

# Indonesia Industry Focus

## Indonesia tower sector

Refer to important disclosures at the end of this report

DBS Group Research . Equity

24 Jul 2017

### Big difference in market expectations

- Expect a strong 2017 performance but it is too early to predict a strong 2018.
- Protelindo (TOWR) is our top pick for ~30% upside potential and is trading at our bear-case TP
- Market is pricing in strong growth at Tower Bersama (TBIG) in FY17F to continue into FY18F/19F, which leaves little margin for error

**Expect a strong 2017 performance but it is too early to predict a strong 2018.** XL Axiata (EXCL) is expanding its network aggressively outside Java, which is driving the demand for towers in 2017. Our checks indicate strong demand for towers in 2Q17 and 3Q17. However, we are not convinced if similar organic tower growth can be sustained in 2018 & 2019 due to two reasons (i) telcos might be tactical in choosing between big and small tower players. While tower renewal rate at TBIG and TOWR (~Rp13K per month) is 25-30% lower than 10-years ago, it is still 30-40% higher than smaller players. (ii) EXCL's network expansion outside Java may not continue at the same pace beyond FY17F.

**TOWR is our top pick as it offers ~30% upside potential.** Market seems to have priced in TOWR to add 5,000 tenants over FY16-19F vs our forecast of 7,800 tenants and TOWR's own history of 5,812 gross additions over FY13-16. Our forecasts also include addition of 1,500 tenants via acquisitions over FY16-19F. With its net debt to EBITDA of only 1.4x, TOWR can easily borrow at an interest cost of 6-8% to acquire towers with return on invested capital (ROIC) of 11-12% (vs 14-15% for build-to-suit towers). There are ~8K towers owned by smaller tower players in Indonesia. Meanwhile, we found out that a rise in tenancy ratio is the most critical factor for TOWR's share price followed by the addition of towers

**Market has priced in strong tenant growth at TBIG in FY17F to continue into FY18F/19F; trading at 50% valuation premium to TOWR.** TBIG is well placed outside Java due to its bigger revenue contribution from Telkomsel. However, market has priced in TBIG to add 9,000 tenants over FY16-19 vs our forecast of 8,000 tenants and its own history of 5,690 gross additions over FY13-16. We forecast addition of 2,654/2,100 tenants in FY18F/19F at TBIG vs 2,203/3,246 gross additions in FY16/17F. We do not see TBIG benefiting from big acquisitions either due to its higher gearing level. According to our analysis, the addition of towers is the most critical factor for TBIG's share price followed by a rise in tenancy ratio.

JCI : 5,765.40

#### Analyst

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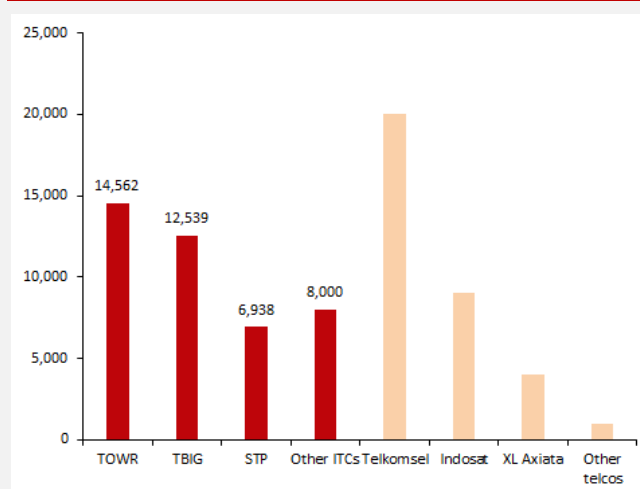
#### STOCKS

	Price Rp	Mkt Cap US\$m	12-mth	Performance (%)		Rating
			Target Price Rp	3 mth	12 mth	
PT Sarana Menara	3,950	3,024	5,100	4.0	(1.3)	BUY
Tower Bersama	6,525	2,218	6,200	8.3	(1.1)	HOLD

Source: DBS Bank, Bloomberg Finance L.P.

Closing price as of 21 Jul 2017

#### Independent tower companies owned about 55% of total Number of towers in Indonesia in 2016

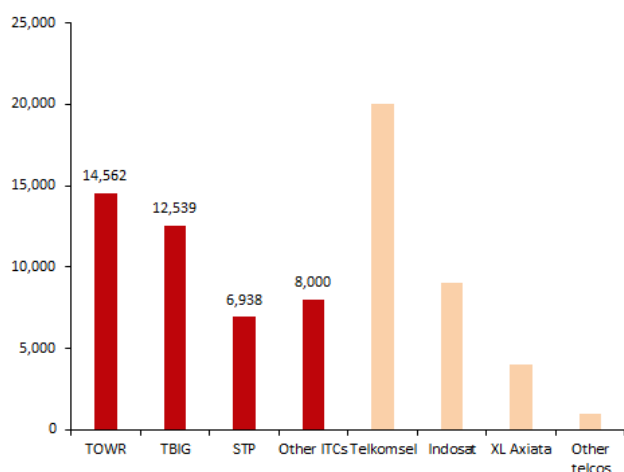


Source: Analysis Mason, DBS Bank

**Will acquisitions of towers be a major growth driver?**

Up to 27% of the total towers in Indonesia are likely to be up for sale over the next three years. TOWR is the largest independent tower company (19% of the total towers in 2016) followed by TBIG (16%). Various smaller independent tower companies own ~8,000 towers (10%) while ISAT and EXCL combined together hold another ~14,000 towers (17%). We believe that towers of smaller independent tower companies and towers of XL and Indosat are likely to be sold over the next 1-3 years. This implies that 22,000 towers (27% of the towers) could be available for acquisition over the next three years. In the near term, we expect 8,000 towers from various smaller independent tower companies to be up for sale.

**Independent tower companies owned about 55% of total towers in 2016**



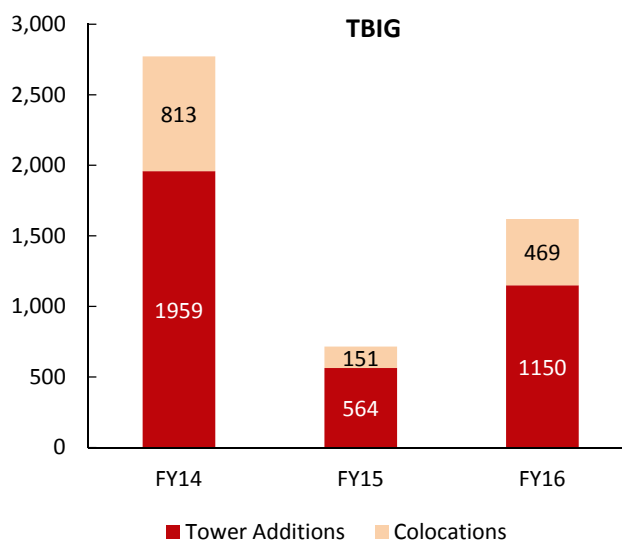
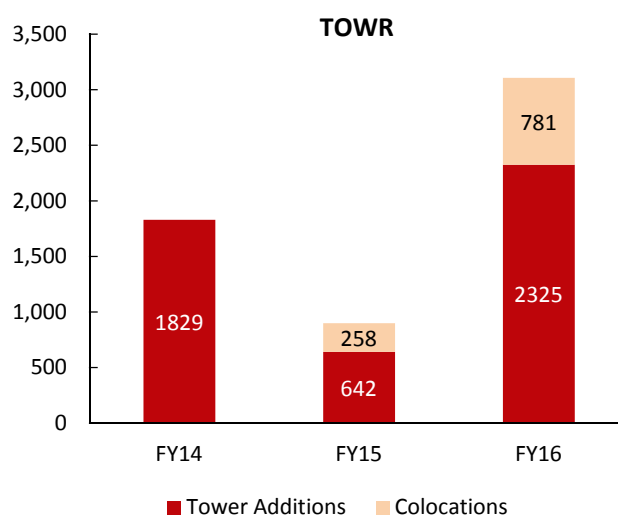
Source: Analysis Mason, DBS Bank

TOWR demonstrated its ability to grow fast via acquisitions in 2016. Due to slower order wins from telcos, most of TOWR's growth in FY16 came from the acquisition of EXCL tower assets in 2Q16. TOWR added ~2,500 towers along with ~3,750 tenants which had a six-month impact of ~Rp250bn on the topline. Organic growth was subdued at TOWR due to (i) sale of 260 towers in Netherlands, and (2) ongoing network transfer by Smartfren to its own tower assets. TBIG, on the other hand, did not acquire tower assets and saw order wins from its key customer Telkomsel.

Slower growth over 2015-16 was mostly driven by two key factors

- a) Telcos negotiating for lower lease rates and awarding more tower orders to smaller independent tower companies.
- b) Network consolidation gains leading to rationalised capex at telcos.

**Tower and co-location additions – TBIG grew organically while TOWR was supported by acquisitions in 2016**



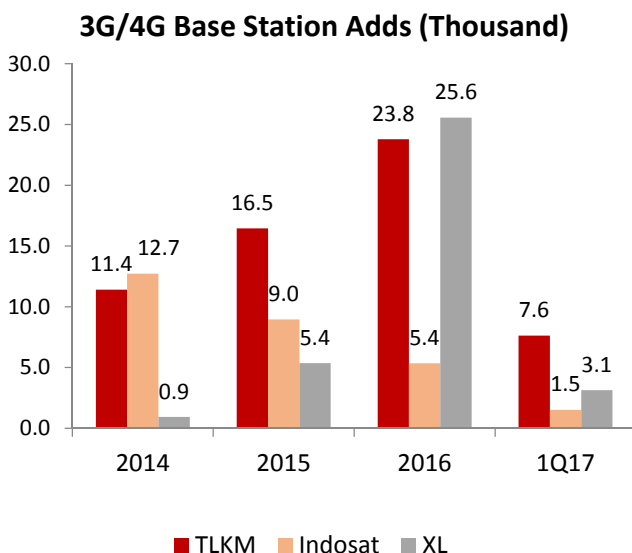
Sources: Companies

**Are we seeing pickup in demand for towers?**

**Tower demand is rising from largely outside the Java region.** EXCL has been investing heavily in its 3G/4G networks using 900MHz spectrum. Since 1Q16 EXCL has added nearly 30K 3G/4G base stations vs TLKM adding 31K 3G/4G base stations over the same period despite TLKM's bigger subscriber base. ISAT has been less aggressive so far due to significant additions in 2014/15 but has indicated an interest in increasing its capex outside Java as well.

