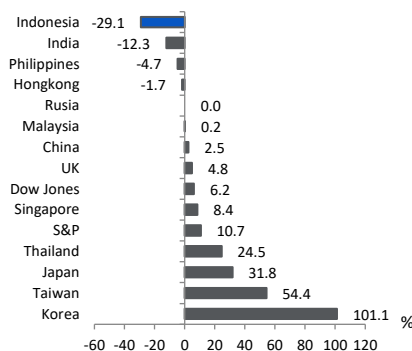


Equity Strategy

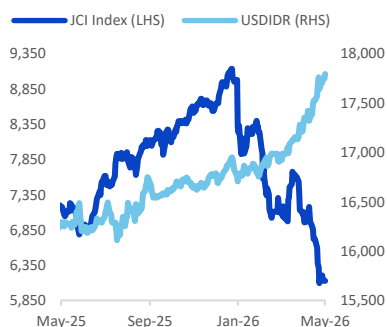
Repricing the Risk; Potential Tactical Reliefs to Emerge

YTD Regional Market (%)



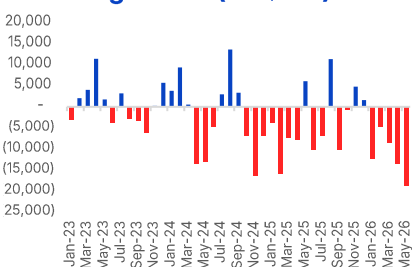
Source: Bloomberg

JCI vs USD



Source: Bloomberg

Net Foreign Flow (US\$m)



Source: Bloomberg

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- JCI's risk premium has reset higher on fiscal pressure, policy noise, negative sovereign outlooks, and MSCI deletions/ down-weight.
- We see three ST potential tactical reliefs: foreign flow exhaustion, easing seasonal Rupiah pressure and the oil/war narrative peak.
- We see JCI earnings-yield-to-bond spread of 242bps to have priced in a bear scenario. We revise FY26 JCI target to 7,200.

Repricing the risk. JCI's 29.1% YTD decline reflects a higher Indonesia risk premium, not merely a broad EM selloff. We see four linked drivers: fiscal risks from the Iran/Hormuz oil shock (YTD-average ICP at US\$88/bbl), weaker policy predictability (e.g., mining royalty flip-flops, single-SOE export plan), twin negative sovereign outlooks from Moody's and Fitch, and the MSCI review and deletion of six Indonesian large-caps. YTD equity outflows of US\$3.1bn should reflect foreign investors' de-risking.

Potential tactical reliefs. We see three tactical reliefs over the next 6-8 weeks. First, as MSCI mechanical selling clears on May 29, large-cap stocks such as Big-4 banks have already absorbed our aggressive-case estimate (BBCA's YTD outflow has reached US\$162.6mn versus our US\$176mn estimate for the full rebalance). Second, 2Q is seasonally the worst IDR window due to dividend repatriation and Hajj FX demand, and should ease into 3Q. Third, the oil/war narrative may peak even if the average price remains elevated, unwinding part of the EM oil-importer risk premium on Indonesia. These do not resolve the sovereign rating risk or broader policy overhang but in our view should drive market rebound.

Valuation has priced in near-term stress. The JCI earnings-yield-to-bond spread is 242bps versus an 11-year average of -31bps, or c.270bp wider than its long-run norm. As consensus' FY26 EPS growth (14%) is broadly in line with BRIDS (13.4%), the wider spread is compensation for risk premium. We see possible near-term risk on S&P outlook revision at the Jul26 outlook review (not a rating cut), but this should be well priced in. A worse case of actual rating cut (a one notch cut would still put Indonesia in BBB) would typically only come after a 12-18 month cure window. Nonetheless, MSCI Market Accessibility review in Jun26 also remains a binary risk.

JCI target revision. We revise our Dec26 JCI target to 7,200 from 9,440. The cut reflects the removal of the 40% conglomerate flow premium embedded in the old target, as the MSCI review has removed the rationale for that premium. The new target is based on BRIDS FY26-27 EPS growth of 13/ 14%, but with bank growth cut to 4-5% on cautious outlook; midpoint FY26-27 EPS; and base-case Rf assumption of 6.9% and earning yield-bond spread 220bps. This implies +17% upside from current level, with bull/bear scenarios at 8,600/ 6,550. We believe the potential asymmetrical return from current level is favourable.

Positioning. We separate the OW calls into two groups: valuation-cushion calls: Banks (BBCA Buy, TP Rp10,900), Healthcare (MIKA Buy, TP Rp3,300) and growth-call OWs: Telco (ISAT Buy TP Rp3,000), Metals (ANTM, Buy TP Rp4,900; TINS Buy TP Rp4,500). Consumer (ICBP Buy, TP Rp10,500; INDF Buy TP Rp9,400) and Poultry (CPIN Buy, TP Rp5,900) appear fair from risk perspective as their ERP are on par with JCI.

Repricing the Risk; Potential Tactical Reliefs to Emerge

Recap on Risk factors for JCI YTD

Higher fiscal pressure. ICP averaged c.US\$88/bbl YTD through April, above the 2026 APBN assumption of US\$70 and above our macro team's US\$85 threshold where the 3% legal deficit cap is breached if IDR is weaker than 16,750. At present, both thresholds have been crossed. The government's stance to keep subsidised fuel prices unchanged through end-2026 lowers near-term political risk but shifts the pressure to the deficit line. Interest-to-revenue is estimated at 16.9%, above S&P's 15% downside trigger, while the 2025F fiscal balance at -2.92% was already close to the 3% trigger.

