

FROM EQUITY RESEARCH

Telco price tracker: Striking a balance among heterogeneous players (OVERWEIGHT)

We followed price list adjustments for the first 2 weeks of December, and note that TSEL and ISAT continued to optimize data offerings. TSEL enriched the content for specific packs, while ISAT continued to selectively increase prices and it also added Instagram to its "unlimited" series. 3Q18 price changes were in line with actual trends in yields (3Q yields slightly up for TSEL & ISAT, EXCL down). The 4Q18 package changes are mild, but enough to maintain stability of the yield trends at the moment.

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- Government: Corporate tax obedience ratio declines

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- Waskita Beton Precast: Targets positive cash flow of IDR1.1tn by end-2018

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KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	6.082	(0,1)	(4,3)	427
Thailand	1.583	(1,1)	(9,7)	1.315
Philippines	7.420	(1,3)	(13,3)	111
Malaysia	1.635	(0,4)	(9,0)	282
Singapore	3.046	(2,2)	(10,5)	747
Regional				
China	2.577	(0,8)	(22,1)	19.796
Hong Kong	25.814	(1,0)	(13,7)	8.712
Japan	21.115	(1,8)	(7,2)	13.482
Korea	2.065	0,1	(16,3)	4.231
Taiwan	9.719	(0,7)	(8,7)	3.064
India	36.347	0,2	6,7	334
NASDAQ	6.784	0,4	(1,7)	125.470
Dow Jones	23.676	0,4	(4,2)	14.220

CURRENCY AND INTEREST RATE

		Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah	Rp/1US\$	14.501	0,7	0,6	(7,0)
SBI rate	%	6,00	0,3	0,3	1,8
10y Gov	Indo bond	8,12	(0,2)	0,1	1,8

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	102	(0,3)	(1,0)	0,7
Gold	US\$/toz	1.250	0,1	2,1	(4,1)
Nickel	US\$/mt.ton	10.753	(1,4)	(4,7)	(15,4)
Tin	US\$/mt.ton	19.244	(0,8)	(0,6)	(4,2)

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2.183	(0,3)	(0,4)	15,0
Corn	US\$/mt.ton	137	1,8	2,4	9,4
Oil (WTI)	US\$/barrel	46	0,1	(18,4)	(23,4)
Oil (Brent)	US\$/barrel	56	(5,6)	(15,7)	(15,9)
Palm oil	MYR/mt.ton	1.802	0,3	3,9	(24,6)
Rubber	US\$/kg	126	0,2	2,9	(14,0)
Pulp	US\$/tonne	1.205	N/A	2,8	20,5
Coffee	US\$/60kgbag	74	(0,9)	(10,6)	(16,3)
Sugar	US\$/MT	336	(1,1)	(1,5)	(14,9)
Wheat	US\$/ton	145	(0,5)	3,4	8,0
Soy Oil	US\$/lb	28	0,9	3,8	(14,1)
Soy Bean	US\$/by	908	0,3	1,7	(4,6)

Wednesday, 19 December 2018

OVERWEIGHT

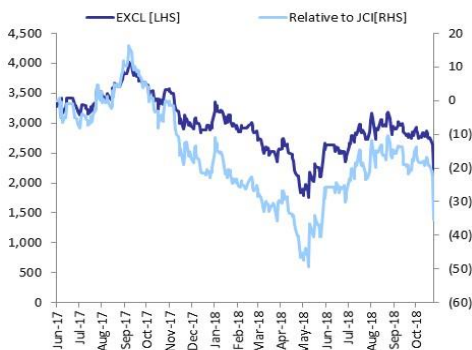
Telco price tracker

Striking a balance among heterogeneous players

TLKM relative to JCI Index



EXCL relative to JCI Index



Source : Bloomberg

We followed price list adjustments for the first 2 weeks of December, and note that TSEL and ISAT continued to optimize data offerings. TSEL enriched the content for specific packs, while ISAT continued to selectively increase prices and it also added Instagram to its “unlimited” series. 3Q18 price changes were in line with actual trends in yields (3Q yields slightly up for TSEL & ISAT, EXCL down). The December package changes are mild, but enough to maintain stability of the yield trends at the moment.

TSEL and ISAT leveraging on content and IG. Telcos continued tweaking the data packs in December to maximize utility for subscribers in 3G/4G technologies, while voice packages remain intact for TSEL. TSEL started to leverage on content and introduced Nickelodeon and Tribe for Korean and Bollywood content fans in the Rp34k, Rp39k and Rp58k packs, targeting family users. One of the battlegrounds appears to be the range of Rp58k offerings. At that price TSEL offers 4-4.5GB data with Videomax, while EXCL competes with Rp59k offering 5GB & midnight Youtube and ISAT competes with Rp55k offering 8GB+18GB midnight and in December, increasing its 3GB unlimited pack also to Rp55k (+10%mom) which is packed with “unlimited” content. ISAT also added data-hungry, free Instagram to its Unlimited series in its 7GB & 10GB packs.

Data yields bottomed out in 3Q18 in line with changes in price packs. On average, the upward price adjustments in data packs in the 3Q18 months were in line with actual upward 3Q18 data yield trends, which offers a good proxy for future data yields. TSEL and ISAT actual yields bottomed out in 3Q18 in line with upward price adjustments. By contrast, EXCL’s downward trend continued. According to EXCL, subscribers use more 4G nowadays and increase their consumption levels. That possibly led its subscribers to higher GB denominations where derived yields are lower. Additionally, EXCL is expanding in ex-Java areas to gain market share, inevitably putting pressure on yields. This is also evident in the lower nominal prices they use in Hot-Rod data packs for ex-Java.

