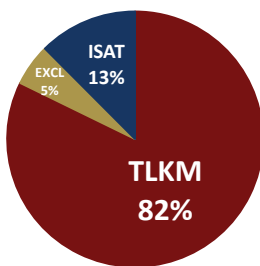


## Overweight

### Stock Recommendation

Ticker	Rating	Price (IDR)	TP (IDR)	Upside
TLKM	BUY	3.690	4.500	22,0%
ISAT	BUY	8.975	11.500	28,1%
EXCL	BUY	2.290	2.700	17,9%

### Sector Market Cap Weighting



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## Unwavering Momentum

**Kinerja telco 2Q23.** Tiga emiten telekomunikasi dalam coverage kami membukukan pertumbuhan pendapatan gabungan sebesar +6.0% QoQ (+5,2% YoY) dan pertumbuhan laba bersih gabungan sebesar +2.7% QoQ (-28.1% YoY) pada 2Q23. Bisnis seluler melanjutkan pertumbuhan positifnya, dengan pendapatan gabungan sebesar IDR 37.3tn (+7,7% QoQ; +7,9% YoY) didorong oleh kenaikan data payload (karena efek musiman di 2Q) dan ARPU yang lebih baik (karena membaiknya kualitas pelanggan). Data payload tercatat sebesar 11,870 pb (+14.0% QoQ; +22.0% YoY), sedangkan ARPU-nya naik menjadi IDR 41rb (+7.2% YoY). Secara keseluruhan, top line ketiga emiten tersebut sejalan dengan perkiraan kami dan konsensus (TLKM: SSI 48.8%, Kons: 47.9%; EXCL: SSI 50.5%, Kons: 51.0%; ISAT: SSI 49.1%, Kons 48.9%). Terkait laba bersih mereka, ISAT berhasil melampaui ekspektasi (SSI: 60.4%; Kons: 64.5%) berkat margin yang lebih baik; margin EBITDA-nya mencapai 47.6% di 2Q23 (1Q23: 44.6%; 2Q22: 41.2%), sementara EXCL membukukan angka sesuai ekspektasi (SSI: 51.0%; Kons: 54,3%), dan laba inti TLKM sejalan dengan estimasi kami (SSI : 45.6%). Setelah rilis kinerja 2Q23, kami menyesuaikan NP kami untuk TLKM dan ISAT masing-masing sebesar -4.4%/+22.0%, karena kinerja yang medioker di 2Q (TLKM); margin EBITDA mengalami penurunan menjadi 51.9% pada 2Q23 (1Q23: 52.6%; 2Q22: 54.5%) akibat kenaikan biaya terkait jaringan. Sementara itu, ISAT berhasil meningkatkan margin EBITDA menjadi ~47.6% di 2Q23 (1Q23: 44.6%; 2Q22: 41.2%), yang mendorong kami untuk menyesuaikan TP.

