

Investor Presentation PT Solusi Tunas Pratama Tbk

June 2021

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Notes: 1) As of 31 Dec 2020

2) As of 31 Dec 2020; includes fiber optic networks that STP operates under Icon+ partnership 3) Revenue from Telkom Group includes Telkomsel, Mitratel and Telkom Tbk.

Indonesia has one of the most attractive tower markets globally...



Indonesia Tower Market **Global Tower Market Benchmarking** ۲ High barriers to entry including local regulations Non Non Independent Independent Independent² Independent Independent / Captive / Captive Business mode Significant growth opportunity 800 - 1.000 2.500 - 3.0001.400 - 2.600600 - 800400 - 600Lease rate per tenant per month (USD) Long term revenues **~**% Ranges from Ranges from No discount No discount No discount with minimal churn 5% - 20% 30% - 45% and default risk Multi-tenancy discount 80% - 86% 55% - 70% 40% - 50% $40\% - 45\%^{3}$ 55% - 60%**High EBITDA EBITDA margins (%)** margins and free cash flow conversion No No No Yes Yes Tower + Power Strong operating leverage 55 - 85 200 - 25075 – 90 35 - 5035 - 50New tower capex (USD '000 per tower) 1

Source: Industry report

Notes: 1) In local currency, and stated in approximate USD for comparison purposes

2) Independent tower business model in Western Europe, with the exception of Inwit in Italy

3) Indian average EBITDA margins relatively lower as revenue includes pass-through items, such as fuel cost

... supported by favourable mobile industry dynamics...





Operators able to focus resources on capex vs. subscriber acquisition



Strong earnings recovery, ready for next phase of growth

4G coverage a focus area for mobile operators Indonesia is an emerging market and is still in the process of upgrading networks to 4G 4G BTS consists of only ~36% of total BTS⁽¹⁾ meaning that operators will still require significant investment to expand 4G coverage

Indosat, XL Axiata and 3 Indonesia are focused on accelerating its network rollout to match Telkomsel's network coverage (Telkomsel has ~1.7-2.0x more 4G BTS vs. XL and Indosat)



Willingness to invest and improve their network

Source: Company filings

Notes: 1) Among the top 3 operators: Telkomsel, XL Axiata and Indosat

2) Industry EBITDA margin is calculated by total EBITDA of Telkomsel, XL Axiata and Indosat divided by total revenue of Telkomsel, XL Axiata and Indosat

...as demand for mobile data continues to boom which will drive the requirement for higher quality coverage



We are only in the first inning of Indonesia's mobile data revolution...



...driven by an increasingly literate mobile generation

Emergence of content and apps is transforming the way welive



App downloads in Indonesia have risen rapidly



Tower industry poised to benefit from higher capex spend by mobile operators





 Both XL Axiata and Indosat have publicly committed to spend more capex over the next few years in an effort to improve its network connectivity

Capex



Indosat XL Axiata

Source: Historical from company filings, Projections from Capital IQ as of 31 July 2020

The CAPEX for the first half was IDR 4.2 trillion. This year, it went down to IDR 3.2 trillion. And quarter-on-quarter, <u>we</u> see an increase from IDR 600 billion in the quarter-toquarter to IDR 2.628 trillion, and we're still committing to meet the CAPEx guidance, which was announced at the beginning of the year between IDR 8.5 trillion to IDR 9.5Tn

- Indosat CFO, 2Q20 Earnings Call, 29 July 2020

Escalated 2019 CAPEX was to ensure the network rollout will be on track in 2020. Due to current situation, there was a slowdown in network rollout in Q1 '20. We are taking all necessary steps to <u>accelerate network rollout in coming</u> <u>months</u> and we are <u>confident of meeting 2020 expansion</u> <u>plan</u>

- Indosat CFO, 1Q20 Earnings Call, 29 April 2020

Our <u>CAPEX spend guidance is around IDR 7.5 trillion</u>, which will remain <u>focused on data network investment in</u> <u>4G</u> and continuous network improvement and modernization in and outside Java

- XL Axiata CEO, 4Q19 Earnings Call, 11 February 2020

4G Coverage Growth: Operators looking to ex-Java expansion

Operators planning to expand its network ex-Java

- Telkomsel has the strongest network in Indonesia, based on its overall coverage and also 4G coverage alone
- XL Axiata and Indosat have strong network coverage in Java, only with scattered coverage across the rest of Indonesia.
- Hence, not only do these operators need to densify their 4G networks, but there is the need to expand networks outside Java



Capacity Growth: Densification of network as data usage accelerates

Accelerating data usage

- Data revenue is expected to become the industry's most important revenue driver and has resulted in increase in competition in this segment
- Total data usage across the top 3 operators have increased ~6x since 2016



