

PT Adira Dinamika Multi Finance Tbk

Superior Among the Peers

Diversified Multi Finance Company

Started in 1990, PT Adira Dinamika Multi Finance Tbk was established, aiming to become the best financing company in Indonesia. To further expand its reach, ADMF started to offer Sharia financing by 2014 which includes investment financing, working capital financing as well as multipurpose financing. Today, Adira Finance has become one of the largest financing companies with 2.9mn active consumers, a network of 453 businesses and total disbursed loans reaching IDR53.4 tn (FY19).

Resilient earnings; asset quality remains in check

Adira managed to booked 16% net income growth in 2019 to IDR2,109bn despite the downward slump of the auto industry during the year, especially for the 4W segment. Healthier operational efficiency also play a major part in the company operational side, with the company recorded a notable improvement in cost-to-income ratio (CIR) trend which gradually drops from ~43% in 2015 to ~39% in 2019 – this is attributed to the significant drop in company's interest expense and financing charges – Adira's parent, Bank Danamon, plays an important role in Adira's source of fund (~43% of managed receivable is funded from joint-financing with Danamon). Positive tone appears on Adira's asset quality, with the company managed its gross NPL trend stable over the past 5 years – NPL saw improvement in 2019 with gross NPL ratio declined to 1.6% from 1.7% in 2018. Better yet, company's loan-loss coverage ratio increased from ~110% in 2018 to ~129% in 2019 which indicates that Adira has prudently managed its ample credit buffer. Although Covid19 risk is apparent (~13% of Adira's managed receivables had been restructured as of Apr'20), government is expected to help out banks and multifinance by providing interest subsidy for Covid19 restructuring totalling ~IDR27.26tn to cushion the impact to NIM as well as multifinance companies' cashflow.

Credit overview: Well maintained debt coupled with superior credit rating

The company has been consistently managing the amount of its debt level since 2015. It is reflected in the company's DER ratio, which has been decreasing for the past few years from 4.89x in 2015 to only 2.83x in 2019 while the debt to asset ratio of the company is maintained at 0.7x in 2019. Moreover, net income-interest coverage ratio of the company increases from only 0.3 in 2015 to 1.1 in 2019, indicating the company's ability in meeting its financial obligation. PEFINDO has affirmed its "idAAA" ratings with stable outlook for PT Adira Dinamika Multi Finance Tbk (Adira Finance) and its outstanding conventional bonds. PEFINDO has also affirmed its "idAAA(sy)" rating for Adira Finance's outstanding sukuk. Main risk for the company is further delay on credit collection and continued economic downturn during COVID19 situation.

Valuation

With idAAA rating from Pefindo we calculate each ADMF's bonds and sukuk series with indicative coupon as follow: 1) Bond at 6.50-7.50% (Series A), and 7.50%-8.50% (Series B); 2) sukuk at 6.50-7.50% (Series A), and 7.50-8.50% (Series B)

Company Financial Details

Year End Dec (IDR bn)	2015	2016	2017	2018	2019
Revenue	8,066	8,413	9,137	10,184	11,338
Operating Profit	2,681	3,370	3,783	4,248	4,866
Net Income (loss)	665	1,009	1,409	1,815	2,109
OP Margin (%)	11%	20%	23%	24%	25%
Net Profit Margin (%)	8%	12%	15%	18%	19%
ROA (%)	2.3%	3.7%	5.0%	6.0%	6.3%
ROE (%)	15.8%	21.6%	26.5%	29.0%	29.2%
Interest Coverage (x)	0.3	0.5	0.8	1.0	1.1
Debt to Asset (x)	0.8	0.7	0.7	0.7	0.7
Debt to Equity (x)	4.9	4.1	3.7	3.1	2.8

Use of Proceeds

The proceed of this bond issuance will be used for consumer financing activities while the proceed of the sukuk issuance will be used for murabahah consumer financing activities

Collateral

No specific assets are determined as collateral for this bonds, however company use all its current and non-current assets at the time of issuance and afterwards as the collateral, as defined in Civil Law (article 1131 and 1132) with pari passu right for all bondholders.

Bonds Detail

	Obligasi Berkelanjutan V Adira Finance Tahap I Tahun 2020
Name	Sukuk Mudharabah Berkelanjutan IV Adira Finance Tahap I Tahun 2020
Total Size	IDR1.3tn (Bond); IDR200bn (Sukuk)
Bond Tenure	A series – 370 days B series – 3 years
Sukuk Tenure	A series – 370 days B series – 3 years
Rating	idAAA (Pefindo) idAAA(sy) (Pefindo)

Income Statement

Year End Dec (IDR bn)	2015	2016	2017	2018	2019
Revenue	8,066	8,413	9,137	10,184	11,338
Consumer financing	4,937	4,719	4,960	6,867	8,351
Murabahah margin	877	1,604	2,356	1,545	872
Finance leases	264	192	99	45	36
Others	1,987	1,898	1,721	1,727	2,079
Operating Expenses	5,385	5,043	5,353	5,935	6,471
Provision	1,778	1,652	1,661	1,764	1,987
Profit Before Tax	903	1,718	2,122	2,485	2,879
Taxes	238	708	713	669	770
Net Income	665	1,009	1,409	1,815	2,109

Balance Sheet

Year End Dec (IDR bn)	2015	2016	2017	2018	2019
Cash & Equivalent	1,060	941	2,222	1,689	3,122
Receivables	24,919	25,321	25,899	27,872	29,915
Fixed Assets	243	225	208	245	266
Intangible assets	74	80	106	120	160
Other Assets	1,448	1,076	1,058	1,570	1,653
Total Assets	27,744	27,643	29,493	31,496	35,117
Borrowings	11,388	11,620	10,544	11,778	11,850
Bonds Payables	9,088	8,433	9,761	9,422	10,399
Mudharabah Bonds	831	190	701	768	637
Other liabilities	2,076	2,423	2,741	2,500	4,152
Total Liabilities	23,383	22,666	23,748	24,468	27,038
Total Equity	4,361	4,977	5,745	7,028	8,079

Ratio Analysis

Year End Dec (IDR bn)	2015	2016	2017	2018	2019
Profitability					
Gross Margin (%)	33.2%	40.1%	41.4%	41.7%	42.9%
OP Margin (%)	11.2%	20.4%	23.2%	24.4%	25.4%
Net Profit Margin (%)	8.2%	12.0%	15.4%	17.8%	18.6%
ROA (%)	2.3%	3.7%	5.0%	6.0%	6.3%
ROE (%)	15.8%	21.6%	26.5%	29.0%	29.2%
Stability					
Debt to Asset (x)	0.77	0.73	0.71	0.70	0.65
Debt to Equity (x)	4.89	4.07	3.66	3.13	2.83
Interest Coverage (x)	0.30	0.52	0.78	1.04	1.07

Company Background

PT Adira Dinamika Multi Finance Tbk was established in 1990, aiming to become the best financing company in Indonesia. Today, the company has become one of the largest financing companies with 2.9mn active consumers, a network of 453 businesses and total disbursed loans reaching IDR53.4 tn (FY19).

Ownership Structure

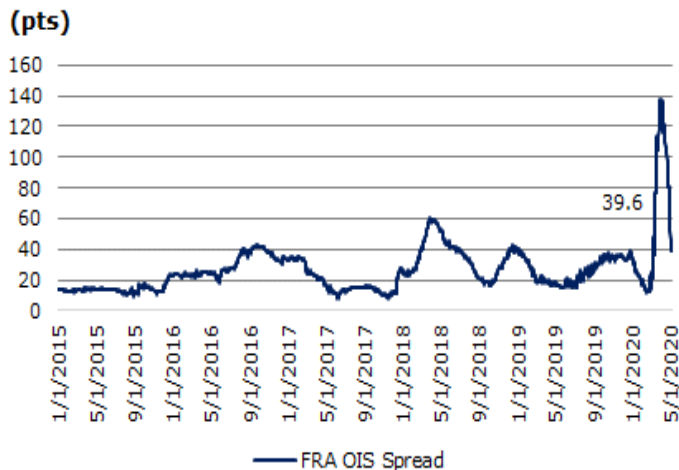
PT Bank Danamon Indonesia Tbk (%)	92.07
Public (%)	7.93

Bond Market Outlook

Credit Risk Edged up on behalf of COVID19 situation

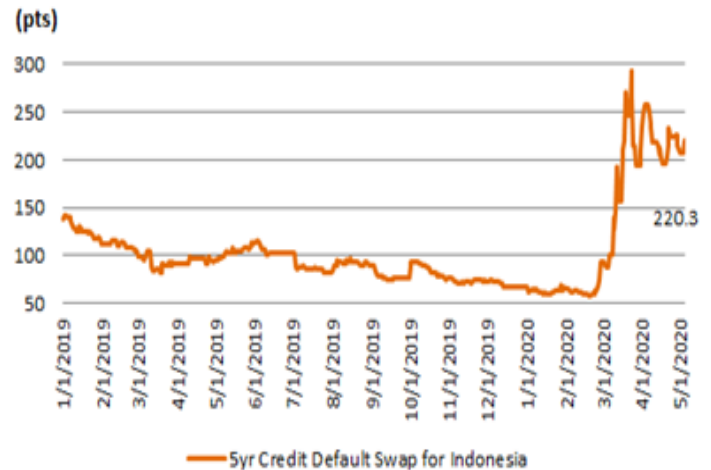
After calm market and positive expectation at the beginning of the year, volatility is back at the beginning of March as COVID19 situation is spreading around the globe. In March, financial market is pricing in much slower GDP growth world wide with FRA-OIS spread (indication of expected funding availability in US money market), jumped to 140, creating volatility in global market and letting USDIDR to depreciate toward 16,000 and 5yr CDS to be above 250. This condition creates correction in Indonesia government bond market with 10yr ID govt bond yield to be above 8.00% in March 2020. As The Fed already cut benchmark interest rate to zero and introduce further measurement going ahead.

