

Bank Central Asia Tbk (BBCA)

Limited Room

Company Report | May 14, 2018

Hold

Dec 2018 TP (IDR)	25,400
Consensus Price (IDR)	24,077
TP to Consensus Price	+5.5%
vs. Last Price	+10.9%

Shares data

Last Price (IDR)	22,900
Price date as of	May 09, 2018
52 wk range (Hi/Lo)	24,700/16,800
Free float (%)	43.0
Outstanding sh.(mn)	24,655
Market Cap (IDR bn)	559,052
Market Cap (USD mn)	40,035
Avg. Trd Vol - 3M (mn)	14.98
Avg. Trd Val - 3M (bn)	344.98
Foreign Ownership	27.4%

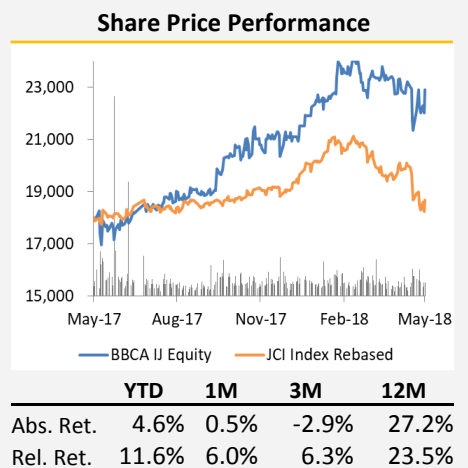
Finance

Bank

Bloomberg	BBCA IJ
Reuters	BBCA.JK

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1Q18 Below Trend Performance

BBCA posted the interest income of IDR13.4 trillion slightly nudging up 3.8% y-y. The 1Q18 growth was the slowest growth compared to all periods we observed since 1Q15. The net profit was IDR5.5 trillion growing by 10.4% y-y. The growth was slightly lower than the average growth of 10.8% in 1Q15, 1Q16, and 1Q17.

Acceleration in Credit Growth

In 1Q18, BBCA posted the credit of IDR478 trillion growing by 14.4% y-y or 0.3% q-q. On the quarterly basis, the hike is in a stark contrast to the decline trend in 1Q15, 1Q16, and 1Q17. The corporate segment was the bolster for BBCA's credit performance as it posted the growth of 17.6% into IDR179.4 trillion. We estimate that in 2018, its credit likely grows by 13.2% higher than the growth of 12.3% in the 2017 credit.

Limited Room for Profit Growth Acceleration

Although the credit growth acceleration gained its momentum, the room for the net profit growth acceleration gets limited. The NIM pressure stemming from the uncertainty of reference rate and the limited room for the decline in provision results in the net profit growth slightly lower than the last-two-year growth.

Target Price of IDR25,400

We use an estimate of forward P/B of 3.5x (1SD higher than the last-4-year average of 3.2x) as the basis of valuation method. The target price implies a 2018/E P/B of 4.1x (Vs. 3.7x at the current time)

Bank Central Asia Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Interest Income	50,426	53,768	57,143	61,754
<i>growth</i>	7.1%	6.6%	6.3%	8.1%
Operating Revenue	53,779	56,982	62,425	68,534
Net profit	20,606	23,310	25,928	28,869
EPS (IDR)	836	945	1,052	1,171
<i>EPS growth</i>	14.4%	13.1%	11.2%	11.3%
BVPS (IDR)	4,572	5,330	6,195	7,166
Net Interest Margin	6.6%	6.1%	6.1%	6.0%
Loan/Deposits	80.1%	82.0%	86.0%	88.9%
NPL	1.3%	1.5%	1.4%	1.4%
ROE	20.4%	19.1%	18.3%	17.5%
ROA	3.2%	3.3%	3.3%	3.3%
ROIC	22.9%	20.1%	19.2%	18.3%
P/E	18.5x	23.2x	21.8x	19.6x
P/BV	3.4x	4.1x	3.7x	3.2x
DPS (IDR)	200	175	195	217
<i>Dividend yield</i>	0.8%	0.7%	0.8%	0.9%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

A Glance at BBKA

BBKA is the biggest private bank in Indonesia. Around 38% of its overall credit is distributed to the corporate segment. The contribution of credit distributed to this segment records a significant hike from 35% in 2014. Meanwhile, the contribution of credit distributed to the commercial and small to medium-sized enterprises (SME) segments posted a further decline from 39% in 2014 into 36% in 2017.

