Teknologi Karya Digital Nusa

Bloomberg: TRON.IJ | Reuters: TRON.JK

Technology Sector

3 August 2023

BUY (Initiation)

Target Price (IDR)	**550 (Initiation)**
Potential Upside (%)	**52.8**

Price Comparison

Cons. Target Price (IDR)	n.a
SSI vs. Cons. (%)	n.a

Stock Information

Last Price (IDR)	360
Shares Issued (Mn)	2,950
Market Cap. (IDR Bn)	1,062
52-Weeks High/Low (IDR)	368/190
3M Avg. Daily Value (IDR Bn)	11.5
Free Float (%)	19.8
Shareholder Structure:	
PT Daya Kemilau Nusantara Investama (%)	74.43
Eastern Ideal Holding (%)	5.65
Publik (%)	17.78

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	N/A	46.3	35.3	N/A
JCI Return	0.1	2.4	0.6	(2.7)
Relative	N/A	44.0	34.7	N/A

Stock Price & Volumes, 12M
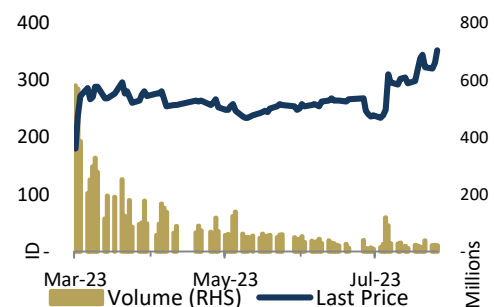
Company Background

PT Teknologi Karya Digital Nusa Tbk is a technology company committed to encouraging the construction and development of smart cities using integrated Internet of Things (IoT).

Muhammad Farras Farhan
+62 21 2854 8346
farras.farhan@samuel.co.id

Laurencia Hiemas
+62 21 2854 8392
laurencia.hiemas@samuel.co.id

Make Way….Smart City Coming Through

Smart city IoT as a specialty, with new initiatives on the horizon. TRON is a company focusing on developing smart cities using the Internet of Things (IoT) to ensure operational efficiency and excellence. Its flagship product, TKDN Advance Mobility Fleet (TAM Fleet), has been used by public bus operators in 13 cities in Indonesia. The product is bundled with an array of services, including a software-as-a-service (SaaS) platform that enables bus operators to monitor and pinpoint the most effective routes and reduce the risk of accidents. For information, TRON booked revenue of IDR 68 billion from its TAM Fleet product and IDR 39 billion from SaaS in FY22. This year, TRON is spreading its wings by venturing into intelligent traffic, parking, and port management; the company has signed an agreement to build a port management system in East Africa, which we believe can bolster its overall FY23F top-line to IDR 230 billion (+114% yoy) with a GPM of 26.9% GPM and an EBITDA margin of 25.2%.

Huge market to digest. At the moment, IoT is still relatively nascent in Indonesia; however, we believe that the industry will be a surprise contributor to internet GMV in the future. PwC & Nielsen has stated that the size of the Indonesian IoT market is projected to reach USD 12.24 billion in 2023, and this number will continue to grow at a 5-year CAGR of 14.98% to USD 24.6 billion in 2028. If we zoom in and look only at smart city IoT, in which TRON currently operates, the market size is projected to reach USD 960 million in FY23F and USD 1.8 billion in FY28F, reflecting a 5-year CAGR of 13.45%. We believe that with its new venture in port, parking, and intelligent traffic management system (ITCS), plus its close relationship with municipal and provincial governments, TRON can capture this market and be the market leader in the smart city IoT sector.

Strong financials to back up its growth. Going forward, we project TRON to book an EBITDA of IDR 58 billion in FY23F, reflecting an EBITDA margin of 25.2%. We believe that the number is achievable, given the size of the market and its capability to secure new contracts with other operators whilst maintaining its current clientele. We also project TRON to book a bottom line of IDR 34 billion in FY23F (EPS growth: +117% yoy) and IDR 59 billion in FY24F (EPS growth: +75% yoy), supported by its East Africa project. Also, TRON has low gearing with high returns, as reflected by its FY23F net gearing ratio (-0.2x) and ROAA (18%). However, TRON currently has long CCC (121 days), though we think this figure will be reduced throughout the years as TRON diversifies its clientele base to the private sector.

BUY, TP IDR 550. We initiate our coverage on TRON with a BUY recommendation and a DCF-based TP of IDR 550, implying an FY24F P/E of 27.1x (44% discount to global and regional peers). **Risks**: Relatively high turnover ratios, execution risk.

Forecasts and Valuations (at closing price IDR 360 per share)

Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR Bn)	46	108	230	467	662
EBITDA (IDR Bn)	14	28	58	116	173
EV/EBITDA(X)	72.5	37.7	17.3	9.0	6.1
Net Profit (IDR Bn)	7	15	34	59	88
EPS (IDR)	2	5	12	20	30
EPS Growth (%)	360	132	117	75	49
P/E Ratio (x)	156.3	67.4	31.1	17.7	11.9
BVPS (IDR)	10	22	80	100	130
P/BV Ratio (x)	36.5	16.7	4.5	3.6	2.8
DPS (IDR)	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-
ROAE(%)	28%	34%	23%	23%	26%
ROAA (%)	16%	22%	18%	17%	19%
Interest Coverage (x)	14.6	33.2	22.4	24.8	27.8
Net Gearing (x)	(0.2)	(0.0)	(0.2)	(0.0)	0.0

Key Investment Risks and Opportunities

There are several opportunities and risks that investors should be aware of before investing in TRON, including:

Key Investment Opportunities

1) **Leader in smart city IoT development with integrated products:** TRON is the leader of the Indonesian smart city market, with 13 cities across Indonesia using its products and services. Through its IoT Smart Bus TAM Fleet and Transit Management Solution (TMS), TRON is able to secure smart public transport development contracts from various provincial and municipal governments.

2) **Huge addressable market:** PwC & Nielsen projects that the size of the Indonesian IoT market will reach USD 12.24 billion in 2023 and USD 24.6 billion in 2028 (5-year CAGR: 14.98%). If we take a look at smart city alone, the projected market size is USD 960 million in 2023 and USD 1.8 billion in 2028 (5-year CAGR: 13.45%; 7.8% of the total IoT market). At the moment, smart city development in Indonesia is still in the early stage, focusing mainly on public transport and intelligent traffic management system.

3) **B2G model backed with strong financials:** TRON implements a B2G business model, which enables the company to gain stable, steady revenue. Also, TRON's contracts allow the company to sell additional services to complement its TAM Fleet product, including its software as a service (SaaS) product. This enables TRON to generate stable cash flow for the foreseeable future.

Key Investment Risks

1) **Relatively long receivable days:** Due to its B2G nature, TRON relies heavily on provincial and municipal government budgets, with relatively long cash disbursement process. On average, TRON's receivable days came in at 81 days, which, combined with other metrics, gives the company a long cash conversion cycle of 121 days in FY23F.

2) **Heavily reliant on government contracts:** Another risk arising from its B2G nature is that TRON is heavily reliant on government contracts, which have considerable political risk.

3) **Growth relies on new contracts:** TRON's growth is heavily reliant on new contracts or new customers. Assuming the company fails to secure both, its growth will stagnate due to its recurring income model.

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Valuation

To determine our valuation of TRON, we used a 10-year DCF method with the following assumptions: WACC of 15.9% and terminal growth of 3%. Another factor affecting our valuation is the company's Capex; as the company plans for more expansions, it has a relatively high average capex-to-revenue ratio of 14%. Our calculation produced a fair value of IDR 1.6 trillion, equivalent to a TP of IDR 550/share. Our valuation implies 27.1x FY24F P/E, 44% discount to global and regional peers operating similar smart city IoT businesses.

