



BUY

Target Price : IDR1,000

Stock Data

Current Price	: 780
52wk Range H-L	: 890 - 750
Share Outstanding	: 83.515 tn
Free Float	: 28.13%
Mkt Capitalization (IDR tn)	: 63.47

Major Shareholders

PT Telkom Indonesia (Persero) Tbk	: 72.37%
Public	: 27.63%



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PT Dayamitra Telekomunikasi Tbk (MTEL IJ)

Tower Sector

Conquering Tower Giants

PT Dayamitra Telekomunikasi Tbk (MTEL IJ), as a subsidiary of PT Telkom Indonesia (Persero) Tbk which is engaged in the telecommunications tower business operates 28,206 towers. MTEL was just listed for IDR18.8 tn IPO on November 22, 2021.

More Network, Bigger Reward

As one of the largest telecommunication tower companies in Indonesia, MTEL plans to increase its total towers through inorganic expansion, with 3,000 towers planned to be acquired in FY22E and FY23F. As of FY21, MTEL has 28,206 towers spread throughout Indonesia and 42,594 tenants, making the tenancy ratio to be 1.51x. Currently, MTEL has 16,219 towers or 58% of its total towers in ex-Java region while having 11,987 towers or 42% of its total towers in the Java region. However, the Java region has a higher tenancy ratio than the ex-Java region with 1.65x compared to 1.41x. Furthermore, the tower expansion is necessary with the higher demand of data as seen from the increase in average data usage with an increase of about 20x since 2015 to all MNOs. We expect the tenancy ratio to increase at 2.06x in FY25F.

The Prospect of 5G Network during the Digitalization Era of Indonesia

With growing Indonesia's digital economy, MTEL plans to further expand 5G network by upgrading its towers with optic fibers. With this 5G network, MTEL hopes that it might improve its user experience with its rapid data transfer and slightest buffering. However, even though 5G network has been in Indonesia since 2017, the use of the network is still minimal with only nine cities in Indonesia having 5G, such as Jabodetabek, Bandung, Batam, Balikpapan, Makassar, Surakarta, Surabaya, Denpasar, and Medan. As of Jan-22, MTEL has 11,851 towers connected with optic fiber. Collaborating with PT Alita Praya Mitra (Alita), MTEL plans to construct 6,000 km long of optic fibers in five provinces in Indonesia, including Java, Sumatra dan Sulawesi to around 1,500 MTEL towers. Furthermore, MTEL plans to lease these optic fiber towers to the Alita's MNOs and to provide optical fiber installation service to the operators' telecommunication towers. In addition, MTEL also plans to acquire 3-5km optic fiber network of TLKM and offers it to MTEL's MNO clients after integrating the network with TLKM in FY22E.

Higher Colocations Translate to Higher Earnings

We believe the financial performance will remain solid throughout the year. We expect revenue to grow by 10.5%-11.5% in FY22E-FY25F along with a rising tenancy ratio, especially from its ex-Java networks (58% of MTEL's portfolio). Meanwhile, EBITDA could reach at IDR5.90 tn - IDR8.74 tn level (13.7%-13.4% YoY) in FY22E-FY25F, thus making the EBITDA margin to be ~82%. Moreover, we set out net profit target by 29.9%-30.2% in FY22E-FY25F, translated to a net profit margin of ~30%. The company's solvency ratio is relatively stable with a net gearing level of 0.02x in FY21 due to excellent working capital management. We expect management to be able to maintain its leverage, with a net gearing level in FY22E/ FY23F at 0.20x/0.11x. Manageable debt exposure should encourage superior margins in the future.

Initiate Coverage on MTEL IJ with a BUY call; TP: IDR1,000

We initiate coverage on **MTEL IJ** with a **BUY** rating and a target price of IDR1,000 (+28.2% upside), implying FY22E PE of 36.3x and EV/EBITDA of 14.4x. Our target price is based on DCF valuation with 7.3% of WACC, 2% terminal growth, and 6.8% risk-free rate. We expect MTEL should gain good momentum this year align with its plan on expanding its 5G network in more cities as well as acquiring more telecommunication towers in FY22E, which might boost its financial performance in FY22E. However, the downside risk to our call include: 1) competitive pricing plans and services between tower companies; 2) higher operational expense due to land rentals; 3) towers are prone for vandalism and natural disaster; 4) higher tower rentals churn rate; 5) increased post-merger integration costs.

Key Financial Highlight

IDR bn	FY19	FY20	FY21	FY22E	FY23F
Revenue	5,326	6,187	6,870	7,594	8,488
Net Income	493	602	1,381	1,795	2,311
EPS (IDR)	5.91	7.21	16.54	21.49	27.67
BVS (IDR)	92.57	97.74	402.87	424.35	452.03
PE (x)	132.03	108.21	47.17	36.30	28.19
PBV (x)	8.43	7.98	1.94	1.84	1.73
EV/EBITDA (x)	32.53	20.33	16.41	14.43	12.40
ROA (%)	2.46	2.38	2.39	2.78	3.32
ROE (%)	6.38	7.37	4.10	5.06	6.12
DER (x)	1.13	1.65	0.59	0.69	0.71

