

Mastersystem Infotama (MSTI IJ)

Not Rated

Exciting Prospects From Higher IT Spending In Banking

Fair Value (Return):	IDR2,500 (58%)
Price:	IDR1,565
Market Cap:	USD304m
Avg Daily Turnover (IDR/USD)	1,718m/0.11m

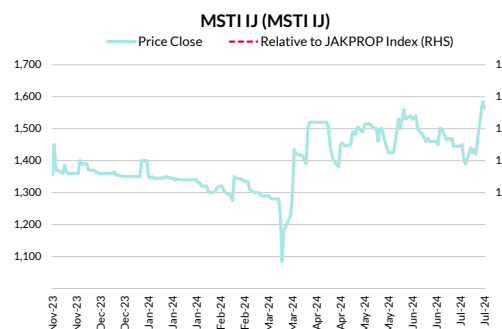
- **FV of IDR2,500.** Another IT services company capitalising on Indonesia's IT infrastructure development wave – aside from Metrodata Electronics (MTDL IJ, see our previous [report](#)) – is Mastersystem Infotama. After its listing in Nov 2023, the company was added to the Small Cap FTSE Global Index last month. The pure-IT services company is trading below peers despite generating high returns on equity (2023: 23% vs peers: 18%). It is trading at 9.8x FY24F P/E vs peers' 15.6x.
- **Higher IT expenditure in financial services driving MTSI's prospects.** Indonesia's financial services sector has allocated a higher IT spending budget to combat cybercrime and upgrade IT infrastructure this year. Bank Mandiri (BMRI IJ, BUY, TP: IDR8,160) has a IDR3trn budget (+20% YoY) to upgrade its digital infrastructure, while Bank Negara Indonesia (BBNI IJ, BUY, TP: IDR5,730) has allocated IDR1.9trn (+58% YoY) to support its digital transformation. MSTI's biggest customer in FY23 (12% revenue portion), Bank Central Asia's (BBCA IJ, BUY, TP: IDR11,100) spending for IT innovation is flat YoY at IDR8trn. Last year, the financial sector accounted for 55% of MSTI's revenue. Therefore, we believe the sector's higher IT capex will drive the company's prospects going forward.
- **Adaptive security architecture (ASA), data centre (DC)/cloud infrastructure are key growth components.** MSTI had an 81.7% tender success rate in the last three years. Contracts secured in 2023 amounted to IDR4.5trn (+3% YoY), with 61% from financial institutions. Of the six IT solutions offered by MSTI, the DC division generated 62% of 2023's total revenue, while ASA contributed 16% after a 133% YoY revenue growth. With its partnerships with leading global IT networks and long-term relationships with financial institutions, MSTI is on track to secure more contracts to develop Indonesia's IT infrastructure. Note that MSTI held a 7% market share of Indonesia's IT solutions revenue in 2022.
- **2024F net income should rise 13% YoY.** In the past three years, MSTI saw a revenue CAGR of 13%, and we used this to estimate FY24 revenue. It has a stable net margin of c.10%, which should translate to IDR506bn (+13% YoY) revenue. In 1Q24, MSTI recorded IDR1.1trn (+78% YoY) revenue and IDR105bn net income (+91% YoY), indicating strong FY24F earnings. In the past three years, 2H revenue accounted for c.60% of full-year revenue.
- **Compelling earnings growth.** MSTI's 2024F P/E ratio is at 9.8x vs the updated IT services' average of 15.6x, and we see 57.7% upside potential from its current price to its FV of IDR2,500. Downside risks: Project delays, and delays in Indonesia's ICT development plans.

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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	11.8	7.2	4.0	16.4	0.0
Relative	11.8	7.2	4.0	16.4	0.0
52-wk Price low/high (IDR)				1,085	–1,585



Source: Bloomberg

Forecasts and Valuation	Dec-22	Dec-23
Total turnover (IDRb)	3,510	4,201
Recurring net profit (IDRb)	399	448
Recurring net profit growth (%)	22.1	12.2
Recurring P/E (x)	12.31	10.97
P/B (x)	4.0	2.5
P/CF (x)	38.05	20.21
Dividend Yield (%)	3.4	7.1
EV/EBITDA (x)	7.76	6.41
Return on average equity (%)	35.6	28.1
Net debt to equity (%)	net cash	net cash

