

## Sarana Menara Nusantara (TOWR)

Gearing up for fiber expansion

5 April 2023



TOWR IJ	BUY
Sector	Telco Tower
Price at 05 Apr 2023 (Rp)	930
Price target (Rp)	1,400
Upside/Downside (%)	50.5

## Stock Information

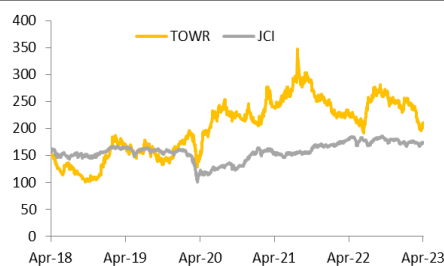
Sarana Menara Nusantara was established in 2008 with the prime focus of its business is to invest in the operating companies who own and operate tower telecommunication sites and lease them to wireless communication companies.

Market cap (Rp bn)	47,189
Shares outstanding (mn)	49,799
52-week range (Rp)	915 -1,260
3M average daily vol. ('000)	15,610
3M average daily val. (Rp mn)	106,116

## Shareholders (%)

Sapta Adhikari Investama	54.4
Public	42.5

## Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	(6.5)	(19.3)	(10.4)

TOWR's early adoption of fiberization has come to fruition, as non-tower was the prime revenue driver +27.5% qoq in 4Q22, amid declined revenue from tower -1.4% qoq. TOWR plans to spend 50-60% of capex for non-tower while expecting revenue generating fiber to grow 20% yoy in '23. Maintain BUY with target price of IDR1,400, implying 11.5x '23F EV/EBITDA.

## 4Q22 mostly in line, but earnings dragged by surging finance costs

TOWR's 4Q22/FY22 net profit was flat at IDR883 bn/IDR3.4 tn, arriving at 96.1%/96.8% of ours/consensus estimates. This was dragged by surging finance costs by 74.5% yoy in FY22 or 17.1% qoq in 4Q22. Meanwhile, TOWR managed to book a strong revenue growth yoy of 27.8%/0.4% qoq in FY22/4Q22 to IDR11.04 tn, or beating ours/consensus at 105.4%/104.4%. In the midst of high interest environment, worth noting that TOWR underwent efficiency efforts, reflected by lower operational expenses -27.2% qoq on G&A, as well as cost of revenue -1.6% qoq on declined depreciation, resulting in EBITDA margin to surge at 87.1% in 4Q22 or +120bps. B/S wise, net gearing surged yoy to 3.0x in FY22.

## Fiberized tower in limelight

TOWR's 4Q22 top-line was mostly underpinned by non-tower segment that grew +27.5% qoq to IDR2.15 tn, bringing its contribution to expand from 17.8% in FY21 to 22.0% in FY22. Meanwhile, revenue from tower decreased 1.4% qoq in 4Q22, in line with lower tenancy ratio from 1.85x/1.88x in 3Q22/FY21 to 1.81x in 4Q22 as tenant loss stood at 1,062 qoq that in part, caused by IOH's network relocation initiatives following Hutch-ISAT merger. However, we highlight monthly tower/ lease fee increased 0.5% qoq to IDR13.3 mn. Meanwhile, revenue generating FTTT jumped 112.6% yoy/23.5% qoq in FY22/4Q22 to 149,811km with utilization stood at 169%, following strong demands for data.

## Banking on strong digital infrastructure

TOWR seems to shift focus to non-tower segment, as it takes up 50-60% of IDR6 tn capex deployment this year. It continues expanding FTTT with revenue generating fiber estimated to add c. 30,000km in '23, banking on built to suit (BTS) model on tower tenants. Flattish revenue growth from tower is expected with FREN (non-rated) and especially, EXCL (BUY; TP: IDR3,300) are projected to make most of additions as the latter is strengthening capacity in ex-Jakarta and Jakarta areas. TOWR is entering currency swap contract and planning issue IDR bonds in 2Q23 as venues to refinance while diversifying finance source amid high interest rate. Blended finance cost is estimated to climb c. 50bps.

## Reiterate BUY on the back of non-tower diversification

Maintain our BUY call with a lower DCF-based price target of IDR1,400 (previously: IDR1,500) as we raise TOWR's cost of debt. Our price target is implying 11.5x '23F EV/EBITDA, while it is trading at 9.3x '23F EV/EBITDA or within -1SD 5-year historical mean, or rather appealing. Fiber expansion that have started to show meaningful result amid MNOS' focus to improve its 4G services, fixed broadband roll out and upcoming 5G should be solid driver for future growth. We fine tune our '23 and '24 figures on higher than expected non-tower revenue figures seen in '22 that should continue to compensate flattish tower segment.