Lack of spectrum

- Indonesian operators' spectrum holdings are low on a per population basis compared to operators regionally
- No spectrum auctions expected in near-term, implying that operators will likely need to invest in equipment to increase capacity of their network connectivity

MHz per capita (MM)



Notes: 1) Spectrum holding for peer countries calculated as average of spectrum portfolio of MNOs in respective countries 2) Among the top 3 operators: Telkomsel, XL Axiata and Indosat Strong portfolio of tower and fiber assets covering major prime locations





Prime tower and fiber assets portfolio to support STP's comprehensive solutions offering, including an expanding fiber optics network that allows the Company to capture surging demand driven by aggressive urban 4G / LTE rollout by mobile telecommunication operators

V Potential new business opportunities for providing wholesale fiber connection to broadband and pay TV operators

Optimized business strategy for STP's core tower business





- Leveraging prime locations of existing tower portfolio, STP has increasingly focused on expanding colocation business, which has significantly lower capex and operational costs
- Improving tower economics despite challenging operating environment



- Improved quality of earnings with the removal of Internux and Axis tenancies
- Focused on proactively maintaining long-term relationship with high quality customers
- Pricing Strategy
 Optimizing pricing strategy to enhance competitiveness, which is the key for winning new contracts and locking in tenancy renewals



 Negotiations of land lease renewal start 1–2 years in advance, to minimize potential loss of towers/tenants

STP has benefited immensely from the above initiatives:

More efficient usage of capital structure



 \checkmark

New contracts secured with prime customers

 Superior land lease management and cost control

Actively enhancing returns on its tower portfolio through colocation



1.89

1.75

2019

Continued focus on colocation in a challenging operating environment...



...resulting in increasing tenancy ratio over the last 5 years

1.71

2017

1.64²⁾

2018

Notes: 1) The decrease in the tenancy ratio as a result of Telkom ceased its CDMA operations in 2016.

2) The decrease in the tenancy ratio as a result of the termination of Internux/First Media and XL-Axis tenancies in 2018

2020

Entrenched relationship with prime customers, underpinning significant high quality backlog





✓ Key customers are Indonesia's four largest and most creditworthy mobile telecommunication operators contributing ~87% of revenue

✓ STP has been successful in renewing its tenancies, which results in a longer tenancy expiry schedule

- ✓ Our lease rates are fully reflective of current market rates and c.98% of our leases are IDR denominated (remaining 2% is pegged to USD)
- ✓ We proactively manage our average land lease duration to match the tenancy expiry schedule, which has an average life of 4.9 years. ~66% of the land leases are expiring in 2025 and beyond

Note: 1) Revenue from Telkom Group includes Telkomsel, Mitratel and Telkom Tbk.

Growth strategy for our fiber business



Continue B2S Fiber to Tower

Aggressive 2nd tenant onboarding Expand FTTH Open Access Home Pass

Increase NAP¹ Capacity

- Continue implementation plans for rolling out fiber optics ("FO") networks.
- Engagement with telcos on Fiber to Tower requirements focused on the same cities
- Engagement with 2nd tenant or 3rd tenant for deployed fiber to tower
- Greater engagement with regional & local Internet Service Providers ("ISP")
- Overall increase in Internet bandwidth during COVID 19
- Engagement with existing and new ISPs to increase demand

STP stands to benefit immensely from the above initiatives:

Expand STP's fiber footprint

Improve economics of existing fiber assets

 \checkmark

Deepen FTTH Open Access local penetration

Capitalize on macro tailwind to drive growth

STP's fiber network offers potential growth upside through mobile backhaul and fiber-to-the-home ("FTTH") roll-out





- Mobile Backhaul refers to the network between the base station sites (Node-B, eNode-B, BTS) and the network controller site (Ratio Network Controller = RNC, S-GW)
- Telecom operators shifting to mobile backhaul as microwave backhaul no longer provides sufficient capacity for intensifying data traffic
- STP is able to offer mobile backhaul connectivity to telecom operators through leasing of core fiber and fiber capacity





- FTTH refers to fiber optics roll-out in residential areas ("Home Pass") to provide fixed broadband to households via last-mile connections ("Home Connect")
- Target customers include local ISPs, local pay TV operators, and triple-play operators seeking to provide fixed broadband to local households⁽²⁾
- STP offers FTTH connectivity through its existing c. 19k⁽³⁾ Home Passes in Jakarta, Bandung and Cirebon with potential roll-outs to other cities in the medium term

Notes: 1) Home Pass is a premise which a service provider has capability to connect to an FTTH/FTTB network in a service area

3) As of December 2020

²⁾ Refer to page 16 in Appendix A on the market potential of the Indonesian fixed broadband market

Well-utilized balance sheet with continuous deleveraging and prudent hedging program





Notes: 1) Net debt refers to gross debt stated at hedge rate less cash 2) Based on hedge rate

