

28 May 2021
Telecommunication

Price IDR 3,940
Target Price IDR 4,980
JKSE Index 5,841.828



Stock Information

Bloomberg Code LINK IJ
Market Cap (IDR bn) 11,680
52-week high (IDR) 4,250
52-week low (IDR) 1,755
Shares issued (mn) 2,863.1
6-m avg. daily Val (IDR) 3,123
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)
2020 14,175
2021F (6m-avg) 14,360

Investment Consideration

Fourth quarter growth

- LINK had double-digit revenue growth in 4Q 2020 of +10.7% YoY and 7% QoQ to IDR 1.09 trillion. For 2020FY, LINK recorded +8% YoY growth to IDR 4.05 trillion.
- Revenue from Cable-tv grew +28.7% YoY to IDR 452 billion, while revenue from broadband was flat at IDR 593.7 trillion in 4Q2020. Revenue from broadband is still the largest contributor to 2020 total revenue of IDR 2.2 trillion.
- The revenue growth is inline with the increases in subscribers. LINK added 24k net subscriber in 4Q2020 and has added 171k subscribers in 2020, growing its total subscriber base by 25% to 839k subscribers as at 2020FY.
- LINK has reached 2.680 million homes passed and the penetration rate in 4Q2020 has reached 31.3%.
- ARPU slightly decreased to IDR 364 thousand in 4Q2020 despite the subscriber increase, but is still the highest in the market.
- We expect demand will stay strong as consumer behavior shifts (working at home, learning from home, etc) and will boost LINK revenue in 2021. We are targeting LINK revenue to grow +10% in 2021 to a reach IDR 4.45 trillion.

Higher Margins

- LINK has continued to improve cost of sales and opex in 4Q2020, this can be seen from the decrease in the ratio of cost of sales and opex to revenue both QoQ and YoY.
- This resulted in EBITDA in 4Q2020 of IDR 668 billion which is higher compared to other quarters as well as a higher EBITDA margin of 61% in 4Q2020 compared to 56,5% in 3Q2020 and 56% in 2Q2020.
- In terms of profit, LINK recorded higher profit of IDR 242.7 billion, +100% growth YoY. For 2020FY net profit grew +5.3% to IDR 942 billion, while the net profit margin decreased to 23.3% from 23.8%.
- The migration project is on schedule, will be completed by the middle of 2022, and is fully funded and under budget.
- LINK ability to maintain costs will impact positively to profit and margins, and we expect double digit growth in profit to IDR 1.04 trillion in 2021F.

Valuation: Maintain BUY, 26% upside

- We have a one year target price for LINK of IDR.4,980, offering investors a potential return of 26%. This would mean the stock trading at 11.5x 2022F PE. We recommend BUY

| Financial Summary | 2016A | 2017A | 2018A | 2019A | 2020A | 2021F | 2021F |
|------------------------|-------|-------|-------|-------|-------|-------|-------|
| Revenue (IDR. tn) | 2,95 | 3,40 | 3,73 | 3,76 | 4,05 | 4,45 | 5,27 |
| EBITDA (IDR. tn) | 1,73 | 2,00 | 1,90 | 2,07 | 2,28 | 2,38 | 2,79 |
| Net Profit (IDR. tn) | 0,82 | 1,01 | 0,79 | 0,89 | 0,94 | 1,04 | 1,23 |
| EPS (IDR) | 269 | 331 | 259 | 312 | 329 | 364 | 431 |
| EBITDA / shares | 569 | 657 | 624 | 725 | 798 | 831 | 973 |
| ROA | 18% | 20% | 14% | 15% | 14% | 13% | 14% |
| ROE | 21% | 22% | 17% | 19% | 20% | 20% | 21% |
| Tot. Debt / Equity (x) | 0,28 | 0,27 | 0,27 | 0,43 | 0,69 | 0,67 | 0,68 |

