

Bank Central Asia Tbk (BCA)

Superb Performance, Rich Valuation

Company Report | Nov 14, 2018

Excellent Performance

BCA's 3Q18 interest income grew slightly by 5.5% y-y to IDR14.6 trillion, yet its net interest income growth accelerated to **9.2%, all-time high growth of the past 2 years**. The excellent performance, paired with the **jump of 31.1% y-y in its non-interest income** proved a boon for BCA to post the growth of 12.4% y-y to IDR7.1 trillion in its bottom line.

Consumer Loan Growth Regains Momentum

BCA's 3Q18 loan growth was kicking at a higher gear, e.g., its **total loan surged by 16.8% to IDR523.1 trillion**. The corporate segment successfully marked the superb growth of 23.3%, while the commercial and SME segment maintained the growth hovering at 17%. **The consumer segment surprisingly succeeded to buoy 9.0% after the slight growth of 2.9% in the prior quarter**. The potent driver for recovery in consumer segment was the growth of 9.4% in the mortgage. These achievements strived by BCA led us to be confident about the growth momentum of higher than 15% to last for until 2019.

Higher CASA Spurring Lower Interest Expenses

BCA successfully kept its CASA controlled at 77%-78% within the last 3 quarters. In 2017, its CASA ratio hovered at 74%-76%. The latest figure immediately resulted in a significant difference for BCA's interest expenses. In 3Q18, its interest expenses were at IDR3.0 trillion, whittling away 7% y-y. **The slowdown in interest expenses is in a stark contrast to that of its peers**.

Target Price of IDR28,825

We set the target price of December 2019 at IDR28,825, using the forward P/B of 3.6x (1SD above the 4-year average of 3.2x). The target price implies a 2019E P/B of 4.1x. Now, BCA is traded at a 2018E P/B of 4.0x. BCA's outstanding performance is a logical takeaway for its premium valuation compared that of its peers.

Bank Central Asia Tbk | Summary (IDR bn)

	2017	2018E	2019F	2020F
Interest Income	53,768	56,388	64,608	74,878
Interest Income growth	6.6%	4.9%	14.6%	15.9%
Operating Revenue	(11,941)	(10,913)	(12,467)	(14,332)
Net profit	41,826	45,475	52,142	60,546
EPS (IDR)	945	1,038	1,206	1,414
EPS growth	13.1%	9.7%	16.2%	17.3%
BVPS (IDR)	5,330	6,032	6,948	8,018
Net Interest Margin	6.1%	6.0%	6.1%	6.3%
Loan/Deposits	82.0%	86.1%	87.5%	87.4%
NPL	1.5%	1.4%	1.4%	1.4%
ROE	19.1%	18.3%	18.6%	18.9%
ROA	3.3%	3.2%	3.4%	3.5%
P/E	23.2x	23.2x	20.0x	17.0x
P/BV	4.1x	4.0x	3.5x	3.0x
P/Op. Revenue	9.5x	9.5x	8.3x	7.1x
DPS (IDR)	255	280	325	381
Dividend yield	1.2%	1.2%	1.4%	1.6%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Buy

Dec 2019 TP (IDR) 28,825

Consensus Price (IDR)	25,201
TP to Consensus Price	+14.4%
vs. Last Price	+19.7%

Shares data

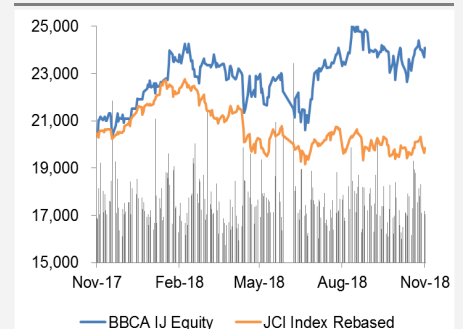
Last Price (IDR)	24,075
Price date as of	Nov 13, 2018
52 wk range (Hi/Lo)	25,475 / 20,350
Free float (%)	43.1
Outstanding sh.(mn)	24,655
Market Cap (IDR bn)	592,337
Market Cap (USD mn)	40,085
Avg. Trd Vol - 3M (mn)	15.01
Avg. Trd Val - 3M (bn)	359.43
Foreign Ownership	27.1%