**Kinerja yang lebih baik di 2H.** Kami meyakini emiten telekomunikasi akan membukukan kinerja yang lebih baik di 2H23, didukung oleh: 1) trickle-down effect dari pemilu, yang dapat meningkatkan lalu lintas data (kami melihat bahwa lalu lintas data di Malaysia, Thailand, China, dan India naik ~4 -100% selama pemilu di negara-negara tersebut) 2) tren positif ARPU, kami melihat bahwa dinamika persaingan bergerak ke arah yang lebih sehat karena semua pemain telekomunikasi lebih fokus untuk meningkatkan ARPU mereka. Mengacu pada [report](#) kami sebelumnya tentang update data 6M23, per Jul-23, tren tersebut masih berjalan karena kami melihat TSEL menghapus sebagian kuota bonus di paket OMG-nya). Para pemain MNO juga menyatakan bahwa ada cukup ruang untuk menaikkan harga lebih lanjut tahun ini, mengingat lalu lintas data payload yang sehat dan tren positif pada jumlah pelanggan. Seiring dengan meredanya persaingan di pasar seluler, kami memperkirakan profitabilitas bagi pemain MNO di Indonesia akan terus membaik; sebagai catatan, ROIC vs WACC ISAT dan TLKM yang (annualized) saat ini melihat mencatatkan gap positif sebesar ~7% (historis: -4.7%) dan ~9% (historis: ~8.3%), sementara EXCL ROIC masih sedikit lebih rendah dari WACC-nya dengan gap -0.7% (historis: -4.7%). Kami berharap peningkatan dalam ARPU MNO akan menguntungkan EXCL>ISAT> TLKM karena analisis sensitivitas kami menunjukkan bahwa setiap kenaikan 5% dalam yield data (IDR/MB) akan meningkatkan EBITDA EXCL sebesar ~6%,>ISAT ~4% > TLKM ~ 2,8%. Per 1H23, kontribusi legacy revenue (telepon, SMS, dll) terhadap total topline EXCL dan ISAT tercatat di bawah ~5%, dan untuk TSEL tercatat di ~14%.

**Overweight.** Kami mempertahankan rating Overweight kami di sektor telekomunikasi, karena kami percaya bahwa dinamika persaingan sedang menuju ke arah yang lebih baik, dengan semua pemain telekomunikasi lebih fokus pada peningkatan ARPU. Urutan pilihan kami di sektor ini adalah ISAT (TP: IDR 11,500)> EXCL (TP: IDR 2,700) > TLKM (TP: IDR 4.500), dengan mempertimbangkan dampak integrasi jaringan loH pada 1Q23, kualitas pelanggannya, dan neraca yang kuat yang menempatkan loH dalam posisi yang sangat baik untuk berpartisipasi dalam lelang spektrum pada 2H23. Untuk EXCL, kami yakin valuasinya yang murah membuat EXCL cukup menarik saat ini, (saat ini diperdagangkan pada 4.2x EV to EBITDA (Disc terhadap ISAT: 7.2%; Disc terhadap TLKM: 31.4%). Risiko downside: Lalu lintas data 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	3.690	4.500	22,0%	2,7	2,6	7,4	7,1	26.639	28.280	28,4	6,2	17,0	17,0
ISAT	BUY	8.975	11.500	28,1%	2,7	2,4	5,3	4,6	3.857	4.096	-18,3	6,2	11,7	11,3
EXCL	BUY	2.290	2.700	17,9%	0,9	0,9	4,6	4,3	1.276	1.423	13,8	11,5	4,5	4,4
<b>Sector</b>					<b>2,6</b>	<b>2,5</b>	<b>6,9</b>	<b>6,6</b>	<b>21.970</b>	<b>23.327</b>	<b>20,8</b>	<b>6,4</b>	<b>15,6</b>	<b>15,5</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	456.0	16.6	14.4	12.9	12.3	1.5	1.5	9.1	10.1
STARHUB LTD	SG	STH SP	20.3	16.0	13.2	6.3	5.7	3.2	3.0	19.4	23.6
AXIATA GROUP BER	MY	AXIATA MK	80.9	26.4	20.3	6.0	5.7	1.0	1.0	3.9	5.2
DIGI.COM BHD	MY	CDB MK	170.3	29.4	25.7	11.2	10.9	3.1	3.1	9.9	11.8
MAXIS BHD	MY	MAXIS MK	103.0	22.3	21.3	10.1	10.0	4.9	4.9	21.3	22.2
TELEKOM MALAYSIA	MY	T MK	64.3	14.6	13.9	5.0	4.9	2.2	2.0	15.5	14.6
PLDT INC	PH	TEL PM	77.6	9.2	8.8	5.4	5.1	2.4	2.2	26.0	24.1
GLOBE TELECOM	PH	GLO PM	74.9	14.2	13.8	6.9	6.6	1.7	1.7	13.4	12.0
ADVANCED INFO	TH	ADVANC TB	295.0	23.3	21.1	8.2	7.8	7.5	7.0	32.1	33.3
TOTAL ACCESS COM	TH	TRUE TB	108.9	n.a.	92.9	8.5	8.0	2.7	2.6	-4.3	1.9
TELKOM INDONESIA	ID	TLKM IJ	368.5	14.0	12.9	5.1	4.8	2.6	2.5	19.5	19.9
PT XL AXIATA TBK	ID	EXCL IJ	29.8	23.0	18.5	4.6	4.3	1.0	1.0	5.0	6.0
INDOSAT TBK PT	ID	ISAT IJ	73.0	22.2	17.5	5.4	4.9	2.4	2.2	10.1	12.4
<b>Adjusted average</b>				<b>17.9</b>	<b>21.1</b>	<b>8.6</b>	<b>8.2</b>	<b>3.1</b>	<b>3.0</b>	<b>15.5</b>	<b>16.6</b>

