

**BUY | TP : IDR850**
**Stock Price Data**

Last Price	:	IDR675
52wk High	:	IDR805
52wk Low	:	IDR620
Share Out	:	83.53 bn
Market Cap	:	IDR56.38 tn

**Stock Price Performance**

1-Day	:	+1.5%
1-Week	:	+1.5%
1-Month	:	-1.5%
3-Month	:	-2.9%
Year-to-Date	:	-15.6%

**Shareholders**

PT Telkom Indonesia (Persero) Tbk	:	71.9%
PT Maleo Investasi Indonesia	:	6.0%
Government of Singapore	:	5.7%
Public	:	16.4%


**Research Analyst**

 Andrew Sebastian Susilo  
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**PT Dayamitra Telekomunikasi Tbk (MTEL IJ)**
**Unleashing the Boundless Profit Leap**
**Revenue and Net Profit Returned Double Digits**

MTEL's net profit for 1H23 increased by 14.7% YoY, reaching IDR1.0 tn, which was slightly inline with our estimates (49.4%/48.1% of MNCS/cons). Despite these results being broadly in-line with expectations, we are particularly pleased with MTEL's significant margin expansion, particularly its EBITDA margin which has improved substantially to 81.2% (vs 77.5% in 1H22). This increase resulted from a higher revenue growth to IDR4.1 tn (+10.8% YoY), driven by the addition of tenants and a decrease in repair & maintenance costs per tower per month by 16.5% YoY. Although MTEL expanded its tower portfolio with 1,301 new towers in 1H23, including 997 towers from the IOH acquisition, we also observed a slight improvement in the tenancy ratio to 1.51x in 1H23 (vs 1.49x in 1H22).

**2023 Outlook : Double Digit Growth Unlocked**

We anticipate MTEL's revenue to grow by +9.6% YoY in FY23E with majority of its towers is in the ex-Java region. Tower leasing is expected to continue contributing to over 80% of MTEL's revenue, largely due to the addition of tenants (+6k) rather than any change in the rental rate, where we expect the rental rate to remain relatively stable at IDR10.2 mn/tenant/month. Thus, we expect for a tenancy ratio of 1.52x in FY23E, going up to 1.70x in FY28F. Revenue from fiber could reach IDR178.0 bn, accounting for approximately 2.1% of the total revenue, as MTEL plans to deploy an additional 13k km of fiber this year, bringing its portfolio to roughly 29.6k km. On the cost side, repair and maintenance expenses per tower per month are projected to stay at IDR1.1 mn. This is likely to translate to a +11.3% YoY EBITDA growth, in line with management guidance, while also boosting the margin.

**Ready to Gear Up with Flexibility**

We estimate that the number of towers will grow at a 7.8% CAGR (FY22-FY25F), as the TowerCo sector's growth remains high and under the assumption of a 2.7k population/tower ratio. We anticipate that MTEL could capitalize on this momentum given its flexibility to expand, and it is likely to gain a market share of at least ~40% by FY25F (vs 34.2% in FY22), indicating mean an additional 2.1k towers annually. Therefore, using the assumption of an EV/tower ratio of IDR1.8-2.0 bn, the necessary capex would equate to IDR3.8-4.2 tn per annum. Given MTEL's potential for revenue growth and EBITDA margin improvement, project funding should be quite manageable, supported by its strong cash flow generation and light balance sheet. MTEL may opt to increase leverage either by taking out a loan or issuing a bond. Furthermore, a majority of its debt portfolio is in floating rate (~61%), and thus any rate cut would benefit the company. Additionally, with net debt/EBITDA smaller than 2.0x (significantly below the peer average of 5.1x), this provides a cushion during periods of high interest rates, which consequently mitigated the risk of significant earnings volatility. We believe there is considerable room to leverage and MTEL could optimize this option to improve its capital structure, in our view. In conclusion, MTEL's aggressive plan to solidify its tower business while transitioning into a DigitalInfraCo (primarily through fiber rollout) should position the company favorably and justify its premium growth compared to peers.

