

MTEL IJ • Telecommunication Infrastructure

# PT Dayamitra Telekomunikasi

## 1H24 results update: Navigating robust FY24

(Maintain)  
**Trading Buy**

Target price  
**IDR790**

Upside  
**16.2%**

Current price (8/8/24)  
**IDR680**

JCI Index	7,195	Market cap (IDRbn)	56,816	Shares outstanding (mn)	83,553	Free Float (%)	26.5
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### Report summary

#### Strong growth continues...

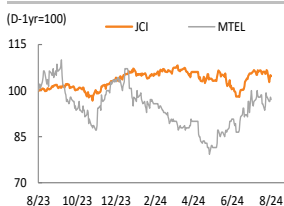
MTEL recorded 2Q24 revenue of IDR2.24tr (+8.2% YoY), and it is even higher than the growth rate in 1Q24 of 7.3%. It was primarily driven by tower leasing revenue, which is the main business of MTEL, as well as fiber optic business, which considered next future growth driver. MTEL recorded its tower revenue of IDR2.04tr (+3.7% QoQ, +9.2% YoY), and also exhibited remarkable results from fiber optic business with a revenue of IDR90bn (+5.9% QoQ, +73.1% YoY). To summarize, MTEL's 2Q24 performance met market expectations (Consensus: 6~9% / Actual: 8.2% YoY) and while other competitors are showing flat tower leasing revenue, MTEL is continuously experiencing growth in this area, which is seen as a positive development.

#### Valuation and Recommendation

We maintain our positive view on MTEL with a trading buy recommendation with TP of IDR790. Our TP is derived from applying FY24F EV/EBITDA multiple targets of 10.6x. Our TP also implies 30.3x of its P/E ratio and 1.9x of FY24F P/BV ratio. Our recommendation is based on the following thesis: 1) The growth in MTEL's tower leasing and fiber optic businesses is expected to continue, and 2) MTEL is the company best positioned to withstand the impact of the potential merger between EXCL and FREN.

### Key data

#### Price performance



(%)	1M	6M	12M
Absolute	0.0	1.5	-4.2
Relative	1.0	2.0	-8.9

#### Earnings and valuation metrics

(FY Dec. 31)	2021	2022	2023	2024F	2025F
Revenue (IDRbn)	6,870	7,729	8,595	9,272	9,960
Operating Profit (IDRbn)	2,741	3,153	3,639	4,129	4,411
EBITDA (IDRbn)	5,186	6,142	6,922	7,635	8,219
Net Profit (IDRbn)	1,382	1,785	2,010	2,201	2,471
EPS (IDR)	16.5	21.4	24.1	26.3	29.6
EV/EBITDA (x)	10.8	10.7	10.4	9.5	9.0
P/B (x)	1.7	1.7	1.7	1.6	1.6
ROA (%)	3.3	3.1	3.6	3.8	4.0
ROE (%)	6.6	5.3	5.9	6.4	7.0

Note: Net profit is attributable to owners of the parent

Source: Company data, Mirae Asset Sekuritas Indonesia Research estimates

## 2Q24 Earnings Overview

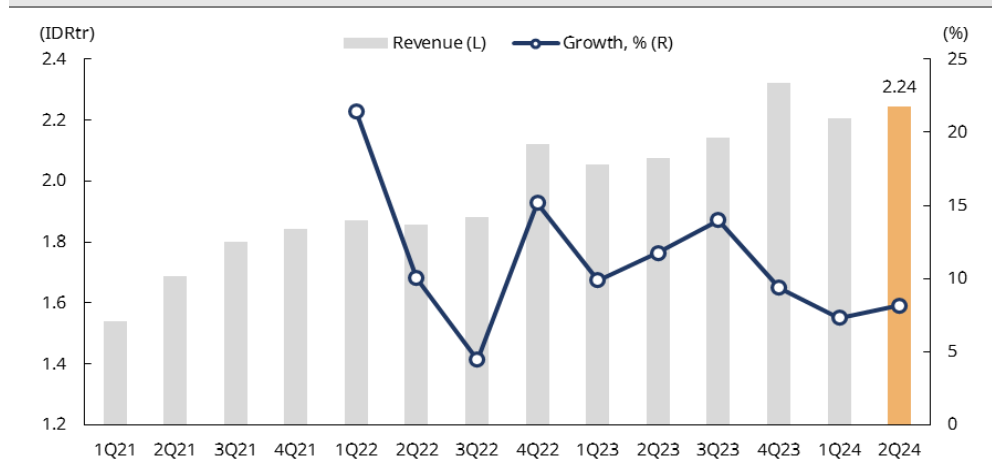
### Robust growth from both tower leasing and fiber optic

