

**BUY (Maintain)**

**Target Price (IDR)** 1,535 (Unchanged)  
**Potential Upside (%)** 61.6

**Price Comparison**

**Cons. Target Price (IDR)** 1,438  
**SSI vs. Cons. (%)** 106.8

**Stock Information**

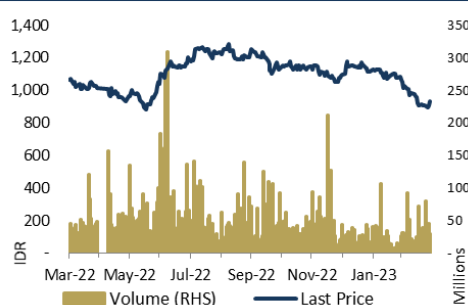
**Last Price (IDR)** 950  
**Shares Issued (Mn)** 51,015  
**Market Cap. (IDR Bn)** 48,464  
**52-Weeks High/Low (IDR)** 1,295/870  
**3M Avg. Daily Value (IDR Bn)** 30.4  
**Free Float (%)** 37.6

**Shareholder Structure:**

PT Sapta Adhikari Inv (%) 54.4  
 PT Dwimuria Inv Andalan (%) 5.0  
 Treasury 2.4  
 Public (%) 38.2

**Stock Performance**

(%)	YTD	1M	3M	12M
Absolute	(13.6)	(9.5)	(13.6)	(10.8)
JCI Return	(0.2)	(0.1)	(0.2)	(3.0)
Relative	(13.5)	(9.5)	(13.5)	(7.8)

**Stock Price & Volumes, 12M****Company Background**

PT Sarana Menara Nusantara Tbk (TOWR) is the largest independent telecommunication tower owner and operator in Indonesia. The company, along with its subsidiaries, owns and operates more than 20 thousand towers with more than 30 thousand tenants, while also operating a fiber optic business.

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**Boosted by Fiber**

**Positive EBITDA growth.** TOWR booked positive revenue growth of +14.0% yoy (+4.9% qoq) in 4Q22 despite the considerable decline in the number of tenants (-1,602), supported by its fiber optic business, with additional +17.6k kilometers of revenue-generating fiber optic lines. Overall, in FY22, TOWR had 53,967 tower tenants (-0.01% yoy) and ~151k kms of fiber optic lines, enabling the company to post revenue growth of +27.8% yoy to IDR 11.0 trillion, in line with SSI's estimates and consensus. Along with the positive revenue growth, TOWR also posted satisfactory EBITDA growth (4Q22: +15.1% yoy, FY22: +28.0% yoy) with an EBITDA margin of 86.2% (vs. 86.1% in FY21). On its bottom line, TOWR reported net profit growth of +4.2% yoy in 4Q22, supported by its efforts to reduce debt; however, its full-year net profit growth was relatively insignificant (+0.4% yoy to IDR 3.4 trillion), in line with SSI's estimates (98.8%) and consensus (95.8%).

**Non-telco tower businesses.** TOWR is continuously developing its fiber optic (FTTT) and connectivity businesses, allocating 50-55% of its FY23F Capex budget (IDR 5-6 trillion) to support the development of its non-telco tower businesses. We support the company's decision, since the ongoing ISAT-H3I consolidation to IOH (both are TOWR's main customers) has led to a rather sluggish growth in demand for TOWR's telco towers (mostly for IOH relocation). Therefore, we expect non-tower businesses to become TOWR's main growth driver, at least until the IOH consolidation is completed and 5G technology becomes more common. TOWR might need external funds for its Capex budget, considering its relatively low cash level in FY22. However, with an interest coverage ratio of 4.1x and a net debt/EBITDA ratio of 4.2x, it won't be much of a problem for TOWR to obtain funding.

