

# Dayamitra Telekomunikasi Tbk (MTEL)

## Broad Potential for Performance Growth

To start 1Q23, MTEL posted an increase of +9.9% YoY in revenue to IDR 2,055 T (1Q22: IDR 1,870T) and a decrease of -3.16% QoQ (4Q22: IDR 2,122T). EBITDA in 1Q23 increased by 16.2% YoY, yet decreased by -3.68% QoQ to IDR 1,676T (1Q22: IDR 1,442T; 4Q22: IDR 1,740T). Net Profit of MTEL increased by +9.1% YoY and decreased by -10.2% QoQ to IDR 501B (1Q22: IDR 459B; 4Q22: IDR 558B).

### Revenue Still Growing Quite Well with Strong and Healthy Balance Sheet

- By segment, the tower leasing segment in 1Q23 is still the largest contributor to the revenue, amounting to IDR 1.739T in 1Q23 (1Q22: IDR 1.464T +18.8% YoY & 4Q22: IDR 1.781T, -2.34% QoQ). As for the tower reseller segment, it decreased by -12.6% YoY and -28% QoQ to IDR 154B due to the ongoing renewal process of the reseller contract (1Q22: IDR 176B; 4Q22: IDR 214B). The other tower-related segment posted a decrease in revenue of -44.3% YoY to IDR 128B (1Q22: IDR 229B) due to the fact that in 1Q23, MTEL prioritized revenues that bring higher margins so that revenue from the non-tower rental segment was quite reduced.
- As for the operational asset data, the number of towers owned by MTEL currently stands at 36,439 units in 1Q23 (1Q22: 28,577 units +27.5% YoY and 4Q22: 35,418 units QoQ +2.88%) and the number of Tenancy has increased by 53,317 tenants (1Q22: 43,101 tenancy + 23.7% YoY and 4Q22: units QoQ +2.52%). Tenancy Ratio level in 1Q23 was at 1.46. Although MTEL's tenancy ratio is still below its peers, which are TOWR and TBIG, it is quite interesting that MTEL has not optimized its tower rentals optimally. The potential of MTEL as the largest tower owner in Indonesia is still not fully unlocked.
- For 1Q23, Operating expenses were successfully reduced by -11.4% YoY to IDR 379B (1Q22: IDR 427B), where the biggest contributor to cost reduction was contributed by Construction and Project Management costs which fell -47.6% YoY to IDR 101B in 1Q23 (1Q22: 193B). The efficiency shown by MTEL represents a good strategy where MTEL has been selective in choosing business segments that have higher margins.

### Preparing to Develop Fiber Network as One of the Growth Revenue Generators

- Currently, the tower industry needs a new growth driver other than tower rental growth. One of the latest growth driver portfolios from MTEL that is worth observing is Fiber. The current portfolio condition other than towers, namely the Fiber segment, is experiencing massive development where MTEL has 25,509 km of Fiber network during 1Q23, which QoQ grew 53.3% (4Q22: 16,641 km). The network coverage details are 11,833 km in Java (46%) and 13,676 km outside Java (54%). In addition, the Fiber segment in 1Q23 has started to book revenues of IDR 34B.

### Buy Recommendation with TP at IDR 865 Level (+25.56% Upside)

- NHKS Research gave a Buy rating for MTEL, with a target price of IDR 835 and a potential upside of +25.56% which reflects FY2023 11.3x Forward EV/EBITDA. MTEL's valuation is quite attractive, where 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 revenue growth as well as expansion regarding future tower related business, such as FTTT (Fiber To The Tower) and PTTT (Power To The Tower) segments and 5G Infrastructure. The risk of this MTEL call is the non-achievement of MTEL's growth expectations, both from revenue and rental rates.

