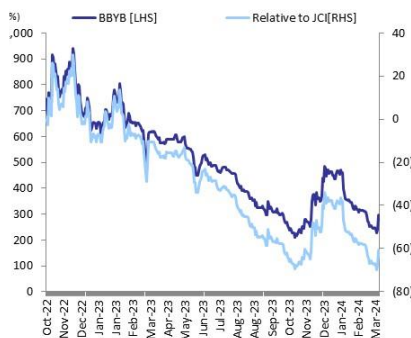


BUY

(Maintained)

Last Price (Rp)	276
Target Price (Rp)	600
Previous Target Price (Rp)	700
Upside/Downside	+117.4%
No. of Shares (mn)	9,422
Mkt Cap (Rpbn/US\$mn)	2,600/166
Avg, Daily T/O (Rpbn/US\$mn)	38.5/2.5
Free Float (%)	69.2
Major Shareholder (%)	
AKULAKU SIVRR INDONESIA	27.3
GOZCO CAPITAL	8.5
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	(9.9) 21.8 40.7
Consensus	2.5 21.2 n/a
BRIDS/Cons (%)	n/a 3.3 n/a

BBYB relative to JCI Index



Source: Bloomberg

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Bank Neo Commerce (BBYB IJ)

Improving NPLs and higher coverage to drive lower provisions, supporting FY24/25F earnings growth

- FY23 net losses of Rp573bn were better than our expectation as NIM came in higher-than-expected on higher loan yields and higher LDR.
- We continue to expect positive net profit in FY25F and cut our FY24F net losses forecast by half, driven by lower provisions.
- Maintain Buy rating with a lower TP of Rp600 based on the 3-stage DDM as we adjust for expectations of slower LT loans growth.

Lower losses in 4Q23 earnings, beating our expectations

BBYB reported net losses of Rp573bn in FY23, better than our forecast of Rp654bn (88% of FY23 est) but worse than the consensus of Rp494bn (116% of the FY23 estimate). The FY23 net losses were also lower (-27% yoy) vs. FY22 as BBYB doubled its NII (+117% yoy) and lowered its opex (-16%) though earnings were partly offset by higher provisions (+157%). 4Q23 earnings were close to BEP, with net losses of Rp7bn (-97% qoq, -96% yoy), supported by improving NIM (21.0%) and a lower CIR (25.5%), despite a higher CoC (29.9%).

Lower provisions to drive earnings growth

BBYB booked provisions of Rp2.8tr in FY23 (+157% yoy) resulting in a higher CoC of 26.3% (vs. 14.8% in FY22), reflecting the rise in NPLs to 3.9% in 9M23 (vs. 2.6% in FY22). On a positive note, BBYB managed to reduce NPLs to 3.7% in FY23 and is looking to reduce them further to 3.5% in FY24. We believe this is achievable as the bank is also growing its productive loans portfolio. Hence, we now foresee a 23% decrease in provisions (CoC at 17.8%) to drive earnings growth in FY24.

We raise our FY24/25F NP estimate on higher NIM and lower provisions

We cut our FY24F net losses forecast by half and raise our FY25F net profit estimate by 7-fold (from a low base) on the back of a higher NIM of 14.6%/15.9% (vs. 12.8%/13.6% prev.) on higher-than-expected loan yields and lower CoC of 17.8%/15.7% (vs. 15.6%/13.4% prev.). Our forecast of positive net profit in FY25F is supported by estimated loan growth of 19.7%/14.8% in FY24/25F. BBYB also aims to increase its productive loan portion which will partly help to improve its credit quality.

Maintain BUY with a lower TP of Rp600

We believe the stock is attractive given its NPLs cycle has peaked, the low LDR, and higher loans coverage, which should support earnings growth in FY24/25F. We trim our TP from Rp700 to Rp600 as we adjust lower our LT loan growth forecasts, partly offset by higher NIM and CoC. Risks to our view are a reversal in the trend of falling NPLs and higher-than-expected provisions.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
PPOP (Rpbn)	288	2,187	1,993	2,509	2,973
Net profit (Rpbn)	(789)	(573)	(119)	263	490
EPS (Rp)	(83.8)	(47.6)	(9.9)	21.8	40.7
EPS growth (%)	(20.0)	(43.2)	(79.2)	n/a	86.2
BVPS (Rp)	397.4	276.0	266.1	288.0	328.6
PER (x)	(3.3)	(5.8)	(27.8)	12.6	6.8
PBV (x)	0.7	1.0	1.0	1.0	0.8
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
ROAE (%)	(23.8)	(16.2)	(3.7)	7.9	13.2

