

# Sarana Menara Nusantara

**BUY** (unchanged)

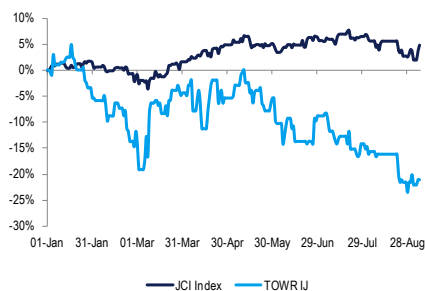
Company Update | Towers | TOWR IJ | 5 September 2024

## Stock Data

Target price	Rp1,100
Prior TP	Rp1,100
Current price	Rp835
Upside/downside	+32%
Shares outstanding (mn)	51,015
Market cap (Rp bn)	42,597
Free float	37%
Avg. 6m daily T/O (Rp bn)	39

## Price Performance

	3M	6M	12M
Absolute	-12.0%	-4.7%	-19.9%
Relative to JCI	-13.1%	-12.1%	-26.8%
52w low/high (Rp)	780 – 1,110		



## Major Shareholders

Sapta Adhikari Investama	54.4%
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## Assessing the impact from potential pre-emptive rights issue

- At 9x FY24F EV/EBITDA, the rights issue price range shall be c.Rp960-1,150/share, with potential dilution of c.12-14% post-rights.
- Net debt/EBITDA could potentially decline from 4.3x to 3.5x, which should lift its FY24F bottom-line by c.23%, on our estimates.
- The additional balance sheet capacity may also enable the company to capture inorganic opportunities. Reiterate Buy on TOWR.

### An Rp8tr rights issue exercise is reportedly to be in the cards

TOWR is reportedly weighing a potential pre-emptive rights issue amounted to Rp8tr. While current details are lacking, recall that previous Bloomberg News report in Jun22 also mentioned a potential sale of a 15-20% stake for US\$1bn, targeting pension and infrastructure funds. Assuming valuation of about 9x FY24F EV/EBITDA (vs. MTEL/TBIG/TOWR current valuation of 9/13/8x), the rights issue may potentially be conducted at about Rp960-1,150/share (+17-40% upside vs. last-close price of Rp820) based on our estimates, with potential dilution of c.12-14% post-rights. We view this potential rights issue exercise positively, as it could be used to deleverage its balance sheet especially post the acquisition of a 90% stake in IBST for Rp3.4tr at c.8.4x EV/EBITDA (or 9.2x EV/EBITDA, including MTO) (see our previous [note](#)); this shall also provide the room for inorganic growth.

### Timely deleveraging post-IBST acquisition

Assuming that the entirety of its total proceeds is going to be fully-utilized for deleveraging, this shall reduce its net debt/EBITDA (inc. leases) from 4.3x to 3.5x and result in the reduction of interest burden by around Rp408bn, which could potentially lift its FY24F bottom-line by c.23%, on our estimates. The additional balance sheet capacity could prove to be key, given the potential inorganic opportunities within the fiber space, especially considering ISAT's plan to offload its remaining fiber assets in the near-term.

### ISAT's potential fiber sale offers near-term inorganic opportunities

ISAT plans to monetize its remaining fiber assets (around 90k km), which based on our channel checks, seems likely to materialize at end-FY24F-1H25. Assuming a valuation of Rp100mn/km – using MTEL's previous fiber transaction as a benchmark, the transaction size could reach about Rp9tr, on our estimates. Given the additional balance sheet capacity post-rights issue exercise, we believe that TOWR will be better-positioned for inorganic opportunities. Assuming a 70-75% EBITDA margin, the additional fiber assets could translate to FY25F EBITDA uplift of c.5-6% for the company. However, note that these assets are currently likely to have low utilization rate, which means that our EBITDA estimates seems likely to be on the high-end of the spectrum. TOWR will have >295k km of fiber post-transaction (vs. c.205k km previously post-IBST).

