

Sarana Menara Nusantara

BUY (unchanged)

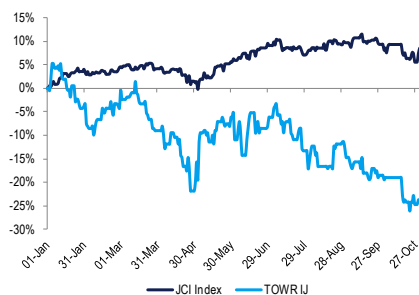
Company Update | Towers | TOWR IJ | 31 October 2024

Stock Data

Target price	Rp1,100
Prior TP	N/A
Current price	Rp800
Upside/downside	+38%
Shares outstanding (mn)	51,015
Market cap (Rp bn)	40,812
Free float	38%
Avg. 6m daily T/O (Rp bn)	34

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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3Q24 results: in-line EBITDA but miss in profit amid one-off employee cost

- 9M24 profit rose by +1% yoy to Rp2.4tr, below ours/consensus forecasts at 70/71% of FY24F due to a one-off bonus cost for employee share option.
- EBITDA/topline grew +7/8% yoy in 9M24 and met our/consensus estimates at 74/76%, respectively.
- TOWR saw lower tenancy ratio at 1.64x in the quarter (3Q23/2Q24: 1.81/1.72x) due to consolidation of IBST. Reiterate Buy.

9M24 earnings below due to non-core items, while EBITDA was in-line

TOWR's net profit rose by +1% yoy to Rp2.4tr in 9M24, below ours and consensus at 70/71% of FY24F. 9M24 revenue of Rp9.4tr (+8% yoy) also came in-line. Meanwhile, EBITDA rose to Rp7.9tr (+7% yoy) and came in-line with our/consensus FY estimates. 9M24 EBITDA margin declined to 84.1% (-97bp yoy). Net profit reached Rp2.4tr (+1% yoy) in 9M24 below ours and consensus at 70/71% due to higher-than-expected non-core items, mainly a one off bonus cost of employee share option (MESOP) worth c.Rp90bn.

3Q24 revenue rose by 8% qoq

3Q24 net profit came in at Rp842bn (-3% yoy/+4% qoq). 3Q24 revenue came in at Rp3.3tr (+12% yoy/+6% qoq) with tower revenue rose by +4% yoy/+8% qoq likely due to new orders, while non-tower revenue jumped by +34% yoy/+3% qoq driven by its fiber business as its revenue-generating FTTT grew to 215k km (3Q23/2Q24: 178/192k km). While EBITDA reached Rp2.8tr (+12% yoy/+9% qoq). EBITDA margin has rebounded to 85.4% (+32bp yoy/+206bp qoq) as better cost management was implemented (cash opex declined -7% qoq).

New sites added from inorganic growth

The company saw 3,869 net tower site addition qoq in 3Q24 while tenancy increased by 3,839 tenants qoq mostly due to consolidation of IBST (c.3.4k sites). As a result, tenancy ratio declined to 1.64x in 3Q24 (3Q23/2Q24: 1.81/1.72x). Blended lease rates increased to Rp13.1mn/month (3Q23/2Q24: Rp13.2/12.6mn) likely due to consolidation of IBST. As of 9M24, TOWR had 35.4k tower sites and 58.2k tenants.

Reiterate BUY with an unchanged TP of Rp1,100

We await more details from TOWR's earnings call to be held on 4th Nov24, but its overall 9M24 results met our expectations. The improving rollout trend, as well as solid non-tower revenue growth underpin our unchanged BUY rating on TOWR with blended valuation-based (DCF and EV/EBITDA multiple) TP of Rp1,100. Downside risks to our call include: 1) low tenancy growth; and 2) pressure on lease rates.

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%
IPS vs. consensus			98%	108%	109%