Supported with 1,235 official branches, it has broad distribution networks across Indonesia. In term of the third party fund, its savings products contribute 50% to the overall third party fund. This high contribution is underpinned by the fact of BBKA as the most preferred private bank by Indonesian.

Indonesia-Based Banks' Competitiveness in ASEAN

The banking industry in Indonesia is the investment priority in ASEAN as it offers **higher credit rate** than do its peers in ASEAN. It is the takeaway factor to the excellent characteristic the banking industry in Indonesia has.

Although facing the challenge of decline in reference rate, Indonesia-based banks **are still capable of maintaining NIM topping the NIM achieved by its peers in ASEAN**. The higher NIM is capable of being translated into a higher ROE.

A number of banks in Malaysia and Singapore such as OCBC, CIMB, and Malayan Banking can outpace **the growth of 10%-20% in net profit** posted by Indonesia-based banks. However, those three banks have bigger assets than does Indonesia-based have.

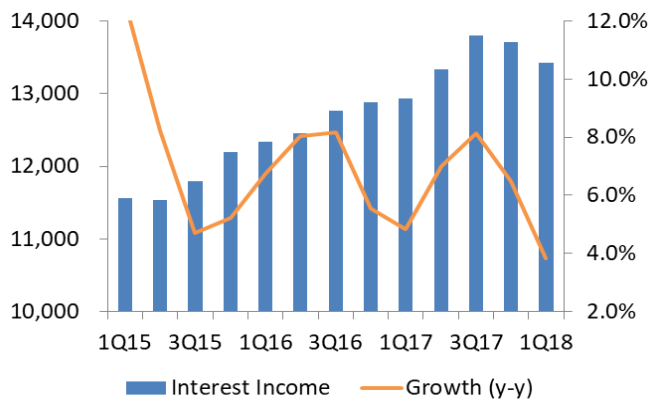
ASEAN Banks

Company	Market Cap (USD mn)	Total Asset (USD mn)	Net Profit Growth (LTM)	Net Interest Margin (LTM)	ROE (LTM)	P/E (LTM)	P/BV (LTM)	Dividend Yield
BBCA	40,035	55,219	13.0%	6.1%	18.7%	23.5x	4.1x	1.1%
BBRI	27,688	82,886	11.9%	7.7%	19.6%	12.8x	2.4x	3.4%
BMRI	23,687	82,772	59.4%	5.6%	14.4%	14.7x	2.0x	2.8%
BBNI	10,865	52,203	21.1%	5.5%	15.2%	10.8x	1.6x	3.1%
BBTN	2,286	19,235	14.5%	4.5%	15.2%	10.2x	1.5x	1.9%
Singapore								
DBS	56,058	387,334	8.3%	1.8%	9.8%	16.1x	1.5x	4.9%
UOB	36,882	268,287	13.5%	1.8%	10.7%	13.9x	1.4x	3.4%
OCBC	41,127	340,370	23.2%	1.7%	11.2%	13.0x	1.4x	2.7%
Malaysia								
CIMB	15,351	124,711	25.6%	2.5%	9.6%	13.0x	1.2x	3.9%
Malayan Banking	30,226	188,433	11.5%	1.9%	10.6%	15.0x	1.6x	5.0%
Hong Leong	5,547	50,939	5.9%	1.6%	9.8%	13.4x	1.3x	2.0%
Thailand								
Bangkok Bank	11,479	94,446	6.0%	2.3%	8.5%	10.8x	0.9x	3.4%
Siam Commercial	14,394	92,841	-13.0%	3.3%	11.8%	10.8x	1.2x	4.1%
Bank of Ayudhya	9,066	64,128	8.6%	3.7%	10.7%	12.1x	1.2x	2.2%
Philippine								
BDO Unibank	11,093	53,371	5.8%	4.1%	9.7%	21.0x	2.0x	0.9%
Metropolitan Bank	6,533	41,612	0.7%	3.8%	9.1%	15.2x	1.3x	1.1%
Philippine Island Bank	8,422	38,084	-3.9%	3.5%	12.4%	17.7x	2.1x	1.8%