**FY23F outlook.** The ongoing IOH consolidation prompted us to project a rather modest tenant growth for TOWR in FY23F (+2.8% yoy to 55,467 tenants) with 500 B2S and 1,000 collocations. We project tower rental to remain the largest contributor to TOWR's FY23F revenue (over 80%). Lastly, we project TOWR to book revenue growth of +4.4% yoy, EBITDA growth of +4.0% yoy, and net profit growth of +7.4% yoy in FY23F.

**BUY, TP IDR 1,535 (12.9x FY23F EV/EBITDA).** Despite the current slowdown in the growth of telco tower business due to consolidation, we believe it will help create healthier competition in the telecommunications industry. This, coupled with the potential additional demand for towers to support 5G network expansion, should positively impact TOWR's future growth. Thus, we reiterate our BUY rating on TOWR with a TP of IDR 1,535 (12.9x FY23F EV/EBITDA). Key risks: regulatory changes, lower-than-expected demand from Indonesian telco operators.

**Valuations (at closing price IDR 950 per share)**

Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR Bn)	8,635	11,036	11,518	12,184	12,876
EBITDA (IDR Bn)	7,434	9,517	9,894	10,469	11,096
EV/EBITDA (x)	12.0	9.7	9.0	8.2	7.4
Net Profit (IDR Bn)	3,427	3,442	3,698	4,265	4,812
EPS (IDR)	69	69	74	86	97
EPS Growth (%)	20.9	0.4	7.4	15.3	12.8
P/E Ratio (x)	13.8	13.7	12.8	11.1	9.8
BVPS (IDR)	242	290	341	402	469
P/BV Ratio (x)	3.9	3.3	2.8	2.4	2.0
DPS (IDR)	28	24	24	26	30
Dividend Yield (%)	3.0	2.5	2.5	2.7	3.2
ROAE (%)	30.8	26.0	23.5	23.1	22.2
ROAA (%)	6.8	5.2	5.5	6.2	6.9
Interest Coverage (x)	3.9	2.9	3.0	3.4	3.9
Net Gearing (x)	3.5	3.1	2.5	1.9	1.5

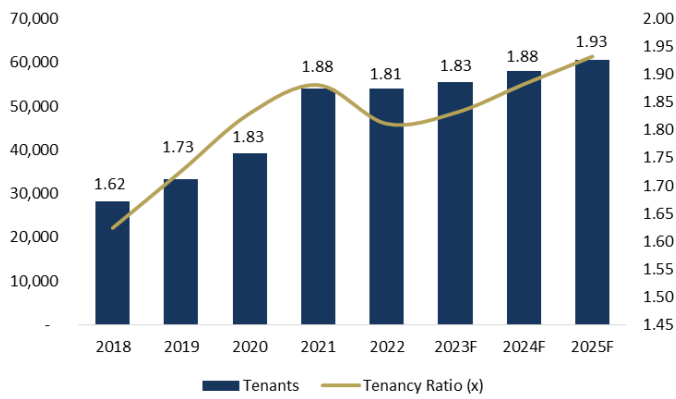
**Table 1: FY22 Results**

TOWR (IDR Bn)	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)	FY21	FY22	YoY (%)	FY22/SSI	FY22/Cons
<b>Revenue</b>	2,568	2,791	2,929	4.9	14.0	8,635	11,036	27.8	108.8	104.4
<b>Gross Profit</b>	1,859	2,048	2,198	7.3	18.2	6,295	8,121	29.0	108.9	109.2
<b>Operating Profit</b>	1,487	1,673	1,927	15.2	29.6	5,397	6,828	26.5	106.5	101.0
<b>EBITDA</b>	2,216	2,396	2,550	6.4	15.1	7,434	9,517	28.0	109.1	104.6
<b>Net Profit</b>	848	868	883	1.8	4.2	3,427	3,442	0.4	98.8	95.8
Gross Margin	72.4%	73.4%	75.0%	1.7%	2.7%	72.9%	73.6%	0.7%		
Operating Margin	57.9%	59.9%	65.8%	5.8%	7.9%	62.5%	61.9%	-0.6%		
EBITDA Margin	79.8%	81.0%	85.4%	4.4%	5.6%	84.0%	82.8%	-1.3%		
Net Margin	33.0%	31.1%	30.2%	-0.9%	-2.8%	39.7%	31.2%	-8.5%		

