

Monday, 24 July 2023

BUY
Maintain

Last price (IDR) 2,260
Target Price (IDR) 3,000
Upside/Downside +32.7%
Previous Target Price (IDR) 2,800

Stock Statistics

Sector Banking
Bloomberg Ticker BTPS IJ
No of Shrs (mn) 7,704
Mkt. Cap (IDRbn/USDmn) 27,410/1,159
Avg. daily T/O (IDRbn/USDmn) 37.0/2.5

Major shareholders (%)

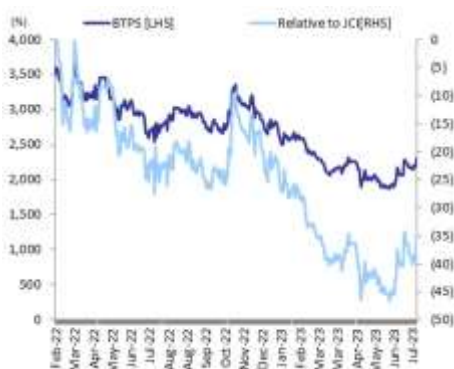
PT. BTPN Tbk. 70.0

Estimated free float 30.0

EPS Consensus (IDR)

	2023F	2024F	2025F
Danareksa	239.4	269.3	321.2
Consensus	233.9	296.2	350.4
Danareksa/Cons	2.3	(9.1)	(8.3)

BTPS relative to JCI Index



Source : Bloomberg



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BTPN Syariah (BTPS IJ)

A weak quarter as expected

We reiterate our BUY call on BTPS with a new GGM-derived TP of IDR3,000 (implying 2.2x PBV 2024F) as we roll over our valuation to 2024F. Based on our recent discussions with BTPS, the bank is reimplementing its pre-pandemic business process by requiring its borrowers to attend group meetings while utilizing an attendance rate of 75% as the inflection point for an improvement in assets quality. All in all, we expect less CoC pressure, thus translating to better attendance rates starting in 3Q23 at the soonest.

1H23/2Q23 highlights. The 1H23 net profits of IDR753bn (-12.1% yoy) are below our estimate and the consensus (40.8/40.8% of FY23F) mainly driven by a jump in credit costs to 11.5%, as we had already expected. Meanwhile, NIM equivalent declined to 26.9% in 1H23 based on our calculations as BTPS implemented the reconditioning scheme for selective borrowers as well as due to a higher blended CoF. On a quarterly basis, 2Q23's earnings declined by 22.1% qoq (-25.9% yoy) to IDR330bn reflecting a 14.1% annualized CoC (1Q23: 8.7%, 2Q22: 7.3%) yet with decent control of opex (-2.7% qoq, +4.8% yoy) translating to a lower CIR of 36.7%.

Targeting a 75% attendance rate. BTPS emphasized the importance of the attendance rate in its bi-weekly group meetings as the indicator for an improvement in assets quality. Recall that during the pandemic years (2020-22) BTPS did not require its borrowers to attend group meetings due to physical distancing concerns. Since April 2023, BTPS obligates all borrowers to attend group meetings as peer pressure is key in making them meet their obligations. BTPS set a 75% attendance rate as the indicator for assets quality improvement. BTPS highlighted the recent gap between the attendance rate at 68% in May/June and the repayment rate of 92.8% in 2Q23 should be the collection efforts made by the field officers. Thus, the bank expects to narrow the gap between both figures starting in 3Q23F.

Attractive PBV multiple. BTPS' share price has underperformed as the stock has already declined by 19% YtD, mostly already factoring in the higher CoC and bumpy recovery outlook. With the CoC peaking in 2Q23 (at 14.1%), we expect gradual improvements going forward. Meanwhile, its current PBV multiple at 1.8/1.6x 23/24F should be attractive and provide a decent entry point, in our view, especially with ROAE projected to be above 20% in the next three years.

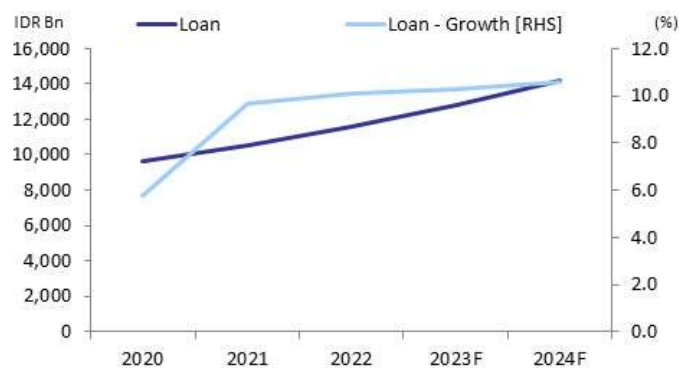
BUY: TP of IDR3,000. BUY maintained with a GGM-derived TP of IDR3,000 (implying 2.2x 2024F) as we roll over our valuation to 2024F, assuming a 10.9% cost of equity, 3% growth and 20.2% ROAE.

