



SARANA MENARA NUSANTARA

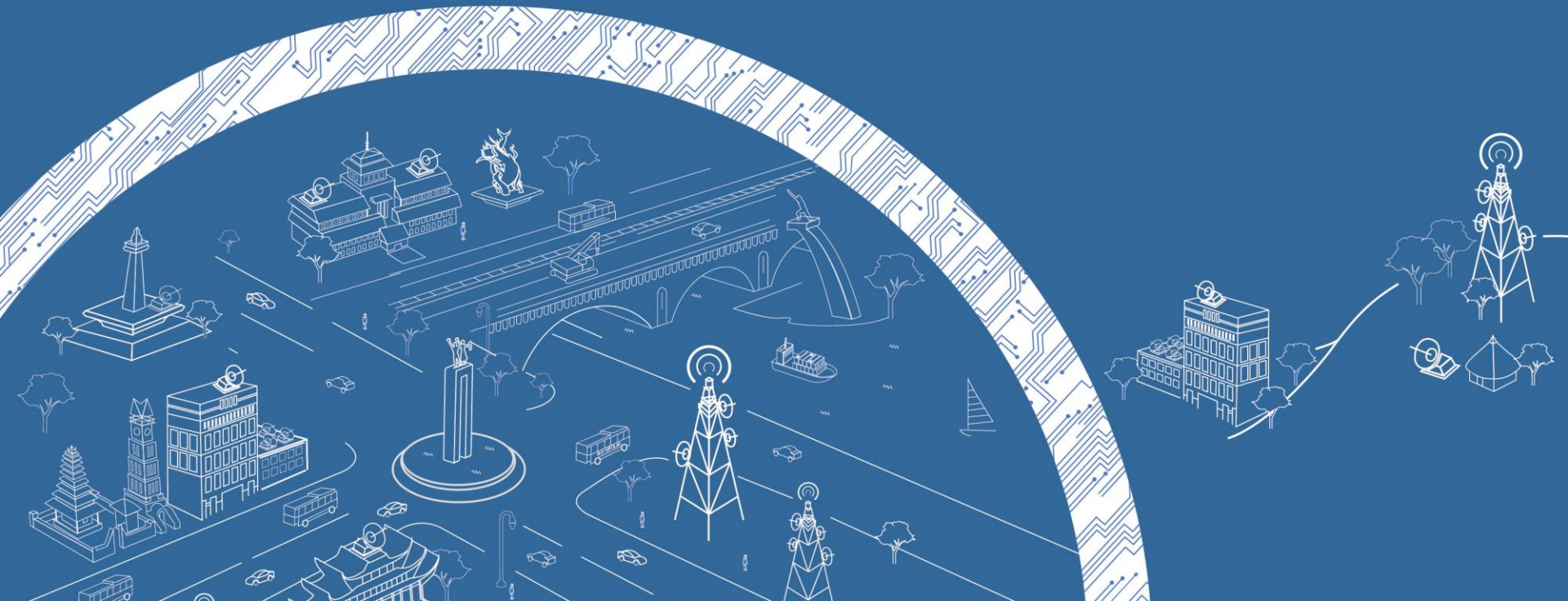
# Indonesia's Premier Telecommunication Infrastructure Company

## 1Q 2020 Results Presentation

PT Sarana Menara Nusantara Tbk

IDX ticker: TOWR.JK / TOWR IJ

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



# SMN Investment Highlights

**Leading** telco infrastructure company in Indonesia

**Largest** independent tower company with **20,914** towers providing critical foundation for coverage & capacity

**22%** tower market share

**Expanding** fiber optics network  
**~40,000** kms of revenue generating cable by year end 2020

**Reaffirmed** stable outlook by S&P and **upgrade to BBB/AAA** by Fitch



**Solid** business model with **predictable** cash flow and **diversification** to fiber optic

**Sustained** strong performance  
5-yr Revenue CAGR **11.2%** <sup>(a)</sup>  
5-yr EBITDA CAGR **11.9%** <sup>(a)</sup>

Solid balance sheet  
**2.5x** Net Debt to LQA<sup>(b)</sup> EBITDA

**Investment grade** company  
**TOWR** shares included  
in **IDX LQ45**<sup>(c)</sup>

(a) CAGR = Compounded Average Growth Rate; CAGR 1Q 2015 – 1Q 2020

(b) LQA = Last Quarter Annualized

(c) Announced in January 2020, LQ45 consists of 45 most liquid stock with valuable free float market cap



# The Industry

# Tower Business – Long-Term Predictable Revenue with Potential Upside

## PREDICTABLE REVENUE

**Long-term contracts\*** (10 years for TOWR), **non-cancellable** and renewable

## DEPENDENT TENANTS

**Contract renewal probable** due to high relocation cost and network impact

## UPSIDE FROM ADDITIONAL REVENUE

**Incremental revenue from colocation** at minimal additional cost

## HIGH BARRIER TO ENTRY

- Significant investment needed, economies of scale, knowledge of government rules and local conditions
- **Telcos tend to divest towers** to increase efficiency

## GROWING INDUSTRY

- **Surging data demand** creates requirement for more towers as well as fiber optic connection
- 5G still needs macro towers as it remains the most cost-effective infrastructure

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

# Typical Tower Company Growth Model

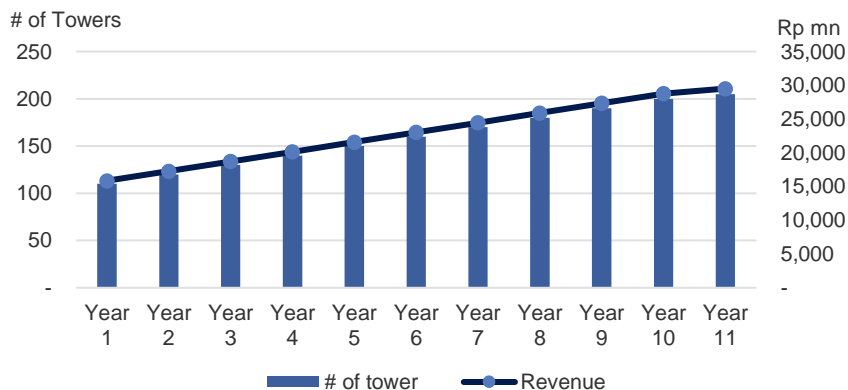
## New Built-to-Suit Tower

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
Total tower	110	120	130	200	205
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

