

FTTT poised for 4Q24F surge; Mitigating merger risks

13 February 2025



<b>TOWR IJ</b>	BUY
Sector	TowerCo
Price at 13 February 2025 (IDR)	610
Price target (IDR)	900
Upside/Downside (%)	47.5

**Stock Information**

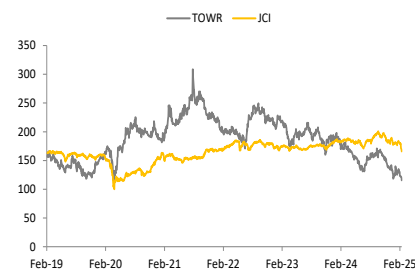
Sarana Menara Nusantara was established in 2008 with the prime focus of its business is to invest in the operating companies who own and operate tower telecommunication sites and lease them to wireless communication companies.

Market cap (IDR bn)	31,119
Shares outstanding (mn)	51,015
52-week range (IDR)	585-945
3M average daily vol. ('000)	31,208
3M average daily val. (IDR mn)	21,015

**Shareholders (%)**

Sapta Adhikari Investama	54.4
Public	42.5

**Stock Performance**



Source: Bloomberg

	<b>1M</b>	<b>3M</b>	<b>12M</b>
Performance	-11.85	-19.05	-32.39

**Analyst**

Steven Gunawan

Steven.gunawan@kbvalbury.com

TOWR's 4Q24F FTTT revenue is projected to surge by 21.2% qoq, reaching IDR652.0 bn, with cumulative '24F FTTT revenue expected to grow by 4.9% yoy to IDR2.2 tn. In '25F, TOWR is expected to further expand its fiber business to mitigate potential tenant losses from the EXCL-FREN merger, with non-tower segments like FTTT & Connectivity leading revenue growth, surpassing tower-leasing income. Maintain our BUY call with a target price of IDR900, based on 8.9x '25F EV/EBITDA, or within 7yrs avg. historical mean.

**Strong FTTT revenue growth in 4Q24F**

In 9M24, 215.7k km of FTTT generated revenue out of a total rollout length of 258.1k km. With network expansion mainly in Java, Bali, and Sumatra, revenue-generating FTTT is projected to grow 9.6% qoq to 236.3k km in 4Q24F, reaching a 90.9% utilization rate. As a result, 4Q24F FTTT revenue is expected to rise 21.2% qoq to IDR652.0 bn, contributing 22.9% to total revenue, up from 16.3% in 3Q24. Cumulatively, '24F FTTT revenue is forecasted to grow 4.9% yoy to IDR2.2 tn.

**Expands fiber to navigate EXCL-FREN impact**

TowerCo's adoption of FTTT technology is accelerating, driven by rising demand for high-speed internet and its growing value proposition for MNOs. In 9M24, FTTT revenue reached IDR1.5 tn, up 18.2% yoy, making it TOWR's second-largest revenue driver at 16.2% of total revenue. FTTH also saw strong growth, generating IDR384.0 bn, a significant increase from IDR82.0 bn in 9M23. Management aims to expand its FTTH footprint to 2.0mn homepasses, having reached 1.5mn by 9M24.

In '25F, we expect TOWR to continue expanding its fiber business to offset a potential decline in tenants due to lease relocations following the EXCL-FREN merger. The non-tower segment is projected to drive revenue growth, with an 18.5% yoy increase to IDR4.9 tn. This includes a 13.5% yoy rise in FTTT to IDR2.5 tn, supported by 295.0k km of FTTT deployments. The Connectivity segment is also expected to grow by 24.2% yoy to IDR2.4 tn, driven by 59.0k new activations, while tower-leasing revenue is anticipated to grow modestly by 1.4% yoy.

Overall, we forecast TOWR's '25F revenue to grow 7.1% yoy, compared to an estimated 4.8% in '24F, driven by strong fiber deployment. With management actively negotiating lower loan interest rates, we expect interest costs to rise by 4.0%, compared to 6.7% in '24F, with the average interest rate decreasing to 6.3% (from 6.8% in '24F). As a result, TOWR's net profit is estimated to increase by 4.7% yoy to IDR3.4 tn in '25F.

**Reiterate BUY with TP of IDR900**

Maintain our BUY call with a target price of IDR900, based on 8.9x '25F EV/EBITDA, or within 7yrs avg. historical mean. TOWR is currently trading at 7.2x EV/EBITDA, representing a 18.9% discount to its 7yrs mean. For '25F, while the EXCL-FREN merger poses risks, strong non-tower segment growth, driven by FTTT & connectivity, is expected to mitigate these risks and support long-term growth.