Source: Bloomberg, SSI Research

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

	Before			Revision			Percentage		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue	153.105	158.498	163.994	153.105	158.498	163.994	0,0%	0,0%	0,0%
growth (%)	3,9%	3,5%	3,5%	3,9%	3,5%	3,5%			
EBITDA	81.731	84.875	88.253	80.120	83.184	86.488	-2,0%	-2,0%	-2,0%
growth (%)	3,5%	3,8%	4,0%	1,4%	3,8%	4,0%			
Net profit	27.866	29.597	30.577	26.639	28.280	29.199	-4,4%	-4,4%	-4,5%
growth (%)	34,3%	6,2%	3,3%	28,4%	6,2%	3,2%			

Source: SSI Research

**Table 4. Forecast changes (ISAT)**

	Before			Revision			Percentage		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue	50.235	53.202	56.254	51.181	54.520	58.876	1,9%	2,5%	4,7%
growth (%)	-1,8%	5,9%	5,7%	9,4%	5,9%	7,6%			
EBITDA	22.559	24.966	26.728	25.271	27.368	29.794	12,0%	9,6%	11,5%
growth (%)	15,9%	10,7%	7,1%	29,8%	8,3%	8,9%			
Net profit	3.162	2.373	3.064	3.857	4.096	5.089	22,0%	72,6%	66,1%
growth (%)	-33,1%	-24,9%	29,1%	-18,3%	6,2%	24,2%			

Source: SSI Research

**Table 5. Telco 2023F Revenue sensitivity analysis**

Revenue 2023F				
Data Yield	ISAT	EXCL	TLKM	Average
+5%	3,79%	4,69%	2,46%	<b>3,65%</b>
+10%	7,58%	9,38%	4,92%	<b>7,29%</b>

Source: SSI Research

**Table 6. Telco 2023F EBITDA sensitivity analysis**

EBITDA 2023F				
Data Yield	ISAT	EXCL	TLKM	Average
+5%	4,02%	6,38%	2,74%	<b>4,38%</b>
+10%	8,04%	12,77%	5,47%	<b>8,76%</b>

Source: SSI Research

**Table 7. Telco 2024F Revenue sensitivity analysis**

Revenue 2024F				
Data Yield	ISAT	EXCL	TLKM	Average
+5%	3,81%	4,77%	2,50%	<b>3,69%</b>
+10%	7,61%	9,54%	5,01%	<b>7,39%</b>

