

PT Solusi Sinergi Digital Tbk (WIFI IJ)

Building the Backbone of Tomorrow's Connectivity

PT Solusi Sinergi Digital Tbk (WIFI), a company with a digital ecosystem, which now focuses on providing internet bandwidth with Fiber Optic (FO) infrastructure network through its subsidiary. This network covers companies, individuals, and governments in urban and rural areas across Indonesia. WIFI's other business pillars include media advertising, as well as digital services in the form of mobile application development.

More Than Digital Ads - A New Era in Telecom Infrastructure

Having transitioned into the telco segment in Q1-24, with the Telco Segment contributing 46% of revenue, WIFI has the advantage of being the only rail internet infrastructure player with low cost and affordable pricing (IDR 99,000 for speeds up to 100 Mbps). The company, through its ISP (internet service provider) clients, is targeting the lower middle segment market in Java, which has the highest internet contribution rate in Indonesia at 83.64% according to APJII. These advantages include a complete internet infrastructure pathway through railways, toll roads, and provincial roads in Java, as well as access to population density centers in Tier 3 cities. In addition, the company has a fast implementation in SITAC or Site Acquisition permit acquisition, interconnection, and crossing at 300 road or railroad crossing points to ensure the internet infrastructure is well connected. Lastly, the company also provides BTS poles along the 3000 km railway line.

Continued growth in the Telco segment

With Indonesia's fixed broadband internet penetration rate still below the average of neighboring countries and the overall internet penetration rate growing to reach 79.5% by 2024 according to APJII, it shows that there is still a lot of untapped market potential in this segment. We project optimistic growth for the company, which has not been fully reflected in the current performance. By 2024, we estimate that the revenue growth in the telecommunication segment will increase to Rp 383.4 Billion with a total homeconnect of more than 268,000 users in its FTTH (fiber-to-the-home) segment. Furthermore, we project that the company will continue to grow with revenue growth of 55%, reaching Rp 681.07 Billion, Gross Profit is also expected to grow by 46% to Rp 312.9 Billion, and EBITDA also grew to Rp 386.14 Billion. For Net Profit, our projection is to grow to Rp 105.79 Billion from Rp 58.54 Billion in the previous year. The Company has completed the first phase of building 200,000 homepasses for local ISPs.

Strategic Partnership

The company is active in strategic partnerships within the telecommunications segment, one of which is with KAI for the land use and internet infrastructure cable along the rail line, which includes PoP (point of presence) and datacenter sites (the contract duration is for 10 years period and it is renewable). In addition, the company has signed a key term sheet with PT Perusahaan Gas Negara Tbk (PGAS) through Weave, this cooperation involves bundling subscription of gas pipelines and internet services for the household and commercial sectors. In addition, the company is also finalizing a partnership with an operator to build 1 million FTTH connections.

BUY initiation with TP at IDR 318

We initiate BUY for WIFI with target of IDR 318, which has an upside potential of +55.88%, reflecting EV/EBITDA (2024F) of 4.5x and PE (2024F) of 7.1x or equivalent to 2 Years average standard deviation Forward PE. The risks of this recommendation are intense competition, strategy implementation/execution errors, then the need to adapt to rapid technological developments, complex domestic regulatory challenges and the risk of market volatility because the company is categorized as a small-cap company.

PT Solusi Sinergi Digital Tbk | Summary (IDR Bn)

In IDR Bn	2023A	2024F	2025F	2026F
Revenues	439	681	858	1,143
Revenues growth	-4.8%	55.0%	25.9%	33.3%
Net profit	59	106	185	259
Growth	0.1%	80.7%	75.3%	39.8%
EPS (IDR)	26	45	79	110
P/E	5.9x	7.1x	4.0x	2.9x
P/BV	0.5x	0.9x	0.7x	0.5x
EV/EBITDA	3.4x	4.5x	3.8x	3.0x
ROE	7.9%	12.1%	17.6%	18.3%
DER	78%	120%	121%	109%
ROA	3.7%	4.6%	6.5%	7.1%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer



Initiation Report | 10 July 2024

BUY

Target Price	318
Consensus Price (IDR)	-
TP to Consensus Price vs. Last Price	#N/A 55.88%

Shares data

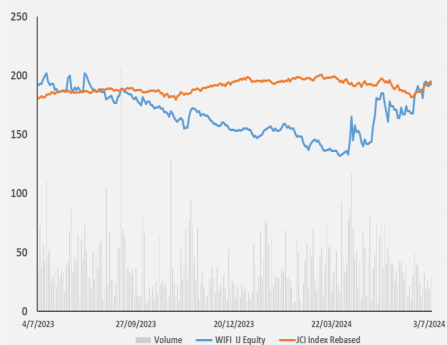
Last Price (IDR)	204
Price Date as of	5-Jul-24
52 wk Range (Hi/Lo)	218/128
Free Float (%)	49.6
Outstanding sh.(mn)	2,359
Market Cap (IDR bn)	481
Market Cap (USD mn)	30
Avg. Trd Vol - 3M (mn)	195
Avg. Trd Val - 3M (bn)	31.89
Foreign Ownership (%)	1.51

Technology

Software & IT Services

Bloomberg	WIFI IJ
Reuters	WIFI JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	31.6%	24.4%	50.0%	5.7%
Rel. Ret.	32.6%	20.0%	50.5%	-2.3%

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Company Profile



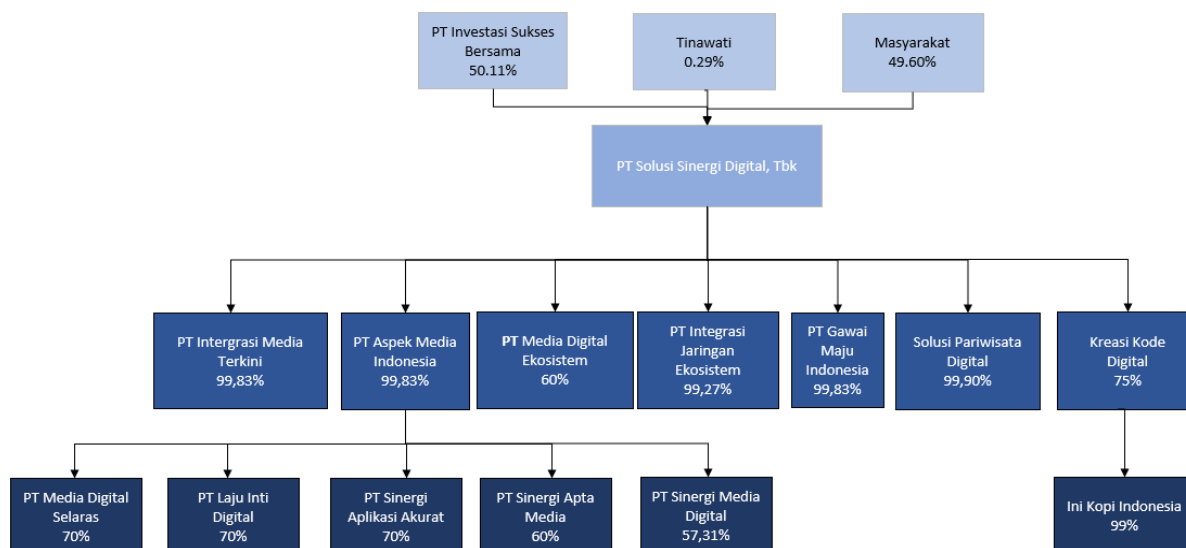
PT Solusi Digital Niaga Tbk (WIFI) or Surge is an integrated digital company that offers a wide range of digital products and services. It consists of 3 segments: media advertising, digital infrastructure such as fiber optics, and digital services and products.

