

FROM EQUITY RESEARCH

Bank Central Asia: Fully valued

(BBCA IJ. IDR 26,150. HOLD.TP IDR 28,000)

We maintain our HOLD call on BBCA with a new TP of IDR28,000 (implying 3.8x 2019F P/BV) as we also roll over our valuation to 2019F. Loans growth will moderate to 11.8% next year due to BBCA's conservative management style. On the funding side, we do not expect more room for a lower blended CoF given the minimal impact from the recent cut in the bank's savings rate to 1.45% p.a. We also assume a minor increase in the fee income contribution to 19.2% of total operating income in FY19F (9M18: 18.7%).

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- Government raises the diesel subsidy to IDR2,000/ltr

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- Telcos showing better 4G availability and overall speed

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KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	6.133	(0,3)	(3,5)	436
Thailand	1.672	(0,0)	(4,6)	1.435
Philippines	7.631	(0,9)	(10,8)	141
Malaysia	1.688	(0,4)	(6,0)	502
Singapore	3.156	(0,4)	(7,3)	629
Regional				
China	2.650	(0,6)	(19,9)	27.327
Hong Kong	26.820	(1,6)	(10,4)	10.145
Japan	21.919	(0,5)	(3,7)	13.867
Korea	2.101	(0,6)	(14,8)	4.973
Taiwan	9.917	(1,7)	(6,8)	3.701
India	35.884	(0,7)	5,4	377
NASDAQ	7.158	(3,8)	3,7	148.093
Dow Jones	25.027	(3,1)	1,2	N/A

CURRENCY AND INTEREST RATE

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	14.403	0,9	3,8	(6,3)
SBI rate %	6,00	0,3	0,3	1,8
10y Gov Indo bond	7,91	(0,0)	(0,4)	1,6

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	103	(0,2)	(1,2)	1,8
Gold	US\$/toz	1.238	0,0	0,8	(5,0)
Nickel	US\$/mt.ton	11.081	(0,9)	(6,6)	(12,8)
Tin	US\$/mt.ton	19.185	1,7	0,4	(4,5)

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2.136	(0,6)	(5,4)	12,5
Corn	US\$/mt.ton	138	0,3	2,3	10,1
Oil (WTI)	US\$/barrel	53	(0,1)	(15,1)	(12,6)
Oil (Brent)	US\$/barrel	62	(0,8)	(15,9)	(7,9)
Palm oil	MYR/mt.ton	1.776	(0,3)	(9,3)	(25,7)
Rubber	US\$/kg	124	0,3	(0,1)	(15,4)
Pulp	US\$/tonne	1.205	N/A	2,8	20,5
Coffee	US\$/60kgbag	81	0,3	(3,5)	(10,3)
Sugar	US\$/MT	344	(0,2)	(1,3)	(13,0)
Wheat	US\$/ton	141	(0,9)	(1,0)	5,0
Soy Oil	US\$/lb	29	(0,2)	2,4	(13,6)
Soy Bean	US\$/by	914	0,2	4,6	(4,0)

Thursday, 06 December 2018

HOLD
Maintain

Last price (IDR) 26,150
Target Price (IDR) 28,000
Upside/Downside +7.1%
Previous Target Price (IDR) 22,700

Stock Statistics

Sector Banking
Bloomberg Ticker BBKA IJ
No of Shrs (mn) 24,945
Mkt. Cap (IDRbn/USDmn) 652,306/45,290
Avg. daily T/O (IDRbn/USDmn) 370.8/25.7

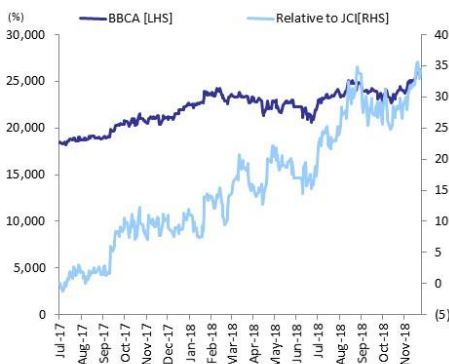
Major shareholders (%)

