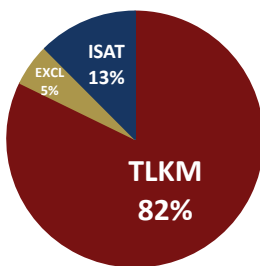


## Overweight

### Stock Recommendation

Ticker	Rating	Price (IDR)	TP (IDR)	Upside
TLKM	BUY	3.960	4.600	16,2%
ISAT	BUY	7.425	11.200	50,8%
EXCL	BUY	1.985	2.700	36,0%

### Sector Market Cap Weighting



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## A Year of Transformation

**Kinerja telco 1Q23.** Tiga perusahaan telekomunikasi dalam coverage kami membukukan pertumbuhan pendapatan kumulatif sebesar -4.5% QoQ (+5% YoY) dan pertumbuhan laba bersih kumulatif sebesar +35% QoQ (-24% YoY) di 1Q23. Pertumbuhan pendapatan YoY yang positif pada 1Q23 terutama didorong oleh bisnis seluler (-3.9% QoQ; +5.4% YoY) (sesuai dengan estimasi full-year kami untuk 2023F sebesar ~5-6%) dengan pertumbuhan lalu lintas data menjadi 10.4 PB (-1.2% QoQ; +17.2% YoY) dan ARPU yang relatif stabil sebesar ~IDR 39 ribu (+8.2% YoY; +0% QoQ), salah satunya berkat kompetisi yang lebih 'matang'. Secara keseluruhan, pendapatan ketiga perusahaan sejalan dengan perkiraan kami dan konsensus (TLKM: SSI 23.3%, Konsensus 23.1%; EXCL: SSI 24.2%, Konsensus 26.2%; ISAT: SSI 23.8%, Konsensus 24.2%). Terkait laba bersih, TLKM gagal menyamai estimasi di 1Q23 (SSI: 20.5%, Konsensus: 23.0%) akibat kenaikan opex yang dipicu oleh lonjakan biaya konsultasi dan AFDA (~+100% YoY), sedangkan laba bersih EXCL (SSI: 15.7%, Konsensus: 15.6%, rata-rata 5 tahun: 16.3%) dan laba inti ISAT sejalan dengan estimasi kami (SSI: 30%). Tahun ini, TLKM diproyeksikan untuk membukukan one-off gain dari investasinya di GOTO sebesar ~IDR 1.2 triliun (berdasarkan TP SSI untuk GOTO sebesar IDR 150/saham). Setelah rilis laporan keuangan 1Q23, kami menyesuaikan NP kami untuk TLKM dan ISAT masing-masing sebesar -13.6%/-16.9% karena kinerja yang di bawah ekspektasi di 1Q (TLKM) dan one-off gain yang lebih rendah dari perkiraan dari penjualan menara (ISAT; ~IDR 700 miliar, perkiraan sebelumnya: Rp 1-2 triliun). Kami juga menyesuaikan TP kami untuk keduanya.

**Inisiatif FMC.** EXCL baru-baru ini mengumumkan rencana transformasi strukturalnya (XL sebagai Serve Co dan LINK sebagai Fiber Co), di mana pelanggan FBB LINK akan dimigrasikan ke EXCL sementara aset fiber EXCL akan diberikan ke LINK untuk meningkatkan utilisasi (transformasi diharapkan selesai pada akhir 2023F). TSEL dan Indihome juga melakukan spin-off bisnis FBB, yang diharapkan dapat meningkatkan efisiensi Capex dan memangkasnya menjadi 20-22% dari pendapatan (historis: ~25% dari pendapatan) sekaligus meningkatkan EBITDA dan pertumbuhan topline menjadi ~IDR 5 tn di 2027F. Di samping itu, kami memperkirakan inisiatif FMC akan membantu mengurangi churn rate perusahaan-perusahaan tersebut, seperti di Eropa (setelah peluncuran inisiatif FMC mereka, churn rate pelanggan perusahaan telekomunikasi Eropa turun ~14%-26% dalam 5-8 tahun). Mengenai strategi harga, kami perkirakan persaingan di pasar FMC Indonesia akan relatif sama dengan di pasar seluler, mengingat rendahnya penetrasi fiber (~30%) dapat memicu perang harga yang 'mendorong' calon pelanggan untuk mengambil keputusan pembelian dengan memprioritaskan harga. Meskipun demikian, kami melihat inisiatif ini akan meningkatkan ARPU, terutama untuk pemain MNO di Indonesia, karena mereka akan memiliki lebih banyak fleksibilitas untuk menyesuaikan harga paket FMC mereka (karena faktor value-for-money), memberi mereka ARPU keseluruhan yang lebih baik (perbandingan ARPU prabayar: Indonesia: USD 2.7; Malaysia: USD ~7; Singapura: USD 6; Jerman: USD 6).

