QUICK REVIEW (LINK)

LINK NET TBK.

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Recommendation

Recommendation : **BUY**

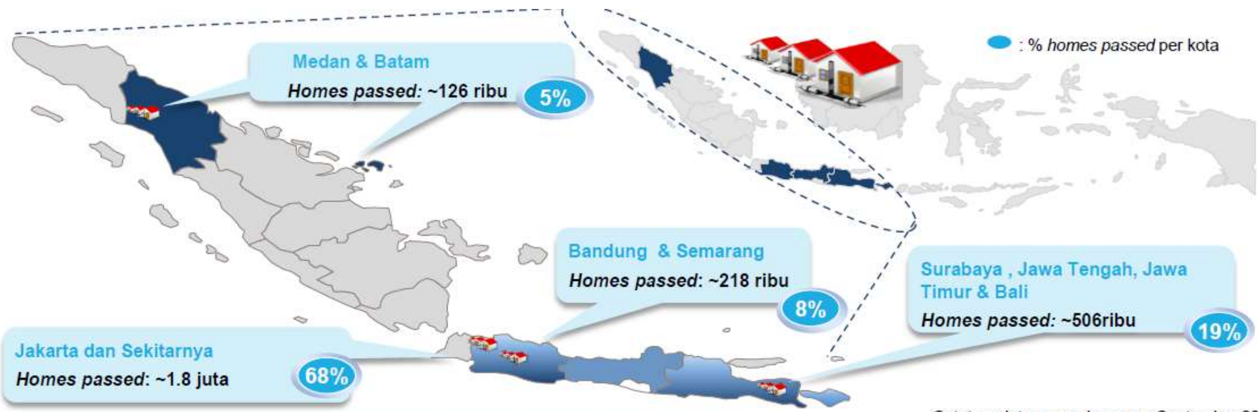
Fair Value : **IDR 5,825**

Current Price (30/11) : IDR 2,420

Company Description

PT Link Net Tbk provides internet services. The Company offers high-speed internet connection through fiber optic lines. The Company caters to retail and corporate customers throughout Indonesia.

Coverage Area



Kota	Tambahan 3Q 2020	Total *Home Passed* per 3Q 2020
Jakarta dan sekitarnya	17.550	1.779.994
Bandung dan sekitarnya	1.254	173.735
Semarang dan sekitarnya	671	44.448
Surakarta	518	39.945
Surabaya dan sekitarnya	3.248	436.573
Bali	364	21.020
Batam	166	61.481
Medan	335	64.716
Cirebon	174	6.115
Cikampek-Purwakarta	155	3.901
Tegal	73	4.380
Jogjakarta	6.083	10.970
Kediri	88	4.463
Total	**30.679**	**2.651.741**

Catatan: data perusahaan per September 2020
: kota baru di tahun 2020

Source: Company

Value Proposition

Konektivitas	Lease line	IPLC	DWDM	VSAT
Internet dan TV	HDIPA	IP transit	BoD	TV
Layanan Terkelola	Penjualan Kembali Perangkat	Managed Wi-Fi	Layanan Insinyur	
Value Added	Data center	Cloud services	Voice solution	
Solusi Industri	First Klaz	Hospitality	Remote solution	

Source: Company

MEGACAPITAL Sekuritas

Clients Portfolio

Sektor Industri Finansial

Bisnis Digital / *E-Commerce*

Media

Perhotelan

Energi dan Sumber Daya

Pemerintah

Source: Company

MEGACAPITAL Sekuritas

Earnings Update

Earnings Results : 3Q 2020

In Billions of IDR	Q3 2020	Q3 2019	%YoY	Q3 2020	Q2 2020	%QoQ
Revenue	**1,023**	**960**	**6.5%**	**1,023**	**971**	**5.3%**
- Cost of Revenue	212	204	3.8%	212	193	10.0%
Gross Profit	**811**	**756**	**7.2%**	**811**	**778**	**4.2%**
- Operating Expenses	462	411	12.4%	462	450	2.8%
Operating Income (Loss)	**348**	**345**	**0.9%**	**348**	**328**	**6.1%**
- Non-Operating (Income) Loss	38	19	103.2%	38	8	355.9%
Pretax Income (Loss), GAAP	**310**	**326**	**-5.0%**	**310**	**320**	**-3.1%**
- Income Tax Expense (Benefit)	68	81	-16.4%	68	61	10.3%
Net Income Avail to Common, GAAP	**243**	**246**	**-1.2%**	**243**	**259**	**-6.2%**

