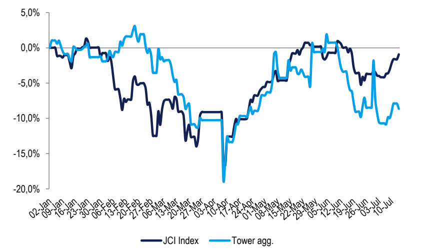
Towers

NEUTRAL (*unchanged*)

Sector Update | 16 July 2025

Sector Index Performance

	3M	6M	12M
Absolute	-7.0%	-10.1%	-10.6%
Relative to JCI	-18.5%	-12.1%	-7.5%



Summary Valuation Metrics

Adj. EV/EBITDA (x)	2025F	2026F	2027F
MTEL IJ	9.6	8.9	8.4
TOWR IJ	8.6	8.5	8.1
TBIG IJ	14.5	14.9	15.1

P/E (x)	2025F	2026F	2027F
MTEL IJ	20.0	17.9	16.7
TOWR IJ	9.4	9.0	8.7
TBIG IJ	31.1	34.5	33.9

P/B (x)	2025F	2026F	2027F
MTEL IJ	1.4	1.3	1.3
TOWR IJ	1.4	1.2	1.1
TBIG IJ	4.1	4.1	3.9

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Emerging positive long-term catalysts

- We view the recent news of the potential MTEL merger with TBIG is positive.
- Active infra business opportunities may improve the business economics and growth outlook for telco players.
- We may turn positive on the sector if one of the potential LT catalysts materializes, improving the growth outlook. MTEL remains our top pick.

MTEL to potentially merge with TBIG?

News reported that MTEL may potentially merge with TBIG (HOLD, TP Rp1,300). If materialize, we think MTEL would be the surviving entity, given its status as a state-owned company. Operationally, we believe such a merger could potentially lead to a positive outcome. Our reasons: 1) MTEL and TBIG have complementary tower portfolios with MTEL's portfolio primarily located in ex-Java areas while TBIG's portfolio is mainly in Java. We expect overlapping sites between the two to be limited due to different primary areas and similar revenue contributors (Fig.1-3); 2) the potential combined entity's total towers, based on the position as of 3M25, could reach 63.4k towers, which is significantly larger than TOWR's 35.5k towers in the same period. We believe a larger scale would result in better efficiency from improved economies of scale and stronger bargaining power with suppliers; 3) we believe if the merger is realized, it would result in further consolidation of the tower sector, following the MNO consolidation, which may improve overall bargaining power against the MNO players; 4) the transaction could also be earnings and return accretive for MTEL. (Figs 4-5)

Simple sensitivity of the MTEL-TBIG potential merger structure

Based on simple merger calculations and closing market cap in 15 Jul 2025, assuming TLKM is to remain the majority shareholder with at least a 51% stake in the merged entity, MTEL's market cap would need to increase by 137%, and implying for 18x adjusted EV/EBITDA FY26F. (Fig. 6) However, we think if MTEL could increase its EBITDA by at least Rp2tr or higher, possibly through inorganic acquisition, it would trade at a valuation similar to TBIG's, at c. 15x adjusted EV/EBITDA FY26F or lower (Fig. 7).

