

Thursday, June 27th, 2024

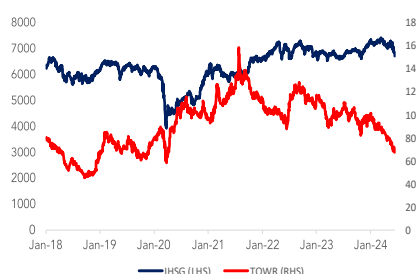
Buy

Price (June 26 th , 24)	685
Target Price	860
Potential Upside	26.20%
Market Cap	50.51 T
Number of Share	51.00 B
52w Lo/Hi	680 / 1050

Source : IDX | Phintraco Sekuritas Research

 | as of June 27th, 2024

IHSG vs TOWR



Source : IDX

Shareholder	%
PT Sapta Adhikari Investama	54%
PT Dwimuria Investama Andalan	5%
Public	38%

Source : Company | as of fin. statement FY2023

EPS Consensus vs Forecast

	AT	Consensus*	%Diff
2024F	67.16	68.31	-1.15
2025F	70.14	71.02	-0.88

 Source : *marketscreener | as of June 27th, 2024

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PT Sarana Menara Nusantara Tbk

(TOWR.JK / TOWR.IJ)

TOWR : Unlocking Hidden Revenue Streams

TOWR booked revenue growth of 6% YoY (vs 4% QoQ) to reach IDR3.05 trillion in 1Q24. This revenue growth was mainly driven by the non-rental segment, which increased significantly from 7% YoY (+6.22% QoQ) to IDR403 billion. One of the main contributors in the non-rental segment was Fiber to the Home (FTTH) services, which recorded an increase of 25% YoY (+68% QoQ) to reach IDR236 billion. Although the rental segment experienced slower growth, revenue from this segment still increased by 0.23% YoY (+0.10% QoQ) to reach IDR2.6 trillion. In addition, TOWR also recorded the addition of 491 new towers during 1Q24, bringing the total towers under management to 31k (Figure 3). On the bottom line, TOWR recorded an EBITDA of IDR2.4 trillion, with the EBITDA margin stabilizing at ~80%. The positive EBITDA supported the increase in net profit to IDR797 billion (+6% YoY; 4% QoQ).

The company's focus shifted to growth and development. In recent years, tower and tenant growth has been flat (Figure 3). This was influenced by the telecommunications industry shifting its focus to the Fixed Mobile Convergence (FMC) segment. The growth in FMC demand is reflected in the increase in connectivity to 13,534k in 1Q24 (vs 11,056k 1Q23), which shows a growth of 22.40% YoY. Demand for Fiber to the Home (FTTH) also jumped significantly; TOWR recorded 124,704k home connects in 1Q24 (vs 23,786k 1Q23), a growth of 424.30% YoY. In addition, Fiber to the Tower (FTTT) segmentation was also supported with fiber optic length stretched to 186,571 km in 1Q24 (vs 162,399 km 1Q23), an increase of 14.90% YoY.

Our forecast for TOWR in FY24 is a revenue of IDR3.4 trillion, reflecting a 5.60% YoY growth. This growth is primarily driven by the non-rental segment, which is expected to contribute around 9-12% to the revenue. We also anticipate a slower growth from the tower leasing segment, as we shift our focus towards the broader development of the fiber segment. Our main strategic shift is towards the development of Fiber to the Tower (FTTT) and Fiber to the Home (FTTH), which is in line with the industry's current emphasis on Fixed Mobile Convergence (FMC). This strategic shift is expected to result in a 7% YoY growth in EBITDA to IDR10.44 trillion, supporting a net profit growth of IDR3.4 trillion in FY24.

We assign a buy rating to TOWR with a potential upside of 26.20% or IDR860 per share. This valuation is based on Discounted Cash Flow with a WACC rate of 7.10% and terminal growth of 2.00%. TOWR has upside potential by implying EV/EBITDA at 7.99x and EV/Tower at 2.48x for FY24F. Risks to consider include: 1) prolonged high interest rate policy by the Fed, 2) Declining tower demand and competition from competitors, and 3) changes in government regulations.