### Reiterate Buy, with an unchanged TP of Rp1,100

We continue to like TOWR's long-term growth story and a rights issue exercise is likely to be a net-positive for the company. Note that we have yet to adjust our model, pending the official announcement and further information disclosure. For now, we reiterate our Buy rating on TOWR with an unchanged TP of Rp1,100. Risks are higher interest rates and further telco consolidation.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	11,036	11,740	12,768	13,973	15,178
EBITDA	9,517	9,980	10,811	11,827	12,836
EBITDA growth	28.0%	4.9%	8.3%	9.4%	8.5%
Net profit	3,442	3,253	3,523	4,124	4,457
EPS (Rp)	67	64	69	81	87
EPS growth	0.4%	-5.5%	8.3%	17.0%	8.1%
ROE	23.8%	19.7%	18.6%	19.4%	18.8%
PER (x)	10.8	11.4	10.6	9.0	8.4
EV/EBITDA (x)	8.5	8.1	7.5	6.9	6.3
Dividend yield	3.2%	3.2%	3.1%	4.7%	5.5%
Forecast changes			N/A	N/A	N/A
IPS vs. consensus			98%	108%	109%

Source: Company, Indo Premier

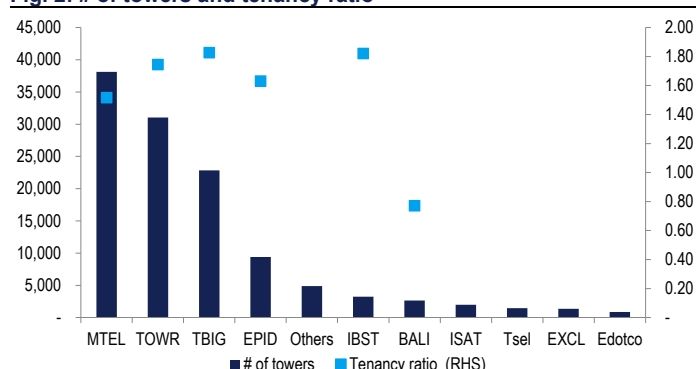
Share price closing as of: 05 June 2024

**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

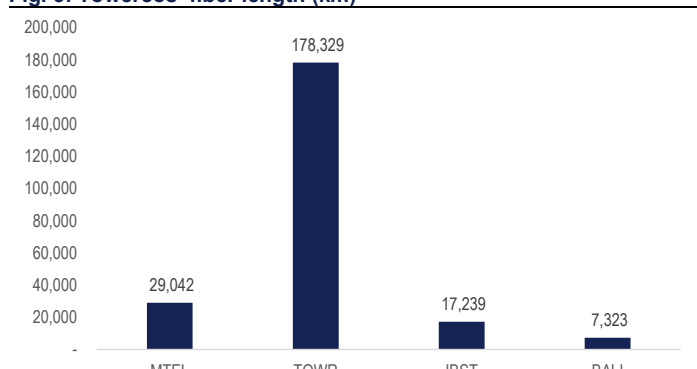
**Fig. 2: # of towers and tenancy ratio**



