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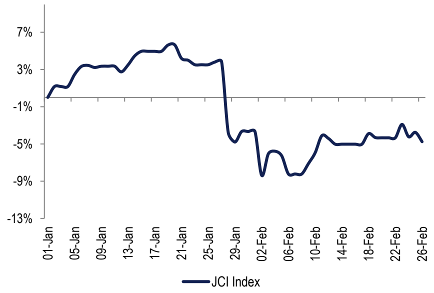
Indonesia Strategy

Strategy Update | 27 February 2026

JCI Performance

	3M	6M	12M
Absolute	-4.3%	3.8%	24.7%



Inflection point on EPS but fiscal risk remains; commodity is our pick

- Foreign recorded two years of consecutive outflows and still continue on YTD basis. We expect the flow to turnaround amid EPS inflection.
- We expect stocks under our coverage to book 10% EPS growth in FY26F (+15% for IDX80), after booking -3% EPS growth in FY25.
- We view fiscal as the key risk, stemming from large revenue shortfall and elevated spending that could lead to higher bond issuance/wider deficit.

Consistent outflow in the past 2 years

Foreign has booked -Rp43tr outflow in JCI (-Rp46tr in IDX80) in 2025 and continuation post -Rp29tr outflow in 2024 (-37.3tr in IDX80) – this represents -0.3/-0.2% of market cap in 2025/24. This was similar to 2018-2020 period where foreign booked a total -Rp123tr of outflow (-Rp61/17/46tr in 2020/19/18 or -1.0/-0.2/-0.7% of market cap). We believe the outflow in 2025 was expected as JCI booked -7% EPS growth (our coverage at -3% yoy) along with the change in political landscape. However, the outflow continues YTD with -Rp17.3tr, with banks remained the biggest source of outflow especially BBCA at -Rp15.9tr YTD (-Rp28.8tr in 2025) amidst non-fundamental concern and was exacerbated by recent event on Martabe (UNTR); this was despite BBCA's strong fundamental.

Earnings inflection should be the main catalyst

After posting -3% EPS growth in 2025, we expect stocks under coverage to book 10% earnings growth whereas IDX80 is projected to generate 15% EPS growth. With bulk of the earnings recovery shall come from: metals and oil & gas. However, we think there is a good chance that consensus also underestimated banks' earnings estimates at 6% i.e. BMRI booked 16% earnings growth in Jan26. Note that post announcement of BMRI's 4Q25 result (which was a beat), BMRI experienced sizable foreign inflow of +Rp2.8tr vs. its big 3 peers of +Rp1.2tr/-Rp58.6bn/-Rp4.4tr for BBRI/BBNI/BBCA (during 6th Feb26 to 26th Feb26).

Fiscal may be the biggest risk for 2026

Given that there is a big shortfall in revenue of Rp248.8tr in 2025 (91.7% of 2025's target which translate in -3.3% yoy drop in revenue) from the miss in tax collection; and higher revenue target of +14.4% yoy in 2026, we expect that there is a good chance that overall revenue might miss again this year. At the same time, overall spending increases by +11.3% yoy – largely coming from nutritious meal program (to Rp335tr from Rp51.5tr or +550.5% yoy) and defence spending (to Rp337.4tr from Rp166.2tr or +103.0% yoy); worth noting that some of the spending also been shifted to SOE banks i.e. village cooperatives. This creates a risk in overall fiscal position and may result in either higher financing needs (also deficit) and/or curb in spending. Further implication of fiscal risk is rating downgrade by Fitch/Moody's and S&P, ultimately translate to even higher cost of borrowing and financing needs.

We prefer commodity space and companies with strong earnings growth

Given the fiscal risk and current geopolitical condition, we prefer commodities names such as: ANTM, TINS, INCO and Merdeka group. We also like companies with strong earnings recovery i.e. BMRI/BRIS/BBTN. JCI/IDX 80 currently trades at 15.5x/12.6x FY26F P/E vs. its 10Y average of 16.7x/14.0x (5Y for IDX80 as it was launched in Feb2019), which is really attractive, in our view. Another risk is liquidity for banks especially in 2Q during dividend period.

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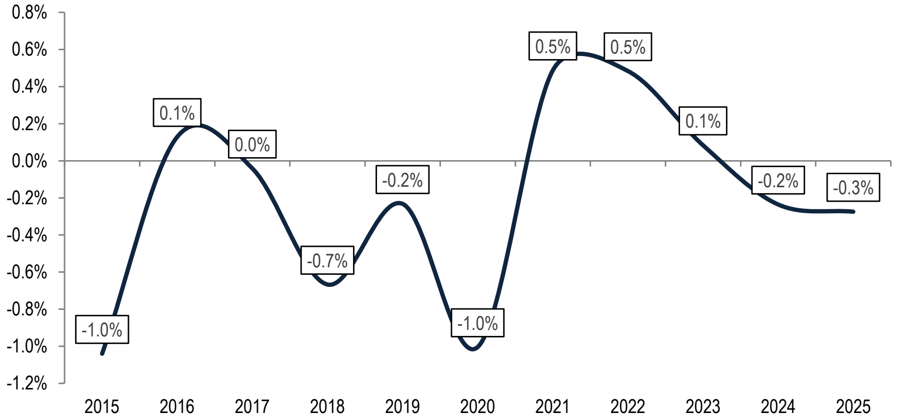
Fig. 1: Two consecutive years of outflow – Foreign investors posted another outflow at -Rp43tr or -0.3% of market cap in 2025 vs. -Rp29tr or -0.2% of market cap in 2024



Source: Bloomberg, Indo Premier

Consistent outflow in the past 2 years

Foreign investors recorded a -Rp43tr outflow in JCI (-Rp46tr in IDX80) in 2025, extending the -Rp29tr outflow seen in 2024 (-Rp37.3tr in IDX80) – equivalent to around -0.3/-0.2% of market cap in 2025/24. Banks still recorded the biggest outflow at -Rp54.9tr in FY25 (-Rp38.1tr in FY24), sourced from both BBCA (-Rp28.8tr) and BMRI (-Rp13.8tr), followed by coal at -Rp6.2tr (+Rp3bn in FY24) and staples at -Rp4.8tr (+Rp2.5tr in FY24).

