

Friday, 12 November 2021

BUY
Maintain

Last price (IDR) 1,965
Target Price (IDR) 2,750
Upside/Downside +39.9%
Previous Target Price (IDR) 3,000

Stock Statistics

Sector Media
Bloomberg Ticker EMTK IJ
No of Shrs (mn) 61,198
Mkt. Cap (IDRbn/USDmn) 120,253/8,431
Avg. daily T/O (IDRbn/USDmn) 128.0/9.0

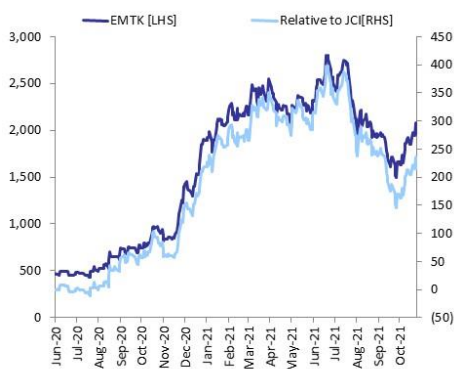
Major shareholders (%)

Eddy k. Sariaatmadja 23.0
Ir Susanto Suwanto 11.6
Estimated free float 29.9

EPS Consensus (IDR)

| | 2021F | 2022F | 2023F |
|----------------|-------|-------|-------|
| Danareksa | 14.4 | 21.3 | 30.7 |
| Consensus | 13.6 | 15.7 | 19.2 |
| Danareksa/Cons | 5.9 | 35.5 | 60.0 |

EMTK relative to JCI Index



Source : Bloomberg



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Elang Mahkota Teknologi (EMTK IJ)

Yet to Deliver Strength

EMTK booked 9M21 earnings of IDR217.1bn (-54.4% yoy), or below our estimate and the consensus, driven by higher-than-expected associate losses along with lower-than-expected gains on investments. The top line of IDR9.6tn (+13.7% yoy) met our estimate and the consensus. The lower-than-expected result leads us to: 1) revise our top line estimate by -4.7% in 21F and +1.8% in 22F, 2) assume higher opex in the ex SCMA and SAME businesses, 3) strip out the non-cash gain of BUKA previously incorporated. This all leads to -85.3% and -35.3% earnings revisions, drop in 21F due to the absence of the aforementioned accounting gains assumed. In turn, this leads to a IDR250 lower TP as the ex EMTK business revenues ex SCMA and SAME were cut.

9M21 in-line down to EBIT, far below net income. The 9M21 revenues reached IDR9.6tn (+13.7% yoy) by virtue of SCMA revenues growing rapidly (+18.0% yoy) with SAME revenues surging (+99.7%yoy). This led to EBIT of IDR1.3tn (+25.1% yoy) - below our estimate, but meeting consensus' forecast. Gains on investments were lower by IDR481.8bn while losses from associates swelled to IDR671.5bn from a mere IDR110.0bn in 9M20, as Dana is now booked under the equity method, i.e. as an associate company. One-off accounting gains from the IPO of BUKA:IJ were also still absent, which might be seen in the 2021 audit. Overall, the IDR217.1bn net income is far below our estimate and the consensus, thus necessitating a cut in our earnings estimate.

Earnings cut in light of the result. We slightly revise our top line by -4.7% in 21F and +1.8% in 22F, mainly at the EMTK level, while our SCMA revenues estimate is revised up. SAME benefits too from the consolidation of RSGK:IJ. Opex were higher across all media and healthcare businesses, as well as EMTK's other business. We strip out the non-cash gains of BUKA previously baked in at IDR5.4tn. This all leads to -85.3% and -35.3% earnings revisions, more dramatic in 21F due to the absence of the aforementioned accounting gains assumed.

Digital bank and M&A still in store. As EMTK officially bought a 93% stake in Fama bank for IDR908.9bn, Fama's rights issue would be conducted afterwards to fulfill the KBMI 1 criteria of IDR3tn. A strategic partner would inject funds into the company for a minority stake; Grab is very likely the partner in question with the possibility of BUKA:IJ taking a small holding. Other M&A on SCMA's side are the USD150mn equity infusion by Affinity Equity Partner, minority stake acquisition in RANS entertainment, and RSGK:IJ acquisition by SAME, with the subsequent NPRI already approved for SAME. These M&A might boost sentiment and improve EMTK's outlook.