Business resilient despite COVID-19 with positive tailwinds for growth



Tenancies Growing as Planned

- COVID 19 increases demand for wireless broadband connectivity
- Operators continue to expand coverage and increase capacity. May experience some delays due to supply chain disruption for radio equipment
- Residential areas become priority target for operators due to Workfrom-Home ("WFH") policies
- 2020 yoy tower revenue growth of 7.5%

STP's tenancy ratio expected to improve further



- Large increase in fiber connectivity demand corresponds to greater demand for wireless broadband connectivity
- Telkomsel, XL, Indosat and H3I have ongoing programs to fiberize towers. Smartfren likely to commence similar fiber-to-tower program
- STP is a participant of Indosat and H3I's programs and will look to do the same for all operators
- 2020 yoy non-tower revenue growth of 31.6%

STP expects to participate in more fiberization programs



- Revenue growth sustained despite Covid-19 disruptions.
- As of Dec'20 cash stood at Rp.237 billion; debt service 100% hedged against FX risk
- Working capital Collection from customers remain undisrupted.

STP minimally impacted by COVID-19 with adequate liquidity headroom



Appendix A: Supplementary Information

Indonesia's fixed broadband market is nascent





Indonesia has amongst the lowest fixed broadband penetration...

Only c. 42% of homes in Indonesia have access to fiber ...



...and a relatively low average fixed broadband speed



... whilst mobile penetration has surpassed 100%





Appendix B: Summary Financials

Income statement



Income statement (in IDR millions, unless otherwise specified)

	FY 2016*	FY 2017	FY 2018	FY 2019	FY 2020
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Revenue	1,821,446	1,908,487	1,899,775	1,767,050	1,922,151
Cost of revenue	(130,218)	(125,183)	(119,055)	(123,933)	(136,601)
Operating expenses	(137,546)	(137,257)	(142,989)	(165,077)	(183,281)
EBITDA	1,553,682	1,646,047	1,637,731	1,478,040	1,602,269
EBITDA Margin (%)	85.3%	86.2%	86.2%	83.6%	83.4%
Depreciation and Amortization	(340,941)	(336,405)	(383,392)	(392,193)	(471,106)
Operating Profit	1,212,741	1,309,642	1,254,339	1,085,847	1,131,163
Operating Profit Margin (%)	66.6%	68.6%	66.0%	61.4%	58.8%
Other Income (Expense)					
Financial Charges	(1,005,066)	(1,002,138)	(954,603)	(855,885)	(807,756)
Other than Financial Charges - net	313,378	(96,370)	(1,502,074)	11,909	395,279
Profit (Loss) Before Tax	521,053	211,134	(1,202,338)	241,871	718,686
Income Tax Benefits (Expenses)	(208,596)	119,827	(21,505)	(13,489)	(9,803)
Net Profit (Loss) After Tax	312,457	330,961	(1,223,843)	228,382	708,883
Total Other Comprehensive Income					
for the Period Net Off Tax	(446,690)	(920,615)	100,338	(224,771)	(35,611)
Total Comprehensive Income for the Period	(134,233)	(589,654)	(1,123,505)	3,611	673,272
Note: * Restated					



Statements of financial position (Assets, in IDR millions, unless otherwise specified)

	FY 2016*	FY 2017	FY 2018	FY 2019	FY 2020
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Current Assets					
Cash and Cash Equivalents	184,996	280,149	147,045	361,534	237,176
Trade Receivables - Third Parties	958,050	754,948	1,005,389	611,786	614,221
Other Current Financial Assets	573,649	282,188	274,269	221,119	223,538
Inventory	47,852	37,922	35,295	37,649	45,234
Prepaid Taxes	566,362	438,350	355,081	264,173	240,118
Advance and Prepaid Expenses	235,921	245,321	256,442	268,345	83,984
Total Current Assets	2,566,830	2,038,878	2,073,521	1,764,606	1,444,271
Non-Current Assets					
Prepaid Expenses - Net of Current Portion	573,551	785,863	847,204	799,699	62,328
Property and Equipment	10,218,242	9,404,369	8,288,344	8,441,722	9,161,218
Right of Use Assets	-	-	-	-	1,265,241
Intangible Assets	121,495	114,897	108,299	110,769	105,874
Deferred tax Assets	125	229	747	1,145	2,340
Other Non-Current Financial Assets	539,051	265,832	352,366	46,884	3,464
Total Non-Current Assets	11,452,464	10,571,190	9,596,960	9,400,219	10,600,465
Total Assets	14,019,294	12,610,068	11,670,481	11,164,825	12,044,736

Statements of financial position (liabilities)

STP

Statements of financial position (Liabilities, in IDR millions, unless otherwise specified)

