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Research Article

Financial Performance and Stock Valuation of PT.Metrodata Electronics Tbk (MTDL)

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Abstract: *The rapid growth in the Information and Communication Technology (ICT) industry in Indonesia highlights the significance of analyzing MTDL, one of the key players in this sector. The objective is to provide a comprehensive analysis of MTDL's financial health and to assess the fair value of its stock using relative valuation, which uses Price to Earning (P/E) and Market to Book (M/B) ratios and absolute valuation, which uses Discounted Cash Flow (DCF) method. MTDL has demonstrated robust and stable financial performance, maintained steady profitability and improved operating and net profit margins through efficient cost management. Earnings per share (EPS), Return on Assets (ROA), and Return on Equity (ROE) have shown consistent improvement. The company's liquidity and solvency are strong, with favorable current and quick ratios, efficient inventory and asset management, low debt ratios, and high-interest coverage. The relative valuation using P/E and M/B ratios estimates MTDL's fair share value between IDR 424.8 and IDR 991.2, with base-case estimates of IDR 620.2 (P/E) and IDR 605.5 (M/B). The current stock price of IDR 560 suggests the stock is fair to slightly undervalued. Absolute valuation using DCF estimates a fair value range of IDR 290.98 to IDR 698.20, with a base case of IDR 424.91. The current price aligns within this range, indicating potential overvaluation under the base case but justified under the best-case scenario. The writer suggests that MTDL presents a promising investment opportunity due to its robust financial performance and position in the ICT market. However, caution is advised regarding potential overvaluation according to the Discounted Cash Flow method.*

Keywords: *Absolute Valuation, Ict Sector, Metrodata Electronics, Relative Valuation, Stock Valuation*.

I. INTRODUCTION

The existing global economic system is undergoing a revolutionary process that is not only remaking industries but also reformulating business models and consumer behavior patterns. Technological innovation is a major factor that contributes to economic growth (Wang & Xu, 2021). Indonesia is at the forefront of this transformation as the largest Information and Communications Technology (ICT) user in Southeast Asia. The internet has itself been very important to Indonesia's national GDP growth, in 2016 accounting for 2.5% of GDP, with the estimate of this number increasing substantially to 125 million internet users by 2025 (Bright Indonesia, 2021). These developments highlight the crucial role of technology industries in bringing about digitalization, automation, and interconnectivity in various sectors. In this context, ICT companies bringing new products and solutions into the market have become the centers of attention for investors and shareholders.

In this context, ICT companies bringing new products and solutions to the market have garnered significant attention from investors and shareholders. PT. Metrodata Electronics, Tbk. (MTDL) stands out as an interesting case study in this rapidly expanding technology industry. With a diverse range of subsidiaries spanning ICT distribution, solutions, consulting services, assembling, e-commerce, digital marketing, and broadband solutions, MTDL offers a comprehensive suite of IT-related services, making it one of the most diverse and flexible IT companies in Indonesia.

Given the growing importance of the ICT sector and MTDL's strategic position within it, this research aims to conduct a financial performance analysis and stock valuation based on relative valuation using Price to Earning (P/E) and (Market to Book) M/B ratio and absolute valuation using Discounted Cash Flow (DCF) method. By analyzing MTDL's financial performance and stock valuation, this study aims to provide insights and recommendations for potential investors and stakeholders interested in investing in MTDL within the rapidly growing ICT industry in Indonesia.

II. LITERATURE REVIEW

A Company's financial ratio will show measurable results and help various business activists and investors to consider the company's financial evaluation in the past, present, and future. Analyzing a company's financial statements requires standard and measurable techniques and can be implemented in all types of financial statements. The usual technique is to use a financial ratio approach (Nugraha, N. M., Puspitasari, D. M., & Amalia, 2020).

The market/book (M/B) ratio is a widely used tool that measures how investors perceive a company's performance (Gitman, 2015). It compares the market value of a company's shares to its book value, which is determined by strict accounting principles. A higher M/B ratio indicates that investors are willing to pay a premium for the company's stock, suggesting that they have confidence in its future growth prospects and performance.

The price/earnings (P/E) ratio is a widely used metric for evaluating how shareholders perceive a company's stock value (Gitman, 2015). It quantifies the price investors are willing to pay for every dollar of a firm's earnings. This ratio reflects the level of trust investors have in the company's prospects, with a higher P/E ratio indicating greater investor confidence in the company's ability to generate future earnings.

