

Dayamitra Telekomunikasi Tbk (MTEL)

It's Time to Start Harvesting the Results

In the first semester of 2023, MTEL posted a +10.8% YoY increase in revenue to IDR 4.130 T (1H22: IDR 3.726T) and a 0.97% QoQ increase (1Q23: IDR 2.055T). EBITDA in 1H23 rose by 16.1% YoY and QoQ was flat +0.06% to IDR 3,353T (1H22: IDR 2,888T; 1Q23: IDR 1,676T). MTEL's Net Profit increased by +14.7% YoY and +4.0% QoQ to IDR 1,022B (1H22: IDR 892B; 1Q23: IDR 501B).

Tower Rental & Tenancy Ratio Quality Improvement Starts to Rise

- By segmentation, for MTEL, the tower rental segment in 1H23 still dominated the revenue at IDR 3.453T in 1H23 (1H22: IDR 2.989T +15.5% YoY & 1Q23: IDR 1.739T, -1.44% QoQ). The ISAT tower acquisition that took place in 1Q23 was one of the factors that increased the rental segment revenue along with the boost from additional tenants and collocations.
- As for the tower reseller segment, it decreased by -8.8% YoY to IDR 309B as MTEL intends to reduce the proportion of this business (1H22: IDR 339B; 1Q23: IDR 154B). The other tower-related segment posted a -29.3% YoY decline in revenue to IDR 282B (1H22: IDR 399B). MTEL will carry out a strategy where it prioritizes revenue that brings higher margin quality so that revenue from non-tower rental and reseller segments is quite reduced.
- As for the operational asset data, the number of towers owned by MTEL is currently at 36,719 units in 1H23 (1H22: 28,787 units +27.6% YoY and 1Q23: 36,439 units QoQ +0.77%) and the number of Tenancy has increased at 54,718 tenants (1H22: 43,900 tenancy + 24.6% YoY and 1Q23: 53,317 tenants QoQ +2.63%). The Tenancy Ratio level in 1H23 stood at 1.49. Interestingly, the growth of MTEL's tenancy ratio level when compared to the previous quarter has begun to show an increase (1Q23: 1.47).
- For 1H23, the Operational cost was successfully reduced by -7.4% YoY to IDR 838B (1H22: IDR 776B), where the largest contributor to the cost reduction was the decrease in Construction and Project Management costs which fell -34.6% YoY to IDR 219B in 1H23 (1H22: 335B). The efficiency shown by MTEL is a relatively favorable strategy, where MTEL becomes more selective in choosing business segments that have higher profit margins.

Fiber Network Development Begins to Generate Revenue

- One of MTEL's latest portfolio growth drivers that deserves attention is the development of Fiber network. Currently, the position of the portfolio condition other than towers, namely the Fiber network segment, is experiencing massive development where MTEL during 1H23 had 27,269 km (1Q23: 25,509 km QoQ: +6.90%). The details of these networks are 12,769 km in Java (47%) and 14,500 km outside Java (53%). In addition, the Fiber network segment in 1H23 has started to book revenue of IDR 86B (1Q23: IDR 34B).

Buy Recommendation with a TP at IDR 860 (+23.74% Upside)

- NHKS Research maintains a Buy rating for MTEL, with a target price of IDR 860 and an upside potential of +23.74% reflecting FY2023 11.5x Forward EV/EBITDA. Current MTEL valuation is quite attractive and quite attractive, as MTEL is currently trading below the average standard deviation of EV/EBITDA since its IPO. Other things that support this call are tenant growth and future expansion in tower-related business such as FTTH (Fiber To The Tower) and PTTT (Power To The Tower) segments, as well as 5G Infrastructure. However, the risk of this call is the inability to achieve MTEL's growth expectation in terms of revenue and rental rate.

Dayamitra Telekomunikasi Tbk | Summary (IDR bn)

	2022/12A	2023/12F	2024/12F	2025/12F
Revenue	7,729	8,648	9,597	10,619
Revenue growth	11.0%	10.6%	6.6%	10.1%
EBITDA	6,142	6,949	7,713	8,535
Net profit	1,785	2,224	2,515	2,895
EPS (IDR)	21	27	30	35
EPS growth	29.3%	24.6%	13.1%	15.1%
BVPS (IDR)	405	412	420	431
EBITDA margin	79.5%	80.4%	80.4%	80.4%
NPM	23.1%	25.7%	26.2%	27.3%
ROE	5.3%	6.5%	7.2%	8.0%
ROA	3.2%	3.7%	4.0%	4.5%
P/E	32.5x	16.4x	5.8x	12.6x
P/BV	1.7x	2.1x	2.3x	2.6x
EV/EBITDA	10.8x	11.3x	12.0x	12.4x
DPS (IDR)	21	17	21	24
Dividend yield	3.0%	2.0%	2.2%	2.2%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Buy

Target Price (IDR)	860
Consensus Price (IDR)	915
TP to Consensus Price	-6.0%
Potential Upside	+23.74%