Source: Bloomberg, NHKS research

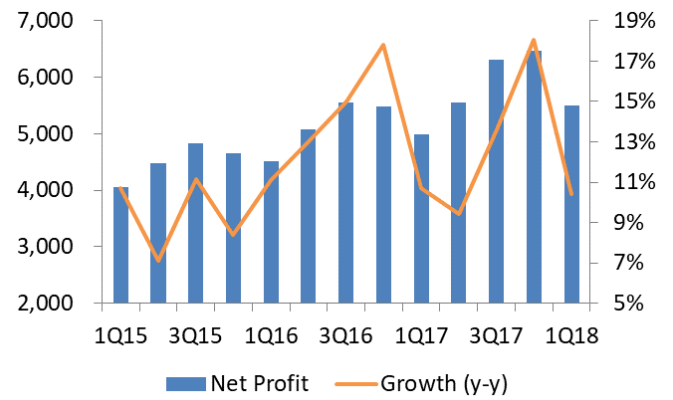
Performance Highlights

Interest Income (IDR bn)



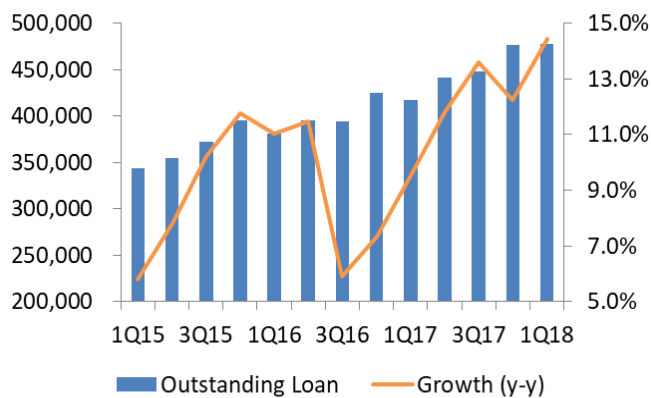
Source: Company, NHKS research

Net Profit (IDR bn)



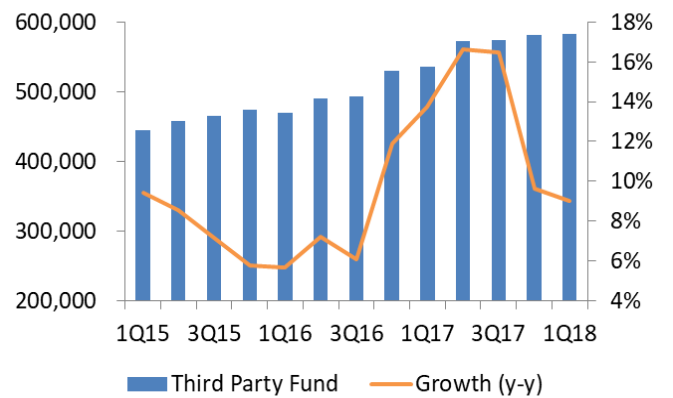
Source: Company, NHKS research

Outstanding Loan (IDR bn)