Chart: Revenue Breakdown, NPM, and EBITDA Margin YoY

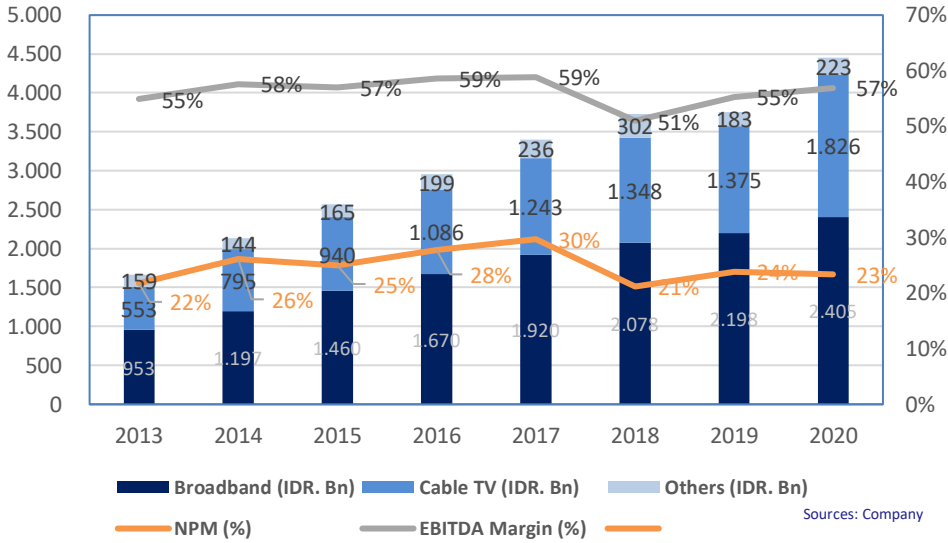


Chart: Homes Passed YoY

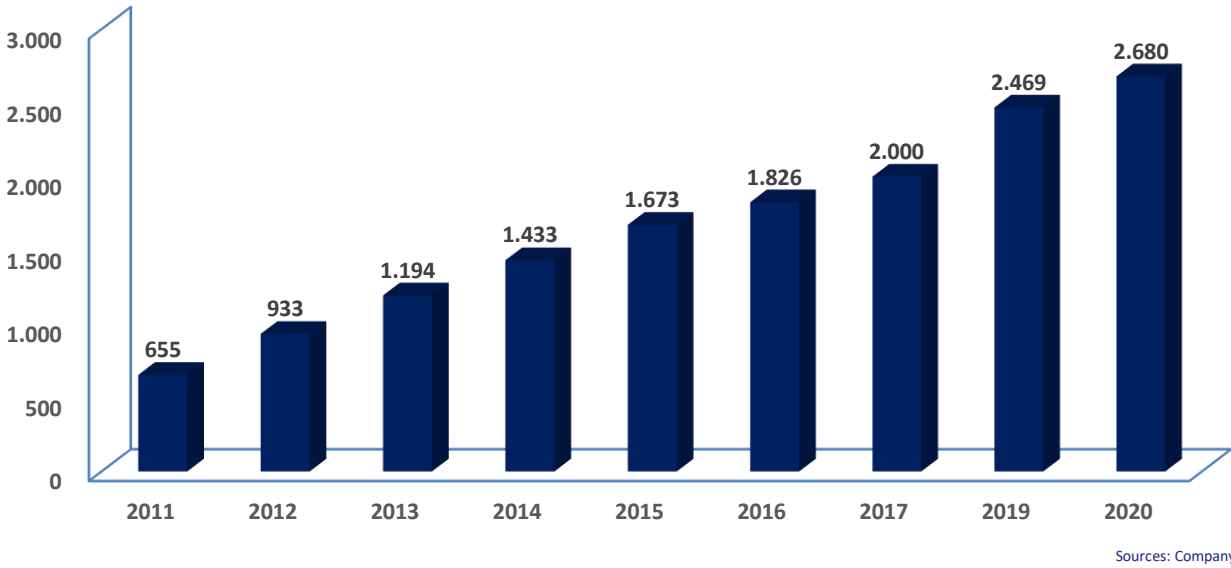


Table: Cost Components 2020

| Cost Components (% of Revenue) | 1Q20 | 2Q20 | 3Q20 | 4Q20 |
|---|-------|-------|-------|------|
| Cost of Sales | | | | |
| Content Cost % of Revenue | 9.3% | 9.3% | 9.1% | 8.7% |
| Internet Cost % of Revenue | 6.2% | 4.6% | 4.4% | 4.1% |
| ICON + Pole Rental % of Revenue | 3.6% | 3.6% | 3.6% | 3.6% |
| OPEX | | | | |
| Sales & Marketing Expense % of Revenue | 9.5% | 9.8% | 9.5% | 7.4% |
| General & Administration Expense % of Revenue | 14.7% | 14.4% | 13.1% | 8.3% |

