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(Persero) Tbk Perusahaan Perseroan PT Earnings Call

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## PRESENTATION

**Andi Setiawan** - *Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk - VP of IR & Corporate Secretary*

Thank you. Ladies and gentlemen, welcome to PT Telkom Indonesia conference call for the full year of 2018 and the first quarter of 2019 results. We (inaudible) 2018 (inaudible) 30th of April 2019, where the first quarter of 2019 results on the 2nd of May 2019 and the reports are available on our websites [www.telkom.co.id](http://www.telkom.co.id). Today's presentation is available on the webcast and an audio recording will be provided after the call for the next 7 days.

There will be an overview from our CEO, and after that, all participants are given the opportunity to participate in the Q&A session.

Before we start, let me remind you that today's call and the response to questions may contain forward-looking statements within the meaning of safe harbor. Actual results could differ materially from projections, estimations or expectations voiced during today's call. These may involve risks and uncertainties and may cause actual results to differ substantially from what we discuss in today's call. Telkom Indonesia does not guarantee to any actions which may have been taken in reliance of the discussion held today.

Ladies and gentlemen, it's my pleasure to introduce the Telkom's Board of Directors who are joining us today: Mr. Alex Sinaga, as President, Director and Chief Executive Officer; Mr. Harry M. Zen as Finance Director; Zulhelfi Abidin as Network & IT Solutions Director; Mr. Abdus Somad Arief as Wholesale and International Service Director; Ms. Siti Choiriana as Consumer Service Director; Mr. David Bangun as Digital & Strategic Portfolio Director; and Mr. Herdy Harman as Human Capital Management Director. Also present are the Board of Directors of Telkomsel: Mr. Ririek Adriansyah as President Director; Mr. Heri Supriadi as Finance Director; and Mr. Alistair Johnston as Marketing Director.

I now hand over the call to our CEO, Mr. Alex Sinaga, for his overview.



**Alex Janangkih Sinaga** - *Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk - President Director & CEO*

Thank you, Andi. Good afternoon, ladies and gentlemen. Welcome to our conference call for the full year 2018 and the first quarter of 2019 results. We really appreciate your participation in this call.

Ladies and gentlemen, 2018 was a challenging year for telecom players in Indonesia due to the legacy business that declined faster than expected and intensive price war of mobile data during prepaid sim card registration period, since operators offer very low data prices to retain customer base set. To navigate out of this situation, Telkomsel took initiative to increase the data price as to a degree astutely -- as such that Telkomsel market share was not affected. As a result, Telkomsel's revenue only declined by 4.3% year-on-year, better than the big 3 operators' revenue that declined by 7.4% year-on-year.

Telkomsel market share went up by 4.5% point to 59.1% by the end of 2018. On the other hand, our nonmobile businesses continue to demonstrate strong performance to compensate the decline in mobile, supported by our fixed broadband service, IndiHome, and the price as well as wholesale business. In 2018, the nonmobile segments grew by 19.5%.

For the full year of 2018, Telkom managed to book a 2% growth in revenue to IDR 130.8 trillion, with EBITDA and net income of IDR 59.2 trillion and IDR 18 trillion, respectively.

Having closed the challenging 2018, we start strongly in 2019 with encouraging first quarter result. Telkomsel saw promising signal of rebound with revenue, EBITDA and income grew by 1.4% year-on-year, 1.3% year-on-year and 0.9% year-on-year, respectively.

Further, Telkomsel began to benefit from the sim card registration as Telkomsel is now able to provide personalized offering and to conduct sales activity that focuses more on selling renewal package rather than starter pack. Such activity lead to much lower marketing expenses.

In the meantime, the non-mobile segments continue positive momentum with 18% year-on-year growth in revenue. So that in consolidated level, our total revenue increased by 7.7% year-on-year to IDR 34.8 trillion, EBITDA grew by 8.8% to IDR 17.5 trillion and net income rose 8.4% (corrected by company after the call) to IDR 6.2 trillion.

Ladies and gentlemen, as the digital adoption by our customers is getting immense, we continue to accelerate the growth of Digital Business through processioning of high-quality broadband connectivity and variety of Digital Services. In line with our continuous digital infrastructure deployment, we successfully grew revenue from Digital Business significantly to compensate the decline in legacy business.

