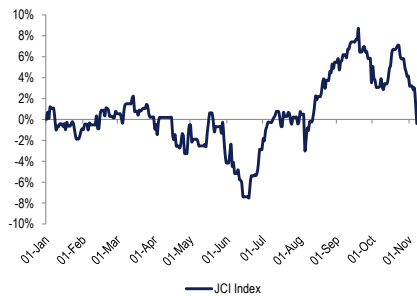


JCI Performance

	3M	6M	12M
Absolute	0.4%	2.2%	6.5%



Combination of external and domestic headwinds; inevitable ST pain

- JCI/LQ45 dropped by -3% WTD (-0.4/-9% YTD) mainly on the back of US election and the concern on higher tariffs along with stronger US\$.
- 3Q earnings growth was relatively decent but not enough to spark investors' confidence. FY25F earnings of mid-single digit are also muted.
- Despite valuation getting attractive, we believe it's best to stay on the sideline for the time being until clarity emerges.

Steep sell-off amid external factor; Trump's presidency is -ve for JCI

JCI/LQ45 dropped by -3.5/-2.8% WTD (-0.4/-8.6% YTD) on the back of US election especially on the concern of higher tariffs which shall ultimately lead to higher inflation (higher for longer rate) and stronger US\$. Consequently, during the last Trump's presidency JCI/banks dropped by -5.9/-10.6% in 1M period (-3.2/-4.5% in 3M period). Nevertheless our biggest concern lies on the potential of RMB devaluation as a retaliation against punitive US's tariffs – note that the last time China did RMB devaluation back in 2015 resulted in depreciation of Rupiah by 8.4% from Rp13,551 to Rp14,693 against US\$ and sell-off in JCI (-12% in 2015).

3Q result was decent but not convincing

Overall stocks under our coverage posted 3% yoy earnings growth in 9M24 (+1% qoq in 3Q24) with only property and auto came above our expectation while tobacco and retailers came below; rests are in-line. This, in our view, doesn't spark investors' confidence in earnings recovery. We project JCI next year to generate 7% earnings growth, lower vs. S&P projected earnings of 13% and NIFTY 16%. Combined with domestic factor uncertainty and weaker US\$, this makes JCI risk-reward unattractive, in our view.

Domestic noises may also exacerbated the current external pressure

Contrary to 2016 where domestic issue was relatively muted as most of the post-election noises in Indonesia have happened in 2014 and early 2015 i.e. lower cement price, lower KUR interest rate/noises on banks' high interest rate and NIM, toll-road tariffs discount, etc. We believe that this time is totally different considering that Indonesia also held the election on the same year with the US and as such, a lot of the noises has only started to emerge i.e. 1) government intention to lower cement price for cheap housing program ([link](#)) and 2) MSME loan amnesty program ([link](#)).

MSME loan amnesty program shall hurt BBRI but details are limited

Government recently approved the amnesty for MSME loan that can't be collected for at least 5 years (this loan has been provisioned and written-off, as such no direct impact to PnL) for the loan size of up to Rp500mn. This shall impacted the future recovery potential for BBRI the most given the MSME exposure (micro/small accounts 64% of loan) and sizable recovery (Rp18tr or 12% of total income vs. BCA/BMRI/BBNI of 1/6/8%). However, given the limited details of the regulation, we haven't been able to assess the earnings impact. Bottom-line, we view that this shall exacerbated investors' weak confidence on BBRI.

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Inevitable short-term pain along with increase in tail-risk for SOEs

We expect a ST pressure from both domestic and external factors. We also have a concern on the formation of Danantara (aiming to form a super holding to lever up) which potentially shall lead to higher overall debt/GDP, ultimately impacting market's liquidity and potentially currency. Despite appealing valuation as JCI/banks ex-BBCA trades at 11.7x/9.8x P/E vs. 10Y average of 16.6x/12.2x, we think it's best to stay on the side-line for the time being while awaiting clarity on: 1) Trump's tariff plan, 2) EGM agenda for SOE banks – this is imperative as it also increase the risk of kitchen sinking, if any and 3) details on MSME loan amnesty program. This is imperative, in our view, as it suddenly raises the tail-risk of SOEs especially. Domestic consumption may be considered safe haven for now.