Key Operational Highlight

PT Sarana Menara Nusantara Tbk (in Billion IDR)

	1Q23	1Q24	YoY	4Q23	1Q24	QoQ
Revenue	2,865	3,047	6.35%	3,021	3,047	0.85%
Cost of Service	(805)	(925)	14.87%	(1,062)	(925)	-12.92%
Gross Profit	2,060	2,122	3.02%	1,959	2,122	8.31%
Operating Income	1,739	1,710	-1.69%	1,686	1,710	1.39%
Net Income	752	797	5.98%	828	797	-3.65%
EPS (IDR)	15	14	-1.73%	14	14	1.61%
Gross Profit Margin (%)	71.90%	69.64%	-225 bps	64.84%	69.64%	480 bps
EBITDA Margin (%)	82.67%	80.08%	-258 bps	85.58%	80.08%	-550 bps
Net Profit Margin (%)	26.27%	26.17%	-9 bps	27.39%	26.17%	-122 bps

Source : Company | Phintraco Sekuritas Research

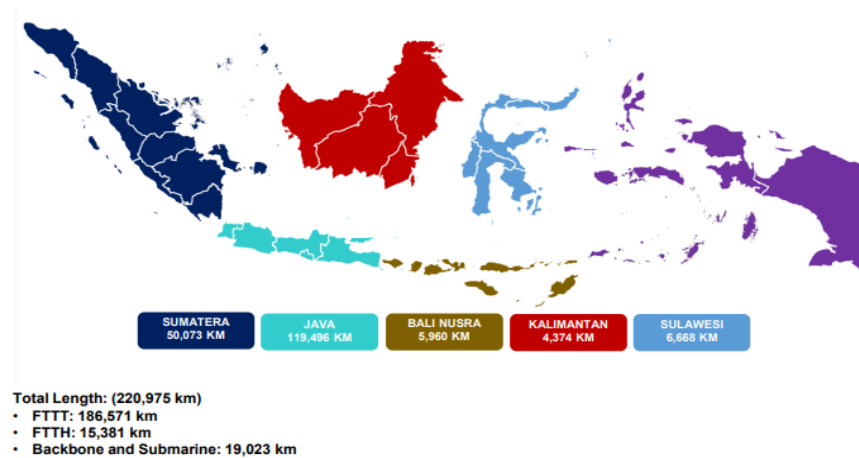
Performance Highlight

Figure 1. Portofolio Tower of TOWR



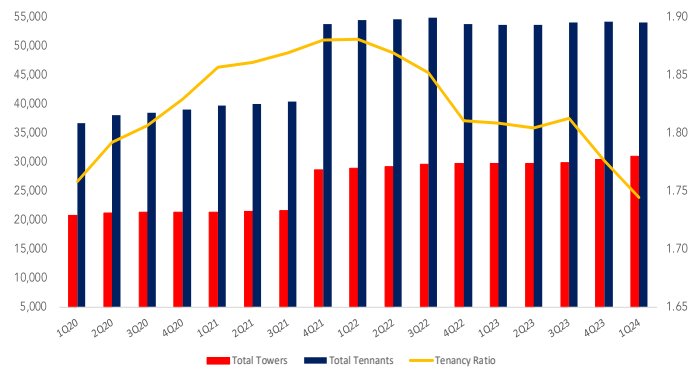
Source : Company