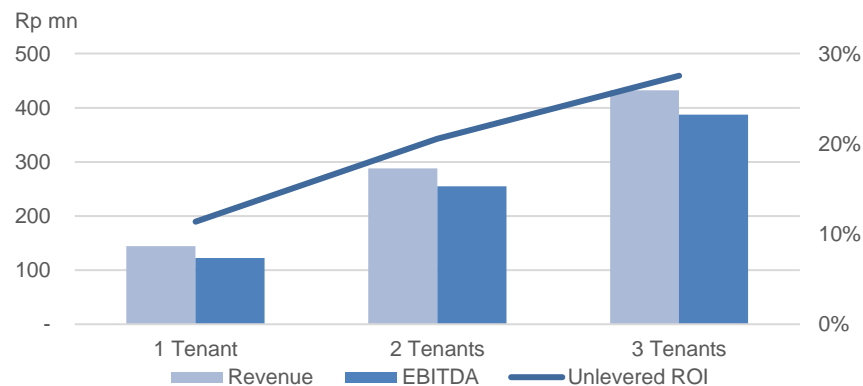
Colocation boosts unlevered ROI and accelerates payback period

### 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, significant headroom in 4G expansion and low 4G download speed



% 4G penetration rate	64%
Mobile internet speed	8.5 mbps*
Credit Rating	BBB/Baa2
2019 GDP/capita	\$4,164

\*compared to median of 15.3mbps in other emerging countries (source: JP Morgan)

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 - 1,000</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>80% - 84%</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.

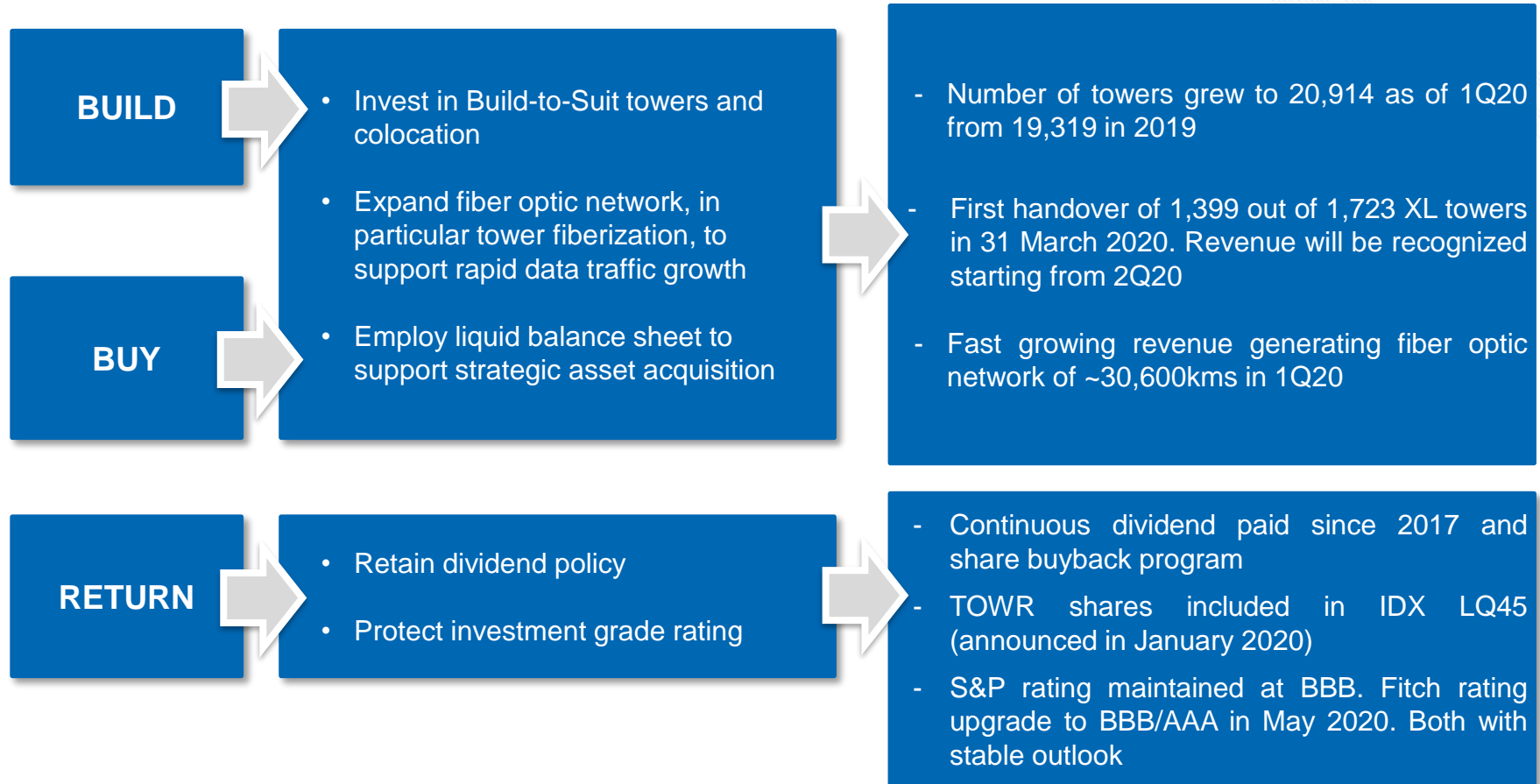


# SMN 1Q 2020 Performance



# Company Strategy: Build – Buy – Return

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





# Most Diverse Portfolio Among Independent Tower Companies

## TOWER

- Total 20,914 towers with 36,778 tenants nation wide. Tendency to telco densification.
- Average tenancy ratio of 1.76x. Older towers tenancy ratio up to 2.5x.
- Organic growth of 500 to 1,000 new towers annually

## TOWER FIBERIZATION

- Tower fiberization increases the value and utility of our network to Telcos.
- ~35,000kms revenue generating fiber by year end 2020
- Network focus Java and Sumatra to support surging data demand
- Growth driven by B2B with non-cancellable long-term contracts and opportunity for colocation revenue upside

