

Sarana Menara Nusantara Tbk. (TOWR)

Shining & Growing Amidst the Storm

Kicking off the beginning of 2024, TOWR posted a +6.3% YoY and +0.9%QoQ increase in revenue to IDR 3,047T as of 1Q24 (1Q23: IDR 2,865T & 4Q23: IDR 3,021T). Meanwhile, EBITDA rose +4.4% YoY and fell -0.7% QoQ to IDR 2,545T (1Q23: IDR 2,439T & 4Q23: IDR 2,563T). Net Profit printed by TOWR in 1Q24 became IDR 797.4B (1Q23: IDR 752.4T, +6% YoY and 4Q23: IDR 827.5B, -3.6% QoQ). For the foreseeable future, the challenge that still hinders the growth of TOWR's net profit is the company's character as a capital intensive company, where the increase in interest expense is still haunting in the era of high interest rate period as well as the consolidation situation of telecommunication operators that will take place in the future (EXCL-FREN).

Dissecting Contribution by Segment: Non-Tower Segment Supports TOWR's Sustainable Growth

- The tower rental segment in 1Q24, the largest contributor to TOWR's revenue, is still growing +1% YoY and -1QoQ to IDR 2.081T in 1Q24 (1Q23: IDR 2.061T & 4Q23: IDR 2.103T). As for the operational asset data, the number of towers owned by TOWR currently stands at 31,049 units in 1Q24 (1Q23: 29,757 units, +4.3% YoY and 4Q23: 30,558 units QoQ +1.6%) and the number of Tenancy stands at 54,170 tenants (1Q23: 53,820 tenants +0.7% YoY and 4Q23: 54,284 tenants QoQ -0.2%). Tenancy Ratio of the towers in 1Q24 stood at 1.74x (1Q23: 1.81x, FY22: 1.78x).
- Non tower segment revenue contributed significant growth for TOWR amidst the mature tower segment as well as TOWR's future growth engine (1Q24 Non Tower Segment Revenue: IDR 965B, YoY Growth +20.2% & QoQ Growth +5.2%). Fiber to the Tower (FTTT) segment experienced +15.5% YoY & +3.2% QoQ growth to IDR 476B and FTTH segment experienced exponential growth to IDR 118B in 1Q24. TOWR's installed FTTT network currently spans 186,571 km of Fiber network (Growth: +14.9% YoY & +2.4% QoQ). Based on the location, 117,297 km of FTTT network was installed in Java (64%) and 64,959 km was installed outside Java (36%).

Achieving Inorganic Growth by Acquiring Inti Bangun Sejahtera Tbk. (IBST)

- As of 1 July 2024, TOWR through its subsidiary iForte (part of Protelindo) announced the finalization of the acquisition of 90.11% of the shares of PT Inti Bangun Sejahtera Tbk. (IBST). The acquisition price of IBST is IDR 2,813 / Sheet, where TOWR spent an estimated total transaction estimate of IDR 3.42 Trillion. IBST is a company engaged in the provision of telecommunications towers and infrastructure in Indonesia. For the record, if you look at the origin of the tenant operator, IBST's revenue mostly comes from FREN (Smart Telecom) (FY23 Period: 75%, FY22: 73%). One of the Sinarmas holding-conglomerate entities (energy-infrastructure and technology) Dian Swastika Sentosa Tbk (DSSA) is also a minority shareholder of IBST (8.5%).
- This inorganic expansion is an interesting step to pursue the asset growth of TOWR, where the quantity of towers will catch up with MTEL as the largest tower owner in Indonesia. The proforma assets of TOWR after acquiring IBST are estimated to have ±34,300 towers, ±58,000 tenancies and ±203,000 km of FTTT revenue.
- For the record, the corporate action of the EXCL-FREN merger and the acquisition of IBST will have a significant impact on TOWR's tower rental income. The reason is due to the relocation of towers that will occur after the merger of the two operators. For the record, TOWR's revenue from EXCL accounts for 31% of TOWR's revenue (FY23). Therefore, post the EXCL+FREN merger and the finalization of IBST acquisition, TOWR should also strive to reduce the churn rate from FREN after the merger with EXCL as well as mitigate a large portion of IBST tenants contributed from FREN.

