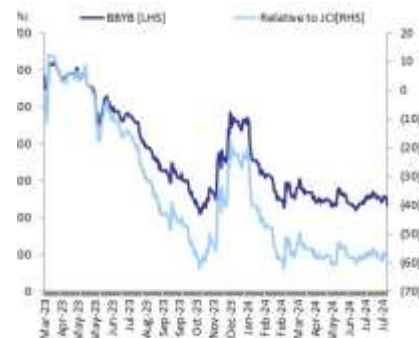


Buy

(Maintained)

Last Price (Rp)	232
Target Price (Rp)	600
Previous Target Price (Rp)	600
Upside/Downside	+160.9%
No. of Shares (mn)	9,422
Mkt Cap (Rpbn/US\$mn)	2,167/134
Avg, Daily T/O (Rpbn/US\$mn)	16.0/1.0
Free Float (%)	60.0
Major Shareholder (%)	
AKULAKU SIVRR INDONESIA	27.3
GOZCO CAPITAL	8.9
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	(5.2) 12.4 20.8
Consensus	(2.0) 18.4 29.4
BRIDS/Cons (%)	160.0 (32.4) (29.1)

BBYB relative to JCI Index



Source: Bloomberg

Bank Neo Commerce (BBYB IJ)

Turning into net loss in 2Q24 on loans and NIM contraction (inline 1H24); maintain FY24F net losses

- BBYB reported a slight net loss of Rp20bn in 2Q24 (vs. slight net profit in 1Q24) from lower NII, partly offset by lower opex and provisions.
- As expected in our prev. notes, NIM and loan disbursement still declined qoq in 2Q24; 1H24 net loss was still in line with our FY24F est.
- Maintain Buy rating with an unchanged TP of Rp600, supported by a low LDR and sufficient coverage to drive loan and earnings growth.

2Q24: turning back to net loss due to lower loans and NIM

BBYB's 2Q24 net profit turned into a slight negative of Rp20bn in 2Q24, in line with our expectations. The 2Q24 losses wiped out its 1Q24 net profit, resulting in a slight loss of Rp6bn for 1H24, albeit still above our and consensus FY24 forecasts. The reversal from the 1Q24 net profit was due to a lower NII (-14% qoq) as the bank reported a 4% qoq decrease in loans and an approximately 300bps drop in NIM, both attributed, in our view, to the lower contribution from loan channeling to Akulaku Finance.

Lower NIM caused by lower LDR and EA yield

BBYB continued to report opex efficiencies at -13% qoq (-29% yoy) and lower provisions (-7% qoq, -6% yoy). However, this was insufficient to offset the declining NII. Supported by high CoC in recent quarters, BBYB managed to maintain its NPL at 3.9% in 2Q24 and improved its LaR to 13.8% (-352bps qoq, -81bps yoy), with decent NPL coverage of 139% and LaR coverage of 39%. Despite the lower provisions, CoC remained high at 26.6% in 2Q24, due to the lower loan balance. LDR dropped to 61% in 1H24 from 66% in 1H23 and 65% in 1Q24, as the bank's loans were still contracting. Meanwhile, customer deposits rose by 3% qoq to Rp14.8tr (-3% yoy), providing the bank with ample liquidity to support its 2H24 earnings.

We maintain our FY24 estimates of negative earnings

Despite expecting higher contributions from the commercial loans in 2H24, which the management expects to support the loan growth target of 20% (vs -11% in 1H24), we have yet to consider it as a game changer, as it will come with a much lower yield (c. 7.5%) than digital loans (c. 33% in 1H24). However, we also note that the commercial loans will drive the bank's CoC lower.

Maintain Buy rating on loan growth expansion potentials

We maintain our valuation, which uses a 3-stage DDM, unchanged and retain our Buy rating with a TP of Rp600 (unchanged). We believe the low LDR and resilient customer deposits should support the loan growth expansion (2H24). The risks to our view are higher-than-expected NPL and lower loan balances.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
PPOP (Rpbn)	288	2,187	2,305	2,657	3,009
Net profit (Rpbn)	(789)	(573)	(63)	150	251
EPS (Rp)	(83.8)	(47.6)	(5.2)	12.4	20.8
EPS growth (%)	(20.0)	(43.2)	(89.1)	(339.3)	67.2
BVPS (Rp)	397.4	276.0	270.8	283.3	304.1
PER (x)	(2.7)	(4.8)	(44.2)	18.5	11.1
PBV (x)	0.6	0.8	0.8	0.8	0.8
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
ROAE (%)	(23.8)	(16.2)	(1.9)	4.5	7.1

