

Tuesday, 23 April 2019

**BUY**  
**Maintain**

Last price (IDR) 2,390  
Target Price (IDR) 2,400  
Upside/Downside +0.4%  
Previous Target Price (IDR) 2,400

**Stock Statistics**

Sector Banking  
Bloomberg Ticker BTPS IJ  
No of Shrs (mn) 7,704  
Mkt. Cap (IDRbn/USDmn) 18,412/1,308  
Avg. daily T/O (IDRbn/USDmn) 78.8/5.6

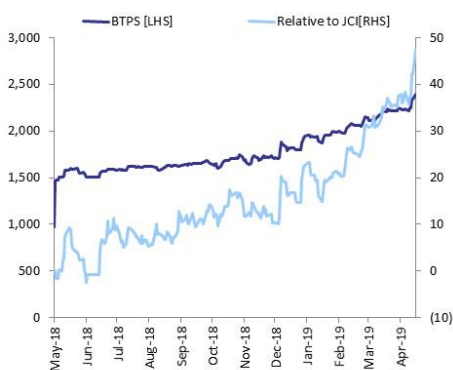
**Major shareholders (%)**

PT. BTPN Tbk. 70.0  
PT. Triputra Persada Rahmat 10.0  
Estimated free float 20.0

**EPS Consensus (IDR)**

	2019F	2020F	2021F
Danareksa	155.4	183.2	217.1
Consensus	148.9	179.5	227.3
Danareksa/Cons	4.3	2.0	(4.5)

**BTPS relative to JCI Index**



Source : Bloomberg



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# BTPN Syariah (BTPS IJ)

## The strong growth continues

**We reiterate our BUY call on BTPS with a GGM-derived TP of IDR2,400 (implying 3.5x 2019F P/BV) following the release of the 1Q19 results that are inline with our expectation. NIM will remain high in our view despite the gradual decline to 38.0% this year as BTPS will maintain its core business in the productive female borrowers segment. As for the funding mix, it will still be dominated by TD with a 79.8% contribution to deposits by 2019F. All in all, we assume a 408bps credit cost and 19.7% yoy net profits growth this year.**

**1Q19 highlights.** The 1Q19 net profits of IDR288bn (+35.8% yoy) are inline with our estimate supported by strong 20.3% yoy financing growth and a lower credit cost of 353bps with a 1.4% gross NPLs ratio as of March 2019. The loans loss coverage (LLC) ratio climbed to 227% as of March 2019 due to the bank's decision to allocate ample provisions on its financing exposure in Lombok and coastal towns on the Sunda Straits. If we strip out this one-off event, the LLC ratio would stand at 159%.

**An exceptionally high NIM.** Thanks to BTPS' one-of-a-kind business model, its NIM will remain far above the industry level. However, we do expect the NIM to gradually decline to 38.0% in FY19F given higher individual financing exposure. This individual financing is still in the pilot project stage and only offered to borrowers who have already passed cycle 5 (each cycle has a 52-week tenor). Meanwhile, funding is still largely provided by wealthy individuals who place their funds in TD products (under the mudharabah scheme). Thus, we assume a 5.8% blended CoF this year.

**Decent ROAE outlook at above 20%.** High loans growth of at least 20% in the next two years should offset the lower expected NIM. Fee-income is not yet the focus as BTPS still seeks to grow its assets further. Credit costs, additionally, should be predictable given the bank's financing portfolio. We assume dividends will only be distributed from FY21F's net profit and beyond. This is because BTPN, as BTPS' biggest shareholder, views that BTPS still needs sufficient capital to support its expansive financing growth. Thus, assuming net profits growth of 19.7% this year, the ROAE should reach 26.0%.

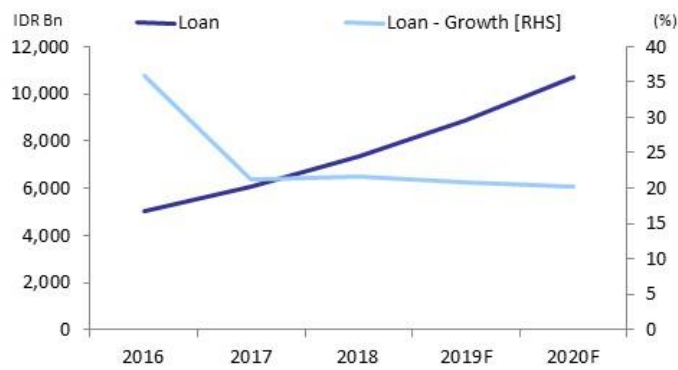
**Maintain BUY with a higher TP of IDR2,400.** We maintain our BUY call on BTPS with a higher GGM-derived TP of IDR2,400 assuming 8.9% CoE, 23.9% sustainable ROAE and 3% long-term growth. Our TP implies 3.5x 2019F P/BV.

