

FROM EQUITY RESEARCH
Bank Tabungan Pensiunan Nasional: Limited upside for now (BTPN IJ. IDR 3,560. HOLD. TP IDR 3,900)

Post the announcement of the merger plans with SMBC Indonesia, BTPN's share price soared. The share price is now up 44.7% ytd, making the stock one of the best performers in our banking universe. In the current situation, we believe the tender offer plan is limited as there will not be any changes at the controlling shareholders level in either bank. The combined core capital will reach IDR27tn using the 2017 figures, paving the way for the merged bank to be upgraded to a BUKU IV bank. This plan is also inline with OJK's consolidation goals for the banking system. Nonetheless, we see that there is limited upside following the recent rally in BTPN's share price. This prompts us to downgrade our call to HOLD with a higher GGM-derived TP of IDR3,900 (implying 1.26x 2018F P/BV).

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KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	6,606	0.5	3.9	690
Thailand	1,827	0.0	4.2	2,011
Philippines	8,764	(1.6)	2.4	215
Malaysia	1,869	(0.1)	4.0	640
Singapore	3,534	(0.4)	3.9	1,443
Regional				
China	3,481	(0.2)	5.3	34,147
Hong Kong	32,887	0.9	9.9	22,650
Japan	23,098	(0.8)	1.5	18,785
Korea	2,566	(0.0)	4.0	7,378
Taiwan	11,104	0.2	4.3	4,574
India	35,965	(0.2)	5.6	935
NASDAQ	7,411	0.1	7.4	134,528
Dow Jones	26,149	0.3	5.8	15,110

CURRENCY AND INTEREST RATE

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	13,386	(0.5)	1.2	1.2
SBI rate %	5.90	-	-	(1.3)
10y Gov Indo bond	6.27	0.1	(0.1)	(0.1)

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	104	(2.6)	3.5	3.5
Gold	US\$/toz	1,345	0.0	3.2	3.2
Nickel	US\$/mt.ton	13,317	(3.3)	4.8	4.8
Tin	US\$/mt.ton	21,788	(1.4)	8.4	8.4

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	1,993	1.5	5.0	5.0
Corn	US\$/mt.ton	131	-	4.7	4.7
Oil (WTI)	US\$/barrel	65	0.2	7.4	7.4
Oil (Brent)	US\$/barrel	69	0.5	3.0	3.0
Palm oil	MYR/mt.ton	2,479	0.9	3.7	3.7
Rubber	US\$/kg	150	(0.7)	1.8	1.8
Pulp	US\$/tonne	1,034	N/A	3.4	3.4
Coffee	US\$/60kgbag	97	0.1	(10.8)	(10.8)
Sugar	US\$/MT	352	(2.7)	(10.7)	(10.7)
Wheat	US\$/ton	123	(1.2)	5.8	5.8
Soy Oil	US\$/lb	33	(0.0)	(0.0)	(0.0)
Soy Bean	US\$/by	996	(0.4)	4.6	4.6

Source: Bloomberg

Wednesday, 31 January 2018

HOLD

Downgrade

Last price (IDR)	3,560
Target Price (IDR)	3,900
Upside/Downside	+9.6%
Previous Target Price (IDR)	2,800

Stock Statistics

Sector	Banking
Bloomberg Ticker	BTPN IJ
No of Shrs (mn)	5,745
Mkt. Cap (IDRbn/USDmn)	20,453/1,528
Avg. daily T/O (IDRbn/USDmn)	1.5/0.1

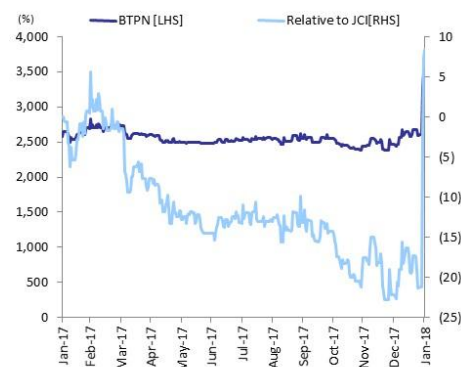
Major shareholders (%)

Sumitomo Mitsui	40.0
Summit Global Capital Management BV	20.0
Estimated free float	50.0

EPS Consensus (IDR)

	2017F	2018F	2019F
Danareksa	221.6	283.3	338.5
Consensus	217.9	342.0	415.0
Danareksa/Cons	1.7	(17.2)	(18.4)

BTPN relative to JCI Index



Source : Bloomberg



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Bank Tabungan Pensiunan Nasional (BTPN IJ)

Limited upside for now

Post the announcement of the merger plans with SMBC Indonesia, BTPN's share price soared. The share price is now up 44.7% ytd, making the stock one of the best performers in our banking universe. In the current situation, we believe the tender offer plan is limited as there will not be any changes at the controlling shareholders level in either bank. The combined core capital will reach IDR27tn using the 2017 figures, paving the way for the merged bank to be upgraded to a BUKU IV bank. This plan is also inline with OJK's consolidation goals for the banking system. Nonetheless, we see that there is limited upside following the recent rally in BTPN's share price. This prompts us to downgrade our call to HOLD with a higher GGM-derived TP of IDR3,900 (implying 1.26x 2018F P/BV).