Finance

Bank

Bloomberg	BBCA IJ
Reuters	BBCA.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	9.9%	3.5%	3.2%	17.6%
Rel. Ret.	18.1%	2.2%	3.7%	20.7%

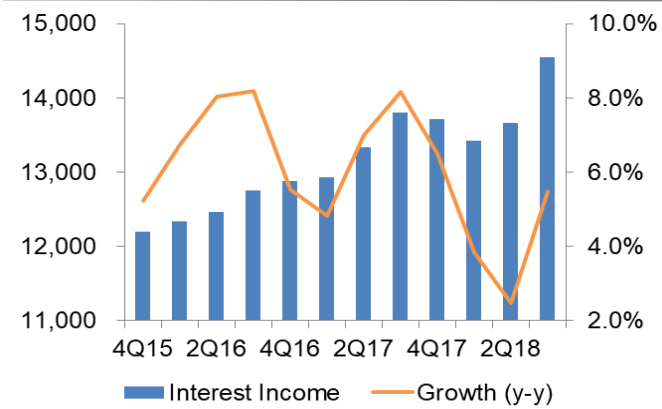
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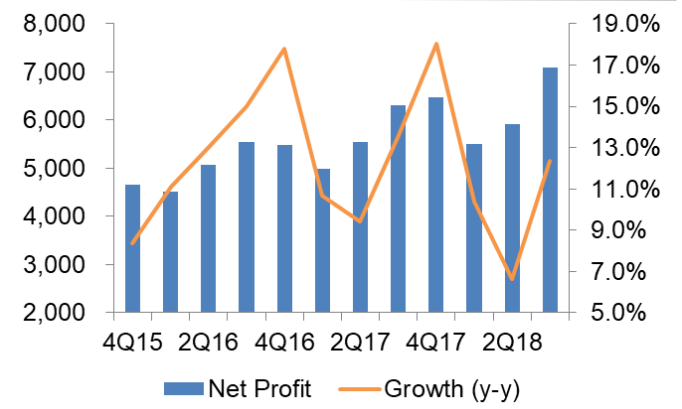
Performance Highlights