Maintain BUY, with a TP of IDR2,750 (-IDR250). As we tone down our revenues estimate at the EMTK level while applying the same multiple as previously and factoring in higher SOTP value for SAME and SCMA. Normal valuation metrics are high, but the share price will still perform in our view as the company's foray into a digital bank is starting to take shape, with BUKA:IJ as the captive market, along with other M&A.

Key Financials

| Year to 31 Dec | 2019A | 2020A | 2021F | 2022F | 2023F |
|--------------------|---------|---------|--------|--------|--------|
| Revenue (IDRbn) | 11,030 | 11,936 | 13,357 | 14,596 | 16,124 |
| EBITDA (IDRbn) | 1,343 | 1,649 | 2,363 | 2,691 | 3,143 |
| EBITDA Growth (%) | 218.3 | 22.8 | 43.3 | 13.9 | 16.8 |
| Net profit (IDRbn) | (1,516) | 2,058 | 882 | 1,305 | 1,879 |
| EPS (IDR) | (24.8) | 33.6 | 14.4 | 21.3 | 30.7 |
| EPS growth (%) | (42.2) | (235.8) | (57.1) | 47.9 | 43.9 |
| BVPS (IDR) | 161.4 | 174.6 | 326.8 | 348.1 | 378.8 |
| DPS (IDR) | 19.8 | 13.9 | 13.1 | 13.4 | 0.0 |
| PER (x) | n/m | 61.3 | 142.9 | 96.6 | 67.1 |
| PBV (x) | 12.8 | 11.8 | 6.3 | 5.9 | 5.4 |
| Dividend yield (%) | 1.0 | 0.7 | 0.6 | 0.7 | 0.0 |
| EV/EBITDA (x) | 93.4 | 76.7 | 51.0 | 44.2 | 37.2 |

Source : EMTK, Danareksa Estimates

Exhibit 1. Below result on lower gain on investment and higher loss from associates and absence of investment revaluation gains. Gain from BUKA:IJ is yet to be booked, thus the number is below us by a long mile

