

# Indonesia's Premier Telecommunication Infrastructure Company

## 2Q 2021 Results Presentation



**PT Sarana Menara Nusantara Tbk**

**IDX ticker: TOWR.JK / TOWR IJ**

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# SMN Investment Highlights

**Leading** telco infrastructure company in Indonesia

**Largest** independent tower company with **21,575** towers

**Largest** independent tower fiber provider with **~34,000 kms** physical fiber and **~52,000 kms** generating revenue growing 82% yoy

**Solid** build to suit model for towers and fibers with **predictable** long-term cash flow

S&P BBB (stable outlook **reaffirmed** during COVID-19), Fitch BBB/AAA (stable outlook), Moody's Baa3 (**stable** outlook)



**Sustained** strong performance

5-yr Revenue CAGR **10.0%** <sup>(a)</sup>

5-yr EBITDA CAGR **9.3%** <sup>(a)</sup>

**Sustained** strong returns

ROI **13.7%** <sup>(b)</sup> and ROE **32.6%** <sup>(b)</sup>

Solid balance sheet

**2.2x** Net Debt to LQA <sup>(c)</sup> EBITDA

**TOWR** shares included in **IDX30, IDX ESG leaders, FTSE Asia Pacific, MSCI Global Standard Index** and assigned first-time **MSCI ESG rating of BB** <sup>(d)</sup>

<sup>(a)</sup> CAGR = Compounded Annual Growth Rate; CAGR 2016 – 2021

<sup>(b)</sup> Please see slide 21 for more notes

<sup>(c)</sup> LQA = Last Quarter Annualized

<sup>(d)</sup> IDX30 (July 2020). IDX ESG Leaders (December 2020). FTSE (October 2020). MSCI (November 2020)

# TOWR focused on aligning strategy for ESG & sustainability

## 1. Capital management

- Access to among lowest-cost funding
- Liquidity sums to \$2.0bn <sup>1</sup>
- Investment grade ratings from top 3 agencies inline with 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 in developing Indo is wireless needing massive infrastructure
- Towers, fibers as digital infrastructure important to reduce digital gap

## 4. Attractive industry structure

- Industry consolidating
- Majority of other players backed by financial sponsors
- Gov't support: Palapa Ring, USO & non-USO projects to further investment <sup>2</sup>

## 5. Most unique in asset class

- Contracted revenue of Rp52tn
- Attractively valued business with annual recurring FCF that funds capex, dividend, share buybacks
- TOWR has been successful consolidator

## 6. Efficient infra provider

- Company has been responsive to need of customer for efficient infrastructure
- EBITDA, AFFO 5-year CAGR of 9.3% and 11.4%, respectively, with 2020 ROE of 29.7%.

## Going into the future

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

1. Invest FCF and low cost capital.
2. Indonesia still in the middle of 4G cycle
3. 4G a sweet spot for fintech, e-commerce, e-government.

### 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 of that 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 bigger investment

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



# 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** at minimal additional cost

## HIGH BARRIER TO ENTRY

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

## GROWING INDUSTRY

- **Surging data demand** creates need for more towers and fiber optic connections
- Consumers under current 4G require reliable and high speed internet which means towers have to be increasingly fiberised as backhaul
- 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

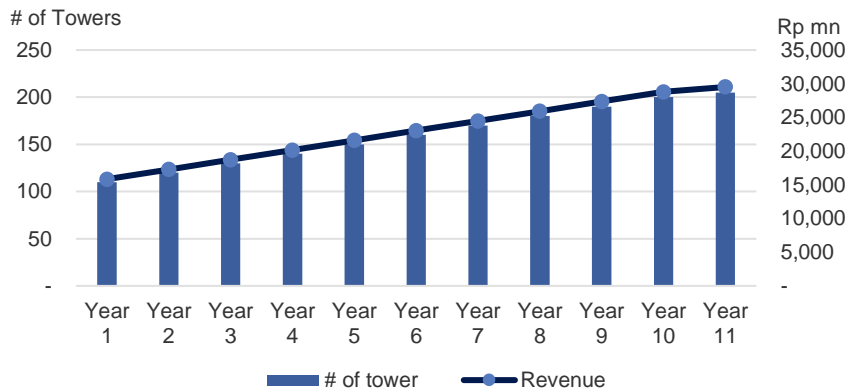
## New Built-to-Suit Tower

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

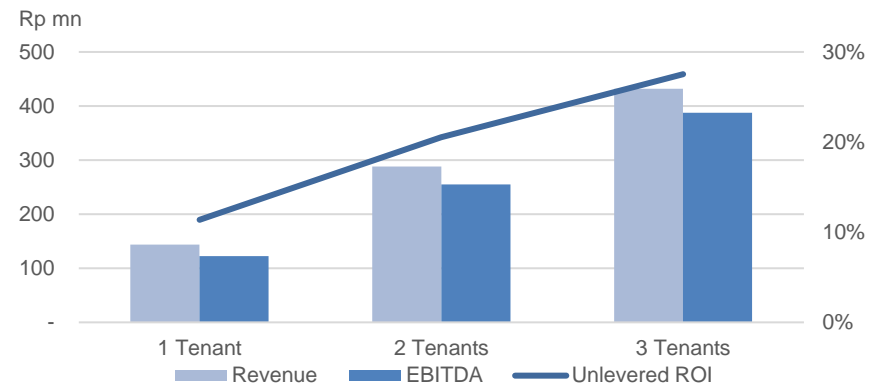
Colocation boosts unlevered ROI and accelerates payback period

### 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	66%
4G-LTE internet speed	9.9 mbps*
Credit Rating	BBB/Baa2
2020 GDP/capita	\$3,912

(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 - 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>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.