Source: BBYB, BRIDS Estimates

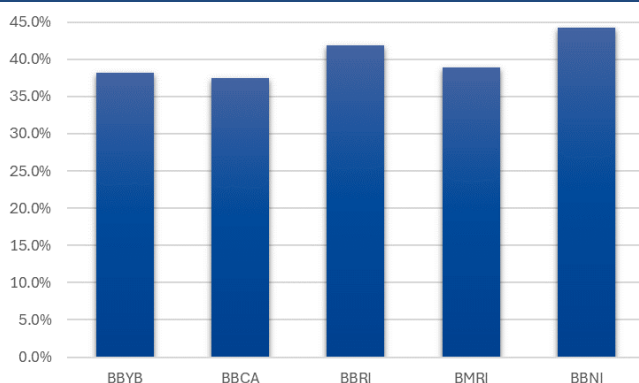
Exhibit 1. BBYB 4Q23 results summary

	4Q22	3Q23	4Q23	qoq, %	yoy, %	2022	2023	yoy, %	FY23F	FY23C	A/F	A/C
Interest income	671	1,015	1,094	8%	63%	1,994	3,721	87%	3,179	3,573	117%	104%
Interest expense	222	241	226	-6%	2%	713	945	32%	945	-	100%	n/a
Net interest income	449	774	868	12%	93%	1,281	2,777	117%	2,235	-	124%	n/a
Operating expenses	371	525	275	-48%	-26%	1,616	1,353	-16%	1,306	-	104%	n/a
PPOP	231	522	805	54%	249%	288	2,187	660%	1,490	-	147%	n/a
Provision	420	763	813	7%	93%	1,073	2,762	157%	2,143	-	129%	n/a
Operating Profit	(189)	(241)	(7)	97%	96%	(785)	(575)	-27%	(633)	-	88%	n/a
Netprofit	(188)	(239)	(7)	97%	96%	(789)	(573)	-27%	(654)	(484)	88%	116%
Loans	10,244	10,965	10,783	-2%	5%	-	-	-	-	-	-	-
Customer deposits	14,450	15,304	13,872	-9%	-4%	-	-	-	-	-	-	-
LDR (%)	70.9	71.7	77.7	-	-	-	-	-	-	-	-	-
Loan yield (%)	25.1	34.9	37.0	-	-	-	-	-	-	-	-	-
Cost of fund (%)	6.1	6.1	6.0	-	-	-	-	-	-	-	-	-
NIM (%)	12.1	18.6	21.0	-	-	-	-	-	-	-	-	-
CIR (%)	61.6	50.1	25.5	-	-	-	-	-	-	-	-	-
Cost of credit (%)	17.5	29.0	29.9	-	-	-	-	-	-	-	-	-
NPL (%)	2.6	3.9	3.7	-	-	-	-	-	-	-	-	-
LaR (%)	17.1	14.9	16.1	-	-	-	-	-	-	-	-	-
NPL coverage (%)	0.80	1.27	1.55	-	-	-	-	-	-	-	-	-
LaR coverage (%)	0.12	0.33	0.36	-	-	-	-	-	-	-	-	-