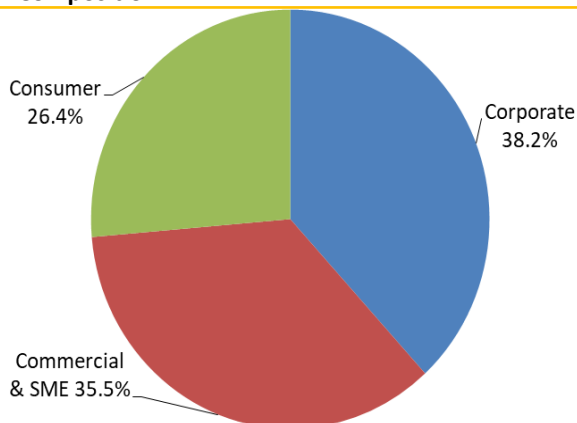
Source: Company, NHKS research

Third Party Fund (IDR bn)



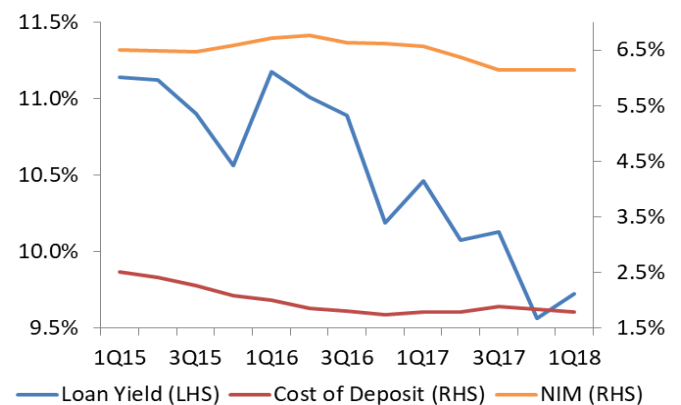
Source: Company, NHKS research

Loan Composition



Source: Company, NHKS research

Loan Yield, Cost of Deposit, NIM



Source: Company, NHKS research

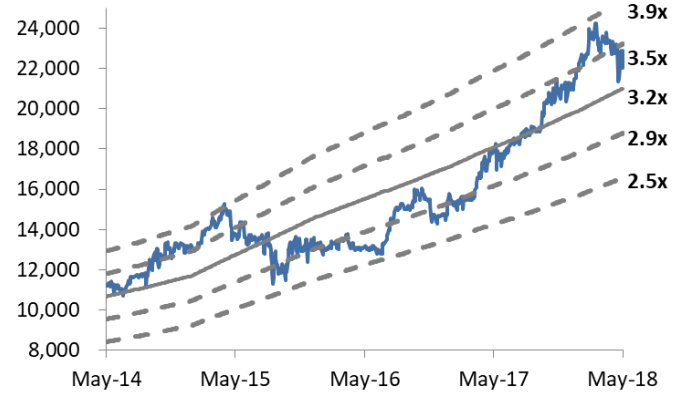
Multiple Valuation

Forward P/B band | Last 4 years



Source: NHKS research

Dynamic Forward P/B band | Last 4 years



Source: NHKS research

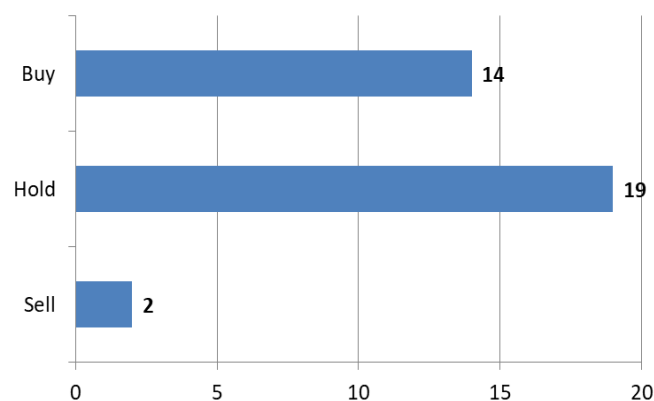
Rating and target price update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
10/04/2017	Buy	24,100 (Dec 2018)	20,325	19,622	+18.6%	+22.8%
4/03/2018	Hold	24,975 (Dec 2018)	23,400	23,727	+6.7%	+5.3%
5/14/2018	Hold	25,400 (Dec 2018)	22,900	24,077	+10.9%	+5.5%

