

Strong earnings pick-up, raising our '24F EPS

1 November 2023



BMRI IJ	BUY
Sector	Banks
Price at 31 Oct 2023 (IDR)	5,725
Price target (IDR)	6,650
Upside/Downside (%)	16.2

Stock Information

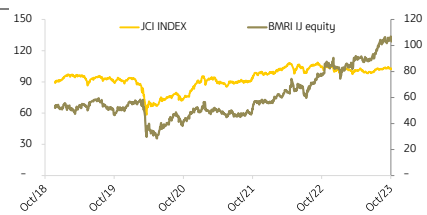
PT Bank Mandiri (Persero) Tbk (Persero) Tbk is a state-owned bank offering a range of banking products and services to its customers from individuals and SMEs to corporations. The bank is formed by a merger of four state-owned banks.

Market cap (IDR bn)	534,333
Shares outstanding (mn)	93,333
52-week range (IDR)	4,450-6,200
3M average daily vol. ('000)	78,610
3M average daily val. (IDR mn)	462,549

Shareholders (%)

Republic of Indonesia	54.9
Public	45.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	-5.8	0.4	9.1

Analyst

Akhmad Nurcahyadi
akhmad.nurcahyadi@kbvalbury.com

BMRI's 9M23 earnings beating ours and street estimates by 82%/81% (5yr hist avg 76%). Net profit grew 27.4% yoy, while 3Q23 stand alone grew even stronger at 32.4% yoy. Loan growth (12.7% yoy) continue sitting on the '23F management upper guidance, while TPF grew acceptably at +6.6% yoy amidst tightening liquidity environment, with low-cost funding remain as the main driver (CASA: 12.8% yoy). Key metrics continue well behaved, moving within its improvement track, with NIM expansion continue by 17bps higher to 5.59%. We revisited our model to accommodate BMRI's solid prospects and raised our '23F/'24F EPS by 5.3%/7.8% on the back of lower CoC assumption. Maintain BUY with a higher rolled-over TP of IDR6,650 (2.4x '24F P/B), while currently trading at 2.0x '24F P/B or below its +2SD hist mean.

9M23 earnings beating ours and consensus expectation

BMRI 9M23 earnings at IDR 39.06 tn mainly driven by solid growth across the P&L boards, with net interest income and PPOP grew by 12.3% yoy and 15.4% yoy. Sharp drop on provisions by 22.7% also has helped PATMI grew by 27.4% yoy and beating both ours and street expectation at 82%/81% compared to 76% of 5yr historical average. On 3Q23 stand alone, earnings grew by 9.15% qoq and even stronger on year-on-year basis at 32.4% as provisions falling 63.9% yoy.

Solid loan growth, with strong CASA

On balance sheet side, loan grew by 12.7% yoy and around 70bps higher than upper '23F BMRI's management guidance at 12%, as all segment reported sturdy growth. Commercial loan booked the highest growth at 18.6% yoy (3.08% qoq), while corporate loan grew by 9.55% yoy and continue to take the largest chunked of the loan portfolio at 34.11%. Consumer loan growth at 12.1% yoy were backed by solid mortgage demand at IDR53.4tn (10.8% yoy), accounted around 49% to total consumer segment. The bank managed to record suitable TPF growth (6.6% yoy) amid tightening liquidity and successfully maintain CASA as the main source of fund (CASA +12.8% yoy, TD -7.46% yoy).

Key ratios improvement continues

Key performance metrics continue moves within its improvement track, with NIM reported 17bps higher to 5.59% from 5.42% in 9M22 and arrives within BMRI '23F forecast at 5.3%-5.6%. BMRI continue to enjoy repricing in wholesale segment which has brought quarter to date corporate yield 27bps higher to 7.29%. Healthier asset quality has strengthened NPL by 50bps to 1.49% with stronger coverage (+31bps) to 299%. What's more, consistent higher productivity drive CIR improves by 228 bps to 38.1%. The bank saw better CoC (+50bps) to 0.96% and thus made the bank revised down its '23F CoC at <1.1%, from 1.1%-1.3%.