Sources: Company, Indo Premier

note: IBST number from FY23

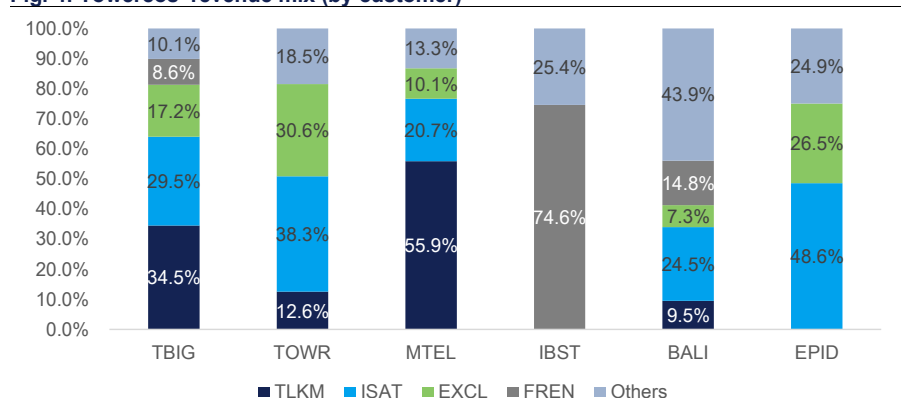
**Fig. 3: Towercos' fiber length (km)**



Sources: Company, Indo Premier

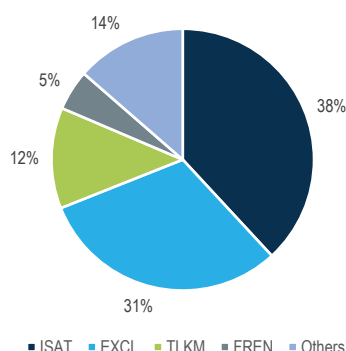
note: IBST number from FY23

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



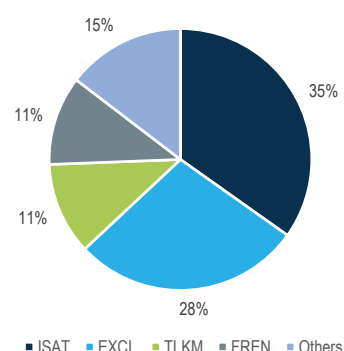
Source: Company, Indo Premier

Fig. 5: TOWR revenue by customer FY23



Sources: Company, Indo Premier

Fig. 6: TOWR + IBST proforma revenue by customer FY23



Sources: Company, Indo Premier

Fig. 7: Indonesia's precedent tower transaction

Acquirer	Target	Year	Total Price (Rp bn)	# of towers (#)	Average price per tower (Rp bn)	US\$m/n/ 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	
<b>Telcos' tower sales average</b>						<b>1.63</b>	<b>0.12</b>
<b>Total industry average</b>						<b>1.65</b>	<b>0.12</b>

Source: Company, Bloomberg, Indo Premier

Fig. 8: Tower comparables (captive vs. independent)

	P/E			EV/EBITDA			Div' Yield		
	24F	25F	26F	24F	25F	26F	24F	25F	26F
<b>Captive Weighted-Average</b>	<b>13.4</b>	<b>11.8</b>	<b>10.0</b>	<b>5.7</b>	<b>5.3</b>	<b>5.1</b>	<b>1.7</b>	<b>2.2</b>	<b>2.8</b>
China Tower Corp Ltd	14.5	12.0	8.1	3.6	3.6	3.5	1.3	1.7	2.3
Dayamitra Telekomunikasi PT	25.6	23.8	21.7	9.3	8.7	8.2	2.3	2.3	4.7
Indus Towers Ltd	17.4	15.8	14.6	8.4	7.7	7.3	2.4	3.9	5.2
Infrastrutture Wireless Italia	27.3	24.5	22.7	15.7	14.7	14.0	4.6	5.0	5.3
Vantage Towers AG	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Independent Weighted-Average</b>	<b>30.9</b>	<b>30.7</b>	<b>28.8</b>	<b>20.0</b>	<b>20.1</b>	<b>19.0</b>	<b>3.0</b>	<b>3.1</b>	<b>3.5</b>
American Tower Corp	33.3	34.1	31.6	22.0	22.3	21.0	2.8	3.0	3.2
Cellnex Telecom SA	na	na	na	14.3	13.5	12.5	0.2	0.6	2.4
Centratama Telekomunikasi Indo	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Crown Castle Inc	41.9	42.3	39.8	18.9	19.1	18.3	5.5	5.4	5.6
Helios Towers PLC	39.5	16.8	9.0	8.1	7.2	6.4	0.0	0.0	0.0
SBA Communications Corp	31.2	26.6	26.7	20.7	20.2	19.5	1.7	1.9	2.2
Sarana Menara Nusantara Tbk PT	12.2	11.6	11.0	8.2	7.8	7.5	3.7	3.7	3.7
PT Tower Bersama Infrastructur	28.2	26.0	24.6	12.6	12.1	11.7	2.4	2.4	2.4
<b>Captive Average</b>	<b>21.2</b>	<b>19.0</b>	<b>16.8</b>	<b>9.2</b>	<b>8.7</b>	<b>8.2</b>	<b>2.7</b>	<b>3.2</b>	<b>4.4</b>
<b>Independent Average</b>	<b>31.1</b>	<b>26.2</b>	<b>23.8</b>	<b>15.0</b>	<b>14.6</b>	<b>13.8</b>	<b>2.3</b>	<b>2.4</b>	<b>2.8</b>
<b>Global Average</b>	<b>27.1</b>	<b>23.4</b>	<b>21.0</b>	<b>12.9</b>	<b>12.4</b>	<b>11.8</b>	<b>2.4</b>	<b>2.7</b>	<b>3.4</b>

