Mitratel – Q1 25 Quick Take: Slow start

By Chris Hoare | April 29, 2025

What's new: Mitratel saw a slower start to the year than expected as Tower trends softened on lower ARP/Tenant. While Fiber remained the key driver, it was partially offset by the natural decline of its Reseller business. EBITDA growth was also slower while earnings managed a 1% growth.

Although the merger of XL-Smartfren poses as a challenge to Indonesia's Tower industry, Mitratel is relatively less exposed (<20% revenue exposed) compared to TOWR (more than 30% of revenue exposed). Similar to Protelindo, Mitratel's expansion to adjacencies such as Fiber and Power to the Tower is starting to bear fruit; Fiber was the key contributor in Q4. We see Mitratel as the beneficiary of challengers' expansion into ex-Java in the medium term and stay Buyers with a IDR 1,135 price target.

Key takeaways:

- Revenue was up 1.4% YoY as Tower leasing slowed. Fiber remained the key contributor, partially helped by the IDR 650bn (US$ 41m) acquisition of PT UMT in early December 2024.
    - **Tower leasing**: The Tower Owned business (82% of sales) slowed to 0.7% YoY from 2.5% on lower ARP/Tenant.
    - **Fiber:** Fiber business (6% of sales) rose by 27% YoY versus 40% prior, in part due to its acquisition of PT UMT in early December. While still nascent, rising demand for network speed is expected to drive continued demand for fiber to the tower services. Currently, 50% of its fiber assets are in ex-Java.
    - **Tower-related**: The Tower related business (7% of sales) which tends be volatile, grew 9.7% YoY from -4.6%.
    - **Reseller:** Reseller (5% of sales) fell 16% YoY, which is in-line with Mitratel's gradual shift away from the lower margin business.
- EBITDA growth slowed to 1.1% YoY from 5.2% prior as EBITDA margins fell by 30bps YoY to 83%, in part

due to higher contribution from slightly lower margin operations like Fiber (>70% margin).

- Net profit was roughly stable YoY (+1%); net profit margin down 10bps YoY to 23.3%.
- Reported Net debt/EBITDA improved to 1.9x from 2.1x last quarter. Given its relatively lower leverage amongst peers, there is potential for further M&A opportunities, and in fact we have seen rumours that the merger between Mitratel and Tower Bersama has started to be discussed again.
- **KPIs**:
    - Towers net addition rose by 189 to reach 39,593 which represents the largest TowerCo in Indonesia.
    - Tenants continued to grow ahead of Towers growth, up by 391 to 60,259 with tenancy ratio at 1.52x. As a reminder, the company had guided tenants to grow by 2.5k in 2025.
    - Out of the three Towers under our coverage, Mitratel remains the most exposed to ex-Java where demand is currently, with proportion of towers at 41% Java/59% ex-Java; Protelindo is at 51% Java/49% ex-Java. We think there is further room for expansion in ex-Java, where tenant growth has been outpacing that of Java given the telcos' expansion in ex-Java.
    - Fiber network length grew by 2.5k km to reach 53.5k km, on track to rise by 10k KM this year as guided.

Conclusion:

Despite being the largest TowerCo in Indonesia, Mitratel is less exposed to the XL Axiata-Smartfren merger compared to Protelindo where more than 30% of its total revenue are exposed. That said, the latter has diversified to adjacent businesses. We expect Indonesia's tower industry to be challenged by the network consolidation of XL and Smartfren. Longer term however, Mitratel stands to be benefit from the challengers' expansion into ex-Java. Additionally, Mitratel is the least levered amongst peers which offers potential M&A headroom while its low tenancy ratio is ripe for further growth. We retain our Buy recommendation and IDR1,135 target price.

Full 12-month historical recommendation changes are available on request

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