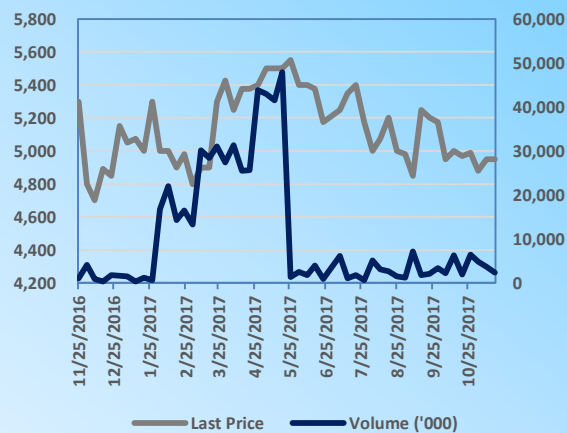


November 21st, 2017
Trading, Advertising Printing and Media

Price IDR 4,950
Target Price IDR 6,630
JKSE Index 6,053.282



Investment Consideration

Tremendous market potential

As the leading High Speed Broadband provider (HSBB) in Indonesia with 1.94 million homes passed in 9M2017, LINK homes passed is projected to continue to grow. This projection is in line with the Indonesian Government's Broad Band Plan which aims to provide broadband internet to up to 30% of the population of Indonesia by 2019. Another target is to increase the internet connectivity speed of 20 Mbps, to households, by 70% before the end of 2019. Fixed broadband penetration (2 Gbps) in buildings is targeted to reach 100%, and mobile broadband penetration is targeted to increase to 100% too. LINK has increased homes passed CAGR (2011-2016) by 24%, and still growing. The company target for homes passed in 2021 is to reach 2.8 million homes or 50% higher than now.

Expanding Infrastructure

As of September 2017, LINK has 25,106 km of cable across Indonesia, and continues to expand. LINK has completed most of its end-to-end network infrastructure. Infrastructure and expansion is a focus for LINK. In 2017 LINK allocated capital expenditure at IDR 1 Trillion, most of the capital expenditure was used for expansion in the 4 top cities. In order to maintain ARPU growth, LINK operates in areas with high GDP such as Greater Jakarta, Bandung, Greater Surabaya, Malang, Medan, and Batam.

Double Digit Revenue Growth

Because of their continued expansion, Link has double digit revenue growth year after year. As of 9M2017, LINK revenue grew 16.7% while CAGR revenue (2013-2016) reached 21%. Double-digit growth is supported by ARPU rising to IDR 420,000 / month and also growth from homes passed to 1.94 million in 9M2017. With double digit growth in revenue, LINK also has a high EBITDA margin of 59%, the highest compared to other telecom companies (I-Cable, SK Telecom, True Corp, and Jasmine). We estimate that by 2017F, LINK will achieve double-digit growth of 15% to IDR. 3.4 trillion and 2018F will reach IDR. 3.8 trillion or growth of 12% yoy.

Valuation: TP 6,630, Upside 34% BUY

We have a one year target price for LINK of IDR. 6,630, offering investors a potential return of 34%. This would mean the stock trading at 18x 2018F PE with EV/EBITDA at 8.9x. We recommend BUY.

Income Statement (IDR. Mn)	2014A	2015A	2016A	2017F	2018F	2019F
Revenue	2,135,958	2,564,315	2,954,161	3,402,526	3,820,016	4,288,732
Cost of revenue	(1,298,703)	(1,629,555)	(1,832,407)	(2,075,541)	(2,292,010)	(2,573,239)
Operating Profit	837,255	934,760	1,121,754	1,326,985	1,528,006	1,715,493
Others income/ (Expense)	(81,351)	(78,359)	(32,688)	(30,623)	(34,380)	(38,599)
Profit Before Tax	755,904	856,401	1,089,066	1,296,362	1,493,626	1,676,894
Taxes	(198,017)	(216,729)	(270,499)	(324,091)	(373,407)	(419,224)
NIAT	557,887	639,672	818,567	972,272	1,120,220	1,257,671
Non-controlling Interest	(180)	(147)	(1)	(1)	(1)	(1)
Net Income	557,707	639,525	818,566	972,271	1,120,219	1,257,670
EPS (in IDR)	183	210.2	269.0	319.5	368.2	413.3
EBITDA	1,222,649	1,459,968	1,752,538	1,858,969	2,139,934	2,416,726

