INDOPREMIER

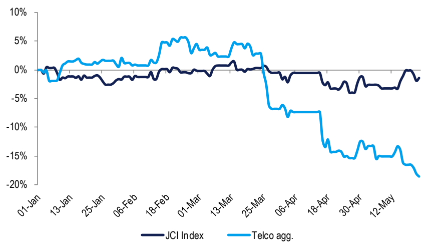
Telecommunications

OVERWEIGHT *(unchanged)*

Sector Update | 1 July 2024

Sector Index Performance

	3M	6M	12M
Absolute	-8.6%	-14.1%	-13.8%
Relative to JCI	-5.4%	-10.8%	-19.7%



Summary Valuation Metrics

EV/EBITDA (x)	2024F	2025F	2026F
ISAT IJ	5.1	4.7	4.3
TLKM IJ	4.7	4.6	4.4
EXCL IJ	4.4	4.1	3.8

P/E (x)	2024F	2025F	2026F
ISAT IJ	17.5	15.6	13.7
TLKM IJ	12.4	11.9	11.3
EXCL IJ	16.3	13.9	11.8

Div. Yield	2024F	2025F	2026F
ISAT IJ	2.0%	2.3%	3.2%
TLKM IJ	6.0%	6.5%	6.7%
EXCL IJ	2.0%	3.4%	4.7%

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Favourable feedback on telcos but limited interests on towers

- Investors are turning more positive, given the undemanding valuation.
- We noted easing concerns on price war, though some investors are still taking a wait-and-see stance, pending the upcoming 2Q24 data points.
- Most investors corroborate our pecking order of ISAT>TLKM>EXCL – better macro backdrop is deemed crucial; limited interest on towercos.

Most investors are turning more positive on telcos
In the past couple of weeks, we met with domestic institutional clients to discuss the telco and tower sectors. In general, investors are turning more positive on the sector, given the undemanding valuation. We also noted easing concerns on the price war narrative, though some investors are still taking a wait-and-see stance, pending the upcoming 2Q24 data points, which are believed could provide further insights into the impact of Tsel Lite.

Valuation have returned to COVID level post-share price deterioration
Many investors believe that telcos' risk/reward now look more attractive after share price drop of c.11-29% YTD. EXCL/ISAT/TLKM valuations fell from 4.3/5.2/5.9x FY24F EV/EBITDA to 4.0/4.6/4.4x (vs. global average of 7x). For TLKM, this is comparable to COVID level (share price bottomed-out at 4.2x). This, in our view, suggests that most negatives appear to be priced in.

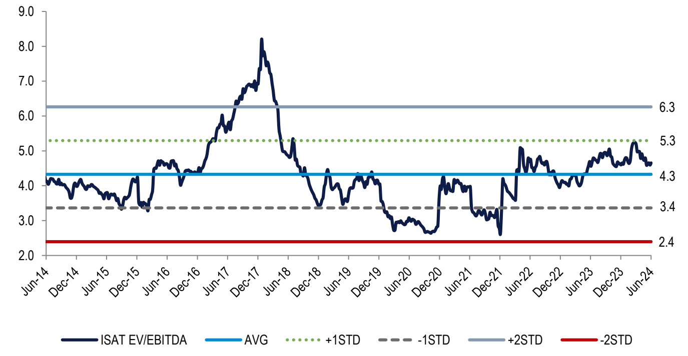
Easing concerns on price war; 2Q24 data points could prove to be key
Tsel's price hikes have helped to ease concerns on price war (see our previous note). That being said, some are still awaiting the upcoming 2Q24 data points, which may shed some light on the actual impact of Tsel Lite on subs and ARPU trend. We expect Tsel to see flattish or slightly higher ARPU qoq, while EXCL and ISAT are likely to see better ARPU growth qoq. Hence, a soft ARPU trend and/or higher-than-expected subs growth for Tsel could potentially lead to negative share price reactions for the sector, in our view.