**Overweight.** Kami mempertahankan rating Overweight kami untuk sektor telekomunikasi. Kami melihat potensi katalis positif dari efek trickle-down di 2H23 dari pemilu, serta persaingan yang lebih matang di industri ini. Urutan top pick kami untuk sektor ini adalah ISAT (TP: IDR 10,500) > TLKM (TP: IDR 5,000) > EXCL (TP: IDR 2,700), dengan mempertimbangkan dampak integrasi jaringan loH pada 1Q23, pertumbuhan pelanggan anorganiknya, dan neraca yang kuat, yang memberikan loH amunisi yang lebih baik untuk berpartisipasi dalam lelang spektrum pada 2H23. Risiko downside: Pertumbuhan lalu lintas dan ARPU yang lebih rendah dari perkiraan.

**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	3.960	4.600	16,2%	2,8	2,7	7,5	7,2	27.043	28.762	30,3	6,4	17,4	17,6
ISAT	BUY	7.425	11.200	50,8%	2,6	2,4	5,8	4,9	2.240	2.338	-52,6	4,4	7,0	6,9
EXCL	BUY	1.985	2.700	36,0%	0,9	0,9	4,6	4,3	1.276	1.423	13,8	11,5	4,5	4,4
<b>Sector</b>					<b>2,7</b>	<b>2,6</b>	<b>7,1</b>	<b>6,7</b>	<b>22.610</b>	<b>24.045</b>	<b>19,0</b>	<b>6,4</b>	<b>15,5</b>	<b>15,6</b>

Source: SSI research

**Table 2 Regional peers comparison**

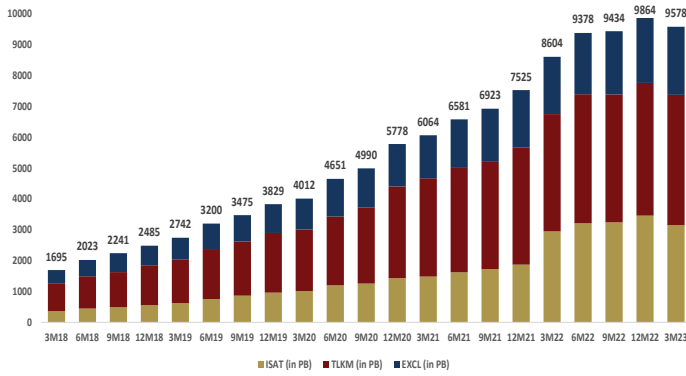
Company Name	Country	Company Ticker	Market Cap (IDR Tn)	PER (x)		EV/EBITDA (x)		PBV (x)		ROE (%)	
				2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
SINGAPORE TELECO	SG	ST SP	472.2	18.6	16.6	13.2	12.6	1.5	1.5	7.9	9.0
STARHUB LTD	SG	STH SP	19.2	14.9	12.2	6.0	5.4	2.9	2.6	22.6	25.5
AXIATA GROUP BER	MY	AXIATA MK	93.3	21.1	19.5	6.0	5.7	1.1	1.2	4.7	5.6
DIGI.COM BHD	MY	CDB MK	171.2	29.5	26.6	11.8	11.5	3.2	3.7	11.6	27.6
MAXIS BHD	MY	MAXIS MK	113.5	24.9	24.0	10.9	10.8	5.5	5.5	21.6	22.7
TELEKOM MALAYSIA	MY	T MK	64.3	14.7	14.4	5.0	5.0	2.2	2.0	15.4	14.0
PLDT INC	PH	TEL PM	69.4	8.7	8.7	5.0	4.8	2.2	2.1	25.7	24.3
GLOBE TELECOM	PH	GLO PM	65.7	13.5	11.9	6.5	6.3	1.6	1.6	14.9	13.6
ADVANCED INFO	TH	ADVANC TB	284.3	22.8	20.8	8.1	7.7	7.3	6.8	32.1	33.5
TOTAL ACCESS COM	TH	TRUE TB	120.6	68.4	39.4	18.1	15.0	4.1	3.9	7.9	11.7
TELKOM INDONESIA	ID	TLKM IJ	405.2	14.9	13.9	5.5	5.2	2.8	2.7	19.8	20.0
PT XL AXIATA TBK	ID	EXCL IJ	25.7	18.5	14.3	4.2	4.0	0.9	0.9	5.6	6.6
INDOSAT TBK PT	ID	ISAT IJ	62.5	19.7	15.4	4.9	4.5	2.1	1.9	10.0	11.3
<b>Adjusted average</b>				<b>19.9</b>	<b>17.8</b>	<b>8.4</b>	<b>22.3</b>	<b>18.9</b>	<b>9.3</b>	<b>8.8</b>	<b>3.2</b>

