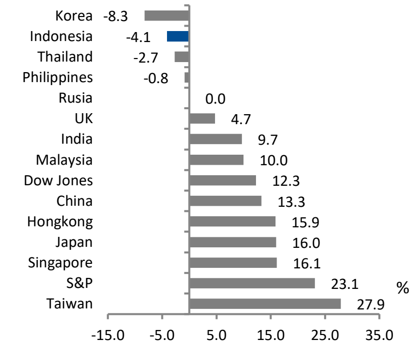
Equity Strategy

FY25 Outlook: Attractive valuation emerges as headwind and soft growth outlook are priced in

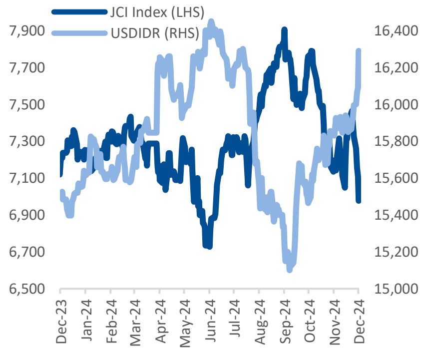
- **Despite external headwinds on Rupiah and liquidity, we believe JCI valuation has currently priced in a soft growth outlook for FY25.**
- **Amid resilient economic growth outlook, we forecast FY25 EPS growth of 6.5%, which also transpires into improving market ROE to 19.6%.**
- **We foresee JCI target of 7,850 based on 13x PE; our preferred picks are defensive sectors (i.e, Consumers, Telco) and Rupiah hedge (UNTR).**

YTD Regional Market (%)



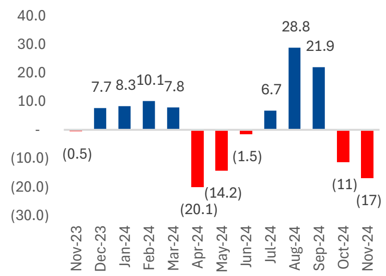
Source: Bloomberg

JCI vs USD



Source: Bloomberg

Net Foreign Flow (Rptr)



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

JCI valuation has priced in negative growth scenario

Post the sell-off in Dec24, JCI's current valuation of 12.7x forward P/E (7.9% earnings yield) implies a 77bps spread over the 10-year bond yield (vs. 3year average spread of 71bps, and highest spread of 233bps). Furthermore, assuming a market P/E of 13x (around -1SD of 5-year mean), the current JCI P/E is pricing in EPS growth of c.2%, which we think is unwarranted.

Theme #1: Steady growth with potential tailwind from new govt initiatives

Our base-case FY25 growth outlook is anchored on GDP growth forecast of 5.0-5.2%. We believe Indonesia's resilient GDP growth is potentially driven by support from the spending and initiatives from the govt (potentially totaling to Rp121tr), though the impacts are expected to be more pronounced in 2H25. We believe there is also support for consumers' purchasing power if the strength in CPO prices (YTD avg of MYR4,199/t vs. FY23: MYR3,812/t) is sustained, given the historical correlation with consumer spending.

Theme #2: Improving ROE, driven by improved margin; peaking capex

We estimate that the market's overall ROE will improve to 19.6% in FY25 (vs. 18.9% in FY24) with some key sectors to see ROE improvements in FY25 namely Consumers (to 51.9% from 49% in FY24), Telco (to 16.7% from 16.2%), Healthcare (to 16.6% from 15.7%). We expect the ROE improvement to be driven by better margin, peaking capex, efficiency and industry consolidation.

Theme #3: The rise of conglomeration

Based on our observation on the nine business groups, we observed growth in market capitalization by 196% in FY22-24 to US$277bn, accounting for 36% of total JCI capitalization (vs. 15% in FY22 vs. 30-69% in ASEAN and 52% in Indian markets. In our view, this may offer better access to financing and pave way for more M&A activities in the market.

Risks: Growth muddle-through, IDR and Liquidity

Key risk to our main theme is the scenario of muddle-through economic growth, similar to in FY24, amid still weak consumers' confidence across all segments in Oct24 and falling savings rate in the low-end segment. Amid Rupiah volatility, due to external risks, we also noted persisting tight domestic liquidity to that could particularly impact banks' profitability in FY25.

Our FY25-end JCI target and picks

We arrive at our base case FY25 year-end target of 7,850, taking into consideration our FY25/26 EPS growth forecast of 6.5/10% and PE target of 13x, with bull/ bear case of 8,060/ 7,030. Our preferred pick for 1H25 are the: 1) Consumer sector; 2) 'Quality' stocks, with better ROE and visible earnings improvement 3) Hedge against USD. Thus, we reiterate our preference on the following names: **ICBP** (Buy, TP Rp14,000), **HEAL** (Buy, TP Rp2,000), **ISAT** (Buy, TP Rp3,800), **BBCA** (Buy, TP Rp12,800), **JPFA** (Buy, TP Rp2,800), **UNTR** (Buy, TP Rp31,000).

FY25 Outlook: Themes, Tailwind, Risk

Theme #1: Steady economic growth and IDR to support recovery in consumption

Our FY25 outlook is anchored on our GDP growth forecast of 5.0-5.2%. While this indicates growth levels comparable to FY24, it suggests a resilient trajectory ahead which we believe could enhance household consumption.

We believe the resilient growth is potentially driven by support from government spending (i.e., social protection spending budget of Rp505tr/4% yoy, energy subsidies of Rp394tr/ 18% yoy) and new initiatives (i.e., govt quick win program of Rp121tr), with impacts expected to be more pronounced in 2H25. We believe there is also upside in purchasing power if the current strength in CPO prices (YTD average of MYR4,199/t vs. FY23: MYR3,812/t) is sustained, given the historical correlation between CPO prices, revenue for consumer companies, and retail spending.

Exhibit 1. Indonesia Economic Growth vs. Global

	2021	2022	2023	IMF (Oct-24)		WB (Jun-24)		OECD (Dec-24)	
				2024	2025 (vs. prev outlook)	2024	2025 (vs. prev outlook)	2024	2025 (vs. prev outlook)
Global	6.3	3.5	3.3	3.2	3.2 (-0.1)	2.6	2.7 (0.0)	3.2	3.3 (+0.1)
USA	5.9	2.1	2.5	2.8	2.2 (+0.3)	2.5	1.8 (+0.1)	2.8	2.4 (+0.6)
Euro Area	5.2	3.3	0.4	0.8	1.2 (-0.3)	0.7	1.4 (-0.2)	0.8	1.3 (-0.2)
Japan	2.2	1	1.9	0.3	1.1 (+0.1)	0.7	1.0 (+0.2)	1.5	1.5 (+0.4)
China	8.5	3	5.2	4.8	4.5 (0.0)	4.8	4.1 (-0.2)	4.7	4.7 (+0.2)
Indonesia	3.7	5.3	5	5.0	5.1 (0.0)	5.0	5.1 (+0.2)	6.9	5.2 (+0.2)
India	9.1	7.2	7.8	7	6.5 (0.0)	6.6	6.7 (+0.2)	6.8	6.9
ASEAN-5	4	5.5	4	4.5	4.5 (-0.1)				

Source: IMF, OECD & World Bank

Exhibit 2. New Government Initiatives (Quick Win Program)

No	Program	Budget (Rptr)
1	**Free nutritious meal program** The program has been allocated budget of Rp71tr. The free meal program targets pregnant people, nursing mothers, toddlers, and schoolchildren of all educational levels, managed by the National Nutrition Agency	71
2	**Free medical check-up program** This health program is assigned a Rp3.2tr budget. The free medical check-up covers blood pressure, blood sugar, and x-ray examinations for catastrophic disease screening aimed at 52.2mn people.	3.2
3	**Eradication of Tuberculosis** The eradication of the TB disease in Indonesia will be supported by a budget of Rp8tr.	8
4	**Construction of fully-equipped hospitals** Other leading programs also include the construction of fully-equipped hospitals in the regions with a budget allocation of Rp1.8tr. The construction of these health facilities aims to upgrade type D hospitals to type C along with the procurement of facilities, infrastructure, and medical equipment.	1.8
5	**School renovation** The priority program is allotted Rp20tr.	20
6	**Development of integrated advanced schools** This program has been allocated Rp2tr in the State Budget.	2
7	**Food Security Program** The government has allotted Rp15tr to finance the development of national, regional, and village food barns. This quick win program also includes the intensification of 80,000 hectares and the extensification of 150,000 hectares of land to create new rice fields.	15
	Total Budget	**121**

Source: Ministry of Finance

Additionally, our economist continues to expect the prospect of policy rate cuts in FY25 (50bps) in FY25, which, if materializes, will also support economic growth in FY25.