EXCL has been seeing encouraging signs with market share gains outside Java at the expense of Telkomsel. As a result, EXCL's management also expects to maintain relatively high capex levels (guidance of Rp7tr in FY17) over the next three years and increase its allocation to non-Java going forward.

**Sharp rise in 3G/4G base station addition in 2016 by EXCL and Telkomsel**



More capex being spent outside Java by EXCL and ISAT who hardly own towers here, would imply leasing out of towers from independent tower players.

**Significant order wins in late 1Q17.** After a slow 2016, TBIG and TOWR started seeing tower orders towards the end of 1Q17 which are expected to support sector growth as 2017 progresses. TBIG added 1,020 new tenancies in 1Q17 vs 683 in 1Q16. Out of this 336 were build-to-suite (BTS) towers and 664 were co-locations. TOWR, on the other hand, received 1,250 orders – 350 build-to-suite (BTS) towers and 900 co-location orders. Out of 350 BTS towers, ~200 came from Telkomsel and ~150 from EXCL and most of BTS tower orders are expected to come online in 2Q17-3Q17.

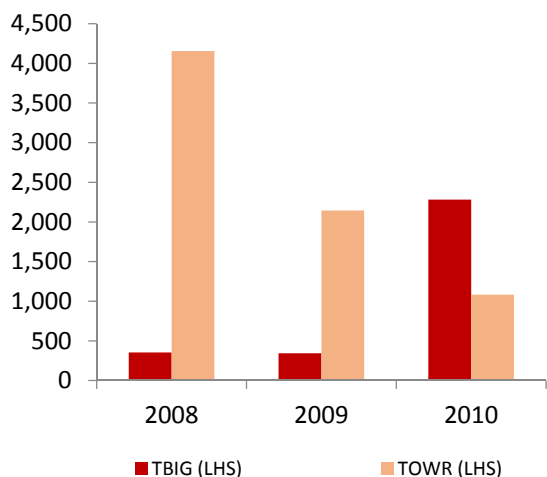
**Telkomsel and XL continue to lease towers in 2Q17.** Our checks indicate continued strength in tower lease orders in 2Q17. While there is clear visibility of Telkomsel continuing the momentum in 2H17, co-location orders from EXCL are little difficult to predict. In our opinion, EXCL intends to gain Telkomsel customers outside Java who are struggling with the affordability of Telkomsel plans. For example, even XL's off-net calls are cheaper than Telkomsel's on-net pricing despite XL's disadvantage due to high-interconnect pricing. As such, we expect Telkomsel and EXCL to continue to lease more towers in 2H17F.

**Will we see significant lease renewals over the next two years?**

**TOWR and TBIG to see 20% and 6% of leases to be renewed over FY16-19 in our estimates.** With telcos keen on lower tower lease rates, we expect upcoming lease renewals to have a downward impact on average lease rates for TOWR and TBIG. Indonesian tower lease rates hovered around Rp17-18K per month 10 years ago. Tower leases tend to have a 10-12 year agreement period which can be renegotiated at the expiry. We expect to see an uptick in tower lease renegotiations over the next 5-year period.

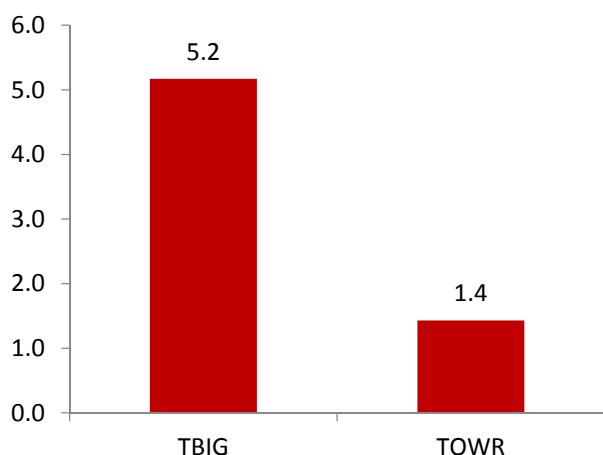
Our industry checks have indicated the renegotiated tower lease rates are 25-30% lower at ~Rp13K per month vs Rp17K-18K 10-years ago. Going by the tenancies added by TOWR and TBIG over FY08-10, we estimate 20% & 6% of existing leases of TOWR & TBIG respectively could be renegotiated over FY17-19. Hutch towers leased from TOWR have 12-year agreement and will be up for renewal from 2020 onwards.

**Tower leases added over 2007-2009, some of these will be up for renewal soon**



Source: Companies, DBS bank

**Net debt to EBITDA (end-1Q17)**



Source: Companies, DBS bank

**TOWR is our top pick as it is trading at our bear-case TP and at 34% discount to TBIG's FY18F EV/EBITDA.** Market is pricing in TOWR to add 5,000 tenants over FY16-19F vs our forecast of 7,800 tenants and its own history of 5,812 gross additions over FY13-16. Our forecasts also include the addition of 1,500 tenants via acquisitions over FY16-19F. With its net debt to EBITDA of only 1.4x, TOWR can easily borrow at an interest cost of 6-8% to acquire towers with return on invested capital (ROIC) of 11-12% (vs 14-15% for build-to-suit towers). There are ~8K towers with smaller tower players in Indonesia. Overall, we project TOWR to secure 8% EBITDA CAGR over FY16-19F.

**Market is pricing in strong tenant growth at TBIG in FY17F to continue into FY18F/19F.** TBIG is well placed outside Java due to its bigger revenue contribution from Telkomsel. However, the market has priced in TBIG to add 9,000 tenants over FY16-19 vs our forecast of 8,000 tenants and its own history of 5,690 gross additions over FY13-16. We forecast addition of 2,654/2,100 tenants in FY18F/19F at TBIG vs 2,203/3,246 gross additions in FY16/17F. We do not see TBIG benefiting from big acquisitions either due to its higher gearing level. Overall, we project TBIG to secure 9% EBITDA CAGR over FY16-19F.

**TBIG – 12-month forward EV/EBITDA**



Source: DBS Bank

**TOWR – 12-month forward EV/EBITDA**



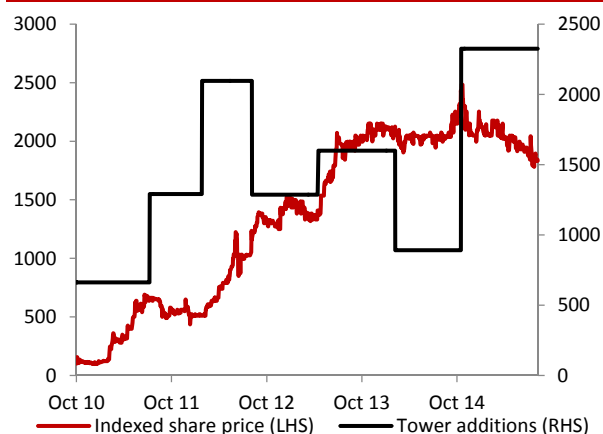
Source: DBS Bank

We believe the market is severely underestimating the potential upside of TOWR growth potential and placing a heavy premium on TBIG's exposure to Telkomsel, even though we are seeing TOWR seeing increased traction with these players. As a result, we believe the current discount TOWR is trading at compared to TBIG is hard to justify and expect the counters to move towards parity.

**Critical factor analysis**

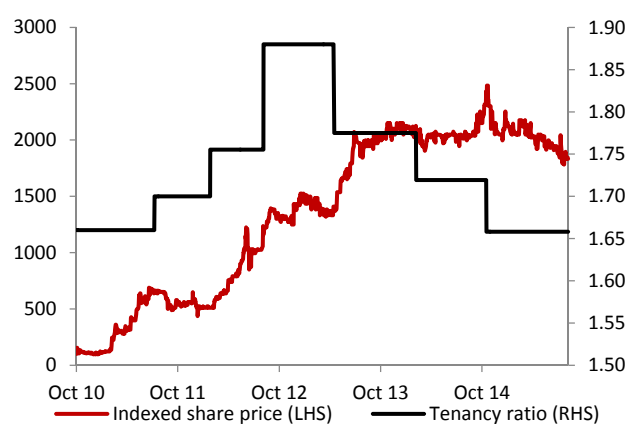
**Tower additions and tenancy ratios and critical factors.** In the critical factor analysis we have conducted over the past ~7 years, we have seen tower companies' share price movements to follow new tower additions and tenancy ratios. We believe tower additions have had a higher impact on share prices than tenancy ratios however. Higher new tower additions generally indicate a bullish market for tower players while higher tenancy ratios indicate higher revenue per tower and ROICs.