MTEL's 2Q24 revenue experienced a +8.2% YoY increase, from IDR2.07tr in 2Q23 to IDR2.24tr in 2Q24. This figure is even higher than the 1Q24 growth rate of 7.3%, indicating a continued strong growth trend. Its revenue growth was primarily driven by tower leasing revenue, which is the main business of MTEL, as well as fiber optic business, which considered next future growth driver. MTEL recorded its tower revenue of IDR2.04tr (+3.7% QoQ, +9.2% YoY), and also exhibited remarkable results from fiber optic business with a revenue of IDR90bn (+5.9% QoQ, +73.1% YoY). As of 2Q24, MTEL's fiber optic revenue share is approximately 4%, and it continues to increase. During the recent earnings call, the management mentioned that they expect to achieve a 5% share of fiber optic revenue by the end of 2024. Therefore, high growth is anticipated in the fiber optic segment going forward. Lastly its reseller revenue in 2Q24 decreased by 26.5% YoY with a revenue of IDR114bn, where it is slowly reducing the proportion of this business.

In 2Q24, MTEL added 446 towers to its assets and successfully gained 790 tenants, leading to an improvement in the overall tenancy ratio of 0.2% QoQ. Its monthly average revenue per tenant increased in 2Q24 by 2.3% QoQ. In 2Q24, MTEL currently holds the largest number of towers in the ex-Java region of Indonesia, with almost 59% of its portfolio concentrated in this area. As many telecom players are targeting expansion into the ex-Java region, MTEL maintains a competitive advantage in this segment.

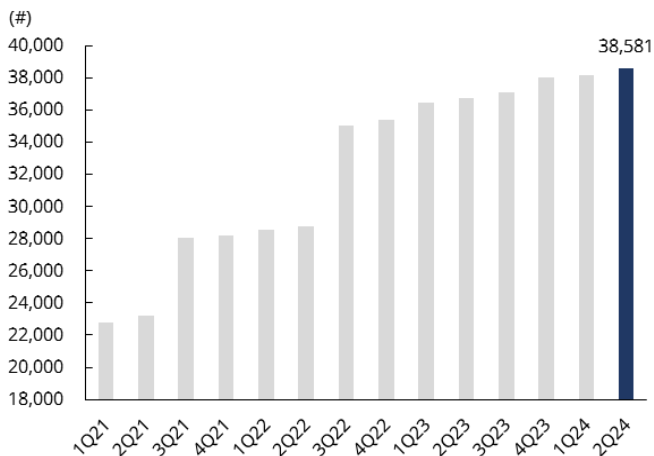
To summarize, MTEL's 2Q24 performance met market expectations (Consensus: 6~9% / Actual: 8.2% YoY) and while other competitors are showing flat tower leasing revenue, MTEL is continuously experiencing growth in this area, which is seen as a positive development. Additionally, although still modest, MTEL's fiber optic business segment showed remarkable growth, and this high growth is anticipated to be continued.

**Figure 1. MTEL's quarterly revenue trajectory**



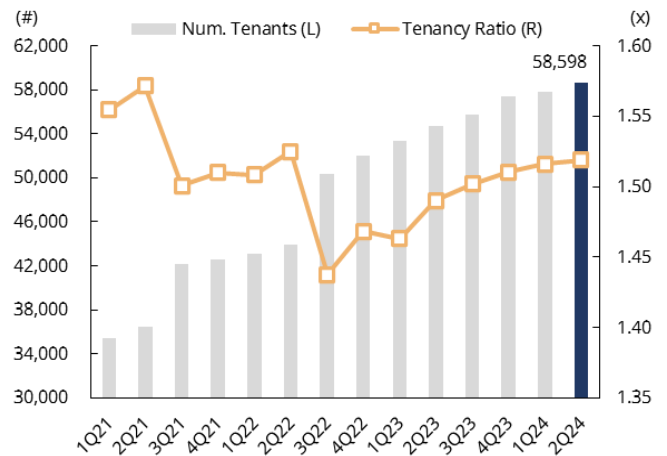
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 2. MTEL's number of towers trend



Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 3. MTEL's number of tenants and tenancy ratio trend



Source: Company data, Mirae Asset Sekuritas Indonesia Research

Table 1. MTEL's Operational Performance

(IDRbn, #)	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)
Revenue	2,074	2,206	2,244	1.7	8.2
Tower	1,868	1,968	2,040	3.7	9.2
Non-Tower	207	238	204	-14.3	-1.4
# of Towers	36,719	38,135	38,581	1.2	5.1
# of Tenancies	54,718	57,808	58,598	1.4	7.1
Avg. Rev/Tenants per month (IDRmn)	11.4	11.3	11.6	2.3	2.0
Tenancy Ratio	1.49	1.52	1.52	0.2	1.9

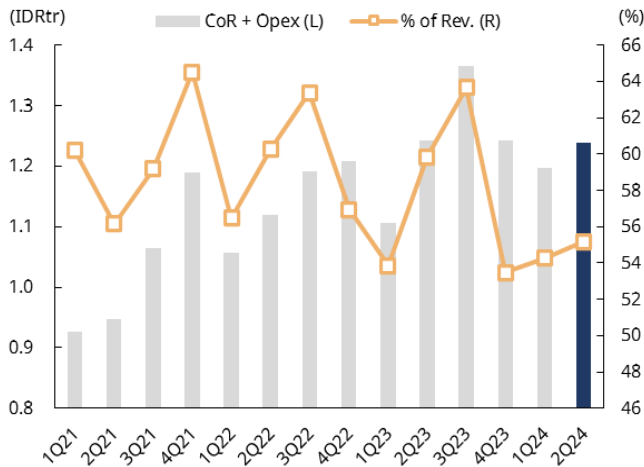
Source: Company data, Mirae Asset Sekuritas Indonesia Research

## Expense Analysis

In 2Q24, MTEL posted cost of revenue including D&A expenses of IDR1.10tr (-0.7% YoY) and this contrasted significantly with the 8.2% revenue growth. Here is the breakdown of cost of revenue: Planning, operation and maintenance expenses decreased by 6.9% YoY, mainly due to the impact of efficiency, in line with MTEL's increasing business scale. And its construction and project management expenses increased by 9.8% YoY which correlated with an increase in tower-related businesses portfolio revenue with a growth of 9.2% YoY. Plus, its D&A expenses increased to IDR849bn (+0.5% YoY) in line with the addition of fixed assets as well as additional land lease contracts followed by the number of towers increased.

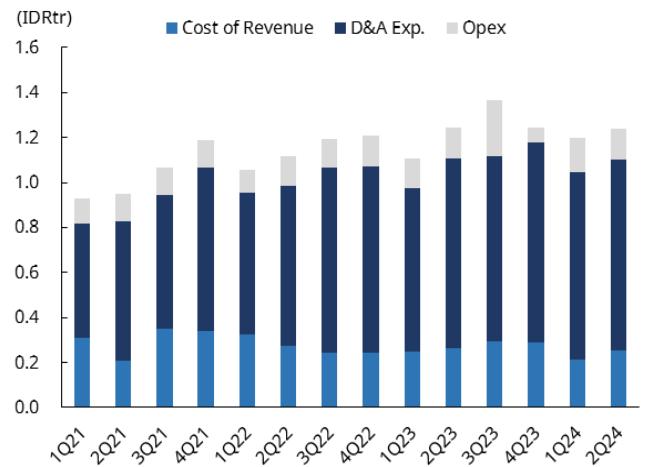
In 2Q24, MTEL recorded an operating expense of IDR138bn (+3.3% YoY), and considering the revenue growth, this is a relatively low figure. Here is the breakdown of Opex: Its G&A expenses increased by 14.6% YoY to IDR72bn due to consulting fees. And its personnel expenses are gradually increasing in line with inflation. Overall, MTEL managed its Opex well, which contributed to the improvement of its overall profitability.