WIFI's brief history :

The company began the business by selling coffee under the Lucaffé brand in 2012, then acquired and expanded business activities in various fields of digital, advertising, and network infrastructure in 2019, then the company launched the AdaKita mobile application, set a MURI record, and established various strategic partnerships in the Telecommunications segment (Data Center, FTTH Fiber Optic) in 2022, and continued to develop the telecommunications business and technology collaboration with international companies in 2023.

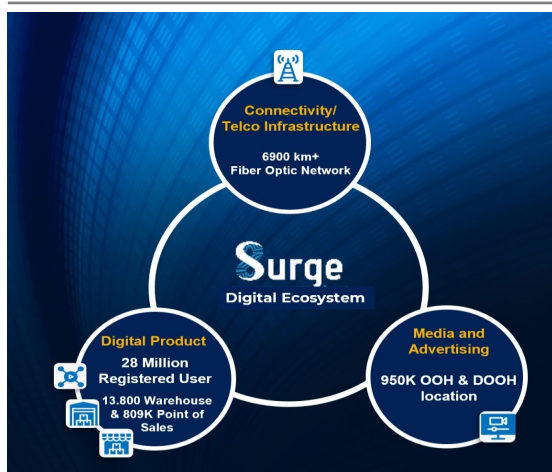
Surge first offered its shares to the public and has been listed on the Indonesia Stock Exchange since December 30, 2020. The total funds raised from this offering amounted to IDR 82.90 billion.

WIFI's Company Structure



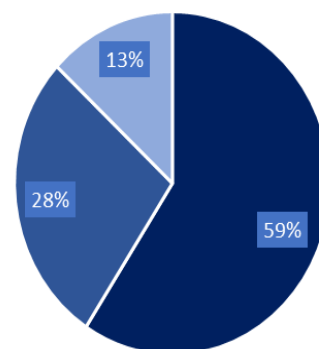
Source: NHKSI Research, Company Data

WIFI's Digital Ecosystem



Source: Company Data

Revenue Breakdown FY2023



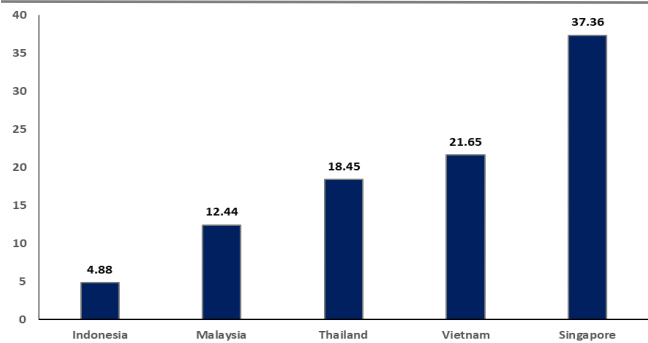
■ Advertising ■ Telecommunication ■ Digital product

Source: Company Data, NHKSI Research

Industry Overview

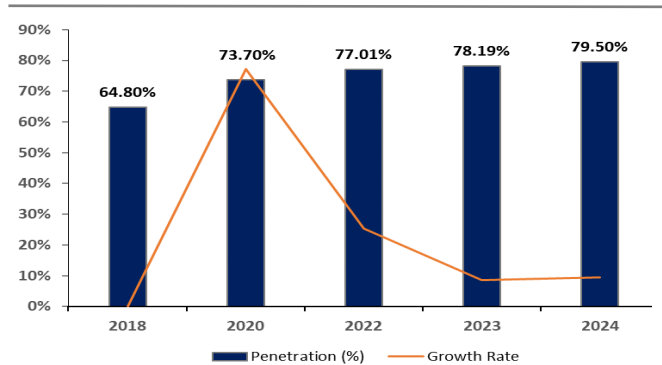
Unlock Opportunity in the Telco Segment

Fixed Broadband subscriptions (per 100 people) (2022)



Source: World Bank 2022, NHKSI Research

Indonesia Internet User Penetration (YoY)



Source: APJII, NHKSI Research

Fixed Broadband Cost / GDP By Country (2021)

Country	GDP per Capita (USD/year)	Fixed Broadband Monthly Cost (USD)	Fixed Broadband Annual Cost (USD)	% Fixed Broadband Cost /GDP per Capita
Indonesia	4,332	32.5	390	9,0%
Malaysia	11,109	26	6 319.0	2,9%
Thailand	7,066	14.9	179.2	2,5%
Vietnam	3,756	12.4	148.8	4,0%

Source: Company Data, World Bank, Statista, NHKSI Research

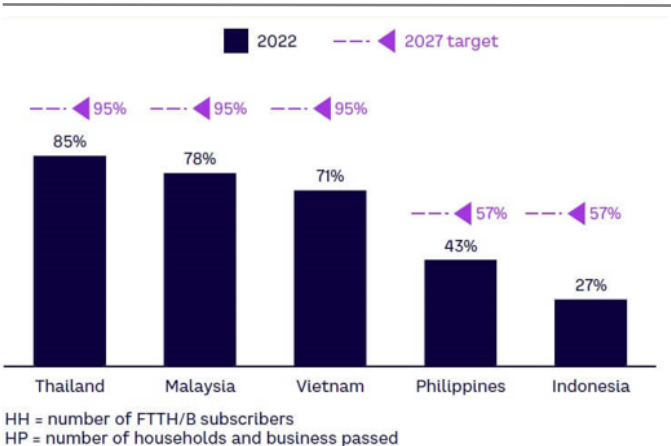
After the COVID-19 pandemic ends, the telecommunications segment prospects promise great opportunities, supported by the rapid growth of technology and increasingly widespread connectivity. According to the Survey of the Association of Indonesian Internet Service Providers (APJII), the internet penetration rate in Indonesia in 2024 has reached 79.50%, up 1.31% or penetrating 221,563,479 people from a total population of 278,696,200 Indonesians in 2023.

On the other hand, the Home Internet/Fixed Broadband segment has a low penetration rate which on average is in the range of 20.8% by 2023 where per 100 people in Indonesia only 4 subscribe to home internet. A report by Ericsson and Arthur D. Little (ADL) for 2023, which states that the telecommunications industry in Southeast Asia (SEA) is experiencing rapid growth as the adoption of mobile devices and digital services has impacted data consumption. Projections show that data consumption is expected to increase significantly with an average annual growth rate (CAGR) of 32% from 2022 to 2028. In addition, the development of 5G networks is also experiencing a rapid increase, it is estimated that the penetration rate of 5G networks will reach approximately 52% in Southeast Asia by 2030.