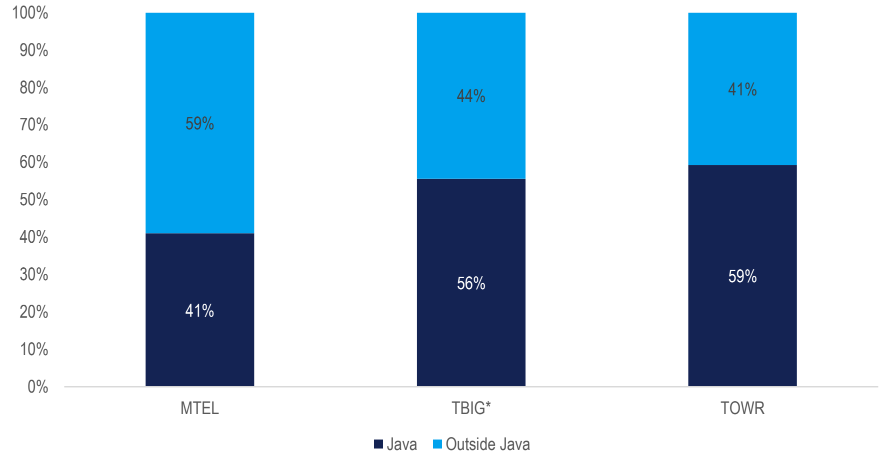
Active infra business opportunities

Our discussion with industry player suggests that tower business economics could change, primarily due to the opportunity for active infrastructure sharing business for 5G i.e. BTS and antennas. Active infrastructure sharing for new technologies (with the nearest case being 5G) is allowed under the Omnibus Law. However, the government has yet to issue the official operational guidelines (juklak). Industry players suggest potential combined profitability between passive-active infra could reach up to 50% higher than passive infra alone, with at least two tenant per-site. Meanwhile, the cost of shared BTS compared to individual BTS is only around 30% higher and could be used by up to three tenants. This shall also be positive for MNO's capex outlook, as it could potentially make the operators more assets-light.

Retain our Neutral call with MTEL as our top pick

We may turn positive on the sector if one of the potential long-term catalysts materializes, improving the overall growth outlook for the sector. For now, we retain our Neutral call primarily due to a still challenging growth outlook. However, we continue to favor MTEL as our top pick in the sector and retain our BUY call on the stock.

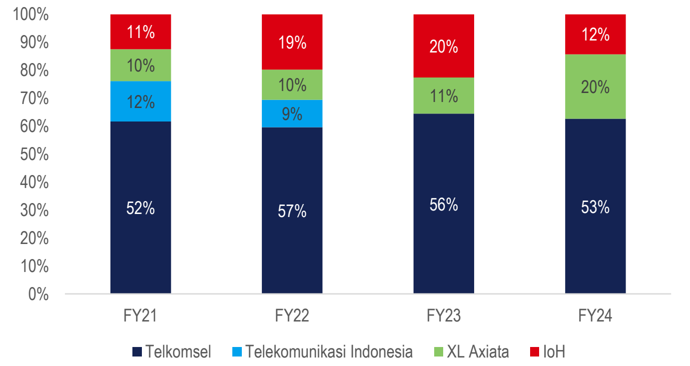
Fig. 1: Comparison of Java and ex-Java sites portfolio of the three largest tower players



Source: Company, Indo Premier

**TBIG contribution is based on revenue, while TOWR and MTEL contributions are based on tower sites*

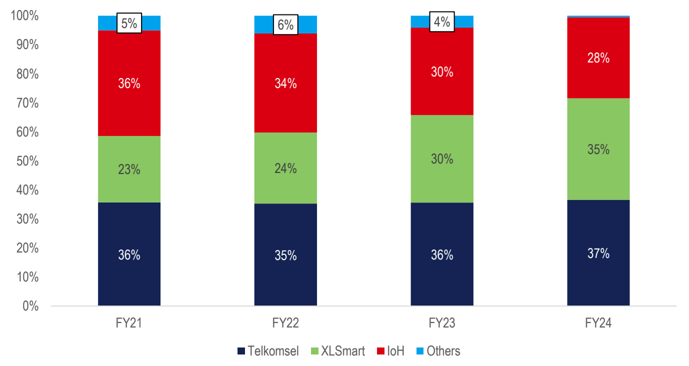
Fig. 2: MTEL's revenue contribution based on customer



Source: Company, Indo Premier

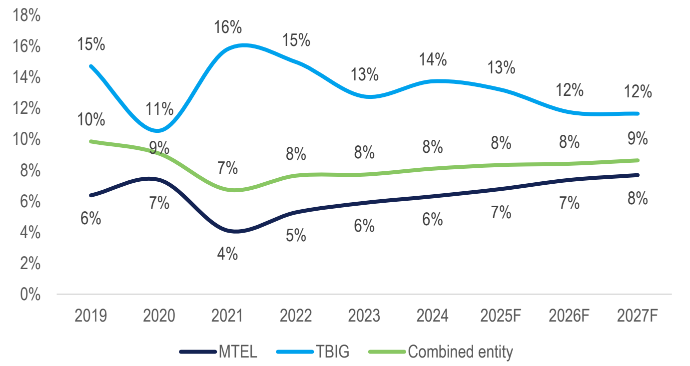
We believe the higher revenue share from TSEL in MTEL's revenue might be attributed to ex-Java areas, which account for a smaller portion of TBIG's revenue. Hence, this should still indicate fewer overlapping tower sites compared to TBIG's.

