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Presentation Material



# **Investor Presentation**

PT Solusi Tunas Pratama Tbk

**March 2014**



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# Section 1

## Introduction to STP



# STP company overview

*Third largest independent Indonesian tower company*  
*Unique combination of tower assets and fiber network*



Founded in 2006  
Listed on IDX in **Oct 2011**  
Current market cap of **US\$622m<sup>(a)</sup>**  
**Top 3** independent tower company in Indonesia  
All telecom operators and two LTE operators are current customers<sup>(b)</sup>



**2,073 km** of fiber network<sup>(c)</sup>  
Rolling out micro cell for LTE services



Last 3 years **revenue CAGR** of **40.9%**  
**9M 2013** revenue of **IDR600bn** (US\$53.1m)  
Industry leading **EBITDA margin** of **83%** in 9M 2013



Lean core team of **294** employees<sup>(c)</sup>



**3,348 telecom sites**  
(2,798 towers, 550 shelter/indoor DAS)  
**5,285 tenancies**  
(4,708 tower tenancies, 1.68x tenancy ratio)

(a) Solusi Tunas Pratama stock price of IDR 8,850 per share as of 17 Mar 2014

(b) Current LTE customers are First Media and Internux

(c) As of 31 Dec 2013

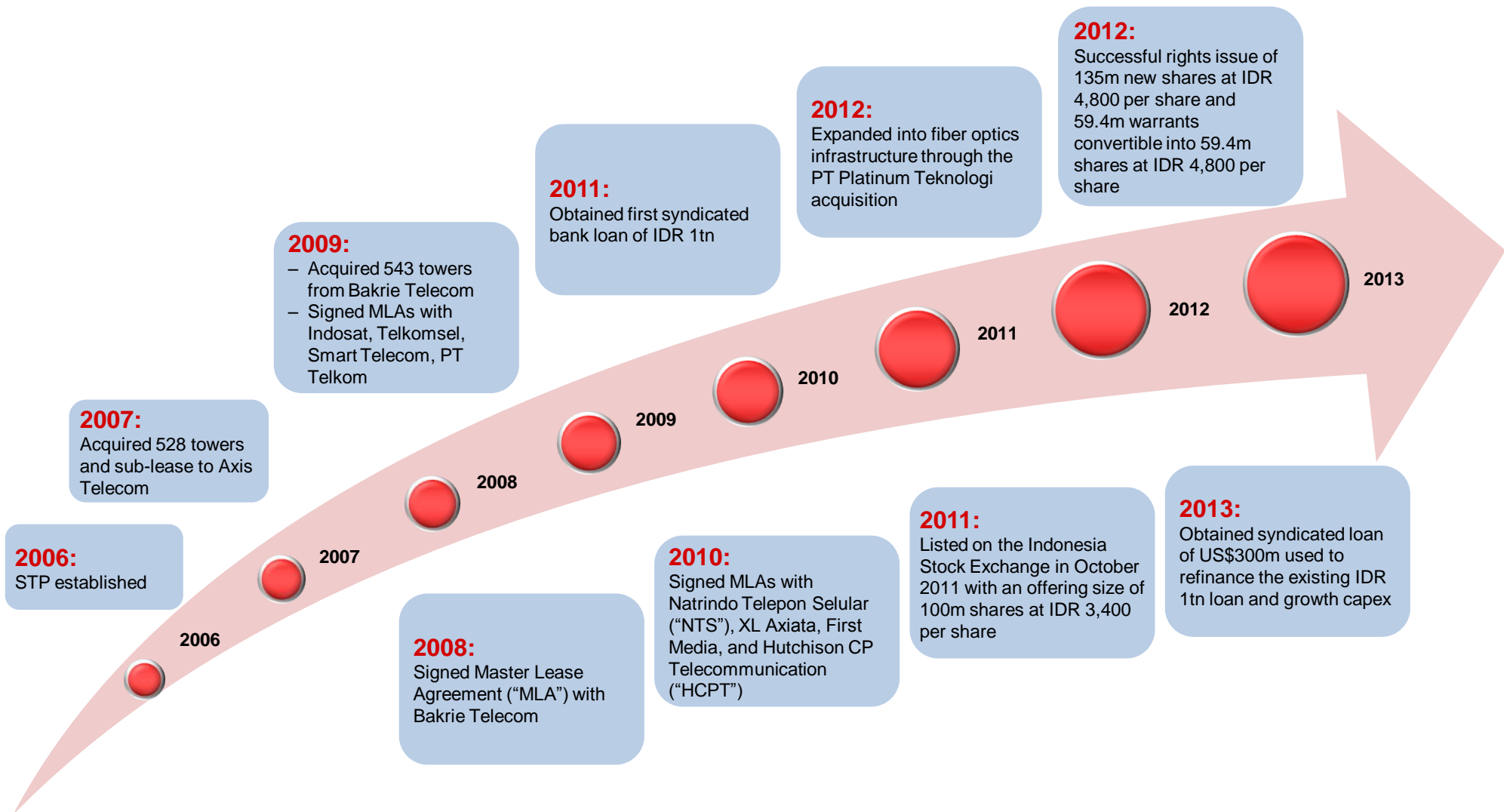
Note: USD/IDR exchange rate of 11,293 as of 17 Mar 2014

Source: Company data, FactSet as of 17 Mar 2014



# Key corporate milestones

*Fast growth business transformation from pure-play tower company to an integrated telco services provider*



# Attractive business model

## Traditional service line



Lease space at our sites to telecommunication operators for antennas and other telecom equipment for wireless signal transmission under long term agreements

## New service lines



Offer efficient backhaul solutions for telecommunication operators using our **fiber network**



Provide telecommunication operators with access to our **Indoor Building Solution networks** in shopping malls and residential buildings in major urban areas



Essentially a leasing business with an anchor tenant from day one – no speculative new builds



Highly stable and predictable revenue streams



Massive operational leverage and ROI from incremental tenancies



# Key features of our Master Lease Agreements (“MLAs”)



Tenor		<ul style="list-style-type: none"><li>• Long term contract</li><li>• 10 – 12 years for Towers and 5 years for Indoor DAS Network</li></ul>
Termination penalty		<ul style="list-style-type: none"><li>• Customer shall pay the rental fee for the entire remaining term of the MLA</li></ul>
Rentals	Base rental	<ul style="list-style-type: none"><li>• Rental fee is fixed for the whole period of the MLA</li></ul>
	Power pass-through	<ul style="list-style-type: none"><li>• Customers bear the power/electricity cost necessary to operate the equipment, except for Telkomsel</li></ul>
	Maintenance inflation	<ul style="list-style-type: none"><li>• Adjustable on a yearly basis based on the inflation rate published by the Central Bureau of Statistic (“BPS”)</li></ul>
Service agreement		<ul style="list-style-type: none"><li>• Standard maintenance and repair procedures (including agreed timeline for repair)</li><li>• 7 X 24 hours customer service</li><li>• 7 X 24 hours access to the site</li><li>• 24 hours site security</li><li>• Predetermined reporting time</li><li>• Predetermined penalty calculation</li></ul>



