

Monday, 06 September 2021

## HOLD Upgrade

Last price (IDR)	3,070
Target Price (IDR)	3,300
Upside/Downside	+7.5%
Previous Target Price (IDR)	3,300

### Stock Statistics

Sector	Towers
Bloomberg Ticker	TBIG IJ
No of Shrs (mn)	21,631
Mkt. Cap (IDRbn/USDmn)	66,407/4,656
Avg. daily T/O (IDRbn/USDmn)	164.6/11.5

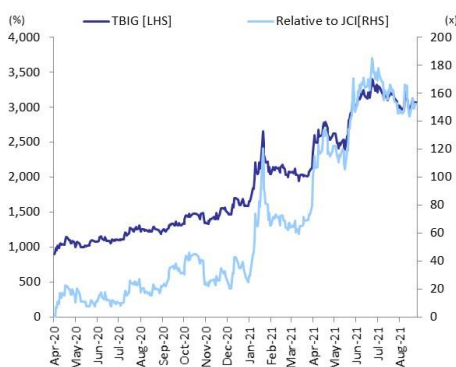
### Major shareholders (%)

PT Wahana Anugerah Sejahtera	29.4
PT Provident Capital Indonesia	25.5
Estimated free float	39.7

### EPS Consensus (IDR)

	2021F	2022F	2023F
Danareksa	69.5	83.6	101.0
Consensus	67.2	79.9	89.9
Danareksa/Cons	3.5	4.5	12.3

### TBIG relative to JCI Index



Source : Bloomberg



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# Tower Bersama Infrastructure (TBIG IJ)

## Consolidating new towers with earnings dent

**TBIG has created more collo opportunities by consolidating 3,000 new towers in its portfolio and with an impressive EBITDA margin. 1H21 revenues and EBITDA are inline, but land leases and depreciation costs weighed heavier in 2Q21, and thus we revise down our FY21F net profits estimate. We roll over our 10-yr DCF and arrive at a new TP of IDR3,300. Upgrade to HOLD.**

**Independent tower company qualities to help unlock the tenancy ratio of bought towers.** TBIG's 2Q21 was marked by the integration of 3,000 towers bought from the IBST tower company. Those towers have a relatively low tenancy ratio of 1.36x, or corresponding to onboarding a new 4,082 revenue generating tenancies or representing 11% of TBIG's total 37,121 tenancies. We assume Smartfren is the anchor tenant in the large majority of those bought tenancies, and their key revenues contributor. TBIG now has the opportunity to market these new tower sites to other telcos, enticing them with access to Smartfren's footprint, many of which are assumed to be in Sinarmas group residential areas. This way, TBIG can increase collocation rates and the tenancy ratio to unlock the value of those towers.

**TBIG diversifying its revenues base with the recent acquisition.** TBIG's quarterly revenues rose to Rp1.55tn in 2Q21 with sharp growth of +8.9%qoq, reflecting 4,834 incremental new tenancies, but denting TBIG's effective monthly lease rate by ~-5% (the inorganic growth and 752 new tenancies resulted organically, 14.2% of TBIG's total tenancies). Besides Smartfren, Indosat contributed to the 2Q21 incremental revenues and the other telcos to a lesser extent. With the new towers acquisition, TBIG has created a more diversified base in recurring revenues stemming from all 5 telcos.

**Towers acquisition with little impact on debt leverage.** The new towers appear to integrate TBIG's enviable cost structure, except for their seemingly higher land leases rate and depreciation to weigh on the bottom line. This has allowed TBIG to maintain its EBITDA margin and even further improve it to 87.4%, generating a stronger EBITDA and keeping significant leverage headroom, currently 4.8x net debt/EBITDA.

