

Beyond Towers: Fiber Transformation Gains Traction

9 July 2026



<b>TOWR IJ</b>	BUY
Sector	TowerCo
Price at 8 July 2026 (IDR)	370
Price target (IDR)	500
Upside/Downside (%)	35.1

**Stock Information**

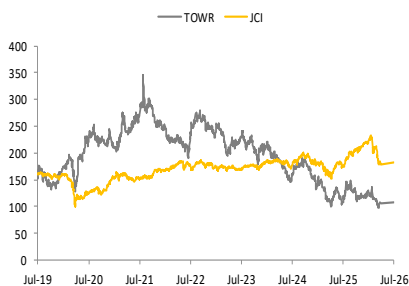
Sarana Menara Nusantara was established in 2008 with the prime focus of its business is to invest in the operating companies who own and operate tower telecommunication sites and lease them to wireless communication companies.

Market cap (IDR bn)	21,866
Shares outstanding (mn)	59,098
52-week range (IDR)	310-700
3M average daily vol. ('000)	31,208
3M average daily val. (IDR mn)	21,015

**Shareholders (%)**

Sapta Adhikari Investama	45.3
Dwimuria Investama Andalan	20.0
Public	34.7

**Stock Performance**



Source: Bloomberg

	<b>1M</b>	<b>3M</b>	<b>12M</b>
Performance	12.12	-25.40	-29.52

**Analyst**

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TOWR's fiber monetization continues to enhance earnings quality, with non-tower services emerging as the primary growth driver while the tower business remains resilient, supported by stable leasing demand. Key risks remain a prolonged higher-for-longer interest-rate environment, which could increase funding costs and weigh on sector-wide valuation multiples. Maintain our BUY call with an unchanged target price of IDR500, based on 6.3x FY26F EV/EBITDA (-1.0SD 5yrs historical mean).

**Fiber monetization continues to drive growth**

Fiber continues to emerge as TOWR's key growth engine, supporting revenue expansion while improving earnings quality. In FY25, FTTH revenue reached IDR2.9 tn (+12.4% YoY), increasing its contribution to 22.1% of total revenue (vs 20.6% in FY24), while FTTH revenue expanded to IDR658.0 bn. The achievement of 1.83 mn homepasses, alongside TOWR's 40% stake in Remala Abadi, further enhances its fiber ecosystem and strengthens long-term monetization potential.

**1H26F: Non-tower business remains the key growth driver**

For 1H26F, we expect non-tower revenue to remain the primary growth driver, increasing 19.6% YoY to IDR2.6 tn, representing 49.6% of our FY26F forecast (in line). On a quarterly basis, non-tower revenue is expected to grow 3.4% qoq to IDR1.3 tn in 2Q26F, following a strong start in 1Q26 where it already achieved 24.4% of our FY26F estimate. Within the segment, FTTH revenue is projected to rise 18.2% YoY to IDR1.3 tn in 1H26F, driven by continued fiber monetization. In 2Q26F, FTTH revenue is expected to increase 27.0% qoq to IDR722.6 bn, lifting its revenue contribution to 20.5% (vs 16.0% in 1Q26).

**FY26F: Fiber expansion offsets moderate tower growth**

For FY26F, we forecast non-tower revenue to grow 12.0% YoY to IDR5.2 tn, with FTTH revenue increasing 17.5% YoY to IDR3.5 tn, lifting its contribution to 24.8% of total revenue from 22.1% in FY25. Meanwhile, tower-leasing revenue remains resilient at IDR8.8 tn (+0.5% YoY), supported by incremental tenancy demand following EXCL's merger, which should sustain TOWR's tenancy ratio at 1.68x (vs 1.67x in FY25). Notably, revenue from EXCL expanded 24.0% YoY in 1Q26, well ahead of TLKM (+9.6% YoY) and ISAT (flat YoY), highlighting TOWR's increasing exposure to consolidation-driven tenancy growth. Overall, we project FY26F revenue to increase 4.5% YoY to IDR13.9 tn.

