Sarana Menara Nusantara

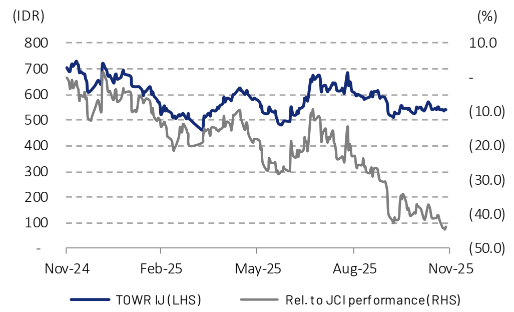
1 December 2025 | Equity Research | Tower Sector

Company Update

BUY

Target Price	:	790
Current Price	:	545
Upside	:	45.0%

12M PRICE PERFORMANCE



Source: Bloomberg

STOCK PERFORMANCE

	YTD	1M	3M	12M
Absolute	-16.8%	3.8%	-15.5%	-22.7%
JCI Return	20.2%	5.1%	7.0%	19.6%
Relative	-37.0%	-1.3%	-22.5%	-42.3%

Source: Bloomberg

MARKET DATA

12M price range (IDR)	442 - 740
12M PE range (x)	9.3 - 11.1
Outstanding shares (mn)	59,098
Market cap (IDRbn)/(USDmn)	32,208 / 2,255
Avg daily turn. (IDRbn/USDmn)	25.1 / 1.8

Source: Bloomberg

SHAREHOLDERS

Sapta Adhikari Investama	54.4%
Dwimuria Investama Andalan	5.0%
Others	40.6%

Source: Bloomberg, BCA Sekuritas

Selvi Ocktaviani
selvi.ocktaviani@bcasekuritas.co.id
+6221 23587222 ext 11105

Anticipate Challenge, Embrace Opportunity

A tasty mix of challenge and opportunity

The full impact of XL Smart's network integration is expected to materialize in 2026. With the delay in new mobile frequency auction, operators may increase tower density (including FTTT deployments) to maintain network quality. In addition, higher business activity may further boost demand for connectivity. TOWR's ongoing deleveraging efforts, combined with rate cuts, should help improve its bottom line. We maintain our **BUY** recommendation with a **target price of IDR 790/sh.**

3Q results: Higher-than-expected net profit

3Q25 results: Roughly inline operational performance, better-than-expected net profit. a) Revenue grew 3.3% QoQ but slipped 0.1% YoY, while EBITDA increased 2.4% QoQ and declined 3.7% YoY. b) EBITDA margin declined 80 bps QoQ to 82.2%, driven by higher contribution from non-tower segment, which carries lower margin.c) Non-tower revenue rose 8% YoY and 9.5% QoQ, supported by the government's budget unblocking in late April 2025. As business activity accelerated, TOWR's connectivity revenue increased 18.4% QoQ. d) Net profit came in at IDR 903 bn, up 7% YoY and beating our expectations.

Stronger balance sheet post-rights issue. TOWR completed its rights issue in July 2025, raising IDR 5.5 tn, which will be used mainly to increase its stake in Protelindo, the company's wholly owned subsidiary. Part of the proceeds was allocated toward deleveraging, reducing TOWR's total debt by IDR 5.2 tn to IDR 43.3 tn as of September 2025 (vs. IDR 48.5 tn in June 2025). Consequently, TOWR's net debt-to-EBITDA ratio improved to 4.0x as of September 2025 (vs. 4.7x in December 2024).Also, BI's 75 bps rate cut in 3Q25 led to adjustment in TOWR's floating-rate debt. Accordingly, the company's average interest rate fell from 6.2% in June 2025 to 5.8% in September 2025.

