



Mandiri Sekuritas Analyst

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Sector : Multifinance

BUY

Current Price	Rp640
Target Price	Rp900 (+40.6%)
	Prev.TP: Rp1,000
52-wk range	Rp800 - Rp500

Stock Data

Bloomberg Code	BFIN IJ
Mkt.Cap (Rp bn/US\$ mn)	10,219 / 714
Issued Shares (mn)	15,967
Avg. Daily T/O (Rp bn/US\$ mn)	0.7/0.0

Major shareholder

Trinugraha Capital & CO SCA	42.8%
NT Asian Discovery Fund	9.9%
Others	47.3%

EPS consensus

	Mansek	Cons	Diff
2019F	96.3	100.7	(4.4)
2020F	102.4	112.8	(9.2)
2021F	111.9	128.0	(12.6)

Share price performance

	3m	6m	12m
Absolute (%)	(0.8)	5.8	(16.9)
Relative to JCI (%)	2.9	3.3	(20.2)



Business Slowing Down, Maintain Positive

2019 will be a more challenging year for BFIN with the expected new booking growth of 3% vs. 14% in 2018. NIM remains high at 14+% in the next two years with NPF of 1.3%. The legal case still continues without affecting the operation and the acquisition by Compass is pending approvals. Buy with a new Rp900 TP.

Weak new booking expected for 2019.

BFIN recorded -19% yoy to Rp3.35tr of new booking in 1Q19, as the company is reducing dealer financing used cars for the higher yield non-dealer 4W and 2W financing, in addition to slower economic growth in general. We expect new booking to grow 3% in 2019 after growing 14% in 2018.

Margin is set to decline, similar to banks'.

From the 15.4% calculated NIM in 2018, we expect the level to decline to 14.8% in 2019 and 14.4% in 2020 due to rising cost of funds and impact of business competition from other big players. This margin is higher than the previous forecast of 13.4%, as the company is shifting more financing toward the higher yield non-dealer 4W and 2W.

Forecast revisions. Factoring the lower new booking and higher NPF (1.3% vs. 0.9% earlier) leads us to cut our forecast slightly for 2019 and by 7% for 2020. We hence anticipate -2% earnings growth for 2019 and +6% for 2020.

The legal case continues.

After BFIN wins an appeal on APT lawsuit in PTUN (Decision number 27/B/2019/PT.TUN.JKT - [BFIN Wins an Appeal on APT Lawsuit in PTUN](#), dated 2 April 2019), APT has filed an appeal against it on 10 April 2019. Hence the legal battle will continue for the rest of the year, but we believe this will not affect BFIN's operational activities.

Acquisition of 19.9% stake by Compass Banca has yet to materialize.

Together with Star Finance, Compass plans to buy the stake from Trinugraha Capital, which has yet to be approved by both OJK as well as ECB. The deadline for the transaction has elapsed at end of Mar-19, which we believe has been extended.

Maintain Buy with revised TP of Rp900.

Despite slow earnings growth, we keep our positive outlook on the counter, which has outperformed the market in the past six months and is trading at 1.3x P/BV 2019. We revise our TP to Rp900 from Rp1,000 in view of lower ROE and rising COE.