Figure 2. Portofolio Wireline of TOWR



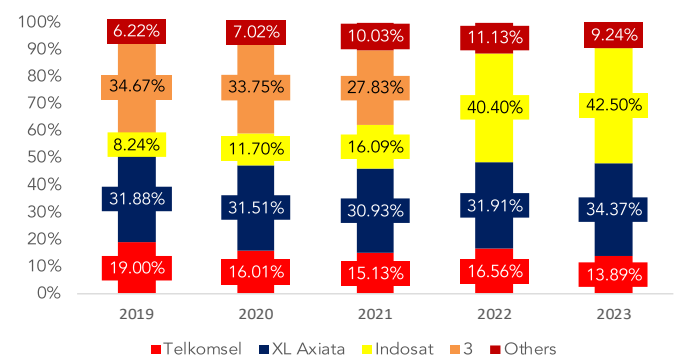
Source : Company

Figure 3. Operational Data



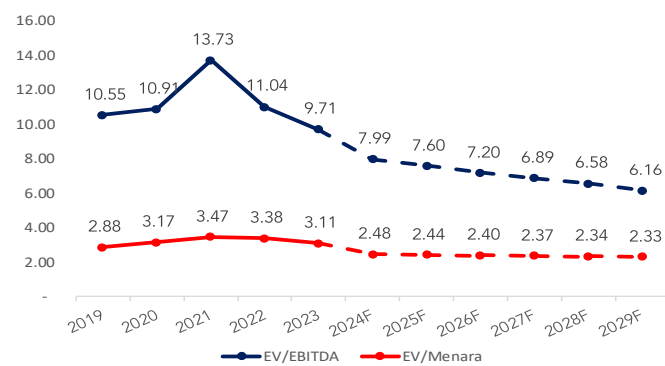
Source : Company | Phintraco Sekuritas Research

Figure 4. Contribution of Telecommunication Issuers to TOWR's Revenue



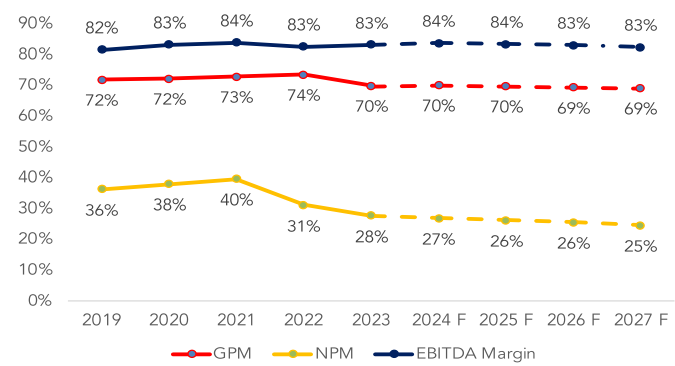
Source : Company | Phintraco Sekuritas Research

Figure 5. Valuation



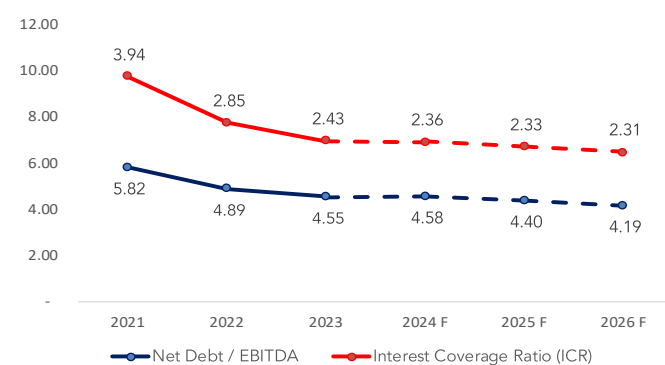
Source : Company | Phintraco Sekuritas Research

Figure 6. Profitability Ratios



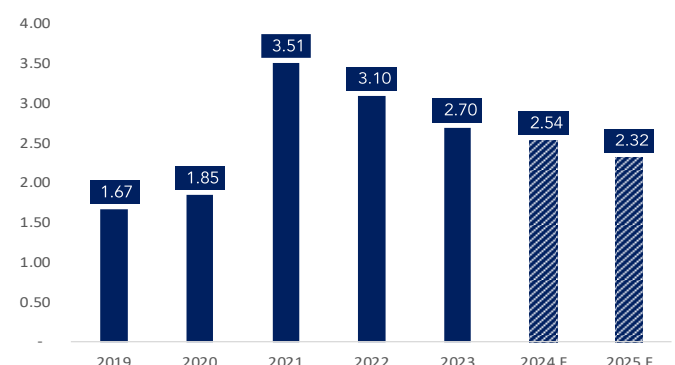
Source : Company | Phintraco Sekuritas Research

Figure 7. Solvability Ratios



Source : Company | Phintraco Sekuritas Research

Figure 8. Net Gearing Ratio



Source : Company | Phintraco Sekuritas Research

(in Billion Rupiah)

