

Jump on fiber bandwagon

5 December 2023



TBIG IJ	HOLD
Sector	Towerco
Price at 05 Dec 2023 (IDR)	2,110
Price target (IDR)	2,150
Upside/Downside (%)	1.9

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 (IDR bn)	48,032
Shares outstanding (mn)	22,657
52-week range (IDR)	2,083 -2,420
3M average daily vol. ('000)	5,707
3M average daily val. (IDR mn)	11,659

Shareholders (%)

Bersama Digital Infrastructure	75.3
Wahana Anugrah Sejahtera	9.3
Public	15.4

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	(3.3)	(0.5)	(14.2)

TBIG's fiber expansion has shown meaningful improvement as contribution jumped to nearly 5% in 9M23. We expect this segment should become a new growth trajectory for TBIG in-line with growing demand for fixed-broadband and 5G commercialization going forward. However, 9M23 performance generally missed our estimates by 2.5%-10.6%. Given that, we maintain our HOLD call with a target price of IDR2,150 per share, implying 13.0x EV/EBITDA or within 5-year average historical mean.

9M23 results miss our estimate

TBIG's 3Q23 EBITDA declined 0.64% qoq to IDR1.44 tn, bringing 9M23 EBITDA of IDR4.28 tn or flattish yoy. However, this was below ours/consensus by 3.4%/0.7%. The lower EBITDA qoq in 3Q23 was mainly dragged by higher cash cost that brought cash cost/ tenant at IDR2.4mn compared to IDR1.7mn in previous quarter, causing margin to decline 113bps qoq. Having said that, TBIG managed to lower its cost of finance qoq to 6.2% in 3Q23 coupled with lower tax that has driven its net profit to grow by +14.1%/5.8% qoq/yoy to IDR430bn/IDR1.12 tn in 3Q23/9M23, yet it was still lower than our forecast at 64.4% though relatively in-line with consensus. Balance sheet wise, the company's leverage was slightly improved with net gearing at 2.6x in 9M23 with net debt/ EBITDA at 4.7x.

New catalyst from fiber segment

TBIG's revenue slightly grew 0.7% qoq/0.6% yoy in 3Q23/9M23 to IDR1.67tn/IDR4.95tn, missing ours/BBG consensus by 2.5%/0.6%. Nevertheless, the company's monthly tenancy fee inched up 1.9% qoq in 3Q23 to IDR12.6mn/ tenant as it added 137 net additions of tower tenants, decelerating from 419 of net additions in previous quarter. This was impacted by IOH network reconfiguration leading up to non-renewals. Furthermore, TBIG recorded collocation addition of 478 in 3Q23. On the other hand, TBIG's telco tower sites stood at 22,175 (+149 qoq) in 3Q23, bringing tenancy ratio at 1.87x or lower than 2Q23's at 1.88x. Also, it is worth noting that TBIG booked an exponential growth in fiber revenue of IDR107.4bn/IDR241.4bn in 3Q23/9M23.

Expecting growth trajectory from fiber

TBIG's fiber segment should be new growth catalyst going forward, boosted by higher demand from MNOCs in-line with fixed broadband and 5G commercialization. Fiber revenue to TBIG's overall contribution stood at nearly 5% in 9M23 compared to 0.5% in a year prior. Meanwhile, we expect that the completed network reconfiguration of IOH may bolster TBIG's tenancies in '24 onwards, becoming a revenue upside potential for TBIG. Nevertheless, we readjust our '24 EBITDA forecasts by -8.8% on the back of pressure on tenancy fee and higher costs amid fiber deployment.

Maintain HOLD on the back of demanding valuation compared to peers

We maintain our HOLD call with a lower target price of IDR2,150 (previously: IDR2,280), implying 13.0x of '24 EV/EBITDA, or within 5-year average historical mean. Our DCF calculation is also aligned with the valuation. The stock is currently trading at 12.7x '24 EV/EBITDA or slightly lower than 5-year historical mean, yet it is higher compared to peers at c. 10.6x forward EV/EBITDA. Meanwhile, upside risks to our call included 1) renewals opportunity in '24 as IOH reconfiguration has concluded; 2) accelerated expansion into fiber assets; 3) improving finance costs on the back of hopes of FFR policy pivot.