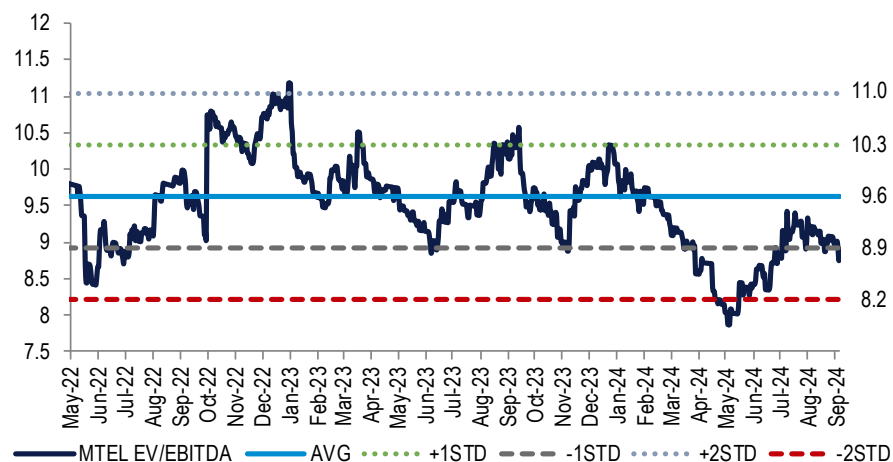
Source: Company, Bloomberg, Indo Premier

Fig. 9: Tower comparables (by region)

	P/E			EV/EBITDA			Div' Yield		
	24F	25F	26F	24F	25F	26F	24F	25F	26F
<b>Indonesia Weighted-Average</b>	<b>22.2</b>	<b>20.6</b>	<b>19.2</b>	<b>9.9</b>	<b>9.4</b>	<b>9.0</b>	<b>2.7</b>	<b>2.7</b>	<b>3.6</b>
Centratama Telekomunikasi Indo	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dayamitra Telekomunikasi PT	25.6	23.8	21.7	9.3	8.7	8.2	2.3	2.3	4.7
Sarana Menara Nusantara Tbk PT	12.2	11.6	11.0	8.2	7.8	7.5	3.7	3.7	3.7
PT Tower Bersama Infrastructur	28.2	26.0	24.6	12.6	12.1	11.7	2.4	2.4	2.4
<b>Asia Weighted-Average</b>	<b>17.0</b>	<b>14.6</b>	<b>11.7</b>	<b>6.5</b>	<b>6.0</b>	<b>5.7</b>	<b>1.6</b>	<b>2.4</b>	<b>3.3</b>
China Tower Corp Ltd	14.5	12.0	8.1	3.6	3.6	3.5	1.3	1.7	2.3
Indus Towers Ltd	17.4	15.8	14.6	8.4	7.7	7.3	2.4	3.9	5.2
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	47.3	39.7	33.9	27.7	24.1	20.9	0.7	0.8	1.0
<b>Europe Weighted-Average</b>	<b>6.3</b>	<b>5.3</b>	<b>4.8</b>	<b>9.4</b>	<b>8.9</b>	<b>8.3</b>	<b>1.1</b>	<b>1.3</b>	<b>2.2</b>
Cellnex Telecom SA	na	na	na	14.3	13.5	12.5	0.2	0.6	2.4
Helios Towers PLC	39.5	16.8	9.0	8.1	7.2	6.4	0.0	0.0	0.0
Infrastrutture Wireless Italia	27.3	24.5	22.7	15.7	14.7	14.0	4.6	5.0	5.3
RAI Way SpA	15.4	15.8	15.8	7.9	7.7	7.3	6.5	6.3	6.3
Vantage Towers AG	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>North America Weighted-Average</b>	<b>35.0</b>	<b>35.1</b>	<b>32.4</b>	<b>20.7</b>	<b>20.8</b>	<b>19.7</b>	<b>3.3</b>	<b>3.4</b>	<b>3.7</b>
American Tower Corp	33.3	34.1	31.6	22.0	22.3	21.0	2.8	3.0	3.2
Crown Castle Inc	41.9	42.3	39.8	18.9	19.1	18.3	5.5	5.4	5.6
DigitalBridge Group Inc	20.3	43.3	1.8	23.2	15.1	17.8	0.3	0.7	0.9
IHS Holding Ltd	(0.6)	15.2	6.9	5.6	5.2	4.7	0.0	0.0	12.7
SBA Communications Corp	31.2	26.6	26.7	20.7	20.2	19.5	1.7	1.9	2.2
Sitios Latinoamerica SAB de CV	n.a	10.2	NA	6.1	5.7	NA	n.a	n.a	n.a
Operadora De Sites Mexicanos S	43.8	28.8	23.9	8.8	8.8	8.5	3.3	3.6	4.4
<b>Developed Markets' Average</b>	<b>28.0</b>	<b>25.8</b>	<b>19.8</b>	<b>13.7</b>	<b>12.7</b>	<b>13.0</b>	<b>2.5</b>	<b>2.7</b>	<b>4.3</b>
<b>Emerging Markets' Average</b>	<b>24.2</b>	<b>21.5</b>	<b>19.0</b>	<b>11.6</b>	<b>10.7</b>	<b>9.9</b>	<b>2.1</b>	<b>2.5</b>	<b>3.2</b>
<b>Global Average</b>	<b>26.5</b>	<b>24.2</b>	<b>19.5</b>	<b>13.0</b>	<b>12.0</b>	<b>11.8</b>	<b>2.4</b>	<b>2.6</b>	<b>3.9</b>

