



Melayani Dengan Setulus Hati

BUY

Target Price : IDR4,800

Stock Data

Curent Price	: IDR3,940
52wk Range H-L	: IDR4,950-2,970
Share Outstanding	: 123.35 bn
Free Float (%)	: 43.25%
Mkt Capitalization (IDR bn)	: 556,289.60

Major Shareholders

Government	: 56.75%
Public	: 43.25%

PT Bank Rakyat Indonesia Tbk (BBRI IJ)

Banking Sector

Establishing Ultra-Micro Ecosystem

Right Issue Agenda as Part of the Formation of Ultra-Micro Holding

- BBRI plans to issue a maximum of 28.68bn new shares (equal to 23.25% of BBRI's current outstanding shares). The proceed mainly used to enable the transfer of Pegadaian and Permodalan Nasional Madani (PNM) to establish an ultra-micro holding company through non-cash transactions.
- Currently, the Indonesian government holds 56.75% ownership of BBRI's total shares and will exercise all the rights by conducting an in-kind scheme.
- According to the independent appraisal, Pegadaian and PNM valued at IDR48.67tn/IDR6.10tn respectively, implies 1.91x/1.05x PBV and translated to IDR54.77tn value acquisition combined (1.75x blended PBV).
- Thus, based on our calculation, BBRI will obtain total proceeds of IDR96.51tn, which implies est. right issue price at IDR3,365/share (~14% lower than the last closing price).

Leveraging New Source of Growth in Untapped Market

- BBRI's initiative in synergizing with Pegadaian and PNM has the potential to generate significant revenue (+23%), bottom-line (+13%) and cost synergies from cross-selling opportunities and estimated efficiencies realized in the ultra-micro ecosystem. Total assets will also increase to IDR1,583.55tn (+12.22%). However, we see the potential for normalization in EPS (-8.32%) and ROE (-3.44%) would occur post-consolidation.
- Pegadaian, the largest pawnshop in Indonesia with a market share over 98%, proved its worthy track record by increasing its operating revenue by 38.79%/24.27% in FY19/FY20. Pegadaian booked revenue and net income of IDR5.45tn/IDR705bn, respectively, while total assets stood at IDR72.19tn in Mar-2021.
- PNM, as a financing institution for the ultra-micro segment with 7.8mn ultra-micro customers, was able to increase loans by 42.38%/21.02% in FY19/FY20, and operating revenue grew by 17.62% in FY20. PNM managed to record revenue and net income of IDR1.80tn/IDR186bn while total assets stood at IDR35.10tn in Mar-2021.
- We believe that this synergy will certainly benefit BBRI in the long term, supported by a new source of growth in terms of lending, lower CoC, efficiency in opex, lower CoF and NPLs that tend to be manageable. Management targeting this synergy ecosystem will fully be completed at least in Sep-2021.
- The formation of the holding company should help BBRI, together with Pegadaian and PNM, accommodate around 30mn MSMEs that have not been served by financial institutions, with a target of 15mn ultra-micro entrepreneurs by FY24F.

Maintain BUY with lower TP: IDR4,800

We continue to maintain our recommendation **BUY** for **BBRI** with a lower **TP: IDR4,800**, which implied PBV FY21E/FY22F at 2.80x/2.62x, taking into account the potential short-term risk of dilution. However, we believe BBRI's strategy in expanding the ultra-micro segment together with Pegadaian and PNM, should be a long-term positive catalyst, given its competitive advantage and a proven track record in the MSME segment. Earnings could potentially recover by 50.28% YoY in a best-case scenario, given a low base effect with the deepest decline in earnings reaching -46% YoY in FY20. BBRI is currently traded at 2.54x PBV (close to +1STD 5-years mean).

