

# Buy

(Maintained)

Last Price (Rp)	258
Target Price (Rp)	600
Previous Target Price (Rp)	600
Upside/Downside	+132.6%
No. of Shares (mn)	9,422
Mkt Cap (Rpbn/US\$mn)	2,431/155
Avg, Daily T/O (Rpbn/US\$mn)	15.8/1.0
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	(2.6) 10.9 20.1
BRIDS/Cons (%)	103.9 14.2 3.8

## BBYB relative to JCI Index



Source: Bloomberg

# Bank Neo Commerce (BBYB IJ)

## Turning positive in 3Q24, lower CoC offsetting the lower NIM; maintain FY24F net losses forecasts

- BBYB reported a slight net profit of Rp10bn in 3Q24 (vs. a slight net loss in 2Q24), resulting in a positive 9M24 NP of Rp4bn.
- As commercial loans kicked in, NIM started to fall to 13.9% (-185bps qoq), while CoC improved 21.0% (-570bps qoq).
- Maintain Buy rating with an unchanged TP of Rp600, supported by a low LDR and sufficient coverage to drive loan and earnings growth.

### 3Q24: net profit turned positive, and loans started to grow

In 3Q24, BBYB recorded a net profit of Rp10bn, marking a turnaround from losses on both a qoq and yoy basis. This brings the 9M24 net profit to Rp4bn, a major recovery from losses of Rp566bn in 9M23, and better than our forecasted Rp63bn net losses and the consensus Rp176bn losses for FY24F. Following a downtrend in its lending balances, BBYB began to show positive loan growth supported by its new initiative, i.e., commercial loans. Loans grew 3% qoq to Rp9.3tr, though still down 16% yoy, while customer deposits declined 4% qoq to Rp14.1tr (-8% yoy). As a result, LDR improved to 65.5% in 3Q24 but remained lower than the 71.7% in 9M23, leaving room for further loan growth.

### Improving CoC at the expense of lower NIM

BBYB's CoC significantly improved to 21.0% in 3Q24 (-5.7% qoq, -8.0% yoy) as the bank's commercial loan portion increased. Consequently, NIM dropped to 13.9% (-185bps qoq, -470bps yoy), primarily due to a lower earning asset (EA) yield of 29.7% (-373bps qoq, -520bps yoy). Meanwhile, CoF improved by 9bps qoq to 6.2% (-14bps yoy) as the bank maintained an ample LDR. The lower NIM caused the bank's NII to decline to Rp579bn (-13% qoq, -25% yoy), bringing its PPOP down to Rp489bn (-18% qoq, -6% yoy). Despite this, net profit turned positive as provision expenses declined.

### We maintain our FY24 estimates of negative earnings

Despite the positive improvement in profitability as commercial loans start to kick in, we have yet to consider it a game changer, as it comes with a much lower yield than digital loans, which could pressure NIM further if the bank cannot lower its CoF. However, we also note that 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 ample liquidity should support loan growth expansion. The risks to our view are higher-than-expected NPL.

### 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)	(3.1)	(5.4)	(49.6)	20.7	12.4
PBV (x)	0.6	0.9	1.0	0.9	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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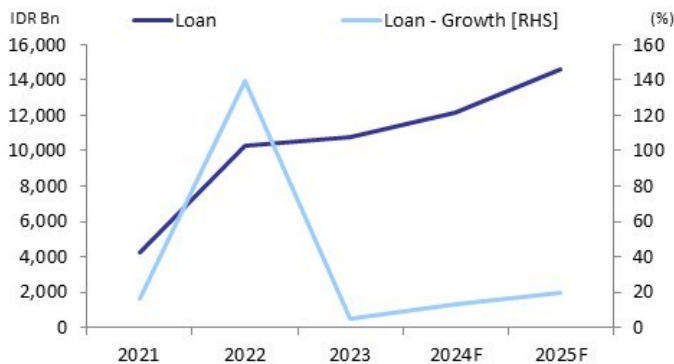
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Exhibit 1. BBYB 3Q24 earnings summary