Discounted Cash Flow (DCF) valuation is a widely accepted method for determining the value of an asset, and it is rooted in the concept that an asset's value is primarily driven by its expected future cash flows (Damodaran, 2006). This approach seeks to calculate the present value of expected cash flows generated by an asset, discounting these cash flows at a rate that reflects their riskiness. The cost of capital approach, a variation of the DCF method, starts by evaluating the entire firm's value, including both equity and non-equity claims. The value of equity is then derived by subtracting the market value of non-equity claims. This approach assumes that the cost of capital accounts for both the advantages of tax deductions from borrowing and the anticipated costs of bankruptcy (Damodaran, 2006).

The weighted average cost of capital is also known as WACC and is the expected rate of return required by an investor to invest his money in the firm in the long run. It is determined by multiplying the cost of each specific kind of capital (debt, preferred and common stock equity) by their respective Bearing to the company. Based on the WACC, the company must set a minimum acceptable return where the firm's investments earn more than this rate, satisfying its investors and creditors (Gitman, 2015).

Scenario analysis is a financial modeling technique where an analyst assesses the impact of modifying underlying assumptions on projected financial ratios and outcomes (Gitman, 2015). In this process, different scenarios are created by adjusting key assumptions to observe how changes in these variables affect the financial performance and metrics of a company. These scenarios typically include optimistic (best), most likely (expected), and pessimistic (worst) cases.

III. METHODOLOGY

The study begins with an analysis of the business issue within Metrodata Electronics Company. Initially, a thorough literature review is conducted to gather relevant studies and theoretical frameworks related to the research topic. Subsequently, secondary data is obtained through Metrodata Electronics' annual reports. The next step involves an external analysis, incorporating PESTEL analysis to understand macro-environmental factors and Porter's Five Forces analysis to assess competitive forces in the industry. Following this, an internal analysis is performed, focusing on financial performance.

The company valuation is conducted using the absolute valuation method, specifically the Discounted Cash Flow (DCF) Free Cash Flow to Firm (FCFF) approach. Scenario analysis is also carried out by adjusting the assumptions based on three scenarios: best case, most probable case, and worst case. In parallel, relative valuation is undertaken by comparing the Price-to-Earnings (P/E) and Market-to-Book (M/B) ratios of competitor companies within the same industry. Finally, the study concludes with insightful suggestions, providing investors with critical insights on whether investing in Metrodata Electronics Company is advisable.

