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Sector Update

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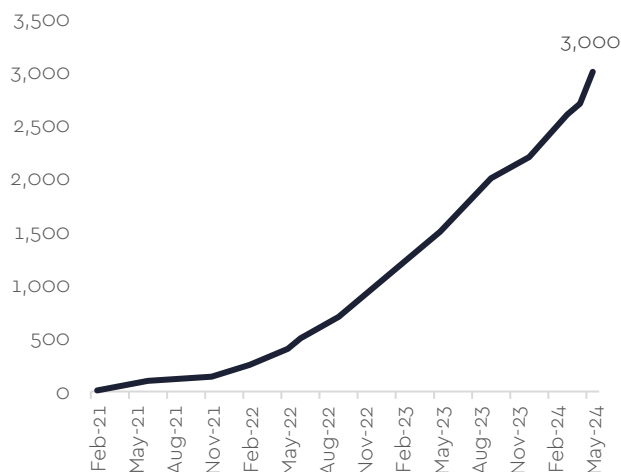
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INDONESIA TELECOMMUNICATION

Bright outlook intact

Starlink worldwide customer (in '000)



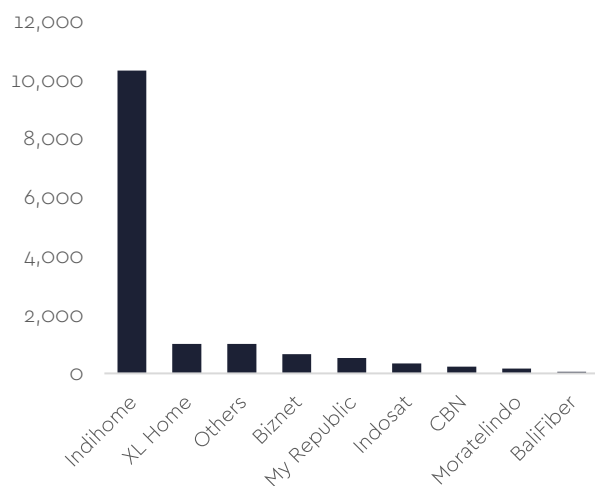
Unjustified fear over Starlink for telco sector

We believe the market has recently mispriced the telco sector due to irrational fears of Starlink's recent launch in Indonesia. Starlink provides niche-market targeted broadband services with much lower costs compared to existing VSAT players as their closest competitors, while the primary goal of its d2c services in the short-term goal is to eliminate dead zones through collaborations with telco companies worldwide. In our view, investors should instead observe how pricing will evolve as we expect further industry consolidation and a tendency to grab market share through multiple promos and bundle offerings.

Multiple constraints limiting Starlink's competition

From a technical perspective, we identify several key factors limiting risks from Starlink's competition in the medium term: 1) Government reluctance to provide Starlink with the necessary spectrum to start its D2C services. 2) Data bandwidth capacity constraints vs terrestrial mobile network infrastructures, especially in high-demand urban areas. 3) Integrates services offered by MNOs for better user retention. 4) Starlink typically uses higher frequency bands above 10 Ghz, which are more susceptible to multiple forms of attenuation, thus necessitating a line-of-sight requirement.

Indonesia FBB Subscribers (in thousands)



XL Axiata to become Indonesia's top 2 FBB player

Post LinkNet subscribers transaction by EXCL, and assuming no significant customer churn from LinkNet, EXCL's FBB subscribers will exceed 1mn, thus cementing its position as the second largest FBB player in the industry. While EXCL hasn't published more details on the business unit's margins, the company expects Rp325bn additional earnings in 2024 from this transaction. With implied customer acquisition costs of Rp2.5mn and ARPU of ~Rp324k/month, we believe this transaction is fairly priced.