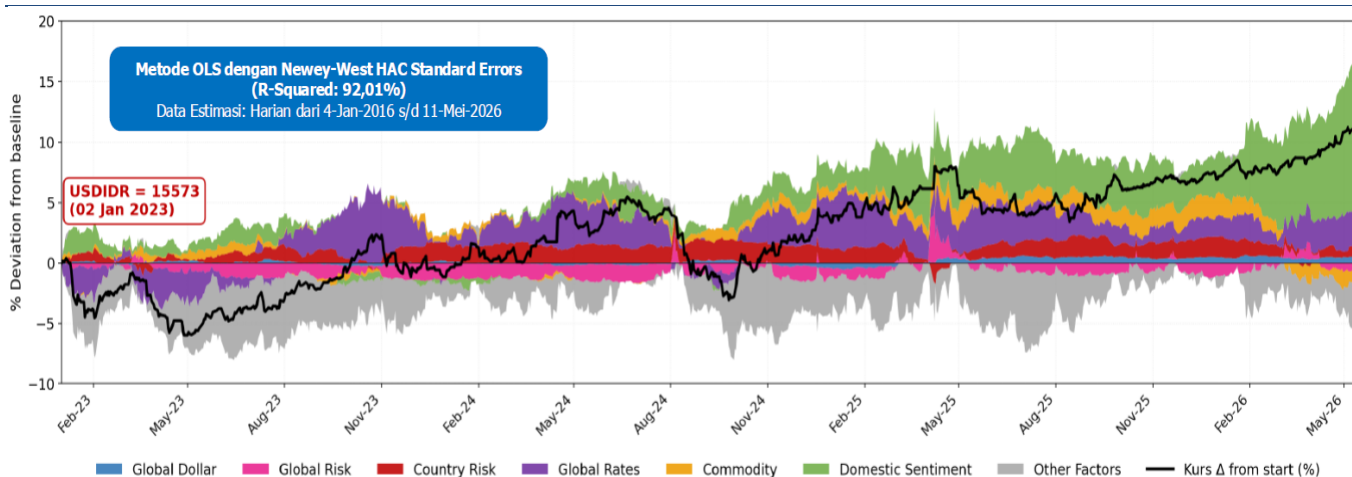
Policy uncertainty. Fitch's Mar26 outlook revision policy communication, off-budget investment plans, and contingent-liability risk. Moody's Feb26 revision cited lower policy predictability and fiscal-cohesion uncertainty. Subsequent policy noise has reinforced both concerns: the mining royalty hike was floated then delayed, and the single-SOE export plan for coal, CPO and ferroalloy was also introduced.

Sovereign overhang. Moody's (Baa2) revised its outlook to negative in Feb26 and Fitch (BBB) followed in Mar26. S&P (BBB) maintained stable outlook in April but flagged the interest-to-revenue ratio, already 16.9%, as above its 15% comfort threshold. We see the July review risk as an outlook move to negative, joining Moody's and Fitch. A rating cut would be unusual without a prior negative-outlook cure window of 12-18 months, putting the binary downgrade risk in 2027 rather than the immediate term. Indonesia had a similar setup in 2020-2022, but we do not view the current cycle as equally benign given the higher spending plan and unresolved policy predictability concerns.

MSCI review removed the conгло premium. The May26 deletion of six names from the Global Standard Index (AMMN, BREN, TPIA, DSSA, CUAN, with AMRT moved to Small Cap) was driven by lower free-float calculations under the new >1% shareholder disclosure framework. The flow impact is large but bounded at our estimated US\$2.2-2.7bn into the May 29 implementation. The bigger issue is that four of the five deleted names are conglomerate-affiliated, risking the removal or reduction of the flow premium that drove conгло outperformance through FY25.

IDR weakness. BRI economist's decomposition work attributes the 2025-2026 IDR depreciation mainly to domestic sentiment toward Indonesian assets relative to EM peers, with global rates as a secondary driver. Country-specific risk premium and commodity terms-of-trade contribute less. For our equity risk framework, this implies an additional risk premium on top of the oil-dependent EM country risk.

Exhibit 1. IDR Decomposition



Source: May26 Economic Briefing – Office of Chief Economist BRI

Potential Tactical Reliefs

Of the five drivers that have lifted Indonesia's risk premium, we believe three are time-bound or event-driven and could provide tactical relief over the next 6-8 weeks. While the other two (i.e., sovereign credibility and broader policy uncertainty) remain structural, we nonetheless see favourable near-term asymmetry (i.e., if the three reliefs materialise, the market can rebound even if a full structural cure is not yet in place).