**Figure 4. MTEL's total expense trend**



Source: Company data, Mirae Asset Sekuritas Indonesia Research

**Figure 5. MTEL's expense breakdown trend**

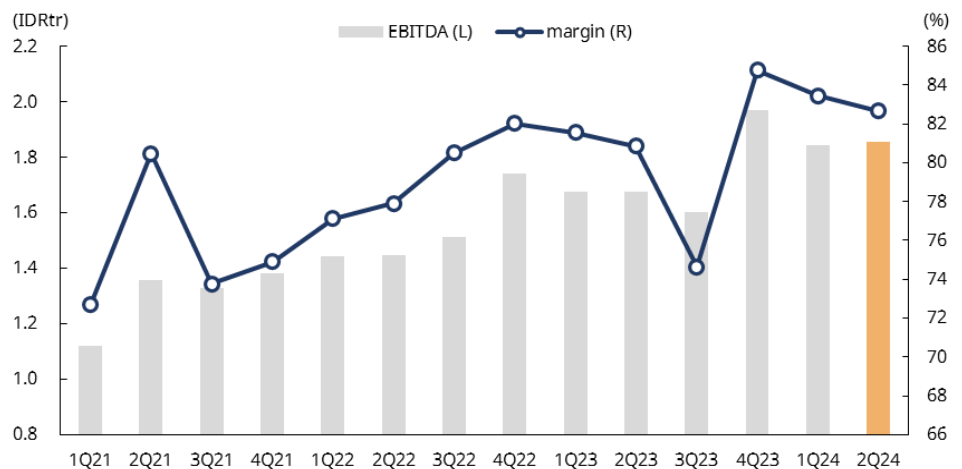


Source: Company data, Mirae Asset Sekuritas Indonesia Research

**Margin improvement continues...**

In 2Q24, MTEL posted operating profit of IDR1.01tr (+20.8% YoY), and its operating profit margin improved by 4.4pts from 46.6% to 51.0%. Huge improvement in profit margin was primarily driven by the decrease in cost of revenue as well as manageable increase in total Opex, and it indicates that MTEL's management is trying best to operate MTEL efficiently. Its EBITDA also increased to IDR1.86tr (+0.8% QoQ, +10.6% YoY), with a margin improvement from 80.9% to 82.7%. The relatively small increase in EBITDA is because the growth rate of MTEL's D&A expenses was relatively low in 2Q24. Lastly, MTEL's 2Q24 net profit also increased by 4.2% YoY to IDR543bn.

**Figure 6. MTEL's quarterly EBITDA trajectory**



Source: Fine BI, Mirae Asset Sekuritas Indonesia Research

<b>Table 2. MTEL's Financial Performance</b>					
(IDRbn, #)	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)
Revenue	2,074	2,206	2,244	1.7	8.2
Cost of Revenue	(264)	(214)	(251)	17.2	-4.7
D&A Expenses	(845)	(832)	(849)	2.0	0.5
Gross Profit	966	1,159	1,143	-1.4	18.4
<i>Margin %</i>	46.6%	52.6%	51.0%	-1.6pts	4.4pts
Opex	(133)	(150)	(138)	-8.6	3.3
Operating Profit	833	1,009	1,006	-0.3	20.8
<i>Margin %</i>	40.1%	45.7%	44.8%	-0.9pts	4.7pts
Finance Costs	(296)	(315)	(282)	-10.6	-4.7
Other Income (Exp.)	147	31	17	-44.5	-88.2
Pretax Income	683	725	741	2.2	8.5
<i>Margin %</i>	32.9%	32.9%	33.0%	0.2pts	0.1pts
Net Income	521	521	543	4.2	4.2
<i>Margin %</i>	25.1%	23.6%	24.2%	0.6pts	-0.9pts
EBITDA	1,677	1,841	1,855	0.8	10.6
<i>Margin %</i>	80.9%	83.5%	82.7%	-0.8pts	1.8pts

