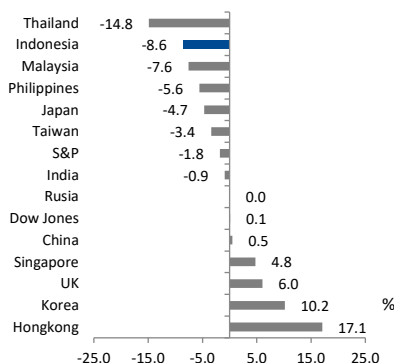


Equity Strategy

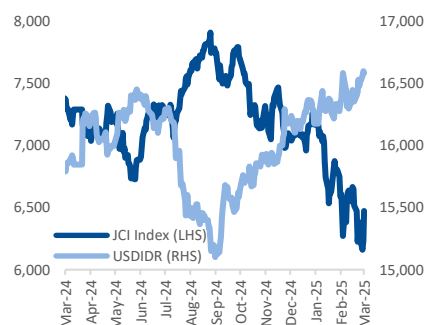
Weathering the Storm

YTD Regional Market (%)



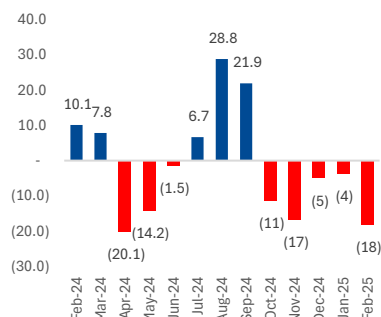
Source: Bloomberg

JCI vs USD



Source: Bloomberg

Net Foreign Flow (Rptr)



Source: Bloomberg

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- We expect JCI to trade in 5.9-6.7k range in 2Q25, as it has largely priced in pessimistic scenarios, yet risks remain due to slowing econ growth.
- Amid lack of growth catalyst, we expect EPS to sequentially drop in 2Q25 and may potentially stay flattish in 3Q25.
- We cut our FY25F EPS growth estimates to 4.5% (from 6.5%) and FY25-end JCI target to 7,350; we still mainly prefer quality names for 2Q25.

JCI at a deep discount, reflecting pessimistic outlook

Based on our latest earnings forecast, JCI is currently trading at 11.4x PE (-1.8 SD to the 10-year mean) with an earnings yield spread of 154bps (vs. the 10-year bond yield), the widest since Jun12. Comparing the current market conditions to 2015 (President Joko Widodo's first year in office), we observe similarities such as slowing economic and EPS growth, a widening fiscal deficit, and the introduction of new government policies. However, a key positive this time is Indonesia's stronger trade balance, supported by improved exports, which, if sustained, could provide stability for the IDR. That said, the risk remains the volatility in coal and CPO prices.

Earnings still need to bottom first, though foreign outflows may moderate

In 2015 bear market, the market bottom in Sep15, coincided with the bottoming in GDP growth in 2Q-3Q15 at 4.8%, before rebounding to 5.15% in 4Q24. Meanwhile, EPS bottomed in 4Q15. Amid lack of growth catalysts, we expect EPS to sequentially soften in 2Q25 and to potentially stay flattish in 3Q25. Meanwhile, although the current foreign ownership level (17%) is still above 2020-21 lows (12%), we believe the recent announcement of management of Danantara and SOE banks should improve sentiment. Based on these factors, we see the JCI to trade range bound at 5,900-6,700 (based on earnings yield spread of 105-215bps) in 2Q25.

Earnings estimates adjustment; FY24 results mostly inline/ miss

We have trimmed our FY25F EPS growth estimates to 4.5% (from 6.5% previously), taking into account weaker-than-expected FY24 earnings mainly from the Banking and Telco sectors which were released in Feb-Mar25. Among companies under our coverage that have reported FY24 earnings, 37% missed consensus' expectation with another 34/ 29% reporting in-line/ beat results.

Lowering JCI FY25-end target; still mainly prefer low-beta names

We take into account our latest EPS growth estimates and more conservative growth expectation to arrive at our FY25-end JCI target of 7,350 (from 7,850 previously), based on 13x PE. Our bull/ bear case are 7,660 and 7,090. While market valuation is cheap, we continue to advise investors to have exposure through quality names in 2Q25: **BBCA** (Buy, TP Rp11,900), **ICBP** (Buy, TP Rp14,000). Aside from this, we like **GOTO** (Buy, TP Rp110), **BRIS** (Buy, TP Rp2,900), **NCKL** (Buy, TP Rp1,500). Key risks for 2Q25 are weaker IDR and slowing economic growth.

