

Indonesia Morning Cuppa

Top Story

Metrodata Electronics (MTDL IJ, NOT RATED)

Riding The Digitalisation Wave

Trading Idea

Conference call KTA with CEO and CFO. We recently hosted a virtual conference call with Metrodata Electronics' management on business updates and its outlook amidst uncertain COVID-19 conditions. 3Q20 margins will likely grow, given lower price competition in low-end hardware, while revenue growth is still driven by IT solutions (1H20: +13% YoY). Increasing recurring contribution from IT solutions revenue (2019: 40% vs 2017: 25%) provides better performance visibility. Other catalysts: Industry 4.0 and growing fintech and e-commerce start-ups.

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[Today's Report: Metrodata Electronics : Riding The Digitalisation Wave \(17 Sep 2020\)](#)

[Previous Report: Metrodata Electronics : Visiting Indonesia's Biggest ICT Distributor \(23 Sep 2019\)](#)

Chart 1: Industry group relative to the JCI

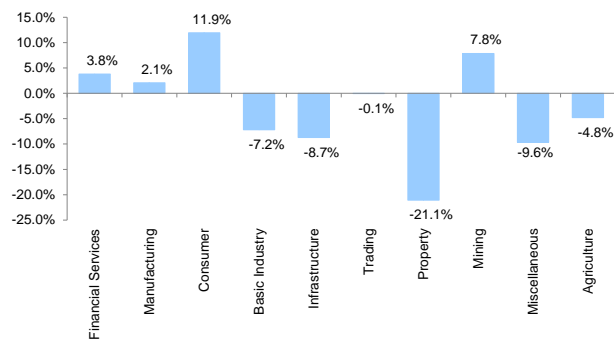


Table 1: Regional markets (16 Sep 2020)

Bloomberg Code	Last value	DoD (%)	YTD (%)	YoY (%)
Dow Jones : DJI	28,032	0.1	(1.8)	3.4
Nasdaq : Nasdaq	11,050	(1.2)	23.2	35.0
UK : FTSE	6,078	(0.4)	(19.4)	(17.0)
Hong Kong : HIS	24,726	(0.0)	(12.3)	(7.7)
Indonesia : JCI	5,058	(0.8)	(19.7)	(18.9)
MSCI : EIDO	18.2	(1.6)	(29.2)	(27.7)
Malaysia : FBMKLCI	1,531	1.3	(3.6)	(4.4)
Korea : KOSPI	2,436	(0.3)	10.8	18.1
Philippines : PCOMP	5,947	(1.2)	(23.9)	(25.0)
Thailand : SET	1,293	0.6	(18.1)	(22.3)
China : SHCOMP	3,284	(0.4)	7.7	10.3
Singapore : STI	2,505	0.8	(22.3)	(21.3)

Note: *Data as at 16 Sep 2020's close

Table 2: Commodities & currencies (16 Sep 2020)

	Last Value	DoD (%)	YTD (%)	YoY (%)	MoM (%)
Oil Price (Brent)	42.2	4.2	(36.0)	(38.8)	(5.8)
Oil Price (WTI)	40.2	4.9	(34.1)	(32.2)	(6.2)
Coal Price (USD/ton)	51.5	1.0	(23.9)	(22.1)	2.2
CPO Price (MYR/ton)	2,940.0	1.7	(2.4)	41.0	5.9
Soy Oil Price (USD/ton)	770.4	2.5	1.3	15.9	10.8
Nickel (USD/ton)	15,172.5	0.2	8.8	(13.1)	6.0
Tin (USD/ton)	18,245.0	0.4	6.2	6.3	3.6
Gold (USD/oz)	1,959.3	(0.0)	29.1	30.5	(1.3)
Wheat (USD/bu)	542.0	0.7	(6.2)	3.7	6.4
Corn (USD/bu)	371.8	1.6	(7.6)	(9.5)	10.0
USD/IDR	14,843.0	0.0	(6.6)	(5.4)	(0.3)
EUR/IDR	17,608.2	0.2	(11.7)	(11.8)	(0.5)
HKD/IDR	1,915.4	(0.0)	(7.0)	(6.3)	0.0
SGD/IDR	10,932.3	(0.2)	(5.7)	(6.5)	(1.0)
JPY/IDR	141.1	(0.6)	(9.5)	(7.7)	(1.3)
MYR/IDR	3,591.6	0.0	(5.6)	(6.1)	(1.7)
THB/IDR	477.1	0.0	(2.2)	(3.3)	(0.4)

