



Mandiri Sekuritas Analyst

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Sector : Multifinance

## BUY

Current Price Rp630  
Target Price Rp1,000 (+58.7%)  
52-wk range Rp920 - Rp510

### Stock Data

Bloomberg Code BFIN IJ  
Mkt.Cap (Rp bn/US\$ mn) 10,059 / 678  
Issued Shares (mn) 15,967  
Avg. Daily T/O (Rp bn/US\$ mn) 0.3/0.0

### Major shareholder

Trinugraha Capital & CO SCA 42.8%  
NT Asian Discovery Fund 8.2%  
Others 49.0%

### EPS consensus

	Mansek	Cons	Diff
2018F	90.0	89.1	1.0
2019F	96.6	100.4	(3.8)
2020F	110.6	115.4	(4.1)

### Share price performance

	3m	6m	12m
Absolute (%)	(16.0)	(24.1)	14.5
Relative to JCI (%)	(16.8)	(19.1)	14.1

## Awaiting the New Owners

Compass and Starfinance of Italy will buy 19.9% and 11% stakes in BFIN from Trinugraha. We believe the new owners will bring in more expertise to further improve the company's future business. Maintain Buy with TP of Rp1,000.

### New owners to come on board.

Compass, a wholly owned by Mediobanca S.p.A of Italy (MB IM; Not covered) has entered into a Sale and Purchase Agreement (SPA) with Trinugraha Capital consortium to acquire 19.9% stake in BFIN in early August 2018. In addition, Starfinance, an SPV of some Italian private investors, will also acquire 11% stake from the same vendor. Completion of the deal is expected before the yearend.

### Who is Compass and what can it offer?

Compass is 100% owned by Mediobanca Group of Milan, Italy (eight largest bank). While the parent company concentrates on investment banking, Compass is the business arm for consumer lending. It ranks 3<sup>rd</sup> in Italy with ca.12% market share in consumer credit, ex-vehicle credit. With its expertise, Compass can contribute to improve on credit assessment system, Customer Relationship Management, credit recovery process, product innovation, and cross selling. In the developed market, Compass has tripled its loan book and revenues, reduced its cost of credit risk, and increased its net profit by five-fold in the past 11 years. BFIN is the

Group's first expansion in Asia. The historical performance of Compass can be seen in Figures 10-15.

### Compass may add more stakes in BFIN.

As Mediobanca is part of EU, the transaction requires authorization from the ECB and we believe this is the main reason for the <20% stake acquisition. The company will evaluate to increase its stake in the medium term so that BFIN can be consolidated into Compass. It will keep the current management team for BFIN with expected new members from Compass.

### Legal case with APT still continues.

APT has filed a lawsuit against the Ministry of Justice in Jakarta State Administrative Court (PTUN), demanding the revocation of 10 amendments of BFIN's article of association issued by the Ministry. This case has not deterred Compass' move to acquire BFIN despite the expected long legal process to come.

### Maintain Buy call on the counter.

We remain positive on BFIN's operating performance ([1H18 results note](#)) and keep our positive stance for the counter with TP of Rp1,000, based on 2.5x P/BV 2019.

