



Mandiri Sekuritas Analyst

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Sector: Multifinance

BUY

Current Price	Rp416
Target Price	Rp475 (+14.2%)
52-wk range	Rp615 - Rp232

Stock Data

Bloomberg Code	BFIN JJ
Mkt.Cap (Rp bn/US\$ mn)	6,642 / 453
Issued Shares (mn)	15,967
Avg. Daily T/O (Rp bn/US\$ mn)	4.1/0.3

Key Financials

	2020F	2021F	2022F
EPS	52	56	80
PE (x)	8.0	7.4	5.2
PBV (x)	0.9	0.9	0.8
P/PPOP (x)	3.3	3.6	3.2
EPS Growth (%)	9.7	7.7	42.3
Div. Yld (%)	2.9	3.8	4.7
ROAE (%)	12.2	12.0	15.5



Conference Call Key Takeaways

We held a conference call with BFIN's CFO and IR, discussing 2H20 expectations on financing demand, restructured receivables, loss on asset repossession, and credit cost. Business is slowly recovering after the worst time in 2Q20. With more write-offs, expect NPF of 3% by yearend with credit cost estimated at 5%.

Higher financing demand in Aug-20. The company has seen higher new financing booking of more than +50% MoM in Aug-20, and it expects the growing trend to continue in the following months. BFIN will mainly target the bigger ticket-size financing for now, given that the lower ticket-size financing (i.e. on motorcycle) has been heavily impacted by the pandemic, and it's more difficult to repossess the assets at times like this. However, the company is not aiming to grow the business and is mainly trying to maintain its market presence. It has implemented stricter criteria for new customers, wherein credit approval will be given to those with good capacity rather than good collateral value. The company has no intention to participate in the 0% down payment recently introduced by the central bank for finance companies with less than 5% non-performing financing.

25% of customers are eligible for interest subsidy. Around 25% of the customers, , are eligible for the government's interest subsidy, worth around Rp20bn-25bn of monthly interest income, and the company is in the process of submitting applications to the government for subsidy claim. The company claims that it is among the financing companies that have received a substantial amount of subsidy compared to other financing companies given its market segment in the lower income segment.

New restructured receivables to decline in 2H20. As of Jun-20, BFIN has restructured around 25% of its managed receivables, and this has risen to 30% in Jul-20. It anticipates the restructuring to increase at a much slower rate in 2H20, and this should give limited impact to margin changes. The company states that it implements the accrual basis for most of the restructured receivables, except for those under the payment holiday, which stood around 1% of total receivables.

Loss on asset repossession reached 20%. Given the large-scale social distancing, BFIN has only been able to conduct asset repossession starting in 2H20. Normally, it incurs a maximum loss of 5% during asset repossession; however, since the economy has been severely impacted, the loss has increased to 25%. It has adequately provisioned the higher loss rate into its projection and expects the loss rate to decline to 10-15% in 2H20.

FY20 credit cost outlook at 5%. The company expects credit cost (including new provisions) to be at 5%, hence there will be more provisioning in 2H20. Meanwhile, FY20 net write-off could be double from last year, especially in non-dealer 2-W financing, while non-operating financing is expected to decline to 3% by the yearend from 3.7% in Jun-20.

Liquidity is more than adequate. BFIN recently issued Rp500bn rupiah bonds, and it does not need to raise more funding in 2H20 given the high liquidity it has to support business activity. Going forward, the company will still focus on several sources of financing, i.e. bilateral loan facilities, syndicated loans, bonds, and offshore funding. Meanwhile, digitalization of the process is underway to speed up the financing process, in cooperation with a foreign fintech company.

Maintain Buy with TP of Rp475. BFIN is currently trading at 0.9x P/BV for 2020F.

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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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