Exhibit 2. Five risk premium drivers; three may ease near-term

Risk premium driver	Status	Tactical relief angle	Time horizon
MSCI flow overhang	Big-4 banks: 5-7x our aggressive estimate already absorbed	Mechanical clear on May 29; residual selling concentrated in deletion names	End of May26
IDR weakness	17,709/USD, despite 50bp BI hike	2Q seasonal demand (dividend, Hajj) typically eases into 3Q	4-6 weeks
Oil/war narrative	ICP at US\$117 in April; YTD avg US\$88	Peak-fear-fade if peace talks progress; risk-on for EM oil-importers	Event-driven
Sovereign rating	S&P BBB stable (April); Moody's, Fitch negative outlook	July S&P review: outlook revision the realistic risk, not rating cut (cure window 12-18m)	July 2026
Policy uncertainty	Structural; cited by both agencies in outlook revisions	No tactical relief – cure pathway needs concrete governance steps	Structural (12-18m cure window)

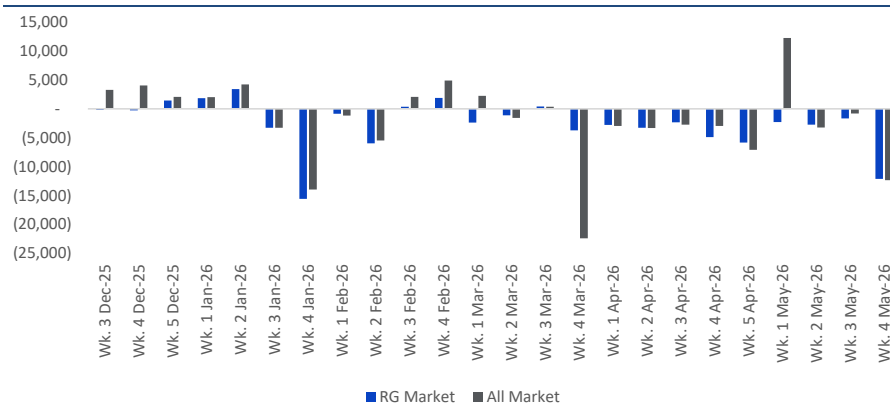
Source: BRIDS

#1 Foreign flow exhaustion in big-cap survivors

BBCA's cumulative 6-week foreign outflow has reached Rp7,038bn (US\$400mn), versus our aggressive-case MSCI rebalance estimate of US\$176mn for the May 29th event. BMRI's 6-week outflow of Rp5,745bn (US\$330mn) is around 60x our aggressive estimate of US\$92mn. BBRI

shows a similar pattern. These are not deletion names as they have served as liquid de-risking instruments for foreign portfolios cutting Indonesia exposure. We think the marginal seller in the most foreign-owned non-deletion names is largely exhausted. By contrast, deletion names (AMMN, BREN, TPIA, DSSA, CUAN) still face most of their estimated passive outflow into May 29. Foreign SBN flows have already turned positive (+Rp0.37tn MTD through May 19), suggesting fixed-income positioning has cleared and equity may follow.

Exhibit 3. JCI Weekly Foreign Flow



Source: IDX, BRIDS

Exhibit 4. Estimated Flow from MSCI Rebalance

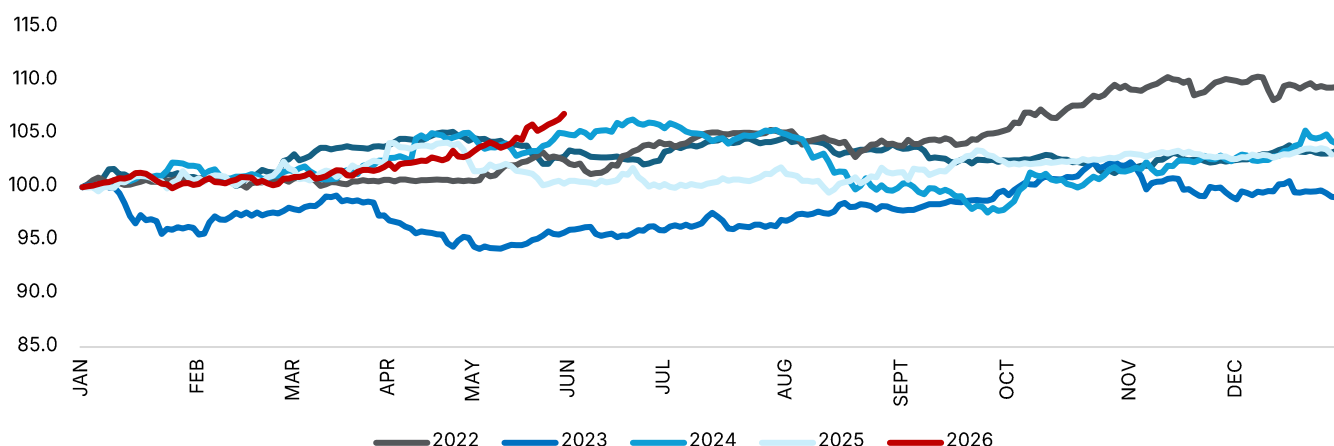
Ticker	Company	FF Market Cap. (US\$m)	Pure Passive (\$420bn) \$mn	Base Case (\$1700bn) \$mn	Aggressive (\$2000bn) \$mn	FIF Change	Outflow since 28th Jan26 (US\$m)
BBCA	Bank Central Asia	17,180	-37	-149	-176	40% (unchanged)	-1,234
BBRI	Bank Rakyat Indonesia	12,154	-26	-107	-126	45% (unchanged)	-509
BMRI	Bank Mandiri	8,956	-19	-78	-92	40% (unchanged)	-441
TLKM	Telkom Indonesia	7,955	-30	-122	-143	50% → 47.5%	-16
ASII	Astra International	5,983	-13	-54	-64	45% (unchanged)	+62
BBNI	Bank Negara Indonesia	3,298	-7	-28	-33	40% (unchanged)	-116
BRMS	Bumi Resources Minerals	2,494	-5	-21	-25	40% (unchanged)	+3
BRPT	Barito Pacific	2,339	-18	-73	-86	25% → 21%	-6
UNTR	United Tractors	2,006	-4	-17	-20	35% (unchanged)	+92
GOTO	GoTo Gojek Tokopedia	1,701	-22	-89	-104	70% → 50%	-80
AMRT	Sumber Alfaria Trijaya	1,510	-3	-14	-16	45% (unchanged)	+15
CPIN	Charoen Pokphand Indonesia	974	-26	-104	-123	45% → 25%	+23
AMMN	Amman Mineral Internasional	0	-106	-430	-505	19.88% → 0%	-43
TPIA	Chandra Asri Pacific	0	-78	-316	-372	10.00% → 0%	-9
BREN	Barito Renewables Energy	0	-53	-215	-253	5.86% → 0%	-2
DSSA	Dian Swastatika Sentosa	0	-50	-202	-238	12.80% → 0%	-26
CUAN	Petrindo Jaya Kreasi	0	-41	-164	-193	19.70% → 0%	-43
TOTAL INDONESIA OUTFLOW			-539	-2,183	-2,568		

