



Mandiri Sekuritas Analyst

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Sector: Multifinance

## BUY

Current Price	Rp595
Target Price	Rp900 (+51.3%)
52-wk range	Rp740 - Rp490

### Stock Data

Bloomberg Code	BFIN IJ
Mkt.Cap (Rp bn/US\$ mn)	9,500 / 678
Issued Shares (mn)	15,967
Avg. Daily T/O (Rp bn/US\$ mn)	0.5/0.0

### Key Financials

	2019F	2020F	2021F
EPS	96	102	112
PE (x)	6.2	5.8	5.3
PBV (x)	1.2	1.1	0.9
P/PPOP (x)	3.7	3.5	3.3
EPS Growth (%)	(1.9)	6.4	9.2
Div. Yld (%)	4.9	4.9	5.2
ROAE (%)	21.5	19.8	18.8

## 9M19 Results: In-Line with Improved New Booking

BFIN posted Rp1.1tr net profit in 9M19, in-line with our expectations. New booking improved in 3Q19 and the company saw better asset quality despite lower margin in 3Q19 at 14.9% (14.8% in 9M19). NPF declined to 1.06% in Sep-19 from 1.43% in Jun-19 with coverage ratio of 188%. Maintain Buy rating and Rp900 TP.

**BFIN's 9M19 net profit of Rp1.1tn**, flat yoy, accounted for 76% of our FY19 expectation, in-line. New booking growth improved in 3Q19 due to longer working days (the Lebaran holidays were in June). This, together with lower provisioning and better asset quality, improved net earnings to Rp400bn, +13% qoq/+2% yoy, in 3Q19.

**New bookings at Rp11,315bn, -11% yoy in 9M19** or Rp4,185bn in 3Q19, +1% y-y/+11% q-q. Based on composition, 64% of the new bookings came from non-dealer used-car financing in 9M19 (62% in 3Q19), 17% from non-dealer used-m/c (17%), 13% from heavy equipment leasing (15%), 4% from dealer used cars (4%), 1% each from dealer new-cars (1%) and property leasing (1%). BFIN has been shifting its business focus from used dealer financing to 2W and 4Q non-dealer financing, which provide better margins. The 9M19 new booking accounted for 71% of BFIN's FY19 target of Rp16tr.

**Managed receivables declined -2% yoy to Rp18tr** with the following composition: 55% from non-dealer used-cars, 16% from heavy equipment leasing, 15% from dealer used-cars, 10% from non-dealer used-m/c, 2% from dealer new-cars, and 2% from property leasing. Given the reductions in dealer used-cars and of new-car financing, their portions to total managed receivables have declined from 22% and 3%, respectively, in Sep-18.

**NIM declined to 14.79% in 9M19 from 14.90% in 9M18.** On the quarterly basis, NIM declined slightly to 14.90% from 14.98% in 2Q19 due to rising cost of funds, in particular on bank borrowings. With the move toward the better yielding non-dealer used-car financing and the lower cost of funds, NIM should improve again in 4Q19.

**NPF improved to 1.06% in Sep-19 from 1.43% in Jun-19.** Post the Lebaran holidays, NPF in non-dealer financing (both for new- and used-cars; 65% of total managed receivables) improved to 0.9% from 1.2% in June, in dealer financing (for used-cars and used-motorcycles; 17% of total) it declined to 1.5% from 2.1%, while in *other* (heavy equipment leasing and property; 18% of total) it declined to 1.1% from 1.3%. **Cost of credit** declined to 1.83% in 9M19 from 2.34% in 9M18, while coverage ratio improved to 188% in Sep-19 from 156% in Jun-19 and 152% in Sep-18.

**Rising cost to income ratio to 45% in 9M19 from 41% in 9M18.** This was due to the annual salary adjustment (salaries increased +10% yoy) and G&A expense (+17% yoy). As part of the G&A expenses, BFIN saw rising professional/consulting fees for the development of a new operating model to support future business growth. This will be more of a digital based product.