**Exhibit 1: Key Statistics**

Year end Dec (IDR bn)	2022A	2023A	2024E	2025E	2026E
Revenue (Rp)	11,036	11,740	12,301	13,171	14,479
EBITDA (Rp)	9,899	10,175	10,275	10,758	11,971
Net profit (Rp)	3,442	3,253	3,293	3,447	4,070
EPS (Rp)	69.1	65.3	66.1	69.2	81.7
EPS growth	0.4	-5.5	1.2	4.7	18.0
ROA	5.2	4.9	4.7	4.6	5.0
ROE	26.0	21.1	18.7	17.2	18.0
PER (x)	8.8	9.3	9.2	8.8	7.5
PBV (x)	2.5	2.1	1.8	1.6	1.4
Interest coverage (x)	4.1	3.6	3.4	3.4	3.5
EV/EBITDA (x)	7.5	7.4	7.1	6.7	5.9

Source: Company, KBVS Research

**Exhibit 2: Financial Summary**

TOWR's 9M24 Results (IDR bn)	9M24	9M23	YoY (%)	3Q24	3Q23	YoY (%)	2Q24	QoQ (%)	2024F	% to '24F	Cons'	% of Cons'
Revenue	9,449	8,719	8.4	3,295	2,943	12.0	3,114	5.8	12,301	76.8	12,473	75.8
Cost of service	(2,892)	(2,466)	17.3	(1,034)	(838)	23.4	(934)	10.7				
Gross profit	6,557	6,254	4.9	2,261	2,105	7.4	2,181	3.7				
Operating expenses	(869)	(781)	11.2	(248)	(265)	(6.2)	(314)	(20.8)				
EBIT	5,688	5,473	3.9	2,013	1,841	9.4	1,867	7.8				
EBITDA	7,946	7,417	7.1	2,812	2,503	12.4	2,595	8.4	10,275	77.3	10,438	76.1
Other income/expenses	(395)	(218)	81.4	(223)	(56)	298.9	(66)	235.3				
Net finance costs/income	(2,196)	(2,155)	1.9	(772)	(682)	13.2	(720)	7.2				
Pre-tax income	3,097	3,100	(0.1)	1,018	1,103	(7.7)	1,080	(5.8)				
Taxes	(619)	(626)	(1.0)	(162)	(228)	(28.8)	(254)	(36.2)				
Attributable net profit	2,447	2,426	0.9	842	866	(2.8)	808	4.3	3,293	74.3	3,402	71.9
<b>Margins (%)</b>												
EBIT Margin	60.2	62.8		61.1	62.5		60.0					
EBITDA margin	84.1	85.1		85.4	85.0		83.3					
Net Margin	25.9	27.8		25.6	29.4		25.9					
<b>Operational metrics</b>												
Tower	35,371	29,915	18.2	29,916	29,915	0.0	31,502	(5.0)				
Tenant	58,165	54,249	7.2	54,250	54,249	0.0	54,326	(0.1)				
Tenancy ratio (x)	1.64	1.81	(9.3)	1.81	1.81	(0.0)	1.72	5.2				

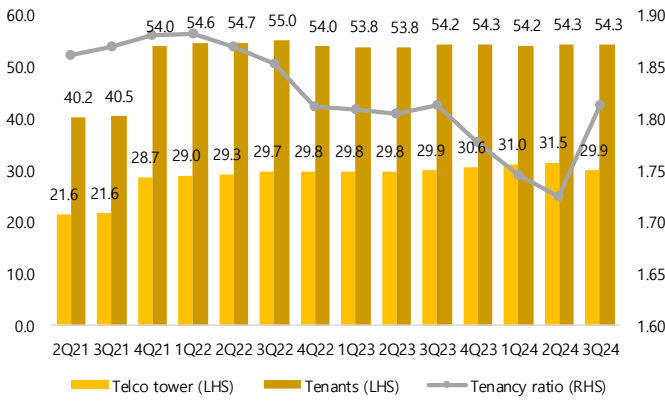
Source: Company, KBVS Research

**Exhibit 3: Forecast revisions**

	New		Old		Changes		Consensus		New vs consensus	
	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F
Revenue	12,301	13,171	12,301	12,977	0.0%	1.5%	12,473	13,184	-1.4%	-0.1%
EBITDA	10,275	10,758	10,275	10,834	0.0%	-0.7%	10,438	10,782	-1.6%	-0.2%
Net profit	3,293	3,447	3,293	3,698	0.0%	-6.8%	3,402	3,648	-3.2%	-5.5%

