



Mandiri Sekuritas Analyst

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Sector: Multifinance

BUY

Current Price Rp670
Target Price Rp1,000 (+49.3%)
52-wk range Rp825 - Rp500

Stock Data

Bloomberg Code BFIN IJ
Mkt.Cap (Rp bn/US\$ mn) 10,698 / 753
Issued Shares (mn) 15,967
Avg. Daily T/O (Rp bn/US\$ mn) 0.8/0.1

Key Financials

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



3M19 Results—Slightly Below Expectations

BFIN's net income of Rp337bn, -4% yoy, came slightly below expectations due to lower NIM plus increasing provision and operating expenses. New bookings declined 19% on tightened origination policies. NIM declined to 14.6%, while NPF increased to 1.33% in Mar-19. Maintain Buy.

1Q19 net income totaled Rp337bn, -4% yoy/-10% qoq, accounting for respectively 21% and 23% of consensus and Mansek FY19 expectations – slightly below expectations. Decline in net income was due to increased provision expenses of +24% yoy along with higher operating expenses of +12% yoy. Higher provision expenses were in line with the company's deteriorating asset quality over the past quarter, stood at 1.21% in Dec-18 and 1.33% in Mar-19.

New bookings at Rp3,350bn, -19% yoy in Mar-19, as the company indicates it has tightened financing origination policies and as contribution from dealer related financing declined. Based on the composition, 65% of the new bookings came from non-dealer used cars, 18% from non-dealer used m/c, 14% from heavy equipment leasing, 2% from dealer used cars, 1% from property leasing, and 1% from dealer new cars. We note BFIN has been refocusing from used dealer financing toward 2W and 4W non-dealer financing. The composition of new bookings for dealer used cars declined substantially to 2% in Mar-19 from 15% in Dec-18. Consequently, only non-dealer used car financing posted higher growth at +3% yoy, while the other segments posted slower growth. Financing to dealer used cars declined by -90% yoy, to dealer new cars by -60% yoy, to heavy equipment leasing by -25% yoy, to property leasing by -19% yoy, and to non-dealer used m/c by -3% yoy.

Managed receivables increased +7% yoy with the following composition: 51% from non-dealer used cars, 19% from dealer used cars, 15% from heavy equipment leasing, 10% from non-dealer used m/c, 3% from dealer new cars, and 2% from property leasing.

NIM declined to 14.6% in 3M19 from 14.9% in 3M18, driven by decline in asset yield. BFIN expects borrowing costs will increase in 2019F, hence translating to NIM contractions in 2019F.

NPF increased to 1.33% in Mar-19 from 1.00% in Mar-18 and 1.21% in Dec-18. NPF in non-dealer financing was at 1.10% in Mar-19 (1.20% in Dec-18), in dealer financing at 18.0% (1.30%), while in *other* at 1.50% (1.20%). NPF in dealer financing increased quite high as a result of declining financing growth in this segment, as BFIN has shifted its focus toward non-dealer financing. Cost of credit increased to 2.49% in 3M19 from 2.06% in 3M18, while coverage ratio declined to 162% in Mar-19 from 170% in Dec-18. BFIN cited that dealer used, heavy equipment leasing, and non-dealer used cars were the largest contributors to the increase in cost of credit.

Debt to equity ratio declined to 1.7x in 3M19 from 1.9x in 12M18, as BFIN indicated there is more than Rp3tn of funding maturing in 1Q19, and also because of higher equity in Mar-19 compared to Mar-18 due to no interim dividend. The company targets to raise Rp9tn in funding for this year.

Maintain Buy with TP of Rp1,000. The counter is trading at 1.6x P/BV for 2019F.

FIGURE 1. BFIN 1Q19 RESULTS

YE Dec (Rpbn)	3M18	3M19	% YoY	1Q18	4Q18	1Q19	% YoY	% QoQ	FY19F	% of f'cast	FY19 Cons	% of FY19F Cons
Total financing	871	947	9	871	974	947	9	(3)				
Finance	1	19	1,897	1	7	19	1,897	183				
Others	304	282	(7)	304	313	282	(7)	(10)				
Total Income	1,176	1,248	6	1,176	1,294	1,248	6	(4)	5,674	22		
Interest and Financing Charges	(246)	(258)	5	(246)	(260)	(258)	5	(1)				
Salaries	(254)	(265)	4	(254)	(251)	(265)	4	6				
G&A	(131)	(166)	27	(131)	(155)	(166)	27	7				
Provisions	(100)	(124)	24	(100)	(151)	(124)	(18)	(18)				
Others	(3)	(12)	240	(3)	(7)	(12)	82	82				
Total Expenses	(735)	(824)	12	(735)	(823)	(824)	12	0	(3,858)	21		
Pre-tax Profit	441	424	(4)	441	471	424	(4)	(10)	1,815	23	2,061	21
Income Tax	(90)	(87)	(4)	(90)	(97)	(87)	(4)	(10)	(370)	24		
Net Income	351	337	(4)	351	374	337	(4)	(10)	1,445	23	1,607	21

Balance sheet (Rpbn)	Mar-18	Dec-18	Mar-19	% YoY	% QoQ
Quarterly new booking	4,161	3,642	3,350	(19)	(8)
Net financing receivables + impairment	16,870	18,340	17,898	6	(2)
Total assets	17,833	19,117	18,462	4	(3)
Fund borrowing and securities issued	11,692	12,096	11,183	(4)	(8)
Shareholders' equity	5,257	6,204	6,528	24	5

Ratios (%)	3M18	3M19	1Q18	4Q18	1Q19
Net interest margin	14.9	14.6	14.9	15.0	14.6
Cost to income	41.8	44.7	41.8	39.8	44.7
ROA	8.2	7.2	8.2	7.8	7.2
ROE	27.6	21.2	27.6	24.9	21.2
Non-performing financing	1.00	1.33	1.00	1.21	1.33
Coverage ratio	158.5	162.4	158.5	170.2	162.4
Debt to equity (x)	2.2	1.7	2.2	1.9	1.7

Source: Company, Mandiri Sekuritas

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

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