

Strong 3Q24; expected continued strength in '25F

7 November 2024



by Telkom Indonesia

MTEL IJ	BUY
Sector	TowerCo
Price at 6 Nov 2024 (IDR)	600
Price target (IDR)	800
Upside/Downside (%)	33.3

Stock Information

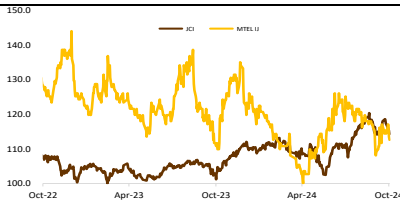
Dayamitra Telekomunikasi is one of the SEA's largest tower telecommunication companies by assets and Indonesia's largest market share of telco tower provider. The company offers an array of telco-related infrastructure service including fiber and power-to-the-tower.

Market cap (IDR bn)	53,892
Shares outstanding (mn)	83,553
52-week range (IDR)	550-765
3M average daily vol. ('000)	35,364
3M average daily val. (IDR mn)	16,387

Shareholders (%)

Telkom Indonesia	71.8
Maleo Investasi Indonesia	6.0
Public	22.2

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	2.46	-7.41	2.46

Analyst

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MTEL's 9M24 performances largely met our and consensus expectations, arriving within a range of 73.6% to 75.6%. Solid EBITDA performance for 9M24 was largely driven by a decrease in O&M costs and moderated CoR growth, supported by accelerated co-location deployments by MNOs. Maintain our BUY call with a target price of IDR800, based on 9.5x '25F EV/EBITDA, which is at -2SD of 3yrs EV/EBITDA mean. Currently, MTEL is trading at 8.4x EV/EBITDA, representing 23.7% disc. to its 3yrs mean.

3Q24 EBITDA rises despite cost pressures

MTEL's 3Q24 EBITDA grew 6.2% qoq, despite a 3.4% qoq increase in cash costs. This growth was driven by lower construction & project management costs. While revenue increased 5.5% qoq to IDR2.37 tn, primarily due to a 1.4% qoq increase in tenant numbers and a 1.8% qoq increase in tower count, net profit declined 13.8% qoq. This decline was attributed to a 26.2% qoq increase in interest costs, reducing the quarterly net margin to 19.8% from 24.2%.

Improved O&M efficiency and enhanced co-location to drive '25F margins

MTEL's 9M24 results met our expectations, prompting us to maintain our '24F financial forecasts. For '25F, while the industry anticipates low-single digit revenue growth, we project a more robust mid-single digit increase of 5.8% for MTEL. This optimism is fueled by a 6.2% rise in tenant numbers primarily driven by high MNOs co-location deployments. MTEL's strong position in this area is evident, with EXCL utilizing its towers for 52% of its co-location needs, surpassing the usage of two other TowerCos (24% and 15%). ISAT also leans heavily on MTEL, with approximately 93% of its co-location requirements met by MTEL towers.

This increasing business scale particularly from high co-location rates, enhances O&M efficiency, leading to a slower 1.4% growth in O&M costs compared to the 3.2% avg. increase over the past 5yrs. Consequently, CoR growth moderates to 1.2% in '25F (from a 3.8% avg. increase in the past 5yrs). These factors contribute to an improved EBITDA margin of 82.2% in '25F, a 73.1bps increase from '24F.

BUY reiterated, impressive co-location

Maintain our BUY call with a target price of IDR800, based on 9.5x '25F EV/EBITDA, which is at -2SD of 3yrs EV/EBITDA mean. Currently, MTEL is trading at 8.4x EV/EBITDA, representing 23.7% disc. to its 3yrs mean. While we anticipate upside potential from strong co-location opportunities, the industry outlook faces risks stemming from MNOs' cost efficiency strategies and potential network rollout challenges due to MNOs consolidation.

