



SARANA MENARA NUSANTARA

Indonesia's Premier Telecommunication Infrastructure Company

2Q 2019 Results Presentation

(Unaudited)

PT Sarana Menara Nusantara, Tbk

IDX ticker: TOWR.JK / TOWR IJ

www.ptsmn.co.id



Agenda

Strategy & Achievements

Market Overview

Summary Financial Results

Appendix



| Strategy & Achievements

Executing “Build, Buy, Return” Strategy

Strategy and Achievements

1

Maintain position as the leading telecom infrastructure company in Indonesia

- Strong growth in all business lines
- Proven track record in lease renewal with average remaining lease duration of 7.7 years
- Diversified revenue stream

2

Upgrade rating & retain investment grade

- Upgraded rating from ‘BBB-’ to ‘BBB’ by S&P in July 2019
- Positive outlook from Fitch in 2019

3

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

- Strong balance sheet supports capacity for growth

4

Continue dividend policy and share buyback program

Protelindo’s Baa3 issuer rating reflects its position as Indonesia’s largest independent tower company. Its resilient and contractually based business model with stable free cash flow generation and relatively low leverage.

Management’s commitment to a strong balance sheet is also an integral part of its investment grade rating and provides comfort that any additional acquisitions or shareholder initiatives will not result in a material increase in leverage, nor a significant contractions in cash flows.

Moody’s, April 2019

Protelindo’s ‘BBB-’ ratings reflect its cash flow stability, supported by long-term tower lease contracts and robust EBITDA margins, justifying higher leverage metrics than for most corporate credits. Its management has a track record of conservative financial leverage and not overpaying for the acquisition of smaller tower companies. The Positive Outlook reflects improvements in tenancy mix and low risk to revenue from tower contract renewals in the short-to medium term.

Fitch, May 2019

The stable outlook on Protelindo reflects our expectation that the company will continue to generate steady cash flows and maintain EBITDA margin of 80%-85% over the next 12-24 months. We also anticipate that the company’s debt-to-EBITDA ratio will stay less than 3x over the period, even if it makes any tower acquisitions or dividend payouts.

S&P, July 2019



Market Overview

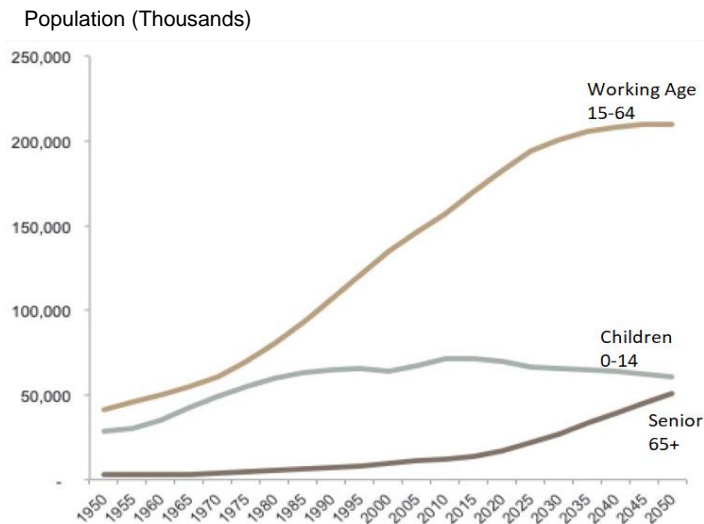
Indonesia Digital Economy – Key Indicators

Solid Potential in a Growing Economy

Over 60% of Indonesians are under 40 years old with a median age of 29 years old

Indonesia enjoys a demographic bonus as the digitally savvy Gen Z enter their productive years

Indonesia's economy continues to grow with a rising young middle class that demands better telecommunications infrastructure and service



Source : United Nations

Indonesia consumer trends 2016 vs. 2021



Source : Google/ AT Kearney

Indonesian Tower Industry – Defining Features

One of The Most Attractive Tower Industries Globally

Long term revenues

High EBITDA margins and free cash flow conversion

Strong operating leverage

High barriers to entry, including economies of scale

Significant growth and business opportunity

	Indonesia	USA	Western Europe	India	China
Predominant Tower business model	Independent	Independent	Independent ²	Non Independent / Captive	Non Independent / 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 / rebate	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, 3}	35 - 50	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
3. Indonesian tower companies typically pay ground lease upfront for 5-10 years in advance of approximately USD 20,000

