

# Indonesia's Premier Digital Infrastructure Company

## 2Q 2023 Results Presentation



PT Sarana Menara Nusantara Tbk

TOWR.JK / TOWRIJ

[www.ptsmn.co.id](http://www.ptsmn.co.id)

[investor.relations@ptsmn.co.id](mailto:investor.relations@ptsmn.co.id)

# SMN Investment Highlights

**Premier** digital infrastructure company in Indonesia

One of the **largest** digital infrastructure companies in Indonesia with **29,792** towers and **189,888 km** fiber\*

**Solid** build-to-suit model for towers and fiber with long-term **predictable** cash flows

Maintained **investment grade** ratings with S&P and Fitch with **stable** outlook post STP acquisition



**Continuous** strong performance  
5-yr Revenue **15.1%**<sup>(a)</sup>  
5-yr EBITDA CAGR **15.3%**<sup>(a)</sup>

**Sustained** strong returns  
ROI **9.3%** and ROE **21.9%**

**TOWR** shares included in **IDX30**,  
**LQ 45**, **IDX ESG leaders**,  
**ESG Sector Leaders IDX KEHATI**,  
**FTSE Emerging Asia Pacific Index**,  
**MSCI ESG rating of BBB**<sup>(b)</sup>

(a) CAGR = Compounded Annual Growth Rate; CAGR 2018 – 2023

(b) Latest reviewed IDX30 (July 2023). LQ 45 (July 2023). IDX ESG Leaders (June 2023). ESG Sectors Leaders IDX KEHATI (June 2023). FTSE Emerging Asia Pacific Index (May 2023). MSCI ESG Rating (January 2023)

\* Including 172,593 kms revenue generating tower fiber

# TOWR strategy supports ESG & sustainability goals

## 1. Capital Management

- Access to low-cost funding
- Liquidity amounts to \$897 mn<sup>1</sup> as of 30 June 2023
- Investment grade ratings from top rating agencies inline with global best practice

## 2. Low-risk business

- Digital infrastructure business with high demand difficult to replace.
- Proven enforceability of long-term irrevocable contracts

## 3. ESG-conscious company

- Very small carbon footprint
- 95% of internet traffic in Indonesia is wireless
- Towers and fiber are important to reduce digital gap

## 4. Attractive industry structure

- Industry consolidating
- Opportunities for acquisitions still exist with fragmented players
- Government support: Palapa Ring, USO & non-USO projects to further investment<sup>2</sup>

## 5. Most unique in asset class

- Contracted revenue of Rp69.3 tn is largest in market
- Attractively valued business with high annual recurring FCF that funds capex, dividend, share buybacks
- TOWR has been successful a consolidator

## 6. Efficient infrastructure provider

- EBITDA and AFFO 5-year CAGR of 15.3% and 13.1%, respectively, with 2022 ROE of 21.9%.

## Going into the future

### A. Best positioned to benefit from growth in internet

1. Invest strong FCF and low cost of capital.
2. Indonesia still in middle of 4G cycle
3. Telco business for tower cos to include more SoW, asset types; inline with TOWR strategies.

### B. Improve Indonesia internet

1. Internet speed and traffic have each grown at 50% for the past year<sup>3</sup>
2. Only 50% of Indonesia territory is served with 4G signal<sup>4</sup>
3. Towers per capita ratio of 1:2700 is roughly 1/3 that of USA or China<sup>5</sup>

### C. Prepared for new opportunities

1. Proven successful track record in expanding product offering
2. Strategy driven by evolving customer needs
3. 5G to be another era of strong growth in tower and fiber

<sup>1</sup> includes committed or offered term sheets from financial institutions and cash in bank <sup>2</sup> USO is Universal Service Obligation. Government is mandating for nation-wide telecommunication infrastructure spending to reduce digital gap <sup>3</sup> for 2020; adapted from industry sources <sup>4</sup> source: PT Telkom, September 2020. <sup>5</sup> source: Verdhana Sekuritas.



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# The Industry

# Tower and Fiber Business

## Long-term Predictable Revenue with Upside

### PREDICTABLE REVENUE

**Long-term contracts\*** (10 years for tower and can be longer for fiber), **non-cancellable** and renewable

### DEPENDENT TENANTS

**Contract renewal likely** due to high relocation cost and significant network impact

### UPSIDE FROM ADDITIONAL REVENUE

**Incremental revenue from colocation or higher asset utilisation** at minimal additional cost

### HIGH BARRIERS TO ENTRY

Significant investment needed, as well as **economies of scale**, knowledge of government rules and local conditions

### FAST GROWING INDUSTRY

- **Surging data demand** creates need for more towers and fibers
- 4G consumers require reliable and high speed internet leading to increase in FTTT
- Impact from 5G to come in 2-3 years

*\*In general, lease price includes annual inflation escalator for opex portion*

# Typical Tower Company Growth Model

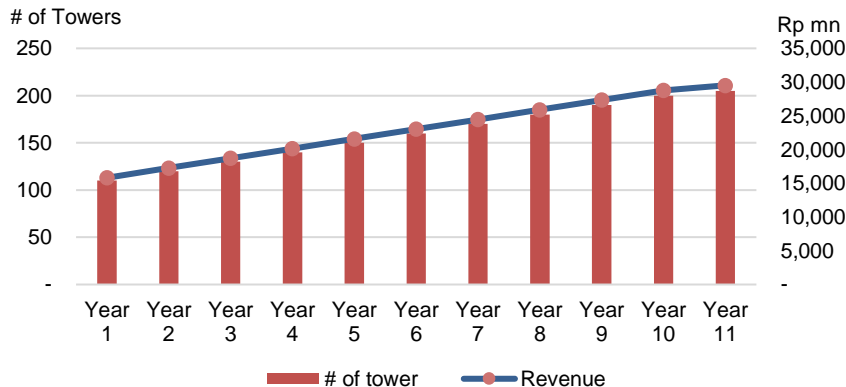
## New Built-to-Suit Tower

Additional towers and contract renewals grow revenue

	Year 1	Year 2	Year 3	Year 4-10	Year 11
Existing tower	100				
Additional tower	10	10	10	70	10
Contract ended					-100
Renewed contract					100
Churn rate (5%)					-5
<b>Total tower</b>	<b>110</b>	<b>120</b>	<b>130</b>	<b>200</b>	<b>205</b>
Revenue (Rp mn)	15,840	17,280	18,720	.....	29,520

Contract renewals

Assuming 100 existing towers with 10 year lease period, renewed at Year 11 with 5% churn rate. Additional new site assumes 10 towers p.a.



## Colocation Boosts ROI

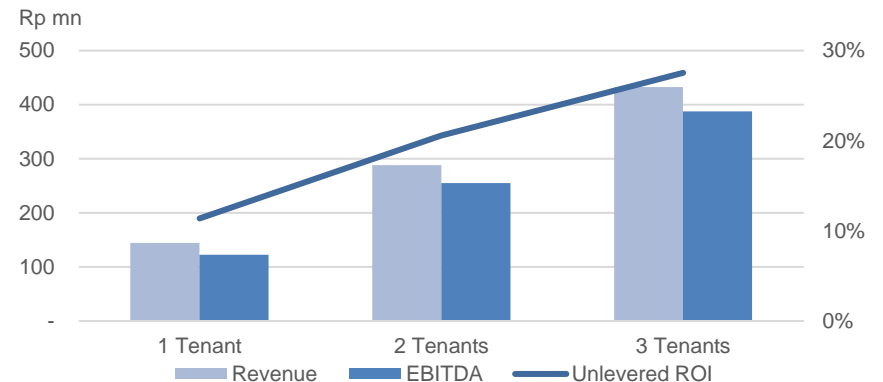
Colocation boosts unlevered ROI and accelerates payback period