In 2018, Digital Business grew by 23.1% to IDR 82.3 trillion, and its contribution to total revenue increased significantly to 63% from 52.1% in the previous year. The strong momentum continued in first quarter 2019 as Digital Business grew by 26.2% and further increased its contribution to total revenue to 68.4% (corrected by company after the call).

In Telkomsel, our focus to expand 4G network, combined with variety of strategic initiative to monetize data service have shown positive result. Telkomsel Digital Business recorded strong revenue performance in 2018, with 19.8% year-on-year growth and increase its contribution to total revenues substantially to 53% from 42.3% in 2017. The Digital Business further improved in first quarter of 2019 as it grew by 29.5% year-on-year and increased its contribution from 48% in the first quarter of 2018 to 61.4% of total revenue in the first quarter of 2019.

Revenue from Data in 2018 grew by 16.4% year-on-year to IDR 41.3 trillion, driven by 106.6 million data users and successful migration of PAYU to data packages. Data payload increased by 101.7% year-on-year. In first quarter of 2019, Telkomsel Data revenue went up by 29.7% year-on-year to IDR 11.9 trillion. The number of data users increased by 4.5 million to 111.1 million, and data payload increased by 56.6% year-on-year.

Mobile digital service such as video games, advertisements and payment in 2018 also grew strongly, by 51.2% year-on-year to IDR 6 trillion. And in first quarter 2019, it grew by 28.6% year-on-year to IDR 1.7 trillion.

In terms of the numbers of subscribers, in first quarter 2019, Telkomsel had 168.6 million subscribers or an addition of 5.7 million subscribers from that of the end of 2018. The number of subscribers in 2018 declined by 17% to 163 million as an impact of the prepaid sim card registration. In line

with our strategy to strengthen digital infrastructures to provide the best digital experience and to grow digital business, we deploy more than 28,000 (corrected by company after the call) new BTS during 2018 and 8,400 new BTS in first quarter of 2019. All were 4G-based. By the end of first quarter 2019, our BTS on air totaled to more than 197,000 units and 75% of which were 3G and 4G BTS.

Ladies and gentlemen, in the fourth quarter 2018 and the first quarter 2019, our fixed line business recorded a remarkable performance. IndiHome post strong results operationally and financially. In full year 2018, IndiHome recorded IDR 15 trillion in revenue; grew significantly by 58.8% year-on-year. The strong growth continued in first quarter 2019 as IndiHome post IDR 4.3 trillion of revenue during the quarter, jumped by 72.2% year-on-year.

During fourth quarter 2018, we added 397,000 net additional subscribers. That made total IndiHome subscriber to reach 5.1 million by end of 2018, grew 72.2% year-on-year. The strong momentum continue in first quarter 2019. We gain 418,000 net additional subscribers to reach total subscribers of 5.5 million by the end of March 2019. IndiHome Triple Play represented 51% of total subscribers in first quarter of 2019, improved from 50.2% at the end of 2018 as a result of our marketing efforts, and attract the new subscribers on Triple Play and to encourage Dual Play customers to upgrade to Triple Play.

ARPU of IndiHome in the fourth quarter of 2018 was IDR 265,000, increased from IDR 258,00 in the previous quarter, partly due to the price increase initiative in August 2018. The ARPU was stable at IDR 265,000 in first quarter 2019. In an effort to increase ARPU, we keep encouraging customers to purchase various add-ons and [minute banks], upgrade to higher speed or migrate to Triple Play service.

In full year of 2018, Telkom enterprise businesses recorded IDR 21.1 trillion in revenue, grew by 10.1% year-on-year.

IT service grew strongly by 48.2% during the year, in line with provision of end-to-end ICT solution to our enterprise clients. While in first quarter 2019, Telkom enterprise business recorded IDR 6.3 trillion of revenue, grew by 6.3% year-on-year.

In the meantime, for full year of 2018, our Wholesale & International business posted IDR 10.1 trillion in revenue, grew strongly by 35.6% compared to the previous year. The strong growth continued in first quarter 2019 as the segment recorded revenue of IDR 2.9 trillion, increased by 50.3% year-on-year. The growth was attributable to the opportunity that we grabbed in international wholesale for this business.

