

Tower Bersama Infrastructure Tbk (TBIG)

Focused on Organic Growth, 1H20 Performance Satisfactory

Along with the high contribution of tower leases from Telkomsel and Indosat of 39.8% and 21.4%, TBIG was able to record revenue growth of IDR2.6 trillion in 1H20, up 13.2% YoY. The OPEX, which was successfully maintained, was able to make the company's net profit soar to IDR510 billion, up by 33.6% YoY.

1H20 performance. The company recorded revenue growth of 13.2% YoY, 4.2% QoQ to IDR2.6 trillion vs IDR2.3 trillion in 1H19. The largest contribution was from telecommunication service tenants, PT Telekomunikasi Selular and PT Indosat Tbk, with 39.7% and 21.4%, respectively. The well-maintained OPEX accompanied the company's net profit increase to IDR510 billion or up 33.6% YoY. TBIG has also recorded an increase in the number of telecommunication sites year to date of 15,893 sites (2.0%) and 31,039 leases (8.0%) during semester 1 of 2020, which has resulted in the company's tenancy ratio increasing to 1.9x 1H20 vs 1.8x FY19.

Focus on Organic Growth to Realize 3,000 Towers by 2020. In 2020 the company has a target to add 3,000 towers, and until Semester 1-2020 the company recorded 2,517 additional towers with a total capex of IDR1 trillion. With the DER level already high enough at level 4.2x FY20E, we project that by the end of 2020 the company will still be able to increase.

Telkomsel still the biggest contributor to TBIG's Revenue. PT. Telekomunikasi Seluler (Telkomsel) is still recorded as the largest revenue contributor for the company, as it contributed 39.7%, followed by PT Indosat Tbk (ISAT) with 21.4%, PT XL Axiata Tbk (EXCL) contributing 17.2% and the remaining 21.7% was contribution from PT Hutchison 3 Indonesia (TRI), PT Smarfen Telecom Tbk (FREN) and other telecommunication cellulars. Over the past 3 years, Telkomsel has always been the largest contributor to the company with respective percentages of 42.8% FY19, 44.7% FY18 and 45.3% FY17. For the next 2 years, we estimate that Telkomsel will still be the highest contributing player for TBIG seeing that Telkomsel is committed to continuing to increase the number of customers outside of Java - for the record, Telkomsel subscribers was up to 1H20 are 6.3 million users or growing by 5.3% YoY.

Valuation. We use an estimate of forward EV / EBITDA of 13.6x (1 year average) with our estimated target price of ID1,400 for the next 12 months. Currently, TBIG is traded at the EV / EBITDA level of 12.8x which is quite expensive with an average EV / EBITDA of the past 3 years at the level of 12.4x. Therefore, we recommend **HOLD** for TBIG shares, considering the currently quite high valuation value and the possibility that TBIG will not be able to add too much tower capacity for FY21 considering that DER is quite high at the level 4.2x of 2020E.

Tower Bersama Infrastructure Tbk | Summary (IDR bn)

	2018	2019	2020 E	2021 F
Revenue	4,318	4,699	4,938	5,065
<i>Revenue growth</i>	7.3%	8.8%	5.1%	2.6%
EBITDA	3,720	3,972	4,190	4,244
Net profit	681	819	939	792
EPS (IDR)	30	36	46	39
BVPS (IDR)	162	244	268	284
EBITDA margin	86.1%	84.5%	84.9%	83.8%
NPM	15.8%	17.4%	20.9%	17.5%
ROE	18.5%	14.8%	17.0%	13.8%
ROA	2.3%	2.7%	3.1%	2.5%
ROIC	2.7%	2.9%	3.4%	2.7%
P/E	24.0x	34.0x	29.8x	34.8x
P/BV	4.4x	5.0x	5.1x	4.8x
EV/EBITDA	10.5x	12.7x	13.4x	13.6x
DPS (IDR)	26	22	23	20
<i>Dividend yield</i>	3.7%	1.8%	1.7%	1.4%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

Hold

Target Price (IDR)	1,400
Consensus Price (IDR)	1,390
TP to Consensus Price	+0.8%
vs. Last Price	+8.5%

Shares data

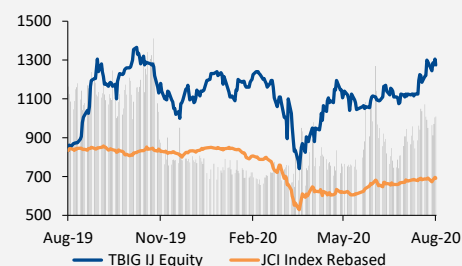
Last Price (IDR)	1,290
Price date as of	Aug 10, 2020
52 wk range (Hi/Lo)	1,365 / 730
Free float	39.5%
Outstanding sh.(mn)	22,657
Market Cap (IDR bn)	29,001
Market Cap (USD mn)	1,967
Avg. Trd Vol - 3M (mn)	39.8
Avg. Trd Val - 3M (bn)	46.2
Foreign Ownership	12.3%

