

Monday, 01 August 2022

BUY
Maintain

Last price (IDR) 730
Target Price (IDR) 1,040
Upside/Downside +42.5%
Previous Target Price (IDR) 1,040

Stock Statistics

Sector Towers
Bloomberg Ticker MTEL IJ
No of Shrs (mn) 83,515
Mkt. Cap (IDRbn/USDmn) 60,966/4,110
Avg. daily T/O (IDRbn/USDmn) 38.1/2.6

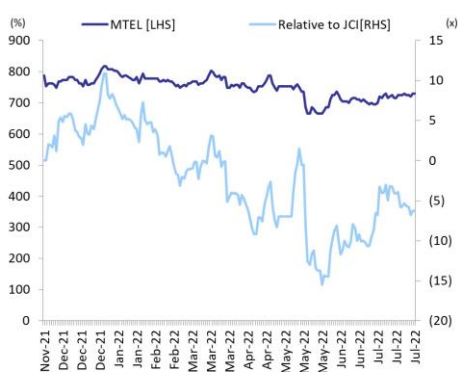
Major shareholders (%)

Telkom Indonesia 71.9
PT Maleo Investasi Indonesia 6.0
Estimated free float 22.4

EPS Consensus (IDR)

	2022F	2023F	2024F
Danareksa	19.8	28.7	34.4
Consensus	22.4	26.5	31.8
Danareksa/Cons	(11.7)	8.3	8.1

MTEL relative to JCI Index



Source : Bloomberg



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Mitratel (MTEL IJ)

Decisive shift in guidance

MTEL's organic growth was soft in 2Q22 without significant catalysts in its earnings. The overhang in collocations gross adds has been met with a change in the guidance for more B2S, more fiber to build, and most importantly inorganic growth increasing from +3,000 to +6,000 towers to be purchased from TSEL. We make adjustments accordingly, with greater confidence in MTEL's outlook.

A soft 2Q22 despite collo adds acceleration. Mitratel experienced a soft 2Q22 in terms of revenues, EBITDA and net profits growth. There were 210 new B2S net adds and 589 collo net adds in 2Q22 accelerating the number from 136 net adds in 1Q22. However, this was met with a drop in 2Q22 revenues resulting from Telkom's volatile pattern. Despite the growth in tenancies, MTEL has so far fulfilled only ~21% of its initial guidance for collo adds and 77% of B2S adds in 1H22.

Resolving the collocation target overhang with a sweeter deal. MTEL's FY22 guidance has been altered drastically in terms of new gross adds in collocations now at +2,500 for 2022 down from +3,000-4,000 guidance before. We understand this was driven by IOH which eventually made orders to MTEL albeit small in number, as the IOH network consolidation is in progress and that includes tower relocations. Given this short-term change, MTEL is given a chance to make it up, by getting larger orders for organic B2S adds in 2022 from +750 to +1,000 from Telkomsel (TSEL). Moreover, the built for fiber is upgraded, budgeting for total 9,000km added built in 2022 up from 6,000km. However, the largest MTEL update is the change in acquisition for 3,000 towers of single tenancy towers from TSEL, raised now to 6,000 towers, transferring all the intended towers all in one go in 2022. The sale lease back should be effective by year-end with preferential rates for TSEL. We therefore expect MTEL to drive total revenues higher by approx. +13.1%yoy in 2022, higher than the +12% guidance from the company.

CAPEX guidance stills reserves a budget for M&A. The capex guidance is marked up to Rp14tn in 2022 on the higher inorganic growth, which still leaves a budget window for M&A in our view, after taking into account organic capex needs.