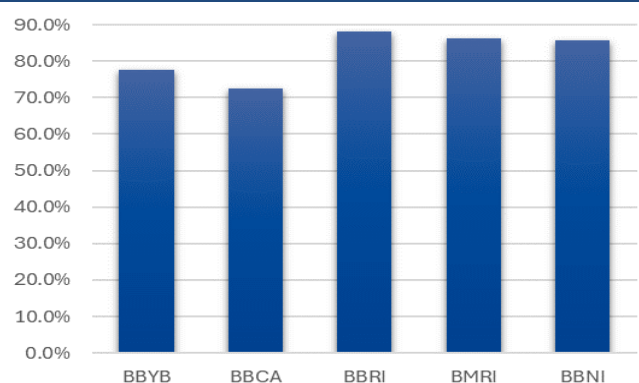
Source: Company, BRIDS Estimates

Declining CIR Driven by Lower Transfer Fee Costs

In 2023, the CIR declined to 41.5% yoy thanks to a 41.9% decrease in marketing expenses as well as a 68.9% decrease in G&A. The decline in marketing expenses was in-line with the bank's strategy to reduce its advertising expenses while the decline in G&A reflects lower transfer fee subsidies (free transfers using Neobank Apps) as the bank adjusted to BI Fast. Hence, we do not see room for lower opex going forward as the marketing expenses have already been slashed and there will not be any further impact from the usage of BI fast. Operating income growth was recorded at 22.5% yoy due to increased recovery income from written-off loans. We also note that BBYB's CIR is lower than that of the four big banks besides BBKA.

Exhibit 2. FY23 BBYB and Big 4 Banks CIR


Source: Company, BRIDS Estimates

Exhibit 3. FY23 BBYB and Big 4 Banks LDR


Source: Company, BRIDS Estimates

Loans Portfolio Diversification Going Forward

In 2024, BBYB prioritizes growing its loans portfolio by leveraging its partnership with Akulaku. Akulaku got a ban from OJK in Oct23. However, as the ban was lifted on 29 Feb24, we expect loans to grow. As of the end of 2023, Akulaku contributed around 40% of the total loans portfolio. Moreover, the company continuously partners with fintech ecosystems to channel and execute loans. Additionally, the company seeks to expand loans to MSMEs and digital startups.

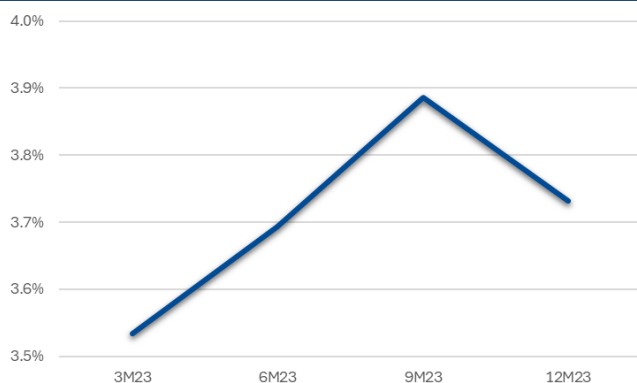
An Increase in the LDR to Propel Profitability

Loans growth for FY24F is expected to be further supported by the company's guidance of increasing LDR. BYBB's LDR has steadily increased, up from 52.6% in 2021 to 77.7% in 2023. In FY23, BBYB's LDR approached the levels of the big four banks and surpassed that of BBCA. As LDR increases, profitability increases as a larger portion of the deposits are utilized, leading to higher interest income.

NPLs should Decline as Asset Quality Remains a Focus

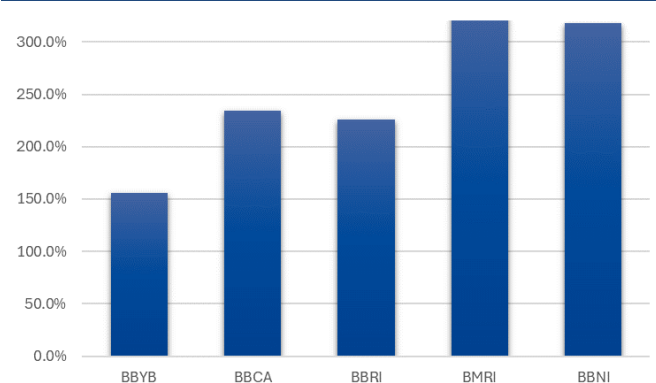
In FY23, BBYB's NPLs were recorded at 3.73%. NPLs increased from 3.53% in 3M23 to a peak of 3.89% in 9M23. According to the company, asset quality remains an area of focus going forward. Therefore, we expect NPLs to decline going forward.