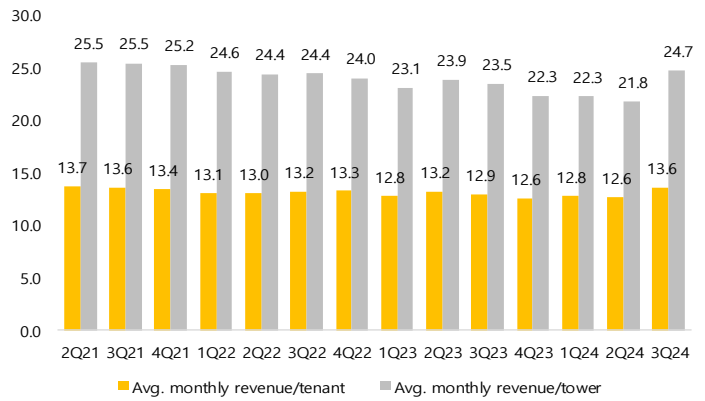
Source: Company, KBVS Research

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



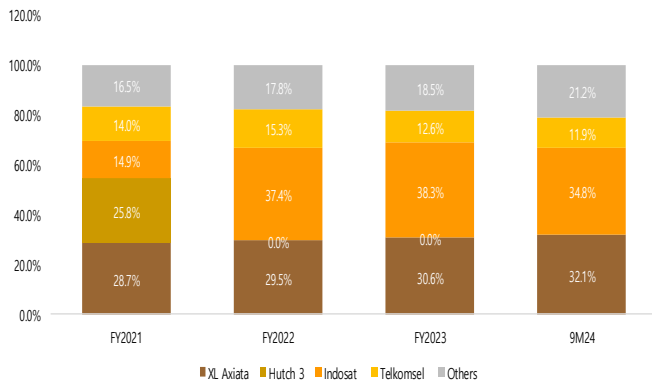
Source: Company, KBVS Research

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



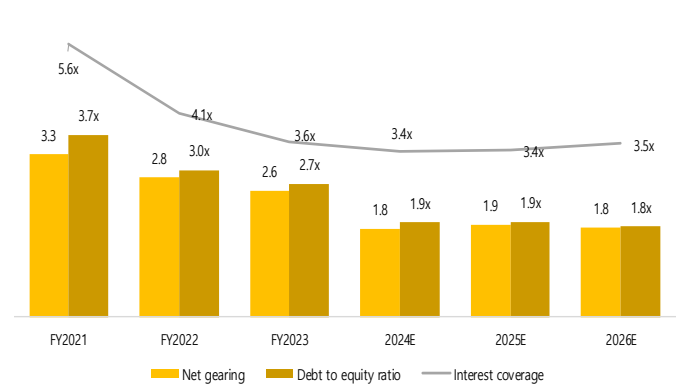
Source: Company, KBVS Research

Exhibit 6: Source of revenue by carrier



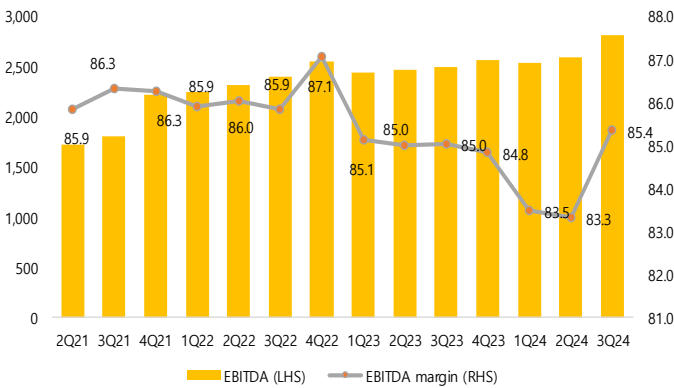
Source: Company, KBVS Research

Exhibit 7: TOWR's leverage metrics



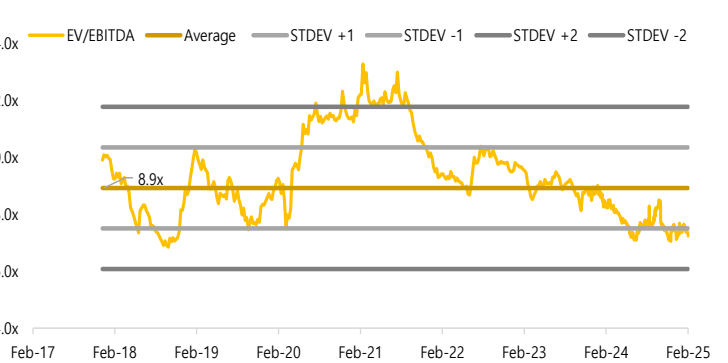
Source: Company, KBVS Research

Exhibit 8: EBITDA & EBITDA margin



Source: Company, KBVS Research

Exhibit 9: Currently trading below 7-years average mean



Source: Company, Bloomberg, KBVS Research

**FINANCIAL TABLES**
**Exhibit 10: Profit & Loss summary**

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Revenue	11,036	11,740	12,301	13,171	14,479
Cost of revenue	(2,914)	(3,528)	(3,672)	(3,844)	(3,994)
Gross profit	8,121	8,213	8,629	9,327	10,486
EBITDA	9,899	10,175	10,275	10,758	11,971
Operating expenses	(911)	(1,076)	(1,235)	(1,484)	(1,558)
Operating profit	7,210	7,136	7,394	7,843	8,928
Net finance income/ cost	(2,368)	(2,838)	(3,023)	(3,151)	(3,388)
Pretax profit	4,459	4,104	4,359	4,676	5,520
Income tax	(963)	(800)	(1,016)	(1,122)	(1,325)
Net profit	3,442	3,253	3,293	3,447	4,070

Source: Company, KBVS Research

**Exhibit 11: Balance sheet**

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
<b>Current assets</b>					
Cash and cash equivalents	309		429	2,552	
Trade receivables	2,558		3,086	2,635	
Other current assets	751		876	911	
<b>Total current assets</b>	<b>3,651</b>		<b>4,427</b>	<b>6,098</b>	
<b>Non current assets</b>					
Fixed assets	37,152		40,385	41,124	
Other non current assets	23,724		22,463	22,421	
<b>Total non current assets</b>	<b>61,974</b>		<b>63,992</b>	<b>64,667</b>	
<b>Total assets</b>	<b>65,625</b>		<b>68,419</b>	<b>70,765</b>	
<b>Current liabilities</b>					
Tower construction and other payables	839		1,101	1,134	
Accruals	1,541		1,463	1,346	
