

FROM EQUITY REPORT

Bank Rakyat Indonesia: Growth Opportunities Abound (NOT RATED)

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MARKET NEWS

MACROECONOMY

- Govt optimistic of economic recovery in 2Q21
- Govt to reallocate IDR58tn of expenditures for vaccinations
- Omnibus Law: Discussions on three Labor law regulations completed

SECTOR

- Fundraising continues on digital platforms - Grab explores IPO in US market

PREVIOUS REPORTS

- Ace Hardware Indonesia: [SSSG dipped back in Dec 20](#)
- Astra International: [Going Stronger!](#)
- Indocement Tunggal Prakarsa: [Market share maintained](#)
- Wismilak Inti Makmur: [Benefiting from its tier-2 status](#)
- Danareksa Research Institute: [December Outlook: Robust Manufacture Production](#)
- Wijaya Karya: [The parent of hotel holding](#)
- Telkom Indonesia: [Sustainable layers of growth – Call takeaways](#)
- Plantation: [Starting at Out With a Bang](#)
- Strategy: [The Impetus of Revival](#)
- Poultry: [First culling in 2021](#)
- Petrochemical: [Oversupply threat still lingers](#)
- Poultry: [Walking on thin ice](#)
- Property: [More needed than ever](#)
- Telco: [Digital gains prior & post M&A era](#)
- Banking: [Solid earnings growth on the cards](#)

KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	6.390	0,3	6,9	1.596
Thailand	1.510	(0,6)	4,2	2.458
Philippines	7.203	(0,5)	0,9	211
Malaysia	1.610	(1,1)	(1,1)	1.004
Singapore	2.990	(0,5)	5,2	983
Regional				
China	3.596	0,8	3,5	85.755
Hong Kong	28.863	1,0	6,0	29.005
Japan	28.519	1,0	3,9	1.085
Korea	3.026	0,4	5,3	21.016
Taiwan	15.612	(0,0)	6,0	11.042
India	48.564	(1,0)	1,7	1.074
Nasdaq	12.999	(0,9)	0,9	265.257
Dow Jones	30.814	(0,6)	0,7	20.970

CURRENCY AND INTEREST RATE

		Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah	Rp/1US\$	14.070	0,4	0,3	(0,1)
BI7DRRR	%	3,75	-	(0,3)	(1,3)
10y Gov	Indo bond	6,21	(0,0)	0,2	0,3

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	86	(1,1)	8,0	7,3
Gold	US\$/toz	1.837	(0,2)	(2,3)	(3,2)
Nickel	US\$/mt.ton	18.015	0,2	3,4	8,8
Tin	US\$/mt.ton	21.585	0,4	7,1	5,1

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	202	(0,2)	25,4	8,9
Corn	US\$/mt.ton	52	(0,1)	6,5	7,8
Oil (WTI)	US\$/barrel	55	(0,6)	4,8	5,7
Oil (Brent)	US\$/barrel	3.750	(2,4)	3,5	(1,0)
Palm oil	MYR/mt.ton	160	0,3	0,9	6,3
Rubber	US\$/kg	1.205	N/A	2,8	20,5
Pulp	US\$/tonne	468	1,3	17,4	11,1
Coffee	US\$/60kgbag	184	0,8	12,6	5,5
Sugar	US\$/MT	42	(2,9)	6,8	(3,4)
Wheat	US\$/ton	1.417	(1,0)	19,6	7,7
Soy Oil	US\$/lb	202	(0,2)	25,4	8,9
SoyBean	US\$/by	52	(0,1)	6,5	7,8

Monday, 18 January 2021

NOT RATED

Maintain

Last price (IDR)	4,580
Target Price (IDR)	N/A
Upside/Downside	N/A
Previous Target Price (IDR)	N/A

Stock Statistics

Sector	Banking
Bloomberg Ticker	BBRI IJ
No of Shrs (mn)	123,346
Mkt. Cap (IDRbn/USDmn)	564,924/40,294
Avg. daily T/O (IDRbn/USDmn)	643.5/45.9

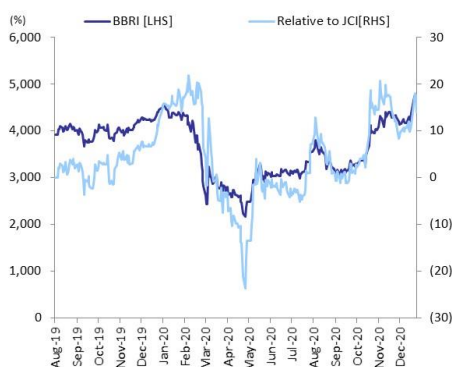
Major shareholders (%)