BALANCE SHEET	FY21	FY22	FY23	FY24F	FY25F
Asset					
Cash	4,748	309	429	735	762
Accounts Receivable	2,171	2,558	3,086	3,119	3,323
Inventories	-	-	15	78	83
Total Current Assets	7,398	3,651	4,427	4,872	5,180
Fixed Assets	32,951	37,152	40,385	44,227	47,747
Total Non Current Assets	58,431	61,974	63,992	70,127	73,228
Total Asset	65,829	65,625	68,419	75,000	78,408
Liabilities					
Trade Payables	522	839	1,207	1,227	1,173
Lease liabilities	353	387	265	287	292
Bank Loans	15,432	8,063	11,072	11,993	12,183
Bonds Payable	1,008	1,114	7,252	7,856	7,980
Total Current Liabilities	21,880	14,446	24,299	26,227	26,774
Lease liabilities	2,192	1,591	180	195	198
Bank Loans	23,535	29,262	24,826	26,891	27,316
Bonds Payable	4,463	4,556	1,318	1,427	1,450
Total Non Current Liabilities	31,886	36,747	27,608	30,017	30,495
Total Liabilities	53,767	51,193	51,907	56,244	57,269
Equity	12,062	14,432	16,512	18,756	21,139

Source : Company | Phintraco Sekuritas Research

(in Billion Rupiah)

INCOME STATEMENT	FY21	FY22	FY23	FY24F	FY25F
Revenue	8,635	11,036	11,740	12,543	13,409
<i>Growth</i>	<i>15.98%</i>	<i>27.78%</i>	<i>6.40%</i>	<i>6.83%</i>	<i>6.91%</i>
Cost of Revenues	2,340	2,914	3,528	3,652	3,947
Gross Profit	6,295	8,121	8,213	8,891	9,462
<i>GPM</i>	<i>72.90%</i>	<i>73.59%</i>	<i>69.95%</i>	<i>70.88%</i>	<i>70.57%</i>
EBITDA	7,256	9,134	9,785	10,547	11,229
<i>EBITDA Margin</i>	<i>84.03%</i>	<i>82.77%</i>	<i>83.34%</i>	<i>84.09%</i>	<i>83.74%</i>
EBIT	5,397	6,828	6,941	7,442	7,817
<i>EBIT Margin</i>	<i>62.49%</i>	<i>61.87%</i>	<i>59.12%</i>	<i>59.34%</i>	<i>58.30%</i>
Finance Cost	1,370	2,392	2,858	3,053	3,254
Profit Before Tax	4,051	4,459	4,103	4,438	4,608
<i>EBT Margin</i>	<i>46.91%</i>	<i>40.41%</i>	<i>34.95%</i>	<i>35.38%</i>	<i>34.36%</i>
Net Profit After Tax	3,427	3,442	3,253	3,522	3,659
<i>NPM</i>	<i>39.69%</i>	<i>31.19%</i>	<i>27.71%</i>	<i>28.08%</i>	<i>27.29%</i>

Source : Company | Phintraco Sekuritas Research

(in Billion Rupiah)

CASH FLOW	FY21	FY22	FY23	FY24F	FY25F
Cash Flow from Operating					
Net Income	3,427	3,442	3,253	3,522	3,659
Depreciation & Amortization	3,437	1,057	1,094	1,476	1,588
Working Capital	9	(944)	(69)	(175)	(76)
Others	2,107	(828)	346	318	210
Net-CFFO	8,026	3,602	4,518	5,241	5,195
Cash Flow from Investing					
CAPEX	(13,630)	(5,258)	(4,327)	(5,318)	(5,109)
Others	(16,990)	657	1,215	(2,294)	420
Net-CFFI	(30,620)	(4,601)	(3,112)	(7,612)	(4,689)
Cash Flow from Financing					
Short Term Debt	12,403	(7,230)	9,026	1,546	318
Long Term Debt	13,924	5,819	(7,675)	2,175	448
Others	1,684	1,116	(830)	(1,434)	248
Equity	(145)	-	(3)	-	-
Net-CFFF	25,899	(3,441)	(1,286)	2,677	(479)
NET CASH FLOW	3,306	(4,440)	120	306	27

Source : Company | Phintraco Sekuritas Research

(in Billion Rupiah)