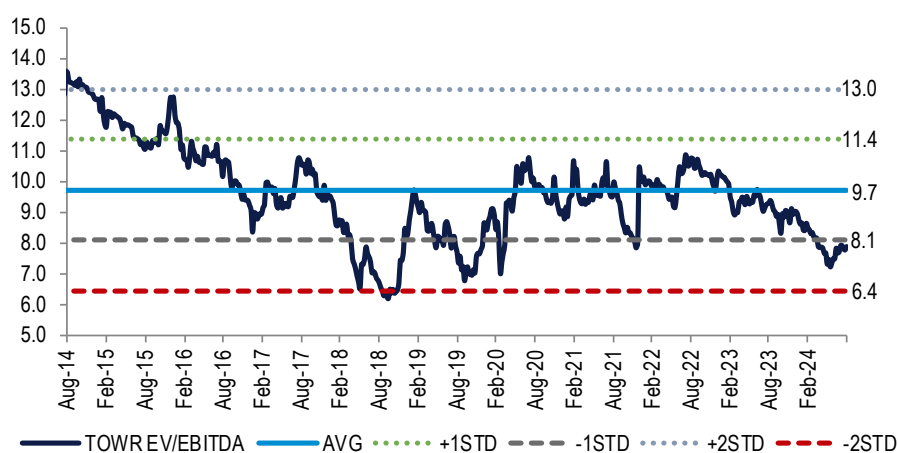
Source: Company, Bloomberg, Indo Premier

