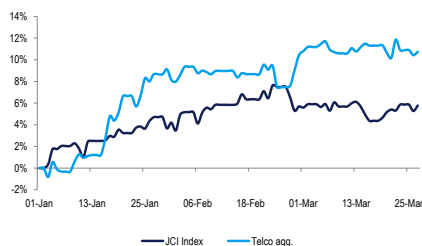


Sector Update | 28 March 2024

Sector Index Performance

	3M	6M	12M
Absolute	7.8%	8.2%	8.5%
Relative to JCI	2.7%	3.1%	3.3%



Summary Valuation Metrics

EV/EBITDA (x)	2023F	2024F	2025F
ISAT IJ	5.3	4.8	4.4
TLKM IJ	5.4	5.3	5.1
EXCL IJ	4.4	4.1	3.9

P/E (x)	2023F	2024F	2025F
ISAT IJ	20.1	21.0	17.8
TLKM IJ	15.5	14.9	14.2
EXCL IJ	20.0	16.1	13.0

Div. Yield	2023F	2024F	2025F
ISAT IJ	0.0%	1.5%	1.9%
TLKM IJ	3.8%	5.2%	5.4%
EXCL IJ	2.0%	2.5%	3.4%

Giovanni Dustin

PT Indo Premier Sekuritas
giovanni.dustin@ipc.co.id
+62 21 5088 7168 ext. 719

Ryan Dimitry

PT Indo Premier Sekuritas
ryan.dimitry@ipc.co.id
+62 21 5088 7168 ext. 717

Concern on another price war seems unwarranted; maintain OW

- Telcos' share prices have dropped by c.3-11% recently as investors have growing concerns that Tsel may turn aggressive on pricing.
- However, competition seems likely to remain favorable, as: 1) Tsel Lite is generally ARPU-accretive; and 2) telcos have limited incentives to resort to aggressive pricings in a bid to capture near-term market share.
- Recent sell-off provides an opportunity to accumulate telco names; reiterate OW with a pecking order of ISAT>EXCL>TLKM.

Share price pullback provides an opportunity to accumulate

Share prices of EXCL/ISAT/TLKM have declined by 5/3/11% vs. last Friday closing prices (22Mar24); largely a knee-jerk reaction to TLKM's soft 4Q23 results read-through (see our previous [note](#)) and concerns on competition given the introduction of Telkomsel Lite (see our previous [note](#)). We, on the other hand, believe that the competitive landscape seems likely to remain favorable, as: 1) Tsel Lite looks optically aggressive but is generally ARPU-accretive; and 2) we see limited incentives for telcos to resort to aggressive pricings in a bid to capture near-term market share. As such, we see the recent share price pullback as an opportunity to accumulate telco names.

Tsel Lite remains largely aligned with the healthy market conduct

While some may argue that the introduction of Tsel Lite could derail the sector-wide monetization story, we believe that this new package only looks optically aggressive but is generally ARPU-accretive (see our previous [note](#)). Indeed, while pricings optically look aggressive, Tsel Lite still starts from Rp25k, which is aligned with the existing starter pack prices of all telcos. Also, note that the greater portion of the data quota is structured as local quota (c.71-87% of the total quota are local quota), essentially limiting the usability (e.g. if the sub resides in South Jakarta, the local quota is not usable outside of South Jakarta). Further, the majority of Tsel Lite packages with low data yields are actually still ARPU-accretive (i.e. most packs that have lower yield are priced at above Rp50k vs. Tsel's FY23 ARPU: Rp47.5k). Our recent channel checks also indicated that even though initial market reception is positive, the scope of reach remains limited as Tsel Lite is relatively targeted.

There are no winners in a price war

In general, we see limited incentives for telcos to resort to aggressive pricings in a bid to capture near-term market share, considering that: 1) industry structure has improved substantially after a decade-long consolidation (i.e. less players have translated to higher pricing power and scale for the surviving telcos); and 2) the upcoming 5G rollout could spell for a period of high capex intensity (see our previous [note](#)). This, coupled with our view that consumers should still be able to absorb further price hikes (see our previous [note](#)), underline our constructive view on the outlook for telcos this year.

