

# PT. Envy Technologies Indonesia Tbk.

**In Growth We Trust**

25 September 2019

**Strong Buy**

## INVESTMENT THESIS

**Start Up Acquisition**. The main positive catalyst from ENVY is changing the business model to the Technology Ventures Company by acquiring a number of start-ups such as KO-IN, WOWBid and CARKliik.

**Growing Internet Access Availability.** The ease and increase of internet access in Indonesia has become a positive catalyst for ENVY. This was mainly driven by the high level of ownership of cellular phones (where more internet access via this media).

**Positive IT Service Industry Outlook.** The process of digitalization and adoption of the internet of things has a positive impact on technological development. The three sectors that have the biggest impact are System Integration, IT Outsourcing and Software Deploy & Support.

## FINANCIAL PROJECTION

**Balanced Sheet.** We project Total Asset in 2019 to grow 110% YoY to IDR 360 billion and in 2020 increase to IDR 944 billion. Total Liabilities in 2019 decreased to IDR 20 billion, although it rose again in 2020 to IDR 286 billion. And Total Equity in 2019 surged to IDR 340 billion related to IPO and in 2020 it reached IDR 659 billion.

**Profit & Loss.** We project a total Revenue in 2019 to grow 30% YoY to IDR 105 and in 2020 jump to IDR 1 trillion in line with the consolidation of Development Business. In addition, we project ENVY to successfully record a Net Profit of IDR 7 billion in 2019 and IDR 322 billion in 2020.

## INVESTMENT RISK

**High Failure Rate of Start Up.** The high failure rate at start up is our concern. Based on William Yang's research (2018), the failure rate of start-up especially in Angel Stage can reach 30% -90%, even though the Growth Stage drops to 25%.

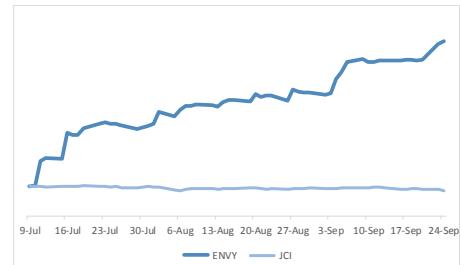
**Lower Margins of Start Up.** Another risk is related to the ability of management to manage profitability margins for start-ups acquired by ENVY. Based on our projections, the margin in Development Business is lower than the Existing Business ENVY margin.

## VALUATION & RECOMMENDATION

By using the Relative Valuation Model, we set **12mo ENVY price target at IDR 3,200**, which implied PER'20E 8.8x. Comparing the closing price of ENVY on Monday (23/09) at the level of IDR 1,705, where there is still an upside potential of 87.7%, we recommend **Strong Buy** for ENVY.

Price (23/09)	IDR 1,705
<b>Target Price</b>	<b>IDR 3,200</b>
Ticker (Bloomberg)	ENVY.IJ
Industry	Trade & Service

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## Company Description:

Established in 2004 under the name PT. Scan Nusantar focus on IT Security Service. In 2016-2017 the CEO conducted an MBO and changed its name to PT. Envy Technologies Indonesia by entering Technology Business. In 2019, he will hold an IPO and position himself as a Technology Ventures Company.

Currently ENVY has two business segments, namely Existing Business and Development Business.

## Stock Data

52-week Range (IDR)	1,720   500
Mkt Cap (IDR bn)	3,069
JCI Weight	0.05%
Shares O/S (mn)	1,800
Shares Float	33%

## Share Holders:

Jonathan T.K. Nyan	40.0%
Envy Manajemen Konsultasi, PT	25.5%
Public/Others (<5%)	34.5%

	FY18	FY19F	FY20F	FY21F	FY22F	FY23F
Revenue (IDR bn)	80	105	1,084	1,639	2,120	2,722
Profit before income tax (IDR bn)	1	9	430	650	889	1,151
Net income (IDR mn)	-2	7	322	488	667	863
EPS (IDR)	(1.3)	4.1	179.1	270.9	370.3	479.6
BV (IDR)	57.7	188.8	365.9	636.0	1,000.5	1,472.9
Revenue growth (%)	2424.9%	30.5%	934.0%	51.2%	29.3%	28.4%
Net Income growth (%)	-406.7%	4242.1%	51.2%	36.7%	29.5%	0.0%
Current ratio (X)	2.4	14.5	2.9	3.4	4.0	3.2
Debt-to-equity (X)	0.0	0.0	0.0	0.0	0.0	0.0
ROE (%)	-2.3%	2.2%	49.0%	42.6%	37.0%	32.6%
P/E (X)	55.7	17.0	8.8	5.0	3.2	2.2
P/BV (X)	(2,386.2)	778.1	17.9	11.8	8.7	6.7

Source : Bloomberg, MCS Research

*Your Trusted Professional*

## I. BUSINESS MODEL

### I.1. Value Proposition

*Digital transfromation since 2016.*

When ENVY was first established in 2004, it positioned itself as an "enterprise solution" especially in the areas of cyber security, IT integration and telecommunication integration. However, in line with the management buyout (MBO) in 2016, the Company carried out a "digital transformation" to become "The Regional Technology Innovation Leader in Asia."

*Existing and Development Strategic Business Unit.*

Regarding the change in business strategy, as revealed in our discussion with management, now ENVY divides their strategic business unit (SBU) into two major parts, i) Existing Business and ii) Development Business. For Existing Business, it is filled by their old business units consisting of cyber security, IT integration and telecommunication integration (enterprise solution). While the development of digital transformation is included in the Development Business, which currently consists of Unity Syariah, KO-IN (Toko Indonesia), Wee, CarKlik, WowBid and Solusi247.

*Table 1. ENVY Business Model*

Existing Business	Development Business
Digital Cyber Security	Unity Syariah
Telco System Integration	KO-IN
IT System Integration	Wee
	Car Klik
	WowBid
	Solusi 247

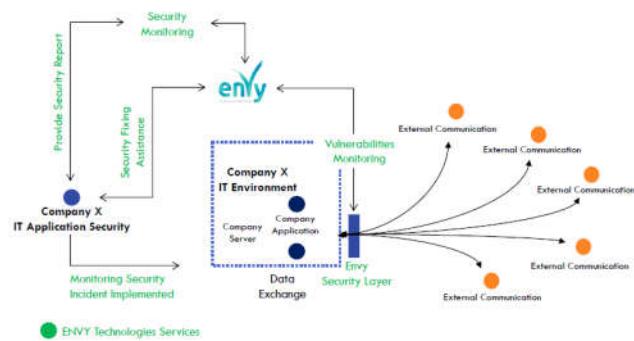
*Source: Company*

*Provide digital information security solution for corporates.*

#### I.1.1. Digital Cyber Security

In Digital Cyber Security, ENVY provides information security consulting services and solutions for companies, such as risk management, information security, data center management, business continuity planning, incident response, e-forensics and others. ENVY also provides additional services in the form of monitoring the client system and cloud system security.

