INDOPREMIER

XL Axiata

BUY *(unchanged)*

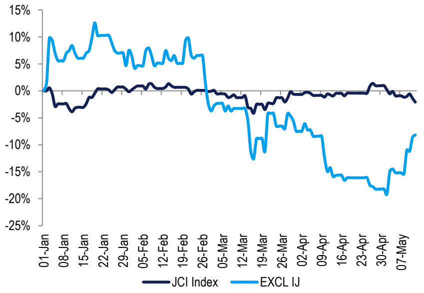
Company Update | Telecommunications | EXCL IJ | 15 May 2023

Stock Data

Target price	**Rp3,300**
Prior TP	*Rp3,300*
Current price	Rp1,965
Upside/downside	*66%*
Shares outstanding (mn)	13,128
Market cap (Rp bn)	25,797
Free float	33%
Avg. 6m daily T/O (Rp bn)	50

Price Performance

	3M	6M	12M
Absolute	-12.3%	-18.1%	-29.6%
Relative to JCI	-9.5%	-14.4%	-31.2%
52w low/high (Rp)		1,730 – 2,850	



Major Shareholders

Axiata Investments	66.3%

Giovanni Dustin

PT Indo Premier Sekuritas

giovanni.dustin@ipc.co.id

+62 21 5088 7168 ext. 719

Michelle Nugroho

PT Indo Premier Sekuritas

michelle.nugroho@ipc.co.id

+62 21 5088 7168 ext. 717

XL-LINK: awaiting further details, but promising earnings accretion prospect

- LINK will deepen its focus on B2B, while EXCL on B2C.
- We view the restructuring as positive for EXCL and arrived at preliminary revenue/EBITDA accretion est. of 11-19%/4-6% in FY24-28F.
- While we await further details to confirm earnings accretion, we reaffirm Buy rating on synergies potentials and undemanding valuation.

LINK's B2C business to be integrated into EXCL by end-FY23F
EXCL announced that LINK's B2C business will be carved out and integrated into EXCL, while LINK will retain its hard infrastructure assets and also receive EXCL's remaining fiber assets. This means that LINK will deepen its focus on B2B, while EXCL will concentrate on B2C. This transaction is pending shareholders' approval and is expected to close by end-FY23F.

The proposed structural transformation should bode well for EXCL
This restructuring should bode well for EXCL, in our view, as: 1) according to management, LINK ownership structure is likely to remain unchanged (i.e., EXCL will keep 20% shares in LINK) and it could potentially be a non-cash transaction, which implies minimal impact on EXCL's balance sheet; 2) EXCL's asset-light model (post-restructure) means it can continue to rollout homes-passed with limited capex burden; and 3) an instant access to LINK's c.3mn homes-passed and 800k homes-connected should help EXCL to unlock FMC (fixed-mobile convergence) synergies. We estimate revenue/EBITDA accretion of 11-19%/4-6% in FY24-28F (fig. 16).

Still, further details are needed; where can we go wrong?
That said, given the limited details at this juncture, overhang remains. We identify two key issues that could pose downside risks to synergies potential and/or near-term earnings accretion: 1) rising FTTH (fiber-to-the-home) competition; and 2) unfavorable wholesale agreement. It is worth noting, however, that EXCL management expects the restructuring to immediately be earnings neutral or accretive starting from year-1.

Reiterate Buy rating on earnings accretion prospect, wide valuation gap
We continue to view that EXCL's fundamentals are intact, while the proposed structural transformation should bode well for EXCL. As such, assuming this transaction is indeed earnings neutral or accretive from year-1, we see limited downside risks at 3.9x FY23F EV/EBITDA. While we await more details on the transaction, we maintain Buy rating on EXCL for now with unchanged TP of Rp3,300. Risks to our call include unfavorable deal terms and competition.

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	26,754	29,142	31,030	32,723	34,443
EBITDA	13,287	14,235	15,444	16,448	17,597
EBITDA growth	1.7%	7.1%	8.5%	6.5%	7.0%
Net profit	1,288	1,109	1,589	1,949	2,315
EPS (Rp)	120	104	149	182	217
EPS growth	246.6%	-13.9%	43.2%	22.7%	18.8%
ROE	6.4%	4.3%	6.0%	7.1%	8.1%
PER (x)	16.3	18.9	13.2	10.8	9.1
EV/EBITDA (x)	4.1	4.2	3.9	3.6	3.4
Dividend yield	1.6%	2.6%	3.8%	4.6%	6.1%
Forecast change			N/A	N/A	N/A
IPS vs. consensus			100%	99%	99%

Source: Company, Indo Premier *Share price closing as of: 12 May 2023*

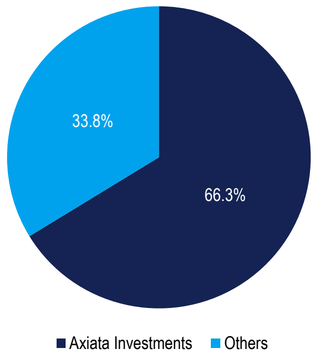
LINK's B2C business to be integrated into EXCL by end-FY23F

EXCL to focus on B2C; infrastructure assets to be under LINK

XL Axiata (EXCL) and Link Net (LINK; not rated) announced that the companies have entered into a discussion to restructure their businesses. As part of the restructuring, LINK will be split into B2C (Serviceco) and B2B (Infraco) divisions. The B2C business will be carved out and integrated into EXCL, while LINK will retain the hard infrastructure and adopt a multi-tenant operation model, similar to a typical independent telco infrastructure company. A wholesale service agreement will likely be established whereby EXCL will pay LINK for the network infrastructure needed to support the carved-out B2C business as well as its other infrastructure needs.

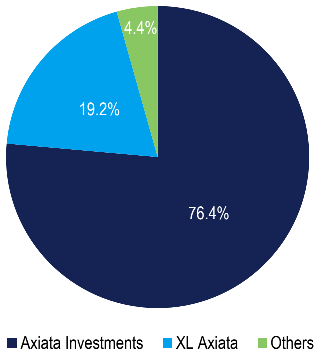
This transaction is expected to be completed towards end-FY23F, subject to customary completion conditions, including regulatory and shareholder approvals.