Infrastructure

Telecommunication Towers

Bloomberg	TBIG IJ
Reuters	TBIG.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	4.0%	14.7%	15.2%	48.3%
Rel. Ret	21.9%	12.2%	4.0%	65.8%

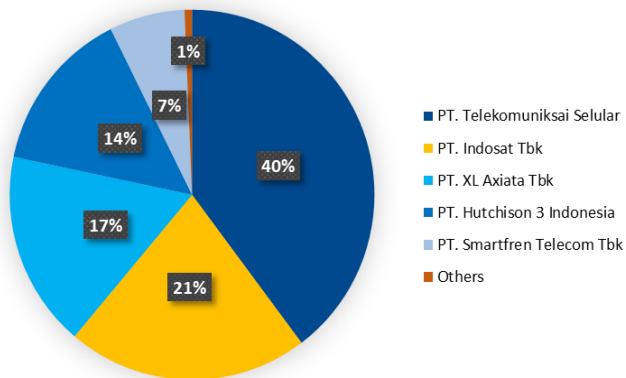
Restu Pamungkas

+62 21 5088 9133

restu.pamungkas@nhsec.co.id

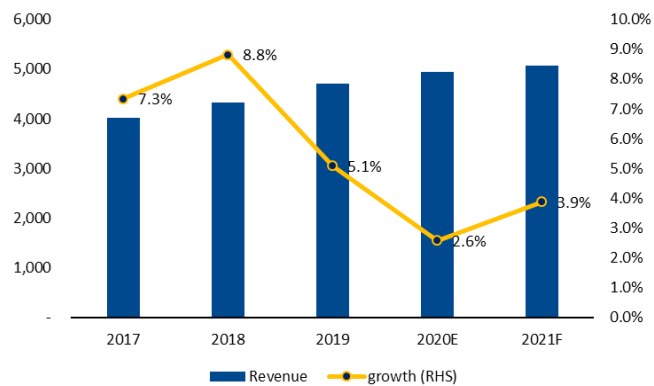
Performance Highlights

Revenue Composition 1Q20



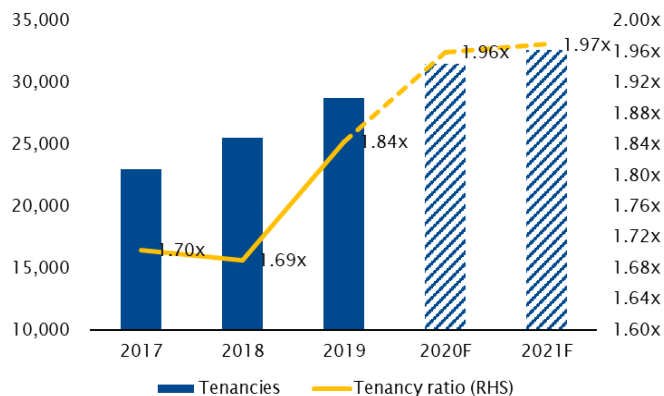
Source: Company, NHKSI Research

Revenue Projection (Bn)



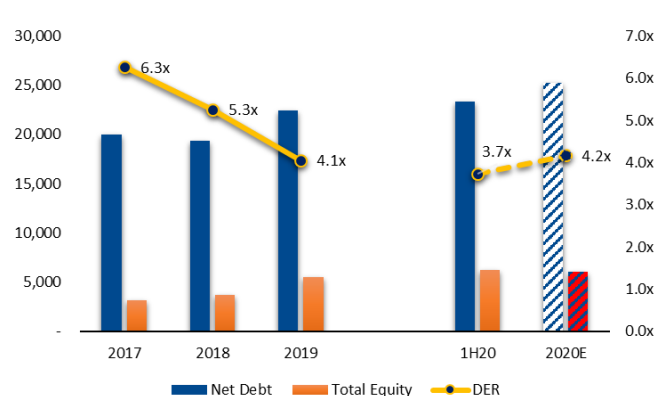
Source: Company, NHKSI Research

Tenancy Ratio



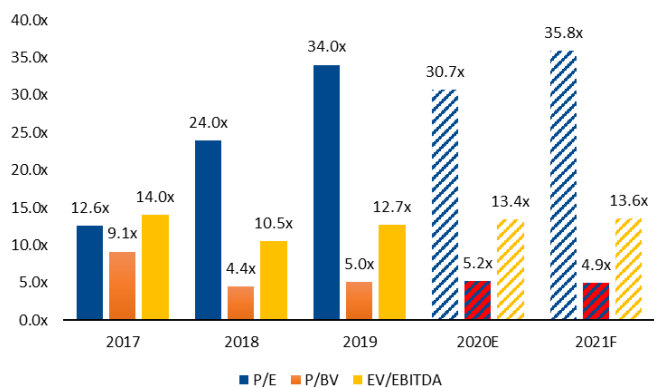
Source: Company, NHKSI Research

Net Debt/Equity (Bn)



