# PT Link Net Tbk

**Public Expose**
**January 15, 2018**

# Agenda

# 1. Product Highlights

# 9M 2017 Product Highlights

☑ **OTT (Over the Top) collaboration with HOOQ** to bring Indonesian consumers the ultimate entertainment experience.



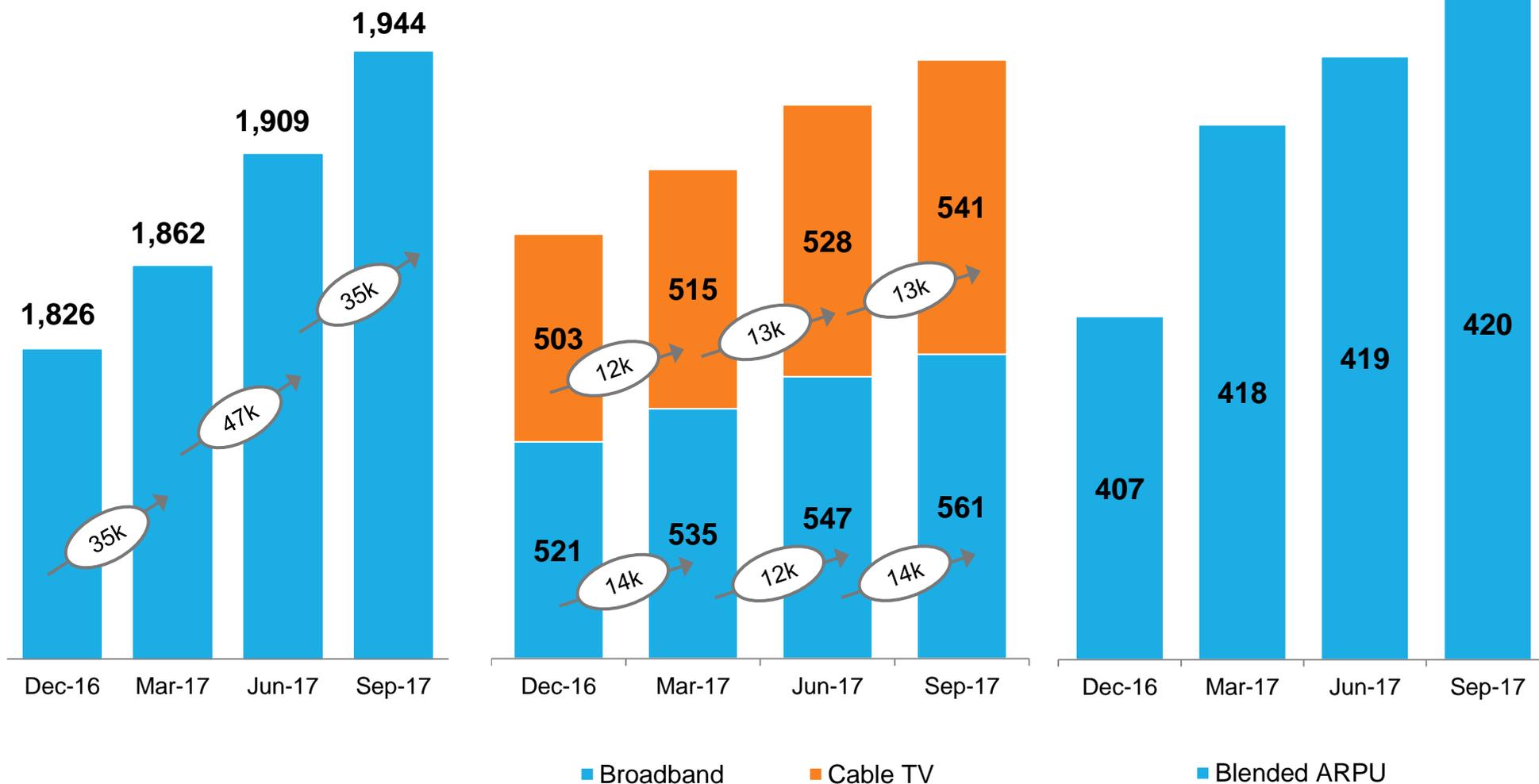☑ Launched #FirstHappiness campaign by giving free speed upgrades up to 250 Mbps for all customers.

# 2. 9M 2017 Operational Performance

# On track in all business acpects – homes passed, RGU, and ARPU

## Homes Passed ('000)

1,826 (Dec-16)
1,862 (Mar-17) — 35k
1,909 (Jun-17) — 47k
1,944 (Sep-17) — 35k

## RGU ('000)

**Cable TV**
503 (Dec-16) — 12k
515 (Mar-17) — 13k
528 (Jun-17) — 13k
541 (Sep-17)

**Broadband**
521 (Dec-16) — 14k
535 (Mar-17) — 12k
547 (Jun-17) — 14k
561 (Sep-17)

## ARPU (IDR '000)

407 (Dec-16)
418 (Mar-17)
419 (Jun-17)
420 (Sep-17)

