

Monday, 14 August 2023

**BUY**  
**Maintain**

Last price (IDR) 1,980  
Target Price (IDR) 2,500  
Upside/Downside +26.3%  
Previous Target Price (IDR) 2,900

#### Stock Statistics

Sector Towers  
Bloomberg Ticker TBIG JJ  
No of Shrs (mn) 22,657  
Mkt. Cap (IDRbn/USDmn) 44,861/2,948  
Avg. daily T/O (IDRbn/USDmn) 25.8/1.7

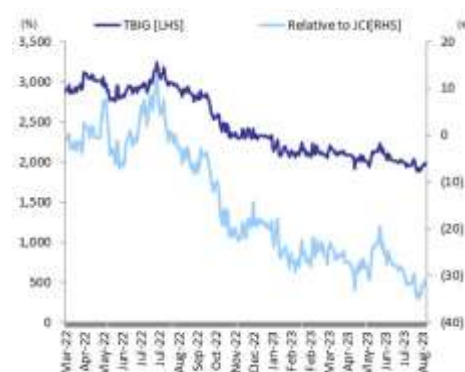
#### Major shareholders (%)

PT Wahana Anugerah Sejahtera 29.4  
PT Provident Capital Indonesia 25.5  
Estimated free float 14.6

#### EPS Consensus (IDR)

	2023F	2024F	2025F
Danareksa	71.6	79.2	92.0
Consensus	71.6	73.7	81.1
Danareksa/Cons	0.0	7.4	13.5

#### TBIG relative to JCI Index



Source : Bloomberg



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# Tower Bersama Infrastructure(TBIG JJ)

## Leveraging core strengths

Revising TBIG future earnings, we see the conditions are fitting to TBIGs strengths, building new sites for telcos and laying the groundwork for future growth on sound fundamentals. We feel TBIG is an ideal partner to build digital infrastructure with new fiber revenue depicting encouraging traction. We roll-forward our valuation, and reiterate BUY call with new TP: IDR2,500.

**Key takeaways from 2Q23.** TBIG 2Q23 revenue grew to Rp1.66tn (+2.7%qoq) with non-tower revenue making impact. 2Q23 TBIG EBITDA margin was stronger 87.2% (+100 bps). On YTD basis, TBIG 1H23 revenue came in flattish Rp3.28tn with EBITDA margin 86.7%. TBIG 1H23 net profit was reported lower at Rp689bn (-16.6%yoy) on higher non-operating items and tax which we adjust in our forecast.

**TBIG core competence is in building new sites.** In the last 2 years, TBIG has built close to 1,300 Built-to-Suit B2S sites on annual basis. We think TBIG relied predominantly in organic growth compared to peers. YTD 1H23 TBIG built so far 266 gross sites but we expect many more sites will be deployed in 2H23 and book over +1,000 new sites into our new forecast. We expect tenancy ratio to remain above the level of 1.88x in 2Q23, (latest high 1.98x in 1Q21) with deployment also of collocations potentially from all telcos. We take into account potential new tenancy churns as telcos (mainly IOH) optimize coverage and capacity between Java and ex-Java. The outlook remains positive as TBIG develops new revenue stream in non-tower business at the moment with promising traction.

**We expect buoyant B2S demand.** Key client IOH has only spent 33% of its capex budget in 2023. Telkomsel and XL Axiata also spent less than 50% of their 2023 budget, but telcos are committed to absorb the full FY23 budget. We expect TBIG to benefit in 2H23 for telco network rollouts in coverage & capacity. Even if new telco spectrum is auctioned we expect telcos to continue rollout amid network densification needs.

**Fundamentals to monetize the growth.** TBIG EBITDA margin was resilient in 2021-22 over 86%+ during large B2S rollouts. We expect total debt to remain at the Rp29tn level; TBIG latest new IDR bond issuance Rp1.5tn is competitively priced at 5.90-6.25%, and at that level we expect TBIG net profit to grow sustainably in the future.

