

# Tower Bersama Infrastructure (TBIG)

Outlook to stay modest

12 December 2022



<b>TBIG IJ</b>	<b>BUY</b>
Sector	Tower
Price at 9 Dec 2022 (Rp)	2,410
Price target (Rp)	3,100
Upside/Downside (%)	28.6

## Stock Information

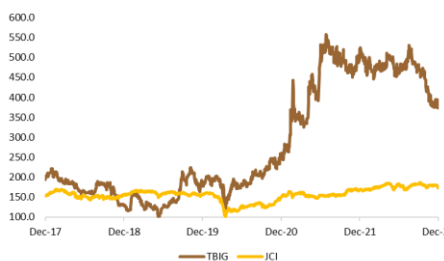
Tower Bersama Infrastructure (TBIG) is the holding company of the Tower Bersama Group, which is one of the leading independent tower companies in Indonesia. Its principal business is leasing space for antennas and other equipment for wireless signal transmission at tower sites under long-term lease agreements.

Market cap (Rp bn)	52,790
Shares outstanding (mn)	22,656
52-week range (Rp)	2,290 -3,150
3M average daily vol. ('000)	32,916
3M average daily val. (Rp mn)	82,119

## Shareholders (%)

Wahana Anugerah Sejahtera	35.9
Provident Capital Indonesia	23.3
Public	36.9

## Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	(2.1)	(18.8)	(22.3)

TBIG's growth likely to remain flattish for '22F and '23F, as a result from ongoing consolidations in telco and towers. This could also lead to lower rate renegotiation and tenancy additions. On the other hand, TBIG is unlikely to be impacted by high interest rate as we highlight downward trend for its finance costs. Maintain BUY, with a price target of IDR3,100, implying 16.0x 2023 EV/EBITDA, while it is trading at 13.3x or below +1SD 5-year historical mean.

## Soft earnings result

TBIG's 3Q22 earnings came in at IDR397bn, decreasing 3.4% qoq. This translates into 9M22 net profit of IDR1.22tn, accounting for 61.0%/70.3% of ours/ consensus. The soft bottom-line was mostly driven by declined 3Q22 revenue by 2.6% qoq of IDR1.62tn due to expiration of sale and leaseback contract with IOH in August 2022. However, TBIG's cost of revenue was also down 5.9% qoq in 3Q22, lifting GPM to 69.9% from 68.8% in 2Q22. Nevertheless, cash cost was up 6.5% qoq in 3Q22, also reflected by lower EBITDA margin from 87.4% in 2Q22 to 86.2% in 3Q22, while 9M22 EBITDA at IDR4.28tn, representing 72.1%/72.8% of ours/consensus. Despite higher interest rate environment, TBIG finance expense lowered in 3Q22 by 5.9% qoq/15.1% yoy. TBIG's net gearing was improved in 9M22 at 2.14x, boosted by higher equity post treasury stock sales.

## Moderate tenancy growth in 3Q22

TBIG's tenancies reached 40,691 in 3Q22, while it also managed to add 290 net tower sites qoq to 21,666, bringing to 1.88x. The figure is lower than 2Q22 of 1.89x and 3Q21 of 1.90x. We see a slowing trend of net tenancy additions throughout 9M22 on the back of one-off discontinuation of Sampoerna Telecom. Meanwhile, lower tenancy ratio in 3Q22 might have prompted higher cash cost per tenant by 5% qoq/ 7.1% yoy, implying lower scale of economies. TBIG's lease rate slid by 3.6% qoq/5.0% yoy to IDR13.3 mn due to renewals.

## Eyes for organic growth

As consolidations is ongoing in towers, TBIG's main growth driver will be derived from organic expansion. Therefore, we expect revenue growth to remain moderate for 2023. On the bright side, telco consolidation could bring more demand for lease as carriers strive to improve their services to retain subscribers. On the flip side, however, this could give TBIG's customers an upper hand to renegotiate lease rate. Amid high interest environment, we regard TBIG is profoundly well managed, since c.90% of debts are fixed rate, while it has options for interest rate swaps to cover floating rate for borrowings.

## Reiterate BUY as finance cost efficiency maintained

Despite our lower forecast revisions, we reiterate BUY call with a DCF-based price target of IDR3,100 (previously: IDR3,500), implying 16.0x 2023 EV/EBITDA or below +2SD 5 year-historical mean. Our preference on TBIG is based on ability to achieve efficient finance costs and solid demand from carriers. Nevertheless several downside risks to our call, including lower-than-expected lease rate and tenant growth amid industry consolidation.