Fig. 3: TBIG's revenue contribution based on customer



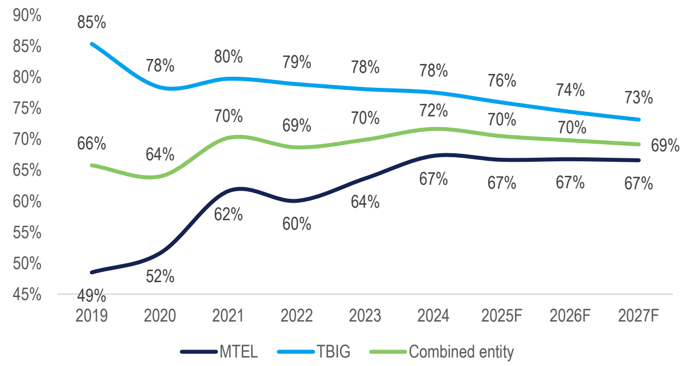
Source: Company, Indo Premier

Fig. 4: MTEL-TBIG combined ROE likely to be accretive…



Source: Company, Indo Premier

Fig. 5: …as well as the margin profitability



Source: Company, Indo Premier

Fig. 6: Potential combined entity market cap and ownership – simple merger structure and if TLKM want to retain at least 51% stake in merger entity (based on FY26F)

Potential combined entity market cap and ownership, based on latest closing market cap and simple merger structure

MTEL	%	Mkt cap (Rp tr)	TBIG	%	Mkt cap (Rp tr)	Merged entity (MTEL-TBIG)	%	Mkt cap (Rp tr)
TLKM	72%	33.90	Bersama Digital Infra	80%	36.13	TLKM	37%	33.90
Maleo Investasi	6%	2.82	Wahana Anugerah Sejahtera	9%	4.26	Maleo Investasi	3%	2.82
Government of Singapore	5%	2.52	Public and others	11%	4.92	Government of Singapore	3%	2.52
Public and others	17%	7.98				Public and others	14%	12.89
						Bersama Digital Infra	39%	36.13
						Wahana Anugerah Sejahtera	5%	4.26
Total	**100%**	**47.21**	**Total**	**100%**	**45.31**	**Total**	**100%**	**92.52**
Implied adj. EV/EBITDA (x)		**9.04**	**Implied adj. EV/EBITDA (x)**		**15.08**	**Implied adj. EV/EBITDA (x)**		**11.54**
Net debt (Rp tr)		**14.90**	**Net debt (Rp tr)**		**29.97**	**Net debt (Rp tr)**		**44.87**
Adj. EBITDA (Rp tr)		**6.87**	**Adj. EBITDA (Rp tr)**		**5.04**	**Adj. EBITDA (Rp tr)**		**11.91**

MTEL's ideal market cap for TLKM to retain at least a 51% stake in the merged entity

MTEL	%	Mkt cap (Rp tr)	TBIG	%	Mkt cap (Rp tr)	Merged entity (MTEL-TBIG)	%	Mkt cap (Rp tr)
TLKM	72%	78.95	Bersama Digital Infra	79.75%	36.13	TLKM	51%	78.95
Maleo Investasi	6%	6.57	Wahana Anugerah Sejahtera	9.40%	4.26	Maleo Investasi	4%	6.57
Government of Singapore	5%	5.86	Public and others	11%	4.92	Government of Singapore	4%	5.86
Public and others	17%	18.58				Public and others	15%	23.50
						Bersama Digital Infra	23%	36.13
						Wahana Anugerah Sejahtera	3%	4.26
Total	**100%**	**109.96**	**Total**	**100%**	**45.31**	**Total**	**100%**	**155.27**
Potential upside to closing px - 14 Jul 2025		133%						
Implied adj. EV/EBITDA (x)		**18.17**	**Implied adj. EV/EBITDA (x)**		**15.08**	**Implied adj. EV/EBITDA (x)**		**16.86**
Net debt (Rp tr)		**14.90**	**Net debt (Rp tr)**		**29.97**	**Net debt (Rp tr)**		**44.87**
Adj. EBITDA (Rp tr)		**6.87**	**Adj. EBITDA (Rp tr)**		**5.04**	**Adj. EBITDA (Rp tr)**		**11.91**

