



SARANA MENARA NUSANTARA

**Indonesia's Premier Telecommunication Infrastructure Company**

## 3Q 2019 Results Presentation

(Unaudited)

**PT Sarana Menara Nusantara, Tbk**

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

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

- Tower business tenancy ratio in 3Q19 increased to 1.67x from 1.61x in 2Q19
- Proven track record in lease renewal with average remaining lease duration of 7.9 years and total contractual revenue of IDR 45.1tn
- Margins improvement in all business lines

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

- Signed Purchase Agreement for 1,000 Indosat towers, expected to add annualized run rate revenue of more than IDR 270bn with tenancy ratio of nearly 1.9x

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 (Baa3; stable outlook)**

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 (BBB-; positive outlook)**

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 (BBB; stable outlook)**



# Market Overview

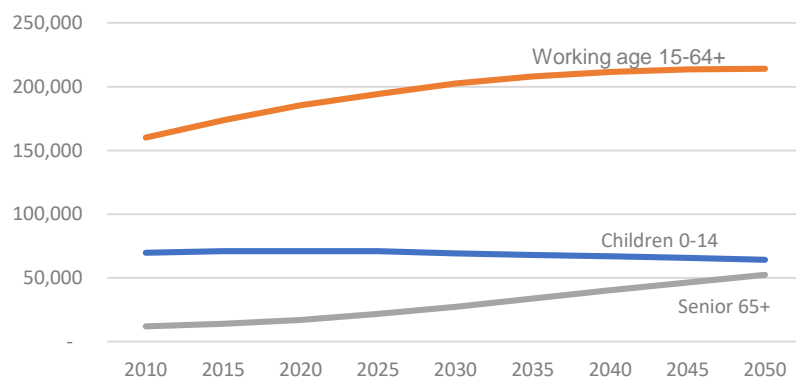
# Indonesia Digital Economy – Key Indicators

## Solid Potential in a Growing Economy

Over 60% of Indonesians are under 40 years old with a median age of 29 and a demographic bonus as the digitally savvy Gen Z enter their productive years

Indonesia's economy continues to grow. Strong economic performance reflected in investment grade rating and outlook rating

Population (thousands)

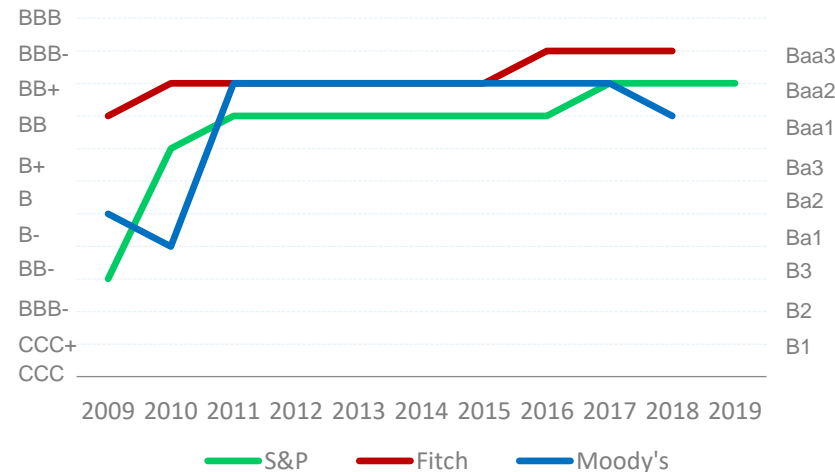


Source : United Nation

JIBOR



Credit Ratings



# Indonesian Tower Industry – Defining Features

## One of the Most Attractive Tower Industries Globally

Secured 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 <sup>2</sup>	Non Independent / Captive	Non Independent / Captive
Average Lease Rate per Tenant per month (USD) <sup>(1)</sup>	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) <sup>1, 3</sup>	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 does not include 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 in advance for ground leases of 5-10 years. Average current ground lease is approximately USD 20,000

# Sarana Menara Nusantara (SMN) Group – Key Growth Drivers

## Surging Data Demand is Generating New Business – New Opportunity

### 1. Organic Tower Business

- YTD Sep 2019 organic growth highest in company's history
- Total of 3,375 revenue generating leases YTD Sep 2019
- Over 1,100 new leases in the pipeline

### 2. Fiber Optics to Improve Capacity

- Fiber improves network capacity in dense data traffic areas
- Approximately 17,500 kms of revenue generating installed fiber optic cable network as of 3Q19
- Expected by 2020 total fiber optic network of 36,000 kms

### 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
- As of 30 September 2019, over 3,600 corporate and government VSAT leases

### Java Backbone Fiber Optic Cable Network



Sources:

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

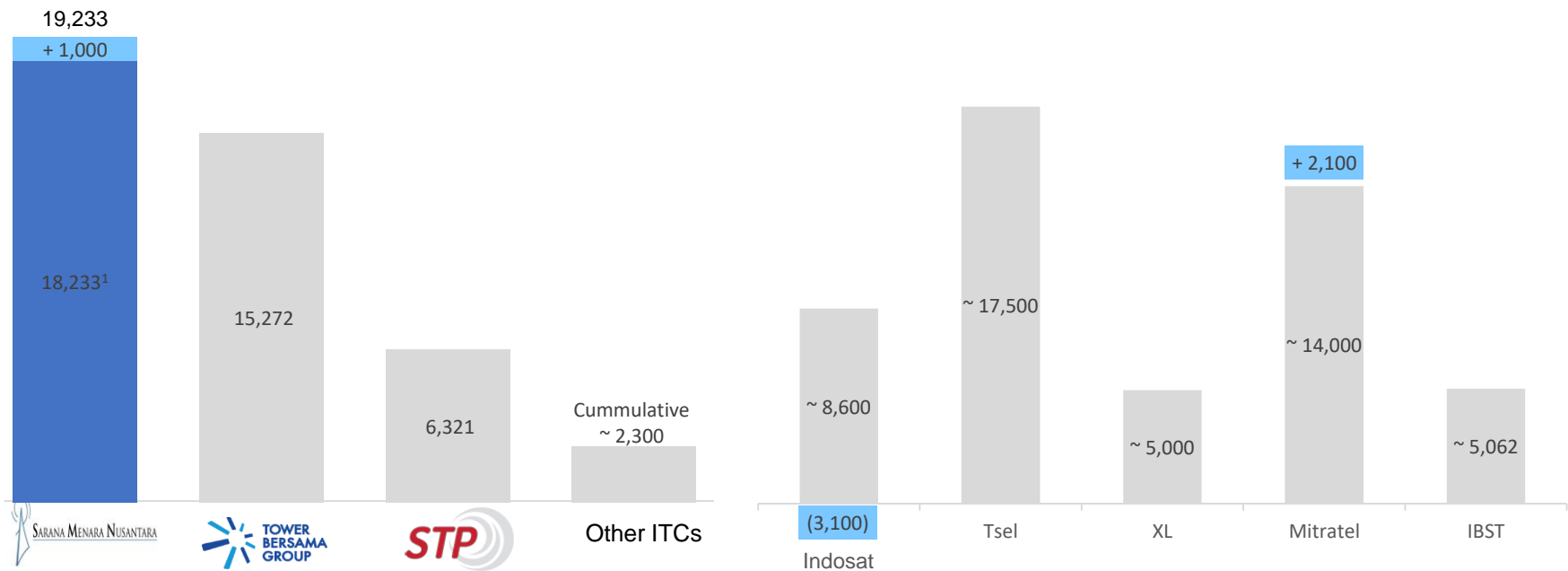


# Indonesian Telecom Infrastructure Industry – Overview

## Including Proforma Post-Indosat Transaction Tower Count

Total number of towers owned by ITCs in Indonesia: **~43,000**

Total number of towers in Indonesia : **~92,000**

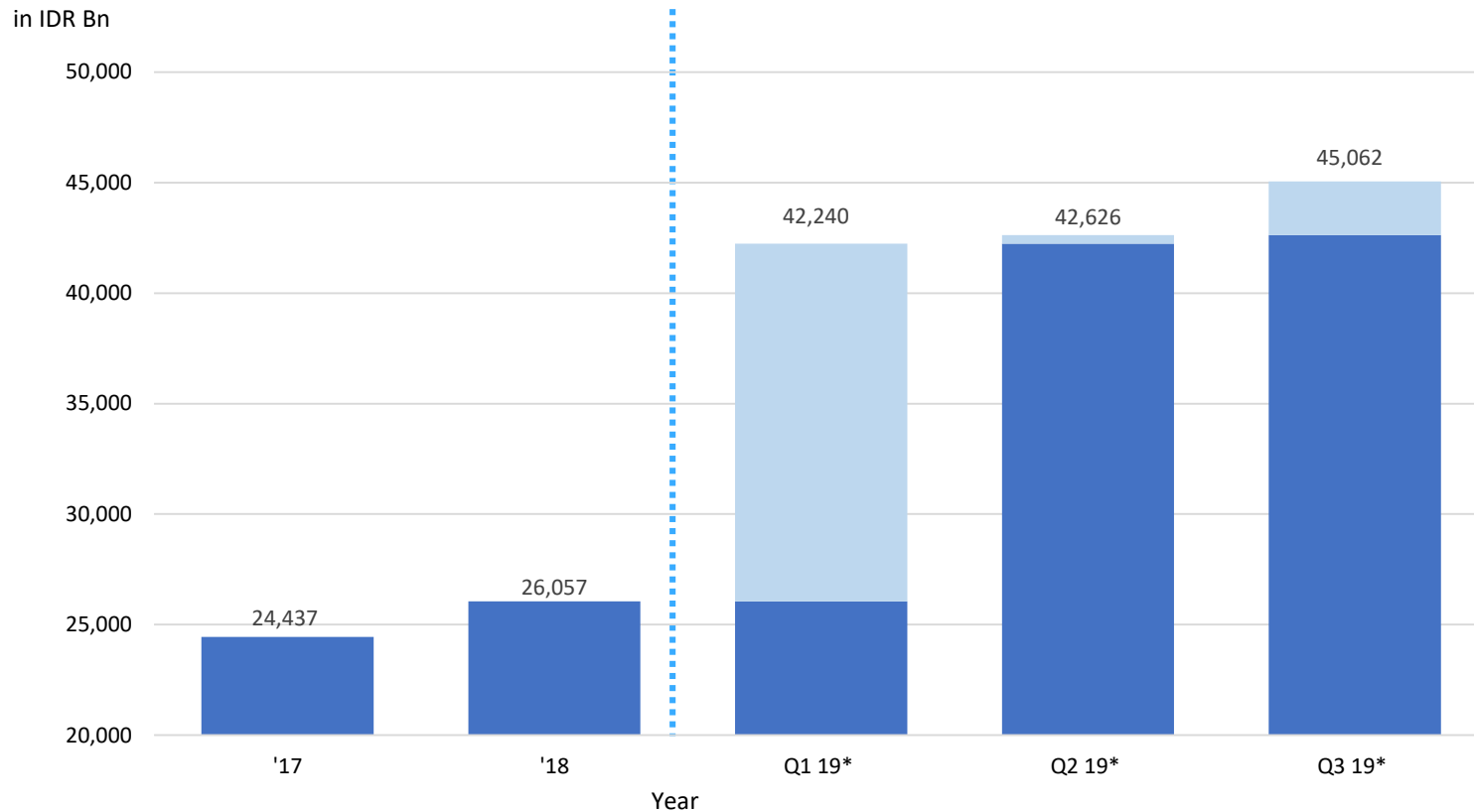


Indications that there will be more tower divestments by the major domestic operators

Note :

1. TOWR figures as of Sep 2019, others as of Jun 2019

# Value of Total Long Term Contracts (in IDR bn)



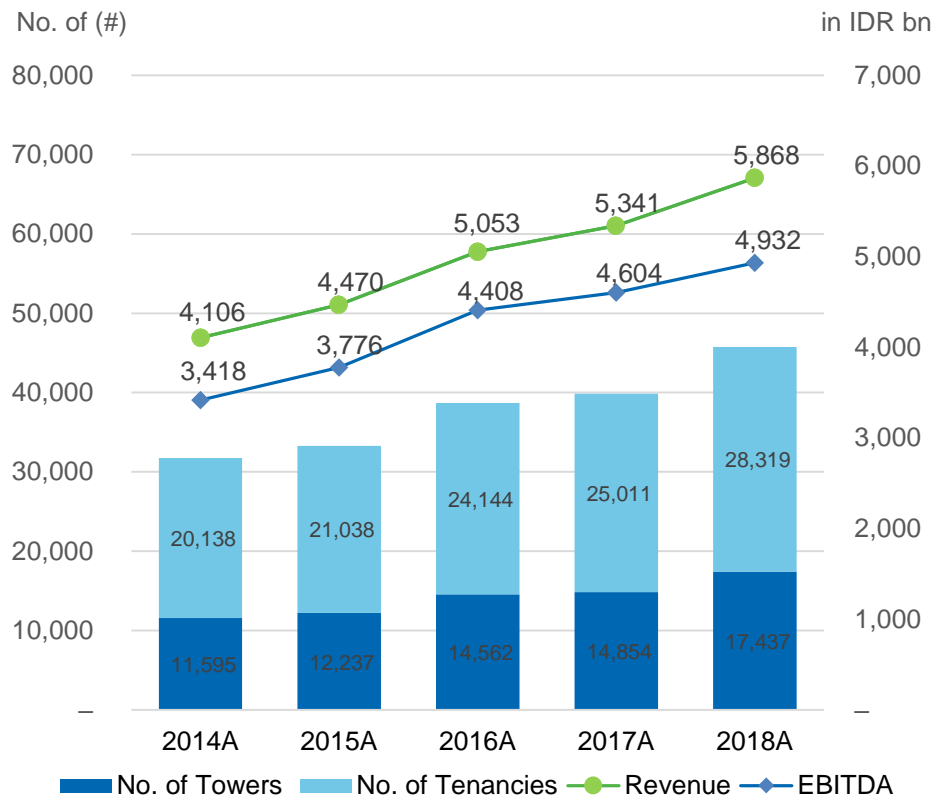
- Revenue based on existing lease contracts and committed new lease contracts driven principally by renewal of Hutch contracts and other new business
- Total ~IDR 45.1 trillion in committed revenue flow through 2032

\* Including Committed Revenue & Renewal to date

\* For Q3 19 including Indosat committed revenue

# And History of Strong Growth

## Protelindo Has Demonstrated a Track Record of Strong Growth



		CAGR 2015 – 2Q19 A		Adj. EV/EBITDA
		Revenue	EBITDA	2Q19
US Towers	AMERICAN TOWER	11.9%	11.1%	25.7x
	CROWN CASTLE	12.5%	12.5%	22.2x
EU Towers	cellnex <i>driving telecom connectivity</i>	12.6%	28.8%	22.5x
Asian Tower	SARANA MENARA NUSANTARA	6.2%	6.7%	8.1x
	TOWER BERSAMA GROUP	8.2%	7.6%	8.7x
		7.5%	7.5%	12.3x

\*Closing share price as of 17 Oct 2019

- As of Q3 2019 order received already exceeds FY18
- Maintain leadership as Indonesia's largest telecom infrastructure provider with a portfolio comprising 8,482 Build-to-suit ("B2S") towers and 9,751 acquired towers