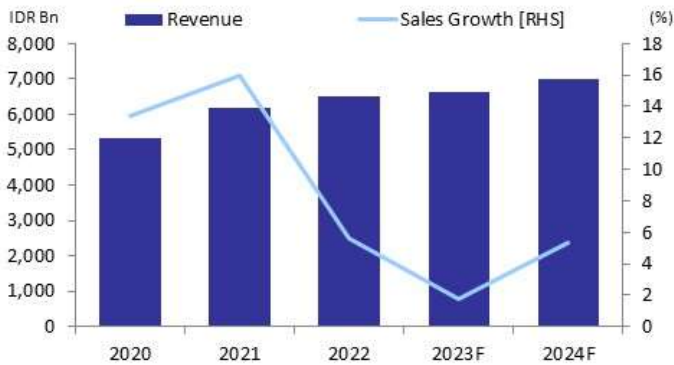
**Thinking about the future.** Share price has long devalued from Rp3,200 when shares were sold to Bersama Digital Infrastructure Asia BDIA as quoted in news media. TBIG will continue do share buybacks we think, firstly to support shareholder value, and secondly any resulted treasury shares can be sold to parent BDIA or other investor who wish to participate in digital infra projects.

**TBIG gateway for seamless network integrations.** ICT trends suggest that the data traffic will be flown more eventually through large and edge data centers with data traffic generated through static environments and between fixed networks and mobile RAN. The investor proposition is attractive with TBIG owning the 3<sup>rd</sup> largest tower portfolio with the largest tenancy ratio. TBIG and BDIA have the runway to build and deliver seamless network integrations for telcos to be running through TBIG sites. This can be achieved with more fiber connectivity between sites, core network and data centers. The 1H23 figures encourage our theory with TBIG developing fiber revenue stream.

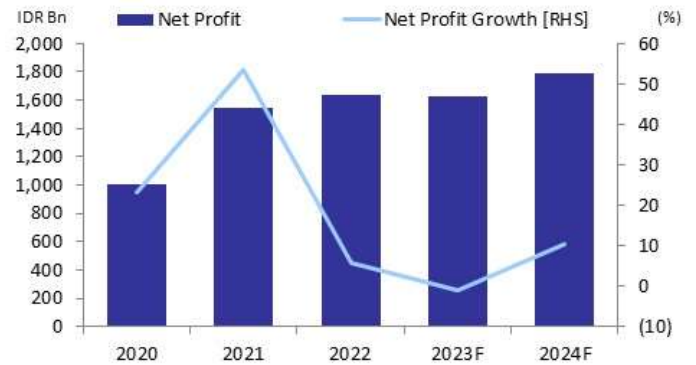
**Reiterate BUY.** We roll forward our DCF with our latest assumptions on tenancies supported by network build-outs in ex-Java, as well as latest trends in churn and lease rates. New revenue with fiber broadens TBIG horizons with little impact in EBITDA margin so far. We arrive at new TP: IDR2,500, implies 13.6x 2023 EV/EBITDA, little over its 5yr mean, lower than its 3yr mean.

#### Key Financials

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Revenue (IDRbn)	6,180	6,524	6,637	6,990	7,510
EBITDA (IDRbn)	5,429	5,662	5,794	6,096	6,554
EBITDA Growth (%)	17.6	4.3	2.3	5.2	7.5
Net profit (IDRbn)	1,549	1,638	1,622	1,794	2,085
EPS (IDR)	68.4	72.3	71.6	79.2	92.0
EPS growth (%)	53.4	5.7	(1.0)	10.6	16.2
BVPS (IDR)	409.3	455.9	492.2	571.3	663.4
DPS (IDR)	36.0	35.3	50.1	55.4	64.4
PER (x)	29.0	27.4	27.7	25.0	21.5
PBV (x)	4.8	4.3	4.0	3.5	3.0
Dividend yield (%)	1.8	1.8	2.5	2.8	3.3
EV/EBITDA (x)	13.2	12.7	12.4	11.8	11.0

**Exhibit 1. Revenues and Growth**


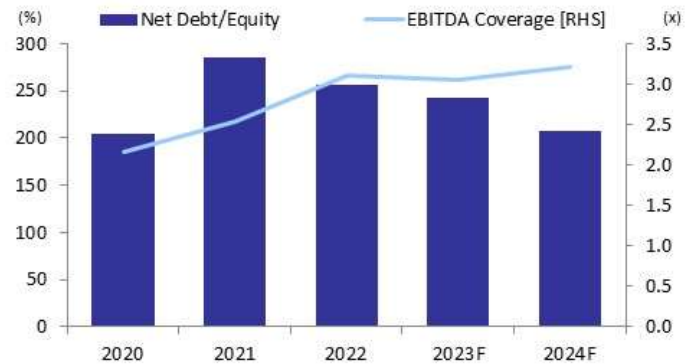
Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**


Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 3. Margins**


Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**


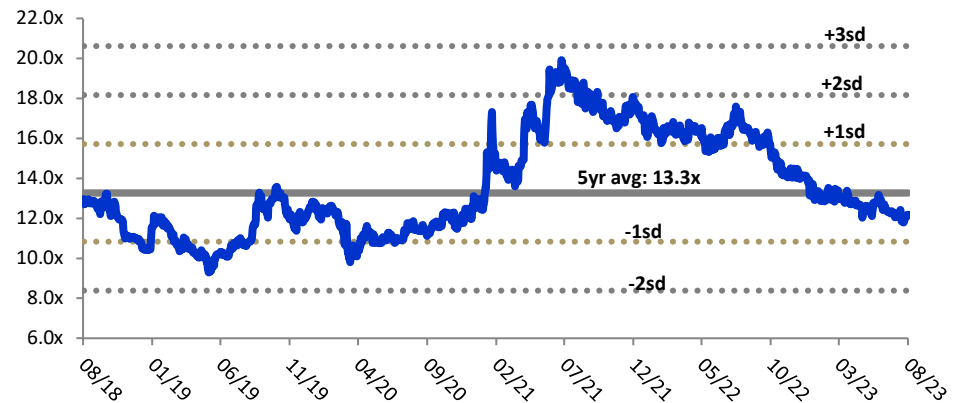
Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 5. BRIDS reforecast for Tower Bersama (TBIG IJ)**

	OLD			NEW			Δ%		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenues	7,176	7,710	8,344	6,637	6,990	7,510	(7.5)	(9.3)	(10.0)
EBITDA	6,283	6,755	7,324	5,794	6,096	6,554	(7.8)	(9.8)	(10.5)
EBITDA margin	88%	88%	88%	87%	87%	87%	(0.3)	(0.4)	(0.5)
Operating Profit	4,877	5,236	5,692	4,324	4,579	4,964	(11.3)	(12.6)	(12.8)
OP margin	68%	68%	68%	65%	66%	66%	(2.8)	(2.4)	(2.1)
Net profit	1,879	2,136	2,511	1,622	1,794	2,085	(13.7)	(16.0)	(17.0)
NP margin	30%	32%	36%	24%	26%	28%	(5.1)	(6.7)	(8.4)

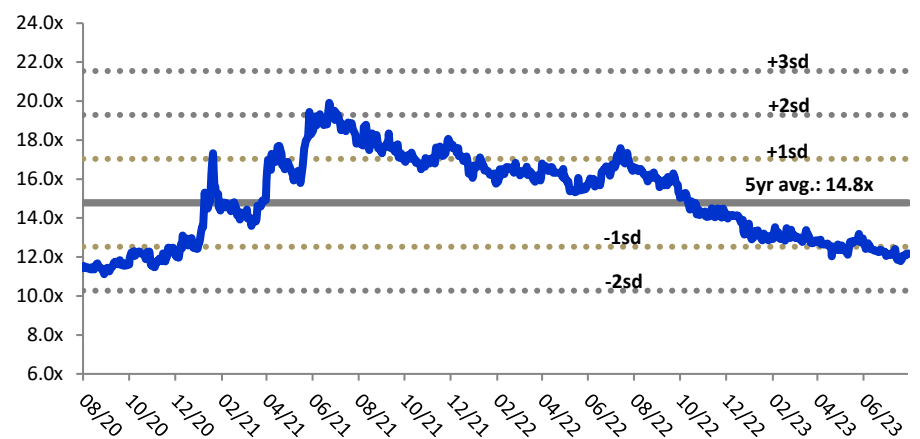
Source: BRIDS

**Exhibit 6. Forward multiple EV/EBITDA band in 5 year period**



Source: BRIDS

**Exhibit 7. Forward multiple EV/EBITDA band in 5 year period**



Source: BRIDS

### Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
<b>Revenue</b>	<b>6,180</b>	<b>6,524</b>	<b>6,637</b>	<b>6,990</b>	<b>7,510</b>
COGS	(1,473)	(1,783)	(1,653)	(1,731)	(1,838)
<b>Gross profit</b>	<b>4,707</b>	<b>4,741</b>	<b>4,984</b>	<b>5,259</b>	<b>5,671</b>
<b>EBITDA</b>	<b>5,429</b>	<b>5,662</b>	<b>5,794</b>	<b>6,096</b>	<b>6,554</b>
<b>Oper. profit</b>	<b>4,306</b>	<b>4,282</b>	<b>4,324</b>	<b>4,579</b>	<b>4,964</b>
Interest income	12	14	14	14	14
Interest expense	(2,136)	(1,829)	(1,895)	(1,899)	(1,856)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	38	(62)	(62)	(62)	(62)
<b>Pre-tax profit</b>	<b>2,220</b>	<b>2,405</b>	<b>2,380</b>	<b>2,632</b>	<b>3,060</b>
Income tax	(619)	(716)	(702)	(776)	(903)
Minority interest	(52)	(52)	(56)	(62)	(72)
<b>Net profit</b>	<b>1,549</b>	<b>1,638</b>	<b>1,622</b>	<b>1,794</b>	<b>2,085</b>
<b>Core Net Profit</b>	<b>1,549</b>	<b>1,638</b>	<b>1,622</b>	<b>1,794</b>	<b>2,085</b>

### Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
Cash & cash equivalent	629	966	361	751	749
Receivables	539	270	275	289	311
Inventory	132	622	576	603	641
Other Curr. Asset	1,721	1,708	1,759	1,812	1,866
Fixed assets - Net	33,638	34,428	36,052	37,632	39,223
Other non-curr.asset	5,211	5,147	5,172	5,198	5,224
<b>Total asset</b>	<b>41,870</b>	<b>43,140</b>	<b>44,196</b>	<b>46,286</b>	<b>48,014</b>
ST Debt	5,465	6,121	6,121	6,121	6,121
Payables	37	256	237	248	263
Other Curr. Liabilities	2,930	2,352	2,363	2,375	2,387
Long Term Debt	23,132	22,839	22,892	22,947	22,303
Other LT. Liabilities	517	653	783	940	1,128
<b>Total Liabilities</b>	<b>32,081</b>	<b>32,220</b>	<b>32,397</b>	<b>32,632</b>	<b>32,202</b>
Shareholder's Funds	9,273	10,329	11,151	12,945	15,030
Minority interests	516	591	647	709	781
<b>Total Equity &amp; Liabilities</b>	<b>41,870</b>	<b>43,140</b>	<b>44,196</b>	<b>46,286</b>	<b>48,014</b>

### Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
Net income	1,549	1,638	1,622	1,794	2,085
Depreciation and Amort.	1,123	1,379	1,470	1,518	1,590
Change in Working Capital	(5,803)	(1,845)	(1,063)	(1,355)	(1,435)
Other Oper. Cash Flow	2,124	1,815	1,881	1,885	1,842
<b>Operating Cash Flow</b>	<b>(1,008)</b>	<b>2,988</b>	<b>3,911</b>	<b>3,840</b>	<b>4,082</b>
Capex	(4,897)	(827)	(2,076)	(1,840)	(1,858)
Others Inv. Cash Flow	12	14	14	14	14
<b>Investing Cash Flow</b>	<b>(4,885)</b>	<b>(813)</b>	<b>(2,062)</b>	<b>(1,826)</b>	<b>(1,843)</b>
Net change in debt	8,608	362	54	55	(644)
New Capital	0	0	0	0	0
Dividend payment	(1,363)	(816)	(800)	(1,135)	(1,255)
Other Fin. Cash Flow	(1,670)	(1,384)	(1,708)	(545)	(341)
<b>Financing Cash Flow</b>	<b>5,575</b>	<b>(1,837)</b>	<b>(2,455)</b>	<b>(1,625)</b>	<b>(2,240)</b>
<b>Net Change in Cash</b>	<b>(318)</b>	<b>337</b>	<b>(605)</b>	<b>390</b>	<b>(2)</b>
Cash - begin of the year	947	629	966	361	751
Cash - end of the year	629	966	361	751	749

### Exhibit 11. Key Ratios

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
<b>Growth (%)</b>					
Sales	16.0	5.6	1.7	5.3	7.4
EBITDA	17.6	4.3	2.3	5.2	7.5
Operating profit	12.8	(0.5)	1.0	5.9	8.4
Net profit	53.4	5.7	(1.0)	10.6	16.2
<b>Profitability (%)</b>					
Gross margin	76.2	72.7	75.1	75.2	75.5
EBITDA margin	87.9	86.8	87.3	87.2	87.3
Operating margin	69.7	65.6	65.1	65.5	66.1
Net margin	25.1	25.1	24.4	25.7	27.8
ROAA	4.0	3.9	3.7	4.0	4.4
ROAE	17.2	16.7	15.1	14.9	14.9
<b>Leverage</b>					
Net Gearing (x)	2.9	2.6	2.4	2.1	1.8
Interest Coverage (x)	2.0	2.3	2.3	2.4	2.7

Source : TBIG, Danareksa Estimates

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