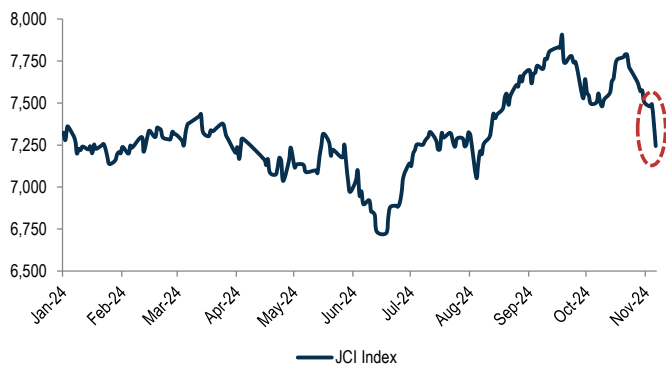
A combination of external and domestic sell-off

JCI dropped by -3.5% week-to-date (WTD) and -0.4% year-to-date (YTD), while LQ45 fell by -2.8% WTD and -8.6% YTD. These downturns are largely attributed to concerns surrounding the US presidential election, particularly the potential for increased tariffs that could lead to higher inflation, prolonged elevated interest rates, and a stronger US\$.

Consequently, during the initial month of President Trump’s previous term, the JCI declined by -5.9% and the banking sector saw a -10.6% drop (-3.2/-4.5% in 3M period). Additionally, we also have big concern on the potential devaluation of RMB as a countermeasure to punitive US’s tariffs.

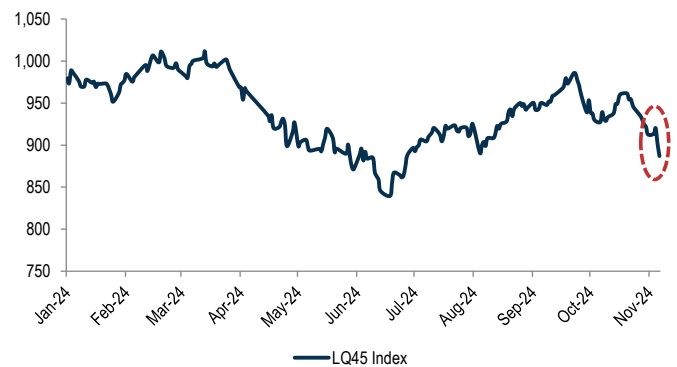
Note that the last time China’s devaluation of the RMB back in Aug15 led to a Rupiah depreciation by 8.4% from Rp13,551 to Rp14,693 against US\$ with the sell-off in the JCI, which declined by -12% in 2015.

Fig. 1: JCI has dropped by -3.5% WTD (-0.4% YTD), ...



Source: Bloomberg, Indo Premier

Fig. 2: ... while LQ45 fell by -2.8% WTD (-8.6% YTD) amid concerns on US election



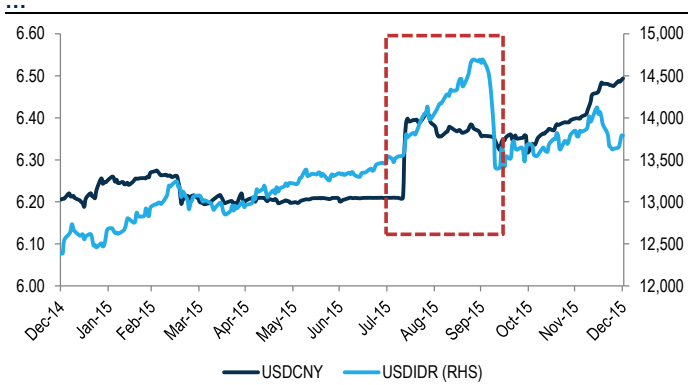
Source: Bloomberg, Indo Premier

Fig. 3: JCI performance by sector during Trump’s presidency in 2016-2020

Sector	1M	3M	1Y	Full term
Auto	-10%	-5%	-1%	-34%
Banks	-11%	-4.5%	44%	42%
Cement	-3%	-5%	21%	-15%
Coal	-7%	-4%	31%	-21%
Contractors	8%	13%	-13%	-63%
CPO	12%	6%	-10%	-26%
Healthcare	-7%	-1%	-20%	-16%
Media	-5%	2%	-15%	-47%
Metals	7%	-15%	-13%	77%
Oil & Gas	2%	9%	-11%	-51%
Poultry	-13%	-13%	-21%	35%
Property	-12%	-13%	-17%	-47%
Retailer	-5%	-4%	-9%	-29%
Staples	-9%	-7%	13%	-4%
Telco	-11%	-8%	2%	-42%
Tobacco	-6%	-6%	18%	-60%
Toll-road	-10%	0%	51%	-11%
Towers	2%	-12%	6%	26%
JCI Index	-6%	-3%	16%	-6%

