

Tower Bersama Infrastructure (TBIG)

Stable performance to continue

2021 review: strong growth with the highest EBITDA margin ever

TBIG reported 4Q21 EBITDA of IDR1.4tn (+9.3% QoQ, +13.4% YoY), implying an 89.3% EBITDA margin (the highest margin performance ever); bringing FY21 EBITDA to IDR5.4tn (+16.1% YoY), in-line with our expectation. TBIG posted revenue of IDR1.6tn (+1.7% QoQ; +16.3% YoY) in 4Q21 driven by both strong growth organically and impact from additional towers. As of FY21, TBIG's total towers stood at 20.6k towers with 39.1k tenants, implying a tenancy ratio of 1.9x.

2022: normalizing growth from a much higher base in FY21

2021 was a good year in terms of growth and margin for TBIG due to the inorganic growth from the additional 3,000 towers acquired from Inti Bangun Sejahtera (IBST). In 2022, we believe that the growth would normalize to +8.4% YoY which is driven by (i) organic growth from demand for extra capacity from telco operators, which we estimate to be an additional 1,000 towers, and 2,000 additional tenants this year, and (ii) a stable lease rate of IDR13.5mn/month.

Remain positive stance on Telecommunication Tower sector

We maintain our **OVERWEIGHT** call on Telecommunication Tower sector in 2022 on the back of (i) the nature of long-term and non-cancellable contracts which provide less volatility and stable cash flow, (ii) continuation of industry consolidation (as there are no longer many tower assets for divestment) with potential investment window for foreign companies as government relaxes foreign investment rules in the sector, and (iii) much higher demand for extra tower capacity.

In our view, the **demand for extra tower capacity** will continue at a high pace on the back of the needs of telco operators driven by (i) the continuing escalation of mobile data payloads (currently increasing at more than 50% per annum) from video streaming demand and new working practices (WFH), (ii) the 5G networks rollout acceleration, and (iii) the implementation of IoT services for the enterprise sector across a variety of industries.

Maintain our BUY call

We continue to favor TBIG from the M&A perspective which should drive the valuation of the counter. TBIG is currently trading at 15.7x FY22F EV/EBITDA, and our TP of IDR4,000 implies 20x FY22F EV/EBITDA. We believe foreign investors who want to acquire tower companies in Indonesia will have to pay a premium given the limited large and strong tower assets in Indonesia.

	2020A	2021A	2022F	2023F	2024F
Sales (IDRbn)	5,328	6,180	6,699	6,944	7,139
OP (IDRbn)	3,816	4,306	4,629	4,791	4,926
EBT (IDRbn)	1,509	1,936	2,440	2,602	2,737
NP (IDRbn)	1,010	1,549	1,605	1,712	1,801
EBITDA (IDRbn)	4,617	5,537	5,921	6,148	6,351
Net debt (IDRbn)	19,043	27,968	27,108	25,728	23,989
OP margin (%)	71.6	69.7	69.1	69.0	69.0
ROE (%)	11.6	16.7	15.8	15.5	15.0
Dividend yield (%)	0.9	1.1	1.1	1.2	1.3
EPS (IDR)	44.6	68.4	70.8	75.6	79.5
chg. (% YoY)	23.2	53.4	3.6	6.6	5.2
DPS (IDR)	16	20	22	23	24
PE (x)	65.8	44.0	40.9	38.4	36.5
PB (x)	7.5	7.1	6.5	6.0	5.5
EV/EBITDA (x)	18.4	16.9	15.7	14.9	14.1

Company

Update

Telecommunication Tower

April 13, 2022

12M rating **BUY (Maintain)**

12M TP **IDR 4,000**

Up/downside **+35.6%**

Stock Data

JCI (April 12)	7,215
Stock price (April 12, IDR)	2,940
Market cap (IDR bn)	67,065
Shares outstanding (mn)	22,657
52-week high/low (IDR)	2,910/1,055
6M avg. daily turnover (IDR bn)	137.1
Free float (%)	39.7