ISAT remains a consensus call, followed by TLKM and EXCL
ISAT is still preferred by most investors, with many citing its industry-high revenue and EBITDA growth as the key reason, though some remain doubtful that it could hit its Rp40k ARPU target in 2Q24 given the absence of price hikes. While most agree that TLKM looks attractive at current valuation, some have concerns on flow, as the stock may have to rely on foreign flow going forward. Although recovering confidence in the sector and better Tsel's performance could potentially translate to foreign inflow for TLKM, a macro turnaround is likely to be key. Meanwhile, the potential merger with FREN is a major overhang on EXCL. Still, the stock's risk/reward looks attractive and the deal with LINK was also net accretive (see our previous note).

Limited interest on towercos; rate cut is a potential near-term catalyst
Interests in towercos remains lackluster, as the potential of further telco consolidation is a looming risk (see our previous note). However, many acknowledged the attractive valuations, and thus a reversal in interest rates and faster-than-expected site relocations by ISAT are potential catalysts.

Maintain Overweight
We plan to revisit our forecasts post-2Q24 results. For now, we maintain OW, given the favorable competitive landscape. Downside risks are: 1) heightened competition; 2) higher interest rates; and 3) weak purchasing power.

Fig. 1: ISAT EV/EBITDA band

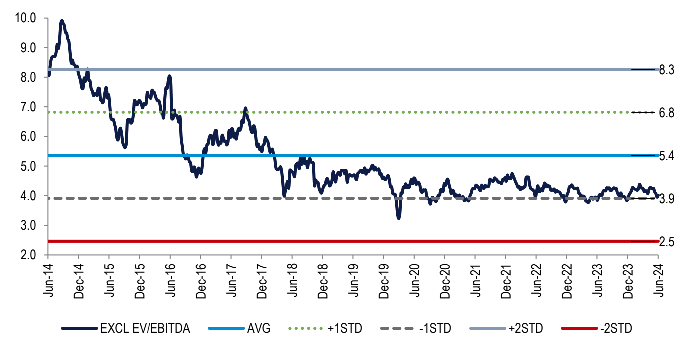


Source: Company, Bloomberg, Indo Premier

Fig. 2: TLKM EV/EBITDA band

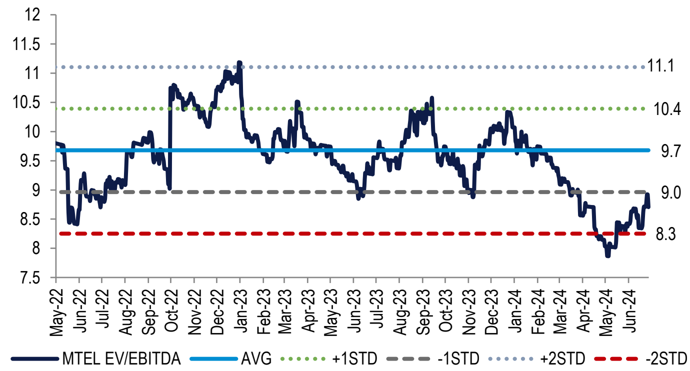
Source: Company, Bloomberg, Indo Premier

