



Mandiri Sekuritas Analyst

Tjandra Lienandjaja

+6221 5296 9617

tjandra.lienandjaja@mandirisek.co.id

Priscilla Thany

+6221 5296 9569

priscilla.thany@mandirisek.co.id

Silvony Gathrie

+6221 5296 9544

silvony.gathrie@mandirisek.co.id

Sector: Multifinance

BUY

Current Price Rp670
Target Price Rp1,000 (+52.7%)
52-wk range Rp900 - Rp500

Stock Data

Bloomberg Code BFIN IJ
Mkt.Cap (Rp bn/US\$ mn) 10,458 / 743
Issued Shares (mn) 15,967
Avg. Daily T/O (Rp bn/US\$ mn) 0.8/0.1

Key Financials

	2018F	2019F	2020F
EPS	90	97	111
PE (x)	7.4	6.9	6.1
PBV (x)	1.8	1.6	1.4
P/PPOP (x)	4.9	4.5	4.0
EPS Growth (%)	13.4	7.3	14.5
Div. Yld (%)	7.1	7.4	7.9
ROAE (%)	25.8	24.5	24.8

12M18 Results—In Line with Expectations

BFIN posted Rp1.5tn net profit in 12M18, +24% yoy, accounting for 105% and 109% of consensus and Mansek's estimates. New bookings grew +14% yoy, NIM improved to 15.0% from 14.3% a year ago, while NPL was stable for the period. **Maintain Buy.**

BFIN posted Rp1.5tn net profit in 12M18, +24% yoy, accounting for 105% and 109% of consensus and Mansek's estimates, respectively,—in line. In 4Q18 alone, net profit totaled Rp374bn, -4% qoq/+8% yoy. Earnings are still driven by margin improvement and strong net booking growth, especially in 1H18, despite of higher provisioning charges.

New bookings grew +14% yoy. Total new booking was Rp16,372bn, +14% yoy, with Rp3,642bn recorded in 4Q18, -11% yoy/-13% qoq. We note that new bookings have started to slow down since 9M18 due to asset quality deterioration and economic slowdown. In terms of composition, 53% of the new bookings came from non-dealer used cars, 15% from dealer used cars, 15% from non-dealer used motorcycles, 14% from heavy equipment leasing, 2% from property leasing, and 1% from dealer new cars. The strongest financing growth came from property leasing at 128% yoy, followed by non-dealer m/c at +32% yoy, heavy equipment leasing at +23% yoy, and non-dealer used cars at +14% yoy. Meanwhile, dealer new and used cars experienced slowing growths of -43% yoy and -5% yoy, respectively, due to low margin.

Managed receivables grew +15% yoy to Rp18.3tr with the following composition: 49% from non-dealer used cars, 22% from dealer used cars, 15% from heavy equipment leasing, 9% from non-dealer used motorcycles, 3% from dealer new cars, and 2% from property leasing.

NIM increased to 15.0% in 12M18 from 14.3% in 12M17, driven by decline in cost of fund. On a quarterly basis, NIM slightly improved to 15.0% from 14.9% in 3Q18, as there was a higher decline in interest expense than in interest income, as average interest liabilities also declined during the quarter. The company expects an up to 200 bps of increase in borrowing cost this year, which will offset the increase in financing rates, dragging down NIM.

Stable asset quality for the period. Non-performing financing (of the managed funds) stood at 1.21% in Dec-18, slightly lower than 1.23% recorded in Sep-18, but higher than 0.95% in Dec-17. NPF in non-dealer financing stood at 1.20% in Dec-18 (1.10% in Sep-18), in dealer financing at 1.30% (1.30% in Sep-18), while in other at 1.20% (1.60% in Sep-18). Cost of credit increased to 2.45% in 12M18 from 1.61% in 12M17, mainly due to higher provisioning for the Palu earthquake. The management notes that cost of credit would be at 1.94% if excluding the provision for the earthquake. However, they expect a low chance of recovery from it. Coverage ratio is estimated to increase to 170% in Dec-18 from 157% in Dec-18, and the management believes the current coverage ratio level is sufficient, even when taking into account the impact of IFRS 9 in 2020.

