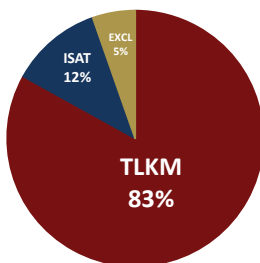


Overweight

Stock Recommendation

Ticker	Rating	Price (IDR)	TP (IDR)	Upside
TLKM	BUY	4,080	5,000	22,5%
ISAT	BUY	6,925	10,500	51,6%
EXCL	BUY	2,000	2,700	35,0%

Sector Market Cap Weighting



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Maintaining its growth

4Q22 telco results. The three telco companies under our coverage recorded revenue growth average of +2.1% QoQ (+25% YoY) and net profit growth average of +35% QoQ (-24% YoY) in 4Q22. The positive revenue growth in 4Q22 was mainly driven by data revenue (+1.3% QoQ; +13.3% YoY) with data traffic growth to 10.54 PB (+6.1% QoQ; +38.4% YoY) and an ARPU of ~IDR 39 thousand (+2.7% YoY), supported by more 'mature' competition and seasonality in 4Q. Overall, the full-year top lines of telco companies under our coverage were in line with our estimates and consensus; TLKM (SSI: 99.5%; Cons: 100.7%); EXCL (SSI: 100.9%; Cons: 101.1%); and ISAT (SSI: 99.7%; Cons: 100.4%). However, on the bottom line, EXCL actually fell short of our estimates, mainly due to one-off expenses related to capitalized lease expense in 4Q22 (~IDR 100bn), which led to a -52.8% YoY drop in its net profit in 4Q22, and brought its cumulative FY22 net profit to IDR 1.1 trillion (-13.9% YoY) (SSI: 83.1%; Cons: 86.1%). Meanwhile, TLKM and loH's bottom lines were in line with our estimates, with loH posting a 4Q22 net profit of IDR 1.04 trillion (+142.4% QoQ; +9.0% YoY) and a cumulative FY22 net profit of IDR 4.7 trillion (-30.0% YoY) (SSI: 101.6%; Cons: 109.5%) and TLKM posting a cumulative FY22 net profit of IDR 21 trillion (-16.2% YoY) (SSI: 1101.2%; Cons: 80, 6%) (TLKM's estimated investment loss in GOTO in FY22 is in line with our estimates of ~IDR 6.3-6.4tn). This year, ISAT is expected to book a one-off gain from tower sales to MTEL and DHOST of approx. ~IDR 1-2tn (~2x PBV), while TLKM is projected to record a one-off gain from its investment in GOTO of ~IDR 1.2tn (based on SSI's TP for GOTO of IDR 150/share).

What we expect going forward. We expect telco companies under our coverage to record better ARPUs in 2023F as the competition in the industry continues to tone down, as reflected in the combined ARPU of telco companies, which went up +7% in 2H22 vs 1H22 and increased +1.1% YoY. Since the beginning of this year, telco companies have started to raise the price of their starter packs while indicating their plans to raise the price of data packages. We project mid-to-high single-digit growth in the ARPU of Indonesian telco companies in 2023F, while for data traffic, we expect a ~30% YoY spike in 2023F (2022F growth: ~20%), driven by the election momentum (the election itself will be held in 1Q24). According to our research, telco companies in other countries (Malaysia, Thailand, China, and India) started to record higher data traffic two quarters before elections (2016-2017, Malaysia: 2016-2017, 2022), ranging from ~+4-100%, supported by the campaigns for the election. However, we estimate that the impact of the 2024 election momentum on data traffic growth in Indonesia this year will not be as significant as in our sample countries, considering the fact that during the period, most of those countries were rolling out 4G services, which became another boosting sentiment for data traffic. Also, we expect that the competition in the fixed broadband market will remain tight in 2023F, considering the relatively low fiber penetration in Indonesia (~30%), making the fixed broadband market somewhat concentrated.

Overweight. We reiterate our Overweight call on the telco sector, as we see potential positive catalysts from the trickle-down effect in 2H23 from the election, as well as more mature competition in the industry. Our pecking order for the sector is ISAT (TP: IDR 10,500)>TLKM (TP: IDR 5,000) > EXCL (TP: IDR 2,700), considering the impact of loH's network integration in 1Q23, its inorganic subscriber growth, and its robust balance sheet that put loH in an excellent position to participate in the spectrum auction in 2H23. Downside risks: Lower-than-expected traffic growth and ARPU.

