

11 February 2021

Financial Services | Banks

BTPN Syariah (BTPS IJ)

Buy (from Neutral)

Bouncing Back From Adversity; Upgrade To BUY

- **Upgrade to BUY from Neutral, new IDR4,100 TP from IDR3,600, 22% upside with c.1% FY21F yield.** BTPN Syariah posted a strong recovery in 4Q20, with strong new disbursements of IDR419bn and a 11.9% QoQ improvement in NII. FY20 earnings totalled IDR855bn, beating our full-year estimates (107%) and in line with that of the Street (97%). After a strong quarter, followed by the loosening of pandemic-related restrictions, management has set more confident FY21 projections, and expects double-digit financing growth and lower provisions.
- **Financing growth slightly better than expected, more confident in 2021.** FY20 financing grew by 5.8% YoY (our initial estimate: +3% YoY), after pencilling in new financing of IDR419bn for 4Q20. By FY20, financing totalled to IDR9.5trn, with growth accelerating since October. This was driven by the gradual relaxation of COVID-19-related restrictions, which led to greater mobility for BTPS officers. Premised on this growth in January-February, management expects financing growth to range between the high teens to low twenties (15-25%) for the year. On liquidity, the bank's funding franchise still allows for an ample LDR of 97%. Management plans to launch a digital app to bring in more CASA funding, on top of savings from its financing customers.
- **Earnings recovering, road to >20% ROE back on track.** After financing growth picked up speed, profit-sharing income bounced 10.3% QoQ, driving NII up by 11.9% QoQ. CoC also moderated by 4Q20, bringing FY20's CoC to 9.2%, from a loftier 11.4% in 9M20. Hence, earnings came above expectations. Annualised ROE for the quarter alone already reached 25.7%, nearing pre-pandemic levels. For FY22, company expects yields to come close to normal levels, except for the impact from 15% of its financing, which are still classified as delayed payments (ie active loan restructuring). Meanwhile, on provisions, with an already ample NPL coverage of 467%, management has guided that CoC will be halved to 4-5%, from current levels.
- **BUY on this recovery.** We upgrade our recommendation to BUY. Our new, higher TP of IDR4,100 implies 4x FY21 P/BV (rolling over from the FY20-21 average), which is at its historical mean. We are optimistic on BTPS' financing growth for FY21F, as it should pick up from where it left off before the COVID-19 pandemic. Its premium valuation is still justified, given its superior ROE. Downside risks to our call would stem from stricter lockdown measures that impacts the mobility of its officers in collecting and disbursing financing.

Target Price (Return): IDR4,100 (+22%)
Price: IDR3,360
Market Cap: USD1,851m
Avg Daily Turnover (IDR/USD) 41,712m/2.96m

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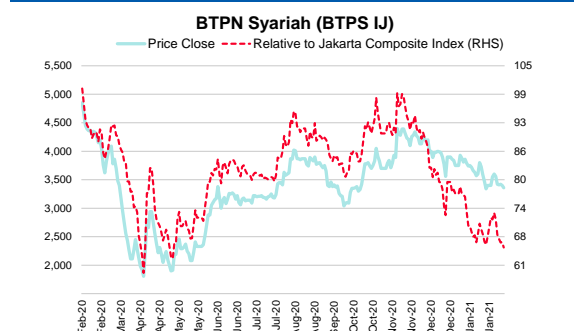


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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(10.4)	(11.4)	(23.6)	(13.2)	(25.5)
Relative	(14.1)	(10.5)	(37.1)	(33.4)	(29.7)
52-wk Price low/high (IDR)				1,805	4,660



Source: Bloomberg

Forecasts and Valuation	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
Reported net profit (IDRb)	1,400	855	1,421	2,203	2,613
Net profit growth (%)	45.0	(38.9)	66.2	55.1	18.6
Recurring net profit (IDRb)	1,402	851	1,417	2,199	2,610
Recurring EPS (IDR)	181.96	110.48	183.95	285.48	338.75
BVPS (IDR)	701.36	763.02	1,024.99	1,266.28	1,535.68
DPS (IDR)	na	45.42	27.73	46.10	71.48
Recurring P/E (x)	18.47	30.41	18.27	11.77	9.92
P/B (x)	4.79	4.40	3.28	2.65	2.19
Dividend Yield (%)	na	1.4	0.8	1.4	2.1
Return on average equity (%)	29.8	15.2	20.6	25.0	24.2

