Telekomunikasi Indonesia

BUY *(unchanged)*

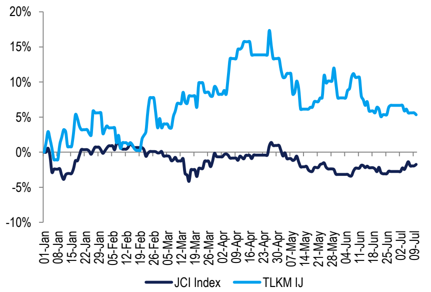
Company Update | Telecommunications | TLKM IJ | 10 July 2023

Stock Data

Target price	**Rp4,900**
Prior TP	*Rp4,900*
Current price	Rp3,950
Upside/downside	*+24%*
Shares outstanding (mn)	99,062
Market cap (Rp bn)	391,296
Free float	48%
Avg. 6m daily T/O (Rp bn)	428

Price Performance

	3M	6M	12M
Absolute	-7.1%	6.5%	-1.5%
Relative to JCI	-6.2%	5.8%	-1.4%
52w low/high (Rp)		3,600 – 4,750	



Major Shareholders

Republic of Indonesia	52.1%

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Revisiting Telkomsel's monetization and FWA agendas

- Further monetization in 2H23 is likely: 1) subs cleansing to end in 2Q23; 2) favourable competition; and 3) better data traffic momentum.
- FWA: 1) is economically more-viable in sparsely populated and/or less affluent areas; and 2) could support 5G monetization.
- TLKM currently trades at 4.8x FY24F EV/EBITDA, or at -1SD, and at a slight discount to ISAT. Maintain Buy.

Monetization opportunities post-subs cleansing program

Tsel has been selectively increasing its prices, through a combination of starter pack price hikes, postpaid products revamp and personalized offerings price adjustments. Going into 2H23, we see more opportunities for further monetization, as: 1) its subs cleansing program is slated to end in 2Q23; 2) competitive landscape remains favourable; and 3) data consumption should gain more momentum in 2H23 (ahead of the election). An across-the-board price hike is possible in 2H23, in our view.

FMC initiative to unlock the next leg of growth

Besides the potential synergies through cross-selling/bundling, lower churn rates, and opex/capex savings, we also see TLKM's FMC initiative as a way to fully unlock FWA's growth potentials. We believe that FWA: 1) is an economically more-viable FTTH alternative in sparsely populated and/or less affluent areas; and 2) could support 5G monetization. In FY22, we estimate that FWA contributed only about 2.1%/0.4% of the TLKM's total broadband revenue/total consolidated revenue, but it could grow to around 9%/2% in FY26F. We conservatively estimate the potential NPV uplift at c.1-2%.

Undemanding valuation

TLKM's share price has deteriorated by c.16% since Aug22. We believe that risk/reward currently looks attractive at 4.8x FY24F EV/EBITDA, -1SD and at a slight discount to ISAT (c.2% discount vs. c.42% premium historically), despite having superior profitability. We believe that Tsel's performance could potentially improve in 2H23, driven by further monetization and less drag from legacy. TLKM's FMC plan is also likely to be value-accretive and represents a step in the right direction. Moreover, a strategic partnership or IPO involving the datacentre business and infraco appears to be on the cards; such an action would likely translate to value unlocking potential.

Reaffirm BUY on TLKM

We maintain our BUY call on TLKM with an unchanged TP of Rp4,900. Risk is intensifying competition.

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	143,210	147,306	154,022	161,131	168,643
EBITDA	75,723	78,992	83,197	87,801	92,620
EBITDA growth	5.1%	4.3%	5.3%	5.5%	5.5%
Net profit	24,760	20,753	28,064	30,589	31,707
EPS (Rp)	250	209	283	309	320
EPS growth	19.0%	-16.2%	35.2%	9.0%	3.7%
ROE	17.0%	13.9%	17.2%	17.9%	17.7%
PER (x)	15.8	18.9	13.9	12.8	12.3
EV/EBITDA (x)	5.5	5.3	5.0	4.8	4.6
Dividend yield	4.3%	3.8%	3.7%	5.7%	6.3%
Forecast change		N/A	N/A	N/A	N/A
IPS vs. consensus			104%	105%	100%

Source: Company, Indo Premier *Share price closing as of: 10 July 2023*

Monetization opportunities post-subs cleansing program

Telkomsel (Tsel) has been selectively increasing its prices, through a combination of starter pack price hikes, postpaid products revamp, and personalized offerings price adjustments. Going into 2H23, we see more opportunities for Tsel to monetize its market share, given that: 1) its subs cleansing program is slated to end in 2Q23; 2) competitive landscape remains favourable; and 3) data consumption should gain more momentum in 2H23 (ahead of the election and year-end festivities). An across-the-board price hike is possible in 2H23, in our view.

Tsel plans to continue selective price hikes, but we also see room for across-the-board price hikes in 2H23

Telkomsel (Tsel) increased the prices of its starter packs in early 1Q23, from Rp15k to Rp25k, and also revamped its postpaid products by introducing more-for-more offerings through Halo+, which according to the company, carries c.8% higher ARPU, on average (see: Mar23 price survey). Still, its reload packs' prices remain largely unchanged to-date. Notably, Tsel increased the prices of its Internet and Combo Sakti by c.5% ahead of the Eid al-Fitr holidays, but it rolled back these price hikes about two weeks after the holidays, which is consistent with Tsel's holiday pricing patterns in previous years (see: May23 price survey).

However, based on our discussions with Tsel, the company has actually been increasing prices selectively. First, despite the roll back post-holidays, Tsel actually maintained the elevated prices for select subscribers (mainly its high-value subs, which makes up for c.20% of its total subs) given the resilient consumption pattern of this segment post-price hikes. Second, in early-Jun23, Tsel has increased the prices of its personalized products (which are only available on its MyTelkomsel app) for the same segment by another c.5%.

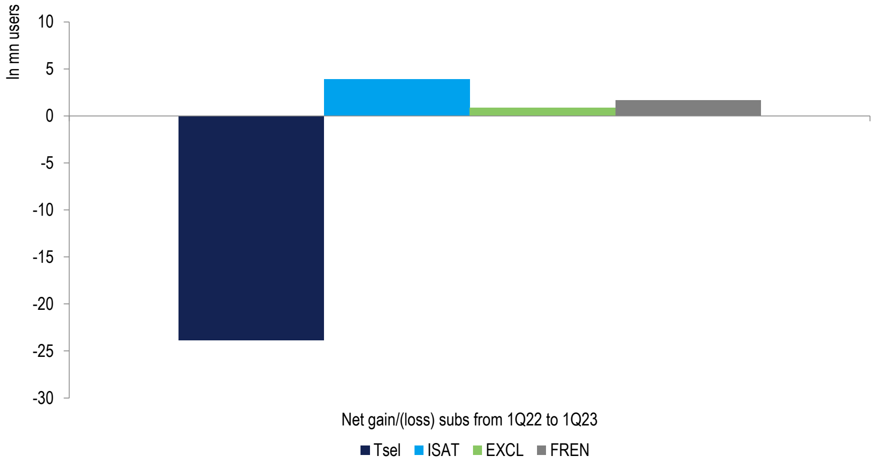
Going into 2H23, we see more opportunities for Tsel to monetize its market share, given that: 1) its subs cleansing program should be concluded by end-2Q23; 2) competitive landscape remains favourable; and 3) data consumption should gain more momentum in 2H23. An across-the-board price hike is possible in 2H23, in our view.

Subs cleansing program to be concluded by end-2Q23

Tsel started its subscriber cleansing program in 1Q22; an attempt to shed its low-value subs (i.e. rotational churners) in order to focus on high-value subs. This program, which is done by increasing the prices and reducing the bonus of starter packs (in order to reduce starter packs' lucrativeness and encourage subs to purchase reload packs), is slated to be concluded by end-2Q23.

As of 1Q23, Tsel has lost about 23.9mn subs (151.1mn total subs in 1Q23 vs. 175.0mn in 1Q22). We believe that its subs cleansing program can be deemed relatively successful, as other telcos (IOH, EXCL, and FREN) combined only saw 6.4mn subs net add (vs. c.23.9mn subs lost by Tsel) during the cleansing period, which indicates that the majority of subscribers that Tsel lost were indeed low-value subs/rotational churners.

Fig. 1: Ex-Tsel only saw c.6mn subs net add (vs. c.24mn subs lost by Tsel), which indicates that the majority of subs that Tsel lost were indeed rotational churners



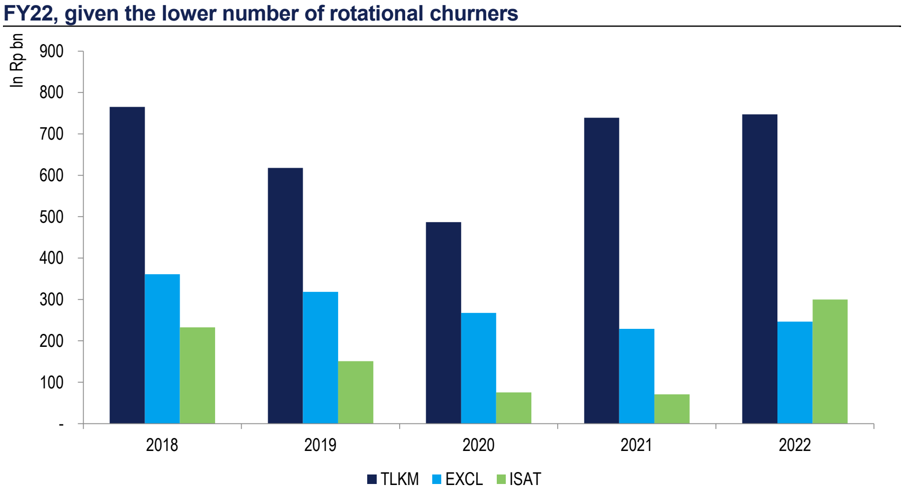
Source: Company, Indo Premier

The benefit of this program, in our view, is two-fold: 1) reduces Tsel's SIM costs (c.1% of revenue in FY22); and 2) allows Tsel to gain greater pricing power.