Table 1. Telco sector under our coverage

Ticker	Rating	CP	TP	Upside	P/B (x)		EV/EBITDA (x)		NP (IDRbn)		EPSG (%)		ROE (%)	
		(IDR)	(IDR)	(%)	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
TLKM	BUY	4080	5000	22,5%	3,0	2,9	8,0	7,7	31.309	31.026	50,9	-0,9	20	19
ISAT	BUY	6925	10500	51,6%	2,6	2,4	5,8	4,9	2.147	2.338	-55	9	7	7
EXCL	BUY	2000	2700	35,0%	0,9	0,9	4,6	4,3	1.152	1.283	0,0	11	4	4
Sector					2,9	2,8	7,6	7,3	27.002	26.787	43,3	-0,8	0,2	0,2

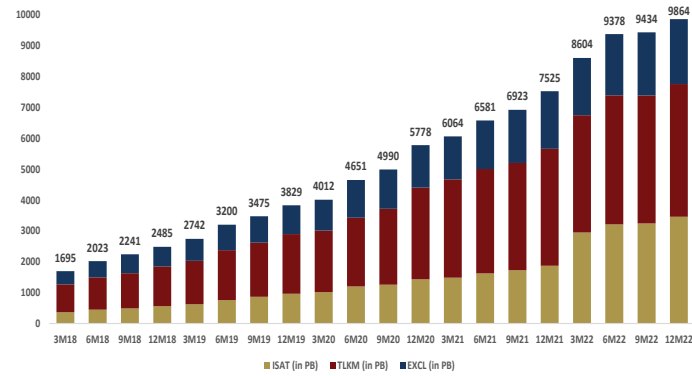
Source: SSI research

Table 2 Regional peers comparison

Company Name	Country	Company Ticker	Market Cap (IDR Tn)	PER (x)		EV/EBITDA (x)		PBV (x)		ROE (%)	
				2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
SINGAPORE TELECO	SG	ST SP	457.5	18.1	15.5	12.7	12.1	1.4	1.4	7.9	9.0
STARHUB LTD	SG	STH SP	20.3	15.7	12.8	6.2	5.6	3.2	3.1	22.6	25.5
AXIATA GROUP BER	MY	AXIATA MK	93.8	20.9	19.3	5.9	5.6	1.1	1.1	4.8	5.6
DIGI.COM BHD	MY	CDB MK	172.7	28.0	25.4	10.2	10.0	4.3	7.4	10.8	43.1
MAXIS BHD	MY	MAXIS MK	109.7	22.9	22.0	10.3	10.1	5.1	5.2	21.8	22.8
TELEKOM MALAYSIA	MY	T MK	63.6	14.2	13.8	4.9	4.8	2.1	2.0	15.4	14.0
PLDT INC	PH	TEL PM	84.6	10.8	10.7	5.4	5.2	2.3	2.1	23.2	22.0
GLOBE TELECOM	PH	GLO PM	74.0	13.8	12.2	6.6	6.3	2.0	1.9	15.0	14.9
ADVANCED INFO	TH	ADVANC TB	277.7	22.0	20.1	8.0	7.6	7.0	6.7	32.4	33.9
TOTAL ACCESS COM	TH	TRUE TB	126.5	38.0	32.0	9.6	9.9	5.7	5.6	13.7	17.6
TELKOM INDONESIA	ID	TLKM IJ	402.2	14.5	13.5	5.4	5.1	2.9	2.8	20.3	20.8
PT XL AXIATA TBK	ID	EXCL IJ	26.0	19.0	14.6	4.2	3.9	0.9	0.9	5.7	6.4
INDOSAT TBK PT	ID	ISAT IJ	56.0	21.4	15.5	4.7	4.4	1.8	1.7	8.3	10.5
Adjusted average				19.9	17.8	8.4	8.1	3.3	3.5	16.5	20.2

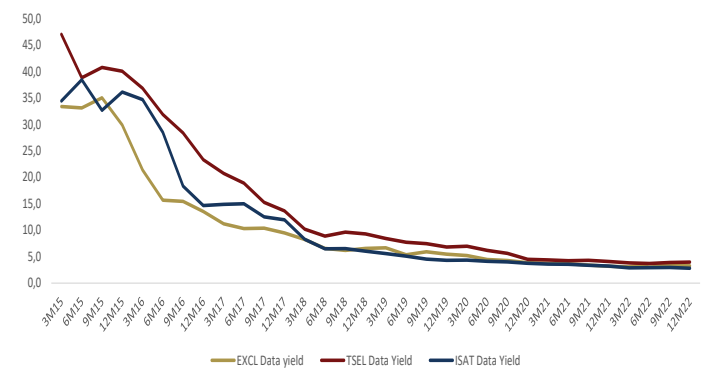
Source: Bloomberg, SSI Research

Figure 1. Total Data traffic, 3 Telco companies (in PB)