Source: BBYB, BRIDS Estimates

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Exhibit 1. BBYB 1H24 earnings summary

BBYB - Financials (Rpbn)	2Q23	1Q24	2Q24	qoq, %	yoy, %	1H23	1H24	yoy, %	FY24F	FY24C	A/F	A/C
Interest income	797	989	890	-10%	12%	1,613	1,879	16%	3,725		50%	n/a
Interest expense	237	217	228	5%	-4%	478	444	-7%	1,029		43%	n/a
Net interest income	561	772	662	-14%	18%	1,135	1,434	26%	2,696		53%	n/a
Operating expenses	319	261	226	-13%	-29%	552	487	-12%	1,469		33%	n/a
PPOP	395	671	593	-12%	50%	860	1,264	47%	1,993		63%	n/a
Provision	653	657	613	-7%	-6%	1,187	1,270	7%	2,113		60%	n/a
Operating Profit	(259)	14	(20)	n/a	-92%	(327)	(6)	-98%	(120)		5%	n/a
Net profit	(258)	14	(20)	n/a	-92%	(327)	(6)	-98%	(119)	(24)	5%	26%
Loans	10,110	9,396	9,017	-4%	-11%							
Customer deposits	15,204	14,346	14,759	3%	-3%							
Loan yield (%)	27.0	35.4	33.4	↓ (198)	↑ 648	27.3	34.2	↑ 683				
Cost of fund (%)	6.3	6.1	6.3	↓ 11	↑ (7)	6.4	6.2	↑ (19)				
NIM (%)	13.7	18.7	15.8	↓ (295)	↑ 203	13.7	17.3	↑ 355				
CIR (%)	44.7	28.0	27.6	↓ (37)	↑ (1,704)	39.1	27.8	↑ (1,129)				
Cost of credit (%)	24.9	26.0	26.6	↓ 60	↓ 178	22.8	26.1	↓ 333				
CASA ratio (%)	24.9	27.6	29.7	↑ 213	↑ 480							
LDR (%)	66.4	65.5	61.1	↑ (440)	↑ (529)							
NPL (%)	3.7	3.9	3.9	↑ (5)	↓ 19							
LaR (%)	14.6	17.3	13.8	↓ (352)	↑ (81)							
NPL coverage (%)	92.7	142.4	139.0									
LaR coverage (%)	23.5	32.4	39.2									

Source: Company, BRIDS Estimates

Exhibit 2. BBYB Changes in Forecast

BBYB - Forecast Changes	2024F (Prev)	2024F (Curr)	Δ%	2025F (Prev)	2025F (Curr)	Δ%
Net Interest Income (Rpbn)	2,696	2,708	0.4	3,301	2,955	(10.5)
PPOP (Rpbn)	1,993	2,305	15.6	2,509	2,657	5.9
Net profit (Rpbn)	(119)	(63)	(47.5)	263	150	(43.1)
BVPS (Rp)	266	271	1.8	288	283	(1.6)
Gross Loans (Rpbn)	12,909	12,181	(5.6)	14,817	14,624	(1.3)
Customer Deposits (Rpbn)	15,858	15,515	(2.2)	17,363	17,740	2.2
Ratios (%)	2024F (Prev)	2024F (Curr)	Δ bps	2025F (Prev)	2025F (Curr)	Δ bps
Net Interest Margin	15.6	16.1	51	16.9	15.9	(106)
Gross NPL Ratio	3.5	3.5	-	3.2	3.2	-
Cost/Income Ratio	33.8	35.6	178	30.7	31.6	96
Cost of Credit	17.8	20.6	279	15.7	18.4	273
ROAE	(3.7)	(1.9)	176	7.9	4.5	(340)

Source: BRIDS Estimates

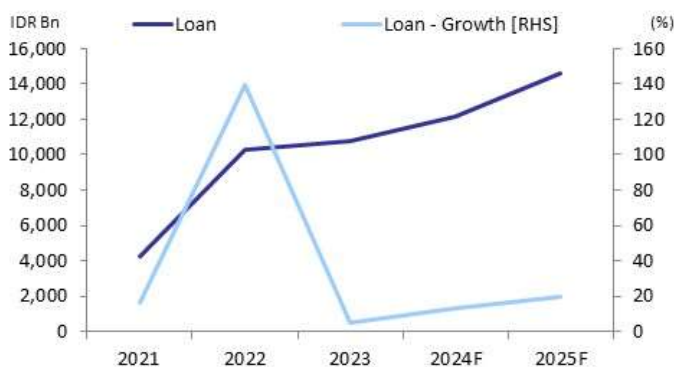
Exhibit 3. BBYB's Valuation

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		12.9%	16.8%
Growth rate	n/a	22.1%	8.0%
Expected dividend payout ratio	0.0%	30.5%	52.3%