Earnings upgrades on BMRI strong prospects

We revisit our model and made some adjustment to accommodate better than expected 9M23 results as well BMRI solid prospect growth. Our new '23F/'24F loan growth forecast is around 70bps/90bps higher to 11%/12% from 10%/11% previously. We also cut our CoC assumption as we believe asset quality will continue to improve. Our new assumption resulting higher '23F/'24F earnings estimates by 5.3%/7.8%.

Maintain BUY with higher TP of IDR6,650

We raised our TP for BMRI as we revised up our EPS forecasts and rolled over BMRI's valuation to '24F. Our new TP of IDR6,650 is 5.6% higher vs our previous TP of IDR6,300. Our GGM intrinsic value for BMRI is pegged at 2.4x '24F P/B while its currently trading at 2.0x '24F P/B, or below its +2SD historical mean. At this juncture, BMRI looks attractive following its 5.0% share price drop over the past 1 months. Downside risks to our call are: 1) Slower loan growth, 2) worsening NIM and AQ, 3) higher than expected CoC, CoF, NPL 4) slowing down economic activity, worsening domestic political situation and 5) longer than expected wait and see stance.

Exhibit 1: Key Statistics

Year end Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Net Interest income	73,062	87,903	98,893	113,590	125,253
Non int. income	34,061	37,648	40,962	43,563	46,893
Income from operations	107,124	125,551	139,856	157,153	172,146
Pre-provision profit	57,984	72,291	82,438	94,767	105,393
Net income (IDR bn)	28,028	41,171	49,774	53,570	57,760
EPS (IDR)	300	441	533	574	619
EPS growth (%)	66.8	46.9	20.9	7.6	7.8
PER (x)	19.1	13.0	10.7	10.0	9.3
PBV (x)	2.6	2.3	2.1	2.0	1.9
Div. Yield (%)	3.1	5.4	6.5	6.0	6.5
RoE (%)	14.2	19.0	20.6	20.8	21.4

Source: Company, KBVS Research

Exhibit 2: BMRI 9M23 financial and key performance metrics results

Income Statements (IDR bn)	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)	KBVS '23F	% '23F	Cons. '23F	% '23F
Net Interest Income	63,985	71,863	12.3	22,153	24,556	10.8	24,298	1.1				
Non-interest income	26,679	28,944	8.5	9,201	9,638	4.7	9,106	5.8				
Total operating income	90,664	100,807	11.2	31,354	34,194	9.1	33,404	2.4				
Total operating expenses	(36,651)	(38,452)	4.9	(12,723)	(13,898)	9.2	(12,278)	13.2				
PPoP	54,013	62,355	15.4	18,631	20,296	8.9	21,126	(3.9)				
Loan loss provisions	(11,843)	(9,153)	(22.7)	(4,188)	(1,512)	(63.9)	(3,949)	(61.7)				
Net profit	30,653	39,064	27.4	10,444	13,832	32.4	12,672	9.2	47,249	82.7	48,231	81.0

Source : Company, KB Valbury Sekuritas Indonesia

Balance Sheet (IDR bn)	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)
Gross loans	1,167,518	1,315,923	12.7	1,167,518	1,315,923	12.7	1,272,076	3.4
Current accounts	416,012	506,233	21.7	416,012	506,233	21.7	497,629	1.7
Saving deposits	533,153	564,084	5.8	533,153	564,084	5.8	552,434	2.1
Time deposits	412,133	381,391	(7.5)	412,133	381,391	(7.5)	380,066	0.3
CASA (IDRbn)	949,165	1,070,317	12.8	949,165	1,070,317	12.8	1,050,063	1.9
TPF (IDRbn)	1,361,298	1,451,708	6.6	1,361,298	1,451,708	6.6	1,430,129	1.5
LDR	85.8	90.6	5.7	86	91	5.7	88	2.5
Total equity	231,387	268,604	16.1	231,387	268,604	16.1	255,246	5.2

