Buy

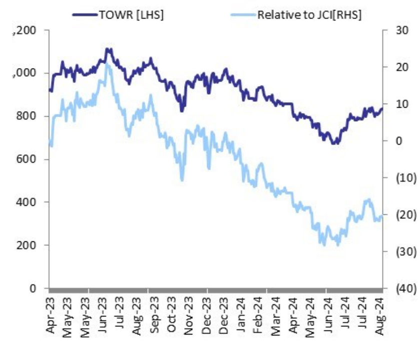
(Maintained)

Last Price (Rp)	**835**
Target Price (Rp)	**1,300**
Previous Target Price (Rp)	***1,300***
Upside/Downside	**+55.7%**
No. of Shares (mn)	**49,799**
Mkt Cap (Rpbn/US$mn)	**41,582/2,691**
Avg, Daily T/O (Rpbn/US$mn)	**52.1/3.4**
Free Float (%)	**37.1**
Major Shareholder (%)	
PT Sapta Adhikari Investama	54.4
Dwimuria Investama Andalan	5.6

EPS Consensus (Rp)

	2024F	2025F	2026F
BRIDS	68.3	69.3	77.2
Consensus	69.2	72.9	75.9
BRIDS/Cons (%)	**(1.3)**	**(4.9)**	**1.8**

TOWR relative to JCI Index



Source: Bloomberg

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Navigating merger headwinds with strategic positioning in ex-Java

- **We expect spending for IBST, FTTH, and site relocations to secure incremental EBITDA, recurring income and strong positioning in ex-Java.**
- **Preemptive RI in the ~Rp8tr range will reduce leverage, fund growth, and maintain IG Status amid IBST acquisition and targeting IOH's cables.**
- **We maintain our Buy rating on TOWR with a TP of Rp1,300; TOWR is trading at an attractive level vs. peers and mean multiples.**

Planting roots for larger captive market and growth in ex-Java
We see TOWR's acquisition of a 90.1% stake in IBST (100% with a mandatory offer) to offer substantial growth potential. IBST's portfolio comprises 3,300 towers and 7,000 km of fiber, with FREN as its anchor tenant, allowing TOWR to secure ~Rp700bn in new recurring EBITDA. The imminent EXCL-FREN merger is expected to lead to a site overlap of 25-30%, potentially dampening growth due to site relocations from Java. However, we believe: a) the impact will be short-lived, as TOWR now provides broader colocation options in ex-Java, (b) relocations will unlock growth in these regions for the new mergeCo.

TOWR spend to fuel recurring income and revenue diversification
TOWR guides FY24 capex to reach Rp6tr, aimed at fueling FTTH deployment and supporting IOH relocations with new B2S towers. We expect non-tower revenue to grow significantly by 12% CAGR in 2023-26, offsetting the flat tower growth and enabling total growth of 4-6% CAGR in 2023-26. Hence non-tower revenue contribution should grow to 35% by 2026 (30% in 1Q24).

Preemptive rights issue in the near term to support spent and more growth
TOWR's FY24 capex is projected to increase gross debt to Rp50tr, up from Rp44.5tr in 1Q24. Combined with FY24 cash flow, this will result in ND/EBITDA of ~4.7x and incur additional financial costs of ~Rp340bn in FY24. Furthermore, TOWR is planning a preemptive rights issue with a potential size of ~Rp8tr, in our view, to allow Djarum to maintain its majority stake at the current price and reduce ND/EBITDA to below 4x (to potentially retain investment-grade rating). The rights issue could also position TOWR to target ISAT's cable assets (link), which would potentially be a strategic fit for iForte.

Maintain BUY rating: strategic positioning amid MNO merger headwinds
We fine-tune our estimates awaiting pending release of 1H24 and 9M24 earnings. We reiterate our **Buy** rating on TOWR's ability to weather the headwinds from MNOs mergers and potentially realize growth in ex-Java. Our DCF-based TP is unchanged at Rp1,300 (implying 10.4x EV/EBITDA). TOWR trades at 8.2x EV/EBITDA and 14.0x PE (vs. sector average of 12.7x/26.8x). Key risks are extensive churns from MNO mergers and prolonged relocations.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	11,036	11,740	12,276	12,852	13,526
EBITDA (Rpbn)	9,517	9,980	10,385	10,615	11,172
EBITDA Growth (%)	28.0	4.9	4.1	2.2	5.2
Net Profit (Rpbn)	3,442	3,253	3,402	3,453	3,846
EPS (Rp)	69.1	65.3	68.3	69.3	77.2
EPS Growth (%)	0.4	(5.5)	4.6	1.5	11.4
BVPS (Rp)	289.2	330.5	372.4	414.5	463.7
DPS (Rp)	24.1	24.1	26.4	27.2	27.6
PER (x)	12.1	12.8	12.2	12.0	10.8
PBV (x)	2.9	2.5	2.2	2.0	1.8
Dividen yield (%)	2.9	2.9	3.2	3.3	3.3
EV/EBITDA	8.9	8.6	8.3	8.1	7.6