To strengthen our digital infrastructure, in the fourth quarter 2018, we successfully completed the Indonesia Global Gateway submarine cable system, or IGG, that connects SEA-ME-WE-5 and SEA-US submarine cable system, which have been in operation earlier. As SEA-ME-WE-5 and SEA-US has been connected by IGG, Telkom is now ready to become a global digital hub. We also took initiatives to strengthen our digital capabilities.

In December 2018, through our wholly-owned entity, PT Sigma Cipta Caraka, we acquire 70% ownership in PT Collega Inti Pratama. This acquisition will enhance Telkom Group in providing ICT solutions for banking, integrated with other ICT services such as data center and system integration.

In January 2019, Telkomsel established a wholly-owned fintech subsidiary, namely the PT Fintech Karya Nusantara, or Finarya. In the following months, Telkomsel's fintech platform, TCASH, was injected into Finarya. TCASH was then rebranded to LinkAja. Later this year, the 4 state-owned banks, the state-owned oil and gas company, Pertamina, and a couple of SOEs plan to become shareholders of Finarya. With this shareholding composition, LinkAja is expected to become one of Indonesia's major e-payment platform with strong access, fast SOEs ecosystem, which comprise, among others: gas station, toll roads, electricity and numerous existing merchant of the state-owned banks.

In 2018, Telkom Group spent IDR 33.6 trillion in capital expenditure or 25.7% of revenue. While in the first quarter 2019, we spent IDR 7.3 trillion for CapEx. We utilized our CapEx mainly to enhance our digital capabilities.

In mobile service, CapEx was mainly utilized for radio access network 4G BTS deployment and IT system enhancements. While in fixed businesses, CapEx was primarily utilized to develop fiber-based access and backbone infrastructures, including submarine cable systems and a satellite to support fixed as well as mobile broadband businesses. Some portion of CapEx were also utilized for other projects such as tower and data centers.

Moreover, in the first quarter this year, we spent IDR 7.3 trillion in CapEx with investment focus remaining in digital infrastructure.

To conclude my remarks, let me share our main guidance for the full year of 2019. We expect overall Telkom Group revenue will grow mid- to high single digit, with Telkomsel revenue to grow better or in line with the cellular industry.

EBITDA in the income margins are expected to decline in slower pace, in line with revenue shift, more towards Digital Business and continued infrastructure development. Capital expenditure for the Group is expected at around 27% of revenue. On top regular investment, we plan to build data center, disaster recoveries centers, and network and IT enhancement this year.

That's ending my remarks. Thank you.

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**Andi Setiawan** - *Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk - VP of IR & Corporate Secretary*

Thank you, Alex. We will now begin the Q&A session. (Operator Instructions) Operator, May we have the first question, please?

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) The first question comes from the line of Colin McCallum from Crédit Suisse.

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**Colin McCallum** - *Crédit Suisse AG, Research Division - MD*

Two questions from me. First of all, just on the fixed line side, it looks like the total fixed line revenues were very weak in fourth quarter, but very strong in the first quarter. Given the IndiHome business has being kind of progressing quite steadily, what caused the big weakness in fourth and strengthened first quarter. Is it entirely due to timing of enterprise revenues? Or is it any other one-off items that you can tell us about? Secondly, if you can also just confirm whether there were any one-off items on the cost side, either in fourth quarter or in the first quarter. Those are my two questions.

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**Harry Zen** - *PT Telekomunikasi Selular - Finance Director*

Okay. Thanks for the questions. So yes, the -- for your first question, it was indeed related to the cyclicity in our enterprise business, if you compare fourth quarter '18 and first quarter '19. The proper way to compare the enterprise business is it's not if you compare 2 consecutive quarter, but the proper way to compare it is actually if you compare fourth quarter 2018 with fourth quarter 2017. Because if we initiate the contract, for instance, with a client, let's say, in fourth quarter 2016, so the contract would expire either in for the same quarter, which is fourth quarter, if 1 year in 2017, if it is 2 years, than in 2018. And for your second questions, there isn't any one-off items in the fourth quarter 2018.