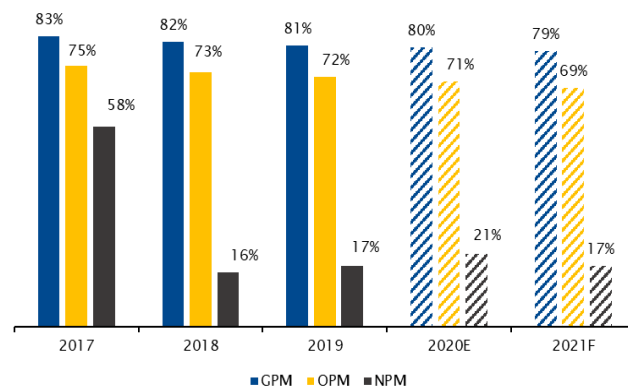
Source: Company, NHKSI Research

Multiple Valuation



Source: Company, NHKSI Research

TBIG Margins

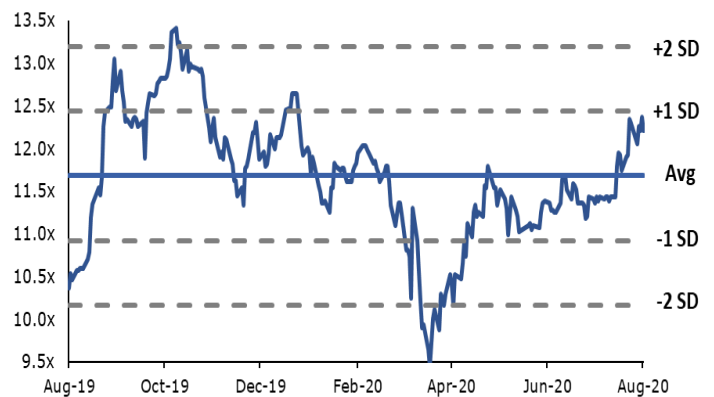


Source: Bloomberg, Company, NHKSI Research

PT Tower Bersama Infrastructure Tbk (TBIG) is the holding company of the Tower Bersama Group. TBIG was founded in 2004 and its shares have been listed on the Indonesia Stock Exchange since 26 October 2010.

Tower Bersama Group is one of the two largest independent tower companies in Indonesia. The main business activity is to lease tower space on sites for installation of telecommunications equipment owned by tenants for signal transmission based on a long-term lease agreement scheme through its Subsidiaries. TBIG also provides access for telecommunications operators to the repeater network and the company's IBS so that it can transmit the telecommunications system network in office buildings and shopping centers located in urban areas.

Forward EV/EBITDA Trade in +1SD



Source: NHKSI Research

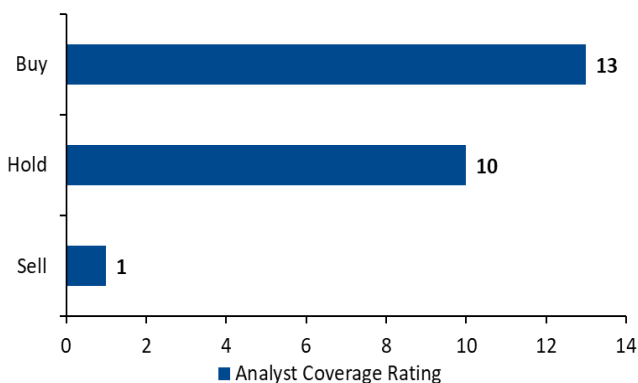
Rating and Target Price Update

Target Price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
08/11/2020	Hold	1,400 (12 Month)	1,290	1,390	+8.5%	+0.8%

Source: NHKSI Research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
 - Buy : Greater than +15%
 - Hold : -15% to +15%
 - Sell : Less than -15%

