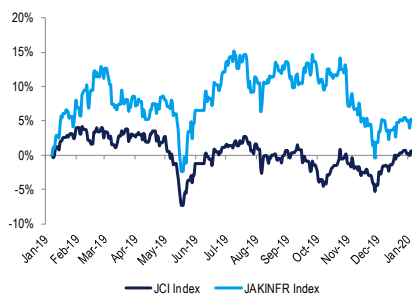


Sector Update | 08 January 2020

Sector Index Performance (JAKINFR)

	3M	6M	12M
Absolute	-5.0%	-8.3%	4.2%
Relative to JCI	-9.7%	-7.2%	4.3%



Summary Valuation Metrics

EV/EBITDA (x)	2019F	2020F	2021F
TLKM IJ	6.5	6.0	5.6
EXCL IJ	5.8	5.2	4.6
ISAT IJ	4.8	4.5	4.3
P/BV (x)	2019F	2020F	2021F
TLKM IJ	3.2	3.1	2.9
EXCL IJ	1.8	1.7	1.6
ISAT IJ	1.4	1.7	2.1
Div. Yield	2019F	2020F	2021F
TLKM IJ	4.3%	4.2%	4.2%
EXCL IJ	0.0%	0.0%	0.0%
ISAT IJ	0.0%	0.0%	0.0%

Competition in the youth segment

- Tighter competition is happening within the youth segment after Telkomsel launched a youth sub-brand called "by.U" in Oct19.
- Retaliation was seen coming from Axis (gaming quota), Smartfren (Unlimited Lite), and Hutch (KeepOn package with Amazon Prime Video).
- Competition in youth segment may not necessarily bad for big operators.

Youth segment pricing pressure from Telkomsel's "by.U"

Telkomsel kept price steady after rolling out its "Internet OMG!" and its sub-brand for millennial "by.U" back in Oct19. The sub-brand offers very cheap data quota (10GB for Rp50k), which threatens Axis and Tri market segment.

Axis tries to defend by providing daily data for gaming

EXCL through Axis brand launched "Axis Forever Play" campaign, where users can subscribe to a free 1GB/day data quota usable for games, a move done to defend its 55mn subscriber count. Previously, Axis' gaming plan was done through OWSEM plan, which offers unlimited gaming quota.

Smartfren and Tri also retaliated in order to defend its market share

Smartfren launched a cheaper unlimited plan called "4G Unlimited Lite" which cost Rp50k/28 days. Meanwhile, Tri launched KeepOn package that offers Amazon Prime Video subscription and 5GB data for Rp75k/month. Both operators are offering plans outside of gaming, a different approach to Axis.

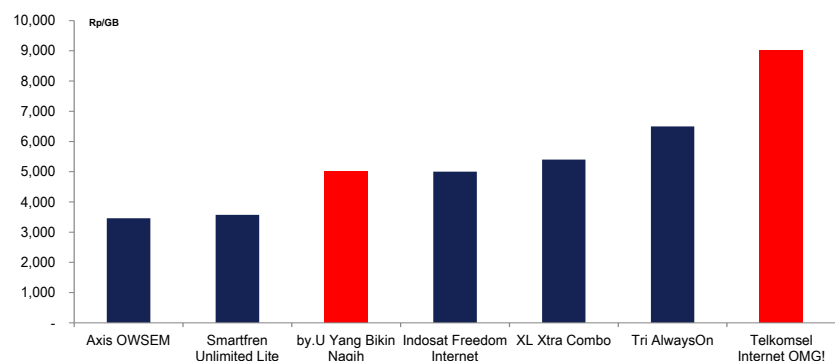
TLKM is venturing into the more crowded segment

TLKM's is venturing to tap into the more crowded demographic, which are the Generation Z (c.82% internet penetration vs. average industry's penetration of c.72%, this segment also has 70mn market potential). Previously, we view that this market is evenly split between Axis, Tri, and Smartfren. However, network quality will be the key to secure subscriber as mobile gaming and video streaming requires low latency and reliability, which may favour TLKM.

Competition in crowded segment may not be necessarily bad for ARPU

We think this may benefit TLKM as it may tap the previously untapped customer base and may not necessarily bad for ARPU (Rp50k package vs. TLKM's blended ARPU of Rp46k). However, we maintain our top pick with EXCL as the company has the lowest data utilization in its BTS, which shall allow them to maintain reliable network with the Axis promotion. ARPU growth potential will be driven by higher data consumption coming from mobile gaming and streaming. Risk is retaliation from smaller operators.

Fig. 1: Price/GB comparison between flagship plans



Sources: Company, IndoPremier

Hans Tantio

PT Indo Premier Sekuritas

hans.tantio@ipc.co.id

+62 21 5088 7168 ext. 719

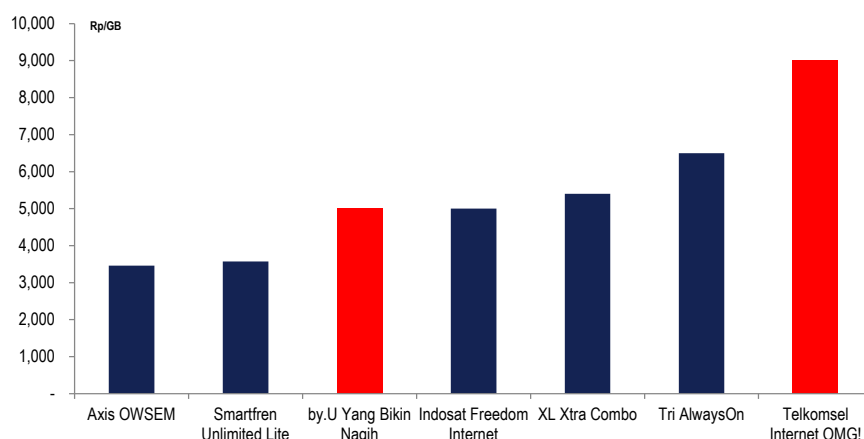
Youth segment pricing pressure from Telkomsel's "by.U"

