

Tower Bersama Infrastructure

BUY (unchanged)

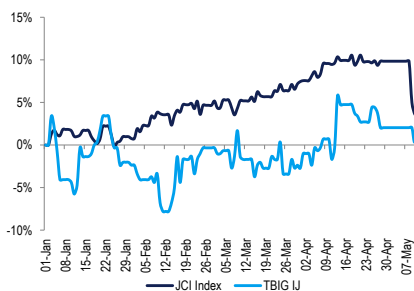
Company Update | Tower | TBIG IJ | 11 May 2022

Stock Data

Target price	Rp3,400
Prior TP	Rp3,400
Current price	Rp3,060
Upside/downside	+11%
Shares outstanding (mn)	22,657
Market cap (Rp bn)	69,330
Free float	62%
Avg. 6m daily T/O (Rp bn)	98

Price Performance

	3M	6M	12M
Absolute	8.5%	9.7%	16.8%
Relative to JCI	8.1%	7.5%	2.0%
52w low/high (Rp)	2,390 – 3,400		



Major Shareholders

Bersama Digital Infrastructure Asia	62.38%
Wahana Anugerah Sejahtera	9.26%

Hans Tantio

PT Indo Premier Sekuritas
hans.tantio@ipc.do.id
+62 21 5088 7168 ext. 719

Upcoming VTO shall provide floor price

- Bersama Digital plans to conduct VTO for 2.48bn (equivalent to 10.97% of outstanding shares) TBIG shares at Rp3,200/share.
- We believe the voluntary tender offer shall be done at 16x EV/EBTIDA, a fair premium compared to its local peers (trades at c.12x EV/EBITDA).
- Voluntary tender offer shall not impact TBIG operational performance. Strong organic growth in FY22F onwards underpin our Buy rating.

Voluntary tender offer for TBIG's shareholders with BDIA as the buyer

Bersama Digital Infrastructure Asia (BDIA) - previously known as Provident Consolidated Holding, plans to conduct voluntary tender offer for 2.48bn (equivalent to 10.97% of outstanding shares – minorities who wished to participate shall be pro-rated) TBIG shares at Rp3,200/share. The price reflects 7.45% premium of TBIG's last 90days trading price or 6.7% premium over its 10 May 22 trading price. The tender offer period shall be done on 22nd of Jun to 22nd of Jul. Payment date will be 3rd of Aug. Post the tender offer completion, BDIA shall effectively own 73.34% TBIG's of outstanding shares from 62.38%, previously – note that Macquarie Infrastructure Fund currently owns 19.3% BDIA. Overall free float shall be reduced to 17.4% from 28.4%. The transaction is pending approval from OJK.

VTO price seems to be fair

We believe the voluntary tender offer shall be done at 16x EV/EBTIDA, a fair premium compared to its local peers (trades at c.12x EV/EBITDA). The premium is justifiable amid TBIG having the highest co-location ratio (1.9x in FY21) amongst tower providers in Indonesia. Higher co-lo unlocks operating scale and result in high EBITDA margin (89% in 4Q21) – increase free cash flow generation needed for faster payback periods of new towers. Previous sizeable tower transactions (i.e. ISAT towers by Digital Colony and Tsel by MTEL) were done at c.14x EV/EBITDA.

No impact on TBIG's operational going forward

We believe the change in shareholder post voluntary tender offer shall not change TBIG's operational performance. We continue to expect TBIG to deliver 4% CAGR EBITDA growth from FY22-24F. The growth shall be delivered through higher co-location (2x by FY24F from 1.9x in FY21).

Strong organic growth in FY22-24F underpin our Buy rating

We maintain our Buy call with TP of Rp3,400/share (10.3% WACC). Strong organic growth shall be its main catalyst while VTO shall provide floor price to investors. TBIG is currently trading at 15.5x EV/EBITDA (10Y avg. at 13x). Risk is telco price war impacting tower rental pricing.

Financial Summary (Rp bn)	2020A	2021A	2022F	2023F	2024F
Revenue	5,328	6,180	6,793	7,077	7,337
EBITDA	4,617	5,429	5,981	6,235	6,469
EBITDA growth	15.1%	17.6%	10.2%	4.2%	3.8%
Net profit	1,010	1,549	1,793	1,898	2,286
EPS	45	68	79	84	101
EPS growth	23%	53%	16%	6%	20%
ROE	10.9%	15.8%	16.9%	16.8%	18.5%
PER (x)	69	45	39	37	30
EV/EBITDA (x)	20.0	18.0	16.3	15.6	15.0
Dividend yield	0.9%	1.0%	1.5%	1.8%	1.9%
IPS vs. consensus			106%	102%	123%

Source: Company, Indo Premier

Share price closing as of: 11 May 2022

Fig. 1: DCF valuation

Tower Bersama DCF Model	2021A	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F
EBIT	4,306	4,758	4,973	5,172	5,357	5,585	5,804	6,013	6,213	6,404	6,587
Depreciation and Amortization	1,123	1,223	1,262	1,297	1,327	1,366	1,402	1,435	1,465	1,492	1,516
Tax	(638)	(894)	(990)	(790)	(789)	(794)	(726)	(655)	(666)	(677)	(686)
Change in Working Capital	(291)	(79)	(37)	(34)	(31)	(39)	(37)	(35)	(33)	(31)	(30)
Capital Expenditure	(5,950)	(1,825)	(1,843)	(1,862)	(1,880)	(1,899)	(1,918)	(1,937)	(1,957)	(1,976)	(1,996)
Free Cash Flows	(1,450)	3,183	3,366	3,783	3,983	4,219	4,525	4,821	5,022	5,212	5,391

