

# Indosat Tbk (ISAT)

## Penjualan Menara Diharapkan Dapat Memperbaiki Bottom Line

Sepanjang 2020 ISAT membukukan pertumbuhan top line 6,9% YoY. Namun, biaya keuangan dan kerugian perubahan nilai wajar derivatif yang melonjak membuat bottom line ISAT kembali mencatatkan rugi bersih di tahun ini. Kami menilai adanya penjualan 4.000 menara akan mampu memulihkan bottom line ISAT di FY21/FY22.

### Biaya Keuangan Tinggi, Bottom Line Tertekan.

- ISAT membukukan pertumbuhan pendapatan 6,9% YoY jadi Rp27,9 triliun vs Rp26,1 triliun di 2019. Realisasi pendapatan ISAT sejalan dengan estimasi kami.
- Biaya keuangan tercatat naik di 2020 sebesar Rp3,0 triliun (+10,3% YoY) vs Rp2,8 triliun di 2019.
- Perubahan nilai wajar derivatif tercatat rugi selama 2020 sebesar 122,4% YoY jadi Rp87,4 miliar vs Rp39,3 miliar di 2019, dengan kerugian pada kuartal IV-2020 sebesar Rp 123,1 miliar
- Dari adanya kenaikan biaya dan perubahan nilai wajar membuat ISAT mencatatkan rugi bersih sebesar Rp716,7 miliar. Nilai realisasi ini 149,2% lebih besar di atas estimasi kami pada FY20E rugi bersih sebesar Rp287,5 miliar.

### Segmen Seluler Jadi Pendorong Pertumbuhan Pendapatan.

- Segmen Seluler jadi penopang pertumbuhan pendapatan, naik 11,6% YoY sepanjang 2020 jadi Rp23,1 triliun. Masih berkontribusi paling besar 82,7% terhadap pendapatan ISAT.
- Kami menilai penjualan 4.000 menara membuat langkah positif untuk memperbaiki kinerja bottom line ISAT, ISAT berpotensi mendapatkan hasil penjualan menara senilai lebih dari Rp8 triliun secara bertahap. Hal ini tentu, akan meningkatkan nilai EBITDA ISAT menjadi Rp13,4 triliun/Rp15,9 triliun FY21/FY22.
- Kami merevisi target top line ISAT sebesar Rp29,9 triliun/Rp32,9 triliun dan bottom line sebesar Rp527 miliar/Rp1,1 triliun di FY21/FY22.

### Kami Merekomendasikan UNDERWEIGHT dengan Target Harga 5.150.

- Kami tetap merekomendasi UNDERWEIGHT untuk saham ISAT dengan target harga di 5.150. Target harga kami mengimplikasikan tingkat EV/EBITDA pada level 3,0x.
- Harga saham ISAT saat ini tidak mencerminkan nilai wajarnya, saat ini ISAT diperdagangkan di level EV/EBITDA 4,7x. Rata-rata 5 tahun berada di level 4,2x.
- Realisasi merger dengan Hutchison 3 Indonesia masih belum terlaksana. Sejauh ini ISAT dan Tri masih mengkaji terkait kombinasi kerjasama bisnis keduanya yang kemungkinan akan diputuskan pada bulan April 2021.

### Indosat Tbk | Summary (IDR bn)

	2019A	2020A	2021F	2022F
Revenue	26,118	27,926	29,898	32,924
growth	12.9%	14.5%	10.1%	6.1%
Net Profit	1,569	(717)	527	1,061
Growth	N/A	N/A	N/A	101.1%
EPS	289	(132)	97	195
P/E	10.1x	-38.3x	53.1x	26.4x
P/BV	1.2x	2.1x	2.1x	1.9x
EV/EBITDA	2.3x	3.4x	3.0x	2.6x
ROE	11.4%	-5.6%	3.9%	7.3%
DER	1.0x	1.2x	1.0x	1.1x
Dividend Yield	N/A	N/A	N/A	N/A

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

## UNDERWEIGHT

Target Price (IDR)	5,150
Consensus Price (IDR)	5,620
TP to Consensus Price	-8.4%
vs. Last Price	-10.4%