**Recommendation: BUY with TP IDR850/share**

We recommend BUY for MTEL with TP: IDR850/share (+25.9% upside), implying 10.0x of FY23E EV/EBITDA. MTEL is currently traded at STD-1 of its 2-year EV/EBITDA and its stock price has plummeted -15.6% YTD. Key upside to our call: potential interest rate cut and faster than expected margin expansion. While the downside risks include slower rollout on its fiber business.

Key Financial Highlight (IDR bn)	FY20	FY21	FY22	FY23E	FY24F
Revenue	6,186.7	6,869.6	7,729.0	8,472.1	9,233.1
Net Income	602.0	1,380.5	1,785.1	2,069.4	2,319.5
EPS (IDR)	7.2	16.5	21.4	24.8	27.8
P/E (x)	92.3	40.2	31.1	26.9	24.0
BVS (IDR)	97.7	402.9	404.8	417.1	443.1
P/B (x)	6.8	1.7	1.6	1.6	1.5
EV/EBITDA (x)	16.4	10.6	10.5	10.0	9.2
ROA (%)	2.4	2.4	3.2	3.6	3.8
ROE (%)	7.4	4.1	5.3	5.9	6.3

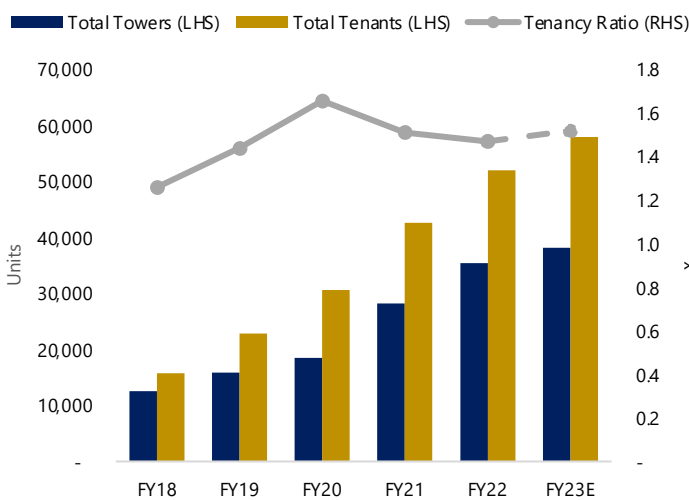
Source : MNCS

**Exhibit 01. MTEL's FY23E Projection vs Bloomberg Consensus**

IDR bn	1Q22	1Q23	2Q23	% QoQ	% YoY	1H22	1H23	% YoY	MNCS	Cons.	MNCS %	Cons %
<b>Revenue</b>	<b>1,856</b>	<b>2,055</b>	<b>2,074</b>	<b>0.9%</b>	<b>11.7%</b>	<b>3,726</b>	<b>4,130</b>	<b>10.8%</b>	<b>8,472</b>	<b>8,654</b>	<b>48.7%</b>	<b>47.7%</b>
Opex	(134)	(131)	(133)	1.9%	-0.6%	(238)	(264)	10.9%				
<b>EBIT</b>	<b>738</b>	<b>948</b>	<b>833</b>	<b>-12.2%</b>	<b>12.9%</b>	<b>1,551</b>	<b>1,781</b>	<b>14.8%</b>	<b>3,630</b>	<b>3,775</b>	<b>49.1%</b>	<b>47.2%</b>
<i>EBIT Margin (%)</i>	39.73%	46.14%	40.14%			41.63%	43.13%					
<b>EBITDA</b>	<b>1,446</b>	<b>1,676</b>	<b>1,677</b>	<b>0.1%</b>	<b>16.0%</b>	<b>2,888</b>	<b>3,353</b>	<b>16.1%</b>	<b>6,836</b>	<b>6,958</b>	<b>49.1%</b>	<b>48.2%</b>
<i>EBITDA Margin (%)</i>	77.90%	81.54%	80.85%			77.50%	81.20%					
PBT	494	560	548	-2.1%	10.9%	1,017	1,107	8.86%	2,839	2,797	39.0%	39.6%
<b>Net Income</b>	<b>432</b>	<b>501</b>	<b>521</b>	<b>4.0%</b>	<b>20.6%</b>	<b>892</b>	<b>1,022</b>	<b>14.67%</b>	<b>2,069</b>	<b>2,126</b>	<b>49.4%</b>	<b>48.1%</b>
<i>Net Margin (%)</i>	23.28%	24.38%	25.13%			23.93%	24.75%					

