

Steady growth trajectory; raising our '24F EPS

23 October 2023



BBCA IJ	BUY
Sector	Banks
Price at 19 Oct 2023 (IDR)	8,975
Price target (IDR)	10,520
Upside/Downside (%)	17.2

Stock Information

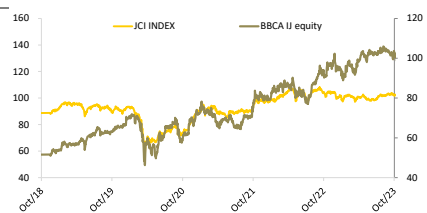
PT Bank Central Asia Tbk has positioned itself as one of the largest transaction banks in Indonesia. The bank provides custodianship, cash management, facilitation for exports and imports, as well as foreign exchange services. Through its subsidiaries, the bank also offers leasing and consumer financing services.

Market cap (IDR bn)	1,106,393
Shares outstanding (mn)	123,275
52-week range (IDR)	8,000-9,450
3M average daily vol. ('000)	69,644
3M average daily val. (IDR mn)	636,084

Shareholders (%)

PT Dwimuria Invest. Andalan	54.9
Public	45.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	-2.2	-3.0	2.6

Analyst

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BBCA's 9M23 earnings growth of 25.8% yoy (IDR36.4 tn) beating ours and street estimates at 79.5%/78.5% (vs. 5yr hist avg: 72.7%). Loan growth trajectory remains intact, while TPF gradually improving. 9M23 NIM stood at 5.5% and arrived within BBCA's '23F guidance, while credit cost stood at 0.4% amid healthier NPL. We revisited our model and made some adjustments to accommodate better-than-expected 9M23 results and as we see continuing solid prospects for BBCA in '24F hence we raised '23F/'24F EPS by +1.7%/+2.3%. Maintain our BUY stance with a higher DDM TP of IDR10,520 (4.8x '24F P/B) as we rolled over to '24F base. BBCA is currently trading at 4.5x '24F P/B or slightly above +1SD of 4.2x.

9M23 earnings beating KBV's and street estimates

BBCA 9M23 earnings at IDR36.4 tn, grew 25.8% yoy, came above ours and consensus expectations at 79.5%/78.5% (vs 5yrs average of 72.7%). Net interest income grew 21.3% yoy, amidst mounting interest expenses (46.3% yoy). Provisions dropped by 41.5% yoy, also helping 9M23 earnings grow higher than PPOP (19.1% yoy).

Loan continues to gain traction

Loans grew 12.3% yoy in 9M23, beating our forecast and outperforming BI and OJK forecasts for the industry, backed by strong growth from corporate segment (+12.2% yoy) at IDR343.5 tn. Corporate segment remains taking the largest chunk of the loan portfolio (44.8%), followed by consumer loan (24.8%). The highest growth was recorded from SME segment (+16.4%) which formed 13.7% of total loan. Consumer loan grew 14.4% yoy, driven by solid mortgage and vehicle loan growths of 11.5% yoy and 22.1% yoy. BBCA maintains its '23F loan growth guidance within the range of 10-12% yoy and noted that it might witness the end of year loan growth could potentially reach 11% YoY.

TPF gradually improving

On the liquidity side, TPF grew 6.2% yoy in Sep '23 and gradually improved qoq (vs. 1H23 of +6.0% yoy) and +4.1% yoy in 1Q23. CASA remain ample, accounted around 80% of total customer deposits and increased by 4.7% yoy to IDR869.8 tn in the same period. Despite latest concern on tighter liquidity, we expect liquidity to get better on the upcoming election / campaign-related spending. A better LDR position of 67.4% (+4.1% yoy) in 9M23, should be adequate to capture potential loan demand in 4Q23.

Solid key metrics remains

NIM inched up by 40bps to 5.5% and arrives within management guidance, while NPL recorded 20bps yoy better to 2.0%. Asset quality continue to improve with Sep '23 CoC recorded 40bps healthier to 0.4%. The bank revised down its CoC guidance from 0.7%-0.8% to 0.5%-0.6% (see our previous report). We also like BBCA ability to managed its cost to income (CIR improves 90bps yoy to 33.6% in 9M23).

