

BUY

TP: IDR 17,820

▲ 47.6%

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MCAS IJ

Looking ahead to FY22E and beyond

Covid-19 has proven to be a bane to MCAS's margins even as 1H21 revenue met c.50% of FY21E expectations of IDR12,620bn. 1H21 core NPAT formed ~28% of our FY forecasts on lower-than-expected operating margin of 0.9% (FY21E: 1.6%). We forecast ops margin to recover to 2-4% from FY22E onwards and we remain bullish on MCAS's continued network expansion and integration with partners' ecosystems. We rollover our valuation to 1.1x FY22E EV/Sales, raising our TP to IDR17,820/share. Reiterate BUY.

- 1H21 margins disappoint despite in-line revenue:** MCAS reported 1H21 revenue of IDR6.27bn (+2.1% YoY), displaying resilient traction despite ongoing Covid-19 related lockdowns. Headline NPAT stood at IDR99.5bn (1H20: IDR106.6bn loss), bolstered mainly by MTM gains on its investment in DIVA IJ. **Nonetheless, management notes that a shift towards lower margin digital products (c.95% of digital product revenue, prior: 75%) stalled the premise of margin expansion.** Coupled with higher wage bills (+6.5% YoY) and marketing and promotional expenses (+80.3% YoY), 1H21 core NPAT achieved only 28% of our FY21E forecast.
- Network expansion continues, further integration with partners:** Despite the weaker-than-expected bottom line performance, we see cause of optimism as **MCAS continues to expand its network of distribution points (+12.4% QoQ) to 240,018, partially bolstered by c.5k increase in drop points with logistics partner, SiCepat.** We also note that MCAS's DigiResto platform is expanding its corporate partnerships, bringing onboard BMRI IJ to facilitate new payment solutions for end-users.
- Revise FY21E lower, margin recovery in FY22E and beyond:** In light of the weak margins in 1H21, we shave our FY21E margin expectations by half with FY21E operating margin of 0.7% (prior: 1.8%). We expect margins to start to improve from 4Q21 onwards with FY22E/23E/24E operating margins growing to 2.3%/3.6%/4.1% (prior: 2.2%/2.9%/3.2%) on more favorable product mix. **In addition, we factor in increasing takings from MCAS's Clean Energy Products and Services segment, which should contribute 10.5%/11.5% of gross profit by FY23E/24E.** Subsequently, our FY22E/23E/24E PATMI forecasts expands by 5%/31%/34% from our prior forecasts.
- Rollover valuations, TP surges to IDR17,820/share:** We hike our EV/Sales multiple to 1.1x (prior: 0.6x) on MCAS's expanding network and integration with partners. Rolling over to FY22E revenue of IDR14,397bn (+14% YoY), we derive our TP of IDR17,820/share. **Despite a 203% YTD surge in share price, MCAS continues to trade at a substantial 50% discount to its listed peers, or 0.8x EV/Sales vs peers (ex-outliers) 1.6x.** This is despite a superior FY20-23E EPS CAGR of 103% vs peers' 30%.

Consolidated Financial highlights

Y/E 31 Dec (IDR'bn)	FY20E	FY21E	FY22E	FY23E	FY24E
Revenue	11,334	12,620	14,397	16,860	18,289
Revenue Growth	2%	11%	14%	17%	8%
Core Attributable Net Profit	41	30	115	216	271
Outstanding shares (bn)	0.87	0.87	0.87	0.87	0.87
Core EPS (IDR)	47	35	132	249	312
Core EPS growth (%)	12%	-26%	280%	88%	26%
Core Attributable NPM (%)	0.4%	0.2%	0.8%	1.3%	1.5%
Adjusted ROE (%)	8.5%	5.9%	18.4%	25.7%	24.4%
EV/Sales (x)	1.0	0.9	0.8	0.6	0.6

Source: Company, SCCM Research



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PRICE CLOSE (16 August 2021)