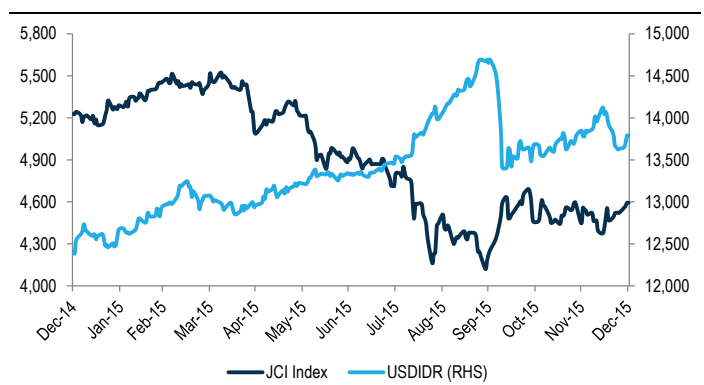
Source: Bloomberg, Indo Premier

Fig. 4: Devaluation of RMB in Aug15 led to 8.4% Rupiah depreciation



Source: Bloomberg, Indo Premier

Fig. 5: ... and sell-off in JCI (-12% YoY)



Source: Bloomberg, Indo Premier

3Q result was decent but not convincing

Overall stocks under our coverage posted 3% yoy earnings growth in 9M24 (also +1% qoq in 3Q24) with only property and auto came above our expectation while tobacco and retailers came below; rests are in-line. This, in our view, doesn't spark investors' confidence in earnings recovery. We project next year to generate 7% earnings growth, lower vs. S&P projected earnings of 13% and NIFTY 16%. Combined with domestic factor uncertainty and weaker US\$, this makes JCI risk-reward unattractive.

Fig. 6: JCI 3Q24 result recap

Sector	Consists of	9M24	9M23	%YoY	3Q24	3Q23	%YoY	2Q24	%QoQ	% of IPS	Status	% of Cons	Status
Banks	BBCA, BBRI, BMRI, BBNI, BRIS, ARTO	149,657	139,480	7%	52,393	47,472	10%	48,742	7%	74%	In-line	75%	In-line
Tobacco	GGRM, HMSP	6,217	10,662	-42%	1,974	3,624	-46%	1,400	41%	65%	Below	57%	Below
Staples	UNVR, KLBK, SIDO, ICBP, MYOR	16,212	15,837	2%	3,994	5,201	-23%	5,069	-21%	71%	In-line	74%	In-line
Retailer	ACES, MAPI, LPPF, RALS, AMRT, CNMA	5,678	5,368	6%	1,355	1,310	3%	2,239	-39%	63%	Below	65%	Below
Poultry	CPIN, JFFA	4,483	3,613	24%	1,235	2,152	-43%	1,872	-34%	75%	In-line	80%	Above
Property	BSDE, PWON, CTRA	5,642	4,437	27%	1,433	1,359	5%	1,957	-27%	79%	Above	71%	In-line
Telco	TLKM, ISAT	76,627	76,530	0%	25,347	26,763	-5%	25,350	0%	71%	In-line	73%	In-line
Coal	ADRO, PTBA, UNTR	37,157	38,021	-2%	13,521	10,485	29%	12,495	8%	78%	In-line	88%	Above
Auto	ASII	25,854	25,691	1%	9,998	8,242	21%	8,392	19%	82%	Above	84%	Above
Toll-road	JSMR	3,300	5,974	-45%	953	4,826	-80%	1,727	-45%	NA	NA	87%	Above
Cement	SMGR, INTP	1,776	2,981	-40%	839	1,417	-41%	226	271%	NA	NA	51%	Below
Metals	ADMN, ANTM, INCO, HRUM	9,239	11,821	-22%	2,675	2,450	9%	4,415	-39%	74%	In-line	73%	In-line
CPO	AALI, DSNG, LSIP	2,465	1,761	40%	862	865	0%	877	-2%	73%	In-line	77%	In-line
Media	MNCN, SCMA	1,427	1,107	29%	291	292	0%	404	-28%	NA	NA	61%	Below
Towers	TBIG, TOWR, MTEL	18,015	16,757	8%	6,249	5,646	11%	5,915	6%	74%	In-line	76%	In-line
Healthcare	MIKA, SILO, HEAL	4,869	4,241	15%	1,573	1,609	-2%	1,627	-3%	71%	In-line	71%	In-line
Contractors	WIKA, WSKT, PTPP, ADHI	(1,924)	(8,416)	-77%	(328)	(4,571)	-93%	371	-188%	NA	NA	NA	NA
Oil & Gas	AKRA, MEDC, PGEO, PGAS	11,865	10,613	12%	3,362	4,040	-17%	4,167	-19%	73%	In-line	70%	Below
Total		378,558	366,479	3%	127,728	123,181	4%	127,246	0%	NA	NA	75%	NA
IPS universe		373,979	364,832	3%	125,972	121,218	4%	124,518	1%	74%	In-line	75%	In-line

