

FROM EQUITY RESEARCH

Bank Negara Indonesia: Running Ahead of Its Fundamental (BBNI IJ. IDR 9,900. HOLD. TP IDR 8,500)

As one of the JCI's big cap best performers in 2017 (+84.9% YtD), BBNI's current share price already entirely prices in the positive outlook for this year, in our view. The narrower valuation gap between BBNI and BMRI is reasonable given the same business model with similar ROAE expectations. Assets quality should be the bank's main focus post aggressive loans growth in the past three years. As such, we conservatively assume a flat gross NPLs ratio of 2.7% by the end of 2018F. We downgrade our recommendation to HOLD with a TP of IDR8,500.

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MARKET NEWS

Macroeconomy

- Budget absorption of Ministry Public Works has reached 90%
- Capital inflows up by 9.5% yoy in 2017

Sector

- Pharmaceutical: Stagnant growth expected, driven by national health program

Corporate

- Indofood CBP: ICBP and subsidiary to acquire the remaining stake in AIBM and IASB
- Kereta Api Indonesia to make payment to Adhi Karya for LRT construction on 15 January

KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	6,356	0.7	-	473
Thailand	1,754	0.6	-	1,382
Philippines	8,558	0.3	-	142
Malaysia	1,797	1.0	-	520
Singapore	3,403	0.1	-	758
Regional				
China	3,307	0.3	-	33,628
Hong Kong	29,919	0.2	-	9,994
Japan	22,765	(0.1)	-	7,537
Korea	2,467	1.3	-	4,546
Taiwan	10,643	0.7	-	3,663
India	33,813	(0.7)	(0.7)	612
NASDAQ	6,903	(0.7)	-	69,900
Dow Jones	24,719	(0.5)	-	9,580

CURRENCY AND INTEREST RATE

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	13,555	0.0	(0.4)	-
SBI rate %	5.90	-	-	(1.3)
10y Gov Indo bond	6.31	(0.1)	(0.2)	(0.0)

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	102	1.1	4.8	0.8
Gold	US\$/toz	1,306	0.3	2.0	0.2
Nickel	US\$/mt.ton	12,706	3.3	13.1	-
Tin	US\$/mt.ton	20,096	0.5	2.9	-

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	1,907	1.9	(7.1)	(11.2)
Corn	US\$/mt.ton	125	(0.6)	2.6	(3.4)
Oil (WTI)	US\$/barrel	60	(0.3)	3.2	(0.3)
Oil (Brent)	US\$/barrel	67	1.1	4.9	(0.0)
Palm oil	MYR/mt.ton	2,390	(1.7)	(3.0)	(25.3)
Rubber	US\$/kg	143	(1.0)	(1.8)	(2.7)
Pulp	US\$/tonne	1,000	N/A	4.2	23.6
Coffee	US\$/60kgbag	105	(0.2)	(5.8)	(27.6)
Sugar	US\$/MT	395	0.2	1.5	(0.0)
Wheat	US\$/ton	116	(0.2)	(2.6)	-
Soy Oil	US\$/lb	33	1.8	(1.5)	(0.0)
Soy Bean	US\$/by	952	0.6	(4.3)	-

Source: Bloomberg

Tuesday, 02 January 2018

HOLD Downgrade

Last price (IDR)	9,900
Target Price (IDR)	8,500
Upside/Downside	-14.1%
Previous Target Price (IDR)	6,700

Stock Statistics

Sector	Banking
Bloomberg Ticker	BBNI JJ
No of Shrs (mn)	18,649
Mkt. Cap (IDRbn/USDmn)	184,622/13,620
Avg. daily T/O (IDRbn/USDmn)	139.1/10.3

Major shareholders

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

	2017F	2018F	2019F
Danareksa	701.9	804.2	907.8
Consensus	712.5	822.4	917.4
Danareksa/Cons	(1.5)	(2.2)	(1.0)

BBNI relative to JCI Index



Source : Bloomberg



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Bank Negara Indonesia (BBNI JJ)

Running Ahead Its Fundamental

As one of the JCI's big cap best performers in 2017 (+84.9% YtD), BBNI's current share price already entirely prices in the positive outlook for this year, in our view. The narrower valuation gap between BBNI and BMRI is reasonable given the same business model with similar ROAE expectations. Assets quality should be the bank's main focus post aggressive loans growth in the past three years. As such, we conservatively assume a flat gross NPLs ratio of 2.7% by the end of 2018F. We downgrade our recommendation to HOLD with a TP of IDR8,500.