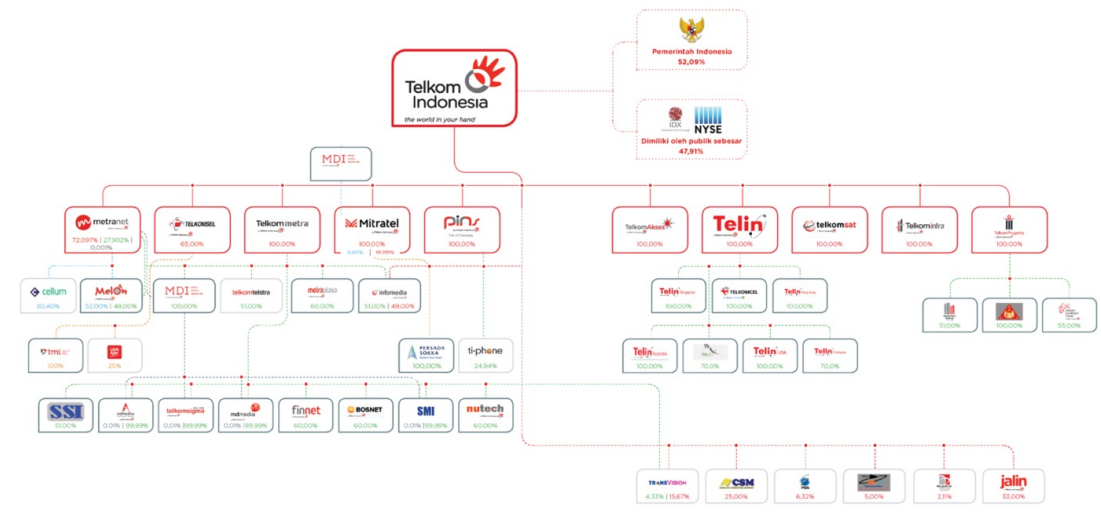
Sources: Bloomberg, MNCS

Company Profile

MTEL IJ at a Glance

PT Dayamitra Telekomunikasi Tbk (MTEL IJ) is a telecommunication company running in tower business established on 18 October 1995 as PT Dayamitra Malindo. In December 2004, all of its shares were bought by PT Telkom Indonesia (Persero) Tbk, and in 2008, the company started to be tower leasing company. Then, as of 2010, MTEL expanded its service to be a maintenance service to telecommunication operators in Indonesia, and by 2011, this company provided Wi-Fi service to Telkomsel users called wifi.id. Moreover, in 2012, collaborating with Le Blanc Technologies, MTEL built 54 telecommunication towers in Timor Leste for PT Telekomunikasi Indonesia Internasional (Telin), and became top 3 Indonesia tower provider. By 2016, MTEL became the first telecommunication company to have 1000 units of smartpole, a telecommunication tower with height less than 20 meters. Moreover, by 2019, MTEL acquired 1,017 towers from PST and 2,100 towers from Indosat and became the 2nd largest tower provider in Indonesia. Then, in 2020, MTEL continued expanding their towers by inorganic approach with acquiring 1,911 towers from Telkomsel, and as of 2021, MTEL acquired 8,139 more towers from Telkomsel and 798 towers from Telkom. With this acquisition, MTEL had an additional 2,580 tenants in Jan-22. Currently, MTEL is the largest tower provider in Indonesia with more than 28,000 towers spread throughout the archipelago of Indonesia through organic and inorganic expansions. On 22 November 2021, MTEL was listed for USD1.3 bn or IDR18.8 tn IPO, and 27.63% of the shares or 22,920,512,000 shares were listed for public with the offer price of IDR800. With the funds raised from the IPO, 40% is used as organic capex, while 50% is used for inorganic capex with the rest 10% is used for working capital.

Exhibit 01. Company Structure



Source : Company

Exhibit 02. MTEL’s Tower Breakdown in FY21

	Total towers	Collocation	Tenancy ratio (x)
Jabodetabek	2,865	1,590	1.55
East Java	2,862	1,889	1.66
Central Java	2,804	2,125	1.76
West Java	3,398	2,059	1.61
North Sumatra	2,797	1,110	1.40
Central Sumatra	2,478	938	1.38
South Sumatra	2,789	1,194	1.43
Bali & Nusa Tenggara	1,919	679	1.35
Kalimantan	2,580	1,223	1.47
Sulawesi	2,373	1,190	1.50
Maluka & Papua	1,214	61	1.05

Source : Company

Business Model

As the leading tower service providers in Indonesia, MTEL provided two types of services: tower leasing and tower related.

Macro tower is a telecommunication tower with height above 30m and its location and specifications are chosen by the clients as the first tenant or anchor

In the tower leasing business, MTEL provided tower rental by building new telecommunication towers (macro and micro towers), offering its existing towers (colocation), and offering towers to third parties (reseller). In building new telecommunication towers, MTEL provided macro tower rental service and micro tower rental service

Exhibit 03. MTEL's Macro Towers



Self-support tower (SST): Tower with height of 30-72m with 4 or 3 legs



Guyed mast: Tower with only a single pile and supported by steel



Mobile tower: Easily mobilized tower

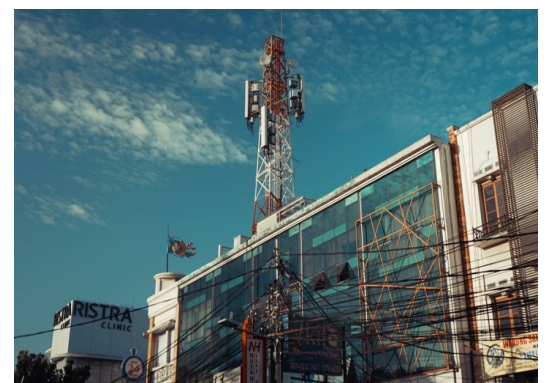
Source : Company

Exhibit 04. MTEL's Micro Towers

Micro tower is a telecommunication tower with height below 30m that can be used for both indoor and outdoor.



In-building solution: Tower found inside public buildings



BTS hotel: Tower found in strategic locations and business centers



Pole/monopole: Composed of Easy Macro (<10m), Micro Pole (MCP) (12-20m) and Mini Macro (21-30m)



Camouflage: Smart pole used as public lighting, CCTV, digital signate, integrated broadband and IoT connectivity

Source : Company

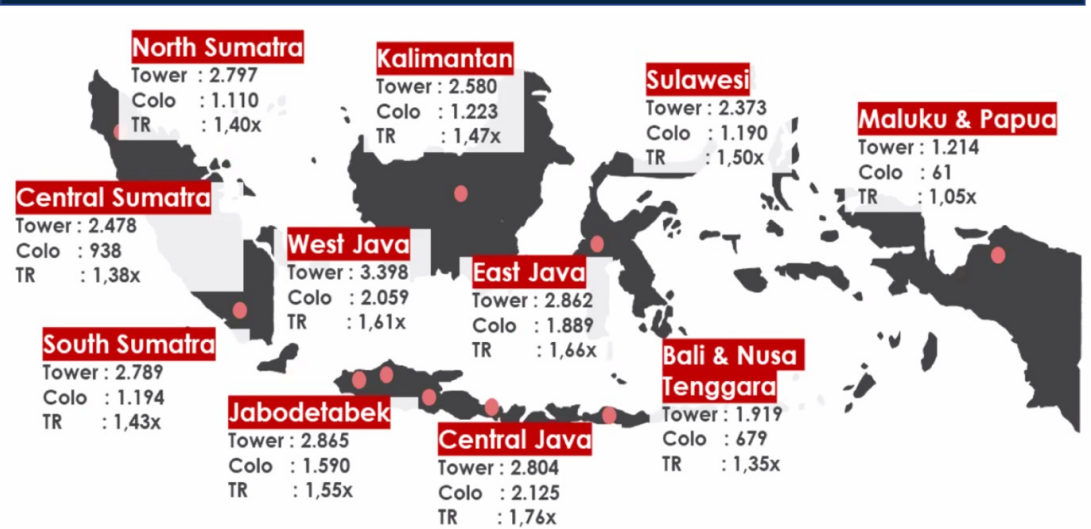
MTEL also lent their existing towers to operator and non-communication operator business entity through colocation, which are used to expand network coverage and capacity issues to urban, sub-urban, rural, and business areas with MTEL’s micro towers. Moreover, MTEL offers its telecommunication towers to the third parties through reseller and acts to provide telecommunication towers at competitive prices.

Furthermore, in the tower related business, MTEL provided three products, such as project solution, managed service, and digital service. In the project solution service, MTEL gave a one stop solution service to its clients, such as:

- Fiber optic solution: Deployment
- Tower related solution: Deployment & recovery, equipment relocation, tower strengthening
- ME solution: Generator, solar panel solution, mechanical & electrical
- Service solution: Handling SITAC & IMB, IBS, others

Meanwhile, in the managed service, MTEL outsourced on operator and non-telecommunication operator business entity with poor performance to optimize their internal resources and support their service quality. Currently, MTEL has 1,056 managed service workers. Moreover, in the digital service, MTEL provided digital infra solution, such as optimizing existing towers by providing remote tower management, IoT alarm system and mini data center or edge computing for minimal data latency using 5G network.