Source: Bloomberg, MCS Research

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Earnings Update

Earnings Estimate : 4QE 2020

In Billions of IDR	Q4 2020 Est	Q4 2019	%YoY	Q4 2020 Est	Q3 2020	%QoQ
Revenue	**1,036**	**989**	**4.8%**	**1,036**	**1,023**	**1.3%**
- Cost of Revenue	228	210	8.6%	228	212	7.2%
Gross Profit	**809**	**779**	**3.8%**	**809**	**811**	**-0.3%**
- Operating Expenses	510	546	-6.6%	510	462	10.2%
Operating Income (Loss)	**299**	**233**	**28.2%**	**299**	**348**	**-14.2%**
- Non-Operating (Income) Loss	40	19	108.2%	40	38	5.0%
Pretax Income (Loss), GAAP	**259**	**214**	**21.0%**	**259**	**310**	**-16.5%**
- Income Tax Expense (Benefit)	75	92	-18.9%	75	68	10.8%
Net Income Avail to Common, GAAP	**184**	**122**	**51.2%**	**184**	**243**	**-24.1%**

Source: Bloomberg, MCS Research

Company Update

Expand the network, Link Net (LINK) prepares a capex of IDR 3.1 trillion in 2021

PT Link Net Tbk (LINK) stated that it will prepare a capex of Rp. 3.1 trillion in 2021. Victor Indajang, Deputy CEO & Chief Operations Officer (COO) of PT Link Net Tbk, said that the budget is the usual capex budget.

Victor said his party is also planning a slow migration from HFC to FTTH network. The target is that this year his party can migrate around 65,000 poles to become FTTH.

He also added that cities that are the targets of homepassed expansion such as Jogjakarta, Solo, Semarang to Madiun and Kediri have moved through the FTTH network.

(Source: Kontan)

In the process of acquiring Link Net, four Malaysian & Japanese companies are potential new investors

The process of acquiring a majority stake in the cable television and internet broadband provider company PT Link Net Tbk (LINK) continues. Currently, there are four companies from Malaysia and Japan that are in an intensive due diligence phase to take over ownership of this company.

Link Net President Director Marlo Budiman said the two strategic investors are engaged in the same line of business as LINK, namely telecommunication media technology (TMT). "Meanwhile, the other two are long-term financial investors with large funds & global operations," Marlo told Kontan.co.id, Monday (5/10).

According to Marlo, there will be one to two companies that can acquire LINK, provided that the investor is a consortium of two parties. As is well known, the Lippo Group through PT First Media Tbk (KBLV) and global private equity firm CVC Capital Partners through Asia Link Dewa Pte Ltd will release all share ownership in LINK.

(Source: Kontan)

