

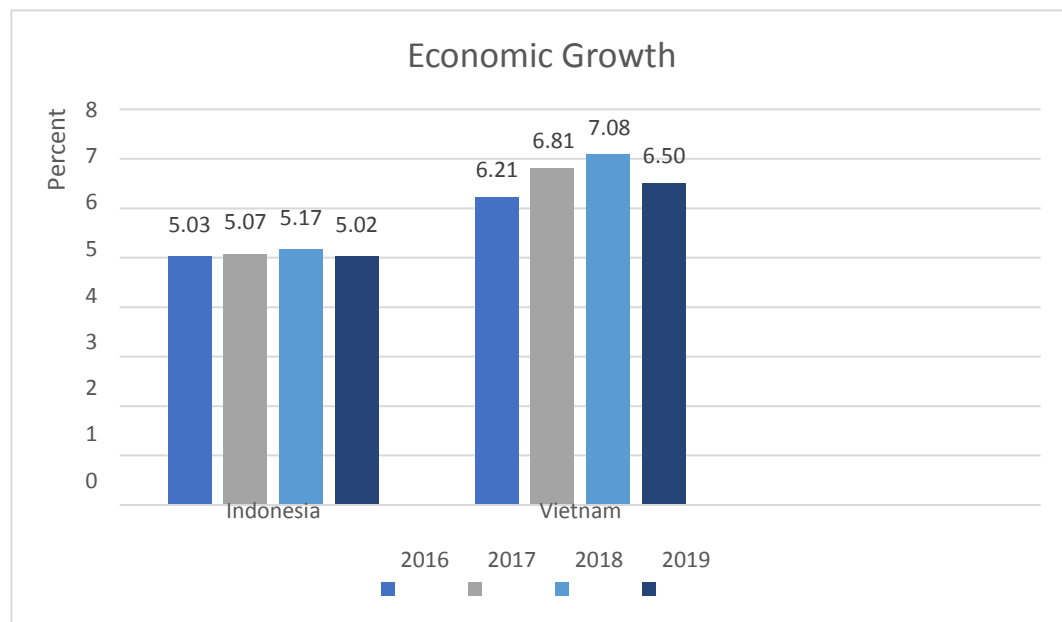
CHAPTER II

PRACTICAL ANALYSIS DATA FOR THE COMPANIES

2.1. Top-Down Analysis

International Monetary Fund (IMF) mention five ASEAN member countries are Indonesia, Malaysia, Philippines, Thailand, and Vietnam as ASEAN-5. These countries have the highest total GDP compared to other ASEAN countries. Economy of ASEAN-5 grew by 4.82 percent in 2019 is smaller than 2018 which grew to 5.25 percent.