| 9M21 Result | | | | | | | | | | | | | | | | | |
|-------------------------------------|--------|-------|-------|-------|-------|-------|-------|-------|--------|---------|-------|-------|--------|-----------|--------|--------|-------|
| EMTK | Unit | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 | YoY | q-q | 9M20 | 9M21 | % yoy | Consensus | % Cons | DS | % DS |
| Sales | IDR bn | 2,603 | 2,702 | 3,134 | 3,496 | 3,126 | 3,324 | 3,149 | 6.0% | -5.3% | 8,440 | 9,598 | 13.7% | 12,932 | 74.2% | 14,154 | 67.8% |
| Gross Profit | IDR bn | 787 | 704 | 719 | 685 | 959 | 1,020 | 953 | 41.9% | -6.6% | 2,209 | 2,932 | 32.7% | 3,324 | 88.2% | 3,668 | 79.9% |
| EBIT | IDR bn | 358 | 329 | 317 | 221 | 477 | 456 | 323 | 44.0% | -29.3% | 1,004 | 1,257 | 25.1% | 1,659 | 75.7% | 1,990 | 63.1% |
| EBT | IDR bn | 559 | 157 | 1,148 | 724 | 340 | 367 | 150 | -68.0% | -59.2% | 1,865 | 858 | -54.0% | 1,512 | 56.7% | 6,205 | 13.8% |
| Net Profit | IDR bn | 256 | (121) | 724 | 786 | 102 | 47 | (277) | -93.5% | -689.2% | 477 | 217.1 | -54.4% | 857 | 25.3% | 5,922 | 3.7% |
| Core Profit | IDR bn | (13) | 98 | 633 | 855 | 23 | 88 | (245) | -86.1% | -379.4% | 1,696 | 210 | -87.6% | 715 | 29.4% | 5,922 | 3.6% |
| Margins | | | | | | | | | | | | | | | | | |
| Gross Profit | (%) | 30.2 | 26.0 | 22.9 | 19.6 | 30.7 | 30.7 | 30.3 | | | 26.2 | 30.5 | | 25.7 | | 25.9 | |
| EBIT | (%) | 13.7 | 12.2 | 10.1 | 6.3 | 15.3 | 13.7 | 10.3 | | | 11.9 | 13.1 | | 12.8 | | 14.1 | |
| Net Profit | (%) | 9.8 | (4.5) | 23.1 | 22.5 | 3.3 | 1.4 | (8.8) | | | 5.6 | 2.3 | | 6.6 | | 41.8 | |
| Core Profit | (%) | (0.5) | 3.6 | 20.2 | 24.5 | 0.7 | 2.6 | (7.8) | | | 20.1 | 2.2 | | 5.5 | | 41.8 | |
| Segmental 3rd Party Revenues | | | | | | | | | | | | | | | | | |
| | | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 | YoY | q-q | 9M20 | 9M21 | % yoy | | | | |
| SCMA | | 1,304 | 1,057 | 1,224 | 1,516 | 1,404 | 1,543 | 1,444 | 18.0% | -6.5% | 3,585 | 4,391 | 22.5% | | | | |
| SAME | | 137 | 79 | 275 | 17 | 219 | 219 | 549 | 99.7% | 150.4% | 490 | 987 | 101.2% | | | | |
| EMTK Holdings | | 1,162 | 1,567 | 1,636 | 1,963 | 1,503 | 1,561 | 1,156 | -29.3% | -25.9% | 4,365 | 4,220 | -3.3% | | | | |
| EMTK Total | | 2,603 | 2,702 | 3,134 | 3,496 | 3,126 | 3,324 | 3,149 | 0.5% | -5.3% | 8,440 | 9,598 | 13.7% | | | | |

Source: Company, Various Sources, Danareksa Sekuritas

Exhibit 2. Revision of 85.3% as we exclude gain from BUKA:IJ IPO in 2021F while costs also adjusted. 22F also cut by -33.4% yoy

| In IDR bn | Old | | | New | | | Difference | | | YoY Growth | | |
|----------------|--------|--------|--------|--------|--------|--------|------------|--------|--------|------------|-------|-------|
| | 2021F | 2022F | 2023F | 2021F | 2022F | 2023F | 2021F | 2022F | 2023F | 2021F | 2022F | 2023F |
| Revenue | 14,017 | 15,155 | 16,436 | 13,357 | 14,596 | 16,124 | -4.7% | -3.7% | -1.9% | -18.7% | 9.3% | 10.5% |
| SCMA | 5,170 | 5,549 | 5,839 | 5,870 | 6,577 | 7,099 | 13.5% | 18.5% | 21.6% | 0.5% | 12.1% | 7.9% |
| SAME | 1,290 | 1,215 | 1,398 | 1,673 | 1,623 | 1,866 | 29.7% | 33.5% | 33.5% | 19.7% | -3.0% | 15.0% |
| Others | 6,994 | 7,554 | 8,163 | 5,815 | 6,396 | 7,159 | -16.9% | -15.3% | -12.3% | -28.8% | 10.0% | 11.9% |
| Gross Profit | 3,486 | 3,980 | 4,462 | 3,854 | 4,314 | 4,844 | 10.6% | 8.4% | 8.6% | -13.6% | 11.9% | 12.3% |
| EBIT | 1,807 | 2,083 | 2,503 | 1,843 | 2,169 | 2,617 | 2.0% | 4.1% | 4.5% | -26.4% | 17.7% | 20.7% |
| PBT | 6,205 | 2,578 | 3,188 | 1,666 | 2,189 | 2,859 | -73.2% | -15.1% | -10.3% | -47.8% | 31.5% | 30.6% |
| Net Income | 5,809 | 1,961 | 2,408 | 882 | 1,305 | 1,879 | -84.8% | -33.4% | -22.0% | -63.4% | 47.9% | 43.9% |
| Core NI | 5,779 | 1,956 | 2,403 | 852 | 1,300 | 1,874 | -85.3% | -33.5% | -22.0% | -64.5% | 52.6% | 44.1% |
| Margins | | | | | | | | | | | | |
| Gross Profit | 48.2% | 50.2% | 51.7% | 28.9% | 29.6% | 30.0% | | | | | | |
| EBIT | 26.9% | 29.1% | 31.5% | 13.8% | 14.9% | 16.2% | | | | | | |
| PBT | 26.8% | 29.5% | 32.3% | 12.5% | 15.0% | 17.7% | | | | | | |
| Net Income | 20.7% | 22.7% | 25.7% | 6.6% | 8.9% | 11.7% | | | | | | |
| Core NI | 20.6% | 22.7% | 25.7% | 6.4% | 8.9% | 11.6% | | | | | | |