## Exhibit 1: Key Statistics

Year end Dec	2020A	2021A	2022F	2023F	2024F
Revenue (Rp bn)	5,328	6,180	6,521	6,897	7,273
EBITDA (Rp bn)	4,617	5,429	5,713	6,050	6,381
Net profit (Rp bn)	1,010	1,549	1,614	1,826	2,073
EPS (Rp)	44.6	68.4	71.2	80.6	91.5
EPS growth (%)	23.2	53.4	4.2	13.2	13.5
ROAA (%)	3.2	4.1	3.8	4.1	4.4
ROAE (%)	14.7	17.2	14.4	13.3	13.7
PER (x)	52.3	34.1	32.7	28.9	25.5
PBV (x)	5.7	5.4	3.8	3.5	3.2
Interest coverage (%)	2.0	2.2	2.5	3.0	3.1
EV/EBITDA (x)	16.4	14.9	13.8	13.0	12.3

Source: Company, KBVS Research

## Analyst

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# Tower Bersama Infrastructure (TBIG)

## Exhibit 2: Financial Summary

Income statement (IDR bn)	9M22	9M21	YoY (%)	3Q22	3Q21	YoY (%)	2Q22	QoQ (%)	% to '22F	% of Cons'
<b>Revenue</b>	4,922	<b>4,562</b>	<b>7.9</b>	1,618	<b>1,590</b>	<b>1.8</b>	<b>1,662</b>	<b>(2.6)</b>	<b>72.1</b>	<b>72.7</b>
Cost of revenue	(1,412)	1,136	(224.3)	(488)	(407)	19.8	(518)	(5.9)		
<b>Gross profit</b>	<b>3,510</b>	<b>3,426</b>	<b>2.5</b>	1,131	<b>1,184</b>	<b>(4.5)</b>	<b>1,144</b>	<b>(1.1)</b>		
<b>Operating expenses</b>	<b>(343)</b>	<b>(319)</b>	<b>7.8</b>	(119)	<b>(105)</b>	<b>12.8</b>	<b>(114)</b>	<b>4.0</b>		
<b>EBIT</b>	<b>3,167</b>	<b>3,107</b>	<b>1.9</b>	1,012	<b>1,078</b>	<b>(6.1)</b>	<b>1,030</b>	<b>(1.7)</b>	<b>67.6</b>	<b>68.3</b>
<b>EBITDA</b>	<b>4,282</b>	<b>3,989</b>	<b>7.4</b>	1,395	<b>1,396</b>	<b>(0.1)</b>	<b>1,452</b>	<b>(3.9)</b>	<b>72.1</b>	<b>72.8</b>
Other income (exp.)	(37)	2	(2,158.8)	(8)	(12)	(34.9)	120	(106.6)		
Financial expenses	(1,370)	(1,586)	(13.6)	(425)	(501)	(15.1)	(452)	(5.9)		
<b>Pre-tax income</b>	<b>1,760</b>	<b>1,523</b>	<b>15.5</b>	579	<b>488</b>	<b>18.5</b>	<b>697</b>	<b>(17.0)</b>		
Taxes	(151)	(214)	(29.3)	(54)	(58)	(6.9)	(43)	24.9		
<b>Attributable net profit</b>	<b>1,223</b>	<b>1,081</b>	<b>13.1</b>	<b>397</b>	<b>418</b>	<b>(5.0)</b>	<b>411</b>	<b>(3.4)</b>	<b>61.0</b>	<b>70.3</b>
<b>Margins (%)</b>										
Gross margin	71.3	75.1		69.9	74.4		68.8			
EBIT margin	64.3	68.1		62.5	67.8		62.0			
EBITDA margin	87.0	87.4		86.2	87.8		87.4			
Net Margin	24.8	23.7		24.5	26.3		24.7			
<b>Operational metrics</b>										
Tenant				40,578	37,872		40,180.0			
Tower				21,553	19,938		21,265.0			
Tenancy ratio (x)				1.88	1.90		1.89			