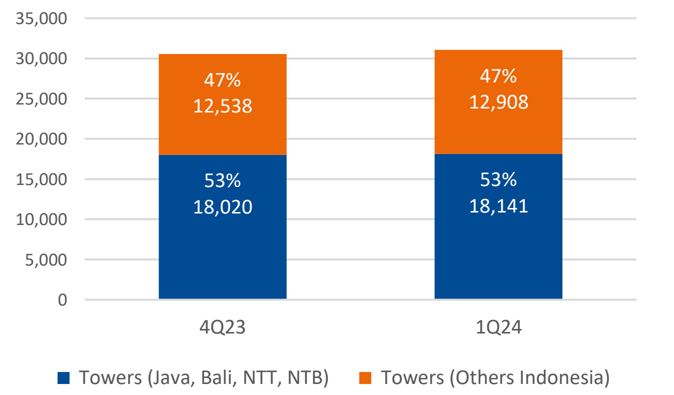
Source: TOWR, BRIDS Estimates

Exhibit 1. Proforma TOWR key P&L and B/S figures with IBST

Rp bn	TOWR before IBST				IBST IJ				TOWR incl. IBST	
	2022	2023	2024F	2025F	2022	2023	1Q24	1Q24 adj	2024F	2025F
P&L										
Revenue	11,036	11,740	**12,276**	**12,852**	**1,088**	**1,110**	**222**	**222**	**12,720**	**13,740**
growth %	*27.8*	*6.4*	*4.6*	*4.7*	*11.6*	*2.0*	*-14.7*	*-14.7*	*8.3*	*8.0*
EBITDA	9,517	9,980	**10,385**	**10,615**	**815**	**814**	**109**	**163**	**10,711**	**11,349**
growth %	*28.0*	*4.9*	*4.1*	*2.2*	*18.0*	*-0.1*	*-43.1*	*-14.6*	*7.3*	*9.3*
EBITDA margin %	*86.2*	*85.0*	*84.6*	*82.6*	*74.8*	*73.3*	*48.9*	*73.3*	*84.2*	*82.6*
EBIT	6,828	6,941	**7,149**	**7,232**	**394**	**418**	**-17**			
EBIT margin %	*61.9*	*59.1*	*58.2*	*56.3*	*36.2*	*37.7*	*-7.7*			
Financial cost	*(2,392)*	*(2,858)*	*(2,805)*	*(2,825)*	*(259)*	*(282)*	*(75)*	*(75)*	*(3,150)*	*(3,150)*
% of revenue	*-21.7%*	*-24.3%*	*-22.9%*	*-22.0%*	*-23.8%*	*-25.4%*	*-33.7%*	*-33.7%*		
% of EBITDA	*-25.1%*	*-28.6%*	*-27.0%*	*-26.6%*	*-31.8%*	*-34.7%*	*-68.8%*	*-45.9%*		
effective interest cost	*-5.6%*	*-6.5%*	*-6.3%*	*-6.3%*					*-6.3%*	*-6.3%*
NPATMI	3,496	3,304	**3,402**	**3,453**	**42**	**38**	**-933**			
NI margin %	*31.7*	*28.1*	*27.7*	*26.9*	*3.8*	*3.5*	*-420.3*			
B/S & Capital Returns										
Capex	*5,433*	*4,800*	*4,641*	*3,250*						
Capex/sales	*49%*	*41%*	*38%*	*25%*						
oFCF	4,083	5,180	5,744	7,365						
ROA	*21.1*	*19.4*	*17.6*	*17.6*	*0.6*	*0.5*				
ROE	***26.0***	***21.1***	***19.4***	***17.6***	***1.1***	***1.0***				
Leverage										
Gross Debt	42,995	44,450	44,613	44,397	3,141	3,235	3,111			
Net Debt	42,686	44,021	44,529	44,216	2,457	2,453	2,441		50,406	50,406
Gearing ratio	*3.0*	*2.7*	*2.4*	*2.1*	*0.8*	*0.8*	*1.0*			
ND/annual. EBITDA	*4.5*	*4.4*	*4.3*	*4.2*	*3.0*	*3.0*	*5.6*		*4.71*	*4.44*
Operational KPIs										
B2S Towers	**29,794**	**30,588**	**32,088**	**33,588**	**3,383**	**n/a**	**3,251**		**35,339**	**36,839**
net adds	1,096	794	1,500	1,500						
Total tenancies	53,967	54,284	55,784	57,284	5,791	n/a	3,830		59,614	61,114
Δ in tenancies	-8	317	1,500	1,500						
Tenancy ratio (x)	*1.81*	*1.77*	*1.74*	*1.71*	*1.71*	*n/a*	*1.18*		*1.69*	*1.66*