Source: Bloomberg, Company, Indo Premier

Contrary to 2016, domestic noises may also exacerbated the external pressure

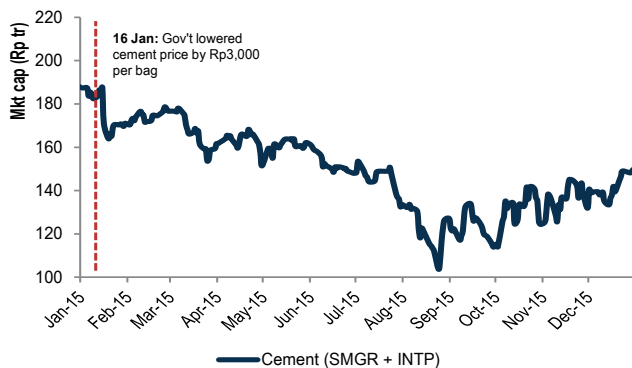
Contrary to 2016 where domestic issue was relatively non-issue as most of the post-election noises have happened in 2014-2015 (fig 7-9); this time is different considering that Indonesia also held the election on the same year with the US.

As expected, a lot of the noises have started to transpire i.e.

- 1) Government intention to lower cement price for cheap housing program ([link](#)) and
- 2) Government recently approved the amnesty for MSME loan ([link](#)) that can't be collected for at least 5 years (this has been provisioned and written-off) for the loan size of up to Rp500mn.

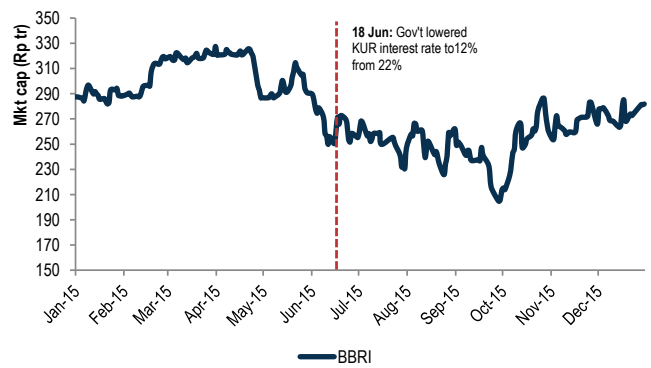
This shall impacted the future recovery potential for BBRI given the MSME exposure (micro/small accounts 64% of loan) and sizable recovery income (Rp18tr or 12% of total income vs. BBKA/BMRI/BBNI of 1/6/8%). However, given the limited details of the regulation, we haven't been able to assess the earnings impact. Nevertheless, we view that this shall exacerbated investors' already weak confidence on BBRI post its 1Q results.