Fig. 3: EXCL EV/EBITDA band



Source: Company, Bloomberg, Indo Premier

Fig. 4: MTEL EV/EBITDA band

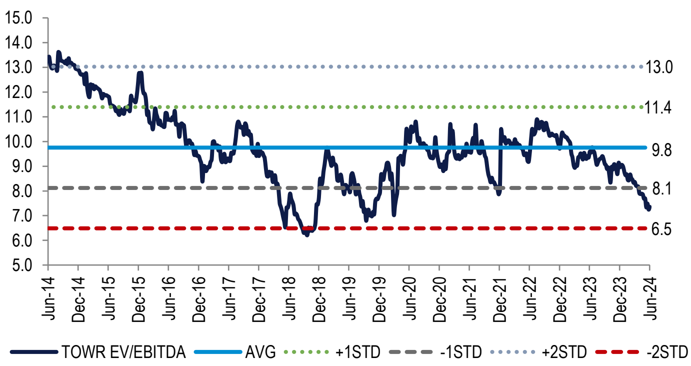


Source: Company, Bloomberg, Indo Premier

Fig. 5: TBIG EV/EBITDA band

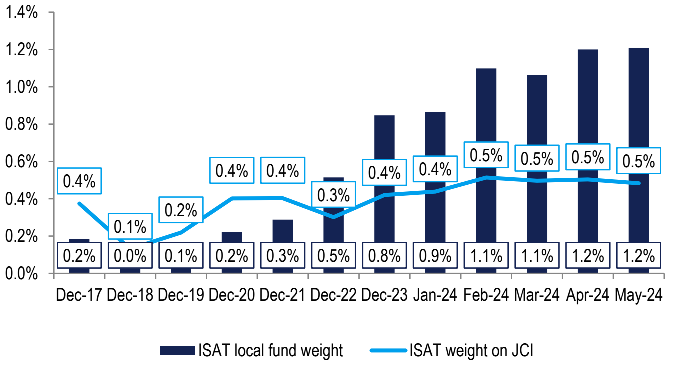
Source: Company, Bloomberg, Indo Premier

Fig. 6: TOWR EV/EBITDA band



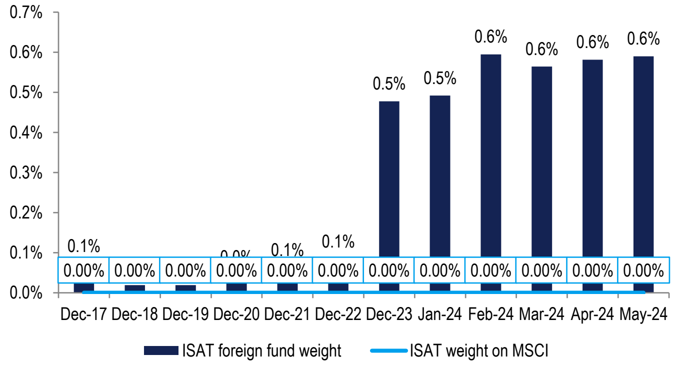
Source: Company, Bloomberg, Indo Premier