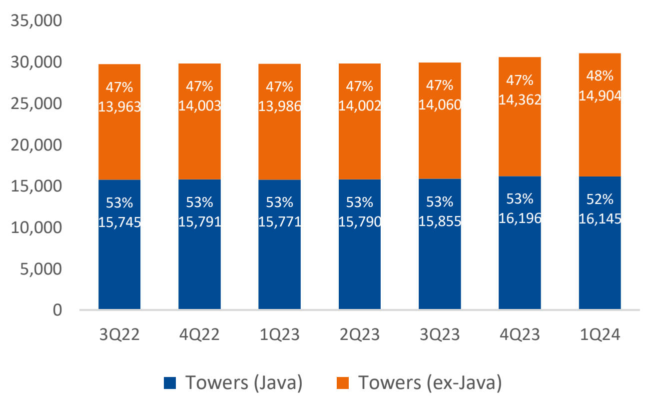
Source: Company, BRIDS Estimates

Exhibit 2. Java vs. Others Indonesia Number of Towers (#)



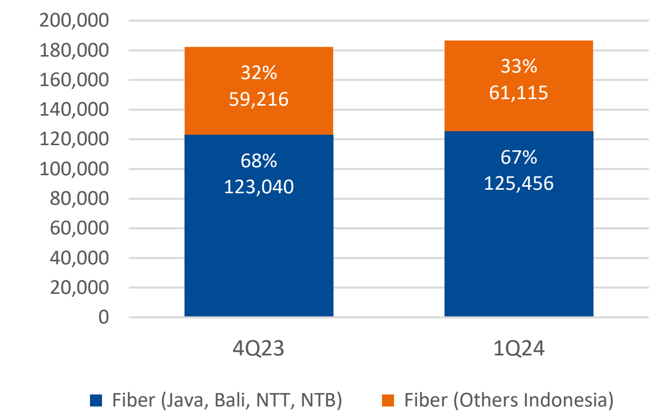
Source: Company, BRIDS

Exhibit 3. Java vs Ex-Java Number of Towers (#)



Source: Company, BRIDS

Exhibit 4. Java vs Others Indonesia Number of Fiber (km)



Source: Company, BRIDS

Exhibit 5. Peers Valuation Comparison

Company	Rec.	Target Price (Rp)	Market Cap. (RpBn)	Net debt	EV	PE (x)			EV/EBITDA (x)			P/BV (x)			ROE %	
						2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F	2024F	2025F
Mitratel	BUY	960	56,791	15,279	72,069	28.2	26.5	24.1	10.4	9.6	9.1	1.7	1.6	1.6	6.2	6.7
Sarana Menara Nusantara	BUY	1,300	42,600	44,771	87,371	12.8	12.2	12.0	8.8	8.4	8.2	2.5	2.2	2.0	19.4	17.6
Tower Bersama	BUY	2,500	43,501	30,142	73,643	27.9	26.8	25.4	12.9	12.1	11.7	3.7	3.3	2.9	13.0	12.1