Exhibit 4. BBYB's Quarterly NPLs



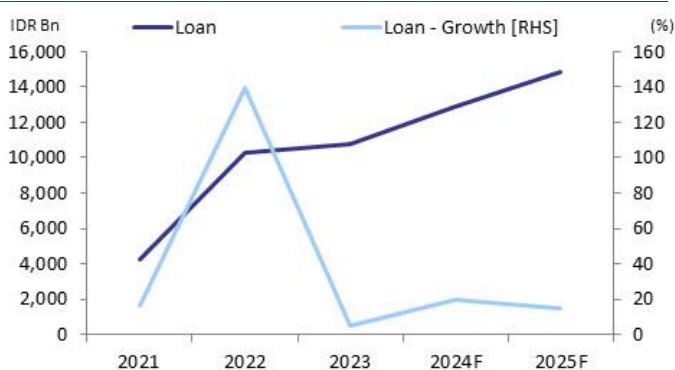
Source: Company, BRIDS Estimates

Exhibit 5. FY23 BBYB and Big 4 Banks NPLs Coverage



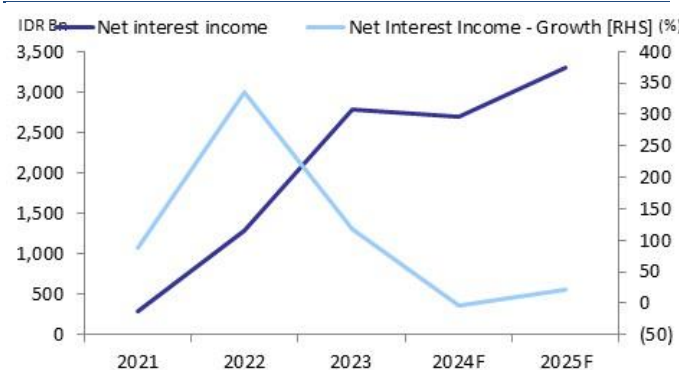
Source: Company, BRIDS Estimates

Exhibit 6. Loan and Growth



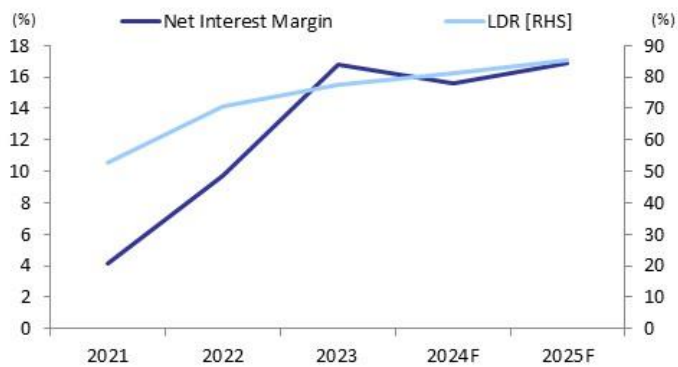
Source: Company, BRIDS Estimates

Exhibit 7. Net Interest Income and Growth



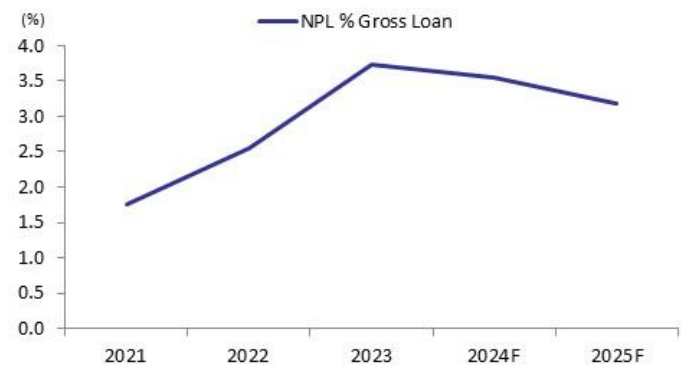
Source: Company, BRIDS Estimates

Exhibit 8. NIM and LDR



Source: Company, BRIDS Estimates

Exhibit 9. NPLs



Source: Company, BRIDS Estimates

Exhibit 10. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Interest Income	1,994	3,721	3,725	4,386	5,042
Interest Expense	(713)	(945)	(1,029)	(1,086)	(1,193)
Net Interest Income	1,281	2,777	2,696	3,301	3,848
Non-Interest Income (NII)	623	763	766	846	929
Oper. Income	1,904	3,540	3,462	4,146	4,777
Oper. Expenses	(1,470)	(953)	(1,018)	(1,110)	(1,193)
Pre-provisions profit	288	2,187	1,993	2,509	2,973
Provisions & Allowances	(1,073)	(2,762)	(2,113)	(2,173)	(2,346)
Operating Profits	(785)	(575)	(120)	336	627
Non-Operating Income	(1)	1	1	1	1
Exceptionals	0	0	0	0	0
Pre-tax Profit	(786)	(574)	(119)	337	628
Income Tax	(3)	1	0	(74)	(138)
Minorities	0	0	0	0	0
Net Profit	(789)	(573)	(119)	263	490

