

**BUY | TP : IDR880**
**MTEL Stock Price Data**

Last Price	:	IDR665
52wk High	:	IDR770
52wk Low	:	IDR600
Share Out	:	83.54bn
Market Cap	:	IDR55.55tn

**MTEL Stock Price Performance**

1-Day	:	+0.8%
1-Week	:	-0.8%
1-Month	:	-3.6%
3-Month	:	+7.3%
Year-to-Date	:	-5.7%

**Shareholders**

PT Telkom Indonesia (Persero) Tbk	:	71.8%
PT Maleo Investasi Indonesia	:	6.0%
Government of Singapore	:	5.5%
Public	:	16.7%

**PT Dayamitra Telekomunikasi Tbk (MTEL IJ)**
**Navigating Expansion: Journey of Growth, Acquisitions, and a Promising Future**
**The Chronicles of Acquisitions**

MTEL substantiates its leading position in Indonesia's digital infrastructure industry by adding its portfolio of towers and fiber optics through both organic and several acquisitions in FY23E. At the end of Nov-2023, the company acquired 803 towers (69.99% ex-Java and 30.01% in Java Island) owned by PT Gametraco Tunggal, amounting to a value of IDR1.75 tn. As a result of this deal, MTEL gains additional 1,327 tenants. Thus, we estimate the overall tenancy ratio to improve to level 1.51x in FY23E and 1.55x in FY24E (vs 1.47x in FY22). This strategic movement enhances MTEL's presence in nationwide resulting a portfolio of 15,746 towers (41.55%) inside Java and the rest 22,148 towers (58.45%) are spread outside Java regions. The ownership of telecommunication towers ex-Java is one of MTEL's differentiation to its peers, allowing MTEL to have better coverage equality and attract tenants as the areas will become new epicenters of growth, supported by the network rollouts development by MNOs.

Additionally, MTEL finalized the purchase of 967.1 km with 1,144.7 km billable length of fiber optic within Java Island from PT Power Telecom in the same period. The value of this transaction is IDR85 bn with billable ratio of 1.18x. Through this transaction, MTEL successfully owns fiber optic rollouts amounting to ~30,000 km in FY23E, resulting new revenue line. We anticipate that the company will further develop and position this segment as one of its primary growth contributors in foreseeable future.

We forecast the revenue to grow at +11.4% YoY in FY23E and +9.9% YoY in FY24E, which align with the guidance from the management. Our estimation is supported by the increasing income in tower leasing and fiber optics segments:

- Tower leasing contributed to 84% of total income with our forecast of this line to grow +13.5% YoY in FY23E followed by +9.8% YoY in FY24E.
- Fiber optic line supplied 2% of total revenue from none and we foresee this segment holds the potential to grow aggressively, thus we project the increase of +64.8% in FY23E and +49.8% in FY24E. Our assumption is supported with MTEL's strategy to make fiberization as a new business driver and aggressive milestone, followed by increasing demand of MNOs to provide connectivity with lower latency through fiber optics.

**On its way to secure another deal**

Preparing bigger capex of ~IDR6 tn for FY24E, MTEL is currently undergoing a due diligence process in tender offer to acquire the shares of PT Inti Bangun Sejahtera Tbk (IBST), potentially to be one of its most significant transactions this year. Management sets allocation of ~2% of total capex for infrastructure maintenance, leaving ~IDR5.9 tn capex for acquiring IBST and other transactions. This transaction is expected to finish by 1H24. As per FY22, IBST owns 16,642 km of fiber optic, 3,383 towers with 5,791 tenants, and tenancy ratio of 1.71x. The deployments of its towers are majority spread over Java Island, followed by Sumatra, Sulawesi, and Kalimantan respectively. IBST is currently trading at 10.1x EV/EBITDA. We hypothesize a slight uptick of overall tenancy ratio to 1.52x (vs estimation 1.51x FY23E) through this deal.