IDR 12,075

MARKET CAP

IDR 10.42 tn

USD 724 m

SHARES O/S

867.9 m

FREE FLOAT

27.9%

3M AVG DAILY VOLUME/VALUE

1.4m / IDR10.46bn

52 WK HIGH

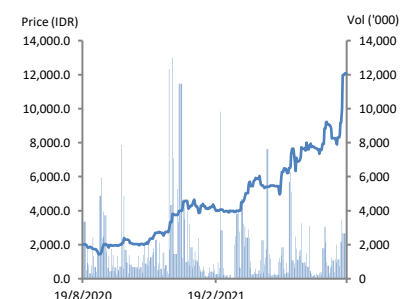
12,500

52 WK LOW

1,330

Target Price

IDR 17,820



Operational Review

Fig 1 - 1H21 results VS FY21E forecasts

FYE Dec (IDR'bn)	1H21	1H20	YoY%	FY21E	As % of forecast	Remarks
Revenue	6,268.0	6,139.8	2.1%	12,620.3	49.7%	- 1H21 revenue (+2.1% YoY) attributable to gains across Digital Products (+11%), Digital Cloud Advertising (+63%), SaaS (+63%) partially pared by 4% contraction in Digital Product Aggregator (-4%) - Saw maiden contributions from ESB, its clean energy products and services
Gross Profit	108.2	106.6	1.5%	339.8	31.8%	
Gross Profit Margin	1.73%	1.74%		2.69%		- Gross margin stood pat even as digital product mix shifted towards staples, which typically carried lower margins. - Margin contraction was mitigated by increased gross profit contributions from its higher-margin SaaS segment to 19.8% (1H20: 5.7%)
EBITDA	65.1	63.8	2.0%	232.4	28.0%	- Affected by higher salaries (+6.5% YoY) and marketing & promotional activities (+80.3% YoY)
EBITDA Margin	1.04%	1.04%		1.84%		
Operating Profit	54.9	57.3	-4.0%	197.9	27.8%	- Lower financial income (-63.5% YoY) on reduced interest rates of 4.75%-5% (Dec'20: 7%-8.24%) - Higher amortisation expenses (+541.6%) on larger intangible asset base
Operating Profit Margin	0.88%	0.93%		1.57%		
Net Profit	99.5	-106.6	-193.4%	151.7	65.6%	- Bolstered IDR56.39bn gain on other investments (1H20: IDR153.42bn loss)
Core Net Profit	41.8	46.2	-9.4%	151.7	27.6%	
Core NPM	0.67%	0.75%		1.20%		

Source: Company, SCCM Research

Fig 2 - 2Q21 VS 1Q21 results

FYE Dec (IDR'bn)	2Q21	1Q21	QoQ%	Remarks
Revenue	2,980.4	3,287.7	-9.3%	- QoQ revenue decline was mainly due to weak contributions from its two largest segments; Digital Products and Digital Products Aggregator (-15.1%/-6.4%) - Revenue per distribution point declined 19.5% QoQ to IDR12,176
Gross Profit	52.5	55.7	-5.7%	- Sequentially stronger margins was mainly supported stronger contributions from high margin Digital Cloud Advertising and SaaS of 24%/21% (1Q21: 22%/19%) respectively
Gross Profit Margin	1.76%	1.69%		
EBITDA	30.4	34.7	-12.4%	- Sequentially higher marketing & promotions expenses (+121%) as well as salaries (+18%)
EBITDA Margin	1.02%	1.05%		
Operating Profit	25.4	29.6	-14.3%	
Operating Profit Margin	0.85%	0.90%		
Net Profit	58.9	40.6	45.1%	- Held up by IDR40.16bn (1Q21: IDR16.23bn) in gains on other investments
Core Net Profit	18.1	23.7	-23.4%	- On weaker operating profit as well as higher MI (+15.6%)
Core NPM	0.61%	0.72%		

