

Bank Mandiri (BMRI)

Cautiously Optimistic

8 November 2022



BMRI IJ	BUY
Sector	Banks
Price at 8 Nov 2022 (IDR)	10,175
Price target (IDR)	11,250
Upside/Downside (%)	10.6

Stock Information

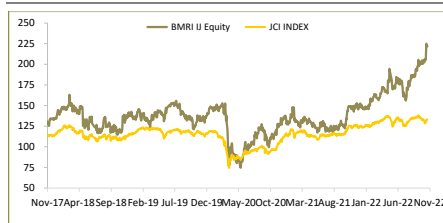
PT Bank Mandiri (Persero) Tbk (Persero) Tbk is a state-owned bank offering a range of banking products and services to its customers from individuals and SMEs to corporations. The bank is formed by a merger of four state-owned banks.

Market cap (IDR bn)	478,333
Shares outstanding (mn)	46,667
52-week range (Rp)	6,850-10,600
3M average daily vol. ('000)	47,993
3M average daily val. (Rp mn)	445,101

Shareholders (%)

Republic of Indonesia	52.0
Indonesia Inv.Authority	8.00

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	8.8	22.8	46.4

Analyst(s)

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Post the recovery momentum, BMRI is expected to record slower loan growth next year as demand could be hurt by the uncertain macroeconomic background. However, the adjustment on earnings asset yield should provide cushion for BMRI's interest income. We still like BMRI for its solid coverage and LAR improvement as well as expecting NIM could still arrive within the same 2022F figure while asset quality remains well managed providing room for lower CoC next year. Maintain BUY, with a target price of IDR11,250 (2.3x 2022F P/B) while it is currently trading at 2.1x 2022F P/B, or at its +1SD10-year historical mean.

NPAT could remain to grow next year

After reporting strong earnings in 9M22 (+59.4% yoy) and beats KBVS's and market consensus (~81%), BMRI's 2022F earnings growth is expected to remain solid at 41% yoy. (Cons: 39% yoy). Next year, earnings growth may slow down to 12.2% yoy, amounting IDR44.3 tn (cons. +12.6% yoy) due to the high-base effect amid recovery momentum 2022 and potential softer loan demand amidst the economic uncertainty and inflation pressure. BMRI's 2023F earnings forecast will be underpinned by interest income growth of 8.7% yoy at IDR118.7 tn (cons. 9.6% yoy) and 13.4% yoy PPOP growth.

Loan growth to sustain, despite at a slower pace

BMRI recorded strong loan growth of 14.3% yoy in 9M22, surpassing both banking industry and BMRI's target for this year (>11% yoy). Despite the bank has not officially released its FY23F guidance, we view loan growth could be softer in 2023 at 9.0% yoy on the back of economic activity uncertainty expectation (KBVS FY2022F BMRI loan growth at 10.2%yoy). The loan growth will be dragged down mainly from Micro and SME and corporate loan which we expect grew at 12%yoy or 50bp lower to compared to our forecast in 2022F at 12.5% yoy. Meanwhile consumer loan should grow at the same rate with last year at 5.0%, as the industry tend to be resilient and defensive.

Expecting 2023F NIM to be well managed

BMRI continue to report better asset quality, with 9M22 NPL improving to 2.24% from 2.96% (9M21). NPL coverage strengthened to 268% in the same period, while CoC was in a better position at 1.46% vs 1.61% in 9M21. NIM continue to expand at 5.42% in 9M22 (above 2022F guidance and KBVS 2022F at 5.46%), driven by higher loan yield and well managed CoF. Next year, we view NIM expansion could be limited, however, it could still arrive at around the 2022F rate, driven by solid net interest income and cost of fund adjustment that could be much faster than loan yield. As of 3Q22, BMRI's (bank only) CoF has started to increase and stood at 1.22% compared to 1.19% in the previous quarter, while yield of loan has spiked to 7.01% vs 6.84% (2Q22).

Expecting 2023F asset quality to remain solid

We are adjusting 2023F NIM assumption by 50bp to 5.5% from 6.0% previously. We also revised down loan growth assumption by 2.2% to bp 9.0% yoy from 11.2% previously, or equal to IDR1,260.93 tn. Despite we adjusting NIM and loan growth to accommodate the economic uncertainty next year, we still believe BMRI's asset quality to be well managed. Thus, we expect NPL coverage to remain solid and BMRI could see lower CoC next year at 1.7% or 10bp better vs our 2022F of 1.8% (BMRI 2022F CoC target within the range of 1.4%-1.7%).