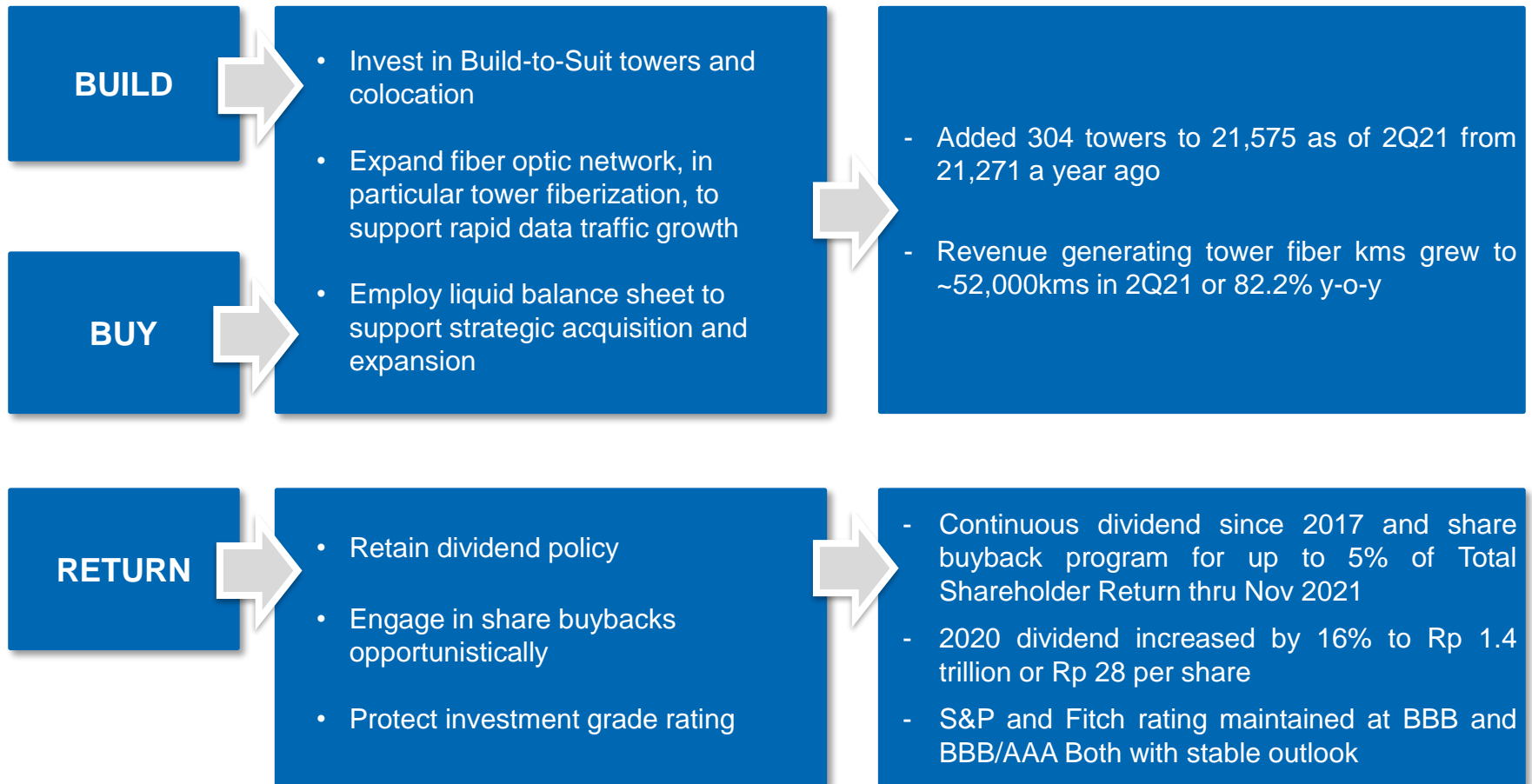


# SMN 2Q 2021 Performance



# 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 21,575 towers with 52% in Java and 48% in ex-Java. Total tenants has surpassed 40,158 tenants in 2Q21
- Tenancy ratio of 1.86x. Older towers average tenancy ratio up to 2.50x.
- Organic growth of 500 to 1,000 new towers annually

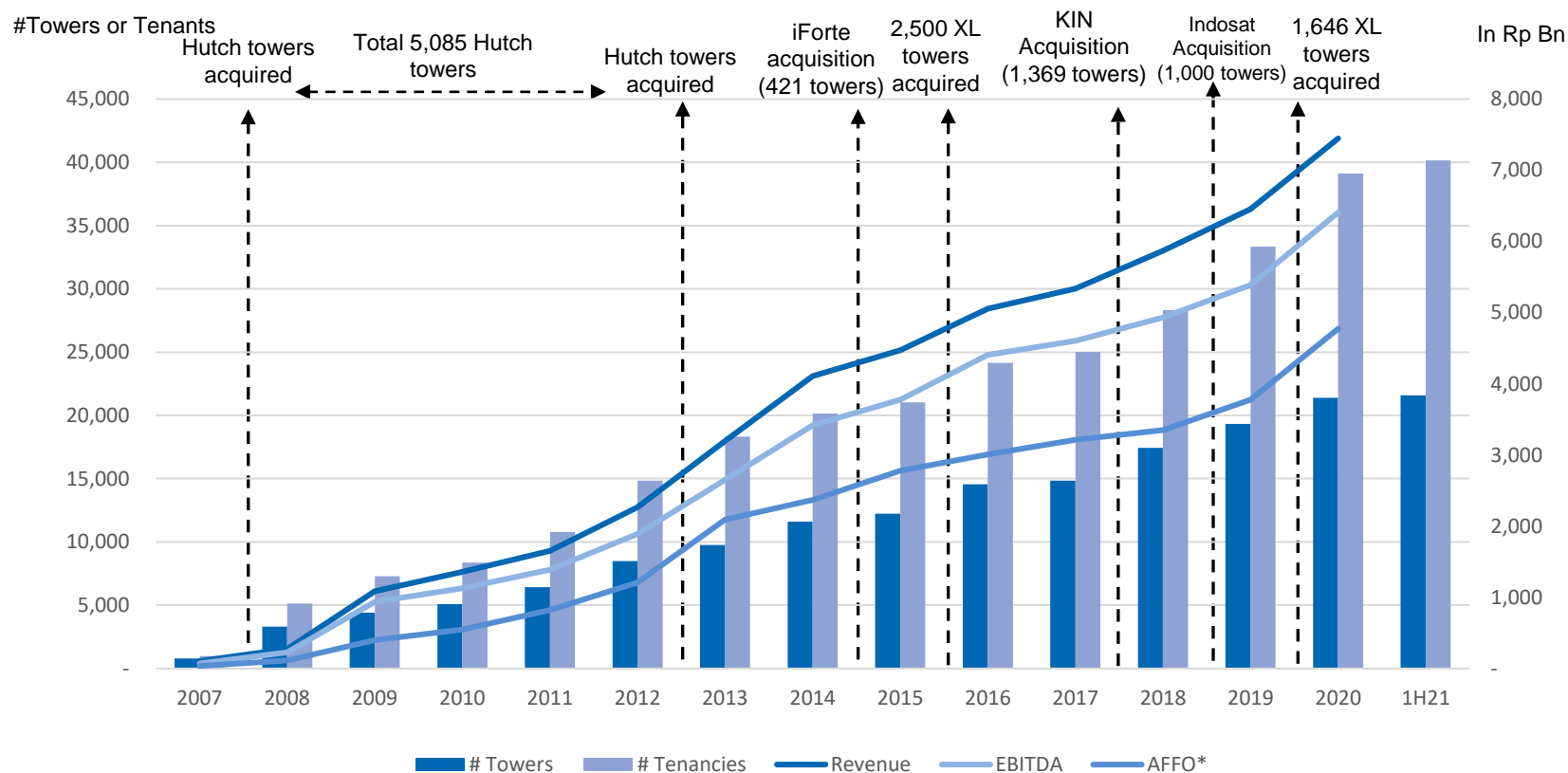
## TOWER FIBER

- Tower fiberization increases the value and utility of our network to Telcos.
- ~52,000kms revenue generating fiber by end of June 2021, utilization ratio at 150%
- 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

