

26 October 2020
Telecommunication

Price	IDR	2,080
Target Price	IDR	3,730
JKSE Index		5,112.188



Stock Information

Bloomberg Code	LINK IJ
Market Cap (IDR bn)	6,012.7
52-week high (IDR)	4,500
52-week low (IDR)	1,755
Shares issued (mn)	2,863.1
6-m avg. daily Val (IDR)	2,216
Free float (%)	36.55%

Major share holders	(%)
PT First Media, Tbk	27.90%
Asia Link Dewa Pte. Ltd	35.55%
Public	36.55%

USD/ IDR – YE (IDR)	
2019	13,887
2020F (6m-avg)	14,867

Investment Consideration

Positive-growth revenue

- LINK had positive growth in 3Q 2020 with +5.5% QoQ revenue growth to IDR 1.02 trillion and +6.8% YoY growth to IDR 2.95 trillion for the 9M2020. Revenue from Cable-tv grew +17.4% YoY to IDR 1.2 trillion, while revenue from broadband was flat at IDR 1.61 trillion.
- The revenue growth is inline with the increases in subscribers. LINK added 53,277 net subscriber in 3Q2020, and has added 147,464 subscribers in 9M2020, higher than 51,024 in 9M2019.
- LINK has reached 2.652 million homes passed and the penetration rate in 3Q2020 has reached 30.8% compared to 26.9% in 3Q2019.
- ARPU slightly decreased to IDR 369k in 3Q2020 as the subscribers increased.
- Management gave no guidance on 4Q2020 new subscribers, but we expect demand will stay high and help drive LINK revenue for the rest of 2020. We are targeting LINK revenue to grow single digit in 2020 to reach IDR 3.89 trillion.

Cost control raises margins

- LINK has managed cost of sales and opex better in 3Q2020. This resulted in EBITDA in 3Q2020 of IDR 578 bn compared to IDR 540 bn in 3Q2019 and a slightly higher EBITDA margin of 56.5% in 3Q2020 compared to 56% in 2Q2020 and 53.8% in 1Q2020.
- In terms of profit, LINK still recorded a lower profit of IDR 698.9 billion - 9.6% YoY in 9M2020 and the net profit margin decreased to 24% from 28%.
- LINK decision to migrate its network away from ICON+, is in process and within budget. The migration is estimated to cost IDR 3 trillion. It will be funded from bank loans of IDR 2.5 trillion and the balance from internal cashflow.
- We estimate profit will be IDR 849 billion in 2020F as the ARPU is still falling.

Valuation: Maintain BUY, 79% upside

- We have a one year target price for LINK of IDR. 3,730, offering investors a potential return of 79%. This would mean the stock trading at 11x 2021F PE. We recommend BUY

Financial Summary	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (IDR. tn)	2,95	3,40	3,73	3,76	3,89	4,29
EBITDA (IDR. tn)	1,73	2,00	1,90	2,07	1,97	2,09
Net Profit (IDR. tn)	0,82	1,01	0,79	0,89	0,85	0,95
EPS (IDR)	269	331	259	312	297	330
EBITDA / shares	569	657	624	725	689	731
ROA	18%	20%	14%	15%	13%	12%
ROE	21%	22%	17%	19%	18%	18%
Tot. Debt / Equity (x)	0,28	0,27	0,27	0,43	0,69	0,65