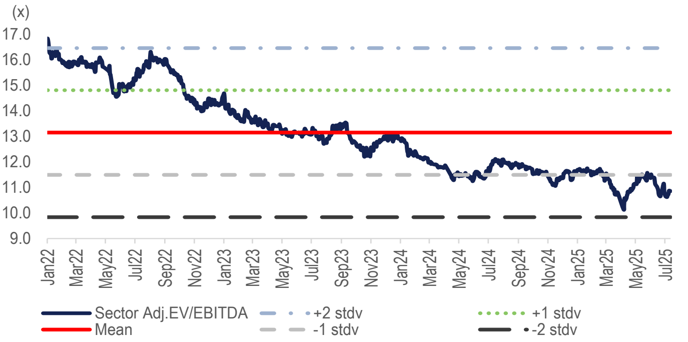
Source: Company, Indo Premier

Fig. 7: MTEL's EV/EBITDA valuation may be similar to TBIG if it could add additional inorganic EBITDA before the merger (based on FY26F)

MTEL	%	Mkt cap (Rp tr)	TBIG	%	Mkt cap (Rp tr)	Merged entity (MTEL-TBIG)	%	Mkt cap (Rp tr)
TLKM	72%	78.95	Bersama Digital Infra	80%	36.13	TLKM	51%	78.95
Maleo Investasi	6%	6.57	Wahana Anugerah Sejahtera	9%	4.26	Maleo Investasi	4%	6.57
Government of Singapore	5%	5.86	Public and others	11%	4.92	Government of Singapore	4%	5.86
Public and others	17%	18.58				Public and others	15%	23.50
						Bersama Digital Infra	23%	36.13
						Wahana Anugerah Sejahtera	3%	4.26
Total	**100%**	**109.96**	**Total**	**100%**	**45.31**	**Total**	**100%**	**155.27**
Potential upside to closing px - 14 Jul 2025		133%						
Implied adj. EV/EBITDA (x)		**15.38**	**Implied adj. EV/EBITDA (x)**		**15.08**	**Implied adj. EV/EBITDA (x)**		**15.27**
Net debt (Rp tr)		**26.47**	**Net debt (Rp tr)**		**29.97**	**Net debt (Rp tr)**		**56.44**
Adj. EBITDA + inorganic EBITDA (Rp tr)		**8.87**	**Adj. EBITDA + inorganic EBITDA (Rp tr)**		**5.04**	**Adj. EBITDA + inorganic EBITDA (Rp tr)**		**13.91**