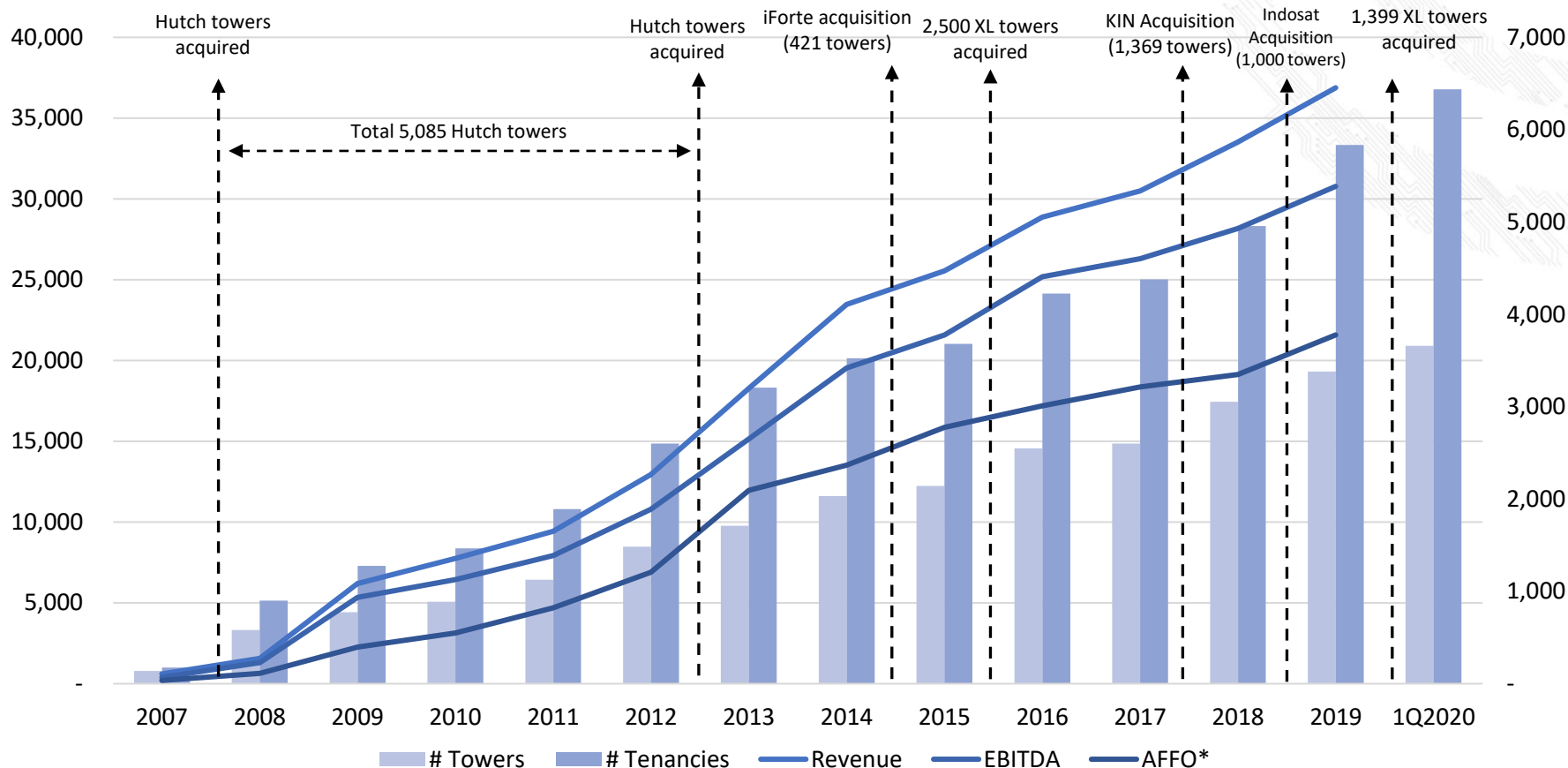
## CONNECTIVITY

- Explore opportunities to provide connections via VSAT and fiber optics under B2B and B2G contracts
- Over 3,200 VSAT activations
- Over 5,000kms of underground fiber installed in inner-city of Jakarta & Surabaya (metro-e) and Java-Bali fiber optic backbone, catering for more than 1,030 customers with ~3,350 activations