First, based on our channels check, SIM card costs jumped from about Rp1.5k/SIM to Rp7-8k in FY22, due to supply chain issues. Despite the higher chip cost, Tsel managed to keep a flat SIM card cost yoy in FY22, given the lower number of rotational churners. Although SIM card prices appear likely to remain elevated in the near/mid-term, we expect its SIM card costs to start to decline in FY23-24F (1Q23: -14.4% qoq) driven by the reduced rotational churners.

Second, with better network quality (lower number of low-value subs should help to unlock additional network capacity, which could improve network quality and in turn, subs stickiness) as well as higher proportion of app and reload pack users, Tsel could potentially have better pricing power post-program.

Fig. 2: Despite the higher chip cost, Tsel managed to keep a flat SIM card cost yoy in FY22, given the lower number of rotational churners



Source: Company, Indo Premier

Competitive landscape remains favorable

EXCL and IOH have shown positive monetization efforts since the turn of the year. We noted a c.7.5% across-the-board price hike from EXCL for the reload packages in early Mar23 (see: Mar23 price survey), while IOH increased its starter pack prices from Rp15k to Rp25k in Jan23 (see: Jan23 price survey) and reload pack prices (Freedom Internet by 10-20% and Tri's Happy and AlwaysON by 5-10% through revamped offerings) at end-Apr23 and Jun23 (see: May23 price survey, Jun23 price survey).

Meanwhile, based on our conversations with FREN's management, the company has also selectively increased its reload pack prices by c.5% and also introduced new more-for-more products (i.e., ARPU accretive products).

Additionally, based on our discussions with Tsel, we note that EXCL and IOH ex-Java expansions are turning more rational relative to the previous years. Historically, EXCL and IOH entered new regions in ex-Java through steeply discounted prices, as well as aggressive promotion and marketing efforts that could last for more than six months, given the needs to fill up the vacant network capacity as fast as possible. However, this aggressive practice is now already largely abandoned. Instead, EXCL and IOH now enter new regions with reasonable discounts, promotions, and marketing that typically only last for 1-2 months.

This, we believe, is likely due to EXCL's substantial ex-Java investments in FY18-19 that are reaching breakeven points (payback period of 3-5 years, according to management) and spectrum constraints, as well as IOH's scaled-up network post-merger (with scale, the company sees lower fixed cost base, which in turn reduces the need to grow traffic unsustainably).

Fig. 3: Encouraging monetization efforts from all telcos in 1H23

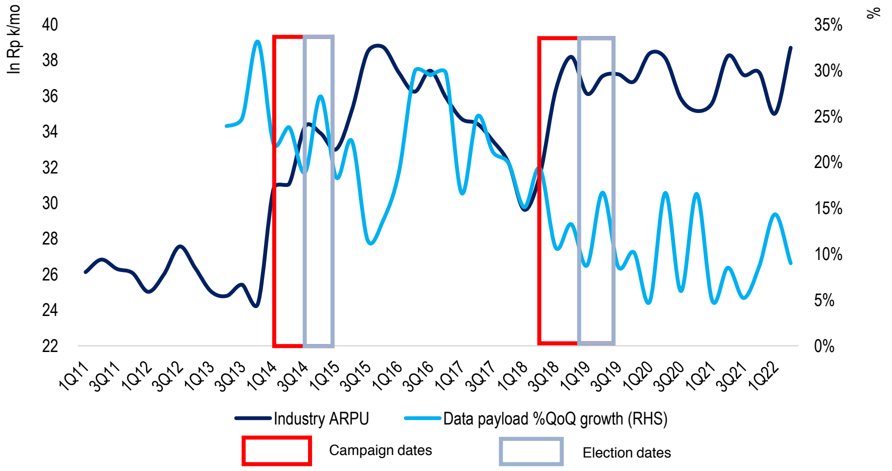
	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Tsel	Increased its starter pack prices from Rp15k to Rp25k. Rolled back its Dec22 price hikes by cutting headline prices by 5-9% for weekly packages most Internet OMG! packages.		Revamped its postpaid products by introducing more-for-more offerings through Halo+ which carries c.8% higher ARPU	Increased the prices of Internet Sakti and Combo Sakti by c.5% in select regions	Rolled back its Eid al-Fitrs price hikes by c.5% for Internet and Combo Sakti. Selectively maintained the elevated prices for high-ARPU subs	Selectively increased the prices of its personalized offerings for the high-ARPU segment by c.5% in early-Jun23
XL Axiata			Nationwide across-the-board price hikes of c.7.5%, on average			
Indosat	Increased its starter pack prices from Rp15k to Rp25k; Tri increased headline prices by c.67% for the Happy 3GB package and c.8% for the Happy 18GB package			Increased the headline prices of all 30-days Freedom Internet packages nationwide by c.10-20% at end-Apr23		Increased the headline prices for select Tri's Happy and AlwaysOn packages nationwide by c.5-10% and phasing out Freedom U from its product lineup
Smartfren	Gradually increased its reload pack prices by c.5% and also introduced new more-for-more products					

Source: Company, Indo Premier

Data consumption should gain more momentum in 2H23

As per our discussions with Tsel, the company sees better momentum for monetization in 2H23, ahead of the election (Feb24), and also supported by year-end festivities. Indeed, based on anecdotal evidence (through news screening), we note that during previous general (Pemilihan Umum/pemilu) and regional (Pemilihan Kepala Daerah/pilkada) elections data consumption typically increased by around 15% (simple average), likely due to higher needs to access information as well as increased money circulation (triggered by election-related spending). This should translate to a more-inelastic data demand and ample monetization opportunities. It is also worth noting that the bulk of Tsel's price hikes in FY22 was conducted in 2H22 (specifically in July-Aug22).

Fig. 4: Industry ARPU and data payload during the previous general elections



Source: Company, Indo Premier

Fig. 5: During previous general and regional elections data consumption typically increased by around 15% (simple average)

Election	Year	Data traffic growth (%)			Voice/MoU growth (%)			SMS traffic growth (%)		
		Tsel	ISAT	EXCL	Tsel	ISAT	EXCL	Tsel	ISAT	EXCL
General election	2009	5.0%	9.0%	24.0%	2-5%	10.2%	5.4%	2-5%	3.2%	22.4%
Regional election	2014	49.0%	18.4%			12.0%			10.0%	
General election	2014	15.0%		17-28%	5.0%		1-6%	10.0%		4.0%
General election	2019	16.3%	7.0%	24.0%	-10.0%		4.0%	-7.8%		
Simple average		**12.1%**	**8.0%**	**24.0%**	**-2.5%**	**10.2%**	**4.7%**	**1.1%**	**3.2%**	**13.2%**

Source: Various news, Indo Premier
Notes: 1) Growth figures are relative to daily usage during regular days prior to the election
2) Simple average calculation excludes the 2014 regional election

Less drag from legacy

Based on our observation of regional cases in China and Australia, legacy revenue began to fall as 4G rollout kicked-off and continued to see steep double-digit decline, before levelling off when its contribution to total revenue reached about 10%. Tsel's legacy revenue has declined from 72% of total revenue in FY13 to 16% in 1Q23. While we do not expect its legacy revenue deterioration to level off until 2H24 (assuming current run-rate and benchmarking regional telcos), the drag on Tsel's topline should continue to diminish gradually.

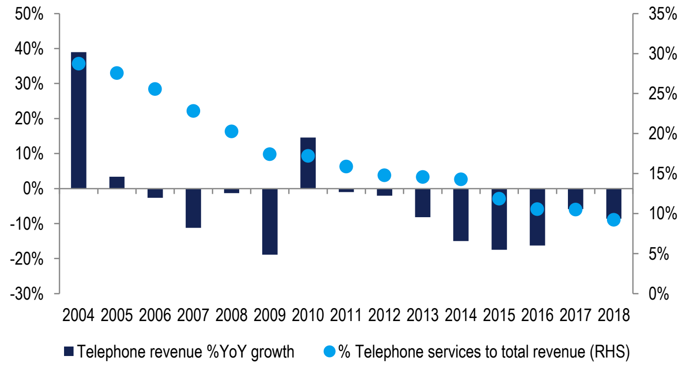
Legacy revenue drop tends to stabilize when its contribution to total revenue reaches c.10%

Tsel delivered a relatively soft 1Q23 revenue growth (+1% yoy/-6% qoq), partly due to the lack of substantial monetization effort in the quarter (see fig.3) as well as its bigger legacy revenue (voice and SMS) contribution (c.16% of total revenue in 1Q23 vs. 3%/2% for EXCL/ISAT). While we do not expect its legacy revenue deterioration to level off until 2H24 (assuming current run-rate and benchmarking regional telcos), the drag on Tsel's topline should continue to diminish gradually.