Sarana Menara Nusantara (SMN) Group – Key Growth Drivers

Surging Data Demand is Generating New Business – New Opportunity

1. Telecom Industry Coverage Growth

- Major operators are continuing to expand coverage ex-Java and increase capacity in Java
- Deutsche Bank research estimates that overlay ratios for 2G/3G/4G have reached saturation. New BTS installations would likely require new tower and collocation sites
- **Orders on hand of over 1,000 total new leases as of 2Q19 with 1,906 new leases commencing revenue during 1H19**

2. Fiber Optics to Improve Capacity

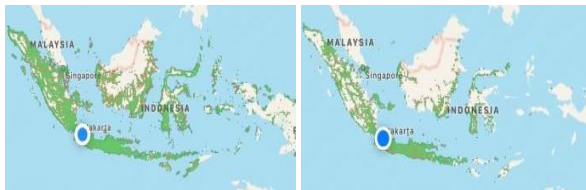
- Fiber improves network capacity in dense data traffic areas
- Approximately 14,500 km of revenue generating installed fiber optic cable network as of 2Q19
- **Construction in process based on orders on hand for approximately 16,600 km in additional fiber optic cable**

3. Satellite Link and VSAT

- New growth areas to meet the communication needs of government entities, large corporates and national banks
- Back-to-back Satellite Transponder Leases to Support Government Telecommunication Infrastructure Projects
- **Over 3,500 corporate and government VSAT leases**

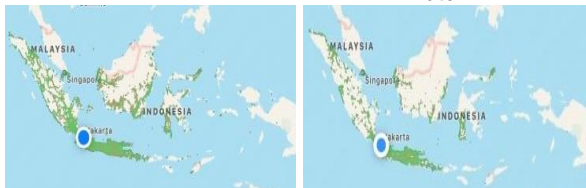
Network Coverage in Indonesia

Comparison of network coverage across Indonesia
Telkomsel XL



Indosat

Hutch



Java Backbone Fiber Optic Cable Network



Sources:

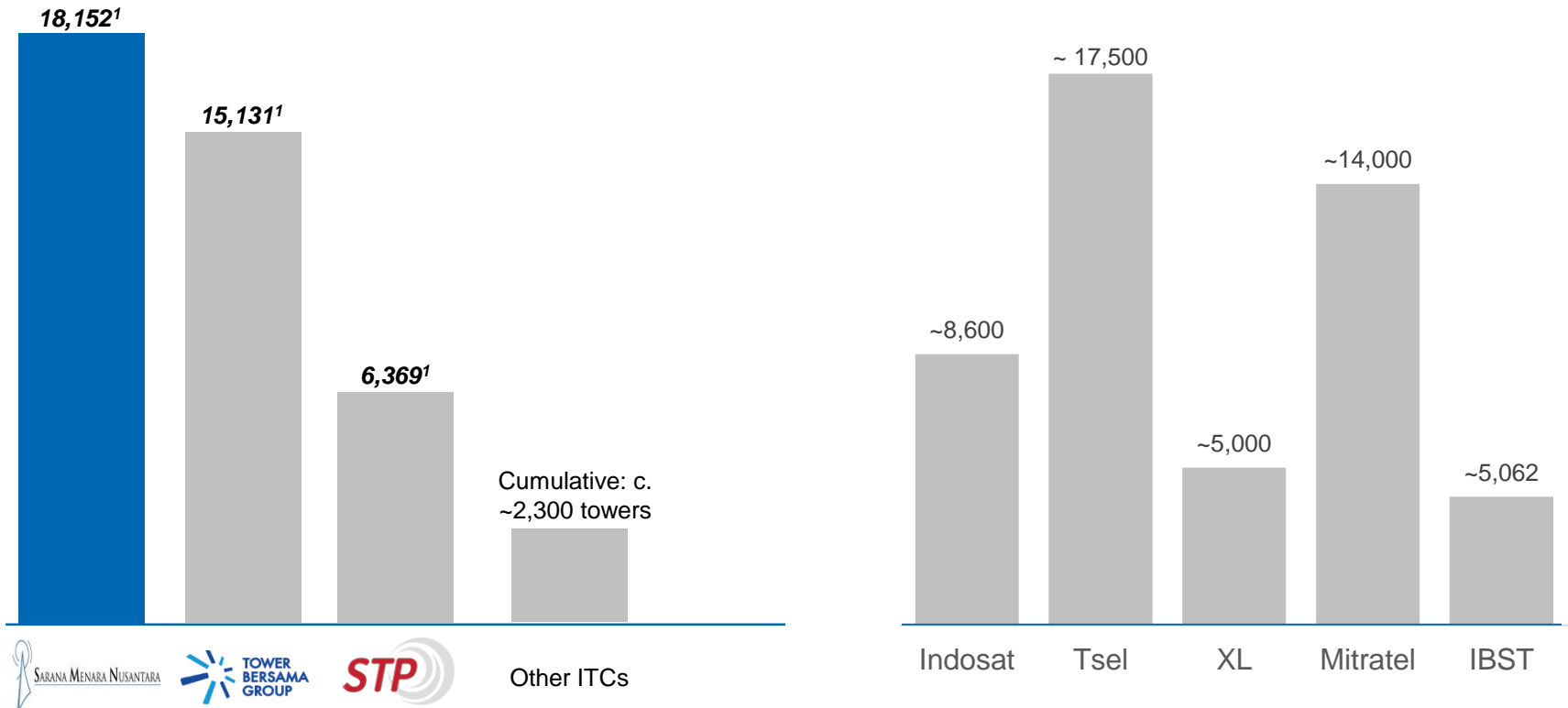
- Analysys Mason, public filings, Company, Deutsche Bank, Open Signal