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### Operator

Your next question comes from the line of Piyush Choudhary from HSBC.

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**Piyush Choudhary** - *HSBC, Research Division - Telecoms Analyst, South East Asia*

In mobile, can you talk about the competitive intensity? And what do you see as a probability of tariff hikes during 2019? And also, on the regulatory side, if you could touch upon under consultation paper which came early this year on changes in tariff regime, what's the stage of discussion and likely timelines? And if I may, on the fixed line business, on IndiHome, what is the medium-term target for home-pass and optical fiber points and the IndiHome subs? And what is the current margins in IndiHome?



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**Alistair D. Johnston** - PT Telekomunikasi Selular - Director of Marketing and Director

Maybe I can take the first one. I think competitive intensity is probably the healthiest and as we've seen ready for more than a year, I think. As Alex described, last year was really about the Telkomsel about it maintaining market share and negotiating quite a bit regulatory hurdle in the form of registration and driving our digital business. And I think if we look at the results on Q1, I think we can see that market is more stable, I think. In particular, the share of business that comes from starter packs, which tends to be vulnerable to very intense competition, has really shrunk considerably. So in our business, it's less than 10% of our total revenue for being much higher previously. And I'm guessing that's the case with our competitors. Generally speaking, we're not seeing very aggressive moves from our competitors. But obviously, the geographical pattern is a little bit different. And obviously, we price and manage our products on a city-by-city basis. I think generally we're probably seeing a stepping up of competition outside Java from network investments made by the competition. But also our businesses is doing very well inside Java, where we've been quite focused on growing market share, where we've typically had a lower market and historically been able to grow. So I think the net result is that I think the competitive environment is, yes, like I said, at its least intense for more than a year, I would say.

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**Ririek Adriansyah** - Telekomunikasi Selular - President Director

Okay. On the [regulation], yes, there is such a [miss to] complete dropoff of the [good thing] on the price, but it is still in the restriction. I don't think it's going to be finalized any time soon. There is some concern like the business pricing. The other part of the government, for total assets, this kind of prices, it's going to be difficult beneath us to give some incentive for the operator to [deploy in a] in those remote area. So we don't think that's (inaudible) anytime soon.

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**Harry Zen** - PT Telekomunikasi Selular - Finance Director

Okay. On the questions about IndiHome. So the medium-term target for this is annually we would like to add around 1.5 million new customers. And as per December last year, the EBITDA margin stood at around 27% and in the medium terms, we are targeting to reach 30% EBITDA margin. In terms of homes-passed, it's not something that we're purposely targeting because the way we create the homes-passed for IndiHome is in line with the process of appreciation of the Telkom sales, not speed.

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**Operator**

Your next question comes from the line of Ludin Siward from Goldman Sachs.

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**Ludin Siward** - Goldman Sachs - Analyst

First question is, on your cost items, it seems like the company has successfully managed cost really well this quarter. Could you give us more color on your cost saving measures so far? And should we expect this new level of cost as you knew base going forward? And second, for your -- second question, for your IndiHome business, what speed packages are bundled up, are the most popular now? Could you give us more breakdown on this? And how is it trending? I'm just trying to get more color on how much room for ARPU growth that you can do here with China up-trade customers.

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**Harry Zen** - PT Telekomunikasi Selular - Finance Director

Okay. In terms of the cost, we expect that there will be some more cost items to be added for the rest of the years, in line with the continuous infrastructure development, digital infrastructure development that we are going to do for the rest of the year. But we will -- we believe that the growth of the -- of our cost for full year this year is most likely to be lower than the growth of the revenue. This is something that we are monitoring disciplined-ly. In terms of the popular -- in terms of the package of the IndiHome, the most popular one currently is actually the 2P offering, which is consisting of Internet and fixed-line phones.



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**Ludin Siward** - *Goldman Sachs - Analyst*

Just a quick follow-up on that. Could you also tell us what kind of speeds are the most popular for the IndiHome packages?

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**Harry Zen** - *PT Telekomunikasi Selular - Finance Director*

The most popular speed is 10 Mbps.

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**Operator**

Your next question comes from the line of Wei Shi Wu from BNP Paribas.