**TOWR's share price movement with tower additions**



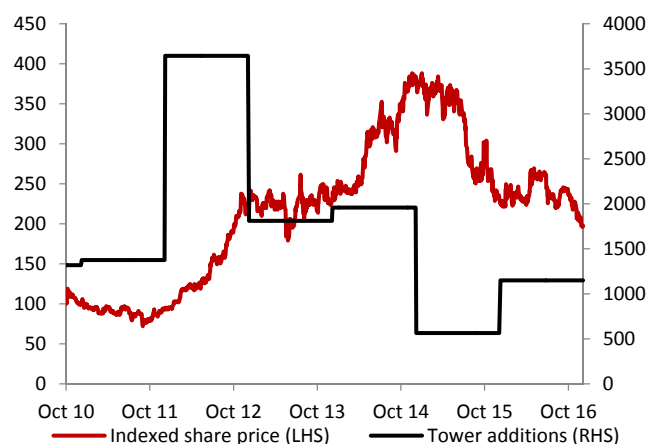
Source: DBS Bank, Reuters

**TOWR's share price movement with tenancy ratios**



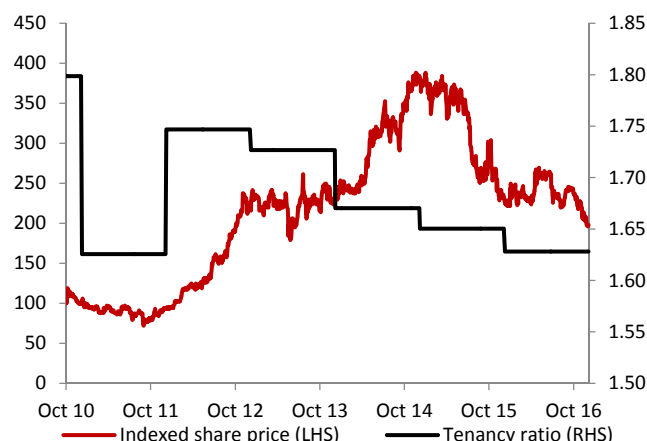
Source: DBS Bank, Reuters

**TBIG's share price movement with tower additions**



Source: DBS Bank, Reuters

**TBIG's share price movement with tenancy ratios**



Source: DBS Bank, Reuters

**Tenancy ratio is the most critical factor for TOWR while tower addition is the most critical factor for TBIG.** TOWR's share price change had a positive correlation of 0.2 with the growth in towers and a positive correlation of 0.3 with the change in tenancy ratios. TBIG's share price change had a positive correlation of 0.4 with the growth in towers and a positive correlation of 0.3 with the change in tenancy ratios. This could be explained perhaps by acquisition driven model of TOWR, where real value comes from adding tenants to the acquired towers.

### Key risks to our valuation

**Bear-case valuation for TOWR is Rp4,000.** In our bear case, we have assumed tower acquisitions to not materialise, and TOWR adding only 5,000 tenants FY16-FY19 while new lease rates dip to Rp12,000/mth as telcos look to reduce lease rates. This reduces our TP to Rp4,000.

**Bull-case valuation for TOWR is Rp5,900.** Higher-than-expected tower acquisitions, 9,000 tenant additions FY16-FY19, along with new lease rates remaining at Rp 14,000/mth as tower demand rises could see TOWR's TP increasing to Rp5,900.

**Bear-case valuation for TBIG is Rp 5,200.** In our bear-case scenario, we have assumed EXCL's expansion to slow down and TBIG to fail to add tenants at the expected rate, resulting in 6,500 tenant additions over FY16-19F and a tower renewal rate of Rp12K per month. This will ultimately result in a TP of Rp5,200.

**Bull-case valuation for TBIG is Rp7,100.** In our bull-case scenario, we have assumed EXCL's expansion to pick up pace and TBIG to add 9,500 tenants over FY16-19F with the tower renewal rate remaining at Rp14K per month, which results in a TP of Rp7,100.

**BUY**

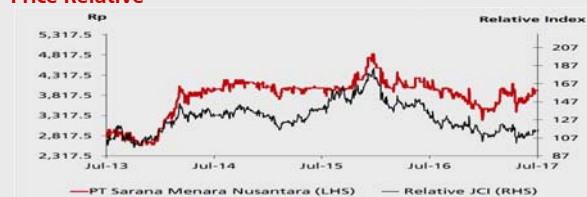
Last Traded Price ( 21 Jul 2017): Rp3,950 (JCI : 5,765.40)  
Price Target 12-mth: Rp5,100 (29% upside) (Prev Rp4,900)

**Analyst**

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**What's New**

- Network expansion by telcos is supporting demand
- TOWR's share price suggests addition of only 5,000 towers over FY16-19F versus our 7,800 projections.
- Maintain BUY with revised TP of Rp5,100

**Price Relative****Forecasts and Valuation**

FY Dec (Rp bn)	2016A	2017F	2018F	2019F
Revenue	5,053	5,530	5,870	6,281
EBITDA	4,408	4,822	5,124	5,483
Pre-tax Profit	4,082	3,081	3,380	3,750
Net Profit	3,040	2,311	2,535	2,813
Net Pft (Pre Ex.)	2,667	2,311	2,535	2,813
Net Pft Gth (Pre-ex) (%)	(9.9)	(13.4)	9.7	10.9
EPS (Rp)	298	227	249	276
EPS Pre Ex. (Rp)	261	227	249	276
EPS Gth Pre Ex (%)	(10)	(13)	10	11
Diluted EPS (Rp)	298	227	249	276
Net DPS (Rp)	0.0	68.6	68.6	68.6
BV Per Share (Rp)	1,050	1,208	1,388	1,595
PE (X)	13.3	17.4	15.9	14.3
PE Pre Ex. (X)	15.1	17.4	15.9	14.3
P/Cash Flow (X)	10.5	9.1	10.0	9.2
EV/EBITDA (X)	10.7	9.5	8.7	7.8
Net Div Yield (%)	0.0	1.7	1.7	1.7
P/Book Value (X)	3.8	3.3	2.8	2.5
Net Debt/Equity (X)	0.7	0.5	0.3	0.2
ROAE (%)	33.1	20.1	19.2	18.5
<b>Earnings Rev (%)</b>		(12)	(16)	(19)
<b>Consensus EPS (Rp):</b>		269	301	328
<b>Other Broker Recs:</b>		B: 19	S: 0	H: 1

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P

**Trading at our bear-case valuation**

TOWR is trading at 34% discount to TBIG's FY18F EV/EBITDA despite offering similar EBITDA growth. Growth in the number of towers and tenancy ratio has been a critical factor for TOWR's share price. Strong orders booked in 1Q17 on the back of XL Axiata (EXCL) starting an aggressive network-expansion outside Java bodes well for rest of the year. We expect TOWR to utilise its low gearing for acquisitions to secure 8% EBITDA CAGR over FY16-19F similar to 9% CAGR of TBIG.

**Where we differ:** Market is currently pricing in TOWR to add a total of 5,000 tenants over FY16-19F vs 9,000 tenants at TBIG and its own history of 5,812 tenant additions over FY13-16. We project TOWR to add 7,800 tenants including 1,500 via acquisitions over FY16-19F. With its net debt to EBITDA of only 1.4x, TOWR can easily borrow at an interest cost of 6-7% to acquire towers with a return on invested capital (ROIC) of 11-12% (vs 14-15% for build-to-suit towers). There are ~8K towers with smaller tower players in Indonesia.

**Potential catalyst:** TOWR is engaged in talks with a few smaller independent tower operators for M&A possibilities, which may materialise in 2H17F. TOWR has started to pay annual dividends recently (Rp700bn paid in July 2017) which we think is likely to be regular going forward.

**Valuation:**

Maintain BUY with DCF-based TP of Rp5,100 (9.1% WACC, 4% terminal growth rate) as we roll forward our valuation. TOWR is trading at 8.7x FY18F EV/EBITDA, at a 34% discount to TBIG, despite potential for growth via acquisitions.

**Key Risks to Our View:**

**M&A uncertainty and rental rate pressure.** Our bear-case TP is Rp4,000 assuming 5000 tenant additions over FY16-19F due to a lack of acquisitions (vs base case of 7800) and tower renewal rate of Rp12K per month (vs base case of Rp13K). Our bull-case TP is Rp5,900 assuming 9,000 tenant additions and renewal rate of Rp14K.

**At A Glance**

Issued Capital (m shrs)	10,203
Mkt. Cap (Rpbn/US\$m)	40,302 / 3,024
Major Shareholders (%)	
PT. Saptad Adhikari Investama (%)	32.7
T Rowe Price Group Inc (%)	7.6
Free Float (%)	68.3
3m Avg. Daily Val (US\$m)	0.59
ICB Industry : Telecommunications / Mobile Telecommunications	

**CRITICAL DATA POINTS TO WATCH**

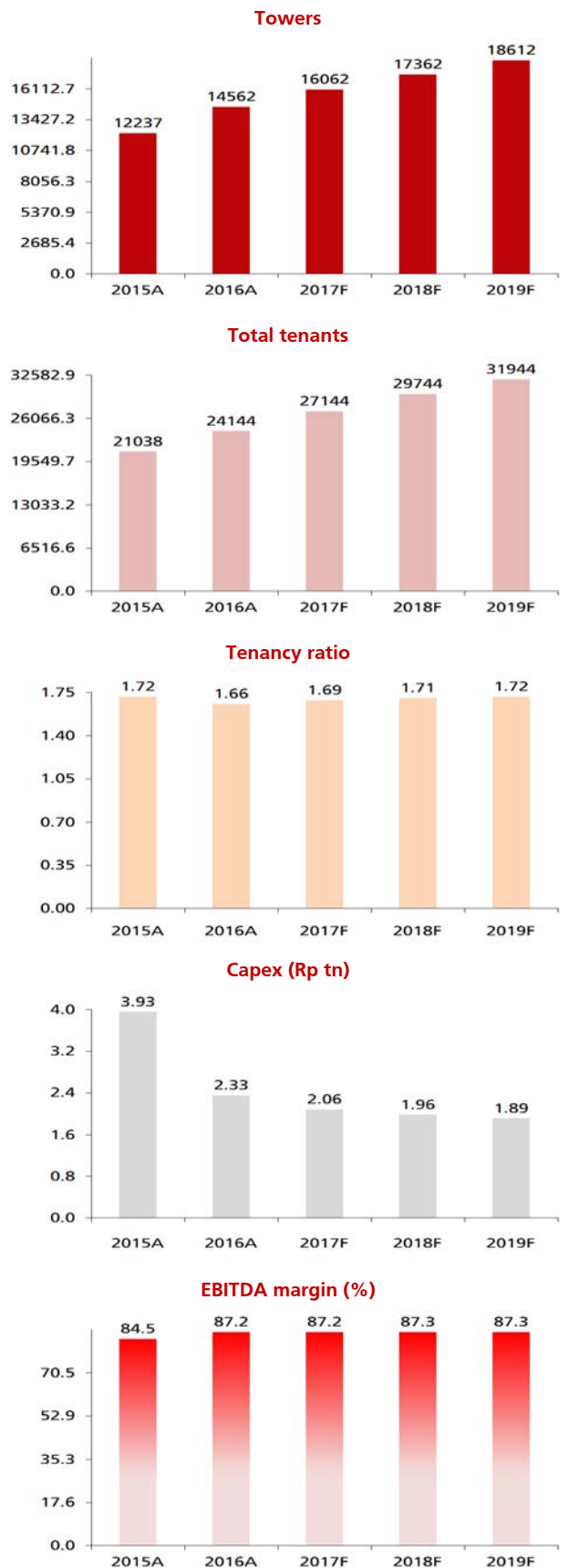
**Critical Factors**

**Tower demand will be driven largely by non-Java interest.** EXCL is investing heavily in its 3G/4G networks outside Java to regain market share from Telkomsel. Since 1Q16 EXCL has added nearly 30k 3G/4G base stations, thus increasing its 3G/4G BTS count by 132%. Management expects to maintain relatively high capex levels (~Rp7tr annually) though increase in allocation to non-Java going forward will depend on success of the current investments.

