

PT Bank Central Asia, Tbk

BUY

5 June 2020
 Banking, Equity

Price IDR. 28625
 Target Price IDR. 35720
 JKSE Index 4947.782

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 Bank Central Asia Tbk, Indonesia, Jakarta:BBCA, M



Stock Code
 Bloomberg code **BBCA IJ**
 Market cap (IDR.bn) **713762.5B**
 52-Week High (IDR) **35300**
 52-Week Low (IDR) **21625**
 6-m Avg Daily. Val (IDR) **29891**

Major Shareholders (%)
 Dwimuria **54.94%**
 Public **45.06%**

USD/IDR-YE
 2019A **13866**
 2020F (6M Avg) **14880**

Key Indicators
 Non Performing Loan (%) **1.39**
 Net Interest Margin (%) **5.60**

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Investment Consideration

Focus on credit restructuring

In mid-May 2020, BCA had a loan restructuring pipeline of Rp 65 trillion to Rp82.6 trillion, 10% - 14% of total loans, from around 72,000 borrowers or 10% of the total. We expect this to increase in the next few months up to an estimated 20-30% of total loans. The estimated number of borrowers is 250,000 - 300,000, mostly for 2W and 4W vehicles.

Very strong CASA growth

1Q CASA Ratio of 76.7%, was up 15% driven by strong new account growth through the e-channel, This is despite slower business activity and increasingly fierce competition from the new issues of government bonds. It means BCA has a solid liquidity buffer, which it can invest in sovereign positions like BI repos as well as loans. With the strong CASA growth, it is expected that the Net Interest Margin will be maintained.

Good Loan Growth

In 1Q20, Loans rose by 12.3% YoY, 1.4% QoQ as corporate credit grew by 25.4%, Commercial & SME loans by 5%, Sharia Financing 19.8% and Consumer more moderately by 3% in line with slower growth in home and automotive purchases. BCA's growth is coming mainly from existing customers who increased their working capital utilization by 75%. We estimate loan growth will be around 5% in 2020.

Valuation: 25% Upside, Buy.

Based on our DDM Valuation, we have a target price within one year of IDR 35,720, or trading at 3.5x PBV which gives 25% potential upside, Buy.

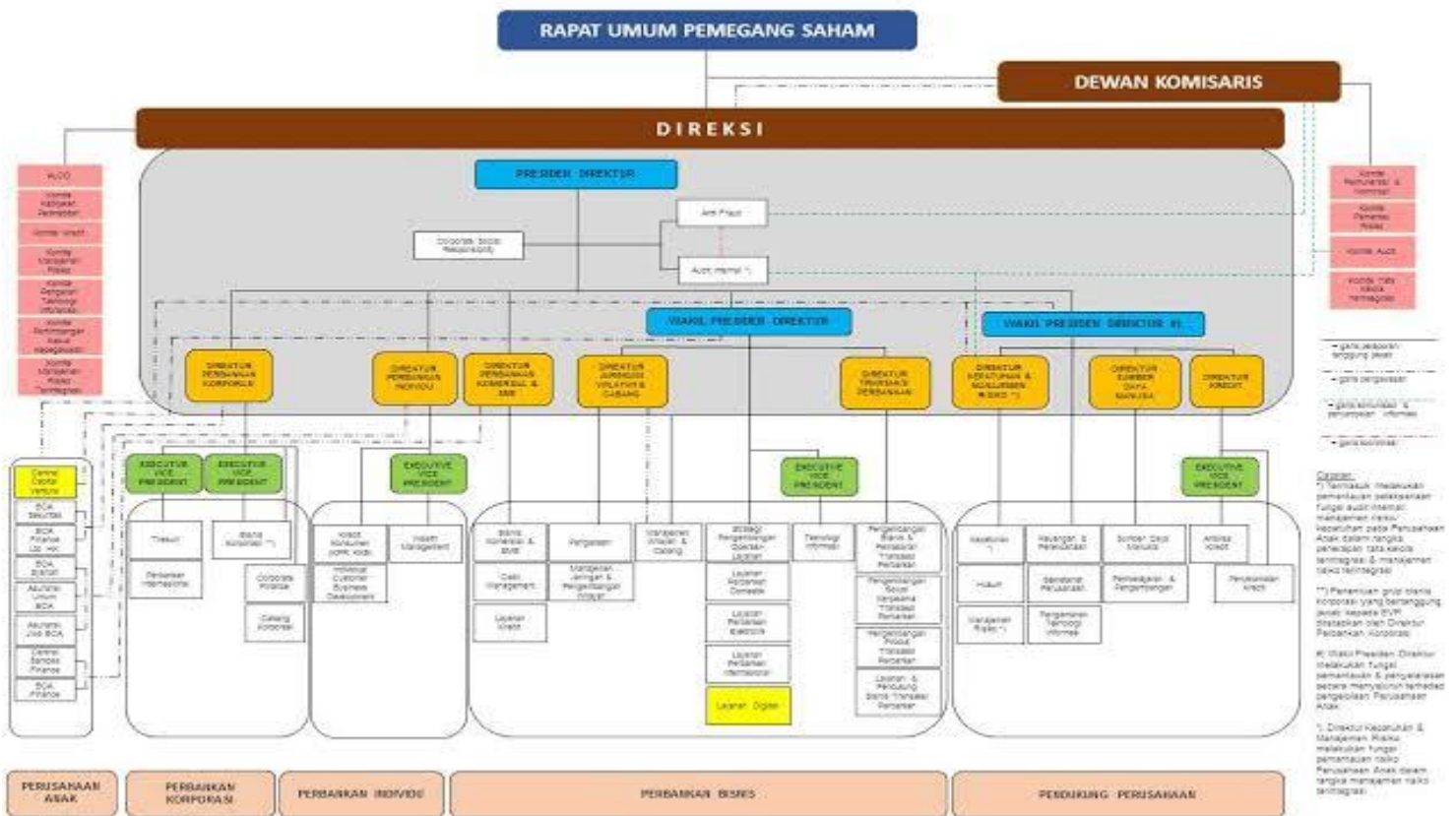
Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	53.768	56.767	63.838	64.043	72.837	81.112
Interest Expense	-11.941	-11.476	-13.360	-13.254	-15.656	-16.945
Net Interest Income	65.709	68.243	77.198	77.297	88.493	98.057
Net Operating Income	15.157	17.745	21.146	23.651	25.624	28.580
Operating Expense	25.192	27.653	30.743	34.215	38.130	42.476
PPOP	31.791	35.383	40.880	40.225	44.675	50.271
Provision Expense	-2.633	-2.677	-4.591	-1.355	-1.348	-1.311
Operating Profit	34.424	32.706	36.289	38.870	43.327	48.960
Profit Before Tax	29.159	32.706	36.289	38.870	43.327	48.960
Tax Expense	5.838	6.854	7.719	7.774	8.941	9.948
Net Profit	23.321	25.852	28.570	31.096	34.386	39.012
EPS (Rp/Share)	945,4	1.048,7	1.158,6	1.261,2	1.394,6	1.582,3