Fig. 7: On 16 Jan 2015, gov't lowered cement price by Rp3,000 per bag



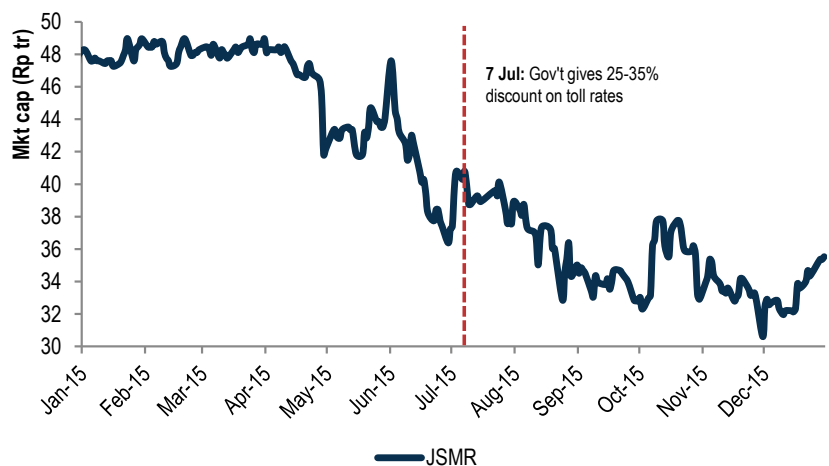
Source: Bloomberg, Indo Premier

Fig. 8: On 18 Jun 2015, gov't lowered KUR interest rate to 12% from 22%



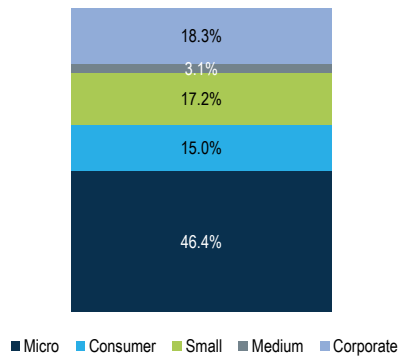
Source: Bloomberg, Indo Premier

Fig. 9: On 7 Jul 2015, gov't gives 25-35% discount on toll rates



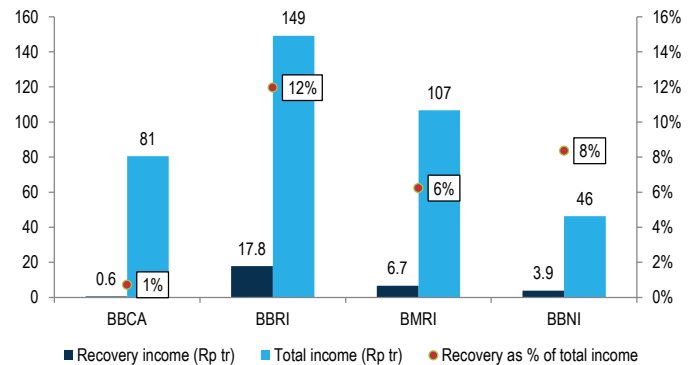
Source: Bloomberg, Indo Premier

Fig. 10: BBRI loan by segment in 3Q24



Source: Company, Indo Premier

Fig. 11: Big 4 banks recovery income as % of total income in 9M24



Source: Company, Indo Premier

Inevitable ST pain

We expect a ST pressure from both domestic and external factors. We also have a concern on the formation of Danantara (aiming to form a super holding to lever up) which potentially shall lead to higher overall debt/GDP further pressuring Rupiah.

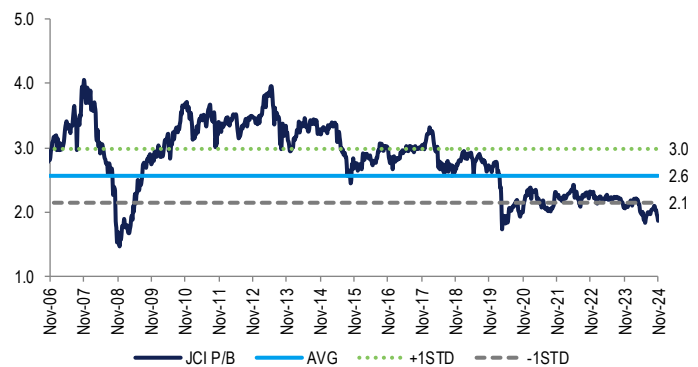
Despite appealing valuation as JCI/banks ex-BBCA trades at 11.7x/9.8x P/E vs. 10Y average of 16.6x/12.2x, we think it's best to stay on the side-line for the time being while awaiting clarity on: 1) Trump's tariff plan, 2) EGM agenda for SOE banks, if any and 3) details on MSME loan amnesty program. This is imperative, in our view, as it suddenly raises the tail-risk of SOEs especially. Domestic consumption may be considered safe haven for now.

Fig. 12: JCI forward P/E – now trading at 11.7x P/E vs. 10-year average of 16.6x P/E



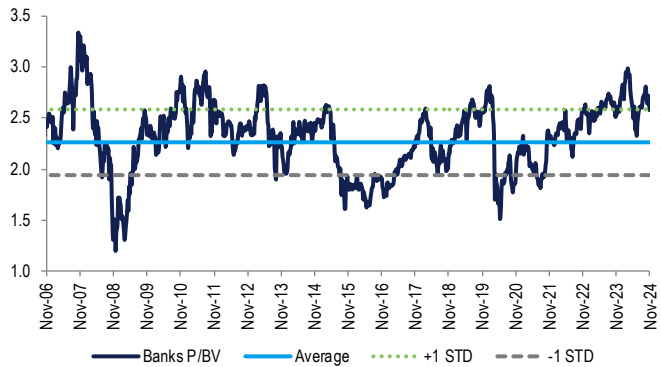
Source: Bloomberg, Indo Premier

Fig. 13: JCI forward P/B – now trading at 1.9x P/B vs. 10-year average of 2.6x P/B



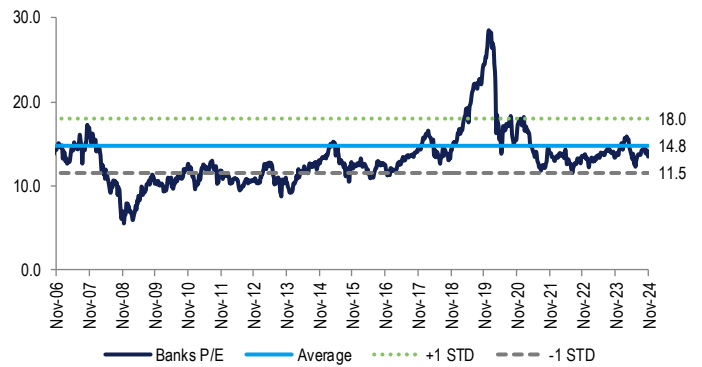
Source: Bloomberg, Indo Premier

Fig. 14: Banks forward P/B – now trading at 2.5x FY25F P/B vs. 10-year average of 2.3x P/B