Based on our observation of regional cases in China and Australia, legacy revenue started to fall as telcos' 4G rollout intensified and continued to see steep double-digit decline, before levelling off when its contribution to revenue reaches <10%.

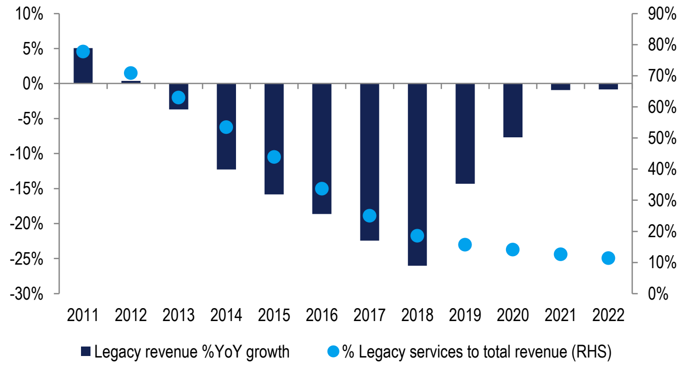
First, we noted that China Mobile's legacy revenue growth began to decelerate in FY13, and saw its steepest decline in FY18 at -26% yoy, before flattening at -1% yoy in FY21-22 (FY13-22 CAGR of -17%), when legacy revenue contribution to total revenue reached 11% in FY21 (vs. 63% in FY13). Second, Optus' voice revenue started to decline in FY11 and accelerated until it saw -17% yoy in FY15, before levelling off at -6-9% yoy in FY17-18 (FY11-18 CAGR of -7%). Its voice revenue contribution to total revenue dropped to 9% in FY18 (vs. 16% in FY11).

Fig. 6: Optus' voice revenue level off at -6-9% yoy in FY17-18 when its contribution to total revenue reached 9%



Source: Company, Indo Premier

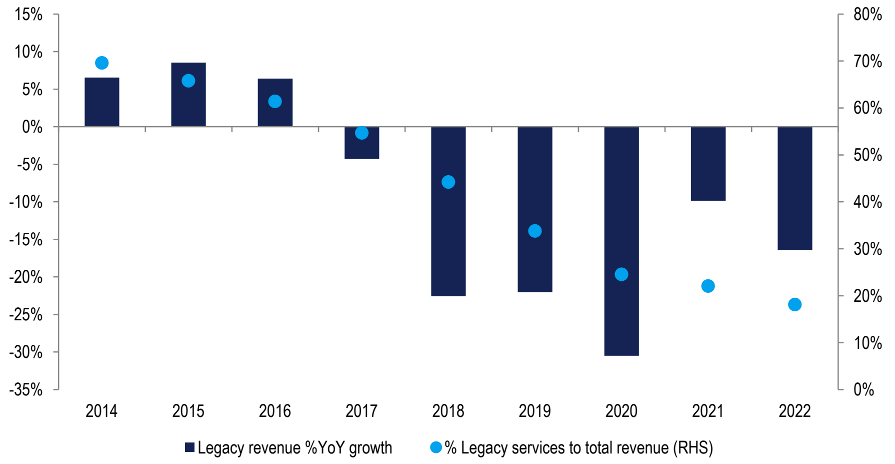
Fig. 7: China Mobile's legacy revenue stabilized at -1% yoy in FY21-22, when its contribution to total revenue reached 11% in FY21



Source: Company, Indo Premier

Similar to these regional telcos, Tsel's legacy revenue began to decline in FY17, when 4G rose to prominence (note that Indonesian telcos were late to 4G rollout; initial rollout was at end-FY14 but only started to aggressively rollout in FY16). It saw its steepest fall of -31% yoy in FY20 (during COVID) and remains on a declining trend until now (-16% yoy in FY22; FY13-22 CAGR of -14%). Legacy revenue contribution to total revenue fell from 72% in FY13 to 18% in FY22 and 16% in 1Q23. Assuming the 1Q23 decline rate remains constant, we estimate that Tsel's legacy revenue could reach <10% of total revenue in 2H24.

Fig. 8: Tsel's legacy revenue is now at 16% of total revenue as of 1Q23



Source: Company, Indo Premier

FWA is likely to be key to unlock the next leg of home internet services growth

Besides the potential synergies through cross-selling/bundling, lower churn rates, and opex/capex savings, we also see TLKM's FMC initiative as a way to fully unlock FWA's growth potentials. We believe that FWA: 1) is an economically more-viable FTTH alternative in sparsely populated and/or less affluent areas; and 2) could support 5G monetization by utilizing the additional network capacity gained from the mid-band spectrum (i.e. 3,500MHz). In FY22, we estimate that FWA contributed only about 2.1%/0.4% of the TLKM's total broadband revenue/total consolidated revenue, but that figure could grow to around 9%/2% in FY26F. We estimate the potential NPV uplift at c.1-2%.

FMC initiative is likely to be earnings- and value-accretive for TLKM

As we had highlighted previously (see: IndiHome spin-off shall be net positive), we see limited impact on TLKM in the near-term, as integration may take 18-24 months, according to management. EBITDA will be adjusted at Tsel and Telkom level, but at consolidated level, the impact should be negligible. In the longer run, however, we expect TLKM's FMC (fixed-mobile convergence) strategy to have an overall positive effect, considering the potential cost and revenue synergies. Given that Tsel and IndiHome currently operate independently, there are naturally many cost duplications; the FMC initiative should help to reduce these opex/capex redundancies. It also has the potential to generate revenue synergies through product cross-selling/bundling and lower churn rate. Additionally, we also see TLKM's FMC initiative as a way to fully unlock FWA's (fixed wireless access) growth potentials.

Fig. 9: Shareholders structure before and after transaction

Shareholders	Before spin-off		After spin-off	
	Total shares	% of shares	Total shares	% of shares
Company	118,677	65%	151,977	70%
Singtel	63,893	35%	65,444	30%
Total	**182,570**	**100%**	**217,421**	**100%**

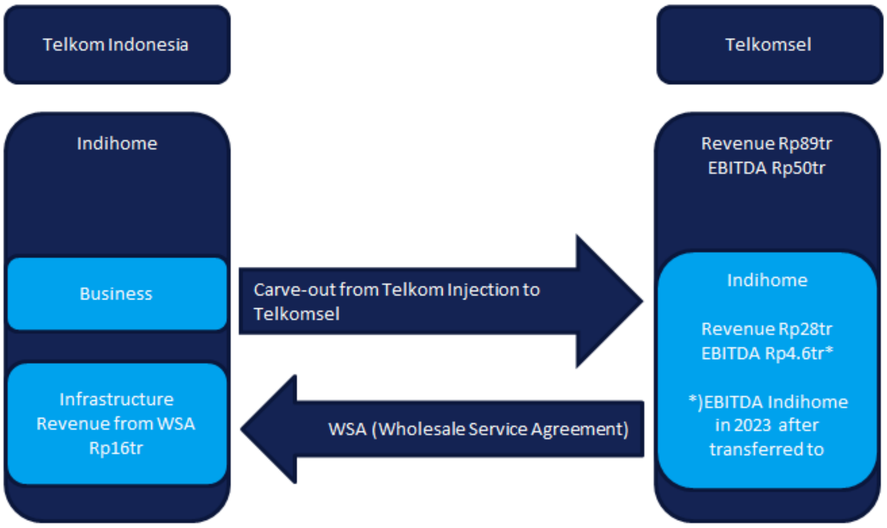
Source: Company, Indo Premier

Fig. 10: Transaction timeline

Period	Events
14Apr22	MoU FMC
24Oct22	Kick Off FS2
Dec22	Signed HOTA & BTS
Jan-Feb23	DD Period
Apr23	Approval SOE/BOC
Apr23	CSA Signing
May23	Approval RUPS Independent
Jun23	SA Signing
Jul23	Legal Day-1

Source: Company, Indo Premier

Fig. 11: Carve-out structure



Source: Company, Indo Premier

Fig. 12: Transaction calculations

(Rp bn)	IndiHome	Tsel
Revenue	28,020	89,039
EBITDA	14,010	50,488
EBITDA margin	50.0%	56.7%
EBITDA of carved-out assets	4,600	
% of carved-out assets	32.8%	
EV	58,250	319,360
Implied EV/EBITDA valuation	4.2	6.3
Implied EV/EBITDA valuation (inc. leaseback agreement)	5.3	
Implied EV/EBITDA valuation of carved-out assets	12.7	
EV owned by Singtel pre-transaction		111,776
Singtel's previous stake in Tsel		35.0%
Singtel's post-transaction stake in Tsel		29.6%
Singtel's stake diluted		5.4%
Singtel's subscription to pre-emptive rights issue		2,713
Singtel's post-capital injection stake in Tsel		30.1%
Revenue of Tsel post-transaction		117,059
EBITDA of Tsel post-transaction		55,088
EBITDA margin		47.1%
Implied EV of combined entity		542,616
Implied EV/EBITDA valuation		9.8

Source: Company, Indo Premier

Fig. 13: Potential synergies from mobile-fixed broadband convergence

Synergies	Average	Vodafone-Kable Deutschland	Vodafone-Ono	Vodafone-Liberty Group	BT-EE	Telenet-Base	Numericable-SFR	O2-Virgin Media	Vocus-M2	Rogers Communications-Shaw	Details
		Germany	Spain	Netherlands	United Kingdom	Belgium	France	UK	Australia	Canada	
Revenue	1.5%	N/A	N/A	N/A	N/A	N/A	1.9%	1.0%	N/A	N/A	Upside potentials from cross-selling/bundling (e.g., quad-play services)
Operating expenses	5.6%	3.5%	5.0%	8.0%	3.0%	10.0%	7.9%	3.9%	2.8%	6.6%	- Combined infrastructure may help to provide services for each entity's customers at lower cost compared to standalone - Reduction in overlapping retail footprints and offices - Spending cut-back on redundant IT/billing systems/marketing - Personnel reduction - Sites rationalization
Capital expenditures	6.2%	3.5%	5.0%	4.0%	2.0%	5.0%	15.8%	6.1%	N/A	7.9%	Less need to invest in fiber backhaul for mobile-broadband proposition. These networks can be further expanded to reach customer premises.