Fig. 10: MTEL EV/EBITDA band



Source: Company, Indo Premier

Fig. 11: TOWR EV/EBITDA band



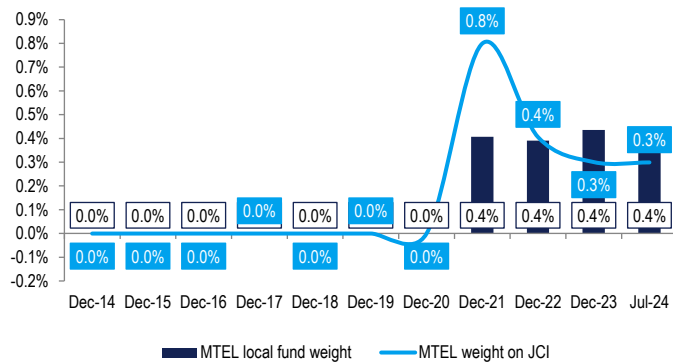
Source: Company, Indo Premier

Fig. 12: TBIG EV/EBITDA band



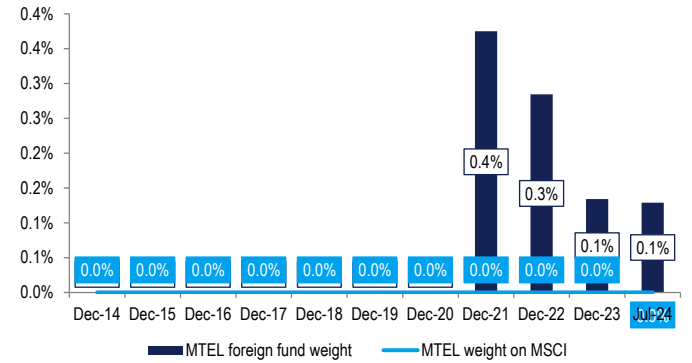
Source: Company, Indo Premier

**Fig. 13: MTEL local funds positioning vs JCI**



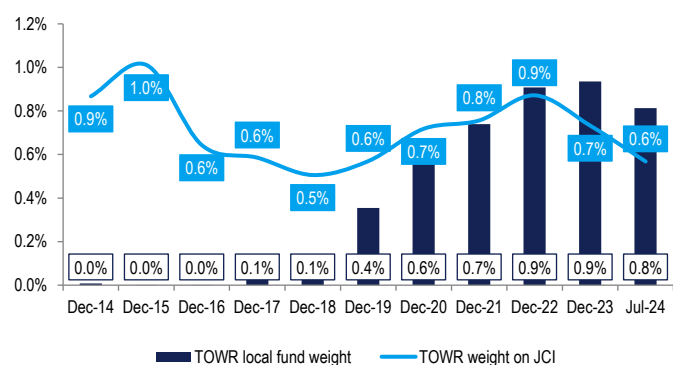
Sources: KSEI, IndoPremier

**Fig. 14: MTEL foreign funds positioning vs MSCI**



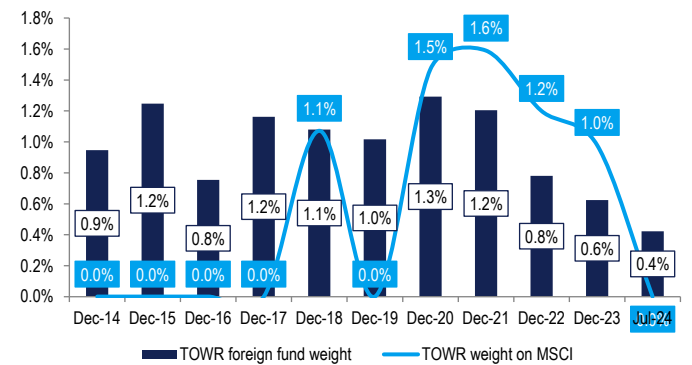
Sources: KSEI, IndoPremier

**Fig. 15: TOWR local funds positioning vs JCI**



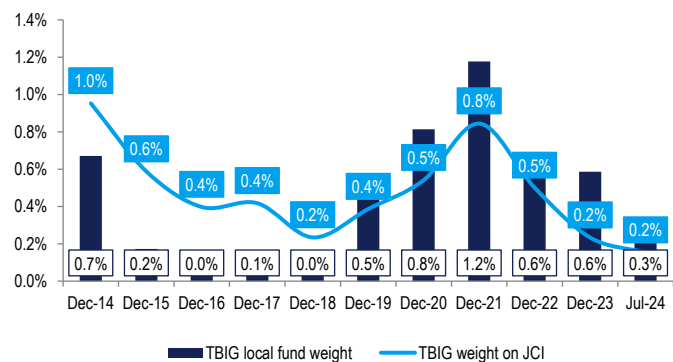
Sources: KSEI, IndoPremier

**Fig. 16: TOWR foreign funds positioning vs MSCI**



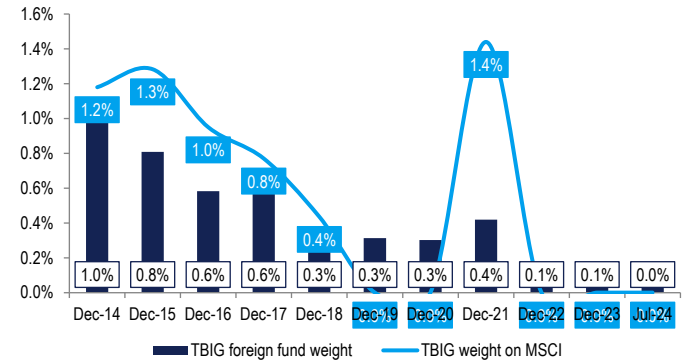
Sources: KSEI, IndoPremier

**Fig. 17: TBIG local funds positioning vs JCI**



Sources: KSEI, IndoPremier

**Fig. 18: TBIG foreign funds positioning vs MSCI**



Sources: KSEI, IndoPremier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	11,036	11,740	12,768	13,973	15,178
Cost of sales	(608)	(684)	(751)	(793)	(827)
<b>Gross profit</b>	10,428	11,056	12,017	13,179	14,351
SG&A Expenses	(3,218)	(3,920)	(3,932)	(4,010)	(4,171)
<b>Operating profit</b>	7,210	7,136	8,085	9,169	10,180
<b>EBITDA</b>	9,517	9,980	10,811	11,827	12,836
Net interest	(2,368)	(2,838)	(3,206)	(3,472)	(3,946)
Forex gain (loss)	-	-	-	-	-
Others	(382)	(195)	(209)	(223)	(239)
<b>Pre-tax income</b>	4,459	4,104	4,670	5,474	5,995
Income tax	(963)	(800)	(1,107)	(1,308)	(1,500)
Minority interest	(55)	(51)	(26)	(28)	(30)
<b>Net income</b>	3,442	3,253	3,538	4,139	4,465