One of the JCI's big cap best performers. BBNI's share price has rallied by +84.9% in 2017, outperforming other big cap Indonesian banks such as BBRI (+61.1%) and BMRI (+55%). This might be justified due to its strategy to focus more on significant government-infrastructure projects in Indonesia. We also see a narrower valuation gap between BBNI and BMRI as both banks offer similar ROAE expectations at 14-15%. Nonetheless, the current share price already entirely prices in the positive outlook for next year, in our view.

Size is the key constraint. Due to its similar business model with a focus on corporate lending, BBNI and BMRI are facing the same challenges to support government infrastructure projects. In addition, BBNI has already financed quite a substantial amount of loans with few projects in the pipeline, i.e. transportation (IDR3.8trn) and power (IDR3.5trn). Nonetheless, given constraints concerning its size, we assume no further sizeable loans are financed in infrastructure projects by BBNI going forward.

Should shift its focus toward assets quality. Post aggressive loans growth with 3-year CAGR of 18.8%, BBNI should shift its focus more towards assets quality, in our view. Note also, there is usually an 18-months lag time until borrowers start facing difficulties in repaying their loans. Despite the requirement of higher collateral value, we still see some downside risks on its non-SOE corporate names risk profile. All in all, we think a gross NPLs ratio of 2.7% by the end of next year looks reasonable.

Downgrade to HOLD, TP of IDR8,500. We downgrade our call on BBNI to HOLD with GGM-derived TP assumes 10.6% CoE, 14% sustainable ROAE and 3% long-term growth. Our TP implies 1.5x P/BV for 2018F.

Key Financials

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
PPOP, (IDRbn)	18,748	22,082	25,371	28,550	32,514
Net profit (IDRbn)	9,067	11,339	13,089	14,997	16,930
EPS (IDR)	486.2	608.0	701.9	804.2	907.8
EPS growth (%)	0.1	25.1	15.4	14.6	12.9
BVPS, (IDR)	4,097.6	4,673.7	5,200.1	5,843.4	6,569.7
PER (x)	20.4	16.3	14.1	12.3	10.9
PBV (x)	2.4	2.1	1.9	1.7	1.5
Dividend yield (%)	1.2	2.1	1.8	1.6	1.8
ROAE (%)	13.6	14.0	14.4	14.8	14.9

Source : BBNI, Danareksa Estimates

MARKET NEWS

MACROECONOMY

Budget absorption of the Ministry of Public Works has reached 90%

Budget absorption of the Ministry of Public Works and Public Housing reached 90.74% by 29 December 2017, or equivalent to IDR96.39tn. Meanwhile, physical progress reached 92.14%. The budget absorption figures are higher than in 2016 when budget absorption only reached 85.09% for financial progress and 89.87% for physical progress. Among the individual Directorate Generals in the Ministry, Bina Marga, the Housing Provider, and Bina Konstruksi recorded higher budget absorption than the overall ministry at 92.81%, 94.22%, and 93.95%, respectively. Meanwhile, the Directorate General of Water Resources, Cipta Karya, and Housing Financing only recorded budget absorption of 88.11%, 89.01%, and 84.91% respectively. For 2018, the budget for the Ministry reached IDR107.3tn. To improve the budget absorption in 2018, the Ministry has started to conduct early tenders since October 2017. (Investor Daily)

Capital inflows up by 9.5% yoy in 2017

Bank Indonesia (BI) has recorded that foreign capital inflows increased by 9.5% yoy to IDR138tn, or up from IDR126tn in the previous year. In December 2017 alone, the data reveals that there were no outflows. Another positive catalyst comes from the increase in the sovereign credit rating in Indonesia to BBB (stable outlook) as of December 20, 2017. (Kontan)

SECTOR

Pharmaceutical: Stagnant growth expected, driven by the national health program

The pharmaceutical industry is expected to remain stagnant this year, driven by demand from the national health program. As such, the President Director of Kalbe Farma (KLBF) expects an increasing contribution from export revenues this year. The company's nutrition product, Diabetasol, is the market leader in ASEAN countries, while its OTC product – Mixagrip – is the market leader in Myanmar. (Kontan)