Source: Company data, RHB

Financial Exhibits

Asia	Financial summary (IDR)	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
Indonesia	EPS	181.68	110.94	184.40	285.94	339.21
Financial Services	Recurring EPS	181.96	110.48	183.95	285.48	338.75
BTPN Syariah	DPS	-	45.42	27.73	46.10	71.48
BTPS IJ	BVPS	701.36	763.02	1,024.99	1,266.28	1,535.68
Buy						
Valuation basis	Valuation metrics	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
We use GGM to derive our TP, with the following assumptions:	Recurring P/E (x)	18.47	30.41	18.27	11.77	9.92
i. CoF of 14%;	P/B (x)	4.8	4.4	3.3	2.7	2.2
ii. Sustainable ROE of 20.0%;	Dividend Yield (%)	na	1.4	0.8	1.4	2.1
iii. Sustainable SGR of 12%.						
Key drivers	Income statement (IDRb)	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
i. Financing growth due to its customer mix;	Interest income	4,457	4,037	4,670	6,192	7,178
ii. Lower funding costs;	Interest expense	(524)	(498)	(520)	(693)	(790)
iii. Better operating efficiency (lower CIR).	Net interest income	3,934	3,540	4,151	5,499	6,388
	Non interest income	18	22	27	32	38
	Total operating income	3,952	3,562	4,177	5,531	6,426
	Overheads	(1,761)	(1,592)	(1,831)	(2,105)	(2,420)
	Pre-provision operating profit	2,190	1,970	2,347	3,426	4,006
	Loan impairment allowances	(309)	(850)	(457)	(494)	(527)
	Other exceptional items	(3)	5	5	5	5
	Pre-tax profit	1,878	1,124	1,894	2,937	3,484
	Taxation	(479)	(270)	(474)	(734)	(871)
	Reported net profit	1,400	855	1,421	2,203	2,613
	Recurring net profit	1,402	851	1,417	2,199	2,610
	Profitability ratios	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
	Return on average assets (%)	10.2	5.4	7.8	9.9	9.7
	Return on average equity (%)	29.8	15.2	20.6	25.0	24.2
	Return on IEAs (%)	44.8	34.3	34.4	38.0	36.7
	Cost of funds (%)	6.1	5.2	4.9	5.5	5.2
	Net interest spread (%)	38.7	29.1	29.5	32.5	31.5
	Net interest margin (%)	39.5	30.1	30.5	33.7	32.7
	Non-interest income / total income (%)	0.4	0.6	0.6	0.6	0.6
	Cost to income ratio (%)	44.6	44.7	43.8	38.1	37.7
	Credit cost (bps)	377	914	435	392	348
	Balance sheet (IDRb)	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
	Total gross loans	9,059	9,551	11,459	13,750	16,498
	Other interest earning assets	2,124	2,803	3,364	4,037	4,844
	Total gross IEAs	11,184	12,354	14,823	17,786	21,342
	Total provisions	(292)	(849)	(372)	(446)	(535)
	Net loans to customers	8,767	8,701	11,088	13,303	15,962
	Total net IEAs	10,892	11,504	14,451	17,340	20,806
	Total non-IEAs	4,491	4,931	5,769	7,047	8,426
	Total assets	15,383	16,435	20,221	24,387	29,232
	Customer deposits	9,447	9,780	11,548	13,856	16,625
	Total IBLs	9,447	9,780	11,548	13,856	16,625
	Total non-IBLs	543	776	776	776	776
	Total liabilities	9,990	10,556	12,324	14,632	17,401
	Share capital	1,617	1,627	1,627	1,627	1,627
	Shareholders' equity	5,403	5,878	7,896	9,755	11,830
	Asset quality and capital	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
	Reported NPLs / gross cust loans (%)	1.4	1.8	1.5	1.4	0.0
	CET-1 ratio (%)	36.4	33.9	38.8	40.1	40.5
	Tier-1 ratio (%)	43.8	40.0	43.5	43.9	43.5
	Total capital ratio (%)	44.6	40.5	44.0	44.5	44.1