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**Wei Shi Wu** - *BNP Paribas, Research Division - Analyst*

Can you please talk a little bit about your assets in overseas wholesales Voice? And what kind of margins do you typically get for this business? And then my second question is relating to the operations and maintenance cost. As a percentage of revenues in first quarter, this has declined after fairly elevated levels in 2018. Can you talk to some of the key drivers for this?

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**Harry Zen** - *PT Telekomunikasi Selular - Finance Director*

Okay. Let me start with your second questions first. I think it's related to the previous questions. It's still too early, given it's just first quarter. So we expect to have some more cost items to be booked for the rest of the year, which is in line with the growth of the infrastructure development, particularly in terms of the O&M. Can you repeat the first question again, please?

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**Wei Shi Wu** - *BNP Paribas, Research Division - Analyst*

Our first question is about your assets in overseas wholesales Voice. There are some comment in the IN about this, so just want to get a little bit more detail as to your strategy there. And what kind of margins you can look to get for this business?

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**Abdus Somad Arief** - *Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk - Director of Wholesale & International Service and Director*

Okay. This is Abdus, I'd like to answer your first question. Assets for this business, we have cables, submarine cables, as the CEO mentioned, SEA-US, SEA-ME-WE-5 and so on. But for wholesale Voice, we do not use that, so there is existing network we have. Talking about the margin, currently we shift our destination of hubbing service to premium destination, with margin between 5% to 10%.

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**Operator**

Your next question comes from the line of Arthur Pineda from Citigroup.

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**Arthur Pineda** - *Citigroup Inc, Research Division - Director and Head of Pan-Asian Telecommunications Research*

Two questions for me, please. Firstly, can you please clarify on the margin guidance? You mentioned earlier you expect slight decline in margins for this year. But a few minutes ago, you also mentioned you expect cost growth to be slower versus revenue growth for this year. Can you help us reconcile this, as mathematically that should translate to margin expansion? Second question I have is regards to mobile. Can you comment on the industry dynamics in Jan to April? I know that you said it's more rational now. How -- do you actually see moves in the industry to further raise

pricing? What are your thoughts on data pricing? And lastly, again, on mobile, if you get revenue growth for the first quarter Telkom's sales up around 1%, seems to be a bit -- quite a bit softer versus your competitor. What do you think is driving this differential? Are you seeing more challenges, for example, outside of Java versus Java. Is there any differences in growth?

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**Harry Zen** - PT Telekomunikasi Selular - Finance Director

Yes. Okay. So the margin declines is related to the decline of the further decline of legacy and more volume of Data business or Digital business that we have. And in terms of the acceleration of cost growth which we expect to be slower than the revenue growth, is definitely something to do with the cost leadership program that we are implementing for the rest of this year. And also it's also helped by the one of the items is the fast decline of marketing expense, particularly on the mobile side.

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**Alistair D. Johnston** - PT Telekomunikasi Selular - Director of Marketing and Director

I think on the mobile dynamics, I think the market end, it's probably more stable than previous. I mean a lot of it depends on which city you're in, whether the competitors making a move in a certain city or being more defensive. But I think overall, the market is more stable [in digital] than it has been for some time. And I don't see a huge amount of pricing-up activity, but equally, I don't see a great deal of very aggressive price points. So we continue to manage the market on a city-by-city basis. And in terms of performance versus XL, I think the key way to look at our business is really on the [reissue] between Data and non-Data revenue. In fact, our Data business in Q1 grew almost 30% year-on-year and XL's grew by 27%. And actually, our Voice business declined by 19%, XL's by 23%. The reason our overall growth is so much lower is just the weighted average of those 2 in that we still have a higher proportion of legacy business than our competitors. Having said that, that's changing very quickly. If you look back to the first quarter last year, about 55% of our business was legacy -- sorry, 52% was legacy. And in Q1 this year, that's 38%. So in a sense we've going through the peak of our transition from legacy to digital, at a time later actually than when our competitors have gone through it. But actually, the underlying competitive dynamics, and I think the key thing to look at is data revenue market share, actually, we're continuing to hold our own and in fact, grow slightly.