Stock Information

Bloomberg Code LINK IJ
Market Cap (IDR bn) 14,969.8
52-week high (IDR) 6,000
52-week low (IDR) 4,460
Shares issued (mn) 3,042.6
6-m avg. daily Val (IDR) 5,133
Free float (%) 25.57%

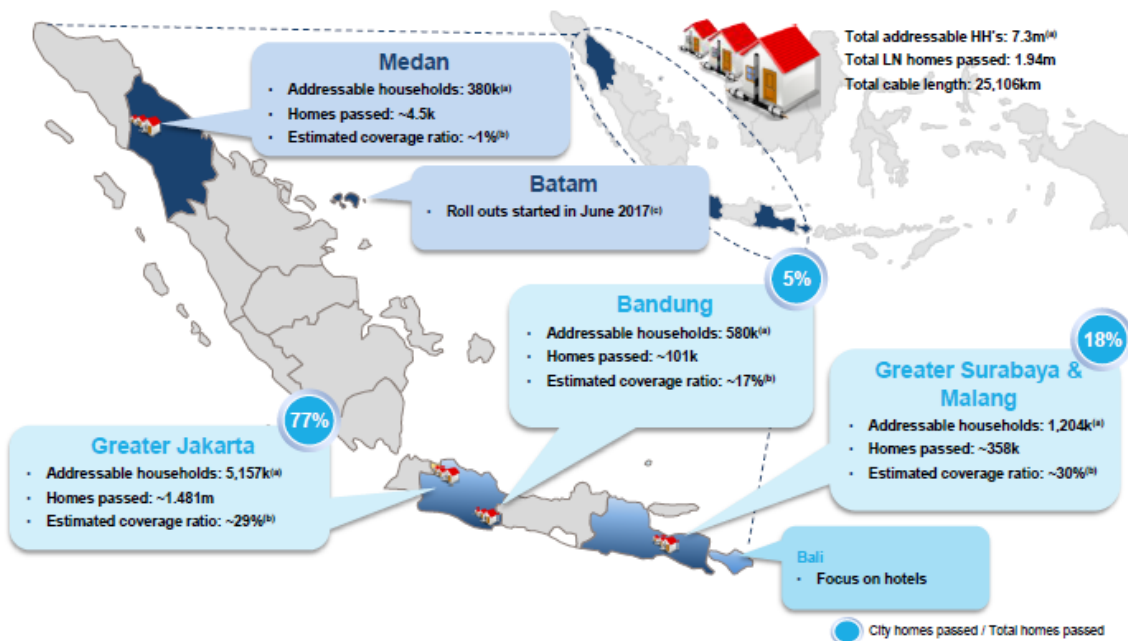
Major share holders (%)
PT First Media, Tbk 34.78%
Asia Link Dewa Pte. Ltd 34.40%
UBS AG LDN Branch 34.40%
Public 25.57%

USD/ IDR – YE (IDR)
2016 13,436
2017F (6m-avg) 13,381

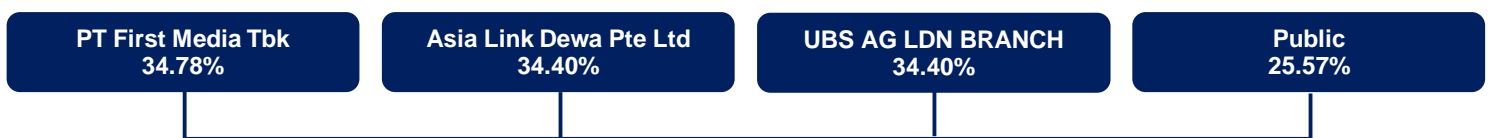
Key Indicators 2018F
ROE (%) 20%
Curent Ratio (x) 1.5
Total Debt/Equity (x) 0.2

Company Profile

PT Link Net Tbk was established in 1996 as PT Seruling Permai and changed to PT Link Net in 2000. The Company started Information Technology business in 2000. As a leader, the Company added High Speed Broadband based on cable, multimedia services and management consulting in 2011. Now, the Company works with PT First Media Television to provide subscription television services and data communication services. Up to 9M2016, the Company reached 1.94 million homes passed in Greater Jakarta, Medan, Batam, Bandung, Greater Surabaya, Malang, and Bali, and continues to grow. The Company has 5 categories of premium service products, such as Fast Net, HomeCable, DataComm, First Media X, and First Net. The company was listed on Indonesia Stock Exchange in June, 2014.