## CONNECTIVITY

- Actively seeking opportunities to provide connectivity (with various offerings using VSAT, wireless/wireline, etc) under B2B or B2G arrangements
- Currently with over 7,600 activations serving over 1,500 customers
- Business includes bandwidth provision utilising 7,000 kms underground fiber in Jakarta, Surabaya, Java-Bali

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



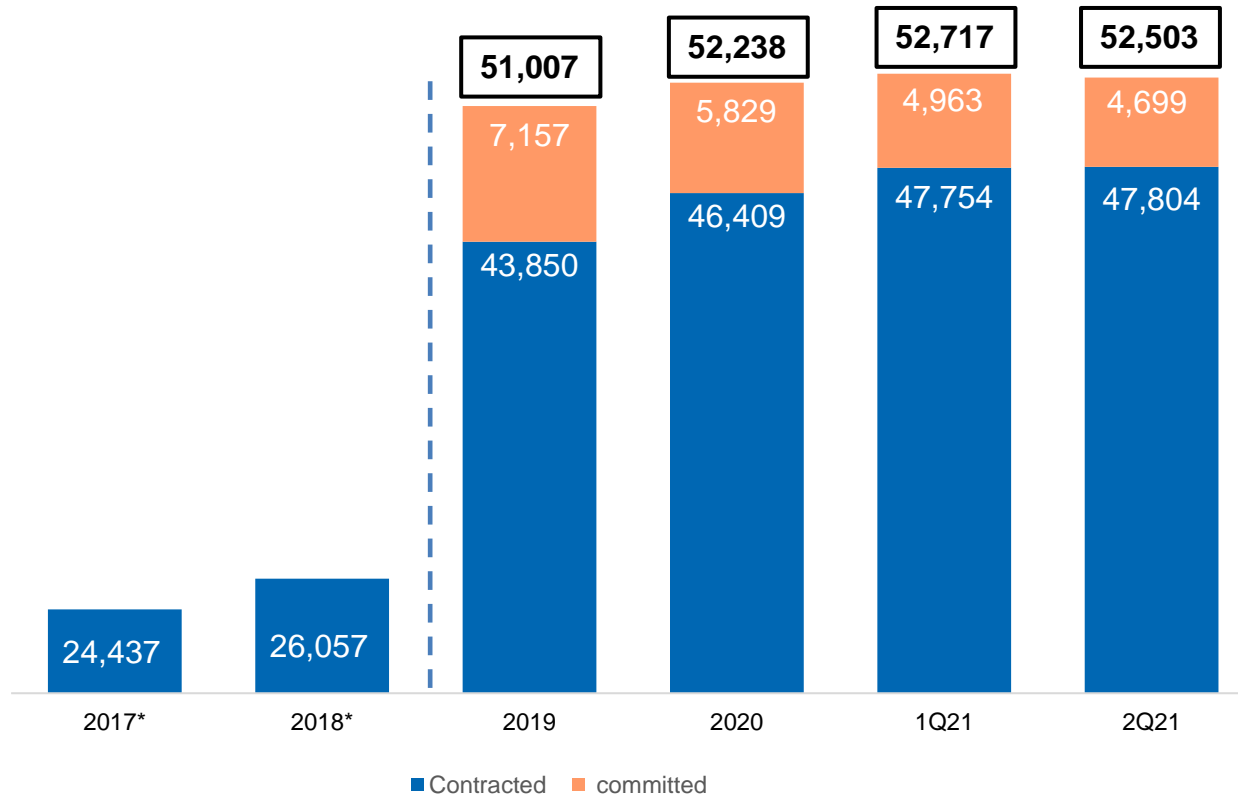
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	1H21
# Towers	781	3,312	4,415	5,072	6,427	8,482	9,766	11,595	12,237	14,562	14,854	17,437	19,319	21,381	21,575
# Tenancies	984	5,137	7,282	8,365	10,798	14,849	18,322	20,138	21,038	24,144	25,011	28,319	33,346	39,127	40,158
Revenue	105	274	1,082	1,356	1,651	2,265	3,197	4,106	4,470	5,053	5,338	5,868	6,454	7,445	3,972
EBITDA	67	227	933	1,128	1,386	1,889	2,651	3,418	3,776	4,408	4,604	4,932	5,385	6,405	3,410
AFFO*	35	111	396	547	821	1,207	2,093	2,367	2,776	3,009	3,213	3,348	3,776	4,774	2,584

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

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

Long term contracts and commitments underwrite ~Rp52.5 trillion of committed future revenue through 2038, not including value of potential future contract renewals

