

# Indosat Tbk (ISAT)

## Efficiency Measures and Tower Sales Boost Performance

Realisation of ISAT's efficiency increase can be seen at the beginning of Q1-2021. Lower employee expenses, followed by decrease in foreign exchange loss and financial expenses pushed ISAT to book net profit of IDR172.2 billion. Meanwhile, number of subscribers was up 6.8% yoy, increasing revenue by 12.6% yoy in 1Q21.

### Books IDR172.2 Billion Net Profit in 1Q21.

- ISAT booked a revenue of IDR7.3 trillion, up 12.6% yoy in the first quarter of 2021 vs IDR6.5 trillion in 1Q20.
- The largest contributors are Cellular segment at 82.3%, followed by MIDI segment at 15.9%.
- Data revenue from the Cellular segment grew 21.2% to IDR5.3 trillion vs IDR4.4 trillion in 1Q20.
- Employee expenses that fell 49.4% yoy boosted OPM to 12.7% vs 3.0% in 1Q20.
- ISAT booked net profit of IDR172.2 billion vs net loss of IDR605.6 billion in 1Q20. It was supported by the fall of foreign exchange loss by 97.6% yoy, and financial expenses by 8.5% yoy.

### Sells Tower to Continue Business Investment Expansion.

- ISAT sold 4,247 towers to PT EPID Menara Asset Co. at IDR11 trillion, and 4,085 of the towers have been leased-back by ISAT.
- Sales realization will be finalized in 2Q21, and we estimate the company's performance will stay in the positive until the end of 2021.
- Tower sales fund will be used for 4G network expansion. Currently, ISAT has owned 66,313 4G BTS (+27.0% yoy).
- Number of subscribers grew 6.8% yoy to 60.0 million vs 56.2 million in 1Q20.

### We Maintain UNDERWEIGHT with Target Price at 6.400.

- We still recommend UNDERWEIGHT for ISAT, albeit with a higher target price at 6,400, after the positive performance due to tower sales in 2Q21. We will continue to monitor the follow up to ISAT's corporate action plans before undergoing further revision to our call.
- Currently, ISAT is traded at EV/EBITDA level of 4.9x, higher than the 5-year average at 4.2x and industrial average at 4.8x.

### Indosat Tbk | Summary (IDR bn)

	2019A	2020A	2021F	2022F
Revenue	26,118	27,926	29,898	32,009
growth	12.9%	6.9%	7.1%	7.1%
Net Profit	1,569	(717)	1,177	1,010
Growth	N/A	N/A	N/A	-14.2%
EPS	289	(132)	217	186
P/E	10.1x	-38.3x	29.5x	34.4x
P/BV	1.2x	2.1x	2.5x	2.3x
EV/EBITDA	2.3x	3.4x	3.5x	3.3x
ROE	11.4%	-5.6%	8.4%	6.7%
DER	1.0x	1.3x	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



Company Report | June 29, 2021

## UNDERWEIGHT

Target Price (IDR)	6,400
Consensus Price (IDR)	7,016
TP to Consensus Price	-8.8%
vs Last Price	-7.9%

### Shares data

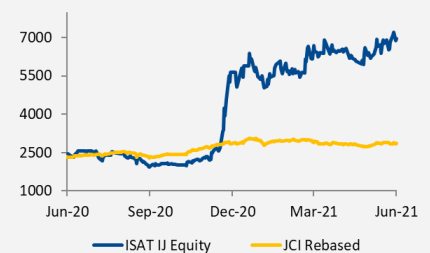
Last Price (IDR)	6,950
Price date as of	Jun. 25, 2021
52 wk range (Hi/Lo)	7,425 / 1,870
Free float	35.0%
Outstanding sh.(mn)	5,434
Market Cap (IDR bn)	37,358
Market Cap (USD mn)	2,582
Avg. Trd Vol - 3M (mn)	3.7
Avg. Trd Val - 3M (bn)	24.4
Foreign Ownership	82.4%