Indonesian Telecom Infrastructure Industry – Overview

We Are The Largest Owner of Telecom Towers in Indonesia

Total number of towers owned by ITCs in Indonesia: ~50,000

Total number of towers in Indonesia : ~92,000



DBS estimates need to add 50,000 – 70,000 additional tenancies

Notes:

1 For SMN count as of Jun 2019, TBIG and STP count as of Mar 2019

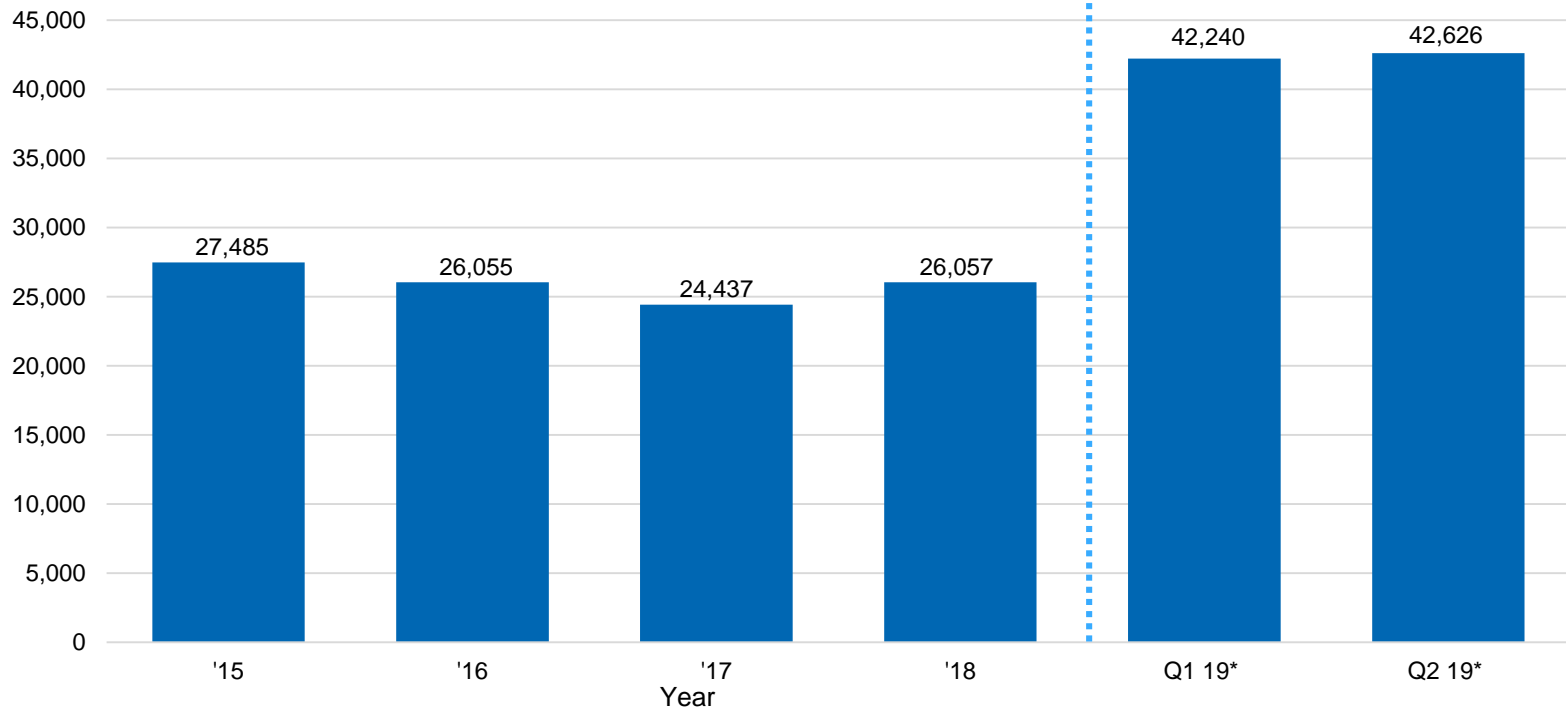
Source: Industry Sources, Company

Approximately 49,000 MNO and captive towers

Source : Analyst Reports DBS & Deutsche Bank, IBSTower Website

Value of Total Long Term Contracts (in IDR bn)