Maintain Overweight with pecking order of ISAT>EXCL>TLKM

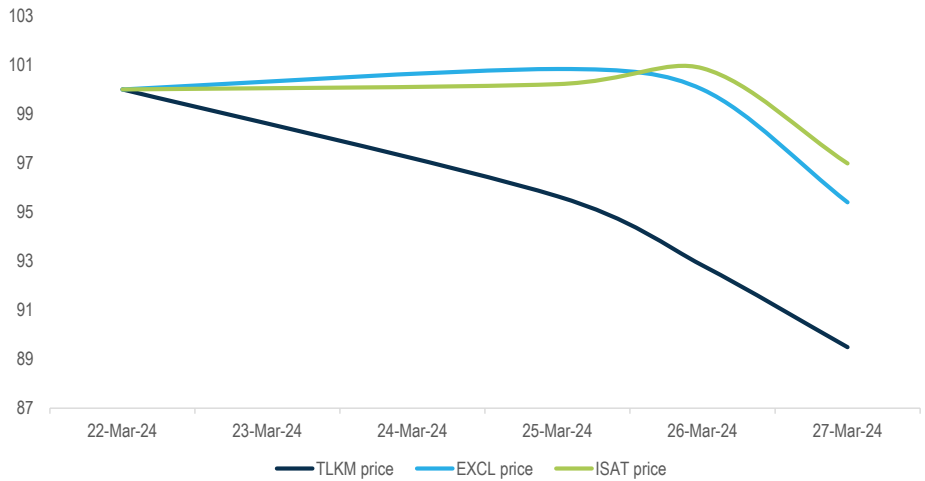
We reaffirm our Overweight stance, with Buy ratings on all names, as we continue to expect to see further monetization in the coming months. Thus, we view the recent share price pullback as an opportunity to accumulate telco names. Our pecking order is ISAT>EXCL>TLKM, which currently are trading at FY24F EV/EBITDA of 5.3/4.2/4.8x, on our estimates. The sector is currently trading at 5.0x EV/EBITDA vs. 10-yr average of 5.7x. Downside risks: 1) competition; 2) higher interest rates; and 3) weak purchasing power.

Fig. 1: Telcos' share prices declined sharply during the previous price wars in FY18 and FY20



Source: Indo Premier Survey

Fig. 2: Telcos' share price movements in the past week



Source: Indo Premier Survey

Fig. 3: Price hikes conducted in FY23

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-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 higher ARPU	Increased the prices of Internet Sakti and Combo Sakti by c.5% in select regions	Rolled back its Eid al-Fitr 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 (through MyTelkomsel app) and its reload vouchers (mainly through GT outlets) by c.7%, on average, at end-Aug22		Selective price hikes amounted to c.6% increase on App and physical store offering, in Internet Sakti, Combo Sakti, GigaNet
XL Axiata			Nationwide across-the-board price hikes of c.7.5%, on average						Increased the prices of its Xtra Combo Flex by c.3-11%			Price hikes of c.8-10% for retail offerings
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		Headline price hikes of c.3-36% for Tri's packages at end-Jul23	Headline price increases of c.1-29% for Indosat's packages on Aug 21st				Price hikes of popular packages by c.5-6%: Freedom Internet, Tri's Happy and AlwaysOn, Kombo, Home, Daily
Smartfren										Nationwide across-the-board price hikes of c.10%, on average		Increased price of Internet Volume 1GB by +10%

Source: Indo Premier Survey

Fig. 4: Telkomsel Lite Packages

Total quota (GB)	Main quota (national) (GB)	Bonus quota (local quota) (GB)	Price (Rp)	Total data yield (Rp/GB)	Total data yield (Rp/MB)	Period (days)
6	1	5	25,000	4,167	4.2	30
10	2	8	28,000	2,800	2.8	30
15	2	13	35,000	2,333	2.3	30
24	3.5	20.5	50,000	2,083	2.1	30
40	6	34	75,000	1,875	1.9	30
60	8	52	90,000	1,500	1.5	30