Company Profile

PT Bank Central Asia Tbk (the "Bank") was established in the Republic of Indonesia based on the Notary Deed No. 38 of Raden Mas Soeprpto dated 10 August 1955 under the name of "N.V. Perseroan Dagang Dan Industrie Semarang Knitting Factory". This deed of establishment was approved by the Minister of Justice in its decision letter No. J.A.5/89/19 dated 10 October 1955 and was published in Supplement No. 595 to the State Gazette of the Republic of Indonesia No. 62 dated 3 August 1956. The name of the Bank has been changed several times with the latest change being PT Bank Central Asia based on the Notary Deed No. 144 of Wargio Suhardjo, S.H., the substitute of notary public Ridwan Suselo, dated 21 May 1974. The Bank started its commercial operations in the banking business on 12 October 1956. According to Article 3 of the Bank's Articles of Association, the Bank operates as a commercial bank. The Bank is engaged in banking activities and other financial services in accordance with the prevailing regulations in Indonesia.

Company Structure

STRUKTUR ORGANISASI PT BANK CENTRAL ASIA Tbk.



Source: Company

Chart: Net Interest Margin (x) yoy

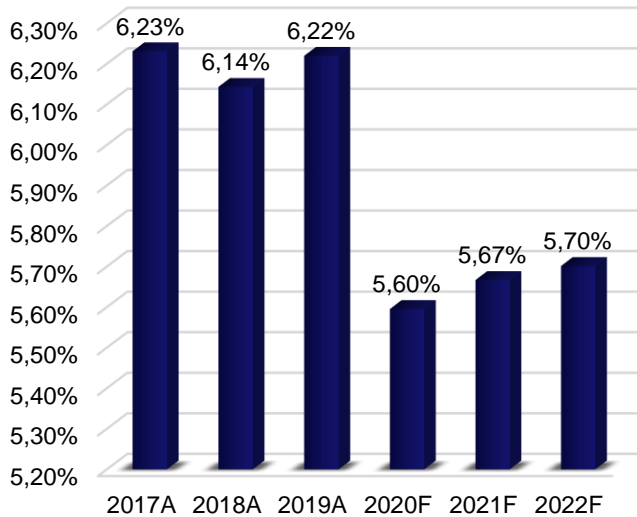


Chart: Loan to Deposit Ratio (x) yoy

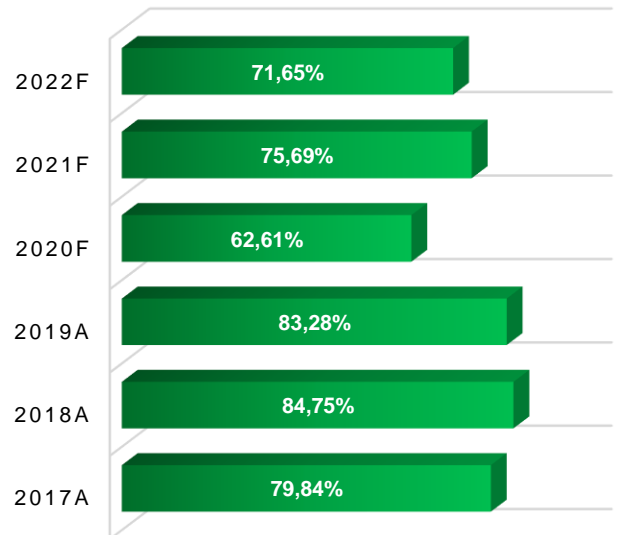


