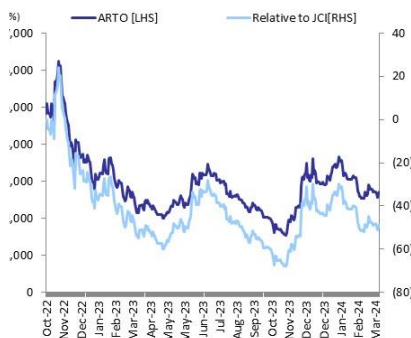


# BUY

(Maintained)

Last Price (Rp)	2,700
Target Price (Rp)	4,500
Previous Target Price (Rp)	6,600
Upside/Downside	+66.7%
No. of Shares (mn)	13,856
Mkt Cap (Rpbn/US\$mn)	37,412/2,371
Avg, Daily T/O (Rpbn/US\$mn)	79.0/5.0
Free Float (%)	45.6
Major Shareholder (%)	
Metamorfosis Ekosistem	29.8
Dompot Karya Anak Bangsa	21.4
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	9.4 17.6 30.2
Consensus	13.9 31.8 91.3
BRIDS/Cons (%)	(32.8) (44.7) (67.0)

## ARTO relative to JCI Index



Source: Bloomberg

## BRI Danareksa Sekuritas Analysts

### Victor Stefano

(62-21) 5091 4100 ext. 3503  
victor.stefano@brids.co.id

### Naura Reyhan Muchlis

(62-21) 5091 4100 ext. 3507  
naura.muchlis@brids.co.id

## Bank Jago (ARTO IJ)

### FY24-25F estimates and TP cut on weaker growth outlook despite the better credit quality in FY23

- ARTO's FY23 net profit slightly missed our estimate/the cons. due to higher-than-expected CoF and opex, partly offset by lower provisions.
- The bank has a conservative FY24F loans growth target of 30% due to lower contributions from home credit and the slowing P2P industry.
- We maintain our Buy rating but cut our FY24/25F NP est. by 57/67% on lower loans growth despite lower CoC, with a new TP of Rp4,500.

#### FY23 net profit slightly below est. on higher-than-expected CoF and opex

ARTO reported FY23 net profit of Rp72bn with core profit (exc. ESOP cost) of Rp92bn, or slightly below our estimate and the consensus (at 95% and 94% of FY23F, respectively). The lower-than-expected net profit reflects higher-than-expected CoF and opex, though partly offset by lower-than-expected provisions. In 4Q23, ARTO doubled its net profit qoq to Rp22bn (vs. net losses of Rp25bn in 4Q22) driven by the lower provisions (-58% yoy, -39% qoq), offsetting the lower PPOP (-16% yoy, -26% qoq).

#### Strong NPLs improvement led to lower-than-expected provisions

NPLs declined significantly to 0.8% in 4Q23 from 1.1% in 3Q23, followed by a fall in 4Q23's CoC to 1.7% from 3.2%. While ARTO conservatively expects NPLs to range between 1.0-1.5% in the long run, the bank also forecasts its CoC to remain at 3% or below in FY24F. NIM declined to 8.2% in 4Q23 (3Q23/4Q22: 9.2%/10.3%) due to a lower portion of high-yield Sharia lending and a higher portion of lower-yield GTF and multi-finance loans.

#### Strong loans growth in FY23, but a more conservative target for FY24F

Despite the lower Sharia lending (-81% yoy, equal to c. Rp1.8tr), total lending balances grew 38% yoy to Rp13.0tr driven by conventional loans growth of 74% yoy. The management conservatively target loans growth of 30% yoy in FY24F due to the lower contribution from home credit (currently at c. 15%) and slower growth in the P2P market due to the pricing cap. GTF loans doubled qoq, reaching Rp1.7tr in 4Q23 (13% of the total portfolio) with a target of above 20% in FY24F. Loans extended to BFIN contributed c. 6% of loan but no guidance was given on the potential from recent collaboration.

#### Maintain Buy rating with a lower TP as we revise down LT loans growth

We cut our FY24/25F net profit forecasts by 57/67% to take into account the lower LT growth albeit partly offset by lower CoC. Thus, we arrive at a lower TP of Rp4,500 (down from Rp6,600 previously) based on the 3-stage DDM assuming LTG of 8.0%, CoE of 11.0%, and LT ROE of 18.1%. Risks to our view are lower loans growth, lower NIM, and higher CoC.

#### Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
PPOP (Rpbn)	405	488	619	915	1,328
Net profit (Rpbn)	16	72	130	243	418
EPS (Rp)	1.1	5.2	9.4	17.6	30.2
EPS growth (%)	(82.3)	354.7	79.2	87.7	71.7
BVPS (Rp)	596.4	603.1	612.5	630.0	660.2
PER (x)	2,351.0	517.0	288.5	153.7	89.5
PBV (x)	4.5	4.5	4.4	4.3	4.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
ROAE (%)	0.2	0.9	1.5	2.8	4.7

Source: ARTO, BRIDS Estimates

**Exhibit 1. ARTO 4Q23 results summary**

ARTO (IDR bn)	4Q22	3Q23	4Q23	y-o-y	q-o-q	12M22	12M23	y-o-y	FY23F	FY23C	A/F	A/C
Interest income	416	452	438	5%	-3%	1,500	1,875	25%	2,047	1,860	92%	101%
Interest expense	47	76	82	76%	9%	147	309	110%	276	-	112%	n/a
Net interest income	369	377	356	-4%	-5%	1,353	1,565	16%	1,771	-	88%	n/a
Operating expenses	(304)	(316)	(341)	12%	8%	(1,026)	(1,274)	24%	(1,131)	-	113%	n/a
PPOP	91	104	77	-16%	-26%	405	488	20%	718	-	68%	n/a
Provision	(127)	(86)	(53)	-58%	-39%	(393)	(401)	2%	(599)	-	67%	n/a
Operating Profits	(36)	18	24	n/a	34%	13	87	582%	119	115	73%	76%
Net profits	(25)	10	22	n/a	126%	16	72	355%	79	76	92%	95%
Core net profits	(25)	24	23	n/a	-3%	16	92	480%	99	-	94%	n/a
Loans	9,428	10,871	13,020	38%	20%							
Customer deposits	7,748	10,047	11,892	53%	18%							
LDR (%)	121.7	108.2	109.5									
Loan yield (%)	22.2	15.8	13.8									
Cost of fund (%)	2.3	2.9	2.8									
NIM (%)	10.3	9.2	8.2									
Cost of credit (%)	5.8	3.1	1.8									
NPL (%)	1.8	1.1	0.8									

Source: Company, BRIDS Estimates

**Exhibit 2. ARTO Changes in Forecast**

ARTO - Forecast Changes	2024F (Prev)	2024F (Curr)	Δ%
Net Interest Income	2,932	1,775	(39.5)
PPOP (Rpbn)	1,361	619	(54.5)
Net profit (Rpbn)	302	130	(57.1)
BVPS (Rp)	653	612	(6.1)
Gross Loans	19,357	16,889	(12.7)
Customer Deposits	19,122	15,174	(20.6)
Ratios	2024F (Prev)	2024F (Curr)	Δ bps
Net Interest Margin	12.1	9.1	(299)
Gross NPL Ratio	3.1	1.0	(212)
Cost/Income Ratio	54.8	69.0	1,423
Cost of Credit	6.6	3.1	(343)
ROAE (%)	3.5	1.5	(201)

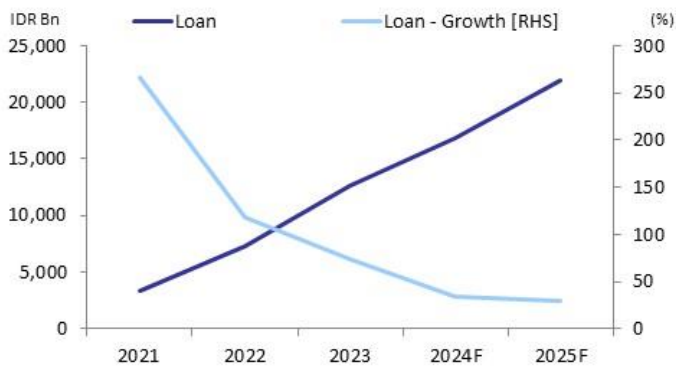
Source: Company, BRIDS Estimates

**Exhibit 3. Valuation**

Phase	High-growth	Transitory	Mature
Risk free rate (Rf)	7.0%	7.0%	7.0%
Market return rate (Rm)	13.6%	12.3%	11.0%
Beta (β)	1.50	1.25	1.00
Risk premium (Rm-Rf)	6.6%	5.3%	4.0%
Ke = Rf +β(Rm-Rf)	16.8%	13.6%	11.0%
Return on equity (average)	2.8%	14.0%	18.1%
Growth rate (CAGR)	39.9%	29.9%	8.0%
Expected dividend payout ratio (average)	0.0%	32.5%	55.7%

