

# Indonesia's Premier Telecommunication Infrastructure Company

## 2021 Results Presentation



**PT Sarana Menara Nusantara Tbk**

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

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# SMN Investment Highlights

**Premier** telco infrastructure company in Indonesia

One of the **largest** telco infrastructure companies in Indonesia with **28,698** towers and **70,465 km** tower fiber

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

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



**Continuous** strong performance  
5-yr Revenue CAGR **14.2%**<sup>(a)</sup>  
5-yr EBITDA CAGR **13.9%**<sup>(a)</sup>

**Sustained** strong returns  
ROI **8.6%**<sup>(b)</sup> and ROE **31.3%**<sup>(b)</sup>

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

(a) CAGR = Compounded Annual Growth Rate; CAGR 2016 – 2021

(b) Please see slide 21 for more notes

(c) IDX30 (July 2020). IDX ESG Leaders (December 2020). FTSE (October 2020). MSCI (November 2020)

# TOWR strategy supports ESG & sustainability goals

## 1. Capital Management

- Access to low-cost funding
- Liquidity amounts to \$574 mn <sup>1</sup>
- Investment grade ratings from top 3 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 in developing Indo is wireless
- Towers and fibers are 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

- Largest contracted revenue of Rp63tn in market
- 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 customer's need for efficient infrastructure
- EBITDA, AFFO 5-year CAGR of 13.9% and 14.3%, respectively, with 2021 ROE of 31.3%.

## Going into the future

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

1. Invest FCF and low cost capital.
2. Indonesia still in 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 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 <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.



# 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 BARRIER TO ENTRY

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

## GROWING INDUSTRY

- **Surging data demand** creates need for more towers and fiber
- 4G consumers require reliable and high speed internet leading to increase tower fiberization
- 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

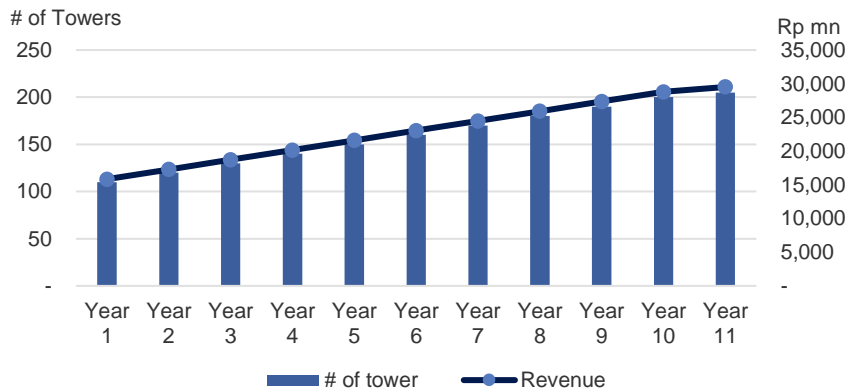
## New Built-to-Suit Tower

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

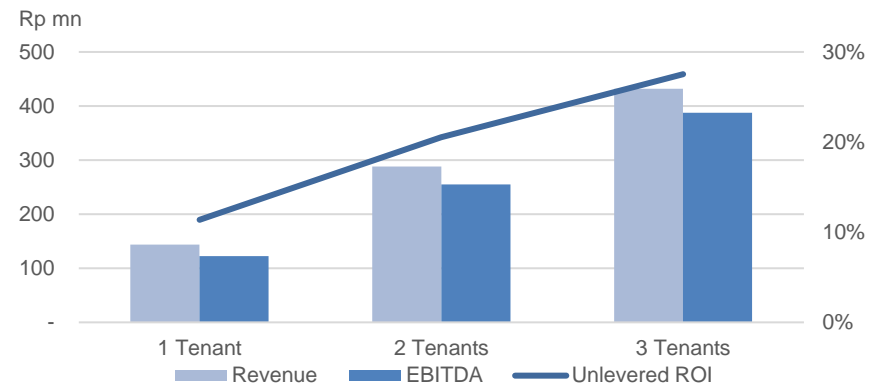
Colocation boosts unlevered ROI and accelerates payback period

