

Mastersystem Infotama

BUY (unchanged)

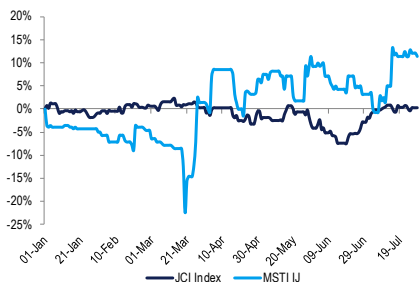
Company Update | Information Technology | MSTI IJ | 29 July 2024

Stock Data

Target price	Rp2,000
Prior TP	N/A
Current price	Rp1,560
Upside/downside	+28%
Shares outstanding (mn)	3,139
Market cap (Rp bn)	4,897
Free float	15%
Avg. 6m daily T/O (Rp bn)	2

Price Performance

	3M	6M	12M
Absolute	8.0%	16.4%	NA
Relative to JCI	4.4%	14.3%	NA
52w low/high	Rp1,085– Rp1,585		



Major Shareholders

Eddy Anthony	28.8%
Jupri Wijaya	28.8%
Joko Gunawan	27.5%

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2Q24 results: beat on solid top-line delivery

- MSTI's 1H24 net profit (+50% yoy) was ahead of our expectations (33% of our FY24F) due to higher margin and solid topline growth.
- Gross profit (+32% yoy) was also a beat (35% of FY24F) given stable gross margin and better-than-expected topline growth.
- Revenue rose to Rp1.9tr (+32% yoy; 37% of our FY24F), largely driven by data center & cloud and adaptive security. Reiterate Buy.

1H24 results were ahead of expectations on solid topline delivery

MSTI booked 1H24 net profit of Rp163bn (+50% yoy), forming 33% of our FY24F (vs. 1H23 run-rate of 24%), a beat largely due to higher margins and solid topline growth which was supported by carry-over from FY23 that was booked in 1Q24. Net margin expanded to 8.8% (+106bps yoy) due to better operating leverage and robust topline. Operating profit came in at Rp192bn (+47% yoy; 29% of our FY24F vs. 1H23 run-rate of 23%), while gross profit was Rp352bn (+32% yoy; 35% of our FY24F vs. 1H23 run-rate of 31%). Gross margin remained flat at 19.0% (-5bps yoy) given stable contribution from the maintenance & installation segment (20% of revenue vs. 21% in 1H23). 1H24 revenue reached Rp1.9tr (+32% yoy), better than our expectations at 37% of our FY24F (vs. 1H23 run-rate of 33%) largely driven by data center & cloud (+37% yoy) and adaptive security (+128% yoy).

Robust 2Q24 revenue despite 1Q24 high base (carry over from 4Q23)

2Q24 net profit grew to Rp58bn (+7% yoy/-45% qoq). The steep qoq decline was largely due to less working days in the quarter and normalization post-1Q24 high-base. Net margin improved by +94bps yoy to 7.9% supported by higher interest income, but declined by -146bps qoq, as topline normalized sequentially. Operating profit came in at Rp67bn (-11% yoy/-47% qoq), while gross profit was Rp140bn (-3% yoy/-34% qoq), which implies higher gross margin at 19.1% (+42bps yoy/+15bps qoq), supported by higher contribution from the maintenance & installation segment (25% vs. 19/17% in 2Q23/1Q24). Revenue reached Rp733bn (-5% yoy/-35% qoq) in the quarter, mainly driven by adaptive security (+83% yoy/+23% qoq).

Maintain BUY, with an unchanged TP of Rp2,000/share

Overall, MSTI's results was better than our expectations. Maintain BUY with an unchanged blended valuation-based (DCF and P/E multiple) TP of Rp2,000. Downside risks to our call include: unfavorable macroeconomic backdrop and lower IT spending from key clients.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	3,510	4,201	5,048	5,586	6,215
EBITDA	589	641	714	779	854
EBITDA growth	27%	9%	11%	9%	10%
Net profit	399	448	503	558	621
EPS (Rp)	120	134	151	167	186
EPS growth	22%	12%	12%	11%	11%
ROE	36%	28%	25%	25%	25%
PER (x)	10.0	8.9	7.9	7.1	6.4
EV/EBITDA (x)	6.2	5.0	4.0	3.5	3.0
Dividend yield	4%	9%	8%	9%	10%
Forecast changes			NA	NA	NA
IPS vs. consensus			NA	NA	NA

Source: Company, Indo Premier

Share price closing as of 29 July 2024

Fig. 1: MSTI 1H24 results summary

(Rp bn)	2Q24	2Q23	% YoY	1Q24	% QoQ	1H24	1H23	% YoY	IP FY24F	% of IP
Revenue	733	775	-5.4%	1,119	-34.5%	1,852	1,403	32.1%	5,048	36.7%
Cost of revenue	(593)	(630)	-5.9%	(907)	-34.6%	(1,500)	(1,135)	32.2%		
Gross profit	140	145	-3.2%	212	-34.0%	352	267	31.7%	1,003	35.1%
Operating expenses	(87)	(70)	24.4%	(87)	0.0%	(160)	(136)	17.5%		
Operating profit	67	75	-11.1%	126	-46.9%	192	131	46.5%	662	29.0%
EBITDA	77	87	-11.0%	136	-43.0%	213	155	37.6%		
Other income/(expense)	7	(2)	-420.4%	5	32.7%	12	4	200.4%		
Pre-tax profit	74	73	1.0%	131	-43.7%	204	135	51.1%		
Taxes	(15)	(19)	-17.2%	(26)	-39.8%	(41)	(26)	55.4%		
Net profit	58	54	7.3%	105	-44.7%	163	109	50.1%	503	32.5%
Margin (%)										
Gross margin	19.1%	18.7%		18.9%		19.0%	19.1%			
Operating margin	9.1%	9.7%		11.2%		10.4%	9.4%			
EBITDA margin	10.6%	11.2%		12.1%		11.5%	11.0%			
Net margin	7.9%	7.0%		9.4%		8.8%	7.8%			

