

Tower Bersama Infrastructure Tbk (TBIG)

Bottom Line Still as Expected

The company's performance grew, driven by an increase in tower leases by TRI and FREN, which recorded growth of 57.0% YoY and 41.5% YoY. The solid growth in tower rental is due to the telecommunications operator sector, which currently benefits from government policy to subsidize internet quota. This pushed the company's bottom line to grow by 3.1% YoY.

Tenancy Increases, 3Q20 Income Jumps. TBIG booked income growth in Q3-2020 of 14.1% YoY, 3.4% QoQ to IDR1.4 trillion (vs IDR1.2 trillion FY19). The increase came from a rise in telecommunication tower tenancy, with the biggest growth from PT Hutchison 3 Indonesia (TRI) and PT Smartfren Telecom Tbk (FREN) that increased their tower leases by 57.0% YoY and 41.5% YoY in Q3-2020. The increase in revenue pushed the company's bottom line in line with our expectations, with net profit recorded a growth of 3.1% YoY to IDR237.0 billion.

Telkomsel is still the biggest contributor to the company's recorded income in the third quarter. Telkomsel contributed 39.3% to the company's income, followed by ISAT (21.5%), EXCL (17.0%), TRI (14.6%), FREN (6.9%). Government subsidy through the Ministry of Education and Culture on internet quota for students in university and schools, as well as teachers caused telecommunication operators to increase their tower lease capacity. We forecast the company's income will continue to grow until 4th quarter.

Income and Net Profit Revision. We revised the company's income and net profit to IDR5.3 trillion (+11.8% YoY) and IDR1.1 triliun (+38.4% YoY). We revised our projection of TBIG's performance considering the company currently owns more than 3,000 towers in the third quarter, more than its FY20 target. In addition, we see an opportunity for revenue growth of 30% in the fourth quarter of 2020, along with an increase in data traffic and the need for tower lease by telecommunications operators during the current pandemic. We also estimate that the company can still add towers up to 3,774 by the end of 2020. Meanwhile, the company plans to reissue debt securities denominated in foreign currency equivalent to USD700 million for the needs of its subsidiaries. This will certainly increase the value of the company's debt. Currently the company's debt level is around 3.7x. We see that in FY21, TBIG can still add more towers, although limited.

Recommends Overweight Rating with Target Price of IDR1,565. We increased target price for TBIG as the Q3-2020 income was better than our expectation. Our target price is equal to EV/EBITDA at level 13.4x/13.7x FY20E/FY21E. Based on our valuation, TBIG is currently traded at EV/EBITDA of 12.9x, above the 3-year average of 12.4x.

Tower Bersama Infrastructure Tbk | Summary (IDR bn)

	2018	2019	2020 F	2021 F
Revenue	4,318	4,699	5,252	5,367
<i>Revenue growth</i>	7.3%	8.8%	11.8%	2.2%
EBITDA	3,720	3,972	4,532	4,600
Net profit	681	819	1,041	820
EPS (IDR)	30	36	50	40
BVPS (IDR)	162	244	272	287
EBITDA margin	86.1%	84.5%	86.3%	85.7%
NPM	15.8%	17.4%	21.6%	17.0%
ROE	18.5%	14.8%	18.4%	14.0%
ROA	2.3%	2.7%	3.3%	2.5%
ROIC	2.7%	2.9%	3.7%	2.7%
P/E	24.0x	34.0x	31.3x	38.8x
P/BV	4.4x	5.0x	5.8x	5.4x
EV/EBITDA	10.5x	12.7x	13.4x	13.7x
DPS (IDR)	26	22	25	20
<i>Dividend yield</i>	3.7%	1.8%	1.6%	1.3%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia



Company Report | November 04, 2020

Overweight

Target Price (IDR)	1,565
Consensus Price (IDR)	1,512
TP to Consensus Price	+3.5%
vs. Last Price	+7.2%

Shares data

Last Price (IDR)	1,460
Price date as of	Nov 03, 2020
52 wk range (Hi/Lo)	1,525 / 730
Free float	39.2%
Outstanding sh.(mn)	22,657
Market Cap (IDR bn)	32,513
Market Cap (USD mn)	2,230
Avg. Trd Vol - 3M (mn)	51.6
Avg. Trd Val - 3M (bn)	68.4
Foreign Ownership	11.1%