**Potential inorganic growth in FY17.** There are c.8,000 tower assets owned by small independent tower players in Indonesia in addition to c 14,000 towers owned by telcos (excluding TLKM). This opens up an opportunity for TOWR to leverage its balance sheet strength and to pursue growth opportunities. TOWR has a net debt to EBITDA of 1.4x, indicating significant headroom to expand its footprint inorganically. TOWR is already in talks with few smaller independent tower operators for M&A possibilities, which may happen in FY17. TOWR controls 35% of the fragmented independent tower market in Indonesia and potential additions could increase its market share by 4-5%, according to the company.

In our TOWR projections, we have taken ~7,800 new tenant additions with ~1,500 coming from acquisitions from FY17 to FY19. As a result, we expect an EBITDA CAGR of 8% during the period. TOWR can easily borrow at an interest cost of 6-8% to acquire towers with a return on invested capital (ROIC) of 11-12% (vs 14-15% for build-to-suit towers).

**Co-locations to drive tenancy ratio.** EXCL has already contracted TOWR for ~900 new co-locations in 1H17 with part of it going online in 2Q17. Increase in co-locations leads to higher tenancy ratios, and improves revenue generation from tower assets with relatively low capex outlay, thus improving ROICs further. This will likely improve further during FY17-F19F from EXCL's tower co-location additions as it increases the density of its network.



Source: Company, DBS Bank

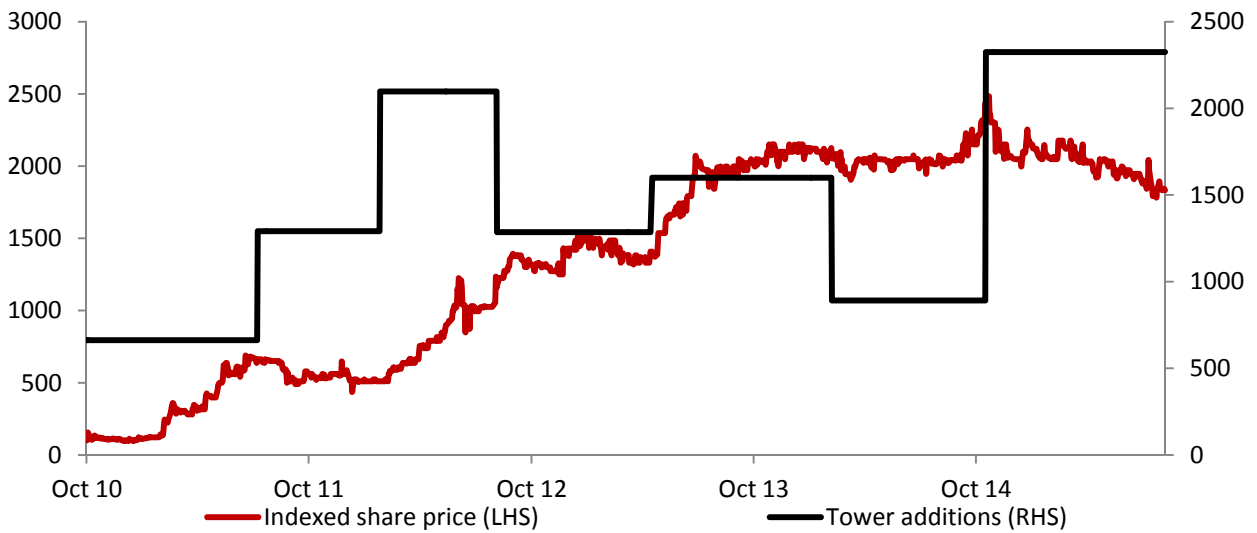


**Appendix 1: A look at Company's listed history – what drives its share price?**

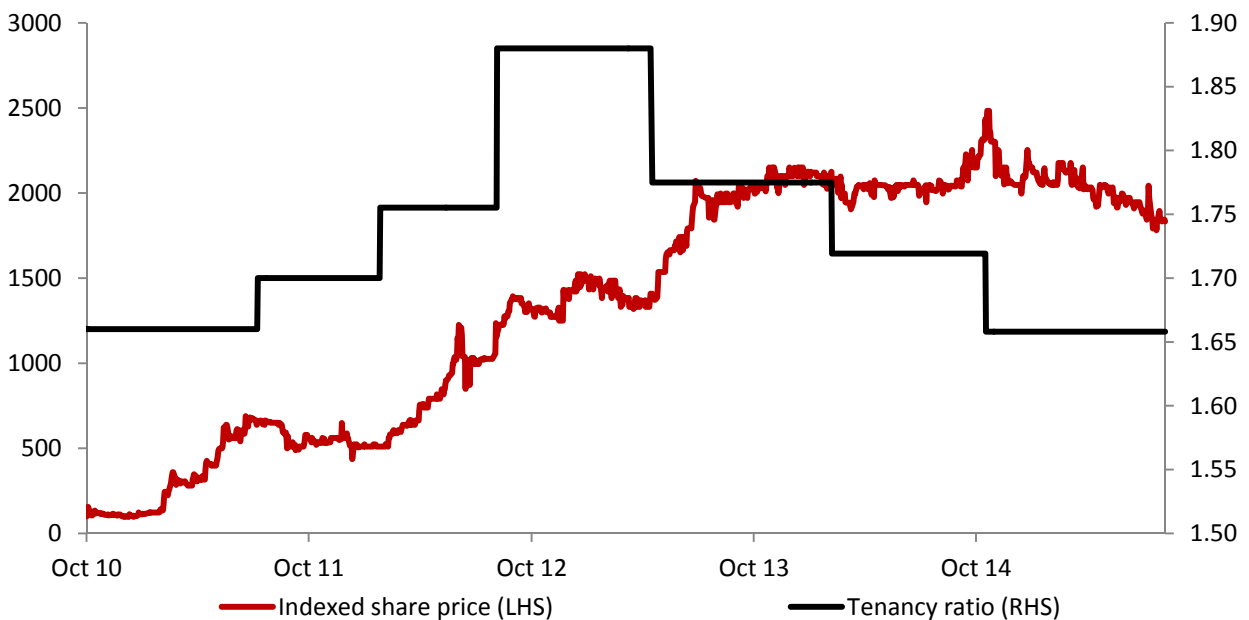
**Tenancy ratio is the most critical factor followed by tower growth.** In the critical factor analysis, we have conducted over the past ~7 years, we have seen tower companies' share price movements to follow new tower additions and tenancy ratios. TOWR's share price change had a positive correlation of 0.2 with the growth in towers and a positive correlation of 0.3 with

the change in tenancy ratios. One possible explanation for this trend is that due to acquisition driven model of TOWR, market appreciates addition of more tenants on the acquired towers. Higher new tower additions generally indicate bullish market for tower players while higher tenancy ratios indicate higher revenue per tower and ROICs.

**TOWR's share price changes tenancy ratio**



Source: DBS Bank



Source: DBS Bank

**PT Sarana Menara Nusantara**

**Balance Sheet:**

**Unlevered balance sheet.** TOWR had a net debt-to-EBITDA of around 1.4x as of vs. TBIG's 5.2x, indicating room for further inorganic expansion in the near term compared to its competitors.

**Share Price Drivers:**

**Lease rate overhang.** Our industry checks have indicated the renegotiated tower lease rates are ~30% lower than the initial lease rates, resulting in a downward shift in the average lease rate. We estimate that 15% of existing leases of TOWR will be renegotiated in FY17-19. Furthermore, any new leases are also likely to come in at the lower price range, which should slightly pull down the average lease rates for the telcos further.

**TOWR is trading at 34% discount to TBIG's FY18F EV/EBITDA despite offering similar EBITDA growth.** Growth in the number of towers and tenancy ratio has been a critical factor for TOWR's share price. Strong orders booked in 1Q17 on the back of XL Axiata (EXCL) starting an aggressive network-expansion outside Java bodes well for rest of the year. We expect TOWR to utilise its low gearing for acquisitions to secure 8% EBITDA CAGR over FY16-19F similar to 9% CAGR of TBIG. Our DCF-based TP has been revised up to Rp5,100 (9.1% WACC, 4% terminal growth rate) which implies 29% potential upside.