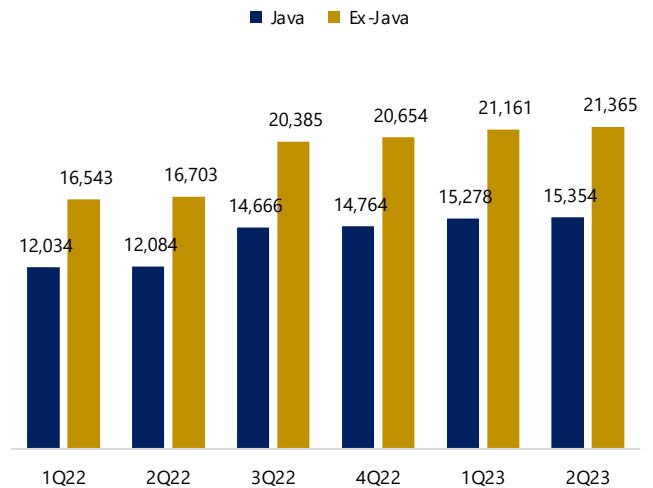
Sources: Company, Bloomberg, MNCS

**Exhibit 02. Towers, Tenants, and Tenancy Ratio of MTEL**



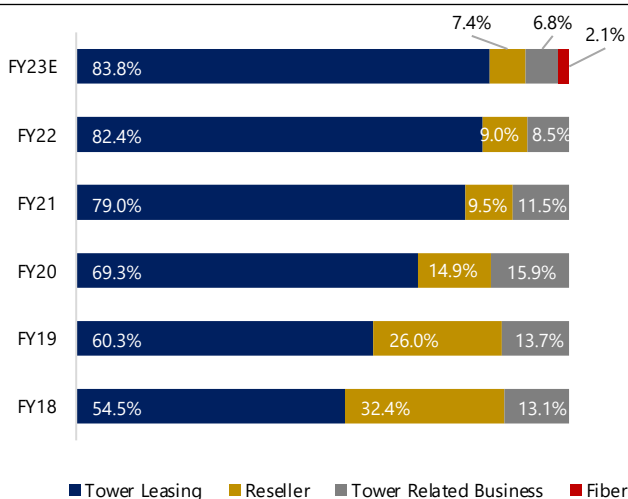
Sources : Company, MNCS

**Exhibit 03. MTEL's Tower Portfolio Location**



Sources : Company, MNCS

**Exhibit 04. Revenue Contribution of MTEL**



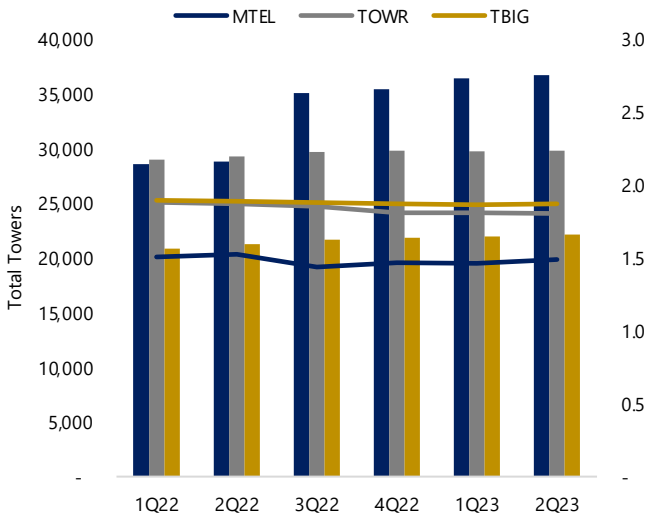
Sources : Company, MNCS

**Exhibit 05. MTEL's Fiber Portfolio in 1H23**

Location	Length (km)
Sumatra	4,535
Java	12,769
Kalimantan	2,926
Sulawesi	6,027
Bali & Nusa Tenggara	1,012
<b>Java</b>	<b>46.8%</b>
<b>Ex-Java</b>	<b>53.2%</b>