Exhibit 3. Macroeconomics Forecast (Base case)

Indicator	2022	2023	2024F	2025F
Real GDP Growth YoY (%)	5.31	5.05	5.0 – 5.1	5.0 – 5.2
Inflation YoY (%)	5.51	2.61	2.5 - 3.5	2.5 - 3.5
BI Rate(%)	5.5	6	5.75 – 6.00	5.00 – 5.50
USDIDR (avg)	14,848	15,231	15,683 – 15,989	15,449 – 16,100
US Treasury (%)	3.88	3.88	3.80 – 4.30	3.40 – 4.10
CDS 5 yrs (bps)	104	70	60 – 85	60 – 80
IDR SUN 10Y (%) [BTMM ID]	6.94	6.48	6.44 – 6.93	6.08 – 6.64

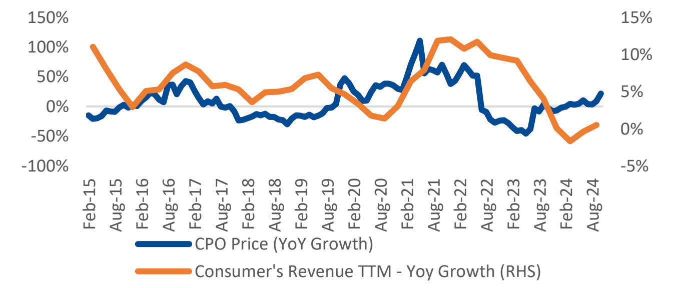
Source: BRIDS Economic and Fixed Income Research

Exhibit 4. Macroeconomics Forecast (Optimistic and Pessimistic case)

Year	Scenario	USDIDR	BI Rate (%)	IDR SUN 10Y
2024	Optimictic	15,683	5.75	6.44
	Base	15,781	5.75	6.65
	Pesimistic	15,989	6.00	6.93
2025	Optimictic	15,449	5.00	6.08
	Base	15,680	5.25	6.23
	Pesimistic	16,100	5.50	6.64

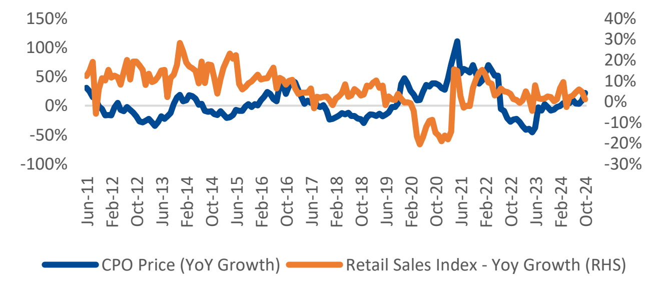
Source: BRIDS Economic and Fixed Income Research

Exhibit 5. CPO price vs. Consumers Sector Revenue Growth



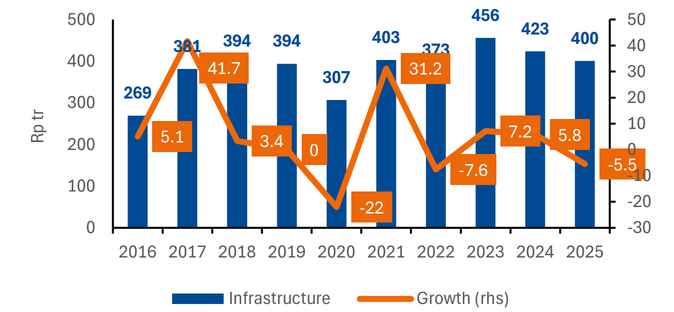
Source: Bloomberg, BRIDS

Exhibit 6. CPO price vs. Retail Sales Index Growth



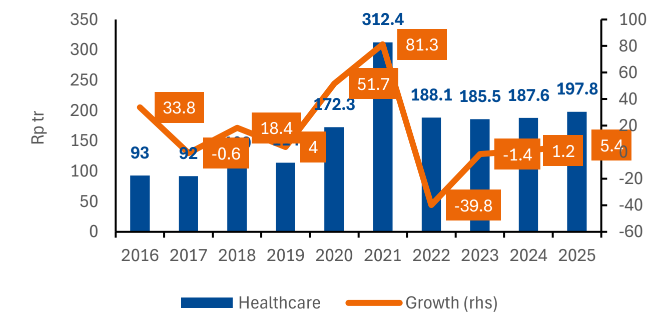
Source: Bloomberg, BRIDS

Exhibit 7. Govt spending on infrastructure



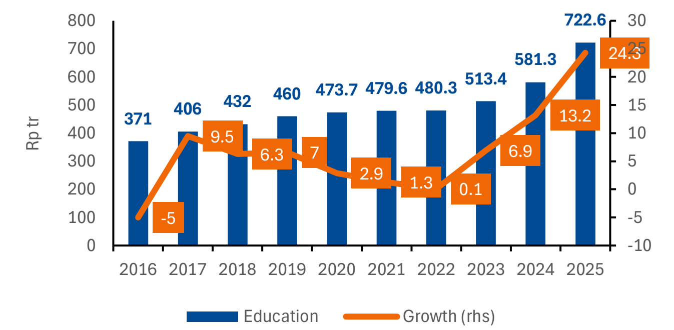
Source: Ministry of Finance

Exhibit 8. Govt spending on healthcare



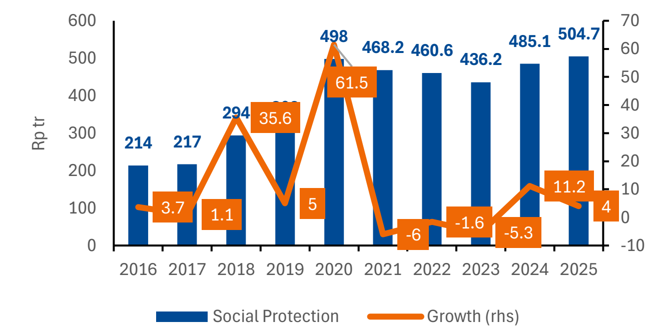
Source: Ministry of Finance

Exhibit 9. Govt spending on Education



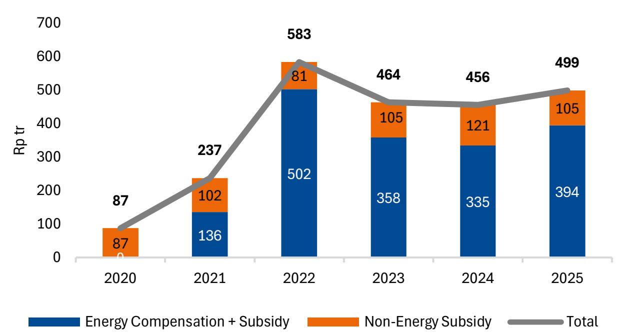
Source: Ministry of Finance

Exhibit 10. Govt spending on Social Protection



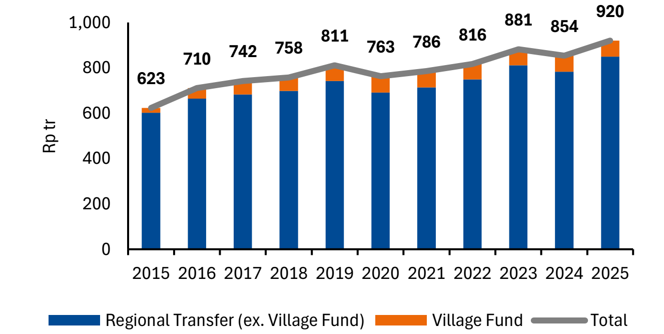
Source: Ministry of Finance

Exhibit 11. Energy and other Subsidy



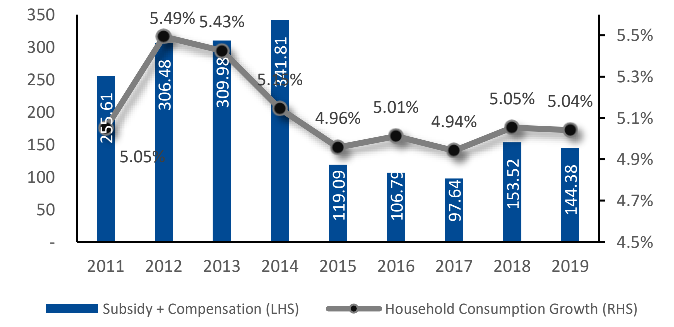
Source: Ministry of Finance

Exhibit 12. Regional Transfer and Village Funds



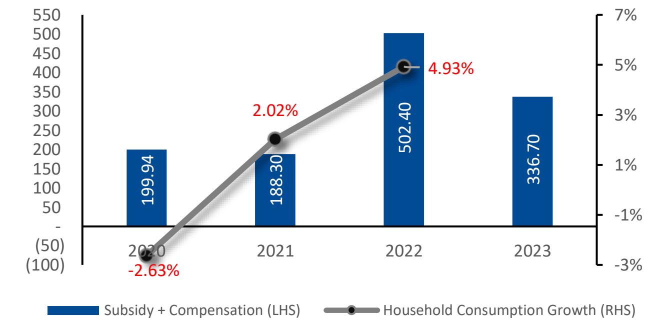
Source: Ministry of Finance

Exhibit 13. HH Consumption vs. Energy Subsidy '10-'19



Source: Ministry of Finance

Exhibit 14. HH Consumption vs. Energy Subsidy '20-'23



Source: Ministry of Finance

What we like in this theme:

We believe FMCG companies with a dominant market share will have the ability to pass on higher input costs while maintaining solid volume growth and margins. Additionally, we expect exposure to the export market will provide further growth support. We estimate the sector will sustain its margins and achieve FY25F core profit growth of 9.6% yoy. Additionally, Consumer and Telco sector's revenue has showed resiliency under the assumption of stable or slight currency depreciation. We believe the Telco sector may also see a better competitive landscape given the ongoing industry consolidation.