The sub-brand offers very cheap data quota (10GB for Rp50k)

We saw tighter competition happening within the youth segment after Telkomsel launched a youth sub-brand called "by.U", which smaller telcos then retaliated by offering more promotions and launching new plans. The sub-brand offers very cheap data quota (10GB for Rp50k, Rp5/MB yield), which threatens Axis and Hutch market segment. Retaliation was seen coming from Axis (additional daily gaming quota), Smartfren (launching Rp50k Unlimited Lite), and Hutch (launching KeepOn package with Amazon Prime Video).

However, we saw subtle competition within the middle-up segment. Telkomsel kept price steady after rolling out its "Internet OMG!" as well as rolling out its sub-brand for young millennial "by.U" back in Oct19. In addition, XL and Indosat prices remain unchanged as competition in the middle-up segment remains subtle.

Fig. 2: Price/GB comparison between flagship plans



Sources: Company, IndoPremier

Fig. 3: Telkomsel data packages - unchanged

Telkomsel	Days	Data (GB)	Price (Rp)	Price/GB
Combo OMG! 6.5GB	30	6.5	63,000	9,692
Combo OMG! 19GB	30	19	115,000	6,053
Combo OMG! 30GB	30	30	149,000	4,967
Internet OMG! 4GB	30	4	39,000	9,750
Internet OMG! 7GB	30	7	63,000	9,000
Internet OMG! 14GB	30	14	102,000	7,286
Internet OMG! 27GB	30	27	152,000	5,630
Internet OMG! 52GB	30	52	191,000	3,673

Sources: Company, IndoPremier

Fig. 4: XL data packages - unchanged

XL	Days	Data (GB)	Price (Rp)	Price/GB
Xtra Combo 5GB + 5GB	30	10	54,000	5,400
Xtra Combo 10GB + 10GB	30	20	81,000	4,050
Xtra Combo 15GB + 15GB	30	30	114,000	3,800
Xtra Combo 20GB + 20GB	30	40	159,000	3,975
Xtra Combo 35GB + 35GB	30	70	212,000	3,029
Xtra Combo VIP 5GB + 5GB	30	10	62,000	6,200
Xtra Combo VIP 10GB + 10GB	30	20	89,000	4,450
Xtra Combo VIP 15GB + 15GB	30	30	120,000	4,000
Xtra Combo VIP 20GB + 20GB	30	40	164,000	4,100
Xtra Combo VIP 35GB + 35GB	30	70	216,000	3,086

Sources: Company, IndoPremier

Fig. 5: Indosat data packages - unchanged

Indosat	Days	Data (GB)	Price (Rp)	Price/GB
Freedom Internet 2GB	15	2	15,000	7,500
Freedom Internet 3GB	30	3	25,000	8,333
Freedom Internet 10GB	30	10	50,000	5,000
Freedom Internet 18GB	30	18	75,000	4,167
Freedom Internet 25GB	30	25	100,000	4,000
Freedom Combo 4GB	30	4	25,000	6,250
Freedom Combo 8GB	30	8	35,000	4,375
Freedom Combo 14GB	30	14	50,000	3,571
Freedom Combo 20GB	30	20	70,000	3,500
Freedom Combo 30GB	30	30	100,000	3,333
Freedom Combo 50GB	30	50	150,000	3,000
Freedom Combo 50GB	30	50	200,000	4,000
Unlimited 500MB+1GB	2	1.5	5,000	3,333
Unlimited 1GB+2GB	7	3	15,000	5,000
Unlimited 1GB+4.5GB	30	5.5	25,000	4,545
Unlimited 2GB+7.5GB	30	9.5	40,000	4,211
Unlimited 3GB+15GB	30	18	60,000	3,333
Unlimited 7GB+20GB	30	27	80,000	2,963
Unlimited 10GB+25GB	30	35	100,000	2,857
Unlimited 38GB	30	38	150,000	3,947

Sources: Company, IndoPremier

Rising competition in the youth segment to maintain existing market share

Retaliation was seen coming from Axis (gaming quota), Smartfren (Unlimited Lite), and Hutch (KeepOn package with Amazon Prime Video)

In the effort to defend the youth segment market share from by.U, we saw Axis trying to defend its customer base by providing daily data for gaming. XL Axiata through Axis brand launched “Axis Forever Play” campaign, where users can subscribe to a free 1GB/day data quota usable for games through the Axisnet app. Previously, Axis’ gaming package is offered by OWSEM package, which offers unlimited gaming quota. The campaign is done to increase attractiveness for its BRONET and OBOR plans which do not provide gaming quota.

Meanwhile, Smartfren became aggressive but indirectly raise price/GB price. Smartfren launched a cheaper unlimited plan called “Smartfren 4G Unlimited Lite” which cost Rp50k/28 days with a fair usage policy (FUP) of 500MB/day. If the FUP is fully utilized, the user can use 14GB in a month with optimal speed (vs by.U’s 10GB). The new plan’s entry point is c.30% cheaper than the “4G Unlimited” plan, which has FUP of 1GB/day. However, the new plan indirectly increased price/GB through speed limitation. In order to consume the same amount of data with optimum speed, the user will have to spend Rp100k vs Rp75k, previously.