Source: Company, Indo Premier

Fig. 2: MSTI 1H24 revenue breakdown

(Rp bn)	2Q24	2Q23	% YoY	1Q24	% QoQ	1H24	1H23	% YoY
Hardware	358	454	-21.1%	747	-52.1%	1,105	787	40.3%
Software	193	171	12.7%	188	2.7%	380	322	18.2%
Maintenance	144	108	33.4%	123	16.3%	267	212	25.9%
Installation	39	42	-8.0%	62	-36.8%	100	82	23.1%
Total revenue	733	775	-5.4%	1,119	-34.5%	1,852	1,403	32.1%
% of total revenue								
Hardware	48.8%	58.6%		66.7%		59.6%	56.1%	
Software	26.3%	22.1%		16.8%		20.5%	22.9%	
Maintenance	19.6%	13.9%		11.0%		14.4%	15.1%	
Installation	5.3%	5.5%		5.5%		5.4%	5.8%	

Source: Company, Indo Premier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net Revenue	3,510	4,201	5,048	5,586	6,215
Cost of Sales	(2,738)	(3,329)	(4,045)	(4,487)	(4,993)
Gross Profit	772	872	1,003	1,099	1,222
SG&A Expenses	(233)	(290)	(341)	(372)	(420)
Operating Profit	539	582	662	727	802
Net Interest	(9)	(14)	(13)	(7)	(1)
Forex Gain (Loss)	0	0	0	0	0
Others-Net	(13)	9	0	0	0
Pre-Tax Income	517	577	649	720	801
Income Tax	(118)	(129)	(146)	(162)	(180)
Minorities	0	0	0	0	0
Net Income	399	448	503	558	621

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	431	1,002	1,310	1,246	1,385
Receivable	907	778	1,010	1,117	1,243
Inventory	449	754	621	688	766
Other current assets	297	325	325	325	325
Total current assets	2,083	2,859	3,266	3,376	3,719
Fixed assets	198	181	171	170	174
Goodwill	52	43	43	43	43
Total non-current assets	249	224	214	213	217
Total assets	2,332	3,083	3,480	3,589	3,935
ST loans	83	171	202	0	0
Payable	689	677	830	921	1,025
Other payables	248	182	198	204	209
Current portion of LT loans	0	8	0	0	0
Total current liab.	1,020	1,038	1,230	1,125	1,233
Long term loans	0	19	0	0	0
Other LT liab.	75	80	114	123	131
Total liabilities	1,095	1,138	1,345	1,248	1,364
Equity	68	78	78	78	78
Retained earnings	1,170	1,263	1,452	1,658	1,888
Minority interest	0	0	0	0	0
Total SHE + minority int.	1,237	1,341	1,531	1,737	1,967
Total liabilities & equity	2,332	2,479	2,875	2,985	3,331

Source: Company, FY24-26F are based on Indo Premier forecasts

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net income	399	448	503	558	621
Depr. & amortization	46	53	52	52	52
Changes in working capital	(332)	(283)	71	(79)	(95)
Others	10	6	34	9	7
Cash flow from operating	123	224	660	540	585
Capital expenditure	(68)	(37)	(42)	(50)	(56)
Others	(19)	8	0	0	0
Cash flow from investing	(88)	(28)	(42)	(50)	(56)
Loans	(67)	116	4	(202)	0
Equity	0	615	0	0	0
Dividends	(165)	(350)	(313)	(352)	(391)
Others	(4)	(5)	0	0	0
Cash flow from financing	(236)	376	(310)	(554)	(391)
Changes in cash	(201)	571	308	(64)	139

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	22.0%	20.8%	19.9%	19.7%	19.7%
Operating margin	15.4%	13.9%	13.1%	13.0%	12.9%
Pre-tax margin	14.7%	13.7%	12.9%	12.9%	12.9%
Net margin	11.4%	10.7%	10.0%	10.0%	10.0%
ROA	18.8%	16.5%	15.3%	15.8%	16.5%
ROE	35.5%	28.1%	24.7%	24.9%	25.3%
Acct. receivables TO (days)	80	73	73	73	73
Inventory TO (days)	46	66	56	56	56
Payable TO (days)	78	75	75	75	75
Debt to equity	6.7%	14.8%	13.2%	0.0%	0.0%
Interest coverage ratio (x)	45.9	30.4	36.1	55.1	105.0
Net gearing	-28.1%	-59.9%	-72.4%	-71.7%	-70.4%

Source: Company, FY24-26F are based on Indo Premier forecasts

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

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