Exhibit 1 : Key Statistics

Year end Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Revenue (IDR bn)	6,180	6,524	6,607	6,899	7,119
EBITDA (IDR bn)	5,429	5,662	5,681	5,929	6,130
Net profit (IDR bn)	1,549	1,638	1,477	1,558	1,650
EPS (IDR)	68.4	72.3	65.2	68.7	72.8
EPS growth (%)	53.4	5.7	-9.8	5.4	5.9
ROAA (%)	4.1	4.0	3.5	3.5	3.6
ROAE (%)	17.2	16.7	13.5	12.8	12.5
PER (x)	30.3	28.6	31.7	30.1	28.4
PBV (x)	4.8	4.3	3.8	3.5	3.2
Interest coverage (x)	2.2	2.5	3.1	2.9	2.9
EV/EBITDA (x)	13.8	13.2	13.1	12.7	12.3

Sources: Company, KBVS Research

Analyst
Devi Harjoto
 Devi.harjoto@kbvalbury.com

Exhibit 2: Performance overview

Income statement (IDR bn)	9M23	9M22	YoY (%)	3Q23	3Q22	YoY (%)	2Q23	QoQ (%)	2023F	% to '23F	Cons'	% Cons'
Revenue	4,953	4,922	0.6	1,673	1,618	3.4	1,662	0.7	6,828	72.5	6,657	74.4
Cost of revenue	(1,370)	(1,412)	(2.9)	(597)	(488)	22.4	(342)	74.4				
Gross profit	3,583	3,510	2.1	1,076	1,131	(4.8)	1,320	(18.5)				
Operating expenses	(377)	(343)	9.8	(33)	(119)	(71.9)	(216)	(84.6)				
EBIT	3,205	3,167	1.2	1,043	1,012	3.0	1,103	(5.5)				
EBITDA	4,283	4,282	0.0	1,440	1,385	4.0	1,449	(0.6)	5,979	71.6	5,767	74.3
Other income (exp.)	(70)	(37)	90.6	(9)	(8)	15.2	(32)	(71.0)				
Financial expenses	(1,440)	(1,370)	5.1	(428)	(425)	0.7	(565)	(24.2)				
Pre-tax income	1,695	1,760	(3.7)	605	579	4.5	507	19.4				
Taxes	(530)	(501)	5.8	(157)	(169)	(7.5)	(137)	14.1				
Attributable net profit	1,118	1,223	(8.5)	430	397	8.3	357	20.4	1,737	64.4	1,498	74.7
Margins (%)												
Gross margin	72.3	71.3		64.3	69.9		79.4					
EBIT margin	64.7	64.3		62.3	62.5		66.4					
EBITDA margin	86.5	87.0		86.1	85.6		87.2					
Net Margin	22.6	24.8		25.7	24.5		21.5					
Operational metrics												
Tenant				41,455	40,578		41,318					
Tower				22,175	21,553		22,026					
Tenancy ratio (x)				1.87	1.88		1.88					

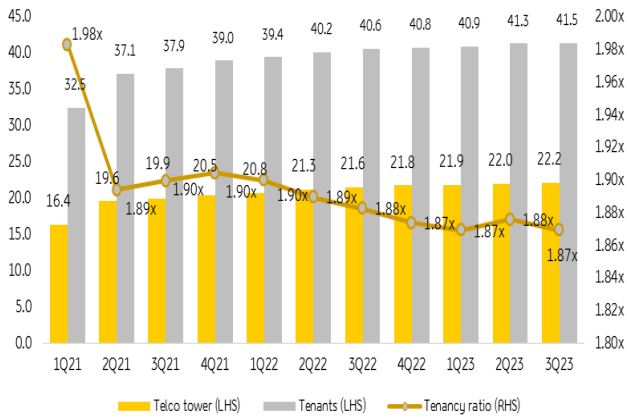
Source: Company, KBVS Research, Bloomberg

