Equity Strategy

FY26 Outlook: Still a Stock Picker's Market Amid Gradual Growth Recovery

- **Despite reasonable FY26 earnings expectations, a gradual recovery should continue to favor bottom-up stock picking.**
- **While we still see upside for conglo/ index stocks, our fundamental view also favors Telco, Metals, Consumers, and Poultry sectors.**
- **We set the FY26-end JCI target at 9,440; Our bottom-up total-return screen highlights BBCA, ISAT, JPFA, ASII, KLBF, AADI, NCKL, ICBP as key picks.**

A reasonable growth expectation with cushion from dividend

As earnings growth fell short in FY25 (9M25: -7% yoy), our FY26 EPS growth forecast of 8% yoy appears achievable given FY25's low base. If growth does re-emerge, a combination of undemanding valuations (overall market's 15x FY26 PE/ 10x PE ex-conglo stocks) and 5% dividend yield, should position Indonesia favorably within EM, particularly if foreign investors look to rotate away from the tech/ AI-driven North Asian markets. Aggregate earnings showed initial signs of bottoming in 3Q25 (+14% qoq/ -1% yoy), but the 3Q seasonal effect means investors may seek further confirmation of recovery in 4Q25-1Q26 before turning more constructive.

Aligned macroeconomic supports to further aid growth recovery

Alongside indication of bottoming earnings, industry data (i.e., retailers' SSSG, auto sales, and loan growth) also points to early signs of rebound in 3Q25 (Exh.19-22). Unlike early FY25, we see macroeconomic conditions becoming increasingly aligned to support growth recovery into FY26, with the expected acceleration in government fiscal spending, rollout of key govt. programs (MBG's budget of Rp335tr), including a firm govt social protection budget (+8.6% yoy). That said, the phased rollout of the key programs and still subdued capex spending likely mean that recovery will be gradual.

The shifting landscape: conglo and index flow theme may prevail

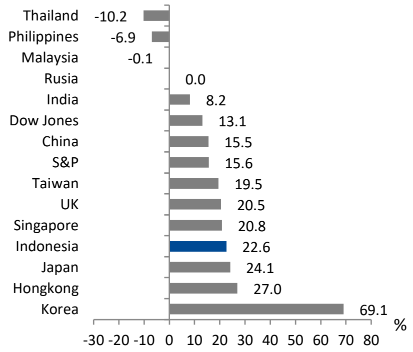
JCI's +23% YTD gain as of 17th Dec25 has lifted market capitalization to Rp15,873tr, with Rp2,432tr of the gains coming from conglo and index-theme stocks (50% YTD increase for the group). With domestic and foreign institutional investors taking larger participation in 2H25, we see scope for this theme to continue into FY26. We estimate a potential 17-32% upside in market cap for the conglo names should this theme persist in FY26.

Sector picks: favoring sectors with better visibility

Given still tentative recovery scenario, FY26 may likely be another year for bottom-up/ stock-picking. Nonetheless, in terms of our sector picks, we stick with selected domestic sectors with better growth visibility.

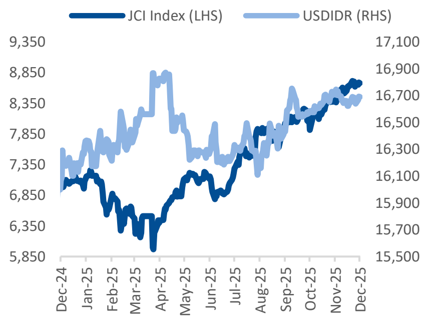
- Within the **domestic** sectors, Banks and Consumers are pricing in a subdued FY26 EPS growth outlook (Banks: +4% yoy, Consumers: +6%), reflecting still tepid demand outlook. We believe Telco (FY26 EBITDA growth of 7%), Poultry (FY26 EPS growth of +4%) and Retailers (FY26 EPS growth of +16%) are among sectors with better growth visibility.
- In **commodities** space, we project Metals sector to have an attractive FY26 EPS growth outlook of 27%. This is largely supported by our expectation of volume growth from new projects and expansion across companies (i.e., BRMS, INCO, MBMA). Given still flattish price outlook for nickel, we expect the FY26 performance to favor those with exposure to gold (BRMS) and tin (TINS). We also expect potential valuation upside from the new assets, such as in the case of DEWA and BRMS.

YTD Regional Market (%)



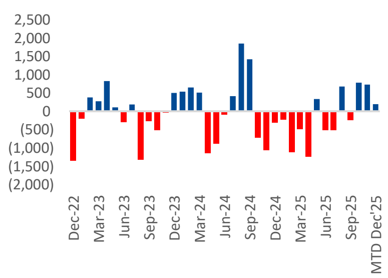
Source: Bloomberg

JCI vs USD



Source: Bloomberg

Net Foreign Flow (US$mn)



Source: Bloomberg

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JCI FY26-end target of 9,440

We set our FY26-end JCI target at 9,440, based on the following assumptions: 1) FY26 EPS growth of 8% and a 14.2x PE multiple, in line with the five-year average for the fundamental stocks group; 2) a 40% premium to reflect continued fund flows for conglomerate and index-aspirant stocks. Our bull and bear case targets of 9,820 and 9,135, respectively, assume 10% and 6% EPS growth. Key market risks include potential overhangs or shifts in government policy and programs, as well as changes to key index methodology.

Stock picks

We screen stocks across key sectors under our coverage based on the highest expected forward total return, and make our final selections based on our assessment of re-rating potential and dividend sustainability. Our top picks are as follows:

Exhibit 1. BRIDS FY26 Stock Picks

Company	Rating	Target Price	Market Cap. (Rpbn)	Share price upside	Dividend yield	Expected total return	Comment
BBCA	BUY	10,800	989,283	35%	4%	39%	We believe its intact earnings quality justifies re-rating for the stock
ISAT	BUY	3,000	79,660	21%	4%	26%	Strongest growth outlook in the sector with cheapest valuation, backed by favorable industry outlook post consolidation
JPFA	BUY	3,100	32,483	12%	6%	18%	We expect earnings to continue to be driven by the livebird segment; upside from re-rating and steady dividend yield
ASII	BUY	7,450	267,191	13%	7%	20%	Improving operational momentum in key Auto business to support growth, with attractive dividend yield and upside from TSR initiatives
KLBF	BUY	1,710	57,346	40%	3%	43%	Consistent earnings growth deliveries to drive potential re-rating
AADI	BUY	9,850	54,703	40%	12%	53%	Strong dividend potential should cushion earnings risk from soft coal price outlook
NCKL	BUY	1,300	63,730	29%	4%	32%	Expected volume upside from project deliveries to drive growth, amid limited downside risk on nickel
ICBP	BUY	11,500	97,085	38%	5%	43%	Defensive growth profile with deeply discounted valuation

Source: Bloomberg, BRIDS Estimates

FY26 Outlook: Still a Stock Picker's Market Amid Gradual Growth Recovery

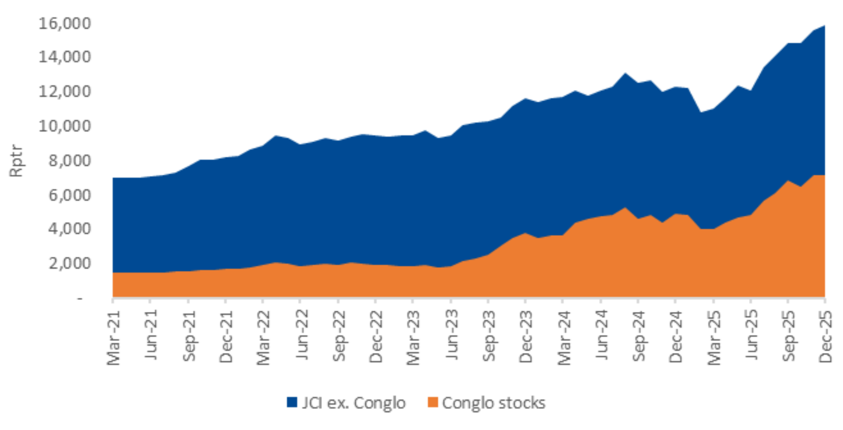
In the absence of clear growth and long-term visibility, 2025 turned to be a year for stock pickers, with the JCI's +23% YTD gain largely driven by flows into conglomerate names, momentum stocks, and companies offering clear TSR catalysts. Looking into 2026, the growth narrative is increasingly supported by improving macro conditions, while our FY26 EPS growth expectations of +8% appear achievable given the low base in 2025. Nonetheless, with the recovery still at a tentative stage, we believe market performance may continue to reward bottom-up stock picking rather than broad-based sector exposure.