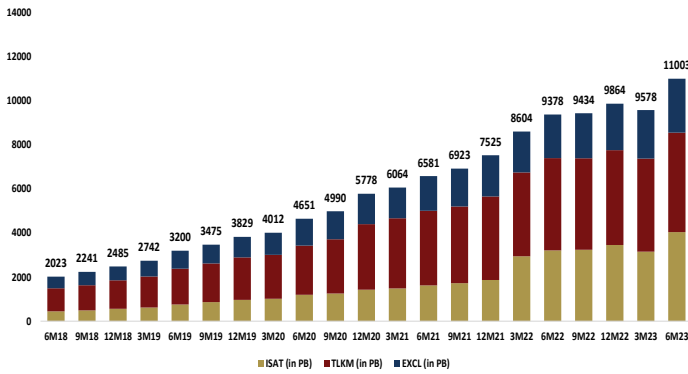
Source: SSI Research

**Table 8. Telco 2024F EBITDA sensitivity analysis**

EBITDA 2024F				
Data Yield	ISAT	EXCL	TLKM	Average
+5%	3,99%	6,46%	2,78%	<b>4,41%</b>
+10%	7,99%	12,92%	5,56%	<b>8,82%</b>

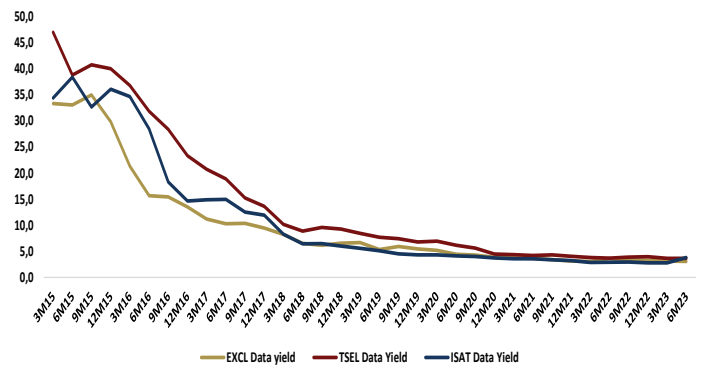
Source: SSI Research

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



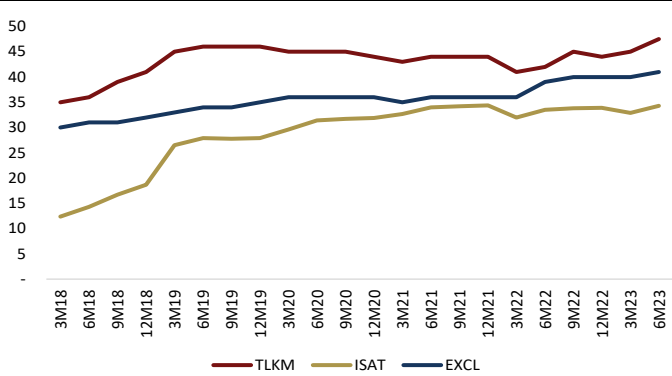
Source: Companies, SSI research

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



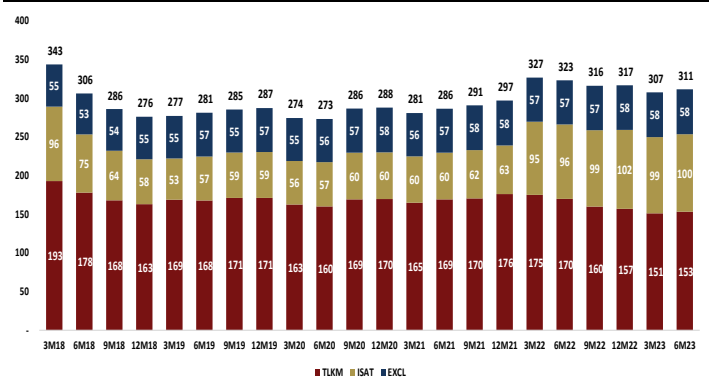
Source: Companies, SSI research

