

Tuesday, 10 December 2019

BUY Maintain

Last price (IDR)	7,250
Target Price (IDR)	9,000
Upside/Downside	+24.1%
Previous Target Price (IDR)	9,000

Stock Statistics

Sector	Banking
Bloomberg Ticker	BMRI IJ
No of Shrs (mn)	46,667
Mkt. Cap (IDRbn/USDmn)	338,333/24,149
Avg. daily T/O (IDRbn/USDmn)	292.8/20.9

Major shareholders (%)

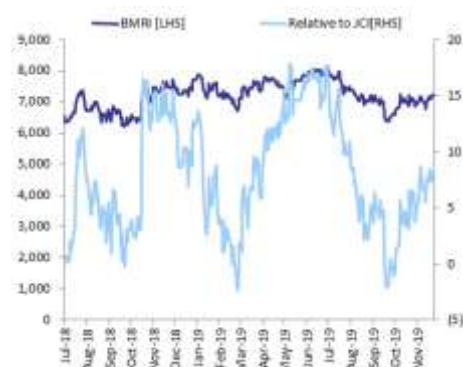
Government of Indonesia	60.0
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Estimated free float	40.0
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EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	600.3	667.3	743.5
Consensus	587.6	666.7	745.9
Danareksa/Cons	2.2	0.1	(0.3)

BMRI relative to JCI Index



Source : Bloomberg



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Bank Mandiri (BMRI IJ)

Maintaining its focus

We reiterate our BUY call on BMRI with an unchanged GGM-derived TP of IDR9,000 (implying 1.9x 2020F P/BV) post the appointment of Royke Tumilaar as BMRI's new CEO through an extraordinary AGM on Monday. BMRI will continue to focus on the corporate segment, in our view, given Pak Royke's previous position as the Director of corporate banking. While NIM should touch 5.3% in FY20F reflecting the bank's active funding management and selective TD customers with special rates amid policy rate cuts of 100bps YtD.

New CEO, maintaining its focus on the corporate segment. The appointment of Royke Tumilaar as the new CEO through an extraordinary AGM on Monday should not significantly affect BMRI's outlook in our view. Previously holding the position as the Director of Corporate Banking, we expect Pak Royke to further deepen the bank's focus on corporate banking. In addition, the shareholders at the extraordinary AGM also appointed Kartika Wirjoatmodjo (previous BMRI's CEO) and Chatib Basri (ex Minister of Finance 2013-2014) as the President Commissioner and Deputy Commissioner, respectively.

Well-balanced loans portfolio. On a regular basis, the bank reviews its stance on all sectors of the economy. For example, BMRI has a more positive outlook on the telecommunications sector while, at the same time, limiting its exposure to CPO and property investments in selected areas. Meanwhile, BMRI requires its wholesale borrowers to increase their CASA deposits outstanding balance to a certain amount, mainly to limit a further decline in NIM going forward. All in all, we expect a more sustainable loans growth rate of 11.8% yoy next year with 41.5% exposure to the corporate segment.

Manageable NIM due to active funding management. NIM should reach 5.3% next year coming from a manageable blended CoF at 3.1% in 2020F thanks to the bank's strong retail-based customer deposits. In addition, BMRI's strategy to selectively offer special rates to institutional customers should provide a limited buffer against a higher blended CoF. Despite a higher contribution from institutional TD of 16.6% of total customer deposits as of September 2019 vs. 12.8% at December 2017, the blended CoF only ticked up to 3.2%.