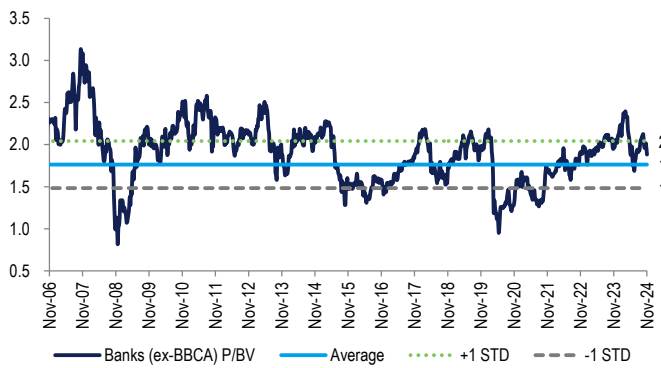
Source: Bloomberg, Company, Indo Premier
Consists of: BBKA, BBRI, BMRI, BBN

Fig. 15: Banks forward P/E – now trading at 12.9x FY25F P/E vs. 10-year average of 14.8x P/E



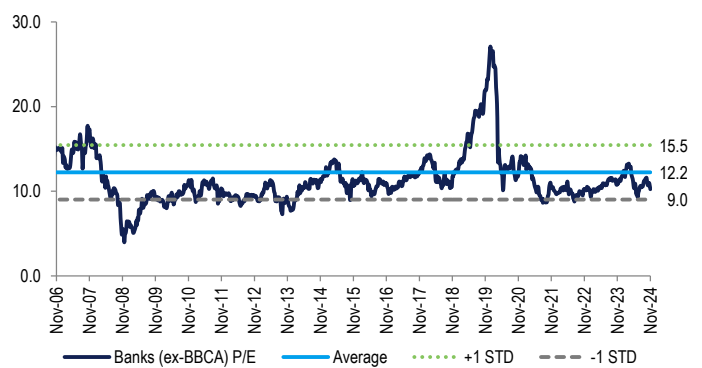
Source: Bloomberg, Company, Indo Premier

Fig. 16: Banks (ex-BBCA) forward P/B – now trading at 1.8x FY25F P/B vs. 10-year average of 1.8x P/B



Source: Bloomberg, Company, Indo Premier
Consists of: BBRI, BMRI, BBN

Fig. 17: Banks (ex-BBCA) forward P/E – now trading at 9.8x FY25F P/E vs. 10-year average of 12.2x P/E



Source: Bloomberg, Company, Indo Premier

Fig. 18: Staples forward P/E – now trading at 16.0x FY25F P/E vs. 10-year average of 29.6x P/E



Source: Bloomberg, Company, Indo Premier
Consists of: ICBP, KLBF, MYOR, SIDO, UNVR

Fig. 19: Staples forward P/B – now trading at 3.6x FY25F P/B vs. 10-year average of 8.5x P/B



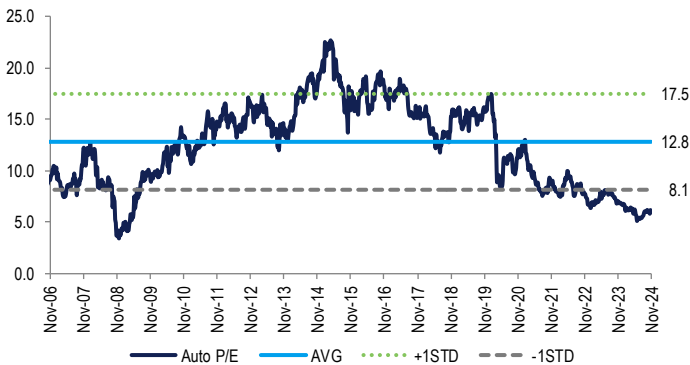
Source: Bloomberg, Company, Indo Premier

Fig. 20: Telco forward EV/EBITDA – now trading at 4.2x FY25F EV/EBITDA vs. 10-year average of 5.6x EV/EBITDA