Interest Income (IDR bn) | 4Q15 - 3Q18



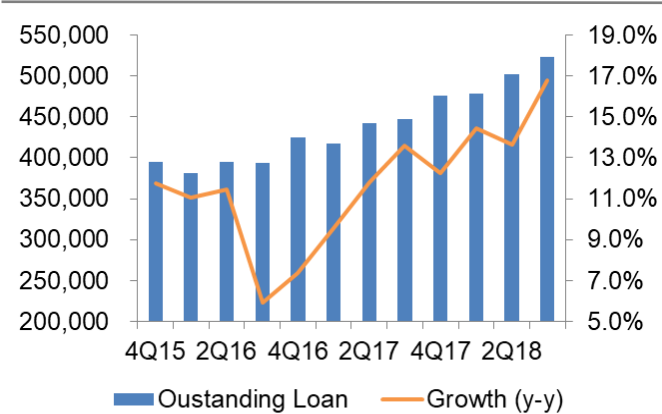
Source: Company, NHKS Research

Net Profit (IDR bn) | 4Q15 - 3Q18



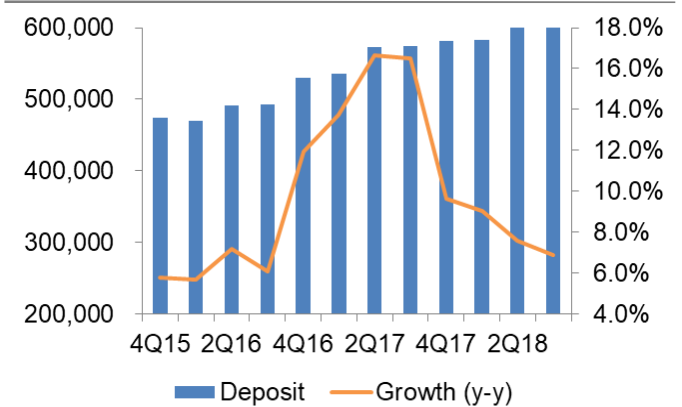
Source: Company, NHKS Research

Outstanding Loan (IDR bn) | 4Q15 - 3Q18



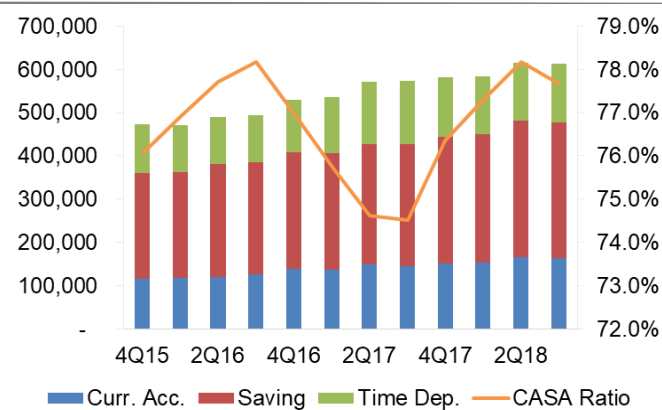
Source: Company, NHKS Research

Deposit (IDR bn) | 4Q15 - 3Q18



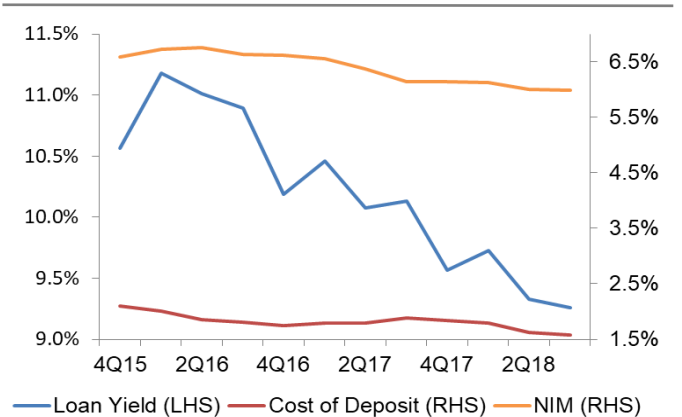
Source: Company, NHKS Research

Deposit Composition & CASA Ratio | 4Q15 - 3Q18



Source: Company, NHKS Research

Loan Yield, Cost of Deposit, NIM | 4Q15 - 3Q18



Source: Company, NHKS Research

3Q18 review (IDR bn)

	3Q17	4Q17	1Q18	2Q18	3Q18					4Q18E
					Actual	Estimate	y-y	q-q	surprise	
Interest Income	13,796	13,710	13,428	13,659	14,552	14,613	5.5%	6.5%	-0.4%	14,749
Interest Expense	(3,206)	(2,832)	(2,656)	(2,678)	(2,985)	(2,979)	-6.9%	11.4%	0.2%	(2,594)
Net Interest Income	10,591	10,879	10,772	10,981	11,567	11,634	9.2%	5.3%	-0.6%	12,155
Operating Rev.	14,301	15,261	14,676	14,825	16,432	15,771	14.9%	10.8%	4.2%	16,704
PPOP	8,762	8,855	7,079	8,075	9,905	9,575	13.0%	22.7%	3.5%	9,693
Loan Loss Provision	(894)		(188)	(638)	(921)	(891)	3.1%	44.5%	3.4%	(790)
Net Profit	6,307	6,468	5,508	5,913	7,087	6,952	12.4%	19.9%	1.9%	7,072

Source: Bloomberg, NHKS research

Earnings revision (IDR bn)

