



**Link Net**

**PT Link Net Tbk**  
Corporate Presentation  
Version Q1 2016

**Link Net**

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# Lippo Group Business Segments



## LIPPO GROUP

### BANKING & FINANCE



### PROPERTY & REAL ESTATE



### SHOPPING MALLS

53 Malls



### RETAIL & STORES

411 Stores



### HOTELS & RESORTS

HOTEL ARYADUTA  
IMPERIAL KLUB GOLF

### HEALTH CARE

20 Hospitals



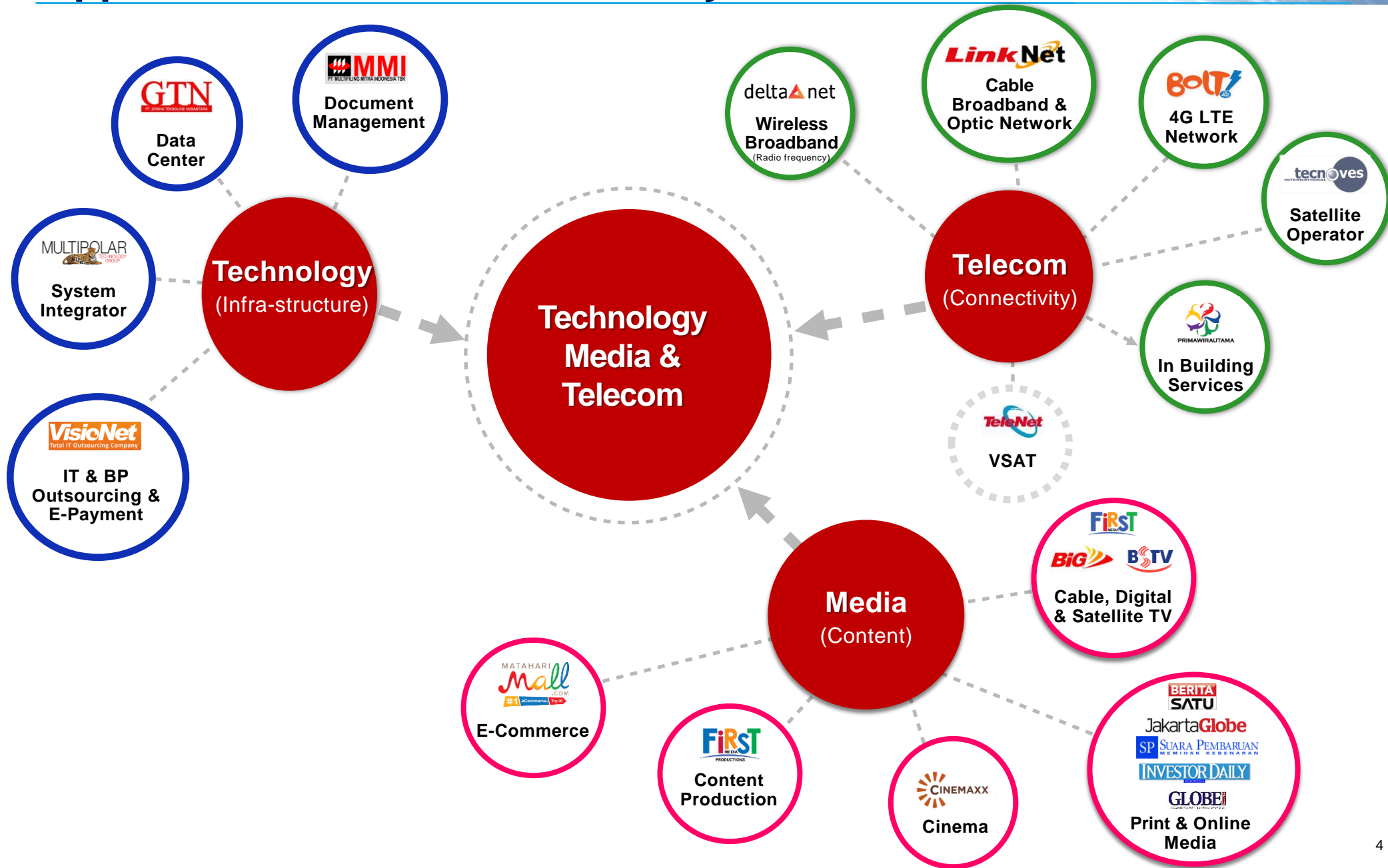
### UNIVERSITY & SCHOOLS



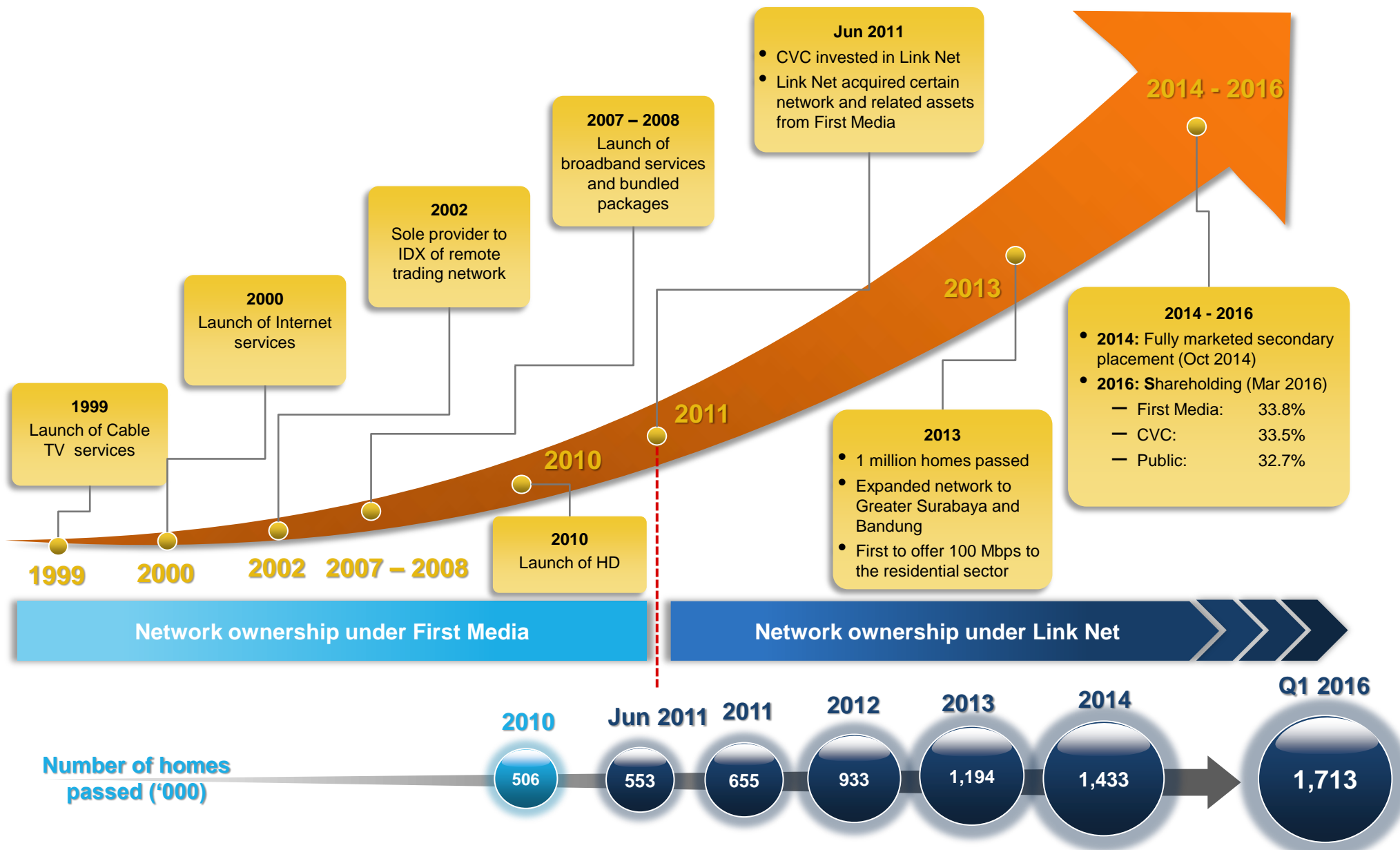
### TECHNOLOGY, MEDIA & TELECOM (TMT)