Key Financial Highlight

YE Dec (IDR bn)	FY18	FY19	FY20	FY21E	FY22F
Net Interest Income	77,666	81,707	79,210	89,297	102,155
Net Profit	32,351	34,373	18,654	28,033	36,284
EPS (IDR)	262	279	151	227	294
PER (x)	15.02	14.14	26.05	17.34	13.39
BVS (IDR)	1,502	1,693	1,621	1,714	1,832
PBV (x)	2.62	2.33	2.43	2.30	2.15
ROAE (%)	18.35	17.45	9.13	13.63	16.59
ROAA (%)	2.67	2.53	1.27	1.80	2.16

Source: Bloomberg, MNCS as of Jun 22, 2021



Research Analyst

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Exhibit 01. BBRI's Pro forma of Capital Structure
Indicative Market Cap (IDR tn)

Pegadaian	48.67
PNM	6.10
Total Indicative Value of Acquisition (IDR tn)	54.77
Implied blended PBV (x)	1.75
Est. Capital Raised (IDR tn); Govt. 56.75% ownership	96.51

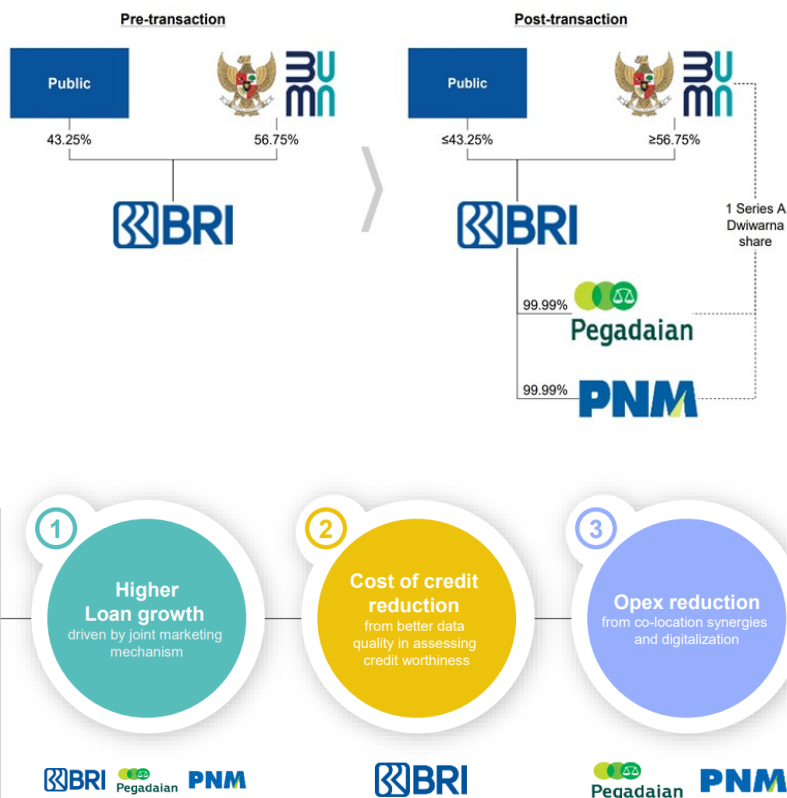
Key Highlight in Mar-2021 (IDR tn)	BBRI	Pegadaian	PNM	Consolidated	Change
Total Assets	1,411.05	72.19	35.10	1,583.55	12.22%
Total Liabilities	1,216.29	46.68	29.30	1,292.27	6.25%
Total Equity	194.76	25.51	5.80	291.28	49.55%
Total Income	31.91	5.45	1.80	39.16	22.73%
Net Income/Loss	6.86	0.71	0.19	7.75	12.99%
Indicative Market Cap (IDR tn)	486.00	48.67	6.10	540.77	11.27%
Outstanding shares (bn shares)	123.35			152.03	23.25%
EPS (IDR)	55.62			50.99	-8.32%
BVPS (IDR)	1,579.02			1,915.97	21.34%
ROE annualized (%)	14.09	11.06	12.83	10.64	-3.44%
PBV (x)	2.50	1.91	1.05	1.86	

