

# Indosat Tbk (ISAT)

## Menanti Realisasi Merger

## Underweight

<b>Target Price (IDR)</b>	<b>5,130</b>
Consensus Price (IDR)	3,841
TP to Consensus Price	+33.6%
vs. Last Price	-5.9%

### Shares data

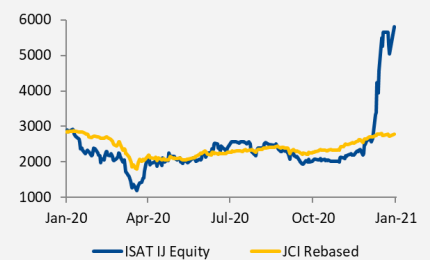
Last Price (IDR)	5,450
Price date as of	Jan. 06, 2021
52 wk range (Hi/Lo)	6,475 / 1,190
Free float	20.7%
Outstanding sh.(mn)	5,434
Market Cap (IDR bn)	31,381
Market Cap (USD mn)	2,252
Avg. Trd Vol - 3M (mn)	21.0
Avg. Trd Val - 3M (bn)	81.4
Foreign Ownership	82.3%

### Infrastructure

#### Telecommunication

Bloomberg	ISAT IJ
Reuters	ISAT.IK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	7.9%	144.4%	163.3%	91.2%
Rel. Ret	6.5%	138.4%	141.2%	94.3%

### Restu Pamungkas

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Segmen seluler menjadi salah satu segmen yang mencatatkan pertumbuhan, sementara persaingan yang ketat membuat pendapatan segmen lain turun. Total pendapatan perseroan tetap tumbuh 9,2% YoY, 3,1% QoQ di 9M20. Disisi lain, beban karyawan dan keuangan yang masih tinggi justru membuat rugi bersih perseroan melonjak 60,8% YoY jadi Rp457,5 miliar vs Rp284,6 miliar di 9M19.

**Beban Karyawan dan Keuangan Naik, Bottom Line Anjlok di 9M20.** ISAT mencatatkan pertumbuhan pendapatan 9,2% YoY, 3,1% QoQ di 9M20 jadi Rp20,6 triliun, pertumbuhan pendapatan diperoleh dari segmen seluler (+12,9% YoY) dengan kontribusi 82,7%. Namun, tumbuhnya pendapatan belum mampu mendongkrak kinerja bottom line perseroan, rugi bersih perseroan justru melonjak 60,8% di 9M20 menjadi Rp457,5 miliar vs rugi bersih Rp284,6 miliar di 9M19. Kami melihat melonjaknya rugi bersih perseroan efek dari naiknya beban karyawan (+52,9% YoY) dan beban keuangan (+13,3% YoY).

**Jumlah Pelanggan Akan Naik, jika Merger Indosat dan Hutchison 3 Terealisasi.** ISAT berencana melakukan merger dengan PT Hutchison 3 Indonesia, pasca Hutchinson 3 Indonesia berhasil mendapatkan blok lelang 5G yang di gelar pada akhir 2020. Persiapan untuk jaringan 5G akan membutuhkan dana belanja modal yang tidak sedikit. Namun, dengan adanya merger tentu akan berdampak positif terhadap kedua perusahaan agar lebih efisien dari sisi operasional. Disisi lain, persaingan juga akan semakin sehat, perusahaan dapat lebih fokus untuk meningkatkan kualitas layanan. Potensi pertumbuhan jumlah pelanggan juga akan terbuka lebar, selama 9M20 jumlah pelanggan ISAT tumbuh 2,8% menjadi 60,4 juta pelanggan. Dari sisi lain, PT Hutchison 3 Indonesia selama 9M20 telah memiliki 38 juta jumlah pelanggan. Kami memperkirakan apabila merger terealisasi jumlah pelanggan akan mencapai 100 juta pelanggan.