Shifting market leadership: conglomerate and index theme stocks drove JCI's 2025 expansion

The JCI has recorded a stellar +23% gain YTD (as of 17th Dec25), lifting its total market capitalization to Rp15,873tr (US$951bn). Of this increase, approximately Rp2,432tr was driven by conglomerate-related names and stocks positioning themselves for potential inclusion into major global indices (MSCI, FTSE). Combined, these conglo and index stocks delivered 50% increase in market capitalization, benefiting from inflows from retail and foreign investors, both from hedge funds ahead of prospective index inclusion and from index-tracking funds following actual inclusion.

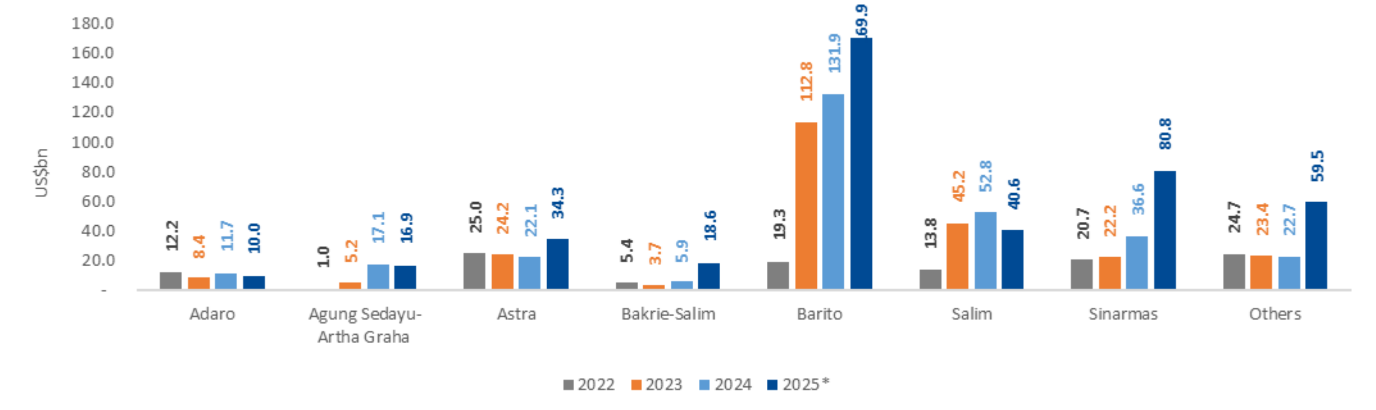
Fund flows into conglomerate-group stocks had already become a theme in FY24. In our 2025 Outlook, we estimated that these stocks accounted for 36% of total market capitalization at end-FY24. The momentum carried into FY25, with the aggregate market cap of conglomerate-linked names expanding further. While several groups saw flattish or even declining market caps in FY25 (see Exh. 3 below), the breadth of the theme widened as interest spread into additional and newer groups. Institutional participation also appears to have strengthened, though remained selective in some names (e.g., domestic funds increased ownership in widely followed Hapsoro group in RAJA and Prajogo group in PTRO). Foreign ownership in these names also rose to 9–37% (vs. 10–33% in 2024), driven primarily by hedge funds, aside from index funds accumulating positions in stocks newly added to major indices.

Exhibit 2. **JCI – 'Conglo' vs. Fundamental stocks market capitalization**



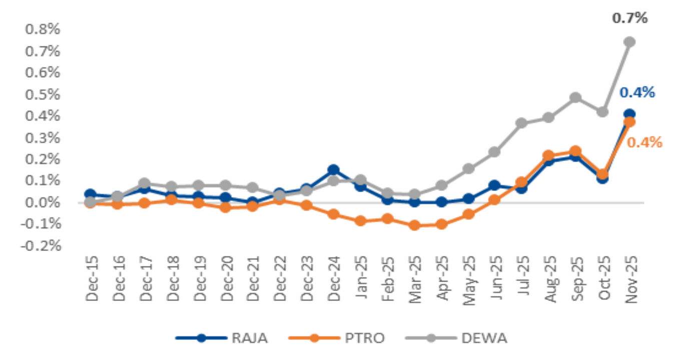
Source: Bloomberg, BRIDS Estimates

Exhibit 3. Conglo groups market cap in JCI



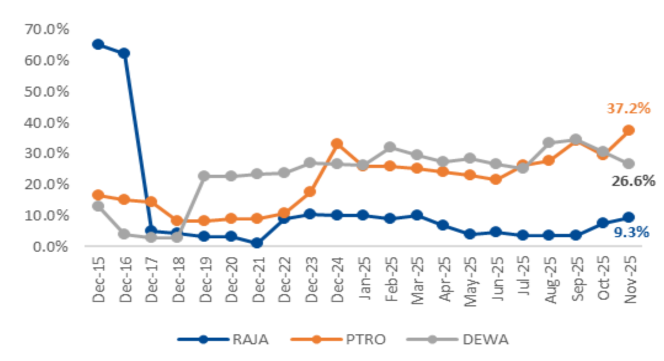
Source: Bloomberg, BRIDS Estimates

Exhibit 4. Domestic funds positioning in select conglo stocks (vs. JCI)



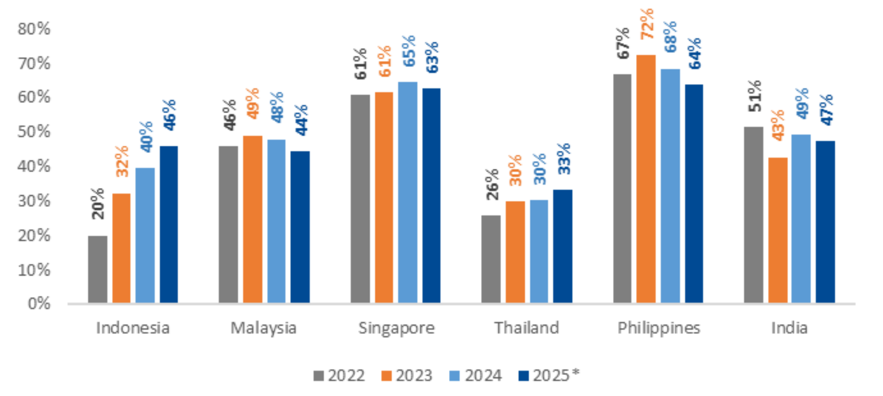
Source: KSEI, Bloomberg, BRIDS Estimates

Exhibit 5. Foreign ownership in select conglo stocks



Source: KSEI, BRIDS Estimates

Exhibit 6. Conglo group proportion in JCI vs. Asian EM



Source: Bloomberg, BRIDS Estimates

With greater participation from non-retail investors, we believe this theme still has room to drive the market further in FY26. Relative to other Asian EMs, the proportion of conglomerate and index-constituent stocks is at 46% of total market cap, the fourth highest among ASEAN markets, implying there may still be scope for further upside. That said, we think the market will differentiate among groups based on the credibility of their aspirations for inclusion in major global indices. Our calculation suggests a potential 17-32% upside for the conglomerate names should the theme persist into FY26.