**Margin resilience supported by improving revenue-mix**

The shift toward higher-margin fiber services (62.1% gross; 43.2% EBIT margins) should support profitability despite ongoing network expansion. We estimate 1H26F cost of revenue growth at 15.2% YoY to IDR2.3 tn, representing 51.8% of our FY26F forecast (inline) and below the four-year historical average growth of 17.3%. Scaling benefits from the fiber business should improve cost-efficiency, with cash-costs expected to decline 5.1% QoQ to IDR527.5 bn in 2Q26F. As a result, 1H26F EBITDA is projected to grow 8.1% YoY to IDR5.8 tn, achieving 49.2% of our FY26F estimate, while 2Q26F EBITDA is expected at IDR2.9 tn (+7.0% QoQ) with margin improving to 82.6% (vs 78.2% in 1Q26). For FY26F, we forecast EBITDA of IDR11.7 tn (+2.9% YoY), inline with management guidance, and net profit of IDR3.8 tn (+2.5% YoY) supported by continued funding-cost discipline.

**BUY maintained; Improving fundamentals yet still deeply discounted**

Despite improving fiber monetization visibility and a structurally stronger revenue-mix, TOWR trades at only 5.5x FY26F EV/EBITDA, representing a 37.7% discount to its five-year historical average of 8.8x. We view the valuation gap as excessive given TOWR's improving earnings quality, resilient cash-flow profile, and expanding fiber platform. Key downside risks include a prolonged higher-for-longer interest-rate environment and sector-wide valuation compression, although ongoing deleveraging should provide additional balance-sheet resilience.

**Exhibit 1: Key Statistics**

Year end Dec (IDR bn)	2024A	2025A	2026F	2027F	2028F
Revenue (Rp)	12,736	13,328	13,921	14,531	15,184
EBIT (Rp)	7,602	7,897	8,073	8,110	8,242
EBITDA (Rp)	11,037	11,370	11,703	12,186	12,696
Net profit (Rp)	3,335	3,678	3,770	3,911	4,089
EPS (Rp)	65.4	72.1	73.9	76.7	80.2
EPS growth	2.5	10.3	2.5	3.7	4.6
ROA	4.6	4.7	4.7	4.7	4.7
ROE	18.8	16.0	12.8	11.3	10.2
PER (x)	5.7	5.1	5.0	4.8	4.6
PBV (x)	1.1	1.0	0.7	0.6	0.5
Interest coverage (x)	3.5	3.7	3.8	4.1	4.4
EV/EBITDA (x)	6.5	5.8	5.5	5.1	4.9

Source: Company, KBVS Research

Exhibit 2: Summary of TOWR's latest results

TOWR'S 1Q26 Results (IDR bn)	1Q26	1Q25	YoY (%)	4Q25	QoQ (%)	2026F	% to 2026F	Cons'	% of Cons'
<b>Revenue</b>	<b>3,556</b>	<b>3,208</b>	<b>10.8</b>	<b>3,641</b>	<b>(2.3)</b>	<b>13,921</b>	<b>25.5</b>	<b>13,650</b>	<b>26.0</b>
Cost of service	(1,249)	(1,007)	24.0	(1,104)	13.1				
Gross profit	2,307	2,202	4.8	2,537	(9.1)				
Operating expenses	(322)	(281)	14.7	(391)	(17.5)				
<b>EBIT</b>	<b>1,985</b>	<b>1,921</b>	<b>3.3</b>	<b>2,147</b>	<b>(7.6)</b>	<b>8,073</b>	<b>24.6</b>	<b>8,154</b>	<b>24.3</b>
<b>EBITDA</b>	<b>2,780</b>	<b>2,679</b>	<b>3.8</b>	<b>2,939</b>	<b>(5.4)</b>	<b>11,703</b>	<b>23.8</b>	<b>11,276</b>	<b>24.7</b>
Other income/expenses	(146)	(137)		(119)					
Net finance costs/income	(638)	(819)		(673)					
Pre-tax income	1,200	964		1,354					
Taxes	(228)	(159)		(225)					
<b>Attributable net profit</b>	<b>941</b>	<b>803</b>	<b>17.2</b>	<b>1,123</b>	<b>(16.2)</b>	<b>3,770</b>	<b>25.0</b>	<b>3,703</b>	<b>25.4</b>
<b>Margins (%)</b>									
EBIT Margin	55.8	59.9		59.0					
EBITDA margin	78.2	83.5		80.7					
Net Margin	26.5	25.0		30.8					
<b>Operational metrics</b>									
Tower	36,572	35,506	3.0	36,247	0.9				
Tenant	60,743	58,045	4.6	60,540	0.3				
Tenancy ratio (x)	1.66	1.63	1.6	1.67	(0.6)				