Striking a balance between different strategies. TSEL’s October package adjustments were fast, some moved upwards and some combos moved in response to non-collusive behavior by contender peers. In December the changes were related only to content improvement reducing the derived data yields at Rp34k and Rp58k packs. Thus, there are 2 months with no nominal price change in the packs – reflecting TSEL’s wait & see stance. ISAT in the Rp5,000/GB data yield range based on our calculations, but has been making notable changes to lift yields. EXCL enjoys a gap between itself and ISAT, and shows no intention to deviate from current plans to position itself in ex-Java areas and win the 2nd largest market share. The balance between the 3 strategies will determine the stability in yields. We also think price elasticity could be lower during upcoming festivities, so that intended prices can be further enforced to the market.

Maintain OVERWEIGHT on the sector. Based on strong data volumes and relatively still low per capita data consumption, there are ex-Java market opportunities to be addressed without sacrificing the data yields. Based on the Opensignal December report, TSEL enjoys network advantages over contenders, justifying premium in price packs. Still, contenders showed network improvements in 4G availability, a sign of commitment to 4G incentivizing rational behavior and fostering healthier outlook.



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Company	Ticker	Rec	Target	Market	P/E (x)		P/BV (x)		ROE (%)
			Price (Rp)	Cap. (RpBn)	2018F	2019F	2018F	2019F	2019F
Telkom	TLKM IJ	BUY	4,300	339,696.0	16.3	14.4	3.5	3.2	23.4
XL Axiata	EXCL IJ	BUY	3,800	30,888.2	302.1	53.1	1.4	1.4	2.7
Indosat Ooredoo	ISAT IJ	BUY	3,100	17,714.6	n/m	n/m	1.5	0.9	(9.4)

MARKET NEWS

MACROECONOMY

Government: Corporate tax obedience ratio declines

As of Dec 18, the corporate tax ratio stood at only 58%, or lower than its level one year previously (65%). Although the ratio declined, the number of taxpayers increased from 774,188 taxpayers in 2017 to 843,844 taxpayers (up by 9%). The number of individual (employee) taxpayers also declined. The number fell from 10.05mn taxpayers to 9.8mn since the baseline for non-tax income increased. Currently the tax obedience ratio for employees stands at 70%. (Bisnis Indonesia)

CORPORATE

Waskita Beton Precast: Targets positive cash flow of IDR1.1tn by end-2018

Waskita Beton Precast (WSBP) targets positive cash flow of IDR1.1tn by end-2018. This compares to negative cash flow in the previous year of IDR2.4tn. This improvement reflects the fact that the company received payment for receivables which reached IDR9.6tn as of mid-Dec18. WSBP is awaiting another IDR1.6tn payment to be booked this year, resulting in total payments received of IDR11.4tn during the year. For 2019, WSBP targets new contracts of IDR10.4tn, +8.2%yoy. (Investor Daily)

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		18-Dec-18	17-Dec-18					
PP London Sumatra	LSIP	1.340	1.295	3,5	8,9	27,0	(5,6)	BUY
Malindo Feedmill	MAIN	1.285	1.245	3,2	(3,0)	(1,2)	73,6	HOLD
Aneka Tambang	ANTM	750	730	2,7	(0,7)	11,1	20,0	HOLD
Wijaya Karya	WIKA	1.715	1.675	2,4	8,5	34,5	10,6	BUY
Japfa Comfeed	JPFA	2.120	2.080	1,9	(5,4)	2,9	63,1	BUY
Bank Tabungan Negara	BBTN	2.610	2.570	1,6	(2,6)	9,7	(26,9)	BUY
United Tractors	UNTR	29.125	28.700	1,5	0,2	(15,3)	(17,7)	BUY
Ramayana	RALS	1.400	1.380	1,4	-	5,7	16,7	HOLD
Indofood	INDF	7.075	6.975	1,4	7,6	18,9	(7,2)	BUY
Unilever	UNVR	43.950	43.500	1,0	0,6	6,4	(21,4)	HOLD

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		18-Dec-18	17-Dec-18					
Summarecon Agung	SMRA	800	835	(4,2)	(2,4)	17,6	(15,3)	BUY
Bukit Asam	PTBA	4.230	4.390	(3,6)	(1,2)	(9,2)	72,0	BUY
Puradelta Lestari	DMAS	160	166	(3,6)	8,8	24,0	(6,4)	BUY
Adaro Energy	ADRO	1.240	1.280	(3,1)	(3,5)	(16,5)	(33,3)	BUY
Alam Sutera	ASRI	328	338	(3,0)	(4,1)	4,5	(7,9)	HOLD
Kimia Farma	KAEF	2.670	2.740	(2,6)	7,7	3,9	(1,1)	HOLD
Harum Energy	HRUM	1.460	1.495	(2,3)	(1,4)	(19,6)	(28,8)	HOLD
BTPS	BTPS	1.790	1.830	(2,2)	4,4	4,7	N/A	BUY
Bank Central Asia	BBCA	25.325	25.825	(1,9)	(1,8)	0,9	15,6	HOLD
Matahari Putra Prima	MPPA	161	164	(1,8)	(3,6)	2,5	(64,4)	SELL

Sources: Bloomberg

PREVIOUS REPORTS

- Strategy: Not Out of the Woods Yet [_SnapShot20181218](#)
- Automotive: Solid car sales in 11M18 [_SnapShot20181217](#)
- BPD Jatim: A sound dividend play, SIDO MUNCUL: Healthy growth ahead [_SnapShot20181213](#)
- Indo Tambangraya: A dividend play [_SnapShot20181212](#)
- Plantation: Nov 18 Inventory: Reaching a Record High [_SnapShot20181211](#)
- Pembangunan Perumahan: Imminent change in status [_SnapShot20181210](#)

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