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



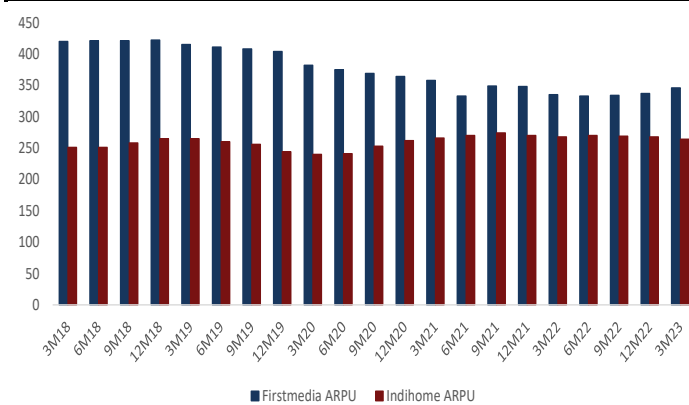
Source: Companies, SSI research

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



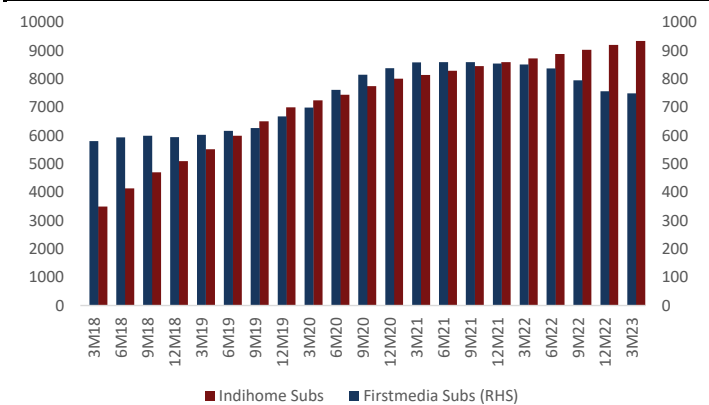
Source: Companies, SSI research

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



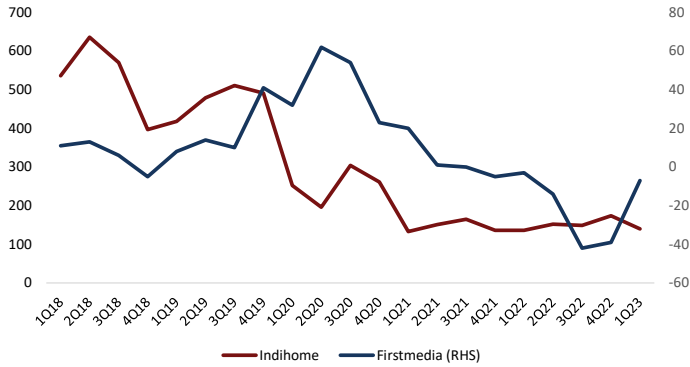
Source: Companies, SSI research

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



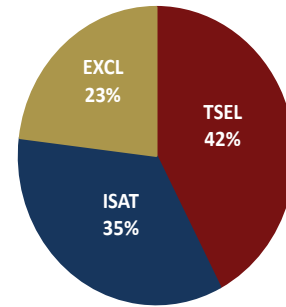
Source: Companies, SSI research