# Lippo TMT – An End to End Ecosystem



# Link Net – Key Milestones



# Indonesia – A Large & *Exciting* (Underdeveloped) TMT Market

## Indonesia today...

Large population base	251 million people <sup>(a)</sup>
Young population	54% of Indonesians under 30 years of age <sup>(a)</sup>
High GDP growth CAGR	5.8% real GDP growth rate <sup>(b)</sup>
Consumption driven economy	Consumption contribute to over 59% <sup>(d)</sup> of GDP
Urbanization with GDP concentration in cities	53% <sup>(f)</sup> urban population contributed to 74% <sup>(f)</sup> of GDP
Under-penetrated broadband	6.1% fixed broadband penetration rate <sup>(c)</sup>
Under-penetrated pay TV	10.0% pay TV penetration rate <sup>(c)</sup>

## ...with a highly compelling macro story

4 <sup>th</sup> largest by population country <sup>(c)</sup> in the world
One of the youngest <sup>(c)</sup> populations in the world
One of the fastest growing economies in the world <sup>(b)</sup>
Consumer class to grow by 90 million <sup>(e)</sup>
71% <sup>(g)</sup> urban population to contribute 86% <sup>(g)</sup> of GDP
Of the highest fixed broadband growth of 10.8% CAGR <sup>(h)</sup> in the world
Fast Pay TV growth of 8.8% CAGR <sup>(h)</sup>

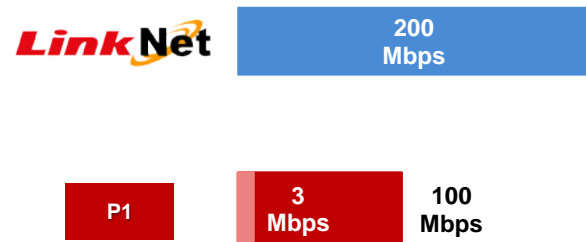
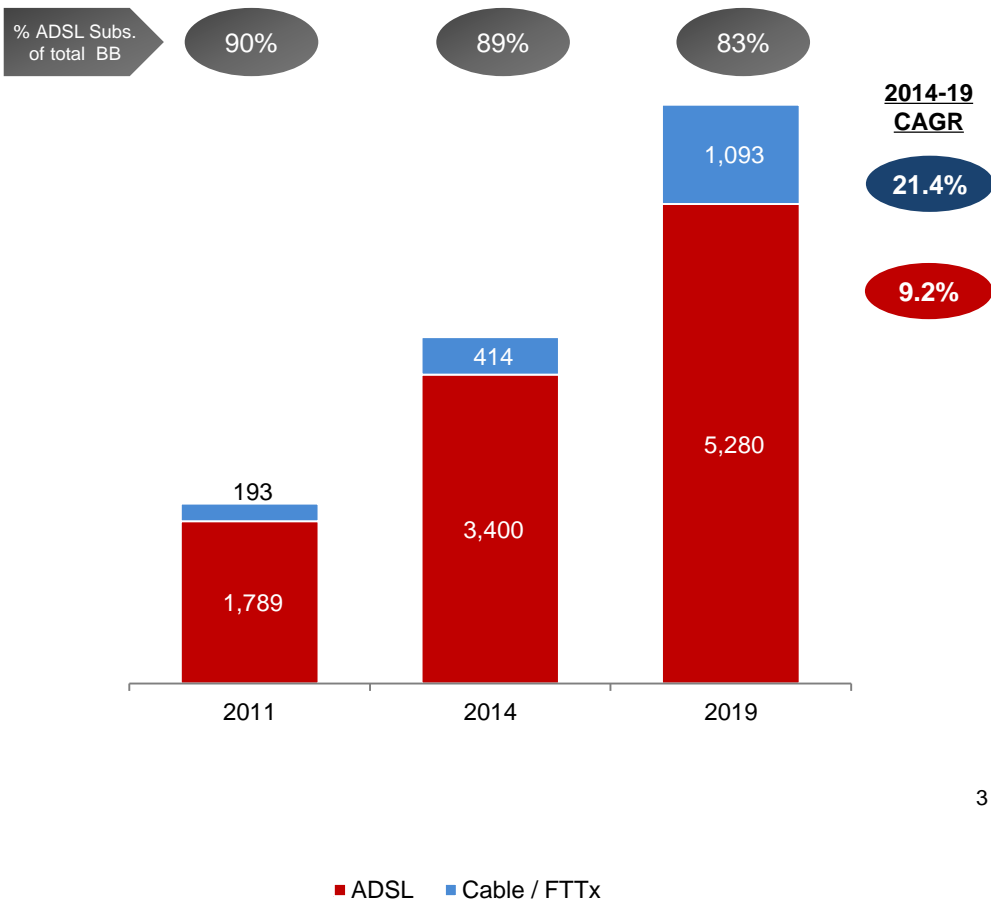
Indonesia is a large and attractive cable market with faster growth in larger cities

(a) Based on 2015, Source: Media Partners Asia  
 (b) 2014 – 19 CAGR, Source: Media Partners Asia and BMI  
 (c) Based on 2015, Source: Media Partners Asia  
 (d) Based on 2013, Source: Nielsen  
 (e) Growth from 2010 to 2030, Source: McKinsey Global Institute  
 (f) Based on 2010, Source: McKinsey Global Institute  
 (g) By 2030, Source: McKinsey Global Institute  
 (h) 2014-19 CAGR, Source: Media Partners Asia  
 Source: World Bank, Media Partners Asia, McKinsey Global Institute

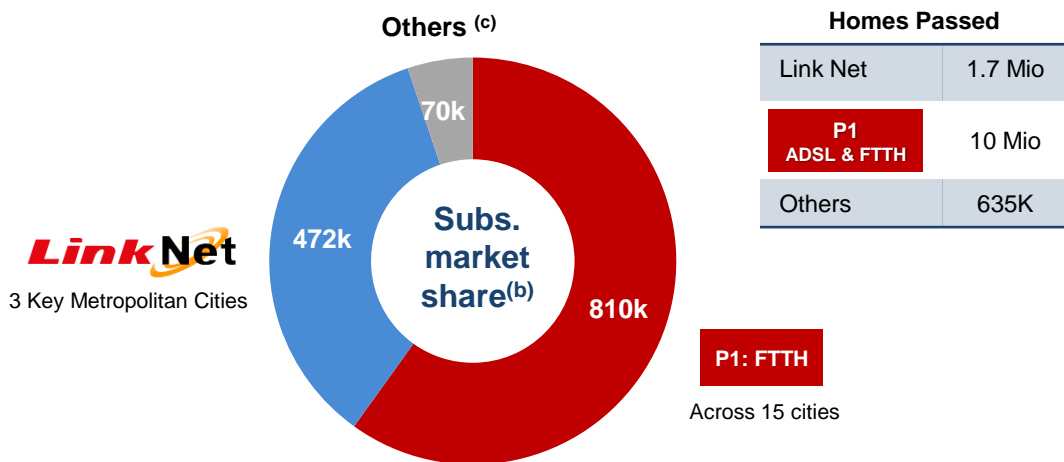
# Link Net – Leading Provider of Broadband & IP Services Driving Adoption of *Internet of Things* via its NGBB<sup>(a)</sup> Network

Large and fast growing market with strong demand...