**Key Risks:**

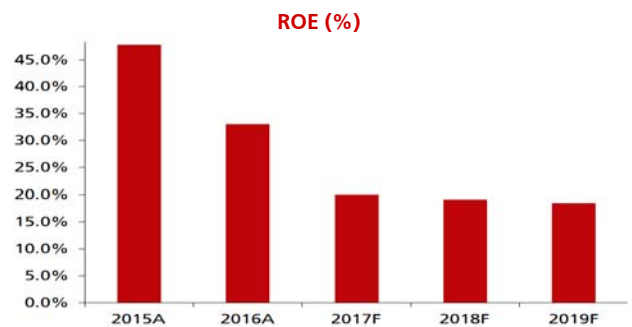
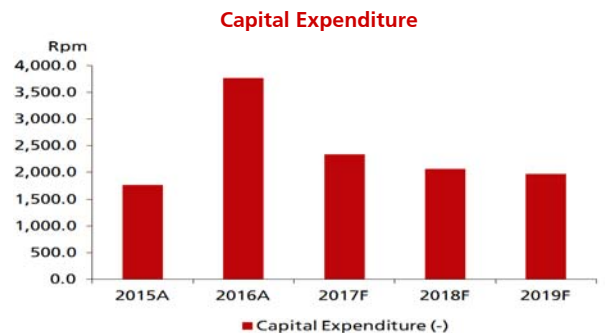
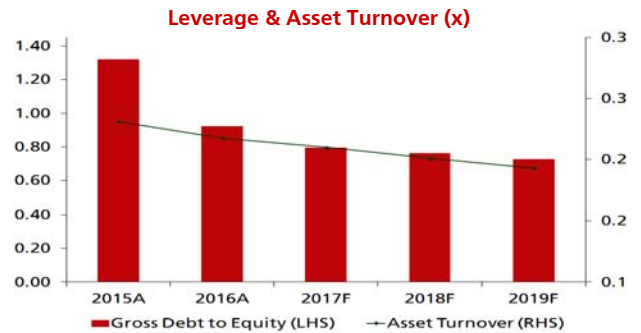
**Resistance to industry consolidation.** If smaller tower companies resist acquisition offers, TOWR may disappoint versus our expectations.

**Bear-case valuation for TOWR is Rp4,000.** In our bear case, we have assumed tower acquisitions to not materialise, and TOWR adding only 5,000 tenants FY16-FY19 while new lease rates dip to Rp12,000/mth (versus base case of Rp13,000) as telcos look to reduce lease rates. This may reduce our TP to Rp4,000.

**Bull-case valuation for TOWR is Rp 5,900.** Higher-than-expected tower acquisitions, 9,000 tenant additions FY16-FY19, along with new lease rates remaining at Rp14,000/mth as tower demand rises could see TOWR's TP increasing to Rp5,900.

**Company Background**

PT Sarana Menara Nusantara Tbk, through a subsidiary, builds telecommunication towers. The company constructs, operates and rents the towers to mobile telecommunications service providers.



Source: Company, DBS Bank

**Key Assumptions**

FY Dec	2015A	2016A	2017F	2018F	2019F
Towers	12,237	14,562	16,062	17,362	18,612
Total tenants	21,038	24,144	27,144	29,744	31,944
Tenancy ratio	1.70	1.70	1.70	1.70	1.70
Capex (Rp tn)	3.90	2.30	2.10	2.00	1.90
EBITDA margin (%)	84.5	87.2	87.2	87.3	87.3

Tenant additions boosted by acquisitions

**Income Statement (Rpbn)**

FY Dec	2015A	2016A	2017F	2018F	2019F
Revenue	4,470	5,053	5,530	5,870	6,281
Cost of Goods Sold	(572)	(669)	(1,328)	(1,411)	(1,481)
<b>Gross Profit</b>	<b>3,898</b>	<b>4,384</b>	<b>4,202</b>	<b>4,459</b>	<b>4,800</b>
Other Opng (Exp)/Inc	610	(62.2)	(476)	(505)	(540)
<b>Operating Profit</b>	<b>4,508</b>	<b>4,322</b>	<b>3,726</b>	<b>3,954</b>	<b>4,260</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(550)	(613)	(645)	(574)	(509)
Exceptional Gain/(Loss)	0.0	373	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>3,958</b>	<b>4,082</b>	<b>3,081</b>	<b>3,380</b>	<b>3,750</b>
Tax	(993)	(1,039)	(770)	(845)	(938)
Minority Interest	(6.3)	(3.3)	0.0	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>2,958</b>	<b>3,040</b>	<b>2,311</b>	<b>2,535</b>	<b>2,813</b>
Net Profit before Except.	2,958	2,667	2,311	2,535	2,813
EBITDA	3,776	4,408	4,822	5,124	5,483

8% EBITDA CAGR

**Growth**

Revenue Gth (%)	8.9	13.1	9.4	6.1	7.0
EBITDA Gth (%)	10.5	16.7	9.4	6.3	7.0
Opg Profit Gth (%)	87.4	(4.1)	(13.8)	6.1	7.7
Net Profit Gth (Pre-ex) (%)	169.0	(9.9)	(13.4)	9.7	10.9

**Margins & Ratio**

Gross Margins (%)	87.2	86.8	76.0	76.0	76.4
Opg Profit Margin (%)	100.9	85.5	67.4	67.4	67.8
Net Profit Margin (%)	66.2	60.2	41.8	43.2	44.8
ROAE (%)	47.8	33.1	20.1	19.2	18.5
ROA (%)	15.3	13.1	8.8	8.7	8.6
ROCE (%)	19.1	14.9	11.6	11.2	10.7
Div Payout Ratio (%)	0.0	0.0	30.3	27.6	24.9
Net Interest Cover (x)	8.2	7.1	5.8	6.9	8.4

Source: Company, DBS Bank

## Quarterly / Interim Income Statement (Rpbn)

FY Dec	1Q2016	2Q2016	3Q2016	4Q2016	1Q2017
Revenue	1,170	1,253	1,309	1,321	1,313
Cost of Goods Sold	(155)	(162)	(173)	(178)	(188)
<b>Gross Profit</b>	<b>1,015</b>	<b>1,091</b>	<b>1,135</b>	<b>1,143</b>	<b>1,126</b>
Other Oper. (Exp)/Inc	(123)	(93.0)	(109)	(110)	(113)
<b>Operating Profit</b>	<b>892</b>	<b>998</b>	<b>1,026</b>	<b>1,033</b>	<b>1,012</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(128)	(125)	(184)	(175)	(172)
Exceptional Gain/(Loss)	(66.4)	216	99.3	125	25.6
<b>Pre-tax Profit</b>	<b>697</b>	<b>1,089</b>	<b>941</b>	<b>982</b>	<b>866</b>
Tax	(178)	(281)	(343)	(238)	(216)
Minority Interest	(1.5)	(1.8)	6.50	(6.6)	0.0
<b>Net Profit</b>	<b>518</b>	<b>807</b>	<b>605</b>	<b>737</b>	<b>650</b>
Net profit bef Except.	584	591	506	613	624
EBITDA	1,001	1,108	1,146	1,154	1,134

Late order wins, should see better growth in 2H17

## Growth

Revenue Gth (%)	(2.1)	7.1	4.5	1.0	(0.6)
EBITDA Gth (%)	20.8	10.8	3.4	0.7	(1.7)
Opg Profit Gth (%)	20.0	11.9	2.8	0.7	(2.0)
Net Profit Gth (Pre-ex) (%)	(355.6)	1.1	(14.4)	21.3	1.8

## Margins

Gross Margins (%)	86.7	87.1	86.8	86.5	85.7
Opg Profit Margins (%)	76.2	79.7	78.4	78.2	77.1
Net Profit Margins (%)	44.3	64.4	46.2	55.8	49.5

## Balance Sheet (Rpbn)

FY Dec	2015A	2016A	2017F	2018F	2019F
Net Fixed Assets	14,683	18,269	19,502	20,387	21,128
Invt in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other LT Assets	3,200	3,162	3,162	3,162	3,162
Cash & ST Invt	2,987	2,905	4,234	6,511	9,215
Inventory	11.1	0.0	0.90	0.90	1.00
Debtors	471	352	385	409	437
Other Current Assets	64.2	338	338	338	338
<b>Total Assets</b>	<b>21,417</b>	<b>25,025</b>	<b>27,621</b>	<b>30,807</b>	<b>34,280</b>
ST Debt	446	1,515	446	446	446
Creditor	217	189	570	607	636
Other Current Liab	1,315	1,598	2,033	2,108	2,200
LT Debt	9,684	8,359	9,359	10,359	11,359
Other LT Liabilities	2,076	2,655	2,894	3,133	3,372
Shareholder's Equity	7,680	10,708	12,319	14,155	16,267
Minority Interests	(1.6)	0.10	0.10	0.10	0.10
<b>Total Cap. &amp; Liab.</b>	<b>21,417</b>	<b>25,025</b>	<b>27,621</b>	<b>30,807</b>	<b>34,280</b>
Non-Cash Wkg. Capital	(985)	(1,098)	(1,880)	(1,968)	(2,060)
Net Cash/(Debt)	(7,144)	(6,970)	(5,572)	(4,295)	(2,591)
Debtors Turn (avg days)	42.7	29.7	24.3	24.7	24.6
Creditors Turn (avg days)	96.4	127.1	596.5	892.2	880.4
Inventory Turn (avg days)	1.6	3.5	0.7	1.4	1.4
Asset Turnover (x)	0.2	0.2	0.2	0.2	0.2
Current Ratio (x)	1.8	1.1	1.6	2.3	3.0
Quick Ratio (x)	1.7	1.0	1.5	2.2	2.9
Net Debt/Equity (X)	0.9	0.7	0.5	0.3	0.2
Net Debt/Equity ex MI (X)	0.9	0.7	0.5	0.3	0.2
Capex to Debt (%)	17.4	38.1	23.8	19.0	16.6
Z-Score (X)	3.0	2.8	2.7	2.7	2.7