Figure 1. TRON DCF Valuation

Assumption	2024	2025	2026	2027	2028
EBIT	83	123	183	267	347
EBIT (1-T)	75	111	164	240	313
D&A	33	50	75	107	147
Chg. In WC	(10)	(10)	(31)	(38)	(26)
Capex	(127)	(140)	(201)	(259)	(332)
Net FCF	(29)	11	8	50	102
Terminal Value					
Discount Factor	0.86	0.75	0.65	0.56	0.48
PV of FCFF	(25)	8	5	28	49

Assumption	2029	2030	2031	2032	2033	Terminal Value
EBIT	452	582	652	733	821	
EBIT (1-T)	407	524	587	659	739	
D&A	199	265	338	420	511	
Chg. In WC	(28)	(26)	10	15	24	
Capex	(425)	(542)	(604)	(674)	(742)	
Net FCF	153	220	331	421	531	
Terminal Value						4,299
Discount Factor	0.42	0.36	0.31	0.27	0.23	0.23
PV of FCFF	64	79	103	113	123	998

Source: Bloomberg, SSI Research.

Figure 2. Peers Comparison

Ticker	Company	Market Cap (USDmn)	P/E 2023	P/E 2024	EV/EBITDA 2023	EV/EBITDA 2024	PEG 2023	PEG 2024	ROA 2023	ROA 2024	ROE 2023	ROE 2024	EPS Growth 2023	EPS Growth 2024
TRON IJ Equity	**PT Teknologi Karya Digital Nusa Tbk.**	**71**	**31.1**	**17.7**	**17.3**	**9.0**	**0.3**	**0.2**	**17.8**	**16.9**	**22.9**	**22.6**	**116.8**	**75.4**
IOT US Equity	Samsara Inc.	14,513	-	146.8	-	713.3	-	-	-15.5	-1.4	-25.7	-1.5	30.3	21.2
PTC US Equity	PTC	17,340	34.2	29.0	27.7	23.5	2.0	1.7	5.9	6.3	13.7	20.6	-38.5	-27.0
DGII US Equity	Digi International	1,540	23.3	19.7	-	-	2.3	1.9	3.1	-	5.4	-	129.5	13.6
PI US Equity	Impinj Inc.	1,763	144.3	58.9	-	-	-	-	-5.3	-	-	-	73.2	51.2
VATE US Equity	INNOVATIVE Corp	18,131	13.6	12.5	9.1	8.7	1.4	1.3	12.8	13.4	20.4	21.8	-18.8	-13.2
KORE US Equity	KORE	108	-	-	8.2	6.7	-	-	-15.3	-	-50.7	-24.3	-203.4	-142.4
VIOT US Equity	Viomi Technology	70	-	-	-	-	-	-	-8.8	-	-17.9	-	-48.9	-34.2
ARLO US Equity	Arlo Technologies	1,037	55.1	33.5	49.0	33.3	-	-	-21.9	-	-62.9	-	-16.0	-11.2
TUYA US Equity	Tuya Inc.	967	-	-	-	-	-	-	-12.7	-1.3	-14.1	-4.0	40.9	28.6
CMCM US Equity	Cheetah Mobile	72	-	-	-	-	-	-	-6.6	-	-10.0	-	-	-
600718 CH Equity	Neusoft	1,728	36.7	23.1	-	-	-	-	-1.7	1.6	-3.3	3.6	-	-
300496 CH Equity	Thunder Software Technology	6,302	42.0	31.9	33.7	25.5	1.7	1.3	8.6	8.2	10.8	10.0	12.8	8.9
600410 CH Equity	Beijing Teamsun Technology Co Ltd	1,104	-	-	-	-	-	-	-1.7	-	-3.3	-	-512.3	-358.6
603528 CH Equity	Duolun Technology Corp Ltd	716	-	-	-	-	-	-	1.7	-	3.1	-	-	-
300687 CH Equity	Guangzhou SiE Consulting Co Ltd	1,369	28.7	21.3	-	-	-	-	6.9	9.5	9.5	13.4	-4.2	-2.9
002777 CH Equity	Sichuan Jiuyuan Yinhai Software Co Ltd	1,691	48.1	37.7	-	-	-	-	7.7	-	12.4	14.5	-15.6	-10.9
	Average		23.9	49.1	13.3	162.4	1.1	0.9	2.0	5.8	3.7	12.2	-11.1	-9.5

Source: Bloomberg, SSI Research.

Industry Overview

Based on data from PwC & Nielsen, the Indonesian IoT market is projected to generate USD 20 billion in revenue in 2026, implying a +67% growth in three years. Furthermore, Indonesia accounts for 21% of the Southeast Asian IoT market. These prove that IoT is an attractive sector to invest in, with massive growth potential.

Figure 3. IoT Market Size (USD billion)

	2022	2023F	2024F	2025F	2026F
■ Indonesia	10	12	15	17	20
■ Malaysia	5	7	8	9	10
■ India	21	27	33	39	46
■ China	119	147	175	204	233
■ Southeast Asia	48	59	70	81	93
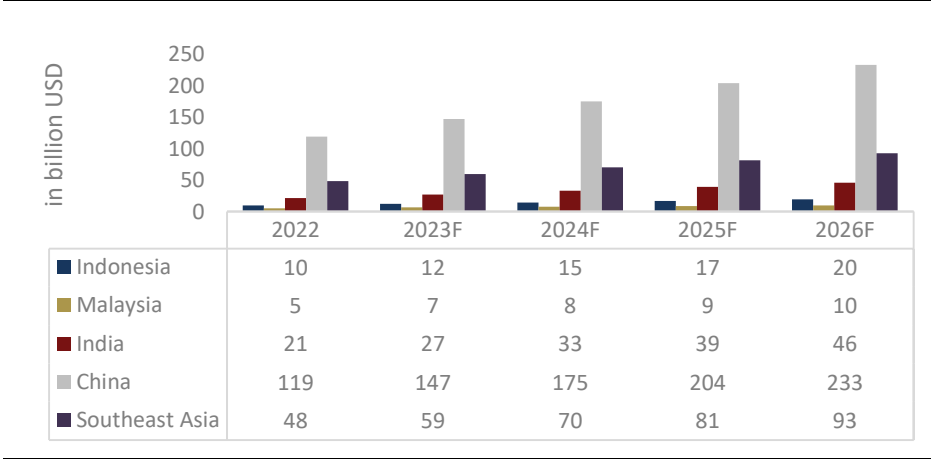
Source: PwC & Nielsen, SSI Research

In 2023, automotive sector is the sector that most actively uses IoT in Indonesia (31% of the market), followed by industrial (29%), and consumer (16%). Automotive IoT plays a huge role in smart city development, as the technology is essential to build smart public transport infrastructure.

Figure 4. IoT Market Segments in Indonesia (USD billion)
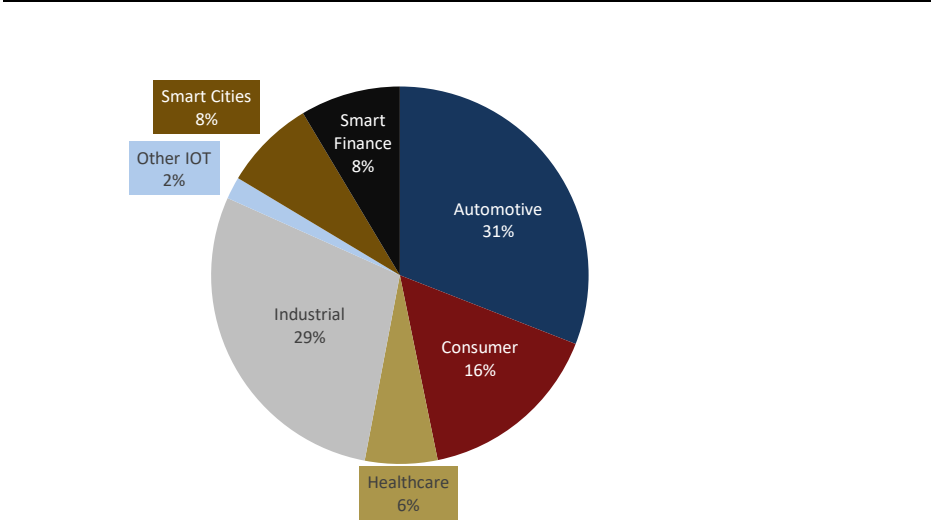
Source: PwC & Nielsen, SSI Research

