FINANCIAL PERFORMANCE EVALUATION OF PT TELEKOMUNIKASI INDONESIA TBK AND PT INDOSAT TBK

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Abstract: Two telecommunications companies in Indonesia have their names listed in Indonesian Stock Exchange (IDX) namely, PT Indosat Tbk. (ISAT) and PT Telekomunikasi Indonesia (TLKM) have enlivened the telecommunication industry. This study aims to evaluate the performance of two telecommunications companies in Indonesia by assessing, comparing and analysing fundamentally, technically and news or company policies occurred in the field during 2017–May 2018. In Fundamental Analysis, the two companies are categorized as companies that have a good financial condition. However, in the second semester of 2017, telecommunication companies experienced a significant decline in market value, which was contrary to the fundamental analysis. If viewed from a technical perspective, this telecommunication service company has good prospects for the future. Company policy or news is also one of the determining factors for the increase or decrease in stock prices. The overall results of the study concluded that TLKM shares have a fundamental, and technical, that is better than ISAT, while news and company policies can be investors' supporting data in determining stock purchases.

Keywords: telecommunications, Indonesia, finance

INTRODUCTION

The use of telecommunication equipment in Indonesia is growing along with the change of time. This can be demonstrated by the transformation of conversation media in which previously the only choice was telephone-based credit, but now internet technology has become an alternative choice. The development of internet technology has a significant impact, especially in terms of digital

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communication media as evidenced by the increasing number of gadgets and cellular telephones users, the advancement of cellular telephone technology, the existence of online applications and increasingly adequate internet networks. The increasing growth of the internet as a digital communication tool has further increased the electronic business in the world.

Based on a survey conducted by the Indonesian Internet Service Providers Association (APJII) in 2017 (Teknopreneur, 2017), the growth of internet user penetration in Indonesia has grown to 143.26 million people, which this number is equivalent to 54.7% of the total population in Indonesia. When compared with internet users in 2016, the number of internet users had increased by 10.56 million from initially 132.7 million. This was reported by Henry K. Soemartono, Secretary General of APJII in Jakarta on February 19th, 2018 at the seminar of "Indonesian Internet User Penetration and Behaviour 2017."

The increasing use of internet technology has resulted a negative impact on telecommunication companies in Indonesia. The number of phone users with prepaid number tends to decrease, which caused the decreased of revenue received by telecommunication companies. The competitive pricing strategy and quality service strategy that were previously provided by each telecommunication service company, which has become the basis for cellular telephone card providers must change. Telecommunication companies in Indonesia, such as PT Telekomunikasi Indonesia Tbk. (TLKM), PT Indosat Tbk. (ISAT), and PT XL Axiata Tbk. (EXCL) must be able to compete in digital communication media with new strategies.

The means of communication with cellular is a vital requirement that is needed by the entire community, therefore the company's income should have increased. However, over time, especially in 2017 and 2018, the share price in telecommunication companies in Indonesia decreased significantly. For instance, the price of TLKM shares in 2016–2018 fell by 50%. This shows a contradictory relationship with the growing reality of cellular usage and the growth of electronic businesses in Indonesia. Therefore, this should be further analysed to investigate the cause of the phenomena.

In regards to the phenomena, financial performance evaluation is needed. There are two ways, namely are fundamental and technical analyses, which traditional fundamental analysis involves analyzing company's operational per-

formance to examine its economic prospects (Fabozzi, 2009). However, the usage of financial indices as traditional methods of measuring a company's performance alone have been decreasing (Basu, 2001) as it does not take into consideration the risk associated with stock and stock valuation (Fabozzi, 2009). Today, companies use non-financial measures to develop a unique set of performance measures that clearly communicate business strategy (Kaplan & Norton, 1992). In addition, other trends in the macroeconomic, such as political, monetary, and societal sentiment factors have been argued to be incorporated in technical analysis (Dropsy, 1996).

Therefore, it has come to the researchers' attention to evaluate the financial condition of the ISAT and TLKM telecommunication companies to be assessed, compared and analysed fundamentally, technically and news or company policies occurred in the field during 2017–May 2018. This research is structured as follows, the next section discusses literature review followed by the methodology used. Next is the result and discussion. The final section is consist of the conclusion, research limitation and recommendation.