Source: Bloomberg, SSI Research

**Table 3. Forecast changes (TLKM)**

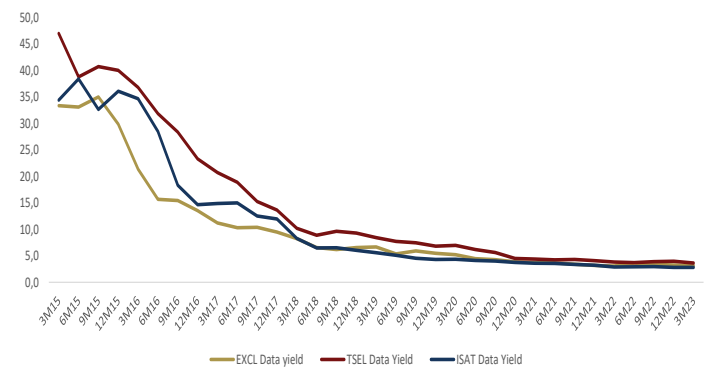
	Before			Revision			Percentage		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue	154.714	161.006	166.819	153.105	158.498	163.994	-1,0%	-1,6%	-1,7%
growth (%)	5,0%	4,1%	3,6%	3,9%	3,5%	3,5%			
Operating Profit	53.469	54.683	55.475	47.433	51.533	53.113	-11,3%	-5,8%	-4,3%
growth (%)	16,9%	2,3%	1,4%	3,7%	8,6%	3,1%			
Net profit	31.309	31.026	31.309	27.043	28.762	29.751	-13,6%	-7,3%	-5,0%
growth (%)	50,9%	-0,9%	0,9%	30,3%	6,4%	3,4%			