Maintain BUY with higher target price of IDR11,250 (IDR10,750 previously)

Our target price is based on Gordon Growth Model with fair P/B of 2.3x (normalized ROE: 17.9%, cost of equity: 10.8%, long-term growth: 5.3%). BMRI is currently trading at 2.1x 2022F P/B, or at its +1SD 10-year historical mean. Risks to our call: a) lower-than-expected loan growth, NIM, loan yield, b) higher than expected CoC, slowing economic activity, deteriorating AQ.

Key Statistics

Year-end Dec	2020A	2021A	2022F	2023F	2024F
Net interest income	62,521	73,062	83,595	89,766	97,071
Non-interest income	31,120	34,061	39,154	46,524	51,491
Total operating income	93,640	107,124	122,749	136,290	148,562
Pre-provision operating profit	49,110	57,984	70,805	80,259	87,688
Net profit	16,800	28,028	39,536	44,378	48,295
EPS (IDR)	360	601	847	951	1,035
EPS growth (%)	(0.4)	0.7	0.4	0.1	0.1
PER (x)	28.3	16.9	12.0	10.7	9.8
PBV (x)	2.5	2.3	2.1	1.9	1.8
Div. Yield (%)	2.2	3.8	5.8	5.6	6.1
ROE (%)	8.5	14.2	18.3	18.7	18.8

Source: Company, KB Valbury Sekuritas

Bank Mandiri (BMRI)

BMRI's Financial Overview

Income Statements (IDR bn)	9M22	9M21	YoY (%)	3Q22	3Q21	YoY (%)	2Q22	QoQ (%)	2022F	Achievement
Net interest income	63,985	53,317	20.0	22,153	18,159	22.0	21,355	3.7	75,608	84.6
Non-interest income	26,679	25,119	6.2	9,201	9,177	0.3	8,244	11.6	29,040	91.9
Total operating income	90,664	78,436	15.6	31,354	26,396	18.8	29,599	5.9	104,647	86.6
Total operating expenses	(36,650)	(34,604)	5.9	(12,722)	(11,577)	9.9	(11,915)	6.8	(40,910)	89.6
PPoP	54,014	43,832	23.2	18,632	14,820	25.7	17,684	5.4	90,859	59.4
Loan loss provisions	(11,843)	(16,439)	(28.0)	(4,188)	(5,439)	(23.0)	(3,653)	14.6	(13,789)	85.9
Net profit	30,653	19,229	59.4	10,444	6,728	55.2	10,178	2.6	37,741	81.2

Source : Company

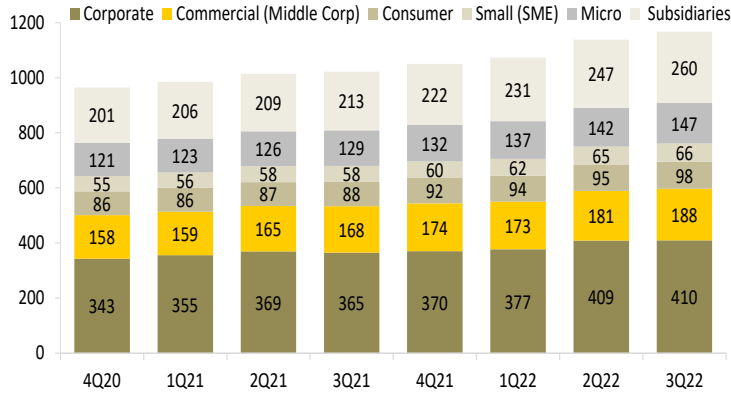
Balance Sheet (IDR bn)	9M22	9M21	YoY (%)	3Q22	3Q21	YoY (%)	2Q22	QoQ (%)
Gross loans	1,167,518	1,021,632	14.3	1,167,518	1,021,632	14.3	1,138,312	2.6
Current accounts	416,012	383,470	8.5	416,012	383,470	8.5	410,696	1.3
Saving deposits	533,153	463,128	15.1	533,153	463,128	15.1	522,130	2.1
Time deposits	412,133	367,387	12.2	412,133	367,387	12.2	385,596	6.9
Total equity	231,387	212,825	8.7	231,387	212,825	8.7	220,820	4.8