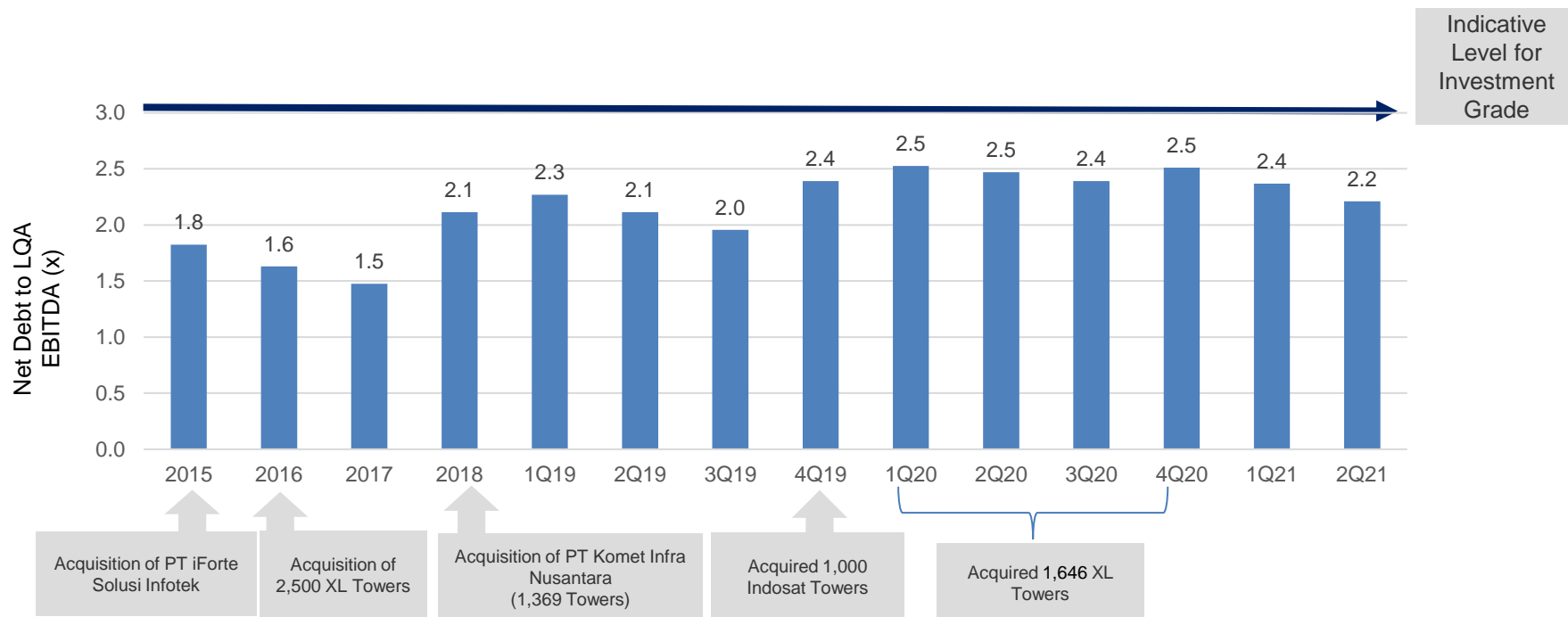
in Rp Bn



\* 2017 & 2018 exclude committed revenue and renewals

# Strong Investment Grade Balance Sheet

Leverage comfortably within investment grade range despite acquisitions and dividend



## 2Q21 Credit Matrix

Gross Debt	Rp17,482bn
Interest Coverage Ratio	8.2x
Average Interest Rate (as of 30 June 2021)	5.0%
Corporate Credit Rating	BBB/ BBB/AAA / Baa3



# Summary of Financial Results

# Sarana Menara Nusantara (SMN) Group

## Abridged consolidated statement of profit and loss

(In RP Bn)	2017	2018	2019	2020	2Q20	2Q21	yoy
Revenues	5,337.9	5,867.9	6,454.3	7,445.4	1,865.3	2,015.4	8.0%
Cost of revenues	(277.4)	(427.5)	(458.3)	(415.2)	(102.0)	(113.8)	11.6%
Depreciation and amortization	(894.9)	(1,114.4)	(1,349.6)	(1,644.0)	(462.6)	(432.2)	6.6%
<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>1,300.7</b>	<b>1,469.4</b>	<b>13.0%</b>
Operating expenses	(456.9)	(508.5)	(610.7)	(625.3)	(159.6)	(171.3)	7.3%
<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>1,141.1</b>	<b>1,298.2</b>	<b>13.8%</b>
Other income							
Interest income	68.1	33.9	39.1	33.6	7.8	5.3	
Finance charges	(687.3)	(872.3)	(957.9)	(1,090.6)	(287.7)	(226.4)	
Finance charges (PSAK 73)	-	-	-	(110.7)	(22.6)	(23.9)	
Foreign exchange gains/(losses), net	(2.4)	(37.3)	56.0	(182.8)	173.5	10.1	
(Impairment expense)/reversal of allowance for impairment	(139.7)	153.9	(103.0)	32.5	-	-	
Corporate income tax adjustment	-	-	-	-	-	-	
Others, net	(144.5)	(143.9)	(61.0)	(44.0)	(8.2)	(3.5)	
<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>(137.3)</b>	<b>(238.3)</b>	<b>73.6%</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>1,003.8</b>	<b>1,059.9</b>	<b>5.6%</b>
<b>Corporate income tax expense</b>							
Tax expense	(591.3)	(695.8)	(722.5)	(691.6)	(205.2)	(201.9)	
Deferred tax expense	(111.5)	(55.8)	66.7	146.3	(8.0)	48.2	
<b>Total corporate income tax expense</b>	<b>(702.8)</b>	<b>(751.6)</b>	<b>(655.8)</b>	<b>(545.3)</b>	<b>(213.2)</b>	<b>(153.6)</b>	<b>27.9%</b>
Minority Interest	0.0	0.0	11.1	17.6	8.3	5.7	
<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>782.3</b>	<b>900.5</b>	<b>15.1%</b>
EBITDA	4,603.4	4,931.8	5,385.3	6,404.9	1,603.7	1,730.4	7.9%
YoY Revenue growth	5.60%	9.9%	10.0%	15.4%	20.6%	8.0%	
Gross margin	78.0%	73.7%	72.0%	72.3%	69.7%	72.9%	
EBITDA margin	86.2%	84.0%	83.4%	86.0%	86.0%	85.9%	
Net income margin	39.3%	37.5%	36.3%	38.1%	41.9%	44.7%	