Source: Company data, Mirae Asset Sekuritas Indonesia Research

# Investment Thesis

## Maintaining highest growth in the sector

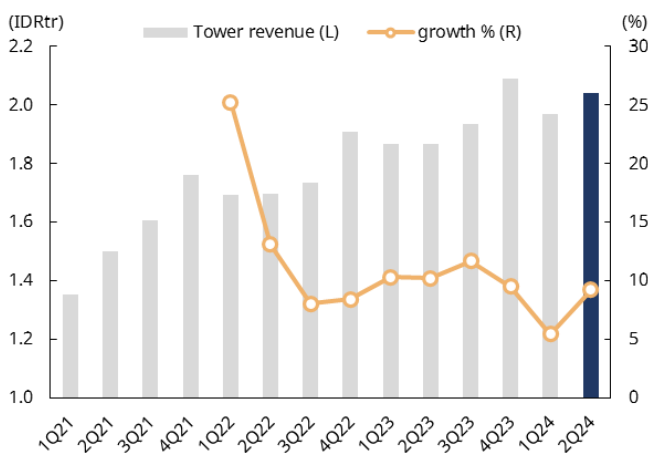
### Robust growth driven by both tower leasing and fiber optic revenue

The two key elements currently defining the telecommunications infrastructure sector in Indonesia are the telecommunications tower leasing business and the fiber optic business. Among these, the telecommunications tower leasing sector has been sluggish across the industry. This is due to the impact of the merger between IOH and 3 Hut, completed in 2022, and this trend has continued into 2024. However, due to its inherent characteristics, MTEL has an unusually large revenue share from TLKM and significantly lower dependence on IOH and 3 Hut compared to its competitors. As a result, MTEL is the only company recording solid growth in tower revenue in 2024. The fiber optic cable business, on the other hand, is experiencing high growth rates industry-wide, and MTEL is also showing very high growth in this area. Therefore, in summary, MTEL is currently the company showing the highest growth potential among telecommunications infrastructure companies.

### Lowest revenue exposure to XL and Smartfren

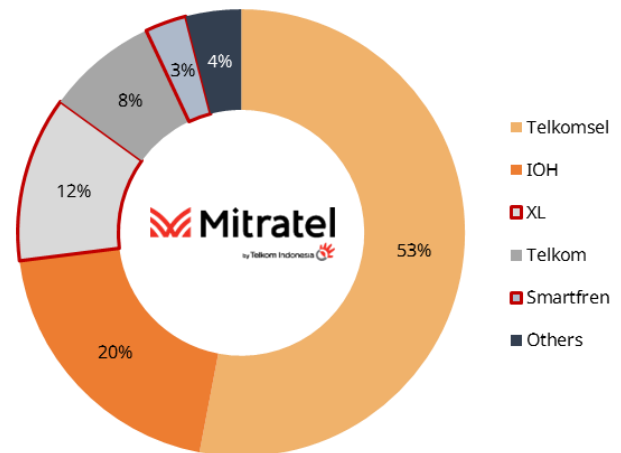
One of the most talked-about issues in the telecommunications infrastructure sector is the potential merger between XL Axiata and Smartfren. Discussions about the merger between these two companies have been ongoing for quite some time, but recently they have begun formal discussions. When MNO players merge, they typically engage in consolidation efforts to reduce redundancies, which can impact the revenues of companies in the telecommunications tower leasing business. The impact on revenue is more significant for companies with high revenue dependence on the merging entities. Our analysis shows that MTEL has the lowest revenue dependency on XL and Smartfren among its peers. Additionally, MTEL's management has already completed scenario analysis with experts and emphasized that the impact on performance will be minimal.

Figure 7. MTEL's tower leasing revenue growth trend



Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 8. MTEL's revenue breakdown as of 1H24