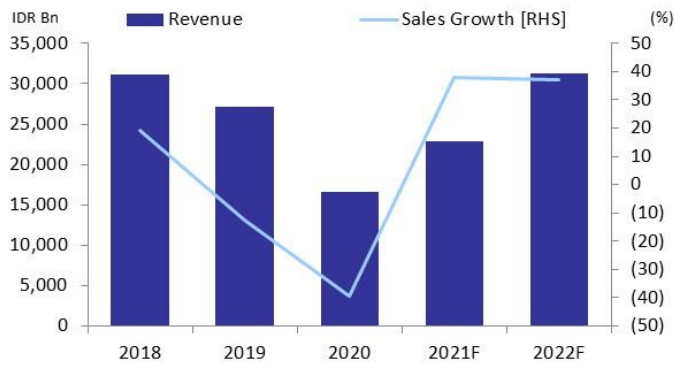
**Jump in 2Q21 net profits.** Financial costs are well managed incorporating higher debt to finance the towers acquisition and with a lower cost of funds of ~7.2% in 2Q21. Moreover, TBIG exhibited high volatility in tax expenses in recent quarters, and in 2Q21 these were sequentially lower. Thus, in 2Q21, TBIG booked impressive net profits of Rp397bn (+49.4%qoq).

**Roll over our valuation, upgrade to HOLD.** TBIG's 1H21 revenues reached Rp2.97tn with EBITDA of Rp2.59tn - broadly in-line with our FY21 estimate/the consensus, expecting TBIG to continue delivering quarterly growth with high 87%+ margins. We revise down our FY21 net profits estimate in light of higher land leases and depreciation costs. Our 10-yr DCF valuation is rolled over to 2022, and we arrive at a higher TP of IDR3,300, and upgrade our call to HOLD. The 2022 valuation currently trades at over +2SD.

### Key Financials

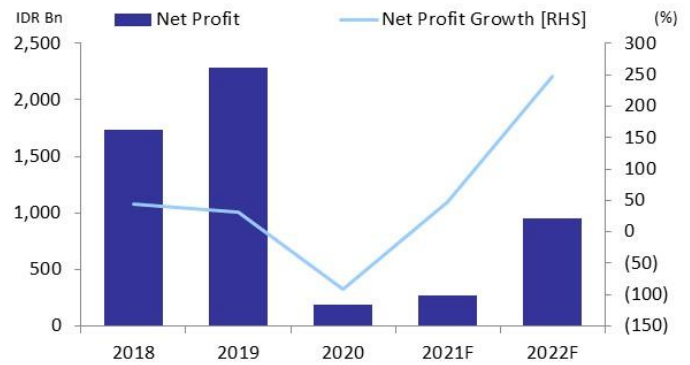
Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Revenue (IDRbn)	4,699	5,328	6,328	7,110	7,733
EBITDA (IDRbn)	4,011	4,617	5,520	6,186	6,730
EBITDA Growth (%)	7.8	15.1	19.5	12.1	8.8
Net profit (IDRbn)	819	1,010	1,504	1,808	2,185
EPS (IDR)	37.9	46.7	69.5	83.6	101.0
EPS growth (%)	20.4	23.2	49.0	20.2	20.8
BVPS (IDR)	230.8	402.6	403.5	438.4	480.9
DPS (IDR)	28.0	63.0	48.7	58.5	70.7
PER (x)	81.0	65.8	44.1	36.7	30.4
PBV (x)	13.3	7.6	7.6	7.0	6.4

**Exhibit 1. Revenues and Growth**



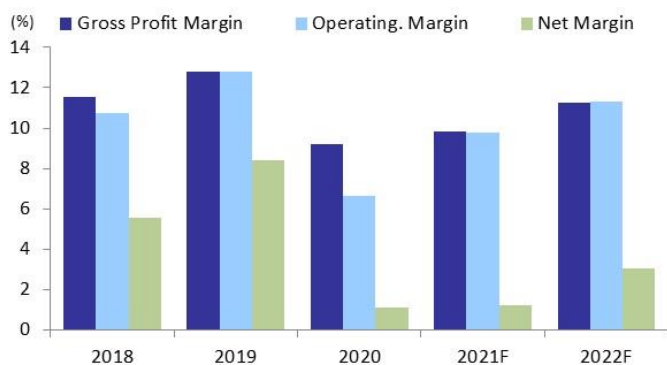
Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**