Source: Company data, RHB

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Figure 1: 4Q20 results review

INCOME STATEMENT (IDRbn)	4Q19	3Q20	4Q20	QoQ	YoY	FY19	FY20	YoY	12M20/RHB	12M20/Cons
Income from Fund Management	1,230	999	1,102	10.3%	-10.4%	4,457	4,037	-9.4%		
Profit Sharing	139	118	116	-1.7%	-16.5%	524	498	-4.9%		
Net Profit Sharing Income	1,091	881	986	11.9%	-9.6%	3,934	3,539	-10.0%	92%	101%
Other Operating Income	3	3	6	100.0%	78.9%	18	23	29.6%		
Total Operating Income	1,094	884	992	12.2%	-9.3%	3,952	3,562	-9.9%		
Operating Expense	433	378	463	22.5%	7.0%	1,761	1,592	-9.6%		
PPOP	662	506	529	4.5%	-20.0%	2,190	1,970	-10.1%		
Provision Expense	90	377	82	-78.2%	-9.3%	309	850	174.7%	97%	94%
Operating Profit	571	129	447	246.5%	-21.8%	1,881	1,120	-40.5%		
Net Profit	423	100	348	248.0%	-17.8%	1,400	855	-38.9%	107%	97%
BALANCE SHEET (IDRbn)	FY19	9M20	FY20	QoQ	YoY	FY19	FY20	YoY		
Financing	9,000	9,104	9,523	4.6%	5.8%	9,000	9,523	5.8%		
Deposit	9,447	9,244	9,780	5.8%	3.5%	9,447	9,780	3.5%		
CASA	2,001	1,977	2,024	2.4%	1.2%	2,001	2,024	1.2%		
Time Deposits	7,446	7,267	7,756	6.7%	4.2%	7,446	7,756	4.2%		
RATIOS	FY19	9M20	FY20			FY19	FY20			
ROAE (%)	31.2%	12.8%	16.1%			31.2%	16.1%			
ROAA (%)	13.6%	5.8%	7.2%			13.6%	7.2%			
CoC (%)	3.8%	11.4%	9.2%			3.8%	9.2%			
CASA (%)	21.2%	21.4%	20.7%			21.2%	20.7%			
LDR (%)	95.3%	98.5%	97.4%			95.3%	97.4%			
CIR (%)	44.6%	43.9%	44.7%			44.6%	44.7%			
NPF (%)	1.4%	1.9%	1.9%			1.4%	1.9%			
CAR (%)	44.6%	43.1%	49.4%			44.6%	49.4%			
Coverage (%)	236.0%	496.0%	467.0%			236.0%	467.0%			

Source: Company data, RHB

Figure 2: Changes to our estimates

	RHB (New)		Consensus		RHB/Cons	
	2021E	2022E	2021E	2022E	2021E	2022E
Net Interest Income	4,151	5,499	4,124	5,143	101%	107%
Provision	457	494	445	474	103%	104%
Net Income	1,421	2,203	1,584	2,093	90%	105%
EPS	184	286	204	267	90%	107%
EPS Growth	66.2%	55.1%	67.2%	30.9%		
BVPS	1,025	1,266	952	1,179	108%	107%
DPS	28	46	40	68	70%	68%
ROA	7.8%	9.9%	9.1%	10.3%	85%	96%
ROE	20.6%	25.0%	22.7%	24.7%	91%	101%

Source: RHB

Figure 3: RHB vs Street estimates

	RHB (Old)		RHB (New)		Change (%)	
	2021E	2021E	2021E	2022E	2021E	2022E
Net Interest Income	4,495	5,943	4,151	5,499	-8%	-7%
Operating Income	1,855	2,925	1,889	2,932	2%	0%
PPOP	2,298	3,424	2,347	3,426	2%	0%
Provision	443	499	457	494	3%	-1%
Net Income	1,389	2,192	1,421	2,203	2%	1%
Loans	11,086	13,858	11,427	13,713	3%	-1%
Loans Growth	20.0%	25.0%	20.0%	20.0%		
EPS	180	285	184	286	2%	1%
EPS Growth	74.4%	57.8%	66.2%	55.1%		
BVPS	919	1,160	1,025	1,266	12%	9%
DPS	26	45	28	46	7%	2%
ROE	21.4%	27.4%	20.6%	25.0%	-4%	-9%

