

Bank Rakyat Indonesia Tbk (BBRI)

Kupedes, the New Growth Driver

BBRI posted a 1Q23 Net Profit of IDR 15,564 T, an increase of 27.4% YoY (1Q22: IDR 12,167 T) and +29% QoQ (4Q22: IDR 12,014 T). This brilliant performance was supported by NIM, which increased by 10 Bps to 7.82% YoY this quarter. The increase in Net Profit was supported by growth in Net Interest Income (NII) of +16.7% QoQ (1Q22: IDR 30,407 T) and + 7.8% YoY (4Q22: IDR 28,090 T) to IDR 32,779 T. Moreover, PPOP also increased by +26.5% QoQ (1Q22: IDR 22,794 T) and +7.8% YoY (4Q22: IDR 18,883 T) to IDR 25,153 T, where BBRI quite successfully carried out cost and performance efficiency through digitalization and optimization with BBRI's existing ecosystem.

Credit Performance Can Still Grow & Kupedes as BBRI's New Growth Driver

- Total loans disbursed by BBRI (Consolidated) at the beginning of 1Q23 increased year-on-year by 9.7% to IDR 1,180.1 T (1Q22: IDR 1,075.9). From the lending segment, BBRI's loan growth was still rising in all segments, especially with the Micro segment as the main contributor to the most significant portion of loan disbursement; this segment recorded a growth of 11.2% YoY. Furthermore, the loan growth happened along with Consumer and Medium Enterprise and Corporate, which grew 13.7% YoY, 16.2% YoY and 10.3% YoY, respectively. The loan growth in this quarter still does not reflect the management's guidance, where the expectation for FY2023 is that the loan growth target will reach 10-12%, thus leaving room for the loan to grow.
- As for the proportion of lending, the Micro segment in this quarter grew by 0.6% to 47.7% YoY. BBRI's new growth driver, Kupedes, experienced an increase in loans disbursed, whereby it grew by 29.3% YoY to IDR 165.7T (1Q22: IDR 128.1T) as well as an increase in the number of Kupedes creditors by 43% YoY to 3.7 million customers (1Q22: 2.6 million customers). BBRI will focus more on its commercial micro-product segment growth in the post-pandemic period. Aside from Kupedes as a new growth driver for BBRI, the focus will be on the Ultra Micro segment through PNM and Pegadaian.
- As for the quality of BBRI's loan portfolio at the beginning of 1Q23, NPL fell quite sharply on a year-on-year basis by 23 Bps to 2.86% from 3.09% in 1Q22. However, the NPL increased by 19 Bps QoQ, which may be reduced to 2.6%-2.8% based on management's direction for FY23. The Cost of Credit (CoC) level dropped significantly by 38 Bps YoY and 16 Bps QoQ to 2.39% (1Q22 2.78%; 4Q22: 2.55%). The CoC performance in this quarter aligned with management's guidance (CoC FY23: 2.2%-2.4%).

CASA Level Remains Stable, but Cost of Fund (CoF) Tends to Increase

- Starting this 1Q23 performance, BBRI's CASA increased by 13% YoY to IDR 810.1 T (1Q22: IDR 716.9 T); this increase was supported by growth in Current Account and Saving Account deposits by 36.16% and 2.23% YoY respectively, yet decreased by -11.40% and -4.29% QoQ respectively. Meanwhile, deposits increased by 8.71% YoY, resulting in the CASA ratio growing by 0.89% to 64.52% YoY (1Q22: 63.63%). Overall, BBRI's performance in terms of CASA was considered quite strong, with total deposits rising 11.45% YoY to IDR 1,255.5 T (1Q22: IDR 1,126.5 T).
- The problem in this quarter is the high CoF, with an increase of 72 Bps to 2.68% YoY due to global interest rates that tend to increase, as well as the holiday preparation moment in March & April 2023, in which there are indications that CoF will increase throughout the rest of 2023.

Buy Recommendation with TP at IDR 6,000 Level (+15.38% Upside)

- NHKSI Research remains to recommend Buy for BBRI, with a TP of IDR 6,000 (+15.38% Upside), which reflects an F/P/BV of 2.8x FY23F. As of now, BBRI is being traded at a 2.8x PBV level, a difference from the last five years when BBRI was being traded at an average of 2.5x PBV, indicating that BBRI has a reasonably premium valuation. The catalyst can justify BBRI's price is a better performance in 2023 (loan growth, especially Kupedes & ultra-micro segment contribution as high yield-loan, and CoC and CoF that can be reduced). The risks include the unfavourable macro situation, the expectation of loan growth and underperformance.

