

Banking on unique tower portfolio

5 November 2023



MTEL IJ	BUY
Sector	TowerCo
Price at 29 Sept 2023 (IDR)	625
Price target (IDR)	908
Upside/Downside (%)	45.3

Stock Information

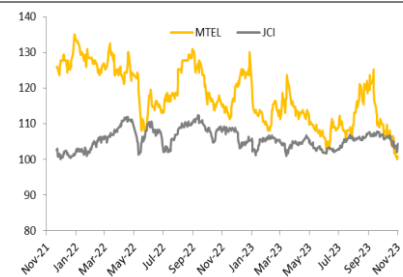
Dayamitra Telekomunikasi is one of the SEA's largest tower telecommunication companies by assets and Indonesia's largest market share of telco tower provider. The company offers an array of telco-related infrastructure service including fiber and power-to-the-tower.

Market cap (IDR bn)	58,878
Shares outstanding (mn)	83,515
52-week range (IDR)	605-800
3M average daily vol. ('000)	43,656
3M average daily val. (IDR mn)	30,444

Shareholders (%)

Telkom Indonesia	71.9
Maleo Investasi Indonesia	6.0
Public	21.4

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	(8.1)	(8.1)	(12.1)

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MTEL's 9M23 EBITDA was slightly behind ours/consensus by 2-2.3%, as margin declined 154bps qoq on the back of higher core cost on construction and project management as well as G&A. 3Q23 net profit was also dragged by plunging other income and higher finance costs. Management maintains its guidance of 11% revenue growth on expectation of contract renewal in 4Q23. We therefore re-adjust our revenue target slightly by +0.2%/+0.8% for '23/'24. Maintain our BUY call with blended target price of IDR908.

Earnings miss estimates

MTEL's 3Q23 EBITDA grew 1.4% qoq to IDR1.7 tn, bringing 9M23 EBITDA of IDR6.3 tn or 11.9% yoy. This figure was relatively behind ours/consensus at 73.0%/72.7%. Furthermore, EBITDA margin declined 154bps qoq in 3Q23, dragged by higher core costs stemming mainly from construction and project management as well as G&A. Meanwhile, the company's 3Q23 net profit dropped 21.7% qoq to IDR408 bn, dragged by lower other income and finance costs. This represented 9M23 net profit of IDR1.4 tn or below ours/consensus at 71.0%/68.3%.

An improvement in leasing rate

MTEL's 3Q23 revenue stood at IDR2.14 tn, growing 3.3% qoq, resulting in 9M23 revenue to be at IDR6.28 tn, mainly driven by recognition of fiber revenue. This met 74.5%/73.0% of ours/consensus. The company recorded a IDR145 bn of fiber revenue or equal to 6.7% of its total 3Q23 revenue. As of 9M23, MTEL has rolled out a 12,401km of fiber organically, making up total 29,042 km of fiber. Meanwhile, tower leasing revenue increased 3.1% qoq as MTEL managed to book strong net addition of 5,314 tenants qoq, combined with +2,040 tower sites. This resulted in 1.5x tenancy ratio (VS 1.49x in 2Q23). We also note that an improvement of average monthly leasing fee/tenant to IDR12.4 mn thanks to its bundling contract.

Expects more revenue upside in 4Q23

Management maintains its guidance of 11% revenue growth throughout 2023 as it expects to book contract renewals from Telkomsel in 4Q23. This should translate to stronger revenue growth in upcoming quarter, we therefore slightly adjust our '23-'24 revenue forecast by +0.2% and +0.8%, respectively. Nevertheless, amid high interest rate environment, we anticipate this could impact to its bottom-line, as it has been already reflected in 9M23. Therefore, we alter our MTEL's '23-'24 net profit forecasts by -2.7% and -1.0%, respectively.

Despite that, we are positive MTEL will be able to leverage its unique tower portfolio in ex-Java and, which is in-line with MNO's aspiration to expand to those areas. Its lower tenancy ratio than peers, on the other hand, should imply vast potential upside going forward.

Reiterate BUY with TP of IDR908 on attractive valuation

We reiterate our BUY call with an upgraded target price of IDR908 per share (previously: IDR870), as we rolled forward our combined valuations of DCF and '24 EV/EBITDA at 11.5x. On our DCF-based valuation, we have made adjustment to our WACC assumption to 10.1% (previously: 9.7%) due to changes in free rate assumption, thus cost of equity and cost of debt amid high interest rate. Note that our target price implies 10.1 forward EV/EBITDA or below 5-year historical mean. Meanwhile, the company is currently trading at 9.4x EV/EBITDA, or below 1-SD 5 year-historical mean. We highlight MTEL's ability to further expand in fiber assets, synergies with TLKM and vast upside in collocations should put it ahead of towerco competition.

