

Solid 1H24 results, driven by cost savings & co-location growth

1 August 2024



by Telkom Indonesia

MTEL IJ	BUY
Sector	TowerCo
Price at 1 August 2024 (IDR)	685
Price target (IDR)	800
Upside/Downside (%)	16.8

Stock Information

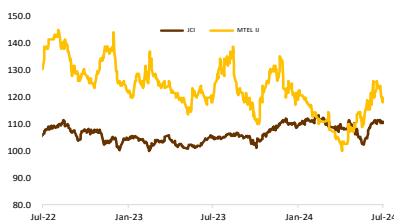
Dayamitra Telekomunikasi is one of the SEA's largest tower telecommunication companies by assets and Indonesia's largest market share of telco tower provider. The company offers an array of telco-related infrastructure service including fiber and power-to-the-tower.

Market cap (IDR bn)	55,563
Shares outstanding (mn)	83,553
52-week range (IDR)	550-770
3M average daily vol. ('000)	34,055
3M average daily val. (IDR mn)	22,105

Shareholders (%)

Telkom Indonesia	71.8
Maleo Investasi Indonesia	6.0
Public	22.2

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	-1.48	16.67	-1.48

Analyst

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MTEL's 1H24 performances largely met our/consensus expectations, arriving within a range of 47.9% to 51.1%. 1H24 solid EBITDA performance (+10.2% yoy; improved margin) was driven by a 13.0% yoy decrease in O&M costs, resulting in a moderated CoR growth of 3.0% in 1H24 (1H23: 7.6%). This CoR moderation aligns with the accelerated pace of MNO co-location deployments, reaching 55% in 2Q24 (1Q24: 42%). Maintain our BUY call with a target price of IDR800, based on 9.5x 2024F EV/EBITDA (-2SD 3yrs-historical mean), while currently trading at 9.0x EV/EBITDA, representing 18.4% disc. to its 3yrs mean.

Despite cost pressures, reports a slight increase in EBITDA for 2Q24

In 2Q24, MTEL recorded an EBITDA of IDR1.86 tn, bringing EBITDA for 1H24 to IDR3.70 tn, which met 49.2% of ours and 48.9% of cons'. EBITDA number saw a slight quarterly growth of 0.8% in 2Q24 as cash cost climbed 7.7% qoq due to a higher construction & project management costs (+23.3% qoq) and O&M (+12.8%). As a result, EBITDA margin contracted from 83.5% in 1Q24 to 82.7% in 2Q24 (-78.7 bps). Despite the margin compression, MTEL's capacity to expand EBITDA amid rising costs is a positive indicator.

2Q24 net profit climbs 4.2% qoq, revenue up 1.7% qoq

MTEL reported a 4.2% qoq increase in net profit to IDR543.06 bn, primarily driven by a 14.1% qoq decline in interest costs. On an annual basis, MTEL's net profit for 1H24 reached IDR1.06 tn, aligning with ours (51.0%) and cons' (49.6%). However, due to a higher effective tax rate, net margin contracted yoy from 24.8% in 1H23 to 23.9% (-84.2 bps). On the revenue front, MTEL generated IDR2.24 tn (+1.7% qoq) in 2Q24, bringing 1H24 revenue to IDR4.45 tn (+7.8% yoy). This growth was driven by a 7.1% yoy rise in tenant numbers and a 5.1% yoy increase in tower count, primarily due to co-location adds with ISAT. As a result, avg. monthly revenue per tower and per tenant grew by 2.5% and 0.2% yoy, respectively. Avg. monthly leasing fees per tenant increased 0.5% qoq/1.0% yoy to IDR12.2 mn/IDR12.1 mn. ISAT and EXCL expanded co-location on MTEL towers, with utilization rates rising to 53% and 93% from 50% and 41%.

Maintained FY24 financial number forecast

Following inline 1H24 results that met ours/cons', we maintained our FY24 revenue forecast at IDR9.22 tn, reflecting 7.3% yoy growth. Meanwhile EBITDA is projected at IDR7.52 tn, translating to an 8.6 % yoy growth. On bottom line, our FY24F net profit estimates increase by 22.6% yoy to IDR2.09 tn.

