

BUY

TP: IDR 4,590

▲ 118.6%

PT M Cash Integrasi Tbk

MCAS IJ

Growth Story Intact Despite 2Q Profit Squeeze

2Q20 Revenue +26.5% YoY to IDR3.2tn, was broadly within our expectation, but Core Attributable Net Profit missed with -91.7% YoY to IDR1.2bn due to margin pressure. IDR42.8tn investment gain bolstered MCAS' bottom line. Continuous expansion of distribution point network and commercialization of new initiatives to propel growth. Reiterate BUY with lower TP of IDR4,590.

- Remained profitable despite challenging environment:** 2Q20 Revenues +26.5% YoY to IDR3.2tn as total number distribution points +96.2% YoY to 184,710. However, margin compression and Religious Holiday Allowance payment in 2Q20 sent Core Attributable Net Profit -91.7% YoY to IDR1.2bn. 1H20 Revenue/Core Attributable Net Income form 45.9%/17.5% of our full-year FY20E forecasts, respectively.
- NFCX as the key growth driver this year:** NFCX added IDR2.2tn to the topline with +59.6% YoY growth, while Digital Products and IoT businesses contracted -12.5% and -27.8% YoY to IDR 1.0tn and IDR3.8bn, respectively. In addition, DMMX, a subsidiary of NFCX, has recently announced 3 new initiatives that could lift revenue and earnings in the short to long term. These include: (a) Smart Detection Solution for contactless screening; (b) Investment in Bumilangit to enrich its digital content offerings; and (c) 236 screens into its AdEx (Advertising Exchange) Hub network via a partnership with Transjakarta.
- Extending its Enterprise Communication Platform (WABA) offerings:** (a) *Isiin Aja*, an integrated WhatsApp-based e-money top-up platform; and (b) *DigiResto*, an end-to-end food ordering solution. These contactless digital initiatives act as a digital kiosk, helping traditional businesses to tap into the digital domain while improving user experience by mobilizing transactions. MCAS is optimistic that 2H20 will show a better story as the ongoing initiatives progress towards commercialization.
- Maintain BUY with lower DCF-derived TP of IDR4,590/share:** We have adjusted our FY20E Revenue and Core Attributable Net Income by -1% and -27% to IDR13.3bn and IDR61.9bn, respectively. Nonetheless, we expect the margin pressure to ease in 2H20 with further re-opening of Indonesia economy. Moreover, with the Group's continuous development and expansion on all fronts, we could potentially see a strong comeback once the economy picks up. Consequently, we trimmed our TP to IDR4,590 (-9% vs previous TP). Note that the potential upsides from investment gains and the new contactless initiatives have not been included in our model.

Consolidated Financial highlights

Y/E 31 Dec (IDR'bn)	FY19A	FY20E	FY21E	FY22E	FY23E
Revenue	11,090	13,253	15,965	18,271	20,968
Revenue Growth	74%	19%	20%	14%	15%
Core Attributable Net Profit	48	62	128	174	231
Outstanding shares (m)	0.87	0.87	0.87	0.87	0.87
Core EPS (cents)	55	71	148	201	266
Core EPS growth (%)	3%	29%	107%	36%	33%
Core Attributable NPM (%)	0.4%	0.5%	0.8%	1.0%	1.1%
Adjusted ROE (%)	7.0%	8.3%	14.8%	16.7%	18.1%
Adjusted P/E (x)	64.5	29.4	14.2	10.5	7.9

Source: Company, SCCM Research; as of 29 July 20


30 July 2020

REPORT AUTHORS

Soh Lin Sin

+65 6671 8112

linsin.soh@sccmasia.com

PRICE CLOSE (29 July 2020)