Infrastructure

Telecommunication Towers

Bloomberg	TBIG IJ
Reuters	TBIG.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	17.7%	9.8%	17.3%	25.9%
Rel. Ret	35.6%	5.7%	14.2%	42.4%

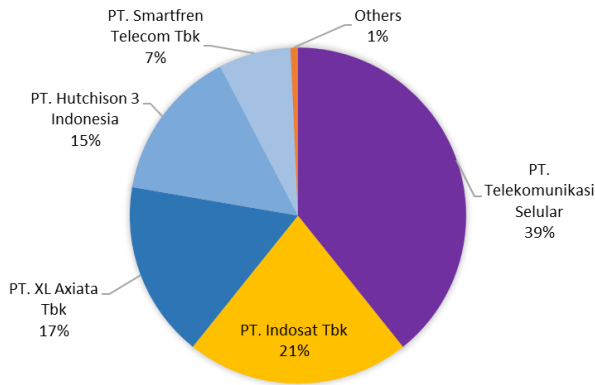
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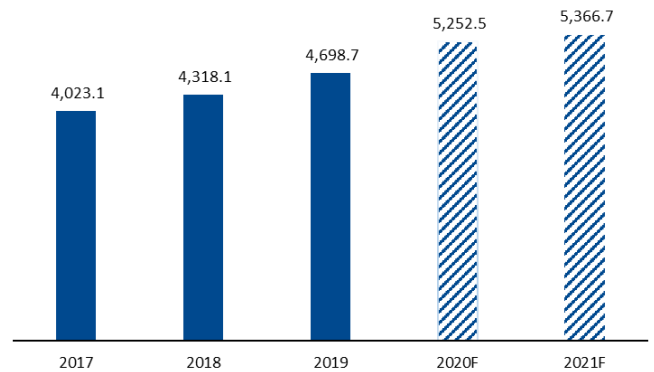
Performance Highlights

Revenue Composition 3Q20



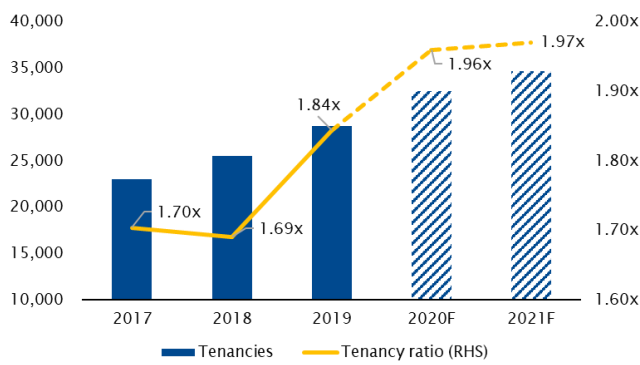
Source: Company, NHKSI Research

Revenue Projection (Bn)



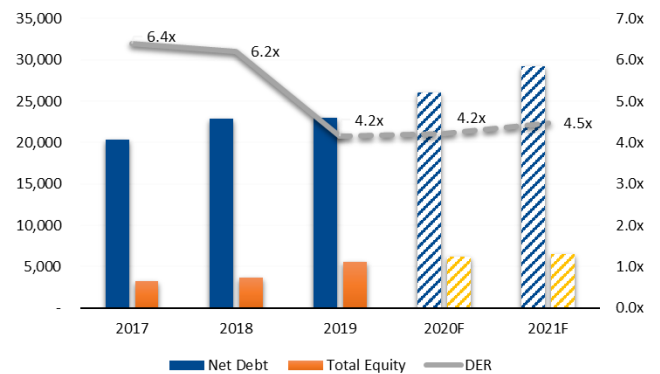
Source: Company, NHKSI Research

Tenancy Ratio



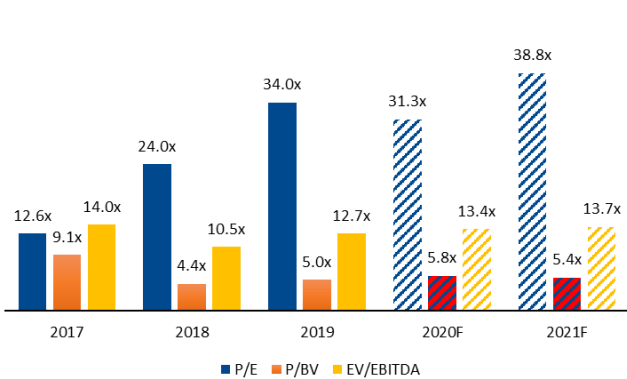
Source: Company, NHKSI Research

Net Debt/Equity (Bn)