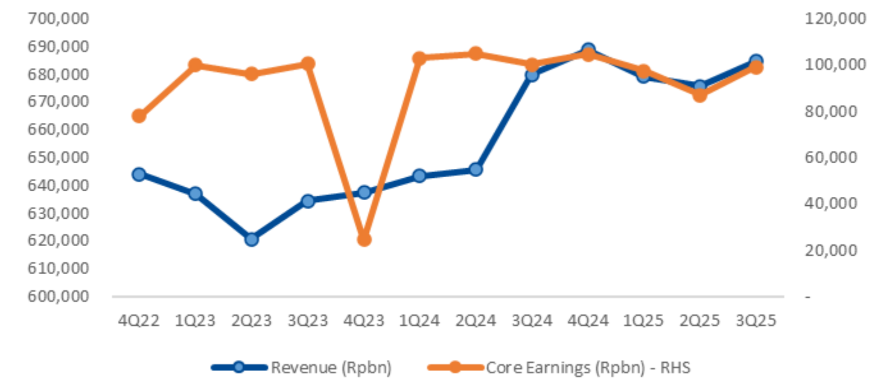
On the flip side, the market cap of growth/quality stocks has been flat YTD which, over a longer horizon, translates into a 2-year CAGR of just +1%. This subdued performance is largely attributable to the lack of earnings growth (see section below), compounded by investors' concerns over the new government's policy direction and programs earlier this year. While sentiment toward the policy backdrop is gradually improving, questions around earnings are likely to persist until we see clearer signs of a sustained recovery.

The Growth Theme

Earnings may have bottomed in 3Q25

Aggregate earnings of companies under our coverage (largely still representing the 'fundamental' stocks) contracted by -7% yoy in 9M25 (based on core profit), hence missing our and consensus FY25 expectations of 0-3%. In 3Q25, aggregate earnings improved 7% qoq/ -5% yoy at the operating profit level while aggregate core profit also improved +14% qoq/ -1% yoy. However, looking at the seasonal pattern, earnings tended to improve in 3Q, from the seasonally low 2Q due to the Eid holiday season.

Exhibit 7. Aggregate Quarterly Revenue and Earnings

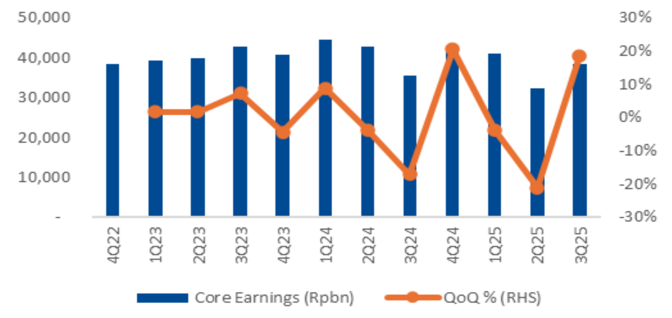


Source: Company, Bloomberg, BRIDS

Despite this, we still see encouraging indication on 3Q25 earnings that may indicate potential bottoming and support our FY26 earnings outlook.

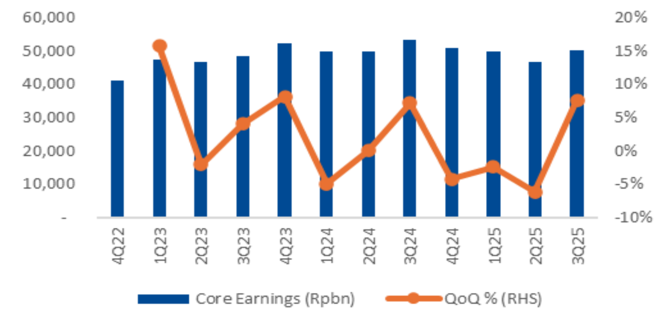
First, earnings for the **domestic-focused sectors** (ex-commodities and banks) have shown recovery in 3Q25 (unlike in 3Q24, though similar to 3Q23). This is led by qoq recovery in revenue, similar to in 3Q23 and 3Q24, but this year was also backed by improving margin. In terms of sector, the margin improvement was led by Consumers, Retailers and to a lesser extent, Telco, which we think is encouraging as it indicates recovery in pricing power (albeit still early days). Second, earnings for **Banks** (measured by PPOP) have also improved, indicating stabilizing NIM and subsiding pressure from opex.

Exhibit 8. Domestic-focused companies' quarterly earnings



Source: Company, Bloomberg, BRIDS

Exhibit 9. Banks quarterly earnings



Source: Company, Bloomberg, BRIDS

Our forecast looks for growth to improve to 8% yoy in FY26. On the surface, this number is similar to our expectation at the beginning of FY24 and FY25 and earnings eventually failed to deliver. However, we think the fact that earnings for key sectors have contracted in 9M25 (Banks 9M25: -4% yoy, Telco: -27% yoy) and other sectors have seen flattish growth (Consumers' operating profit: +1% yoy), it should imply a low base and better potential for the growth to be delivered in FY26.

By sectors, we project Metals to see highest growth prospect of 27% yoy in FY26, driven by volume deliveries from new projects across companies. However, we expect the domestic-focused sector to also see a decent FY26 EPS growth of 11%, with Consumers, Retailers, Telco projected growth of 6%, 17% and 20%, respectively. This is cemented by our view above on recovering purchasing power and improving margin amid better pricing power and cost efficiencies for the domestic companies.

Exhibit 10. BRIDS FY26F EPS growth forecast

	Core Net Profit (Rpbn)				
Sector	**FY25F**	**FY26F**	**FY27F**	**Growth 26F**	**Growth 27F**
Banks	**193,733**	**202,123**	**219,153**	**4.3%**	**8.4%**
Commodities	**70,459**	**78,223**	**86,974**	**11.0%**	**11.2%**
Heavy Equipment	17,025	15,987	15,509	-6.1%	-3.0%
Coal	29,130	31,254	33,884	7.3%	8.4%
Metal	20,947	26,700	33,718	27.5%	26.3%
Oil and Gas	3,357	4,282	3,862	27.5%	-9.8%
Non-Commodities	**133,051**	**149,854**	**170,394**	**12.6%**	**13.7%**
Auto	30,263	31,691	33,561	4.7%	5.9%
Cement	1,939	2,346	2,534	21.0%	8.0%
Cigarettes	8,340	11,262	13,662	35.0%	21.3%
Consumer	27,222	28,851	32,353	6.0%	12.1%
Healthcare	7,560	8,359	9,392	10.6%	12.3%
Industrial Estate	1,802	2,019	2,328	12.0%	15.3%
Infrastructure	3,037	3,263	3,600	7.4%	10.3%
Poultry	8,956	9,322	10,766	4.1%	15.5%
Property	8,514	8,713	9,390	2.3%	7.8%
Retail	4,985	5,829	6,549	16.9%	12.4%
Technology	(912)	1,779	3,826	295.1%	115.1%
Telco	21,954	26,406	31,521	20.3%	19.4%
Tower	6,880	7,181	7,824	4.4%	9.0%
Utility	2,512	2,832	3,088	12.7%	9.0%
Overall	**397,244**	**430,200**	**476,520**	**8.3%**	**10.8%**
Banks Only	193,733	202,123	219,153	4.3%	8.4%
Commod's Only	70,459	78,223	86,974	11.0%	11.2%
Overall exc. Commod's	326,784	351,977	389,546	7.7%	10.7%
Overall exc. Tech	398,155	428,421	472,694	7.6%	10.3%

Source: BRIDS Estimates

Macroeconomic supports to aid domestic growth recovery

In FY25, weak purchasing power has dampened growth across most Consumer companies as softness in labor market have kept unemployment elevated. Moreover, the government's budget rationalization and temporary spending freeze amounting to Rp306.7tr implemented earlier in 1Q25 has added further pressure on overall consumption.

These headwinds have weighed on household spending, particularly among the middle-class segment, which is reportedly shrinking. This trend is also consistent with the findings from the latest BRI MSME Survey, with the MSME Business Index remaining near the 100-benchmark level and the production volume index below 100, both signalling subdued sales momentum. A closer look by quarter reveals further deterioration in 3Q25 relative to 2Q25. The MSME Business Index declined to 101.9 in 3Q25 from 103.7 in 2Q25, while production volume index fell to 92.8 from 96. The same survey also points to a slowdown in medium and large enterprises, with Business Activity Index (IAU) at 11.6 in 3Q25, slightly below 2Q25's 11.7 and significantly weaker than the FY22-24 post Covid 3Q average of 14.6.