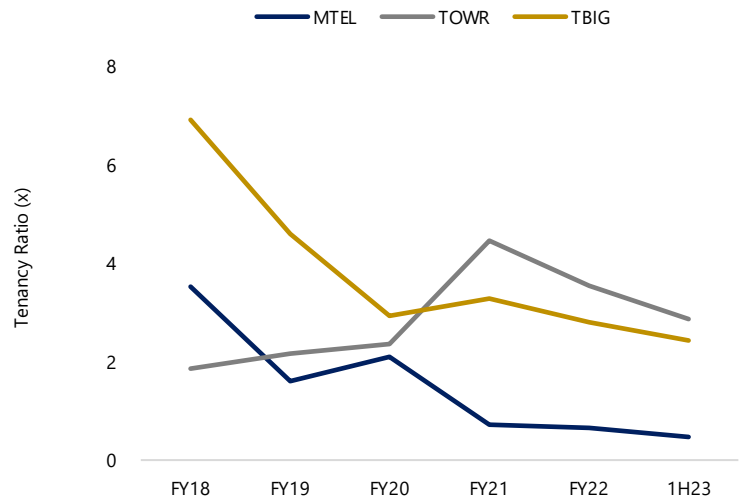
Sources : Company, MNCS

**Exhibit 06. TowerCo Total Towers and Tenancies Portfolio**



Sources : Company, MNCS

**Exhibit 07. DER of MTEL and Peers**



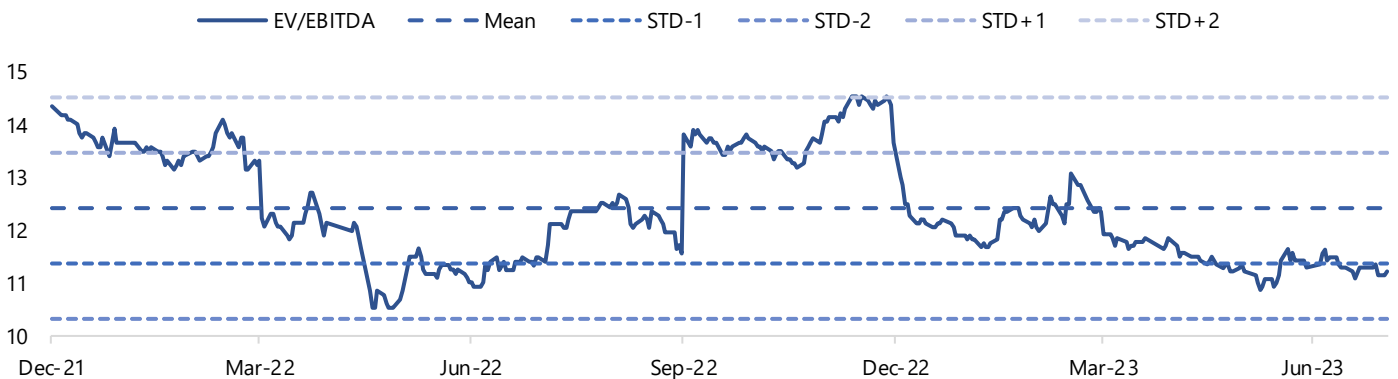
Sources : Company, MNCS

**Exhibit 08. MTEL's Valuation and Profitability Ratio vs Peers and Industry**

IDR bn	MTEL	TOWR	TBIG	Industry
Price (IDR)	665	1,020	1,875	
Outstanding Shares (mn)	83,539	51,015	22,657	
<b>Market Cap</b>	<b>55,553</b>	<b>52,035</b>	<b>42,482</b>	
Total Debt	15,630	42,870	27,513	
Cash & Cash Equivalent	3,812	486	909	
<b>Enterprise Value</b>	<b>67,371</b>	<b>94,420</b>	<b>69,086</b>	
FY23E EBITDA	6,866	9,801	5,861	
<b>EV/EBITDA (x)</b>	<b>9.8</b>	<b>9.6</b>	<b>11.8</b>	<b>10.3</b>
EPS Growth (%)	15.9	4.3	3.1	
<b>DER (x)</b>	<b>0.7</b>	<b>3.0</b>	<b>2.2</b>	<b>1.5</b>
OPM (%)	42.8	61.7	65.4	56.7
EBITDA Margin (%)	80.7	85.3	87.2	84.3
NPM (%)	24.4	31.3	25.2	27.6
ROA (%)	3.5	5.5	3.9	4.4
ROE (%)	5.9	22.1	14.9	12.3

Sources: Company, MNCS

**Exhibit 09. MTEL is currently traded at STD-1 of 2-year EV/EBITDA**



Sources : Bloomberg, MNCS

**Exhibit 10. Financial Projections**

Income Statement						Balance Sheet					
IDR bn	2020	2021	2022	2023E	2024F	IDR bn	2020	2021	2022	2023E	2024F
<b>Revenues</b>	<b>6,186.7</b>	<b>6,869.6</b>	<b>7,729.0</b>	<b>8,472.1</b>	<b>9,233.1</b>	<b>Current Assets</b>	<b>2,893.8</b>	<b>21,302.8</b>	<b>7,886.4</b>	<b>4,922.3</b>	<b>4,782.8</b>
Operating Expense	411.4	478.2	500.7	582.5	600.1	Cash & Cash Equivalents	516.0	19,133.2	6,338.8	3,179.8	2,848.2
<b>EBIT</b>	<b>1,698.2</b>	<b>2,739.6</b>	<b>3,153.4</b>	<b>3,629.8</b>	<b>4,027.5</b>	Account Receivable	1,469.5	1,117.5	1,050.2	1,151.2	1,254.6