Weathering the Storm

EPS Growth Outlook Revisions

We have trimmed our FY25F EPS growth estimates to 4.5% (from 6.5% previously), taking into account weaker-than-expected FY24 earnings mainly from the banking and telco sectors which were released in Feb-Mar25. Among companies under our coverage that have reported FY24 earnings, 37% missed consensus' expectation with another 34/ 29% reporting in-line/ beat results.

Exhibit 1. BRIDS Core Earnings Growth Forecast

Sector	Core Net Profit						
	FY23	FY24F	FY25F	FY26F	Growth 24F	Growth 25F	Growth 26F
Banks	194,493	203,851	212,154	229,145	4.8%	4.1%	8.0%
Commodities	89,341	78,423	78,283	84,048	-12.2%	-0.2%	7.4%
Heavy Equipment	21,262	19,859	22,820	22,030	-6.6%	14.9%	-3.5%
Coal	46,585	38,613	30,260	32,777	-17.1%	-21.6%	8.3%
Metal	12,638	11,377	18,082	21,946	-10.0%	58.9%	21.4%
Oil and Gas	8,857	8,574	7,120	7,296	-3.2%	-17.0%	2.5%
Non-Commodities	136,241	149,135	160,439	178,204	9.5%	7.6%	11.1%
Auto	33,009	33,131	32,569	35,372	0.4%	-1.7%	8.6%
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	30,815	32,161	33,350	37,353	4.4%	3.7%	12.0%
Healthcare	2,992	3,353	3,714	4,497	12.1%	10.8%	21.1%
Industrial Estate	1,415	1,692	1,792	2,043	19.6%	5.9%	14.0%
Infrastructure	2,681	3,509	3,827	3,962	30.9%	9.1%	3.5%
Media	1,236	2,011	2,212	2,400	62.8%	10.0%	8.5%
Poultry	3,390	6,932	7,963	9,074	104.4%	14.9%	13.9%
Property	7,336	10,621	10,376	10,339	44.8%	-2.3%	-0.4%
Retail	4,671	4,849	5,636	6,545	3.8%	16.2%	16.1%
Technology	(13,021)	(7,030)	(3,142)	(184)	46.0%	55.3%	94.2%
Telco	30,645	28,355	31,008	32,999	-7.5%	9.4%	6.4%
Tower	6,824	7,117	7,607	8,396	4.3%	6.9%	10.4%
Utility	6,855	8,628	8,508	8,673	25.9%	-1.4%	1.9%
Overall	420,075	431,408	450,876	491,398	2.7%	4.5%	9.0%
Banks Only	194,493	203,851	212,154	229,145	4.8%	4.1%	8.0%
Commod's Only	89,341	78,423	78,283	84,048	-12.2%	-0.2%	7.4%
Overall exc. Commod's	330,734	352,986	372,593	407,350	6.7%	5.6%	9.3%
Overall exc. Tech	433,096	438,439	454,017	491,582	1.2%	3.6%	8.3%

Source: Company, BRIDS Estimates

Exhibit 2. FY24 results scorecard

FY24 Results Recap (Net Profit, Unless Otherwise Stated)						FY24 Results Recap (Net Profit, Unless Otherwise Stated)					
vs. Consensus						vs. BRI-DS					
Above		In-Line		Below		Above		In-Line		Below	
BRIS IJ	JPFA IJ	AKRA IJ	MIKA IJ	BBNI IJ	INCO IJ	ADRO IJ	JSMR IJ	AKRA IJ	GOTO IJ	BBTN IJ	ISAT IJ
BSDE IJ	JSMR IJ	ARTO IJ	MYOR IJ	BBTN IJ	INDF IJ	ARTO IJ	MIDI IJ	BBCA IJ	JPFA IJ	BMRI IJ	ITMG IJ
CPIN IJ	NCKL IJ	BBCA IJ	PWON IJ	BMRI IJ	ISAT IJ	BRIS IJ	MYOR IJ	BBNI IJ	MIKA IJ	BUKA IJ	PGEI IJ
GOTO IJ	SMRA IJ	BBRI IJ	SIDO IJ	BUKA IJ	MIDI IJ	BSDE IJ	SIDO IJ	BTPS IJ	NCKL IJ	HEAL IJ	SSIA IJ
INTP IJ	WINS IJ	BTPS IJ	TOWR IJ	HEAL IJ	PGEI IJ	CPIN IJ	SMRA IJ	DMAS IJ	PWON IJ	HMSI IJ	UNTR IJ
ITMG IJ		DMAS IJ	UNTR IJ	HMSI IJ	SSIA IJ	INTP IJ		EXCL IJ	TOWR IJ	ICBP IJ	UNVR IJ
		EXCL IJ		ICBP IJ	UNVR IJ					INCO IJ	WINS IJ