Research Scope

In this paper, researchers limit the evaluation of the financial condition of the ISAT and TLKM telecommunication companies during the period of 2017–May 2018. In addition, for fundamental analysis, the researcher compares the financial report by the year of 2017 and 2016, because in 2018 the financial report has not been published yet.

Technical analysis and news or policy are designed and arranged by researcher from the year 2017 until in the middle of the year 2018. The reason is the researchers want to know the growth for one and a half year, which that data has already represented to be measured by technical method and can give a future forecast for the company.

Company Profile

1. PT Telekomunikasi Indonesia Tbk.

Telekomunikasi Indonesian Tbk., which its stock code is known as TLKM in the local Indonesia Stock Exchange (IDX) and TLK in the New York Stock

Exchange (NYSE), is one of the State-Owned Enterprises (BUMN) engaged in telecommunication network sector. Telkom Group currently is trying to transform into a digital telecommunication company, by implementing business strategies and operational activities that prioritize customer interests (customer oriented). The company currently serves four consumer segments, including corporations, housing, individuals and other consumer segments.

2. PT Indosat Tbk.

Based on online sources, Indosat's website, data was obtained, namely, this company was founded in Indonesia in 1967, as a foreign investment company that provides international telecommunication services using international satellites. PT Indosat, has been listed since 1994 and registered as a publicly listed company on the Indonesian Stock Exchange (IDX) known as ISAT and the New York Stock Exchange (NYSE), where the Indonesian government has 65% share ownership and the rest is sold to the public. However, since May 16, 2013, ISAT declared delisting on the NYSE and its shares can only be traded on the Indonesian Stock Exchange (IDX) (Syafina, 2013).

Indosat Ooredoo is led by Chris Kanter, the president director who is also the CEO at the Extraordinary General Shareholders Meeting (EGMS) since October 17th, 2018. His experience was previously serving as Independent Commissioner and Commissioner of Indosat Ooredoo since 2010. In 2015, the company name was officially changed to Indosat Ooredoo. In 2015–2016 the public positively welcomed good performance in which this was indicated by Indosat's share price increase in the stock market.

Financial Performance Evaluation

In stock investment, every investor must have hope for a high return on investment. According to (Zubir, 2013), rate of return or stock return consist of capital gains and dividend yields. Capital gain is obtained from the calculation of the difference between the sale and purchase price per share divided by the purchase price (May, 2016). While dividend yield is the result of distribution of company profits to the owner per share divided by the purchase share price per

share. Rate of return is one indicator of the outcome of an investment (May, 2016). The higher the expected rate of return, the higher the risk.

Fundamental Analysis

Fundamental analysis is a way of knowing stocks that are performing well or performing poorly, so that investors can decide on whether the stock is "worth buying" or "worth for sale" (Samsul, 2015). In this study, two types of ratios will be studied and selected to determine the health condition of a company. This ratio includes profitability ratios and solvency ratios.

1. Profitability Ratio

Sulastini & Muktiadji (2014) defines profitability ratio as a ratio used to assess a company's ability to obtain profit. In addition, this ratio provides a measure of company's level of management effectivity. This can be obtained from the company's sales profit and investment income. This ratio uses comparison among various components in the financial statements, such as the balance sheet and income statement. This form of comparison measurement is carried out for several operating periods. One of the objectives of using profitability ratio for companies, as well as external parties, is to measure and calculate the profits obtained by the company in a given period, by comparing earnings from the previous year with the current year. The types of profitability ratios discussed in this study are Return on Assets (ROA) Return on Equity (ROE), and earnings per share.

a. Return on Asset (ROA)

According to Tandelilin (2010), ROA can be interpreted as one of the profitability ratios used to measure the performance of a business in generating profits from all assets owned by the company, where this value refers to the profitability and operational efficiency of the company. The higher the ROA value, the better the performance of the company. ROA is calculated by means of net income divided by total assets.

b. Return on Equity (ROE)

ROE is a ratio that measures the value of net profit after tax with its own capital. This ratio shows the extent which how efficient the capital usage. When the ROE value gets higher or bigger, it shows a better position, meaning that the position of the company owner is getting stronger, and vice versa.