Meanwhile, metals posted the largest inflow at +Rp14.3tr in FY25 (+Rp0.3tr in FY24), due to ANTM (+Rp5.5tr) and BRMS (+Rp5tr), followed by telco at +Rp7.8tr (-Rp1.1tr in FY24), from TLKM (+Rp7.2tr) and auto at +Rp5.9tr (-Rp2.2tr in FY24), from ASII (+Rp5.9tr). This trend mirrors the 2018–2020 period, when cumulative foreign outflows reached -Rp123tr (-Rp61/17/46tr in 2020/19/18 or -1.0/-0.2/-0.7% of market cap). We think the 2025 outflow was kind of expected, given JCI's -7% EPS growth and the shift in the political landscape.

Fig. 2: Foreign flow by sector recap – banks still led the outflow in 2025 at -Rp55tr vs. Rp38tr in 2024

Foreign flow by sector (Rp bn)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Feb26 YTD
Auto	(4,493)	3,297	(6,162)	(3,232)	(1,324)	(179)	(430)	1,163	809	(2,162)	5,940	1,788
Banks	(30,756)	16,295	10,959	(19,982)	12,673	(15,000)	25,580	21,761	9,888	(38,089)	(54,893)	(16,536)
Cement	(2,612)	2,193	893	(294)	(2,489)	(1,144)	(1,841)	(396)	(847)	(557)	(332)	(49)
Coal	970	(5,025)	2,063	(4,363)	(4,596)	(3,254)	1,335	4,741	(1,571)	3	(6,179)	(5,489)
Construction	1,414	1,471	287	(1,297)	118	(1,662)	(645)	340	(234)	(79)	8	(7)
CPO	23	(583)	(74)	(44)	(202)	(476)	415	586	(227)	91	679	(139)
Digital banks	2	44	6	(6)	(4)	44	5,180	2,726	(886)	698	100	159
Healthcare	(1,484)	323	229	(187)	135	(655)	(945)	(631)	(345)	918	(1,395)	20
Industrial estate	(970)	(459)	170	(345)	118	(208)	139	(181)	41	174	(272)	30
Media	(163)	(354)	(5)	(768)	(539)	(1,559)	440	(255)	(1,075)	(680)	(311)	(23)
Metals	285	(1,620)	(198)	373	(559)	2,691	4,236	4,542	2,323	269	14,279	3,732
Others	1,716	(6,673)	703	1,865	(16,093)	(5,727)	(7,032)	3,605	1,534	5,055	(2,659)	(3,140)
Poultry	917	363	439	387	(2,199)	(785)	(438)	206	21	525	742	659
Property	1,722	2,218	320	(1,500)	156	(2,787)	(883)	919	227	228	(1,568)	144
Retail	(594)	629	321	(19)	(1,220)	(1,493)	51	(444)	(349)	2,284	(2,410)	66
Staples	(7,663)	1,396	(2,054)	(3,750)	1,535	(6,396)	2,615	5,008	493	2,500	(4,824)	(917)
Tech	0	0	0	0	0	0	(205)	(2,000)	423	(1,782)	(1,220)	(674)
Telcos	(2,122)	(1,204)	(8,656)	(5,413)	827	(11,309)	8,442	2,481	913	(1,093)	7,790	496
Tobacco	1,044	(374)	(237)	(1,851)	(1,433)	(3,712)	(200)	(104)	(1,103)	(371)	67	96
Toll-road	(2,446)	(354)	(101)	(774)	(942)	(459)	129	151	569	(416)	33	93
Towers	(634)	(1,208)	(402)	(1,285)	(2,155)	(3,571)	(461)	(2,865)	(1,490)	(2,053)	(525)	143
Utilities	(3,445)	(3,406)	(1,088)	(3,176)	1,446	(3,361)	745	2,646	(708)	5,870	3,726	2,263
JCI	**(49,291)**	**6,968**	**(2,588)**	**(45,661)**	**(16,745)**	**(61,001)**	**36,228**	**44,001**	**8,405**	**(28,667)**	**(43,225)**	**(17,284)**
IDX80*					**(17,525)**	**(56,495)**	**39,840**	**39,169**	**5,022**	**(37,304)**	**(46,136)**	**(16,199)**

**IDX80 was introduced in February 2019*

Source: Bloomberg, Indo Premier

Fig. 3: Foreign booked -Rp17.3tr of outflow in FY26 YTD (until 26th Feb26), mostly sourced from banks at -Rp16.5tr, while inflows were coming from metals at +Rp3.7tr

By Sector	Foreign flow (Rp bn)			Performance
	Jan-26	1Feb2025 - 26Feb2026	FY26 YTD	YTD %
Auto	1,364	424	1,788	-0.4%
Banks	(16,499)	(36)	(16,536)	-0.5%
Cement	(17)	(32)	(49)	-4.8%
Coal	(3,204)	(2,285)	(5,489)	-14.7%
Construction	(1)	(5)	(7)	-12.1%
CPO	(19)	(121)	(139)	-5.4%
Digital banks	198	(40)	159	-16.9%
Healthcare	39	(19)	20	-8.7%
Industrial estate	59	(29)	30	3.2%
Media	39	(62)	(23)	-16.2%
Metals	3,480	252	3,732	20.8%
Others	(1,198)	(1,942)	(3,140)	-7.5%
Poultry	620	39	659	-6.4%
Property	(5)	148	144	-19.1%
Retail	(119)	185	66	-6.7%
Staples	(241)	(677)	(917)	-6.3%
Tech	(204)	(470)	(674)	-7.9%
Telcos	(166)	663	496	-0.4%
Tobacco	81	15	96	20.1%
Toll-road	78	15	93	9.4%
Tow ers	345	(202)	143	-40.4%
Utilities	2,243	21	2,263	-15.5%
JCI	**(13,127)**	**(4,156)**	**(17,284)**	**-4.8%**