Tangerang, Tulungagung, Temanggung, Banjarnegara, Trenggalek, Bandung, Blitar, Bandung Barat, Bangka, Bangka Selatan, Bondowoso, Bangka Tengah, Bangkalan, Bantul, Banyumas, Cilacap, Banyuwangi, Batang, Bekasi, Belitung, Belitung Timur, Gresik, Grobogan, Gunung Kidul, Blora, Bogor, Bojonegoro, Boyolali, Jember, Brebes, Jembrana, Buleleng, Jepara, Jombang, Karawang, Ciamis, Cianjur, Cirebon, Kendal, Demak, Garut, Indramayu, Jakarta Barat, Kota Bandar Lampung, Jakarta Pusat, Kota Bandung, Jakarta Selatan, Kota Banjar, Jakarta Timur, Jakarta Utara, Kota Batu, Kota Bekasi, Karanganyar, Kota Blitar, Kebumen, Kota Bogor, Kediri, Kota Cimahi, Kota Cirebon, Kepulauan Seribu, Kota Depok, Klaten, Kota Madiun, Kota Cilegon, Kota Magelang, Kota Mataram, Kota Pangkal Pinang, Kota Metro, Kota Mojokerto, Kota Pasuruan, Kota Pekalongan, Kota Prabumulih, Kota Probolinggo, Kota Salatiga, Kota Semarang, Kota Serang, Kota Sukabumi, Kota Surabaya, Kota Surakarta, Lamongan, Kota Tangerang, Kota Tangerang Selatan, Lebak, Lombok Tengah, Lombok Timur, Lombok Utara, Kota Tasikmalaya, Lumajang, Kota Tegal, Kota Yogyakarta, Kudus, Kulon Progo, Merauke, Kuningan, Lampung Barat, Pesisir Selatan, Lampung Selatan, Lampung Tengah, Lampung Utara, Furubalingga, Purworejo, Rembang, Lingga, Lombok Barat, Sampang, Madiun, Magelang, Magetan, Serang, Majalengka, Malang, Subang, Sukabumi, Sumenep, Mojokerto, Tasikmalaya, Tegal, Muaro Jambi, Tuban, Musi Rawas, Way Kanan, Wonogiri, Nganjuk, Wonosobo, Ngawi, Ogan Ilir, Ogan Komering Ulu, Ogan Komering Ulu Timur, Pacitan, Pamekasan, Pandeglang, Pangandaran, Pasuruan, Pati, Pekalongan, Pelalawan, Pemalang, Pesawaran, Ponorogo, Pringsel, Purwakarta, Semarang, Sidoarjo, Situbondo, Sleman, Sragen, Tabanan

Total quota (GB)	Main quota (national) (GB)	Bonus quota (local quota) (GB)	Price (Rp)	Total data yield (Rp/GB)	Total data yield (Rp/MB)	Period (days)
4	1	3	25,000	6,250	6.3	30
7	2	5	28,000	4,000	4.0	30
10	2	8	35,000	3,500	3.5	30
18	3.5	14.5	50,000	2,778	2.8	30
35	6	29	75,000	2,143	2.1	30
50	8	42	90,000	1,800	1.8	30