# Sarana Menara Nusantara (SMN) Group

## Abridged consolidated statement of financial position

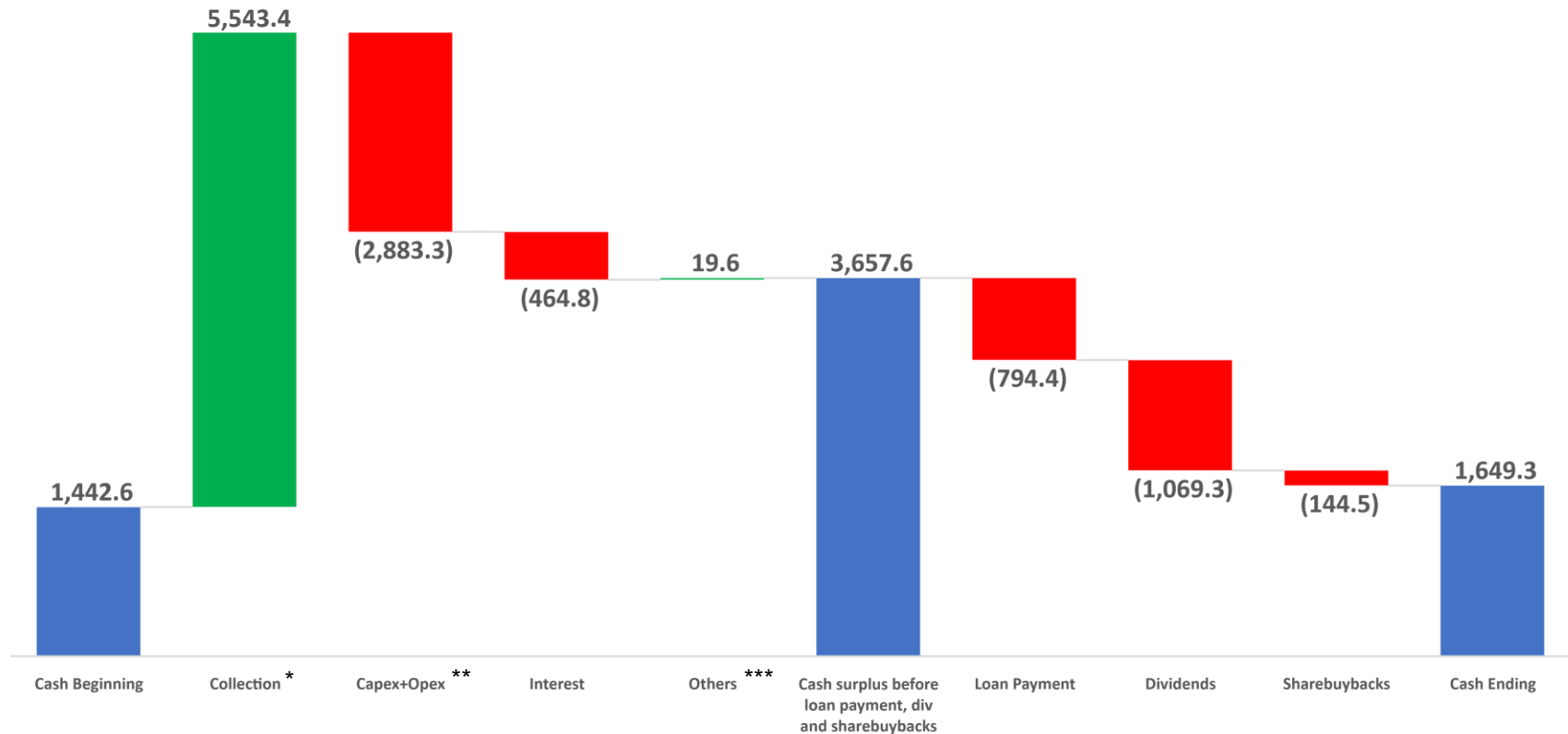
(In RP bn)	2016	2017	2018	2019	2020	30-Jun-21
<b>ASSETS</b>						
<i>Current assets</i>						
Cash and cash equivalents	2,905.3	2,348.3	963.4	593.8	1,442.6	1,649.3
Restricted cash	-	-	-	6.6	4.9	2.9
Trade receivables	351.7	624.0	821.0	1,347.6	1,240.1	1,174.6
Other current asset	337.5	77.4	490.9	526.5	314.7	265.8
<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>3,092.5</b>
Total non-current assets	15,192.3	15,713.8	20,684.2	25,191.3	31,247.2	31,558.8
<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>34,651.3</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	2,863.0
Current portion of long-term bonds	998.7	-	657.9	-	35.9	36.0
Leasing payable	-	-	-	-	281.3	299.0
Other current liabilities	1,787.6	1,596.6	2,361.1	2,620.3	2,834.1	3,794.1
<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>6,992.1</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	12,335.6
Bonds payable	2,432.2	2,589.6	2,023.4	1,976.3	2,148.7	2,176.1
Leasing payable	-	-	0.8	-	1,730.7	1,545.2
Other non-current liabilities	1,120.6	1,066.3	1,080.6	1,116.6	1,034.6	999.1
<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>17,056.0</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>24,048.1</b>
<i>Equity</i>						
Common shares	530.7	530.7	530.7	530.7	530.7	530.7
Treasury Stock	-	-	(126.6)	(514.1)	(786.9)	-931.4
Other comprehensive income	(23.2)	24.6	81.4	2.8	44.6	24.6
Retained earnings / (accumulated deficit)	5,452.3	6,546.4	7,547.8	8,705.1	10,365.6	10,955.2
Non-controlling interests	0.1	0.1	-	36.1	30.0	24.1
<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>10,603.2</b>