PwC & Nielsen also predicts that Indonesia's automotive IoT industry will generate USD 7 million of revenue in 2026, equivalent to 18.42% of its revenue potential in Southeast Asia. This shows the tremendous growth potential of the automotive IoT industry, which still needs further development.
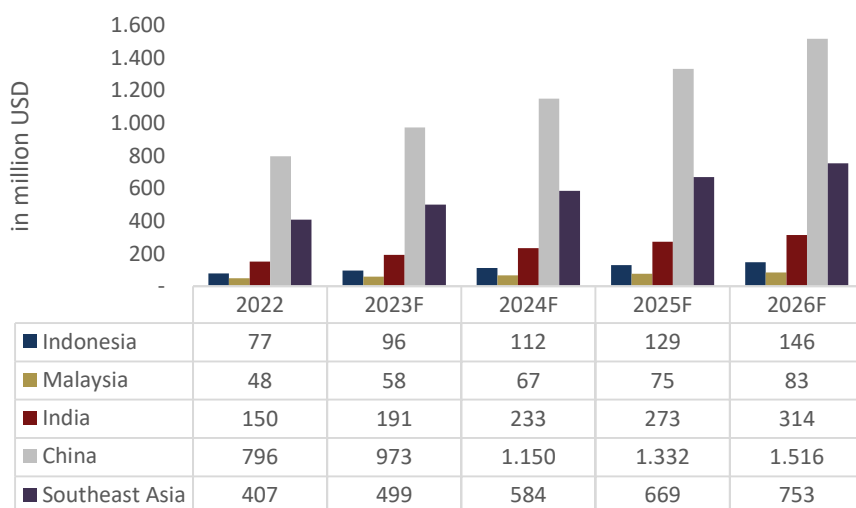
Figure 5. Automotive IoT Revenue (USD billion)

	2022	2023F	2024F	2025F	2026F
■ Indonesia	3	4	5	6	7
■ Malaysia	2	2	3	3	4
■ India	6	8	11	13	16
■ China	32	43	54	65	76
■ Southeast Asia	16	21	27	32	38
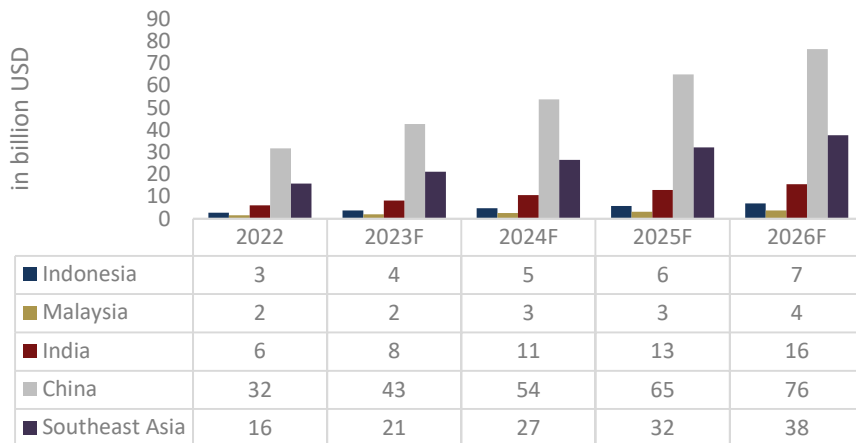
Source: PwC & Nielsen, SSI Research

Regarding smart cities, the Indonesian market is projected to generate USD 146 million in revenue in 2026, implying a +48% growth in three years (to note, Indonesia accounts for 19.38% of the Southeast Asian smart city market). 'Smart city' is currently being developed in Tier-1 Indonesian cities (Jabodetabek, Bandung, Surabaya, etc), especially to improve and integrate various public transport modes in those cities. Soon, smart city developers will have another huge opportunity to capture: the new capital city of Indonesia (IKN).

Figure 6. Revenue from Smart Cities (USD billion)

	2022	2023F	2024F	2025F	2026F
■ Indonesia	77	96	112	129	146
■ Malaysia	48	58	67	75	83
■ India	150	191	233	273	314
■ China	796	973	1.150	1.332	1.516
■ Southeast Asia	407	499	584	669	753

Source: PwC & Nielsen, SSI Research

At the moment, the quality of Indonesian smart cities is still relatively low; according to the 2023 Smart City Index (SCI) from The Smart City Observatory by IMD World Competitiveness Center, only three Indonesian cities are included in the 141 cities listed: Jakarta (102nd), Medan (112th), and Makassar (114th). In contrast, China has ten smart cities on the list, same as the United States.

Figure 7. Smart City Ranking (SCI)

	Ranking (out of 141)	Smart City Ranking	Structures	Technology
Jakarta	102	CC	CC	CC
Medan	112	CC	CC	CC
Makassar	114	CC	CC	CC
Beijing	82	BB	BB	BB
Kuala Lumpur	89	CCC	B	CCC

*Cities are assigned a 'rating scale' (AAA to D) based on the perceptions-score of a given city compared to the scores of all other cities within the same group.

Source: Smart City Observatory 2023, SSI Research

The low rank is caused by several factors, including the problems surrounding public transport and traffic system. This presents a huge opportunity for smart city developers to develop a better, more efficient smart public transport and traffic system in Indonesia.

Figure 8. Mobility Measurement (# of 100)

	Jakarta	Medan	Makassar	Beijing	Kuala Lumpur
Car-sharing Apps have reduced congestion	63.2	59.7	54.8	60.8	68.3
Apps that direct you to an available parking space have reduced journey time	63	55	51.2	50.8	79.6
Bicycle hiring has reduced congestion	62.8	52.3	46.6	49.4	81.7
Online scheduling and ticket sales has made public transpor easier to use	81.6	75.9	71.9	74.8	87.7
The city provide information on traffic congestio through mobile phones	75.5	71.8	59.3	69.8	86.7
Traffic congestion is not a problem	18.2	32	36.6	21	35.4
Public transport is satisfactory	60.9	54.3	57.9	69.4	67.2

Source: IMD Smart City Index Report 2023, SSI Research

Another problem with smart city development is how to develop relevant applications to make a city a 'good' smart city. According to McKinsey's report on Smart Cities in Southeast Asia (2018), there are several smart applications that should be utilized to support mobility in smart cities by 2025.

Figure 9. Smart applications in mobility

Mobility	Indonesia	Malaysia	India	China
Traffic command and control centres	Done	Done	Done	Done
Intelligent traffic lights	Done	Done	Done	Done
Real-time road navigation	Done	Done	Done	Done
Dynamic smart parking	Done	Done	Done	Done
Dynamic congestion pricing	Not Yet	Not Yet	Not Yet	Not Yet
Public transit information and management	Done	Done	Done	Done
Car and bike sharing	Done	Done	Done	Done
E-hailing	Done	Done	Done	Done
Mobility as a service	Done	Done	Not yet	Done
Demand based microtransit	Done	Done	Done	Done
Digital public transit payment	Done	Done	Done	Done
Dynamic speed limit	Not yet	Not yet	Not yet	Not yet
Predictive maintanance	Done	Done	Done	Done
Shared autonomous driving	Not yet	Not yet	Not yet	Done

Source: McKinsey Smart Cities in Southeast Asia 2018, SSI Research

The Ministry of Communication and Information Technology, Ministry of Home Affairs, Ministry of Public Works and Public Housing, National Development Planning Agency (Bappenas), and the Presidential Staff Office have been collaborating since 2017 to guide 100 cities to become smart cities, with a program called "100 Smart City". In 2021, the program focused on developing ten priority tourism destinations and the New Capital City (IKN) to ensure that these regions are livable and are able to support the government's program. The specific initiatives include:

1. Development of smart city master plans for 48 cities/districts located in priority tourism destinations and IKN.
2. Preparations to execute smart city master plans for the priority tourism destinations and IKN.

Former Minister of Communication and Information Technology (Menkominfo), Rudiantara (2014-2019) stated that only 20% of the regional budget allocation (APBD) can be used to support smart city initiatives. Referring to the 2023 State Budget, the budget for regional spending is set at IDR 1,278 trillion. Therefore, the estimated maximum budget for smart city development is IDR 255.6 trillion for 98 cities in Indonesia. Additionally, the budget for the development of the Intelligent Transportation System (ITS) in IKN in 2022 was set at IDR 586.2 billion. These numbers show the huge market that Indonesian smart city developers can compete for.

