

Thursday, 19 December 2019

HOLD
Maintain

Last price (IDR) 4,090
Target Price (IDR) 4,200
Upside/Downside +2.7%
Previous Target Price (IDR) 3,100

Stock Statistics

Sector Banking
Bloomberg Ticker BTPS IJ
No of Shrs (mn) 7,704
Mkt. Cap (IDRbn/USDmn) 31,508/2,253
Avg. daily T/O (IDRbn/USDmn) 94.9/6.8

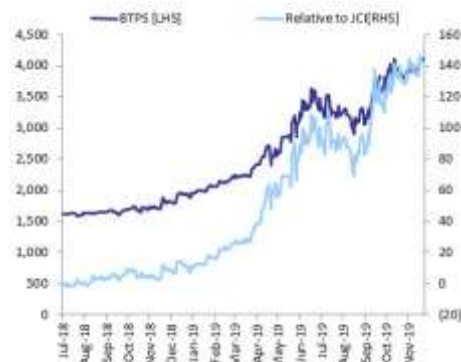
Major shareholders (%)

PT. BTPN Tbk. 70.0
Estimated free float 30.0

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	168.2	214.3	268.3
Consensus	169.2	212.0	253.9
Danareksa/Cons	(0.6)	1.1	5.6

BTPS relative to JCI Index



Source : Bloomberg



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BTPN Syariah (BTPS IJ)

Fully valued

We maintain our HOLD call on BTPS with a higher GGM-derived TP of IDR4,200 (implying 5.3x 2020F P/BV) reflecting our 2020 earnings forecast of IDR1.6tn (+27.4% yoy). We also adjust our assumption on the 2020F financing growth to 22.8% yoy post its 26.4% yoy financing growth in September. On the operating expenses side, BTPS aims to improve its efficiency by utilizing account officers with tablets to speed up the administration and monitoring process. While funding would remain depends on Time Deposits instruments in our view.

Maintaining its core in group-based lending. Post the bank's strong 26.4% yoy financing growth in September, we revise up our 2020 financing growth assumption to 22.8% yoy still driven by the bank's female group-based lending. Yet, we see that TUR still faces threats, particularly if the government decides to offer a similar product with a lower interest rate and provides interest rate subsidies for participant banks. However this would only happen in 2021 at the soonest in our view as the government is still focusing on growing micro KUR by increasing its maximum ticket size to IDR50mn (from IDR25mn) and lowering the lending rate to 6% starting next year.

Efficiency is the focus. Managing the overhead costs is the main issue for ultra-micro finance banks like BTPS in our view. BTPS' management highlighted the fact that it already equips its field staff with tablets. By doing so, the field staff can speed up the financing application process as well as the monitoring and collection processes. Furthermore, by reducing the manual administration process, BTPS should also minimize human errors and further expand its customer base. All in all, we expect a 45.4% Cost to Income Ratio (CIR) for next year supported by 16.7% yoy operating expenses growth.

High dependency on TD instruments. We believe that BTPS will still rely on Time Deposit instruments as the main source of funding as the bank does not invest in deposits franchise infrastructure. Despite its focus on the retail lending segment, CASA deposits only contributed 21.3% of total customer deposits as of September 2019. As such, we only assume a 40bps reduction in the blended CoF to 5.5% next year supported by fairly stable TD exposure at 78.8% of total customer deposits as of December 2020F.

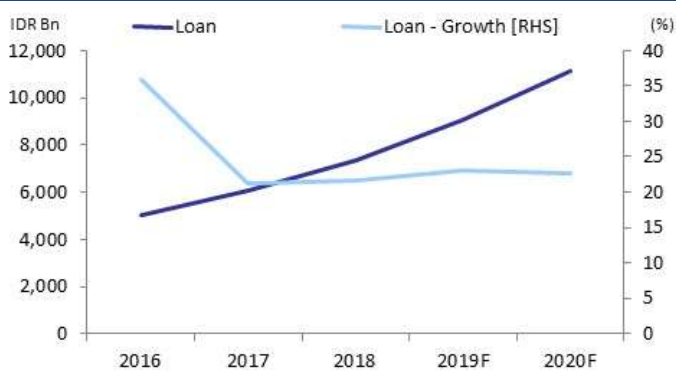
Maintain HOLD with a TP of IDR4,200. We maintain our HOLD call on BTPS with a higher GGM-derived TP of IDR4,200 assuming 8.2% CoE, 30.7% sustainable ROAE and 3% long-term growth. Our TP implies 5.3x 2020F P/BV.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
PPOP (IDRbn)	1,143	1,578	1,988	2,489	3,101
Net profit (IDRbn)	670	965	1,296	1,651	2,067
EPS (IDR)	96.7	129.8	168.2	214.3	268.3
EPS growth (%)	62.5	34.3	29.6	27.4	25.2
BVPS (IDR)	325.2	537.5	636.5	786.5	974.3
PER (x)	42.3	31.5	24.3	19.1	15.2
PBV (x)	12.6	7.6	6.4	5.2	4.2
Dividend yield (%)	0.0	0.0	1.2	1.6	2.0
ROAE (%)	34.8	30.9	29.1	30.1	30.5