Cautiously maintain overweight outlook

Maintain our current overweight stance on Indonesia's telco sector and all three major industry players. EXCL remains our sector's top pick with a TP of Rp3,500, primarily due to its potential corporate action involving FREN. Additionally, we favor ISAT, BUY with a TP of Rp12,500, for its 15% 3-year earnings CAGR in 24-26F, though we acknowledge that its valuation has recently caught up. We also reiterate our BUY call for TLKM with a TP of Rp4,300, as we observe a widening gap between the stock price and intrinsic value.

Ticker	Rating	Target Price	PE (x)		EV/EBITDA (x)		ROE (%)		5-year Revenue CAGR (%)	5-year Earnings CAGR (%)	Div Yield (%)
			2024F	2025F	2024F	2025F	2024F	2025F			
TLKM	BUY	4,300	12.1	12.2	4.2	4.1	15.3%	14.7%	3.1%	-1.6%	6.5%
ISAT	BUY	12,500	16.9	14.1	6.4	5.8	14.7%	14.6%	5.0%	14.4%	1.7%
EXCL	BUY	3,500	19.9	18.4	4.4	4.3	4.6%	4.7%	5.4%	15.7%	1.9%

Fig 1: Starlink historical development time table

Continent	Country/ Territory	Debut
Africa	Nigeria, Rwanda	January – February 2023
	Mozambique, Kenya, Malawi	June – July 2023
	Zambia, Benin, Eswatini	October – December 2023
	Sierra Leone	June 2024
Americas	United States, Puerto Rico, United States Virgin Islands, Guam, Northern Mariana Islands	November 2020
	Canada	January 2021
	Chile, Easter Island, Mexico	September – November 2021
	Brazil	January 2022
	Dominican Republic, Jamaica, Barbados	July – November 2022
	Peru, Columbia, Haiti, Ecuador	January – March 2023
	El Salvador, Panama, Trinidad and Tobago	April – June 2023
	Guatemala, Bahamas, Costa Rica, Honduras, Paraguay	July – December 2023
	Argentina, Uruguay	March – May 2024
Asia	Iran, Japan	September – October 2022
	Philippines	February 2023
	Malaysia	July 2023
	Maldives	November 2023
	Mongolia, Indonesia	March – May 2024
Europe	United Kingdom, Pitcairn Islands, Germany, Austria, Netherlands, Belgium	January – May 2021
	France, Saint Martin, Saint Barthélemy, Guadeloupe, Martinique	Original debut May 2021, Revoked April 2022, Re-approved June 2022
	Ireland, Denmark, Portugal, Switzerland, Poland, Italy, Czech Republic	July – September 2021
	Sweden, Croatia, Lithuania	October – December 2021
	Spain, Slovakia, Slovenia, Bulgaria, Ukraine, Romania, Greece, Latvia	January – April 2022
	Hungary, North Macedonia, Luxembourg, Moldova, Estonia, Norway, Malta, Finland	May – November 2022
	Iceland	February 2023
	Cyprus	July 2023
	Georgia	November 2023
	Albania	April 2024
Oceania	New Zealand, Australia	April 2021
	Tonga	February 2022
	Micronesia	April 2024
	Fiji	May 2024

Fig 2: Indonesia FBB homepass and subscribers

	Home Passed	Subscribers	Share of Home Pass	Conversion rate (%)	Share of Subscribers
IndiHome	38,000,000	10,300,000	74.50%	26.60%	75.40%
Biznet	2,463,451	656,000	4.80%	26.60%	4.90%
My Republic	3,000,000	525,595	5.90%	17.50%	3.90%
CBN	800,000	227,000	1.60%	28.40%	1.70%
XL Home	2,000,000	1,000,000	3.90%	11.80%	1.80%
Moratelindo	692,090	166,120	1.40%	24.00%	1.20%
BaliFiber	246,288	56,859	0.50%	23.10%	0.40%
Indosat	1,500,000	339,000	2.90%	22.50%	2.50%
Others	2,299,116	1,000,000	4.50%	47.70%	8.20%
Total	51,000,945	14,270,574	100%	25.36%	100.00%

