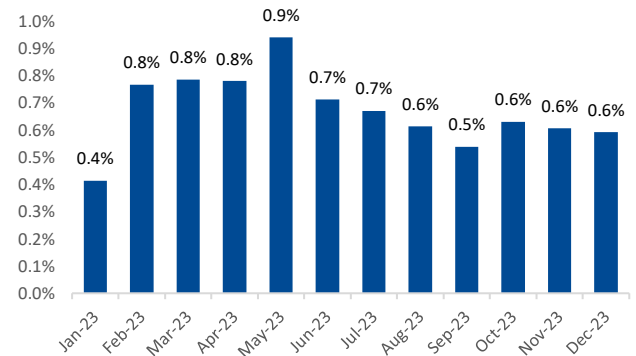
We continue to like the Telco sector, particularly ISAT (Buy, TP Rp11,100) on the visible earnings growth driver: our Telco analyst Niko Margaronis expects ISAT's FY24 EBITDA margin to expand further on the back of rising ARPU and room for opex efficiency post-merger. We continue to see room for investors to add on ISAT, as despite the Telco sector's higher positioning, flows in recent months have favoured TLKM. Our analyst also likes EXCL (Buy, TP Rp3,000) on potential FMC strategy acceleration value unlocking from a possible merger.

Exhibit 8. EXCL Domestic Fund Positioning



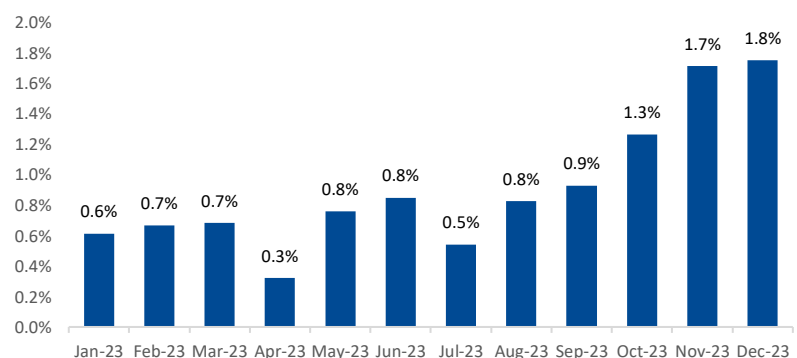
Source: KSEI, Bloomberg, BRIDS

Exhibit 9. ISAT Domestic Fund Positioning



Source: KSEI, Bloomberg, BRIDS

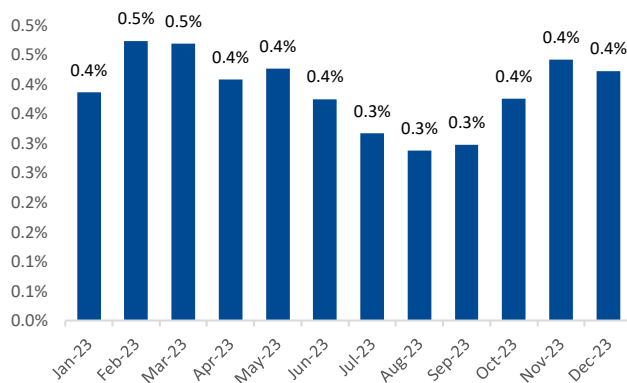
Exhibit 10. TLKM Domestic Fund Positioning



Source: KSEI, Bloomberg, BRIDS

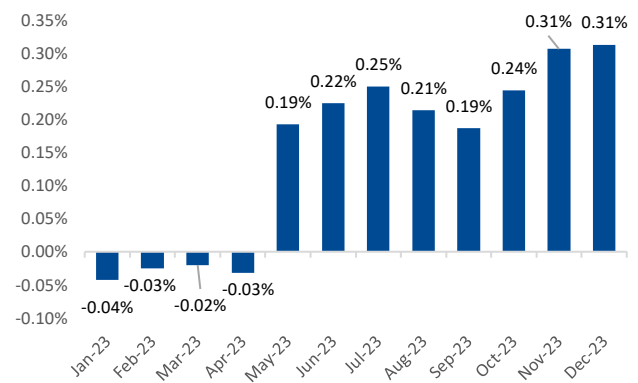
The retailers sector continues to offer a proxy to the more resilient middle-high income segment, which has continued to play out well in select stocks (e.g., ACES SSSG beat at 8.1% in FY23 and the positive Jan24 traffic). We think the high-end retailers MAPI and MAPA may continue to show growth surprises in FY24, with domestic funds positioning surprisingly still light and favourable interest from foreign investors in the stocks (key concerns are on the impact of boycotts, but this seems to be abating, based on the company's comments).

