

Solusi Sinergi Digital Tbk (WIFI IJ)

Triple Digit Growth, the Rise of Telco Segment!

PT Solusi Sinergi Digital Tbk (WIFI) recorded 9M24 net profit at IDR 152.07 billion or +339% YoY, up from IDR 34.6 billion in the same period in 2023. Bottom Line growth was also driven by strengthening revenue in 9M24, at IDR 505 billion or +46.2% if compared to 9M23 of IDR 345.4 billion.

Solid Results QoQ & YoY (Topline Growth & Bottomline Turnaround!)

- In 3Q24, WIFI revenue grew (+24% YoY, +16% QoQ) to IDR 185.6 billion, supported by a decrease in cost of revenue (-45% YoY, -3% QoQ) to IDR 67.7 billion. As a result, gross profit surged (+275% YoY, +29% QoQ) to IDR 128.2 billion. The company's EBITDA also grew (+245% YoY, +24% QoQ) to IDR 142.7 billion. Then, operating profit grew (+328% YoY, +24% QoQ) to IDR 104.5 billion. As a result, the company's Net Income also showed remarkable growth (+341% YoY, +3% QoQ) to IDR 62.2 billion.
- Looking at the Balance Sheet, long-term liabilities rose +44.9% QoQ, related to the recording of series B & series C bonds from subsidiary IJE (Weave) totaling Rp 449 billion, where the funds were used for CAPEX which was recorded in the addition / acquisition of new fixed assets totaling Rp 439 billion (+127% QoQ), in order to support the telecommunications business activities of the subsidiary. This increase in liabilities caused WIFI's DER ratio to rise to 144% from the previous quarter's 78%.

All Eyes on WIFI's Telco Segment

- Along with the company's strategy to focus more on the telecommunication segment, it finally showed in this quarter's results where the Telco revenue contribution rate contributed 70% to the company's total revenue (up from 31% in the previous quarter), while the Advertising segment contributed 30%.
- Revenue from the Telco segment jumped by (+983% YoY, +162% QoQ) to Rp 136.9 billion, which also made operating profit in this segment rise (+3226% YoY, +241% QoQ) to Rp 94.9 billion, with EBIT Margin reaching 69.3%. This growth reflects the success of the company's strategy in expanding the market and capitalizing on new opportunities in the telecommunications sector.

Strategic Partnership Update for Telco Segment

- After previously announcing a series of partnerships and MoUs with Qualcomm, Nokia & Arsari Group. In November 2024, WIFI and NTT e-Asia Corporation (NTTeA) signed a Memorandum of Understanding (MoU) to strengthen ICT infrastructure in Indonesia. While the main focus of this collaboration includes the development of Fiber Optic Backbone (including land and subsea networks), Fiber to the Home (FTTH), and Fixed Wireless Access (FWA) to improve digital connectivity across the country. The partnership also includes the establishment of training centers and knowledge exchange to support digital transformation in Indonesia.
- The partnership supports SURGE's goal of providing low-cost internet to 25 million homes on the island of Java, which is also expected to accelerate (Fixed Broadband) penetration in Indonesia, which currently stands at only 15%.

Achieved TP, Hold Recommendation at IDR 452

- After achieving our previous target of IDR 424, WIFI development exceeded a bit of our expectation, however, we keep our forecast model unchanged with a very conservative view of IDR 669 billion in 24F revenue, with 268,000 Home Connects, and 24F EBITDA which we adjusted last quarter to IDR 410.4 billion, as well as 24F Net Profit that we project to grow by 195.2% YoY.
- We recommend HOLD for WIFI with a conservative target price of 452, based on our Annualized Forward EPS which reflects 5.6x Forward PE 24F which is equivalent to its 2 Years Average Standard Deviation Forward or 4.79x Forward EV/EBITDA 24F. This recommendation is based upon the fact that significant growth has been seen in the Q3 financial report. Although we recommend HOLD, we believe WIFI's strategic partnership & new management provides potential room for growth going forward hence why we increased our TP price this quarter, it is possible that we will upgrade the rating after the full year results as well as after the implementation of the rights issue corporate action. We will also continue to closely monitor the further development of WIFI's Telco business.