### 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 - 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.

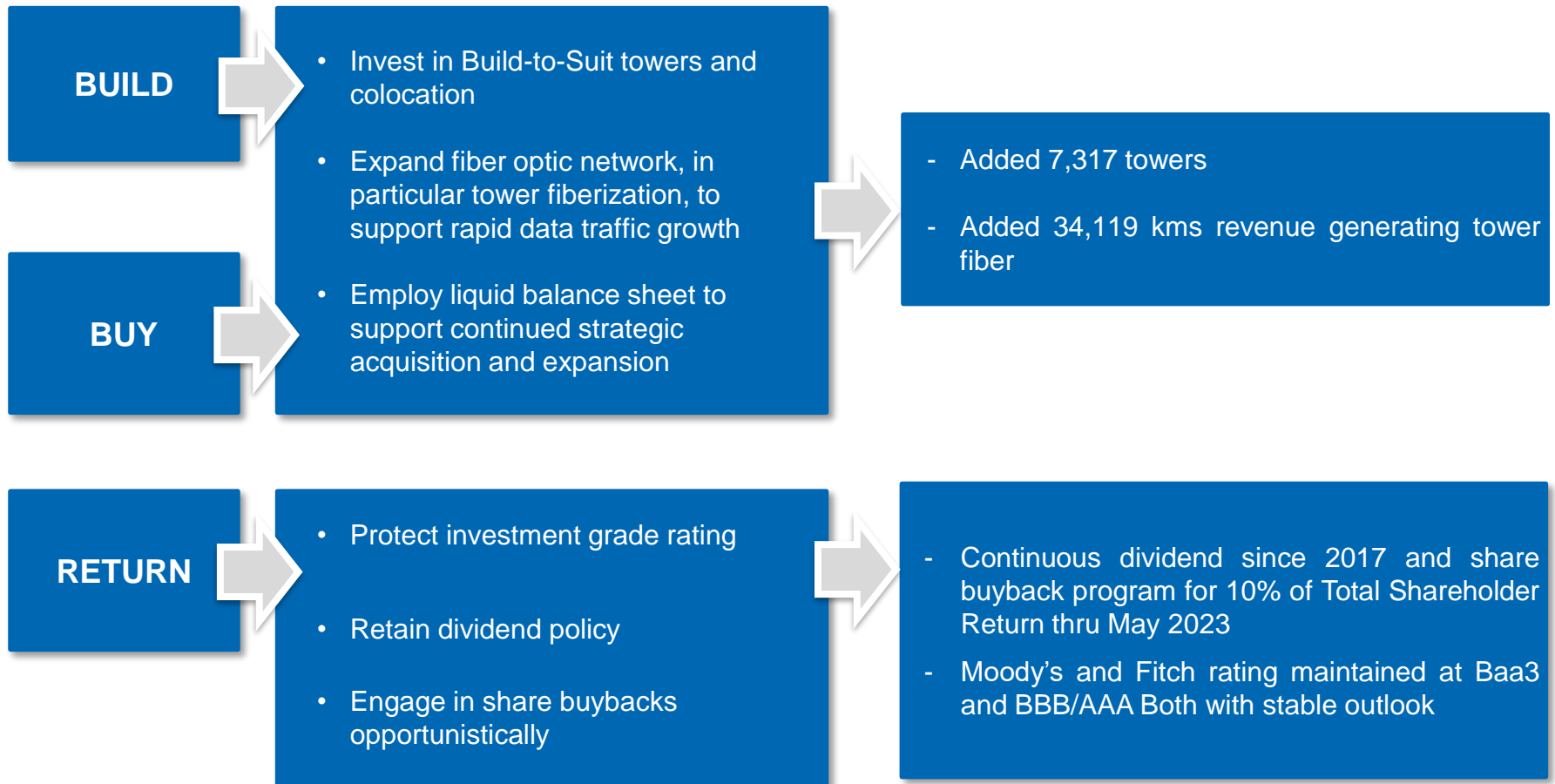


# SMN 2021 Performance



# 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



# Most Diverse Portfolio Among Independent Tower Companies

## TOWER

- Total 28,698 towers and 53,975 tenants in 4Q21. Tenancy ratio of 1.88x.
- 55% of towers located in Java and 45% in ex-Java.

## TOWER FIBER

- Tower fiberization increases the value and utility of our network to Telcos.
- 70,465 kms revenue generating fiber by end of December 2021.
- 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

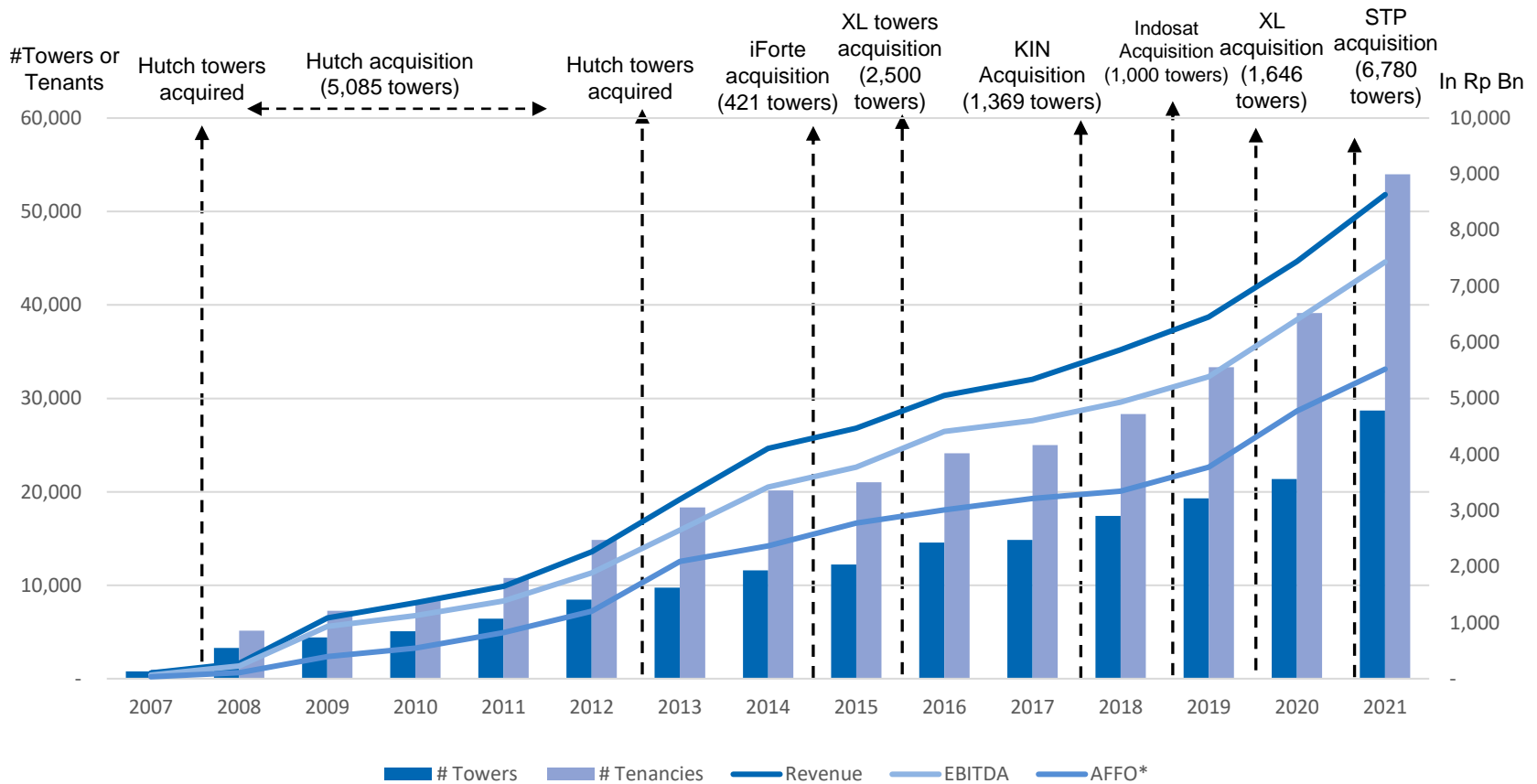
- Actively seeking opportunities to provide connectivity (with various offerings using VSAT, wireless/wireline, etc) under B2B or B2G arrangements
- Currently have 12,673 activations, serving over 2,000 customers
- Business includes bandwidth provision utilising 13,768 kms backbone and fiber owned by the company to provide connectivity service

There continues to be new organic sites for coverage and capacity purposes

Tower fiber business is introduced from towers and is growing very quickly

Has strong growth potential with low penetration and plans for converged telco offering