■ Broadband   ■ Cable TV   ■ Blended ARPU

# 3. 9M 2017 Financial Performance

# Rising revenue...
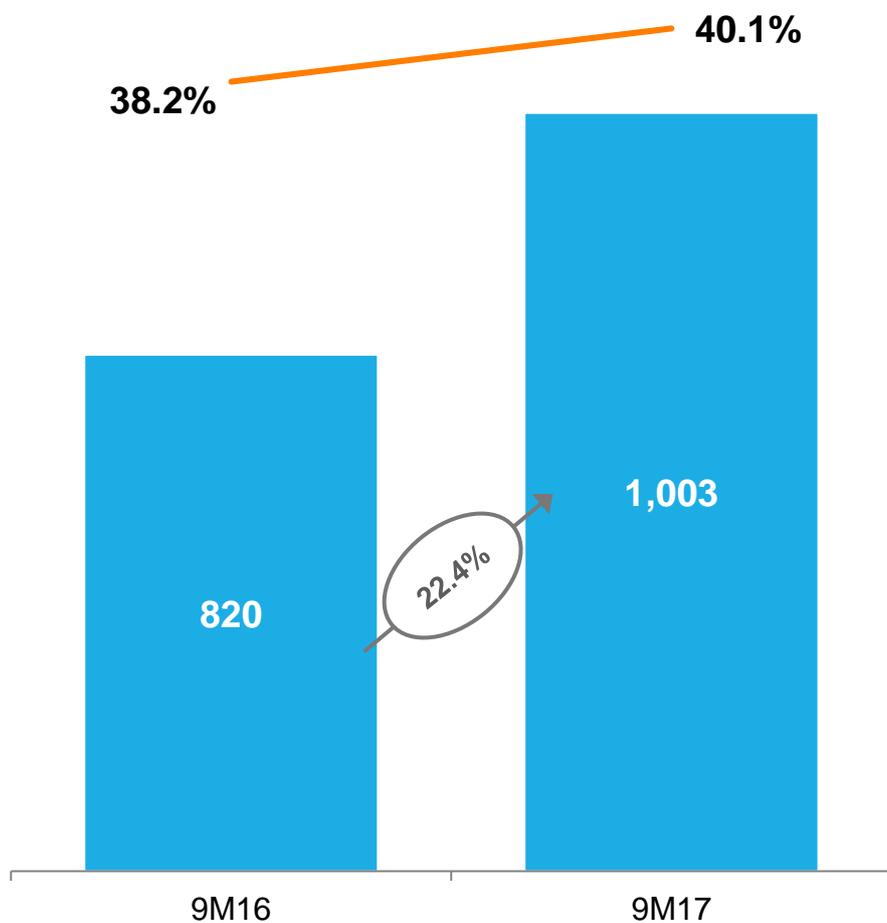
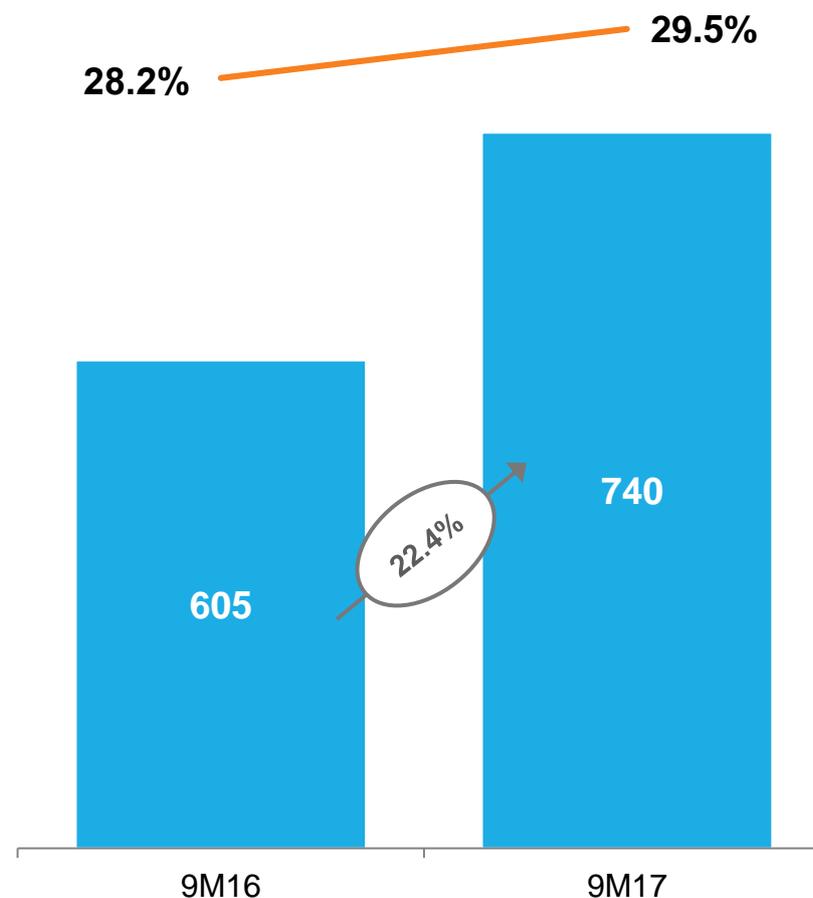## Revenue (IDR Bn)