Overall, we see the earnings growth outlook for domestic-focused companies in FY26 to also be supported by the government's more pro-growth stance. Indonesia's fiscal strategy has clearly shifted toward a more proactive economic stimulation under the new finance minister's policy which includes: 1) a five-step quick win program aimed at accelerating growth and raising tax revenues, without raising tax rates – through tighter tax enforcement, IT system upgrades, and stronger crackdown on illegal cigarettes, 2) significantly expanded cash transfer assistance (BLT) as additional stimulus in 4Q25 worth Rp31.5tr, and 3) advocated for a more flexible fiscal framework by allowing underspent budget funds to be swiftly reallocated to other programs that can act as additional stimulus.

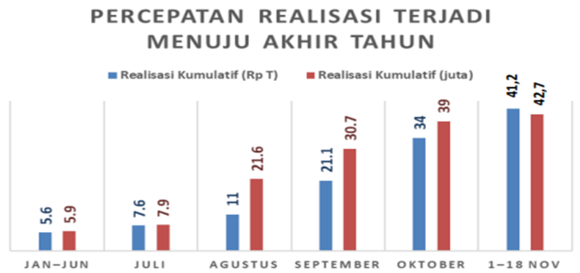
An evidence of government's more pro-growth policy is the (APBN) budget realization, which has shown steady acceleration toward the year-end as key social programs ramp up. Year-end stimulus accelerates absorption, led by the Free Meal Program and BLTS/Fresh Graduate Internship, supporting stronger realization momentum in Q4.

Exhibit 11. APBN Realization Shows Steady Year-End Acceleration

10M25 APBN Realization

(IDR tn)	APBN 2025	Outlook 2025	10M25		10M24	
			Realization	*% to Outlook 2025*	Realization	*% to Outlook 2024*
Revenue	3,005.1	2,865.5	2,113.3	*73.7*	2,247.6	*80.2*
Tax	2,490.9	2,387.3	1,708.3	*71.6*	1,749.3	*78.9*
Tax Revenue	2,189.3	2,076.9	1,459.0	*70.2*	1,517.5	*79.0*
Excise	301.6	310.4	249.3	*80.3*	231.7	*78.2*
Non-Tax	513.6	477.2	402.4	*84.3*	477.7	*87.0*
Spending	3,621.3	3,527.5	2,593.0	*73.5*	2,556.7	*76.5*
Central Gov't	2,701.4	2,663.4	1,879.0	*70.6*	1,834.5	*73.8*
K/L	1,160.1	1,275.6	961.2	*75.4*	933,5	*85.6*
Non-K/L	1,541.4	1,387.8	918.4	*66.2*	901,0	*64.6*
Regional Transfer	919.9	864.1	713.4	*82.6*	722,2	*84.2*
Primary Balance	(63.3)	(109,8)	(45.0)	*41.0*	(43,7)	*(222,5)*
Overall Balance	**(616.2)**	**(662,0)**	**(479.7)**	***72.5***	**(541,0)**	***57.1***
% to GDP	*(2,53)*	*(2,78)*	*(2,02)*		*(2,37)*	
Financing	616.2	662	532.9	*80.5*	541,0	*71.6*

Free Meal Program: Rp 41.2 T (48% APBN Rp 71 T)



Stimulus Package "8"

BLTS Sejahtera

Rp 900.000 x 35,5 mio household = Rp31,95 T
(Realization 10M25: Rp13.1 T for 14,6 mio. Household)

Fresh Graduate Internship

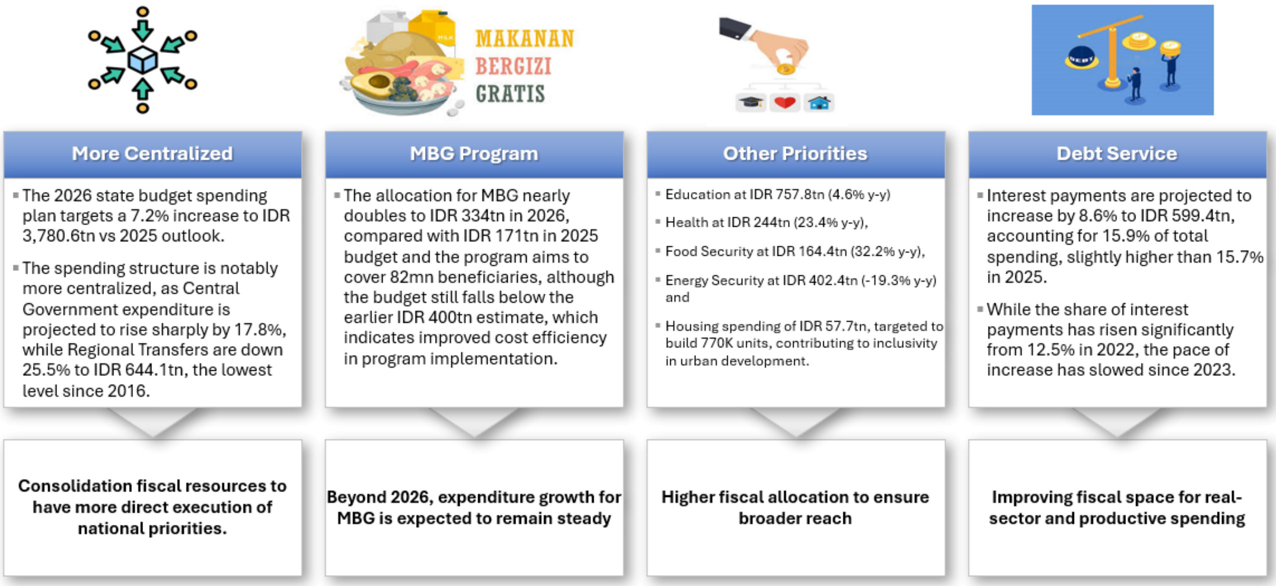
Positions available for **100,000 interns.**
Budget: Rp455.6 billion
Realization as of 16 Nov: Rp380.9 million

- **Revenue reaches 73.7% of outlook**, still below target and slightly lower than last year's pace, while **spending at 73.5% also trails and remains slower than 10M24**.
- **Year-end stimulus accelerates absorption**, led by the Free Meal Program and BLTS/Fresh Graduate Internship, supporting stronger realization momentum in Q4.

Source: Ministry of Finance, BRIDS

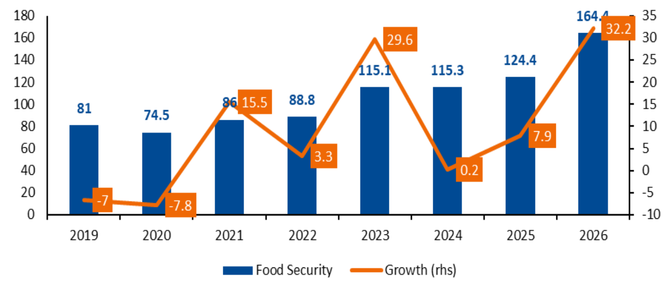
From the FY26 state budget perspective, the Free Nutritious Food (MBG) program remains the key of Govt's priority program, with budget allocation tripling to Rp335tr, although given the program's budget slow realization to date, we expect the impact to materialize gradually. Meanwhile, the social protection budget is set to increase by 8.6% yoy to Rp508.2tr in FY26F, signaling sustained fiscal support for household consumption.