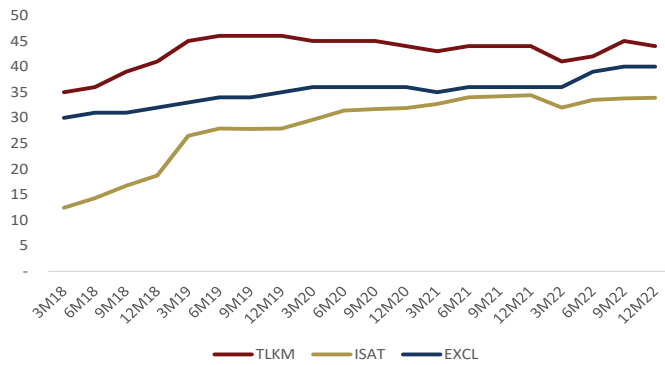
Source: Companies, SSI research

Figure 2. Total data yield, 3 telco companies (IDR/MB)



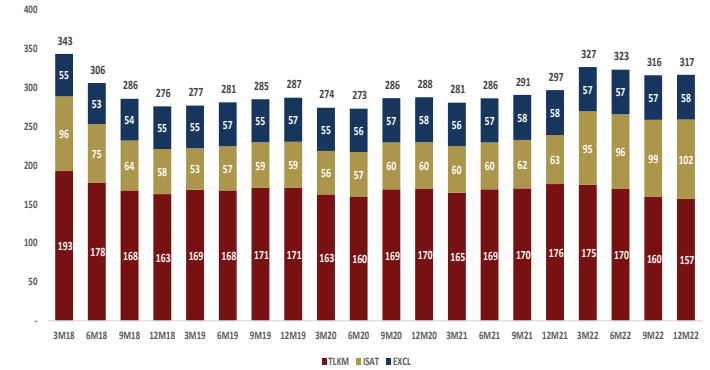
Source: Companies, SSI research

Figure 3. Blended ARPU trend (in IDR thousand)



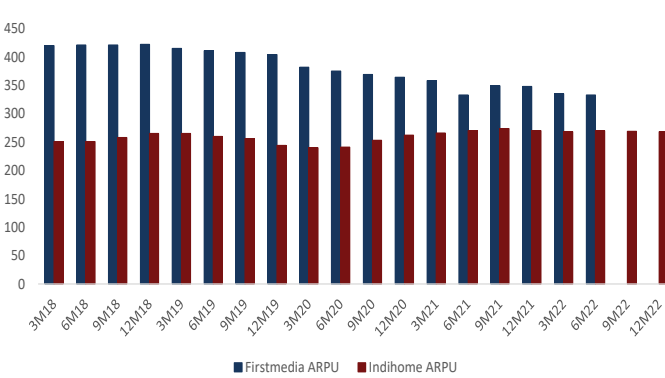
Source: Companies, SSI research

Figure 4. Total subscribers (in mns)



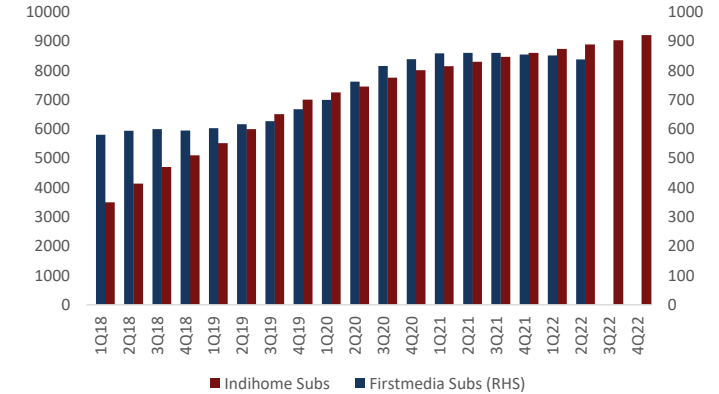
Source: Companies, SSI research

Figure 5. Indihome vs FirstMedia ARPU ('000)