Exhibit 05. MTEL Tower Distribution



Source : Company

Expanding MTEL’s Network

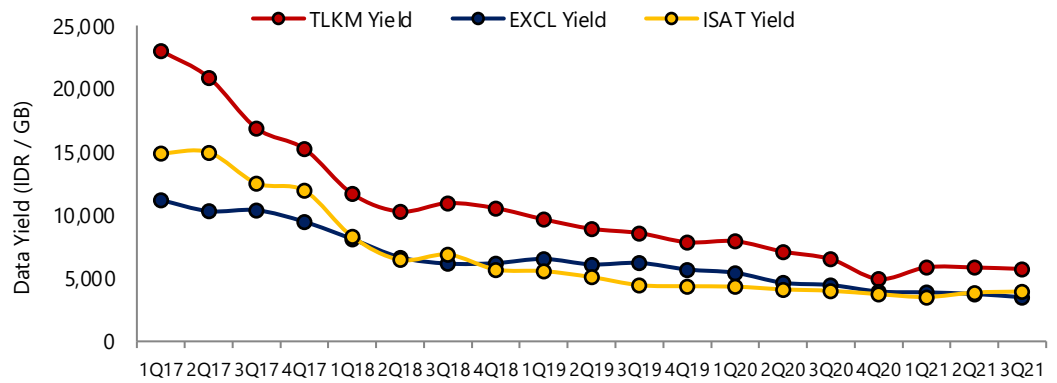
Uneven Tower Distribution

Aggressive Approach for Tower Expansion

MTEL is currently the biggest telecommunication tower company in Indonesia from its tower/tenant count. As of FY21, MTEL has 28,206 towers spread throughout Indonesia and 42,594 tenants, making the leasing ratio to be 1.51x. Moreover, MTEL has more towers located in the ex-Java region with 16,219 towers or 58% of its total towers with the Java region having total towers of 11,987 units or 42% of its total towers. However, by the tenancy ratio, Java region still has bigger value than the ex-Java region with 1.65x compared to 1.41x due to larger demand of network and inorganic expansion that had been done by MTEL since 2019 with the most recent acquisition of Telkomsel and Telkom towers in 2021. From the tower location breakdown, West Java has the greatest number of towers with 3,414 units while Maluku & Papua has the least number of towers with 1,220 units and the least number of colocations with only 43 units. Meanwhile, Central Java has the greatest number of colocations with 2,147 units and the largest tenancy ratio with 1.76x.

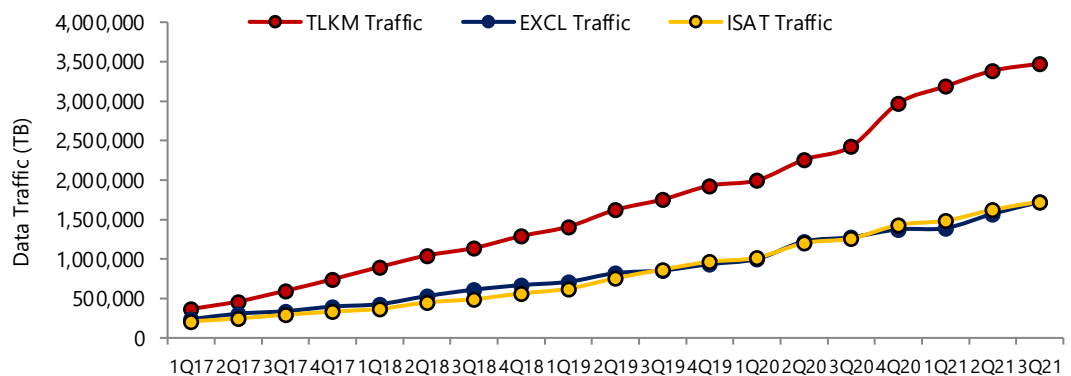
With the competitive environment between telecommunication towers, MTEL plans to increase its towers for 3,000 units through acquisition in FY22E and another 3,000 units in FY23F, which are then leased to telecommunication operators aggressively. The management believes that this aggressive approach by MTEL is hoped to maximize the opportunity of expanding their networks to ex-Java region, as seen in the low tenancy ratio in the region. Furthermore, the tower expansion is necessary with the higher demand of data as seen from the increase in average data usage with an increase of about 20x from 2015 up to 2021 to all operators with Telkomsel having the biggest average data traffic. Moreover, MTEL also plans for the expansion of the 5G network by implementing tower fiberization, which will certainly cause an increase in data usage, thus an increase in telecommunication tower needs.

Exhibit 06. Indonesia’s Top 3 MNOs’ Data Yield



Source : Company, MNCS

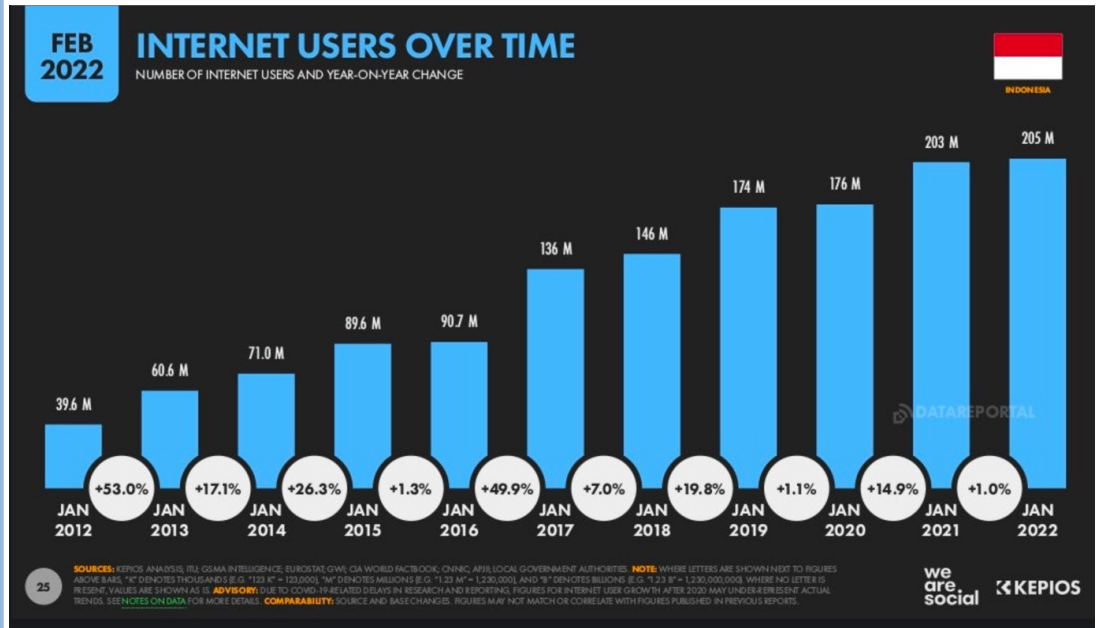
Exhibit 07. Indonesia’s Top 3 MNOs’ Data Traffic