Chart 2.1 Economic Growth in Indonesia and Vietnam in 2016 - 2019

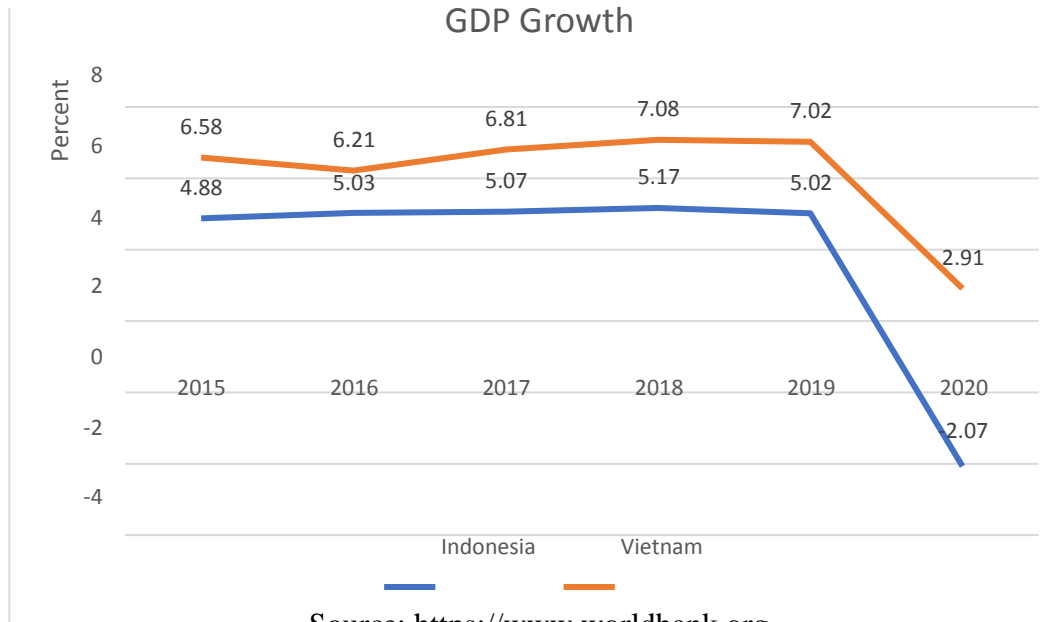


Source: <https://www.bps.go.id>

Despite the slowdown of Indonesia's economic growth, Indonesia does not shift the position of their rank, Indonesia maintains its position as the sixth biggest economic growth among ASEAN nations compared to several other ASEAN members. In 2020, Indonesia has faced quite heavy development challenges. The global crisis caused by Covid-19 pandemic brings complications for Indonesia to achieve its development goals. Based on World Bank, between March and

September 2020, official statistics reported an increase in the national poverty rate from 9.78 percent to 10.19 percent.

Chart 2.2 GDP Growth in Indonesia and Vietnam



In 2020, GDP in Indonesia and Vietnam has decreased. Indonesia has decreased by -2.07 percent. Based on Tempo.co, the economic contraction in 2020 was influenced by the weakening of ten industrial sectors due the Covid-19 pandemic. GDP noted that the spread of the pandemic caused the transportation and warehouse business field experienced the deepest contraction, which was -15.04 percent. Its contribution to the structure of GDP also contributes by 0.64 percent. Vietnam's GDP also has decrease (2.91 percent).

Despite the decrease, Vietnam is likely the top-performing Asian economy in 2020. A feat that was achieved without a single quarter of economic contraction at a time when many economies globally were weighed down by the Covid-19 pandemic. Quoted from CNBC, the Vietnam's economic growth grew 2.9 percent last year from a year ago, according to government estimates released in late December 2020.

In the era of globalization, the contribution of information and communication industry become an indicator of the progress of a nation. Based on

BPS, this is reflected in the growth of information and communication which increased in 2019 by 9.41 percent even though it had slowed down in the previous year by 7.02 percent. Along with that, the contribution of this industry to GDP also increased from 3.77 percent in 2018 to 3.96 percent 2019.

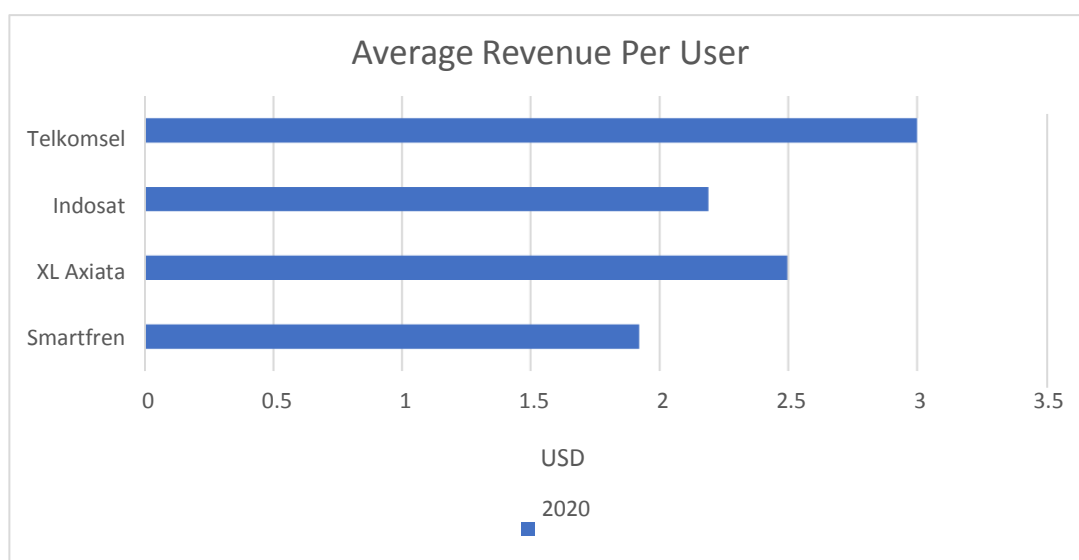
The telecommunication industry in Indonesia had experienced fluctuations in revenue in several years ago. Quoted from Beritagar, the Indonesia Telecommunications Association (ATSI) said that the revenue of the telecommunication industry in 2018 reached US \$10 billion, dropping 6.4 percent compared to 2017 which reached US \$11 billion. But in the midst of economic growth which experienced minus 5.3 percent due to the Covid-19 pandemic, Indonesia telecommunication industry actually experienced growth. From Institute for Development of Economics and Finance, Bhima Yudhistira, said an increase of more than 10 percent in the information and communication sector, when most of the business fields are negative, the information and communication makes profit.

