

HOLD (Maintain)

Target Price (IDR) 1,750
Potential Upside (%) 9.0

Cons. Target Price (IDR) 3,301
SSI vs. Cons. (%) 53.0

Stock Information

Last Price (IDR) 1,605
Shares Issued (Mn) 13,856
Market Cap. (IDR Bn) 22,447
52-Weeks High/Low (IDR) 6,300/1,530
3M Avg. Daily Value (IDR Bn) 36.5
Free Float (%) 45.6

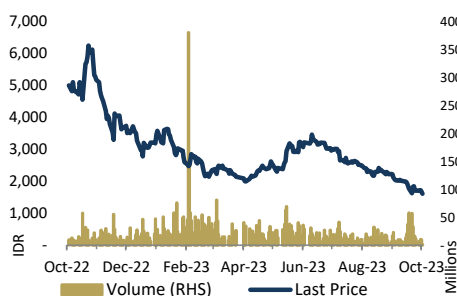
Shareholder Structure:

PT Metamorfosis Ekosistem Indonesia (%) 29.8
Public (%) 27.9
Others (%) 42.3

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	(56.5)	(20.2)	(46.2)	(67.6)
JCI Return	(1.1)	(2.4)	(1.8)	(4.5)
Relative	(55.3)	(17.8)	(44.4)	(63.1)

Stock Price & Volumes, 12M



Company Background

PT Bank Jago Tbk (Jago) is a life-centric finance application that makes money management simple, collaborative and innovative. It aspires to be a strong tech-based bank embedded in Indonesia's digital ecosystem to fulfill the needs of the middle and mass market segment, including small and medium enterprises.

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Growing partnership with GoTo

3Q23 results came below ours and cons

Bank Jago recorded IDR 10bn net profit in 2Q23 (-56.7% QoQ, and -16.1% YoY), which brought its cumulative net profit to IDR 50bn in 9M23 (+24.0% YoY), below ours (60.3%) and cons (46.6%). Its NII came in at IDR 377bn (-8.0% QoQ, +9.9% YoY), primarily attributable to sluggish loan growth in 3Q23 (-2.8% QoQ) caused by syariah financing portfolio runoff. On the funding side, deposits grew by 2.1% QoQ in 3Q23, primarily due to the expansion of its CASA (CASA ratio: 73% in 9M23 compared to 71% in 6M23), which led to a 70bps QoQ drop in its CoF ratio to 2.9%. Regarding asset quality, the bank was able to maintain its LAR and NPL ratios at 8.5% and 1.2% respectively.

Partnership with GoTo

Bank Jago, together with GoTo Financial, recently launched GoPay Tabungan by Jago, which combines the GoPay e-money service with the benefits of banking. Users are eligible to accrue interest at a rate of 2.5% per annum on their account balances. The initial adoption is satisfactory, as the platform gained 200,000 users within a week of its launch, representing an activity rate of over 85%. Also, it has recorded over 1.3 million transactions with a total volume of over IDR 175 billion since its launch. Additionally, as of 9M23, Bank Jago had provided financing for approximately 60% of GoTo Financial loan; we anticipate this proportion to increase to more than 80% in the near future.

What to expect in the next quarter and next year.

The management remains confident that it will book loan growth of ~35% in 2023, supported by its own lending product as well the joint financing with its partners, while the Syariah Financing outstanding might continue to decline in 4Q23. We anticipate NIM to continue to decline in 4Q23, primarily due to pressure from CoF, given that BI raised its 7-day repo rate just recently. In terms of asset quality, the bank believes that its NPL ratio of 2-3% is still manageable, while the cost of credit is expected to reach around 4.5% in 2023F, as the bank still plans to increase their NPL coverage ratio to more than 200% going forward. For next year, ARTO hinted that loan growth can reach up to 20%.