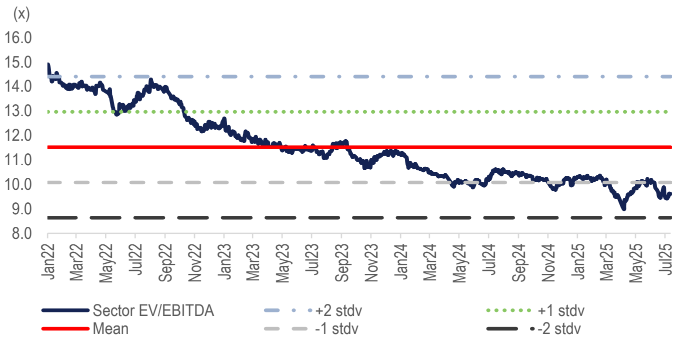
Source: Company, Indo Premier

Fig. 8: Sector's forward adj. EV/EBITDA band



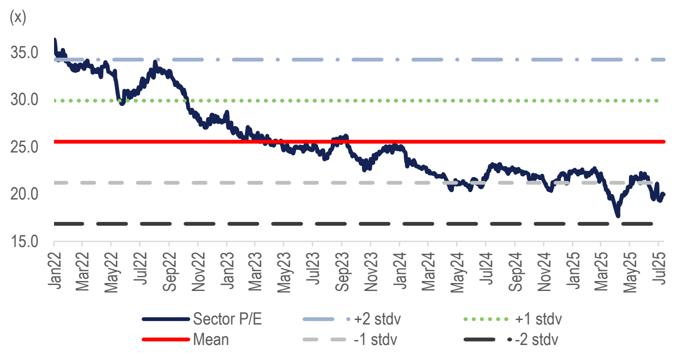
Source: Company, Indo Premier

Fig. 9: Sector's forward EV/EBITDA band



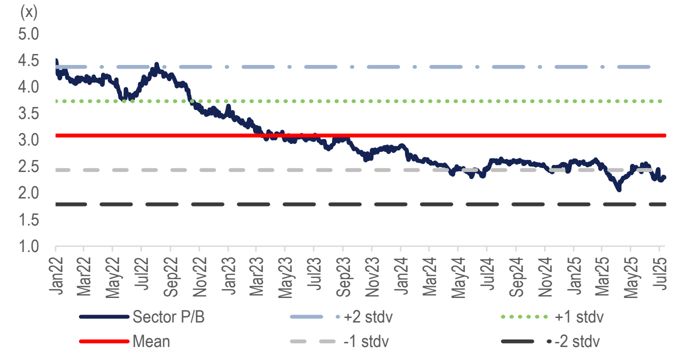
Source: Company, Indo Premier

Fig. 10: Sector's forward P/E band



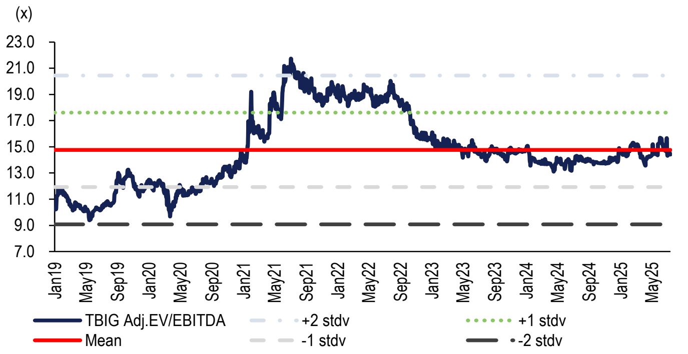
Source: Company, Indo Premier

Fig. 11: Sector's forward P/B band



Source: Company, Indo Premier

Fig. 12: TBIG's forward adj. EV/EBITDA band

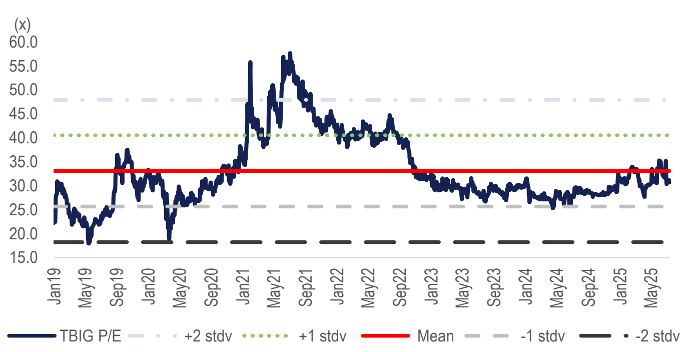


Source: Company, Indo Premier

Fig. 13: TBIG's forward EV/EBITDA band

Source: Company, Indo Premier

Fig. 14: TBIG's forward P/E band

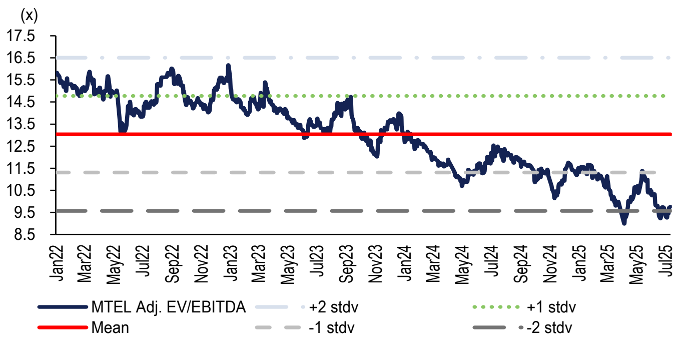


Source: Company, Indo Premier

Fig. 15: TBIG's forward P/B band