Business Overview & Outlook

TRON is currently focusing on delivering its flagship IoT Smart Bus TAM Fleet and its software-as-a-service products. The basic premise of the business is to work with municipal or provincial governments that operate their own public transport system. TRON will offer its TAM Fleet product, which incorporates AI and big data, to conduct behavioral and traffic analysis, which will help bus drivers to pick the most efficient route and reduce the risk of accidents. In total, TAM Fleet has 18 features and items, including GPS tracking, fireproof blackbox, advanced driver assistance, and blind spot camera.

In essence, TRON operates four core businesses:

1. Other computer programming
2. AI-based programming
3. IoT Consulting and Design
4. Computer consulting and management of other computer facilities

Figure 10. TRON's Business Lines

Segments	Business Line	Products/Services	Sales Nature
IoT as a Service	IoT and telematic smart bus	TAM Fleet Solution	Project fees & product sales
	Software as a Service (SaaS)	Transport Management Solution	Recurring based on a subsciption model
		Smart Parking Solution	
		Project Management Solution	
		Integrated Educational System	
Smart City Solution	Transportation Payment Solution	Tap on Bus	Project fees & product sales
	Business Process Outsourcing	Smart Command Center	
		Public Transport Operator	

Source: Company

The company offers various Internet of Things (IoT) products, equipped with artificial intelligence (AI) technology, to monitor driver behavior & identification and carry out road sensing with an accuracy rate of up to 95%, which can help reduce the risk of traffic accidents. One of these is the TAM Fleet Solution (IoT Smart Bus System Integrator), a fleet security and monitoring technology that aims to improve service quality and maximize the operational efficiency of public buses. Other items in TAM Fleet include the Driver Monitoring System (DSM) and Advanced Driver Assistance Systems (ADAS), which can verify identity, analyze driver behavior, carry out road monitoring and act as alarm sensors. In addition, TAM Fleet also includes CCTV camera devices and automatic passenger counting sensors (APC).

At the moment, TRON is executing a three-phased business development plan. The first one focuses on IoT-equipped smart public buses, autonomous vehicles, fleet management, and account-based ticketing system, which are essential in the development of end-to-end services for a smart city, as stated in the McKinsey report. The second one focuses on tourism-related solutions, smart street lighting, and intelligent traffic control system (ITCS); TRON is currently developing those items, with plans to launch in 2023. The third one focuses on expansion into multi-lane free flow and port management system; as a start, TRON will develop a port management system in East Africa, which is expected to become a 'proof of concept' for future developments. These three phases present a clear picture of how big the market there is for TRON to take and its massive growth potential.

Figure 11. TRON's Business Development Phases

Source: Company

TRON has no close competitor engaging in smart city IoT development. Most tech companies in Indonesia either only provide hardware (like TransTRACK), SaaS (like McEasy), or payment gateway (like OVO, Dana, Flip, etc), and not all of them. To note, these three businesses have low entry barriers and low customer stickiness. However, since TRON engages in smart city IoT development, and its clientele are public transport operators and other businesses involved in transportation, TRON's competitors have to face high entry barriers due to the large demand for scalability, and TRON has high customer stickiness due to its B2G and B2B nature.

Figure 12. Competitive Landscape

Source: Company

Figure 13. TAM Fleet Product Items

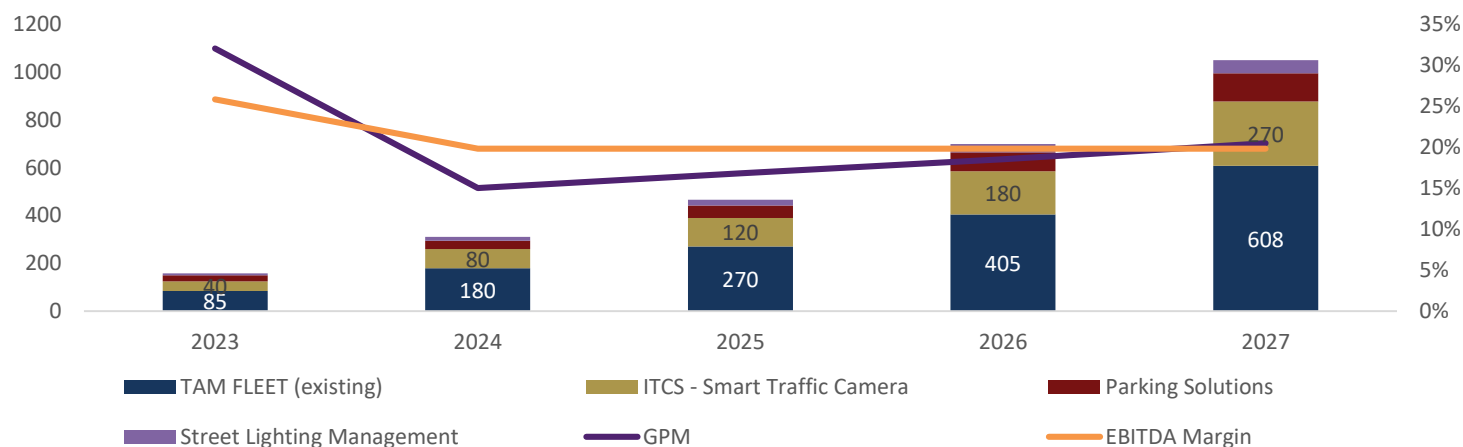*Source: Company*

Figure 14. TAM Fleet in a Bus

Source: Company

As part of its business expansion efforts, TRON plans to develop and introduce a customized version of TAM Fleet for smart traffic camera, parking solutions, street lighting management system, and much more, which will enable the company to provide integrated services tailored to support smart city development. With its existing partnership with thirteen cities in Indonesia and more to come, we are confident TRON will be able to book revenue of IDR 208 billion (+204% yoy) in FY23F, with a GPM of 26% and an EBITDA margin of 20%.

Figure 15. TAM Fleet Revenue and Margins

Source: Company

Aside from TAM Fleet, TRON also offers its SaaS to customers, which could be used to support TAM Fleet. TRON's SaaS incorporate big data to analyze patterns and behavior of passengers and buses and give valuable insight regarding operational management. The SaaS uses a special algorithm that enables TAM Fleet to calculate and optimize the best routes. Also, the software can be used to provide intelligent traffic management and parking management systems, with smart parking and cashless payments. TRON has also developed its own SaaS enterprise resource planning tailored for businesses and individuals, allowing users to monitor operational performance in real-time. In selling its SaaS, TRON uses a monthly subscription-based model, giving the company monthly recurring income. We project the growth of TRON's SaaS revenue to be relatively in-line with its TAM Fleet revenue (given the fact that both are usually offered as a bundle), with FY23F revenue projection of IDR 22 billion, a GPM of 32% and an EBITDA margin of 20%. This year, TRON is entering new waters after signing an agreement to develop a port management system in East Africa through their subsidiary (in which TRON hold a 99% stake). The new business line is projected to generate IDR 75 billion of revenue in FY23F (22% of TRON's total projected revenue and 24% of its product sales revenue), with a rather modest GPM of 15%.

Figure 16. SaaS Revenue and Margins
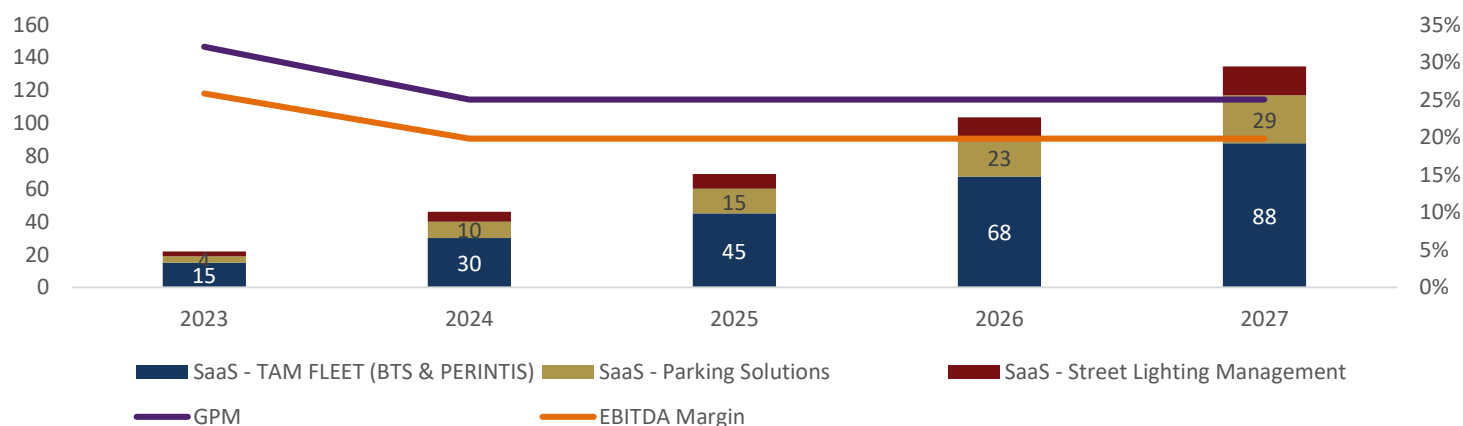
Source: Company, SSI Research