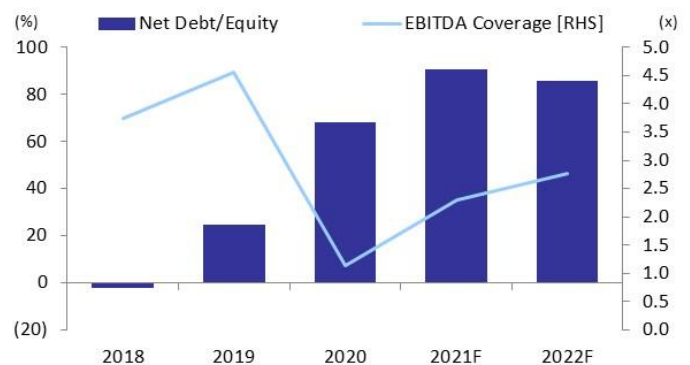
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. Margins**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. Forward 2022 EV/EBITDA multiple bands**



**Exhibit 6. Tower Bersama (TBIG IJ) 2Q/1H21 financial results**

(Rp bn)	2Q20	1Q21	2Q21	QoQ, Δ%	YoY, Δ%				ACHIE		ACHIE	
						1H20	1H21	YoY, Δ%	2021F	V. %	2021C	V. %
<b>Total Revenues</b>	<b>1,315</b>	<b>1,422</b>	<b>1,549</b>	<b>8.9</b>	<b>17.8</b>	<b>2,577</b>	<b>2,971</b>	<b>15.3</b>	<b>6,428</b>	<b>46.2</b>	<b>6,173</b>	<b>48.1</b>
<b>COGS</b>	<b>(271)</b>	<b>(336)</b>	<b>(393)</b>	<b>17.0</b>	<b>45.2</b>	<b>(483)</b>	<b>(729)</b>	<b>51.0</b>				
Depreciation of rights of use	(102)	(80)	(98)	21.6	(4.4)	(149)	(178)	n/a				
Depreciation of towers	(77)	(156)	(187)	19.8	143.8	(153)	(343)	124.1				
Repairs and maintenance	(51)	(57)	(65)	13.5	27.8	(102)	(122)	19.6				
Amortization of Licenses	(8)	(9)	(9)	1.6	22.4	(13)	(18)	36.6				
Others	(34)	(34)	(35)	2.6	2.5	(66)	(68)	3.1				
<b>Gross Profit</b>	<b>1,045</b>	<b>1,086</b>	<b>1,156</b>	<b>6.4</b>	<b>10.7</b>	<b>2,094</b>	<b>2,242</b>	<b>7.1</b>				
<i>Gross Profit margin (%)</i>	<i>79.4</i>	<i>76.4</i>	<i>74.6</i>	<i>(1.7)</i>	<i>(4.8)</i>	<i>81.3</i>	<i>75.5</i>	<i>(5.8)</i>				
<b>Operating expenses</b>	<b>(105)</b>	<b>(105)</b>	<b>(109)</b>	<b>3.6</b>	<b>3.3</b>	<b>(212)</b>	<b>(213)</b>	<b>0.9</b>				
Personnel Cost	(66)	(70)	(70)	(0.1)	6.5	(135)	(140)	4.1				
Others	(39)	(35)	(39)	11.1	(2.0)	(76)	(70)	(8.7)				
<b>EBITDA</b>	<b>1,139</b>	<b>1,239</b>	<b>1,354</b>	<b>9.3</b>	<b>18.8</b>	<b>2,224</b>	<b>2,593</b>	<b>16.6</b>	<b>5,615</b>	<b>46.2</b>	<b>5,345</b>	<b>48.5</b>
<i>EBITDA margin</i>	<i>86.6</i>	<i>87.1</i>	<i>87.4</i>	<i>0.3</i>	<i>0.8</i>	<i>86.3</i>	<i>87.3</i>	<i>1.0</i>				
<b>Income from Operations</b>	<b>940</b>	<b>981</b>	<b>1,048</b>	<b>6.8</b>	<b>11.5</b>	<b>1,883</b>	<b>2,029</b>	<b>7.8</b>				