## Exhibit 1: Key Statistics

Year end Dec	2021A	2022A	2023F	2024F	2025F
Revenue (Rp bn)	8,635	11,036	11,225	11,883	12,389
EBITDA (Rp bn)	7,434	9,517	9,603	10,180	10,619
Net profit (Rp bn)	3,427	3,442	3,687	3,979	4,370
EPS (Rp)	68.8	69.1	74.0	79.9	87.8
EPS growth (%)	20.9	0.4	7.1	7.9	9.8
ROAA (%)	6.8	5.2	5.5	5.7	6.1
ROAE (%)	30.9	26.0	23.6	21.7	20.4
PER (x)	15.8	15.8	14.7	13.6	12.4
PBV (x)	5.3	4.5	3.8	3.2	2.7
Interest coverage (%)	5.4	4.0	3.4	3.6	3.9
EV/EBITDA (x)	12.8	10.3	10.2	9.6	9.0

Source: Company, KBVS Research

## Analyst

Devi Harjoto

Devi.harjoto@kbvalbury.com

## Sarana Menara Nusantara (TOWR)

## Exhibit 2: Financial Summary

Income statement (IDR bn)	FY2022	FY2021	YoY (%)	4Q22	4Q21	YoY (%)	3Q22	QoQ (%)	2022F	% to '22F	Cons'	% of Cons'
<b>Revenue</b>	<b>11,036</b>	<b>8,635</b>	<b>27.8</b>	<b>2,929</b>	<b>2,568</b>	<b>14.0</b>	<b>2,791</b>	<b>4.9</b>	10,471	<b>105.4</b>	<b>10,571</b>	<b>104.4</b>
Cost of service	(2,914)	(2,340)	24.5	(731)	(709)	3.1	(743)	(1.6)				
<b>Gross profit</b>	<b>8,121</b>	<b>6,295</b>	<b>29.0</b>	<b>2,198</b>	<b>1,859</b>	<b>18.2</b>	<b>2,048</b>	<b>7.3</b>				
<b>Operating expenses</b>	<b>(1,294)</b>	<b>(899)</b>	<b>43.9</b>	<b>(271)</b>	<b>(372)</b>	<b>(27.2)</b>	<b>(375)</b>	<b>(27.7)</b>				
<b>EBIT</b>	<b>6,828</b>	<b>5,397</b>	<b>26.5</b>	<b>1,927</b>	<b>1,487</b>	<b>29.6</b>	<b>1,673</b>	<b>15.2</b>	6,575	<b>103.8</b>	<b>6,795</b>	<b>100.5</b>
<b>EBITDA</b>	<b>9,517</b>	<b>7,434</b>	<b>28.0</b>	<b>2,550</b>	<b>2,216</b>	<b>15.1</b>	<b>2,396</b>	<b>6.4</b>	9,091	<b>104.7</b>	<b>9,079</b>	<b>104.8</b>
Net finance cost/income	(2,368)	(1,346)	76.0	(634)	(567)	11.7	(541)	17.1				
<b>Pre-tax income</b>	<b>4,459</b>	<b>4,051</b>	<b>10.1</b>	<b>1,293</b>	<b>920</b>	<b>40.6</b>	<b>1,132</b>	<b>14.2</b>				
Taxes	(963)	(603)	59.6	(382)	(80)	377.2	(252)	51.4				
<b>Attributable net profit</b>	<b>3,442</b>	<b>3,427</b>	<b>0.4</b>	<b>883</b>	<b>848</b>	<b>4.2</b>	<b>868</b>	<b>1.8</b>	3,582	<b>96.1</b>	<b>3,556</b>	<b>96.8</b>
<b>Margins (%)</b>												
EBIT Margin	61.9	62.5	-0.6	65.8	57.9	7.9	59.9	5.8				
EBITDA margin	86.2	86.1	0.1	87.1	86.3	0.8	85.9	1.2				
Net Margin	31.2	39.7	-8.5	30.2	33.0	-2.8	31.1	(0.9)				
<b>Operational metrics</b>												
Tower				29,794	28,698	3.8	29,708	0.3				
Tenant				53,967	53,975	(0.0)	55,029	(1.9)				
Tenancy ratio (x)				1.81	1.88	(3.7)	1.85	(2.2)				

