

23 April 2021

Financial Services | Banks

## BTPN Syariah (BTPS IJ)

### Buy (Maintained)

### Things Are Looking Up; BUY

Target Price (Return): IDR4,100 (21.7%)  
Price: IDR3,370  
Market Cap: USDm  
Avg Daily Turnover (IDR/USD) 32,550m/2.29m

- **Keep BUY and IDR4,100 TP, 22% upside and c.1% yield.** BTPN Syariah posted decent 1Q21 results, with earnings of IDR375bn (-6.7% YoY) – above expectations, at 26% and 32% of our and Street's estimates. This was as net profit sharing income improved 1.8% QoQ, financing grew 5.8% YoY, and CoC fell from FY20's high levels. Indonesia's gradual economic reopening has improved the repayment capabilities of some of its customers.
- **Earnings above expectations.** BTPS saw QoQ improvement in net profit sharing income as customer repayment is improving. Previously, the bank had reported IDR2trn (20% of total) financing with delayed payment relaxation (restructured loans). However, with the gradual economic reopening in its areas of operation, customers have started repaying their debts, with IDR900bn remaining in the restructured category. PPOP grew 11.3% QoQ, albeit still in negative territory since last year. Earnings also rose as credit costs were to 4.6% from 9.2% as of FY20.
- **Financing grew 5.8% YoY.** Although still lower than its usual growth rate, BTPS' financing growth was decent at 5.8% YoY as management adopted a more conservative disbursement strategy. New financing customers are restricted to those with businesses in the basic necessities categories. As for existing customers, there are no higher ticket size loans per cycle for now. The bank has also written off IDR850bn in financing in 1Q20.
- **Raising the payout ratio to 30%, IDR33/share DPS.** One of the takeaways from its AGM on 21 April, was the increase in its dividend payout ratio to 30% from 25%. This implies a dividend payment of IDR255bn from its IDR850bn earnings in 2020. DPS amounts to IDR33/share, or a 1% yield to its current price, which is slightly above our estimate of IDR27/share.
- **Recovery has begun.** Based on its 1Q21 results, we may see further improvements in its numbers in 2021F. While its financing may not see the same growth rate seen in 2018 and 2019, it should gradually pick up in line with the economic recovery. Management expects the amount outstanding from its delayed-payment customers to fall to IDR100bn by the end of year, implying better net profit sharing income and earnings. ROE in 1Q21 had rebounded to 25.8%, close to pre-pandemic levels. We maintain our BUY call, with our TP still implying 4x FY21 P/BV, at the historical mean level.

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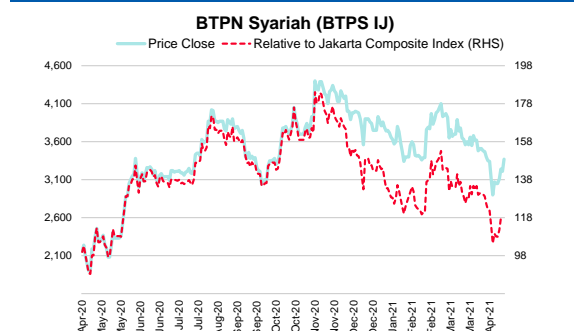


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### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	0.0	0.0	0.0	0.0	0.0
Relative	0.0	0.0	0.0	0.0	0.0
52-wk Price low/high (IDR)				1,900 – 4,400	



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)	18.52	30.50	18.32	11.80	9.95
P/B (x)	4.80	4.42	3.29	2.66	2.19
Dividend Yield (%)	na	1.3	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