Exhibit 1 : Key Statistics

Year end Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Revenue (IDR bn)	6,870	7,729	8,563	9,399	10,179
EBITDA (IDR bn)	5,185	6,142	6,916	7,692	8,400
Operating profit (IDR bn)	2,757	3,137	3,681	4,274	4,848
Net profit (IDR bn)	1,381	1,785	2,016	2,326	2,693
EPS (IDR)	16.5	21.4	24.1	27.9	32.2
ROAA (%)	3.3	3.1	3.4	3.7	4.1
ROAE (%)	6.6	5.3	5.9	6.6	7.4
PER (x)	37.8	29.2	25.9	22.4	19.4
PBV (x)	1.6	1.5	1.5	1.5	1.4
EV/EBITDA (x)	10.2	10.3	9.2	8.8	8.4
Dividend yield (%)	4.2	1.9	2.1	2.4	2.8

Sources: Company, KBVS Research

Exhibit 2: Performance overview

MTEL 9M23

statement (IDR bn)	9M23	9M22	YoY (%)	3Q23	3Q22	YoY (%)	2Q23	QoQ (%)	KBVS % of KBVS	Cons' % of Cons'		
Revenue	6,273	5,607	11.9	2,143	1,880	14.0	2,074	3.3	8,415	74.5	8,595	73.0
Cost of revenue	-3,202	-3,006	6.5	(1,118)	(1,937)	(42.3)	(1,108)	0.8				
Gross profit	3,071	2,601	18.1	1,026	812	26.4	966	6.2				
Operating expenses	-410	-382	7.5	(150)	(132)	13.2	(132)	13.6				
EBIT	2,660	2,219	19.9	876	679	28.9	834	5.0	3,757	70.8	3,738	71.2
EBITDA	5,054	4,402	14.8	1,700	1,514	12.3	1,677	1.4	6,923	73.0	6,950	72.7
Other income/exper	173	-72	-338.1	20	(33)	(161.5)	147	(86.3)				
Net finance cost/inc	-868	-468	85.6	(317)	(173)	82.7	(296)	7.1				
Pre-tax income	1,964	1,700	15.6	582	482	20.6	683	(14.9)				
Taxes	-534	-473	12.9	(174)	(147)	17.9	(162)	7.2				
Attributable net	1,430	1,227	16.6	408	335	21.8	521	(21.7)	2,015	71.0	2,093	68.3
Margins (%)												
EBIT Margin	42.4	39.6		40.9	36.1		40.2		44.6		43.5	
EBITDA margin	80.6	78.5		79.3	80.5		80.9		82.3		80.9	
Net Margin	22.8	21.9		19.0	17.8		25.1		23.9		24.4	
Operational metrics												
Tower	37,091	35,051	5.8	37,091	35,051	5.8	36,719	1.0				
Tenant	55,704	50,390	10.5	55,704	50,390	10.5	54,718	1.8				
Tenancy ratio (x)	1.50	1.44		1.50	1.44		1.49					

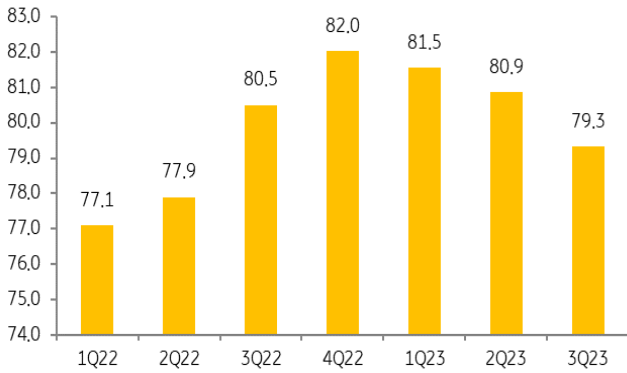
Source: Company, KBVS Research, Bloomberg

Exhibit 3: Forecast changes

	New		Old		Changes		BBG consensus		% BBG	
	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
Revenue	8,431	9,208	8,415	9,138	0.2	0.8	8589	9311	-1.8	-1.9
EBITDA	6,815	7,536	6,923	7,501	(1.6)	0.5	6926	7564	-1.6	-0.8
Net profit	1,960	2,280	2,015	2,302	(2.7)	(1.0)	2054	2337	-4.6	-1.5

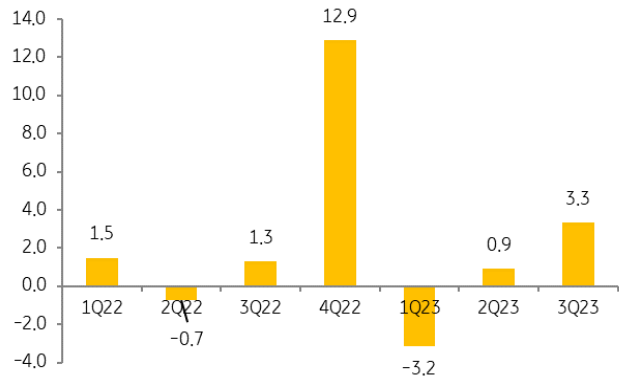
Source: Company, KBVS Research, Bloomberg