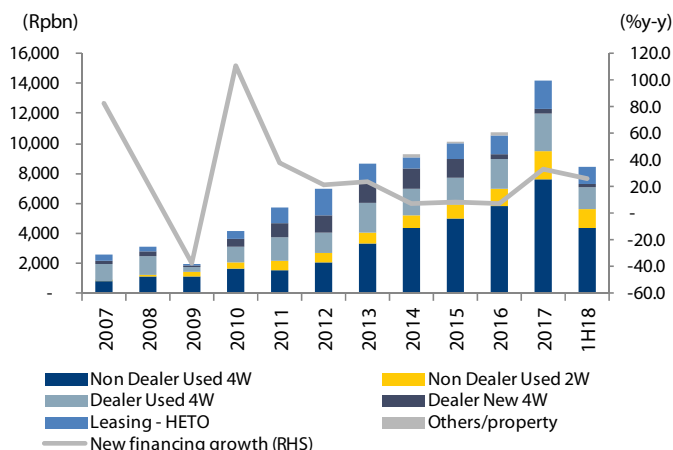
### FINANCIAL SUMMARY

YE Dec (Rp Bn)	2016A	2017A	2018F	2019F	2020F
Pre-Provision Profit	1,298	1,791	2,041	2,217	2,536
Net Profit	798	1,188	1,347	1,445	1,655
EPS	53	79	90	97	111
EPS Growth (%)	30.2	48.7	13.4	7.3	14.5
P/E Ratio (x)	11.8	7.9	7.0	6.5	5.7
BVPS	284	328	370	417	475
P/BV Ratio (x)	2.2	1.9	1.7	1.5	1.3
Dividend Yield (%)	3.5	5.4	7.6	7.9	8.4
ROAE (%)	19.3	25.9	25.8	24.5	24.8
CAR (%)	0.0	0.0	0.0	0.0	0.0

Source: Company (2016-2017), Mandiri Sekuritas (2018-2020)

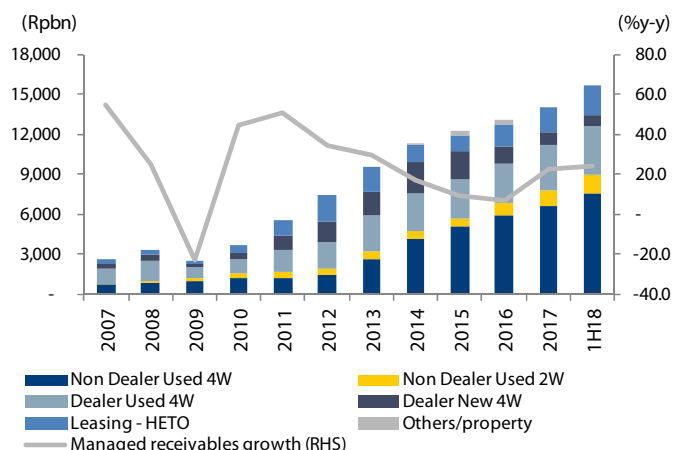
# BFIN - At a Glance

**FIGURE 1. NEW BOOKING BY TYPE AND ORIGIN**



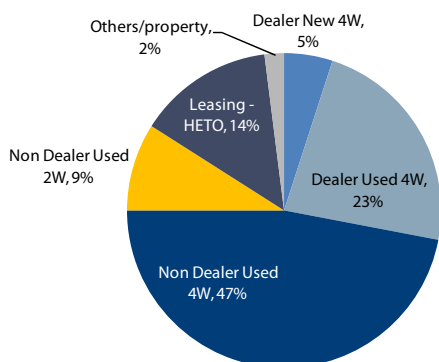
Source: Company, Mandiri Sekuritas

**FIGURE 2. MANAGED PORTFOLIO BY TYPE AND ORIGIN**



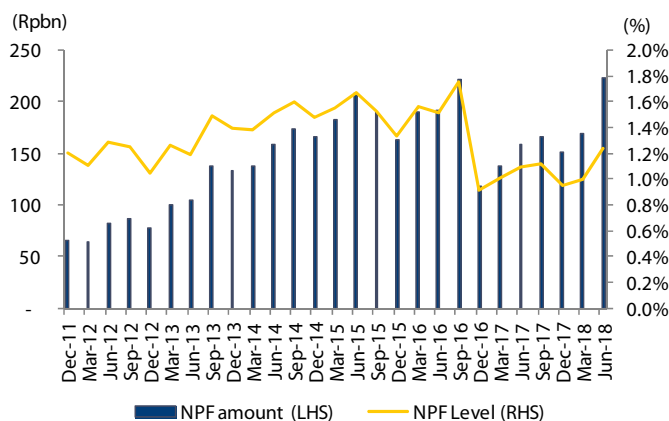
Source: Company, Mandiri Sekuritas estimates