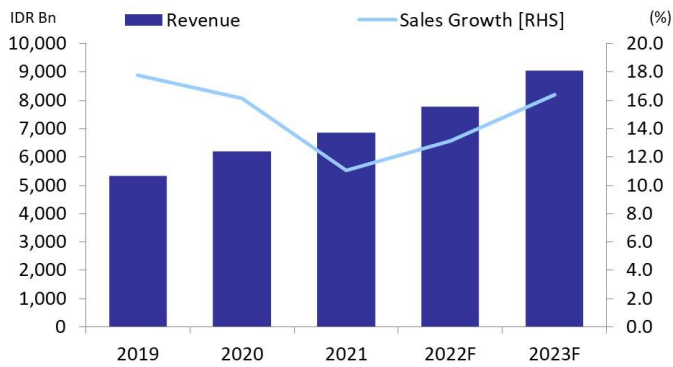
New guidance provides strong support for MTEL's outlook. The enlarged batch of 6,000 towers to be acquired should give MTEL a sharper edge to upsell and cross sell services to its clients. At this point, we only increase a) the gross collocations adds by #200-250 p.a. for the projected years. And b) we up the growth outlook for the non-tower biz by leveraging potentially the largest size tower portfolio circa 35,200 towers controlled by MTEL by YE 2022. However, we have greater confidence for the prior growth outlook we projected. With MTEL controlling ~35%+ market share of the total towers in Indonesia, many of which are populated only by TSEL till now, MTEL will have more competitive strength and protect its share of tenancy acquisitions and lease rates from its peers.

Maintain BUY. The guidance adjustments provide strong confidence in MTEL's growth outlook as the larger tower portfolio should dominate the interest of telcos. We maintain our TP at IDR1,040 as the cashflow upside is substantial to return the purchase cost of the +3,000 tower adds from TSEL.

Key Financials

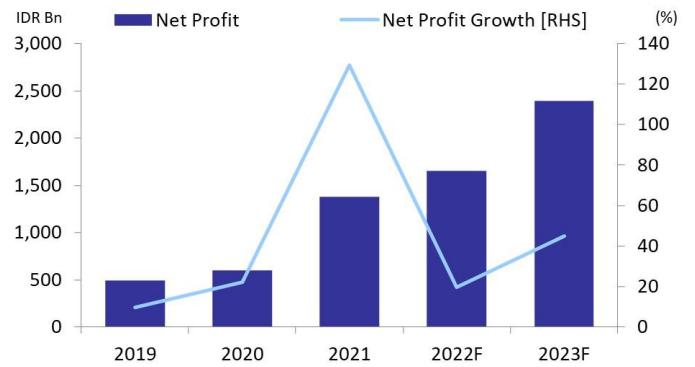
Year to 31 Dec	2020A	2021A	2022F	2023F	2024F
Revenue (IDRbn)	6,187	6,870	7,772	9,047	9,840
EBITDA (IDRbn)	4,185	5,186	6,074	7,144	7,845
EBITDA Growth (%)	60.0	23.9	17.1	17.6	9.8
Net profit (IDRbn)	602	1,381	1,653	2,395	2,874
EPS (IDR)	7.2	16.5	19.8	28.7	34.4
EPS growth (%)	22.0	129.5	19.7	44.9	20.0
BVPS (IDR)	97.7	402.9	422.7	451.3	485.7
DPS (IDR)	0.0	0.0	11.6	13.9	20.1
PER (x)	101.3	44.1	36.9	25.5	21.2
PBV (x)	7.5	1.8	1.7	1.6	1.5
Dividend yield (%)	0.0	0.0	1.6	1.9	2.7
EV/EBITDA (x)	17.7	11.9	11.3	9.2	7.9

Exhibit 1. Revenues and Growth



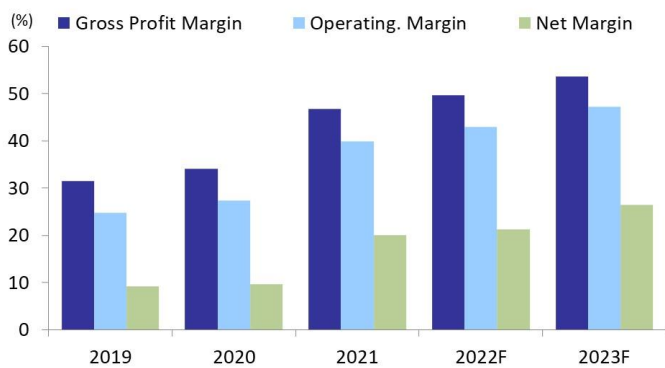
Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