% of Company's Results		
Above Consensus	28.9%	
Below Consensus	36.8%	
In-Line with Consensus	34.2%	

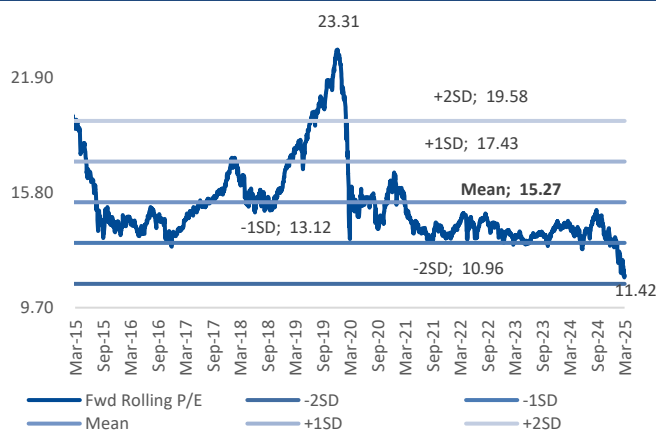
% of Company's Results		
Above BRI-DS Frst.	28.9%	
Below BRI-DS Frst.	39.5%	
In-Line with BRI-DS Frst.	31.6%	

Source: Company, Bloomberg, BRIDS Estimates

What is priced in?

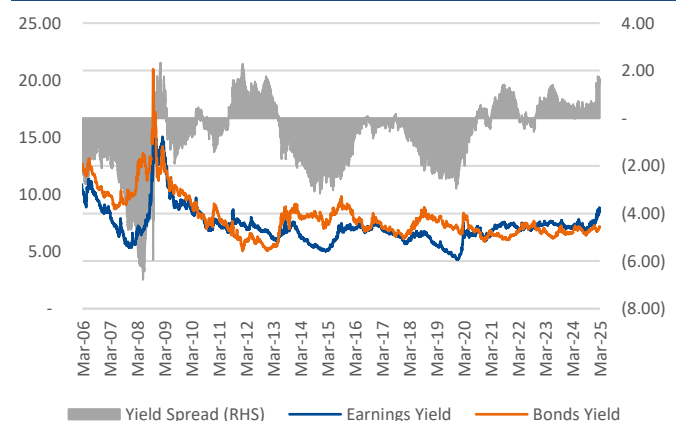
At our base case, JCI now trades at 11.4x PE (-1.8SD to 10-year mean) and at 154bps earnings yield spread (vs. 10-year bond yield), the highest since Jun12.

Exhibit 3. JCI Forward PE Band



Source: Bloomberg, BRIDS Estimates

Exhibit 4. JCI Earnings Yield vs. Bonds Yield

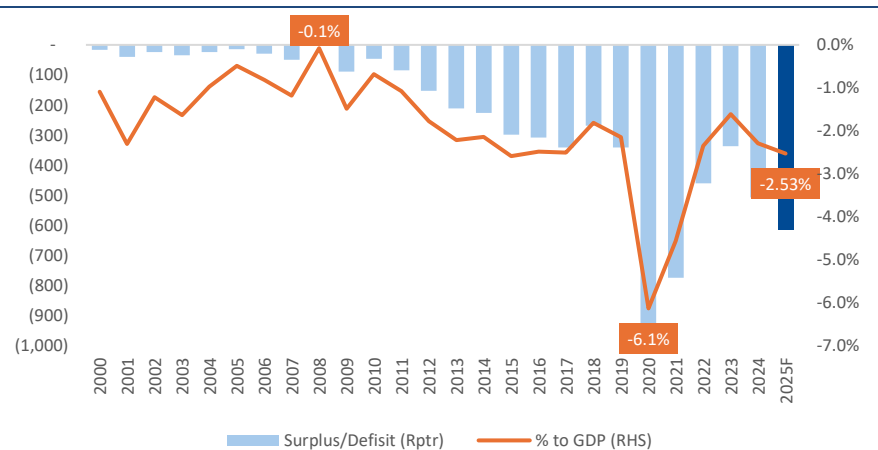


Source: Bloomberg, BRIDS Estimates

We compare the market's current conditions to the bear market in 2015, the first year of President Joko Widodo's term, highlighting similarities and differences that shape market outlook and sentiment.