Exhibit 12. 2026 Proposed Budget: The 4 Key Aspects



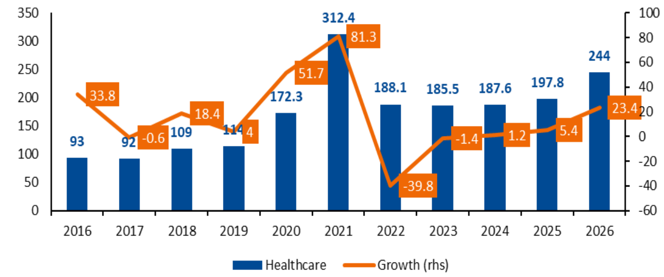
Source: Ministry of Finance, BRIDS

Exhibit 13. Food Security: Self-Sufficient on Rice and Corn



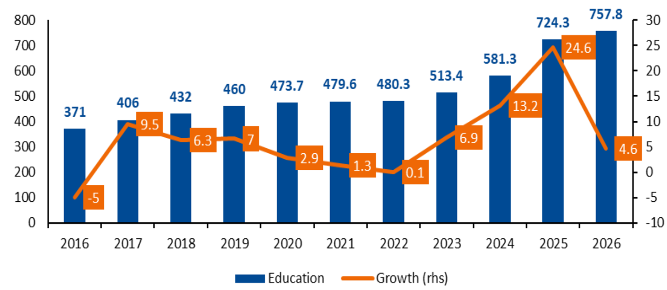
Source: Ministry of Finance, Various Media

Exhibit 14. Healthcare: Free Check Up and Hospital Revitalization



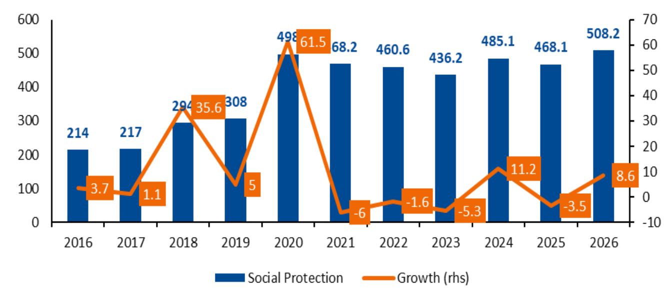
Source: Ministry of Finance, Various Media

Exhibit 15. Education: MBG will account for IDR355tn



Source: Ministry of Finance, Various Media

Exhibit 16. Social Protection: approx. Rp79tn for Social Aid



Source: Ministry of Finance, Various Media

Exhibit 17. Government Priorities Program for 2026

No	Government Priority Agenda	Budget Allocation (Rptr)
1	**Food Security** Encouraging food productivity, stabilizing food prices, and improving the welfare of farmers and fishermen.	164.7
2	**Energy Security** Implemented through increased oil and gas production, maintaining energy price stability, and accelerating the transition toward clean energy.	402.4
3	**Free Nutritious Meal Program (MBG)** Aimed at improving the nutrition of school children, pregnant women, toddlers, while also empowering MSMEs and the local economy.	335.0
4	**Quality Education** Allocated to the Indonesia Smart Program (PIP), KIP College Grants, community schools, Garuda flagship schools, scholarships, welfare support for teachers and lecturers, and school operational assistance (BOS) from early childhood education to higher education.	769.1
5	**Quality Healthcare** Allocated to the National Health Insurance Program (JKN), Free Health Check (CKG), and hospital revitalization.	244.0
6	**Village, Cooperative, and MSME Development** This program includes establishing 80,000 Red-and-White Village Cooperatives to provide access to basic supplies, logistics, fertilizers, and financial services.	
7	**Comprehensive Defense** Focusing on modernizing defense equipment, strengthening the national strategic industries, and improving soldier welfare.	
8	**Acceleration of Investment and Global Trade** Implemented through the role of Danantara and the private sector to support productive investment and strengthen global supply chains.	

**Note: The Finance Minister did not disclose the budget allocation for programs 6–7*

Source: Ministry of Finance, Kompas, BRIDS

Exhibit 18. Ongoing Social Assistance Programs in 2026

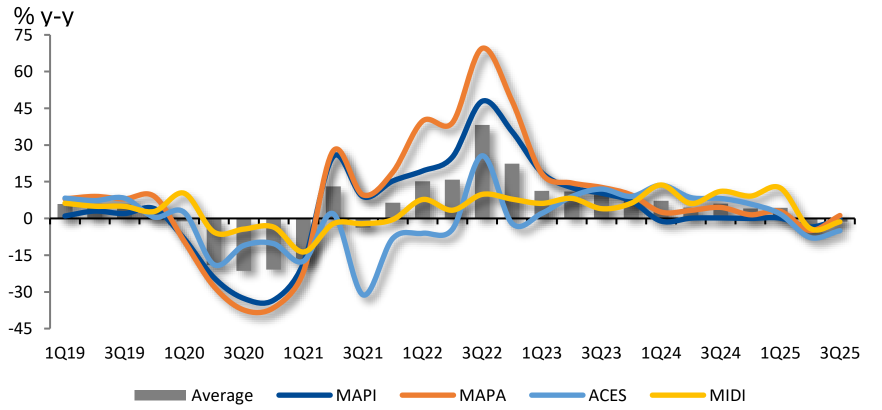
No	Programs	Recipients	10M25 Realization (Rptr)	RAPBN 2026 (Rptr)
	Fulfillment of Basic Needs		**337.1**	**315.5**
1	Family Hope Program (PKH)	10mn Beneficiary Family	27.5	28.7
2	Non-Cash Food Assistance (BPNT) – Basic Food	18.3mn Beneficiary Family	54.1	43.8
3	Contribution Assistance for Job Loss Insurance (JKP)	70.2k Claims		1.2
4	Energy Subsidies (fuel, electricity, and 3-kg LPG)	42.5mn Subsidized electricity customers	255.5	210.0
5	Non-energy Subsidies (public service obligation/PSO, housing, water)			17.4
6	Village Direct Cash Assistance (BLT Desa)			6.5
7	Social Assistance and Disaster Management			7.9
	Education Services		**24.9**	**37.5**
8	Indonesia Smart Program (PIP)	11.5mn Students	8.5	15.5
9	Indonesia Smart Card — College (KIP Kuliah)	1.1mn Students	15.0	17.0
10	Community Schools	165 Schools	1.4	4.9
	Health Services		**40.6**	**69.0**
11	Contribution Assistance for National Health Insurance (JKN)	96.8mn Participants	40.6	66.5
12	Non-Wage Recipients (PBPU) and Non-Recipients (BP) Class III			2.5
	Community Empowerment		**59.5**	**86.5**
13	Interest Subsidies for People's Business Credit (KUR)	3.9mn debtor	59.5	36.5
14	Fertilizer Subsidy	9.5mn Farmers		49.7
	Total		**462.1**	**508.2**

Source: Ministry of Finance, BRIDS

Signs of recovery in 3Q25, though appears still preliminary

In line with indication of earnings bottom, we also observed some early signs of recovery in 3Q25 in selected sectors. In retailers sector, average SSSG for the companies under our coverage is improving to -1.3% in 3Q25 from -5.1% in 2Q25, indicating early signs of spending stabilization. Nonetheless, the discretionary segments (e.g. fashion, lifestyle) appear to remain soft, while essentials (food, daily goods) continue to anchor growth. Retail outlook for 2025F (+2.0% yoy) suggests a moderate rebound as purchasing power and sentiment recover.

Exhibit 19. SSSG across Companies

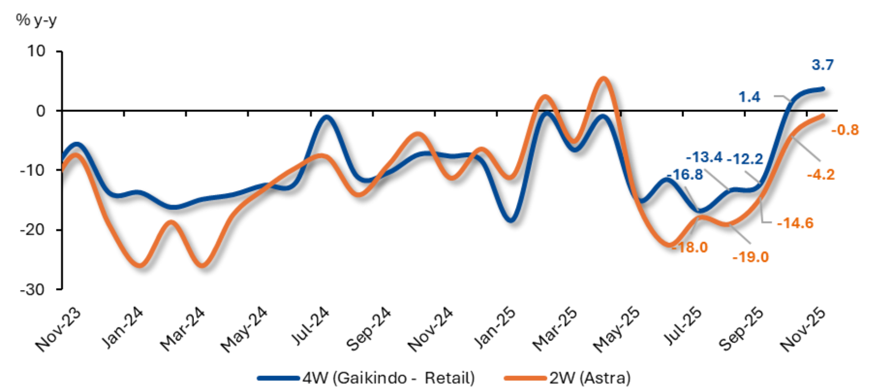


		SSSG (% yoy)					
Company	Business Segment	3Q24	4Q24	1Q25	2Q25	3Q25	2025F*
MAPI	Digital, Food & Beverage	0.2	0.0	0.1	-3.5	-0.1	1.7
MAPA	Sports, Leisure, and Kids	4.5	1.5	2.9	-4.9	1.2	2.7
ACES	Home Equipment & Lifestyle	8.2	5.9	1.8	-7.8	-5.0	-1.0
MIDI	Supermarket & Minimarket	11.1	9.1	12.5	-4.1	-1.4	4.7
	Average	*6.0*	*4.1*	*4.3*	*-5.1*	*-1.3*	*2.0*

Source: Company, BRIDS Estimates

Meanwhile, the durable goods segment also sees a gradual improvement, with 4W retail demand growth turning positive to +3.7% yoy in Nov25, with 2W contraction also easing sharply (–0.8% yoy in Nov-25). Cement sales, however, still stayed broadly stable (–1.9% yoy).