Source : Company, KB Valbury Sekuritas Indonesia

Financial Ratios (%)	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)
CASA Ratio	69.7	73.7	4.0	69.7	73.7	4.0	73.4	0.3
NIM	5.4	5.6	0.2	5.4	5.6	0.2	5.6	0.0
CoC	1.5	1.0	-0.50	1.5	1.0	-0.5	1.2	-0.2
Cost of Fund	1.2	1.8	0.5	1.2	1.8	0.5	1.6	0.2
NPL Ratio	2.2	1.5	-0.75	2.2	1.5	-0.8	1.6	-0.2
NPL Coverage Ratio	268.0	299.0	31.0	268.0	299.0	31.0	304.0	-5.0
Tier-1 CAR	17.8	20.1	2.3	17.8	20.1	2.3	19.5	0.6
ROAE	20.0	22.5	2.5	20.0	22.5	2.5	21.9	0.6
ROAA	2.3	2.6	0.3	2.3	2.6	0.3	2.6	0.1

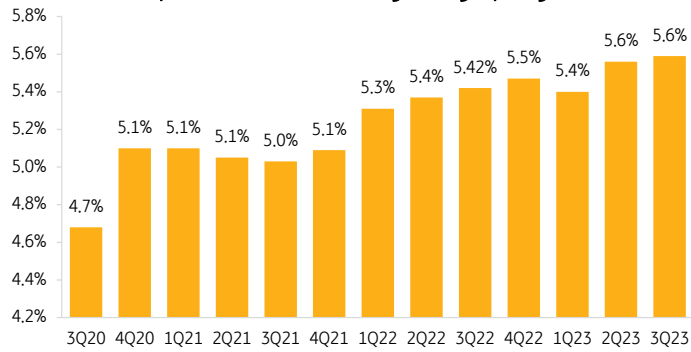
Source : Company, KB Valbury Sekuritas Indonesia

Exhibit 3: BMRI forecast revisions

	New		Old		Difference (%)		Street		Difference (%)	
	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Gross Loan	1,335,432	1,491,329	1,326,548	1,468,540	0.7%	1.6%				
Deposit	1,578,880	1,673,162	1,578,880	1,673,162	0.0%	0.0%				
Interest Income	124,774	139,657	124,409	138,314	0.3%	1.0%				
Interest Expenses	(25,880)	(26,067)	(25,880)	(26,067)	0.0%	0.0%				
Net Interest Income	98,893	113,590	98,529	112,247	0.4%	1.2%				
Non Interest Income	40,962	43,563	40,883	43,482	0.2%	0.2%				
Total Income	139,856	157,153	139,411	155,729	0.3%	0.9%				
Opex	(57,417)	(62,386)	(57,417)	(62,386)	0.0%	0.0%				
PPOP	82,438	94,767	81,994	93,343	0.5%	1.5%				
Provision Expenses	(15,688)	(17,720)	(18,640)	(21,890)	-15.8%	-19.0%				
Operating Profit	66,750	77,047	63,354	71,453	5.4%	7.8%				
Net Profit	49,774	53,570	47,249	49,682	5.3%	7.8%	49,295	54,730	1.0%	-2.1%