**FIGURE 3. MANAGED RECEIVABLES BREAKDOWN - 2017**



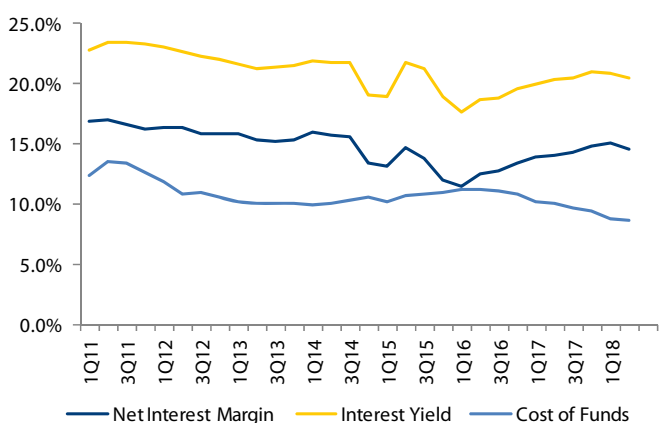
Source: Company, Mandiri Sekuritas

**FIGURE 4. NPF LEVEL**



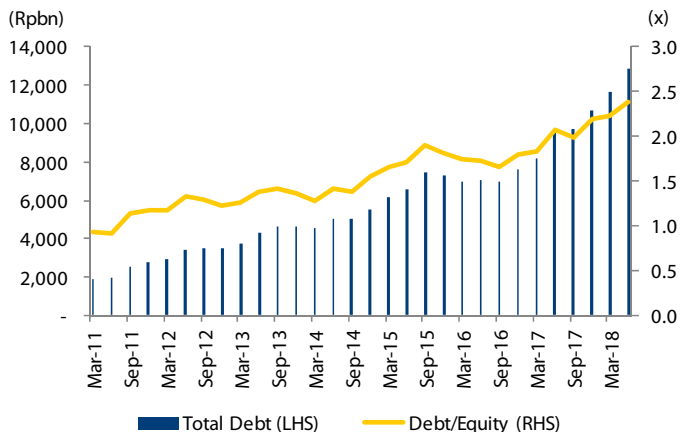
Source: Company, Mandiri Sekuritas

**FIGURE 5. YIELD, COF, AND NIM**



Source: Company, Mandiri Sekuritas

**FIGURE 6. TOTAL DEBTS AND GEARING RATIO**



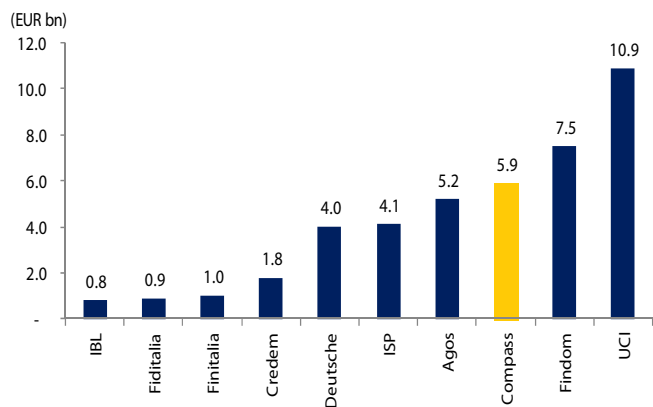
Source: Company, Mandiri Sekuritas

**FIGURE 7. MEDIOBANCA GROUP**



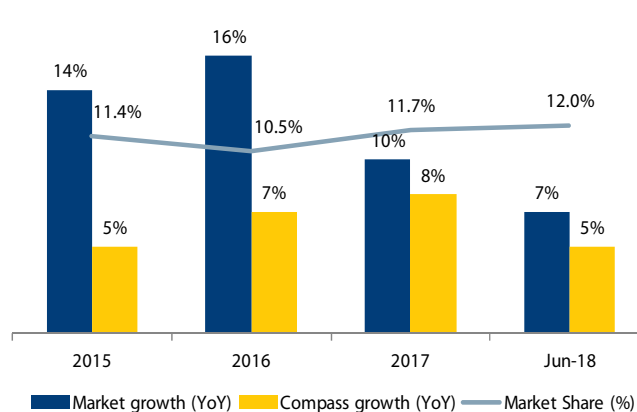
Source: Mediobanca

**FIGURE 8. COMPASS CONSUMER CREDIT'S NEW LOANS RANKS #3 IN ITALY**



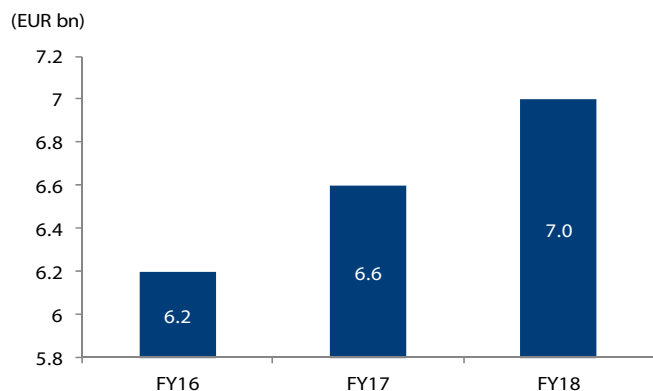
Source: Mediobanca

**FIGURE 9. WITH 12% MARKET SHARE OF NEW LOANS**



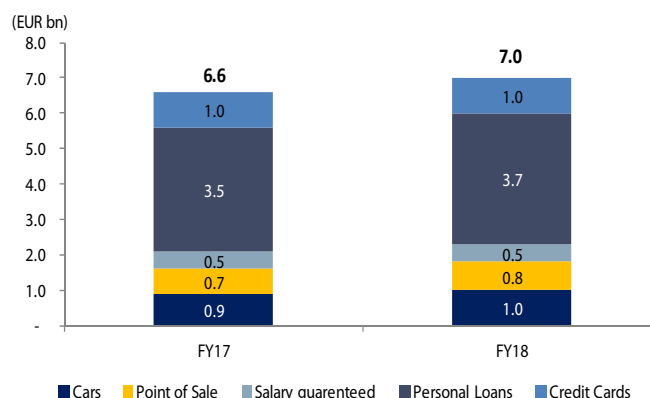
Source: Mediobanca

**FIGURE 10. COMPASS NEW LOANS**



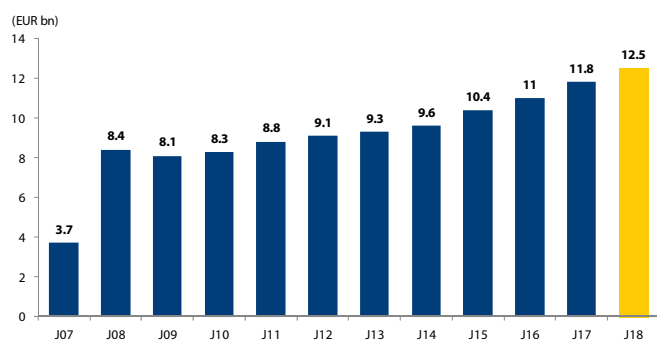
Source: Mediobanca

**FIGURE 11. COMPASS NEW LOANS BY PRODUCT**



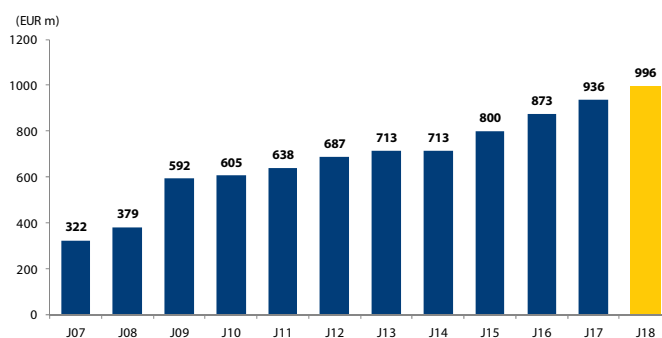
Source: Mediobanca

**FIGURE 12. COMPASS LOAN BOOK (YE JUNE)**



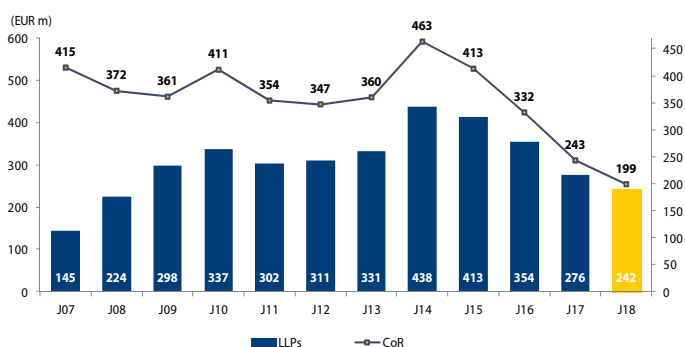