<b>EBITDA</b>	<b>4,184.9</b>	<b>5,184.8</b>	<b>6,142.4</b>	<b>6,835.6</b>	<b>7,489.9</b>	Others current Assets	908.3	1,052.1	497.4	591.3	680.0
Interest Expense	709.0	913.2	1,055.5	1,096.7	1,018.7	<b>Non-Current Assets</b>	<b>22,391.4</b>	<b>36,425.5</b>	<b>48,185.1</b>	<b>53,417.3</b>	<b>56,401.8</b>
Interest Income	39.5	75.5	330.7	338.9	200.6	Fixed Asset-net Other Non-Current Assets	17,604.5	29,568.4	39,328.4	43,232.0	45,401.8
Other	(140.4)	17.0	(11.0)	(33.1)	(27.5)	<b>TOTAL ASSETS</b>	<b>25,285.2</b>	<b>57,728.3</b>	<b>56,071.6</b>	<b>58,339.6</b>	<b>61,184.6</b>
<b>Profit Before Tax</b>	<b>888.3</b>	<b>1,919.0</b>	<b>2,417.5</b>	<b>2,838.9</b>	<b>3,182.0</b>	<b>Current Liabilities</b>	<b>7,347.9</b>	<b>6,475.5</b>	<b>10,200.6</b>	<b>9,121.7</b>	<b>9,260.4</b>
Tax Expense (Benefit)	286.3	538.5	632.4	769.5	862.5	Account Payable	1,197.5	1,273.2	1,891.9	1,977.7	2,138.2
<b>Net Profit</b>	<b>602.0</b>	<b>1,380.5</b>	<b>1,785.1</b>	<b>2,069.4</b>	<b>2,319.5</b>	ST Debt	3,986.8	2,827.9	5,622.2	4,135.1	3,812.5
EPS (full amount)	7.2	16.5	21.4	24.8	27.8	Other current liabilities	2,163.6	2,374.4	2,686.5	3,008.9	3,309.8
						<b>Non-Current Liabilities</b>	<b>9,774.2</b>	<b>17,607.2</b>	<b>12,063.6</b>	<b>14,385.7</b>	<b>14,919.1</b>
						LT Debt	9,445.6	15,665.4	9,667.6	11,750.1	12,072.8
						Other Non-Current Liabilities	328.6	1,941.8	2,395.9	2,635.5	2,846.4
						<b>TOTAL EQUITY</b>	<b>8,163.1</b>	<b>33,645.6</b>	<b>33,807.4</b>	<b>34,832.2</b>	<b>37,005.1</b>
						<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>25,285.2</b>	<b>57,728.3</b>	<b>56,071.6</b>	<b>58,339.6</b>	<b>61,184.6</b>