IDR 2,100

MARKET CAP

IDR 1.82 tn

USD 124.5 m

SHARES O/S

867.9 m

FREE FLOAT

25.9%

3M AVG DAILY VOLUME/VALUE

IDR 2.84 bn / USD 195,975

52 WK HIGH

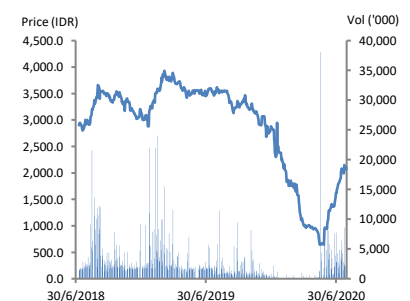
3,640

52 WK LOW

600

Target Price

IDR 4,590



BUY

TP: IDR 4,590

▲ 118.6%

PT M Cash Integrasi Tbk

MCAS IJ

Results Review

Indonesia

IT Infrastructures

Operation Review

Fig 1 - 2Q20 Results vs Estimates

In IDR'Bn	2Q20	2Q19	YoY (%)	1Q20	QoQ (%)	FY20E	% of Est.	Remarks
Revenue	3,197.9	2,528.4	26.5%	2,941.9	8.7%	13,368.7	45.9%	Strong revenue growth from NFCX offsets the lower contributions from Digital Products and IoT businesses
Gross Profit	45.5	77.9	-41.6%	61.3	-25.7%	347.0	30.8%	
Gross Profit Margin	1.42%	3.08%		2.08%		2.60%		Competitive pricing drags on margin
EBITDA	24.5	47.2	-48.0%	39.3	-37.6%	228.2	27.9%	
EBITDA Margin	0.77%	1.87%		1.33%		1.71%		Better cost management; OpEx % of Revenue decreased to 0.8% from 1.3% a year ago
Operating Profit	21.1	45.4	-53.4%	36.1	-41.5%	203.9	28.1%	
Operating Profit Margin	0.66%	1.80%		1.23%		1.53%		Higher depreciation and amortization expenses
Core Net Profit*	17.3	32.7	-47.0%	29.7	-41.7%	169.8	27.7%	Net profit -19.4% YoY to IDR58.8tn, if includes non-core items such as gain on other investment
Core NPM	0.54%	1.29%		1.01%		1.27%		
Core Attributable Net Profit*	1.2	14.8	-91.7%	13.6	-91.0%	84.9	17.5%	Attributable net profit -22.4% YoY to IDR42.7tn, if includes non-core items
Core Attributable NPM	0.04%	0.58%		0.46%		0.64%		

Source: Company, SCCM Research, * Adjusted for one-off gains

Fig 2 - 2Q20 Segmental Analysis

In IDR'bn	2Q20	2Q19	YoY (%)	1Q20	QoQ (%)	FY20E	% of Est.	Remarks
Revenues								
Digital Products	1,011.4	1,15.9	-12.5%	884.7	14.3%	5,352.3	35.4%	
Digital Product Aggregator	2,157.6	1,351.7	59.6%	2,030.2	6.3%	7,843.2	53.4%	Digital Product Aggregator Members +182.6% YoY to 114,751 Ad spot network +80.9% YoY to 10,730 screens; Expect screen deployment activities to pick up in 2H20
Digital Cloud Advertising	25.1	15.6	61.3%	23.7	6.0%	163.2	29.9%	
IoT	3.8	5.3	-27.8%	3.3	13.9%	10.0	71.4%	
Gross Profits								
Digital Products	16.6	39.6	-58.1%	32.4	-48.8%	180.1	27.2%	
Digital Product Aggregator	18.4	25.7	-28.3%	15.5	18.9%	93.5	36.3%	Due to margin compression from NFCXC, Gross Profit Margin -1pp to 0.9%; Expect margin recovery in 2H20
Digital Cloud Advertising	7.4	7.4	0.0%	10.4	-29.2%	64.9	27.4%	Gross Profit Margin decreased to 29.3% in 2Q20 from 42.5% a year ago, due to timing of revenue recognition – delayed arising from lockdown; should resolve by 3Q20
IoT	3.1	5.3	-40.3%	3.0	5.1%	8.5	71.9%	

Source: Company, SCCM Research

Updating FY20E Estimates

- In view of:
 - (a) Higher sales from Digital Product Aggregator and IoT;
 - (b) Potential advertising revenue from 'KasirKu' digital kiosks via NFCX;
 - (c) Lower gross profit margin from Digital Products and Digital Product Aggregator;
 - (d) Delayed screen deployment for IaaS (Infrastructure as a Service),
 We have revised our assumptions to better reflect revenue and profit mix.
- Effectively, FY20E Revenue and Core Attributable Net Profit were adjusted down by -1% and -27% to IDR13.3bn and IDR61.9bn, respectively. Nonetheless, we expect:
 - (a) Margin pressure to ease in 2H20 with further re-opening of Indonesia economy;
 - (b) A strong comeback once economy picks up, as MCAS continues to expand its network for existing businesses and roll out new initiatives.
 Consequently, we trimmed our TP to IDR4,590 (-9% vs previous TP). Note that the potential upsides from investment gains and the new contactless initiatives have not been included in our model.