Batam, Tanah Bumbu, Tanah Datar, Tanah Laut, Tanggamus, Tanjung Jabung Barat, Tanjung Jabung Timur, Tapanuli Tengah, Tapin, Aceh Timur, Tebo, Agam, Asahan, Bantaeng, Tulang Bawang Barat, Barito Kuala, Barru, Aceh Besar, Batu Bara, Aceh Singkil, Aceh Tamiang, Bengkayang, Aceh Tenggara, Bengkulu Selatan, Bengkulu Tengah, Badung, Bintan, Balangan, Bolaang Mongondow, Banggai, Bolaang Mongondow Selatan, Bolaang Mongondow Timur, Bangka Barat, Bolaang Mongondow Utara, Bungo, Bangli, Banjar, Banyuasin, Dompu, Donggala, Empat Lawang, Batang Hari, Gorontalo Utara, Bengkalis, Bima, Hulu Sungai Selatan, Hulu Sungai Tengah, Bone, Hulu Sungai Utara, Bone Bolango, Humbang Hasundutan, Jeneponto, Bulukumba, Kampar, Karo, Katingan, Dairi, Kaur, Deli Serdang, Kepahiang, Gianyar, Gorontalo, Gowa, Klungkung, Kota Balikpapan, Kota Banjar Baru, Kapuas, Kota Bengkulu, Kapuas Hulu, Karang Asem, Kota Binjai, Kota Bitung, Kayong Utara, Kepulauan Selayar, Kota Denpasar, Kota Dumai, Ketapang, Kota Gorontalo, Kota Jambi, Kota Kotamobagu, Kota Langsa, Kota Banda Aceh, Kota Lubuklinggau, Kota Banjarmasin, Kota Bukit Tinggi, Kota Padang, Kota Padang Panjang, Kota Padangsidimpuan, Kota Pagar Alam, Kota Kupang, Kota Palembang, Kota Makassar, Kota Palopo, Kota Manado, Kota Palu, Kota Pariaman, Kota Pare-pare, Kota Pematang Siantar, Kota Payakumbuh, Kota Pontianak, Kota Pekanbaru, Kota Samarinda, Kota Sibolga, Kota Singkawang, Kota Solok, Kota Subulussalam, Kota Tanjung Balai, Kota Tanjung Pinang, Kota Tebing Tinggi, Luwu Timur, Kota Tomohon, Mamuju Tengah, Mamuju Utara, Kota Waringin Barat, Mandailing Natal, Kota Waringin Timur, Kubu Raya, Kutai Kartanegara, Minahasa, Kutai Kartanegara, Labuhan Batu, Labuhan Batu Selatan, Labuhan Batu Utara, Lahat, Pidie Jaya, Pinrang, Lampung Timur, Probolinggo, Landak, Langkat, Lebong, Lima Puluh Kota, Rokan Hilir, Luwu, Luwu Utara, Sanggau, Seluma, Seruyan, Majene, Simalungun, Solok, Soppeng, Mamuju, Maros, Sumbawa, Melawi, Mempawah, Mesuji, Minahasa Selatan, Tanggamung, Minahasa Tenggara, Minahasa Utara, Tapanuli Selatan, Tapanuli Utara, Muara Enim, Toba Samosir, Musi Banyuasin, Tulangbawang, Musi Rawas Utara, Wayo, Ogan Komering Ilir, Ogan Komering Ulu Selatan, Padang Lawas Utara, Padang Pariaman, Pakpak Bharat, Pangkajene dan Kepulauan, Parigi Moutong, Pasaman Barat, Paser, Penajam Paser Utara, Pesisir Barat, Pidie, Polewali Mandar, Pulang Pisau, Pulau Morotai, Rejang Lebong, Sambas, Samsir, Sarolangun, Sekadau, Serdang Bedagai, Sidenreng Rappang, Sigi, Sinjai, Sintang, Sukamara,

Total quota (GB)	Main quota (national) (GB)	Bonus quota (local quota) (GB)	Price (Rp)	Total data yield (Rp/GB)	Total data yield (Rp/MB)	Period (days)
3	1	2	25,000	8,333	8.3	30
4	2	2	28,000	7,000	7.0	30
5	2	3	35,000	7,000	7.0	30
9	3.5	5.5	50,000	5,556	5.6	30
18	6	12	75,000	4,167	4.2	30
26	8	18	90,000	3,462	3.5	30

