

Sarana Menara Nusantara

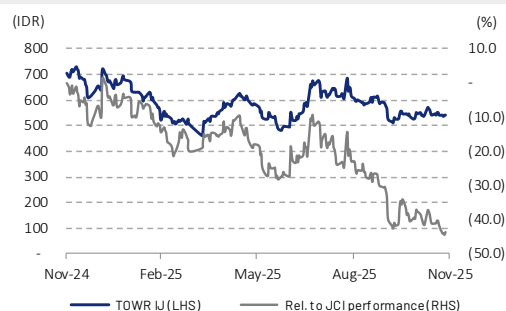
1 December 2025 | Equity Research | Tower Sector

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.

TOWER 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)
Dividend 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	2025	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	2025	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	2025	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	2025	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	2025	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

By receiving this research report ("Report"), you confirm that: (i) you have previously requested PT BCA Sekuritas to deliver this Report to you and you are legally entitled to receive the Report in accordance with Indonesian prevailing laws and regulations, and (ii) you have fully read, understood and agreed to be bound by and comply with the terms of this Report as set out below. Your failure to comply with the terms below may constitute a violation of law.

This Report is strictly confidential and is for private circulation only to clients of PT BCA Sekuritas. This Report is being supplied to you strictly on the basis that it will remain confidential and that you will maintain its confidentiality at all times. Without the prior written consent of PT BCA Sekuritas authorized representative(s), no part of this Report may be (i) copied or reproduced in any form by any means, (ii) redistributed or delivered, directly or indirectly, to any person other than you, or (iii) used for any other purpose that is not in line with the terms of the Report.

PT BCA Sekuritas, its affiliates and related companies, their directors, associates, connected parties and/or employees (excluding the individual analysts who prepare this Report) may own or have positions in securities of the company(ies) covered in this Report and may from time to time buy or dispose, or may have material interest in, those securities.

Further, PT BCA Sekuritas, its affiliates and its related companies do and seek to do business with the company(ies) covered in this Report and may from time to time: (i) act as market maker or have assumed an underwriting commitment in the securities of such company(ies), (ii) sell to or buy those securities from other investors for its own account, (iii) perform or seek to perform significant investment banking, advisory or underwriting services for or relating to such company(ies), or (iv) solicit any investment, advisory or other services from any entity covered in this Report. Furthermore, the personnel involved in the preparation of this Report may also participate in the solicitation of the businesses as described above.

The views expressed in this Report reflect the personal views of the individual analyst(s) at PT BCA Sekuritas about the securities or companies mentioned in the Report and the compensation of the individual analyst(s), is, or will be directly or indirectly related to the performance of PT BCA Sekuritas' activities. PT BCA Sekuritas prohibits the individual analyst(s) who prepared this Report from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company (including those covered in the Report). However, the individual analyst(s) may receive compensation based on the scope of his/her coverage of company(ies) in the performance of his/her duties or the performance of his/her recommendations.

In reviewing this Report, you should be aware that any or all of the above activities of PT BCA Sekuritas, its affiliates and related companies, their directors, associates, connected parties and/or employees, among other things, may give rise to real or potential conflicts of interest between them and you.

The content of this Report is prepared based on data believed to be correct and reliable on the date of this Report. However, this Report: (i) is not intended to contain all necessary information that a prospective investor may need, (ii) is not and should not be considered as an investment advice in any way, and (iii) cannot be relied as a basis for making an informed investment decision. Accordingly, PT BCA Sekuritas does not guarantee the adequacy, accuracy, completeness, reliability or fairness of any content of this Report and PT BCA Sekuritas, its affiliates and related companies, their directors, associates, connected parties and/or employees (including the analysts) will not be liable in any way for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) arising from or relating to any reliance on or use of the content of this Report by any person (including you).

This Report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst PT BCA Sekuritas' clients only and does not consider any specific investment objectives, financial situation and the particular needs of any specific person who may receive this Report. The entire content of this Report is not and cannot not be construed or considered as an offer, recommendation, invitation or solicitation to enter into any transaction (including trading and hedging) relating to the securities, other financial instruments, and other form of investments issued or offered by the company(ies) covered in this Report.

It is your own responsibility to: (i) independently evaluate the content of this Report, (ii) consider your own individual investment objectives, financial situation and particular needs, and (iii) consult your own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this Report.

Please note that the securities of the company(ies) covered in this Report might not be eligible for sale in all jurisdictions or to all categories of investors. The availability of those securities and your eligibility to invest in those securities will be subject to, among others, the prevailing laws of the relevant jurisdiction covering those securities. Furthermore, the value and income of any of the securities covered in this Report can fall as well as rise and an investor (including you) may get back less than invested. Future returns are not guaranteed, and a loss of original capital may be incurred. Foreign-currency denominated securities are subject to fluctuation in exchange rates that could have a positive or adverse effect on the value, price or income of such securities and financial instruments. Past performance is not indicative of comparable future results and no guarantee regarding future performance is provided in this Report.

This Report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to the applicable laws or regulation of such jurisdiction.