

Sarana Menara Nusantara

BUY (unchanged)

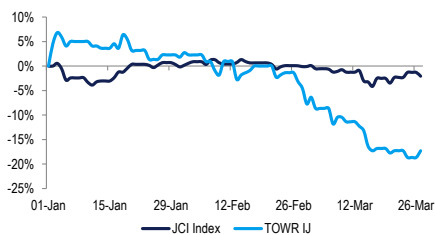
Company Update | Towers | TOWR IJ | 27 March 2023

Stock Data

Target price	Rp1,400
Prior TP	Rp1,400
Current price	Rp910
Upside/downside	+54%
Shares outstanding (mn)	51,015
Market cap (Rp bn)	46,423
Free float	38%
Avg. 6m daily T/O (Rp bn)	30

Price Performance

	3M	6M	12M
Absolute	-13.7%	-24.2%	-15.3%
Relative to JCI	-12.4%	-17.6%	-11.2%
52w low/high (Rp)	880 – 1,285		



Major Shareholders

Telkom Indonesia	71.87%
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4Q22 results: slightly miss in net profit but in-line EBITDA

- FY22 net profit was flattish yoy, while EBITDA rose by 28% yoy, broadly in-line with ours but slightly ahead of consensus (102/105%).
- Revenue grew by 28% yoy in FY22, in-line with our/consensus expectations, driven by robust non-tower revenue growth (+58% yoy).
- The company saw net tenancy loss of c.1.1k in 4Q22 due to a combination of non-renewals and sites relocation from IOH.

Net profit came slightly below estimates, despite in-line EBITDA

Net profit reached Rp3.4tr (+0.4% yoy) in FY22, slightly below our/cons estimates at 97/96% of ours/cons largely due to higher-than-expected effective tax rate. 4Q22 net profit grew to Rp883bn (+4.2% yoy/+1.8% qoq). Meanwhile, FY22 EBITDA rose to Rp9.5tr (+28.0% yoy) – broadly in-line with our forecasts, but slightly ahead of cons (102/105%). EBITDA margin expanded to 86.2% for the year (+14bps yoy). Notably, cash opex only grew by 26.5% yoy, a tad slower than its topline growth of 27.8% yoy. In 4Q22, EBITDA rose to Rp2.6tr (+15.1% yoy/+6.4% qoq), which implies EBITDA margin of 87.1% (+79bps yoy/+121bps qoq).

Solid revenue growth underpinned by fiber take up

TOWR booked FY22 revenue of Rp11.0tr (+27.8% yoy) – in-line at 101% of our estimates, though slightly ahead of consensus at 103%. 4Q22 revenue came in at Rp2.9tr (+14.0% yoy/+4.9% qoq). Tower revenue, however, declined by -1.2% yoy/-1.4% qoq, largely due to a combination of non-renewals and sites relocation from IOH. On the other hand, non-tower revenue growth remained robust at +97.5% yoy/+27.5% qoq, primarily driven by its fiber business, as its revenue-generating fiber grew to 149,811km in the quarter (4Q21: 70,465km/3Q22: 121,289km).

Lower tenancy due to non-renewals and sites relocation from IOH

The company saw 86 net tower site addition qoq in 4Q22, but the number of tenants declined by about 1.1k due to IOH's network integration effort. As a result, tenancy ratio declined to 1.81x in 4Q22 (4Q21: 1.88x/3Q22: 1.85x). Blended lease rates declined marginally to Rp13.1mn/month (4Q21: Rp13.4mn/3Q22: Rp13.2mn). As of FY22, TOWR had 29.8k tower sites and 54.0k tenants.

Reiterate BUY, with an unchanged TP of Rp1,400

We await more details from TOWR's earnings call to be held on 28th of Mar. In the meantime, we maintain our BUY rating on TOWR with an unchanged blended valuation-based (DCF and EV/EBITDA multiple) TP of Rp1,400. Downside risks: 1) low tenancy growth; and 2) pressure on lease rates.

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	8,635	11,036	11,578	12,416	13,386
EBITDA	7,434	9,517	9,869	10,528	11,329
EBITDA growth	16.1%	28.0%	3.7%	6.7%	7.6%
Net profit	3,427	3,442	3,796	4,175	5,192
EPS (Rp)	67	67	74	82	102
EPS growth	20.9%	0.4%	10.3%	10.0%	24.4%
ROE	28.4%	23.8%	26.1%	25.1%	27.0%
PER (x)	16.2	16.2	14.6	13.3	10.7
EV/EBITDA (x)	13.2	10.1	9.4	8.5	7.6
Dividend yield	2.5%	2.6%	2.7%	3.8%	4.7%
IPS vs. consensus			99%	100%	101%