Buy Recommendation with TP at IDR 1,070 Level (+45.6% Upside)

- NHKSI Research remain to give a Buy rating on TOWR, with a lower target price of IDR 1,070 (+45.6% upside potential) reflecting FY24 8.8x Forward EV/EBITDA. (Notes: Excludes the impact of IBST entry). The target reduction is to anticipate the impact of future consolidation of telecommunication operators in Indonesia and the ongoing era of high interest rates, where interest expense has hit TOWR's performance in recent times. Regardless of the above challenges and the ongoing storm, TOWR's valuation is currently quite attractive. The risk of TOWR's call is that it may not achieve its growth expectation in terms of revenue and rental rate as well as interest expense, which is still high due to the higher for longer situation.

Sarana Menara Nusantara Tbk. Tbk | Summary (IDR bn)

	2023/12A	2024/12E	2025/12F	2026/12F
Revenue	11,740	13,067	13,762	14,267
Revenue growth	5.3%	3.7%	3.6%	3.6%
EBITDA	9,980	10,881	11,411	11,772
Net profit	3,253	3,385	3,674	4,109
EPS (IDR)	64	66	72	81
EPS growth	-5.5%	4.1%	8.5%	11.9%
BVPS (IDR)	324	361	406	459
EBITDA margin	85.0%	83.3%	82.9%	82.5%
NPM	27.7%	25.9%	26.7%	28.8%
ROE	19.7%	18.4%	17.7%	17.5%
ROA	4.8%	4.4%	4.5%	4.9%
P/E	11.5x	16.1x	16.1x	16.1x
P/BV	2.3x	3.0x	2.9x	2.8x
EV/EBITDA	8.5x	7.9x	7.5x	7.1x
DPS (IDR)	24	27	27	28
Dividend yield	3.2%	2.5%	2.3%	2.1%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia



Company Report | 8 July 2024

Buy

Target Price (IDR)	1,070
Consensus Price (IDR)	1,137
TP to Consensus Price	-5.9%
Potential Upside	+45.6%

Shares data

Last Price (IDR)	735
Price date as of	5 July 2024
52 wk range (Hi/Low)	1,130 / 660
Free float (%)	37.6
Outstanding sh.(mn)	51,015
Market Cap (IDR bn)	37,241
Market Cap (USD mn)	2,284
Avg. Trd Vol - 3M (mn)	105.02
Avg. Trd Val - 3M (bn)	75.51
Foreign Ownership	26.5%