		2018E	2019F	2020F
Interest Income	Revised	56,388	64,608	74,878
	Previous	56,689	66,367	74,878
	Change	-0.5%	-2.6%	0.0%
Interest Expenses	Revised	(10,913)	(12,467)	(14,332)
	Previous	(11,232)	(13,650)	(14,332)
	Change	-2.8%	-8.7%	0.0%
Net Interest Income	Revised	45,475	52,142	60,546
	Previous	45,458	52,717	60,546
	Change	0.0%	-1.1%	0.0%
Operating Revenue	Revised	62,638	71,508	83,215
	Previous	61,665	71,589	83,215
	Change	1.6%	-0.1%	0.0%
Pre-Provisioning OP	Revised	34,752	39,737	46,270
	Previous	34,148	39,644	46,270
	Change	1.8%	0.2%	0.0%
Loan Loss Provision	Revised	(2,537)	(2,411)	(2,508)
	Previous	(2,489)	(2,273)	(2,508)
	Change	1.9%	6.1%	0.0%
Net Profit	Revised	25,580	29,731	34,869
	Previous	25,312	29,874	34,869
	Change	1.1%	-0.5%	0.0%

Source: NHKS research

BBCA at A Glance

BBCA is the biggest private bank in Indonesia. Around 39% 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 34% in 3Q18.

Supported with 1,235 official branches, it has broad distribution networks across Indonesia. In term of the third party fund, its savings products contributes 51% to the overall third party fund. This high contribution is underpinned by the fact of BBCA as the most preferred private bank by Indonesian.

Indonesian's Bank 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 credit rate, most of Indonesia's banks are still capable of maintaining NIM topping 5%, higher than the NIM achieved by its peers in ASEAN. The higher NIM is capable of being translated into a higher ROE.

ASEAN Banking Sector

Company	Market Cap (USD mn)	Asset (USD mn)	Int. Income LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Margin	ROE LTM	P/E LTM	P/BV
Indonesia									
BBCA	40,085	55,219	3,486	1,796	11.9%	6.0%	18.4%	23.7x	4.1x
BBRI	28,380	82,886	7,056	2,298	15.2%	7.5%	19.3%	13.0x	2.4x
BMRI	22,659	82,772	5,229	1,701	40.3%	5.3%	14.2%	14.2x	1.9x
BBNI	10,222	52,203	3,385	1,071	8.1%	5.3%	15.1%	10.1x	1.5x
BBTN	1,634	19,235	1,483	234	8.5%	4.2%	14.9%	7.4x	1.0x
Singapore									
DBS	42,709	387,334	6,811	4,058	33.3%	1.9%	11.6%	10.9x	1.2x
UOB	28,996	268,287	7,275	2,938	20.6%	1.9%	11.7%	10.2x	1.2x
OCBC	34,122	340,370	7,366	3,423	21.1%	1.7%	11.7%	10.2x	1.1x
Malaysia									
CIMB	12,540	124,711	4,330	1,346	31.7%	2.5%	11.4%	9.2x	1.1x
Malayan Banking	24,149	188,433	4,326	1,962	6.3%	1.8%	11.2%	12.2x	1.4x
Hong Leong	5,165	56,880	1,204	468	26.6%	1.6%	11.1%	11.3x	1.2x
Thailand									
Bangkok Bank	12,235	94,446	3,100	1,105	9.0%	2.4%	9.0%	11.3x	1.0x
Siam Commercial	14,183	92,841	1,305	1,305	-9.6%	3.3%	11.6%	11.1x	1.3x
Bank of Ayudhya	8,882	64,128	754	754	7.5%	3.8%	10.7%	12.0x	1.2x
Philippine									
BDO Unibank	9,431	53,371	2,083	561	7.2%	4.1%	9.7%	17.5x	1.6x
Metropolitan Bank	5,018	41,612	1,398	384	6.5%	3.8%	8.3%	10.7x	1.0x
Philippine Island Bank	6,998	38,084	1,242	423	3.2%	3.6%	10.5%	15.7x	1.6x