Exhibit 11. MAPI Domestic Fund Positioning



Source: KSEI, Bloomberg, BRIDS

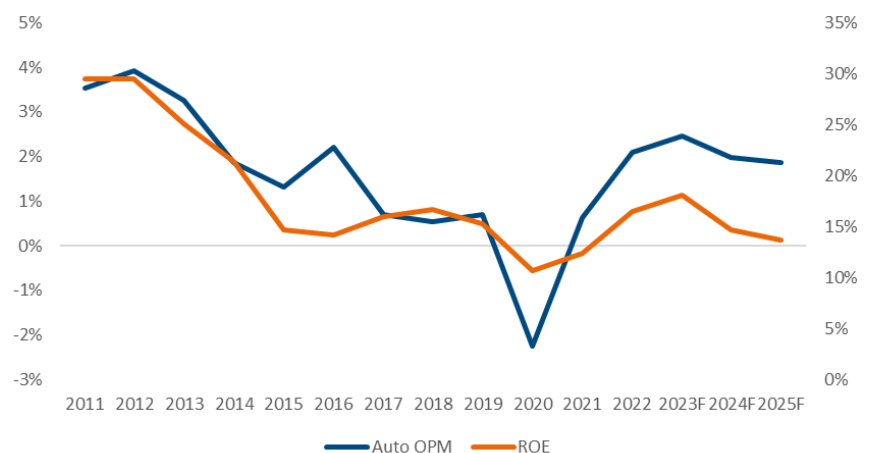
Exhibit 12. MAPA Domestic Fund Positioning



Source: KSEI, Bloomberg, BRIDS

Our automotive analyst, Richard Jerry, **recently re-initiated coverage on ASII with a Hold rating and TP of Rp5,700**. Longer-term, we see ASII's ICE 4W product competitiveness to remain intact, but we see ASII's valuation remaining under pressure in the ST as newsflow may continue to be skewed in support of EV. Furthermore, while our/consensus estimates have projected FY24 EPS contraction of -12%/ -13%, we think downside risk may still prevail if the company's 4W market share starts to be eroded and impact its automotive profit margin.

Exhibit 13. ASII Auto OPM vs. ROE



Source: Company, BRIDS Estimates

### BRI Danareksa Equity Research Team

|                               |   |  |
|-------------------------------|---|--|
| Erindra Krisnawan, CFA        | Head of Equity Research, Strategy, Coal       | <a href="mailto:erindra.krisnawan@brids.co.id">erindra.krisnawan@brids.co.id</a> |
| Natalia Sutanto               | Consumer, Cigarettes, Pharmaceuticals, Retail | <a href="mailto:natalia.sutanto@brids.co.id">natalia.sutanto@brids.co.id</a>     |
| Niko Margaronis               | Telco, Tower, Technology, Media               | <a href="mailto:niko.margaronis@brids.co.id">niko.margaronis@brids.co.id</a>     |
| Hasan Barakwan                | Metal, Oil and Gas                            | <a href="mailto:hasan.barakwan@brids.co.id">hasan.barakwan@brids.co.id</a>       |
| Victor Stefano                | Banks, Poultry                                | <a href="mailto:victor.stefano@brids.co.id">victor.stefano@brids.co.id</a>       |
| Ismail Fakhri Suweleh         | Healthcare, Property, Industrial Estate       | <a href="mailto:ismail.suweleh@brids.co.id">ismail.suweleh@brids.co.id</a>       |
| Richard Jerry, CFA            | Automotive, Cement                            | <a href="mailto:richard.jerry@brids.co.id">richard.jerry@brids.co.id</a>         |
| Ni Putu Wilastita Muthia Sofi | Research Associate                            | <a href="mailto:wilastita.sofi@brids.co.id">wilastita.sofi@brids.co.id</a>       |
| Naura Reyhan Muchlis          | Research Associate                            | <a href="mailto:naura.muchlis@brids.co.id">naura.muchlis@brids.co.id</a>         |
| Sabela Nur Amalina            | Research Associate                            | <a href="mailto:sabela.amalina@brids.co.id">sabela.amalina@brids.co.id</a>       |
| Christian Immanuel Sitorus    | Research Associate                            | <a href="mailto:christian.sitorus@brids.co.id">christian.sitorus@brids.co.id</a> |