Bank Rakyat Indonesia Tbk | Summary (IDR Bn)

	2022/12A	2023/12F	2024/12F	2025/12F
Interest Income	151,875	171,761	192,801	216,266
Interest Income growth	5.8%	13.1%	12.2%	12.2%
Operating Revenue	173,477	188,765	213,695	236,048
Net profit	51,171	56,663	63,838	71,768
EPS (IDR)	338	374	421	474
EPS growth	55.8%	10.7%	12.7%	12.4%
BVPS (IDR)	2,002	2,063	2,121	2,313
Net Interest Margin	7.8%	7.9%	7.9%	8.0%
Loan/Deposits	87.1%	89.8%	87.6%	82.2%
NPL	2.7%	2.7%	2.7%	2.7%
ROE	17.2%	18.4%	20.1%	21.4%
ROA	2.9%	2.9%	3.0%	3.0%
Non-Int. Inc. /Op. Rev	28.2%	27.6%	27.9%	27.8%
P/E	15.5x	16.0x	16.0x	16.0x
P/BV	2.6x	2.9x	3.2x	3.3x
DPS (IDR)	288	316	322	332
Dividend yield	5.49%	5.26%	4.77%	4.37%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Report | Mei. 19, 2023

Buy

Target Price (IDR)	6,000
Consensus Price (IDR)	5,825
TP to Consensus Price	+3.00%
Potential Upside	+15.38%

Shares data

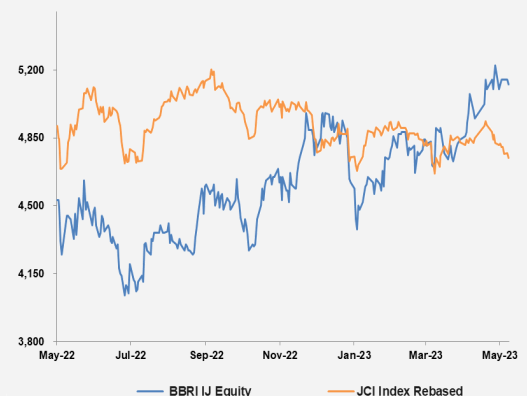
Last Price (IDR)	5,200
Price date as of	17-Mei-23
52 wk range (Hi/Low)	5,275 / 3,960
Free float (%)	46.8
Outstanding sh.(mn)	151,559
Market Cap (IDR bn)	791,896
Market Cap (USD mn)	53,247
Avg. Trd Vol - 3M (mn)	124.56
Avg. Trd Val - 3M (bn)	610.82
Foreign Ownership	27.30%

Finance

Bank

Bloomberg	BBRI.IJ
Reuters	BBRI.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	11.1%	4.2%	6.6%	16.9%
Rel. Ret.	14.0%	6.0%	9.9%	16.6%

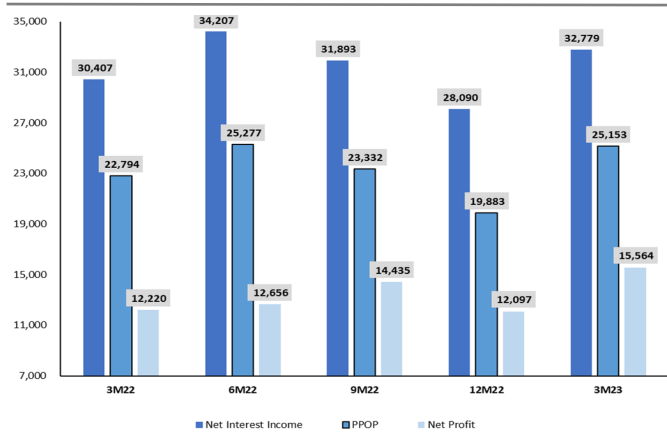
Leonardo Lijuwardi

(021) 5088 9127

Leonardo.lijuwardi@nhsec.co.id

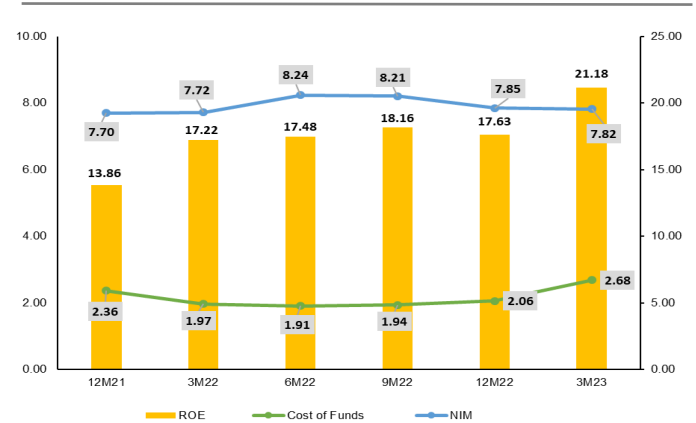
Performance Highlights

Financial Performance (IDR Bn)