2,145

16.8%

2,505

9M 2016

9M 2017
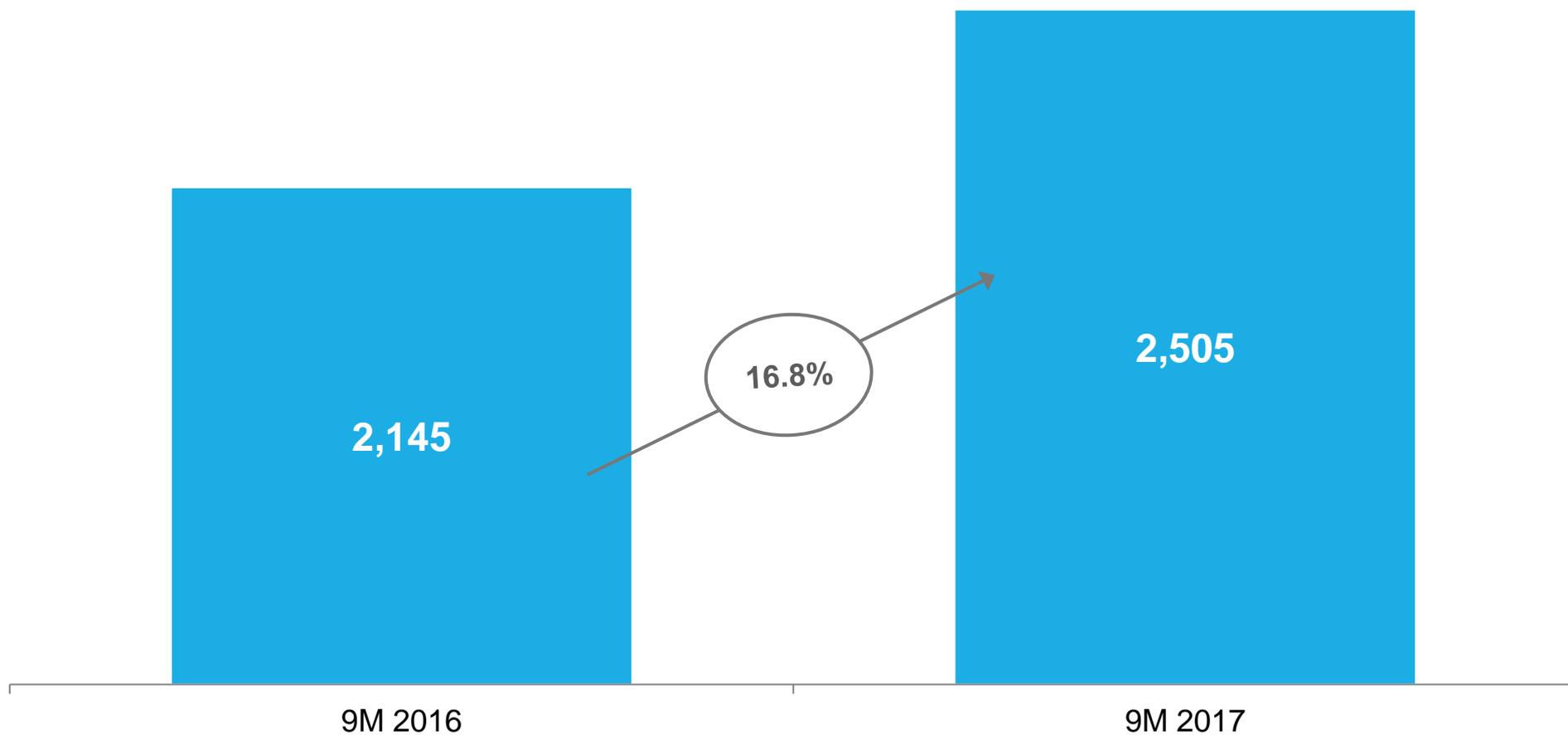
# Accompanied by Operating Profit and Net Profit growth through scale and cost savings