Balanced Sheet : Annual

In Billions of IDR	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Total Assets									
+ Cash, Cash Equivalents & STI	744	818	370	359	325	547	766	600	298
+ Accounts & Notes Receiv	69	99	109	177	242	324	399	408	513
+ Inventories	0	0	0	0	0	0	0	0	0
+ Other ST Assets	136	107	83	39	37	36	69	70	87
Total Current Assets	**949**	**1,023**	**562**	**575**	**605**	**907**	**1,234**	**1,077**	**899**
+ Property, Plant & Equip, Net	1,209	1,577	2,295	2,694	3,493	3,807	4,117	4,568	4,994
+ LT Investments & Receivables	0	0	0	0	0	0	0	0	0
+ Other LT Assets	333	420	368	474	341	340	415	378	760
Total Noncurrent Assets	**1,542**	**1,997**	**2,663**	**3,167**	**3,833**	**4,148**	**4,533**	**4,946**	**5,754**
Total Assets	**2,490**	**3,020**	**3,225**	**3,742**	**4,438**	**5,055**	**5,766**	**6,024**	**6,653**
Liabilities & Shareholders' Equity									
+ Payables & Accruals	37	90	179	113	177	233	887	1,002	886
+ ST Debt	15	16	81	91	70	49	37	43	471
+ Other ST Liabilities	108	200	200	348	401	569	92	51	56
Total Current Liabilities	**160**	**306**	**460**	**551**	**648**	**851**	**1,016**	**1,096**	**1,413**
+ LT Debt	491	524	195	91	31	130	94	58	420
+ Other LT Liabilities	21	33	51	66	92	111	132	119	164
Total Noncurrent Liabilities	**513**	**557**	**246**	**157**	**123**	**241**	**226**	**177**	**584**
Total Liabilities	**673**	**863**	**706**	**708**	**771**	**1,092**	**1,242**	**1,273**	**1,997**
+ Preferred Equity and Hybrid Capital	0	0	0	0	0	0	0	0	0
+ Share Capital & APIC	1,829	1,829	1,735	1,735	1,735	1,735	1,735	1,735	1,627
- Treasury Stock	0	0	0	0	0	386	402	625	105
+ Retained Earnings	83	422	784	1,299	1,932	2,614	3,191	3,641	3,134
+ Other Equity	93	93	0	0	0	0	0	0	0
Equity Before Minority Interest	1,818	2,157	2,519	3,034	3,667	3,963	4,524	4,751	4,656
+ Minority/Non Controlling Interest	0	0	0	0	0	0	0	0	0
Total Equity	**1,818**	**2,157**	**2,519**	**3,034**	**3,667**	**3,963**	**4,524**	**4,751**	**4,656**
Total Liabilities & Equity	**2,490**	**3,020**	**3,225**	**3,742**	**4,438**	**5,055**	**5,766**	**6,024**	**6,653**

Source: Bloomberg, MCS Research

Balanced Sheet : Quarter

In Billions of IDR	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Total Assets										
+ Cash, Cash Equivalents & STI	746	465	468	600	613	274	298	195	695	368
+ Accounts & Notes Receiv	455	515	588	408	440	486	513	501	532	543
+ Inventories	0	0	0	0	0	0	0	0	0	0
+ Other ST Assets	80	98	92	70	63	109	87	236	151	97
Total Current Assets	**1,281**	**1,079**	**1,148**	**1,077**	**1,117**	**869**	**899**	**932**	**1,378**	**1,007**
+ Property, Plant & Equip, Net	4,240	4,297	4,382	4,568	4,621	4,812	4,994	5,128	5,287	5,599
+ LT Investments & Receivables	0	0	0	0	0	0	0	0	0	0
+ Other LT Assets	522	545	564	378	414	597	760	852	893	1,047
Total Noncurrent Assets	**4,762**	**4,841**	**4,946**	**4,946**	**5,035**	**5,409**	**5,754**	**5,980**	**6,180**	**6,646**
Total Assets	**6,043**	**5,920**	**6,094**	**6,024**	**6,151**	**6,278**	**6,653**	**6,912**	**7,558**	**7,654**
Liabilities & Shareholders' Equity										
+ Payables & Accruals	894	1,060	1,001	1,002	872	789	886	1,053	1,696	1,236
+ ST Debt	39	42	44	43	45	669	471	570	552	813
+ Other ST Liabilities	100	85	75	51	66	59	56	60	67	61
Total Current Liabilities	**1,033**	**1,187**	**1,120**	**1,096**	**983**	**1,516**	**1,413**	**1,683**	**2,315**	**2,110**
+ LT Debt	86	79	71	58	44	39	420	512	755	809
+ Other LT Liabilities	134	137	139	119	118	132	164	169	172	177
Total Noncurrent Liabilities	**220**	**217**	**210**	**177**	**162**	**170**	**584**	**681**	**927**	**986**
Total Liabilities	**1,252**	**1,403**	**1,329**	**1,273**	**1,144**	**1,687**	**1,997**	**2,363**	**3,243**	**3,096**
+ Preferred Equity and Hybrid Capital	0	0	0	0	0	0	0	0	0	0
+ Share Capital & APIC	1,735	1,735	1,735	1,735	1,735	1,110	1,627	1,627	1,627	1,627
- Treasury Stock	402	602	623	625	634	259	105	410	410	410
+ Retained Earnings	3,457	3,384	3,653	3,641	3,905	3,740	3,134	3,332	3,098	3,341
+ Other Equity	0	0	0	0	0	0	0	0	0	0
Equity Before Minority Interest	4,790	4,517	4,765	4,751	5,007	4,591	4,656	4,549	4,316	4,558
+ Minority/Non Controlling Interest	0	0	0	0	0	0	0	0	0	0
Total Equity	**4,791**	**4,517**	**4,765**	**4,751**	**5,007**	**4,591**	**4,656**	**4,549**	**4,316**	**4,558**
Total Liabilities & Equity	**6,043**	**5,920**	**6,094**	**6,024**	**6,151**	**6,278**	**6,653**	**6,912**	**7,558**	**7,654**