Source: Company, KBVS Research

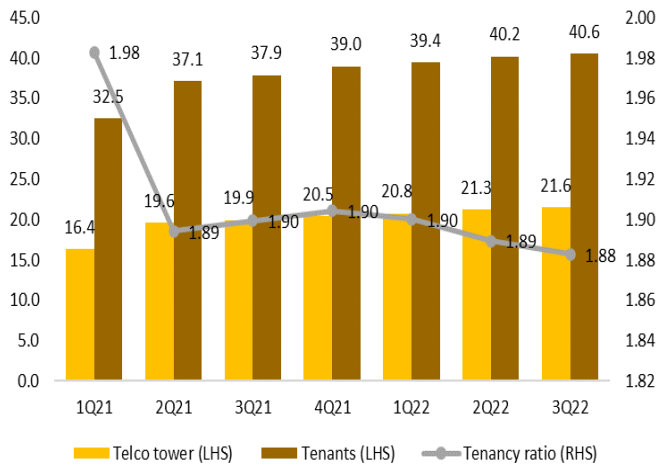
## Exhibit 3: Forecast revisions

	New		Old		Changes		Consensus		New VS consensus	
	2022F	2023F	2022F	2023F	2022F	2023F	2022F	2023F	2022F	2023F
Revenue	6,521	6,897	6,824	7,256	-4.4	-4.9	6,715	7,043	-2.9	-2.1
EBIT	4,367	4,685	4,683	4,964	-6.8	-5.6	4,563	4,760	-4.3	-1.6
EBITDA	5,713	6,050	5,939	6,290	-3.8	-3.8	5,845	6,117	-2.3	-1.1
Net profit	1,614	1,826	2,005	1,979	-19.5	-7.7	1,701	1,838	-5.1	-0.6

Source: Company, KBVS Research

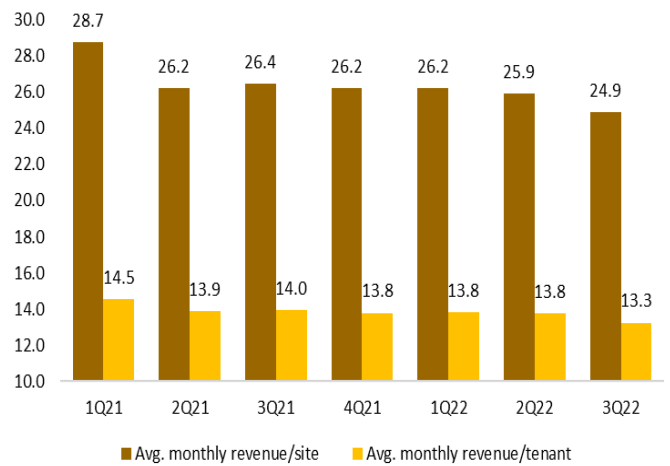
# Tower Bersama Infrastructure (TBIG)