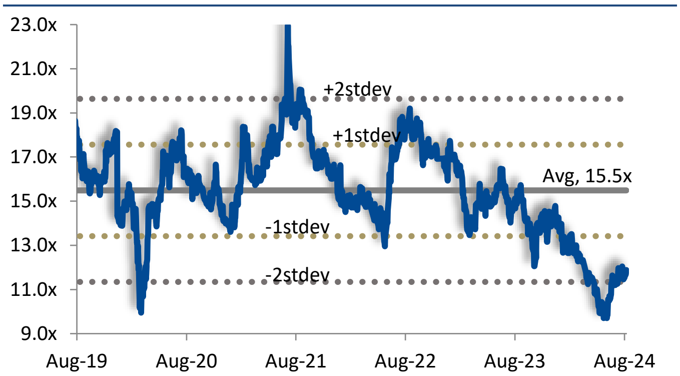
Source: Company. BRIDS Estimates

Exhibit 6. Peers Comparison

Date	2-Sep-24	Company	Mkt.Cap (USD mn.)	P/E 24F	P/E 25F	P/B 24F	P/B 25F	EV/EBITDA 24F	EV/EBITDA 25F	ROA 24F	ROA 25F	ROE 24F	ROE 25F
Indonesia													
TOWR IJ	TOWR IJ Equity	SARANA MENARA NUSANTARA PT	2,745.6	12.2	12.0	2.2	2.0	8.4	8.2	4.9	5.0	19.4	17.6
TBIG IJ	TBIG IJ Equity	TOWER BERSAMA INFRASTRUCTURE	2,879.5	26.8	25.4	3.3	2.9	12.0	11.7	4.0	4.1	13.0	12.1
MTEL IJ	MTEL IJ Equity	DAYAMITRA TELEKOMUNIKASI TBK	3,657.2	26.5	24.1	1.6	1.6	9.6	9.1	3.6	3.8	6.2	6.7
CCI US	CCI US Equity	CROWN CASTLE INC	49,340.8	41.5	40.3	9.3	11.5	17.3	17.5	3.2	3.5	20.8	27.1
AMT US	AMT US Equity	AMERICAN TOWER CORP	105,635.2	32.1	33.0	27.1	28.6	20.3	20.6	5.1	4.8	80.6	86.1
CLNX SM	CLNX SM Equity	CELLNEX TELECOM SA	28,000.4	n.a	970.3	1.8	1.8	14.5	13.7	(0.5)	-	(1.3)	0.0
SITES1 MM	SITES1 MM Equity	OPERADORA DE SITES MEX- A-1	2,643.5	44.1	27.5	1.4	1.4	8.5	8.5	2.4	2.4	3.5	5.3
CHWRF US	CHWRF US Equity	CHINA TOWER CORP LTD-H	21,888.5	13.0	10.7	0.7	0.7	3.6	3.5	3.3	4.1	5.5	6.4
INDUSTOW IN	INDUSTOW IN Equity	INDUS TOWERS LTD	14,272.7	22.2	18.7	4.9	4.0	10.1	8.6	13.0	12.2	23.7	23.6
VTWR GR	VTWR GR Equity	VANTAGE TOWERS AG	20,884.9	n.a	n.a	n.a	n.a	40.5	37.2	n.a	n.a	n.a	n.a
INW IM	INW IM Equity	INFRASTRUTTURE WIRELESS ITAL	11,563.4	26.3	23.6	2.4	2.4	15.7	14.6	4.3	4.7	9.0	10.3
HTWS LN	HTWS LN Equity	HELIOS TOWERS PLC	1,629.0	33.1	14.0	n.a	8.3	8.1	7.2	n.a	n.a	n.a	121.7
			Median	26.7	24.1	2.3	2.4	11.0	10.4	3.8	4.1	11.0	12.1
			Average	27.8	109.1	5.5	5.9	14.0	13.4	4.3	4.5	18.0	28.8