Exhibit 4: MTEL EBITDA margin (%)



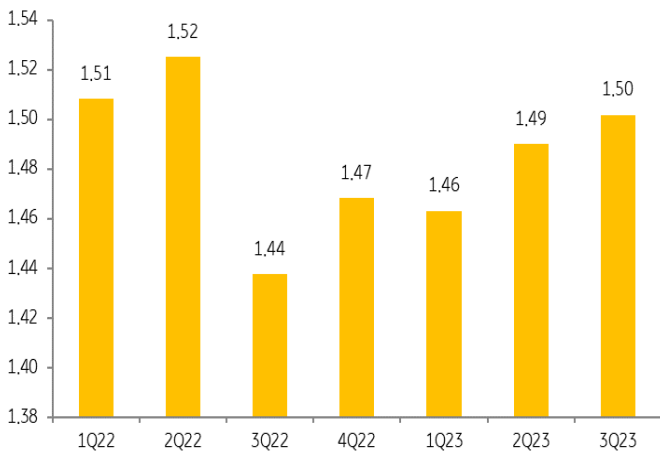
Source: Company, KBVS Research

Exhibit 5: MTEL revenue growth (%)



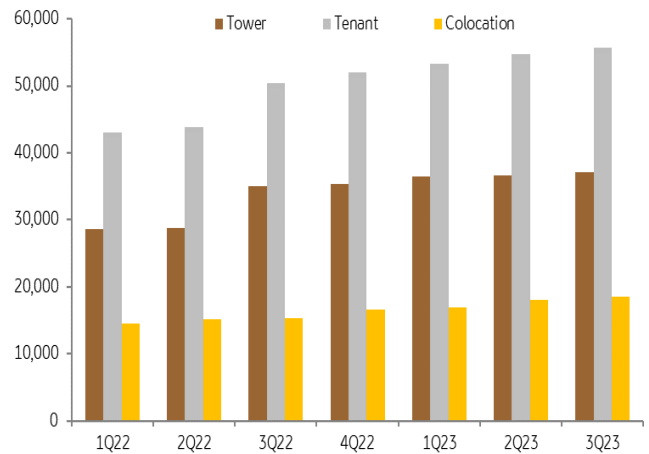
Source: Company, KBVS Research

Exhibit 6: Tenancy ratio



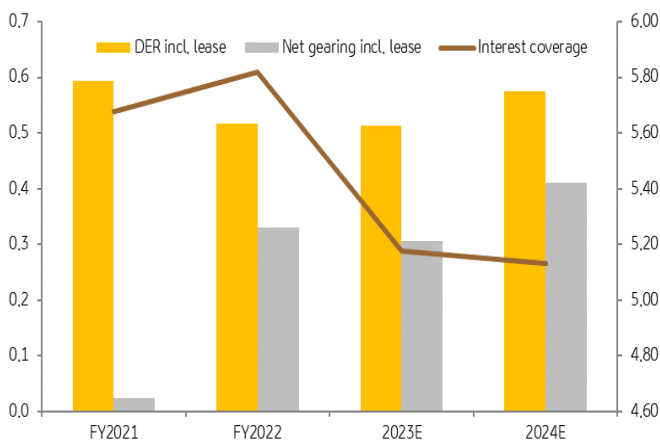
Source: Company, KBVS Research

Exhibit 7: Tower, tenant and colocation



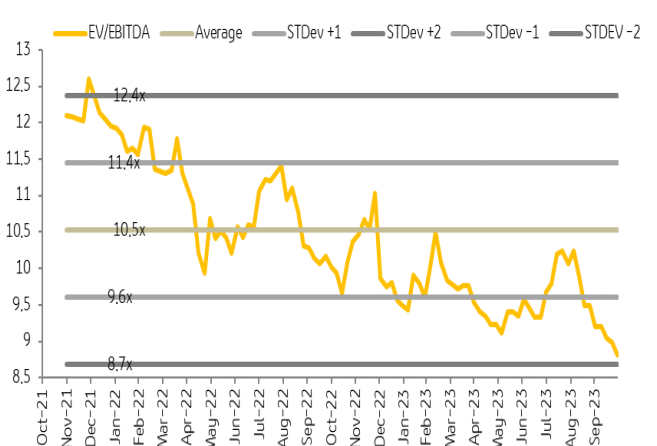
Source: Company, KBVS Research

Exhibit 8: MTEL leverage metrics (%)



