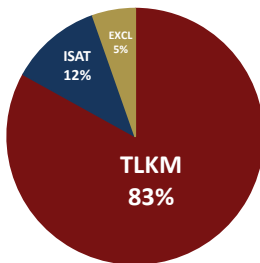


Overweight

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. Di 4Q22, 3 emiten telco dibawah coverage kami mencatatkan rata-rata mencatatkan pertumbuhan pendapatan yang meningkat +2,1% QoQ (+25% YoY) dan laba bersih tercatat meningkat +35% QoQ; -24% YoY. Pertumbuhan pendapatan yang positif di 4Q22 ditopang dari pendapatan Data revenue di 4Q22 yang tercatat meningkat +1,3% QoQ dan +13,3% YoY, dimana pertumbuhan data traffic tercatat meningkat ke level 10,54 PB (+6,1% QoQ; +38,4% YoY) dan ARPU yang tercatat meningkat ke level ~39 ribu (+2,7% YoY) seiring dengan persaingan industry yang semakin mature serta dampak dari seasonality di 4Q. Overall secara top-line rata-rata emiten dibawah coverage kami *inline* dengan estimasi kami dan consensus: TLKM (SSI: 99,5%; Cons: 100,7%); EXCL (SSI: 100,9%; Cons: 101,1%); dan ISAT (SSI: 99,7%; Cons: 100,4%). Namun secara bottom-line EXCL mencatatkan laba bersih dibawah estimasi kami akibat one-off expense di 4Q terkait capitalized lease expense ~IDR 100bn di 4Q22 dan mencatatkan laba bersih yang turun -52,8% YoY, dan membawa laba bersih kumulatif ke level IDR1,1 tn (-13,9% YoY) (SSI: 83,1%; Cons: 86,1%). Sedangkan TLKM dan IoH mencatatkan laba bersih *inline* dengan estimasi kami, dimana IoH mencatatkan laba bersih yang meningkat ke level IDR1.04 triliun (+142,4% QoQ; +9,0% YoY) dengan laba bersih kumulatif IDR4,7 triliun FY22 (-30,0% YoY) (SSI: 101,6%; Cons: 109,5%) dan TLKM mencatatkan laba bersih kumulatif IDR21 tn (-16,2% YoY) (SSI: 1101,2%; Cons: 80,6%), dimana estimasi kerugian investment di GOTO *inline* dengan estimasi kami yang tercatat ~6.3-6.4 Tn di FY22. Untuk tahun ini ISAT diperkirakan akan booked one off gain dari tower sales ke MTEL dan DHOST berkisar ~1-2 Tn (~2x PBV), Untuk TLKM kami memproyeksikan akan mencatatkan one off gain dari investment di GOTO ~IDR1,2 Tn (Based on SSI TP: IDR150/share).

What we expect going forward. Di 2023F kami mengekspektasikan bahwa ARPU dari MNO akan mencatatkan pertumbuhan yang positif seiring persaingan yang lebih *toned down* tercermin dari overall ARPU telco companies yang tercatat meningkat di 2H22 vs 1H +7% dan meningkat +1,1% YoY. Dan sejak awal tahun ini telco companies tengah meningkatkan harga dari starter pack dan juga mengindikasikan akan meningkatkan harga paket data yang ditawarkan. Kami memproyeksikan ARPU telco companies di 2023F akan tumbuh di *mid to high single digit*. Dari segi data traffic kami memperkirakan akan terjadi peningkatan di 2H23F berkisar ~30% YoY (2022F growth: ~20%), ditopang dari *election period* yang akan dimulai di 1Q24. Dimana sebelumnya rata-rata telco companies di beberapa negara (India, China, Thailand, Malaysia) mencatatkan pertumbuhan data traffic 2 quarter sebelum election, dengan range pertumbuhan data traffic berkisar ~4-100% ditopang dari media election campaign. Namun untuk dampak pertumbuhan dari data traffic di Indonesia tahun ini kami perkirakan tidak akan signifikan seperti pada election period di negara-negara tersebut (2016-2017; Malaysia: 2016-2017, 2022), mengingat bahwa pada periode tersebut, rata-rata negara itu tengah melakukan roll out 4G. Selain dari itu kami mengekspektasikan bahwa price competition di fixed broadband market masih akan ketat di FY2023F mengingat bahwa dari segi fibre penetration di Indonesia masih relative rendah tercatat pada level ~30% membuat market dari fixed broadband concentrated.

Maintain Overweight. Kami tetap mempertahankan view Overweight terhadap telco sector, dimana di 2023F kami melihat positive catalyst dari trickle down effect dari election period di 2H23 nanti serta persaingan industry yang semakin mature kedepannya. Pecking order kami ISAT (TP: IDR 10,500) > TLKM (TP: IDR 5,000) > EXCL (TP: IDR 2,700), dimana kami melihat positive dari network integration IoH di 1Q23 yang akan meningkatkan users experience, pertumbuhan subscriber anorganik, dan robust balance sheet yang memposisikan IoH pada posisi yang baik untuk lelang spectrum di 2H23. Downside risk: (1) Lower than expected traffic growth, (2) Lower than expected increase in ARPU.