BBYB - Financials (Rpbn)	3Q23	2Q24	3Q24	qoq, %	yoy, %	9M23	9M24	yoy, %	FY24F	FY24C	A/F	A/C
Interest income	1,015	890	802	-10%	-21%	2,628	2,680	2%	3,627		74%	n/a
Interest expense	241	228	223	-2%	-7%	718	667	-7%	919		73%	n/a
Net interest income	774	662	579	-13%	-25%	1,909	2,013	5%	2,708		74%	n/a
Other operating income	273	157	144	-8%	-47%	550	462	-16%	870		53%	n/a
Operating expenses	525	226	235	4%	-55%	1,077	722	-33%	1,273		57%	n/a
PPOP	522	593	489	-18%	-6%	1,382	1,753	27%	2,305		76%	n/a
Provision	763	613	479	-22%	-37%	1,949	1,749	-10%	2,368		74%	n/a
Operating Profit	(241)	(20)	10	n/a	n/a	(568)	4	n/a	(64)		n/a	n/a
Net profit	(239)	(20)	10	n/a	n/a	(566)	4	n/a	(63)	(176)	n/a	n/a
Loans	10,965	9,017	9,261	3%	-16%	10,965	9,261	-16%	12,181			
Customer deposits	15,304	14,759	14,142	-4%	-8%	15,304	14,142	-8%	15,515			
Loan yield (%)	34.9	33.4	29.7	↓ (373)	↓ (520)	29.6	32.5	↑ 286				
Cost of fund (%)	6.3	6.3	6.2	↓ (9)	↓ (14)	6.3	6.2	↑ (13)				
NIM (%)	18.6	15.8	13.9	↓ (185)	↓ (470)	15.3	16.2	↑ 88				
CIR (%)	50.1	27.6	32.4	↓ 480	↑ (1,771)	43.8	29.2	↑ (1,464)				
Cost of credit (%)	29.0	26.6	21.0	↑ (569)	↑ (800)	24.6	24.3	↑ (36)				
CASA ratio (%)	27.0	29.7	27.6	↓ (216)	↑ 53							
LDR (%)	71.7	61.1	65.5	↓ 439	↑ (617)							
NPL (%)	3.9	3.9	3.7	↑ (17)	↑ (17)							
LaR (%)	14.9	13.8	14.4	↓ 66	↑ (47)							
NPL coverage (%)	126.8	139.0	156.5									
LaR coverage (%)	33.1	39.2	40.3									

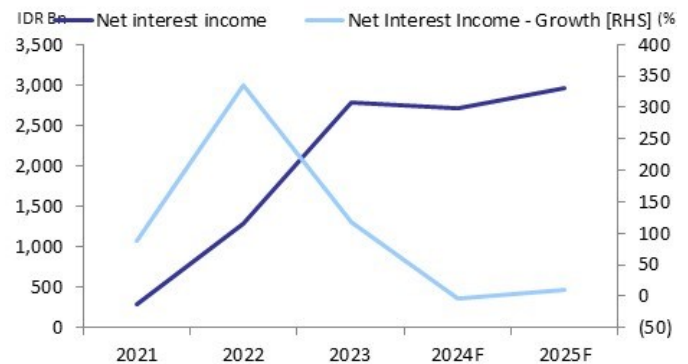
Source: Company, BRIDS Estimates, Bloomberg