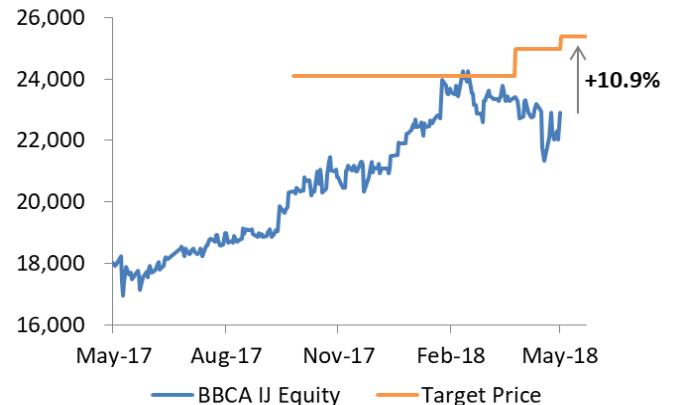
Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

- Period: End of year target price
- Rating system based on a stock's absolute return from the date of publication
 - Buy : Greater than +15%
 - Hold : -15% to +15%
 - Sell : Less than -15%

Summary of Financials

BBCA Summary			
Last Price (IDR)	May 9, 2018		22,900
Target Price (IDR)	Dec 2018		25,400
Analyst: Raphon Prima	Rating:		Hold

INCOME STATEMENT

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Interest Income	50,426	53,768	57,143	61,754
Growth (% y/y)	7.1%	6.6%	6.3%	8.1%
Interest Expenses	10,347	11,941	11,467	11,563
Net Interest Income	40,079	41,826	45,676	50,191
Net Interest Margin	6.6%	6.1%	6.1%	6.0%
Net Fee Income	9,401	10,386	11,453	12,585
Trading Income	2,346	1,804	2,082	2,226
Other Operating Income	1,954	2,966	3,214	3,532
Operating Revenue	53,779	56,982	62,425	68,534
Operating Expenses	(23,379)	(25,190)	(27,589)	(30,293)
Pre-provisioning OP (PPOP)	30,400	31,791	34,836	38,241
Provision for Impairment	(4,561)	(2,633)	(2,541)	(2,432)
EBT	25,839	29,159	32,295	35,809
Income Tax	(5,207)	(5,838)	(6,355)	(6,923)
Non-controlling Interest	(27)	(11)	(12)	(17)
Net Profit	20,606	23,310	25,928	28,869
Growth (% y/y)	14.4%	13.1%	11.2%	11.3%

BALANCE SHEET

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	15,944	16,754	13,223	12,058
Placement in Banks	88,427	71,536	80,629	91,466
Net Loans	411,761	462,953	524,894	596,517
Investment	116,384	146,365	150,572	152,595
Fixed Asset	16,991	16,869	17,453	19,991
Other Assets	27,233	35,842	37,228	40,062
Total Assets	676,739	750,320	823,999	912,688
Deposits	538,866	591,330	639,133	701,373
Debt	5,378	3,801	3,963	4,496
Other liabilities	19,780	23,787	28,172	30,134
Total Liabilities	564,024	618,918	671,268	736,003
Capital Stock	1,541	1,541	1,541	1,541
Retained Earnings	98,503	115,998	137,194	161,015
Shareholders' Equity	112,715	131,402	152,731	176,686

CASH FLOW STATEMENT

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	20,606	23,310	25,928	28,869
Deprec & Provision	6,449	4,012	1,685	1,845
Chg. In Working Capital	(8,372)	(13,040)	(8,838)	(897)
CFO	18,682	14,283	18,775	29,817
Net Changes in Loan	(30,904)	(57,087)	(75,692)	(83,327)
CFI	(91,501)	(77,708)	(68,913)	(88,840)
Dividends Paid	(4,315)	(5,178)	(4,536)	(5,048)
Net Changes in Deposit	57,145	51,606	46,621	62,239
CCF	54,477	45,808	43,711	57,858
Net Changes in Cash	(18,341)	(17,617)	(6,427)	(1,165)