Source: Company, KBVS Research

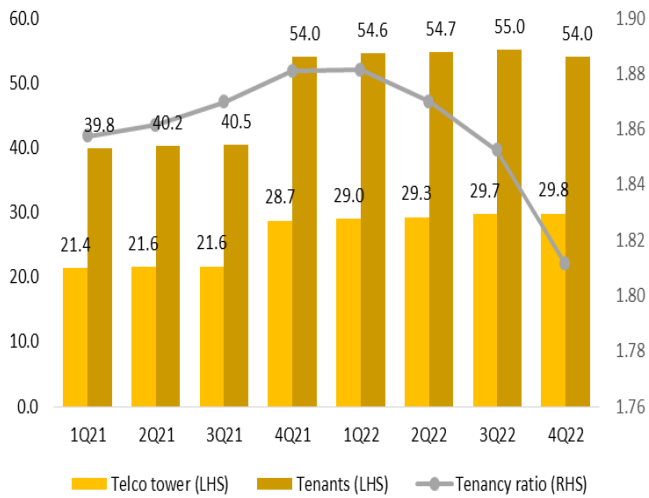
## Exhibit 3: Forecast revisions

	New		Old		Changes		Consensus		New VS consensus	
	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Revenue	11,225	11,883	11,044	11,714	1.6	1.4	11,254	11,920	-0.3	-0.3
EBIT	7,232	7,624	7,097	7,451	1.9	2.3	7,285	7,633	-0.7	-0.1
EBITDA	9,603	10,180	9,618	10,161	-0.2	0.2	9,651	10,175	-0.5	0.1
Net profit	3,687	3,979	3,889	4,144	-5.2	-4.0	3,755	3,961	-1.8	0.5

Source: Company, KBVS Research

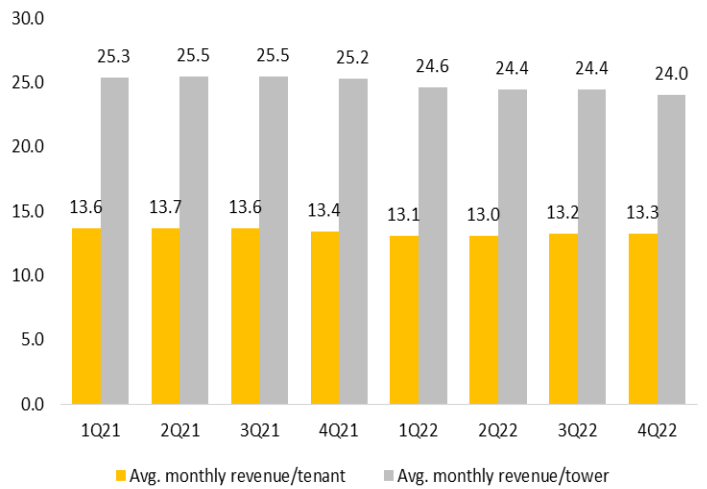
# Sarana Menara Nusantara (TOWR)