Room for investments

Source: Company, DBS Bank

## Cash Flow Statement (Rpbn)

FY Dec	2015A	2016A	2017F	2018F	2019F
Pre-Tax Profit	3,958	4,082	3,081	3,380	3,750
Dep. & Amort.	(732)	459	1,096	1,170	1,223
Tax Paid	(335)	(874)	(335)	(770)	(845)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(876)	(160)	346	13.1	0.30
Other Operating CF	(51.5)	325	239	239	239
<b>Net Operating CF</b>	<b>1,962</b>	<b>3,833</b>	<b>4,427</b>	<b>4,032</b>	<b>4,368</b>
Capital Exp.(net)	(1,760)	(3,767)	(2,330)	(2,055)	(1,964)
Other Invt.(net)	0.0	0.0	0.0	0.0	0.0
Invt in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	0.0	42.1	0.0	0.0	0.0
<b>Net Investing CF</b>	<b>(1,760)</b>	<b>(3,725)</b>	<b>(2,330)</b>	<b>(2,055)</b>	<b>(1,964)</b>
Div Paid	0.0	0.0	(700)	(700)	(700)
Chg in Gross Debt	777	(256)	(69.3)	1,000	1,000
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(1.9)	130	0.0	0.0	0.0
<b>Net Financing CF</b>	<b>775</b>	<b>(126)</b>	<b>(769)</b>	<b>300</b>	<b>300</b>
Currency Adjustments	0.0	(63.5)	0.0	0.0	0.0
Chg in Cash	977	(81.5)	1,329	2,277	2,704
Opg CFPS (Rp)	278	391	400	394	428
Free CFPS (Rp)	19.9	6.43	206	194	236

Room to improve dividends

Source: Company, DBS Bank

## Target Price &amp; Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	02 Sep 16	3970	4900	BUY
2:	14 Nov 16	3750	4900	BUY
3:	13 Feb 17	3450	4900	BUY
4:	28 Feb 17	3540	4900	BUY
5:	01 Jun 17	3700	4900	BUY

Source: DBS Bank

Analyst: Sachin MITTAL

# Indonesia Company Guide

## Tower Bersama Infrastructure

Version 4 | Bloomberg: TBIG IJ | Reuters: TBIG.JK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

24 Jul 2017

### HOLD

Last Traded Price ( 21 Jul 2017): Rp6,525 (JCI : 5,765.40)  
Price Target 12-mth: Rp6,200 (-5% downside) (Prev Rp5,500)

#### Analyst

Sachin MITTAL +65 6682 3699 sachinmittal@db.com

#### What's New

- Market has priced in strong tenant additions in FY17F to persist into FY18F/19F; bit too optimistic assumption
- 30-40% lease-price differential between big and small tower players and the pace of EXCL's network expansion may vary in FY18F/19F
- HOLD with a revised TP of Rp6,200 as we roll forward our valuation. TBIG is trading near our bull-case TP

#### Price Relative



#### Forecasts and Valuation

FY Dec (Rp bn)	2016A	2017F	2018F	2019F
Revenue	3,711	4,058	4,520	4,888
EBITDA	3,220	3,482	3,878	4,194
Pre-tax Profit	1,364	1,324	1,680	1,976
Net Profit	1,290	894	1,176	1,413
Net Pft (Pre Ex.)	1,218	894	1,176	1,413
Net Pft Gth (Pre-ex) (%)	(13.1)	(26.6)	31.6	20.1
EPS (Rp)	285	197	260	312
EPS Pre Ex. (Rp)	269	197	260	312
EPS Gth Pre Ex (%)	(8)	(27)	32	20
Diluted EPS (Rp)	285	197	260	312
Net DPS (Rp)	220	220	220	220
BV Per Share (Rp)	343	321	361	453
PE (X)	22.9	33.1	25.1	20.9
PE Pre Ex. (X)	24.3	33.1	25.1	20.9
P/Cash Flow (X)	7.7	18.5	18.9	16.2
EV/EBITDA (X)	15.0	14.2	13.0	12.2
Net Div Yield (%)	3.4	3.4	3.4	3.4
P/Book Value (X)	19.0	20.3	18.1	14.4
Net Debt/Equity (X)	11.4	12.0	10.6	8.4
ROAE (%)	83.6	59.4	76.1	76.6
Earnings Rev (%):		11	8	N/A
Consensus EPS (Rp):		272	326	415
Other Broker Recs:		B: 8	S: 2	H: 12

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P

### Market has priced in a strong 2018-19

**Trading at 50% premium to TOWR.** Growth in the number of towers and tenancy ratio are critical factors for TBIG's share price. Strong tenant addition in 1Q17 on the back of XL Axiata (EXCL) starting an aggressive network-expansion outside Java bodes well for FY17F. But we are not convinced if strong tenant addition will continue into FY18F/19F. With almost 38% rise in the stock price YTD, TBIG is not cheap – at a 50% premium to TOWR's FY18F EV/EBITDA with an EBITDA CAGR of 9% over FY16-19F vs TOWR's 8% CAGR.

**Where we differ: Market has priced in strong growth in tenants in FY17F to continue into FY18F/19F.** We are not convinced yet as (i) telcos might be tactical in choosing between big and small tower players due to significant lease-price differential of 30%-40%, and (ii) EXCL's network expansion outside Java may not continue at the same pace beyond FY17F. Market has priced in TBIG to add 9,000 tenants over FY16-19 vs our forecast of 8,000 tenants and its own history of 5,690 gross additions over FY13-16. We do not see TBIG benefiting from big acquisitions either due to its higher gearing level.

**Potential Catalyst: Slower tenant addition in 4Q17F.** We expect the market to realise that the issue of 30-40% lease-price differential between big and small tower players is not completely over yet and telcos could switch orders tactically.

#### Valuation:

Our DCF-based TP rises to Rp6,200 (4% terminal growth rate, 9.1% WACC) as we roll forward to FY18F. TBIG is trading at 13.2x FY17F EV/EBITDA, a 50% premium to TOWR.

#### Key Risks to Our View:

**Tenancy risk and rental rate pressure.** Our bear-case TP is Rp5,200 assuming 6,500 tenant additions over FY16-19F and tower renewal rate of Rp12K per month (vs base case of Rp13K). Our bull-case TP is Rp7,100 assuming 9,500 tenant additions and renewal rate of Rp14K

#### At A Glance

Issued Capital (m shrs)	4,531
Mkt. Cap (Rpbn/US\$m)	29,567 / 2,218
Major Shareholders (%)	
Wahana Anugrah Sejahtera	22.4
Provident Capital Indonesia	22.2
Tower Bersama Infrastructure TB	6.1
Free Float (%)	49.3
3m Avg. Daily Val (US\$m)	1.7

ICB Industry : Technology / Technology Hardware & Equipment

**Tower Bersama Infrastructure**

**CRITICAL DATA POINTS TO WATCH**

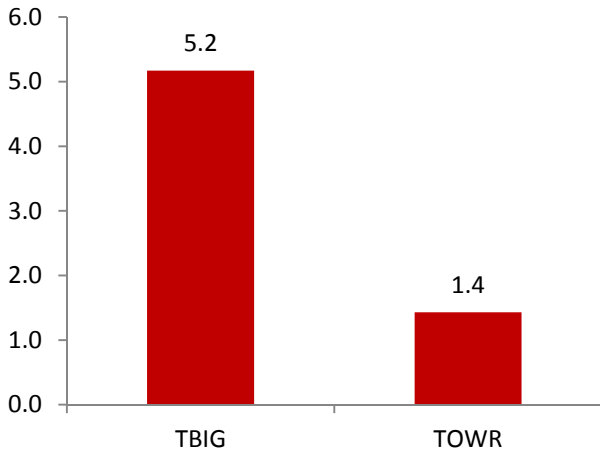
**Critical Factors**

**Tower demand will be driven largely by non-Java interest.** EXCL is investing heavily in its 3G/4G networks outside Java to regain market share from Telkomsel. Since 1Q16 EXCL has added nearly 30k 3G/4G base stations increasing its 3G/4G BTS count by 132%. Management expects to maintain relatively high capex levels (~Rp7tr in FY17) though any increase in allocation to non-Java going forward will depend on success of the current investments.

Due to its exposure to Telkomsel, TBIG has higher exposure outside Java compared to TOWR in our view. Hence, the demand growth outside Java is suited for TBIG’s growth. We project 8,000 tenant additions for TBIG in FY16-FY19 which would result in a 9% CAGR for EBITDA.

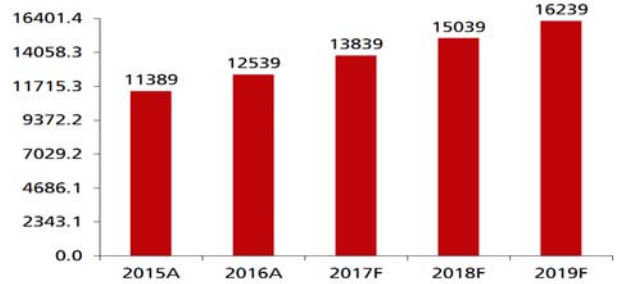
**TBIG growth options hurt by high gearing.** TBIG currently has a relatively high net debt/EBITDA of 5.2X compared to TOWR’s 1.4X. With tower investments remaining capital intensive, balance sheet strength is a key factor in the future growth for tower players. In our projections for TBIG, we have assumed TOWR to maintain its current dividend payments which would result in net debt to EBITDA levels of the company remaining above 5X in FY17-19. As a result, despite ample opportunity for further industry consolidation, TBIG is unlikely to pursue any major M&A opportunities in the near future.