Fig. 6: Smartfren new 4G Unlimited Lite

Unlimited (5 Hari)	Unlimited (28 Hari)	Unlimited (30 Hari)
Super 4G Unlimited Lite 20rb	Super 4G Unlimited Lite 50 Rb	Super 4G Unlimited Lite 100rb
FUP 1GB/hr Unlimited 24 Jam	Batas Pemakaian Wajar 500 MB/hari Unlimited 24 Jam	FUP 1.5GB/hr Unlimited 24 Jam
Ke Sesama Smartfren	Berlaku 28 hari	Ke Sesama Smartfren
Gratis Nelpen Berlaku 5 hari	Rp 50.000	Gratis Nelpen Berlaku 30 hari
Rp 20.000		Rp 100.000
INFO	INFO	INFO

Sources: Company, IndoPremier

Fig. 7: Telkomsel's by.U sub-brand

Fig. 7. Telkom's by.U sub-brand

The figure displays three screenshots of the Telkom by.U mobile application interface, illustrating the process of topping up a mobile phone.

Screenshot 1 (Left): Shows the 'Detail Pembelian' (Purchase Details) screen. It displays the user's current data usage (Total Topping: 8 GB) and a list of available topping up packages. The packages are listed with their respective data amounts and prices:

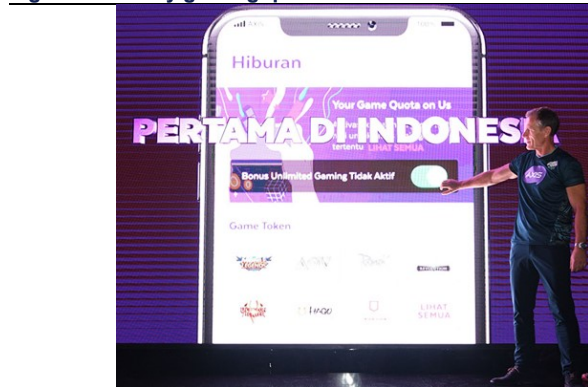
Paket	Top Up	Top Up
200 GB (100k)	3 GB (10k)	3 GB (10k)
1 GB (10k)	2 GB (20k)	2 GB (20k)
2 GB (20k)	1 GB (10k)	1 GB (10k)
3 GB (30k)	2 GB (20k)	2 GB (20k)
4 GB (40k)	3 GB (30k)	3 GB (30k)
5 GB (50k)	4 GB (40k)	4 GB (40k)
6 GB (60k)	5 GB (50k)	5 GB (50k)
7 GB (70k)	6 GB (60k)	6 GB (60k)
8 GB (80k)	7 GB (70k)	7 GB (70k)
9 GB (90k)	8 GB (80k)	8 GB (80k)
10 GB (100k)	9 GB (90k)	9 GB (90k)
11 GB (110k)	10 GB (100k)	10 GB (100k)
12 GB (120k)	11 GB (110k)	11 GB (110k)
13 GB (130k)	12 GB (120k)	12 GB (120k)
14 GB (140k)	13 GB (130k)	13 GB (130k)
15 GB (150k)	14 GB (140k)	14 GB (140k)
16 GB (160k)	15 GB (150k)	15 GB (150k)
17 GB (170k)	16 GB (160k)	16 GB (160k)
18 GB (180k)	17 GB (170k)	17 GB (170k)
19 GB (190k)	18 GB (180k)	18 GB (180k)
20 GB (200k)	19 GB (190k)	19 GB (190k)
21 GB (210k)	20 GB (200k)	20 GB (200k)
22 GB (220k)	21 GB (210k)	21 GB (210k)
23 GB (230k)	22 GB (220k)	22 GB (220k)
24 GB (240k)	23 GB (230k)	23 GB (230k)
25 GB (250k)	24 GB (240k)	24 GB (240k)
26 GB (260k)	25 GB (250k)	25 GB (250k)
27 GB (270k)	26 GB (260k)	26 GB (260k)
28 GB (280k)	27 GB (270k)	27 GB (270k)
29 GB (290k)	28 GB (280k)	28 GB (280k)
30 GB (300k)	29 GB (290k)	29 GB (290k)
31 GB (310k)	30 GB (300k)	30 GB (300k)
32 GB (320k)	31 GB (310k)	31 GB (310k)
33 GB (330k)	32 GB (320k)	32 GB (320k)
34 GB (340k)	33 GB (330k)	33 GB (330k)
35 GB (350k)	34 GB (340k)	34 GB (340k)
36 GB (360k)	35 GB (350k)	35 GB (350k)
37 GB (370k)	36 GB (360k)	36 GB (360k)
38 GB (380k)	37 GB (370k)	37 GB (370k)
39 GB (390k)	38 GB (380k)	38 GB (380k)
40 GB (400k)	39 GB (390k)	39 GB (390k)
41 GB (410k)	40 GB (400k)	40 GB (400k)
42 GB (420k)	41 GB (410k)	41 GB (410k)
43 GB (430k)	42 GB (420k)	42 GB (420k)
44 GB (440k)	43 GB (430k)	43 GB (430k)
45 GB (450k)	44 GB (440k)	44 GB (440k)
46 GB (460k)	45 GB (450k)	45 GB (450k)
47 GB (470k)	46 GB (460k)	46 GB (460k)
48 GB (480k)	47 GB (470k)	47 GB (470k)
49 GB (490k)	48 GB (480k)	48 GB (480k)
50 GB (500k)	49 GB (490k)	49 GB (490k)
51 GB (510k)	50 GB (500k)	50 GB (500k)
52 GB (520k)	51 GB (510k)	51 GB (510k)
53 GB (530k)	52 GB (520k)	52 GB (520k)
54 GB (540k)	53 GB (530k)	53 GB (530k)
55 GB (550k)	54 GB (540k)	54 GB (540k)
56 GB (560k)	55 GB (550k)	55 GB (550k)
57 GB (570k)	56 GB (560k)	56 GB (560k)
58 GB (580k)	57 GB (570k)	57 GB (570k)
59 GB (590k)	58 GB (580k)	58 GB (580k)
60 GB (600k)	59 GB (590k)	59 GB (590k)
61 GB (610k)	60 GB (600k)	60 GB (600k)
62 GB (620k)	61 GB (610k)	61 GB (610k)
63 GB (630k)	62 GB (620k)	62 GB (620k)
64 GB (640k)	63 GB (630k)	63 GB (630k)
65 GB (650k)	64 GB (640k)	64 GB (640k)
66 GB (660k)	65 GB (650k)	65 GB (650k)
67 GB (670k)	66 GB (660k)	66 GB (660k)