### SIMULATION FOR 1 TOWER

		1 Tenant	2 Tenants	3 Tenants
Revenue	Rp mn	144	288	432
EBITDA	Rp mn	122	255	387
EBITDA margin	%	85.0%	88.5%	89.7%
Capex & ground lease*	Rp mn	950	1,100	1,250
Unlevered ROI**	% p.a.	11.4%	20.6%	27.5%
Payback period	years	8.80	4.87	3.63

\*Assuming 10 years ground lease

\*\* EBITDA minus 10% final tax divided by total capex





# Indonesia Tower Industry – A Growing Market

Low network penetration with significant headroom in 4G expansion and low 4G internet speed



4G penetration rate	78%
4G-LTE internet speed	15.1 mbps*
Credit Rating	BBB/Baa2
2022 GDP/capita	\$4,783

(source: Company filings, BMI, TowerXchange, S&P Market Intelligence, broker reports and SNL )

\*compared to median of 20.6 mbps in other advanced Asian countries

High EBITDA margin, low capex, no colocation discount, no obligation to provide power in contract

	Indonesia	USA	Western Europe	India	China
Predominant Tower business model	<b>Independent</b>	Independent	Independent <sup>2</sup>	Non Independent/ Captive	Non Independent/ Captive
Average Lease Rate per Tenant per month (USD) <sup>1</sup>	<b>800 - 900</b>	2,500 - 3,000	1,400 - 2,600	600 - 800	400 - 600
Colocation discounts / rebate	<b>No discount</b>	No discount	No discount	Range from 5% - 20%	Range from 30% - 45%
Average EBITDA margins (%)	<b>82% - 86%</b>	55% - 70%	40% - 50%	40% - 50%	55% - 60%
Tower + Power	<b>No</b>	No	No	Yes	Yes
New Tower Capex (USD '000 per tower) <sup>1,3</sup>	<b>35 - 50</b>	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.
2. Independent tower business model in Western Europe, with the exception of Inwit in Italy
3. Does not include pre-paid ground lease. Indonesian tower companies typically pay in advance for ground leases of 5-10 years.



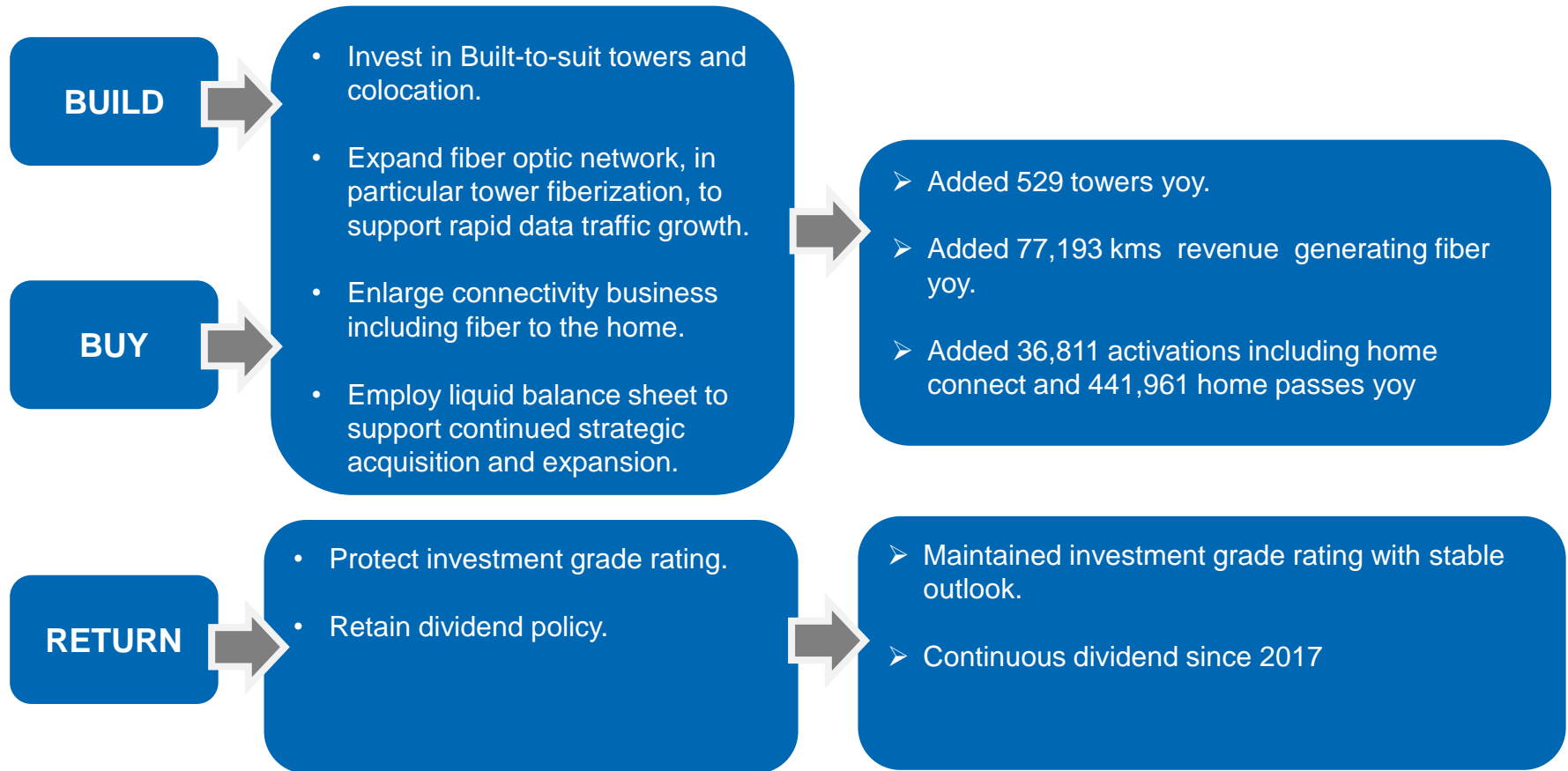
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# SMN 2Q2023 Performance



# Company Strategy: **Build – Buy – Return**

We will maintain our position as a leading telecom infrastructure company and continue to deliver optimal value to our stakeholders.



# Diverse Product Portfolio

Currently we are the only tower provider that provides end to end services to teleco operators

## TOWER

- Total 29,792 towers and 53,771 tenants as of 30 June 2023. Tenancy ratio 1.8x.
- 53% of towers located in Java and 47% ex-Java.
- MNOs have growing need for additional scope from TowerCos tower providers such as managed service and additional assets such as batteries

There continues to be new organic site opportunities for coverage and capacity.

## Fiber to The Tower (FTTT)

- FTTT increases the value and utility of our network to Telcos.
- ~172,600 kms revenue generating fiber by end of June 2023.
- Network focus in Java, Bali, and Sumatra to support surging data demand.
- Like tower model, non-cancellable, long term contracts and opportunity for higher utilization.

