

# Indonesia's Premier Telecommunication Infrastructure Company

## 1Q 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 **21,424** towers

**28%** independent tower market share

**Expanding** fiber optics network<sup>(a)</sup>  
**~46,000** kms of revenue generating fiber by end of March 2021

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



**Solid** business model with **predictable** cash flow from towers and fiber

**Sustained** strong performance  
5-yr Revenue CAGR **10.8%**<sup>(b)</sup>  
5-yr EBITDA CAGR **10.9%**<sup>(b)</sup>

Solid balance sheet  
**2.4x** 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> Fiber optics network comprises of tower fiberization, backbone and metro-e

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

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

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



# The Industry

# Tower Business – Long-Term Predictable Revenue with Upside



## PREDICTABLE REVENUE

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

## DEPENDENT TENANTS

**Contract renewal likely** 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

## GROWING INDUSTRY

- **Surging data demand** creates need for more towers and fiber optic connections
- 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

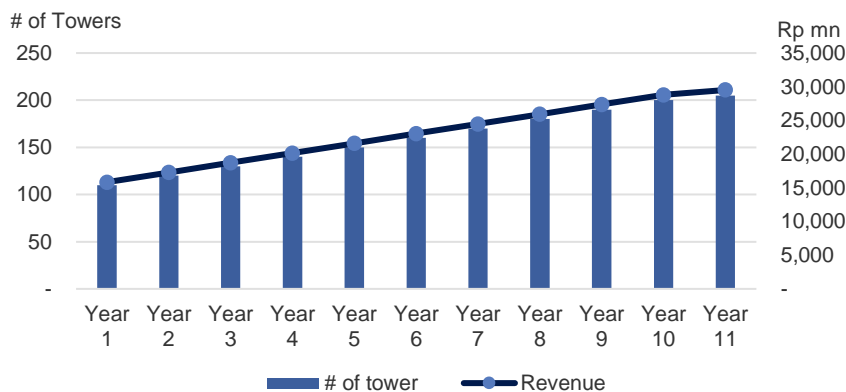
## New Built-to-Suit Tower

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

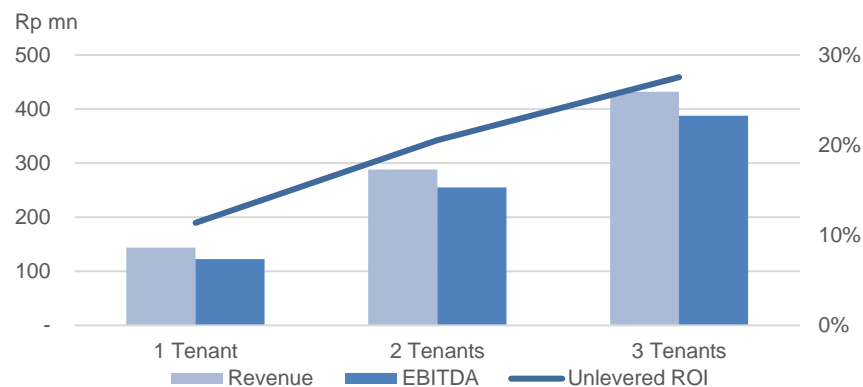
Colocation boosts unlevered ROI and accelerates payback period

### 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

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



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

	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:

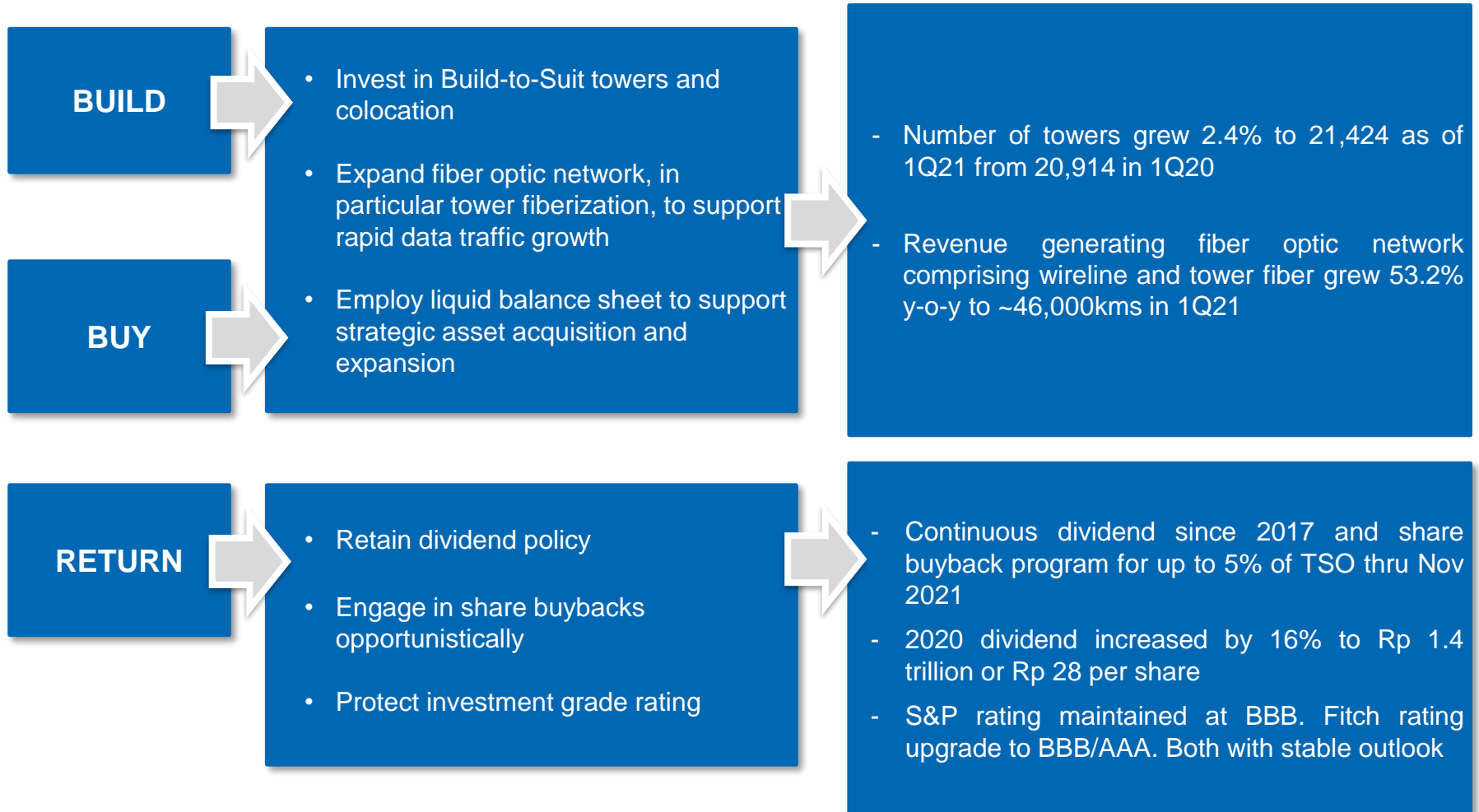
1. In local currency, and stated in approximate USD for comparison purposes.
2. Independent tower business model in Western Europe, with the exception of Inwit in Italy
3. Does not include pre-paid ground lease. Indonesian tower companies typically pay in advance for ground leases of 5-10 years.



# SMN 1Q 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 21,424 towers with 39,794 tenants nationwide.
- 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 FIBERIZATION

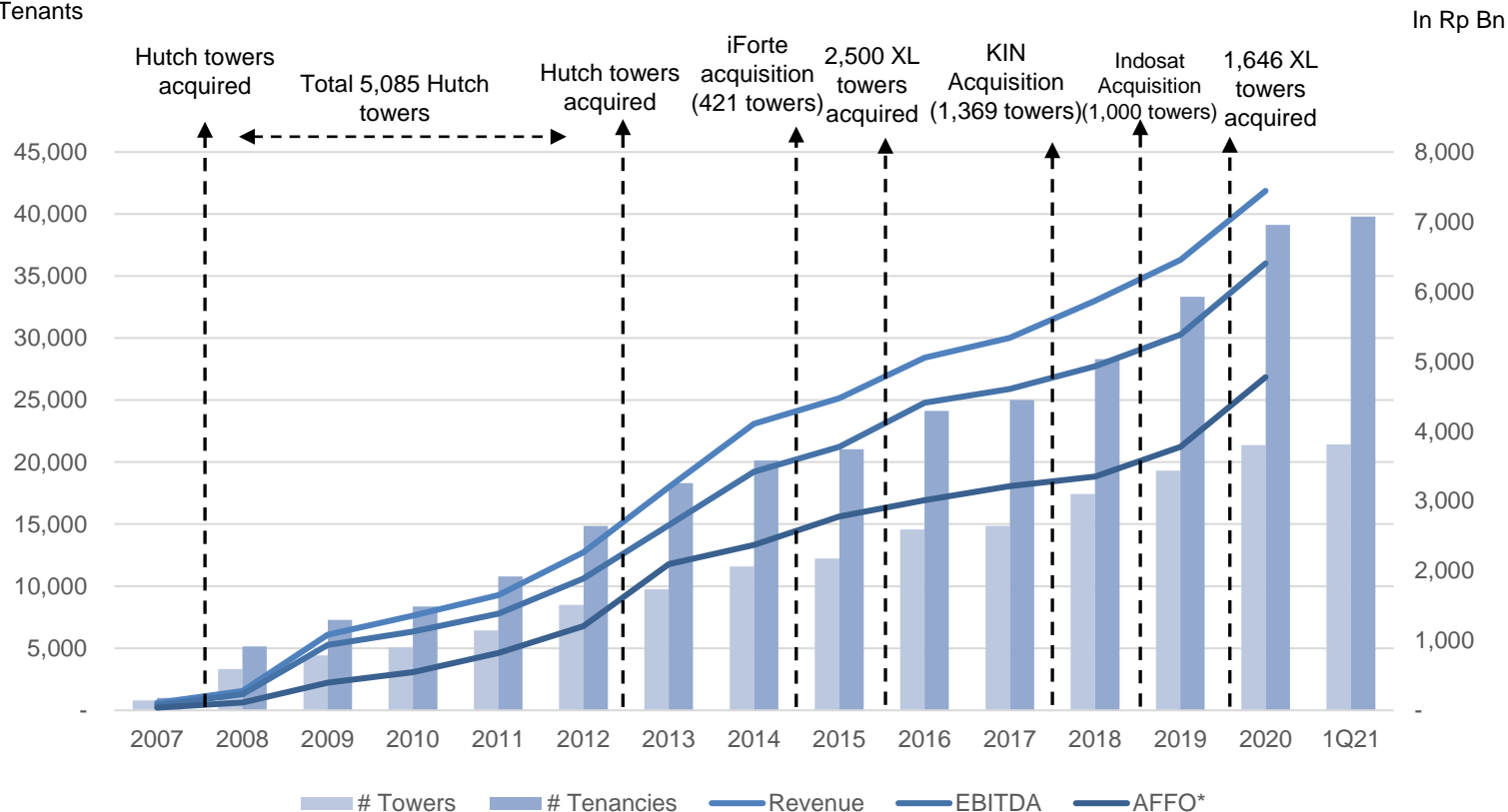
- Tower fiberization increases the value and utility of our network to Telcos.
- ~40,000kms revenue generating fiber by end of March 2021, efficiency ratio 34%
- Network focus on Java, Bali and Sumatra to support surging data demand
- Like tower model, non-cancellable long-term contracts and opportunity for colocation revenue upside

