

Stable earnings improvement continues

7 September 2023



BMRI IJ	BUY
Sector	Banks
Price at 6 Sept 2023 (IDR)	6,050
Price target (IDR)	6,300
Upside/Downside (%)	4.1

Stock Information

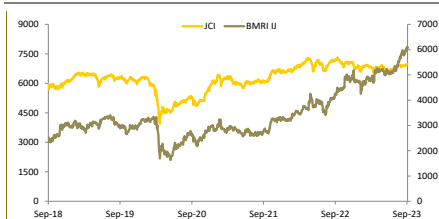
PT Bank Mandiri (Persero) Tbk (Persero) Tbk is a state-owned bank offering a range of banking products and services to its customers from individuals and SMEs to corporations. The bank is formed by a merger of four state-owned banks.

Market cap (IDR bn)	569,333
Shares outstanding (mn)	93,333
52-week range (Rp)	4,362-6,150
3M average daily vol. ('000)	95,230
3M average daily val. (Rp mn)	521,951

Shareholders (%)

Republic of Indonesia	52.0
Public	48.0

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	3.0	20.4	36.3

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BMRI continue to record another strong result whereas earnings, both in 7M23 and Jul '23 grew strongly by 26.5% and 40.4% yoy, respectively. 7M23 loan grew 10.2% yoy, while TPF recorded 13.2% yoy higher. Key metrics also recorded another solid figure with NIM expansion and cost of credit improvement remain intact. Latest concern on cautious liquidity and stiffer deposit competition should not become major concerns for BMRI, in our view. Continuous improvement in asset quality and better cost of credit (bank only Jul '23: 0.93%) will also helped BMRI to continue recording solid '23F earnings. Maintain BUY, with a target price of IDR6,300 (2.3x '23F P/B) while it is currently trading at 2.2x/2.1x '23F/'24F P/B, or around at its +2SD of 10-yr hist mean of 2.1x.

Another solid bank only monthly growth

Following its solid 1H23 result, BMRI recorded another solid monthly result. 7M23 bank only earnings grew 26.5% yoy to IDR27.4 tn driven by healthy growth from top to bottom. Net interest income booked 13.9% yoy higher despite mounting interest expenses (56.9% yoy) which largely being offset by solid interest income growth of 22.6% yoy at IDR55.84 tn. Operating income growth at 25% yoy was backed by manageable opex as well as supported by steady decline in provisions as asset quality improvement remain intact. On Jul '23 stand alone, PATMI grew even stronger at 40.4% yoy helped by solid growth in net interest income and PPOF as well as coupled with provisions sharp drop by 60.2% yoy.

Solid loan demand with sturdy deposits growth

In the same period, bank only total loan grew 10.2% yoy and arrives within management's '23 guidance at 10%-12%. All sectors still saw higher loan demand, while in terms of segment, working capital and consumer will continue to become as main loan drivers. Corporate demand loan appetite should continue to be cautious and stand still on wait and see stance as the upcoming election event is approaching, in our view. Meanwhile, higher total deposits of 13.2% yoy was mainly helped by sturdy demand deposits growth of 28.3% yoy (SA growth: 7.0% yoy). We also like BMRI's 7M23 CASA figures growth at 17.0% yoy, which also underpin by the low yet stable TD growth (7M23: 1.5% yoy).

Improving key performance remains

Key performance metrics improvement remains on track. NIM expansion successfully managed, reported around 3bps stronger to 5.55% in 7M23 and arrives within '23F guidance of 5.3%-5.6%. CoC also continue to note a better figure, improving by around 25bps yoy to 0.93% and within BMRI's target of 1.1%-1.3%. On its watchlist SoE construction debtors, which amounting around 2% of total loan (total WSKT and WIKA around IDR 10.45 tn), BMRI has formed coverage approximately 70% for WSKT (IDR4.55 tn and IDR2.4 tn is govt guaranteed loan) and 30% for WIKA (IDR3.5 tn).

KBVS and street '23F still looks achievable

With its continuing solid 7M23 bank only earnings result and assuming flattish PATMI growth in Aug '23 and Sept '23, 9M23 earnings will reach IDR36.31 tn, or grew 18.5% yoy and slightly surpassing our 9M23F for BMRI by 2.5% (IDR35.42 tn), ceteris paribus. As such, we think ours and street '23F net profit forecasts for BMRI remain on track and likely to be achieved. In all, we think the year-to-date overall performance remain on track to support '23F earnings growth at 14.8% yoy to IDR47.24 tn. We do aware that industry liquidity concern starts to emerge. Yet, we believe for big banks like BMRI, TPF will be adequate to capture and support the overall loan demand in the remaining quarters of this year. We also view key metrics should remain on track helped by stable NIM, manageable opex, continuing credit cost improvement and steady soft provisions.