Aceh Jaya, Aceh Selatan, Aceh Utara, Timor Tengah Selatan, Banggai Kepulauan, Timor Tengah Utara, Banggai Laut, Tojo Una-una, Aceh Barat, Aceh Barat Daya, Belu, Bener Meriah, Aceh Tengah, Alor, Bengkulu Utara, Bireuen, Buton, Buton Selatan, Buton Tengah, Buton Utara, Dharmasraya, Barito Selatan, Barito Timur, Barito Utara, Ende, Flores Timur, Gayo Lues, Berau, Halmahera Barat, Halmahera Selatan, Halmahera Tengah, Boalemo, Halmahera Timur, Halmahera Utara, Bombana, Indragiri Hulu, Bulungan, Buol, Karimun, Kepulauan Anambas, Enrekang, Kepulauan Meranti, Kepulauan Sangihe, Kepulauan Sula, Kepulauan Talaud, Kerinci, Gunung Mas, Kolaka Timur, Indragiri Hilir, Kolaka Utara, Konawe Kepulauan, Konawe Utara, Kota Baru, Kota Bima, Kolaka, Kota Kediri, Konawe, Konawe Selatan, Kota Lhokseumawe, Kota Baubau, Kota Malang, Kota Bontang, Kota Medan, Kota Kendari, Kota Palangkaraya, Kota Sabang, Kota Sawah Lunto, Kota Sungai Penuh, Kutai Barat, Kota Tarakan, Mamasa, Kota Ternate, Kota Tidore Kepulauan, Manggarai Barat, Kuntan Singingi, Kupang, Kutai Timur, Lembata, Rokan Hulu, Mahakam Ulu, Sijunjung, Malaka, Siak, Sikka, Malinau, Manggarai, Sukoharjo, Manggarai Timur, Sumba Timur, Sumbawa Barat, Merangin, Morowali, Morowali Utara, Mukomuko, Muna, Toli-toli, Muna Barat, Murung Raya, Toraja Utara, Nagan Raya, Wakatobi, Nagekeo, Natuna, Ngada, Nunukan, Pasaman, Penuk Abab Lematang Ilir, Pohuwato, Poso, Pulau Taliabu, Rote Ndao, Sabu Raijua, Siau Tagulandang Biaro, Solok Selatan, Sumba Barat, Sumba Barat Daya, Sumba Tengah, Sumedang, Tana Tidung, Tana Toraja

Total quota (GB)	Main quota (national) (GB)	Bonus quota (local quota) (GB)	Price (Rp)	Total data yield (Rp/GB)	Total data yield (Rp/MB)	Period (days)
3.5	3.5	0	50,000	14,286	14.3	30
6	6	0	75,000	12,500	12.5	30
8	8	0	90,000	11,250	11.3	30

Asmat, Buru Selatan, Biak Numfor, Boven Digoel, Buru, Deiyai, Kepulauan Aru, Kepulauan Mentawai, Fakfak, Gunung Sitoli, Intan Jaya, Jayapura, Jayawijaya, Kaimana, Keerom, Kepulauan Yapen, Kota Ambon, Kota Jayapura, Kota Sorong, Lanny Jaya, Mamberamo Raya, Mamberamo Tengah, Kota Tual, Manokwari, Manokwari Selatan, Mappi, Maybrat, Mimika, Nabire, Nduga, Nias, Nias Selatan, Paniai, Pegunungan Arafak, Lamandau, Pegunungan Bintang, Puncak, Seram Bagian Barat, Maluku Barat Daya, Maluku Tengah, Sorong, Maluku Tenggara, Sorong Selatan, Maluku Tenggara Barat, Supiori, Tumbrawe, Teluk Bintuni, Teluk Wondama, Tolikara, Waropen, Yalimo, Nias Barat, Yahukimo, Nias Utara, Puncak Jaya, Raja Ampat, Seram Bagian Timur, Simeulue