**Development on acquisition by Compass Banca and the legal case.** There is no significant development on the acquisition on 19.9% stake by Compass from Trinugraha Capital. As for the legal case #120 (Register #368 K/TUN/2019), the Supreme Court has issued a ruling in favor of BFIN and the Ministry of Law and Human Rights. [See the note dated 11 October 2019.](#)

**Maintain Buy with TP of Rp900.** The counter is trading at 1.2x P/BV for 2019F.

FIGURE 1. BFIN 9M19 RESULTS

YE Dec (Rpbn)	9M18	9M19	% YoY	3Q18	2Q19	3Q19	% YoY	% QoQ	FY19F	% of f'cast	FY19 Cons	% of FY19F Cons
<b>Total financing</b>	<b>2,764</b>	<b>2,844</b>	<b>3</b>	<b>965</b>	<b>940</b>	<b>957</b>	<b>(1)</b>	<b>2</b>				
Finance	13	45	234	8	10	16	112	68				
Others	946	946	(0)	326	310	354	9	14				
<b>Total Income</b>	<b>3,724</b>	<b>3,835</b>	<b>3</b>	<b>1,298</b>	<b>1,259</b>	<b>1,327</b>	<b>2</b>	<b>5</b>	<b>5,203</b>	<b>74</b>		
Interest & finan. charges	(776)	(760)	(2)	(265)	(244)	(258)	(2)	6				
Salaries	(799)	(881)	10	(278)	(300)	(317)	14	6				
G&A	(412)	(482)	17	(156)	(147)	(169)	8	16				
Provisions	(358)	(330)	(8)	(106)	(125)	(82)	(34)	(34)				
Others	(10)	(13)	35	(5)	(1)	0	(107)	(107)				
<b>Total Expenses</b>	<b>(2,355)</b>	<b>(2,466)</b>	<b>5</b>	<b>(811)</b>	<b>(816)</b>	<b>(826)</b>	<b>2</b>	<b>1</b>	<b>(3,394)</b>	<b>73</b>		
<b>Pre-tax Profit</b>	<b>1,369</b>	<b>1,368</b>	<b>(0)</b>	<b>488</b>	<b>444</b>	<b>501</b>	<b>3</b>	<b>13</b>	<b>1,808</b>	<b>76</b>	<b>1,909</b>	<b>72</b>
Income Tax	(275)	(278)	1	(97)	(90)	(101)	4	12				
<b>Net Income</b>	<b>1,094</b>	<b>1,090</b>	<b>(0)</b>	<b>391</b>	<b>353</b>	<b>400</b>	<b>2</b>	<b>13</b>	<b>1,441</b>	<b>76</b>	<b>1,512</b>	<b>72</b>

Balance sheet (Rpbn)	9M18	9M19	% YoY	Jun-18	Mar-19	Jun-19	% YoY	% QoQ
New booking	12,730	11,315	(11)	4,164	3,780	4,185	1	11
Net financing rec'bles + impairment	18,452	17,975	(3)	18,452	17,874	17,975	(3)	1
<b>Total assets</b>	<b>19,440</b>	<b>18,694</b>	<b>(4)</b>	<b>19,440</b>	<b>18,369</b>	<b>18,694</b>	<b>(4)</b>	<b>2</b>
Fund borrowing and securities issued				12,793	11,432	11,384	(11)	(0)
Shareholders' equity				5,812	6,108	6,501	12	6

Ratios (%)	9M18	9M19	3Q18	2Q19	3Q19
Net interest margin	14.90	14.79	14.91	14.98	14.90
Cost to income	41.4	44.8	42.6	44.1	45.5
ROA	8.0	7.8	8.1	7.7	8.6
ROE	27.3	22.9	27.9	22.4	25.4
NPF	1.23	1.06	1.23	1.43	1.06
Coverage ratio	151.7	188.0	151.7	155.8	188.0
Debt to equity (x)	2.2	1.8	2.2	1.9	1.8

Source: Company, Mandiri Sekuritas estimates

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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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