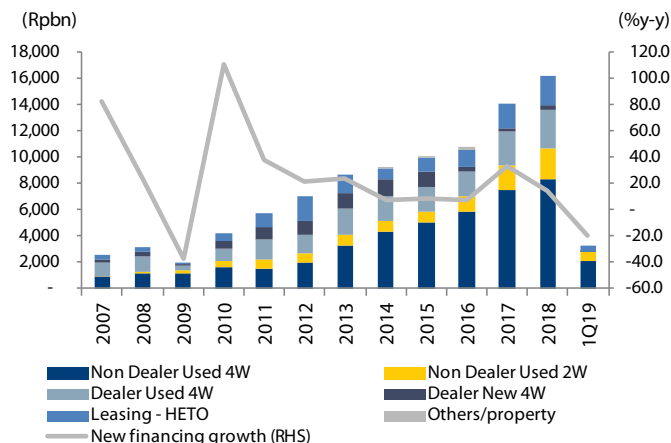
FINANCIAL SUMMARY

YE Dec (Rp Bn)	2017A	2018A	2019F	2020F	2021F
Pre-Provision Profit	1,791	2,349	2,403	2,516	2,709
Net Profit	1,188	1,468	1,441	1,532	1,674
EPS	79	98	96	102	112
EPS Growth (%)	48.7	23.6	(1.9)	6.4	9.2
P/E Ratio (x)	8.1	6.5	6.6	6.3	5.7
BVPS	328	415	481	555	636
P/BV Ratio (x)	2.0	1.5	1.3	1.2	1.0
Dividend Yield (%)	5.3	2.5	4.6	4.5	4.8
ROAE (%)	25.9	26.4	21.5	19.8	18.8
Equity to assets	29.8	32.5	36.3	37.6	37.9

Source: Company (2017-2018), Mandiri Sekuritas (2019-2021)

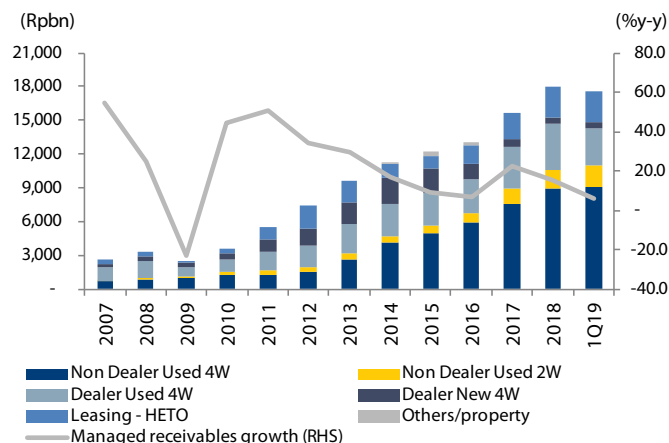
BFIN - At a Glance

FIGURE 1. NEW BOOKING BY TYPE AND ORIGIN



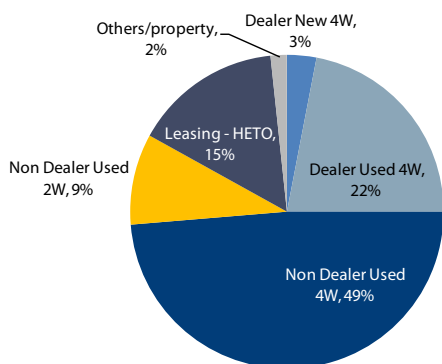
Source: Company, Mandiri Sekuritas estimates

FIGURE 2. MANAGED PORTFOLIO BY TYPE AND ORIGIN



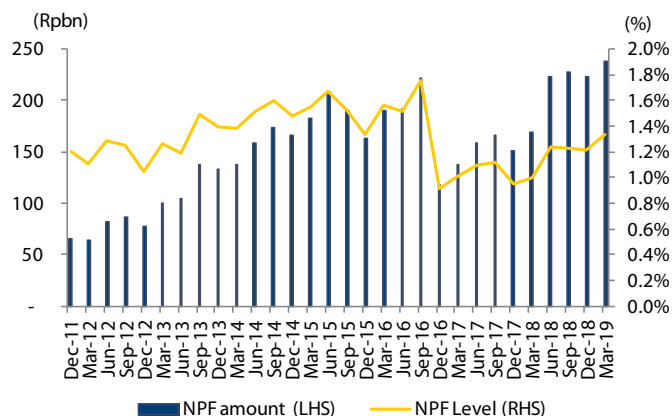
Source: Company, Mandiri Sekuritas estimates