Exhibit 3: Forecast changes

	New		Old		Changes		BBG Consensus		New VS Consensus	
	2023E	2024F	2023E	2024F	2023E	2024F	2023E	2024F	2023E	2024F
Revenue	6,607	6,921	6,828	7,115	-3.2	-7.1	6,657	6935	-0.8	-0.2
EBITDA	5,681	5,951	5,979	6,233	-5.0	-8.8	5,767	6001	-1.5	-0.8
Net profit	1,477	1,578	1,737	1,850	-15.0	-20.1	1,498	1591	-1.4	-0.8

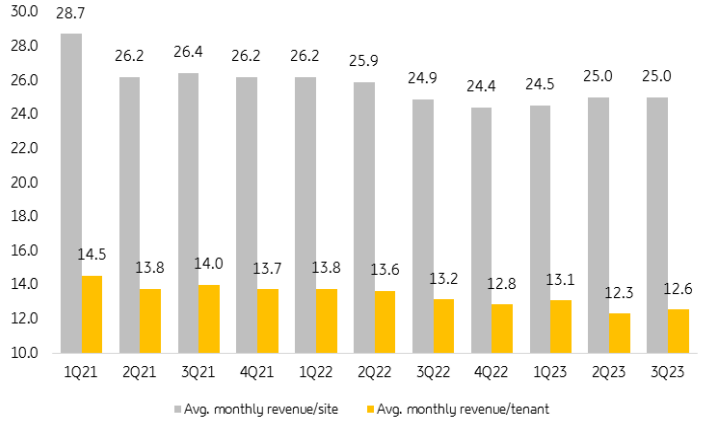
Source: Company, KBVS Research, Bloomberg