TERP Calculation:

Number of new shares (bn shares)	28.68
Est. Capital Raised (IDR bn); Govt. 56.75% stake	96,511
Est. RI price (IDR/share)	3,365
Outstanding shares (bn shares)	123.35
Last Price on 21 June 2021 (IDR/share)	3,940
Mkt Cap on 21 June 2021 (IDR bn)	485,999
New outstanding shares (bn shares)	152.03
New Mkt Cap (IDR bn)	582,510
TERP (IDR/share)	3,832

Source : BBRI, Pegadaian, PNM, MNCS

Exhibit 02. Transaction Structure and Synergies Beneficiary

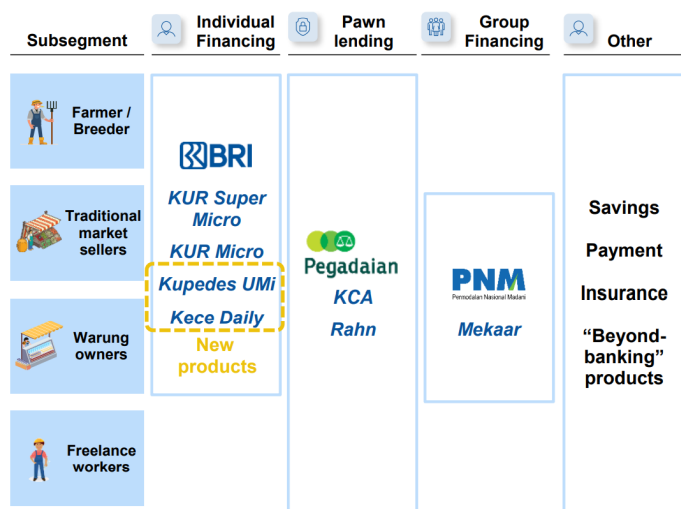


- The Government will exercise its rights in non-cash in-kind contribution through transfer of all series B shares it owns in Pegadaian and PNM.
- After the Proposed Rights Issue, BRI will own all Series B Pegadaian and PNM shares, while the Government of Indonesia will still own 1 Series A Dwiwarna Share.
- The resulting Government ownership and public ownership may be impacted depending on the result of participation in the rights issue.