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



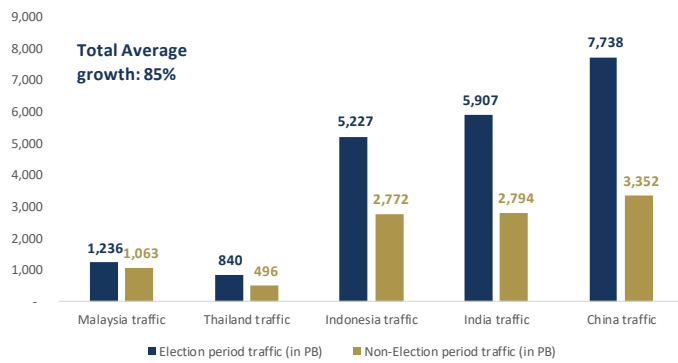
Source: Companies, SSI research

**Figure 8. Paired spectrum share**



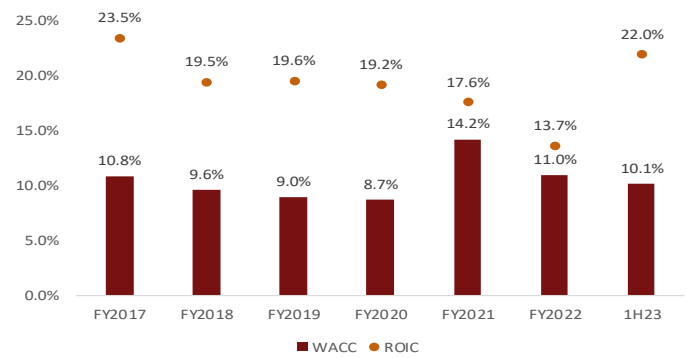
Source: Companies, SSI Research

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



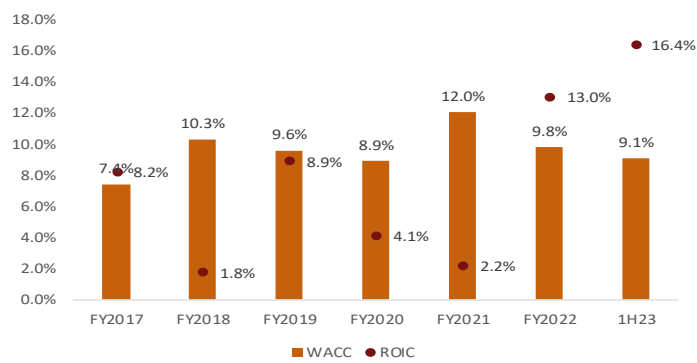
Source: Companies, SSI Research

**Figure 10. TLKM ROIC & WACC**



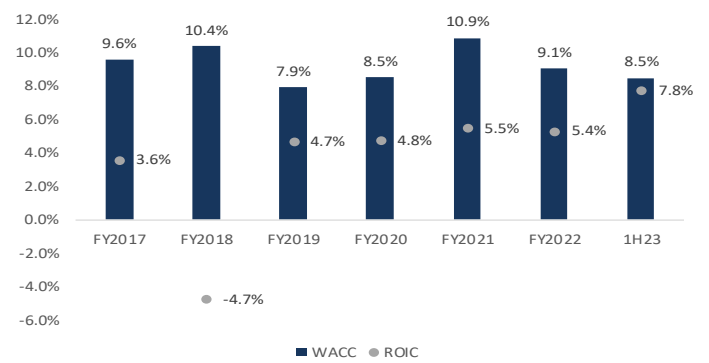
Source: Bloomberg, SSI Research

**Figure 11. ISAT ROIC & WACC**



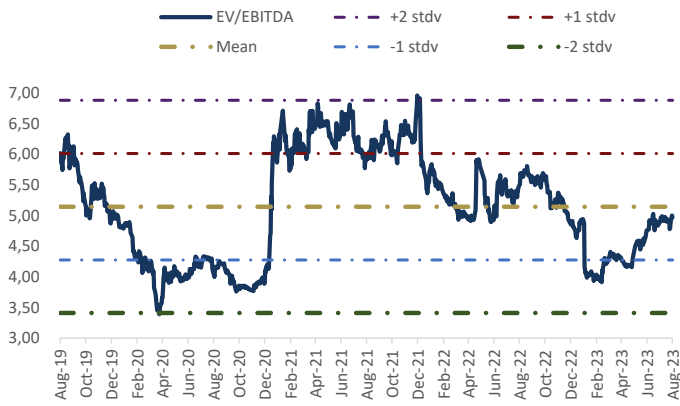