Shares data

Last Price (IDR)	695
Price date as of	Aug. 7, 2023
52 wk range (Hi/Lo)	805 / 620
Free float (%)	21.4
Outstanding sh.(mn)	83,515
Market Cap (IDR bn)	58,043
Market Cap (USD mn)	3,822
Avg. Trd Vol - 3M (mn)	39.84
Avg. Trd Val - 3M (bn)	26.42
Foreign Ownership	9.49%

Infrastructure

Telecommunication Towers

Bloomberg	MTEL.IJ
Reuters	MTEL.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-7.9%	2.2%	3.0%	-9.7%
Rel. Ret.	-8.5%	-0.3%	1.2%	-6.9%

Leonardo Lijuardi

(021) 5088 9100 ext. 9127

Leonardo.lijuardi@nhsec.co.id

Summary of Financials

INCOME STATEMENT

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Revenue	7,729	8,648	9,597	10,619
<i>Growth</i>	11.0%	10.6%	6.6%	10.1%
Cost of Revenue	(4,075)	(4,499)	(4,916)	(5,275)
Gross Profit	3,654	4,149	4,681	5,344
<i>Gross Margin</i>	47.3%	48.0%	48.8%	50.3%
Operating Expenses	(503)	(530)	(589)	(652)
EBIT	3,153	3,590	4,061	4,659
<i>EBIT Margin</i>	40.8%	41.5%	42.3%	43.9%
Depreciation	(2,989)	(3,360)	(3,652)	(3,876)
EBITDA	6,142	6,949	7,713	8,535
<i>EBITDA Margin</i>	79.5%	80.4%	80.4%	80.4%
Interest Expenses	1,138	1,150	1,246	1,307
EBT	2,417	2,851	3,237	3,784
Income Tax	(632)	(627)	(722)	(889)
Net Profit	1,785	2,224	2,515	2,895
<i>Growth</i>	29.3%	24.6%	13.1%	15.1%
<i>Net Profit Margin</i>	23.1%	25.7%	26.2%	27.3%

BALANCE SHEET

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Cash	6,354	7,482	6,804	6,855
Receivables	1,050	1,545	1,527	1,677
Total Current Assets	7,886	9,759	9,013	9,097
Net Fixed Assets	39,328	41,088	44,502	46,687
Other Non Current Assets	8,857	8,751	8,975	9,206
Total Non Current Assets	48,185	49,839	53,477	55,893
Total Assets	56,072	59,599	62,491	64,990
Curr Maturities of LT Debt	2,608	2,957	3,202	3,360
Total Current Liabilities	10,201	10,647	11,394	12,054
LT Debt	12,064	13,639	14,756	15,481
Total Liabilities	22,264	24,286	26,150	27,535
Capital Stock + APIC	32,129	32,129	32,129	32,129
Retained Earnings	2,356	2,927	3,662	4,546
Shareholders' Equity	33,807	34,378	35,114	35,998

CASH FLOW STATEMENT

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Operating Cash Flow	6,019	3,921	5,252	5,644
Investing Cash Flow	(10,893)	(3,312)	(5,539)	(4,489)
Financing Cash Flow	(7,920)	520	(392)	(1,105)
Net Changes in Cash	(12,794)	1,128	(678)	51

Source: Company Data, Bloomberg, NHKSI Research

PROFITABILITY & STABILITY

	2022/12A	2023/12F	2024/12F	2025/12F
ROE	5.28%	6.47%	7.16%	8.04%
ROA	3.18%	3.73%	4.02%	4.45%
Receivables Turnover	7.4x	5.6x	6.3x	6.3x
Payables Turnover	2.1x	2.7x	2.7x	2.7x
Dividend Yield	3.0%	2.0%	2.2%	2.2%
Payout Ratio	98.0%	64.2%	70.7%	69.5%
DER	0.43x	0.48x	0.51x	0.52x
Net Gearing	0.94x	1.03x	1.06x	1.06x
Equity Ratio	0.6x	0.6x	0.6x	0.6x
Debt Ratio	0.3x	0.3x	0.3x	0.3x
Financial Leverage	1.7x	2.0x	1.7x	1.7x
Current Ratio	0.8x	0.9x	0.8x	0.8x
Par Value (IDR)	228	228	228	228
Total Shares (mn)	83,539	83,539	83,539	83,539
Share Price (IDR)	695	860	973	1,120
Market Cap (IDR tn)	58,060	71,844	81,249	93,536