### Shares data

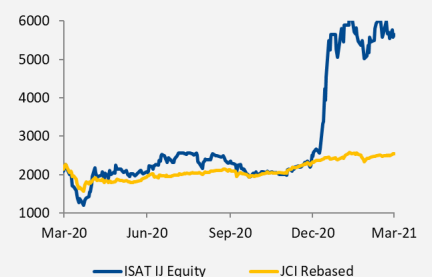
Last Price (IDR)	5,750
Price date as of	Mar. 04, 2021
52 wk range (Hi/Lo)	6,475 / 1,190
Free float	20.7%
Outstanding sh.(mn)	5,434
Market Cap (IDR bn)	30,701
Market Cap (USD mn)	2,150
Avg. Trd Vol - 3M (mn)	22.9
Avg. Trd Val - 3M (bn)	108.8
Foreign Ownership	82.4%

### Infrastructure

#### Telecommunication

Bloomberg	ISAT IJ
Reuters	ISAT.IJK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	-2.6%	9.2%	127.8%	161.6%
Rel. Ret	-7.0%	4.3%	118.3%	146.0%

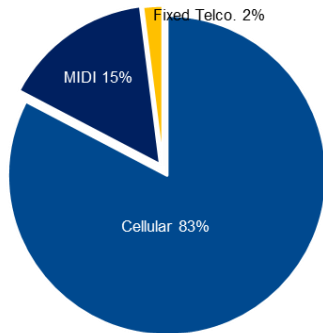
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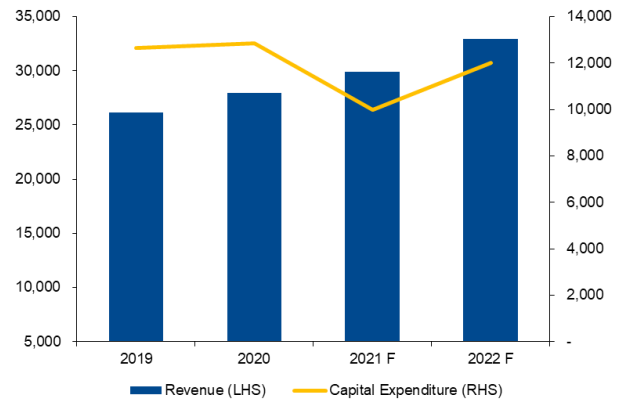
# Performance Highlights