in IDR Bn

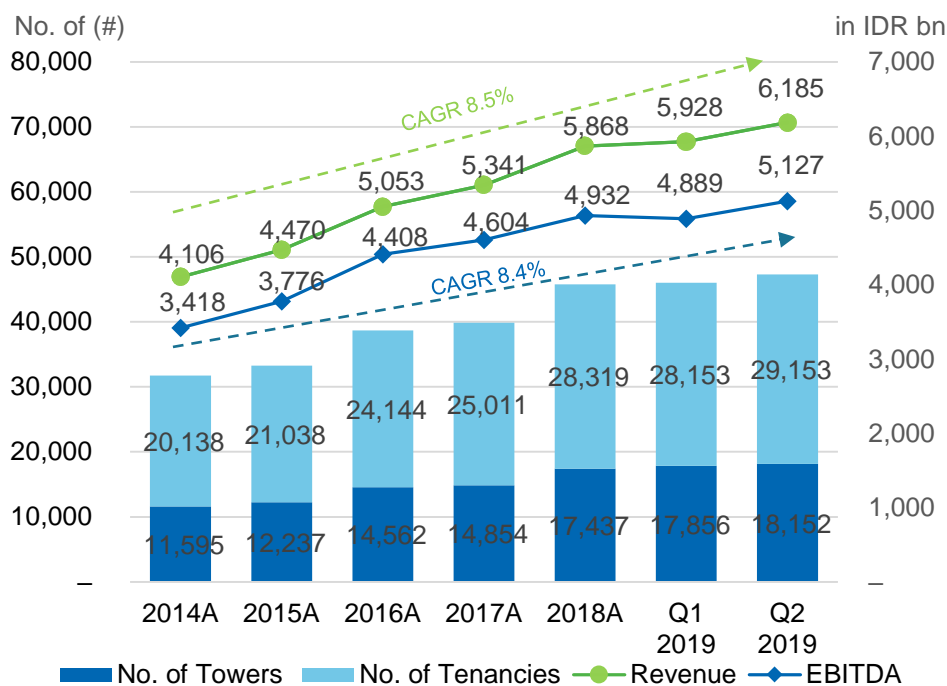


- Revenue based on existing lease contracts and committed new lease contracts and renewals, net of Internux revenue of approximately 1.2%
- Total ~IDR 42.6 trillion in committed revenue flow through 2032
- Does not include potential additional business or expected renewal of existing leases and contracts as they expire

*Including Committed Revenue & Renewal to date

And History of Strong Growth

Protelindo Has Demonstrated a Strong Track Record of Growth



		CAGR (2014 – 2Q 19)*		Adj. EV/EBITDA*
		Revenue	EBITDA	2Q 19
US Towers	AMERICAN TOWER	13.5%	12.3%	24.8x
	CROWN CASTLE	10.2%	10.0%	20.9x
EU Towers	cellnex	19.3%	32.9%	18.6x
Asian Tower	PT Sarana Menara Nusantara	5.6%	10.9%	8.9x
	SARANA MENARA NUSANTARA	8.5%	8.4%	9.1x
	TOWER BERSAMA GROUP	7.2%	8.1%	9.9x

*TOWR, Bharti figures as of Jun 2019 (LQA), other Mar 2019

- 2018 was Protelindo's best year for organic tower orders since 2014 with momentum continuing in 2019 and rapid growth at iForte
- Retain position as Indonesia's leading independent telecom infrastructure provider with the largest tower portfolio consisting of 8,401 Build-to-suit ("B2S") towers and 9,751 acquired towers

Notes:

1 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)

Indonesia's Tower Company Comparison



2Q 2019

1Q 2019

1Q 2019

LQA Revenue (IDR bn)	6,185.4	4,524.3	1,778.9
LQA EBITDA (IDR bn)	5,126.8	3,861.9	1,512.7
EBITDA Margin	82.9%	85.4%	85.0%
Interest Cost Annualized (IDR bn)	940.4	1,950.1	837.5
Recurring FCF (IDR bn) ¹	4,186.4	1,911.8	675.2
LQA Recurring FCF Margin ¹	67.7%	42.3%	38.0%
Net Debt / LQA EBITDA	2.1x	5.1x	4.3x