## CONNECTIVITY

- Explore opportunities to provide connectivity via VSAT and fiber optics under B2B and B2G contracts
- Over 7,600 activations
- Over 6,000kms of underground fiber installed in inner-city of Jakarta & Surabaya (metro-e) and Java-Bali fiber optic backbone, catering for more than 1,100 customers

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

#Towers or Tenants

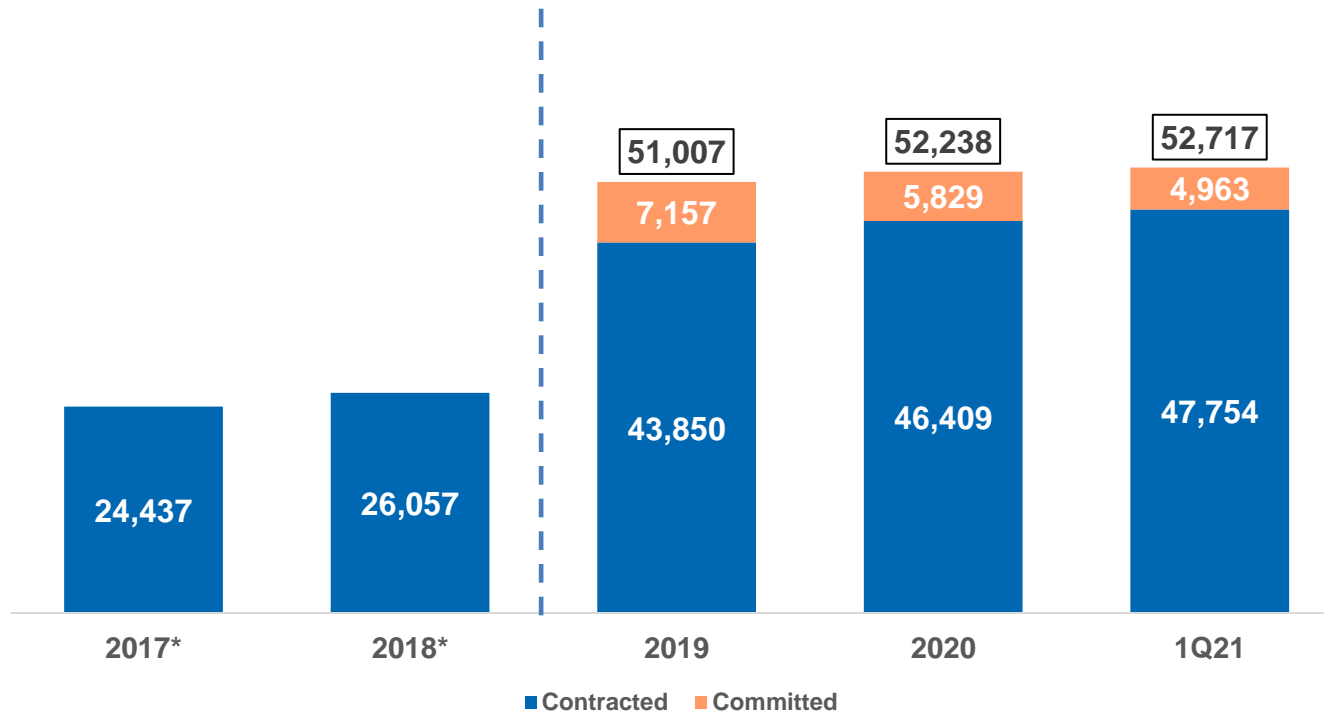


	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	1Q21
# Towers	781	3,312	4,415	5,072	6,427	8,482	9,766	11,595	12,237	14,562	14,854	17,437	19,319	21,381	21,424
# Tenancies	984	5,137	7,282	8,365	10,798	14,849	18,322	20,138	21,038	24,144	25,011	28,319	33,346	39,127	39,794
Revenue	105	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	1,956
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	1,679
AFFO*	35	111	396	547	821	1,207	2,093	2,367	2,776	3,009	3,213	3,348	3,776	4,774	1,248