Picture 1. Digital Cyber Security



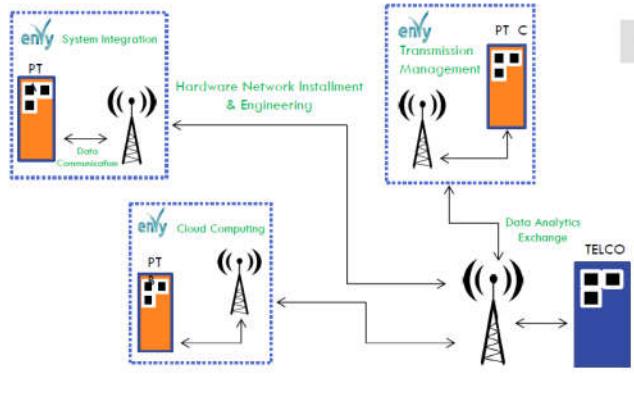
Source: Company

Provide comprehensive services related to telco infrastructures.

### I.1.2. Telco System Integration

In Telco System Integration, ENVY provides comprehensive services related to telecommunications infrastructure to telecommunications operators, as the main buffer of the digital ecosystem. The services provided include installation of core network equipment, data communication system integration and digital transmission system integration.

Picture 2. Telco System Integration



Source: Company

Provide digital information systems.

### I.1.3. IT System Integration

In IT System Integration, ENVY provides services for the process of making complex digital information systems, including designing or building customized architectures or applications, integrating them with hardware, software and communication systems.

#### I.1.4. Unity Syariah

*Unity Syariah is a platform for banks, merchants & fintechs.*

ENVY in collaboration with Unity Alliance launched Unity Syariah, which is an enterprise platform that allows banks, merchants and fintech companies to seamlessly work together. Unity Alliance itself is an omnichannel membership exchange that facilitates commercial interaction and technical interoperability between all tech verticals, banks and users communities.

*Picture 3. Unity Syariah*



*Source: Company*

*Picture 4. Unity Alliance Compatibility*

UNITY SUPPORTS ALL EXISTING PAYMENTS, CHANNELS AND BRANDS



UNITY SUPPORTS ALL DIGITAL / MILLENNIAL CHANNELS



UNITY SUPPORTS ALL PAYMENT TECHNOLOGIES & PROCESSORS



UNITY SUPPORTS FINTECH APIs AND OPEN BANKING STANDARDS SUCH AS PSD2



*Source: Company*

#### I.1.5. Toko Indonesia (KO-IN)

*KO-IN, an apps that connects suppliers, stalls and buyers online and offline.*

Through PT. Retail Global Solutions, ENVY launches Toko Indonesia (KO-IN) which is the first Retail Mobile Apps in Indonesia using a concept of digitizing special retail for stores with traditional concepts of offline and online services. With the KO-IN application, ENVY connects suppliers, stalls (warung) and buyers (both offline and online).

*KO-IN was launced in August 2018 and expected to service in 30 big cities throughout Indonesia in 2023.*

KO-IN was first developed in August 2018 and the following four months (December 2018) it did a grand launching for the Depok service area. At that time, KO-IN only had 10 partner shops. In March 2019 the KO-IN service area was expanded to Depok and Jabodetabek with 487 partner shops. KO-IN applications have also been downloaded by more than 2,400 users. Management target, by 2023 KO-IN will be able to operate in 30 big cities throughout Indonesia with a target of 220 thousand partner shops.

*Online and offline markets as uniqueness.*

One of KO-IN's uniqueness compared to its competitors is KO-IN's ability to serve online and off-line markets. As a comparison, for online market KO-IN dealing with Tokopedia, Bukalapak and Shopee while for the offline one it is head to head with Indomaret, Alfamart and Circle K. With its wide market that KO-IN can enter, we see this as a the uniqueness and strength of KO-IN compared to its competitors.

*Picture 5. KO-IN Market Place*

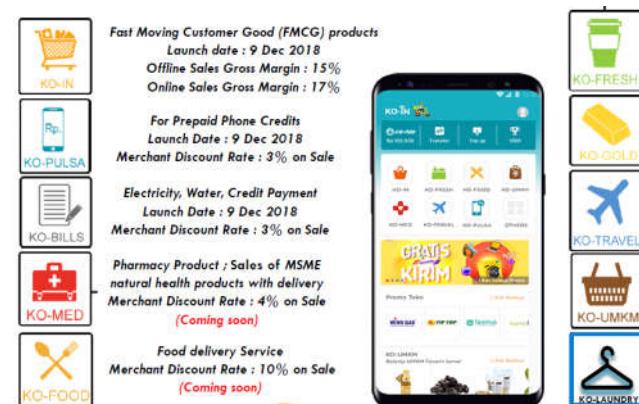


Source: Company

*Entertain others services.*

In addition to serving the sale and purchase of daily necessities, KO-IN also in its development will offer other services such as credit purchases, bill payments, food and medicines. In addition, the purchase of airplane and hotel tickets and laundry.

*Picture 6. KO-IN Full Services*



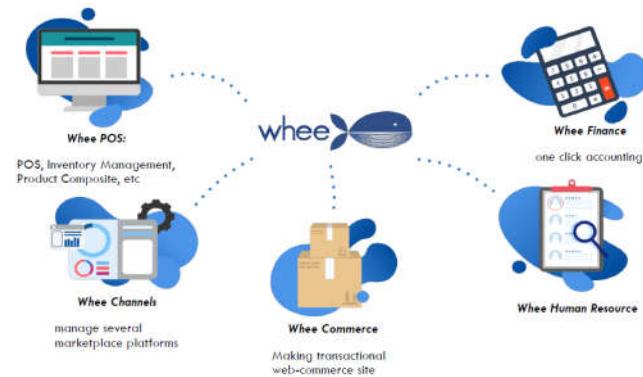
Source: Company

*An ERP systems for SMEs on cloud-based platform.*

#### I.1.6. Whee

Whee is an online enterprise resources planning platform launched by ENVY through PT. Whale Scale Technology. The main product of Wee is a framework in order to provide ERP systems for SMEs in a form of Smart Dashboard; an online cloud-based platform.

*Picture 7. Whee Business Model*



*Source: Company*

*CAR Kliik, a one stop usded car solution.*

#### I.1.7. CAR Kliik

ENVY launches "One Stop Used Car Solution" service through PT. Berkah Samitra Mulya with the Kliik CAR brand. Through this service, it is expected to benefit prospective used car buyers and used car seller showrooms, through auction and financing mechanisms, with the ultimate goal of getting maximum price equilibrium for both sides.

*Picture 8. CAR Kliik Full Services*



*Source: Company*

Leading "live auction marketplace".

