Strategy

Cheap Enough To Wait Out, Yielding Enough To Stay Put

Highlights

- The JCI's 41% ytd fall, the weakest globally, mainly reflects capital-flow risks, not fundamentals; 9M26 earnings rose 19.5% yoy.
- A re-rating hinges on MSCI clarity and easing oil and macro pressures. End-27 JCI target: 5,900.
- Stay balanced: Prioritise high dividend yields across rupiah and US-dollar earners. Our top picks are AADI, AKRA, ANTM, ASII, ELSA, GOTO, JPFA, KLBF, TLKM and UNVR.

Analysis

- **2026: From record high to Standalone risk.** The JCI slid from a record 9,135 (20 Jan 26) to 5,342 (8 Jun 26) on the back of MSCI's Frontier warning, introduction of Danantara Sumberdaya Indonesia and oil above US$100, which raised the risk of the deficit exceeding 3% of GDP amid large fiscal programmes. BI's hikes to 5.75% (20 May 26, 9-18 Jun 26) and a softer DSI stance lifted it to 6,704 by Sep 26, before MSCI's 15 Oct 26 Standalone proposal sent it to a new low of 4,997. It has since recovered slightly, but foreign outflows (US$5.4b ytd) are the heaviest since 2008-09.
- **Earnings held up, but flows dominated.** 9M26 revenue/net profit of the stocks under our coverage grew 12.8%/19.5% yoy, but only partly reflect cost pressures from the late-Feb 26 oil spike and Jun 26's El Niño. We foresee margin and liquidity pressure in 1H27; a 2H27 recovery hinges on oil prices and El Niño easing, alongside looser monetary policy.
- **A binary event.** MSCI will decide by 30 Jun 27 (consultation closes 30 Apr 27), with implementation by Nov 27, risking another US$5.1b-8.7b of foreign outflows. Reforms are sweeping (1% disclosure, 15% free float, ~80 HSC stocks out of the JCI, various fines and penalties), but consistent enforcement is key. Past Standalone downgrades saw indices rise a median 45% in the 12 months after implementation; the JCI has already fallen 39% since MSCI's first warning (28 Jan 26), more than any past case at that stage.
- **2027 outlook: End-27 JCI target of 5,900** is based on 8.8x 2027F PE (2SD below the three-year mean) and EPS of 673 (+12.6% yoy), reflecting a structural de-rating as 10-year yields hit 7.64%. At 7.6x 2027F PE, a 17-year low, valuations offer a cushion, not yet a floor. Risks: Standalone confirmation, fiscal slippage, earnings cuts, rupiah weakness and outflows.
- **Stock selection: Balanced, yield-first.** Being fully defensive carries the risk of missing the rebound, so we pick stocks across three categories: a) yield-backed big caps ASII and TLKM (9-11% yields, buybacks), first to re-rate if Indonesia's Emerging market status is retained; b) rupiah and US-dollar earners outside MSCI Standard with net cash and high payouts (AADI, AKRA, ANTM, ELSA, JPFA, KLBF, UNVR), limiting passive-selling risk; and c) GOTO for fintech-led growth, backed by net cash.

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JCI year-end target (2027): 5,900

Top Picks

Ticker	Rec	Share Price (Rp)	Target Price (Rp)
AADI	BUY	10,150	13,500
AKRA	BUY	1,370	1,600
ANTM	BUY	2,690	4,100
ASII	BUY	5,000	7,100
ELSA	BUY	555	1,450
GOTO	BUY	24	60
JPFA	BUY	1,550	2,800
KLBF	BUY	755	1,000
TLKM	BUY	1,980	3,300
UNVR	BUY	1,515	1,800

Source: UOB Kay Hian

Sector Ratings

Sector	UOBKH Ratings
Automobile	MARKET WEIGHT
Banking	MARKET WEIGHT
Consumer	MARKET WEIGHT
Healthcare	OVERWEIGHT
Mining	MARKET WEIGHT
Oil & Gas	MARKET WEIGHT
Technology	OVERWEIGHT
Telecommunications	MARKET WEIGHT

Source: UOB Kay Hian

Figure 1: Top Picks

Company	Ticker	Rec	Price 6 Nov 26 (Rp)	Target Price (Rp)	Upside (%)	Market Cap (US$m)	3-month Avg Turnover (US$m)	PE 2026F (x)	PE 2027F (x)	P/B 2026F (x)	P/B 2027F (x)	ROE 2026F (%)	Net Gearing 2026F (%)
Adaro Andalan Indonesia	AADI	BUY	10,150	13,500	33.0	4,369	7.8	4.7	4.7	1.4	1.3	29.2	(9.7)
AKR Corporindo	AKRA	BUY	1,370	1,600	16.8	1,520	1.6	10.4	10.5	2.2	2.2	21.4	(10.0)
Aneka Tambang	ANTM	BUY	2,690	4,100	52.4	3,574	17.4	5.8	5.2	1.5	1.4	29.2	(14.6)
Astra International	ASII	BUY	5,000	7,100	42.0	11,190	13.6	7.1	6.0	0.9	0.8	11.9	0.2
Elnusa	ELSA	BUY	555	1,450	161.3	224	0.8	4.7	3.8	0.7	0.6	15.6	(50.6)
GoTo Gojek Tokopedia	GOTO	BUY	24	60	150.0	1,580	9.4	19.6	19.7	0.9	0.8	4.6	(45.8)
Japfa Comfeed Indonesia	JPFA	BUY	1,550	2,800	80.6	1,005	1.6	4.2	3.9	0.9	0.8	21.2	56.3
Kalbe Farma	KLBF	BUY	755	1,000	32.5	1,954	2.8	9.1	8.3	1.3	1.2	14.4	(22.5)
Telkom Indonesia	TLKM	BUY	1,980	3,300	66.7	10,843	23.5	9.0	9.0	1.3	1.3	13.3	26.2
Unilever Indonesia	UNVR	BUY	1,515	1,800	18.8	3,195	1.8	14.1	13.8	26.2	25.6	185.2	(117.0)

Source: Bloomberg, UOB Kay Hian

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- AKR Corporindo (AKRA IJ)
- Aneka Tambang (ANTM IJ)
- Astra International (ASII IJ)
- Elnusa (ELSA IJ)
- GoTo Gojek Tokopedia (GOTO IJ)
- Japfa Comfeed Indonesia (JPFA IJ)
- Kalbe Farma (KLBF IJ)
- Telkom Indonesia (TLKM IJ)
- Unilever Indonesia (UNVR IJ)

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This report uses the closing prices of 6 Nov 26

Market Outlook

2026 RECAP – FROM RECORD HIGH TO STANDALONE RISK

JCI among the worst-performing indices in 2026

From record high to Standalone risk. The JCI will enter 2027 as one of the world's worst-performing indices, down 41% ytd, while Thailand (+16.4%), Singapore (+11.5%), the US (+7.8%) and Brazil (+3.1%) have all risen. Even the Philippines, the weakest of the peers listed, is down only 4.8%. Net foreign outflows of US$5.4b mark the heaviest selloff since 2008-09. Two concerns drove the sell-off:

a) The first was more macro in nature. The government's expansionary fiscal push raised questions about the credibility of fiscal management, and high oil prices and food inflation further strained the fiscal position and weighed on the rupiah.
b) The second was specific to the equity market, as MSCI raised concerns over opaque shareholding structures and possible coordinated trading behaviour that undermines proper price formation. MSCI has threatened to downgrade Indonesia from the Emerging Markets (EM) index.

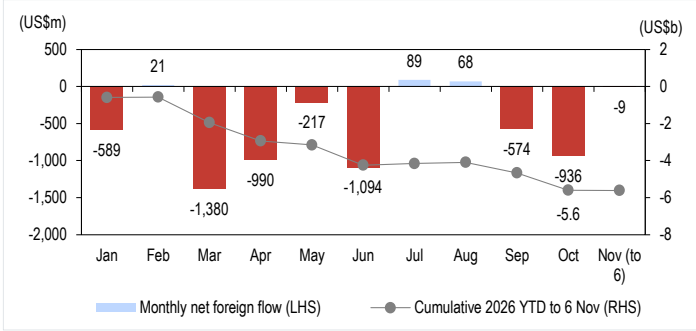
From a record 9,135 on 20 January, the JCI slid to a six-year low of 5,342 on 8 June, dragged down by: a) MSCI's 28 January Frontier downgrade warning; b) the US-Iran war that began on 28 February and pushed oil above US$100; and c) the government's 20 May introduction of Danantara Sumberdaya Indonesia (DSI), a new state company that will centralise exports of strategic commodities. The index rebounded 25% to 6,704 in early-September with valuations bottoming at 5,342 on 8 June, BI hiking rates by 100bp to 5.75% with a lower fiscal push on the free-meal programme (MBG), and a more lenient DSI approach. However, the recovery proved short-lived. After MSCI proposed the Standalone market status (lower than EM and Frontier market) on 15 October, the index plunged 11.6% the next day before closing at 4,997 on 19 October.

Figure 2: YTD 2026 Index Performance



Source: Bloomberg, UOB Kay Hian

Figure 3: Massive Net Foreign Outflow In 2026 (Monthly, YTD To 6 Nov 26)



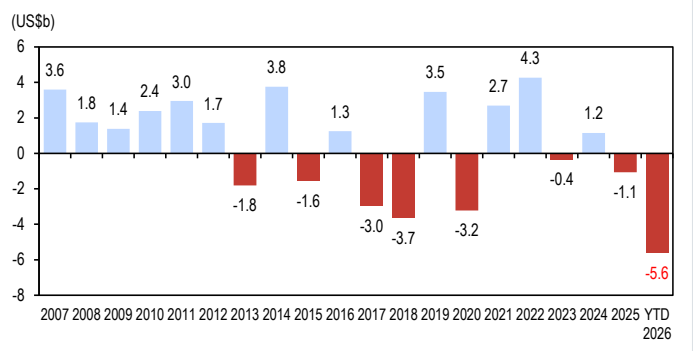
Source: IDX (via Bloomberg), UOB Kay Hian

Figure 4: Valuation Has Hit Rock Bottom (JCI 12-month Forward PE)



Source: Bloomberg, UOB Kay Hian

Figure 5: Foreign Net Inflow/Outflow, 2007 To 6 Nov 26



Source: IDX (via Bloomberg), UOB Kay Hian

Figure 6: Index Performance

Index	Country	YTD	1Y	3Y	5Y	10Y
JCI Index	Indonesia	(41.6)	(39.4)	(26.6)	(23.3)	(5.8)
FBMKLCI Index	Malaysia	(3.8)	(0.1)	10.4	5.5	(1.9)
SET Index	Thailand	16.4	11.6	3.4	(9.9)	(1.3)
FSSTI Index	Singapore	11.5	15.5	62.8	59.7	85.7
PCOMP Index	Philippines	(4.8)	(1.3)	(5.2)	(21.5)	(20.3)
VNINDEX Index	Vietnam	(3.3)	5.0	58.3	18.5	158.8
SPX Index	US	7.8	9.8	69.0	57.0	253.8
SHCOMP Index	China	(8.1)	(8.9)	19.3	4.5	16.8

Source: Bloomberg, UOB Kay Hian

Figure 7: Stock Market Valuation (Forward PE)

Market (x)	Current	1 year	3 years	5 years	10 years
Indonesia	7.3	11.0	12.1	13.2	14.5
Malaysia	13.6	14.5	14.0	13.8	14.9
Thailand	12.5	14.2	13.7	14.3	15.1
Singapore	14.7	15.1	12.7	12.2	12.8
Philippines	8.4	9.0	9.9	11.4	13.9
Vietnam	10.5	12.2	11.1	10.9	12.4
US	17.7	20.7	21.0	19.9	19.2
China	17.8	13.4	12.2	11.5	11.7

Source: Bloomberg, UOB Kay Hian

THE BINARY EVENT – MSCI'S 30 JUNE VERDICT

Good policy progress, but consistent enforcement still needed

What MSCI proposed. MSCI has proposed moving Indonesia from Emerging straight to Standalone, skipping Frontier because a Frontier downgrade would not reflect the depth of the problems: opaque shareholdings, suspected coordinated trading, unreliable free float and weak enforcement. Feedback will close on 30 Apr 27 and the decision is due by 30 Jun 27; MSCI expects to proceed unless it sees clear evidence of material improvements. As the decision rests on market participants' feedback rather than a checklist of reforms, new rules alone may not be enough, and we remain cautious for now.