### Infrastructure

#### Telecommunication

Bloomberg	ISAT IJ
Reuters	ISAT.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	19.8%	8.6%	6.1%	199.6%
Rel. Ret	21.2%	5.0%	5.1%	176.6%

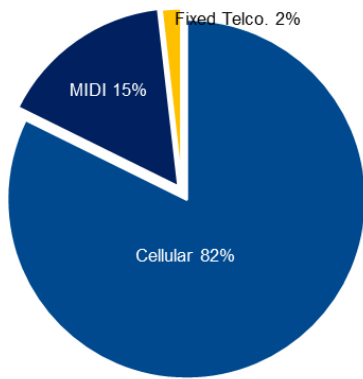
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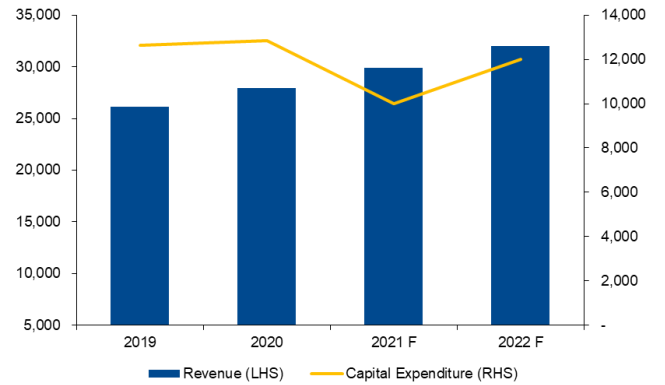
# Performance Highlights