Earnings upgrades on robust 9M23 which leads into stronger '24F

We revisit our model and adjusting our loan growth forecast for BBCA, as we see stronger '24F outlook. We cut '23F/'24F CoC assumptions as we believe asset quality will continue to improve while raising loan growth assumptions by 10bps/50bps, which mainly driven by corporate and consumer segments, coupled with better prospects from commercial and SME. Our new assumption resulting higher '23F/'24F earnings estimates of 1.7%/2.3% vs our previous.

Maintain BUY with higher TP of IDR10,520

We revised up our TP for BBCA as we raise our EPS forecasts and rolled over our valuation to '24F. Our new TP of IDR10,520 (CoE:12%, RoE:21%) is 3.6% higher vs our previous TP (IDR10,150). Our GGM intrinsic value for BBCA is pegged at 4.8x '24F P/B while currently trading at 4.5x '24F P/B, or slightly above +1SD of 4.2x. Following the 3.5% share price drop over the past two months, at this stage, we believe BBCA looks appealing trading at 4.5x '24F P/B, or slightly above its +1SD of 4.2x. Downside risks to our call are: 1) Slower loan growth, 2) worsening NIM and AQ, 3) higher than expected CoC, CoF, NPL 4) slowing down economic activity, worsening domestic political situation and 5) longer than expected wait and see stance.

Exhibit 1: Key Statistics

Year end Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Net Interest income	56,136	63,990	72,581	83,797	97,393
Non int. income	22,338	23,487	25,243	26,891	29,093
Income from operations	78,473	87,476	97,824	110,688	126,485
Pre-provision profit	48,165	54,994	61,916	70,782	82,143
Net income (IDR bn)	31,423	40,736	46,570	53,709	62,658
EPS (IDR)	255	330	378	436	508
EPS growth (%)	15.8	29.6	14.3	15.3	16.7
PER (x)	35.2	27.2	23.8	20.6	17.7
PBV (x)	5.5	5.0	4.5	4.1	3.6
Div. Yield (%)	1.6	1.7	2.0	2.3	2.7
RoE (%)	16.2	19.2	20.0	20.8	21.7

Source: Company, KBVS Research

Exhibit 2: BBCA 9M23 financial and key performance metrics results

Income Statements (Rpbn)	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)	KBVS '23F	% to '23F	Cons' '23F	% to Cons'
Net interest income	46.1	55.9	21.3	16.3	18.8	15.2	18.6	1.1	72.5	77.1		
Non-interest income	16.7	18.3	9.6	5.5	6.1	10.1	5.9	3.4				
Total operating income	62.8	74.2	18.2	21.9	24.9	13.9	24.5	1.6				
Total operating expenses	(23.2)	(27.0)	16.4	(8.1)	(9.4)	15.7	(8.4)	12.2				
PPoP	39.6	47.2	19.2	13.7	15.5	12.8	16.1	(3.7)	61.9	76.3		
Provision	3.9	2.3	(41.0)	(1.9)	(0.4)	(79.1)	(0.4)	(2.8)				
Net profit	29.0	36.4	25.5	10.9	12.2	11.9	12.7	(3.4)	45.8	79.5	46.5	78.3

Source : Company, KB Valbury Sekuritas

Balance Sheet (Rpbn)	9M22	9M23	YoY (%)	Sept22	Sept23	YoY (%)	Jun23	QoQ (%)
Gross loans	682.0	766.1	12.3	682.0	766.1	12.3	735.9	4.1
Current accounts	318.3	337.6	6.1	318.3	337.6	6.1	328.9	2.6
Saving deposits	512.2	532.1	3.9	512.2	532.1	3.9	535.8	-0.7
Time deposits	195.1	219.0	12.3	195.1	219.0	12.3	206.5	6.1
Total Deposits	1,025.6	1,088.7	6.2	1,025.6	1,088.7	6.2	1,071.2	1.6
CASA	830.5	869.7	4.7	830.5	869.7	4.7	864.7	0.6
CASA ratio (%)	81.0	79.9	-1.1	81.0	79.9	-1.1	80.7	-1.0
Total equity	211.9	235.8	11.3	211.9	235.8	11.3	224.6	5.0