### I.1.8. WOWBID

WOWBID is a "live auction marketplace" launched by ENVY through PT. Wowbid Perintis Nusantara. One of the advantages of WOWBID is the live streaming online auction so that it provides a new personal experience for buyers, which is the differentiation of WOWBID compared to other online trading applications such as Tokopedia, Bukalapak and Lazada.

Picture 9. WOWBID Live Auction Marketplace

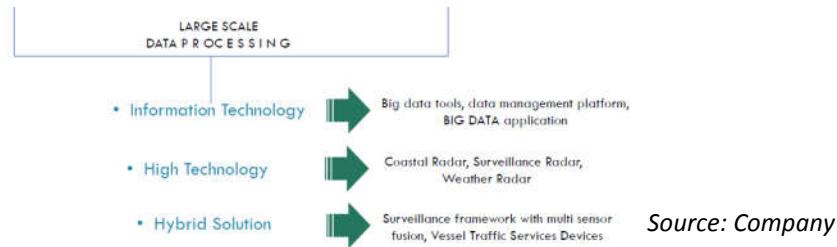


### I.1.9. Solusi247

Large scale data processing.

Solusi247 is an ICT company established in 2000. It is focused on large scale data processing, relational database management systems (RDBMS) and massive parallel flat file processing.

Picture 10. Solusi247 Business Model



## I.2. Clients Segment

*Corporates and individuals type of clients.*

Looking at the nature of the ENVY business unit, we can divide customer segments into two large sections, individuals and corporates. Business units such as cyber security, IT integration, telco integration have corporate customer types while business units such as Unity Syariah, KO-IN, CARKliik and WOWBID are more individual type customers. In this segment we will discuss ENVY customers based on a strategic business unit.

### I.2.1. Cyber Security, IT Integration & Telco Integration

For all three business segments, all customer types are corporate. In this discussion we bring together the three where this is the initial business of ENVY.

*Picture 11. Cyber Security Clients.*



*Source: Company*

*Picture 12. IT Integration Clients.*



*Source: Company*

Picture 13. Telco Integration Clients.



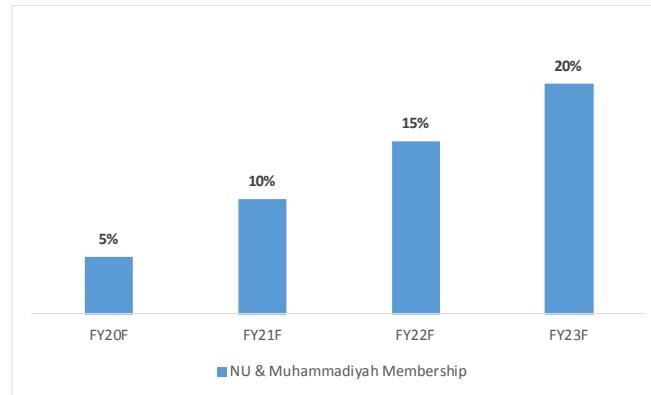
Source: Company

### I.2.2. Unity Syariah

*Core membership of NU and Muhammadiyah.*

Based on our discussions with management, for now ENVY is targeting membership from NU and Muhammadiyah as their core membership. For next year, ENVY projects to be able to attract 5% of the total NU and Muhammadiyah members as members of Unity Syariah; where the membership is expected to increase by 5% every year with the main target in 2023 at least 20% of NU and Muhammadiyah members becoming members of Unity Syariah.

Graph 1. Unity Syariah Membership.



Source: Company

### I.2.3. KO-IN, CAR Kliik and WOWBID

*Retail apps users as the main retail customers.*

For these three business units, the main target customers are app users, who are generally retail customers. In addition, from the supply side that can be categorized as "customers" are product suppliers (KO-IN), used car showrooms (CAR Kliik) and the owner of the goods to be auctioned (WOWBID).

### I.3. Clients Relationship and Channels

*Traditional marketing team.*

We see that there are two client relationships and channels conducted by ENVY in winning the competition. The main thing is through the tradition marketing approach, where in this case each ENVY subsidiary has a marketing team that approaches customers or potential customers. This method is commonly used for three core business units such as cyber security, IT integration and telco integration.

*E-channels such as online apps or websites.*

Other channels used by ENVY can be categorized as e-channels, either through online applications or websites. Channels like this are widely used for business units such as KOUN, CAR CLIENT and WOWBID. In addition there are also those who use separate platforms such as Unity Syariah and Whee.

### I.4. Key Partners

*Key partnerships.*

ENVY currently has five partners who support technology, namely Tortuga Mobile, Cranium Ventures, NCR, Senetas and Bluesify.

- **Tortuga Mobile** : Tortuga Mobile is a payment technologies company that offer better convenience and security to customers. Its services include : an end-to-end mobile POS solution, payment solutions, merchant portal and mobile payment devices.
- **Cranium Ventures** : Cranium Ventures is an electronic payment and consumer channel solution company.
- **NCR** : NCR is a major ATM player in providing computer hardware, software and electronics company tihat makes self-service kiosks, POS terminals, ATM, check processing systems, barcode scanners and business consumables.
- **Senetas** : Senetas encryptors are certified by leading, independent testing authorities : Common Criteria (international), FIPS (US) and NATO (all member states) as suitable for goverment and defence use.
- **Bluesify** : Bluesify delivers strategic solutions to security challanges, that helps its clients to secure their networks against threats and resolve computer security incidents of all kinds.

## 1.5. Revenue Streams

*Revenue streams from Existing and Development Bussiness.*

*Revenue from Development Business to dominate at 2020 going forward.*

We divide ENVY's Revenue streams into two major parts; Revenue from Existing Business and Revenue from Development Business, as listed in Table 1. For Revenue from Existing Business, consists of three main businesses namely Digital Cyber Security, Telco System Integration and IT System Integration. Meanwhile, Revenue from Development Business consisted of start-ups that were acquired by ENVY such as Unity Syariah, KO-IN, Whee, CARKliik, WowBid and Solusi247.

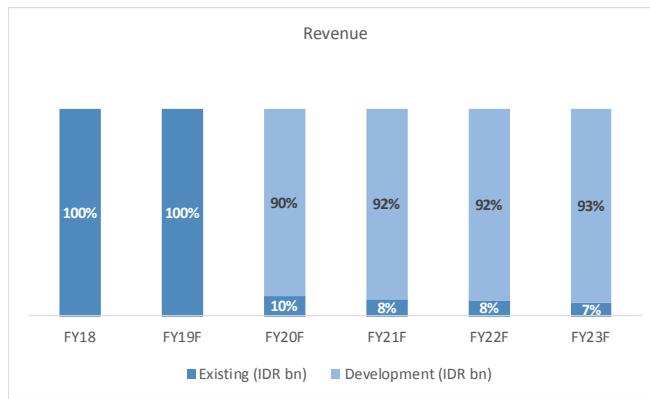
In our projection, Revenue from Existing Business will still be the main driver for ENVY in 2018 and 2019, indicating a 100% contribution of ENVY's Total Revenue (IDR 83 billion in 2018 and IDR 108 billion in 2019). Revenue from Development Business has a major impact on ENVY's Total Revenue streams in 2020. In 2020, we project a Revenue from Development Business of IDR 978 billion while Revenue from Existing Business is only 106 billion. Thus, the Existing Business's contribution from 100% in 2019 dropped to only 10% in 2020. We see this trend will continue until 2023, where in the year Development Business's contribution could reach 93% of ENVY's Total Revenue, or IDR 2.5 trillion.