Key Financials

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
PPOP (IDRbn)	2,608	3,226	3,569	3,911	4,434
Net profit (IDRbn)	1,465	1,780	1,844	2,074	2,474
EPS (IDR)	190.2	231.0	239.4	269.3	321.2
EPS growth (%)	71.4	21.4	3.6	12.5	19.3
BVPS (IDR)	919.9	1,091.0	1,235.6	1,410.6	1,619.4
PER (x)	11.9	9.8	9.4	8.4	7.0
PBV (x)	2.5	2.1	1.8	1.6	1.4
Dividend yield (%)	2.7	4.1	4.2	4.2	5.0
ROAE (%)	22.6	23.0	20.6	20.4	21.2

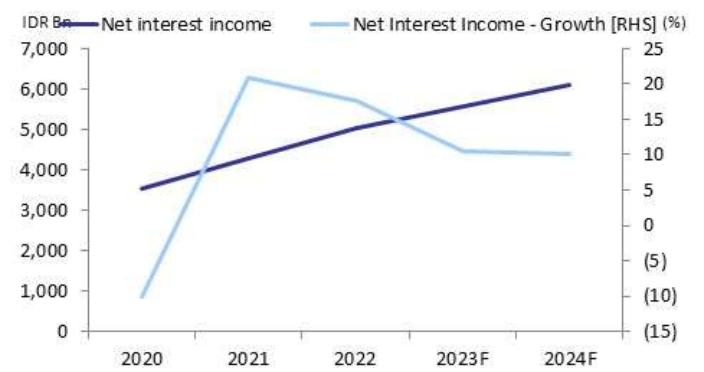
Source : BTPS, Danareksa Estimates

Exhibit 1. Loan and Growth



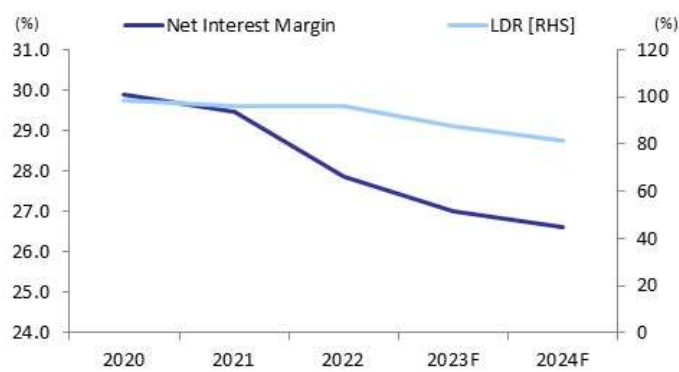
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Interest Income and Growth



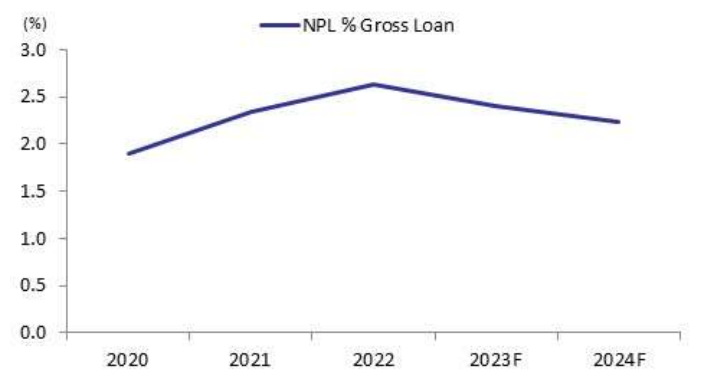
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. NIM and LDR