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Financial Overview

We project TRON to book revenue growth of +114% YoY in FY23F (to IDR 230 billion) & +103% YoY in FY24F (to IDR 467 billion), supported by its new initiative (port management system in East Africa, which will serve as the bedrock for future port management projects with other parties). We expect TAM Fleet to remain the primary contributor to TRON's revenue, contributing 90.4% & 90.2% of TRON's revenue in FY23F & FY24F. However, given the low-margin nature of its port management system business (projected FY23F GPM: 15%), we project TRON's margins to decline a bit, with our GPM and EBITDA margin projections coming in at 26.9% and 25.1% (FY23F) and 27% & 25% (FY24F].

Figure 17. TRON's Revenue Mix
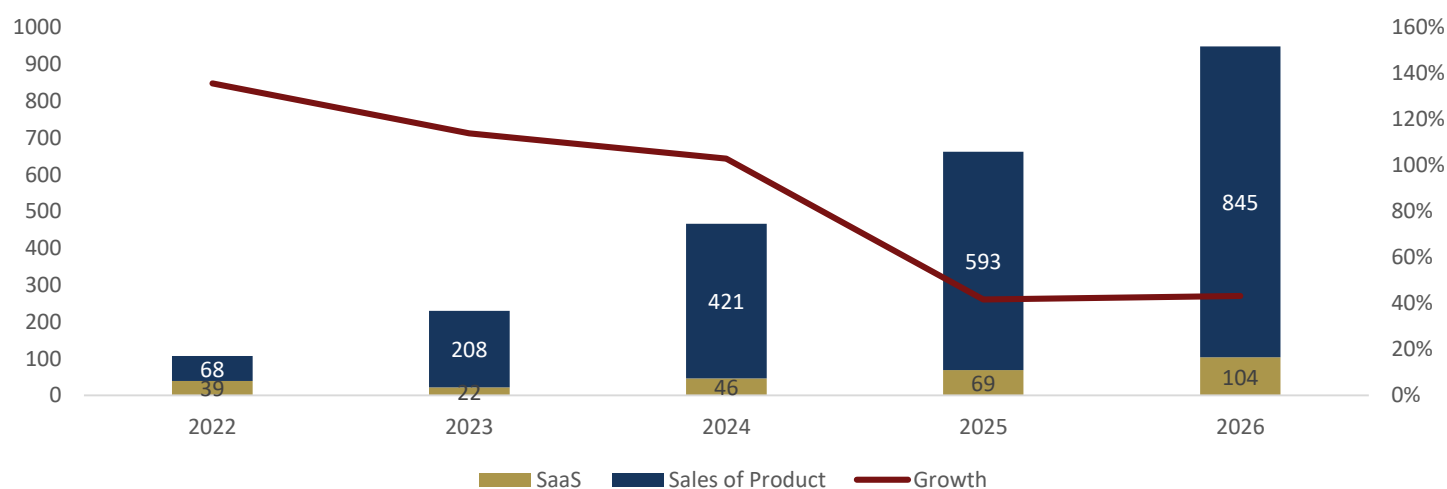
Source: SSI Research

Regarding its EBITDA, we project TRON to book EBITDA growth of +108% YoY (to IDR 58 billion) and +101% YoY (to IDR 116 billion) in FY23F and FY24F, implying EBITDA margins of 25.1% and 25%. On its bottom line, we forecast TRON to post a net profit of IDR 34 billion in FY23F and IDR 59 billion in FY24F, reflecting EPS growth of +117% YoY & +75% YoY. It is worth mentioning that TRON's margins might see some decline in FY23F and FY24F as its East Africa port management system project comes in full swing.

Figure 18. EBITDA and EPS Growth
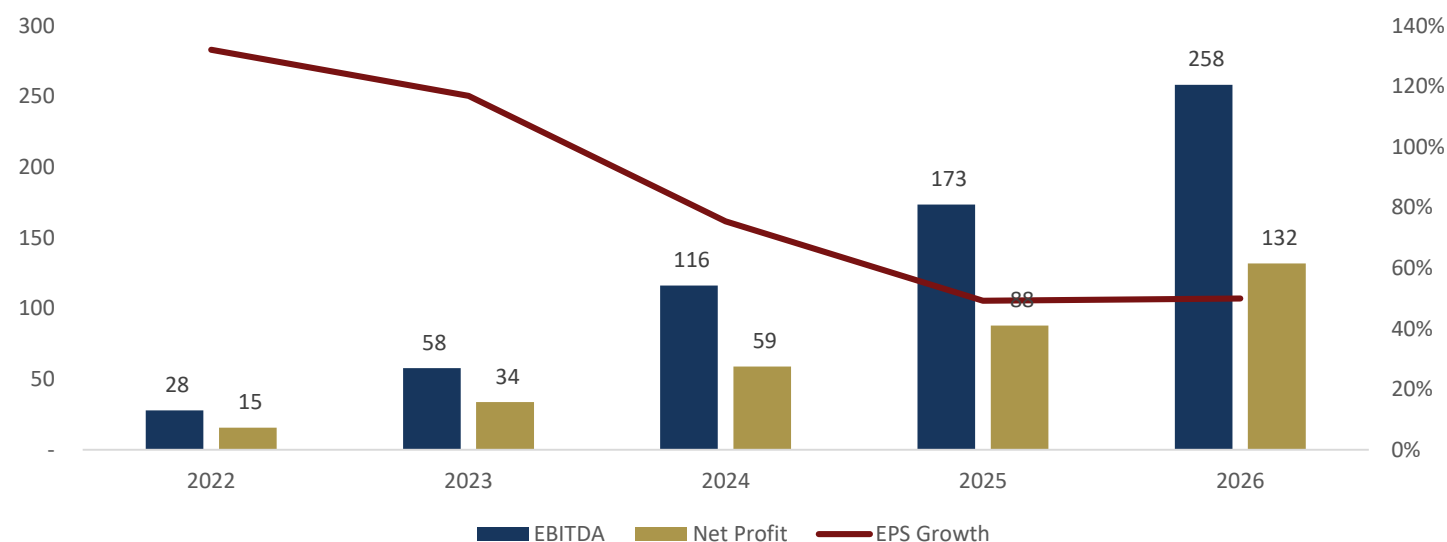
Source: SSI Research

It is also worth noting that TRON has relatively long receivable days (4-year average: 167 days), mainly due to its B2G business model, 'forcing' the company to wait for the long, bureaucratic cash disbursement process to be completed. Going forward, we believe TRON's receivable days will be much shorter, since the company is now targeting the private sector and thus may receive cash payments much sooner, which should help shorten its cash conversion cycle. We project TRON to book a cash conversion cycle of 121 days in FY23F before dropping to 54 days in FY24F, supported by its efforts to scale up and expand its customer portfolio to the private sector.