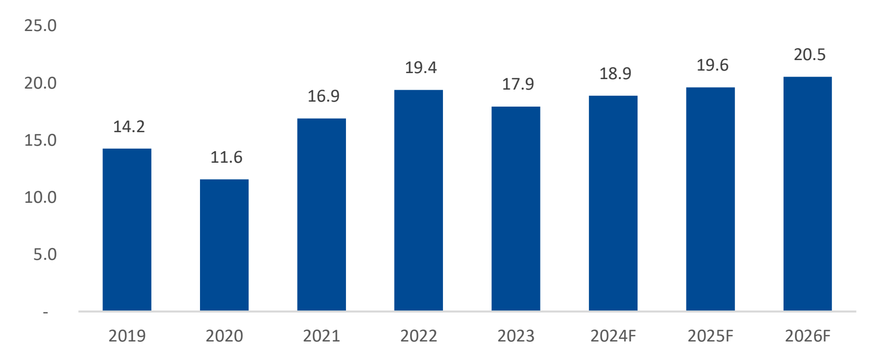
Our top picks in the Consumer and Telco sectors are **ICBP** (Buy, TP Rp14,000) and **ISAT** (Buy, TP Rp3,800).

Theme #2: Improving ROEs

Our bottom-up theme seeks sectors and companies with the potential to deliver better ROE in FY25. We estimate that the market's overall ROE will improve to 19.6% in FY25 (vs. 18.9% in FY24). While this is partly driven by improvement in Technology sector (on the back of lower losses from GOTO in FY25), we expect some key sectors to see ROE improvements in FY25, namely Consumers (to 51.9% from 49% in FY24), Telco (to 16.7% from 16.2%), Metals (to 11.4% from 7.6%), Healthcare (to 16.6% from 15.7%).

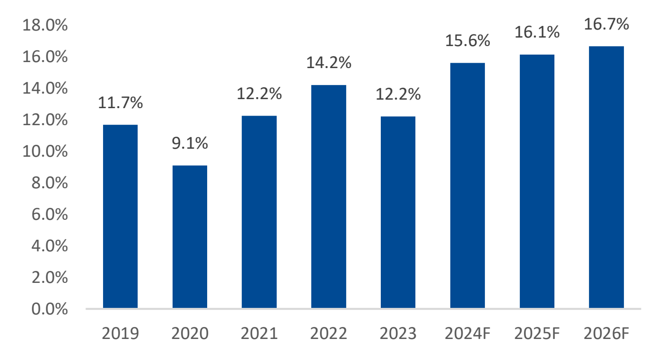
We expect the ROE improvement to be driven by several factors: improving margins (i.e., Consumers, Healthcare), peaking capex (i.e., Consumers), cost efficiency, and industry consolidation (i.e., Telco, Healthcare).

Exhibit 15. Market ROE (%)