Company Structure



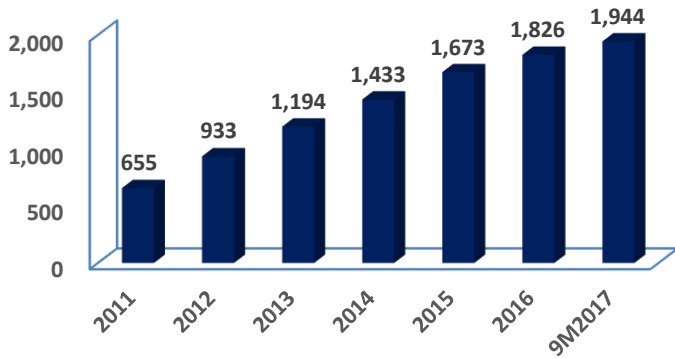
PT First Media Television (FMTV)
99.992%



PT Indonesia Media Televisi (IMTV)
15%

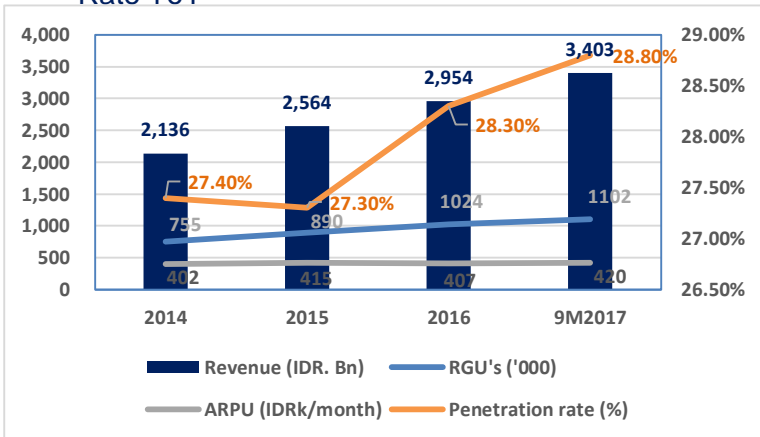
Sources: Company

Chart: LINK's Homes Passed YoY



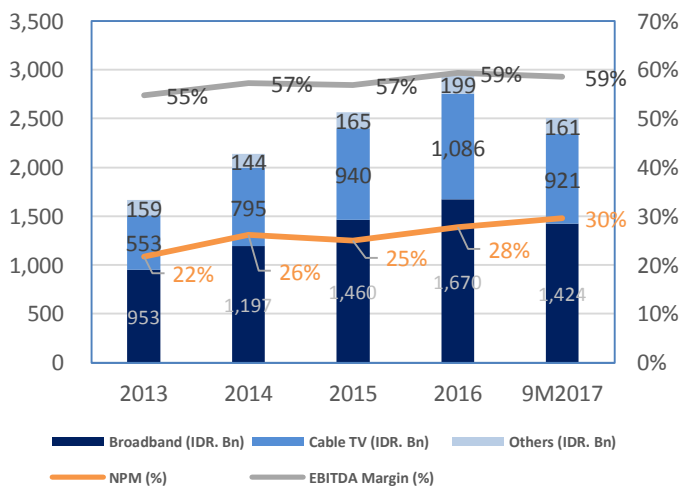
Sources: Company

Chart: Revenue, RGU's, ARPU, and Penetration Rate YoY



Sources: Company

Chart: Revenue Breakdown, NPM, and EBITDA Margin YoY



Sources: Company

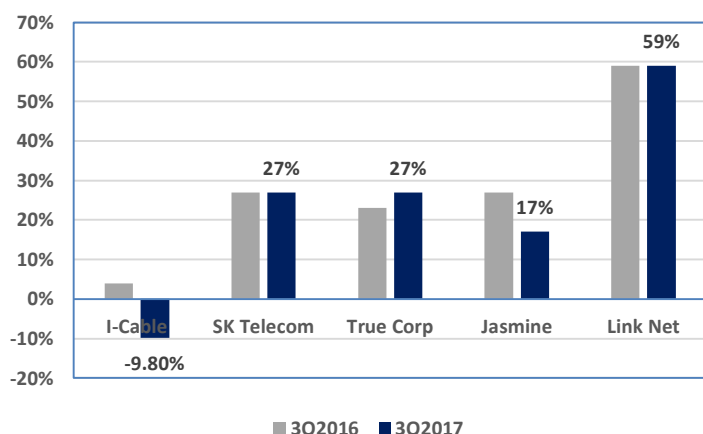
Tremendous market opportunity

As a leading High Speed Broadband (HSBB) provider in Indonesia with 1.94 million homes passed in 9M2017, LINK homes passed is projected to continue to grow. The projection is in line with the Indonesian Government's Broad Band Plan which aims to provide broadband internet for up to 30% of the total population of Indonesia by 2019. Another target is to increase the internet connectivity speed of 20 Mbps, for household broadband, by 70% before the end of 2019. Fixed broadband penetration (2 Gbps) in buildings is targeted at 100%, and mobile broadband penetration is targeted to increase to 100% too. If we compared to other countries in Asia, Indonesia currently has by far the lowest fixed broadband penetration rate of 9.1% compared to the Philippines at 10.6%, Thailand at 28.3%, Vietnam at 33.4% and China at 52.3%. While for pay TV penetration, Indonesia is also far below other Asia countries at 11.2%. With 27.5% market shares in Indonesia, this is a huge potential for LINK to continue to grow. LINK is projected to grow homes passed CAGR (2011-2016) 24%. The company targets to reach 2.8 million homes passed by 2021 50% higher than current.

