

Company Visit Note

PT Sarana Menara Nusantara Tbk (TOWR)

We met the management yesterday. The meeting key points are:

1. TOWR is one of the biggest independent tower companies in Indonesia. Out of 70,000 existing towers in Indonesia, around 40%-45% of those are owned by independent tower companies. As of 1Q15, TOWR owned 11,675 towers (approximately 17% of domestic market share) while its peer PT Tower Bersama Infrastructure Tbk (TBIG) owned 10,878 towers (15.5%).
2. TOWR's balance sheet is very strong. As of 1Q15, company's net debt to EBITDA ratio is only 2.2x. They still can increase that by up to 5x of net debt to EBITDA ratio whereas that is the upper limit allowed by banks.
3. TOWR has not paid any dividends to its shareholders for the past 7 consecutive years in order to strengthen its capital structure in company future expansion.
4. Among all tower companies listed in IDX, only TOWR that depreciates their towers because they treated their towers as assets rather than as their investment properties. This affects to company's profit and loss statement.
5. The management targets TOWR's top line could conservatively grows by 11%-12% yoy this year as they see the operators' expansions are slowing down this year due to unfavorable current economic condition and also due to the transformation of data services from 3G to 4G.
6. Regarding its recent acquisition on iForte, the management sees this company as "a little nice thing to have" right now but it would bring potential growth in TOWR's future expansion. Below are overview of iForte:
 - iForte is one of only 2 active companies with a microcell license in Indonesia.
 - It will enhance TOWR's ability to support operators as they expand 3G and invest in 4G in dense urban areas.
 - iForte has exclusive rights in the 12 Transjakarta busways of which it will provides WiFi services on Transjakarta.
 - iForte currently have only 450 towers with 1.2x tenancy ratio.
 - iForte's top line revenue is projected to contribute only around 2%-3% to TOWR's consolidated revenue this year.
 - The acquisition process is expected to be finished by end of August 2015.

DISCLAIMER

This report has been prepared by PT Sinarmas Sekuritas, an affiliate of Sinarmas Group.

This material is: (i) created based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such; (ii) for your private information, and we are not soliciting any action based upon it; (iii) not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions expressed are current opinions as of original publication date appearing on this material and the information, including the opinions contained herein, is subjected to change without notice. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this publication may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, integrating and interpreting market information. Research will initiate, update and cease coverage solely at the discretion of Sinarmas Research department. If and as applicable, Sinarmas Sekuritas' investment banking relationships, investment banking and non-investment banking compensation and securities ownership, if any, are specified in disclaimers and related disclosures in this report. In addition, other members of Sinarmas Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from companies under our research coverage. Further, the Sinarmas Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by Sinarmas Group), or derivatives (including options) thereof, of companies under our coverage, or related securities or derivatives. In addition, the Sinarmas Group, including Sinarmas Sekuritas, may act as market maker and principal, willing to buy and sell certain of the securities of companies under our coverage. Further, the Sinarmas Group may buy and sell certain of the securities of companies under our coverage, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Recipients should not regard this report as substitute for exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investments may go down as well as up and you may not get back the full amount invested.

Sinarmas Sekuritas specifically prohibits the redistribution of this material in whole or in part without the written permission of Sinarmas Sekuritas and Sinarmas Sekuritas accepts no liability whatsoever for the actions of third parties in this respect. If publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Additional information is available upon request.

Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual properties.

©Sinarmas Sekuritas (2014). All rights reserved.
