

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



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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

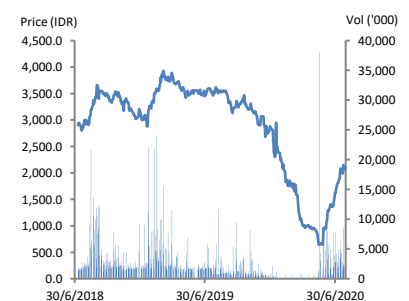
3,640

52 WK LOW

600

Target Price

IDR 4,590



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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

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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

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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

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