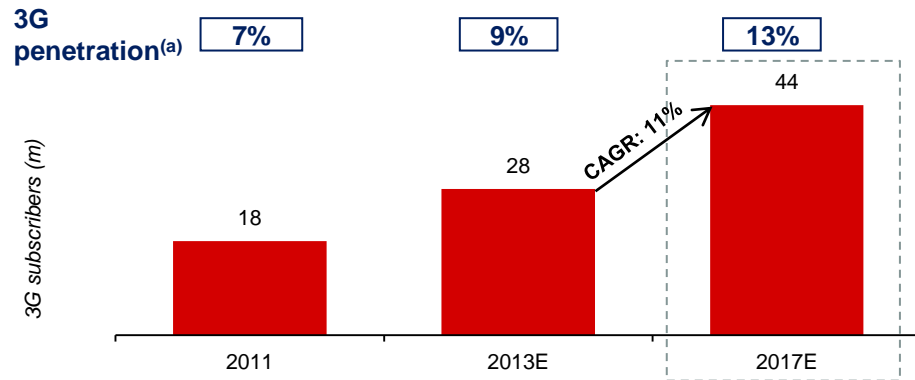


## Section 2

### **Favorable industry backdrop**

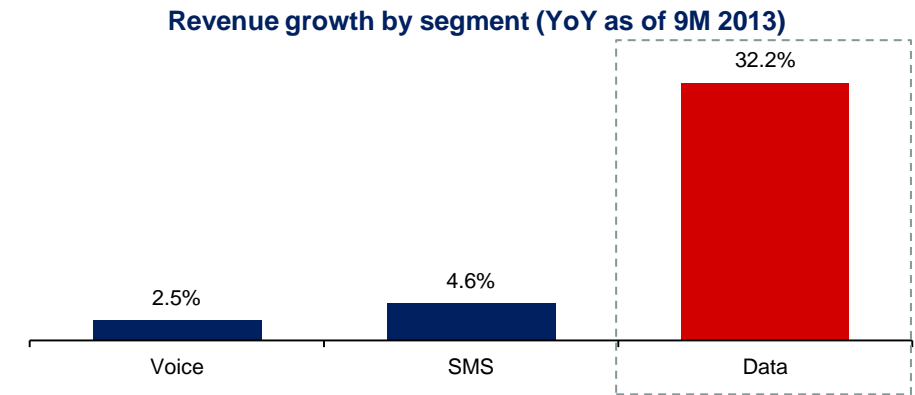
# Robust growth in telecom industry in Indonesia

## Strong growth in 3G subscribers



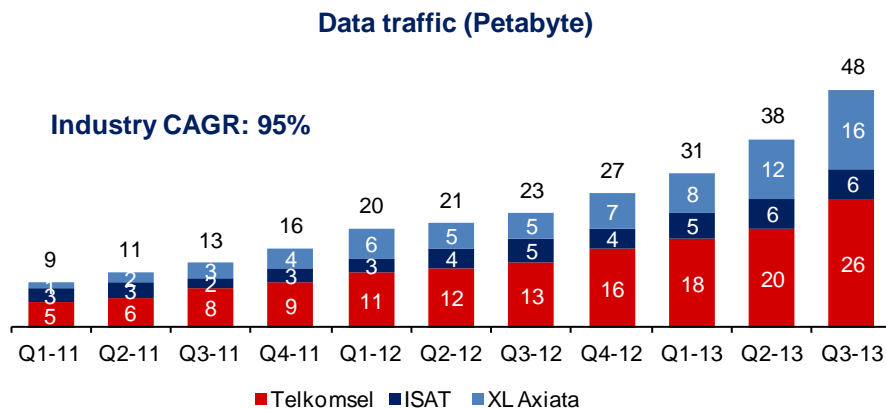
(a) Calculated as 3G subscribers over total wireless subscribers  
Source: BMI ([www.businessmonitor.com/bmo](http://www.businessmonitor.com/bmo))

## Data revenues are growing much faster than voice or text



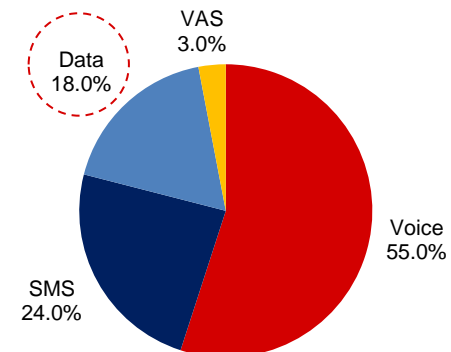
Source: Company data, broker research

## Data traffic growing at 95% CAGR



Source: Company data, broker research

## Data already accounts for ~18% of total industry revenues (2013E)

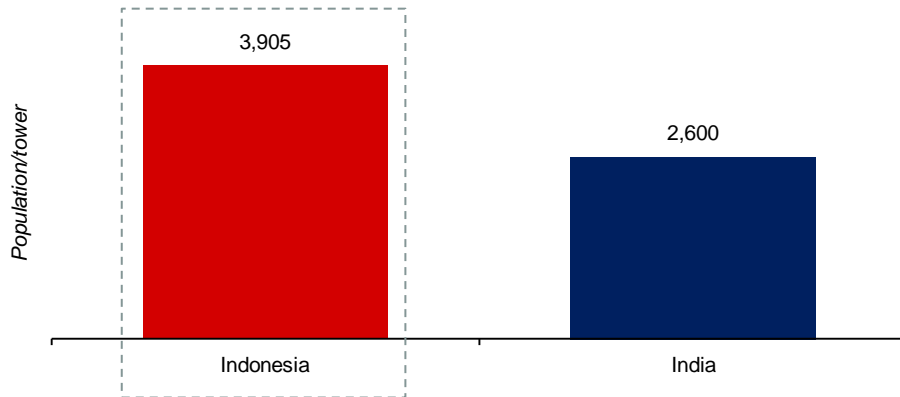


Source: Company data, broker research



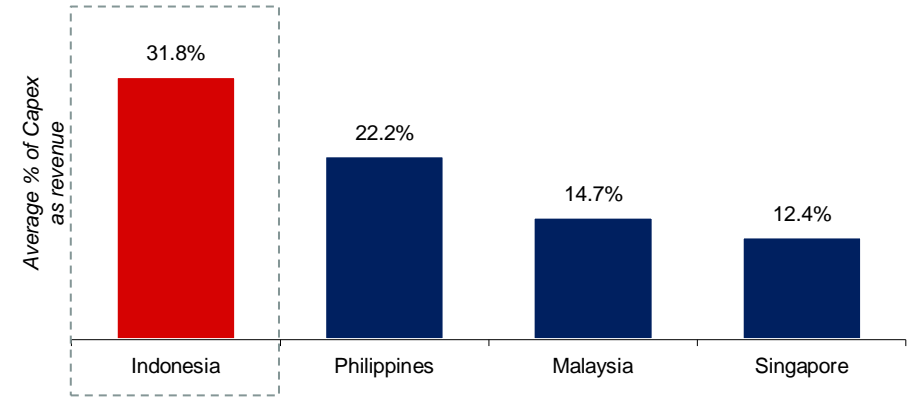
# Favourable tower industry dynamics in Indonesia

## Low tower availability in Indonesia



Source: Company filing as of Mar 2013

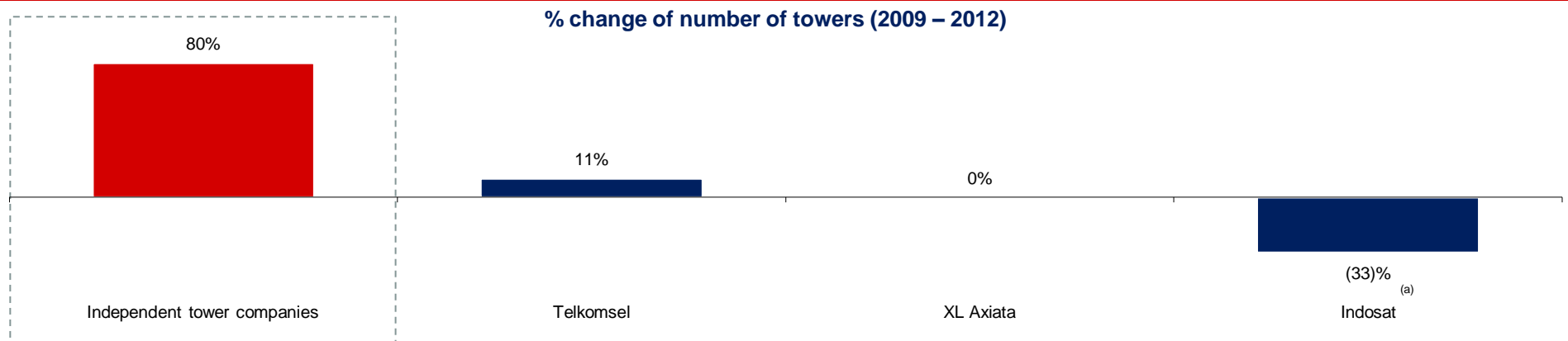
## Telcos are capital constrained (2013E)