Source : Company, KB Valbury Sekuritas

Financial Ratios	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	Jun23	QoQ (%)
LDR	63	67	6.5	63	67	6.5	65.7	2.6
CASA	831	870	4.7	831	870	4.7	864.7	0.6
NPL gross	2	2	-9.1	2	2	-9.1	1.9	5.3
NIM	5	6	7.8	5	6	1.9	5.5	0.0
CIR	35	34	-2.6	35	36	3.7	31.2	15.7
ROE	21	24	14.1	22.7	22.3	-1.8	26.1	-14.6
ROA	3	4	0.6	3	4	0.1	3.9	-10.3

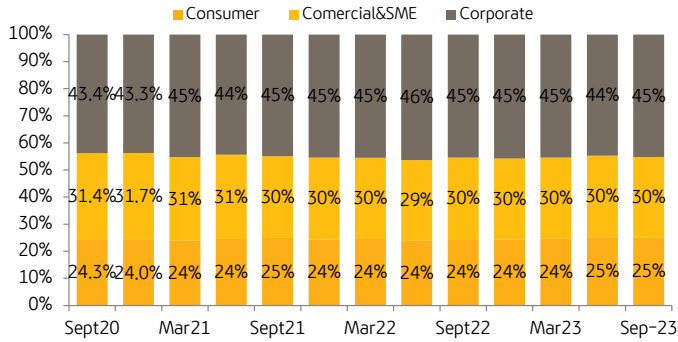
Source : Company, KB Valbury Sekuritas

Exhibit 3: BBCA forecast revisions

	New		Old		Difference (%)		Street		Difference (%)	
	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Loan	785,803	875,848	784,787	871,653	0.1%	0.5%				
Deposit	1,121,000	1,202,513	1,121,000	1,202,513	0.0%	0.0%				
Interest Income	82,264	94,763	82,227	94,560	0.0%	0.2%				
Interest Expenses	(9,683)	(10,967)	(9,683)	(10,967)	0.0%	0.0%				
Net Interest Income	72,581	83,797	72,544	83,593	0.1%	0.2%				
Non Interest Income	25,243	26,891	25,240	26,868	0.0%	0.1%				
Total Income	97,824	110,688	97,784	110,461	0.0%	0.2%				
Opex	(35,908)	(39,906)	(35,908)	(39,906)	0.0%	0.0%				
PPOP	61,916	70,782	61,876	70,556	0.1%	0.3%				
Provision Expenses	(4,359)	(4,406)	(5,270)	(5,647)	-17.3%	-22.0%				
Operating Profit	57,557	66,376	56,606	64,909	1.7%	2.3%				
Net Profit	46,570	53,709	45,800	52,521	1.7%	2.3%	47,599	53,366	-2.2%	0.6%

