

Tower Bersama Infrastructure Tbk (TBIG)

Limited Tower Acquisition Potential



TBIG's performance in Q1-2021 was solid, as Top and Bottom Line grew double digits at 12.7% YoY and 16.4% YoY respectively. Hutchison 3 and FREN increased their tower tenancy (30.8% YoY and 27.4% YoY). Potential revenue growth from FREN's tower tenancy will be reflected in the first semester, after TBIG acquired 3,000 IBST towers in April 2021.

Performance Still Solid Despite Declining Tsel Tower Tenancy.

- TBIG's revenue grew 12.7% YoY to IDR1.4 trillion in the first quarter of 2021 vs IDR1.3 trillion in 1Q20.
- The largest contributor was still the Tsel tower tenancy at 37.8%. However, this figure is lower than last year's at 40.6%.
- Meanwhile, Hutchison 3 increased its tower tenancy to TBIG, posting 30.8% YoY growth. Contribution also increased to 15.7%. We saw the increase to be caused by the jump in Hutchison Tri's subscribers.
- Decreasing operating costs at 1.5% YoY resulted in operating revenue growth of 4.0% YoY and solid Operating Profit Margin at 69.0%.
- TBIG's Net Profit grew 16.4% YoY to IDR265.9 billion vs IDR228.5 billion in 1Q20.

Potential for Revenue Increase from IBST Tower Acquisition.

- TBIG and PT Inti Bangun Sejahtera Tbk (IBST) have finalised the sale transaction of 3,000 towers worth IDR4.0 trillion in early April. We see that the tower handover will increase TBIG's tower rental revenue.
- FREN was the largest contributor to IBST's revenue at 54.4% in 1Q21. Thus, we are optimistic that with the acquisition, FREN's contribution to tower tenancy at TBIG will increase this year.

Relatively High Net Debt/EBITDA .

- Currently TBIG's Net Debt/EBITDA is at 5.2x, which we see is relatively high compared to the industry's average Net Debt/EBITDA at 3.6x.
- With higher Net Debt/EBITDA level, we expect future expansion in the number of towers will be limited.
- We estimate that at the end of 2021, TBIG's Net Debt/EBITDA will be at 4.9x.

Rate HOLD with a Target Price of IDR3,240.

- The relatively high Net Debt/EBITDA caused us to rate HOLD for TBIG with a target price of 3,240.
- Our target price reflects EV/EBITDA level at 19.2x. Average 1-Year at 14.5x. Currently, TBIG is traded at EV/EBITDA 17.2x.

Tower Bersama Infrastructure Tbk | Summary (IDR bn)

	2019A	2020A	2021F	2022F
Revenue	4,699	5,328	5,797	5,833
Growth	8.8%	13.4%	8.8%	0.6%
Net Profit	819	1,010	1,240	1,142
Growth	20.4%	23.2%	22.8%	-7.9%
EPS (IDR)	36	45	55	50
P/E	34.0x	36.6x	59.2x	64.3x
P/BV	5.0x	4.0x	7.4x	7.0x
EV/EBITDA	12.7x	13.1x	19.2x	19.3x
ROE	14.8%	10.9%	12.5%	10.9%
DER	4.2x	2.6x	2.6x	2.6x
Dividend Yield	10.8%	8.2%	4.1%	4.2%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

Company Report | July 23, 2021

HOLD

Target Price (IDR)	3,240
Consensus Price (IDR)	3,051
TP to Consensus Price	+6.2%
Potential Upside	+4.2%

Shares data

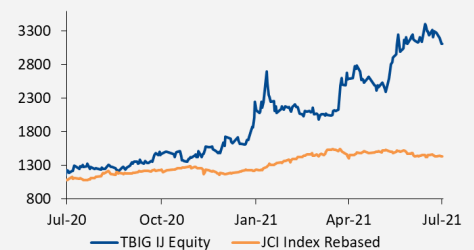
Last Price (IDR)	3,110
Price date as of	July 22, 2021
52 wk range (Hi/Lo)	3,440 / 1,155
Free float	62.0%
Outstanding sh.(mn)	22,657
Market Cap (IDR bn)	70,463
Market Cap (USD mn)	4,863
Avg. Trd Vol - 3M (mn)	72.0
Avg. Trd Val - 3M (bn)	203.6
Foreign Ownership	14.7%