Table: Income Statement in IDR Million YoY

| Income Statement (IDR. Mn) | 2016A | 2017A | 2018A | 2019A | 2020A | 2021F | 2022F |
|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Revenue | 2.954.161 | 3.399.060 | 3.728.364 | 3.755.262 | 4.047.964 | 4.453.290 | 5.274.922 |
| Cost of revenue | -1.832.410 | -2.042.122 | -2.584.071 | -2.474.712 | -2.674.216 | -2.939.172 | -3.481.449 |
| Operating Profit | 1.121.751 | 1.356.938 | 1.144.293 | 1.280.550 | 1.373.748 | 1.514.119 | 1.793.474 |
| Others income/ (Expense) | -32.688 | -17.517 | -23.797 | -40.243 | -127.119 | -133.599 | -158.248 |
| Profit Before Tax | 1.089.063 | 1.339.421 | 1.120.496 | 1.240.307 | 1.246.629 | 1.380.520 | 1.635.226 |
| Taxes | -270.499 | -332.143 | -331.578 | -345.776 | -304.922 | -338.227 | -400.630 |
| NIAT | 818.564 | 1.007.278 | 788.918 | 894.531 | 941.707 | 1.042.293 | 1.234.596 |
| Non-controlling Interest | -1 | -1 | 0 | 0 | -1 | 0 | 1 |
| Net Income | 818.563 | 1.007.277 | 788.918 | 894.531 | 941.706 | 1.042.293 | 1.234.597 |
| EPS (in IDR) | 269,0 | 331,1 | 259,3 | 312,4 | 328,9 | 364,0 | 431,0 |
| EBITDA | 1.730.000 | 2.000.000 | 1.898.903 | 2.074.711 | 2.284.810 | 2.378.352 | 2.788.093 |

Sources: Company and Binaartha

Table: Cash Flow in IDR Million YoY

| Cash Flow (In IDR Mn) | 2016A | 2017A | 2018A | 2019A | 2020A | 2021F | 2022F |
|---------------------------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net Income | 818.563 | 1.007.277 | 788.918 | 894.531 | 941.706 | 1.042.293 | 1.234.597 |
| Depreciation | 576.884 | 611.400 | 684.013 | 734.712 | 849.439 | 789.771 | 900.339 |
| Change in WC | 121.817 | 57.763 | 69.955 | 194.653 | 1.590.554 | 217.602 | -647.259 |
| Cash From Operating Activities | 1.517.264 | 1.676.440 | 1.542.886 | 1.823.896 | 3.381.699 | 2.049.666 | 1.487.677 |
| Capex | -891.435 | -996.119 | -1.097.550 | -1.542.983 | -2.120.394 | -1.549.202 | -1.942.846 |
| Cash From Investing Activities | -891.435 | -996.119 | -1.097.550 | -1.542.983 | -2.120.394 | -1.549.202 | -1.942.846 |
| Long-term Debts | -31.383 | 0 | 0 | 400.000 | -400.000 | 0 | 1.000.000 |
| Others Noncurrent Liabilities | 149.611 | -14.883 | -49.377 | 6.610 | 175.535 | 19.452 | 69.839 |
| Equity | -522.806 | -446.170 | -562.006 | -989.215 | -975.407 | -521.146 | -617.298 |
| Cash From Financing Activities | -404.578 | -461.053 | -611.383 | -582.605 | -1.199.872 | -501.695 | 452.540 |
| Net Changes in Cash | 221.251 | 219.268 | -166.047 | -301.692 | 61.433 | -1.230 | -2.629 |
| Beginning Balance | 325.429 | 546.680 | 765.948 | 599.901 | 298.209 | 359.642 | 358.412 |
| Ending Balance | 546.680 | 765.948 | 599.901 | 298.209 | 359.642 | 358.412 | 355.783 |