Although national penetration is still low for home internet, it can be a double-edged sword with the following opportunities and challenges for home internet adoption in Indonesia:

- Geographical Challenges:** The vastness of Indonesia with its mountains and islands, as well as the focus on infrastructure development in certain areas, is a major constraint for the home internet business. Players in this industry are concentrated in urban areas, especially Jakarta, so home internet access outside these areas is still limited.
- High Capex:** The home internet business requires a large investment, just like the mobile telecommunications business. The complexity of planning, financing, regulatory compliance, and implementation are factors that make this business not always won by certain players. Large capital is the main key to compete in this industry.
- Consumer Purchasing Power:** Indonesia's telecom consumers are different from those in developed countries. With the average price of home internet currently ranging up to USD 32.5 per month. This makes many people feel that home internet is not affordable.

Fiber (FTTH/B) coverage in SEA Countries HP/HH



Source: Arthur D. Little

Segment Breakdown

Telco Business Line

WIFI engages in network infrastructure business segment through its subsidiary, PT Integrasi Jaringan Ekosistem (IJE) or "Weave" where network infrastructure is the main driver of WIFI's performance.

PT Integrasi Jaringan Ekosistem (IJE) / Weave



Source: Company Data

WIFI's Telco Services / Ecosystem

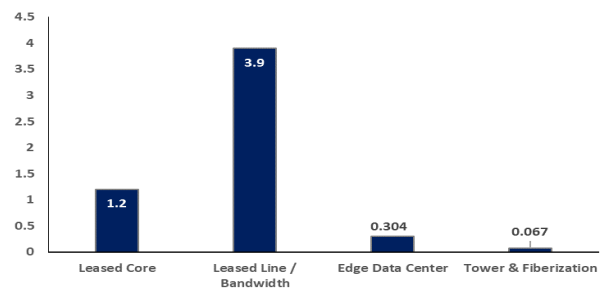


Source: Company Data

Products and Services performed by Weave:

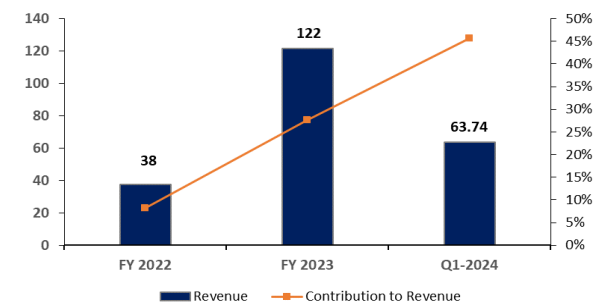
- Leased Core / Dark Fiber:** Provides optical fiber with 144 Core, High SLA (Service Level Agreement), with high level of security and lower optical probability, with potential clients: Data Center, Telco Operator, Tower Operator, ISP (Internet Service Providers).
- Leased Line dan bandwidth:** with an installed capacity of 5.6 Tbps to a maximum capacity of 64 Tbps, which uses DWDM (Dense Wavelength Division Multiplexing) technology from Huawei and Packetlight. With potential customers in the form of Data Centers, Tower Operators, iSP (Internet Service Providers).
- Edge Data Center (Colocation & Content Delivery Network (CDN):** Provides physical infrastructure, including buildings, power, server storage racks, cooling systems, for connectivity. There are 58 Edge Data Centers in strategic locations with a capacity of 6 server racks per location.
- Tower & Fiberization:** build towers along the railway line to extend connectivity services such as Ground to Railway Connectivity, Fixed wireless access, etc. with 24,000 Potential Tower & Fiberization along the railway tracks. WIFI provides also connectivity services to communication towers to extend high speed internet connection. With potential customers of potential clients, Telco Company (5G FWA) and Tower Provider

Potential Ultimate Annual Revenue Telco (Trillion IDR)



Source: Company Data, NHKSI Research

Segment Revenue & (%) to Revenue YoY (Billion IDR)



Source: Company Data, NHKSI Research

To carry out sustainable infrastructure development, the company issued an initial bond worth IDR 600 billion on the Indonesia Stock Exchange on July 5, 2024 which was oversubscribed. Currently IJE has around 200 partners and clients with good reputation in the telecommunication industry including NTT Indonesia, Starlink Indonesia, My Republic, Lightstorm, Huawei Cloud, Qualcomm, BDDC, Trans Hybrid Communication, Pertamina Gas Negara, and others.

WIFI's Several List of Customer (Telco)



Source: Company Data

A Deeper Look at WIFI's Telco Business Line

The Java Backbone infrastructure built by WIFI consists of 3 parts, namely: Java Island railroad lines, toll roads, and also provincial roads, along 6,927 km from Merak to Banyuwangi. **Since 2019 PT KAI (Persero) has collaborated with IJE to install fiber optic cables** along the KAI railway network on the island of Java through the Weave project. The company also seeks to bring fiber optic infrastructure to the MSME segment, and remote areas.

3 Backbone Line of Backup (Java Backbone)



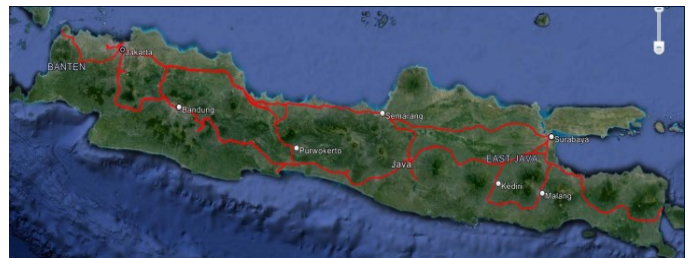
Source: Company Data, NHKSI Research

Roadside Fiber Backbone (1187 Km)



Source: Company Data

Railway Fiber Backbone (5017 Km)



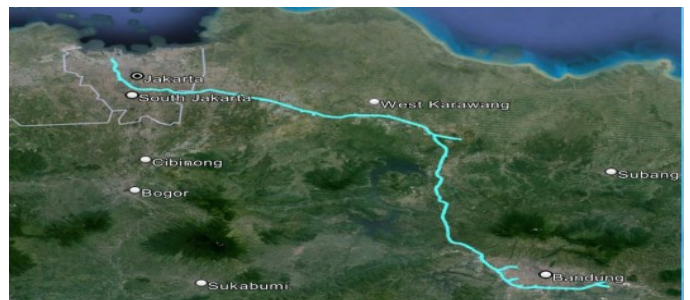
Source: Company Data

Inner Jakarta Fiber Backbone (458 Km)



Source: Company Data

Highway Backbone (265 Km)



Source: Company Data

WIFI's whole Telecommunications Infrastructure Area



Source: Company Data

A Deeper Look at WIFI's Telco Business Line (FTTH & Leased Line)

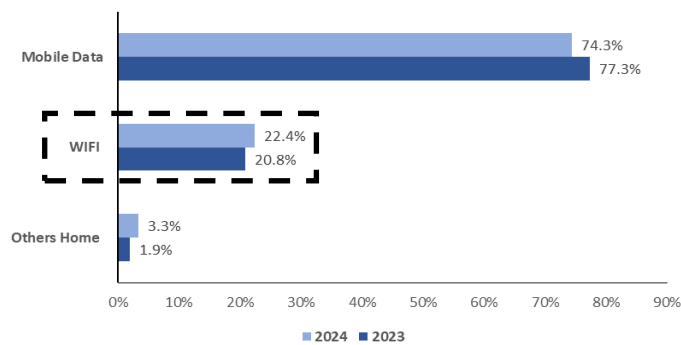
Unlock Value

More than 80% of Java Island's population is located along the railroad tracks with a **population of 140 million**. Where the WIFI network will feature fiber optic cables in 590 train stations located in 9 KAI operating areas in Java, designed to facilitate internet connectivity with a bandwidth capacity of up to 15,000 Gbps.