### Dayamitra Telekomunikasi Tbk | Summary (IDR bn)

	2022/12A	2023/12F	2024/12F	2025/12F
Revenue	7,729	8,648	9,597	10,619
<i>Revenue growth</i>	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
<i>EPS growth</i>	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	31.4x	16.4x	5.8x	12.6x
P/BV	1.7x	2.0x	2.2x	2.5x
EV/EBITDA	10.8x	11.3x	12.0x	12.4x
DPS (IDR)	21	17	21	24
<i>Dividend yield</i>	3.1%	2.0%	2.3%	2.2%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

## Buy

<b>Target Price (IDR)</b>	<b>835</b>
Consensus Price (IDR)	937
TP to Consensus Price	-10.88%
Potential Upside	+25.56%

### Shares data

Last Price (IDR)	665
Price date as of	June 27, 2023
52 wk range (Hi/Lo)	805 /640
Free float (%)	21.4
Outstanding sh.(mn)	83,515
Market Cap (IDR bn)	58,043
Market Cap (USD mn)	3,947
Avg. Trd Vol - 3M (mn)	24.05
Avg. Trd Val - 3M (bn)	16.86
Foreign Ownership	9.83%

### Infrastructure

#### Telecommunication Towers

Bloomberg	MTEL.IJ
Reuters	MTEL.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-11.9%	0.0%	-8.3%	-5.7%
Rel. Ret.	-9.5%	0.8%	-7.1%	-1.2%

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## Summary of Financials

### INCOME STATEMENT

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
<b>Revenue</b>	<b>7,729</b>	<b>8,648</b>	<b>9,597</b>	<b>10,619</b>
<i>Growth</i>	11.0%	10.6%	6.6%	10.1%
Cost of Revenue	(4,075)	(4,499)	(4,916)	(5,275)
<b>Gross Profit</b>	<b>3,654</b>	<b>4,149</b>	<b>4,681</b>	<b>5,344</b>
<i>Gross Margin</i>	47.3%	48.0%	48.8%	50.3%
Operating Expenses	(503)	(530)	(589)	(652)
<b>EBIT</b>	<b>3,153</b>	<b>3,590</b>	<b>4,061</b>	<b>4,659</b>
<i>EBIT Margin</i>	40.8%	41.5%	42.3%	43.9%
Depreciation	(2,989)	(3,360)	(3,652)	(3,876)
<b>EBITDA</b>	<b>6,142</b>	<b>6,949</b>	<b>7,713</b>	<b>8,535</b>
<i>EBITDA Margin</i>	79.5%	80.4%	80.4%	80.4%
Interest Expenses	1,138	1,150	1,246	1,307
<b>EBT</b>	<b>2,417</b>	<b>2,851</b>	<b>3,237</b>	<b>3,784</b>
Income Tax	(632)	(627)	(722)	(889)
<b>Net Profit</b>	<b>1,785</b>	<b>2,224</b>	<b>2,515</b>	<b>2,895</b>
<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
<b>Total Current Assets</b>	<b>7,886</b>	<b>9,759</b>	<b>9,013</b>	<b>9,097</b>
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
<b>Total Assets</b>	<b>56,072</b>	<b>59,599</b>	<b>62,491</b>	<b>64,990</b>
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
<b>Total Liabilities</b>	<b>22,264</b>	<b>24,286</b>	<b>26,150</b>	<b>27,535</b>
Capital Stock + APIC	32,129	32,129	32,129	32,129
Retained Earnings	2,356	2,927	3,662	4,546
<b>Shareholders' Equity</b>	<b>33,807</b>	<b>34,378</b>	<b>35,114</b>	<b>35,998</b>

### 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)
<b>Net Changes in Cash</b>	<b>(12,794)</b>	<b>1,128</b>	<b>(678)</b>	<b>51</b>

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	3.1%	2.0%	2.3%	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)	665	835	944	1,087
Market Cap (IDR tn)	55,554	69,755	78,887	90,817