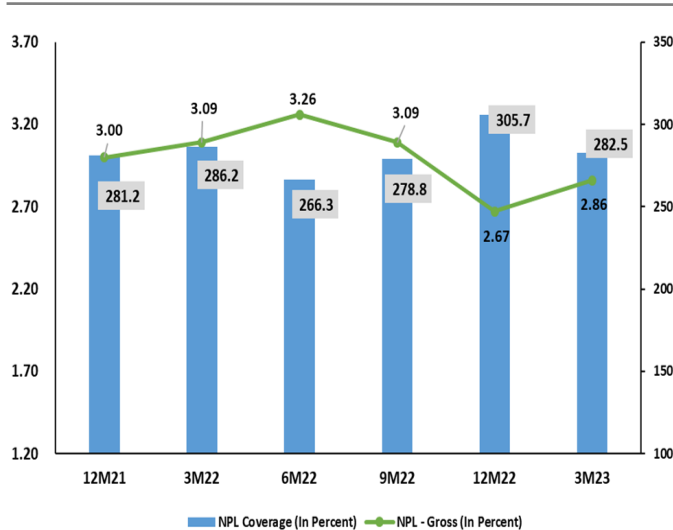
Source: Company, NHKSI Research

Profitability Ratios (%)



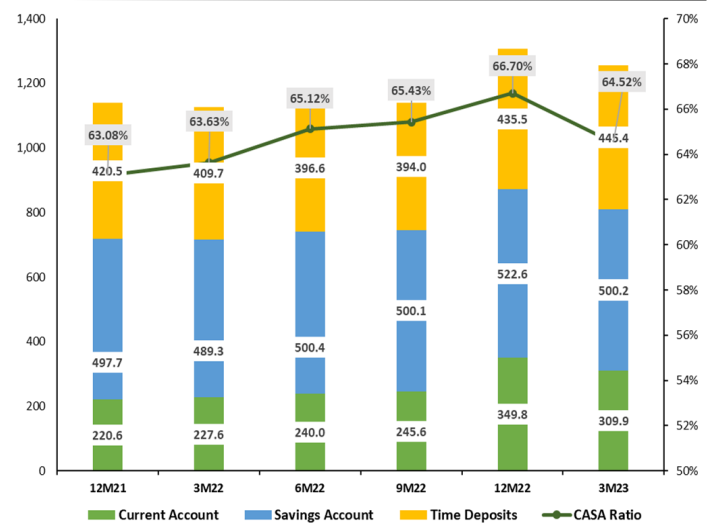
Source: Company, NHKSI Research

Asset Quality (%)



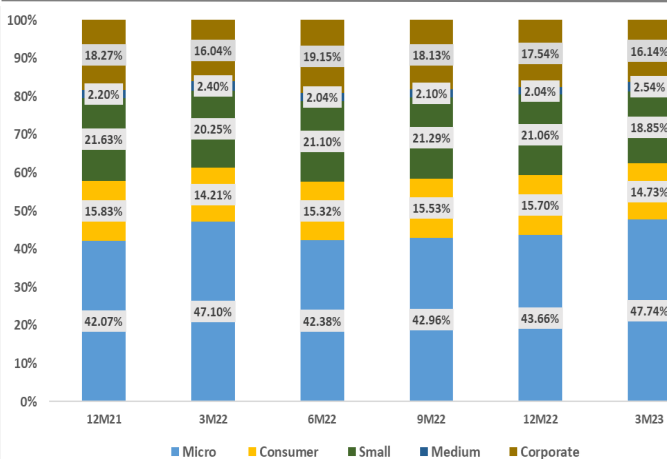
Source: Company, NHKSI Research

Third Party Funds Composition (IDR Trn)



Source: Company, NHKSI Research

Loan Breakdown By Segment



Source: Company, NHKSI Research

F-PBV | Last 3 Years



Source: Company, NHKSI Research

Summary of Financials

INCOME STATEMENT				
(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Interest Income	151,875	171,761	192,801	216,266
Growth (% y/y)	5.8%	13.1%	12.2%	12.2%
Interest Expenses	(27,278)	(35,108)	(38,712)	(45,721)
Net Interest Income	124,597	136,653	154,089	170,545
Net Interest Margin	7.85%	7.90%	7.95%	7.98%
Net Fee Income	18,795	20,525	23,194	25,643
Trading Income	2,796	4,699	4,378	5,355
Other Operating Income	27,289	26,888	32,034	34,506
Operating Revenue	173,477	188,765	213,695	236,048
Operating Expenses	(82,192)	(90,719)	(102,058)	(113,088)
Pre-provisioning OP	91,285	98,046	111,637	122,960
Provision for Impairment	(26,979)	(27,320)	(31,872)	(33,331)
EBT	64,597	70,789	79,799	89,787
Income Tax	(13,188)	(13,992)	(16,069)	(17,893)
Non-controlling Interest	238	(135)	(72)	(126)
Net Profit	51,171	56,663	63,838	71,768
Growth (% y/y)	55.8%	10.7%	12.7%	12.4%

