

# Tower Bersama

**BUY** (unchanged)

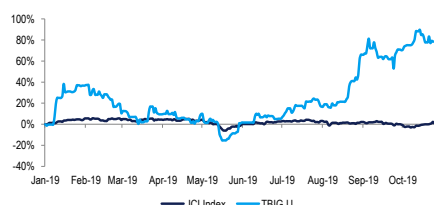
Company Update | Towers | TBIG IJ | 13 November 2019

## Stock Data

Target price	Rp8,300
Prior TP	Rp8,300
Current price	Rp5,475
Upside/downside	+52%
Shares outstanding (mn)	4,531
Market cap (Rp bn)	24,809
Free float	46%
Avg. 6m daily T/O (Rp bn)	48

## Price Performance

	3M	6M	12M
Absolute	25.9%	67.9%	38.6%
Relative to JCI	27.0%	66.8%	33.3%
52w low/high (Rp)	3,050 – 6,825		



## Major Shareholders

Wahana Anugerah Sejahtera	29.2%
Provident Capital Indonesia	25.5%

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## 3Q19 results: in-line Ebitda and excellent operating performance

- 9M19 Ebitda grew in line (+8.2% YoY), driven by tenancies addition of 11.7% YoY. Slight miss on profit due to higher than expected tax.
- Strong tenancy addition increased the overall tenancy ratio to 1.8x. Most of the new tenants added in 3Q19 came from Hutchison 3 Indonesia.
- Gross tenant addition of 2,578 in 9M19 is ahead of FY19 target of 3,000 tenant addition (86% achieved). Maintain Buy.

### Good topline and Ebitda growth, in-line with expectation

9M19 Ebitda was inline (72% of 19F) and reached Rp3tn (+8.2% yoy). This was driven by revenue growth of 9.5% YoY (73% of 19F) as tenants grew by 11.7% YoY, reaching 27,789 tenants. Costs remain manageable and overall margins to Ebit line were steady. On a qoq basis, 3Q19 Ebitda reached Rp1tn in 3Q19 (+4.1% qoq), in-line growth to revenue (+4% qoq).

### Tax expense came above expectation

3Q19 NPAT managed to grow by 40% qoq to Rp230bn due to lower interest expense. However, it came below our 19F (69% of 19F) due to higher than expected tax as TBIG started to book final tax expense starting 3Q19, which accounted for Rp61bn. Final tax regulation was effective starting 2018.

### Robust tenancies added boosted co-location

Operational wise, strong tenant addition of 4% qoq, managed to increase tenancy ratio to 1.8x from 1.69x in 2018, maintaining its position as a tower player with the highest co-location. New orders that came in were from Hutch. As of 3Q19, Hutch revenue contribution rose to 13% from 9% in 2Q19. TBIG experienced the highest ever organic growth of tenancies, where it added 1,342 gross tenancies (196 sites and 1,146 co-locations) in a quarter.

### Decline in gearing but debt level remains steady

Net debt at their hedge exchange rate stood at Rp20.8tn with net debt to Ebitda ratio of 5.1x, flat qoq. In Jul19, the company has also prepaid its term loan and replaced it with a new US\$375mn revolving credit facility with a 25bps reduction in interest cost, which could earnings by 1.1-1.4%. Net gearing is 5.6x in 3Q19 from 6.7x in 2Q19.

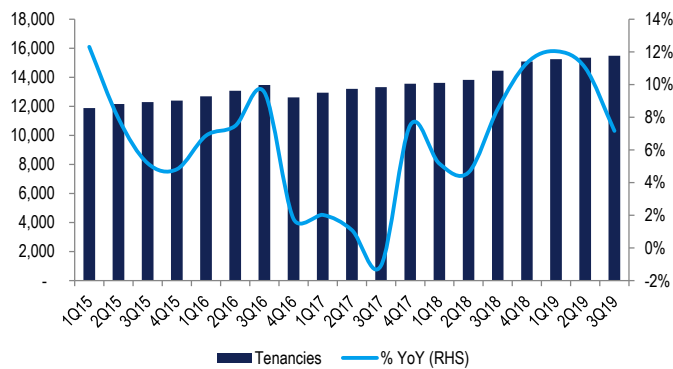
### Operational performance exceeded guidance. Maintain BUY.

The latest result has shown the highest tenancy ratio for the past 5-years. Company expects to surpass this year's guidance through more co-location. Using the current tenant addition run-rate, the company is on track to add almost 3,500 gross tenant in FY19. Maintain Buy given its strong operational performance with DCF-based TP of Rp8,300/share (11.4% WACC).