...with Link Net as the leading provider of broadband and IP services driving the adoption of Internet of Things...



...and the anchor provider to affluent AB households in Indonesia's top 3 metropolitan cities



(a) NGBB defined as Next Generation Broadband  
 (b) Source: TLKM and Link Net based on Company data as of Q1 2016  
 (c) Source: "Others" data based on MPA 1H2015 (MNC Play, Biz Net and My Republic)

# First Mover Advantage in an Industry with Significant Barriers to Entry

In contrast to others...



Link Net's top tier personnel with **substantial expertise and track record** in **quality system roll out**, developed over many years of pioneering experience



Link Net's reputation for **quality service** and **customer support** creates "sticky" **relationships** with its customers; these constituencies reluctant to switch over and provide access for new cable construction with attendant disruptions to daily life



Link Net's significant experience in working with community leaders and delivering on its promises lend to **difficulties in getting communities approval on the part of new players with unproven track record**



Link Net's **shorter payback period** and **more attractive financial return**

In combination...



Link Net's **focus** and record of **AB home passes and household penetration**;



Its **breadth of content offerings**;



The solid relationship between **price and value** for each of its offerings;

...create **significant barriers to entry**.



# Technologically Resilient State-of-the-Art Network and Superior Content Delivery – *Driver of the Internet of Things*

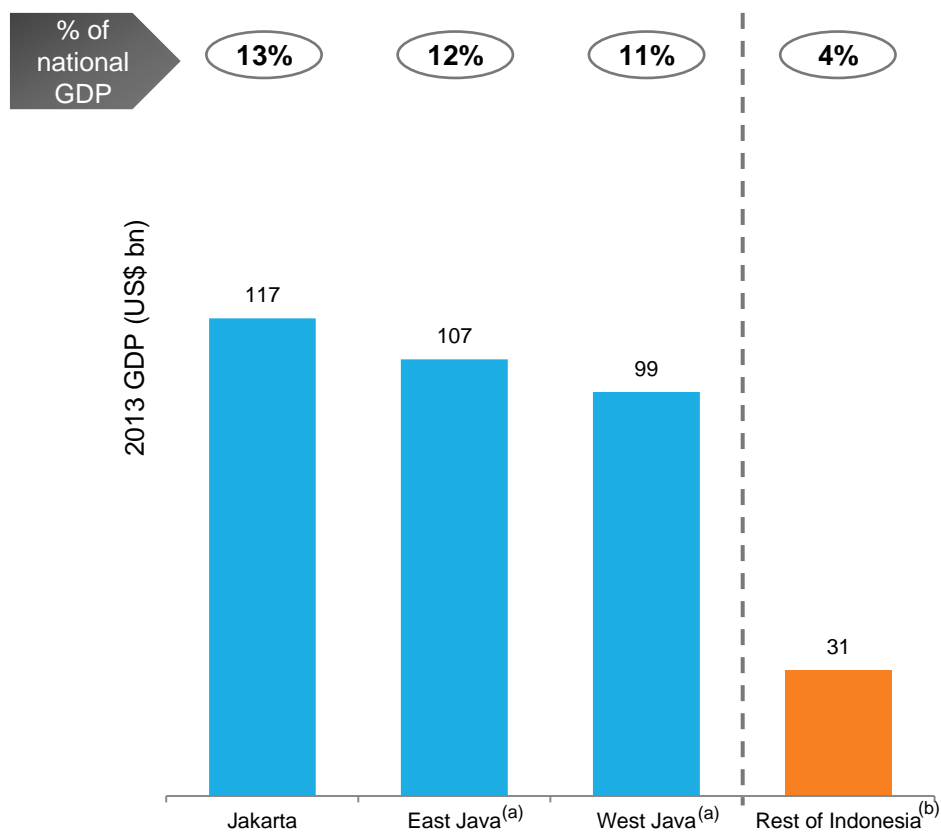
-  Currently capable of high speed internet connectivity of up to 200 Mbps -- fully DOCSIS 3.0 enabled allowing clear path to speeds of up approximately **1 Gbps**.
  
-  **Fully owned fiber backbone and last mile<sup>(a)</sup>** – ensuring high quality services and cost control
  
-  Link Net **owns and operates its own fiber lines to Singapore gateway**--from there it connects to the rest of the world
  
-  Supports large number of **High Definition channels and Value Added Service (VAS) - Industry leader**
  
-  **Low average homes-to-nodes ratio - 360 homes per node<sup>(b)</sup>**

(a) Limited exceptions for certain last mile owned by property developers

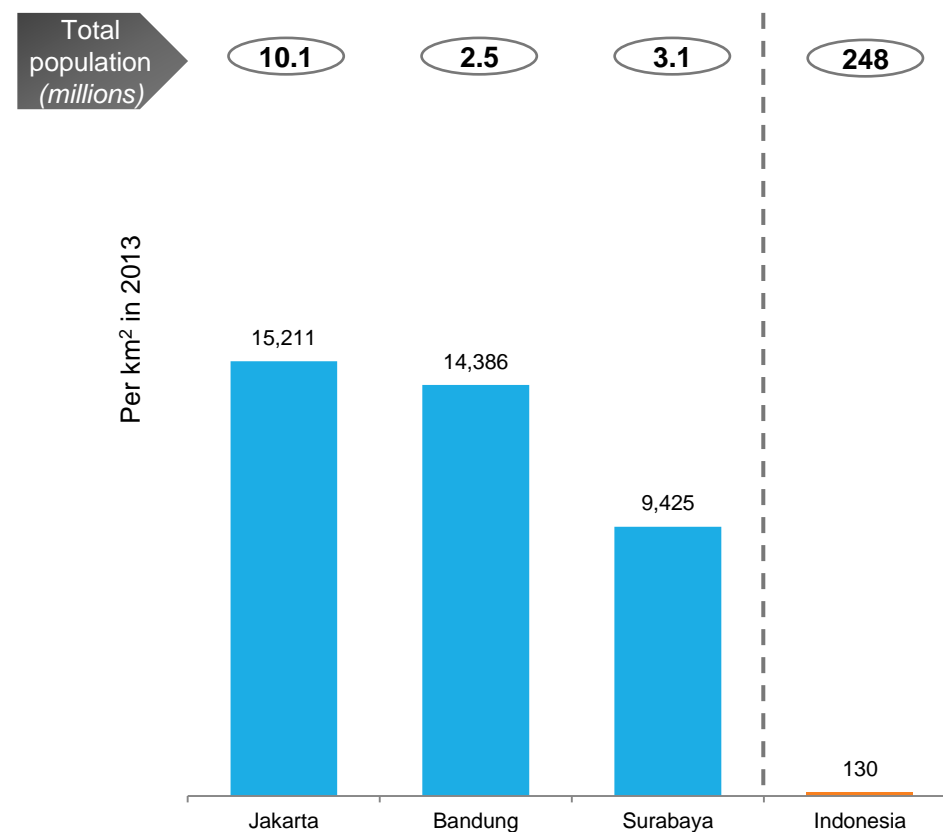
(b) Source: Media Partners Asia

# Targeting the Most Attractive Cities...

## Operating in provinces with high GDP



## Operating in cities with high population



(a) Key cities in East Java include Gresik, Bangkalan, Mojokerto, Surabaya, Sidoarjo, Lamongan and West Java includes Bandung  
 (b) Rest of Indonesia figure is the average of the remaining top 12 provinces as per BPS excluding Jakarta, East Java and West Java  
 Source: Media Partners Asia, Biro Pusat Statistik (BPS), Nielsen and Company data