Exhibit 1 : Key Statistics

Year end Dec (IDR bn)	2022A	2023A	2024E	2025E	2026E
Revenue (Rp)	7,729	8,595	9,195	9,725	10,298
EBITDA (Rp)	6,142	6,922	7,492	7,995	8,466
Operating profit (Rp)	3,137	3,651	3,934	4,394	4,758
Net profit (Rp)	1,785	2,010	2,071	2,369	2,573
EPS	21.4	24.1	24.8	28.4	30.8
ROA (%)	3.1	3.6	3.5	3.7	3.9
ROAE (%)	5.3	5.9	6.0	6.8	7.2
PER (x)	29.2	26.0	25.2	22.0	20.3
PBV (x)	1.5	1.5	1.5	1.5	1.4
EV/EBITDA (x)	10.3	10.1	9.5	9.1	8.6
Div. yield (%)	1.9	3.4	2.8	3.2	3.5

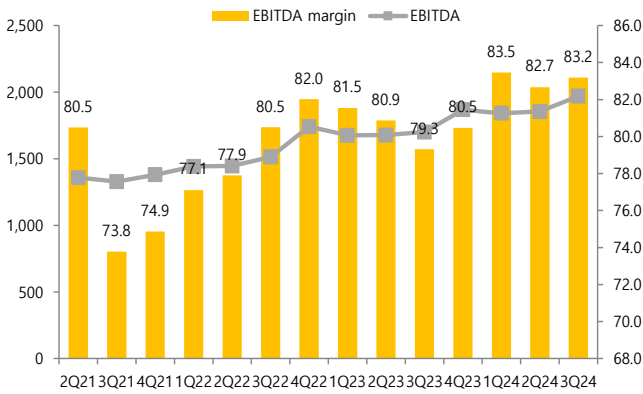
Source: Company, KBVS Research

Exhibit 2: Financial Summary

MTEL's 9M24 Results (IDR bn)	9M24	9M23	YoY (%)	3Q24	3Q23	YoY (%)	2Q24	QoQ (%)	2024F	% to '24F	Cons'	% of Cons'
Revenue	6,818	6,273	8.7	2,368	2,143	10.5	2,244	5.5	9,195	74.1	9,259	73.6
Cost of revenue	-3,326	-3,202	3.9	-1,179	-1,118	5.5	-1,100	7.2				
Gross profit	3,492	3,071	13.7	1,189	1,026	15.9	1,143	4.0				
Operating expenses	-434	-410	5.9	-152	-150	1.4	-136	11.5				
EBIT	3,057	2,660	14.9	1,037	876	18.4	1,007	2.9				
EBITDA	5,666	5,054	12.1	1,970	1,700	15.9	1,855	6.2	7,492	75.6	7,556	75.0
Other income/expenses	45	173		-4	20		17					
Net finance cost/income	-949	-868	9.4	-352	-317	11.0	-282	24.7				
Pre-tax income	2,150	1,964	9.5	684	582	17.6	741	(7.7)				
Taxes	-618	-534	15.7	-216	-174	24.1	-198	8.9				
Attributable net profit	1,532	1,430	7.1	468	408	14.8	543	(13.8)	2,071	74.0	2,154	71.1
Margins (%)												
EBIT Margin	44.8	42.4		43.8	40.9		44.9					
EBITDA margin	83.1	80.6		83.2	79.3		82.7					
Net Margin	22.5	22.8		19.8	19.0		24.2					
Operational metrics												
Tower	39,259	37,091	5.8	39,259	37,091	5.8	38,581	1.8				
Tenant	59,431	55,704	6.7	59,431	55,704	6.7	58,598	1.4				
Tenancy ratio (x)	1.51	1.50	0.8	1.51	1.50	0.8	1.52	(0.3)				
Avg. monthly leasing fee/tenant	12.7	12.1	5.2	13.3	12.4	6.9	12.2	9.0				