Source: Company data, RHB

Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

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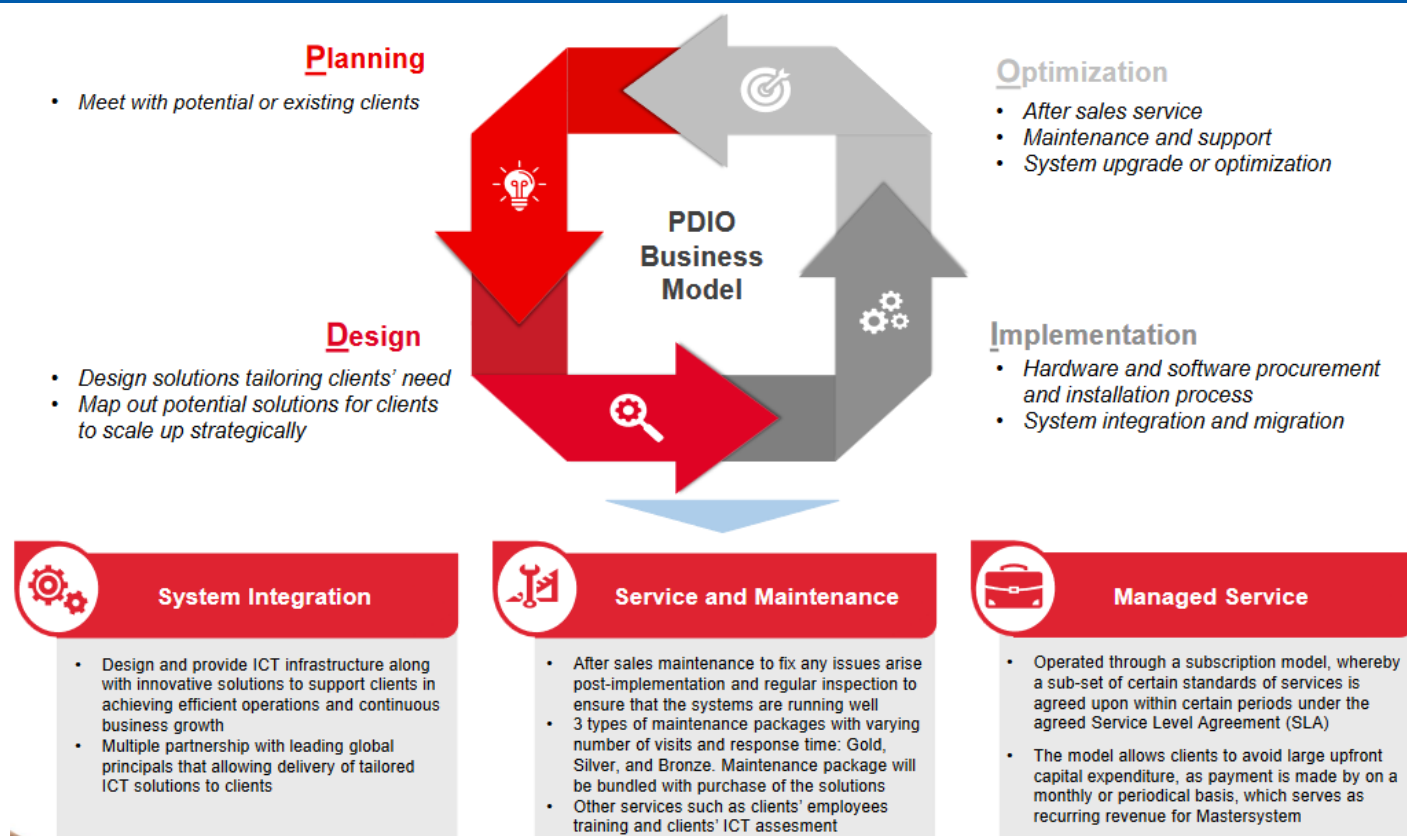
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Financial Exhibits