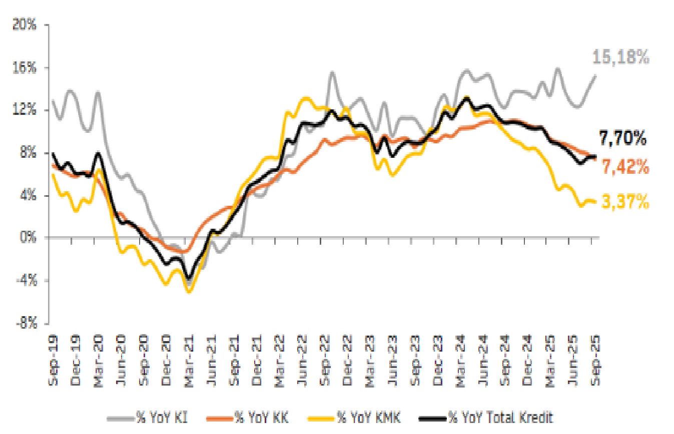
Exhibit 20. 4W and 2W Sales Trend



Source: Gaikindo, Bloomberg, BRIDS

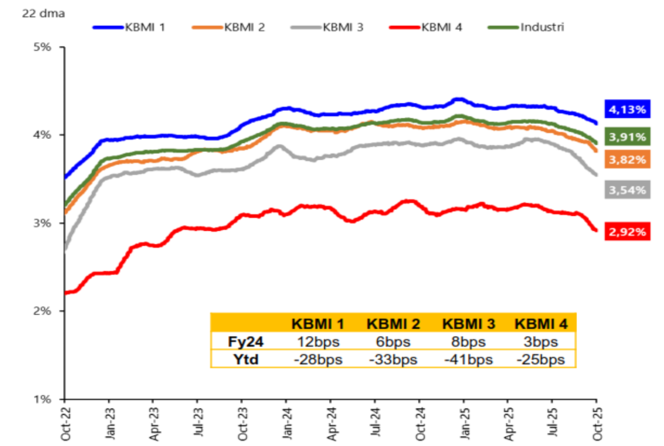
Banks' overall loan has also showed an early sign of improvement to 7.7% in Sep25, led by investment loans which grew by 15.2% yoy. On the CoF front, the moderating TD rates have signaled improvement from the better liquidity condition. Meanwhile, the banking sector LAR remains at manageable level, signaling no immediate concern on asset quality. Nonetheless, latest Banking Survey indicates that the Loan Net-Weighted Balance (SBT), an indicator of new loan disbursements, stood at 82.3% in 3Q25, only slightly higher by 1.68 p.p. compared to 3Q24. Loan absorption also remained stagnant, mirroring the ongoing moderation in credit growth over recent periods. This suggests that rebound in loan growth will likely be gradual.

Exhibit 21. Loan Growth Per Segment



Source: LPS

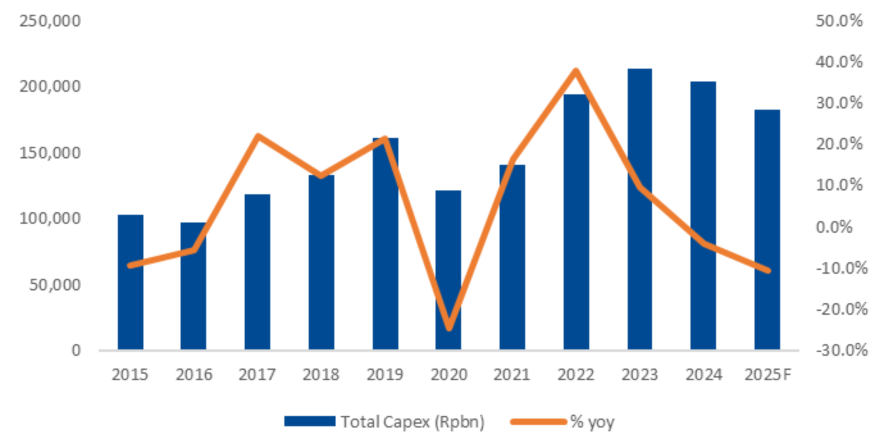
Exhibit 22. TD Rates (IDR) – By KBMI



Source: LPS

Similarly, the corporate capex cycle has yet to show clear signs of a rebound, with 9M25 total capex still contracting by 4% yoy following an 4% decline in FY24. This suggests that corporates remain cautious in committing to long-term investments, which could delay a more broad-based and growth recovery.

Exhibit 23. Total Corporate Capex



Source: Bloomberg, BRIDS Estimates

Sector and Stock picks

Given still limited visibility on growth, we believe that 2026 will likely be another year of bottom-up/ stock-picker market. Nonetheless, in terms of our sector picks we stick with selected domestic sectors with better growth visibility.

Domestic sectors

Within the domestic sector, the Banks and Consumers, despite trading at attractive valuation (at -1.3SD and -1SD to their respective 5-year mean), appears to be pricing in a subdued FY26 EPS growth outlook (Banks: +4% yoy, Consumers: +6%). This reflects our view of limited scope for banks' earnings asset yield expansion and top line growth (for Consumers) amid a still tepid demand outlook. Telco, Retailers and Poultry appear to be more attractively priced given their stronger FY26F EPS growth outlook. Nonetheless, we think the risk for growth across the domestic sectors may still skew to the downside given the still tentative economic recovery. Thus, unless growth visibility improves, the stock performance may hinge on company specific drivers to drive TSR. A second risk factor for the sector remains cost pressure and currency exposure, with share prices still observing negative correlation against IDR.

Banks

Our Banks analyst Victor Stefano trimmed the sector's FY26 EPS growth projection to 4.3%, from 8.0% previously. While we expect banks' loan growth to pick up slightly to 4.7-14.3% in FY26, the lower earnings growth expectation mainly reflects lower NIM projection amid softer earnings yield outlook.

The more conservative FY26 expectation for the sector is also shared by consensus analysts, which project 9% EPS growth. This, combined with dividend yield of 5.4%, implies limited downside risk for banks. However, we think upside risk on growth may still be hindered by a combination of uncertainties in government-related programs, soft domestic demand outlook, and asset quality risks.

Exhibit 24. Banking sector valuation

Ticker	Rating	Target Price	Market Cap (Rpbn)	P/E (x) 2025F	P/E (x) 2026F	P/BV (x) 2025F	P/BV (x) 2026F	ROE (%) 2025F	ROE (%) 2026F	Div. Yield (%) 2026F
BBCA	BUY	10,800	989,282.7	17.5	17.2	3.5	3.3	20.7	19.8	4.0
BBNI	BUY	4,700	162,989.2	8.2	8.0	1.0	0.9	12.1	11.8	8.0
BMRI	BUY	5,500	469,000.0	9.3	9.0	1.5	1.4	17.2	16.6	8.4
BBTN	BUY	1,300	16,280.0	5.2	5.0	0.5	0.4	9.2	8.9	4.8
BRIS	BUY	3,200	103,790.8	13.5	12.0	2.0	1.8	16.0	16.0	1.6
BTPS	BUY	1,600	9,321.5	7.4	6.8	0.9	0.8	13.0	13.0	6.8

Source: Bloomberg, BRIDS Estimates

Consumption theme

Our Consumer analyst Christy Halim projects FY26 EPS growth to improve to 6% level (see our FY26 Consumer Sector Outlook). Similar to Banks, we believe the soft growth expectation is priced in, as the sector's valuation has de-rated to 10.3x FY26 PE. Combined with low ownership for both domestic and foreign investors, this should offer cushion for the sector.