FIGURE 3. MANAGED RECEIVABLES BREAKDOWN - 2018



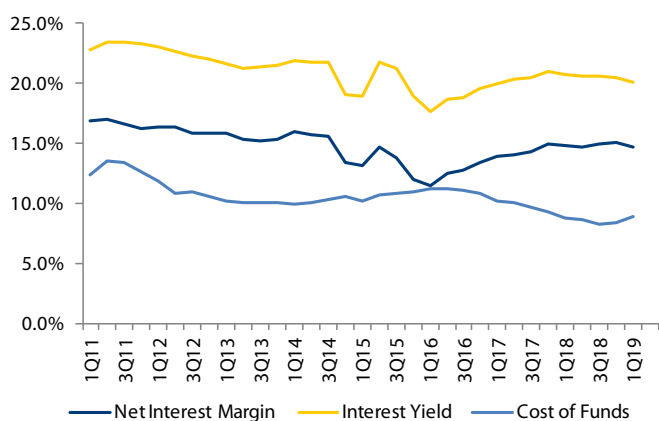
Source: Company, Mandiri Sekuritas estimates

FIGURE 4. NPF LEVEL



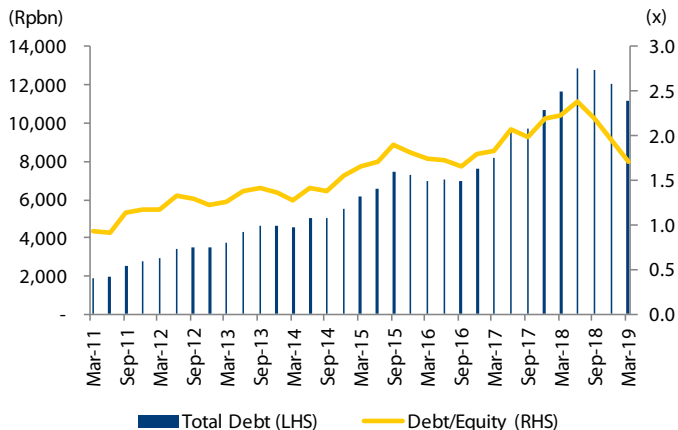
Source: Company, Mandiri Sekuritas estimates

FIGURE 5. YIELD, COF, AND NIM



Source: Company, Mandiri Sekuritas estimates

FIGURE 6. TOTAL DEBTS AND GEARING RATIO

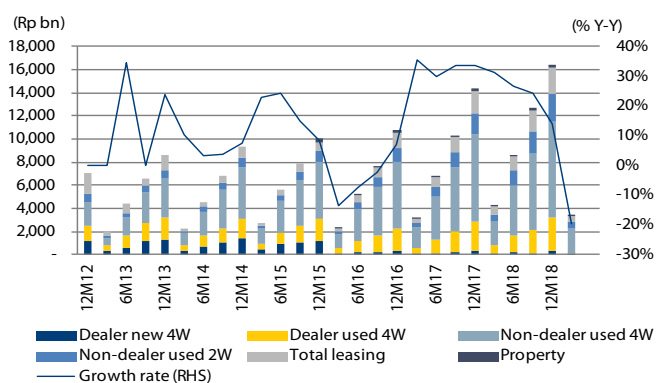


Source: Company, Mandiri Sekuritas estimates

New booking growth expected at 3% for 2019. BFIN recorded -19% new booking growth in 1Q19, indicating weak consumer demand on financing, as indicated in the slow consumer company sales and banking industry loan growth. The company has changed its strategy in reducing its exposure on new booking on dealer used cars financing given the rising competition from other major players. As a result, the composition of new booking in 1Q19 is geared toward non-dealer used car financing, which accounts for 64% of total, followed by non-dealer used motorcycle financing at 18%, heavy equipment leasing at 14%, and dealer used car financing at 2%. These figures are compared to 51%, 15%, 15%, and 16%, respectively, in 1Q18.