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	72.9 Dwimuria Investama	54.9
United States	13.0 Salim Anthoni	1.8
Luxembourg	4.3 Vanguard	1.7
United Kingdom	1.6 Capital Group	1.6

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	20.4%	19.1%	18.3%	17.5%
ROA	3.2%	3.3%	3.3%	3.3%
ROIC	22.9%	20.1%	19.2%	18.3%
Operating ROA	8.5%	8.0%	7.9%	7.9%
Pre-Provision ROA	4.8%	4.5%	4.4%	4.4%
Non-Interest Income/Op. Rev	25.5%	26.6%	26.8%	26.8%
Cost/Income	43.5%	44.2%	44.2%	44.2%
Cash Dividend (IDR bn)	4,931	4,315	4,799	5,344
Dividend Yield (%)	0.8%	0.7%	0.8%	0.9%
Payout Ratio (%)	23.9%	18.5%	18.5%	18.5%
Equity/Assets	16.7%	17.5%	18.5%	19.4%
Loan/Deposits	80.1%	82.0%	86.0%	88.9%
Loan/Assets	62.7%	63.5%	65.5%	67.0%
NPL	1.3%	1.5%	1.4%	1.4%
Loan Loss Reserves/Loans	3.0%	2.9%	2.7%	2.5%
Deposits/Liabilities	1.5%	1.7%	1.8%	1.8%
CASA/Deposits	77.0%	76.3%	77.6%	78.4%
Time Deposits/Deposits	23.0%	23.7%	22.4%	21.6%
Par Value (IDR)	63	63	63	63
Total Shares (mn)	24,655	24,655	24,655	24,655
Share Price (IDR)	15,500	21,900	22,900	22,900
Market Cap (IDR tn)	382.2	539.9	564.6	564.6

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	18.5x	23.2x	21.8x	19.6x
Price /Book Value	3.4x	4.1x	3.7x	3.2x
Price/Op. Revenue	7.1x	9.5x	9.0x	8.2x
PE/EPS Growth	1.3x	1.8x	1.9x	1.7x
EV/Operating Revenue	6.9x	9.3x	8.9x	8.1x
EV/PPOP	12.2x	16.6x	15.9x	14.6x
EV (IDR bn)	371,868	527,090	555,439	557,138
Op. Revenue CAGR (3-Yr)	16.8%	11.6%	9.2%	8.4%
EPS CAGR (3-Yr)	13.1%	12.2%	12.9%	11.9%
Basic EPS (IDR)	836	945	1,052	1,171
Diluted EPS (IDR)	836	945	1,052	1,171
BVPS (IDR)	4,572	5,330	6,195	7,166
Op. Revenue PS (IDR)	2,181	2,311	2,532	2,780
DPS (IDR)	200	175	195	217

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	24,274	25,427	27,981	30,847
+Depr./Amor.	6,449	4,012	1,685	1,845
-Chg. in Loan	(30,904)	(57,087)	(75,692)	(83,327)
-Incr. (Decr.) in Working Cap.	(8,372)	(13,040)	(8,838)	(897)
(Unlevered) FCFF	(57,267)	(103,340)	(129,353)	(50,635)
WACC				
Cost of Debt (Tax Adj.)	7.8%	5.9%	6.4%	6.7%
Cost of Equity (COE)	10.0%	10.4%	10.6%	10.8%
WACC (%)	9.9%	10.1%	10.1%	10.0%
RIM				
Spread (FROE-COE) (%)	13.0%	10.3%	9.1%	8.1%
Residual Income (IDR bn)	11,673	11,566	12,005	12,304
Equity Charge	8,933	11,744	13,923	16,565
EVA				
Invested Capital (IDR bn)	94,302	118,093	135,203	156,694
ROIC-WACC (%)	15.8%	11.4%	10.6%	9.7%
EVA (IDR bn)	14,904	13,490	14,348	15,135

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