Source: Company data, Mirae Asset Sekuritas Indonesia Research

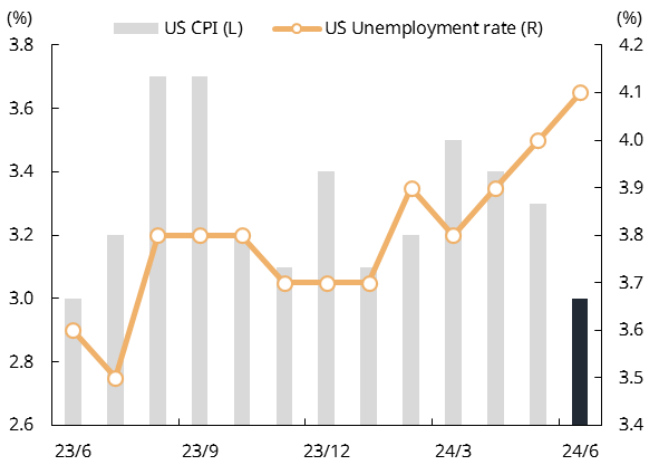
## Anticipation builds as rate cuts loom

### Lower rates poised to boost overall sector valuation

Discussions about interest rate cuts have been ongoing since the end of 2023. At the beginning of the year, most forecasts suggested that the U.S. would implement more than four rate cuts this year. However, inflation in the U.S. has been more persistent than expected, and strong economic indicators such as employment have continued to emerge. This has led to the continual delay of the rate cut timeline, and so far this year, not a single rate cut has been implemented. During this period, Indonesia even raised its rates amid currency instability. However, as a U.S. rate cut in September is now considered certain, previously overlooked assets due to high-interest rates are starting to gain attention, and this will undoubtedly have a positive impact on MTEL.

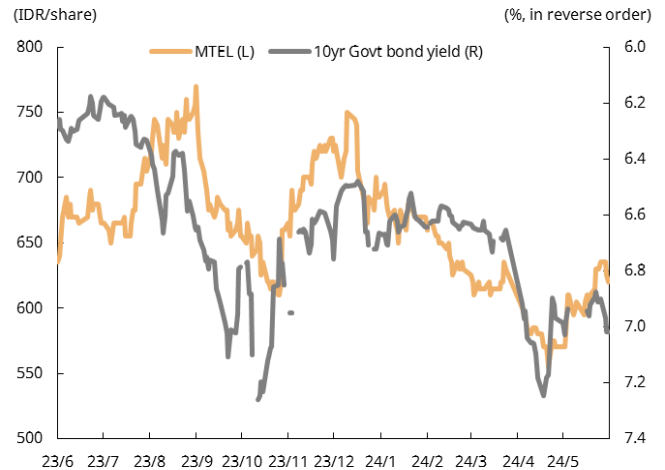
A decline in interest rates is generally positive for equities, but it is particularly beneficial for capital-intensive sectors like telecommunications infrastructure. This is because these companies are highly sensitive to changes in interest rates. Throughout the prolonged high-interest-rate period, companies like MTEL have experienced poor stock performance despite strong fundamentals. However, as interest rate cuts begin in earnest towards the end of this year, companies like MTEL, which have seen their valuations negatively impacted regardless of their fundamentals, are expected to gain more attention. Therefore, it is anticipated that MTEL’s stock price will show a positive trend starting from the point when interest rates begin to decline.

Figure 9. US inflation and unemployment rate trend



Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 10. MTEL vs. 10yr govt. bond yield



Source: Company data, Mirae Asset Sekuritas Indonesia Research

## Valuation and Recommendation

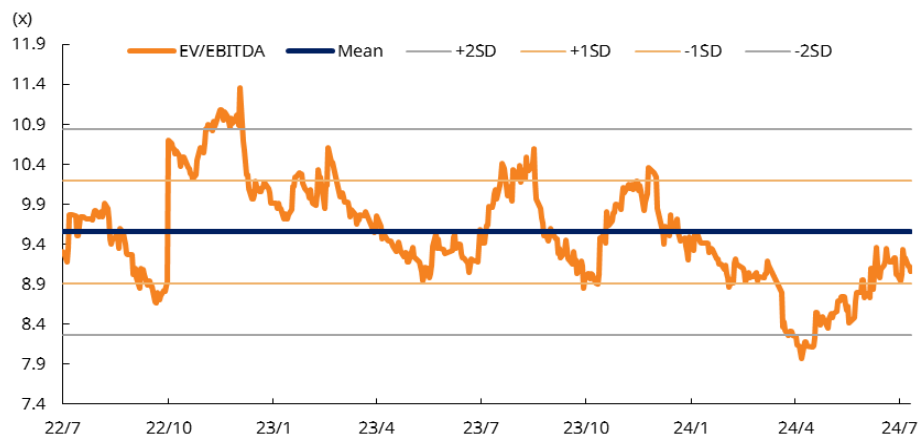
### Maintain “Trading Buy” recommendation with TP of IDR790/share

