

Friday, 22 November 2019

**Not Rated**

Last price (IDR) 3,700

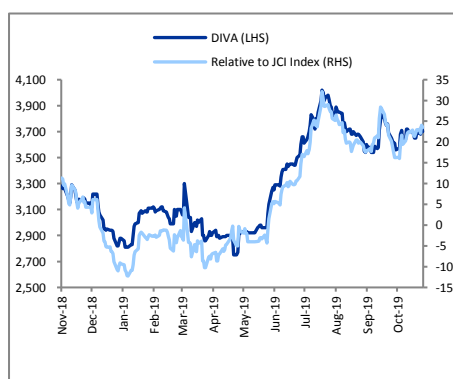
### Stock Statistics

Sector Telco/Tech  
 Bloomberg Ticker **DIVA**  
 No of Shrs (mn) 714.3  
 Mkt. Cap (IDRbn/USDmn) 2,737.4/194.3  
 Avg. daily T/O (IDRbn/USDmn) 7.0/0.5

### Major shareholders (%)

1 inti Dot Com 21.0  
 Martin Suharli, Pres. Commissioner 14.0  
 Estimated free float 24.1

### relative to JCI Index



Source : Bloomberg



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# Distribusi Voucher Nusantara (DIVA)

## Solid positioning among the grassroots

**DIVA's current trajectory suggests the company will record sales turnover growth of at least 140%yoy in FY19 and 100%yoy in 2020. Nurturing business relationships with merchants ensures this growth should materialize, and given the high propensity to scale up organically and inorganically, DIVA is an attractive bet for solid capital gains.**

**Privileged with the ability to empower SMEs.** At the height of growth in e-commerce and marketplaces, DIVA has positioned itself closer to merchants and SMEs to leverage their selling abilities. The strategy works as DIVA has increased revenues by 183% in 9M19, and recorded a steady positive bottom line unlike many digital start-ups today. Its main cash-cow business is selling prepaid phone credit via SMEs in direct partnership with telco principals. By democratizing the sales, DIVA finds a way to deepen the attachment with SMEs.

**DIVA is scalable with user growth and transaction volumes.** The targeted SME/merchant may not be part of the modern trade, is not sophisticated but it belongs to the grassroots where the market is large with significant upside to spend. The targeted merchants are expected to benefit in many ways by using the DIVA platform: The merchant can upsell with prepaid vouchers, transport tickets, utility bills and other services connected with DIVA's platform. The merchant can conclude his/her transactions by processing most types of credit/debit cards and e-money by utilizing only the DIVA's Smart Outlet device (SO). The merchant benefits by employing the software analytics for its sales and inventories with the help of Big Data to improve business performance.

**DIVA is scalable by attaching fintech and more services to its platform.** The empowerment list is not exhaustive yet; DIVA is expected by 1Q20 to offer branchless banking services via SMEs such as opening bank accounts and performing transfers/remittances via LinkAja. DIVA is expected to offer access to fast/affordable working capital (credit profile available with Big Data). Moreover, logistics-fulfillment services are expected to integrate in the platform to empower the merchant further. Also, a reputable SE Asian VC firm brokered for Pawoon's (a local start-up) acquisition by DIVA to enrich its platform. Moreover, this VC is about to own a sizeable stake in DIVA, paving the way for more acquisitions.

**Building on the growth by resonating well with SMEs.** A year after its IPO, there is about 40% from Rp612bn of proceeds remaining for WC and inorganic growth. DIVA expects to see solid revenues growth in 2020, stemming from greater merchant penetration, more business deals for telco prepaid credit and potential SO deployments to +14,000 convenience store players. But is there room for such growth? Independent research suggests there is, as Indonesia's e-commerce will grow by CAGR 25% from USD21bn forecasted GTV in 2019 to USD79-81bn in 2025 supported by growth in e-wallet services CAGR at 70-80% for 2018-23. We believe the growth is sustainable as DIVA has the ingredients to resonate with the merchants and lead them on this path.