Fig. 1: EXCL ownership structure



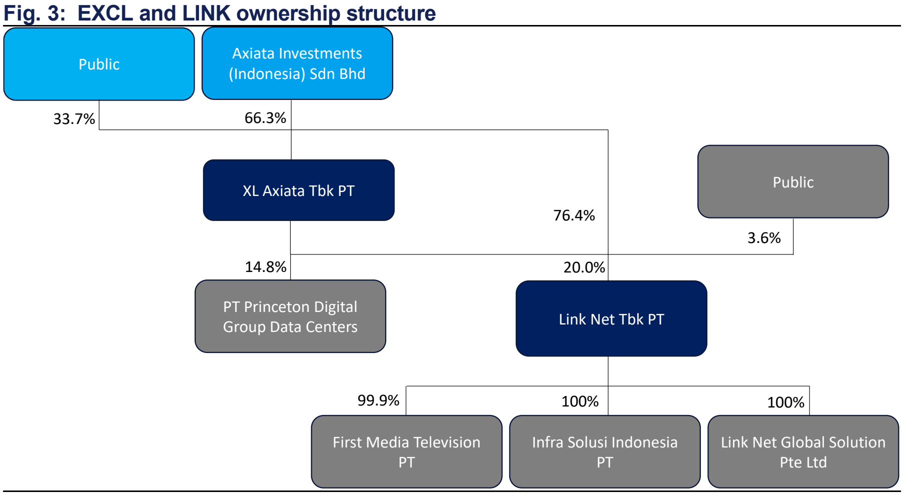
Source: Bloomberg, Indo Premier

Fig. 2: LINK ownership structure



Source: Bloomberg, Indo Premier

Fig. 3: EXCL and LINK ownership structure



Source: Company, Indo Premier

The proposed structure transformation should bode well for EXCL

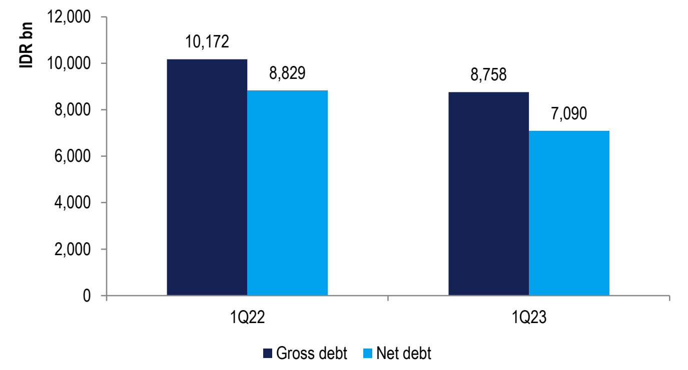
This restructuring should bode well for EXCL, in our view, as: 1) according to management, LINK ownership structure is likely to remain unchanged (i.e., EXCL will keep 20% shares in LINK) and it could potentially be a non-cash transaction, which implies minimal impact on EXCL's balance sheet; 2) the asset-light structure means EXCL can continue to rollout homes-passed with limited capex burden; and 3) an instant access to about 3mn homes-passed and 800k homes-connected should help EXCL to unlock FMC synergies. We estimate revenue/EBITDA accretion of 11-19%/4-6% in FY24-28F.

LINK's ownership structure is likely to remain unchanged, which means minimal impact on EXCL's balance sheet

As we had highlighted previously (see: Overblown concern on LINK; widening discount provides better entry point), one of the key concerns for investors was regarding a potential change in LINK's shareholder structures, given that acquisition of additional stakes in LINK could weigh on EXCL's balance sheet. Considering that spectrum auctions are looming in 2H23 onwards (see: The pursuit of monetization), we think it is imperative for EXCL to ensure an ample balance sheet capacity.

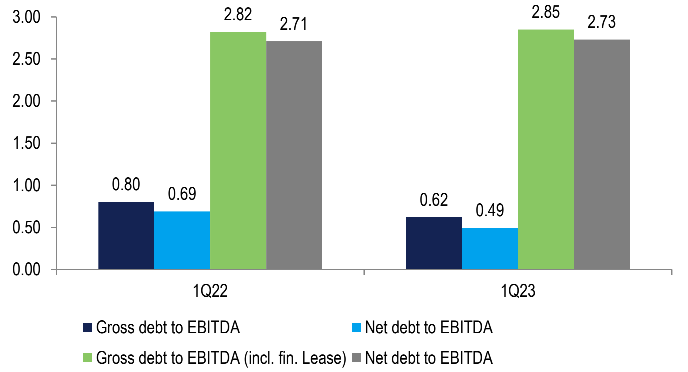
However, even though transactions details are yet to be disclosed, management stated that LINK ownership structure is likely to remain unchanged (i.e., EXCL will keep 20% shares in LINK) and it could potentially be a non-cash transaction, which means minimal impact on EXCL's balance sheet.

Fig. 4: EXCL's gross and net debt



Source: Company, Indo Premier

Fig. 5: EXCL's leverage ratios



Source: Company, Indo Premier

The asset-light structure means EXCL can continue to rollout homes-passed with limited capex burden

Given the proposed asset-light structure, we believe that EXCL will likely see limited capex burden, as LINK will assume the duty of the Infraco and conduct the fiber rollout. Instead, a wholesale service agreement will likely be established whereby EXCL will pay LINK for the network infrastructure needed to support the carved-out B2C business, as well as its other infrastructure needs. We view this proposed structure as positive for EXCL, as LINK is likely to embark on a heavy capex cycle given its aging coaxial assets and limited network footprint in ex-Tier-1 cities.

First, only about 30% of LINK's current c.3mn homes-passed are currently on fiber; the remaining c.70% are still on coaxial, which we believe is no longer adequate to handle the burgeoning data demand. As such, the company plans to gradually upgrade these aging assets to fiber. Based on our discussions with management, the previous target (i.e., before this transaction with EXCL) is to upgrade about 750k homes-passed annually, starting from this year, until all homes-passed are fully-fiberized.