Infrastructure

Telecommunication Towers

Bloomberg	TOWR.IJ
Reuters	TOWR.JK

Share Price Performance



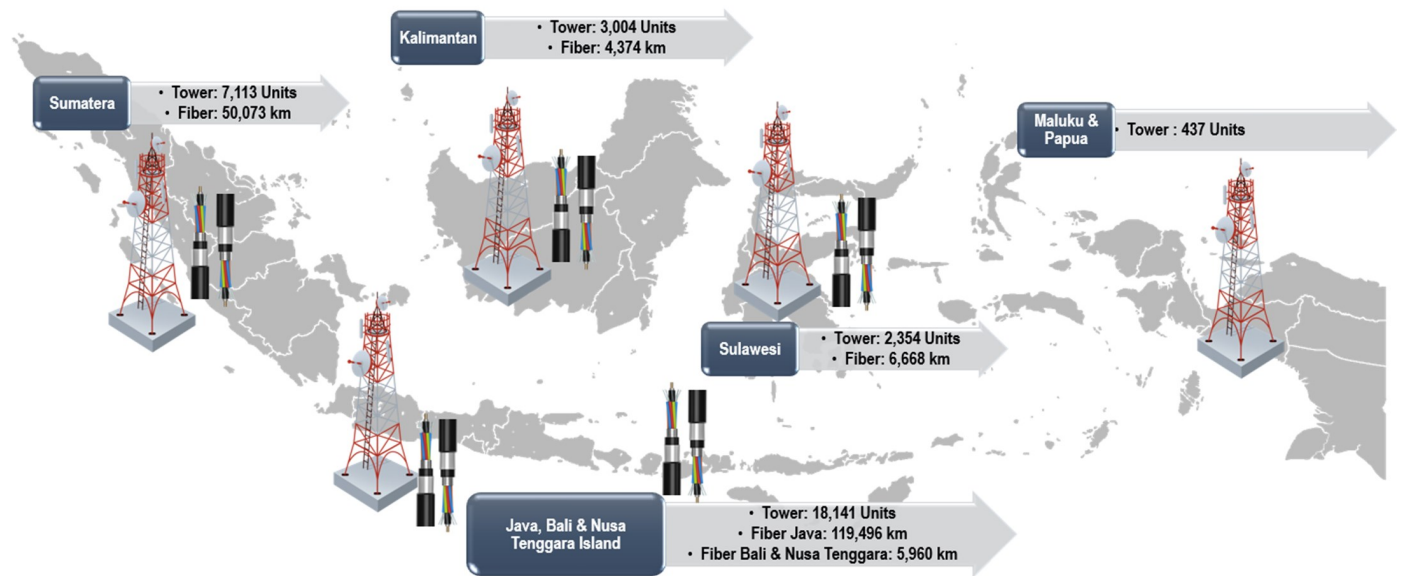
	YTD	1M	3M	12M
Abs. Ret.	-27.2%	4.3%	-14.0%	-33.8%
Rel. Ret.	-26.3%	-0.1%	-13.6%	-41.7%

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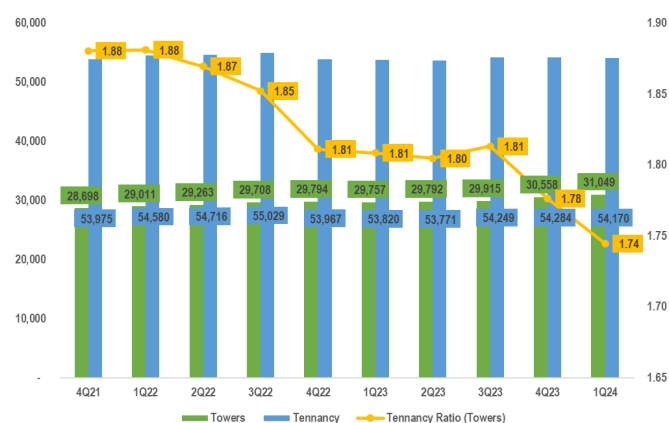
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Sebaran Portfolio Menara & Jaringan Fiber TOWR di Indonesia (Periode 1Q-2024)