The company is finalizing cooperation with operators for 1 million connections to houses (FTTH). **With Fiber to the Home (FTTH) service occupancy reaching 3,000 active customers** at Citayam station with infrastructure capacity reaching 10,000 homes near Citayam station. With an internet price of Rp 99,000 provided by WIFI, being an advantage supported by a capacity level reaching up to 100Mbps, this segment has the largest penetration growth rate considering the buying power of a very sensitive society, this segment grew 2.6% from 2023-2024 proving the growth of internet penetration, especially in remote areas and MSMEs. With detailed IJE statistics on FTTH (Fiber to the Home) services: Current Homepass = 41,000+, Household Current Customer = 37,976+ Household TakeUp Rate : 92% Churn Ratio = 1.2%.

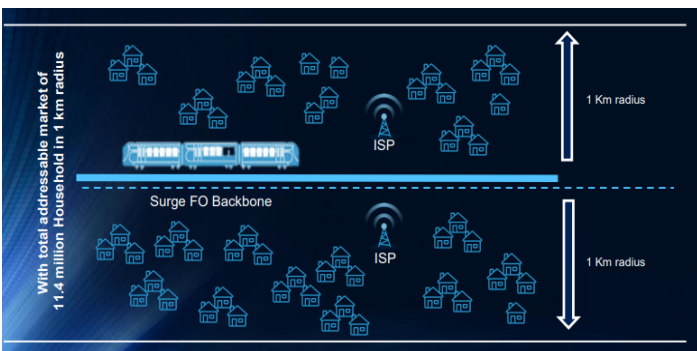
Railway Line Efficiency, facilitated by WIFI's permits along KAI's tracks, streamlines access for its clients such as ISPs or operators to expand networks reaching residential areas near railway lines, thereby enhancing operational efficiency and ultimately improving customer satisfaction.

Internet Access from Location—Indonesia



Source: NHKSI Research, APJII

WIFI's Rail Road FTTH Scheme



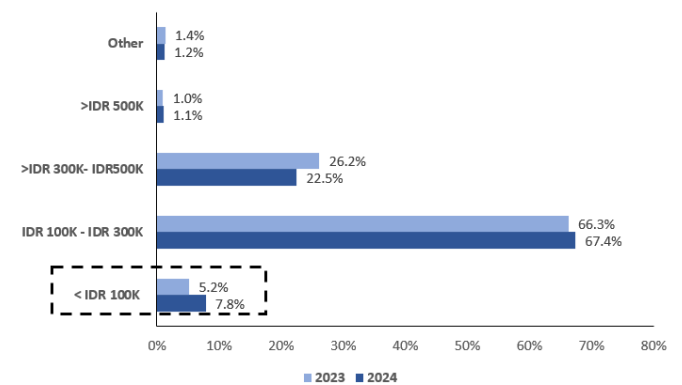
Source: Company Data

Point of Presence Weave (Citayam Station)



Source: NHKSI Research

Biaya rata-rata Layanan Internet Rumah di Indonesia



Source: NHKSI Research, APJII

Occupancy & Performance Update FTTH—IJE

Okupansi Business PoC – Proyek FTTH IJE						
No.	Area	Home Pass	Total Active Client	Dismantle	% Churn	% Take Up Rate (TUR)
1	Purworejo	1950	1831	13	0.71%	94%
2	Cilebut Barat	1773	1627	14	0.86%	92%
3	Cilebut Timur	1024	933	9	0.96%	91%
4	Citayam Barat	2992	2806	49	1.75%	94%
5	Citayam Timur	924	895	13	1.45%	97%
6	Bassura	3072	2908	103	3.54%	95%
7	Depok Lama	827	825	3	0.36%	100%
8	Depok Baru	1184	1101	23	2.09%	93%
9	Cijantung	680	631	9	1.43%	93%
10	Kopassus	800	776	4	0.52%	97%
11	Jatinegara	1982	1919	29	1.51%	97%
12	Telaga Mumi	1809	1725	7	0.41%	95%
13	Karawang	1776	1624	35	2.16%	91%
14	Cikarang	152	143	2	1.40%	94%
15	Rawa Buaya	900	825	8	0.97%	92%
16	Tanah Tinggi	4918	4730	63	1.33%	96%
17	Cibinong	3959	3825	23	0.60%	97%
18	Cianjur	2864	2753	21	0.76%	96%
19	Angkasa Pura 2	1361	1324	7	0.53%	97%
20	Cibitung	1236	1137	6	0.53%	92%
21	Buaran Indah	1872	1594	12	0.75%	85%
22	Lenteng Agung	769	593	2	0.34%	77%
23	Matraman	687	632	19	3.01%	92%
24	Karang Sari	946	542	13	2.40%	57%
25	Pisangan Baru	552	425	0	0.00%	77%
TOTAL		41,009	38,124	487	1.21%	91.23%

Source: Company Data

A Deeper Look at WIFI's Telco Business Line

Unlock Opportunity in the Telco Segment (Edge Data Center)

According to Data, the AI market for data centers in Indonesia will grow at a CAGR (Compound Annual Growth Rate) of 6.08% during the period 2024-2028, reaching a revenue value of USD 3.89 billion by 2028. With Indonesia having the fourth-largest internet population in the world with 224 million users, and this figure continuing to rise. The Indonesian government is also committed to developing digital infrastructure, including data centers, through various policies and initiatives.

Weave has an exciting opportunity in the Edge Data Center business with a strategic and growing infrastructure network. Here are some points that support the investment thesis:

-Dense Network in Strategic Locations: Surge has a network that covers 6 Provinces, 119 Districts, and 1,548 Sub-districts in Java (which is now available at 58 station points, of which 3 station points are already in operation with Huawei). Located near major highways and train stations, this makes data connectivity very efficient.

-Warehouse Locations: The availability of more than 577 warehouse locations near railway areas throughout Java gives Surge an advantage in future Edge Data Center deployments.