BUY reiterated, impressive co-location

Maintain our BUY call with a target price of IDR800, based on 9.5x 2024F EV/EBITDA, which is at -2SD of 3yrs EV/EBITDA mean. Currently, MTEL is trading at 9.0x EV/EBITDA, representing 18.4% disc. to its 3yrs mean. MTEL's emphasis on fiber expansion, coupled with potential collaboration with TLKM and strong colocation opportunities, strengthens its competitive advantage.

Exhibit 1 : Key Statistics

Year end Dec (IDR bn)	2022A	2023A	2024E	2025E	2026E
Revenue (Rp)	7,729	8,595	9,222	9,725	10,298
EBITDA (Rp)	6,142	6,922	7,515	7,995	8,466
Operating profit (Rp)	3,137	3,651	3,957	4,394	4,758
Net profit (Rp)	1,785	2,010	2,086	2,369	2,573
EPS	21.4	24.1	25.0	28.4	30.8
ROA (%)	3.1	3.6	3.5	3.7	3.9
ROAE (%)	5.3	5.9	6.1	6.8	7.2
PER (x)	29.2	26.0	25.0	22.0	20.3
PBV (x)	1.5	1.5	1.5	1.5	1.4
EV/EBITDA (x)	10.3	10.1	9.4	9.1	8.6
Div. yield (%)	1.9	3.4	2.8	3.2	3.5

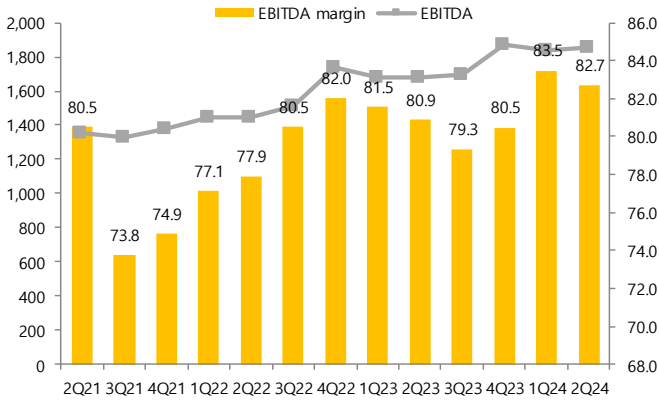
Source: Company, KBVS Research

Exhibit 2: Financial Summary

MTEL's 1H24 Results (IDR bn)	1H24	1H23	YoY (%)	2Q24	2Q23	YoY (%)	1Q24	QoQ (%)	2024F	% to '24F	Cons'	% of Cons'
<b>Revenue</b>	<b>4,450</b>	<b>4,130</b>	<b>7.8</b>	<b>2,244</b>	<b>2,075</b>	<b>8.1</b>	<b>2,206</b>	<b>1.7</b>	9,222	<b>48.3</b>	9,298	<b>47.9</b>
Tower leasing	3,704	3,453	<b>7.3</b>	1,870	1,714	<b>9.1</b>	1,834	<b>2.0</b>				
Reseller	267	309	<b>-13.6</b>	114	155	<b>(26.5)</b>	153	<b>(25.5)</b>				
Other tower related biz	304	282	<b>7.8</b>	170	154	<b>10.4</b>	134	<b>26.9</b>				
Cost of revenue	-2,147	-2,085	<b>3.0</b>	-1,100	-1,108	<b>(0.7)</b>	-1,046	<b>5.2</b>				
<b>Gross profit</b>	<b>2,303</b>	<b>2,045</b>	<b>12.6</b>	<b>1,143</b>	<b>966</b>	<b>18.4</b>	<b>1,159</b>	<b>(1.4)</b>				
<b>Operating expenses</b>	<b>-283</b>	<b>-260</b>	<b>8.5</b>	<b>-136</b>	<b>-132</b>	<b>3.3</b>	<b>-146</b>	<b>(7.0)</b>				
<b>EBIT</b>	<b>2,020</b>	<b>1,784</b>	<b>13.2</b>	<b>1,007</b>	<b>834</b>	<b>20.8</b>	<b>1,013</b>	<b>(0.6)</b>	3,957	<b>51.1</b>	4,152	<b>48.7</b>
<b>EBITDA</b>	<b>3,696</b>	<b>3,353</b>	<b>10.2</b>	<b>1,855</b>	<b>1,677</b>	<b>10.6</b>	<b>1,841</b>	<b>0.8</b>	7,515	<b>49.2</b>	7,562	<b>48.9</b>
Other income/expenses	49	152	<b>-68.1</b>	17	147	<b>(88.2)</b>	31	<b>(44.5)</b>				
Net finance cost/income	-598	-551	<b>8.4</b>	-282	-296	<b>(4.7)</b>	-315	<b>(10.6)</b>				
<b>Pre-tax income</b>	<b>1,466</b>	<b>1,382</b>	<b>6.1</b>	<b>741</b>	<b>683</b>	<b>8.5</b>	<b>725</b>	<b>2.2</b>				
Taxes	-402	-360	<b>11.6</b>	-198	-162	<b>22.1</b>	-204	<b>(2.9)</b>				
<b>Attributable net profit</b>	<b>1,064</b>	<b>1,022</b>	<b>4.1</b>	<b>543</b>	<b>521</b>	<b>4.2</b>	<b>521</b>	<b>4.2</b>	2,086	<b>51.0</b>	2,145	<b>49.6</b>
<b>Margins (%)</b>												
EBIT Margin	45.4	43.2		44.9	40.2		45.9					
EBITDA margin	83.1	81.2		82.7	80.8		83.5					
Net Margin	23.9	24.8		24.2	25.1		23.6					
<b>Operational metrics</b>												
Tower	38,581	36,719	<b>5.1</b>	38,581	36,719	<b>5.1</b>	38,135	<b>1.2</b>				
Tenant	58,598	54,718	<b>7.1</b>	58,598	54,718	<b>7.1</b>	57,808	<b>1.4</b>				
Tenancy ratio (x)	1.52	1.49	<b>1.9</b>	1.52	1.49	<b>1.9</b>	1.52	<b>0.2</b>				