**Semangat Ekspansi Jaringan 4G Masih Jalan.** Ekspansi jaringan 4G ISAT masih terus dilakukan, tercatat di 9M20 ISAT mempunyai 59,969 Base Transceiver Station (BTS) bertambah 30,652. jumlah tambahan ini lebih banyak dibandingkan jumlah kompetitornya. Kami melihat semangat ekspansi masih akan terus dilakukan, hingga 9M20 perseroan telah mengeluarkan belanja modal sebesar Rp5,9 triliun dengan target belanja modal Rp9 triliun/Rp10 triliun pada FY20E/FY21F.

**Kami Merekomendasikan Underweight dengan Target Harga 5.130.** Kami memberikan rekomendasi Underweight untuk saham ISAT di target harga Rp 5.130 dengan pertimbangan kinerja *bottom line* masih akan negatif di akhir tahun 2020 dan valuasi saham yang sudah cukup tinggi. Kami juga mempertimbangkan risiko gagal tercapainya kesepakatan untuk merger. Target harga kami merefleksikan tingkat EV/EBITDA di level 4,2x. Saat ini ISAT diperdagangkan di EV/EBITDA level 4,4x vs rata-rata 3 dan 5 tahun di level 4,1x.

### Indosat Tbk | Summary (IDR bn)

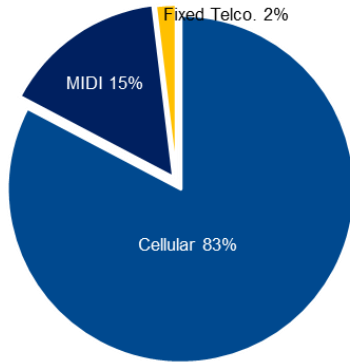
	2019	2020E	2021F	2022F
Revenue	26,118	27,149	29,362	31,452
<i>Revenue growth</i>	12.9%	4.0%	8.2%	7.1%
EBITDA	13,798	9,474	11,458	13,218
Net profit	1,569	(288)	119	237
EPS (IDR)	289	(53)	22	44
BVPS (IDR)	2,523	2,470	2,491	2,535
EBITDA margin	52.8%	34.9%	39.0%	42.0%
NPM	6.0%	-1.1%	0.4%	0.8%
ROE	11.4%	-2.1%	0.9%	1.7%
ROA	2.5%	-0.5%	0.2%	0.3%
P/BV	1.2x	1.6x	2.1x	2.0x
EV/EBITDA	2.3x	4.7x	4.2x	3.8x
Market Cap (IDR tn)	15,813	27,441	27,876	27,876
DPS	-	-	-	-
<i>Dividend yield</i>	0.0%	0.0%	0.0%	0.0%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