Services offered by WIFI in the Edge Data Center segment (B2B):

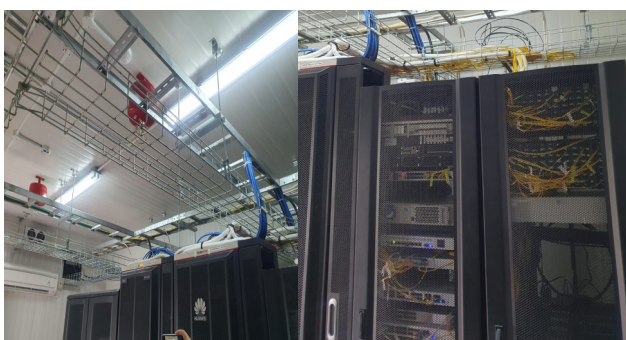
1. **Equipment Co-locations:** This service allows companies to place servers, routers, and other network equipment in WIFI's Edge Data Center facilities.
2. **Local Internet Exchange (IX):** WIFI provides a platform for internet service providers (ISPs), telecom companies, and content providers to exchange internet traffic directly at their Edge Data Centers.
3. **Edge Cloud Computing:** WIFI offers a decentralized cloud computing platform at its Edge Data Center.
4. **Content Delivery Network (CDN):** This service helps distribute your static and dynamic content (such as websites, apps, videos, and more) to edge servers spread across multiple geographical locations. This makes your content available faster and more reliably to end users, especially those near edge servers.

POTENTIAL EDGE DATA CENTER (Warehouse in Java)



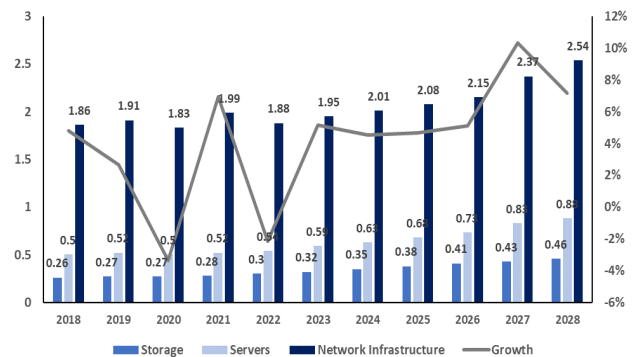
Source: Company Data, NHKSI Research

IJE : Edge Data Center (Bogor Station)



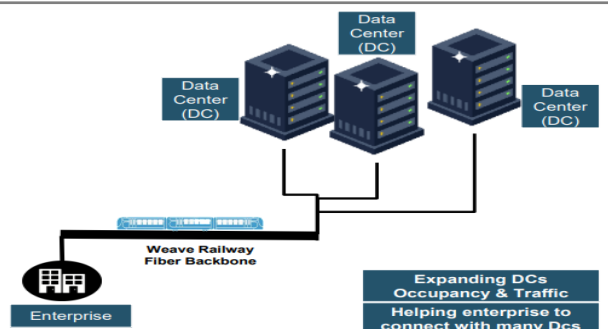
Source: NHKSI Research

Indonesia Data Center Revenue Est. (Billion USD)



Source: Statista, NHKSI Research

Data Center Scheme



Source: Company Data, NHKSI Research

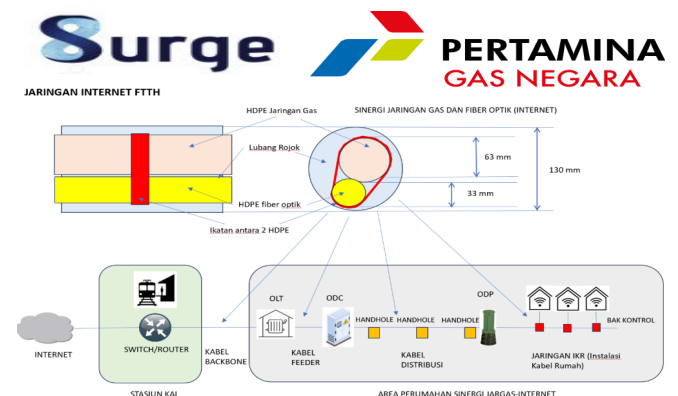
A Deeper Look at WIFI's Telco Business Line

Several Recent Partnerships in the Telco Segment

Weave signed a key term sheet with PT Perusahaan Gas Negara Tbk (PGAS) in June 2024 to develop gas pipelines and provide internet services for the household and commercial sectors. In 2023, there were 835,000 household gas connections, the government has set a target of 2.4 million household gas connections by 2024. The contract of this cooperation has a 5-year duration, targeting approximately 2.5 million households in Java Island by offering customers Unlimited Internet up to 100Mbps and Gas.



Source: Company Data, NHKSI Research



Surge and Nokia Partnership

IJE, through its parent company, has signed a Memorandum of Understanding with Nokia, where Nokia will support the Company's end-to-end connectivity technology needs supported by Artificial Intelligent, Machine Learning, Automation, and User Experience Development to realize **25 million home connections** in the next 3 years. This collaboration is also expected to have an impact on the development of education, supporting distance learning, developing essential digital skills that will prepare the younger generation to improve the nation's intelligence and welfare.

Surge and Qualcomm Technologies Partnership

SURGE and Qualcomm Technologies, Inc have announced a strategic partnership in November 2023.

SURGE is the only strategic partner in Indonesia working with Qualcomm Technologies, Inc in expanding the 5G ecosystem. The partnership will develop devices powered by the Snapdragon X35 5G Modem-RF System, planned for launch in 2024, to provide affordable internet connectivity along Java's railways.

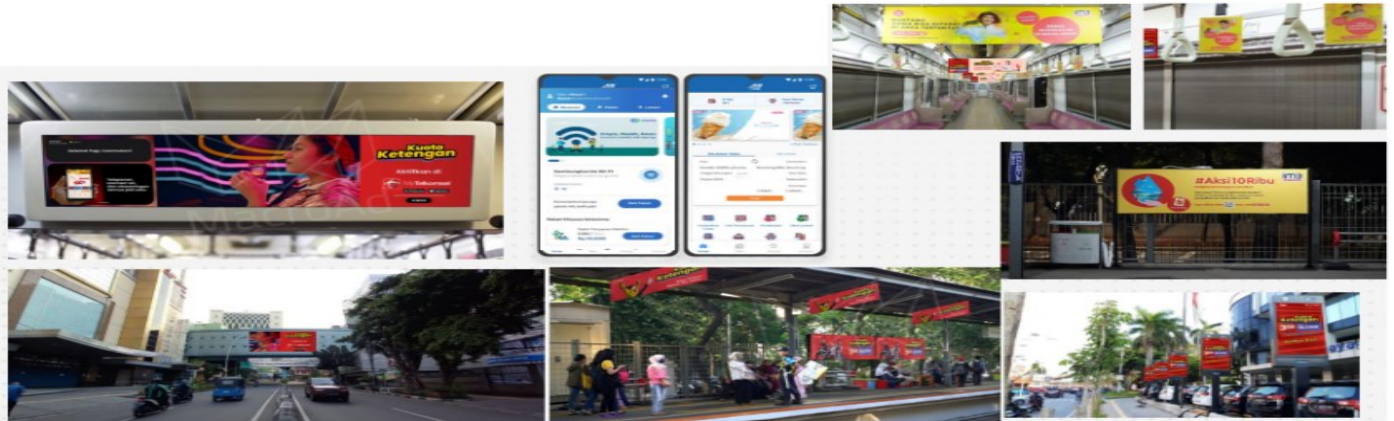
The company sees great potential in this cooperation along the railway line in Java Island to optimize the 5G ecosystem. More than 40 million households in the area require enhanced connectivity, and are expected to provide affordable connectivity solutions.