*Graph 2. Revenue Streams in Rupiah*



*Source: Company, MCS Research*

*Graph 3. Revenue Streams in Percentage*



*Source: Company, MCS Research*

## II. INVESTMENT THESIS

### II.1. Start-Up Acquisitions

*Into a holding company of potential start-ups.*

*Revenue from start-ups to contribute up to 93% of total Revenue in 2020 forward.*

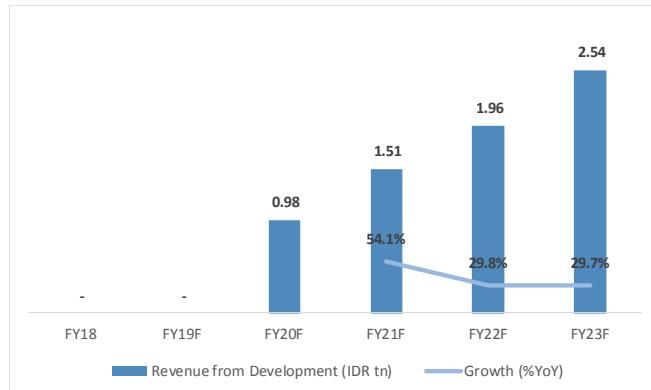
The main driver for ENVY's growth is a management strategy that has changed ENVY's business from being initially based on only three business pillars; cyber security, IT integration and telco integration, become a kind of holding company by acquiring a number of start-ups that have considerable potential.

As we mentioned earlier, we categorize this start-up acquisition into Development Business, where in our projections starting in 2020 the contribution will reach 90% of ENVY's Total Revenue, and increase to 93% in 2023. In our discussions with management, Revenue from this start-up will start contributing in 2020, with Revenue from the Development business reaching IDR 980 billion and a Net Income contribution of IDR 298 billion. This contribution will continue to increase where we project a Revenue from the Development business to reach IDR 2.54 trillion in 2023 with a Net Income of IDR 760 billion.

*Start-ups acquired.*

A number of start-ups that have been, are being and will be acquired (either with majority or minority share ownership) include KO-IN, Whee, WOWBID and CARKliik. In addition, ENVY will also launch Unity Syariah in collaboration with Cranium Ventures and Unity Alliance.

*Graph 4. Revenue from Development Business*



*Source: Company, MCS Research*

## II.2. Growing Internet Access Availability

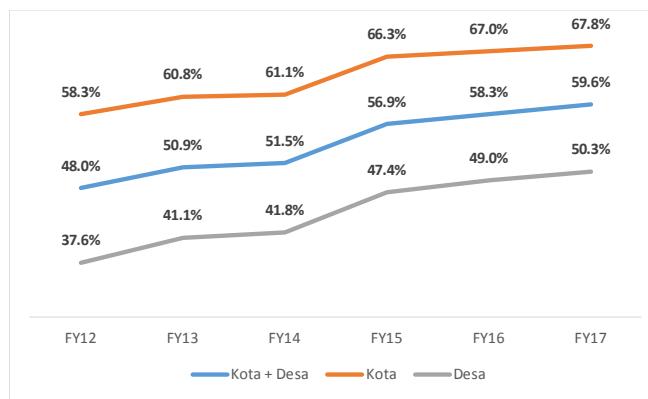
*Cellular phone ownership has reached 57% of total Indonesia population.*

*An increasing exposure to ENVY's services.*

The rising of cellular phone ownership has become a positive catalyst for the ENVY business, especially those related to Development Business. Based on data from Badan Pusat Statistik (BPS) the level of cellular phone ownership in Indonesia in 2017 has reached 59.6% of the total population of Indonesia, both urban and rural. This figure grew from only 48% in 2012. And if we try to do some deepening, it can be seen that in urban areas the number of cell phone ownership reached a level of 67.8% and for rural areas at 50.3% in 2017.

If we are conservative by assuming that the level of cellular phone ownership is stable at 60% until 2025, then we project that 171 million Indonesians will have at least one cellular phone (BPS projects Indonesia's 2020 population to reach 271 million people and in 2025 as many as 285 million people). With the high level of cellular phone ownership, this certainly can cause an increase in exposure to services provided by ENVY such as KO-IN, WOWBid and CARKliik.

*Graph 5. Cellular Phone Ownership of Total Indonesia Population*

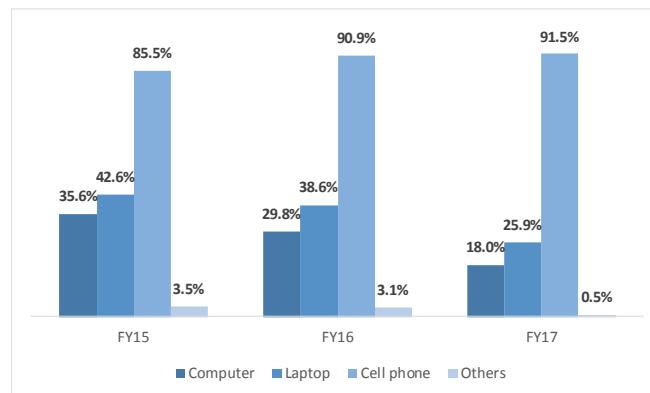


*Source: Badan Pusat Statistik*

*Most internet access via cellular phone.*

This level of cellular phone ownership is very important because it turns out that based on BPS data, the current trend in accessing the internet is mostly done via cellular phones. From BPS data, in 2017, of all the people who owned cellular phones as much as 91.5% had access to the internet. Meanwhile, of all people who have laptops, only 25.9% have internet access and of all people who have computers only 18% have internet access. In our analysis, this is most likely due to the ease of access via cell phone compared to other media. Of course this has a positive impact on ENVY where a number of their services are currently accessible via smartphone applications.