Table 1. Telco sector under our coverage

Ticker	Rating	CP (IDR)	TP (IDR)	Upside (%)	P/B (x)		EV/EBITDA (x)		NP (IDRbn)		EPSG (%)		ROE (%)	
					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

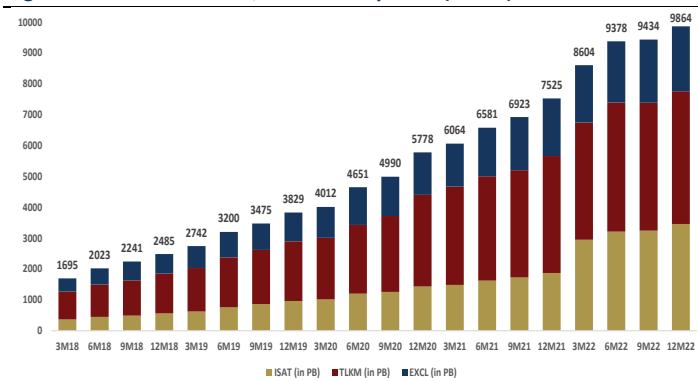
Source: SSI research

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

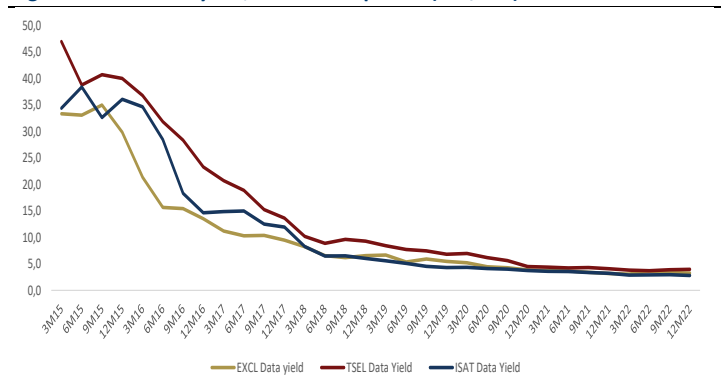
Source: Bloomberg, SSI research

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



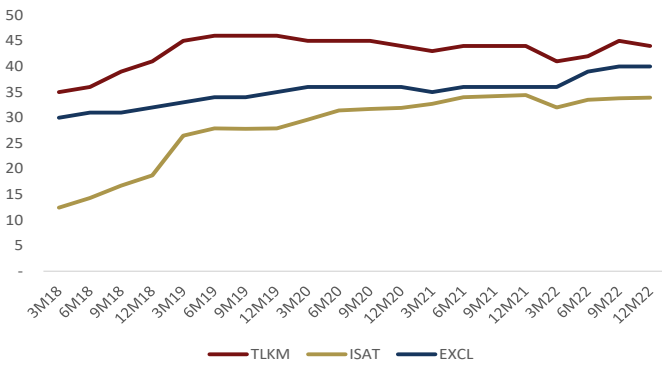
Source: Companies, SSI research

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



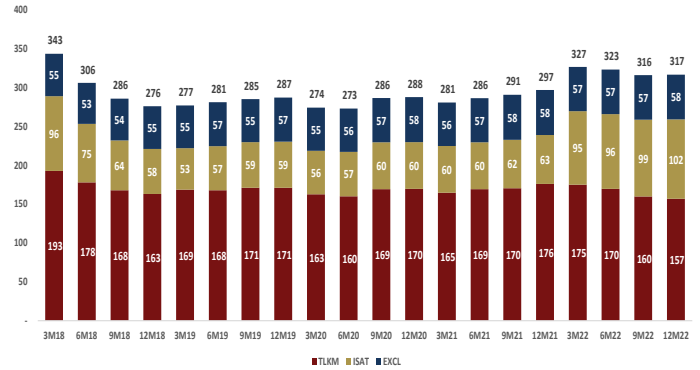
Source: Companies, SSI research

Figure 3. Blended ARPU trend (in IDR thousand)



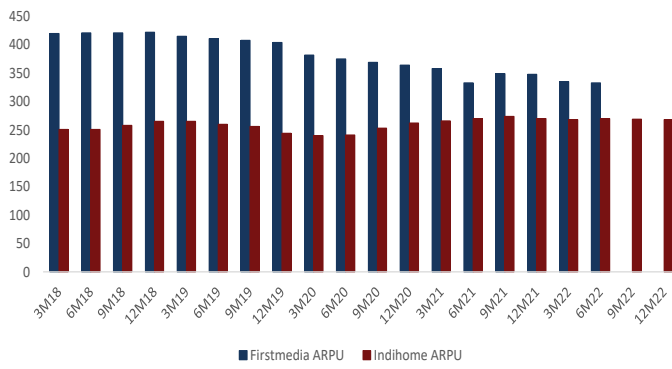
Source: Companies, SSI research

Figure 4. Total subscribers (in mns)