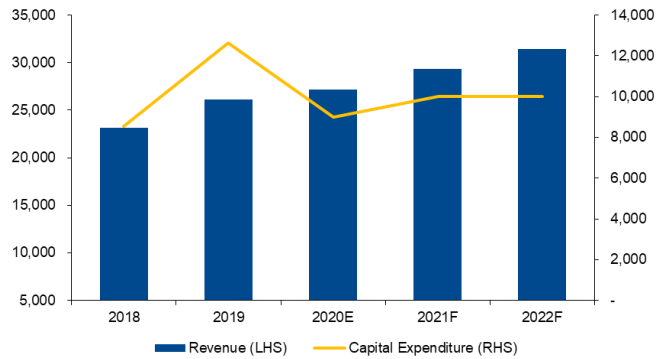
# Performance Highlights

## Revenue Contributions 9M20



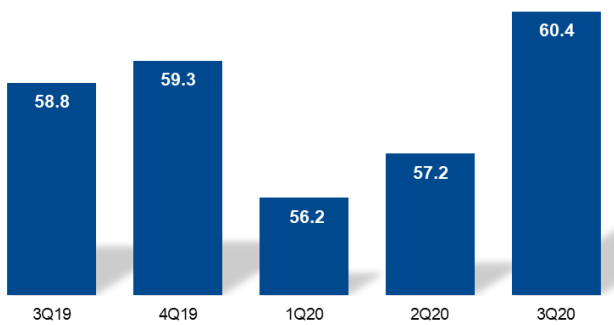
Source: Company, NHKSI Research

## Revenue & Capex Forecast (mn)



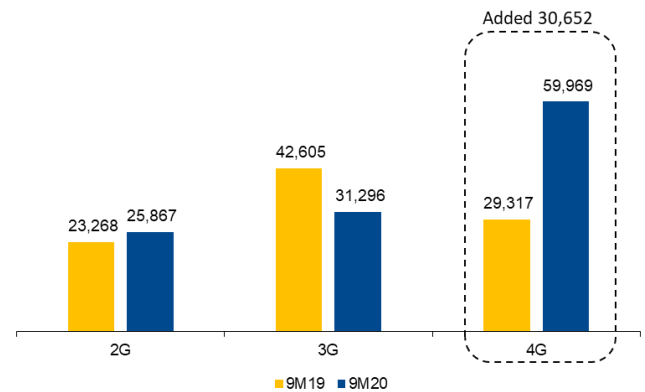
Source: Company, NHKSI Research

## Subscribers (mn)



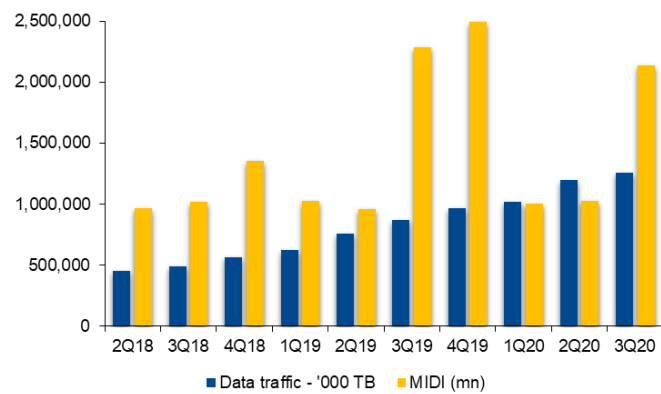
Source: Company, NHKSI Research

## BTS Quantity



Source: Company, NHKSI Research

## Data Traffic (PB) and Midi (mn)



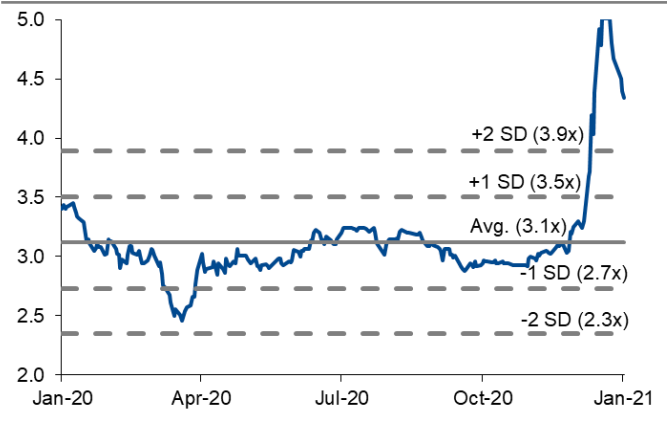
Source: Company, NHKSI Research

## EBITDA & EBITDA Margin



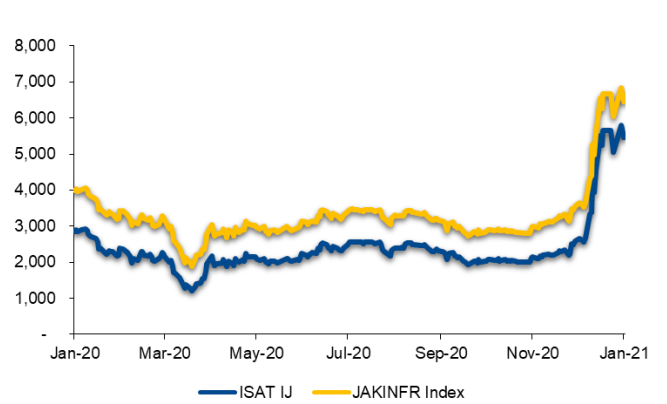
Source: Bloomberg, Company, NHKSI Research