## Revenue Contributions FY20



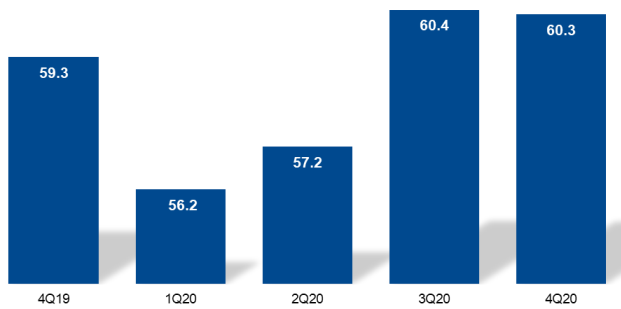
Source: Company, NHKSI Research

## Revenue & Capex Forecast (mn)



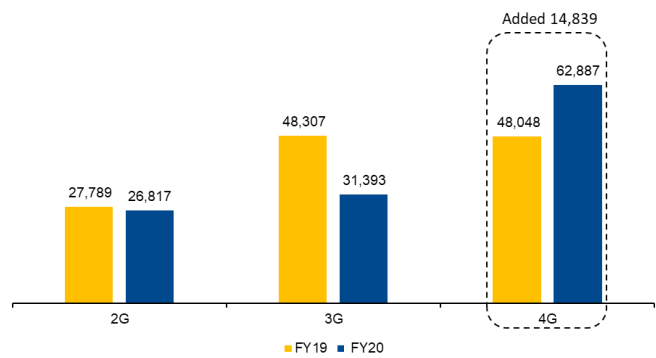
Source: Company, NHKSI Research

## Subscribers (mn)



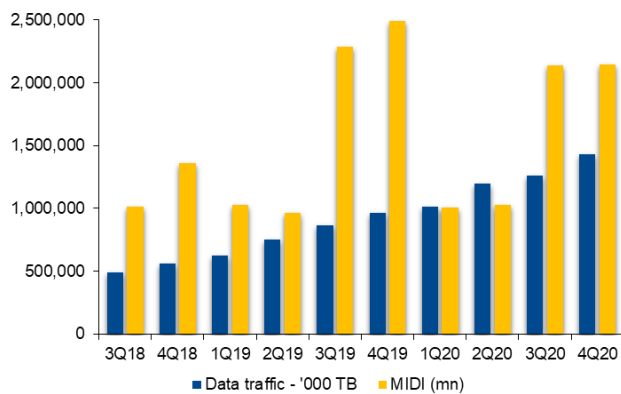
Source: Company, NHKSI Research

## BTS Quantity



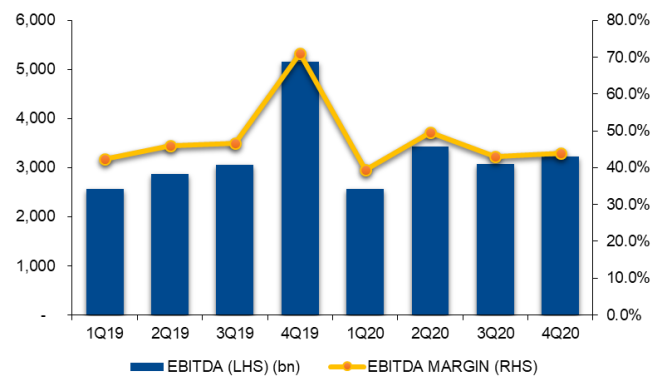
Source: Company, NHKSI Research

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



Source: Company, NHKSI Research

## EBITDA & EBITDA Margin



Source: Bloomberg, Company, NHKSI Research



**PT Indosat Tbk (ISAT)** didirikan pada 10 November 1967 sebagai perusahaan penanaman modal asing yang menyediakan layanan telekomunikasi internasional di Indonesia. Struktur perusahaan 65% dimiliki oleh Ooredoo Asia Pte, 14,29% dimiliki oleh Pemerintah Indonesia dan 20,71% dimiliki oleh publik. Sepanjang 2020 ISAT telah memiliki BTS sebanyak 121.097 terdiri dari 62.887 BTS 4G (Tumbuh +30,9% YoY), 31.393 BTS 3G dan 26.817 BTS 2G.

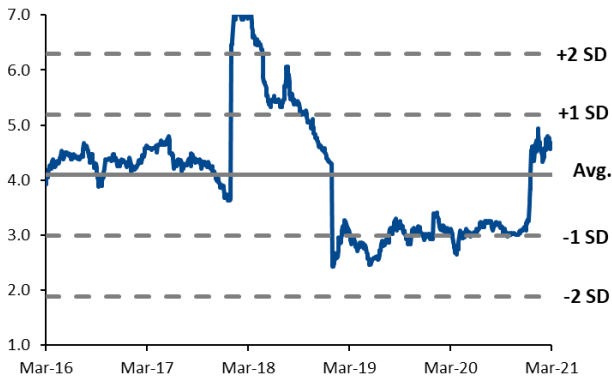
Dalam persaingan antara Operator Telekomunikasi ASEAN, ISAT memiliki track record ROE negatif sebesar -5,8%, Net Profit Margin juga masih negative sebesar -2,6%. Market Cap tercatat masih paling rendah dibanding kompetitor lainnya sebesar USD2,191 mn. Di Indonesia ISAT memiliki nilai valuasi EV/EBITDA yang tinggi kedua setelah TLKM sebesar 4,4x.

#### ASEAN Telecommunication Operators

Company	Market Cap (USD mn)	Asset (USD mn)	Revenue LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Profit Margin	ROE LTM	EV/EBITDA LTM	P/BV
<b>Indonesia</b>									
ISAT	2,191	4,508	1,919	(49)	N/A	-2.6%	-5.8%	4.4x	2.6x
TLKM	23,338	15,975	9,182	1,305	-6.79%	14.2%	18.8%	4.6x	3.3x
EXCL	1,644	4,865	1,787	26	-47.85%	1.4%	1.9%	4.0x	1.2x
<b>Singapore</b>									
Singtel	28,889	34,378	11,354	1,206	13.54%	10.6%	6.13%	9.5x	1.4x
<b>Malaysia</b>									
Maxis	8,855	5,455	2,135	330	-8.82%	15.4%	19.62%	13.1x	5.1x
DiGi.Com	6,807	2,036	1,465	291	-14.79%	19.8%	192.91%	12.3x	45.6x
Axiata Group	7,688	16,904	5,763	87	-74.95%	1.5%	2.16%	6.3x	1.8x
<b>Thailand</b>									
Advanced Info Service	16,598	11,674	5,530	878	-12.04%	15.9%	37.88%	7.4x	6.7x
True Corp	3,624	17,610	4,471	45	-56.89%	1.0%	1.34%	8.2x	1.3x
Total Access Comm.	2,456	5,810	2,521	163	-0.44%	6.5%	20.73%	5.0x	3.1x
<b>Phillipine</b>									
PLDT	5,733	10,355	3,650	490	7.83%	13.4%	23.40%	5.4x	2.4x
Globe Telecom	5,489	7,077	3,237	375	-16.57%	11.6%	22.50%	6.2x	3.3x