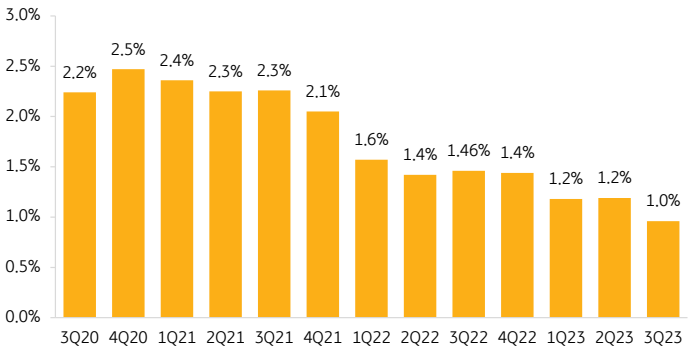
Source : Company, KB Valbury Sekuritas

Exhibit 4: NIM expansion continues amid tightening liquidity environment



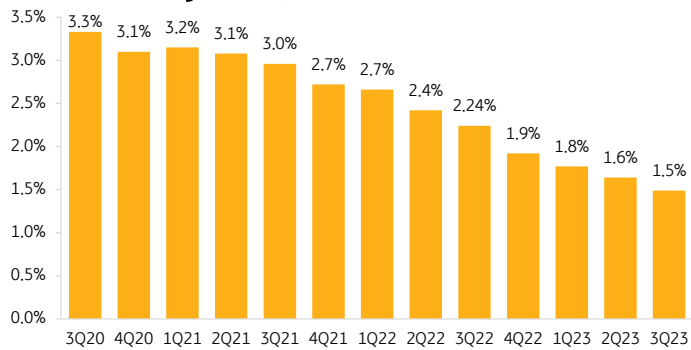
Source: Company, KBVS Research

Exhibit 5: Softened COC remains



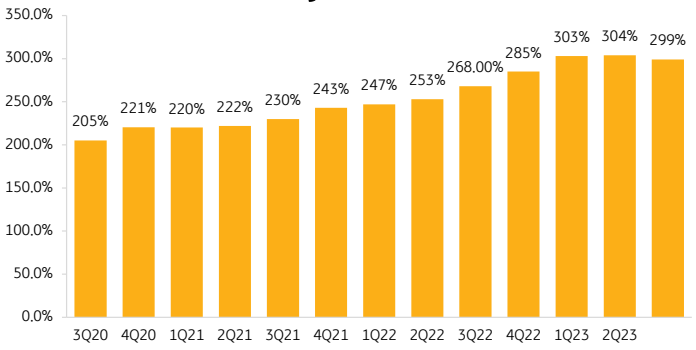
Source: Company, KBVS Research

Exhibit 6: Continuing better AQ lead to a healthier NPL



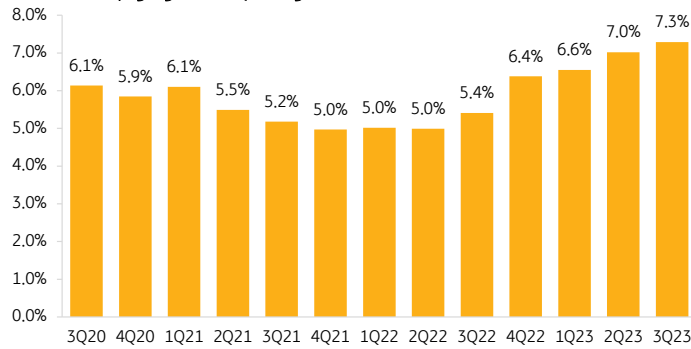
Source: Company, KBVS Research

Exhibit 7: Well-made NPL coverage



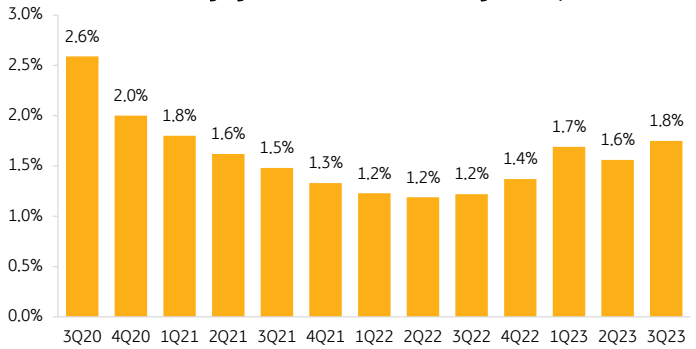
Source: Company, KBVS Research

Exhibit 8: Enjoying loan repricing...