Our estimation for MTEL's Net Debt/EBITDA ratio is 1.6x in both FY23E and FY24E, slightly increasing from 1.5x in FY22 but remains most favourable compared to its peers (vs 4.9x/4.7x TBIG IJ/TOWR IJ in FY22). This capital structure reflects MTEL's likeliness to win this tender offer and for future inorganic expansions. Assuming the capex is earned through liabilities, we project MTEL's DER will increase from a stable 0.7x to 0.8x and Net Debt/EBITDA of 2.4x, meeting the covenants for bank loans.

**Maintaining a BUY rating, TP: IDR880/Share**

We maintain a BUY recommendation for MTEL with TP of IDR880/share (+32.3% upside), implying 11.3x of FY24E EV/EBITDA. Reflecting from its 2-year EV/EBITDA, MTEL is currently traded at STD-1 level. We continue to like MTEL for: 1) aggressive towers and fiber optics portfolio expansions, especially ex-Java; 2) attractive profitability margin followed by increasing tenancy ratio; 3) solid balance sheet to support inorganic expansions.

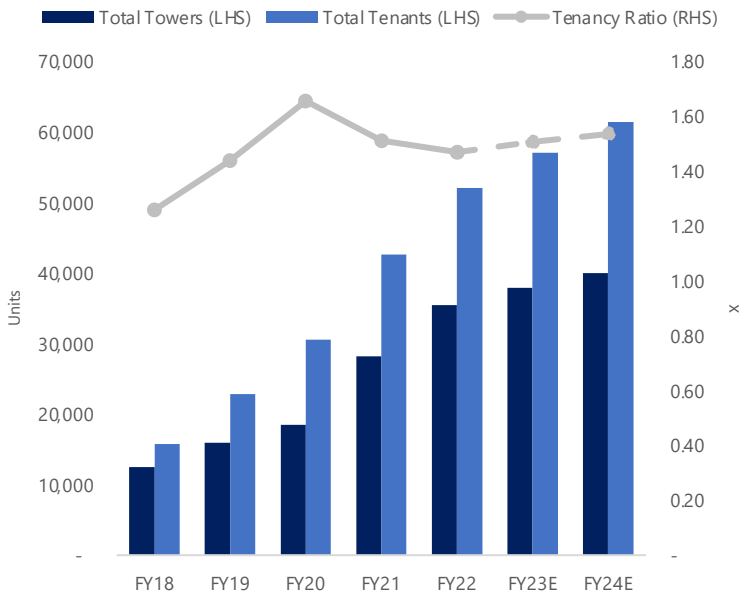
Key Financial Highlight	FY21	FY22	FY23E	FY24E	FY25F
Revenue (IDR Bn)	6,869.57	7,729.00	8,613.23	9,464.18	11,056.07
Net Income (IDR Bn)	1,380.50	1,785.14	1,990.94	2,318.60	2,754.27
EPS (IDR)	16.53	21.37	23.83	27.75	32.97
PE (x)	40.24	31.12	27.90	23.96	20.17
BVS (IDR)	402.75	404.69	418.19	449.74	488.58
PBV (x)	1.65	1.64	1.59	1.48	1.36
EV/EBITDA (x)	10.59	10.50	9.60	8.90	7.58
ROA (%)	2.39	3.18	3.40	3.71	4.06
ROE (%)	4.10	5.28	5.70	6.17	6.75