- EPS growth:** In 2015, market EPS growth is slowing down from the prior year (to -6.7% in 2015). While we currently forecast EPS growth to improve to 4.5%, latest earnings in 4Q24 point to more risks of downgrades given slower-than-expected earnings from the key sectors (i.e., banks, telco). Consensus estimates (based on Bloomberg) currently expect 12-months forward growth of 2.5%.
- Economic growth:** Indonesia's GDP growth decelerated to 4.9% in 2015, mirroring current worries of potential economic slowdown (despite forecast of 5% growth) amid anecdotal evidence of soft consumption growth in 1Q25 and lower govt. spending.
- Budget deficit:** In 2015, the fiscal deficit widened to 2.6% (from 2.1% in 2014), driven by -3% contraction in govt. revenue. We see risk of widening fiscal deficit in FY25, with 2M25 deficit of 0.13% of GDP amid contraction in govt. revenue during 2M25.

Exhibit 5. Indonesia Fiscal Deficit



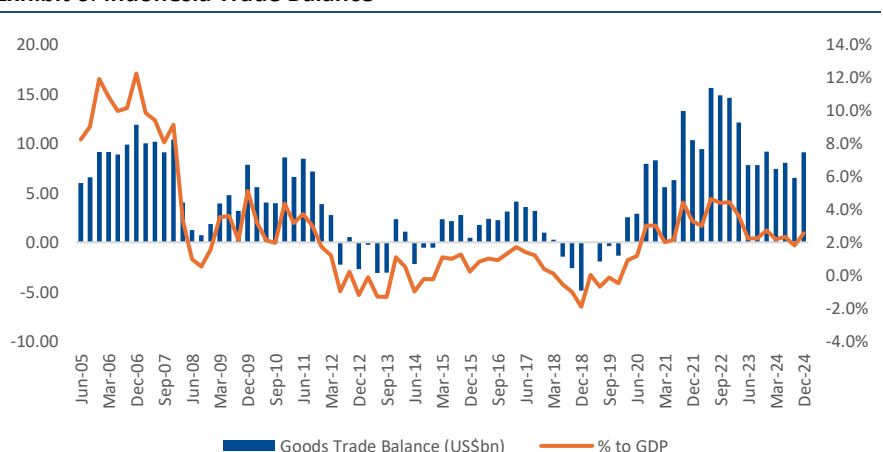
Source: Ministry of Finance

- **Government policies:** In his first year in office, President Jokowi introduced several policies perceived as market-unfriendly, including a cap on microloan interest rates and price controls on select commodities such as cement and other essential goods.

On the other hand, we see higher external volatilities from trade tension, while in 2015 the global outlook was mainly driven by slowdown in China economy.

On a more positive note, we noted that Indonesia's trade balance is currently in a stronger position, as evidenced by the consecutive months of trade surplus (2M25: US\$6.6mn), which was also supported by growth in export (2M25: 9.2% yoy). In contrast, in 2015 trade balance improved (driven by lower oil prices), but exports slowed due to weakening coal demand from China, which also pressured coal prices (Newcastle's average price fell to US\$58/t from US\$70/t in 2014). That said, the risk for trade balance in 2025 is if coal sees further correction.

Exhibit 6. Indonesia Trade Balance



Source: Indonesia Statistics

Identifying potential market bottom

JCI's current correction has thus far lasted for 6 months, with ~24% drop. This is compared to the 16-61% corrections in the past cycles which lasted for 2-11 months.

