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### KEY HIGHLIGHTS

#### Sector

#### Telecommunications

Fixed broadband remains attractive despite Starlink's potential entry.

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#### TRADERS' CORNER

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**Dayamitra Telekomunikasi (MTEL IJ):** Technical BUY

**PP London Sumatra Indonesia (LSIP IJ):** Technical BUY

### REGIONAL MARKET

Market	Close	+ / -	Chg (%)
MSCI Indonesia	7,470.6	(3.2)	(0.0)
MSCI Asia-Ex Japan	598.3	(3.8)	(0.6)
KLCI	1,440.1	-	-
FSSTI	3,207.0	7.0	0.2
SET	1,482.1	(15.0)	(1.0)
Hang Seng	17,373.0	(238.8)	(1.4)
Nikkei	31,872.5	(499.4)	(1.6)
Shanghai Comp	3,110.5	3.2	0.1
Dow Jones	33,666.3	116.1	0.3

Source: Bloomberg

### INDONESIA STOCK EXCHANGE

	Level	+ / -	Chg (%)
Index	6,937.8	14.0	0.2
LQ-45	953.3	0.9	0.1
Value (US\$m)	703.1	(121.9)	(14.8)

### FOREIGN TRADE IN IDX

Net (US\$m)	Buy	Sell	Total (%)
(14.7)	258.2	272.9	37.8

### TOP VOLUME

Company	Price (Rp)	Chg (%)	Volume ('000)
GoTo Gojek Tokopedia	86	(1.1)	2,659,271
Smartfren Telecom	56	0.0	291,873
Bumi Resources	137	1.5	226,831
Metro Healthcare	515	(1.0)	226,014
Medco Energi	1,645	8.6	204,021

### TOP GAINERS

Company	Price (Rp)	Chg (%)	Volume ('000)
Medco Energi	1,645	8.6	204,021
Harum Energy	1,870	7.8	59,567
Multistrada	3,200	6.7	9
MAP Aktif Adiperkasa	805	5.2	42,693
Prima Andalan	5,500	4.8	1,084

### TOP LOSERS

Company	Price (Rp)	Chg (%)	Volume ('000)
Bank Jago	2,030	(4.2)	22,757
Mitra Adiperkasa	1,775	(4.1)	29,649
Kalbe Farma	1,755	(2.8)	18,244
Saratoga Investama	1,815	(2.7)	25,542
Indofood CBP	11,000	(1.6)	2,605

### COMMODITY TREND

	28 Sep 23 Closing	Chg (%) 1-day	Chg (%) 1-mth
Forex (Rp/US\$)	15,520	0.2	1.7
Crude Oil NYMEX (US\$/bbl)	91.71	(2.1)	13.0
Coal Fut Newc (US\$/tonne)	159.75	(0.4)	n.a.
Nickel 3M LME	18,887	(0.6)	(8.7)
Tin 3M LME	25,324	(1.3)	(0.3)
Gold SPOT (US\$/oz)	1,875	(1.0)	(2.4)
CPO Fut Msia (MYR/tonne)	3,678	0.0	(3.2)

Source: Bloomberg, UOB Kay Hian

## SECTOR UPDATE

### Telecommunications – Indonesia

Fixed Broadband Remains Attractive Despite Starlink's Potential Entry

Although Starlink, a satellite internet provider, might aim to operate directly as a business-to-consumer (B2C) player in Indonesia, we think the potential impact to the telco sector is still relatively minor for now. This considers our observation that the prices of certain Indihome and XL Satu Fiber products are still way more attractive (52-65% cheaper) than Starlink's standard plan prices for two other Southeast Asian countries. Maintain OVERWEIGHT on the sector with ISAT and TOWR as our top picks.