Reforms in place, enforcement on trial. Since MSCI's 28 Jan 26 warning, the Financial Services Authority (OJK) and the country's self-regulatory organisations (SRO) have rolled out an eight-point reform plan built on three pillars: tighter ownership transparency, a higher minimum free float, and stricter treatment of concentrated stocks. Shareholder disclosure was cut from 5% to 1%, Kustodian Sentral Efek Indonesia (KSEI) expanded investor data to 39 categories, minimum free float was raised from 7.5% to 15.0%, and high shareholding concentration (HSC) stocks were removed from flagship indices.

After the 15 Oct 26 Standalone proposal, the focus shifted from disclosure to enforcement and index integrity. While the OJK imposed record fines of Rp2.1t on Dian Swastatika Sentosa (DSSA), Barito Renewables Energy (BREN) and Petrindo Jaya Kreasi (CUAN). Meanwhile, the Indonesia Stock Exchange (IDX) is removing around 80 HSC stocks from the JCI from 2 Nov 26, and will investigate suspected coordinated trading and freeze suspicious accounts from November onwards.

Policy progress has been substantial, but MSCI's message is that rules alone are not enough. What will matter before the Jun 27 decision is evidence of consistent enforcement and a visible reduction in coordinated trading.

Figure 8: JCI Market Reforms In Response To MSCI's 28 Jan 26 Frontier Warning

No	Date	Measure	Detail
1	1 Feb	OJK 8-point reform plan	(1) 15% free float, (2) UBO transparency, (3) ownership data, (4) demutualisation, (5) enforcement, (6) issuer governance, (7) market deepening, (8) stakeholder collaboration
2	Feb	OJK–IDX–KSEI task force	Formed after MSCI meetings (2, 5, 11 Feb)
3	Feb–Apr	Disclosure threshold 5% → 1%	IDX publishes all >1% shareholders
4	Feb–Apr	Granular investor data	KSEI expands to 39 investor categories
5	13 Mar	Buyback without GMS	Rp17t executed by 64 issuers (to Jun)
6	Apr	Min. free float 7.5% → 15%	Three-year transition for existing issuers
7	2 Apr	HSC list launched	Stocks with concentrated ownership flagged
8	4 May	HSC out of flagship indices	Removed from LQ45, IDX30, IDX80
9	14 Jul	HSC criteria tightened	Price impact ratio added; list rises to 51
10	15 Sep	Demutualisation rule issued	POJK 13/2026 on exchange shareholders

Source: OJK, IDX, KSEI, UOB Kay Hian

Figure 9: JCI Market Reforms In Response To MSCI Since 15 Oct 26 Standalone Warning

No.	Date	Measure	Detail
1	16 Oct	Record fines	Rp2.1t on DSSA, BREN, CUAN
2	16–19 Oct	Clarification sought from MSCI	IDX–MSCI meeting on 19 Oct
3	19 Oct	Daily lower limit 15% → 7%	Until year-end
4	19 Oct	HSC stocks out of JCI	~80 stocks (~18% weight), effective 2 Nov
5	19 Oct	Affiliation in >1% disclosure	Shareholder affiliations to be published
6	21 Oct	Enforcement made public	Results published as each case closes
7	26 Oct	Independent HSC committee	Academics and foreign investor rep added
8	26 Oct	Anti-manipulation probes	From Nov 26: Investigate and freeze suspicious accounts
9	26 Oct	Buyback w/o GMS extended	Until Jun 27

Source: OJK, IDX, MSCI, UOB Kay Hian

Foreign investors have already sold Rp87t; more may follow. Between the 28 Jan 26 Frontier warning and 15 Oct 26, foreigners net sold about Rp87t (US$5.0b), mostly in waves after each MSCI event, and a further Rp6.5t in the three sessions after the Standalone proposal. Foreign ownership fell to 39.7% in Sep 26 from 43.5% in Jan 26. If the Standalone market status is confirmed, we estimate a selloff of another US$5.1b (MSCI only) to US$8.7b (if FTSE follows), of which US$3.0b-5.5b is passive. Some market estimates are considerably higher, mainly because they assume active funds will exit fully; we assume a partial exit, as Indonesia-dedicated funds can stay invested.

Figure 10: Stock Exposure To MSCI Standalone Selloff

Stock	MSCI Ind. weight (%)	Base selling (US$m)	% of free float	Days to exit*	Indicative price pressure (%)	Bear selling (US$m)
BBCA	30.3	1,436	9.7	171	(12.1)	2,350
BBRI	21.9	977	9.2	185	(12.6)	1,604
BMRI	16.7	777	10.1	151	(12.2)	1,274
TLKM	10.4	445	9.3	129	(12.6)	731
ASII	9.1	389	9.3	180	(11.8)	640
BBNI	4.9	211	9.6	166	(10.1)	347
BRMS	3.1	109	9.1	70	(8.8)	181
BRPT	3.0	96	5.7	101	(4.6)	161
UNTR	0.7	32	2.2	32	(2.0)	52
Standard index (9 stocks)	**100.0**	**4,471**	**9.2**	**162**	**(11.2)**	**7,340**
Small cap index (36 stocks)		**631**	**3.5**	**58**	**(3.2)**	**1,368**
Total		**5,102**				**8,708**

**At 20% of 30-day ADTV. Price pressure = 3x selloff/market cap, before domestic buying. Prices as of 16 Oct 26.*
Source: MSCI, Bloomberg, UOB Kay Hian

SROs are responding to MSCI

SROs are responding. Since Jan 26, the OJK, the IDX and SROs have rolled out a 1% shareholder disclosure threshold, investor classification data, HSC reporting and a roadmap to reach a 15% minimum free float. After the 15 Oct 26 standalone proposal, the response accelerated.

On 16 Oct 26, the OJK imposed fines of Rp2.1t-Rp1.5t for manipulation of DSSA, and Rp600b for concealing controller-linked subscribers in the BREN and CUAN IPOs. It also fined 11 brokers. On 21 Oct 26, the OJK served the letters with the police in attendance, citing criminal market manipulation in DSSA. The OJK has also launched special investigations after finding indications of concerted trading in 31 of the 61 high-concentration stocks it examined (the HSC list now has about 80).

The IDX said on 19 Oct 26 it will remove all HSC stocks from the JCI calculation and label whether 1% or more shareholders are affiliated, and on 26 Oct 26 added that from November onwards, it will investigate suspected cases of coordinated trading and freeze suspicious accounts.

Indonesia differs from past Standalone cases. Markets are typically moved to Standalone because of capital controls or repatriation constraints (Argentina, Nigeria, Lebanon), market-wide trading restrictions (Pakistan's 2008 price floor) or insufficient size and liquidity (Bulgaria, Trinidad & Tobago). None of these applies to Indonesia, which has no capital controls, and instead has a large and liquid market and full foreign access. MSCI's concerns centre instead on governance: ownership transparency, free-float reliability and market conduct. These resemble the issues behind MSCI's Adani-related adjustments in India. The difference is that Indonesia faces a market-wide reclassification rather than security-specific action, which makes it the first market proposed for Standalone primarily on governance grounds. Its core investability remains intact, and the remedy lies within domestic policy control.

Exiting Standalone can be quick, but regaining EM status takes longer. Pakistan returned to Frontier market status within about six months of lifting its price floor but regained EM status only in 2017. Argentina, downgraded from EM in 2021 over capital controls, remains Standalone. Bulgaria, downgraded in 2016 on shrinking liquidity, returned to Frontier only in May 27. Unlike these markets, Indonesia faces no structural constraint, and the OJK and SROs are already implementing reforms on ownership transparency and market conduct. These reforms provide a basis for MSCI's reassessment, but the outcome will depend on evidence of effectiveness and sustainability.

Turkey faces similar MSCI scrutiny

Turkey offers a useful comparison. In its Jun 26 review, MSCI flagged concerns in Turkey similar to Indonesia's: possible coordinated trading through funds linked to smaller listed companies, which inflates free float estimates. Turkey's regulator later introduced a framework to exclude such fund-held stakes from free float, but MSCI wanted evidence it works in practice. On 15 Oct 26, MSCI froze changes to Turkey's indices and warned that without sufficient progress by 27 Jun 26, it could consult on reclassifying Turkey to Frontier or Standalone. This puts Turkey roughly where Indonesia stood in Jan 26, one step behind Indonesia's formal Standalone proposal. Turkey has since moved quickly against individuals. After ordering 131 funds liquidated in Sep 26, its regulator referred 37 people for prosecution with two-year trading bans, and opened a probe into trading in 31 companies. The government has pledged new legislation against market abuse by early-27.

Indonesia, for its part, has already introduced several of the measures MSCI asked of Turkey, including wider ownership disclosure and a rules-based framework for HSC stocks. With both markets assessed at the Jun 27 review, their relative progress will be closely watched.

Figure 11: MSCI's Concerns Over Indonesia VS Turkey

	Indonesia	Turkey
Concern	Opaque shareholdings, suspected coordinated trading, unreliable free float	Coordinated trading via funds linked to small listed companies, inflated free float
MSCI annual review (23 Jun 26)	Warned: If progress is insufficient by Nov 26, possible consultation on a downgrade to Frontier	Warned: If no tangible progress by Nov 26, possible consultation on Turkey's treatment
MSCI action, 15 Oct 26	**Consultation proposing Standalone;** decision by 30 Jun 27; index freeze	**Index freeze only**; consultation on Frontier or Standalone only if no progress by Jun 27
Regulator actions	1% shareholder disclosure; HSC framework (~80 stocks) and removal from the JCI; 15% free float roadmap; fines of Rp2.1t (DSSA, BREN, CUAt-N), including 11 brokers; special investigation of 31 of 61 stocks	Free float rule excluding fund-held stakes (before Jun); **131 funds liquidated** (17 Sep, ~456k investors); investigation into 31 companies; **criminal referrals for 37 individuals**, two-year trading bans, 21 licences revoked (17 Oct 26)

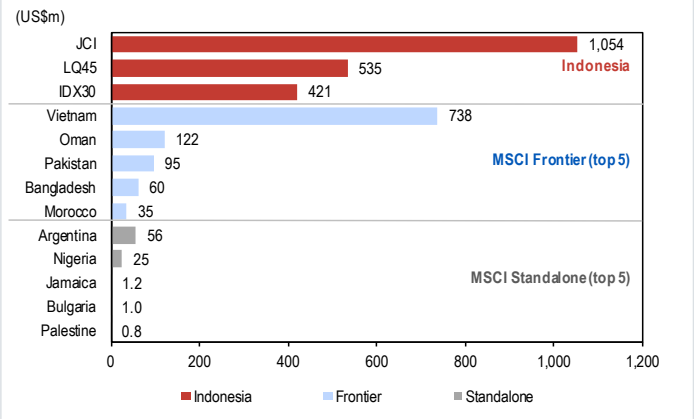
Source: MSCI, UOB Kay Hian

Figure 12: Index Performance Around MSCI Downgrades (%)

Case	Index	6-month before threat to threat	Threat to MSCI decision	Decision to effective date	Effective to 12 months after	Whole period: threat to 12 months after effective date	Local index vs MSCI EM, whole period (US$)
Emerging to Frontier							
Jordan 2008	ASE General	21.3	32.8	(47.0)	(2.8)	(31.5)	(23.1)
Argentina 2009	Merval	(3.6)	(48.5)	50.5	36.6	5.9	2.0
Morocco 2013	MASI	(9.6)	(14.3)	6.1	8.6	(1.2)	(8.3)
Pakistan 2021	KSE-100	10.5	(2.6)	(3.5)	(6.0)	(11.7)	(12.5)
Median		**3.4**	**(8.4)**	**1.3**	**2.9**	**(6.5)**	**(10.4)**
Emerging to Standalone							
Venezuela 2006	IBC*	43.6	9.1	(2.0)	30.6	39.7	6.5
Pakistan 2008	KSE-100	(39.1)	0.5	(36.2)	60.0	2.6	(10.9)
Argentina 2021	Merval	(13.5)	129.9	18.5	112.5	478.8	102.8
Russia 2022	MOEX	(36.4)	0.0	0.0	(7.3)	(7.3)	22.0
Median		**(25.0)**	**4.8**	**(1.0)**	**45.3**	**21.1**	**14.3**
Indonesia (28 Jan 26 to 26 Oct 26)	**JCI**	**9.3**	**(35.4)**	**-**	**-**	**(35.4)**	**(40.6)**
Turkey (23 Jun 26 to 26 Oct 26)	**BIST 100**	**28.8**	**(23.3)**	**-**	**-**	**(23.3)**	**(20.5)**

