



SARANA MENARA NUSANTARA

Indonesia's Premier Telecommunication Infrastructure Company

3Q 2018 Results Presentation

PT Sarana Menara Nusantara, Tbk
IDX ticker: TOWR.JK / TOWR IJ
www.ptsmn.co.id



Agenda

Strategy & Achievements

Market Overview

Summary Financial Results



| Strategy & Achievements

Executing “Build, Buy, Return” Strategy

Strategy and Achievements

1

Maintain position as the leading telecom infrastructure company in Indonesia

- Strong organic and inorganic leases growth in 2018
- Renewed lease agreement for leases coming due in 2018 through 2021
- Churn for 2018 expected at less than 3%
- Diversified revenue from iForte

2

Retain investment grade rating

- Ratings from Fitch and Moody's reconfirmed in 2018

3

Capitalize on strong balance sheet for growth and M&A opportunities

- Completed purchase of 100% of shares of KIN approximately 1,400 additional towers and 2,000 leases including 133 BTS and 153 Colo pipeline orders

4

Maintain dividend policy and initiate share buyback

- Increased dividend from IDR 700 billion for FY2016 to IDR 1,200 billion for FY2017
- Initiated share buyback program in accordance with OJK regulations due to undervaluation of shares in the market

...In the absence of large acquisition opportunities, we expect Protelindo to continue paying high shareholder returns over the next few years. Nonetheless, the company retains flexibility within its metrics to make reasonable acquisitions...

...Protelindo's management has thus far been selective in its acquisitions, and has a track record of walking away from non-economic transactions, giving us some comfort that it will remain committed to maintaining metrics and a financial profile consistent with an investment grade rating....

Moody's, April 2018

...Protelindo's scale and financial strength can comfortably support organic and inorganic growth, and progressive dividends, without a material impairment to its credit profile. The company plans to raise annual dividends to IDR1.2 trillion in 2018 (from IDR700 billion in 2017), in its upcoming annual general meeting in May 2018. We expect Protelindo to also consider M&A to bolster growth as smaller independent tower companies exit the industry due to the lack of economies of scale.

Fitch, May 2018

The stable outlook on PT Profesional Telekomunikasi Indonesia (Protelindo) reflects our expectation that the company will continue to generate steady cash flows and maintain its high EBITDA margins of around 85%. It also reflects our view that any future tower acquisitions or dividend payouts will not raise the company's debt-to-EBITDA ratio beyond 3x.

S&P, Dec 2017



Market Overview

Indonesia Macro Economy – Key Indicators

Strong Fundamentals in an Uncertain Environment

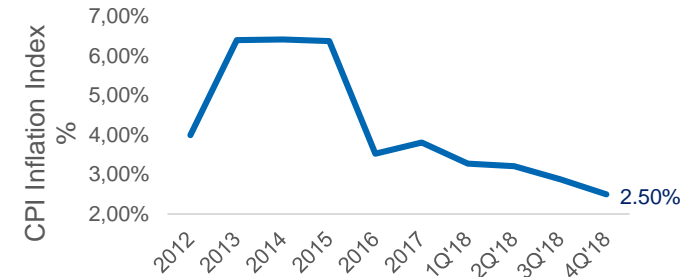
- Markets negatively impacted a global trade war issue and US interest rate policy
- Currency fluctuations have led to BI hiking the benchmark interest rate
- Purchasing power is expected to improve supported by a growing economy and demographics