Infrastructure

Telecommunication Towers

Bloomberg	TBIG IJ
Reuters	TBIG.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	81.3%	23.4%	20.1%	153.9%
Rel. Ret	80.8%	16.9%	17.7%	133.8%

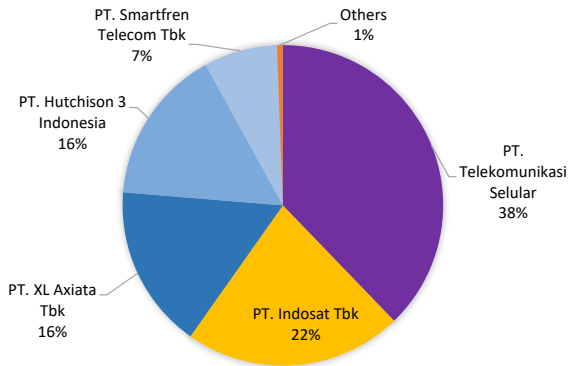
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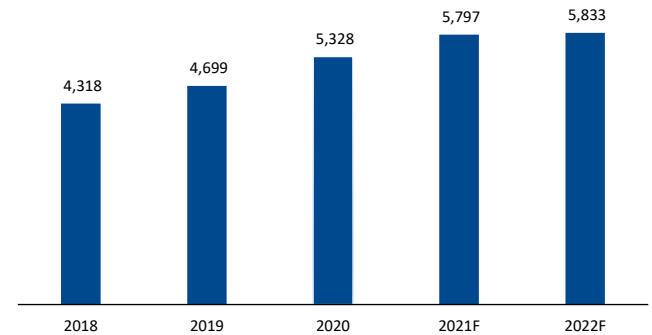
Performance Highlights

Revenue Contribution 1Q21



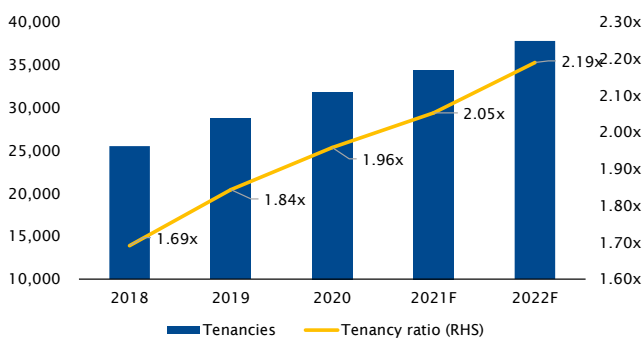
Source: Company, NHKSI Research

Revenue Projection (bn)