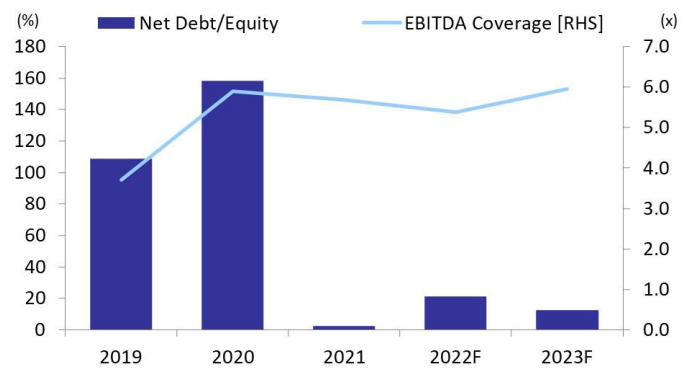
Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 3. Margins



Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 5. Mitratel 2Q22/1H22 P&L and selected balance sheet and cashflow items

(Rp bn)	2Q21	1Q22	2Q22	QoQ, Δ%	YoY, Δ%	1H21	1H22	HoH,	FY22F	Achiev.	FY22C	Achiev.
Total Revenues	1,687	1,870	1,856	(0.7)	10.0	3,227	3,726	15.5	7,749	48.1%	7,666	48.6%
Tower leasing	1,374	1,464	1,525	4.2	11.0	2,556	2,989	16.9				
Reseller	188	176	163	(7.4)	(13.3)	376	339	(9.8)				
Other	125	229	170	(25.8)	36.4	295	399	35.4				
Total Revenues by client	1,852	1,681	1,856	10.4	0.2	3,227	3,726	15.5				
Telkomsel	965	995	1,020	2.5	5.6	1,741	2,015	15.7				
XL Axiata	149	186	195	5.2	30.8	333	381	14.4				
Telkom	115	233	170	(27.0)	48.1	277	403	45.1				
Other 3rd parties	622	457	471	3.2	(24.2)	875	928	6.0				
of which: Indosat Ooredoo	n/a	n/a	n/a	n/a	n/a	719	737	2.5				
Hutchison												
COGS	(825)	(952)	(985)	3.4	19.4	(1,641)	(1,937)	18.0				
Gross Income	862	918	872	(5.0)	1.1	1,586	1,789	12.8				
Gross Income margin (%)	51.1	49.1	47.0	(4.1)	(4.1)	49.1	48.0	(1.1)				
OPEX	(122)	(104)	(134)	28.9	9.6	(233)	(238)	2.0				
EBITDA	1,358	1,442	1,454	0.9	7.1	2,478	2,896	16.9	6,056	47.8%	5,917	49.0%
EBITDA margin (%)	80.5	77.1	78.4	1.2	(2.1)	76.8	77.7	0.9				
Operating Income	740	814	738	(9.4)	(0.3)	1,352	1,551	14.7				
Operating Income margin (%)	43.8	43.5	39.7	(4.1)	(4.1)	41.9	41.6	(0.3)				
Other Income/(expense)	(17)	(42)	2	19.3	n/a	(39)	(40)	(0.5)				
Other income (charges) - net	(233)	(153)	(141)	(8.2)	(39.5)	(360)	(294)	(18.3)				
Pre-tax profit	490	618	599	(3.2)	22.3	953	1,217	27.8				
Pretax margin (%)	29.0	33.1	32.3	3.2	3.2	29.5	32.7	3.1				
Net profit	358	459	432	(5.9)	20.9	701	892	27.2	1,793	50%	1,909	47%
Net Profit margin (%)	21.2	24.6	23.3	(1.3)	2.1	21.7	23.9	2.2	23.1		24.9	
Gross debt	12,205	17,625	14,256	(19.1)	16.8	12,205	14,256	16.8				
Total net debt	10,780	-1,014	-2,767	172.9	n/a	10,780	-2,767	n/a				
Net debt / Annualized EBITDA	2.2x	-0.2x	-0.5x	-	-	2.2x	-0.5x	-				
CashFlow												
Cashflow from Operating	3,476	2,588	1,805	(30.3)	(48.1)	3,796	4,393	15.7				
Cashflow from Investing	(4,547)	(224)	(844)	276.9	(81.4)	(5,948)	(1,068)	(82.0)				
Free cash flow to the firm	(1,071)	2,364	961	(59.4)	n/a	(2,152)	3,325	n/a				
Cashflow from Financing	2,852	(2,859)	(2,578)	(9.8)	n/a	3,061	(5,436)	n/a				
Net cashflow	1,782	(494)	(1,617)	227.3	n/a	909	(2,111)	n/a				