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	309	429	114	(29)	225
Receivable	2,616	3,145	2,973	3,254	3,535
Other current assets	727	853	1,109	1,441	1,729
<b>Total current assets</b>	3,651	4,427	4,196	4,666	5,489
	37,152	40,385	42,786	45,230	47,718
Fixed assets	24,822	23,607	28,328	33,994	40,793
Other non-current assets	61,974	63,992	71,115	79,224	88,511
<b>Total non-current assets</b>	65,625	68,419	75,311	83,891	94,000
<b>Total assets</b>					
	1,007	1,400	972	964	973
Payable	4,262	4,575	4,597	4,620	4,643
Other payables	9,177	18,324	14,807	16,663	18,964
Current portion of LT loans	14,446	24,299	20,376	22,247	24,581
<b>Total current liab.</b>	33,818	26,143	34,550	38,879	44,250
	2,929	1,465	1,474	1,484	1,493
Long term loans	51,193	51,907	56,400	62,610	70,324
Other LT liab.					
<b>Total liabilities</b>	(235)	(232)	(232)	(232)	(232)
	14,636	16,689	19,088	21,458	23,853
Equity	32	55	55	55	55
Retained earnings	14,432	16,512	18,911	21,280	23,676
Minority interest	65,625	68,419	75,311	83,891	94,000
<b>Total SHE + minority int.</b>	309	429	114	(29)	225
<b>Total liabilities &amp; equity</b>	2,616	3,145	2,973	3,254	3,535

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net income	3,442	3,253	3,538	4,139	4,465
Depr. & amortization	4,239	4,805	4,552	4,357	4,236
Changes in working capital	(862)	49	(489)	(598)	(537)
Others	(247)	(198)	(4,687)	(5,628)	(6,759)
<b>Cash flow from operating</b>	<b>6,572</b>	<b>7,910</b>	<b>2,914</b>	<b>2,269</b>	<b>1,405</b>
Capital expenditure	(6,507)	(6,076)	(5,128)	(5,101)	(5,143)
Others	(1,933)	(1,962)	(1,826)	(1,699)	(1,581)
<b>Cash flow from investing</b>	<b>(8,440)</b>	<b>(8,038)</b>	<b>(6,953)</b>	<b>(6,800)</b>	<b>(6,724)</b>
Loans	(1,447)	1,473	4,889	6,185	7,673
Equity	74	(24)	(26)	(28)	(30)
Dividends	(1,200)	(1,200)	(1,139)	(1,769)	(2,069)
Others	-	-	-	-	-
<b>Cash flow from financing</b>	<b>(2,574)</b>	<b>249</b>	<b>3,725</b>	<b>4,388</b>	<b>5,573</b>
<b>Changes in cash</b>	<b>(4,442)</b>	<b>120</b>	<b>(315)</b>	<b>(143)</b>	<b>254</b>

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	94.5%	94.2%	94.1%	94.3%	94.5%
EBITDA margin	86.2%	85.0%	84.7%	84.6%	84.6%
Pre-tax margin	40.4%	35.0%	36.6%	39.2%	39.5%
Net margin	31.2%	27.7%	27.7%	29.6%	29.4%
ROA	5.2%	4.8%	4.7%	4.9%	4.7%
ROE	23.8%	19.7%	18.7%	19.4%	18.9%
ROIC	13.2%	12.1%	12.6%	12.6%	12.5%

Acct. receivables TO (days)	73	73	73	73	73
Acct. payables - other TO (days)	105	105	105	105	105

Net debt/EBITDA (inc. leases)					
(x)	4.5	4.4	4.6	4.7	4.9
Net debt/EBITDA (ex. leases) (x)	4.5	4.4	4.6	4.7	4.9
Interest coverage (x)	3.0	2.5	2.5	2.6	2.6

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

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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