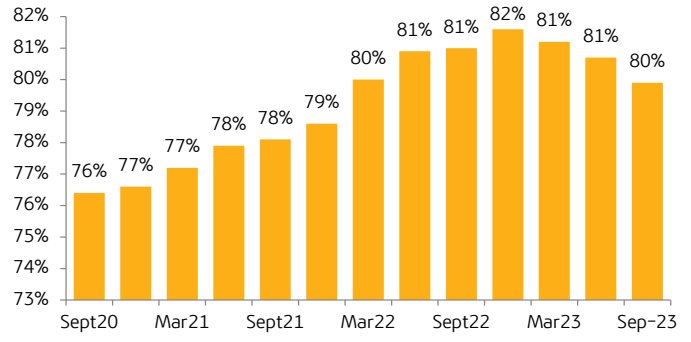
Source : Company, KB Valbury Sekuritas

Exhibit 3: Robust loan with corporate segment as the main engine



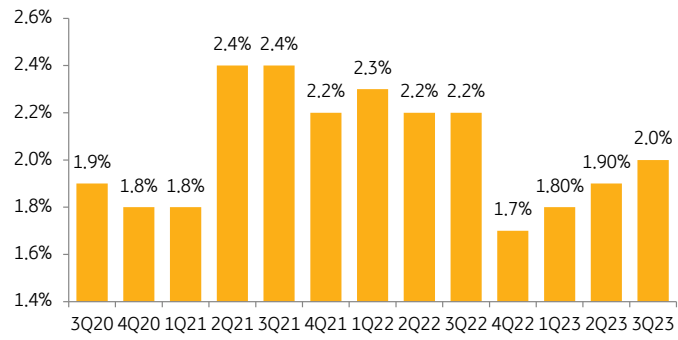
Source: Company, KBVS Research

Exhibit 4: Solid CASA remains



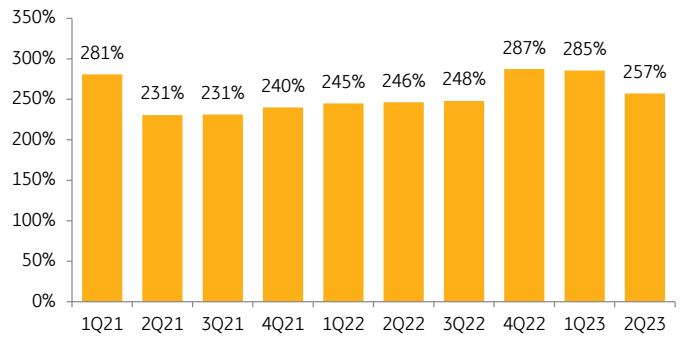
Source: Company, KBVS Research

Exhibit 5: Expecting manageable NPL to continue...



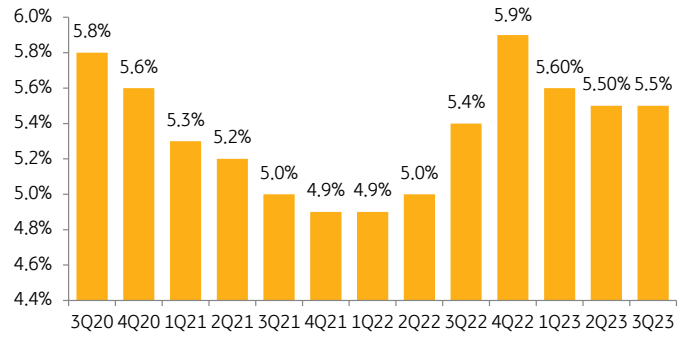
Source: Company, KBVS Research

Exhibit 6: ..coupled with well coverage ratio



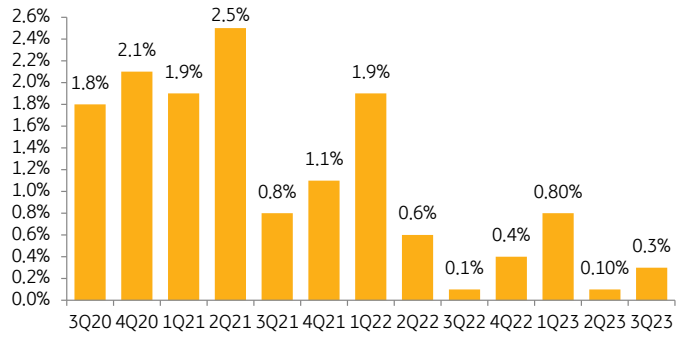
Source: Company, KBVS Research

Exhibit 7: NIM consistently arrives within management guidance...