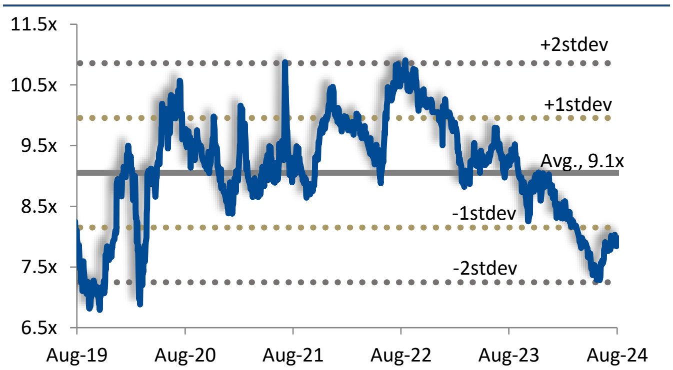
Source: Company Bloomberg, BRIDS

Exhibit 7. TOWR forward 5-year P/E 2024-25 band



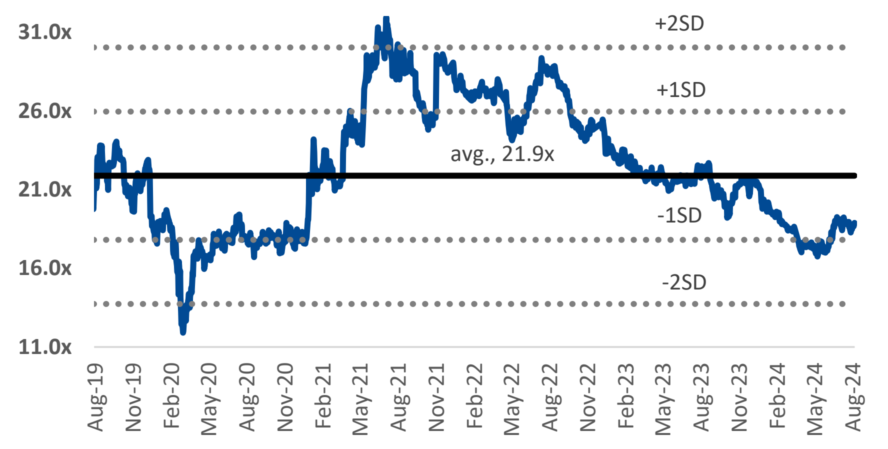
Source: Company, BRIDS Estimates

Exhibit 8. TOWR forward 5-year EV/EBITDA 2024-25 band



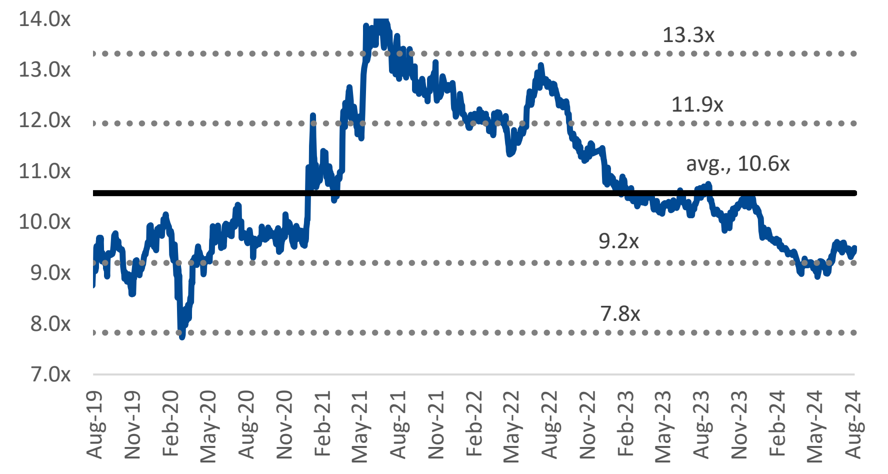
Source: Company, BRIDS Estimates

Exhibit 9. Tower Sector forward 5-year P/E 2024-25 band



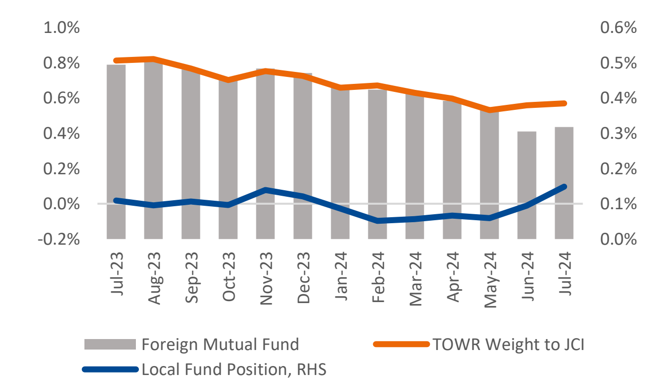
Source: Company, BRIDS Estimates

Exhibit 10. Tower Sector forward 5-year EV/EBITDA 2024-25 band



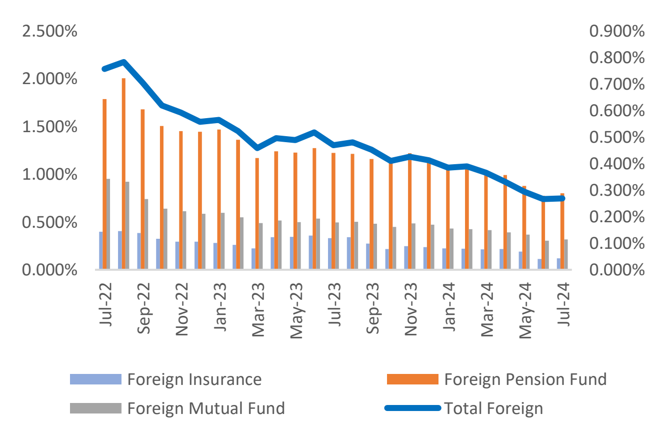
Source: Company, BRIDS Estimates

Exhibit 11. TOWR's Domestic Fund Positioning



Source: Company, BRIDS Estimates

Exhibit 12. TOWR's Foreign Ownership

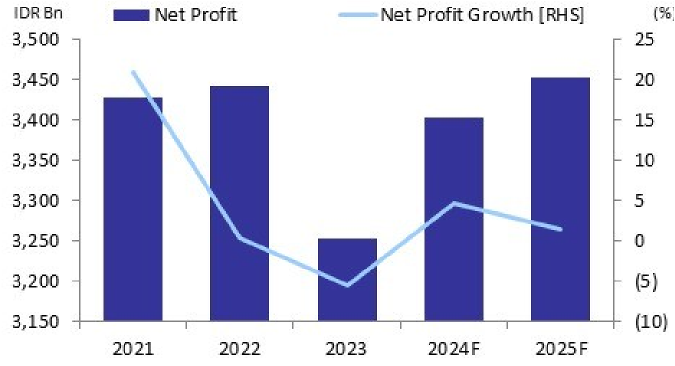


Source: Company, BRIDS Estimates

Exhibit 13. Revenue and Growth

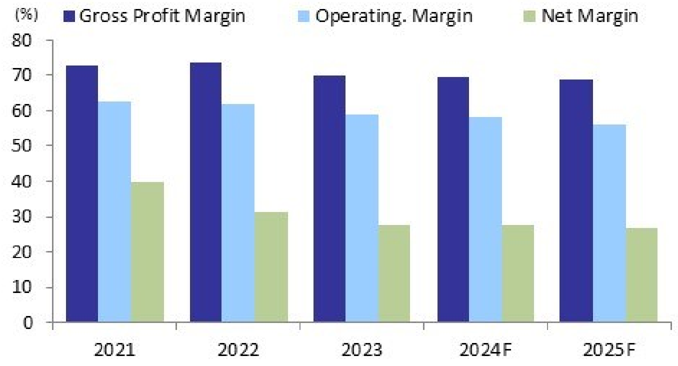
Source: Company, BRIDS Estimates

Exhibit 14. Net Profit and Growth



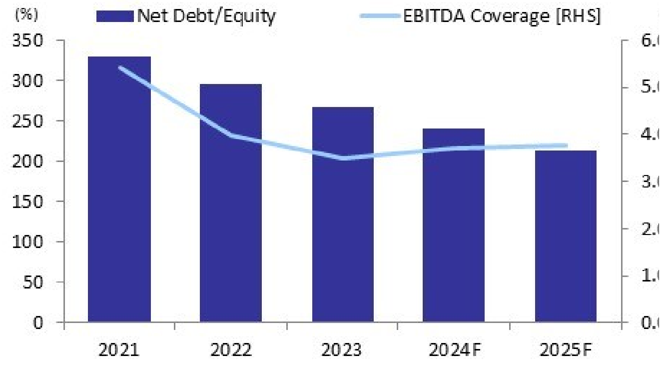
Source: Company, BRIDS Estimates

Exhibit 15.. Margins



Source: Company, BRIDS Estimates

Exhibit 16.. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 17.. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	**11,036**	**11,740**	**12,276**	**12,852**	**13,526**
COGS	(2,914)	(3,528)	(3,729)	(4,041)	(4,119)
Gross profit	**8,121**	**8,213**	**8,547**	**8,811**	**9,407**
EBITDA	**9,517**	**9,980**	**10,385**	**10,615**	**11,172**
Oper. profit	**6,828**	**6,941**	**7,149**	**7,232**	**7,760**