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

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

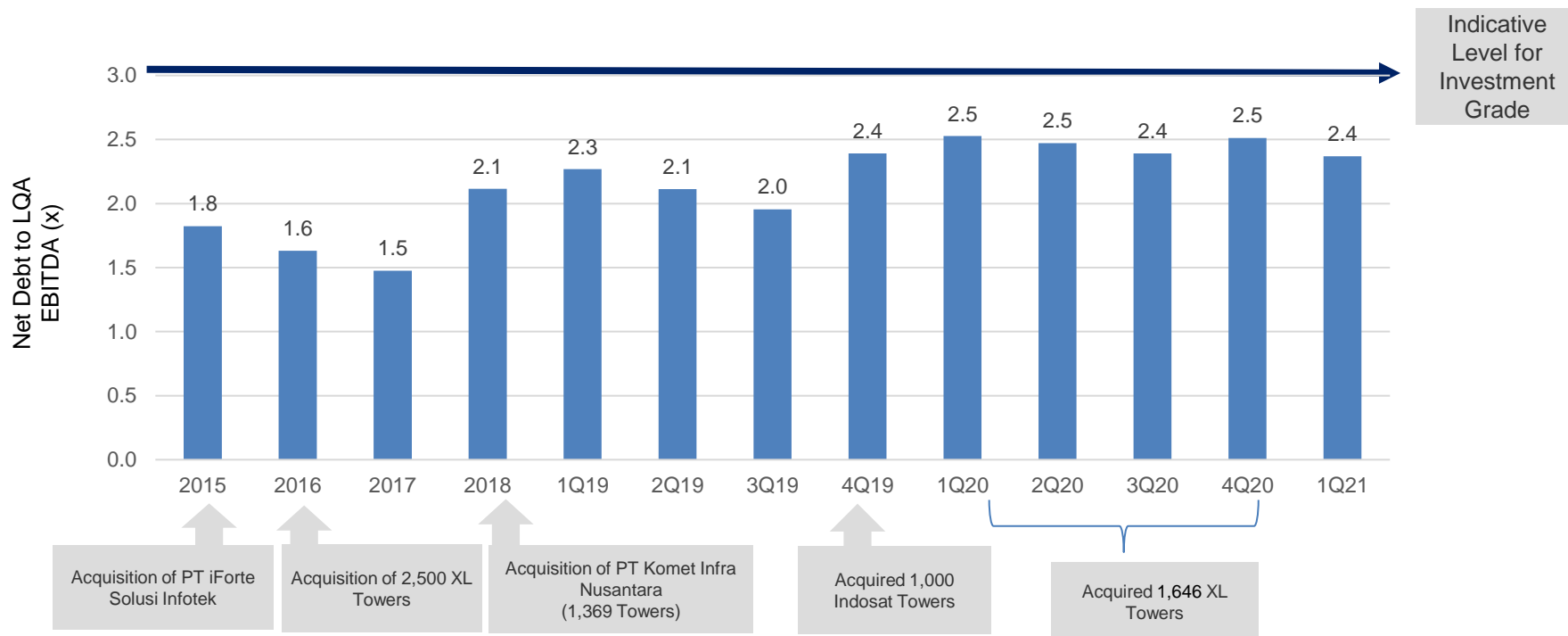
Long term contracts and commitments underwrite ~Rp52.7 trillion of committed future revenue through 2033, not including value of potential future contract renewals



\* 2017 & 2018 exclude committed revenue and renewals

# Strong Investment Grade Balance Sheet

Leverage comfortably within investment grade range despite acquisitions and dividend