While the Consumers sector does not share high dividend yield, we see a slightly better upside risk on the earnings. Primarily, we believe the sector shall benefit the most from the expected roll-out of government's MBG program. Our top pick in the sector is ICBP (Buy, TP Rp11,500), as we see the stock's valuation of 9.6x P/E (-2SD to 5-year mean) has priced in a pessimistic growth expectation, despite its defensive nature.

Within the consumption and MBG theme, we are also positive on the Poultry sector as the potential beneficiary. In particular, we believe JPFA (Buy, TP Rp3,100) has further room to re-rate if the company continues to progress with its branded product expansion. Despite already delivering outperformance in FY25, JPFA now trades at a reasonable 8.4x FY26 PE with 1% EPS growth. Our TP of Rp3,100 implies 9.4x P/E which we think is justified.

The retailers offer a strong EPS growth outlook of 16.9% in FY26 (consensus forecast also looks for 17.2%), which are shared across companies (i.e., MAPI, MAPA, MIDI, ACES). This is driven by expectation of improving SSSG to 1.3-4.5%. We believe the confirmation of positive SSSG in 1Q26 may drive re-rating for the sector.

On the Consumer durable front, we forecast ASII (Buy, TP Rp7,450) FY26 EPS growth to improve to 5% (from our projection of -9% in FY25F), which we expect to be driven by the automotive business. The company's recent launch of the long-awaited hybrid version of the popular 4W segment (i.e., Veloz) should also drive positive monthly sales volume and market share, which historically was a potent catalyst for the share price. While ASII has performed well in FY25, we think the better earnings and 4W market share visibility should continue to support its share price performance in FY26.

Exhibit 25. Consumer sector valuation

Ticker	Rating	Target Price	Market Cap	P/E (x)		P/BV (x)		ROE (%)		Div. Yield (%)
			(Rpbn)	2025F	2026F	2025F	2026F	2025F	2026F	2026F
ICBP	BUY	11,500	97,085.4	10.4	9.3	1.9	1.7	19.4	19.5	5.1
INDF	BUY	9,400	59,487.4	5.6	5.2	0.8	0.7	15.4	14.8	5.2
MYOR	BUY	2,700	47,176.9	17.2	14.7	2.6	2.3	15.6	16.6	2.4
UNVR	BUY	3,200	100,334.5	23.2	22.6	27.7	23.4	150.2	112.3	3.7

Source: Bloomberg, BRIDS Estimates

Exhibit 26. Poultry sector valuation

Ticker	Rating	Target Price	Mkt. Cap	P/E (x)		EV/EBITDA (x)		ROE (%)		Div. Yield (%)
			(Rpbn)	2025F	2026F	2025F	2026F	2025F	2026F	2026F
CPIN	BUY	5,600	74,282.9	14.6	13.9	8.7	8.7	16.4	16.6	3.3
JPFA	BUY	3,100	32,482.6	8.5	8.4	5.5	5.5	23.8	22.8	6.4
MAIN	BUY	1,300	1,746.2	6.5	4.9	3.1	2.4	7.9	9.7	4.6

Source: Bloomberg, BRIDS Estimates

Exhibit 27. Retailers sector valuation

Ticker	Rating	Target Price	Market Cap	P/E (x)		P/BV (x)		ROE (%)		Div. Yield (%)
			(Rpbn)	2025F	2026F	2025F	2026F	2025F	2026F	2026F
ACES	BUY	550	7,053.6	9.9	8.6	1.0	1.0	10.7	11.7	5.1
MAPI	BUY	1,400	20,335.0	10.7	9.0	1.5	1.3	14.9	15.0	0.9
MAPA	BUY	800	21,235.5	13.8	11.7	2.5	2.1	20.0	19.8	0.7
MIDI	BUY	550	12,371.1	17.5	15.0	2.7	2.4	16.2	16.8	2.2

Source: Bloomberg, BRIDS Estimates

Telco

Among the domestic sectors, we believe Telco offers the clearest growth acceleration prospect in FY26 (our Telco analyst Kafi Ananta projects FY26 EBITDA growth forecast of 7%, improving from FY25's -1% – see our FY26 Telco Sector Outlook), supported by evidence of price repair initiatives which has started by end of 2Q25.

While the sector's valuation has re-rated, reflecting the improving earnings expectation in 2H25, we believe room for upside should also be supported by value unlocking initiatives from the operators' sale of assets. In the sector, our top pick is ISAT (Buy, TP Rp3,000).

Exhibit 28. Telco sector valuation

Ticker	Rating	Target Price	Mkt. Cap (Rpbn)	P/E (x) 2025F	P/E (x) 2026F	EV/EBITDA (x) 2025F	EV/EBITDA (x) 2026F	ROE (%) 2025F	ROE (%) 2026F	Div. Yield (%) 2026F
TLKM	BUY	4,000	346,717.8	16.6	15.6	5.4	5.1	14.7	15.4	5.4
ISAT	BUY	3,000	79,659.5	15.8	14.2	4.7	4.1	14.5	15.2	4.4
EXCL	BUY	4,100	70,069.5	(19.1)	(50.7)	6.7	6.0	(13.2)	(4.8)	-

Source: Bloomberg, BRIDS Estimates

Commodities

We project metals sector to have an attractive FY26 EPS growth outlook of 27%. This is largely supported by our expectation of volume growth from new projects and expansion across companies (i.e., BRMS, INCO, TINS, MBMA). Given still flattish price outlook for some commodities (i.e., nickel), we expect the FY26 performance will favor those with exposure to gold (BRMS) and tin (TINS). We also expect potential valuation upside from the new projects such as in the case of DEWA and BRMS.

In contrast, we continue to forecast a soft FY26 earnings growth outlook for the coal sector of 7%, on the back of still weak demand outlook amid high inventory level in China to shape the price outlook. The risk for coal price sentiment may also stem from the possible de-escalation in Ukraine-Russia conflict, as Russia was among the major supplier to the seaborne coal market pre-2022.

Exhibit 29. Metals sector valuation

Ticker	Rating	Target Price	Market Cap (Rpbn)	P/E (x) 2025F	P/E (x) 2026F	EV/EBITDA (x) 2025F	EV/EBITDA (x) 2026F	ROE (%) 2025F	ROE (%) 2026F	Div. Yield (%) 2026F
ANTM	BUY	4,100	72,572.9	9.1	9.2	6.0	5.7	23.6	21.0	5.5
INCO	BUY	4,700	41,315.9	24.9	15.2	7.5	6.4	3.7	5.9	1.2
MBMA	BUY	490	57,777.5	153.6	48.3	18.4	10.5	1.5	4.6	-
MDKA	BUY	2,400	56,043.1	56.6	30.3	10.1	7.4	6.5	11.1	-
NCKL	BUY	1,300	63,729.6	8.2	7.6	5.9	5.2	23.3	21.2	3.7
TINS	U/R	U/R	25,918.2	24.1	10.6	10.6	6.6	13.8	26.5	1.2
DEWA	U/R	U/R	22,785.0	81.8	41.4	15.7	12.5	6.7	10.4	-
BRMS	U/R	U/R	160,215.9	190.5	95.0	100.4	60.5	4.3	8.1	-