PT Dwimuria Investama 54.9
Anthony Salim 1.8
Estimated free float 43.1

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	1,065.0	1,205.6	1,398.3
Consensus	1,043.0	1,187.3	1,353.6
Danareksa/Cons	2.1	1.5	3.3

BBCA relative to JCI Index



Source : Bloomberg



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Bank Central Asia (BBKA IJ)

Fully valued

We maintain our HOLD call on BBKA with a new TP of IDR28,000 (implying 3.8x 2019F P/BV) as we also roll over our valuation to 2019F. Loans growth will moderate to 11.8% next year due to BBKA's conservative management style. On the funding side, we do not expect more room for a lower blended CoF given the minimal impact from the recent cut in the bank's savings rate to 1.45% p.a. We also assume a minor increase in the fee income contribution to 19.2% of total operating income in FY19F (9M18: 18.7%).

Modest loans growth projected. With softer GDP growth projected for next year, we estimate loans growth of 11.8% yoy, mainly driven by the corporate and consumer segments. BBKA's existing corporate borrowers will continue to obtain loans, particularly for their working capital needs. Additionally, BBKA's loans exposure to the financial services sector, including Pegadaian (the non-listed SOE pawnshop) and a few multifinance companies, will remain high given the sector's manageable risk profile in our view. Meanwhile, consumer lending will continue to be supported by mortgages, particularly for the middle up income segment with loans above IDR1bn.

Limited room for a lower blended CoF. Given BBKA's status as the transactional bank of choice, the bank benefits from substantial CASA deposits in its funding structure. Its current maximum 1-month TD rate is 5.5% as of October 2018, already at the same level as that of other banks after policy rate hikes of 150bps in total. As a result, we see limited room for further declines in its blended CoF going forward. We therefore project a stable blended CoF of 2.1% next year with the proportion of CASA deposits reaching 77.3% of total customer deposits by the end of the year.

Flat fee income contribution to operating income. Fee income has contributed substantially to BBKA's operating income (especially in comparison to other big banks such as BMRI, BBNI and BBRI). Yet, the contribution from fee income has already reached its optimum level, in our view. In the past ten quarters, fee-income's contribution hovered between 17.3% and 19.2% of operating income. As such, we expect the contribution from fee-income to reach 19.2% of total operating income in FY19F.

Maintain HOLD, new TP: IDR28,000. We reiterate our HOLD call on BBKA with a higher GGM-derived TP of IDR28,000 (implying 3.8x 2019F P/BV) assuming 7.0% CoE, 18.5% sustainable ROAE and 3% long-term growth. Our TP near its 10 years +0.5SD of 3.9x P/BV multiple.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
PPOP (IDRbn)	30,400	31,791	36,042	40,173	46,749
Net profit (IDRbn)	20,606	23,310	26,257	29,725	34,474
EPS (IDR)	835.8	945.4	1,065.0	1,205.6	1,398.3
EPS growth (%)	14.4	13.1	12.6	13.2	16.0
BVPS (IDR)	4,560.3	5,325.6	6,202.2	7,259.5	8,499.7
PER (x)	31.3	27.7	24.6	21.7	18.7
PBV (x)	5.7	4.9	4.2	3.6	3.1
Dividend yield (%)	0.5	0.6	0.6	0.6	0.6
ROAE (%)	20.4	19.1	18.5	17.9	17.7

Source : BBKA, Danareksa Estimates

MARKET NEWS

MACROECONOMY

Government raises the diesel subsidy to IDR2,000/ltr

The government has raised the diesel subsidy from IDR500/ltr to IDR 2,000/ltr. The subsidies will be channeled through Pertamina. The additional subsidy will be calculated for sales since the beginning of 2018. Pertamina will also obtain compensation for distributing subsidized diesel in 2017 amounting to USD1.2-1.3bn. The disbursement of the subsidy still needs to be audited by the Audit Board of Indonesia (BPK). (Investor Daily)

SECTOR



Telcos showing better 4G availability and overall speed

The key findings of a recently issued OpenSignal research report are: TSEL recovered its leading position in overall download speed from FREN driven by TSEL's improvement and the slowdown at FREN. Meanwhile, the 4G network performance for all operators declined except for TSEL. This was due to greater pressures arising from higher data usage. EXCL and ISAT boosted their 3G networks which improved overall download speeds. TSEL recorded the largest improvement in 4G latency. ISAT network improvements have started to be made.