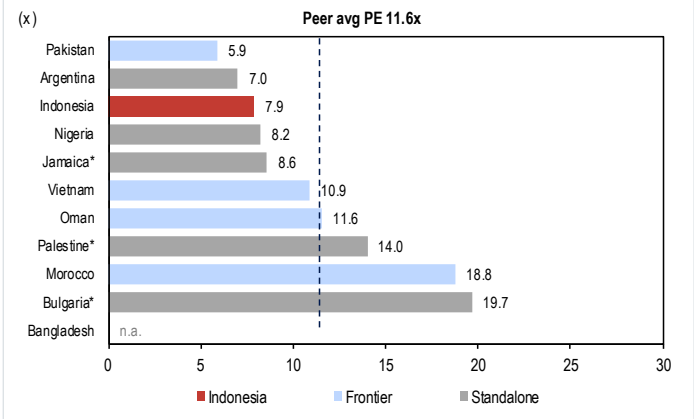
Note: % change in the local index between MSCI milestones; last column = local index in US$ vs MSCI EM. Threat = MSCI's first warning or consultation. Indonesia, Turkey: to latest close. Russia: market shut 25 Feb-24 Mar 22.
**Venezuela: FIAB month-end data.*
Source: MSCI, Bloomberg, UOB Kay Hian

Figure 13: 1-Year Average Daily Liquidity Of JCI VS Liquidity Of Top 5 Frontier And Standalone Markets



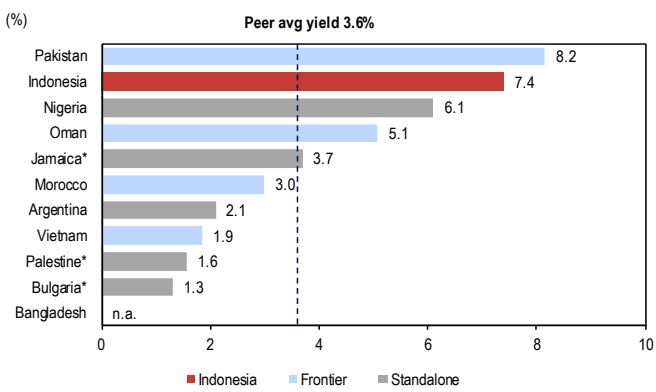
Note: 12-month average daily value traded on each market's main index, to 26 Oct 26, in US$. Top 5 = most liquid MSCI Frontier and Standalone markets.
Source: Bloomberg, MSCI, UOB Kay Hian

Figure 14: JCI Forward PE VS Top 5 Frontier And Standalone Markets



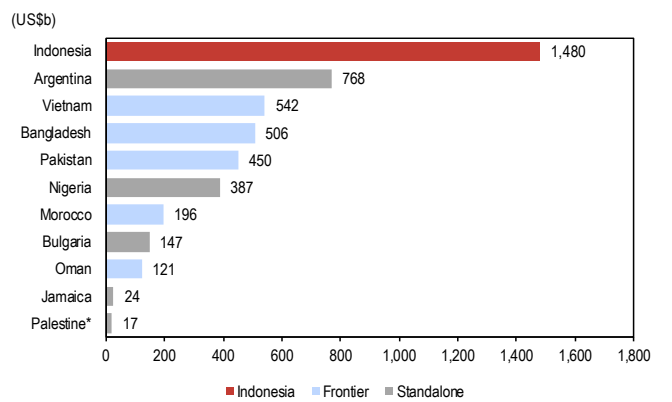
Note: 12-month forward PE, 26 Oct 26.
** No forward consensus, so trailing PE is shown.*
Source: Bloomberg, UOB Kay Hian

Figure 15: JCI Forward Dividend Yield VS Top 5 Most Liquid Frontier And Top 5 Standalone Markets



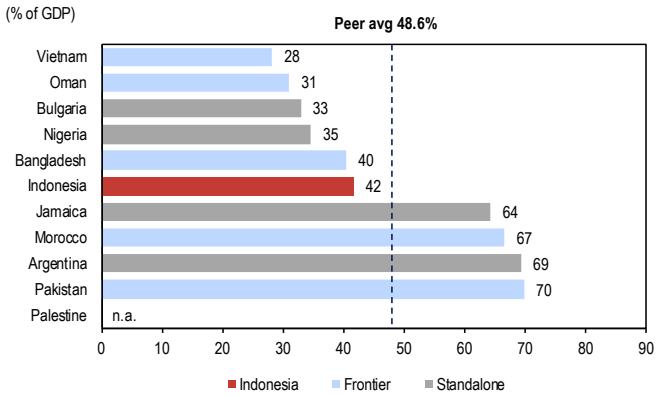
Note: 12-month forward dividend yield, 26 Oct 26.
** No forward consensus, so trailing yield is shown.*
Source: Bloomberg, UOB Kay Hian

Figure 16: Indonesia GDP 2026 Estimate VS Top 5 Frontier And Top 5 Standalone Countries



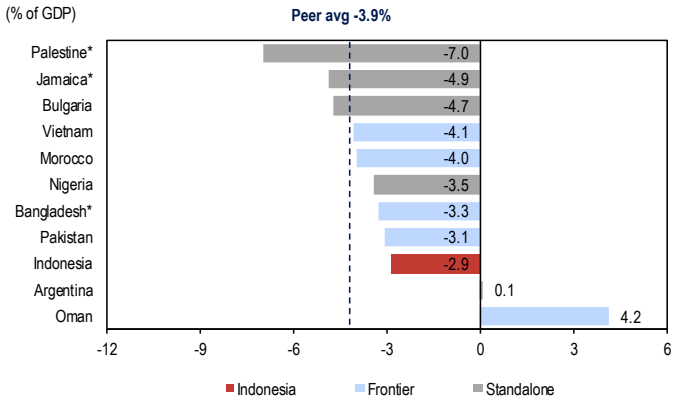
Note: Nominal GDP, 2026F.
** 2025, IMF WEO database (no 2026 forecast; not on Bloomberg).*
Source: IMF (via Bloomberg), IMF, UOB Kay Hian

Figure 17: Indonesia Government Debt To GDP Of Top 5 Frontier And Top 5 Standalone Countries



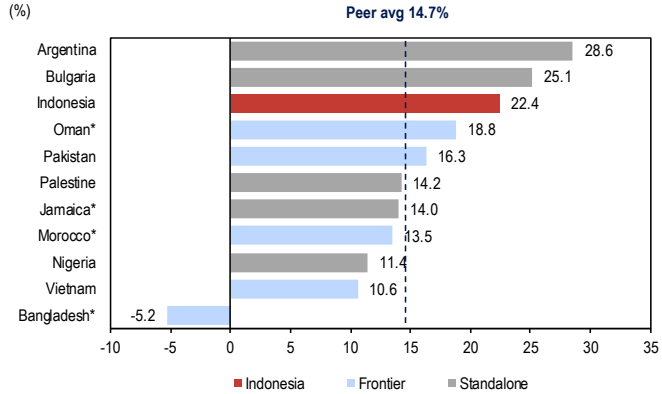
Note: n.a. = Palestine, not covered by the IMF.
Source: IMF (via Bloomberg), UOB Kay Hian

Figure 18: Indonesia Fiscal Deficit To GDP Of Top 5 Frontier And Top 5 Standalone Countries



Note: Budget balance, 2026F; negative = deficit. Peer average excludes Oman, Argentina and Palestine.
** Not on Bloomberg: Bangladesh from the Ministry of Finance (revised FY26 budget), Jamaica from the Ministry of Finance (FY26/27 Fiscal Policy Paper), Palestine from the World Bank (2026 deficit before grants, Palestinian Economic Monitor, May 2026).*
Source: Bloomberg, Ministries of Finance, World Bank, UOB Kay Hian

Figure 19: Banks Industry Tier-1 Capital Of Indonesia VS Top 5 Frontier And Top 5 Standalone Countries



Note: Banking-system Tier-1 capital to risk-weighted assets, latest available.
** Not on Bloomberg: Oman from the Central Bank of Oman Annual Report 2025 (total capital ratio, Dec 25; Tier-1 not published); Morocco from Bank Al-Maghrib (Dec 25); Bangladesh from the Bangladesh Bank Quarterly (Dec 25); Jamaica from the Bank of Jamaica Financial Stability Report 2024 (Dec 24).*
Source: IMF (via Bloomberg), central banks, UOB Kay Hian

The HSC exclusion: Modest support for big caps. The 81 HSC stocks on the JCI (as of 23 Oct 26) account for 17.6% of JCI weight, concentrated in DCII, BYAN, BREN, DSSA and MORA (10.7% combined). The combined market cap of HSC stocks is Rp2,694t (28.9% of total JCI market cap). Starting 2 Nov 26, the IDX has excluded HSC stocks from the JCI calculation. The weights of the remaining JCI stocks will be scaled up by about 21% (1 / (1 - 17.6%)), taking BBCA to 10.2% from 8.4% and BBRI to 9.6% from 7.9%. However, the cap remains at 9% per stock as per the previous regulation. This means the index will be driven more by big banks, whose combined weight rises to about 28% from 24%, and by the five largest stocks (BBCA, BBRI, BMRI, TLKM and ASII), which will make up about 34% of the JCI, up from 29% now.

Figure 20: Top HSC Stocks By JCI Free Float Weight

HSC stock	Market cap (Rp t)	JCI weight (%)
DCII	431	3.4
BYAN	358	3.2
BREN	318	1.7
DSSA	149	1.4
MORA	155	1.0
SRAJ	135	1.0
MEGA	45	0.8
MPRO	115	0.5
Other 73 HSC stocks	986	4.7
Total (81 HSC stocks in the JCI)	**2,694**	**17.6**

Note: Top 8 HSC stocks by JCI weight; HSC list per IDX as of 23 Oct 26; JCI weights and market cap from Bloomberg as of 28 Oct 26.
Source: IDX, Bloomberg, UOB Kay Hian

Figure 21: MSCI Indo Stocks Free Float Weight In JCI Before And After HSC Exclusion

Stock	Weight now (%)	After exclusion (%)
BBCA	8.4	9.0
BBRI	7.9	9.0
BMRI	5.7	7.1
TLKM	3.8	4.7
ASII	3.4	4.2
BBNI	2.1	2.6
UNTR	1.3	1.6
BRPT	1.5	1.9
Big-4 banks	**24.1**	**27.7**

Note: After exclusion = weight now / (1 - 17.6% HSC weight), capped at 9% per stock with the excess spread across the other stocks; prices as of 28 Oct 26.
Source: IDX, Bloomberg, UOB Kay Hian

MACRO – RESILIENT GROWTH, RISING COST PRESSURES

Growth should stay resilient. Indonesia's economy has continued to grow despite external volatility. GDP grew 5.61% yoy in 1Q26 and 5.29% in 2Q26, above consensus, and our economist expects 5.4% for 2026. Growth could remain solid in 2027, although domestic demand is likely to remain supported by public spending (government consumption grew 16% in 2Q26) while household consumption softens.

Figure 22: Indonesia GDP 2027

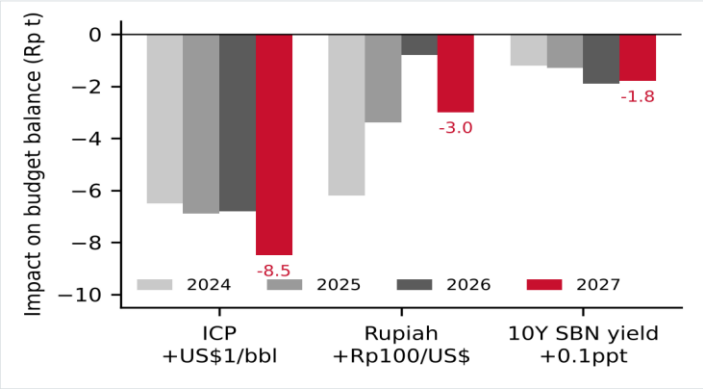
Indicator	2022	2023	2024	2025	2026F	2027F
GDP Growth (% yoy)	5.31	5.05	5.03	5.11	5.4	5.6
Inflation (% yoy)	5.51	2.61	1.57	2.92	3.61	3.0
Fed Funds Rate (%. e.o.p)	4.5	5.5	4.5	3.75	4.00	4.25
BI Rate (%. e.o.p)	5.5	6	6	4.75	6.0	6.25
SBN 10 Year (%. e.o.p)	7.01	6.6	7.07	6.05	7.65	7.8
Rupiah Exchange Rate (e.o.p)	15,568	15,397	16,102	16,680	18,201	18,300

Source: MoF, UOB Kay Hian

Oil is the key swing factor. Brent has hovered around US$100/bbl since late -February, well above the 2027 budget assumption of US$75/bbl. This has pushed non-subsidised fuel prices sharply higher (Dexlite +76% and Pertamina Dex +85% ytd), while Pertalite has been holding at Rp10,000/litre since Sep 22. That said, oil remains a largely binary, geopolitics-driven variable: de-escalation could trigger a swift correction, likely accompanied by narrower crack spreads, and the Energy Information Administration (EIA) expects Brent to moderate to around US$69/bbl in 2027. While 9M26 earnings proved resilient, we expect cost pressures to weigh more visibly from 4Q26.