Fig. 5: Telco sector EV/EBITDA band



Source: Company, Bloomberg, Indo Premier

Fig. 6: TLKM EV/EBITDA band



Source: Company, Bloomberg, Indo Premier

Fig. 7: EXCL EV/EBITDA band



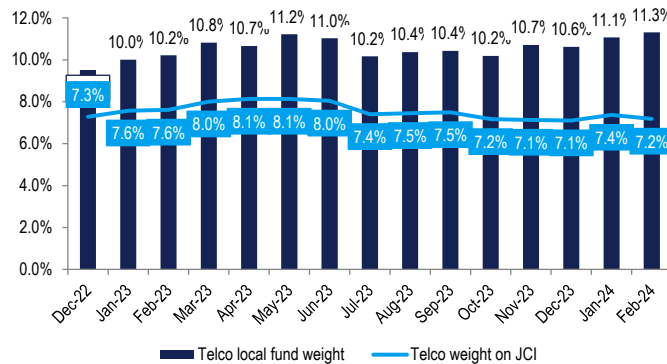
Source: Company, Bloomberg, Indo Premier

Fig. 8: ISAT EV/EBITDA band



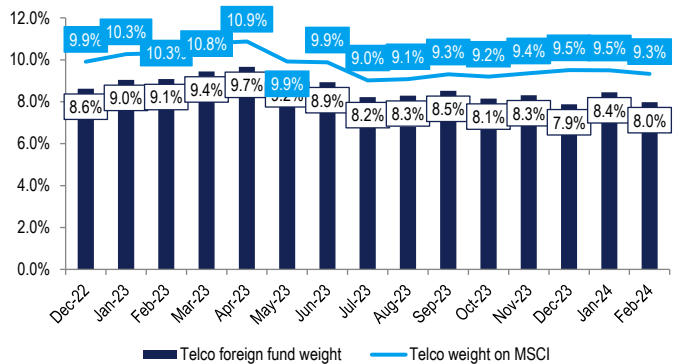
Source: Company, Bloomberg, Indo Premier

Fig. 9: Telco sector local fund positioning



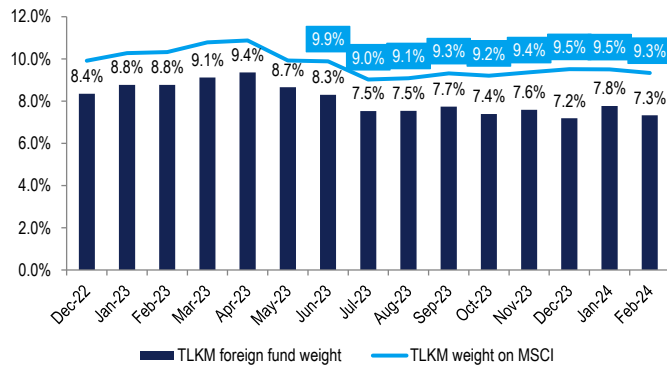
Source: Company, Bloomberg, Indo Premier

Fig. 10: Telco sector foreign fund positioning



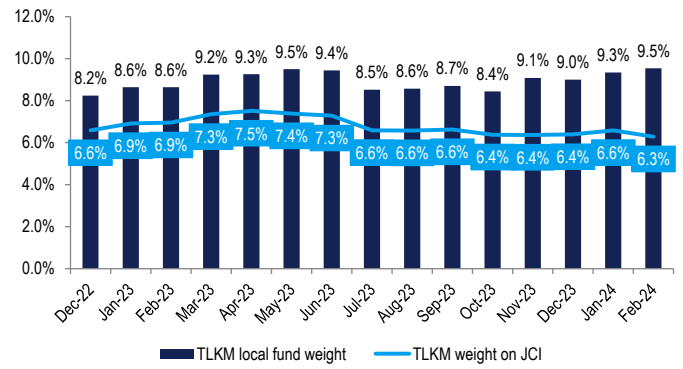
Source: Company, Bloomberg, Indo Premier