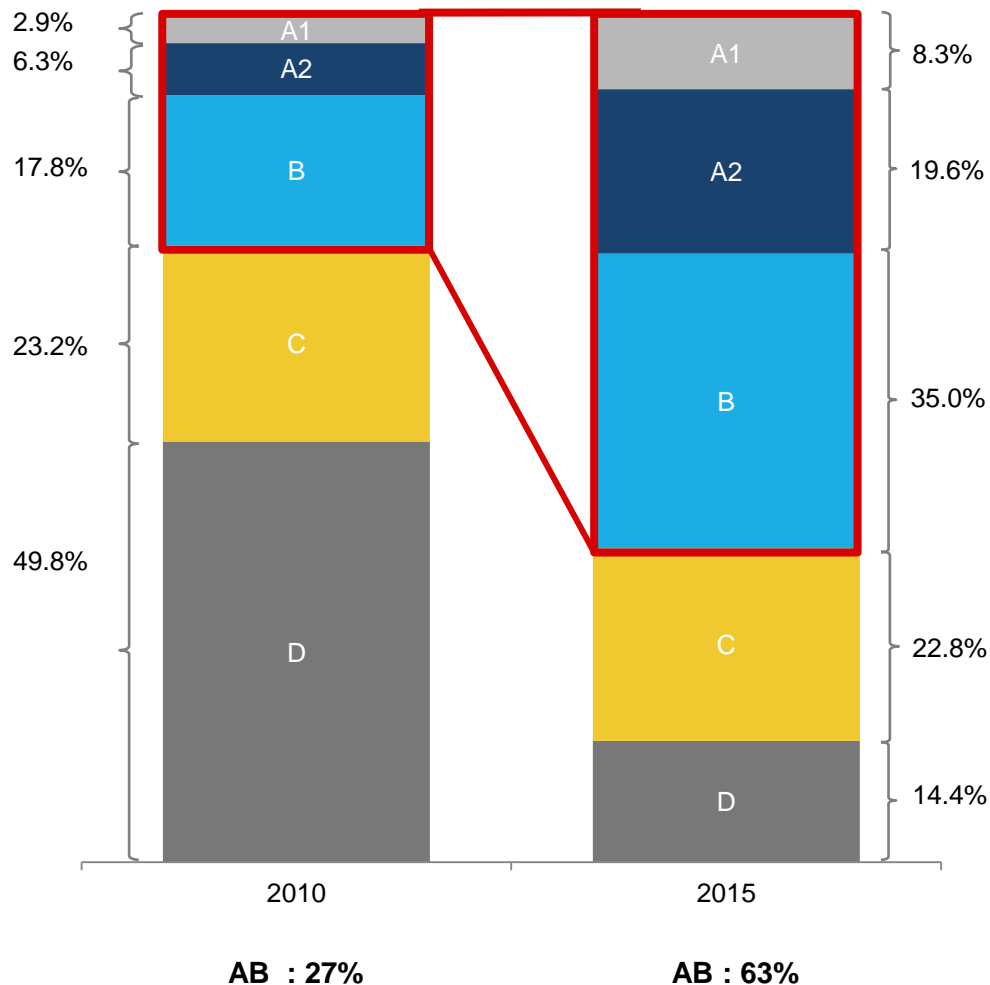
# ...and Attractive & Fastest Growing Demographics – the Millennials

Households in Link Net's operating cities<sup>(a)</sup>

Link Net's target market

Monthly expenditure (IDR '000) <sup>(b)</sup>

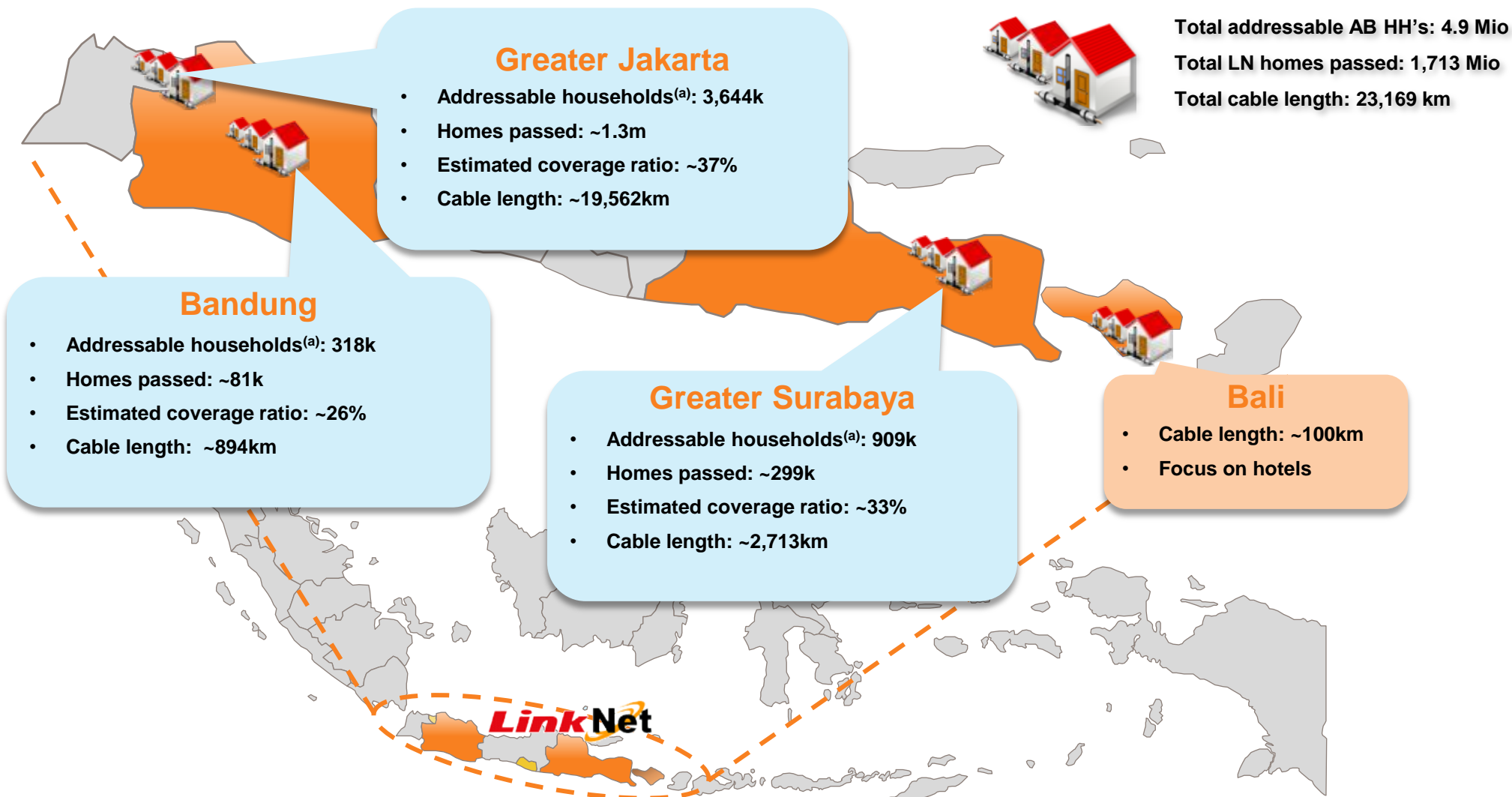
A1	10,000
A2	5,000
B	3,000
C	2,000
D	1,500



- Increasing proportion of AB segment since 2010
- AB segment less price sensitive
- Un-satisfied demand for quality broadband and premium entertainment experience
- Affordable entry level packages also available for C1 segment customers
- ABC1 growth driven by robust Indonesia macro fundamentals where lower income CDE HHs moving to affluent AB households