Exhibit 2. Loans and Growth



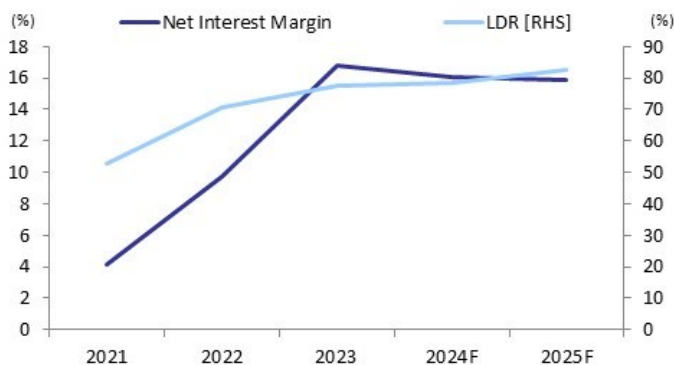
Source: Company, BRIDS Estimates

Exhibit 3. Net Interest Income and Growth



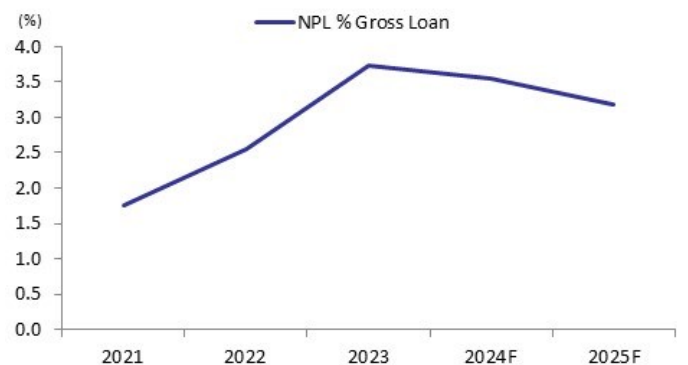
Source: Company, BRIDS Estimates

Exhibit 4. NIM and LDR



Source: Company, BRIDS Estimates

Exhibit 5. NPLs



Source: Company, BRIDS Estimates

**Exhibit 6. 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)
<b>Net Interest Income</b>	<b>1,281</b>	<b>2,777</b>	<b>2,708</b>	<b>2,955</b>	<b>3,364</b>
Non-Interest Income (NII)	623	763	870	931	1,011
<b>Oper. Income</b>	<b>1,904</b>	<b>3,540</b>	<b>3,578</b>	<b>3,886</b>	<b>4,374</b>
Oper. Expenses	(1,616)	(1,353)	(1,273)	(1,229)	(1,365)
<b>Pre-provisions profit</b>	<b>288</b>	<b>2,187</b>	<b>2,305</b>	<b>2,657</b>	<b>3,009</b>
Provisions & Allowances	(1,073)	(2,762)	(2,368)	(2,466)	(2,689)
<b>Operating Profits</b>	<b>(785)</b>	<b>(575)</b>	<b>(64)</b>	<b>191</b>	<b>320</b>
Non-Operating Income	(1)	1	1	1	1
Exceptionals	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>(786)</b>	<b>(574)</b>	<b>(63)</b>	<b>192</b>	<b>321</b>
Income Tax	(3)	1	0	(42)	(71)
Minorities	0	0	0	0	0
<b>Net Profit</b>	<b>(789)</b>	<b>(573)</b>	<b>(63)</b>	<b>150</b>	<b>251</b>

**Exhibit 7. 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)
<b>Net Loans</b>	<b>10,034</b>	<b>10,158</b>	<b>11,573</b>	<b>13,922</b>	<b>16,443</b>
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
<b>Total Earnings Assets</b>	<b>16,943</b>	<b>16,199</b>	<b>17,485</b>	<b>19,795</b>	<b>22,428</b>
Fixed Assets	271	306	367	385	451
Non-Earnings Assets	1,349	1,203	1,281	1,341	1,415
<b>Total Assets</b>	<b>19,694</b>	<b>18,170</b>	<b>19,758</b>	<b>22,163</b>	<b>24,686</b>
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
<b>Total Liabilities</b>	<b>15,950</b>	<b>14,847</b>	<b>16,498</b>	<b>18,753</b>	<b>21,025</b>
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)
<b>Shareholders' Funds</b>	<b>3,745</b>	<b>3,323</b>	<b>3,260</b>	<b>3,410</b>	<b>3,661</b>
Minority interests	0	0	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>19,694</b>	<b>18,170</b>	<b>19,758</b>	<b>22,163</b>	<b>24,686</b>

**Exhibit 8. 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 9. Dupont and Growth**

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
<b>Dupont</b>					
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
<b>Growth (%)</b>					
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**

<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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