c. Profit Margin on Sales

Profit Margin on Sales is a ratio used to measure profit margins generated based on the company's revenue. There are two kinds of profit margins, namely gross profit margin and net profit margin. Gross profit margin shows a value of profit relative to a company's performance, by means of net sales minus the cost of goods sold. In addition, net profit margin is a measure of profit by making a comparison between profits after interest and taxes, compared to sales.

d. Earnings per Share of Common Stock (EPS)

Earnings per share or earnings per share of common stock is used to measure the success rate of management in achieving profit for shareholders. Low ratio values indicate that management has not succeeded in pleasing shareholders, and vice versa. The higher the value of the ratio, the higher the level of welfare of the shareholders. The welfare level can be interpreted as a high return value, such as the amount of profit after tax deduction.

2. Solvability Ratio

Solvability ratio is a ratio that is used to determine the position of a company in meeting its fixed obligations or expenses. In this study the researchers only used one type of solvency ratio, namely debt to equity ratio (DER). DER is chosen due to it has indicated the proportion of the company assets that are being counted through the debt in the balance sheet which is already represented as one of the simple factor ratio needed by researcher to know how the company to be.

3. Debt to Equity Ratio (DER)

DER is a ratio that measures the comparison of debt value against the equity value of a company. This ratio is obtained by dividing the total value of the company's debt including current debt with total equity value. This ratio is used to find out money or capital used as collateral for debt or creditors. For companies that borrow, the higher the value of DER, the more profitable, because funding provided also increases. Conversely, for banks or creditors, the higher the DER value, the greater the risk that must be borne should there be a possibility of failure to pay by the company.

Technical Analysis

According to (Ong, 2008), technical analysis is a way to evaluate the movement of stock prices, commodities, or other security values, which is done by analyzing the value of statistics obtained from a market activity in the past, and then will be used to predict future value. Technical analysts use data obtained from graphs or charts that can show historical data on stock price movements and volume of transactions to measure and predict future price pattern movements that will occur in the market and ignore information regarding the economics of the company (Fabozzi, 2009). This technical analysis is generally used by traders who are short-term in nature (in less than 3 months).

There are three types of charts most commonly used in general, namely Line Chart, Bar Chart, and Candle Chart. However, this study only use one type of chart, the candle chart. In addition, technical indicators that will be selected are lagging indicators and leading indicators. Lagging indicators are used to detect trends, for example the MA line (Moving Average). While leading indicators are used to detect the momentum of a market situation, whether the market is in an oversold or overbought state. For example, Parabolic Stop and Reversal and Average Directional Index.

News and Policy

Every action and decision taken by company will bring impacts either positive or negative sides. Those impacts will affect the movement of price stock

in the market indirectly. The news and policies are taken and published based on the facts gathered from Kontan newspaper electronically since 2017.

METHOD

Research Type

This research is categorized as a descriptive study, where each data collection will be done using documentation method. Data sources that are appropriate and important in the study are obtained from various references to several online journals related to stocks, online newspaper, and accounting books. The data can be in the form of financial reports, government policies, and corporate actions carried out over the past 1.5 years. This documentation can help researchers as supporting data in the research and the provision of evidence used to evaluate performance, and as a comparison medium for a company against other companies.

Sources and Data Collection Techniques

This study uses secondary data sources, where the data obtained is the result of intermediary facilities, such as documentation, books and financial reports. The research objects used in this study is PT Telekomunikasi Indonesia Tbk. (TLKM), and PT Indosat, Tbk (ISAT) listed on the IDX. The technique used in data collection in this study is qualitative historical method, which aims to describe important data indicated by assets, liabilities and equity values of the company for the past 1.5 years, from January 2017 - May 2018. According to Holloway (2011), historical method qualitative is used to make a comparison of the study of previous data and the latest data, which then relates it to temporary events and arrangements.

RESULTS

Fundamental Analysis

Below the researcher has exposed both companies in the term of financial analysis ratios from 2016 to 2017 year on year (yoy).