Source: Bloomberg, MCS Research

MEGACAPITAL Sekuritas

Profit & Loss : Annual

In Billions of IDR	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020 Est	FY 2021 Est
Revenue	**1,301**	**1,665**	**2,136**	**2,564**	**2,954**	**3,399**	**3,728**	**3,755**	**3,990**	**4,316**
- Cost of Revenue	261	353	474	570	637	707	775	748	844	898
Gross Profit	**1,040**	**1,311**	**1,662**	**1,994**	**2,317**	**2,693**	**2,954**	**3,008**	**3,146**	**3,418**
+ Other Operating Income	0	0	0	0	6	5	2	0	0	0
- Operating Expenses	546	718	824	1,060	1,201	1,341	1,650	1,727	1,863	1,918
Operating Income (Loss)	**494**	**594**	**837**	**935**	**1,122**	**1,357**	**1,306**	**1,281**	**1,283**	**1,500**
- Non-Operating (Income) Loss	35	106	81	78	33	18	24	40	130	54
Pretax Income (Loss), Adjusted	**460**	**487**	**756**	**856**	**1,089**	**1,339**	**1,282**	**1,240**	**1,153**	**1,446**
- Abnormal Losses (Gains)	0	0	0	0	0	0	161	0	0	0
Pretax Income (Loss), GAAP	**460**	**487**	**756**	**856**	**1,089**	**1,339**	**1,120**	**1,240**	**1,153**	**1,446**
- Income Tax Expense (Benefit)	121	125	198	217	270	332	332	346	270	376
Income (Loss) from Cont Ops	**339**	**362**	**558**	**640**	**819**	**1,007**	**789**	**895**	**883**	**1,070**
- Net Extraordinary Losses (Gains)	0	0	0	0	0	0	0	0	0	0
Income (Loss) Incl. MI	**339**	**362**	**558**	**640**	**819**	**1,007**	**789**	**895**	**883**	**1,070**
- Minority Interest	0	0	0	0	0	0	0	0	0	0
Net Income, GAAP	**339**	**362**	**558**	**640**	**819**	**1,007**	**789**	**895**	**883**	**1,070**
- Preferred Dividends	0	0	0	0	0	0	0	0	0	0
- Other Adjustments	0	0	0	0	0	0	0	0	0	0
Net Income Avail to Common, GAAP	**339**	**362**	**558**	**640**	**819**	**1,007**	**789**	**895**	**883**	**1,070**