**Exhibit 4: TOWR's towers, tenants and tenancy ratio**



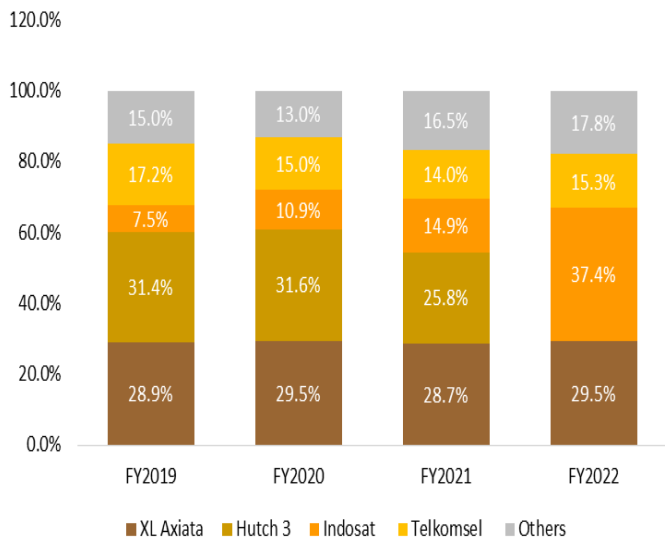
Source: Company, KBVS Research

**Exhibit 5: TOWR's avg. revenue/ tenant and revenue/site**



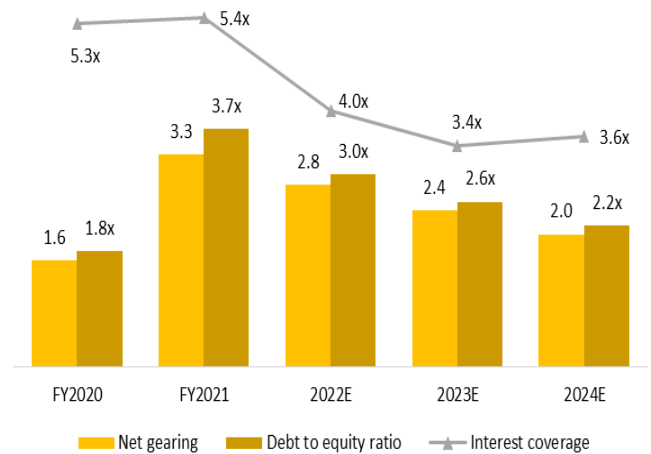
Source: Company, KBVS Research

**Exhibit 6: Source of revenue by carrier**



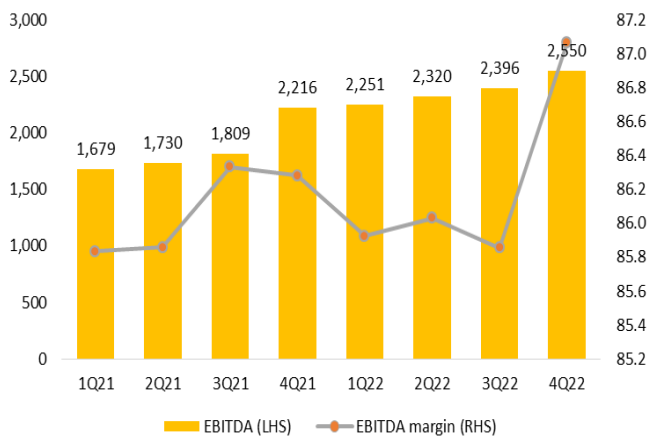
Source: Company, KBVS Research

**Exhibit 7: TOWR's leverage metrics**



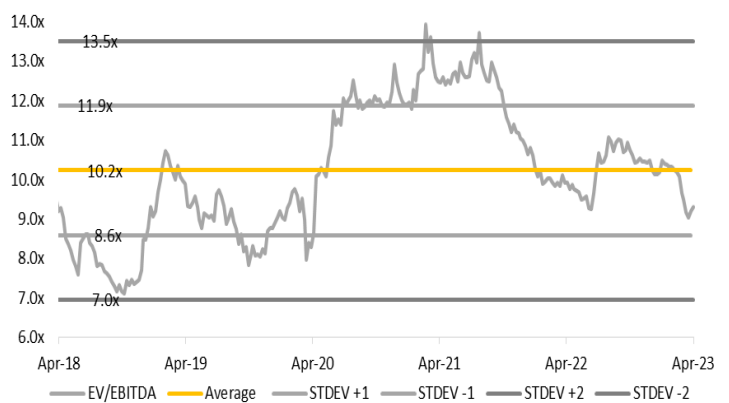
Source: Company, KBVS Research

**Exhibit 8: EBITDA & EBITDA margin**



Source: Company, KBVS Research

**Exhibit 9: Currently trading slightly below 5-year average mean**



Source: Company, KBVS Research, Bloomberg

# Sarana Menara Nusantara (TOWR)

## FINANCIAL TABLES

### Exhibit 10: Profit & Loss Summary

Year End Dec (Rp bn)	2021A	2022A	2023F	2024F	2025F
<b>Revenue</b>	<b>8,635</b>	<b>11,036</b>	<b>11,225</b>	<b>11,883</b>	<b>12,389</b>
Cost of revenue	(2,340)	(2,914)	(2,920)	(3,115)	(3,166)
<b>Gross profit</b>	<b>6,295</b>	<b>8,121</b>	<b>8,305</b>	<b>8,769</b>	<b>9,223</b>
<b>Gross profit margin</b>	<b>72.9%</b>	<b>73.6%</b>	<b>74.0%</b>	<b>73.8%</b>	<b>74.4%</b>
<b>EBITDA</b>	<b>7,434</b>	<b>9,517</b>	<b>9,603</b>	<b>10,180</b>	<b>10,619</b>
<b>EBITDA margin</b>	<b>86.1%</b>	<b>86.2%</b>	<b>85.5%</b>	<b>85.7%</b>	<b>85.7%</b>
Operating expenses	(899)	(1,294)	(1,073)	(1,144)	(1,196)
<b>Operating profit</b>	<b>5,397</b>	<b>6,828</b>	<b>7,232</b>	<b>7,624</b>	<b>8,027</b>
<b>Operating profit margin</b>	<b>62.5%</b>	<b>61.9%</b>	<b>64.4%</b>	<b>64.2%</b>	<b>64.8%</b>
Net finance income/ expenses	(1,346)	(2,368)	(2,745)	(2,782)	(2,708)
<b>Profit before income tax</b>	<b>4,051</b>	<b>4,459</b>	<b>4,488</b>	<b>4,843</b>	<b>5,319</b>