Surge & Qualcomm Partnership



Source: Company Data

Advertising Business Line



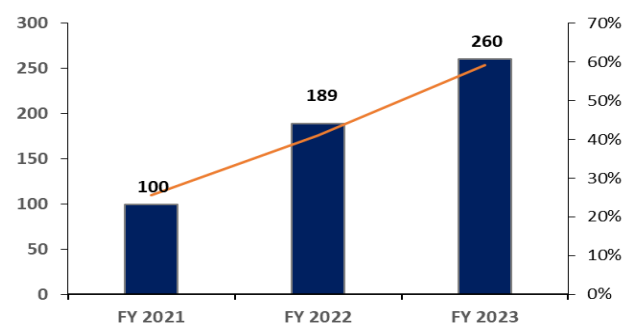
Source: Company Data

Since 2018, WIFI and its subsidiaries, PT Intergrasi Media Terkini (IMT) and PT Aspek Media Indonesia (AMI), provide advertising services in the form of **digital out-of-home advertising and digital advertising**, both on trains and facilities (railway media) and outside trains and facilities (non-rail media). To expand advertising business activities, in 2022 WIFI collaborated with bus-based public transportation companies to manage business development and carry out advertising activities such as bus branding, coverseat and other advertising service activities.

One of the Largest Media Advertisements in the Transportation Sector

Category	Description	Details
Commuterline Trains and Stations	Lokasi	80 stasiun di Metro Jakarta, 924 layar di Kereta
	Penumpang Harian	1,5 Juta Penumpang Harian
	Media	Media di 30 Stasiun untuk Tujuan Informatif dan Periklanan
Intercity Trains and Stations	Lokasi	30 Stasiun di Jawa, 55 Kereta Api di Jalur Lintas Jawa
	Penumpang Bulanan	Hingga 10,1 Juta Penumpang Bulanan
	Media	Media di 24 Stasiun untuk Tujuan Informatif dan Periklanan
Modern/Traditional Market and Out of Home	Lokasi	153 Lokasi di Jakarta Metro, Media Digital dan Statis
	Pengunjung Bulanan	60 Juta Pengunjung Bulanan
	Target	Menjangkau Pembeli dan Pengemudi untuk tujuan informatif dan periklanan
Small Shops Nationwide	Lokasi	800 Ribu Toko di Seluruh Indonesia
	Media	5 Jenis Media (Pengaturan Media Fleksibel)
	Pengunjung Bulanan	Hingga 36 Juta dengan potensi aktivasi yang sangat baik, dll
Strategic Spots at Warehouse Nationwide	Lokasi	13.800 lokasi Seluruh Indonesia
	Detail	Media Vertikal 6x4 2 Sisi cocok untuk pengambilan sampel acara, dll.
Hotel, Residentials, Transportation	Lokasi	Nationwide
	Detail	Menjangkau Pengunjung dan Tamu untuk tujuan informatif dan periklanan
	Pengunjung Bulanan	Hingga 60 Juta Pengunjung Bulanan
	Digital Media	6 Lingkungan Media Digital

Segment Revenue & (%) to Revenue YoY (Billion IDR)



Source: NHKSI Research, WIFI

Technology & Digital Product Line

The Company expanded its business activities into the field of digital products and services, in the form of software provision. Software creation is carried out through a Subsidiary Company, PT Kreasi Kode Digital (KKD), which has been operating since 2019, which has created and developed various applications in synergy with various partners of the Company.

Mobile app Development Services

Surge, has assisted in building and developing apps as well as working with service tenant companies to deliver the benefits of cross-platform app development, including lower development costs, faster time to market, and broad reach.

Portfolio List:

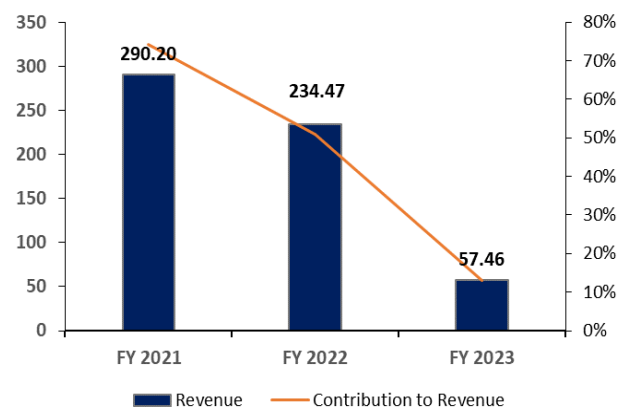
-Kai Access: the official application of PT Kereta Api Indonesia (Persero), is now increasingly pampering its users by presenting KAJJ and EOB entertainment services. Users can enjoy a variety of interesting content for free while traveling by train. With a total download of more than 10 million users.

-DAMRI: is the official mobile application for purchasing bus tickets for various routes throughout Indonesia. Covering Inter-Provincial City routes (AKAP), airport shuttle, national tourism, to cross-border transportation With a total download of more than 500 thousand users.

Mobile App Development Company

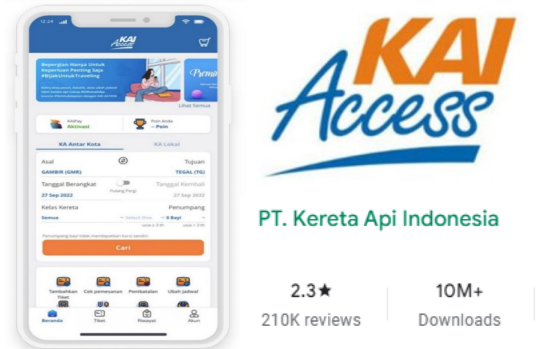
The company builds custom mobile Apps with a list of Portfolios such as: **Adakita App:** a free Wi-Fi service provided by Surge, an Indonesian technology company, in collaboration with PT Kereta Api Indonesia (Persero) (KAI). It allows passengers to access high-speed internet (up to 1,000 Mbps) at various train stations across Indonesia.

