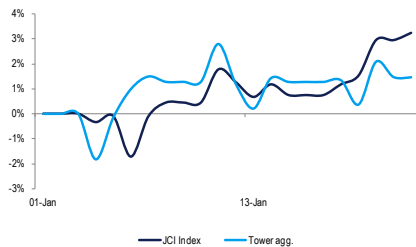


Sector Index Performance

	3M	6M	12M
Absolute	-6.5%	-5.2%	-6.2%
Relative to JCI	-7.6%	-10.0%	-5.2%



Summary Valuation Metrics

EV/EBITDA (x)	Dec23F	Dec24F	Dec25F
MTEL IJ	10.8	9.9	8.9
TOWR IJ	9.2	8.5	7.9
TBIG IJ	13.3	12.7	11.9

P/E (x)	Dec23F	Dec24F	Dec25F
MTEL IJ	30.4	27.3	23.6
TOWR IJ	15.4	14.0	11.9
TBIG IJ	31.1	29.3	26.5

Div. Yield	Dec23F	Dec24F	Dec25F
MTEL IJ	2.9%	2.3%	2.6%
TOWR IJ	2.7%	3.3%	3.6%
TBIG IJ	1.9%	1.7%	1.9%

Potential sale of IBST shall be a boon to towers

- Transaction value could reach Rp9.8-11.4tr, while the top-3 towercos FY24-25F EBITDA could see an uplift of c.4-13%, on our estimates.
- MTEL is likely a strong contender to win the tender, given its ample balance sheet capacity.
- This transaction could allow for further consolidation, which is a +ve for the sector. Remain OW, but prefer telco > towerco. MTEL is our top pick.

Transaction value could potentially reach Rp9.8-11.4tr

According to a number of news outlets, IBST's shareholders are considering a sale of their stakes in the company. Of note, IBST is currently the fifth-largest towerco in the country (in terms of number of tower). As of FY22, IBST had 3,383 towers and 5,791 tenants, which implies tenancy ratio of 1.71x. It also owned 16,642 km of fiber. Based on our channel checks, the transaction could potentially be concluded by 1H24. FREN is the largest revenue contributor for IBST (71% of revenue), followed by other telcos (29% but no further breakdown). Under the assumptions of 12-14x EV/EBITDA valuation (global towerco average valuation and TOWR-SUPR transaction valuation), the transaction value could reach Rp9.8-11.4tr, on our estimates.

The top-3 towercos FY24-25F EBITDA could see an uplift of c.4-13%

Although the list of tender participants are not disclosed, we believe that the top-3 Indonesian towercos are likely to be among the suitors. A hypothetical combination of IBST and MTEL/TBIG/TOWR would result in 40.5/25.6/33.3k towers, with tenancy ratio of 1.52/1.85/1.80x. Assuming the aforementioned transaction value (at Rp9.8-11.4tr) and a full-debt financing, MTEL/TBIG/TOWR's net debt/EBITDA could potentially rise from 2.3/5.1/4.3x to 3.3-3.5/6.0-6.2/4.9-5.0x. Further, assuming the transaction close at end-1H24, MTEL/TBIG/TOWR's FY24-25F EBITDA could see an uplift of c.5-10/7-13/4-7%, on our estimates.

MTEL is likely a strong contender to win the tender, given its ample balance sheet capacity; further consolidation is a +ve for the sector

Given its ample balance sheet capacity, relative to other towercos (net debt/EBITDA of 2.3x vs. TBIG/TOWR 5.1/4.3x), we believe that MTEL seems to be well-positioned for inorganic growth. This acquisition could help to solidify its position as the largest towerco in the country, considering the limited inorganic opportunities post-IBST. Concurrently, sector consolidation is a positive for all towercos, in our view, as it could help to ensure competition remains rational. Recall that a global towerco (IHS Towers) and private equity firms (DigitalBridge and Stonepeak) were among the suitors of SUPR in FY21 (TOWR eventually emerged as the winner).

Maintain OW, with MTEL as our preferred pick

Better revenue growth and lower cost of debt shall support bottom-line in FY24F. Hence, we remain OW on the tower sector, with Buy ratings on all names but MTEL as our preferred pick. However, we are cautious given the potential EXCL-FREN consolidation, and accordingly, continue to prefer telcos over towercos. Note that as of 9M23, EXCL-FREN made up for about 12/24/35% of MTEL/TBIG/TOWR's revenue. The sector currently trades at 9.0x FY24F EV/EBITDA (vs. 10-yr average of 11.3x). Risks: telco consolidation and competition.