Source: Bloomberg, BRIDS Estimates

#2 2Q is seasonally the worst quarter for IDR

Dividend repatriation to foreign parents typically peaks in 2Q, especially April-May, while Hajj FX demand also clusters in 2Q (the 2026 Hajj season runs May-June). BI has cited both as seasonal FX pressures, and its cut in the cash FX purchase threshold from US\$50k to US\$25k was framed as a response to this demand spike. The post-Hajj/post-dividend window, from late 2Q into 3Q, should ease this pressure. This does not solve the domestic-sentiment driver in the BI decomposition, but it should remove the most visible near-term flow pressure and give BI more room.

Exhibit 5. Rupiah Movement

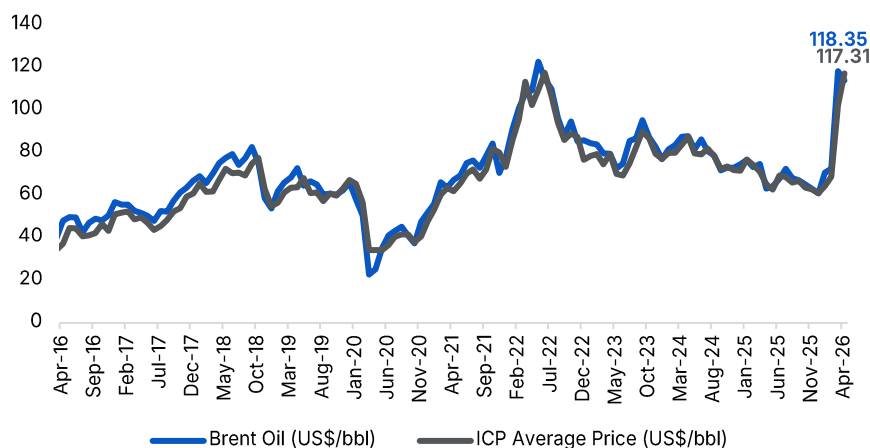


Source: Bloomberg, BRIDS

#3 Oil narrative peak

April ICP at US\$117.31/bbl is likely the geopolitical peak unless Hormuz disruption escalates materially. Diplomatic channels have reopened and peace-talk language has entered policy commentary. A peak-fear fade would unwind part of the EM oil-importer risk premium on Indonesia. Nonetheless, average ICP is still elevated: YTD through Apr26 is already US\$88/bbl above the original APBN assumption of US\$70. Even if 2H normalises toward US\$80, full-year ICP remains above budget. We therefore separate the tactical trade from the structural issue: sentiment can rebound on peak-fear fade, while fiscal pressure remains.

Exhibit 6. ICP and Brent Price



Source: Bloomberg

Lingering Risks

The July S&P review and the broader policy overhang are not addressed by the three tactical angles above. We view the S&P outcome as incremental, not binary, as an outlook move to negative would extend the risk-premium reset but is priced in. The deeper question is whether Indonesia can use the 12-18 month cure window to restore policy predictability and fiscal credibility. Nonetheless, MSCI Market Accessibility review in Jun26 also remains a binary risk in the near term.

Valuation: what's already priced in?

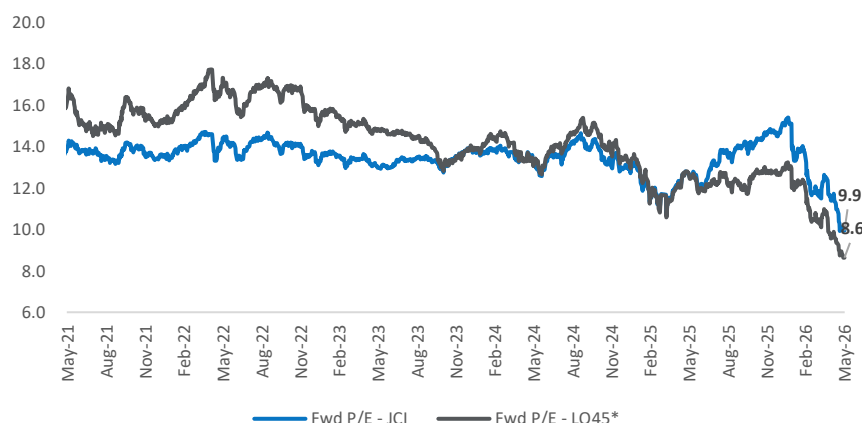
We believe the market is pricing the higher-risk-premium regime that has built since Jan26. At this level, it is not fully pricing tactical relief but is also not pricing sovereign rating cut. We believe for investors now the key is the asymmetry across scenarios.