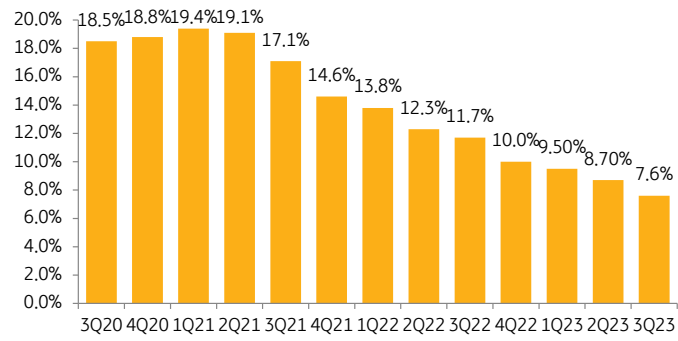
Source: Company, KBVS Research

Exhibit 8: ..while CoC constantly recorded lower



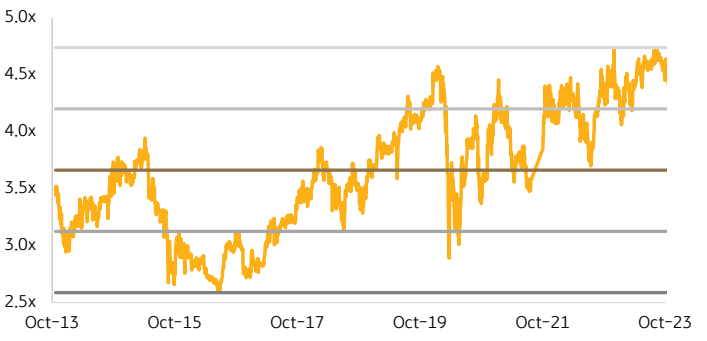
Source: Company, KBVS Research

Exhibit 9: LAR continue to walk within its downhill track



Source: Company, KBVS Research

Exhibit 10: Currently trading at 4.5x '24F P/B, slightly above +1SD of 4.2x



Source: Company, Bloomberg, KBVS Research

FINANCIAL TABLES
Exhibit 10: Profit & Loss

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Interest income	65,627	72,241	82,264	94,763	109,885
Interest expenses	-9,491	-8,252	-9,683	-10,967	-12,492
Net interest income	56,136	63,990	72,581	83,797	97,393
Non-interest income	22,338	23,487	25,243	26,891	29,093
Operating expenses	-30,308	-32,483	-35,908	-39,906	-44,343
Pre-provision operating profit	48,165	54,994	61,916	70,782	82,143
Loan loss provision	-9,324	-4,527	-4,359	-4,406	-4,711
Pretax Profit	38,841	50,467	57,557	66,376	77,432
Income Tax Expenses	-7,401	-9,711	-10,967	-12,648	-14,754
Net profit	31,423	40,736	46,570	53,709	62,658

Exhibit 11: Balance sheet

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Assets					
Cash	23,616	21,360	19,023	17,501	17,663
Current Account at BI	65,785	104,110	106,495	108,226	114,150
Interbank Loans	98,754	36,129	38,952	40,360	42,239
Govt Treas Bills & Sec	189,806	211,181	223,438	227,954	226,216
Investment Securities	35,543	39,847	41,927	44,362	47,274
Loans	603,747	676,421	750,214	839,898	944,784
Fixed Assets	22,169	24,709	27,376	30,177	33,117
Other assets	188,924	200,974	215,162	226,711	241,240
Total Asset	1,228,345	1,314,731	1,422,590	1,535,188	1,666,683
Liabilities					
Interbank Deposit	10,017	7,936	8,557	9,179	9,901
Customer Deposit	975,949	1,039,718	1,121,000	1,202,513	1,297,164
Debts Sec and Subordinates	982	500	500	500	500
Other Liabilities	38,548	45,396	47,941	50,621	53,536
Total liabilities	1,025,496	1,093,550	1,177,998	1,262,813	1,361,101
Equity					
Capital Stock	1,541	1,541	1,541	1,541	1,541
Additional Paid-in Capital	5,549	5,549	5,549	5,549	5,549
Retained Earnings	179,580	200,959	227,949	259,236	295,977
Other Equity	16,043	12,970	9,370	5,847	2,293
Shareholder's Equity	202,713	221,019	244,409	272,173	305,360
Non-controlling Interest	136	163	183	203	223
Total Equity	202,849	221,182	244,592	272,376	305,583

Exhibit 12: Key performance metrics

Year End Dec (%)	2021A	2022A	2023F	2024F	2025F
NIM (%)	5.1	5.3	5.7	5.8	6.0
LDR (%)	65.3	68.4	70.1	72.8	75.6
CASA (%)	78.6	81.6	82.0	82.2	82.7
NPL (%)	2.2	1.7	1.6	1.5	1.4
ROAE (%)	16.2	19.2	20.0	20.8	21.7
ROAA (%)	2.7	3.2	3.4	3.6	3.9
CAR (%)	26.9	27.4	28.0	28.8	29.8
BVPS (IDR)	1,644	1,793	1,983	2,208	2,477
PER (x)	35.2	27.2	23.8	20.6	17.7
PBV (x)	5.5	5.0	4.5	4.1	3.6
Div. Yield (%)	1.6	1.7	2.0	2.3	2.7

Source: Company, KBVS Research

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