Note:

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)

# Financial Highlights Q3 2019

Revenue (IDR bn)	1,626.5
EBITDA (IDR bn)	1,368.5
EBITDA Margin	84.1%
Interest Cost (IDR bn)	199.9
Recurring FCF (IDR bn) <sup>(1)</sup>	1,168.6
Recurring FCF Margin <sup>(1)</sup>	71.8%
Net Debt / LQA EBITDA	2.0x

## Key Credit Metrics

Interest Coverage Ratio	6.8x
Average Interest Rate	5.9%
Corporate credit rating: S&P/ Fitch/ Moody's	BBB/ BBB- positive/ Baa3

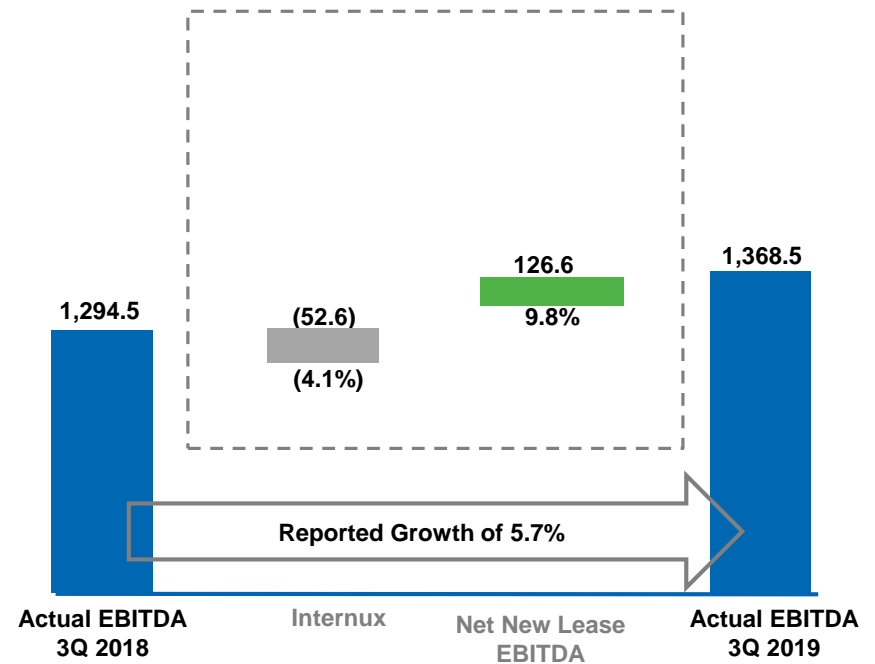
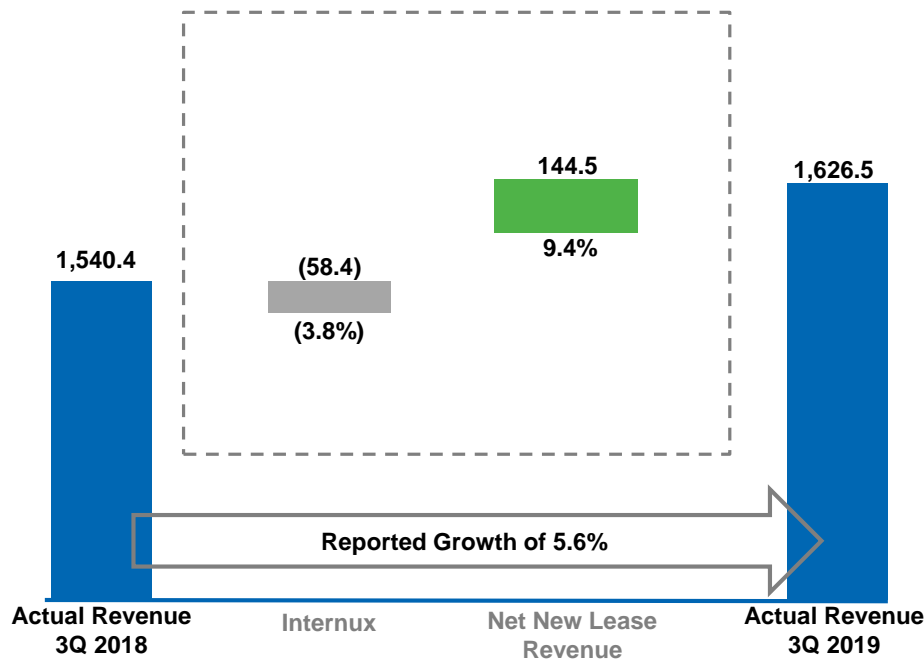
Note:

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



# | Summary Financial Results

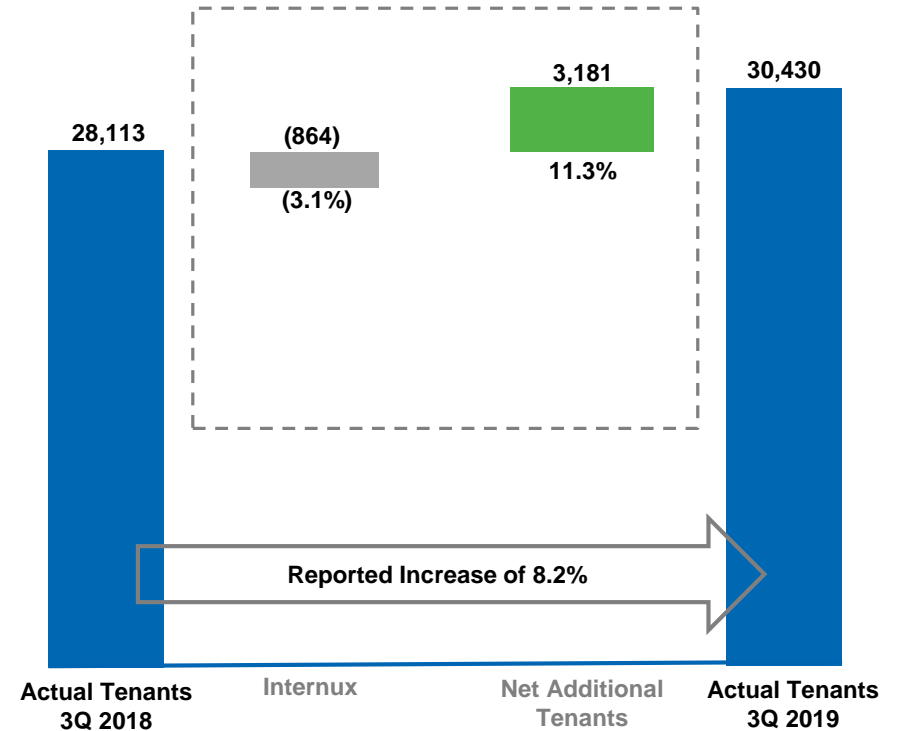
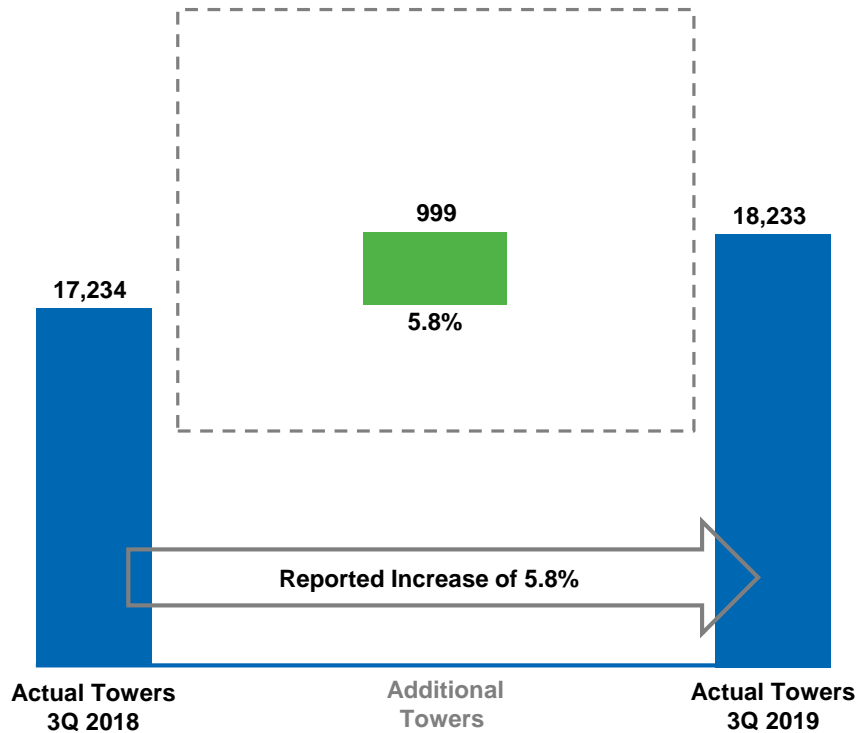
# Company's Consolidated Performance Highlights 3Q 2018 vs 3Q 2019 in IDR Bn



- Gross revenue grew a strong 9.4%

- Gross EBITDA grew by 9.8%

# Tower & Tenancy Growth



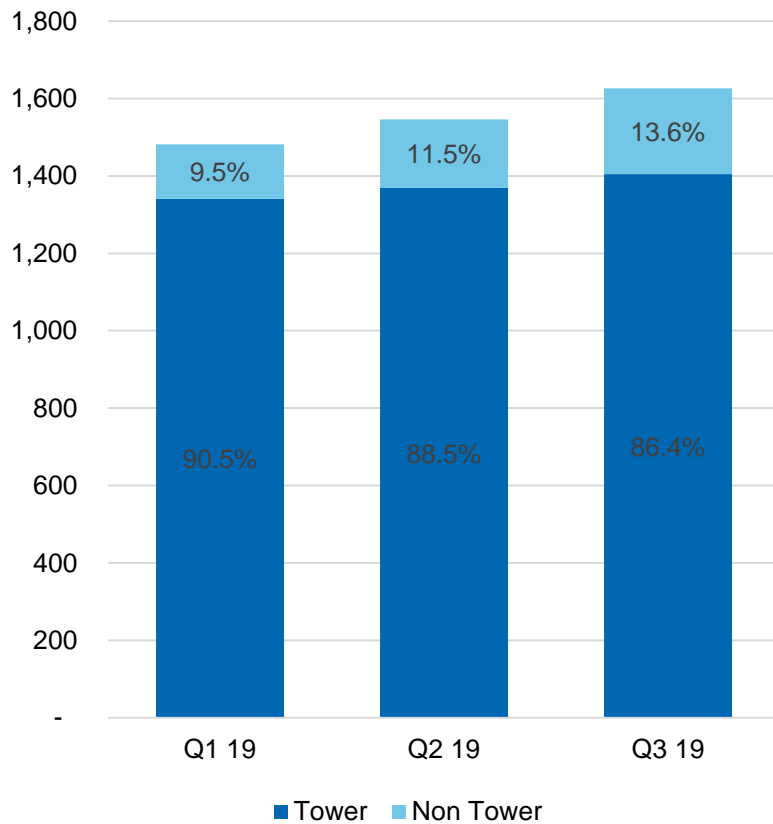
- New tower lease orders expected to continue to develop through 2019