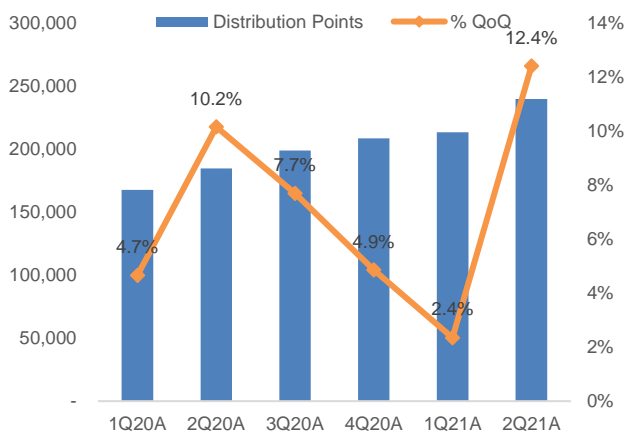
Source: Company, SCCM Research

Fig 3 - Quarterly segmental reporting

FYE Dec (IDR'bn)	2Q21	2Q20	YoY (%)	1Q21	QoQ (%)	1H21	FY21E	% of Est.
Revenues								
Digital products	969.1	1,011.4	-4.2%	1,141.4	-25.9%	2,110.5	4,406.8	47.9%
Digital product aggregator	1,953.3	2,157.6	-9.5%	2,087.3	-20.0%	4,040.5	8,052.5	50.2%
Digital cloud advertising	38.7	25.1	54.0%	40.7	-42.7%	79.4	115.8	68.5%
SaaS	18.3	3.8	380.0%	18.3	-72.8%	36.5	37.9	96.3%
Clean energy product & services	1.0	-	n.m.	-	n.m.	1.0	7.2	14.3%
Gross Profits								
Digital products	16.0	16.6	-3.9%	18.4	115.7%	34.4	171.6	20.0%
Digital product aggregator	12.7	28.4	-55.4%	14.1	14.3%	26.8	80.3	33.4%
Digital cloud advertising	12.7	7.1	78.6%	12.5	-12.1%	25.1	64.0	39.3%
SaaS	10.8	7.1	52.4%	12.5	-12.1%	21.5	23.9	89.7%
Clean energy product & services	0.4	-	n.m.	-	n.m.	0.4	2.2	16.5%

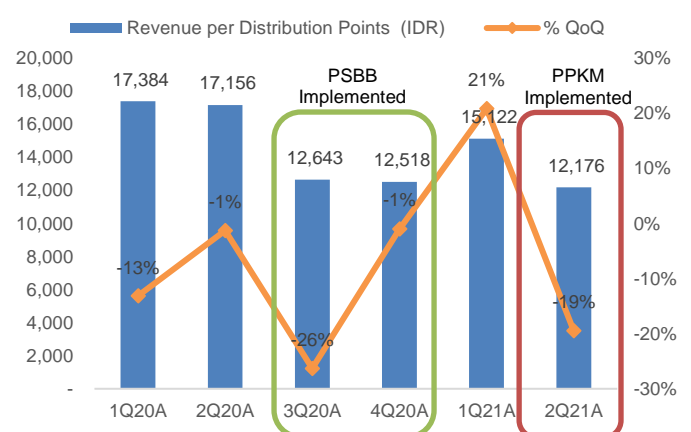
Source: Company, SCCM Research

Fig 4 - MCAS network expansion continues...



Source: Company, SCCM Research

Fig 5 - Even as lockdowns (PSBB/PPKM) dampen sales



Source: Company, SCCM Research

Cut margins in light of Covid-19

- From a top line perspective, we mostly maintain our revenue forecasts for MCAS through to FY24E with the exception of:
 - a slight uptick due to contributions from its Clean Energy Products and Services segment, under PT Energi Selalu Baru.
 - adjustments in contributions from DMMX IJ in line with our refreshed forecasts for the latter.
- Nonetheless, in light of the resurgence of Covid-19 in Indonesia as well as the shift in product mix towards digital staple products, which typically carry lower margins, we shave our bottom line expectations in FY21E by 62% to IDR30bn (prior: IDR109bn).
- We then shift margin recovery and expansion further afield with FY22E/23E/24E PATMI expanding by 5%/31%/34% respectively from our prior expectations.
- We now forecast 13%/60%/80% revenue/EBITDA/EPS CAGR from FY20-24E. We point out that while we see margin compression in FY21E due to economic lockdowns amidst a resurgent Covid-19, margins should recover from 4Q21

The top line adjustments would provide for a slight 60bps uplift in FY20A-24E CAGR to 12.7% (prior: 12.1%)

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onwards. On an operating level, MCAS should continue to remain profitable in FY21E despite a more than halving in operating margin to only 0.7% (prior: 1.8%).

