

Investor Presentation PT Solusi Tunas Pratama Tbk

July 2020

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## Company Overview

## STP at a glance: Indonesia's premier wireless data network infrastructure provider



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Notes: 1) Including fiber optic networks that STP operates under Icon+ partnership

2) Revenue from Telkom Group includes Telkomsel, Mitratel, and resellers with Telkomsel as the end customer

## Strong portfolio of tower and fiber assets covering major prime locations



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 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

Notes: 1) Java includes both Java and Bali Island as well as Greater Jakarta 2) Including fiber optic networks that STP operates under Icon+ partnership

# STP has been achieving robust growth of both revenue and EBITDA from core customers





~3% revenue and EBITDA CAGR during 2015 – 2020 from core customers (i.e. excluding Flexi and Internux/First Media)

Note: 1) Adjusted to exclude Flexi and Internux/First Media, which ceased operations in 2016 and 2018 respectively to present a comparable basis for ann.1Q 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)

Notes: 1) Revenue from Telkom Group includes Telkomsel, Mitratel, and resellers with Telkomsel as the end customer

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



79.1%

2023



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#### Prudent risk management policy

- ✓ FX hedges in place to mitigate volatility in currency and interest rate
- ✓ 54% of all outstanding debt<sup>2)</sup> is USD denominated which is 100% hedged against FX risk for principal and interest payments

## Net debt / LQA EBITDA<sup>1</sup>) (x) Consistent Deleveraging 5.5x 4.0x 5.2% 5.2%

2020

1Q 2020

#### Debt maturity profile (as % of total outstanding)

2021

2022

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

2014



## Potential Business Opportunities

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



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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 ...



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## SIM registration will result in lower churn for mobile operators

- Prepaid SIM registration began on October 31, 2017 and was completed in May 2018
- Introduction of prepaid SIM registration likely to make customers stickier to one provider because they would have to register their SIM each time they change operators
- Operators offered significant discounts, particularly on data packages to acquire customers as customers would likely be stickier post implementation of SIM registration (translating into a lower customer acquisition cost)
  - Resulted in a period of heightened competition during the SIM registration period

Higher LTV subscriber base



## Supportive competitive and pricing environment

- Since the end of the SIM registration process, mobile operators have gone through a period of ~9 months of improving competition with Telkomsel increasing prices thrice, Indosat twice and XL Axiata once, over this period
- This has resulted in improvement in prepaid revenue after having declined during the SIM registration period



Operators able to focus resources on capex vs. subscriber acquisition

#### 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 ~30% of total BTS<sup>1</sup> 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 ~2-3x more 4G BTS vs. XL and Indosat)



Willingness to invest and improve their network

Source: Company filings

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

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



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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 we live



#### App downloads in Indonesia have risen rapidly



Notes: 1 A gigabyte (GB) is 109 bytes of data 2 Across mobile operating platforms

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



### Higher Capex for Network Investments

- 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 9 April 2019

#### Capex spend guidance for 2019 of around IDR7.5Tn,

which will remain focused on data network investment in 4G and continuous network improvements and modernization in and outside Java... On the IDR 7.5Tn capex that we are probably going to spend in 2019, we are **probably going to spend more to outside Java**. By end of 2018, population coverage, our 4G population coverage outside Java is close to 80%. By end of 2019, with investment that we are putting in, population coverage will be close to 90%

- XL Axiata CFO, 4Q18 Earnings Call, 15 Feb 2019

#### On the US\$2Bn capex, the plan was we will spend it over three years (2019-21). <u>In 2019, we are already confirmed</u> <u>that we will spend IDR10.3Tn</u> out of this US\$2 billion capex

- Indosat CEO, 3Q18 Earnings Call, 27 Nov 2018

The direction is to keep investing in the network, both Java and outside Java. <u>Directionally, there's been some</u> <u>important investment outside Java. This is an important</u> <u>area for us</u> – Indosat CSO, 4Q18 earnings Call, 6 Mar 2019

#### 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 ~8x since 2015



#### 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)



Note: 1 Spectrum holding for peer countries calculated as average of spectrum portfolio of MNOs in respective countries





## Optimized business strategy for STP's core tower business



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- 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 a 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



 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

## Superior competitive advantage in tower fiberisation

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#### Partnership with lcon+ unlocks new potential for STP to tap on existing electrical infrastructure to expand fiber network



- Icon+ has the right to use fiber network built alongside PLN's electrical infrastructure
- PLN will provide the right of way access and fiber cable to STP
- STP expected to incur the necessary capital expenditure and operating expenses associated with rolling out the fiber network
- STP to use the fiber network on a revenue sharing basis