Asia	Financial summary (IDR)	Dec-22	Dec-23
Indonesia	Recurring EPS	127.16	142.64
Technology	DPS	52.57	111.51
Mastersystem Infotama	BVPS	394.22	619.77
MSTI IJ	Return on average equity (%)	35.6	28.1
Not Rated			
	Valuation metrics	Dec-22	Dec-23
Valuation basis	Recurring P/E (x)	12.31	10.97
Peer P/E	P/B (x)	4.0	2.5
	FCF Yield (%)	1.3	4.3
Key drivers	Dividend Yield (%)	3.4	7.1
i. Increasing national awareness on cybersecurity and proper IT infrastructure, propelling its solutions and consulting business segments	EV/EBITDA (x)	7.76	6.41
ii. Top Indonesia supplier for Cisco Systems and HP,	EV/EBIT (x)	8.49	7.06
	Income statement (IDRb)	Dec-22	Dec-23
Key risks	Total turnover	3,510	4,201
i. Longer-than-expected ICT development in Indonesia	Gross profit	772	872
ii. Project delays.	EBITDA	589	641
	Depreciation and amortisation	(50)	(59)
Company Profile	Operating profit	539	582
MSTI was established in 1994 in Jakarta. The company has become an ICT (information and communication technology) infrastructure provider for various banking, oil and gas, and telecom industries. It provides data centre and cloud infrastructure, digital business management, big data and analytics, and adaptive security architecture.	Net interest	(9)	(14)
	Pre-tax profit	517	577
	Taxation	(118)	(129)
	Reported net profit	399	448
	Recurring net profit	399	448
	Cash flow (IDRb)	Dec-22	Dec-23
	Change in working capital	(297)	(292)
	Cash flow from operations	129	243
	Capex	(68)	(34)
	Cash flow from investing activities	(31)	(21)
	Dividends paid	(165)	(350)
	Cash flow from financing activities	(310)	349
	Cash at beginning of period	632	431
	Net change in cash	(212)	572
	Ending balance cash	431	1,002
	Balance sheet (IDRb)	Dec-22	Dec-23
	Total cash and equivalents	431	1,002
	Tangible fixed assets	198	181
	Total investments	24	20
	Total assets	2,332	3,083
	Short-term debt	97	191
	Total long-term debt	22	29
	Total liabilities	1,095	1,138
	Total equity	1,237	1,945
	Total liabilities & equity	2,332	3,083
	Key metrics	Dec-22	Dec-23
	Revenue growth (%)	12.7	19.7
	Recurrent EPS growth (%)	22.1	12.2
	Gross margin (%)	22.0	20.8
	Operating EBITDA margin (%)	16.8	15.3
	Net profit margin (%)	11.4	10.7
	Dividend payout ratio (%)	41.3	78.2
	Capex/sales (%)	1.9	0.8
	Interest cover (x)	42.0	27.6

Source: Company data, RHB

Figure 1: Business model



Source: Company data

Figure 2: Principals

Principal Name	Purchase as compared to revenue
Cisco	31.3%
Hewlett Packard	9.6%
F5	5.6%
IBM	4.4%
AWS	3.8%

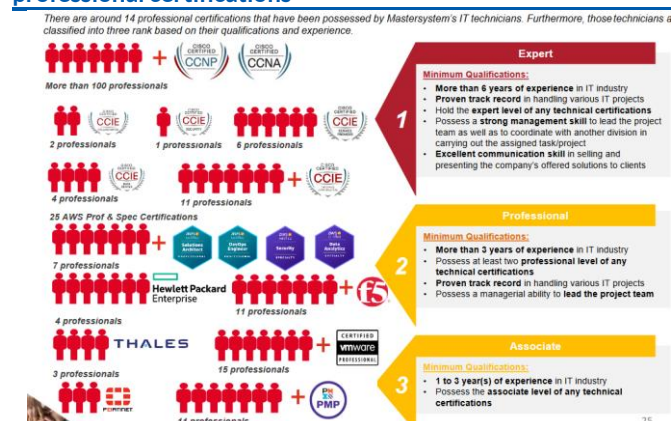
Source: Company data, RHB

Figure 3: Customers

Customer Name	Contribution to Revenue
Bank Central Asia	12.2%
Telkom Indonesia	9.1%
Bank Indonesia	7.5%
Telkomsel	6.6%
Bank Mandiri	5.9%