Source: Bloomberg, MCS Research

Profit & Loss : Quarter

In Billions of IDR	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020 Est	Q1 2021 Est
Revenue	**934**	**891**	**915**	**960**	**989**	**959**	**971**	**1,023**	**1,036**	**1,025**
- Cost of Revenue	184	157	177	204	210	211	193	212	228	223
Gross Profit	**750**	**735**	**738**	**756**	**779**	**748**	**778**	**811**	**809**	**802**
+ Other Operating Income	0	1	0	1	0	0	0	0	0	0
- Operating Expenses	557	386	384	411	546	441	450	462	510	502
Operating Income (Loss)	**193**	**349**	**353**	**345**	**233**	**307**	**328**	**348**	**299**	**300**
- Non-Operating (Income) Loss	4	3	5	19	19	43	8	38	40	36
Pretax Income (Loss), Adjusted	**197**	**352**	**348**	**326**	**214**	**264**	**320**	**310**	**259**	**264**
- Abnormal Losses (Gains)	161	0	0	0	0	0	0	0	0	0
Pretax Income (Loss), GAAP	**36**	**352**	**348**	**326**	**214**	**264**	**320**	**310**	**259**	**264**
- Income Tax Expense (Benefit)	62	87	85	81	92	66	61	68	75	75
Income (Loss) from Cont Ops	**27**	**264**	**263**	**246**	**122**	**198**	**259**	**243**	**184**	**189**
- Net Extraordinary Losses (Gains)	0	0	0	0	0	0	0	0	0	0
Income (Loss) Incl. MI	**27**	**264**	**263**	**246**	**122**	**198**	**259**	**243**	**184**	**189**
- Minority Interest	0	0	0	0	0	0	0	0	0	0
Net Income, GAAP	**27**	**264**	**263**	**246**	**122**	**198**	**259**	**243**	**184**	**189**
- Preferred Dividends	0	0	0	0	0	0	0	0	0	0
- Other Adjustments	0	0	0	0	0	0	0	0	0	0
Net Income Avail to Common, GAAP	**27**	**264**	**263**	**246**	**122**	**198**	**259**	**243**	**184**	**189**

Source: Bloomberg, MCS Research

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Cash Flow : Annual

In Billions of IDR	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Cash from Operating Activities									
+ Net Income	148	339	362	558	640	819	1,007	789	895
+ Depreciation & Amortization	111	203	271	393	515	605	644	719	775
+ Non-Cash Items	12	158	102	213	19	129	111	208	53
+ Net Cash From Disc Ops	0	0	0	0	0	0	0	0	0
Cash from Operating Activities	**247**	**700**	**735**	**1,164**	**1,174**	**1,553**	**1,540**	**1,716**	**1,723**
Cash from Investing Activities									
+ Change in Fixed & Intang	1,629	604	851	953	1,082	863	971	1,116	1,684
+ Net Change in LT Investment	0	9	14	53	0	0	0	0	0
+ Net Cash From Acq & Div	0	0	0	0	0	0	0	0	111
+ Other Investing Activities	0	0	0	34	45	118	0	0	0
+ Net Cash From Disc Ops	0	0	0	0	0	0	0	0	0
Cash from Investing Activities	**1,629**	**613**	**865**	**1,040**	**1,128**	**745**	**971**	**1,116**	**1,794**
Cash from Financing Activities									
+ Dividends Paid	0	0	0	42	0	128	286	503	674
+ Cash From (Repayment) Debt	485	13	318	96	97	69	49	39	753
+ Cash (Repurchase) of Equity	1,628	0	0	0	0	386	15	224	310
+ Other Financing Activities	0	0	0	1	9	2	0	0	0
+ Net Cash From Disc Ops	0	0	0	0	0	0	0	0	0
Cash from Financing Activities	**2,113**	**13**	**318**	**136**	**88**	**585**	**351**	**766**	**230**
Net Changes in Cash	**731**	**74**	**448**	**12**	**42**	**223**	**219**	**166**	**302**