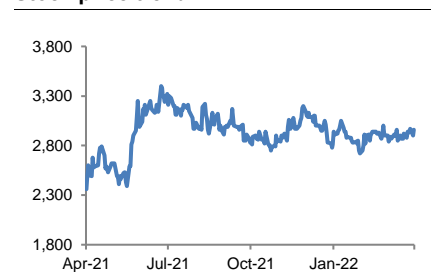
Major shareholders (%)

Wahana Anugrah Sejahtera	34.2
Provident Capital	22.2

Performance

	1M	6M	12M
Absolute (%)	5.2	87.8	164.5
Relative to JCI (%p)	8.2	71.5	106.5

Stock price trend



Source: Bloomberg

David Arie Hartono

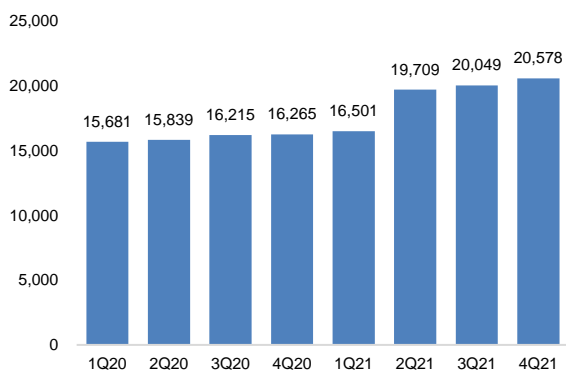
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Table 1. Indonesia tower transaction

Year	Buyer	Seller	Acquisition Price (IDRbn)	Towers	Average Price/Tower (IDRbn)	Average Price/Tenants (IDRbn)	Tenancy Ratio (x)
2012	Sarana Menara Nusantara	Central Investindo	376	200	1.88	NA	NA
2012	Tower Bersama	Indosat	3,757	2,500	1.54	NA	NA
2014	Nusantara Infrastructure	Tiara Cell Intrabuana	598	436	1.37	NA	NA
2014	Komet Infra Nusantara	Corona Telecommunication	284	162	1.75	NA	NA
2014	Solusi Tunas Pratama	XL Axiata	5,600	3,500	1.60	NA	NA
2016	Sarana Menara Nusantara	XL Axiata	3,560	2,500	1.42	NA	NA
2018	Sarana Menara Nusantara	Komet Infra Nusantara	1,461	1,459	1.00	NA	NA
2018	Tower Bersama	Gihon Telekomunikasi	675	529	1.28	NA	NA
2018	Tower Bersama	Visi Telekomunikasi Infrastruktur	293	305	0.96	NA	NA
2019	Sarana Menara Nusantara	Indosat	1,950	1,000	1.95	1.03	1.90
2019	Mitratel	Indosat	4,443	2,100	2.12	1.11	1.90
2020	Sarana Menara Nusantara	XL Axiata	2,213	1,642	1.35	0.90	1.50
2020	Centratama	XL Axiata	1,583	1,036	1.53	1.02	1.50
2020	Mitratel	Telkomsel	10,300	6,050	1.70	1.24	1.38
2021	Tower Bersama	Inti Bangun Sejahtera	3,975	3,000	1.33	0.89	1.50
2021	Edge Point Indonesia (EPID)	Indosat	10,472	4,247	2.47	1.35	1.80
2021	Edge Point Indonesia (EPID)	Centratama	6,173	3,848	1.60	1.01	1.59