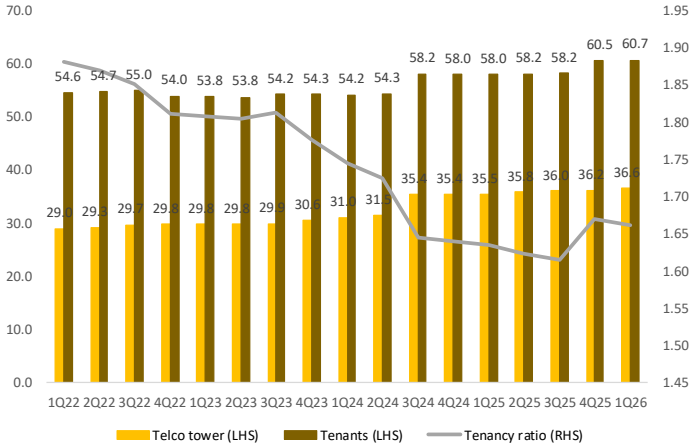
Source: Company, KBVS Research

Exhibit 3: Forecast for FY26F–FY27F (unchanged from our latest reports)

	New		Old		Changes		Consensus		New vs. consensus	
	2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F
Revenue	13,921	14,531	13,921	14,531	0.0%	0.0%	13,650	14,110	2.0%	3.0%
EBITDA	11,703	12,186	11,703	12,186	0.0%	0.0%	11,276	11,635	3.8%	4.7%
Net profit	3,770	3,911	3,770	3,911	0.0%	0.0%	3,703	3,861	1.8%	1.3%