Figure 1. FRA-OIS Spread



Source: Bloomberg, Trimegah Research

Figure 2. Indonesia 5yr CDS



Source: Bloomberg, Trimegah Research

Credit risk likely to permanently higher this year, while currency risk likely to be lower on better CA balance

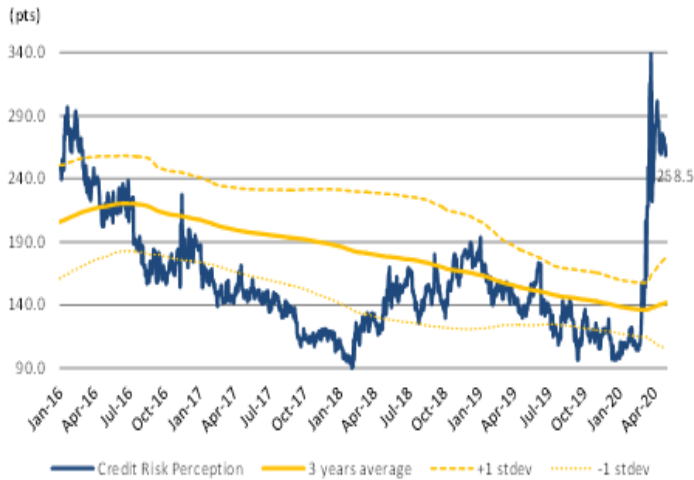
Breaking down the situation of Indonesian market, we found that the main driver of lower yield for government bond is coming mostly from lower risk free rate (lower US T-bills yield) by -113bps year to date. However, during the Coronavirus outbreak, the perception of country risk rise most by 57bps ytd, while the growth of currency risk perception is much slower this year at 21bps ytd. Going ahead, as dovish global central bank already well priced in, next driver of lower yield should be coming from better perception of currency risk, as current account deficit problem likely to gone by the next 3 quarter, while credit risk likely to remain during this weak economic situation.

Figure 3. Component of Indonesia government bond movement

	Risk-free	Credit Risk	Currency Risk	Δ Risk-free	Δ Credit Risk	Δ Currency Risk
2013	3.03	2.44	2.99	1.27	1.25	0.74
2014	2.17	1.91	3.72	-0.86	-0.53	0.73
2015	2.27	2.48	4.24	0.10	0.58	0.52
2016	2.44	1.87	3.65	0.17	-0.61	-0.59
2017	2.41	1.12	2.79	-0.04	-0.75	-0.86
2018	2.68	1.86	3.48	0.28	0.73	0.69
2019	1.92	0.98	4.17	-0.77	-0.88	0.68
2020	0.61	2.61	4.65	-1.31	1.63	0.49

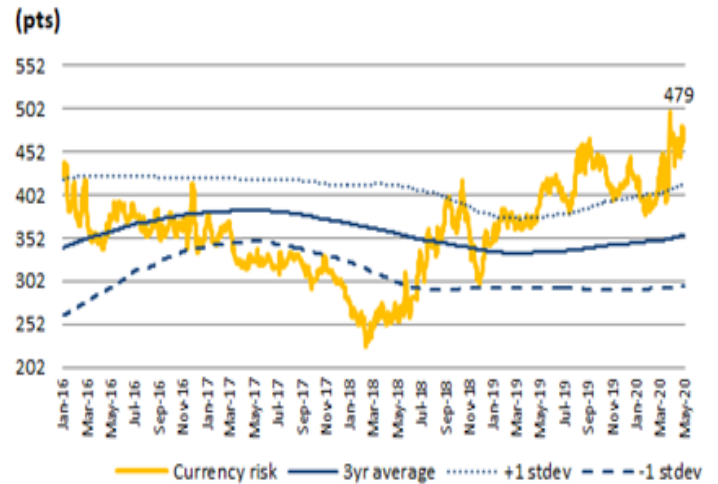
Source: Bloomberg, Trimegah Research

Figure 4. Country Risk Perception



Source: Bloomberg, Trimegah Research

Figure 5. Currency Risk Perception

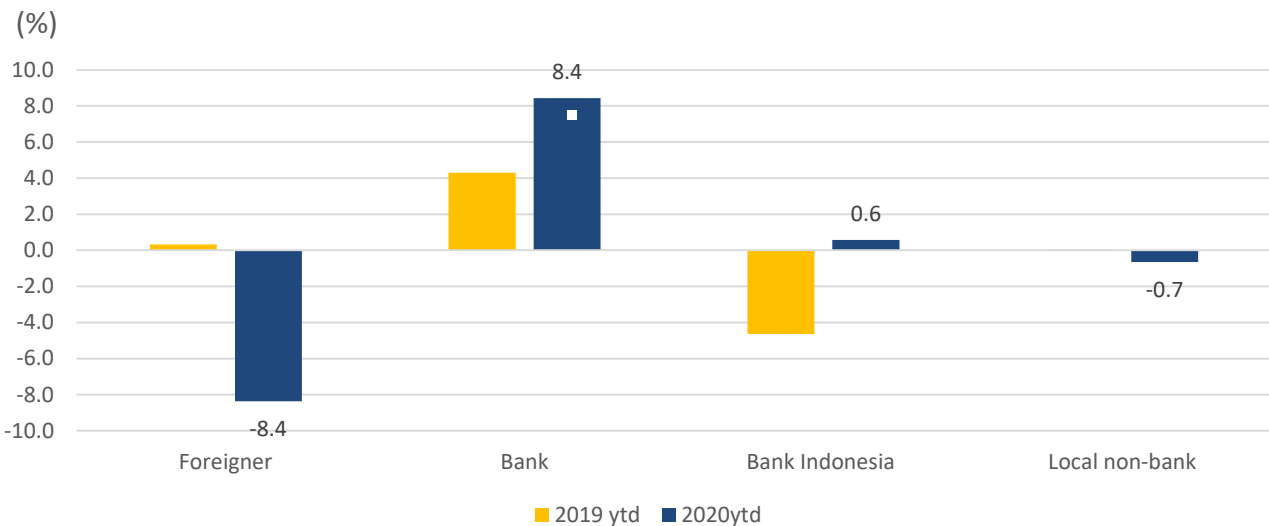


Source: Bloomberg, Trimegah Research

Foreigner continue to sell Indonesian bonds, while banking provide support

In ytd basis, we had USD-2.18bn of outflows from Indonesia government bond. Interestingly, with that amount of outflow, no significant change in yield as recently 10 year Indonesia government bond yield continue to be trade below 10% . In our view, this condition is supported by improving domestic sector liquidity. By Dec-19, the increment of total domestic pool of fund already improved to IDR146tn y-y, supported by the back of banking sector liquidity. Hence, the combination of improving domestic liquidity and low interest rate environment in US, we expect 10yr Indonesia govt bond yield to reach 6.00% by 2020 year end.

Figure 6. Ytd change in Indonesia government bond ownership



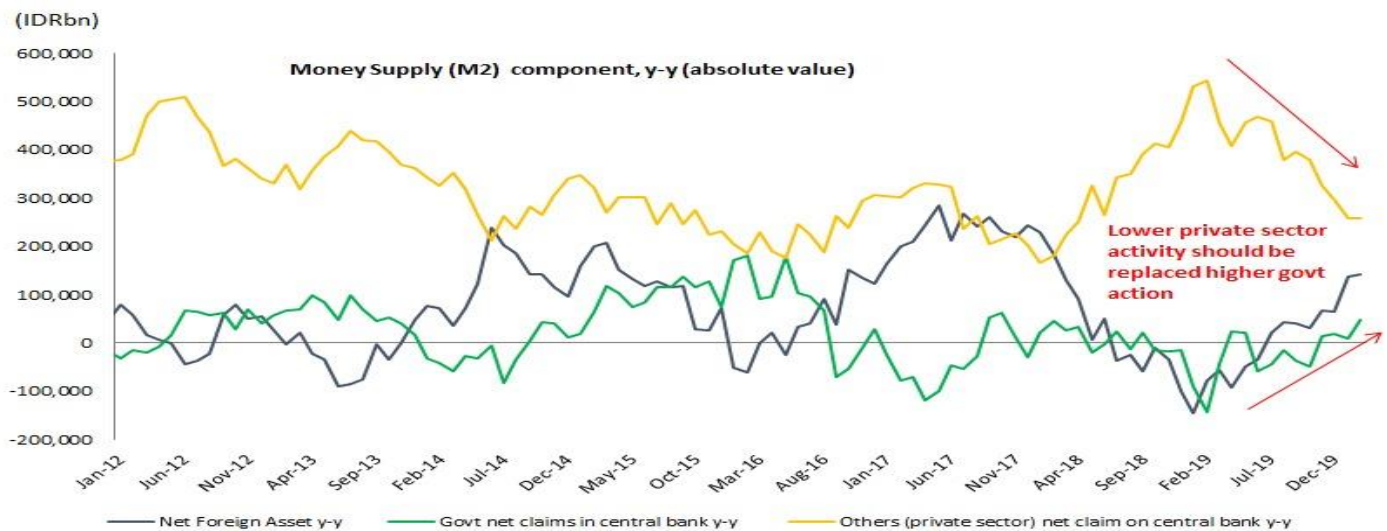
Source: Bloomberg, Trimegah Research

Going ahead, demand for government bond likely to come from banks

As COVID19 situation already create volatility and foreign outflow in Indonesia government bonds. Going ahead, we spot a trend that money creation to edged lower on behalf of economic slowdown during the COVID19 situation (figure 13), while government support form money creation is likely to be the main driver of demand for money.

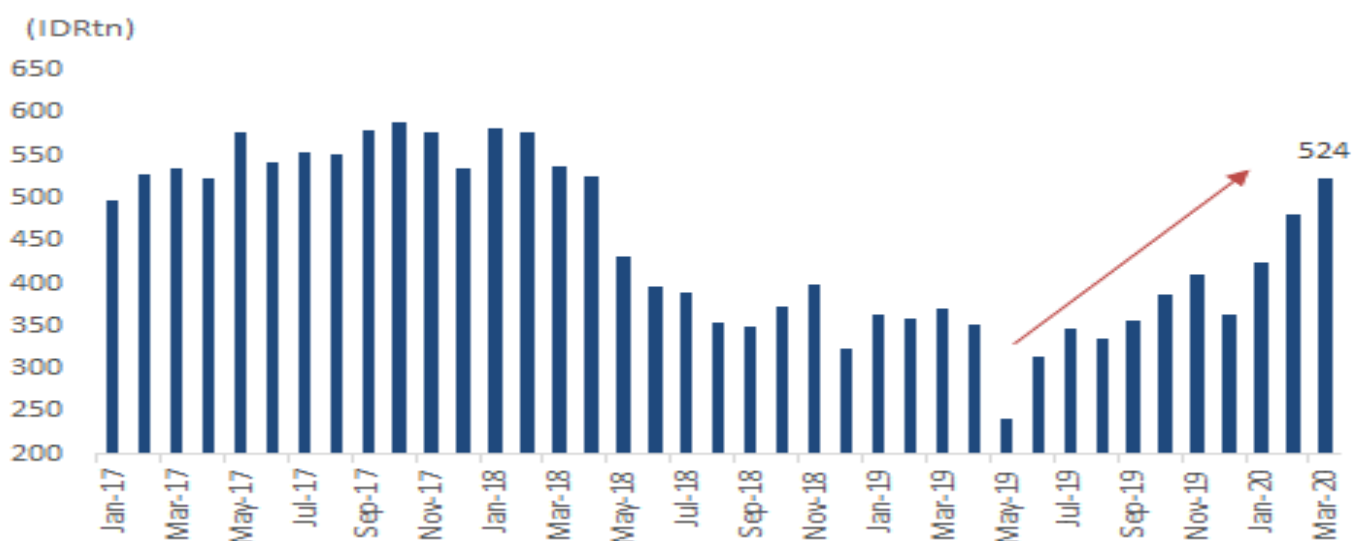
In more positive notes, as Indonesia Current Account Deficit continue to narrowing, Deposit and Loan Spread to banking system is already higher and expected to increase the demand for government bond from banks in the upcoming future. Combination of global monetary easing and better domestic liquidity make us retain positive views on Indonesia government bond, expecting 6.00% yield for 10yr ID govt bond.