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

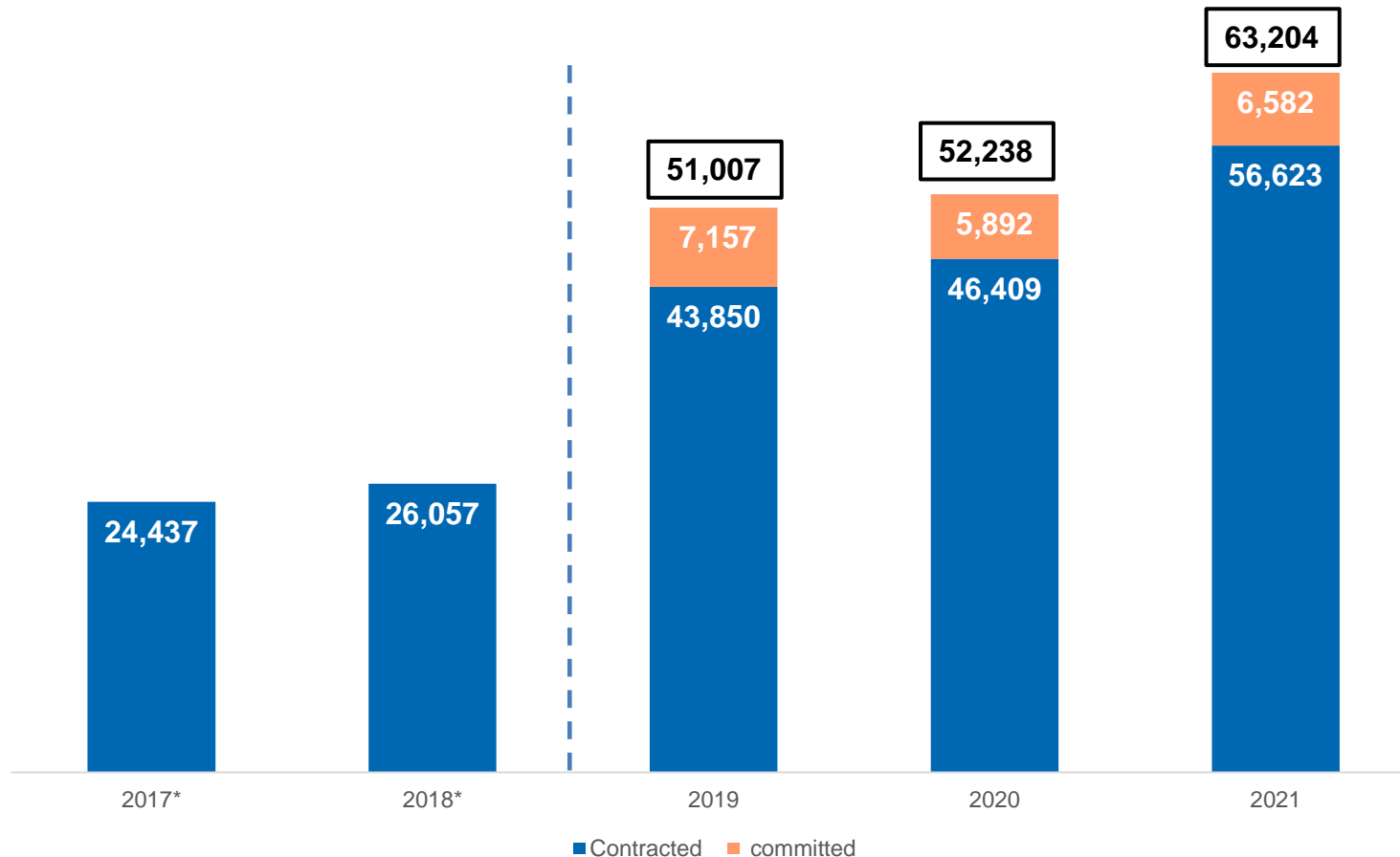


	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
# Towers	781	3,312	4,415	5,072	6,427	8,482	9,766	11,595	12,237	14,562	14,854	17,437	19,319	21,381	28,698
# Tenancies	984	5,137	7,282	8,365	10,798	14,849	18,322	20,138	21,038	24,144	25,011	28,319	33,346	39,127	53,975
Revenue	105	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	8,635
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	7,434
AFFO*	35	111	396	547	821	1,207	2,093	2,367	2,776	3,009	3,213	3,348	3,776	4,774	5,525

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

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

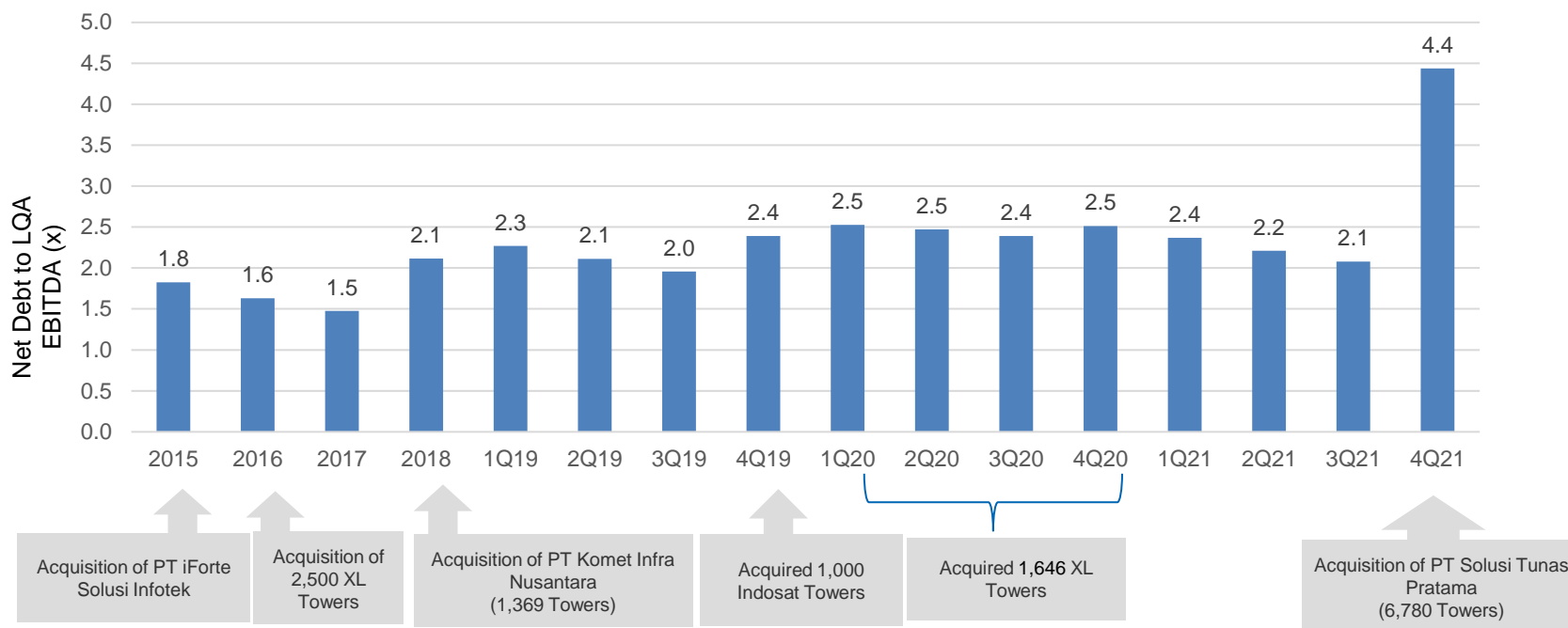
Long term contracts and commitments underwrite ~Rp63.2 trillion of committed future revenue through 2038, not including value of potential future contract renewals