Key Credit Metrics

Interest Coverage Ratio	5.5x	2.0x	1.8x
Average Interest Rate ²	7.2%	9.8%	11.4%
Corporate credit rating: S&P/ Fitch/ Moody's	BBB/ BBB-, positive/ Baa3	BB-/ BB-/ -	BB-/ BB-/ -

Notes:

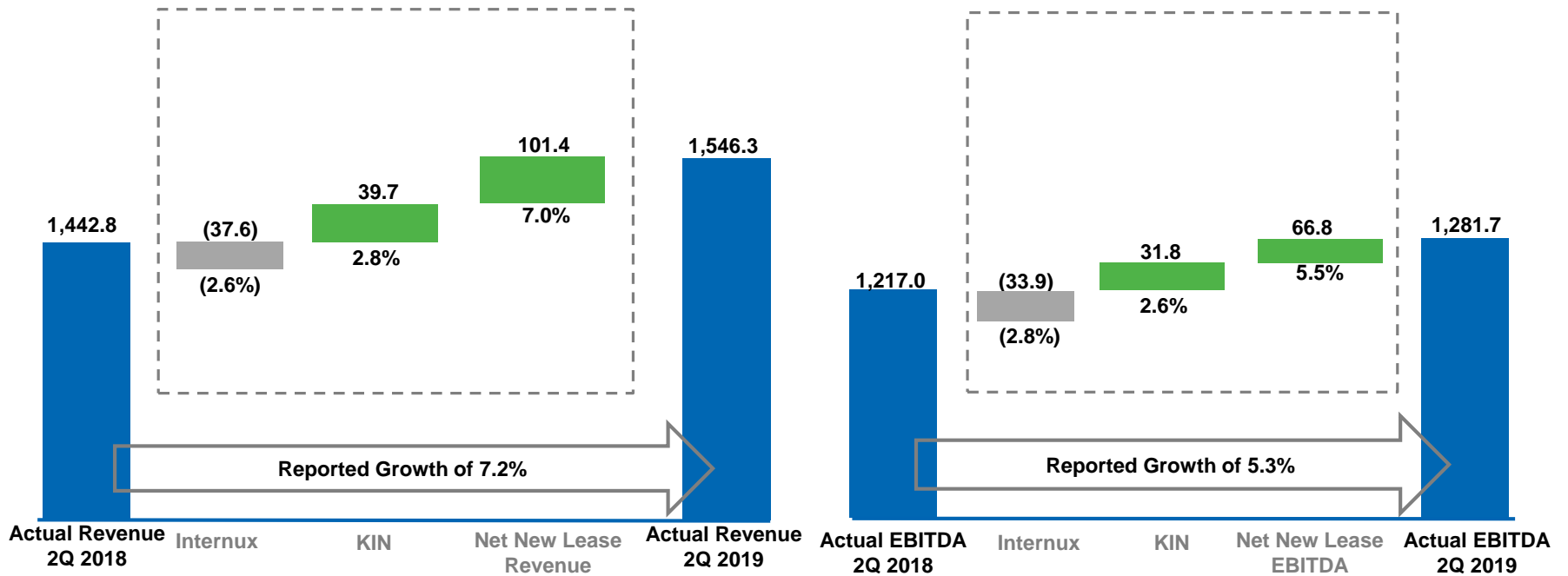
1. Recurring FCF = LQA EBITDA – interest cost; LQA recurring FCF Margin = (LQA EBITDA – interest cost)/LQA revenue