## Operating Profit & Net Profit (IDR Bn)

### Operating Profit

38.2% → 40.1%

| 9M16 | 9M17 |
|------|------|
| 820 | 1,003 |

22.4%

### Net Profit

28.2% → 29.5%

| 9M16 | 9M17 |
|------|------|
| 605 | 740 |

22.4%

# Growth acceleration and higher net cash

| CAPEX (IDR Bn) | Net Cash* (IDR Bn) |
| --- | --- |



**CAPEX (IDR Bn)**

670

9M 2017

**Net Cash* (IDR Bn)**

665 — Total Cash

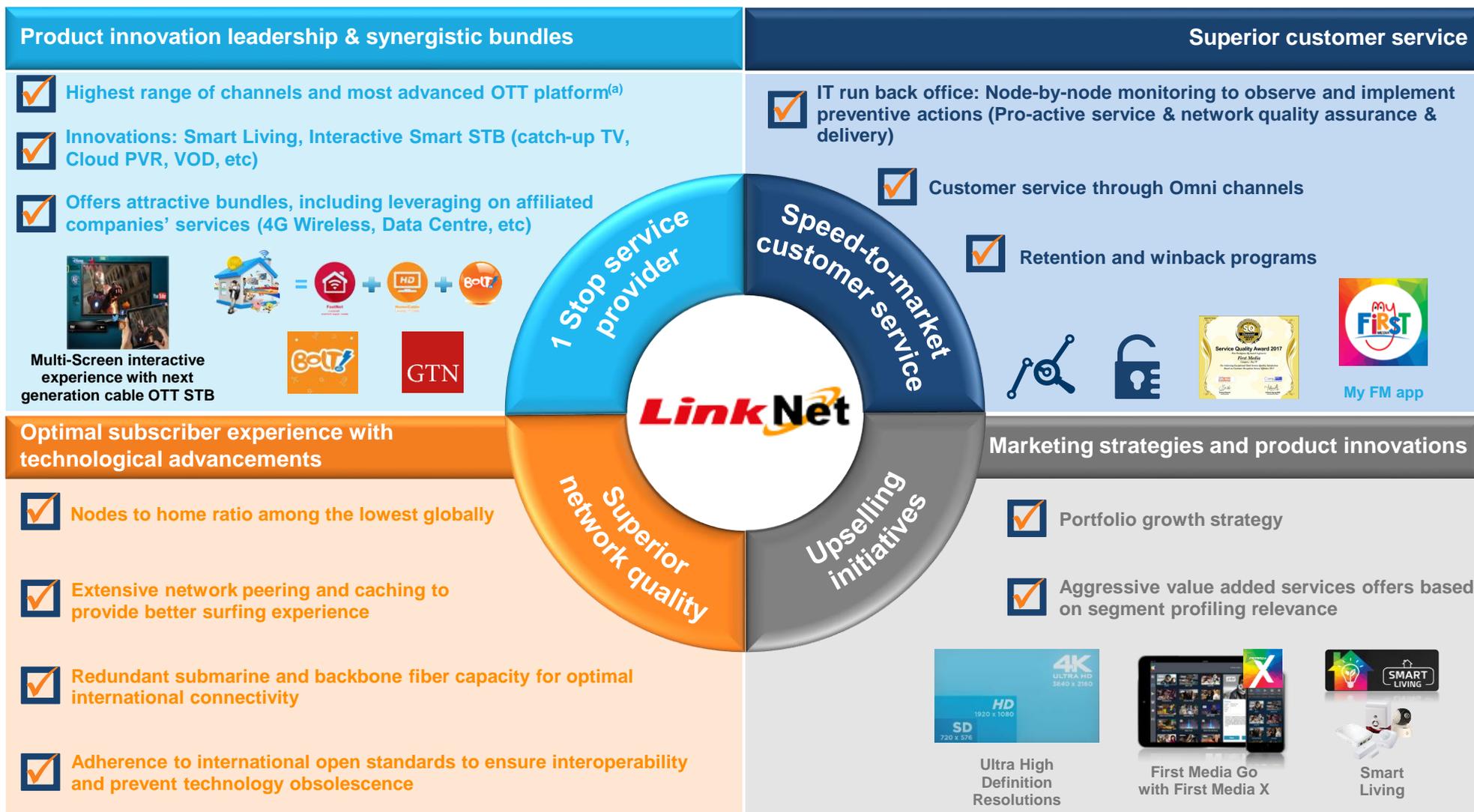144 — Total Debt

522 — Net Cash
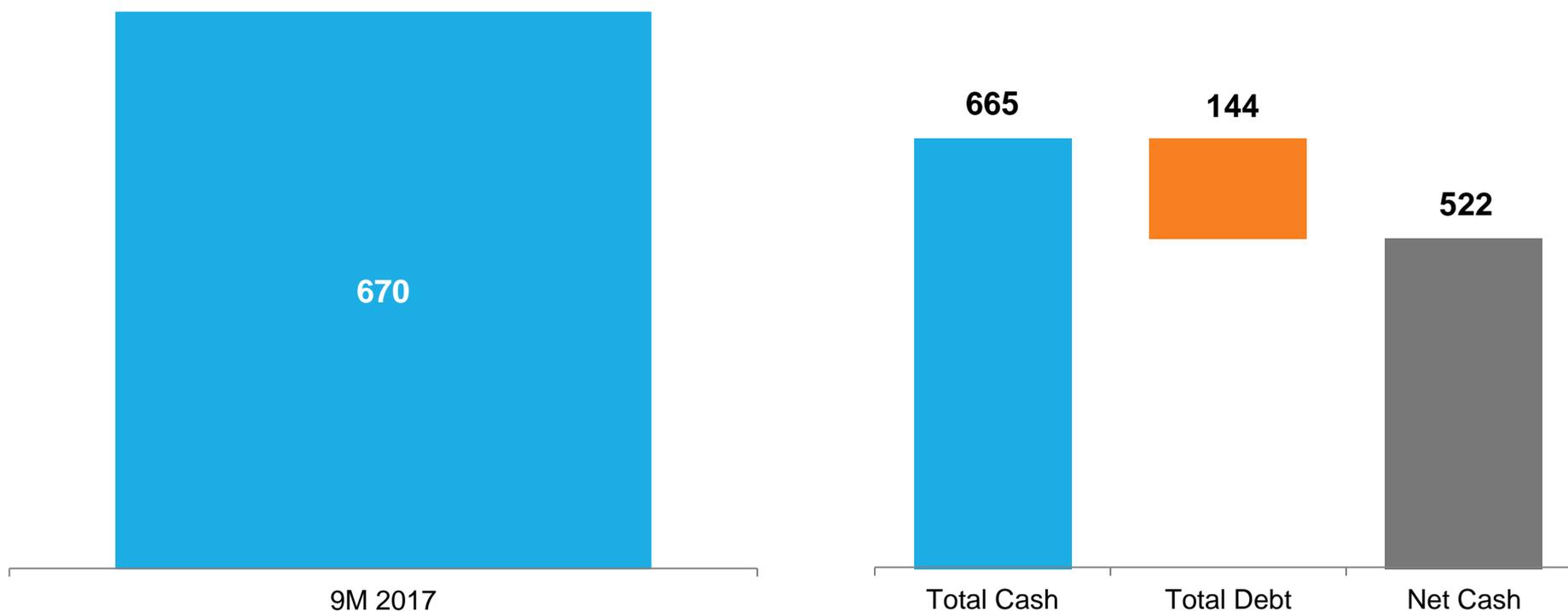
*Total cash and debt position as of September 2017. Total debt mainly comprises vendor financing.*

# 4.  Key Business Initiatives

# Cementing position as a leading HSBB provider of choice

## Product innovation leadership & synergistic bundles

- ☑ **Highest range of channels and most advanced OTT platform[a]**
- ☑ **Innovations: Smart Living, Interactive Smart STB (catch-up TV, Cloud PVR, VOD, etc)**
- ☑ **Offers attractive bundles, including leveraging on affiliated companies' services (4G Wireless, Data Centre, etc)**