**Figure 19. TRON's Activity Ratios**
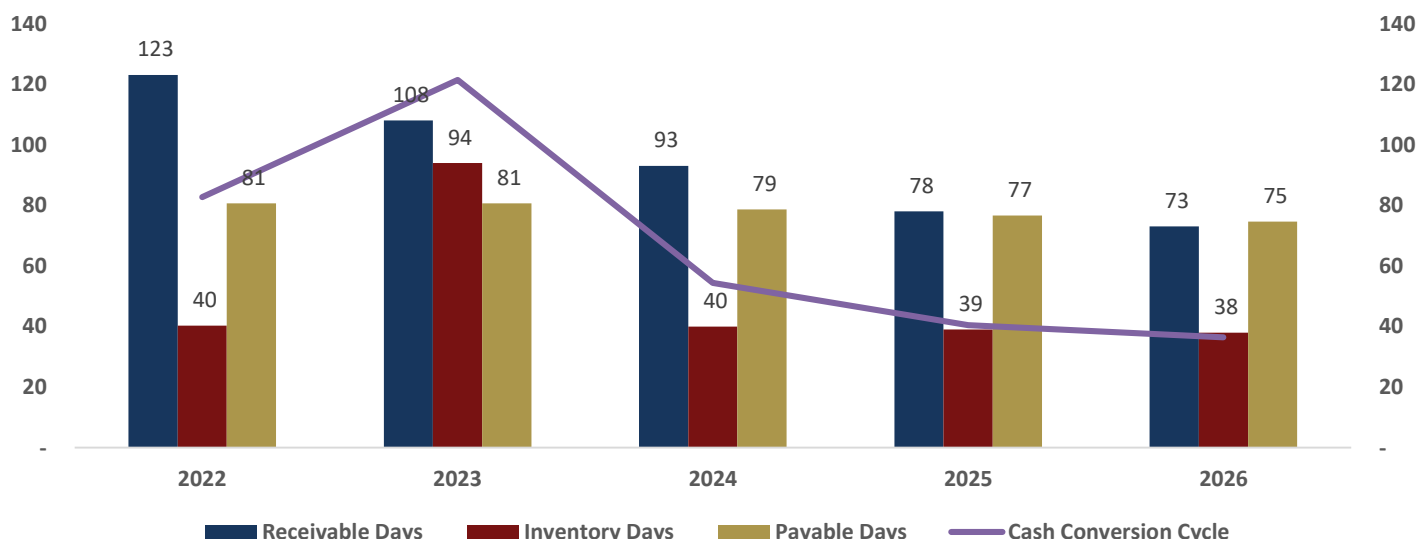
Source: SSI Research

At the moment, TRON operates as a net cash company with a negative net gearing ratio (-0.01x in FY22). We think TRON can retain its net cash company status through the end of the year thanks to its IPO proceeds, though this might not be the case next year as TRON prepares for further expansions that require additional financing. What's interesting about TRON's balance sheet is the fact that its long-term assets comprise mostly of intangible assets, although the company has stated that some of its IPO proceeds will be used to purchase buildings and other assets to support its business, which can bolster its ROAE and ROAA to 23% and 18% in FY23F & FY24F respectively.
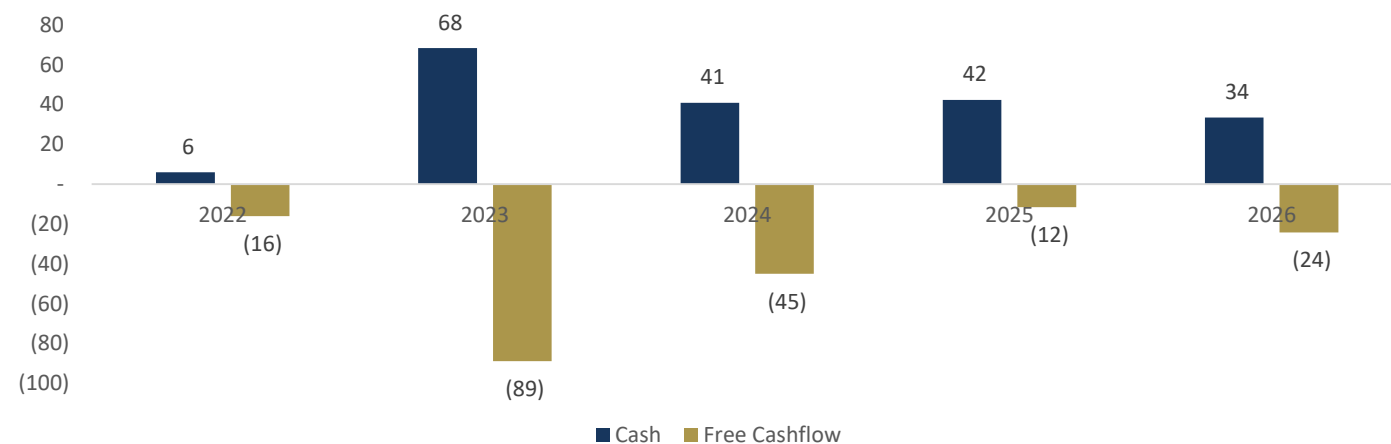
Figure 20. Debt Level & Net Gearing
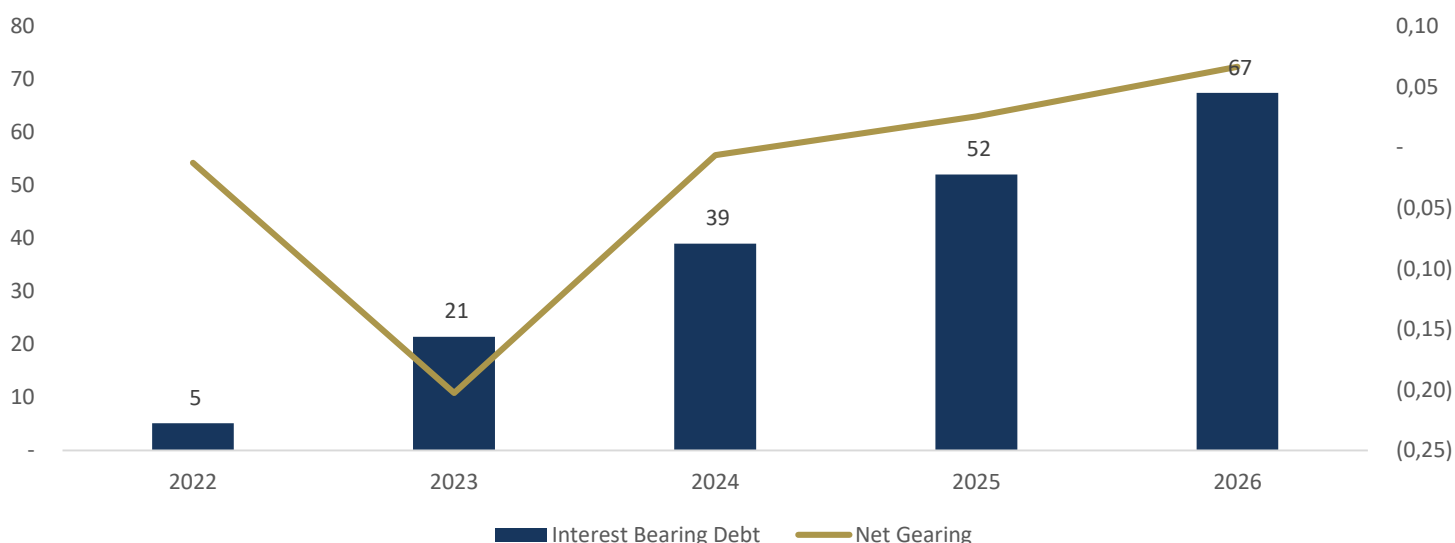
Source: SSI Research
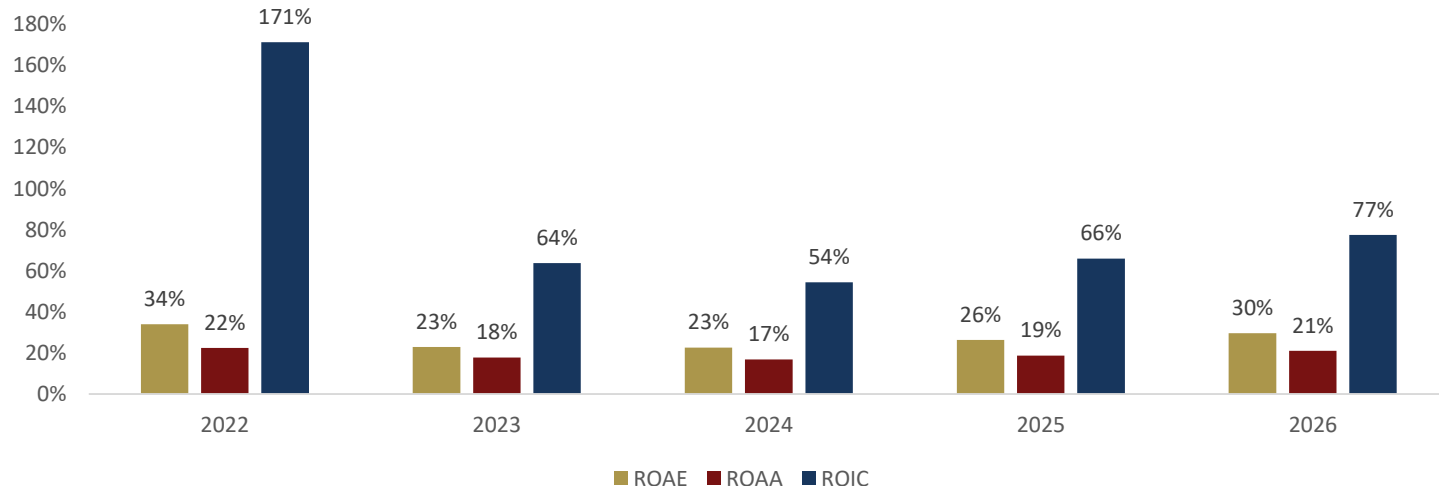
Figure 21. TRON's Margins
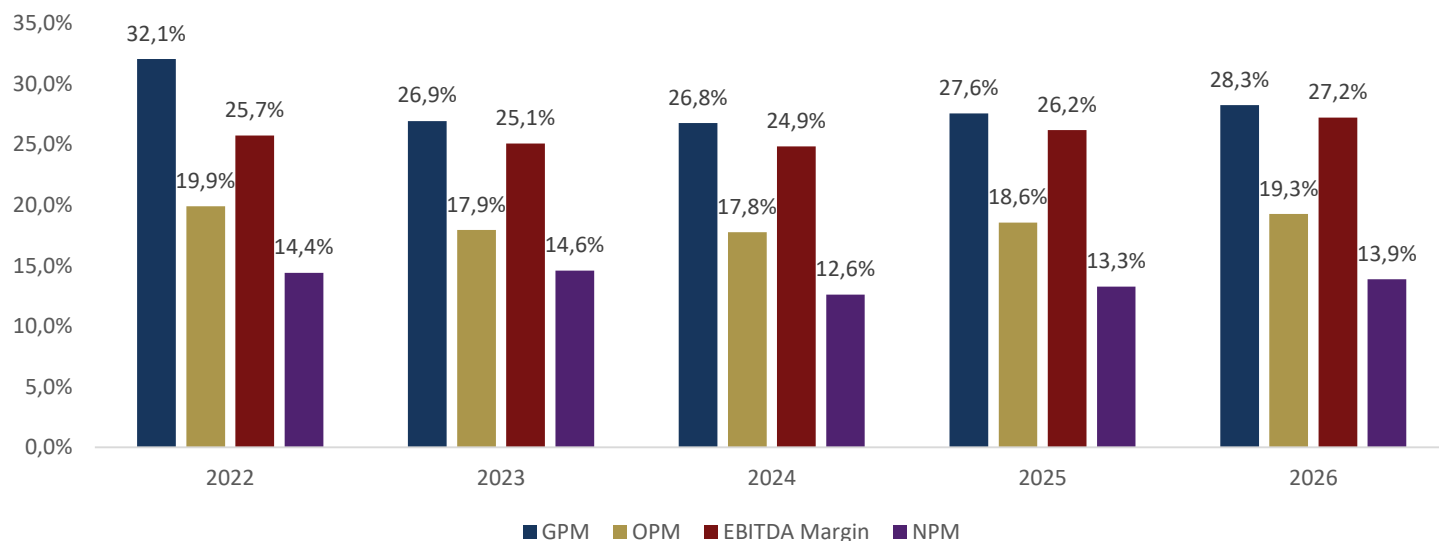
Source: SSI Research