Source: Mediobanca

**FIGURE 13. COMPASS REVENUES (YE JUNE)**



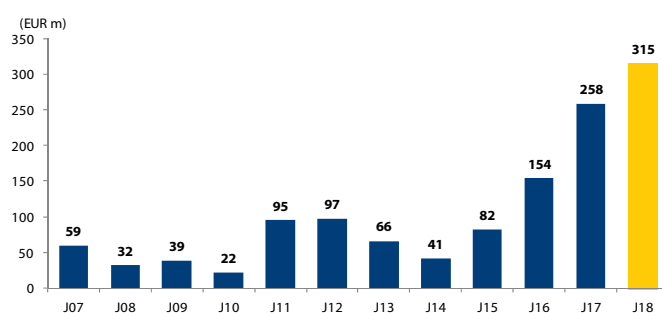
Source: Mediobanca

**FIGURE 14. DECLINING COST OF RISK (YE JUNE)**



Source: Mediobanca

**FIGURE 15. COMPASS NET PROFIT (YE JUNE)**



Source: Mediobanca

**FIGURE 16. COMPASS AND BFIN STRENGTHS**

<b>COMPASS</b>	<b>BFIN</b>
<b>Credit risk assessment</b> Advanced scoring models and risk pricing capability	<b>Established platform</b> Large multifinance company
<b>Collection</b> Data-driven, highly industrialized processes	<b>Outstanding management</b> Senior management with long-tenured experience, reputation, and track record
<b>Ability to craft distribution agreements</b> Top-level service to both customers and dealers	<b>Fast growing</b> Loan book has grown by more than 2x in the last 5Y
<b>Advanced CRM platform</b> Predictive models to run event-driven cross selling	<b>Profitable</b> Significant profitability, higher than peers' average