<i>Operating Income margin (%)</i>	<i>71.4</i>	<i>69.0</i>	<i>67.6</i>	<i>(1.4)</i>	<i>(3.8)</i>	<i>73.1</i>	<i>68.3</i>	<i>(4.8)</i>				
<b>Other income (charges) - net</b>	<b>(542)</b>	<b>(548)</b>	<b>(523)</b>	<b>(4.6)</b>	<b>(3.5)</b>	<b>(1,145)</b>	<b>(1,071)</b>	<b>(6.5)</b>				
<b>Net finance income (expense)</b>	<b>(467)</b>	<b>(472)</b>	<b>(509)</b>	<b>7.9</b>	<b>8.9</b>	<b>(954)</b>	<b>(981)</b>	<b>2.8</b>				
Other other income (charges)	(48)	(77)	82	(207.5)	(270.5)	(141)	6	(104.1)				
<b>Pre-tax profit</b>	<b>398</b>	<b>433</b>	<b>525</b>	<b>21.1</b>	<b>31.9</b>	<b>738</b>	<b>958</b>	<b>29.8</b>				
<i>Pretax margin (%)</i>	<i>30.2</i>	<i>30.4</i>	<i>33.9</i>	<i>3.4</i>	<i>3.6</i>	<i>28.6</i>	<i>32.2</i>	<i>3.6</i>				
Tax	(105)	(149)	(119)	(20.1)	13.7	(200)	(268)	34.2				
Minority interest	(11)	(18)	(8)	(54.3)	(25.2)	(27)	(27)	(3.2)				
<b>Net profit</b>	<b>282</b>	<b>266</b>	<b>397</b>	<b>49.4</b>	<b>40.9</b>	<b>510.5</b>	<b>663.3</b>	<b>29.9</b>	<b>1,606</b>	<b>41.3</b>	<b>1,458</b>	<b>45.5</b>
<i>Net Profit margin (%)</i>	<i>21.4</i>	<i>18.7</i>	<i>25.6</i>	<i>7.0</i>	<i>4.2</i>	<i>19.8</i>	<i>22.3</i>	<i>2.5</i>				
<b>Tower Bersama (TBIG IJ)</b>												
<b>Leverage position</b>												
<i>Total net debt</i>	<i>23,115</i>	<i>23,231</i>	<i>26,981</i>	-	-	-	-	-				
<i>Total hedged net debt</i>	<i>21,800</i>	<i>21,724</i>	<i>25,916</i>	-	-	-	-	-				
<i>Hedged Net debt / Annualized</i>	<i>4.78x</i>	<i>4.38x</i>	<i>4.79x</i>	-	-	-	-	-				

**Exhibit 7. Tower Bersama (TBIG IJ) 2Q/1H21 financial results**

Rp bn	2Q20	1Q21	2Q21	QoQ, Δ%	YoY, Δ%	1H20	1H21	QoQ, Δ%
<b>Revenue breakdown by</b>								
<b>Total Revenues</b>	<b>1,315</b>	<b>1,422</b>	<b>1,549</b>	<b>8.9</b>	<b>17.8</b>	<b>2,577</b>	<b>2,971</b>	<b>15.3</b>
Telkomsel	513	538	548	1.9	6.9	1,025	1,085	5.9
Indosat	284	313	329	5.1	15.6	551	641	16.4
XL Axiata	222	235	244	4.0	10.3	442	479	8.3
Hutch 3	199	223	230	3.2	15.5	370	454	22.6
Smartfren	90	105	183	73.8	104.4	172	289	67.4
Others	8	8	15	76.7	86.3	17	23	36.1