Source: Multiple sources, Sucor Research Estimation

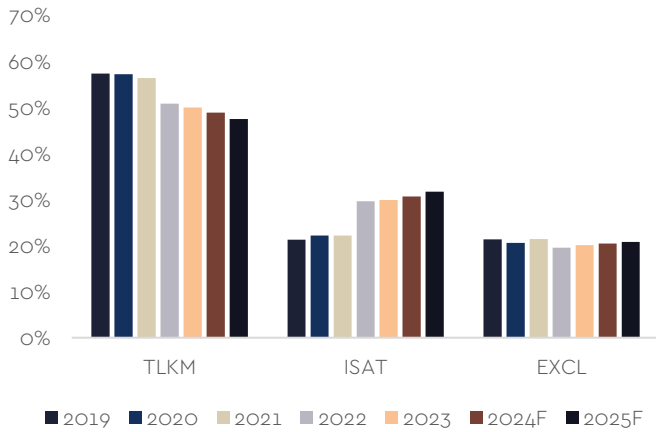
Fig 3: FBB players price offerings across different packages

Price in Rp ('000)	20 Mbps	30 Mbps	50 Mbps	60 Mbps	75 Mbps	100 Mbps	150 Mbps	200 Mbps	250 Mbps	300 Mbps	500 Mbps	1 Gbps
IndiHome	275	280	350			425		1,335		888		
Link Net				245		295	415	525		695	1,789	
Biznet			250				375		575	700		
MNC Play	279	339	459			709		779				
My Republic	218	309	409			639	3,589		749	2,479	850	
CBN			229			429			799		1,399	3,999
XL Home			287		259	318	369	399		499		999
Oxygen		306	414		523	609	641	648				
Bali Fiber		379	1,300	479	1,800	2,300			5,500		10,000	
Indosat		245	275			345				555	655	1,255

Source: Multiple sources, Sucor Research

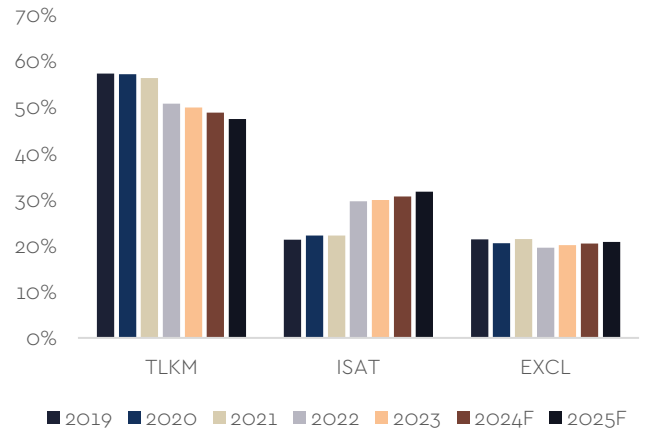
*) Bundling packages with various offerings