The Jakarta Composite Index



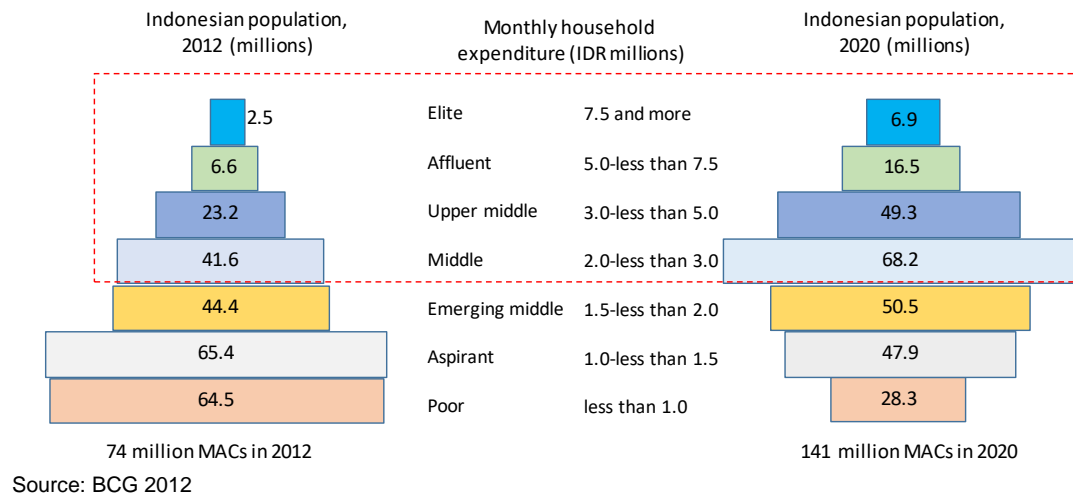
Source: FactSet as at Oct 9, 2018

Indonesian CPI Inflation Index



Source: Economist Intelligence Unit

Purchasing Power

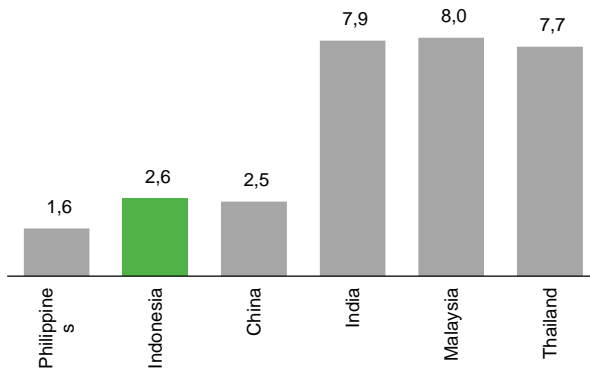


Indonesia Telecom Industry – Outlook

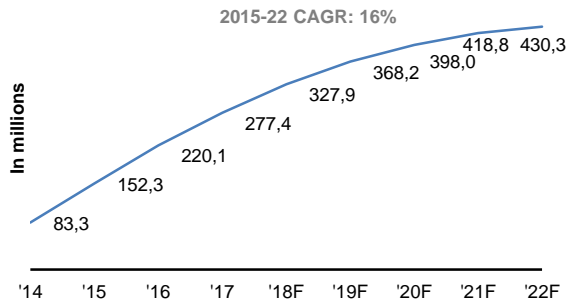
Strong demand for data services expected over the next five years

...Indonesia's average mobile data usage remains relatively low

Data usage (GB) per connection per month Jun'18

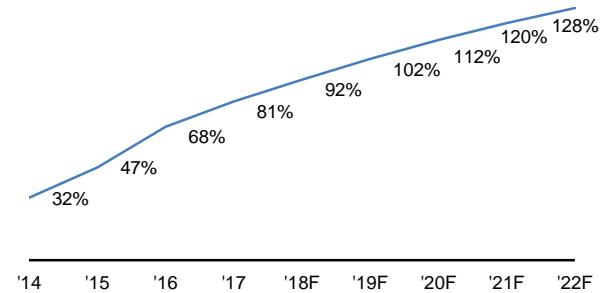


.. and improving mobile broadband availability and affordability..



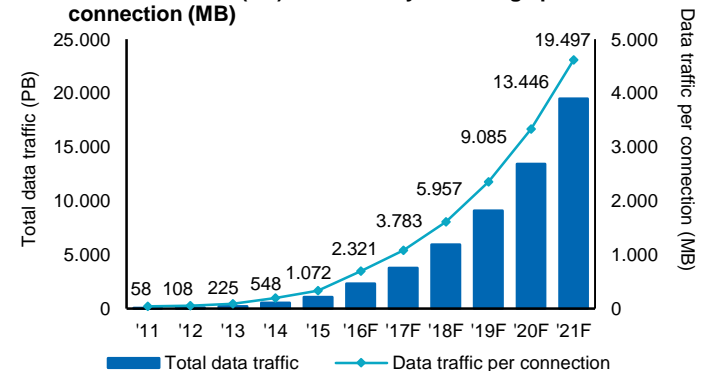
Source: WCIS

...Increasing smartphone penetration..



... is leading to a data consumption surge in Indonesia

Total data traffic (PB) and monthly data usage per connection (MB)



Indonesian Tower Industry – Key Growth Drivers

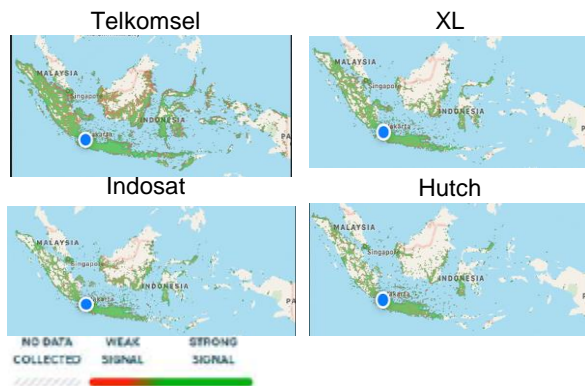
Potential for organic growth in line with the increasing demand for Telco services

1. Telecom industry coverage growth

- Major operators are continuing to expand coverage ex-Java and increase capacity in Java
- Indosat and XL will need additional 7,000-10,000 coverage sites each to approximate with Telkomsel's capacity
- **Over 3,000 total new lease orders received through October 2018:**
 - **1,940 lease orders have been completed and commenced revenue in 3Q2018**
 - **1,136 new leases in the pipeline**
- **Added more than 2,000 new leases from the KIN acquisition**

Network coverage in Indonesia

Comparison of network coverage across Indonesia

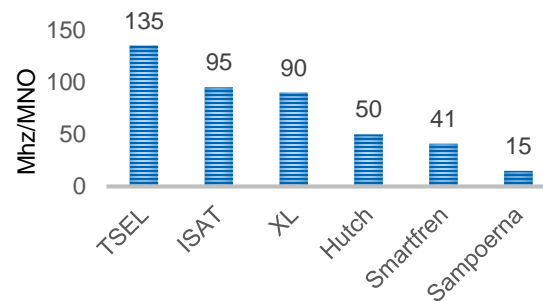


2. Telecom industry capacity growth

- Surging data demand is generating the need to add new equipment to existing tenancy leases.
- **Nearly 2,700 additional revenue generating equipment leases signed YTD through Sept 2018. This continues the strong growth in additional equipment leases that began in the 2nd half of 2016**

Spectrum Ownership

- New spectrum auction in late 2017. Telkomsel won the 2,300Mhz spectrum with Indosat and Hutch winning the 2,100Mhz spectrum.



