

2,3 GHz Spectrum Auction. Recently, Telekomunikasi Indonesia (TLKM) has been announced as the winner in the auction for 2,3 GHz spectrum with a range of 30 MHz. TLKM has outbid the other cellular operators with an offer worth of IDR 1.01tn. However, the result has been expected by the market given TLKM's strong balance sheet position compared to its peers and their needs of additional capacity to cater their growing subscriber in 4G data.

Moving forward, looking at the result of the 2,3 GHz spectrum auction, we see there will be a high chance for ISAT and EXCL to win the auction on 2,1 GHz since TLKM is not allowed to participate on the auction for 2,1 GHz anymore. For ISAT, based on our channel check, we see they are quite aggressive in attaining additional spectrum in 2,3 GHz auction. Therefore, we expect they will do the same for the auction in 2,1 GHz. Meanwhile for EXCL, based on the discussion with management, we already expected that they would not be too aggressive in bidding 2,3 GHz spectrum given that attaining such spectrum will require additional capex for their BTS tower. As we know, most of their towers have not been adjusted to cater the frequency at 2,3 GHz. Moreover, we also think that EXCL will require to expand its capacity in 2,1 GHz spectrum to support their expansion strategy outside Java.

Our view: we see the result of the auction might have been expected by the market. Moreover, if EXCL and ISAT could win in the auction for 2,1 GHz, then threat of price wars from Hutchison 3 might have been evaded which could bring positive sentiment for telecommunication industry.

Richard Suherman

Equity Analyst

+62 21 392 5550 ext. 610

richard.suherman@sinarassekuritas.co.id



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