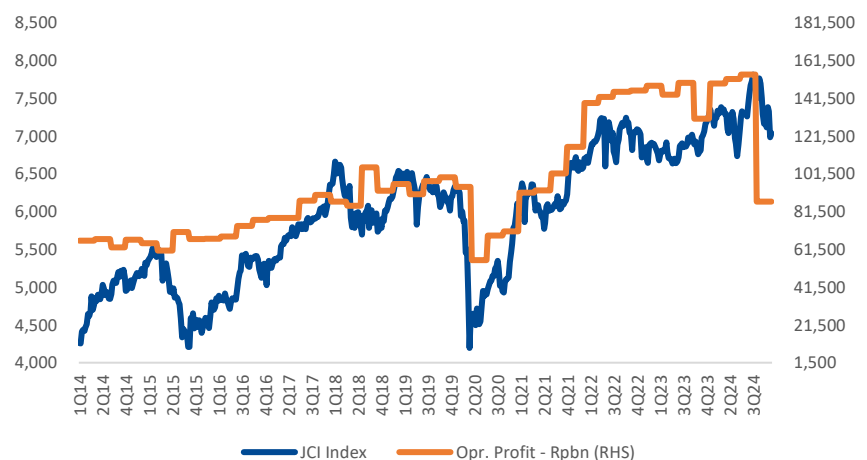
In 2015 bear market (i.e., 26% correction in 6 months), the market bottom in Sep15, coincided with the bottoming in GDP growth in 2Q-3Q15 at 4.8%, before rebounding to 5.15% in 4Q24. Meanwhile, EPS bottomed in 4Q15. Amid lack of growth catalysts, we expect EPS to sequentially soften in 2Q25 and to potentially stay flattish in 2H25.

Exhibit 7. JCI Correction

Year	JCI Correction	Period (months)
2008	-61.7%	11
2015	-26.3%	6
2018	-15.8%	11
2020	-38.2%	2
2025-YTD	-23.6%	6

Source: Bloomberg, BRIDS Estimates

Exhibit 8. JCI vs. Operating Profit



Source: Bloomberg, BRIDS

Key indicators for JCI

Foreign investors' flow:

- Current foreign investors' ownership is still at 17.2% (vs. low of 12.0% in 2021), with some large-cap stocks (e.g., BBKA, BMRI) still have high foreign ownership levels.
- We believe the recent announcements regarding Danantara's and SOE banks' management, and companies' share buyback plans should improve investor sentiment.

Valuation:

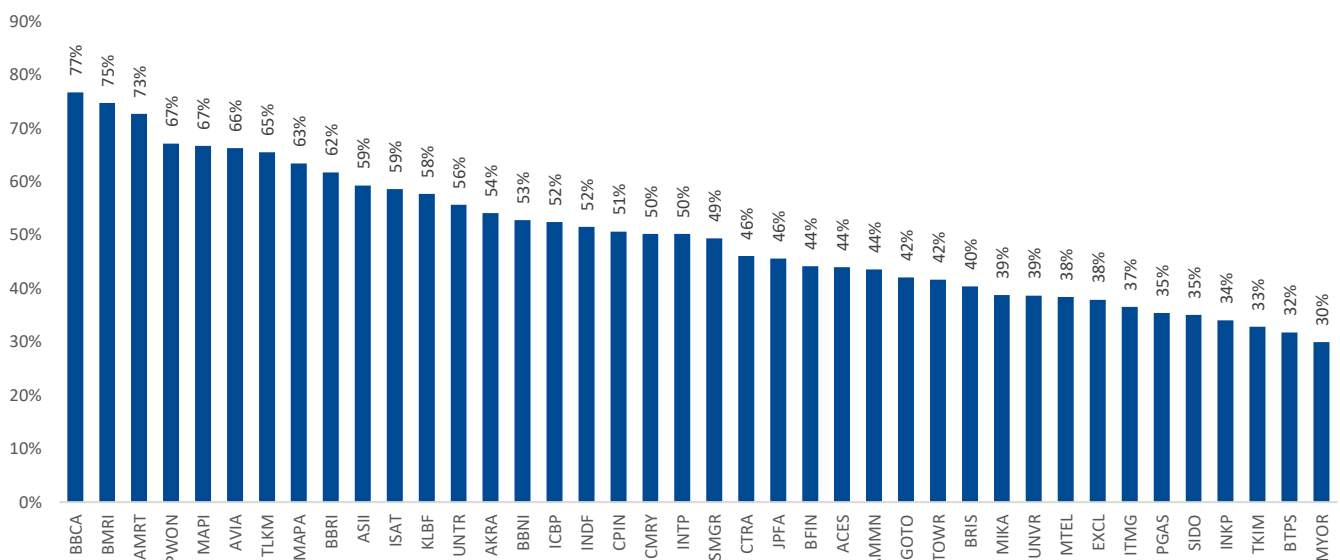
- JCI is currently at 10-year low (11.4x FY25 PE, -1.8SD to its 10-year mean), we think this should indicate that downside risk is limited.

▪ Earnings downgrade:

- Based on Bloomberg estimates, consensus has downgraded EPS estimates for LQ45 stocks by 16%. We think the downgrade cycle may not yet slow down, as we currently still await FY24 and 1Q25 earnings to be released, with the full extent of earnings downside may likely only be felt in 2Q25.
- On the banking side, our analyst Victor Stefano continues to see risk from [worsening asset quality, noting the NPL cycle](#) that could translate to downside risk on banks' earnings.