Current state

With JCI at 6,120 on 10.0x FY26 forward earnings and the 10Y SBN at 6.74%, the earnings yield-10y yield spread is 242bps, versus an 11-year average of -31bps. The current reading is near the high end of the sample and comparable to the March-April 2020 COVID dislocation and the late-2022 rate shock. Historically, when the spread sits in this range, 6-12 month forward returns have usually been positive, provided there is no further sovereign deterioration.

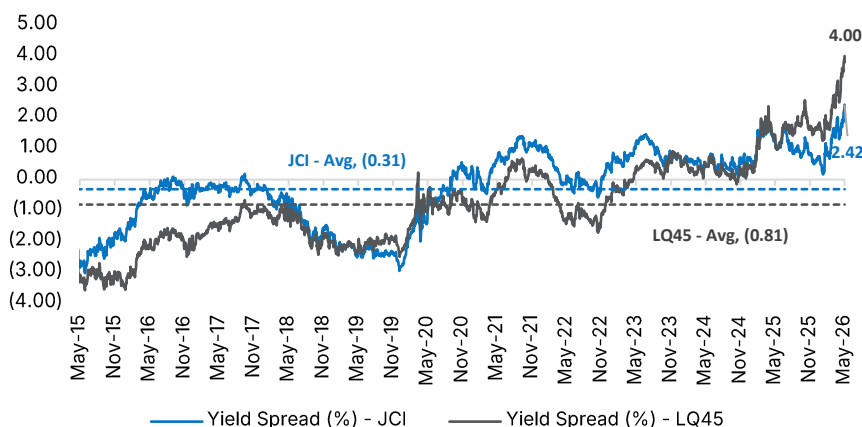
The LQ45 spread is wider at 400bps versus its 11-year average of -81bps, or c.480bps above the long-run mean and at the high end of the post-2015 range. This fits the large-cap-led selloff: Big-4 banks have absorbed multiples of our aggressive MSCI rebalance estimate, while four of the five deleted index names are large-cap conglomerate names.

Exhibit 7. JCI and LQ45 Forward PE



Source: *Bloomberg Consensus, BRIDS Estimates

Exhibit 8. JCI and LQ45 Earnings Yield Spread



Source: Bloomberg, BRIDS

On earnings growth, consensus FY26 EPS growth of 14% (based on Bloomberg numbers), is broadly in line with our latest 13.4% bottom-up view. This reinforces the view that the wider spread is compensation for risk premium rather than an earnings downgrade and puts policy uncertainty, not fundamentals, at the centre of the framework. Thus, we think the question is not whether the market is cheap, but whether the new risk premium is enough.

Exhibit 9. BRIDS FY26-27F Earnings Growth Forecast

Sector	Core Net Profit (Rpbm)				
	FY25A	FY26F	FY27F	Growth 26F	Growth 27F
Banks	210,512	225,402	252,832	7.1%	12.2%
Commodities	67,711	96,950	108,003	43.2%	11.4%
Heavy Equipment	15,394	9,951	15,276	-35.4%	53.5%
Coal	28,806	43,087	38,961	49.6%	-9.6%
Metal	18,661	33,872	42,766	81.5%	26.3%
Oil and Gas	4,850	10,040	11,000	107.0%	9.6%
Non-Commodities	137,969	149,422	177,321	8.3%	18.7%
Auto	31,637	26,840	33,008	-15.2%	23.0%
Cement	2,106	2,346	2,534	11.4%	8.0%
Cigarettes	8,166	12,017	13,822	47.2%	15.0%
Consumer	28,009	28,511	32,038	1.8%	12.4%
Healthcare	7,650	8,428	9,418	10.2%	11.7%
Infrastructure	3,006	3,263	3,600	8.5%	10.3%
Poultry	9,437	10,300	10,868	9.1%	5.5%
Property	7,117	7,310	7,945	2.7%	8.7%
Retail	5,981	6,698	7,679	12.0%	14.6%
Technology	(1,902)	1,957	4,039	202.9%	106.4%
Telco	22,353	26,998	36,371	20.8%	34.7%
Tower	6,880	7,181	7,824	4.4%	9.0%
Utility	5,317	5,173	5,961	-2.7%	15.2%
Overall	416,192	471,773	538,156	13.4%	14.1%
Banks Only	210,512	225,402	252,832	7.1%	12.2%
Commod's Only	67,711	96,950	108,003	43.2%	11.4%
Overall exc. Commod's	348,481	374,824	430,153	7.6%	14.8%
Overall exc. Tech	418,095	469,816	534,117	12.4%	13.7%

Source: BRIDS Estimates

Risk scenarios

We use three drivers: 10Y as risk-free rate, EY-bond spread, and FY26 EPS growth. The scenarios follow the sovereign risks: base case is S&P maintaining stable outlook in Jul26; bear case is S&P moving to negative outlook, which we think is largely priced; stress is the first actual notch cut to BBB-, still IG, and more plausible only in FY27.