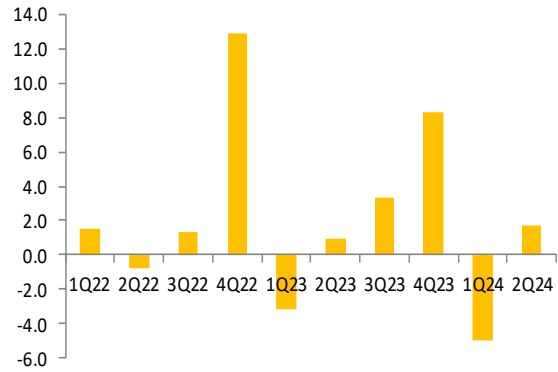
Source: Company, KBVS Research

Exhibit 3: MTEL EBITDA margin (%)



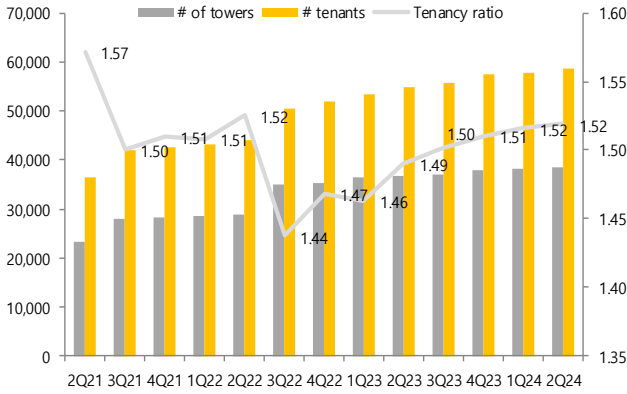
Source: Company, KBVS Research

Exhibit 4: MTEL revenue growth (%)