We maintain our view on MTEL with a trading buy recommendation with TP of IDR790. MTEL's 1H24 performance aligned with our expectations, and we have a positive long-term outlook on MTEL. Especially with interest rate cuts anticipated in the latter half of the year, we foresee a valuation increase across the telecommunications infrastructure sector. Additionally, the fiber optic cable business is expected to continue recording high growth rates, which further supports our positive perspective.

Our target price is derived from applying FY24F EV/EBITDA multiple targets of 10.6x. Our TP also implies 30.3x of its P/E ratio and 1.9x of FY24F P/BV ratio. MTEL is trading lower than -1.00x SD from its 2-year average EV/EBITDA. However, we see a potential upside for MTEL to appreciate in price given that MTEL has been demonstrating sustained high growth, positioning itself to reap significant benefits from the proactive ex-Java expansion strategies of MNOs.

Although the investment sentiment towards the telecommunications infrastructure sector is currently not favorable due to issues like Starlink's entry into Indonesia and the potential merger between EXCL and FREN, we remain highly optimistic about MTEL's long-term growth prospects. Starlink cannot fully replace Indonesia's fiber optic infrastructure, and the current level of infrastructure development in Indonesia is quite low, suggesting significant growth potential. Additionally, our analysis indicates that MTEL would experience the least impact on revenue if EXCL and FREN merge, so we maintain a positive outlook in the medium to long term. However, risks include: 1) MTEL's failure to expand its fiber optic revenue to its target level and 2) High-interest-rate environment persists longer than expected.

**Figure 11. MTEL's forward EV/EBITDA band (2-year)**



Source: Mirae Asset Sekuritas Indonesia Research



## PT Dayamitra Telekomunikasi (MTEL IJ)

## Income Statement (summarized)

(IDRbn)	12/22	12/23	12/24F	12/25F
Revenue	7,729	8,595	9,272	9,960
Cost of Revenue	(4,075)	(4,379)	(4,526)	(4,892)
D&A Expenses	2,989	3,282	3,506	3,807
Others	1,086	1,097	1,020	1,085
Gross Profit	3,654	4,216	4,747	5,069
G&A Expenses	(265)	(289)	(303)	(322)
Personnel Expenses	(253)	(276)	(315)	(335)
Other Operating Income (exp.)	17	(11)	-	-
Operating Profit	3,153	3,639	4,129	4,411
EBITDA	6,142	6,922	7,635	8,219
Finance Income (exp.)	(725)	(1,190)	(1,121)	(1,149)
Pretax Income (Loss)	2,418	2,739	2,989	3,362
Income Tax Expenses	(632)	(729)	(789)	(891)
Net Profit (Loss)	1,785	2,010	2,201	2,471

## Cashflow Statement

(IDRbn)	12/22	12/23	12/24F	12/25F
CF from Operating				
Net Profit (Loss)	1,785	2,010	2,201	2,471
Depreciation & Amortization	2,989	3,282	3,506	3,807
Changes in Working Capital	886	(470)	681	267
Total CF from Operating	6,020	5,162	4,269	3,614
CF from Investing				
Capex	(9,760)	(4,444)	(3,318)	(3,280)
Others	(1,133)	(2,060)	(243)	(71)
Total CF from Investing	(10,893)	(6,504)	(3,561)	(3,352)
CF from Financing				
Increase (decr.) in share capital	(588)	5	59	88
Increase (decr.) in debt	(2,448)	882	1,467	1,855
Dividend Payments	(966)	(1,767)	(1,508)	(1,541)
Total CF from Financing	(7,921)	(4,118)	(382)	(398)
Net increase (decr.) in cash	(12,794)	(5,460)	327	(135)
Beginning Balance	19,133	6,339	879	1,206
Ending Balance	6,339	879	1,206	1,071