2. After refinancing with JPY Loan in July, our average interest rate will be lower to ~6.8%



| Summary Financial Results

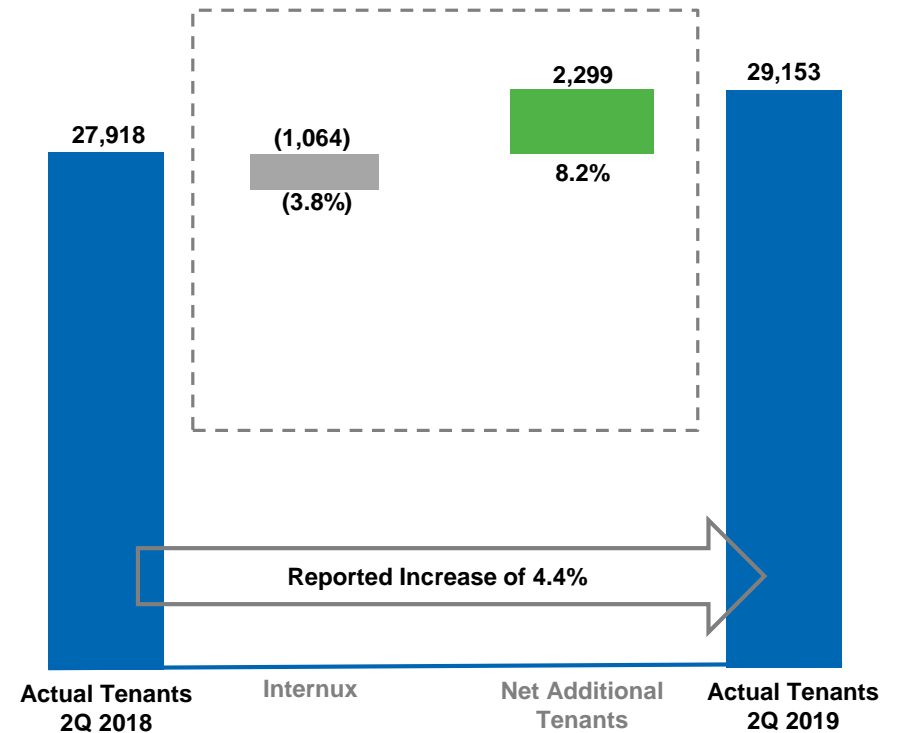
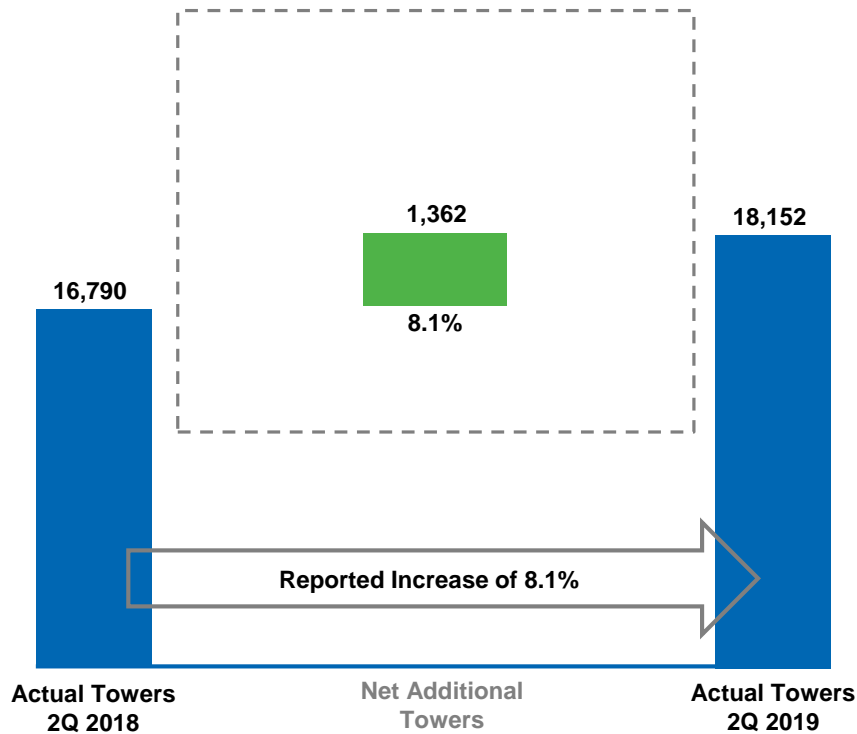
Company's Consolidated Performance Highlights 2Q 2018 vs 2Q 2019 in IDR Bn



- Gross revenue grew a strong 9.8%

- Gross EBITDA grew by 8.1%

Tower & Tenancy Growth



- New tower lease orders expected to continue to develop in 2H 2019

- Does not include 1,600 revenue generating additional-equipment leases
- SMN has 1,076 new leases in the pipeline as of June 2019