Every US$1/bbl above the Indonesian Crude Price (ICP) costs Rp8.5t; a 10% fuel hike adds ~0.35ppt to CPI

Figure 23: 2027 Budget More Sensitive To Oil (Impact On Budget Balance)



Source: Bloomberg, Ministry of Finance, UOB Kay Hian

Figure 24: Fuel Prices – Subsidised Held Steady, Non-Subsidised Rising (Rp/litre)

Fuel	Type	Oct 26
Pertalite	Subsidised	10,000
Biosolar	Subsidised	6,800
Pertamax	Non-subsidised	15,950
Pertamax Turbo	Non-subsidised	19,600
Dexlite	Non-subsidised	23,700
Pertamina Dex	Non-subsidised	25,200

Note: Java prices as of 1 Oct 26
Source: Pertamina, UOB Kay Hian

Food inflation may prove sticky until 2027. Volatile food inflation rose to 5.81% yoy in Oct 26, accelerating for a third consecutive month from 2.52% in Jul 26, while headline CPI held at 3.23% yoy. Chillies, rice, chicken, beef and tomatoes led the increase, likely reflecting weather-related supply disruptions and higher input costs. The National Oceanic and Atmospheric Administration's (NOAA) latest outlook (8 Oct 26) sees a strong to very strong El Niño persisting through Jan-Mar 27 (>83% probability), although Badan Meteorologi, Klimatologi, dan Geofisika (BMKG) expects its domestic impact to ease as the rainy season begins, albeit later than usual across much of the country.

Weather clouds the outlook for food prices

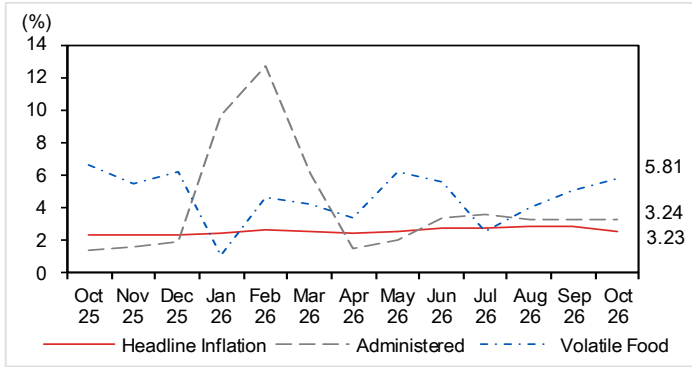
For CPO, the main dry-weather stress occurs in Jun-Dec 26; given the typical 9- to 24-month lag, any yield impact is more likely to surface in 2H27-1H28 than in the near term. The magnitude will depend on how severe and widespread the dry spell proves to be and how quickly rainfall normalises; firmer CPO prices could partly offset lower volumes for planters, while sustaining upside risk to edible-oil prices.

Figure 25: El Niño Episodes And Indonesia's CPO Output

El Niño	Following-year CPO output	CPO price (yoy)
1997-98	FFB yields −15-20%	+70% (1998)
2015-16	−3-5% (2016)	+21% (2016)
2023-24	−4% (2024)	+11% (2024)
2026-27	−3% (2027F)	+7% (2027F)

Source: GAPKI, Bloomberg, UOB Kay Hian

Figure 26: Inflation By Component (% yoy)



Source: BPS, UOB Kay Hian

2027 budget: Limited fiscal room. The 2027 budget targets 6.0% GDP growth and a 2.4% deficit, but its key assumptions (ICP US$75/bbl, Rp17,500/US$, 2.5% inflation) look stretched, debt interest is set to rise 11.7% to Rp650t, and off-budget spending through SOEs adds further pressure. In our opinion, the deficit is likely to come in well above the target, with a risk of exceeding the 3% statutory ceiling if oil prices stay elevated. Staying within the limit would then likely require spending cuts or fuel price adjustments.

Sustained oil price at US$100/bbl risks pushing the deficit above 3% of GDP unless spending efficiencies are delivered

Figure 27: 2027 Budget Assumptions vs Current

Assumption	APBN 2027	Current
GDP growth (%)	6.0	5.45 (1H26)
Inflation (%)	2.5	3.28 (Sep 26)
Rupiah (Rp/US$)	17,500	17,937 (2 Oct)
SBN yield (%)	6.9	7.6 (29 Oct, 10Y)
ICP (US$/bbl)	75	91.9 (9M26 avg)
Oil lifting (kbpd)	612.5	573.9 (8M26)
Revenue (Rpt)	3,435	3,208 (2026 outlook)
Spending (Rpt)	4,106	3,942 (2026 outlook)
Fiscal deficit (% GDP)	2.4	2.85 (2026 outlook)
Debt interest (Rpt)	650.3	582.2 (2026F)

Source: Ministry of Finance, BPS, Bloomberg, UOB Kay Hian

Figure 28: 2027 Budget Spending And Sector Implications

	2026 Outlook (Rpt)	APBN 2027 (Rpt)	Change yoy (%)
Education (incl. MBG)	720.8	824.0	14.3
Transfers to regions	696.9	735.0	5.5
Debt interest	582.2	650.3	11.7
Social protection	500.0	539.7	7.9
Food security	190.9	195.3	2.3
Energy subsidy	227.3	261.5	15.0

Source: Ministry of Finance, UOB Kay Hian

LIQUIDITY – TIGHT FUNDING CONDITIONS WEIGH ON GROWTH

Funding costs stay high; SRBI maturities a potential relief

Loan growth outpacing deposit growth. System loans grew 13.0% yoy in Jul 26 against deposit growth of 7.7% yoy (households: 2.8% yoy), lifting the loan-to-deposit ratio (LDR) by about 4ppt ytd to about 93%. Excluding government placements sourced from excess budget balance (SAL), BMRI's LDR is about 96.1% and BBNI's is about 94.3% (Figure 30). Excess liquidity at BI's deposit facility fell from Rp149t in Jan 26 to near zero by Sep 26, banks' repo borrowing from BI peaked at Rp350t, and banks cut their government bond holdings by Rp98t ytd (to 7 Oct) while BI added Rp200t.

BI policy and rupiah stability remain central. Our economist expects BI to raise rates to 6.00-6.25% in 2027 to defend the rupiah. Persistent currency pressure could prolong restrictive policy, limiting the scope for lower bank funding costs. Sekuritas Rupiah Bank Indonesia (SRBI) maturities of about Rp253t in 4Q26 and Rp265t in 2Q27 could provide liquidity relief, although the impact will depend on reinvestment, new issuance and BI's subsequent monetary operations. We therefore expect banks' cost of funds to stay high in 1H27, while highly leveraged corporates face greater debt-servicing pressure, particularly those with floating-rate debts or near-term refinancing needs.

The pressure was evident in the 3Q26 results: BMRI's bank-only net interest margin (NIM) fell to 3.87% from 4.21% in 2Q26, while BBNI's declined to 3.3% from 3.6%, as higher funding costs outweighed loan repricing. In contrast, BBCA's NIM improved to 5.6% from 5.3%, supported by higher loan yields and stable funding costs due to a strong CASA franchise. Banks' ability to recover margins through further repricing is constrained by competition and borrowers' repayment capacity. Prolonged funding pressure could therefore lead to more selective lending or higher borrowing costs, weighing on investment and domestic demand. These conditions favour banks with stable transactional deposits and corporates with strong cash generation and limited refinancing needs.

Figure 29: BI Monetary Operations – Liquidity Indicators (Rpt)

Indicator	2 Jan 26	2 Jun 26	1 Sep 26	19 Oct 26
SRBI outstanding	720	980	1,063	949
Banks' repo from BI	28	196	350	160
Deposit facility (excess liquidity)	149	33	1	17

Source: BI, UOB Kay Hian

Figure 30: Bank LDR, Reported vs Adjusted For SAL (Sep 26)

Bank	SAL (Rpt)	LDR reported (%)	LDR ex-SAL (%)
BMRI*	79	91.8	96.1
BBNI	75	87.9	94.3
BBRI**	79	87.4	91.8

** Significant decline from Aug 26 as KopDes repayments were placed at BMRI*
*** Deposits for Aug 26*
Source: Respective companies, OJK, UOB Kay Hian

Figure 31: Oil Price Scenarios And Macro Implications For 2027

	Oil US$75/bbl	Oil US$90/bbl	Oil US$100+/bbl
Trigger	Geopolitical easing	Tensions persist	Escalation
Economist scenario (probability)	Bull (15%)	Base (55%)	Bear (30%)
2027 deficit (% of GDP) (a)	2.4	~2.9	~3.2
Deficit impact vs budget (Rpt) (a)	-	~128	~213
Subsidised fuel price adjustment	Not needed	Possible	Likely
CPI impact of a fuel hike (ppt) (b)	-	~0.35 per 10% hike	~1.0 (30% hike, as in Sep 22)
Rupiah, end-27 (Rp/US$)	17,300-17,800	17,900-18,400	18,500-19,500
BI rate, end-27 (%)	5.50	6.00-6.25	6.50+
10Y SBN yield (%)	6.80-7.00	7.30-7.90	8.00-8.5

Note: (a) Based on the Ministry of Finance sensitivity of Rp8.5t per US$1/bbl ICP above the US$75 assumption. (b) Based on the Sep 22 episode, direct effect only.
Source: Ministry of Finance, BPS, Bloomberg, UOB Kay Hian

EARNINGS OUTLOOK – RECOVERY DEPENDS ON EASING COSTS

Earnings: In line for 9M26, hinges on easing cost pressures in 2027. 9M26 results were broadly in line, with aggregate earnings for the 46 stocks under our coverage up 19.5% yoy. Cost-push inflation is becoming evident, although Indonesia's commodity exposure provides a partial cushion while commodity prices stay high. For 2026-27, we project earnings growth of 12.9%/12.6% yoy for our coverage universe. Growth is likely to slow in 1H27 on cost-push inflation and tighter liquidity. A recovery in 2H27 is possible, but it depends on El Niño and oil prices peaking in 1H27 and on a rate-easing cycle emerging, none of which is assured at this stage. Risks to our forecasts are skewed to the downside, particularly if El Niño persists longer than expected or oil prices stay above US$100/bbl well into 2027.

9M26 earnings up 19.5% yoy, with 18 of 43 rated stocks above our forecasts and 13 below

JCI INDEX TARGET AT -2SD TO THREE-YEAR HISTORICAL AVERAGE

End-27 JCI target of 5,900 amid structural de-rating. We set our end-27 JCI target at 5,900, based on 8.8x 2027F PE, 2.0SD below the JCI's three-year mean forward PE, applied to 2027 index EPS of 672.9 (+12.6% yoy). We use the three-year rather than the long-term band as we believe the JCI has undergone a structural de-rating, driven by heightened macro and fiscal risks and MSCI's consultation on reclassifying Indonesia to Standalone market status, with a final decision due by 30 Jun 27. The rise in risk premium is reflected in the 10-year government bond yield, which reached 7.64% as of 29 Oct 26, its highest level since Oct 22, amid a weaker rupiah and rising fiscal concerns.

Our target multiple assumes only partial normalisation of valuations. At 8.8x, the JCI's implied earnings yield of 11.4% remains higher than that of the 10-year government bond yield. Key risks are: a) MSCI confirming Indonesia's reclassification to Standalone market status, b) fiscal slippage, c) downward revisions of index earnings, and d) further rupiah weakness and sustained foreign outflows.