## Revenue Contributions 1Q21



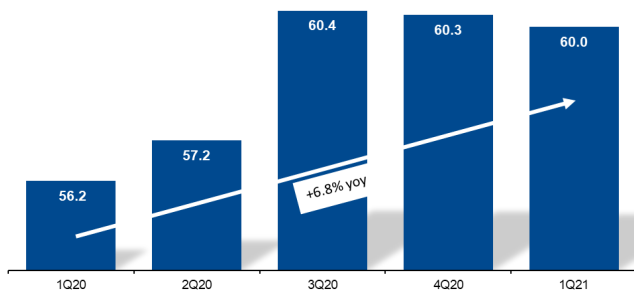
Source: Company, NHKSI Research

## Revenue & Capex Forecast (mn)



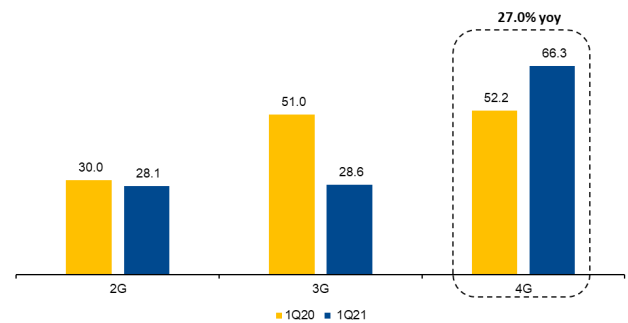
Source: Company, NHKSI Research

## Subscribers (mn)



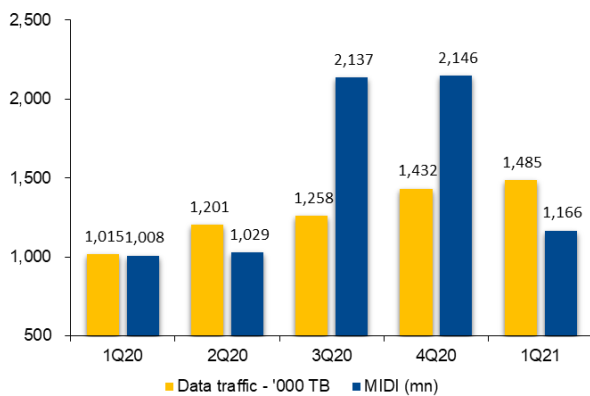
Source: Company, NHKSI Research

## BTS Quantity



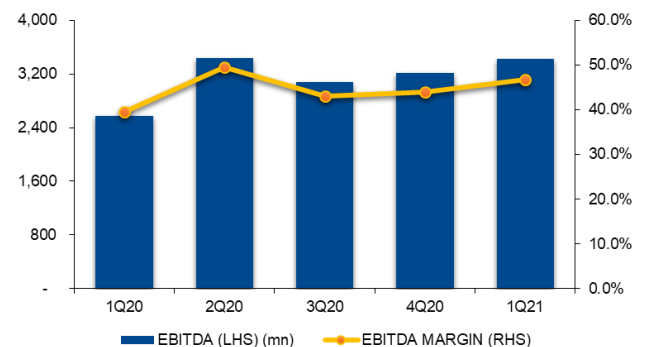
Source: Company, NHKSI Research

## Data Traffic (TB) and MIDI (mn)



Source: Company, NHKSI Research

## EBITDA & EBITDA Margin



Source: Bloomberg, Company, NHKSI Research



**PT Indosat Tbk** (ISAT) was established on November 10, 1967 as a foreign investment company providing international telecommunications services in Indonesia. The corporate structure is 65% owned by Ooredoo Asia Pte, 14.29% owned by the Government of Indonesia and 20.71% owned by the public. Throughout first quarter on 2021, ISAT ISAT had 123,0 thousand BTS, consisting of 66,3 thousand BTS 4G (growth +27,0% yoy), 28,6 thousand BTS 3G and 28,1 thousand BTS 2G.

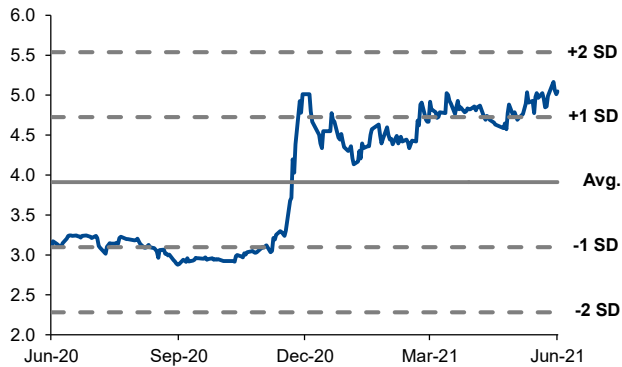
In the competition between ASEAN Telecommunication Operators, ISAT started to book positive ROE in 1Q21 of 0.5%, Net Profit Margin also started to be positive at 0.2%. Market Cap was recorded to grow to USD2,540 million. In Indonesia, ISAT has the highest P/BV valuation value among its competitors, which is 3.0x. The value of EV/EBITDA is still the second-highest under TLKM, which is 4.7x.

#### 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	2,540	4,508	1,976	4	-95.14%	0.2%	0.5%	4.7x	3.0x
TLKM	21,873	17,734	9,364	1,441	14.51%	15.4%	19.5%	5.4x	2.9x
EXCL	1,939	4,865	1,771	(57)	N/A	-3.2%	-4.1%	3.9x	1.4x
<b>Singapore</b>									
Singtel	28,037	35,713	11,457	406	-48.47%	3.5%	2.08%	16.2x	1.4x
<b>Malaysia</b>									
Maxis	8,314	5,455	2,122	326	-7.10%	15.4%	19.38%	11.9x	4.9x
DiGi.Com	8,001	2,036	1,472	277	-18.94%	18.8%	186.00%	10.8x	56.2x
Axiata Group	8,378	16,904	5,807	61	-72.56%	1.0%	1.53%	5.7x	2.0x
<b>Thailand</b>									
Advanced Info Service	15,854	11,674	5,670	881	-10.05%	15.5%	40.13%	7.3x	7.1x
True Corp	3,315	20,588	4,474	20	-84.16%	0.5%	0.75%	7.3x	1.3x
Total Access Comm.	2,258	5,810	2,555	143	-16.99%	5.6%	20.64%	5.1x	3.6x
<b>Phillipine</b>									
PLDT	5,752	11,993	3,784	494	11.28%	13.0%	22.21%	5.5x	2.6x
Globe Telecom	5,043	7,077	3,312	394	-12.72%	11.9%	22.23%	6.2x	2.8x