## 1Q21 Credit Matrix

Gross Debt	Rp17,680bn
Interest Coverage Ratio	7.5x
Average Interest Rate (as of 31 Mar 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	1Q20	1Q21	yoy
Revenues	5,337.9	5,867.9	6,454.3	7,445.4	1,819.9	1,956.5	7.5%
Cost of revenues	(277.4)	(427.5)	(458.3)	(415.2)	(100.3)	(108.1)	7.7%
Depreciation and amortization	(894.9)	(1,114.4)	(1,349.6)	(1,644.0)	(420.0)	(428.0)	1.9%
<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>1,299.6</b>	<b>1,420.3</b>	<b>9.3%</b>
Operating expenses	(456.9)	(508.5)	(610.7)	(625.3)	(159.0)	(169.1)	6.3%
<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>1,140.6</b>	<b>1,251.2</b>	<b>9.7%</b>
Other income							
Interest income	68.1	33.9	39.1	33.6	4.2	4.3	
Finance charges	(687.3)	(872.3)	(957.9)	(1,090.6)	(253.2)	(247.1)	
Finance charges (PSAK 73)	-	-	-	(110.7)	(17.2)	(24.6)	
Foreign exchange gains/(losses), net	(2.4)	(37.3)	56.0	(182.8)	(347.2)	(3.6)	
(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)	13.9	(11.7)	
<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>(599.6)</b>	<b>(282.7)</b>	<b>-52.8%</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>541.0</b>	<b>968.5</b>	<b>79.0%</b>
Corporate income tax expense							
Tax expense	(591.3)	(695.8)	(722.5)	(691.6)	(111.0)	(216.9)	
Deferred tax expense	(111.5)	(55.8)	66.7	146.3	95.9	42.8	
<b>Total corporate income tax expense</b>	<b>(702.8)</b>	<b>(751.6)</b>	<b>(655.8)</b>	<b>(545.3)</b>	<b>(15.1)</b>	<b>(174.0)</b>	<b>1053.8%</b>
Minority Interest	0.0	0.0	11.1	17.6	6.9	5.2	
<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>519.0</b>	<b>789.2</b>	<b>52.1%</b>
EBITDA	4,603.4	4,931.8	5,385.3	6,404.9	1,560.6	1,679.3	7.6%
YoY Revenue growth	5.60%	9.9%	10.0%	15.4%	22.8%	7.5%	
Gross margin	78.0%	73.7%	72.0%	72.3%	71.4%	72.6%	
EBITDA margin	86.2%	84.0%	83.4%	86.0%	85.7%	85.8%	
Net income margin	39.3%	37.5%	36.3%	38.1%	28.5%	40.3%	

# Sarana Menara Nusantara (SMN) Group

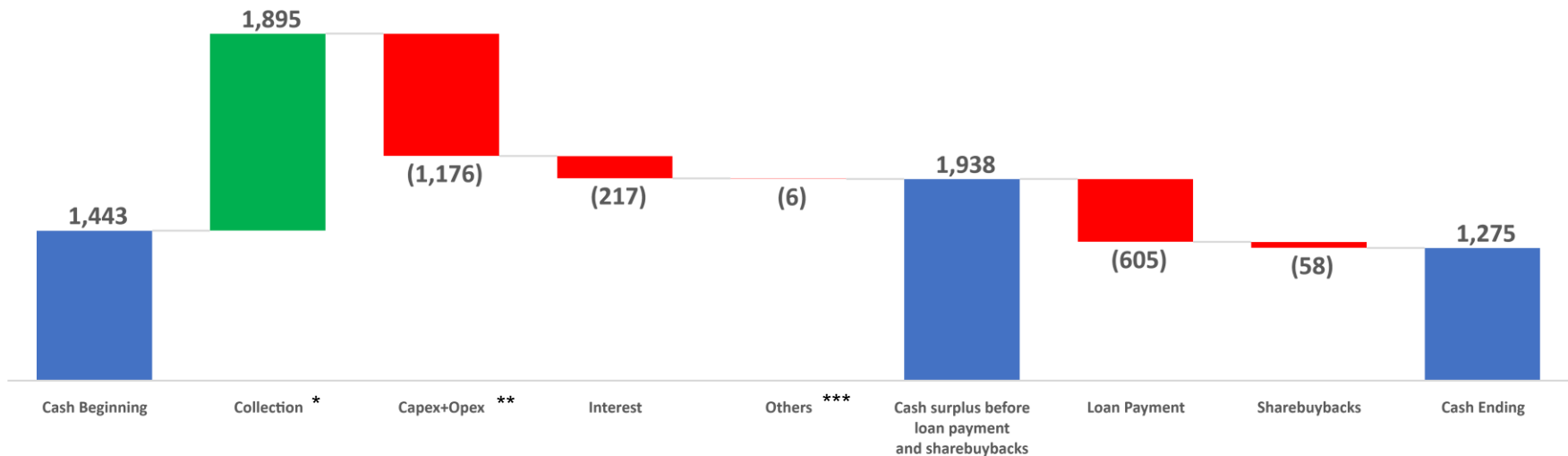
## Abridged consolidated statement of financial position



(In RP bn)	2016	2017	2018	2019	2020	1Q21
<b>ASSETS</b>						
<i>Current assets</i>						
Cash and cash equivalents	2,905.3	2,348.3	963.4	593.8	1,442.6	1,275.5
Restricted cash	-	-	-	6.6	4.9	2.9
Trade receivables	351.7	624.0	821.0	1,347.6	1,240.1	3,760.3
Other current asset	337.5	77.4	490.9	526.5	314.7	283.2
<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>5,321.9</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>31,247.2</b>	<b>31,392.3</b>
<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>36,714.2</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	3,652.9
Current portion of long-term bonds	998.7	-	657.9	-	35.9	35.9
Leasing payable	-	-	-	-	281.3	282.0
Other current liabilities	1,787.6	1,596.6	2,361.1	2,620.3	2,834.1	5,201.3
<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>9,172.1</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	11,737.2
Bonds payable	2,432.2	2,589.6	2,023.4	1,976.3	2,148.7	2,181.4
Leasing payable	-	-	0.8	-	1,730.7	1,676.3
Other non-current liabilities	1,120.6	1,066.3	1,080.6	1,116.6	1,034.6	1,046.0
<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>16,640.9</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>25,813.1</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)	(845.2)
Other comprehensive income	(23.2)	24.6	81.4	2.8	44.6	32.7
Retained earnings / (accumulated deficit)	5,452.3	6,546.4	7,547.8	8,705.1	10,365.6	11,154.9
Non-controlling interests	0.1	0.1	-	36.1	30.0	28.0
<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>10,901.1</b>