*Graph 6. Internet Acces*



Source: Badan Pusat Statistik

### II.3. Positive IT Services Industry Outlook

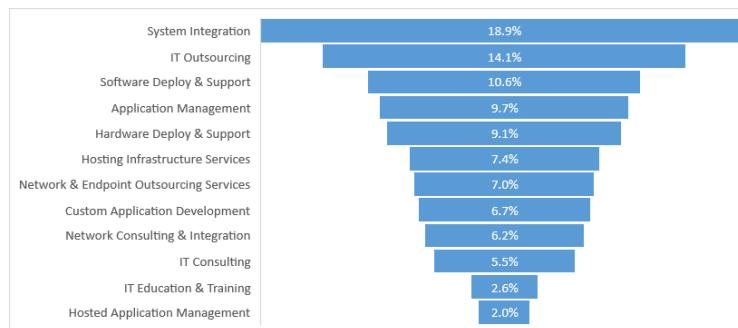
#### *IT Services Industry Outlook.*

According to Bloomberg Intelligence data, IT services would see a positive growth in the coming years as demand for software remains solid. The shift to digital would be the principal drivers for this growth.

*System Integration has the highest prospect.*

Of the IT Services sub-segments, the three largest with the highest growth prospects are System Integration, IT Outsourcing and Software Deploy & Support. Surely this benefits ENVY especially for the IT & Telco System Integration and IT Outsourcing segments.

*Graph 7. IT Services Sub-segments*



Source: IDC, Bloomberg Intelligence

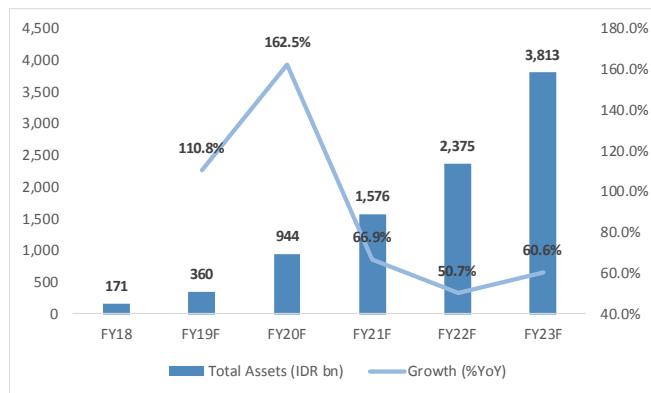
### III. FINANCIAL PROJECTIONS

#### III.1. Balanced Sheet

*Total Assets to grow CAGR 86% between 2018 to 2023.*

In 2019, we project that ENVY Total Assets will reach IDR 360 billion, or grow 110% YoY compared to 2018. For 2020, we project that Total Assets will reach IDR 944 billion. This surge was mainly due to the start of consolidating assets from the Development Business. In 2023 we project ENVY Total Assets to reach IDR 3.8 trillion, or grow 86% CAGR between 2018 and 2023.

*Graph 8. Total Assets*

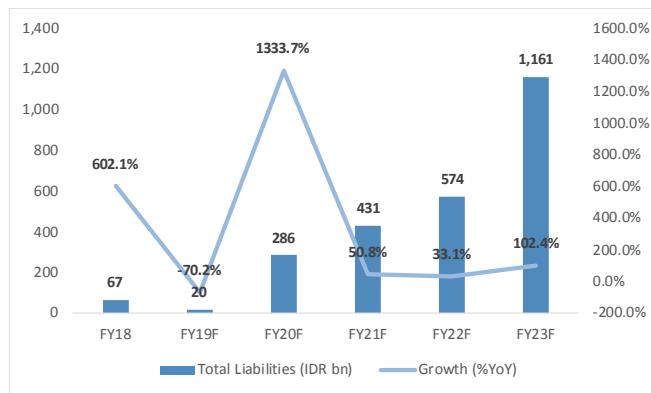


*Source : Company, Bloomberg, MCS Research*

*Total Liabilities to grow CAGR 77% between 2018 to 2023.*

In terms of Total Liabilities, we project a decline in debt to IDR 20 billion in 2019 from IDR 67 billion in 2018 in line with the company's IPO process. However, our Total Liabilities will rise to IDR 286 billion in 2020 along with the consolidation of Development Business. In 2023 we expect that the Total Liabilities ENVY will rise to IDR 1.1 trillion or grow by a CAGR of 77% between 2018 and 2023.

*Graph 9. Total Liabilities*

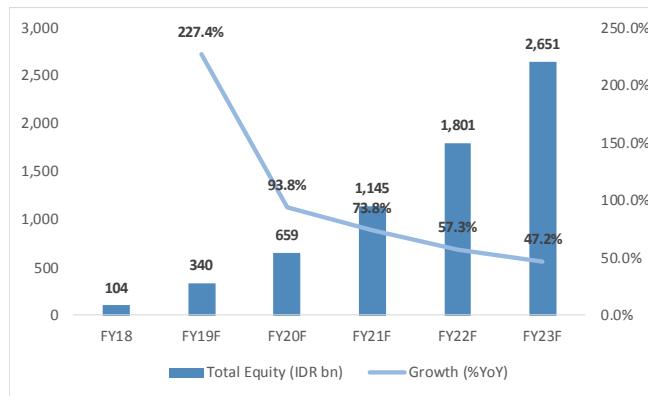


*Source : Company, Bloomberg, MCS Research*

*Total Equity to grow CAGR 91% between 2018 to 2023.*

Total Equity ENVY in 2019 surged to IDR 340 billion from IDR 104 billion in line with the IPO process conducted by the Company. In 2020, in line with the consolidation of Development Business, we project Total Equity to rise to IDR 659 billion. At the end of 2023 we project Total Equity to reach IDR 2.6 trillion, or a CAGR growth of 91% between 2018 and 2023.

*Graph 10. Total Equity*



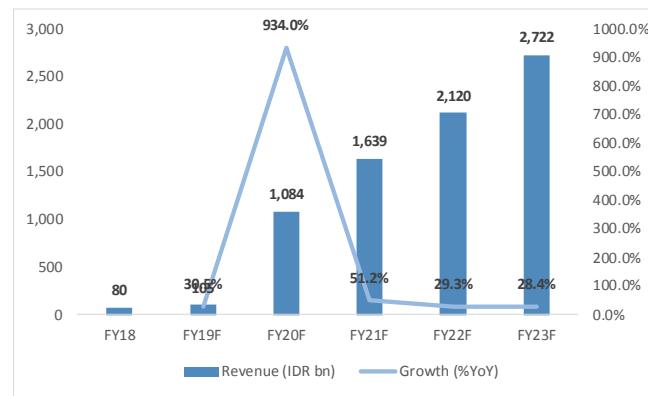
*Source : Company, Bloomberg, MCS Research*

### III.2. Income Statement

*Revenue to grow CAGR 102% between 2018 to 2023.*

In 2019, the Revenue in our projection will only grow 30.5% YoY to IDR 108 billion because ENVY still relies on their Existing Business. But in 2020 we project a sharp rise in Revenue to IDR 1 trillion with the Development Business starting to make a positive contribution. At the end of 2023 our projection of Revenue could reach IDR 2.7 trillion or a CAGR growth of 102% between 2018 and 2023.