RATIOS	FY21	FY22	FY23	FY24F	FY25F
Profitability Ratio (%)					
<i>GPM</i>	72.90%	73.59%	69.95%	70.88%	70.57%
<i>EBITDA Margin</i>	84.03%	82.77%	83.34%	84.09%	83.74%
<i>NPM</i>	39.69%	31.19%	27.71%	28.08%	27.29%
<i>ROA</i>	5.21%	5.24%	4.75%	4.70%	4.67%
<i>ROE</i>	28.49%	23.90%	19.77%	18.83%	17.35%
<i>ROIC</i>	5.81%	5.80%	5.30%	5.23%	5.19%
Activity Ratio (X)					
<i>Inventory Turnover</i>	-	-	805.68	160.86	160.86
<i>Receivables Turnover</i>	3.98	4.31	3.80	4.02	4.04
<i>Payables Turnover</i>	4.49	3.47	2.92	2.98	3.36
<i>Days of Inventory</i>	-	-	2.24	2.24	2.24
<i>Days of Receivables</i>	90.52	83.44	94.64	89.53	89.20
<i>Days of Payables</i>	80.25	103.67	123.17	121.00	107.02
<i>Cash Operating Cycle</i>	(0.51)	0.84	806.56	161.90	161.53
Leverage Ratio (%)					
<i>Debt to Asset Ratio</i>	3.91	3.12	2.73	2.60	2.34
<i>Debt to Equity Ratio</i>	0.71	0.69	0.66	0.65	0.63
<i>Net Gearing Ratio</i>	3.51	3.10	2.70	2.56	2.31
<i>Net Debt / EBITDA</i>	5.82	4.89	4.55	4.54	4.33
<i>Interest Rate</i>	4.08%	5.20%	6.36%	6.83%	6.58%
<i>Interest Coverage Ratio (ICR)</i>	3.94	2.85	2.43	2.44	2.40
Liquidity Ratio (X)					
<i>Current Ratio</i>	0.34	0.25	0.18	0.19	0.19
<i>Quick Ratio</i>	0.34	0.25	0.18	0.18	0.19
<i>Cash Ratio</i>	0.22	0.02	0.02	0.03	0.03
Price Ratio					
<i>Price per Share at the end of the year</i>	1,125	1,100	990	720	720
<i>Outstanding Shares (in Billion)</i>	51.01	51.01	51.01	51.01	51.01
<i>EPS (IDR) (annualized)</i>	67	67	64	69	72
<i>BVPS (IDR)</i>	236	282	323	367	413
<i>PER(X)</i>	16.75	16.30	15.53	10.43	10.04
<i>PBV(X)</i>	4.77	3.90	3.07	1.96	1.74
<i>EV/EBITDA (annualized)</i>	13.73	11.04	9.71	8.03	7.61
Dividend					
<i>DPS</i>	27	24	24	25	25
<i>DPR</i>	49.33%	35.02%	34.87%	39.74%	36.54%
<i>Div. Yield</i>	2.44%	2.14%	2.38%	3.52%	3.50%

Source : Company | Phintraco Sekuritas Research

Glossarium

BVPS	: <i>Book Value per Share</i>
CFFF	: <i>Cash Flow from Financing</i>
CFFI	: <i>Cash Flow from Investing</i>
CFFO	: <i>Cash Flow from Operating</i>
DPR	: <i>Dividend Payout Ratio</i>
DPS	: <i>Dividend per Share</i>
EBIT	: <i>Earning Before Interes & Tax</i>
EBITDA	: <i>Earning Before Interest, Tax, Depreciation & Amortization</i>
EBT	: <i>Earning Before Tax</i>
EPS	: <i>Earning per Share</i>
EV	: <i>Enterprise Value</i>
FBB	: <i>Fixed Broadband</i>
FMC	: <i>Fixed Mobile Convergence</i>
FTTH	: <i>Fiber to the Home</i>
FTTT	: <i>Fiber to the Tower</i>
NPM	: <i>Net Profit Margin</i>
NPM	: <i>Net Profit Margin</i>
OPM	: <i>Operating Profit Margin</i>
PBV	: <i>Price to Book Value</i>
PER	: <i>Price to Earning Ratio</i>
ROA	: <i>Return on Asset</i>
ROE	: <i>Return on Equity</i>



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Rating for Stocks :

- Buy : The stock is expected to give total return (price appreciation + dividend yield) of $> +10\%$ over the next 12 months.
- Hold : The stock is expected to give total return of $> 0\%$ to $\leq +10\%$ over the next 12 months.
- Sell : The stock is expected to give total return of $< 0\%$ over the next 12 months.
- Outperform : The stock is expected to do slightly better than the market return. Equal to "moderate buy"
- Underperform : The stock is expected to do slightly worse than the market return. Equal to "moderate sell"

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Kantor Cabang & Mitra GI BEI



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