Fig 3 - Revised FY20E vs. Old FY20E Estimates

In IDR'Bn	FY20E	Revised FY20E
Revenue	13,368.7	13,252.7
Gross Profit	347.0	279.9
Gross Profit Margin	2.60%	2.11%
EBITDA	228.2	162.1
EBITDA Margin	1.71%	1.22%
Operating Profit	203.9	144.2
Operating Profit Margin	1.53%	1.09%
Attributable Net Profit*	169.8	123.6
Attributable NPM	1.27%	0.93%
Core Attributable Net Profit*	84.9	61.9
Core Attributable NPM	0.64%	0.47%

Source: Company, SCCM Research, * Adjusted for one-off gains

Fig 4 - Adjusted Segmental Contributions

In IDR'bn	FY20E	Revised FY20E
Revenues		
Digital Products	5,352.3	4,788.9
Digital Product Aggregator	7,843.2	8,294.4
Digital Cloud Advertising	163.2	154.5
IoT	10.0	14.9
Gross Profits		
Digital Products	180.1	129.6
Digital Product Aggregator	93.5	79.8
Digital Cloud Advertising	64.9	57.9
IoT	8.5	12.6

Source: Company, SCCM Research

BUY

TP: IDR 4,590

▲ 118.6%

PT M Cash Integrasi Tbk

MCAS IJ

Results Review

Indonesia

IT Infrastructures

Appendix: Financial Statements**Fig 5 - Consolidated P&L**

Y/E 31 Dec (IDR bn)	FY19A	FY20E	FY21E	FY22E	FY23E
Total Gross Revenue	11,090	13,253	15,965	18,271	20,968
<i>Gross Revenue Growth</i>	74.4%	19.5%	20.5%	14.4%	14.8%
COGS	(10,835)	(12,973)	(15,469)	(17,639)	(20,167)
Gross Profit	255	280	496	633	801
<i>Gross Margin</i>	2.3%	2.1%	3.1%	3.5%	3.8%
Other Operating Expenses	(102)	(118)	(141)	(160)	(183)
EBITDA	153	162	355	472	617
<i>EBITDA Margin</i>	1.4%	1.2%	2.2%	2.6%	2.9%
Depreciation Expense	(9)	(18)	(41)	(55)	(68)
EBIT	144	144	314	417	549
<i>EBIT Margin</i>	1.3%	1.1%	2.0%	2.3%	2.6%
Interest Income	14	31	34	36	44
Interest Expense	(16)	(17)	(19)	(17)	(16)
Other Income/(Expenses)	104	(0)	(0)	(0)	(0)
EBT	246	158	329	435	577
Tax	(34)	(35)	(72)	(87)	(115)
Net Income	212	123	256	348	462
Minority Interests	60	62	128	174	231
Attributable Net Income	152	62	128	174	231
<i>Net Margin</i>	1.4%	0.5%	0.8%	1.0%	1.1%
Shares Outstanding in Billions	0.868	0.868	0.868	0.868	0.868
EPS (IDR)	176	71	148	200	266
<i>EPS Growth</i>	-33.1%	-59.5%	107.7%	35.8%	32.7%

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

BUY

TP: IDR 4,590

▲ 118.6%

PT M Cash Integrasi Tbk

MCAS IJ

Results Review

Indonesia

IT Infrastructures

Fig 6 - Consolidated Balance Sheet

Y/E 31 Dec (IDR bn)	FY19A	FY20E	FY21E	FY22E	FY23E
Cash	516	677	716	883	1,141
Short Term Investments	439	0	0	0	0
Trade & Other Receivables	344	416	493	537	611
Inventories	305	428	492	542	628
Other Current Assets	371	575	683	776	883
Current Assets	1,974	2,096	2,384	2,738	3,264
Net Fixed Assets	153	310	345	357	343
Net Intangible Assets	18	27	33	40	47
Other Non-Current Assets	95	95	95	95	95
Total Assets	2,240	2,528	2,857	3,230	3,748
Trade & Other Payables	266	416	498	531	597
OD & ST Debt	90	116	129	143	140
Other ST Liabilities	107	62	70	77	85
Lt Debt	44	78	48	19	4
Other LT Liabilities	5	5	5	5	5
Total Liabilities	512	677	749	774	831
Shareholder's Capital	87	87	87	87	87
APIC	291	291	291	291	291
Retained Earnings	392	454	582	756	987
Other Reserves	-89	(89)	(89)	(89)	(89)
Minority Interest	1,048	1,110	1,238	1,412	1,643
Total Equity	1,728	1,852	2,108	2,456	2,918
Total Liabilities and Equity	2,240	2,528	2,857	3,230	3,748

Source: SCCM Research

RESEARCH DISCLAIMER

Important Disclosures

This report was prepared, approved, published and distributed by SooChow CSSD Capital Markets (Asia) Pte. Ltd. (Company Registration number: 201726618K) ("SCCM") which is a company located outside of the United States.