*Graph 11. Total Revenue*

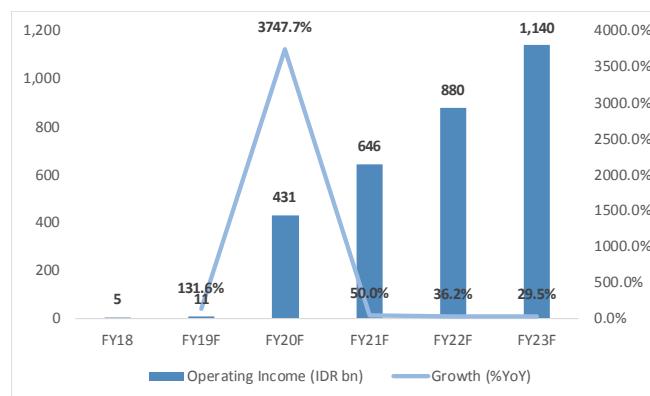


*Source : Company, Bloomberg, MCS Research*

*Operating Income to grow CAGR 196% between 2018 to 2023.*

We are projecting Operating Income to double in 2019 to IDR 11 billion from IDR 5 billion in 2018; and in 2020 Operating Income can grow up to 40 times to IDR 431 billion with the inclusion of Development Business. In 2023 we are projecting Operating Income of IDR 1.1 trillion or growing CAGR of 196% between 2018 and 2023.

*Graph 12. Operating Income*

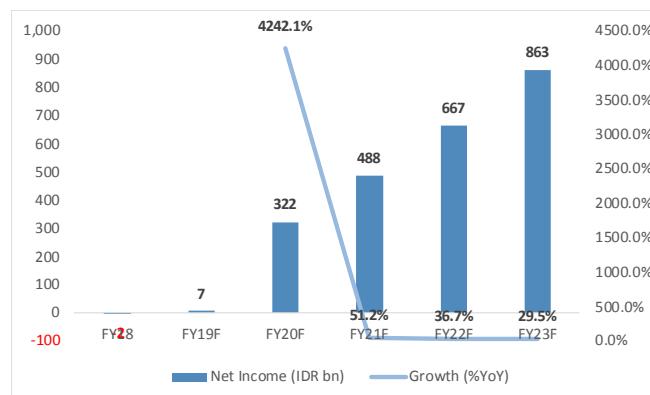


*Source : Company, Bloomberg, MCS Research*

*Net Income to grow CAGR 233% between 2019 to 2023.*

In 2019 we expect ENVY to book a Net Profit of IDR 7 billion compared to a loss of IDR 2 billion in 2018. Net Profit will increase sharply in 2020 to IDR 322 billion with the main contribution from Development Business. In 2023 we project that the Net Income ENVY can reach IDR 863 billion or grow a CAGR of 233% between 2019 and 2023.

*Graph 13. Net Income*



*Source : Company, Bloomberg, MCS Research*

## IV. VALUATION & RECOMMENDATION

### IV.1. Valuation

*We use Relative Valuation with regional peers as a comparison.*

*12mo target price IDR 3,200/share.*

In valuing ENVY, we use the relative valuation method considering the business nature of ENVY is a start-up company. As a comparison (peers) we use a number of regional companies in Asia Pacific similar to ENVY. The three relative models we use are Price to Sales (P/S), Price to Book Value (P/BV) and Price to Earnings (P/E). For P/S we get a range between 0.1x to 6.7x, P/BV 0.7x-4.9x and P/E 4.9x-21.2x. For Sales Per Share (SPS) we use SPS FY20 of IDR 602, Book Value of Per Share FY20 of IDR 365 and Earnings Per Share of FY20 of IDR 179.

From these data we obtained an ENVY valuation in a fairly wide price range between IDR 1,700 to IDR 4,000. In this report, we set a fair value or **12mo target price** for ENVY of IDR **3,200** per share. In our view, the valuation is very conservative, where the Fair Value only reflects PER'20E of 8.8x, while the maximum PER of peers in the Asia Pacific region is 21.2x. If we use maximum regional PER then ENVY valuation can reach IDR 7,700 per share.

*Graph 14. Relative Valuation*



*Source : Bloomberg, MCS Research*

### IV.2. Recommendation

*Recommendation Strong Buy*

By comparing the closing price of the Company on Monday (23/09) at the level of IDR 1,705, we recommend **Strong Buy** for ENVY shares, where there is still an **upside potential of 87.7%** if our 12mo target price at IDR 3,200 is reached.

Following is the classification of recommendations that we issue :

Recommendation	Potential Return
Strong Buy	>40%
Buy	10% to 39%
Neutral	0% to 9%
Reduce	<0%
No Rating	No Coverage

## V. INVESTMENT RISKS

### V.1. High Failure Rate of Start Up

*Start Up failure rate could reach 90% in the first year.*

One thing that is quite disturbing for us regarding start-up companies is their high failure rate. Based on research conducted by William Yang (Yang, 2018), the failure rate of start-up on Angel Stage reaches 30% to 90%. While for Growth Stage it is around 25% failure rate. As information, Yang divides the start up into two major parts, namely the Angel Stage and the Growth Stage. For Angel Stage is divided into three parts, namely Pre Seed, Seed and Early Stage. While the Growth Stage is divided into two parts, the Later Stage and Go Public.

*Table 2. Start Up Failure Rate*

	ANGEL STAGE			GROWTH STAGE	
	Pre Seed	Seed	Early Stage	Later Stage	Go Public
<b>Company Status</b>	Idea Business Plan Market Validation Prototype	Minimum Viable Product Pre Revenue Stage	Proof of Concept Minor Revenue	Scalable POC Substantial Revenue	Scalable POC Substantial Revenue High Growth Potential
<b>Investors Type</b>	Angel	Angel Micro Venture Capital	Super Angel Venture Capital	Venture Capital	Venture Capital Investment Bank Sovereign Funds Pension Funds Public Investor
<b>Company Value</b>	USD100,000- USD1,000,000	USD 1-4 million	USD 4-15 million	>USD 10 million	>USD 1 billion
<b>Expected Return</b>	2x in 6 months 10x in 5 years	10x in 5 years	5x in 4-6 years	2.5x in 2-4 years	No Limit
<b>Assumed Default Rate</b>	90%	50%	30%	25%	None

*Source : Yang, William (2018)*

*Most ENVY's start up on Growth Stage.*

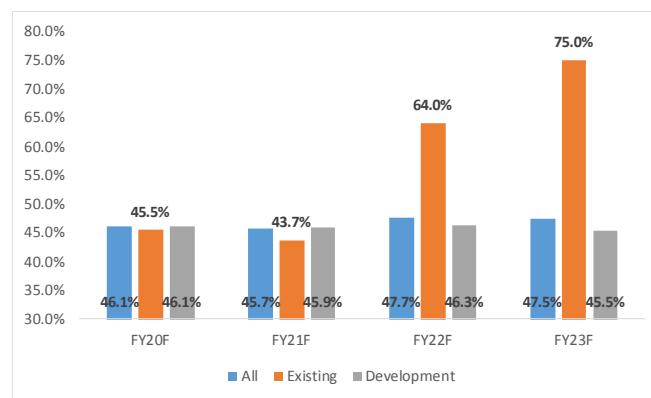
However, although the start-up failure rate is quite high, the good news for ENVY is that, based on our discussion with management, the average ENVY start-up company is currently at the Growth Stage. Thus, the failure rate can be reduced to only around 25%. There is even a start-up that will take place in the Initial Public Offering process within 1 to 2 years.