Source : Company

Forecast changes	New		Old		Difference	
	FY 2022E	FY 2023E	FY 2022E	FY 2023E	FY 2022E	FY 2022E
Loan	1,156,868	1,260,936	1,196,902	1,331,330	(3.3)	(5.3)
Deposit	1,340,085	1,416,881	1,415,454	1,559,792	(5.3)	(9.2)
Interest Income	109,261	118,735	101,476	103,840	7.7	14.3
Interest Expenses	(25,666)	(28,968)	(25,869)	(26,788)	(0.8)	8.1
Net Interest Income	83,595	89,766	75,608	77,052	10.6	16.5
PPOP	70,805	80,259	66,819	72,805	6.0	10.2
Provision Expenses	(14,890)	(15,580)	(13,789)	(14,248)	8.0	9.3
Operating Profit	55,915	64,679	49,949	56,637	11.9	14.2
Net Profit	39,536	44,378	37,741	42,667	4.8	4.0

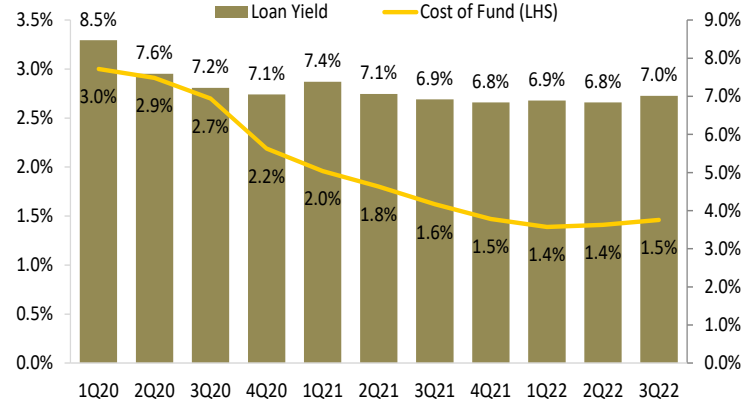
Source : Company, KB Valbury Sekuritas

Higher Corporate loan segmentation (IDRtn)



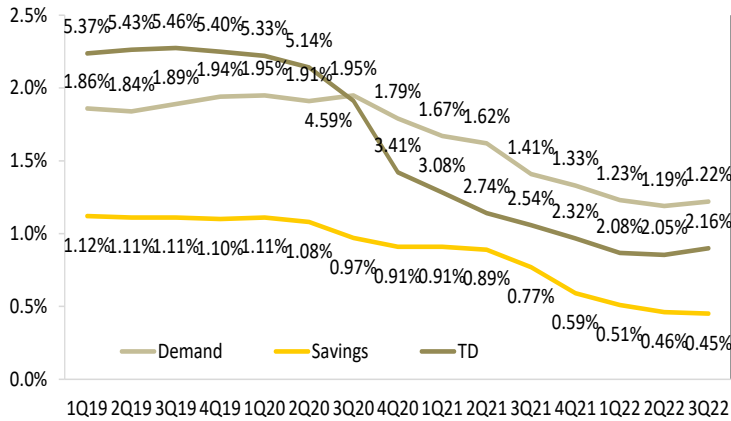
Source: Company

CoF and Loan Yield room adjustment remain healthy (%)



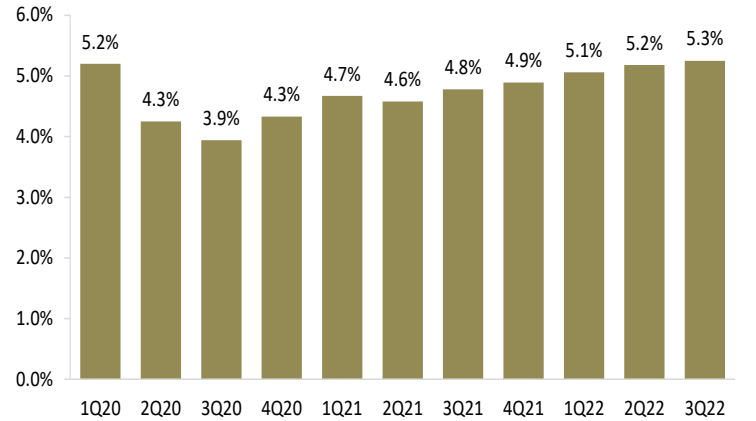
Source: Company

Cost of DD, SA and TD (%)