Source: Bloomberg, Indo Premier

However, outflows persisted at -Rp13.1tr in Jan26 and -Rp4.2tr from 1st Feb26 to 26th Feb26, bringing total YTD outflows to -Rp17.3tr or -0.1% of market cap. Banks remained the largest source of outflows at -Rp16.5tr, mainly driven by BBCA at -Rp15.9tr YTD (-Rp28.8tr in 2025) amid non-fundamental concern and was exacerbated by Martabe's event (UNTR), despite BBCA's strong fundamentals. Interestingly, banks performance stayed relatively resilient at -0.5% YTD (vs. JCI at -4.8% YTD).

Biggest outflow also came from coal (-Rp5.5tr), largely attributed to BUMI (-Rp7.9tr); the outflow was in line with coal's share price performance at -15% YTD performance (BUMI at -30% YTD). On the other hand, metals recorded the largest inflows at +Rp3.7tr, led by INCO (+Rp1.6tr), BRMS (+Rp0.9tr), and MBMA (+Rp0.6tr). Metals also outperformed other sectors at +20% YTD, supported by Merdeka Group names: MDKA (+60% YTD), MBMA (+44% YTD), and EMAS (+35% YTD).

Fig. 4: FY26 YTD foreign inflows by companies – ASII led the inflows at +Rp1.8tr, followed by BBRI at Rp1.7tr

YTD	Foreign flow (Rp bn)	Stock perf.	Changes in local fund weight (bp)	Changes in foreign fund weight (bp)
ASII	1,788	0%	(70)	1
BBRI	1,717	8%	43	88
INCO	1,582	39%	5	15
ADRO	1,070	28%	29	10
UNTR	1,028	4%	(49)	(21)
BRMS	919	-13%	(3)	4
BREN	779	-19%	0	(48)
MBMA	637	44%	6	3
MDKA	562	60%	80	20
JPFA	481	-11%	(10)	5
BBTN	446	20%	5	2
EXCL	436	-15%	(8)	(2)
PGAS	403	20%	14	13
MORA	393	-48%	0	0
PTRO	358	-42%	(28)	(5)

Source: Bloomberg, Indo Premier

Fig. 5: FY26 YTD foreign outflows by companies – BBCA posted the biggest outflows at -Rp15.9tr, followed by BUMI (-Rp7.8tr)

YTD	Foreign flow (Rp bn)	Stock perf.	Changes in local fund weight (bp)	Changes in foreign fund weight (bp)
BBCA	(15,974)	-10%	(35)	(196)
BUMI	(7,870)	-30%	(49)	(8)
BMRI	(1,444)	3%	4	(38)
BBNI	(1,046)	2%	30	15
GOTO	(647)	-5%	8	(2)
CBDK	(440)	-35%	(1)	(0)
DEWA	(434)	-22%	(16)	0
ICBP	(430)	-4%	1	1
BRIS	(396)	5%	4	0
HRTA	(349)	49%	1	0
INKP	(313)	39%	8	3
SINI	(302)	-10%	0	0
CUAN	(266)	-29%	(2)	(10)
IMPC	(252)	-49%	(10)	(8)
MYOR	(225)	-1%	11	2

Source: Bloomberg, Indo Premier

Fig. 6: We expect 10% EPS growth for stocks under our coverage in FY26F – earnings recovery will come from metals and oil & gas

Sector (IPS)	Consists of	Net income (Rp bn)			P/E		
		FY24A	FY25A/F IPS	FY26F IPS	FY24	FY25F	FY26F
Auto	ASII	34,051	31,201	32,404	5.8	8.7	8.3
	yoy growth (%/bps)		*-8.4%*	*3.9%*		*287*	*(42)*
Banks	BBCA, BBRI, BMRI, BBNI, BBTN, BRIS, ARTO	202,379	201,885	214,368	13.2	11.6	10.7
	yoy growth (%/bps)		*-0.2%*	*6.2%*		*(168)*	*(82)*
Coal	ADRO, AADI, PTBA, UNTR, ITMG	71,655	43,126	41,679	4.2	6.2	7.5
	yoy growth (%/bps)		*-39.8%*	*-3.4%*		*201*	*123*
CPO	AALI, DSNG, LSIP, TAPG	6,887	9,494	9,713	6.4	7.2	7.0
	yoy growth (%/bps)		*37.8%*	*2.3%*		*84*	*(21)*
Healthcare	MIKA, SILO, HEAL	2,584	3,125	3,490	39.7	28.8	25.1
	yoy growth (%/bps)		*20.9%*	*11.7%*		*(1,091)*	*(362)*
Metals	ADMR, ANTM, INCO, HRUM, MDKA, MBMA, NCKL	18,202	23,161	32,086	15.1	17.1	17.6
	yoy growth (%/bps)		*27.2%*	*38.5%*		*206*	*50*
Oil & Gas	AKRA, MEDC, PGEO, PGAS, ESSA	16,696	13,154	19,485	8.5	12.4	9.5
	yoy growth (%/bps)		*-21.2%*	*48.1%*		*391*	*(292)*
Poultry	CPIN, JPFA	6,732	8,739	10,109	15.0	12.0	10.0
	yoy growth (%/bps)		*29.8%*	*15.7%*		*(300)*	*(199)*
Retailer	ACES, MAPI, AMRT, CNMA	6,537	6,611	7,684	26.3	17.9	14.8
	yoy growth (%/bps)		*1.1%*	*16.2%*		*(842)*	*(310)*
Staples	UNVR, KLBF, SIDO, ICBP, INDF, MYOR, CMRY	28,021	39,875	40,678	16.4	10.5	9.9
	yoy growth (%/bps)		*42.3%*	*2.0%*		*(585)*	*(65)*
Telco	TLKM, ISAT, EXCL	30,379	22,621	26,733	12.4	21.6	18.2
	yoy growth (%/bps)		*-25.5%*	*18.2%*		*912*	*(337)*
Tobacco	GGRM, HMSP	7,627	9,041	12,481	13.0	12.3	11.0
	yoy growth (%/bps)		*18.5%*	*38.0%*		*(73)*	*(127)*
Towers	TBIG, TOWR, MTEL	6,805	7,473	8,092	19.8	20.6	14.3
	yoy growth (%/bps)		*9.8%*	*8.3%*			*(632)*
Tech	GOTO, BUKA	(6,702)	372	3,203	N/A	248.7	27.9
	yoy growth (%/bps)		*-105.6%*	*761.0%*			*(22,085)*
Total (55 stocks)		**431,853**	**419,876**	**462,204**	**12.0**	**12.1**	**11.3**
	yoy growth (%/bps)		*-2.8%*	*10.1%*		*10*	*(78)*