**Key Financials**

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
PPOP (IDRbn)	1,143	1,578	1,951	2,355	2,830
Net profit (IDRbn)	670	965	1,197	1,411	1,672
EPS (IDR)	96.7	129.8	155.4	183.2	217.1
EPS growth (%)	62.5	34.3	19.7	17.9	18.5
BVPS (IDR)	325.2	537.5	674.1	857.3	1,020.1
PER (x)	24.7	18.4	15.4	13.0	11.0
PBV (x)	7.3	4.4	3.5	2.8	2.3
Dividend yield (%)	0.0	0.0	0.0	0.0	2.3
ROAE (%)	34.8	30.9	26.0	23.9	23.1

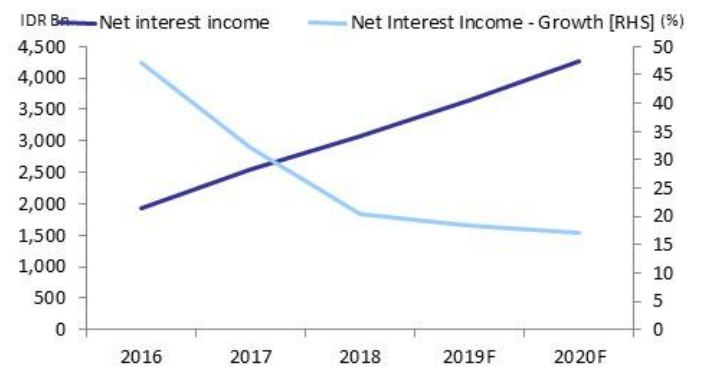
Source : BTPS, Danareksa Estimates

**Exhibit 1. Loan and Growth**



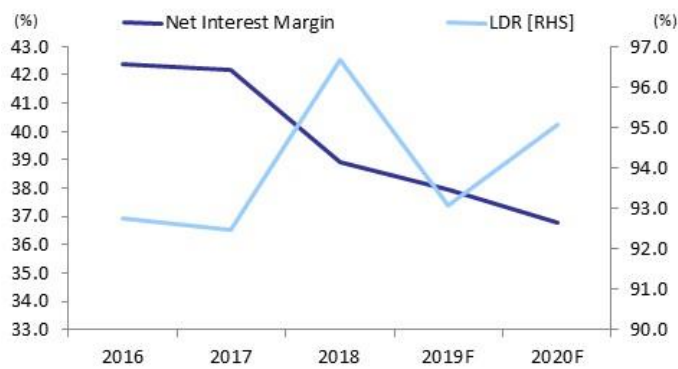
Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Interest Income and Growth**



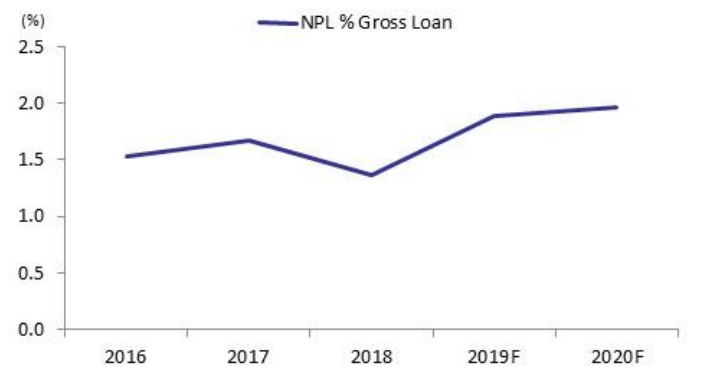
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. NIM and LDR**



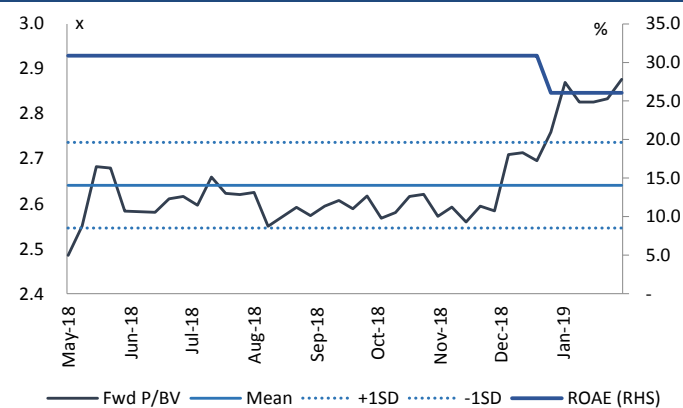
Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. NPL**