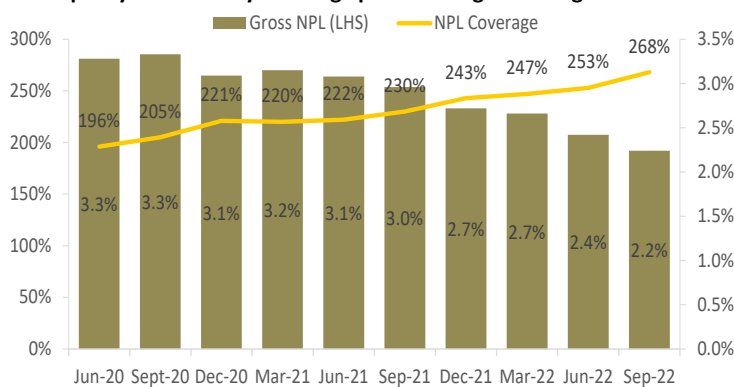
Source: Company

NIM consistently improved in four straight quarters



Source: Company

Asset quality continuously trending up with stronger coverage



Source: Company

Currently trading at 2.1x 2022F P/B, at its +1SD 10-year historical mean



Source: Company, KB Valbury Sekuritas

Bank Mandiri (BMRI)

FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (IDR bn)	2020A	2021A	2022F	2023F	2024F
Interest income	95,616	97,749	109,261	118,735	129,625
Interest expenses	(33,095)	(24,687)	(25,666)	(28,968)	(32,554)
Net interest income	62,521	73,062	83,595	89,766	97,071
Non-interest income	31,120	34,061	39,154	46,524	51,491
Total operating income	93,640	107,124	122,749	136,290	148,562
Operating expenses	(44,530)	(49,140)	(51,944)	(56,031)	(60,873)
Pre-provision operating profit	49,110	57,984	70,805	80,259	87,688
Loan loss provision	(24,855)	(19,543)	(14,890)	(15,580)	(16,119)
Pretax profit	24,392	38,358	55,833	64,597	71,601
Tax Expenses	(5,993)	(7,807)	(14,461)	(16,989)	(19,368)
Minorities interest	(1,599)	(2,523)	(1,836)	(3,230)	(3,938)
Net profit	16,800	28,028	39,536	44,378	48,295

Source: Company, KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (IDR bn)	2020A	2021A	2022F	2023F	2024F
Assets					
Cash	26,225	23,948	6,118	-1,232	-2,203
Current Account at BI	52,239	99,023	67,004	70,844	74,954
Interbank Loans	108,818	73,201	120,608	141,688	119,927
Govt Treasury Bills & Securities	178,744	289,055	201,013	198,363	194,881
Investment Securities	90,570	98,104	107,407	99,314	112,496
Loan	899,224	980,963	1,084,399	1,185,372	1,297,411
Fixed Assets	48,307	49,145	52,616	53,316	54,016
Other assets	137,839	112,172	122,470	128,790	135,456
Total Asset	1,541,965	1,725,611	1,761,635	1,876,455	1,986,937
Liabilities					
Interbank Deposit	8,312	13,811	6,700	7,084	7,495
Customer Deposit	1,144,640	1,291,176	1,340,085	1,416,881	1,499,082
Debts Securities Issued	39,111	45,138	40,203	42,506	44,972
Other Liabilities	145,202	153,375	126,591	142,119	145,260
Total liabilities	1,337,265	1,503,500	1,513,579	1,608,591	1,696,810
Equity					
Capital Stock	11,667	11,667	11,667	11,667	11,667
Additional Paid-in Capital	17,316	17,643	17,643	17,643	17,643
Retained Earnings	119,557	142,588	163,906	180,609	202,277
Other Equity	40,839	32,789	35,312	36,313	34,805
Shareholder's Equity	189,378	204,687	228,528	246,232	266,391
Non-controlling Interest	15,321	17,425	19,528	21,632	23,735
Total Equity	204,700	222,111	248,056	267,864	290,126

Source: Company, KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec	2020A	2021A	2022F	2023F	2024F
NIM (%)	5.0	5.1	5.4	5.5	5.5
LDR (%)	84.3	81.3	86.3	89.0	91.7
CASA (%)	65.6	69.7	70.5	71.7	72.8
NPL (%)	3.1	2.7	2.6	2.5	2.2
ROAE (%)	8.5	14.2	18.3	18.7	18.8
ROAA (%)	1.2	1.7	2.3	2.4	2.5
CAR (%)	19.9	19.6	19.6	19.9	20.4
BVPS (IDR)	4,058	4,386	4,897	5,276	5,708
PER (x)	28.3	16.9	12.0	10.7	9.8
PBV (x)	2.5	2.3	2.1	1.9	1.8
Div. Yield (%)	2.2	3.8	5.8	5.6	6.1

Source: Company, KB Valbury Sekuritas

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