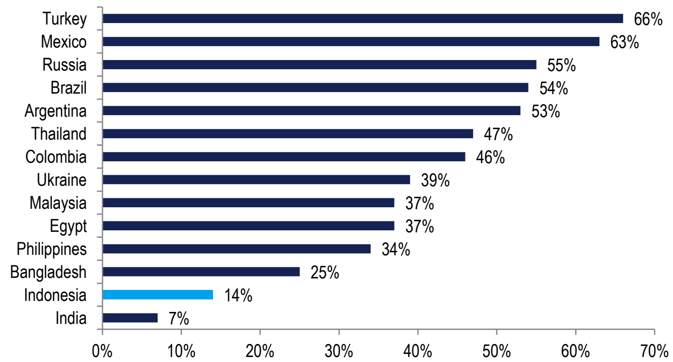
Source: Company, Indo Premier

FWA to tackle density and affordability issues

Despite having one of the lowest fixed broadband penetration rates among ASEAN countries at c.14% of households, further penetration is a growing challenge, in our view, considering that Tier-1 cities in Java are becoming saturated, as reflected in the slowing growth of FTTH (fiber-to-the-home).

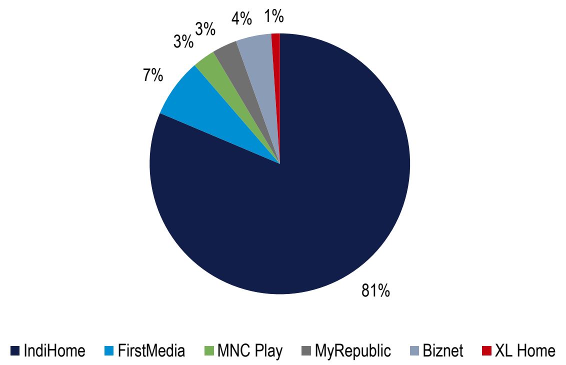
Indeed, TLKM's IndiHome (the largest FTTH provider in Indonesia) subs growth has slowed down from an average of 1.8mn annual net add in FY17-19 (pre-COVID) to 600k in FY22. Its revenue growth trend has also decelerated from >18% in FY17-19, to c.6% in FY22, while Linknet's (LINK; not-rated) growth has reversed from 10-15% in FY17-18 to -2% in FY22 on higher churn rate due to intensifying competition.

Fig. 14: Indonesia has one of the lowest fixed broadband penetration rates among ASEAN countries (2021)



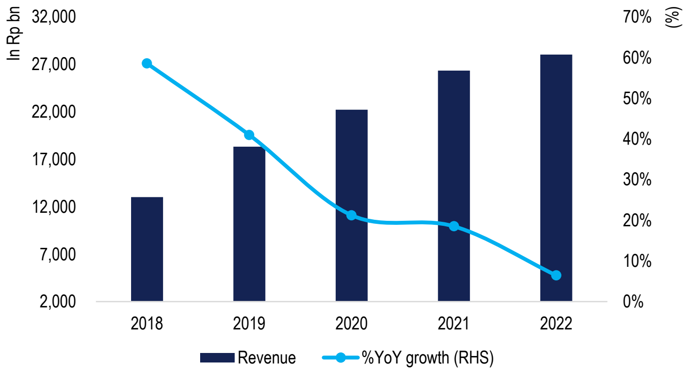
Source: McKinsey Analysis, Oxford Economies, Analysys Mason, Indo Premier

Fig. 15: Only two companies (IndiHome and LINK) currently operate at scale



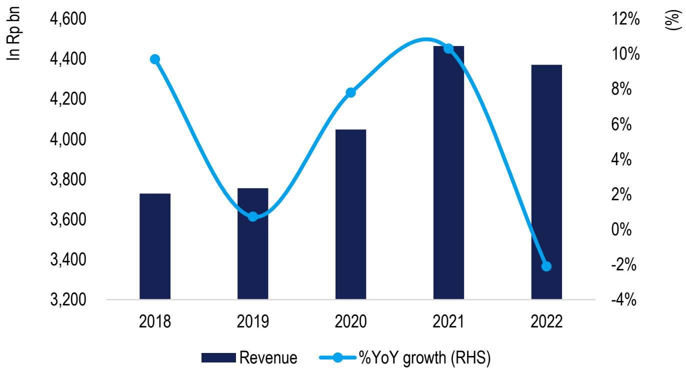
Source: Company, Indo Premier

Fig. 16: IndiHome revenue and yoy growth



Source: Company, Indo Premier

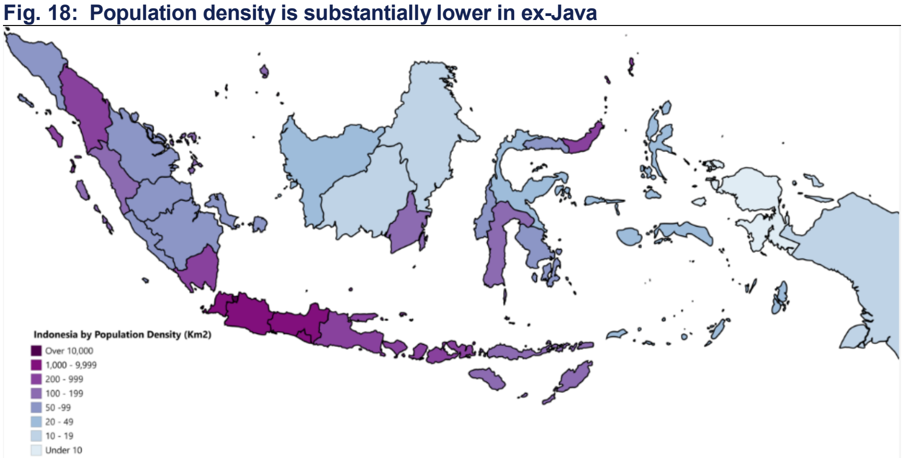
Fig. 17: LINK revenue and yoy growth



Source: Company, Indo Premier

Given the rising needs to increase penetration (in order to sustain topline growth momentum), we believe that FTTH providers' focus will inevitably turn to Tier-2/3 cities in Java and ex-Java. This, however, present new challenges, as these regions have lower population density and purchasing power.

Fig. 18: Population density is substantially lower in ex-Java



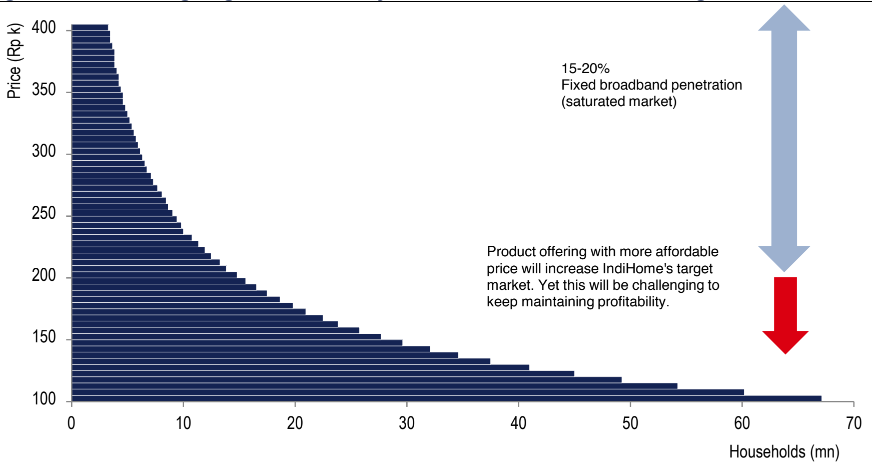
Source: Company, Indo Premier

We believe that FWA could help to alleviate these impediments, as it: 1) is an economically more-viable FTTH alternative in sparsely populated and/or less affluent areas; and 2) could support 5G monetization by utilizing the additional network capacity from the soon-to-be-gained mid-band spectrum (i.e. 3,500MHz). Conservatively, revenue from FWA could reach c.11% of TLKM's total broadband revenue in the next 10 years, on our estimates, which means c.13% revenue upside from the business.