Maintain BUY with target price of IDR6,300

Our target price is based on Gordon Growth Model with fair 2023F P/B of 2.3x. BMRI is currently trading at 2.2x/2.1x '23F/'24F P/B, or around its +2SD of 10-yr hist mean of 2.1x. Risks to our call are: a) lower-than-expected loan growth, NIM and loan yield, b) higher than expected CoC and c) higher inflation, slowing economic activity and d) deteriorating asset quality.

Key Statistics

Year-end Dec	2021A	2022A	2023F	2024F	2025F
Net interest income	73,062	87,903	98,529	112,247	123,205
Non-interest income	34,061	37,648	40,883	43,482	46,985
Total operating income	107,124	125,551	139,411	155,729	170,190
Pre-provision operating profit	57,984	72,291	81,994	93,343	103,437
Net profit	28,028	41,171	47,249	49,682	53,578
EPS (IDR)	300	441	506	532	574
EPS growth (%)	66.8	46.9	14.8	5.1	7.8
PER (x)	20.3	13.8	12.0	11.5	10.6
PBV (x)	2.8	2.5	2.3	2.2	2.1
Div. Yield (%)	3.0	5.1	5.8	5.2	5.6
ROE (%)	14.2	19.0	19.7	19.6	20.2

Source: Company, KB Valbury Sekuritas

Figure 1: BMRI's Bank only financial overview

Income Statement (IDRbn)	5M23	6M23	7M23	6M23 YoY (%)	7M23 YoY (%)	2023F	% to '23F con.
Interest income	39,009	47,222	55,842	22.1	22.6	124,409	44.9%
Interest expense	(10,118)	(12,189)	(14,401)	56.9	56.9	(25,880)	55.6%
Net interest income	28,891	35,034	41,441	13.3	13.9	98,529	42.1%
Non Int Inc & others	11,436	14,320	16,952	11.6	15.0	40,883	41.5%
Total Income	40,327	49,354	58,393	12.8	14.2	139,411	41.9%
Opex	(13,336)	(16,199)	(19,422)	3.5	7.6	(57,417)	33.8%
PPOP	26,991	33,155	38,971	18.0	17.8	81,994	47.5%
Provision	(4,231)	(4,901)	(5,350)	(3.0)	(13.5)	(18,640)	28.7%
Operating income	22,759	28,253	33,621	22.6	25.0	63,354	53.1%
Others income (exp)	29	32	35	357.7	283.3	210	16.8%
PBT	22,788	28,286	33,656	22.7	25.1	63,563	52.9%
Tax	(4,340)	(5,283)	(6,217)	17.3	19.4	(13,136)	47.3%
Minority interest	0	0	0	0.0	0.0	(3,178)	0.0%
Net Profit	18,449	23,002	27,439	24.1	26.5	47,249	58.1%

Source : Company, KB Valbury Sekuritas

Income Statement (IDRbn)	May-23	Jun-23	Jul-23	MoM (%)	YoY (%)
Interest income	8,106	8,214	8,619	4.9	25.4
Interest expense	(2,150)	(2,071)	(2,212)	6.8	56.8
Net interest income	5,956	6,143	6,407	4.3	17.3
Non Int Inc & others	2,268	2,884	2,632	(8.7)	37.9
Total Income	8,224	9,027	9,039	0.1	22.6
Opex	(2,618)	(2,863)	(3,223)	12.6	35.0
PPOP	5,607	6,164	5,817	(5.6)	16.7
Provision	(970)	(670)	(449)	(33.0)	(60.2)
Operating income	4,636	5,494	5,368	(2.3)	39.2
Others income (exp)	18	3	3	0.7	40.5
PBT	4,654	5,497	5,371	(2.3)	39.2
Tax	(875)	(943)	(934)	(1.0)	33.5
Minority interest	0	0	0	0.0	0.0
Net Profit	3,779	4,554	4,437	(2.6)	40.4

Source : Company, KB Valbury Sekuritas

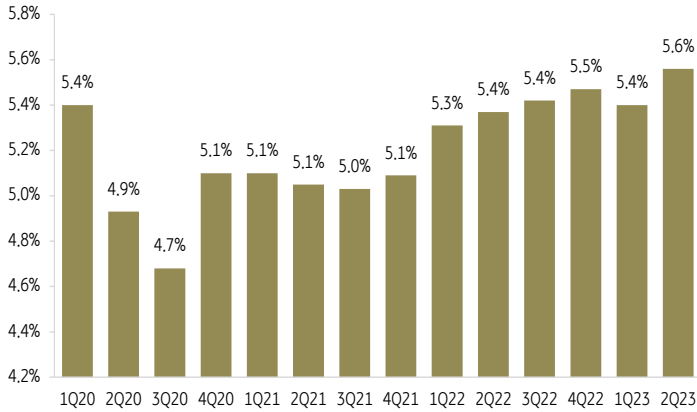
Balance Sheet (IDRbn)	5M23	6M23	7M23	6M23 YoY (%)	7M23 YoY (%)
Total Loan	964,459	984,681	985,346	10.5	10.2
Demand deposits	465,997	459,269	460,324	23.3	28.3
	0	0	0	0.0	0.0
Savings deposits	430,709	433,161	438,087	6.0	7.0
	0	0	0	0.0	0.0
Time deposits	251,244	248,512	248,661	(4.6)	1.5
CASA	896,706	892,430	898,410	14.3	17.0
Total Equity	205,539	210,241	214,634	13.0	12.9