Interest income	23	21	21	22	23
Interest expense	(2,392)	(2,858)	(2,805)	(2,825)	(2,878)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co’s	0	0	0	0	0
Other Income (Expenses)	0	0	0	0	0
Pre-tax profit	**4,459**	**4,104**	**4,365**	**4,429**	**4,905**
Income tax	(963)	(800)	(942)	(956)	(1,059)
Minority interest	(55)	(51)	(20)	(20)	0
Net profit	**3,442**	**3,253**	**3,402**	**3,453**	**3,846**
Core Net Profit	**3,442**	**3,253**	**3,402**	**3,453**	**3,846**

Exhibit 18. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	309	429	85	180	954
Receivables	3,342	3,984	3,404	4,361	4,589
Inventory	0	15	15	15	15
Other Curr. Asset	0	0	0	0	0
Fixed assets - Net	37,152	40,385	43,286	44,884	46,518
Other non-curr.asset	24,822	23,607	24,214	23,911	24,063
Total asset	**65,625**	**68,419**	**71,004**	**73,350**	**76,140**
ST Debt	9,177	18,324	16,009	14,844	15,439
Payables	839	1,207	1,276	1,382	1,409
Other Curr. Liabilities	4,430	4,768	4,904	5,102	5,140
Long Term Debt	33,818	26,143	28,604	29,553	29,053
Other LT. Liabilities	2,929	1,465	1,612	1,773	1,950
Total Liabilities	**51,193**	**51,907**	**52,405**	**52,653**	**52,991**
Shareholder'sFunds	14,401	16,456	18,544	20,642	23,094
Minority interests	32	55	55	55	55
Total Equity & Liabilities	**65,625**	**68,419**	**71,004**	**73,350**	**76,140**

Exhibit 19.. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	3,442	3,253	3,402	3,453	3,846
Depreciation and Amort.	2,307	2,843	2,947	3,094	3,123
Change in Working Capital	(757)	49	784	(652)	(163)