### Key Financials

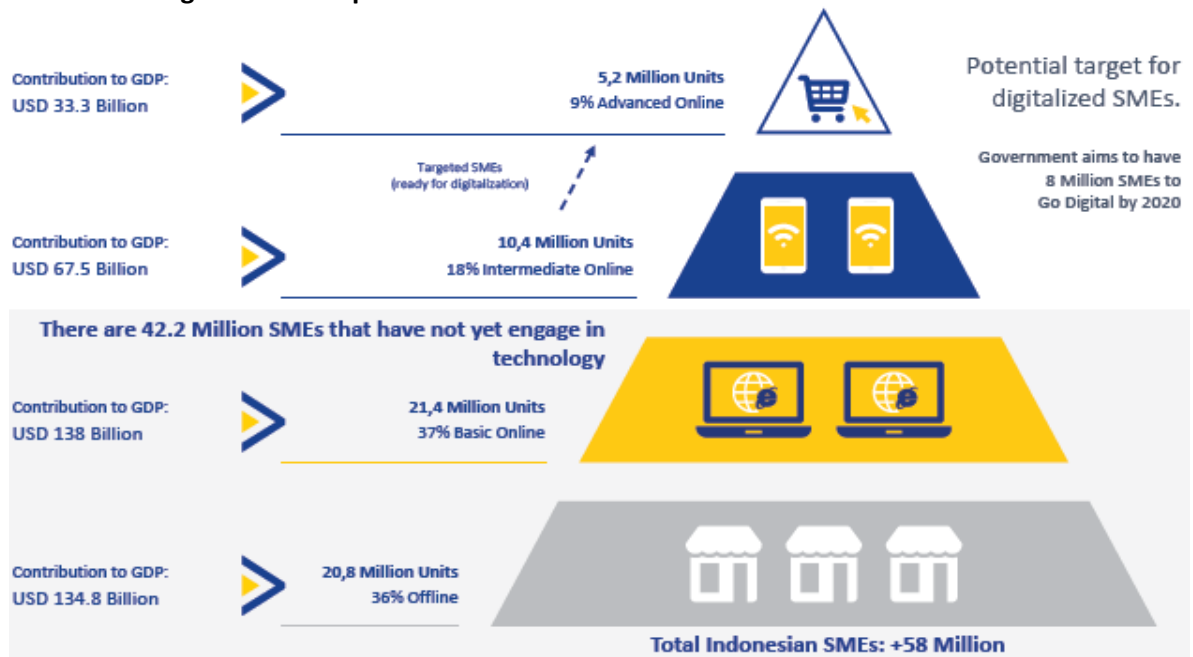
Year to 31 Dec (IDR bn)	2015	2016	2017	2018	9M19
Revenue (IDR bn)	332	1,058	1,714	1,487	2,726
EBITDA (IDR bn)	3	6	13	25	50
EBITDA Growth (%)	n/a	134.8	92.7	101.7	84.4
Net profit (IDR bn)	2	3	2	10	86
EPS (IDR)	126	216	145	51	120
EPS growth (%)	n/a	71.2	(32.9)	(64.9)	321.6
BVPS (IDR)	10.4	16.3	20.5	961.4	1,017.7
DPS (IDR)	-	-	-	-	-
PER (x)	29.4	17.2	25.6	72.8	23.1
PBV (x)	356.1	227.4	180.6	3.8	3.6
Dividend yield (%)	-	-	-	-	-
EV/EBITDA (x)	692.3	294.9	153.1	75.9	38.0

Source : DIVA, Bloomberg

Momentum in e-commerce is palpable and there is no denying it will grow larger as we are still in the early days for Indonesia - Redseer (pls see report: [Consumer Internet](#)) and Google-Temasek attest to this. The DIVA platform is a technological testament of the recent times and is a key private initiative of what the country needs to boost productivity of SMEs and increase financial inclusion in the country.

Many SMEs in F&B dubbed HoReCa as well as mom-pop stores that lay within the grassroots, have yet to modernize business practices and consequently lacking in terms of connectivity and computational capacities that technology offers. DIVA's target market of technologically illiterate SMEs is estimated close to 42mn SMEs. DIVA now has 25,000 active merchants all of which are actively performing transactions on the DIVA platform either through their SO or online application.

**Exhibit 1: Target market of potential merchants**



Source : DIVA, Ministry SMEs 2015, Stancombe Research & Planning, Deloitte

**Solid market positioning.** We find DIVA’s positioning closer to SMEs working as a digital enabler and accelerator. Similar to a marketplace, it brings users closer to goods/services used in daily life. DIVA is in direct partnership with the principals distributing their digital products without middlemen, affording DIVA to charge commissions, which is the main source of income for DIVA. The economics from this side of the market landscape serve DIVA well, betting on merchants’ willingness to prop up the performance of their businesses by upselling goods and services which have relied on promo incentives and rewards to suppliers/buyers.