# Opportunity for STP to provide connectivity for telecom operators through deployment of mobile backhaul





**Mobile Backhaul** refers to the network between the base station sites (Node-B, eNode-B, BTS) and the network controller site (Radio Network Controller = RNC, S-GW)

#### Tower fiberisation

- Fiberisation of sites is becoming increasingly attractive economically
  - Microwave backhaul has become more expensive over time
  - Over a 5 year period, total fiberisation cost with microwave is estimated to be c. 5x more expensive than with fiber optics
  - Capacity requirement for telecom operators has increased driven by continuously increasing data consumption
  - STP is able to offer connectivity through either leasing of core fiber or fiber capacity



## Appendix: Summary Financials

### Income statement

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#### Income statement (in IDR millions, unless otherwise specified)

FY 2015	FY 2016*	FY 2017	FY 2018	FY 2019	Q1 2019	Q1 2020
(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
1,785,853	1,821,446	1,908,487	1,899,775	1,767,050	444,727	463,671
(137,331)	(130,218)	(125,183)	(119 <i>,</i> 055)	(123,933)	(30,319)	(35,595)
(114,782)	(137,546)	(137,257)	(142,989)	(165,077)	(36,236)	(42,582)
1,533,740	1,553,682	1,646,047	1,637,731	1,478,040	378,172	385,494
85.9%	85.3%	86.2%	86.2%	83.6%	85.0%	83.1%
(203,045)	(340,941)	(336,405)	(383 <i>,</i> 392)	(392,193)	(79,550)	(130,327)
1,330,695	1,212,741	1,309,642	1,254,339	1,085,847	298,622	255,167
74.5%	66.6%	68.6%	66.0%	61.4%	67.1%	55.0%
(1,035,031)	(1,005,066)	(1,002,138)	(954,603)	(855,885)	(221,898)	(186,770)
(53,649)	313,378	(96,370)	(1,502,074)	11,909	(94,377)	2,694
242,015	521,053	211,134	(1,202,338)	241,871	(17,653)	71,091
(105,140)	(208,596)	119,827	(21,505)	(13,489)	(59)	(542)
136,875	312,457	330,961	(1,223,843)	228,382	(17,712)	70,549
	(Audited) 1,785,853 (137,331) (114,782) 1,533,740 85.9% (203,045) 1,330,695 74.5% (1,035,031) (53,649) 242,015 (105,140)	(Audited)   (Audited)     1,785,853   1,821,446     (137,331)   (130,218)     (114,782)   (137,546)     1,533,740   1,553,682     85.9%   85.3%     (203,045)   (340,941)     1,330,695   1,212,741     74.5%   66.6%     (1,035,031)   (1,005,066)     (53,649)   313,378     242,015   521,053     (105,140)   (208,596)	(Audited)(Audited)(Audited)1,785,8531,821,4461,908,487(137,331)(130,218)(125,183)(114,782)(137,546)(137,257)1,533,7401,553,6821,646,04785.9%85.3%86.2%(203,045)(340,941)(336,405)1,330,6951,212,7411,309,64274.5%66.6%68.6%(1,035,031)(1,005,066)(1,002,138)(53,649)313,378(96,370)242,015521,053211,134(105,140)(208,596)119,827	(Audited)(Audited)(Audited)(Audited)1,785,8531,821,4461,908,4871,899,775(137,331)(130,218)(125,183)(119,055)(114,782)(137,546)(137,257)(142,989)1,533,7401,553,6821,646,0471,637,73185.9%85.3%86.2%86.2%(203,045)(340,941)(336,405)(383,392)1,330,6951,212,7411,309,6421,254,33974.5%66.6%68.6%66.0%(1,035,031)(1,005,066)(1,002,138)(954,603)(53,649)313,378(96,370)(1,502,074)242,015521,053211,134(1,202,338)(105,140)(208,596)119,827(21,505)	(Audited)(Audited)(Audited)(Audited)(Audited)1,785,8531,821,4461,908,4871,899,7751,767,050(137,331)(130,218)(125,183)(119,055)(123,933)(114,782)(137,546)(137,257)(142,989)(165,077)1,533,7401,553,6821,646,0471,637,7311,478,04085.9%85.3%86.2%86.2%83.6%(203,045)(340,941)(336,405)(383,392)(392,193)1,330,6951,212,7411,309,6421,254,3391,085,84774.5%66.6%68.6%66.0%61.4%(1,035,031)(1,005,066)(1,002,138)(954,603)(855,885)(53,649)313,378(96,370)(1,502,074)11,909242,015521,053211,134(1,202,338)241,871(105,140)(208,596)119,827(21,505)(13,489)	(Audited)(Audited)(Audited)(Audited)(Unaudited)1,785,8531,821,4461,908,4871,899,7751,767,050444,727(137,331)(130,218)(125,183)(119,055)(123,933)(30,319)(114,782)(137,546)(137,257)(142,989)(165,077)(36,236)1,533,7401,553,6821,646,0471,637,7311,478,040378,17285.9%85.3%86.2%86.2%83.6%85.0%(203,045)(340,941)(336,405)(383,392)(392,193)(79,550)1,330,6951,212,7411,309,6421,254,3391,085,847298,62274.5%66.6%68.6%66.0%61.4%67.1%(1,035,031)(1,005,066)(1,002,138)(954,603)(855,885)(221,898)(53,649)313,378(96,370)(1,502,074)11,909(94,377)242,015521,053211,134(1,202,338)241,871(17,653)(105,140)(208,596)119,827(21,505)(13,489)(59)