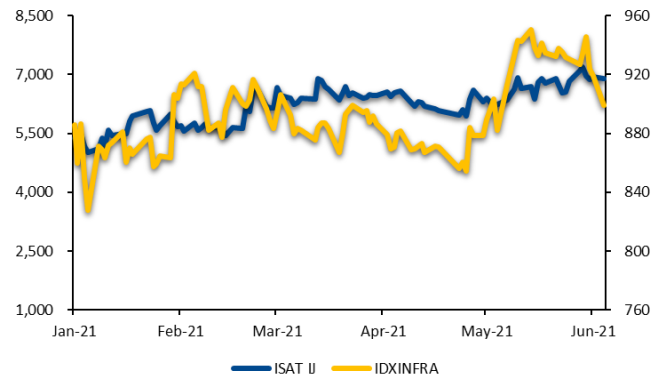
Source: Bloomberg

**Forward EV/EBITDA Trade in +1 SD area**



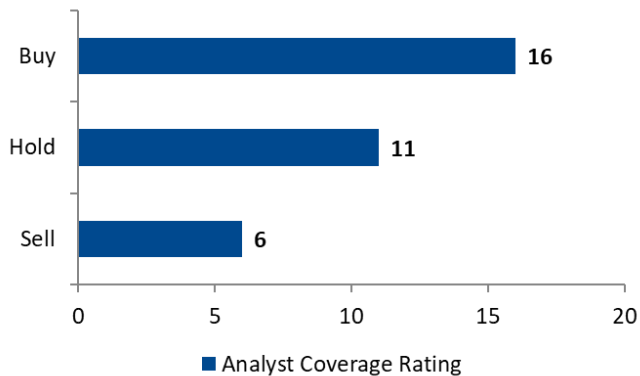
Source: Bloomberg, NHKSI Research

**ISAT IJ & IDXINFRA**



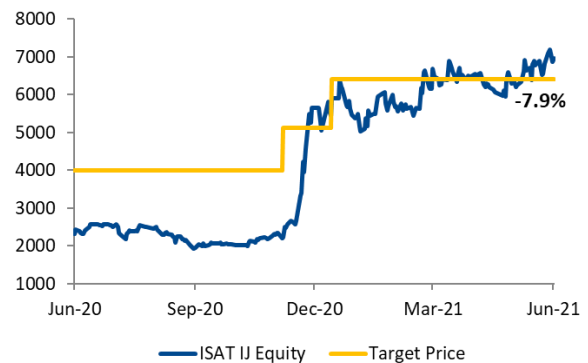
Source: Bloomberg, NHKSI Research

**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%
06/29/2021	Underweight	6,400 (12 Month)	6,950	7,016	-7.9%	-8.8%

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>32,009</b>
Growth	12.9%	6.9%	7.1%	7.1%
COGS	-	-	-	-
<b>Gross Profit</b>	<b>26,118</b>	<b>27,926</b>	<b>29,898</b>	<b>32,009</b>
Gross Margin	-	-	-	-
Operating Expenses	(21,889)	(25,526)	(26,583)	(28,369)
<b>Operating Profit</b>	<b>4,228</b>	<b>2,399</b>	<b>3,314</b>	<b>3,640</b>
OP Margin	16.2%	8.6%	11.1%	11.4%
Financial Cost	(2,761)	(3,045)	(1,965)	(2,317)
Interest Income	81	258	67	84
<b>EBIT</b>	<b>1,587</b>	<b>(600)</b>	<b>1,648</b>	<b>1,429</b>
EBIT Margin	6.1%	-2.1%	5.5%	4.5%
Income Tax	43	(31)	(412)	(357)
<b>EAT</b>	<b>1,630</b>	<b>(630)</b>	<b>1,236</b>	<b>1,071</b>
Non Controlling Interest	(61)	(87)	(58)	(61)
<b>Net Profit</b>	<b>1,569</b>	<b>(717)</b>	<b>1,177</b>	<b>1,010</b>
Growth	N/A	N/A	N/A	-14.2%
Net Profit Margin	6.0%	-2.6%	3.9%	3.2%