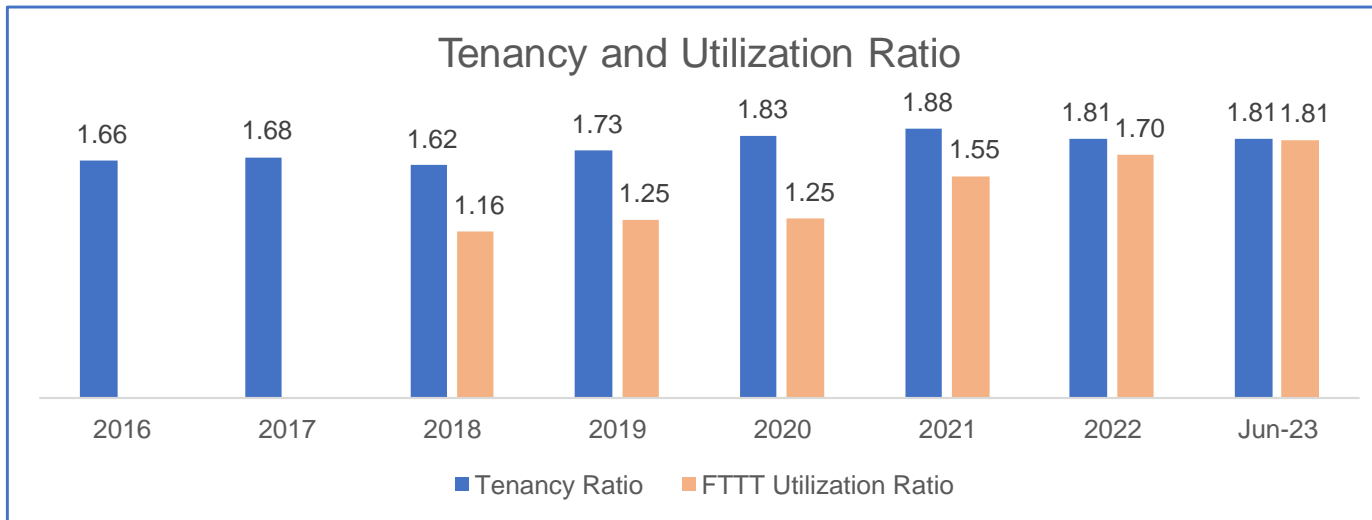
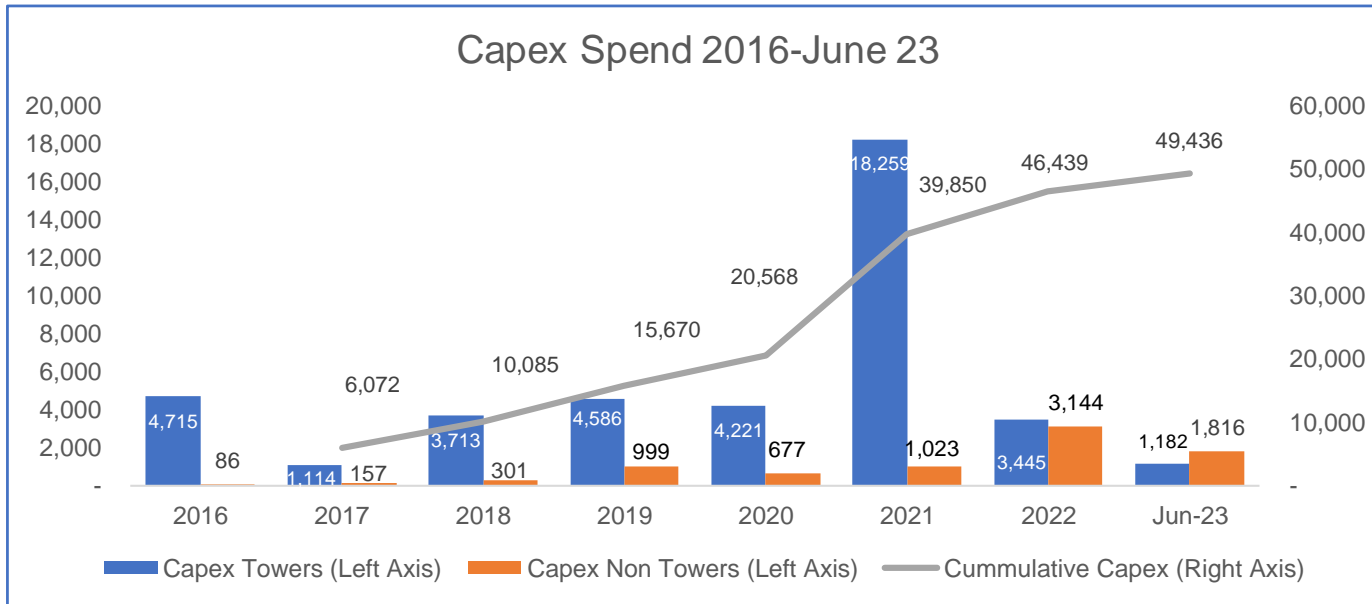
Tower business offers a platform for sustained FTTT growth.

## CONNECTIVITY

- Actively seeking opportunities to provide connectivity (with various offering using VSAT, wireless/wireline, etc.) under B2B or B2G arrangements.
- Currently have 50,144 activations including 38,267 home connect under FTTH.
- FTTH assets reaches ~464,800 home passes by the end of June 2023.
- Business includes bandwidth provision utilizing 17,295 kms backbone and fiber owned by the Company to provide connectivity services.

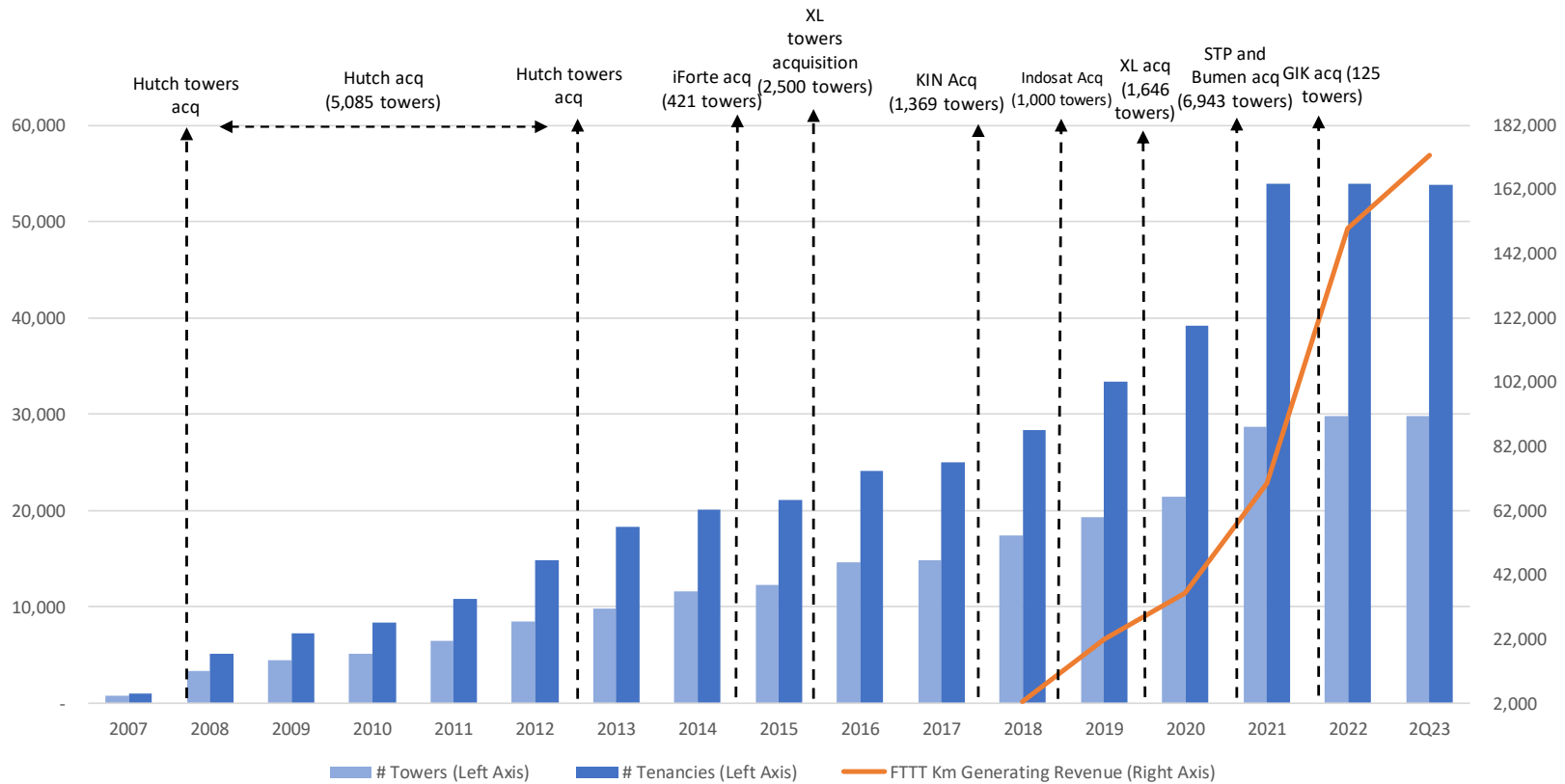
Strong growth potential given low penetration and increased demand for integrated offerings.