Chart: Revenue Breakdown, NPM, and EBITDA Margin YoY

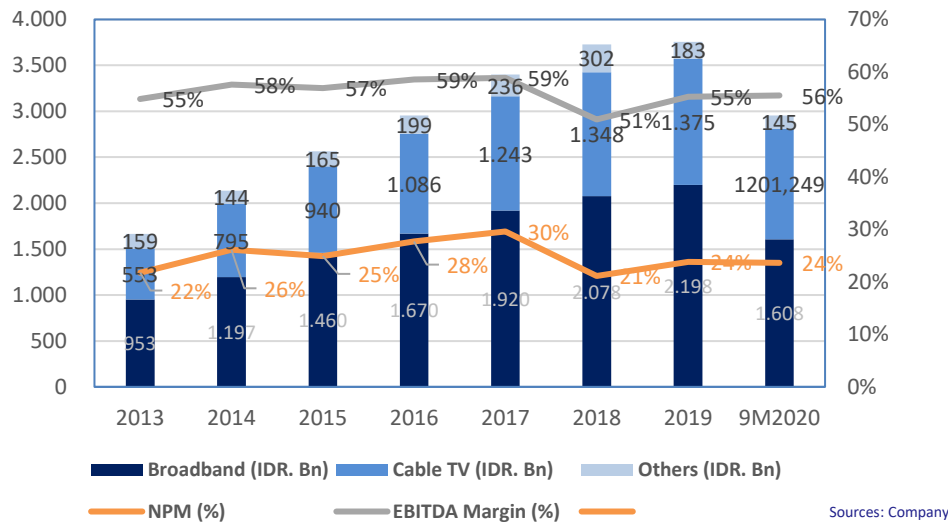


Chart: Homes Passed YoY

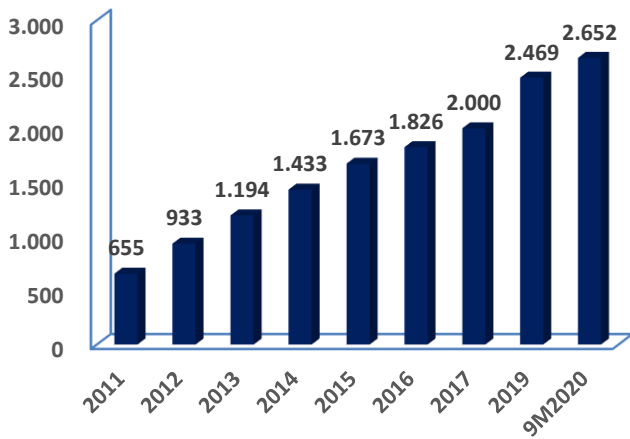


Chart: ARPU (IDR'000)

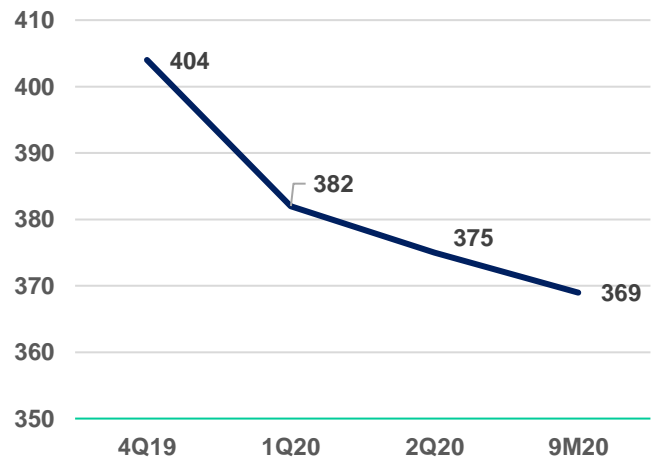


Table: Cost Components 2020

Cost Components (% of Revenue)	1Q20	2Q20	3Q20
Cost of Sales			
Content Cost % of Revenue	9.3%	9.3%	9.1%
Internet Cost % of Revenue	6.2%	4.6%	4.4%
OPEX			
Sales & Marketing Expense % of Revenue	9.5%	9.8%	9.5%
General & Administration Expense % of Revenue	14.7%	14.4%	13.1%

Sources: Company

Table: Income Statement in IDR Million YoY

Income Statement (IDR. Mn)	2016A	2017A	2018A	2019A	2020F	2021F
Revenue	2.954.161	3.399.060	3.728.364	3.755.262	3.891.888	4.289.250
Cost of revenue	-1.832.410	-2.042.122	-2.584.071	-2.474.712	-2.646.484	-2.916.690
Operating Profit	1.121.751	1.356.938	1.144.293	1.280.550	1.245.404	1.372.560
Others income/ (Expense)	-32.688	-17.517	-23.797	-40.243	-155.676	-128.677
Profit Before Tax	1.089.063	1.339.421	1.120.496	1.240.307	1.089.729	1.243.882
Taxes	-270.499	-332.143	-331.578	-345.776	-239.740	-298.532
NIAT	818.564	1.007.278	788.918	894.531	849.988	945.351
Non-controlling Interest	-1	-1	0	0	0	0
Net Income	818.563	1.007.277	788.918	894.531	849.988	945.351
EPS (in IDR)	269,0	331,1	259,3	312,4	296,9	330,2
EBITDA	1.730.000	2.000.000	1.898.903	2.074.711	1.973.330	2.093.604

