



Mandiri Sekuritas Analyst

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Sector: Multifinance

BUY

Current Price Rp590
Target Price Rp900 (+52.5%)
52-wk range Rp770 - Rp500

Stock Data

Bloomberg Code BFIN IJ
Mkt.Cap (Rp bn/US\$ mn) 9,421 / 672
Issued Shares (mn) 15,967
Avg. Daily T/O (Rp bn/US\$ mn) 0.6/0.0

Key Financials

	2019F	2020F	2021F
EPS	96	102	112
PE (x)	6.1	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 (%)	5.0	4.9	5.2
ROAE (%)	21.5	19.8	18.8

1H19 Results—Some Improvement Seen in 2Q19

BFIN posted a Rp690bn net income, -2% yoy, which was in-line with our expectation. There is improvement in new booking on qoq basis, while the company also saw better NIM in 2Q19 to 15.0%. NPF increased to 1.43% in Jun-19 with coverage ratio of 156%. We keep our Buy rating on the counter.

1H19 net income of Rp690bn, -2% yoy, accounting for 48% of our FY19 expectation, was in-line. The negative earnings growth was due to weak new booking earlier in the year, while the company reported rising operating expenses. Deterioration of financing quality affected margin, which started to improve in 2Q19 while provisioning charges declined slightly to -1% yoy.

New bookings at Rp3,780bn, -14% yoy/+13% qoq in 2Q19, as the company continued to avoid financing origination from dealer financing on used cars. Based on the composition, 66% (65% in 1H19) of the new bookings in 2Q19 came from non-dealer used cars, 16% (17%) from non-dealer used m/c, 10% (12%) from heavy equipment leasing, 6% (4%) from dealer used cars, 1% (1%) each from dealer new cars and property leasing. BFIN continues to refocus its business from used dealer financing toward 2W and 4W non-dealer financing to concentrate more on financing with higher yield. Total new bookings in 1H19 have reached Rp7,130bn, -17% yoy, and the company expects to record Rp16tr of new bookings for the year, which is 2-3% lower than in 2018.

Flat yoy growth on managed receivables with the following composition: 54% from non-dealer used cars, 17% from dealer used cars, 15% from heavy equipment leasing, 10% from non-dealer used m/c, 2% from dealer new cars, and 2% from property leasing. Given the reduction in dealers of used cars and of new-car financing, their portions to total managed receivables have declined from 23% and 3%, respectively, in Jun-18.

NIM was flat at 14.8% in 6M19. However, there has been an improvement in NIM to 15.0% in 2Q19 from 14.6% in 1Q19, as BFIN has been reducing their exposure to the lower yield dealer used car financing. NIM is expected to improve again in 2H19 from the financing mix change toward the non-dealer used cars and used motorcycles, as well as 2-3% effective financing rate adjustment for new financing.

NPF increased to 1.43% in Jun-19 from 1.33% in Mar-19. NPFs in dealer financing (both for new and used cars) increased to 2.1% in June from 1.8% in March; in non-dealer financing (for used cars and motorcycles), it increased to 1.2% from 1.1%, while in *other* (heavy equipment leasing and property) it declined to 1.3% from 1.5%. NPF in dealer financing has increased, as the dealers are not held responsible for asset deterioration anymore. Cost of credit declined to 2.36% in 6M19 from 2.58% in 6M18, while coverage ratio improved to 156% in Jun-19 from 153% in Jun-18, but declined from 162% in Mar-19.

Rising opex of 13% yoy. This was due to the annual salary adjustment (salaries increased +8% yoy) and G&A expense (+22% 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. There is no significant development on the acquisition on 19.9% stake by Compass from Trinugraha Capital.

Maintain Buy with TP of Rp900. The counter is trading at 1.3x P/BV for 2019F.

FIGURE 1. BFIN 2Q19 RESULTS

YE Dec (Rpbn)	6M18	6M19	% YoY	2Q18	1Q19	2Q19	% YoY	% QoQ	FY19F	% of f'cast	FY19 Cons	% of FY19F Cons
Total financing	1,799	1,887	5	928	947	940	1	(1)				
Finance	6	29	396	5	19	10	99	(49)				
Others	620	592	(5)	316	282	310	(2)	10				
Total Income	2,426	2,507	3	1,249	1,248	1,259	1	1	5,203	48		
Interest and financing charges	(511)	(501)	(2)	(265)	(258)	(244)	(8)	(5)				
Salaries	(521)	(564)	8	(267)	(265)	(300)	12	13				
G&A	(256)	(313)	22	(125)	(166)	(147)	18	(12)				
Provisions	(252)	(248)	(1)	(152)	(124)	(125)	0	0				
Others	(5)	(13)	193	(1)	(12)	(1)	(89)	(89)				
Total Expenses	(1,545)	(1,640)	6	(809)	(824)	(816)	1	(1)	(3,394)	48		
Pre-tax Profit	881	867	(2)	440	424	444	1	5	1,808	48	2,061	42
Income Tax	(178)	(177)	(1)	(88)	(87)	(90)	2	4				
Net Income	703	690	(2)	352	337	353	0	5	1,441	48	1,607	43

Balance sheet (Rpbn)	Jun-18	Mar-19	Jun-19	% YoY	% QoQ
Quarterly new booking	4,405	3,350	3,780	(14)	13
Net financing receivables + impairment	17,958	17,898	17,874	(0)	(0)
Total assets	19,001	18,462	18,369	(3)	(1)
Fund borrowing and securities issued	12,892	11,183	11,432	(11)	2
Shareholders' equity	5,408	6,528	6,108	13	(6)

Ratios (%)	6M18	6M19	2Q18	1Q19	2Q19
Net interest margin	14.8	14.8	14.7	14.6	15.0
Cost to income	40.8	44.4	39.9	44.7	44.1
ROA	7.9	7.4	7.6	7.2	7.7
ROE	27.1	22.0	26.4	21.2	22.4
Non-performing financing	1.24	1.43	1.24	1.33	1.43
Coverage ratio	153.0	155.8	153.0	162.4	155.8
Debt to equity (x)	2.4	1.9	2.4	1.7	1.9

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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