# Diversifying Business Base



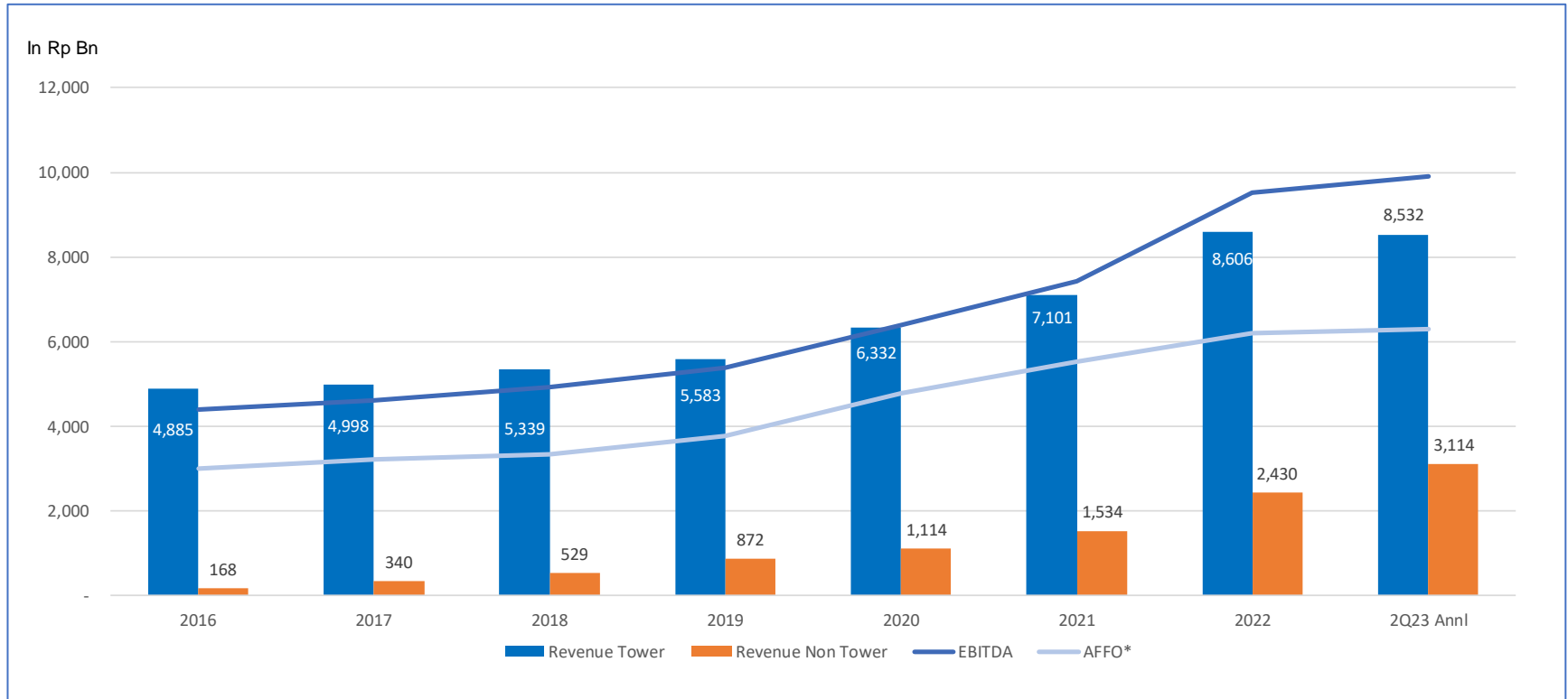
Notes : Tower tenancy ratio and Fiber utilization ratio calculation does not include asset and operational synergies between Tower, FTTH and FTTH business

# Track Record of Consistent Growth ...



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2Q23
# Towers	781	3,312	4,415	5,072	6,427	8,482	9,766	11,595	12,237	14,562	14,854	17,437	19,319	21,381	28,698	29,794	29,792
# Tenancies	984	5,137	7,282	8,365	10,798	14,849	18,322	20,138	21,038	24,144	25,011	28,319	33,346	39,127	53,975	53,967	53,771
FTTT Km Generating Revenue												2,345	21,977	36,346	70,465	149,811	172,593
Number of Activations under Connectivity												5,612	7,041	7,503	9,283	10,572	11,877