Fig 6 - Old vs New forecasts

Old vs New Forecasts (IDR'b)	Old Forecasts				New Forecasts				Difference (%)			
	FY21E	FY22E	FY23E	FY24E	FY21E	FY22E	FY23E	FY24E	FY21E	FY22E	FY23E	FY24E
Revenue	12,659	14,334	16,515	17,867	12,620	14,397	16,860	18,289	0%	0%	2%	2%
Gross Profit	371	490	677	802	231	501	816	988	-38%	2%	21%	23%
Gross Profit Margin	2.9%	3.4%	4.1%	4.5%	1.8%	3.5%	4.8%	5.4%				
EBITDA	264	368	538	651	124	379	674	834	-53%	3%	25%	28%
EBITDA Margin	2.1%	2.6%	3.3%	3.6%	1.0%	2.6%	4.0%	4.6%				
Operating Profit	229	319	471	566	89	330	607	749	-61%	4%	29%	32%
Operating Profit Margin	1.8%	2.2%	2.9%	3.2%	0.7%	2.3%	3.6%	4.1%				
PATMI	79	109	165	202	30	115	216	271	-62%	5%	31%	34%
PATMI Margin	0.6%	0.8%	1.0%	1.1%	0.2%	0.8%	1.3%	1.5%				

Source: SCCM Research

Fig 7 - Old vs New segmental forecasts

Old vs New Forecasts (IDR'b)	Old Forecasts				New Forecasts				Difference (%)			
	FY21E	FY22E	FY23E	FY24E	FY21E	FY22E	FY23E	FY24E	FY21E	FY22E	FY23E	FY24E
Revenue	12,659	14,334	16,515	17,867	12,620	14,397	16,860	18,289	0%	0%	2%	2%
Digital products	4,407	5,395	6,874	7,539	4,407	5,395	6,874	7,539	0%	0%	0%	0%
Digital product aggregator	8,052	8,663	9,230	9,827	8,052	8,663	9,230	9,827	0%	0%	0%	0%
Digital cloud advertising	162	221	328	400	116	270	399	472	-28%	22%	22%	18%
IoT/SaaS	38	56	83	101	38	56	83	101	0%	0%	0%	0%
Clean energy product & services	-	-	-	-	7	14	274	350	0%	0%	0%	0%
Gross Profit	371	490	677	802	231	501	816	988	-38%	2%	21%	23%
Digital products	172	211	292	324	86	211	292	324	-50%	0%	0%	0%
Digital product aggregator	80	95	110	127	56	87	102	118	-30%	-9%	-8%	-7%
Digital cloud advertising	95	148	221	286	64	166	283	369	-33%	12%	28%	29%
IoT/SaaS	24	36	53	64	24	36	53	64	0%	0%	0%	0%
Clean energy product & services	-	-	-	-	1	2	86	113	0%	0%	0%	0%

Source: SCCM Research

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Hike EV/Sales multiple on network expansion and partner integration

We roll over our valuation of MCAS to FY22E and hike our EV/Sales multiple to 1.1x from 0.6x previously as we see evidence of MCAS further integrating its platforms with partners' ecosystems such as DigiResto's 'Indonesia Pasti Bisa' service with SiCepat and Bank Mandiri (BMRI) as well as the continued expansion of its network despite the ongoing Covid-19 lockdown.

At TP of IDR17,820/share or 1.1x EV/Sales, we price MCAS at c.31% discount to its peers (ex-outliers). This is despite MCAS offering a far superior EPS FY20-23E CAGR of 103% vs peers' 30%.

We believe that this discount could ultimately narrow on further price discovery as well as growth execution.