### BALANCE SHEET

(IDR bn)	2019	2020	2021/12F	2022/12F
Cash	5,881	1,782	1,527	1,906
Receivables	2,994	2,557	3,333	3,521
Inventories	29	40	55	55
<b>Total Current Assets</b>	<b>12,445</b>	<b>9,595</b>	<b>10,141</b>	<b>10,710</b>
Net Fixed Assets	42,753	46,522	47,116	52,063
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>53,795</b>	<b>58,558</b>
<b>Total Assets</b>	<b>62,813</b>	<b>62,779</b>	<b>63,936</b>	<b>69,268</b>
Trade Payables	5,422	9,073	9,980	10,978
Bond Payable - Current	4,111	1,613	1,424	1,679
<b>Total Current Liabilities</b>	<b>22,129</b>	<b>22,658</b>	<b>23,910</b>	<b>25,759</b>
Loan Payable - Non Current	4,174	3,557	3,140	3,701
<b>Total Liabilities</b>	<b>49,106</b>	<b>49,865</b>	<b>49,845</b>	<b>54,167</b>
Capital Stock	543	543	543	543
Retained Earnings	10,144	9,427	10,604	11,615
<b>Shareholders' Equity</b>	<b>13,707</b>	<b>12,913</b>	<b>14,091</b>	<b>15,101</b>

### CASH FLOW STATEMENT

(IDR bn)	2019	2020	2021/12F	2022/12F
Operating Cash Flow	9,192	10,550	11,913	13,542
Investing Cash Flow	(11,841)	(11,927)	(10,723)	(16,136)
Financing Cash Flow	7,407	(2,721)	(1,445)	2,972
<b>Net Changes in Cash</b>	<b>4,758</b>	<b>(4,099)</b>	<b>(255)</b>	<b>378</b>

Source: Company Data, NHKSI Research

### PROFITABILITY & STABILITY

	2019	2020	2021/12F	2022/12F
ROE	11.4%	-5.6%	8.4%	6.7%
ROA	2.5%	-1.1%	1.8%	1.5%
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	1.3x	1.0x	1.1x
Net Gearing	0.4x	0.4x	0.3x	0.3x
Equity Ratio	21.8%	20.6%	22.0%	21.8%
Debt Ratio	34.4%	25.5%	22.1%	24.1%
Financial Leverage	4.5x	4.7x	4.7x	4.6x
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	6,400	6,400
Market Cap (IDR tn)	15,813	27,441	34,777	34,777

### VALUATION INDEX

	2019	2020	2021/12F	2022/12F
Price/Earnings	10.1x	-38.3x	29.5x	34.4x
Price/Book Value	1.2x	2.1x	2.5x	2.3x
PE/EPS Growth	N/A	N/A	N/A	-0.1x
EV/EBITDA	2.3x	3.4x	3.5x	3.3x
EV (IDR bn)	31,539	41,669	47,385	49,532
Revenue CAGR (3-Yr)	-3.6%	-2.3%	8.9%	7.0%
Net Income CAGR (3-Yr)	12.4%	-185.8%	-178.8%	-13.6%
Basic EPS (IDR)	289	(132)	217	186
BVPS (IDR)	2,523	2,376	2,593	2,779
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	80.0
Indonesia	17.6
United States	1.6
Norway	0.5
Others	0.3

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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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