Operational	4Q21	3Q22	4Q22	FY21	FY22	YoY (%)	FY22/SSI
Tenant	13,519	313	(1,062)	53,975	53,967	(0.0)	97.1
Tower	7,059	445	86	28,698	29,794	3.8	100.3
Colocation	6,460	(132)	(1,148)	25,277	24,173	(4.4)	93.4
Tenancy ratio (x)				1.88	1.81	(3.7)	

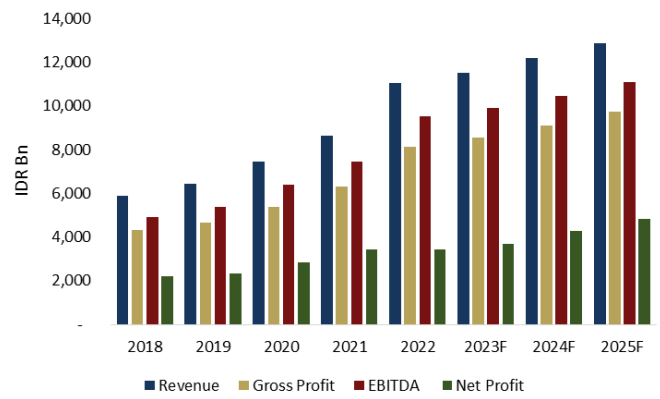
Source: Company, SSI Research

**Figure 1. Operational Data**



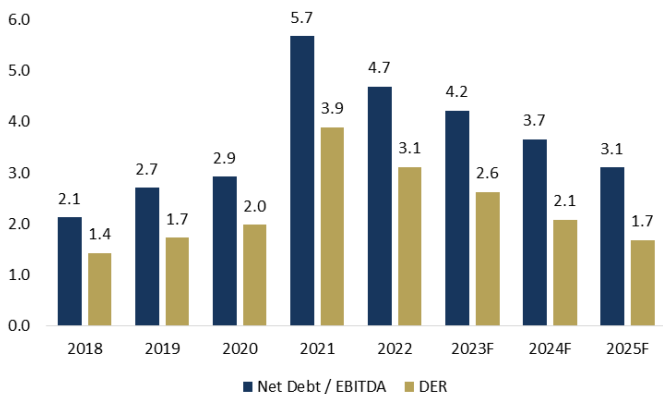
Source: Company, SSI Research

**Figure 2. Financial Performance**



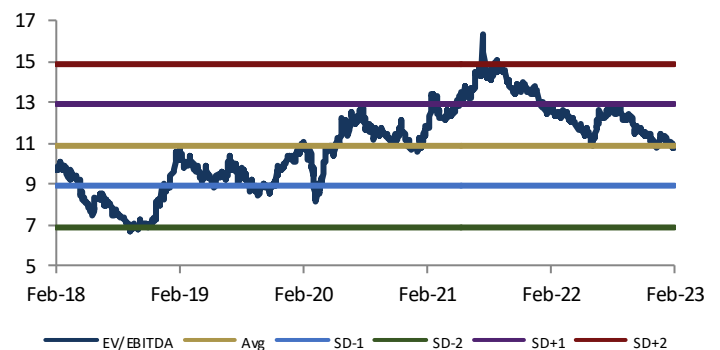
Source: Company, SSI Research

**Figure 3. Solvability Ratios**



Source: Company, SSI Research

**Figure 4. EV/EBITDA Band**



Source: Bloomberg, Company, SSI Research

## Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
<b>Revenue</b>	<b>8,635</b>	<b>11,036</b>	<b>11,518</b>	<b>12,184</b>	<b>12,876</b>
Cost of Revenue	(2,340)	(2,914)	(2,984)	(3,085)	(3,154)
<b>Gross Profit</b>	<b>6,295</b>	<b>8,121</b>	<b>8,534</b>	<b>9,099</b>	<b>9,722</b>
<b>Operating Expense</b>	<b>(899)</b>	<b>(1,294)</b>	<b>(1,384)</b>	<b>(1,458)</b>	<b>(1,524)</b>
G&A Expense	(601)	(742)	(759)	(801)	(833)
Selling & Marketing Expense	(120)	(169)	(224)	(236)	(249)
Other Income (Expense)	(178)	(382)	(401)	(421)	(442)
<b>Operating Profit</b>	<b>5,397</b>	<b>6,828</b>	<b>7,149</b>	<b>7,641</b>	<b>8,198</b>
<b>EBITDA</b>	<b>7,434</b>	<b>9,517</b>	<b>9,894</b>	<b>10,469</b>	<b>11,096</b>
Interest Income	25	23	9	86	101
Interest Expense	(1,370)	(2,392)	(2,373)	(2,218)	(2,093)
Share of JV	-	-	-	-	-
Other Income (Expense)	-	-	-	-	-
<b>Pre-tax Profit</b>	<b>4,051</b>	<b>4,459</b>	<b>4,786</b>	<b>5,509</b>	<b>6,206</b>
Taxes	(603)	(963)	(1,033)	(1,189)	(1,340)
Minority Interest	(21)	(55)	(55)	(55)	(55)
<b>Net Profit</b>	<b>3,427</b>	<b>3,442</b>	<b>3,698</b>	<b>4,265</b>	<b>4,812</b>

Balance Sheet					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Cash	4,748	309	2,852	3,379	4,810