Comment: We see that efforts to improve network performance accompanied with significant capex is a big commitment, and operators will think twice before starting to push data with aggressive pricing. (Niko)

- OpenSignal "Mobile Networks Update: Indonesia" for period 3m period Aug-Oct

Period	Operator	Download speed: 4G	Download speed: 3G	Download speed: Overall	Upload speed	Data Latency: 4G	Data Latency: 3G	Availability 4G (on demand)
		(mbps)				(ms)		(%)
Feb 1 - May 1, 2018	Telkomsel	12.9	5.0	8.4	7.3	43.5	81.0	69.6
	Smartfren	9.8	n.a.	9.8	2.7	60.2	n/a	92.6
	XL Axiata	8.9	2.9	6.1	5.1	61.0	112.0	76.2
	Indosat Ooredoo	4.8	1.6	3.2	3.2	73.6	136.4	70.8
	Hutchison 3	4.6	2.8	3.8	3.8	58.1	103.5	83.7
Aug 1 - Oct 29 2018	Telkomsel	14.4	4.6	9.9	6.7	41.8	72.3	77.5
	Smartfren	6.3	n.a.	6.3	1.8	64.1	n.a.	94.3
	XL Axiata	8.1	2.9	6.3	4.0	60.8	99.6	81.6
	Indosat Ooredoo	4.2	1.7	3.3	2.7	74.0	106.7	80.3
	Hutchison 3	4.5	3.1	4.0	4.3	56.5	85.2	84.6
periodic Δ	Telkomsel	1.5	-0.4	1.4	-0.6	-1.7	-8.7	8.0
	Smartfren	-3.5	n/a	-3.5	-0.9	3.9	n/a	1.7
	XL Axiata	-0.7	-0.1	0.2	-1.1	-0.2	-12.4	5.4
	Indosat Ooredoo	-0.6	0.1	0.1	-0.5	0.3	-29.8	9.4
	Hutchison 3	-0.1	0.3	0.2	0.5	-1.6	-18.4	0.9
periodic Δ, %	Telkomsel	12.0	-7.2	17.1	-7.7	-4.0	-10.8	11.4
	Smartfren	-35.9	n/a	-35.9	-33.0	6.5	n/a	1.9
	XL Axiata	-8.1	-2.0	3.1	-20.9	-0.4	-11.0	7.1
	Indosat Ooredoo	-12.5	6.4	2.2	-16.1	0.4	-21.8	13.3
	Hutchison 3	-2.2	11.0	5.6	13.3	-2.7	-17.8	1.1

 Leading position in KPI
 Largest network improvement

CORPORATE**Adhi Karya: Targets IPOs for two of its subsidiaries in 2019**

Adhi Karya (ADHI) seeks to raise IDR3.5tn in 2019 from IPOs of two subsidiaries, namely Adhi Persada Gedung (APG) and Adhi Commuter Properti (ACP). APG is a contractor company which specializes in the development of high rise buildings. The IPO of APG is targeted to occur in 1H19 based on the FY2018 financial results with proceeds targeted at IDR2.0tn. APG has 25 projects in the pipeline with total works of IDR4.0tn with revenues growth at ~15%yoy in 2018 and 2019. Around 70% of APG's projects are private projects, 20% are from the ADHI group, and 10% are from SOEs.