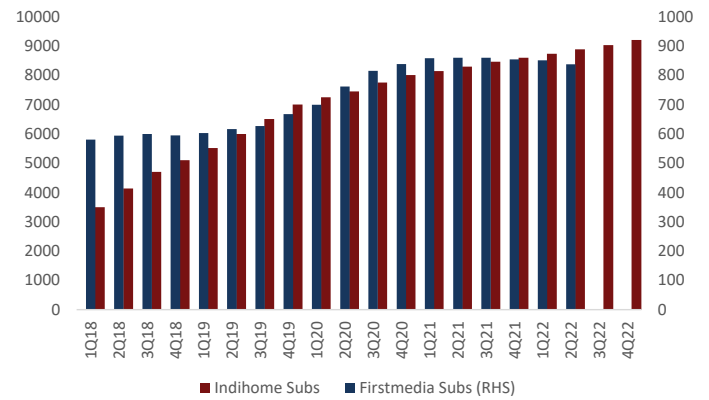
Source: Companies, SSI research

Figure 5. Indihome vs FirstMedia ARPU ('000)



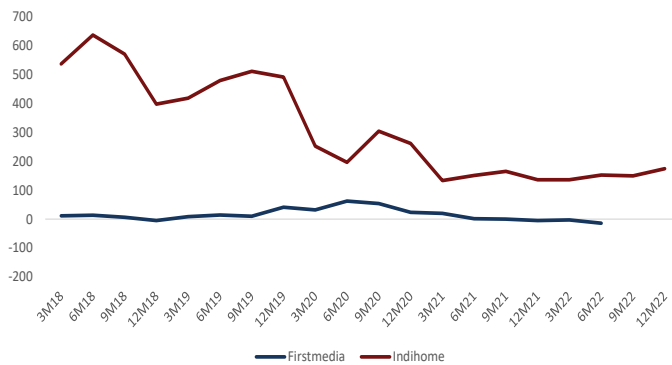
Source: Companies, SSI research, *Data not provided for Firstmedia during 3Q22 & 4Q22*

Figure 6. Indihome vs FirstMedia subscribers ('000)



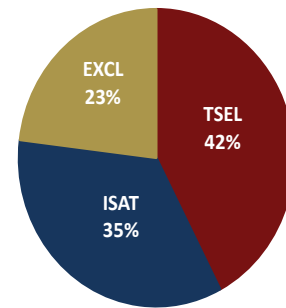
Source: Companies, SSI research, *Data not provided for Firstmedia during 3Q22 & 4Q22*

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)

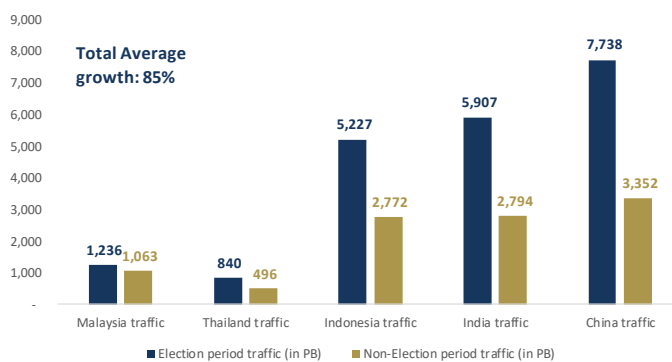
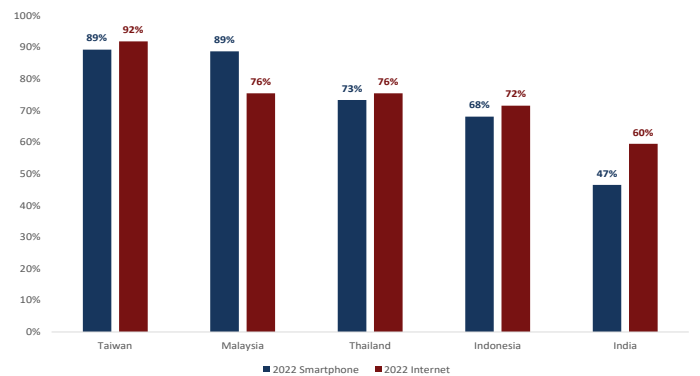