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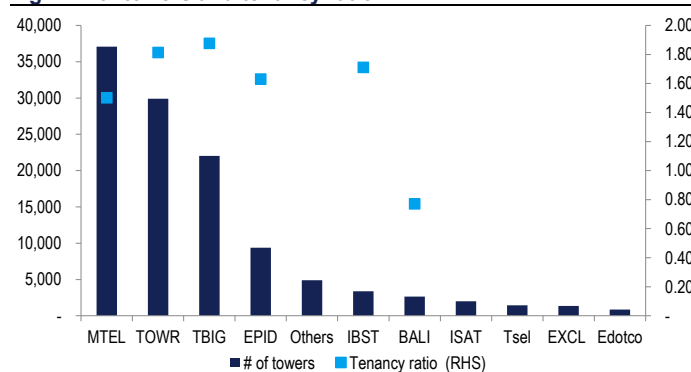
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Fig. 1: IBST's shareholders

Shareholder	Shares	Ownership
PT Bakti Taruna Sejati	1,079,133,723	79.9%
PT Dian Sw astatika Sentosa Tbk	114,760,000	8.5%
PT Inovasi Mas Mobilitas	200	0.0%
Public	157,011,004	11.6%
Total	1,350,904,927	

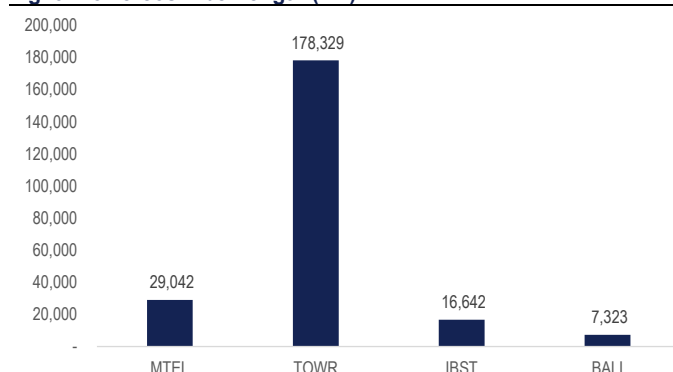
Source: Company, Indo Premier

Fig. 2: # of towers and tenancy ratio



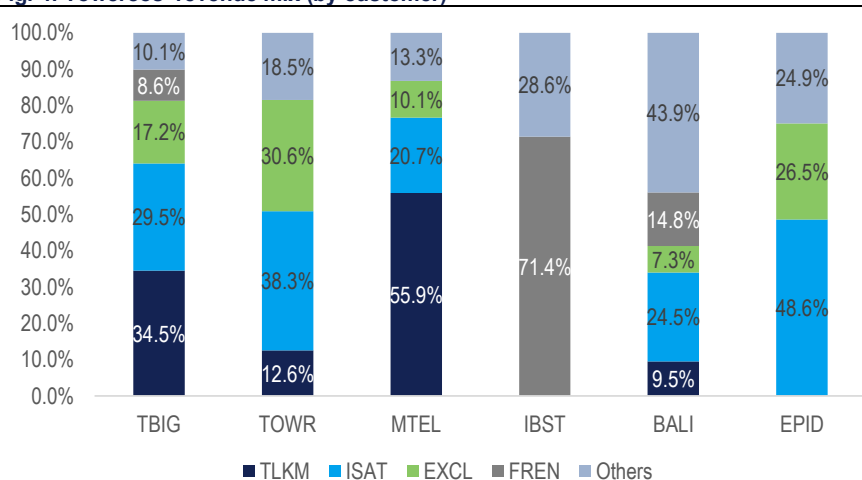
Sources: Company, Indo Premier

Fig. 3: Towercos' fiber length (km)



Sources: Company, Indo Premier

Fig. 4: Towercos' revenue mix (by customer)