Fig. 7: ISAT local funds positioning vs JCI



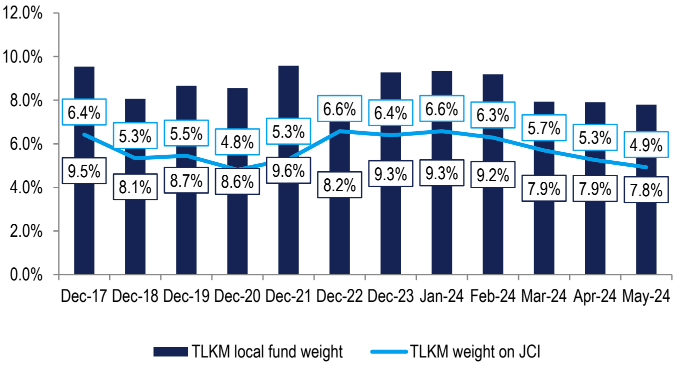
Sources: KSEI, IndoPremier

Fig. 8: ISAT foreign funds positioning vs MSCI



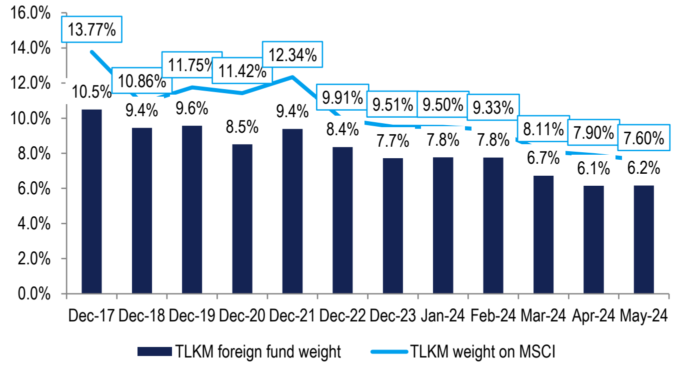
Sources: KSEI, IndoPremier

Fig. 9: TLKM local funds positioning vs JCI



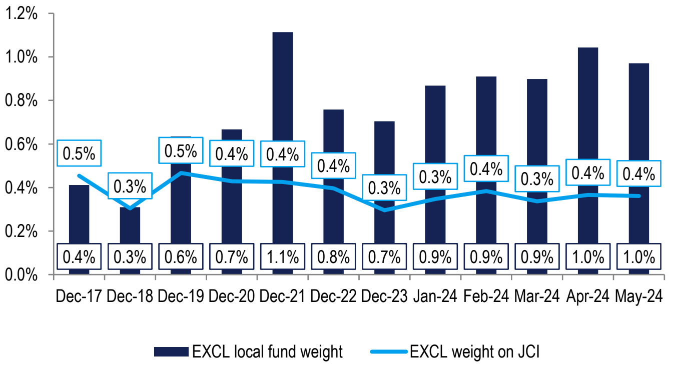
Sources: KSEI, IndoPremier

Fig. 10: TLKM foreign funds positioning vs MSCI



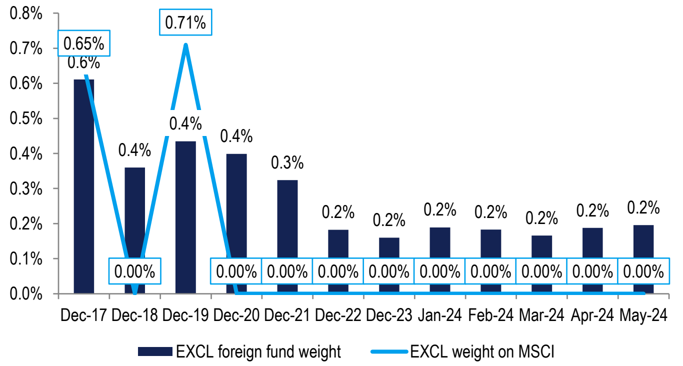
Sources: KSEI, IndoPremier

Fig. 11: EXCL local funds positioning vs JCI



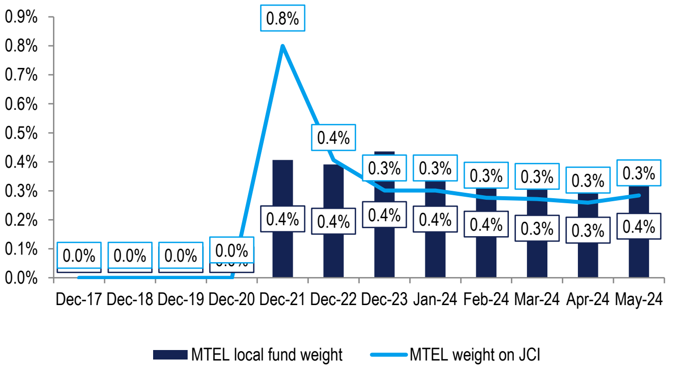
Sources: KSEI, IndoPremier

Fig. 12: EXCL foreign funds positioning vs MSCI



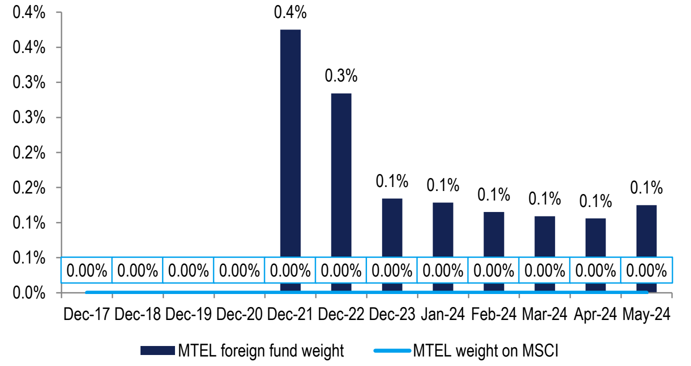
Sources: KSEI, IndoPremier

Fig. 13: MTEL local funds positioning vs JCI



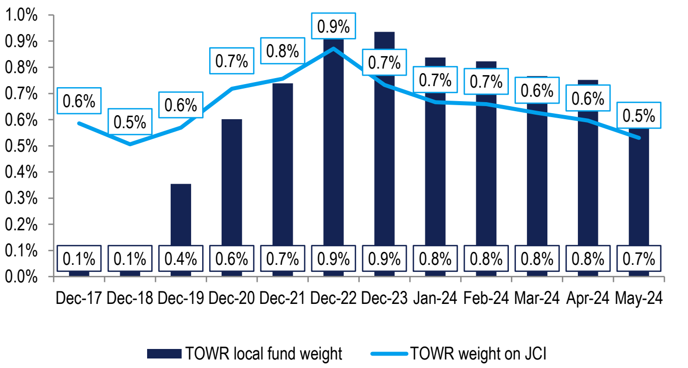
Sources: KSEI, IndoPremier

Fig. 14: MTEL foreign funds positioning vs MSCI



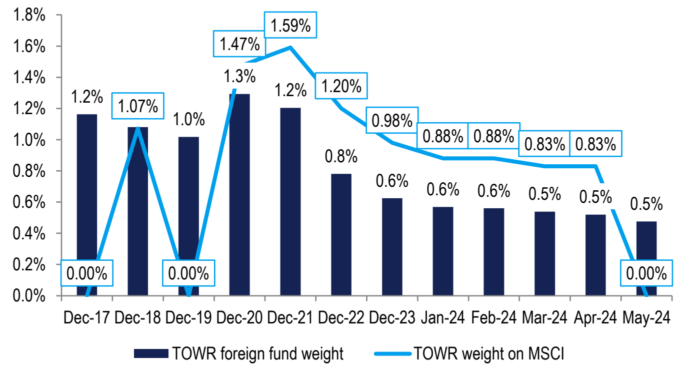
Sources: KSEI, IndoPremier

Fig. 15: TOWR local funds positioning vs JCI



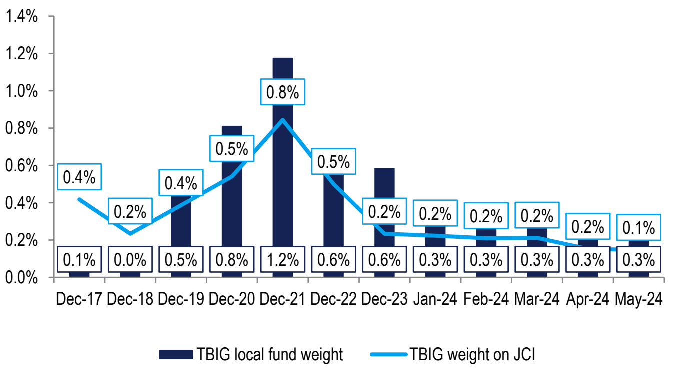
Sources: KSEI, IndoPremier

Fig. 16: TOWR foreign funds positioning vs MSCI



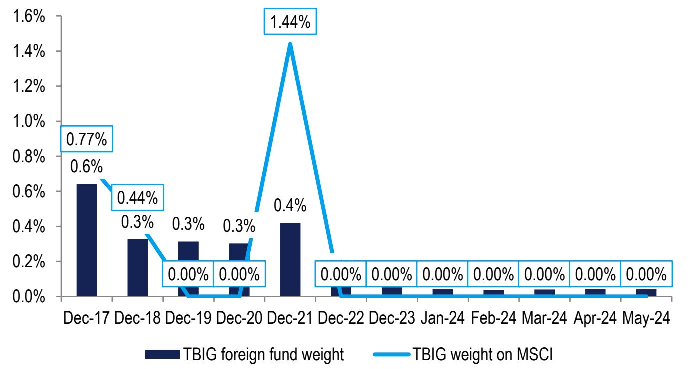
Sources: KSEI, IndoPremier

Fig. 17: TBIG local funds positioning vs JCI



Sources: KSEI, IndoPremier