<b>Asia</b>	<b>Financial summary (IDR)</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
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
<b>BTPN Syariah</b>	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						
<b>Valuation basis</b>	<b>Valuation metrics</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
We use GGM to derive our TP:	Recurring P/E (x)	18.52	30.50	18.32	11.80	9.95
i. CoE: 14%	P/B (x)	4.8	4.4	3.3	2.7	2.2
ii. Sustainable ROE: 20.0%	Dividend Yield (%)	na	1.3	0.8	1.4	2.1
iii. Sustainable SGR: 12%						
<b>Key drivers</b>	<b>Income statement (IDRb)</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
i. Financing growth on customer mix;	Interest income	4,457	4,037	4,670	6,192	7,178
ii. Lower funding cost;	Interest expense	(524)	(498)	(520)	(693)	(790)
iii. Operating efficiency (lower CIR).	<b>Net interest income</b>	<b>3,934</b>	<b>3,540</b>	<b>4,151</b>	<b>5,499</b>	<b>6,388</b>
	Non interest income	18	22	27	32	38
	<b>Total operating income</b>	<b>3,952</b>	<b>3,562</b>	<b>4,177</b>	<b>5,531</b>	<b>6,426</b>
	Overheads	(1,761)	(1,592)	(1,831)	(2,105)	(2,420)
	<b>Pre-provision operating profit</b>	<b>2,190</b>	<b>1,970</b>	<b>2,347</b>	<b>3,426</b>	<b>4,006</b>
	Loan impairment allowances	(309)	(850)	(457)	(494)	(527)
	Other exceptional items	(3)	5	5	5	5
	<b>Pre-tax profit</b>	<b>1,878</b>	<b>1,124</b>	<b>1,894</b>	<b>2,937</b>	<b>3,484</b>
	Taxation	(479)	(270)	(474)	(734)	(871)
	<b>Reported net profit</b>	<b>1,400</b>	<b>855</b>	<b>1,421</b>	<b>2,203</b>	<b>2,613</b>
	<b>Recurring net profit</b>	<b>1,402</b>	<b>851</b>	<b>1,417</b>	<b>2,199</b>	<b>2,610</b>
<b>Company Profile</b>	<b>Profitability ratios</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
BTPS is a subsidiary of Sumitomo Mitsui Banking Corporation-backed BTPN, focusing on micro segment "productive poor" financing catering mainly to women customers with average ticket sizes below USD800.00. Financing is uncollateralised but utilises the concept of joint-liability among customers. Customers are categorised based on cycles (1-5) to determine financing limit/size.	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
	<b>Balance sheet (IDRb)</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
	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
	<b>Asset quality and capital</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
	Reported NPLs / gross cust loans (%)	1.4	1.8	1.5	1.4	0.0
	Total provisions / reported NPLs (%)	542.1	857.7	941.8	0.0	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