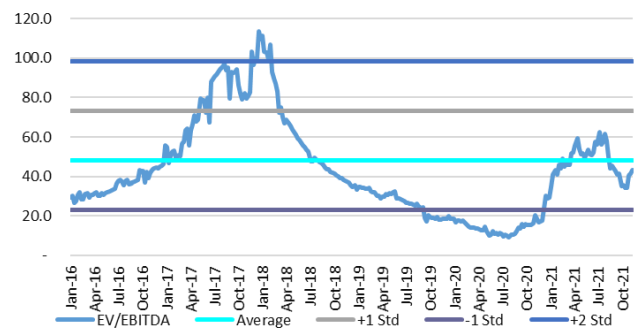
Source: Company, Various Sources, Danareksa Sekuritas

Exhibit 3. PBV currently stood near +2STD



Source: Company, Danareksa Sekuritas Estimates

Exhibit 4. EV/EBITDA is hovering near average level



Source: Company, Danareksa Sekuritas Estimates

Exhibit 5. Income Statement

| Year to 31 Dec (IDRbn) | 2019A | 2020A | 2021F | 2022F | 2023F |
|-------------------------|----------------|---------------|---------------|---------------|---------------|
| Revenue | 11,030 | 11,936 | 13,357 | 14,596 | 16,124 |
| COGS | (8,270) | (9,043) | (9,503) | (10,282) | (11,280) |
| Gross profit | 2,760 | 2,893 | 3,854 | 4,314 | 4,844 |
| EBITDA | 1,343 | 1,649 | 2,363 | 2,691 | 3,143 |
| Oper. profit | 866 | 1,225 | 1,843 | 2,169 | 2,617 |
| Interest income | 164 | 115 | 127 | 197 | 252 |
| Interest expense | (40) | (51) | (93) | 0 | 0 |
| Forex Gain/(Loss) | (160) | 37 | 0 | 0 | 0 |
| Income From Assoc. Co's | (281) | (117) | (841) | (582) | (415) |
| Other Income (Expenses) | 13 | 2,493 | 630 | 405 | 405 |
| Pre-tax profit | 563 | 3,702 | 1,666 | 2,189 | 2,859 |
| Income tax | (267) | (346) | (408) | (445) | (445) |
| Minority interest | (1,813) | (1,298) | (375) | (439) | (535) |
| Net profit | (1,516) | 2,058 | 882 | 1,305 | 1,879 |
| Core Net Profit | (1,921) | (438) | 282 | 905 | 1,479 |