Figure 7. Indonesia Money Supply Growth



Source: Bloomberg, Trimegah Research

Figure 8. Indonesia banking system Deposit – Loan Spread



Source: Bloomberg, Trimegah Research

Recent issuance of AAA bonds

Figure 9. AAA Corporate Bonds Spread

Name	Coupon	YTM	Issue Date	Pricing Date	Maturity	Pefindo Rating	Outstanding amt	Benchmark yield	Spread
BCA Finance PT	6.75	5.686	11/5/2019	10/25/2019	11/12/2020	idAAA	842,000,000,000	5.808	94
Sarana Multigriya Finansial Persero PT	6.00	5.963	2/18/2020	2/12/2020	2/28/2021	idAAA	1,460,000,000,000	4.758	124
Indonesia Infrastructure Finance PT	6.75	6.769	12/18/2019	12/16/2019	12/28/2020	idAAA	965,000,000,000	5.261	149
Bank CIMB Niaga Tbk PT	6.50	6.076	12/19/2019	12/13/2019	12/29/2020	idAAA	276,000,000,000	5.299	120
Astra Sedaya Finance PT	5.80	5.943	3/27/2020	3/20/2020	4/7/2021	idAAA	882,000,000,000	5.849	-5
Bank Rakyat Indonesia Persero Tbk PT	6.50	5.302	11/7/2019	10/31/2019	11/17/2020	idAAA	737,850,000,000	5.698	80
Bank CIMB Niaga Tbk PT	5.80	5.475	3/27/2020	3/19/2020	4/7/2021	idAAA	322,000,000,000	5.796	0
BCA Finance PT	7.10	6.960	11/5/2019	10/25/2019	11/5/2021	idAAA	160,000,000,000	6.035	107
Astra Sedaya Finance PT	7.00	6.796	3/27/2020	3/20/2020	3/27/2023	idAAA	1,301,050,000,000	6.55	45
Bank Rakyat Indonesia Persero Tbk PT	7.60	7.229	11/7/2019	10/31/2019	11/7/2022	idAAA	2,089,350,000,000	6.22	138
Bank CIMB Niaga Tbk PT	7.55	7.292	12/19/2019	12/13/2019	12/19/2022	idAAA	1,066,000,000,000	6.419	113
Indonesia Infrastructure Finance PT	7.75	7.092	12/18/2019	12/16/2019	12/18/2022	idAAA	372,000,000,000	6.456	129
BCA Finance PT	7.80	7.432	11/5/2019	10/25/2019	11/5/2022	idAAA	498,000,000,000	6.278	152
Bank Mandiri Persero Tbk PT	7.75	8.101	5/12/2020	4/30/2020	5/12/2025	idAAA	350,000,000,000	7.274	48
Bank CIMB Niaga Tbk PT	7.25	7.467	3/27/2020	3/19/2020	3/27/2025	idAAA	391,000,000,000	7.307	-6
Perusahaan Listrik Negara PT	7.20	8.098	2/18/2020	2/13/2020	2/18/2025	idAAA	540,630,000,000	5.83	137
Bank Rakyat Indonesia Persero Tbk PT	7.85	8.117	11/7/2019	10/31/2019	11/7/2024	idAAA	2,172,800,000,000	6.437	141
Bank CIMB Niaga Tbk PT	7.80	7.744	12/19/2019	12/13/2019	12/19/2024	idAAA	481,000,000,000	6.57	123
Indonesia Infrastructure Finance PT	7.90	7.559	12/18/2019	12/16/2019	12/18/2024	idAAA	163,000,000,000	6.577	132
Kereta Api Indonesia PT	7.75	7.150	12/13/2019	12/9/2019	12/13/2024	idAAA	900,000,000,000	6.509	124
Perusahaan Listrik Negara PT	7.70	8.758	2/18/2020	2/13/2020	2/18/2027	idAAA	672,500,000,000	6.408	129
Kereta Api Indonesia PT	8.20	7.725	12/13/2019	12/9/2019	12/13/2026	idAAA	1,100,000,000,000	6.871	133
Perusahaan Listrik Negara PT	7.70	8.918	2/18/2020	2/13/2020	2/18/2027	idAAA	40,500,000,000	6.408	129
Perusahaan Listrik Negara PT	8.00	9.079	2/18/2020	2/13/2020	2/18/2030	idAAA	544,250,000,000	6.575	143
Perusahaan Listrik Negara PT	8.00	9.079	2/18/2020	2/13/2020	2/18/2030	idAAA	3,500,000,000	6.575	143
Perusahaan Listrik Negara PT	8.70	9.040	2/18/2020	2/13/2020	2/18/2035	idAAA	1,459,000,000,000	7.028	167
Perusahaan Listrik Negara PT	8.70	9.040	2/18/2020	2/13/2020	2/18/2035	idAAA	9,000,000,000	7.028	167
Perusahaan Listrik Negara PT	9.05	8.962	2/18/2020	2/13/2020	2/18/2040	idAAA	1,596,050,000,000	7.299	175
Perusahaan Listrik Negara PT	9.05	9.049	2/18/2020	2/13/2020	2/18/2040	idAAA	62,500,000,000	7.299	175

Source: Bloomberg, Trimegah Research

Industry Overview

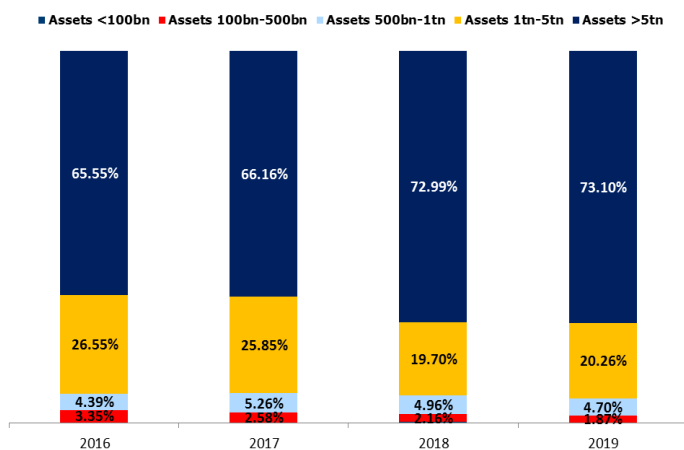
Fragmented industry, few top players aiming to support financial inclusion

Multi-finance industry in Indonesia serves as the catalyst for the country's objective of financial inclusion, which is to cater to the unbanked population to fulfill their financing needs. The industry landscape in Indonesia is rather fragmented, in which several key players engaged with total assets exceeding IDR518tn. The players become less throughout the years as Financial Services Authority (OJK) encourages consolidation among MFCs. As of 2019, there are 184 MFCs registered in OJK (vs 200 in 2016).

Soft financing growth in MFCs as a whole; exploring the untapped ex-Java potential

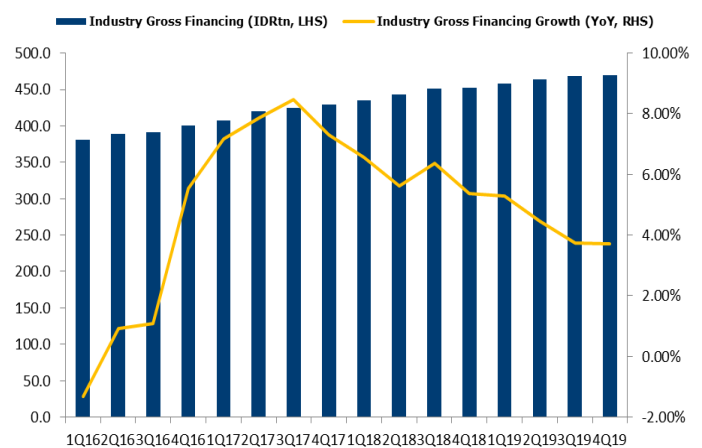
Outstanding receivables growth has been experiencing turbulence since 3Q17 due to the high leverage on automotive sector (64.05% of FY19 financing), heavy equipment, and logistic vehicle (18.06% of FY19 financing) which experienced similar challenging climate. Outstanding gross financing receivables was recorded at IDR620tn in FY19, being modest at 3% YoY growth and 0.6% QoQ. Referring to Fig. 12, selected main provinces in Java Island are being the driver of multifinance businesses, representing 64% (vs. 67% of outstanding financing in 2015), while contribution from ex-Java has been increasing steadily in the past 5 years from 33% to 36% implying potential market in ex-Java to be explored in the near future.