Fig 8 - Peer Comparison Table

Company Name	FYE	Mkt Cap	Ent Value	EV/Sales			EV/EBITDA		
				Current	FY+1E	FY+2E	Current	FY+1E	FY+2E
M CASH INTEGRASI	12/2020	726.0	762.9	1.0	0.9	0.8	84.2	88.5	28.9
Median				8.7	7.9	6.7	32.5	20.0	15.1
Median (ex-outliers)				4.0	1.9	1.6	29.4	19.4	14.8
Yeahka Ltd	12/2020	1833.3	1491.9	9.1	3.3	2.5	27.5	18.5	15.0
Lakala Payment Co Ltd	12/2020	3102.0	2005.8	4.0	1.9	1.6	15.6	8.9	7.3
Kginicis Co Ltd	12/2020	466.0	701.7	1.0	0.8	0.7	6.5	5.7	5.1
NHN KCP Corp	12/2020	1073.7	879.8	2.1	1.4	1.1	32.5	20.0	15.1
GMO Payment Gateway Inc	09/2020	9160.1	8545.7	23.2	22.9	18.8	65.1	62.6	50.5
Median (Asian Peers)				4.0	1.9	1.6	27.5	18.5	15.0
Pagseguro Digital Ltd	12/2020	18456.3	18018.2	13.9	9.6	7.6	42.2	30.8	20.6
Shift4 Payments Inc	12/2020	6596.0	7165.5	4.2	13.9	11.1	192.5	39.9	29.4
Afterpay Ltd	06/2020	27466.7	27209.6	31.0	40.1	23.9	636.4	401.7	170.8
Network International Holdings PLC	12/2020	2667.3	2703.3	8.7	7.9	6.7	29.4	19.4	14.8
Median (Western Peers)				11.3	11.8	9.3	117.3	35.4	25.0

Source: SCCM Research, Bloomberg

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Appendix: Financial Statements**Fig 9 - Consolidated P&L**

Y/E 31 Dec (IDR bn)	FY20A	FY21E	FY22E	FY23E	FY24E
Total Gross Revenue	11,334	12,620	14,397	16,860	18,289
<i>Gross Revenue Growth</i>	2.2%	11.3%	14.1%	17.1%	8.5%
COGS	(11,112)	(12,389)	(13,896)	(16,043)	(17,301)
Gross Profit	223	231	501	816	988
<i>Gross Margin</i>	2.0%	1.8%	3.5%	4.8%	5.4%
Other Operating Expenses	(93)	(107)	(122)	(143)	(155)
EBITDA	130	124	379	674	834
<i>EBITDA Margin</i>	1.1%	1.0%	2.6%	4.0%	4.6%
Depreciation Expense	(14)	(35)	(49)	(66)	(85)
EBIT	116	89	330	607	749
<i>EBIT Margin</i>	1.0%	0.7%	2.3%	3.6%	4.1%
Interest Income	18	16	6	7	17
Interest Expense	(19)	(19)	(17)	(15)	(13)
Other Income/(Expenses)	(19)	(0)	(0)	(0)	(0)
EBT	95	86	318	600	753
Tax	(23)	(19)	(64)	(120)	(151)
Net Income	72	67	255	480	602
Minority Interests	47	37	140	264	331
PATMI	26	30	115	216	271
<i>PATMI Margin</i>	0.2%	0.2%	0.8%	1.3%	1.5%
Shares Outstanding in Billions	0.868	0.868	0.868	0.868	0.868
EPS (IDR)	101	77	293	553	694
<i>EPS Growth</i>	-9.3%	-23.5%	280.1%	88.4%	25.5%

Source: Company, SCCM Research; **Note:** Forecast estimates do not include potential gain/loss on other investments

BUY

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Fig 10 - Consolidated Balance Sheet