(a) Cities include Greater Jakarta, Greater Surabaya and Bandung  
 (b) Based on Nielsen 2015, AB HH monthly expenditure updated to Minimal Rp 3 mio  
 Source: Nielsen, assuming 4 pax per household

# Significant Room to Grow in Existing Cities

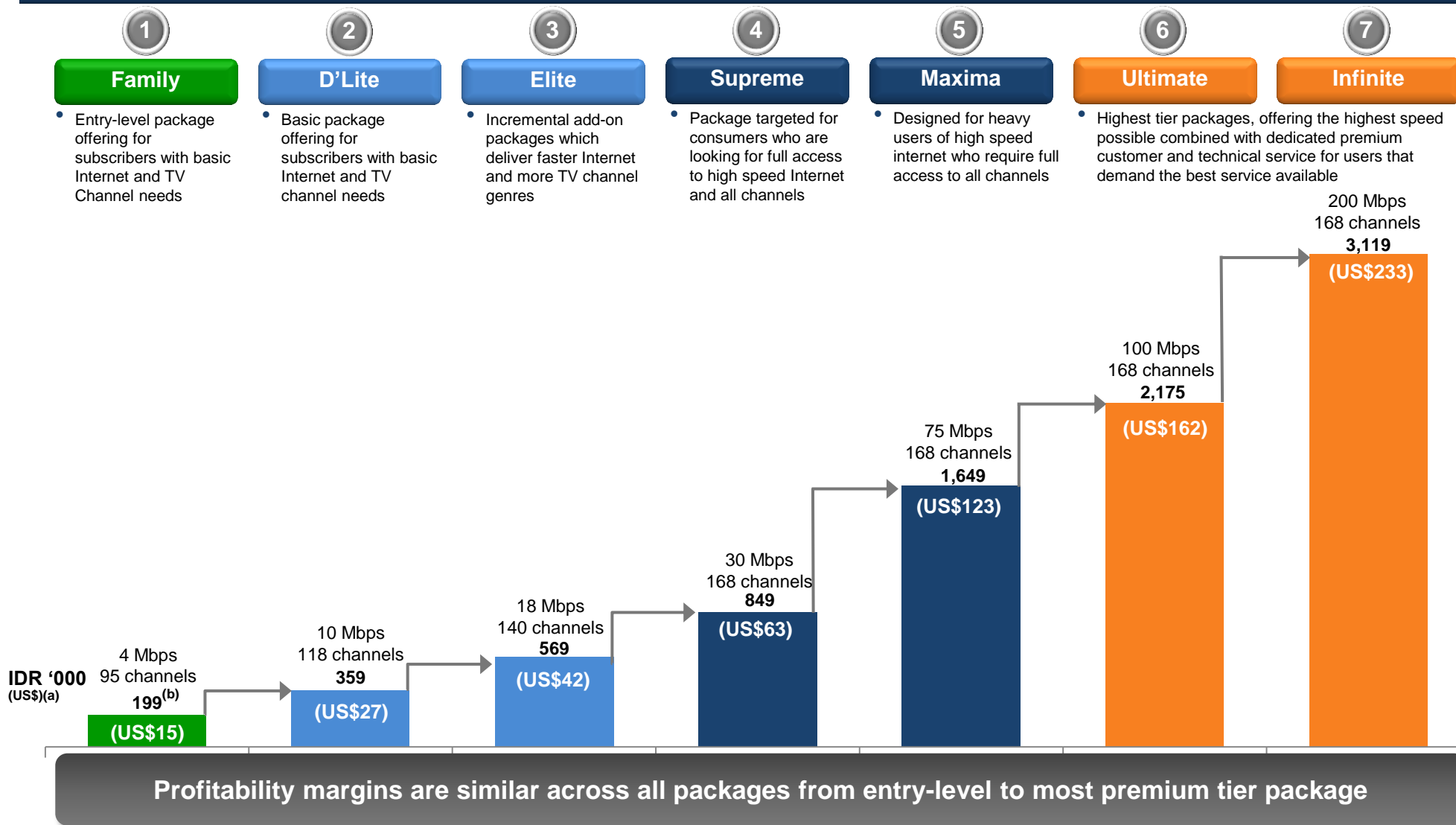


**Link Net NGBB player of SCALE, operating in the most attractive metropolitan areas of Indonesia**

(a) Based on addressable market of AB SES households as defined by Nielsen (2015 definition of SES classification)  
 Source: Company data (As of Q1 2016), World bank, Media Partners Asia

# Winning Price-Value Range of Broadband and Video Content Packages

Catering to a large addressable market from a large C population to a fast growing AB segment



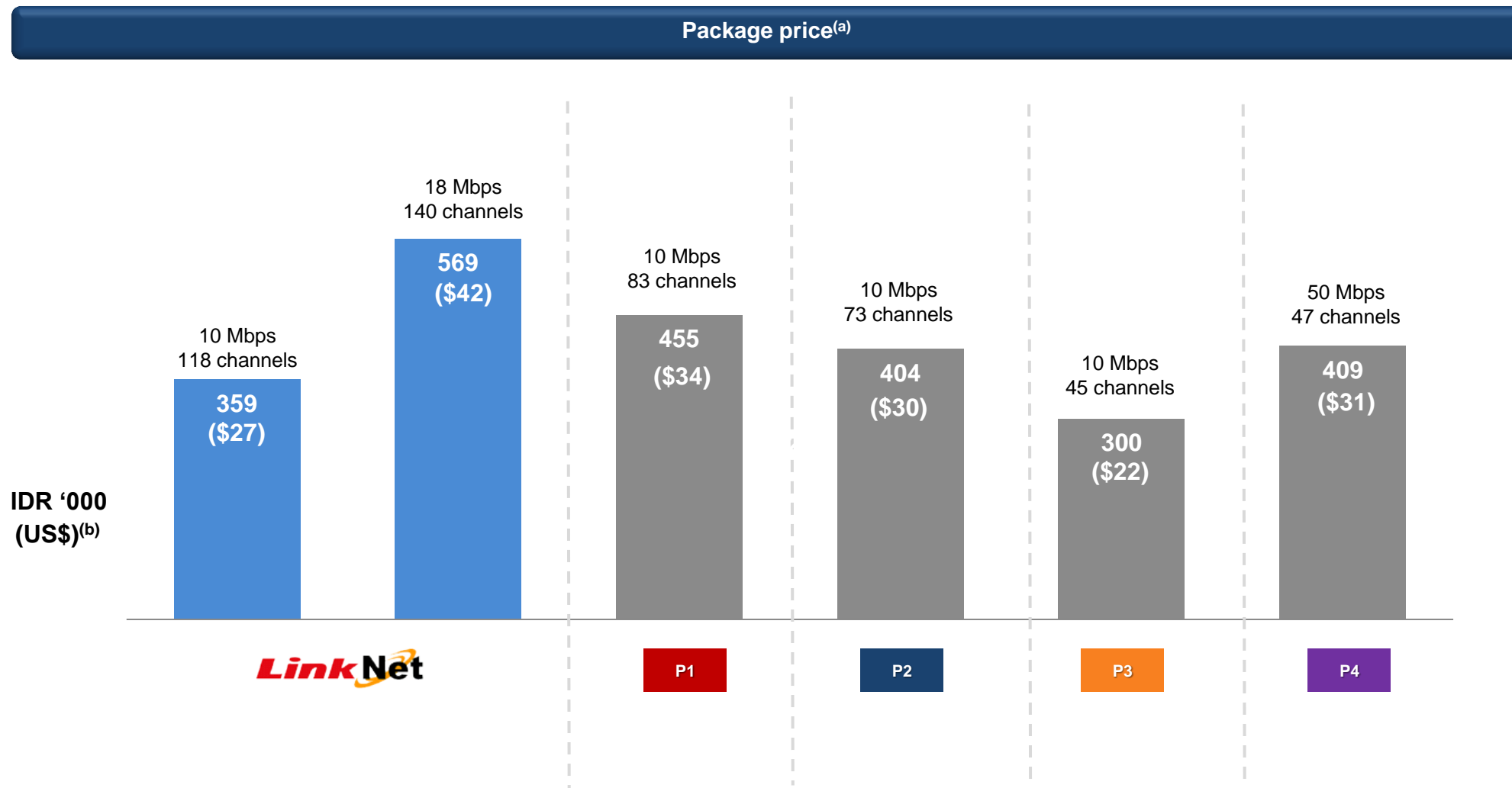
(a) US\$1 : IDR13,400 exchange rate was assumed