Figure 32: JCI Index Target Scenarios (End-27)

Valuation basis	-2SD of 3-year forward P/E
Target P/E (FY27F)	8.8x
FY27F EPS	673
FY27 EPS growth	12.6%
JCI target	**5,900**

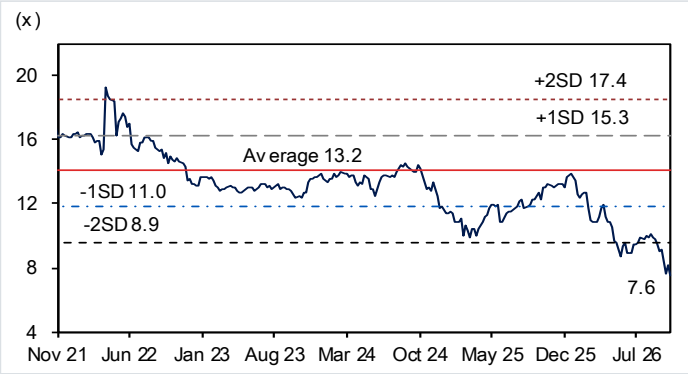
Source: UOB Kay Hian

Figure 33: EPS Growth By Sector

Sector	2026F (%)	2027F (%)	2028F (%)
Automobile	(13.5)	18.2	10.4
Banking	5.7	6.7	6.9
Consumer	9.6	10.2	8.8
Healthcare	(2.2)	14.7	8.9
Mining	61.9	20.7	15.4
Oil & Gas	59.1	22.0	9.6
Property	(9.5)	0.1	6.0
Telecommunications	22.9	20.3	10.0
Coverage universe	**12.9**	**12.6**	**10.7**

Source: UOB Kay Hian

Figure 34: JCI Forward PE



Source: UOB Kay Hian

KEY THEMES

Key themes: Scenario-based plays. We frame our key themes as scenario-based plays rather than high-conviction calls. Two variables will drive Indonesian equities going into 2027: a) the outcome of MSCI's Standalone consultation, with a final decision due by end-Jun 27; and b) whether the impact of tight liquidity and inflationary pressure will start to ease, with oil prices the key swing factor. We set out three scenarios: a) EM status retained but macro conditions stay tight; b) Standalone status confirmed and macro conditions stay tight; and c) Standalone status confirmed but a lower oil price cycle eases macro pressure. The MSCI outcomes are either/or, but oil could ease under either, so our positioning will shift as both become clearer.

Positioning across three MSCI and oil scenarios

Figure 35: Key Themes

EM Status Retained, Macro Still Tight	Standalone Status Confirmed, Macro Still Tight	Oil Relief Play, Standalone Status Persists
Big 4 banks, ASII, TLKM	**AADI, ACES, KLBF, ELSA, AKRA, UNVR**	**Banks, energy (ex-O&G) and high beta stocks**
The JCI is down around 40% ytd, and blue chips have fallen in line. If EM status is retained, it would signal that SROs (i.e. IDX and OJK) have delivered meaningful enforcement, which should bring foreign fund flows back to the large caps they sold. We prefer foreign-held, high-beta large caps with solid fundamentals and attractive dividend yields, which should lead the relief rally.	If the Standalone market status is confirmed, passive fund outflows would likely come at the implementation stage (we assume Nov 27). Active foreign selloffs would probably start earlier and weigh on foreign-heavy names. We therefore favour stocks with low foreign ownership, high dividend yields and stable businesses with steady growth, where domestic investors are the natural holders and fundamentals rather than flows drive valuations.	The Standalone threat is not the only headwind. An inflationary cycle amid a weak economy, together with tight liquidity, is an equal if not bigger concern. A significant decline in oil prices in 2027 would ease pressure on the rupiah and the fiscal subsidy bill, create room for monetary easing, and lift consumer purchasing power. This would support domestic demand-driven stocks and improve sentiment, even with Indonesia outside the MSCI EM index.

Source: UOB Kay Hian

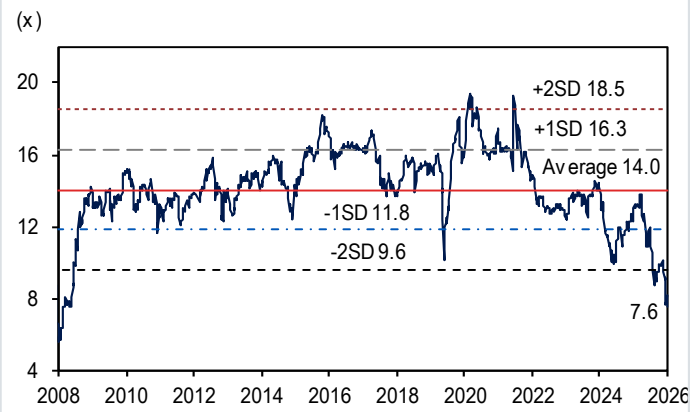
POSITIONING – BALANCED: HIGH YIELDS ACROSS RUPIAH AND US-dollar EARNERS

A balanced stance limits downside while preserving upside optionality

Stay balanced: The payoff is asymmetric. Being fully defensive risks missing the rebound, since MSCI may give an interim update before 30 Jun 27 and the market will price in convincing reforms well before then. At about 5,200, the JCI trades at 8.6x 2026F PE, 2.6SD below its 10-year average PE and near Global Financial Crisis levels. Much of a Standalone outcome already looks priced in, while retaining EM status could support a re-rating of big banks, ASII and TLKM. We therefore prioritise high dividend yields across rupiah and US-dollar earners: yield-backed big caps, balanced by names with limited exposure to MSCI-related passive selling (ELSA, AADI, AKRA, ANTM, JPFA), and GOTO for net-cash-backed fintech growth. We would add big caps on a positive MSCI interim update, consistent follow-through on enforcement and HSC stocks, weeks of net foreign inflows, and continued rupiah stability.

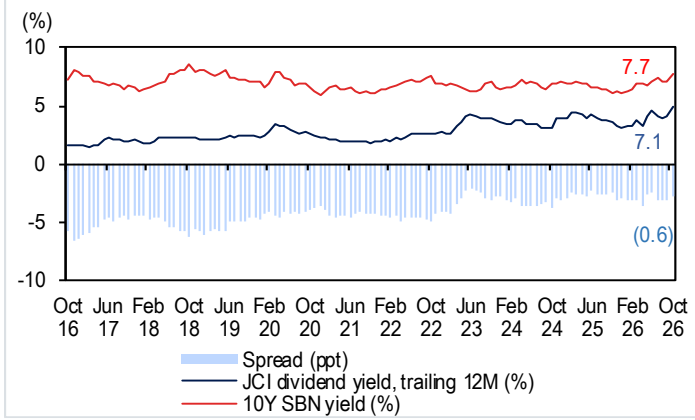
Standalone risk remains, but yields and buybacks offer a cushion. A Standalone market status confirmation would still bring further pressure, but strong free cash flows and balance sheets provide a cushion through dividend yields that are well above the 10-year bond yield of about 7.6%: 12-13% for BBRI, BMRI and BBNI, and about 9-11% for ASII and TLKM. With capex appetite low and cash piles large (ELSA, PGAS and LSIP hold 70-96% of market cap in cash), we expect more cash to be returned through higher payouts, special dividends (e.g. AADI after the Kestrel divestment) and buybacks (ASII Rp8t, BBCA Rp3t), so we favour cash-rich non-banks over SOE banks, whose payouts may ease as loan growth absorbs capital.

Figure 36: JCI Forward PE Band



Source: Bloomberg, UOB Kay Hian

Figure 37: JCI Dividend Yield VS 10-year Government Bond Yield



Source: Bloomberg, UOB Kay Hian

Figure 38: Selected High Dividend Yielders

Ticker	Price (Rp)	Dividend yield 2026F (%)	Dividend yield 2027F (%)	PE 2026F (x)	P/B (x)	Cash/market cap (%)
BMRI	3,720	12.1	12.1	6.0	1.1	n.a.
BBRI	2,800	11.9	11.9	7.1	1.3	n.a.
BBNI	3,320	10.8	11.4	5.9	0.7	n.a.
BBCA	4,980	6.8	7.3	10.2	2.0	n.a.
TLKM	1,980	10.2	10.5	9.7	1.4	18.0
ASII	5,000	9.7	11.2	7.1	0.9	24.5
AADI	10,150	12.7	12.0	4.7	1.4	24.7
PGAS	1,320	12.9	14.6	6.0	0.6	72.1
ACES	324	9.3	10.0	7.7	0.8	36.3
AKRA	1,375	8.0	8.6	9.8	2.1	32.1
ITMG	24,900	7.9	9.1	7.0	0.8	51.3
ELSA	625	7.1	8.0	5.3	0.8	64.8

Note: Yields, PE and P/B based on consensus and prices as of 30 Oct 26.
Source: Bloomberg, UOB Kay Hian

Figure 39: Top Picks – Big-Cap Yields, Defensive Exporters And Selective Growth

Ticker	Role	Theme	MSCI exposure
AADI	Defensive	US$ earner, yield, special dividend	Not in MSCI Standard
AKRA	Defensive	Fuel distribution, JIIPE, yield ~7.3%	Not in MSCI Standard
ANTM	Defensive	Gold, US$-linked, net cash	Not in MSCI Standard
ASII	Core big cap	Yield ~9-11%, Rp8t buyback	Standard
ELSA	Defensive	Energy self-sufficiency, net cash	Not in MSCI Standard
GOTO	Growth	Fintech-led profitability	Not in MSCI Standard
JPFA	Defensive	MBG protein, food security	Not in MSCI Standard
KLBF	Defensive	Potential M&A, net cash, resilient demand	Not in MSCI Standard
TLKM	Core big cap	Non-core asset sales, special dividend upside	Standard
UNVR	Defensive	High dividend yield, solid cash flow	Not in MSCI Standard

Source: MSCI, Bloomberg, UOB Kay Hian

Sector Outlook

Figure 40: Sector View And Stock Picks For 2027

Sector	Weighting	Remarks	BUY
Automobile	MARKET WEIGHT	4W wholesales showed good momentum in 9M26 (+21.4% yoy). However, growth was mainly driven by battery electric vehicles (BEV), whose market share rose to 17.3% from 9.9% in 9M25, and government-related fiscal programmes. The outlook for ICE models is challenging, given rising fuel prices, BI rate hikes of 100bp and intensifying BEV competition. Nevertheless, ASII offers support through a dividend yield of 9-11% and an Rp8t buyback, with an Investor Day in 4Q26. It also benefits from the HSC switch, but faces an MSCI-related selloff. Top picks: Astra International (ASII IJ/BUY/Target: Rp7,100).	ASII
Banking	MARKET WEIGHT	We maintain our MARKET WEIGHT rating, expecting banks to remain range-bound, with risk tilted to the downside ahead of MSCI's decision on 30 Jun 27. Big banks have de-rated by 43-58% on P/B multiples since Sep 24, with most of the implied CoE increase occurring before MSCI's Standalone proposal. This suggests that retaining EM status alone may not reverse the broader policy and governance concerns weighing on valuations. Retaining EM status could allow some valuation recovery, but a sustained re-rating would also require better liquidity and credible implementation of market reforms addressing MSCI's concerns. Preferences remain conditional: BBRI's liquidity buffer provides relative resilience, although the micro segment warrants caution; BBNI's balance sheet position is offset by lower ROE. BBCA retains its funding advantages but it is most exposed to foreign selloffs, while BMRI's liquidity and capital allocation require closer monitoring. We would become more constructive on sustained funding improvement or reduced MSCI uncertainty, and more cautious if higher bond yields or rupiah weakness raise required returns further.	
Consumer	MARKET WEIGHT	We maintain our MARKET WEIGHT stance but turn more constructive following the sector's sharp de-rating, with macro concerns now largely priced in at 8.0x 2027F PE, below -2SD to its five-year average. 9M26 results were broadly solid, with our coverage universe's revenue and net profit up 10.8% and 8.2% yoy respectively. However, a re-rating catalyst is still lacking, and the near-term outlook is less supportive amid subdued purchasing power, building inflation risks and El Niño risks until 1H27, while high oil prices are pushing soft commodity and freight costs higher, which should pressure margins. Nevertheless, the sector is turning relatively more defensive, given its lower exposure to government intervention risks and continued fiscal support for consumption through MBG and a planned Rp31t stimulus package for 4Q26. In the sector, we prefer resilient bottom-up names with market leadership, solid balance sheets and cost flexibility. Top picks: Japfa Comfeed Indonesia (JPFA IJ/BUY/Target: Rp2,800), Unilever Indonesia (UNVR IJ/BUY/Target: Rp1,800).	JPFA, UNVR
Healthcare	OVERWEIGHT	Defensive demand and limited exposure to an MSCI-related selloff support our OVERWEIGHT rating. A weak rupiah raises imported raw material costs, so we favour players with pricing power and net cash. Top picks: Kalbe Farma (KLBF IJ/BUY/Target: Rp1,000).	KLBF
Mining	MARKET WEIGHT	US-dollar earnings are natural hedges against rupiah weakness. Coal: high oil and LNG prices, winter demand, prolonged US-Iran war all support prices, and strong cash balances underpin dividends. Copper and gold: volume expansion drives earnings growth, although elevated US yields weigh on precious metals. Plans for SOE-led export centralisation remain a risk to realised prices. Top picks: Adaro Andalan Indonesia (AADI IJ/BUY/Target: Rp13,500), Aneka Tambang (ANTM IJ/BUY/Target: Rp4,100), Amman Minerals (AMMN, BUY, TP Rp7,000)	AADI, AMMN, ANTM
Oil & Gas	MARKET WEIGHT	High oil prices support upstream activity and the government's energy self-sufficiency push, benefitting oilfield services. In fuel distribution, supply dislocations favour players with storage and logistics scale. Downstream and gas distribution margins face policy and pricing risks, so we remain stock-specific. Top picks: AKR Corporindo (AKRA IJ/BUY/Target: Rp1,600), Elnusa (ELSA IJ/BUY/Target: Rp1,450).	ELSA, AKRA
Technology	OVERWEIGHT	GOTO's earnings are turning positive, led by fintech, and net cash balance sheets limit the impact of higher rates. Regulation of ride-hailing fees and competition remain the key risks. Top picks: GoTo Gojek Tokopedia (GOTO IJ/BUY/Target: Rp60).	GOTO
Telecommunications	MARKET WEIGHT	Indonesia's three-player mobile market supports pricing discipline, while spectrum rollouts should drive network investment. TLKM stands out with an attractive dividend yield of around 12.4% and potential benefits from the HSC switch. However, its payout ratio above 100% limits dividend headroom, largely due to higher depreciation expenses following changes in depreciation accounting. Tower companies could benefit from higher 5G-related capex, although operators' coverage targets fall short of full nationwide coverage, limiting the potential for tower additions. MTEL and TBIG are also on the HSC list and are set to be removed from the JCI. Top picks: Telkom Indonesia (TLKM IJ/BUY/Target: Rp3,300).	TLKM