Source: Company, Indo Premier

Fig. 5: Indonesia's precedent tower transaction

Acquirer	Target	Year	Total Price (Rp bn)	# of towers (#)	Average price per tower (Rp bn)	US\$m/ Tower	EV/EBITDA
Sarana Menara Nusantara	Central Investindo & Mitra Karya Propertindo	2012	376	200	1.88	0.20	
Tow er Bersama	Indosat	2012	3,857	2,500	1.54	0.16	
Nusantara Infrastructure	Tara Cell Intrabuana	2014	598	436	1.37	0.12	
Komet Infra Nusantara	Corona Telecommunications	2014	284	162	1.75	0.15	
Solusi Tunas Pratama	XL Axiata	2014	5,600	3,500	1.60	0.13	
Sarana Menara Nusantara	XL Axiata	2016	3,560	2,500	1.42	0.11	
Sarana Menara Nusantara	Komet Infra Nusantara	2018	1,461	1,369	1.07	0.07	
Tow er Bersama	Gihon Telekomunikasi	2018	675	529	1.28	0.09	
Tow er Bersama	Visi Telekomunikasi Asia	2018	293	305	0.96	0.07	
Sarana Menara Nusantara	Indosat	2019	1,950	1,000	1.95	0.14	
Mitratel	Indosat	2019	4,443	2,100	2.12	0.15	
Sarana Menara Nusantara	XL Axiata	2020	2,248	1,646	1.37	0.09	
Centratama	XL Axiata	2020	1,537	1,054	1.46	0.10	9.5x
Mitratel	Telkomsel	2020	10,300	6,050	1.70	0.12	13x
Tow er Bersama	Inti Bangun Sejahtera	2020	3,975	3,000	1.33	0.09	
EPID Menara Assetco	Indosat	2021	10,285	4,247	2.42	0.17	13x
Mitratel	Telkom Indonesia	2021	811	798	1.02	0.07	
Mitratel	Telkomsel	2021	6,188	4,000	1.55	0.11	
Sarana Menara Nusantara	Solusi Tunas Pratama	2021	16,730	6,780	2.47	0.17	14x
Edotco Infrastruktur Indonesia	XL Axiata	2022	750	859	0.87	0.06	9x
Mitratel	Telkomsel	2022	9,591	6,000	1.60	0.10	17x
Centratama	Lasmana Sw asti Prahida; Techindo Global Fortace	2022	632	289	2.19	0.14	
Centratama	Anugerah Communication	2022	1,175	397	2.96	0.19	
Telcos' tower sales average						1.63	0.12
Total industry average						1.65	0.12

Source: Company, Bloomberg, Indo Premier

Fig. 6: Tower comparables (captive vs. independent)

	P/E			EV/EBITDA			Div' Yield		
	23F	24F	25F	23F	24F	25F	23F	24F	25F
Captive Weighted-Average	20.3	17.8	16.1	9.0	8.3	7.8	2.5	3.5	4.0
China Tow er Corp Ltd	12.2	10.6	8.7	3.2	3.1	3.0	1.4	1.7	2.0
Dayamitra Telekomunikasi PT	27.7	24.4	22.1	10.4	9.5	8.9	2.3	2.3	2.3
Indus Tow ers Ltd	10.8	10.2	10.0	5.6	5.3	5.3	2.4	5.5	6.5
Infrastrutture Wireless Italia	30.5	26.0	23.7	16.7	15.1	14.1	4.1	4.6	5.0
Vantage Tow ers AG	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Independent Weighted-Average	5.8	(2.0)	25.8	14.8	14.4	13.7	2.2	2.3	2.5
American Tow er Corp	51.5	41.0	36.8	20.7	20.5	19.7	3.1	3.3	3.5
Cellnex Telecom SA	(93.2)	(250.7)	7.9	14.7	13.8	12.9	0.2	0.2	0.6
Centratama Telekomunikasi Indo	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Crow n Castle Inc	31.9	37.2	40.7	17.2	18.0	18.2	5.8	5.8	5.9
Helios Tow ers PLC	(42.4)	76.5	19.0	7.8	6.9	6.1	0.0	0.0	0.0
SBA Communications Corp	46.0	38.4	38.0	20.9	20.2	19.5	1.5	1.8	2.1
Sarana Menara Nusantara Tbk PT	15.4	14.0	11.9	9.2	8.5	7.9	2.7	3.3	3.6
PT Tow er Bersama Infrastructur	31.1	29.3	26.5	13.3	12.7	11.9	1.9	1.7	1.9
Captive Average	20.3	17.8	16.1	9.0	8.3	7.8	2.5	3.5	4.0
Independent Average	5.8	(2.0)	25.8	14.8	14.4	13.7	2.2	2.3	2.5
Global Average	11.0	5.2	22.3	12.7	12.1	11.6	2.3	2.7	3.0