Sources: Company and Binaartha

Table: Statement of Financial Position in IDR Million YoY

| Statement of Financial Position (In IDR Mn) | 2016A | 2017A | 2018A | 2019A | 2020A | 2021F | 2022F |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| ASSETS | | | | | | | |
| CURRENT ASSETS | | | | | | | |
| Cash and Cash Equivalents | 546.680 | 765.948 | 599.901 | 298.209 | 359.642 | 358.412 | 355.783 |
| Trade Accounts Receivable | 324.402 | 398.927 | 407.651 | 512.945 | 287.651 | 311.730 | 369.245 |
| Others Current Assets | 36.071 | 68.749 | 69.920 | 87.410 | 127.145 | 133.599 | 131.873 |
| Total Current Assets | 907.153 | 1.233.624 | 1.077.472 | 898.564 | 774.438 | 803.741 | 856.900 |
| NONCURRENT ASSETS | | | | | | | |
| Fixed Assets | 3.807.397 | 4.117.430 | 4.568.443 | 4.993.913 | 5.641.224 | 6.430.995 | 7.331.335 |
| Long-term prepayment | 95.533 | 83.800 | 13.531 | 3.333 | 17.218 | 17.813 | 18.990 |
| Other Noncurrent Assets | 244.953 | 331.372 | 364.165 | 757.164 | 1.366.923 | 1.335.987 | 1.476.978 |
| Total Noncurrent Assets | 4.147.883 | 4.532.602 | 4.946.139 | 5.754.410 | 7.025.365 | 7.784.796 | 8.827.303 |
| TOTAL ASSETS | 5.055.036 | 5.766.226 | 6.023.611 | 6.652.974 | 7.799.803 | 8.588.536 | 9.684.203 |
| LIABILITIES AND EQUITY | | | | | | | |
| LIABILITIES | | | | | | | |
| CURRENT LIABILITIES | | | | | | | |
| Short-term Bank Loans | 30.566 | 40.786 | 0 | 400.000 | 1.500.000 | 1.650.000 | 850.000 |
| Trade Payables | 232.937 | 302.521 | 566.269 | 610.620 | 790.725 | 846.125 | 949.486 |
| Accruals | 407.624 | 375.088 | 419.104 | 220.902 | 236.642 | 258.291 | 305.945 |
| Others Current Liabilities | 179.636 | 297.334 | 110.206 | 181.494 | 290.644 | 311.730 | 369.245 |
| Total Current Liabilities | 850.763 | 1.015.729 | 1.095.579 | 1.413.016 | 2.818.011 | 3.066.146 | 2.474.676 |
| NONCURRENT LIABILITIES | | | | | | | |
| Long-term bank | 0 | 0 | 0 | 400.000 | 0 | 0 | 1.000.000 |
| Others Noncurrent Liabilities | 241.193 | 226.310 | 176.933 | 183.543 | 359.078 | 378.530 | 448.368 |
| Total Noncurrent Liabilities | 241.193 | 226.310 | 176.933 | 583.543 | 359.078 | 378.530 | 1.448.368 |
| TOTAL LIABILITIES | 1.091.956 | 1.242.039 | 1.272.512 | 1.996.559 | 3.177.089 | 3.444.676 | 3.923.044 |
| Non-controlling interest | 1 | 2 | 2 | 2 | 3 | 3 | 3 |
| EQUITY | 3.963.079 | 4.524.185 | 4.751.097 | 4.656.413 | 4.622.711 | 5.143.857 | 5.761.156 |
| TOTAL LIABILITIES & EQUITY | 5.055.036 | 5.766.226 | 6.023.611 | 6.652.974 | 7.799.803 | 8.588.536 | 9.684.203 |

Sources: Company and Binaartha

Table: Ratio Highlights YoY

| Growth (% YoY) | 2016A | 2017A | 2018A | 2019A | 2020A | 2021F | 2022F |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 15% | 15% | 10% | 1% | 8% | 10% | 18% |
| OP | 20% | 21% | -16% | 12% | 7% | 10% | 18% |
| EBITDA | 18% | 16% | -5% | 9% | 10% | 4% | 17% |
| NP | 28% | 23% | -22% | 13% | 5% | 11% | 18% |
| EPS | 28% | 23% | -22% | 20% | 5% | 11% | 18% |
| Profitability | | | | | | | |
| Operating Margin(%) | 38% | 40% | 31% | 34% | 34% | 34% | 34% |
| EBITDA margin(%) | 59% | 59% | 51% | 55% | 56% | 53% | 53% |
| NET Profit margin(%) | 28% | 30% | 21% | 24% | 23% | 23% | 23% |
| ROA(%) | 18% | 20% | 14% | 15% | 14% | 13% | 14% |
| ROE(%) | 21% | 22% | 17% | 19% | 20% | 20% | 21% |
| Stability | | | | | | | |
| Tot debt/ equity (x) | 0,3 | 0,3 | 0,3 | 0,4 | 0,7 | 0,7 | 0,7 |
| Current Ratio (X) | 1,1 | 1,2 | 1,0 | 0,6 | 0,3 | 0,3 | 0,3 |
| Per Share data (IDR) | | | | | | | |
| EPS | 269 | 331 | 259 | 312 | 329 | 364 | 431 |
| EBITDA/share | 569 | 657 | 624 | 725 | 798 | 831 | 973 |

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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