# Sarana Menara Nusantara (SMN) Group

Abridged consolidated statement of cashflows (3 months ended March 2021)



\* Numbers included VAT

\*\* Including ground lease

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

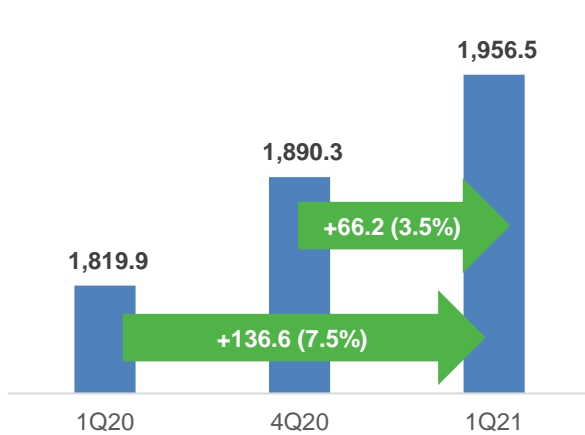


# Profit & Loss Movement 1Q21

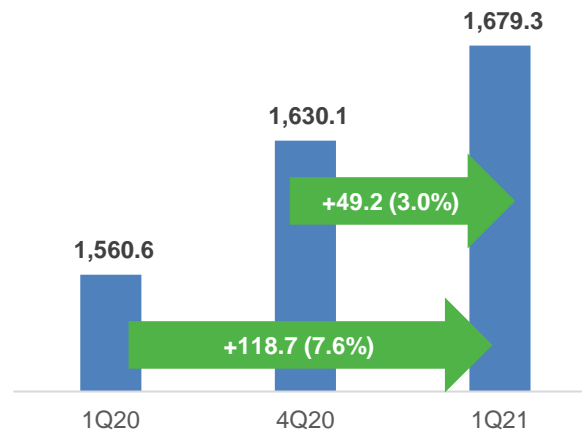
in Rp Billion



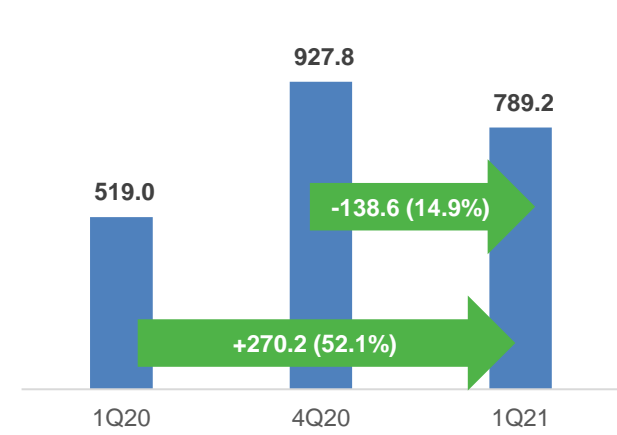
## Revenue



## EBITDA

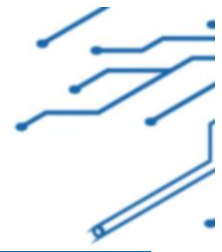