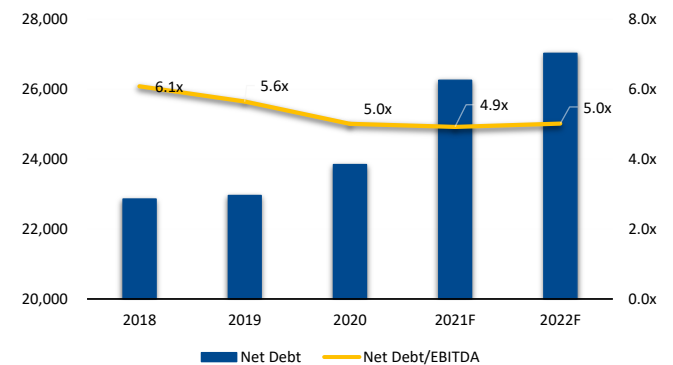
Source: Company, NHKSI Research

Tenancy Ratio



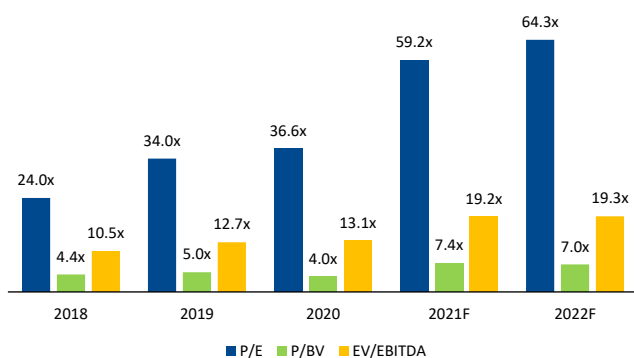
Source: Company, NHKSI Research

Net Debt/EBITDA



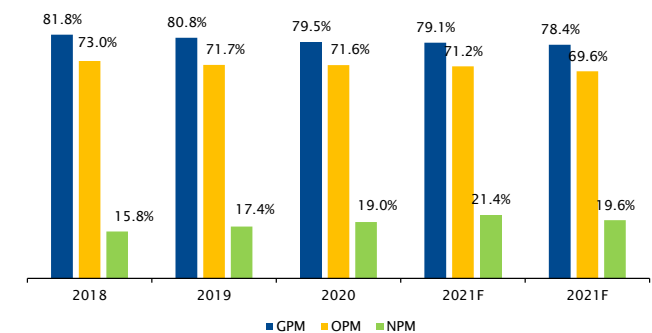
Source: Company, NHKSI Research

Multiple Valuation



Source: Company, NHKSI Research

TBIG Margins



Source: Bloomberg, Company, NHKSI Research



PT Tower Bersama Infrastructure Tbk ("TBIG") is the parent company of Tower Bersama Group. TBIG was established in 2004, and has been listed in the Indonesia Stock Exchanges since October 26, 2010.

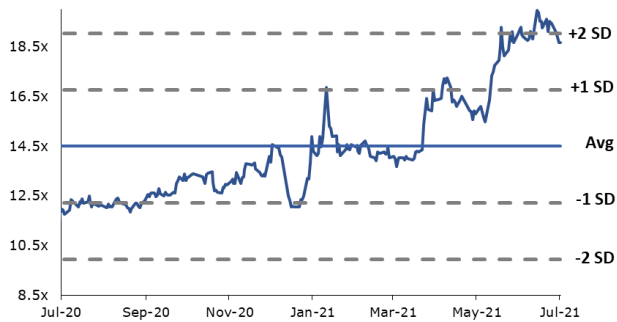
Tower Bersama Group is one of the two biggest independent tower companies in Indonesia. Its main business line is to rent tower space on sites as a place for installation of telecommunication equipment owned by tenants for signal transmission, based on a long-term lease agreement scheme through Subsidiaries. TBIG also provides access for telecommunication operators to the company's repeater and IBS networks so that they can transmit telecommunication system networks in office buildings and shopping centers located in urban areas.

Asia Peers Comparison

Company	Market Cap (USD mn)	Asset (USD mn)	Revenue LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Profit Margin	ROE LTM	EV/ EBITDA LTM	P/BV
Indonesia									
TBIG	5,002	2,623	377	72	26.15%	19.1%	15.2%	15.1x	7.5x
TOWR	4,611	2,460	521	214	30.05%	41.0%	30.8%	12.0x	6.0x
CENT	598	548	80	(47)	N/A	-59.1%	-26.4%	N/A	3.7x
SUPR	628	865	135	50	130.34%	37.1%	20.8%	7.8x	2.4x
IBST	466	748	78	4	-49.37%	4.8%	0.9%	19.9x	1.1x
China									
China Tower Corp	24,009	51,688	11,766	933	23.09%	7.9%	3.49%	4.6x	0.8x
Xinjiang Comm	1,021	2,238	1,083	19	-27.86%	1.8%	5.39%	N/A	2.6x
Changshu Fengfan Power	714	727	380	34	N/A	8.9%	9.04%	N/A	1.8x
Hubei Kaile Science	1,206	1,926	1,248	69	-31.99%	5.5%	7.11%	N/A	1.1x
China Maachinery E.	1,938	7,816	2,771	172	-45.90%	6.2%	6.58%	N/A	0.7x