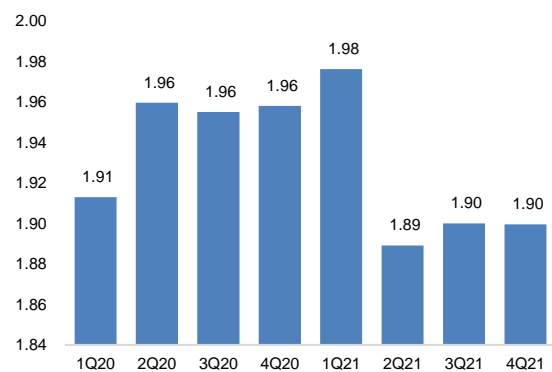
Source: TowerXchange, KISI

Fig 1. TBIG tower sites



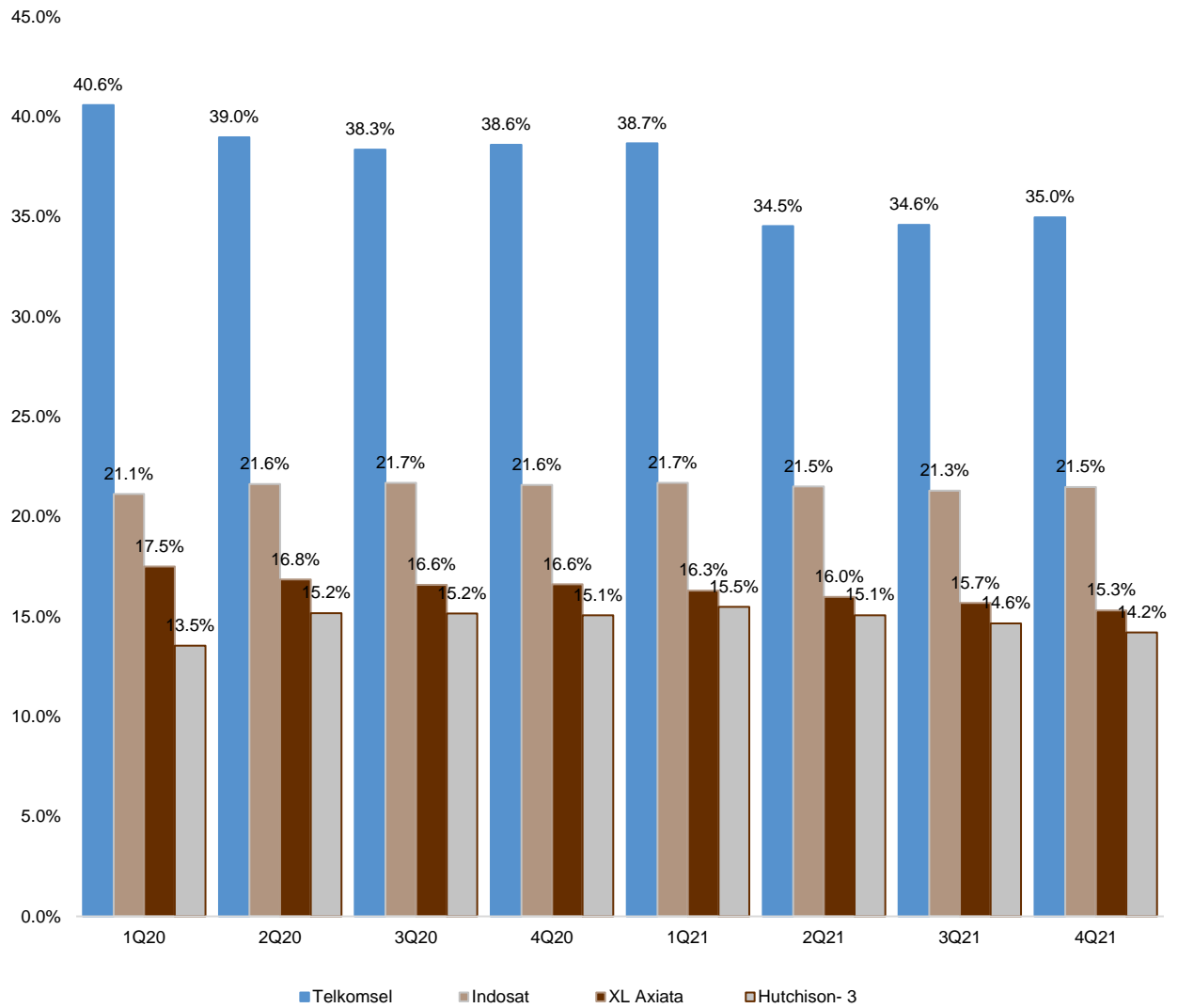
Source: Company, KISI

Fig 2. TBIG tenancies ratio (x)