\* 2017 & 2018 exclude committed revenue and renewals

# Strong Investment Grade Balance Sheet

Leverage comfortably within investment grade range despite acquisitions and dividend



## 4Q21 Credit Matrix

Gross Debt	Rp44,591bn
Interest Coverage Ratio	4.3x
Average Interest Rate (as of 31 December 2021)	5.2%
Corporate Credit Rating	BBB/ AAA/BBB-/ Baa3



# Summary of Financial Results

# Sarana Menara Nusantara (SMN) Group

## Abridged consolidated statement of profit and loss

(In RP Bn)	2017	2018	2019	2020	2021	4Q20	4Q21
Revenues	5,337.9	5,867.9	6,454.3	7,445.4	8,635.3	1,890.3	2,568.3
Cost of revenues	(277.4)	(427.5)	(458.3)	(415.2)	(480.4)	(111.4)	(145.8)
Depreciation and amortization	(894.9)	(1,114.4)	(1,349.6)	(1,644.0)	(1,859.8)	(281.9)	(563.3)
<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>1,496.9</b>	<b>1,859.2</b>
Operating expenses	(456.9)	(508.5)	(610.7)	(625.3)	(720.7)	(148.8)	(206.6)
<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>1,348.1</b>	<b>1,652.5</b>
Other income							
Interest income	68.1	33.9	39.1	33.6	24.7	6.2	8.8
Finance charges	(687.3)	(872.3)	(957.9)	(1,090.6)	(1,262.0)	(268.6)	(540.1)
Finance charges (PSAK 73)	-	-	-	(110.7)	(108.3)	(48.2)	(36.0)
Foreign exchange gains/(losses), net	(2.4)	(37.3)	56.0	(182.8)	8.9	48.3	(26.2)
(Impairment expense)/reversal of allowance for impairment	(139.7)	153.9	(103.0)	32.5	(13.5)	32.5	(13.5)
Corporate income tax adjustment	-	-	-	-	-	-	-
Others, net	(144.5)	(143.9)	(61.0)	(44.0)	(173.3)	(38.0)	(126.0)
<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>(267.7)</b>	<b>(733.0)</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>1,080.4</b>	<b>919.5</b>
<b>Corporate income tax expense</b>							
Tax expense	(591.3)	(695.8)	(722.5)	(691.6)	(810.7)	(199.2)	(189.1)
Deferred tax expense	(111.5)	(55.8)	66.7	146.3	207.6	44.9	109.0
<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>(154.3)</b>	<b>(80.1)</b>
Minority Interest	0.0	0.0	11.1	17.6	20.5	-1.7	(8.3)
<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>927.7</b>	<b>847.7</b>
EBITDA	4,603.4	4,931.8	5,385.3	6,404.9	7,434.3	1,630.0	2,215.9
YoY Revenue growth	5.60%	9.9%	10.0%	15.4%	16.0%	5.0%	35.9%
Gross margin	78.0%	73.7%	72.0%	72.3%	72.9%	79.2%	72.4%
EBITDA margin	86.2%	84.0%	83.4%	86.0%	86.1%	86.2%	86.3%
Net income margin	39.3%	37.5%	36.3%	38.1%	39.7%	49.1%	33.0%

# Sarana Menara Nusantara (SMN) Group

## Abridged consolidated statement of financial position

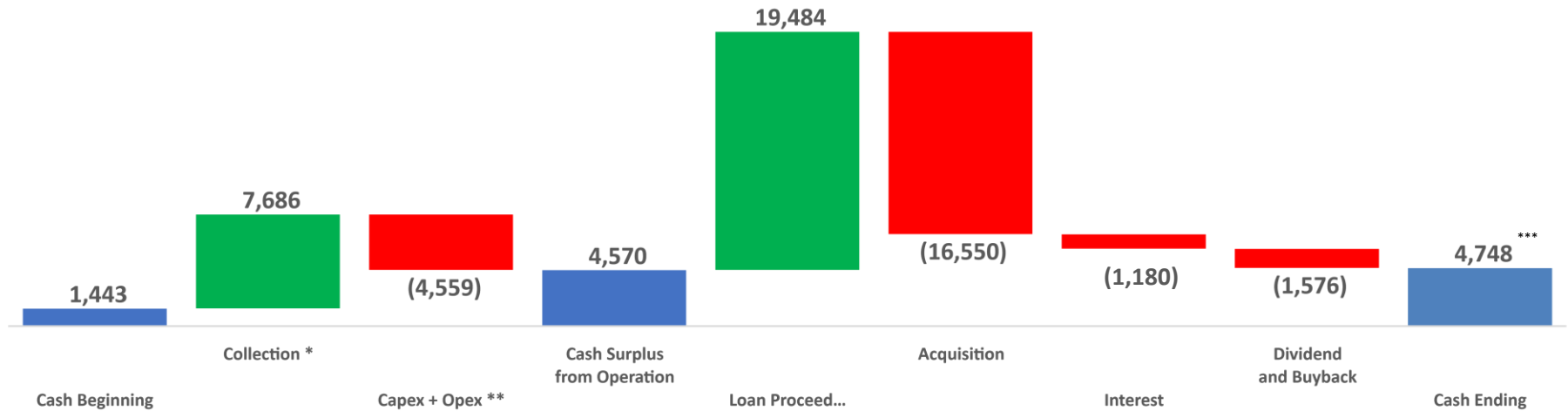
(In RP bn)	2016	2017	2018	2019	2020	2021
<b>ASSETS</b>						
<i>Current assets</i>						
Cash and cash equivalents	2,905.3	2,348.3	963.4	593.8	1,442.6	4,748.4
Restricted cash	-	-	-	6.6	4.9	2.0
Trade receivables	351.7	624.0	821.0	1,347.6	1,240.1	2,171.3
Other current asset	337.5	77.4	490.9	526.5	314.7	476.5
Total current assets	3,594.5	3,049.7	2,275.3	2,474.4	3,002.3	7,398.1
Total non-current assets	15,192.3	15,713.8	20,684.2	25,191.3	31,247.2	58,430.5
<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>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
Current portion of long-term bonds	998.7	-	657.9	-	35.9	1,008.2
Leasing payable	-	-	-	-	281.3	353.3
Other current liabilities	1,787.6	1,596.6	2,361.1	2,620.3	2,834.1	5,086.6
Total current liabilities	3,303.0	2,230.4	4,751.8	4,565.1	7,225.2	21,880.3
<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
Bonds payable	2,432.2	2,589.6	2,023.4	1,976.3	2,148.7	4,463.3
Leasing payable	-	-	0.8	-	1,730.7	2,192.3
Other non-current liabilities	1,120.6	1,066.3	1,080.6	1,116.6	1,034.6	1,695.3
Total non-current liabilities	9,524.1	9,431.2	10,174.5	14,340.0	16,840.3	31,886.4
<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>
<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)
Share Based Payment	-	-	-	-	-	23.9
Difference arising from transactions resulting in changes in the equity of subsidiary	-	-	-	-	-	(11.9)
Other comprehensive income	(23.2)	24.6	81.4	2.8	44.6	25.7
Retained earnings / (accumulated deficit)	5,452.3	6,546.4	7,547.8	8,705.1	10,365.6	12,394.0
Non-controlling interests	0.1	0.1	-	36.1	30.0	31.0
<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>12,062.0</b>