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**Arthur Pineda** - Citigroup Inc, Research Division - Director and Head of Pan-Asian Telecommunications Research

Understood. And if I could just get a follow-up here. In terms of product sales for mobile, what percentage of your sales would be on bundled plans which have voice and data bundled together versus a la carte?

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**Alistair D. Johnston** - PT Telekomunikasi Selular - Director of Marketing and Director

It varies quite a lot between our legacy and Data businesses. Maybe the best way to answer that would be on our Data revenue side, 90% plus of revenue comes from packages which include at least one of voice, SMS and data. So data -- either data only or data plus voice and SMS. On the voice side, traditionally the business has been about 2/3 pay-as-you-use. So people are just using directly from the [pulsar], although that is changing. And certainly, the -- a big growth element of our business is the growth of combo packages, which include all 3: voice, SMS and data.

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**Operator**

Your next question comes from the line of Kresna Hutabarat from Mandiri.

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**Kresna P. Hutabarat** - PT Mandiri Sekuritas, Research Division - Analyst

Two questions from me, please. My first question is on the mobile. Is it possible to get a sense of how low the set of the legacy revenues can get at Telkomsel? And how much of the current decline is actually coming from bundling in 3 voice allowances into your data packages. Because if you look at your Internet packages, for example, they're still quite generous simply on the voice allowances there. So it seems there's a mention



about improving mobile competition in the past 4 months. I mean should we expect you -- Telkomsel to begin like picking out some of these free on net allowances, just to slow down the legacy revenue decline in full year '19 or going forward? That's my first question. And then my second question, a quick one. Is there any update on full year '18 dividend policy?

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**Heri Supriadi** - PT Telekomunikasi Selular - Finance Director

(inaudible) Just to answer your first question on how low the revenue can go, I can go down, in legacy. What we aim actually, we try to manage the decline of legacy along with increase in the Data and Digital business. So in overall, we tried to keep the growth of the company, as earlier been described, in line with the market. So far as mentioned the previous question also, how is the -- well, let's say we manage that. The Data revenue continue to grow even higher than our competitors, despite that our legacy continue to decline, but with more manageable pace. And this result in and also through the performance management in which we able to manage the margin that we result in from this business. This from time to time, despite the pressure coming from the legacy, we, along with that situation, in which we try to maintain the growth of revenue higher than the growth of our cost. And results going to be very stable margin.

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**Kresna P. Hutabarat** - PT Mandiri Sekuritas, Research Division - Analyst

Okay. But can we expect to -- legacy to let's say stop declining, let's say, after it forms like 20%, 30% of your total revenues? Or is there any particular ballpark there?

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**Heri Supriadi** - PT Telekomunikasi Selular - Finance Director

In general space, around 30%. EBITDA from all around the world is actually stable. But we believe whatever impact, we're going to manage this similarly. I think the situation, that's -- the -- as mentioned by Alistair also, the highest price is coming when the [space] is still above around 50% to around 30%. Now we closer to the rate of -- in which globally benchmarked.

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**Kresna P. Hutabarat** - PT Mandiri Sekuritas, Research Division - Analyst

On the final question on the dividend?

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**Harry Zen** - PT Telekomunikasi Selular - Finance Director

Yes. No decision yet from the government, but we are planning to propose a figure that is not far in terms of the dividend per share, not far from what we paid last year, even though our net income were -- was lower in 2018.

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**Operator**

And we have a follow-up question from the line of [Seward Luding] from Goldman Sachs.

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**Ludin Siward** - Goldman Sachs - Analyst

So just two quick questions. So given the better competitive landscape, do you think there's still some room to raise prices further? Or do you -- are you comfortable with your current level of mobile and data prices? And the second one, so Telkomsel's ARPU seems to decline in first quarter '19. So I notice there is usually some seasonality here, but are there any reasons for the decline in this quarter?

**Alistair D. Johnston** - PT Telekomunikasi Selular - Director of Marketing and Director

The -- so in competitive landscape, it's just got the price up. And yes, I think there's a little bit -- I think generally, we try and get a balance right between our pricing yields versus our competitors, which we -- as we have a better quality network, we can command a higher price, so we don't wish to be at the same level as our competitors. But also we look to drive the right balance between traffic and rate for that traffic to produce the highest revenue outcome. So I think I would probably see the decline in RPMB that's being witnessed as slowing quite considerably, but I don't necessarily see that rising. But hopefully, traffic growth continues to mean that Data revenue growth is pretty good.