Table 1 Comparison of TLKM and ISAT Company Financial Statements in 2017

	TLKM		ISAT	
Year	2016	2017	2016	2017
ROA	10.77%	11.16%	2.17%	2.24%
ROE	18.34%	19.75%	8.28%	7.67%
PER	20.31x	17.98x	9.79x	22.49x
EPS	191.98	219.69	203.36	210.33
DER	0.7	0.77	2.75	2.42
Total Asset (in billions)	179.611	198.484	50.850	50.661
Total Equity (in billions)	105.544	112.130	13.350	14.816
Profit Margin on Sales (inbillions)	19.352	22.145	1.106	1.136

Source: IPS Research, Indopremier & application (2019)

In accordance with Table 1, TLKM and ISAT shares when compared, the company fundamental positions show that almost all TLKM stock indicator values show far better performance than ISAT's. However, if reviewed against TLKM's DER value, TLKM has smaller DER than the ISAT, hence 0.77 and 2.42 respectively. This means that TLKM's company debt is small, thus TLKM's ability to repay debt will be better when compared to ISAT. Therefore, a small DER ratio shows a good health of the company.

In 2016 and 2017, ISAT experienced a percentage increase in terms of both ROA and EPS, 0.07% and 7 points respectively. However, from the PER side, it was overbought which caused the high stock price and was considered in the expensive category. In 2017, the debt ratio decreased by 0.33 from the year 2016 to 2017 and the Total Assets, Equity and Profit Margin on Sales also increased. This shows that the company had a better improvement in performance compared to the previous year.

When viewed from the PER value, Harsalim (2013) stated that as PER increases, the stock price increases, which reflects higher level of trust towards the stock and the stock is more liquid. However, this means that the stock price is too overpriced, thus the return and divided get smaller as PER increases. The PER values of the two companies show large numbers, which are greater than 10. This shows that TLKM's and ISAT's stock prices are widely bought and owned by investors, thus the stock price exceeded the fair price, hence became overpriced. Comparing ISAT's and TLKM's PER values, TLKM's PER value is

lower than ISAT's, therefore TLKM's stock price is cheaper and still reasonably priced compared to ISAT shares.

DISCUSSION

Technical Analysis

Moving Average (MA)

Based on technical analysis (Ong, 2008), broadly speaking, MA is divided into three types, namely SMA (simple moving average), WMA (weighted moving average), EMA (exponential moving average). However, this study will only use SMA as this method will explain the average share price movement in a certain time span easily. The average price most commonly used is the closing price, while the existing time spans are 10, 20, 25, 30, 50, 100, and 200 days.

Figure 1 Moving Average Line of PT Telekomunikasi Indonesia Tbk. in 2017
Source: nexus chart (2019)

Based on Figure 1, ISAT shares from January 2017 to the end of May 2018 shows a significant share price reduction, from the highest value shown in May 2017 approximately Rp 7,500 per share to the lowest value of Rp 3,180 per share. The total decline in share price was more than 50%. Based on technical

analysis with moving average as an indicator, the trend was still showing a bearish value until the end of 2018. This is shown by MA 20, 50, 100, and 200 which did not show any intersections, and tend to decline towards the end of May 2018.

Figure 2 Moving Average Line of PT Indosat Tbk. in 2017
Source: Nexus Chart (2019)

Based on Figure 2, the overall TLKM shares from January 2017–May 2018 shows fluctuations in stock prices. The highest peak share price was Rp 4,800 per share in August 2017, while the lowest value was Rp 3200 per share in May 2018. Using the moving average indicator, at the end of May 2018 there was a reversal from an initially bearish pattern that became bullish. This is evidenced by the difference between the MA lines of MA 20 and MA 50 that were getting smaller since May 2018.

Average Directional Index and Parabolic Stop and Reversal

Based on technical analysis - mega profit, ADX or known as the average directional index is an indicator that measures the strength of a trend, where the ADX line is indicated by a value of 0–100 on a vertical scale. The way to measure is to look at the ADX line, if the ADX line increases, the market is in a growth trend, and vice versa. However, often the ADX indicator will also show a change

in direction (reversal) or even become sideways when the ADX line is at the highest level and/or at the lowest level. Therefore, there are many investors who apply the contrarian method or the opposite to the ADX line.