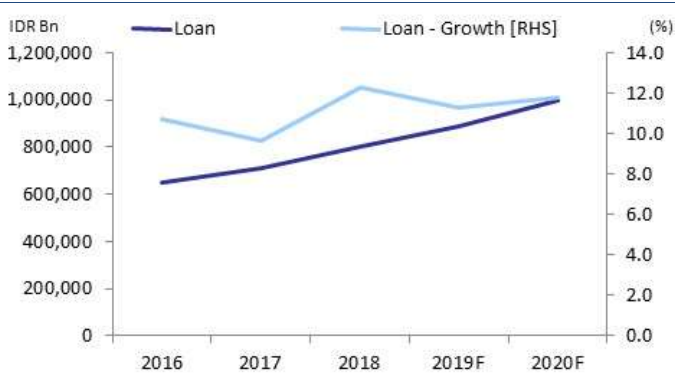
Maintain BUY, TP of IDR9,000. We maintain our BUY call on BMRI with an unchanged GGM-derived TP of IDR9,000 (implying 1.9x 2020F P/BV) assuming 9.0% CoE, 14.6% sustainable ROAE and 3% long-term growth.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
PPOP (IDRbn)	43,122	48,091	50,754	54,499	60,273
Net profit (IDRbn)	20,640	25,015	28,014	31,140	34,697
EPS (IDR)	442.3	536.0	600.3	667.3	743.5
EPS growth (%)	49.5	21.2	12.0	11.2	11.4
BVPS (IDR)	3,572.5	3,882.9	4,228.1	4,628.4	5,074.6
PER (x)	16.4	13.5	12.1	10.9	9.8
PBV (x)	2.0	1.9	1.7	1.6	1.4
Dividend yield (%)	2.7	3.3	3.5	3.7	4.1
ROAE (%)	13.0	14.4	14.8	15.1	15.3

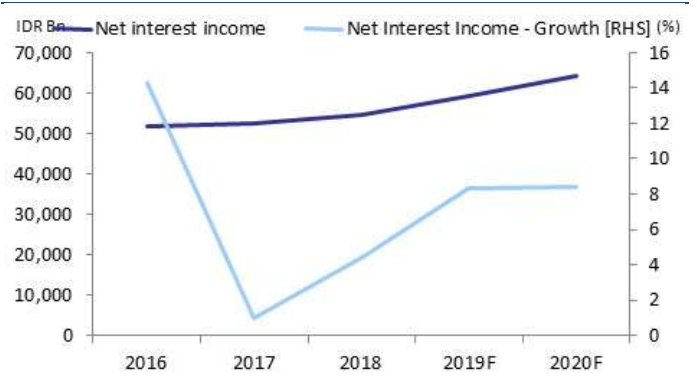
Source : BMRI, Danareksa Estimates

Exhibit 1. Loan and Growth



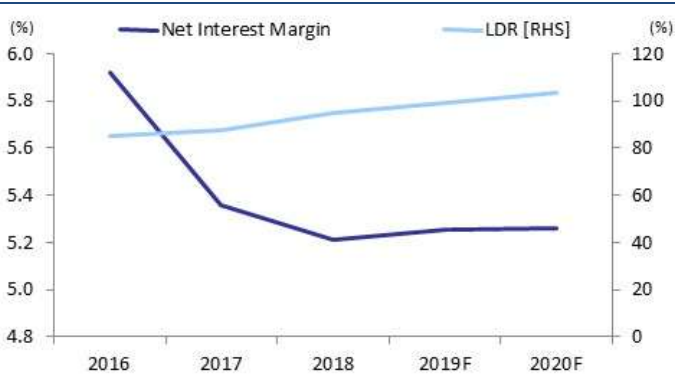
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Interest Income and Growth



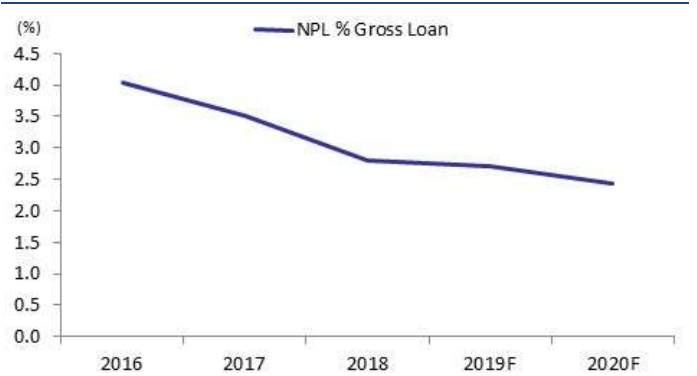
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. NIM and LDR