Source: UOB Kay Hian

Stock Picks

Adaro Andalan Indonesia (AADI IJ)
BUY/Target: Rp13,500

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- **AADI offers an attractive 2027 dividend yield of 12%, with further upside** from a potential special dividend. Following the completed Kestrel divestment, AADI received US$734.8m after tax from the transfer of its shares and warrants to Yancoal Australia on 1 Oct 26, of which US$661.3m is attributable to AADI after accounting for Adaro Capital's 90% ownership. Assuming a full payout of AADI's attributable proceeds, the special dividend could reach Rp11.9t, or Rp1,529/share, implying an additional 15.0% yield. AADI's regular dividend is also attractive, supported by its 59.2% payout ratio in 2025.
- **Global thermal coal outlook remains supportive,** with prices expected to normalise at a higher structural floor. Following the recent price rally, some moderation is expected as the market rebalances from 1Q27. Nevertheless, Wood Mackenzie expects Newcastle 6,000 kcal prices to remain at US$115-120/tonne by mid-27, supported by structurally higher logistics and diesel costs. Low-rank coal prices should also benefit from resilient Chinese import demand of around 300mtpa in 2027-28. Meanwhile, uncertainty surrounding Indonesia's individual coal work plan and budget (RKAB) allocations and tighter export oversight could further constrain supply visibility.
- **Defensive US dollar earner with limited benchmark-related selling pressure.** AADI's US dollar-denominated earnings provide a natural hedge against rupiah weakness, while elevated oil and LNG prices and seasonal winter demand offer additional support to the coal market. Its exclusion from MSCI indices also limits exposure to benchmark-driven foreign fund outflows.
- **Maintain BUY with a target price of Rp13,500,** based on 6.3x 2027F PE, in line with Alamtri Resources Indonesia's five-year average before spin-off. Although we forecast 2027 earnings moderating 8.4% yoy to US$926m following the normalisation of coal prices from elevated levels, earnings should remain healthy and well above historical levels. With healthy earnings, combined with attractive regular dividends and potential special dividend upside from the Kestrel divestment, AADI offers an attractive total return proposition and remains one of our top picks in the coal sector.

Share Price Catalyst

- **Event:** a) Special dividend announcement from the Kestrel divestment, b) winter coal demand, and c) prolonged Iran war.
- **Timeline:** 4Q26-2Q27.

Key Financials

Year to 31 Dec (US$m)	2024	2025	2026F	2027F	2028F
Net turnover	5,320	4,910	5,455	5,105	5,395
EBITDA	1,254	1,139	1,516	1,220	1,368
Operating profit	1,150	1,015	1,390	1,089	1,234
Net profit (rep./act.)	1,211	760	1,011	926	1,012
Net profit (adj.)	1,211	760	1,011	926	1,012
EPS (Rp)	2,612	1,640	2,182	2,141	2,338
PE (x)	3.9	6.2	4.7	4.7	4.3
P/B (x)	1.6	1.4	1.4	1.3	1.3
EV/EBITDA (x)	3.7	4.0	2.9	3.5	3.0
Dividend yield (%)	0.0	7.6	12.7	12.0	13.5
Net margin (%)	22.8	15.5	18.5	18.1	18.7
Net debt/(cash) to equity (%)	(1.1)	(3.0)	(9.7)	(12.3)	(15.6)
Interest cover (x)	(149)	223	(185)	(21)	(54)
ROE (%)	40.4	22.8	29.2	26.9	29.1
Consensus net profit	-	-	1,017.0	986.0	921.0
UOBKH/Consensus (x)	-	-	1.0	0.9	1.1

Source: AADI, Bloomberg, UOB Kay Hian

AKR Corporindo (AKRA IJ)
BUY/Target: Rp1,600

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- **Fuel supply dislocations favour scale.** In the face of elevated oil prices and tighter fuel availability, refineries tend to prioritise large, regular off-takers. AKRA's solid storage capacity, logistics networks, and healthy working capital position it for higher volumes and firmer margins in fuel distribution, while its retail fuel station rollout adds a recurring contribution. Despite pressure in the retail segment, AKRA's trading and distribution margin remains solid.
- **JIIPE provides second leg of earnings growth.** Land sales and utilities at the Java Integrated Industrial and Port Estate (JIIPE), which has a special economic zone permit and is anchored by Freeport's smelter, diversify AKRA's earnings. Management targets about 100ha of landbank sales and significant growth from utilities income. Additionally, management expects utilities income to come in at Rp1.0t-1.5t in 2026 and potentially double in 2027 as Freeport's smelter resumes operations and other tenants ramp up production.
- **Attractive valuation and balance sheet**. AKRA trades at around 10.4x 2026F PE, with Rp6.0t gross cash (22% of market cap) and Rp1.7t net cash. Our Rp100 DPS assumption implies a 7.4% dividend yield, although potential new investments could affect the payout. AKRA is an MSCI Indonesia small cap constituent, with less direct passive-selloff exposure than MSCI standard constituents, but remains exposed to the broader market outflow.
- **Maintain BUY with a target price of Rp1,600**, based on our sum-of-the-parts valuation using 14.0x 2027F PE for trading and distribution earnings and a 60% discount to industrial estate RNAV. Strong 9M26 earnings, JIIPE's utilities expansion and a healthy balance sheet underpin our recommendation, with potential earnings upside for our conservative forecasts.

Share Price Catalyst

- **Event:** a) Fuel sales volume and margins; b) JIIPE land sales and stronger utilities income; and c) dividend payout.
- **Timeline:** 1H27.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net turnover	38,729	46,018	47,901	52,462	53,040
EBITDA	2,932	3,496	3,571	3,569	3,740
Operating profit	2,534	3,039	3,192	3,118	3,275
Net profit (rep./act.)	2,225	2,473	2,650	2,611	2,691
Net profit (adj.)	2,225	2,473	2,650	2,611	2,691
EPS	110.8	123.2	132.0	130.0	134.1
PE (x)	12.4	11.1	10.4	10.5	10.2
P/B (x)	2.4	2.2	2.2	2.2	2.2
EV/EBITDA (x)	10.3	8.6	8.3	8.6	8.9
Dividend yield (%)	7.2	7.2	7.3	7.3	7.3
Net margin (%)	5.7	5.4	5.5	5.0	5.1
Net debt/(cash) to equity (%)	(1.7)	(6.4)	(10.0)	(1.0)	19.0
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	19.5	20.8	21.4	20.7	21.0
Consensus net profit	-	-	2,904.6	2,891.1	3,059.4
UOBKH/Consensus (x)	-	-	0.91	0.90	0.88

Source: AKRA, Bloomberg, UOB Kay Hian

Aneka Tambang (ANTM IJ)
BUY/Target: Rp4,100

- **Gold-led earnings growth.** We forecast net profit rising 56% yoy to Rp11.2t in 2026 and Rp12.3t in 2027, driven by gold sales and higher metal prices. ANTM's revenue is largely US dollar-linked, providing a natural hedge against rupiah weakness.
- **Higher nickel ore and bauxite production in 2027.** Nickel (Ni) ore production is estimated at 18-20mt in 2027, subject to RKAB approval. Ferronickel (FeNi) production is expected to increase significantly, supported by the commissioning of the Halmahera FeNi plant in 4Q26. Bauxite production is projected to increase more than 50%, following the commissioning of the Mempawah project in 1Q27, which will replace Tayan. Tayan's volumes can be redirected to other smelters.
- **Project pipeline remains focused on downstream expansion across precious metals, HPAL and FeNi.** The fully-owned US$70m Gresik precious metal refinery facility will have capacity for 5m minted bars and coins per shift, with feedstock secured from Freeport, Amman Mineral Internasional, Merdeka Copper Gold, and other vendors. The 55kt Ni p.a. high pressure acid leach (HPAL) project (30% stake) is still under basic design and investment review, while COD is targeted for 1Q29. The 88kt Ni p.a. rotary kiln electric furnace smelter is under construction, with overall progress at 15% and COD targeted for 1Q28.
- **Net cash with rising dividend.** ANTM holds net cash, and our forecasts imply a dividend yield of about 12% in 2027. Gold also balances our energy exposure if oil prices ease.
- **Maintain BUY with a target price of Rp4,100,** based on 5.8x 2027F EV/EBITDA, equivalent to -0.5SD to its four-year historical average.

Share Price Catalyst

- **Event:** a) Gold sales volume, b) dividend payout, and c) nickel and battery project progress.
- **Timeline:** 1H27.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net turnover	69,192	84,642	107,136	112,993	122,087
EBITDA	4,286	9,369	14,975	16,310	18,217
Operating profit	2,998	8,395	14,359	15,683	17,576
Net profit (rep./act.)	3,647	7,209	11,234	12,330	13,610
Net profit (adj.)	3,647	7,209	11,234	12,330	13,610
EPS (x)	152	300	467	513	566
PE (x)	17.7	9.0	5.8	5.2	4.7
P/B (x)	2.1	1.8	1.5	1.4	1.3
EV/EBITDA (x)	14.2	6.6	4.1	3.8	3.3
Dividend yield (%)	4.8	5.6	7.8	12.2	13.4
Net margin (%)	5.3	8.5	10.5	10.9	11.1
Net debt/(cash) to equity (%)	(14.8)	(11.5)	(14.6)	(13.1)	(20.2)
UOBKH/Consensus (x)	-	-	1.0	1.1	1.1

Source: ANTM, Bloomberg, UOB Kay Hian

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Astra International (ASII IJ)
BUY/Target: Rp7,100

- **Earnings to recover in 2027.** We forecast 2026 net profit declining 13% to Rp28.3t before recovering 18% to Rp33.5t in 2027. We attribute this to earnings being affected by lower coal production quotas following the reduction in the RKAB allocation from 817mt to 700mt, and the suspension of operations at the Martabe gold mine from January to late May 2026, which impacted the heavy equipment, mining, construction and energy (HEMCE) segment. Martabe is expected to produce only 65,000 oz in 2026, followed by a gradual production ramp-up throughout 2027-28 and a return to its original production level of 200,000 oz in 2029.
- **Continued implementation of TSR strategy.** ASII and its subsidiaries continued implementing their total shareholder return (TSR) strategy, conducting approximately Rp10t in share buybacks between Nov 25 and Sep 26. ASII is continuing its Rp8t buyback programme from Jul 26 to Jul 27, while United Tractors implemented a Rp2t programme in Oct-Dec 26 and Astra Agro Lestari plans to conduct buybacks of up to Rp400b in 4Q26. Separately, ASII is conducting a voluntary tender offer for up to 4.95% of Astra Otoparts, worth approximately Rp858b, potentially increasing its ownership from 80.00% to 84.95%. ASII maintained its dividend payout ratio guidance of 45-50%, with capital allocation prioritising maintenance and project capex, followed by dividends, investments and share buybacks.
- **Maintain BUY with SOTP-based target price of Rp7,100.** ASII's continued TSR initiatives, including its share buyback programme and interim dividend (2% yield), have supported its share price, which has outperformed the JCI by 16.91% ytd. Meanwhile, ASII's 9M26 automotive sales increased 13% yoy, while the HEMCE segment is expected to grow in 2027 on the gradual ramp-up of the Martabe gold mine.