Sources : Bloomberg, MNCS Research


**Research Analyst**

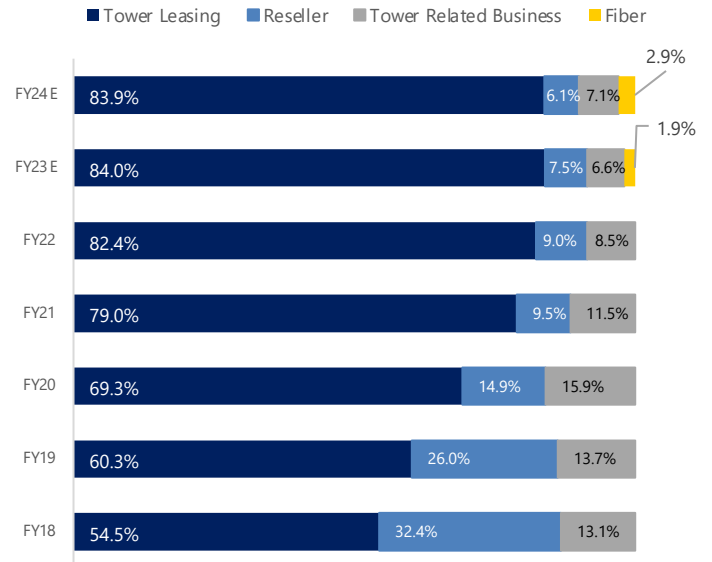
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**Exhibit 01. MTEL's Tower & Tenant Portfolio**