Maintain Buy. The acquisition by Compass Banca SpA and Star Finance SRL will reach its deadline in end of Mar-19, and it still in the process of waiting for ECB approval. This year, the company plans to raise Rp9tn, with more than Rp3tn of the current funding to mature in 1Q19. Recently, BFIN issued bonds amounting to Rp1tn at 9-10.5% pa coupon rate. The counter is trading at 1.6x for 2019 P/BV.

FIGURE 1. 12M18 RESULTS

YE Dec (Rpbn)	12M17	12M18	% YoY	4Q17	3Q18	4Q18	% YoY	% QoQ	FY18F	% of f'cast	FY18 Cons	% of FY18F Cons
Finance Lease	1,777	2,256	27	491	583	597	22	3	2,197	103		
Consumer Financing	1,208	1,482	23	333	382	377	13	(1)	1,491	99		
Finance	7	20	182	3	8	7	130	(12)	9	230		
Others	1,050	1,259	20	296	326	313	6	(4)	1,119	113		
Total Income	4,042	5,018	24	1,122	1,298	1,294	15	(0)	4,816	104		
Interest and Financing Charges	(896)	(1,036)	16	(239)	(265)	(260)	9	(2)	(1,062)	98		
Salaries	(869)	(1,050)	21	(203)	(278)	(251)	24	(10)	(1,091)	96		
G&A	(482)	(567)	18	(179)	(156)	(155)	(13)	(1)	(616)	92		
Provisions for Consumer Receivables	(177)	(294)	66	(44)	(57)	(78)	76	37	(198)	148		
Provisions for Financing Receivables	(126)	(216)	71	(26)	(49)	(73)	176	48	(149)	145		
Others	(5)	(16)		1	(5)	(7)		nm	(6)	268		
Total Expenses	(2,555)	(3,178)	24	(690)	(811)	(823)	19	1	(3,122)	102		
Pre-tax Profit	1,488	1,840	24	433	488	471	9	(3)	1,694	109	1,774	104
Income Tax	(300)	(372)	24	(87)	(97)	(97)	11	0	(347)	107		
Net Income	1,188	1,468	24	345	391	374	8	(4)	1,347	109	1,404	105

Balance sheet (Rpbn)	Dec-17	Sep-18	Dec-18	% YoY	% QoQ
Quarterly new booking	4,090	4,164	3,642	(11)	(13)
Net investment in finance lease + impairment	9,521	11,454	11,515	21	1
Net consumer finance rec'bles + jf + impairment	6,415	6,998	6,825	6	(2)
Total assets	16,483	19,440	19,117	16	(2)
Fund borrowing and securities issued	10,728	12,793	12,096	13	(5)
Shareholders' equity	4,904	5,812	6,204	26	7

Ratios (%)	12M17	12M18	4Q17	3Q18	4Q18
Net interest margin	14.3	15.0	14.9	14.9	15.0
Cost to income	43.1	41.0	43.0	42.6	39.8
ROA	8.2	8.0	8.7	8.1	7.8
ROE	25.7	26.6	28.2	27.9	24.9
Non performing financing	0.95	1.21	0.95	1.23	1.21
Coverage ratio	156.9	170.2	156.9	151.7	170.2
Debt to equity (x)	2.2	1.9	2.2	2.2	1.9