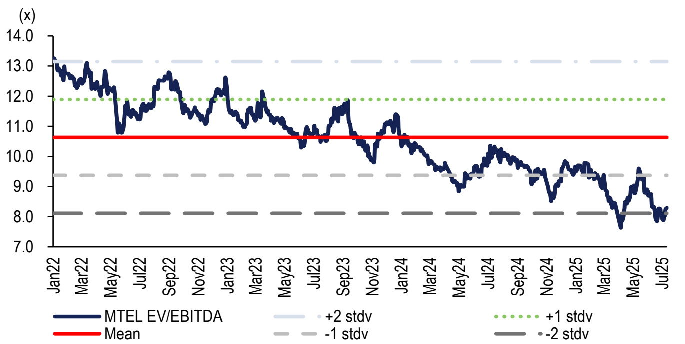
Source: Company, Indo Premier

Fig. 16: MTEL's forward adj. EV/EBITDA band



Source: Company, Indo Premier

Fig. 17: MTEL's forward EV/EBITDA band

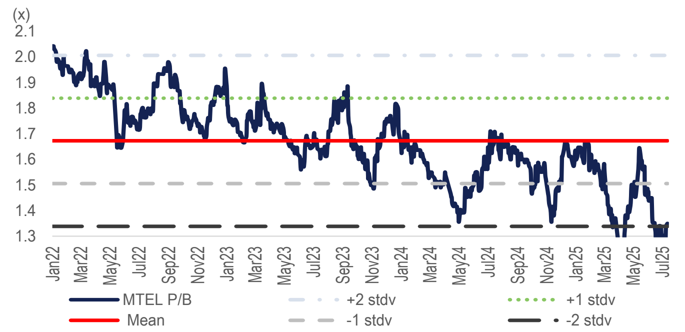


Source: Company, Indo Premier

Fig. 18: MTEL's forward P/E band

Source: Company, Indo Premier

Fig. 19: MTEL's forward P/B band



Source: Company, Indo Premier

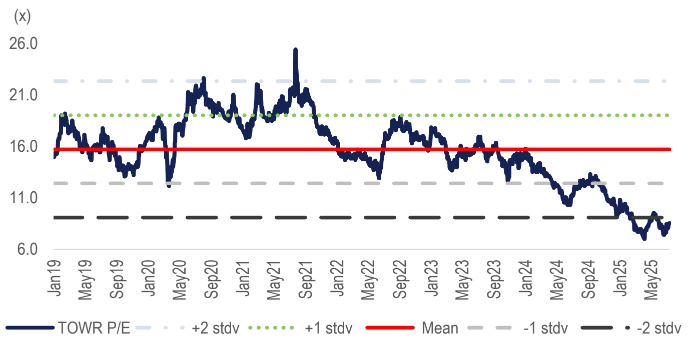
Fig. 20: TOWR's forward adj. EV/EBITDA band

Source: Company, Indo Premier

Fig. 21: TOWR's forward EV/EBITDA band

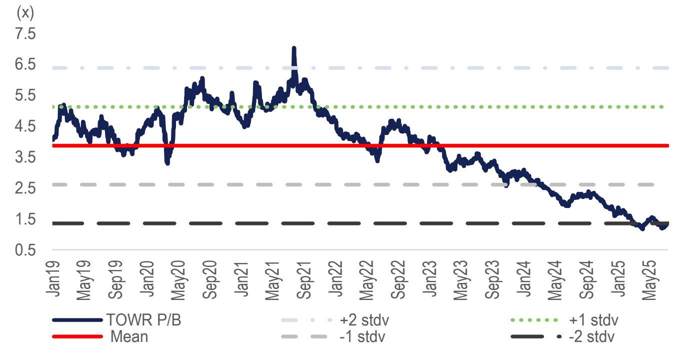
Source: Company, Indo Premier

Fig. 22: TOWR's forward P/E band



Source: Company, Indo Premier

Fig. 23: TOWR's forward P/B band



Source: Company, Indo Premier

Fig. 24: Tower sector valuation comparisons – based on the 15 July 2025 closing price