<b>Customized product design</b> Flexible product customization for marketing campaigns	<b>Risk control</b> Excellent "Compass-like" risk management

Source: Mediobanca

## BFI Finance

<b>Profit &amp; Loss</b>					
YE Dec (Rp Bn)	2016A	2017A	2018F	2019F	2020F
Interest Income	2,422	2,992	3,697	4,417	5,088
Interest Expense	(792)	(897)	(1,062)	(1,508)	(1,761)
<b>Net Interest Inc.</b>	<b>1,630</b>	<b>2,095</b>	<b>2,635</b>	<b>2,909</b>	<b>3,327</b>
Other Oper. Inc.	805	1,050	1,119	1,256	1,369
Operating Exp.	(1,137)	(1,354)	(1,713)	(1,949)	(2,160)
Personnel Exp..	(716)	(869)	(1,091)	(1,225)	(1,348)
G & A	(392)	(482)	(616)	(716)	(803)
Others	(28)	(4)	(6)	(8)	(9)
<b>Pre-Prov. Profit</b>	<b>1,298</b>	<b>1,791</b>	<b>2,041</b>	<b>2,217</b>	<b>2,536</b>
Provision Exp.	(273)	(303)	(347)	(401)	(458)
Operating Inc.	1,025	1,488	1,694	1,815	2,078
<b>Pre-tax Income</b>	<b>1,025</b>	<b>1,488</b>	<b>1,694</b>	<b>1,815</b>	<b>2,078</b>
Tax Expenses	(227)	(300)	(347)	(370)	(424)
Minority Int.	0	0	0	0	0
<b>Net Profit</b>	<b>798</b>	<b>1,188</b>	<b>1,347</b>	<b>1,445</b>	<b>1,655</b>