Source: Company, Bloomberg, Mandiri Sekuritas Estimates

RESEARCH

Adrian Joezer	Head of Equity Research, Strategy, Consumer	adrian.joezer@mandirisek.co.id	+6221 5296 9415
Tjandra Lienandjaja	Deputy Head of Equity Research, Banking	tjandra.lienandjaja@mandirisek.co.id	+6221 5296 9617
Ariyanto Kurniawan	Automotive, Coal, Chemical	ariyanto.kurniawan@mandirisek.co.id	+6221 5296 9682
Kresna Hutabarat	Telecom, Media	kresna.hutabarat@mandirisek.co.id	+6221 5296 9542
Priscilla Thany	Banking, Building Material	priscilla.thany@mandirisek.co.id	+6221 5296 9569
Lakshmi Rowter	Healthcare, Consumer	lakshmi.rowter@mandirisek.co.id	+6221 5296 9549
Robin Sutanto	Property	robin.sutanto@mandirisek.co.id	+6221 5296 9572
Edbert Surya	Construction, Transportation	edbert.surya@mandirisek.co.id	+6221 5296 9623
Silvony Gathrie	Research Assistant	silvony.gathrie@mandirisek.co.id	+6221 5296 9544
Riyanto Hartanto	Research Assistant	riyanto@mandirisek.co.id	+6221 5296 9488
Henry Tedja	Research Assistant	henry.tedja@mandirisek.co.id	+6221 5296 9434
Ryan Winipta	Research Assistant	ryan.winipta@mandirisek.co.id	+6221 5296 9510
Leo Putera Rinaldy	Chief Economist	leo.rinaldy@mandirisek.co.id	+6221 5296 9406
Aziza Nabila Amani	Economist	aziza.amani@mandirisek.co.id	+6221 5296 9651

INSTITUTIONAL SALES

Silva Halim	Head Institutional Equities	silva.halim@mandirisek.co.id	+6221 527 5375
Andrew Handaya	Institutional Sales	andrew.handaya@mandirisek.co.id	+6221 527 5375
Feliciana Ramonda	Institutional Sales	feliciana.ramonda@mandirisek.co.id	+6221 527 5375
Henry Pranoto	Institutional Sales	henry.pranoto@mandirisek.co.id	+6221 527 5375
Kevin Giarto	Institutional Sales	kevin.giarto@mandirisek.co.id	+6221 527 5375
Sharon Anastasia Tjahjadi	Institutional Sales	sharon.tjahjadi@mandirisek.co.id	+6221 527 5375
Talitha Medha Anindya	Institutional Sales	talitha.anindya@mandirisek.co.id	+6221 527 5375
Kusnadi Widjaja	Equity Dealing	kusnadi.widjaja@mandirisek.co.id	+6221 527 5375
Edwin Pradana Setiadi	Equity Dealing	edwin.setiadi@mandirisek.co.id	+6221 527 5375
Jane Theodoven Sukardi	Equity Dealing	jane.sukardi@mandirisek.co.id	+6221 527 5375
Michael Taarea	Equity Dealing	michael.taarea@mandirisek.co.id	+6221 527 5375

RETAIL SALES

Andreas M. Gunawidjaja	Head Retail Equities	andreas@mandirisek.co.id	+6221 526 9693
Boy Triyono	Plaza Mandiri	boy.triyono@mandirisek.co.id	+6221 526 5678
Hendra Riady	Menara Sudirman	hendra.riady@mandirisek.co.id	+6221 5297 1581
Hendra Riady (Pjs)	Pondok Indah	hendra.riady@mandirisek.co.id	+6221 2912 4005
Linawati	Surabaya	Linawati@mandirisek.co.id	+6231 535 7218
Ruwie	Medan	ruwie@mandirisek.co.id	+6261 8050 1825
Indra Mas'ari	Bandung	indra.mas'ari@mandirisek.co.id	+6222 426 5088
Bambang Suwanto	Malang	bambang.suwanto@mandirisek.co.id	+62341 336 440
Widodo	Solo	widodo@mandirisek.co.id	+62271 788 9290
Yogiswara Perdana	Yogyakarta	yogiswara.perdana@mandirisek.co.id	+62274 560 596
Aidil Idham	Palembang	aidil.idham@mandirisek.co.id	+62711 319 900
Yuri Ariadi	Pontianak	yuri.ariadi@mandirisek.co.id	+62561 582 293
Achmad Rasyid	Bandar Lampung	achmad.rasyid@mandirisek.co.id	+62721 476 135
Ravianda Firmanda	Bali	ravianda.firmanda@mandirisek.co.id	+62361 475 3066

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 15%) and Sell (-15% or lower).

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