**Multi-Screen interactive experience with next generation cable OTT STB**

## Superior customer service

- ☑ **IT run back office: Node-by-node monitoring to observe and implement preventive actions (Pro-active service & network quality assurance & delivery)**
- ☑ **Customer service through Omni channels**
- ☑ **Retention and winback programs**

My FM app

### 1 Stop service provider
### Speed-to-market customer service
### Superior network quality
### Upselling initiatives

## Optimal subscriber experience with technological advancements

- ☑ **Nodes to home ratio among the lowest globally**
- ☑ **Extensive network peering and caching to provide better surfing experience**
- ☑ **Redundant submarine and backbone fiber capacity for optimal international connectivity**
- ☑ **Adherence to international open standards to ensure interoperability and prevent technology obsolescence**

## Marketing strategies and product innovations

- ☑ **Portfolio growth strategy**
- ☑ **Aggressive value added services offers based on segment profiling relevance**

Ultra High Definition Resolutions
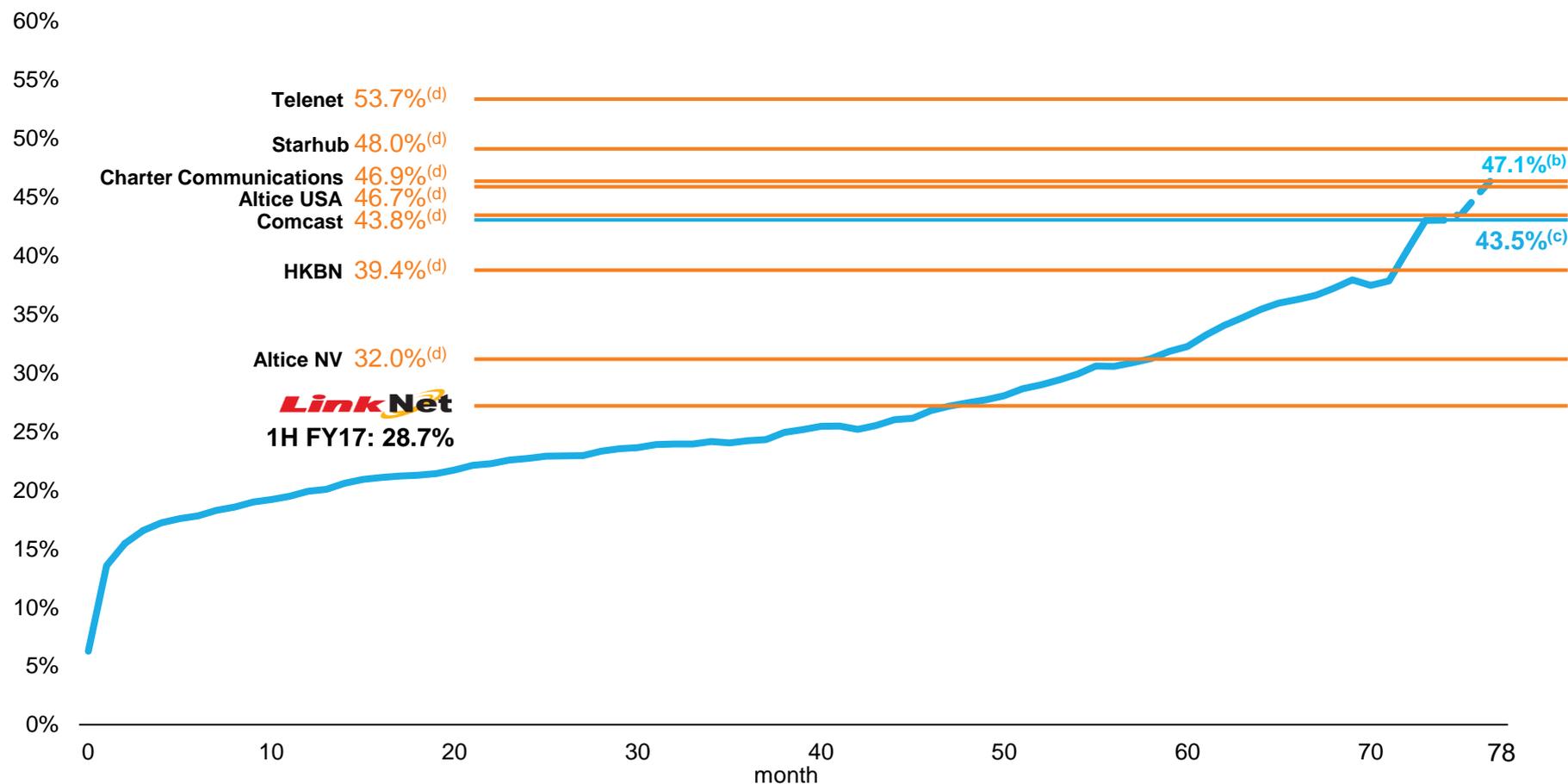
First Media Go with First Media X

Smart Living

*Note: HSBB refer to high-speed broadband (broadband connections of 4 Mbps or faster)*

a) Source: 2017 Media Partners Asia

# Maximize capital utilization through intensification

**Penetration rate by age of new roll-outs[a]**



Telenet 53.7%[d]
Starhub 48.0%[d]
Charter Communications 46.9%[d]
Altice USA 46.7%[d]
Comcast 43.8%[d]
HKBN 39.4%[d]
Altice NV 32.0%[d]