Source: Indo Premier

Earnings inflection should be the main catalyst

After recording -3% EPS growth in FY25, we expect stocks under coverage to deliver 10% earnings growth in FY26F. This double-digit expansion should be mainly supported by metals (+39% yoy), primarily driven by MBMA/INCO (at +290%/240% yoy), and oil & gas (+48% yoy) led by MEDC (at +193% yoy).

Another sector projected to post solid EPS growth is telco at +18% yoy, largely supported by TLKM (+15% yoy). Meanwhile, banks are expected to record moderate growth of +6% yoy, while coal is still projected to contract by -3% yoy.

Meanwhile, IDX80 is projected by consensus to deliver 15% EPS growth in FY26F (vs. -4% yoy in FY25). The key growth drivers are broadly similar with ours: metals are expected to lead the growth at +123% yoy, mainly from MBMA and INCO; telcos at +28.7% yoy, largely driven by TLKM; and oil & gas at +29% yoy, supported by MEDC. On the contrary, coal under IDX80 is projected to post +19% EPS growth, led by CUAN and BUMI. Lastly, staples/utilities are expected to record the weakest growth at +0.1%/-55.3% yoy.

In terms of valuation, the P/E of stocks under our coverage currently stands at 11.3x in FY26F (vs. 12.1x/12.0x in FY25F/FY24). Meanwhile, IDX80 is trading at 12.6x FY26F P/E (vs. 13.0x/12.3x in FY25F/FY24).

Moreover, we think there is a good chance that consensus also underestimated banks' earnings estimates at 6% i.e. BMRI booked 16% earnings growth in Jan26. Note that post announcement of BMRI's 4Q25 result (which was a beat), BMRI experienced sizable foreign inflow of +Rp1.9tr vs. its big 3 peers of +Rp18.2bn/-Rp31.8bn/-Rp4.7tr for BBRI/BBNI/BBCA.

Fig. 7: IDX80 is projected by consensus to deliver 15% EPS growth in FY26F, mostly also driven by metals, oil & gas, and telcos

Sector (IDX80)	Consists of	Net income (Rp bn)			P/E		
		FY24A	FY25A/F cons	FY26F cons	FY24	FY25F	FY26F
Auto	ASII	34,051	32,194	33,460	5.8	8.4	8.0
	yoy growth (%/bps)		*-5.5%*	*3.9%*		*260*	*(41)*
Banks	BBCA, BBNI, BBRI, BBTN, BMRI, BTPS, ARTO	196,435	195,095	206,146	13.0	11.5	10.7
	yoy growth (%/bps)		*-0.7%*	*5.7%*		*(155)*	*(81)*
Coal	AADI, ADRO, BUMI, CUAN, DSSA, ITMG, PTBA, UNTR	80,177	47,781	56,632	9.4	30.3	22.8
	yoy growth (%/bps)		*-40.4%*	*18.5%*		*2,083*	*(742)*
CPO	DSNG, TAPG	4,263	5,426	6,196	5.9	8.5	7.3
	% / bps yoy growth		*27.3%*	*14.2%*		*257*	*(124)*
Healthcare	HEAL, MIKA	1,682	1,792	2,060	35.9	30.3	25.5
	yoy growth (%/bps)		*6.5%*	*14.9%*		*(563)*	*(472)*
Metals	ADMR, AMMN, ANTM, BRMS, HRUM, INCO, MBMA, MDKA, NCKL	28,689	24,211	54,071	32.7	42.1	23.7
	yoy growth (%/bps)		*-15.6%*	*123.3%*		*938*	*(1,837)*
Oil & Gas	AKRA, ELSA, MEDC, PGAS, PGEO, ESSA	17,409	14,197	18,314	8.3	11.7	10.4
	yoy growth (%/bps)		*-18.5%*	*29.0%*		*342*	*(134)*
Poultry	CPIN, JPFA	6,732	7,951	8,904	15.0	13.2	11.3
	yoy growth (%/bps)		*18.1%*	*12.0%*		*(181)*	*(182)*
Retailer	ACES, AMRT, ERAA, MAPA, MAPI	8,194	8,787	10,121	23.5	15.2	13.0
	yoy growth (%/bps)		*7.2%*	*15.2%*		*(821)*	*(225)*
Staples	CMRY, ICBP, INDF, KLBF, MYOR, SIDO, UNVR	28,021	37,143	37,112	16.4	11.3	10.8
	yoy growth (%/bps)		*32.6%*	*-0.1%*		*(508)*	*(48)*
Telco	EXCL, ISAT, TLKM	30,379	22,967	29,557	12.4	21.2	16.5
	yoy growth (%/bps)		*-24.4%*	*28.7%*		*880*	*(478)*
Towers	MTEL, TOWR	5,443	5,694	6,023	16.0	16.3	12.6
	yoy growth (%/bps)		*4.6%*	*5.8%*		*30*	*(375)*
Tech	BUKA, EMTK, GOTO, WIFI	(5,000)	1,551	2,436	N/A	113.8	67.2
	yoy growth (%/bps)		*-131.0%*	*57.1%*			*(4,657)*
Property	BSDE, CTRA, PANI, PWON, SMRA	10,557	8,494	9,300	31.8	33.6	26.7
	yoy growth (%/bps)		*-19.5%*	*9.5%*		*182*	*(688)*
Utilities	BREN, BRPT, PTRO	2,986	10,234	4,571	453.8	167.5	295.9
	yoy growth (%/bps)		*242.7%*	*-55.3%*		*(28,625)*	*12,842*
Cement	INTP, SMGR	2,728	2,122	2,639	18.1	20.8	17.0
	yoy growth (%/bps)		*-22.2%*	*24.4%*		*265*	*(380)*
Others	ENRG, HRTA, INDY, INKP, JSMR, KIJA, KPIG, PNLF, RAJA, RATU, SCMA, SSIA	17,203	24,199	29,232	8.5	10.2	8.8
	yoy growth (%/bps)		*40.7%*	*20.8%*		*174*	*(141)*
Total (80 stocks)		**469,949**	**449,838**	**516,774**	**12.3**	**13.0**	**12.6**
	yoy growth (%/bps)		*-4.3%*	*14.9%*		*71*	*(47)*