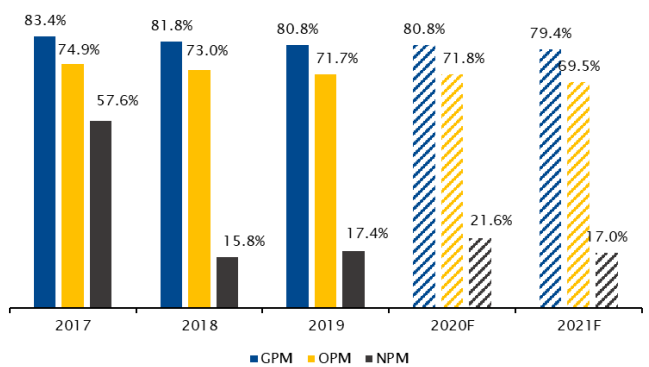
Source: Company, NHKSI Research

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 +2SD area



Source: NHKSI Research

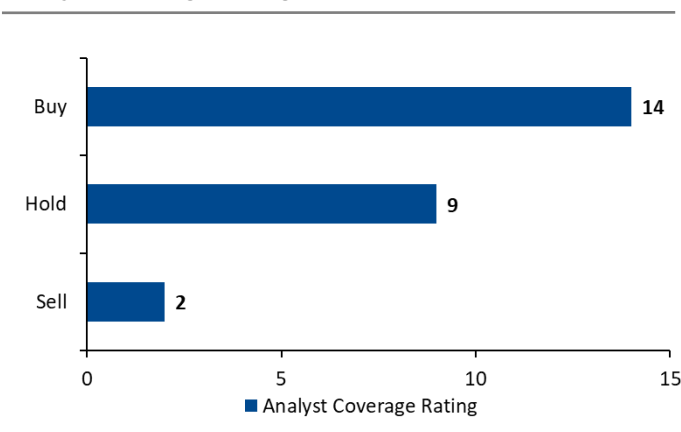
Rating and Target Price Update

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%
11/04/2020	Overweight	1,565 (12 Month)	1,460	1,512	+7.2%	+3.5%

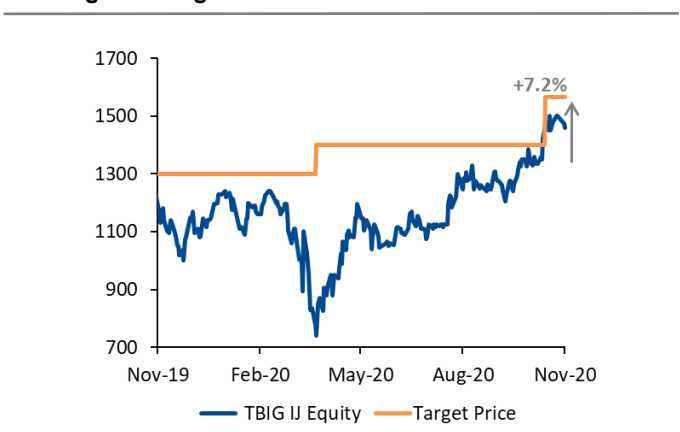
Source: NHKSI Research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) stock ratings