Note: Average for Indonesia comprises the average of XL Axiata, Telkom and Indosat. Average for Philippines include PDLT and Globe Telecom. Average for Singapore comprises the average of Singtel, M1 and Starhub. Average for Malaysia comprises the average of Maxis, Digi.com and Axiata

Source: Broker reports

## Growth in towers is coming via independent tower companies



(a) Includes sale of 2,500 towers

Source: Company data, broker reports

# High entry barriers into our industry

Indonesian market very conducive to tower and fiber company business model

## Regulatory barriers

- Ownership of tower companies must comply with the Negative List
  - The Negative List was last amended to include tower companies (**prohibiting foreign investment in private tower companies**) and prohibiting foreign **control** of public tower companies
- Extensive permits / licensing site approval processes

## Government regulations mandate tower sharing

- On 30 March 2009, four Ministries issued a Joint Decree regarding Construction and Utilization of Shared Telecommunication Towers. The Joint Decree strongly promotes the tower sharing model and has clear guidelines for the issuance of building permits that benefit independent tower providers

## Operational and capital hurdles

- Qualified track record required by telecom operators
- Significant upfront capex
- Telcos want to work with financially strong partners
  - Extremely low customer churn due to switching costs and potential network impact

## Special permit in Jakarta

- One of only three companies in Jakarta with a 20 year contract to deploy street level micro cell network using existing local government assets
  - LTE ready



## Section 3

### **Key investment highlights**



# Key investment highlights

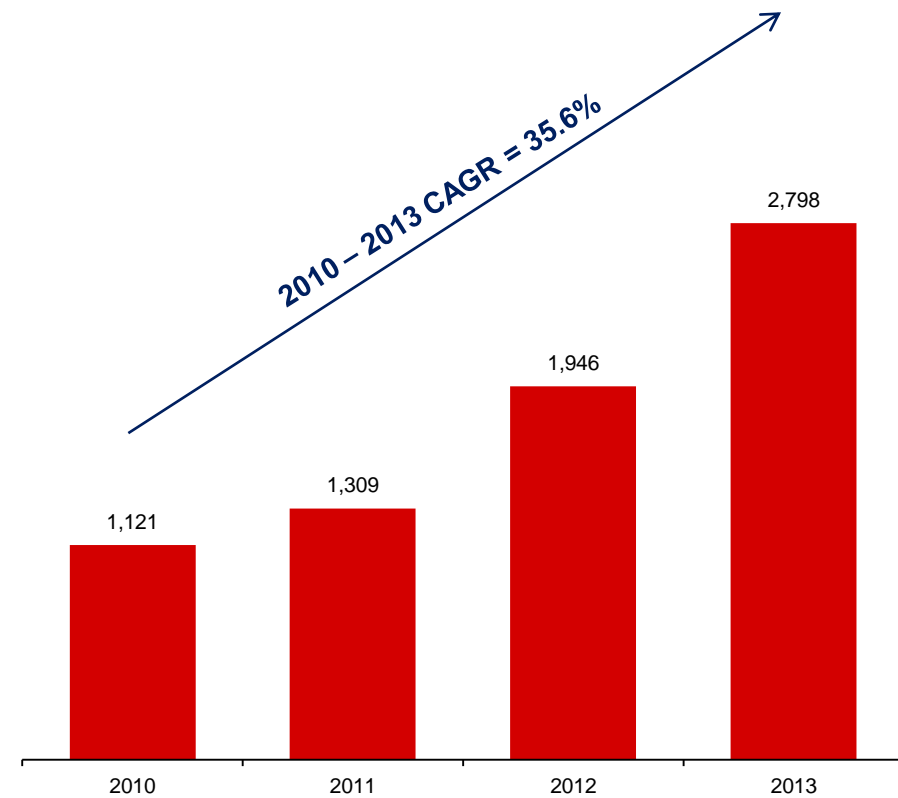


- 1** Proven growth track record in a fast emerging sector
- 2** National presence with asset concentration in Greater Jakarta
- 3** Rapidly diversifying client base towards top tier operators
- 4** Valuable domestic fiber assets to offer integrated, LTE ready, last mile access solutions
- 5** Strong EBITDA growth
- 6** Conservative leverage and cash balances to drive further growth
- 7** Experienced, forward looking management team and reputable Board of Commissioners