Company	Bloomberg Ticker	Amount of towers (as of 2024)	Market Cap (US$mn)	Last Price (local curr.)	Target Price	P/E (x)			P/B (x)			Adjusted EV/EBITDA (x)			EV/EBITDA (x)			Price to Cash Flow (x)			Net Gearing (x)			ROE (%)			Net Profit CAGR (%)
						2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F	2024-27F
Indonesia																											
Dayamitra Telekomunikasi	MTEL IJ Equity	39,404	2,929	570	780	20.0	17.9	16.7	1.4	1.3	1.3	9.6	8.9	8.4	8.2	7.7	7.2	8.6	7.2	6.9	0.6	0.5	0.5	6.8	7.4	7.7	9.7
Sarana Menara Nusantara	TOWR IJ Equity	35,400	1,836	585	600	9.4	9.0	8.7	1.4	1.2	1.1	8.6	8.5	8.1	7.4	7.2	6.8	3.8	3.8	3.7	2.4	2.1	1.8	14.5	13.7	13.1	0.4
Tower Bersama Infrastructure	TBIG IJ Equity	23,778	2,780	1,995	1,300	31.1	34.5	33.9	4.1	4.1	3.9	14.5	14.9	15.1	13.3	13.6	13.7	13.6	14.6	14.2	0.3	0.2	0.1	13.2	11.7	11.7	(3.8)
Total			**7,545**																								
Simple average						**20.1**	**20.5**	**19.7**	**2.3**	**2.2**	**2.1**	**10.9**	**10.8**	**10.5**	**9.6**	**9.5**	**9.2**	**8.7**	**8.6**	**8.2**	**1.1**	**0.9**	**0.8**	**11.5**	**11.0**	**10.8**	**2.1**
Median						**20.0**	**17.9**	**16.7**	**1.4**	**1.3**	**1.3**	**9.6**	**8.9**	**8.4**	**8.2**	**7.7**	**7.2**	**8.6**	**7.2**	**6.9**	**0.6**	**0.5**	**0.5**	**13.2**	**11.7**	**11.7**	**0.4**
Regional																											
Indus Towers	INDUSTOW IN I	225,910	12,398	404		14.9	13.4	12.4	3.1	3.0	2.9				7.1	6.7	6.4	7.9	7.1	7.0	0.2	0.2	0.2	21.2	23.0	23.6	(1.9)
Digital Telecommunications Infrastructure Fund	DIF TB Equity	16,059	2,626	8		7.3	7.5	7.6	0.5	0.5	0.5				8.6	8.6	8.6	16.3	15.7	n.a	0.1	0.1	n.a	6.7	6.5	6.4	(0.9)
China Tower Corporation Ltd	788 HK Equity	2,094,000	25,112	11		14.6	10.0	8.9	0.9	0.8	0.8				4.0	3.9	3.8	2.9	2.9	n.a	n.a	n.a	n.a	5.9	8.4	8.8	22.8
HKBN Ltd	1310 HK Equity	2,070,000	942	5		27.8	15.6	13.9	2.8	2.9	2.9				7.0	6.7	6.6	3.7	3.4	3.3	3.9	n.a	4.0	11.1	n.a	23.6	274.1
Total			**41,079**																								
Simple average						**16.1**	**11.6**	**10.7**	**1.8**	**1.8**	**1.8**				**6.7**	**6.5**	**6.4**	**7.7**	**7.3**	**5.1**	**1.4**	**0.2**	**2.1**	**11.2**	**12.6**	**15.6**	
Median						**14.7**	**11.7**	**10.7**	**1.8**	**1.9**	**1.8**				**7.1**	**6.7**	**6.5**	**5.8**	**5.3**	**5.1**	**0.2**	**0.2**	**2.1**	**8.9**	**8.4**	**16.2**	
International																											
American Tower	AMT US Equity	148,957	102,635	219		35.6	30.8	28.4	29.6	24.6	27.1				20.7	19.6	18.6	20.2	19.2	17.9	10.0	10.7	11.9	82.7	105.5	124.7	16.9
Crown Castle	CCI US Equity	40,049	44,748	103		162.3	32.8	27.9	n.a	n.a	n.a				24.6	23.3	22.2	24.6	22.2	19.9	(74.5)	(11.9)	(10.7)	(44.3)	(71.2)	(76.3)	(171.6)
Total			**147,382**																								
Weighted average						**99.0**	**31.8**	**28.2**	**29.6**	**24.6**	**27.1**				**22.6**	**21.5**	**20.4**	**22.4**	**20.7**	**18.9**	**(32.3)**	**(0.6)**	**0.6**	**19.2**	**17.2**	**24.2**	
Median						**99.0**	**31.8**	**28.2**	**29.6**	**24.6**	**27.1**				**22.6**	**21.5**	**20.4**	**22.4**	**20.7**	**18.9**	**(32.3)**	**(0.6)**	**0.6**	**19.2**	**17.2**	**24.2**	

Source: Company, Indo Premier

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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