# Sarana Menara Nusantara (SMN) Group

## Abridged consolidated statement of cashflows (6 months ended June 2021)

in Rp Bn



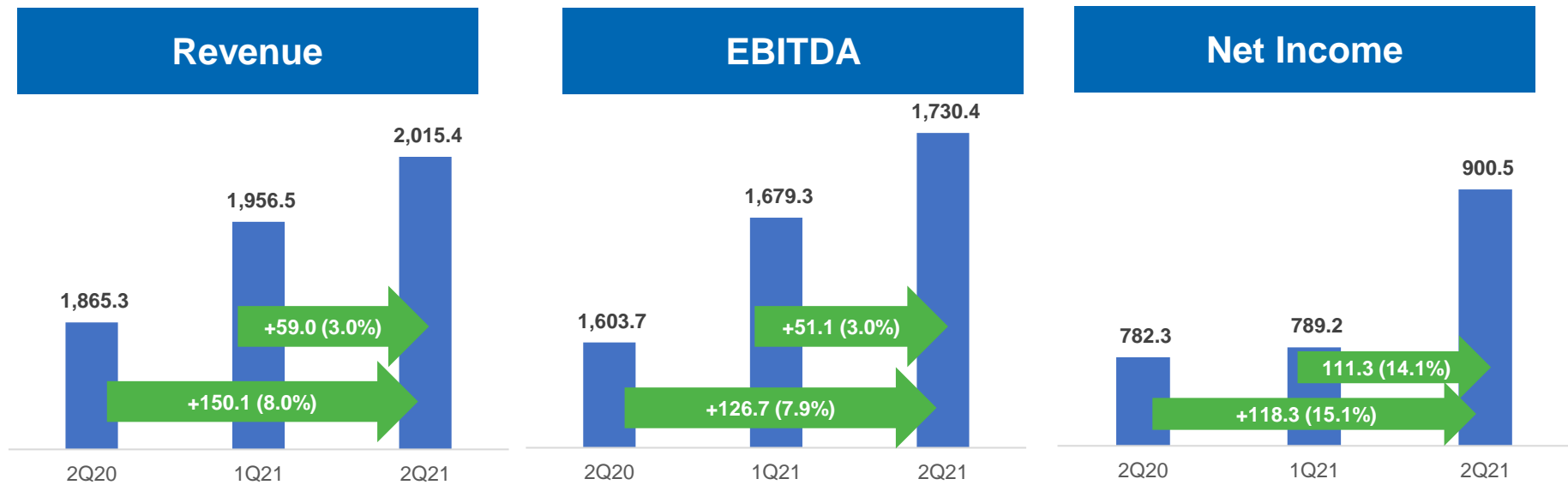
\* Numbers included VAT

\*\* Including ground lease

\*\*\* Including minority interest, forex and others

# Profit & Loss Movement 2Q21

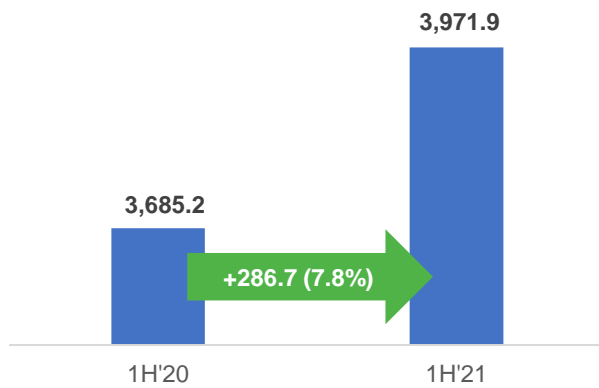
in Rp Bn



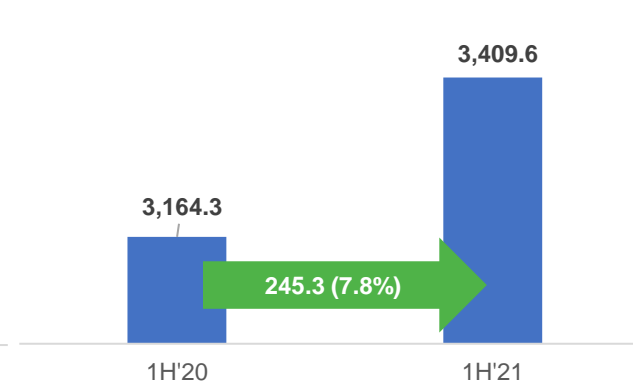
# Profit & Loss Movement 1H'20 vs 1H'21

in Rp Bn

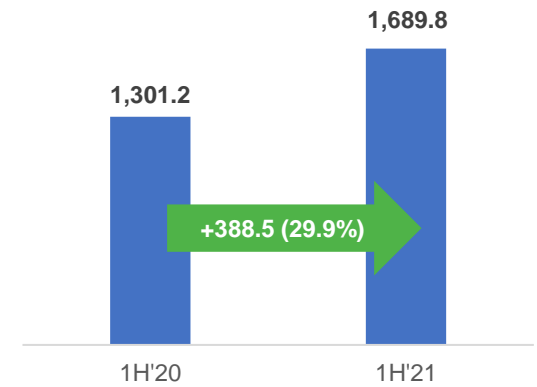
## Revenue



## EBITDA



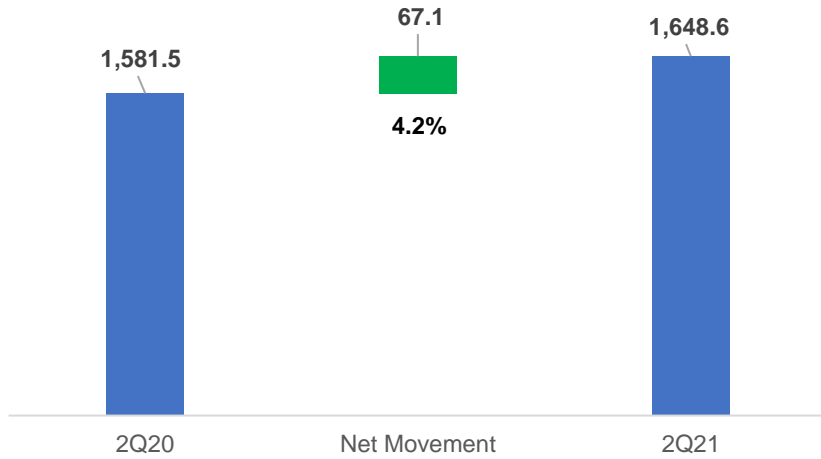
## Net Income



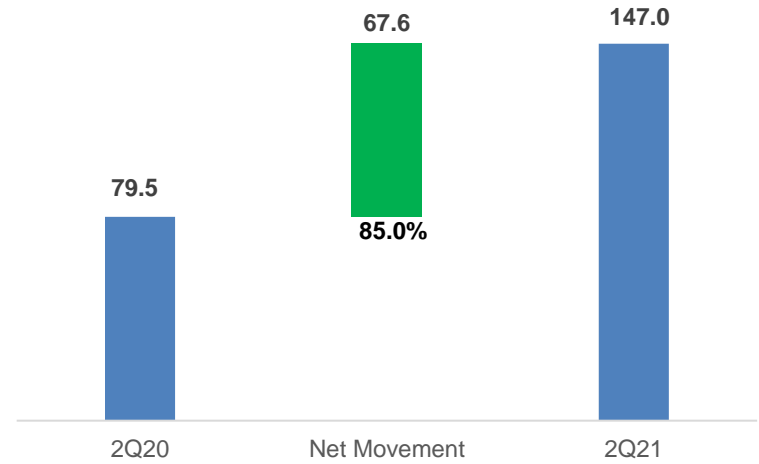
# Revenue Analysis (2Q20 vs 2Q21)