The development of the telecommunication industry in this era of globalization is growing so fast along with the rapid pace of information technology. The telecommunication industry helps the country's economic growth and also plays an important role in being able to compete internationally. The development is strongly supported and assisted by government encouragement. Indonesia Minister of Communication and Information, Rudiantara, said the government was building supporting facilities so that the community, especially the younger generation could use it to develop the digital economy.

Research released by MarkPlus Inc, this research was followed by 111 respondents divided into Jakarta (57%) and outside Jakarta (43%), 31.7% of internet users in Jakarta spent 5 – 10 GB of internet data before the pandemic. Meanwhile, internet users in outside Jakarta were greater before the pandemic with 22.9% spending internet data above 30 GB. But during the pandemic, 65.5% of internet users in Jakarta admitted that they did not increase or decrease their internet data during work from home and school from home. This is because the use of fixed broadband (personal Wi-Fi) in this area is quite large compared to outside Jakarta. And 52.1% of internet users outside Jakarta increase their internet data because 68.8% of them have not installed fixed broadband and depend on mobile data.

Based on Indonesia Central Bureau of Statistics, the telecommunication sector grew by 10.88 percent in the 2nd quarter of 2020 when compared with the same quarter in the last year. Deputy Director of Tri Indonesia, Danny Buldansyah, said there was an increase in traffic, but the increase in data traffic was not matched by a proportional increase in revenue. This is because the yield or price of its gigabytes drops. This decline in data yield is because operators give special prices to the public during this pandemic as a form of corporate social care.

Chart 2.3 Indonesia Operators Average Revenue Per User (ARPU) in 2020



Source: <https://koran.tempo.co>

The growth of the telecommunication sector above is still experiencing a decline in purchasing power due to the economic downturn. The Indonesia Telecommunications Association (ATSI) said that the telecommunication industry had experienced 9.9 percent increase in revenue in the February – March 2020. But revenue growth since March has continued to decline. Industrial income was minus in March to April (-1.9%), followed by April to May (-4.9%), and May to June (-5%).

Quoted from Tempo.co, the President Director and CEO of XL Axiata, Dian Siswarini said, the price war is going on for a long time. During this pandemic, almost all operators have issued unlimited internet packages which push the industry towards a price war. Reported from Cable.co.uk the average cost of 1 gigabyte of cellular data in Indonesia is US \$0,64, this is based on a sample

collected in February 2020. The cellular data fares in Indonesia are cheaper than Myanmar (US \$0,78), Malaysia (US \$1,12), and Thailand (US \$1,23), but the cheapest fare in Southeast Asia is occupied by Vietnam is US \$0,57.

The telecommunication industry in Vietnam is experiencing strong growth. According to MIC, the revenue of the telecommunication sector in 2019 was US \$20.2 billion, an increase of 19 percent compared with 2018. The expansion of the telecommunication and information technology sectors helped upgrade Vietnam's positions in international rankings. The revenue of mobile services still relies on traditional services, especially calls and SMS messages (76.6% of revenue). Besides, the competition in the market has led to 'trash' sim-card, spam messages and calls.

According to the Foreign Investment Department, in the foremost 9 months of 2019, the information and communication segment ranked 9th amongst the largest invested segments with the entire registered investment capital accounting of value. Quoted from Selular.id, these last few years the telecommunication industry in Vietnam has grown by 24 percent per year.