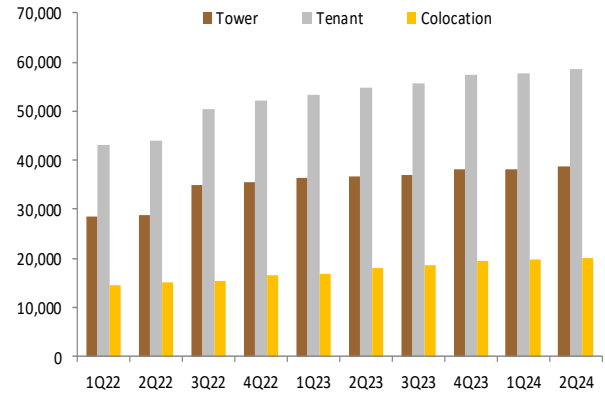
Source: Company, KBVS Research

Exhibit 5: Tenancy ratio



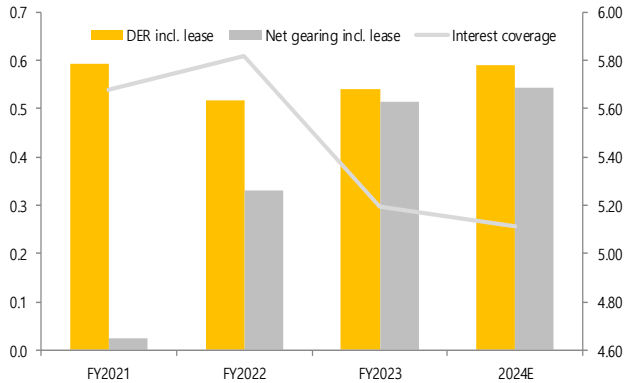
Source: Company, KBVS Research

Exhibit 6: Tower, tenant and colocation



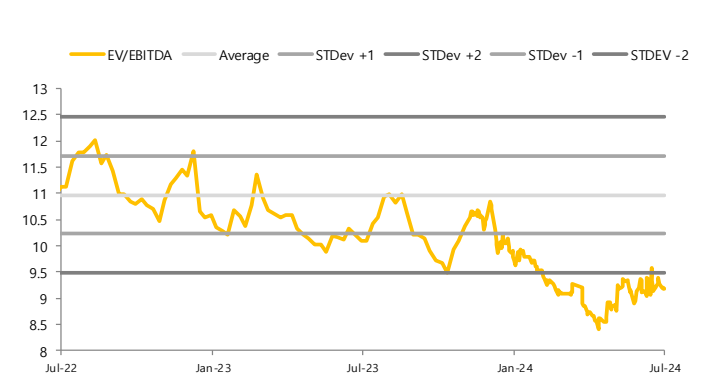
Source: Company, KBVS Research

Exhibit 7: MTEL leverage metrics (%)



Source: Company, KBVS Research

Exhibit 8: EV/EBITDA valuation



Source: Company, Bloomberg, KBVS Research

**FINANCIAL TABLES**

**Exhibit 9: Profit & Loss summary**

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
<b>Revenue</b>	<b>7,729</b>	<b>8,595</b>	<b>9,222</b>	<b>9,725</b>	<b>10,298</b>
Cost of revenue	(4,075)	(4,379)	(4,675)	(4,728)	(4,903)
<b>Gross profit</b>	<b>3,654</b>	<b>4,216</b>	<b>4,547</b>	<b>4,997</b>	<b>5,395</b>
Operating expenses	(501)	(577)	(602)	(616)	(650)
<b>Operating profit</b>	<b>3,137</b>	<b>3,651</b>	<b>3,957</b>	<b>4,394</b>	<b>4,758</b>
<b>EBITDA</b>	<b>6,142</b>	<b>6,922</b>	<b>7,515</b>	<b>7,995</b>	<b>8,466</b>
Other income/net	6	278	203	214	193
Finance income/costs net	(725)	(1,190)	(1,286)	(1,345)	(1,404)
<b>Pretax profit</b>	<b>2,417</b>	<b>2,739</b>	<b>2,874</b>	<b>3,264</b>	<b>3,546</b>
Income tax	(632)	(729)	(788)	(895)	(973)
<b>After tax profit</b>	<b>1,785</b>	<b>2,010</b>	<b>2,086</b>	<b>2,369</b>	<b>2,573</b>