Source: Bloomberg, Indo Premier

Fiscal is the biggest risk

Given that there is a big shortfall in revenue of Rp248.8tr in 2025 from the miss in tax collection (8.3% lower from its target/-3.3% yoy) and higher revenue target of +14.4% yoy in 2026; we would expect that there is a good chance that overall revenue might miss again this year. Along with higher spending, we think this will translate to either in higher financing needs and/or cut in spending.

In Jan26, fiscal revenue rose +9.5% yoy to Rp172.7tr, supported by +30.7% yoy growth in tax revenue, largely reflecting a low base effect and lower tax restitution. However, compared with Jan24, tax revenue remains -22% lower, suggesting that recovery is ongoing but still gradual. Based on this trajectory and factoring in overall FY26 economic growth, we estimate a potential -Rp252tr revenue shortfall, which would bring total fiscal revenue to around Rp2,902tr (+5.3% yoy) in FY26.

Fig. 8: We estimate higher fiscal deficit at -2.91% of GDP

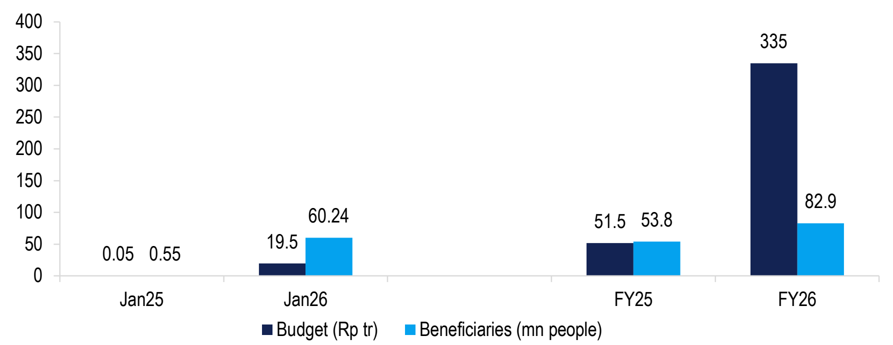
	FY24	% Realization to APBN 2024	FY25	% Realization to APBN 2025	2026 APBN	% yoy	IPOT 2026 APBN Outlook	% yoy
Spending	3359.76	100.49	3,451	95	3,843	11.3	3,651	5.8
Organization type								
Central Gov't	2496.22	100.42	2,602	96	3,150	21.0		
Regional Transfer	863.54	100.69	849	92	693	-18.4		
Revenue	2850.6	101.72	2,756	92	3,154	14.4	2,902	5.3
Tax	1,931.6	97.12	1,918	88	2,358	23.0		
Custom & Excise	300.2	93.54	300	100	336	11.9		
Non-Tax	584.4	106.42	534	104	459	-14.0		
Grant	34.39	98.46	4		1	-84.6		
Balance	-509.2	94.11	-695.1	112.8	-689		-749	
% to GDP			*-2.92*		*-2.68*		*-2.91*	

Source: MoF, Indo Premier

On the expenditure side, government target +11.3% yoy growth in FY26 – largely coming from nutritious meal program (to Rp335tr from Rp51.5tr or +550.5% yoy) and defence spending (to Rp337.4tr from Rp166.2tr or +103.0% yoy). We expect the gov't will make adjustments by mid-2026 to accommodate priority programs such as MBG and defence, alongside rising interest payments, while keeping the deficit under the -3.0% of GDP. Monthly interest payments have already reached a record Rp50.4tr in Jan26, and projected to increase +8.6% yoy to Rp599.4tr in FY26. It is also worth noting that some of the state spending has also been shifted to SOE banks i.e. village cooperatives.

Overall, the current fiscal stance increases the risk of a wider deficit. We project the FY26 fiscal deficit to reach -2.91% of GDP (FY26 APBN: -2.68%), reflecting potential 8% revenue shortfall, which could translate to moderated spending realization of Rp3,651tr (+5.8% yoy) vs. state budget's spending target of Rp3,843tr (+11.3% yoy). Further implication of fiscal risk is rating downgrade by Fitch/Moody's and S&P, ultimately translate to even higher cost of borrowing and financing needs (link to our economist note on rating downgrade).