Source: Analysys Mason, public filings, Company

3. iForte and non tower business

- New growth areas driven by increasing urbanization and consumer data services usage behaviour

(i) Micro-cell leasing

(ii) Broadband / VPN



Value proposition

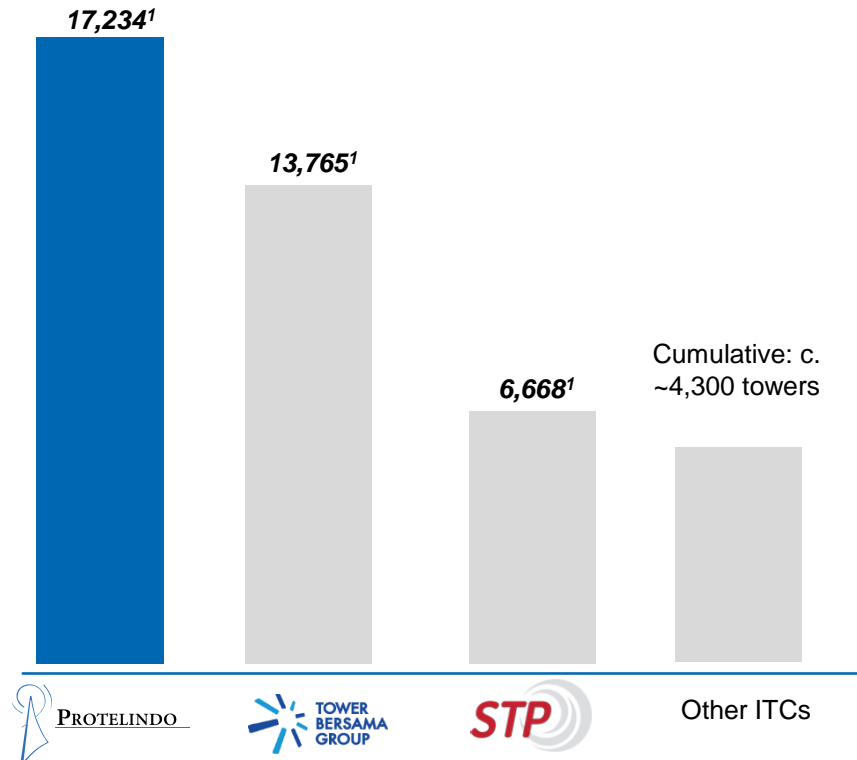
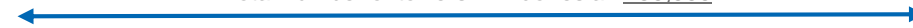
- Improves network capacity in dense data traffic areas
- Offers greater scalability through faster deployment and lower capex per cell
- Dedicated fiber broadband connections
- Fiber optic network of more than 7,200 km
- Over 3,100 VSAT corporate and government leases
- **Tower fiberization:**
 - has reached over **2,200 km built** including **1,500 km revenue-generating connections**, **16,000 km of fiber optic cable in the pipeline**

Indonesian Independent Tower Industry – Key Growth Driver

4. Highly fragmented market with consolidation potential

Total number of towers owned by ITCs in Indonesia: ~42,000

Total number of towers in Indonesia : ~90,000



Excludes captive tower assets held by operators or affiliates of operators (Telkom/Dayamitra, Telkomsel, IBST, XL Axiata, Hutchison and Indosat)

Notes:

1 For Protelindo Count as of Sept 2018 and Others Count as of June 2018

Source: Industry Sources, Company

Work orders in progress

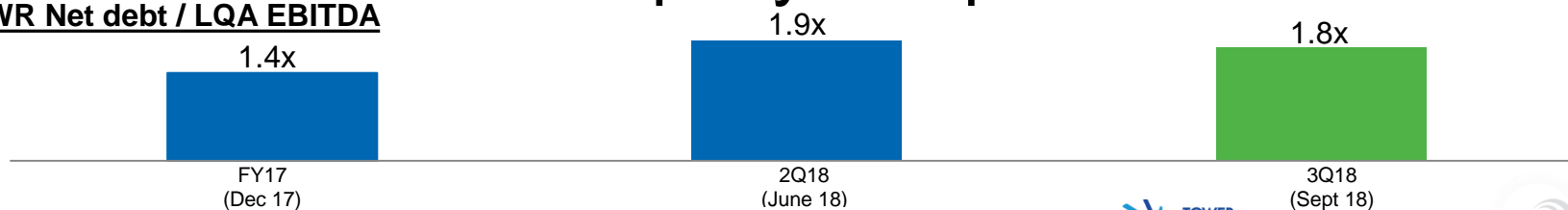
- Tenant Lease work orders for organic BTS & colo in progress through end of Oct 2018




Period	Organic tenancies
Full year 2017	Commenced 1,591 tenancies
YTD Sept 2018	Commenced 1,940 tenancies
YTD Oct 2018	Accumulated new orders of 3,076 tenancies; remaining balance of 1,136 new leases in the pipeline

- 2017 was Protelindo's best year for organic orders since 2013 with momentum continuing in 9M 2018
- Tower fiberization has reached over 2,200 km built including 1,500 km revenue-generating connections, 16,000 km of fiber optic cable in the pipeline
- Non-tower business grew 62% to IDR 136.9 billion from 3Q17 to 3Q18 led by growth in the fiber optic and VSAT businesses