Segment Revenue & (%) to Revenue YoY (Billion IDR)



Source: NHKSI Research, WIFI

KAI Access Application



Source: WIFI, KAI Access, Googleplay, NHKSI Research

DAMRI Apps



Source: WIFI, Damri Apps, Googleplay, NHKSI Research

Adakita App



Source: Company Data, Google

Financial Outlook

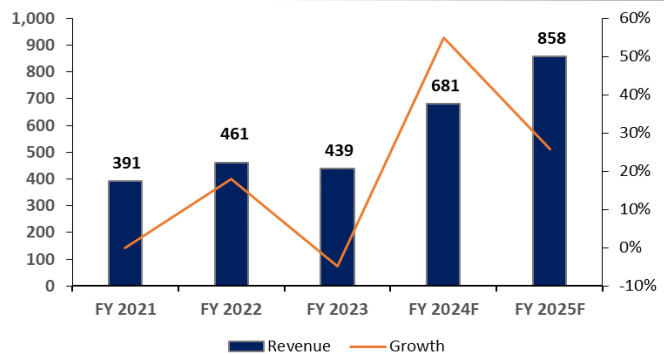
Transitioning into A Telco Power Play

WIFI's revenue in 1Q24 grew 128% to Rp 139.78 Billion strengthened by the company's transition to focus on the telco segment where the telco segment contributed around 46% of total revenue in 1Q24. We project that the company will continue to grow in 2024 with an estimated 55% to Rp 681.07 Billion, then with Gross Profit growing 46% to Rp 312.9 Billion from the previous period of Rp 172 Billion, and in terms of Net Profit growing Rp 105.79 Billion from Rp 58.54 Billion from the previous year. In terms of margins, we also project that the company is able to generate stable profits in terms of GPM at 45.95%, OPM at 33.21% and NPM at 15.53%.

Seeing that WIFI is quite mature in terms of its main business, which is advertising, we see that the subsidiary segment (Telco) will be the main driver for growth in the next 2 years. We project revenue per segment to grow by 10% for the advertising segment and 215% for the telco segment which we expect to reach 268,000 home connects in total either through cooperation with operators or ISPs for the FTTH segment to reach the MSME market more and there is also additional revenue from Edge Data Center and Tower.

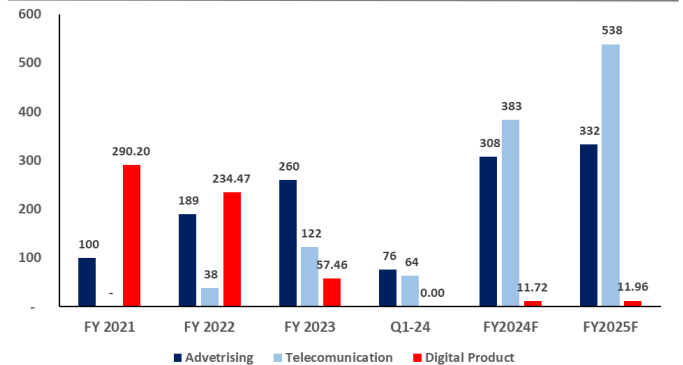
Overall, we set an optimistic target of Rp 383.4 billion in telco segment revenue, as the company has completed the first phase of building 200 thousand homepasses for local ISPs, which is an important milestone for IJE in expanding its infrastructure network throughout the region, with the completion of the homepass construction will have a big and positive impact on the company's future revenue. Currently, the company is also finalizing cooperation with operators to build 1 million fixed broadband homepass connections in the next 1 year.

WIFI's Revenue Growth (IDR Bn)



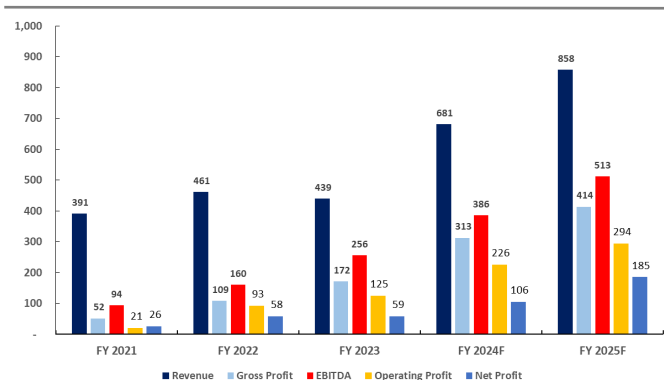
Source: Company Data, NHKSI Research

WIFI's Revenue Breakdown (IDR Bn)



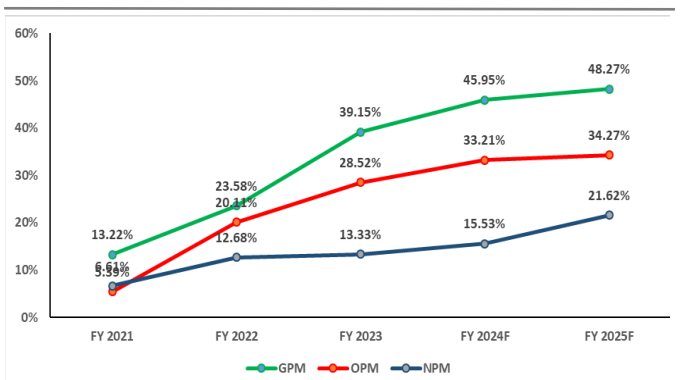
Source: Company Data, NHKSI Research

WIFI's Profitability (IDR Bn)



Source: Company Data, NHKSI Research

WIFI's Margin



Source: Company Data, NHKSI Research

Valuation & Recommendation

Seizing the Momentum of Connectivity Business Growth as a Proxy for Digital Economy. As economic activity recovers after the pandemic and people's needs for the internet increase, especially those related to fast and reliable connectivity, are predicted to continue to increase in the future, the adoption of new technologies such as the Internet of Things (IoT), 5G, and artificial intelligence (AI). Making WIFI sees great opportunities in the connectivity business and digital economy. Fixed broadband internet penetration in Indonesia is still much lower than countries in the Southeast Asian region.

WIFI has the advantage, of being the sole player in railway infrastructure internet with low costs and affordable prices, targeting the middle to low segments in Java, where it boasts the highest internet contribution in Indonesia. This advantage extends to comprehensive internet infrastructure through railway tracks, toll roads, and provincial roads in Java, as well as access to population centers in 3 Tier Cities, which are less developed areas, and provision of BTS poles along railway lines (3000 km). Having completed the first phase of building 200,000 homepasses for local ISPs, WIFI also holds an exclusive 10-year contract with KAI.

VS Peers

Ticker	Name	Mkt Cap (IDR Tr)	EV/EBITDA	P/E (x)	P/BV (x)	ROE LF	Dividend Yield (%)	Rev Growth Quarter (1 Yr) (%)
WIFI IJ Equity	SOLUSI SINERGI DIGITAL TBK P	0.477	3.96	4.01	0.62	8.67	0.52	14.67
RAILTEL IN Equity	RAILTEL CORP OF INDIA LTD	31.10	33.19	64.75	8.72	14.17	0.41	18.34
TLKM IJ Equity	TELKOM INDONESIA PERSERO TBK	298.18	4.49	12.33	2.09	17.43	5.93	3.71
EXCL IJ Equity	PT XL AXIATA TBK	28.49	4.36	17.66	1.05	6.1	2.24	11.8
ISAT IJ Equity	INDOSAT TBK PT	83.05	5.49	17.05	2.59	15.88	2.61	15.82
Average (Local Peers Exclude-Rail Tel & WIFI)			4.78x	15.68x	1.91x	13.14x	3.59	10.44