68 GB (680k)	67 GB (670k)	67 GB (670k)
69 GB (690k)	68 GB (680k)	68 GB (680k)
70 GB (700k)	69 GB (690k)	69 GB (690k)
71 GB (710k)	70 GB (700k)	70 GB (700k)
72 GB (720k)	71 GB (710k)	71 GB (710k)
73 GB (730k)	72 GB (720k)	72 GB (720k)
74 GB (740k)	73 GB (730k)	73 GB (730k)
75 GB (750k)	74 GB (740k)	74 GB (740k)
76 GB (760k)	75 GB (750k)	75 GB (750k)
77 GB (770k)	76 GB (760k)	76 GB (760k)
78 GB (780k)	77 GB (770k)	77 GB (770k)
79 GB (790k)	78 GB (780k)	78 GB (780k)
80 GB (800k)	79 GB (790k)	79 GB (790k)
81 GB (810k)	80 GB (800k)	80 GB (800k)
82 GB (820k)	81 GB (810k)	81 GB (810k)
83 GB (830k)	82 GB (820k)	82 GB (820k)
84 GB (840k)	83 GB (830k)	83 GB (830k)
85 GB (850k)	84 GB (840k)	84 GB (840k)
86 GB (860k)	85 GB (850k)	85 GB (850k)
87 GB (870k)	86 GB (860k)	86 GB (860k)
88 GB (880k)	87 GB (870k)	87 GB (870k)
89 GB (890k)	88 GB (880k)	88 GB (880k)
90 GB (900k)	89 GB (890k)	89 GB (890k)
91 GB (910k)	90 GB (900k)	90 GB (900k)
92 GB (920k)	91 GB (910k)	91 GB (910k)
93 GB (930k)	92 GB (920k)	92 GB (920k)
94 GB (940k)	93 GB (930k)	93 GB (930k)
95 GB (950k)	94 GB (940k)	94 GB (940k)
96 GB (960k)	95 GB (950k)	95 GB (950k)
97 GB (970k)	96 GB (960k)	96 GB (960k)
98 GB (980k)	97 GB (970k)	97 GB (970k)
99 GB (990k)	98 GB (980k)	98 GB (980k)
100 GB (1000k)	99 GB (990k)	99 GB (990k)
101 GB (1010k)	100 GB (1000k)	100 GB (1000k)
102 GB (1020k)	101 GB (1010k)	101 GB (1010k)
103 GB (1030k)	102 GB (1020k)	102 GB (1020k)
104 GB (1040k)	103 GB (1030k)	103 GB (1030k)
105 GB (1050k)	104 GB (1040k)	104 GB (1040k)
106 GB (1060k)	105 GB (1050k)	105 GB (1050k)
107 GB (1070k)	106 GB (1060k)	106 GB (1060k)
108 GB (1080k)	107 GB (1070k)	107 GB (1070k)
109 GB (1090k)	108 GB (1080k)	108 GB (1080k)
110 GB (1100k)	109 GB (1090k)	109 GB (1090k)
111 GB (1110k)	110 GB (1100k)	110 GB (1100k)
112 GB (1120k)	111 GB (1110k)	111 GB (1110k)
113 GB (1130k)	112 GB (1120k)	112 GB (1120k)
114 GB (1140k)	113 GB (1130k)	113 GB (1130k)
115 GB (1150k)	114 GB (1140k)	114 GB (1140k)
116 GB (1160k)	115 GB (1150k)	115 GB (1150k)
117 GB (1170k)	116 GB (1160k)	116 GB (1160k)
118 GB (1180k)	117 GB (1170k)	117 GB (1170k)
119 GB (1190k)	118 GB (1180k)	118 GB (1180k)
120 GB (1200k)	119 GB (1190k)	119 GB (1190k)
121 GB (1210k)	120 GB (1200k)	120 GB (1200k)
122 GB (1220k)	121 GB (1210k)	121 GB (1210k)
123 GB (1230k)	122 GB (1220k)	122 GB (1220k)
124 GB (1240k)	123 GB (1230k)	123 GB (1230k)
125 GB (1250k)	124 GB (1240k)	124 GB (1240k)
126 GB (1260k)	125 GB (1250k)	125 GB (1250k)
127 GB (1270k)	126 GB (1260k)	126 GB (1260k)
128 GB (1280k)	127 GB (1270k)	127 GB (1270k)
129 GB (1290k)	128 GB (1280k)	128 GB (1280k)
130 GB (1300k)	129 GB (1290k)	129 GB (1290k)
131 GB (1310k)	130 GB (1300k)	130 GB (1300k)
132 GB (1320k)	131 GB (1310k)	131 GB (1310k)
133 GB (1330k)	132 GB (1320k)	132 GB (1320k)
134 GB (1340k)	133 GB (1330k)	133 GB (1330k)
135 GB (1350k)	134 GB (1340k)	134 GB (1340k)
136 GB (1360k)	135 GB (1350k)	135 GB (1350k)
137 GB (1370k)	136 GB (1360k)	136 GB (1360k)
138 GB (1380k)	137 GB (1370k)	137 GB (1370k)
139 GB (1390k)	138 GB (1380k)	138 GB (1380k)
140 GB (1400k)	139 GB (1390k)	139 GB (1390k)
141 GB (1410k)	140 GB (1400k)	140 GB (1400k)
142 GB (1420k)	141 GB (1410k)	141 GB (1410k)
143 GB (1430k)	142 GB (1420k)	142 GB (1420k)
144 GB (1440k)	143 GB (1430k)	143 GB (1430k)
145 GB (1450k)	144 GB (1440k)	144 GB (1440k)
146 GB (1460k)	145 GB (1450k)	145 GB (1450k)
147 GB (1470k)	146 GB (1460k)	146 GB (1460k)
148 GB (1480k)	147 GB (1470k)	147 GB (1470k)
149 GB (1490k)	148 GB (1480k)	148 GB (1480k)
150 GB (1500k)	149 GB (1490k)	149 GB (1490k)
151 GB (1510k)	150 GB (1500k)	150 GB (1500k)
152 GB (1520k)	151 GB (1510k)	151 GB (1510k)