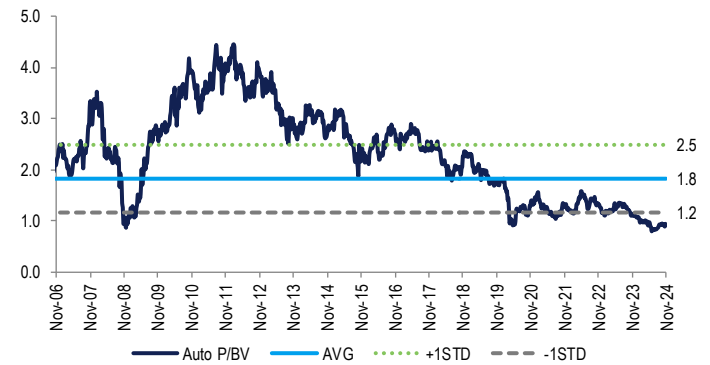
Source: Bloomberg, Company, Indo Premier
Consists of: EXCL, ISAT, TLKM

Fig. 21: Auto forward P/E – now trading at 6.0x FY25F P/E vs. 10-year average of 12.8x P/E



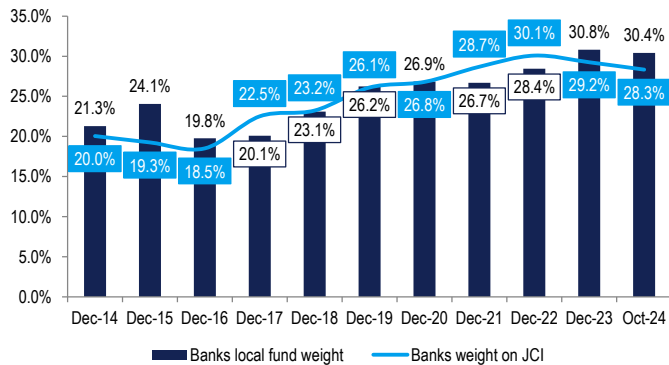
Source: Bloomberg, Company, Indo Premier
Consists of: ASII

Fig. 22: Auto forward P/B – now trading at 0.9x FY25F P/B vs. 10-year average of 1.8x P/B



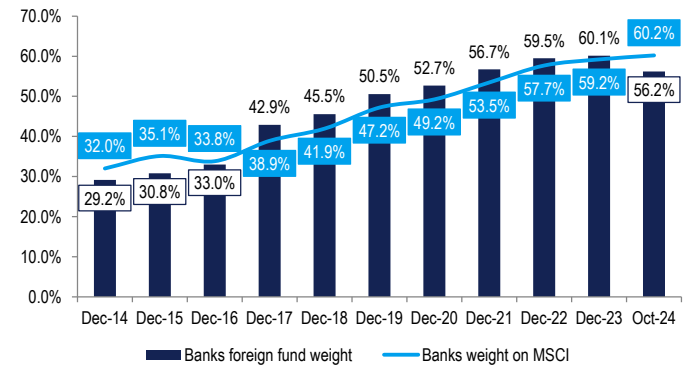
Source: Bloomberg, Company, Indo Premier

Fig. 23: Local fund weight on banks vs. banks weight on JCI



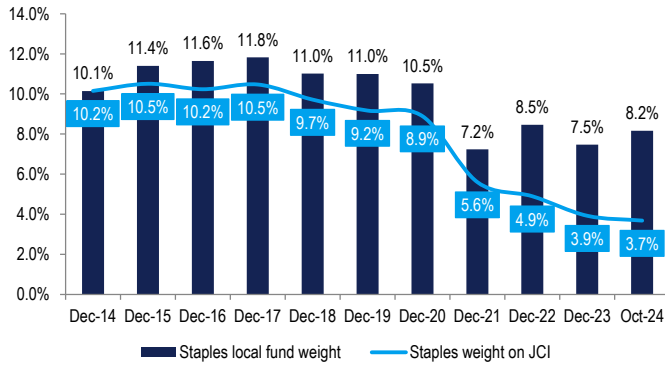
Source: Bloomberg, KSEI, Indo Premier
Consists of: BBKA, BBRI, BMRI, BBNI, BRIS, BBTN, ARTO

Fig. 24: Foreign fund weight on banks vs. banks weight on MSCI



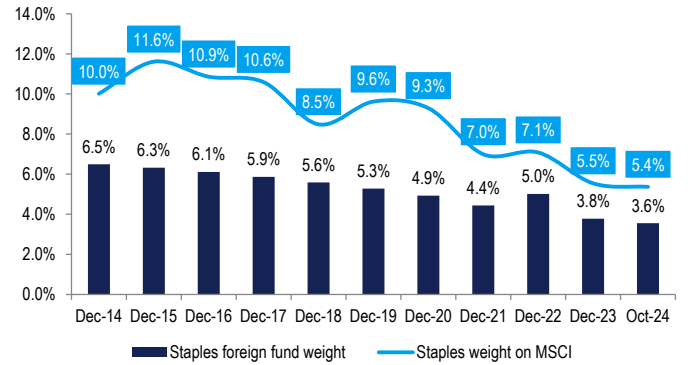
Source: Bloomberg, KSEI, MSCI, Indo Premier