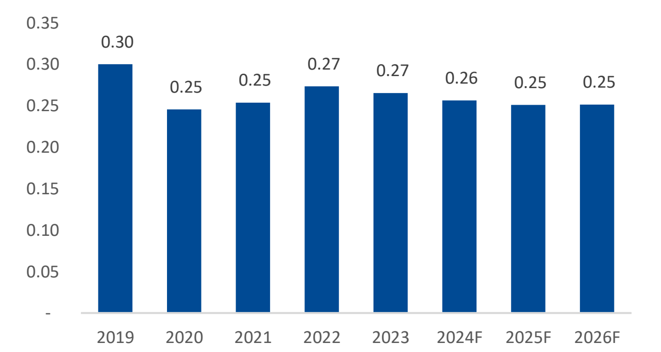
Source: Bloomberg, BRIDS

Exhibit 16. Overall Net Margin



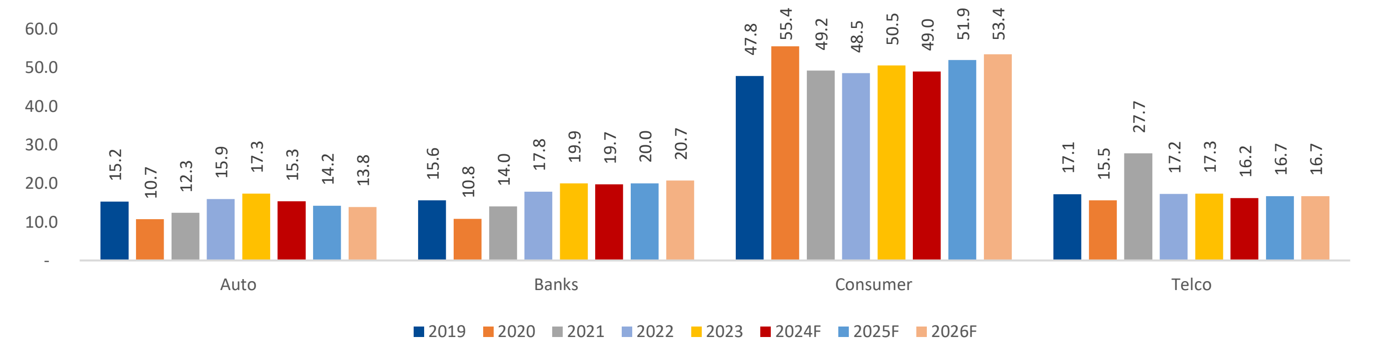
Source: Bloomberg, BRIDS

Exhibit 17. Overall Asset Turnover



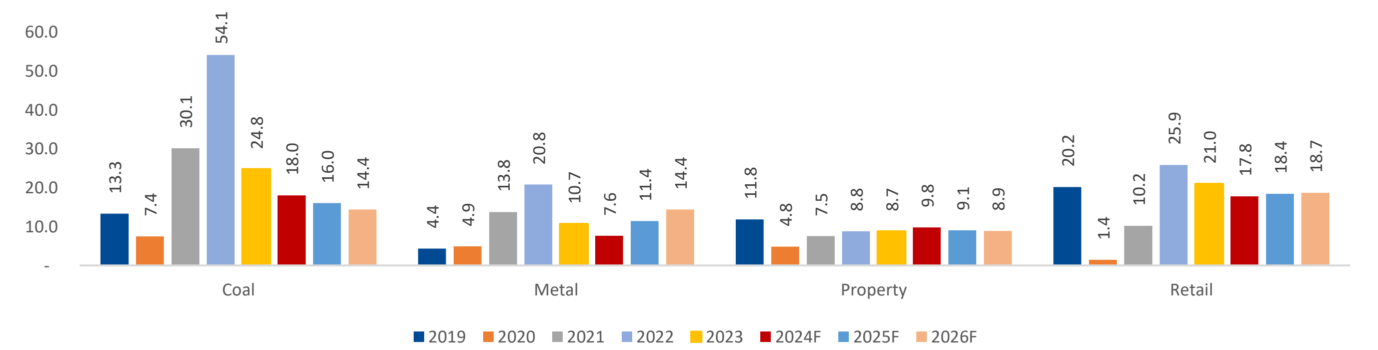
Source: Bloomberg, BRIDS

Exhibit 18. Sectoral ROE (in %) – Automotive, Banks, Consumer, and Telco



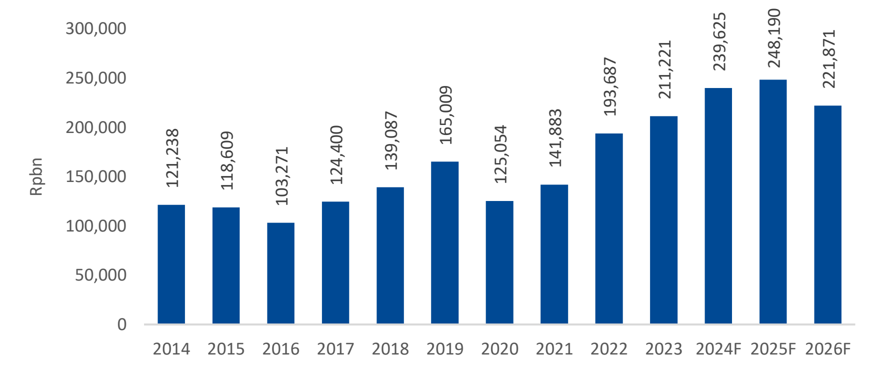
Source: Bloomberg, BRIDS

Exhibit 19. Sectoral ROE (in %) – Coal, Metal, Property, and Retail



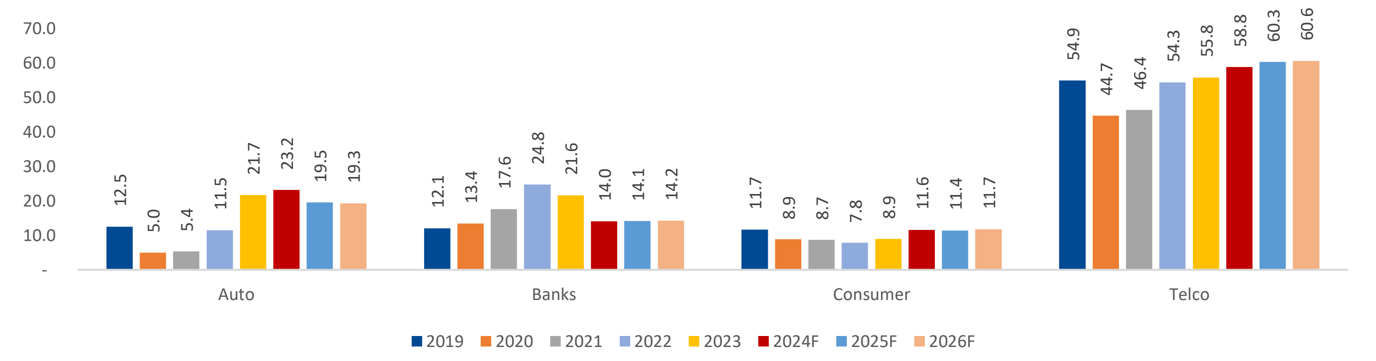
Source: Bloomberg, BRIDS

Exhibit 20. Overall Capital Expenditure



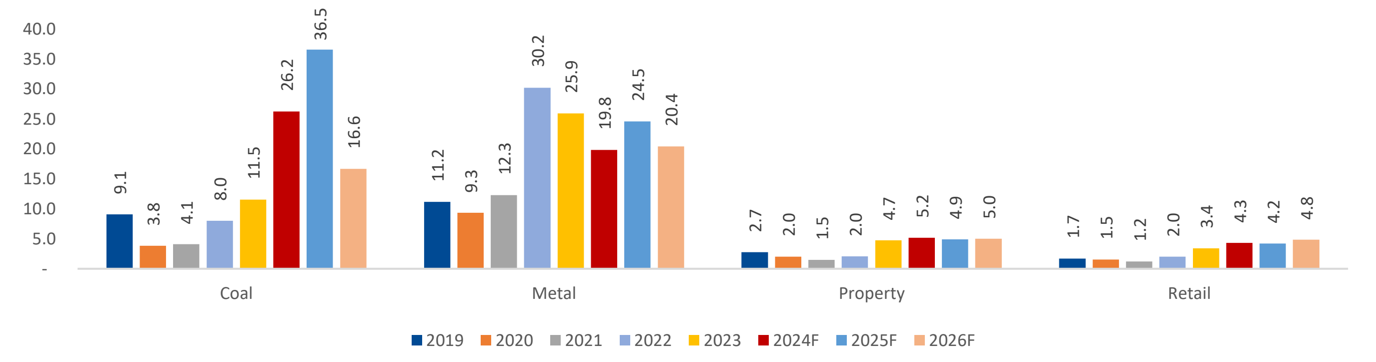
Source: Bloomberg, BRIDS

Exhibit 21. Sectoral Capex (in Rptr) – Automotive, Banks, Consumer, and Telco



Source: Bloomberg, BRIDS

Exhibit 22. Sectoral Capex (in Rptr) – Coal, Metal, Property, and Retail



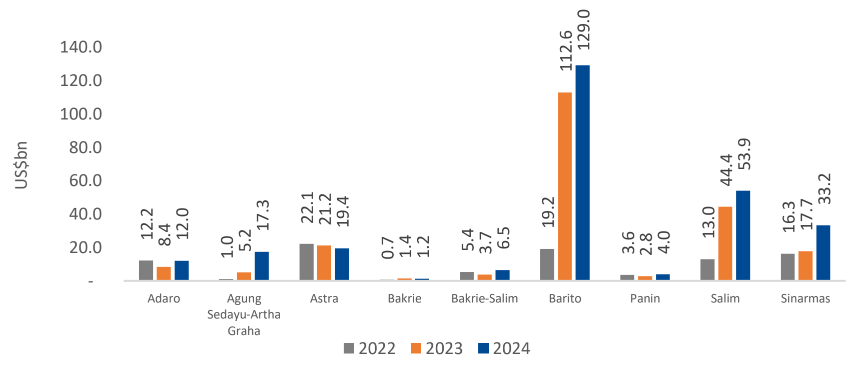
Source: Bloomberg, BRIDS

Theme #3: The rise of the Conglomeration

In the absence of strong EPS growth, over the past three years we observed the Indonesian conglomeration/ business group growing their respective market capitalization. Based on our observation of nine business groups (i.e., Adaro, Agung Sedayu/ Artha Graha, Astra, Bakrie, Bakrie-Salim, Barito, Panin, Salim, and Sinarmas), the market capitalization of these groups has risen by 196% in FY22-24 to US$277bn, accounting for 36% of total JCI capitalization (vs. 15% in FY22).

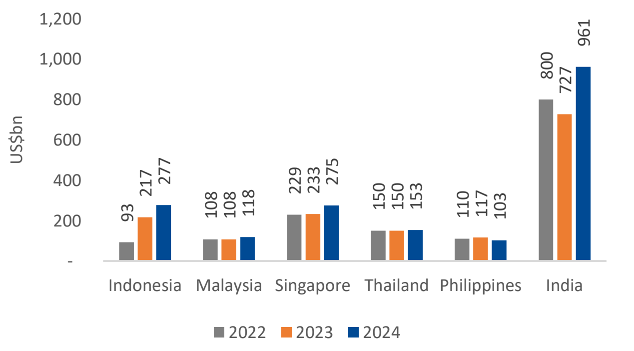
In comparison, in other ASEAN markets market capitalization of the key business groups accounted for 69% of total market in the Philippines (the highest among ASEAN markets) and 48/65/30% in Malaysia, Singapore, and Thailand.

Exhibit 23. Market cap of Business Group in Indonesia



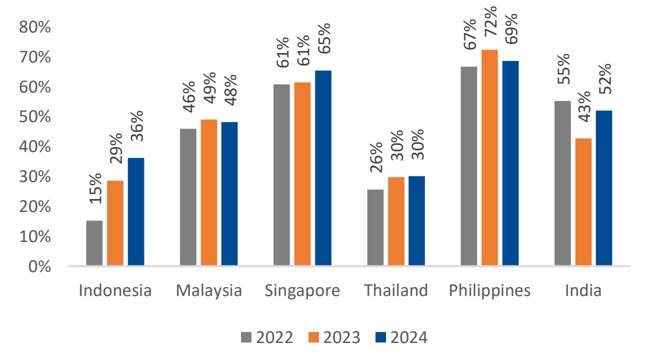
Source: Bloomberg, BRIDS

Exhibit 24. Mkt. Cap of Business Group in ASEAN Markets



Source: Bloomberg, BRIDS

Exhibit 25. … as % of Total Market Cap



Source: Bloomberg, BRIDS

What we like in this theme:

The common playbook from conglomeration's market capitalization and shares liquidity (aside from index inclusion) would be access to financing and M&A. We expect more conglomeration corporate actions to continue in FY25.

RISKS

1) Growth Muddle-Through

We see the risk to our main theme is the scenario of muddle-through economic growth, similar to in FY24. The risk for economic growth to stall (below our expectation) is also reflected by several macroeconomic indicators (e.g., manufacturing PMI, import growth, consumers confidence). In particular, we noted falling consumers confidence across all segments in Oct24, with the low-income segment continuing to show negative growth in savings rate.

The risk of slower growth may also stem from the government's plan to introduce a hike in VAT to 12%. Based on the estimation from MOF's fiscal department, our macroeconomic team sees a downside to GDP growth of c.0.02% if the VAT hike is implemented.

Exhibit 26. Monthly Economic Indicator

Indonesia	Unit	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Consumer Confidence	Index	124.3	123.6	123.8	125.0	123.1	123.8	127.7	125.2	123.3	123.4	124.4	123.5	121.1	125.9
Current Economic Condition	Index	114.4	113.0	113.6	115.6	110.9	113.8	119.4	115.4	112.9	113.5	114.0	113.9	109.9	113.5
Retail Index	%yoy	2.4	2.1	0.2	1.1	6.4	9.3	-2.7	2.1	2.7	4.5	5.8	4.8	1.5	1.7
Manufacturing PMI	Index	51.5	51.7	52.2	52.9	52.7	54.2	52.9	52.1	50.7	49.3	48.9	49.2	49.2	49.6
Consumer Price Index	%yoy	2.6	2.9	2.6	2.6	2.8	3.1	3.0	2.8	2.5	2.1	2.1	1.8	1.74	1.55
BI Policy Rate	%	6.00	6.00	6.00	6.00	6.00	6.00	6.25	6.25	6.25	6.25	6.25	6.00	6.00	6.00
Nominal exports	%yoy	-10.4	-8.6	-5.8	-8.1	-9.6	-4.2	1.7	2.9	1.2	6.5	7.1	6.4	10.3	9.1
Trade Balance	US$bn	3.5	2.4	3.3	2.0	0.8	4.5	2.7	2.9	2.4	0.5	2.9	3.3	2.5	4.4
Government Revenue*	%yoy	-1.1	13.4	25.3	-7.2	-1.4	-3.5	-13.7	-7.1	-6.2	-4.3	-2.5	-1.3	0.3	1.3
Fiscal Surplus/deficit*	% of GDP	0.0	-0.2	-1.7	0.1	0.1	0.0	0.3	-0.1	-0.3	-0.4	-0.7	-1.1	-1.4	-1.8
Loan Growth	%yoy	8.7	9.7	10.3	11.5	11.0	11.9	12.3	11.4	11.4	11.7	10.9	10.4	10.4	
Investment Loan Growth	%yoy	9.4	9.4	11.1	12.8	11.3	14.0	14.6	13.8	13.8	14	12.2	11.7	13	
SRBI Issuance	Rptr	58.7	67.5	56.8	95.6	49.4	25.6	37.4	166.6	191.0	167.0	79.7	58.00	82.006	104.3
SRBI Yield	%	6.5	6.9	6.8	6.8	6.8	6.8	7.0	7.4	7.3	7.4	7.19	6.96	6.87	7.08
Equity Foreign Flow	Rptr	(8.1)	(0.5)	7.7	8.3	10.1	7.8	(20.1)	(14.2)	(1.5)	6.7	28.8	21.9	(11)	(17)
Bonds Foreign Flow	Rptr	(12.6)	23.5	8.8	(0.7)	(4.8)	(26.4)	(20.8)	17.1	1.1	5.0	39.2	18.3	14.98	-13.07