Financial Summary

INCOME STATEMENT

(IDR bn)	2018/12	2019/12	2020/12E	2021/12F
Revenue	4,318	4,699	4,938	5,065
<i>Growth</i>	7.3%	8.8%	5.1%	2.6%
Cost of Revenue	(784)	(903)	(982)	(1,054)
Gross Profit	3,534	3,795	3,956	4,011
<i>Gross Margin</i>	81.8%	80.8%	80.1%	79.2%
Operating Expenses	(381)	(426)	(474)	(532)
EBIT	3,153	3,369	3,482	3,479
<i>EBIT Margin</i>	73.0%	71.7%	70.5%	68.7%
EBITDA	3,720	3,972	4,190	4,244
<i>EBITDA Margin</i>	86.1%	84.5%	84.9%	83.8%
Interest Expenses	(2,072)	(2,017)	(2,219)	(2,418)
EBT	1,034	1,223	1,314	1,118
Income Tax	(332)	(356)	(329)	(279)
Minority Interest	(22)	(47)	(47)	(47)
Net Profit	681	819	939	792
<i>Growth</i>	-70.6%	20.4%	26.0%	-14.3%
<i>Net Profit Margin</i>	15.8%	17.4%	19.0%	15.6%

BALANCE SHEET

(IDR bn)	2018/12	2019/12	2020/12E	2021/12F
Cash	221	525	882	1,705
Receivables	383	467	438	450
Inventories	23	18	26	27
Total Current Assets	2,027	2,377	2,496	3,334
Net Fixed Assets	21,879	24,649	27,189	27,974
Other Non Current Assets	5,208	3,846	3,808	3,808
Total Assets	29,114	30,872	33,493	35,116
Payables	232	248	223	221
ST Debt	624	2,147	2,147	2,147
LT Debt	13	14	25	28
Total Liabilities	25,434	25,348	27,428	28,683
Capital Stock	453	453	453	453
Retained Earnings	1,342	1,611	2,152	2,521
Shareholders' Equity	3,680	5,523	6,064	6,433

CASH FLOW STATEMENT

(IDR bn)	2018/12	2019/12	2020/12E	2021/12F
Operating Cash Flow	1,001	669	1,348	893
Investing Cash Flow	(3,479)	(1,472)	(2,546)	(810)
Financing Cash Flow	2,197	1,057	1,554	741
Net Changes in Cash	(281)	255	356	824

PROFITABILITY & STABILITY

	2018/12	2019/12	2020/12E	2021/12F
ROE	18.5%	14.8%	17.0%	13.8%
ROA	2.3%	2.7%	3.1%	2.5%
ROIC	2.7%	2.9%	3.4%	2.7%
Cash Dividend (IDR bn)	600	492	516	442
Dividend Yield	3.7%	1.8%	1.7%	1.4%
Payout Ratio	88.2%	60.0%	55.0%	55.9%
DER	6.2x	4.2x	4.2x	4.3x
Net Gearing	6.8x	4.6x	4.6x	4.7x
LT Debt to Equity	6.0x	3.8x	3.8x	3.7x
Capitalization Ratio	0.9x	0.8x	0.8x	0.8x
Equity Ratio	0.1x	0.2x	0.2x	0.2x
Debt Ratio	0.8x	0.7x	0.8x	0.8x
Financial Leverage	8.0x	6.5x	5.6x	5.5x
Current Ratio	0.3x	0.5x	0.4x	0.5x
Par Value (IDR)	50	51	52	53
Total Shares (mn)	22,657	22,657	22,657	22,657
Share Price (IDR)	720	1,230	1,360	1,360
Market Cap (IDR tn)	16,313	27,868	31,720	31,720

VALUATION INDEX

	2018/12	2019/12	2020/12E	2021/12F
Price/Earnings	24.0x	34.0x	29.8x	34.8x
Price/Book Value	4.4x	5.0x	5.1x	4.8x
Price/Sales	3.8x	5.9x	6.2x	6.1x
PE/EPS Growth	-0.3x	1.7x	1.1x	-2.4x
EV/EBITDA	10.5x	12.7x	13.4x	13.6x
EV/EBIT	12.4x	14.9x	16.1x	16.5x
EV (IDR bn)	38,954	50,303	56,097	57,538
Sales CAGR (3-Yr)	-73.6%	-73.7%	-72.8%	-71.6%
EPS CAGR (3-Yr)	-30.0%	-47.5%	-25.2%	-74.4%
Basic EPS (IDR)	30	36	46	39
Diluted EPS (IDR)	30	36	46	39
BVPS (IDR)	162	244	268	284
Sales PS (IDR)	190.6	207.4	217.9	223.6
DPS (IDR)	26	22	23	20

OWNERSHIP

By Geography	% Shareholders	%	
Indonesia	87.7	PT Wahana Anugerah	33.7
United States	9.1	Provident Capital Indo	25.5
United Kingdom	0.4	Vanguard Group Inc	1.5
Canada	0.3	Baron Capital Inc	1.1

Source: Company Data, NHKSI Research

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