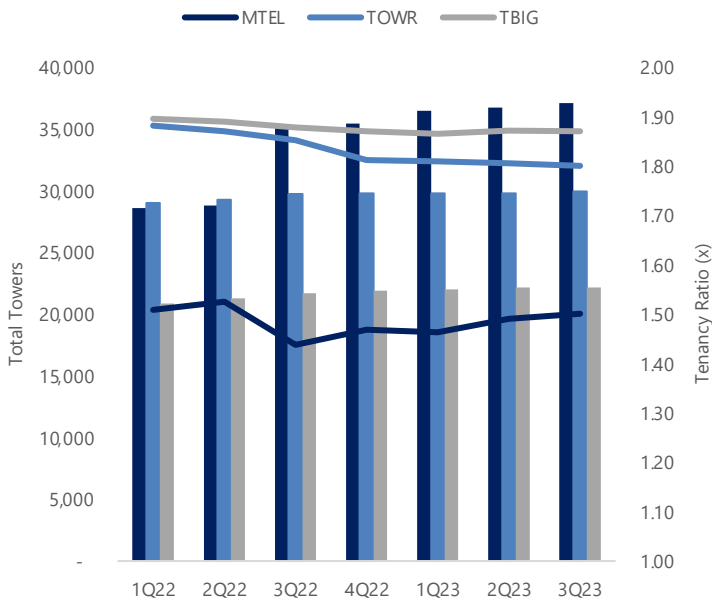
Sources : Company, MNCS Research

**Exhibit 02. MTEL's Revenue Breakdown by Segments**



Sources : Company, MNCS Research

**Exhibit 03. Tower Portfolio of MTEL and Peers**



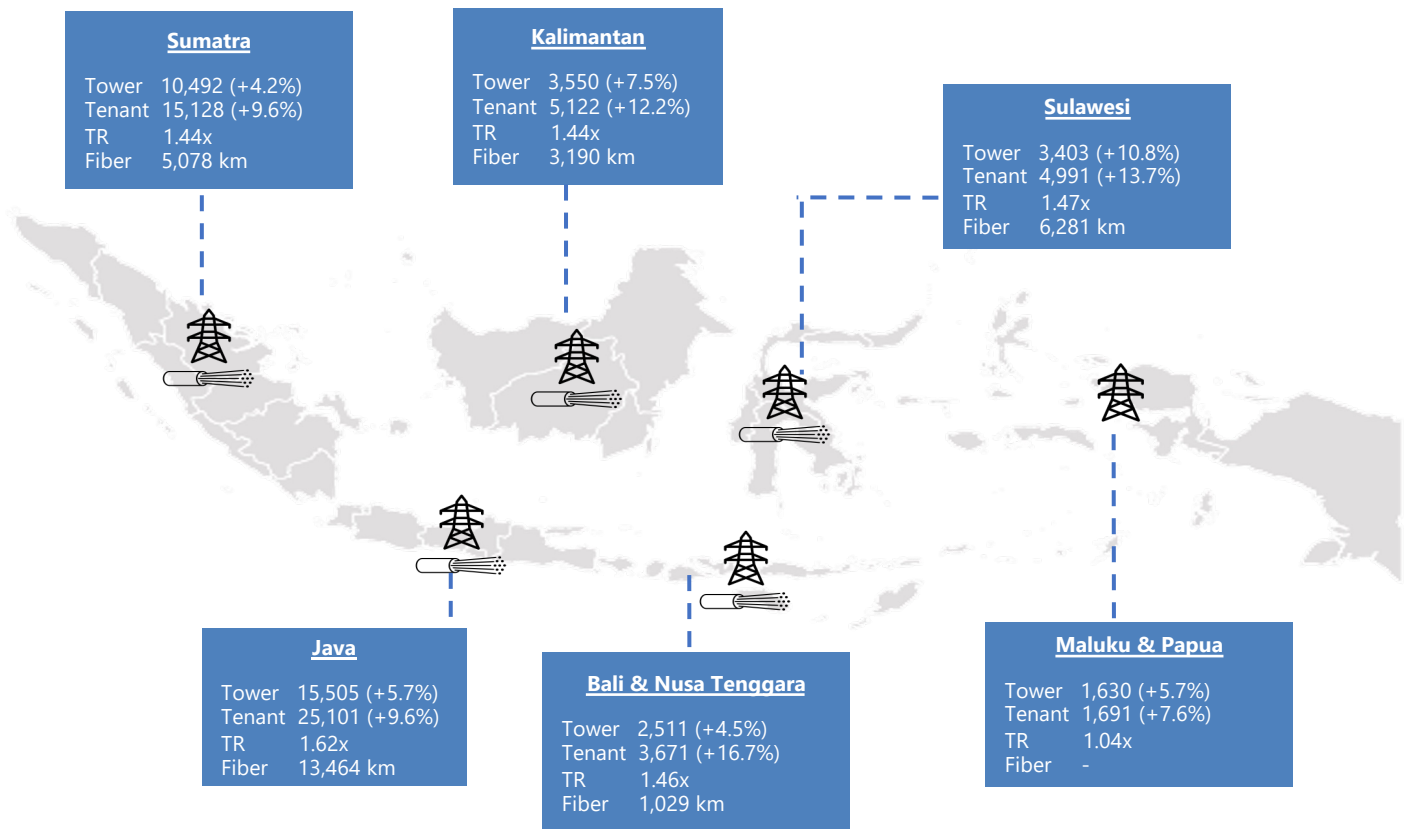
Sources : Companies, MNCS Research

**Exhibit 04. MTEL's Net Debt/EBITDA (x) is lower than the Industry Average**



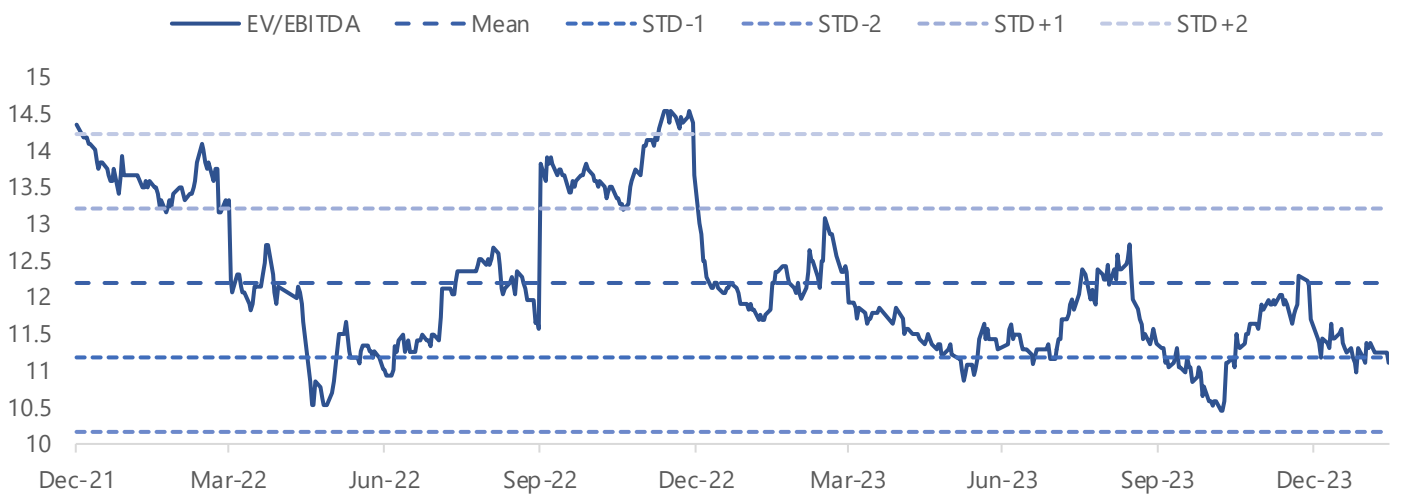
Sources : Companies, MNCS Research

**Exhibit 05. MTEL's Infrastructure Portfolio by Demographic as per 9M23, plenty rooms for expansion outside Java Island**



Sources : Company, MNCS Research

**Exhibit 06. MTEL is currently trading at STD-1 of its 2-Year EV/EBITDA**



Sources : Bloomberg, MNCS Research

**Exhibit 07. Financial Projections**

Income Statement						Balance Sheet					
IDR Billion	2021	2022	2023E	2024E	2025F	IDR Billion	2021	2022	2023E	2024E	2025F
<b>Revenues</b>	<b>6,869.6</b>	<b>7,729.0</b>	<b>8,613.2</b>	<b>9,464.2</b>	<b>11,056.1</b>	<b>Current Assets</b>	<b>21,302.8</b>	<b>7,886.4</b>	<b>6,355.5</b>	<b>6,043.4</b>	<b>7,675.9</b>
Operating Expense	478.2	500.7	587.5	669.0	835.6	Cash and Cash Equivalents	19,133.2	6,338.8	4,348.1	4,048.9	5,218.1
<b>Operating Profit</b>	<b>2,739.6</b>	<b>3,153.4</b>	<b>3,550.1</b>	<b>3,954.2</b>	<b>4,703.5</b>	Account Receivable	1,117.5	1,050.2	1,416.0	1,314.5	1,663.6
<b>EBITDA</b>	<b>5,184.8</b>	<b>6,142.4</b>	<b>6,972.4</b>	<b>7,645.3</b>	<b>8,984.2</b>	Inventories	-	-	-	-	-
Interest Expense	913.2	1,055.5	1,113.0	998.3	1,162.1	Others Current Assets	1,052.1	497.4	591.3	680.0	794.2