Cummulative month

Sector	Unit	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Automotive															
4W Wholesale - 3mo. rolling	Index (base:2019)	96.5	94.7	96.8	92.7	87.4	83.3	75.2	75.5	75.4	85.2	87.2	86.4	87.5	86.8
Motorcycle Distribution - 3mo. rolling	Index (base:2019)	95.7	98.0	92.9	97.6	96.8	106.4	95.7	92.5	88.0	99.0	103.2	104.3	101.0	97.2
Cement															
Volume - 3mo. Rolling	Index (base:2019)	108.5	108.7	108.8	103.4	94.6	89.0	77.2	82.3	83.4	99.9	101.8	104.4	105.1	
Banks															
Loan growth	%yoy	11.7	12.5	13.2	15.0	14.7	15.3	16.3	15.2	15.2	14.7	14.5	13.9	13.8	
NIM	%	6.0	5.9	6.0	6.0	5.7	6.1	5.7	5.9	5.9	6.0	6.0	5.9	5.9	
CoC	%	0.8	1.0	0.1	1.0	2.5	1.2	1.4	1.4	0.2	1.2	1.0	1.1	0.9	
Coal															
ICI 3	US$/ton	80.91	79.71	79.64	79.40	78.96	78.22	72.50	73.56	72.73	71.54	72.10	72.30	73.20	73.32
ICI 4	US$/ton	60.07	58.35	58.28	57.54	56.95	57.20	54.51	55.93	54.43	52.72	51.20	51.13	52.24	52.24
Nickel															
NPI	US$/ton	13,365	12,144	11,167	11,242	11,427	11,620	11,543	11,743	11,803	11,687	12,294	12,294	12,546	12,140

Source: Various sources, BRIDS

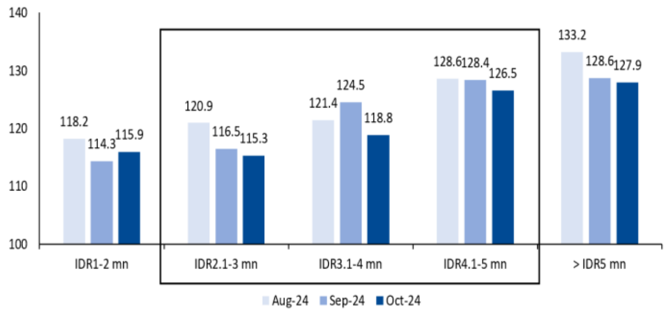
Exhibit 27. Quarterly Economic Indicator

Indonesia	Unit	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Current Account	US$bn	-3.4	-2.9	1.0	0.9	-1.1	-1.9	5.0	1.5	0.7	4.3	4.7	3.5	2.8	-2.5	-1.2	-1.3	-2.5	-3.2	-2.2
Industrial Production	%yoy	0.8	-19.7	-13.1	-8.6	-4.9	22.2	10.1	6.1	1.9	2.0	7.2	4.9	3.5	1.4	2.7	2.0	-3.0	-0.8	7.3
GFCF	Rptr	876.3	791.2	857.7	894.0	874.5	850.7	890.0	934.1	910.1	877.0	934.3	965.2	929.3	917.6	988.2	1,013.6	964.6	958.2	1,039.1
Foreign Direct Investment	Rptr	98.0	97.6	106.1	111.1	111.7	116.8	103.2	122.3	147.2	163.2	168.9	175.2	177.0	186.3	196.2	184.3	204.4	217.3	232.7
Domestic Direct Investment	Rptr	112.7	94.3	102.9	103.6	108.0	106.2	113.5	119.3	135.2	139.0	138.9	139.6	151.9	163.5	178.2	181.3	197.1	221.1	188.8

Sector	Unit	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Consumer																				
Revenue - Quarterly	Rpbn	43,279	43,701	43,558	48,304	49,768	46,436	50,831	53,330	54,676	51,229	55,344	58,205	59,317	50,537	55,193	54,588	60,000	52,712	57,129
Revenue - Avg. Quarterly	Rpbn	43,535	43,565	43,634	44,710	46,333	47,016	48,835	50,091	51,318	52,516	53,645	54,864	56,024	55,851	55,813	54,909	55,080	55,623	56,107
Revenue - Quarterly	%yoy	-19.8	-19.7	0.6	9.8	15.0	6.3	16.7	10.4	9.9	10.3	8.9	9.1	8.5	-1.4	-0.3	-6.2	1.2	4.3	3.5
Revenue - Avg. Quarterly	%yoy	3.4	1.8	1.3	3.0	6.4	7.9	11.9	12.0	10.8	11.7	9.8	9.5	9.2	6.3	4.0	0.1	-1.7	-0.4	0.5
Retail																				
SSSG	%	1.5	-16.2	-16.0	-15.7	-16.5	8.3	-8.2	2.2	7.0	8.0	27.8	13.8	9.0	9.9	8.8	7.4	8.7	4.9	6.5
Telco																				
Number of Subscriber	mn subs.	274	273	287	288	281	286	294	297	327	323	316	317	307	311	315	316	318	319	316
ARPU	Rp,'000	40	41	40	40	39	41	40	40	38	40	41	42	40	44	43	43	43	43	41

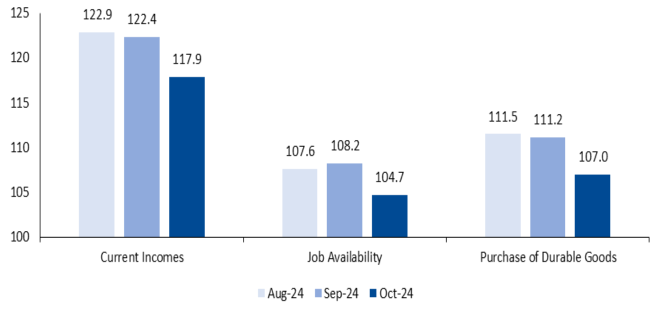
Source: Various sources, BRIDS

Exhibit 28. Consumer confidence slows for the middle income



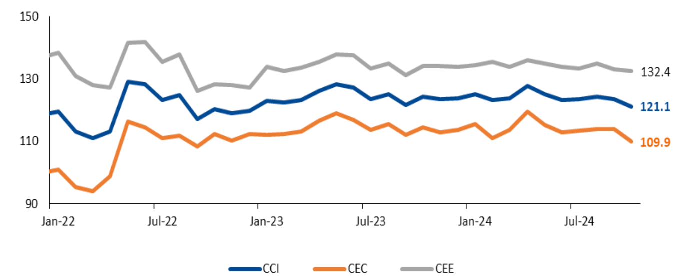
Source: Bank Indonesia

Exhibit 29. All component in the Current Economic Index slows



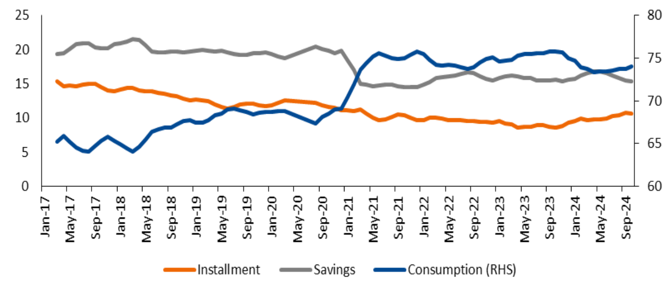
Source: Bank Indonesia

Exhibit 30. Consumer Confidence



Source: Bank Indonesia

Exhibit 31. Saving rates are falling



Source: Bank Indonesia

Our economic team is of the view that as concerns about prolonged stagnation are rising, the government is considering the following key measures/ incentives:

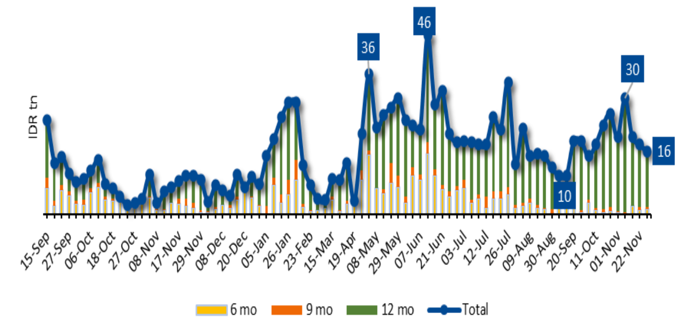
1. **Fuel Subsidy Reform**. Redirecting subsidies to cash aid targets grassroots beneficiaries but risks reducing purchasing power for the middle class, who drive 81% of household consumption.
2. **Minimum Wage Increase**. A 6.5% rise in 2025 wages may boost consumption despite potential investment concerns and
3. **MSME Tax Incentive Extension**. Extending the 0.5% final income tax for MSMEs could support small businesses and offset subsidy and VAT adjustments. A coordinated fiscal and monetary policy response is crucial. We maintain expectations for a 25bps BI rate cut in December to stimulate growth.