	FY 2016* (Audited)	FY 2017 (Audited)	FY 2018 (Audited)	FY 2019 (Audited)	FY 2020 (Audited)
Current Liabilities				<u> </u>	
Trade Payables					
- Related Party	17,227	9,578	486	2,548	29
- Third Party	51,728	26,116	14,410	8,512	15,172
Other Current Financial Liabilities	454	427	157	15,383	25,607
Taxes Payable	19,489	9,693	8 <i>,</i> 863	7,791	52,821
Accruals	172,969	159,945	77,463	171,741	184,768
Deferred Income	732,401	615,401	852,120	688,183	582,609
Current Portion of Lease Liability	-	-	-	-	33,946
Short-Term Bank Loan	-	-	360,000	300,000	450,000
Short-Term Syndicated Loan	100,000	-	-	-	
Current Portion of Long-Term Bank Loan	-	-	222,766	372,831	376,064
Total Current Liabilities	1,094,268	821,160	1,536,265	1,566,989	1,721,016
Non-Current Liabilities					
Long-Term Portion of Lease Liability	-	-	-	-	292,749
Long-Term Loan	3,846,124	3,649,029	7,134,063	6,585,646	6,315,792
Bond Payable	3,967,221	4,019,204	-	-	-
Deferred tax Liabilities	407,829	-	-	-	-
Other Non-Current Financial Liabilities	-	-	-	-	13,613
Long-Term Employment Benefit Liabilities	20,789	27,265	30,248	38,674	54,778
Total Non-Current Liabilities	8,241,963	7,695,498	7,164,311	6,624,320	6,676,932
Total Liabilities	9,336,231	8,516,658	8,700,576	8,191,309	8,397,948

Statements of financial position (equity)

STP

Statements of financial position (Equity, in IDR millions, unless otherwise specified)

	FY 2016*	FY 2017	FY 2018	FY 2019	FY 2020
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Equity					
Issued and Paid-Up Capital	113,758	113,758	113,758	113,758	113,758
Additional Paid-Up Capital - Net	3,589,771	3,589,771	3,589,771	3,589,771	3,589,771
Retained Earnings	822,112	(119,647)	(719,479)	(482,813)	219,288
Other Comprehensive Income	157,422	509,528	(14,145)	(247,200)	(278,169)
Total Equity Attributed to:					
- Owners of the Parent	4,683,063	4,093,410	2,969,905	2,973,516	3,644,648
- Non Controlling Interest	-	-	-	-	2,140
Total Equity	4,683,063	4,093,410	2,969,905	2,973,516	3,646,788
Total Liabilities and Equity	14,019,294	12,610,068	11,670,481	11,164,825	12,044,736

Statements of cash flows



Statements of cash flows (in IDR millions)

	FY 2016*	FY 2017	FY 2018	FY 2019	FY 2020
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Cash Flows from Operating Activities					
Cash Received from Customers	1,622,474	2,225,161	1,892,016	2,154,474	1,902,694
Payment to Suppliers and Opex	(219 <i>,</i> 457)	(162,272)	(249,917)	(290,194)	(385,392)
Interest Received	15,697	20,057	7,984	13,058	19,001
Tax Payment and Others	(1,032)	1,727	(13,031)	(369)	(33 <i>,</i> 855)
Net Cash provided by operating	1,417,682	2,084,673	1,637,052	1,876,969	1,502,448
Cash Flows from Investing Activities					
Property and Equipment - Procurement	(386 <i>,</i> 463)	(315,596)	(161,295)	(299 <i>,</i> 348)	(408,519)
Payments For Land Lease	(215,769)	(395 <i>,</i> 687)	(210,370)	(223,391)	-
Addition of Intangible Assets	-	-	-	(6 <i>,</i> 880)	(4,899)
Advances for Construction	74	(1,710)	(3,159)	(4 <i>,</i> 689)	(923)
Others	24,843	-	-	-	-
Net Cash used in investing	(577 <i>,</i> 315)	(712,993)	(374,824)	(534,308)	(414,341)
Cash Flows from Financing Activities					
Financing Transaction - net	85 <i>,</i> 982	(406,576)	3,471,473	(323 <i>,</i> 188)	(251,266)
Payments of right of use assets lease liabilities	-	-	-	-	(267,363)
Proceeds (Payment) from Bond Issuance	-	-	(4,123,500)	-	-
Payment of Financial Charges	(973 <i>,</i> 885)	(869 <i>,</i> 813)	(733,256)	(805 <i>,</i> 560)	(692,860)
Net Cash used in financing	(887,903)	(1,276,389)	(1,385,283)	(1,128,748)	(1,211,489)
Net (decrease) increase in cash	(47,536)	95,291	(123,055)	213,913	(123,382)
Effect of forex difference on cash	3,207	(138)	(10,049)	576	(976)
Cash and cash equivalent at beginning of year	229,325	184,996	280,149	147,045	361,534
Cash and cash equivalent at end of year	184,996	280,149	147,045	361,534	237,176
Note: * Restated					