**Heri Supriadi** - PT Telekomunikasi Selular - Finance Director

Okay. On the first quarter of this year (inaudible), the main reason is, yes, first quarter always the weakest quarter, fourth quarter always the highest one. So it is decline compared to previous quarter. And then if you see again the composition of our revenue, we still have a lot bigger revenue coming from the legacy, although the decline is already, as mentioned by Alistair, also lower than compared to our competitor. But the weighted is still bigger compared to our competitor. But if you see the comparable figure basically coming from the Data revenue growth, actually, our Data revenue growth is higher than that of XL. We have most of the -- almost 30% of growth year-on-year, our competitor slightly less than us. It's been actually we're not [losing] compared to our competitor, just because of the shifting from the legacy to the Digital and Data. And result is still positive as you may see that revenue onto the bottom line net income.

**Operator**

(Operator Instructions) And we have a follow-up question from the line of Piyush Choudhary from HSBC.

**Piyush Choudhary** - HSBC, Research Division - Telecoms Analyst, South East Asia

On CapEx, if you look at in 2018, excluding Telkomsel CapEx, it stood at around IDR 20 trillion, which is around 47% CapEx intensity. What is likely CapEx for nonmobile segment in 2019? And when can we expect the CapEx intensity in nonmobile to start coming down? That's first question. Secondly, in mobile, can you give us the breakup of Data revenue contribution in Java versus non-Java areas? Because I would expect that when non-Java areas sit around 30%, 40% in terms of legacy revenue, then the base of decline in legacy would reduce. Is that correct?

**Harry Zen** - PT Telekomunikasi Selular - Finance Director

Yes. For the nonmobile portion of CapEx, it's roughly around in between 50% to 60%. And that's pretty much the same range in 2018 as well as in 2019. In terms of when can we expect the nonmobile CapEx to come down, we believe at least for the next couple of years, it still remains high, driven by the fact that we still need to continue the digital infrastructure development and -- which is used for our internal usage as well as for our external clients' needs.

**Heri Supriadi** - PT Telekomunikasi Selular - Finance Director

To your second question, Pak Piyush, data revenue is coming from Java, slightly higher compared to in outside Java because outside Java there are still have bigger chunk of their revenue coming from legacy, but the difference is quite pretty small currently, so it is not a big difference. Also in the total revenue, it's almost also a similar way.

**Operator**

Your next question comes from the line of Choong Chen Foong from CIMB.



**Choong Chen Foong** - *CIMB Research - Analyst*

Two questions for me. Firstly, question for the fixed line business side. Regarding your investment in data centers -- disaster recovery centers and all that, could you sort of give us some idea as to the amount of CapEx that's going to be spent there? And also, in terms of timeline, when would these facilities be completed? And also, regarding revenue contributions from these investments, when should we start to expect that it would generate returns on them? And also, if you can also guide us on the fixed enterprise revenue growth for this year, that'll be useful. That's the first question. Second question regarding your fintech venture, LinkAja, and also your comments earlier about the entry of significant shareholders later this year. Could you just sort of give us some color as to how this venture will benefit Telkom in terms of earnings and also in terms of shareholders' value creation? Are we looking at maybe, perhaps, putting this up or lifting sometime soon? Yes, those are my two questions.

**Harry Zen** - *PT Telekomunikasi Selular - Finance Director*

Yes. In terms of the CapEx for data centers, we have allocated around USD 100 million for this year. But depending on the completion rate of the construction, we're still not sure whether we would spend that much until the end of this year. So the plan is to build at least one bigger data center, which the construction will start later in the year. And this will take around 18 to 24 months to complete. And then there is also another plan to build smaller data centers in few locations throughout the [countries], which is more of the tier 2 data center for smaller clients. So these facilities will not be only used for external clients, but also we're going to need -- we're going to use some of the capacity as well, including the disaster recovery center that is going to be built dedicated to enhance our IndiHome business -- to support our IndiHome business. And in terms of -- sorry for the enterprise, guidance for this year is, in terms of growth, is about high single digit revenue growth for full year 2019.