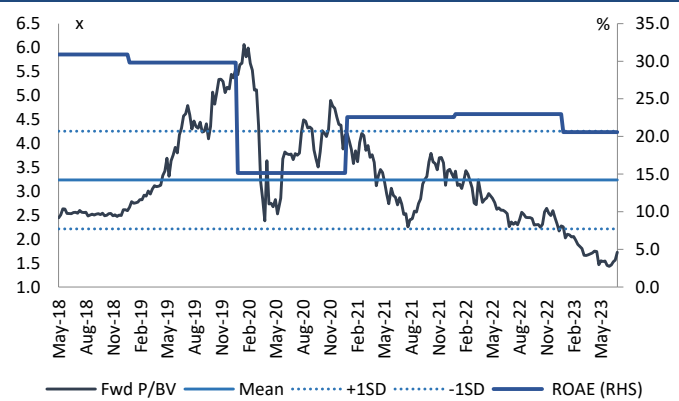
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. NPL



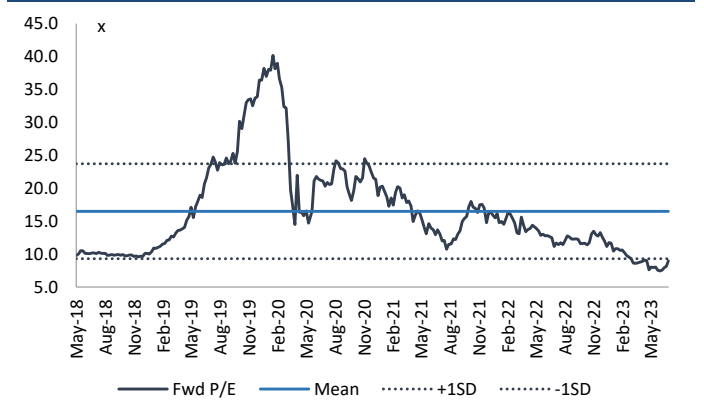
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PBV ROAE Band Chart



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. PE Band Chart



Source: Company, Danareksa Sekuritas estimates

Exhibit 7. BTPS' 1H23 result

FYE Dec (IDRbn)	2Q22	1Q23	2Q23	QoQ (%)	YoY (%)	1H22	1H23	YoY (%)
Net interest income	1,229	1,272	1,325	4.2	7.9	2,405	2,597	8.0
<i>NIM equivalent (%)</i>	27.6	25.5	26.8			31.6	26.9	
Non-interest income	8	30	11	(61.6)	39.0	22	41	90.4
<i>Non-Il/Total income (%)</i>	0.7	2.3	0.9			0.9	1.6	
Operating income	1,237	1,301	1,337	2.7	8.1	2,426	2,638	8.7
Overhead expenses	(468)	(504)	(490)	(2.7)	4.8	(943)	(994)	5.4
<i>Cost-Income Ratio (%)</i>	37.8	38.7	36.7			38.9	37.7	
Pre-provisions profit	769	798	847	6.1	10.1	1,483	1,644	10.9
Provisions allowance	(199)	(257)	(424)	65.2	112.8	(386)	(680)	76.3
<i>Credit cost - annualised (bps)</i>	727	874	1,410			710	1,149	
Pretax profit	570	541	421	(22.3)	(26.2)	1,097	962	(12.3)
Tax	(125)	(118)	(91)	(23.0)	(27.3)	(241)	(210)	(12.9)
<i>Effective tax rate (%)</i>	22.0	21.9	21.7	(0.9)	(1.4)	22.0	21.8	
Net Profit	445	423	330	(22.1)	(25.9)	856	753	(12.1)

Other Key Data and Ratios

Gross loans	11,244	11,959	12,090	1.1	7.5	11,244	12,090	7.5
Customer deposits	11,710	12,764	12,382	(3.0)	5.7	11,710	12,382	5.7
Gross non-performing loans	287	361	364	0.8	26.9	287	364	26.9
Total assets	20,031	22,118	21,259	(3.9)	6.1	20,031	21,259	6.1
Shareholders' funds	7,477	8,831	8,446	(4.4)	13.0	7,477	8,446	13.0
ROAA (%)	9.1	7.8	6.1			8.9	7.1	
ROAE (%)	23.7	19.6	15.3			23.5	17.9	
LDR (%)	96.0	93.7	97.6			96.0	97.6	
Gross NPF ratio (%)	2.6	3.0	3.0			2.6	3.0	
Coverage ratio (%)	234.3	204.8	229.5			234.3	229.5	
CAR (%)	50.1	51.7	46.7			50.1	46.7	