<b>Cash Flow</b>					
YE Dec (Rp Bn)	2016A	2017A	2018F	2019F	2020F
<b>Assets</b>					
Cash	165	225	282	338	405
Due to BI	0	0	0	0	0
Interbank Placement	0	0	0	0	0
Securities-Net	0	0	0	0	0
Gross Loan	11,766	15,589	19,200	22,557	25,763
Loan Loss Prov.	(183)	(237)	(268)	(312)	(356)
Fixed Assets	414	457	505	566	632
Other Assets	313	449	548	635	686
<b>Total Assets</b>	<b>12,476</b>	<b>16,483</b>	<b>20,266</b>	<b>23,784</b>	<b>27,130</b>
<b>Liabilities &amp; Equity</b>					
<b>Liabilities</b>					
Demand Deposits	0	0	0	0	0
Saving Deposits	0	0	0	0	0
Time Deposits	0	0	0	0	0
<b>Total Third Party Funds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Deposits From Oth. Banks	0	0	0	0	0
Securities Issued	0	0	0	0	0
Borrowings	4,691	6,819	7,051	9,607	10,188
Subordinated Loan	0	0	0	0	0
Other Liabilities	3,531	4,760	7,676	7,934	9,839
<b>Total Liabilities</b>	<b>8,222</b>	<b>11,579</b>	<b>14,728</b>	<b>17,541</b>	<b>20,027</b>
Minority Interest	0	0	0	0	0
<b>Shareholder's Equity</b>	<b>4,255</b>	<b>4,904</b>	<b>5,539</b>	<b>6,243</b>	<b>7,103</b>
<b>Total Liab. and Equity</b>	<b>12,476</b>	<b>16,483</b>	<b>20,266</b>	<b>23,784</b>	<b>27,130</b>

Source: Company, Mandiri Sekuritas estimates

<b>Valuation</b>					
YE Dec (Rp Bn)	2016A	2017A	2018F	2019F	2020F
<b>Growth (% YoY)</b>					
Assets	6.0	32.1	23.0	17.4	14.1
Loans	16.8	32.5	23.2	17.5	14.2
Earnings Assets	16.8	32.5	23.2	17.5	14.2
Non-Performing Loans	(27.3)	27.7	15.0	15.0	15.0
Deposits	0.0	0.0	0.0	0.0	0.0
Shareholders' Equity	5.9	15.3	12.9	12.7	13.8
Net interest income	12.6	28.5	25.8	10.4	14.4
Non-interest income	20.0	30.4	6.5	12.3	9.0
Operating expenses	7.9	19.2	26.5	13.8	10.9
Pre-provision profit	21.8	37.9	14.0	8.6	14.4
Net profit	22.8	48.7	13.4	7.3	14.5
<b>Common Ratios (%)</b>					
NIM	12.4	14.3	14.6	13.4	13.3
LDR	0.0	0.0	0.0	0.0	0.0
NPL	1.0	1.0	0.9	0.9	0.9
Coverage ratio	154.4	156.9	154.2	156.1	154.8
ROAE	19.3	25.9	25.8	24.5	24.8
ROAA	6.6	8.2	7.3	6.6	6.5
Total CAR	0.0	0.0	0.0	0.0	0.0
Tier 1 CAR	0.0	0.0	0.0	0.0	0.0
<b>Other Ratios (%)</b>					
Yield on earning assets	18.5	20.4	20.5	20.4	20.3
Avg. cost of funds	10.6	9.8	8.7	10.0	10.1
Net Interest Spread	7.9	10.6	11.8	10.4	10.2
CASA deposits	0.0	0.0	0.0	0.0	0.0
Cost to income	46.7	43.1	45.6	46.8	46.0
Equity to assets	34.1	29.8	27.3	26.2	26.2
Dividend payout	41.5	42.8	52.9	51.2	48.0
Effective tax rate	22.1	20.2	20.5	20.4	20.4

<b>Balance Sheet</b>					
YE Dec	2016A	2017A	2018F	2019F	2020F
EPS	53	79	90	97	111
BVPS	284	328	370	417	475
DPS	22.1	34.0	47.6	49.5	53.1
<b>Valuations</b>					
P/BV (x)	2.2	1.9	1.7	1.5	1.3
P/E (x)	11.8	7.9	7.0	6.5	5.7
P/PPOP (x)	7.3	5.3	4.6	4.3	3.7
Dividend yield (%)	3.5	5.4	7.6	7.9	8.4

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**INVESTMENT RATINGS:** Indicators of expected total return (price appreciation plus dividend yield) within the 12-month period from the date of the last published report, are: Buy (15% or higher), Neutral (-15% to 10%) and Sell (-15% or lower).

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