Source: Bloomberg, MCS Research

Cash Flow : Quarter

In Billions of IDR	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Cash from Operating Activities										
+ Net Income	281	269	27	264	263	246	122	198	259	243
+ Depreciation & Amortization	178	181	186	190	188	195	202	209	215	230
+ Net Cash From Disc Ops	62	101	295	57	202	40	271	56	191	112
Cash from Operating Activities	**396**	**350**	**453**	**397**	**250**	**481**	**595**	**350**	**665**	**585**
Cash from Investing Activities										
+ Change in Fixed & Intang	113	315	309	365	319	446	554	329	397	653
+ Net Change in LT Investment	0	0	0	0	0	0	0	0	0	0
+ Net Cash From Acq & Div	0	0	0	0	0	0	111	0	0	0
+ Other Investing Activities	0	0	0	0	0	40	40	0	0	0
+ Net Cash From Disc Ops	0	0	0	0	0	0	0	0	0	0
Cash from Investing Activities	**113**	**315**	**309**	**365**	**319**	**405**	**705**	**329**	**397**	**653**
Cash from Financing Activities										
+ Dividends Paid	354	0	0	0	674	0	0	0	0	492
+ Cash From (Repayment) Debt	10	11	11	10	11	11	785	181	232	231
+ Cash (Repurchase) of Equity	200	21	2	8	114	137	51	305	0	0
+ Other Financing Activities	0	0	0	0	550	50	600	0	0	0
+ Net Cash From Disc Ops	0	0	0	0	0	0	0	0	0	0
Cash from Financing Activities	**563**	**32**	**13**	**19**	**248**	**97**	**134**	**124**	**232**	**261**
Net Changes in Cash	**281**	**3**	**131**	**13**	**318**	**21**	**24**	**103**	**500**	**327**

Source: Bloomberg, MCS Research

Valuation

LINK IJ Equity | Export | Settings | Equity Relative Valuation

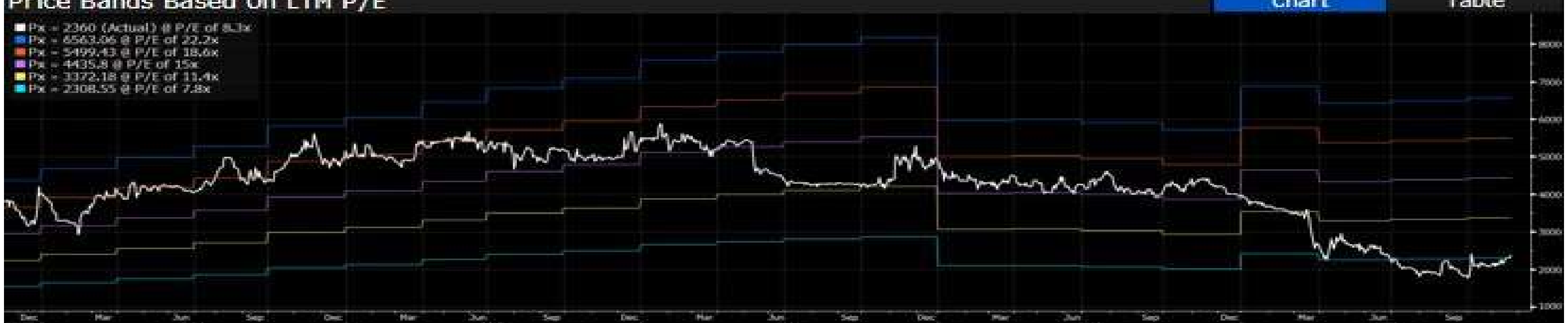
Comp Source BICS Best Fit (Algo) | Region Global | Mkt Cap > | Curr IDR

vs Comps | Group Dynamics | vs Self | Price Bands

3M | 6M | 1Yr | 2Yr | 5Yr | 10Yr

Valuation Metric Bands							12M Fwd Implied Price @		
Metric	Current	5Yr Avg	Band (x)	Avg+x	Avg-x	Est (IDR)	5Yr Avg	Avg+x	Avg-x
Current Price							2,440.00	2,440.00	2,440.00
LTM P/E	8.3x	15.0x	3.6	18.6x	11.4x	284.29	4,268.23	5,291.67	3,244.78
LTM P/BV	1.5x	2.9x	0.8	3.7x	2.1x	1883.66	5,495.45	7,002.38	3,988.53
LTM P/CF	3.1x	8.2x	2.3	10.5x	5.9x	631.29	5,162.43	6,614.40	3,710.45
LTM P/S	1.7x	3.9x	1.1	5.0x	2.8x	1475.65	5,688.21	7,311.43	4,065.00

Price Bands Based On LTM P/E | Chart | Table



Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
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Source: Bloomberg

Valuation

PER	EPS	Value
15.0x	IDR 389	**IDR 5,825**

PT. Mega Capital Sekuritas

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