

8 September 2020
Telecommunication

Price IDR 2,220
Target Price IDR 4,175
JKSE Index 5,230.196



Stock Information

Bloomberg Code LINK IJ
Market Cap (IDR bn) 6,356.3
52-week high (IDR) 4,500
52-week low (IDR) 1,775
Shares issued (mn) 2,863.1
6-m avg. daily Val (IDR) 2,449
Free float (%) 29.04%

Major share holders (%)
PT First Media, Tbk 33.97%
Asia Link Dewa Pte. Ltd 36.99%
Public 29.04%

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

Investment Consideration

Broadband and Cable-tv Growth

- LINK booked single-digit revenue growth of +6.9% YoY from IDR. 1.81 trillion in 1H2019 to IDR 1.93 trillion in 1H2020. Revenue from Cable-tv grew +12.2% to IDR 760.5 billion, while revenue from broadband grew +3.2% to IDR 1.07 trillion.
- LINK has reached 2.62 million homes passed, adding 79k in 2Q2020 and 74k in 1Q2020. For 2021-2022 LINK targets to reach 250k homes passed.
- LINK also recorded a higher penetration rate in 2Q2020 of 29.1% compared to 27.5% in 1Q2020. The Churn rate in 2Q2020 was reduced to 2.4% compared with 2.6% in 1Q2020.
- LINK subscriber grew +12.4% to 762k subscribers in 1H2020, while the blended ARPU has declining since 2Q2019 to IDR 375k as LINK aim is to gain a larger market share by expanding into secondary cities.
- We assume continued growth in homes passed and subscribers plus that ARPU will stabilize in 2H2020, which will result in revenue reaching IDR 4.0 trillion or 7% growth in 2020F.

Slightly lower margin

- Despite growth in revenue, LINK profit decreased -13.5% YoY in 1H2020 and the net profit margin decreased to 23.6% from 29.2%.
- EBITDA also decreased slightly -1.9% YoY from IDR. 1.08 trillion to IDR. 1.06 trillion and the margin from 59.8% to 54.9% in 1H2020.
- In August 2020, LINK successfully extended the right of way contract with ICON+ so they can continue using ICON+ for the broadband network until the end of June 2022. With this contract, LINK can migrate its broadband cables to its own infrastructure.
- We estimate profit can reach IDR 929.5 billion, up slightly +4% YoY with a stable ARPU and subscriber growth which will offset the higher cost of migration.

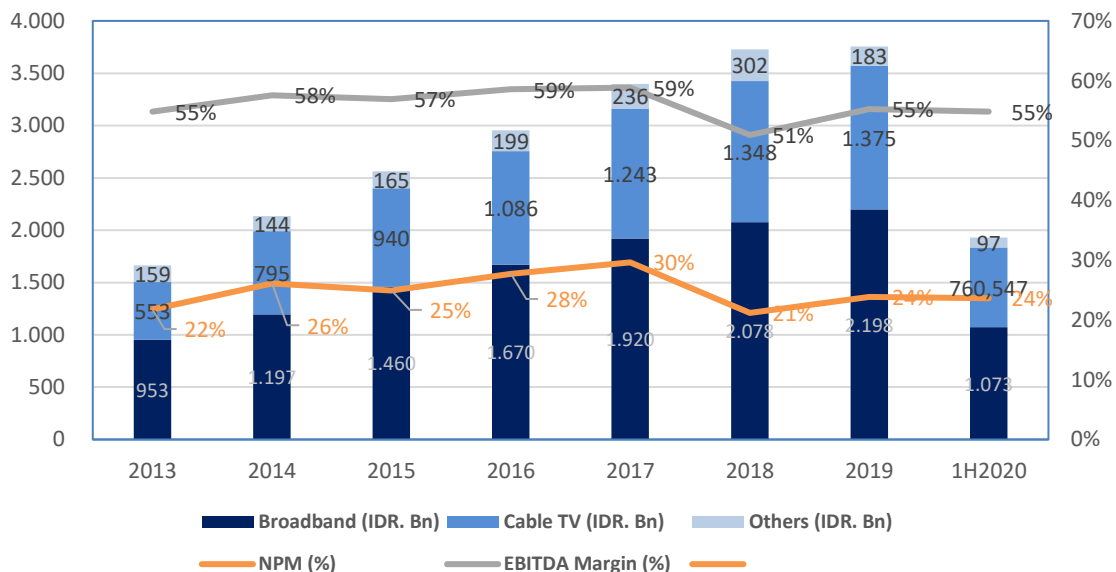
Valuation: 88% upside

- We have a one year target price for LINK of IDR. 4,175, offering investors a potential return of 88%. This would mean the stock trading at 12x 2021F PE. We recommend BUY