Source: Bloomberg, SSI Research

**Figure 12. EXCL ROIC & WACC**



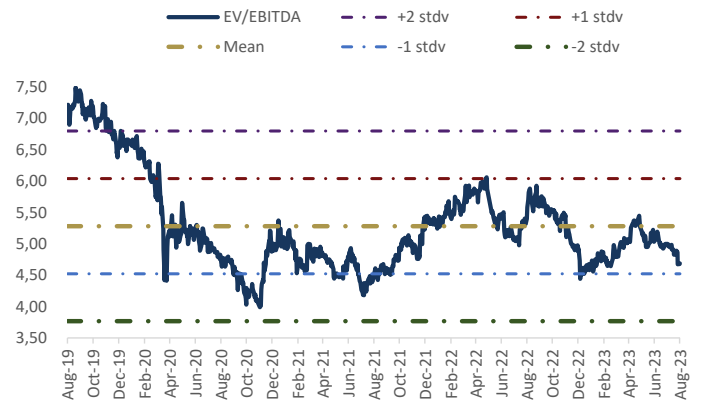
Source: Bloomberg, SSI Research

Figure 13. ISAT's EV/EBITDA



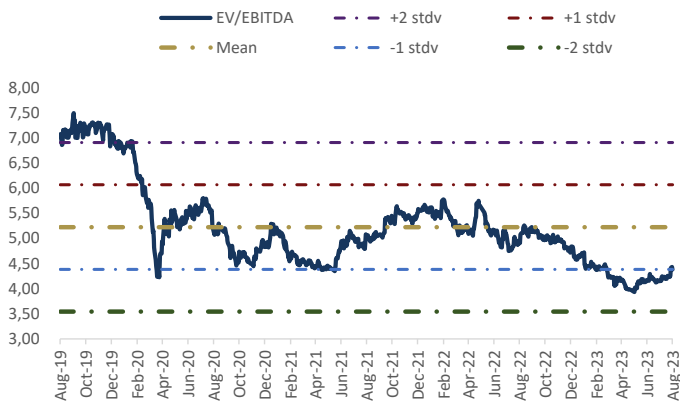
Source: Bloomberg, Company, SSI research

Figure 14. TLKM's EV/EBITDA



Source: Bloomberg, Company, SSI research

Figure 15. EXCL's EV/EBITDA



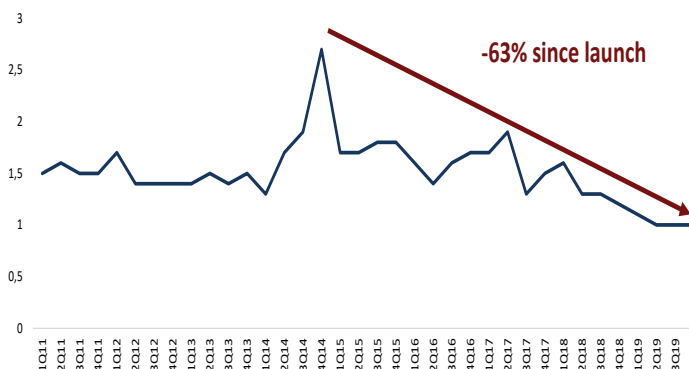
Source: Bloomberg, Company, SSI research

Figure 16. Telco sector's EV/EBITDA



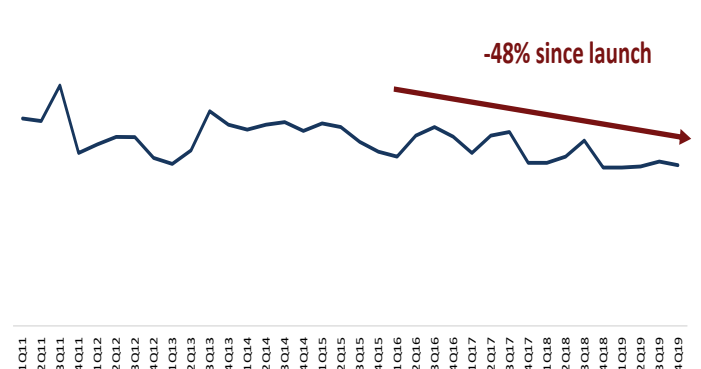
Source: Bloomberg, Company, SSI research