## Net Income

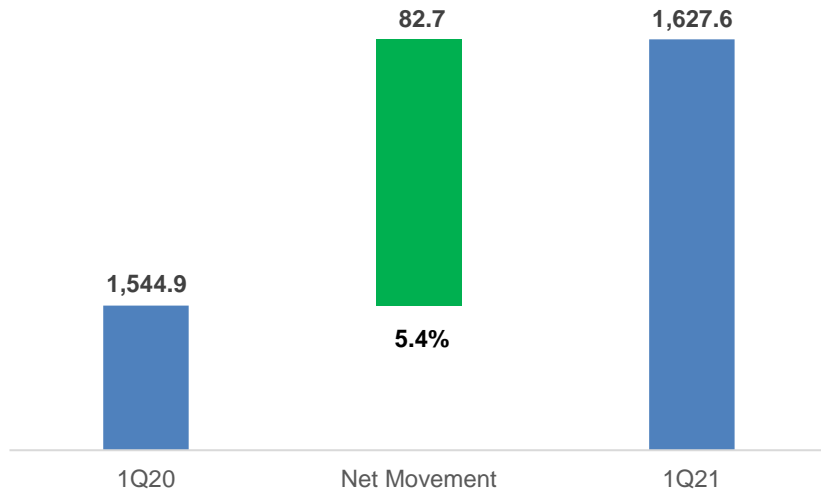


# Performance (1Q20 vs 1Q21)

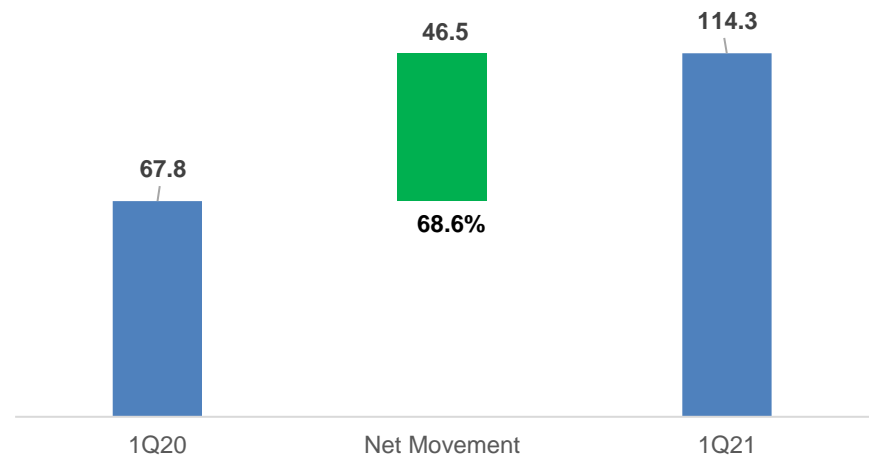
in Rp Billion



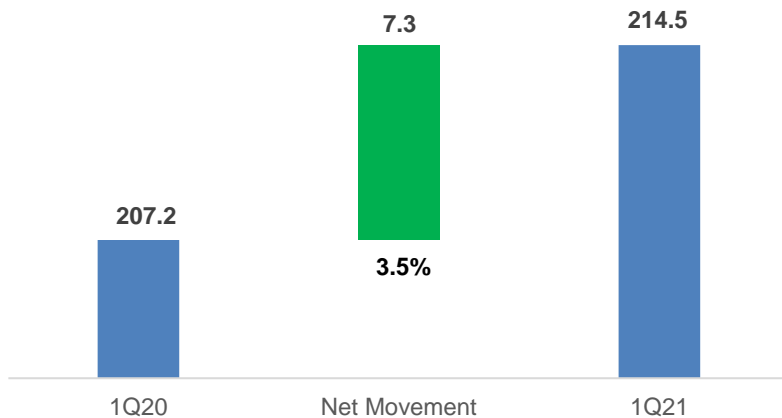
## Towers



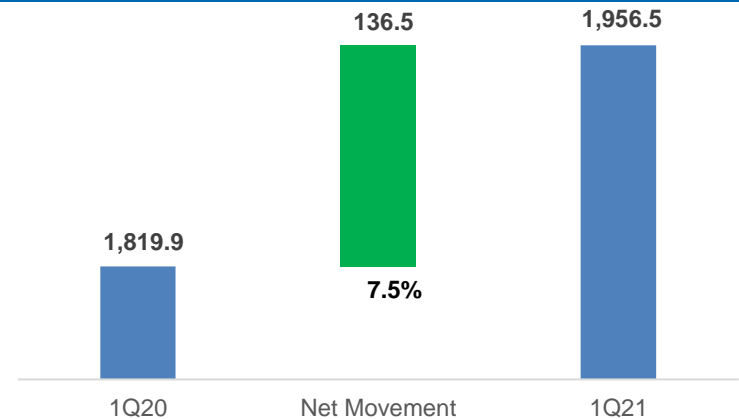
## Tower Fiber



## Connectivity



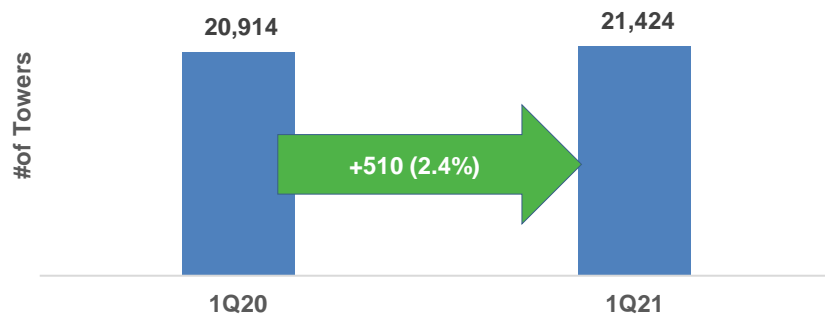
## Total Revenue



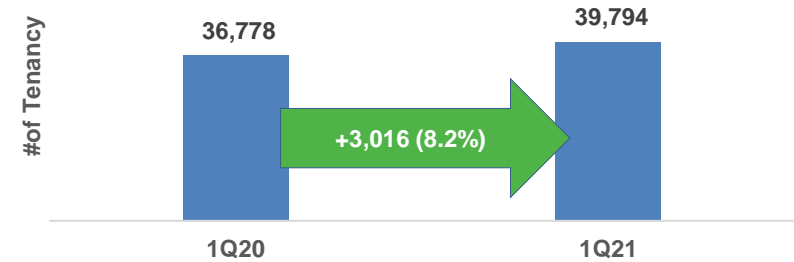
# Summary Operational Data (1Q20 vs 1Q21)