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



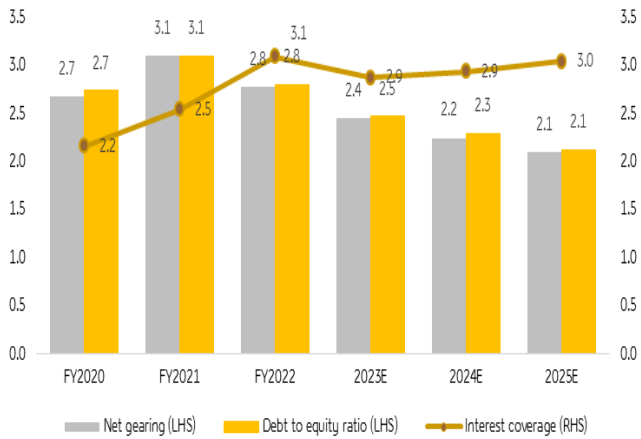
Source: Company, KBVS Research

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



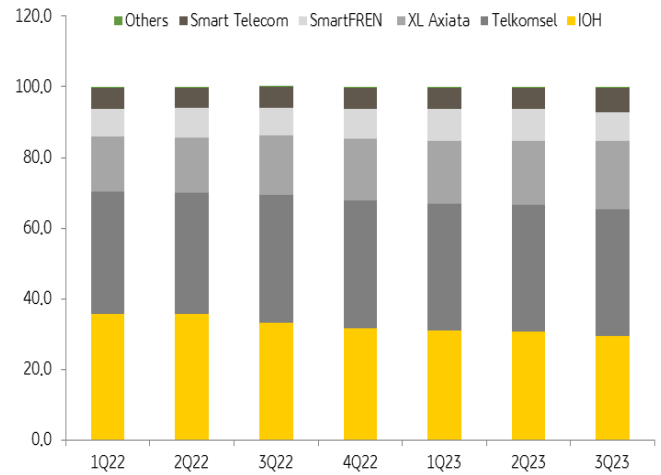
Source: Company, KBVS Research

Exhibit 6: TBIG's leverage metrics



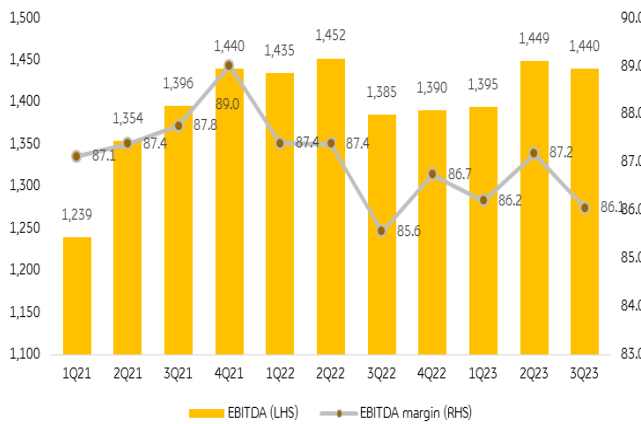
Source: Company, KBVS Research

Exhibit 7: Source of revenue by carrier



Source: Company, KBVS Research

Exhibit 8: EBITDA & EBITDA margin



Source: Company, KBVS Research

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



Source: Bloomberg, KBVS Research

FINANCIAL TABLES

Exhibit 10: Profit & Loss summary

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Revenue	6,180	6,524	6,607	6,921	7,188
Cost of revenue	(1,473)	(1,783)	(1,856)	(1,936)	(2,000)
Gross profit	4,707	4,741	4,751	4,985	5,188
EBITDA	5,429	5,662	5,681	5,951	6,197
Operating expenses	(401)	(459)	(477)	(503)	(510)
Operating profit	4,306	4,282	4,274	4,482	4,678
Other income/expenses NET	-234	-542	-52	-55	-58
Finance income/costs NET	(2,136)	(1,829)	(1,976)	(2,025)	(2,037)
Pretax profit	1,936	1,912	2,246	2,403	2,583
Income tax/benefit	(335)	(222)	(708)	(757)	(814)
Net profit	1,549	1,638	1,477	1,580	1,699

Source: Company, KBVS Research

Exhibit 11: Balance sheet

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Current Assets					
Cash and cash equivalents	629	966	918	1,355	1,113
Trade receivables	539	270	556	598	600
Other current assets	1,853	2,329	3,120	2,771	3,082
Total Asset	3,021	3,566	4,593	4,724	4,795
Non-current assets					
Change in P&E	33,638	34,428	34,945	36,459	37,527
Other non-current assets	5,211	5,147	5,386	5,618	5,812
Total non-current assets	38,849	39,574	40,331	42,077	43,339
Total assets	41,870	43,140	44,925	46,801	48,134
Current liabilities					
Trade payables	37	256	259	375	113
Accrued expenses	1,107	975	1,299	1,355	1,400
Short term debts	5,614	6,121	8,100	8,168	8,250
Other current liabilities	1,673	1,377	1,912	1,945	1,973
Total current liabilities	8,432	8,728	11,569	11,843	11,735
Non-current liabilities					
Long-term debts	23,132	22,839	20,555	21,003	21,213
Other non-current liabilities	8,949	9,381	12,146	12,425	12,340
Total non-current liabilities	32,081	32,220	32,700	33,428	33,553
Shareholders' equity	9,273	10,329	11,608	12,698	13,846
Total liabilities and equity	41,870	43,140	44,925	46,801	48,134

Source: Company, KBVS Research

Exhibit 9: Cash flow

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Net profit	1,549	1,638	1,477	1,580	1,699
Depreciation & Amortization	1,018	1,259	1,280	1,336	1,381
Changes in working capital	(336)	(370)	(232)	505	(509)
CF from operating activities	2,230	2,527	2,525	3,421	2,571
Investment in fixed assets	(5,528)	(1,630)	(1,356)	(2,388)	(1,969)
Others	(1,045)	(354)	(681)	(693)	(674)
CF from investing activities	(6,573)	(1,984)	(2,037)	(3,082)	(2,644)
Dividends paid	(692)	(816)	(769)	(823)	(885)
Debt raised/ repaid	4,899	213	(305)	517	292
Others	(183)	397	539	404	423
CF from financing activities	4,024	(205)	(536)	98	(170)
Change in cash flow	(318)	337	(48)	437	(242)
Cash and cash equivalents, beginning	947	629	966	918	1,355
Cash and cash equivalents, ending	629	966	918	1,355	1,113