**Exhibit 2: Market size and positioning**



Source : DIVA

**DIVA right at the heart of the trend.** The research from Redseer Consulting and Google-Temasek research suggests that e-commerce will grow by CAGR 25% from USD21bn forecasted GTV in 2019 to USD79-81bn in 2025. This will be supported by growth in e-wallet services offered to users with estimated CAGR at 70-80% for 2018-23 as per Redseer, and growth in shipments derived from transport/logistics from 500mn shipments in 2018 to 3,500mn shipments by 2025 CAGR 32% with massive growth to be experienced in ex-Java areas. This scenario is aligned with the current expectation of telco revenues growing rapidly in ex-Java areas.

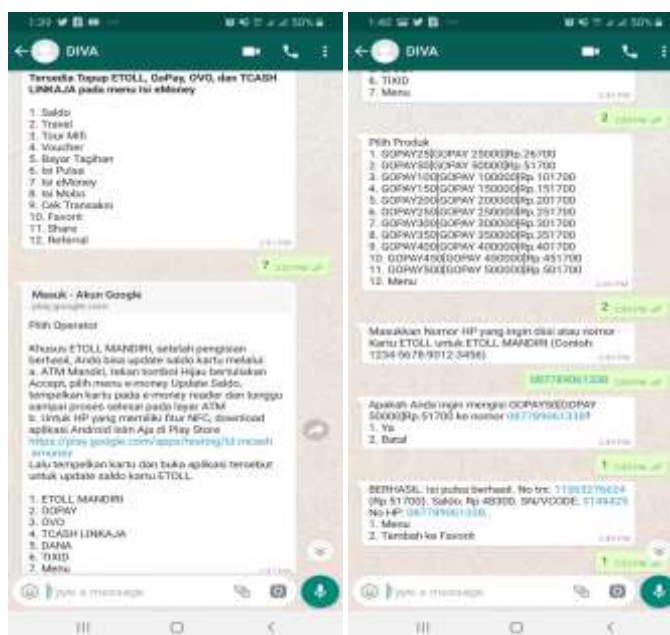
**Empowering the small business with smart EDCs.** DIVA smart outlets (SO) enable merchants to perform business transactions and run their business more efficiently. DIVA SO will help record sales, accept cash and non-cash payments, manage inventory and configure customer behavior profiles across multiple locations. In parallel, DIVA SO offers to sell airtime and travel tickets, and so the Company receives commissions from those transactions. DIVA has pre-equipped its SO with various digital products, such as airtime and data packages, as well as travel-related inventories, e-vouchers, e-money top up, bills payment, prepaid electricity credit, and other products and services. At the same time, banks and other institutions can enrol in this access point to receive payments via credit and debit cards. There are about 250 canvassers employed by DIVA to maintain the relationships with the merchants and promoting the capabilities of the SO.

**Exhibit 3: DIVA EDC equipped with PoS (Smart Outlet)**



Source : DIVA

**Providing outlets for principals to sell more to the masses.** Meanwhile, DIVA IIM has designed and employed an advanced chatbot with artificial intelligence functionality to reach out to the masses integrated to DIVA’s platform system. It is a mobile-friendly solution riding on the latest technology and applied to most popular instant messaging applications, such as WhatsApp, LINE, Telegram, and Facebook Messenger.