# and Strong Financial Performance

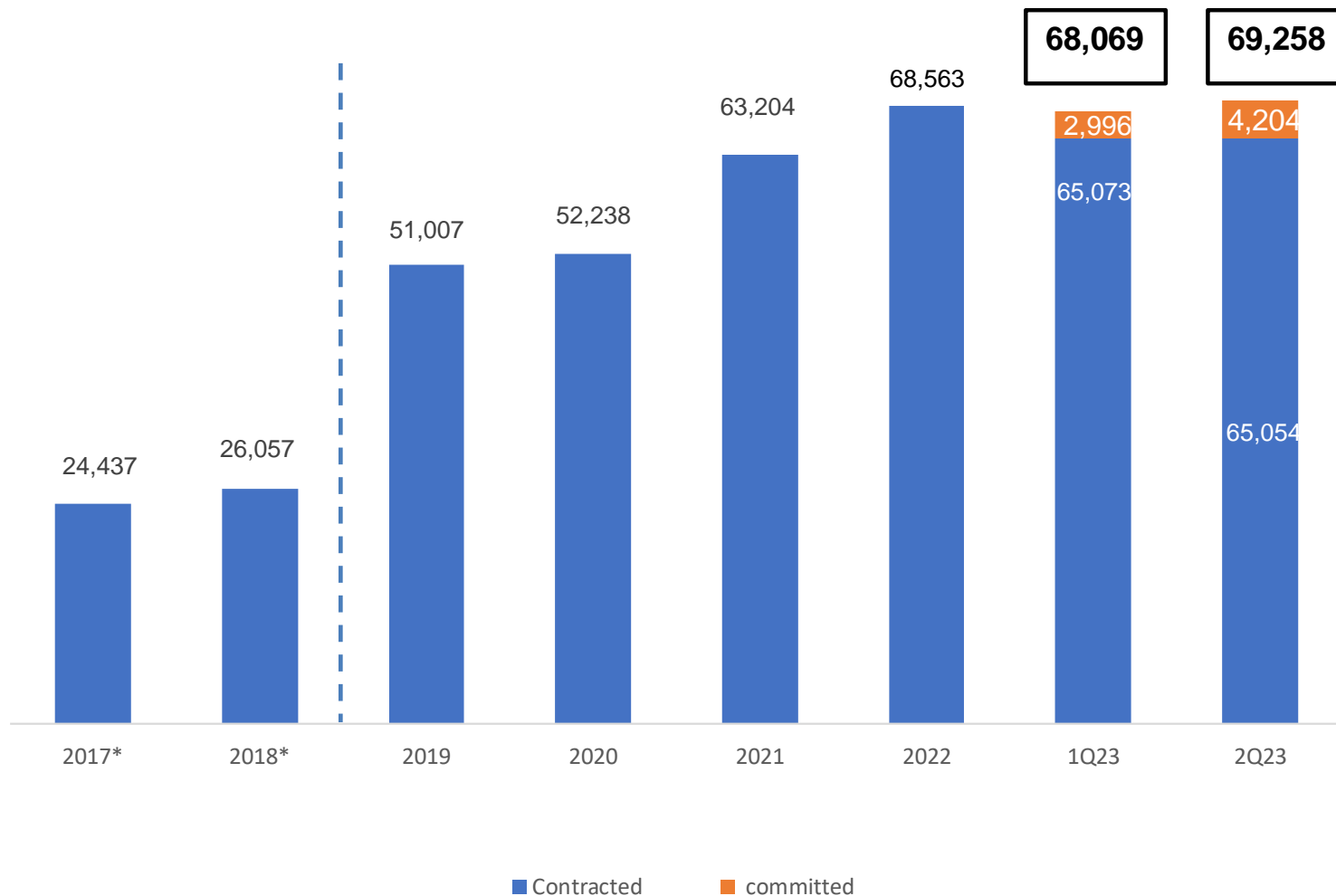


	2016	2017	2018	2019	2020	2021	2022	2Q23 (Ann)	CAGR
Revenue Tower	4,885	4,998	5,339	5,583	6,332	7,101	8,606	8,532	8.3%
Revenue Non Tower	168	340	529	872	1,114	1,534	2,430	3,114	51.7%
EBITDA	4,408	4,604	4,932	5,385	6,405	7,434	9,517	9,901	12.3%
AFFO*	3,009	3,213	3,348	3,776	4,774	5,525	6,210	6,287	11.1%

\* AFFO = EBITDA – (Interest + Tax + Maintenance Capex)

# ... with Excellent Future Revenue Visibility

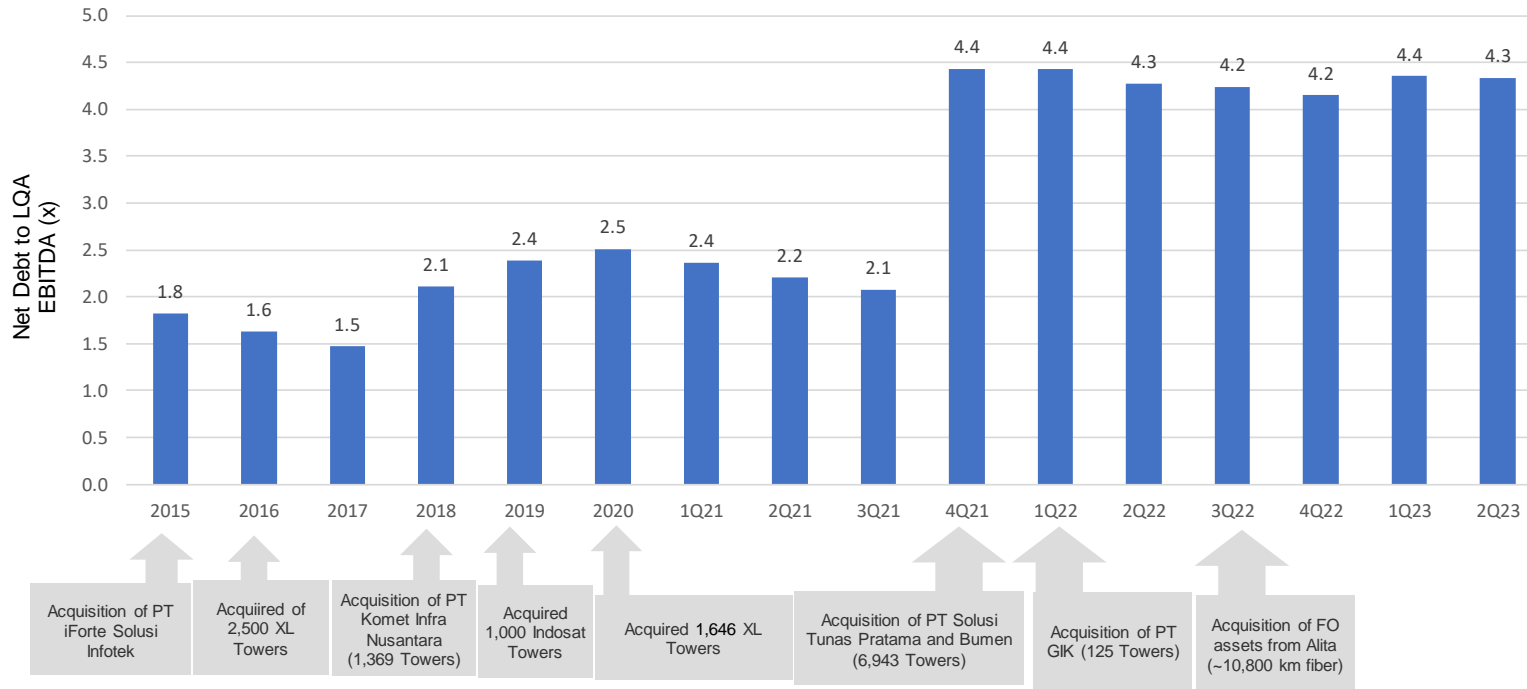
Long term contracts and commitments underwrite more than Rp69.3 trillion of committed future revenue through 2042, not including value of potential future contract renewals.



\* 2017 & 2018 exclude committed revenue and renewals

# Strong Investment Grade Balance Sheet

Leverage comfortably within investment grade range despite acquisitions and dividend.



## 2Q23 Credit Matrix

Gross Debt	Rp43,016bn
Interest Coverage Ratio	3.6x
Average Interest Rate (as of 30 June 2023)	6.3%
Corporate Credit Rating (S&P/Fitch National/Fitch Global)	BBB/ AAA/BBB-





# SMN 2Q2023 Summary of Financial Results

# Sarana Menara Nusantara (SMN) Group

## Abridged consolidated statement of profit and loss.

(In RP Bn)	2017	2018	2019	2020	2021	2022	2Q22	2Q23	yoy
Revenues	5,337.9	5,867.9	6,454.3	7,445.4	8,635.3	11,035.7	2,697.0	2,911.6	8.0%
Cost of revenues	(277.4)	(427.5)	(458.3)	(415.2)	(480.4)	(607.8)	(153.1)	(169.7)	10.9%
Depreciation and amortization	(894.9)	(1,114.4)	(1,349.6)	(1,644.0)	(1,859.8)	(2,306.7)	(577.8)	(653.2)	13.0%
<b>Gross income</b>	<b>4,165.6</b>	<b>4,325.9</b>	<b>4,646.4</b>	<b>5,386.2</b>	<b>6,295.2</b>	<b>8,121.2</b>	<b>1,966.1</b>	<b>2,088.7</b>	<b>6.2%</b>
Operating expenses	(456.9)	(508.5)	(610.7)	(625.3)	(720.7)	(911.3)	(223.7)	(266.6)	19.2%
<b>Operating income</b>	<b>3,708.7</b>	<b>3,817.4</b>	<b>4,035.7</b>	<b>4,760.9</b>	<b>5,574.5</b>	<b>7,209.9</b>	<b>1,742.5</b>	<b>1,822.1</b>	<b>4.6%</b>
Other income									
Interest income	68.1	33.9	39.1	33.6	24.7	23.4	5.7	7.3	
Finance charges	(687.3)	(872.3)	(957.9)	(1,090.6)	(1,262.0)	(2,276.4)	(564.8)	(718.4)	
Finance charges (PSAK 73)	-	-	-	(110.7)	(108.3)	(115.5)	(34.5)	(28.3)	
Foreign exchange gains/(losses), net	(2.4)	(37.3)	56.0	(182.8)	8.9	(92.8)	(65.8)	(8.6)	
(Impairment expense)/reversal of allowance for impairment	(139.7)	153.9	(103.0)	32.5	(13.5)	(4.8)	1.6	-	
Others, net	(144.5)	(143.9)	(61.0)	(44.0)	(173.3)	(284.6)	(56.9)	(82.3)	
<b>Other income / (expense), net</b>	<b>(905.8)</b>	<b>(865.7)</b>	<b>(1,026.8)</b>	<b>(1,362.0)</b>	<b>(1,523.5)</b>	<b>(2,750.6)</b>	<b>(714.7)</b>	<b>(830.4)</b>	<b>16.2%</b>
<b>Profit before tax</b>	<b>2,802.9</b>	<b>2,951.7</b>	<b>3,008.9</b>	<b>3,398.9</b>	<b>4,051.0</b>	<b>4,459.3</b>	<b>1,027.8</b>	<b>991.7</b>	<b>-3.5%</b>
<b>Corporate income tax expense</b>									
Tax expense	(591.3)	(695.8)	(722.5)	(691.6)	(810.7)	(930.4)	(208.9)	(205.7)	
Deferred tax expense	(111.5)	(55.8)	66.7	146.3	207.6	(32.4)	23.2	29.4	
<b>Total corporate income tax expense</b>	<b>(702.8)</b>	<b>(751.6)</b>	<b>(655.8)</b>	<b>(545.3)</b>	<b>(603.1)</b>	<b>(962.7)</b>	<b>(185.7)</b>	<b>(176.4)</b>	<b>5.0%</b>
Minority Interest	0.0	0.0	11.1	17.6	20.5	26.7	(4.4)	(8.6)	
<b>Net Income</b>	<b>2,100.1</b>	<b>2,200.1</b>	<b>2,342.0</b>	<b>2,836.0</b>	<b>3,427.4</b>	<b>3,442.0</b>	<b>837.6</b>	<b>806.7</b>	<b>-3.7%</b>
EBITDA	4,603.4	4,931.8	5,385.3	6,404.9	7,434.3	9,516.6	2,320.2	2,475.2	6.7%
YoY Revenue growth	5.60%	9.9%	10.0%	15.4%	16.0%	27.8%	33.8%	8.0%	
Gross margin	78.0%	73.7%	72.0%	72.3%	72.9%	73.6%	72.9%	71.7%	
EBITDA margin	86.2%	84.0%	83.4%	86.0%	86.1%	86.2%	86.0%	85.0%	
Net income margin	39.3%	37.5%	36.3%	38.1%	39.7%	31.2%	31.1%	27.7%	

