

Dayamitra Telekomunikasi Tbk (MTEL)

Maintaining Optimal Performance and Growth

As of 9M23 MTEL posted a YoY +11.9% increase in revenue to IDR 6,273T (9M22: IDR 5,607T) and QoQ up 3.28% (2Q23: IDR 2,075T & 3Q23: IDR 2,143T). EBITDA in 9M23 rose by 14.8% YoY and QoQ by +1.43% to IDR 5.054T (9M22: IDR 4.402T; 2Q23: IDR 1.677T & 3Q23: IDR 1.701T). Net Profit of MTEL increased by +16.5% YoY to IDR 1.430T (9M22: IDR 1.227T; 2Q23: IDR 521B & 3Q23: IDR 408B, -21.7% QoQ).

Tower Rental Income Quality Improvement & Increasing Tenancy Ratio

- As for the operational asset data, MTEL still confirmed its position as the largest tower owner in Southeast Asia, with 37,091 units in 9M23 (9M22: 35,051 units +5.82% YoY and 6M23: 36,719 units QoQ +1.01%) and the number of Tenancy increased to 55,704 tenants (9M22: 50,390 tenants +10.55% YoY and 6M23: 54,718 tenants QoQ +1.80%). Tenancy Ratio level in 9M23 stood at 1.50x and increased 10 Bps compared to the previous period (6M23: 1.49x).
- Based on business segmentation, the tower rental segment still dominated MTEL's revenue in 9M23, amounting to IDR 5,220T in 9M23 (9M22: IDR 4,590T +13.7% YoY & 2Q23: IDR 1,714T; 3Q23: IDR 1,767T +3.09% QoQ). This was mainly due to the addition of tenants and collocations and the result of acquisitions made this year.
- As for the tower reseller segment, it decreased by -5.4% YoY to IDR 459B as MTEL wants to reduce the proportion of this business (9M22: IDR 485B; 6M23: IDR 309B). The other tower-related segment posted a -15.3% YoY decline in revenue to IDR 450B (9M22: IDR 531B & 6M23: IDR 282B). MTEL will carry out a strategy where it prioritizes revenue that brings higher margin quality so that revenue from the non-tower rental and reseller segments is reduced. Going forward, the tower reseller business segment will naturally fade in the next few years due to the consolidation trend in the tower industry. Regarding 9M23, Operating expenses increased by +1.2% YoY to IDR 1,220T (9M22: IDR 1,205T), where the main contributor to the increase in expenses was the increase in tower planning and construction costs, which increased by 8.3% YoY in line with tower unit growth (9M22: IDR 356B, 9M23: IDR 386B). Opex efficiency can be seen from construction and project management costs, which fell -17.1% YoY to IDR 362B in 9M23 (9M22: 437B). The efficiency shown by MTEL is a strategy where MTEL is being more selective in choosing business segments that have higher profit margins.

Fiber Network is Poised for Growth

- Currently, the portfolio condition other than towers, namely the Fiber network segment, is experiencing massive development, in which MTEL owned 29,042 km of fiber network during 9M23 (6M23: 27,269 km QoQ: +6.50%). The network is 13,464 km in Java (46.4%) and 15,578 km outside Java (53.6%). In addition, the Fiber network segment in 9M23 has started to book revenue growth of +68.6% QoQ to IDR 145B (6M23: IDR 86B).

Buy Recommendation with TP at IDR 860 (+24.6% Upside)

- NHKS Research maintains a Buy rating for MTEL, with a target price of IDR 860 and a potential upside of +24.6%. This reflects FY2023 11.5x Forward EV/EBITDA. MTEL's valuation is currently at an attractive number, 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 expansion related to the development of the FTTT (Fiber To The Tower) segment. The risk of this MTEL call is the non-achievement of growth expectations from MTEL, 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
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	32.3x	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)	886
TP to Consensus Price	-3.0%
Potential Upside	+24.6%

Shares data

Last Price (IDR)	690
Price date as of	Nov. 21, 2023
52 wk range (Hi/Lo)	800 / 600
Free float (%)	21.5
Outstanding sh.(mn)	83,539
Market Cap (IDR bn)	56,807
Market Cap (USD mn)	3,676
Avg. Trd Vol - 3M (mn)	46.36
Avg. Trd Val - 3M (bn)	31.67
Foreign Ownership	8.99%

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%

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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)	690	860	973	1,120
Market Cap (IDR tn)	57,642	71,844	81,249	93,536

VALUATION INDEX

	2022/12A	2023/12F	2024/12F	2025/12F
Price/Earnings	32.3x	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	5.56
Others	16.61
By Geography	%
Indonesia	91.01
Singapore	6.03
United States	2.12
Others	0.84