Expanding Infrastructure

As of September 2017, LINK has 25,106 km of cable across Indonesia, and continues to expand. LINK has completed most of its end-to-end network infrastructure, including not only domestic but also an international gateway. LINK has 2 proprietary international fibre lines / Submarine cables providing bandwidth via Singapore, Jakabare, and B2JS. In 2011, LINK acquired an 11-year right to use the Jakabare submarine cable. Then in 2015, LINK acquired a 15-year right to use the B2JS submarine cable and a 15-year right to use the pan-Java backbone in 2017. Infrastructure and expansions has become a key focus for LINK. In 2017 LINK allocated capital expenditure of IDR 1 Trillion, most of the capital expenditure was used for expansion in the 4 top cities with the highest GDP where most of LINK's business is focused such as Greater Jakarta, Bandung, Greater Surabaya, Malang, Medan, and Batam.

Chart: EBITDA Margin 3Q2016 vs 3Q2017 Telecom Company



Sources: Bloomberg & Company

Double Digit Revenue Growth

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Valuation: TP 6,630, Upside 34% BUY

As LINK continues their expansion into the potential market that is Indonesia, we estimate LINK will grow. We have a one year target price for LINK of IDR. 6,630, offering investors a potential return of 34%. This would mean the stock trading at 18x 2018F PE with EV/EBITDA at 8.9x. We recommend BUY.

Table: Income Statement in IDR Million YoY

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EBITDA	1,222,649	1,459,968	1,752,538	1,858,969	2,139,934	2,416,726