# Towers: Track Record of Strong Performance, Consistent Growth...

#Towers or Tenants

In Rp Bn

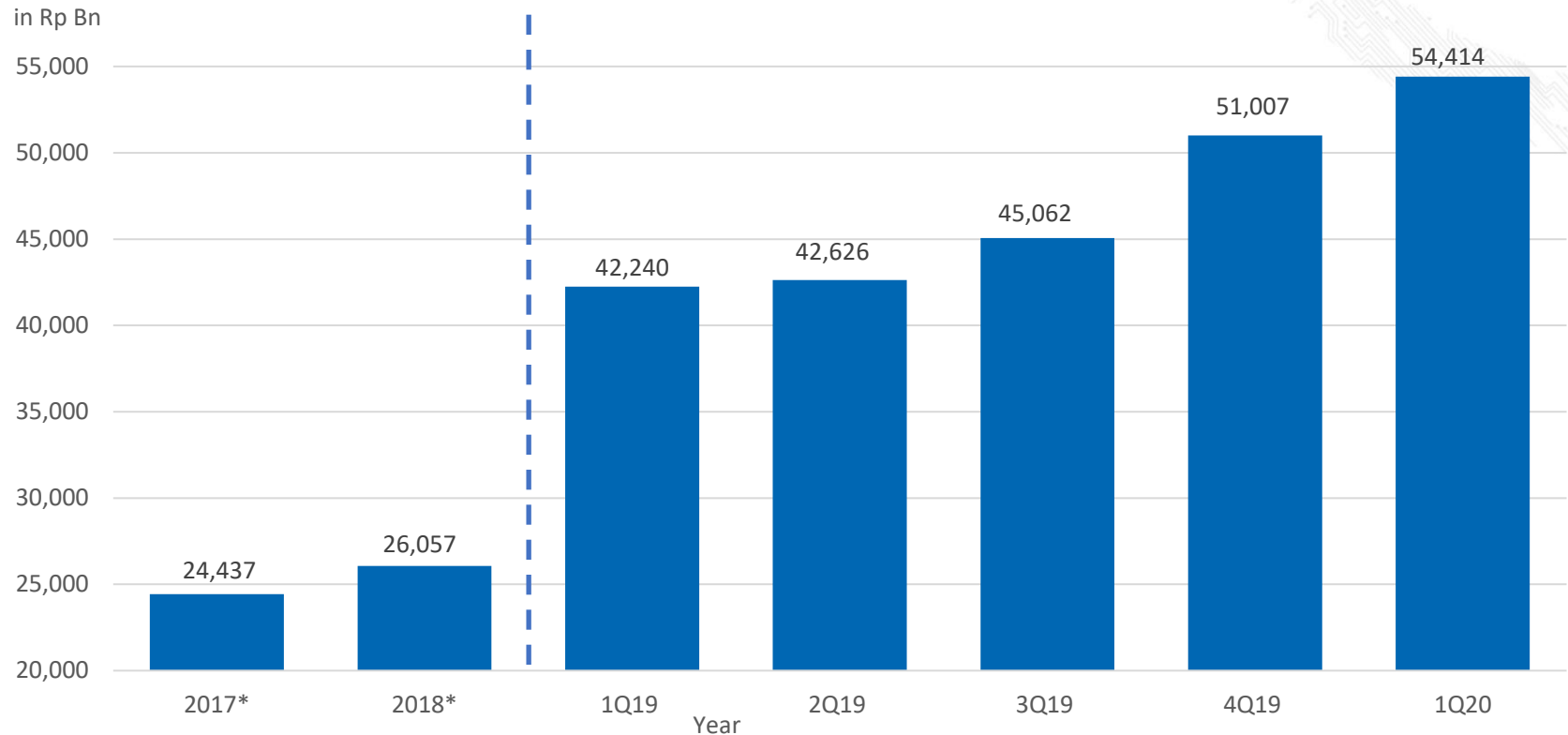


	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	1Q20
# Towers	781	3,312	4,415	5,072	6,427	8,482	9,766	11,595	12,237	14,562	14,854	17,437	19,319	20,914
# Tenancies	984	5,137	7,282	8,365	10,798	14,849	18,322	20,138	21,038	24,144	25,011	28,319	33,346	36,778
Revenue	105	274	1,082	1,356	1,651	2,265	3,197	4,106	4,470	5,053	5,338	5,868	6,454	1,820
EBITDA	67	227	933	1,128	1,386	1,889	2,651	3,418	3,776	4,408	4,604	4,932	5,385	1,561
AFFO*	35	111	396	547	821	1,207	2,093	2,367	2,776	3,009	3,213	3,348	3,776	1,288

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

## ... with Excellent Future Revenue Visibility ...

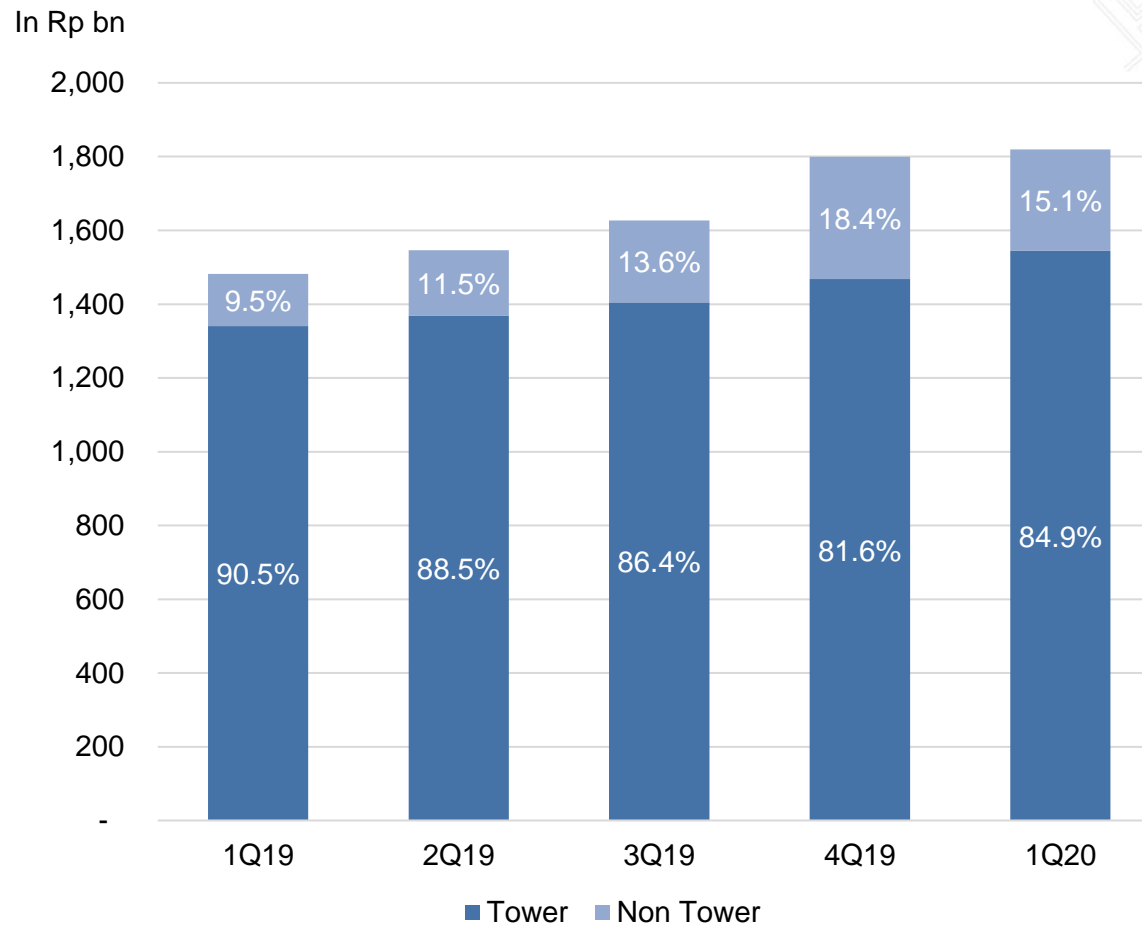
Long term contracts underwrite stable revenue. ~Rp54.4 trillion of committed future revenue through 2032, not including value of potential future contract renewals