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



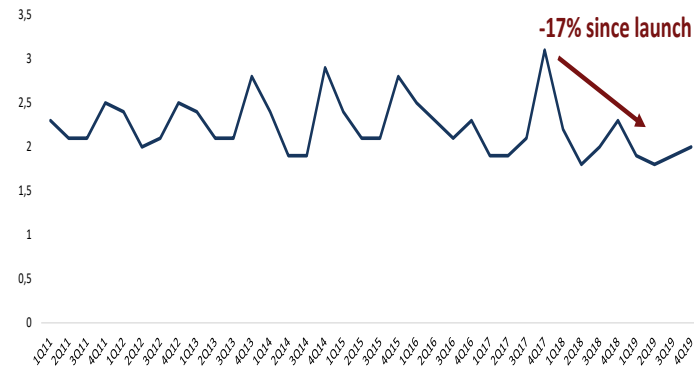
Source: Company, SSI research

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



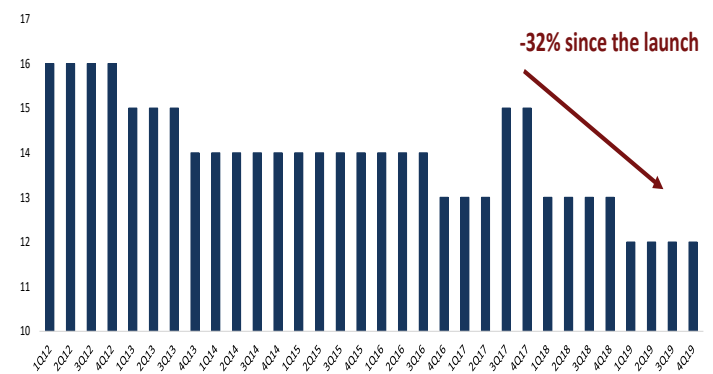
Source: Company, SSI research

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



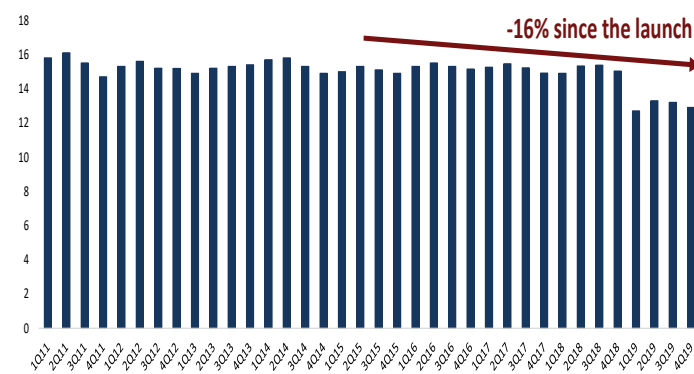
Source: Company, SSI research

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



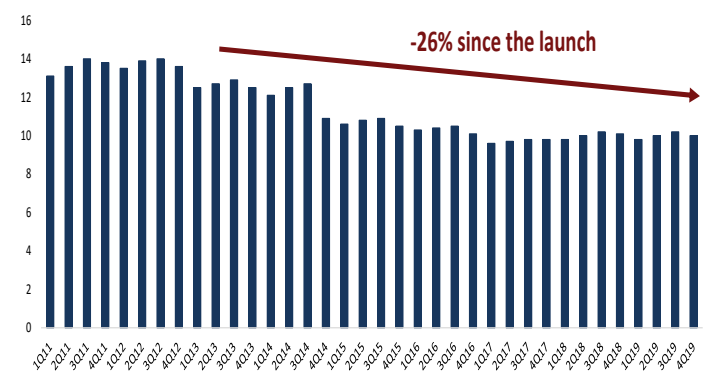
Source: Company, SSI research

**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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