

PT Verena Multi Finance Tbk

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended				
		Mar-2019	Dec-2018	Dec-2017	Dec-2016	
		(Unaudited)	(Audited)	(Audited)	(Audited)	
Corporate Rating	idA/Stable					
Rated Issues						
MTN II/2017	idA					
Rating Period						
May 8, 2019 - September 1, 2019						
Rating History						
SEP 2018	idA-/Negative					
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					
		Total assets [IDR bn]	2,779.8	1,565.5	1,750.4	1,790.5
		Net receivables [IDR bn]	2,363.9	1,290.8	1,519.7	1,605.6
		Net service assets [IDR bn]	2,504.6	1,478.2	2,150.1	2,151.3
		Total equity [IDR bn]	660.3	271.1	464.2	286.7
		Net interest revenue [IDR bn]	22.8	70.1	98.2	80.5
		Net income [IDR bn]	(12.2)	(192.8)	7.6	6.5
		Cost to income [%]	96.1	79.9	64.7	76.0
		Operating profit margin [%]	(16.5)	(85.8)	3.2	2.8
		ROAA [%]	*(1.7)	(9.8)	0.3	0.3
		NPR-balance/NSA [%]	6.0	10.8	7.1	5.6
		Reserves/NSA [%]	2.0	3.0	1.8	1.6
		Equity/NSA [%]	26.4	18.3	21.6	13.3
		Total debt/equity [x]	3.1	4.6	2.6	5.1
		Short-term liquidity ratio [%]	78.3	59.3	130.9	112.2
		USD exchange rate [USD/IDR]	14,244	14,481	13,548	13,436

*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.

Verena Multi Finance's outlook revised to "stable", rating upgraded to "idA"

PEFINDO has revised the corporate rating outlook of PT Verena Multi Finance Tbk (Verena Multi Finance) to "stable" from "negative". The outlook revision was driven by the materialized rights issue at the end of January 2019 that has resulted to a stronger capitalization profile. From the rights issue, it raised IDR434.3 billion of fresh capital, which increased paid-up capital to IDR568.7 billion. Accordingly, its debt-to-equity ratio (DER) improved to 3.1x as of March 31, 2019 (3M2019) from 4.6x as of December 31, 2018 (FY2018). We also expect an improved business profile through the synergy with the new controlling shareholder, IBJ Leasing Co Ltd (IBJ Leasing or the Parent) – the composition of which is driven from the above rights issue – to enhance the Company's competitiveness. Following the transaction, we anticipate possible merger with PT IBJ Verena Finance (IBJ Verena) – of which still subjects to OJK approval. IBJ Verena centers on leasing and business/working capital for large and mid-sized companies. As of January 2019, it is 100%-owned by Verena Multi Finance. We expect the merger to be completed in the near to medium term, a typical timeline for a merger to take place, tentative to regulatory-related matters.

At the same time, PEFINDO has raised the ratings of Verena Multi Finance and its outstanding Medium Term Notes II/2017 to "idA" from "idA-". The rating upgrade reflects our view on the strong support and commitment from IBJ Leasing. We consider the presence of IBJ Leasing as the majority shareholder is positive for the Company's risk profile. IBJ Leasing's financial capacity is deemed strong to provide support to the Company in times of need, with net assets and net income attributable to owners of the parent of JPY161.1 billion and JPY13.1 billion, respectively, as of FY2018. IBJ Leasing's strong support is indicated from its 67.44% majority ownership as of 3M2019, an increased from 63.63% as of 1M2019, and representation in key management positions. IBJ Leasing involves in improving the Company's business by sharing risk management practices and also provides corporate guarantee for funding facilities to support the expansion.

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 corporate rating reflects the Company's strong support from the majority shareholder, 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.

The rating may be raised if PEFINDO sees a higher degree of support from IBJ Leasing as a result of the Company's consistently increasing contribution to the Parent due to improving business and financial profiles. On the other hand, the Company's rating may be lowered if there is evidence of lower support from the Parent, which may be indicated by a material decline in ownership, or if its importance to IBJ Leasing weakens substantially due to a deterioration in its market position, asset quality or profitability indicators.

Verena Multi Finance is a finance company focuses on leasing and consumer financing. As of 3M2019, its shareholders were IBJ Leasing (67.44%), Bank Panin (26.15%), and public (6.41%).

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