## V.2. Lower Margins of Start Up

*Lower Profitability Margins for Development Business.*

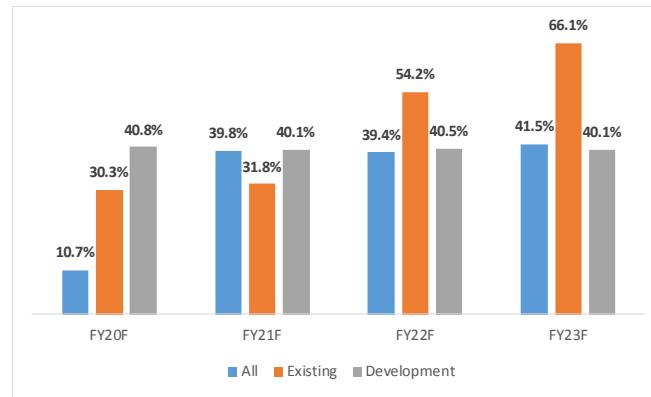
The second factor that in our view can be a risk for ENVY is how management is able to maintain the performance of the acquired start-up so as not to burden the level of profitability of ENVY as a holding company. Based on our projections, the average profitability of Development Business margins is below Existing Business. For example, Gross Margin Existing Business in 2022 is at 64% while GM Development Business is only 46%. Likewise for Operating Margin where OM Development Business (40%) is lower than OM Existing Business (54%). Likewise for Net Margin.

*Graph 15. Gross Profit Margin*



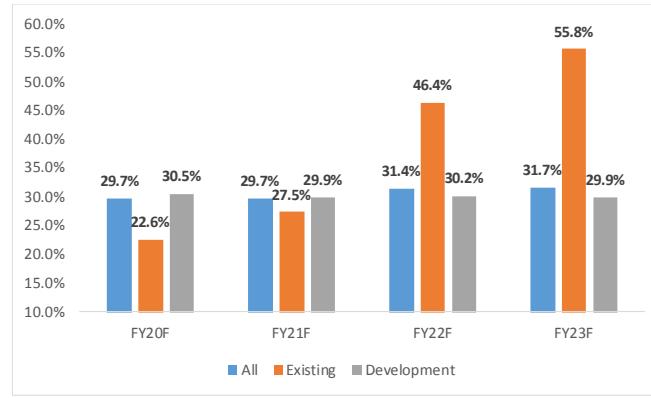
Source : MCS Research

*Graph 16. Operating Profit Margin*



Source : MCS Research

*Graph 17. Net Profit Margin*



Source : MCS Research

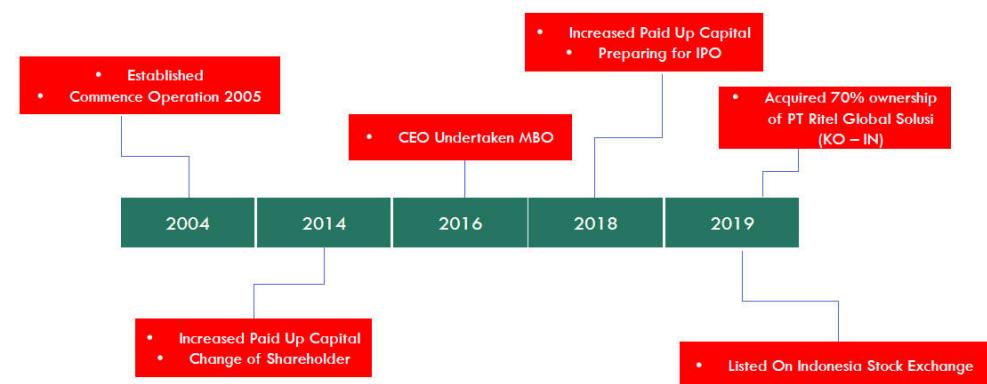
## VI. ABOUT THE COMPANY

### VI.1. Brief History

*Established 2004, MBO 2018, IPO 2019.*

ENVY was established in 2004 under the name PT. Scan Nusantara and began operating commercially in 2005 with a focus on the IT Security Services business. In 2018 it changed its name to PT. Envy Technologies Indonesia is in line with the Management Buyout process carried out by the CEO. This year ENVY also began to enter the Technology Business. In 2019 ENVY became a public company and changed its business nature to "Technology Ventures Company."

*Picture 14. Company Milestone*



*Source : Company*

**Appendix 1-Balanced Sheet Statement**

(In IDR bn)