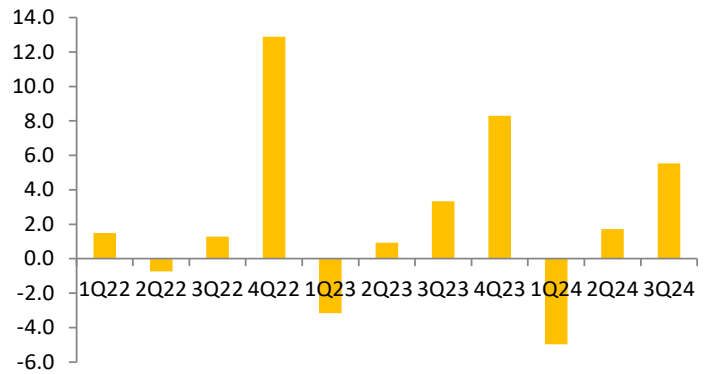
Source: Company, KBVS Research

Exhibit 3: MTEL EBITDA margin (%)



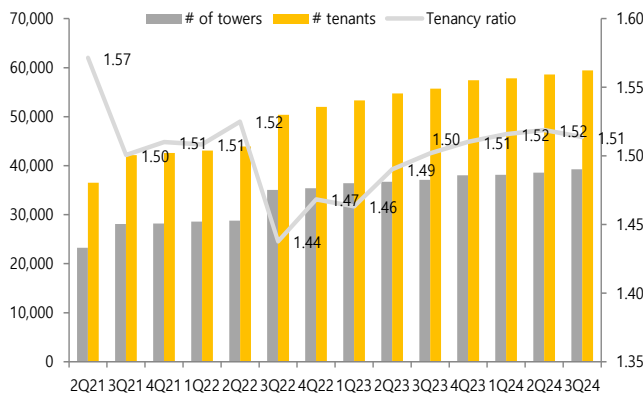
Source: Company, KBVS Research

Exhibit 4: MTEL revenue growth (%)