Fig. 11: TLKM local fund positioning



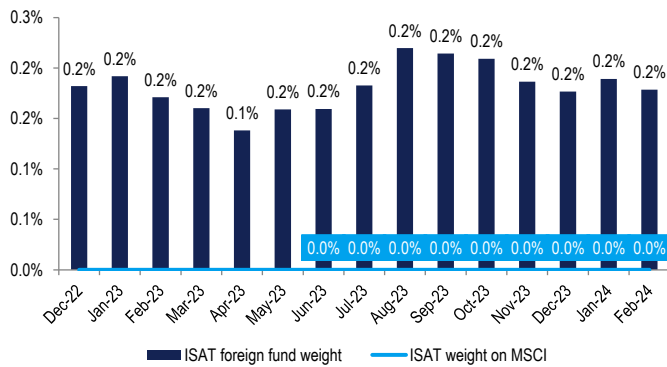
Source: Company, Bloomberg, Indo Premier

Fig. 12: TLKM foreign fund positioning



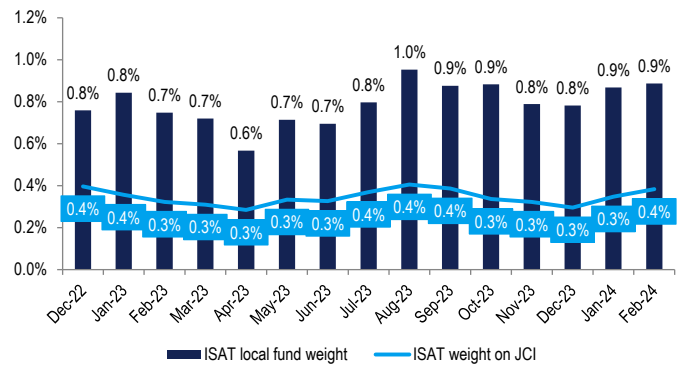
Source: Company, Bloomberg, Indo Premier

Fig. 13: EXCL local fund positioning



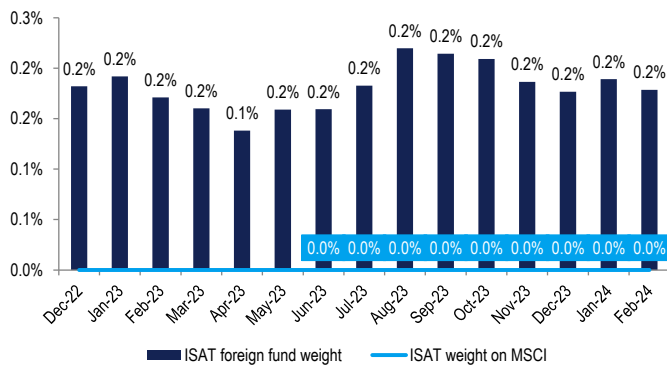
Source: Company, Bloomberg, Indo Premier

Fig. 14: EXCL foreign fund positioning



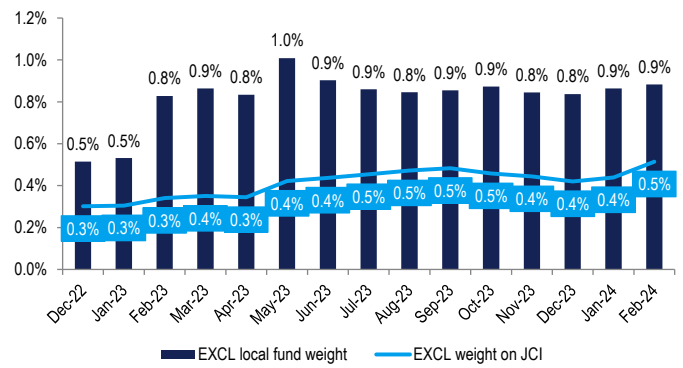
Source: Company, Bloomberg, Indo Premier

Fig. 15: ISAT local fund positioning



Source: Company, Bloomberg, Indo Premier

Fig. 16: ISAT foreign fund positioning



Source: Company, Bloomberg, Indo Premier

SECTOR RATINGS

- OVERWEIGHT** : An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
- NEUTRAL** : A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
- UNDERWEIGHT** : An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

COMPANY 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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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.

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