FWA is an economically more-viable FTTH alternative in sparsely populated and/or less affluent areas
FTTH is a business with inherently high fixed cost base and sizable upfront investment. As such, its return profile tends to diminish as deployments move away from dense urban areas and fewer households are served per km of fiber. According to Ericsson, the cost per homes-connected in rural area is 2.5x higher for fiber (vs. FWA) at 30% take-up rate.

Moreover, according to TLKM's management, the next leg of growth for home internet services (amounting to about 10mn households) could come from the less affluent segment (ARPU of Rp150-200k; vs. IndiHome's 1Q23 ARPU of Rp268k), which means that more affordable FTTH package prices (through lower speed offerings and/or price cuts and bonuses) will likely be required. However, high fixed cost base and sizable upfront investment, coupled with lower prices, could prove to be value dilutive for TLKM. As such, we see FWA as a viable alternative to FTTH, especially for tapping into the next growth market in the sparsely populated and/or less affluent areas.

Fig. 19: The next leg of growth will likely come from the less-affluent segment



Source: Company, Indo Premier

Fig. 20: FWA is likely to offer a more-attractive return profile compared to FTTH in sparsely populated and/or less affluent areas

	FTTH	Low ARPU FTTH	FWA
Revenue (Rp mn/year)	3.2	1.8	1.1
ARPU (Rp '000/month)	*268*	*150*	*90*
EBITDA (Rp mn/year)	1.6	0.9	0.5
EBITDA margin (%)	*50.0%*	*50.0%*	*50.0%*
Capex (Rp mn/household)	6	6	2
Unlevered ROI (% p.a.)	26.8%	15.0%	36.0%
Payback period (years)	3.7	6.7	2.8

Source: Company, McKinsey, Analysys Mason, Verizon, Huawei, Indo Premier
Note: 1) TLKM does not disclose the EBITDA margin of its FTTH business, so we use IndiHome's overall EBITDA margin (pre-integration) of 50%. Note that regional fibercos, on average, have c.40% EBITDA margin, while according to McKinsey, EBITDA margin for FTTH is c.40-50%.
2) Due to the lack of reliable data, we conservatively assume a similar EBITDA margin for FWA at 50%. According to various sources, however, FWA margin is likely to be higher than FTTH.
3) Capex of FTTH and FWA vary depending on the population density, take-up rate, as well as equipment and spectrum costs, among others. Our capex assumptions are on the low-end of the spectrum for rollout in rural areas.

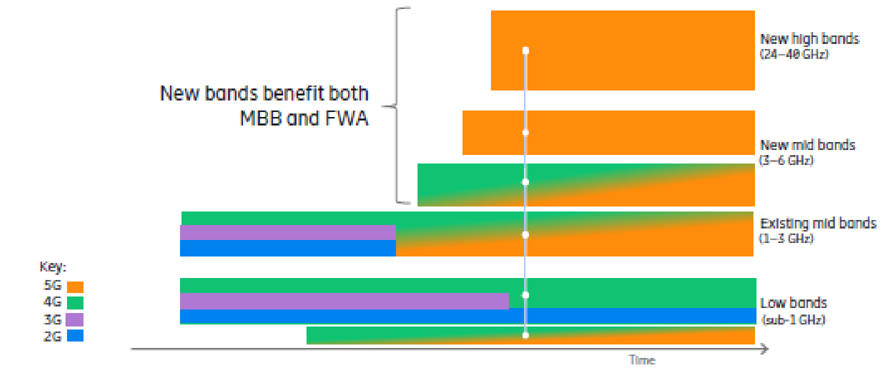
FWA could support 5G monetization with minimal incremental costs
Considering the lack of immediate commercial usage models, extending the life cycle of 4G is likely to be preferable for Indonesian telcos. Indeed, based on our conversations with telcos under our coverage, demand-based rollout models for 5G are preferred, as they would help to align investments with revenues and allow for better risk-return profiles.

However, with spectrum auctions (700MHz and/or 3,500MHz) looming on the horizon (likely at end-FY23F or in FY24F), 5G rollout could potentially start as early as next year. From cost perspective, the use of NSA (non-standalone, which means some network components will be shared between 4G and 5G) and DSS (Dynamic Spectrum Sharing, which enables the parallel use of 4G and 5G in the same spectrum band) should help to ease the transition to 5G. Still, a combination of additional capacity (given the new spectrums) and the lack of immediate commercial usage models means that telcos are likely to see excess network capacity.

As such, we see a strong case for TLKM to leverage FWA in order to take advantage of the excess network capacity and support monetization during this infant stage of 5G, with relatively minimal incremental costs. Of note, FWA leverages existing mobile network infrastructure, utilizing spare capacity and undeployed spectrum.

Its deployments reuse existing infrastructure, like main sites and towers that are already built, with most upgrades performed without the need for site visits (unless new hardware is required). Moreover, investment scaling could be done in-line with subscriber growth and capacity investments for FWA could also be shared with other mobile network services, as well as MBB (mobile broadband), MiFi (mobile WIFI), and IoT (internet of things), which should help to further mitigate overinvestment risk.

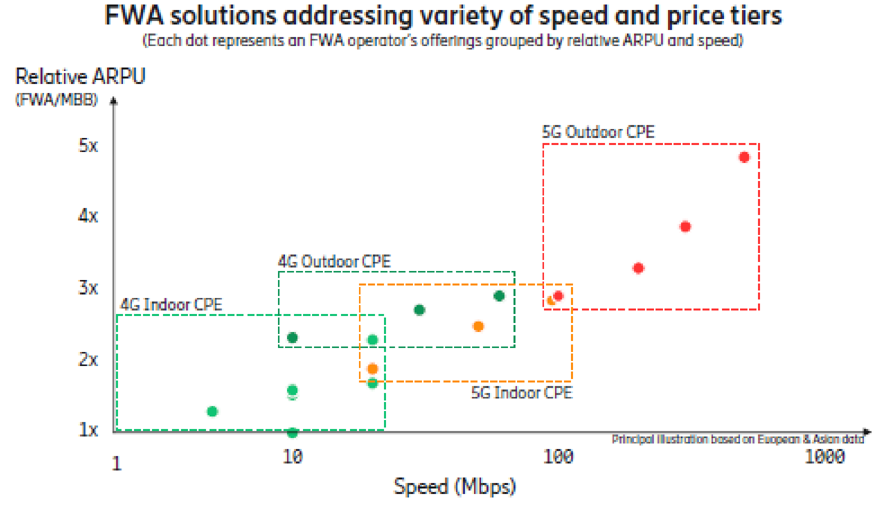
Fig. 21: Additional capacity from new mid band spectrums can be deployed for FWA



Source: Ericsson, Indo Premier

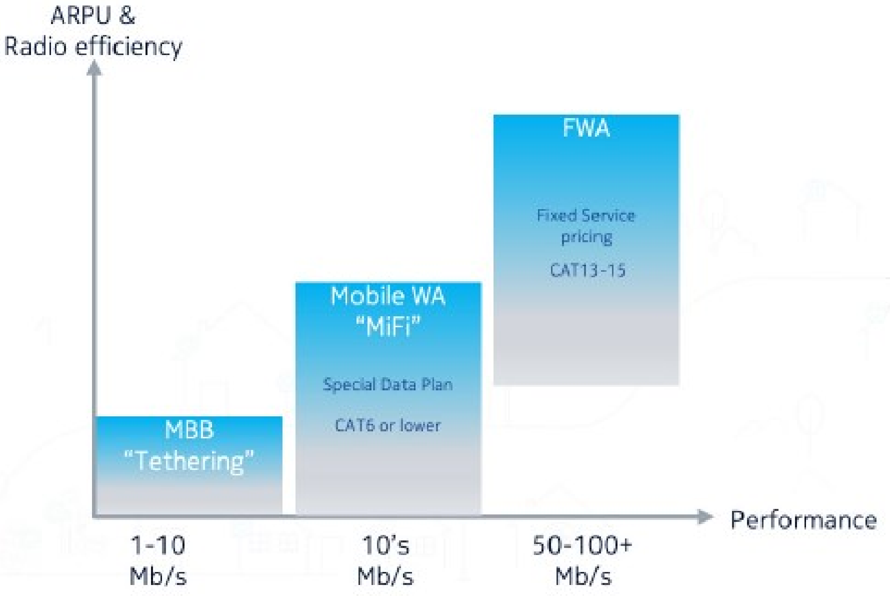
Note that currently Tsel offers 4G FWA under the Orbit brand, which has c.550k subscribers and ARPU of about Rp90k, as of 1Q23. It operates mainly on the 2,300MHz spectrum, but also utilizes 1,800MHz and 2,100MHz spectrum in certain regions. These lower mid-range spectrum bands are adequate for coverage, but lacks the capacity needed to accommodate fiber-like home internet services. With the upcoming 3,500MHz spectrum auction, we see an opportunity for the company to offer 5G FWA with fiber-like quality of service and speed. According to Ericsson and Nokia, with network planning and analysis, 5G FWA can easily offer 30-100Mbps and 50-100Mbps, respectively, with minimal impact on mobile network performance.