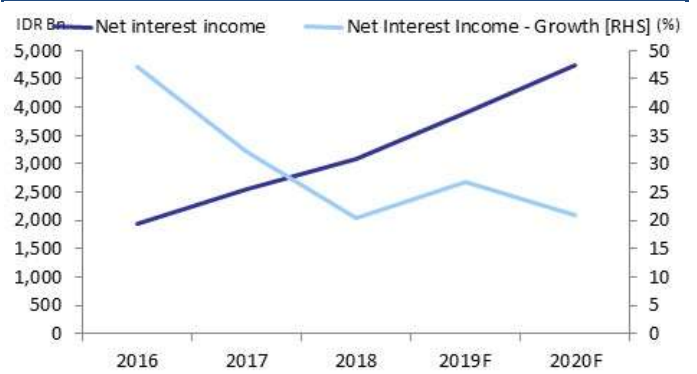
Source : BTPS. Danareksa Estimates

Exhibit 1. Loans and Growth



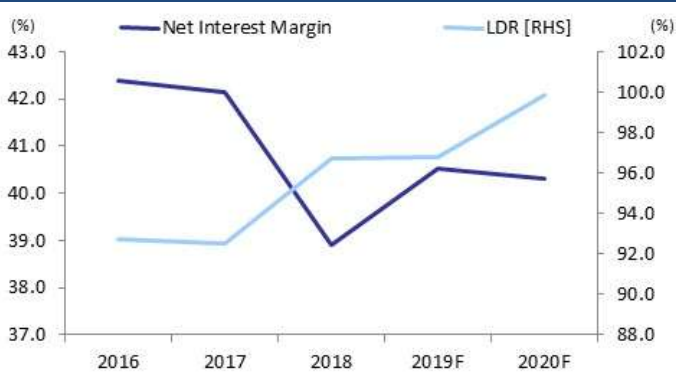
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Interest Income and Growth



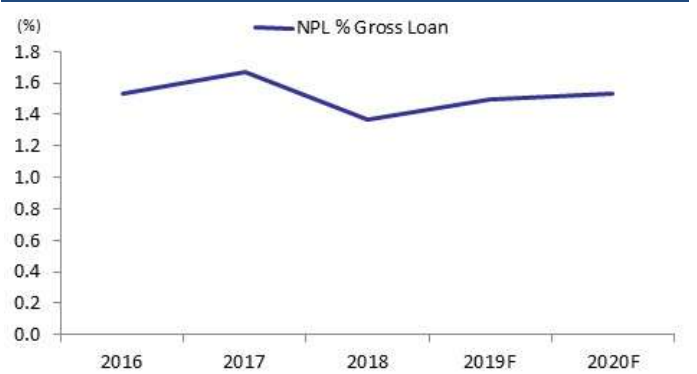
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. NIM and LDR



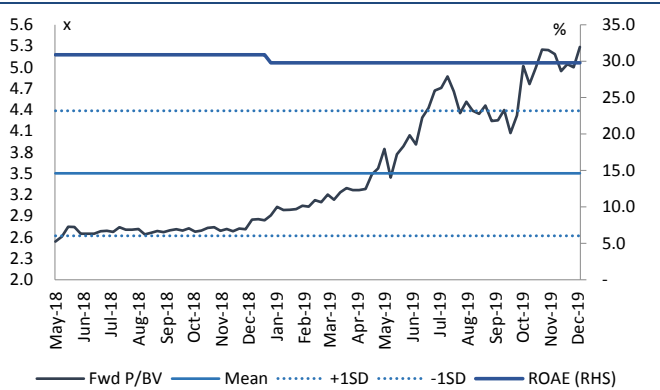
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. NPLs



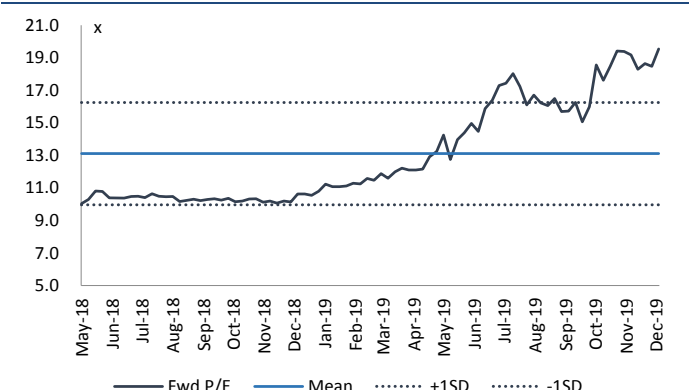
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PBV ROAE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 7. Changes in our forecast

Key assumptions	2018	Old			New			Changes (ppt)		
		2019F	2020F	2021F	2019F	2020F	2021F	2019F	2020F	2021F
Loans growth (%)	21.6	20.8	20.3	19.3	23.3	22.8	22.2	2.5	2.5	2.9
Deposits growth (%)	16.3	23.0	17.2	16.5	23.0	18.8	17.5	-	1.6	1.0
Equivalent NIM (%)	38.9	38.2	37.4	36.5	38.8	38.6	38.0	0.6	1.2	1.5
Gross NPLs ratio (%)	1.4	1.5	1.6	1.5	1.5	1.5	1.5	-	0.1	-
Credit costs (bps)	408	379	377	377	319	287	281	(60.0)	(90.0)	(96.0)
Net profit growth (%)	44.0	27.4	21.3	20.5	29.6	27.4	25.2	2.2	6.1	4.7
ROAE (%)	30.9	27.6	27.2	26.8	29.1	30.1	30.5	1.5	2.9	3.7