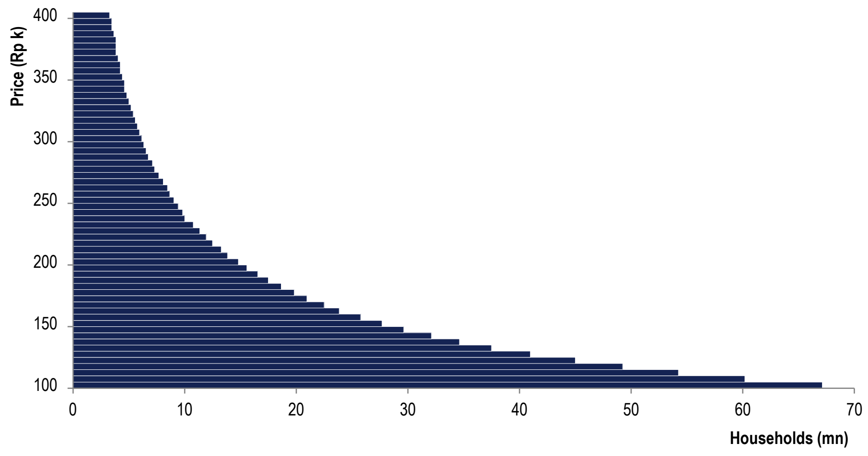
Second, considering the saturated FTTH (fiber-to-the-home) market in Tier-1 cities, the next leg of growth is likely to come from the Tier-2/3 cities, where LINK has limited fiber footprint. As such, EXCL's management plans to roll out 8mn additional homes-passed (likely in Tier-2/3 cities) through LINK, within the next five years. This is on top of the c.4.3mn combined homes-passed that are already under EXCL-LINK as of 1Q23. This 5-year target implies about 1.6mn additional homes-passed per annum over the next five years (vs. LINK's 200-250k additional homes-passed p.a. in the past five years).

Fig. 6: EXCL and LINK have limited coverage in ex-Java

	Home-passed locations	
	Provinces	Cities
XL Home	Bali, Central Java, East Java, Jabodetabek, Kalimantan, Sulaw esi, West Java	Denpasar, Balikpapan, Banjarbaru, Banjarmasin, Jabodetabek, Jogja, Makassar
Link Net	Bali, Central Java, East Java, Jabodetabek, Sumatra, West Java	Bali, Bandung, Batam, Cikampek, Cilegon, Cirebon, Gresik, Jabodetabek, Jogja, Kediri, Malang, Medan, Purw akarta, Semarang, Serang, Sidoarjo, Solo, Surabya, Tegal
IndiHome	34 provinces	496 cities

Source: Company, Indo Premier

Fig. 7: The next leg of growth will likely come from the less-affluent segment



Source: Company, Indo Premier

Note that as a general rule of thumb, capex rollout for homes-passed in Indonesia is about US$100/home (or c.Rp1.5mn/home). Thus, LINK could potentially see capex spending of about Rp12tr (or c.Rp2.4tr/year) over the next five years (excluding capex spend on coaxial upgrade to fiber), on our estimates. Of note, LINK's capex reached c.Rp3tr in FY22 (c.Rp1tr for pole migration).

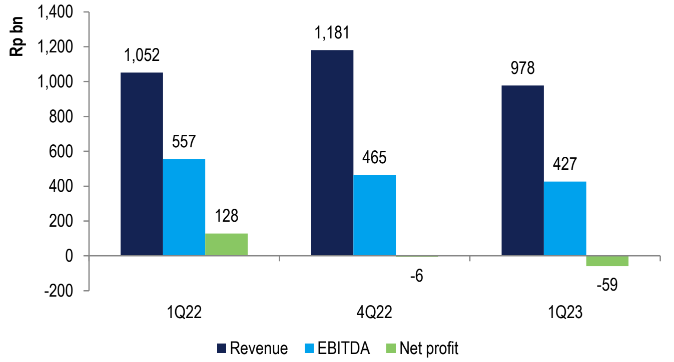
Fig. 8: LINK could see capex spending of about Rp12tr over the next five years

Capex calculation	
US$/homes-passed	100
Rp mn/homes passed	1.5
Additional homes-passed (k homes)	8,000
Total capex (Rp bn)	**12,000**
Annual capex over the next five years (Rp bn/year)	2,400

Source: Company, Indo Premier

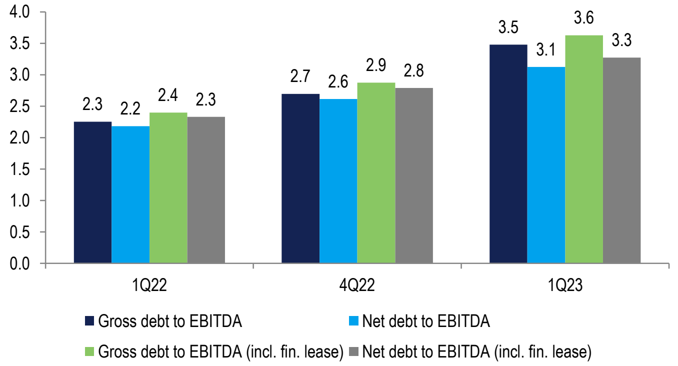
On LINK's side, we expect margins to improve in the mid/long-term, driven by scale (homes-passed footprint should accelerate post-transaction), access to EXCL's backbone infrastructure, and higher fiber utilization ratio (as it will adopt the multi-tenant model post-transaction). Note that Sarana Menara's (TOWR) fiber EBITDA margin has expanded to 70-75% (vs. 40-60% previously) due to scale and higher utilization ratio. Also, based on our discussions with management, in order to keep its interest burden in check, LINK plans to: 1) increase bulk orders of equipment through Huawei (higher order volumes should translate to lower cost per unit); and 2) renegotiate rates with banks to reduce cost of debt (achievable due to the higher credit rating of Axiata, its new majority shareholder). Better EBITDA margin and manageable interest burden should help LINK to improve its profitability, which would result in less drag on EXCL's bottom-line. Recall that EXCL booked Rp48bn share of loss from associates (i.e., LINK) in 1Q23.

Fig. 9: LINK's revenue, EBITDA, net profit



Source: Company, Indo Premier

Fig. 10: LINK's leverage level



Source: Company, Indo Premier

An instant access to c.3mn homes-passed and 800k homes-connected should help to unlock FMC synergies

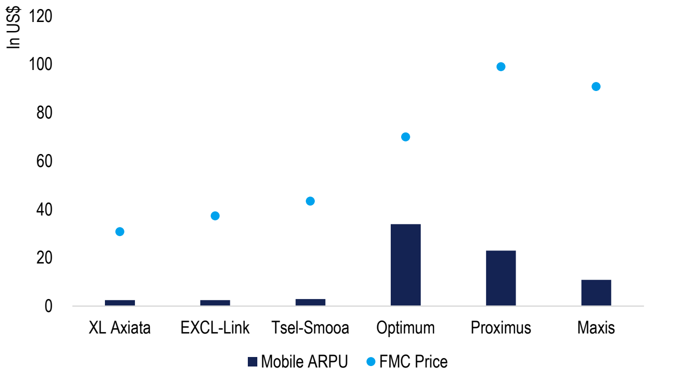
As we had discussed previously (see: IndiHome spin-off shall be net positive), FMC (fixed-mobile convergence) revenue synergies are typically more challenging to realize as: 1) discounts/promotions are often required for FMC subscriber acquisition and retention; and 2) FMC products tend to have steep monthly subscription costs (even after discounts/promotions), making them less attainable for the mass market.