#### WHAT'S NEW

- **Starlink reportedly expressed interest in entering Indonesia's telco industry.** According to Antara news (20 Sep 23), Communication and Informatics Ministry (Kominfo) said Starlink showed an interest to develop its business and (directly) become one of the players in Indonesia's telecommunications (telco) industry. Thus, Kominfo requires Starlink to follow existing procedures regarding operational permit for telco service, as well as the Investment Ministry's (BKPM) regulations, despite Starlink's initial preference to operate as an over-the-top (OTT) player.
- **Telcos' partnership with Starlink.** PT Telkom Satelit Indonesia (Telkomsat) already promoted one of its low-Earth-orbit (LEO) satellite communication service (using Starlink's satellite), named VSAT Star, in an industry exhibition (Jul 23). Telkomsat is fully owned by Telkom Indonesia (TLKM). Smartfren (FREN) collaborates with Telkomsat to enhance FREN's products for enterprises, while Indosat Ooredoo Hutchinson (ISAT) and XL Axiata (EXCL) are also open to cooperate with Starlink, based on recent news reports (Sep 23). Satellite, very small aperture terminal (VSAT) and other services are part of TLKM's wholesale and international business (WIB) segment. 1H23 WIB segment revenue contributed 11% to TLKM's 1H23 revenue (excluding inter-segment revenues).
- **Local telcos' fixed broadband might remain more attractive** compared with Starlink for areas with available fixed connectivity network. We observed that TLKM's Indihome Paket Jitu Satu product and XL Satu Fiber's product (unlimited internet and 8GB quota for two phone numbers) are still cheaper (52-59% for Indihome and 65% for XL Satu) than the average Starlink's standard plan price of Rp731,000 in Malaysia and the Philippines (excluding Starlink's hardware cost of about Rp7mn). We think the actual impact would depend on the regulation's implementation and actual pricing of Starlink's products, among other factors.

#### ACTION

- **Maintain OVERWEIGHT.** We continue to like the telco sector given more rational data pricing, rising smartphone adoption, and telco companies benefitting from economic recovery.
- **Our top picks: Indosat (ISAT IJ/BUY/Target: Rp10,400) and...** This is on the back of: a) ISAT's ability to increase its market share, b) its strong earnings growth prospects in 2023 and 2024, and c) good balance sheet quality. ISAT trades at 5.0x EV/EBITDA (average EBITDA in 2023-24), implying around 4% discount to +1SD.

#### PEER COMPARISON

Company	Ticker	Rec	Price 27 Sep 23 (Rp)	Target Price (Rp)	Potential Upside (%)	Market Cap (US\$m)	3M Avg Turnover (US\$m)	PE 2023F (x)	2024F (x)	EV/EBITDA 2023F (x)	2024F (x)	ROE 2023F (%)	2024F (%)	Net Gearing (%)
Telkom Indonesia*	TLKM	BUY	3,720	4,700	26.3	23,744	22.6	14.5	14.2	6.4	6.2	18.9	18.5	15.6
XL Axiata	EXCL	BUY	2,360	2,500	5.9	1,996	3.4	38.1	42.6	4.1	3.9	4.0	4.2	9.6
Indosat	ISAT	BUY	9,675	10,400	7.5	5,026	2.3	78.3	62.0	5.3	4.9	6.2	5.2	28.4
Sarana Menara Nusantara	TOWR	BUY	960	1,200	25.0	3,156	1.7	13.0	13.9	9.5	9.0	20.8	19.2	273.2

Source: Bloomberg, UOB Kay Hian

\*) EV/EBITDA is adjusted to ownership in Telkomsel.

## OVERWEIGHT

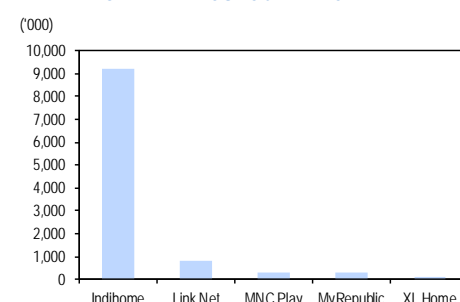
(Maintained)

#### SECTOR PICKS

Ticker	Rec	Price 27-Sep-23 (Rp)	Target Price (Rp)	Potential Upside (%)
Indosat	ISAT IJ	9,675	10,400	7.5
Sarana Menara Nusantara	TOWR IJ	960	1,200	25.0