BALANCED SHEET	FY16	FY17	FY18	FY19F	FY20F	FY21F	FY22F	FY23F
<b>Total Assets</b>								
+ Cash, Cash Equivalents & STI	0	6	45	75	224	432	743	1,558
+ Accounts & Notes Receiv	1	0	56	206	604	1,031	1,534	2,170
+ Inventories	0	0	0	0	0	0	0	0
+ Other ST Assets	0	2	40	0	0	0	0	0
<b>Total Current Assets</b>	<b>1</b>	<b>8</b>	<b>141</b>	<b>282</b>	<b>829</b>	<b>1,463</b>	<b>2,277</b>	<b>3,727</b>
+ Property, Plant & Equip, Net	1	1	27	78	116	112	98	85
+ <i>Property, Plant &amp; Equip</i>	3	3	31	87	133	138	130	123
- <i>Accumulated Depreciation</i>	2	2	4	9	17	25	32	38
+ Other LT Assets	0	0	2	0	0	0	0	0
<b>Total Noncurrent Assets</b>	<b>2</b>	<b>1</b>	<b>29</b>	<b>78</b>	<b>116</b>	<b>112</b>	<b>98</b>	<b>85</b>
<b>Total Assets</b>	<b>3</b>	<b>9</b>	<b>171</b>	<b>360</b>	<b>944</b>	<b>1,576</b>	<b>2,375</b>	<b>3,813</b>
<b>Liabilities &amp; Shareholders' Equity</b>								
+ Payables & Accruals	0	0	34	19	285	431	573	1,161
+ ST Debt	0	0	0	0	0	0	0	0
+ Other ST Liabilities	1	2	25	0	0	0	0	0
<b>Total Current Liabilities</b>	<b>1</b>	<b>2</b>	<b>60</b>	<b>19</b>	<b>285</b>	<b>431</b>	<b>573</b>	<b>1,161</b>
+ LT Debt	0	0	0	0	0	0	0	0
+ LT Lease	0	0	0	0	0	0	0	0
+ Other LT Liabilities	1	8	7	1	0	0	0	0
<b>Total Noncurrent Liabilities</b>	<b>1</b>	<b>8</b>	<b>7</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities</b>	<b>2</b>	<b>10</b>	<b>67</b>	<b>20</b>	<b>286</b>	<b>431</b>	<b>574</b>	<b>1,161</b>
+ Share Capital & APIC	24	24	121	332	329	327	317	304
+ <i>Common Stock</i>	24	24	120	180	180	180	180	180
+ <i>Additional Paid in Capital</i>	0	0	1	152	149	147	137	124
+ Retained Earnings	0	0	0	7	330	818	1,484	2,347
+ Other Equity	<b>-23</b>	<b>-24</b>	<b>-17</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Equity Before Minority Interest	1	<b>-0</b>	104	340	659	1,145	1,801	2,651
+ Minority/Non Controlling Interest	0	0	0	0	0	0	0	0
<b>Total Equity</b>	<b>1</b>	<b>-0</b>	<b>104</b>	<b>340</b>	<b>659</b>	<b>1,145</b>	<b>1,801</b>	<b>2,651</b>
<b>Total Liabilities &amp; Equity</b>	<b>3</b>	<b>9</b>	<b>171</b>	<b>360</b>	<b>944</b>	<b>1,576</b>	<b>2,375</b>	<b>3,813</b>
<b>Book Value per Share (BVPS)</b>	<b>1</b>	<b>-0</b>	<b>58</b>	<b>189</b>	<b>366</b>	<b>636</b>	<b>1,000</b>	<b>1,473</b>

Source : Bloomberg, MCS Research

**Appendix 2-Profit & Loss Statement**
*(In IDR bn)*

INCOME STATEMENT	FY16	FY17	FY18	FY19F	FY20F	FY21F	FY22F	FY23F
<b>Revenue</b>	<b>4</b>	<b>3</b>	<b>80</b>	<b>105</b>	<b>1,084</b>	<b>1,639</b>	<b>2,120</b>	<b>2,722</b>
- Cost of Revenue	1	2	64	80	585	889	1,110	1,429
<b>Gross Profit</b>	<b>3</b>	<b>1</b>	<b>16</b>	<b>25</b>	<b>499</b>	<b>750</b>	<b>1,010</b>	<b>1,293</b>
- Operating Expenses	4	5	11	14	68	104	130	153
<b>Operating Income (Loss)</b>	<b>-1</b>	<b>-3</b>	<b>5</b>	<b>11</b>	<b>431</b>	<b>646</b>	<b>880</b>	<b>1,140</b>
- Other Expense	0	2	4	2	1	-4	-8	-11
<b>Pretax Income</b>	<b>-2</b>	<b>-5</b>	<b>1</b>	<b>9</b>	<b>430</b>	<b>650</b>	<b>889</b>	<b>1,151</b>
- Income Tax Expense (Benefit)	-0	-0	2	2	107	163	222	288
<b>Income (Loss) from Cont Ops</b>	<b>-2</b>	<b>-5</b>	<b>-2</b>	<b>7</b>	<b>322</b>	<b>488</b>	<b>667</b>	<b>863</b>
- Net Extraordinary Losses (Gains)	0	0	1	0	0	0	0	0
<b>Income (Loss) Incl. MI</b>	<b>-2</b>	<b>-5</b>	<b>-2</b>	<b>7</b>	<b>322</b>	<b>488</b>	<b>667</b>	<b>863</b>
- Minority Interest	0	0	0	0	0	0	0	0
<b>Net Income Avail to Common, GAAP</b>	<b>-2</b>	<b>-5</b>	<b>-2</b>	<b>7</b>	<b>322</b>	<b>488</b>	<b>667</b>	<b>863</b>
<b>Earnings per Share (EPS)</b>	<b>-1</b>	<b>-3</b>	<b>-1</b>	<b>4</b>	<b>179</b>	<b>271</b>	<b>370</b>	<b>480</b>

*Source : Bloomberg, MCS Research*
**Appendix 3-Financial Ratio**

RATIO	FY16	FY17	FY18	FY19F	FY20F	FY21F	FY22F	FY23F
<b>LIQUIDITY &amp; TURNOVER</b>								
Current ratio (X)	1.6	4.6	2.4	14.5	2.9	3.4	4.0	3.2
Account Receivable (Day)	77.1	28.1	256.4	718.7	203.5	229.5	264.2	290.9
Inventory (Day)	-	-	-	-	-	-	-	-
Account Payable (Day)	1.4	0.7	155.7	67.6	96.1	95.9	98.7	155.7
Cash Convention Cycle (Day)	75.7	27.3	100.6	651.1	107.4	133.6	165.5	135.2
<b>GROWTH</b>								
Revenue growth (%)	-15.4%	2424.9%	30.5%	934.0%	51.2%	29.3%	28.4%	
Operating income growth (%)	189.6%	-240.4%	131.6%	3747.7%	50.0%	36.2%	29.5%	
Profit before income tax growth (%)	228.9%	-109.6%	1709.2%	4444.2%	51.2%	36.7%	29.5%	
Net income growth (%)	234.5%	-55.4%	-406.7%	4242.1%	51.2%	36.7%	29.5%	
<b>PROFITABILITY</b>								
Gross profit margin (%)	71.1%	42.0%	19.9%	34.0%	34.0%	34.0%	34.0%	34.0%
Operating income margin (%)	-31.6%	-108.3%	6.0%	28.4%	28.4%	28.4%	28.4%	28.4%
Net income margin (%)	-43.2%	-170.7%	-3.0%	7.1%	29.7%	29.7%	31.4%	31.7%
Return on equity (%)	-177.5%	1119.7%	-2.3%	2.2%	49.0%	42.6%	37.0%	32.6%
Return on assets (%)	-60.1%	-60.1%	-1.4%	2.1%	34.1%	30.9%	28.1%	22.6%
<b>LEVERAGE</b>								
Debt-to-equity (X)	0.20	(0.45)	0.01	-	-	-	-	-
Debt-to-asset (X)	0.07	0.02	0.00	-	-	-	-	-
<b>VALUATION</b>								
Price to earnings ratio (X)	6,313.6	(11,906.1)	55.7	17.0	8.8	5.0	3.2	2.2
Price to book ratio (X)	(3,557.1)	(1,063.4)	(2,386.2)	778.1	17.9	11.8	8.7	6.7

*Source : MCS Research*

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