SMN Consolidated Statement of Profit or Loss

(IDR Bn)	FY2016	FY2017	FY2018	1Q 2019	2Q 2019
Revenues	5,053.1	5,337.9	5,867.9	1,481.9	1,546.4
Cost of revenues	(209.5)	(277.4)	(427.5)	(113.0)	(105.9)
Depreciation and amortization	(1,185.0)	(894.9)	(1,114.4)	(328.5)	(348.3)
Gross income	3,658.7	4,165.6	4,325.9	1,040.4	1,092.2
Operating expenses	(435.7)	(456.9)	(508.5)	(146.6)	(158.7)
Operating income	3,223.0	3,708.7	3,817.4	893.8	933.5
Other income					
Interest income	56.1	68.1	33.9	6.2	7.0
Finance charges	(668.9)	(687.3)	(872.3)	(233.2)	(265.9)
Foreign exchange gains/(losses), net	186.5	(2.4)	(37.3)	(2.4)	(18.2)
(Impairment expense)/ reversal of allowance for impairment	(158.4)	(139.7)	153.9	(5.6)	(6.0)
Corporate income tax adjustment	-	-	-	-	-
Others, net	232.1	(144.5)	(143.9)	(32.6)	(5.6)
Other income / (expense), net	(352.6)	(905.8)	(865.7)	(267.6)	(288.7)
Income/(loss) before corp. income tax expense	2,870.4	2,802.9	2,951.7	626.2	644.7
Corporate income tax expense					
Tax expense	(735.8)	(591.3)	(695.8)	(152.2)	(142.4)
Deferred tax expense	3.0	(111.5)	(55.8)	(1.5)	18.7
Total corporate income tax expense	(732.8)	(702.8)	(751.6)	(153.7)	(123.7)
Net income from continuing operating	1,764.8	2,100.1	2,200.1	472.5	521.0
Net income / (loss) for the year	2,137.6	2,100.1	2,200.1	472.5	521.0
EBITDA	4,408.0	4,603.4	4,931.8	1,222.4	1,281.7
Revenue growth	13.00%	5.60%	9.90%	N/a	4.4%
Gross margin	72.4%	78.0%	73.7%	70.2%	70.6%
EBITDA margin	87.2%	86.2%	84.0%	82.6%	82.9%
Net income margin	42.3%	39.3%	37.5%	31.9%	33.2%