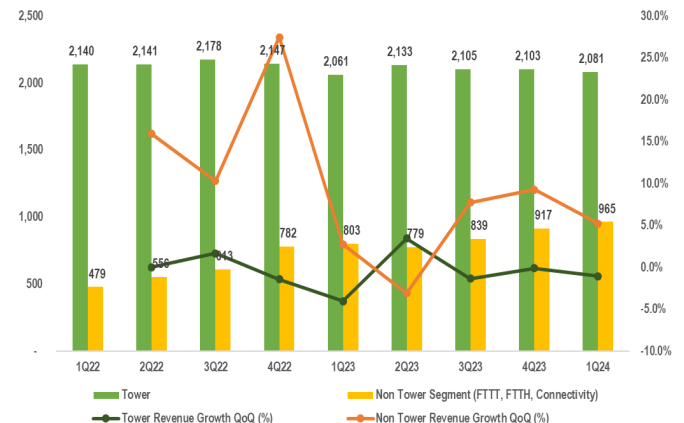
Source: Company Data

TOWR Number Of Towers, Tenancy and Fibers



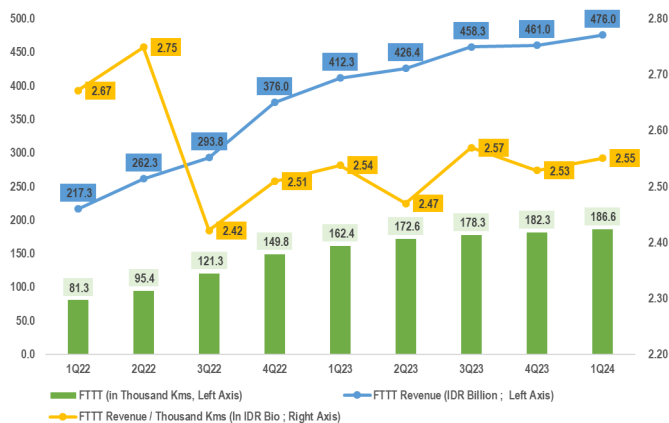
Source: Company Data, NHKSI Research

TOWR Revenue Growth (Non-Tower vs Tower Segment)



Source: Company Data, NHKSI Research

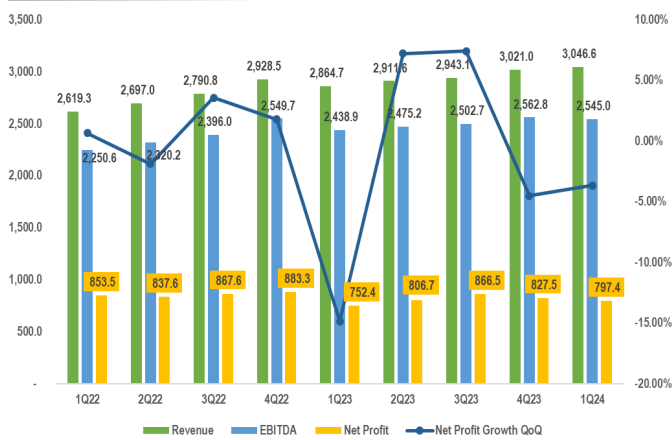
FTTT Portfolio and Revenue Growth



Source: Company Data, NHKSI Research

Performance Highlights

TOWR Financial Performance (In IDR Bio)



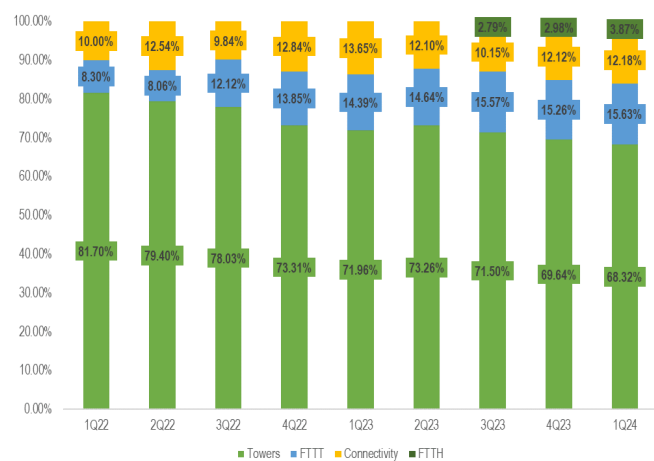
Source: Company, NHKSI Research

TOWR Margin Ratios (In %)



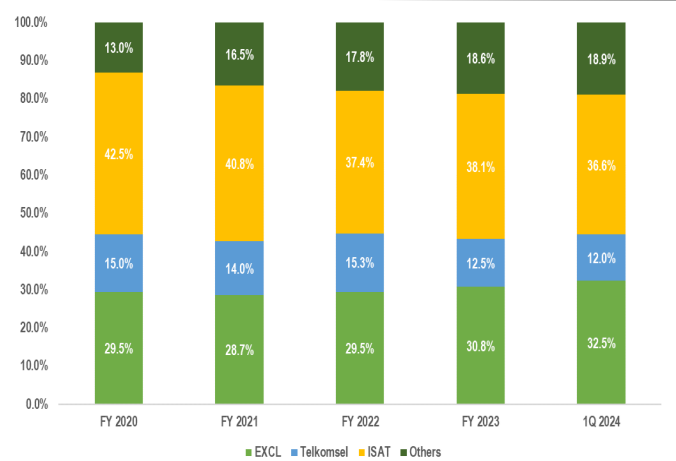
Source: Company, NHKSI Research

TOWR Revenue Breakdown (By Segment)