Source: Bloomberg, NHKSI Research

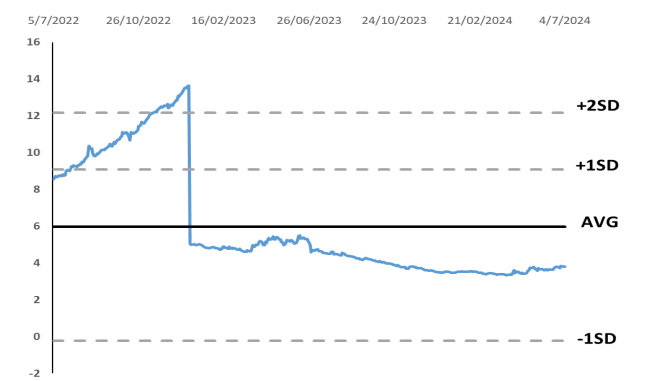
Attractive valuation, looking at the comparison with global and Indonesian telco players, it appears that WIFI has a large room for growth with below-average valuation on both EV/EBITDA and PE Ratio, especially since WIFI is now trading below its book price. Therefore we initiate BUY for WIFI with a target of IDR 318/share which has a potential upside of +55.88% supported by EBITDA growth to IDR 386.19 Billion in 2024F which reflects EV/EBITDA of 4.5x which is still below the company's average Forward EV/EBITDA for 2 years and with the average of similar companies, then also reflects PE (2024F) of 7.1x or equivalent to 2 Years average standard deviation Forward PE. The risks of this recommendation include intense competition, strategy execution errors, then the need to adapt to rapid technological developments, complex domestic regulatory challenges, and volatility & market risk since company is categorized as a small-cap.

Forward PE | Last 2 Years



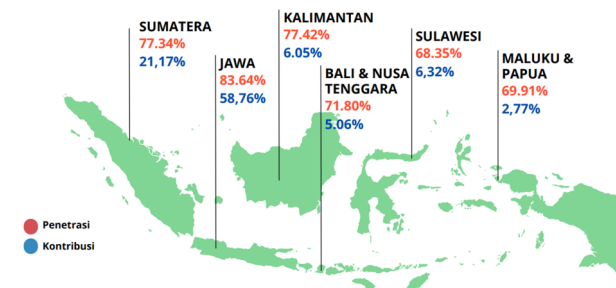
Source : NHKSI Research

Forward EV/EBITDA | Last 2 Years



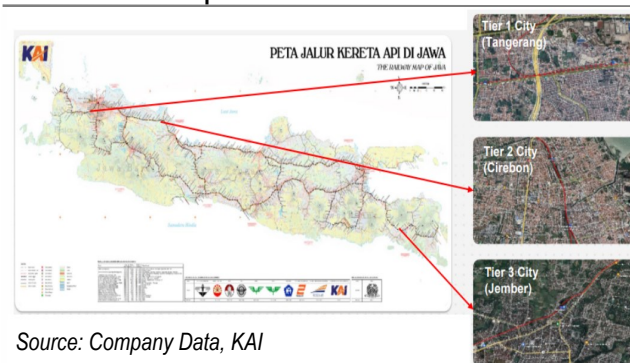
Source : NHKSI Research

Internet Contribution Penetration by Island (2024)



Source: APJII

Java Rail Road Map



Source: Company Data, KAI

Summary of Financials

INCOME STATEMENT

(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Revenues	439	681	858	1,143
Growth (% y/y)	-4.8%	55.0%	25.9%	33.3%
Cost of Revenues	(267)	(368)	(444)	(589)
Gross Profit	172	313	414	555
Gross Margin	39.1%	46.0%	48.3%	48.5%
Operating Expenses	47	87	120	154
EBIT	125	226	294	400
EBIT Margin	28.5%	33.2%	34.3%	35.0%
Depreciation	131	160	219	321
EBITDA	256	386	513	722
EBITDA Margin	58.3%	56.7%	59.8%	63.1%
Interest Expenses	56	0	0	0
EBT	68	122	163	226
Income Tax	9	17	24	36
Net Profit	59	106	185	259
Growth (% y/y)	0.1%	80.7%	75.3%	39.8%
Net Profit Margin	13.3%	15.5%	21.6%	22.7%

BALANCE SHEET

(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Cash	40	54	82	103
Receivables	91	121	86	82
Inventories	-	-	-	-
Other Current Assets	132	140	145	150
Total Current Assets	263	315	313	335
Net Fixed Assets	1,198	1,884	2,425	3,180
Other Non Current Assets	103	110	113	120
Total Non Current Assets	1,301	1,994	2,538	3,300
Total Assets	1,564	2,309	2,851	3,635
Payables	49	58	74	118
ST Debt	110	177	208	261
Total Current Liabilities	223	315	369	469
LT Debt	466	871	1,066	1,273
Total Non Current Liabilities	599	1,121	1,428	1,753
Total Liabilities	822	1,436	1,797	2,221
Capital Stock + APIC	493	564	564	684
Retained Earnings	173	276	458	709
Shareholders' Equity	743	873	1,054	1,414

CASH FLOW STATEMENT

(IDR bn)	2022/12A	2023/12E	2024/12F	2025/12F
Operating Cash Flow	225	329	397	628
Investing Cash Flow	(205)	(740)	(591)	(848)
Financing Cash Flow	(1)	425	222	240
Net Changes in Cash	19	14	28	21

PROFITABILITY & STABILITY

	2023/12A	2024/12F	2025/12F	2026/12F
ROE	7.9%	12.1%	17.6%	18.3%
ROA	3.7%	4.6%	6.5%	7.1%
Inventory Turnover	0.0x	0.0x	0.0x	0.0x
Receivables Turnover	4.5x	5.6x	10.0x	14.0x
Payables turnover	7.8x	6.4x	6.0x	5.0x
Dividend Yield	0.0%	0.3%	0.5%	1.0%
Payout Ratio	0.0%	1.3%	2.0%	3.0%
DER	0.78x	1.20x	1.21x	1.09x
Net Gearing	72.1%	113.8%	113.2%	101.2%
Equity Ratio	47.5%	37.8%	37.0%	38.9%
DAR	0.37x	0.45x	0.45x	0.42x
Net Profit Margin	13.3%	15.5%	21.6%	22.7%
Current Ratio	117.9%	100.2%	84.7%	71.5%
Quick Ratio	117.9%	100.2%	84.7%	71.5%
Total Shares (mn)	2,255	2,359	2,359	2,359
Share Price (IDR)	154	318	318	318
Market Cap (IDR tn)	0.3	0.8	0.8	0.8

VALUATION INDEX

	2023/12A	2024/12F	2025/12F	2026/12F
Price /Earnings	5.9x	7.1x	4.0x	2.9x
Price /Book Value	0.5x	0.9x	0.7x	0.5x
EV/EBITDA	3.4x	4.5x	3.8x	3.0x
EV (IDR bn)	883	1,744	1,943	2,181
Basic EPS (IDR)	26	45	79	110
BVPS (IDR)	329	370	447	599
DPS (IDR)	-	1	2	3

OWNERSHIP

By Geography	%
Unknown	98.49
Indonesia	1.51

Shareholders	%
PT INVEST SUKSES BERSAMA	50.1
HENAN PUTHIRAI ASSET MANAGEMENT	0.8
TINAWATI	0.3
Other	48.8

Source: Company Data, NHKSI Research, Bloomberg

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%

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