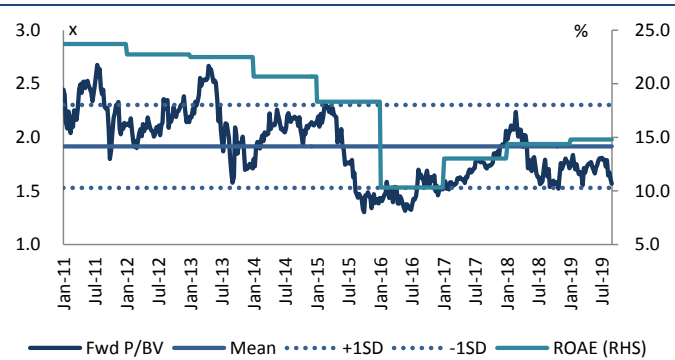
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. NPL



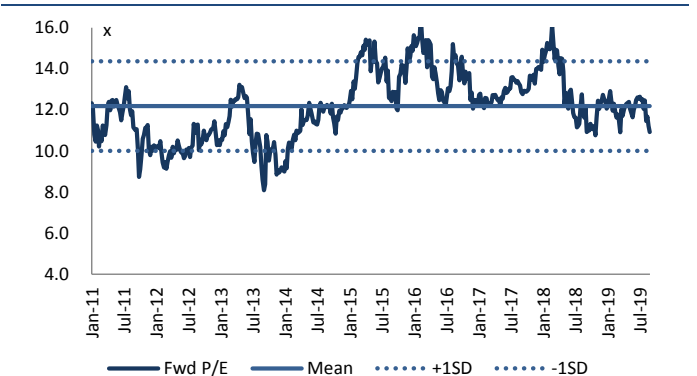
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PBV ROAE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 7. BMRI's new Board of Commissioners and Board of Directors

	Current	Previous
Board of Commissioners		
President Commissioner	Kartika Wirjoatmodjo	Hartadi A. Sarwono
Deputy President Commissioner	M. Chatib Basri	Imam Aprianto Putro
Independent Commissioner	M. Nasir	Bangun Sarwito K.
Independent Commissioner	Robertus Bilitea	Goei Siau Hong
Independent Commissioner	Makmur Keliat	Makmur Keliat
Commissioner	Ronald Silaban	Askolani
Commissioner	R. Widyo Pramono	R. Widyo Pramono
Commissioner	Ardan Adiperdana	Ardan Adiperdana
Board of Directors		
President Director	Royke Tumilaar	Kartika Wirjoatmodjo
Deputy President Director	Sulaiman Arif Arianto	Sulaiman Arif Arianto
Director of Corporate	Alexandra Askandar	Royke Tumilaar
Director of Business and Network	N/A	Hery Gunardi
Director of Risk Management	Ahmad Siddik Badruddin	Ahmad Siddik Badruddin
Director of IT and Operation	Rico Usthavia Frans	Rico Usthavia Frans
Director of Treasury & Int'l	Darmawan Junaidi	Darmawan Junaidi
Director of Institutions	Donsuwan Simatupang	Alexandra Askandar
Director of Compliance & HR	Agus Dwi Handaya	Agus Dwi Handaya
Director of Finance & Strategy	Silvano Winson Rumantir	Panji Irawan
Director of Retail	N/A	Donsuwan Simatupang
Director of Commercial	Riduan	Riduan
Director Consumer & Retail	Hery Gunardi	N/A
Director of Operation	Panji Irawan	N/A

Source : Company

Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Interest Income	79,502	80,993	89,816	97,442	105,021
Interest Expense	(27,174)	(26,370)	(30,640)	(33,289)	(34,359)
Net Interest Income	52,327	54,623	59,176	64,153	70,662
Non-Interest Income (NII)	24,747	26,722	31,453	33,564	37,045
Oper. Income	77,074	81,345	90,629	97,717	107,707
Oper. Expenses	(35,014)	(37,566)	(40,742)	(43,989)	(48,253)
Pre-provisions profit	43,122	48,091	50,754	54,499	60,273
Provisions & Allowances	(15,952)	(14,185)	(14,532)	(14,414)	(15,620)
Operating Profits	27,170	33,906	36,222	40,085	44,652
Non-Operating Income	(13)	38	38	38	38
Exceptionals	0	0	0	0	0
Pre-tax Profit	27,157	33,943	36,260	40,122	44,690
Income Tax	(5,714)	(8,091)	(7,339)	(7,999)	(8,910)
Minorities	(803)	(837)	(907)	(983)	(1,083)
Net Profit	20,640	25,015	28,014	31,140	34,697

Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Gross Loans	712,038	799,557	889,708	994,453	1,108,301
Provisions	(33,745)	(31,796)	(33,664)	(35,208)	(34,329)
Net Loans	678,293	767,761	856,044	959,245	1,073,972
Govt. Bonds	103,411	114,285	109,499	104,713	99,927
Securities	59,610	63,836	66,521	54,470	34,442
Other Earnings Assets	17,139	20,146	19,877	22,785	26,184
Total Earnings Assets	1,018,585	1,077,468	1,174,452	1,265,983	1,358,565
Fixed Assets	46,991	50,076	53,395	56,924	60,680
Non-Earnings Assets	22,888	25,517	22,391	23,573	23,827
Total Assets	1,124,701	1,202,252	1,292,876	1,390,055	1,491,907
Customer Deposits	816,252	841,348	898,507	964,431	1,040,177
Banks Deposits	8,350	16,494	18,816	19,350	19,057
Int. Bearing Liab. - Others	0	0	0	0	0
Total Liabilities	954,695	1,017,292	1,090,901	1,168,413	1,248,365
Share capital & Reserves	55,361	54,118	54,118	54,118	54,118
Retained Earnings	111,358	127,085	143,193	161,876	182,695
Shareholders' Funds	166,719	181,203	197,310	215,994	236,813
Minority interests	3,287	3,758	4,664	5,647	6,730
Total Equity & Liabilities	1,124,701	1,202,252	1,292,876	1,390,055	1,491,907

Exhibit 10. Ratios

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Yield on Earning Assets	8.1	7.7	8.0	8.0	8.0
Cost of funds	3.1	2.8	3.1	3.1	3.0
Interest Spread	5.0	4.9	4.9	4.9	5.0
Net Interest Margin	5.4	5.2	5.3	5.3	5.4
Cost/Income Ratio	44.8	43.9	44.5	44.7	44.5
Oper. Exp./Oper. Gross Inc.	74.2	69.7	70.3	69.6	68.7
Gross NPL Ratio	3.5	2.8	2.7	2.4	2.1
LLP/Gross NPL	134.8	142.5	139.4	144.8	150.9
Cost of Credit	2.3	1.9	1.7	1.5	1.5
Loan to Deposit Ratio	87.2	95.0	99.0	103.1	106.5
Loan to Funding Ratio	85.5	92.9	95.9	100.1	103.7
CASA Mix	62.0	59.1	57.7	58.8	59.6
ROAE	13.0	14.4	14.8	15.1	15.3
ROAA	1.9	2.2	2.2	2.3	2.4
CAR	21.1	21.1	20.2	20.1	20.1

Exhibit 11. Dupont and growth

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Dupont					
Pre-Tax ROAA	2.5	2.9	2.9	3.0	3.1
Tax Retention rate	79.0	76.2	79.8	80.1	80.1
Post-Tax ROAA	2.0	2.2	2.3	2.4	2.5
Goodwil, Assoc& Min	0.1	0.1	0.1	0.1	0.1
Leverage	6.8	6.7	6.6	6.5	6.4
ROAE	13.0	14.4	14.8	15.1	15.3
Growth (%)					
Interest income	3.6	1.9	10.9	8.5	7.8
Net Interest Income	1.0	4.4	8.3	8.4	10.1
Other Oper. Expenses	12.0	7.3	8.5	8.0	9.7
Fee Based Income	6.1	5.2	15.2	11.5	11.0
Pre-Provision Oper. Profit	(0.3)	11.5	5.5	7.4	10.6
Net Profit	49.5	21.2	12.0	11.2	11.4
Shareholders' Equity	10.8	8.7	8.9	9.5	9.6
Loan	9.7	12.3	11.3	11.8	11.4
Earnings Asset	8.9	5.8	9.0	7.8	7.3
Deposit	6.8	4.0	6.9	7.2	7.7
Int. Bearing Liab.	7.1	7.6	7.4	7.3	7.2
CASA	10.2	(0.9)	4.5	9.1	9.3
Total Asset	8.3	6.9	7.5	7.5	7.3

Source : BMRI, Danareksa Estimates

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