2026F: Challenging tower revenue, but earnings remain resilient

Anticipate impact of XL Smart integration on tower revenue ... Looking back at the case of IOH relocation, its impact on TOWR's net tenant additions was smaller than the increase in tower additions. As a result, the tenancy ratio gradually declined from 1.88x in 2021 to 1.61x in 3Q25. IOH's network integration is expected to be completed by end-2025, while XL Smart's integration only began in 2Q25. Management noted that XL Smart's network integration has not affected TOWR's tower revenue so far, and they believe the towers previously built for IOH relocation should be able to support XL Smart's consolidation. Given that XL Smart accounting for 40% of TOWR's total revenue in 3Q25, we anticipate 3.3% YoY decline in tower revenue in 2026. On the other hand, the delay in the new mobile frequency auction has led to network quality challenges, while data usage continues to increase. Therefore, we expect other operators to increase tower density to maintain network performance.

... while non-tower segment becomes key growth driver, supported by: a) Economic recovery, which is driving higher business activity and increasing demand for connectivity. b) In addition to tower density, telco operators are increasingly relying on FTTT to enhance network quality, creating opportunities for TOWR, which owns >220,000 km of revenue-generating tower fiber optic. c) For FTTH, the company is focusing on improving utilization rates, which will translate into higher lease revenue. Mobile network/SIM card penetration has exceeded 100%, while fixed broadband penetration remains below 20%. Going forward, we expect competition in telco industry to shift toward fixed-line services, which depend heavily on fiber optic infrastructure. TOWR is well-positioned to benefit from this trend, given its extensive fiber optic portfolio.

2026F: flattish revenue, resilient bottom line. Given latest developments, we slightly cut our 2026F revenue and EBITDA projection by 2.5% and 3.3%. However, we upgrade net profit forecast by 4% to reflect the lower interest expense.

Maintain BUY with a target price of IDR 790

We maintain our **BUY** recommendation with lower **target price of IDR 790/sh**, which implies 8.3x EV/EBITDA for 2026F. Our target price derived from 5 years DCF with the following assumptions: 9% discount rate and 1% terminal growth. TOWR is currently trading at 7x EV/EBITDA, slightly above -2SD of its 5Y band.

TOWR Financial Summary

Income Statement Year-end 31 Dec (IDRbn)	2023	2024F	2025F	2026F	2027F
Revenue	**11,740**	**12,736**	**13,048**	**13,153**	**13,321**
Operating expense	(4,604)	(5,133)	(5,292)	(5,456)	(5,595)
Operating income	**7,136**	**7,602**	**7,755**	**7,697**	**7,726**
Depreciation & amortization	(2,843)	(3,098)	(3,050)	(3,156)	(3,243)
EBITDA	**9,980**	**10,700**	**10,805**	**10,853**	**10,969**
Net interest expense	(2,838)	(3,070)	(3,083)	(2,755)	(2,664)
Final tax	(558)	(659)	(739)	(780)	(811)
Net other operating gain (losses)	(195)	(336)	(382)	(378)	(340)
Pre-tax Income	**3,546**	**3,537**	**3,551**	**3,783**	**3,910**
Income tax	(242)	(172)	(36)	(113)	(117)
Net profit	**3,253**	**3,335**	**3,485**	**3,638**	**3,760**
EPS	**64**	**65**	**59**	**62**	**64**

Balance Sheets Year-end 31 Dec (IDRbn)	2023	2024F	2025F	2026F	2027F
Cash and equivalents	429	940	589	464	401
Trade receivables	3,086	3,293	2,964	2,815	2,787
Fixed assets	40,385	47,478	49,017	51,043	52,961
Rights of use assets	5,121	5,567	5,402	5,275	5,225
Other assets	19,674	20,550	21,034	21,039	21,049
Total assets	**68,695**	**77,828**	**79,005**	**80,637**	**82,422**
ST Debt	18,379	14,954	7,771	7,616	7,464
LT Debt	26,143	36,463	36,447	35,719	35,004
Finance lease	445	919	810	791	784
Other liabilities	7,216	6,323	6,917	7,014	7,114
Total liabilities	**52,184**	**58,659**	**51,946**	**51,140**	**50,366**
Total equities	16,512	19,169	27,059	29,497	32,056
Total liabilities & equities	**68,695**	**77,828**	**79,005**	**80,637**	**82,422**