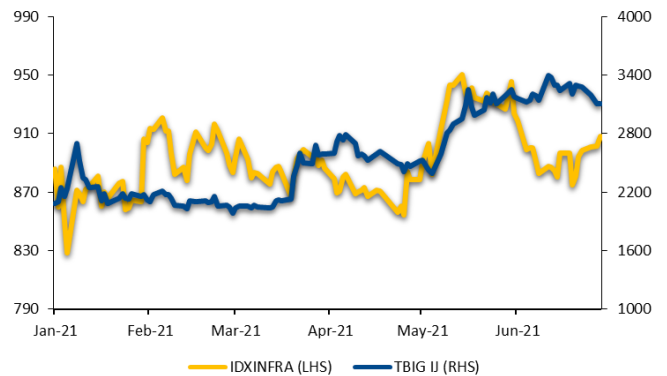
Source: Bloomberg, NHKSI Research

Forward EV/EBITDA Trade in +2SD area



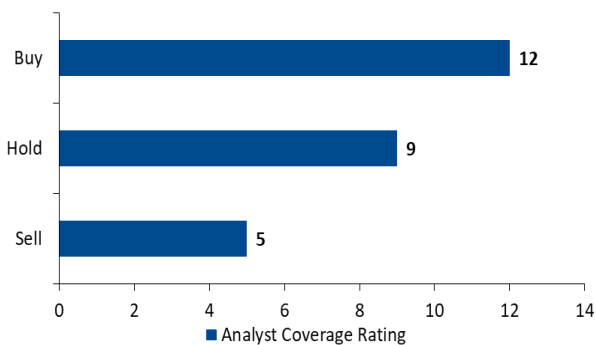
Source: Bloomberg

TBIG IJ & JAKINF



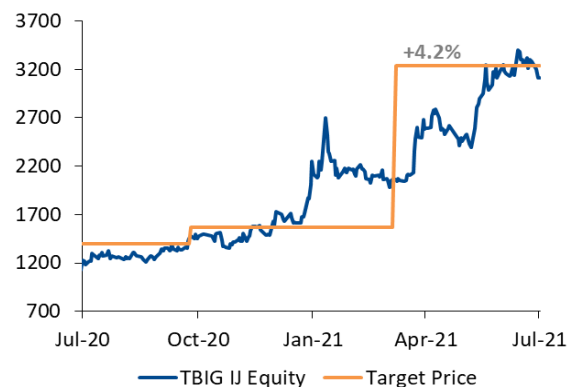
Source: NHKSI Research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI Research

Rating and Target Price Update

Target Price

Date	Rating	Target Price	Last Price	Consensus	Potential Upside	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%
07/23/2021	Hold	3,240 (12 Month)	3,110	3,051	+4.2%	+6.2%

Source: NHKSI Research, Bloomberg

Financial Summary

INCOME STATEMENT

(IDR bn)	2019/12	2020/12	2021/12F	2022/12F
Revenue	4,699	5,328	5,797	5,833
<i>Growth</i>	8.8%	13.4%	8.8%	0.6%
Cost of Revenue	(903)	(1,093)	(1,209)	(1,258)
Gross Profit	3,795	4,235	4,588	4,575
<i>Gross Margin</i>	80.8%	79.5%	79.1%	78.4%
Operating Expenses	(426)	(419)	(459)	(518)
EBIT	3,369	3,816	4,129	4,057
<i>EBIT Margin</i>	71.7%	71.6%	71.2%	69.6%
EBITDA	3,972	4,573	5,127	5,134
<i>EBITDA Margin</i>	84.5%	85.8%	88.4%	88.0%
Interest Expenses	(2,017)	(2,135)	(2,350)	(2,419)
EBT	1,223	1,509	1,684	1,546
Income Tax	(356)	(443)	(491)	(451)
Minority Interest	(47)	(57)	(47)	(47)
Net Profit	819	1,010	1,147	1,048
<i>Growth</i>	20.4%	23.2%	22.8%	-7.9%
<i>Net Profit Margin</i>	17.4%	19.0%	19.8%	18.0%