**Exhibit 8. Tower Bersama (TBIG IJ) 2Q/1H21 operational KPIs**

Operational KPIs (#)	2Q20	1Q21	2Q21	Δ %
<b>TBIG reported KPIs</b>				
<b>Total sites</b>	<b>15,893</b>	<b>16,501</b>	<b>19,709</b>	<b>19.4</b>
Tower Sites	15,772	16,390	19,598	19.6
DAS & Shelter Sites	121	111	111	0.0
<b>Total Tenants</b>	<b>31,039</b>	<b>32,612</b>	<b>37,232</b>	<b>14.2</b>
Tower tenants	30,918	32,501	37,121	14.2
Tower Tenancy Ratio (x)	1.96	1.98	1.89	(0.09)
Built-to-Suit ytd gross adds	370	252	3,465	-
Collocations ytd gross adds	2,147	559	2,180	-
<b>TOWER YTD KPIs</b>				
<b>YTD gross change in TOWER</b>	<b>370</b>	<b>252</b>	<b>3,465</b>	-
Ytd Net change in tower sites	299	235	3,443	-
<i>Ytd implied eliminated towers</i>	<i>(71)</i>	<i>(17)</i>	<i>(22)</i>	-
<i>Ytd Implied tower elimination</i>	<i>0.5%</i>	<i>0.1%</i>	<i>0.1%</i>	-
<i>LTM YoY gross TOWER adds</i>	<i>675</i>	<i>953</i>	<i>3,930</i>	<i>312.4</i>
<i>LTM YoY net TOWER adds</i>	<i>500</i>	<i>850</i>	<i>3,826</i>	<i>350.1</i>
<i>YoY Implied eliminated towers</i>	<i>(175)</i>	<i>(103)</i>	<i>(104)</i>	<i>1.0</i>
<i>YoY Implied elimination tower</i>	<i>1.1%</i>	<i>0.6%</i>	<i>0.6%</i>	-
<b>TENANCY YTD KPIs</b>				
<b>YTD gross TENANCY adds</b>	<b>2,517</b>	<b>811</b>	<b>5,645</b>	-
<i>of which: anchor tenancies</i>	<i>370</i>	<i>252</i>	<i>3,465</i>	-
<i>of which: Collocations</i>	<i>2,147</i>	<i>559</i>	<i>2,180</i>	-
YTD net tenancy adds	2,294	761	5,381	-
<i>of which: net anchor</i>	<i>299</i>	<i>235</i>	<i>3,443</i>	-
<i>of which net collocation</i>	<i>1,995</i>	<i>526</i>	<i>1,938</i>	-
<i>Implied Churned ytd tenancies</i>	<i>(223)</i>	<i>(50)</i>	<i>(264)</i>	-
<i>Implied ytd churned tenancy</i>	<i>0.7%</i>	<i>0.2%</i>	<i>0.8%</i>	-
<i>LTM gross TENANCY adds</i>	<i>4,827</i>	<i>3,017</i>	<i>6,736</i>	<i>123.3</i>
<i>LTM net tenancy adds</i>	<i>4,277</i>	<i>2,645</i>	<i>6,203</i>	<i>134.5</i>
<i>LTM Implied Churned</i>	<i>(550)</i>	<i>(372)</i>	<i>(533)</i>	-
<i>LTM Implied Tenancy churned</i>	<i>1.8%</i>	<i>1.2%</i>	<i>1.5%</i>	-
<b>TOWER QTR KPIs</b>				
<b>QTR gross change in towers</b>	<b>236</b>	<b>252</b>	<b>3,213</b>	<b>1,175.0</b>
Qtr Net change in tower sites	232	235	3,208	1,265.1
<i>Qtr eliminated towers</i>	<i>(4)</i>	<i>(17)</i>	<i>(5)</i>	<i>(70.6)</i>
<i>Qtr Implied tower scrap rate</i>	<i>0.0%</i>	<i>0.1%</i>	<i>0.0%</i>	-
<i>Implied mon. revenue / Site (Rpmm)</i>	<i>27.6</i>	<i>28.7</i>	<i>26.2</i>	<i>(8.8)</i>
<b>TENANCY QTR KPIs</b>				
<b>QTR gross tenancy adds</b>	<b>1,115</b>	<b>811</b>	<b>4,834</b>	<b>496.1</b>
<i>of which: anchor tenancies</i>	<i>236</i>	<i>252</i>	<i>3,213</i>	<i>1,175.0</i>
<i>of which: Collocations</i>	<i>879</i>	<i>559</i>	<i>1,621</i>	<i>190.0</i>
QTR net change in tenancies	1,062	761	4,620	507.1
<i>Implied qtr Churned tenancies</i>	<i>(53)</i>	<i>(50)</i>	<i>(214)</i>	<i>328.0</i>
<i>Qtr Implied churn rate</i>	<i>0.2%</i>	<i>0.2%</i>	<i>0.6%</i>	<i>0.5%</i>
<i>Implied mon. revenue / Tenancy</i>	<i>14.1</i>	<i>14.5</i>	<i>13.9</i>	<i>(4.6)</i>