## Statements of financial position (assets)



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

	FY 2015	FY 2016*	FY 2017	FY 2018	FY 2019	Q1 2019	Q1 2020
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Current Assets							
Cash and Cash Equivalents	229,325	184,996	280,149	147,045	361,534	447,613	683,028
Trade Receivables - Third Parties	279,237	958,050	754,948	1,005,389	611,786	116,623	111,046
Other Current Financial Assets	246,478	573,649	282,188	274,269	221,119	402,601	270,557
Inventory	54,644	47,852	37,922	35,295	37,649	37,055	45,713
Prepaid Taxes	730,279	566,362	438,350	355,081	264,173	349,040	313,078
Advance and Prepaid Expenses	277,609	235,921	245,321	256,442	268,345	281,641	179,175
Total Current Assets	1,817,572	2,566,830	2,038,878	2,073,521	1,764,606	1,634,573	1,602,597
Non-Current Assets							
Prepaid Expenses - Net of Current Portion	503,945	573,551	785,863	847,204	799,699	813,854	175,311
Investment Property	9,542,252	-	-	-	-	-	-
Property and Equipment	525,836	10,218,242	9,404,369	8,288,344	8,441,722	8,279,757	8,510,429
Right of Use Assets	-	-	-	-	-	-	1,588,880
Intangible Assets	119,532	121,495	114,897	108,299	110,769	114,066	108,595
Deferred tax Assets	-	125	229	747	1,145	623	670
Other Non-Current Financial Assets	1,229,610	539,051	265,832	352,366	46,884	237,557	903,904
Total Non-Current Assets	11,921,175	11,452,464	10,571,190	9,596,960	9,400,219	9,445,857	11,287,789
Total Assets	13,738,747	14,019,294	12,610,068	11,670,481	11,164,825	11,080,430	12,890,386

## Statements of financial position (liabilities)



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

	FY 2015	FY 2016*	FY 2017	FY 2018	FY 2019	Q1 2019	Q1 2020
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Current Liabilities							
Trade Payables							
- Related Party	293	17,227	9,578	486	2,548	3,320	3,520
- Third Party	31,684	51,728	26,116	14,410	8,512	13,237	16,481
Other Current Financial Liabilities	523	454	427	157	15,383	1,014	387
Taxes Payable	32,857	19,489	9,693	8,863	7,791	12,789	6,390
Accruals	211,919	172,969	159,945	77,463	171,741	117,687	166,206
Deferred Income	250,459	732,401	615,401	852,120	688,183	717,961	789,130
Current Portion of Lease Liability	-	-	-	-	-	-	142,494
Short-Term Bank Loan	-	-	-	360,000	300,000	-	300,000
Short-Term Syndicated Loan	-	100,000	-	-	-	-	-
Current Portion of Long-Term Bank Loan	304,180	-	-	222,766	372,831	378,267	353,526
Total Current Liabilities	831,915	1,094,268	821,160	1,536,265	1,566,989	1,244,275	1,778,134
Non-Current Liabilities							
Long-Term Portion of Lease Liability	-	-	-	-	-	-	758,477
Long-Term Loan	3,754,404	3,846,124	3,649,029	7,134,063	6,585,646	6,841,057	7,157,165
Bond Payable	4,056,000	3,967,221	4,019,204	-	-	-	-
Deferred tax Liabilities	264,041	407,829	-	-	-	-	-
Long-Term Employment Benefit Liabilities	17,851	20,789	27,265	30,248	38,674	30,249	38,674
Total Non-Current Liabilities	8,092,296	8,241,963	7,695,498	7,164,311	6,624,320	6,871,306	7,954,316
Total Liabilities	8,924,211	9,336,231	8,516,658	8,700,576	8,191,309	8,115,581	9,732,450