BALANCE SHEET

(IDR bn)	2019/12	2020/12	2021/12F	2022/12F
Cash	525	947	1,012	1,265
Receivables	467	711	773	778
Inventories	18	118	60	61
Total Current Assets	2,377	3,227	3,320	3,580
Net Fixed Assets	24,649	28,738	31,636	32,576
Other Non Current Assets	3,846	1,941	2,049	2,049
Total Non Current Assets	28,495	33,294	36,300	37,240
Total Assets	30,872	36,521	39,620	40,820
Payables	248	571	621	532
ST Debt	2,147	6,900	6,565	6,758
Total Current Liabilities	4,514	13,778	14,627	14,873
LT Debt	14	-	-	-
Total Liabilities	25,348	27,217	29,682	30,360
Capital Stock	453	453	453	453
Retained Earnings	1,611	2,204	2,839	3,360
Shareholders' Equity	5,523	9,304	9,938	10,460

CASH FLOW STATEMENT

(IDR bn)	2019/12	2020/12	2021/12F	2022/12F
Operating Cash Flow	669	1,216	2,070	1,072
Investing Cash Flow	(1,472)	(4,928)	(3,102)	(970)
Financing Cash Flow	1,057	3,945	1,807	151
Net Changes in Cash	255	233	775	253

Source: Company Data, NHKSI Research

PROFITABILITY & STABILITY

	2019/12	2020/12	2021/12F	2022/12F
ROE	14.8%	10.9%	12.5%	10.9%
ROA	2.7%	2.8%	3.1%	2.8%
Inventory Turnover	265.3x	45.0x	96.0x	96.0x
Receivables Turnover	6.1x	5.5x	5.5x	5.5x
Payables Turnover	16.3x	9.0x	9.0x	10.6x
Dividend Yield	10.8%	8.2%	4.1%	4.2%
Payout Ratio	0.0%	0.0%	0.0%	0.0%
DER	4.2x	2.6x	2.6x	2.6x
Net Gearing	4.6x	2.7x	2.8x	2.7x
Equity Ratio	0.2x	0.3x	0.3x	0.3x
Debt Ratio	0.7x	0.7x	0.7x	0.7x
Financial Leverage	6.5x	4.5x	4.0x	3.9x
Current Ratio	0.5x	0.2x	0.2x	0.2x
Quick Ratio	0.3x	0.1x	0.1x	0.2x
Par Value (IDR)	50	50	50	50
Total Shares (mn)	22,657	22,657	22,657	22,657
Share Price (IDR)	1,230	1,630	3,240	3,240
Market Cap (IDR tn)	27,868	36,931	73,409	73,409

VALUATION INDEX

	2019/12	2020/12	2021/12F	2022/12F
Price/Earnings	34.0x	36.6x	59.2x	64.3x
Price/Book Value	5.0x	4.0x	7.4x	7.0x
PE/EPS Growth	1.7x	1.6x	2.6x	-8.1x
EV/EBITDA	12.7x	13.1x	19.2x	19.3x
EV (IDR bn)	50,303	59,831	98,657	99,175
Revenue CAGR (3-Yr)	8.2%	9.8%	10.3%	7.5%
Net Income CAGR (3-Yr)	-14.0%	-24.2%	22.1%	11.7%
Basic EPS (IDR)	36	45	55	50
BVPS (IDR)	244	411	439	462
DPS (IDR)	27	27	25	31

OWNERSHIP

	%
Top Shareholders	
PT Wahana Anugerah S.	34.2
Provident Capital Indo	22.2
Vanguard Group Inc.	1.5
Janus Henderson Gr.	1.1
By Geography	
Indonesia	85.3
United States	6.2
Norway	1.3
Ireland	0.5
Others	6.6

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. 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%

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