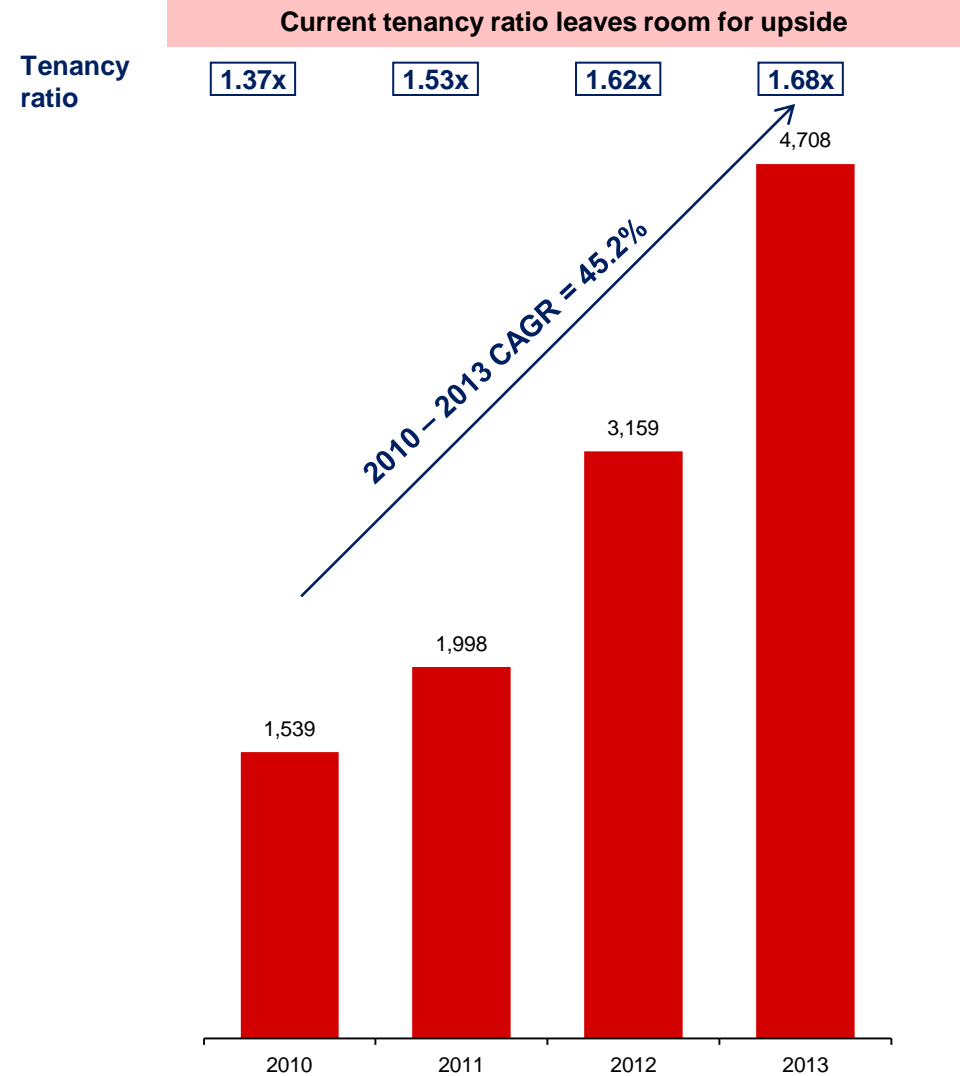
# 1 Proven track record of growth

Towers have grown by 150% in last 3 years



Source: Company data

Tower tenancies have grown by 205%



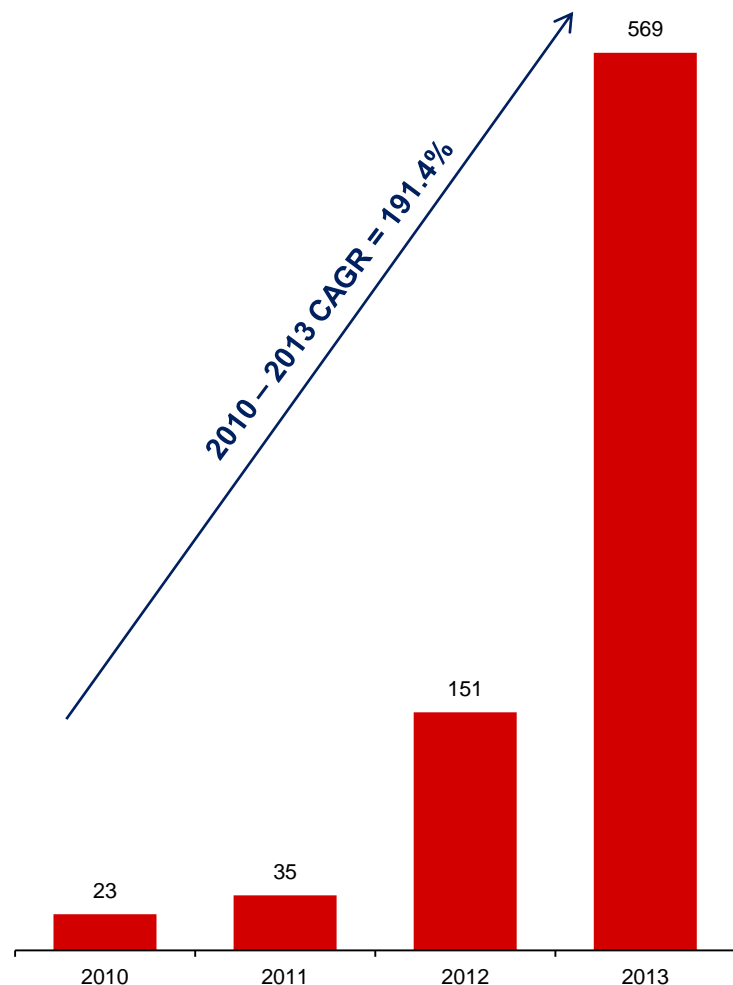


1

# Robust organic momentum and an effective M&A strategy





## Organic tower by STP – growth is accelerating



(a) Additional 100 towers to be transferred at STP's option  
Source: Company data

## More efficient acquisitions and accelerated integration

Year	Acquisition	Acquisition completion
2007	<b>NTS Tower Acquisition</b>  <ul style="list-style-type: none"> <li>528 towers located in Jakarta and Greater Jakarta</li> <li>Contracted through Ericsson Indonesia under RTU (Right to Use) scheme</li> </ul>	2 years
2009	<b>BTEL Tower Acquisition</b>  <ul style="list-style-type: none"> <li>543 towers nationwide</li> <li>STP acquired the sites on as-is basis</li> <li>Transfer of title, land extension, IMB application &amp; extension were done by STP</li> </ul>	1 year
2012	<b>Nurama Tower Acquisition</b> <ul style="list-style-type: none"> <li>176 towers in West, Central, and East Java, 182 Shelters, 100 km of Fiber Optic in Bandung</li> <li>STP acquired the sites as the company was insolvent</li> <li>Transfer of title, land extension, IMB application &amp; extension were done by STP</li> </ul>	8 months
2012	<b>HCPT Tower Acquisition</b> <ul style="list-style-type: none"> <li>200 towers<sup>(a)</sup> in Jabotabek, West, Central, and East Java</li> <li>Transfer of title, land extension, IMB application and extension were done by STP</li> </ul>	3 months
2013	<b>ISP Group Tower Acquisition</b> <ul style="list-style-type: none"> <li>493 towers in Botabek, West, Central, and East Java, Sulawesi, Sumatera, Bali Nusa Tenggara, 287 Shelters</li> <li>Transfer of title, land extension, IMB application &amp; extension were done by STP</li> </ul>	2 months



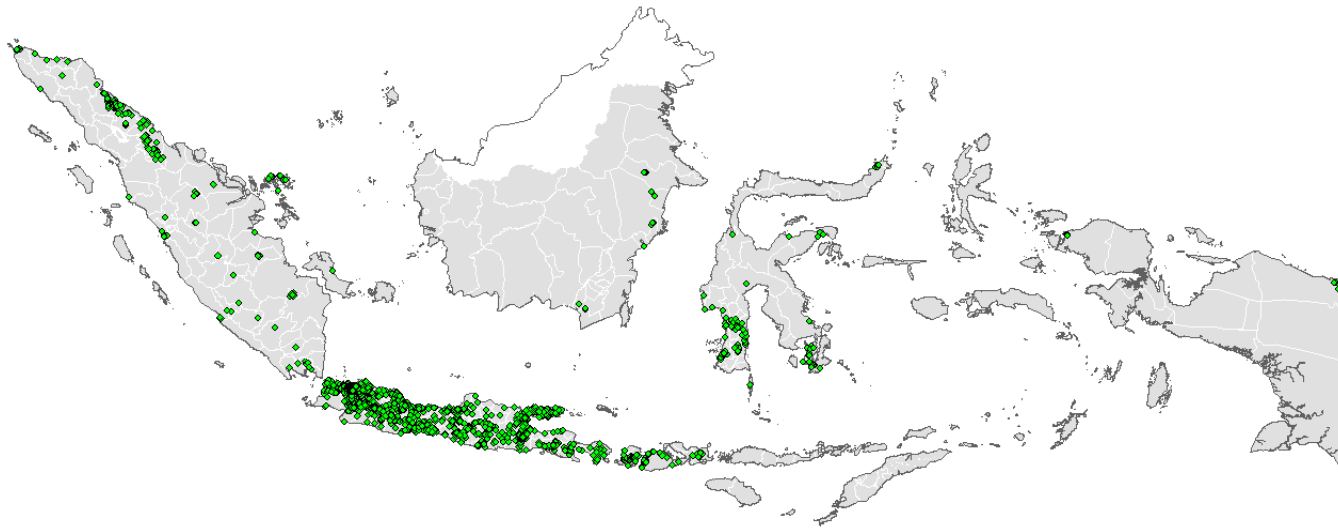


2

## National presence with asset concentration in Greater Jakarta



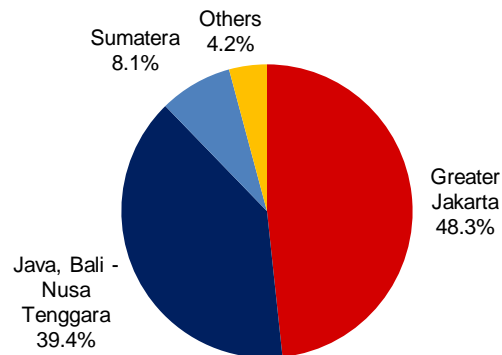
Tower assets are strategically located across Indonesia



Area	No. of towers		Growth
	2012	2013	
Greater Jakarta	1,164	1,352	188
Java	566	984	418
Sumatera	142	227	85
Kalimantan - Sulawesi	32	100	68
Bali – Nusa Tenggara	25	118	93
Papua	17	17	0
Total	1,946	2,798	852

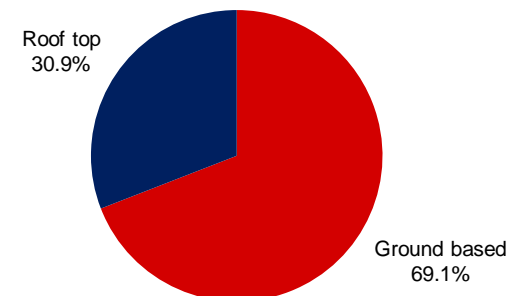
Most of our towers are in Greater Jakarta...