VALUATION INDEX

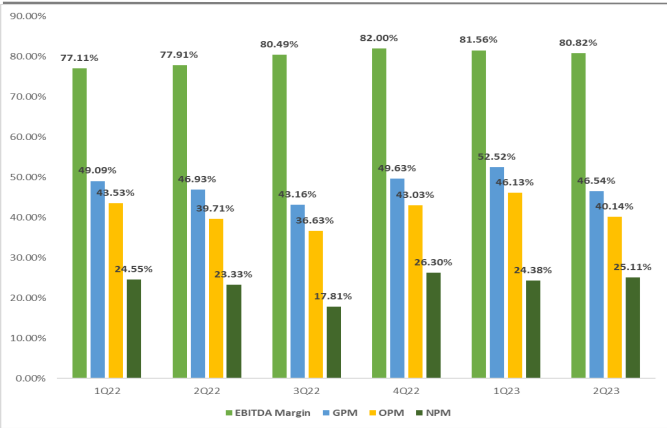
	2022/12A	2023/12F	2024/12F	2025/12F
Price/Earnings	32.5x	32.3x	32.3x	32.3x
Price/Book Value	1.7x	2.1x	2.3x	2.6x
PE/EPS Growth	1.1x	1.3x	2.5x	2.1x
EV/EBITDA	10.8x	11.3x	12.0x	12.4x
EV (IDR bn)	66,620	81,215	92,699	105,885
Revenue CAGR (3-Yr)	-	11.8%	11.8%	11.2%
Net Income CAGR (3-Yr)	-	54.6%	22.1%	17.5%
Basic EPS (IDR)	21	27	30	35
BVPS (IDR)	405	412	420	431
DPS (IDR)	21	17	21	24

OWNERSHIP

Shareholders	%
PT Telkom Indonesia Tbk.	71.85
PT Maleo Investasi Indonesia	5.98
GIC PTE LTD	5.65
Others	16.52
By Geography	%
Indonesia	90.51
Singapore	6.11
United States	2.06
Others	1.32

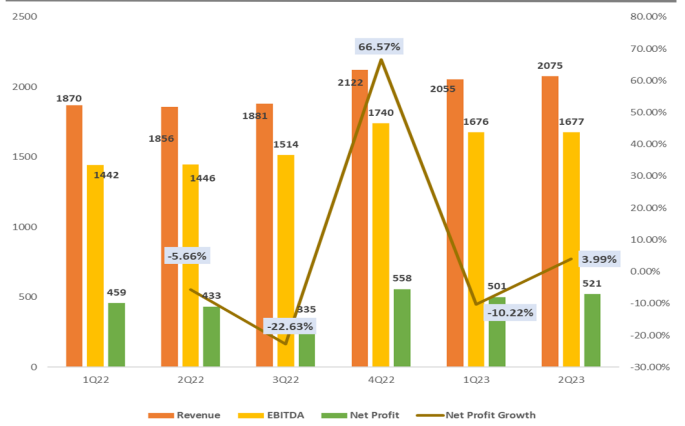
Performance Highlights

Financial Performance (IDR Billion)



Source: Company, NHKSI Research

Margin Ratios (%)



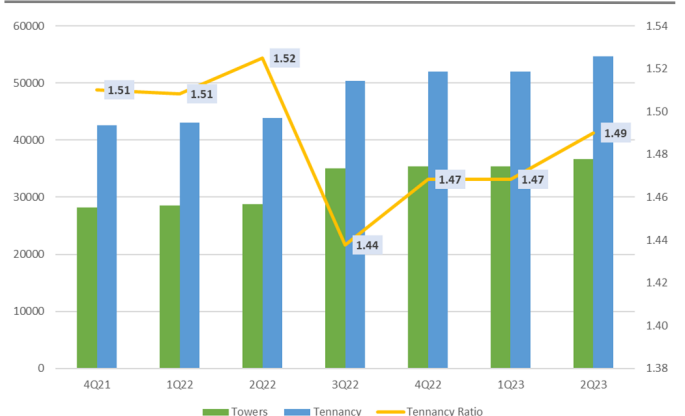
Source: Company, NHKSI Research

MTEL Number Of Towers, Tenancy and Fibers



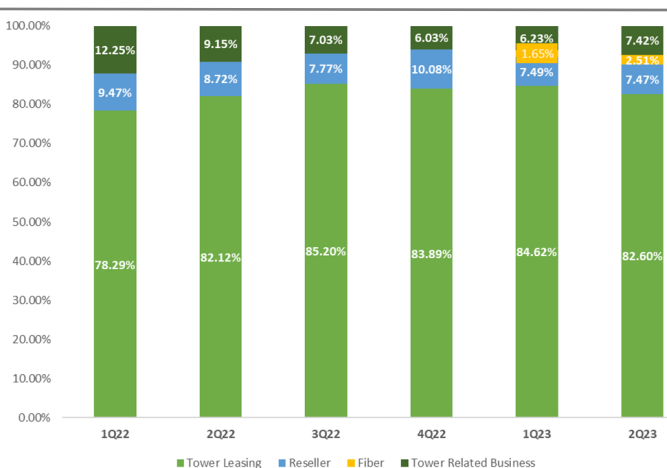
Source: Company, NHKSI Research

MTEL Tenancy Ratio



Source: Company, NHKSI Research

MTEL Revenue Breakdown (By Segment)



Source: Company, NHKSI Research

F-EV/EBITDA MTEL



Source: Company, NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

DISCLAIMER

This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein.

All rights reserved by PT NH Korindo Sekuritas Indonesia