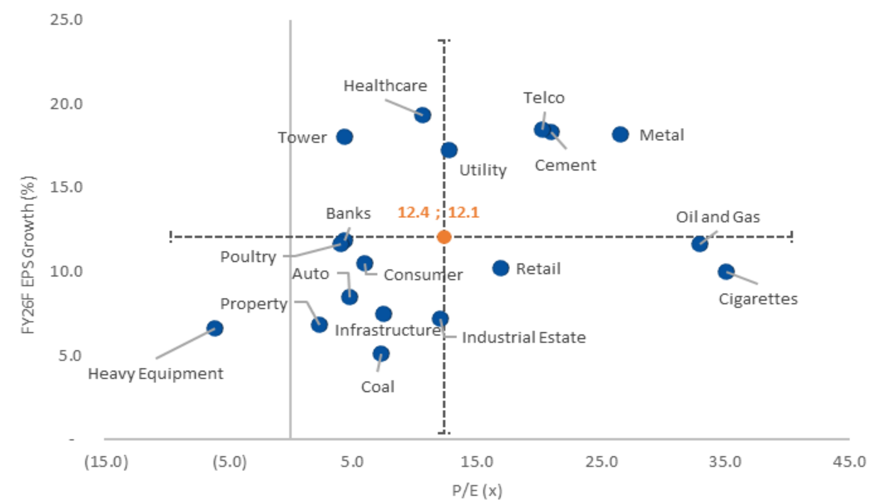
Source: Bloomberg, BRIDS Estimates

Exhibit 30. Coal sector valuation

Ticker	Rating	Target Price	Market Cap (Rpbn)	P/E (x) 2025F	P/E (x) 2026F	EV/EBITDA (x) 2025F	EV/EBITDA (x) 2026F	ROE (%) 2025F	ROE (%) 2026F	Div. Yield (%) 2026F
ADRO	BUY	2,630	53,342.3	5.7	4.6	2.7	2.0	11.6	13.5	7.5
AADI	BUY	9,850	54,702.9	4.8	4.6	2.6	2.3	22.6	21.2	11.8
ITMG	BUY	27,300	24,180.4	6.0	6.8	0.7	0.7	12.8	10.9	12.4
PTBA	BUY	3,100	26,151.9	6.2	6.5	6.2	7.7	18.6	17.0	13.7
UNTR	BUY	32,000	104,630.3	5.9	6.4	2.8	2.5	17.7	14.8	6.7

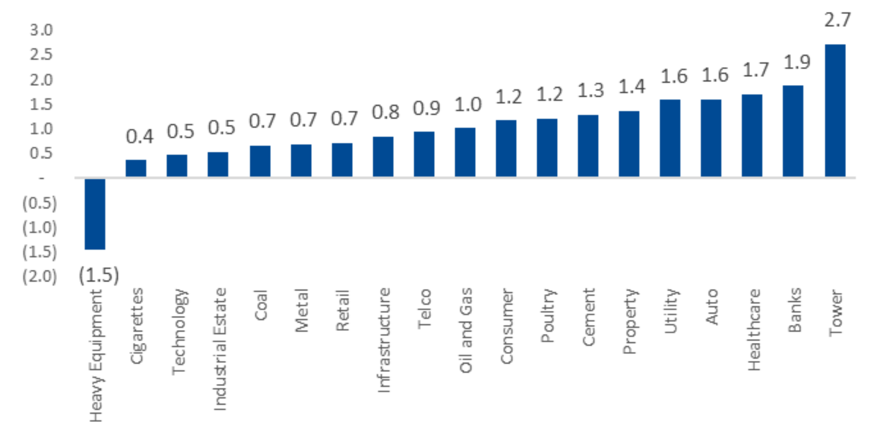
Source: Bloomberg, BRIDS Estimates

Exhibit 31. Sector EPS Growth vs. P/E



Source: Bloomberg, BRIDS Estimates

Exhibit 32. Sector PEG



Source: Bloomberg, BRIDS Estimates

Stock Picks

The top five performers in FY25 (within our coverage universe) were TLKM (+29% YTD), ASII (+35% YTD), BRMS (+227% YTD), ANTM (+98% YTD), UNTR (+5% YTD). We see these winners to have shared the characteristics of: 1) lack of earnings growth, but with **improving prospect of total shareholders return**/ TSR (i.e., TLKM, ASII, UNTR). 2) **Earnings growth driven by commodities exposure**, particularly in gold (i.e., BRMS, ANTM).

As a first step in our FY26 stock selection process, we screen stocks across key sectors under our coverage based on the highest expected forward total return (defined as share price upside to our target prices plus FY26 potential dividend yield).

Exhibit 33. Stocks with highest expected total return from each sectors

Company	Sector	1 Yr Total Return	3 Yr Total Return	Expected FY26 Total Return
BBCA	Banks	-14%	3%	39%
NCKL	Metal	38%	na	32%
ICBP	Consumers	-25%	-10%	43%
KLBF	Healthcare	-7%	-36%	43%
MAPI	Retailers	-12%	-13%	15%
PGEO	Utilities	29%	na	10%
CTRA	Property	-9%	-2%	88%
GOTO	Technology	-6%	-27%	52%
ASII	Automotive	43%	43%	20%
AADI	Coal	-7%	na	53%
UNTR	Heavy Equipment	13%	33%	21%
ISAT	Telco	3%	74%	26%
JPFA	Poultry	51%	135%	18%

Source: Bloomberg, BRIDS Estimates

From this shortlist, we make our final selections based on our assessment of re-rating potential and dividend sustainability.

Exhibit 34. BRIDS Stock Picks

Company	Rating	Target Price	Market Cap. (Rpbn)	Share price upside	Dividend yield	Expected total return	Comment
BBCA	BUY	10,800	989,283	35%	4%	39%	We believe its intact earnings quality justifies re-rating for the stock
ISAT	BUY	3,000	79,660	21%	4%	26%	Strongest growth outlook in the sector with cheapest valuation, backed by favorable industry outlook post consolidation
JPFA	BUY	3,100	32,483	12%	6%	18%	We expect earnings to continue to be driven by the livebird segment; upside from re-rating and steady dividend yield
ASII	BUY	7,450	267,191	13%	7%	20%	Improving operational momentum in key Auto business to support growth, with attractive dividend yield and upside from TSR initiatives
KLBF	BUY	1,710	57,346	40%	3%	43%	Consistent earnings growth deliveries to drive potential re-rating
AADI	BUY	9,850	54,703	40%	12%	53%	Strong dividend potential should cushion earnings risk from soft coal price outlook
NCKL	BUY	1,300	63,730	29%	4%	32%	Expected volume upside from project deliveries to drive growth, amid limited downside risk on nickel
ICBP	BUY	11,500	97,085	38%	5%	43%	Defensive growth profile with deeply discounted valuation

Source: Bloomberg, BRIDS Estimates

JCI FY26-end Target

We set our FY26-end JCI target at 9,440, based on the following assumptions: 1) FY26 EPS growth of 8% and a 14.2x PE multiple, in line with the five-year average for the fundamental stocks group; and 2) a 40% premium to reflect continued fund flows into conglomerate and index-aspirant stocks. Our bull and bear case targets of 9,820 and 9,135, respectively, assume 10% and 6% EPS growth. Key market risks include potential overhangs or shifts in government policy and programs, as well as changes to key index methodology.

Exhibit 35. JCI Index FY26-end target

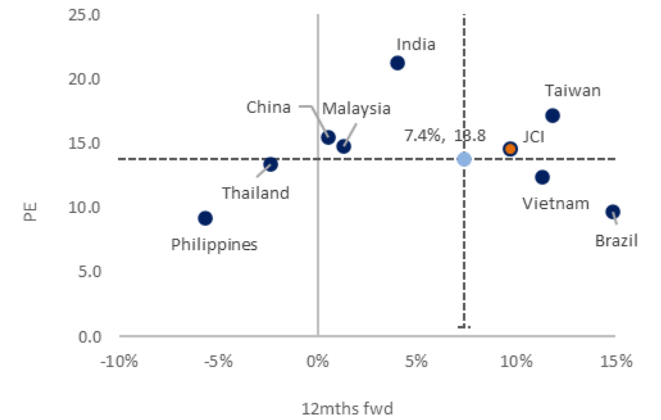
Metric	2026		
	Bear	Base	Bull
Fundamental Target (Forward EPS x Target PER)	8,099	8,370	8,705
Flow Premium Impact (Fundamental Target x Weight x Price Premium)	1,296	1,339	1,393
Probability Factor Applied to Flow Premium	80%	80%	80%
Adjusted Flow Impact	1,037	1,071	1,114
Final Index Target (Fundamental + Adjusted Flow)	9,136	9,441	9,819
Rounded	**9,135**	**9,440**	**9,820**

Source: BRIDS Estimates

Exhibit 36. JCI Forward P/E Band

Source: Bloomberg, BRIDS Estimates

Exhibit 37. JCI vs. EM Peers



Source: Bloomberg, BRIDS

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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