- Period: Next 12-months
- Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : 5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% 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	5,252	5,367
<i>Growth</i>	7.3%	8.8%	11.8%	2.2%
Cost of Revenue	(784)	(903)	(1,008)	(1,107)
Gross Profit	3,534	3,795	4,244	4,259
<i>Gross Margin</i>	81.8%	80.8%	80.8%	79.4%
Operating Expenses	(381)	(426)	(474)	(532)
EBIT	3,153	3,369	3,770	3,727
<i>EBIT Margin</i>	73.0%	71.7%	71.8%	69.5%
EBITDA	3,720	3,972	4,532	4,600
<i>EBITDA Margin</i>	86.1%	84.5%	86.3%	85.7%
Interest Expenses	(2,072)	(2,017)	(2,288)	(2,563)
EBT	1,034	1,223	1,535	1,224
Income Tax	(332)	(356)	(448)	(357)
Minority Interest	(22)	(47)	(47)	(47)
Net Profit	681	819	1,041	820
<i>Growth</i>	-70.6%	20.4%	38.4%	-19.4%
<i>Net Profit Margin</i>	15.8%	17.4%	19.8%	15.3%

BALANCE SHEET

(IDR bn)	2018/12	2019/12	2020/12E	2021/12F
Cash	221	525	826	1,522
Receivables	383	467	466	476
Inventories	23	18	28	28
Total Current Assets	2,027	2,377	2,476	3,185
Net Fixed Assets	21,879	24,649	28,041	29,676
Other Non Current Assets	5,208	3,846	3,808	3,808
Total Assets	29,114	30,872	34,325	36,668
Payables	232	248	237	234
ST Debt	624	2,147	2,147	2,147
LT Debt	13	14	26	29
Total Liabilities	25,434	25,348	28,159	30,155
Capital Stock	453	453	453	453
Retained Earnings	1,342	1,611	2,254	2,600
Shareholders' Equity	3,680	5,523	6,166	6,513

CASH FLOW STATEMENT

(IDR bn)	2018/12	2019/12	2020/12E	2021/12F
Operating Cash Flow	1,001	669	1,460	947
Investing Cash Flow	(3,479)	(1,472)	(3,423)	(1,685)
Financing Cash Flow	2,197	1,057	2,264	1,433
Net Changes in Cash	(281)	255	301	696

Source: Company Data, NHKSI Research

PROFITABILITY & STABILITY

	2018/12	2019/12	2020/12E	2021/12F
ROE	18.5%	14.8%	18.4%	14.0%
ROA	2.3%	2.7%	3.3%	2.5%
ROIC	2.7%	2.9%	3.7%	2.7%
Cash Dividend (IDR bn)	600	492	567	457
Dividend Yield	3.7%	1.8%	1.6%	1.3%
Payout Ratio	88.2%	60.0%	54.5%	55.7%
DER	6.2x	4.2x	4.2x	4.5x
Net Gearing	6.8x	4.6x	4.6x	4.9x
LT Debt to Equity	6.0x	3.8x	3.8x	3.9x
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	5.6x
Current Ratio	0.3x	0.5x	0.3x	0.5x
Par Value (IDR)	50	50	50	50
Total Shares (mn)	22,657	22,657	22,657	22,657
Share Price (IDR)	720	1,230	1,565	1,565
Market Cap (IDR tn)	16,313	27,868	35,458	35,458

VALUATION INDEX

	2018/12	2019/12	2020/12E	2021/12F
Price/Earnings	24.0x	34.0x	31.3x	38.8x
Price/Book Value	4.4x	5.0x	5.8x	5.4x
Price/Sales	3.8x	5.9x	6.8x	6.6x
PE/EPS Growth	-0.3x	1.7x	0.8x	-2.0x
EV/EBITDA	10.5x	12.7x	13.4x	13.7x
EV/EBIT	12.4x	14.9x	16.1x	16.9x
EV (IDR bn)	38,954	50,303	60,675	63,118
Sales CAGR (3-Yr)	-73.6%	-73.7%	-74.5%	-73.2%
EPS CAGR (3-Yr)	-30.0%	-47.5%	-31.9%	-75.2%
Basic EPS (IDR)	30	36	50	40
Diluted EPS (IDR)	30	36	50	40
BVPS (IDR)	162	244	272	287
Sales PS (IDR)	190.6	207.4	231.8	236.9
DPS (IDR)	26	22	25	20

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	89.0	PT Wahana Anugerah 34.0
United States	7.8	Provident Capital Indo 25.5
United Kingdom	0.4	Vanguard Group Inc. 1.5
Canada	0.3	Janus Henderson Gr. 1.1

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