Merger plans with SMBC Indonesia. Post the announcement of the merger plans with SMBC Indonesia, BTPN's share price soared 37.5% on a weekly basis as some investors are speculating on the possible tender offer scenario. However, we see this plan as unfavourable at the present juncture as there will not be any changes at the controlling shareholders level. Despite that, the merger plan should benefit both banks as each bank has its own core business model - BTPN with the retail segment and SMBC with corporate lending.

Stronger capital. BTPN is well-known for its abundant capital due to its minimal payout ratio policy and high-margins business model. In addition, micro lending has a lower risk weighting compared to other loan segments such as corporate lending. The core capital of the two banks will reach IDR27tn using the end of 2017 book. This should mean that the merged bank is more quickly upgraded to a BUKU IV bank (minimum core capital of IDR30tn). This is also inline with OJK's target of having fewer banks but with stronger capital.

Downgrade to HOLD, new TP of IDR3,900. We downgrade our call to HOLD on BTPN with a higher GGM-derived TP of IDR3,900 (implying 1.26x 2018F P/BV) assuming a lower CoE of 9.2%, 10.7% sustainable ROAE and 3% long-term growth. Our TP is near -0.5SD of its 5-years forward P/BV. We believe that our TP is reasonable given our ROAE projection of 9.4% for this year before it slightly increases to 10.5%, far below its historical 5-years mean of 19.4%.

Key Financials

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
PPOP (IDRbn)	3,246	3,479	2,919	3,572	4,006
Net profit (IDRbn)	1,702	1,752	1,273	1,628	1,945
EPS (IDR)	291.4	305.0	221.6	283.3	338.5
EPS growth (%)	(8.9)	4.7	(27.3)	27.8	19.5
BVPS (IDR)	2,367.9	2,797.9	2,900.8	3,099.1	3,346.2
PER (x)	12.2	11.7	16.1	12.6	10.5
PBV (x)	1.5	1.3	1.2	1.1	1.1
Dividend yield (%)	0.0	2.8	2.2	2.4	2.6
ROAE (%)	13.2	11.7	7.8	9.4	10.5

Source : BTPN, Danareksa Estimate. See important disclosure at the back of this report

MARKET NEWS

MACROECONOMY

Government: Sales through non-marketplace websites will not be taxed

As the government is formulating the regulation related to e-commerce transactions through online marketplaces, the government has decided not to include sales made through non-marketplace websites in the planned tax regulation. The reason given is that online marketplaces and non-marketplace websites have different characteristics. However, the government added that this does not mean that non-marketplace transactions are free from tax. The taxpayers are expected to report their income by doing self-assessments in their tax report. In the future, the government will seek to find the most appropriate way to tax sales made via non-marketplace websites. (Bisnis Indonesia)

SECTOR

Industrial Estates: Government expects industrial estates to attract IDR300tn of investment in 2018

Most of the investment (IDR250.7tn) will be in 13 industrial estates, including Morowali (Central Sulawesi), Sei Marangkei (North Sumatera), Banteang (South Sulawesi), JIPE Gresik (East Java), Kendal (Central Java), Wilmar Serang (Banten), Dumai (Riau), Konawe (South East Sulawesi), Palu (Central Sulawesi), Bitung (North Sulawesi), Ketapang (West Kalimantan), Lhokseumawe (Aceh), and Tanjung Buton (Ruay). To accelerate the development of these industrial estates, the government plans to give non-fiscal incentives to the industrial estate developers in regard to land acquisition and water supply. (Investor Daily)

Property: Astra Land to launch new property projects worth IDR1tn

Astra Land Indonesia plans to launch an apartment project named Arumaya in the TB Simatupang area. The investment value for the project is expected to reach IDR1tn. From total land bank of 2.6ha, Astra will develop the first phase of the project on 1ha of land into 246 apartment units and 16 landed residential units. Prices will start from IDR35-41mn/sqm.

Furthermore, the Astra Group, through its joint venture company with Hong Kong Land named Brahmayasa Bahtera also plans to launch two new strata title projects in Jakarta. The company sees 2018 as a buyers' market. (Kontan)

CORPORATE

Intiland Development recorded marketing sales of IDR3.37tn in 2017

Intiland Development recorded marketing sales of IDR3.37tn in 2017, +106.75%yoy. This figure is 146.52% of the management's target of IDR2.3tn. The company attributes the stellar marketing sales to the successful launch of its mixed-use projects named Fifty Seven Promenade (320 units available for sale, 94% take up rate, total proceeds of IDR1.6tn) and industrial land sales in Ngoro Industrial Park. (Investor Daily)