Tax benefit (expenses)	(603)	(963)	(740)	(799)	(878)
<b>Net profit</b>	<b>3,427</b>	<b>3,442</b>	<b>3,687</b>	<b>3,979</b>	<b>4,370</b>
<b>Net profit margin</b>	<b>39.7%</b>	<b>31.2%</b>	<b>32.8%</b>	<b>33.5%</b>	<b>35.3%</b>

Source: Company, KBVS Research

### Exhibit 11: Balance Sheet

Year End Dec (Rp bn)	2021A	2022A	2023F	2024F	2025F
<b>Current assets</b>					
Cash and cash equivalents	4,748	595	1,195	1,519	1,491
Trade receivables	2,171	2,558	2,787	3,009	1,666
Other current assets	478	751	780	811	842
<b>Total current assets</b>	<b>7,398</b>	<b>3,938</b>	<b>4,763</b>	<b>5,339</b>	<b>3,999</b>
<b>Non-current assets</b>					
Fixed assets	32,951	37,152	38,815	40,570	42,621
Other non-current assets	24,570	24,031	24,153	24,621	25,117
<b>Total non-current assets</b>	<b>58,431</b>	<b>61,688</b>	<b>63,719</b>	<b>65,928</b>	<b>68,511</b>
<b>Total assets</b>	<b>65,829</b>	<b>65,625</b>	<b>68,482</b>	<b>71,267</b>	<b>72,510</b>
<b>Current liabilities</b>					
Tower construction, other payables	522	839	881	908	926
Accruals	1,096	1,541	1,387	1,276	1,212
Short term debts	16,794	9,564	8,700	8,025	7,407
Other current liabilities	3,469	2,502	2,718	2,916	3,103
<b>Total current liabilities</b>	<b>21,880</b>	<b>14,446</b>	<b>13,686</b>	<b>13,125</b>	<b>12,647</b>
<b>Non-current liabilities</b>					
Long-term debts	30,191	35,409	36,596	37,100	35,489
Other non-current liabilities	1,695	1,338	1,270	1,228	1,282
<b>Total non-current liabilities</b>	<b>31,886</b>	<b>36,747</b>	<b>37,866</b>	<b>38,327</b>	<b>36,770</b>
<b>Shareholders' equity</b>	<b>12,062</b>	<b>14,432</b>	<b>16,930</b>	<b>19,815</b>	<b>23,093</b>
<b>Total liabilities and equity</b>	<b>65,829</b>	<b>65,625</b>	<b>68,482</b>	<b>71,267</b>	<b>72,510</b>