in Rp Bn

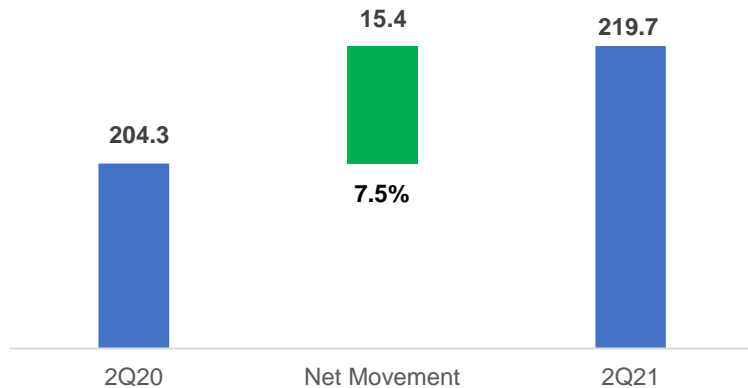
## Towers



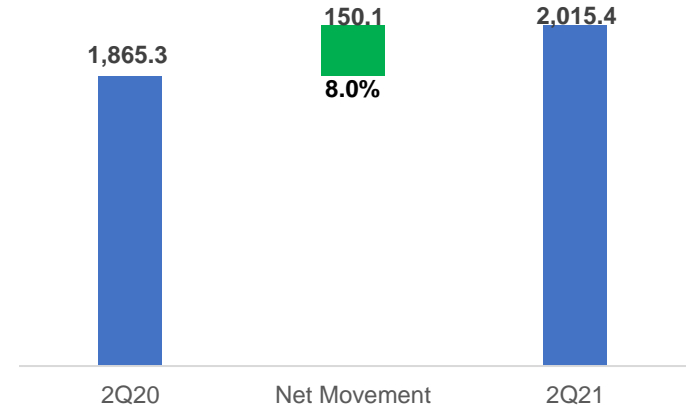
## Tower Fiber



## Connectivity

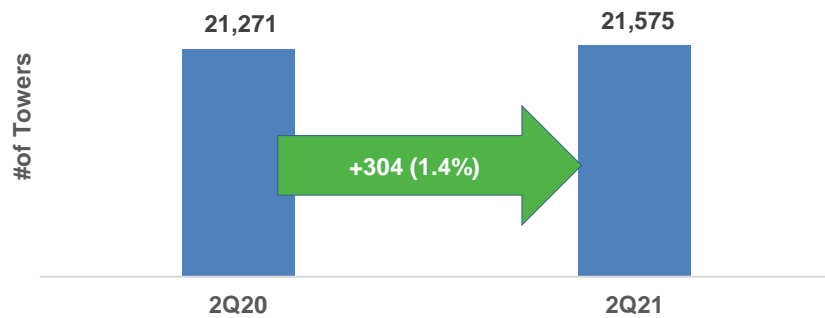


## Total Revenue

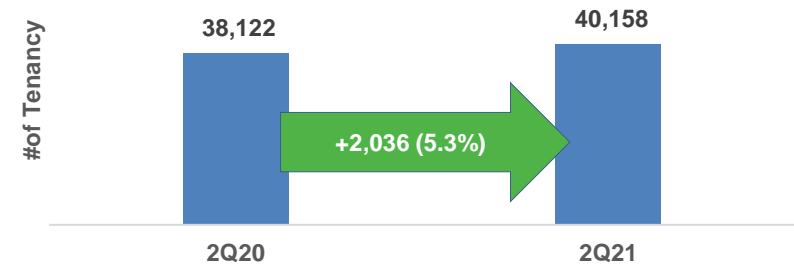


# Summary Operational Data (2Q20 vs 2Q21)

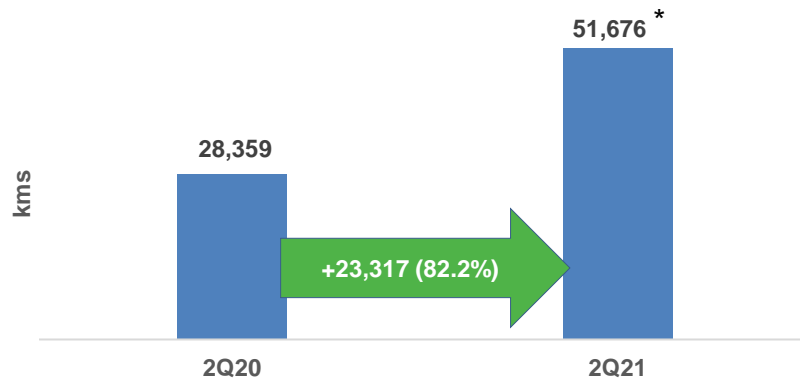
## Towers



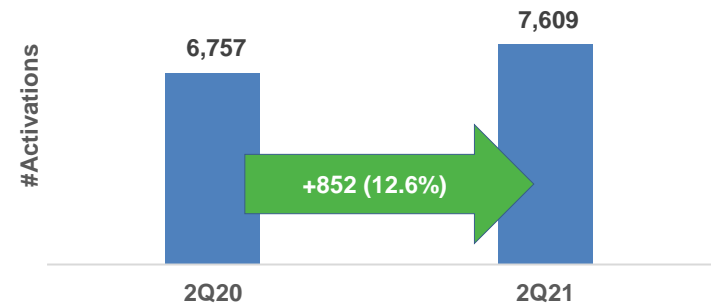
## Tenancy



## Tower Fiber

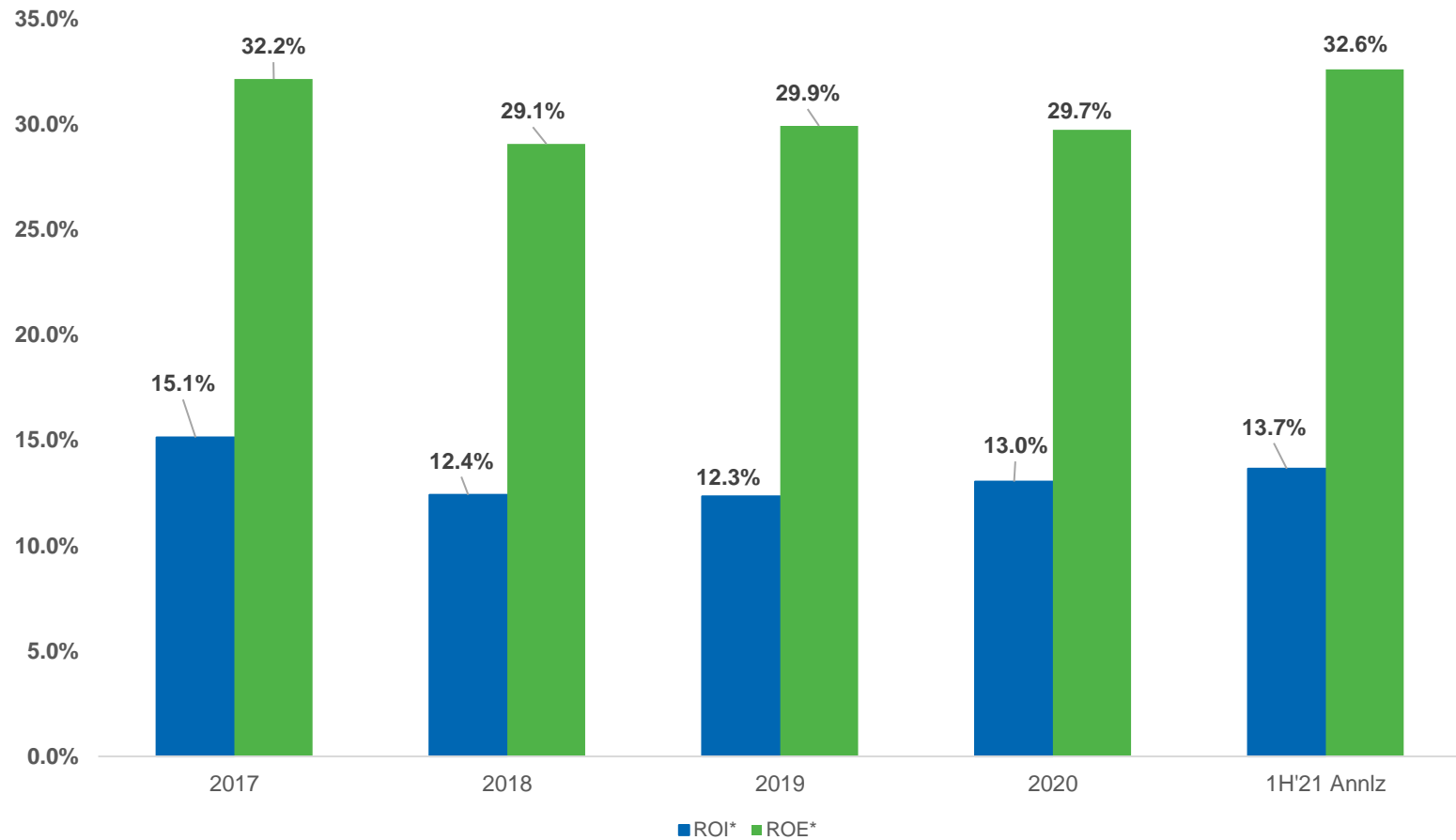


## Connectivity



\* utilization ratio 150%

# Sustained Strong Returns



\* ROI = Earnings before interest / (Total fixed assets and ground lease); ROE = Net income / Average total equity



# Appendix

# Foreign Exchange Exposure as of 30 June 2021

Further improved FX exposure position as planned from natural hedge

ASSET		CONTRACTED REVENUE		LIABILITIES	
