

Mastersystem Infotama

BUY (unchanged)

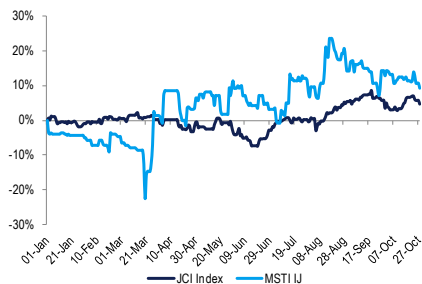
Company Update | Information Technology | MSTI IJ | 28 October 2024

Stock Data

Target price	Rp2,000
Prior TP	N/A
Current price	Rp1,530
Upside/downside	+30.7%
Shares outstanding (mn)	3,139
Market cap (Rp bn)	4,818
Free float	15%
Avg. 6m daily T/O (Rp bn)	2

Price Performance

	3M	6M	12M
Absolute	-2.5%	5.9%	NA
Relative to JCI	-7.1%	-2.4%	NA
52w low/high	Rp1,085–Rp1,730		



Major Shareholders

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

Jovent Muliadi

PT Indo Premier Sekuritas
jovent.muliadi@ipc.co.id
+62 21 5088 7168 ext. 710

Ryan Dimitry

PT Indo Premier Sekuritas
ryan.dimitry@ipc.co.id
+62 21 5088 7168 ext. 714

3Q24 results: beat on solid top-line; while lower GPM was already expected

- MSTI's 9M24 net profit (+63% yoy) was ahead of our expectations (62% of our FY24F vs. 9M23 at 43%) due to solid topline growth.
- Gross profit (+34% yoy) was also a beat (61% of FY24F vs. 9M23 at 52%) despite lower GPM amid change in product mix.
- Revenue rose to Rp3.5tr (+52% yoy; 69% of our FY24F), largely driven by data center & cloud and adaptive security. Reiterate Buy.

9M24 came ahead of expectations on solid topline delivery

MSTI booked 9M24 net profit of Rp312bn (+63% yoy), forming 62/61% of our/consensus FY24F (vs. 9M23 run-rate of 43%), a beat largely due to solid topline growth which was supported by carry-over from FY23 that was booked in 1Q24. 9M24 revenue reached Rp3.5tr (+52% yoy), better than our expectations at 69/71% of ours/consensus FY24F (vs. 9M23 run-rate of 54%) largely driven by data center & cloud (+76% yoy) and adaptive security (+114% yoy). At the same time, Gross profit came at Rp606bn (+34% yoy; 61/60% of ours/consensus FY24F vs. 9M23 run-rate of 52%); however, gross margin declined to 17.5% (-229bps yoy) given changes to product mix from lower contribution from the maintenance & installation segment (18.4% of revenue vs. 21.2% in 9M23). Net margin expanded to 9.0% (+61bps yoy) due to higher other income and robust topline.

Robust 3Q24 profit despite lower GPM but largely expected amid ISAT's data centre contribution

3Q24 net profit grew to Rp149bn (+79% yoy/155% qoq) while net margin was generally flat at 9.3% (-18bps yoy). Revenue reached Rp1.6tr (+83% yoy/+119% qoq) in the quarter, mainly driven by data center & cloud infrastructure (+138% yoy/+168% qoq). Concurrently, gross profit came at Rp254bn (38% yoy/82% qoq), but GPM declined to 15.8% (-520bps yoy/-313bps qoq), due to changes in product mix from higher contribution of the hardware segment (66% vs. 53/49% in 3Q23/2Q24) and a lower contribution from the maintenance & installation (17% vs. 22/25% in 3Q23/2Q24) – this was kind of expected amid recognition of ISAT's AI data centre revenue.

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			98%	96%	99%

Source: Company, Indo Premier

Share price closing as of 28 October 2024

Fig. 1: MSTI 9M24 results summary

(Rp bn)	3Q24	3Q23	%YoY	2Q24	%QoQ	9M24	9M23	%YoY	IP FY24F	% of IP	Cons FY24F	% of Cons
Revenue	1,606	878	82.9%	733	119.1%	3,459	2,281	51.6%	5,048	68.5%	4,897	70.6%
Cost of revenue	(1,352)	(694)	95.0%	(593)	128.0%	(2,852)	(1,829)	56.0%				
Gross profit	254	185	37.7%	140	81.6%	606	452	34.1%	1,003	60.5%	1,004	60.4%
Operating expenses	(78)	(67)	16.6%	(87)	-10.3%	(238)	(203)	17.2%				
Operating profit	176	118	49.6%	67	164.8%	369	249	48.0%	662	55.7%	678	54.3%
EBITDA	178	138	29.7%	77	130.7%	392	293	33.9%				
Other income/(expense)	19	(10)	-296.5%	7	172.9%	31	(6)	-657.1%				
Pre-tax profit	195	108	80.4%	74	165.5%	400	243	64.1%				
Taxes	(47)	(25)	83.6%	(15)	203.9%	(88)	(52)	69.3%				
Net profit	149	83	79.4%	58	155.4%	312	192	62.7%	503	62.0%	515	60.6%
Margin (%)												
Gross margin	15.8%	21.0%	(520)	19.1%	(327)	17.5%	19.8%	(228)				
Operating margin	11.0%	13.4%	(244)	9.1%	189	10.7%	10.9%	(28)				
EBITDA margin	11.1%	15.7%	(456)	10.6%	56	11.3%	12.8%	(150)				
Net margin	9.3%	9.4%	(18)	7.9%	131	9.0%	8.4%	81				

Source: Company, Indo Premier

Fig. 2: MSTI 9M24 revenue breakdown

(Rp bn)	3Q24	3Q23	% YoY	2Q24	% QoQ	9M24	9M23	% YoY
Hardware	1,063	468	127.3%	358	197.0%	2,168	1,255	72.7%
Software	276	220	25.5%	193	43.1%	656	542	21.2%
Maintenance	178	146	22.1%	144	24.3%	445	358	24.3%
Installation	89	45	99.4%	39	129.1%	189	126	50.1%
Total revenue	1,606	878	82.9%	733	119.1%	3,459	2,281	51.6%
% of total revenue								
Hardware	66.2%	53.3%		48.8%		62.7%	55.0%	
Software	17.2%	25.0%		26.3%		19.0%	23.7%	
Maintenance	11.1%	16.6%		19.6%		12.9%	15.7%	
Installation	5.5%	5.1%		5.3%		5.5%	5.5%	

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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