Fig. 18: TBIG foreign funds positioning vs MSCI



Sources: KSEI, IndoPremier

Fig. 19: Telco comparables

	P/E			EV/EBITDA			Div' Yield		
	24F	25F	26F	24F	25F	26F	24F	25F	26F
Indonesia Average	**13.0**	**12.2**	**11.2**	**4.6**	**4.4**	**4.2**	**5.2**	**5.7**	**6.2**
Telkom Indonesia Persero Tbk	11.8	11.4	10.8	4.6	4.4	4.3	6.3	6.8	7.0
XL Axiata Tbk	14.5	12.4	10.6	4.2	4.0	3.7	2.2	3.8	5.2
Indosat Tbk	16.8	14.9	13.1	5.0	4.5	4.2	2.1	2.4	3.3
Asia Average	**28.3**	**20.5**	**17.0**	**8.8**	**8.0**	**7.4**	**2.3**	**2.5**	**2.9**
China United Netw ork Communica	16.1	14.5	13.0	3.7	3.5	3.4	4.4	5.0	5.8
Shanghai AtHub Co Ltd	47.7	39.1	34.9	9.1	8.5	7.9	0.3	0.5	0.6
HKBN Ltd	22.7	10.3	7.9	6.0	5.7	5.6	12.0	13.9	15.8
China Telecom Corp Ltd	15.9	14.7	13.6	3.6	3.4	3.3	0.7	0.8	0.8
Vodafone Idea Ltd	n.a	n.a	n.a	18.1	15.0	12.1	0.0	0.0	0.0
Bharti Airtel Ltd	44.3	29.7	23.2	12.1	10.5	9.5	0.7	1.0	1.4
Tata Communications Ltd	34.8	23.1	19.6	12.4	10.4	9.6	1.0	1.2	1.7
SK Telecom Co Ltd	9.8	9.4	8.8	3.8	3.8	3.7	6.8	7.0	7.1
LG Uplus Corp	7.3	6.7	6.4	2.8	2.8	2.8	6.7	6.7	6.8
KT Corp	7.8	7.2	6.8	3.3	3.2	3.2	5.4	5.5	5.7
Axiata Group Bhd	34.4	25.4	19.7	6.0	5.7	5.4	3.9	3.9	4.2
Maxis Bhd	20.3	18.9	17.8	8.9	8.8	8.6	4.8	4.8	5.1
PLDT Inc	8.8	8.2	7.6	5.8	5.5	5.1	6.7	7.1	7.7
Singapore Telecommunications Ltd	17.5	15.2	13.6	13.8	13.1	12.6	5.7	5.9	6.9