### BRI Danareksa Economic Research Team

|                           |                                 |  |
|---------------------------|---------------------------------|--|
| Helmy Kristanto           | Chief Economist, Macro Strategy | <a href="mailto:helmy.kristanto@brids.co.id">helmy.kristanto@brids.co.id</a> |
| Dr. Telisa Aulia Falianty | Senior Advisor                  | <a href="mailto:telisa.falianty@brids.co.id">telisa.falianty@brids.co.id</a> |
| Kefas Sidauruk            | Economist                       | <a href="mailto:kefas.sidauruk@brids.co.id">kefas.sidauruk@brids.co.id</a>   |

### BRI Danareksa Institutional Equity Sales Team

|                         |   |  |
|-------------------------|---|--|
| Yofi Lasini             | Head of Institutional Sales and Dealing | <a href="mailto:yofi.lasini@brids.co.id">yofi.lasini@brids.co.id</a>             |
| Novrita Endah Putrianti | Institutional Sales Unit Head           | <a href="mailto:novrita.putrianti@brids.co.id">novrita.putrianti@brids.co.id</a> |
| Ehrlich Suhartono       | Institutional Sales Associate           | <a href="mailto:ehrliech@brids.co.id">ehrliech@brids.co.id</a>                   |
| Yunita Nababan          | Institutional Sales Associate           | <a href="mailto:yunita@brids.co.id">yunita@brids.co.id</a>                       |
| Adeline Solaiman        | Institutional Sales Associate           | <a href="mailto:adeline.solaiman@brids.co.id">adeline.solaiman@brids.co.id</a>   |
| Andreas Kenny           | Institutional Sales Associate           | <a href="mailto:andreas.kenny@brids.co.id">andreas.kenny@brids.co.id</a>         |
| Christy Halim           | Institutional Sales Associate           | <a href="mailto:christy.halim@brids.co.id">christy.halim@brids.co.id</a>         |
| Jason Joseph            | Institutional Sales Associate           | <a href="mailto:jason.joseph@brids.co.id">jason.joseph@brids.co.id</a>           |

### BRI Danareksa Sales Traders

|                |                      |  |
|----------------|----------------------|--|
| Mitcha Sondakh | Head of Sales Trader | <a href="mailto:mitcha.sondakh@brids.co.id">mitcha.sondakh@brids.co.id</a> |
| Suryanti Salim | Sales Trader         | <a href="mailto:suryanti.salim@brids.co.id">suryanti.salim@brids.co.id</a> |

### INVESTMENT RATING

|             |   |
|-------------|---|
| <b>BUY</b>  | Expected total return of 10% or more within a 12-month period       |
| <b>HOLD</b> | Expected total return between -10% and 10% within a 12-month period |
| <b>SELL</b> | Expected total return of -10% or worse within a 12-month period     |

### Disclaimer

The information contained in this report has been taken from sources which we deem reliable. However, none of PT BRI Danareksa Sekuritas and/or its affiliated and/or their respective employees and/or agents makes any representation or warrant (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of PT BRI Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitations for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as results of acting in reliance upon the whole or any part of the contents of this report and neither PT BRI Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in the report is not to be taken as any recommendation made by PT BRI Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regards to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.