Source: Company data, RHB

Figure 4: More than 300 professional engineers with professional certifications



Source: Company data

Figure 5: IT products

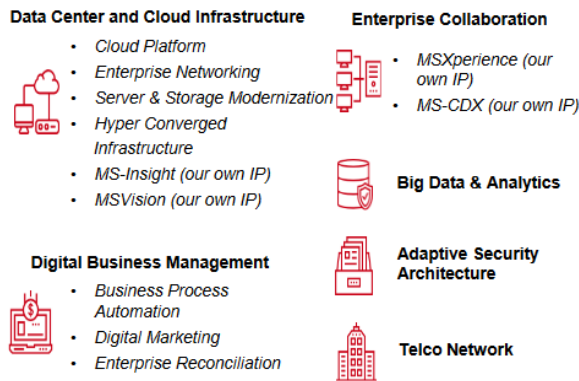


Source: Company data

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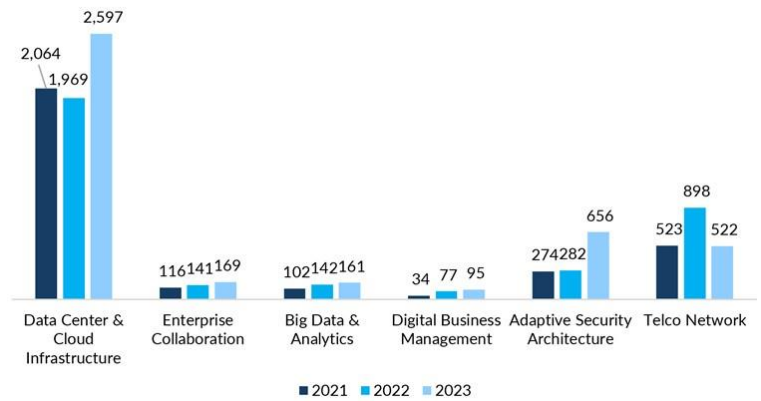
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Figure 6: Range of services