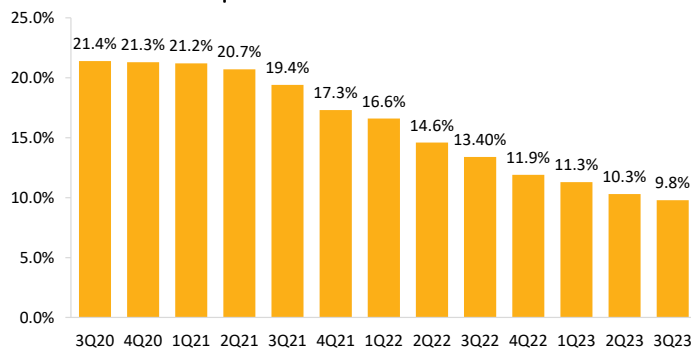
Source: Company, KBVS Research

Exhibit 9:..while managing low CoF to achieve steady NIM expansion



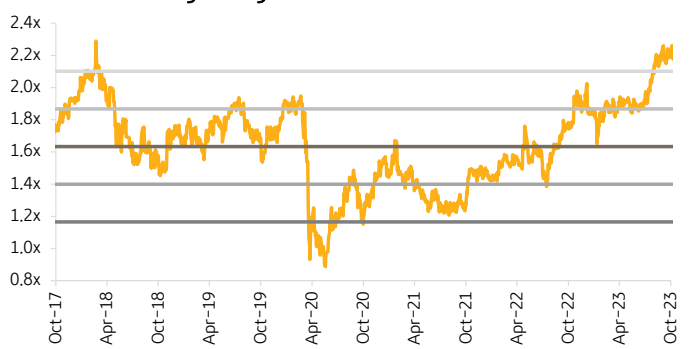
Source: Company, KBVS Research

Exhibit 10: Solid LAR improvement



Source: Company, KBVS Research

Exhibit 11: Currently trading at 2.0x '24F P/B



Source: Company, Bloomberg, KBVS Research

FINANCIAL TABLES

Exhibit 12: Profit & Loss

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Interest income	97,749	112,382	124,774	139,657	155,191
Interest expenses	(24,687)	(24,479)	(25,880)	(26,067)	(29,939)
Net interest income	73,062	87,903	98,893	113,590	125,253
Non-interest income	34,061	37,648	40,962	43,563	46,893
Operating expenses	(49,140)	(53,260)	(57,417)	(62,386)	(66,753)
Pre-provision operating profit	57,984	72,291	82,438	94,767	105,393
Loan loss provision	(19,543)	(16,123)	(15,688)	(17,720)	(18,568)
Pretax Profit	38,358	56,378	66,960	77,079	86,856
Income Tax Expenses	(7,807)	(11,425)	(13,838)	(19,270)	(22,148)
Net profit	28,028	41,171	49,774	53,570	57,760

Exhibit 13: Balance sheet

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Assets					
Cash	23,948	27,213	29,819	32,287	38,242
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 Treas Bills & Sec	289,055	329,212	221,043	217,511	232,225
Investment Securities	98,104	82,800	110,211	104,810	88,429
Loans	980,963	1,136,868	1,275,029	1,438,340	1,576,242
Fixed Assets	49,145	56,541	57,241	57,941	58,641
Other assets	112,172	109,452	127,871	126,868	128,198
Total Asset	1,725,611	1,992,545	2,104,633	2,220,365	2,379,210
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 Sec and Subordinates	45,138	45,774	47,366	50,195	53,590
Other Liabilities	153,375	187,899	188,856	198,361	209,913
Total liabilities	1,503,500	1,740,299	1,822,997	1,930,084	2,058,784
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	187,950	206,678	232,295
Other Equity	32,789	33,374	35,667	26,443	16,828
Shareholder's Equity	204,687	229,679	252,927	262,431	278,433
Non-controlling Interest	17,425	22,567	28,709	27,851	41,993
Total Equity	222,111	252,245	281,635	290,281	320,426

Exhibit 14: Key performance metrics

Year End Dec (%)	2021A	2022A	2023F	2024F	2025F
NIM (%)	5.1	5.4	5.5	5.7	6.4
LDR (%)	81.3	80.6	84.6	89.1	90.8
CASA (%)	69.7	73.4	74.5	75.6	76.5
NPL (%)	2.7	1.9	1.5	1.6	1.8
ROAE (%)	14.2	19.0	20.6	20.8	21.4
ROAA (%)	1.7	2.2	2.4	2.5	2.5
CAR (%)	19.6	19.5	20.3	21.5	21.6
BVPS (IDR)	2,193	2,461	2,710	2,812	2,983
PER (x)	19.1	13.0	10.7	10.0	9.3
PBV (x)	2.6	2.3	2.1	2.0	1.9
Div. Yield (%)	3.1	5.4	6.5	6.0	6.5

Source: Company, KBVS Research

Disclaimer

This report is prepared by PT KB Valbury Sekuritas, a member of the Indonesia Stock Exchange, or its subsidiaries or its affiliates ("KBVS"). All the material presented in this report is under copyright to KBVS. None of the parts of this material, nor its contents, may be copied, photocopied, or duplicated in any form or by any means or altered in any way, or transmitted to, or distributed to any other party without the prior written consent of KBVS.