Towers split by location (Dec 13)



...and two-thirds of towers portfolio are Ground based towers, which supports higher tenancies

Towers split by format (Dec 13)



Source: Company data



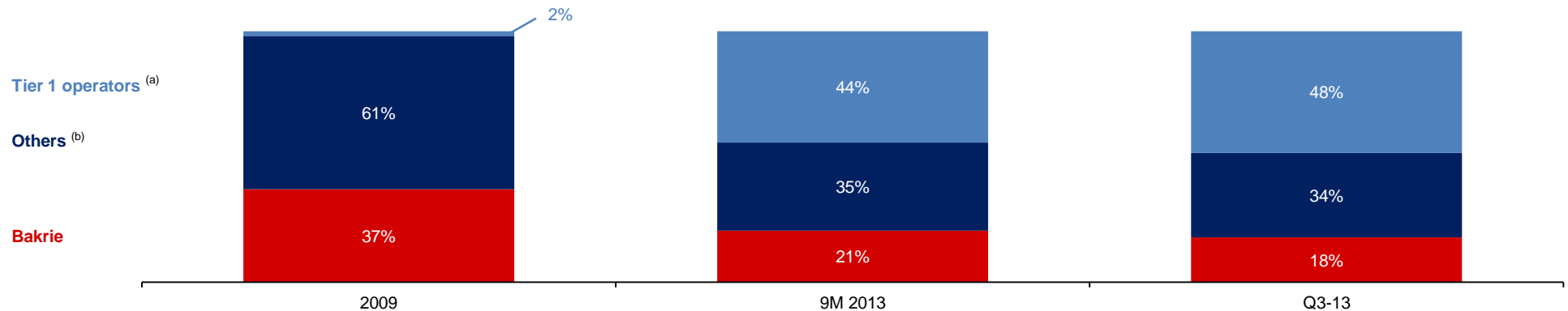
3

## Rapidly diversifying client base towards top tier operators



STP has successfully diversified its customer base towards high quality operators

Revenue breakdown by operators



## Relationships with all the telcos in Indonesia



**Bakrie Telecom**



(a) Tier 1 operators include XL Axiata, PT Telkom, Telkomsel and Indosat

(b) Others include Hutch, First Media, Smartfren, Axis and Others

Source: Company data



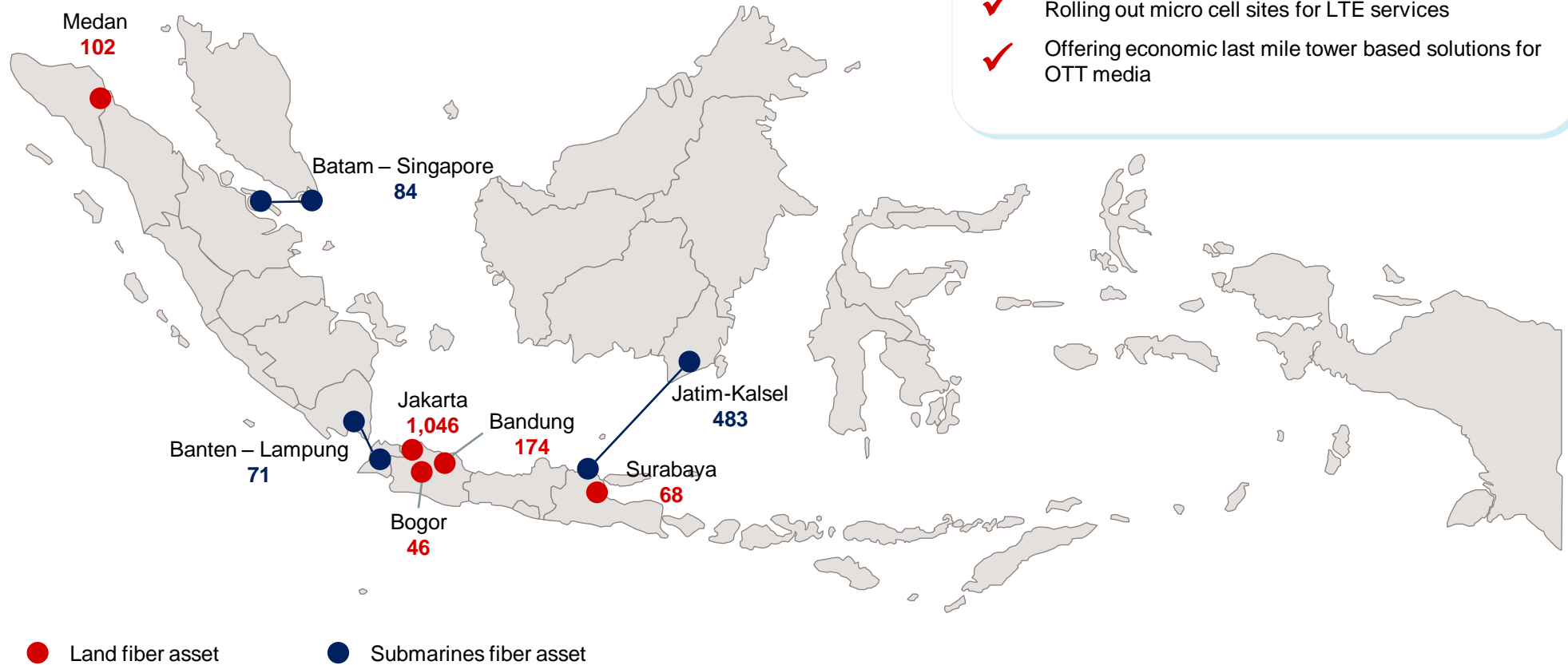
4

## Valuable domestic fiber assets to offer integrated, LTE ready, last mile access solutions



We have a quality portfolio of fiber assets

(km)