153 GB (1530k)	152 GB (1520k)	152 GB (1520k)
154 GB (1540k)	153 GB (1530k)	153 GB (1530k)
155 GB (1550k)	154 GB (1540k)	154 GB (1540k)
156 GB (1560k)	155 GB (1550k)	155 GB (1550k)
157 GB (1570k)	156 GB (1560k)	156 GB (1560k)
158 GB (1580k)	157 GB (1570k)	157 GB (1570k)
159 GB (1590k)	158 GB (1580k)	158 GB (1580k)
160 GB (1600k)	159 GB (1590k)	159 GB (1590k)
161 GB (1610k)	160 GB (1600k)	160 GB (1600k)
162 GB (1620k)	161 GB (1610k)	161 GB (1610k)
163 GB (1630k)	162 GB (1620k)	162 GB (1620k)
164 GB (1640k)	163 GB (1630k)	163 GB (1630k)
165 GB (1650k)	164 GB (1640k)	164 GB (1640k)
166 GB (1660k)	165 GB (1650k)	165 GB (1650k)
167 GB (1670k)	166 GB (1660k)	166 GB (1660k)
168 GB (1680k)	167 GB (1670k)	167 GB (1670k)
169 GB (1690k)	168 GB (1680k)	168 GB (1680k)
170 GB (1700k)	169 GB (1690k)	169 GB (1690k)
171 GB (1710k)	170 GB (1700k)	170 GB (1700k)
172 GB (1720k)	171 GB (1710k)	171 GB (1710k)
173 GB (1730k)	172 GB (1720k)	172 GB (1720k)
174 GB (1740k)	173 GB (1730k)	173 GB (1730k)
175 GB (1750k)	174 GB (1740k)	174 GB (1740k)
176 GB (1760k)	175 GB (1750k)	175 GB (1750k)
177 GB (1770k)	176 GB (1760k)	176 GB (1760k)
178 GB (1780k)	177 GB (1770k)	177 GB (1770k)
179 GB (1790k)	178 GB (1780k)	178 GB (1780k)
180 GB (1800k)	179 GB (1790k)	179 GB (1790k)
181 GB (1810k)	180 GB (1800k)	180 GB (1800k)
182 GB (1820k)	181 GB (1810k)	181 GB (1810k)
183 GB (1830k)	182 GB (1820k)	182 GB (1820k)
184 GB (1840k)	183 GB (1830k)	183 GB (1830k)
185 GB (1850k)	184 GB (1840k)	184 GB (1840k)
186 GB (1860k)	185 GB (1860k)	185 GB (1860k)
187 GB (1870k)	186 GB (1870k)	186 GB (1870k)
188 GB (1880k)	187 GB (1880k)	187 GB (1880k)
189 GB (1890k)	188 GB (1890k)	188 GB (1890k)
190 GB (1900k)	189 GB (1890k)	189 GB (1890k)
191 GB (1910k)	190 GB (1900k)	190 GB (1900k)
192 GB (1920k)	191 GB (1910k)	191 GB (1910k)
193 GB (1930k)	192 GB (1920k)	192 GB (1920k)
194 GB (1940k)	193 GB (1930k)	193 GB (1930k)
195 GB (1950k)	194 GB (1940k)	194 GB (1940k)
196 GB (1960k)	195 GB (1950k)	195 GB (1950k)
197 GB (1970k)	196 GB (1960k)	196 GB (1960k)
198 GB (1980k)	197 GB (1970k)	197 GB (1970k)
199 GB (1990k)	198 GB (1980k)	198 GB (1980k)
200 GB (2000k)	199 GB (1990k)	199 GB (1990k)
201 GB (2010k)	200 GB (2000k)	200 GB (2000k)
202 GB (2020k)	201 GB (2010k)	201 GB (2010k)
203 GB (2030k)	202 GB (2020k)	202 GB (2020k)
204 GB (2040k)	203 GB (2030k)	203 GB (2030k)
205 GB (2050k)	204 GB (2040k)	204 GB (2040k)
206 GB (2060k)	205 GB (2050k)	205 GB (2050k)
207 GB (2070k)	206 GB (2060k)	206 GB (2060k)
208 GB (2080k)	207 GB (2070k)	207 GB (2070k)
209 GB (2090k)	208 GB (2080k)	208 GB (2080k)
210 GB (2100k)	209 GB (2090k)	209 GB (2090k)
211 GB (2110k)	210 GB (2100k)	210 GB (2100k)
212 GB (2120k)	211 GB (2110k)	211 GB (2110k)
213 GB (2130k)	212 GB (2120k)	212 GB (2120k)
214 GB (2140k)	213 GB (2130k)	213 GB (2130k)
215 GB (2150k)	214 GB (2140k)	214 GB (2140k)
216 GB (2160k)	215 GB (2160k)	215 GB (2160k)
217 GB (2170k)	216 GB (2170k)	216 GB (2170k)
218 GB (2180k)	217 GB (2180k)	217 GB (2180k)
219 GB (2190k)	218 GB (2190k)	218 GB (2190k)
220 GB (2200k)	219 GB (2190k)	219 GB (2190k)
221 GB (2210k)	220 GB (2200k)	220 GB (2200k)
222 GB (2220k)	221 GB (2210k)	221 GB (2210k)
223 GB (2230k)	222 GB (2220k)	222 GB (2220k)
224 GB (2240k)	223 GB (2230k)	223 GB (2230k)
225 GB (2250k)	224 GB (2240k)	224 GB (2240k)
226 GB (2260k)	225 GB (2250k)	225 GB (2250k)
227 GB (2270k)	226 GB (2260k)	226 GB (2260k)
228 GB (2280k)	227 GB (2270k)	227 GB (2270k)
229 GB (2290k)	228 GB (2280k)	228 GB (2280k)
230 GB (2300k)	229 GB (2290k)	229 GB (2290k)
231 GB (2310k)	230 GB (2300k)	230 GB (2300k)
232 GB (2320k)	231 GB (2310k)	231 GB (23