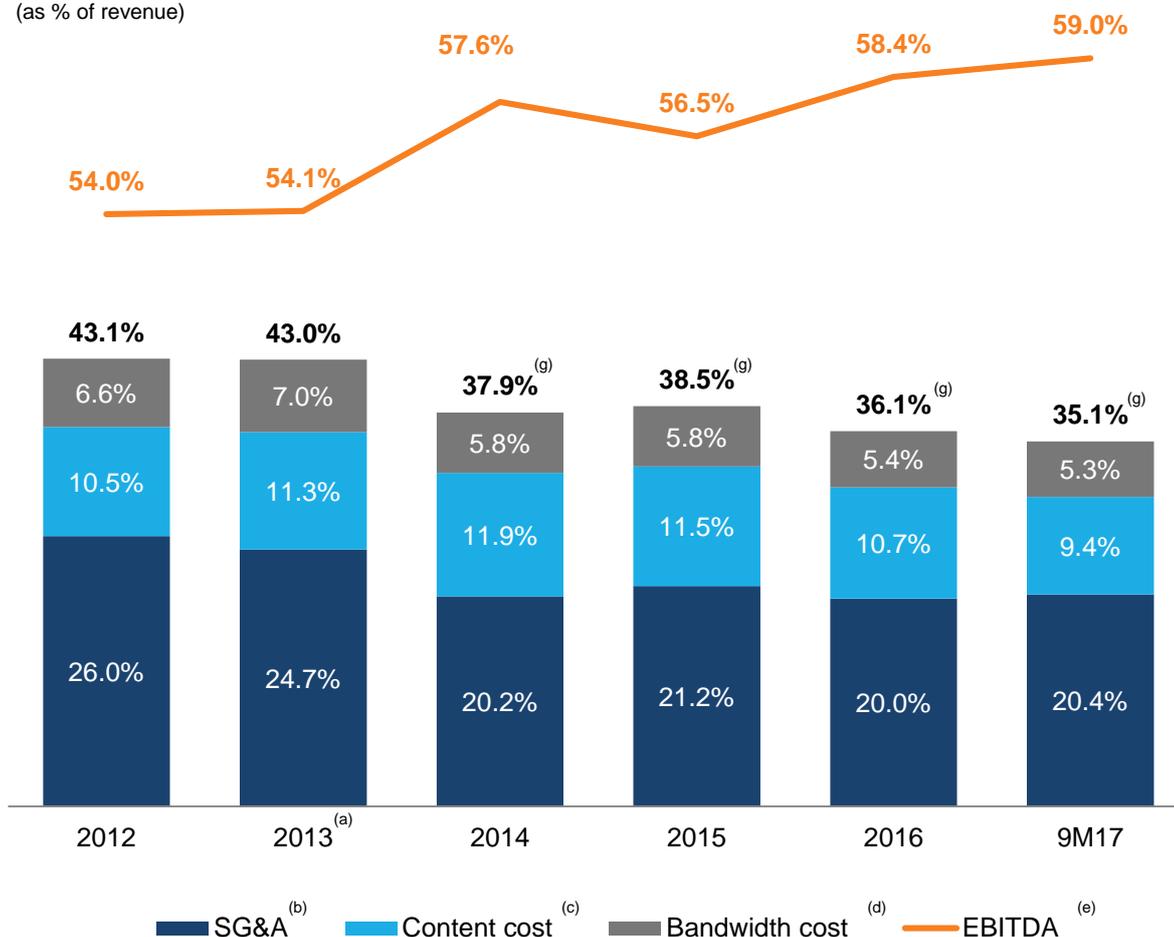**Link Net**
**1H FY17: 28.7%**

47.1%[b]
43.5%[c]

month

a) Penetration rates calculated based on the median monthly take up rates of each vintage rolled out up to June 2017
b) Link Net's highest penetration rate achieved by January 2011 vintage
c) Link Net's January 2011 median vintage penetration rates from January 2011 to June 2017
d) Source: 2017 Media Partners Asia

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# Focus on operational efficiencies

## Increasing profitability with operational efficiency

(as % of revenue)



Chart showing EBITDA as % of revenue (orange line) and cost breakdown bars (SG&A, Content cost, Bandwidth cost):

EBITDA: 2012: 54.0%, 2013: 54.1%, 2014: 57.6%, 2015: 56.5%, 2016: 58.4%, 9M17: 59.0%

| | 2012 | 2013[a] | 2014[g] | 2015[g] | 2016[g] | 9M17[g] |
|---|---|---|---|---|---|---|
| Total | 43.1% | 43.0% | 37.9% | 38.5% | 36.1% | 35.1% |
| Bandwidth cost | 6.6% | 7.0% | 5.8% | 5.8% | 5.4% | 5.3% |
| Content cost | 10.5% | 11.3% | 11.9% | 11.5% | 10.7% | 9.4% |
| SG&A | 26.0% | 24.7% | 20.2% | 21.2% | 20.0% | 20.4% |

Legend: ■ SG&A[b]  ■ Content cost[c]  ■ Bandwidth cost[d]  — EBITDA[e]

## Key initiatives

☑ **Reap economies of scale**
- Broadband (Bulk discounts for network and CPE[f])
- Cable TV (Lower content cost per subscriber)