2) IDR and Liquidity

Our earlier thesis of easing domestic liquidity was countered by the strong USD (following Trump's re-election). Our economist is of the view that Trump and Republican victory in the Nov24 US Election could drive market responses similar to those seen after the 2016 election, with potential increases in US Treasury yields and strong USD, though there is a probability that the effects may be less pronounced this time given market adjustments that we have seen.

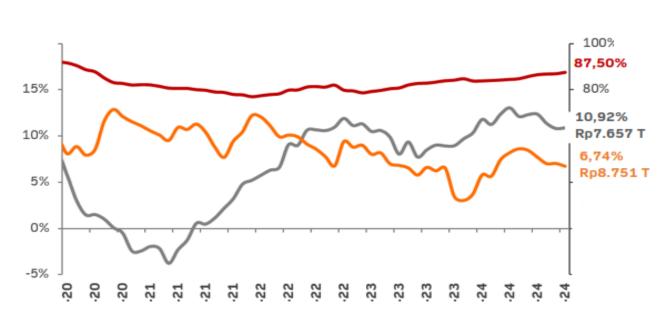
In Oct24 we noted the banks' NIMs remain to be generally under pressure, with rising cost of fund. Persistent tight liquidity is also evident in banks' high LDRs and slowing deposit growth. Our macro team observes net liquidity injections by Bank Indonesia (BI) as of mid-Nov24, exceeding net SRBI issuance (exhibit 35-36). If continued, we believe net injections could alleviate liquidity pressures, despite BI maintaining its policy rate.

Exhibit 32. SRBI Awarded Amount



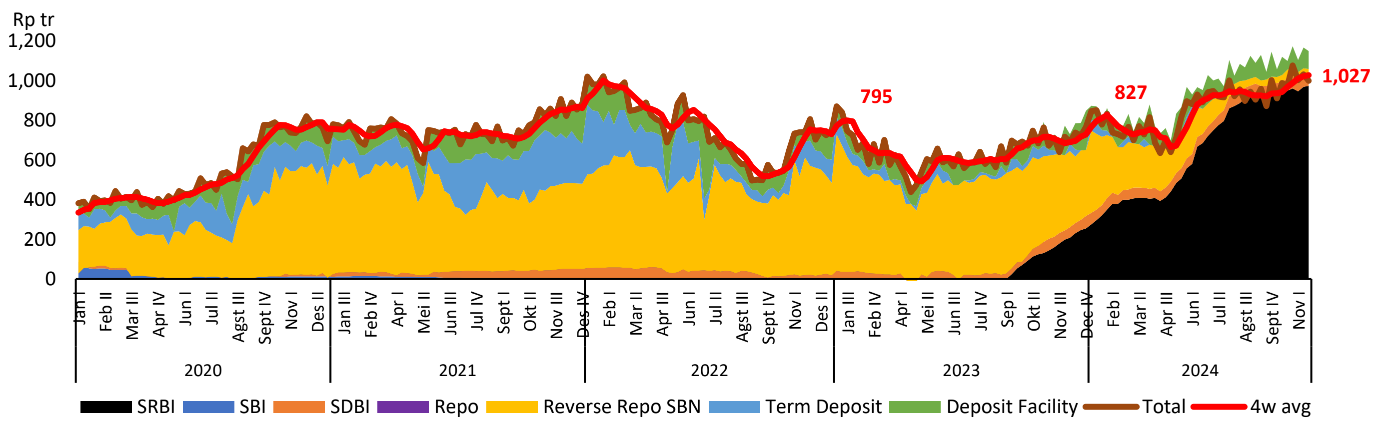
Source: Bank Indonesia

Exhibit 33. Loan vs TPF Growth Trend (Rptr)



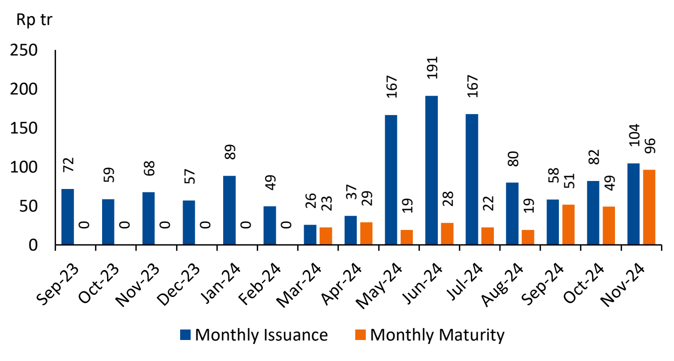
Source: LPS

Exhibit 34. Monetary Operation Outstanding



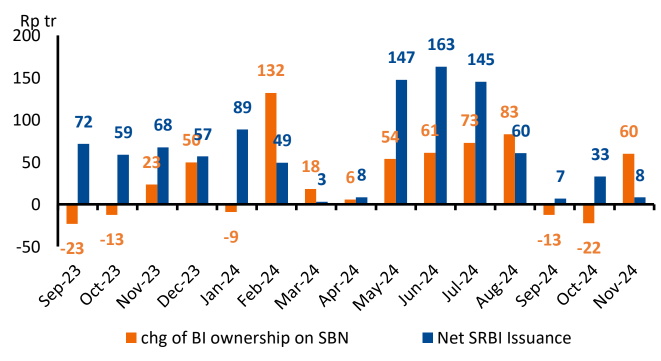
Source: Bank Indonesia

Exhibit 35. SRB issuance vs. maturity



Source: Bank Indonesia, DJPPR, BRIDS

Exhibit 36. Net SRBI Issuance vs. BI ownership on SBN



Source: Bank Indonesia, DJPPR, BRIDS

EARNINGS GROWTH OUTLOOK

BRIDS Equity Research team forecasts EPS growth of 6.5% for stocks under our coverage. Among the key sectors, we see Telco and Consumers delivering 13% and 9.5% EPS growth in FY25, which again reflects our positive view on consumers' spending and cost efficiency (for Telco, mainly in ISAT). We forecast the Banking sector to deliver 5% growth in FY25, which we believe has priced in the persisting tight liquidity condition (flattish NIM due to higher CoF), moderating loan growth.

Exhibit 37. BRIDS 24-26F EPS Growth Outlook

	Core Net Profit						
Sector	FY23	FY24F	FY25F	FY26F	Growth 24F	Growth 25F	Growth 26F
Banks	**190,992**	**201,874**	**211,967**	**238,313**	**5.7%**	**5.0%**	**12.4%**
Commodities	**86,433**	**74,962**	**75,959**	**71,688**	**-13.3%**	**1.3%**	**-5.6%**
Heavy Equipment	21,262	21,323	21,181	20,080	0.3%	-0.7%	-5.2%
Coal	43,678	33,768	27,874	21,165	-22.7%	-17.5%	-24.1%
Metal	12,638	12,087	19,000	22,368	-4.4%	57.2%	17.7%
Oil and Gas	8,854	7,784	7,904	8,075	-12.1%	1.5%	2.2%
Non-Commodities	**135,900**	**148,569**	**164,945**	**186,207**	**9.3%**	**11.0%**	**12.9%**
Auto	33,009	32,045	32,777	35,781	-2.9%	2.3%	9.2%
Cement	3,977	2,659	3,347	3,942	-33.1%	25.9%	17.8%
Cigarettes	13,416	11,148	11,671	12,794	-16.9%	4.7%	9.6%
Consumer	31,304	31,051	34,011	37,855	-0.8%	9.5%	11.3%
Healthcare	2,992	3,363	3,853	4,645	12.4%	14.6%	20.6%
Industrial Estate	1,415	1,691	2,025	2,172	19.5%	19.7%	7.3%
Infrastructure	2,681	3,258	3,827	3,979	21.5%	17.5%	4.0%
Media	1,236	1,940	2,212	2,400	57.0%	14.0%	8.5%
Poultry	3,389	6,915	7,618	8,727	104.0%	10.2%	14.6%
Property	7,336	10,621	10,376	10,339	44.8%	-2.3%	-0.4%
Retail	4,671	4,829	5,714	6,670	3.4%	18.3%	16.7%
Technology	(13,155)	(6,824)	(2,862)	3,220	48.1%	58.1%	212.5%
Telco	29,969	30,751	34,756	37,161	2.6%	13.0%	6.9%
Tower	6,931	7,173	7,627	8,353	3.5%	6.3%	9.5%
Utility	6,729	7,948	7,991	8,170	18.1%	0.5%	2.2%
Overall	**413,325**	**425,405**	**452,871**	**496,208**	**2.9%**	**6.5%**	**9.6%**
Banks Only	190,992	201,874	211,967	238,313	5.7%	5.0%	12.4%
Commod's Only	86,433	74,962	75,959	71,688	-13.3%	1.3%	-5.6%
Overall exc. Commod's	326,892	350,442	376,912	424,520	7.2%	7.6%	12.6%
Overall exc. Tech	426,479	432,229	455,732	492,988	1.3%	5.4%	8.2%

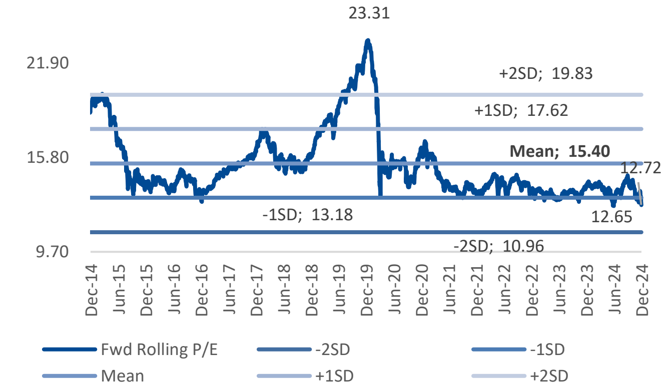
Source: BRIDS Estimates

VALUATION

We believe JCI's current valuation is attractive at 12.7x forward P/E (7.9% earnings yield), which implies a 77bps spread over 10-year bond yield (vs. 3-year average spread of 71bps, and highest spread of 233bps). The key risk, in our view, lies in the scenario of further widening of the bond yield, which may be driven by outflows from bonds and weaker IDR.