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	4,240	5,097	6,094
Interest Expense	(346)	(368)	(498)	(562)	(617)
Net Interest Income	2,560	3,080	3,742	4,536	5,476
Non-Interest Income (NII)	7	12	21	23	26
Oper. Income	2,567	3,092	3,762	4,559	5,503
Oper. Expenses	(1,423)	(1,514)	(1,774)	(2,070)	(2,401)
Pre-provisions profit	1,143	1,578	1,988	2,489	3,101
Provisions & Allowances	(235)	(276)	(259)	(287)	(344)
Operating Profits	908	1,303	1,729	2,202	2,757
Non-Operating Income	0	(4)	0	0	0
Exceptionals	0	0	0	0	0
Pre-tax Profit	909	1,299	1,729	2,202	2,757
Income Tax	(239)	(334)	(433)	(552)	(691)
Minorities	0	0	0	0	0
Net Profit	670	965	1,296	1,651	2,067

Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Gross Loans	6,053	7,359	9,078	11,144	13,617
Provisions	(158)	(216)	(277)	(339)	(398)
Net Loans	5,896	7,143	8,801	10,805	13,219
Govt. Bonds	0	0	0	0	0
Securities	39	1,038	1,453	1,744	2,224
Other Earnings Assets	0	0	0	0	0
Total Earnings Assets	7,114	8,715	10,582	12,946	15,902
Fixed Assets	434	489	558	627	704
Non-Earnings Assets	264	179	290	308	391
Total Assets	9,157	12,039	14,601	17,537	20,946
Customer Deposits	6,546	7,612	9,361	11,125	13,069
Banks Deposits	0	0	0	0	0
Int. Bearing Liab. - Others	0	0	0	0	0
Total Liabilities	6,902	8,042	9,698	11,478	13,440
Share capital & Reserves	905	1,644	1,643	1,643	1,643
Retained Earnings	1,350	2,353	3,260	4,416	5,862
Shareholders' Funds	2,255	3,997	4,903	6,059	7,505
Minority interests	0	0	0	0	0
Total Equity & Liabilities	9,157	12,039	14,601	17,537	20,946

Exhibit 10. Ratios

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Yield on Earning Assets	47.8	43.6	43.9	43.3	42.2
Cost of funds	5.8	5.2	5.9	5.5	5.1
Interest Spread	42.0	38.4	38.1	37.8	37.1
Net Interest Margin	42.2	38.9	38.8	38.6	38.0
Cost/Income Ratio	55.5	49.0	47.2	45.4	43.6
Oper. Exp./Oper. Gross Inc.	68.8	62.4	59.4	57.0	54.9
Gross NPL Ratio	1.7	1.4	1.5	1.5	1.5
LLP/Gross NPL	156.4	214.1	203.4	198.3	196.3
Cost of Credit	4.3	4.1	3.2	2.8	2.8
Loan to Deposit Ratio	92.5	96.7	97.0	100.2	104.2
Loan to Funding Ratio	92.5	96.7	97.0	100.2	104.2
CASA Mix	21.3	22.8	20.9	21.2	21.7
ROAE	34.8	30.9	29.1	30.1	30.5
ROAA	8.1	9.1	9.7	10.3	10.7
CAR	28.7	40.9	38.2	38.7	39.2

Exhibit 11. Dupont and growth

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Dupont					
Pre-Tax ROAA	11.0	12.3	13.0	13.7	14.3
Tax Retention rate	73.8	74.3	75.0	75.0	75.0
Post-Tax ROAA	8.1	9.1	9.7	10.3	10.7
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	4.3	3.4	3.0	2.9	2.8
ROAE	34.8	30.9	29.1	30.1	30.5
Growth (%)					
Interest income	30.5	18.7	23.0	20.2	19.5
Net Interest Income	32.2	20.3	21.5	21.2	20.7
Other Oper. Expenses	12.3	6.4	17.2	16.7	16.0
Fee Based Income	150.7	12.2	(100.0)	0.0	0.0
Pre-Provision Oper. Profit	69.8	38.0	25.9	25.2	24.6
Net Profit	62.5	44.0	34.2	27.4	25.2
Shareholders' Equity	41.6	77.3	22.7	23.6	23.9
Loan	21.1	21.6	23.3	22.8	22.2
Earnings Asset	41.4	22.5	21.4	22.3	22.8
Deposit	21.5	16.3	23.0	18.8	17.5
Int. Bearing Liab.	21.5	16.3	22.9	18.8	17.5
CASA	31.7	24.6	12.8	20.5	20.5
Total Asset	25.0	31.5	21.3	20.1	19.4

Source : BTPS, Danareksa Estimates

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