Figure 3 Parabolic Stop and Reversal Lines of PT Indosat Tbk. in 2017
Source: Nexus Chart (2019)

Figure 3 shows the ADX line tends to show a bullish trend, this is evidenced by looking at the ADX line in blue colour from January–May 2017. However, in the period of May–December 2017, the ADX line shows a decline trend as evidenced by a drop reflected in the blue line. At the beginning of 2018, the ADX line was in an uptrend which then became sideways until March 2018. In March–the end of May 2018, the ADX line declined, thus ISAT shares were still predicted to be in a bearish condition for the months ahead.

Not much different from the ADX line indicator, the parabolic stop and reversal (PSR) line also showed something similar. In the picture above, the PSR line is indicated by dotted lines in the colour green and red. The green dots indicate a bullish trend, while a row of red dots indicate a bearish trend. Reviewing ISAT shares from January 2017–May 2018, ISAT shares were still in a downward trend, therefore, prospective investors were advised to wait and see until the reversal line is large enough to ensure a change in direction or trend.

Figure 4 Parabolic Stop and Reversal Line of PT Telekomunikasi Indonesia Tbk. in 2017
Source: nexus chart

Based on Figure 4 above, it shows a bullish trend for TLKM stock price since the beginning of 2017 until August 2017. This is indicated by the ADX line and the parabolic stop and reversal (PSR) lines which are blue and the inclined trend in the dotted green line, therefore, investors were recommended to buy and sell in order to obtain the desired capital gain. Bullish position was also indicated at the beginning of March–early May 2018. In August–beginning of October 2017 a sideways position occurred. This is indicated by the ADX line which tend to be stable or stagnant, while the PSR line is indicated by the red and green dotted lines in sequence. Sideways position was also indicated in early November–the beginning of March 2018, as shown in the figure above. Future predictions for the upcoming May 2018 would experience a short bullish trend, where investors were going to be advised to start buying shares gradually until the next signs.

Company Fact and Policy Analysis

Table 2 Events or Policies that Occurred in 2017–2018 of TLKM Company Shares

No.	Date	Events and Policies	Implications on the Company	Closing Price and its implications
1	21-Feb-17	KPPU held the first trial of IndiHome Telkom Triple Play monopoly in the form of fixed line telephone services and fixed tied product, internet services (broadband) and IPTV services. Telkom has allegedly misused its position and prevented new companies or competitors from entering the market.	The company must answer the demands from KPPU by March 1st, 2017.	Unmoving stock price (Stagnant).
2	01-Mar-17	PT Telekomunikasi Indonesia Tbk. denied having the sole right to the KPPU's statement about Telkom's Triple Play IndiHome monopoly. Through the legal authority, Muhtar Halim accused investigators of lacking or misunderstanding the contents of Indihome's subscription contract.	PT Telkom Indonesia Tbk. made policy improvements, but was still declared that the company violated the proposed Law.	The stock price was slightly corrected.
3	06-Mar-17	PT Telkom Indonesia Tbk. recorded the increase in net income in 2016 by 20%, which was Rp 19.35 trillion. In 2015, Telkom's revenue was Rp 15.48 trillion.	The company recorded an increase in the number of assets from the previous year of Rp 179.61 trillion, from the figure of Rp 166.17 trillion. Liabilities increased by Rp 1.32 trillion and equity have increased by Rp 12.12 trillion.	Share price was rising.
4	05-Jul-17	During the *Lebaran* month, TLKM data traffic spiked 130%. This increase was more than the double of the previous year.	TLKM's performance was good, and going forward the company planned to increase expansion by acquiring information technology, telecommunications and digital businesses	Stock price increased.