	0	1	2	3	4	5	6	7	8	9	10	11	12
Forecast year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Equity book value/share	307	397	276	271	283	304	333	364	400	439	481	525	570
Return on equity	-34.1%	-21.1%	-17.2%	-1.9%	4.4%	6.8%	8.7%	9.4%	10.8%	12.1%	13.3%	14.9%	16.8%
Earnings per share	-104.7	-83.8	-47.6	-5.2	12.4	20.8	28.9	34.2	43.0	53.1	64.1	78.1	95.6
growth		-20%	-43%	-89%	-339%	67%	39%	18%	26%	23%	21%	22%	22%
Payout ratio	0%	0%	0%	0%	0%	0%	0%	8.7%	17.4%	26.1%	34.8%	43.6%	52%
Dividend per share	-	-	-	-	-	-	-	3.0	7.5	13.9	22.3	34.0	50.0
Cost of equity		16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	15.9%	14.9%	13.9%	12.9%	12.0%	11.0%
Cumulative cost of equity	1.000	0.856	0.733	0.627	0.537	0.459	0.393	0.339	0.295	0.259	0.229	0.205	0.185
TP	IDR 600												

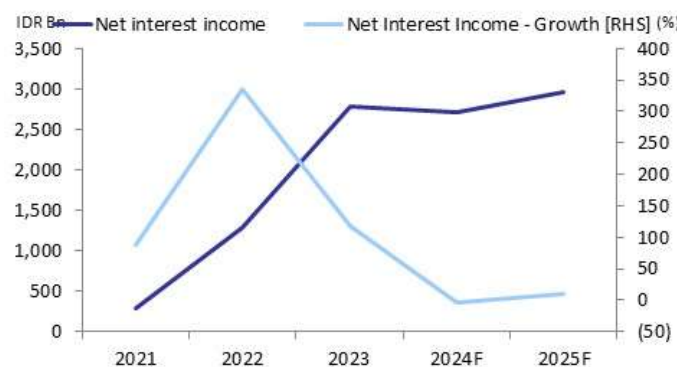
Source: Company, BRIDS Estimates

Exhibit 4. Loans and Growth



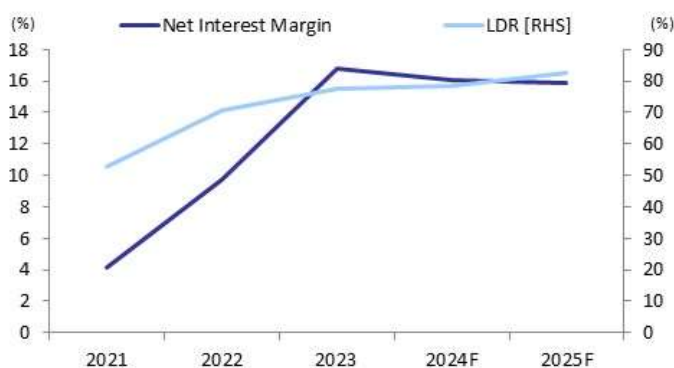
Source: Company, BRIDS Estimates

Exhibit 5. Net Interest Income and Growth



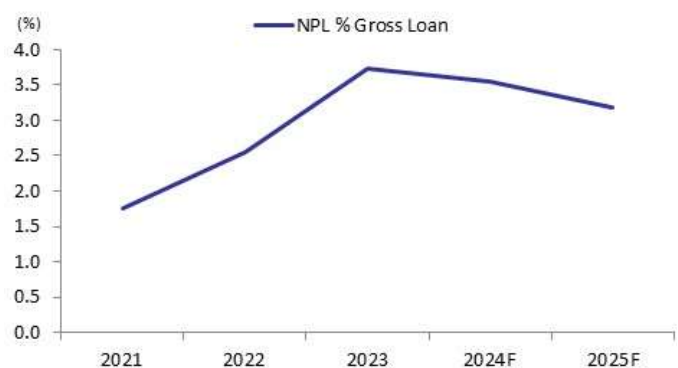
Source: Company, BRIDS Estimates

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	1,994	3,721	3,627	3,938	4,446
Interest Expense	(713)	(945)	(919)	(982)	(1,083)
Net Interest Income	1,281	2,777	2,708	2,955	3,364
Non-Interest Income (NII)	623	763	870	931	1,011
Oper. Income	1,904	3,540	3,578	3,886	4,374
Oper. Expenses	(1,616)	(1,353)	(1,273)	(1,229)	(1,365)
Pre-provisions profit	288	2,187	2,305	2,657	3,009
Provisions & Allowances	(1,073)	(2,762)	(2,368)	(2,466)	(2,689)
Operating Profits	(785)	(575)	(64)	191	320
Non-Operating Income	(1)	1	1	1	1
Exceptionals	0	0	0	0	0
Pre-tax Profit	(786)	(574)	(63)	192	321
Income Tax	(3)	1	0	(42)	(71)
Minorities	0	0	0	0	0
Net Profit	(789)	(573)	(63)	150	251

Exhibit 9. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Gross Loans	10,244	10,783	12,181	14,624	17,293
Provisions	(211)	(625)	(608)	(701)	(850)
Net Loans	10,034	10,158	11,573	13,922	16,443
Govt. Bonds	0	0	0	0	0
Securities	3,486	3,348	4,855	4,903	4,952
Other Earnings Assets	0	0	0	0	0
Total Earnings Assets	16,943	16,199	17,485	19,795	22,428
