PEFINDO
CREDIT RATING AGENCY

**Press Release**
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# PT Verena Multi Finance Tbk

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## CREDIT PROFILE

**Corporate Rating** *idA-/Negative*

**Rated Issues**
*MTN II/2017* *idA-*

**Rating Period**
*September 7, 2018 - September 1, 2019*

**Rating History**

| | |
|---|---|
| *SEP 2017* | *idA-/Stable* |
| *SEP 2016* | *idA-/Stable* |
| *SEP 2015* | *idA-/Stable* |
| *SEP 2014* | *idA-/Stable* |
| *SEP 2013* | *idA/Stable* |
| *SEP 2012* | *idA/Stable* |
| *JAN 2011* | *idA/Stable* |
| *DEC 2011* | *idA/Stable* |

## FINANCIAL HIGHLIGHTS

| **As of/for the year ended** | **Jun-2018** | **Dec-2017** | **Dec-2016** | **Dec-2015** |
|---|---|---|---|---|
| | (Unaudited) | (Audited) | (Audited) | (Audited) |
| Total assets [IDR bn] | 1,517.3 | 1,750.4 | 1,790.5 | 1,894.4 |
| Net receivables [IDR bn] | 1,330.3 | 1,519.7 | 1,605.6 | 1,751.9 |
| Net service assets [IDR bn] | 1,782.3 | 2,150.1 | 2,151.3 | 2,271.1 |
| Total equity [IDR bn] | 458.2 | 464.2 | 286.7 | 284.3 |
| Net interest revenue [IDR bn] | 40.9 | 98.2 | 80.5 | 98.7 |
| Net income [IDR bn] | (6.0) | 7.6 | 6.5 | 2.4 |
| Cost to income [%] | 74.3 | 64.7 | 76.0 | 65.5 |
| Operating profit margin [%] | (5.1) | 3.2 | 2.8 | 1.6 |
| ROAA (including off-balance) [%] | *(0.6) | 0.3 | 0.3 | 0.1 |
| NPR-balance/NSA [%] | 10.4 | 7.1 | 5.6 | 5.4 |
| Reserves/NSA [%] | 2.3 | 1.8 | 1.6 | 1.6 |
| Equity/NSA [%] | 25.7 | 21.6 | 13.3 | 12.5 |
| Total debt (on-balance)/equity [x] | 2.2 | 2.6 | 5.1 | 5.5 |
| Short-term liquidity ratio [%] | 124.8 | 130.9 | 112.2 | 132.1 |
| USD exchange rate [USD/IDR] | 14,404 | 13,548 | 13,436 | 13,785 |

**Annualized*
*ROAA=return on average assets (including off balance sheet). NPR=non-performing receivables. NSA=net service assets.*

*The above ratios have been computed based on information from the company and published accounts. Where applicable, some items have been reclassified according to PEFINDO's definitions.*

## PT Verena Multi Finance Tbk's rating affirmed at "idA-", outlook revised to "negative" due to weakening performance

PEFINDO has affirmed its **"idA-"** ratings for PT Verena Multi Finance Tbk (VRNA) and its outstanding Medium Term Notes II/2017. The outlook for the corporate rating is revised to **"negative"** from **"stable"**. The outlook revision was mainly driven by its potentially weakening overall credit profile due to the continued pressure on growth of new financing stemming from the contraction in all segments. Its net-service assets (NSA) fell to IDR1.8 trillion at end-June 2018 (1H2018) from IDR2.2 trillion as of FY2017, stressing its business position in the financing industry. We also see pressure on its asset quality due to the surging non-performing receivables balance to NSA ratio (NPR, overdue>30 days) to 10.4% as of 1H2018 from 7.1% as of FY2017. These have severely impacted its profitability as it reported negative bottom-line of IDR6.0 billion compared to IDR7.6 billion in the above period.

The upcoming rights issue at end-2018 – of which still subjects to OJK approval – will drive changes in the shareholder composition. IBJ Leasing Co Ltd (IBJ Leasing) will be the new controlling shareholder with 63.63% ownership and PT Bank Pan Indonesia Tbk (Bank Panin, rated idAA/Stable) shares will be diluted to 26.15% from 57.54%. Should the rights issue materialize, we also anticipate a stronger capitalization as well as the planned merger with PT IBJ Verena Finance (IBJ Verena). IBJ Verena centers on leasing and installment sales for large and mid-sized companies. As of 1H2018, its shareholders were IBJ Leasing (80%) and VRNA (20%). Since IBJ Leasing and VRNA share the same business line, we expect there will be a synergy to enhance the Company's competitiveness. We expect the merger and acquisition to be completed in medium term, a typical timeline for a major acquisition to take place, tentative to regulatory-related matters and bilateral settlement between Bank Panin and IBJ Leasing.

The rating may be lowered if the Company fails to produce a meaningful improvement in its new financing, or if its asset quality and profitability profiles continue to deteriorate in the near term. Material decrease in Bank Panin's level of support or ownership in exchange with an increase of ownership of any shareholder with lower credit profile could also drive the rating downward. It may also be lowered if the above transactions could not materialize according to its timetable. PEFINDO may revise the outlook to "stable" if the Company manages to execute its initiatives to boost its new financing, as well as to improve its asset quality and profitability profiles on a sustainable basis. A successful rights issue and other strategic efforts to improve its business profile through the realized merger could also strongly support the possible revision.

An obligor rated idA has a strong capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher rated obligors.

The minus (-) sign in a particular rating indicates that it is relatively weak within the respective rating category.

The corporate rating reflects VRNA's strong support from the majority shareholders, sound capitalization, and adequate liquidity profile. However, the rating is constrained by its weak profitability, weak asset quality, and pressure on growth of new financing.

VRNA is a finance company focuses on used cars. It also provides new cars and property financing. As of 1H2018, its shareholders were Bank Panin (57.54%), DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH (19.99%), PT Verena Kapital (9.44%), and public (13.03%).