Source: Company, KBVS Research

## Sarana Menara Nusantara (TOWR)

## Exhibit 12: Cash Flow

Year End Dec (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net profit	3,427	3,442	3,687	3,979	4,370
Depreciation & amortization	1,860	2,307	2,279	2,461	2,496
Changes in working capital	1,162	(897)	(122)	(138)	1,453
<b>CF from operating activities</b>	<b>6,450</b>	<b>4,852</b>	<b>5,844</b>	<b>6,301</b>	<b>8,319</b>
Investment in fixed assets	(12,053)	(6,507)	(3,942)	(4,216)	(4,546)
Others	(16,990)	657	(82)	(454)	(533)
<b>CF from investing activities</b>	<b>(29,043)</b>	<b>(5,564)</b>	<b>(4,310)</b>	<b>(4,670)</b>	<b>(5,079)</b>
Dividends paid	(1,399)	(1,200)	(1,014)	(1,094)	(1,093)
Debt raised/ repaid	26,788	(2,013)	324	(171)	(2,229)
Others	510	(229)	(244)	(42)	54
<b>CF from financing activities</b>	<b>25,899</b>	<b>(3,441)</b>	<b>(934)</b>	<b>(1,307)</b>	<b>(3,268)</b>
<b>Change in cash flows</b>	<b>3,306</b>	<b>(4,153)</b>	<b>600</b>	<b>324</b>	<b>(28)</b>
<b>Cash and cash equivalents, beginning</b>	<b>1,443</b>	<b>4,748</b>	<b>595</b>	<b>1,195</b>	<b>1,519</b>
<b>Cash and cash equivalents, ending</b>	<b>4,748</b>	<b>595</b>	<b>1,195</b>	<b>1,519</b>	<b>1,491</b>

Source: Company, KBVS Research

## Exhibit 13: Ratio Analysis

Year End Dec	2021A	2022A	2023F	2024F	2025F
Gross profit margin (%)	72.9	73.6	74.0	73.8	<b>74.4</b>
Operating profit margin (%)	62.5	61.9	64.4	64.2	64.8
EBITDA margin (%)	86.1	86.2	85.5	85.7	85.7
Net profit margin (%)	39.7	31.2	32.8	33.5	35.3
Receivables turnover (x)	5.1	5.3	4.2	4.1	5.3
ROA (%)	6.8	5.2	5.5	5.7	6.1
ROE (%)	30.9	26.0	23.6	21.7	20.4
ROCE	28.4	23.8	21.8	20.1	18.9
ROIC (%)	6.3	5.9	6.0	6.3	6.8
Debt/ Equity (%)	3.9	3.1	2.7	2.3	1.9
Net debt/Equity (x)	3.5	3.1	2.6	2.2	1.8
Net debt/ EBITDA (x)	5.7	4.7	4.6	4.3	3.9
Interest coverage (x)	5.4	4.0	3.4	3.6	3.9
EPS	68.8	69.1	74.0	79.9	87.8
BV/share (x)	242.2	289.8	340.0	397.9	463.7

Source: Company, KBVS Research

# Sarana Menara Nusantara (TOWR)

## Disclaimer

This report is prepared by PT KB Valbury Sekuritas, a member of the Indonesia Stock Exchange, or its subsidiaries or its affiliates ("KBVS"). All the material presented in this report is under copyright to KBVS. None of the parts of this material, nor its contents, may be copied, photocopied, or duplicated in any form or by any means or altered in any way, or transmitted to, or distributed to any other party without the prior written consent of KBVS.

The research presented in this report is based on the information obtained by KBVS from sources believed to be reliable, however KBVS do not make representations as to their accuracy, completeness or correctness. KBVS accepts no liability for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from the use of the material presented in this report and further communication given or relied in relation to this document. The material in this report is not to be construed as an offer or a solicitation of an offer to buy or sell any securities or financial products. This report is not to be relied upon in substitution for the exercise of independent judgement. Past performance and no representation or warranty, express or implied, is made regarding future performance. Information, valuations, opinions, forecasts and estimates contained in this report reflects a judgement at its original date of publication by KBVS and are subject to change without notice, its accuracy is not guaranteed or it may be incomplete.

The Research Analyst(s) primarily responsible for the content of this research report, in part or as a whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The Analyst also certifies that no part of his/her compensation was, is or will related to specific recommendation views expressed in this report. It also certifies that the views and recommendations expressed in this report do not and will not take into account client circumstances, objectives, needs and no intentions involved as a use for recommendations for sale or buy any securities or financial instruments.