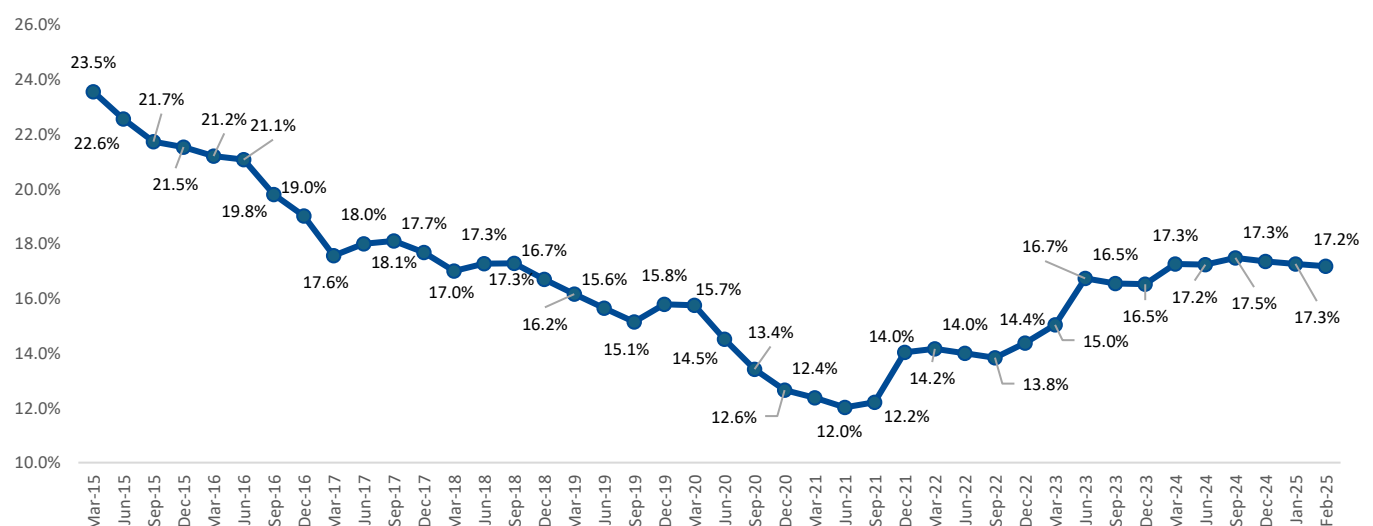
Given these factors, we expect the market to trade within a range of 5,900-6,700 in 2Q25, based on an earnings yield spread of 105-215bps and a bond yield of 7.1%.

Exhibit 9. Stocks' Foreign Ownership (based on Free Float) Feb25 – Top 40 from IDX80 Members



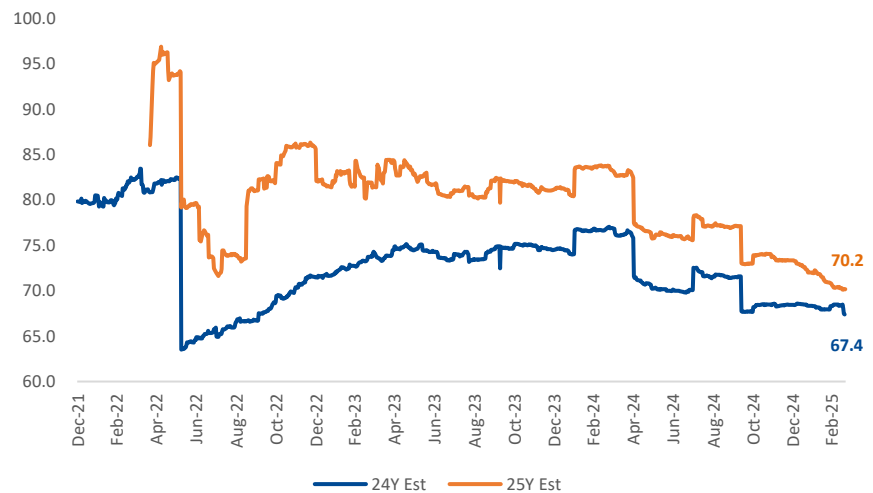
Source: KSEI, BRIDS

Exhibit 10. JCI Foreign Ownership (based on Free Float)



Source: KSEI, BRIDS

Exhibit 11. LQ45 Earnings estimates



Source: Bloomberg

Lowering JCI FY25 Target; Still Prefer Quality Names

On the back of our revised EPS growth forecast, we adjusted our FY25-end target to 7,350 (from 7,850 previously), taking into account lower PE multiple target of 13x (from 14x previously) amid the higher risk premium and growth uncertainties. We set our bull case at 7,660 (assuming PE multiple target of 13.5x) while our bear case is at 7,090 (assuming PE target of 12.5x).