Exhibit 11. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Gross Loans	10,244	10,783	12,909	14,817	17,316
Provisions	(211)	(625)	(645)	(711)	(851)
Net Loans	10,034	10,158	12,265	14,106	16,465
Govt. Bonds	0	0	0	0	0
Securities	3,486	3,348	3,683	4,051	4,051
Other Earnings Assets	0	0	0	0	0
Total Earnings Assets	16,943	16,199	18,429	20,600	23,095
Fixed Assets	271	306	367	385	451
Non-Earnings Assets	1,349	1,203	1,281	1,341	1,415
Total Assets	19,694	18,170	20,049	21,836	24,354
Customer Deposits	14,450	13,872	15,858	17,363	19,361
Banks Deposits	288	25	27	30	32
Int. Bearing Liab. - Others	0	0	0	0	0
Total Liabilities	15,950	14,847	16,845	18,370	20,397
Share capital & Reserves	5,469	5,619	5,619	5,619	5,619
Retained Earnings	(1,724)	(2,296)	(2,415)	(2,152)	(1,662)
Shareholders' Funds	3,745	3,323	3,204	3,467	3,956
Minority interests	0	0	0	0	0
Total Equity & Liabilities	19,694	18,170	20,049	21,836	24,354

Exhibit 12. Key Ratios

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Yield on Earning Assets	15.1	22.5	21.5	22.5	23.1
Cost of funds	6.0	6.4	6.8	6.4	6.4
Interest Spread	9.1	16.1	14.7	16.1	16.7
Net Interest Margin	9.7	16.8	15.6	16.9	17.6
Cost/Income Ratio	83.6	30.3	33.8	30.7	28.6
Oper. Exp./Oper. Gross Inc.	131.8	114.1	103.0	92.9	88.3
Gross NPL Ratio	2.6	3.7	3.5	3.2	3.2
LLP/Gross NPL	80.3	155.4	140.9	150.4	154.1
Cost of Credit	14.8	26.3	17.8	15.7	14.6
Loan to Deposit Ratio	70.9	77.7	81.4	85.3	89.4
Loan to Funding Ratio	70.9	77.7	81.4	85.3	89.4
CASA Mix	28.0	28.7	29.0	29.4	29.4
ROAE	(23.8)	(16.2)	(3.7)	7.9	13.2
ROAA	(5.1)	(3.0)	(0.6)	1.3	2.1
CAR	136.3	94.3	50.3	38.2	36.3

Exhibit 13. Dupont and Growth

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Dupont					
Pre-Tax ROAA	(5.1)	(3.0)	(0.6)	1.6	2.7
Tax Retention rate	100.4	99.9	100.0	78.0	78.0
Post-Tax ROAA	(5.1)	(3.0)	(0.6)	1.3	2.1
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	4.7	5.4	5.9	6.3	6.2
ROAE	(23.8)	(16.2)	(3.7)	7.9	13.2
Growth (%)					
Interest income	209.1	86.6	0.1	17.8	14.9
Net Interest Income	334.9	116.7	(2.9)	22.4	16.6
Other Oper. Expenses	19.1	(35.2)	6.9	9.0	7.5
Fee Based Income	717.5	(25.0)	19.7	14.8	16.9
Pre-Provision Oper. Profit	(136.4)	660.2	(8.9)	25.9	18.5
Net Profit	(20.0)	(27.4)	(79.2)	n/a	86.2
Shareholders' Equity	29.6	(11.3)	(3.6)	8.2	14.1
Loan	139.6	5.3	19.7	14.8	16.9
Earnings Asset	79.2	(4.4)	13.8	11.8	12.1
Deposit	80.5	(5.7)	14.3	9.5	11.5
Int. Bearing Liab.	86.9	(9.1)	14.1	9.4	11.4
CASA	153.7	(3.2)	15.4	10.8	11.5
Total Asset	73.7	(7.7)	10.3	8.9	11.5

Source : BBYB, BRIDS Estimates

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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