Fig. 11: Discounts of FMC products vs. individual products

Packages	XL Axiata (Discounted)	XL Axiata	Optimum	Proximus	NOS	Vinaphone	KT Corp	Starhub	Verizon
	Indonesia	Indonesia	US	Belgium	Portugal	Vietnam	South Korea	Singapore	US
80-100 Mbps	-15.2%	-3.0%	-	-4.1%	-	-	-	-	-
150-300 Mbps	-19.4%	-8.8%	-10.9%	-	-3.1%	-22.9%	-	-	-
300-500 Mbps	-	-	-14.7%	-	-	-	-8.8%	-	-
500-1000 Mbps	-	-	-16.9%	-	-	-	-8.5%	-22.1%	-
1.0-2.5 Gbps	-	-	-	-	-	-	-8.2%	-20.8%	-
Average discount	**-17.3%**	**-5.9%**	**-14.2%**	**-4.1%**	**-3.1%**	**-15.3%**	**-8.5%**	**-21.5%**	**N/A**

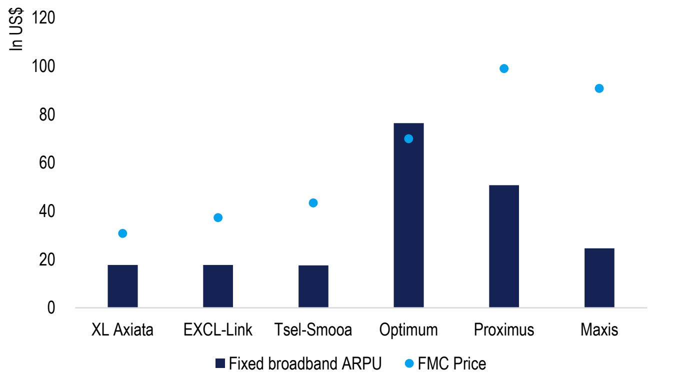
Source: Company, Indo Premier

Fig. 12: FMC product prices vs. mobile ARPU



Source: Company, Indo Premier

Fig. 13: FMC product prices vs. fixed broadband ARPU



Source: Company, Indo Premier

Fig. 14: FMC product prices as % of household income by country

Packages	XL Axiata Indonesia	EXCL-Link Indonesia	Tsel-Indihome Indonesia	Optimum US	Proximus Belgium	AIS Thailand	NOS Portugal	Maxis Malaysia	Vinaphone Vietnam	KT Corp South Korea
10-30 Mbps	5.1%	5.7%	7.4%					15.9%		
30-50 Mbps	6.3%	7.3%	11.0%							
80-100 Mbps	7.8%	9.4%		1.3%	3.4%		5.0%	21.2%		
150-300 Mbps	11.3%	14.1%		1.6%				26.5%	7.0%	
300-500 Mbps				2.1%		5.5%				5.8%
500-1000 Mbps	18.3%			2.6%		7.4%				6.1%
1.0-2.5 Gbps							6.6%			6.4%
Average	**9.7%**	**9.1%**	**9.2%**	**1.9%**	**3.4%**	**6.5%**	**5.8%**	**21.2%**	**7.0%**	**6.1%**

Source: Company, Indo Premier

Despite the challenges, we think some revenue synergies may still be achieved, given the potential for: 1) mobile churn rate reduction; 2) ARPU improvement; and 3) strategic pricing flexibility. FMC products tend to have lower churn rates than individual telco products, partly owing to the inclusion of FTTH or FWA (fixed wireless access), which tend to be stickier due to the burden of installation/possession (i.e., the need for technicians to install cable and configure the network or the need to visit a retail store to return FWA modems). Lower churn rates translate into value creation. Still, it is necessary to monitor churn rates after FMC products' contracts mature. Furthermore, FMC can help to increase telcos' overall ARPU by facilitating upselling and cross-selling. Fixed-mobile bundling tends to encourage higher data consumption for both mobile and fixed services, and higher consumption itself accelerates the upselling of higher-tier broadband plans. Lastly, strategic pricing flexibility—i.e., the ability to cross-subsidize fixed-to-mobile or vice versa—can strengthen the impact of promotion campaigns for FMC players (vs. pure players).

EXCL's FTTH business, under the XL Home brand, currently has about 1.2mn homes-passed, with c.123k homes-connected. Post-transaction, EXCL's homes-passed will instantly jump to c.4.3mn, with close to 1mn homes-connected. Given EXCL's relatively good track record in pushing FMC products (as of 1Q23, c.44% of XL Home users were already on FMC products) and limited subscriber overlap (based on our channel checks, only c.20% of LINK's subs are using EXCL as their carrier; vs. IndiHome-Tsel overlap of c.60%), we see better opportunities for FMC play and potentially higher revenue synergies post-transaction.

Fig. 15: Homes-passed and # of subscribers (i.e., homes-connected)

In k users	Home passed	Subscribers
IndiHome	30,000	9,212
FirstMedia	3,015	824
MNC Play	1,500	316
MyRepublic	1,500	350
Biznet	2,000	500
XL Home	900	120

Source: Company, Indo Premier

Further details are needed to gauge the net impact on profitability, but early analysis on revenue/EBITDA impact look promising

Our analysis takes into account the following assumptions: 1) blended ARPU continues to decline gradually (from Rp275-350k to Rp225k); 2) 8mn additional homes-passed within the next five years; and 3) a similar cash cost structure and wholesale agreement to Tsel-IndiHome transaction (i.e. EBITDA margin of 16.4%). All else equal, we arrive at estimated revenue/EBITDA accretion of 11-19%/4-6% in FY24-28F. Further details are needed to gauge the net impact on profitability.