Given our expectation of a range-bound market in 2Q25, we continue to favor positions through:

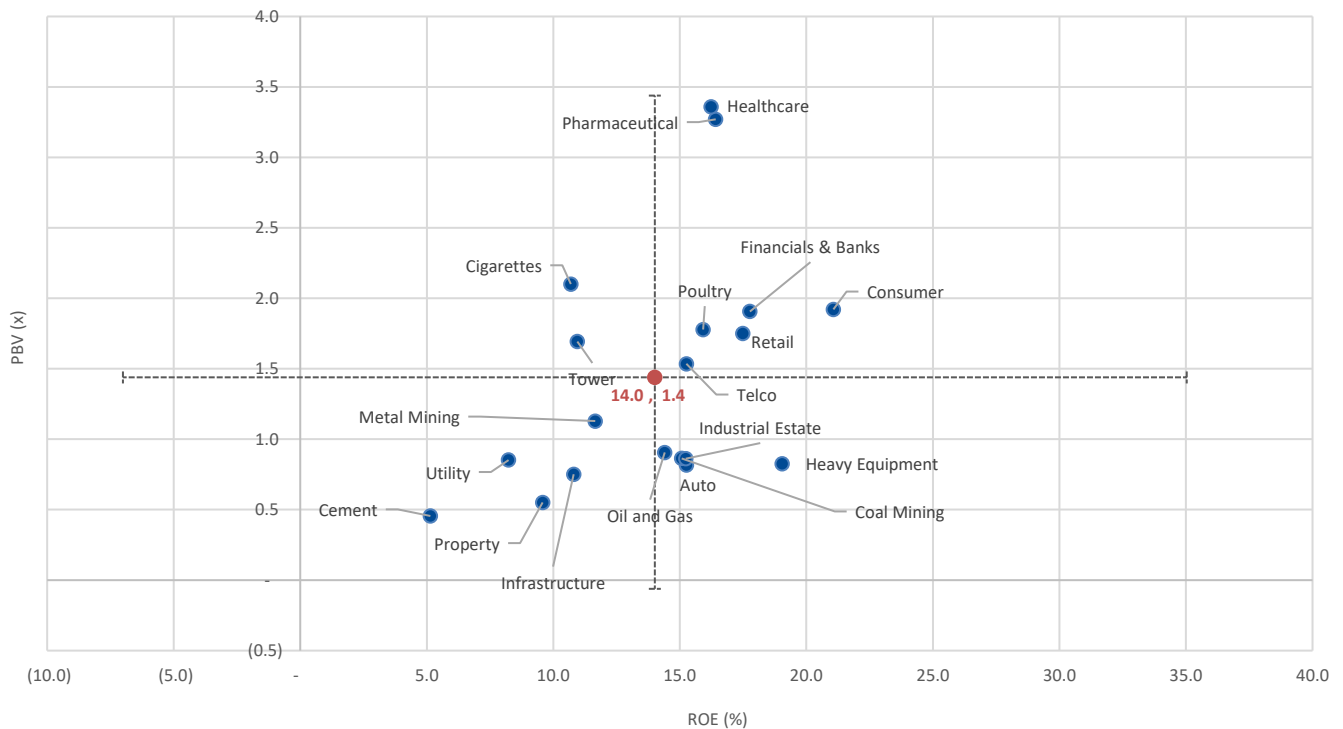
- Quality names – BBKA (Buy, TP Rp11,900), ICBP (Buy, TP Rp14,000), BRIS (Buy, TP Rp2,900).
- Improving growth and profitability – GOTO (Buy, TP Rp110).
- Metals exposure – NCKL (Buy, TP Rp1,500).