Fig. 22: 5G FWA can easily offer 30-100Mbps



Source: Ericsson, Indo Premier

Fig. 23: FWA can be offered at higher ARPU, relative to MBB and MiFi



Source: Nokia, Indo Premier

Network intelligence/big data analysis should help to keep cannibalization risk in check

Although 5G FWA could easily offer 30-100Mbps at lower prices compared to FTTH, we believe cannibalization risk can be kept in-check. First, based on our discussions with management, TLKM plans to conduct due diligence and utilize network intelligence/big data analysis (supported by vendors like Huawei, Ericsson, and Nokia) before penetrating new markets. FTTH/FWA rollout costs, consumer purchasing power and propensity to spend for home internet services, as well as potential competition are among the key considerations. This surgical approach could help the company to assess the attractiveness of each area and also avoid overlapping coverage with FTTH (which could increase cannibalization risks).

Second, we also believe that FWA has naturally lower cannibalization risk, as it could be offered with a different value proposition. This is especially applicable for existing markets where FTTH and FWA currently already overlaps (i.e., mostly in Tier-1 cities). Given the heightened competitive pressure for FTTH (as reflected by price cuts from all FTTH providers in recent months; see fig.24-25), we see rising needs for product differentiation. As most households in Tier-1 cities already have access to FTTH (which inherently has low churn rate), FWA could instead be offered as a complimentary product (i.e. households can subscribe to FWA as a backup to FTTH, in order to ensure 24/7 uninterrupted connectivity). This, we believe, is a better alternative than introducing lower speed tiering for FTTH (for instance, <10Mbps) as it may encourage current subs to downtrade.

Fig. 24: FTTH players have been cutting prices across-the-board in recent months (1)

	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
XL Home	c.11% price hikes across all XL Satu Fiber (FMC) packages, but still offer promotional discounts of 11%, on average		10% price cut across all XL Satu Fiber (FMC) products. Launched its second FMC product, "Paket Kuota Bersama," (its first FMC product with LINK)		
Biznet	Increased the speed limit of its packages, which results in c.-18% price/Mbps, on average				
Balifiber	16-23% price cuts for its basic, Vaganza Platinum Combo, and Combo Xtream packages				
IndiHome			No longer offers 3P Packages with Netflix subscriptions		Headline price cut of 15% for its lowest speed limit 1P package (Internet only)
MyRepublic				10% price cut across all of its packages	
Indosat HiFi				Introduced two new packages with higher speeds of 300Mbps and 500Mbps	
MNC Play					Introduced two new gaming packages with a speed limit of 50 Mbps and 100 Mbps

Source: Company, Indo Premier

Fig. 25: FTTH players have been cutting prices across-the-board in recent months (2)

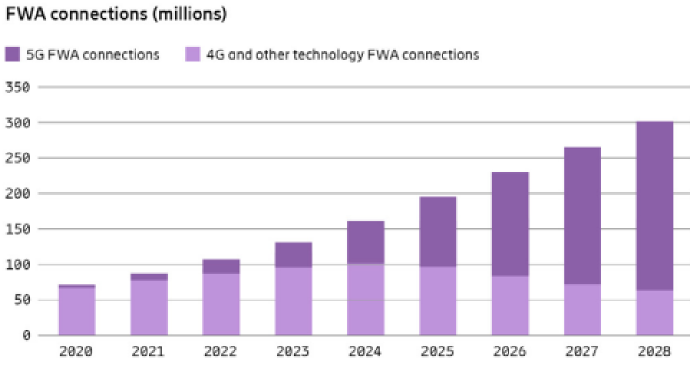
	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
XL Home					A change in FUP for XL Satu Lite Ultimate package, which results in a 6% lower price/MB	
IndiHome			c.5-15% price cuts for its 30/50Mbps 2P and 3P packages	c.3% price cut for its 40Mbps 2P Package		
First Media	Scrapped all of its old products and introduced three new packages: Stream, Joy, and Star			Changed the speed limit of Star-Pro package, which translates to c.-14% lower price/Mbps		
ICON+	Raised the prices of its 10 and 20Mbps packages by 12-46%					
CBN				Lowered the headline prices of Fiber 50/100 by 43% and 46%		

Source: Company, Indo Premier

Gauging the potential impact of FWA rollout on TLKM

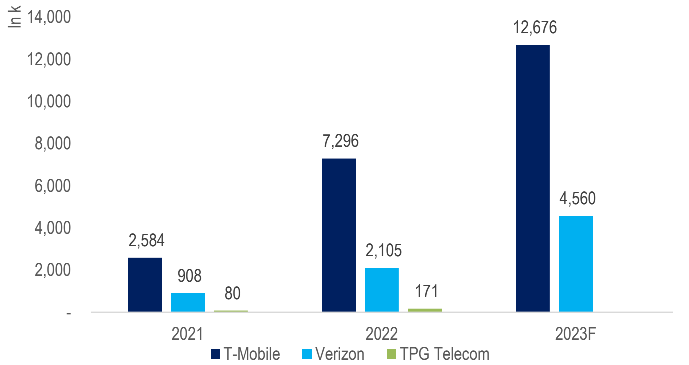
Ericsson estimated that global FWA connection reached about 100mn in FY22 and projects it to triple by FY28F, reaching over 300mn, representing c.17% of fixed broadband connections globally. About 78% of these c.300mn connections are likely to be 5G FWA connections. Furthermore, FWA data traffic reached c.21% of global mobile network data traffic in FY22, and is projected to grow more than 5x to reach almost 130EB (exabyte) in FY28F. Meanwhile, based on our observation of regional cases in the US and Australia, FWA subs are growing c.2-3x in the first couple of years of FWA, supported by telcos' aggressive rollout.

Fig. 26: Global FWA connections to reach >300mn by FY28F



Source: Ericsson, Indo Premier

Fig. 27: FWA subs in the US and Australia are growing c.2-3x in the first couple of years



Source: Company, Indo Premier

TLKM aims to see 1mn subs net add from its fixed broadband business in FY23-24F, with c.600k net add for IndiHome (FTTH) and c.400k for Orbit (FWA). Long-term trajectory is still somewhat hazy, as Tsel-IndiHome legal day-1 was on 1Jul23, while operational day-1 is expected to be on 1Aug23. Thus, we await more details from TLKM's guidance on FMC strategies.

That said, we believe that it is unlikely for TLKM to rollout FWA as aggressively as its regional peers, given the still-low FTTH penetration (c.14%) in Indonesia. For now, we expect annual subs net add for FTTH to potentially remain stable at c.600k going forward due to brewing competition, while FWA's subs growth could potentially accelerate in FY25F onwards, in tandem with 5G rollout. Given the lack of disclosures on FWA strategies at this juncture, we currently expect TLKM to position FWA as a complementary product in Tier-1 cities and as primary fixed broadband products in select smaller cities. We view FWA as a potential new growth engine for TLKM. In FY22, we estimate that FWA contributed only about 2.1%/0.4% of the TLKM's total broadband revenue/total consolidated revenue, but that figure could grow to around 9%/2% in FY26F. We estimate the potential NPV uplift at c.1-2%.

Fig. 28: FWA revenue could reach c.9% of total broadband revenue or c.2% of TLKM's total consolidated revenue by FY26F

	FY22	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F
FTTH revenue (Rp bn)	27,857	29,489	31,085	32,646	34,174	35,667	37,127	38,554	39,949	41,312	42,644
Total homes-connected	*8,662*	*9,262*	*9,862*	*10,462*	*11,062*	*11,662*	*12,262*	*12,862*	*13,462*	*14,062*	*14,662*
Homes-connected net add yoy ('000)		*600*	*600*	*600*	*600*	*600*	*600*	*600*	*600*	*600*	*600*
ARPU (Rp '000/month)	*268*	*265*	*263*	*260*	*257*	*255*	*252*	*250*	*247*	*245*	*242*
Growth yoy (%)		*-1.0%*	*-1.0%*	*-1.0%*	*-1.0%*	*-1.0%*	*-1.0%*	*-1.0%*	*-1.0%*	*-1.0%*	*-1.0%*
FWA revenue (Rp bn)	594	1,057	1,635	2,330	3,155	4,045	4,987	5,980	7,029	8,136	9,303
Total homes-connected	*550*	*950*	*1,400*	*1,900*	*2,450*	*3,050*	*3,650*	*4,250*	*4,850*	*5,450*	*6,050*
Homes-connected net add yoy ('000)		*400*	*450*	*500*	*550*	*600*	*600*	*600*	*600*	*600*	*600*
ARPU (Rp '000/month)	*90*	*93*	*97*	*102*	*107*	*111*	*114*	*117*	*121*	*124*	*128*
Growth yoy (%)		*3.0%*	*5.0%*	*5.0%*	*5.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*
Estimated total broadband revenue (Rp bn)	**28,451**	**30,546**	**32,720**	**34,977**	**37,329**	**39,712**	**42,113**	**44,535**	**46,979**	**49,448**	**51,947**
FTTH as % of total broadband revenue	*97.9%*	*96.5%*	*95.0%*	*93.3%*	*91.5%*	*89.8%*	*88.2%*	*86.6%*	*85.0%*	*83.5%*	*82.1%*
FWA as % of total broadband revenue	*2.1%*	*3.5%*	*5.0%*	*6.7%*	*8.5%*	*10.2%*	*11.8%*	*13.4%*	*15.0%*	*16.5%*	*17.9%*
FWA as % of TLKM's total revenue	*0.4%*	*0.7%*	*1.0%*	*1.4%*	*1.8%*	*2.2%*	*2.7%*	*3.0%*	*3.4%*	*3.9%*	*4.3%*