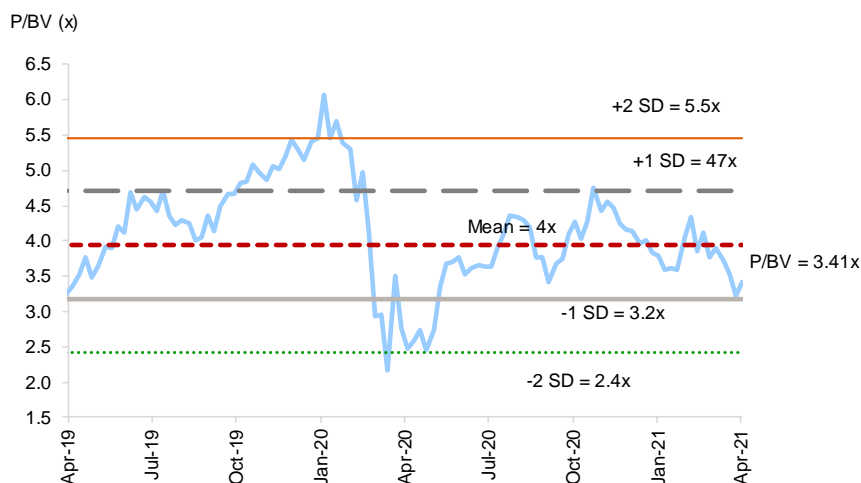
Source: Company data, RHB

Figure 1: 1Q21 results review

Income statement (IDRbn)	1Q20	4Q20	1Q21	QoQ	YoY	3M20/RHB	3M20/Cons
Income from fund management	1,182	1,102	1,114	1.1%	-5.7%		
Profit sharing	135	116	110	-4.8%	-18.2%		
<b>Net profit sharing income</b>	<b>1,047</b>	<b>986</b>	<b>1,004</b>	<b>1.8%</b>	<b>-4.1%</b>	<b>24%</b>	<b>24%</b>
Other operating income	8	6	6	-0.9%	-25.7%		
<b>Total operating income</b>	<b>1,055</b>	<b>992</b>	<b>1,010</b>	<b>1.8%</b>	<b>-4.3%</b>		
Operating expense	419	463	421	-9.2%	0.4%		
<b>PPOP</b>	<b>636</b>	<b>529</b>	<b>589</b>	<b>11.3%</b>	<b>-7.4%</b>		
<b>Provision expense</b>	<b>99</b>	<b>82</b>	<b>108</b>	<b>32.0%</b>	<b>9.3%</b>	<b>24%</b>	<b>24%</b>
<b>Operating profit</b>	<b>537</b>	<b>447</b>	<b>481</b>	<b>7.6%</b>	<b>-10.5%</b>		
<b>Net profit</b>	<b>402</b>	<b>348</b>	<b>375</b>	<b>7.8%</b>	<b>-6.7%</b>	<b>26%</b>	<b>32%</b>
Balance sheet (IDRbn)	3M20	FY20	3M20	QoQ	YoY		
Financing	9,166	9,523	9,697	1.8%	5.8%		
Deposit	9,679	9,780	10,523	7.6%	8.7%		
CASA	2,059	2,024	1,853	-8.5%	-10.0%		
Time Deposits	7,620	7,756	8,670	11.8%	13.8%		
RATIOS	3M20	FY20	3M20				
ROAE (%)	29.8%	16.1%	25.8%				
ROAA (%)	13.6%	7.2%	11.4%				
CoC (%)	4.8%	9.2%	4.6%				
CASA (%)	21.3%	20.7%	17.6%				
LDR (%)	94.7%	97.4%	92.2%				
CIR (%)	39.7%	44.7%	41.7%				
NPF (%)	1.4%	1.9%	2.1%				
CAR (%)	42.4%	49.4%	50.7%				
Coverage (%)	230.0%	467.0%	370.9%				

Source: Company data, RHB

Figure 2: BTPS's discount to P/BV band

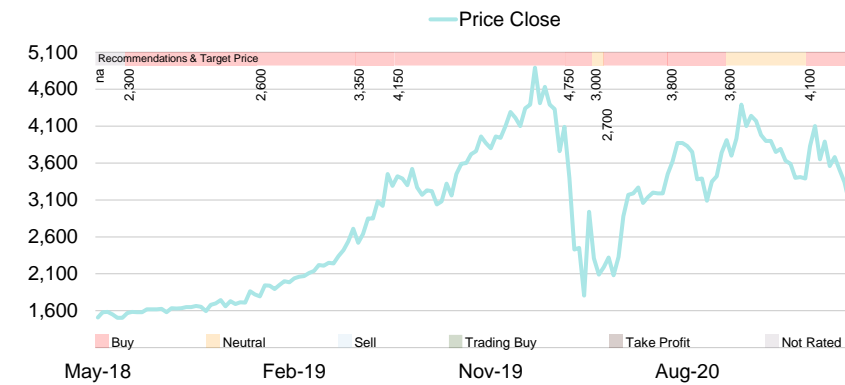


Source: RHB

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## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2021-02-10	Buy	4,100	3,360
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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<b>Buy:</b>	Share price may exceed 10% over the next 12 months
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<b>Not Rated:</b>	Stock is not within regular research coverage

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