Source : Company, MNCS

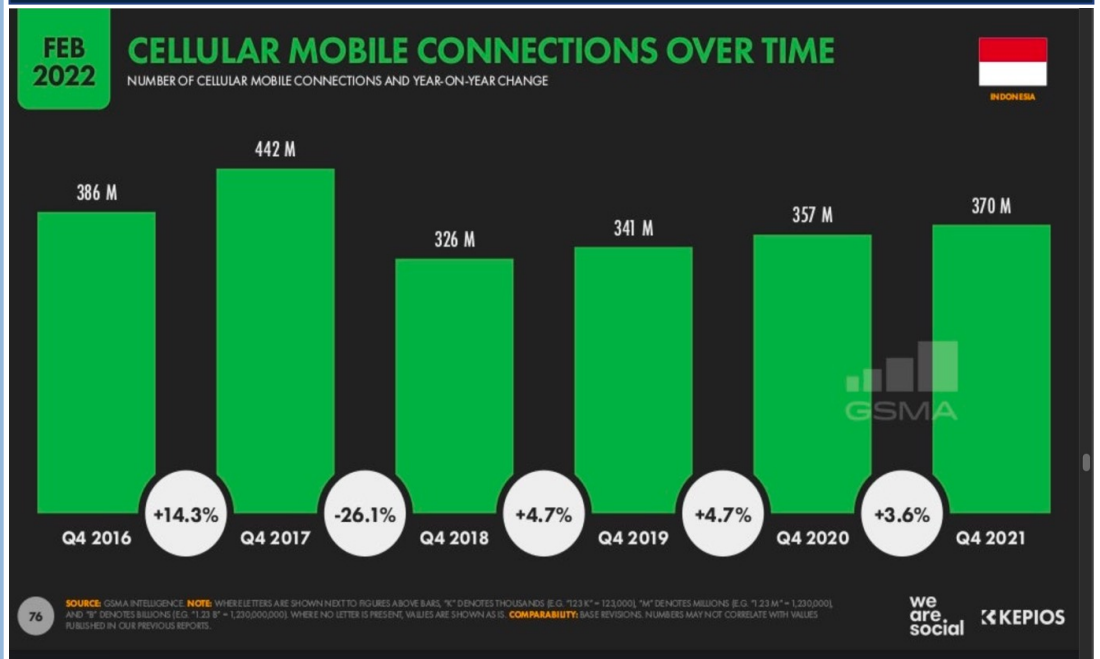
As data traffic increases due to bigger demand of data, data yield falls as the data price becomes cheaper.

Exhibit 08. Indonesia's Total Internet Users



Source : We Are Social

Exhibit 09. Indonesia's Total Cellular Mobile Connections



Source : We Are Social

Ultra-Speed Network

As Indonesia's digital economy is growing, it is important for the telecommunication towers to be able to accommodate the digital infrastructure needed to sustain the growth. Being a telecommunication tower company with more than 25% of market share, MTEL prepared strategies to support Indonesia's rapid growth of digital economy, in which this growth can be seen from the presence of 5G network in Indonesia. With this 5G network, MTEL hopes that it might improve its user experience with its rapid data transfer and slightest buffering. Even though 5G network has been in Indonesia since 2017, the use of the network is still minimal with only nine cities in Indonesia having 5G, such as Jabodetabek, Bandung, Batam, Balikpapan, Makassar, Surakarta, Surabaya, Denpasar, and Medan. However, not all areas of these nine cities are covered in 5G due to insufficient towers that have the technology to broadcast this network.

5G Network is only found in some cities in Indonesia with Java having the most 5G BTS with 11 units.

Tower Fiberization with Alita

Optic Fiber Leasing Plan

Exhibit 10. 5G Network Distribution in Indonesia

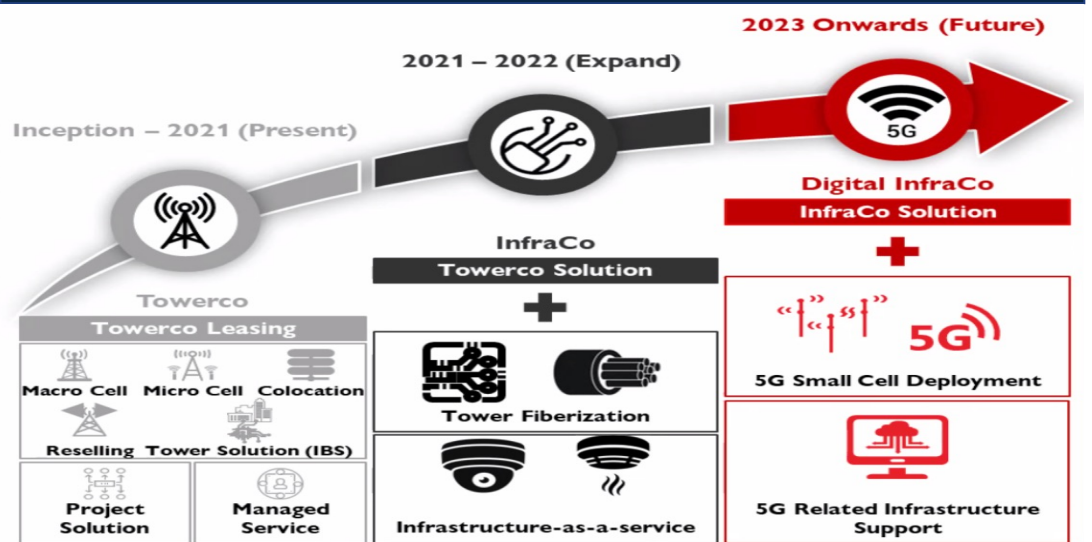


Source : Ookla

To accommodate 5G network, MTEL plans for tower fiberization, in which optic fiber is added to the tower. By having optic fiber, data can be sent at a rapid speed with excellent quality, thus improving the quality and quantity of the data, since 5G network requires to reach speed above 1 Gbps. As of Jan-22, MTEL has 11,851 towers connected with optic fiber. Collaborating with PT Alita Praya Mitra (Alita), MTEL plans to construct 6,000 km long of optic fibers in five provinces in Indonesia, including Java, Sumatra dan Sulawesi to around 1,500 MTEL towers. Alita is an information and communication technology (ICT) business specializing in optical fibers with more than 7,759 km long of optic fibers and more than 15,000 km coverage by the end of 2021 and having MNO clients, including Telkomsel, XL Axiata, Indosat Ooredoo, Tri Hutchinson, and Smartfren. With this construction of optic fibers, it will further accelerate the fulfillment of the needs of communication operators to implement 5G in Indonesia.

In line with the development of the digital environment in Indonesia, as well as its digital infra solution service, MTEL sees that having 5G network might improve its remote tower management, IoT alarm system and mini data center or edge computing. Furthermore, MTEL plans to lease these optic fiber towers to the Alita's MNOs and to provide optical fiber installation service to the operators' telecommunication towers. Furthermore, as of Feb-22, TLKM owns 3-5 km long of optic fiber network, which is planned to be leased to MTEL in FY22E. MTEL then plans to integrate TLKM's network to the tower company and offers them to its MNO clients, similar to its tower leasing service.

Exhibit 11. MTEL's Future Plan



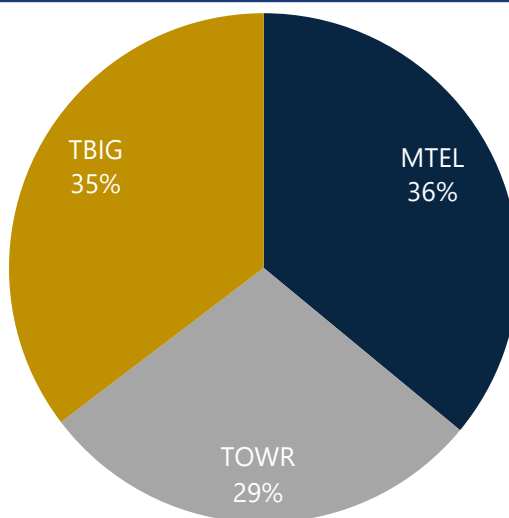
Source : Company

Industry Outlook

Telecommunication Tower Market in Indonesia

With the positive prospect of telco tower market in FY22E, we see that this industry will expect a significant growth, particularly in the tower size and tower related business. As a result, we expect the tower companies to have a significant increase in capital expenditure and more fierce competition in FY22E. Currently, there are three big tower operators: PT Daya Mitra Telekomunikasi Tbk (MTEL), PT Tower Bersama Infrastructure Tbk (TBIG) and PT Sarana Menara Nusantara (TOWR), each having market cap of IDR63.47 tn, IDR65.48 tn and IDR53.82 tn, respectively as of 18 Feb-22, making MTEL having the biggest market capitalization. As researched by Kepios, the number of internet users has grown significantly with the Jan-22 total users to be 205 million or +0.99% YoY (vs 203 million in Jan-21) or about 73.7% of the population. Furthermore, Indonesia also has 370.1 million of cellular mobile connections in Jan-22 or +3.6% YoY, about 133.3% of the population, meaning that many people currently have more than one phone. With this increasing average data traffic and data users, we can conclude that the need for data keeps increasing, hence it is necessary to expand the tower network and upgrade the existing towers with much faster connection, such as with optic fiber.