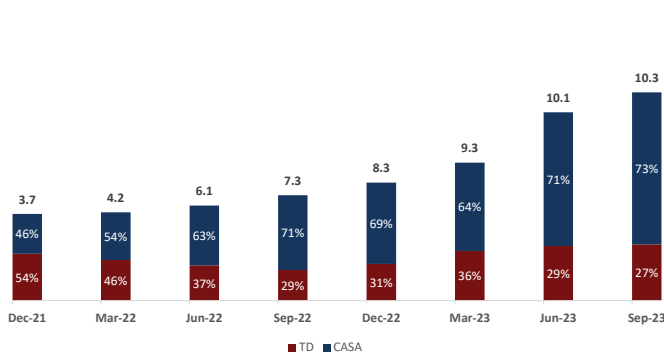
HOLD, TP of IDR 1,750

We retain our HOLD rating on Bank Jago and set a new TP of IDR1,750. The bank is currently trading at 2.7x PBV, and we anticipate that short-term pressure on the stock price will persist, as the impact of the higher 7-day repo rate will put more pressure on their NIM. Nevertheless, it is evident that the collaboration with GoTo has shown a substantial progression, which may contribute to the bank's future growth in loan disbursements and CASA ratio improvement. In the long term, we still believe that ARTO will be able to push its own lending products, thereby improving its NIM ratio and lowering credit costs (3-4%) once the bank is able to increase its NPL coverage ratio to more than 200%. Key risks: 1) slower-than-expected customer base growth, 2) poor technology adoption, and 3) regulatory restriction on the newly launched products.

Forecast and Valuation (at closing price IDR 1,605 per share)

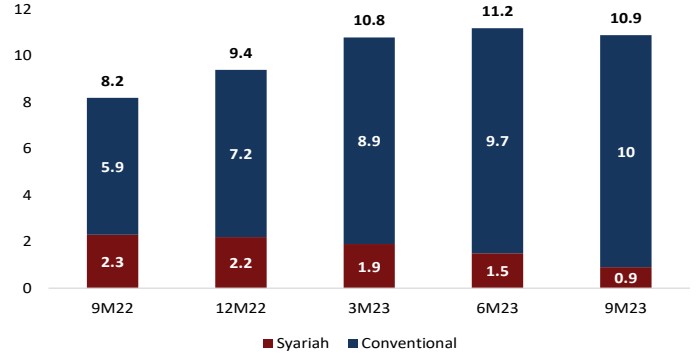
Y/E Dec (IDR Bn)	20A	21A	22A	23F	24F
Net Interest Income (IDR Bn)	65	590	1,353	1,663	2,262
Pre Provision Profit (IDR Bn)	(148)	103	405	545	883
Operating Profit (IDR Bn)	(186)	11	13	98	157
Net Profit (IDR Bn)	(190)	86	16	83	130
EPS (IDR)	(17)	6	1	6	9
EPS Growth (%)	n.a.	n.a.	(82)	424	56
P/E Ratio (x)	(667.2)	1,876.5	1,397.6	1,934.2	1,241.0
BVPS (IDR)	114	595	596	604	614
P/BV Ratio (x)	102.6	19.6	2.7	19.3	19.0
DPS (IDR)	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend Yield (%)	n.a.	n.a.	n.a.	n.a.	n.a.

Figure 1. Growing Deposits with good CASA ratio (IDR, tn)