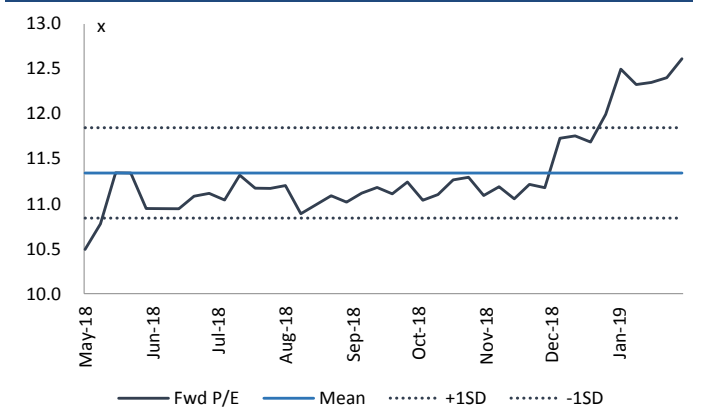
Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. PBV ROAE Band Chart**



Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 6. PE Band Chart**



Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 7. BTPS' result**

<b>FYE Dec (IDRbn)</b>	<b>1Q18</b>	<b>4Q18</b>	<b>1Q19</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>
Net interest income	699	835	857	2.7	22.7
<i>Net interest margin (%)</i>	39.0	38.5	38.7		
Non-interest income	3	2	5	98.9	78.3
<b>Operating income</b>	<b>701</b>	<b>837</b>	<b>862</b>	<b>2.9</b>	<b>22.9</b>
Overhead expenses	(355)	(397)	(402)	1.0	13.2
<i>Cost-Income Ratio (%)</i>	50.6	47.5	46.6		
<b>Pre-provisions profit</b>	<b>346</b>	<b>440</b>	<b>460</b>	<b>4.7</b>	<b>32.9</b>
Provisions allowance	(62)	(79)	(66)	(16.7)	6.0
<i>Credit cost - annualised (bps)</i>	402.6	418.5	352.8		
<b>Pretax profit</b>	<b>285</b>	<b>360</b>	<b>389</b>	<b>8.2</b>	<b>36.8</b>
Tax	(73)	(93)	(101)	8.6	39.1
<i>Effective tax rate (%)</i>	25.5	25.8	25.9		
<b>Net Profit</b>	<b>212</b>	<b>267</b>	<b>288</b>	<b>8.1</b>	<b>36.1</b>
<b>Other Key Data and Ratios</b>					
Gross financing	6,241	7,359	7,507	2.0	20.3
Customer deposits	6,696	7,612	7,817	2.7	16.7
Gross non-performing financing	105	101	104	2.7	(1.8)
Total assets	9,485	12,039	12,538	4.1	32.2
Shareholders' funds	2,474	3,997	4,283	7.2	73.1
ROAA (%)	9.1	9.1	9.4		
ROAE (%)	35.9	27.7	27.9		
LDR (%)	93.2	96.7	96.0		
Gross NPFs ratio (%)	1.7	1.4	1.4		
LLC ratio (%)	149.5	214.1	227.0		
CAR (%)	27.7	40.9	39.4		

Source : Company, Danareksa Sekuritas estimates

### Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Interest Income	2,905	3,447	4,142	4,866	5,674
Interest Expense	(346)	(368)	(495)	(594)	(678)
<b>Net Interest Income</b>	<b>2,560</b>	<b>3,080</b>	<b>3,647</b>	<b>4,272</b>	<b>4,996</b>
Non-Interest Income (NII)	7	12	14	15	17
<b>Oper. Income</b>	<b>2,567</b>	<b>3,092</b>	<b>3,660</b>	<b>4,287</b>	<b>5,013</b>
Oper. Expenses	(1,423)	(1,514)	(1,709)	(1,932)	(2,184)
<b>Pre-provisions profit</b>	<b>1,143</b>	<b>1,578</b>	<b>1,951</b>	<b>2,355</b>	<b>2,830</b>
Provisions & Allowances	(235)	(276)	(328)	(395)	(474)
<b>Operating Profits</b>	<b>908</b>	<b>1,303</b>	<b>1,623</b>	<b>1,960</b>	<b>2,355</b>
Non-Operating Income	0	(4)	0	0	0
Exceptionals	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>909</b>	<b>1,299</b>	<b>1,623</b>	<b>1,960</b>	<b>2,355</b>
Income Tax	(239)	(334)	(426)	(549)	(683)
Minorities	0	0	0	0	0
<b>Net Profit</b>	<b>670</b>	<b>965</b>	<b>1,197</b>	<b>1,411</b>	<b>1,672</b>

### Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Gross Loans	6,053	7,359	8,892	10,696	12,759
Provisions	(158)	(216)	(267)	(334)	(389)
<b>Net Loans</b>	<b>5,896</b>	<b>7,143</b>	<b>8,625</b>	<b>10,363</b>	<b>12,370</b>
Govt. Bonds	0	0	0	0	0
Securities	39	1,038	1,557	1,985	2,482
Other Earnings Assets	0	0	0	0	0
<b>Total Earnings Assets</b>	<b>7,114</b>	<b>8,715</b>	<b>10,500</b>	<b>12,740</b>	<b>15,302</b>
Fixed Assets	434	489	558	627	704
Non-Earnings Assets	264	179	290	308	391
<b>Total Assets</b>	<b>9,157</b>	<b>12,039</b>	<b>15,084</b>	<b>18,208</b>	<b>21,298</b>
Customer Deposits	6,546	7,612	9,554	11,250	13,068
Banks Deposits	0	0	0	0	0
Int. Bearing Liab. - Others	0	0	0	0	0
<b>Total Liabilities</b>	<b>6,902</b>	<b>8,042</b>	<b>9,890</b>	<b>11,604</b>	<b>13,439</b>
Share capital & Reserves	905	1,644	1,643	1,643	1,643
Retained Earnings	1,350	2,353	3,550	4,961	6,216
<b>Shareholders' Funds</b>	<b>2,255</b>	<b>3,997</b>	<b>5,193</b>	<b>6,605</b>	<b>7,859</b>
Minority interests	0	0	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>9,157</b>	<b>12,039</b>	<b>15,084</b>	<b>18,208</b>	<b>21,298</b>

### Exhibit 10. Ratios

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Yield on Earning Assets	47.8	43.6	43.1	41.9	40.5
Cost of funds	5.8	5.2	5.8	5.7	5.6
Interest Spread	42.0	38.4	37.3	36.2	34.9
Net Interest Margin	42.2	38.9	38.0	36.8	35.6
Cost/Income Ratio	55.5	49.0	46.7	45.1	43.6
Oper. Exp./Oper. Gross Inc.	68.8	62.4	60.9	59.8	58.6
Gross NPL Ratio	1.7	1.4	1.9	2.0	1.9
LLP/Gross NPL	156.4	214.1	158.7	159.5	160.3
Cost of Credit	4.3	4.1	4.0	4.0	4.0
Loan to Deposit Ratio	92.5	96.7	93.1	95.1	97.6
Loan to Funding Ratio	92.5	96.7	93.1	95.1	97.6
CASA Mix	21.3	22.8	20.2	20.2	20.2
ROAE	34.8	30.9	26.0	23.9	23.1
ROAA	8.1	9.1	8.8	8.5	8.5
CAR	28.7	40.9	40.8	42.9	42.5

### Exhibit 11. Dupont and growth

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
<b>Dupont</b>					
Pre-Tax ROAA	11.0	12.3	12.0	11.8	11.9
Tax Retention rate	73.8	74.3	73.8	72.0	71.0
Post-Tax ROAA	8.1	9.1	8.8	8.5	8.5
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	4.3	3.4	3.0	2.8	2.7
ROAE	34.8	30.9	26.0	23.9	23.1
<b>Growth (%)</b>					
Interest income	30.5	18.7	20.1	17.5	16.6
Net Interest Income	32.2	20.3	18.4	17.1	17.0
Other Oper. Expenses	12.3	6.4	12.8	13.0	13.0
Fee Based Income	150.7	12.2	(100.0)	0.0	0.0
Pre-Provision Oper. Profit	69.8	38.0	23.6	20.7	20.2
Net Profit	62.5	44.0	24.0	17.9	18.5
Shareholders' Equity	41.6	77.3	29.9	27.2	19.0
Loan	21.1	21.6	20.8	20.3	19.3
Earnings Asset	41.4	22.5	20.5	21.3	20.1
Deposit	21.5	16.3	25.5	17.8	16.2
Int. Bearing Liab.	21.5	16.3	25.5	17.8	16.2
CASA	31.7	24.6	11.4	17.5	16.4
Total Asset	25.0	31.5	25.3	20.7	17.0

Source : BTPS, Danareksa Estimates

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