Sources: Company and Binaartha

Table: Cash Flow in IDR Million YoY

Cash Flow (In IDR Mn)	2014A	2015A	2016A	2017F	2018F	2019F
Net Income	557,707	639,525	818,566	972,271	1,120,219	1,257,670
Depreciation	377,240	491,720	576,884	524,011	596,131	678,176
Change in WC	67,038	33,356	121,817	(51,540)	46,914	157,472
Cash From Operating Activities	1,001,985	1,164,601	1,517,267	1,444,741	1,763,263	2,093,318
Capex	(881,514)	(1,157,953)	(891,435)	(1,234,057)	(1,256,865)	(1,428,883)
Cash From Investing Activities	(881,514)	(1,157,953)	(891,435)	(1,234,057)	(1,256,865)	(1,428,883)
Long-term Debts	(103,791)	(59,891)	(31,383)	97,332	(32,496)	(64,836)
Others Noncurrent Liabilities	13,975	26,974	149,611	(3,016)	29,224	32,810
Equity	(42,017)	(6,960)	(522,809)	(159,550)	(179,215)	(201,199)
Cash From Financing Activities	(131,833)	(39,877)	(404,581)	(65,234)	(182,487)	(233,225)
Net Changes in Cash	(11,362)	(33,229)	221,251	145,451	323,911	431,210
Beginning Balance	370,020	358,658	325,429	546,680	692,131	1,016,041
Ending Balance	358,658	325,429	546,680	692,131	1,016,041	1,447,251

Sources: Company and Binaartha

Table: Balance Sheet in IDR Million YoY

Balance Sheet (In IDR Mn)	2014A	2015A	2016A	2017F	2018F	2019F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	358,658	325,429	546,680	692,131	1,016,041	1,447,251
Trade Accounts Receivable	176,842	242,072	324,402	408,303	388,691	456,711
Others Current Assets	39,406	37,283	36,071	81,099	91,050	79,657
Total Current Assets	574,906	604,784	907,153	1,181,533	1,495,783	1,983,619
NONCURRENT ASSETS						
Fixed Assets	2,693,597	3,492,811	3,807,397	4,331,408	4,927,539	5,605,715
Long-term prepayment	114,000	102,600	95,533	110,032	123,533	138,691
Other Noncurrent Assets	359,502	237,921	244,953	416,489	467,592	524,965
Total Noncurrent Assets	3,167,099	3,833,332	4,147,883	4,857,929	5,518,664	6,269,371
TOTAL ASSETS	3,742,005	4,438,116	5,055,036	6,039,462	7,014,447	8,252,990
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	90,651	69,832	30,566	0	0	31,434
Trade Payables	112,746	177,204	232,937	306,227	322,506	374,032
Accruals	169,668	287,792	407,624	408,303	429,414	517,462
Others Current Liabilities	178,300	113,000	179,636	213,621	213,485	256,576
Total Current Liabilities	551,365	647,828	850,763	928,152	965,405	1,179,503
NONCURRENT LIABILITIES						
Long-term bank	91,274	31,383	0	97,332	64,836	0
Others Noncurrent Liabilities	64,608	91,582	241,193	238,177	267,401	300,211
Total Noncurrent Liabilities	155,882	122,965	241,193	335,509	332,237	300,211
TOTAL LIABILITIES	707,247	770,793	1,091,956	1,263,661	1,297,642	1,479,715
Non-controlling interest	1	148	1	50	70	98
EQUITY	3,034,757	3,667,175	3,963,079	4,775,751	5,716,735	6,773,178
TOTAL LIABILITIES & EQUITY	3,742,005	4,438,116	5,055,036	6,039,462	7,014,447	8,252,990

Sources: Company and Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2014A	2015A	2016A	2017F	2018F	2019F
Sales	28%	20%	15%	15%	12%	12%
OP	41%	12%	20%	18%	15%	12%
EBITDA	34%	19%	20%	6%	15%	13%
NP	54%	15%	28%	19%	15%	12%
EPS	54%	15%	28%	19%	15%	12%
Profitability						
Operating Margin(%)	39%	36%	38%	39%	40%	40%
EBITDA margin(%)	57%	57%	59%	55%	56%	56%
NET Profit margin(%)	26%	25%	28%	29%	29%	29%
ROA(%)	17%	17%	18%	19%	19%	18%
ROE(%)	18%	17%	21%	20%	20%	19%
Stability						
Tot debt/ equity (x)	0.2	0.2	0.3	0.3	0.2	0.2
Current Ratio (X)	1.0	0.9	1.1	1.3	1.5	1.7
Per Share data (IDR)						
EPS	183	210	269	320	368	413
EBITDA/share	402	480	576	611	703	794

Sources: Company and Binaartha

Stock Ratings:

Buy : a recommendation to purchase the security with upside potential of **20% or greater**

Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.

Sel : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

RESEARCH TEAM
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