We assume EPS scenarios to move with the macro risks where we see the transmission to come through rates/cost of capital, IDR/cost pass-through, and bank asset quality. With banks at 30% of JCI EPS, the sector remains the dominant channel.

Exhibit 10. Risk Scenarios and Implied JCI Fair Value

Scenario	10Y SBN	EY-bond spread	FY26 EPS growth	Implied PE	JCI Fair Value	Δ vs current
Current	6.74%	2.42ppt	—	10.0x	6,120	—
Bull: Oil price drop + stronger Rp, S&P holds outlook	6.6%	1.25ppt	+14-16%	12.7x	8,050	+30%
Base: Oil price drop + stable Rp	6.9%	2.0ppt	+12-13%	11.2x	6,900	+12%
Bear: S&P outlook cut to negative (but priced in)	6.9%	2.55ppt	+7-9%	10.6x	6,250	+1%
Stress: one notch rating cut (BBB-)	7.2%	3.1ppt	-3 to -5%	9.7x	5,100	-17%

Source: BRIDS

We draw three conclusions from the scenarios. First, base case implies 12% upside from current level, conditional on S&P maintaining BBB stable and at least partial tactical relief. Current JCI level has overshoot base-case fair value to the downside, consistent with foreign-flow data showing the largest-cap survivors have absorbed our aggressive MSCI outflows estimate. Second, the realistic bear case (S&P outlook to negative) implies only +1% from current level, essentially flat. We think the market has already done most of the work of pricing this scenario. Third, the real downside is the stress case at -17%, which requires actual rating action. Under standard agency methodology, that is a 2027 event at the earliest: Moody's moved negative in Feb26, so the earliest plausible cure-failure cut would be 1H-2H27. Rating cut downside would be a larger risk but sits outside the 2026 horizon and is not formally quantified here.

A potential asymmetry

We believe the potential asymmetry from current level is favourable: +12% to immediate base-case fair value and +30% to bull, versus only +1% to the realistic July bear. The sovereign cure-window mechanic should limit near-term downside; the -17% stress case sits beyond the 12-18 month cure window and requires visible failure of the cure path, likely only in 2027. By contrast, upside can play out within 6-8 weeks if S&P holds and tactical reliefs deliver.

JCI December 2026 target: 7,200 (+17% from current level)

We set our Dec26 JCI target at 7,200, replacing the prior 9,440 target. The reduction reflects the removal of the 40% conglomerate flow premium behind the old target, as the May26 MSCI stocks review removed the structural basis for that premium. We view the non-deleted conglomerates as having no distinct valuation case versus other large caps.

Our target estimation uses base-case conditions: Rf of 6.9% and year-end EY-bond spread 220bps, slightly wider than the 4-6 week base of 200bps to reflect unresolved structural uncertainty even if S&P holds its outlook. We apply these to midpoint EPS, using the average of FY26 EPS growth (adjusted for banks) and FY27 EPS.

Exhibit 11. JCI 2026 Target by Scenario

Scenario	Implied PE	Dec 2026 target	Δ vs current
Bull: full reliefs, sentiment normalises	12.7x	8,600	+39%
Base (our target)	11.0x	7,200	+17%
Bear: S&P negative outlook confirms	10.6x	6,550	+6%
Stress: first notch cut (2027 event)	9.7x	5,200	-16%

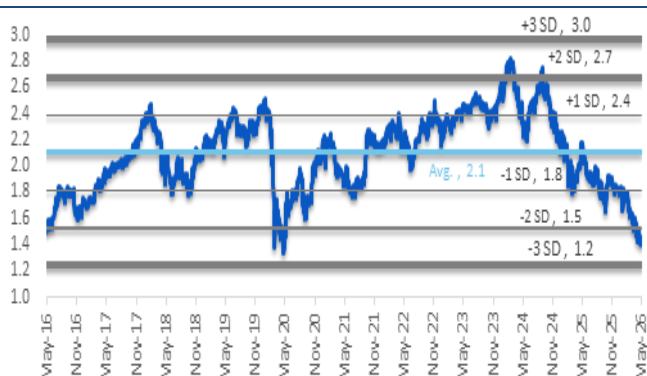
Source: BRIDS Estimates

We believe the scenario range is the key takeaway. Bear case is 6,550, or +6% from current level, meaning even the realistic negative scenario still offers positive six-month forward return. This supports our view that the market has largely priced the bear case. The bull case at 8,600 (+39%) requires full tactical relief and sentiment normalisation. The stress case at 5,200 (-16%) implies actual rating (cut) action, which we see outside the 2026 horizon. From current levels, we see the path of least resistance as upward.

Sector Positioning: valuation cushion vs growth

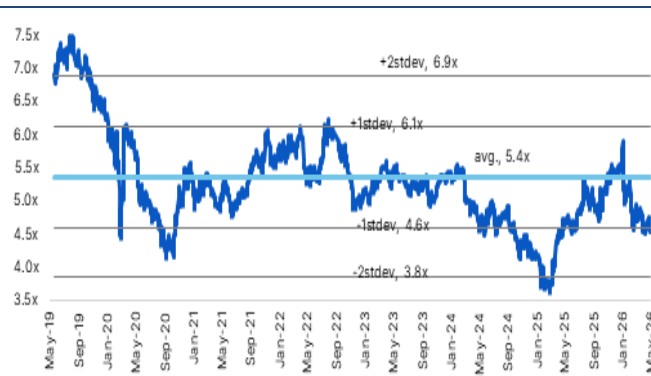
Seven of the eight key sectors trade below their own 10-year band mean, showing that the market de-rating is broad-based. Coal is the only sector trading above mean, consistent with the FY26 coal-price surge narrative. We apply the same "what's priced in" framework as the JCI, but the sector call is more differentiated as some sectors offer valuation cushion, while others need BRIDS' growth view to materialise. Thus, we separate the OW calls into two groups: valuation-cushion calls (e.g., Banks, Healthcare) and growth-call OWs (e.g., Telco, Metals).