Government of Indonesia	56.8
Estimated free float	43.2

EPS Consensus (IDR)

	2020F	2021F	2022F
Consensus	159.8	250.4	325.5

BBRI relative to JCI Index



Source : Bloomberg



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Bank Rakyat Indonesia (BBRI IJ)

Growth Opportunities Abound

The micro segment will remain as the growth engine for BBRI going forward supported by the bank's participation in channelling the Government's micro grant program and KUR super micro (max IDR10mn ticket size). We also believe that BBRI will continue its partnership with P2P lending to explore the digital ecosystem further. Furthermore, the extension of OJK's policy on loans restructuring relaxation until March 2022 should also help BBRI to oversee its loans portfolio in a more manageable way.

The micro segment remains its core. In Friday's small group call, BBRI emphasised that the micro segment would remain its main growth engine given the potentially untapped segment of nearly 60mn borrowers. To penetrate this lucrative market, BBRI should benefit from its participation in the Government's micro grant program with loans extended to 7.7mn business owners and the Government's KUR Super Micro loans program (max ticket size of IDR10mn). The 8.7mn potential borrowers from both schemes should be the low hanging fruit for BBRI to grow its micro business. As such, BBRI targets double digits yoy growth for the micro segment in 2021, pushing its micro exposure above the management's target of 40% to total loans by 2022.

Expanding further into digital areas. Given its strong position in micro lending, BBRI will continue to improve its digital business processes, particularly in regard to the loan underwriting process through BRISPOT. BBRI plans to roll out more features in BRISPOT, such as a cash pick-up feature, KUR Super Micro, a micro customer profiling pipeline and cross-selling marketing and micro insurance. Aside from that, BBRI will also provide loans for P2P lending with short term loans (max 12 months), including names such as Investree, Amarnya, Gojek, and Grab, whilst offering several digital loan products via e-commerce channels. Nonetheless, we believe that BBRI is still in the learning phase for these digital initiatives as it needs to familiarize itself with this business and be careful in assessing the risk profile in all aspects.

Less pressure on the restructured loans bucket. With IDR200tn of total projected restructured loans as of December 2020 (bank only) and mainly dominated by the MSME segment, we believe the formation of new restructured loans in 2021 should be minimal. BBRI, however, emphasised that it conservatively assumes 15% of the restructured loans (~IDR30tn) would be downgraded to lower stages, i.e. stage 2 and 3. To ensure an ample buffer, BBRI has given guidance for credit costs of 2.5-3.0% for FY21F, still above its normal level yet lower than last year's figure of 3.2%.

Key Financials

Year to 31 Dec	2016A	2017A	2018A	2019A
PPOP (IDRbn)	47,755	54,040	60,047	66,192
Net profit (IDRbn)	26,196	28,997	32,351	34,373
EPS (IDR)	218.9	235.2	262.3	278.7
EPS growth (%)	3.1	10.7	11.6	6.2
BVPS (IDR)	1,187.1	1,352.2	1,483.4	1,672.7
PER (x)	20.9	19.5	17.5	16.4
PBV (x)	3.9	3.4	3.1	2.7
Dividend yield (%)	2.0	2.2	2.6	3.7
ROAE (%)	20.2	18.5	18.5	17.7

Source : BBRI, BRI Danareksa Estimates

MARKET NEWS

MACROECONOMY

Govt optimistic of economic recovery in 2Q21

The Ministry of Finance foresees economic recovery taking place in 2Q21 rather than in 1Q21 as social distancing restriction measures are still in place to combat the pandemic, resulting in weak aggregate demand. Moreover, the festive season marked by Ramadan and Lebaran in 2Q21 should help stimulate demand. The government's vaccination program is essential to restore confidence in society, especially among the upper middle income class to stimulate consumption. The govt is also optimistic that Indonesia will record a better trade balance this year as economic recovery is expected to start earlier in some trading partners such as the US, Europe, and China. As aggregate demand has started to pick up, the govt foresees recovery in investment, particularly in the banking sector as the demand for credit will increase. The govt is still optimistic that the 5% economic growth target in the govt's budget will be achieved. (Kontan)