amount is net of revenue amortization for the respective period

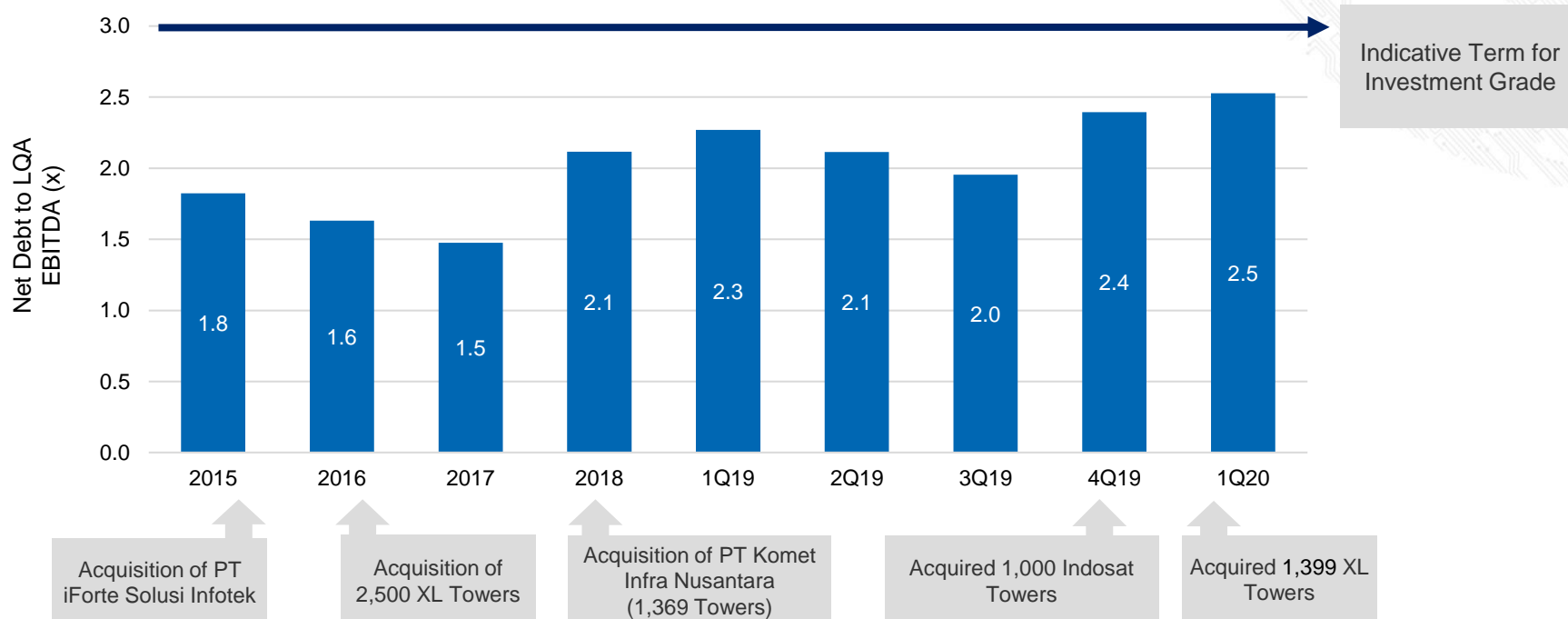
\* 2017 & 2018 exclude committed revenue and renewals

## ... and Growing Non-Tower Revenue



# Strong Investment Grade Balance Sheet

Leverage comfortably within investment grade range despite acquisitions and dividend



## 1Q20 Credit Matrix

Gross Debt	Rp16,919bn
Interest Coverage Ratio	6.8x
Average Interest Rate (as of 31 Mar 2020)	6.0%
Corporate Credit Rating	BBB/ BBB/AAA / Baa3



# Summary of Financial Results

# Sarana Menara Nusantara (SMN) Group

## Consolidated Statement of Profit and Loss

(In RP Bn)	2016	2017	2018	2019	1Q19	1Q20	Growth
Revenues	5,053.1	5,337.9	5,867.9	6,454.3	1,481.9	1,819.9	22.8%
Cost of revenues	(209.5)	(277.4)	(427.5)	(458.3)	(113.0)	(100.3)	-11.2%
Depreciation and amortization	(1,185.0)	(894.9)	(1,114.4)	(1,349.6)	(328.5)	(420.0)	27.9%
<b>Gross income</b>	<b>3,658.7</b>	<b>4,165.6</b>	<b>4,325.9</b>	<b>4,646.4</b>	<b>1,040.4</b>	<b>1,299.6</b>	<b>24.9%</b>
Operating expenses	(435.7)	(456.9)	(508.5)	(610.7)	(146.6)	(159.0)	8.5%
<b>Operating income</b>	<b>3,223.0</b>	<b>3,708.7</b>	<b>3,817.4</b>	<b>4,035.7</b>	<b>893.8</b>	<b>1,140.6</b>	<b>27.6%</b>
Other income							
Interest income	56.1	68.1	33.9	39.1	6.2	4.2	
Finance charges	(668.9)	(687.3)	(872.3)	(957.9)	(256.3)	(270.4)	
Foreign exchange gains/(losses), net	186.5	(2.4)	(37.3)	56.0	2.4	(347.2)	
(Impairment expense)/reversal of							
allowance for impairment	(158.4)	(139.7)	153.9	(103.0)	(5.6)	-	
Corporate income tax adjustment	-	-	-	-	-	-	
Others, net	232.1	(144.5)	(143.9)	(61.0)	(14.3)	13.9	
<b>Other income / (expense), net</b>	<b>(352.6)</b>	<b>(905.8)</b>	<b>(865.7)</b>	<b>(1,026.8)</b>	<b>(267.6)</b>	<b>(599.6)</b>	<b>124.1%</b>
<b>Income/(loss) before corp. income tax expense</b>	<b>2,870.4</b>	<b>2,802.9</b>	<b>2,951.7</b>	<b>3,008.9</b>	<b>626.2</b>	<b>541.0</b>	<b>-13.6%</b>
<b>Corporate income tax expense</b>							
Tax expense	(735.8)	(591.3)	(695.8)	(722.5)	(152.2)	(111.0)	
Deferred tax expense	3.0	(111.5)	(55.8)	66.7	(1.5)	95.9	
<b>Total corporate income tax expense</b>	<b>(732.8)</b>	<b>(702.8)</b>	<b>(751.6)</b>	<b>(655.8)</b>	<b>(153.7)</b>	<b>(15.1)</b>	<b>-90.2%</b>
<b>Net income from continuing operations</b>	<b>1,764.8</b>	<b>2,100.1</b>	<b>2,200.1</b>	<b>2,353.1</b>	<b>472.5</b>	<b>525.9</b>	<b>11.3%</b>
<b>Net income/(loss)</b>	<b>2,137.6</b>	<b>2,100.1</b>	<b>2,200.1</b>	<b>2,353.1</b>	<b>472.5</b>	<b>525.9</b>	<b>11.3%</b>
<b>Income/(loss) attributable to Parent Entity</b>	<b>2,134.3</b>	<b>2,100.1</b>	<b>2,200.1</b>	<b>2,342.0</b>	<b>472.5</b>	<b>519.0</b>	
EBITDA	4,408.0	4,603.4	4,931.8	5,385.3	1,222.3	1,560.6	27.7%
YoY Revenue growth	13.00%	5.60%	9.9%	10.0%	8.8%	22.8%	
Gross margin	72.4%	78.0%	73.7%	72.0%	70.2%	71.4%	
EBITDA margin	87.2%	86.2%	84.0%	83.4%	82.5%	85.7%	
Net income margin	42.3%	39.3%	37.5%	36.5%	31.9%	28.9%	