Fig. 8: Tri's KeepOn with Amazon Prime OTT



Sources: Company, IndoPremier

Fig. 9: Free daily gaming quota from Axis



Sources: Company, IndoPremier

Fig. 10: Telkomsel's by.U packages - unchanged

By.U	Days	Data (GB)	Price (Rp)	Price/GB
Yang Bikin Nyaman	3	2	9,000	4,500
Yang Bikin Deket	1	10	10,000	1,000
Yang Bikin Nempel	14	3	15,000	5,000
Yang Bikin Nagih	30	10	50,000	5,000

Sources: Company, IndoPremier

Fig. 11: Hutchison 3 packages – new KeepOn packages with Amazon Prime

Tri	Days	Data (GB)	Price (Rp)	Price/GB
Always On 3GB	30	3	28,000	9,333
Always On 6GB	30	6	39,000	6,500
Always On Unlimited + 6GB	30	6	55,000	9,167
Always On Unlimited + 10GB	30	10	80,000	8,000
KeepOn	30	3	19,000	6,333
KeepOn Amazon Prime 1GB	N P 30	1	58,000	58,000
KeepOn Amazon Prime 5GB	E L 30	5	75,000	15,000
KeepOn Amazon Prime 8GB	W A 30	8	108,000	13,500

Sources: Company, IndoPremier

Fig. 12: Axis packages – Free daily quota for gaming (Mobile Legends, AOV, Free Fire, etc)

Axis	Days	Data (GB)	Price (Rp)	Price/GB
BRONET 1GB	30	1	16,900	16,900
BRONET 2GB	30	2	24,900	12,450
BRONET 3GB	30	3	30,900	10,300
BRONET 5GB	30	5	46,900	9,380
BRONET 8GB	30	8	62,900	7,863
BRONET 10GB	30	10	74,900	7,490
BRONET 12GB	30	12	83,900	6,992
BRONET 16GB	30	16	97,900	6,119
OWSEM 16GB + Unli Games	30	16	39,900	2,494
OWSEM 24GB + Unli Games	30	24	51,900	2,163
OWSEM 32GB + Unli Games	30	32	59,900	1,872
OWSEM 48GB + Unli Games	30	48	74,900	1,560
OWSEM 80GB + Unli Games	30	80	94,900	1,186
OBOR Kuota 5GB	30	5	19,900	3,980
OBOR Kuota 10GB	30	10	39,900	3,990
OBOR Kuota 15GB	30	15	54,900	3,660

Sources: Company, IndoPremier

Fig. 13: Smartfren packages – new 4G Unlimited Lite

Smartfren	Days	Data (GB)	Price (Rp)	Price/GB
4G Unlimited Lite	28	14	50,000	3,571
4G Unlimited	28	28	75,000	2,679
4G Unlimited	30	45	100,000	2,222
Internet 6GB	30	6	20,000	3,333
Internet 10GB	30	10	30,000	3,000
Internet 30GB	30	30	60,000	2,000
Internet 60GB	30	60	100,000	1,667
Internet 70GB	30	70	150,000	2,143
Internet 120GB	30	120	200,000	1,667