**Net debt to EBITDA (end-1Q17)**

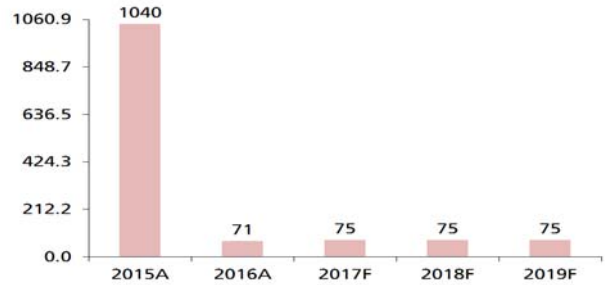


Source: Companies, DBS Bank

**Tower sites**



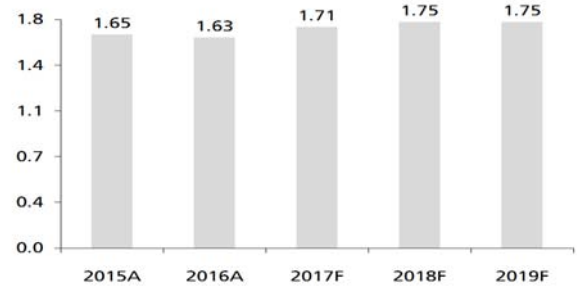
**DAS & shelter only sites**



**Tower tenants**



**Tower tenancy ratio**



**Capex (Rp tr)**



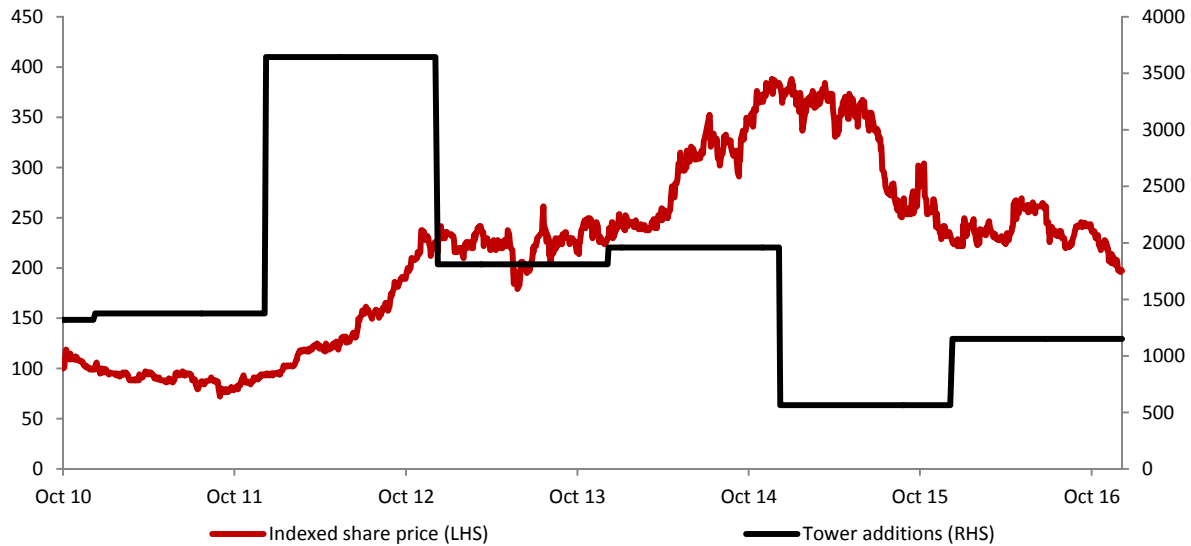
Source: Company, DBS Bank

**Appendix 1: A look at Company's listed history – what drives its share price?**

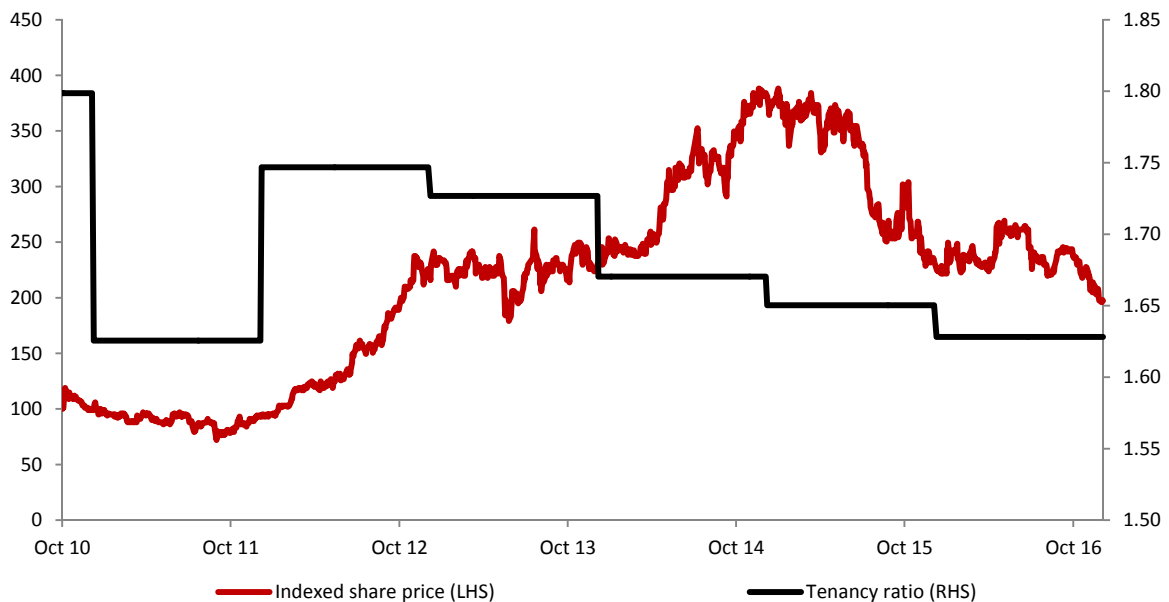
**Tower addition is the most critical factor followed by the tenancy ratio.** In the critical factor analysis, we conducted over the past ~7 years, tower companies' share price seems to follow new tower additions and tenancy ratios. In the past, TBIG's share price change had a positive correlation of 0.4 with the

growth in towers and a positive correlation of 0.3 with the change in tenancy ratios. We believe tower additions have had a higher impact on share prices than tenancy ratios however. Higher new tower additions generally indicate bullish market for tower players while higher tenancy ratios indicate higher revenue per tower and ROICs.

**Share price correlation with tower additions**



**Share price correlation with tenancy ratio**



Source: Bloomberg Finance L.P., DBS Bank



**Tower Bersama Infrastructure**

**Balance Sheet:**

**Leveraged balance sheet.** We lowered our capex for FY17/18F to ~Rp1.5-1.6tr annually from Rp2.1-2.2tr earlier as we expect tenant additions to be driven by co-locations in the near term. In addition, we expect the counter to maintain its current dividend payment. As a result, we expect TBIG to remain levered at 5-6X net debt to EBITDA in the near term.

**Share Price Drivers:**

**Lease rate renewal is not a major concern over FY17F-19F.** Our industry checks have indicated the renegotiated tower lease rates are ~30% lower than the initial lease rates, resulting in a downward shift in the average lease rate. Going by the tenancies added by TBIG over FY07-09, we estimate only 6% of existing leases of TBIG will be renegotiated in FY17-19.

**Trading at 50% premium to TOWR.** Growth in the number of towers and tenancy ratio are critical factors for TBIG’s share price. Strong tenant addition in 1Q17 on the back of XL Axiata (EXCL) starting an aggressive network-expansion outside Java bodes well for the rest of the year. However, we are not convinced yet if strong tenant addition will continue into FY18F/19F. With almost 38% rise in the stock price YTD, TBIG is not cheap – at a 50% premium to TOWR’s FY18F EV/EBITDA with 9% FY16-19F EBITDA CAGR vs TOWR’s 8% CAGR.

**Key Risks:**

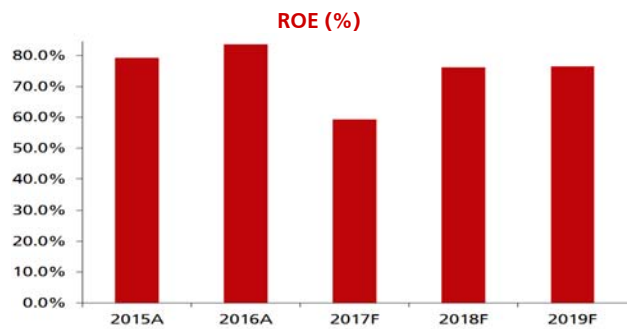
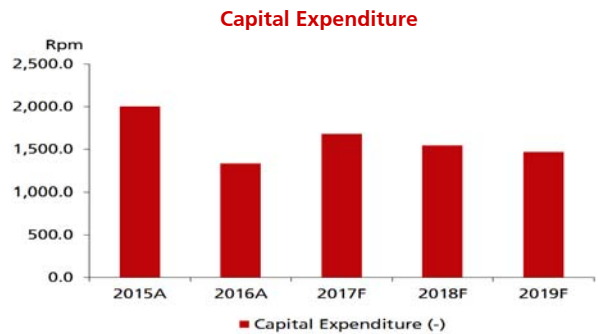
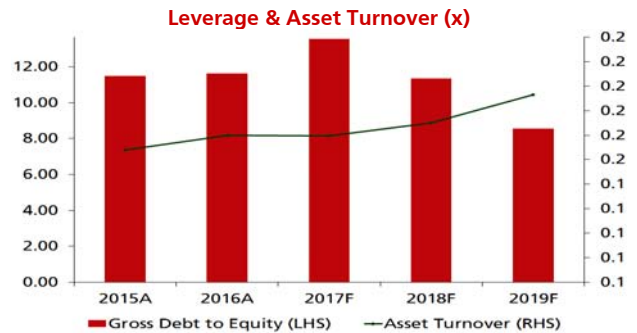
**Tenancy risk.** If tower-co fails to find co-location tenants, the counter is likely to miss our projections.

**Bear-case valuation for TBIG is Rp5,200.** In our bear-case scenario, we have assumed EXCL’s expansion to slow down and TBIG to fail to add tenants at the expected rate, resulting in 6,500 tenant additions over FY16-19F and tower renewal rate of Rp12K per month. This should lead to a TP of Rp5,200.

**Bull-case valuation for TBIG is Rp7,100.** In our bull-case scenario, we have assumed EXCL’s expansion to pick up pace and TBIG to add 9,500 tenants over FY16-19F with the tower renewal rate remaining atRp14K per month, which results in a TP of Rp7,100.

**Company Background**

PT Tower Bersama Infrastructure Tbk provides telecommunication infrastructure services to Indonesian wireless carriers. The company develops and operates telecommunication-supporting infrastructure including towers and in-building systems across Indonesia.