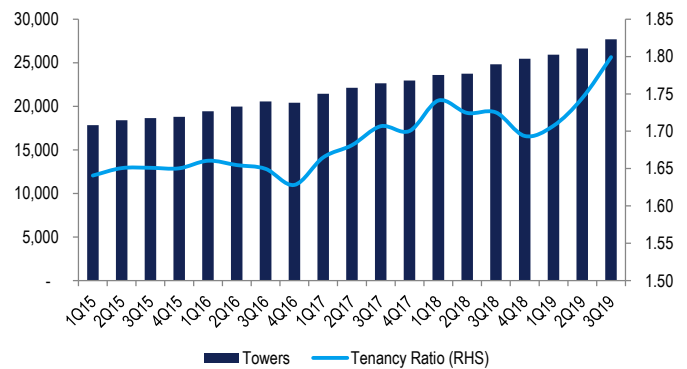
Financial Summary	2017A	2018A	2019F	2020F	2021F
Revenue (Rp bn)	4,023	4,318	4,775	5,220	5,672
EBITDA (Rp bn)	3,485	3,704	4,096	4,478	4,865
EBITDA growth	8.3%	6.3%	10.6%	9.3%	8.6%
Net profit (Rp bn)	2,316	681	913	1,162	1,349
EPS (Rp)	511	150	201	256	298
EPS growth	138.4%	-70.6%	34.1%	27.3%	16.1%
ROE	96.3%	19.8%	23.7%	26.9%	27.3%
PER (x)	10.7	36.5	27.2	21.4	18.4
EV/EBITDA (x)	12.9	12.6	11.6	10.8	10.0
Dividend yield	2.7%	3.0%	2.5%	2.4%	3.0%
IPS vs. consensus			97%	107%	104%

Sources: Company, IndoPremier

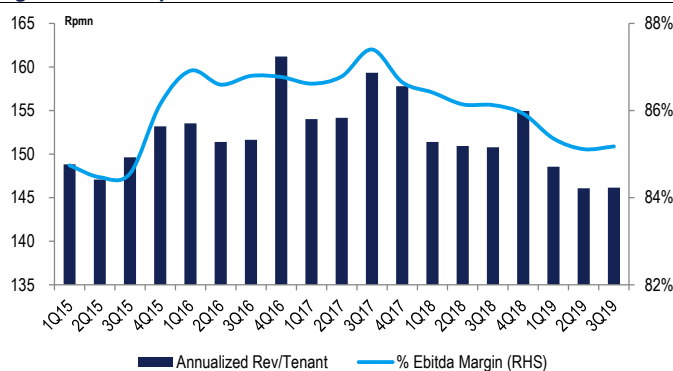
Share price closing as of: 13 November 2019

**Fig. 1: Tenancy trend**


Sources: Company, IndoPremier

**Fig. 2: Tower and co-location trend**


Sources: Company, IndoPremier

**Fig. 3: Revenue per tenant**


Sources: Company, IndoPremier

**Fig. 4: TBIG forward 20F EV/Ebitda now trading at 7.5x**


Sources: Company, IndoPremier

**Fig. 5: TBIG value per share**

Tower Bersama DCF Model	2019F	2020F	2021F	2022F	2023F	2024F	2025F
EBIT	3,486	3,811	4,141	4,458	4,762	5,051	5,327
Depreciation and Amortization	610	667	724	780	833	883	932
Tax	-346	-422	-496	-557	-628	-703	-779
Change in Working Capital	-16	-15	-15	-15	-14	-14	-13
Capital Expenditure	-1,699	-1,916	-1,927	-1,830	-1,739	-1,652	-1,569
<b>Free Cash Flows</b>	<b>2,035</b>	<b>2,124</b>	<b>2,427</b>	<b>2,836</b>	<b>3,214</b>	<b>3,567</b>	<b>3,898</b>

DCF	Now
Perpetual growth (%)	3.0%
Terminal value	47,584
NPV of DCF	11,827
Net debt	23,439
Equity value	35,972
Number of shares	4,326
<b>Value per share (Rp)</b>	<b>8,300</b>

WACC Assumptions	
Cost of equity =	14.2%
After-tax cost of debt =	7.3%
Risk free rate =	6.5%
Beta =	1.1
Equity risk premium =	7.0%
Req equity market return =	13.5%
<b>WACC =</b>	<b>11.4%</b>

Source: IndoPremier

Income Statement (Rp bn)	2017A	2018A	2019F	2020F	2021F
Net Revenue	4,023	4,318	4,775	5,220	5,672
Cost of Sales	(668)	(784)	(867)	(948)	(1,030)
<b>Gross Profit</b>	<b>3,355</b>	<b>3,534</b>	<b>3,908</b>	<b>4,272</b>	<b>4,642</b>
SG&A Expenses	(343)	(381)	(422)	(461)	(501)
<b>Operating Profit</b>	<b>3,012</b>	<b>3,153</b>	<b>3,486</b>	<b>3,811</b>	<b>4,141</b>
Net Interest	(1,957)	(2,063)	(2,198)	(2,190)	(2,252)
Forex Gain (Loss)	14	2	0	0	0
Others-Net	(161)	(57)	0	0	0
<b>Pre-Tax Income</b>	<b>908</b>	<b>1,034</b>	<b>1,288</b>	<b>1,621</b>	<b>1,889</b>
Income Tax	1,431	(332)	(346)	(422)	(496)
Minorities	(23)	(22)	(30)	(38)	(44)
<b>Net Income</b>	<b>2,316</b>	<b>681</b>	<b>913</b>	<b>1,162</b>	<b>1,349</b>