Indonesia's tower company comparison

TOWER Net debt / LQA EBITDA



	2Q18 (June 18) 	3Q18 	3Q18 
LQA Revenue (IDR bn) ⁽¹⁾	6,161.6	4,357.1	1,880.6
LQA EBITDA (IDR bn) ⁽¹⁾	5,178.0	3,752.1	1,617.9
EBITDA Margin	84.0%	86.1%	86.0%
Interest Cost Annualized (IDR bn)	763.9	2,071.8.0	537.7
Recurring FCF (IDR bn) ⁽²⁾	4,414.1	1,680.3	1,080.2
AFFO (IDR bn) ⁽²⁾	3,352.0	1,421.3	937.6
AFFO Yield	13.5%	5.6%	12.3%
LQA Recurring FCF Margin ^(1:2)	71.6%	38.6%	57.4%
YTD Income Before Tax (IDR bn) ⁽⁴⁾	2,285.6	734.5	(85.2)
YTD Net Income (IDR bn) ⁽⁴⁾	1,706.0	630.6	(138.2)
Retained Earnings (IDR bn)	7,358.5	1,267.1	371.3
Key Credit Metrics			
Net Debt / LQA EBITDA ⁽¹⁾	1.8x	5.3x	4.3x
Interest Coverage Ratio	6.8x	1.8x	1.8x
Average Interest Rate ⁽²⁾	7.8%	10.3%	12.3%
Corporate credit rating: S&P/ Fitch/ Moody's	BBB-/ BBB-/ Baa3	BB-/ BB-/ Ba3	BB-/ BB-/ -

Notes:

1. LQA= Last Quarter Annualized
2. Recurring FCF = LQA EBITDA – interest cost; LQA recurring FCF Margin = (LQA EBITDA – interest cost)/LQA revenue; AFFO= LQA (EBITDA – Cash Taxes – Net Interest Expense – Maintenance Capex) and for AFFO Yield= AFFO/Market Cap
3. Based on LQA interest expenses / total debt
4. For depreciation of fixed assets, SMN uses 10% residual value, which may be different than other tower companies that use estimated 50% to 70% residual value

Indonesian Tower Industry – Defining Features

One of the most attractive tower industries globally

Market leaders have the highest ROIC globally

Long term revenues with minimal churn and minimal default risk

High EBITDA margins and free cash flow conversion

Strong operating leverage

High barriers to entry, including economies of scale and the need for a thorough understanding of the local market conditions

Significant growth and business opportunity

	Indonesia	USA	Western Europe	India	China
Predominant Tower business model	Independent	Independent	Independent ²	Captive	Captive
Average Lease Rate per Tenant per month (USD) ¹	800 -1,000	2,500 - 3,000	1,400 - 2,600	600 - 800	400 – 600
Multi-tenancy discounts	No discount	No discount	No discount	Range from 5% - 20%	Range from 30% - 45%
Average EBITDA margins (%)	80% -84%	55% -70%	40% -50%	40% -45%	55% -60%
Tower + Power	No	No	No	Yes	Yes
New Tower Capex (USD '000 per tower) ¹	55 - 70	200 - 250	75 - 90	35 - 50	35 – 50

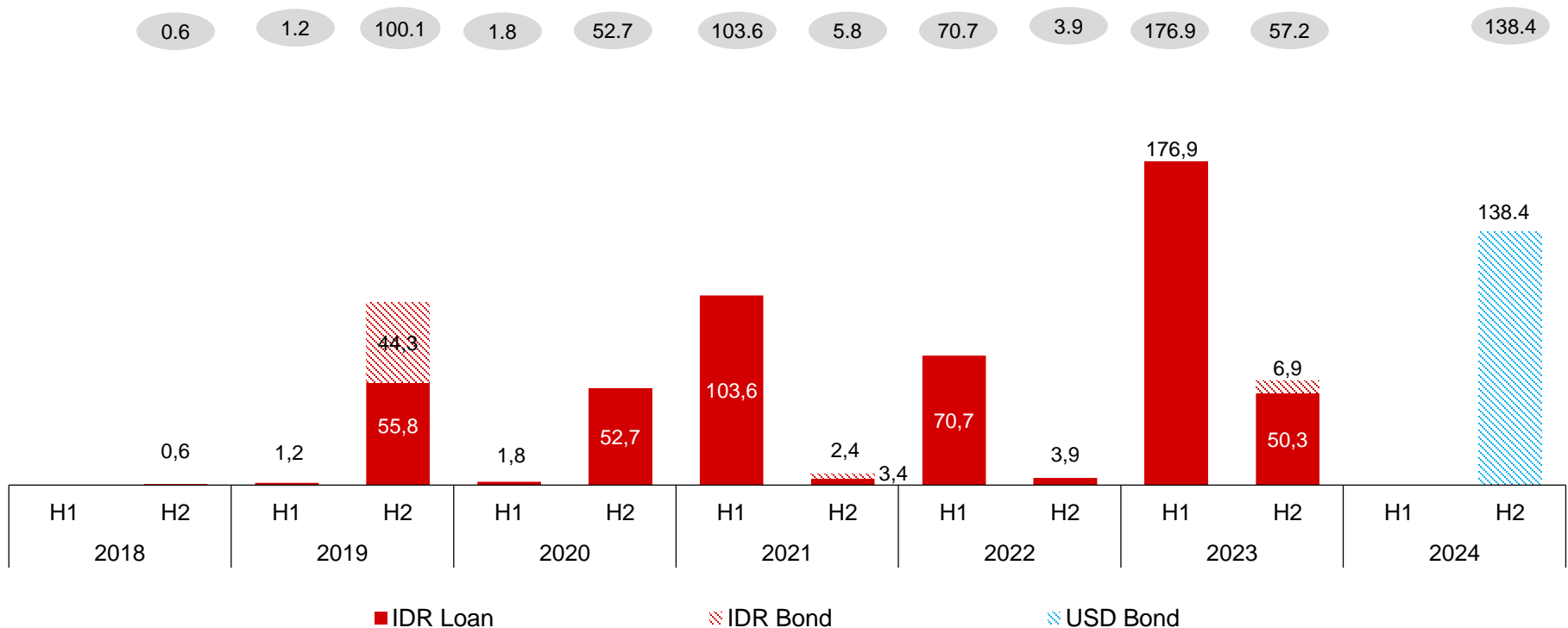
Source: Analysys Mason, public filings, Company