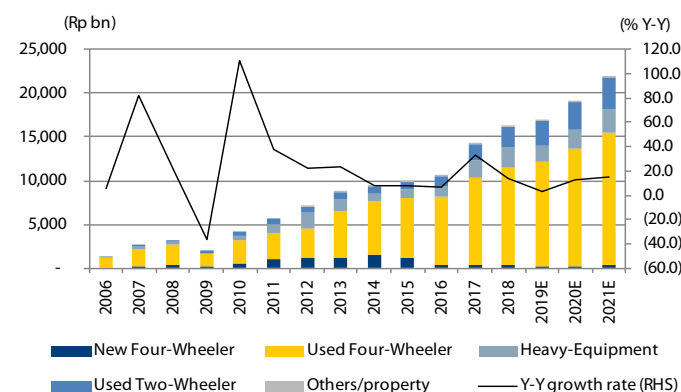
We expect new booking to grow 3% to Rp16.9tr in 2019 with concentration in used car and used motorcycle financing, which account for 70% and 16% of total new booking, respectively. This trend is forecast to continue in 2020 with +13% new booking growth.

FIGURE 7. QUARTERLY NEW BOOKING BY TYPE AND ORIGIN



Source: Company, Mandiri Sekuritas estimates

FIGURE 8. EXPECTED NEW BOOKING BREAKDOWN

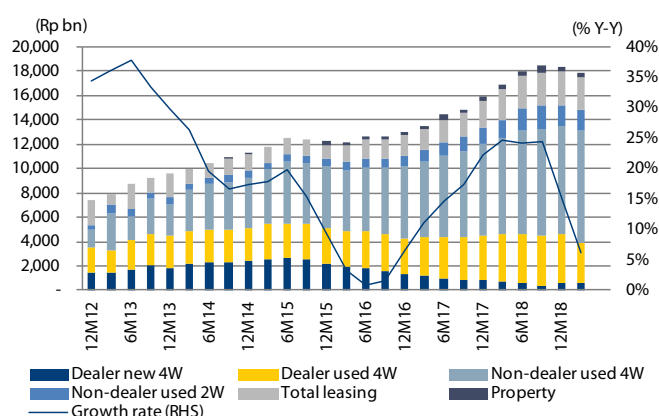


Source: Company, Mandiri Sekuritas estimates

Given the shift in financing concentration, non-dealer used car financing has been shifted more toward non-dealer used car financing, which accounts for 51% of the total as of Mar-19, up from 47% a year ago. This is at the expense of dealer used car financing, which declined to 19% from 23% over the same period. Non-dealer motorcycle financing has also increased to 10% from 9%, while heavy equipment leasing is maintained at 15%. BFIN has been shying away from the low yield dealer new car financing given the intensifying competition in the business.

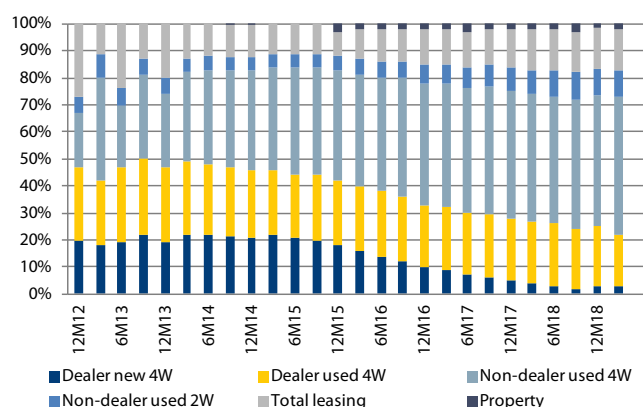
Managed receivables increased +6% yoy in Mar-19 after growing 15% yoy in 2018. The typical 1–4 year financing tenors for used motorcycles and used cars financing (resulting in fast run-off on the existing receivables and the negative new booking growth in 1Q19) cause the managed receivables to grow at a low level. We expect the managed receivables to grow +5% in 2019 and 12% in 2020.