# Sarana Menara Nusantara (TOWR)



## Headquarters

Sahid Sudirman Center Lantai 41 Unit AC  
 Jl. Jenderal Sudirman No. 86  
 Kelurahan Karet Tengsin, Kecamatan Tanah Abang  
 Jakarta Pusat 10220, Indonesia  
 T +62 21 250 98 300  
 F +62 21 255 33 778

## Branch Office

### Jakarta - Kelapa Gading

Rukan Plaza Pasifik  
 Jl. Raya Boulevard Barat Blok A1 No. 10  
 Jakarta 11620  
 T +62 21 - 29451577

### Jakarta - Puri Indah

Rukan Grand Aries Niaga  
 Blok E.1 No. 1 V Jl. Taman Aries, Kembangan,  
 Jakarta 14450  
 T +62 21 - 22542390  
 F +62 21 - 29264310

### Jakarta - Pluit

Jl. Pluit Putra Raya No. 2  
 Jakarta 14240  
 T +62 21 - 29264300  
 F +62 21 - 22542391

### Bandung

Jl. HOS Cokroaminoto No. 82  
 Bandung 40171  
 T +62 22 - 87255888  
 T +62 22 - 87255800  
 F +62 22 - 87255811

### Semarang

Candi Plaza Building Lt. Dasar  
 Jl. Sultan Agung No. 90-90A  
 Semarang 50252  
 T +62 24 - 3521888  
 T +62 24 - 8501122  
 F +62 24 - 8507450

### Yogyakarta

Jl. Magelang KM 5.5 no. 75  
 Yogyakarta 55284  
 T +62 274 - 4469500  
 T +62 274 - 6231111  
 F +62 274 - 623222

## Galeri Investasi

### Jakarta

Citra Garden 6 Ruko Sixth Avenue  
 Blok J.1 A/18 Cengkareng,  
 Jakarta Barat 11820  
 T +62 21 52392181

### Semarang

Jl. MT Haryono 637 Semarang  
 T +62 24 8415195

### Solo

Jl. Ronggowarsito No. 34  
 Surakarta 57118

### Surabaya

Pakuwon Center Tunjungan Plaza Lantai 21  
 Jl. Embong Malang No.1  
 Surabaya 60261  
 T +62 31 - 2955777  
 T +62 31 - 2955788  
 F +62 31 - 2955716

### Solo

Jl. Ronggo Warsito no. 34  
 Solo 57118  
 T +62 271 632888  
 F +62 271 656988

### Malang

Jl. Pahlawan Trip no. 7  
 Malang 65112  
 T +62 341 - 585888  
 F +62 341 - 560056

### Denpasar

Komplek Ibis Styles Hotel  
 Jl. Teuku Umar No. 177  
 Denpasar Bali 80114  
 T +62 361 - 255888  
 T +62 361 - 225229  
 F +62 361 - 225339

### Banjarmasin

Jl. Gatot Subroto No.33 Kel. Kebun Bunga  
 Kec. Banjarmasin Timur  
 Kalimantan Selatan 70235  
 T +62 511 - 3265918  
 F +62 511 - 3253432

### Manado

Kawasan Megamas, Ruko Megaprofit  
 Blok IF2 No. 38 Manado. 95254  
 T +62 431 7917 836  
 F +62 431 880 2129

### Padang

Jl. Kampung Nias II no. 10,  
 Kel. Belakang Pondok,  
 Kec. Padang Selatan  
 T +62 751 8955747

### Salatiga

Jl. Diponegoro No. 68, Rt. 007 Rw. 011,  
 Kel. Salatiga, Kec. Sidorejo 50711  
 T +62 298 313007

### Medan

Komplek Jati Junction No. P5-5A  
 Jl. Perintis Kemerdekaan  
 Medan 20218  
 T +62 61 - 88816222  
 F 62 61 - 88816333

### Pekanbaru

Komplek CNN Blok A no. 3  
 Pekanbaru 28291  
 T +62 761 - 839393  
 F +62 761 - 839313

### Padang

Jl. Kampung Nias II no. 10,  
 Kel. Belakang Pondok,  
 Kec. Padang Selatan  
 T +62 751 8955747

### Palembang

Komp. PTC Mall Blok I No. 7 Jl. R. Sukanto  
 Kel. 8 Ilir Kec. Ilir Timur II  
 Palembang 30114  
 T 07115700281

### Makassar

Kompleks RUKO Citraland City Losari Makassar,  
 Business Park, Blok B2 No. 09  
 Jl. Citraland Boulevard  
 Kel. Maccini Sombala, Kec. Tamalate  
 Makassar, Sulawesi Selatan 90111  
 T +62 411 6000818

## Galeri Investasi BEI - KBVS

Yogyakarta  
 Universitas Kristen Duta Wacana  
 T +62 274 - 544032

Manado  
 Universitas Prisma Manado  
 T 0431 8800850

Jakarta  
 Universitas Gunadarma  
 T +62 21 - 8727541