**Forward EV/EBITDA Trade in +2SD area**



Source: Bloomberg, NHKSI Research

**ISAT vs JAKINF**



Source: Bloomberg, NHKSI Research

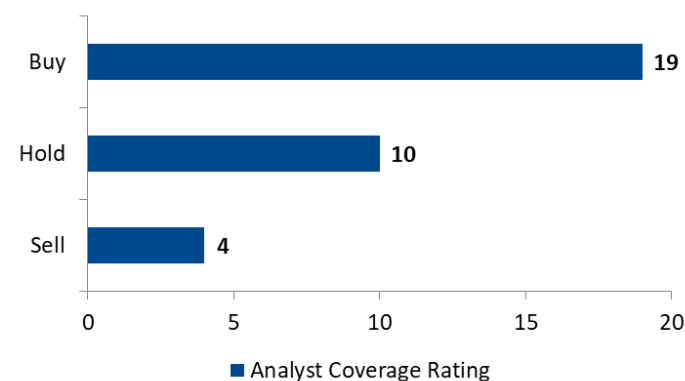
## Rating and Target Price Update

**Target Price**

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
01/08/2021	Underweight	5,130 (12 Month)	5,450	3,841	-5.9%	+33.6%

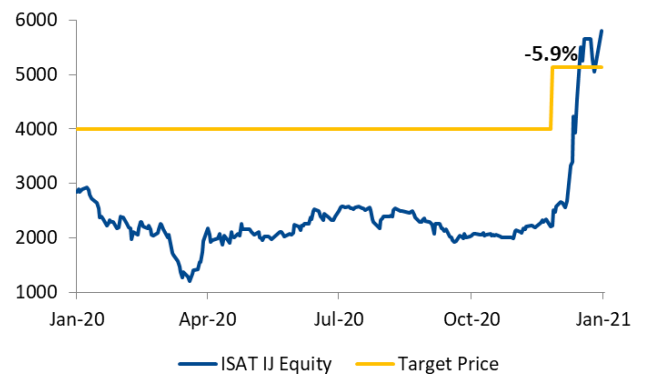
Source: NHKSI Research, Bloomberg

**Analyst Coverage Rating**



Source: Bloomberg

**Closing and Target Price**



Source: NHKSI Research

## Summary of Financials

### INCOME STATEMENT

(IDR bn)	2019/12	2020/12E	2021/12F	2022/12F
<b>Revenue</b>	<b>26,118</b>	<b>27,149</b>	<b>29,362</b>	<b>31,452</b>
Growth	12.9%	4.0%	8.2%	7.1%
COGS	-	-	-	-
<b>Gross Profit</b>	<b>26,118</b>	<b>27,149</b>	<b>29,362</b>	<b>31,452</b>
Operating Expenses	(21,889)	(25,200)	(26,479)	(27,860)
<b>Operating Profit</b>	<b>4,228</b>	<b>1,950</b>	<b>2,883</b>	<b>3,593</b>
OP Margin	16.2%	7.2%	9.8%	11.4%
Financial Cost	(2,761)	(2,559)	(2,835)	(3,337)
Interest Income	81	263	146	94
<b>EBIT</b>	<b>1,587</b>	<b>(306)</b>	<b>232</b>	<b>386</b>
EBIT Margin	6.1%	-1.1%	0.8%	1.2%
Income Tax	43	76	(58)	(96)
<b>EAT</b>	<b>1,630</b>	<b>(229)</b>	<b>174</b>	<b>289</b>
Non Controlling Interest	(61)	(58)	(55)	(53)
<b>Net Profit</b>	<b>1,569</b>	<b>(288)</b>	<b>119</b>	<b>237</b>
Growth	N/A	N/A	N/A	N/A
Net Profit Margin	6.0%	-1.1%	0.4%	0.8%