Fig. 16: Revenue and EBITDA accretion/dilution analysis

	Year-0 (pre-transaction)	Year-1	Year-2	Year-3	Year-4	Year-5
Link Net's blended ARPU (Rp k/month)	350	300	250	250	225	225
XL Home's blended ARPU (Rp k/month)	275	275	250	250	225	225
Link Net's homes-passed (k homes)	3,015	4,615	6,215	7,815	9,415	11,015
Net add yoy (k homes)		*1,600*	*1,600*	*1,600*	*1,600*	*1,600*
XL Home's homes-passed (k homes)	1,200	1,200	1,200	1,200	1,200	1,200
Net add yoy (k homes)		-	-	-	-	-
Link Net's homes-connected (k homes)	824	1,154	1,554	1,954	2,354	2,754
Penetration (%)	*27%*	*25%*	*25%*	*25%*	*25%*	*25%*
XL Home's homes-connected (k homes)	123	120	120	120	120	120
Penetration (%)	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*
Link Net's estimated revenue (Rp bn)	3,461	4,154	4,661	5,861	6,355	7,435
XL Home's estimated revenue (Rp bn)	406	396	360	360	324	324
Pro-forma combined revenue (Rp bn)	**3,867**	**4,550**	**5,021**	**6,221**	**6,679**	**7,759**
Pro-forma combined EBITDA (Rp bn)	**634**	**746**	**823**	**1,020**	**1,095**	**1,272**
EBITDA margin	*16.4%*	*16.4%*	*16.4%*	*16.4%*	*16.4%*	*16.4%*
EXCL's pre-transaction revenue (Rp bn)	31,030	32,723	34,443	35,728	37,091	38,387
EXCL's pre-transaction EBITDA (Rp bn)	15,444	16,448	17,597	18,290	19,009	19,694
Revenue accretion/(dilution)	*11%*	*13%*	*14%*	*16%*	*17%*	*19%*
EBITDA accretion/(dilution)	*4%*	*5%*	*5%*	*6%*	*6%*	*6%*

Source: Company, Indo Premier

Overhang remains, but wide valuation gap implies limited downside risks

As aforementioned, we believe that the proposed structure transformation should bode well for EXCL and could potentially be EBITDA accretive. That said, given the limited details at this juncture, overhang remains. We identify two key issues that could pose downside risks to synergies potential and/or near-term earnings accretion: 1) rising FTTH competition; and 2) unfavorable wholesale agreement. Assuming this transaction is indeed earnings neutral or accretive from year-1, as alluded by management, we see limited downside risks at 3.9x FY23F EV/EBITDA.

Rising FTTH competition

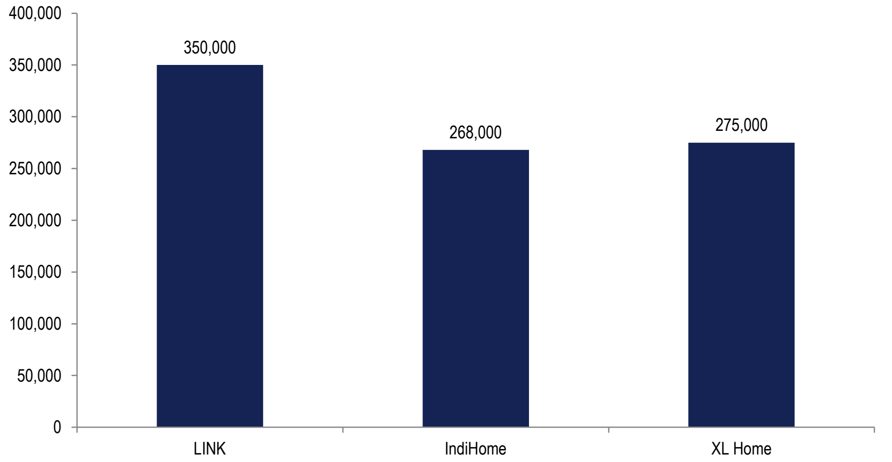
As discussed above, we see opportunities for FMC play and synergies post-transaction. However, given the intensifying FTTH competition, we also see risks of lower-than-expected synergies. Unfavorable competitive landscape could potentially put downward pressures on ARPU, and also result in elevated marketing expenses.

EXCL's FTTH business, under the XL Home brand, currently has about 1.2mn homes-passed, with c.123k homes-connected. Although the company does not disclose its blended ARPU, based on our channel checks, we estimate its ARPU to be within the range of Rp250-300k, below that of LINK (c.Rp350k), which employs a slightly different product positioning strategy (catering more to the premium market in urban areas).

However, amid the heightened competitive pressure and saturated FTTH market in Tier-1 cities, we are already seeing price cuts from all FTTH players, which should translate to lower ARPU in the near/medium term (see: Mar23 price survey: nationwide price hikes from EXCL; IndiHome cut prices).

As such, we also expect LINK's blended ARPU to continue to decline. It is worth noting that since FY22, LINK is seeing higher churn rate (>4% vs. the typical 1-2%) due to competition. This, we believe, was the key reason behind its product revamp in Jan23 (see: Jan23 price survey: IOH leading the price hike).

Fig. 167: Estimated blended ARPU of LINK, IndiHome, and XL Home



Source: Company, Indo Premier

Unfavorable wholesale agreement

A wholesale service agreement will likely be established whereby EXCL will pay LINK for the network infrastructure needed to support the carved-out B2C business, as well as its other infrastructure needs. This could play a key role in determining the near-term earnings accretion from the proposed transaction. Although the details of the wholesale agreement are yet to be finalized, management vehemently stated that the agreement will be done at arm's length, adhering to current industry's standards, as it is a related-party transaction.

All else equal, assuming a similar cash cost structure and wholesale agreement to Tsel-IndiHome transaction, we expect EXCL's revenue and EBITDA to increase by 11/4% post-transaction (see fig. 18). EBITDA margin could decline to 44%, on our estimates.

Fig. 178: EXCL's pro-forma revenue and EBITDA post-transaction

(Rp bn)	LINK	EXCL
1Q23 revenue annualized	3,911	30,188
1Q23 EBITDA annualized	1,707	14,332
EBITDA margin	43.7%	47.5%
EBITDA of carved-out assets	641	
EBITDA margin of carved-out assets	16.4%	
Revenue of EXCL post-transaction		**34,099**
EBITDA of EXCL post-transaction		**14,973**
EBITDA margin		43.9%

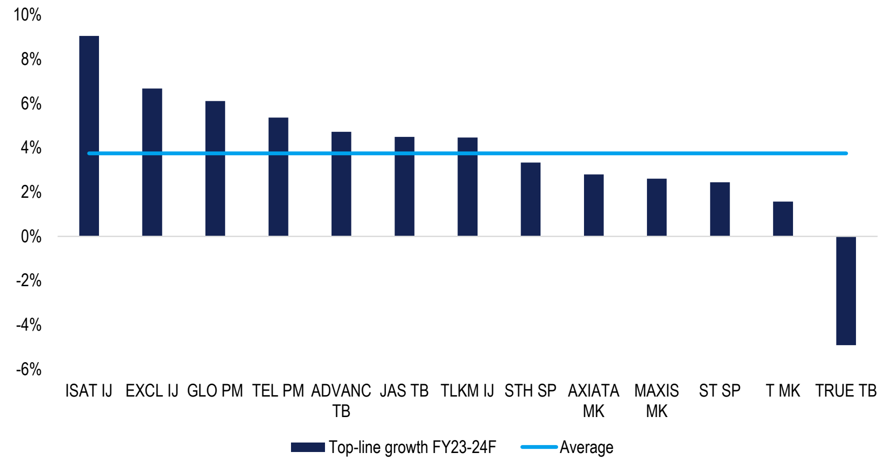
Source: Company, Indo Premier

Maintain Buy rating on promising earnings impact and wide valuation gap versus peers

We continue to believe that EXCL's fundamentals are intact. Indeed, its FY23-24F top-line and EBITDA growth are among the highest in ASEAN, while its 1Q23 top-line growth was best among peers (TLKM/ISAT +3%/+10% yoy). We also see room for further monetization in the coming months, given minimal impact on data consumption post-price hikes in Mar23 and benign competition.