FIGURE 9. QUARTERLY MANAGED RECEIVABLES BY TYPE AND ORIGIN



Source: Company, Mandiri Sekuritas estimates

FIGURE 10. QUARTERLY MANAGED RECEIVABLES BREAKDOWN

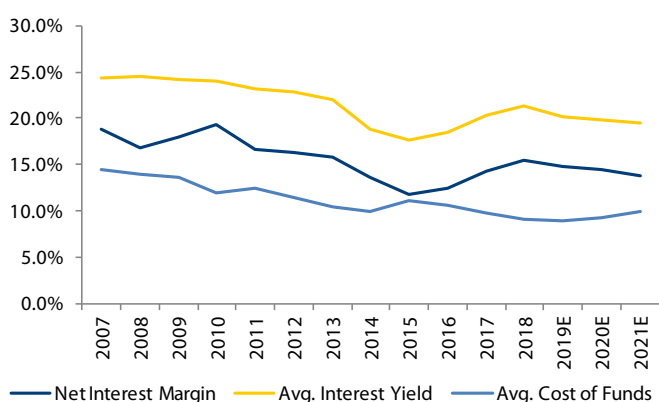


Source: Company, Mandiri Sekuritas estimates

Margin is expected to decline to 14.8% in 2019. BFIN recorded NIM of 14.6% in 1Q19, down from 15.0% in 4Q18 and 14.9% in 4Q18 given the average interest yield reduction as well as rising cost of funds. We expect a slight improvement in margin of 20-30bps in the coming quarters to come up with the 14.8% for 2019. The portfolio shifting towards the higher yield non-dealer car financing should help support margin improvement and the expected lower interest rates in the last quarter to reduce cost of funds.

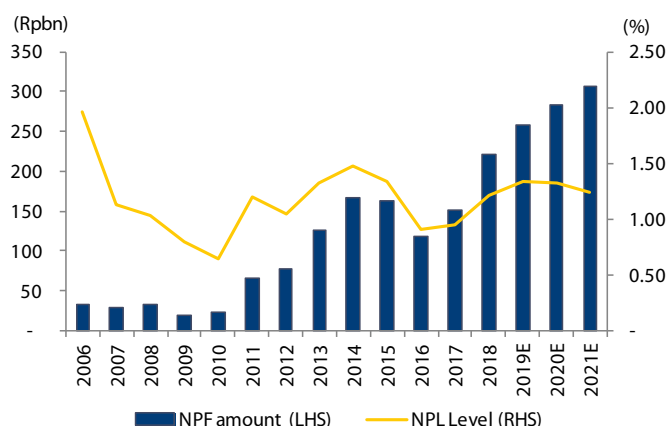
NPF expected to rise to 1.4% in 2019. From 1.3% NPF level in Mar-19 we anticipate additional asset quality deterioration with the expected NPF of 1.4% by the yearend. Coverage ratio, which stood at 162% in Mar-19 is projected to stay at 150% level. The management indicated that there is insignificant impact on the implementation of IFRS 9 on the company.

FIGURE 11. NET INTEREST MARGIN



Source: Company, Mandiri Sekuritas estimates

FIGURE 12. NPF LEVEL



Source: Company, Mandiri Sekuritas estimates

BFI Finance

Profit & Loss					
YE Dec (Rp Bn)	2017A	2018A	2019F	2020F	2021F
Interest Income	2,992	3,759	3,953	4,208	4,694
Interest Expense	(896)	(1,036)	(1,063)	(1,144)	(1,354)
Net Interest Inc.	2,097	2,723	2,891	3,064	3,341
Other Oper. Inc.	1,050	1,259	1,249	1,369	1,545
Operating Exp.	(1,356)	(1,633)	(1,737)	(1,917)	(2,176)
Personnel Exp..	(869)	(1,050)	(1,107)	(1,218)	(1,381)
G & A	(482)	(567)	(610)	(677)	(769)
Others	(5)	(16)	(20)	(22)	(26)
Pre-Prov. Profit	1,791	2,349	2,403	2,516	2,709
Provision Exp.	(303)	(509)	(594)	(593)	(611)
Operating Inc.	1,488	1,840	1,808	1,923	2,099
Pre-tax Income	1,488	1,840	1,808	1,923	2,099
Tax Expenses	(300)	(372)	(368)	(391)	(425)
Minority Int.	0	0	0	0	0
Net Profit	1,188	1,468	1,441	1,532	1,674