OtherOper. Cash Flow	1,119	1,088	3,640	1,461	1,456
Operating Cash Flow	**6,110**	**7,234**	**10,774**	**7,356**	**8,262**
Capex	(5,258)	(4,327)	(6,704)	(3,350)	(3,359)
Others Inv. Cash Flow	681	1,235	(586)	326	(129)
Investing Cash Flow	**(4,577)**	**(3,092)**	**(7,290)**	**(3,024)**	**(3,488)**
Net change in debt	(1,550)	1,473	146	(217)	95
New Capital	(885)	(1,488)	147	161	177
Dividend payment	(1,200)	(1,200)	(1,315)	(1,354)	(1,374)
Other Fin. Cash Flow	(2,392)	(2,858)	(2,805)	(2,825)	(2,878)
Financing Cash Flow	**(6,027)**	**(4,073)**	**(3,828)**	**(4,235)**	**(3,980)**
Net Change in Cash	**(4,494)**	**69**	**(344)**	**96**	**794**
Cash - begin of the year	4,748	309	429	85	180
Cash - end of the year	309	429	85	180	954

Exhibit 20.. Key Ratios

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	27.8	6.4	4.6	4.7	5.2
EBITDA	28.0	4.9	4.1	2.2	5.2
Operating profit	26.5	1.7	3.0	1.2	7.3
Net profit	0.4	(5.5)	4.6	1.5	11.4
Profitability (%)					
Gross margin	73.6	70.0	69.6	68.6	69.5
EBITDA margin	86.2	85.0	84.6	82.6	82.6
Operating margin	61.9	59.1	58.2	56.3	57.4
Net margin	31.2	27.7	27.7	26.9	28.4
ROAA	5.2	4.9	4.9	4.8	5.1
ROAE	26.0	21.1	19.4	17.6	17.6
Leverage					
Net Gearing (x)	3.0	2.7	2.4	2.1	1.9
Interest Coverage (x)	2.9	2.4	2.5	2.6	2.7

Source: TOWR, BRIDS Estimates

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BRI Danareksa Sales Traders

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INVESTMENT RATING

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