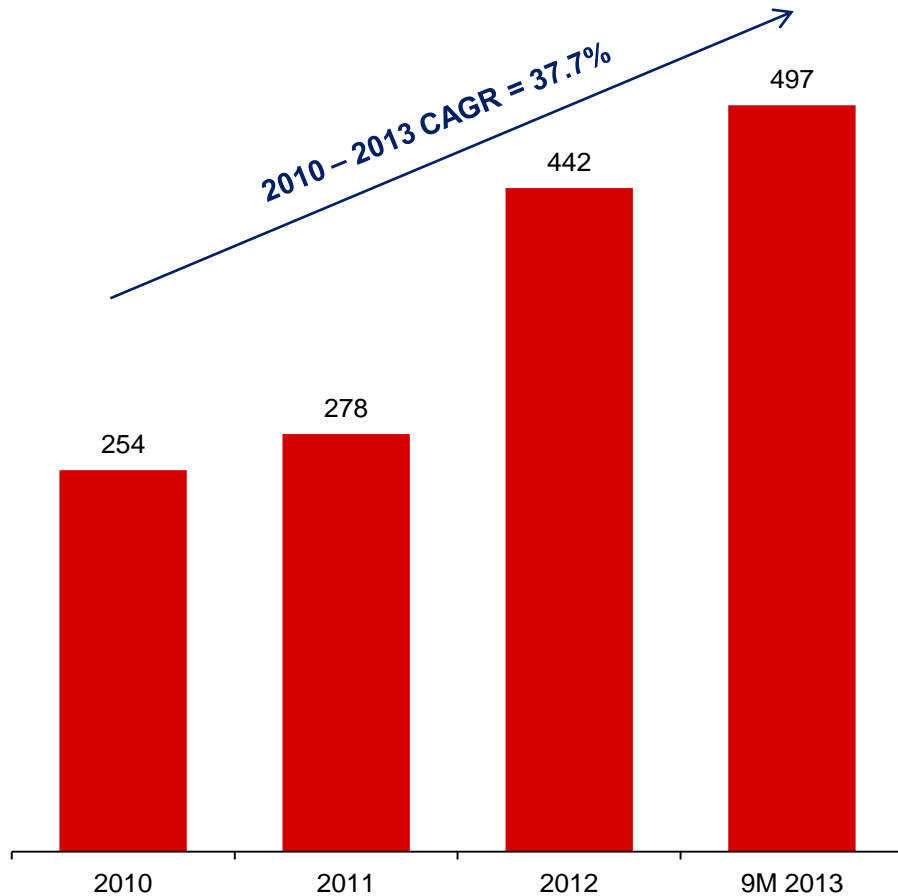


- ✓ 2,073km of fiber optic assets as of Dec 2013
- ✓ Offering fiber backhaul solutions to telecom operators
- ✓ Rolling out micro cell sites for LTE services
- ✓ Offering economic last mile tower based solutions for OTT media



## 5 Strong EBITDA growth

### EBITDA (IDRbn)



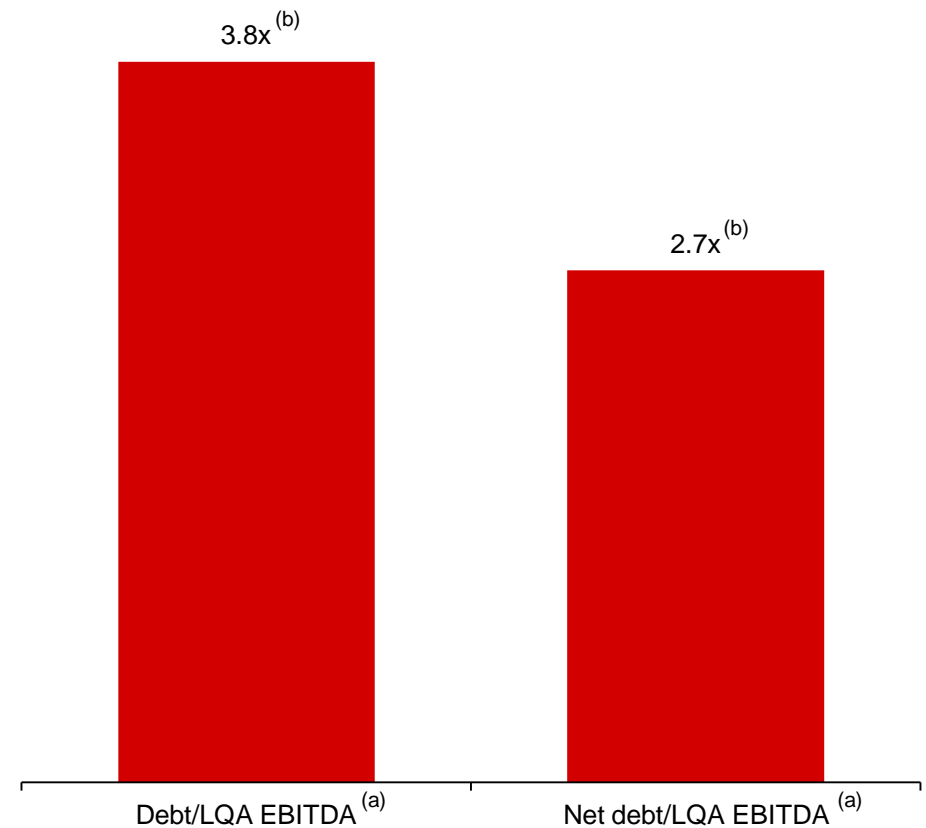
(a) LQA EBITDA = Latest quarterly EBITDA \* 4  
(b) Debt in USD currency as of Sep 2013 is translated into IDR using the hedged rate  
Note: USD/IDR exchange rate of 11,293 as of 17 Mar 2014  
Source: Company data

## 6 Conservative leverage and cash balances to drive further growth



Conservatively geared and IDR 764bn (US\$68m) cash on hand for STP to take advantage of market opportunities

### Leverage ratio (as of Sep 2013)



## Board of Directors



**Nobel Tanihaha**  
*President Director*

- 7 years on the BoD
- Previous work experience mainly in property and construction sectors in Indonesia, Singapore, Hong Kong and China



**Juliawati Gunawan**  
*Finance Director*

- 3 years on the BoD
- Previously worked with Ernst & Young, with 16 years of experience in auditing and corporate finance field before joining STP



**Yan Heryana**  
*Marketing Director*

- 2 years on the BoD
- Previously worked with PT Hariff Daya Tunggal Engineering and PT Starcom Solusindo, companies engaged in telecommunication sector



**Eko Abdurrahman Saleh**  
*Operations Director*

- 3 years on the BoD
- Previously worked with PT Indosat Mega Media and PT XL Axiata



**Tommy Gustavi Utomo**  
*Property Management Director*

- 1 year on the BoD
- Previously worked with PT Bakrie Telecom Tbk

## Board of Commissioners



**Jennivine Yuwono**  
*President Commissioner*

- 3 years on the BoC
- Previously worked with Morgan Stanley New York and Singapore
- Also serves as Director of PT Deltamas Abadi Makmur, and Commissioner of PT Kharisma Indah Ekaprima



**Ludwig Indrawan**  
*VP Commissioner*

- 2 years on the BoC
- Previously worked in property and financial sectors in Indonesia and Australia
- Also serves as Managing Director of PT Smarts Home Anugrah



**Thong Thong Sennelius**  
*Commissioner*

- 3 years on the BoC
- Previously worked with Morgan Stanley New York and Singapore
- Also serves as Director of PT Ciptadana Capital and PT Ciptadana Multifinance



**M Senang Sembiring**  
*Independent Commissioner*

- 3 years on the BoC
- Previously worked with PT Bursa Efek Indonesia (now IDX) as Director
- Also serve as Executive Director of Yayasan Kehati, a foundation engaged in biodiversity



**Erry Firmansyah**  
*Independent Commissioner*

- 1 year on the BoC
- Previous work experience includes serving as the President Director of IDX
- Currently serves as President Director of PT Indonesian Central Security Depository (KSEI) and also serves as Independent Commissioner in several public companies, including PT Unilever Indonesia Tbk and PT Astra International Tbk