Cash	USD 55.2mn	2021	– USD 2mn	<u>Bank Loan</u>	
Fx Swap	USD 52.0mn	2022	– USD 31mn	JPY 3.5bn (~USD 31mn)	
Investments	USD 30.3mn	2023	– USD 22mn		
		2024	– USD 17mn	<u>Bond</u>	
				USD 138mn	
Total	USD 137.5mn	Total	– USD 72mn	Total	~USD 169mn

## Risk Mitigation:

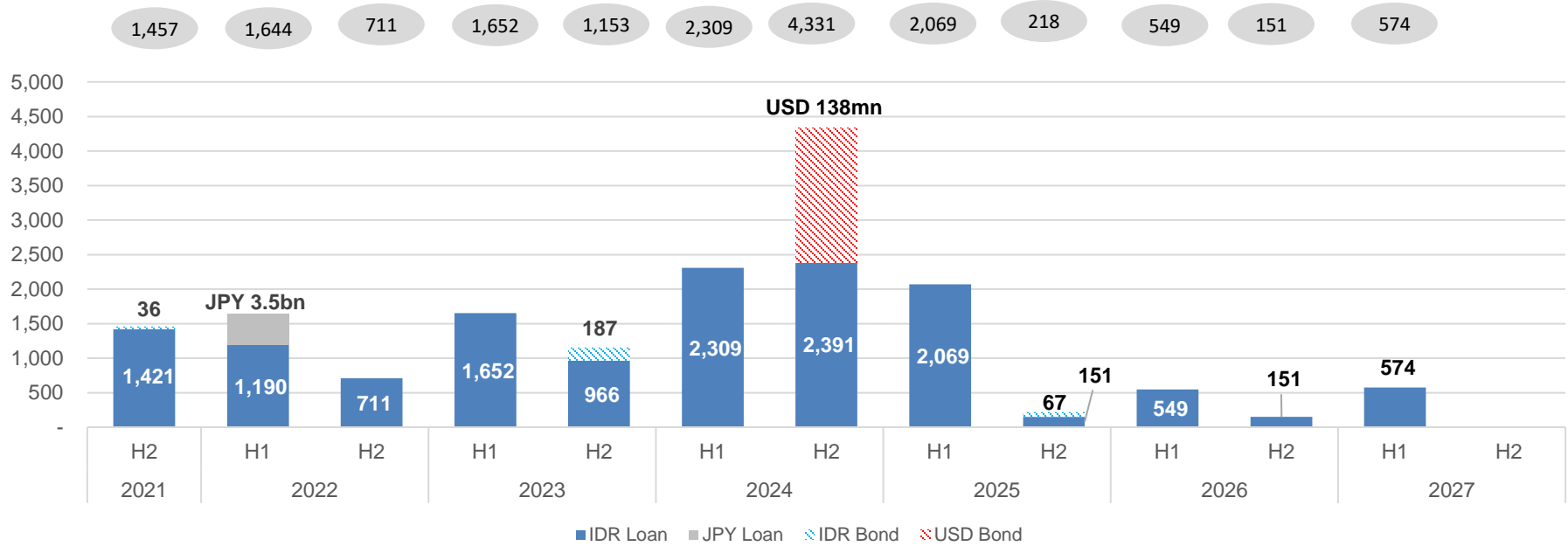
- USD financial assets and USD contracted revenue provides natural hedge for foreign denominated liabilities
- Company has also entered into financial hedges to cover financial and operational requirements in foreign exchange



# Long Term Debt\*: 84.4% Floating, 15.6% Fixed, Avg Interest 5.0%

in Rp Billion

## Maturity Profile



- As of June 2021
- BI Middle rate as of June 2021: 1USD = IDR14.496 ; 1JPY = IDR131.06

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