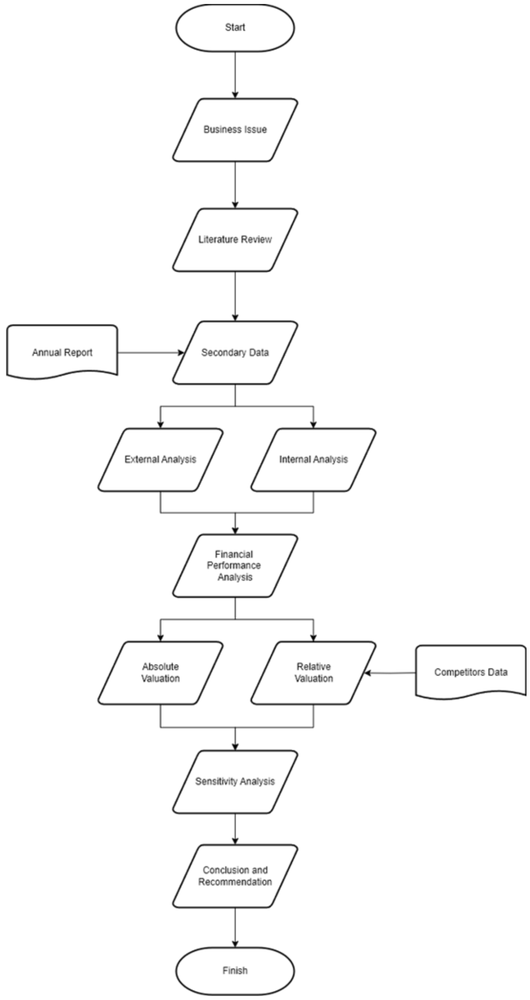

Fig. 1 Research Design

IV. RESULTS AND DISCUSSION

A) Financial Performance

The gross profit margin of Metrodata Electronics exhibited relative stability over the analyzed period. It fluctuated slightly, starting at 8.02% in 2019, increasing to 8.99% in 2020, then declining to 8.14% in 2021, before gradually rising to 8.24% in 2022 and 8.65% in 2023. This steady performance indicates that the company effectively controlled its cost of goods sold, maintaining a stable gross profit margin. The operating profit margin showed a consistent upward trend, reflecting Metrodata's efficient management of operating expenses and improving profitability from core operations. It rose from 4.68% in 2019 to 5.08% in 2020, 5.12% in 2021, 5.36% in 2022, and reached 5.42% in 2023. The net profit margin also displayed an upward trajectory, increasing from 3.55% in 2019 to 3.86% in 2020, 4.12% in 2021, 4.13% in 2022, and 4.26% in 2023. This trend indicates Metrodata's ability to manage its costs effectively, resulting in better net profits for shareholders over the years. Earnings per share (EPS) experienced a decline from 207.3 in 2021 to 47.3 in 2022 due to a 1:5 stock split in January 2022. After adjusting for the split, the normalized EPS figures show a consistent increase: 29.1 in 2019, 29.7 in 2020, 41.5 in 2021, 47.3 in 2022, and 53.0 in 2023, reflecting Metrodata's continuous improvement in EPS. Return on assets (ROA) remained relatively stable, ranging from 6.24% in 2020 to 6.76% in 2022, with a slight dip to 6.41% in 2023. This metric illustrates Metrodata's efficiency in deploying its assets to generate profits. Return on equity (ROE) showed some fluctuation, ranging from 15.62% in 2020 to 18.42% in 2021 before settling at 17.60% in 2023. This indicates the company's capability to generate returns for shareholders effectively.

Metrodata's current ratio fluctuated slightly, ranging from 1.92 to 2.29 between 2019 and 2023. A current ratio above 1 generally indicates that the business has adequate current assets to meet its current liabilities, with the highest ratio of 2.29 in 2020 suggesting strong liquidity that year. Similarly, the quick ratio showed minor fluctuations, ranging from 1.42 to 1.94 during the same period. A quick ratio greater than 1 is desirable, indicating that the firm can meet its current liabilities without relying on the liquidation of inventory. The highest quick ratio of 1.94 in 2020 reflects Metrodata's strong liquid asset position that year.

Metrodata's inventory turnover ratio improved from 9.59 in 2019 to 10.85 in 2020 to 12.68 in 2021 and 13.73 in 2023, indicating enhanced efficiency in inventory management. The total asset turnover ratio fluctuated between 2.18 and 2.68 over the analyzed period, suggesting that the company maintained efficient use of its assets.

Metrodata's debt ratio remained low, ranging from 41.6% to 50.3% during the analyzed period. This low debt ratio indicates that the company relied more on equity financing, minimizing financial risk and interest expenses. Similarly, the debt-to-equity ratio was low, varying between 0.00% and 7.83%, indicating that most of the company's funding came from shareholders' equity rather than debt. The interest coverage ratio of Metrodata was high throughout the analyzed period, ranging from 35.18 to 1039.62. These high ratios indicate that the company could easily meet its interest obligations, demonstrating strong financial health.

B) Relative Valuation

Table 1: Calculation of MTDL Stock Value Relative to Industry P/E Ratio

	Worst	**Base**	**Best**
Industry P/E Ratio	10.1	11.7	18.7
MTDL Value Relative to Industry P/E Ratio	535.4	620.2	991.2

Source: *Author Analysis*

Based on the industry P/E ratio, the equity valuation per share of PT. Metrodata Electronics, Tbk. (MTDL) ranges from IDR 535.4 in the worst-case scenario with an industry P/E ratio of 10.1 to IDR 620.2 in the base-case scenario with a P/E ratio of 11.7 and up to IDR 991.2 in the best-case scenario with a P/E ratio of 18.7.