Exhibit 4: TBIG's tower, tenant and tenancy ratio



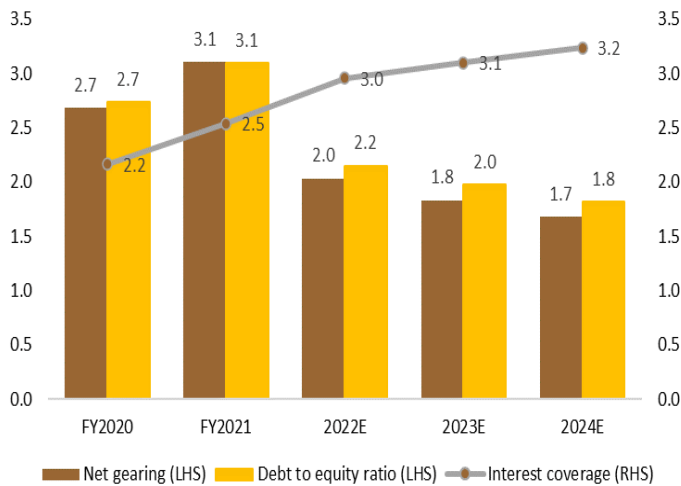
Source: Company

Exhibit 5: TBIG's avg. revenue/site and revenue/tenant



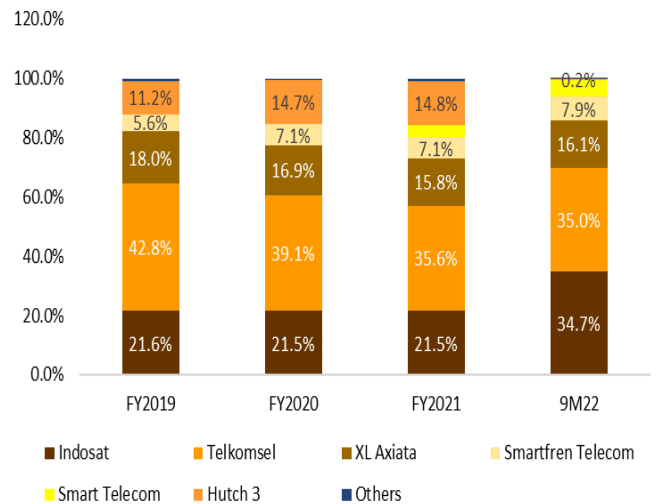
Source: Company, KBVS Research

Exhibit 6: TBIG's leverage metrics



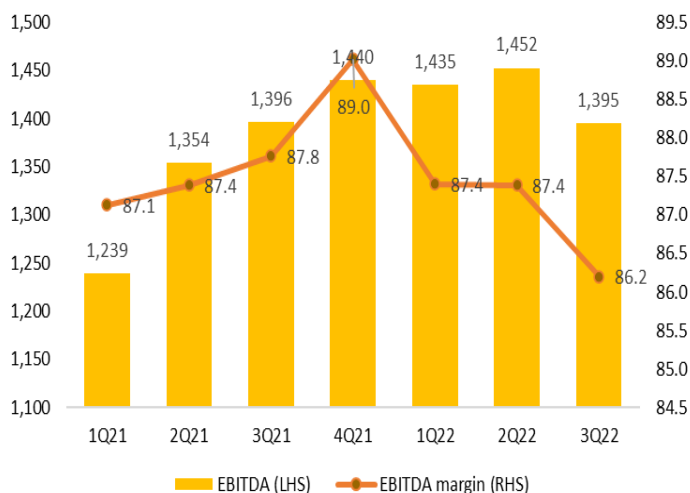
Source: Company, KBVS Research

Exhibit 7: Source of revenue by carrier



Source: Company

Exhibit 8: EBITDA &amp; EBITDA margin



Source: Company

Exhibit 9: Currently trading below +1SD 5-year mean



Source: Bloomberg, KBVS Research

# Tower Bersama Infrastructure (TBIG)

## FINANCIAL TABLES

### Exhibit 10: Profit & Loss Summary

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
<b>Revenue</b>	<b>5,328</b>	<b>6,180</b>	<b>6,521</b>	<b>6,897</b>	<b>7,273</b>
Cost of revenue	(1,093)	(1,473)	(1,712)	(1,752)	(1,743)
<b>Gross profit</b>	<b>4,235</b>	<b>4,707</b>	<b>4,809</b>	<b>5,145</b>	<b>5,529</b>
<b>Gross profit margin</b>	<b>79.5%</b>	<b>76.2%</b>	<b>73.7%</b>	<b>74.6%</b>	<b>76.0%</b>
<b>EBITDA</b>	<b>4,617</b>	<b>5,429</b>	<b>5,713</b>	<b>6,050</b>	<b>6,381</b>
<b>EBITDA margin</b>	<b>86.7%</b>	<b>87.9%</b>	<b>87.6%</b>	<b>87.7%</b>	<b>87.7%</b>
Operating expenses	(419)	(401)	(443)	(461)	(485)
<b>Operating profit</b>	<b>3,816</b>	<b>4,306</b>	<b>4,367</b>	<b>4,685</b>	<b>5,044</b>
<b>Operating profit margin</b>	<b>71.6%</b>	<b>69.7%</b>	<b>67.0%</b>	<b>67.9%</b>	<b>69.4%</b>
Other income/ expenses	(172)	(234)	(297)	(312)	(326)
Finance expenses	(2,135)	(2,136)	(1,931)	(1,952)	(1,971)
<b>Profit before income tax</b>	<b>1,509</b>	<b>1,936</b>	<b>2,139</b>	<b>2,421</b>	<b>2,747</b>
Tax benefit (expenses)	(443)	(335)	(471)	(533)	(604)
<b>Net profit</b>	<b>1,010</b>	<b>1,549</b>	<b>1,614</b>	<b>1,826</b>	<b>2,073</b>