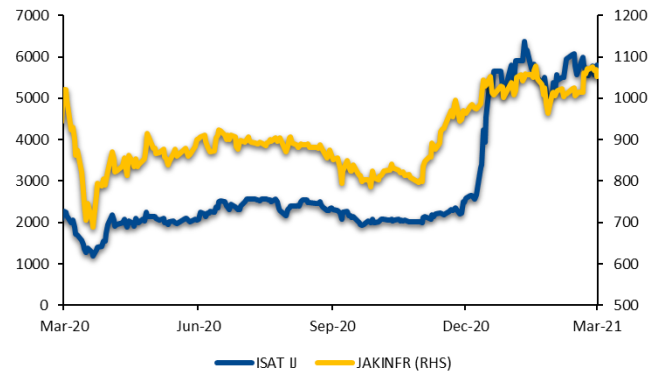
Source: Bloomberg

**Forward EV/EBITDA Trade in 4.7x**



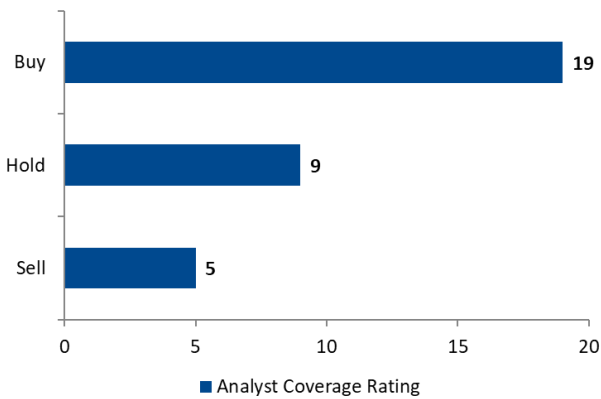
Source: Bloomberg, NHKSI Research

**ISAT vs JAKINF**



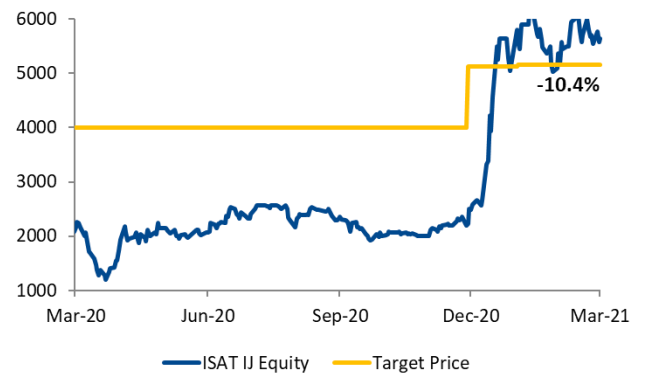
Source: Bloomberg, NHKSI Research

**Analyst Coverage Rating**



Source: Bloomberg

**Closing and Target Price**



Source: 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%
03/05/2021	Underweight	5,150 (12 Month)	5,750	5,620	-10.4%	-8.4%

Source: NHKSI Research, Bloomberg

## Summary of Financials

### INCOME STATEMENT

(IDR bn)	2019	2020	2021/12F	2022/12F
<b>Revenue</b>	<b>26,118</b>	<b>27,926</b>	<b>29,898</b>	<b>32,924</b>
Growth	12.9%	14.5%	10.1%	6.1%
COGS	-	-	-	-
<b>Gross Profit</b>	<b>26,118</b>	<b>27,926</b>	<b>29,898</b>	<b>32,924</b>
Gross Margin	-	-	-	-
Operating Expenses	(21,889)	(25,526)	(27,488)	(29,306)
<b>Operating Profit</b>	<b>4,228</b>	<b>2,399</b>	<b>2,410</b>	<b>3,618</b>
OP Margin	16.2%	8.6%	8.1%	11.0%
Financial Cost	(2,761)	(3,045)	(1,928)	(2,236)
Interest Income	81	258	68	108
<b>EBIT</b>	<b>1,587</b>	<b>(600)</b>	<b>781</b>	<b>1,488</b>
EBIT Margin	6.1%	-2.1%	2.6%	4.5%
Income Tax	43	(31)	(195)	(372)
<b>EAT</b>	<b>1,630</b>	<b>(630)</b>	<b>586</b>	<b>1,116</b>
Non Controlling Interest	(61)	(87)	(58)	(55)
<b>Net Profit</b>	<b>1,569</b>	<b>(717)</b>	<b>527</b>	<b>1,061</b>
Growth	N/A	N/A	N/A	101.1%
Net Profit Margin	6.0%	-2.6%	1.8%	3.2%