Source: UOB Kay Hian

#### FIXED BROADBAND: SUBSCRIBERS



Source: Respective companies, Kontan, UOB Kay Hian

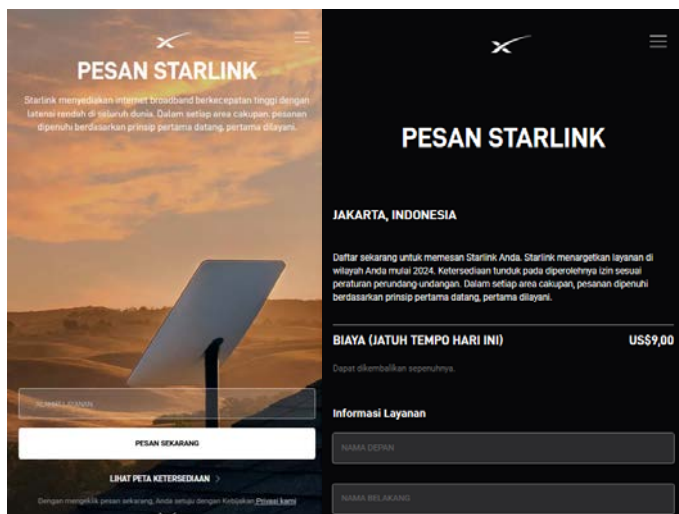
#### ANALYST(S)

**Paula Ruth**  
+6221 2993 3876  
paula@uobkayhian.com

- **...Sarana Menara Nusantara (TOWR IJ/BUY/Target: Rp1,200)**, considering several factors: a) 2023/24 fibre to the tower (FTTT) and connectivity revenue surging 29%/24%, b) potentially higher demand for fibre optic services, c) revenue contribution from big telcos rising to 76% in 1H23 vs 58% in 2021, implying better quality in tenancies, and d) 2024 core profit growth recovering to +4% yoy (2023: -7% yoy). TOWR trades at 2023/24 EV/EBITDA of 9.5/9.0x, 5/10% cheaper than its historical average.

- **Starlink allowed to support TLKM's network.** Starlink is a LEO satellite constellation providing broadband access. Starlink is owned by Space Exploration Technologies Corp (SpaceX), a provider of launch service founded by Elon Musk. In Jun 22, Kominfo gave the anchoring right (Hak Labuh) of Starlink's satellite to PT Telkom Satelit Indonesia (Telkomsat) as a licence for Telkomsat to give services on intermediary networks. This right only applies for a closed fixed network operation, not for direct internet access services for retail customers. TLKM commented that broadband satellites service with a more affordable price is needed to fulfil the need for broadband in rural areas, while fixed and mobile broadband could cover urban, suburban, and a small number of rural areas.

#### STARLINK'S WEBSITE IS AVAILABLE IN BAHASA INDONESIA



Source: Starlink (Sep 23)

- **Fixed broadband pricing comparison: Starlink vs local telcos.** Based on our observation, the average service cost of Starlink's standard plan in two Southeast Asian countries (Malaysia and the Philippines) is Rp731,000 per month. This is higher than the following local telcos' products with fixed broadband access: a) Indihome's Paket Jitu Satu (up to 50Mbps) priced at Rp299,000 to Rp350,000/month with Rp150,000 installation cost (discounted), b) XL Satu Fiber (30-50Mbps) priced at Rp259,000/month with unlimited internet, 8GB quota for two phone numbers, and free installation cost.

#### STARLINK'S STANDARD PLAN IN SEVERAL COUNTRIES

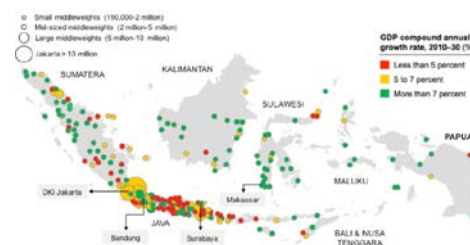
Country	Area	Est. Availability for the Area (According to Starlink)	First Order's Total Cost*			Monthly Service Cost			Hardware Cost	Deposit
			(In Rupiah)	(In USD)		(In Rupiah)	(In USD)			
Malaysia	Kuala Lumpur	Immediately	MYR 2,300	Rp7,581,988	\$489	MYR 220	Rp725,234	\$47	MYR 2,300	-
Philippines	Manila	2023	MYR 28,000	Rp7,633,770	\$492	PHP 2,700	Rp736,114	\$47	PHP 28,000	PHP 2,700
Indonesia	Jakarta	2024 (subject to regulatory approval)	NA	NA	NA	NA	NA	NA	NA	\$9

\* Calculated from hardware cost added with service cost for one month.  
Source: Starlink, Bloomberg, UOB Kay Hian.

#### RISK

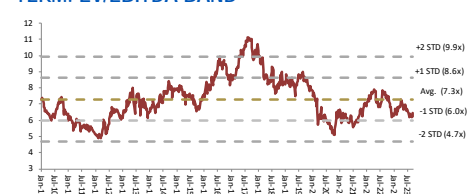
- **Downside risks include:** a) intensifying competition from existing and/or new players, b) worsening macroeconomic conditions, and c) additional costs.