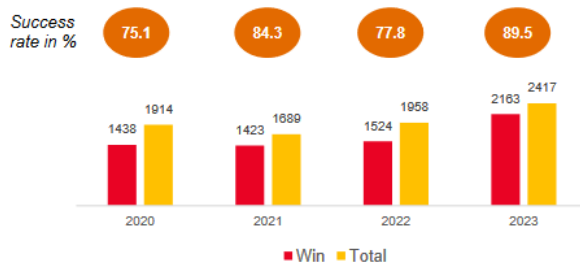
Source: Company data

Figure 7: Revenue contribution as of FY23



Source: Company data, RHB

Figure 8: Tender success rate



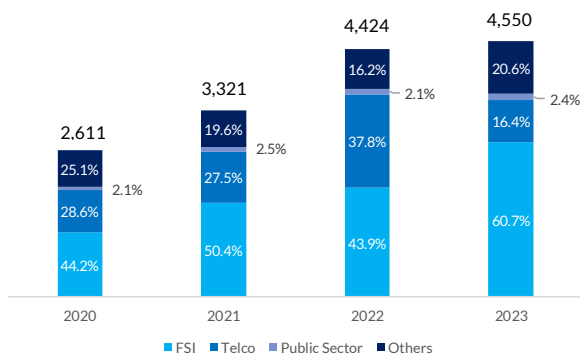
Source: Company data

Figure 9: Recurring revenue



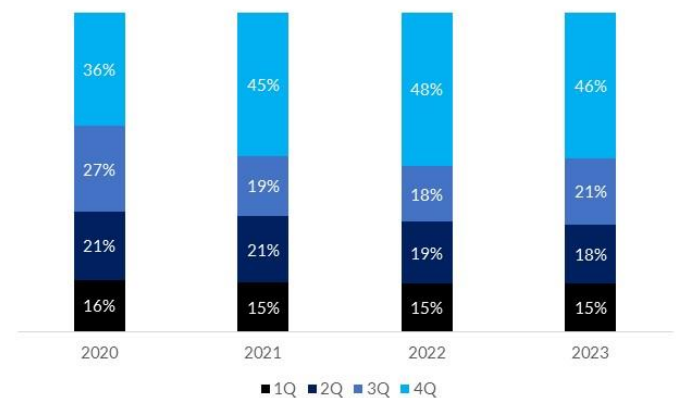
Source: Company data, RHB

Figure 10: New contract value based on industry



Source: Company data, RHB

Figure 11: Revenue seasonality

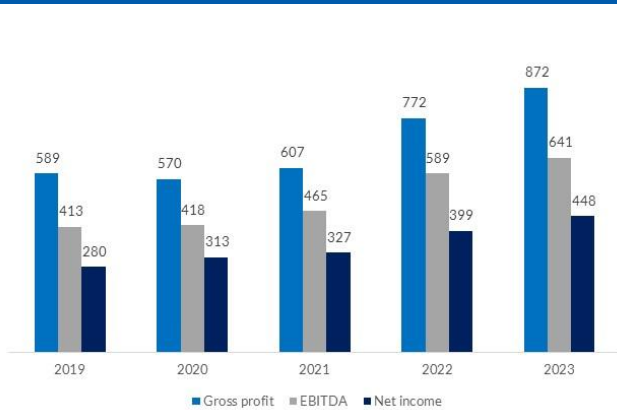


Source: Company data, RHB

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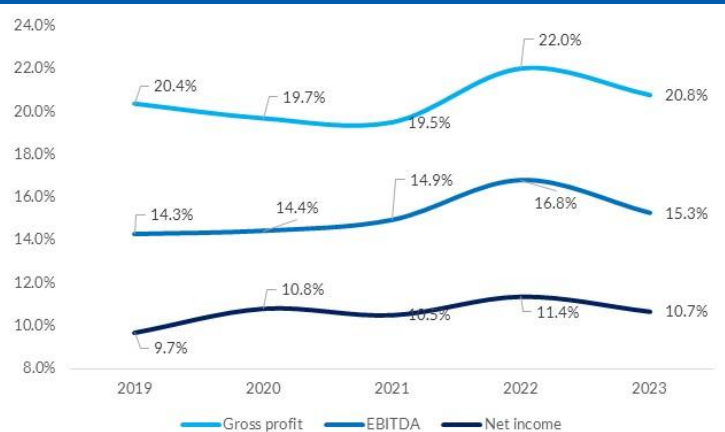
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Figure 12: Gross profit, EBITDA, net income