Short term debts	9,564		18,590	17,270	
Other current liabilities	2,502		3,146	3,378	
<b>Total current liabilities</b>	<b>14,446</b>		<b>24,299</b>	<b>23,128</b>	
<b>Non current liabilities</b>					
Long term debts	35,409		26,323	27,573	
Other non current liabilities	1,338		1,285	1,247	
<b>Total non-current liabilities</b>	<b>36,747</b>		<b>27,608</b>	<b>28,820</b>	
<b>Shareholder equity</b>	14,432		16,512	18,816	
<b>Total liabilities and equity</b>	<b>65,625</b>		<b>68,419</b>	<b>70,765</b>	

Source: Company, KBVS Research

**Exhibit 12: Cash flow**

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Net profit	3,442	3,253	3,293	3,447	4,070
D&A	2,307	2,843	2,869	2,899	3,024
Changes in working capital	(897)	171	602	(329)	286
CF from operating activities	4,852	6,267	6,763	6,017	7,380
Investment in fixed assets	(6,507)	(6,076)	(3,608)	(4,061)	(4,004)
Others	657	1,215	64	(195)	(159)
CF from investing activities	(5,850)	(4,861)	(3,544)	(4,256)	(4,162)
Dividends paid	(1,200)	(1,200)	(905)	(862)	(1,424)
Debt raised/ repaid	(2,013)	(59)	(70)	5,473	2,105
Others	(229)	(27)	(121)	54	23
CF from financing activities	(3,441)	(1,286)	(1,096)	4,665	704
Change in cash flow	(4,440)	120	2,124	6,426	3,922
Cash and cash equivalent, beginning	4,748	309	429	2,552	8,979
Cash and cash equivalent, ending	309	429	2,552	8,979	12,900

Source: Company, KBVS Research

**Exhibit 13: Ratio analysis**

Year End Dec	2022A	2023A	2024F	2025F	2026F
Gross profit margin	73.6	70.0	70.1	70.8	72.4
Operating profit margin	65.3	60.8	60.1	59.6	61.7
EBITDA margin	89.7	86.7	83.5	81.7	82.7
Net profit margin	31.2	27.7	26.8	26.2	28.1
Receivables turnover (x)	5.3	4.3	4.3	4.6	4.8
ROA	5.2	4.9	4.7	4.6	5.0
ROE	26.0	21.1	18.7	17.2	18.0
ROCE	23.8	19.7	17.5	16.1	16.9
ROIC	5.8	5.3	5.4	5.5	6.4
Debt/Equity	3.1	2.7	2.4	2.4	2.2
Net debt/Equity	3.1	2.7	2.2	1.9	1.6
Net debt/EBITDA	4.5	4.4	4.1	3.8	3.3
Sales/Assets turnover (x)	0.2	0.2	0.2	0.2	0.2
Interest coverage (x)	4.1	3.6	3.4	3.4	3.5
BV/Share (Rp)	289.8	331.6	377.8	429.8	482.9
Dividend yield	4.1%	4.1%	3.1%	2.9%	4.8%