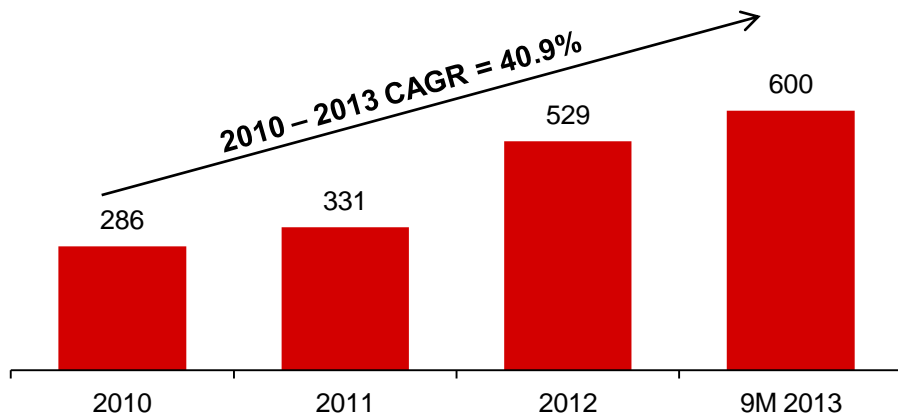
## Section 4

### **Strong financial performance**

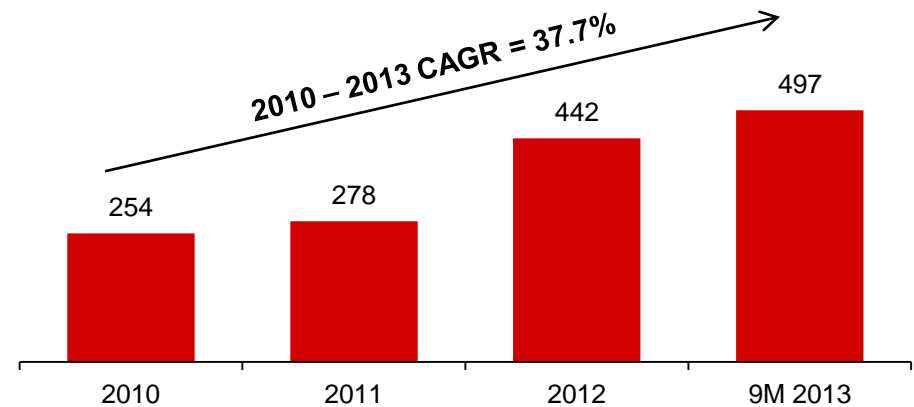


# Robust revenue and EBITDA growth

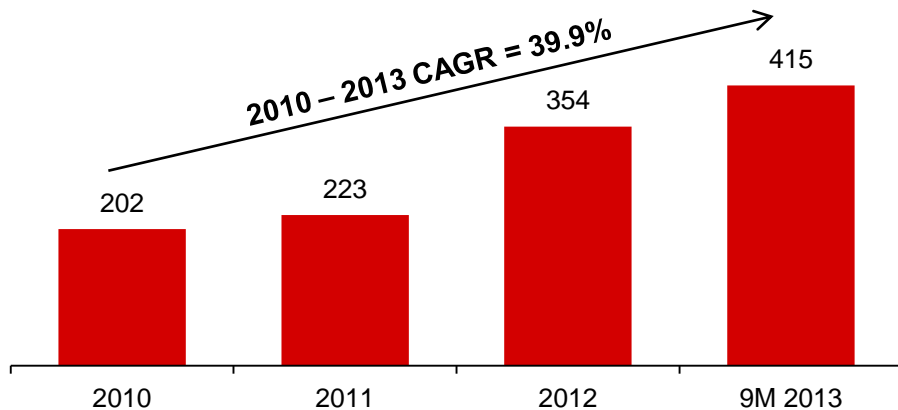
## Revenue growth (IDRbn)



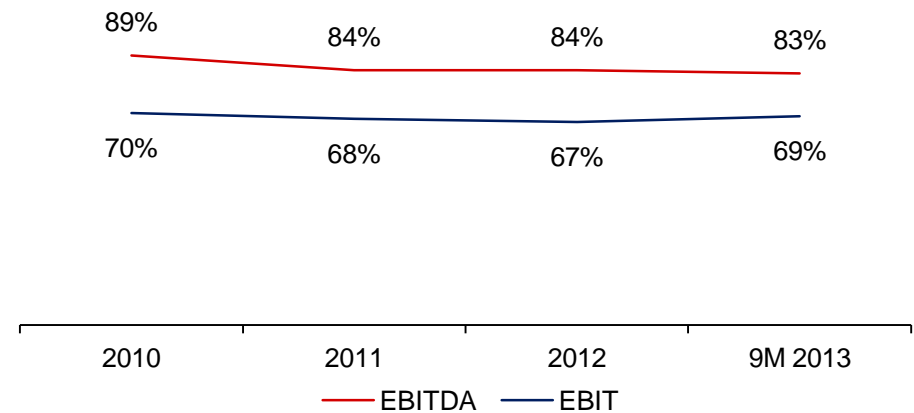
## EBITDA growth (IDRbn)



## EBIT growth (IDRbn)

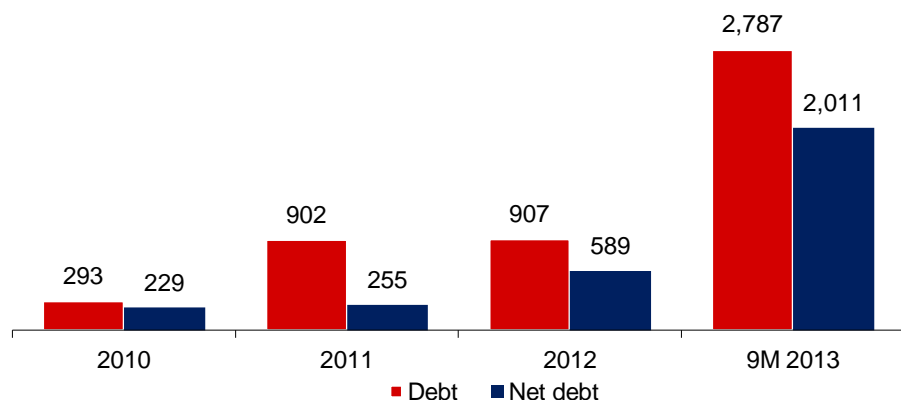


## EBITDA & EBIT margins (%)



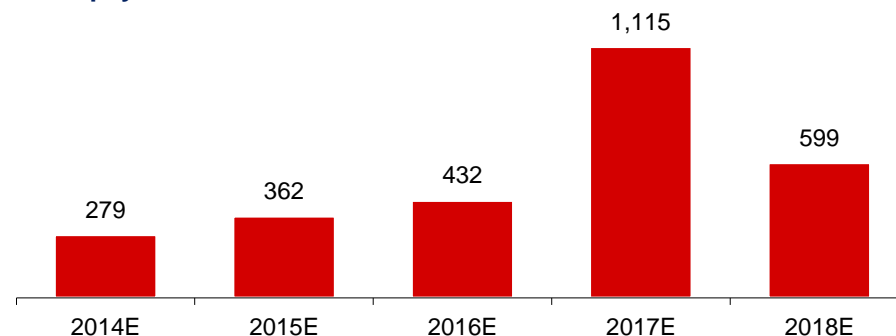
# Conservative capital structure, well spread loan maturity profile and FX hedging

## Total debt and net debt (IDRbn)

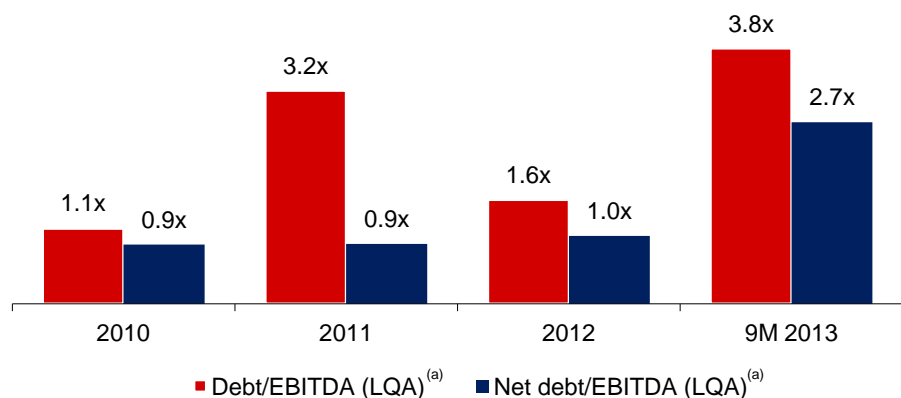


## Debt repayments over 5 years (IDRbn)

### Debt repayment schedule



## Leverage ratios



## Hedge contracts

- ✓ Principal and interest on USD loans are fully hedged for both currency and interest rate
- ✓ 50% of our IDR loans are interest rate-hedged

(a) LQA EBITDA = Latest quarterly EBITDA \* 4

Note: Debt in US\$ currency as of 30 Sep 2013 is translated into IDR using the hedge rate (as also agreed in our loan facility agreements)