**Heri Supriadi** - *PT Telekomunikasi Selular - Finance Director*

Okay. And to your answer on question of LinkAja, the Finarya, the business model actually, if we do benchmark to the more established markets, the revenues supposed to coming from the payment, and then later coming from the finance [sales service selling] and the data is coming from the data analytics. This is coming from the use case that been built, and then we're having the customer base and doing that kind of model and the data analytic and financial service selling. This is going to take some time to build, to synergize all the use case that are promising, until we come in to the economic upsale in building that model of the revenue. We believe in the next couple of years, till the investment stage of this company, but the impact on the shareholders is going to be the enterprise value coming from the business of this financial services. With the situation of Indonesia, right now, we have around 50% of adult with a bank account or bank instrument. This kind of service is quite promising as we compare maybe what happened in India or Kenya. I believe this is going to also work with the situation happening in Indonesia, with a strong use case that we can combine together. I think this is quite meaningful to make the value of this business. And I think the focus currently on the leverage, the use case that's been explained before in the transportation and the commuters and the toll road, and we also have in the petrol, and other daily in the electricity, and also the thing, the quota that we use to sell in the Telkomsel, this we can combine altogether with quite strong daily use case as compared to others' players also.

**Choong Chen Foong** - *CIMB Research - Analyst*

Maybe can I have a follow-up question maybe for mobile segment, maybe for Alistair. Just wanted to ask for your comments regarding Telkomsel's pricing levels versus peers at this point in time. As you mentioned, your Data revenue is actually growing faster than your peers, and you seem to be quite happy with that. So I just wanted to understand whether if that case continues, you would be happy with the situation, even if the overall mobile revenue, service revenue would be slower because of the legacy decline. Would that be the thinking going forward?

**Alistair D. Johnston** - *PT Telekomunikasi Selular - Director of Marketing and Director*

Yes, I think so. I think our premium -- I mean we're at about 9 RP per meg at the moment. I think XL is about 6 on average. So that's -- what that's about 50% premium on them. I think we target probably in the region of 30% to 40% premium. So it's not far off. Obviously, there's other players in the market who are even more aggressive and competitive. But I think by and large we would be quite happy to see that sort of premium maintained, and a bit of stability in the market. I think that's probably the best way forward.

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**Operator**

Ladies and gentlemen, we're close to the end of the presentation, so we will take the last question from the line of Arthur Pineda from Citigroup.

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**Arthur Pineda** - *Citigroup Inc, Research Division - Director and Head of Pan-Asian Telecommunications Research*

Just two follow-ups, please. Just to move back on the enterprise growth, in the prior year, you were looking at mid to high teens for growth. And this year, you're seeing high single digit. I'm wondering what has changed for this growth to slow sharply year-on-year. Second question I have was regard to the CapEx. You've got a higher CapEx number this year versus your enterprise momentum. Should we assume that longer-term enterprise growth should actually accelerate versus 2019 levels that you're looking for and this is just an investment year, with demand eventually catching up?

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**Harry Zen** - *PT Telekomunikasi Selular - Finance Director*

Yes. I think the teens range that we had a couple of years ago was -- it's sort of difficult to repeat. The way we see this is like this, it's -- 2016 is like kind of like a greenfield situation that we have at that time in our enterprise business. So we pretty much had a very strong start and pretty much covered the greenfield opportunity in that particular year. And then the growth tend to sort of stabilize around high single digit to probably around low and at the most to mid-teens. And just like what happened last year, in 2018, we have 10% growth. So this year we're looking at high single-digit percentage growth.

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**Operator**

At this point, I would now like to hand the conference back to Andi for any closing remarks.

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**Andi Setiawan** - *Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk - VP of IR & Corporate Secretary*

Okay. Thank you, everyone, for participating on today's call. We apologize for those questions could not be answered. So if you have any further questions, please don't hesitate to contact us directly. Thank you, everyone.

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**Operator**

Thank you. Ladies and gentlemen, that does conclude our conference for today. Thank you for participating. You may all disconnect.

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