### BALANCE SHEET

(IDR bn)	2019	2020	2021/12F	2022/12F
Cash	5,881	1,782	1,537	2,461
Receivables	2,994	2,557	3,333	3,622
Inventories	29	40	56	56
<b>Total Current Assets</b>	<b>12,445</b>	<b>9,595</b>	<b>10,152</b>	<b>11,369</b>
Net Fixed Assets	42,753	46,522	46,211	50,254
Other Non Current Assets	7,615	6,662	6,679	6,495
<b>Total Non Current Assets</b>	<b>50,368</b>	<b>53,184</b>	<b>52,890</b>	<b>56,749</b>
<b>Total Assets</b>	<b>62,813</b>	<b>62,779</b>	<b>63,043</b>	<b>68,118</b>
Trade Payables	5,422	9,073	9,980	10,978
Bond Payable - Current	4,111	1,613	1,397	1,621
<b>Total Current Liabilities</b>	<b>22,129</b>	<b>22,658</b>	<b>23,897</b>	<b>25,700</b>
Loan Payable - Non Current	4,174	3,557	3,080	3,573
<b>Total Liabilities</b>	<b>49,106</b>	<b>49,865</b>	<b>49,602</b>	<b>53,616</b>
Capital Stock	543	543	543	543
Retained Earnings	10,144	9,427	9,954	11,015
<b>Shareholders' Equity</b>	<b>13,707</b>	<b>12,913</b>	<b>13,441</b>	<b>14,501</b>

### CASH FLOW STATEMENT

(IDR bn)	2019	2020	2021/12F	2022/12F
Operating Cash Flow	9,192	10,550	12,193	14,395
Investing Cash Flow	(11,841)	(11,927)	(10,723)	(16,136)
Financing Cash Flow	7,407	(2,721)	(1,716)	2,665
<b>Net Changes in Cash</b>	<b>4,758</b>	<b>(4,099)</b>	<b>(246)</b>	<b>924</b>

Source: Company Data, NHKSI Research

### PROFITABILITY & STABILITY

	2019	2020	2021/12F	2022/12F
ROE	11.4%	-5.6%	3.9%	7.3%
ROA	2.5%	-1.1%	0.8%	1.6%
Inventory Turnover	888.2x	701.4x	486.8x	520.3x
Receivables Turnover	8.6x	10.8x	8.9x	9.0x
Payables Turnover	36.1x	38.8x	32.3x	32.9x
Dividend Yield	N/A	N/A	N/A	N/A
Payout Ratio	N/A	N/A	N/A	N/A
DER	1.0x	1.2x	1.0x	1.1x
Net Gearing	0.4x	0.4x	0.3x	0.3x
Equity Ratio	21.8%	20.6%	21.3%	21.3%
Debt Ratio	34.4%	25.5%	22.0%	23.6%
Financial Leverage	4.5x	4.7x	4.8x	4.7x
Current Ratio	0.6x	0.4x	0.4x	0.4x
Quick Ratio	0.6x	0.4x	0.4x	0.4x
Par Value (IDR)	100	100	100	100
Total Shares (mn)	5,434	5,434	5,434	5,434
Share Price (IDR)	2,910	5,050	5,150	5,150
Market Cap (IDR tn)	15,813	27,441	27,985	27,985

### VALUATION INDEX

	2019	2020	2021/12F	2022/12F
Price/Earnings	10.1x	-38.3x	53.1x	26.4x
Price/Book Value	1.2x	2.1x	2.1x	1.9x
PE/EPS Growth	N/A	N/A	N/A	1.0x
EV/EBITDA	2.3x	3.4x	3.0x	2.6x
EV (IDR bn)	31,539	41,669	40,312	41,605
Revenue CAGR (3-Yr)	-3.6%	-2.3%	8.9%	8.0%
Net Income CAGR (3-Yr)	12.4%	-185.8%	-160.3%	-12.2%
Basic EPS (IDR)	289	(132)	97	195
BVPS (IDR)	2,523	2,376	2,473	2,669
DPS (IDR)	-	-	-	-

### OWNERSHIP

<b>Top Shareholders</b>	%
Ooredoo Asia Pte Ltd	65.0
Republic of Indonesia	14.3
Norges Bank	0.7
Dimensional Fund	0.3
<b>By Geography</b>	%
Singapore	80.1
Indonesia	17.6
Norway	0.8
United States	0.8
Others	0.6

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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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