Fig. 9: MBG, the key program, is expected to reach Rp335tr in FY26



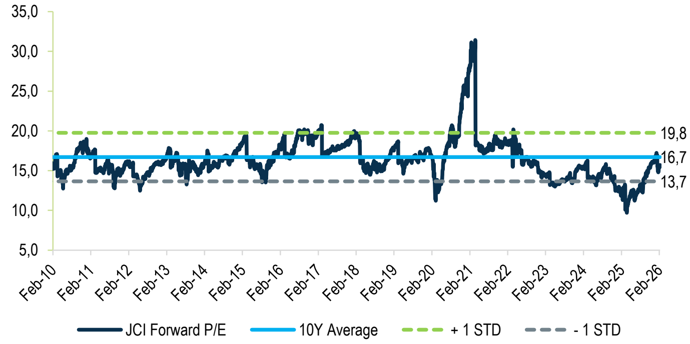
Source: MoF, Indo Premier

We prefer commodity space and companies with strong earnings growth

Given fiscal risks and the current geopolitical backdrop, we prefer commodities names such as ANTM, TINS, INCO, and the Merdeka group. We also favor companies with strong earnings recovery potential, namely BMRI/BRIS/BBTN.

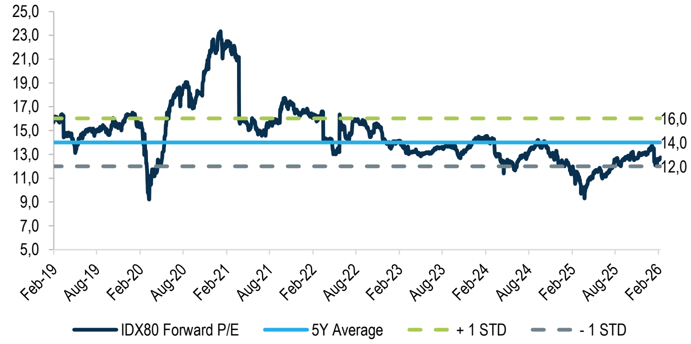
JCI/IDX80 are currently trading at 15.5x/12.6x 2026 P/E, compared with their 10/5Y averages of 16.7x/14.0x (5Y for IDX80, as it was launched in Feb2019), which we view as attractive. Another key risk to monitor is banks' liquidity, particularly in 2Q during the dividend season.

Fig. 10: JCI's forward P/E – now stood at 15.5x FY26F P/E vs. 10-year average of 16.7x P/E



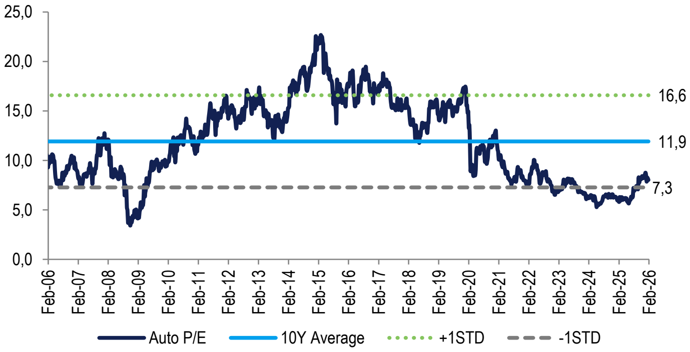
Source: Bloomberg, Indo Premier

Fig. 11: IDX80's forward P/E – now stood at 12.6x FY26F P/E vs. 5-year average of 14.0x P/E



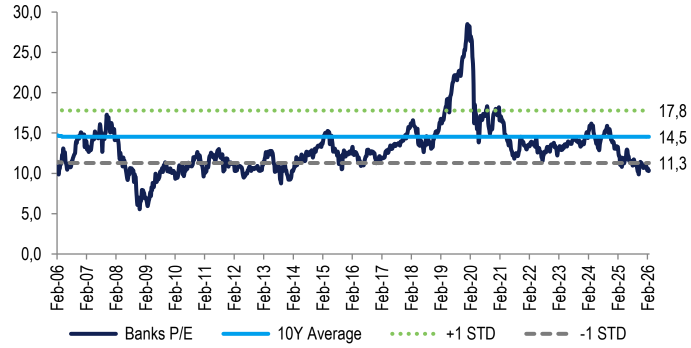
Source: Bloomberg, Indo Premier

Fig. 12: Auto forward P/E – now stood at 8.3x FY26F P/E vs. 10-year average of 11.9x P/E



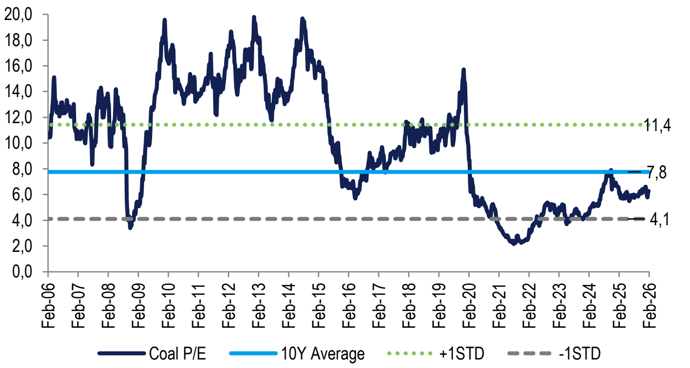
Source: Bloomberg, Indo Premier

Fig. 13: Banks forward P/E – now stood at 10.7x FY26F P/E vs. 10-year average of 14.5x P/E