Chart: Profitability Ratio (x) yoy

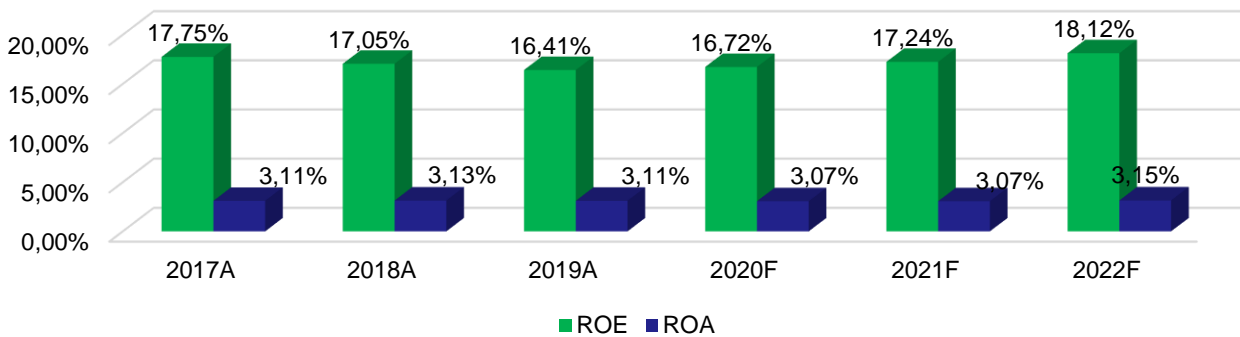
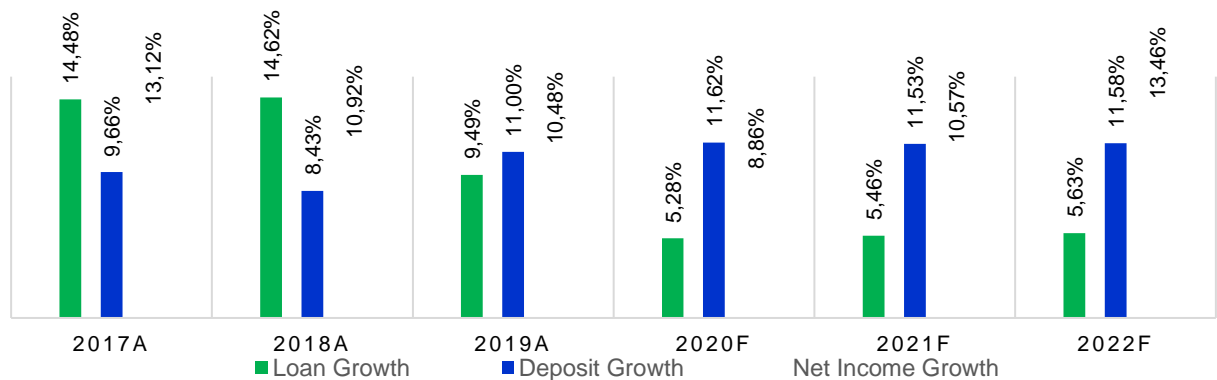


Chart: Growth (x) YoY



Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Cash and CA with BI	60.227	65.240	73.326	79.444	80.614	78.364
Interbank Placement	18.970	31.683	30.948	53.015	48.030	56.224
Marketable Securities	5.891	4.802	13.550	15.269	13.592	18.866
Gross Loan	467.509	538.099	586.940	492.514	664.070	701.460
Allowance for Loans	-13.244	-13.569	-14.906	-15.572	-16.219	-16.816
Loans-net	454.265	524.530	572.034	476.942	647.851	684.644
Other Earning Asset	203.757	199.171	236.442	415.190	344.996	424.012
Non Earning Asset	32.071	35.847	37.187	42.862	46.942	52.752
Total Asset	750.320	824.788	918.989	1.014.438	1.120.404	1.239.772
Deposit:						
Current Account	151.250	166.822	184.918	212.656	244.554	281.237
Saving Account	292.582	316.489	347.095	381.805	419.985	461.522
Time Deposits	141.740	151.618	172.782	192.210	212.823	236.233
Other Interest Bearing Liabilities	15.360	15.508	16.439	17.045	17.734	18.451
Non Interest Bearing Liabilities	17.986	22.597	23.613	24.674	25.783	26.942
Total Liabilities	618.918	673.035	744.846	828.390	920.879	1.024.386
Total Shareholder's Equity	131.402	151.753	174.143	186.048	199.525	215.386