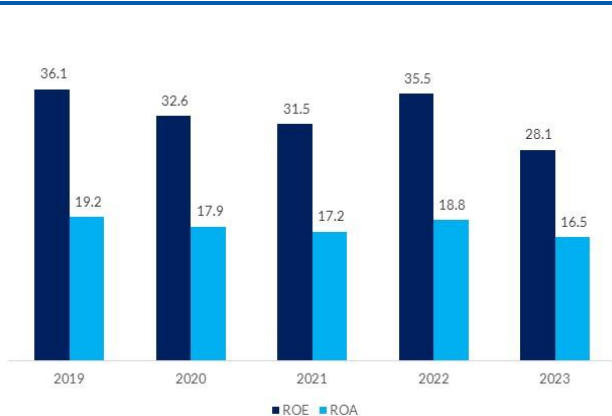
Source: Company data, RHB

Figure 13: Profitability margin



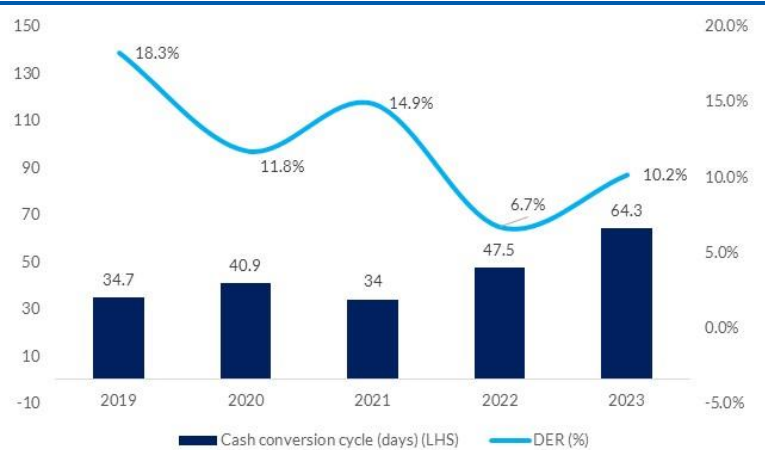
Source: Company data, RHB

Figure 14: ROE and ROA



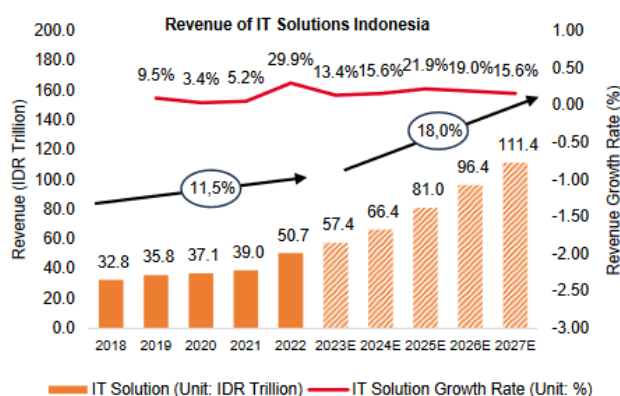
Source: Company data, RHB

Figure 15: Cash conversion cycle and DER



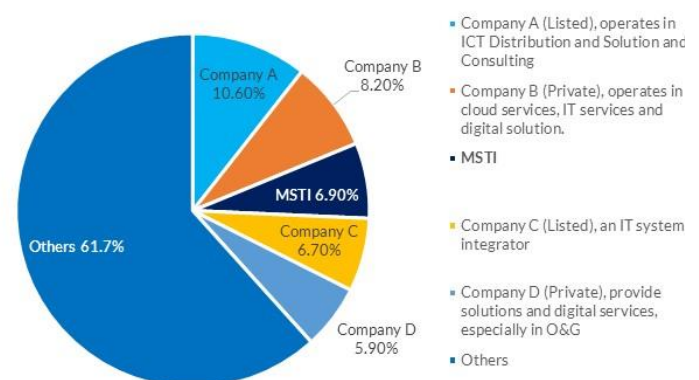
Source: Company data, RHB

Figure 16: IT solutions revenue forecasts



Source: Company data, RHB

Figure 17: IT solutions market share (2022)



Source: Company data, RHB

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Figure 18: 1Q24 results

IDRbn	4Q23	1Q24	QoQ	1Q23	1Q24	YoY	1Q24 / Cons.	
Revenue	na	1,119	0%	628	1,119	78%	na	◆ In 1Q24, MSTI's net income jumped 91% to IDR105bn. Net margin was stable at 9% in 1Q24.
Gross profit	na	212	0%	123	212	73%		◆ Topline soared 78% YoY on higher hardware sales, which rose 124% YoY to IDR747bn.
Margin	0%	19%		20%	19%			
EBIT	na	126	0%	57	126	122%	na	◆ Similar to MTDL, MSTI has recorded stronger revenue in 2H (over the past three years)
Margin	0%	11%		9%	11%			
Net profit	na	105	0%	55	105	91%	na	
Margin	0%	9%		9%	9%			




Source: Company data, Bloomberg, RHB

Figure 19: Peer comparison

Name	Ticker	Mkt cap (USDm)	EV/EBITDA 2024F (x)	EV/EBITDA 2025F (x)	P/E 2024F (x)	P/E 2025F (x)	Dividend Yield (%)	ROE (%)
IT Services								
Metrodata Electronic	MTDL IJ	514.7	-	-	10.7	9.2	3.1	18.1
Mastersystem Infotama	MSTI IJ	286.6	-	-	9.8	8.7	6.4	23.0
Anabatic Technology	ATIC IJ	47.5	-	-	-	-	-	-
Multipolar Technology	MLPL IJ	52.6	-	-	-	-	-	0.3
Silverlake Axis Ltd	SILV SP	553.3	9.8	9.1	23.9	22.3	2.0	14.7
Datamatics Global Services	DATA IN	456.2	12.7	10.5	18.1	15.0	0.8	15.9
Datasonic Group Berhad	DSON MK	310.8	9.7	10.1	15.4	14.6	4.8	25.4
Average			6.4	5.8	15.6	13.9	2.9	17.6



Source: Company data, Bloomberg, RHB

Figure 20: Board of commissioners

Name	Position	Description
Jupri Wijaya 	President Commissioner	Jupri Wijaya is a 62-year old Indonesian citizen who was appointed as President Commissioner of the company on 27 Jul 2023 for the period of 2023-2028. Jupri Wijaya earned his Bachelor's Degree in Civil Engineering from Atma Jaya University Yogyakarta (1987). He worked as a manager at Baniandoni in 1987 to 1990, account manager at Multipolar Corporation in 1990-1992, and President Director of Cliquestar in 1992-1994. With his extensive career experience, he started to develop Mastersystem Infotama in 1994, and continued as a director from 1994 to 2020.
Ronald Waas 	Commissioner	Ronald Waas achieved his Bachelor's degree in Civil Engineering from the Bandung Institute of Technology in 1980 and a Master's degree in International Affairs from Columbia University in 1995. He has over 40 years of experience in various industries, particularly banking. He held several key positions at Bank Indonesia from 1980 to 2011, including as Deputy Governor from 2011 to 2016. He served as Commissioner at Gojek Indonesia in 2017-2021 and Kliring Penjaminan Efek Indonesia from 2020-2023. Currently, he holds multiple commissioner roles in companies such as Centratama Telekomunikasi Indonesia since 2017, Advance Artificial Intelligence since 2017, Asuransi Bintang since 2018, and Kliring Penjaminan Efek Indonesia since 2003.
Tang Budi Santoso Sutanto 	Independent Commissioner	Tang Budi Santoso Sutanto is a 56-year old Indonesian citizen who was appointed as the company's Independent Commissioner on 27 July 2023 for the period of 2023-2028. He earned his Bachelor's Degree from Sepuluh Nopember Institute of Technology (ITS), majoring in Electrical Engineering. He then joined Cisco and held several key positions such as Indonesia Commercial Sales Lead from 2001-2007, ASEAN Commercial Sales Lead from 2007-2016, Indonesia Country Manager from 2016-2017, and ASEAN Partner Sales Lead from 2018-2023. He has over 30 years of experience in the IT industry, showing his extensive background in leadership and sales especially within the IT industry.