Notes:

1. In local currency, and stated in approximate USD for comparison purposes. New Tower Capex for Indonesia includes capitalized prepaid ground lease
2. Independent tower business model in Western Europe, with the exception of Inwit in Italy

Debt profile

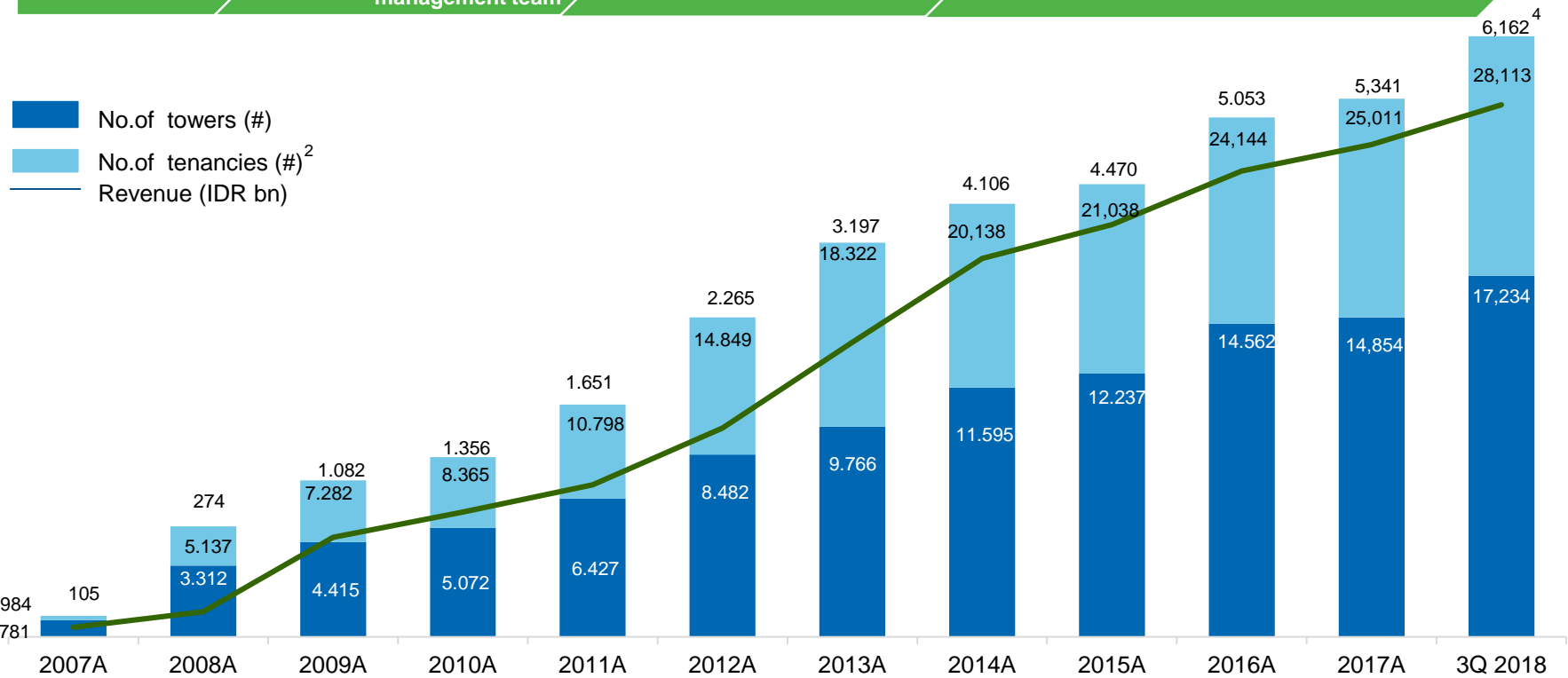
Debt maturity (stated in USD Mio)



- Average interest rate increased 24 bps from 7.53% in 2Q 2018 to 7.77% in 3Q 2018 mainly due to change in debt composition from less USD debt and more IDR debt
- USD denominated debt is covered by USD revenue flow from tower leases
- Fixed rate borrowing: 35.7% and Floating rate borrowing: 64.3%

And history of strong growth

Protelindo has demonstrated a strong track record of both organic and acquisition-led growth



Indonesia's largest independent tower portfolio comprising 7,475 Build-to-suit ("B2S") towers and 9,759 acquired towers³

Notes:

- From all 3 international ratings agencies: Baa3 / BBB- / BBB- as per Moody's / S&P / Fitch
- Tenancy is defined as tower space leased to a telecommunications operator for installation of its Base Transceiver Station and related transmission equipment (antennas and microwave dishes)
- As at 30 September 2018
- Based on Last Quarter Annualized (LQA) Figure

Protelindo snapshot



Strong average revenue growth of 10.5%⁽²⁾ and EBITDA growth of 9.3%⁽²⁾



Indonesia's largest independent telecommunication infrastructure provider with: 17,234 towers⁽¹⁾, 28,113 tenants⁽¹⁾, 3,132 VSAT⁽¹⁾ and over 7,200 km of fiber optic cable⁽¹⁾