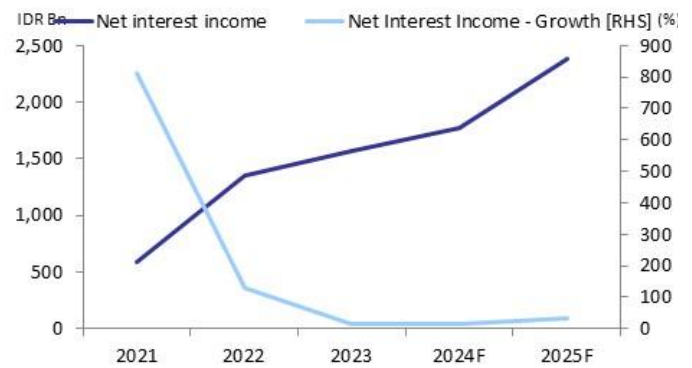
Source: Company, BRIDS Estimates

**Exhibit 4. Loans and Growth**



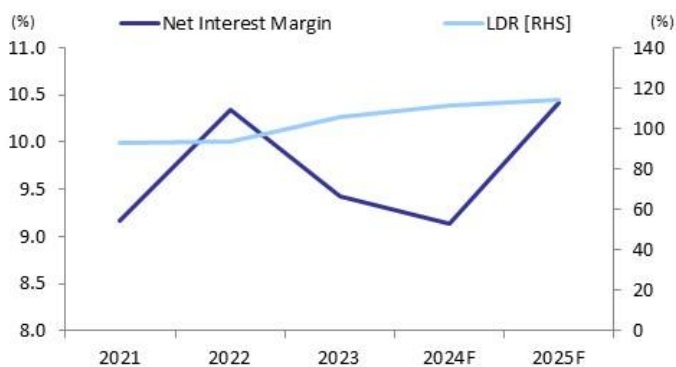
Source: Company, BRIDS Estimates

**Exhibit 5. Net Interest Income and Growth**



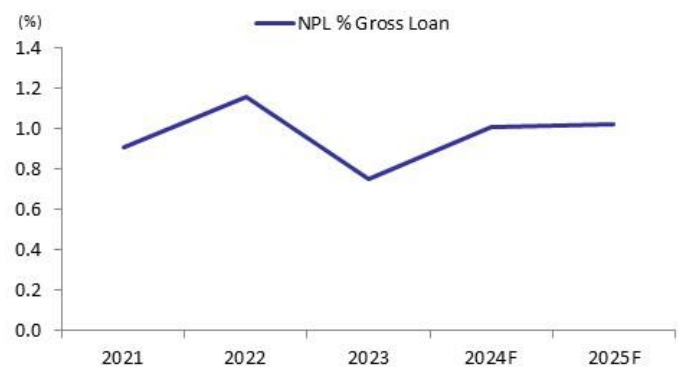
Source: Company, BRIDS Estimates

**Exhibit 6. NIM and LDR**



Source: Company, BRIDS Estimates

**Exhibit 7. NPLs**



Source: Company, BRIDS Estimates

**Exhibit 8. Income Statement**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Interest Income	1,500	1,875	2,227	2,897	3,710
Interest Expense	(147)	(309)	(453)	(520)	(638)
<b>Net Interest Income</b>	<b>1,353</b>	<b>1,565</b>	<b>1,775</b>	<b>2,377</b>	<b>3,072</b>
Non-Interest Income (NII)	78	197	223	259	305
<b>Oper. Income</b>	<b>1,431</b>	<b>1,762</b>	<b>1,998</b>	<b>2,636</b>	<b>3,377</b>
Oper. Expenses	(1,026)	(1,274)	(1,379)	(1,721)	(2,049)
<b>Pre-provisions profit</b>	<b>405</b>	<b>488</b>	<b>619</b>	<b>915</b>	<b>1,328</b>
Provisions & Allowances	(393)	(401)	(461)	(611)	(800)
<b>Operating Profits</b>	<b>13</b>	<b>87</b>	<b>158</b>	<b>304</b>	<b>528</b>
Non-Operating Income	8	7	8	8	8
Exceptionals	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>20</b>	<b>94</b>	<b>166</b>	<b>312</b>	<b>536</b>
Income Tax	(5)	(21)	(37)	(69)	(118)
Minorities	0	0	0	0	0
<b>Net Profit</b>	<b>16</b>	<b>72</b>	<b>130</b>	<b>243</b>	<b>418</b>