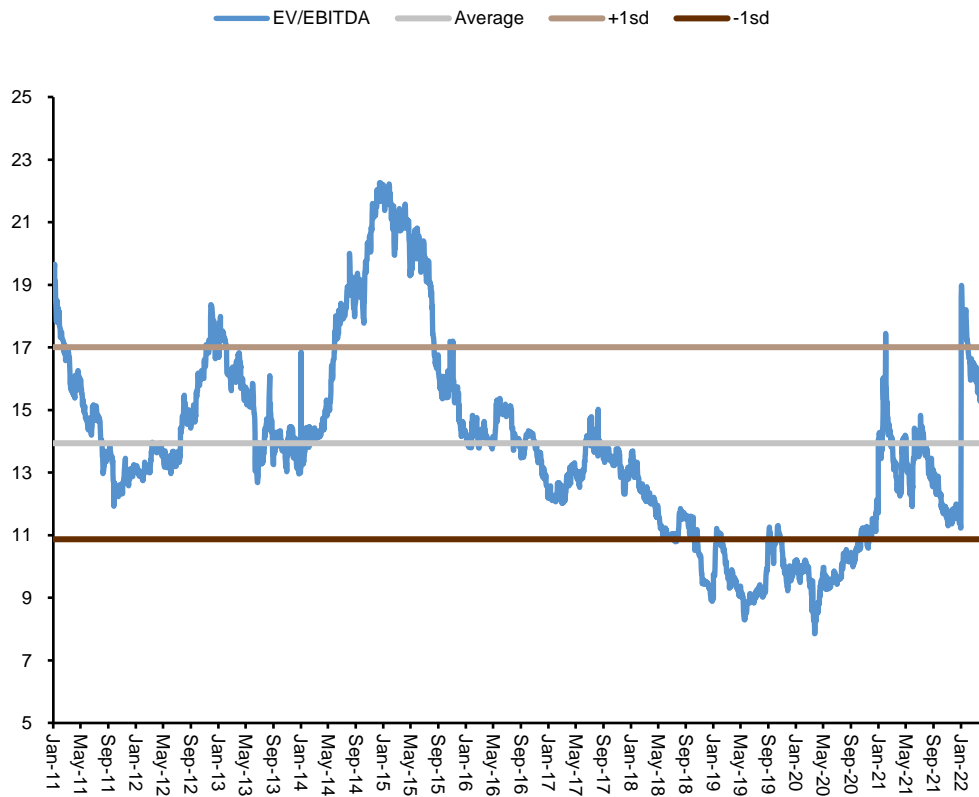
Source: Company, KISI

Fig 3. TBIG revenue contribution by telco operators



Source: Company, KISI

Fig 4. TBIG's EV/EBITDA band (x)