Interest Income	75.5	330.7	327.3	252.4	276.0	<b>Non-Current Assets</b>	<b>36,425.5</b>	<b>48,185.1</b>	<b>52,121.5</b>	<b>56,527.4</b>	<b>60,152.4</b>
Other	17.0	(11.0)	(33.1)	(27.5)	(39.0)	Fix Asset- Net	29,568.4	39,328.4	42,556.3	46,483.9	49,657.0
<b>Profit Before Tax</b>	<b>1,919.0</b>	<b>2,417.5</b>	<b>2,731.3</b>	<b>3,180.8</b>	<b>3,778.4</b>	Other Non-Current Assets	6,857.1	8,856.7	9,565.2	10,043.5	10,495.5
Tax Expense (Benefit)	538.5	632.4	740.3	862.2	1,024.2	<b>TOTAL ASSETS</b>	<b>57,728.3</b>	<b>56,071.6</b>	<b>58,477.0</b>	<b>62,570.8</b>	<b>67,828.3</b>
Minority Interest	-	-	-	-	-	<b>Current Liabilities</b>	<b>6,475.5</b>	<b>10,200.6</b>	<b>11,107.9</b>	<b>11,753.6</b>	<b>12,616.4</b>
<b>Net Income</b>	<b>1,380.5</b>	<b>1,785.1</b>	<b>1,990.9</b>	<b>2,318.6</b>	<b>2,754.3</b>	Account Payable	1,273.2	1,891.9	2,077.9	2,247.5	2,561.4
EPS (full amount)	16.5	21.4	23.8	27.8	33.0	Short Term Debt	2,827.9	5,622.2	5,940.5	6,107.7	6,384.7
						Other Current Liabilities	2,374.4	2,686.5	3,089.5	3,398.4	3,670.3
						<b>Non-Current Liabilities</b>	<b>17,607.2</b>	<b>12,063.6</b>	<b>12,433.5</b>	<b>13,245.9</b>	<b>14,396.1</b>
						Long-Term Liabilities- Net	15,665.4	9,667.6	9,798.0	10,399.5	11,350.5
						Other Non-Current Liabilities	1,941.8	2,395.9	2,635.5	2,846.4	3,045.6
						<b>TOTAL EQUITY</b>	<b>33,645.6</b>	<b>33,807.4</b>	<b>34,935.5</b>	<b>37,571.3</b>	<b>40,815.8</b>
						<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>57,728.3</b>	<b>56,071.6</b>	<b>58,477.0</b>	<b>62,570.8</b>	<b>67,828.3</b>