#### INDONESIA'S POPULATION DENSITY VARIES BETWEEN REGIONS, WHICH MIGHT PARTLY CAUSE UNEVEN NETWORK ROLLOUT



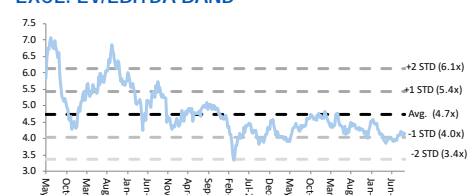
Source: Asia Green Real Estate, UOB Kay Hian

#### TLKM: EV/EBITDA BAND



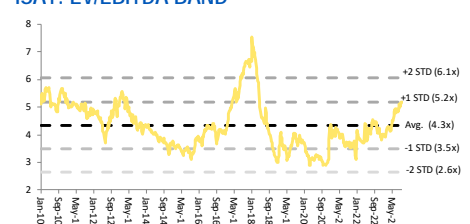
\* Adjusted to ownership in Telkomsel  
Source: TLKM, Bloomberg, UOB Kay Hian

#### EXCL: EV/EBITDA BAND



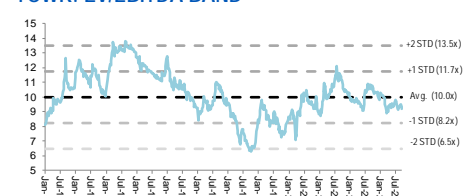
\* Including financial lease.  
Source: EXCL, Bloomberg, UOB Kay Hian

#### ISAT: EV/EBITDA BAND



\* Including financial lease.  
Source: EXCL, Bloomberg, UOB Kay Hian

#### TOWR: EV/EBITDA BAND



\* Including financial lease.  
Source: EXCL, Bloomberg, UOB Kay Hian

#### VALUATION

- **Indosat (ISAT IJ/BUY/Target: Rp10,400).** Our target price is based on 5.2x EV/EBITDA applied to average 2023 and 2024 EBITDA, pegged to ISAT's historical +1SD EV/EBITDA.
- **Telkom Indonesia (TLKM IJ/BUY/Target: Rp4,700).** We base our target price on 7.8x EV/EBITDA applied to TLKM's 2023 EBITDA (adjusted for ownership in Telkomsel).
- **XL Axiata (EXCL IJ/BUY/Target: Rp2,500).** Our target price is derived by applying EV/EBITDA of 4x, lower than ISAT's (5x), to EXCL's 2023-24 average EBITDA.
- **Sarana Menara Nusantara (TOWR IJ/BUY/Target: Rp1,200).** Our target price is based on 10.5x EV/EBITDA (slightly higher than TOWR's historical average; below Tower Bersama's valuation), applied to 2023-24 average EBITDA.

### TRADERS' CORNER



Source: Amibroker

### Dayamitra Telekomunikasi (MTEL IJ)

Technical BUY with 8% potential return

Resistance: Rp715, Rp735

Support: Rp665, Rp650

Stop-loss: Rp660

Share price closed higher and formed a bullish candlestick. The price rebounded with higher trading volume. That said, we see potential for more rebounds to challenge the resistance at Rp715 and Rp735. Technical indicator RSI is sloping upwards and is approaching its centre line, while the MACD is on a bearish crossover. Buy at Rp680 and take profit at Rp735.

Approximate timeframe: 2-4 weeks.



Source: Amibroker

### PP London Sumatra Indonesia (LSIP IJ)

Technical BUY with 4% potential return

Resistance: Rp1,040, Rp1,065

Support: Rp1,005, Rp980

Stop-loss: Rp995

Share price closed higher and formed a bullish candlestick. Momentum is looking more positive; hence, we expect more upside pressure to take place and challenge the resistance at Rp1,040 and Rp1,065. Technical indicator RSI is sloping upwards and is holding well above its centre line, while the MACD is on a bullish crossover. Buy at Rp1,020 and take profit at Rp1,060.

Approximate timeframe: 2-4 weeks.

Our institutional research has a fundamental HOLD and target price of Rp1,150.

### ANALYST(S)

**Maskun Ramli, CFTE**  
+6221 2993 3915  
maskunramli@uobkayhian.com

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