Sources: Company, IndoPremier

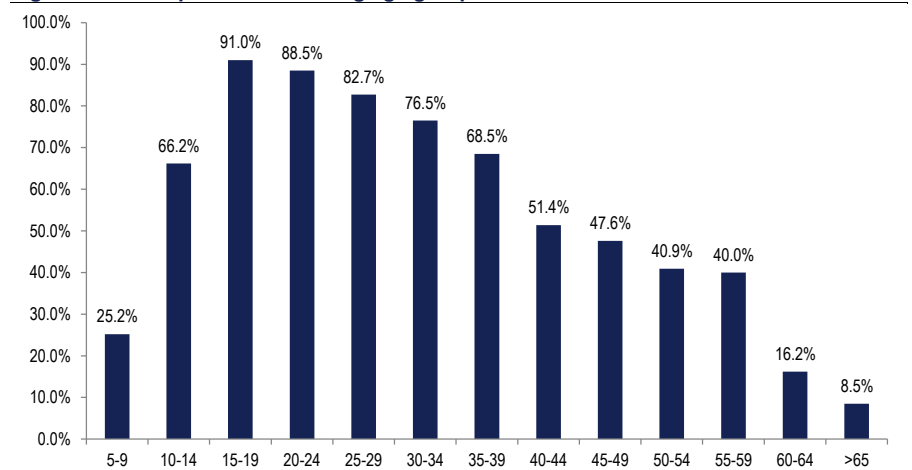
TLKM is venturing into the more crowded segment

Network quality will be the key to secure subscriber as mobile gaming and video streaming requires low latency and reliability

TLKM's is venturing to tap into the more crowded demographic, which are the Generation Z (c.82% internet penetration vs. average industry's penetration of c.72%, this segment also has 70mn market potential). Previously, we view that this market is evenly split between Axis, Tri, and Smartfren. However, network quality will be the key to secure subscriber as mobile gaming and video streaming requires low latency and reliability, which may favour TLKM.

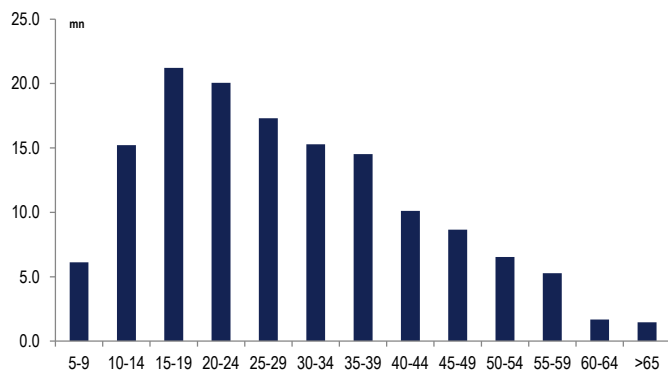
The move follows our thesis of price war risk coming from telcos, if the telcos do not meet their internal growth target. TLKM's latest performance showed mobile service revenue slowing 1.1% QoQ, 1.8% YoY in 3Q19. Growth was driven by data and digital service revenue that was up 3.9% QoQ and 20.6% YoY, and moderate decline in data yields to Rp7.4/MB (-3.7% QoQ, -22.6% YoY). Despite having some growth in subscriber +1.9% QoQ, ARPU declined by -2.1% QoQ, which normalized Telkom's revenue growth.

Fig. 14: Internet penetration among age groups



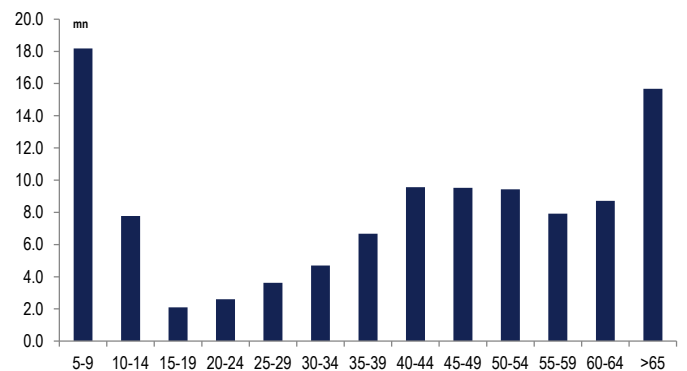
Sources: Company, IndoPremier, APJ

Fig. 15: Internet users among age group



Sources: Company, IndoPremier, APJII, Worldometers

Fig. 16: Non-internet users among age group



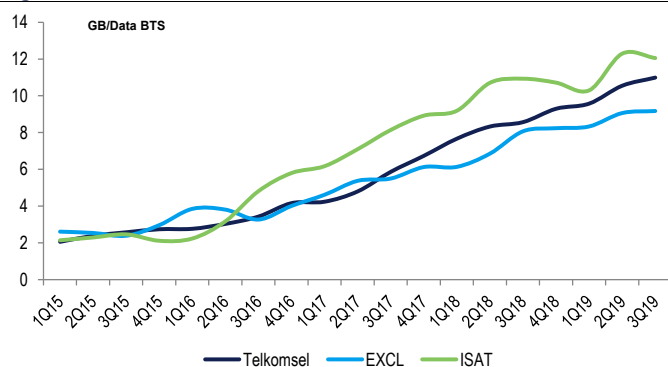
Sources: Company, IndoPremier, APJII, Worldometers

Competition in crowded segment may not be necessarily bad for ARPU

EXCL's lower BTS utilization will allow it to maintain reliable network with Axis' promotions