Figure 10. % MFCs based on total assets



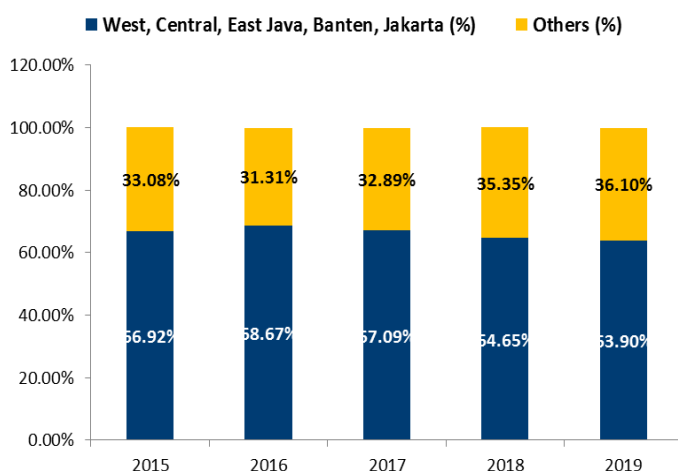
Source: OJK, Trimegah Research

Figure 11. MFCs gross financing YoY growth



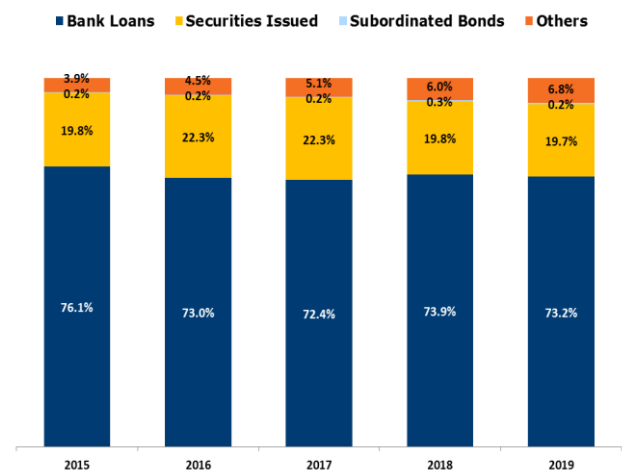
Source: OJK, Trimegah Research

Figure 12. % managed receivables based on region



Source: OJK, Trimegah Research

Figure 13. industry funding breakdown



Source: OJK, Trimegah Research

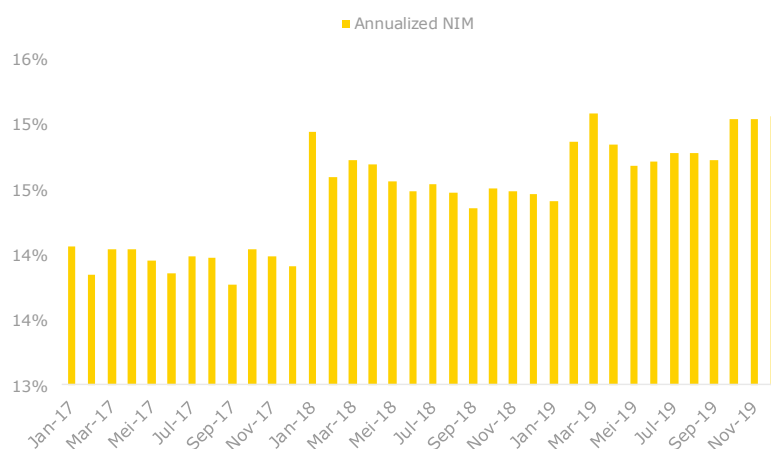
Bank borrowings remain the main source of fund

Main funding source in multi-finance companies (MFCs) remain the bank borrowings, making contribution of ~73% of the total funding as of 2019. Meanwhile, bonds issuance had been robust in the past years, but only sizeable multi-finance players with credible rating could have better access to this funding option. Compared to 10 years ago, bond financing now gains more popularity as MFCs are seeking for cheaper financing options (2010 % of bonds contribution to total funding: 11%).

NIM contraction this year due to Covid19 restructuring is already expected

Multifinance industry as a whole saw margin expansion over the past 3 years with annualized NIM trend increased to ~15% as of Dec'19. NIM contraction is already expected this year for banks and MFCs due to carrying out Covid19 restructuring for micro, small, and medium enterprises (MSME) segment in which the majority of multifinance clients is engaging. On the positive note, government is expected to help out banks and multifinance by providing interest subsidy for Covid19 restructuring totalling ~IDR27.26tn to cushion the impact to NIM as well as banks/multifinance's cashflow. In addition, several multifinance may adopt the accrual-basis accounting treatment for their interest income recognition instead of cash-basis – under the accrual-basis, the impact to interest income stream as well as NIM should be less severe.

Figure 14. Industry's annualized NIM trend

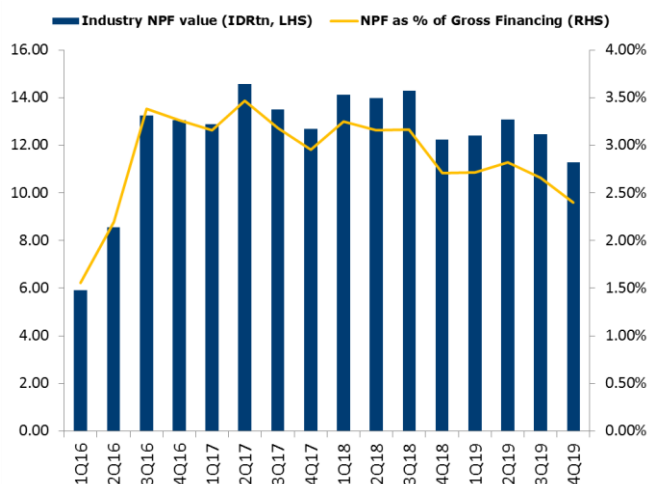


Source: OJK, Trimegah Research

Asset quality to be the main focus, even if at the expense of new booking growth

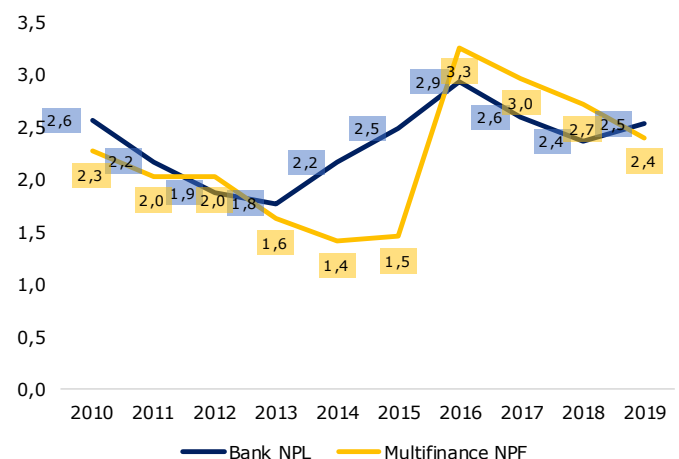
We see positive tone on industry's asset quality front as multi-finance companies saw the declining NPL trend over the past 4 years – even relatively better direction compared to banks with slight NPL uptick in 2019. Amidst the pandemic, we think multi-finance companies would decide to halt their new booking growth while focusing on maintaining asset quality of their existing customers, thus, subdued new booking growth is already within expectation. Due to the implementation of large-scale social distancing, MSME is seen to be the most impacted segment. However, OJK relaxation on asset quality allows banks/multifinance to classify Covid19 restructured financing as performing loans which also implies additional credit cost is unnecessary.

Figure 15. industry NPF value and growth



Source: OJK, Trimegah Research

Figure 16. Multifinance vs Banks' NPL

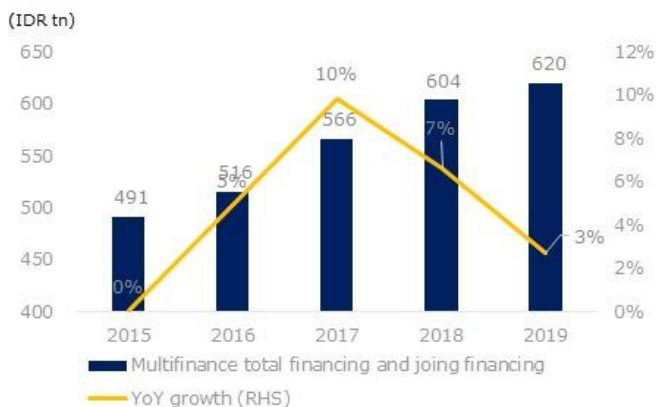


Source: OJK, Trimegah Research

Automotive overview

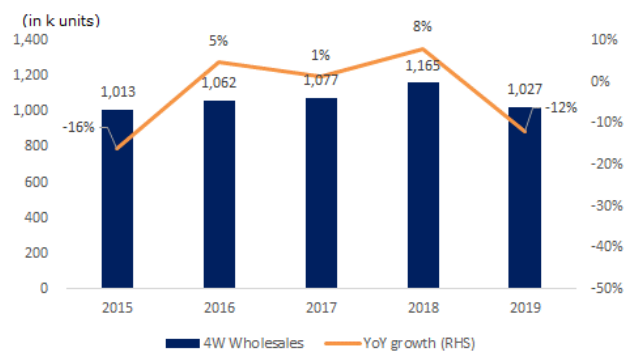
Indonesia Multifinance total financing has grown benignly at 4.9% CAGR for the past five years. It is interesting that the automotive industry played a huge role in multifinance robust performance. As of 1Q20, 4W/2W financing takes up 66.5% of total funds channeled by multifinances. During the last 5 years, 4W and 2W markets have recorded stable auto sales at around 1mn/6mn units, respectively after 2015 sales slumps due to weak commodity prices. However, recent Covid-19 pandemic which led to the government decision to enforce near-full effect of large-social distancing also affect the auto industry as 4M20 4W wholesales stumbled after decreasing 90.6% on yoy basis. This event might also hamper multifinances financing growth, since 4W/2W financing is vital to their main revenue driver. But, we expect auto industry will be beneficiary of economy re-opening in June.

Figure 17. Multifinance total financing and its YoY growth



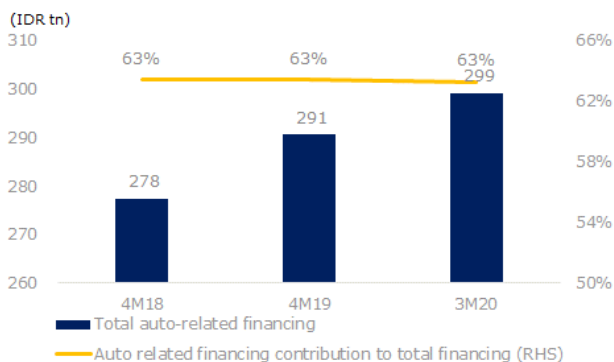
Source: OJK, Trimegah Research

Figure 18. 4W wholesales and its YoY growth



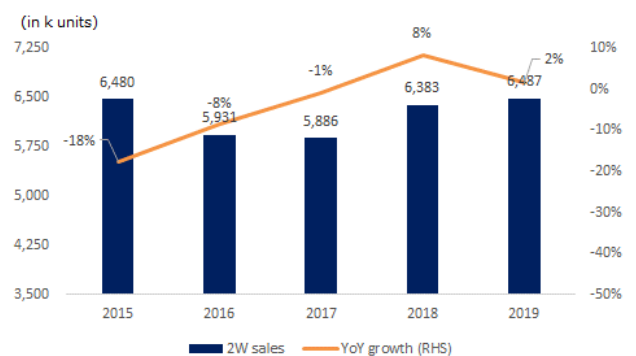
Source: Gaikindo, Trimegah Research

Figure 19. Auto (4W+2W) total financing and its contribution to total financing



Source: OJK, Trimegah Research

Figure 20. 2W wholesales and its YoY growth



Source: AISI, Trimegah Research

As Covid-19 pandemic arises it certainly disrupts both the automotive and multifinance sector, but it might be wise to learn from matters that happen in China. Despite the fact that China's 4W industry was deteriorated by 79.1% yoy in 2M20, it was able to recover after the government decision to re-open their economy, as 4W sales was recorded at -43.2% yoy in 3M20, and eventually bounced back to +4.5% in 4M20. As China automotive industry able to overcome the Covid-19 pandemic, we're also eyeing Indonesia' automotive industry to recover gradually after the near-full effect of large-social distancing was revoked. Following our optimist view on the automotive industry, we assume that the multifinance industry would adhere to the recovery of the automotive industry as historically 4W and 2W financing are able to progressively increase.

