

**FROM EQUITY RESEARCH**
**Bank Mandiri : Standing firm**

( BMRI IJ. IDR 7,175 BUY.TP IDR 8,700 )

We maintain our BUY call on BMRI with an unchanged GGM-derived TP of IDR 8,700 (implying 2.1x 2019F P/BV) following the release of inline results with IDR25tn of net profits in FY18. Assets quality improved, with 2.7% gross NPLs as of December2018 and lower credit costs at 163bps in 4Q18 (vs 174bps in 3Q18). This year, we expect 11.2% yoy loans growth and a 5.3% NIM resulting in 9.1% yoy net profits growth.

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**MARKET NEWS**
**MACROECONOMY**

- Government to prioritize eight industrial groups

**SECTOR**

- MBR Plus – New Scheme for Millennials
- SOE enterprises to launch the payments service Link Aja

**CORPORATE**

- ISAT's CEO comments on the company's business progress
- Wijaya Karya: Expects its order book to reach IDR145tn in 2019

**PREVIOUS REPORT**

- BPD Jatim: Retaining its niche appeal [Click here](#)
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- Sari Roti (ROTI): A fresh approach [Click here](#)
- Strategy: "A Defining Year" Asia Marketing Feedback [Click here](#)
- Semen Indonesia(Persero): Boosted by solid exports in 2018 [Click here](#)

**KEY INDEX**

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
<b>Asean - 5</b>				
Indonesia	6.459	(0,4)	4,3	602
Thailand	1.625	0,1	3,9	1.521
Philippines	8.054	0,0	7,9	138
Malaysia	1.698	(0,2)	0,4	500
Singapore	3.200	(0,1)	4,3	596
<b>Regional</b>				
China	2.597	(0,2)	4,1	26.460
Hong Kong	27.577	0,0	6,7	11.915
Japan	20.649	(0,6)	3,2	10.110
Korea	2.173	(0,2)	6,5	6.311
Taiwan	10.013	0,4	2,9	3.017
India	35.657	(1,0)	(1,1)	451
NASDAQ	7.086	(1,1)	6,8	108.201
Dow Jones	24.528	(0,8)	5,1	10.020

**CURRENCY AND INTEREST RATE**

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	14.072	1,1	3,4	2,2
BI7DRRR %	6,00	-	-	-
10y Gov Indo bond	8,12	0,0	0,1	0,1

**HARD COMMODITY**

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	99	-	(2,4)	(2,5)
Gold	US\$/toz	1.304	0,0	1,8	1,7
Nickel	US\$/mt.ton	11.761	(1,2)	10,5	10,9
Tin	US\$/mt.ton	20.785	(0,1)	6,5	6,5

**SOFT COMMODITY**

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2.201	(1,0)	(3,0)	(6,9)
Corn	US\$/mt.ton	134	(0,3)	1,2	0,9
Oil (WTI)	US\$/barrel	52	0,2	14,9	14,7
Oil (Brent)	US\$/barrel	60	(2,8)	14,8	11,4
Palm oil	MYR/mt.ton	2.095	0,2	6,9	7,3
Rubber	US\$/kg	131	(1,3)	5,1	5,1
Pulp	US\$/tonne	1.205	N/A	2,8	20,5
Coffee	US\$/60kgbag	78	(0,9)	0,1	0,1
Sugar	US\$/MT	346	2,0	2,0	4,0
Wheat	US\$/ton	141	(0,2)	1,4	3,1
Soy Oil	US\$/lb	30	0,9	10,1	10,0
Soy Bean	US\$/by	923	(0,2)	4,6	4,6

Tuesday, 29 January 2019

**BUY**  
**Maintain**

Last price (IDR)	7,175
Target Price (IDR)	8,700
Upside/Downside	+21.3%
Previous Target Price (IDR)	8,500

**Stock Statistics**

Sector	Banking
Bloomberg Ticker	BMRI IJ
No of Shrs (mn)	46,667
Mkt. Cap (IDRbn/USDmn)	334,833/23,794
Avg. daily T/O (IDRbn/USDmn)	282.6/20.1

**Major shareholders (%)**

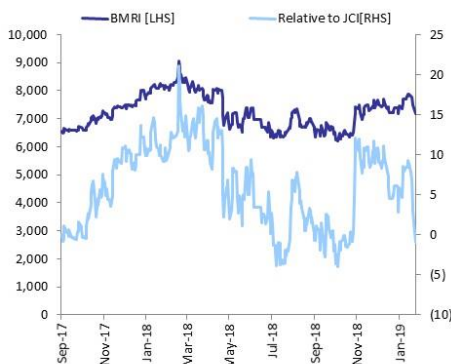
Government of Indonesia	60.0
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Estimated free float	40.0
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**EPS Consensus (IDR)**