Bulletins

STOCK/SECTOR	NEWS	COMMENTS	RATING
Telekomunikasi Indonesia (TLKM IJ)	<p>Telekomunikasi Indonesia has confirmed that its subsidiary Mitratel will be going for an IPO. Mitratel is Indonesia's second largest tower company, with 16,000 towers.</p> <p>There has been market speculation about Mitratel going for an IPO since 2010. (<i>Bisnis</i>)</p>	<p>Mitratel's IPO should provide accretive value to TLKM, and the proceeds should generate substantial funding for future capex.</p>	BUY, TP : IDR4,000
Economy	<p>The Omnibus law has reached 90% completion. Strategic clusters such as the Sovereign Wealth Fund, Labor, Legal Certainty, SME, and Cooperative have been approved by the political party.</p> <p>The Government is in the final stages of finalising the legal draft. (<i>Kompas</i>)</p>	<p>This is a positive development as the key clusters such as labor law and sovereign wealth fund are likely settled.</p> <p>We believe the Omnibus law will create a better investment climate for Indonesia. While it may take 2-3 years to see an impact to the economy, we expect it to create positive sentiment towards the JCI.</p>	N/A
Wijaya Karya (WIKA IJ)	<p>Wijaya Karya plans to issue IDR5trn of bonds and <i>sukuk</i> to refinance its IDR5.4trn Komodo bond due in Jan 2021.</p> <p>The company has also obtained IDR1.1trn in government financial aid, and several banks have agreed to provide WIKA with a IDR4trn bridging loan. (<i>Bloomberg</i>)</p>	<p>Based on our call with Management, the company expects its financing costs to decline following the refinancing.</p>	BUY, TP: IDR1,400
Jasa Marga (JSMR IJ)	<p>Jasa Marga said it has sufficient funds to refinance its IDR5trn bonds maturing in 2020.</p> <p>The company still has IDR4.5trn in standby loans from numerous banks, and is soon to sign an additional IDR1.2trn standby loan facility.</p> <p>It also said the proceed from its recent bond sale of IDR2trn will be used to pay the IDR1trn bond maturing October, and IDR4trn in December. (<i>Bloomberg</i>)</p>	<p>Increased toll road traffic has raised JSMR's revenue, and will help the company with its debt payments.</p>	BUY, TP: IDR5,250
Indosat (ISAT IJ)	<p>The Indonesian Communications and Information Technology Ministry has extended companies' radio frequency fee payment deadline to 14 Nov from 14 Sept, according to the telecommunication services provider. (<i>Bloomberg</i>)</p>	<p>The extension will help with Indosat's cash flow and alleviate some short-term working capital loans, although the savings may not be substantial.</p> <p>Radio frequency accounted for 27.2% of its total costs in 1H20. The company will benefit given that it has the highest leverage and cash flow constraints among the Top-3 operators.</p>	BUY, TP: IDR4,000

Top BUYs

	TP (IDR)	Upside (%)	Catalysts
Bank Mandiri (BMRI IJ)	7,000	24	<ul style="list-style-type: none"> Fast growing CASA growth of 16.9% YoY, faster than the industry of 9.3% (current CASA ratio at 64%), which should result in lower CoF to offset the lower loan yield due to restructures Conservative provisioning (256.7% NPL coverage, among the highest compared to peers) which should result in reversal in provisioning in FY21F Laggard with cheaper valuation at 1.14 PBV near -2SD to its 5-year mean, compared to Big-4 peers, especially BBKA at 3.55 PBV and BBRI at 1.71 PBV.
Bank Negara Indonesia (BBNI IJ)	5,800	15	<ul style="list-style-type: none"> Conservative earnings estimate in consensus, with 5M20 numbers already achieving 75% of FY20 estimates (58% of ours) should point to a huge outperformance in 2Q20 results Laggard compared to peers at only 0.8x PBV, still near -2SD, compared to BBKA at 3.55x and BBRI at 1.7x
Telekomunikasi Indonesia (TLKM IJ)	4,000	43	<ul style="list-style-type: none"> Strong data traffic growth on low internet subscribers' penetration TLKM is to focus on high-quality customers on lower churn rate (6-7%) with effective marketing campaign, iii) Market leader with defensive data demand'
Astra Agro Lestari (AALI IJ)	13,700	27	<ul style="list-style-type: none"> Recovery in CPO prices, averaging at MYR2,400-2,500/tonne levels compared to MYR2,000/ton in 1H20 as production is still on a decline Better production compared to peers with younger tree profile and healthy replanting progress
Ramayana Lestari (RALS IJ)	900	57	<ul style="list-style-type: none"> Set to benefit from the accelerated social aid transfer subsidy. IDR203.9trn subsidy budget targeting 60-70m Indonesians should boost RALS' revenue A pick-up in consumer subsidies in 2020 should boost RALS' revenue recovery in 2H20F.

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