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	19,758	22,163	24,686
Customer Deposits	14,450	13,872	15,515	17,740	19,979
Banks Deposits	288	25	27	30	32
Int. Bearing Liab. - Others	0	0	0	0	0
Total Liabilities	15,950	14,847	16,498	18,753	21,025
Share capital & Reserves	5,469	5,619	5,619	5,619	5,619
Retained Earnings	(1,724)	(2,296)	(2,358)	(2,209)	(1,958)
Shareholders' Funds	3,745	3,323	3,260	3,410	3,661
Minority interests	0	0	0	0	0
Total Equity & Liabilities	19,694	18,170	19,758	22,163	24,686

Exhibit 10. Key Ratios

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Yield on Earning Assets	15.1	22.5	21.5	21.1	21.1
Cost of funds	6.1	6.5	6.2	5.9	5.7
Interest Spread	9.0	16.0	15.3	15.2	15.3
Net Interest Margin	9.7	16.8	16.1	15.9	15.9
Cost/Income Ratio	84.9	38.2	35.6	31.6	31.2
Oper. Exp./Oper. Gross Inc.	130.0	112.8	101.4	96.1	94.1
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	20.6	18.4	16.9
Loan to Deposit Ratio	70.9	77.7	78.5	82.4	86.6
Loan to Funding Ratio	70.9	77.7	78.5	82.4	86.6
CASA Mix	28.0	28.7	29.7	31.6	32.3
ROAE	(23.8)	(16.2)	(1.9)	4.5	7.1
ROAA	(5.1)	(3.0)	(0.3)	0.7	1.1
CAR	136.3	110.0	48.9	37.5	34.4

Exhibit 11. Dupont and Growth

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Dupont					
Pre-Tax ROAA	(5.1)	(3.0)	(0.3)	0.9	1.4
Tax Retention rate	100.4	99.9	100.0	78.0	78.0
Post-Tax ROAA	(5.1)	(3.0)	(0.3)	0.7	1.1
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	4.7	5.4	5.8	6.3	6.6
ROAE	(23.8)	(16.2)	(1.9)	4.5	7.1
Growth (%)					
Interest income	209.1	86.6	(2.5)	8.6	12.9
Net Interest Income	334.9	116.7	(2.5)	9.1	13.8
Other Oper. Expenses	30.9	(16.3)	(5.9)	(3.5)	11.0
Fee Based Income	717.5	(25.0)	13.0	20.1	18.3
Pre-Provision Oper. Profit	(136.4)	660.2	5.4	15.3	13.3
Net Profit	(20.0)	(27.4)	(89.1)	(339.3)	67.2
Shareholders' Equity	29.6	(11.3)	(1.9)	4.6	7.3
Loan	139.6	5.3	13.0	20.1	18.3
Earnings Asset	79.2	(4.4)	7.9	13.2	13.3
Deposit	80.5	(5.7)	11.8	14.3	12.6
Int. Bearing Liab.	87.7	(9.3)	11.8	14.3	12.6
CASA	153.7	(3.2)	15.4	21.8	15.0
Total Asset	73.7	(7.7)	8.7	12.2	11.4

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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