SMN Consolidated Statement of Financial Position

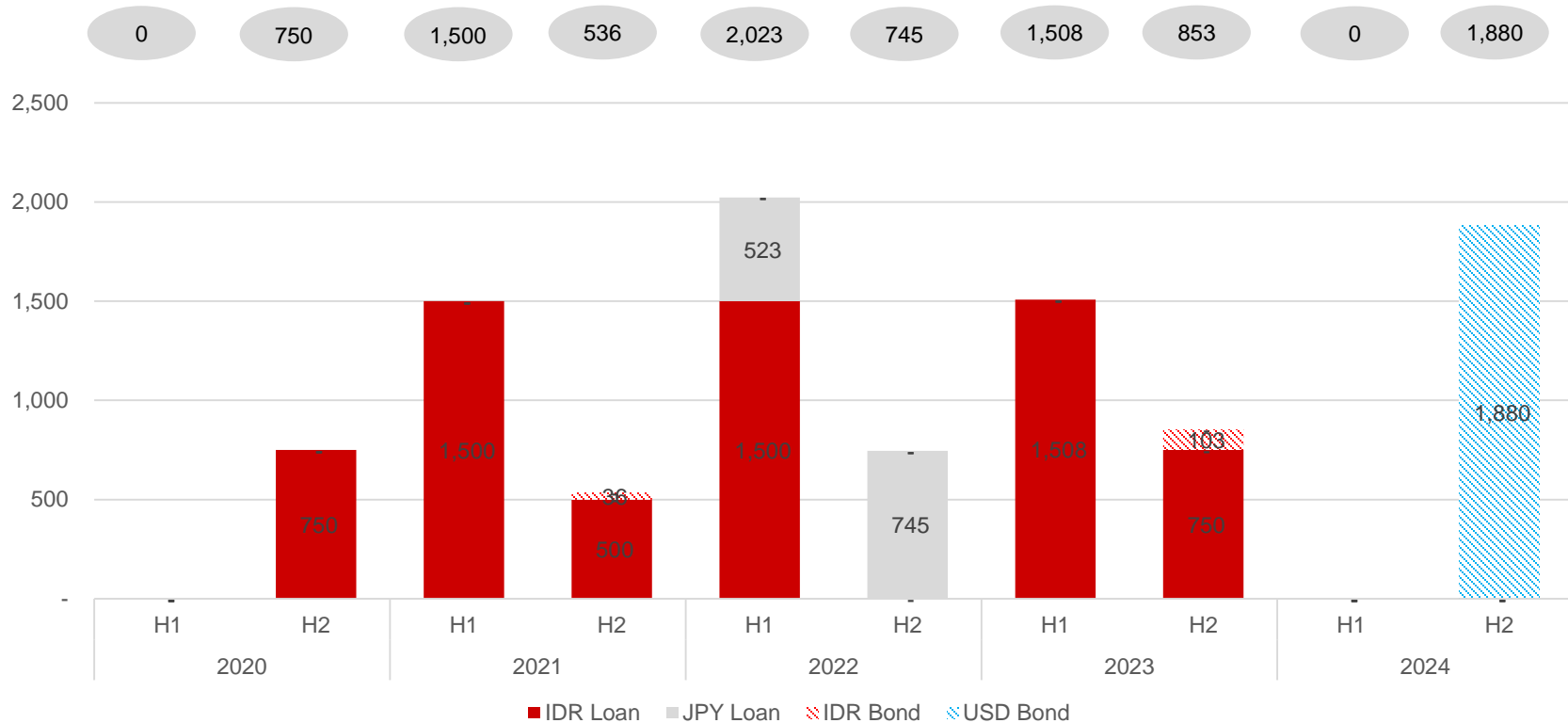
As at 30 Jun 2019

(IDR Bn)	2016A	2017A	2018A	1Q 2019	2Q 2019
ASSETS					
<i>Current assets</i>					
Cash and cash equivalents	2,905.3	2,348.3	963.4	451.2	1,869.5
Trade receivables	351.7	624.0	821.0	1,990.9	1,988.4
Other receivables	1.3	22.4	196.5	168.2	8.1
Inventories	-	-	-	-	-
Prepaid expenses and advances	37.3	48.7	148.6	145.1	154.0
Refundable taxes	298.9	6.3	145.8	153.2	158.3
Other current assets	-	-	-	-	-
Total current assets	3,594.6	3,049.7	2,275.4	2,908.6	4,178.2
Total non-current assets	15,192.3	15,713.8	20,684.2	21,298.5	21,872.4
TOTAL ASSETS	18,786.8	18,763.5	22,959.6	24,207.1	26,050.6
LIABILITIES AND EQUITY					
<i>Current liabilities</i>					
Tower construction and other payables - related parties	-	4.7	-	-	-
Tower construction and other payables - third parties	189.3	271.7	697.1	535.2	591.6
Other payables - third parties	21.3	4.1	6.8	8.1	8.2
Dividend Payable	-	-	-	-	-
Accrued expenses	242.5	262.6	385.9	520.3	463.4
Unearned revenue	953.4	927.2	1,011.0	1,682.4	3,128.3
Short-term employee benefit liabilities	45.5	52.8	64.8	94.1	30.4
Current portion of long-term loans	516.7	633.8	1,732.8	1,249.6	2,457.5
Current portion of long-term Bonds	998.7	-	657.9	658.6	659.3
Management option plan liability	-	-	141.7	141.7	-
Advance from customers	-	-	0.5	0.5	0.0
Taxes payable	335.6	73.5	53.3	26.1	81.1
Total current liabilities	3,303.0	2,230.4	4,751.8	4,916.7	7,419.8
<i>Non-current liabilities</i>					
Deferred tax liabilities	488.2	613.7	667.9	665.8	646.0
Long-term employee benefit liabilities	91.5	20.5	24.7	26.8	33.7
Long-term loans, net of current portion	5,971.3	5,775.3	7,069.7	7,712.7	7,685.6
Bonds payable	2,432.2	2,589.6	2,023.4	2,007.3	1,997.4
Cross currency swap payables	223.7	15.6	31.8	69.5	90.2
Unearned revenue ⁽²⁾	60.8	80.6	46.9	45.8	44.7
Management option plan liabilities	30.0	87.4	-	-	-
Leasing payable	-	-	0.8	0.6	-
Long-term provision	226.4	248.5	309.3	321.4	331.7
Total non-current liabilities	9,524.1	9,431.2	10,174.5	10,849.9	10,829.3
Total liabilities	12,827.1	11,661.7	14,926.3	15,766.6	18,249.1
<i>Equity</i>					
Common shares	530.7	530.7	530.7	530.7	530.7
Treasury Stock	-	-	(126.6)	(138.6)	(381.6)
Other comprehensive income	(23.2)	24.6	81.4	28.1	(5.4)
Retained earnings / (accumulated deficit)	5,452.3	6,546.4	7,547.8	8,020.3	7,657.9
Non-controlling interests	0.1	0.1	-	-	-
Total equity	5,959.9	7,101.8	8,033.3	8,440.5	7,801.6

| Appendix

Long Term Debt Profile

Debt Maturity (stated in IDR Bn)



- Average interest rate decreased 100 bps from 8.2% in 4Q 2018 to 7.2% in 2Q 2019
- Fixed rate borrowing: 28.5% and Floating rate borrowing: 71.5%
- Balance short term loan consist of JP Morgan IDR 344bn, HSBC IDR 350bn, MUFG IDR 250bn, Mandiri IDR 500bn, DBS (iForte) IDR 1,015bn, IDR Bond Serie A IDR661bn. Total debt is IDR 12,915bn



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