Receivables	2,184	2,558	2,670	2,824	2,984
Inventory	2	-	-	-	-
Others	463	785	693	693	693
<b>Total Current Asset</b>	<b>7,398</b>	<b>3,651</b>	<b>6,214</b>	<b>6,895</b>	<b>8,487</b>
Net Fixed Asset	32,951	37,152	36,721	36,262	35,777
Other Assets	25,479	24,822	25,182	25,402	25,670
<b>Total Asset</b>	<b>65,829</b>	<b>65,625</b>	<b>68,116</b>	<b>68,560</b>	<b>69,934</b>
Payables	522	862	883	913	933
ST. Debt and CMLTD	16,794	9,564	9,700	9,067	8,556
Other Current Liabilities	4,565	4,020	4,298	4,598	4,923
<b>Current Liability</b>	<b>21,880</b>	<b>14,446</b>	<b>14,881</b>	<b>14,577</b>	<b>14,412</b>
LT. Debt	30,191	35,409	34,915	32,635	30,799
Other LT. Liabilities	1,695	1,338	1,340	1,343	1,345
<b>Total Liability</b>	<b>53,767</b>	<b>51,193</b>	<b>51,137</b>	<b>48,555</b>	<b>46,557</b>
Minority Interest	31	32	86	141	195
<b>Total Equity</b>	<b>12,062</b>	<b>14,432</b>	<b>16,980</b>	<b>20,004</b>	<b>23,377</b>

Cash Flow					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
<b>Net Profit</b>	<b>3,427</b>	<b>3,442</b>	<b>3,698</b>	<b>4,265</b>	<b>4,812</b>
D&A	3,437	1,057	1,071	1,093	1,114
Changes in Working Capital	2,246	326	1,455	1,392	1,428
<b>Operating CF</b>	<b>9,110</b>	<b>4,825</b>	<b>6,224</b>	<b>6,750</b>	<b>7,355</b>
Capital Expenditure	(16,327)	(5,834)	(2,176)	(2,071)	(2,141)
Others	(15,377)	10	-	-	-
<b>Investing CF</b>	<b>(31,704)</b>	<b>(5,823)</b>	<b>(2,176)</b>	<b>(2,071)</b>	<b>(2,141)</b>
Dividend Paid	(1,399)	(1,200)	(1,205)	(1,295)	(1,494)
Net Borrowing	26,788	(2,013)	(357)	(2,914)	(2,346)
Others	54,086	(4,254)	(657)	(5,771)	(4,636)
<b>Financing CF</b>	<b>25,899</b>	<b>(3,441)</b>	<b>(1,505)</b>	<b>(4,152)</b>	<b>(3,783)</b>
<b>Net - Cash flow</b>	<b>3,306</b>	<b>(4,440)</b>	<b>2,543</b>	<b>527</b>	<b>1,431</b>
Adjustment	-	-	-	-	-
Cash at Beginning	1,443	4,748	309	2,852	3,379
<b>Cash at Ending</b>	<b>4,748</b>	<b>309</b>	<b>2,852</b>	<b>3,379</b>	<b>4,810</b>