**Figure 1. Total data traffic of 3 telco companies (in PBs)**



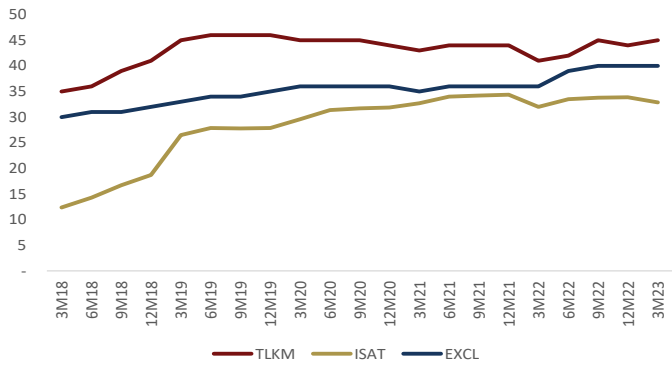
Source: Companies, SSI research

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



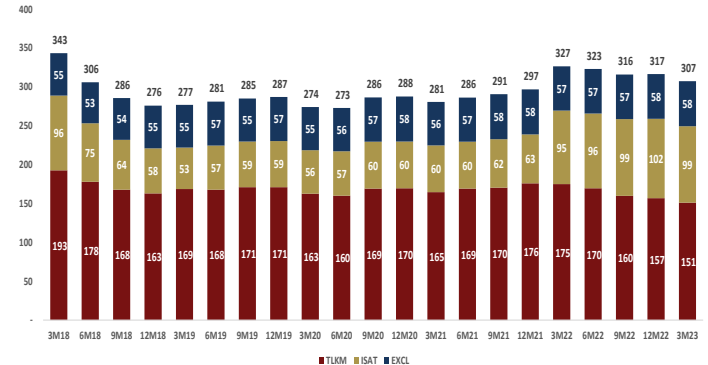
Source: Companies, SSI research

**Figure 3. Blended ARPU trend (in IDR thousand)**



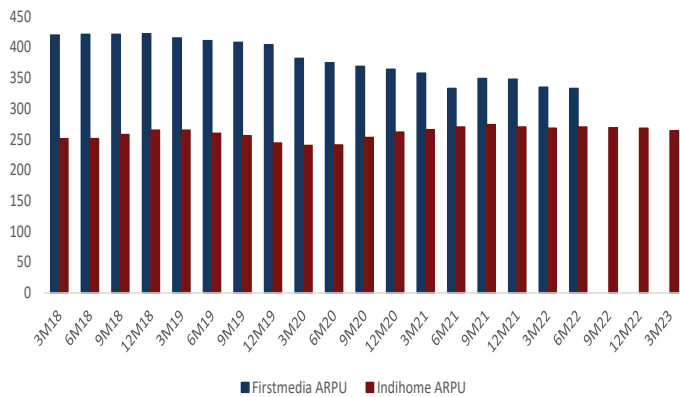
Source: Companies, SSI research

**Figure 4. Total subscribers (in mns)**



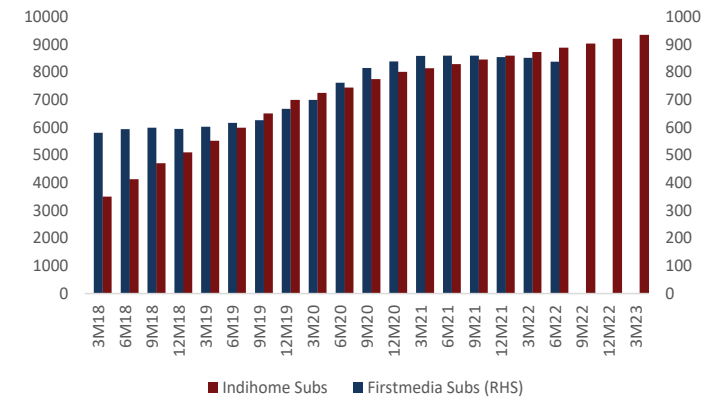
Source: Companies, SSI research

**Figure 5. Indihome vs FirstMedia ARPU ('000)**



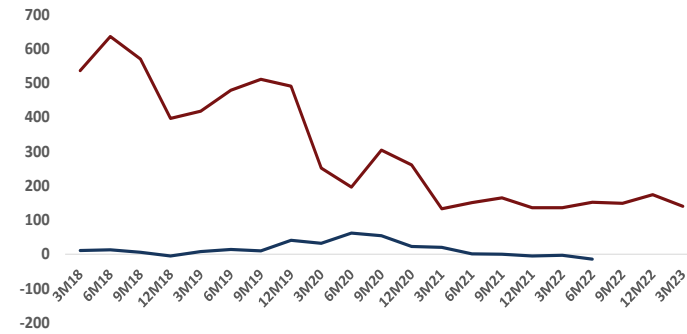
Source: Companies, SSI research, \*Firstmedia data not provided for 3Q22 & onwards\*

**Figure 6. Indihome vs FirstMedia subscribers ('000)**



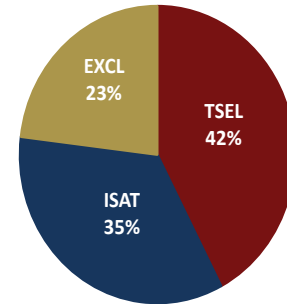
Source: Companies, SSI research, \*Firstmedia data not provided for 3Q22 & onwards\*

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



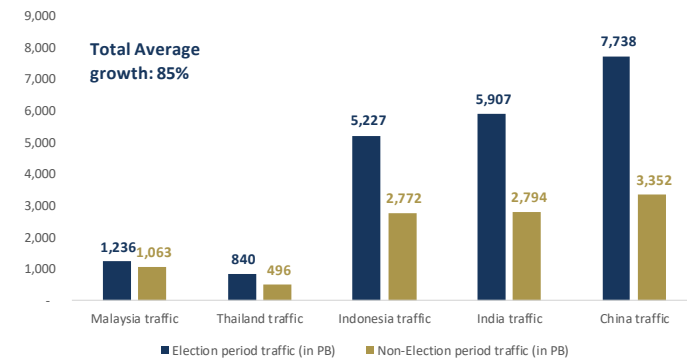
Source: Companies, SSI research, \*Firstmedia data not provided for 3Q22 & onwards\*

