

PT MORA TELEMATIKA INDONESIA

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CREDIT PROFILE

Corporate Rating *idA+/Stable*

Rated Issues

Bond I/2017 *idA+*
Shelf Registered
Sukuk Ijarah/2019 *idA+(sy)*

Rating Period

March 8, 2022 – March 1, 2023

Rating History

MAR 2021 *idA/Stable*
MAR 2020 *idA/Stable*
JUN 2019 *idA/Stable*
MAR 2019 *idA/Stable*
MAY 2018 *idA/Stable*
SEP 2017 *idA/Stable*
JUL 2017 *idA/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended

	Dec-2021 (Audited)	Dec-2020 (Audited)	Dec-2019 (Audited)	Dec-2018 (Audited)
Total adjusted assets [IDR bn]	14,557.9	13,394.8	12,795.7	9,097.6
Total adjusted debt [IDR bn]	7,896.2	8,049.8	*9,377.6	*6,462.1
Total adjusted equity [IDR bn]	4,551.0	3,206.7	2,192.6	1,529.7
Total sales [IDR bn]	4,180.1	3,765.7	4,062.4	4,663.7
EBITDA [IDR bn]	2,039.3	1,901.4	1,526.7	1,231.8
Net income after MI [IDR bn]	578.6	578.0	591.5	504.5
EBITDA margin [%]	48.9	50.5	37.6	26.4
Adjusted debt/EBITDA [X]	3.9	4.2	6.1	5.2
Adjusted debt/adjusted equity [X]	1.7	2.5	4.3	4.2
FFO to adjusted debt [%]	14.0	11.8	7.7	10.6
EBITDA/IFCCI [X]	2.5	2.2	2.1	2.3
USD exchange rate [IDR/USD]	14,269	14,105	13,901	14,481

FFO = EBITDA – IFCCI + interest income – current tax expense

EBITDA = operating profit + depreciation expense + amortization expense

IFCCI = gross interest expense + other financial charges + capitalized interest; (FX loss not included)

MI = minority interest

The above ratios have been computed based on information from the company and published accounts. Where applicable, some items have been reclassified according to PEFINDO's definitions.

PT Mora Telematika Indonesia raised to "idA+" with stable outlook

PEFINDO has raised the ratings for PT Mora Telematika Indonesia (Moratel) and its Bond I Year 2017 to "idA+" from "idA". We have also raised the rating for Moratel's Shelf-Registered Sukuk Ijarah Year 2019 to "idA+(sy)" from "idA(sy)". The outlook for the corporate rating is "stable".

The rating upgrade reflects Moratel's improved financial profile driven by significant capital injection in 2021 combined with stable demand for telecommunication and manageable debt-funded capital expenditure (capex). As a telecommunications infrastructure and service provider, the Company will be able to take advantage of the current acceleration of digitalization that helps to boost demand for data consumption resulting in better EBITDA generation. Moreover, the Company also has the flexibility to manage its sizeable debt-funded capital expenditure as portion of its capex may be considered as non-mandatory capex allowing better leverage management. The Company's better financial profile is also highly related to capital injection of IDR1.8 trillion in 2021 as an additional funding source which also strengthened the Company's financial flexibility considering its capital intensive in nature. Furthermore, we projected the Company's debt to EBITDA ratio and debt to equity ratio (DER) in 2022-2024 to improve to below 3.5x and 1.5x, respectively, compared to our previous average three-year projection of around 3.9x and 1.7x, respectively. In line with stronger capital structure, we also expect an improved cash flow protection measures with FFO to debt and EBITDA to IFCCI ratios of around 19% and 3.0x, respectively, during the same period.

An obligor rated idA has a strong capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. However, the obligor is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated obligors. The Plus (+) sign in a particular rating indicates that the rating is relatively strong within its category. The suffix (sy) denotes the rating mandates compliance with Islamic principles.

The corporate rating reflects Moratel's strong market position as a fiber optic backbone provider, stable cash flow from the Palapa Ring West and East packages, and diversified customers and services. However, the rating is constrained by its moderate capital structure and intense competition within the fixed broadband industry. The rating may be raised if Moratel significantly improves its capital structure on a sustained basis, and if its business expansions, especially its retail and enterprise expansions, are well executed with significant cash flows that exceed projections. In contrast, the rating may be lowered if Moratel's revenue and/or EBITDA are significantly below targets, and/or higher-than-projected-debt-funded capex.

Moratel is a telecommunications infrastructure and service provider. It has international links connecting Jakarta and Singapore, and domestic submarine and inland backbones serving mainly telecommunications operators and wholesale customers. It expanded its enterprise and retail segments by developing its internet service provider (ISP) business to maximize the use of its network under the "Oxygen" brand. Its subsidiaries, PT Palapa Ring Barat and PT Palapa Timur Telematika, were awarded government contracts in 2016 to construct and manage two national priority projects, the Palapa Ring West package and the Palapa Ring East package. The Palapa Ring West package commenced commercial operations in March 2018, while the Palapa Ring East package launched its commercial operations in August 2019. In September 2021, the Company acquired 65% of the share capital of PT Indo Pratama Teleglobal (IPT) for purchase consideration amounting to IDR18.2 billion. IPT provides solution for Data Communication, Internet Services, Satellite Communication (VSAT), Internet Telephone and Data Center & Disaster Recovery, as well other Internet based business solutions. As of December 31, 2021, its shareholders consisted of PT Candrakarya Multikreasi (45.7% stake), PT Gema Lintas Benua (33.78%), and PT Smart Telecom Tbk (20.51%).

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