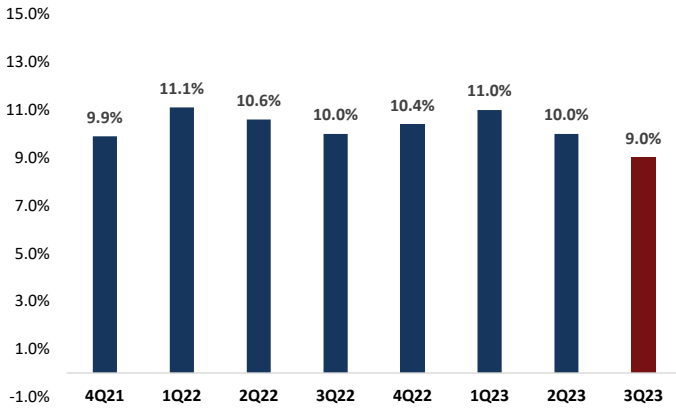
Source: Company, SSI Research

Figure 2. ARTO's lending balances



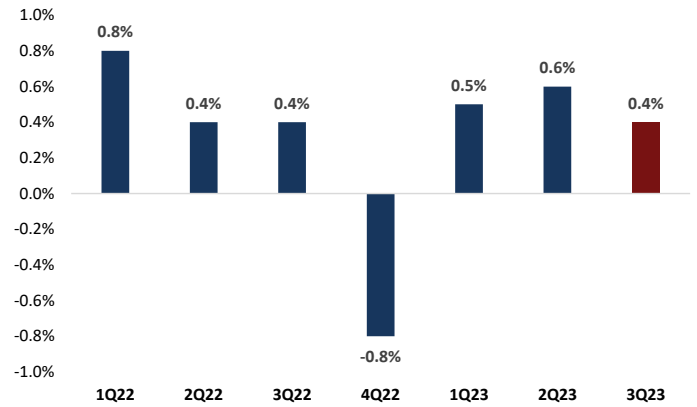
Source: Company, SSI Research

Figure 3. ARTO's NIM



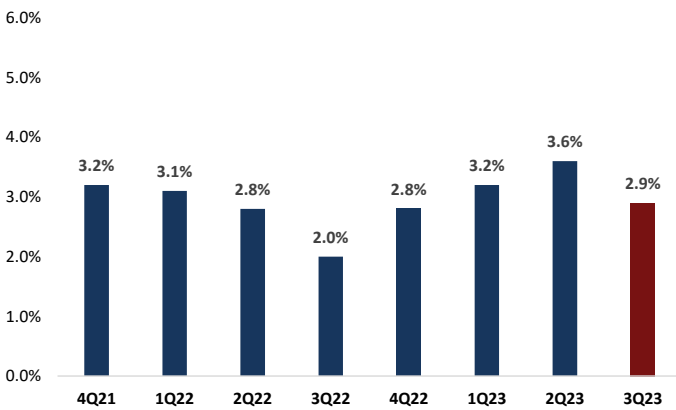
Source: Company, SSI Research

Figure 4. ARTO's ROA



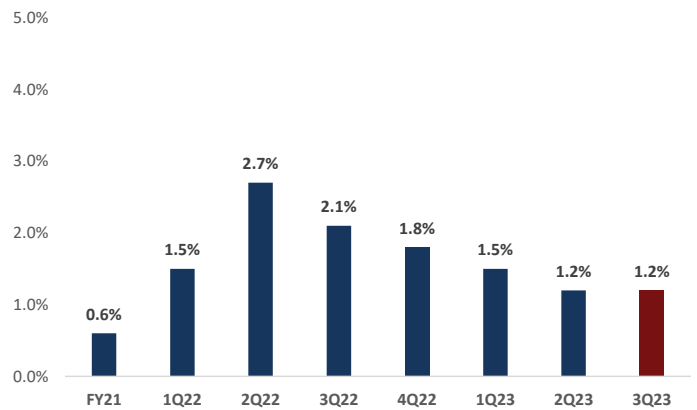
Source: Company, SSI Research

Figure 5. ARTO's CoF



Source: Company, SSI Research

Figure 6. ARTO's NPL



Source: Company, SSI Research

Figure 9. ARTO 3Q23 results

ARTO IJ 3Q23 Result				QoQ	YoY			YoY	9M23/	9M23/
(IDRbn)	3Q22	2Q23	3Q23	(%)	(%)	9M22	9M23	(%)	2023F	Cons.
Interest Income	379	497	452	(9.0)	19.2	1,085	1,437	32.4		
Interest expense	37	87	76	(13.7)	106.1	101	227	125.4		
Net interest income	343	410	377	(8.0)	9.9	984	1,209	22.9		
Non-interest income	36	64	43	(32.0)	21.2	54	136	151.1		
Total operating income	378	473	420	(11.3)	11.0	1,038	1,345	29.6	74.4	66.8
Operating expense	268	315	316	0.2	17.9	724	934	29.0		
Impairment of fin. assets	98	129	86	(32.7)	(11.6)	266	348	31.2		
Operating profit	13	30	18	(39.5)	39.3	48	63	30.0		
Pretax profit	15	30	18	(39.2)	19.4	52	70	33.7		
Net profit	12	23	10	(56.7)	(16.1)	41	50	24.0	60.3	46.6
BS & ratios analysis	3Q22	2Q23	3Q23	QoQ (%)	YoY (%)	9M22	9M23			
Gross loans (IDRbn)	8,156	11,182	10,871	(2.8)	33.3	8,156	10,871			
Third party funding (IDRbn)	7,285	10,093	10,305	2.1	41.5	7,285	10,305			
Key ratios										
Net interest margin (%)	10.5	10.5	10.0			10.5	10.0			
Cost efficiency (%)	70.7	66.6	75.1			69.8	69.4			
Cost to income (%)	96.9	94.7	96.4			95.8	96.0			
Loan/deposit (%)	112.0	110.8	105.5			112.0	105.5			
Loan/funding (%)	112.0	108.2	108.0			112.0	108.0			
Capital adequacy (%)	97.5	72.8	71.3			97.5	71.3			
Gross NPL (%)	2.10	1.20	1.20			2.1	1.2			
LLP/NPL (%)	124.9	243.3	227.0			124.9	227.0			
ROAE (%)	0.6	1.1	0.5			0.7	0.8			

Source: Company, Bloomberg, SSI Research

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