# Sarana Menara Nusantara (SMN) Group

## Abridged consolidated statement of cashflows (12 months ended December 2021)

in Rp Bn



\* Numbers included VAT

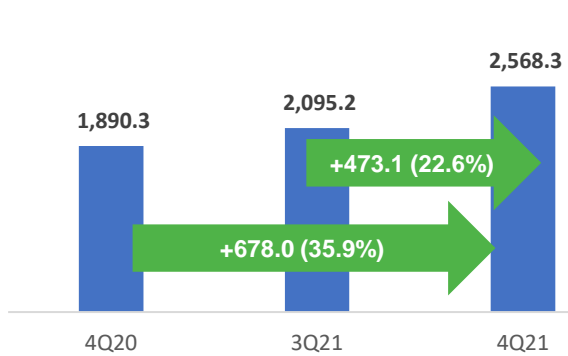
\*\* Including ground lease

\*\*\* High cash balance due to timing of delay repayments

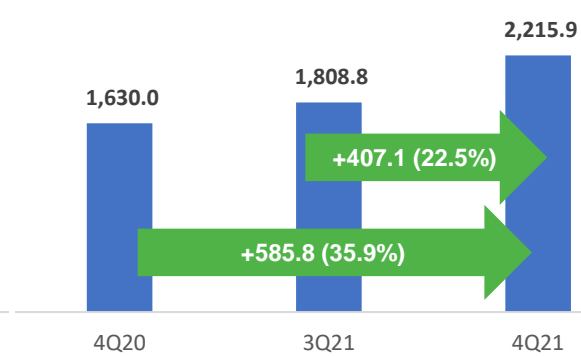
# Profit & Loss Movement 4Q21

in Rp Bn

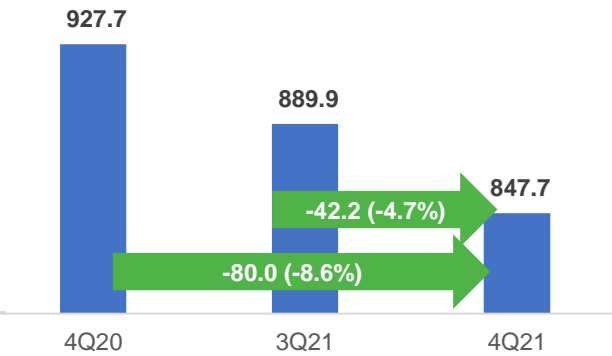
## Revenue



## EBITDA



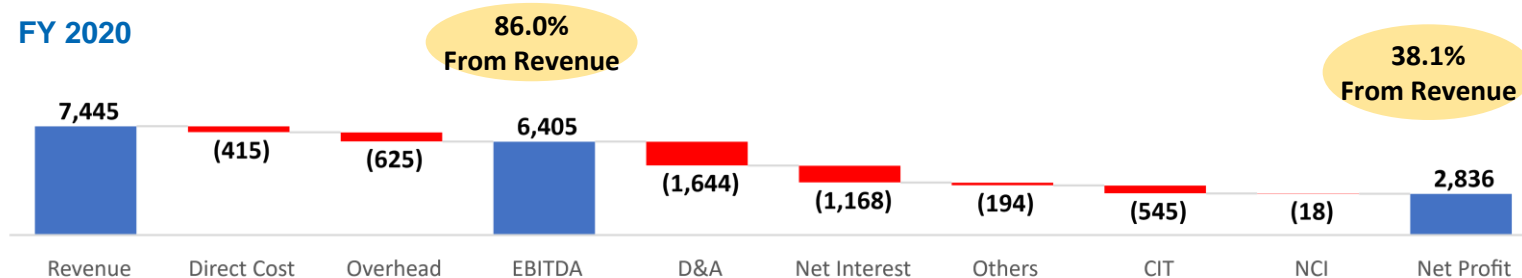
## Net Income



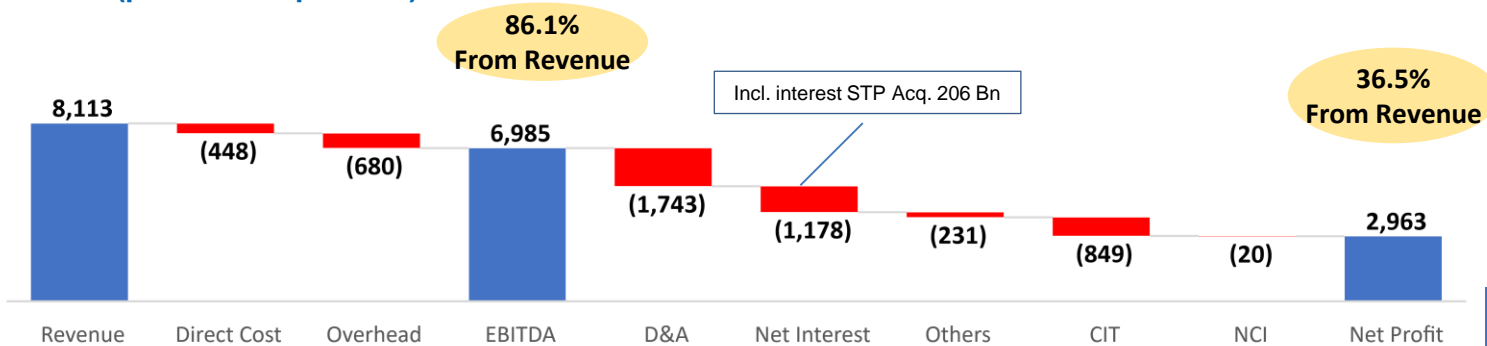
# Analysing impact of STP Acquisition

## Profit & Loss Breakdown (Rp Bn)

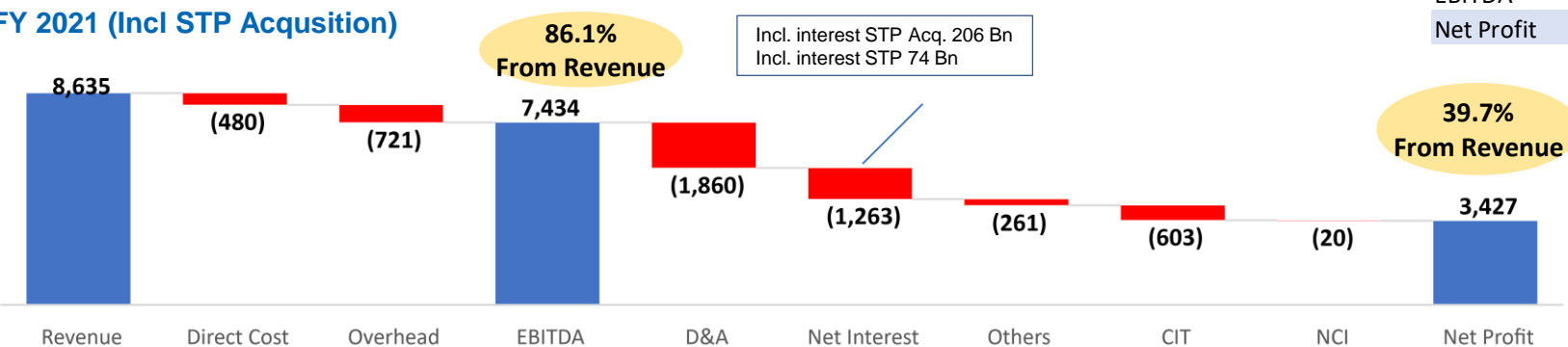