Source: Company, KBVS Research

**Exhibit 10: Balance sheet**

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
<b>Current assets</b>					
Cash and cash equivalents	6,339	879	1,681	1,848	1,689
Trade receivables	1,050	1,607	1,368	1,411	1,012
Other current assets	497	933	1,002	1,056	1,167
<b>Total current assets</b>	<b>7,886</b>	<b>3,420</b>	<b>4,050</b>	<b>4,315</b>	<b>3,868</b>
<b>Non current assets</b>					
Fixed assets	39,328	43,772	47,898	50,548	52,881
Other non current assets (*)	8,857	9,818	10,675	10,796	10,246
<b>Total non current assets</b>	<b>48,185</b>	<b>53,590</b>	<b>58,573</b>	<b>61,344</b>	<b>63,126</b>
<b>Total assets</b>	<b>56,072</b>	<b>57,010</b>	<b>62,623</b>	<b>65,659</b>	<b>66,994</b>
<b>Current liabilities</b>					
Trade payables	1,892	2,079	1,434	1,450	1,504
Taxes payable	74	73	236	224	486
Accrued expenses	1,053	1,101	1,543	1,497	1,553
Short term debts	5,908	6,732	8,312	9,025	8,668
Other current liabilities	1,274	1,086	2,628	2,771	3,002
<b>Total current liabilities</b>	<b>10,201</b>	<b>11,071</b>	<b>14,153</b>	<b>14,966</b>	<b>15,212</b>
<b>Non current liabilities</b>					
Long term debts	11,603	11,660	13,679	14,912	15,035
Other non current liabilities (*)	461	241	146	444	655
<b>Total non-current liabilities</b>	<b>12,064</b>	<b>11,901</b>	<b>13,825</b>	<b>15,355</b>	<b>15,690</b>
<b>Shareholder equity</b>	<b>33,807</b>	<b>34,038</b>	<b>34,645</b>	<b>35,338</b>	<b>36,092</b>
<b>Total liabilities and equity</b>	<b>56,072</b>	<b>57,010</b>	<b>62,623</b>	<b>65,659</b>	<b>66,994</b>

Source: Company, KBVS Research

**Exhibit 11: Cash flow**

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Net profit	1,785	2,010	2,086	2,369	2,573
Depreciation	2,989	3,282	3,570	3,614	3,722
Changes in working capital	1,267	(947)	1,674	2	891
<b>CF from operating activities</b>	<b>6,041</b>	<b>4,346</b>	<b>7,330</b>	<b>5,984</b>	<b>7,187</b>
Investment in fixed assets	(11,345)	(6,118)	(5,949)	(4,573)	(4,395)
Others	(3,404)	(2,569)	(2,605)	(1,812)	(1,109)
<b>CF from investing activities</b>	<b>(14,749)</b>	<b>(8,687)</b>	<b>(8,553)</b>	<b>(6,385)</b>	<b>(5,504)</b>
Dividends paid	(966)	(1,767)	(1,460)	(1,658)	(1,801)
Debt raised/ repaid	(2,448)	882	3,598	1,946	(233)
Others	(672)	(233)	(113)	280	193
<b>CF from financing activities</b>	<b>(4,087)</b>	<b>(1,118)</b>	<b>2,025</b>	<b>568</b>	<b>(1,841)</b>
<b>Change in cash flow</b>	<b>(12,794)</b>	<b>(5,460)</b>	<b>802</b>	<b>167</b>	<b>(159)</b>
<b>Cash and cash equivalent, beginning</b>	<b>19,133</b>	<b>6,339</b>	<b>879</b>	<b>1,681</b>	<b>1,848</b>
<b>Cash and cash equivalent, ending</b>	<b>6,339</b>	<b>879</b>	<b>1,681</b>	<b>1,848</b>	<b>1,689</b>

Source: Company, KBVS Research

**Exhibit 12: Ratio analysis**

Year End Dec	2022A	2023A	2024F	2025F	2026F
Gross profit	47.3	49.1	49.3	51.4	52.4
Operating profit margin	40.6	42.5	42.9	45.2	46.2
EBITDA margin	79.5	80.5	81.5	82.2	82.2
Net profit margin	23.1	23.4	22.6	24.4	25.0
Receivables turnover (x)	7.13	6.47	6.20	7.00	8.50
Sales/Assets turnover (x)	0.14	0.15	0.15	0.15	0.15
Payable turnover (x)	13.9	14.2	9.2	9.2	9.2
ROA	3.1	3.6	3.5	3.7	3.9
ROE	5.3	5.9	6.1	6.8	7.2
ROIC	4.0	3.9	3.8	4.1	4.4
Debt/Equity	0.5	0.5	0.6	0.6	0.6
Net debt/Equity	0.3	0.5	0.5	0.6	0.6
Net debt/EBITDA	1.8	2.5	2.5	2.5	2.4
Interest coverage (x)	5.8	5.2	5.1	5.2	5.5
BV/Share (Rp)	404.8	407.6	414.8	423.1	432.2
Dividend yield	1.9	3.4	2.8	3.2	3.5

Source: Company, KBVS Research

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