Source : Company, KB Valbury Sekuritas

Key Metrics (%)	5M23	6M23	7M23	6M23 YoY (%)	7M23 YoY (%)
NIM	5.6	5.5	5.5	0.3	(0.4)
Asset yield (Int Earnings Assets)	7.5	7.4	7.5	0.9	(1.2)
Cost of fund	2.1	2.0	2.1	0.6	0.6
Cost of credit	1.1	1.0	0.9	(0.1)	(0.3)
CASA (IDRbn)	896,706	892,430	898,410	14.3	17.0
CASA	78.1	78.2	78.3	3.2	2.5
Loan to Deposits	84.0	86.3	85.9	0.7	(2.4)
CIR	33.1	32.8	33.3	(3.0)	(2.0)

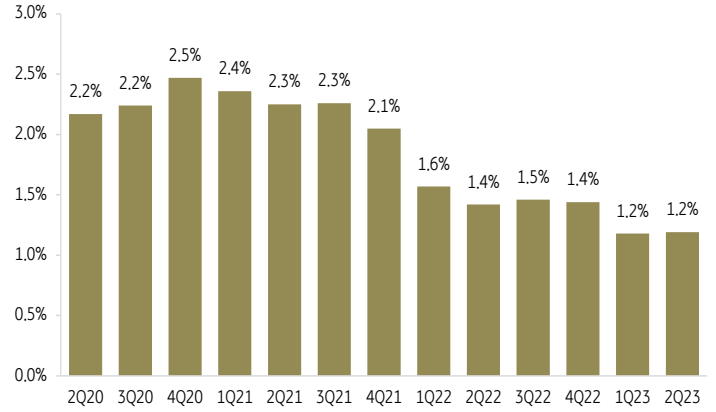
Source : Company, KB Valbury Sekuritas

Figure 2: NIM continue on its trajectory path (%)...



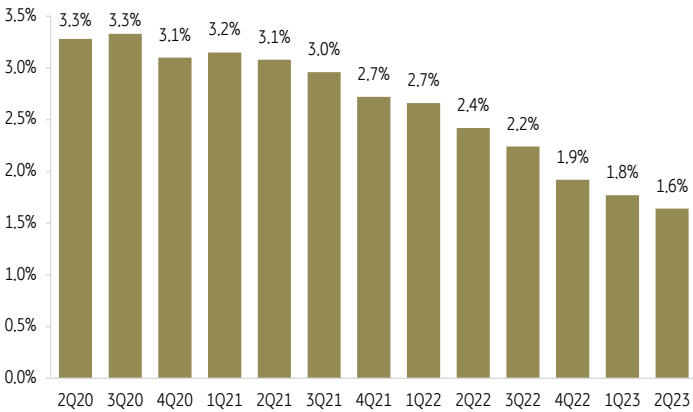
Source: Company

Figure 3: ...with consistent new low level of CoC (%)



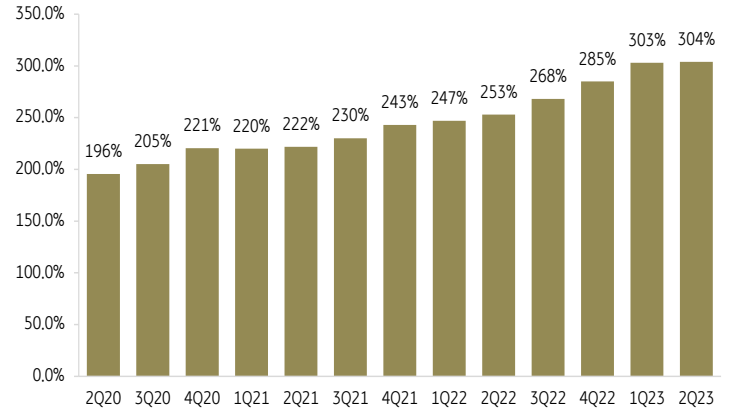
Source: Company

Figure 4: NPL getting healthier as AQ continue to improves (%)...