☑ **Purchase of intercity Java backbone ring**

☑ **Reduction in IP transit bandwidth usage (via caching, peering, etc)**

☑ **Establish key relationships with international and local TV content providers to cement negotiating positions**

a) Adjusted IDR26 bn for one-time fees related to corporate action and impairment charges related to the change in churn policy and discontinuation of selected promotional packages
b) Defined as total selling, general and administrative expenses, and other expenses (income) / total revenue
c) Defined as cost of revenue for cable television (programming distribution and technical services) / total revenue. Content cost denominated in USD was 21.4% and 10.0% for 2016 and 9M17.
d) Defined as cost of revenue for broadband internet / total revenue. Bandwidth cost denominated in USD was 72.0% and 64.7% for 2016 and 9M17.
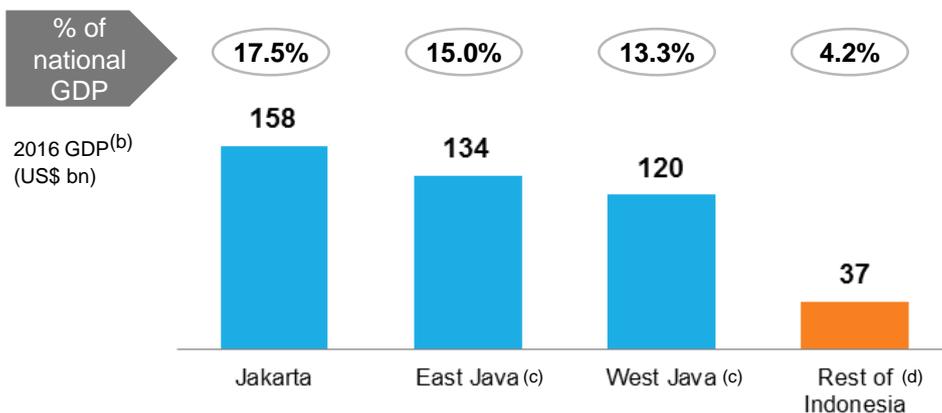e) EBITDA is a non-GAAP financial measure of the Company's performance and should not be considered as an alternative to performance measures derived in accordance with IFAS. Other companies may calculate this non-GAAP measure differently which limits its usefulness as a comparative measure. See slide 39 for more information, including a reconciliation to profit for the period
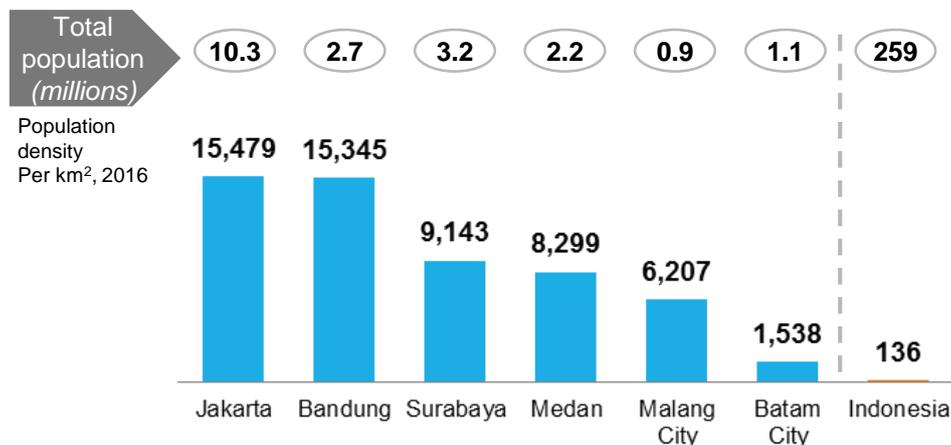f) Consumer premises equipment (converters, decoders, cable modem and set-top boxes)
g) Total SG&A, Content cost and Bandwidth cost denominated in USD was 8.1%, 6.8%, 3.1%, and 2.6% for 2014, 2015, 2016, and 9M17

# Link Net – Leading HSBB provider of scale and operating in some of the most attractive metropolitan areas of Indonesia…
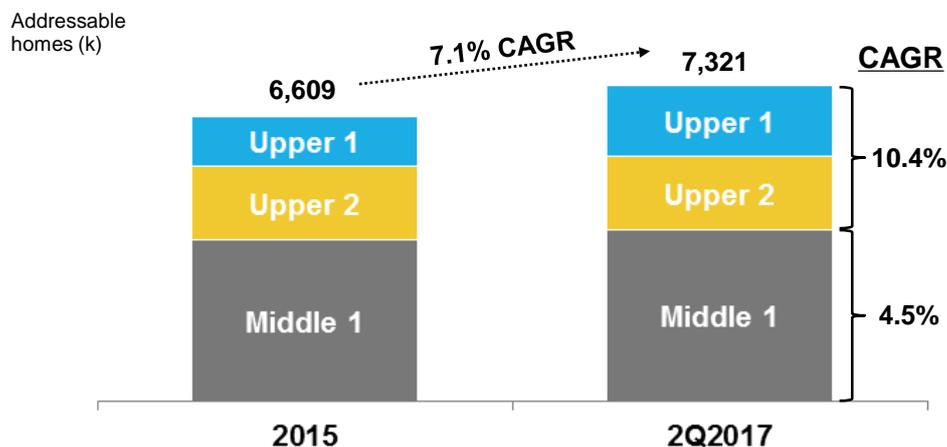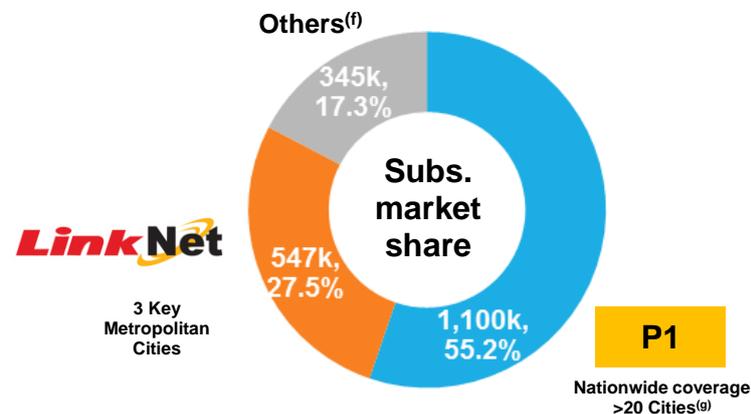
## Operating in provinces with high GDP contribution…[a]