### BALANCE SHEET

(IDR bn)	2019/12	2020/12E	2021/12F	2022/12F
Cash	5,881	3,251	2,111	3,923
Receivables	2,994	3,073	3,323	3,624
Inventories	29	28	30	31
<b>Total Current Assets</b>	<b>12,445</b>	<b>9,894</b>	<b>9,009</b>	<b>11,128</b>
Net Fixed Assets	42,753	44,902	49,928	53,903
Other Non Current Assets	7,615	7,572	7,361	7,225
<b>Total Assets</b>	<b>62,813</b>	<b>62,368</b>	<b>66,298</b>	<b>72,256</b>
Trade Payables	5,422	5,965	6,561	6,889
Bond Payable - Current	4,111	3,810	4,221	4,969
Loan Payable - Non Current	4,174	3,868	4,286	5,045
<b>Total Liabilities</b>	<b>49,106</b>	<b>48,949</b>	<b>52,760</b>	<b>58,481</b>
Capital Stock	543	543	543	543
Retained Earnings	10,144	9,856	9,975	10,212
<b>Shareholders' Equity</b>	<b>13,707</b>	<b>13,420</b>	<b>13,538</b>	<b>13,775</b>

### CASH FLOW STATEMENT

(IDR bn)	2019/12	2020/12E	2021/12F	2022/12F
Operating Cash Flow	9,192	8,265	9,758	11,002
Investing Cash Flow	(11,841)	(9,630)	(13,389)	(13,465)
Financing Cash Flow	7,407	(1,265)	2,490	4,274
<b>Net Changes in Cash</b>	<b>4,758</b>	<b>(2,630)</b>	<b>(1,140)</b>	<b>1,811</b>

Source: Company Data, NHKSI Research

### PROFITABILITY & STABILITY

	2019/12	2020/12E	2021/12F	2022/12F
ROE	11.4%	-2.1%	0.9%	1.7%
ROA	2.5%	-0.5%	0.2%	0.3%
Cash Dividend (IDR bn)	N/A	N/A	N/A	N/A
Dividend Yield	N/A	N/A	N/A	N/A
Payout Ratio	N/A	N/A	N/A	N/A
DAR	0.3x	0.3x	0.3x	0.4x
DER	1.5x	1.5x	1.6x	1.9x
Equity Ratio	21.8%	21.5%	20.4%	19.1%
Debt Ratio	34.4%	32.1%	33.5%	36.1%
Current Ratio	0.6x	0.4x	0.4x	0.4x
Quick Ratio	0.6x	0.4x	0.4x	0.4x
Cash Ratio	0.3x	0.1x	0.1x	0.1x
Par Value (IDR)	100	100	100	100
Total Shares (mn)	5,434	5,434	5,434	5,434
Share Price (IDR)	2,910	4,000	5,170	5,170
Market Cap (IDR tn)	15,813	27,441	28,093	28,093

### VALUATION INDEX

	2019/12	2020/12E	2021/12F	2022/12F
Price/Earnings	10.1x	N/A	N/A	N/A
Price/Book Value	1.2x	1.6x	2.1x	2.0x
Price/Sales	0.6x	0.8x	1.0x	0.9x
PE/EPS Growth	N/A	N/A	N/A	N/A
EV/EBITDA	2.3x	4.7x	4.2x	3.8x
EV/Revenue	1.2x	1.6x	1.6x	1.6x
EV (IDR bn)	31,539	44,215	48,168	50,288
Revenue CAGR (3-Yr)	-3.6%	-3.2%	8.3%	6.4%
EPS CAGR (3-Yr)	12.4%	-163.3%	-136.7%	-46.8%
Basic EPS (IDR)	289	(53)	22	44
Diluted EPS (IDR)	289	(53)	22	44
BVPS (IDR)	2,523	2,470	2,491	2,535
Revenue PS (IDR)	4,806	4,996	5,403	5,788
DPS (IDR)	-	-	-	-

### OWNERSHIP

Top By Geography	% Top Shareholders	%
Singapore	80.2	Ooredoo Asia Pte Ltd 65.0
Indonesia	17.7	Republic of Indonesia 14.3
Norway	0.8	Norges Bank 0.7
United States	0.7	Blackrock 0.2

## NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
  - Buy : Greater than +15%
  - Overweight : +5% to +15%
  - Hold : -5% to +5%
  - Underweight : -5% to -15%
  - Sell : Less than -15%

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