# Sarana Menara Nusantara (SMN) Group

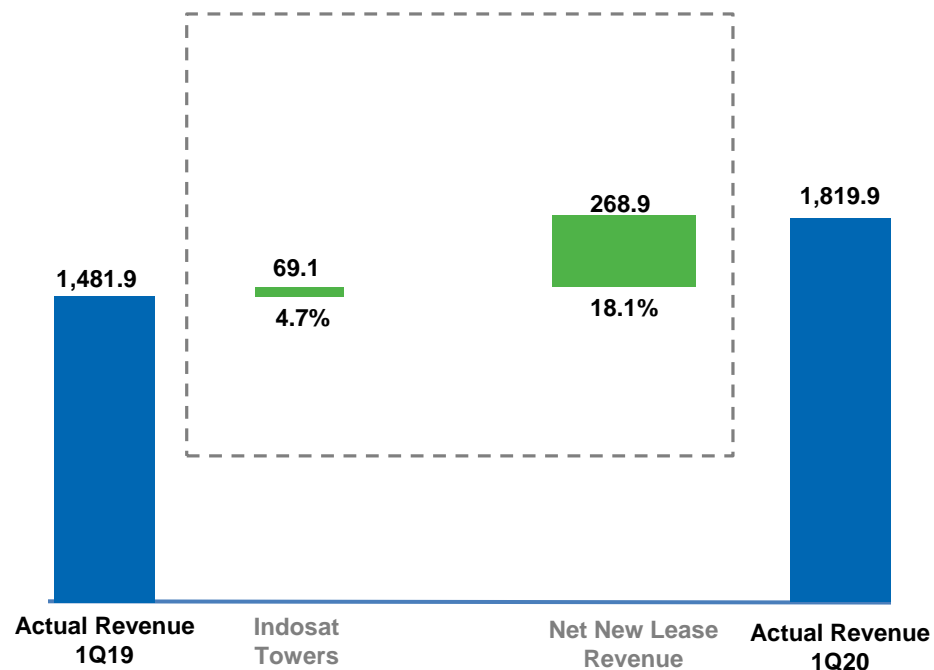
## Consolidated Statement of Financial Position

(In RP bn)	2016	2017	2018	2019	1Q 20
<b>ASSETS</b>					
<i>Current assets</i>					
Cash and cash equivalents	2,905.3	2,348.3	963.4	593.8	894.3
Restricted cash	-	-	-	6.6	3.6
Trade receivables	351.7	624.0	821.0	1,347.6	1,502.0
Other receivables	1.3	22.4	196.5	30.2	5.0
Prepaid expenses and advances	37.3	48.7	148.6	142.4	140.2
Refundable taxes	298.9	6.3	145.8	353.9	359.1
<b>Total current assets</b>	<b>3,594.6</b>	<b>3,049.7</b>	<b>2,275.4</b>	<b>2,474.4</b>	<b>2,904.2</b>
<b>Total non-current assets</b>	<b>15,192.3</b>	<b>15,713.8</b>	<b>20,684.2</b>	<b>25,191.3</b>	<b>29,615.5</b>
<b>TOTAL ASSETS</b>	<b>18,786.8</b>	<b>18,763.5</b>	<b>22,959.6</b>	<b>27,665.7</b>	<b>32,519.8</b>
<b>LIABILITIES AND EQUITY</b>					
<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	633.8	573.0
Other payables - third parties	21.3	4.1	6.8	7.2	8.0
Accrued expenses	242.5	262.6	385.9	310.2	432.0
Unearned revenue	953.4	927.2	1,011.0	1,518.6	2,099.7
Leasing payable	-	-	-	-	342.2
Short-term employee benefit liabilities	45.5	52.8	64.8	86.0	119.7
Current portion of long-term loans	516.7	633.8	1,732.8	1,944.8	3,167.7
Current portion of long-term Bonds	998.7	-	657.9	-	-
Management option plan liability	-	-	141.7	-	-
Advance from customers	-	-	0.5	-	-
Taxes payable	335.6	73.5	53.3	64.5	52.0
<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>6,794.3</b>
<i>Non-current liabilities</i>					
Deferred tax liabilities	488.2	613.7	667.9	599.7	504.0
Long-term employee benefit liabilities	91.5	20.5	24.7	34.0	36.8
Long-term loans, net of current portion	5,971.3	5,775.3	7,069.7	11,247.1	11,443.7
Bonds payable	2,432.2	2,589.6	2,023.4	1,976.3	2,188.7
Cross currency swap payables	223.7	15.6	31.8	73.9	281.0
Unearned revenue	60.8	80.6	46.9	46.4	46.7
Management option plan liabilities	30.0	87.4	-	-	-
Leasing payable	-	-	0.8	-	1,478.7
Long-term provision	226.4	248.5	309.3	362.5	395.4
<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>16,375.0</b>
<b>Total liabilities</b>	<b>12,827.1</b>	<b>11,661.7</b>	<b>14,926.3</b>	<b>18,905.1</b>	<b>23,169.3</b>
<i>Equity</i>					
Common shares	530.7	530.7	530.7	530.7	530.7
Treasury Stock	-	-	(126.6)	(514.1)	(514.1)
Other comprehensive income	(23.2)	24.6	81.4	2.8	68.5
Retained earnings / (accumulated deficit)	5,452.3	6,546.4	7,547.8	8,705.1	9,224.1
Non-controlling interests	0.1	0.1	-	36.1	41.2
<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>9,350.5</b>