# Sarana Menara Nusantara (SMN) Group

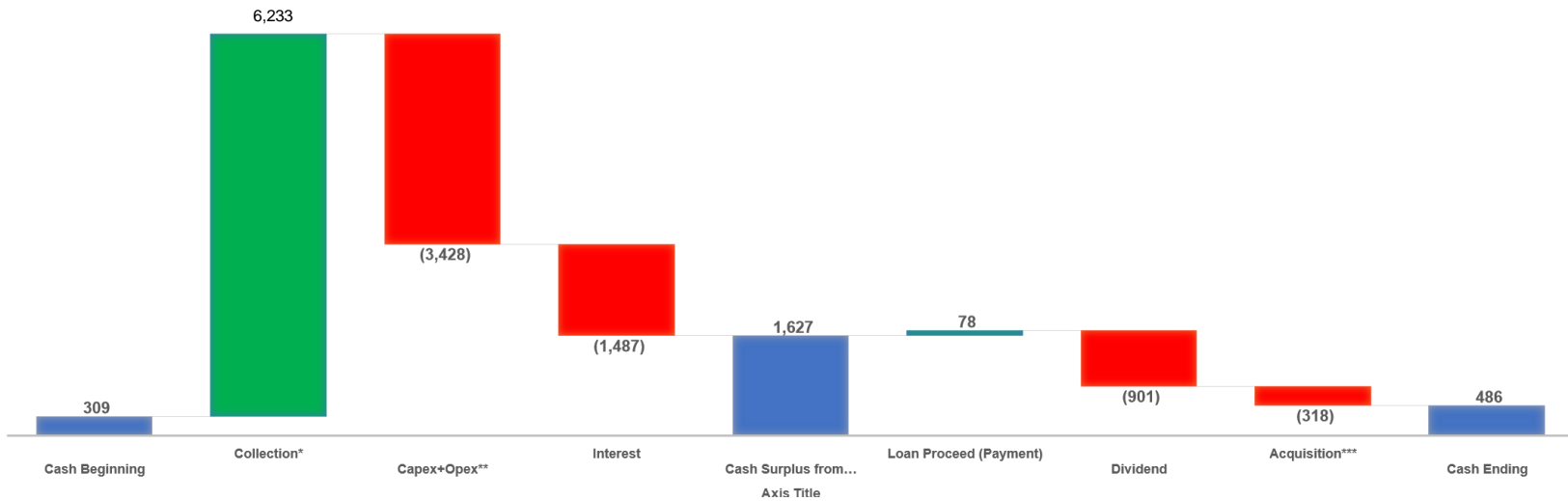
## Abridged consolidated statement of financial position.

(In RP bn)	2016	2017	2018	2019	2020	2021	2022	2Q23
<b>ASSETS</b>								
<i>Current assets</i>								
Cash and cash equivalents	2,905.3	2,348.3	963.4	593.8	1,442.6	4,748.4	308.6	485.8
Restricted cash	-	-	-	6.6	4.9	2.0	0.0	0.1
Trade receivables	351.7	624.0	821.0	1,347.6	1,240.1	2,171.3	2,557.8	2,459.3
Other current asset	337.5	77.4	490.9	526.5	314.7	476.5	784.7	825.4
<b>Total current assets</b>	<b>3,594.5</b>	<b>3,049.7</b>	<b>2,275.3</b>	<b>2,474.4</b>	<b>3,002.3</b>	<b>7,398.1</b>	<b>3,651.1</b>	<b>3,770.6</b>
Total non-current assets	15,192.3	15,713.8	20,684.2	25,191.3	31,247.2	58,430.5	61,974.0	62,615.1
<b>TOTAL ASSETS</b>	<b>18,786.8</b>	<b>18,763.5</b>	<b>22,959.5</b>	<b>27,665.7</b>	<b>34,249.6</b>	<b>65,828.7</b>	<b>65,625.1</b>	<b>66,385.7</b>
<b>LIABILITIES AND EQUITY</b>								
<i>Current liabilities</i>								
Current portion of long-term loans	516.7	633.8	1,732.8	1,944.8	4,073.9	15,432.2	8,062.6	6,782.5
Current portion of long-term bonds	998.7	-	657.9	-	35.9	1,008.2	1,113.9	4,668.8
Leasing payable	-	-	-	-	281.3	353.3	387.0	427.3
Other current liabilities	1,787.6	1,596.6	2,361.1	2,620.3	2,834.1	5,086.6	4,882.5	5,228.3
<b>Total current liabilities</b>	<b>3,303.0</b>	<b>2,230.4</b>	<b>4,751.8</b>	<b>4,565.1</b>	<b>7,225.2</b>	<b>21,880.3</b>	<b>14,446.1</b>	<b>17,106.9</b>
<i>Non-current liabilities</i>								
Long-term loans, net of current portion	5,971.3	5,775.3	7,069.7	11,247.1	11,926.3	23,535.5	29,261.6	26,518.9
Bonds payable	2,432.2	2,589.6	2,023.4	1,976.3	2,148.7	4,463.3	4,556.4	4,899.8
Leasing payable	-	-	0.8	-	1,730.7	2,192.3	1,590.6	1,278.2
Other non-current liabilities	1,120.6	1,066.3	1,080.6	1,116.6	1,034.6	1,695.3	1,338.1	1,435.3
<b>Total non-current liabilities</b>	<b>9,524.1</b>	<b>9,431.2</b>	<b>10,174.5</b>	<b>14,340.0</b>	<b>16,840.3</b>	<b>31,886.4</b>	<b>36,746.7</b>	<b>34,132.2</b>
<b>Total liabilities</b>	<b>12,827.1</b>	<b>11,661.6</b>	<b>14,926.3</b>	<b>18,905.1</b>	<b>24,065.5</b>	<b>53,766.7</b>	<b>51,192.8</b>	<b>51,239.1</b>
<i>Equity</i>								
Common shares	530.7	530.7	530.7	530.7	530.7	530.7	530.7	530.7
Treasury Stock	-	-	(126.6)	(514.1)	(786.9)	(931.4)	-931.4	-931.4
Share Based Payment	-	-	-	-	-	23.9	64.9	81.4
Difference arising from transactions resulting in changes in the equity of subsidiary	-	-	-	-	-	(11.9)	38.4	0.0
Other comprehensive income	(23.2)	24.6	81.4	2.8	44.6	25.7	62.1	107.5
Retained earnings / (accumulated deficit)	5,452.3	6,546.4	7,547.8	8,705.1	10,365.6	12,394.0	14,635.9	15,293.6
Non-controlling interests	0.1	0.1	-	36.1	30.0	31.0	31.8	64.8
<b>Total equity</b>	<b>5,959.9</b>	<b>7,101.8</b>	<b>8,033.3</b>	<b>8,760.6</b>	<b>10,184.0</b>	<b>12,062.0</b>	<b>14,432.3</b>	<b>15,146.6</b>