Source: Company, KBVS Research

### Exhibit 11: Balance Sheet

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
<b>Current assets</b>					
Cash and cash equivalents	947	613	2,171	2,733	2,774
Trade receivables	711	539	548	555	564
Other current assets	1,569	1,853	2,703	2,343	2,446
<b>Total current assets</b>	<b>3,227</b>	<b>3,006</b>	<b>5,422</b>	<b>5,631</b>	<b>5,783</b>
<b>Non-current assets</b>					
P&E	28,738	33,638	35,379	36,951	38,695
Other non-current assets	4,556	5,227	4,752	4,791	4,752
<b>Total non-current assets</b>	<b>33,294</b>	<b>38,865</b>	<b>40,132</b>	<b>41,742</b>	<b>43,447</b>
<b>Total assets</b>	<b>36,521</b>	<b>41,870</b>	<b>45,554</b>	<b>47,373</b>	<b>49,230</b>
<b>Current liabilities</b>					
Trade payables	571	37	81	82	75
Accrued expenses	1,157	1,107	1,370	1,401	1,395
Short term debts	10,758	5,614	6,048	6,109	6,170
Other current liabilities	1,292	1,673	1,601	1,724	1,800
<b>Total current liabilities</b>	<b>13,778</b>	<b>8,432</b>	<b>9,100</b>	<b>9,316</b>	<b>9,439</b>
<b>Non-current liabilities</b>					
Long-term debts	13,089	23,132	22,117	22,338	22,561
Other non-current liabilities	14,128	8,949	9,614	9,832	9,947
<b>Total non-current liabilities</b>	<b>27,217</b>	<b>32,081</b>	<b>31,730</b>	<b>32,170</b>	<b>32,508</b>
<b>Shareholders' equity</b>	<b>8,710</b>	<b>9,273</b>	<b>13,094</b>	<b>14,401</b>	<b>15,839</b>
<b>Total liabilities and equity</b>	<b>36,521</b>	<b>41,870</b>	<b>45,554</b>	<b>47,373</b>	<b>49,230</b>

Source: Company, KBVS Research

# Tower Bersama Infrastructure (TBIG)

## Exhibit 12: Cash Flow

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Net profit	1,010	1,549	1,614	1,826	2,073
Depreciation & amortization	717	1,018	1,232	1,246	1,212
Changes in working capital	77	(336)	(591)	470	(46)
<b>CF from operating activities</b>	<b>1,803</b>	<b>2,230</b>	<b>2,255</b>	<b>3,542</b>	<b>3,239</b>
Investment in fixed assets	(4,496)	(5,528)	(2,494)	(2,363)	(2,503)
Others	(1,020)	(1,061)	(5)	(493)	(413)
<b>CF from investing activities</b>	<b>(5,516)</b>	<b>(6,589)</b>	<b>(2,499)</b>	<b>(2,856)</b>	<b>(2,916)</b>
Dividends paid	(606)	(692)	(751)	(850)	(964)
Debt raised/ repaid	906	4,899	(581)	282	284
Others	3,834	(183)	3,133	444	398
<b>CF from financing activities</b>	<b>4,135</b>	<b>4,024</b>	<b>1,801</b>	<b>(124)</b>	<b>(282)</b>
<b>Change in cash flows</b>	<b>422</b>	<b>(334)</b>	<b>1,557</b>	<b>562</b>	<b>41</b>
<b>Cash and cash equivalents, beginning</b>	<b>525</b>	<b>947</b>	<b>613</b>	<b>2,171</b>	<b>2,733</b>
<b>Cash and cash equivalents, ending</b>	<b>947</b>	<b>613</b>	<b>2,171</b>	<b>2,733</b>	<b>2,774</b>

Source: Company, KBVS Research

## Exhibit 13: Ratio Analysis

Year End Dec	2020A	2021A	2022F	2023F	2024F
Gross profit margin (%)	79.5	76.2	73.7	74.6	76.0
Operating profit margin (%)	71.6	69.7	67.0	67.9	69.4
EBITDA margin (%)	86.7	87.9	87.6	87.7	87.7
Net profit margin (%)	19.0	25.1	24.7	26.5	28.5
Receivables turnover (days)	39.8	36.4	30.0	28.8	27.7
Payables turnover (days)	27.1	17.4	16.6	15.9	16.6
ROA (%)	3.2	4.1	3.8	4.1	4.4
ROE (%)	14.7	17.2	14.4	13.3	13.7
ROCE	16.8	12.9	12.0	12.3	12.7
ROIC (%)	3.2	4.1	4.1	4.6	5.0
Debt/ Equity (%)	2.8	3.2	2.2	2.0	1.9
Net debt/Equity (x)	2.7	3.1	2.0	1.8	1.7
Net debt/ EBITDA (x)	5.0	5.2	4.5	4.3	4.1
Interest coverage (x)	2.0	2.2	2.5	3.0	3.1
BV/share (IDR)	410.7	432.1	610.1	671.0	738.1

Source: Company, KBVS Research



## Tower Bersama Infrastructure (TBIG)

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