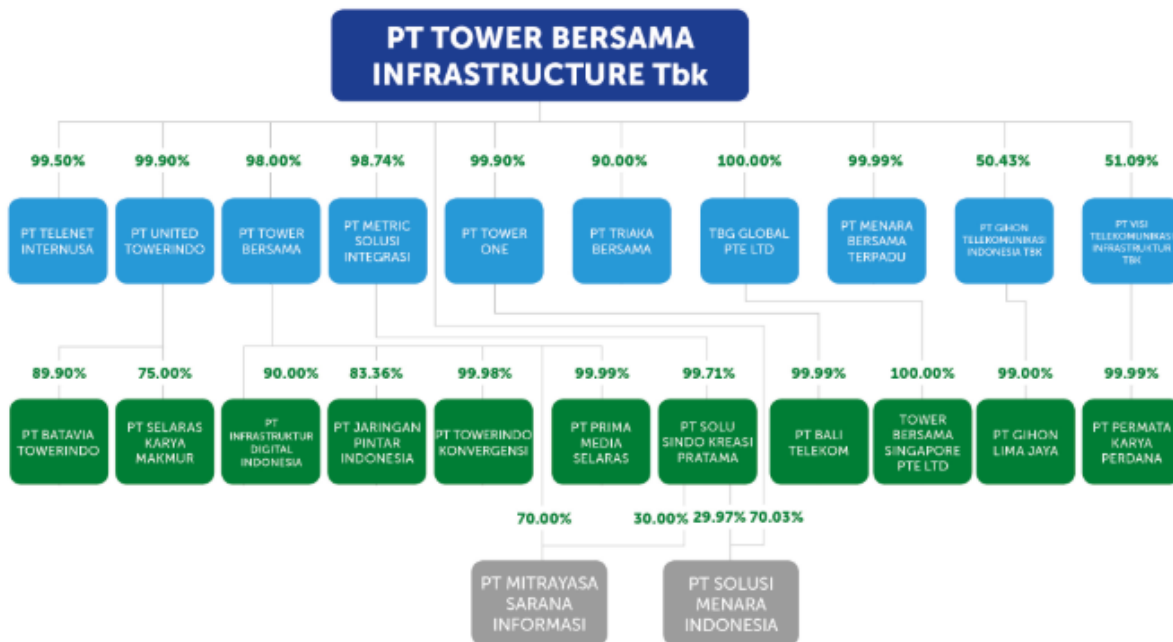
Source: Bloomberg, KISI

Company overview

PT Tower Bersama Infrastructure Tbk (TBIG) is the holding company of the Tower Bersama Group. TBIG was established in 2004 and was listed on the Indonesia Stock Exchange on October 26, 2010.

Tower Bersama Group is one of the two leading independent tower companies in Indonesia. TBIG's principal business is leasing space for antennas and other equipment for wireless signal transmission at tower sites under long-term lease agreements. The company also provides telecommunication operators with access to the company Distributed Antenna System ("DAS") networks in shopping malls and office buildings in major urban areas.

Fig 5. TBIG company structure



Source: Company, KISI

Balance sheet (IDR mn)						Income statement (IDR mn)					
FY-ending Dec.	2020A	2021A	2022F	2023F	2024F	FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Current assets	3,227,394	3,021,253	3,946,698	5,358,092	7,121,595	Sales	5,327,689	6,179,584	6,699,300	6,943,800	7,139,400
Cash & cash equivalent	947,341	629,125	1,489,532	2,869,560	4,608,795	COGS	(1,093,065)	(1,472,780)	(1,601,133)	(1,666,512)	(1,713,456)
Accounts & other receivables	973,607	614,221	659,528	680,843	697,894	Gross profit	4,234,624	4,706,804	5,098,167	5,277,288	5,425,944
Inventory	1,306,446	1,777,907	1,797,638	1,807,689	1,814,906	SG&A expense	(418,623)	(400,889)	(468,951)	(486,066)	(499,758)
Non-current assets	33,293,909	38,849,182	38,887,880	38,496,626	37,793,968	Operating profit	3,816,001	4,305,915	4,629,216	4,791,222	4,926,186
Investment assets	474,501	466,719	316,289	299,754	272,098	Financial income					
Tangible assets	28,738,362	33,637,904	35,897,791	35,624,181	35,060,517	Interest income	14,869	12,156	12,156	12,156	12,156
Intangible assets	4,081,046	4,744,559	2,673,801	2,572,691	2,461,352	Financial expense					
Total assets	36,521,303	41,870,435	42,834,579	43,854,717	44,915,563	Interest expense	(1,943,161)	(1,925,209)	(2,001,822)	(2,001,822)	(2,001,822)
Current liabilities	13,777,876	8,432,425	8,435,687	8,437,349	8,438,542	Other non-operating profit	(378,255)	(456,898)	(200,000)	(200,000)	(200,000)
Accounts & other payables	592,057	49,662	52,924	54,586	55,779	Gains (Losses) in associates					
ST debt & bond	6,285,368	2,917,306	2,917,306	2,917,306	2,917,306	Earnings before tax	1,509,454	1,935,964	2,439,550	2,601,556	2,736,520
Current portion of LT debt	6,900,451	5,465,457	5,465,457	5,465,457	5,465,457	Income taxes	(442,878)	(334,611)	(731,865)	(780,467)	(820,956)
Non-current liabilities	13,439,589	23,648,772	23,648,772	23,648,772	23,648,772	Net profit	1,066,576	1,601,353	1,707,685	1,821,089	1,915,564
Debentures	350,156	516,770	516,770	516,770	516,770	Net profit of controlling interest	1,009,625	1,548,975	1,605,224	1,711,824	1,800,630
LT debt & financial liabilities	13,089,433	23,132,002	23,132,002	23,132,002	23,132,002	Other comprehensive profit					
Total liabilities	27,217,465	32,081,197	32,084,459	32,086,121	32,087,314	Total comprehensive profit					
Controlling interest						EBITDA	4,617,126	5,536,623	5,921,460	6,148,078	6,350,884
Capital stock	453,140	453,140	453,140	453,140	453,140						
Capital surplus	(520,500)	(641,456)	(641,456)	(641,456)	(641,456)						
Other Reserves	(1,028,268)	(1,028,268)	(1,028,268)	(1,028,268)	(1,028,268)						
Retained earnings	9,805,310	10,489,365	11,347,785	12,256,997	13,201,715						
Minority interest	594,156	516,457	618,918	728,183	843,117						
Shareholders' equity	9,303,838	9,789,238	10,750,119	11,768,596	12,828,248						