(b) Wireless Docsis 2.0 Wi-fi Modem and HD STB for FAMILY and D'LITE & Wireless Docsis 3.0 Wi-fi Modem and X1 STB for ELITE up

Source: Company data as of April 2016

All price is including CPE rental All price exclude 10% VAT

# Combo Packages of Video and Broadband Services Deliver Added Value to Customers



(a) For comparison across products, packages analysed offer 2, 6 & 12 Mbps for Link Net vs. others similar mbps Internet package

(b) USDIDR exchange rate of 13,400

Source: Company data, Corporate websites of service providers as of April 2016

# Consistent ARPU Growth based on Proven Track Record of Package Enhancements and Upselling

## Continuous innovations to stay ahead of the game

Maintain speed leadership with launch of 200 Mbps across all cities

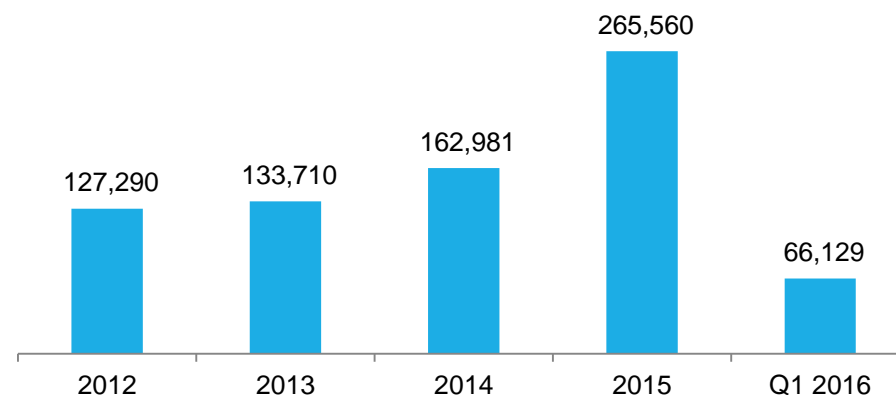
LTV Anywhere with FMX (> 150 live stream channels, 7 days catch up, premium VOD)

Multi-Screen Interactive Experience with next generation cable OTT STB



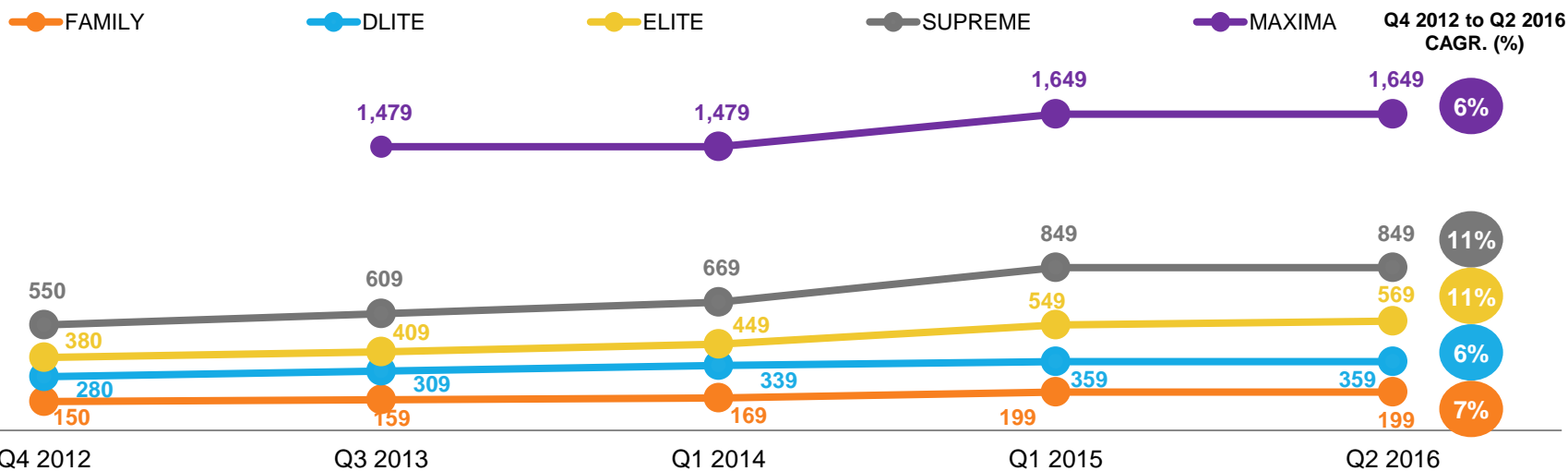
## Successful upselling through focused marketing efforts

No. of upgrade transactions each year



## Combo Product Retail Price Movement<sup>(a)</sup>

(IDR '000s)



(a) 2016 Combo repackage. No change in "ULTIMATE" and "INFINITE" combo.  
Source: Company data

## Q1 2016 highlights

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### ▪ Achievements

- Profitable growth sustained with **EBITDA margin at record high of 59.1%**
- **Revenue growth** slower but steady **up 12% yoy**
- **Net profit up 29% yoy** at a **high 27.9% margin**
- **Strong free cash flow** generation even as pace of **CAPEX investments maintained**
- Large leverage capacity maintained with **record high net cash position**

### ▪ Improvements

- **Subscriber RGU base grew 18% yoy** bringing overall penetration<sup>1</sup> **up to 27.5%**
- Better customer retention with average **monthly churn 0.1% lower at 2.2%**

### ▪ Challenges

- **Premium ARPU maintained** albeit **3% lower** at IDR402 thousand
- **Enterprise business** still in growth mode but has **yet to gain significant momentum** amidst softness in the SME and advertising markets

<sup>1</sup>Calculated as end of period broadband subscribers as a percentage of end of period homes passed

