

Sarana Menara Nusantara (TOWR): IDR 750 – BUY, SSI TP: IDR 1,160 (From IDR 1,535); Cons. TP: IDR 1,123



Results: (IDR Bn)	3Q24	2Q24	3Q23	QoQ (%)	YoY (%)	9M24	9M23	YoY (%)	SSI (%)	Cons (%)
Revenue	3,295	3,107	2,943	6.0	12.0	9,449	8,719	8.4	75.8	75.9
Gross Profit	2,261	2,174	2,197	4.0	2.9	6,557	6,254	4.9	75.8	75.1
Operating Profit	1,791	1,794	1,877	-0.2	-4.6	5,294	5,255	0.7	72.2	71.2
EBITDA	2,589	2,522	2,447	2.7	5.8	7,551	7,199	4.9	72.5	72.3
Net Profit	842	808	958	4.3	-12.1	2,447	2,426	0.9	71.8	70.4
Key Ratios										
GPM (%)	68.6	70.0	74.7	-	-	69.4	71.7	-	-	-
OPM (%)	54.3	57.7	63.8	-	-	56.0	60.3	-	-	-
EBITDA Margin (%)	78.6	81.2	83.1	-	-	79.9	82.6	-	-	-
NPM (%)	25.6	26.0	32.6	-	-	25.9	27.8	-	-	-
# of Tower (unit)	-	-	-	-	-	35,371	29,915	18.2	-	-
# of Tenant (unit)	-	-	-	-	-	58,165	54,249	7.2	-	-
Tenancy Ratio (x)	-	-	-	-	-	1.6	1.8	-	-	-
Fiber Optic (km)	-	-	-	-	-	215,671	178,329	20.9	-	-

Peer Comparables

Company Ticker	Market Cap. (IDR Tn)	Last Price (IDR)	Target Price (IDR)	2024F				
				P/E (x)	EPS Gwt (%)	EV/EBITDA (x)	Net Gearing (%)	ROE (%)
788 HK	23,315	NA	-	15.3	11.1	4.0	45.9	5.5
INDUSTOW IN	10,198	NA	-	11.6	25.7	5.5	75.7	25.6
HMFC IN	2,168	NA	-	28.0	0.0	14.3	16.2	9.3
1310 HK	628	NA	-	23.7	1,862.5	5.8	342.9	9.6
Regional Average	36,308	-	-	15.2	46.6	5.1	57.6	11.4
MTEL IJ	3,150	590	780	22.6	8.7	8.7	51.5	6.3
TBIG IJ	2,722	1,880	1,920	27.1	0.7	12.1	236.3	13.0
TOWR IJ	2,445	750	1,160	11.1	3.2	7.9	269.2	19.0
Local Average	8,317	-	-	20.7	4.5	9.6	176.0	12.2
Blended Average	44,625	-	-	16.2	38.7	5.9	79.7	11.6

SWOT Analysis of the Results (below ours & cons)

Strength

In 3Q24, IBST (TOWR's recently acquired subsidiary) booked revenue of IDR 210.5bn, boosting TOWR's top-line to IDR 3.3tn (+6.0% QoQ, +12.0% YoY); consolidation of IBST's results is expected to push TOWR's FY24 growth to low double-digits; the addition of 23,339 km of fiber optic lines in 3Q24 bolstered the growth of TOWR's Fiber-to-the-Tower (+3.9% QoQ; +17.5% YoY), now TOWR's 2nd biggest revenue contributor (16.3%)

Weakness

-12.1% YoY decline in 3Q24 net profit, mainly due to increased interest charges from additional loans taken to finance acquisition activities, resulting in higher DER of 2.8x (vs. 2.7x in 3Q23); consolidated gross margin dropped to 68.6% in 3Q24, partly due to IBST's weaker gross margin (63.6%) due high FA depreciation

Opportunity

Upcoming rights issue (IDR 4.5tn) may help reduce TOWR's DER to 2.3x (9M24: 2.8x); BI rate cut(s) is expected to decrease TOWR's interest charges; further acquisitions of tower and fiber optic assets should help bolster future revenue growth

Threat

Slower-than-expected MNO network expansion may hinder TOWR's growth; EXCL-FREN merger may lead to relocation of tower lease contracts, putting pressure on players' performances within the sector

Relative Performance vs JCI