CORPORATE

Indofood CBP: ICBP and its subsidiary to acquire the remaining stake in AIBM and IASB

ICBP provided a disclosure of the signing of the Conditional Share Sale and Purchase Agreement (CSPA – between the company and PT Prima Intipangan Sejati (ICBP's subsidiary) as the buyer & Asahi Group Limited) to purchase a 51% stake in Asahi Indofood Beverage Makmur (AIBM) and a 49% stake in Indofood Asahi Sukses Beverage (IASB) for USD20mn. The transaction is expected to be completed by 31 December 2018, subject to the agreement between both parties. (Company)

Kereta Api Indonesia to make payment to Adhi Karya for LRT construction on 15 January

Kereta Api Indonesia expects to make payment to Adhi Karya (ADHI) for the construction of the LRT on 15 January 2018. The source of funding will come from 2017's State Capital Injection amounting to IDR4tn. The payment will be based on the construction progress up to September 2017. Nonetheless, the size of the payment has not been disclosed as the amount is still being verified by the Finance and Development Auditing Body (BPKP). (Investor Daily)

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		28-Dec-17	27-Dec-17					
Indocement	INTP	21,550	20,550	4.9	7.6	15.7	39.9	SELL
Matahari Putra Prima	MPPA	456	438	4.1	5.1	7.5	(69.2)	SELL
Bank Rakyat Indonesia	BBRI	3,630	3,550	2.3	5.5	10.0	55.5	BUY
Semen Indonesia	SMGR	10,200	10,000	2.0	3.6	3.0	11.2	HOLD
Bank Central Asia	BBCA	21,925	21,525	1.9	3.9	3.5	41.5	HOLD
Waskita Karya	WSKT	2,200	2,160	1.9	(2.2)	1.4	(13.7)	BUY
Pembangunan Perumahan	PTPP	2,570	2,530	1.6	(3.0)	(0.4)	(32.5)	BUY
Pakuwon Jati	PWON	680	670	1.5	4.6	7.9	20.4	BUY
Charoen Pokphand	CPIN	3,330	3,290	1.2	1.8	12.9	7.8	HOLD
Japfa Comfeed	JPFA	1,275	1,260	1.2	(4.5)	(1.9)	(12.4)	BUY

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		28-Dec-17	27-Dec-17					
Mayora Indah	MYOR	2,280	2,380	(4.2)	(2.6)	7.5	38.6	HOLD
Puradelta Lestari	DMAS	165	170	(2.9)	(2.9)	(2.9)	(28.3)	BUY
Ramayana	RALS	1,080	1,110	(2.7)	2.4	5.4	(9.6)	BUY
Aneka Tambang	ANTM	620	635	(2.4)	(3.9)	(6.8)	(30.7)	HOLD
Harum Energy	HRUM	2,070	2,120	(2.4)	(4.6)	0.5	(3.3)	HOLD
Erajaya Swasembada	ERAA	750	765	(2.0)	(2.6)	2.7	25.0	BUY
Kino Indonesia	KINO	2,160	2,200	(1.8)	6.4	(1.8)	(28.7)	HOLD
Mitra Adi Perkasa	MAPI	6,200	6,300	(1.6)	(3.1)	(6.8)	14.8	BUY
Indo Tambangraya Megah	ITMG	20,450	20,775	(1.6)	(0.2)	(1.2)	21.2	HOLD
Astra International	ASII	8,050	8,150	(1.2)	(1.5)	(3.6)	(2.7)	BUY

Sources: Bloomberg

PREVIOUS REPORTS

- Pembangunan Perumahan: Set to grow further [SnapShot20171222](#)
- Bank Tabungan Negara: A Mortgage-driven Bank, Cigarette: Benefiting from a more level playing field [SnapShot20171221](#)
- Adhi Karya: Signed at last, Consumer: Bright outlook but a bit pricey, Property: Cherry picks [SnapShot20171220](#)
- Marketing Feedback: Betting on consumption, Waskita Karya: Still growing [SnapShot20171219](#)
- Automotive: Higher monthly car sales in November 2017, BPD Jatim: A Dividend Play, Waskita Beton Precast: Waiting for the 1st payment of the Becakayu project [SnapShot20171218](#)

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