Cash Flow Statement Year-end 31 Dec (IDRbn)	2023	2024F	2025F	2026F	2027F
Net Income	3,253	3,335	3,485	3,638	3,760
Depreciation & amortization	2,843	3,098	3,050	3,156	3,243
Working capital	2,819	2,907	1,008	197	77
Operating cash flow	**8,915**	**9,340**	**7,542**	**6,991**	**7,080**
Net capital expenditure	(4,854)	(9,731)	(3,271)	(3,850)	(3,850)
Others	308	1,725	(762)	(155)	(162)
Investing cashflow	**(4,547)**	**(8,006)**	**(4,033)**	**(4,005)**	**(4,012)**
Devidend paid	(1,200)	(901)	(1,095)	(1,200)	(1,200)
Net change in debt	(5)	7,369	(7,307)	(903)	(874)
Other financing	(1,834)	(4,955)	(959)	(1,007)	(1,058)
Financing cashflow	**(4,247)**	**(783)**	**(3,861)**	**(3,111)**	**(3,132)**
Cash at beginning period	309	429	940	589	464
Ending cash balance	**429**	**940**	**589**	**464**	**401**

Key metrics and ratios	2023	2024F	2025F	2026F	2027F
Towers	30,558	35,400	36,400	37,400	38,400
Tenants	54,284	58,035	58,264	58,264	59,164
Tenancy ratio (x)	1.78	1.64	1.60	1.56	1.54
Revenue growth (%)	6.4	8.5	2.4	0.8	1.3
Net profit growth (%)	(5.5)	2.5	4.5	4.4	3.4
EBITDA margin (%)	85.0	84.0	82.8	82.5	82.3
Net margin (%)	27.7	26.2	26.7	27.7	28.2
ROE (%)	19.7	17.4	12.9	12.3	11.7
ROA (%)	4.7	4.3	4.4	4.5	4.6
Interest coverage (x)	2.5	2.5	2.5	2.8	2.9
Net debt to EBITDA (x)	4.5	4.8	4.1	4.0	3.9