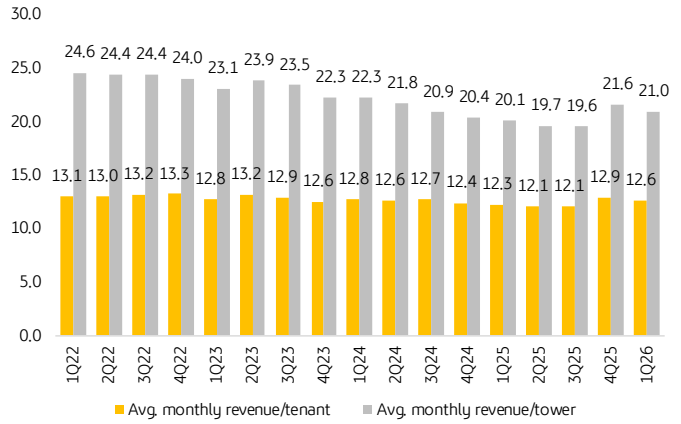
Source: Company, KBVS Research

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



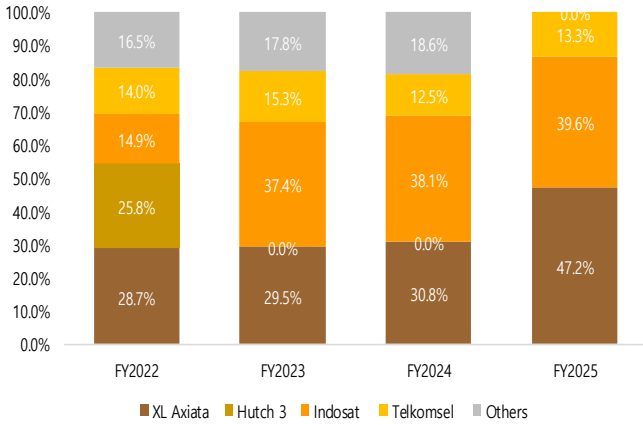
Source: Company, KBVS Research

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



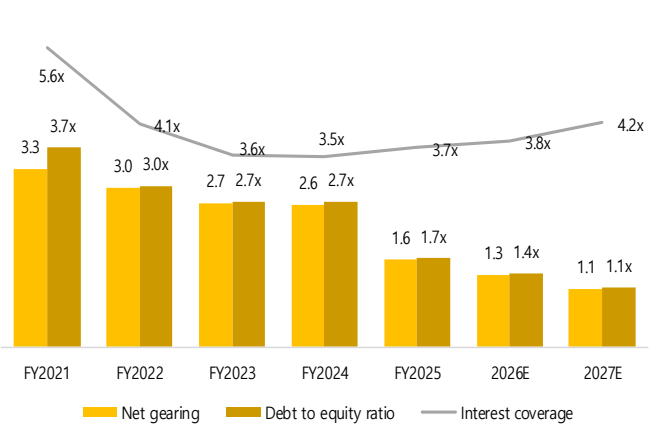
Source: Company, KBVS Research

Exhibit 6: Source of revenue by carrier



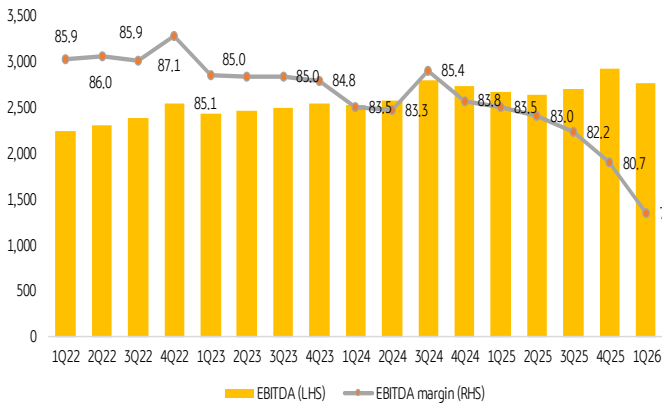
Source: Company, KBVS Research

Exhibit 7: TOWR's leverage metrics



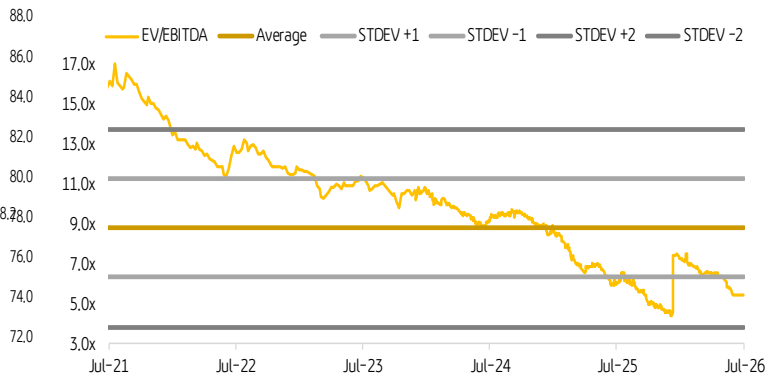
Source: Company, KBVS Research

Exhibit 8: EBITDA & EBITDA margin



Source: Company, KBVS Research

Exhibit 9: Currently trading below 5-years average mean



Source: Company, Bloomberg, KBVS Research

## FINANCIAL TABLES

## Exhibit 10: Profit &amp; Loss summary

Year End Dec (IDR bn)	2024A	2025A	2026F	2027F	2028F
Revenue	12,736	13,328	13,921	14,531	15,184
Cost of revenue	(3,996)	(4,188)	(4,501)	(5,026)	(5,505)
Gross profit	8,739	9,140	9,420	9,505	9,679
EBITDA	11,037	11,370	11,703	12,186	12,696
Operating expenses	(1,137)	(1,242)	(1,347)	(1,395)	(1,437)
Operating profit	7,602	7,897	8,073	8,110	8,242
Net finance income/ cost	(3,070)	(3,045)	(3,056)	(2,921)	(2,834)
Pretax profit	4,196	4,453	4,706	4,882	5,104
Income tax	(831)	(771)	(932)	(967)	(1,011)
Net profit	3,335	3,678	3,770	3,911	4,089