Figure 21. China's 4W sales recovered in March-April after its earlier lock-down relative to other countries



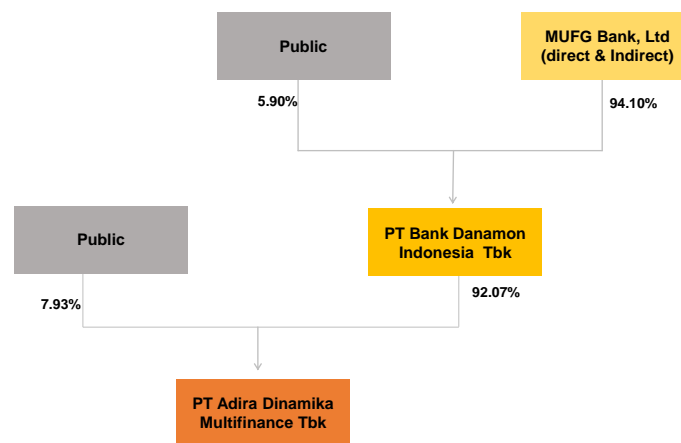
Source: CEIC, Trimegah Research

Company Background

Brief Introduction

Started in 1990, PT Adira Dinamika Multi Finance Tbk was established, aiming to become the best financing company in Indonesia. By 1991, the company received its licenses which allowed them to operate as a financing company. In 2004, the company decided to be listed in the IDX, in which Bank Danamon became the majority shareholder. Further expanding its reach, they also expanded its business segment to offer Sharia financing by 2014 which includes investment financing, working capital financing as well as multipurpose financing. Today, Adira Finance has become one of the largest financing companies with 2.9mn active consumers, a network of 453 businesses and total disbursed loans reaching IDR53.4 tn (FY19). The company has three revenue streams which include consumer financing, mudharabah margin and financial lease, with consumer financing as the company's key business. The ownership structure of ADMF is as follows; 1) PT Bank Danamon Indonesia Tbk (92.07%) and public (7.93%).

Figure 22. Ownership structure

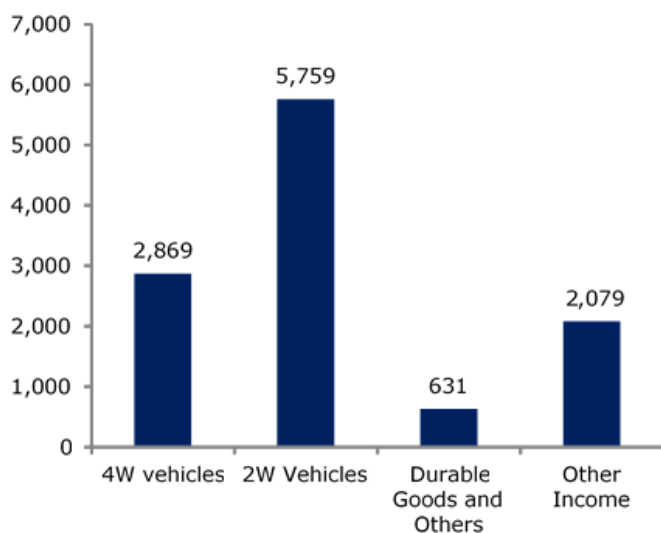


Source: Company, Trimegah Research

Business Overview

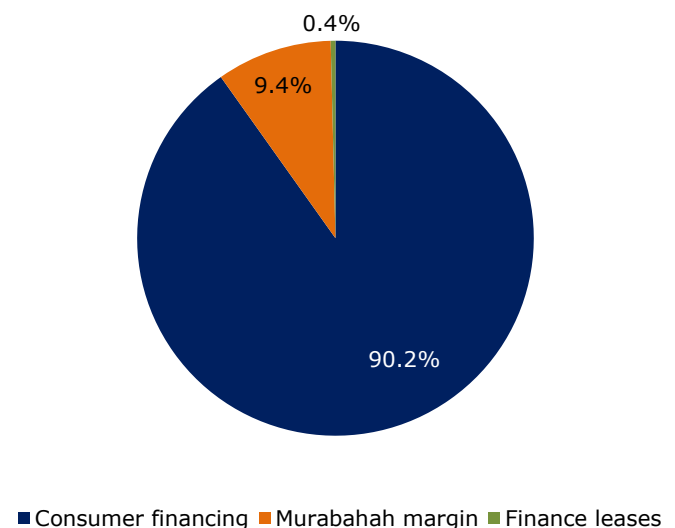
Adira Finance has 3 types of financing schemes, as the products that they offer, which includes: 1) Consumer financing (74% contribution), 2) Murabahah margin (8%), and 3) Financing lease (0.3%). Essentially, consumers are free to choose which type of financing scheme to go with their products. Usually, there are three types of product that can be financed by the company: 1) 4W vehicle, 2) 2W vehicle, and 3) Durable goods and others. The company recorded total revenue of IDR11.3tn in 2019 with 2W vehicle contributing IDR5.76tn, or 50.8% to the total revenue.

Figure 23. Adira's financing by products



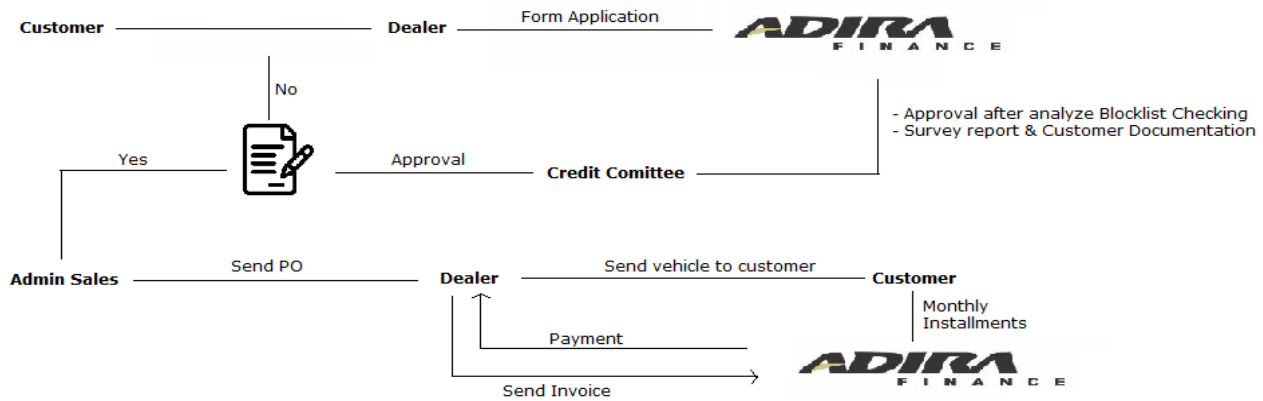
Source: Company, Trimegah Research

Figure 24. Adira's revenue stream



Source: Company, Trimegah Research

Figure 25. Business process dealers referrals

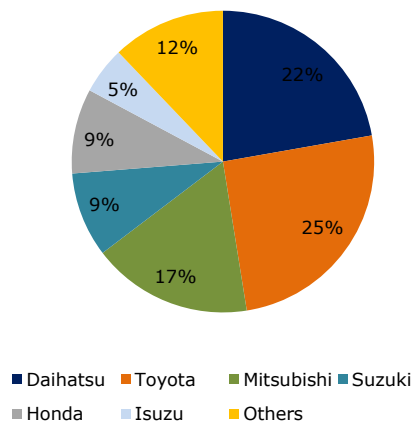


Source: Company, Trimegah Research

Decrease in 4W financing due to double digit decline in vehicle's industry

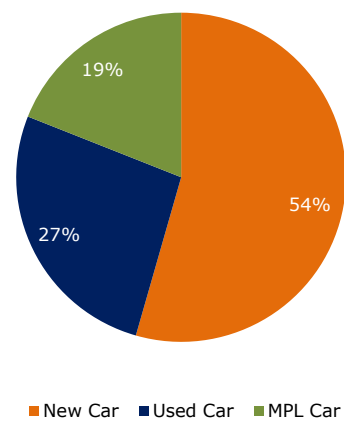
Amid the downward slump of the auto industry in 2019, Adira's new financing in the 4W segment decreased by 6.7% y-y to IDR15.8tn which comprise of new cars at IDR 8.6tn, used car at IDR 4.2 tn and MPL car at IDR 3 tn. Despite so, revenue increased by 20% y-y reaching IDR2.6tn, leading increase in profit by 4.6% y-y to IDR933bn. Total assets of this segment grew by 9.3% y-y to IDR11.6tn while liabilities decreased by 12.8% y-y to reach IDR10.1tn. In this segment, most of Adira's customers purchases Toyota and Mitsubishi vehicles, which account for almost half of the total 4W financing.