Source: Company, NHKSI Research

TOWR Revenue Breakdown (By Operators)



Source: Company, NHKSI Research

TOWR Forward EV/EBITDA | Last 3 Years



Source: Company, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2023/12A	2024/12E	2025/12F	2026/12F
Revenue	11,740	13,067	13,762	14,267
Growth	5.3%	3.7%	3.6%	3.6%
Cost of Revenue	(3,528)	(3,815)	(4,302)	(4,645)
Gross Profit	8,213	9,252	9,461	9,622
Gross Margin	70.0%	70.8%	68.7%	67.4%
Operating Expenses	(1,271)	(1,429)	(1,534)	(1,627)
EBIT	6,941	7,823	7,927	7,995
EBIT Margin	59.1%	59.9%	57.6%	56.0%
Depreciation	(2,843)	(3,058)	(3,484)	(3,777)
EBITDA	9,980	10,881	11,411	11,772
EBITDA Margin	85.0%	83.3%	82.9%	82.5%
Interest Expenses	2,858	3,450	3,242	2,870
EBT	4,104	4,382	4,756	5,256
Income Tax	(800)	(977)	(1,061)	(1,126)
Minority Interest	(51)	(20)	(22)	(21)
Net Profit	3,253	3,385	3,674	4,109
Growth	-5.5%	4.1%	8.5%	11.9%
Net Profit Margin	27.7%	25.9%	26.7%	28.8%

BALANCE SHEET

(IDR bn)	2023/12A	2024/12E	2025/12F	2026/12F
Cash	464	3,722	6,874	7,745
Receivables	3,198	2,250	2,370	2,457
Other Current Assets	750	496	530	535
Total Current Assets	4,427	6,468	9,774	10,737
Net Fixed Assets	40,385	44,805	44,747	44,240
Other Non Current Assets	23,607	23,749	25,477	27,612
Total Non Current Assets	63,992	68,553	70,224	71,851
Total Assets	68,419	75,021	79,998	82,588
Payables	1,345	1,455	1,640	1,771
Curr Maturities of LT Debt	11,337	9,260	9,668	9,559
Total Current Liabilities	24,299	16,510	17,467	17,807
LT Debt	19,773	32,812	34,259	33,870
Total Liabilities	51,907	56,603	59,275	59,161
Capital Stock + APIC	18	18	18	18
Retained Earnings	16,688	18,688	20,992	23,697
Shareholders' Equity	16,512	18,419	20,723	23,428

CASH FLOW STATEMENT

(IDR bn)	2023/12A	2024/12E	2025/12F	2026/12F
Operating Cash Flow	5,656	6,289	5,351	5,848
Investing Cash Flow	(3,112)	(7,152)	(3,007)	(2,993)
Financing Cash Flow	(1,313)	2,991	809	(1,984)
Net Changes in Cash	1,230	2,128	3,152	871

Source: Company Data, Bloomberg, NHKSI Research

PROFITABILITY & STABILITY

	2023/12A	2024/12E	2025/12F	2026/12F
ROE	19.70%	18.38%	17.73%	17.54%
ROA	4.75%	4.44%	4.52%	4.90%
Receivables Turnover	3.7x	5.8x	5.8x	5.8x
Payables Turnover	2.6x	2.6x	2.6x	2.6x
Dividend Yield	3.2%	2.5%	2.3%	2.1%
Payout Ratio	36.9%	40.9%	37.3%	34.2%
DER	2.7x	2.7x	2.5x	2.2x
Net Gearing	2.7x	2.6x	2.4x	2.1x
Equity Ratio	0.2x	0.2x	0.3x	0.3x
Debt Ratio	0.7x	0.6x	0.6x	0.6x
Financial Leverage	3.8x	3.9x	4.5x	3.9x
Current Ratio	0.2x	0.4x	0.6x	0.6x
Par Value (IDR)	50	50	50	50
Total Shares (mn)	51,015	51,015	51,015	51,015
Share Price (IDR)	735	1,070	1,160	1,295
Market Cap (IDR Bn)	37,496	54,586	59,177	66,064