Fig 4: Indonesia telco market share by total revenue



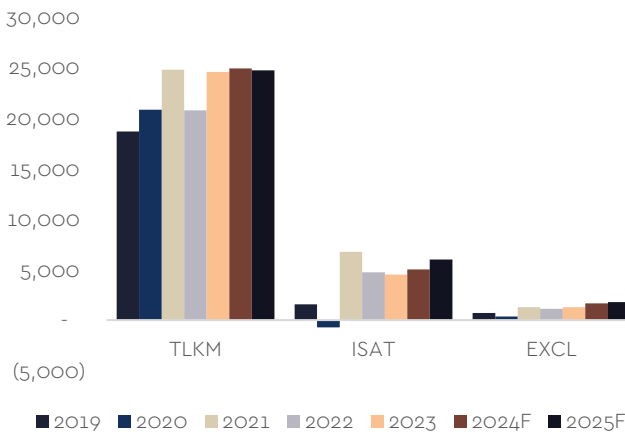
Source: Sucor Research

Fig 5: Indonesia telco market share by mobile data revenue



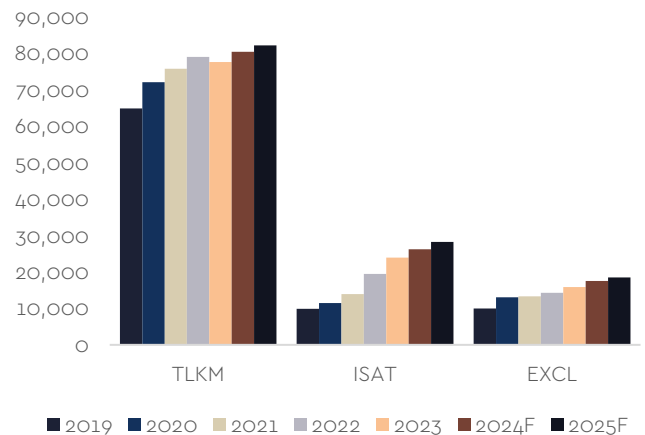
Source: Sucor Research

Fig 6: Indonesia telco earnings outlook (Rp tn)



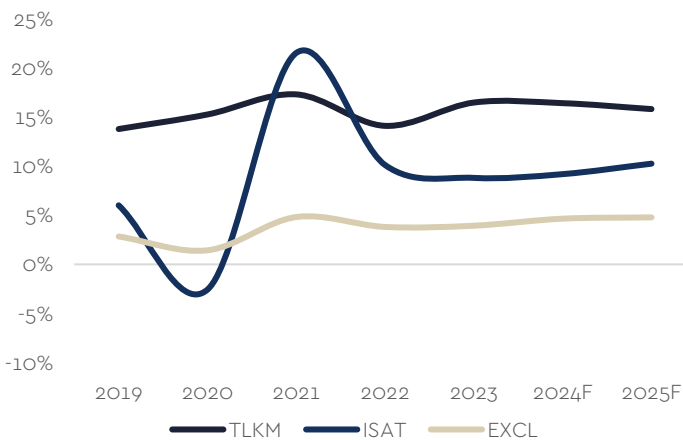
Source: Sucor Research

Fig 7: Indonesia telco EBITDA outlook (Rp tn)



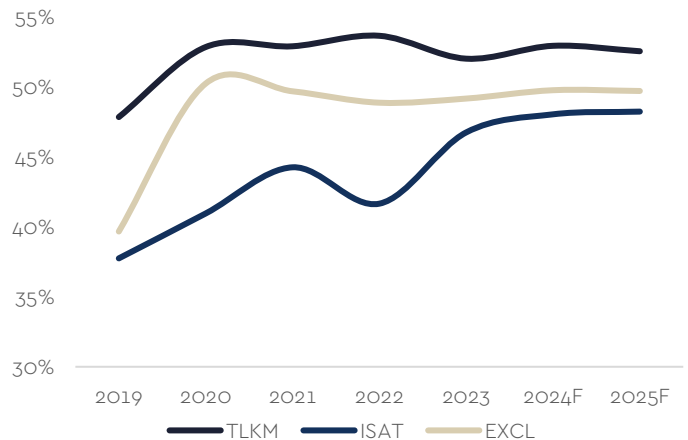
Source: Sucor Research

Fig 8: Indonesia telco NPM trend (%)



Source: Sucor Research

Fig 9: Indonesia telco EBITDA Margin trend (%)



Source: Sucor Research

**Sucor Sekuritas
rating definition,
analyst certification,
and important disclosure****Ratings for Sectors**

Overweight	: We expect the industry to perform better than the primary market index (JCI) over the next 12 months.
Neutral	: We expect the industry to perform in line with the primary market index (JCI) over the next 12 months.
Underweight	: We expect the industry to underperform the primary market index (JCI) over the next 12 months.

Ratings for Stocks

Buy	: We expect this stock to give return (excluding dividend) of above 10% over the next 12 months.
Hold	: We expect this stock to give return of between -10% and 10% over the next 12 months.
Sell	: We expect this stock to give return of -10% or lower over the next 12 months.

Analyst Certification

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