Exhibit 12. Comparison of Market Capitalization of Three Big Tower Companies

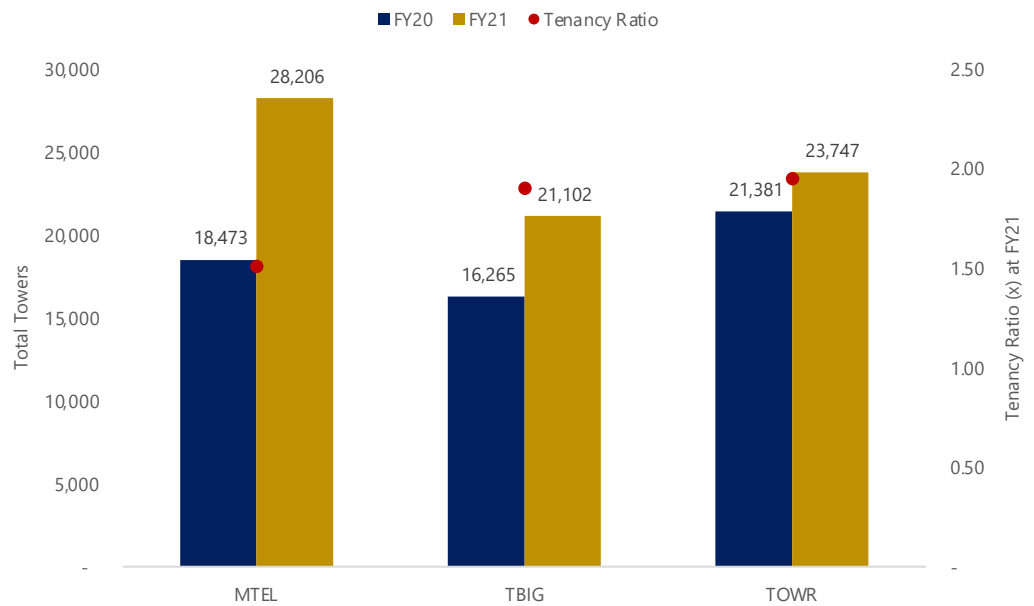


Source : Company, MNCS

Expansion of Tower Companies in FY21

To expand the tower network, a tower company must increase its number of towers by organic or inorganic means. In FY21, there are many tower companies expand their tower distribution by acquiring other operators' towers, in other words, inorganic expansion. In FY20, TOWR has the biggest number of towers in Indonesia with 21,381 units, followed by MTEL with 18,473 units and TBIG with 16,265 units. However, in FY21, several inorganic expansions were done by these three tower companies. MTEL acquired more than 8,800 towers from Telkomsel and Telkom, TOWR acquired more than 6,800 towers from PT Solusi Tunas Pratama Tbk (SUPR), while TBIG acquired about 3,000 towers from PT Inti Bangun Sejahtera Tbk (IBST). As a result, in FY21, MTEL ends up having the most towers with 28,206 units (+52.7% YoY), followed by TOWR with 23,747 units (+11.1 % YoY) and TBIG with 21,102 units (+29.7% YoY). With this acquisition, this also results in the change of the tenancy ratio. By FY21, MTEL tenancy rate dropped from 1.65x to 1.51x, which is the lowest between the three big tower operators. This was caused by the acquisition of Telkomsel towers since were only used by Telkomsel, hence making the tenancy ratio to be 1.00x. However, MTEL leasing ratio is expected to improve in FY22E with more operators are expected to expand their network coverage and grab market in ex-Java. Meanwhile, TOWR and TBIG have bigger tenancy ratio with 1.95x and 1.90x, respectively.

Exhibit 13. Comparison of Total Towers and Tenancy Ratio



Source : Company, MNCS, Bloomberg

Impact of MTEL Having the Most Number of Towers

Looking at the projected financial report, these figures are expected to grow as the tower distribution continues to expand and number of tenants is expected to increase, assuming that these companies continue to expand their tower business. However, with the inorganic expansion by MTEL, such as acquiring 3,000 Telkomsel and Telkom towers in FY22E, the revenue is expected to increase and might surpass both TOWR and TBIG. Moreover, 5G network as well as collaboration with Alita for tower fiberization program might boost MTEL’s financial performance. Moreover, in terms of EV/EBITDA ratio, MTEL has 14.43x in FY22E and delivers premium valuation due to fair market cap and higher scalability compared to peers in the tower sector in Indonesia. We believe EV/EBITDA to be slightly lower to 12.33x and 9.69x in FY23F/FY25F. MTEL’s PBV is also expected to be the lowest compared to the other two tower companies with 1.84x in FY22E (TOWR: 3.96x; TBIG: 5.99x).

Exhibit 14. Tower Companies Projected Financial Performance in FY22E

IDR tn	MTEL	TOWR	TBIG	
Revenue		7.59	10.81	7.13
Operating profit		3.36	6.71	4.83
Operating profit margin (%)		44.21	62.01	67.67
EBITDA		5.90	8.98	5.90
EBITDA margin (%)		77.66	82.99	82.66
Net profit		1.80	3.63	1.54
Net profit margin (%)		23.63	33.54	21.60
PER (x)		36.30	14.70	40.84
PBV (x)		1.84	3.96	5.99
EV/EBITDA (x)		14.43	8.98	12.61

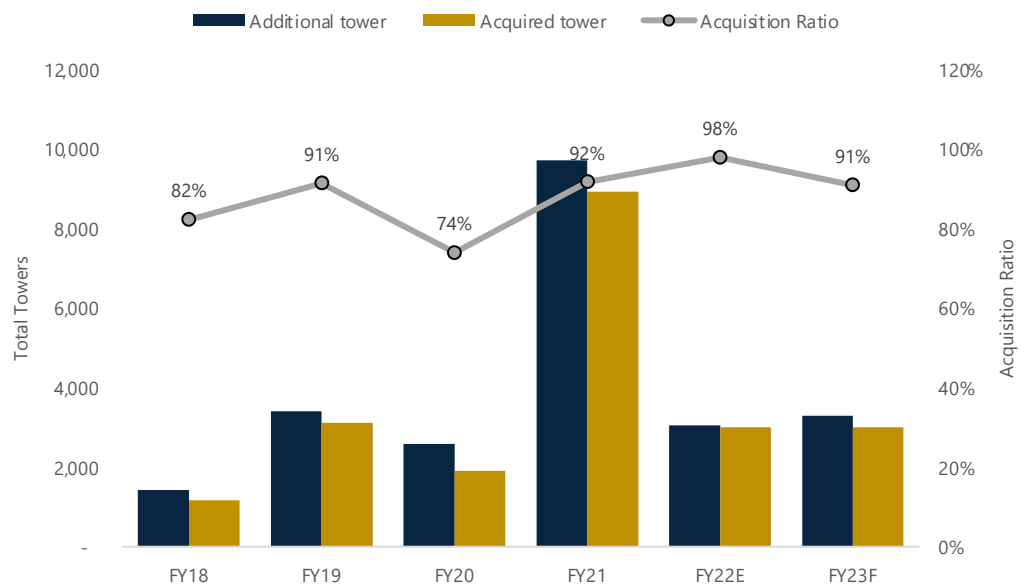
Source : MNCS, Bloomberg

Investment Thesis

MTEL's performance in FY21 is highlighted with its significant increase of towers