PT Solusi Sinergi Digital Tbk. | Summary (IDR Bn)

In IDR Bn		2023A	2024F	2025F	2026F
Revenue		439	669	846	1,131
	Growth	-4.8%	52.4%	26.4%	33.8%
Net profit		59	173	226	313
	Growth	0.1%	195.2%	31.0%	38.1%
EPS (IDR)		26	73	96	133
P/E		5.93x	6.08x	4.64x	3.36x
P/BV		0.47x	1.12x	0.90x	0.67x
EV/EBITDA		3.44x	4.78x	4.14x	3.18x
ROE		7.9%	18.4%	19.5%	19.9%
DER		78%	120%	121%	109%
ROA		3.7%	7.0%	7.3%	7.9%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

HOLD

Price Target (IDR)	452
Consensus Price (IDR)	#N/A
TP to Consensus Price	#N/A
Potential Upside	5%

Shares data

Last Price (IDR)	430
Price Date as of	29 Nov-24
52 wk Range (Hi/Lo)	472/128

Free Float (%)	49.6
----------------	------

Outstanding sh.(mn)	2,359
Market Cap (IDR bn)	1,014
Market Cap (USD mn)	64

Avg. Trd Vol - 3M (mn)	111
------------------------	-----

Avg. Trd Val - 3M (IDR bn)	36.85
Foreign Ownership (%)	8.14

Technology

Software & IT Services	WIFI IJ
Bloomberg	WIFI IJ
Reuters	WIFI JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	177.4%	12.0%	52.5%	162.2%
Rel. Ret.	180.3%	18.8%	59.8%	161.1%

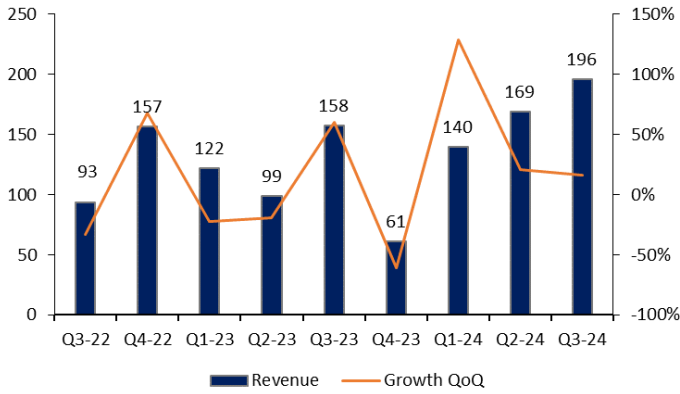
Richard Jonathan Halim

(021) 5088 9128

richard.jonathan@nhsec.co.id

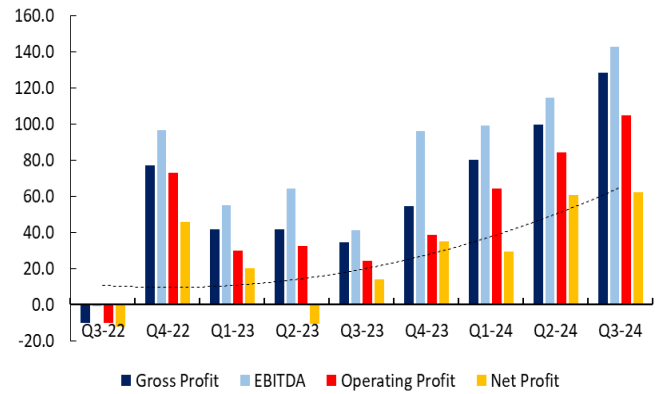
Performance Highlights

WIFI's Revenue Growth (IDR Bn)



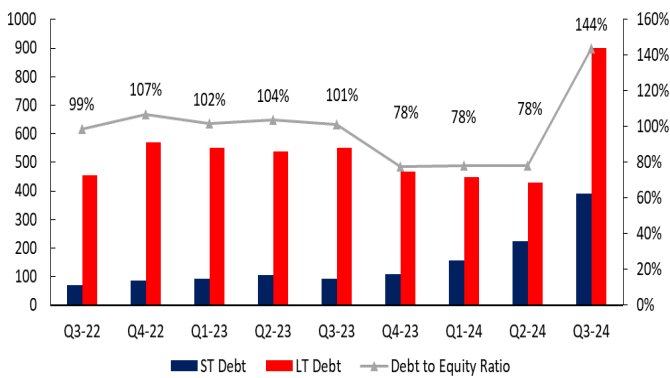
Source: Company Data, NHKSI Research

WIFI's Profitability (IDR Bn)



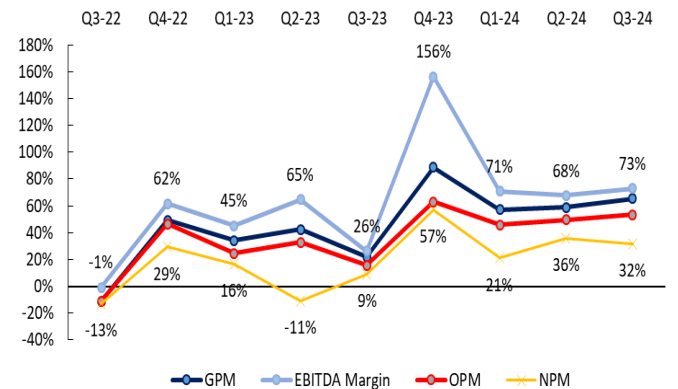
Source: Company Data, NHKSI Research

WIFI's Debt & Debt to Equity Ratio (IDR Bn)