Y/E 31 Dec (IDR bn)	FY20A	FY21E	FY22E	FY23E	FY24E
Cash	315	113	149	347	739
Short Term Investments	34	34	34	34	34
Trade & Other Receivables	256	634	716	852	928
Inventories	475	571	642	746	788
Other Current Assets	323	493	556	642	692
Current Assets	1,404	1,847	2,097	2,622	3,181
Net Fixed Assets	295	357	393	412	419
Net Intangible Assets	25	30	34	38	40
Other Non-Current Assets	112	111	111	111	111
Total Assets	1,835	2,346	2,636	3,183	3,750
Trade & Other Payables	184	711	759	841	811
OD & ST Debt	85	129	139	132	127
Other ST Liabilities	139	51	56	63	68
Lt Debt	86	48	19	4	0
Other LT Liabilities	9	9	9	9	9
Total Liabilities	503	947	982	1,050	1,015
Shareholder's Capital	87	87	87	87	87
APIC	313	313	313	313	313
Retained Earnings	365	395	510	726	997
Other Reserves	(287)	(287)	(287)	(287)	(287)
Minority Interest	854	891	1,031	1,295	1,626
Total Equity	1,332	1,399	1,654	2,133	2,736
Total Liabilities and Equity	1,835	2,346	2,636	3,183	3,750

Source: SCCM Research

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Fig 11 - Cashflow Statement

Y/E 31 Dec (IDR bn)	FY20A	FY21E	FY22E	FY23E	FY24E
Profit before income tax	95	86	318	600	753
Cash generated from operations	40	-167	218	436	640
Cashflow from Operations	16	-189	143	309	494
Purchase of PPE	-57	-79	-83	-82	-86
Other investing activities	-80	-5	-6	-7	-7
Cashflow from Investments	-138	-84	-89	-89	-93
Proceeds from bank loans	555	-19	-18	-22	-9
Other financing activities	-604	91	0	0	0
Cashflow from Financing	-48	72	-18	-22	-9
Net increase/(decrease) in cash and cash eq.	-201	-201	36	198	392
Cash and cash eq., beginning	516	315	113	149	347
Cash and cash eq., end	315	113	149	347	739

Source: SCCM Research

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Fig 12 - Key financial ratios

Growth Ratios	FY20A	FY21E	FY22E	FY23E	FY24E
Revenue Growth (%)	2%	11%	14%	17%	8%
EBIT Growth (%)	-20%	-23%	270%	84%	23%
EBT Growth (%)	-49%	-10%	271%	88%	26%
Core Net Income Growth (%)	-72%	18%	280%	88%	26%
Profitability Ratios					
Gross Margin (%)	2%	2%	3%	5%	5%
EBITDA Margin (%)	1%	1%	3%	4%	5%
Operating Margin (%)	1%	1%	2%	4%	4%
EBT Margin (%)	1%	1%	2%	4%	4%
Core Net Income Margin (%)	0%	0%	1%	1%	1%
Tax Rate (%)	24%	22%	20%	20%	20%
Balance Sheet Ratios					
ROE (%)	5%	6%	18%	26%	24%
ROA (%)	5%	15%	11%	18%	23%
Net Gearing (%)	-2%	9%	2%	-10%	-23%
Net Debt (IDR bn)	-32	121	37	-212	-628
Working Capital (As % Of Revenue)	9%	8%	8%	9%	12%
Cash Conversion Cycle	13	18	16	16	16
Inventory Days	10	16	17	17	17
Receivable Days	11	8	20	19	18
Payable Days	-9	-6	-21	-20	-19
Cashflow Ratios					
Net Cash From Operations (IDR bn)	16.0	(189.4)	143.3	308.8	493.7
Net Capex (IDR bn)	(57.4)	(78.9)	(83.2)	(81.8)	(86.3)
Free Cashflow (IDR bn)	(41.4)	(268.4)	60.0	227.0	407.4
FCF Per Share (IDR)	-48	-309	69	262	469
FCF Yield (%)	0%	-3%	1%	2%	4%

Source: SCCM Research

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Recommendation	Expected absolute returns (%) over 12 months
Buy	More than 15%
Hold	Between 15% and -5%
Sell	Less than -5%

Expected absolute returns are based on the share price at market close unless otherwise stated. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Our target price represents the fair value of the stock based upon the analyst's discretion. We note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

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