Source: Company, Indo Premier

Share price closing as of: 31 October 2024

Fig. 1: TOWR IJ – 9M24 result summary

TOWR 3Q24 results (Rp bn)	9M24	9M23	% YoY	3Q24	3Q23	% YoY	2Q24	% QoQ	IPS FY24F	% of IPS	Cons FY24F	% of Cons
Revenue	9,449	8,719	8.4%	3,295	2,943	12.0%	3,107	6.0%	12,768	74.0%	12,444	75.9%
Cost of revenue	(635)	(522)	21.7%	(234)	(176)	33.3%	(205)	14.1%				
Gross profit	8,814	8,198	7.5%	3,061	2,767	10.6%	2,902	5.5%				
Operating expenses	(3,126)	(2,725)	14.7%	(1,048)	(927)	13.1%	(1,042)	0.6%				
Operating profit	5,688	5,473	3.9%	2,013	1,841	9.4%	1,860	8.2%				
EBITDA	7,946	7,417	7.1%	2,812	2,503	12.4%	2,588	8.7%	10,811	73.5%	10,404	76.4%
Other income/(expense)	(2,591)	(2,373)	9.2%	(995)	(738)	34.9%	(787)	26.5%				
Pre-tax profit	3,097	3,100	-0.1%	1,018	1,103	-7.7%	1,073	-5.2%				
Taxes	(619)	(626)	-1.0%	(162)	(228)	-28.8%	(254)	-36.2%				
Net profit	2,447	2,426	0.9%	842	866	-2.8%	808	4.3%	3,523	69.5%	3,459	70.7%
Margin (%)												
Gross margin	93.3%	94.0%		92.9%	94.0%		93.4%					
EBITDA margin	84.1%	85.1%		85.4%	85.0%	32	83.3%	206				
Net margin	25.9%	27.8%		25.6%	29.4%		26.0%					
Operational data												
Total sites	35,371	29,915	18.2%	35,371	29,915	18.2%	31,502	12.3%				
Total leased sites	58,165	54,249	7.2%	58,165	54,249	7.2%	54,326	7.1%				
Tenancy ratio (x)	1.64	1.81	-9.3%	1.64	1.81	-9.3%	1.72	-4.6%				

Source: Company, Indo Premier

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)
Gross profit	10,428	11,056	12,017	13,179	14,351
SG&A Expenses	(3,218)	(3,920)	(3,932)	(4,010)	(4,171)
Operating profit	7,210	7,136	8,085	9,169	10,180
EBITDA	9,517	9,980	10,811	11,827	12,836
Net interest	(2,368)	(2,838)	(3,222)	(3,490)	(3,958)
Forex gain (loss)	-	-	-	-	-
Others	(382)	(195)	(209)	(223)	(239)
Pre-tax income	4,459	4,104	4,654	5,456	5,984
Income tax	(963)	(800)	(1,106)	(1,307)	(1,499)
Minority interest	(55)	(51)	(26)	(28)	(30)
Net income	3,442	3,253	3,523	4,124	4,457

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	309	429	383	189	166
Receivable	2,616	3,145	2,973	3,254	3,535
Other current assets	727	853	1,109	1,441	1,729
Total current assets	3,651	4,427	4,465	4,884	5,430
	37,152	40,385	42,786	45,230	47,718
Fixed assets	24,822	23,607	28,660	34,392	41,271
Other non-current assets	61,974	63,992	71,446	79,622	88,988
Total non-current assets	65,625	68,419	75,911	84,506	94,419
Total assets					
	1,007	1,400	972	964	973
Payable	4,262	4,575	4,658	4,681	4,704
Other payables	9,177	18,324	14,908	16,771	19,014
Current portion of LT loans	14,446	24,299	20,538	22,416	24,691
Total current liab.	33,818	26,143	34,786	39,132	44,366
	2,929	1,465	1,692	1,702	1,713
Long term loans	51,193	51,907	57,016	63,250	70,770
Other LT liab.					
Total liabilities	(235)	(232)	(232)	(232)	(232)
	14,636	16,689	19,072	21,433	23,826
Equity	32	55	55	55	55
Retained earnings	14,432	16,512	18,895	21,256	23,649
Minority interest	65,625	68,419	75,911	84,506	94,419
Total SHE + minority int.	309	429	383	189	166
Total liabilities & equity	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	3,522	4,122	4,454
Depr. & amortization	4,239	4,805	4,552	4,357	4,236
Changes in working capital	(862)	49	(489)	(597)	(537)
Others	(247)	(198)	(4,741)	(5,694)	(6,838)
Cash flow from operating	6,572	7,910	2,844	2,187	1,316
Capital expenditure	(6,507)	(6,076)	(5,128)	(5,101)	(5,143)
Others	(1,933)	(1,962)	(1,826)	(1,699)	(1,581)
Cash flow from investing	(8,440)	(8,038)	(6,953)	(6,800)	(6,724)
Loans	(1,447)	1,473	5,227	6,208	7,477
Equity	74	(24)	(26)	(28)	(30)
Dividends	(1,200)	(1,200)	(1,139)	(1,761)	(2,061)
Others	-	-	-	-	-
Cash flow from financing	(2,574)	249	4,063	4,419	5,385
Changes in cash	(4,442)	120	(46)	(194)	(23)

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%	36.4%	39.0%	39.4%
Net margin	31.2%	27.7%	27.6%	29.5%	29.3%
ROA	5.2%	4.8%	4.6%	4.9%	4.7%
ROE	23.8%	19.7%	18.6%	19.4%	18.8%
ROIC	13.2%	12.1%	12.6%	12.6%	12.4%

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

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