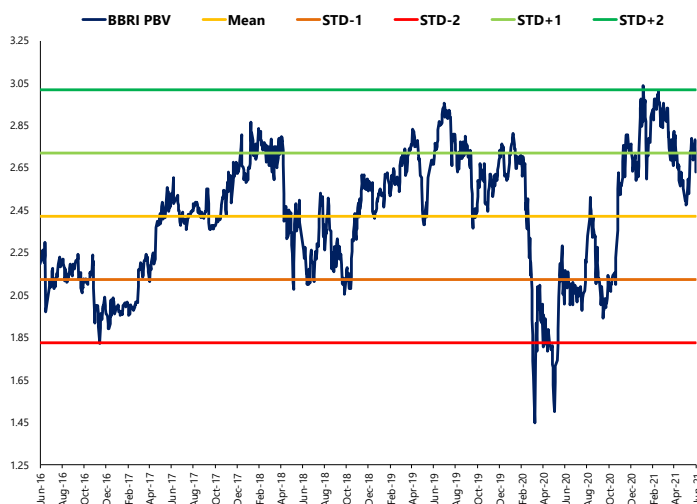
Source: BBRI

Exhibit 03. Ultra-Micro Ecosystem: Wide-ranging Product Offerings



Source : BBRI

Exhibit 04. BBRI IJ is currently traded close to +1STD PBV 5-years mean



Source : Bloomberg, MNCS

Exhibit 05. Financial Projections

Income Statement						Balance Sheet					
IDR Billion	FY18	FY19	FY20	FY21E	FY22F	IDR Billion	FY18	FY19	FY20	FY21E	FY22F
Interest Income	111,583	121,756	116,932	129,462	143,760	Cash	27,422	30,219	32,162	32,149	34,990
Interest Expense	(33,917)	(40,049)	(37,723)	(40,166)	(41,605)	CA with BI	71,159	71,416	51,531	71,144	73,349
Net Interest Income	77,666	81,707	79,210	89,297	102,155	CA with Other Banks	12,677	10,238	9,061	9,748	9,557
Non-Interest Income	24,371	29,450	30,345	31,731	33,434	Placement with BI and Banks	87,018	116,855	66,522	69,848	73,340
Operating Income	102,037	111,157	109,555	121,028	135,589	Marketable Securities	184,284	195,840	327,267	343,630	360,812
Operating Expense	(41,990)	(44,966)	(49,931)	(54,873)	(60,320)	Loans	785,084	839,067	834,293	882,251	953,633
Pre-Provision Income	60,047	66,192	59,624	66,155	75,268	Fixed Assets	26,915	31,433	32,185	33,794	35,484
Provision Expense	(18,322)	(22,151)	(30,693)	(30,736)	(29,439)	Other Assets	102,339	121,691	158,785	164,892	208,329
Pre-tax Profit	41,754	43,364	26,725	35,366	45,775	Total Assets	1,296,898	1,416,759	1,511,805	1,607,457	1,749,493
Tax	(9,335)	(8,950)	(8,064)	(7,300)	(9,448)	Current Account	180,669	170,847	191,454	210,068	224,668
Minority Interest	(67)	(41)	(6)	(34)	(44)	Saving Account	387,180	412,307	469,701	518,566	570,422
Net Profit	32,351	34,373	18,654	28,033	36,284	Time Deposit	376,420	413,224	426,400	439,996	451,825
						Third Party Funds	944,269	996,378	1,087,555	1,168,629	1,246,915
EPS (full amount)	262	279	151	227	294	Deposit Other Banks	9,131	17,970	23,786	35,374	53,771
BVS (full amount)	1,502	1,693	1,621	1,714	1,832	Securities Issued	31,190	38,621	34,489	43,111	53,889
						Borrowings	40,457	30,922	35,969	39,566	43,522
						Other Liabilities	49,195	49,362	56,068	66,883	80,765
						Total Liabilities	1,111,623	1,207,975	1,311,893	1,396,066	1,523,490
						Shareholder's Equity	185,275	208,784	199,911	211,390	226,003
						Total Liabilities and Equity	1,296,898	1,416,759	1,511,805	1,607,457	1,749,493

Key Ratios	Ratios					Growth					
	FY18	FY19	FY20	FY21E	FY22F	Percentage (%)	FY18	FY19	FY20	FY21E	FY22F
NIM	7.31	6.85	6.09	6.39	6.82	Loan Growth	14.05	7.00	2.51	6.35	8.48
ROAE	18.35	17.45	9.13	13.63	16.59	Deposit Growth	12.19	5.52	9.15	7.45	6.70
ROAA	2.67	2.53	1.27	1.80	2.16	Net Interest Income Growth	6.36	5.20	-3.06	12.73	14.40
CASA	60.14	58.53	60.79	62.35	63.76	Net Profit Growth	11.57	6.25	-45.73	50.28	29.43
NPL Gross	2.16	2.62	2.94	2.90	2.80						
BOPO	69.79	71.35	80.84	78.47	74.53						
CAR	20.34	20.21	20.65	20.40	20.65						

Source: BBRI, MNCS

MNC Research Industry Ratings Guidance

OVERWEIGHT: Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

NEUTRAL: Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

UNDERWEIGHT: Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

BUY : Share price may exceed 10% over the next 12 months

HOLD : Share price may fall within the range of +/- 10% of the next 12 months

SELL : Share price may fall by more than 10% over the next 12 months

Not Rated : Stock is not within regular research coverage

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