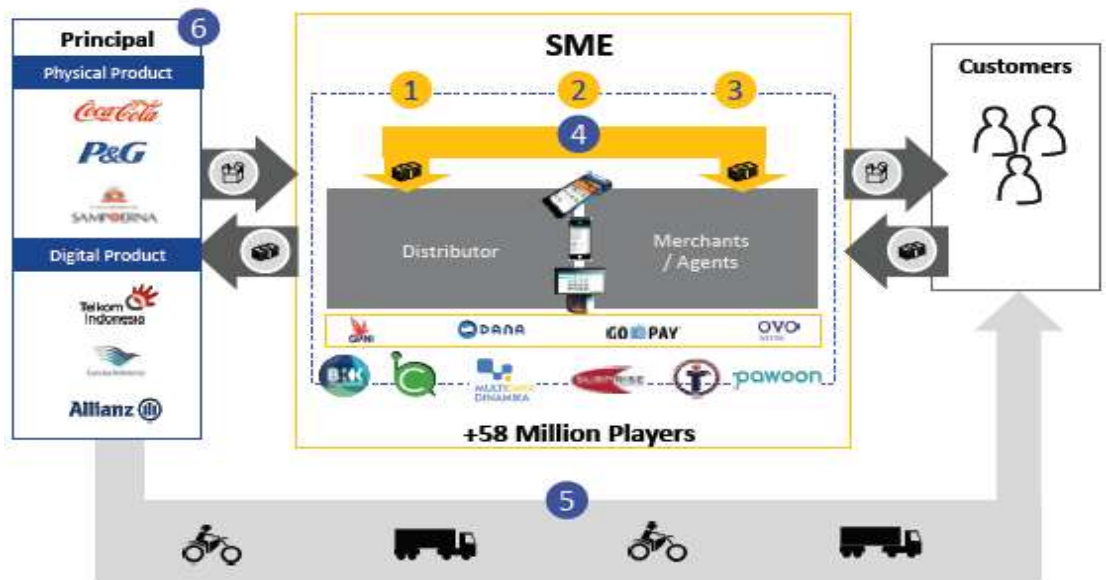
**DIVA’s platform is scalable organically and inorganically.** The beauty of DIVA is that it can grow turnover either through increasing the number of active merchants, (at least 42mn SMEs accounted by the govt.) to have increased significantly to 25,000 for DIVA from 17,000 a year ago, and through higher transaction volume as the local economy expands and gains more trust from the principals. In that respect, DIVA says that it will potentially be assigned to more regions for telco prepaid credit. DIVA is also making plans for potentially more SO deployments to +14,000 convenience store players.

**DIVA is scalable by attaching fintech and more services to its platform.** DIVA is also scalable by attaching fintech and more services to its platform. DIVA is expected to offer branchless banking services by 1Q20 via SMEs such as opening bank accounts and performing transfers/remittances via LinkAja. DIVA is expected to offer access to fast/affordable working capital (credit profile available with use of Big Data). Moreover, logistics and fulfillment services are expected to integrate in the platform to empower the merchant further.

A reputable SE Asian VC firm brokered for Pawoon’s acquisition by DIVA to help enrich DIVA’s platform via this local start-up. Pawoon was previously nurtured under the VC firm and DIVA acquired 30% of Pawoon with a view to consolidate it in the near future. DIVA is sourcing the software developed for Pawoon and integrating it with its hardware.

The SE Asian VC firm will own a minority stake in DIVA having signed a SPA agreement. The VC firm nurtures local start-ups which leaves the door open for DIVA to explore more potential partnerships when a compatible start-up is seasoned looking for more scale. The VC firm may own a larger stake in the near future paving the way for more inorganic growth.

**Exhibit 4: DIVA business platform**



Source : DIVA



**DIVA's platform to resonate well with merchants as it creates value.** This platform connects merchants with their suppliers/partners and also enables the merchant to receive cash and non-cash payments for selling their goods. DIVA employs Big Data collected from transactions and inventory monitoring. It can examine customer behavior, vols inventory, and raise the productivity of the value chain of the SME/merchant.

**Exhibit 5: DIVA business analytics**



Source : DIVA

**The DIVA platform resonates well with merchants as it creates value.** The bottomline is that DIVA is deriving strong sales turnover relying on selling digital products such as telco prepaid vouchers with very low denominations which we have not seen other marketplaces doing, while penetrating the grassroots of SMEs. DIVA is well placed to achieve FY19 revenues growth of 140%yoy, having achieved growth of 183% in 9M19 to Rp2.7tn. The bottom line is steadily positive even achieving 12% ROE, while free cashflow has room to reach a positive level in the near term as the business is quickly expanding to cover its working capital needs to buy voucher inventory. We note here that DIVA still reserves IPO proceeds to grow the business organically or through business acquisitions as the e-commerce trend is maturing. The only large capex element is accounted for EDCs but these can require only a short timeframe to return their investment as more than one bank can mount the device to process cashless transactions. Considering all the business factors for DIVA, we believe the platform resonates well with the merchants, and in that respect, we believe DIVA is building solid foundations given its support provided to traditional merchants.

### Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2015	2016	2017	2018	9M19
<b>Revenue</b>	<b>332</b>	<b>1,058</b>	<b>1,714</b>	<b>1,487</b>	<b>2,726</b>
COGS	(328)	(1,044)	(1,686)	(1,424)	(2,647)
<b>Gross profit</b>	<b>5</b>	<b>14</b>	<b>28</b>	<b>63</b>	<b>79</b>
<b>EBITDA</b>	<b>3</b>	<b>6</b>	<b>13</b>	<b>25</b>	<b>33</b>
<b>Oper. profit</b>	<b>3</b>	<b>6</b>	<b>12</b>	<b>23</b>	<b>31</b>
Interest income	0	0	0	3	12
Interest expense	(0)	(1)	(6)	(10)	(6)
Forex Gain/(Loss)	-	-	-	-	-
Income From Assoc. Co's	-	-	-	-	60
Other Income (Expenses)	(37)	(89)	146	146	(1)
<b>Pre-tax profit</b>	<b>3</b>	<b>5</b>	<b>6</b>	<b>17</b>	<b>97</b>
Income tax	(1)	(1)	(1)	(4)	(7)
Minority interest	0	0	1	2	(4)
<b>Net profit</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>10</b>	<b>86</b>
<b>Core Net Profit</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>10</b>	<b>86</b>

### Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2015	2016	2017	2018	9M19
Cash & cash equivalent	1	5	2	428	185
Receivables	6	18	13	97	158
Inventory	2	25	97	79	168
Other Curr. Asset	1	9	30	232	343
Fixed assets - Net	1	1	3	11	10
Other non-curr.asset	0	1	1	9	17
<b>Total asset</b>	<b>10</b>	<b>59</b>	<b>147</b>	<b>856</b>	<b>881</b>
ST Debt	0	43	74	85	95
Payables	1	2	43	10	11
Other Curr. Liabilities	1	1	0	37	9
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	1	1	13	3	2
<b>Total Liabilities</b>	<b>2</b>	<b>46</b>	<b>130</b>	<b>135</b>	<b>117</b>
Shareholder's Funds	7	12	15	687	727
Minority interests	1	1	2	34	37
<b>Total Equity &amp; Liabilities</b>	<b>10</b>	<b>59</b>	<b>147</b>	<b>856</b>	<b>881</b>

### Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2015	2016	2017	2018	9M19
Net income	2	3	2	10	86
Depreciation and Amort.	0	1	1	2	2
Change in Working Capital	0	4	13	679	(229)
Other Oper. Cash Flow	(3)	(37)	(52)	(894)	69
<b>Operating Cash Flow</b>	<b>(1)</b>	<b>(29)</b>	<b>(36)</b>	<b>(203)</b>	<b>(72)</b>
Capex	(0)	(2)	(3)	(10)	(122)
Others Inv. Cash Flow	0	(1)	(13)	(108)	0
<b>Investing Cash Flow</b>	<b>(0)</b>	<b>(2)</b>	<b>(16)</b>	<b>(118)</b>	<b>(122)</b>
Net change in debt	0	42	31	11	10
New Capital	0	0	0	70	2
Dividend payment	0	0	0	0	0
Other Fin. Cash Flow	4	(7)	(18)	605	(3)
<b>Financing Cash Flow</b>	<b>2</b>	<b>35</b>	<b>50</b>	<b>686</b>	<b>9</b>
<b>Net Change in Cash</b>	<b>1</b>	<b>4</b>	<b>(3)</b>	<b>365</b>	<b>(185)</b>
Cash - begin of the year	0	1	5	63	370
Cash - end of the year	1	5	2	428	185

### Exhibit 9. Key Ratios

Year to 31 Dec (IDRbn)	2015	2016	2017	2018	9M19
<b>Growth (%)</b>					
Sales	n/a	218.6	62.0	(13.2)	183.4
EBITDA	n/a	134.8	92.7	101.7	84.4
Operating profit	n/a	122.2	99.5	94.9	86.2
Net profit	n/a	71.2	(32.9)	353.6	1,288.4
<b>Profitability (%)</b>					
Gross margin	1.4	1.3	1.7	4.2	2.9
EBITDA margin	0.8	0.6	0.7	1.7	1.2
Operating margin	0.8	0.6	0.7	1.6	1.1
Net margin	0.6	0.3	0.1	0.7	3.1
ROAA	18.9	9.4	2.1	2.0	9.9
ROAE	25.5	34.0	16.5	2.8	12.1
<b>Leverage</b>					
Net Gearing (x)	(0.1)	2.9	4.2	(0.5)	(0.1)
Interest Coverage (x)	614.5	5.6	1.9	2.4	5.4

Source : DIVA

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