ACP is a property developer which focuses on LRT's TOD (transit oriented development). The IPO of ACP is targeted in 2H19 with targeted proceeds of at least IDR1.5tn. This year, ACP has launched 4 property projects with an investment value totaling IDR15.1tn, namely: LRT City Bekasi Timur-Eastern Green, LRT City Royal Sentul Park, LRT City Jaticempaka – Gateway Park Bekasi, and LRT City Urban Signature Jakarta Timur. ACP seeks to launch another 2 projects in Dec18, located in Cisauk - Tangerang and MT Haryono – Jakarta. And in 2019, ACP plans to launch 4 new projects. (Investor Daily)

EXCL to bundle home broadband with Netflix

XL Axiata is slowly developing its home broadband network building network presence in Bogor, Depok, Tangerang and Bekasi (BODETABEK). Coverage for "XL Home" is intended for the metropolitan areas of Jakarta, Denpasar, Banjarmasin, Balikpapan and Makassar. In addition, XL Axiata is bundling its data services with Netflix. (Investor Daily)

Comment: This twin strategy if executed is a big positive for XL Axiata. The next questions we ask concern the pricing and packages of XL Axiata. We understand that XL Home requires subscribers to buy the equipment first before they are able to use the service. Focusing only on Netflix could be an effective way to boost its subscriber numbers. (Niko)

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on				Chg, %	w-w, %	m-m, %	YTD, %	Rating
		05-Dec-18	04-Dec-18							
Japfa Comfeed	JPFA	2.360	2.130	10,8	20,7	12,4	81,5	BUY		
Charoen Pokphand	CPIN	6.800	6.200	9,7	19,8	22,0	126,7	HOLD		
Malindo Feedmill	MAIN	1.410	1.290	9,3	15,1	7,6	90,5	HOLD		
Aneka Tambang	ANTM	740	710	4,2	23,3	8,8	18,4	HOLD		
PP London Sumatra	LSIP	1.240	1.200	3,3	11,7	(0,4)	(12,7)	BUY		
Astra Agro Lestari	AALI	11.650	11.300	3,1	8,1	1,7	(11,4)	BUY		
BTPN	BTPN	3.470	3.390	2,4	(3,1)	(8,0)	41,1	HOLD		
Timah	TINS	715	700	2,1	15,3	9,2	(7,7)	BUY		
Surya Semesta	SSIA	468	462	1,3	4,9	0,4	(9,1)	HOLD		
Gudang Garam	GGRM	80.825	79.975	1,1	(1,9)	1,0	(3,6)	BUY		

Sources: Bloomberg

LAGGARDS

	Code	Price as on				Chg, %	w-w, %	m-m, %	YTD, %	Rating
		05-Dec-18	04-Dec-18							
Ace Hardware	ACES	1.490	1.600	(6,9)	(0,3)	8,0	29,0	BUY		
Indo Tambangraya Megah	ITMG	20.600	21.425	(3,9)	0,4	(15,1)	(0,5)	BUY		
Sampoerna Agro	SGRO	2.240	2.320	(3,4)	(4,3)	(2,2)	(12,8)	BUY		
Bumi Serpong Damai	BSDE	1.315	1.350	(2,6)	3,5	13,4	(22,6)	BUY		
Vale Indonesia	INCO	3.180	3.260	(2,5)	15,2	0,6	10,0	BUY		
Pakuwon Jati	PWON	615	630	(2,4)	2,5	11,8	(10,2)	BUY		
Matahari Department Store	LPPF	5.200	5.325	(2,3)	15,3	11,1	(48,0)	BUY		
Astra International	ASII	8.325	8.525	(2,3)	(0,9)	2,8	0,3	BUY		
Pembangunan Perumahan	PTPP	1.880	1.920	(2,1)	13,3	33,3	(28,8)	BUY		
Puradelta Lestari	DMAS	149	152	(2,0)	(2,6)	16,4	(12,9)	BUY		

Sources: Bloomberg

PREVIOUS REPORTS

- Media: Remaining resilient [SnapShot20181205](#)
- NFC: The digital trailblazer [SnapShot20181204](#)
- Aneka Tambang: Strong sales volume boosted profit, Mayora Indah: Buoyant revenues but higher opex too [SnapShot20181203](#)
- Construction: Deconstructing the sector [SnapShot20181130](#)
- Timah: Higher costs dragged down net profit [SnapShot20181129](#)

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