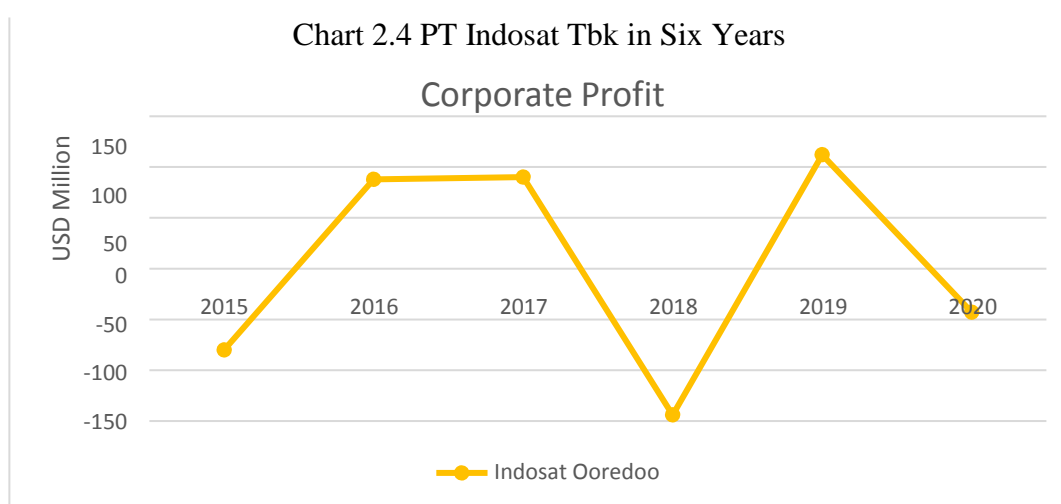
2.2. PT Indosat Tbk

PT Indosat Tbk is a foreign investment company to provide international telecommunications services in Indonesia, was established in Indonesia on 10th of November 1967. They were nationalized and became a State-Owned Enterprise in 1980, and in 1994, they became a public company listed on the Indonesia Stock Exchange and New York Stock Exchange. PT Indosat Tbk entered the Indonesian cellular market by acquiring the majority of Satelindo shares and establishing PT Indosat Multi Media Mobile (IM3).

Since entering the Indonesia cellular market through their acquisition of Satelindo and establishment of PT IM3 and the subsequent integration of such companies into their company in 2003, cellular services have become the largest contributor to their operating revenues. In 2008 Ooredoo acquired STT's interest in PT Indosat Tbk, which was triggering a mandatory tender offer. Ooredoo is a public listed corporation which is majority owned by State of Qatar and its affiliated

entities. They rebranded as Indosat Ooredoo in 2015 and launched the first commercial 4G-LTE service in Indonesia.

PT Indosat Tbk has fluctuated in the last few years. Based on Katadata, PT Indosat Tbk (Indosat Ooredoo) recorded a negative performance with a net loss of US \$165.4 million in 2018. Whereas the previous year, they managed to record a net profit of US \$78 million. The cause of the loss was the decline in Indosat's revenue in 2018 compared to the previous year. Indosat's revenue last year was US \$ 1.6 billion, decrease 22.6 percent from 2017 (US \$2.1 billion).



Source: <https://indosatooredoo.com>

Reported from CNBC Indonesia, PT Indosat Tbk during 2020 posted a loss of US \$43.13 million. This financial performance is much different from the company achievement from the same period the previous year where it recorded when it recorded a net profit of US \$106.9 million. Although the company revenue increased 6.92 percent year on year. This increase brought the company revenue last year to US \$1.91 billion from US \$1.79 billion. Indosat has recorded a solid annual operating performance as of 31 December 2020, total revenue grew by 6.9 percent (YoY) to US \$1.9 billion and cellular revenue grew by 11.6 percent (YoY) to US \$1.6 billion. The number of cellular subscribers grew by 1.7 percent YoY to 60.3 million subscribers by the end of 2020.