### Exhibit 9. Tower Bersama (TBIG IJ) reforecast

	2021F			2022F			2023F		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenues	6,428	6,328	(1.6)	7,249	7,110	(1.9)	7,976	7,733	(3.1)
EBITDA	5,615	5,520	(1.7)	6,322	6,186	(2.2)	6,965	6,730	(3.4)
EBITDA margin	87%	87%	0.4	87%	87%	0.0	87%	87%	0.0
Operating Profit	4,631	3,816	(17.6)	5,266	4,458	(15.3)	5,868	5,044	(14.0)
OP margin	59%	60%	1.5	68%	63%	(5.0)	70%	65%	(4.5)
Net profit	1,606	1,504	(6.3)	1,896	1,808	(4.6)	2,374	2,185	(8.0)
NP margin	30%	24%	(5.8)	32%	25%	(7.0)	36%	28%	(7.9)

### Exhibit 10. Income Statement

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
<b>Revenue</b>	<b>4,699</b>	<b>5,328</b>	<b>6,328</b>	<b>7,110</b>	<b>7,733</b>
COGS	(903)	(1,093)	(1,411)	(1,550)	(1,632)
<b>Gross profit</b>	<b>3,795</b>	<b>4,235</b>	<b>4,917</b>	<b>5,560</b>	<b>6,100</b>
<b>EBITDA</b>	<b>4,011</b>	<b>4,617</b>	<b>5,520</b>	<b>6,186</b>	<b>6,730</b>
<b>Oper. profit</b>	<b>3,369</b>	<b>3,816</b>	<b>4,458</b>	<b>5,044</b>	<b>5,540</b>
Interest income	10	15	15	15	16
Interest expense	(1,940)	(2,135)	(2,148)	(2,327)	(2,356)
Forex Gain/(Loss)	9	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(226)	(31)	(31)	(31)	(31)
<b>Pre-tax profit</b>	<b>1,223</b>	<b>1,665</b>	<b>2,295</b>	<b>2,702</b>	<b>3,168</b>
Income tax	(356)	(599)	(711)	(799)	(869)
Minority interest	(47)	(57)	(79)	(95)	(115)
<b>Net profit</b>	<b>819</b>	<b>1,010</b>	<b>1,504</b>	<b>1,808</b>	<b>2,185</b>
<b>Core Net Profit</b>	<b>810</b>	<b>1,010</b>	<b>1,504</b>	<b>1,808</b>	<b>2,185</b>