VALUATION INDEX

	2023/12A	2024/12E	2025/12F	2026/12F
Price/Earnings	11.5x	16.1x	16.1x	16.1x
Price/Book Value	2.3x	3.0x	2.9x	2.8x
PE/EPS Growth	-2.1x	4.0x	1.9x	1.4x
EV/EBITDA	8.5x	7.9x	7.5x	7.1x
EV (IDR Bn)	85,261	86,376	85,397	83,943
Revenue CAGR (3-Yr)	16.4%	14.8%	7.6%	6.7%
Net Income CAGR (3-Yr)	4.7%	-0.4%	2.2%	8.1%
Basic EPS (IDR)	64	66	72	81
BVPS (IDR)	324	361	406	459
DPS (IDR)	24	27	27	28

OWNERSHIP

Shareholders	%
PT Sapta Adhikari Investama	54.42
PT Dwimuria Investama Andalan	5.00
Vanguard Group Inc	1.50
Others	39.08
By Geography	%
Indonesia	73.54
United States	13.43
Ireland	0.63
Others	12.40

Short Note:

Inti Bangun Sejahtera Tbk. (IBST)

IBST merupakan salah satu perusahaan infrastruktur telekomunikasi di Indonesia yang bergerak di bidang penyediaan menara telekomunikasi dan jaringan infrastruktur di Indonesia. Pada awalnya, perusahaan yang berdiri tahun 2006 ini bergerak di dalam industri jasa penguat sinyal. Per tahun 2012, perseroan melepas aset yang berhubungan dengan jasa penguat sinyal dan berfokus pada penyediaan menara telekomunikasi, mulai dari Built-to-suit (B2S), Co-location, Semi BTS Hotel dan MCP, Metro E, dan Cluster Basis sekaligus melaksanakan aksi korporasi IPO. Per 1 Juli 2024, emiten TOWR yang dimiliki oleh Grup Djarum dan merupakan salah satu perusahaan menara terbesar di Indonesia mengumumkan finalisasi akuisisi terhadap IBST.

Catatan Sejarah Aksi Korporasi di IBST

- Per 7 April 2021, IBST melakukan finalisasi transaksi penjualan aset menara sebanyak 3,000 kepada PT Tower Bersama (Bagian dari TBIG). Transaksi tersebut berlangsung dengan harga IDR 3.98 T dengan rincian untuk pembelian menara sebesar IDR 3.97T dan sisanya digunakan untuk pembelian lahan terkait menara. Oleh karena itu jika kita lihat, jumlah penurunan menara dari tahun 2020 hingga 2021 turun cukup signifikan. Pasca aksi korporasi tersebut, perseroan juga membagikan dividen spesial di tahun 2022 berdasarkan hasil kinerja 2021, dimana dividen spesial tersebut mencapai IDR 618/Lembar saham (Dividen yang dibagikan IDR 834.9 B untuk Tahun Buku 2021).

Short Review About IBST (FY2023 Basis)

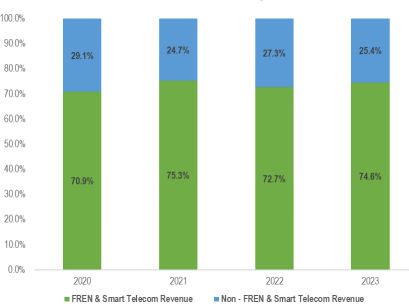
- Jika menilik pendapatan IBST, FREN & anak usahanya merupakan kontributor terbesar dari pendapatan IBST, dimana sejak beberapa tahun terakhir pendapatan dari FREN mencapai >70% pendapatan IBST sejak FY 2020. Pendapatan IBST sebagian besar ditopang oleh Sewa menara, namun mengalami penurunan seiring dengan penjualan menara yang dilakukan. Terlepas dari segmen menara yang mengalami penurunan proporsi pendapatan, IBST terus menumbuhkan pendapatan dari segmen non menaranya, dimana terlihat dari pertumbuhan pendapatan sekaligus terlihat dari pertumbuhan jaringan fiber.
- Dengan diakuisisinya IBST oleh TOWR, dampak yang nantinya terasa terhadap TOWR selain penambahan portofolio aset infrastruktur adalah meningkatnya kontribusi pendapatan dari FREN. Adapun harapan kedepan pasca TOWR mengakuisisi IBST adalah perbaikan dan efisiensi untuk performa IBST, seperti yang telah ditunjukkan TOWR pada peningkatan kinerja SUPR yang diakuisisi di tahun 2021.