Source: Company, Bloomberg, Indo Premier

Fig. 7: Tower comparables (by region)

	P/E			EV/EBITDA			Div' Yield		
	23F	24F	25F	23F	24F	25F	23F	24F	25F
Indonesia Weighted-Average	25.6	23.5	20.7	11.1	10.4	9.6	2.5	2.4	2.7
Centratama Telekomunikasi Indo	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dayamitra Telekomunikasi PT	30.4	27.3	23.6	10.8	9.9	8.9	2.9	2.3	2.6
Sarana Menara Nusantara Tbk PT	15.4	14.0	11.9	9.2	8.5	7.9	2.7	3.3	3.6
PT Tower Bersama Infrastructur	31.1	29.3	26.5	13.3	12.7	11.9	1.9	1.7	1.9
Asia Weighted-Average	26.9	22.1	19.4	12.5	10.6	10.2	1.5	2.6	3.1
China Tower Corp Ltd	12.2	10.6	8.7	3.2	3.1	3.0	1.4	1.7	2.0
Indus Towers Ltd	10.8	10.2	10.0	5.6	5.3	5.3	2.4	5.5	6.5
GTL Infrastructure Ltd	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Railtel Corp of India Ltd	57.6	45.6	39.6	28.6	23.3	22.4	0.6	0.7	0.8
Europe Weighted-Average	(22.7)	(33.5)	16.1	11.8	10.9	10.2	2.8	3.0	3.2
Cellnex Telecom SA	(93.2)	(250.7)	7.9	14.7	13.8	12.9	0.2	0.2	0.6
Helios Towers PLC	(42.4)	76.5	19.0	7.8	6.9	6.1	0.0	0.0	0.0
Infrastrutture Wireless Italia	30.5	26.0	23.7	16.7	15.1	14.1	4.1	4.6	5.0
RAI Way SpA	14.2	14.1	13.8	8.1	7.9	7.8	7.0	7.1	7.3
Vantage Towers AG	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
North America Weighted-Average	42.7	(65.7)	22.3	23.4	18.6	18.8	2.2	2.2	2.4
American Tower Corp	51.5	41.0	36.8	20.7	20.5	19.7	3.1	3.3	3.5
Crown Castle Inc	31.9	37.2	40.7	17.2	18.0	18.2	5.8	5.8	5.9
DigitalBridge Group Inc	(31.8)	(635.8)	(19.9)	81.0	50.0	40.2	0.3	0.3	0.4
IHS Holding Ltd	(0.9)	8.0	8.9	4.7	4.7	4.7	0.0	0.0	0.0
SBA Communications Corp	46.0	38.4	38.0	20.9	20.2	19.5	1.5	1.8	2.1
Sitios Latinoamerica SAB de CV	n.a	16.0	N/A	7.3	6.3	N/A	N/A	N/A	N/A
Operadora De Sites Mexicanos S	159.6	35.5	29.2	12.3	10.7	10.3	2.7	2.0	2.6
Developed Markets' Average	16.5	(54.0)	19.8	19.2	15.8	15.3	2.5	2.5	2.7
Emerging Markets' Average	26.2	22.8	20.0	11.8	10.5	9.9	2.0	2.5	2.9
Global Average	20.2	(26.9)	19.9	16.6	13.9	13.3	2.3	2.5	2.8