DCF	Now	WACC Assumptions
Perpetual growth (%)	3.0%	Cost of equity = 13.7%
Terminal value	75,854	After-tax cost of debt = 5.3%
NPV of DCF	25,771	Risk free rate = 6.0%
Net debt	28,007	Beta = 1.1
Equity value	73,618	Equity risk premium = 7.0%
Number of shares	21,631	Req equity market return = 13.0%
Value per share (Rp)	3,400	WACC = 10.3%

Source: Company, Indo Premier

Fig. 2: EV/EBITDA band



Source: Bloomberg, Company, Indo Premier

Income Statement	2020A	2021A	2022F	2023F	2024F
Net revenue	5,328	6,180	6,793	7,077	7,337
Cost of sales	(1,093)	(1,473)	(1,593)	(1,643)	(1,687)
Gross profit	4,235	4,707	5,200	5,434	5,650
SG&A Expenses	(419)	(401)	(442)	(461)	(478)
Operating profit	3,816	4,306	4,758	4,973	5,172
Net interest	(2,120)	(2,124)	(2,010)	(2,021)	(2,019)
Forex gain (loss)	0	0	0	0	0
Others	(187)	(246)	(567)	(643)	(709)
Pre-tax income	1,509	1,936	2,181	2,308	2,444
Income tax	(443)	(335)	(327)	(346)	(81)
Minority interest	(57)	(52)	(61)	(64)	(77)
Net income	1,010	1,549	1,793	1,898	2,286

Balance Sheet	2020A	2021A	2022F	2023F	2024F
Cash & equivalent	947	629	966	1,310	1,632
Receivable	974	614	675	703	729
Other current assets	1,306	1,778	1,800	1,811	1,820
Total current assets	3,227	3,021	3,442	3,825	4,182
Fixed assets	28,738	33,638	33,015	32,352	31,655
Goodwill	381	381	381	381	381
Total non-current assets	33,294	38,849	39,451	40,032	40,597
Total assets	36,521	41,870	42,893	43,857	44,779

Payable	592	50	54	56	57
Other payables	2,428	2,768	2,768	2,768	2,768
Current portion of LT loans	10,758	5,614	5,659	5,703	5,676
Total current liab.	13,778	8,432	8,481	8,528	8,502
Long term loans	13,089	23,132	23,315	23,499	23,385
Other LT liab.	350	517	517	517	517
Total liabilities	27,217	32,081	32,312	32,543	32,403

Equity	1,047	2,148	2,148	2,148	2,148
Retained earnings	7,663	7,125	7,856	8,524	9,509
Minority interest	594	516	577	641	719
Total SHE + minority int.	9,304	9,789	10,581	11,314	12,375
Total liabilities & equity	36,521	41,870	42,893	43,857	44,779

Source: Company, Indo Premier

Cash Flow Statement	2020A	2021A	2022F	2023F	2024F
Net income	1,010	1,549	1,793	1,898	2,286
Depr. & amortization	801	1,123	1,223	1,262	1,297
Changes in working capital	(2,199)	(888)	(79)	(37)	(34)
Others	4,175	2,681	0	0	0
Cash flow from operating	3,786	4,465	2,937	3,123	3,549
Capital expenditure	(1,355)	(5,950)	(1,825)	(1,843)	(1,862)
Others	(697)	(1,227)	0	0	0
Cash flow from investing	(2,052)	(7,176)	(1,825)	(1,843)	(1,862)
Loans	(1,109)	2,582	227	229	(141)
Equity	0	0	0	0	0
Dividends	(606)	(692)	(1,062)	(1,229)	(1,301)
Others	398	499	61	64	77
Cash flow from financing	(1,317)	2,388	(775)	(936)	(1,365)
Changes in cash	418	(323)	337	344	322

Key Ratios	2020A	2021A	2022F	2023F	2024F
Gross margin	79.5%	76.2%	76.6%	76.8%	77.0%
Operating margin	71.6%	69.7%	70.0%	70.3%	70.5%
Pre-tax margin	28.3%	31.3%	32.1%	32.6%	33.3%
Net margin	19.0%	25.1%	26.4%	26.8%	31.2%
ROA	2.8%	3.7%	4.2%	4.3%	5.1%
ROE	10.9%	15.8%	16.9%	16.8%	18.5%
ROIC	12.7%	12.3%	12.4%	12.8%	13.1%

Acct. receivables TO (days)	67	36	36	36	36
Acct. payables - other TO (days)	198	12	12	12	12

Debt to equity	256.3%	293.7%	273.8%	258.1%	234.8%
Interest coverage ratio (x)	1.8	2.0	2.4	2.4	2.5
Net gearing	246.1%	287.2%	264.7%	246.5%	221.6%

Source: Company, Indo Premier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

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