The research presented in this report is based on the information obtained by KBVS from sources believed to be reliable, however KBVS do not make representations as to their accuracy, completeness or correctness. KBVS accepts no liability for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from the use of the material presented in this report and further communication given or relied in relation to this document. The material in this report is not to be construed as an offer or a solicitation of an offer to buy or sell any securities or financial products. This report is not to be relied upon in substitution for the exercise of independent judgement. Past performance and no representation or warranty, express or implied, is made regarding future performance. Information, valuations, opinions, forecasts and estimates contained in this report reflects a judgement at its original date of publication by KBVS and are subject to change without notice, its accuracy is not guaranteed or it may be incomplete.

The Research Analyst(s) primarily responsible for the content of this research report, in part or as a whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The Analyst also certifies that no part of his/her compensation was, is or will be related to specific recommendation views expressed in this report. It also certifies that the views and recommendations expressed in this report do not and will not take into account client circumstances, objectives, needs and no intentions involved as a use for recommendations for sale or buy any securities or financial instruments.

KB Valbury Sekuritas Head Office

Sahid Sudirman Center 41st Floor Unit A-C
Jalan Jenderal Sudirman No. 86 Kelurahan Karet Tengsin,
Kecamatan Tanah Abang, Jakarta Pusat 10220, Indonesia
T. +62 21 – 250 98 300
F. +62 21 – 255 33 778

Branch Office

Jakarta – Sudirman

Sahid Sudirman Center 41st Floor Unit A-C
Jalan Jenderal Sudirman No. 86 Karet Tengsin,
Tanah Abang, Jakarta Pusat 10220
T. (021) 25098300/301

Jakarta – Kelapa Gading

Rukan Plaza Pasifik
Jl. Raya Boulevard Barat Blok A1 No. 10
Jakarta Utara 11620
T. (021) 29451577

Jakarta – Puri Indah

Rukan Grand Aries Niaga Blok E1 No. IV
Jl. Taman Aries, Kembangan
Jakarta Barat 11620
T. (021) 22542390

Jakarta – Pluit

Jl. Pluit Putra Raya No. 2
Jakarta Utara 14450
T. (021) 6692119

Bandung

Jl. HOS Cokroaminoto No. 82
Bandung 40171
T. (022) 87255800

Malang

Jl. Pahlawan Trip No. 7
Malang 65112
T. (0341) 585888

Banjarmasin

Jl. Gatot Subroto No. 33
Banjarmasin 70235
T. (0511) – 3265918

Pekanbaru

Jl. Tuanku Tambusai, Komplek CNN
Blok A No. 3 Pekanbaru 28291
T. (0761) 839393

Palembang

Komplek PTC Mall Blok I No. 7
Jl. R. Sukanto
Palembang 30114
T. (0711) 5700281

Surabaya

Pakuwon Center Lt 21
Jl. Embong Malang No.1
Surabaya 60261
T. (031) 2955788

Padang

Jl. Kampung Nias II No. 10,
Padang 25211
T. (0751) 8955747

Yogyakarta

Jl. Magelang KM 5.5 No. 75
Yogyakarta 55000
T. (0274) 623111

Semarang

Candi Plaza Building Lt. Dasar
Jl. Sultan Agung No. 90-90A
Semarang 50252
T. (024) 8501122

Makassar

Komplek RUKO Citraland City Losari
Business Park, Blok B2 No. 09
Jl. Citraland Boulevard Makassar 90111
T. (0241) 16000818

Medan

Komplek Jati Junction No. P5-5A
Jl. Perintis Kemerdekaan
Medan 20218
T. (061) 88816222

Denpasar

Jl. Teuku Umar No. 177
Komplek Ibis Styles Hotel
Denpasar Bali 80114
T. (0361) 225229

Investment Gallery

Jakarta

Citra Garden 6 Ruko Sixth Avenue
Blok J.1 A/18, Cengkareng
Jakarta Barat 11820
T. (021) 522392181

Semarang

Jl. MT Haryono 637
Semarang 50242
T. (024) 8415195

Salatiga

Jl. Diponegoro No. 68
Salatiga 50711
T. (0298) 313007

Solo

Jl. Ronggowarsito No. 34
Surakarta 57118
T. (0271) 6726306