Exhibit 6. Balance Sheet

| Year to 31 Dec (IDRbn) | 2019A | 2020A | 2021F | 2022F | 2023F |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash & cash equivalent | 3,315 | 2,695 | 5,642 | 7,202 | 9,027 |
| Receivables | 2,185 | 2,397 | 2,486 | 2,501 | 2,525 |
| Inventory | 1,145 | 927 | 1,041 | 1,070 | 1,113 |
| Other Curr. Asset | 477 | 363 | 369 | 375 | 382 |
| Fixed assets - Net | 3,029 | 4,584 | 4,791 | 5,234 | 5,681 |
| Other non-curr.asset | 5,905 | 5,970 | 11,290 | 11,282 | 11,191 |
| Total asset | 17,541 | 17,884 | 26,674 | 28,719 | 30,973 |
| ST Debt | 610 | 967 | 0 | 0 | 0 |
| Payables | 1,160 | 723 | 739 | 780 | 839 |
| Other Curr. Liabilities | 920 | 1,175 | 1,227 | 1,209 | 1,174 |
| Long Term Debt | 2,113 | 2,098 | 0 | 0 | 0 |
| Other LT. Liabilities | 473 | 522 | 522 | 522 | 522 |
| Total Liabilities | 5,275 | 5,485 | 2,489 | 2,512 | 2,535 |
| Shareholder's Funds | 9,876 | 10,688 | 20,001 | 21,306 | 23,185 |
| Minority interests | 2,389 | 1,711 | 4,185 | 4,901 | 5,253 |
| Total Equity & Liabilities | 17,541 | 17,884 | 26,674 | 28,719 | 30,973 |

Exhibit 7. Cash Flow

| Year to 31 Dec (IDRbn) | 2019A | 2020A | 2021F | 2022F | 2023F |
|----------------------------|----------------|----------------|--------------|--------------|--------------|
| Net income | (1,516) | 2,058 | 882 | 1,305 | 1,879 |
| Depreciation and Amort. | 143 | 199 | 218 | 229 | 232 |
| Change in Working Capital | 236 | (291) | (136) | (21) | (43) |
| Other Oper. Cash Flow | 1,096 | 948 | 577 | 417 | 291 |
| Operating Cash Flow | (41) | 2,914 | 1,541 | 1,931 | 2,359 |
| Capex | (804) | (1,853) | (601) | (839) | (847) |
| Others Inv. Cash Flow | 1,249 | 1,019 | (229) | (103) | 202 |
| Investing Cash Flow | 446 | (834) | (830) | (941) | (645) |
| Net change in debt | 872 | 358 | (3,041) | 0 | 0 |
| New Capital | 12 | 13 | 9,431 | 0 | 0 |
| Dividend payment | (320) | (4) | 0 | (98) | (183) |
| Other Fin. Cash Flow | (3,227) | (3,283) | 1,005 | 375 | 0 |
| Financing Cash Flow | (2,663) | (2,916) | 7,395 | 277 | (183) |
| Net Change in Cash | (2,258) | (836) | 8,106 | 1,267 | 1,531 |
| Cash - begin of the year | 4,624 | 3,315 | 2,695 | 5,642 | 7,202 |
| Cash - end of the year | 3,315 | 2,695 | 5,642 | 7,202 | 9,027 |

Exhibit 8. Key Ratios

| Year to 31 Dec | 2019A | 2020A | 2021F | 2022F | 2023F |
|--------------------------|---------|---------|--------|-------|-------|
| Growth (%) | | | | | |
| Sales | 23.1 | 8.2 | 11.9 | 9.3 | 10.5 |
| EBITDA | 218.3 | 22.8 | 43.3 | 13.9 | 16.8 |
| Operating profit | (895.0) | 41.5 | 50.4 | 17.7 | 20.7 |
| Net profit | (42.2) | (235.8) | (57.1) | 47.9 | 43.9 |
| Profitability (%) | | | | | |
| Gross margin | 25.0 | 24.2 | 28.9 | 29.6 | 30.0 |
| EBITDA margin | 12.2 | 13.8 | 17.7 | 18.4 | 19.5 |
| Operating margin | 7.8 | 10.3 | 13.8 | 14.9 | 16.2 |
| Net margin | (13.7) | 17.2 | 6.6 | 8.9 | 11.7 |
| ROAA | (8.2) | 11.6 | 4.0 | 4.7 | 6.3 |
| ROAE | (13.9) | 20.0 | 5.7 | 6.3 | 8.4 |
| Leverage | | | | | |
| Net Gearing (x) | 0.0 | 0.0 | (0.2) | (0.3) | (0.3) |
| Interest Coverage (x) | 21.9 | 24.1 | 19.8 | 0.0 | 0.0 |

Source : EMTK, Danareksa Estimates

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