% of national GDP

| 17.5% | 15.0% | 13.3% | 4.2% |

2016 GDP[b] (US$ bn)

| | Jakarta | East Java [c] | West Java [c] | Rest of Indonesia [d] |
|---|---|---|---|---|
| GDP | 158 | 134 | 120 | 37 |

## …and in some of the most densely populated cities[a]

Total population (millions)

| 10.3 | 2.7 | 3.2 | 2.2 | 0.9 | 1.1 | 259 |

Population density Per km², 2016

| Jakarta | Bandung | Surabaya | Medan | Malang City | Batam City | Indonesia |
|---|---|---|---|---|---|---|
| 15,479 | 15,345 | 9,143 | 8,299 | 6,207 | 1,538 | 136 |

## Link Net's large and fast growing addressable market[e]

Addressable homes (k)

7.1% CAGR

| | 2015 | 2Q2017 |
|---|---|---|
| Total | 6,609 | 7,321 |
| | Upper 1 | Upper 1 |
| | Upper 2 | Upper 2 |
| | Middle 1 | Middle 1 |

CAGR

10.4%

4.5%

## Anchor provider to affluent households in Indonesia

Others[f]

Subs. market share

- 345k, 17.3% (Others)
- 547k, 27.5% (3 Key Metropolitan Cities)
- 1,100k, 55.2% (P1)

**P1**
Nationwide coverage >20 Cities[g]

Source: 2017 Media Partners Asia unless otherwise stated
a) Source: Badan Pusat Statistik ("BPS")
b) GDP assumes USD/IDR exchange rate of 13,322
c) Key cities in East Java include Gresik, Bangkalan, Mojokerto, Surabaya, Sidoarjo, Lamongan and in West Java includes Bandung
d) Rest of Indonesia figure is the average of the remaining top 9 provinces as per BPS excluding Jakarta, East Java and West Java
e) According to, and based on addressable market of Upper 1, Upper 2 and Middle 1 SEC households as defined by Nielsen (2Q17 definition of SEC classification) – For Greater Jakarta, Greater Bandung, Greater Surabaya (Includes Malang) and Medan. Nielsen reports based on number of people aged 10 and above. Addressable homes or households is derived by assuming each home or household has 4 people each
f) Consists of 4 other key HSBB players in Indonesia which combined have fewer HSBB subscribers compared to Link Net
g) Refers to P1's nationwide coverage which covers more than 10 cities on Java island, plus key cities in Sumatra (Medan, Banda Aceh, Bandar Lampung, Bekasi, Palembang, Bengkulu), Kalimantan (Pontianak, Banjarmasin, Balikpapan, Samarinda), Sulawesi (Makassar) and Nusa Tenggara

# Operasional & Financial Initiatives

☑ Acquire a **Java intercity fiber backbone**\* that will give instant access to 43 new cities in Indonesia.

☑ Accelerate network expansion to 2.8 million homes passed by the end of 2021.

≥ 2,8

1.9

9M17

End 2021F
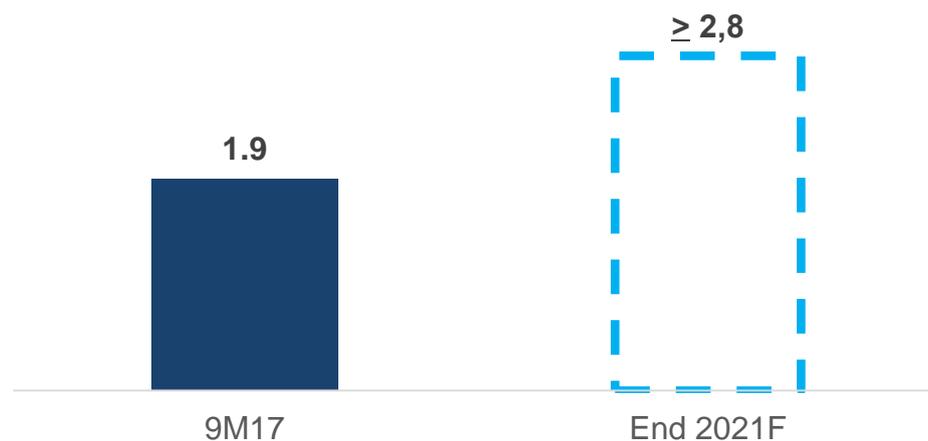
☑ Management has proposed an increase in the company's dividend pay out ratio with a DPR target of 50% of Net Profit

\* With 15-year irrevocable right of use

# 5. Accolades

# Industry accolades achieved

### Best of the Best Companies 2017

**2nd place**
**From Forbes Indonesia**

### Service Quality Award 2017

**Diamond (First Rank) Pay TV Category by Service Excellence Magazine and Carre-CCSL**

### Indonesia WOW Brand 2017

**Silver Champion,**
**Pay TV Category**

**From Markplus Inc**

### Indonesia Most Innovative Business Award 2017

**Advertising, Printing, and Media Category**

**From Warta Ekonomi**

Thank you