Diversified revenue mix servicing the largest MNOs in Indonesia with 52% of towers in Java



Solid balance sheet with the lowest financing costs in the industry



Global Investment Grade ratings from all 3 international rating agencies

Source: Company information, Analysys Mason

Notes:

1 As at 30 September 2018

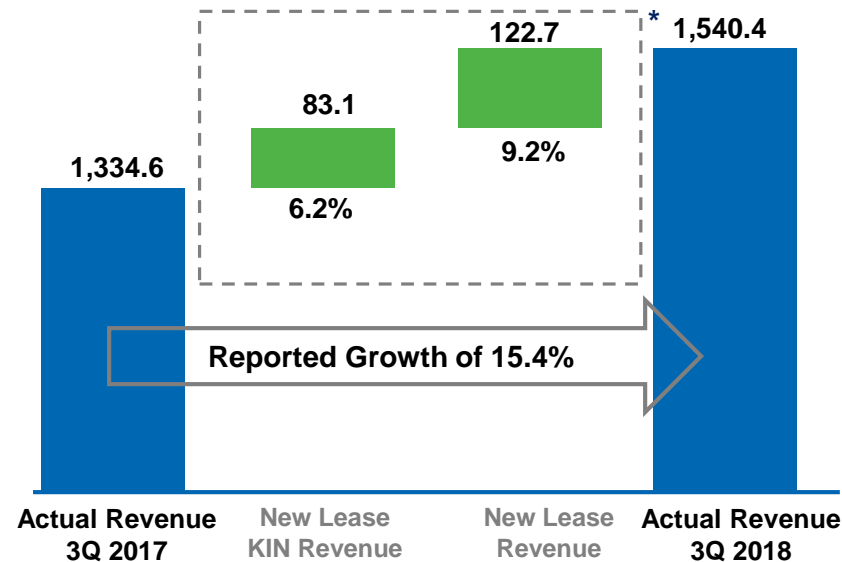
2 4Q 2015-3Q 2018 Average Annual Growth



| Summary Financial Results

Company's Performance Highlights Q3 2017 vs Q3 2018

Revenue (in IDR Bio)



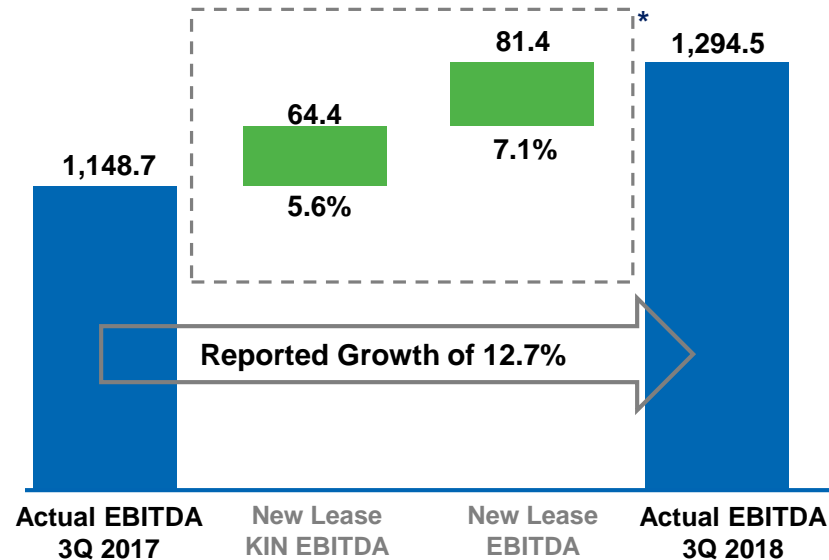
- Solid growth in new tenancies and additional equipment leases supported by organic and inorganic growth

Notes:

* Management account / calculation

Company's Performance Highlights Q3 2017 vs Q3 2018

EBITDA (in IDR Bio)

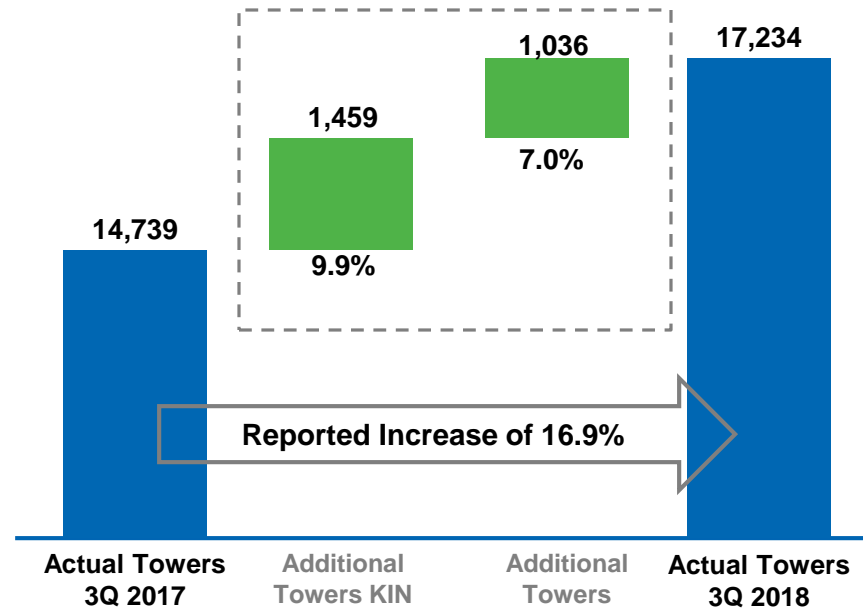


- Maintained EBITDA cash flow generating capacity with commencement of new lease revenue