Income Statement (IDR.bn)

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Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
Profitability & Efficiency						
NIM	6,23%	6,14%	6,22%	5,60%	5,67%	5,70%
Cost-to-Income Ratio	44,21%	43,87%	42,92%	45,96%	46,05%	45,80%
ROE	17,75%	17,05%	16,41%	16,72%	17,24%	18,12%
ROA	3,11%	3,13%	3,11%	3,07%	3,07%	3,15%
ROAE		17,40%	16,73%	16,57%	16,98%	17,68%
BOPO	50,06%	48,92%	46,49%	52,59%	53,26%	52,98%
Cost of Credit	-0,56%	-0,50%	-0,78%	-0,28%	-0,20%	-0,19%
Liquidity						
LDR	79,84%	84,75%	83,28%	62,61%	75,69%	71,65%
CASA	75,79%	76,12%	75,48%	75,57%	75,74%	75,87%
Asset Quality						
Gross NPL	1,45%	1,37%	1,34%	1,39%	1,36%	1,36%
Provision Coverage	142,93%	125,83%	131,76%	128,79%	130,28%	129,54%
Capital						
CAR	23,10%	23,40%	23,40%	23,40%	23,40%	23,40%
Growth						
Loan Growth	14,48%	14,62%	9,49%	5,28%	5,46%	5,63%
Deposit Growth	9,66%	8,43%	11,00%	11,62%	11,53%	11,58%
CASA Growth		8,70%	8,90%	10,08%	11,74%	11,79%
Net Income Growth	13,12%	10,92%	10,48%	8,86%	10,57%	13,46%

QoQ Result

Balance Sheet	1Q19	4Q19	1Q20	%QoQ	%YoY
Loan	532.255	586.940	596.410	1,61%	12,05%
Loan Loss Reserves	-13.449	-14.906	-22.046	47,90%	63,92%
NPL	7.750	8.373	9.704	15,89%	25,21%
Deposit					
Demand	164.719	184.918	201.616	9,03%	22,40%
Savings	319.336	347.095	366.909	5,71%	14,90%
Time Deposit	150.603	172.782	172.501	-0,16%	14,54%
Total Asset	830.550	918.989	972.930	5,87%	17,14%
Shareholder Equity	158.743	174.043	171.611	-1,40%	8,11%

Income Statement	1Q19	4Q19	1Q20	%QoQ	%YoY
Interest Income	15.182	16.470	16.741	1,65%	10,27%
Interest Expense	3.258	3.170	3.143	-0,86%	-3,54%
Net Interest Income	11.923	13.300	13.598	2,24%	14,05%
Net Operating Income	4.766	5.886	5.983	1,65%	25,53%
Operating Expense	8.085	8.136	9.474	16,44%	17,19%
PPOP	8.605	11.050	10.107	-8,53%	17,46%
Provision Expense	982	1.095	2.179	99,03%	121,96%
Operating Profit	7.623	9.955	7.928	-20,36%	4,00%
Profit Before Tax	7.623	9.955	7.928	-20,36%	4,00%
Tax Expense	1.562	2.308	1.347	-41,65%	-13,79%
Net Profit	6.061	7.647	6.582	-13,93%	8,58%

Ratio	1Q19	4Q19	1Q20	QoQ	YoY
Profitability & Efficiency					
NIM	2,02%	2,03%	1,84%	(0,19)	(0,18)
Cost-to-Income Ratio	48,44%	42,41%	48,38%	5,98	(0,06)
ROE	3,82%	4,39%	3,83%	(0,56)	0,02
ROA	0,73%	0,83%	0,68%	(0,16)	(0,05)
BOPO	51,94%	45,68%	45,93%	0,26	(6,01)
Cost of Credit	0,50%	0,44%	0,41%	(0,03)	(0,09)
Liquidity					
LDR	83,86%	83,28%	80,48%	(2,79)	(3,38)
CASA	76,27%	75,48%	76,72%	1,24	0,45
Asset Quality					
Gross NPL (Bank only)					-
Provision Coverage	120%	121%	148%	26,40	27,47
Capital					
CAR	24,50%	23,80%	22,50%	(1,30)	(2,00)

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

**RESEARCH TEAM
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