# Revenue & EBITDA 1Q20 vs 1Q19

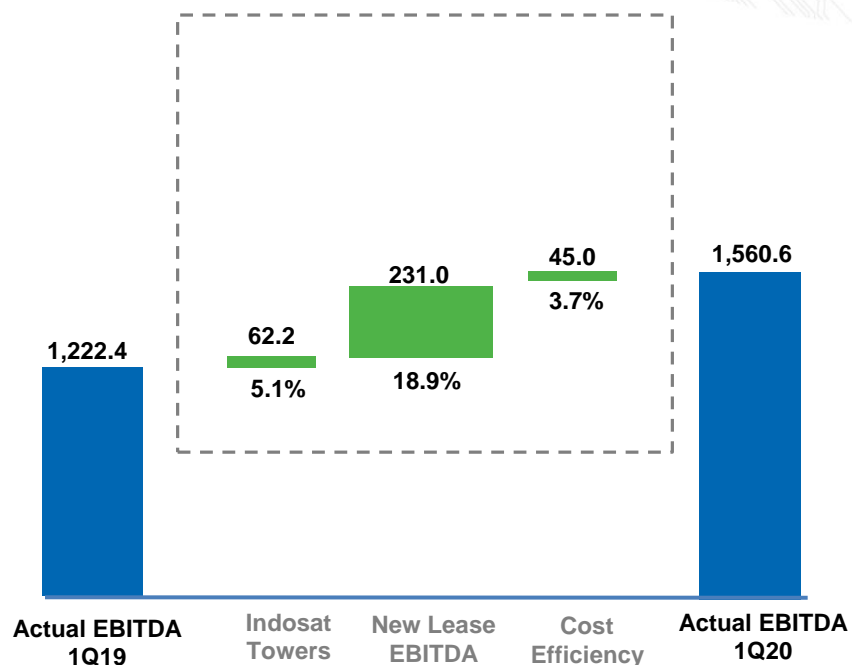
in RP Bn

**Revenue Growth 22.8%**



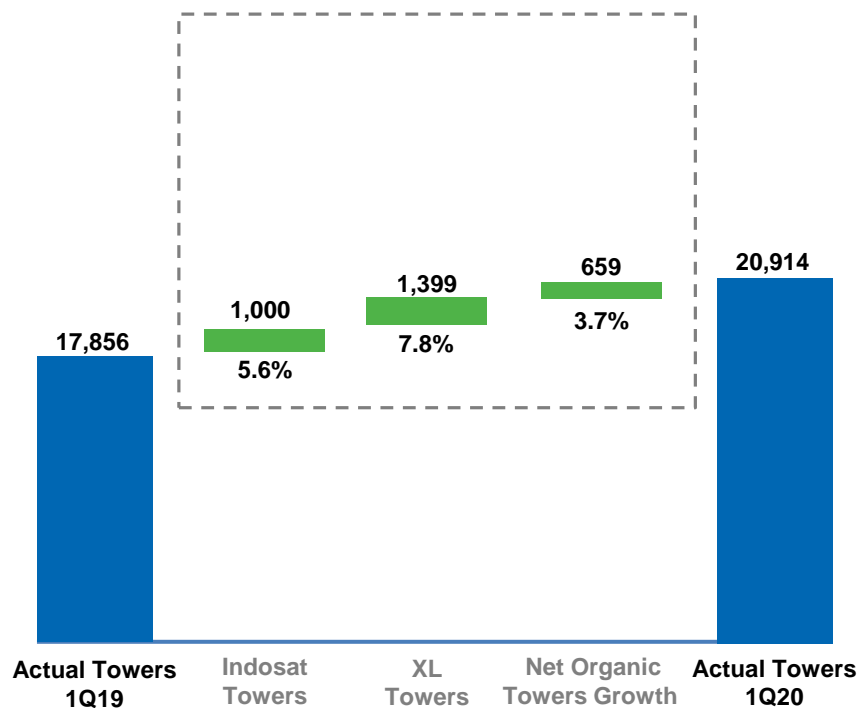
in RP Bn

**EBITDA Growth 27.7%**

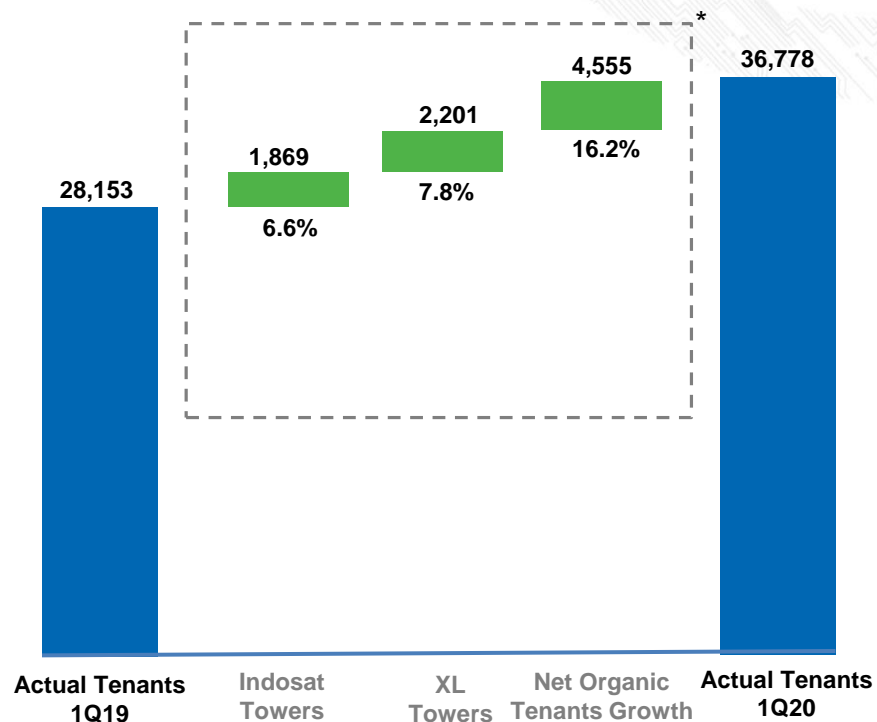


# Tower & Tenancy Growth 1Q20 vs 1Q19

## Towers Growth 17.1%



## Tenancy Growth 30.6%



Tenancy ratio increases to 1.76x in 1Q20 from 1.58x in 1Q19

*\*Does not include over 2,100 revenue generating additional-equipment leases*



# Appendix

# Foreign Exchange Exposure as of 30 April 2020

ASSET		CONTRACTED REVENUE		LIABILITIES
Cash	USD 80.5mn	2020	– USD 7mn	<u>Bank Loan</u>
Investments	USD 15.5mn	2021	– USD 54mn	JPY 5.7bn (~USD 53mn)
		2022	– USD 31mn	
		2023	– USD 22mn	<u>Bond</u>