Figure 26. Car financing by brands



Source: Company, Trimegah Research

Figure 27. Car financing by segment

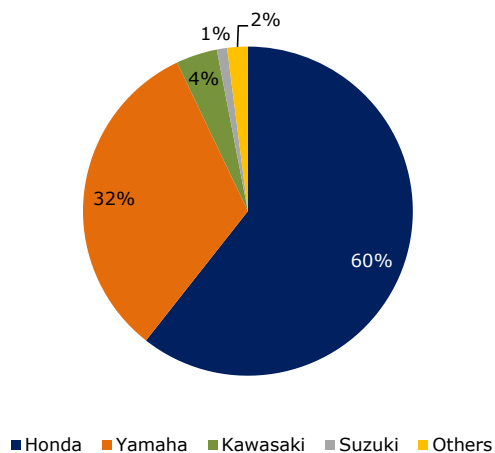


Source: Company, Trimegah Research

2W financing growth supported by slight increases in the domestic motorcycle sales

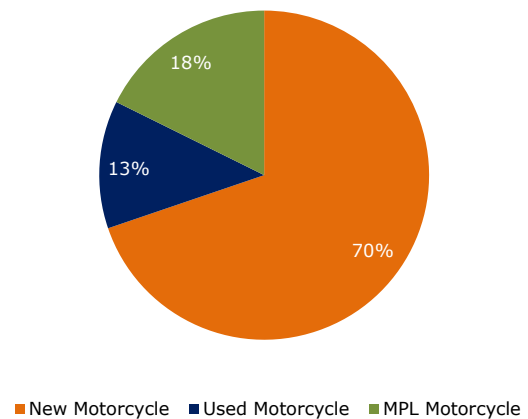
2W financing, which composes ~57% of the total company portfolio, certainly play a great part in the company's operational. In 2019, the total 2W financing contributed IDR21.5tn to the total new financing (prev: IDR20.5tn FY18). Financing for new motorcycle reached IDR15tn, while used motorcycle and MPL motorcycle reached IDR2.7tn and IDR3.8tn, respectively. Note that, new motorcycle financing contribute 70% to the total motorcycle financing. Profit from this segment grew by 5.2% y-y to IDR1.9tn in 2019 (prev: IDR1.8 tn FY18). Total assets grew by 8.8% y-y reaching IDR17tn whereas liabilities increased by 20.7% y-y to IDR13.4tn. Majority of consumers who applied for 2w financing came from those who purchases Honda (60% of the total 2w financing) and Yamaha (32%).

Figure 28. Motorcycle financing by brands



Source: OJK, Trimegah Research

Figure 29. Motorcycle financing by segment

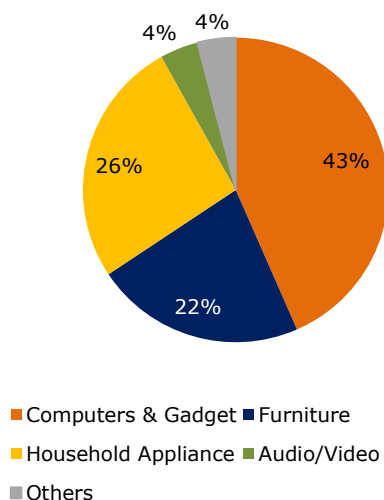


Source: OJK, Trimegah Research

A one-stop financing service provider

Beside vehicles financing, Adira provides durable goods financing, which has been started since 2015. In 2019, the company successfully disbursed IDR626bn worth of durable goods financing (prev: IDR804bn FY18). Revenue and net profit grew by 6.6% y-y and 1.1% y-y to reach IDR630.3bn and IDR347.9bn, respectively. Assets declined by a whopping 19.2% y-y to reach IDR1.4tn while liabilities of this segment increased by 32.3% to reach IDR147.9bn. Consumers in this business segment mostly apply for computers & gadgets financing (43% of total durable goods financing), followed by furniture (22%) and household appliances (26%).

Figure 30. Motorcycle financing by brands

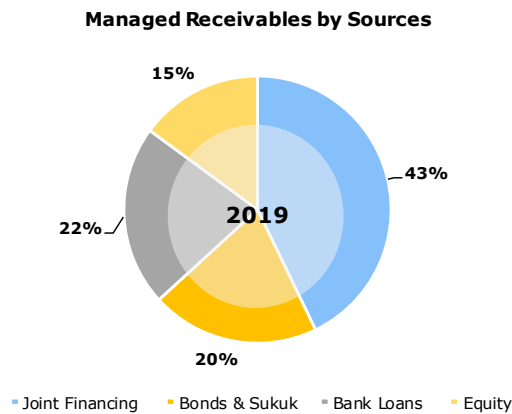


Source: Company's presentation, Trimegah's research

Strong backing from parent company's channel

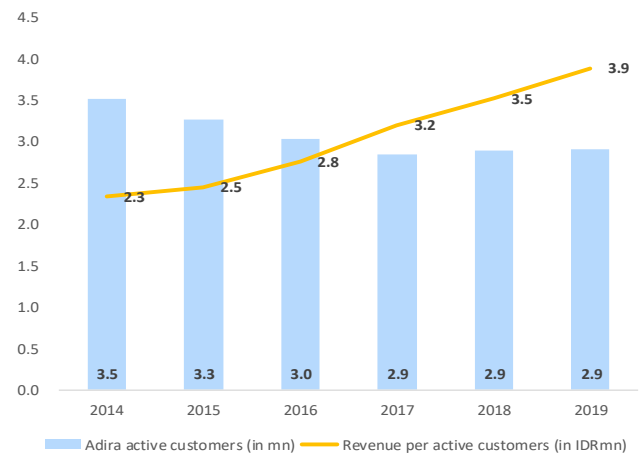
Bank Danamon, as parent company, provided a strong support for ADMF mainly in terms of funding scheme – note that ~43% of Adira's managed receivables is booked under joint-financing scheme with the parent Bank Danamon. For loans under the joint financing scheme with Bank Danamon, 90% will be funded by Danamon while the remaining 10% will be funded by Adira themselves. Under this mutual scheme, Adira receives funding to grow their asset base.

Figure 31. % managed receivables by source of fund



Source: Company, Trimegah Research

Figure 32. Adira active customers vs revenue/customer

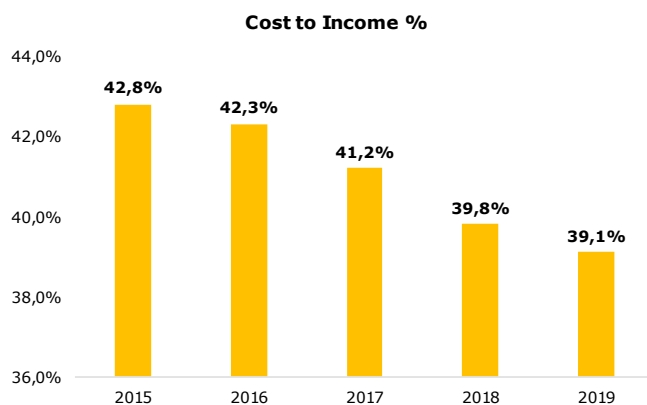


Source: Company, Trimegah Research

Healthier operational efficiency from year to year

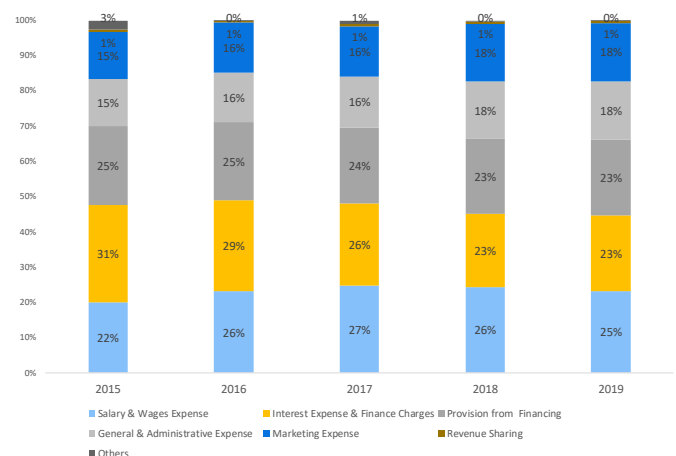
ADMF operational efficiency saw a notable improvement with its cost-to-income ratio (CIR) trend gradually drops from ~43% to ~39% in 2019. CIR improvement is attributed to manageable operational expense growth (2019 opex growth: 8% vs. revenue growth: 11%). Digging deeper, the improvement in opex is mainly driven by significant drop in company's interest expense and financing charges – Adira's parent, Bank Danamon, plays an important role in Adira's source of fund (~43% of managed receivable is funded from joint-financing with Danamon).

Figure 33. Adira CIR (including JF portion) trend



Source: Company, Trimegah Research

Figure 34. Total expense breakdown

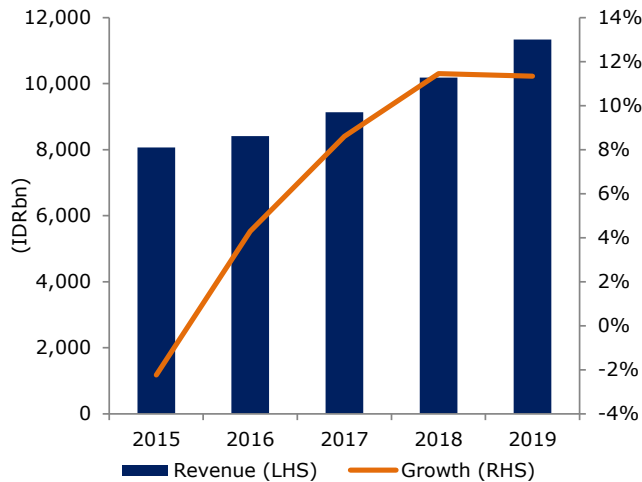


Source: Company, Trimegah Research

Stable top line growth with stable earnings growth coupled by healthier operational efficiency

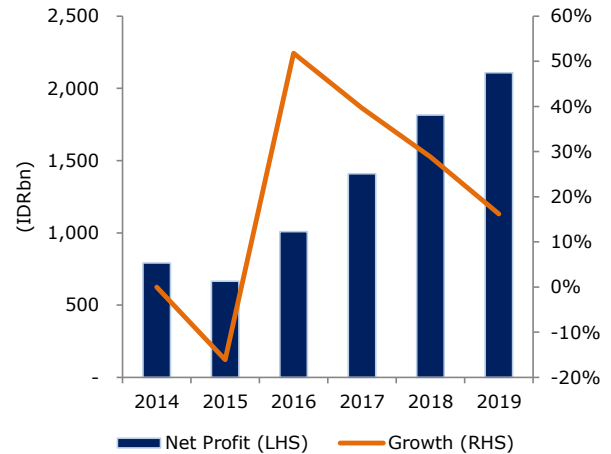
In the past few years, the company's revenue has been consistently growing with a 2016/19 CAGR at 10%. In 2019, the company booked IDR11,337bn of revenue (+11% y-y). Moreover, the company managed to booked 16% net income growth in 2019 to IDR2,109bn despite the downward slump of the auto industry during the year, especially for the 4W segment. Healthier operational efficiency also play a major part in the company operational side. The net margin of the company has been increasing from only 12% in 2016 to ~19% in 2019. Nevertheless, this margin figure is still at a relatively low level compared to its peers (BCA finance at ~45-48%, BFIN: 29.2%).