FY 2020



FY 2021 (pre STP Acquisition)



FY 2021 (Incl STP Acquisition)



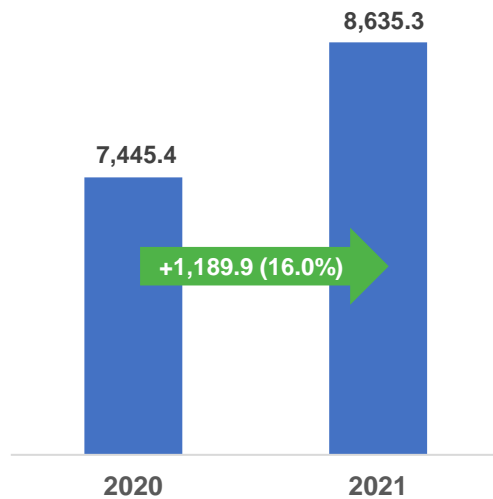
Growth YoY	vs 2021 PTI+IFT	vs 2021 Incl STP
Revenue	9.0%	16.0%
EBITDA	9.1%	16.1%
Net Profit	4.5%	20.9%

figures may not sum due to rounding

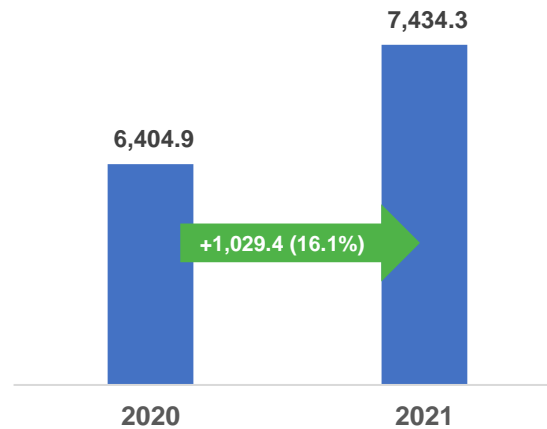
# Performance 2021

in Rp Bn

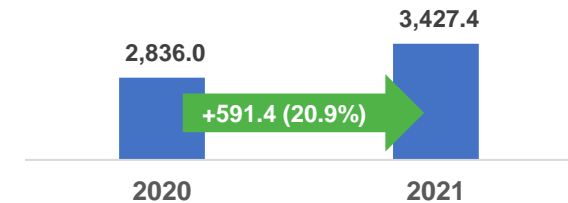
## Revenue



## EBITDA



## Net Income

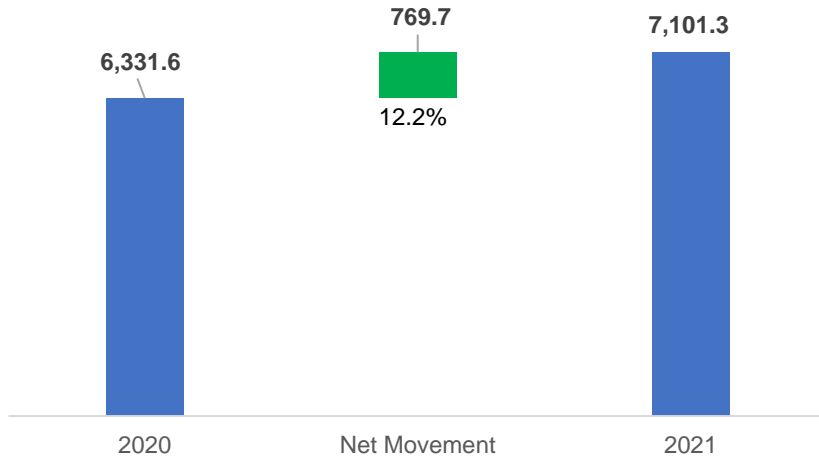


Revenue growth excluding STP was 9%

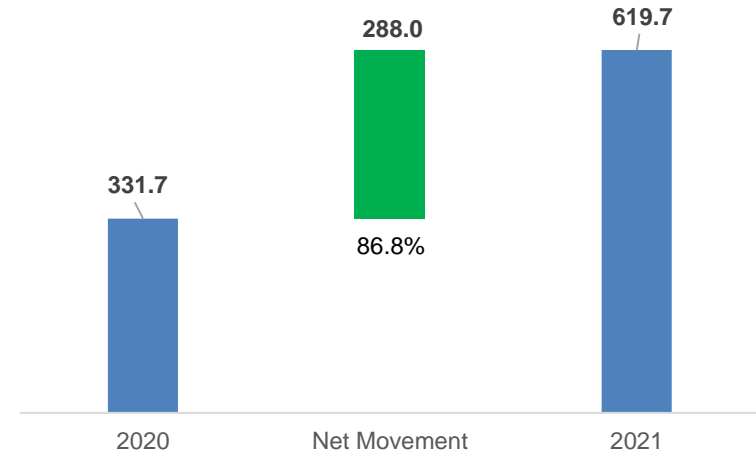
# Revenue Analysis (2020 vs 2021)