Source: Company, Indo Premier

Fig. 29: NPV analysis on FWA

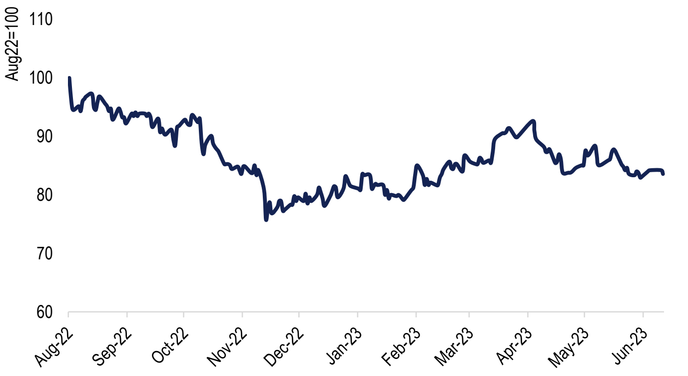
(Rp bn, unless stated otherwise)	Bear	Base	Bull
Revenue	2,700	2,964	3,240
EBITDA margin (%)	*40.0%*	*50.0%*	*60.0%*
EBITDA	1,080	1,482	1,944
PV of EBITDA	874	1,200	1,574
EV/EBITDA target (x)	*7.0*	*7.0*	*7.0*
Enterprise value	6,120	8,397	11,015
Net debt	1,750	2,730	3,780
Equity value	4,370	5,667	7,235
Assumptions			
Total homes-connected (mn)	2,500	2,600	2,700
ARPU (Rp '000/month)	90	95	100
Capex (IDRbn)	2,500	3,900	5,400

Source: Company, Indo Premier

Undemanding valuation

TLKM's share price has fallen by c.16% since Aug22, likely due to rising concerns on Tsel's performance and limited details on its datacentres and infraco. It currently trades at 4.8x FY24F EV/EBITDA, or at -1SD of its 10-yr mean, and also at a slight discount to ISAT (c.4% discount currently vs. c.42% premium historically), despite it having superior profitability and ROIC. Moreover, a strategic partnership or IPO involving the datacentre business and infraco appears to be on the cards; such an action would likely translate to value crystallization, setting the stage for a potential valuation re-rating.

Fig. 30: TLKM share price performance

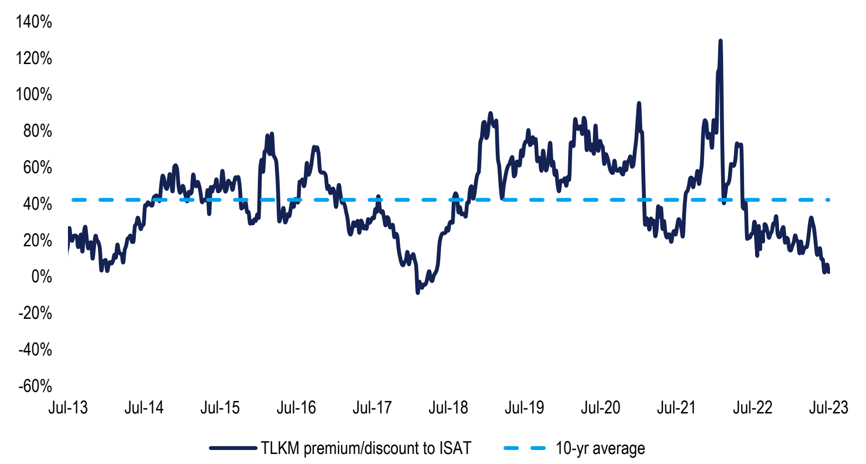


Source: Bloomberg, Indo Premier

Fig. 31: TLKM EV/EBITDA band

Source: Company, Indo Premier

Fig. 32: TLKM premium/discount to ISAT



Source: Company, Indo Premier

Reaffirm BUY on TLKM

Post-share price deterioration since Aug22, we believe that TLKM's risk/reward looks attractive at current valuation. We believe that Tsel's performance could potentially improve in 2H23, driven by further monetization and diminishing drag from legacy. TLKM's convergence plan is also likely to be earnings- and value-accretive for TLKM and represents a step in the right direction. Combined with other initiatives (data center and Infraco spinoff), it should help to drive value for shareholders. We maintain our BUY call on the company with an unchanged DCF-based 12-month TP of Rp4,900. Although we already adjusted our model post-FMC announcement (to take into account TLKM's FY22 data points and FMC synergies), our preliminary assessment on FWA looks promising. We plan to revisit our model, awaiting more details on TLKM's FWA strategies. Downside risks to our call include: 1) intensifying competition among telcos; and 2) a slower-than-expected recovery in mass purchasing power.

Fig. 33: Telcos with significant fixed broadband business comps

Tikcer	Company name	Country	Price	Market cap (in US$mn)	FY23F EV/EBITDA (x)	FY24F EV/EBITDA (x)
Asia						
CNVRG PM	Converge Information and Communications Technology Solutions Inc	PM	10.6	1,390	5.0	4.6
728 HK	China Telecom Corp Ltd	HK	3.8	68,233	3.5	3.3
TDC MK	TIME dotCom Bhd	MK	5.3	2,103	11.9	10.9
T MK	Telekom Malaysia Bhd	MK	4.8	3,905	4.8	4.7
NETLINK SP	NETLINK NBN TRUST	SP	0.9	2,514	13.4	13.5
Average			***5.1***	***15,629***	***7.7***	***7.4***
Middle East						
STC AB	Saudi Telecom Co	AB	44.6	59,444	8.2	7.8
TIT IM		IM	0.3	5,918	6.3	6.0
Average			***22.4***	***32,681***	***7.3***	***6.9***
Europe						
BT/A LN	Telecom Italia SpA/Milano	LN	123.0	15,600	4.3	4.0
ETEL EY	Telecom Egypt	EY	24.9	1,373	3.6	3.4
Average			***73.9***	***8,487***	***4.0***	***3.7***
Global Average			***33.8***	***18,932***	***6.3***	***6.0***

Source: Company, Bloomberg, Indo Premier

Fig. 34: Fixed broadband comps

	Company name	Country	EBITDA margin (%)	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	60%					
Asia Pacific								
CNVRG PM	Converge Information and Communications Technology Solutions Inc	PM	53%	5.0	4.6	9.4	1.8	0.0
GLO PM	Globe Telecom Inc	PM	55%	0.0	0.0	0.0	0.0	0.0
GTPL IN	GTPL Hathway Ltd	IN	18%					
ICN TB	Information & Communication Networks PCL	TB	12%					
9432 JP	Nippon Telegraph & Telephone Corp	JP	26%	6.9	6.6	11.1	1.5	3.1
SKT NZ	SKY Network Television Ltd	NZ	23%	2.2	2.2	6.5	0.8	6.3
TDC MK	TIME dotCom Bhd	MK	47%	11.9	10.9	20.9	2.5	13.2
TRUE TB	True Corp PCL	TB	40%	9.5	9.6	141.3	3.0	2.3
Average			***34%***	***5.9***	***5.6***	***31.5***	***1.6***	***4.2***
Europe								
EKT SM	Euskaltel SA	SM	48%					
TNET BB	Telenet Group Holding NV	BB	49%	5.8	5.7	6.9		4.8
Average			***48%***	***5.8***	***5.7***	***6.9***		***4.8***
North America								
CABO US	Cable One Inc	US	52%	7.9	7.8	13.6	2.1	1.8
CHTR US	Charter Communications Inc	US	40%	7.4	7.1	11.8	4.9	0.0
CCA CN	Cogeco Communications Inc	CN	47%	5.8	5.7	8.0	1.0	4.4
CMCSA US	Comcast Corp	US	24%	7.1	6.9	11.4	2.0	2.8
LBTYA US	Liberty Global PLC	US	36%	7.7	7.6		0.4	0.0
LILA US	Liberty Latin America Ltd	US	23%	5.9	5.5		1.0	1.1
SJR/B CN	Shaw Communications Inc	CN	47%					
Average			***38%***	***7.0***	***6.8***	***11.2***	***1.9***	***1.7***
Global Average			***40%***	***6.2***	***4.5***	***12.4***	***1.2***	***2.7***

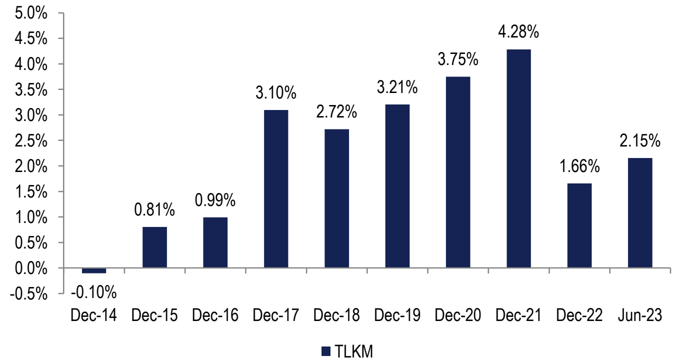
Source: Company, Bloomberg, Indo Premier