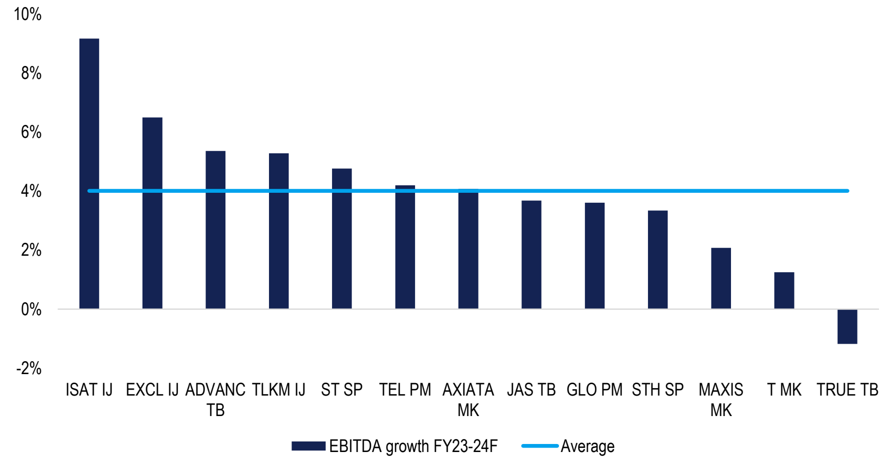
While we await more details regarding this transaction, we maintain Buy rating on EXCL for now, with an unchanged blended valuation-based (DCF and EV/EBITDA multiple) 12-month TP of Rp3,300. Assuming this transaction is indeed earnings neutral or accretive starting from year-1 (as alluded by management), we see limited downside risks at current valuation. EXCL currently trades at 3.9x FY23F EV/EBITDA, or at slightly below -1SD of its 10yr mean. Its valuation discount to TLKM and ISAT is also at multi-year highs (c.26/16% discount currently vs. c.4% discount/c.35% premium historically). Downside risks to our call include unfavorable deal terms and competition.

Fig. 189: Topline growth of ASEAN telcos (FY23-24F)



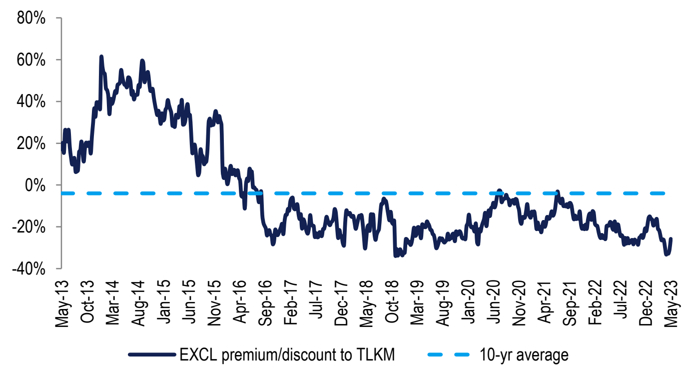
Source: Company, Bloomberg, Indo Premier

Fig. 20: EBITDA growth of ASEAN telcos (FY23-24F)



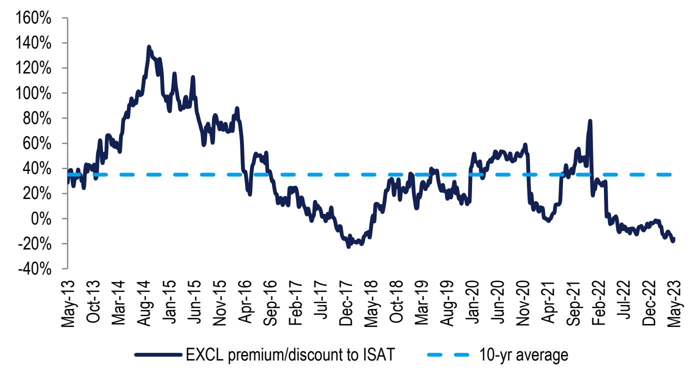
Source: Company, Bloomberg, Indo Premier

Fig. 19: EXCL's premium/discount to TLKM



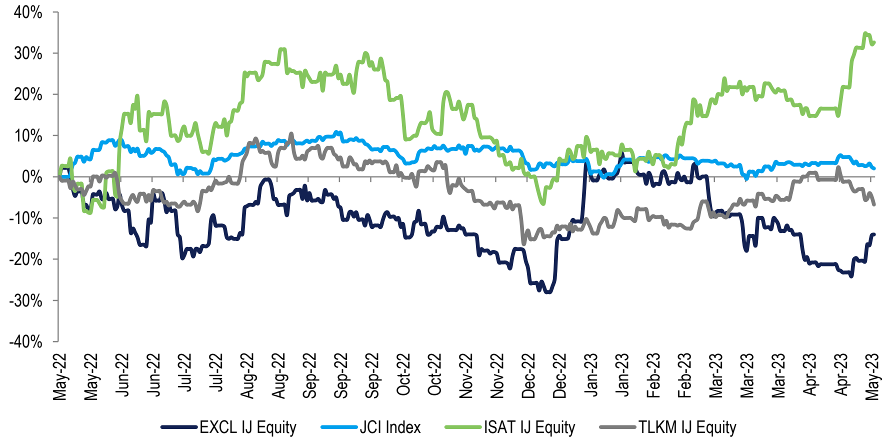
Source: Company, Bloomberg, Indo Premier