Exhibit 1. TOWR financial results

TOWR Results (in IDR bn)	3Q24	2Q25	3Q25	yoy %	qoq %	9M24	9M25	yoy %	% of BCAS	% of Cons	3Q25F	vs 3Q25
Revenue	**3,295**	**3,186**	**3,292**	**-0.1%**	**3.3%**	**9,449**	**9,687**	**2.5%**	*73.5%*	*73.7%*	**3,239**	**-1.6%**
D&A Expense	(799)	(764)	(760)	-5.0%	-0.5%	(2,257)	(2,281)	1.1%			(805)	6.0%
Other COGS	(234)	(255)	(299)	27.7%	17.2%	(635)	(803)	26.6%			(239)	-20.1%
Gross Profit	2,261	2,167	2,233	-1.2%	3.1%	6,557	6,602	0.7%			2,195	-1.7%
Operating Income	2,013	1,882	1,948	-3.2%	3.5%	5,688	5,750	1.1%			1,917	-1.6%
EBITDA	**2,812**	**2,645**	**2,708**	**-3.7%**	**2.4%**	**7,946**	**8,032**	**1.1%**	*73.0%*	*73.2%*	**2,722**	**0.5%**
Other Inc (exp)	(391)	(232)	(279)	-28.6%	20.5%	(862)	(832)	-3.5%			(241)	-13.5%
Finance Exp (net)	(772)	(802)	(750)	-2.9%	-6.5%	(2,196)	(2,371)	8.0%			(759)	1.1%
Earnings Before Tax	850	848	919	8.1%	8.3%	2,630	2,547	-3.1%			917	-0.2%
Income Tax Expense	6	(5)	(14)	n.a	186.2%	(152)	6	n.a			(68)	392.3%
Net Profit	**842**	**849**	**903**	**7.2%**	**6.4%**	**2,447**	**2,555**	**4.4%**	*79.4%*	*73.2%*	**832**	**-7.9%**
Margins (%)	***3Q24***	***2Q25***	***3Q25***	***yoy %***	***qoq %***	***9M24***	***9M25***	***yoy %***			***3Q25***	***vs 3Q25***
Gross Profit Margin (%)	*68.6%*	*68.0%*	*67.8%*	*-80 bp*	*-20 bp*	*69.4%*	*68.2%*	*-120 bp*			*67.8%*	*0 bp*
EBITDA Margin (%)	***85.4%***	***83.0%***	***82.2%***	***-320 bp***	***-80 bp***	***84.1%***	***82.9%***	***-120 bp***			***84.0%***	***+180 bp***
Net Margin (%)	*25.6%*	*26.7%*	*27.4%*	*+190 bp*	*+80 bp*	*25.9%*	*26.4%*	*+50 bp*			*25.7%*	*-170 bp*
Revenue Breakdown (IDR B)	**3Q24**	**2Q25**	**3Q25**	**yoy %**	**qoq %**	**9M24**	**9M25**	**yoy %**				
Tower Segment	2,211	2,116	2,121	-4.1%	0.2%	6,348	6,378	0.5%				
Non-Tower Segment	1,084	1,070	1,172	8.1%	9.5%	3,101	3,309	6.7%				
Revenue Breakdown (IDR B)	**3Q24**	**2Q25**	**3Q25**	**yoy %**	**qoq %**	**9M24**	**9M25**	**yoy %**				
Tower (leasing and services)	2,211	2,116	2,121	-4.1%	0.2%	6,348	6,378	0.5%				
FTTT	538	544	551	2.4%	1.3%	1,532	1,644	7.3%				
Connectivity	406	380	450	10.8%	18.4%	1,185	1,180	-0.4%				
FTTH	141	146	171	21.3%	17.1%	384	485	26.3%				
Key Metrics	**3Q24**	**2Q25**	**3Q25**	**yoy %**	**qoq %**	**9M24**	**9M25**	**yoy %**				
Tower (unit)	35,371	35,825	36,049	1.9%	0.6%	35,371	36,049	1.9%				
Number of Tenancy	58,165	58,158	58,213	0.1%	0.1%	58,165	58,213	0.1%				
Tenancy Ratio (x)	1.64	1.62	1.61	-1.8%	-0.5%	1.64	1.61	-1.8%				

Sources: TOWR, BCA Sekuritas

Exhibit 2. Changes of forecast

	---------- New ----------		-------- Original --------		---- Difference (%) ----	
	2025F	**2026F**	**2025F**	**2026F**	**2025F**	**2026F**
Revenue	**13,048**	**13,153**	**13,178**	**13,496**	**-1.0%**	**-2.5%**
Gross Profit	8,900	8,850	8,829	8,878	0.8%	-0.3%
Operating Profit	7,755	7,697	7,656	7,677	1.3%	0.3%
Depreciation	(3,050)	(3,156)	(3,342)	(3,551)	-8.7%	-11.1%
EBITDA	**10,805**	**10,853**	**10,998**	**11,228**	**-1.8%**	**-3.3%**
EBITDA Margin	82.8%	82.5%	83.5%	83.2%	-60 bp	-70 bp
Pre-tax Profit	3,551	3,783	3,376	3,648	5.2%	3.7%
Net Profit	**3,485**	**3,638**	**3,217**	**3,495**	**8.3%**	**4.1%**
Net Profit Margin	26.7%	27.7%	24.4%	25.9%	+230 bp	+200 bp

Sources: BCA Sekuritas

Exhibit 3. TOWR – EV/EBITDA band

Sources: Bloomberg, BCA Sekuritas

Equity Research
research@bcasekuritas.co.id

Institutional Equity Market
ecm@bcasekuritas.co.id

Sales Equity Market
sales@bcasekuritas.co.id

PT BCA Sekuritas
Menara BCA – Grand Indonesia, 41st Floor
Jl. MH Thamrin No. 1, Jakarta 10310
Tel. +62 21 2358 7222
Fax. +62 21 2358 7250/300

DISCLAIMER