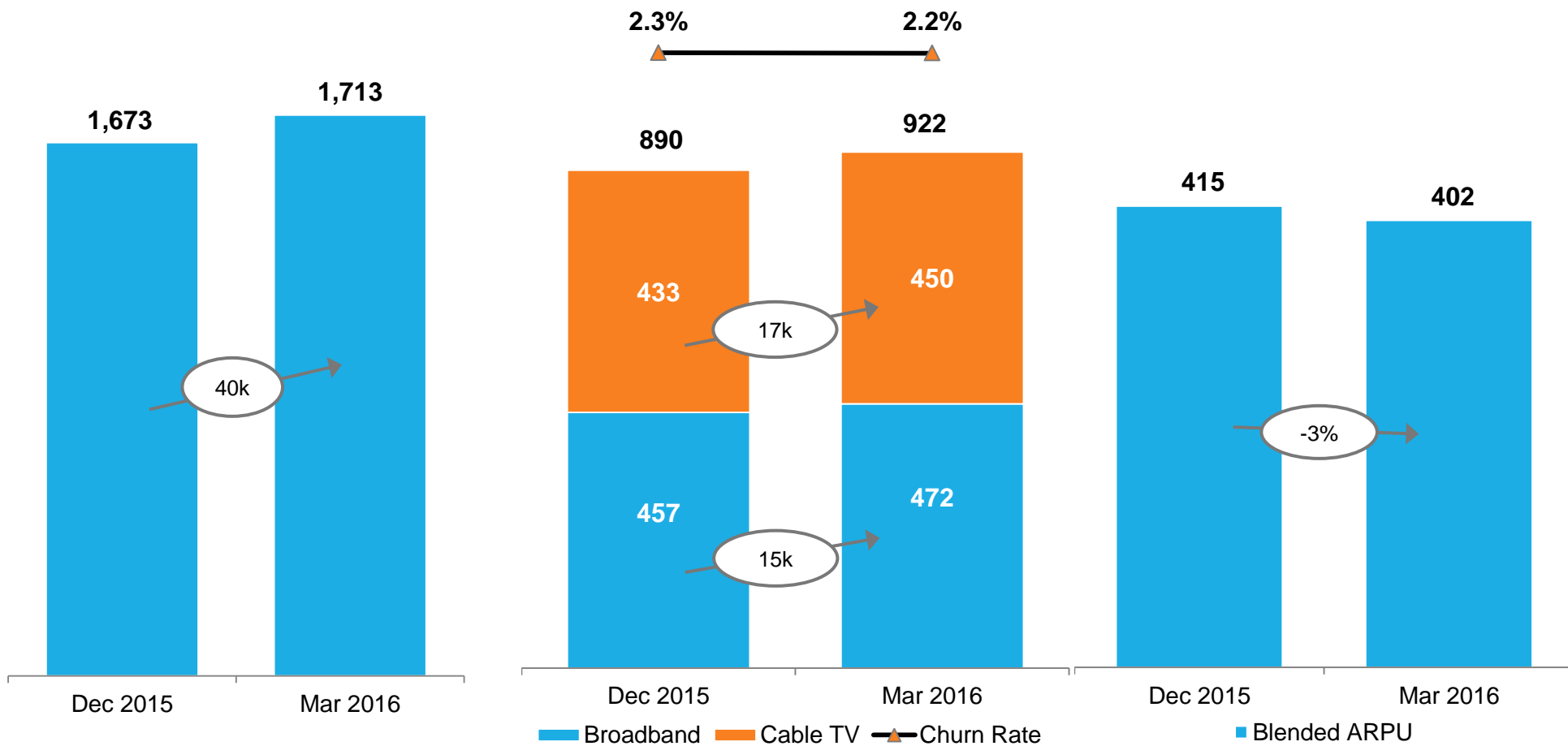


# Homes passed & net adds on track as premium ARPU slides on more cautious repricing stance

Homes Passed ('000)

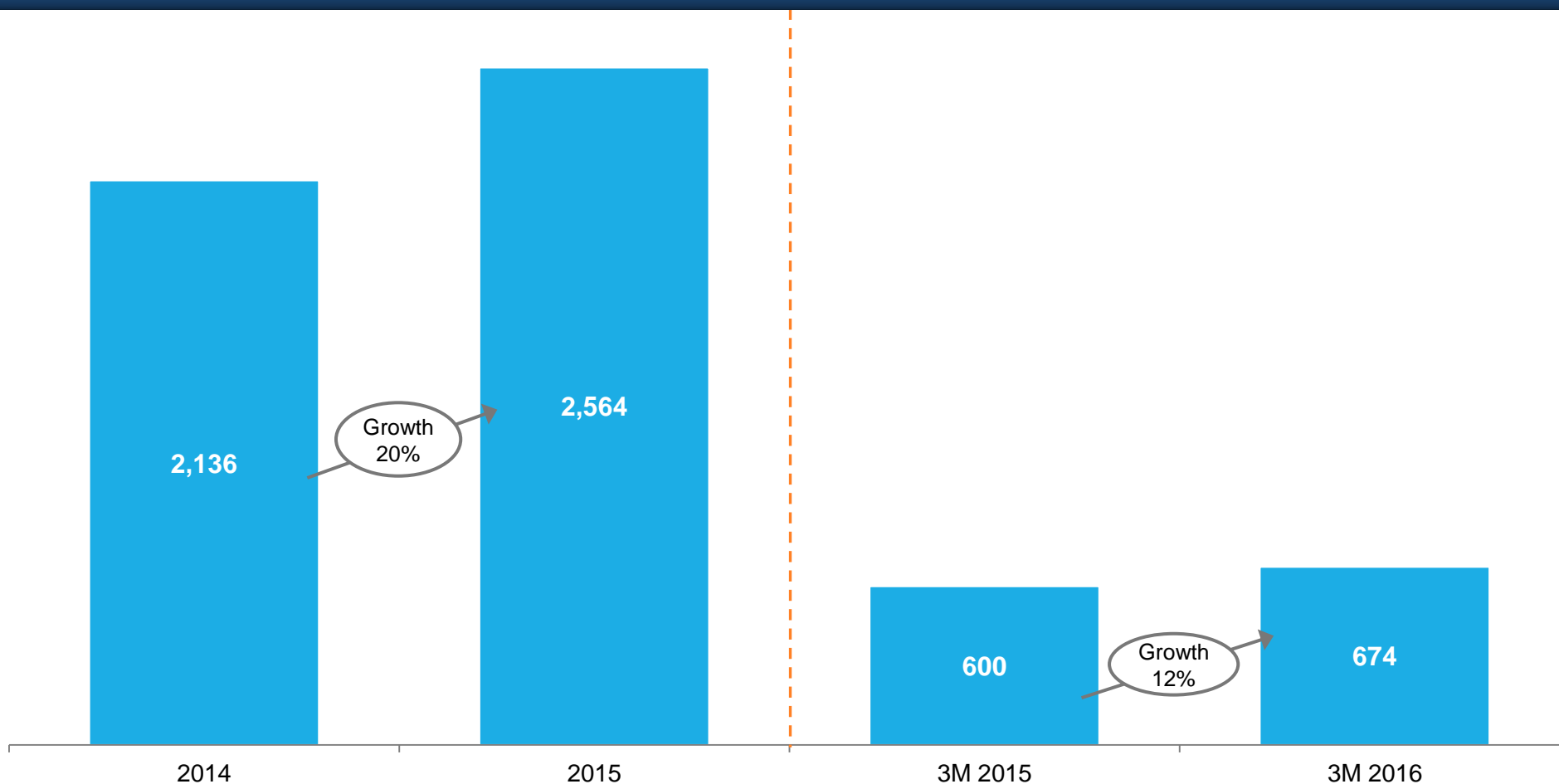
RGUs ('000) and Churn %

ARPU (IDR '000)