IBST Revenue Growth (IDR Bn)



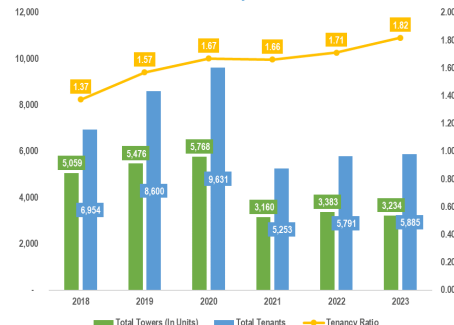
Source: Company Data, NHKSI Research

IBST Revenue Contribution Based On Operators



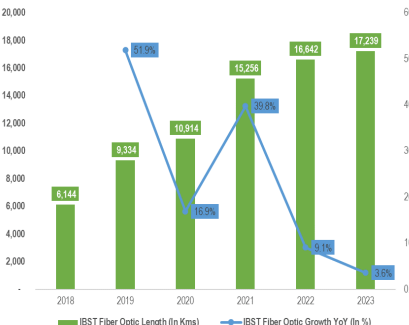
Source: Company Data, NHKSI Research

IBST Number Of Towers and Tenancy



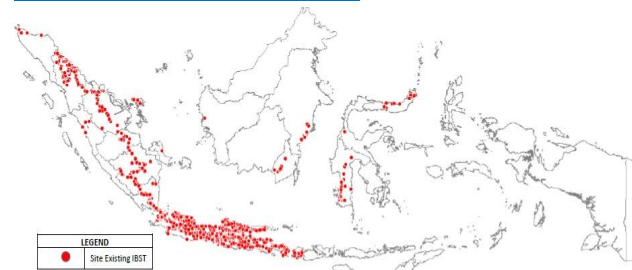
Source: Company Data, NHKSI Research

IBST Fiber Optic Length



Source: Company Data, NHKSI Research

Persebaran Lokasi Portofolio Menara IBST di Indonesia



Source: Company Data, NHKSI Research

Please consider the rating criteria & important disclaimer

Non-Rated

Shares data

Last Price (IDR)	5,600
Price date as of	5 July 2024
52 wk range (Hi/Low)	6,900 / 4,000
Outstanding sh.(mn)	1,351
Market Cap (IDR bn)	7,498
Market Cap (USD mn)	460
Avg. Trd Vol - 3M (mn)	27.45
Avg. Trd Val - 3M (bn)	1.643

Infrastructure

Telecommunication Towers

Bloomberg

IBST IJ

Reuters

IBST.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	0.0%	5.7%	40.0%	5.7%
Rel. Ret.	1.0%	0.5%	40.5%	-2.3%

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Summary of Financials

INCOME STATEMENT				
(IDR Billion)	2020/12A	2021/12A	2022/12A	2023/12A
Revenue	1,122	975	1,088	1,110
Growth	3.2%	-13.1%	11.6%	2.0%
Cost of Revenue	(567)	(485)	(519)	(517)
Gross Profit	556	490	569	593
Gross Margin	49.5%	50.2%	52.3%	53.4%
Operating Expenses	(177)	(189)	(176)	(221)
EBIT	378	301	394	371
EBIT Margin	33.7%	30.9%	36.2%	33.5%
Depreciation	(441)	(390)	(421)	(456)
EBITDA	819	690	815	828
EBITDA Margin	73.0%	70.8%	74.8%	74.6%
Interest Expenses	(286)	(413)	(311)	(267)
EBT	92	(113)	82	104
Income Tax	(25)	(12)	(23)	(25)
Other Income	(0)	188	(18)	(40)
Net Profit	67	63	42	38
Growth	-47.8%	-5.7%	-34.4%	-7.8%
Net Profit Margin	6.0%	6.5%	3.8%	3.5%