Balance Sheets					
YE Dec (Rp Bn)	2017A	2018A	2019F	2020F	2021F
Assets					
Cash	225	755	869	999	1,179
Due to BI	0	0	0	0	0
Interbank Placement	0	0	0	0	0
Securities-Net	0	0	0	0	0
Gross Loan	15,412	17,658	18,208	20,210	22,922
Loan Loss Prov.	(237)	(378)	(387)	(399)	(431)
Fixed Assets	457	530	600	675	756
Other Assets	626	551	568	610	660
Total Assets	16,483	19,117	19,858	22,094	25,085
Liabilities & Equity					
Liabilities					
Demand Deposits	0	0	0	0	0
Saving Deposits	0	0	0	0	0
Time Deposits	0	0	0	0	0
Total Third Party Funds	0	0	0	0	0
Deposits From Oth. Banks	0	0	0	0	0
Securities Issued	0	0	0	0	0
Borrowings	6,819	6,900	7,014	8,345	9,696
Subordinated Loan	0	0	0	0	0
Other Liabilities	4,760	6,014	5,640	5,445	5,871
Total Liabilities	11,579	12,914	12,654	13,790	15,567
Minority Interest	0	0	0	0	0
Shareholder's Equity	4,904	6,204	7,204	8,304	9,519
Total Liab. and Equity	16,483	19,117	19,858	22,094	25,085

Key Ratios					
YE Dec (Rp Bn)	2017A	2018A	2019F	2020F	2021F
Growth (% YoY)					
Assets	32.1	16.0	3.9	11.3	13.5
Loans	31.0	14.6	3.1	11.0	13.4
Earnings Assets	31.0	14.6	3.1	11.0	13.4
Non-Performing Loans	27.7	46.7	16.0	10.0	8.0
Deposits	0.0	0.0	0.0	0.0	0.0
Shareholders' Equity	15.3	26.5	16.1	15.3	14.6
Net interest income	28.6	29.9	6.1	6.0	9.0
Non-interest income	30.4	19.9	(0.8)	9.6	12.8
Operating expenses	19.3	20.4	6.4	10.4	13.5
Pre-provision profit	37.9	31.2	2.3	4.7	7.7
Net profit	48.7	23.6	(1.9)	6.4	9.2
Common Ratios (%)					
NIM	14.3	15.4	14.8	14.4	13.8
LDR	0.0	0.0	0.0	0.0	0.0
NPL	1.0	1.3	1.4	1.4	1.3
Coverage ratio	156.9	170.2	150.1	140.9	140.8
ROAE	25.9	26.4	21.5	19.8	18.8
ROAA	8.2	8.2	7.4	7.3	7.1
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
Other Ratios (%)					
Yield on earning assets	20.4	21.3	20.2	19.8	19.4
Avg. cost of funds	9.7	9.1	8.9	9.3	9.9
Net Interest Spread	10.6	12.2	11.3	10.5	9.5
CASA deposits	0.0	0.0	0.0	0.0	0.0
Cost to income	43.1	41.0	42.0	43.3	44.5
Equity to assets	29.8	32.5	36.3	37.6	37.9
Dividend payout	42.8	16.3	30.6	28.2	27.5
Effective tax rate	20.2	20.2	20.3	20.3	20.2

Valuations					
YE Dec	2017A	2018A	2019F	2020F	2021F
EPS	79	98	96	102	112
BVPS	328	415	481	555	636
DPS	34.0	16.0	29.4	28.9	30.7
Valuations					
P/BV (x)	2.0	1.5	1.3	1.2	1.0
P/E (x)	8.1	6.5	6.6	6.3	5.7
P/PPOP (x)	5.3	4.1	4.0	3.8	3.5
Dividend yield (%)	5.3	2.5	4.6	4.5	4.8

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 10%) and Sell (-15% or lower).

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