# Sarana Menara Nusantara (SMN) Group

## Abridged consolidated statement of cashflows (6 months ended June 2023).

in Rp Bn



\* Numbers included VAT

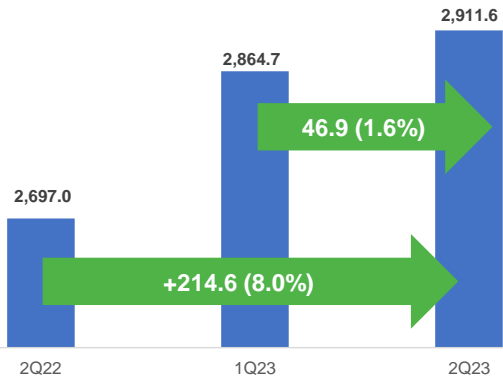
\*\* Including ground lease

\*\*\* ATMI, MCP and Varnion Acquisition

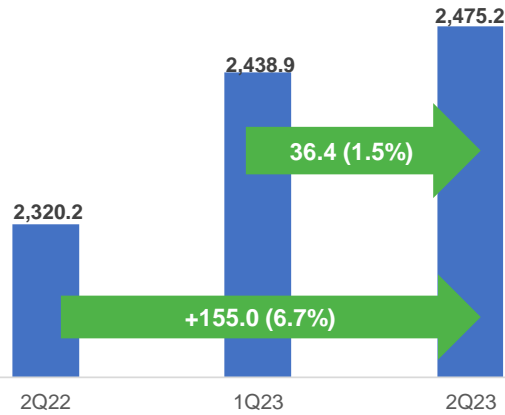
# Profit and Loss Movement 2Q2023

in Rp Bn

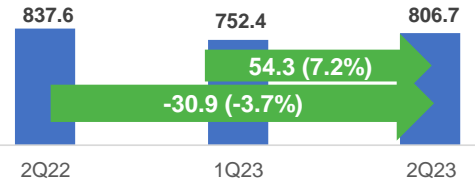
## Revenue



## EBITDA



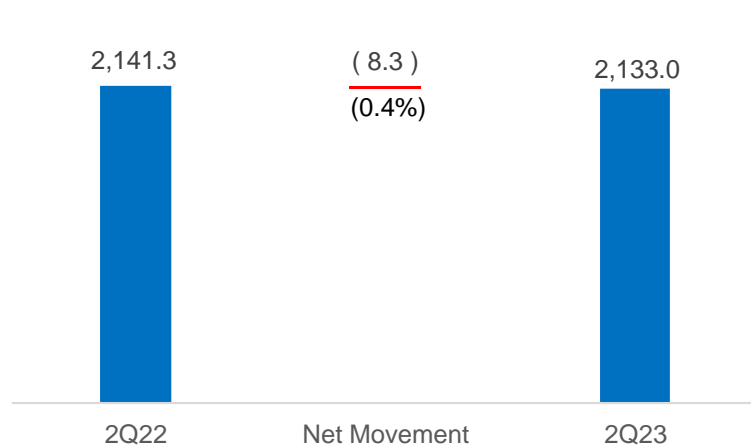
## Net Income



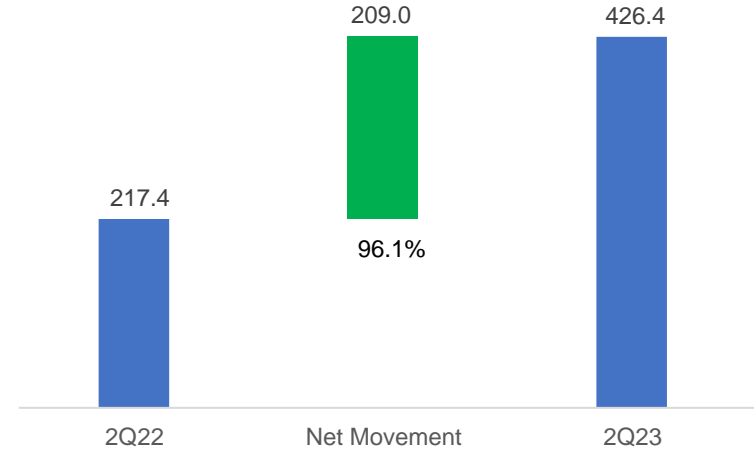
# Revenue Analysis (2Q22 vs 2Q23)