# Moderate revenue growth as enterprise business yet to gain key momentum

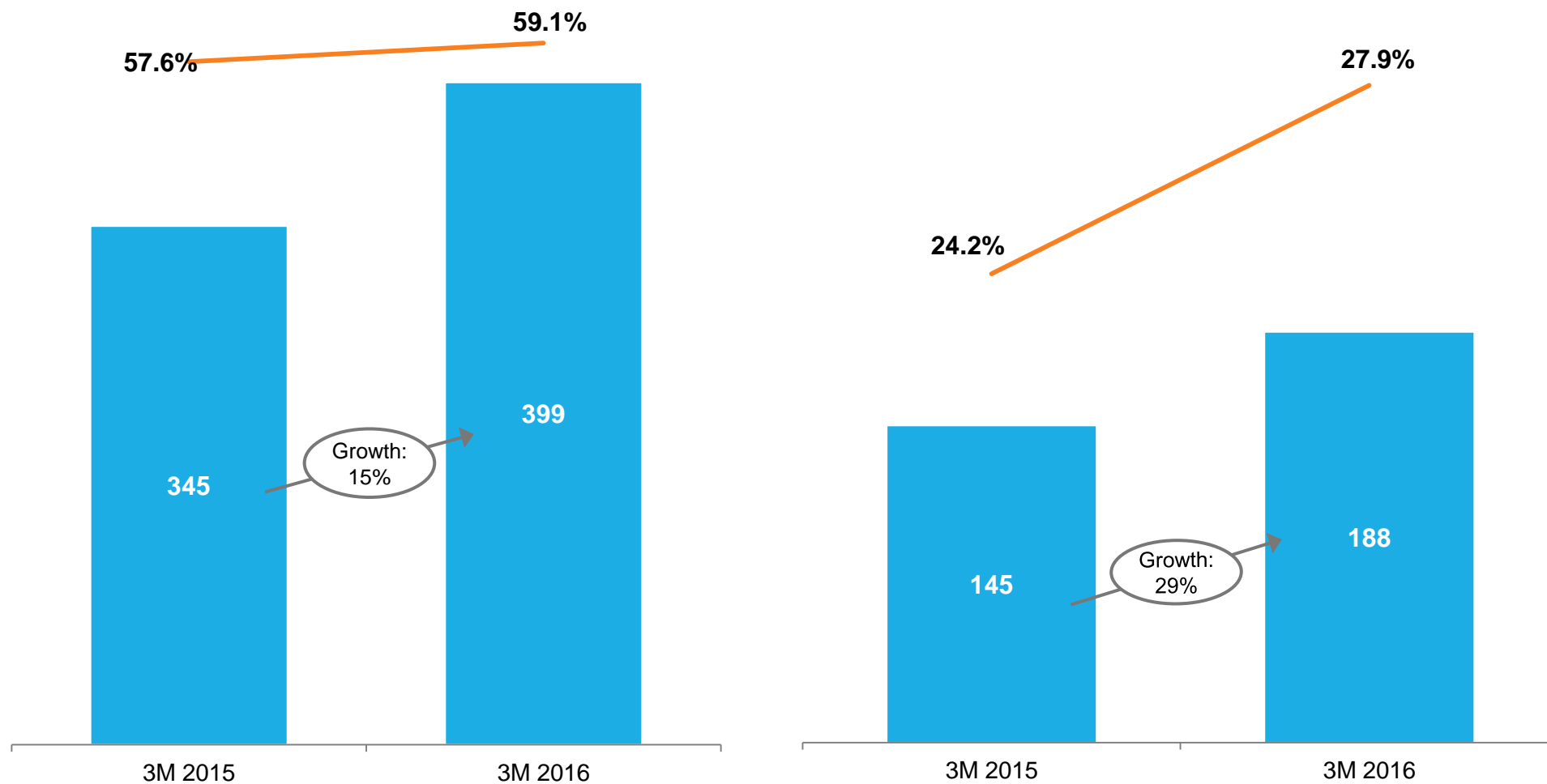
Revenue (IDR bn)



# Strong margins on further scale and cost advantages as well as stronger Rupiah

EBITDA (IDR bn)

Net Profit <sup>(1)</sup> (IDR bn)

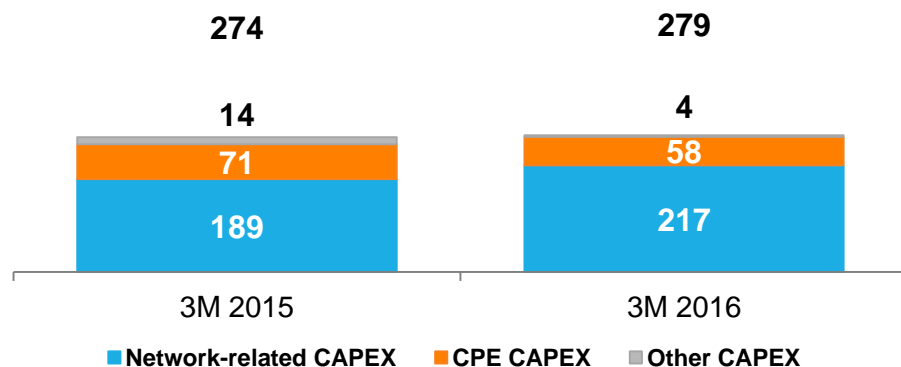


EBITDA and Net Profit Margins

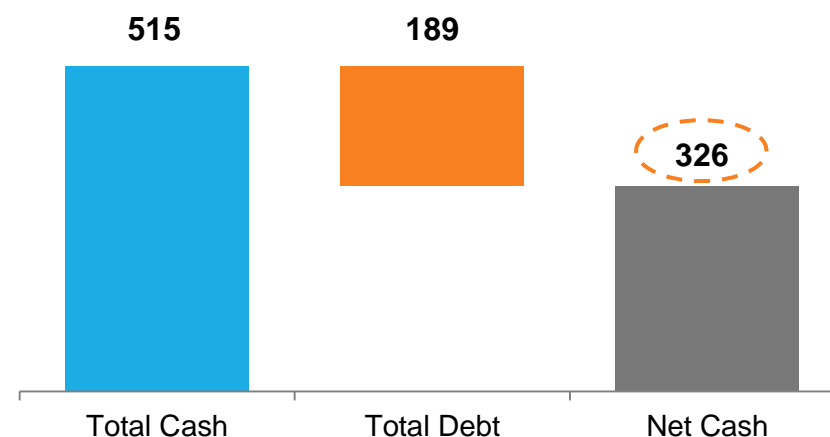
<sup>1</sup> Finance costs include net foreign exchange translation gains of Rp14 billion and financing and payment channel charges of Rp8 billion.

# Strategic investments in expansion continue on back of strong balance sheet

CAPEX<sup>1</sup> (IDR bn)



Net Cash<sup>2</sup> (IDR bn)



<sup>1</sup> Capital expenditure represents additions to property, plant and equipment (PPE).

<sup>2</sup> Total cash and debt position as of March 31, 2016. Total debt mainly comprises vendor financing.

# Key Investment Highlights



## Large and attractive market

1

- Indonesia most underpenetrated and fastest growing broadband market globally<sup>(a,b)</sup>
- Link Net focus on large & fast growing affluent core households, in most important metropolitan cities
- Large residential consumer base and untapped enterprise upside



## Pioneer NGBB player of scale

2

- The leading provider of broadband and IP services driving the adoption of the Internet of Things via its Next Generation Broadband Network (NGBB)
- Dominant NGBB & Cable TV player in Indonesia, with proven track record
- Natural entry barriers<sup>(c)</sup> from first mover advantage



## State-of-the-art network

3

- Technologically resilient and highly redundant network
- Future Proof -- Highly upgradable network
- Abundant Link Net owned fiber trunks to support future international bandwidth and data growth



## Superior product offerings & services

4

- Differentiated product packages offering significant value to customers
- High take-up of bundled packages
- Best-in-class services



## Strong financial performance

5

- Highly attractive financial profile with visible strong growth trajectory and operating outlook
- High margins despite continued expansion



## Deep and experienced management team

6

- Complementary skills and expertise with strong domestic and international track record

(a) Most underpenetrated and fastest growing broadband market globally out of the top 20 largest global economies

(b) Source: Based on 2013 data from MPA

(c) Source: Media Partners Asia

The background features a dynamic, abstract composition of glowing blue fiber optic cables that curve and swirl across the frame. Interspersed among these light trails are various hexadecimal characters (A-F, 0-9) in a lighter blue, semi-transparent font, creating a sense of digital data flow and network connectivity.

**Link** Net

Thank you

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