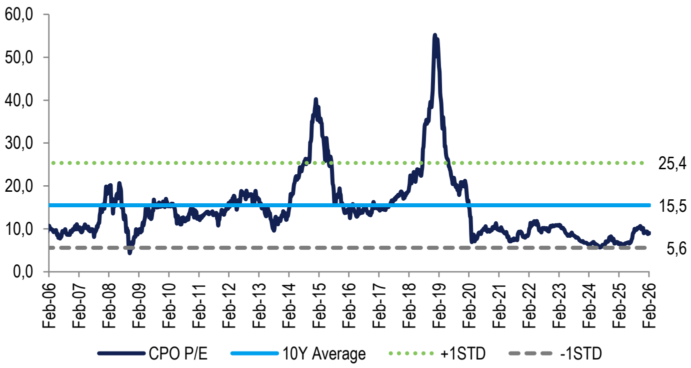
Source: Bloomberg, Indo Premier

Fig. 14: Coal forward P/E – now stood at 7.5x FY26F P/E vs. 10-year average of 7.8x P/E



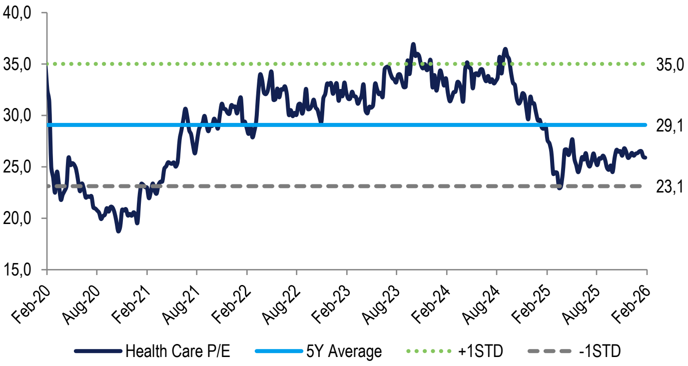
Source: Bloomberg, Indo Premier

Fig. 15: CPO forward P/E – now stood at 7.0x FY26F P/E vs. 10-year average of 15.5x P/E



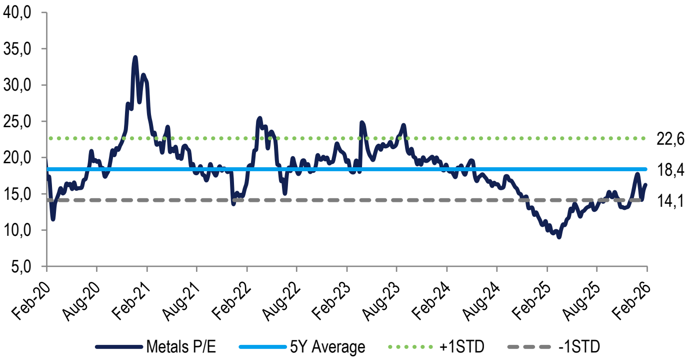
Source: Bloomberg, Indo Premier

Fig. 16: Healthcare forward P/E – now stood at 25.1x FY26F P/E vs. 5-year average of 29.1x P/E



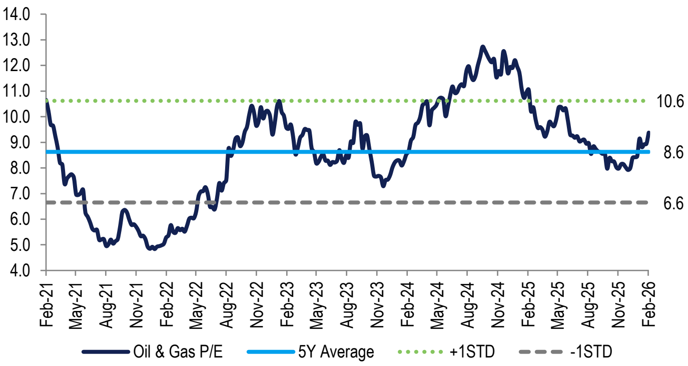
Source: Bloomberg, Indo Premier

Fig. 17: Metals forward P/E – now stood at 17.6x FY26F P/E vs. 5-year average of 18.4x P/E



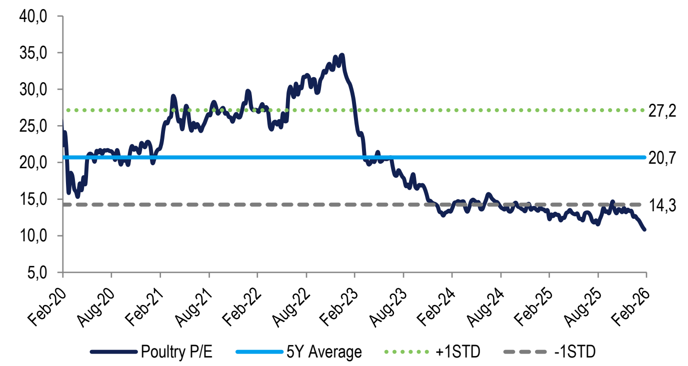
Source: Bloomberg, Indo Premier

Fig. 18: Oil & Gas forward P/E – now stood at 9.5x FY26F P/E vs. 5-year average of 8.6x P/E



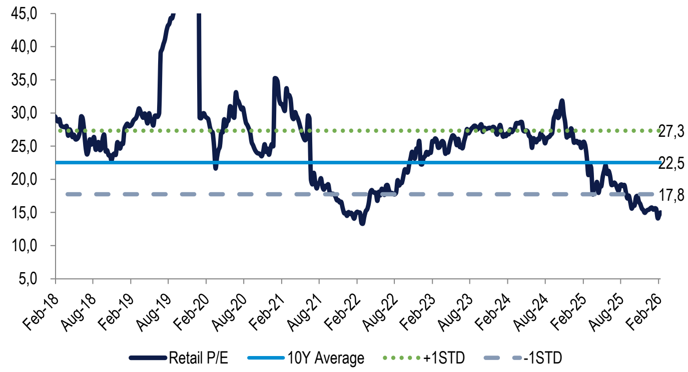
Source: Bloomberg, Indo Premier

Fig. 19: Poultry forward P/E – now stood at 10.0x FY26F P/E vs. 5-year average of 20.7x P/E