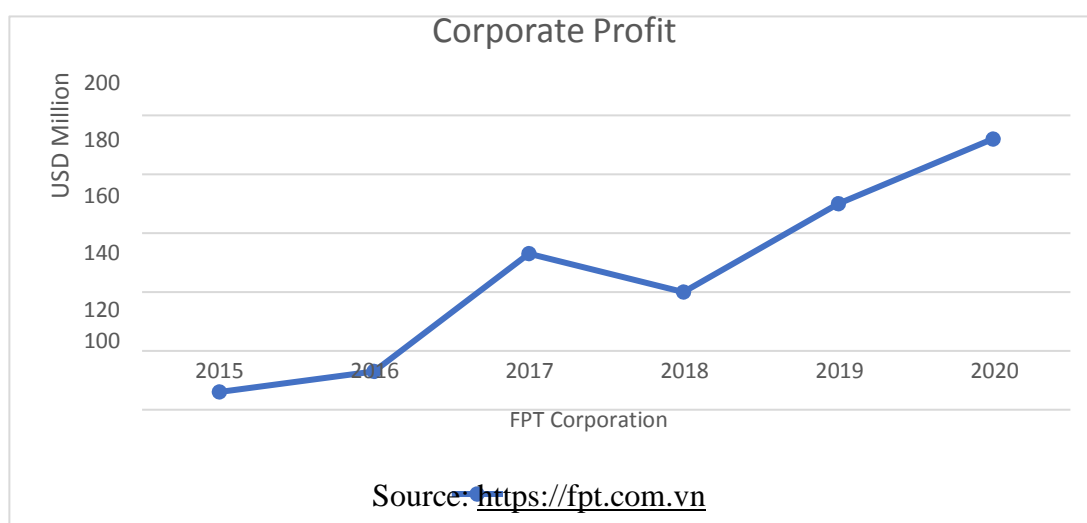
2.3. FPT Corporation

FPT Corporation is the largest ICT (Information Communication Technology) in Vietnam with technology, telecommunications, and education as its core business sectors. FPT Corporation was founded in 1988, company headquartered in Hanoi, Vietnam. FPT's infrastructure has cover 59 of 63 provinces and cities in Vietnam and has constantly expanded globally with 46 offices in 22 countries and territories abroad, including United States, Japan, South Korea, Indonesia, etc. FPT Corporation subsidiary company has three sectors are telecommunication sector, technology sector, and education sector.

FPT Corporation went public on the Ho Chi Minh Stock Exchange in 2006. FPT Corporation became the first foreign enterprise licensed to provide fixed line telecommunications services in Myanmar. FPT Corporation has been one of the telecommunications and internet service provider. Providing the telecommunications network infrastructure for broadband internet services, value-added services on the internet and mobile network.

Based on Viet Nam News, FPT Corporation in the first half of the year 2020 got good growth in revenue and profit before tax despite the Covid-19 pandemic. Its total revenue and profit before tax want up by 9 percent and 14 percent over the same period last year to reach US \$589.3 million and US \$104 million. Their earnings per share increased 14.1 percent year-on-year.

Chart 2.5 FPT Corporation Profit in Six Years



Reported from Vietnam Investment Review, FPT Corporation has ended 2020 on a positive note, despite Covid-19, with revenue and profit growth both soaring to respectively 7.6 and 12.8 percent year on year. FPT posted US \$1.3 billion in revenue and earnings per share rose to US \$0,18 a share, up 12.3 percent year on year. Such result came as part of FPT's quick adaptation to the instability of the economy.

2.4. Porter's Five Forces Analysis

Based on Bisnis.com, Vice President Director of PT Hutchison 3 Indonesia (Tri), Danny Buldansyah assesses that the presence of new entrants will make telecommunication industry difficult to achieve the spirit of consolidating in the telecommunications industry. He assessed that the number of cellular operators in Indonesia is currently too many. Ideally this number is reduced by a consolidation scheme so that services and competition in the industry become healthier.

Vietnam telecommunication industry has good achievements and helps economic growth in Vietnam. Telecommunication industry has important role for the country. All players in that industry very competitive. Based on Techinasia, the competition has also expanded and opened doors to new players as more Vietnamese are now realizing the importance of being connected through mobile phones and the internet.