Fig. 20: EXCL's premium/discount to ISAT



Source: Company, Bloomberg, Indo Premier

Fig. 21: EXCL's share price has been underperforming since LINK acquisition

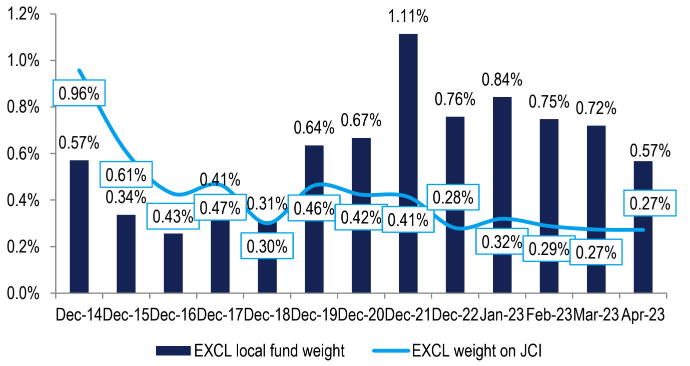


Source: Bloomberg, Indo Premier

Fig. 22: EXCL EV/EBITDA band

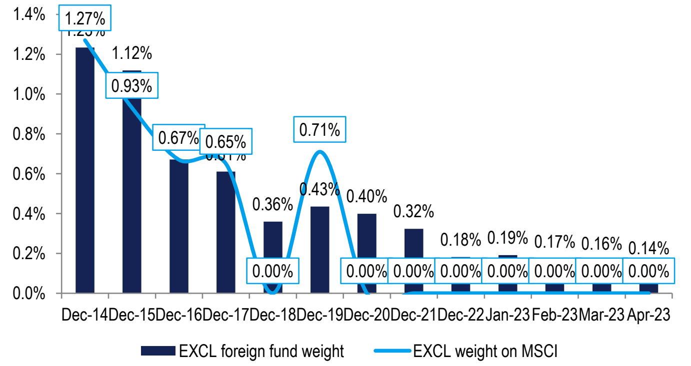
Source: Company, Bloomberg, Indo Premier

Fig. 23: EXCL local funds positioning vs JCI



Source: Company, Indo Premier

Fig. 24: EXCL foreign funds positioning vs MSCI



Source: Company, Indo Premier

Fig. 25: Telco comparable table

	Company name	Country	FY23F EV/EBITDA (x)	FY24F EV/EBITDA (x)	FY23F P/E (x)	FY23F PBV (x)	FY23F Div. yld (%)
Indonesia							
TLKM IJ	Telkom Indonesia	IJ	5.2	4.9	14.6	2.7	3.5
EXCL IJ	XL Axiata	IJ	3.6	3.3	12.2	0.9	4.1
ISAT IJ	Indosat	IJ	4.6	4.1	24.8	2.1	0.0
Average			**4.5**	**4.1**	**17.2**	**1.9**	**2.5**
Asia							
600050 CH	China United	CH	3.6	3.6	17.0	1.0	3.5
603881 CH	Shanghai AtHub Co Ltd	CH	10.6	10.6	48.2	3.1	0.2
1310 HK	HKBN Ltd	HK	6.7	6.7	16.5	1.8	10.5
728 HK	China Telecom Corp Ltd	HK	3.7	3.7	9.8	0.8	7.2
IDEA IN	Vodafone Idea Ltd	IN	14.3	14.3			0.0
BHARTI IN	Bharti Airtel Ltd	IN	8.5	8.5	31.3	4.5	0.6
TCOM IN	Tata Communications Ltd	IN	8.2	8.2	17.8	8.3	1.8
017670 KS	SK Telecom Co Ltd	KS	3.8	3.8	9.4	0.9	7.0
032640 KS	LG Uplus Corp	KS	3.0	3.0	6.3	0.5	6.6
030200 KS	KT Corp	KS	3.4	3.4	5.9	0.5	7.0
AXIATA MK	Axiata Group Bhd	MK	5.7	5.7	19.6	1.2	4.0
CDB MK	CELCOMDIGI BHD	MK	11.6	11.6	27.0	3.8	3.4
MAXIS MK	Maxis Bhd	MK	10.7	10.7	23.7	5.4	4.5
TEL PM	PLDT Inc	PM	4.9	4.9	8.8	2.1	7.2
ST SP	Singapore Telecommunications Ltd	SP	12.5	12.5	16.6	1.5	4.9
STH SP	StarHub Ltd	SP	5.5	5.5	12.3	2.6	6.1
ORDS OM	Omani Qatari Telecommunications Co SAOG	OM	3.3	3.3	12.3	0.9	8.1
DTAC TB	Total Access Communication PCL	TB					
T MK	Telekom Malaysia Bhd	MK	4.9	4.9	14.3	2.0	3.7
ADVANC TB	Advanced Info Service PCL	TB	7.7	7.7	21.0	6.9	4.0
TRUE TB	True Corp PCL	TB	12.1	12.1	45.3	3.6	2.4
JAS TB	Jasmine International PCL	TB	5.1	5.1	7.8	8.9	3.2
GLO PM	Globe Telecom Inc	PM	6.2	6.2	11.8	1.5	5.8
Average			**7.5**	**7.5**	**18.8**	**3.2**	**4.2**
Europe							
ORA FP	Orange SA	FP	5.3	5.3	9.2	0.9	6.4
DTE GR	Deutsche Telekom AG	GR	6.2	6.2	11.5	1.9	4.0
O2D GR	Telefonica Deutschland Holding AG	GR	5.0	5.0	30.2	1.8	6.1
VOD LN	Vodafone Group	LN	6.7	6.7	12.7	0.5	8.1
TEL NO	Telenor ASA	NO	6.9	6.9	15.6	2.8	7.7
TELIA SS	Telia Co AB	SS	6.6	6.6	15.6	1.8	7.6
TEF SM	Telefonica SA	SM	5.0	5.0	11.4	0.9	7.7
Average			**5.9**	**5.9**	**15.2**	**1.5**	**6.8**
North America							
TMUS US	T-Mobile US Inc	US	7.8	7.8	14.7	2.6	0.0
VZ US	Verizon Communications Inc	US	6.4	6.4	8.0	1.4	7.1
T US	AT&T Inc	US	6.0	6.0	6.8	1.0	6.6
Average			**6.8**	**6.8**	**9.8**	**1.7**	**4.6**
Global Average			**6.2**	**6.1**	**15.3**	**2.1**	**4.5**