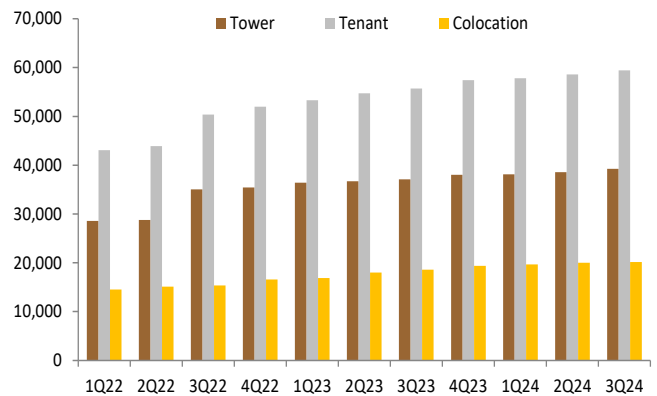
Source: Company, KBVS Research

Exhibit 5: Tenancy ratio



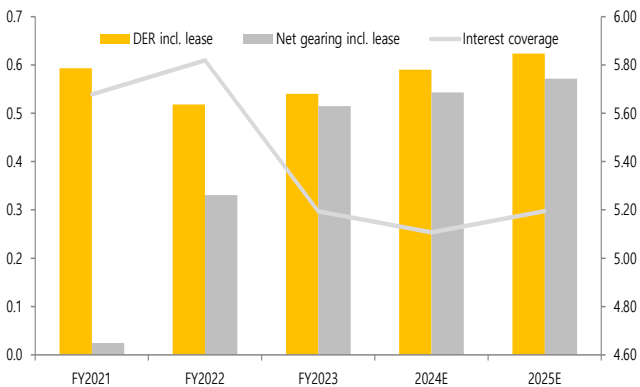
Source: Company, KBVS Research

Exhibit 6: Tower, tenant and colocation



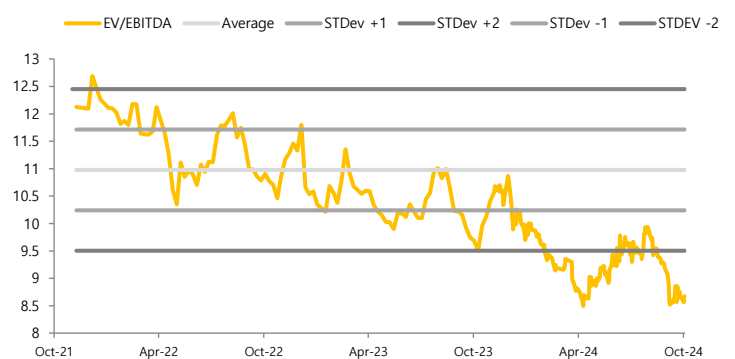
Source: Company, KBVS Research

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
Revenue	7,729	8,595	9,195	9,725	10,298
Cost of revenue	(4,075)	(4,379)	(4,672)	(4,728)	(4,903)
Gross profit	3,654	4,216	4,523	4,997	5,395
Operating expenses	(501)	(577)	(600)	(616)	(650)
Operating profit	3,137	3,651	3,934	4,394	4,758
EBITDA	6,142	6,922	7,492	7,995	8,466
Other income/net	6	278	203	214	193
Finance income/costs net	(725)	(1,190)	(1,283)	(1,345)	(1,404)
Pretax profit	2,417	2,739	2,854	3,264	3,546
Income tax	(632)	(729)	(783)	(895)	(973)
After tax profit	1,785	2,010	2,071	2,369	2,573

Source: Company, KBVS Research

Exhibit 10: Balance sheet

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Current assets					
Cash and cash equivalents	6,339	879	1,627	1,837	1,689
Trade receivables	1,050	1,607	1,359	1,420	1,003
Other current assets	497	933	999	1,056	1,167
Total current assets	7,886	3,420	3,985	4,313	3,859
Non current assets					
Fixed assets	39,328	43,772	47,898	50,548	52,881
Other non current assets (*)	8,857	9,818	10,672	10,796	10,246
Total non current assets	48,185	53,590	58,571	61,344	63,126
Total assets	56,072	57,010	62,556	65,657	66,985
Current liabilities					
Trade payables	1,892	2,079	1,433	1,450	1,504
Taxes payable	74	73	235	224	486
Accrued expenses	1,053	1,101	1,542	1,497	1,553
Short term debts	5,908	6,732	8,301	9,025	8,668
Other current liabilities	1,274	1,086	2,621	2,771	3,002
Total current liabilities	10,201	11,071	14,131	14,966	15,212
Non current liabilities					
Long term debts	11,603	11,660	13,639	14,912	15,035
Other non current liabilities (*)	461	241	145	446	650
Total non-current liabilities	12,064	11,901	13,784	15,357	15,685
Shareholder equity	33,807	34,038	34,641	35,334	36,088
Total liabilities and equity	56,072	57,010	62,556	65,657	66,985

Source: Company, KBVS Research

Exhibit 11: Cash flow

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Net profit	1,785	2,010	2,071	2,369	2,573
Depreciation	2,989	3,282	3,570	3,614	3,722
Changes in working capital	1,267	(947)	1,674	(7)	908
CF from operating activities	6,041	4,346	7,315	5,975	7,204
Investment in fixed assets	(11,345)	(6,118)	(5,949)	(4,573)	(4,395)
Others	(3,404)	(2,569)	(2,602)	(1,815)	(1,109)
CF from investing activities	(14,749)	(8,687)	(8,550)	(6,387)	(5,504)
Dividends paid	(966)	(1,767)	(1,450)	(1,658)	(1,801)
Debt raised/ repaid	(2,448)	882	3,547	1,997	(233)
Others	(672)	(233)	(114)	283	186
CF from financing activities	(4,087)	(1,118)	1,983	622	(1,848)
Change in cash flow	(12,794)	(5,460)	748	210	(148)
Cash and cash equivalent, beginning	19,133	6,339	879	1,627	1,837
Cash and cash equivalent, ending	6,339	879	1,627	1,837	1,689

Source: Company, KBVS Research

Exhibit 12: Ratio analysis

Year End Dec	2022A	2023A	2024F	2025F	2026F
Gross profit	47.3	49.1	49.2	51.4	52.4
Operating profit margin	40.6	42.5	42.8	45.2	46.2
EBITDA margin	79.5	80.5	81.5	82.2	82.2
Net profit margin	23.1	23.4	22.5	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	6.0	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	432.1
Dividend yield	1.9	3.4	2.8	3.2	3.5

Source: Company, KBVS Research

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