		2024	– USD 17mn	USD 138mn
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Total	USD 96mn	Total	– USD 131mn	Total - ~USD 191mn

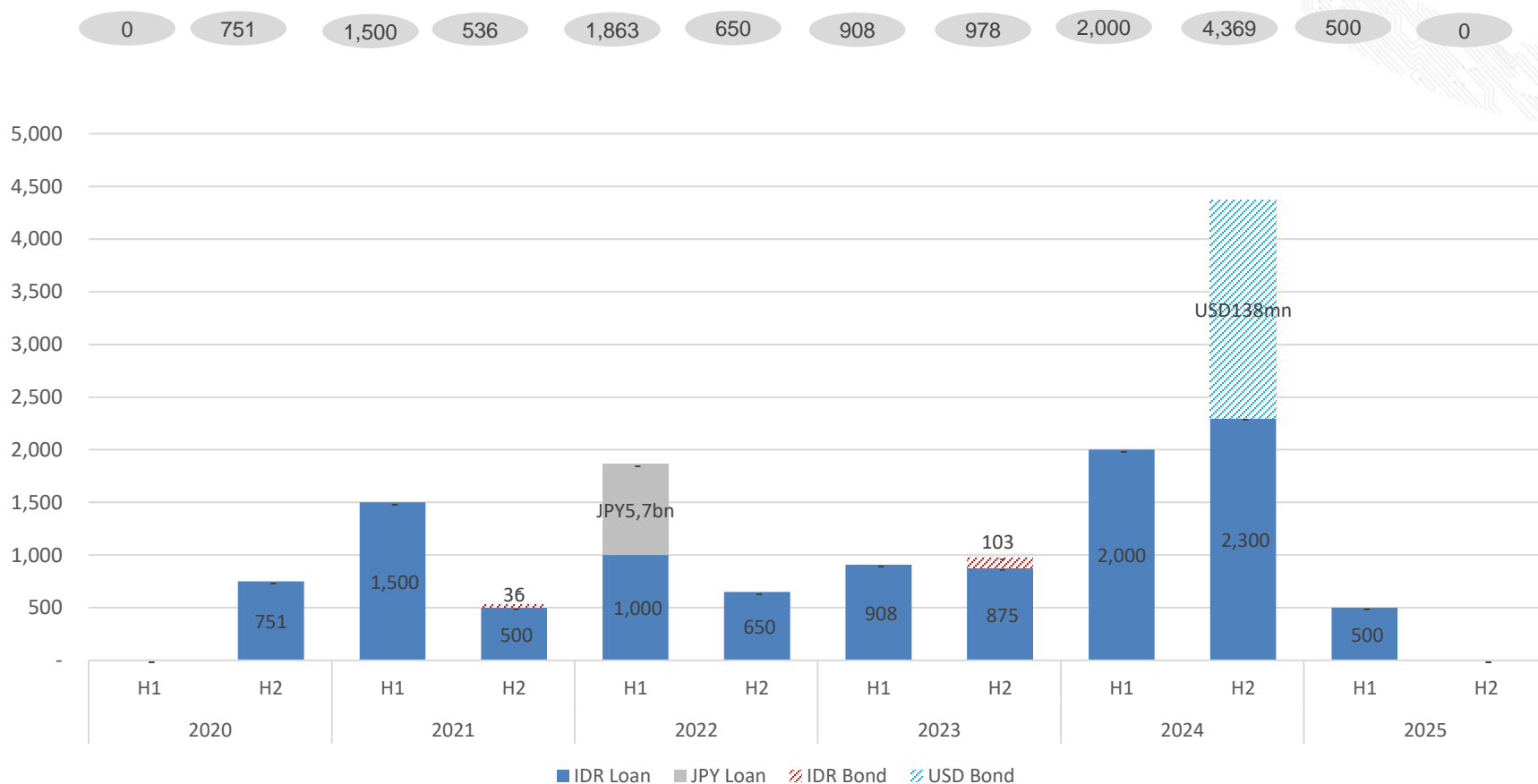
## Risk Mitigation:

- Paid down JPY loan of JPY 13.3bn in early 2020 to become JPY 5.7bn (~USD 53mn)
- Combined USD cash and USD contracted revenue is larger than foreign denominated liabilities as natural hedge
- Company has also entered into financial hedges to cover operational requirements in foreign exchange

# Long Term Debt\*: 81.0% Floating, 19.0% Fixed, Avg Interest 6.0%

in Rp Bn

## Maturity Profile



- As of March 2020
- BI Middle rate as of March 2020: 1USD = IDR16.367 ; 1JPY = IDR150.86



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