

Bank Danamon Indonesia (BDMN IJ) (Neutral) - Post-FY24 adjustments

11 Mar 2025

Banks

Post-FY24 adjustments

Maintain Neutral with TP of IDR2,750 (from IDR3,300)

Post FY24 results, we reduce FY25-26F earnings by ~7-14%; maintain Neutral

We expect the Indonesia banking sector to continue to experience liquidity issues in 2025F. However, we believe that within the sector, major banks will continue to dominate. We expect mid-sized banks, such as BDMN, to experience declining market share (either in terms of loans, assets, or profit). Consequently, we adjust our earnings forecasts and reiterate our Neutral call on the stock with a lower TP of IDR2,750 (from IDR3,300).

Summary of earnings forecast changes

We update our earnings projections for FY25F and FY26F, as well as add FY27F as a new forecast year. Broadly, we have adopted more conservative earnings projections for BDMN, lowering earnings by 7-14%, primarily due to high funding costs (reflecting the overall tight liquidity in the banking system). We project headline profit to reach IDR3.2tn in FY25F (-7% from our previous projection) and IDR3.5tn in FY26F (-14% from our previous estimates). We expect reported ROAEs to decline to 6.2-6.4% in FY25-26F from our previous estimates of 6.6-7.4%. On the balance sheet, we assume gross loans of IDR205tn for FY25F and IDR220tn for FY26F (-2-5% compared to our previous projections). On the deposits side, we assume IDR166tn for FY25F and IDR178tn for FY26F (+4.5-5% compared to our previous projections). As a result, the bank's implied LDR reaches 124% for FY25-26F.

Valuation and risks

We derive our TP for BDMN based on the DuPont methodology, with key parameters as follows: a risk-free rate of 6.5%, an equity risk premium of 7.8%, beta of 1.20x, a terminal growth rate of 10.0% and a CAR-adjusted ROAE of 13.05%. At our TP, the implied valuation multiples would be 0.51x FY25F book and 8.4x FY25F P/E. Upside/downside risks are an improving/worsening macroeconomic environment, more/less excess liquidity leading to lower/higher funding costs, higher/lower loan growth, as well as an increase in operating costs and/or better/worse trends in credit quality, leading to lower/higher credit costs for the bank.

Year-end 31 Dec	FY24		FY25F		FY26F		FY27F	
	Actual	Old	New	Old	New	Old	New	
Currency (IDR)								
PPOP (bn)	8,410	9,694	8,876	10,971	9,537	0	10,430	
Reported net profit (bn)	3,179	3,473	3,215	4,060	3,475	0	3,852	
Normalised net profit (bn)	3,179	3,473	3,215	4,060	3,475	0	3,852	
FD normalised EPS	325.30	355.38	328.94	415.45	355.53		394.11	
FD norm. EPS growth (%)	-9.3	2.8	1.1	16.9	8.1		10.9	
FD normalised P/E (x)	7.4	-	7.4	-	6.8	-	6.1	
Price/adj. book (x)	0.5	-	0.4	-	0.4	-	0.4	
Price/book (x)	0.5	-	0.4	-	0.4	-	0.4	
Dividend yield (%)	5.2	-	4.7	-	4.8	-	5.1	
ROE (%)	6.3	6.6	6.2	7.4	6.4		6.8	
ROA (%)	1.4	1.4	1.3	1.6	1.3		1.3	

Source: Company data, Verdhana estimates

Rating Table

Rating

Neutral

Target price

IDR 2,750

Reduced from IDR 3,300

Closing price

IDR 2,420

7 March 2025

+13.6%

Implied upside

Market Cap (USD mn)

1,437.4

ADT (USD mn)

0.1

Relative performance chart



Source: LSEG, Verdhana

M cap (USDmn)			1,437.4	
Free float (%)			5.9	
3-mth ADT (USDmn)			0.1	
(%)		1M	3M	12M
Absolute (IDR)		-	-	-
		4.0	5.5	16.0
Absolute (USD)		-	-	-
		4.1	8.1	19.3
Rel to Jakarta Stock Exchange		-	4.6	-6.0
Composite Index		2.4		

Research Analysts

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Key data on Bank Danamon Indonesia

Profit and loss (IDRbn)