**Exhibit 9. Balance Sheet**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Gross Loans	7,225	12,592	16,889	21,918	28,446
Provisions	(270)	(242)	(349)	(502)	(709)
<b>Net Loans</b>	<b>6,955</b>	<b>12,349</b>	<b>16,540</b>	<b>21,417</b>	<b>27,736</b>
Govt. Bonds	0	0	0	0	0
Securities	2,862	2,957	2,070	2,070	2,277
Other Earnings Assets	0	0	0	0	0
<b>Total Earnings Assets</b>	<b>14,974</b>	<b>18,274</b>	<b>20,593</b>	<b>25,053</b>	<b>31,834</b>
Fixed Assets	200	204	219	225	243
Non-Earnings Assets	1,316	1,904	1,529	1,631	1,501
<b>Total Assets</b>	<b>16,965</b>	<b>21,296</b>	<b>24,816</b>	<b>29,189</b>	<b>36,144</b>
Customer Deposits	7,748	11,892	15,174	19,134	25,479
Banks Deposits	0	0	0	0	0
Int. Bearing Liab. - Others	526	175	351	359	368
<b>Total Liabilities</b>	<b>8,702</b>	<b>12,939</b>	<b>16,330</b>	<b>20,459</b>	<b>26,996</b>
Share capital & Reserves	8,502	8,522	8,522	8,522	8,522
Retained Earnings	(239)	(165)	(35)	208	626
<b>Shareholders' Funds</b>	<b>8,264</b>	<b>8,357</b>	<b>8,486</b>	<b>8,730</b>	<b>9,148</b>
Minority interests	0	0	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>16,965</b>	<b>21,296</b>	<b>24,816</b>	<b>29,189</b>	<b>36,144</b>

**Exhibit 10. Key Ratios**

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Yield on Earning Assets	11.5	11.3	11.5	12.7	13.0
Cost of funds	2.4	2.9	3.1	2.9	2.7
Interest Spread	9.1	8.4	8.3	9.8	10.3
Net Interest Margin	10.3	9.4	9.1	10.4	10.8
Cost/Income Ratio	71.7	72.3	69.0	65.3	60.7
Oper. Exp./Oper. Gross Inc.	99.2	95.8	93.5	90.4	86.9
Gross NPL Ratio	1.2	0.7	1.0	1.0	1.0
LLP/Gross NPL	322.4	257.0	204.3	224.4	242.0
Cost of Credit	5.3	3.6	3.1	3.1	3.2
Loan to Deposit Ratio	113.9	107.9	110.0	113.5	110.9
Loan to Funding Ratio	113.9	107.9	110.0	113.5	110.9
CASA Mix	73.2	66.3	62.1	64.5	65.5
ROAE	0.2	0.9	1.5	2.8	4.7
ROAA	0.1	0.4	0.6	0.9	1.3
CAR	73.5	56.0	37.3	30.4	25.2

**Exhibit 11. Dupont and Growth**

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
<b>Dupont</b>					
Pre-Tax ROAA	0.1	0.5	0.7	1.2	1.6
Tax Retention rate	77.9	77.3	78.0	78.0	78.0
Post-Tax ROAA	0.1	0.4	0.6	0.9	1.3
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	1.8	2.3	2.7	3.1	3.7
ROAE	0.2	0.9	1.5	2.8	4.7
<b>Growth (%)</b>					
Interest income	130.0	25.0	18.8	30.1	28.1
Net Interest Income	129.4	15.7	13.4	34.0	29.2
Other Oper. Expenses	89.0	24.3	8.2	24.8	19.0
Fee Based Income	298.5	147.9	13.1	15.8	17.3
Pre-Provision Oper. Profit	294.2	20.4	26.8	47.9	45.1
Net Profit	(81.5)	354.7	79.2	87.7	71.7
Shareholders' Equity	0.2	1.1	1.6	2.9	4.8
Loan	117.6	74.3	34.1	29.8	29.8
Earnings Asset	33.8	22.0	12.7	21.7	27.1
Deposit	117.2	53.5	27.6	26.1	33.2
Int. Bearing Liab.	119.0	49.5	26.7	25.5	32.2
CASA	238.2	38.9	19.5	31.0	35.2
Total Asset	37.8	25.5	16.5	17.6	23.8