Source: Company, DBS Bank

**Key Assumptions**

FY Dec	2015A	2016A	2017F	2018F	2019F
Tower sites	11,389	12,539	13,839	15,039	16,239
DAS & shelter only sites	1,040	71.0	75.0	75.0	75.0
Tower tenants	18,796	20,415	23,661	26,315	28,415
Tower tenancy ratio	1.70	1.60	1.70	1.70	1.70
Capex (Rp tn)	2.00	1.40	1.70	1.50	1.50

Tenant additions through co-location

**Segmental Breakdown**

FY Dec	2015A	2016A	2017F	2018F	2019F
<b>Revenues (Rpbn)</b>					
Tower revenue	3,399	3,667	4,034	4,494	4,863
Shelter-only & DAS	22.4	44.1	24.5	25.2	25.2
Others					
<b>Total</b>	<b>3,421</b>	<b>3,711</b>	<b>4,058</b>	<b>4,520</b>	<b>4,888</b>

**Income Statement (Rpbn)**

FY Dec	2015A	2016A	2017F	2018F	2019F
Revenue	3,421	3,711	4,058	4,520	4,888
Cost of Goods Sold	(449)	(418)	(462)	(481)	(493)
<b>Gross Profit</b>	<b>2,972</b>	<b>3,294</b>	<b>3,596</b>	<b>4,039</b>	<b>4,395</b>
Other Opng (Exp)/Inc	(311)	(316)	(345)	(384)	(416)
<b>Operating Profit</b>	<b>2,661</b>	<b>2,978</b>	<b>3,251</b>	<b>3,654</b>	<b>3,979</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(1,600)	(1,686)	(1,927)	(1,975)	(2,003)
Exceptional Gain/(Loss)	27.8	72.3	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>1,089</b>	<b>1,364</b>	<b>1,324</b>	<b>1,680</b>	<b>1,976</b>
Tax	356	(62.6)	(325)	(365)	(398)
Minority Interest	(15.1)	(11.0)	(105)	(138)	(166)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>1,430</b>	<b>1,290</b>	<b>894</b>	<b>1,176</b>	<b>1,413</b>
Net Profit before Except.	1,402	1,218	894	1,176	1,413
EBITDA	2,911	3,220	3,482	3,878	4,194
<b>Growth</b>					
Revenue Gth (%)	3.5	8.5	9.3	11.4	8.2
EBITDA Gth (%)	7.1	10.6	8.1	11.4	8.2
Opg Profit Gth (%)	6.2	11.9	9.2	12.4	8.9
Net Profit Gth (Pre-ex) (%)	277.3	(13.1)	(26.6)	31.6	20.1
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	86.9	88.7	88.6	89.4	89.9
Opg Profit Margin (%)	77.8	80.2	80.1	80.9	81.4
Net Profit Margin (%)	41.8	34.8	22.0	26.0	28.9
ROAE (%)	79.3	83.6	59.4	76.1	76.6
ROA (%)	6.4	5.6	3.5	4.3	5.1
ROCE (%)	13.0	13.3	10.5	11.4	12.5
Div Payout Ratio (%)	20.0	77.1	111.3	84.6	70.4
Net Interest Cover (x)	1.7	1.8	1.7	1.9	2.0

Profit driven by stronger topline

Source: Company, DBS Bank

## Tower Bersama Infrastructure

## Quarterly / Interim Income Statement (Rpbn)

FY Dec	1Q2016	2Q2016	3Q2016	4Q2016	1Q2017
Revenue	902	917	942	951	956
Cost of Goods Sold	(102)	(102)	(106)	(108)	(110)
<b>Gross Profit</b>	<b>800</b>	<b>815</b>	<b>836</b>	<b>844</b>	<b>847</b>
Other Oper. (Exp)/Inc	(73.9)	(78.0)	(79.8)	(83.9)	(83.5)
<b>Operating Profit</b>	<b>726</b>	<b>737</b>	<b>756</b>	<b>760</b>	<b>763</b>
Other Non Opg (Exp)/Inc	63.5	29.9	(267)	465	9.70
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(410)	(463)	(385)	(428)	(472)
Exceptional Gain/(Loss)	(101)	14.7	227	(361)	(5.6)
<b>Pre-tax Profit</b>	<b>279</b>	<b>318</b>	<b>331</b>	<b>436</b>	<b>296</b>
Tax	470	(215)	(235)	(82.0)	(16.8)
Minority Interest	(2.4)	(7.3)	0.70	(2.1)	(0.9)
<b>Net Profit</b>	<b>747</b>	<b>95.3</b>	<b>96.2</b>	<b>352</b>	<b>278</b>
Net profit bef Except.	847	80.6	(131)	713	283
EBITDA	784	795	818	894	828

Late tower additions to be reflected from 2Q17 onwards

## Growth

Revenue Gth (%)	2.4	1.7	2.8	1.0	0.5
EBITDA Gth (%)	3.3	1.4	2.9	9.3	(7.4)
Opg Profit Gth (%)	4.0	1.4	2.6	0.5	0.4
Net Profit Gth (Pre-ex) (%)	23.2	(90.5)	(262.5)	(644.2)	(60.2)

## Margins

Gross Margins (%)	88.7	88.9	88.7	88.7	88.5
Opg Profit Margins (%)	80.5	80.4	80.2	79.9	79.8
Net Profit Margins (%)	82.8	10.4	10.2	37.0	29.1

## Balance Sheet (Rpbn)

FY Dec	2015A	2016A	2017F	2018F	2019F
Net Fixed Assets	534	429	1,877	3,199	4,450
Invt in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other LT Assets	19,660	21,230	21,230	21,230	21,230
Cash & ST Invt	297	368	2,460	1,508	446
Inventory	307	217	238	265	286
Debtors	693	487	488	513	521
Other Current Assets	1,309	889	889	889	889
<b>Total Assets</b>	<b>22,800</b>	<b>23,620</b>	<b>27,182</b>	<b>27,603</b>	<b>27,822</b>
ST Debt	250	1,012	2,012	2,012	2,012
Creditor	193	185	250	285	316
Other Current Liab	1,472	1,703	2,028	2,068	2,101
LT Debt	18,033	17,885	20,053	20,079	19,651
Other LT Liabilities	1,262	1,211	1,211	1,211	1,211
Shareholder's Equity	1,530	1,556	1,455	1,636	2,053
Minority Interests	60.8	68.4	173	311	477
<b>Total Cap. &amp; Liab.</b>	<b>22,800</b>	<b>23,620</b>	<b>27,182</b>	<b>27,603</b>	<b>27,822</b>
Non-Cash Wkg. Capital	644	(295)	(663)	(688)	(721)
Net Cash/(Debt)	(17,986)	(18,529)	(19,605)	(20,583)	(21,217)
Debtors Turn (avg days)	63.2	58.0	43.9	40.4	38.6
Creditors Turn (avg days)	340.6	392.4	343.2	379.2	394.1
Inventory Turn (avg days)	653.6	544.5	359.0	355.7	360.6
Asset Turnover (x)	0.2	0.2	0.2	0.2	0.2
Current Ratio (x)	1.4	0.7	0.9	0.7	0.5
Quick Ratio (x)	0.5	0.3	0.7	0.5	0.2
Net Debt/Equity (X)	11.3	11.4	12.0	10.6	8.4
Net Debt/Equity ex MI (X)	11.8	11.9	13.5	12.6	10.3
Capex to Debt (%)	11.0	7.1	7.6	7.0	6.8
Z-Score (X)	1.6	1.4	1.0	1.1	1.1

High leverage

Source: Company, DBS Bank

## Cash Flow Statement (Rpbn)

FY Dec	2015A	2016A	2017F	2018F	2019F
Pre-Tax Profit	1,089	1,364	1,324	1,680	1,976
Dep. & Amort.	251	244	231	224	215
Tax Paid	(187)	(182)	(0.1)	(325)	(365)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(45.1)	1,120	43.5	(16.0)	1.10
Other Operating CF	592	1,230	0.0	0.0	0.0
<b>Net Operating CF</b>	<b>1,701</b>	<b>3,849</b>	<b>1,598</b>	<b>1,562</b>	<b>1,826</b>
Capital Exp.(net)	(2,003)	(1,335)	(1,678)	(1,546)	(1,465)
Other Invt.(net)	0.70	(30.8)	0.0	0.0	0.0
Invt in Assoc. & JV	(1.0)	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	0.0	0.0	0.0	0.0	0.0
<b>Net Investing CF</b>	<b>(2,003)</b>	<b>(1,365)</b>	<b>(1,678)</b>	<b>(1,546)</b>	<b>(1,465)</b>
Div Paid	(286)	(592)	(995)	(995)	(995)
Chg in Gross Debt	(477)	615	3,168	26.2	(428)
Capital Issues	461	428	0.0	0.0	0.0
Other Financing CF	0.0	(2,860)	0.0	0.0	0.0
<b>Net Financing CF</b>	<b>(302)</b>	<b>(2,409)</b>	<b>2,173</b>	<b>(969)</b>	<b>(1,423)</b>
Currency Adjustments	0.0	(4.6)	0.0	0.0	0.0
Chg in Cash	(604)	69.2	2,093	(952)	(1,062)
Opg CFPS (Rp)	364	602	343	348	403
Free CFPS (Rp)	(63.0)	555	(17.7)	3.60	79.7

Expect stable dividend

Source: Company, DBS Bank

## Target Price &amp; Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	18 Aug 16	5975	6400	HOLD
2:	01 Dec 16	5500	6400	HOLD
3:	13 Feb 17	5200	5500	HOLD
4:	23 Mar 17	5700	5500	HOLD
5:	19 May 17	5900	5500	HOLD
6:	11 Jul 17	7100	5500	HOLD

Source: DBS Bank

Analyst: Sachin MITTAL

DBS Bank recommendations are based on Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return i.e. > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

*Share price appreciation + dividends*

Completed Date: 24 Jul 2017 17:30:47 (WIB)

Dissemination Date: 24 Jul 2017 17:37:57 (WIB)

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