## Balance Sheet (summarized)

(IDRbn)	12/22	12/23	12/24F	12/25F
Assets				
Cash & Cash Equivalents	6,339	879	1,206	1,071
Account Receivables	1,050	1,607	1,493	1,637
Other Current Assets	497	933	911	950
Total Current Assets	7,886	3,420	3,610	3,658
Fixed Assets	39,328	43,772	46,836	49,951
Right of Use Assets	6,928	7,474	7,623	7,776
Intangible Assets	922	1,018	1,069	989
Total Non-Current Assets	48,185	53,590	56,129	59,314
Total Assets	56,072	57,010	59,739	62,972
Liabilities				
Account Payables	1,892	2,079	2,263	2,446
Short-Term Debt	3,300	3,998	3,543	3,532
Other Current Liabilities	5,009	4,994	5,777	6,362
Total Current Liabilities	10,201	11,071	11,583	12,340
Long-Term Debt	11,603	11,660	13,199	14,718
Other Non-Current Liabilities	461	241	237	264
Total Non-Current Liabilities	12,064	11,901	13,436	14,981
Total Liabilities	22,264	22,973	25,019	27,321
Equity				
Share Capital	19,047	19,050	19,050	19,050
Additional paid-in Capital	13,082	13,090	13,090	13,090
Retained Earnings	2,356	2,599	3,292	4,223
Other Equity	(678)	(702)	(712)	(712)
Total Equity	33,807	34,038	34,720	35,651

Source: Company Data, Mirae Asset Sekuritas Indonesia Research estimates

## Key Performance Indicators

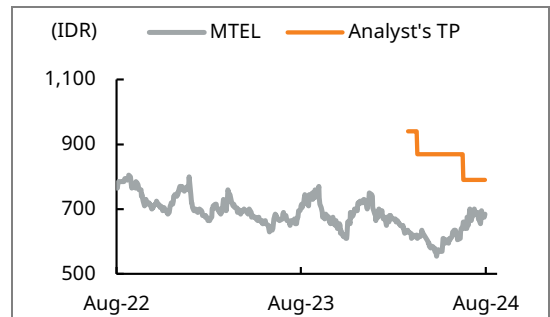
	12/22	12/23	12/24F	12/25F
Growth (% YoY)				
Revenue	12.5	11.2	7.9	7.4
Operating Profit	15.1	15.4	13.5	6.8
EBITDA	18.4	12.7	10.3	7.6
Net Profit (Loss)	29.2	12.6	9.5	12.3
Profitability (%)				
Operating Margin	40.8	42.3	44.5	44.3
EBITDA Margin	79.5	80.5	82.3	82.5
Net Profit Margin	23.1	23.4	23.7	24.8
ROE	5.3	5.9	6.4	7.0
ROA	3.1	3.6	3.8	4.0
Leverage				
Debt/Equity (x)	0.7	0.7	0.7	0.8
Interest Coverage Ratio (x)	3.0	2.9	2.9	3.2
Per Share data (IDR)				
EPS	21.4	24.1	26.3	29.6
BPS	405	407	416	427
Valuation (x)				
P/E	31.8	28.3	25.8	23.0
P/B	1.7	1.7	1.6	1.6
EV/EBITDA	10.7	10.4	9.5	9.0
Operating Metrics				
# of towers	35,418	38,014	40,231	42,198
# of tenancies	52,006	57,409	65,094	73,572
Tenancy ratio (x)	1.47	1.51	1.62	1.74

## Appendix 1

### Important disclosures and disclaimers

#### Two-year rating and TP history

Company	Date	Rating	TP (IDR)
Dayamitra Telekomunikasi (MTEL J)	8/9/2024	Trading Buy	790
	7/22/2024	Trading Buy	790
	6/25/2024	Buy	790
	4/22/2024	Buy	870
	3/26/2024	Buy	870
	3/8/2024	Buy	940
	12/18/2023	Buy	940
	9/1/2023	Trading Buy	890
	4/6/2023	Trading Buy	815



#### Stock ratings

Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

#### Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (—), TP (—), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

\* Our investment rating is a guide to the expected return of the stock over the next 12 months.

\* Outside of the official ratings of PT Mirae Asset Sekuritas Indonesia, analysts may call trading opportunities should technical or short-term material developments arise.

\* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

\* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

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