PROFITABILITY & STABILITY				
	2022/12A	2023/12F	2024/12F	2025/12F
ROE	17.2%	18.4%	20.1%	21.4%
ROA	2.9%	2.9%	3.0%	3.0%
Non-Int. Inc. /Op. Rev	28.2%	27.6%	27.9%	27.8%
Cost/Income	47.4%	48.1%	47.8%	47.9%
Cash Dividend (IDR bn)	43,654	47,871	48,831	50,303
Dividend Yield (%)	5.5%	5.3%	4.8%	4.4%
Payout Ratio (%)	85.3%	84.5%	76.5%	70.1%
Loan/Deposits	87.1%	89.8%	87.6%	82.2%
Loan/Assets	61.1%	63.0%	62.6%	59.1%
NPL	2.67%	2.71%	2.68%	2.65%
Loan Loss Res./Loan	8.2%	8.6%	9.0%	9.7%
CASA/Deposits	66.7%	69.9%	73.3%	76.9%
Time Deposits/Deposits	33.3%	30.1%	26.7%	23.1%
Par Value (IDR)	250	250	250	250
Total Shares (mn)	151,559	151,559	151,559	151,559
Share Price (IDR)	5,250	6,000	6,760	7,599
Market Cap (IDR tn)	795.7	909.4	1,024.5	1,151.8

BALANCE SHEET				
(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Cash	27,407	5,983	28,075	185,504
Placement in Banks	242,807	215,397	270,383	275,364
Net Loans	1,045,989	1,161,704	1,282,592	1,377,343
Investment	387,764	454,965	476,518	529,587
Fixed Asset	55,216	60,953	72,041	85,226
Other Assets	106,458	112,734	128,692	137,187
Total Assets	1,865,639	2,027,177	2,261,740	2,593,650
Deposits	1,307,884	1,421,733	1,616,555	1,864,506
Debt	162,817	192,748	210,202	247,610
Other liabilities	91,543	100,048	113,452	131,030
Total Liabilities	1,562,244	1,714,529	1,940,210	2,243,146
Capital Stock & APIC	83,215	83,215	83,215	83,215
Retained Earnings	201,170	205,801	208,808	230,273
Shareholders' Equity	303,395	312,648	321,530	350,505

VALUATION INDEX				
	2022/12A	2023/12F	2024/12F	2025/12F
Price /Earnings	15.55x	16.05x	16.05x	16.05x
Price /Book Value	2.62x	2.91x	3.19x	3.29x
Price/Op. Revenue	4.59x	4.82x	4.79x	4.88x
PE/EPS Growth	0.28x	1.50x	1.27x	1.29x
EV/Operating Revenue	5.39x	5.84x	5.68x	5.19x
EV/PPOP	10.24x	11.24x	10.88x	9.96x
EV (IDR bn)	935,196	1,101,861	1,214,673	1,225,131
Op. Rev. CAGR (3-Yr)	16.0%	19.9%	11.0%	10.8%
EPS CAGR (3-Yr)	14.2%	44.8%	24.8%	11.9%
Basic EPS (IDR)	337.6	373.9	421.2	473.5
Diluted EPS (IDR)	338	374	421	474
BVPS (IDR)	2,002	2,063	2,121	2,313
Op. Revenue PS (IDR)	1,145	1,245	1,410	1,557
DPS (IDR)	288	316	322	332

CASH FLOW STATEMENT				
(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Operating Cash Flow	60,177	107,708	27,912	100,847
Investing Cash Flow	(100,589)	(221,529)	(175,141)	(185,982)
Financing Cash Flow	154,710	92,398	169,320	242,565
Net Changes in Cash	114,298	(21,423)	22,091	157,430

OWNERSHIP			
By Geography		% Shareholders	%
Indonesia	72.71	Republic of Indonesia	53.19
United States	11.73	JP Morgan Chase	2.18
Luxembourg	4.10	Vanguard Group	1.87
Others	11.46	Others	42.76

Source: NHKSI Research, Bloomberg

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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