Figure 35. Revenue growth trend



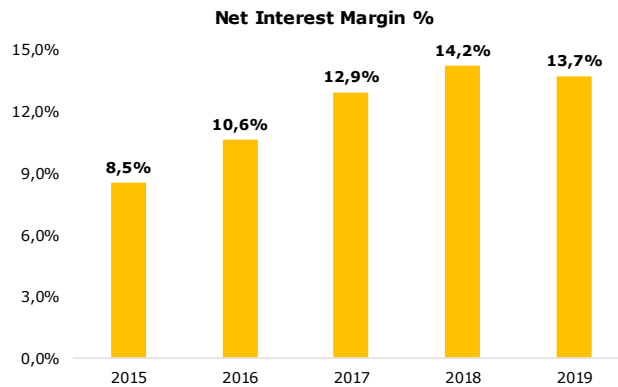
Source: Company, Trimegah Research

Figure 36. Net profit growth trend



Source: Company, Trimegah Research

Figure 37. Adira's NIM trend



Source: Company, Trimegah Research

Manageable asset quality with ample loan-loss buffer, despite challenging outlook

Positive tone appears on Adira's asset quality, with the company managed its gross NPL trend stable over the past 5 years – NPL saw improvement in 2019 with gross NPL ratio declined to 1.6% from 1.7% in 2018. Better yet, company's loan-loss coverage ratio increased from ~110% in 2018 to ~129% in 2019 which indicates that Adira has prudently managed its ample credit buffer. Combined with Adira credit cost trend that has been stable throughout the past 5 years, we barely see escalated asset quality concern.

Now, the question is should we be cautious given challenging macro backdrop and outlook amidst Covid19 jitters? It is worth noting that should we take a look at the past during quite similar event (i.e. loan restructuring due to Palu earthquake in 3Q18), Adira credit cost and NPL remains manageable after 3Q18 Palu earthquake effect started to take hit – we barely see surprising result on asset quality front judging from the historical trend. Although Covid19 impact would be more systemic in our view, we believe the company would implement appropriate measures to overcome the situation.

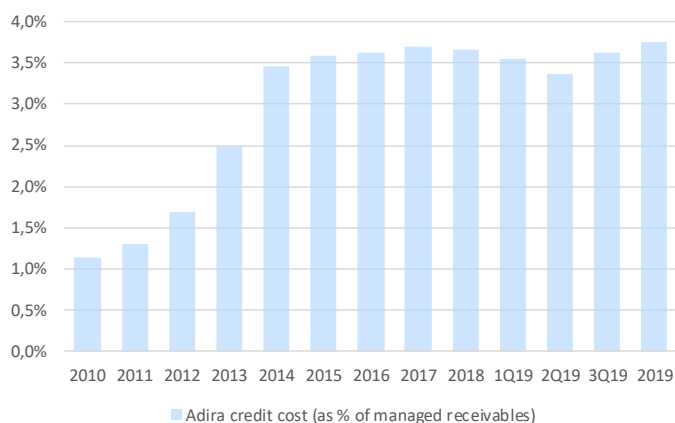
Although Covid19 risk is apparent...

Based on our channel check, Adira has restructured debt of ~248k debtors amounting to ~IDR7.2tn (~13% of Adira's managed receivables) as of Apr 30th, implying restructured outstanding of ~IDR30mn per debtor. Indonesia Finance Services Association (APPI) outlined the qualifying criteria to apply for Covid19 restructuring, including the debtors with <IDR10bn loan size and should engage in small medium enterprises (SME)/informal sectors with current collectability (no past due) pre-Covid19. According to the channel check with the company, ~50% of Adira's debtors (~1.4mn customers) belong to SME/informal sectors.

...but govt is expected to roll out subsidy for MF companies

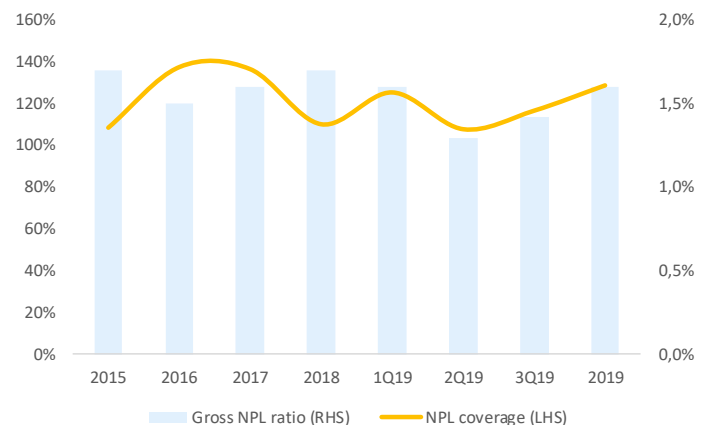
Indonesian government sets out the latest economic stimulus policies by launching the National Economic Recovery Program (PEN) on May 11th, 2020 and providing ~IDR641tn worth of subsidy in total with expected budget deficit to rise to ~6.27% of GDP in 2020 (previously is ~5.07% of GDP as specified in Presidential Regulation No. 54/2020), according to the Ministry of Finance (MoF). Of the total subsidy amount, ~IDR27.26tn interest subsidy is allocated for banks, multi finance, and rural banks in order to support loan restructuring for MSME. The detailed mechanism remains under stakeholders' discussions, but this should cushion the impact of loan restructuring to Adira's interest income stream in our view.

Figure 38. Adira credit cost trend



Source: Company, Trimegah Research

Figure 39. Gross NPL ratio vs. loan-loss coverage ratio



Source: Company, Trimegah Research

Going forward risk and opportunity

Most of ADMF's customer, the 2W purchasers, are the most impacted by the current virus outbreak. As the matter of fact, the consumers in this financing segment tend to be more sensitive to purchasing power during any economic slowdown and rising prices for various food commodities. Knowing this, we expect the company to be exposed to credit risk, that might be caused by failure or negligence of the debtors in fulfilling its financial obligation, which might leads to disruption of the company's cashflow in the 1Q20 and 2Q20. Nevertheless, as mentioned before in the automotive industry outlook, we expect the automotive sector to gradually recover once the government decided to lift the social restriction policy. Moreover, the fluctuation in the foreign exchange rate might affect people's consumption behavior, including purchase of vehicles, which might leads to credit growth slowdown as well as lower debtor's ability to fulfill its financial obligation to ADMF.

Company's debt profile

Credit overview: well-maintained debt with superior credit rating

As of FY19, the company has a total of ~IDR22.9tn of interest bearing debt (+4% y-y). The debt consists of; 1) borrowing from other banks, which account for ~52% of the total debts (IDR11.9tn) as well as 2) bond payables and mudharabah bond payables amounting IDR11tn (48% of the debt). During 2020, ~IDR5.15tn, or 47%, of the bond and sukuk payables will be matured.

Figure 40. Bond and sukuk payables

No.	Bonds	Series	Outstanding amount (IDRbn)	Tenure	Maturity date	Coupon
1	Adira Finance shelf-registered Bonds III Phase I	B	237	5	6/30/2020	10.25%
2	Adira Finance shelf-registered Bonds III Phase II	C	277	5	8/25/2020	10.25%
3	Adira Finance shelf-registered Bonds III Phase III	C	698	5	3/2/2021	10.25%
4	Adira Finance shelf-registered Bonds III Phase IV	C	431	5	7/26/2021	9.25%
5	Adira Finance shelf-registered Sukuk Mudharabah II Phase II	C	14	5	7/26/2021	9.25%
6	Adira Finance shelf-registered Bonds III Phase V	B	860	3	3/22/2020	8.60%
		C	241	5	3/22/2020	8.90%
7	Adira Finance shelf-registered Sukuk Mudharabah II Phase III	B	105	3	3/22/2020	8.60%
		C	7	5	3/22/2022	8.90%
8	Adira Finance shelf-registered Bonds III Phase VI	B	450	3	7/14/2020	8.10%
		C	68	5	7/14/2022	8.40%
9	Adira Finance shelf-registered Bonds IV Phase I	B	893	3	12/12/2020	7.45%
		C	91	5	12/12/2022	7.55%
10	Adira Finance shelf-registered Sukuk Mudharabah III Phase I	B	55	3	12/12/2020	7.45%
		C	55	5	12/12/2022	7.55%
11	Adira Finance shelf-registered Bonds IV Phase II	B	80	2	3/21/2020	6.70%
		C	552	3	3/21/2021	7.40%
		D	162	5	3/21/2023	7.50%
12	Adira Finance shelf-registered Sukuk Mudharabah III Phase II	B	62	3	3/21/2021	7.40%
		C	29	5	3/21/2023	7.50%
13	Adira Finance shelf-registered Bonds IV Phase III	B	119	2	8/16/2020	8.00%
		C	716	3	8/16/2021	8.50%
		D	269	4	8/16/2022	9.00%
		E	461	5	8/16/2023	9.25%
14	Adira Finance shelf-registered Bonds IV Phase IV	A	232	1	2/3/2020	8.05%
		B	58	3	1/23/2022	9.00%
		C	328	5	1/23/2024	9.50%
15	Adira Finance shelf-registered Sukuk Mudharabah III Phase III	A	127	1	2/3/2020	8.05%
		B	55	3	1/23/2022	9.00%
		C	32	5	1/23/2024	9.50%
16	Adira Finance shelf-registered Bonds IV Phase V	A	1,105	1	4/26/2020	7.78%
		B	287	3		8.60%
		C	608	5		9.15%
17	Adira Finance shelf-registered Sukuk Mudharabah III Phase IV	A	72	1	4/26/2020	7.75%
		B	10	3	4/16/2022	8.60%
		C	14	5	4/16/2024	9.15%
18	Adira Finance shelf-registered Bonds IV Phase VI	A	299	1	10/14/2020	6.75%
		B	703	3	10/4/2022	7.80%
		C	190	5	10/4/2024	8.10%
Total outstanding amount			11,052			

Source: Trimegah's Research

The company has a total of IDR16.8tn and USD725mn borrowing facilities from several banks to support the companies financing. As of 2019, the total outstanding borrowings of the company is IDR11.85tn, with ~60% of the company borrowings are denominated in USD.