- Does not include over than 1,500 revenue generating additional-equipment leases
- SMN has over than 1,100 new leases in the pipeline as of September 2019

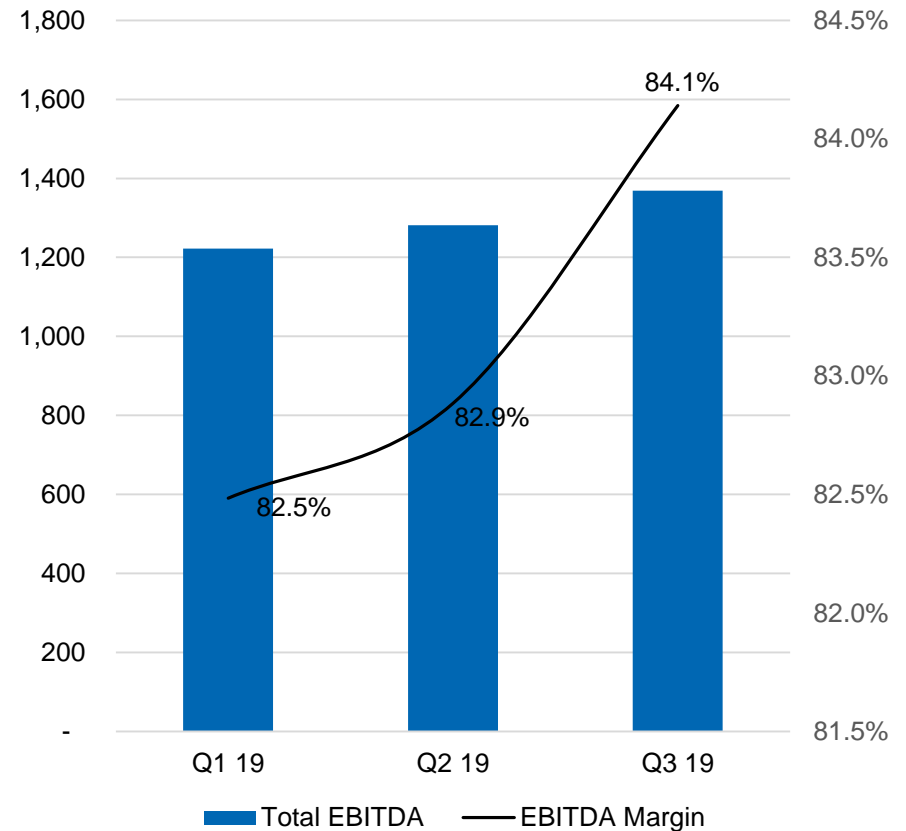
# Segment Contribution – Revenue & EBITDA