Source: Company, Bloomberg, Indo Premier

Fig. 26: Fixed broadband comparable table

	Company name	Country	FY23F EV/EBITDA (x)	FY24F EV/EBITDA (x)	FY23F P/E (x)	FY23F PBV (x)	FY23F Div. yld (%)
Indonesia							
LINK IJ	Link Net Tbk PT	IJ					
Asia Pacific							
CNVRG PM	Converge Information and Communications Technology Solutions Inc	PM	5.0	5.0	9.2	1.6	4.3
GLO PM	Globe Telecom Inc	PM	6.2	6.2	11.8	1.5	5.8
GTPL IN	GTPL Hathway Ltd	IN					
ICN TB	Information & Communication Networks PCL	TB					
9432 JP	Nippon Telegraph & Telephone Corp	JP	6.7	6.7	10.5	1.4	3.4
SKT NZ	SKY Network Television Ltd	NZ	2.4	2.4	6.2	0.8	7.0
TDC MK	TIME dotCom Bhd	MK	10.6	10.6	19.5	2.7	3.6
TRUE TB	True Corp PCL	TB	12.1	12.1	45.3	3.6	2.4
Average			***7.2***	***7.2***	***17.1***	***1.9***	***4.4***
Europe							
EKT SM	Euskaltel SA	SM					
TNET BB	Telenet Group Holding NV	BB	5.7	5.7	6.6		5.0
Average			***5.7***	***5.7***	***6.6***		***5.0***
North America							
CABO US	Cable One Inc	US	7.9	7.9	12.0	1.9	1.9
CHTR US	Charter Communications Inc	US	6.9	6.9	8.7	3.7	0.0
CCA CN	Cogeco Communications Inc	CN	5.5	5.5	6.9	0.8	5.3
CMCSA US	Comcast Corp	US	6.8	6.8	9.8	1.8	3.1
LBTYA US	Liberty Global PLC	US	6.7	6.7		0.3	0.0
LILA US	Liberty Latin America Ltd	US	5.6	5.6	15.4	0.9	0.0
SJR/B CN	Shaw Communications Inc	CN	10.3	10.3	26.2	3.0	2.9
Average			***7.1***	***7.1***	***13.2***	***1.8***	***1.9***
Global Average			***6.6***	***6.6***	***12.3***	***1.9***	***3.8***

Source: Company, Bloomberg, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	26,754	29,142	31,030	32,723	34,443
Cost of sales	-	-	-	-	-
Gross profit	**26,754**	**29,142**	**31,030**	**32,723**	**34,443**
SG&A Expenses	(23,423)	(25,484)	(26,590)	(27,837)	(29,146)
Operating profit	**3,331**	**3,658**	**4,440**	**4,886**	**5,296**
EBITDA	**13,287**	**14,235**	**15,444**	**16,448**	**17,597**
Net interest	(2,290)	(2,666)	(2,520)	(2,515)	(2,484)
Forex gain (loss)	10	(61)	(16)	(33)	(34)
Others	658	422	25	26	28
Pre-tax income	**1,708**	**1,353**	**1,930**	**2,364**	**2,806**
Income tax	(420)	(232)	(328)	(402)	(477)
Minority interest	-	(12)	(12)	(13)	(14)
Net income	**1,288**	**1,109**	**1,589**	**1,949**	**2,315**

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	2,664	5,184	4,900	4,959	4,951
Receivable	610	852	765	807	849
Other current assets	4,459	4,372	4,375	4,511	4,651
Total current assets	**7,733**	**10,408**	**10,040**	**10,276**	**10,452**
Fixed assets	51,912	60,474	57,537	57,537	57,537
Goodwill	13,108	16,396	17,216	18,076	18,980
Total non-current assets	**65,020**	**76,869**	**74,753**	**75,613**	**76,517**
Total assets	**72,753**	**87,278**	**84,792**	**85,890**	**86,969**
Payable	10,705	11,491	11,583	12,126	12,697
Other payables	3,973	3,941	3,980	4,020	3,980
Current portion of LT loans	6,276	10,919	7,317	7,238	7,152
Total current liab.	**20,954**	**26,351**	**22,880**	**23,385**	**23,828**
Long term loans	29,372	33,041	33,333	32,975	32,582
Other LT liab.	2,338	2,112	2,010	1,986	1,973
Total liabilities	**52,665**	**61,504**	**58,224**	**58,346**	**58,383**
Equity	13,154	18,093	18,093	18,093	18,093
Retained earnings	6,934	7,550	8,345	9,320	10,361
Minority interest	-	131	131	131	131
Total SHE + minority int.	**20,089**	**25,774**	**26,569**	**27,544**	**28,585**
Total liabilities & equity	**72,753**	**87,278**	**84,792**	**85,890**	**86,969**

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net income	1,288	1,109	1,589	1,949	2,315
Depr. & amortization	9,952	10,550	11,004	11,562	12,301
Changes in working capital	1,599	599	216	405	347
Others	(123)	(3,503)	(909)	(871)	(903)
Cash flow from operating	**12,716**	**8,756**	**11,900**	**13,046**	**14,060**
Capital expenditure	(14,706)	(19,139)	(8,068)	(11,562)	(12,301)
Others	4	27	-	-	-
Cash flow from investing	**(14,702)**	**(19,112)**	**(8,068)**	**(11,562)**	**(12,301)**
Loans	2,021	8,311	(3,309)	(437)	(480)
Equity	(14)	5,058	(12)	(13)	(14)
Dividends	(338)	(544)	(795)	(975)	(1,273)
Others	-	-	-	-	-
Cash flow from financing	**1,669**	**12,825**	**(4,116)**	**(1,425)**	**(1,767)**
Changes in cash	**(301)**	**2,520**	**(284)**	**59**	**(8)**

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	100.0%	100.0%	100.0%	100.0%	100.0%
EBITDA margin	49.7%	48.8%	49.8%	50.3%	51.1%
Pre-tax margin	6.4%	4.6%	6.2%	7.2%	8.1%
Net margin	4.8%	3.8%	5.1%	6.0%	6.7%
ROA	1.8%	1.3%	1.9%	2.3%	2.7%
ROE	6.4%	4.3%	6.0%	7.1%	8.1%
ROIC	6.5%	6.2%	7.0%	7.8%	8.4%
Acct. receivables TO (days)	8	9	9	9	9
Acct. payables - other TO (days)	141	141	141	141	141
Net debt/EBITDA (inc.leases) (x)	2.5	2.7	2.3	2.1	2.0
Net debt/EBITDA (ex. leases) (x)	0.6	0.5	0.1	(0.1)	(0.2)
Interest coverage (x)	1.4	1.3	1.7	1.9	2.1

Source: Company, Indo Premier

INVESTMENT RATINGS

BUY	:	Expected total return of 10% or more within a 12-month period
HOLD	:	Expected total return between -10% and 10% within a 12-month period
SELL	:	Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.