StarHub Ltd	12.9	11.6	10.6	6.7	6.3	6.2	5.9	6.3	6.2
Omani Qatari Telecommunication	n.a	n.a	n.a	n.a	n.a	n.a	5.1	6.8	6.8
Telekom Malaysia Bhd	16.1	16.0	14.9	6.2	6.0	5.8	3.3	3.5	3.6
Advanced Info Service PCL	19.7	17.7	16.2	7.9	7.6	7.3	4.4	5.0	5.5
True Corp PCL	98.1	36.0	23.2	7.9	7.5	7.1	0.4	1.3	2.1
Jasmine International PCL	628.6	477.3	373.5	na	na	na	0.0	0.0	0.0
Globe Telecom Inc	14.2	13.1	11.3	7.7	7.3	6.9	4.8	5.2	5.6
Europe Average	**12.8**	**29.9**	**1.8**	**6.1**	**5.9**	**5.7**	**5.3**	**5.5**	**5.9**
Orange SA	8.5	7.7	6.9	5.3	5.2	5.2	8.0	8.3	8.5
Deutsche Telekom AG	13.2	29.0	0.7	6.4	6.0	5.8	3.7	4.1	4.6
Telefonica Deutschland Holding	21.6	133.4	(2.6)	4.0	4.3	4.6	3.7	4.6	6.5
Vodafone Group PLC	10.3	28.6	4.5	6.2	6.0	5.9	6.8	5.7	5.8
Telenor ASA	12.8	22.8	4.0	7.3	7.1	6.9	7.9	7.9	8.0
Telia Co AB	19.0	29.2	(1.9)	6.6	6.4	6.2	7.1	7.2	7.4
Telefonica SA	12.7	35.2	1.0	5.0	5.0	5.0	7.5	7.6	7.3
North America Average	**13.2**	**17.5**	**6.6**	**8.2**	**7.8**	**7.6**	**4.4**	**4.5**	**4.6**
T-Mobile US Inc	19.9	17.4	15.7	10.0	9.4	8.9	1.5	1.7	1.8
Verizon Communications Inc	9.0	17.6	1.1	7.1	7.0	6.9	6.6	6.7	6.8
AT&T Inc	8.3	17.7	(0.5)	6.6	6.5	6.4	6.0	6.0	6.0
Global Average	**39.2**	**36.6**	**22.1**	**7.0**	**6.6**	**6.3**	**4.5**	**4.8**	**5.2**