Exhibit 12. Bank Valuation Band



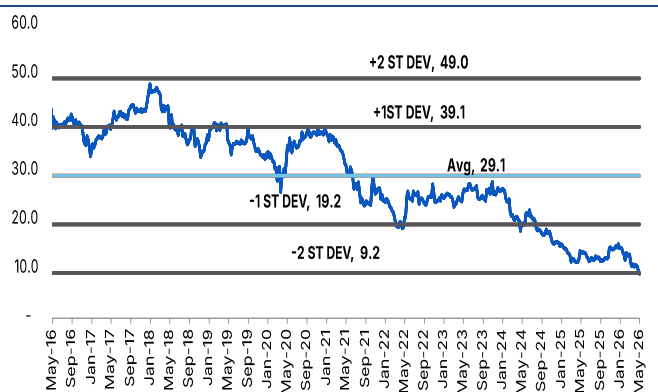
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 13. Telco Valuation Band



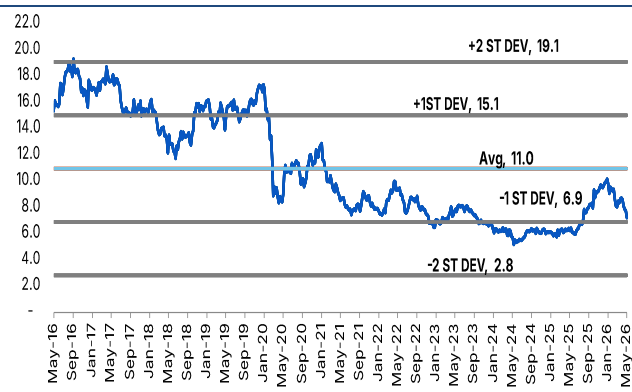
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 14. Consumers Valuation Band



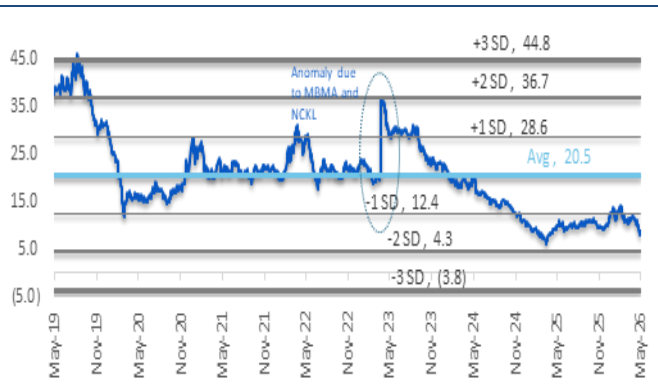
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 15. Automotive Valuation Band



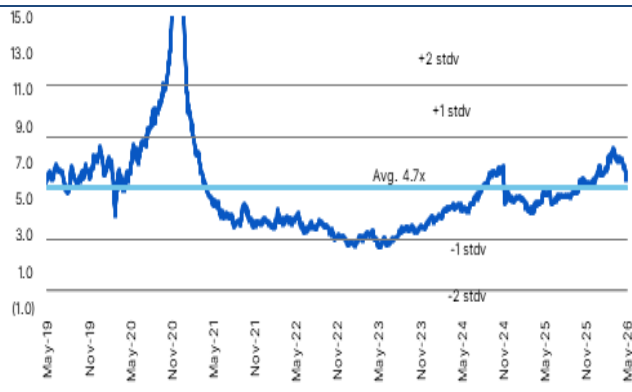
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 16. Metals Valuation Band



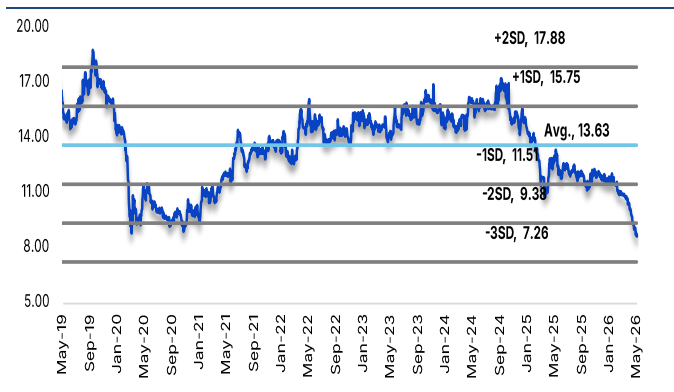
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 17. Coal Valuation Band



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 18. Healthcare Valuation Band



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 19. Poultry Valuation Band



Source: Company, Bloomberg, BRIDS Estimates

We compute the implied equity risk premium for each sector based on current valuation and BRIDS' FY26 EPS growth forecast. Sectors with implied ERP above JCI's 16.7% (i.e., Telco, Metals and Coal) are being priced with a higher risk premium than the index at our growth forecast. This can signal mispricing if our growth forecast materialises, though it can also reflect sector-specific risks, especially regulatory risk in Metals and Coal. Sectors with implied ERP below JCI (i.e., Banks, Healthcare and Consumer) carry a normal-to-low premium. For these, the OW case is mainly valuation cushion versus own historical band.