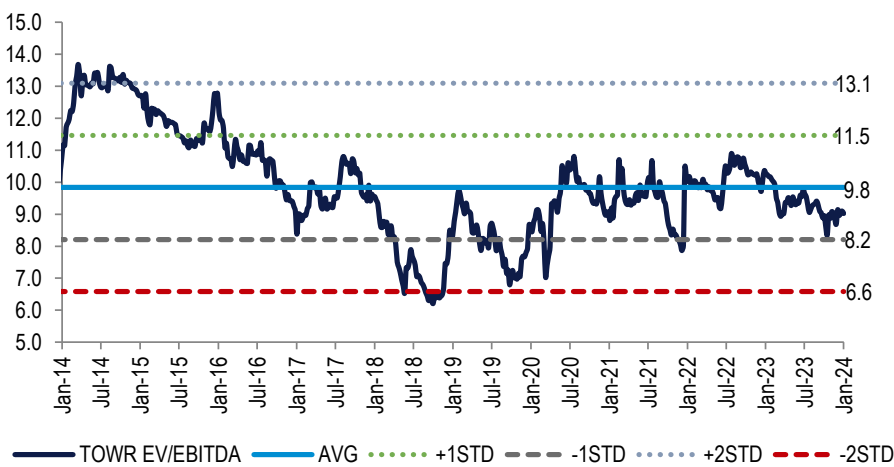
Source: Company, Bloomberg, Indo Premier