Figure 22. Cash Level and Free Cashflow

Source: SSI Research

Figure 23. ROE, ROA, & ROIC Metrics

*Source: SSI Research*

Company Overview

Founded on January 7, 2011, Teknologi Karya Digital Nusa (TRON) focuses on Computer Programming, Artificial Intelligence-Based Programming, and Internet Of Things (IoT) Consulting and Design. In early 2023, TRON went public by releasing 750 million shares to the public (valuation : IDR 522 billion). The company provides service system solutions for its clients by incorporating the latest technology out there. TRON has developed into the first and only Indonesian IT-based company that focuses its business on Intelligent Transport System that can be used for both passenger and goods transportation. In addition, the company also provides technology to support supply chain of goods.

Figure 24. TRON's Shareholders

No	Name	Number of Shares	Ownership
1	PT Daya Kemilau Nusantara Investama	2,195,600,000	74%
2	David Santoso	3,168,000	0%
3	Rudy Budiman Setiawan	1,232,000	0%
4	Public	524,468,500	18%
5	Eastern Ideal Holding Ltd.	166,666,000	6%
6	Others	58,865,500	2%
	Total	2,950,000,000	100%

Source: Company

Figure 25. TRON's Corporate Structure
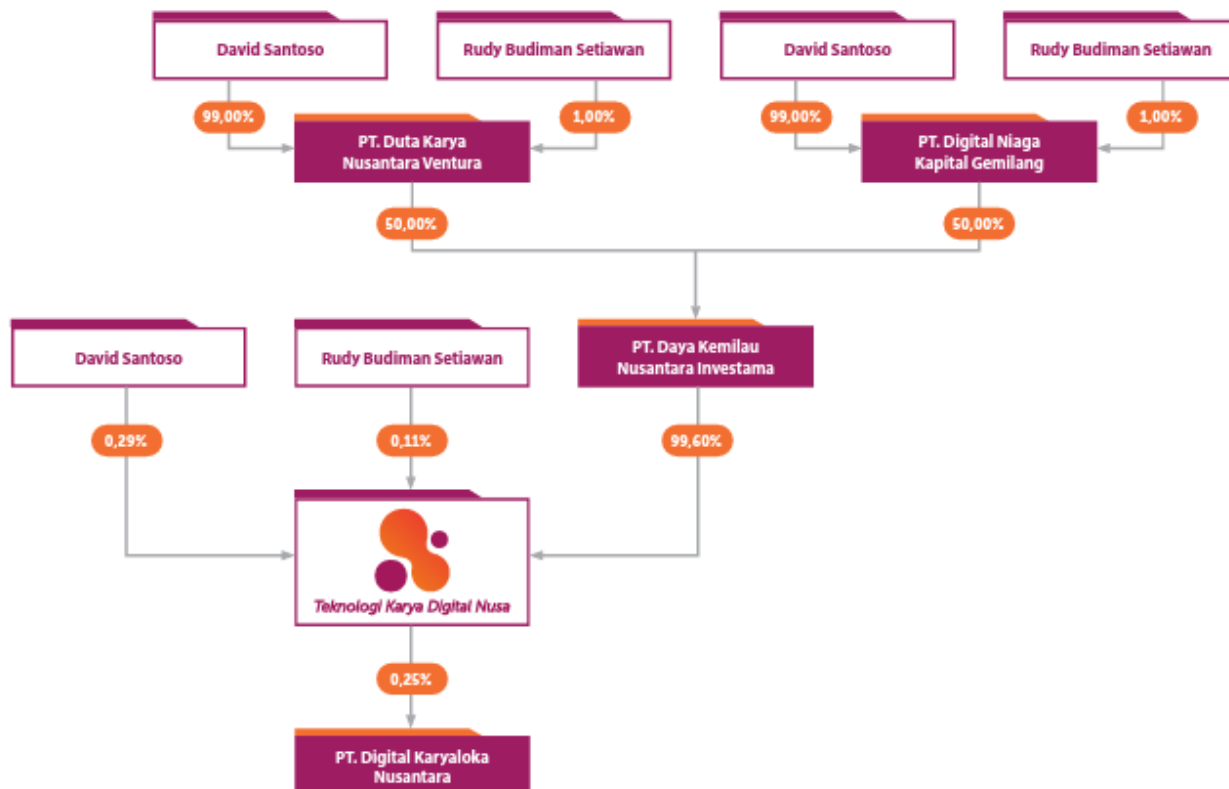
Source: Company