Share Price Catalyst

- **Event:** a) Investor Day in 4Q26, b) buyback execution, c) dividend payments, and d) MSCI outcome.
- **Timeline:** 4Q26-2H27.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net turnover	328,480	323,392	308,089	325,097	335,478
EBITDA	56,042	52,307	46,153	51,135	59,341
Operating profit	42,400	38,665	31,729	35,930	43,353
Net profit (rep./act.)	33,901	32,769	28,347	33,497	36,971
Net profit (adj.)	33,901	32,769	28,347	33,497	36,971
EPS (Rp)	837.4	809.4	700.2	827.4	913.2
PE (x)	6.0	6.2	7.1	6.0	5.5
P/B (x)	0.9	0.9	0.9	0.8	0.8
EV/EBITDA (x)	4.5	5.0	5.5	4.9	4.2
Dividend yield	10.4	8.1	9.7	11.2	13.2
Net margin (%)	10.3	10.1	9.2	10.3	11.0
Net debt/(cash) to equity (%)	0.2	0.3	0.2	0.2	0.2
Interest cover (x)	11.1	10.4	10.1	12.3	15.0
ROE (%)	15.9	14.3	11.9	13.5	14.3
Consensus net profit	-	-	29,053	32,569	35,285
UOBKH/Consensus (x)	-	-	0.98	1.03	1.05

Source: ASII, Bloomberg, UOB Kay Hian

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Elnusa (ELSA IJ)
BUY/Target: Rp1,450

- **Key proxy for Indonesia's energy self-sufficiency push.** High oil prices support upstream spending, and we forecast net profit rising 21% yoy to Rp869b in 2026 and 22% to Rp1.06t in 2027, supported by the distribution and seismic business.
- **The 2027 backlog replenishment is underway,** with ELSA participating in two seismic tenders in Lampung and Java, which could commence in 2027 if awarded, helping offset the run-off of existing contracts. Meanwhile, downstream growth should remain supported by stronger fuel demand in Sumatra and Kalimantan, as well as industrial and marine fuel trading.
- **LCO model creates upstream opportunity.** ELSA has submitted a study to take over underutilised marginal wells from Pertamina Hulu Energi (PHE) under a low-cost operator (LCO) scheme, subject to PHE's approval. The proposal remains preliminary, and any acquisition would be outright rather than profit-sharing, implying higher upstream costs and capex from 2027.
- **Net cash and low index exposure.** ELSA holds cash worth about 70% of its market cap, with no exposure to an MSCI-related selloff, making it a good fit for our defensive 1H27 positioning.
- **Maintain BUY with a target price of Rp1,450,** based on a DCF-based target price of Rp1,450 (WACC: 12.74%, terminal value growth rate: 0%).

Share Price Catalyst

- **Event:** a) New upstream service contracts, b) seismic revenue, and c) dividend payout.
- **Timeline:** 1H27.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net turnover	13,393	14,498	16,063	17,745	19,517
EBITDA	1,174	1,214	1,370	1,590	1,812
Operating profit	805	843	970	1,158	1,348
Net profit (rep./act.)	714	718	869	1,062	1,227
Net profit (adj.)	714	718	869	1,062	1,227
EPS (Rp)	97.8	98.4	119.0	145.5	168.2
PE (x)	5.7	5.6	4.7	3.8	3.3
P/B (x)	0.8	0.8	0.7	0.6	0.6
EV/EBITDA (x)	1.3	0.8	0.7	0.5	0.3
Dividend yield	5.0	7.0	8.9	10.7	13.1
Net margin (%)	9.9	10.0	9.9	10.2	10.4
Net debt/(cash) to equity (%)	(39.5)	(47.2)	(50.6)	(46.5)	(44.6)
Interest cover (x)	6.5	8.7	12.2	20.0	25.7
ROE (%)	15.3	14.1	15.6	17.4	18.2
Consensus net profit	-	-	849	962	1,062
UOBKH/Consensus (x)	-	-	1.0	1.1	1.2

Source: ELSA, Bloomberg, UOB Kay Hian

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GoTo Gojek Tokopedia (GOTO IJ)
BUY/Target: Rp60

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- **Third straight profitable quarter, ahead of forecast.** GOTO booked a net profit of Rp1,165b in 9M26, reversing a Rp776b loss in 9M25, and 3Q26 was its third straight profitable quarter. 9M26 adjusted EBITDA rose 115% yoy to Rp2,867b. Fintech is now the main growth engine, with 9M26 adjusted EBITDA up 415% yoy to Rp1,395b on a higher transaction volume (+86% yoy) and a larger loan book (+51% yoy to Rp12.0t), outpacing on demand services (ODS) which grew 28% to Rp1,250b. Management raised its 2026 group adjusted EBITDA guidance to Rp3.5t-3.7t from Rp3.2t-3.4t.
- **Commission cap weighs on ODS, delivery is the bigger risk.** The 8% cap on 2W mobility took full effect in 3Q26, cutting mobility adjusted EBITDA by 16% yoy to Rp159b (2.5% of GTV), although mass-market products lifted completed orders by 9% yoy. The bigger risk is the cap's extension to delivery under the 8 Oct 26 presidential regulation, with rule implementation still pending. All else being equal, we estimate a 12% cut to delivery's contribution to 2027 net revenue, or about 18% including 2W mobility. This should be cushioned by exempt merchant commissions (~half of delivery revenue), order pooling and room to cut incentives (15.0% of ODS gross revenue in 3Q26). Management still guided that delivery should remain EBITDA-positive.
- **Maintain BUY with a target price of Rp60,** based on a blended segment EV/sales target multiple of 2.6x, a 25% discount to global peer averages. Our valuation remains based on 2026 revenue, and we will roll it forward to 2027 when there is greater clarity on the take-rate regulation. On earnings, GOTO trades at 20x 2026F PE, in line with that of Grab (19x) and Sea (21x). After the Rp50 price floor was removed on 28 Sep 26, GOTO spent Rp985b buying back about 36b shares (~3% of shares, at ~Rp27/share) within a month.

Share Price Catalyst

- **Event:** a) Regulatory clarity on the take-rate scope, b) continuous profitability improvement, and c) progressive buyback deployment.
- **Timeline:** 4Q26-2027.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net turnover	15,894	18,322	22,009	22,904	24,480
EBITDA	(1,497)	370	2,214	2,559	2,903
Operating profit	(2,241)	(378)	1,409	1,715	1,932
Net profit (rep./act.)	(5,155)	(1,818)	1,461	1,454	1,566
Net profit (adj.)	(5,155)	(1,818)	1,461	1,454	1,566
EPS (Rp)	(4.3)	(1.5)	1.2	1.2	1.3
PE (x)	(5.5)	(15.7)	19.6	19.7	18.3
P/B (x)	0.9	1.0	0.9	0.8	0.7
EV/EBITDA (x)	(9.5)	39.7	6.3	4.8	3.5
Dividend yield	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(32.4)	(9.9)	6.6	6.3	6.4
Net debt/(cash) to equity (%)	(47.2)	(48.3)	(45.8)	(46.3)	(47.7)
Interest cover (x)	n.m.	n.m.	1.6	3.5	3.5
ROE (%)	(17.0)	(6.3)	4.6	4.1	4.0
Consensus net profit	-	-	1,271	1,644	2,579
UOBKH/Consensus (x)	-	-	1.15	0.88	0.61

Source: GOTO, Bloomberg, UOB Kay Hian

Japfa Comfeed Indonesia (JPFA IJ)
BUY/Target: Rp2,800 (from Rp2,900)

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- **Strong net profit growth despite raw material cost pressure.** 9M26 net profit rose 34% yoy to Rp3.2t, with revenue up 26.5% yoy on firmer poultry prices and higher volumes across all segments. However, gross margin has been under pressure since 2Q26 (1Q26: 25.5%, 2Q26: 17.6%, 3Q26: 18.9%), as higher soybean meal prices and higher corn prices were only partially passed on through feed ASP hikes. We expect a stronger 4Q26, led by year-end seasonal demand and the recent culling, which should support live bird prices. Corn prices should stay high until year-end, but JPFA should be able to ease the pressure by storing wet corn in its silos, potentially substituting part of its corn with wheat, and gradually raising its feed ASP.
- **More responsive policy supporting poultry prices.** Live bird and day old chick (DOC) prices have firmed this year, averaging Rp20,977/kg (+13% yoy) and Rp6,166/chick (+18% yoy) in 9M26, with live bird prices falling below Rp19,000/kg in only two months (six months in 9M25). The government has turned more supportive, particularly following state-owned Berdikari's increased involvement in the sector. When prices dipped to Rp16,000-17,000/kg in Jun 26, major producers signed a joint commitment to accelerate absorption and raise farmgate prices to a minimum of Rp19,500/kg. The industry also began culling in late-October after prices softened again.
- **Downstream expansion to reduce earnings volatility.** The poultry processing and consumer products segment (17% of 9M26 revenue) grew 28% yoy. JPFA is accelerating its expansion, with segment capex tripling to Rp784b in 9M26 (9M25: Rp239b), as current capacity should run out within about a year. It aims to lift downstream processing from around 15% of its chicken output to 40% by 2030, which should leave earnings less exposed to price swings over time.
- **Maintain BUY with a lower target price of Rp2,800 (from Rp2,900),** based on 7x 2027F PE (-0.5SD below its five-year forward average of 7.7x), as we roll over our valuation to 2027. We cut our 2026-27 net profit forecasts by 12.0% and 16.7% respectively to reflect higher feed costs on the back of elevated soybean meal and corn prices and a weaker rupiah. Nevertheless, the 2027 dividend yield of 9.5% and ROE of 20% remain attractive.

Share Price Catalyst

- **Event:** a) Interim dividend payment, and b) stronger 4Q26 results.
- **Timeline:** End-26.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net turnover	55,801	60,716	75,612	83,319	91,448
EBITDA	6,274	7,290	8,296	8,967	10,256
Operating profit	5,213	6,150	7,030	7,561	8,698
Net profit (rep./act.)	3,019	4,004	4,302	4,654	5,506
EPS (Rp)	257.4	341.4	366.8	396.9	469.5
PE (x)	6.0	4.5	4.2	3.9	3.3
P/B (x)	1.2	1.0	0.9	0.8	0.7
EV/EBITDA (x)	4.4	3.6	3.6	3.3	2.8
Dividend yield	4.5	4.7	14.7*	9.5	10.2
Net margin (%)	5.4	6.6	5.7	5.6	6.0
Net debt/(cash) to equity (%)	60.7	44.5	56.3	49.9	38.5
Interest cover (x)	6.0	7.6	6.3	6.3	6.8
ROE (%)	19.5	21.5	21.2	20.0	20.5
Consensus net profit	-	-	4,572	4,851	5,319
UOBKH/Consensus (x)	-	-	0.94	0.96	1.04

** An outlier given that interim dividend was introduced for the first time in Nov 26*
Source: JPFA, Bloomberg, UOB Kay Hian

Kalbe Farma (KLBF IJ)
BUY/Target: Rp1,000

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- **Bottom line to stay positive despite margin pressure.** 9M26 revenue grew a solid 11.5% yoy to Rp29t, mostly on volume, with ASP increases of 3-5% limited to selected consumer health products. Net profit grew 4% yoy despite gross margin falling to 37.6% from 40.6%, hit by oil-linked active pharmaceutical ingredients (API) (~15% of COGS) and a weaker rupiah. More efficient promotion spending partly offset this, cutting opex-to-sales to 25.7% from 27.9%. Nevertheless, management sees API costs stabilising, down from the peak early in the US-Iran war that hit 2Q26 margins. Gross margin improved slightly to 37.8% in 3Q26 (2Q26: 36.8%) and should stay around that level in 4Q26, hence the full-year target of single-digit profit growth should be achievable.
- **Leading defensive pharma, more resilient in a challenging market.** KLBF's scale, own distribution network and strong net cash position place it in a better position than most to absorb higher raw material costs and a weaker rupiah. Its pharma market share has risen to about 14% from approximately 11% in 2022. This was supported by continued gains in unbranded generics, which was the fastest-growing category in 3Q26, as BPJS and private hospitals shift away from branded products. In consumer health, KLBF's brands also lead with 30-70% market share across key over-the-counter categories.
- **Innovation and growth continue across segments.** In pharmaceuticals, KLBF is moving into biologics, including Efesa for kidney disease and Zerpidio for oncology, with local insulin and GLP-1 production next. In 9M26, nutritionals revenue resumed growth (+4.1% yoy) as its shift toward lifestyle and ready-to-drink products like Hydrococo gained traction. The consumer health segment continued to refresh its portfolio with launches such as Extra Joss Ultimate amid rising health awareness, lifting gross margin to 64.9% (9M25: 64.4%). Distribution grew fastest (+21.6% yoy) on principals added last year, notably Bayer Pharma, though growth should normalise as the base effect fades. KLBF is also open to M&As, backed by Rp5.3t in net cash.
- **Maintain BUY with a target price of Rp1,000,** based on 11x 2027F PE (-1SD below its three-year forward average), as we roll over our valuation to 2027.