Source: Company, KBVS Research

Exhibit 10: Ratio analysis

Year End Dec	2021A	2022A	2023F	2024F	2025F
Gross profit margin (%)	76.2	72.7	71.9	72.0	72.2
Operating profit margin (%)	69.7	65.6	64.7	64.8	65.1
EBITDA margin (%)	87.9	86.8	86.0	86.0	86.2
Net profit margin (%)	25.1	25.1	22.4	22.8	23.6
Receivable turnover (days)	36.4	30.0	22.5	30.0	30.0
Payable turnover (days)	17.4	16.6	55.4	55.4	48.0
ROAA (%)	4.1	4.0	3.5	3.6	3.7
ROAE (%)	17.2	16.7	13.5	13.0	12.8
ROCE (%)	12.9	12.4	12.8	12.8	12.9
ROIC (%)	4.1	4.3	3.8	3.9	4.0
Debt/ Equity (x)	3.2	2.9	2.5	2.4	2.2
Net debt/Equity (x)	3.1	2.8	2.4	2.2	2.1
Net debt/ EBITDA (x)	5.2	4.9	4.9	4.7	4.6
Interest coverage (x)	2.2	2.5	3.1	2.9	2.9
BV/Share (IDR)	432.1	482.0	539.5	590.2	643.6

Source: Company, KBVS Research

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KB Valbury Sekuritas Head Office

Sahid Sudirman Center 41st Floor Unit A-C
Jalan Jenderal Sudirman No. 86 Kelurahan Karet Tengsin,
Kecamatan Tanah Abang, Jakarta Pusat 10220, Indonesia
T. +62 21 – 250 98 300
F. +62 21 – 255 33 778

Branch Office

Jakarta – Sudirman

Sahid Sudirman Center 41st Floor Unit A-C
Jalan Jenderal Sudirman No. 86 Karet Tengsin,
Tanah Abang, Jakarta Pusat 10220
T. (021) 25098300/301

Jakarta – Kelapa Gading

Rukan Plaza Pasifik
Jl. Raya Boulevard Barat Blok A1 No. 10
Jakarta Utara 11620
T. (021) 29451577

Jakarta – Puri Indah

Rukan Grand Aries Niaga Blok E1 No. IV
Jl. Taman Aries, Kembangan
Jakarta Barat 11620
T. (021) 22542390

Jakarta – Pluit

Jl. Pluit Putra Raya No. 2
Jakarta Utara 14450
T. (021) 6692119

Bandung

Jl. HOS Cokroaminoto No. 82
Bandung 40171
T. (022) 87255800

Malang

Jl. Pahlawan Trip No. 7
Malang 65112
T. (0341) 585888

Banjarmasin

Jl. Gatot Subroto No. 33
Banjarmasin 70235
T. (0511) – 3265918

Pekanbaru

Jl. Tuanku Tambusai, Komplek CNN
Blok A No. 3 Pekanbaru 28291
T. (0761) 839393

Palembang

Komplek PTC Mall Blok I No. 7
Jl. R. Sukamto
Palembang 30114
T. (0711) 5700281

Surabaya

Pakuwon Center Lt 21
Jl. Embong Malang No.1
Surabaya 60261
T. (031) 2955788

Padang

Jl. Kampung Nias II No. 10,
Padang 25211
T. (0751) 8955747

Yogyakarta

Jl. Magelang KM 5,5 No. 75
Yogyakarta 55000
T. (0274) 623111

Semarang

Candi Plaza Building Lt. Dasar
Jl. Sultan Agung No. 90-90A
Semarang 50252
T. (024) 8501122

Makassar

Komplek RUKO Citraland City Losari
Business Park, Blok B2 No. 09
Jl. Citraland Boulevard Makassar 90111
T. (0241) 16000818

Medan

Komplek Jati Junction No. P5-5A
Jl. Perintis Kemerdekaan
Medan 20218
T. (061) 88816222

Denpasar

Jl. Teuku Umar No. 177
Komplek Ibis Styles Hotel
Denpasar Bali 80114
T. (0361) 225229

Investment Gallery

Jakarta

Citra Garden 6 Ruko Sixth Avenue
Blok J.1 A/18, Cengkareng
Jakarta Barat 11820
T. (021) 522392181

Semarang

Jl. MT Haryono 637
Semarang 50242
T. (024) 8415195

Salatiga

Jl. Diponegoro No. 68
Salatiga 50711
T. (0298) 313007

Solo

Jl. Ronggowarsito No. 34
Surakarta 57118
T. (0271) 6726306