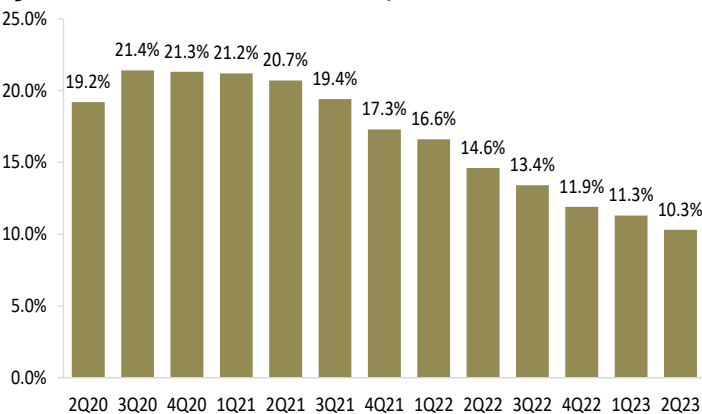
Source: Company

Figure 5: ...and bringing coverage become stronger (%)



Source: Company

Figure 6: LAR inc. Covid restru has back to its pre-covid level in 1Q20 at 10.6% (%)



Source: Company

Figure 7: Currently at 2.2x/2.1x '23F/'24F P/B (at its +2SD of 10-yr hist mean of 2.1x)



Source: Company, Bloomberg, KB Valbury Sekuritas

FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Interest income	97,749	112,382	124,409	138,314	153,144
Interest expenses	(24,687)	(24,479)	(25,880)	(26,067)	(29,939)
Net interest income	73,062	87,903	98,529	112,247	123,205
Non-interest income	34,061	37,648	40,883	43,482	46,985
Total operating income	107,124	125,551	139,411	155,729	170,190
Operating expenses	(49,140)	(53,260)	(57,417)	(62,386)	(66,753)
Pre-provision operating profit	57,984	72,291	81,994	93,343	103,437
Loan loss provision	(19,543)	(16,123)	(18,640)	(21,890)	(22,900)
Pretax profit	38,358	56,378	63,563	71,485	80,569
Tax Expenses	(7,807)	(11,425)	(13,136)	(17,871)	(20,545)
Net profit	28,028	41,171	47,249	49,682	53,578

Source: Company, KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Assets					
Cash	23,948	27,213	31,562	33,970	35,505
Current Account at BI	99,023	107,349	125,530	117,121	128,617
Interbank Loans	73,201	143,110	157,888	125,487	128,617
Govt Treasury Bills & Securities	289,055	329,212	221,043	217,511	232,225
Investment Securities	98,104	82,800	110,211	104,810	88,429
Loan	980,963	1,136,868	1,263,194	1,409,296	1,545,035
Fixed Assets	49,145	56,541	57,241	57,941	58,641
Other assets	112,172	109,452	136,232	143,351	151,109
Total Asset	1,725,611	1,992,545	2,102,902	2,209,486	2,368,177
Liabilities					
Interbank Deposit	13,811	15,781	7,894	8,366	8,932
Customer Deposit	1,291,176	1,490,845	1,578,880	1,673,162	1,786,349
Debts Securities Issued	45,138	45,774	47,366	50,195	53,590
Other Liabilities	153,375	187,899	189,650	192,127	205,374
Total liabilities	1,503,500	1,740,299	1,823,791	1,923,850	2,054,245
Equity					
Capital Stock	11,667	11,667	11,667	11,667	11,667
Additional Paid-in Capital	17,643	17,643	17,643	17,643	17,643
Retained Earnings	142,588	166,995	185,425	202,033	225,802
Other Equity	32,789	33,374	35,667	26,443	16,828
Shareholder's Equity	204,687	229,679	250,402	257,786	271,940
Non-controlling Interest	17,425	22,567	28,709	27,851	41,993
Total Equity	222,111	252,245	279,111	285,636	313,932

Source: Company, KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec	2021A	2022A	2023F	2024F	2025F
NIM (%)	5.1	5.4	5.5	5.7	6.4
LDR (%)	81.3	80.6	84.0	87.8	89.5
CASA (%)	69.7	73.4	74.5	75.6	76.5
NPL (%)	2.7	1.9	2.5	2.2	2.2
ROAE (%)	14.2	19.0	19.7	19.6	20.2
ROAA (%)	1.7	2.2	2.3	2.3	2.3
CAR (%)	19.6	19.5	20.1	21.2	21.1
BVPS (IDR)	2,193	2,461	2,683	2,762	2,914
PER (x)	20.3	13.8	12.0	11.5	10.6
PBV (x)	2.8	2.5	2.3	2.2	2.1
Div. Yield (%)	3.0	5.1	5.8	5.2	5.6

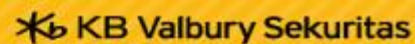
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