Share Price Catalyst

- **Event:** a) 4Q26 results (4Q is usually the strongest quarter), b) progress on insulin and GLP-1 production, and c) execution of its Rp500b share buyback.
- **Timeline:** 4Q26-2027.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net turnover	32,628	35,325	39,039	42,405	45,355
EBITDA	4,783	5,228	5,420	5,936	6,477
Operating profit	4,170	4,638	4,766	5,240	5,750
Net profit	3,241	3,665	3,743	4,108	4,492
EPS (Rp)	70.5	80.9	83.0	91.1	99.6
PE (x)	10.7	9.3	9.1	8.3	7.6
P/B (x)	1.5	1.5	1.3	1.2	1.1
EV/EBITDA (x)	6.3	5.7	5.2	4.6	4.0
Dividend yield (%)	4.3	4.8	2.8	5.5	6.0
Net margin (%)	9.9	10.4	9.6	9.7	9.9
Net debt/(cash) to equity (%)	(19.1)	(17.9)	(22.5)	(23.6)	(26.1)
Interest cover (x)	60.2	91.3	105.2	110.6	116.0
ROE (%)	14.2	15.7	14.4	14.6	14.7
Consensus net profit	-	-	3,670	4,082	4,398
UOBKH/Consensus (x)	-	-	1.02	1.01	1.02

Source: KLBF, Bloomberg, UOB Kay Hian

Telkom Indonesia (TLKM IJ)
BUY/Target: Rp3,300

- **TIF remains a key catalyst.** TLKM completed Telkom Infranexia (TIF) Phase 1 and Phase 2 transfers on 30 September, with potential monetisation following further SOE asset consolidation in 2026. TIF targets Rp26t in revenue and Rp9t-10t in EBITDA, with an 8-9x EV/EBITDA valuation. Additional opportunities include data centre assets and GoTo Gojek Tokopedia shares, while the 2027 dividend yield remains attractive at 12.4%.
- **4Q26 recovery expected.** In 3Q26, revenue declined 2.8% qoq while EBITDA margin fell to 43.7% amid lower mobile ARPU, higher costs and investment losses. Management expects easing pricing pressure and a seasonal ARPU recovery to support a stronger 4Q26 performance, and maintains its guidance. Capex/revenue targets remain at 17-19%, with increased focus on B2B infrastructure and data centres.
- **Maintain BUY with a target price of Rp3,300,** based on 4.7x 2027F EV/EBITDA, or -1SD to its five-year mean. TLKM currently trades at around 3.0x 2027F EV/EBITDA, while we see improving mobile ARPU, early retirement programme (ERP)-led efficiency gains and 5G expansion supporting the core business.
- **Key risks:** a) Weaker-than-expected ARPU recovery; b) slower-than-expected unlocking of TIF and other subsidiaries' value; c) higher-than-expected capex and forex impact; and d) execution risks from the ERP, management changes and ongoing asset reorganisation.

Share Price Catalyst

- **Event:** TIF stake sale.
- **Timeline:** 2027.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net turnover	149,967	146,742	149,606	153,887	157,967
EBITDA	75,634	72,297	74,212	78,175	81,511
Operating profit	41,453	34,648	36,889	38,955	41,388
Net profit (rep./act.)	22,403	17,814	19,712	20,999	22,475
Net profit (adj.)	22,272	19,310	21,675	21,789	22,475
EPS (Rp)	225	195	219	220	227
PE (x)	8.8	10.2	9.0	9.0	8.7
P/B (x)	1.3	1.3	1.3	1.3	1.4
EV/EBITDA (x)	3.2	3.3	3.2	3.0	2.9
Dividend yield	9.0	10.7	11.2	12.4	13.2
Net margin (%)	14.9	12.1	13.2	13.6	14.2
Net debt/(cash) to equity (%)	27.9	27.0	28.7	26.2	25.5
Interest cover (x)	8.0	6.7	7.9	8.6	9.0
ROE (%)	14.5	11.8	13.3	14.4	15.8
Consensus net profit	-	-	19,820	21,571	22,470
UOBKH/Consensus (x)	-	-	0.99	0.97	1.00

Source: TLKM, Bloomberg, UOB Kay Hian

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Unilever Indonesia (UNVR IJ)
BUY/Target: Rp1,800

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- **Volume-led recovery following 2025 reset.** After the volume and market share losses in 2023-24, UNVR reset its business in 2025 by closing price gaps, improving distributor stock levels and expanding direct store coverage. This has delivered five straight quarters of volume-led growth, with offline market share stable at about 31%. 9M26 revenue from continuing operations rose 7.2% yoy to Rp25.8t, but operating profit fell 1.8% to Rp3.9t as gross margin narrowed to 45.1% from 48.9% on oil-linked costs and a weaker rupiah. Net profit still rose 10.6% to Rp3.3t, helped by interest income and gains on fixed asset sales. Going forward, UNVR will prioritise core brands, premiumisation and online channels, while in-house surfactant production, which has cut production cost per tonne by about 25% since 2024, will partly offset input costs.
- **Potential dividend yield of about 9% over the next 12 months.** UNVR has consistently paid out approximately 100% of net profit and distributed past divestment gains in full. We expect an interim DPS of Rp76 in Dec 26 (a 5.0% yield), including Rp23 from the Rp870b Sariwangi gain, and a final FY26 DPS of Rp54 in mid-27. Separately, management is assessing the implications of Unilever's planned separation of its foods business and subsequent merger with McCormick, with an update expected by end-26. Foods contributed a sizeable 26% of 9M26 revenue and 23% of segmental operating profit. However, it is more asset-heavy, with slower growth (4.2% vs 8.3% for home and personal care) and a lower margin (17.7% vs 21.6%). Our rough calculations indicate a sale in line with previous deals would imply an after-tax gain of about Rp6.2t, or a special DPS of approximately Rp164 (~11% yield), assuming a full payout.
- **Maintain BUY with a target price of Rp1,800,** based on 16.4x 2027F PE (-0.5SD below its three-year mean of 17.9x). The stock has fallen about 42% ytd and trades at 13.8x 2027F PE, approximately -1.3SD below its mean.

Share Price Catalyst

- **Event:** a) Interim dividend payment in Dec 26, and b) update on the foods business following Unilever PLC's deal with McCormick.
- **Timeline:** End-26.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net turnover	30,623	31,943	33,346	35,160	36,891
EBITDA	4,342	5,100	5,433	5,827	6,325
Operating profit	3,825	4,637	4,948	5,315	5,785
Net profit (rep./act.)	2,922	3,537	4,068	4,169	4,541
Net profit (adj.)	2,922	3,537	4,068	4,169	4,541
EPS (Rp)	76.9	93.1	107.1	109.8	119.6
PE (x)	19.7	16.3	14.1	13.8	12.7
P/B (x)	26.8	12.9	26.2	25.6	23.6
EV/EBITDA (x)	13.4	10.2	10.1	9.4	8.5
Dividend yield	7.8	8.9	12.6	7.2	7.6
Net margin (%)	9.5	11.1	12.2	11.9	12.3
Net debt/(cash) to equity (%)	36.2	(127.5)	(117.0)	(134.7)	(149.6)
Interest cover (x)	52.9	39.2	98.4	96.1	95.1
ROE (%)	136.0	79.0	185.2	185.5	186.6
Consensus net profit	-	-	4,442	4,126	4,353
UOBKH/Consensus (x)	-	-	0.92	1.01	1.04

Source: UNVR, Bloomberg, UOB Kay Hian

Appendix

MSCI Downgrade History: Markets Threatened With A Lower Classification

Market	From / to	Reason	First threatened	MSCI decision	Effective	What happened
Threatened and downgraded						
Malaysia	Developed to Emerging	Capital controls	4 Sep 98	4 Sep 98	30 Sep 98	FX and repatriation limits on 1 Sep 98
Malaysia	Emerging to Removed (EM Free)	Capital controls	4 Sep 98	Oct 98*	30 Nov 98*	One-year holding period for foreign funds; back to EM status in 2000
Sri Lanka	Emerging to Standalone	Size / liquidity	n.v.	Apr 01*	May 01	Reason not verified (likely size/liquidity in the 2001 index changes); moved up to Frontier in Nov 07
Venezuela	Emerging to Standalone	Capital controls	15 Mar 06	25 Apr 06	31 May 06	FX controls since 2003; low liquidity
Jordan	Emerging to Frontier	Size / liquidity	Jan 08*	18 Jun 08	Nov 08	Most stocks failed EM size and liquidity minimums
Pakistan	Emerging to Standalone	Price floor	27 Aug 08	10 Dec 08	31 Dec 08	Price floor froze trading (no MSCI warning); joined Frontier in May 09
Argentina	Emerging to Frontier	Capital controls	18 Jun 08	18 Feb 09	29 May 09	Limits on capital inflows and outflows
Trinidad & Tobago	Frontier to Standalone	Size / liquidity	10 Nov 10	10 Feb 11	31 May 11	Persistent fall in liquidity
Greece	Developed to Emerging	Accessibility	20 Jun 12	11 Jun 13	26 Nov 13	Stock lending and short-sell limits; only 2 index stocks
Morocco	Emerging to Frontier	Size / liquidity	20 Jun 12	11 Jun 13	Nov 13	Failed EM liquidity tests for several years
Ukraine	Frontier to Standalone	Capital controls	21 Apr 15	May 15*	31 Aug 15	Ban on repatriating sale proceeds and dividends (Mar 15)
Bulgaria	Frontier to Standalone	Size / liquidity	none	11 Aug 16	31 Aug 16	Too few stocks met Frontier rules; back to Frontier in May 27
Lebanon	Frontier to Standalone	Capital controls	23 Jun 20	17 Dec 20	26 Feb 21	Controls since Oct 19; wide official/parallel FX gap
Argentina	Emerging to Standalone	Capital controls	12 Sep 19	24 Jun 21	30 Nov 21	FX, dividend and repatriation limits from Sep 19; skipped Frontier
Pakistan	Emerging to Frontier	Size / liquidity	24 Jun 21	7 Sep 21	30 Nov 21	Below EM size and liquidity standards
Russia	Emerging to Standalone	Sanctions	28 Feb 22	2 Mar 22	9 Mar 22	Uninvestable after the invasion; removed at effectively zero price
Nigeria	Frontier to Standalone	FX shortage	23 Jun 20	26 Oct 23	29 Feb 24	Thin naira FX market; wide official/parallel gap
Threatened but not downgraded						
Colombia	Emerging to Frontier	Capital controls	18 Jun 08	16 Dec 08	-	Controls removed (Sep 08)
Egypt	Emerging to Standalone	Market closure	Feb 11	Mar 11	-	Exchange reopened within MSCI's 40-day closure limit
Egypt	Emerging to Exclusion	FX shortage	11 Jun 13	-	-	Warning only; no consultation
Greece	Emerging to Standalone	Capital controls	Jul 15	Aug 15	-	Exchange reopened; warning only
Peru	Emerging to Frontier	Size / liquidity	13 Aug 15	14 Jun 16	-	Capital gains tax cut; liquidity improved
Nigeria	Frontier to Standalone	FX shortage	29 Apr 16	26 Oct 17	-	Central bank opened a new FX window (Apr 17)
Turkey	Emerging to Frontier / Standalone	Accessibility	23 Jun 20	-	-	Short-selloff bans; warning only
Bangladesh	Frontier to Standalone	Price floor	23 Jun 20	-	-	Floor prices killed liquidity, plus FX repatriation delays; warning only (repeated in Jun 26), still Frontier
Egypt	Emerging to Frontier / Standalone	FX shortage	22 Jun 23	2024	-	FX liquidity improved; warning only
Indonesia	Emerging to Frontier	Governance	28 Jan 26	23 Jun 26	-	Kept in EM; replaced by Standalone proposal (15 Oct 26)
Pending						
Indonesia	Emerging to Standalone	Governance	15 Oct 26	By 30 Jun 27	-	Consultation open until 30 Apr 27; shareholding opacity, coordinated trading
Turkey	Emerging to Frontier / Standalone	Governance	23 Jun 26	Jun 27 review	-	Index freeze from 15 Oct 26; coordinated trading via funds

Source: MSCI, press reports, UOB Kay Hian

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