Pembangunan Perumahan: Plans to issue IDR3.0tn of bonds by Apr 18

Pembangunan Perumahan (PTPP) plans to issue IDR3.0tn of bonds by Apr 18. The proceeds will be used for debt refinancing and working capital. PTPP has IDR700bn of bonds that will mature in March. The bonds were issued in 2013 and carry an 8.375% coupon rate. Furthermore, PTPP will also issue IDR2.0tn of perpetual bonds. The perpetual bonds are targeted to be issued in 1Q18. (Bisnis Indonesia)

Comment: PTPP's DER stood at 0.66x as of Sep 17. With the additional debt of IDR4.3tn (excluding IDR700bn of maturing bonds), the DER will increase to 1.00x; yet still far below the company's internal policy of a maximum 3.0x. (Maria Renata)

Sido Muncul: SIDO appoints two new independent commissioners from Affinity

Yesterday, SIDO held an EGM to appoint two new independent commissioners: Eric Marnandus and Ronnie Behar (to replace Budi Setiawan Pranoto). Both the new commissioners are from Affinity Equity Partners, an investment fund which focuses on growth. The management of SIDO said that the production capacity will increase to 180-200mn sachets/month/shift this year. This will support the company's guidance for FY18 top line growth of 15% yoy. (Kontan, Investor Daily)

Telkom Indonesia to purchase new shares in Cellum Global

On 30-Jan-18, Telkom Indonesia (TLKM) entered into a conditional share subscription agreement with Cellum Global Zrt (Cellum), through its subsidiary Metranet. Cellum is a mobile payment and commerce services solution provider company based in Hungary. Under the agreement, Metranet will subscribe to Cellum's new share issuance, which will be done in 2 tranches. First, it will subscribe to USD4.0mn of shares (resulting in 20.4% ownership) and it will later acquire a 10% stake for USD2.0mn. This acquisition is aimed at strengthening TLKM's digital telco services and its Fin-Tech business ecosystem in particular. (Company Release)

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		31-Jan-18	30-Jan-18					
Semen Baturaja	SMBR	3,700	3,170	16.7	16.4	(2.6)	(2.6)	SELL
Erajaya Swasembada	ERAA	840	790	6.3	13.5	14.3	14.3	BUY
Surya Citra Media	SCMA	2,690	2,580	4.3	6.3	8.5	8.5	BUY
Ace Hardware	ACES	1,350	1,300	3.8	5.5	16.9	16.9	BUY
Surya Semesta	SSIA	585	565	3.5	10.4	13.6	13.6	HOLD
Kino Indonesia	KINO	2,070	2,020	2.5	3.0	(2.4)	(2.4)	HOLD
Semen Indonesia	SMGR	11,150	10,900	2.3	4.0	12.6	12.6	SELL
Ciputra Development	CTRA	1,360	1,330	2.3	9.7	14.8	14.8	BUY
Bumi Serpong Damai	BSDE	1,820	1,780	2.2	4.9	7.1	7.1	BUY
Pakuwon Jati	PWON	710	695	2.2	0.7	3.6	3.6	HOLD

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		31-Jan-17	30-Jan-18					
Adaro Energy	ADRO	2,450	2,550	(3.9)	0.4	31.7	31.7	BUY
Mitra Adi Perkasa	MAPI	7,300	7,575	(3.6)	(2.0)	17.7	17.7	BUY
PP London Sumatra	LSIP	1,310	1,335	(1.9)	(4.0)	(7.7)	(7.7)	BUY
HM Sampoerna	HMSF	4,900	4,990	(1.8)	(6.7)	3.6	3.6	HOLD
Summarecon Agung	SMRA	1,120	1,140	(1.8)	6.7	18.5	18.5	BUY
Matahari Putra Prima	MPPA	484	492	(1.6)	(1.6)	7.1	7.1	SELL
Charoen Pokphand	CPIN	3,450	3,490	(1.1)	(4.2)	15.0	15.0	HOLD
Harum Energy	HRUM	3,300	3,330	(0.9)	6.5	61.0	61.0	HOLD
Unilever	UNVR	54,400	54,875	(0.9)	(2.2)	(2.7)	(2.7)	HOLD
Kimia Farma	KAEF	2,440	2,460	(0.8)	(0.4)	(9.6)	(9.6)	SELL

Sources: Bloomberg

PREVIOUS REPORTS

- Sumber Alfaria Trijaya: Cautiously growing [SnapShot20180131](#)
- Cigarette: Price hikes bode well for higher earnings, Puradelta Lestari: Upside remains, Tunas Baru Lampung: Growth potential on realized expansion [SnapShot20180129](#)
- Erajaya Swasembada: Spicing up the growth [SnapShot20180126](#)
- Bank Rakyat Indonesia: Still the biggest micro lender in the country, Semen Indonesia: Too Pricey [SnapShot20180124](#)
- Pakuwon Jati: Fully valued [SnapShot20180123](#)
- Poultry: Stability looks more likely [SnapShot20180122](#)

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