Cash Flow						Ratios					
IDR Billion	2021	2022	2023E	2024E	2025F		2021	2022	2023E	2024E	2025F
<b>CFO Total</b>	<b>4,320.4</b>	<b>6,326.8</b>	<b>5,325.6</b>	<b>6,361.6</b>	<b>7,199.6</b>	Revenue Growth (%)	11.0	12.5	11.4	9.9	16.8
Net Income	1,380.5	1,785.1	1,990.9	2,318.6	2,754.3	EBIT Growth (%)	61.3	15.1	12.6	11.4	18.9
Depreciation	2,445.1	2,989.0	3,422.2	3,691.0	4,280.7	EBITDA Growth (%)	23.9	18.5	13.5	9.7	17.5
Change in Working Capital	427.7	685.9	(179.7)	271.1	(35.2)	Net Profit Growth (%)	129.3	29.3	11.5	16.5	18.8
Change in Others	67.0	866.8	92.2	80.9	199.8	Current Ratio (%)	329.0	77.3	57.2	51.4	60.8
<b>CFI Total</b>	<b>(19,597.6)</b>	<b>(16,392.8)</b>	<b>(5,085.7)</b>	<b>(6,009.8)</b>	<b>(5,528.0)</b>	Quick Ratio (%)	312.7	72.4	51.9	45.6	54.5
Capex	(19,597.6)	(16,392.8)	(5,085.7)	(6,009.8)	(5,528.0)	Receivable Days	59.4	49.6	60.0	50.7	54.9
Change in Others	-	-	-	-	-	Payable Days	127.3	169.5	176.4	180.8	192.7
<b>CFF Total</b>	<b>33,893.9</b>	<b>(2,728.4)</b>	<b>(2,230.6)</b>	<b>(651.1)</b>	<b>(502.3)</b>	Debt to Equity (x)	0.7	0.7	0.7	0.7	0.7
Net Change in Debt	5,060.9	(3,203.5)	448.7	768.7	1,227.9	Debt to EBITDA (x)	4.6	3.6	3.4	3.3	3.0
Equity Financing	14,113.0	5.4	-	-	-	Operating Margin (%)	39.9	40.8	41.2	41.8	42.5
Dividend Payment	-	-	(1,393.7)	(1,623.0)	(1,928.0)	EBITDA Margin (%)	75.5	79.5	80.9	80.8	81.3
Others	14,719.9	469.6	(1,285.6)	203.2	197.7	Net Profit Margin (%)	20.1	23.1	23.1	24.5	24.9
Net Cash Increase	18,616.6	(12,794.4)	(1,990.6)	(299.2)	1,169.2	ROA (%)	2.4	3.2	3.4	3.7	4.1
<b>Closing Balance</b>	<b>19,133.2</b>	<b>6,338.8</b>	<b>4,348.1</b>	<b>4,048.9</b>	<b>5,218.1</b>	ROE (%)	4.1	5.3	5.7	6.2	6.7

Sources : Company, MNCS Research

**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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