### Exhibit 11. Balance Sheet

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Cash & cash equivalent	525	947	1,070	1,851	1,019
Receivables	467	711	904	470	512
Inventory	18	118	132	47	50
Other Curr. Asset	1,367	1,451	1,620	1,669	1,719
Fixed assets - Net	24,649	28,738	34,747	36,145	37,595
Other non-curr.asset	3,846	4,556	3,538	3,556	3,574
<b>Total asset</b>	<b>30,871</b>	<b>36,521</b>	<b>42,013</b>	<b>43,738</b>	<b>44,468</b>
ST Debt	2,147	10,758	6,973	6,973	6,973
Payables	248	571	136	448	471
Other Curr. Liabilities	2,119	2,449	4,118	4,139	4,160
Long Term Debt	20,794	13,089	20,889	21,332	20,863
Other LT. Liabilities	41	350	502	603	723
<b>Total Liabilities</b>	<b>25,348</b>	<b>27,217</b>	<b>32,619</b>	<b>33,494</b>	<b>33,190</b>
Shareholder's Funds	4,993	8,710	8,728	9,483	10,402
Minority interests	530	594	666	761	876
<b>Total Equity &amp; Liabilities</b>	<b>30,871</b>	<b>36,521</b>	<b>42,013</b>	<b>43,738</b>	<b>44,468</b>

### Exhibit 12. Cash Flow

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Net income	819	1,010	1,504	1,808	2,185
Depreciation and Amort.	642	801	1,061	1,142	1,190
Change in Working Capital	560	(1,343)	870	(299)	(1,197)
Other Oper. Cash Flow	1,930	2,120	2,132	2,311	2,340
<b>Operating Cash Flow</b>	<b>3,951</b>	<b>2,587</b>	<b>5,568</b>	<b>4,962</b>	<b>4,518</b>
Capex	(2,819)	(4,032)	(6,064)	(1,455)	(1,511)
Others Inv. Cash Flow	10	15	15	15	16
<b>Investing Cash Flow</b>	<b>(2,808)</b>	<b>(4,017)</b>	<b>(6,049)</b>	<b>(1,440)</b>	<b>(1,495)</b>
Net change in debt	93	906	4,014	443	(469)
New Capital	0	0	0	0	0
Dividend payment	(600)	(606)	(1,363)	(1,053)	(1,266)
Other Fin. Cash Flow	(331)	1,553	(2,047)	(2,131)	(2,121)
<b>Financing Cash Flow</b>	<b>(839)</b>	<b>1,853</b>	<b>605</b>	<b>(2,741)</b>	<b>(3,855)</b>
<b>Net Change in Cash</b>	<b>304</b>	<b>423</b>	<b>123</b>	<b>780</b>	<b>(832)</b>
Cash - begin of the year	221	525	947	1,070	1,851
Cash - end of the year	525	947	1,070	1,851	1,019

### Exhibit 13. Key Ratios

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
<b>Growth (%)</b>					
Sales	8.8	13.4	18.8	12.4	8.8
EBITDA	7.8	15.1	19.5	12.1	8.8
Operating profit	6.9	13.3	16.8	13.1	9.8
Net profit	20.4	23.2	49.0	20.2	20.8
<b>Profitability (%)</b>					
Gross margin	80.8	79.5	77.7	78.2	78.9
EBITDA margin	85.4	86.7	87.2	87.0	87.0
Operating margin	71.7	71.6	70.5	71.0	71.6
Net margin	17.4	19.0	23.8	25.4	28.3
ROAA	2.7	3.0	3.8	4.2	5.0
ROAE	19.6	14.7	17.3	19.9	22.0
<b>Leverage</b>					
Net Gearing (x)	4.1	2.5	2.9	2.6	2.4
Interest Coverage (x)	1.7	1.8	2.1	2.2	2.4

Source : TBIG, Danareksa Estimates

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