Source: Company data



# Key accounting policies

## Revenue & expenses

- Rental income from operating lease is recognized as revenue when earned. The rental received in advance is presented as “deferred income” and recognized as income on a straight-line basis over the lease term
- Expenses are recognized as incurred (accrual basis)

## Leases

- Leases that transfer to the lessee substantially all of the risks and rewards incidental to ownership of the leased item are classified as finance leases
- Leases which do not transfer substantially all of the risks and rewards incidental to ownership of the leased item are classified as operating leases

## Depreciation

- Property and Equipment, after initial recognition, are stated by using cost model and is carried at cost less its accumulated depreciation (except land which is recorded at cost and not depreciated). The depreciation is calculated using the straight-line method based on the estimated useful lives of property and equipment

## Investment properties

- Investment property is property held by the Company to earn rental fee, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business
- Investment property is measured at fair value based on valuation from an independent qualified appraiser

## Hedge accounting

- The Company uses derivative financial instruments such as interest rate swaps and cross currency swap to hedge its exposure to variability in cash flows that is attributable to floating interest rates and fluctuations of exchange rates. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value



## Section 5

**Well positioned for growth**



# Our growth strategies





# Appendix I

## **Additional materials**

# Key financial performance



<i>(in IDR millions)</i>	2009 (Audited)	2010 (Audited)	2011 (Audited)	2012 (Audited)	9M 2012 (Unaudited)	9M 2013 (Unaudited)
Revenues	197,426	286,366	330,956	529,408	351,210	600,339
<i>Growth</i>	405%	45%	16%	60%	46%	71%
Cost of revenue	11,172	16,866	23,679	41,705	28,308	51,084
Operating expenses	13,310	15,613	28,963	45,656	26,841	51,934
EBITDA	172,944	253,888	278,313	442,047	296,062	497,320
<i>Margin</i>	88%	89%	84%	83%	84%	83%
Depreciation and amortization	(17,890)	(52,056)	(55,151)	(88,144)	(63,081)	(82,169)
Operating income	155,054	201,832	223,162	353,903	232,981	415,151
<i>Margin</i>	79%	70%	67%	67%	66%	69%
Others – net	99,334	105,924	(47,134)	(112,948)	(101,664)	(226,637)
Income before tax	254,388	307,756	176,028	240,955	131,318	188,515
Income tax expenses	(88,614)	(77,345)	(41,708)	(65,251)	(37,249)	(44,395)
Profit for the year	165,774	230,411	134,320	175,705	94,068	144,120
Other comprehensive income	–	–	(37,994)	(355)	(3,503)	6,783
Total comprehensive income for the year	165,774	230,411	96,326	173,350	90,566	150,903

Source: Company data

# Balance sheet and capital structure

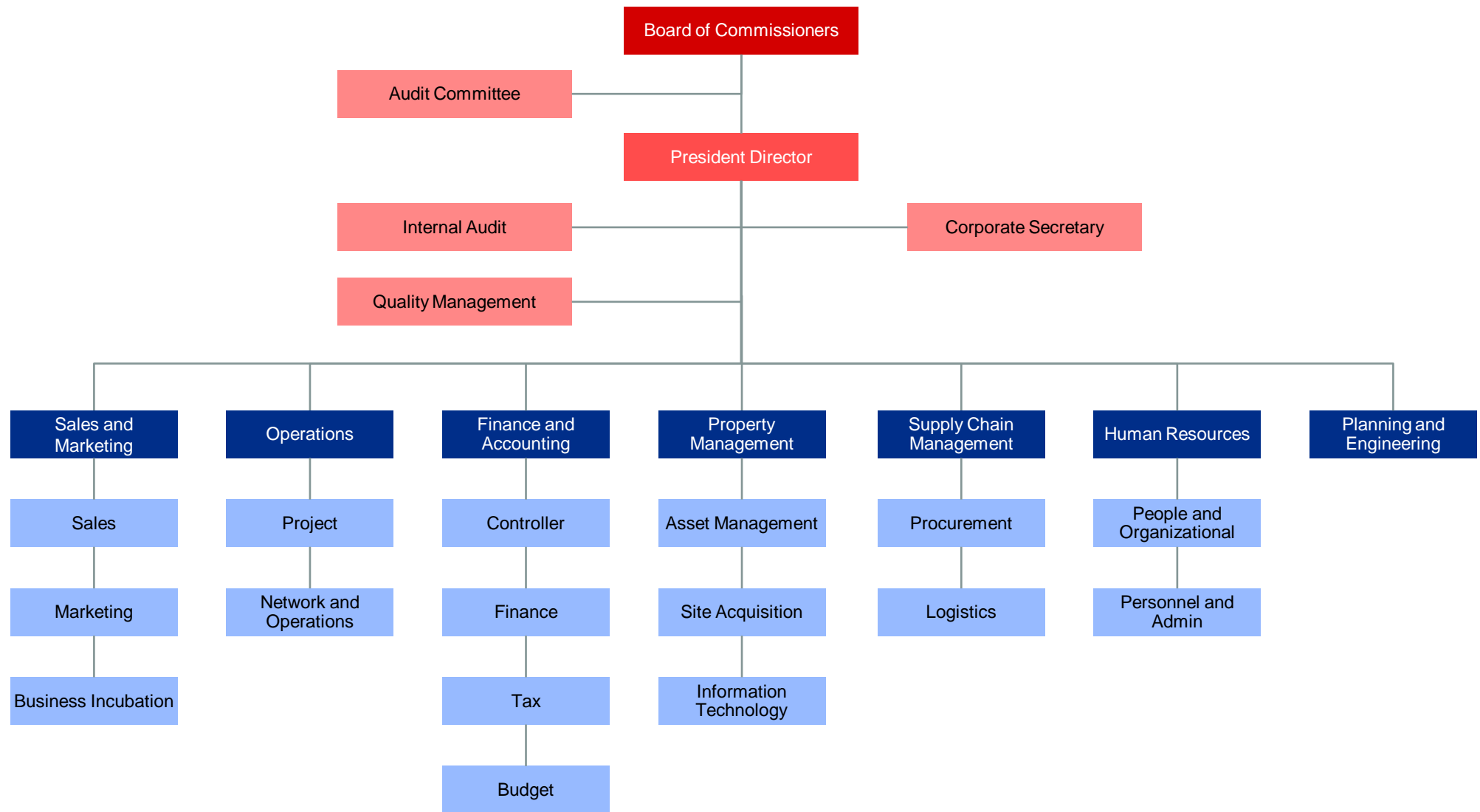
<i>(in IDR billions)</i>	2009 (Audited)	2010 (Audited)	2011 (Audited)	2012 (Audited)	9M 2013 (Unaudited)
<b>Consolidated Balance Sheet</b>					
Current assets	213	340	965	917	1,667
Non-current Assets	1,137	1,458	1,880	2,965	4,446
Total assets	1,349	1,799	2,845	3,882	6,113
Current liabilities	239	249	397	744	534
Non-current liabilities	867	1,076	1,547	1,418	3,423
Equity	244	474	901	1,727	2,156
<b>Key Ratios</b>					
Current ratio	0.89x	1.37x	2.43x	1.23x	3.12x
Net debt/equity	0.38x	0.48x	0.28x	0.34x	0.93x
Net debt/total assets	0.07x	0.13x	0.09x	0.15x	0.33x
Net debt/ LQA EBITDA	0.33x	0.88x	0.89x	1.01x	2.72x
Total liabilities/equity	4.54x	2.79x	2.16x	1.26x	1.84x
Total liabilities/assets	0.82x	0.74x	0.68x	0.56x	0.65x

Note: Debt in US\$ currency as of 30 Sep 2013 is translated into IDR using the hedge rate (as also agreed in our loan facility agreements)

Source: Company data



# Organisation structure



Source: Company data



**Thank you**