Cash flow (IDR mn)						Key financial data					
FY-ending Dec.	2020A	2021A	2022F	2023F	2024F	FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
C/F from operating	3,786,457	4,465,282	2,825,014	3,035,102	3,204,048	per share data (IDR)					
Net profit	1,509,454	1,935,964	2,439,550	2,601,556	2,736,520	EPS	45	68	71	76	79
Depreciation	485,848	1,017,623	1,068,504	1,121,929	1,178,026	DPS	16	20	22	23	24
Amortization	315,277	213,085	223,739	234,926	246,673	Growth (%)					
Net incr. in W/C	(2,021,466)	(2,762,281)	(61,776)	(29,704)	(23,075)	Sales growth	13.4	16.0	8.4	3.6	2.8
Others	3,497,344	4,060,891	(845,004)	(893,606)	(934,095)	OP growth	13.3	12.8	7.5	3.5	2.8
C/F from investing	(2,051,887)	(7,176,244)	(1,217,803)	(852,462)	(608,901)	NP growth	23.2	53.4	3.6	6.6	5.2
CAPEX	(1,354,824)	(5,949,527)	(1,100,000)	(770,000)	(550,000)	EPS growth	23.2	53.4	3.6	6.6	5.2
Decr. in fixed assets	0	0	0	0	0	EBITDA growth	15.1	19.9	7.0	3.8	3.3
Incr. in investment	0	0	0	0	0	Profitability (%)					
Net incr. in intangible assets	(697,063)	(1,226,717)	(117,803)	(82,462)	(58,901)	OP margin	71.6	69.7	69.1	69.0	69.0
Others	0	0	0	1	2	NP margin	19.0	25.1	24.0	24.7	25.2
C/F from financing	(1,316,568)	2,388,389	(746,804)	(802,612)	(855,912)	EBITDA margin	86.7	89.6	88.4	88.5	89.0
Incr. in equity	0	0	0	0	0	ROE	11.6	16.7	15.8	15.5	15.0
Incr. in debts	1,106,222	5,332,850	0	0	0	Dividend yield	0.9	1.1	1.1	1.2	1.3
Dividends	(605,670)	(692,194)	(746,804)	(802,612)	(855,912)	Stability					
Others	(1,817,120)	(2,252,267)	0	0	0	Net debt (IDR mn)	19,042,543	27,968,334	27,107,927	25,727,899	23,988,664
C/F from others						Int.-bearing debt/equity (%)	218.6	301.6	267.6	233.0	200.2
Increase in cash	418,002	(322,573)	860,407	1,380,028	1,739,235	Valuation (X)					
						PE	65.8	44.0	40.9	38.4	36.5
						PB	7.5	7.1	6.5	6.0	5.5
						EV/EBITDA	18.4	16.9	15.7	14.9	14.1

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