Source: Company, Indo Premier

Share price closing as of: 27 March 2023

Fig. 1: TOWR IJ – 4Q22 result summary

TOWR (Rp bn)	4Q22	4Q21	% YoY	3Q22	% QoQ	2022	2021	% YoY	IP FY22F	% of IP	% of Cons
Revenue	2,929	2,568	14.0%	2,791	4.9%	11,036	8,635	27.8%	10,911	101.1%	103.3%
Cost of revenue	(156)	(146)	7.3%	(155)	1.0%	(608)	(480)	26.5%			
Gross profit	2,772	2,423	14.4%	2,636	5.2%	10,428	8,155	27.9%			
Operating expenses	(797)	(770)	3.5%	(828)	-3.8%	(3,218)	(2,580)	24.7%			
Operating profit	1,975	1,653	19.5%	1,808	9.3%	7,210	5,575	29.3%			
EBITDA	2,550	2,216	15.1%	2,396	6.4%	9,517	7,434	28.0%	9,376	101.5%	105.0%
Other income/(expense)	(682)	(733)	-7.0%	(676)	0.9%	(2,751)	(1,524)	80.5%			
Pre-tax profit	1,293	920	40.6%	1,132	14.2%	4,459	4,051	10.1%			
Taxes	(382)	(80)	377.2%	(252)	51.4%	(963)	(603)	59.6%			
Net profit	883	848	4.2%	868	1.8%	3,442	3,427	0.4%	3,557	96.8%	96.4%
Margin (%)											
Gross margin	94.7%	94.3%		94.5%		94.5%	94.4%				
EBITDA margin	87.1%	86.3%		85.9%		86.2%	86.1%				
Net margin	30.2%	33.0%		31.1%		31.2%	39.7%				
Operational data											
Total sites	29,794	28,698	3.8%	29,708	0.3%	29,794	28,698	3.8%			
Total leased sites	53,967	53,975	0.0%	55,029	-1.9%	53,967	53,975	0.0%			
Tenancy ratio (x)	1.81	1.88	-3.7%	1.85	-2.2%	1.81	1.88	-3.7%			

Source: Company, Indo Premier

Income Statement (Rp bn)	2020A	2021A	2022F	2023F	2024F
Net revenue	7,445	8,635	10,911	11,578	12,416
Cost of sales	(415)	(480)	(604)	(682)	(740)
Gross profit	7,030	8,155	10,308	10,896	11,676
SG&A Expenses	(2,269)	(2,580)	(3,104)	(3,337)	(3,733)
Operating profit	4,761	5,575	7,204	7,559	7,942
EBITDA	6,405	7,434	9,376	9,869	10,528
Net interest	(1,168)	(1,346)	(2,298)	(2,342)	(2,221)
Forex gain (loss)	-	-	-	-	-
Others	(194)	(178)	(480)	(529)	(581)
Pre-tax income	3,399	4,051	4,425	4,689	5,140
Income tax	(545)	(603)	(830)	(869)	(940)
Minority interest	(18)	(21)	(38)	(23)	(25)
Net income	2,836	3,427	3,557	3,796	4,175

Balance Sheet (Rp bn)	2020A	2021A	2022F	2023F	2024F
Cash & equivalent	1,448	4,750	793	540	412
Receivable	1,276	2,184	2,182	2,316	2,483
Other current assets	279	463	477	492	506
Total current assets	3,002	7,398	3,452	3,347	3,401
Fixed assets	22,758	32,951	32,034	30,806	29,518
Other non-current assets	8,489	25,479	25,543	25,607	25,671
Total non-current assets	31,247	58,431	57,577	56,412	55,189
Total assets	34,250	65,829	61,030	59,759	58,590
Payable	681	664	799	861	957
Other payables	2,153	4,422	4,909	4,934	4,958
Current portion of LT loans	4,391	16,794	14,510	13,234	12,049
Total current liab.	7,225	21,880	20,218	19,029	17,964
Long term loans	15,806	30,191	26,947	24,578	22,377
Other LT liab.	1,035	1,695	1,599	1,609	1,619
Total liabilities	24,066	53,767	48,764	45,216	41,959
Equity	(212)	(363)	(285)	(285)	(285)
Retained earnings	10,366	12,394	12,528	14,806	16,893
Minority interest	30	31	22	22	22
Total SHE + minority int.	10,184	12,062	12,265	14,543	16,631
Total liabilities & equity	34,250	65,829	61,030	59,759	58,590

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2020A	2021A	2022F	2023F	2024F
Net income	2,836	3,427	3,557	3,796	4,175
Depr. & amortization	3,140	3,356	3,547	3,573	3,745
Changes in working capital	533	1,159	609	(61)	(62)
Others	(3,010)	(16,308)	(121)	(31)	(29)
Cash flow from operating	3,499	(8,365)	7,591	7,277	7,829
Capital expenditure	(4,754)	(12,053)	(1,255)	(1,082)	(1,298)
Others	(1,496)	(1,496)	(1,374)	(1,262)	(1,159)
Cash flow from investing	(6,250)	(13,550)	(2,630)	(2,344)	(2,458)
Loans	5,029	26,788	(5,528)	(3,645)	(3,387)
Equity	(255)	(171)	31	(23)	(25)
Dividends	(1,196)	(1,399)	(1,423)	(1,519)	(2,087)
Others	-	-	-	-	-
Cash flow from financing	3,577	25,218	(6,919)	(5,186)	(5,499)
Changes in cash	847	3,303	(3,957)	(253)	(128)

Key Ratios	2020A	2021A	2022F	2023F	2024F
Gross margin	94.4%	94.4%	94.5%	94.1%	94.0%
EBITDA margin	86.0%	86.1%	85.9%	85.2%	84.8%
Pre-tax margin	45.7%	46.9%	40.6%	40.5%	41.4%
Net margin	38.1%	39.7%	32.6%	32.8%	33.6%
ROA	8.3%	5.2%	5.8%	6.4%	7.1%
ROE	27.8%	28.4%	29.0%	26.1%	25.1%
ROIC	18.2%	13.4%	13.4%	14.4%	15.5%

Acct. receivables TO (days)	65	73	73	73	73
Acct. payables - other TO (days)	123	105	105	105	105

Net debt/EBITDA (inc. leases)					
(x)	2.9	5.7	4.3	3.8	3.2
Net debt/EBITDA (ex. leases) (x)	2.6	5.3	4.1	3.5	3.0
Interest coverage (x)	4.0	4.1	3.1	3.2	3.5

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

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