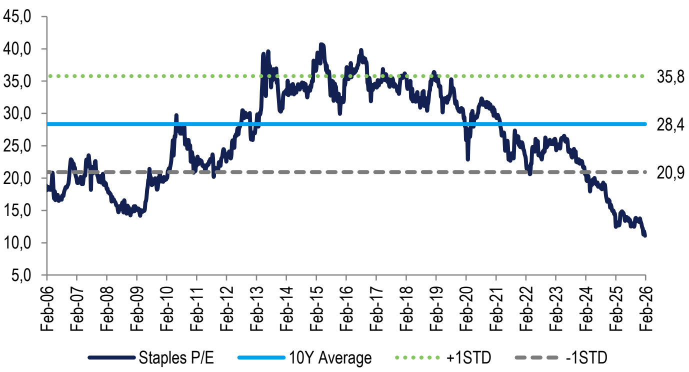
Source: Bloomberg, Indo Premier

Fig. 20: Retailer forward P/E – now stood at 14.8x FY26F P/E vs. 10-year average of 22.5x P/E



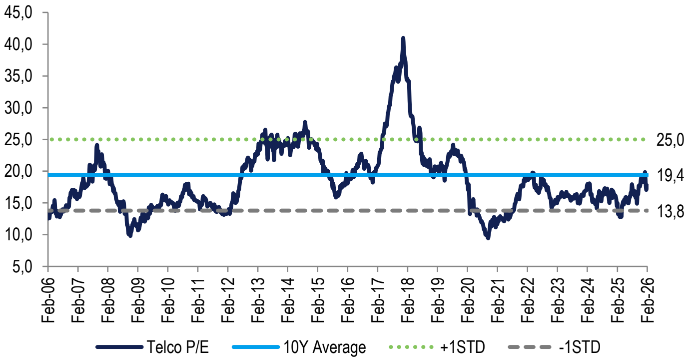
Source: Bloomberg, Indo Premier

Fig. 21: Staples forward P/E – now stood at 9.9x FY26F P/E vs. 10-year average of 28.4x P/E



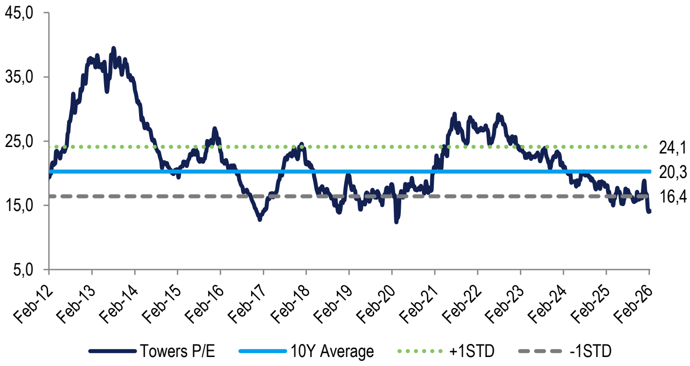
Source: Bloomberg, Indo Premier

Fig. 22: Telco forward P/E – now stood at 18.2x FY26F P/E vs. 10-year average of 19.4x P/E



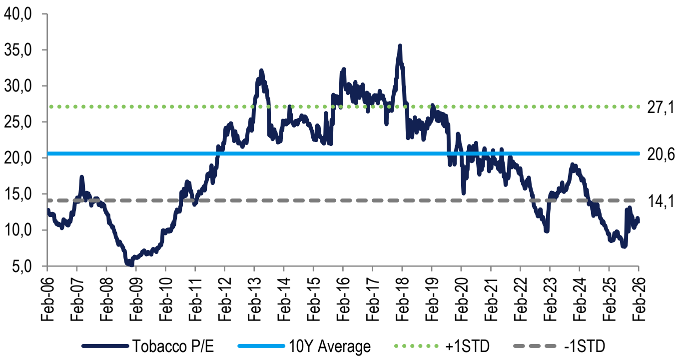
Source: Bloomberg, Indo Premier

Fig. 23: Towers forward P/E – now stood at 14.3x FY26F P/E vs. 10-year average of 20.3x P/E



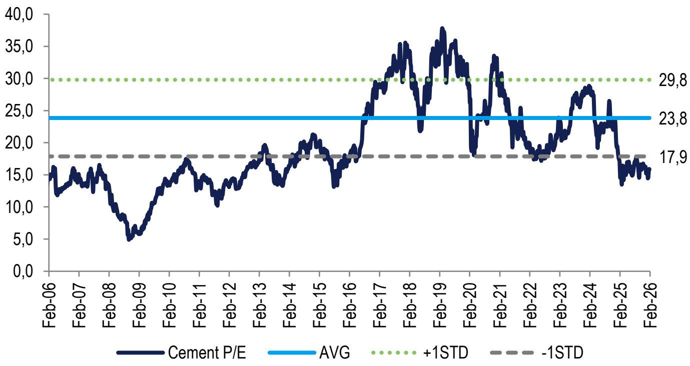
Source: Bloomberg, Indo Premier

Fig. 24: Tobacco forward P/E – now stood at 11.0x FY26F P/E vs. 10-year average of 20.6x P/E



Source: Bloomberg, Indo Premier

Fig. 25: Cement forward P/E – now stood at 17.0x FY26F P/E vs. 10-year average of 23.8x P/E



Source: Bloomberg, 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

ANALYSTS CERTIFICATION

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.