## Statements of financial position (equity)



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

	FY 2015	FY 2016*	FY 2017	FY 2018	FY 2019	Q1 2019	Q1 2020
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Equity							
Issued and Paid-Up Capital	113,758	113,758	113,758	113,758	113,758	113,758	113,758
Additional Paid-Up Capital - Net	3,589,495	3,589,771	3,589,771	3,589,771	3,589,771	3,589,771	3,589,771
Retained Earnings	690,484	822,112	(119,647)	(719,479)	(482,813)	(737,189)	(412,264)
Other Comprehensive Income	420,799	157,422	509,528	(14,145)	(247,200)	(1,491)	(133,329)
Total Equity Attributed to:							
- Owners of the Parent	4,814,536	4,683,063	4,093,410	2,969,905	2,973,516	2,964,849	3,157,936
- Non Controlling Interest	-	-	-	-	-	-	-
Total Equity	4,814,536	4,683,063	4,093,410	2,969,905	2,973,516	2,964,849	3,157,936
Total Liabilities and Equity	13,738,747	14,019,294	12,610,068	11,670,481	11,164,825	11,080,430	12,890,386
Note: * Restated							•

### Statements of cash flows



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#### Statements of cash flows (in IDR millions)

	FY 2015	FY 2016*	FY 2017	FY 2018	FY 2019	Q1 2019	Q1 2020
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Cash Flows from Operating Activities							
Cash Received from Customers	1,201,587	1,622,474	2,225,161	1,892,016	2,035,354	1,078,451	1,011,677
Payment to Suppliers and Opex	(215,098)	(219,457)	(162,272)	(249,917)	(168,299)	(58,585)	(102,072)
Interest Received	31,342	15,697	20,057	7,984	13,058	3,916	4,762
Tax Payment and Others	(50,418)	(1,032)	1,727	(13,031)	(3,144)	(15,953)	(18,198)
Net Cash provided by operating	967,413	1,417,682	2,084,673	1,637,052	1,876,969	1,007,829	896,169
Cash Flows from Investing Activities							
Property and Equipment - Procurement	(92,682)	(386,463)	(315,596)	(161,295)	(306,228)	(21,058)	(134,754)
Prepayment for Ground Lease	(209,993)	(215,769)	(395 <i>,</i> 687)	(210,370)	(223,391)	(18,387)	(30,585)
Acquisition of Rights of Use of Assets	-	-	-	-	-	-	(19,717)
Investment Property - net	(292,856)	-	-	-	-	-	-
Advances for Construction	(48,388)	74	(1,710)	(3,159)	(4,689)	(8,735)	(1,806)
Others	(20,000)	24,843	-	-	-	-	-
Net Cash used in investing	(663,919)	(577,315)	(712,993)	(374,824)	(534,308)	(48,180)	(186,862)
Cash Flows from Financing Activities							
Net Proceeds from Exercise of Limited Public Offering II	1,931,016	-	-	-	-	-	-
Net Proceeds from Exercise of Warrant Serie I	172	-	-	-	-	-	-
Financing Transaction - net	(6,107,864)	85,982	(406,576)	3,471,473	(323,188)	(464,971)	(207,868)
Proceeds (Payment) from Bond Issuance	3,859,800	-	-	(4,123,500)	-	-	-
Payment of Financial Charges	(1,072,118)	(973 <i>,</i> 885)	(869,813)	(733,256)	(805,560)	(192,878)	(169,452)
Net Cash used in financing	(1,388,994)	(887,903)	(1,276,389)	(1,385,283)	(1,128,748)	(657,849)	(377,320)
			05 204	(122.055)	212.012	201.000	221 007
Net (decrease) increase in cash	(1,085,500)	(47,536)	<b>95,291</b>	(123,055)	213,913	<b>301,800</b>	<b>331,987</b>
Effect of forex difference on cash	(4,063)	3,207	(138)	(10,049)	576	(1,232)	(10,493)
Cash and cash equivalent at beginning of year Cash and cash equivalent at end of year	1,318,888 <b>229,325</b>	229,325 <b>184,996</b>	184,996 <b>280,149</b>	280,149 <b>147,045</b>	147,045 <b>361,534</b>	147,045 <b>447,613</b>	361,534 683,028