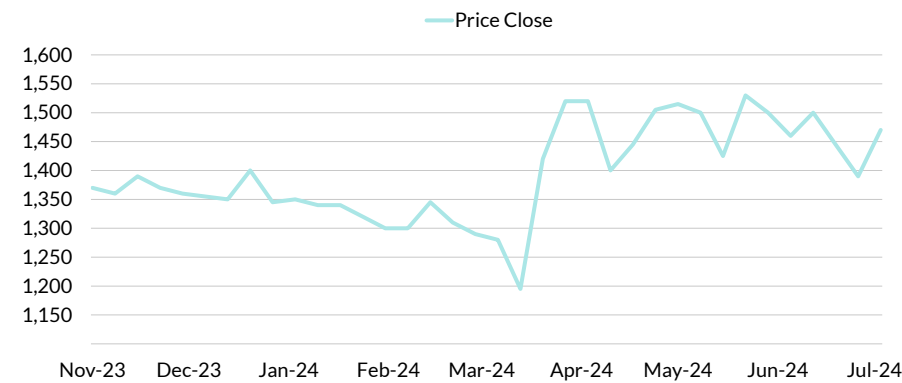
Source: Company data, RHB

Figure 21: Board of directors

Name	Position	Description
Eddy Anthony 	President Director	Eddy Anthony earned his Master's Degree from Trisakti University (2006), majoring in management, and received a Doctorate from Trisakti University (2017) majoring in economics. Eddy serves as President Director for the period of 2023 to 2028.
Joko Gunawan 	Vice President Director	Joko Gunawan earned his Diploma in Electrical Engineering from the Polytechnic of University of Indonesia (1988). He currently serves as the company's Vice President Director for the period of 2023 until 2028. In 1994, he founded MSTI, and served as a director from 1994 to 2020.
Jeo Halim 	Director	Jeo Halim earned his Bachelor's degree in Accounting from Trisakti University in 1997. He has over two decades of experience in the financial sector. He was a controller at GE Money Hong Kong until 2010, and subsequently served as General Manager of Accounting Finance at MSTI from 2010 to 2020.
Thio Eng Hok 	Director	Thio Eng Hok has over 30 years of experience in the IT industry. He earned his Bachelor's degree in Mathematics from Bandung Institute of Technology in 1991. He then progressed through various positions at Microsoft Indonesia from 1997 to 2008, and was an Executive Sales Specialist at SAP Indonesia from 2008 to 2010. He then served as Senior VP of Sales at MSTI from 2019 to 2020.
Moch. Lintar Wahyu Wardana 	Director	Moch. Lintar Wahyu Wardana was appointed as a director on 27 Jul 2023 for the period of 2023 to 2028. He began his education in the Indonesian Institute of Technology, majoring in Electrical Engineering and earned his Bachelor's Degree in 2000. With over 20 years of experience in the IT industry, he began his career as a Systems Engineer at MSTI in 2000.
Raymon Budi Citra 	Director	Raymon Budi Citra achieved his Bachelor's degree in Electrical Engineering from Sam Ratulangi University in 1999. He started as a System Engineer from 2000 to 2003, and was a Senior System Engineer until 2005. He then continued his career as Business Development Manager from 2005 to 2011, followed by General Manager from 2011 to 2020, and advanced to Senior General Manager at MSTI in 2020.

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-07-16			

Source: RHB, Bloomberg

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Buy:	Share price may exceed 10% over the next 12 months
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Not Rated:	Stock is not within regular research coverage

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