Exhibit 12. BRIDS 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); 26F
				25F	26F	25F	26F	25F	26F	25F	26F	
BBKA	BUY	11,900	1,050,920	18.0	17.1	3.7	3.5	n.a	n.a	21.4	21.0	5.3
BRIS	BUY	2,900	110,710	14.1	12.5	2.2	2.0	n.a	n.a	16.5	16.9	12.8
ICBP	BUY	14,000	123,033	10.8	9.8	2.3	2.0	7.4	6.5	22.9	22.1	10.1
GOTO	BUY	110	94,668	n.a	n.a	2.7	2.8	112.5	606.7	(6.3)	(3.2)	51.6
NCKL	BUY	1,500	41,961	4.5	4.2	1.1	0.9	3.6	3.0	27.4	24.1	6.7

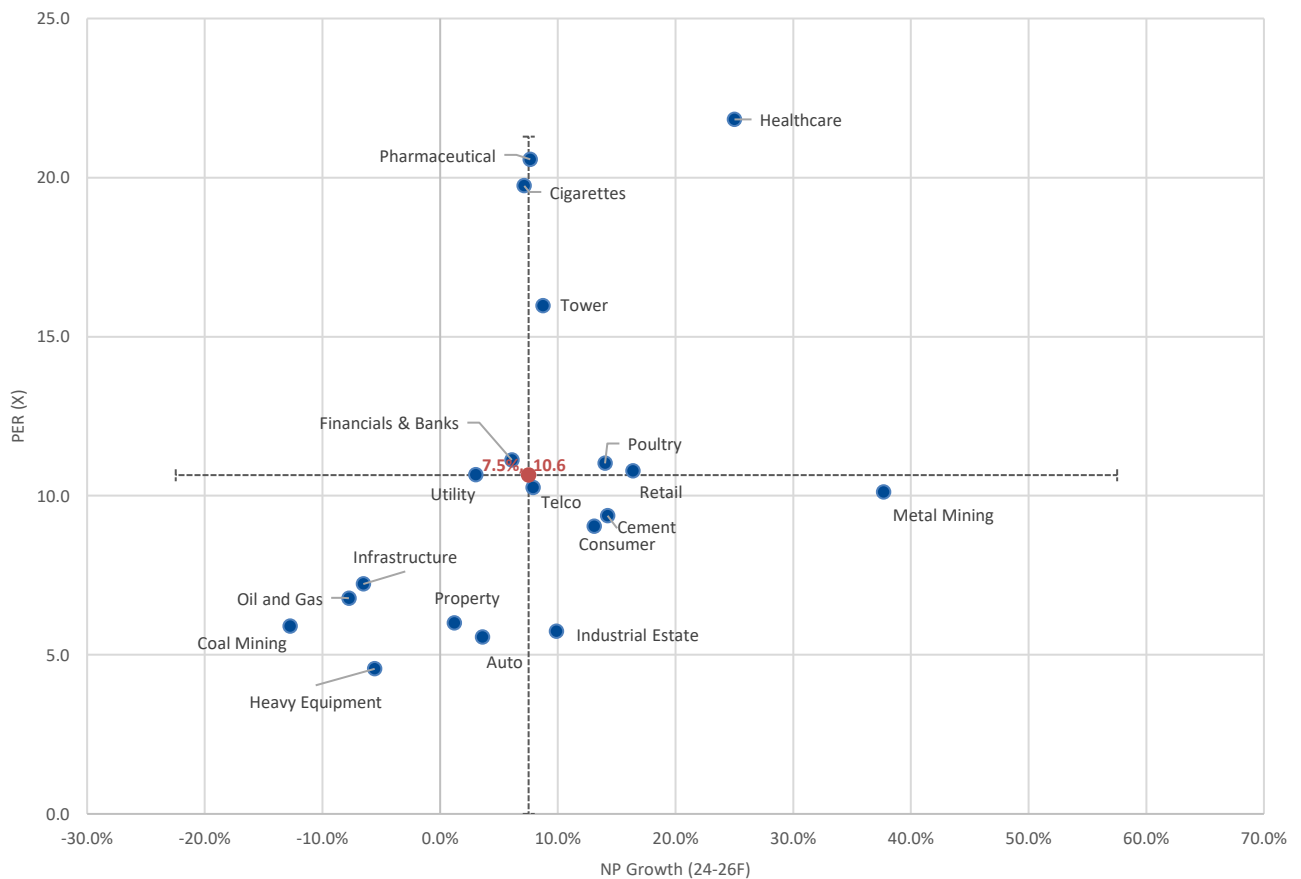
Source: BRIDS Estimates

Exhibit 13. JCI Sector PBV vs. ROE



Source: BRIDS Estimates

Exhibit 14. JCI sector PE vs. Net Profit Growth (24-26F)



Source: BRIDS Estimates

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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

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