Fig. 8: MTEL EV/EBITDA band



Source: Company, Indo Premier

Fig. 9: TOWR EV/EBITDA band



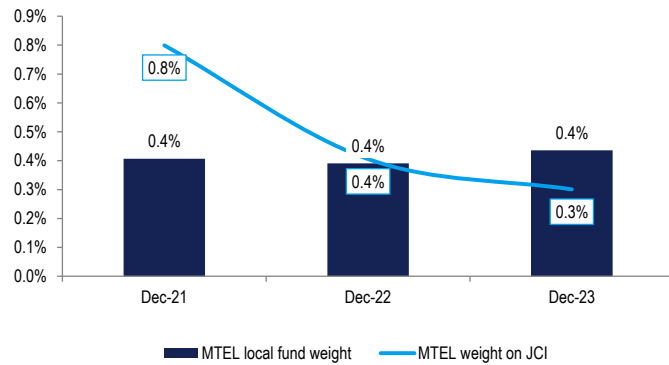
Source: Company, Indo Premier

Fig. 10: TBIG EV/EBITDA band



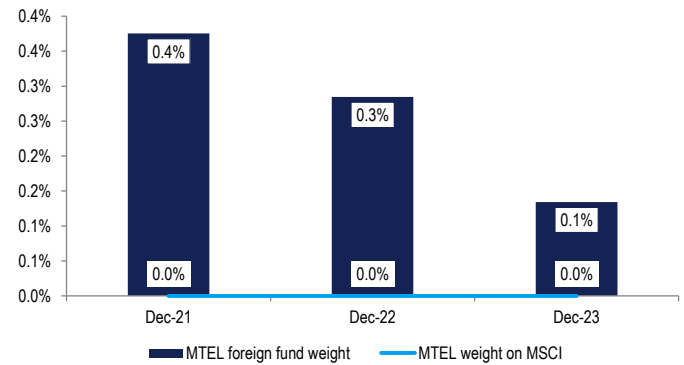
Source: Company, Indo Premier

Fig. 11: MTEL local funds positioning vs JCI



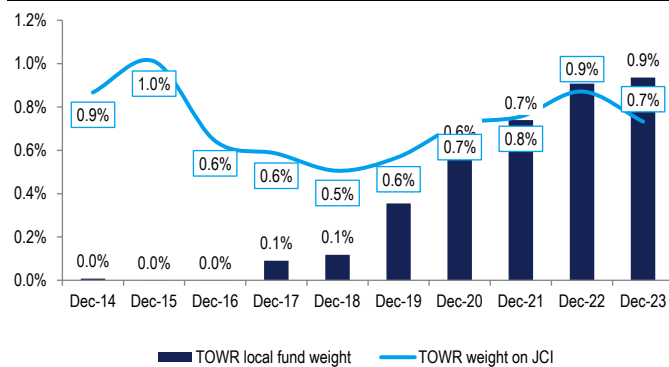
Sources: KSEI, IndoPremier

Fig. 12: MTEL foreign funds positioning vs MSCI



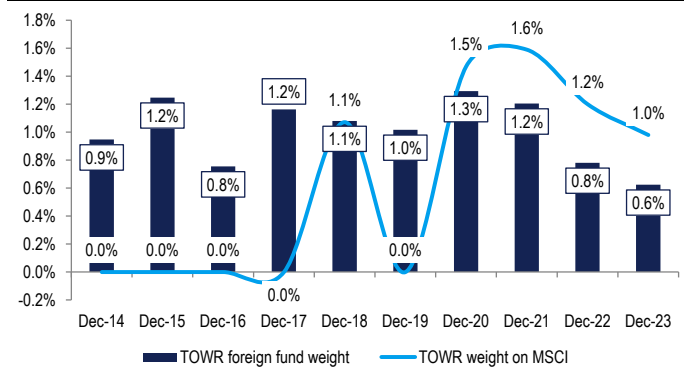
Sources: KSEI, IndoPremier

Fig. 13: TOWR local funds positioning vs JCI



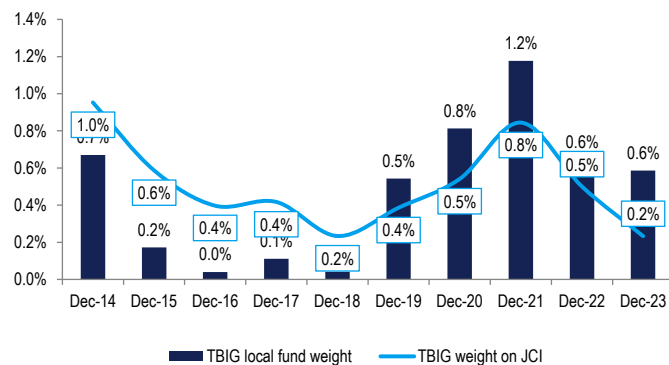
Sources: KSEI, IndoPremier

Fig. 14: TOWR foreign funds positioning vs MSCI



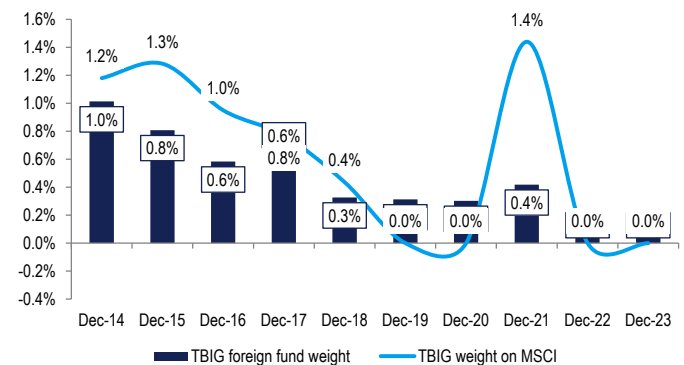
Sources: KSEI, IndoPremier

Fig. 15: TBIG local funds positioning vs JCI



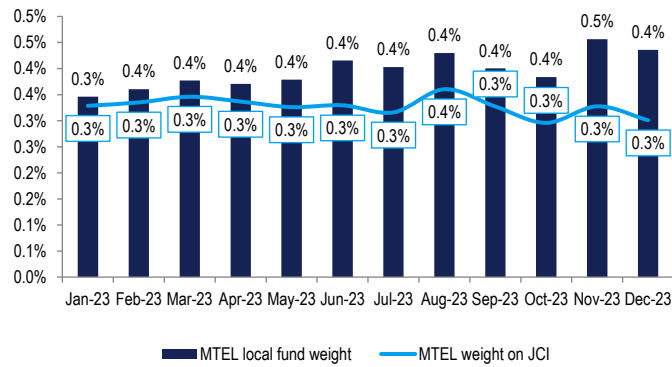
Sources: KSEI, IndoPremier

Fig. 16: TBIG foreign funds positioning vs MSCI



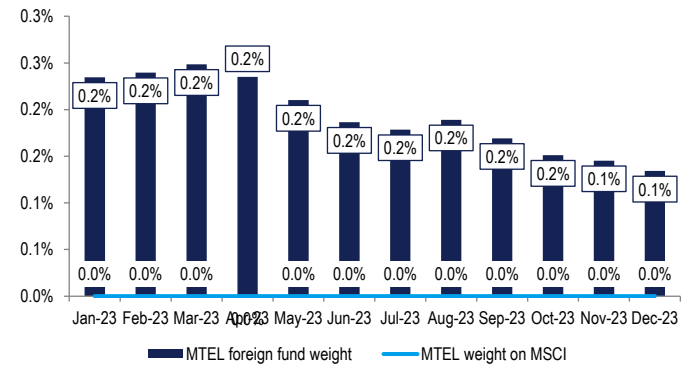
Sources: KSEI, IndoPremier