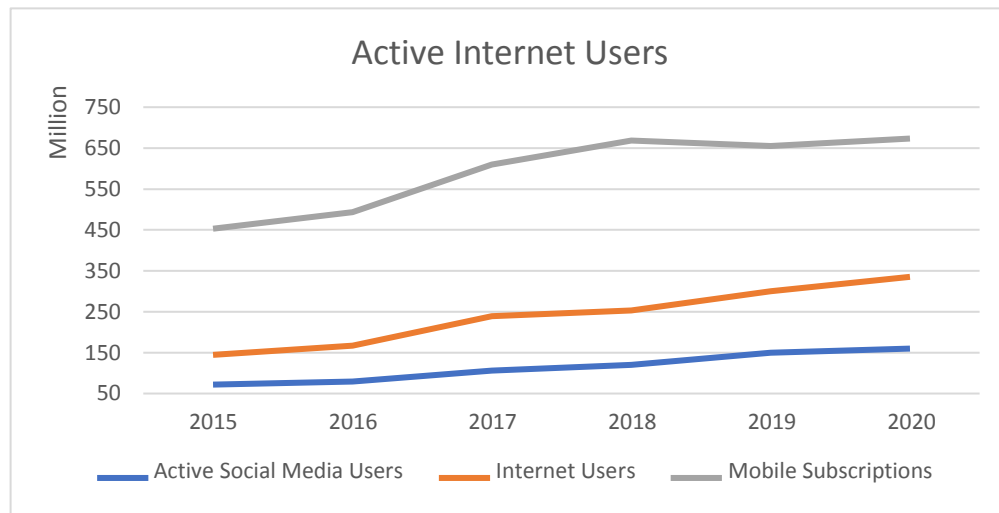
PT Industri Telekomunikasi Indonesia (Persero) is a state-owned corporation (BUMN). PT Industri Telekomunikasi Indonesia (INTI) plays a role as the main supplier for the construction of the national telephone network. INTI's main customers include the three largest telecommunication operators in Indonesia. They are PT Telekomunikasi Indonesia Tbk (Telkom), PT Indosat Tbk (Indosat Ooredoo), and PT XL Axiata (XL).

FPT Corporation being one of the biggest three telecommunication supplier in Vietnam, FPT owns internet infrastructure covers 559 provinces, North-South axis route with the length of over 4,000 km passing through 30 provinces and cities.

Reported from Datareportal, mobile subscriptions in Indonesia, there were 338.2 million in January 2020, the number of mobile connections in Indonesia increased by 15 million (4.6%) between January 2019 and January 2020, the

number of mobile connections in Indonesia in January 2020 was equivalent to 124 percent of the total population. About internet users in Indonesia, there were 175.4 million, the number of internet users increased by 25 million (17%) between 2019 and 2020. Social media users, there were 160 million, the number of social media users increased by 12 million (8.1%) between April 2019 and January 2020.

Chart 2.6 Indonesia Active Internet Users



Source: <https://datareportal.com>

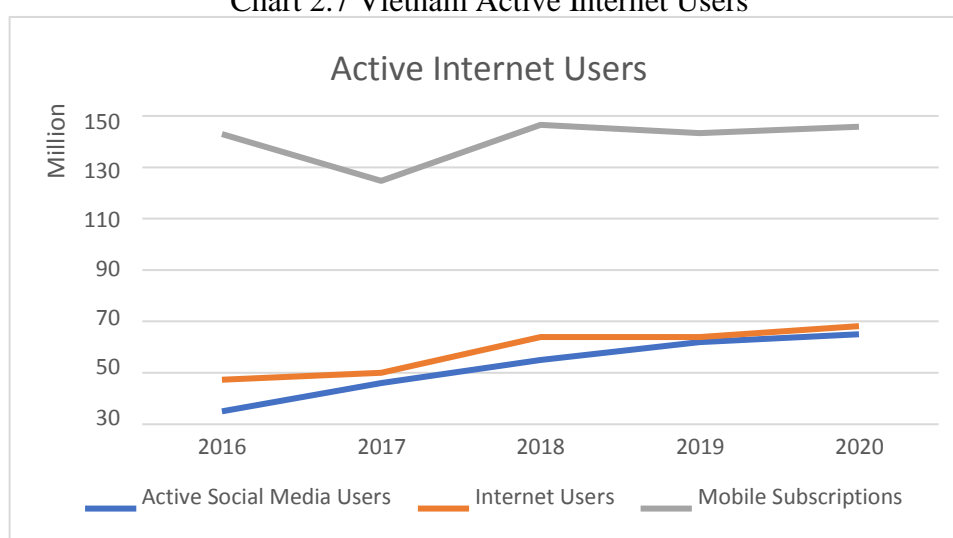
Quoted from Medcom, the Minister of Communication and Information Indonesia said that the Covid-19 pandemic had encouraged the Ministry of Communication and other elements of the nation to continue to adapt and move forward. In 2020, the Minister of Communication and Information is continuing the development of information communication technology (ICT) infrastructure from the efforts made in 2019, they also improve national telecommunication connectivity through efforts to develop digital infrastructure to reduce the digital divide during 2020, and will launch 5G network in May 2021.