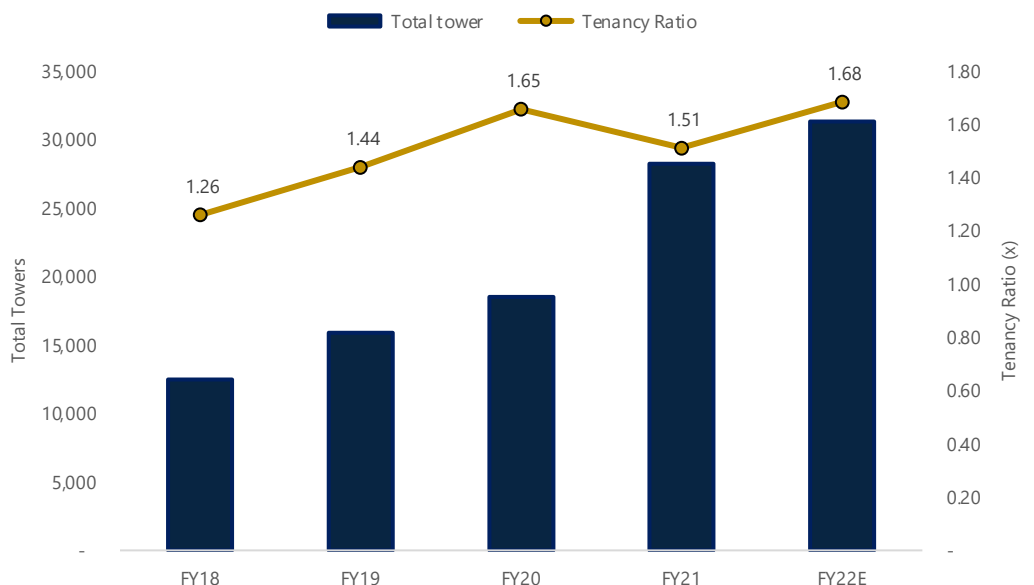
As mentioned earlier, MTEL acquires about 6,800 Telkom and Telkomsel towers in 3Q21 and plans for expansion with 3,000 of towers are planned to be acquired in FY22E and another 3,000 towers in FY23F. With this acquisition, MTEL has total towers of 28,206 units in FY21 or +52.7% YoY (vs 18,473 units in FY20), and by FY25F, MTEL is projected to have 39,618 towers or +6.9% YoY (vs 37,060 units in FY24F). Moreover, MTEL's total site lease increases with the tenants in FY21 to be 42,594 units or +39.3 YoY (vs 30,570 units in FY20) and 81,766 units or +9.6% YoY in FY25F (vs 74,618 units in FY24F). Therefore, the tenancy ratio of MTEL is expected to increase from 1.51x in FY21 to 2.06x in FY25F after it fell from 1.65x in FY20 due to MTEL's acquisition of Telkomsel towers which only had leasing ratio of 1.0x before the acquisition. Furthermore, with the M&A of ISAT and H3I in January 2022, the leasing ratio is expected to not increase significantly due to a decrease in the leasing ratio by almost half.

Exhibit 15. MTEL's Tower Addition through Inorganic Expansion



Source : Company, Bloomberg, MNCS

Exhibit 16. Total Tower and Tenancy Ratio

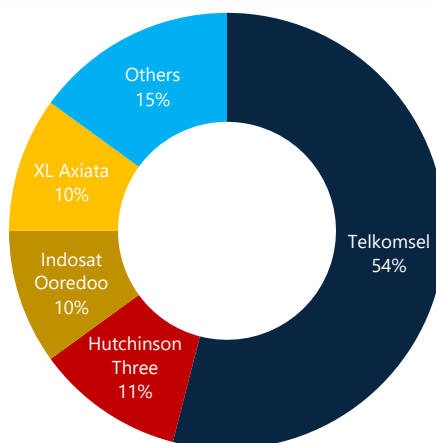


Source : Company, Bloomberg, MNCS

Benefitted from Anchor Tenant, Telkomsel

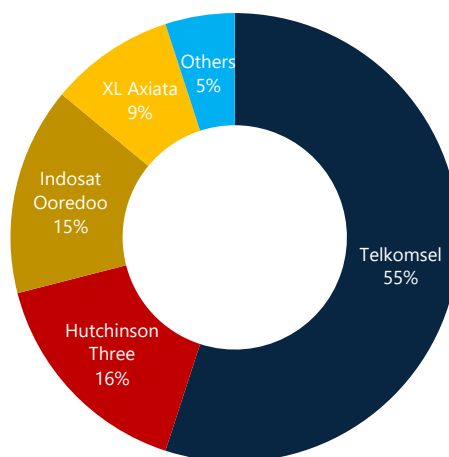
As a subsidiary of PT Telekomunikasi Indonesia Tbk, MTEL is benefitted from having Telkomsel as its biggest tenant with 54% of its revenue comes from Telkomsel due to it being the largest telecommunication operator in Indonesia with market share of about 50% in FY21. With the network coverage expansion and 5G network development planned by Telkomsel in FY21 and FY22E, Telkomsel is expected strengthen its position as the largest telecommunication operator in Indonesia, which will also benefit MTEL and improve its financial performance. Furthermore, an M&A of Indosat Ooredoo and Hutchinson Tri Indonesia in January 2022 and some potential M&A of MNOs in FY22E might also boost its earnings in the long-run due to their plans for further expanding network coverage and increasing their subscribers after the mergers.