Source: Bloomberg

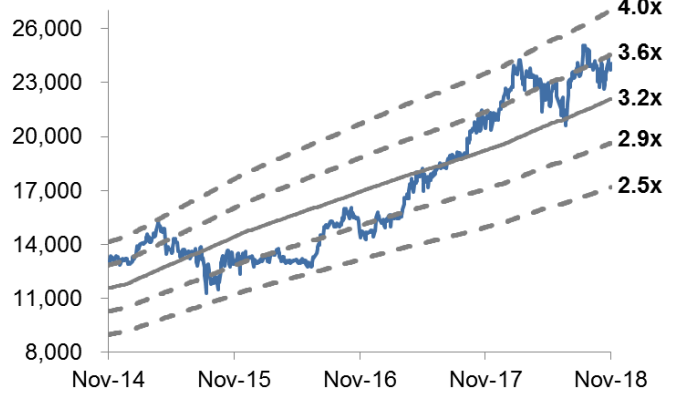
Multiple Valuation

Forward P/B band | Last 4 years



Source: NHKS research

Dynamic Forward P/B band | Last 4 years



Source: NHKS research

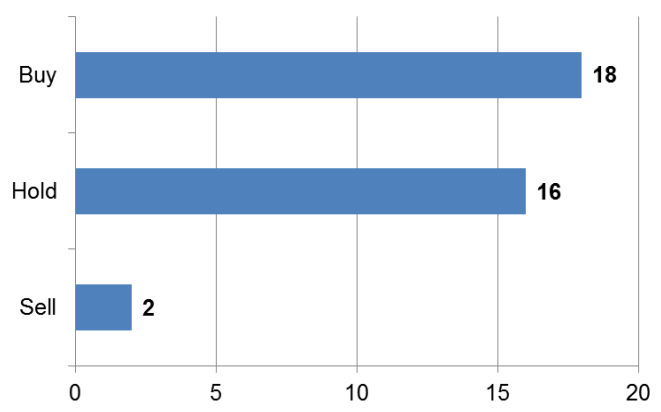
Rating and Target Price Update

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%
8/23/2018	Buy	27,650 (Dec 2018)	23,900	24,500	+15.7%	+12.9%
11/14/2018	Buy	28,825 (Dec 2019)	24,075	25,201	+19.7%	+14.4%

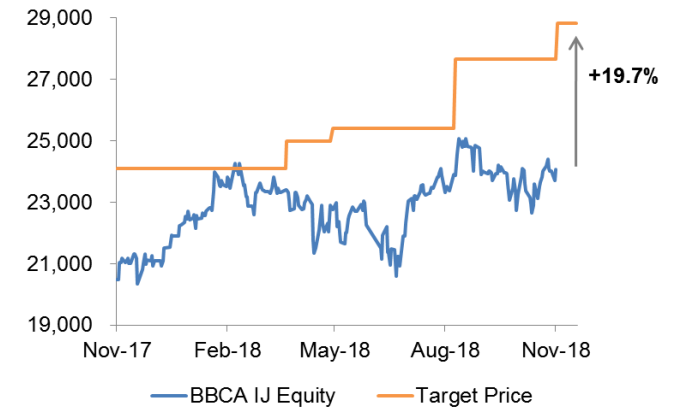
Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. 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