in Rp Bn

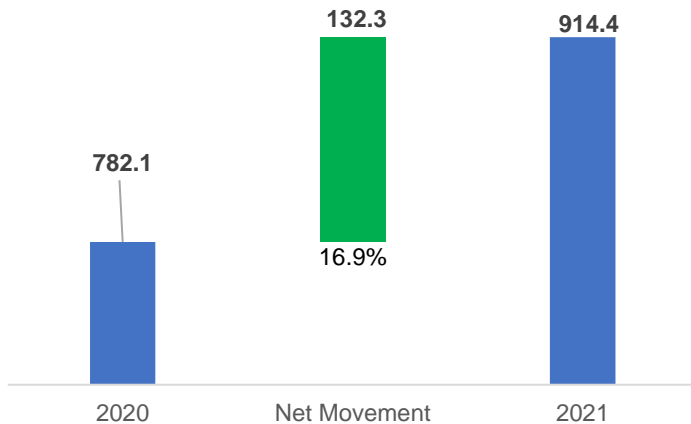
## Towers



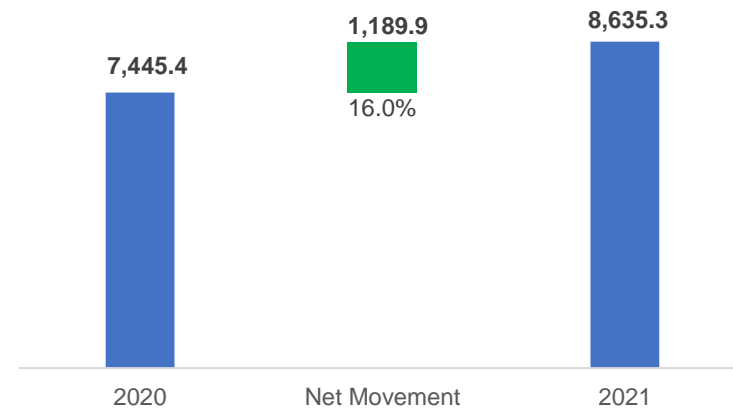
## Tower Fiber



## Connectivity

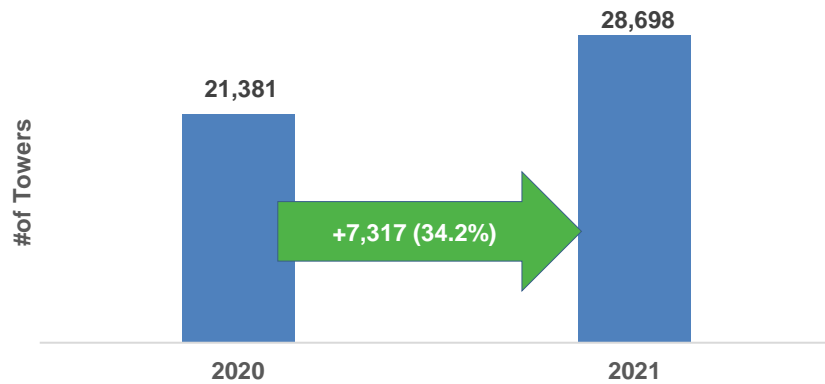


## Total Revenue

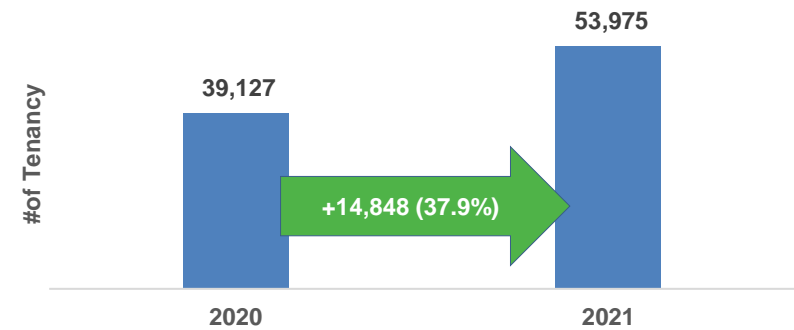


# Summary Operational Data (2020 vs 2021)

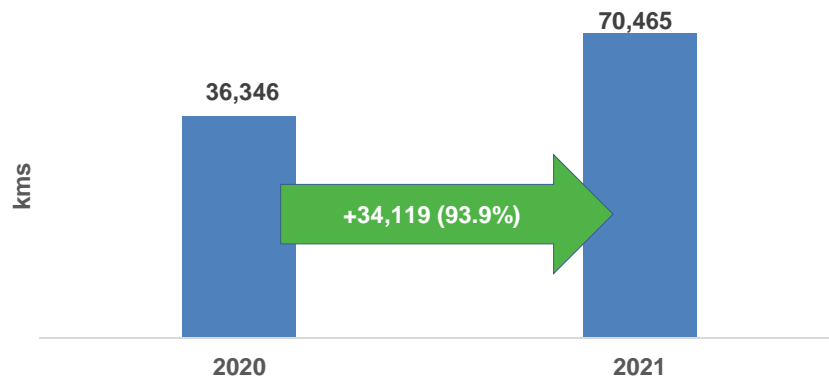
## Towers



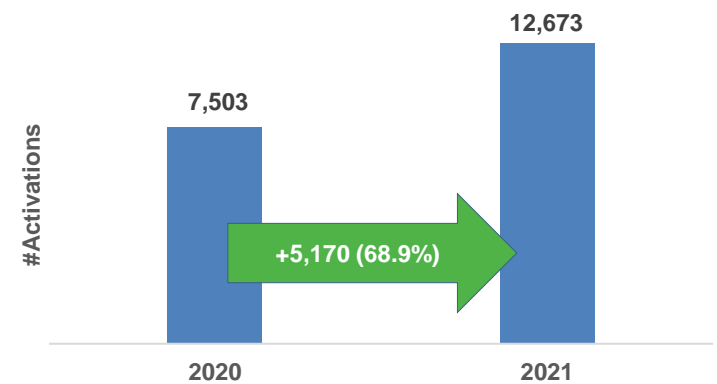
## Tenancy



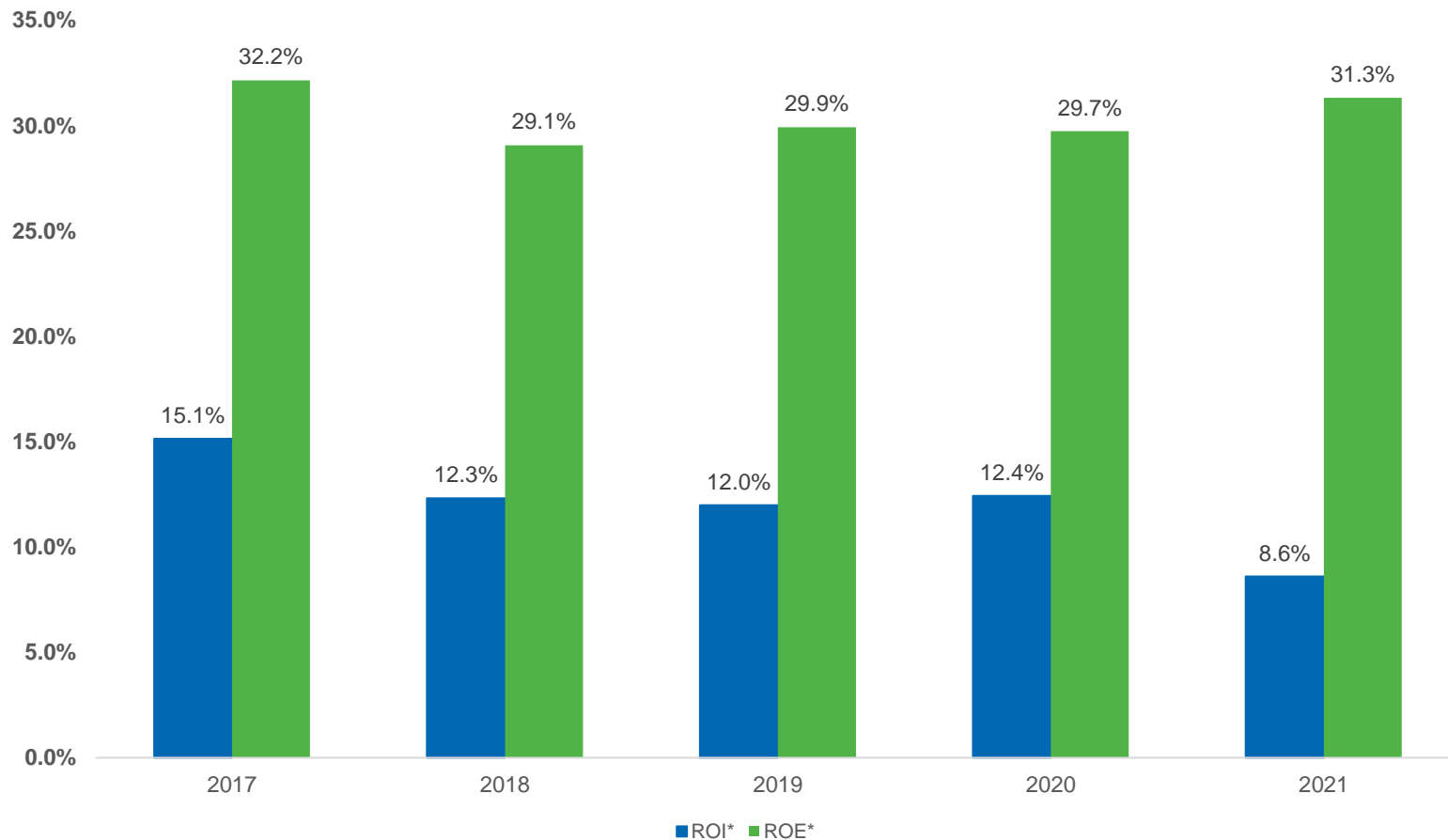
## Tower Fiber



## Connectivity



# Sustained Strong Returns



ROI decrease due to timing of STP acquisition

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



# Appendix



# Foreign Exchange Exposure as of 31 December 2021

Further improved FX exposure position as planned from natural hedge