Table 2: Calculation of MTDL Stock Value Relative to Industry M/B Ratio

	Worst	**Base**	**Best**
Industry M/B Ratio	1.41	2.01	2.45
MTDL Value Relative to Industry M/B Ratio	424.8	605.5	738.1

Source: *Author Analysis*

Based on the industry M/B ratio, the equity valuation per share of PT. Metrodata Electronics, Tbk. (MTDL) ranges from IDR 424.8 in the worst-case scenario with an industry M/B ratio of 1.41 to IDR 605.5 in the base-case scenario with a M/B ratio of 2.01 and up to IDR 738.1 in the best-case scenario with a M/B ratio of 2.45.

C) Absolute Valuation

Absolute valuation involves calculating the intrinsic value of PT. Metrodata Electronics Tbk (MTDL) using the Discounted Cash Flow (DCF) method. This approach requires projecting the company's future free cash flows and discounting them to present value using an appropriate discount rate, which is derived from the company's Weighted Average Cost of Capital (WACC).

The DCF analysis begins with forecasting the company's income statement. This projection is based on several assumptions, including revenue growth, Cost of Goods Sold (COGS) to revenue ratio, selling, general, and administrative (SGA) expenses growth, other income (expenses) growth, and tax rate. These assumptions are categorized into worst, base, and best scenarios to provide a range of potential outcomes. The assumption for income statement projection of PT. Metrodata Electronics Tbk (MTDL) is shown below.

Table 3: Income Statement Projection Assumption

	Worst	**Base**	**Best**
Revenue Growth	14.00%	21.20%	27.00%
COGS to Revenue	91.99%	91.59%	91.19%
SGA Growth	10.00%	9.50%	9.00%
Other Income (Expenses) Growth	12.40%	12.40%	12.40%
Tax Rate	22%	22%	22%

Source: *Author Analysis*

The next step involves calculating the Free Cash Flow to the Firm (FCFF). The assumptions for these calculations include risk-free rate, equity risk premium, beta, default spread, tax rate, pretax cost of debt, debt ratio, equity ratio, cost of equity, cost of debt, WACC, and terminal growth rate. These variables are also categorized into worst, base, and best scenarios. The assumption for FCFF calculations of PT. Metrodata Electronics Tbk (MTDL) is shown below.

Table 4: Assumption for FCFF Calculations

	Worst	Base	Best
Risk-Free Rate	7.15%	6.56%	5.98 %
Equity Risk Premium	9.23%	7.08%	6.12%
Beta	1.097	1.082	0.574
Default Spread	3.41%	2.74%	2.27%
Tax Rate	22%	22%	22%
Pretax Cost of Debt	10.56%	9.30%	8.25%
Debt Ratio	7.26%	7.26%	7.26%
Equity Ratio	92.74%	92.74%	92.74%
Cost of Equity	17.27%	14.22 %	9.50%
Cost of Debt	8.24%	7.26%	6.44%
WACC	16.49%	13.60 %	9.17%
Terminal Growth	3.00%	3.00%	3.00%

Source: *Author Calculation*

Using these assumptions, the FCFF for PT. Metrodata Electronics Tbk is calculated for each scenario over a five-year period. The following tables show the FCFF calculations for worst, base, and best scenarios. The FCFF calculations of PT. Metrodata Electronics Tbk (MTDL) for the worst scenario is shown below.

Table 5: FCFF Calculation for Worst Scenario

In Million IDR	2024	2025	2026	2027	2028
Net Income	978,124	1,139,282	1,325,417	1,540,266	1,788,115
Depreciation	25,317	28,500	32,082	36,115	40,655
Change in Working Capital	358,517	492,103	548,278	576,172	621,038
Capital Expenditure	26,799	26,799	26,799	26,799	26,799
FCFF	618,125	648,879	782,422	973,410	1,180,933

Source: *Author Calculation*

The FCFF calculations of PT. Metrodata Electronics Tbk (MTDL) for the base scenario is shown below.

Table 6: FCFF Calculation for Base Scenario

In Million IDR	2024	2025	2026	2027	2028
Net Income	1,164,335	1,480,931	1,871,226	2,351,462	2,941,385
Depreciation	22,747	23,007	23,271	23,537	23,806
Change in Working Capital	406,514	458,870	687,591	829,466	1,001,909
Capital Expenditure	16,851	16,851	16,851	16,851	16,851
FCFF	763,717	1,028,218	1,190,055	1,528,682	1,946,431

Source: *Author Calculation*

The FCFF calculations of PT. Metrodata Electronics Tbk (MTDL) for best scenario is shown below.