Source: Company, KBVS Research

## Exhibit 11: Balance sheet

Year End Dec (IDR bn)	2024A	2025A	2026F	2027F	2028F
<b>Current assets</b>					
Cash and cash equivalents	1,109	823	2,024	1,658	1,003
Trade receivables	3,293	1,974	3,595	3,671	3,922
Other current assets	518	574	631	694	763
<b>Total current assets</b>	<b>4,956</b>	<b>3,433</b>	<b>6,250</b>	<b>6,022</b>	<b>5,687</b>
<b>Non current assets</b>					
Fixed assets	47,478	48,297	49,603	52,539	55,542
Other non current assets	23,293	23,573	23,491	23,507	24,542
<b>Total non current assets</b>	<b>72,873</b>	<b>73,836</b>	<b>75,394</b>	<b>78,853</b>	<b>83,367</b>
<b>Total assets</b>	<b>77,828</b>	<b>77,270</b>	<b>81,644</b>	<b>84,875</b>	<b>89,055</b>
<b>Current liabilities</b>					
Tower construction and other payables	1,008	1,188	1,212	1,236	1,261
Accruals	1,365	1,086	1,053	1,022	991
Short term debts	15,200	15,748	13,826	11,276	9,728
Other current liabilities	2,551	1,556	1,481	1,409	1,341
<b>Total current liabilities</b>	<b>20,124</b>	<b>19,578</b>	<b>17,571</b>	<b>14,943</b>	<b>13,320</b>
<b>Non current liabilities</b>					
Long term debts	37,136	29,472	30,896	31,505	31,815
Other non current liabilities	1,399	1,137	1,107	1,078	1,050
<b>Total non-current liabilities</b>	<b>38,535</b>	<b>30,609</b>	<b>32,003</b>	<b>32,583</b>	<b>32,866</b>
<b>Shareholder equity</b>	<b>19,169</b>	<b>27,083</b>	<b>32,070</b>	<b>37,349</b>	<b>42,869</b>
<b>Total liabilities and equity</b>	<b>77,828</b>	<b>77,270</b>	<b>81,644</b>	<b>84,875</b>	<b>89,055</b>

Source: Company, KBVS Research

**Exhibit 12: Cash flow**

Year End Dec (IDR bn)	2024A	2025A	2026F	2027F	2028F
Net profit	3,335	3,678	3,770	3,911	4,089
D&A	3,098	3,073	3,319	3,769	4,150
Changes in working capital	(634)	143	(1,701)	(217)	(394)
CF from operating activities	5,799	6,894	5,388	7,462	7,845
Investment in fixed assets	(10,191)	(3,892)	(4,624)	(6,706)	(7,153)
Others	(1,788)	(145)	(252)	(522)	(1,512)
CF from investing activities	(11,978)	(4,037)	(4,876)	(7,228)	(8,665)
Dividends paid	(901)	(1,205)	1,263	1,369	1,431
Debt raised/ repaid	7,423	(7,117)	(498)	(1,940)	(1,238)
Others	337	5,179	(76)	(29)	(28)
CF from financing activities	6,859	(3,143)	689	(601)	165
Change in cash flow	680	(286)	1,201	(366)	(654)
Cash and cash equivalent, beginning	429	1,109	823	2,024	1,658
Cash and cash equivalent, ending	1,109	823	2,024	1,658	1,003

Source: Company, KBVS Research

**Exhibit 13: Ratio analysis**

Year End Dec	2024A	2025A	2026F	2027F	2028F
Gross profit margin	68.6	68.6	67.7	65.4	63.7
Operating profit margin	59.7	59.3	58.0	55.8	54.3
EBITDA margin	86.7	85.3	84.1	83.9	83.6
Net profit margin	26.2	27.6	27.1	26.9	26.9
Receivables turnover (x)	4.0	5.1	5.0	4.0	4.0
ROA	4.6	4.7	4.7	4.7	4.7
ROE	18.8	16.0	12.8	11.3	10.2
ROCE	17.4	13.6	11.8	10.5	9.5
ROIC	4.7	5.1	5.0	5.0	4.9
Debt/Equity	2.7	1.7	1.4	1.1	1.0
Net debt/Equity	2.7	1.6	1.3	1.1	0.9
Net debt/EBITDA	4.6	3.9	3.6	3.4	3.2
Sales/Assets turnover (x)	0.2	0.2	0.2	0.2	0.2
Interest coverage (x)	3.5	3.7	3.8	4.1	4.4
BV/Share (Rp)	375.8	530.9	628.6	732.1	840.3
Dividend yield	5.4%	7.2%	7.5%	8.1%	8.5%

Source: Company, KBVS Research

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