Source: Company, KBVS Research

Exhibit 9: EV/EBITDA valuation



Source: Company, Bloomberg, KBVS Research

FINANCIAL TABLES

Exhibit 10: Profit & Loss summary

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Revenue	6,870	7,729	8,563	9,399	10,179
Cost of revenue	(3,651)	(4,075)	(4,325)	(4,546)	(4,720)
Gross profit	3,218	3,654	4,239	4,853	5,459
Operating expenses	(478)	(501)	(559)	(581)	(613)
Operating profit	2,757	3,137	3,681	4,274	4,848
EBITDA	5,185	6,142	6,916	7,692	8,400
Other income/expenses	0	6	233	218	236
Finance income/costs NET	(838)	(725)	(1,152)	(1,305)	(1,394)
Pretax profit	1,920	2,417	2,762	3,187	3,689
Income tax/benefit	(538)	(632)	(746)	(860)	(996)
After tax	1,381	1,785	2,016	2,326	2,693

Source: Company, KBVS Research

Exhibit 11: Balance sheet

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Current Assets					
Cash and cash equivalents	19,133	6,339	6,563	5,101	4,114
Trade receivables	1,118	1,050	1,468	1,005	1,709
Other current assets	1,052	497	1,044	1,113	1,205
Total Asset	21,303	7,886	9,076	7,219	7,028
Non-current assets					
Fixed assets	29,568	39,328	42,770	47,178	50,999
Other non-current assets	6,857	8,857	9,185	9,772	10,321
Total non-current assets	36,426	48,185	51,955	56,950	61,320
Total assets	57,728	56,072	61,030	64,168	68,348
Current liabilities					
Trade payables	1,273	1,892	1,933	1,394	1,447
Taxes payables	91	74	384	258	299
Accrued expenses	1,036	1,053	1,401	1,500	1,495
Short term debts	2,828	5,908	6,402	8,385	9,259
Other current liabilities	1,248	1,274	2,724	2,677	2,898
Total current liabilities	6,476	10,201	12,844	14,215	15,397
Non-current liabilities					
Long-term debts	17,131	11,603	13,039	13,942	15,607
Other non-current liabilities	476	461	478	342	531
Total non-current liabilities	17,607	12,064	13,517	14,284	16,138
Shareholders' equity	33,646	33,807	34,669	35,670	36,813
Total liabilities and equity	57,728	56,072	61,030	64,168	68,348

Source: Company, KBVS Research

Exhibit 9: Cash flow

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Net profit	1,381	1,785	2,016	2,326	2,693
Depreciation	2,445	2,989	3,236	3,419	3,554
Changes in working capital	495	1,267	1,184	(218)	(488)
CF from operating activities	4,321	6,041	6,436	5,528	5,759
Investment in fixed assets	(13,281)	(11,345)	(5,110)	(6,130)	(5,707)
Others	(3,198)	(3,404)	(1,896)	(2,285)	(2,217)
CF from investing activities	(16,479)	(14,749)	(7,006)	(8,415)	(7,924)
Dividends paid	(2,181)	(966)	(1,089)	(1,256)	(1,481)
Debt raised/ repaid	6,526	(2,448)	1,930	2,886	2,539
Others	26,430	(672)	(48)	(205)	120
CF from financing activities	30,776	(4,087)	793	1,424	1,178
Change in cash flow	18,617	(12,794)	224	(1,462)	(987)
Cash and cash equivalents, beginning	516	19,133	6,339	6,563	5,101
Cash and cash equivalents, ending	19,133	6,339	6,563	5,101	4,114

Source: Company, KBVS Research

Exhibit 10: Ratio analysis

Year End Dec	2021A	2022A	2023F	2024F	2025F
Gross profit margin (%)	46.9	47.3	49.5	51.6	53.6
Operating profit margin (%)	40.1	40.6	43.0	45.5	47.6
EBITDA margin (%)	75.5	79.5	80.8	81.8	82.5
Net profit margin (%)	20.1	23.1	23.5	24.8	26.5
Receivable turnover (x)	5.31	7.13	6.80	7.60	7.50
Sales/Assets turnover (x)	0.12	0.14	0.14	0.15	0.15
Payable turnover (x)	10.5	13.9	13.4	9.2	9.2
ROAA (%)	3.3	3.1	3.4	3.7	4.1
ROAE (%)	6.6	5.3	5.9	6.6	7.4
ROIC (%)	4.0	4.0	4.2	4.4	4.7
Debt/ Equity (x)	0.6	0.5	0.5	0.6	0.6
Net debt/Equity (x)	0.0	0.3	0.3	0.4	0.5
Net debt/ EBITDA (x)	0.2	1.8	1.6	2.0	2.2
Interest coverage (x)	5.7	5.8	5.2	5.2	5.3
BV/Share (IDR)	402.9	404.8	415.1	427.1	440.8
Dividend yield (IDR)	3.7	1.6	1.8	2.1	2.5

Source: Company, KBVS Research

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