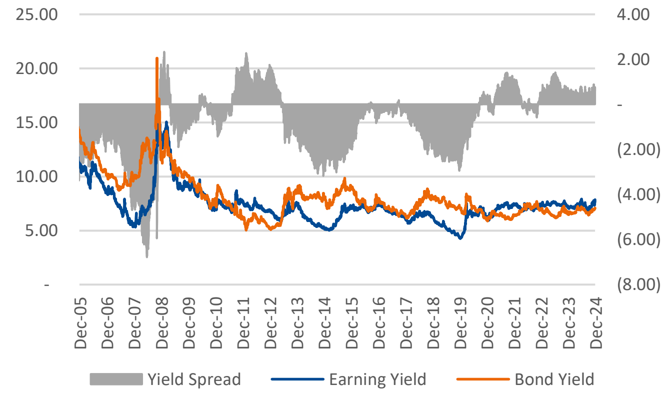
Furthermore, assuming a market P/E of 13x (around -0.5SD of 5-year mean), current JCI P/E is pricing in EPS growth of c.2% which we think is unwarranted.

Exhibit 38. JCI Forward PE Band



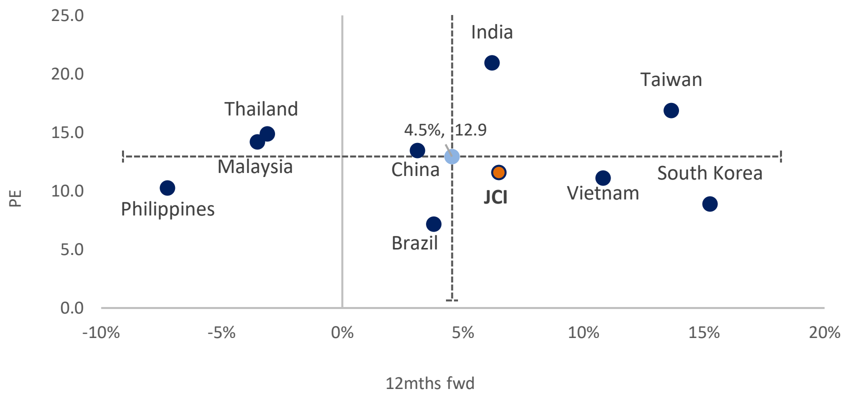
Source: Bloomberg, BRIDS Estimates

Exhibit 39. JCI Earnings Yield vs. Bonds Yield



Source: Bloomberg, BRIDS Estimates

Exhibit 40. JCI vs EM Peers



Source: Bloomberg, BRIDS

JCI TARGET

We take into consideration our FY24/ 25/ 26 EPS growth forecast of 3/6.5/ 10% and set a target PE multiple of 13x for our JCI target to arrive at our FY25 year-end target of 7,850. The PE multiple is based on -1sd to the 5-year mean, which we believe is fair given the moderate EPS growth expectation. We see an upside to our JCI target to 8,060 (bull case) and downside to 7,630 (bear case), assuming EPS growth of 11% and 5%, respectively.

Our preferred pick for 1H25 still skew toward the: 1) Consumer sector; 2) ‘quality’ stocks, with improvement in ROE and visible earnings improvement 3) Hedge against USD. Thus, we reiterate our preference for the following names: **ICBP** (Buy, TP Rp14,000), **HEAL** (Buy, TP Rp2,000), **ISAT** (Buy, TP Rp3,800), **BBCA** (Buy, TP Rp12,800), **JPFA** (Buy, TP Rp2,800), **UNTR** (Buy, TP Rp31,000).

Exhibit 41. Top Pick Valuation

Company	Rating	Target Price (Rp/share)	Market Cap (Rpbn)	P/E (x)		P/BV (x)		EV/EBITDA (x)		ROE (%)		EPS Growth (%, yoy)
				25F	26F	25F	26F	25F	26F	25F	26F	26F
ICBP	BUY	14,000	134,404	11.4	10.4	2.4	2.1	7.7	6.8	22.7	21.9	10.1
HEAL	BUY	2,000	21,743	27.4	22.0	4.7	4.2	10.6	9.0	14.3	16.5	24.5
ISAT	BUY	3,800	76,756	12.2	10.8	2.0	1.9	4.1	3.8	17.4	18.2	13.6
BBCA	BUY	12,800	1,192,687	20.0	18.6	4.2	3.9	n.a	n.a	21.8	21.7	7.4
JPFA	BUY	2,800	21,694	6.9	5.8	1.2	1.1	4.6	3.8	18.6	19.7	19.6
UNTR	BUY	31,000	98,102	5.3	5.7	1.0	0.9	2.9	2.5	19.0	16.4	(5.7)

Source: BRIDS Estimates

SECTOR OUTLOOK

Exhibit 42. Sector FY25F Outlook Summary

Sector	Rating	Outlook Summary
Automotive	**OW**	• We expect 10% 4W sales growth and flattish 2W, given middle/upper-segment is still resilient but challenges remain on middle-lower segment. • 4W push factor remains on new models and rising hybrid/EV adoption, with slight challenge on rising VAT. • We expect financing would be tighter for 2W, given liquidity is expected to remain tight in medium-term and NPF in multifinance is slowly creeping up.
Banks	**OW**	• Uncertainty regarding rupiah due to external factors is still high in FY25F, hence BI stance to stabilize rupiah, one of which is the issuance of SRBI, may still affect liquidity in the banking sector. This will continue to put pressure on the bank's CoF. • Potential risk in higher NPL and CoC in FY25F post the low base in FY24F and management changes in several SOE banks could add kitchen sinking risk. • Despite the negative risks, valuation has derated to a more reasonable level and still offering attractive dividend yield.
Cement	**N**	• Industry growth to remain at 2-3% for domestic market, as we have not seen new near-term catalyst for this sector. bulk to remain as main driver, as we have not seen meaningful recovery in bag market. • ASP is expected to remain flattish for FY25F, as producer would continue to maintain their utilization despite sluggish market to cover their fixed cost.
Coal	**OW**	• Weaker China's import demand and domestic production growth may continue to be offset by tight supply growth from Indonesia • Indonesian producers cash cost increase offers floor for the coal price, hence limiting downside risk • We prefer coal contractor (UNTR) amid flatter price outlook, with second preference on producers with lower cash cost (AADI)
Digital Banks	**OW**	• Digital banks will continue to demonstrate higher loan growth compared to industry supported by their respective ecosystem and the development of direct lending. • Maintaining credit quality and efficiency in opex will be key in bottom line growth. • We expect 50bps rate cut in benchmark rate to spur more liquidity in the market. Hence, more risk on appetite will benefit digital banks as a high beta play.
FMCG	**OW**	• We expect higher minimum wages in FY25 and a positive impact from purchasing power and govt's meal program to create more jobs. • We estimate stronger volume growth in FY25, supported by ASP adjustments, to drive FY25F core profit growth of 9.3% yoy. • We prefer market leaders with opportunities to gain market share and implement ASP adjustment. Maintain Overweight with top pick on ICBP.