Source : ARTO, BRIDS Estimates

**BRI Danareksa Equity Research Team**

Erindra Krisnawan, CFA	Head of Equity Research, Strategy, Coal	<a href="mailto:erindra.krisnawan@brids.co.id">erindra.krisnawan@brids.co.id</a>
Natalia Sutanto	Consumer, Cigarettes, Pharmaceuticals, Retail	<a href="mailto:natalia.sutanto@brids.co.id">natalia.sutanto@brids.co.id</a>
Niko Margaronis	Telco, Tower, Technology, Media	<a href="mailto:niko.margaronis@brids.co.id">niko.margaronis@brids.co.id</a>
Hasan Barakwan	Metal, Oil and Gas	<a href="mailto:hasan.barakwan@brids.co.id">hasan.barakwan@brids.co.id</a>
Victor Stefano	Banks, Poultry	<a href="mailto:victor.stefano@brids.co.id">victor.stefano@brids.co.id</a>
Ismail Fakhri Suweleh	Healthcare, Property, Industrial Estate	<a href="mailto:ismail.suweleh@brids.co.id">ismail.suweleh@brids.co.id</a>
Richard Jerry, CFA	Automotive, Cement	<a href="mailto:richard.jerry@brids.co.id">richard.jerry@brids.co.id</a>
Ni Putu Wilastita Muthia Sofi	Research Associate	<a href="mailto:wilastita.sofi@brids.co.id">wilastita.sofi@brids.co.id</a>
Naura Reyhan Muchlis	Research Associate	<a href="mailto:naura.muchlis@brids.co.id">naura.muchlis@brids.co.id</a>
Sabela Nur Amalina	Research Associate	<a href="mailto:sabela.amalina@brids.co.id">sabela.amalina@brids.co.id</a>
Christian Immanuel Sitorus	Research Associate	<a href="mailto:christian.sitorus@brids.co.id">christian.sitorus@brids.co.id</a>

**BRI Danareksa Economic Research Team**

Helmy Kristanto	Chief Economist, Macro Strategy	<a href="mailto:helmy.kristanto@brids.co.id">helmy.kristanto@brids.co.id</a>
Dr. Telisa Aulia Falianty	Senior Advisor	<a href="mailto:telisa.falianty@brids.co.id">telisa.falianty@brids.co.id</a>
Kefas Sidauruk	Economist	<a href="mailto:kefas.sidauruk@brids.co.id">kefas.sidauruk@brids.co.id</a>

**BRI Danareksa Institutional Equity Sales Team**

Yofi Lasini	Head of Institutional Sales and Dealing	<a href="mailto:yofi.lasini@brids.co.id">yofi.lasini@brids.co.id</a>
Novrita Endah Putrianti	Institutional Sales Unit Head	<a href="mailto:novrita.putrianti@brids.co.id">novrita.putrianti@brids.co.id</a>
Ehrlicheh Suhartono	Institutional Sales Associate	<a href="mailto:ehrliech@brids.co.id">ehrliech@brids.co.id</a>
Yunita Nababan	Institutional Sales Associate	<a href="mailto:yunita@brids.co.id">yunita@brids.co.id</a>
Adeline Solaiman	Institutional Sales Associate	<a href="mailto:adeline.solaiman@brids.co.id">adeline.solaiman@brids.co.id</a>
Andreas Kenny	Institutional Sales Associate	<a href="mailto:andreas.kenny@brids.co.id">andreas.kenny@brids.co.id</a>
Christy Halim	Institutional Sales Associate	<a href="mailto:christy.halim@brids.co.id">christy.halim@brids.co.id</a>
Jason Joseph	Institutional Sales Associate	<a href="mailto:jason.joseph@brids.co.id">jason.joseph@brids.co.id</a>

**BRI Danareksa Sales Traders**

Mitcha Sondakh	Head of Sales Trader	<a href="mailto:mitcha.sondakh@brids.co.id">mitcha.sondakh@brids.co.id</a>
Suryanti Salim	Sales Trader	<a href="mailto:suryanti.salim@brids.co.id">suryanti.salim@brids.co.id</a>

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

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