Balance Sheet (Rp bn)	2017A	2018A	2019F	2020F	2021F
Cash & Equivalent	407	221	325	242	356
Receivable	358	461	510	557	605
Inventory	20	23	25	27	30
Other Current Assets	1,186	1,323	1,323	1,323	1,323
<b>Total Current Assets</b>	<b>1,972</b>	<b>2,027</b>	<b>2,183</b>	<b>2,150</b>	<b>2,315</b>
Fixed Assets - Net	19,967	22,060	23,150	24,400	25,602
Goodwill	413	429	429	429	429
<b>Non-Current Assets</b>	<b>3,244</b>	<b>4,597</b>	<b>4,597</b>	<b>4,597</b>	<b>4,597</b>
Payable	213	336	371	406	441
Other Payables	1,772	2,819	2,819	2,819	2,819
Current Portion of LT Loans	4	3,270	3,398	3,483	3,585
<b>Total Current Liab.</b>	<b>1,988</b>	<b>6,425</b>	<b>6,588</b>	<b>6,707</b>	<b>6,845</b>
Long Term Loans	20,376	18,967	19,706	20,198	20,791
Other LT Liab.	46	43	43	43	43
<b>Total Liabilities</b>	<b>22,411</b>	<b>25,434</b>	<b>26,337</b>	<b>26,948</b>	<b>27,678</b>
Equity	933	249	249	249	249
Retained Earnings	2,155	3,122	3,434	4,003	4,596
Minority Interest	97	309	338	376	420
<b>Total SHE + Minority Int.</b>	<b>3,185</b>	<b>3,680</b>	<b>4,021</b>	<b>4,627</b>	<b>5,265</b>
<b>Total Liabilities &amp; Equity</b>	<b>25,596</b>	<b>29,114</b>	<b>30,359</b>	<b>31,576</b>	<b>32,943</b>

Sources: Company, IndoPremier

Cash Flow Statement (Rp bn)	2017A	2018A	2019F	2020F	2021F
Net Income	2,339	703	942	1,199	1,392
Depr. & Amortization	21	49	610	667	724
Changes in Working Capital	513	1,056	(16)	(15)	(15)
Others	2,267	1,755	2,031	2,153	2,208
<b>Cash Flow From Operating</b>	<b>5,140</b>	<b>3,562</b>	<b>3,568</b>	<b>4,003</b>	<b>4,310</b>
Capital Expenditure	(1,985)	(3,511)	(1,699)	(1,916)	(1,927)
Others	7	8	6	9	6
<b>Cash Flow From Investing</b>	<b>(1,979)</b>	<b>(3,502)</b>	<b>(1,693)</b>	<b>(1,908)</b>	<b>(1,920)</b>
Loans	1,472	1,857	867	576	695
Equity	0	(190)	0	0	0
Dividends	(665)	(750)	(600)	(593)	(755)
Others	(1,410)	(2,357)	(2,174)	(2,161)	(2,215)
<b>Cash Flow From Financing</b>	<b>(603)</b>	<b>(1,440)</b>	<b>(1,907)</b>	<b>(2,178)</b>	<b>(2,275)</b>
<b>Changes in Cash</b>	<b>2,558</b>	<b>(1,381)</b>	<b>(33)</b>	<b>(83)</b>	<b>114</b>

Key Ratios	2017A	2018A	2019F	2020F	2021F
Gross Margin	83.4%	81.8%	81.8%	81.8%	81.8%
Operating Margin	74.9%	73.0%	73.0%	73.0%	73.0%
Pre-Tax Margin	22.6%	24.0%	27.0%	31.1%	33.3%
Net Margin	57.6%	15.8%	19.1%	22.3%	23.8%
ROA	9.4%	2.5%	3.1%	3.8%	4.2%
ROE	96.3%	19.8%	23.7%	26.9%	27.3%
ROIC	13.9%	12.9%	13.3%	13.9%	14.4%

Acct. Receivables TO (days)	38.3	34.6	37.1	37.3	37.4
Inventory TO (days)	5.6	36.5	36.2	36.0	35.9
Payable TO (days)	113.8	127.7	148.8	149.6	150.1
Debt to Equity	639.9%	604.3%	574.5%	511.7%	463.0%
Interest Coverage Ratio (x)	0.7	0.7	0.6	0.6	0.5
Net Gearing	627.1%	598.3%	566.5%	506.5%	456.2%

Sources: Company, IndoPremier

## 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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