In IDR Bn

## Revenue



## EBITDA





# SMN Consolidated Statement of Profit or Loss

(IDR Bn)	FY2016	FY2017	FY2018	1Q 2019	2Q 2019	3Q 2019
Revenues	5,053.1	5,337.9	5,867.9	1,481.9	1,546.4	1,626.5
Cost of revenues	(209.5)	(277.4)	(427.5)	(113.0)	(105.9)	(112.8)
Depreciation and amortization	(1,185.0)	(894.9)	(1,114.4)	(328.5)	(348.3)	(368.0)
<b>Gross income</b>	<b>3,658.7</b>	<b>4,165.6</b>	<b>4,325.9</b>	<b>1,040.4</b>	<b>1,092.2</b>	<b>1,145.6</b>
Operating expenses	(435.7)	(456.9)	(508.5)	(146.6)	(158.7)	(145.1)
<b>Operating income</b>	<b>3,223.0</b>	<b>3,708.7</b>	<b>3,817.4</b>	<b>893.8</b>	<b>933.5</b>	<b>1,000.5</b>
Other income						
Interest income	56.1	68.1	33.9	6.2	7.0	20.1
Finance charges	(668.9)	(687.3)	(872.3)	(233.2)	(265.9)	(233.3)
Foreign exchange gains/(losses), net (Impairment expense)/ reversal of allowance for impairment	186.5	(2.4)	(37.3)	(2.4)	(18.2)	7.3
Corporate income tax adjustment	-	-	-	-	-	-
Others, net	232.1	(144.5)	(143.9)	(32.6)	(5.6)	(24.9)
<b>Other income / (expense), net</b>	<b>(352.6)</b>	<b>(905.8)</b>	<b>(865.7)</b>	<b>(267.6)</b>	<b>(288.7)</b>	<b>(222.7)</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>626.2</b>	<b>644.7</b>	<b>777.8</b>
<b>Corporate income tax expense</b>						
Tax expense	(735.8)	(591.3)	(695.8)	(152.2)	(142.4)	(189.0)
Deferred tax expense	3.0	(111.5)	(55.8)	(1.5)	18.7	14.7
<b>Total corporate income tax expense</b>	<b>(732.8)</b>	<b>(702.8)</b>	<b>(751.6)</b>	<b>(153.7)</b>	<b>(123.7)</b>	<b>(174.3)</b>
<b>Net income from continuing operating</b>	<b>1,764.8</b>	<b>2,100.1</b>	<b>2,200.1</b>	<b>472.5</b>	<b>521.0</b>	<b>603.5</b>
<b>Net income / (loss) for the year</b>	<b>2,137.6</b>	<b>2,100.1</b>	<b>2,200.1</b>	<b>472.5</b>	<b>521.0</b>	<b>603.5</b>
EBITDA	4,408.0	4,603.4	4,931.8	1,222.4	1,281.7	1,368.5
Revenue growth	13.00%	5.60%	9.90%	N/a	4.4%	5.2%
Gross margin	72.4%	78.0%	73.7%	70.2%	70.6%	70.4%
EBITDA margin	87.2%	86.2%	84.0%	82.6%	82.9%	84.1%
Net income margin	42.3%	39.3%	37.5%	31.9%	33.7%	37.1%