Sources: Company and Binaartha

Table: Cash Flow in IDR Million YoY

Cash Flow (In IDR Mn)	2016A	2017A	2018A	2019A	2020F	2021F
Net Income	818.563	1.007.277	788.918	894.531	849.988	945.351
Depreciation	576.884	611.400	684.013	734.712	734.712	744.721
Change in WC	121.817	57.763	69.955	194.653	754.635	-173.909
Cash From Operating Activities	1.517.264	1.676.440	1.542.886	1.823.896	2.339.336	1.516.163
Capex	-891.435	-996.119	-1.097.550	-1.542.983	-1.763.191	-1.344.499
Cash From Investing Activities	-891.435	-996.119	-1.097.550	-1.542.983	-1.763.191	-1.344.499
Long-term Debts	-31.383	0	0	400.000	350.000	250.000
Others Noncurrent						
Liabilities	149.611	-14.883	-49.377	6.610	49.970	-19.051
Equity	-522.806	-446.170	-562.006	-989.215	-815.164	-472.675
Cash From Financing Activities	-404.578	-461.053	-611.383	-582.605	-415.194	-241.726
Net Changes in Cash	221.251	219.268	-166.047	-301.692	160.951	-70.063
Beginning Balance	325.429	546.680	765.948	599.901	298.209	459.160
Ending Balance	546.680	765.948	599.901	298.209	459.160	389.097

Sources: Company and Binaartha

Table: Statement of Financial Position in IDR Million YoY

Statement of Financial Position (In IDR Mn)	2016A	2017A	2018A	2019A	2020F	2021F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	546.680	765.948	599.901	298.209	459.160	389.097
Trade Accounts Receivable	324.402	398.927	407.651	512.945	544.864	600.495
Others Current Assets	36.071	68.749	69.920	87.410	155.676	171.570
Total Current Assets	907.153	1.233.624	1.077.472	898.564	1.159.700	1.161.162
NONCURRENT ASSETS						
Fixed Assets	3.807.397	4.117.430	4.568.443	4.993.913	5.728.625	6.473.346
Long-term prepayment	95.533	83.800	13.531	3.333	3.454	8.578
Other Noncurrent Assets	244.953	331.372	364.165	757.164	1.050.810	900.742
Total Noncurrent Assets	4.147.883	4.532.602	4.946.139	5.754.410	6.782.889	7.382.667
TOTAL ASSETS	5.055.036	5.766.226	6.023.611	6.652.974	7.942.589	8.543.830
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	30.566	40.786	0	400.000	750.000	750.000
Trade Payables	232.937	302.521	566.269	610.620	739.459	686.280
Accruals	407.624	375.088	419.104	220.902	389.189	300.247
Others Current Liabilities	179.636	297.334	110.206	181.494	389.189	428.925
Total Current Liabilities	850.763	1.015.729	1.095.579	1.413.016	2.267.836	2.165.452
NONCURRENT LIABILITIES						
Long-term bank	0	0	0	400.000	750.000	1.000.000
Others Noncurrent Liabilities	241.193	226.310	176.933	183.543	233.513	214.462
Total Noncurrent Liabilities	241.193	226.310	176.933	583.543	983.513	1.214.462
TOTAL LIABILITIES	1.091.956	1.242.039	1.272.512	1.996.559	3.251.350	3.379.915
Non-controlling interest	1	2	2	2	2	2
EQUITY	3.963.079	4.524.185	4.751.097	4.656.413	4.691.237	5.163.913
TOTAL LIABILITIES & EQUITY	5.055.036	5.766.226	6.023.611	6.652.974	7.942.589	8.543.830

Sources: Company and Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2016A	2017A	2018A	2019A	2020F	2021F
Revenue	15%	15%	10%	1%	4%	10%
OP	20%	21%	-16%	12%	-3%	10%
EBITDA	18%	16%	-5%	9%	-5%	6%
NP	28%	23%	-22%	13%	-5%	11%
EPS	28%	23%	-22%	20%	-5%	11%
Profitability						
Operating Margin(%)	38%	40%	31%	34%	32%	32%
EBITDA margin(%)	59%	59%	51%	55%	51%	49%
NET Profit margin(%)	28%	30%	21%	24%	22%	22%
ROA(%)	18%	20%	14%	15%	13%	12%
ROE(%)	21%	22%	17%	19%	18%	18%
Stability						
Tot debt/ equity (x)	0,3	0,3	0,3	0,4	0,7	0,7
Current Ratio (X)	1,1	1,2	1,0	0,6	0,5	0,5
Per Share data (IDR)						
EPS	269	331	259	312	297	330
EBITDA/share	569	657	624	725	689	731

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**.

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