Exhibit 17. MTEL's Revenue Breakdown in 1H20



Source : Company

Exhibit 18. MNO Contracted Revenue 1H21

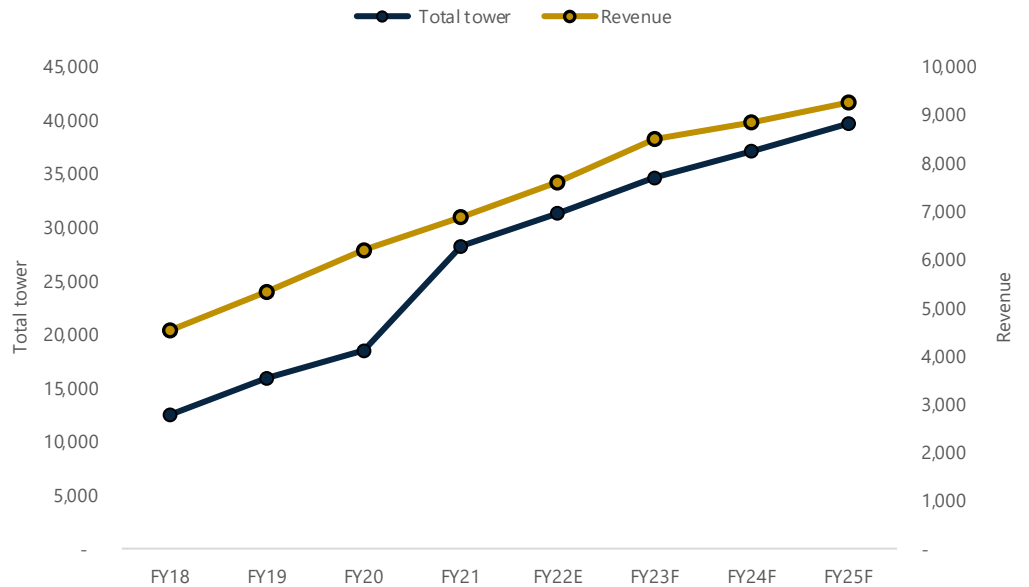


Source : Company

Expecting margin expansion

In FY21, MTEL booked a revenue of IDR6.87 tn (+11.0% YoY) with its biggest contribution coming from tower leasing with an increase of 26.6% YoY to IDR5.43 tn, making up 79.0% of MTEL's total revenue. Furthermore, MTEL booked EBITDA of IDR5.19 tn (+23.9% YoY), making the margin to be 77.7% and operating profit of IDR2.74 tn (+61.4% YoY) with the margin of 39.9%. MTEL's net profit is reported to be IDR1.38 tn (+129.4% YoY), thus making net profit margin to be 23.6%. Meanwhile, MTEL is projected to have revenue of IDR7.59 tn (+10.5% YoY) in FY22E with EBITDA of IDR5.90 tn (+13.7% YoY) in FY22E, thus making the EBITDA margin to be 77.7%. Moreover, MTEL is also projected to book operating profit of IDR3.36 tn (+22.5% YoY) in FY22E and operating profit margin of 44.2%. MTEL's net profit is also projected to be IDR1.80 tn (+29.9% YoY) in FY22E and net profit margin of 23.6%.

Exhibit 19. The growth and forecasted revenue with total tower

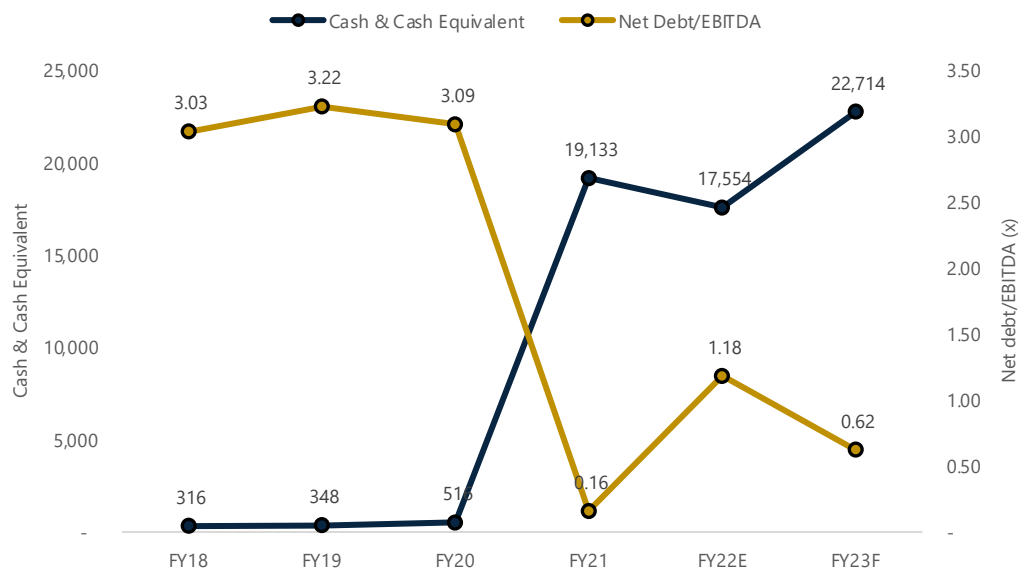


Source : Bloomberg, MNCS

MTEL is expected for a significant improvement in the balance sheet with a significant growth of cash and cash equivalents through IPO.

Looking at the balance sheet section, MTEL is expected to have a significant increase in its total assets, particularly in its current assets where there is an increase of 636.1% YoY in FY21 to IDR21.30 tn due to a substantial growth in cash and cash equivalents from the IPO. It is reported that MTEL gained IDR18.8 tn from the IPO. MTEL’s acquisition of Telkomsel and Telkom towers in FY21 also affected its asset value by having a significant increase in its fixed assets with a growth of 68.0% in FY21. Thus, MTEL’s total assets experienced an increase of 128.3% in FY21 from FY20. Moreover, from the IPO, MTEL also had an expected surge in its total equity to IDR33.65 tn (+312.2% YoY) with its share capital had a positive growth of 286.4% YoY in FY21. Meanwhile, MTEL’s total liabilities increased by 40.7% YoY in FY21, while its current liabilities fell by 11.9% YoY

Exhibit 20. Trend of Cash & Cash Equivalent and Net Debt/EBITDA

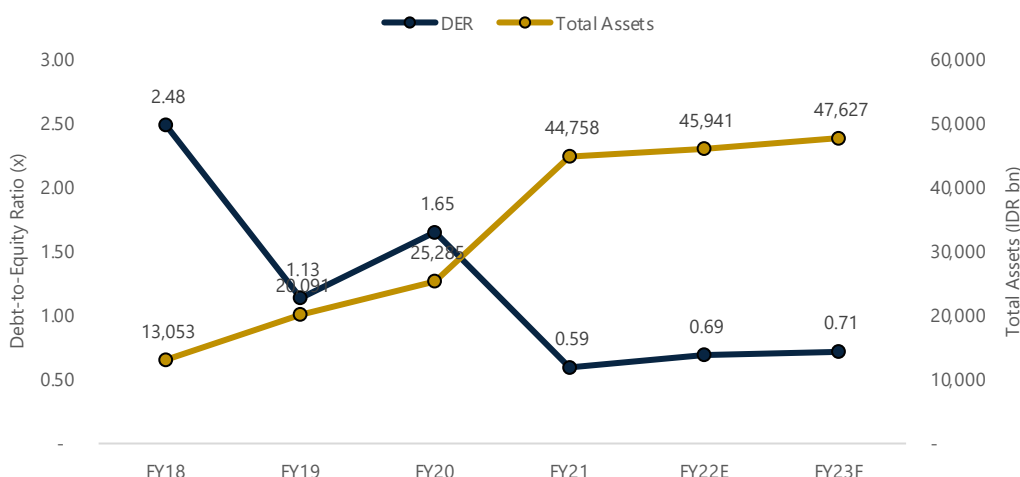


Source : Bloomberg, MNCS

Valuation of MTEL in FY22E-FY25F

MTEL is forecasted to have a solid financial performance in FY22E-FY25F. We project the revenue to rise 10.5%-11.5% in FY22E-FY25F along with a rising tenancy ratio, especially from its ex-Java networks (58% of MTEL's portfolio). Meanwhile, EBITDA might reach IDR5.90 tn-IDR8.74 tn (13.7%-13.4% YoY) in FY22E-FY25F, thus making the EBITDA margin to be ~82%. Moreover, we set out net profit target by 29.9%-30.2% in FY22E-FY25F, thus a net profit margin of ~30%. The company's solvency ratio is relatively stable with a net gearing level of 0.02x in FY21 due to excellent working capital management. We also expect management to be able to maintain its leverage, with a net gearing level in FY22E/FY23F at 0.20x/0.11x. Manageable debt exposure should encourage superior margins in the future. Thus, we recommend BUY with target price of IDR1,000 (+28.2% upside) for MTEL, implying FY22E PE of 36.3x and EV/EBITDA of 14.4x. Our target price is based on DCF valuation with 7.3% of WACC, 2% terminal growth, and 6.8% risk-free rate. However, there are several risks, which include: 1) competitive pricing plans and services between tower companies; 2) higher operational expense due to land rentals; 3) towers are prone for vandalism and natural disaster; 4) higher tower rentals churn rate; 5) increased post-merger integration costs.