**Figure 8. Paired spectrum share**



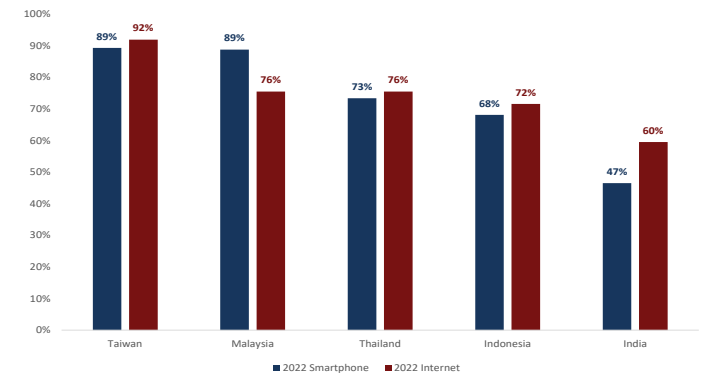
Source: Companies, SSI Research

**Figure 9. Data traffic (in PBs)**



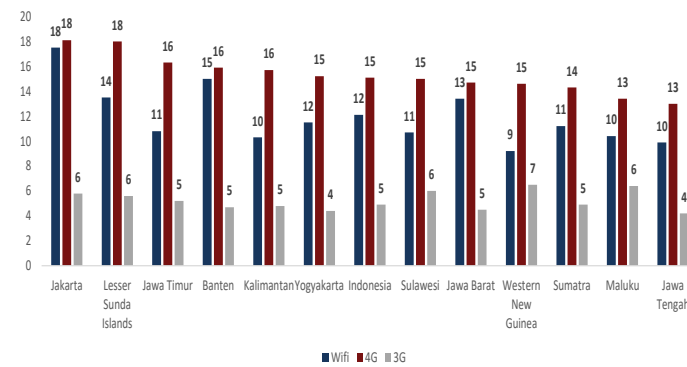
Source: Companies, SSI Research

**Figure 10. Smartphone and internet penetration (%)**



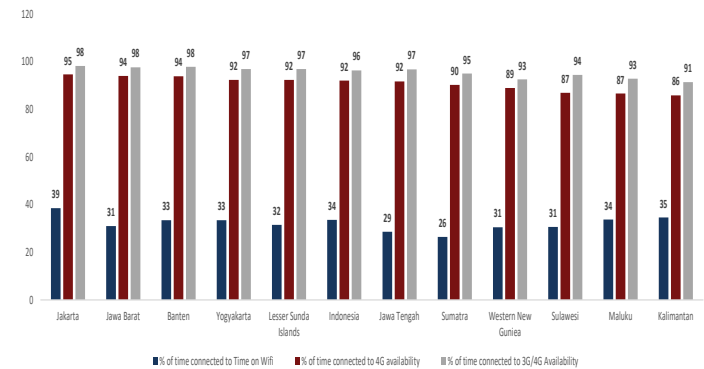
Source: Newzoo, SSI Research

**Figure 11. Average download speed per region (Mbps)**



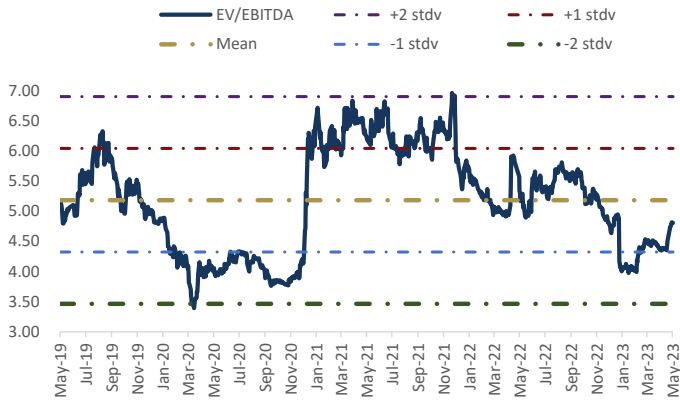
Source: Opensignal, SSI research