### VALUATION INDEX

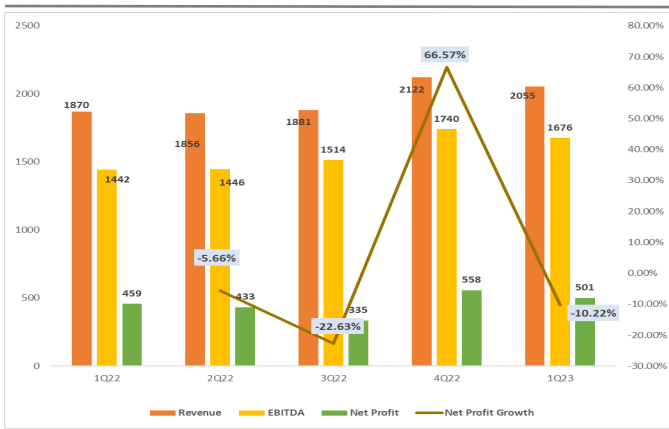
	2022/12A	2023/12F	2024/12F	2025/12F
Price/Earnings	31.1x	31.4x	31.4x	31.4x
Price/Book Value	1.6x	2.0x	2.2x	2.5x
PE/EPS Growth	1.1x	1.3x	2.4x	2.1x
EV/EBITDA	10.8x	11.3x	12.0x	12.4x
EV (IDR bn)	66,620	81,215	92,699	105,885
Revenue CAGR (3-Yr)	-	11.8%	11.8%	11.2%
Net Income CAGR (3-Yr)	-	54.6%	22.1%	17.5%
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	90.17
Singapore	6.08
United States	2.43
Others	1.32

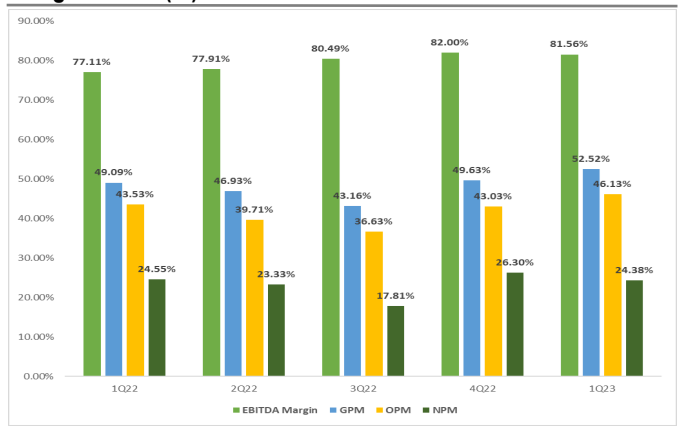
# Performance Highlights

## Financial Performance (IDR Billion)



Source: Company, NHKSI Research

## Margin Ratios (%)



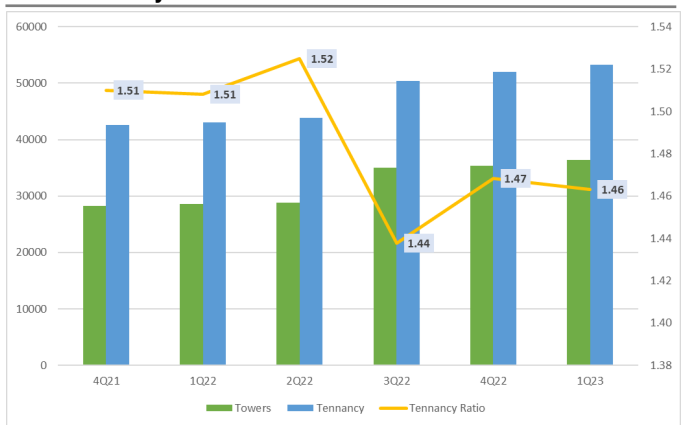
Source: Company, NHKSI Research

## MTEL Number Of Towers, Tenancy and Fibers



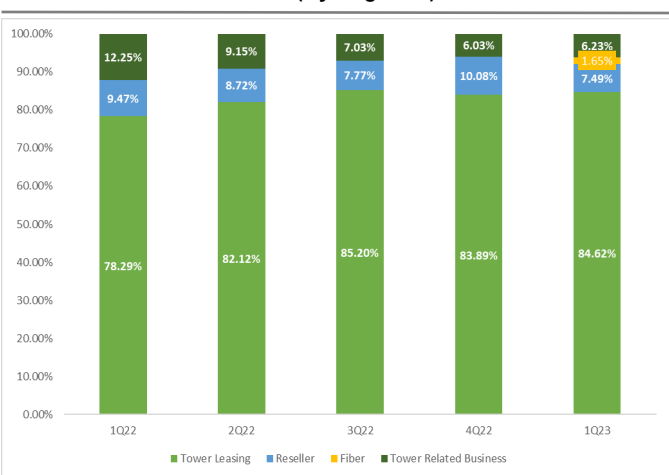
Source: Company, NHKSI Research

## 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%

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