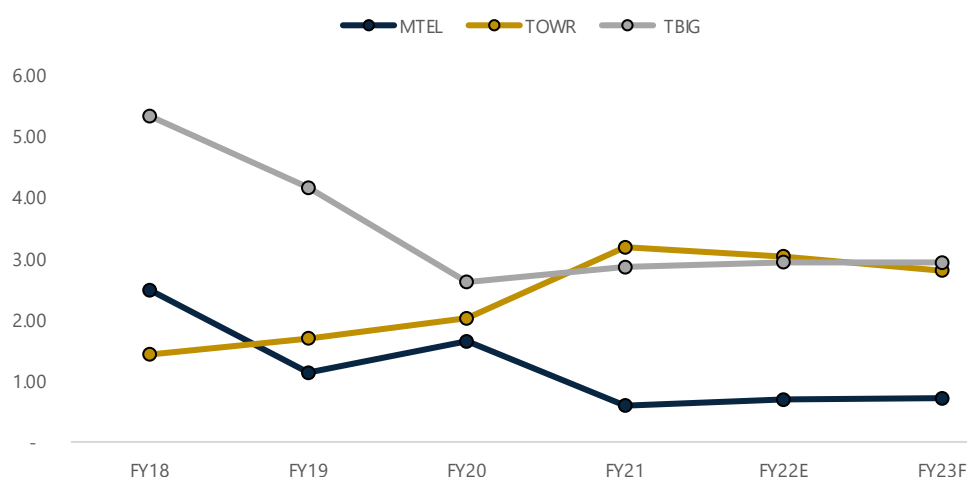
Exhibit 21. Trend of DER



Source : Bloomberg, MNCS

With this forecasted improved financial performance, MTEL has the smallest debt-to-equity (DER) ratio compared to TOWR and TBIG with the DER in FY21 to be 0.59x, while TOWR and TBIG have 3.18x and 2.86x, respectively. This is due to MTEL having low debt and having large share capital with IDR19.04 tn (+286.4% YoY) in FY21 from MTEL's IPO listing in November 2021.

Exhibit 22. Comparison of DER of the Three Big Tower Companies



Source : Bloomberg, MNCS

MTEL has the smallest debt-to-equity ratio compared to TOWR and TBIG.

Exhibit 23. Financial Projections

Income Statement						Balance Sheet					
IDR bn	2019	2020	2021	2022E	2023F	IDR bn	2019	2020	2021	2022E	2023F
Revenues	5,326	6,187	6,870	7,594	8,488	Current Assets	2,876	2,894	21,303	19,953	25,395
Lease	3,210	4,285	5,425	5,997	6,703	Cash and Cash Equivalents	348	516	19,133	17,554	22,714
Non-Lease	2,116	1,902	1,445	1,597	1,785	Account Receivable	1,283	1,470	1,118	1,235	1,381
Operating Expense	357	411	478	378	364	Others current Assets	1,246	908	1,052	1,163	1,300
Selling Expenses	150	225	255	234	252	Non-Current Assets	17,215	22,391	36,426	44,509	44,228
General and Administrative	193	198	207	226	235	Fix Asset - net	14,509	17,605	29,568	36,928	35,755
Infrastructure Expense	14	(11)	17	(83)	(123)	Other Non-Current Assets	2,707	4,787	6,857	7,580	8,472
Operating Profit	1,318	1,698	2,740	3,358	4,188	TOTAL ASSETS	20,091	25,285	57,728	64,461	69,623
EBITDA	2,616	4,185	5,185	5,897	6,861	Current Liabilities	4,931	7,348	6,476	7,081	7,728
Interest Expense	705	709	913	817	852	Account Payable	803	1,198	1,273	1,346	1,372
Interest Income	45	40	76	84	93	Short Term Debt	1,676	3,987	2,828	3,111	3,422
Other	30	(140)	17	(37)	(71)	Other current liabilities	2,452	2,164	2,374	2,625	2,934
Profit Before Tax	688	888	1,920	2,587	3,358	Non-Current Liabilities	7,429	9,774	17,607	21,940	24,143
Tax Expense (Benefit)	195	286	538	792	1,047	Long-term Liabilities - Net	7,094	9,446	17,131	21,414	23,555
Minority Interest	-	-	-	-	-	Other Non-Current Liabilities	335	329	476	527	588
Net Income	493	602	1,381	1,795	2,311	TOTAL EQUITY	7,731	8,163	33,646	35,440	37,751
EPS (full amount)	5.91	7.21	16.54	21.49	27.67	TOTAL LIABILITIES & EQUITY	20,091	25,285	57,728	64,461	69,623

Cash Flow						Ratios					
IDR bn	2019	2020	2021	2022E	2023F	IDR bn	2019	2020	2021	2022E	2023F
CFO Total	1,328	3,345	4,321	4,428	5,038	Revenue Growth (%)	17.78	16.15	11.04	10.54	11.77
Net Income	493	602	1,381	1,795	2,311	EBITDA Growth (%)	15.81	60.00	23.91	13.73	16.34
Depreciation	1,298	2,487	2,445	2,540	2,673	Net Profit Growth (%)	9.74	22.01	129.41	29.94	28.79
Change in Working Capital	(689)	208	428	(45)	(119)	Current Ratio (%)	58.32	39.38	328.97	281.78	328.62
Change in others	226	49	67	139	172	Quick Ratio (%)	33.06	27.02	312.73	265.35	311.80
CFI Total	(7,508)	(7,663)	(16,479)	(10,623)	(2,392)	Receivable Days	87.91	86.70	59.38	59.38	59.38
Change in ST Investment	-	-	-	-	-	Payable Days	820.99	1,062.44	971.80	1,301.05	1,374.42
Change in LT Investment	-	-	-	-	-	Debt to Equity (x)	1.60	2.10	0.72	0.82	0.84
Capex	(5,823)	(5,583)	(14,409)	(9,900)	(1,500)	Net Debt to EBITDA (x)	4.73	4.09	4.64	4.92	4.65
Change in Others	(1,686)	(2,080)	(2,070)	(723)	(892)	EBITDA Margin (%)	49.11	67.64	75.48	77.66	80.83
CFF Total	6,303	4,657	33,894	4,616	2,514	Net Profit Margin (%)	9.26	9.73	20.10	23.63	27.23
Net Change in Debt	1,608	4,663	6,526	4,566	2,452	ROA (%)	2.46	2.38	2.39	2.78	3.32
Equity financing	4,444	-	14,113	-	-	ROE (%)	6.38	7.37	4.10	5.06	6.12
Dividend payment	-	-	-	-	-						
Others	251	(6)	13,254	50	62						
Net Cash Increase	31	169	18,617	(1,579)	5,160						
Closing Balance	348	516	19,133	17,554	22,714						

Sources : Company, MNCS

MNC Research Industry Ratings Guidance

OVERWEIGHT: Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

NEUTRAL: Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

UNDERWEIGHT: Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

BUY : Share price may exceed 10% over the next 12 months

HOLD : Share price may fall within the range of +/- 10% of the next 12 months

SELL : Share price may fall by more than 10% over the next 12 months

Not Rated : Stock is not within regular research coverage

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