in Rp Bn

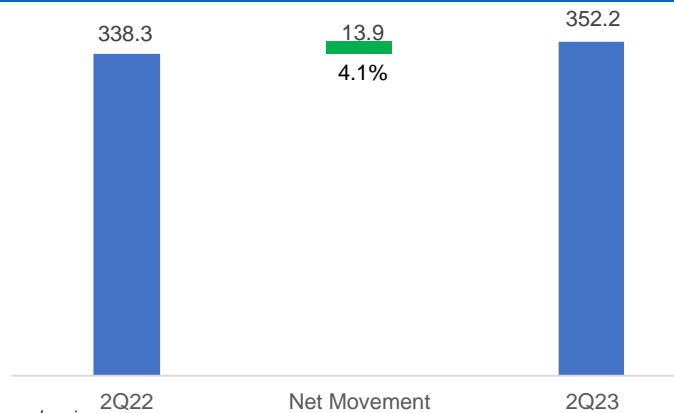
## Towers\*



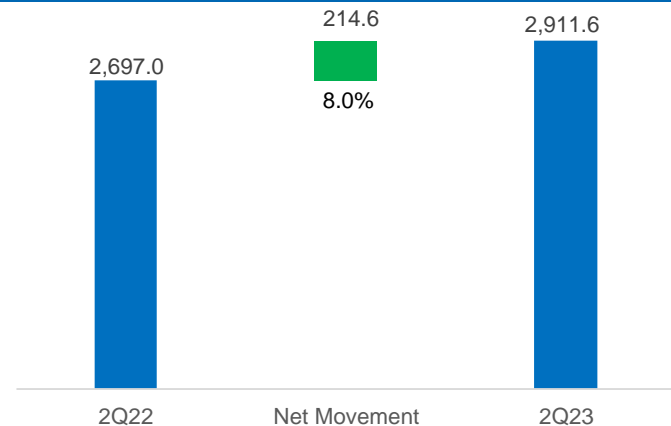
## FTTT



## Connectivity



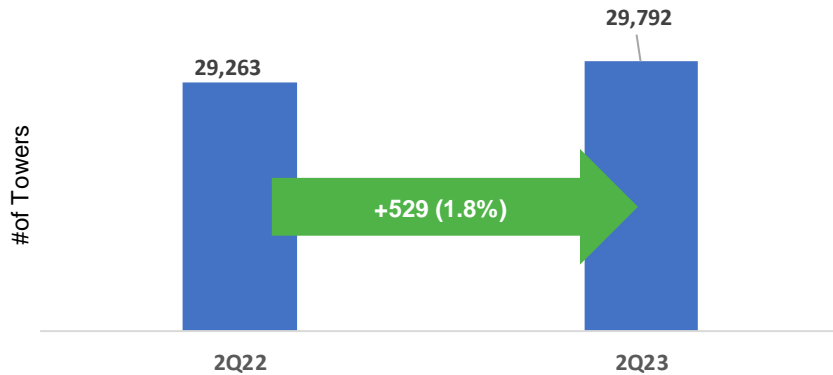
## Total Revenue



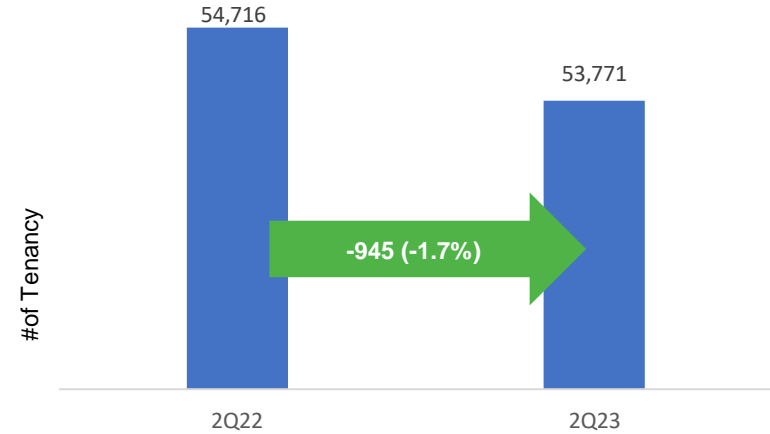
\* Including managed services

# Summary Operational Data (Jun 22 vs Jun 23)

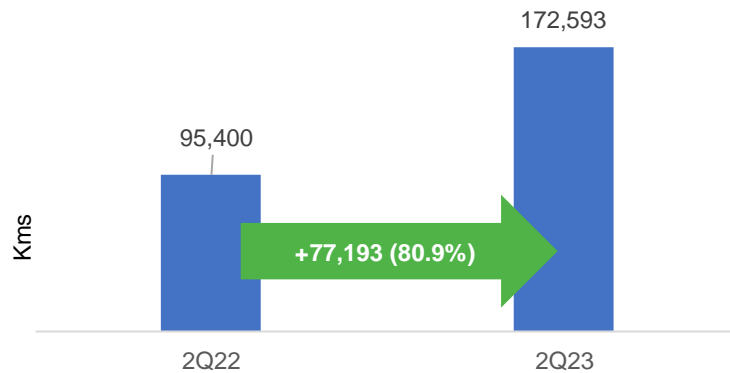
## Towers



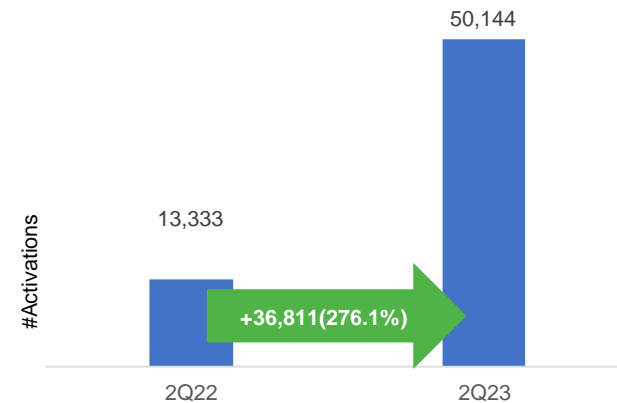
## Tenancy



## FTTT



## Connectivity\*



\* Including home connect





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# Appendix

# Foreign Exchange Exposure as of 30 Jun 2023

Low risk from FX exposure as balance sheet naturally hedged.

ASSET		CONTRACTED REVENUE		LIABILITIES	
Cash	USD 166.4mn	2024	- USD 18mn	<u>Bond</u>	USD 138mn
<hr/>		<hr/>		<hr/>	
Total	USD 166.4mn	Total	- USD 18mn	Total	~USD 138mn

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## Risk Mitigation:

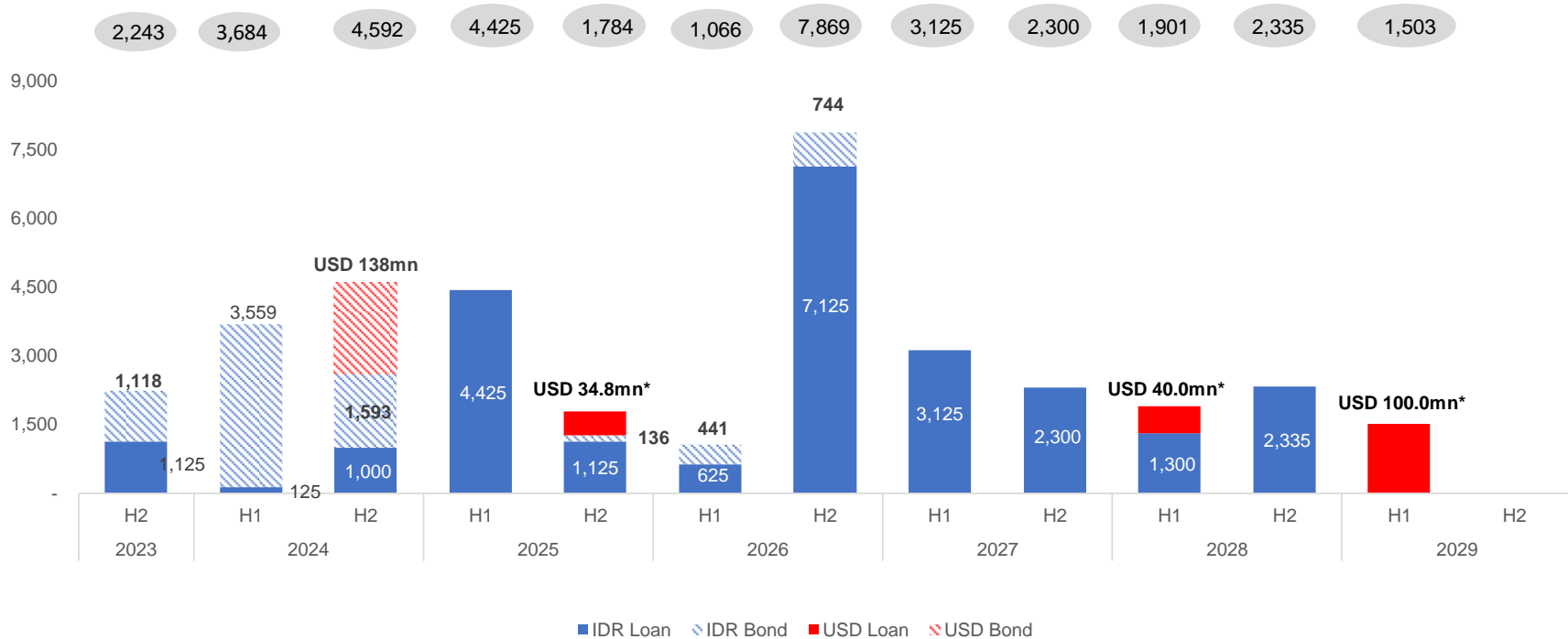
- USD financial assets and USD contracted revenue provide natural hedge for liabilities denominated in foreign currencies
- Company has also entered into financial hedges to cover financial and operational
- Financial and operating “needs”

# Long Term Debt\*: 46.0% floating, 54.0% fixed, avg. interest 6.3%

in Rp Billion

## Maturity Profile

\* USD loan hedged into IDR



- As of June 2023
- BI Middle rate as of June 2023: 1USD = IDR15,026 ; 1JPY = IDR104.92; 1SGD = IDR11,102



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