Year-end 31 Dec	FY23	FY24	FY25F	FY26F	FY27F
Interest income	20,210	22,789	23,502	24,996	26,721
Interest expense	-4,994	-7,184	-7,292	-7,925	-8,520
Net interest income	15,216	15,605	16,210	17,071	18,201
Net fees and commissions	3,733	3,936	4,283	4,603	4,948
Trading related profits	221	381	400	425	425
Other operating revenue	306	310	325	375	375
Non-interest income	4,260	4,627	5,008	5,403	5,748
Operating income	19,476	20,231	21,218	22,474	23,949
Depreciation	-387	-492	-524	-606	-687
Amortisation	0	0	0	0	0
Operating expenses	-4,779	-4,930	-5,249	-5,579	-5,892
Employee share expense	-6,141	-6,400	-6,569	-6,752	-6,941
Pre-provision op profit	8,170	8,410	8,876	9,537	10,430
Provisions for bad debt	-3,667	-4,491	-4,939	-5,309	-5,707
Other provision charges	0	0	0	0	0
Operating profit	4,503	3,919	3,937	4,228	4,723
Other non-op income	-88	-57	0	0	0
Associates & JCEs	0	0	0	0	0
Pre-tax profit	4,415	3,862	3,937	4,228	4,723
Income tax	-1,036	-893	-904	-977	-1,082
Net profit after tax	3,380	2,970	3,033	3,251	3,640
Minority interests	-154	-112	-118	-127	-138
Other items	278	321	300	350	350
Preferred dividends	0	0	0	0	0
Normalised NPAT	3,504	3,179	3,215	3,475	3,852
Extraordinary items					
Reported NPAT	3,504	3,179	3,215	3,475	3,852
Dividends	-1,156	-1,226	-1,113	-1,125	-1,216
Transfer to reserves	2,348	1,953	2,102	2,350	2,636

Growth (%)

Net interest income	7.8	2.6	3.9	5.3	6.6
Non-interest income	8.4	8.6	8.2	7.9	6.4
Non-interest expenses	5.8	3.2	6.5	6.3	5.6
Pre-provision earnings	8.8	2.9	5.5	7.5	9.4
Net profit	6.1	-9.3	1.1	8.1	10.9
Normalised EPS	6.1	-9.3	1.1	8.1	10.9
Normalised FDEPS	6.1	-9.3	1.1	8.1	10.9
Loan growth	19.9	7.8	8.3	6.0	6.0
Interest earning assets	13.5	10.3	6.8	6.8	7.0
Interest bearing liabilities	14.1	13.2	7.1	7.5	7.5
Asset growth	11.9	9.5	6.6	6.9	7.0
Deposit growth	10.8	8.8	10.0	7.5	7.5

Source: Company data, Verdhana estimates

Balance sheet (IDRbn)

As at 31 Dec	FY23	FY24	FY25F	FY26F	FY27F
Cash and equivalents	2,362	2,468	3,091	7,916	13,280
Inter-bank lending	11,166	6,088	6,255	6,438	6,640
Deposits with central bank	5,035	6,382	7,020	7,722	8,495
Total securities	3,261	12,693	12,693	12,693	12,693
Other int earning assets	16,318	18,699	17,764	16,876	16,032
Gross loans	172,859	186,429	204,695	220,047	236,550
Less provisions	-8,900	-9,745	-13,265	-17,155	-21,443
Net loans	163,959	176,684	191,430	202,892	215,107
Long-term investments	81	80	88	114	143
Fixed assets	2,161	2,483	1,986	2,130	2,193
Goodwill	0	0	0	0	0
Other intangible assets	0	0	0	0	0
Other non IEAs	16,963	16,758	17,977	19,325	20,775
Total assets	221,305	242,335	258,305	276,109	295,360
Customer deposits	138,412	150,569	165,626	178,048	191,402
Bank deposits, CDs, debentures	3,032	4,205	4,625	4,972	5,345
Other int bearing liabilities	15,040	22,308	19,348	20,799	22,359
Total int bearing liabilities	156,484	177,082	189,600	203,820	219,106
Non-int bearing liabilities	14,861	13,427	14,769	15,877	17,068
Total liabilities	171,345	190,509	204,369	219,697	236,174
Minority interest	723	758	876	1,002	1,140
Common stock	5,996	5,996	5,996	5,996	5,996
Preferred stock	0	0	0	0	0
Retained earnings	35,236	37,200	39,193	41,542	44,178
Reserves for credit losses	0	0	0	0	0
Proposed dividends	0	0	0	0	0
Other equity	8,005	7,872	7,872	7,872	7,872
Shareholders' equity	49,237	51,068	53,060	55,410	58,045
Total liabilities and equity	221,305	242,335	258,305	276,109	295,360
Non-perf assets	3,070	26,946	28,967	31,139	33,475

Balance sheet ratios (%)

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A rating of 'Buy', indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of 'Neutral', indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of 'Reduce', indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of 'Suspended', indicates that the rating, target price, and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as 'Not Rated' or 'No Rating' are not in regular research coverage. Benchmark is Indonesia Composite Index ('IDX Composite'). A 'Target Price', if discussed, indicates the analyst's forecast for the share price with a 12-month time horizon, reflecting in part of the analyst's estimates for the company's earnings, and may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market in general.

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