Exhibit 6. Mitratel 2Q22/1H22 operational KPIs

Mitratel Operational KPIs (#)	1Q21	2Q21	1Q22	2Q22	QoQ Δ	YoY Δ	YTD Δ
Total sites	22,812	23,232	28,577	28,787	210	5,555	581
Total Tenants	35,464	36,507	43,101	43,900	799	7,393	1,306
B2S Tenants	22,812	23,232	28,577	28,787	210	5,555	581
Collocations	12,652	13,275	14,524	15,113	589	1,838	725
Tower Tenancy Ratio (x)	1.55x	1.57x	1.51x	1.52x	-	-	-
Implied mon. revenue / Tenancy (Rp mn)	12.7	13.7	13.1	12.9	-1.7%	3.0%	-

Exhibit 7. Our changes in Mitratel forecasts

	2021	2022F	2023F	2024F	Comment
FCF old	-11,568	-1,563	3,380	3,924	The upside from new inorganic towers will bring new cashflow. The CF will support the purchase cost of these towers. Our MTEL valuation based on DCF leads to similar to our previous valuation mainly based to our conservative
FCF New	-11,568	-6,044	3,568	4,195	
Δ	0	-4,481	188	272	
Tower portfolio Old	28,206	31,956	32,717	33,490	We included only +3,000 towers inorganic growth in our entire forecast. Now, we assume +6,000 towers in model for inorganic growth in 2022F. We adjust organic B2S growth higher by #250
Towers Portfolio New	28,206	35,206	35,967	36,740	
Δ		3,250	3,250	3,250	
Incremental organic/inorganic B2S Old		3,750	761	773	Our previous forecast for incremental towers is adjusted upwards by total 3,250 towers
Incremental organic/inorganic B2S New		7,000	761	773	
Δ		3,250	0	0	
Total Collocations Old	14,388	17,388	21,347	25,565	Delays in collocations from telcos, leads to change in guidance from 3,000-4,000 collos down to 2,500 collos. This leads to our FC from 3,000 down to 2,500 collos in 2022.
Total Collocations New	14,388	16,888	21,047	25,465	
Δ		-500	-300	-100	
Incremental Collocations Old		3,000	3,959	4,219	Owning the largest tower portfolio, should provide greater collos possibilities. We conservatively keep it at new 200-250 gross adds per year.
Incremental Collocations New		2,500	4,159	4,419	
Δ		-500	200	200	
Total Tenancies Old	42,594	49,344	54,064	59,055	
Total Tenancies New	42,594	52,094	57,014	62,205	
Δ		2,750	2,950	3,150	
Tenancy ratio Old	1.51	1.54	1.65	1.76	Tenancy ratio drops as more single tenancy towers are added into MTEL's portfolio.
Tenancy ratio New	1.51	1.48	1.59	1.69	
Revenue Old	6,870	7,749	8,678	9,420	We bump up the non-tower revenue expecting higher fiber demand, and providing greater upside for other non-tower biz.
Revenue New	6,870	7,772	9,047	9,840	
Δ	0%	0%	4%	4%	
EBITDA Old	5,186	6,056	6,852	7,511	
EBITDA New	5,186	6,074	7,144	7,845	
Δ		0%	4%	4%	
Net Profit Old	1,381	1,793	2,291	2,730	
Net profit New	1,381	1,653	2,394	2,873	
Δ		-8%	4%	5%	
Total debt Old	10,780	-1,062	3,048	393	
Total Debt New	10,780	-1,062	7,524	4,691	
Δ		0%	147%	1092%	
Cash	19,133	14,842	17,318	20,337	
Cash	19,133	10,366	13,021	16,300	
Δ	0%	-30%	-25%	-20%	

Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2020A	2021A	2022F	2023F	2024F
Revenue	6,187	6,870	7,772	9,047	9,840
COGS	(4,077)	(3,651)	(3,908)	(4,187)	(4,362)
Gross profit	2,110	3,219	3,865	4,860	5,478
EBITDA	4,185	5,186	6,074	7,144	7,845
Oper. profit	1,698	2,740	3,343	4,269	4,845
Interest income	40	76	80	80	80
Interest expense	(709)	(913)	(1,128)	(1,202)	(1,216)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(140)	17	4	5	5
Pre-tax profit	888	1,920	2,300	3,152	3,713
Income tax	(286)	(538)	(647)	(758)	(839)
Minority interest	0	0	0	0	0
Net profit	602	1,381	1,653	2,395	2,874
Core Net Profit	602	1,381	1,653	2,395	2,874

Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2020A	2021A	2022F	2023F	2024F
Cash & cash equivalent	516	19,133	10,366	13,045	16,350
Receivables	1,469	1,118	1,800	2,095	2,279
Inventory	0	0	0	0	0
Other Curr. Asset	908	1,052	1,055	1,058	1,062
Fixed assets - Net	21,853	35,827	43,957	43,516	43,028
Other non-curr.asset	538	599	602	605	608
Total asset	25,285	57,728	57,780	60,320	63,326
ST Debt	3,987	2,828	2,828	2,828	2,828
Payables	1,197	1,273	1,550	1,661	1,731
Other Curr. Liabilities	2,164	2,374	2,469	2,568	2,671
Long Term Debt	9,446	17,131	15,062	14,883	14,706
Other LT. Liabilities	329	476	572	686	823
Total Liabilities	17,122	24,083	22,481	22,627	22,759
Shareholder's Funds	8,163	33,646	35,298	37,693	40,567
Minority interests	0	0	0	0	0
Total Equity & Liabilities	25,285	57,728	57,780	60,320	63,326

Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2020A	2021A	2022F	2023F	2024F
Net income	602	1,381	1,653	2,395	2,874
Depreciation and Amort.	2,487	2,445	2,731	2,874	3,001
Change in Working Capital	1,521	12	(374)	(149)	(75)
Other Oper. Cash Flow	670	838	1,048	1,122	1,136
Operating Cash Flow	5,279	4,677	5,057	6,242	6,937
Capex	(8,927)	(15,997)	(10,804)	(2,376)	(2,456)
Others Inv. Cash Flow	40	76	80	80	80
Investing Cash Flow	(8,888)	(15,922)	(10,724)	(2,296)	(2,376)
Net change in debt	4,662	6,526	(2,069)	(179)	(177)
New Capital	(170)	24,101	967	1,157	1,676
Dividend payment	0	0	(967)	(1,157)	(1,676)
Other Fin. Cash Flow	(715)	(765)	(1,033)	(1,088)	(1,079)
Financing Cash Flow	3,777	29,862	(3,101)	(1,266)	(1,256)
Net Change in Cash	169	18,617	(8,767)	2,679	3,304
Cash - begin of the year	347	516	19,133	10,366	13,045
Cash - end of the year	516	19,133	10,366	13,045	16,350

Exhibit 11. Key Ratios

Year to 31 Dec	2020A	2021A	2022F	2023F	2024F
Growth (%)					
Sales	16.2	11.0	13.1	16.4	8.8
EBITDA	60.0	23.9	17.1	17.6	9.8
Operating profit	28.9	61.4	22.0	27.7	13.5
Net profit	22.0	129.5	19.7	44.9	20.0
Profitability (%)					
Gross margin	34.1	46.9	49.7	53.7	55.7
EBITDA margin	67.6	75.5	78.2	79.0	79.7
Operating margin	27.4	39.9	43.0	47.2	49.2
Net margin	9.7	20.1	21.3	26.5	29.2
ROAA	2.7	3.3	2.9	4.1	4.6
ROAE	7.6	6.6	4.8	6.6	7.3
Leverage					
Net Gearing (x)	1.6	0.0	0.2	0.1	0.0
Interest Coverage (x)	2.4	3.0	3.0	3.6	4.0

Source : MTEL, Danareksa Estimates

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