**Figure 12. Connectivity rate per region (%)**



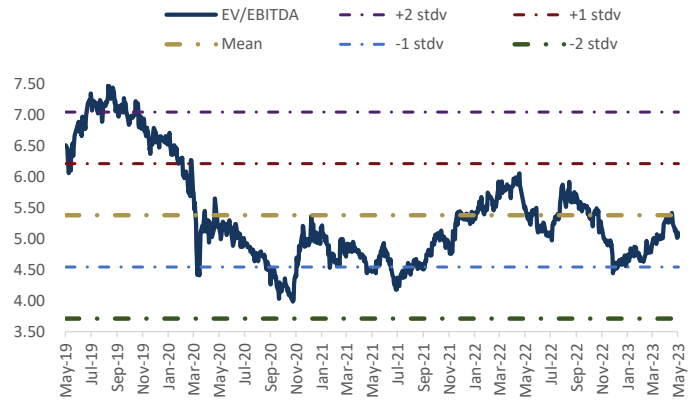
Source: Opensignal, SSI research

Figure 13. ISAT's EV/EBITDA



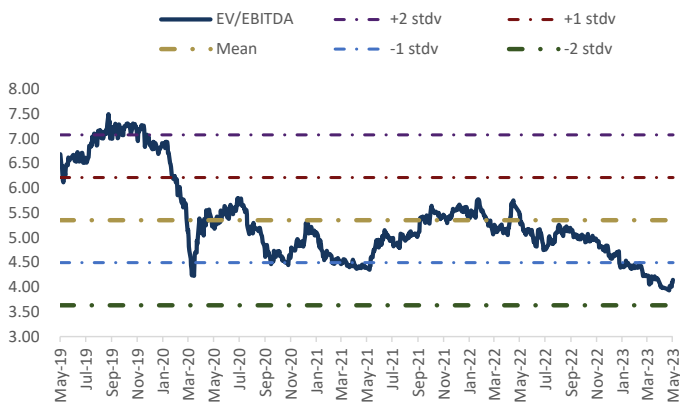
Source: Bloomberg, Company, SSI research

Figure 14. TLKM's EV/EBITDA



Source: Bloomberg, Company, SSI research

Figure 15. EXCL's EV/EBITDA



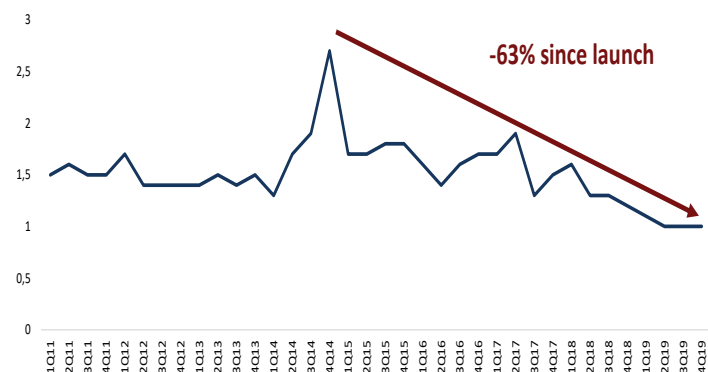
Source: Bloomberg, Company, SSI research

Figure 16. Telco sector's EV/EBITDA



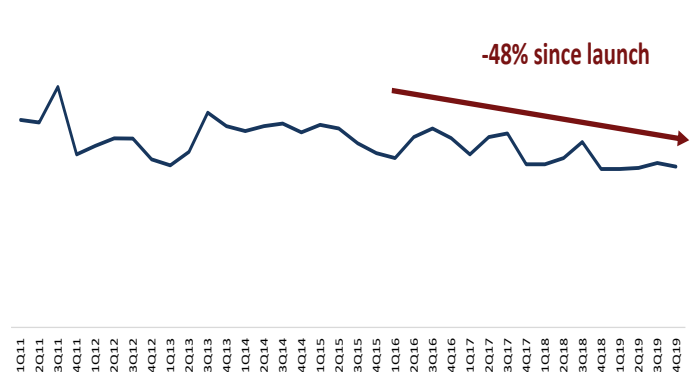
Source: Bloomberg, Company, SSI research