Financial Summary	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (IDR. tn)	2,95	3,40	3,73	3,76	4,00	4,41
EBITDA (IDR. tn)	1,73	2,00	1,90	2,07	2,06	2,14
Net Profit (IDR. tn)	0,82	1,01	0,79	0,89	0,93	0,99
EPS (IDR)	269	331	259	312	325	345
EBITDA / shares	569	657	624	725	719	746
ROA	18%	20%	14%	15%	14%	13%
ROE	21%	22%	17%	19%	20%	19%
Tot. Debt / Equity (x)	0,28	0,27	0,27	0,43	0,66	0,63

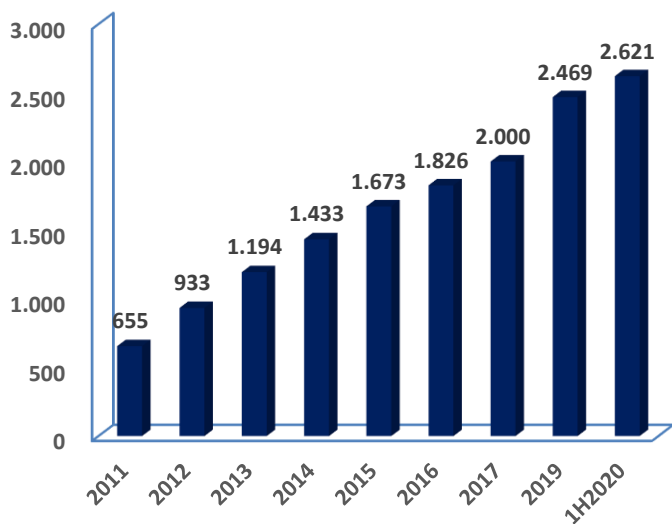
Sources: Company and Binaartha

Chart: Revenue Breakdown, NPM, and EBITDA Margin YoY



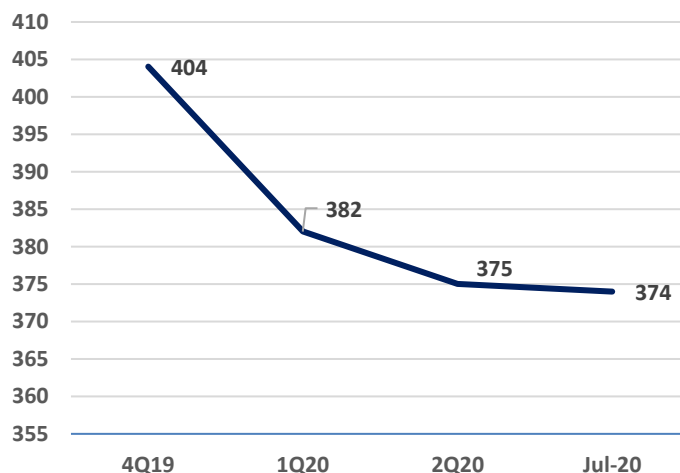
Sources: Company

Chart: Homes Passed YoY



Sources: Company

Chart: ARPU (IDR'000)



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	4.002.402	4.411.047
Cost of revenue	-1.832.410	-2.042.122	-2.584.071	-2.474.712	-2.713.628	-2.999.512
Operating Profit	1.121.751	1.356.938	1.144.293	1.280.550	1.288.773	1.411.535
Others income/ (Expense)	-32.688	-17.517	-23.797	-40.243	-100.060	-110.276
Profit Before Tax	1.089.063	1.339.421	1.120.496	1.240.307	1.188.713	1.301.259
Taxes	-270.499	-332.143	-331.578	-345.776	-259.139	-312.302
NIAT	818.564	1.007.278	788.918	894.531	929.574	988.957
Non-controlling Interest	-1	-1	0	0	0	0
Net Income	818.563	1.007.277	788.918	894.531	929.574	988.957
EPS (in IDR)	269,0	331,1	259,3	312,4	324,7	345,4
EBITDA	1.730.000	2.000.000	1.898.903	2.074.711	2.057.315	2.135.980