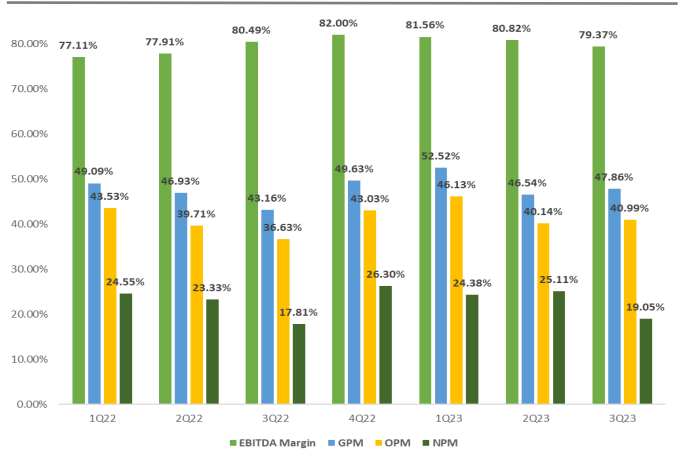
Performance Highlights

Financial Performance (IDR Billion)



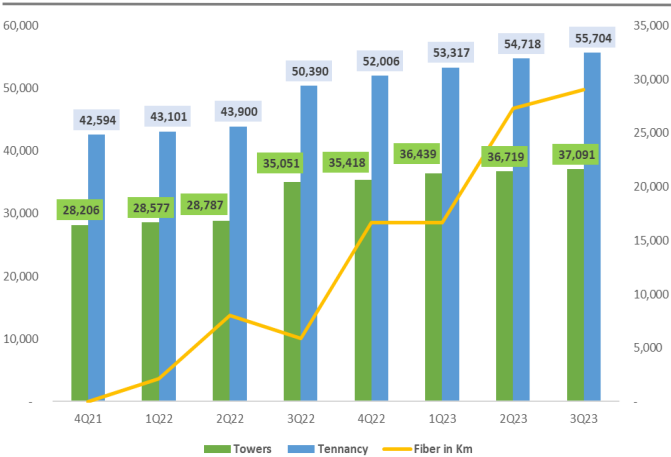
Source: Company, NHKSI Research

Margin Ratios (%)



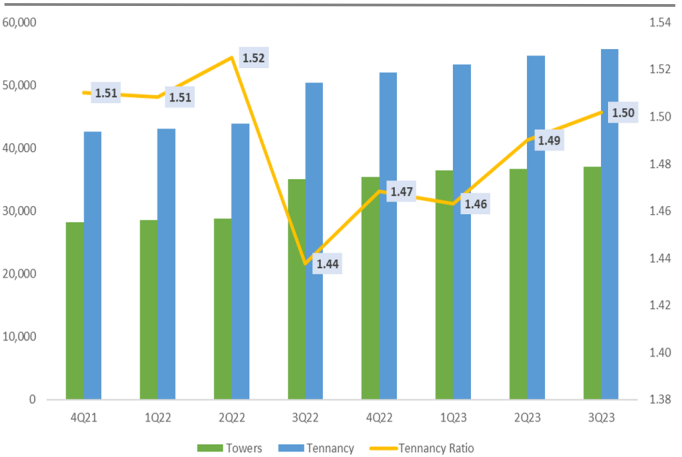
Source: Company, NHKSI Research

MTEL Number Of Towers, Tenancy and Fibers



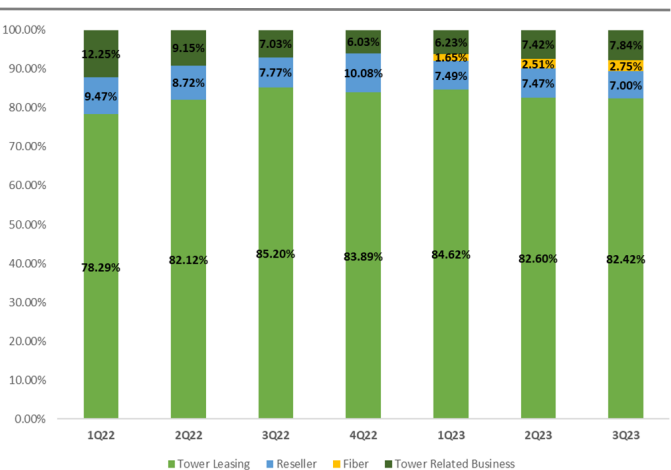
Source: Company, NHKSI Research

MTEL Tenancy Ratio



Source: Company, NHKSI Research

MTEL Revenue Breakdown (By Segment)



Source: Company, NHKSI Research

F-EV/EBITDA MTEL



Source: Company, NHKSI Research

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 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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