Fig. 17: MTEL local funds positioning vs JCI



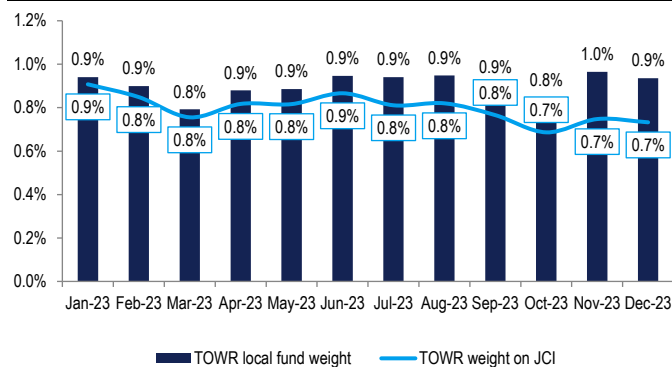
Sources: KSEI, IndoPremier

Fig. 18: MTEL foreign funds positioning vs MSCI



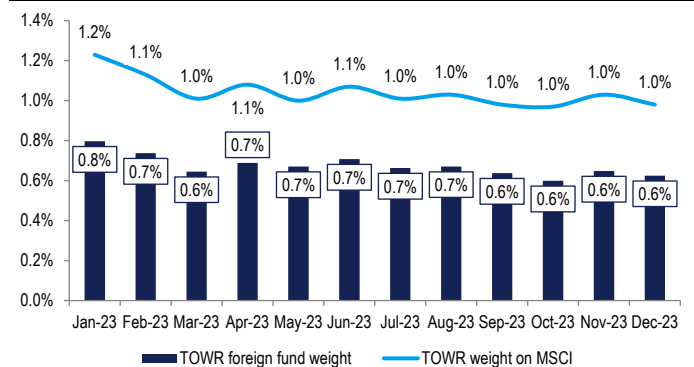
Sources: KSEI, IndoPremier

Fig. 19: TOWR local funds positioning vs JCI



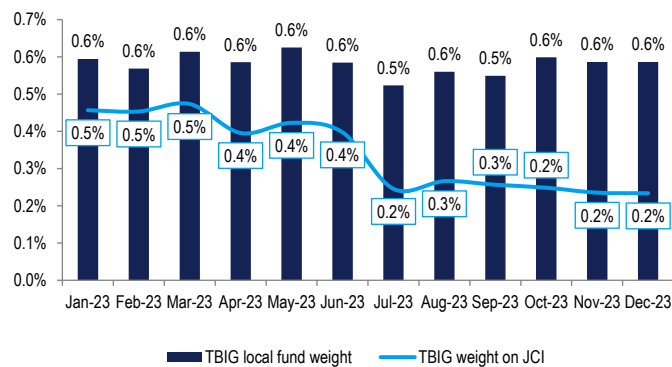
Sources: KSEI, IndoPremier

Fig. 20: TOWR foreign funds positioning vs MSCI



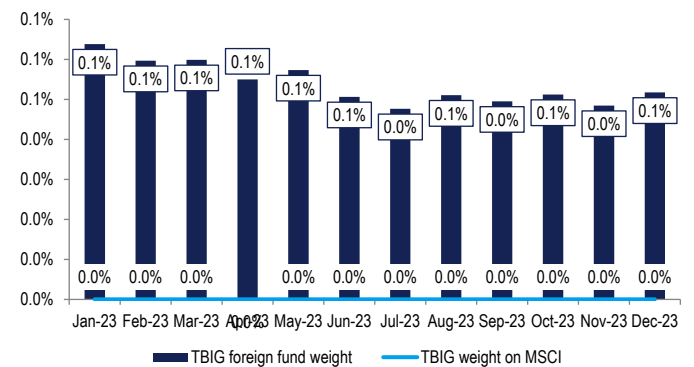
Sources: KSEI, IndoPremier

Fig. 21: TBIG local funds positioning vs JCI



Sources: KSEI, IndoPremier

Fig. 22: TBIG foreign funds positioning vs MSCI



Sources: KSEI, IndoPremier

SECTOR RATINGS

- OVERWEIGHT : An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
- NEUTRAL : A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
- UNDERWEIGHT : An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

COMPANY 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

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