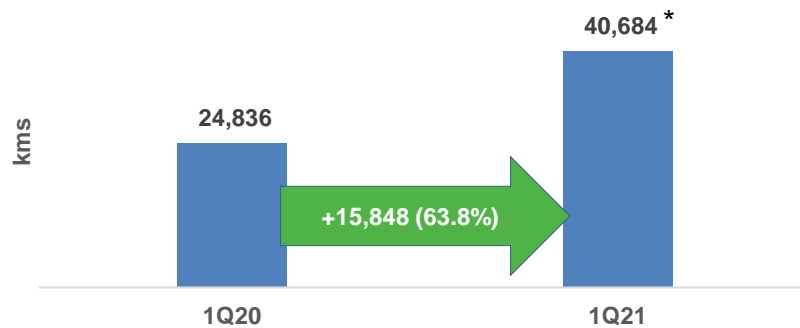
## Towers



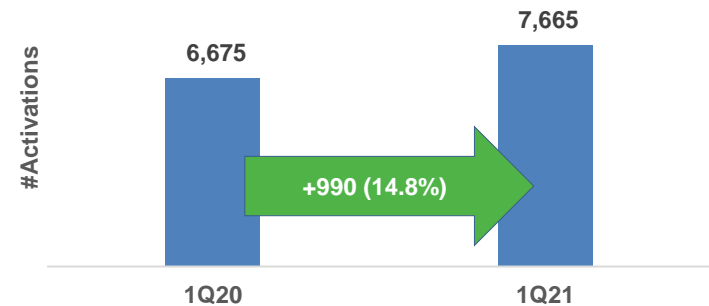
## Tenancy



## Tower Fiber



## Connectivity



\* efficiency ratio 34%



# Appendix

# Foreign Exchange Exposure as of 30 April 2021

Further improved FX exposure position as planned from natural hedge



ASSET		CONTRACTED REVENUE		LIABILITIES	
Cash *	USD 145.0mn	2022	– USD 31mn	<u>Bank Loan</u>	
Investments	USD 30.3mn	2023	– USD 22mn		JPY 3.5bn (~USD 31mn)
		2024	– USD 17mn	<u>Bond</u>	
					USD 138mn
<hr/> Total	<hr/> USD 175.3mn	<hr/> Total	<hr/> – USD 70mn	<hr/> Total	<hr/> ~USD 169mn

## Risk Mitigation:

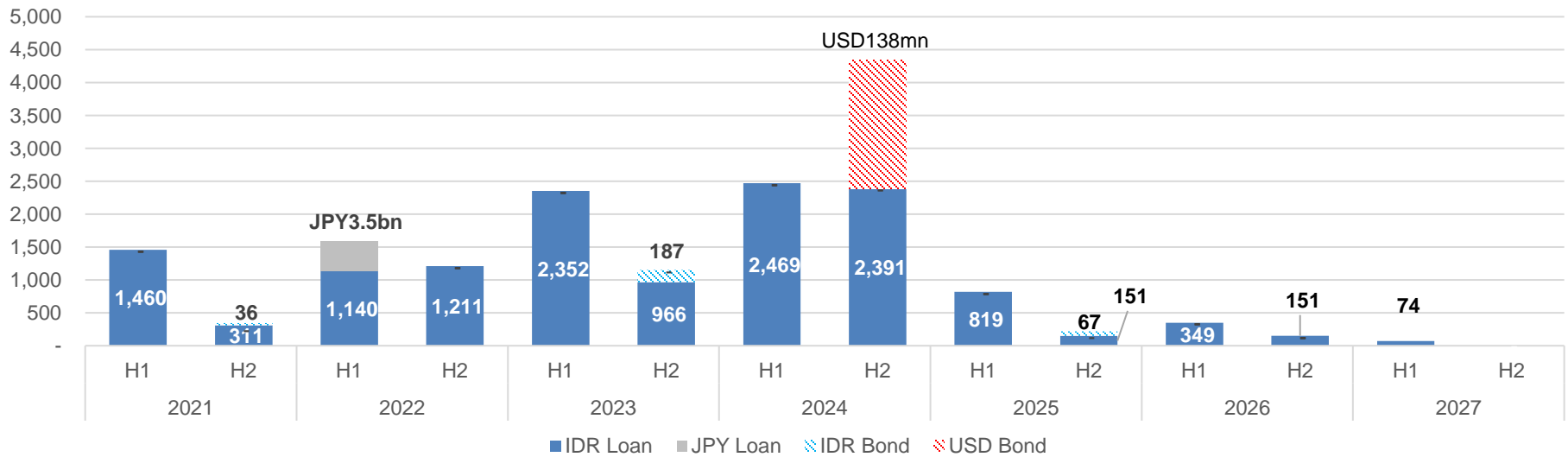
- USD cash and USD contracted revenue provides natural hedge for foreign denominated liabilities
- Company has also entered into financial hedges to cover financial and operational requirements in foreign exchange

\* incl. USD 10mn utilized for swap facility

# Long Term Debt\*: 81.7% Floating, 18.3% Fixed, Avg Interest 5.0%

in Rp Billion

## Maturity Profile



- As of March 2021
- BI Middle rate as of Mar 2021: 1USD = IDR14.572 ; 1JPY = IDR131.66

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