BALANCE SHEET				
(IDR Billion)	2020/12A	2021/12A	2022/12A	2023/12A
Cash	469	1,310	809	1,038
Receivables	345	438	612	594
Inventories	112	107	73	42
Other Current Assets	454	441	399	272
Total Current Assets	1,380	2,296	1,893	1,947
Net Fixed Assets	7,895	5,982	6,367	6,700
Other Non Current Assets	1,138	1,269	1,172	1,265
Total Non Current Assets	9,033	7,251	7,539	7,965
Total Assets	10,413	9,547	9,432	9,912
Payables	378	365	238	201
Shortterm Debt	698	393	643	766
Other LT Liabilities	115	60	93	120
Total Current Liabilities	1,191	818	973	1,086
Longterm Debt	2,940	2,081	2,499	2,469
Other LT Liabilities	76	64	69	78
Total Noncurrent Liabilities	3,017	2,145	2,567	2,547
Total Liabilities	4,208	2,962	3,541	3,633
Capital Stock + APIC	4,332	3,020	3,058	3,346
Retained Earnings	1,870	3,565	2,834	2,934
Shareholders' Equity	6,202	6,585	5,891	6,279

CASH FLOW STATEMENT				
(IDR Billion)	2020/12A	2021/12A	2022/12A	2023/12A
Operating Cash Flow	254	556	608	608
Investing Cash Flow	1,795	(772)	(590)	(590)
Financing Cash Flow	(1,221)	(296)	80	80
Net Changes in Cash	829	(512)	98	98

Source: Company Data, Bloomberg, NHKSI Research

PROFITABILITY & STABILITY				
	2020/12A	2021/12A	2022/12A	2023/12A
ROE	1.08%	0.96%	0.70%	0.61%
ROA	0.65%	0.66%	0.44%	0.39%
Receivables Turnover	3.02x	2.49x	2.07x	1.84x
Payables Turnover	3.01x	2.62x	3.61x	5.06x
Dividend Yield	0%	0%	11%	0%
Payout Ratio	0%	0%	2010%	0%
Net Gearing	0.59x	0.38x	0.53x	0.52x
Equity Ratio	0.60x	0.69x	0.62x	0.63x
Debt Ratio	0.40x	0.31x	0.38x	0.37x
Financial Leverage	1.6x	1.6x	1.5x	1.6x
Current Ratio	1.2x	2.8x	1.9x	1.8x
Par Value (IDR)	500	500	500	500
Total Shares (mn)	1,351	1,351	1,351	1,351
Share Price (IDR)	7,250	5,825	5,775	5,600
Market Cap (IDR tn)	9,794	7,869	7,801	7,565

VALUATION INDEX				
	2020/12A	2021/12A	2022/12A	2023/12A
Price/Earnings	145.7x	124.2x	187.9x	197.5x
Price/Book Value	1.6x	1.2x	1.3x	1.2x
PE/EPS Growth	-3.0x	-21.7x	-5.5x	-25.4x
EV/EBITDA	15.8x	13.1x	12.4x	11.8x
EV (IDR bn)	12,963	9,033	10,133	9,762
Revenue CAGR (3-Yr)	13.8%	2.8%	0.0%	-0.4%
Net Income CAGR (3-Yr)	-36.5%	-24.3%	-31.4%	-17.1%
Basic EPS (IDR)	50	47	31	28
BVPS (IDR)	4,591	4,874	4,361	4,648
DPS (IDR)	-	-	618	-

OWNERSHIP	
Shareholders	%
PT Bakti Taruna Sejati	79.88
PT Dian Swastatika Sentosa Tbk. (DSSA)	8.50
Others	11.62

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%
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