Source: BRIDS Estimates

Exhibit 43. Sector FY25F Outlook Summary (cont'd)

Sector	Rating	Outlook Summary
Healthcare	**OW**	• While we remain positive on the sector's LT outlook, as healthcare access is structurally supported by the gov't (through the Omnibus Law solving the healthcare officers' supply problem), we anticipate potentially muted inpatient volume in 1Q25, as Ramadhan and Eid seasonality kick in, with a lower # of working days (~58 days vs. 64 days quarterly average in 2H24). Additionally, lingering issues with private insurance repricing are expected to be resolved only by 1Q25. • There should be no disruptive commercial impact from KRIS implementation; the primary impact will likely be the potential addition of capex to comply with new room standards. Listed hospital operators should already be prepared for KRIS, with our simulation suggesting that aggregate potential output from JKN could increase by ~8%. Companies with high JKN referrals shall benefit from the potential increase in revenue intensity, especially if JKN Class I patients convert to CoB Managed Care, with our analysis indicating a potential 8-15% increase in intensity for HEAL. • We maintain our OW rating on the sector (healthy FY25F aggregate EPS growth of 16%) with HEAL as our Top Picks as we believe that its consistent growth and margin expansion (through increasing intensity from the CoB program and operational cost-efficiency) amid serving lower-margin JKN patients should remain intact. Risks should relate to: 1) lingering issues with private insurance putting pressure to IP volume growth (especially in MIKA SILO) 2) elongated JKN & INACBG new tariff determination increases JKN's operational deficit period, creates tougher claim process (especially for HEAL). • Picks: HEAL>MIKA>SILO
Industrial Estate	**OW**	• The flow of FDI remain being determining story for FY25F land sales. We believe that the success of SSIA for housing BYD in its Subang Smartpolitan, could help them monetize the potential of Subang to be the future hub of the EV ecosystem, with more ample land availability compared to the Cikarang area. Meanwhile, DMAS could differentiate itself from its strategic Cikarang location and infrastructure maturity to house global-scale data center providers. While there is no specific seasonality for the FDI flow, we expect FY25 demand to get better vs. FY24, as the new gov't starts to roll-out its flagship programme and executing foreign investments commitment.
Media	**N**	• Sector N with limited growth avenues. • Limited growth upside in advertising revenue amid soft demand by FMCGs. Soft traction in SVOD, AVOD models in OTT.
Metals	**N**	• Our order of preference on nickel still stands with Ore> NPI> LME, where we expect ore premium to fall but remain tight. • With limited addition of RKEF capacity and closures of plants exIndonesia, we expect the oversupply of class-2 products to subside. • We downgraded our sector rating to Neutral from OW, with a pecking order of: TINS> NCKL> ANTM> MBMA> MDKA> INCO.

Source: BRIDS Estimates

Exhibit 44. Sector FY25F Outlook Summary (cont'd)

Sector	Rating	Outlook Summary
Oil and Gas	**OW**	• Oil exploration remains prominent offshore exploration in the global markets have spread through ASEAN, with sanctioned gas investment in S.E.A. reaching its highest level at US32bn (vs. US$7-8bn in FY24F). • Therefore, we continue to expect elevated charter rates to persist in 2025 and benefits the logistical side of the sector alike WINS. • On the other hand, MEDC might face weaker earnings in FY25 from downgraded AMMN outlook in FY25. Though, the decline in Oil price is not as significant as MEDC's O&G mix is dominated by fixed gas contract.
Poultry	**OW**	• We continue to forecast that integrators will report profit growth of 109%/10% for FY24/FY25F, supported by margin expansion. • We expect a lower feed margin for FY25F but to be offset by a higher margin in the commercial and breeding farm business. • Maintain OW rating on sound fundamentals, cheap valuations, and less crowded positioning. Pecking order: MAIN, JPFA, CPIN.
Residentials	**OW**	• We believe that market growth will be driven by the landed residential and retail rental sectors, while growth in the office and condominium segments is expected to remain muted due to oversupply, unattractive rental yields (~5%), and a weak capital gains outlook among high-rise residential investors. • Pecking order: 1) CTRA is our top pick due to its vast landed-residential portfolios fits with end-users driven demand, we also expect its higher exposure of project in ex-Java area and JO-scheme to contribute higher take-up rate compared to peers, supported by the VAT incentives; 2) PWON with its highest malls NLA and future growth from its expansion pipeline yet to be reflected on the stock price; 3) BSDE with stable pre-sales from its BSD City project and other Jakarta's suburb benefitted from LRT operations (e.g. Grand Wisata Bekasi, Kota Wisata Cibubur, also potentially Rancamaya Golf Estate); 4) SMRA as cheapest in the sector and possible IPO angle of its Investment Property business (SMIP) shall give additional cash to support balance sheet deleveraging to compete with peers lower gearing level. The proceed could also be utilized to strengthen the recurring business units, and in turn, lowering SMRA's valuation disc. to RNAV. • Downside risks might come from declining purchasing power halting property purchase decision; discontinuation of gov't incentives.
Retails	**OW**	• We project retail sector to book FY25 revenue growth of 15% yoy, with net profit of 18.3% yoy. • Our top picks are MAPI (TP Rp2,000) due to its attractive valuation. We think MIDI (Buy – TP Rp540) will remain resilient amidst higher minimum wage in 2025. • Rupiah depreciation and higher minimum wage will continue as headwinds for retailers ahead.

Source: BRIDS Estimates

Exhibit 45. Sector FY25F Outlook Summary (cont'd)

Sector	Rating	Outlook Summary
Technology	**OW**	• Sector OW amid solid penetration for online services with strong engagement indications and platform synergies. • The tech sector benefits from subdued competition, enabling firms to secure pathway for sustainable EBITDA profitability. • Promising GTV traction is seen across both premium and low-end products (HEMAT). • Merchants are absorbing higher commissions and increasing investments in product marketing. • Large platform ecosystems are driving growth in pay-later and cash loans, with AI ensuring sustainable NPL levels.
Telco	**OW**	• Sector OW with new growth with fixed BB, resilient mobile pricing, and corporate actions • We expect better mobile pricing momentum and growth in fixed broadband services. • Stabilizing consumer spending since Oct 2024, as indicated by telco companies. • Sector revenue growth of 6-7%yoy in 2025, with resilient EBITDA margins ~48-50%. • Several corporate actions in the pipeline that will strengthen the sector: EXCL FREN merger to drive sector consolidation and improve pricing / competition outlook, Indosat fiber asset sales, Telkom's fiber asset inbreng to subsidiary Infraco and MTEL to improve fixed asset monetization.
Tobacco	**N**	• Based on PMK 96/2024 and PMK 97/2024, the 2025 tobacco excise tax remains unchanged, the HJE is set to increase with avg of 9.5% yoy. • For 2025, the highest HJE increase will be in the SKT category (9.6% to 39.5%) to curb consumption amidst continued downtrading. • We believe that 2025 sales volume will remain challenging due to the continued wide gap in excise taxes. We prefer HMSP over GGRM.
Toll Road	**OW**	• We expect 10% revenue growth in FY25F, driven by 3% traffic growth and carry over impact of major tariff hike adjustment in 2024. • We also expect interest cost saving due to deleveraging from JTT proceed, thus we expect 8% lower interest cost in FY25F. As new toll road continues to ramp up, with minimum new toll road included yet in book (thus improving the margin), we expect 17% core profit growth in FY25F.
Tower	**OW**	• Towers will likely remain resilient amid M&A activity in the telco sector, (ISAT - Hutch3, EXCL - FREN). • they diversify to non-tower revenue with fiber FTTT and FTTH to drive the growth for the companies amid flattish/soft tower revenue. • they have liquidity to expand with inorganic means via company and asset acquisitions that generate revenue offering revenue upside. • growth potential in ex-Java areas for new tower footprint and collocations to balance any tower churns / tower relocations from Java. • potential new spectrum licenses to telcos in 2025 that will drive new demand for tower sites.

Source: BRIDS Estimates

BRI Danareksa Equity Research Team

Erindra Krisnawan, CFA	Head of Equity Research, Strategy, Coal	erindra.krisnawan@brids.co.id
Natalia Sutanto	Consumer, Cigarettes, Pharmaceuticals, Retail	natalia.sutanto@brids.co.id
Niko Margaronis	Telco, Tower, Technology, Media	niko.margaronis@brids.co.id
Timothy Wijaya	Metal, Oil and Gas	timothy.wijaya@brids.co.id
Victor Stefano	Banks, Poultry	victor.stefano@brids.co.id
Ismail Fakhri Suweleh	Healthcare, Property, Industrial Estate	ismail.suweleh@brids.co.id
Richard Jerry, CFA	Automotive, Cement, Infrastructure	richard.jerry@brids.co.id
Ni Putu Wilastita Muthia Sofi	Research Associate	wilastita.sofi@brids.co.id
Naura Reyhan Muchlis	Research Associate	naura.muchlis@brids.co.id
Sabela Nur Amalina	Research Associate	sabela.amalina@brids.co.id
Kafi Ananta Azhari	Research Associate	kafi.azhari@brids.co.id

BRI Danareksa Economic Research Team

Helmy Kristanto	Chief Economist, Macro Strategy	helmy.kristanto@brids.co.id
Dr. Telisa Aulia Falianty	Senior Advisor	telisa.falianty@brids.co.id
Kefas Sidauruk	Economist	kefas.sidauruk@brids.co.id

BRI Danareksa Institutional Equity Sales Team

Yofi Lasini	Head of Institutional Sales and Dealing	yofi.lasini@brids.co.id
Novrita Endah Putrianti	Institutional Sales Unit Head	novrita.putrianti@brids.co.id
Ehrliech Suhartono	Institutional Sales Associate	ehrliech@brids.co.id
Yunita Nababan	Institutional Sales Associate	yunita@brids.co.id
Adeline Solaiman	Institutional Sales Associate	adeline.solaiman@brids.co.id
Andreas Kenny	Institutional Sales Associate	andreas.kenny@brids.co.id
Christy Halim	Institutional Sales Associate	christy.halim@brids.co.id
Jason Joseph	Institutional Sales Associate	Jason.joseph@brids.co.id

BRI Danareksa Sales Traders

Mitcha Sondakh	Head of Sales Trader	mitcha.sondakh@brids.co.id
Suryanti Salim	Sales Trader	suryanti.salim@brids.co.id

INVESTMENT RATING

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