Source: Company, KBVS Research

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## KB Valbury Sekuritas Head Office

Sahid Sudirman Center 41st Floor Unit A-C  
Jalan Jenderal Sudirman No. 86 Kelurahan Karet Tengsin,  
Kecamatan Tanah Abang, Jakarta Pusat 10220, Indonesia  
T. (021) 25098300  
F. (021) 25098400

### Branch Office

#### Jakarta – Sudirman

Sahid Sudirman Center 41st Floor Unit A-C  
Jalan Jenderal Sudirman No. 86 Karet Tengsin,  
Tanah Abang, Jakarta Pusat 10220  
T. (021) 25098300/301

#### Jakarta - Kelapa Gading

Rukan Plaza Pasifik  
Jl. Boulevard Barat Raya Blok A1 No. 10  
Jakarta Utara 14240  
T. (021) 29451577

#### Jakarta - Puri Indah

Rukan Grand Aries Niaga Blok E1 No. IV  
Jl. Taman Aries, Kembangan  
Jakarta Barat 11620  
T. (021) 22542390

#### Jakarta – Pluit

Jl. Pluit Putra Raya No. 2  
Jakarta Utara 14450  
T. (021) 6692119

#### Bandung

Jl. Abdul Rivai No. 1A, Kel. Pasirkaliki,  
Kec. Cicendo Bandung 40171  
T. (022) 3003133

#### Malang

Jl. Pahlawan Trip No. 7  
Malang 65112  
T. (0341) 585888

#### Banjarmasin

Jl. Gatot Subroto No. 33  
Banjarmasin 70235  
T. (0511) 3265918

#### Pekanbaru

Jl. Tuanku Tambusai, Komplek CNN  
Blok A No. 3 Pekanbaru 28291  
T. (0761) 839393

#### Palembang

Komplek PTC Mall Blok I No. 7  
Jl. R. Sukamto  
Palembang 30114  
T. (0711) 2005050

#### Surabaya

Pakuwon Center Lt 21  
Jl. Embong Malang No.1  
Surabaya 60261  
T. (031) 21008080

#### Padang

Jl. Proklamasi No. 60A  
Padang Timur 25121  
T. (0751) 8688080

#### Yogyakarta

Jl. Magelang KM 5.5 No. 75  
Yogyakarta 55000  
T. (0274) 8099090

#### Semarang

Jl. Gajahmada 23A,  
Kecamatan Semarang Tengah,  
Kelurahan Kembang Sari 50241  
T. (024) 40098080

#### Makassar

Komplek Ruko Citraland City Losari  
Business Park, Blok B2 No. 09  
Jl. Citraland Boulevard Makassar 90111  
T. (0411) 6000818

#### Medan

Komplek Golden Trade Center  
Jl. Jenderal Gatot Subroto No. 18-19  
Medan 20112  
T. (061) 50339090

#### Denpasar

Jl. Teuku Umar No. 177  
Komplek Ibis Styles Hotel  
Denpasar Bali 80114  
T. (0361) 225229

#### Pontianak

Jl. Prof. M Yamin No. 14  
Kotabaru, Pontianak Selatan  
Kalimantan Barat 78116  
T. (0561) 8069000

### Investment Gallery

#### Jakarta

Citra Garden 6 (Ruko Sixth Avenue)  
Blok J1 A/18, Cempukan  
Jakarta Barat 11820  
T. (021) 52392181

#### Tangerang

Ruko Aniva Junction Blok D No. 32  
Gading Semping, Tangerang,  
Banten 15334  
T. (021) 35293147

#### Semarang

Jl. Jati Raya No. D16,  
Srengedol Wetan, Banyuwangi,  
Semarang 50263  
T. (024) 8415195

#### Salatiga

Jl. Diponegoro No. 68  
Salatiga 50711  
T. (0298) 313007

#### Solo

Jl. Ronggowanato No. 34  
Surakarta 57118  
T. (0271) 3190090

#### Jambi

Jl. Oesiq Kayo Hitam No. 48 B  
Jambi Timur 36123  
T. (0741) 3068533