Fig. 35: Telco comps

	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	5.0	4.8	14.6	2.8	4.7
EXCL IJ	XL Axiata	IJ	4.1	3.9	20.3	0.9	2.4
ISAT IJ	Indosat	IJ	5.4	5.0	24.0	2.4	1.4
Average			***4.8***	***4.6***	***19.6***	***2.0***	***2.9***
Asia							
603881 CH	Shanghai AtHub Co Ltd	CH	12.1	10.3	53.9	3.2	0.1
1310 HK	HKBN Ltd	HK	6.2	6.1	18.1	1.2	11.3
728 HK	China Telecom Corp Ltd	HK	3.9	3.7	9.3	0.7	7.6
IDEA IN	Vodafone Idea Ltd	IN	14.7	12.7			0.0
BHARTI IN	Bharti Airtel Ltd	IN	9.1	8.0	34.5	5.2	0.5
TCOM IN	Tata Communications Ltd	IN	11.2	9.7	27.2	16.7	1.3
017670 KS	SK Telecom Co Ltd	KS	3.6	3.6	9.2	0.8	7.6
032640 KS	LG Uplus Corp	KS	3.1	3.0	6.3	0.5	6.8
030200 KS	KT Corp	KS	3.2	3.1	6.1	0.4	6.9
AXIATA MK	Axiata Group Bhd	MK	5.9	5.7	25.1	1.0	3.5
CDB MK	CELCOMDIGI BHD	MK			28.3	2.9	3.1
MAXIS MK	Maxis Bhd	MK	10.2	10.0	22.7	4.9	4.6
TEL PM	PLDT Inc	PM	5.3	5.1	9.2	2.4	7.3
ST SP	Singapore Telecommunications Ltd	SP	13.1	12.5	16.8	1.5	4.8
STH SP	StarHub Ltd	SP	6.3	5.7	15.8	3.2	5.0
ORDS OM	Omani Qatari Telecommunications Co SAOG	OM	3.3	3.1	14.1	0.9	6.8
T MK	Telekom Malaysia Bhd	MK	4.8	4.7	13.5	2.1	3.8
ADVANC TB	Advanced Info Service PCL	TB	7.9	7.5	22.2	7.1	3.8
TRUE TB	True Corp PCL	TB	8.6	8.9	141.3	2.8	1.2
JAS TB	Jasmine International PCL	TB	5.4	5.2	128.0	64.0	
GLO PM	Globe Telecom Inc	PM	6.8	6.5	14.6	1.7	5.5
Average			***7.2***	***6.7***	***30.8***	***6.2***	***4.6***
Europe							
ORA FP	Orange SA	FP	5.2	5.1	9.1	0.8	6.9
DTE GR	Deutsche Telekom AG	GR	6.5	6.3	10.6	1.9	3.9
O2D GR	Telefonica Deutschland Holding AG	GR			27.8	1.3	7.6
VOD LN	Vodafone Group	LN	4.7	4.7	9.5	0.4	9.4
TEL NO	Telenor ASA	NO	7.1	6.8	11.3	1.9	8.8
TELIA SS	Telia Co AB	SS	6.4	6.1	17.2	1.5	8.3
TEF SM	Telefonica SA	SM	5.0	4.9	11.8	0.9	8.2
Average			***5.8***	***5.6***	***13.9***	***1.2***	***7.6***
North America							
TMUS US	T-Mobile US Inc	US	9.4	8.6	19.7	2.5	0.0
VZ US	Verizon Communications Inc	US	6.9	6.8	7.7	1.5	7.3
T US	AT&T Inc	US	6.5	6.3	6.5	1.0	7.1
Average			***7.6***	***7.3***	***11.3***	***1.7***	***4.8***
Global Average			***6.4***	***6.1***	***18.9***	***2.8***	***5.0***

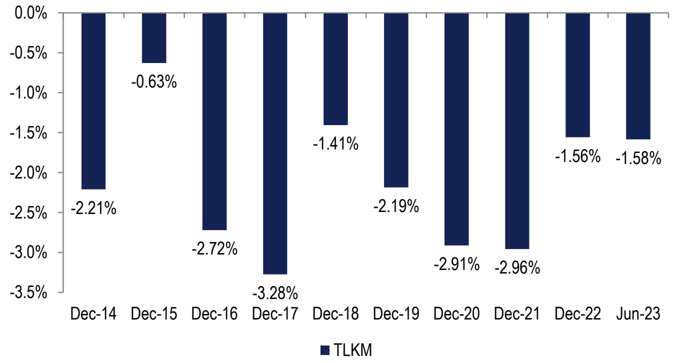
Source: Company, Bloomberg, Indo Premier

Fig. 36: TLKM local fund vs JCI



Source: Company, Indo Premier

Fig. 37: TLKM foreign fund vs MSCI



Source: Company, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net Revenue	143,210	147,306	154,022	161,131	168,643
Cost of Sales	-	-	-	-	-
Gross Profit	**143,210**	**147,306**	**154,022**	**161,131**	**168,643**
SG&A Expenses	(99,303)	(101,569)	(105,811)	(109,253)	(114,717)
Operating Profit	**43,907**	**45,737**	**48,210**	**51,877**	**53,926**
EBITDA	**75,723**	**78,992**	**83,197**	**87,801**	**92,620**
Net Interest	(3,807)	(3,155)	(3,022)	(3,067)	(3,225)
Forex Gain (Loss)	50	256	231	242	253
Others-Net	3,528	(6,499)	539	564	590
Pre-Tax Income	**43,678**	**36,339**	**45,958**	**49,615**	**51,544**
Income Tax	(9,730)	(8,659)	(9,192)	(9,923)	(10,309)
Minority interest	(9,188)	(6,927)	(8,702)	(9,104)	(9,528)
Net Income	**24,760**	**20,753**	**28,064**	**30,589**	**31,707**

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalents	38,311	31,947	32,716	32,533	32,743
Receivables	8,705	8,879	10,971	11,478	12,013
Other current assets	14,261	14,231	15,265	16,733	19,153
Total current assets	**61,277**	**55,057**	**58,953**	**60,744**	**63,909**
Fixed assets	165,026	173,329	168,611	168,611	168,611
Other non-current assets	50,881	46,806	51,487	56,635	62,865
Total non-current assets	**215,907**	**220,135**	**220,097**	**225,246**	**231,476**
Total assets	**277,184**	**275,192**	**279,050**	**285,990**	**295,385**
Payable	21,702	24,292	21,742	22,449	23,572
Other Payables	18,301	17,827	16,401	15,089	14,334
Current Portion of LT Loans	29,128	28,269	10,432	10,623	11,084
Total Current Liab.	**69,131**	**70,388**	**48,575**	**48,161**	**48,991**
Long Term Loans	36,319	27,331	41,728	42,492	44,337
Other LT Liab.	26,335	28,211	25,749	23,999	23,279
Total Liabilities	**131,785**	**125,930**	**116,051**	**114,652**	**116,607**
Equity	17,059	17,361	17,361	17,361	17,361
Retained Earnings	104,587	111,897	125,434	133,571	140,807
Minority interest	23,753	20,004	20,204	20,406	20,610
Total SHE + Minority Int.	**145,399**	**149,262**	**162,999**	**171,338**	**178,779**
Total Liabilities & Equity	**277,184**	**275,192**	**279,050**	**285,990**	**295,385**

Sources: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net Income	24,760	20,753	28,064	30,589	31,707
Depr. & Amortization	34,191	35,004	35,610	36,353	36,971
Changes in Working Capital	6,372	1,972	(7,103)	(2,579)	(2,587)
Others	(2,241)	12,878	1,559	2,206	2,578
Cash Flow From Operating	**63,082**	**70,607**	**58,131**	**66,568**	**68,670**
Capital Expenditure	(36,114)	(41,558)	(30,866)	(36,327)	(36,945)
Others	(2,180)	(1,749)	(26)	(26)	(26)
Cash Flow From Investing	**(38,294)**	**(43,307)**	**(30,892)**	**(36,353)**	**(36,971)**
Loans	2,372	(9,847)	(3,440)	955	2,306
Equity	5,224	(10,374)	(8,502)	(8,902)	(9,324)
Dividends	(16,643)	(14,856)	(14,527)	(22,451)	(24,471)
Others	-	-	-	-	-
Cash Flow From Financing	**(9,047)**	**(35,077)**	**(26,470)**	**(30,398)**	**(31,489)**
Changes in Cash	**17,722**	**(6,364)**	**769**	**(183)**	**210**

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	100.0%	100.0%	100.0%	100.0%	100.0%
EBITDA margin	52.9%	53.6%	54.0%	54.5%	54.9%
Pre-tax margin	30.5%	24.7%	29.8%	30.8%	30.6%
Net margin	17.3%	14.1%	18.2%	19.0%	18.8%
ROA	8.9%	7.5%	10.1%	10.7%	10.7%
ROE	17.0%	13.9%	17.2%	17.9%	17.7%
ROIC	14.7%	12.0%	15.8%	16.3%	16.1%
Acct. receivables TO (days)	26	22	26	26	26
Acct. payables - other TO (days)	77	83	75	75	75
Net debt/EBITDA (inc. leases) (x)	0.4	0.3	0.2	0.2	0.2
Net debt/EBITDA (ex. leases) (x)	0.1	0.1	0.1	0.1	0.1
Interest coverage (x)	10.1	11.3	12.7	14.0	13.9

Sources: 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

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