Based on Tempo.co, Head of ConsumerLab, Ericsson Research, Jasmeet Singh Sethi, said Indonesian mobile users are interested in switching to 5G networks. He said this was based on research that has been conducted especially in urban area. Country Head Ericsson Indonesia, Jerry Soper, said that 5G technology will be the fastest mobile generation to be adopted. By the end of 2026 the number of 5G subscribers is estimated to reach around 3.5 billion and 5G population coverage will reach 60 percent.

Quoted from Open Gov, the Ministry of Information and Communication (MIC) published a press release that highlighted IT-related telecommunication industry growth in Vietnam in 2019. The preparation for 5G infrastructure, the mobile number portability policy, and the removal of ‘trash’ sim-cards were the most noteworthy events. A study conducted by GSMA estimates that 5G network will account for 15 percent for global cellular connections by 2025. As a technology road map, 4G can be considered as a bridge to 5G. Vietnam is fairly late in adopting the fourth-generation cellular technology. Singapore was the first ASEAN market to launch 4G network in 2011, followed by Philippines (2012), Malaysia and Thailand (2013), Cambodia and Indonesia (2014), Myanmar (2016), and then Vietnam (2017). Vietnam was the last country to launch 4G, that does not mean Vietnam will repeat the same steps in the 5G, Vietnam had launched 5G commercial service in June 2020.

Reported from Datareportal, there were 145.8 million mobile connections in Vietnam in January 2020. The number of mobile connections in Vietnam increased by 2.7 million (1.9%) between January 2019 and January 2020. There were 68.17 million internet users in Vietnam in January 2020, the number of internet users increased by 6.2 million (10%) between 2019 and 2020. Social media users in Vietnam, there were 65 million, the number of social media users increased by 5.7 million (9.6%) between April 2019 and January 2020.

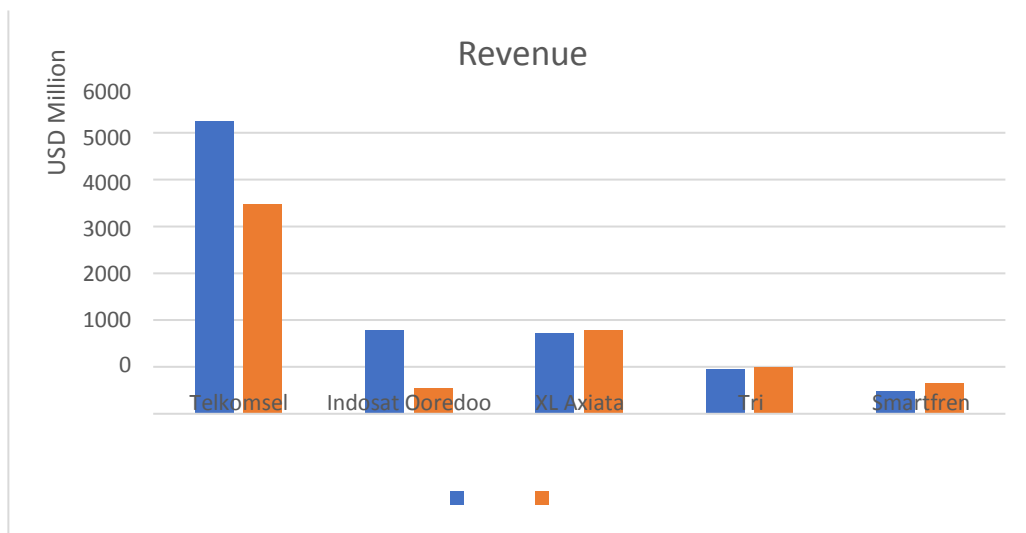
Chart 2.7 Vietnam Active Internet Users



Source: <https://datareportal.com>

The price war that occurred in the telecommunication industry made the government start to intervene by adopting floor price and ceiling price which is expected to make the telecommunication industry healthier. Competition in the Indonesia telecommunication industry is very tight. The intense competition has encouraged telecommunication operators to create various innovations. This competition can be seen when telecommunication operators compete to offer the best internet data packages with affordable prices to offer unlimited internet data packages. During the pandemic, the average operator revenue grew, but some of operators have decreased.

Chart 2.8 Indonesia Operators Revenue in 2019 and 2020



2019 2020

Source: <https://koran.tempo.co>

Vietnam telecom market has witnessed strong growth in recent years. The growth in the industry is mainly driven by increasing population, communication service, and rising adoption of smartphone services. The competition in the industry is highly consolidated with few players. Leaders continue to enjoy significant market share at high competition and