Figure 17. Deutsche Telekom's churn rate (%)



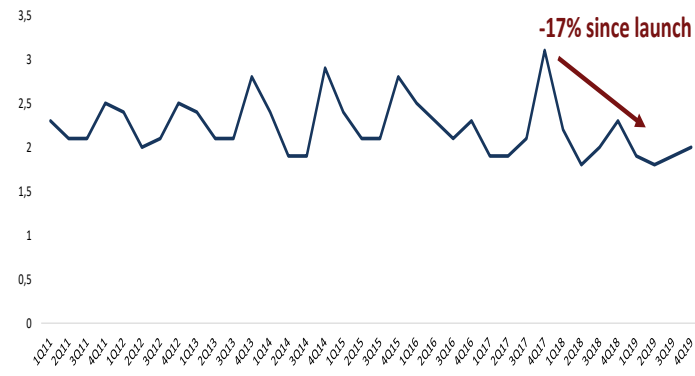
Source: Company, SSI research

Figure 18. Vodafone Germany's churn rate (%)



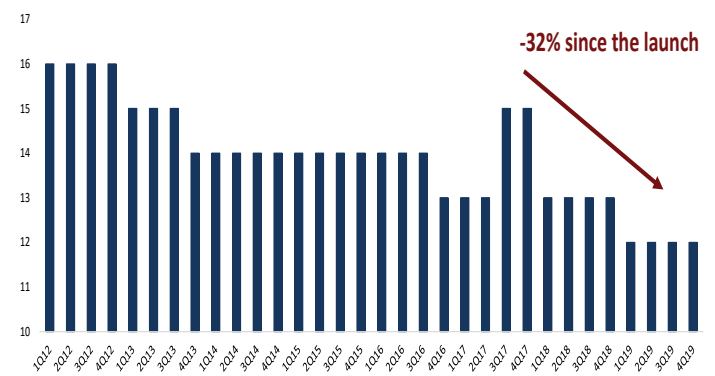
Source: Company, SSI research

**Figure 19. Telefonica Germany's churn rate (%)**



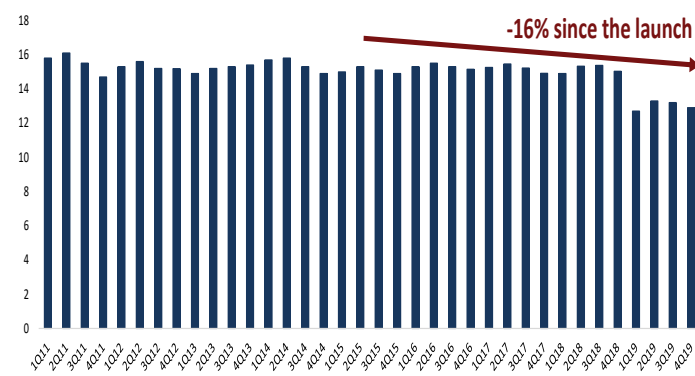
Source: Company, SSI research

**Figure 20. Deutsche Telekom's Mobile ARPU (EUR)**



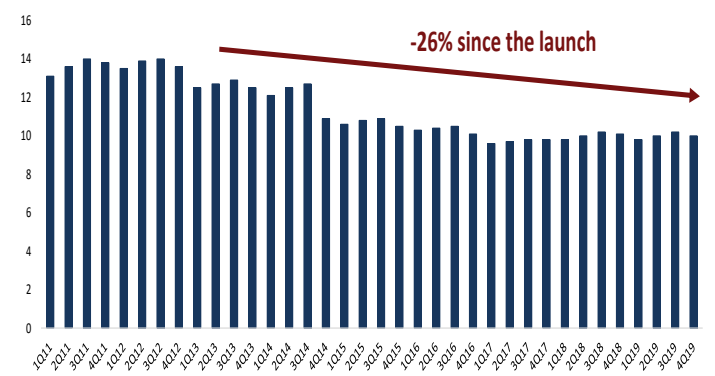
Source: Company, SSI research

**Figure 21. Vodafone Germany's Mobile ARPU (EUR)**



Source: Company, SSI research

**Figure 22. Telefonica Germany's Mobile ARPU (EUR)**



Source: Company, SSI research

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