# SMN Consolidated Statement of Financial Position

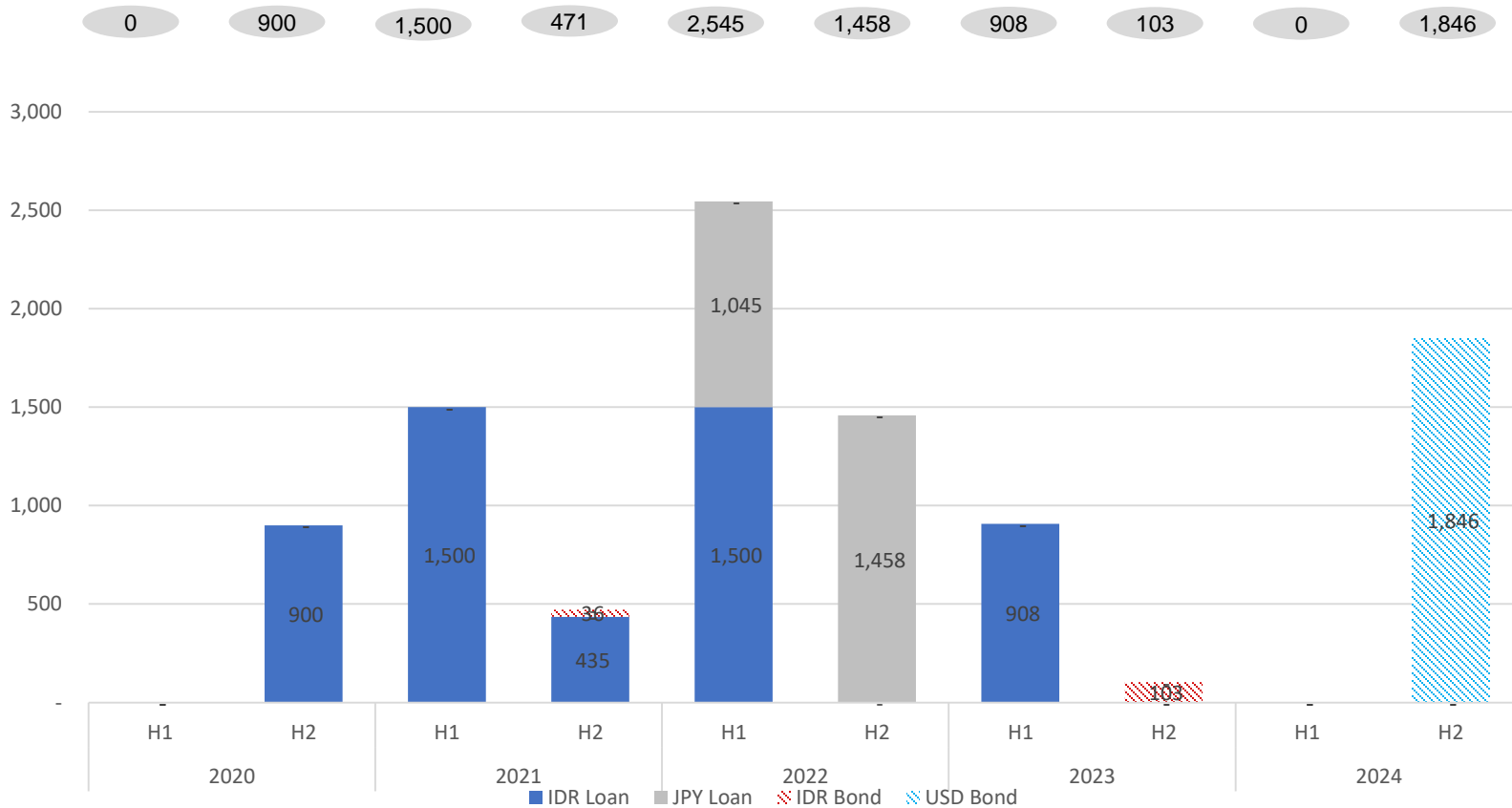
## As at 30 Sep 2019

(IDR Bn)	2016A	2017A	2018A	1Q 2019	2Q 2019	3Q 2019
<b>ASSETS</b>						
<i>Current assets</i>						
Cash and cash equivalents	2,905.3	2,348.3	963.4	451.2	1,869.5	2,241.1
Trade receivables	351.7	624.0	821.0	1,990.9	1,988.4	1,122.8
Other receivables	1.3	22.4	196.5	168.2	8.1	7.0
Inventories	-	-	-	-	-	-
Prepaid expenses and advances	37.3	48.7	148.6	145.1	154.0	145.1
Refundable taxes	298.9	6.3	145.8	153.2	158.3	179.1
Other current assets	-	-	-	-	-	-
<b>Total current assets</b>	<b>3,594.6</b>	<b>3,049.7</b>	<b>2,275.4</b>	<b>2,908.6</b>	<b>4,178.2</b>	<b>3,695.1</b>
<b>Total non-current assets</b>	<b>15,192.3</b>	<b>15,713.8</b>	<b>20,684.2</b>	<b>21,298.5</b>	<b>21,872.4</b>	<b>22,249.3</b>
<b>TOTAL ASSETS</b>	<b>18,786.8</b>	<b>18,763.5</b>	<b>22,959.6</b>	<b>24,207.1</b>	<b>26,050.6</b>	<b>25,944.4</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	535.2	591.6	737.9
Other payables - third parties	21.3	4.1	6.8	8.1	8.2	6.6
Dividend Payable	-	-	-	-	-	0.0
Accrued expenses	242.5	262.6	385.9	520.3	463.4	436.4
Unearned revenue	953.4	927.2	1,011.0	1,682.4	3,128.3	2,150.3
Short-term employee benefit liabilities	45.5	52.8	64.8	94.1	30.4	57.3
Current portion of long-term loans	516.7	633.8	1,732.8	1,249.6	2,457.5	3,265.2
Current portion of long-term Bonds	998.7	-	657.9	658.6	659.3	660.0
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	13.3
<b>Total current liabilities</b>	<b>3,303.0</b>	<b>2,230.4</b>	<b>4,751.8</b>	<b>4,916.7</b>	<b>7,419.8</b>	<b>7,326.9</b>
<i>Non-current liabilities</i>						
Deferred tax liabilities	488.2	613.7	667.9	665.8	646.0	631.3
Long-term employee benefit liabilities	91.5	20.5	24.7	26.8	33.7	36.5
Long-term loans, net of current portion	5,971.3	5,775.3	7,069.7	7,712.7	7,685.6	7,153.5
Bonds payable	2,432.2	2,589.6	2,023.4	2,007.3	1,997.4	1,964.6
Cross currency swap payables	223.7	15.6	31.8	69.5	90.2	143.1
Unearned revenue	60.8	80.6	46.9	45.8	44.7	43.7
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	338.8
<b>Total non-current liabilities</b>	<b>9,524.1</b>	<b>9,431.2</b>	<b>10,174.5</b>	<b>10,849.9</b>	<b>10,829.3</b>	<b>10,311.4</b>
<b>Total liabilities</b>	<b>12,827.1</b>	<b>11,661.7</b>	<b>14,926.3</b>	<b>15,766.6</b>	<b>18,249.1</b>	<b>17,638.4</b>
<i>Equity</i>						
Common shares	530.7	530.7	530.7	530.7	530.7	530.7
Treasury Stock	-	-	(126.6)	(138.6)	(381.6)	(472.4)
Other comprehensive income	(23.2)	24.6	81.4	28.1	(5.4)	(13.7)
Retained earnings / (accumulated deficit)	5,452.3	6,546.4	7,547.8	8,020.3	7,657.9	8,261.4
Non-controlling interests	0.1	0.1	-	-	-	-
<b>Total equity</b>	<b>5,959.9</b>	<b>7,101.8</b>	<b>8,033.3</b>	<b>8,440.5</b>	<b>7,801.6</b>	<b>8,306.0</b>

# | Appendix

# Long Term Debt Profile

## Debt Maturity (stated in IDR Bn)



- Average interest rate decreased 230 bps from 8.2% in 4Q 2018 to 5.9% in 3Q 2019
- Fixed rate borrowing: 27.7% and Floating rate borrowing: 72.3%
- Balance short term loan consists of JP Morgan IDR 466bn, HSBC IDR 250bn, Mandiri IDR 500bn, BCA MML IDR 500bn, IDR Bond Serie A IDR 661bn, Permata (iForte) IDR 800bn, MUFG (iForte) IDR 250bn. Total debt is IDR 13,157bn



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