Source: RHB

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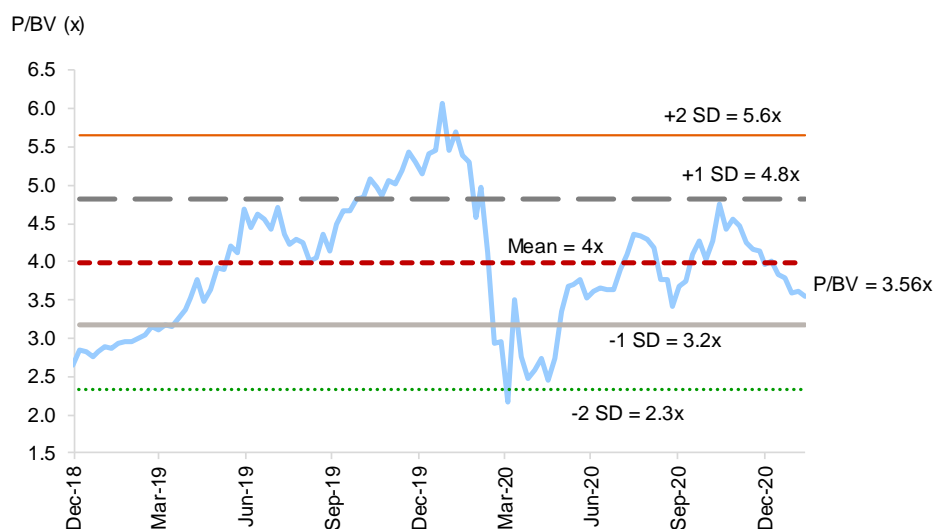
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Figure 4: GGM valuation

Cost of equity calculation		Sustainable ROE (%)	20.0%
Risk free rate (%)	6.0%	COE (%)	14.0%
Equity premium (%)	6.0%	Long-term growth (g)	12.0%
Beta (x)	1.25	Implied P/BV (x)	4.0
Cost of equity; COE (CAPM)	14.0%	FY21F BVPS	1,025
		TP (IDR/share)	4,100

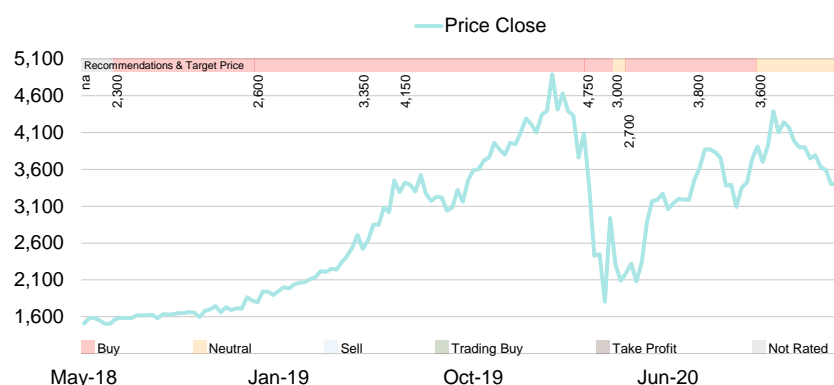
Source: RHB

Figure 5: BJTM's discount to P/E band



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2020-10-20	Neutral	3,600	3,750
2020-07-29	Buy	3,800	3,430
2020-04-29	Buy	2,700	1,910
2020-04-12	Neutral	3,000	2,940
2020-03-05	Buy	4,750	4,060
2019-07-08	Buy	4,150	3,320
2019-05-14	Buy	3,350	2,550
2018-12-26	Buy	2,600	1,810
2018-06-22	Buy	2,300	1,570

Source: RHB, Bloomberg

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