Cash Flow						Ratios					
IDR bn	2020	2021	2022	2023E	2024F	IDR bn	2020	2021	2022	2023E	2024F
<b>CFO Total</b>	<b>3,345.2</b>	<b>4,320.4</b>	<b>6,326.8</b>	<b>5,252.1</b>	<b>5,910.7</b>	Revenue Growth (%)	16.2	11.0	12.5	9.6	9.0
Net Income	602.0	1,380.5	1,785.1	2,069.4	2,319.5	EBIT Growth (%)	28.9	61.3	15.1	15.1	11.0
Depreciation	2,486.7	2,445.1	2,989.0	3,205.9	3,462.4	EBITDA Growth (%)	60.0	23.9	18.5	11.3	9.6
Change in Working Capital	207.8	427.7	685.9	(15.1)	57.1	Net Profit Growth (%)	22.0	129.3	29.3	15.9	12.1
Change in Others	48.7	67.0	866.8	(8.0)	71.8	Current Ratio (x)	39.4	329.0	77.3	54.0	51.6
<b>CFI Total</b>	<b>(7,833.2)</b>	<b>(19,597.6)</b>	<b>(16,392.8)</b>	<b>(5,644.0)</b>	<b>(4,154.9)</b>	Quick Ratio (x)	27.0	312.7	72.4	47.5	44.3
Capex	(7,833.2)	(19,597.6)	(16,392.8)	(5,644.0)	(4,154.9)	Receivable Days	86.7	59.4	49.6	49.6	49.6
<b>CFF Total</b>	<b>4,656.5</b>	<b>33,893.9</b>	<b>(2,728.4)</b>	<b>(2,767.0)</b>	<b>(2,087.5)</b>	Payable Days	107.2	127.3	169.5	165.9	169.5
Net Change in Debt	4,662.6	5,060.9	(3,203.5)	595.4	-	Debt to Equity (x)	2.1	0.7	0.7	0.7	0.7
Equity financing	-	14,113.0	5.4	-	-	Debt to EBITDA (x)	4.1	4.6	3.6	3.4	3.2
Dividend payment	-	-	-	(1,862.4)	(2,087.5)	Operating Margin (%)	27.4	39.9	40.8	42.8	43.6
Others	(6.1)	14,719.9	469.6	(1,500.0)	-	EBITDA Margin (%)	67.6	75.5	79.5	80.7	81.1
Net Cash Increase	168.5	18,616.6	(12,794.4)	(3,158.9)	(331.7)	Net Margin (%)	9.7	20.1	23.1	24.4	25.1
<b>Closing Balance</b>	<b>516.0</b>	<b>19,133.2</b>	<b>6,338.8</b>	<b>3,179.8</b>	<b>2,848.2</b>	ROA (%)	2.4	2.4	3.2	3.5	3.8
						ROE (%)	7.4	4.1	5.3	5.9	6.3

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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