Govt to reallocate IDR58tn of expenditures for vaccinations

The Ministry of Finance stated that there will be budget reallocation from ministries/institutions expenditures for the vaccination program amounting to IDR58tn. This decision is stipulated in the Circular Letter of the Ministry of Finance No.S-30/MK/02/2021. The target reallocation is for spending on non-operating goods and capital for ministries and institutions. Hence, with this decision the total expenditure budget for ministries/institutions will be reduced by ~6% from IDR1,032tn to IDR974tn. (Kontan)

Omnibus Law: Discussions on three Labor law regulations completed

The Ministry of Manpower stated that the govt is now preparing 4 derived regulations in the employment section of the Omnibus Law. Of the 4 derived regulations, the govt has finished discussing 3 of them with the tripartite team (workers, businessmen, and govt). The three regulations are: the regulation of foreign workers, the regulation of contract labor (PKWT), outsourcing, off-duty and termination, and the regulation of compensation. The remaining regulation in the pipeline is the regulation of job termination allowances (JKP). (Kontan)

SECTOR

Fundraising continues on digital platforms - Grab explores IPO in US market

According to Reuters Grab is exploring IPO of at least US\$2bn in US market. A lot of background activity from Indonesia's giant digital platforms from Tokped, Gojek, Grab, Traveloka, SEA. Companies maybe meeting some required profitability levels. Given also the general sentiment to synergize, and taking corporate actions, it appears those digital platforms may have completed their greenfield investments and necessary expansions. The next investments are expected to be used for more ecosystem investment building a more integrated/unified/seamless offering that includes ecommerce tapping into e-groceries and financial services with much wider scope for mid-low segments - grassroots.

In relation to financial services, Grab was also recently awarded banking license in Singapore. Moreover Grab's financial services arm Grab Financial Group raised over \$300 million led by South Korea's Hanwha Asset Management in its Series A round. In a similar move. Singapore-based internet major SEA Ltd has acquired Indonesia's Bank Kesejahteraan Ekonomi with the objective of ultimately transforming the local lender into a digital bank. The deal can be seen as part of NYSE-listed Sea's ongoing plan to increase customer retention on its e-commerce platform Shopee by doubling down on its payments app ShopeePay.

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		18-Jan-21	15-Jan-21					
Indonesia Kendaraan Terminal	IPCC	570	510	11,8	3,6	5,6	7,5	BUY
Tower Bersama	TBIG	1.870	1.715	9,0	16,1	25,9	14,7	BUY
Unilever	UNVR	7.500	6.950	7,9	4,2	(1,3)	2,0	BUY
Semen Indonesia	SMGR	12.650	11.950	5,9	5,2	0,8	1,8	HOLD
Indocement	INTP	15.650	14.850	5,4	6,8	5,6	8,1	BUY
Wika Beton	WTON	450	428	5,1	7,7	4,7	16,6	BUY
Kino Indonesia	KINO	2.650	2.550	3,9	0,4	(6,0)	(2,6)	SELL
Jasa Armada Indonesia	IPCM	356	344	3,5	1,1	4,7	-	HOLD
Bank Mandiri	BMRI	6.925	6.725	3,0	1,1	3,4	9,5	BUY
Ciputra Development	CTRA	1.105	1.075	2,8	7,8	3,3	12,2	BUY

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		18-Jan-21	15-Jan-21					
Harum Energy	HRUM	4.150	4.460	(7,0)	0,5	28,9	39,3	HOLD
Indosat	ISAT	5.725	6.150	(6,9)	(3,0)	25,5	13,4	BUY
Timah	TINS	2.180	2.340	(6,8)	24,6	35,8	46,8	BUY
BPD Jatim	BJTM	900	965	(6,7)	25,0	24,1	32,4	BUY
Aneka Tambang	ANTM	2.910	3.120	(6,7)	12,8	49,2	50,4	BUY
Kimia Farma	KAEF	5.275	5.650	(6,6)	(18,2)	23,2	24,1	HOLD
Vale Indonesia	INCO	6.200	6.625	(6,4)	(0,8)	15,3	21,6	BUY
Barito Pacific	BRPT	1.075	1.145	(6,1)	(8,9)	(14,0)	(2,3)	BUY
BTPN	BTPN	2.940	3.120	(5,8)	(8,1)	(10,9)	(5,5)	HOLD
Alam Sutera	ASRI	246	260	(5,4)	(6,8)	(11,5)	1,7	HOLD

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- Petrochemical: [Oversupply threat still lingers](#)
- Poultry: [Walking on thin ice](#)
- Property: [More needed than ever](#)
- Telco: [Digital gains prior & post M&A era](#)
- Banking: [Solid earnings growth on the cards](#)
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