Table 7: FCFF Calculation for Best Scenario

In Million IDR	2024	2025	2026	2027	2028
Net Income	1,339,283	1,807,511	2,411,665	3,189,288	4,188,136
Depreciation	20,177	18,103	16,241	14,571	13,073
Change in Working Capital	237,186	376,260	592,209	705,081	838,218
Capital Expenditure	6,903	6,903	6,903	6,903	6,903
FCFF	1,122,274	1,449,354	1,835,697	2,498,778	3,362,991

Source: *Author Calculation*

Finally, the terminal value of the company is estimated, and the total discounted firm value is calculated. By adding the company's cash and subtracting net debt, the equity value is obtained. This value is then divided by the number of shares to derive the equity value per share. The valuation results of PT. Metrodata Electronics Tbk (MTDL) is shown below.

Table 8: Valuation Results

	Worst	Base	Best

	Worst	Base	Best
Terminal Value	9,018,957,000,000	18,909,971,000,000	56,122,161,000,000
Total Discounted Firm Value	2,583,135,558,489	4,227,342,299,833	7,582,453,393,415
Add: Cash	1,383,556,000,000	1,383,556,000,000	1,383,556,000,000
Less: Net debt	394,334,000,000	394,334,000,000	394,334,000,000
Equity Value	3,572,357,558,489	5,216,564,299,833	8,571,675,393,415
Number of Shares	12,276,884,585	12,276,884,585	12,276,884,585
Equity Value per Share (IDR)	**290.98**	**424.91**	**698.20**
Stock Price as of 14 June 2024	**560**		

Source: *Author Calculation*

Based on the DCF analysis, the equity value per share of PT. Metrodata Electronics Tbk is estimated to range from IDR 290.98 in the worst scenario to IDR 698.20 in the best scenario, with a base case estimate of IDR 424.91.

V. CONCLUSION

From 2019 to 2023, PT. Metrodata Electronics, Tbk. demonstrated stable and robust financial performance, with consistent profitability reflected in stable gross profit margins and increasing operating and net profit margins. Healthy ROA and ROE also indicated effective asset management, while acceptable Current and Quick ratios give insights into the company's acceptable liquidity ratio. The inventory turnover and total asset turnover ratios also indicated that there was good management of inventories and total assets, respectively. Similarly, the debt management of Metrodata is efficient, as reflected in its low debt ratio and high interest coverage ratio, indicating that the company's ability to meet interest will remain robust and sustainable in the ICT industry.

The relative valuation method, which is based on industry P/E and M/B ratios, indicates a fair value of between IDR 424.8 to IDR 991.2 per share, which would put the current stock price as of 14 June 2024 of 560 Rupiah per share as being fairly valued to slightly undervalued. On the other hand, the absolute valuation method through the DCF shows the fair value range of IDR 290.98 to IDR 698.2. In general, the proposed stock price can be considered as falling within a relatively wide range of valuation, which suggests that the stock is fairly valued to slightly overvalued depending on the given valuation models.

VI. RECOMMENDATION

Investors should consider PT. Metrodata Electronics Tbk (MTDL) is a valuable addition to their portfolios. The company's strong financial performance from 2019 to 2023, including steady profitability, efficient asset management, and healthy liquidity and solvency ratios, indicates a robust operational foundation. With a current stock price of IDR 560 as of 14 June 2024, slightly below the base-case estimates from industry P/E and M/B ratios, the stock appears fairly valued to slightly undervalued, making it an attractive option for long-term investors. However, the stock price is above the base-case estimate from the DCF method, suggesting potential overvaluation under this model. Investors should assess market conditions and MTDL's future performance to determine if the company can meet or exceed best-case scenario projections.

To support investor confidence and enhance its financial position, PT. Metrodata Electronics Tbk (MTDL) should focus on reducing costs, particularly in its cost of goods sold (COGS). Negotiating better terms with partnered brands to achieve a higher distributor tier can significantly lower COGS and improve gross margins. Additionally, MTDL should prioritize innovation and diversification in high-growth areas such as cloud solutions, cybersecurity, and digital transformation. By staying updated on technological advancements and meeting evolving consumer needs, MTDL can reinforce its market position and ensure sustained growth, thereby making the stock an even more compelling investment.

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