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	929.574	988.957
Depreciation	576.884	611.400	684.013	734.712	734.712	744.721
Change in WC	121.817	57.763	69.955	194.653	767.987	-286.660
Cash From Operating Activities	1.517.264	1.676.440	1.542.886	1.823.896	2.432.273	1.447.018
Capex	-891.435	-996.119	-1.097.550	-1.542.983	-1.552.984	-1.580.528
Cash From Investing Activities	-891.435	-996.119	-1.097.550	-1.542.983	-1.552.984	-1.580.528
Long-term Debts	-31.383	0	0	400.000	350.000	250.000
Others Noncurrent Liabilities	149.611	-14.883	-49.377	6.610	-63.471	100.480
Equity	-522.806	-446.170	-562.006	-989.215	-862.915	-494.478
Cash From Financing Activities	-404.578	-461.053	-611.383	-582.605	-576.386	-143.998
Net Changes in Cash	221.251	219.268	-166.047	-301.692	302.903	-277.508
Beginning Balance	325.429	546.680	765.948	599.901	298.209	601.112
Ending Balance	546.680	765.948	599.901	298.209	601.112	323.604

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	601.112	323.604
Trade Accounts Receivable	324.402	398.927	407.651	512.945	520.312	617.547
Others Current Assets	36.071	68.749	69.920	87.410	160.096	176.442
Total Current Assets	907.153	1.233.624	1.077.472	898.564	1.281.521	1.117.593
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	3.552	8.822
Other Noncurrent Assets	244.953	331.372	364.165	757.164	840.504	926.320
Total Noncurrent Assets	4.147.883	4.532.602	4.946.139	5.754.410	6.572.682	7.408.488
TOTAL ASSETS	5.055.036	5.766.226	6.023.611	6.652.974	7.854.202	8.526.081
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	30.566	40.786	0	400.000	500.000	500.000
Trade Payables	232.937	302.521	566.269	610.620	760.456	705.768
Accruals	407.624	375.088	419.104	220.902	400.240	308.773
Others Current Liabilities	179.636	297.334	110.206	181.494	600.360	573.436
Total Current Liabilities	850.763	1.015.729	1.095.579	1.413.016	2.261.057	2.087.977
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	120.072	220.552
Total Noncurrent Liabilities	241.193	226.310	176.933	583.543	870.072	1.220.552
TOTAL LIABILITIES	1.091.956	1.242.039	1.272.512	1.996.559	3.131.129	3.308.529
Non-controlling interest	1	2	2	2	2	2
EQUITY	3.963.079	4.524.185	4.751.097	4.656.413	4.723.072	5.217.550
TOTAL LIABILITIES & EQUITY	5.055.036	5.766.226	6.023.611	6.652.974	7.854.202	8.526.081

Sources: Company and Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2016A	2017A	2018A	2019A	2020F	2021F
Revenue	15%	15%	10%	1%	7%	10%
OP	20%	21%	-16%	12%	1%	10%
EBITDA	18%	16%	-5%	9%	-1%	4%
NP	28%	23%	-22%	13%	4%	6%
EPS	28%	23%	-22%	20%	4%	6%
Profitability						
Operating Margin(%)	38%	40%	31%	34%	32%	32%
EBITDA margin(%)	59%	59%	51%	55%	51%	48%
NET Profit margin(%)	28%	30%	21%	24%	23%	22%
ROA(%)	18%	20%	14%	15%	14%	13%
ROE(%)	21%	22%	17%	19%	20%	19%
Stability						
Tot debt/ equity (x)	0,3	0,3	0,3	0,4	0,7	0,6
Current Ratio (X)	1,1	1,2	1,0	0,6	0,6	0,5
Per Share data (IDR)						
EPS	269	331	259	312	325	345
EBITDA/share	569	657	624	725	719	746

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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