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2017/12A	2018/12E	2019/12F	2020/12E		2017/12A	2018/12E	2019/12F	2020/12E
Interest Income	53,768	56,388	64,608	74,878	ROE	19.1%	18.3%	18.6%	18.9%
<i>Growth (% y/y)</i>	6.6%	4.9%	14.6%	15.9%	ROA	3.3%	3.2%	3.4%	3.5%
Interest Expenses	(11,941)	(10,913)	(12,467)	(14,332)	Non-Int. Inc. /Op. Rev	26.6%	27.4%	27.1%	27.2%
Net Interest Income	41,826	45,475	52,142	60,546	Cost/Income	44.2%	44.5%	44.4%	44.4%
<i>Net Interest Margin</i>	6.1%	6.0%	6.1%	6.3%	Cash Dividend (IDR bn)	6,287	6,899	8,019	9,405
Net Fee Income	10,386	11,749	13,472	15,643	Dividend Yield (%)	1.2%	1.2%	1.4%	1.6%
Trading Income	1,804	2,507	2,562	3,156	Payout Ratio (%)	27.0%	27.0%	27.0%	27.0%
Other Operating Income	2,966	2,907	3,333	3,870	Loan/Deposits	82.0%	86.1%	87.5%	87.4%
Operating Revenue	56,982	62,638	71,508	83,215	Loan/Assets	63.5%	66.1%	67.6%	67.8%
Operating Expenses	(25,190)	(27,886)	(31,771)	(36,945)	NPL	1.5%	1.4%	1.4%	1.4%
Pre-provisioning OP	31,791	34,752	39,737	46,270	Loan Loss Res./Loan	2.9%	2.6%	2.4%	2.3%
Provision for Impairment	(2,633)	(2,537)	(2,411)	(2,508)	CASA/Deposits	76.3%	77.0%	77.1%	77.5%
EBT	29,159	32,215	37,326	43,763	Time Deposits/Deposits	23.7%	23.0%	22.9%	22.5%
Income Tax	(5,838)	(6,632)	(7,581)	(8,881)	Par Value (IDR)	63	63	63	63
Non-controlling Interest	(11)	(4)	(15)	(14)	Total Shares (mn)	24,655	24,655	24,655	24,655
Net Profit	23,310	25,580	29,731	34,869	Share Price (IDR)	21,900	24,075	24,075	24,075
<i>Growth (% y/y)</i>	13.1%	9.7%	16.2%	17.3%	Market Cap (IDR tn)	539.9	593.6	593.6	593.6

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2017/12A	2018/12E	2019/12F	2020/12E		2017/12A	2018/12E	2019/12F	2020/12E
Cash	16,754	17,722	18,334	17,388	Price /Earnings	23.2x	23.2x	20.0x	17.0x
Placement in Banks	71,536	87,922	95,085	107,188	Price /Book Value	4.1x	4.0x	3.5x	3.0x
Net Loans	462,953	535,021	618,489	698,185	Price/Op. Revenue	9.5x	9.5x	8.3x	7.1x
Investment	146,365	134,481	146,023	164,954	PE/EPS Growth	1.8x	2.4x	1.2x	1.0x
Fixed Asset	16,869	16,750	17,744	17,861	EV/Operating Revenue	9.3x	9.3x	8.1x	7.0x
Other Assets	35,842	39,383	42,330	48,676	EV/PPOP	16.6x	16.7x	14.6x	12.5x
Total Assets	750,320	831,279	938,006	1,054,252	EV (IDR bn)	527,090	580,641	579,140	579,857
Deposits	591,330	649,393	737,542	831,569	Op. Rev. CAGR (3-Yr)	11.6%	9.4%	10.0%	13.5%
Debt	3,801	4,694	3,803	3,573	EPS CAGR (3-Yr)	12.2%	12.4%	13.0%	14.4%
Other liabilities	23,787	28,464	25,356	21,438	Basic EPS (IDR)	945	1,038	1,206	1,414
Total Liabilities	618,918	682,552	766,702	856,579	Diluted EPS (IDR)	945	1,038	1,206	1,414
Capital Stock & APIC	7,090	7,090	7,090	7,090	BVPS (IDR)	5,330	6,032	6,948	8,018
Retained Earnings	115,998	134,903	157,384	183,798	Op. Revenue PS (IDR)	2,311	2,541	2,900	3,375
Shareholders' Equity	131,402	148,728	171,304	197,673	DPS (IDR)	255	280	325	381

CASH FLOW STATEMENT					OWNERSHIP			
(IDR bn)	2017/12A	2018/12E	2019/12F	2020/12E	By Geography	% Shareholders	%	
Operating Cash Flow	14,283	36,165	25,264	26,623	Indonesia	72.9	Dwimuria Investama	56.8
Investing Cash Flow	(77,708)	(68,273)	(104,756)	(112,866)	United States	13.4	Salim Anthoni	1.8
Financing Cash Flow	45,808	49,925	80,104	85,296	Luxembourg	4.2	Capital Guard	1.7
Net Changes in Cash	(17,617)	17,817	612	(946)	United Kingdom	1.5	Vanguard	1.6

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