We also sanity-check our analysis with a normalised 8% growth assumption across sectors, broadly in line with Indonesia's through-cycle nominal GDP pace. This separates growth-dependent calls from valuation-driven calls. Telco, Metals and Coal show their implied ERP compressing under normalised growth (-13pp, -73pp and -41pp), meaning the conviction depends on our growth view. Meanwhile, banks and Healthcare barely move, supporting our view that these are valuation-cushion sectors where the case is less growth-dependent.

Exhibit 20. Sector Detail - Valuation, Growth, and Implied ERP

Sector	Top pick(s)	FY26 / FY27 EPS growth	Valuation vs 10-yr band	Implied ERP (vs JCI 16.7%)	Key risk	View
Banks	BBCA	+7.1% / +12.2%	1.45x P/BV, near -2 SD	10.1% (-6.6pp)	Credit cost ramp; NIM compression	OW (valuation cushion)
Healthcare	MIKA	+10.2% / +11.7%	8.5x EV/EBITDA, near -3 SD	10.1% (-6.6pp)	BPJS pricing; volume normalisation	OW (valuation cushion)
Telco	ISAT	+20.8% / +34.7%	4.7x EV/EBITDA, just below mean	22.6% (+5.9pp)	Price repair delays, spectrum auction	OW (growth outperformance)
Metals	ANTM, TINS	+81.5% / +26.3%	6x P/E (7y), near -2 SD	91% (+74pp)	Royalty revision	OW (growth outperformance, but cautious on regulatory changes)
Poultry	CPIN	+9.1% / +5.5%	4.5x EV/EBITDA, near -2 SD	16.7% (par)	Feed cost; IDR pressure on inputs and purchasing power	OW
Consumer	INDF, ICBP > UNVR	+1.8% / +12.4%	9.5x P/E, at -2 SD	5.6% (-11pp)	Demand softness; USD cost pass-through	Selective OW
Auto	ASII	-15.2% / +23.0%	6.5x P/E, near -1 SD	n.m. (cyclical)	Volume contraction; new EV entrants	N-OW (growth inflection but in FY27)
Coal	AADI	+49.6% / -9.6%	6.5x P/E (7y), above mean	58% (+41pp)	Export scheme change	OW (cautious on regulatory changes)

Source: BRIDS Estimates

Risk factors: structural overhangs

1. **Metals royalty revision.** The royalty hike has been delayed for now, but sustained fiscal pressure keeps the risk alive. The deep valuation discount (P/E near -2SD versus 7-year history) partly prices this in, but a specific royalty-rate decision could still drive 5-15% EPS cuts depending on magnitude and scope.
2. **Coal export scheme change.** For coal, we think the regulatory risk is broader than Metals because both magnitude and mechanism remain unclear, including possible differential pricing (hence, margin) for export volumes.
3. **Bank credit cost ramp.** Big-4 banks' FY26 EPS growth of +7.1% under BRIDS assumes stable asset quality and benign credit costs. Our index base case cuts this to 4-5% to reflect a more cautious view on NIM and provisioning into 2H26. Sector P/BV near -2SD provides material valuation cushion against further EPS cuts. BBKA remains the cleanest expression, with a premium franchise, dominant low-cost deposit base and conservative NPL discipline.

Top picks to position for the tactical rebound

We split the OW bucket into valuation-cushion calls and growth-call OWs. Banks should carry larger weight because the thesis survives a reasonable range of growth assumptions. Telco offers higher payoff but conditional on the sectors meeting our growth forecast and, for Metals, the risk reflects regulatory risk.

- **Banks: BBKA (Buy, TP Rp10,900).** P/BV is near -2SD versus a 2.1x 10-year average. We think the premium franchise and dominant balance sheet provide enough cushion to offset the moderate growth view.
- **Telco: ISAT (Buy, TP Rp3,000).** We believe our strong growth view (+20.8% / +34.7%) is not yet priced into the multiple. It is also less binary than Metals or Coal, with no specific regulatory catalyst and merger synergies partly within management control.
- **Consumer: INDF (Buy, TP Rp9,400), ICBP (Buy, TP Rp10,500).** We think the deep sector discount (P/E at -2SD) overstates potential FY26 demand weakness and cost pressure.
- **Healthcare: MIKA (Buy, TP Rp3,300).** EV/EBITDA is near -3SD, the most extreme valuation reading in our universe, while BRIDS still expects steady double-digit growth (+10.2% / +11.7%). We view this as the lowest risk OW in the framework.
- **Poultry: CPIN (Buy, TP Rp5,900).** The sector is traded at -2SD of 10-year band, but with risk premium that is on par with JCI.
- **Metals: ANTM, TINS.** The implied 91% ERP suggests the market is pricing the full regulatory tail. If BRIDS growth materialises even at half (+40%), the sector still looks materially mispriced.

On top of this, we continue to like our alpha stocks BULL (Buy, TP Rp550) and ELSA (Buy, TP Rp1,110).

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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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