Subject to any applicable laws and regulations at any given time, SCCM, its affiliates or companies or individuals connected with SCCM (together, "Connected Companies") may make investment decisions that are inconsistent with the recommendations or views expressed in this report and may have long or short positions in, may from time to time purchase or sell (as principal or agent) or have a material interest in any of the securities mentioned or related securities or may have or have had a business or financial relationship with, or may provide or have provided investment banking, capital markets and/or other services to, the entities referred to herein, their advisors and/or any other connected parties. As a result, recipients of this report should be aware that Connected Companies may have a conflict of interest that could affect the objectivity of this report.

See "Special Disclosures" for certain additional disclosure statements, if applicable.

This report is only for distribution to investment professionals and institutional investors.

Analyst Certification

Each of the analysts identified in this report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report.

Analysts and strategists are paid in part by reference to the profitability of SCCM.

Stock Ratings are defined as follows

Recommendation Interpretation

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.

Research Conflict Management Policy

SCCM research has been published in accordance with our conflict management policy, which is available upon request.

Disclaimers

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject SCCM to any registration or licensing requirement within such jurisdiction(s). This report is strictly confidential and is being furnished to you solely for your information. All material presented in this report, unless specifically indicated otherwise, is under copyright to SCCM. None of the material, its content, or any copy of such material or content, may be altered in any way, transmitted, copied or reproduced (in whole or in part) or redistributed in any form to any other party, without the prior express written permission of SCCM. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of SCCM or its affiliates, unless specifically mentioned otherwise.

The information, tools and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. SCCM has not taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. SCCM will not treat recipients as its customers by virtue of their receiving the report. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. In addition, nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

Information and opinions presented in this report were obtained or derived from sources that SCCM believes to be reliable, but SCCM makes no representations or warranty, express or implied, as to their accuracy or completeness or correctness. SCCM accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to SCCM. This report is not to be relied upon in substitution for the exercise of independent judgment. SCCM may have issued, and may in the future issue, a trading call regarding this security. Trading calls are short term trading opportunities based on market events and catalysts, while stock ratings reflect investment recommendations based on expected absolute return over a 12-month period as defined in the disclosure section. Because trading calls and stock ratings reflect different assumptions and analytical methods, trading calls may differ directionally from the stock rating.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by SCCM and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments. Investors in securities such as ADRs, the values of which are influenced by currency volatility, effectively assume this risk.

This report is distributed in Singapore by SCCM which is a holder of a capital markets services licence and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations (the "FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to SCCM when providing any financial advisory service to an accredited investor, or "overseas investor" (as defined in regulation 36 of the FAR). Persons in Singapore should contact SCCM in respect of any matters arising from, or in connection with, this publication/communication. If you wish to enter into a transaction, please contact the relevant Connected Company in your home jurisdiction unless governing law provides otherwise. If jurisdictions where the Connected Companies are not registered or licensed to trade in securities, transactions will only be effected in accordance with applicable securities legislation which may vary from one jurisdiction to another and may require that the trade be made in accordance with applicable exemptions from registration or licensing requirements.

SCCM and the Connected Companies may do or seek to do business with companies covered in our research report. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of research produced by SCCM. Investors should consider our research as only a single factor in making their investment decision.

Any reference to a third party research material or any other report contained in this report represents the respective research organization's or publisher's estimates and views and does not represent the views of SCCM; and SCCM, its officers, employees do not accept any liability or responsibility whatsoever with respect to its accuracy or correctness. This report may provide the addresses of, or contain hyperlinks to websites. Except to the extent to which the report refers to material on SCCM's own website, SCCM takes no responsibility whatsoever for the contents therein. Such addresses or hyperlinks (including addresses or hyperlinks to SCCM's own website material) is provided solely for your convenience and information and the content of the linked site does not in any way form part of this report. Accessing such website or following such link through this report or SCCM's website shall be at your own risk.

For U.S. persons only

This research report is a product of SCCM, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is not intended for distribution by SCCM into the U.S.

Special Disclosures (if applicable)

Not Applicable