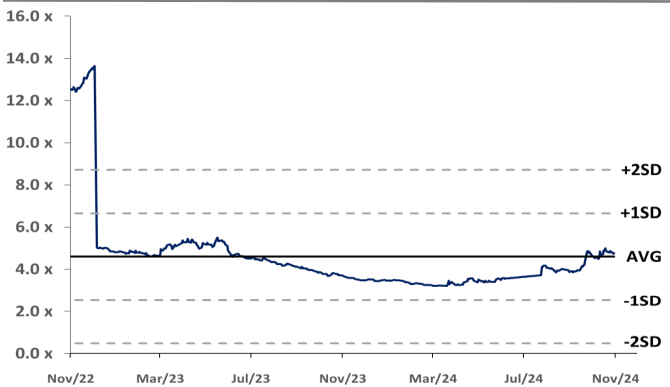
Source: Company Data, NHKSI Research

WIFI's Profitability Margin



Source: Company Data, NHKSI Research

WIFI's Forward EV/EBITDA | 2 Year



Source: NHKSI Research

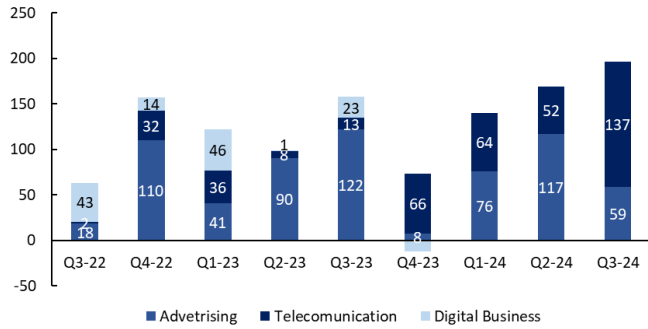
WIFI's Forward PE | 2 Year



Source: NHKSI Research

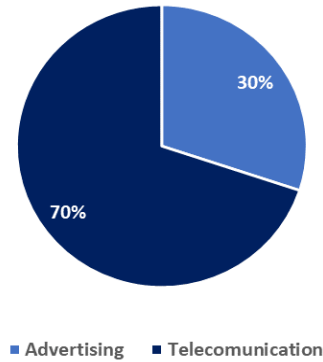
Performance Highlights

WIFI's Revenue by Segment (IDR Bn)



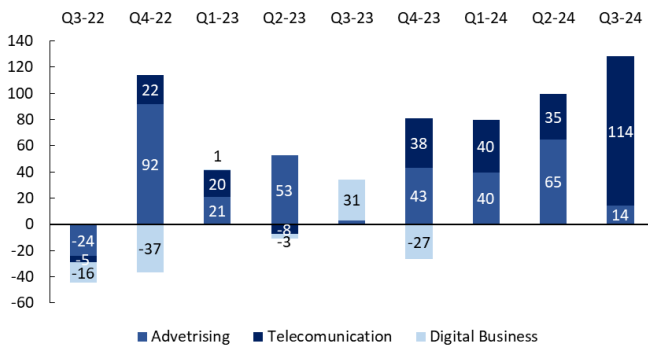
Source: Company Data, NHKSI Research

WIFI's Revenue Breakdown Q3-24 (In %)



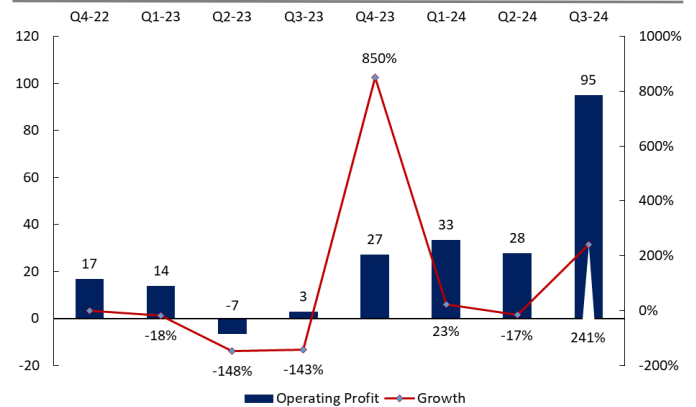
Source: Company Data, NHKSI Research

Gross Profit by Segment (IDR Bn)



Source: Company Data, NHKSI Research

Telco Segment Operating Profit (IDR Bn)



Source: Company Data, NHKSI Research

Vs Peers (29/11/2024)