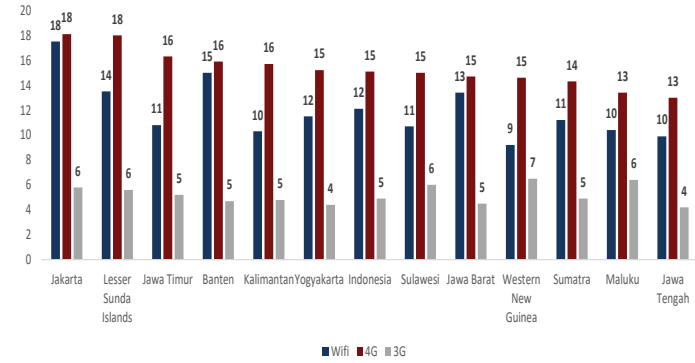
Figure 10. Smartphone and Internet penetration (%)



Source: Companies, SSI Research

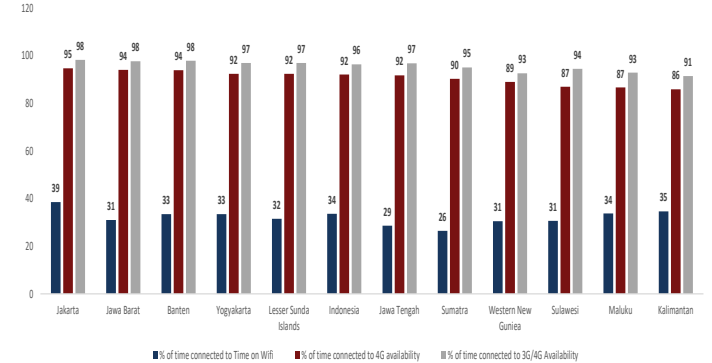
Source: Newzoo, SSI Research

Figure 11. Average download speed per region (Mbps)



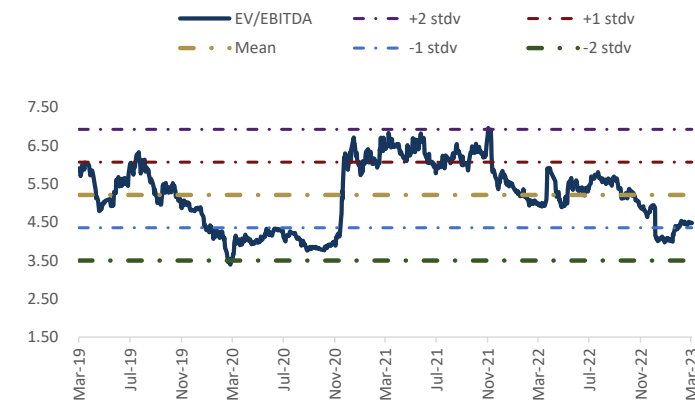
Source: Opensignal, SSI research

Figure 12. Connectivity rate per region (%)



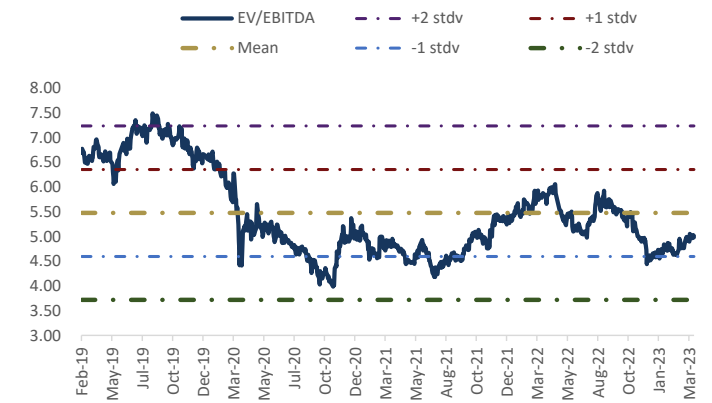
Source: Opensignal, SSI research

Figure 13. ISAT EV/EBITDA



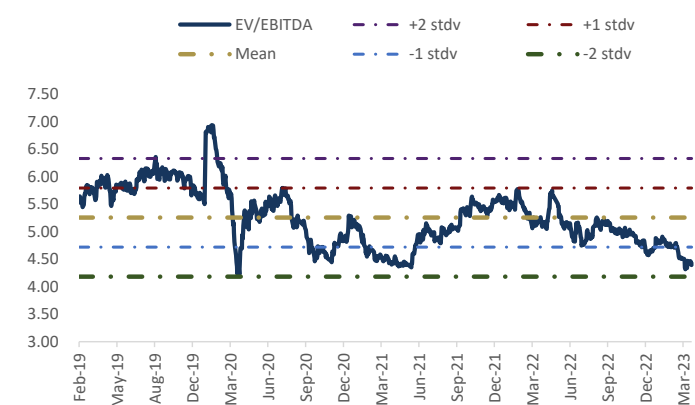
Source: Bloomberg, Company, SSI research

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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