Key Ratios					
Y/E Dec	21A	22A	23F	24F	25F
Gross Profit Margin (%)	72.9	73.6	74.1	74.7	75.5
Operating Margin (%)	62.5	61.9	62.1	62.7	63.7
Pretax Margin (%)	46.9	40.4	41.6	45.2	48.2
Net Profit Margin (%)	39.7	31.2	32.1	35.0	37.4
Revenue Growth (%)	16.0	27.8	4.4	5.8	5.7
EBITDA Margin (%)	86.1	86.2	85.9	85.9	86.2
EBITDA Growth (%)	16.1	28.0	4.0	5.8	6.0
Debt to Equity (x)	3.9	3.1	2.6	2.1	1.7

Major Assumptions					
Y/E Dec	21A	22A	23F	24F	25F
Tower Growth (%)	34.2	3.8	1.7	1.7	1.6
Total Tenant Growth (%)	37.9	(0.0)	2.8	4.5	4.3
Tenancy Ratio (x)	1.9	1.8	1.8	1.9	1.9
Net Debt/EBITDA (x)	5.7	4.7	4.2	3.7	3.1

Table 2. Peers Comparison

Company Ticker	Country	Company Ticker	Market Cap (USD Mn)	PER (x)		EV/EBITDA (x)		PBV (x)		ROE (%)	
				2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
CHINA TOWER CO-H	CN	788 HK	21,080	13.3	10.2	3.3	3.2	0.7	0.7	5.5	6.7
INDUS TOWERS LTD	IN	INDUSTOW IN	4,661	14.3	7.3	6.0	4.4	1.7	1.6	9.7	21.6
CROWN CASTLE INC	US	CCI US	56,798	34.5	36.9	17.6	17.8	8.3	9.3	23.4	25.2
AMERICAN TOWER C	US	AMT US	92,426	44.4	38.9	19.6	18.8	19.6	39.4	39.6	55.2
INFRASTRUTTURE W	IT	INW IM	12,601	31.0	26.8	17.7	16.1	2.6	2.6	8.5	9.8
RAI WAY SPA	IT	RWAY IM	1,632	17.4	16.7	9.6	9.2	8.0	9.5	47.5	47.2
TOWER BERSAMA	ID	TBIG IJ	3,324	29.7	27.8	13.4	12.8	4.7	4.4	16.2	15.5
DAYAMITRA TELEKO	ID	MTEL IJ	3,965	28.4	24.8	10.2	9.5	1.7	1.7	6.1	6.9
<b>SARANA MENARA</b>	<b>ID</b>	<b>TOWR IJ</b>	<b>3,218</b>	<b>12.7</b>	<b>12.0</b>	<b>9.8</b>	<b>9.3</b>	<b>2.9</b>	<b>2.5</b>	<b>23.8</b>	<b>21.6</b>
<b>Global Weighted Average</b>			<b>199,704</b>	<b>35.5</b>	<b>32.7</b>	<b>16.3</b>	<b>15.8</b>	<b>11.9</b>	<b>21.4</b>	<b>27.5</b>	<b>35.7</b>

Source: Bloomberg, SSI Research (closing price at 29/03/2023)

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