Ticker Name	Code	Market Cap (IDR Bn)	Net Income Growth TTM	ROE (LTM)	P/E (x)	P/B (x)	EV/EBITDA TTM
SOLUSI SINERGI DIGITAL TBK P	WIFI IJ Equity	1,015	133%	24.5%	5.4x	1.1x	5.40
RAILTEL CORP OF INDIA LTD	RAILTEL IN Equity	24,623	30%	14.2%	53.3x	7.2x	27.58
TELKOM INDONESIA PERSERO TBK	TLKM IJ Equity	268,459	-4%	17.1%	11.8x	2.0x	4.45
PT XL AXIATA TBK	EXCL IJ Equity	29,145	40%	6.1%	18.5x	1.1x	4.22
INDOSAT TBK PT	ISAT IJ Equity	77,402	46%	18.2%	13.8x	2.4x	5.09
Average (Exclude-Rail Tel)		125,002	28%	14%	12.37x	1.66x	4.79x

Source: Company Data, NHKSI Research, Bloomberg

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F		2023/12A	2024/12F	2025/12F	2026/12F
Revenues	439	669	846	1,131	ROE	7.9%	18.4%	19.5%	19.9%
Growth (% y/y)	-4.8%	52.4%	26.4%	33.8%	ROA	3.7%	7.0%	7.3%	7.9%
Cost of Revenues	(267)	(357)	(435)	(578)	Inventory Turnover	0.0x	0.0x	0.0x	0.0x
Gross Profit	172	313	411	553	Receivables Turnover	4.5x	5.6x	10.0x	14.0x
Gross Margin	39.1%	46.7%	48.5%	48.9%	Payables turnover	7.8x	6.4x	6.0x	5.0x
Operating Expenses	47	62	118	153	Dividend Yield	0.0%	0.2%	0.5%	0.9%
EBIT	125	250	292	401	Payout Ratio	0.0%	1.1%	2.0%	3.0%
EBIT Margin	28.5%	37.4%	34.5%	35.4%	DER	0.78x	1.20x	1.21x	1.09x
Depreciation	131	160	218	320	Net Gearing	72.1%	97.2%	91.7%	79.1%
EBITDA	256	410	511	721	Equity Ratio	47.5%	38.3%	37.6%	39.7%
EBITDA Margin	58.3%	61.3%	60.4%	63.7%	DAR	0.37x	0.46x	0.46x	0.43x
Interest Expenses	(56)	(60)	(106)	(145)	Net Profit Margin	13.3%	25.8%	26.8%	27.6%
EBT	68	200	199	273	Current Ratio	117.9%	145.2%	146.3%	139.9%
Income Tax	9	28	30	44	Quick Ratio	117.9%	145.2%	146.3%	139.9%
Net Profit	59	173	226	313	Total Shares (mn)	2,255	2,359	2,359	2,359
Growth (% y/y)	0.1%	195.2%	31.0%	38.1%	Share Price (IDR)	154	424	424	424
Net Profit Margin	13.3%	25.8%	26.8%	27.6%	Market Cap (IDR tn)	0.3	1.0	1.0	1.0

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F		2023/12A	2024/12F	2025/12F	2026/12F
Cash	40	215	340	463	Price /Earnings	5.9x	5.8x	4.4x	3.2x
Receivables	91	119	85	81	Price /Book Value	0.5x	1.1x	0.9x	0.6x
Inventories	-	-	-	-	EV/EBITDA	3.4x	4.7x	4.0x	3.1x
Other Current Assets	132	140	145	150	EV (IDR bn)	883	1,914	2,066	2,245
Total Current Assets	263	474	569	694	Basic EPS (IDR)	26	73	96	133
Net Fixed Assets	1,198	1,871	2,404	3,151	BVPS (IDR)	329	398	492	667
Other Non Current Assets	103	110	113	120	DPS (IDR)	-	1	2	4
Total Non Current Assets	1,301	1,981	2,517	3,271					
Total Assets	1,564	2,455	3,087	3,965					
Payables	49	56	73	116					
ST Debt	110	190	230	290					
Total Current Liabilities	223	326	389	496					
LT Debt	466	938	1,175	1,417					
Total Non Current Liabilities	599	1,188	1,537	1,896					
Total Liabilities	822	1,515	1,926	2,392					
Capital Stock + APIC	493	564	564	684					
Retained Earnings	173	343	565	869					
Shareholders' Equity	743	940	1,161	1,573					

CASH FLOW STATEMENT					OWNERSHIP	
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F	By Geography	%
Operating Cash Flow	225	392	438	680	Unknown	99.59
Investing Cash Flow	(205)	(723)	(584)	(839)	United Kingdom	0.35
Financing Cash Flow	(1)	506	271	282	Malaysia	0.06
Net Changes in Cash	19	175	125	123		

Shareholders	%
PT INVEST SUKSES BERSAMA	50.1
TINAWATI	0.3
Nichejungle ICAV	0.2
Other	49.4

Source: Company Data, 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.