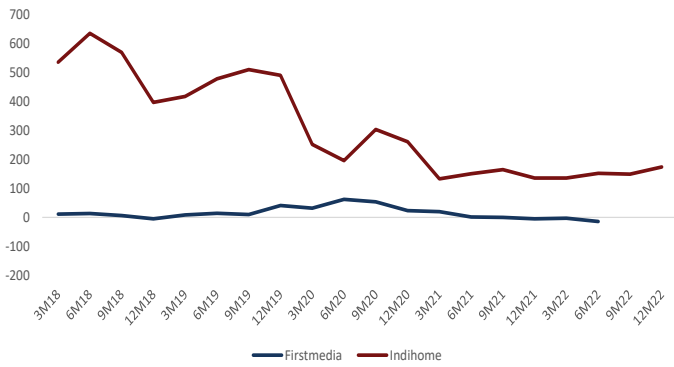
Source: Companies, SSI research, *Data not provided for Firstmedia during 3Q22 & 4Q22*

Figure 6. Indihome vs FirstMedia subscribers ('000)



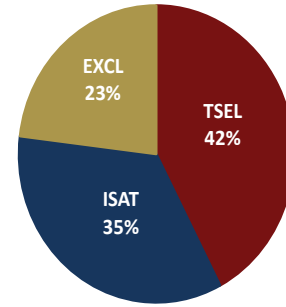
Source: Companies, SSI research, *Data not provided for Firstmedia during 3Q22 & 4Q22*

Figure 7. Firstmedia vs Indihome additional subscribers ('000)



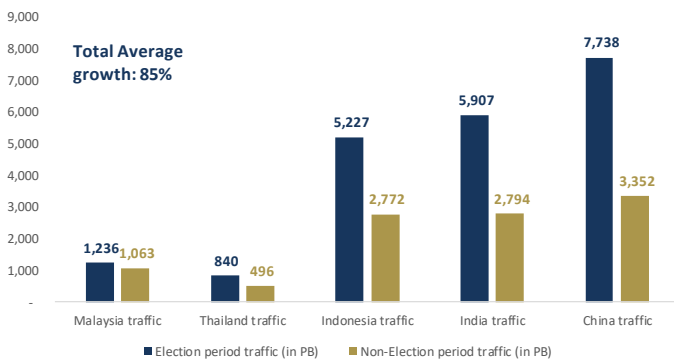
Source: Companies, SSI research, *Data not provided for Firstmedia during 9M22 & 12M22*

Figure 8. Paired spectrum share



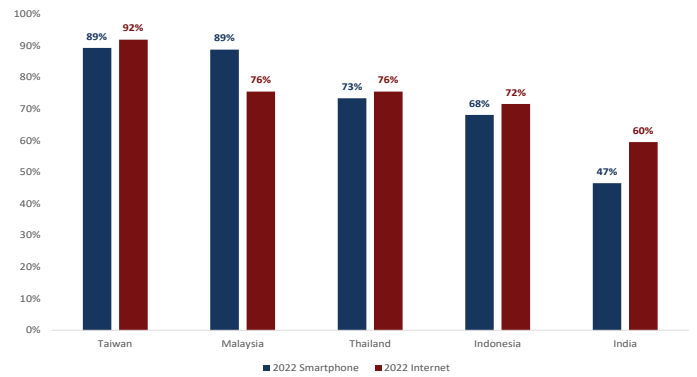
Source: Companies, SSI Research

Figure 9. Data traffic (in PBs)



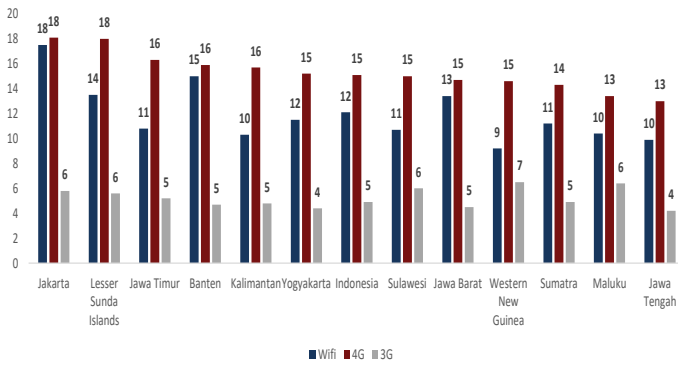
Source: Companies, SSI Research

Figure 10. Smartphone and Internet penetration (%)