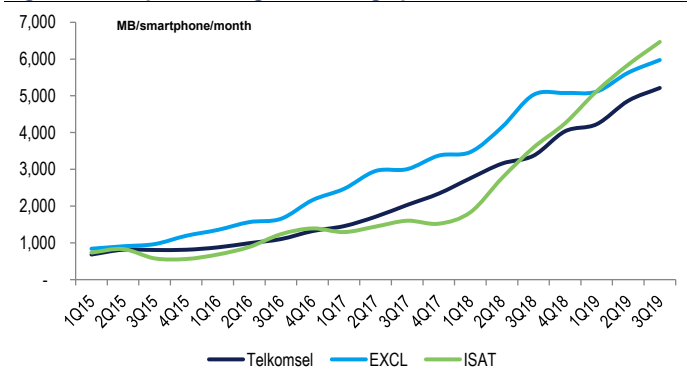
We think this may benefit TLKM as it may tap the previously untapped customer base and may not necessarily bad for ARPU (Rp50k package vs. TLKM's blended ARPU of Rp46k). However, we maintain our top pick with EXCL as the company has the lowest data utilization in its BTS, which shall allow them to maintain reliable network with the Axis promotion. ARPU growth potential will be driven by higher data consumption coming from mobile gaming and streaming. Risk is retaliation from smaller operators.

Fig. 17: Data BTS utilization



Sources: Company, IndoPremier

Fig. 18: Smartphone usage data usage per month



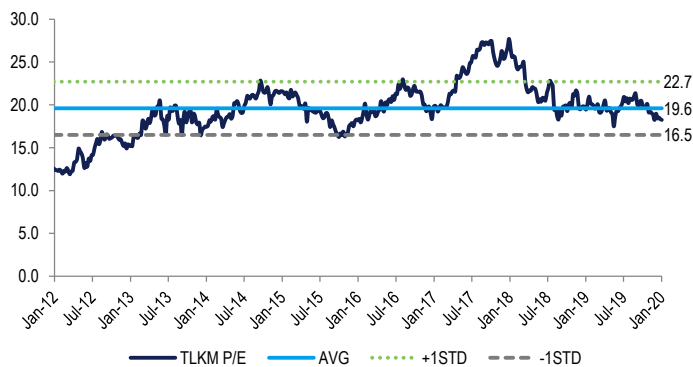
Sources: Company, IndoPremier

We choose EXCL as our top pick, for the following reasons: 1) highest data revenue contribution; 2) lower cost of service from 2G asset depreciation kitchen sink in 2018. Other supporting catalysts for the industry are consolidation of telco operators as well as monetization of packages. However, the risk comes from price war if the telcos do not meet their internal growth target.

The latest price competition in the youth segment indicates retaliation from the smaller operators. The competition is well expected following capex pick-up done by smaller telcos. We continue to see price steadiness among the middle-up segment, with ARPU growth potential driven by higher data consumption coming from mobile gaming, video streaming, and other app-based data usage. Our growth expectation comes from volume increase

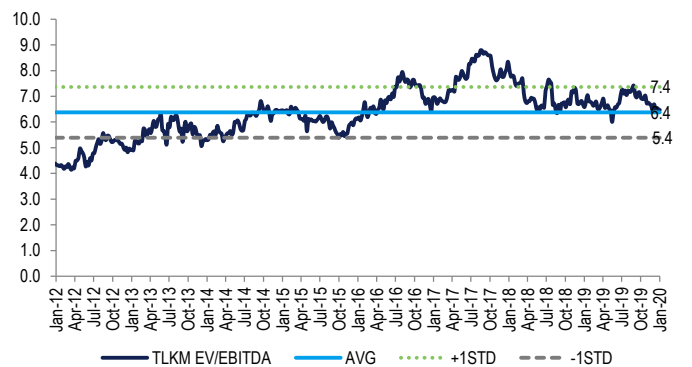
instead of yield. Risk comes from smaller operators wanting to create a discount to Telkomsel's new sub-brand "by.U".

Fig. 19: TLKM P/E band



Sources: Company, IndoPremier

Fig. 20: TLKM EV/EBITDA band



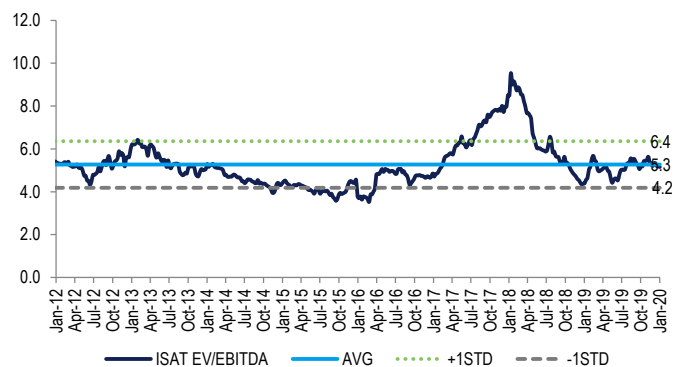
Sources: Company, IndoPremier

Fig. 21: EXCL EV/EBITDA band



Sources: Company, IndoPremier

Fig. 22: ISAT EV/EBITDA band



Sources: Company, IndoPremier

Fig. 23: Peers' valuation

Ticker	Closing Price	TP	Implied	Upside	Recommendation	EV/Ebitda (x)		Div yield (%)	
	(Rp/share)	(Rp/share)	EV/Ebitda (x)			2019F	2020F	2019F	2020F
TLKM	3,940	4,400	6.3	12%	HOLD	6.5	6.0	4.3	4.2
EXCL	3,250	4,200	4.9	29%	BUY	5.8	5.2	0.0	0.0
ISAT	2,900	3,300	4.8	14%	HOLD	4.8	4.5	0.0	0.0

Sources: Company, IndoPremier

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

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.

DISCLAIMERS

This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendations contained in this document do not have any regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT Indo Premier Sekuritas or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.