Fig. 25: Local fund weight on staples vs. staples weight on JCI



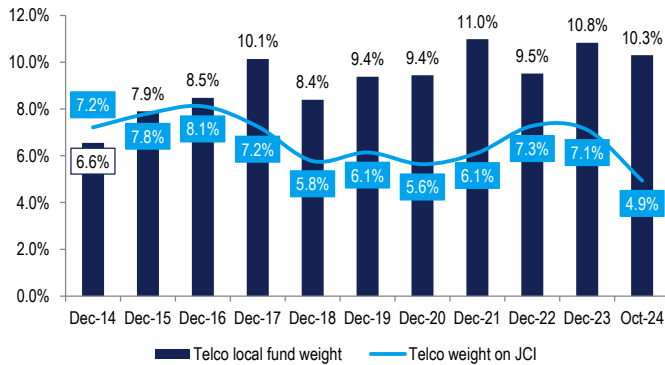
Source: Bloomberg, KSEI, Indo Premier
Consists of: INDF, ICBP, MYOR, UNVR, KLBF, SIDO

Fig. 26: Foreign fund weight on staples vs. staples weight on MSCI



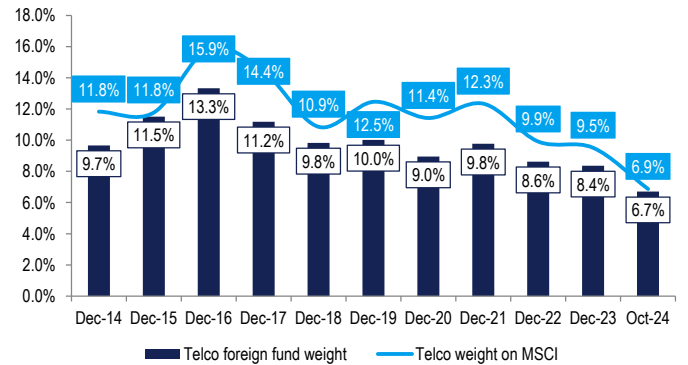
Source: Bloomberg, KSEI, MSCI, Indo Premier

Fig. 27: Local fund weight on telco vs. telco weight on JCI



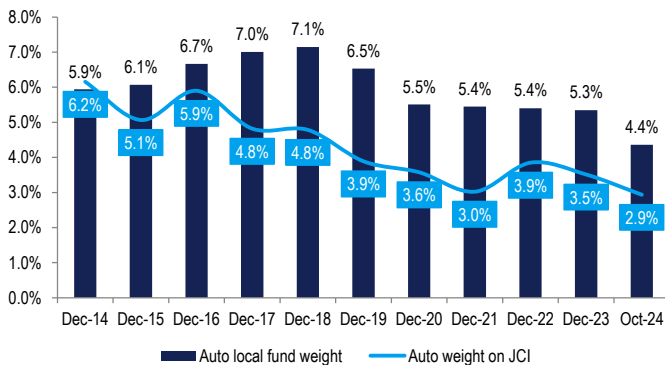
Source: Bloomberg, KSEI, Indo Premier
Consists of: EXCL, ISAT, TLKM

Fig. 28: Foreign fund weight on telco vs. telco weight on MSCI



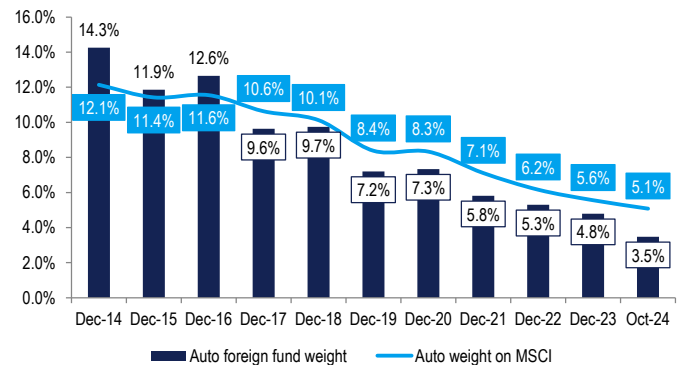
Source: Bloomberg, KSEI, MSCI, Indo Premier

Fig. 29: Local fund weight on auto vs. auto weight on JCI



Source: Bloomberg, KSEI, Indo Premier
Consists of: ASII

Fig. 30: Foreign fund weight on auto vs. auto weight on MSCI



Source: Bloomberg, KSEI, MSCI, Indo Premier

SECTOR RATINGS

- OVERWEIGHT : An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
- NEUTRAL : A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
- UNDERWEIGHT : An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

COMPANY RATINGS

- 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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The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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