Notes:

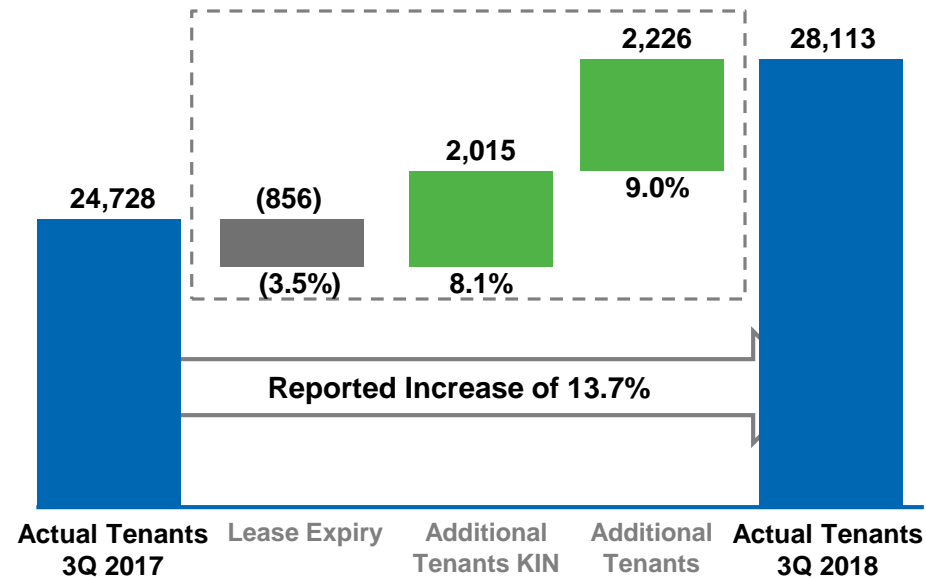
* Management account / calculation

Tower Growth



- New BTS orders expected to continue to develop through 2018

Tenancy Growth



- New tenancies as strong organic growth comes on line
- Does not include 2,637 revenue generating additional-equipment leases
- SMN has over 1,100 leases in the pipeline to be completed as of October 2018

Balance Sheet and Income Statement Snapshot

In IDR Billions (unless otherwise stated)	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18
Income Statement					
Revenue	1,334.6	1,360.1	1,361.9	1,442.8	1,540.4
Revenue Growth (QoQ)	0.4%	1.9%	0.1%	5.9%	6.8%
EBITDA	1,148.7	1,185.3	1,167.8	1,217.0	1,294.5
EBITDA Margin	86.1%	87.1%	85.7%	84.3%	84.0%
EBITDA Growth (QoQ)	0.4%	3.2%	(1.5%)	4.2%	6.4%
Balance Sheet					
Total Debt	9,823.2	9,143.2	8,407.9	11,139.8	10,544.8
Cash & Cash Equivalents	3,285.1	2,348.3	1,281.3	1,945.2	1,297.6
Net Debt	6,538.1	6,794.9	7,126.6	9,194.6	9,247.2
Net Debt / LQA EBITDA	1.4x	1.4x	1.5x	1.9x	1.8x
Total Number of Towers Owned	14,739	14,854	15,001	16,790	17,234

Change in Accounting on Protelindo

Balance Sheet Comparison *

In IDR Billions	Dec - 2016		Dec - 2017	
	PSAK 13	PSAK 16 Cost	PSAK 13	PSAK 16 Cost
Equity				
Retained Earnings	10,201	5,998	11,712	6,546

Profit or Loss Comparison *

In IDR Billions	Dec - 2016		Dec - 2017	
	PSAK 13	PSAK 16 Cost	PSAK 13	PSAK 16 Cost
Depreciation and amortization	(459)	(1,191)	(487)	(895)
FV Inv Property	495	-	103	-
Deferred Tax (Expense)/ Benefit	(303)	2	(249)	(112)
Net Profit	3,043	2,115	2,518	2,100
NL Sales	373	373	-	-
Net Profit excl. NL Sales	2,670	1,742	2,518	2,100

- PSAK 13: Investment Properties, PSAK 16: Fixed Assets
- This is an accounting change only and does not impact EBITDA or cash flow
- New accounting policy implemented as per OJK by Dec 2017
- Towers depreciated over a 30 years life span with 10% residual value that may differ from other tower companies that may differ from other tower companies that may estimate residual value of between 50 to 70% of initial value

Notes:

* Management account / calculation

SMN Consolidated Statement of Profit or Loss

(IDR Bn)	2015A	2016A	2017A	1Q 2018	2Q 2018	3Q 2018
Revenues	4,469.8	5,053.1	5,337.9	1,361.9	1,442.8	1,540.4
Cost of revenues	(181.7)	(209.5)	(277.4)	(78.0)	(101.7)	(111.7)
Depreciation and amortization	(1,026.5)	(1,185.0)	(894.9)	(232.2)	(256.8)	(313.5)
Gross income	3,261.6	3,658.7	4,165.6	1,051.7	1,084.3	1,115.2
Operating expenses	(512.4)	(435.7)	(456.9)	(116.2)	(124.1)	(134.1)
Operating income	2,749.2	3,223.0	3,708.7	935.5	960.2	981.1
Other income						
Interest income	12.4	56.1	68.1	7.1	7.8	7.8
Finance charges	(562.5)	(668.9)	(687.3)	(165.0)	(192.0)	(255.0)
Foreign exchange gains/(losses), net	(427.9)	186.5	(2.4)	(22.8)	(21.9)	(34.8)
(Impairment expense)/ reversal of allowance for impairment	–	(158.4)	(139.7)	(18.4)	(1.5)	229.4
Corporate income tax adjustment	–	–	–	–	–	–
Others, net	(73.7)	232.1	(144.5)	(36.0)	(7.9)	(88.1)
Other income / (expense), net	(1,051.7)	(352.6)	(905.8)	(235.1)	(215.5)	(140.7)
Income/(loss) before corp. income tax expense	1,697.5	2,870.4	2,802.9	700.4	744.7	840.5
Corporate income tax expense						
Current tax expense	(407.3)	(735.8)	(591.3)	(154.5)	(142.7)	(141.9)
Deferred tax expense	(22.3)	3.0	(111.5)	(27.1)	(41.2)	(72.1)
Total corporate income tax expense	(429.6)	(732.8)	(702.8)	(181.6)	(183.9)	(214.1)
Net income from continuing operating	1,267.9	1,764.8	2,100.1	518.8	560.8	626.4
Net income / (loss) for the year	1,267.9	2,137.6	2,100.1	518.8	560.8	671.8
EBITDA	3,775.7	4,408.0	4,603.4	1,167.8	1,217.0	1,294.6
Revenue growth	8.9%	13.0%	5.6%	N/a	5.9%	6.8%
Gross margin	73.0%	72.4%	78.0%	77.2%	75.2%	72.4%
EBITDA margin	84.5%	87.2%	86.2%	85.7%	84.3%	84.0%
Net income margin	28.4%	42.3%	39.3%	38.1%	38.9%	40.7%

SMN Consolidated Statement of Financial Position

As at 30 September 2018

(IDR Bn)	2015A	2016A	2017A	1Q 2018	2Q 2018	3Q 2018
ASSETS						
<i>Current assets</i>						
Cash and cash equivalents	2,986.8	2,905.3	2,348.3	1,281.3	1,945.2	1,297.6
Trade receivables	470.5	351.7	624.0	1,696.3	2,175.5	1,105.3
Other receivables	0.8	1.3	22.4	4.5	7.0	8.9
Inventories	11.1	-	-	-	-	-
Prepaid expenses and advances	39.7	37.3	48.7	47.5	77.0	422.4
Refundable taxes	24.5	298.9	6.3	21.0	59.0	103.3
Other current assets	-	-	-	-	-	-
Total current assets	3,533.4	3,594.6	3,049.7	3,050.6	4,263.7	2,937.5
Total non-current assets	12,856.6	15,192.3	15,713.8	16,155.5	19,564.3	20,052.8
TOTAL ASSETS	16,390.0	18,786.8	18,763.5	19,206.1	23,828.0	22,990.3
LIABILITIES AND EQUITY						
<i>Current liabilities</i>						
Tower construction and other payables - related parties	-	-	4.7	-	-	-
Tower construction and other payables - third parties	216.6	189.3	271.7	348.3	478.5	521.9
Other payables - third parties	20.2	21.3	4.1	5.1	9.1	7.4
Dividend Payable	-	-	-	-	-	-
Accrued expenses	356.3	242.5	262.6	287.6	442.0	437.3
Unearned revenue	820.9	953.4	927.2	1,432.1	2,971.4	2,058.0
Short-term employee benefit liabilities	55.9	45.5	52.8	74.4	21.4	46.4
Current portion of long-term loans	446.1	516.7	633.8	926.6	1,487.6	845.2
Current portion of long-term Bonds	-	998.7	-	-	-	-
Management option plan liability	-	-	-	-	-	141.7
Advance from customers	-	-	-	-	1.2	0.6
Taxes payable	61.6	335.6	73.5	64.3	102.0	16.8
Total current liabilities	1,977.6	3,303.0	2,230.4	3,138.4	5,513.2	4,075.3
<i>Non-current liabilities</i>						
Deferred tax liabilities	506.4	488.2	613.7	632.5	893.0	998.3
Long-term employee benefit liabilities	64.6	91.5	20.5	21.9	23.3	25.2
Long-term loans, net of current portion	6,741.3	5,971.3	5,775.3	4,698.5	6,868.5	6,818.6
Bonds payable	2,715.1	2,432.2	2,589.6	2,655.0	2,664.5	2,736.4
Cross currency swap payables	228.0	223.7	15.6	19.4	49.9	42.9
Unearned revenue ⁽²⁾	113.0	60.8	80.6	79.1	77.9	76.4
Management option plan liabilities	-	30.0	87.4	114.5	141.7	-
Leasing payable	-	-	-	-	1.1	0.9
Long-term provision	208.6	226.4	248.5	255.4	287.3	304.6
Total non-current liabilities	10,577.0	9,524.1	9,431.2	8,476.3	11,007.2	11,003.3
Total liabilities	12,554.6	12,827.1	11,661.7	11,614.7	16,520.4	15,078.6
<i>Equity</i>						
Common shares	530.7	530.7	530.7	530.7	530.7	530.7
Treasury Stock	-	-	-	-	-	(29.4)
Other comprehensive income	(11.6)	(23.2)	24.6	(4.4)	44.6	51.9
Retained earnings / (accumulated deficit)	3,318.0	5,452.3	6,546.4	7,065.1	6,732.2	7,358.5
Non-controlling interests	(1.6)	0.1	0.1	0.1	0.1	0.1
Total equity	3,835.5	5,959.9	7,101.8	7,591.5	7,307.6	7,911.8



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