Source: Company, Bloomberg, Indo Premier

Fig. 20: Tower comparables (based on region)

	P/E			EV/EBITDA			Div' Yield		
	24F	25F	26F	24F	25F	26F	24F	25F	26F
Indonesia Weighted-Average	**19.9**	**18.7**	**17.5**	**9.6**	**9.1**	**8.7**	**2.5**	**3.2**	**4.2**
Centratama Telekomunikasi Indo	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dayamitra Telekomunikasi PT	23.0	21.4	19.8	9.1	8.6	8.1	2.5	2.5	5.1
Sarana Menara Nusantara Tbk PT	10.4	10.0	9.6	7.9	7.5	7.2	2.3	4.6	4.6
PT Tower Bersama Infrastructur	25.0	23.5	21.9	12.0	11.6	11.1	2.8	2.8	2.8
Asia Weighted-Average	**15.7**	**13.3**	**10.5**	**5.9**	**5.4**	**5.2**	**1.8**	**2.4**	**3.3**
China Tower Corp Ltd	14.3	11.8	8.1	3.9	3.7	3.6	1.2	1.4	2.3
Indus Towers Ltd	15.0	13.3	12.2	7.4	6.8	6.3	3.0	4.6	5.6
GTL Infrastructure Ltd	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Railtel Corp of India Ltd	42.4	34.8	31.9	23.0	19.4	19.3	0.8	1.1	1.3
Europe Weighted-Average	**5.6**	**4.7**	**4.2**	**8.4**	**7.9**	**7.3**	**1.2**	**1.4**	**2.6**
Cellnex Telecom SA	na	na	na	13.3	12.7	11.6	0.2	0.6	2.8
Helios Towers PLC	30.0	15.6	10.0	8.1	7.1	6.4	0.0	0.0	8.1
Infrastrutture Wireless Italia	24.7	22.0	20.0	14.2	13.3	12.4	5.2	5.6	6.1
RAI Way SpA	15.0	15.3	15.2	7.4	7.3	7.0	6.8	6.6	6.6
Vantage Towers AG	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
North America Weighted-Average	**31.2**	**29.9**	**27.8**	**18.6**	**18.4**	**17.7**	**3.9**	**4.1**	**4.3**
American Tower Corp	28.9	29.0	27.1	19.8	19.8	18.9	3.4	3.6	3.8
Crown Castle Inc	34.7	35.9	34.8	17.0	17.2	16.6	6.4	6.4	6.5
DigitalBridge Group Inc	89.5	54.3	2.4	19.8	16.2	17.9	0.3	0.7	0.9
IHS Holding Ltd	(0.8)	7.2	5.5	5.3	5.0	4.7	0.0	0.0	0.0
SBA Communications Corp	25.2	22.5	23.1	18.4	17.8	17.2	2.0	2.3	2.6
Sitios Latinoamerica SAB de CV	10.8	8.5	7.7	6.2	5.6	4.9	n.a	n.a	n.a
Operadora De Sites Mexicanos S	68.8	18.3	17.4	10.7	8.7	8.4	3.4	3.4	4.9
Developed Markets' Average	**32.7**	**22.9**	**16.3**	**12.7**	**11.9**	**11.5**	**2.8**	**2.9**	**4.2**
Emerging Markets' Average	**21.7**	**19.1**	**17.3**	**10.5**	**9.6**	**9.3**	**2.1**	**2.8**	**3.6**
Global Average	**28.6**	**21.5**	**16.7**	**12.0**	**11.1**	**10.7**	**2.5**	**2.9**	**4.0**