	2018F	2019F	2020F
Danareksa	524.2	572.0	633.6
Consensus	515.3	599.2	684.1
Danareksa/Cons	1.7	(4.5)	(7.4)

**BMRI relative to JCI Index**



Source : Bloomberg



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# Bank Mandiri (BMRI IJ)

## Standing firm

We maintain our BUY call on BMRI with an unchanged GGM-derived TP of IDR8,700 (implying 2.1x 2019F P/BV) following the release of inline results with IDR25tn of net profits in FY18. Assets quality improved, with 2.7% gross NPLs as of December 2018 and lower credit costs at 163bps in 4Q18 (vs 174bps in 3Q18). This year, we expect 11.2% yoy loans growth and a 5.3% NIM resulting in 9.1% yoy net profits growth.

**FY18 highlights.** The IDR25tn of net profits were mainly supported by a significant drop in credit costs to 185bps. Loans grew fairly briskly by 12.4% yoy with a slight dip in the NIM by c.10bps to 5.7%. Additionally, the assets quality stabilised as the gross NPLs ratio reached 2.8% as of December 2018. The write-offs in FY18 of IDR13.2tn were above the management's initial full year target of IDR12tn. Opex growth could be managed at 7.6% yoy resulting in a decent cost-to-income ratio (CIR) of 43.9%.

**Retail lending is another growth engine.** Aside from its core business in corporate lending, BMRI also aims to further grow its retail segment, particularly the micro segment which grew 23.0% yoy as of December 2018. For micro lending, BMRI will continue to push its salary-based loans due to their low risk profile despite tight competition, particularly in the military personnel segment. For mortgages, the bank will focus more on middle class first-time home buyers. Aside from that, auto finance will be channeled through its two multifinance subsidiaries, Mandiri Tunas Finance and Mandiri Utama Finance. All in all, we expect 36.5% loans exposure from retail lending (small, micro and consumer) by December 2019F.

**A manageable blended CoF.** We believe that the blended CoF will remain manageable at 3.1% this year thanks to the bank's strong retail-based customer deposits. Meanwhile, BMRI's strategy to selectively offer special rates to institutional customers should provide a limited buffer from a higher blended CoF risk this year. Additionally, BMRI's management also aims to increase its wholesale funding by issuing FX securities instruments, such as global bonds. Such plan should provide ample FX liquidity condition for BMRI going forward.

**Maintain BUY, TP of IDR8,700.** We maintain our BUY call on BMRI with an unchanged GGM-derived TP of IDR8,700 (implying 2.1x 2019F P/BV) assuming 9.0% CoE, 15.3% sustainable ROAE and 3% long-term growth.

**Key Financials**

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
PPOP (IDRbn)	43,258	43,122	46,811	49,319	53,601
Net profit (IDRbn)	13,807	20,640	24,463	26,694	29,568
EPS (IDR)	295.9	442.3	524.2	572.0	633.6
EPS growth (%)	(32.1)	49.5	18.5	9.1	10.8
BVPS (IDR)	3,224.0	3,572.5	3,860.9	4,204.1	4,584.2
PER (x)	24.3	16.2	13.7	12.5	11.3
PBV (x)	2.2	2.0	1.9	1.7	1.6
Dividend yield (%)	1.9	2.8	3.3	3.2	3.5
ROAE (%)	10.3	13.0	14.1	14.2	14.4

Source : BMRI, Danareksa Estimates

## MARKET NEWS

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### MACROECONOMY

#### **Government to prioritize eight industrial groups**

The Coordinating Ministry for Economic Affairs has selected eight industrial groups to boost national exports. 5 of 8 industrial groups will be developed to reach Industry 4.0 standard. These five groups are food and beverages, textiles and clothing, electronics, automotive, and petrochemicals. The other groups are fishery, machinery and furniture. The government will focus more on developing these groups and expects to improve exports over the long term. (Bisnis Indonesia)

### SECTOR

#### **MBR Plus – New Scheme for Millennials**

The Real Estate Association is proposing a new scheme called MBR plus to target millennials with monthly income of IDR 4-7 million. The scheme will allow millennials in this income range to buy a landed house with double the value of the MBR landed house. Currently the MBR landed house is capped at IDR 130 -150 million. For the mortgage rate, the association hopes that the MBR plus scheme can give a rate of 7-7.5%, or higher than the 5% for the MBR rate. (Bisnis)