Source : Company, BRI Danareksa Sekuritas estimates

Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
Interest Income	4,674	5,374	5,980	6,582	7,399
Interest Expense	(395)	(344)	(421)	(464)	(520)
Net Interest Income	4,279	5,029	5,559	6,118	6,879
Non-Interest Income (NII)	22	66	82	98	123
Oper. Income	4,302	5,095	5,641	6,216	7,002
Oper. Expenses	(1,693)	(1,869)	(2,072)	(2,305)	(2,568)
Pre-provisions profit	2,608	3,226	3,569	3,911	4,434
Provisions & Allowances	(728)	(945)	(1,144)	(1,200)	(1,135)
Operating Profits	1,880	2,280	2,425	2,711	3,299
Non-Operating Income	(3)	2	1	0	0
Exceptionals	0	0	0	0	0
Pre-tax Profit	1,877	2,282	2,426	2,711	3,299
Income Tax	(412)	(503)	(582)	(637)	(825)
Minorities	0	0	0	0	0
Net Profit	1,465	1,780	1,844	2,074	2,474

Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
Gross Loans	10,541	11,606	12,798	14,156	15,845
Provisions	(699)	(768)	(659)	(708)	(770)
Net Loans	9,842	10,838	12,139	13,448	15,075
Govt. Bonds	0	0	0	0	0
Securities	6,023	7,681	8,833	10,158	11,681
Other Earnings Assets	0	0	0	0	0
Total Earnings Assets	16,571	19,528	21,643	24,327	27,540
Fixed Assets	961	1,092	1,228	1,389	1,585
Non-Earnings Assets	193	398	353	458	534
Total Assets	18,534	21,159	24,720	28,834	33,735
Customer Deposits	10,973	12,049	14,623	17,357	20,615
Banks Deposits	0	0	0	0	0
Int. Bearing Liab. - Others	0	0	0	0	0
Total Liabilities	11,449	12,754	15,201	17,968	21,259
Share capital & Reserves	1,624	1,636	1,643	1,643	1,643
Retained Earnings	5,461	6,769	7,876	9,224	10,832
Shareholders' Funds	7,085	8,405	9,519	10,867	12,475
Minority interests	0	0	0	0	0
Total Equity & Liabilities	18,534	21,159	24,720	28,834	33,735

Exhibit 10. Ratios

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
Yield on Earning Assets	32.2	29.8	29.0	28.6	28.5
Cost of funds	3.8	3.0	3.1	2.9	2.7
Interest Spread	28.4	26.8	25.9	25.7	25.8
Net Interest Margin	29.5	27.9	27.0	26.6	26.5
Cost/Income Ratio	39.4	36.7	36.7	37.1	36.7
Oper. Exp./Oper. Gross Inc.	60.0	58.1	60.0	59.4	56.1
Gross NPL Ratio	2.3	2.6	2.4	2.2	2.1
LLP/Gross NPL	282.8	251.7	213.9	224.6	235.8
Cost of Credit	7.2	8.5	9.4	8.9	7.6
Loan to Deposit Ratio	96.1	96.3	87.5	81.6	76.9
Loan to Funding Ratio	96.1	96.3	87.5	81.6	76.9
CASA Mix	25.6	24.6	25.4	26.0	26.6
ROAE	22.6	23.0	20.6	20.4	21.2
ROAA	8.4	9.0	8.0	7.7	7.9
CAR	58.3	55.9	47.0	41.9	40.6

Exhibit 11. Dupont and growth

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Dupont					
Pre-Tax ROAA	10.7	11.5	10.6	10.1	10.5
Tax Retention rate	78.0	78.0	76.0	76.5	75.0
Post-Tax ROAA	8.4	9.0	8.0	7.7	7.9
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	2.7	2.6	2.6	2.6	2.7
ROAE	22.6	23.0	20.6	20.4	21.2
Growth (%)					
Interest income	15.8	15.0	11.3	10.1	12.4
Net Interest Income	20.9	17.5	10.5	10.0	12.4
Other Oper. Expenses	6.4	10.4	10.8	11.2	11.4
Fee Based Income	(82.3)	(100.0)	0.0	0.0	0.0
Pre-Provision Oper. Profit	32.4	23.7	10.7	9.6	13.4
Net Profit	71.4	21.5	3.6	12.5	19.3
Shareholders' Equity	20.5	18.6	13.2	14.2	14.8
Loan	9.7	10.1	10.3	10.6	11.9
Earnings Asset	32.9	17.8	10.8	12.4	13.2
Deposit	12.2	9.8	21.4	18.7	18.8
Int. Bearing Liab.	9.7	10.8	20.0	18.7	18.8
CASA	38.6	5.8	25.2	21.5	21.5
Total Asset	12.8	14.2	16.8	16.6	17.0

Source : BTPS, Danareksa Estimates

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