Source: Company, Indo Premier

Fig. 21: Tower comparables (captive vs. independent)

	P/E			EV/EBITDA			Div' Yield		
	24F	25F	26F	24F	25F	26F	24F	25F	26F
Captive Weighted-Average	**12.1**	**10.5**	**8.7**	**5.1**	**4.8**	**4.5**	**1.8**	**2.2**	**2.9**
China Tower Corp Ltd	14.3	11.8	8.1	3.9	3.7	3.6	1.2	1.4	2.3
Dayamitra Telekomunikasi PT	23.0	21.4	19.8	9.1	8.6	8.1	2.5	2.5	5.1
Indus Towers Ltd	15.0	13.3	12.2	7.4	6.8	6.3	3.0	4.6	5.6
Infrastrutture Wireless Italia	24.7	22.0	20.0	14.2	13.3	12.4	5.2	5.6	6.1
Vantage Towers AG	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Independent Weighted-Average	**26.2**	**26.0**	**24.8**	**18.0**	**17.9**	**17.1**	**3.5**	**3.7**	**4.2**
American Tower Corp	28.9	29.0	27.1	19.8	19.8	18.9	3.4	3.6	3.8
Cellnex Telecom SA	na	na	na	13.3	12.7	11.6	0.2	0.6	2.8
Centratama Telekomunikasi Indo	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Crown Castle Inc	34.7	35.9	34.8	17.0	17.2	16.6	6.4	6.4	6.5
Helios Towers PLC	30.0	15.6	10.0	8.1	7.1	6.4	0.0	0.0	8.1
SBA Communications Corp	25.2	22.5	23.1	18.4	17.8	17.2	2.0	2.3	2.6
Sarana Menara Nusantara Tbk PT	10.4	10.0	9.6	7.9	7.5	7.2	2.3	4.6	4.6
PT Tower Bersama Infrastructur	25.0	23.5	21.9	12.0	11.6	11.1	2.8	2.8	2.8
Captive Average	**19.3**	**17.1**	**15.0**	**8.7**	**8.1**	**7.6**	**3.0**	**3.6**	**4.8**
Independent Average	**25.7**	**22.7**	**21.1**	**13.8**	**13.4**	**12.7**	**2.4**	**2.9**	**4.5**
Global Average	**23.1**	**20.5**	**18.7**	**11.9**	**11.5**	**10.9**	**2.6**	**3.1**	**4.6**

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

ANALYSTS CERTIFICATION

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