#### **SOE enterprises to launch the payments service Link Aja**

The Association of SOE banks (Himbara), Telkom and Pertamina are to jointly launch a QR code payment service called Link Aja in late February or early March. The SOE Bank BNI IT director said that under the new system, QR services owned by SOE banks and Telkomsel would be merged into the Link Aja service. He said the system would also accommodate foreign payment services like Alipay that wanted to operate in the country. (Jakarta Post)

### CORPORATE

#### **ISAT's CEO comments on the company's business progress**

According to the CEO of Indosat, ISAT has been installing BTS at a rate of more than 1,000 BTS / week over the last 4 months compared to 200 BTS / week before. In yesterday's event celebrating his first 100 days of leadership at Indosat, the CEO affirmed the company's shift from a "push" to "pull" strategy; in other words, Indosat's sales incentives will rely more on the quality of the product rather than pushing volume on discounts. Furthermore, the CEO reiterated that operators have the motive to undertake consolidation. Nonetheless, the regulatory framework in Indonesia on this matter is not clear for either shareholders or management. (Bisnis)

#### **Wijaya Karya: Expects its order book to reach IDR145tn in 2019**

Wijaya Karya (WIKA) expects its 2019 order book to reach IDR145.0tn, supported by strong new contracts. New contracts in 2019 are targeted at IDR66.6tn, +31.6%yoy from IDR50.7tn booked in 2018. WIKA is eyeing 11 new contracts from overseas with a total value of IDR6.6tn, or 9.8% of the new contracts target. Revenues in 2019 are targeted to reach IDR42.1tn, +31.7%yoy from 2018's target of IDR32.0tn. Hence, earnings in 2019 are targeted at IDR3.01tn, +48.3%yoy. (Kontan)

**COVERAGE PERFORMANCE**
**LEADERS**

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		28-Jan-19	25-Jan-19					
Japfa Comfeed	JPFA	2.850	2.620	8,8	27,8	32,6	32,6	BUY
Harum Energy	HRUM	1.825	1.725	5,8	2,8	30,4	30,4	HOLD
Kimia Farma	KAEF	3.240	3.100	4,5	25,6	24,6	24,6	SELL
Astra Agro Lestari	AALI	14.200	13.775	3,1	10,3	20,1	20,1	BUY
Matahari Department Store	LPPF	7.250	7.075	2,5	15,5	29,5	29,5	BUY
Charoen Pokphand	CPIN	8.300	8.150	1,8	-	14,9	14,9	HOLD
Malindo Feedmill	MAIN	1.720	1.690	1,8	9,6	23,3	23,3	HOLD
Mitra Adi Perkasa	MAPI	990	975	1,5	6,5	23,0	23,0	BUY
PP London Sumatra	LSIP	1.490	1.470	1,4	3,5	19,2	19,2	BUY
Ramayana	RALS	1.645	1.640	0,3	6,8	15,8	15,8	HOLD

Sources: Bloomberg

**LAGGARDS**

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		28-Jan-19	25-Jan-19					
Ciputra Development	CTRA	925	980	(5,6)	(2,6)	(8,4)	(8,4)	BUY
Puradelta Lestari	DMAS	200	210	(4,8)	9,9	25,8	25,8	BUY
Bumi Serpong Damai	BSDE	1.385	1.450	(4,5)	4,1	10,4	10,4	BUY
Bekasi Fajar	BEST	260	272	(4,4)	6,6	25,0	25,0	BUY
Matahari Putra Prima	MPPA	185	193	(4,1)	12,8	21,7	21,7	SELL
Alam Sutera	ASRI	354	368	(3,8)	4,1	13,5	13,5	HOLD
Waskita Karya	WSKT	1.935	2.000	(3,3)	(4,2)	15,2	15,2	BUY
Waskita Beton	WSBP	388	400	(3,0)	(1,0)	3,2	3,2	BUY
Pembangunan Perumahan	PTPP	2.280	2.350	(3,0)	(2,6)	26,3	26,3	BUY
Pakuwon Jati	PWON	700	720	(2,8)	4,5	12,9	12,9	BUY

Sources: Bloomberg

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- Sari Roti (ROTI): A fresh approach [SnapShot20190122](#)
- Strategy : "A Defining Year" Asia Marketing Feedback, Semen Indonesia( Persero ): Boosted by solid exports in 2018, United Tractors : More realistic forecasts [SnapShot20190121](#)
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- Astra International: Solid market share [SnapShot20190116](#)
- Wijaya Karya: A Change is in the air [SnapShot20190115](#)
- Perusahaan Gas Negara: Takeways on Pertagas acquisition [SnapShot20190114](#)
- Plantation: Dec 18 Inventory: Another Record High [SnapShot20190111](#)

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