Figure 41. ADMF total borrowing facilities

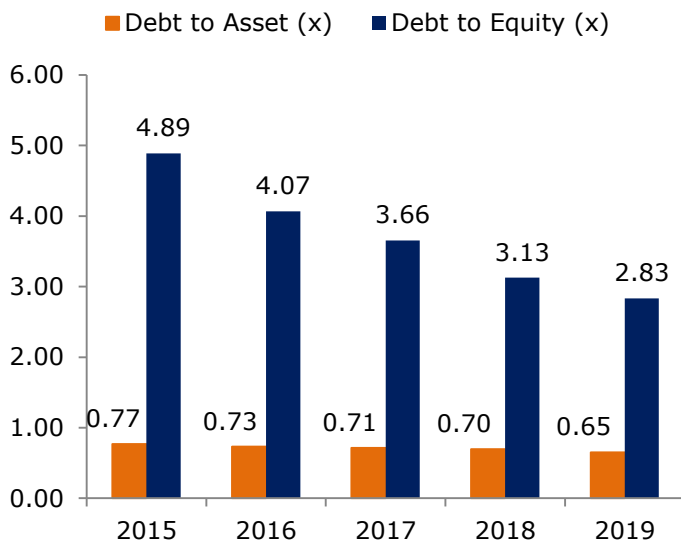
Banks	Facility	Maximum amount of the facility (IDRbn)	Maturity
PT Bank Pan Indonesia	I	500	2/5/2020
	II	2,500	9/23/2021
	III	2,500	1/25/2023
PT Bank Mandiri (Persero) Tbk	IV	2,000	11/14/2020
PT Maybank Indonesia Tbk	I	750	8/20/2022
PT Bank UOB Indonesia	I	500	4/13/2020
	II	500	12/22/2020
PT Bank Central Asia Tbk	I	415	3/14/2020
	II	2,000	5/31/2021
	III	700	5/21/2022
The Hongkong and Shanghai Bank	I	400	6/15/2020
PT Bank DKI	I	200	8/20/2020
	II	200	12/20/2020
	III	500	2/20/2021
	IV	200	4/19/2021
	V	300	4/17/2022
	VI	200	4/17/2022
PT Bank National Nobu Tbk	I	100	7/25/2020
PT Bank BCA Syariah	I	200	6/13/2023
PT Bank Danamon Indonesia Tbk	I	1,500	1/31/2021
Citibank, N, A., Indonesia	I	600	2/9/2020
Total		16,765	
Banks	Facility	Maximum amount of the facility (USDmn)	Maturity
BNP Paribas (Singapore) - Syndicated	II	300	11/24/2021
	III	350	11/5/2022
MUFG Bank, Ltd.	I	75	8/15/2020
Total		725	

Source: Trimegah's Research

The company has been consistent in maintaining its debt level, reflected in the company's DER and leverage ratios, which has been decreasing for the past years. As can be seen in figure 42. ADMF's DER has reduced from 4.89x in 2015 to only 2.83x by the end 2019. Moreover, the net income coverage ratio of the company is also constantly increasing from only 0.3x in 2015 to 1.07x in 2019 from only 0.3x in 2015. It reflects the company's strong ability to fulfill its short-term financial obligation. Moreover, as can be seen in the table above, the ~47% of the company's bond will be matured, which will leads to significant drop in the bond portion of the company.

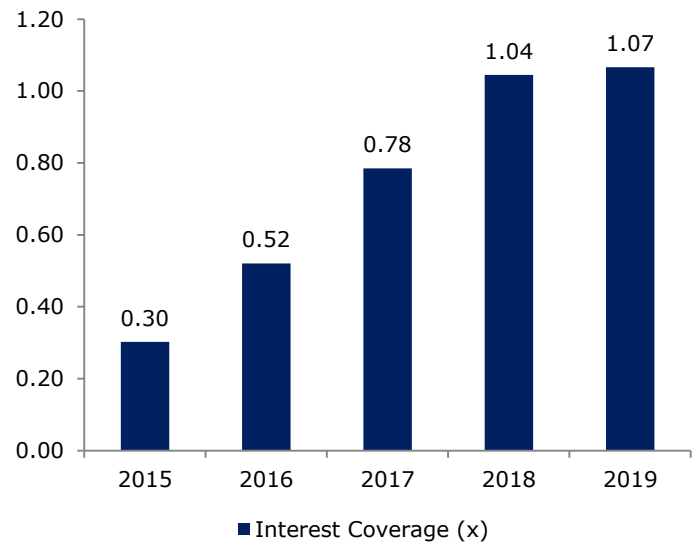
We generally have a positive view on the credit side of ADMF. Moreover, PEFINDO has affirmed its "idAAA" ratings with stable outlook for PT Adira Dinamika Multi Finance Tbk (Adira Finance) and its outstanding conventional bonds. PEFINDO has also affirmed its "idAAA(sy)" rating for Adira Finance's outstanding sukuk. An obligor rated idAAA has the highest rating assigned by PEFINDO. Its capacity to meet its long-term financial commitment, relative to that of other Indonesian obligors, is superior.

Figure 42. ADMF's DER and leverage ratio



Source: Company, Trimegah Research

Figure 43. ADMF's net income coverage ratio



Source: Company, Trimegah Research

Bond Issuance: Use of Proceeds

PT Adira Dinamika Multifinance to issue Obligasi Berkelanjutan V Adira Finance Tahap I Tahun 2020 and Sukuk Mudharabah Berkelanjutan IV Adira Finance Tahap I Tahun 2020 with a total amount of IDR1.3tn and IDR200bn, respectively. The bond issuance is part of the company shelf-offering III which has a total target of IDR9tn while the sukuk issuance is part of the company shelf-offering IV which has a total target of IDR1tn. The proceed of this bond issuance will be used for consumer financing activities while the proceed of the sukuk issuance will be used for murabahah consumer financing activities.

Board of Directors

 <p>Hafid Hadeli President Director</p>	<p>Born in Jakarta, August 23, 1963. Earned a Bachelor degree in Accounting from University Trisakti (1988). Joined as Director (Finance, Sales, and Distribution) in Adira Multifinance since 2006. He also a former director of PT Broadband Multimedia Tbk, Vice President Director at PT Bank Lippo Tbk & other various senior positions at Citibank, N.A., Jakarta</p>
 <p>Ho Lioeng Min Director</p>	<p>Born in Jakarta, April 17, 1968. Earned a bachelor degree in Engineering from Universitas Indonesia (1992), and received Master's Degree in Management at Universitas Gadjah Mada (2006). He previously been working various senior position at PT Bank Pirma Express, PT Adira Quantum Multifinance and eventually appointed as Director at PT Adira Multifinance Tbk in 2009.</p>
 <p>I Dewa Made Susila Director</p>	<p>Born in Bali, December 25, 1970. Earned a Bachelor Degree in Agribusiness from Institut Pertanian Bogor(1993), received Master's Degree in Management at Sekolah Tinggi Manajemen PPM (2006) and he also achieved CFA certification from Association Investment Management and Research (2003). He previously been working various senior position at Bank Danamon, Indonesia Bank Restructuring Agency, Pefindo Credit Rating and eventually appointed as Director at PT Adira Multifinance Tbk since 2010.</p>
 <p>Niko Kuniawan Bonggowarsito Director</p>	<p>Born in Lampung, February 14, 1971. Earned a bachelor degree in Management from Institut Bisnis Indonesia (1994). He previously been working various senior position at PT Mandiri Pakar Sakti, PT Sinar Galesong Pratama and eventually appointed as Director of Sales and Service Distribution at PT Adira Multifinance Tbk since 2018.</p>
 <p>Swandajani Gunadi Independent Director</p>	<p>Born in Pekalongan, August 4, 1972. Earned a bachelor degree in Agronomy from Institut Pertanian Bogor (1995). She previously been working in multinational company with over 20 years of experience in Astra Group, Orang Tua Group and eventually appointed as Human Resources Director at PT Adira Multifinance Tbk since 2013.</p>

Board of Commissioner

 <p>Yasushi Itagaki President Commissioner</p>	<p>Born in Osaka, May 24, 1964. Earned a bachelor degree in Law from Kyoto University (1987). he previously been working as Managing Executive Officer and Deputy of Chief Executive of the Global Commercial Banking Business unit of MUFG Bank and Executive Officer of MUFG and eventually appointed as President Commissioner at PT Adira Multifinance Tbk.</p>
 <p>Djoko Sudtyatmiko Commissioner</p>	<p>Born in Pati, April 6, 1944. Graduated from Institut Teknologi Bandung (1968) with a Bachelor Degree's in Electro. He appointed as Commissioner in PT Adira Multifinance Tbk since 2011. Previously, he served as Former member of Member of Indonesia's Parliament and House of Representatives. He also former Commissioner at PT Asuransi Adira Dinamika and PT Astra Graphia Tbk. He currently serves as Commissioner of ASCO Group.</p>
 <p>Krisna Wijaya Independent Commissioner</p>	<p>Born in Jakarta, July 22, 1955. Graduated from Institut Pertanian Bogor (1980) with a Bachelor Degree's in Economy, then acquire his master degree in Agribusiness Management at Universitas Gadjah Mada (1990) and received doctor degree in interdisciplinary at Universitas Gadjah Mada (2009). He appointed as Commissioner in PT Adira Multifinance Tbk since 2016. Previously, he served as Commissioner PT BNI Life Insurance and Director of Micro and Small Business at PT Bank Rakyat Indonesia. With experience over 30 years in financial sector, He also currently serves as Director of Indonesia Banking Development Agency.</p>
 <p>Muliadi Rahardja Commissioner</p>	<p>Born in Tangerang, May 10, 1959. Graduated from Universitas Indonesia (1968) with a Bachelor Degree's in Accounting and received Master Degree in Business Administration from Massachusetts Institute of Technology, US (1998). He appointed as Commissioner in PT Adira Multifinance Tbk since 2017. Previously, he served as Former Director at PT Bank Danamon Indonesia Tbk for 18 years, last designation as the Vice President Director. With over 30 years experience in financial sector, He also currently serves as Independent Commissioner of PT XL Axiata Tbk and Secretary of Atma Jaya Foundation.</p>



Willy Suwandi Dharma
Commissioner

Born in Jakarta, August 29, 1956. Graduated from Institut Pertanian Bogor (1981) with a Bachelor Degree's in Agriculture and another Bachelor of Economic in Universitas Terbuka (1992). He appointed as Commissioner in PT Adira Multifinance Tbk since 2017. Previously, he served as Former President Director of PT Adira Dinamika Multi Finance Tbk and he also Founder and Former President Director of PT Asuransi Adira Dinamika. With over 30 years experience in financial sector, He also currently serves as commissioner of PT Asuransi Adira Dinamika.



Eng Heng Nee Phillip
Commissioner

Born in Singapore, August 24, 1946. Graduated from University of New South Wales (1969) with a Bachelor Degree's in Accounting and another Bachelor in Accounting from Institute of Chartered Accountant, Australia (1971). He appointed as Commissioner in PT Adira Multifinance Tbk since 2016. Previously, he served as Former Non-Executive Director at Hup Soon Global Corp.Ltd, Non Executive Director at OpenNet Pte.Ltd. He currently serves as Director at Ezra Holdings Ltd, Non Executive Director & Chairman of Audit Committee at Singapore Health Services Pte. Ltd., Independent Non Executive Director concurrently as Chairman of Audit Committee at NTUC Income, Singapore.

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