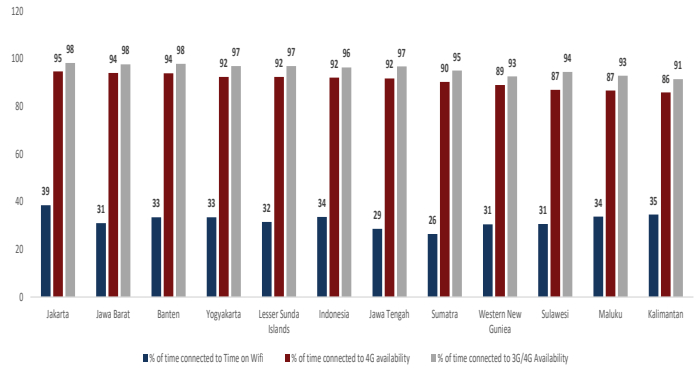
Source: Newzoo, SSI Research

Figure 11. Average download speed per region (Mbps)



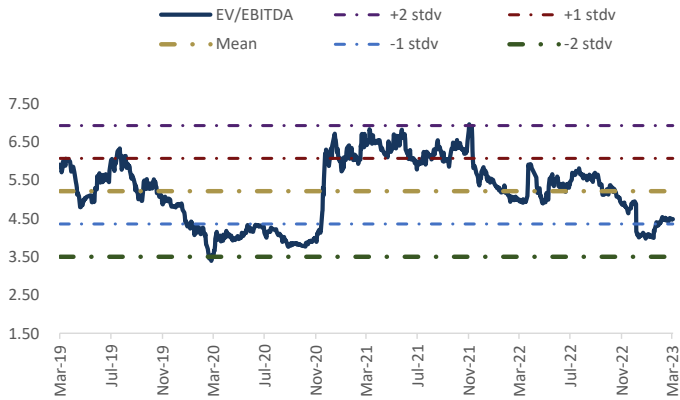
Source: Opensignal, SSI research

Figure 12. Connectivity rate per region (%)



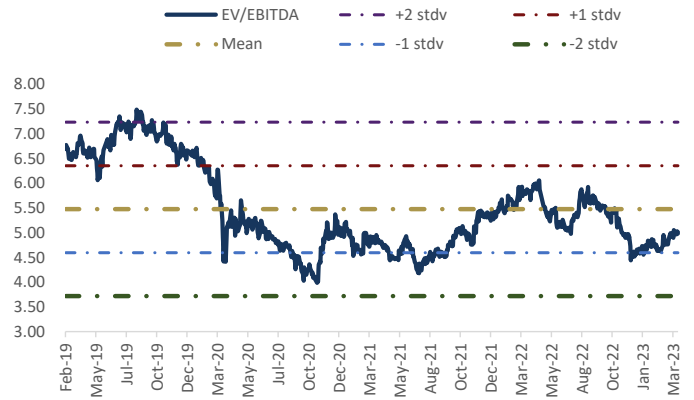
Source: Opensignal, SSI research

Figure 13. ISAT EV/EBITDA



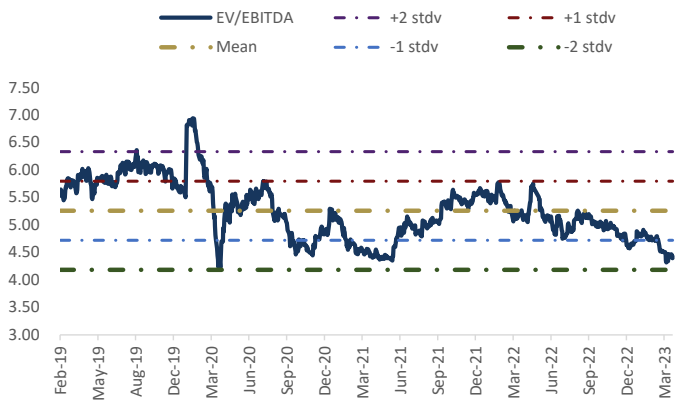
Source: Bloomberg, Company, SSI research

Figure 14. TLKM EV/EBITDA



Source: Bloomberg, Company, SSI research

Figure 15. EXCL EV/EBITDA



Source: Bloomberg, Company, SSI research

Figure 16. Telco sector EV/EBITDA



Source: Bloomberg, Company, SSI research

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