ASSET		CONTRACTED REVENUE		LIABILITIES	
Cash	USD 105.2mn	2022	- USD 31mn	<u>Bank Loan</u>	
Investments	USD 30.3mn	2023	- USD 22mn	JPY 3.5bn	(~USD 30mn)
		2024	- USD 17mn		
				<u>Bond</u>	
				USD 138mn	
<b>Total</b>	<b>USD 135.5mn</b>	<b>Total</b>	<b>- USD 70mn</b>	<b>Total</b>	<b>~USD 168mn</b>

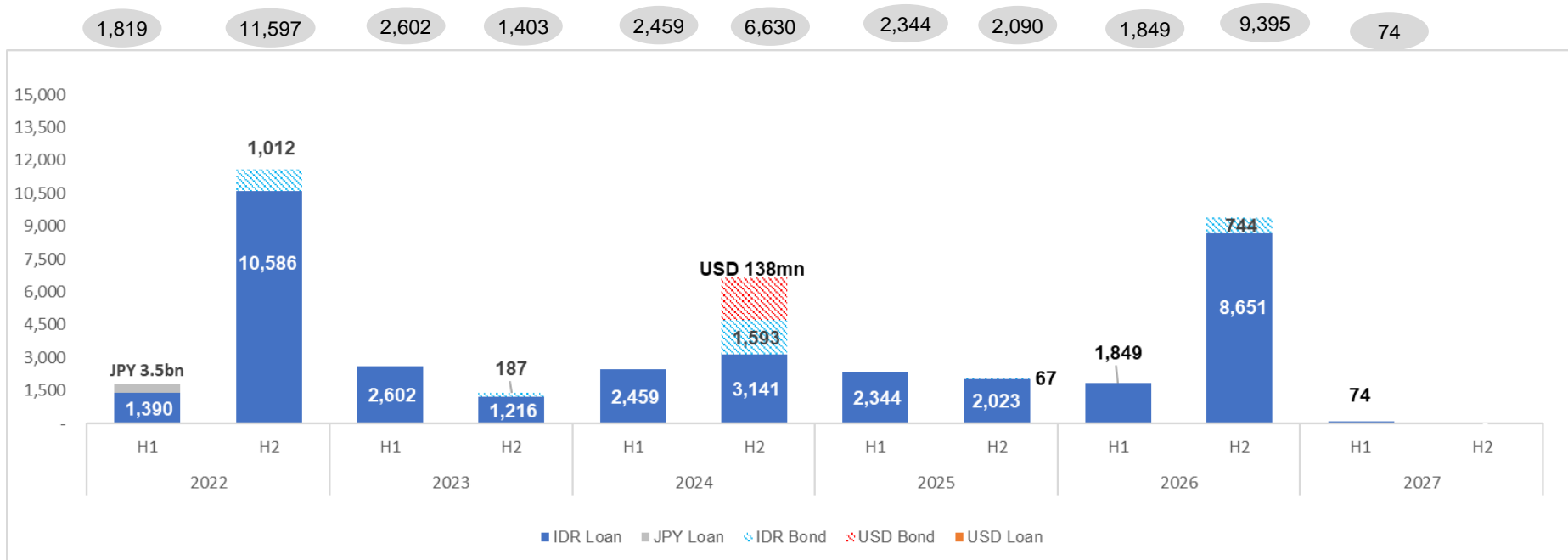
## Risk Mitigation:

- 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

# Long Term Debt\*: 67.5% Floating, 32.5% Fixed, Avg Interest 5.2%

in Rp Billion

## Maturity Profile



- As of December 2021
- BI Middle rate as of December 2021: 1USD = IDR14.269 ; 1JPY = IDR123.89

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