Management

Figure 26. TRON's Board of Directors & Board of Commissioners

Source: Company

Key Financial Figures

Profit and Loss

Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Revenues	46	108	230	467	662
Cost of Revenues	(30)	(73)	(168)	(342)	(479)
Gross Profit/Loss	**15**	**34**	**62**	**125**	**183**
SGA Expense	(5)	(13)	(21)	(42)	(60)
Operating Profit/Loss	**10**	**21**	**41**	**83**	**123**
EBITDA	14	28	58	116	173
Finance Income	-	-	-	-	1
Finance Expenses	(1)	(1)	(3)	(5)	(6)
Pre-tax Profit/Loss	**9**	**20**	**37**	**76**	**113**
Income Tax	(2)	(4)	(4)	(17)	(25)
Profit/Loss for Period	**7**	**15**	**34**	**59**	**88**
Minority Interest	-	-	-	-	-
Net Profit	**7**	**15**	**34**	**59**	**88**

Cash Flow

Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Net Profit	7	15	34	59	88
D&A	4	6	16	33	50
Changes in Working Capital	(9)	(19)	(49)	(10)	(10)
Operating Cash Flow	**9**	**(1)**	**1**	**82**	**128**
Capital Expenditure	(3)	(15)	(90)	(127)	(140)
Others	1	1	-	-	-
Investing Cash Flow	**(2)**	**(14)**	**(90)**	**(127)**	**(140)**
Net - Borrowing	(6)	4	16	18	13
Other Financing	(4)	11	135	-	-
Financing Cash Flow	**(10)**	**14**	**151**	**18**	**13**
Net - Cash Flow	(3)	(1)	62	(27)	1
Cash at beginning	10	7	6	68	41
Cash at ending	7	6	68	41	42

Balance Sheet

Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Cash & equivalents	7	6	68	41	42
Receivables	30	36	70	123	146
Others	4	12	48	42	56
Total Current Assets	**40**	**54**	**186**	**205**	**244**
Net Fixed Asset	1	1	49	92	112
Other Non-Current Asset	10	20	45	96	165
Total Assets	**52**	**86**	**292**	**405**	**533**
ST. Bank loan	1	5	20	37	49
Payables	21	16	37	74	101
Other current Liabilities	-	-	-	-	-
Total Current Liabilities	**23**	**21**	**58**	**112**	**152**
LT.Debt	0	0	0	1	1
Other LT Liabilities	1	2	2	2	2
Total Liabilities	**24**	**23**	**61**	**115**	**155**
Minority Interest	-	-	-	-	-
Total Equity	**29**	**62**	**231**	**290**	**378**

Key Ratios

Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Gross Profit Margin (%)	33.4	32.1	26.9	26.8	27.6
Operating Margin (%)	21.7	19.9	17.9	17.8	18.6
EBITDA Margin (%)	31.4	25.7	25.1	24.9	26.2
Pre-Tax Margin (%)	18.8	18.5	16.2	16.2	17.0
Net Profit Margin (%)	14.6	14.4	14.6	12.6	13.3
Debt to Equity (%)	5.2	8.2	9.3	13.4	13.8
Net Gearing (%)	(0.2)	(0.0)	(0.2)	(0.0)	0.0

Major Assumptions

	21A	22A	23F	24F	25F
SaaS Revenue (IDRbn)	26	39	22	46	69
TAM Fleet Revenue (IDRBn)	20	68	208	421	593

Teknologi Karya Digital Nusa

Bloomberg: TRON.IJ | Reuters: TRON.JK

Technology Sector

3 August 2023

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Research Team

Prasetya Gunadi	Head of Equity Research, Strategy, Banking, Digital Banks	prasetya.gunadi@samuel.co.id	+6221 2854 8320
Lionel Priyadi	Macro Equity Strategist	lionel.priyadi@samuel.co.id	+6221 2854 8854
Muhamad Alfatih, CSA, CTA, CFTe	Senior Technical Analyst	m.alfatih@samuel.co.id	+6221 2854 8129
William Mamudi, CFTe, CMT, CCT	Senior Technical Analyst	william.mamudi@samuel.co.id	+6221 2854 8382
Yosua Zisokhi	Cement , Cigarette, Paper, Plantation,Telco Infra, Chemicals	yosua.zisokhi@samuel.co.id	+6221 2854 8387
M. Farras Farhan	Media, Poultry, Oil & Gas, Technology	farras.farhan@samuel.co.id	+6221 2854 8346
Pebe Peresia	Automotive, Consumer Staples, Retail	pebe.peresia@samuel.co.id	+6221 2854 8339
Juan Oktavianus Harahap	Coal, Metal Mining	juan.oktavianus@samuel.co.id	+6221 2854 8846
Jonathan Guyadi	Banking, Healthcare, Telco	jonathan.guyadi@samuel.co.id	+6221 2854 8321
Adolf Richardo	Editor	adolf.richardo@samuel.co.id	+6221 2864 8397
Ashalia Fitri Yuliana	Research Associate	ashalia.fitri@samuel.co.id	+6221 2854 8389
Daniel Aditya Widjaja	Research Associate	daniel.aditya@samuel.co.id	+6221 2854 8322
Laurencia Hiemas	Research Associate	laurencia.hiemas@samuel.co.id	+6221 2854 8392
Brandon Boedhiman	Research Associate	brandon.boedhiman@samuel.co.id	+6221 2854 8392

Equity Institutional Team

Benny Bambang Soebagjo	Head of Institutional Equity Sales	benny.soebagjo@samuel.co.id	+6221 2854 8312
Ronny Ardianto	Institutional Equity Sales	ronny.ardianto@samuel.co.id	+6221 2854 8399
Anthony Yunus	Institutional Equity Sales	anthony.yunus@samuel.co.id	+6221 2854 8314
Widya Meidrianto	Institutional Equity Sales	widya.meidrianto@samuel.co.id	+6221 2854 8317
Fachruly Fiater	Institutional Sales Trader	fachruly.fiater@samuel.co.id	+6221 2854 8325
Lucia Irawati	Institutional Sales Trader	lucia.irawati@samuel.co.id	+6221 2854 8173
Alexander Tayus	Institutional Equity Dealer	alexander.tayus@samuel.co.id	+6221 2854 8319
Leonardo Christian	Institutional Equity Dealer	leonardo.christian@samuel.co.id	+6221 2854 8147

Equity Retail Team

Joseph Soegandhi	Head of Equity	joseph.soegandhi@samuel.co.id	+6221 2854 8872
Damargumilang	Head of Equity Retail	damargumilang@samuel.co.id	+6221 2854 8309
Clarice Wijana	Head of Equity Sales Support	clarice.wijana@samuel.co.id	+6221 2854 8395
Gitta Wahyu Retnani	Equity Sales & Trainer	gitta.wahyu@samuel.co.id	+6221 2854 8365
Vincentius Darren	Equity Sales	darren@samuel.co.id	+6221 2854 8348
Michael Alexander	Equity Sales	michael.alexander@samuel.co.id	+6221 2854 8369
Sylviawati	Equity Sales	sylviawati@samuel.co.id	+6221 2854 8112
Wandha Ahmad	Equity Sales	wandha.ahmad@samuel.co.id	+6221 2854 8316
Handa Sandiawan	Equity Sales	handa.sandiawan@samuel.co.id	+6221 2854 8302
Denzel Obaja	Equity Sales	denzel.obaja@samuel.co.id	+6221 2854 8342
Wahyudi Budiyono	Dealer	wahyudi.budiyono@samuel.co.id	+6221 2854 8152

Fixed Income Sales Team

R. Virine Tresna Sundari	Head of Fixed Income	virine.sundari@samuel.co.id	+6221 2854 8170
Rudianto Nugroho	Fixed Income Sales	rudianto.nugroho@samuel.co.id	+6221 2854 8306
Sany Rizal Keliobas	Fixed Income Sales	sany.rizal@samuel.co.id	+6221 2854 8337
Safitri	Fixed Income Sales	safitri@samuel.co.id	+6221 2854 8376
Khairanni	Fixed Income Sales	khairanni@samuel.co.id	+6221 28548104
Saldy Achmad Yanuar	Fixed Income Sales	saldy.achmad@samuel.co.id	+6221 28548384
Nadya Attahira	Fixed Income Sales	nadya.attahira@samuel.co.id	+6221 2854 8305