5	07-Aug-17	TLKM repaid a loan worth of Rp 1 trillion through its subsidiary, Telkomsel (PT Telekomunikasi Selular).	The company paid loans, which was obtained on April 8th, 2015 and was due in December 2017. In addition, TLKM also did not get a refinancing plan for its debt amount in the second half of 2017.	Stock price remained stable.
6	21-Sep-17	TLKM and INTI signed a partnership contract with Internet of Things (IoT) devices.	TLKM subsidiary, PT PINS focused on continuing to develop the IoT system in Indonesia, which aims to become the market leader in IoT companies in Indonesia.	The stock price was in a sideways and saturated condition.
7	18-Dec-17	TLKM through its subsidiary, PT Multimedia Nusantara (Telkom Metra) acquired PT Nutech Integrasi. PT Nutech is a company engaged in ICT transportation	Telkom Metra acquired 60% of Nutech shares with a total transaction value of approximately Rp 24 billion.	The stock price was bearish.
8	11-Jan-18	TLKM was looking for debt loan of 1 billion USD for the acquisition, and there were still 10 targeted companies to be acquired.	TLKM would borrow funding from the bank with a one- or three-year maturity. By that time, TLKM has acquired 3 companies in 2017, such as Nutech, TS Global Network Sdn Bhd., and PT Bosnet Distribution Indonesia.	Stock price in bullish condition, January effect.
9	03-Apr-18	TLKM officially acquired PT Swadharma Sarana Informatika through its subsidiary, Telkom Metra, with a composition of 51% share ownership.	With the acquisition of the Swadharma Sarana Informatika, TLKM was trying to build a strong business ecosystem.	Stock price declined.
10	26-May-18	TLKM was expanding operator networks to rural areas by supporting the USO program.	TLKM carried out a gradual and massive development of USO infrastructure, expected to have a positive impact on the national device manufacturing industry.	Stock price declined.

Source: Kontan, 2017–2018 in RTI Business application (2019)

Based on the table above, the fact and policy implemented by TLKM show that the information or event occurred had adverse effects on the stock prices. Market reaction was negative when the company's decisions are favoured by the market. For example, the market reacted negatively on December 18, 2017, where TLKM decided, through its subsidiary, PT Multimedia Nusantara (Telkom Metra) to acquire PT Nutech Integration, which is engaged in ICT transportation. The company's decision was not positively welcomed by the market, this was indicated by the bearish condition of TLKM stock price at the time.

Table 3 Events or Policies that Occurred in 2017–2018 of ISAT Company Shares

No.	Date	Events and Policies	Implications on the Company	Closing Price and its implications
1	13-Feb-17	A fine charged at 1 million USD from the Public Company Accounting Oversight Board (PCAOB) to Ernest & Young Indonesia due to the failure of auditing PT Indosat Tbk.'s financial statements in 2011 by calculating the rent of 4,000 cellular towers in Indosat 2012 book that had been adjusted.	Error in auditing the financial statements of PT Indosat Tbk. Which the external audit company was Ernest & Young Indonesia.	Stock price increased
2	03-Apr-17	ISAT planned to reduce USD debt by issuing bonds.	The company made a policy to conduct a Limited Public Offering (PUT) to cut expenses	Stock price increased.
3	27-Apr-17	ISAT issued bonds and sukuk at Rp 3 trillion. This issuance would be used in ISAT's long-term finances	ISAT refinanced several loans in Rupiah.	Stock price declined.
4	18-May-17	PT Indosat Tbk. signed a purchase agreement with Chinese Satellite produced by China Great Wall Industry Corporation (CGWIC) in Jakarta.	ISAT would replace the Palapa-D satellite with Palapa-N1, which would be placed at 133 degrees orbital slot in the Eastern longitudinal line.	Unmoving stock price (Stagnant).
5	10-Aug-17	ISAT was able to generate a better net profit, which reached 83% year on year (yoy) from the previous value of Rp 428.07 billion to Rp 784.21 billion. This is because ISAT was able to cut the marketing expense by 11%, which was Rp 593.37 billion.	ISAT posted a profit increase and was able to cut marketing expense by 11% to Rp. 593.37 billion.	Slight increase in stock price.
6	25-Sep-17	ISAT launched IWIC or the Indosat Ooredoo Wireless Innovation Contest with the theme Digital Nation.	ISAT invited young people to compete providing ideas and applications both locally and internationally.	The stock price did not move or stagnant.

7	14-Nov-18	The promotion of Joy Wahyudi to be the Director of ISAT. Previously, Joy Wahyudi had been a Director and chief of Sales and Distribution Officer since 2014.	Joy Wahyudi has been prepared for 3 years to become the Managing Director and CEO. His promotion was agreed upon at General Meeting of Shareholders (EGMS).	Stock price decreased.
8	09-Feb-18	ISAT employees protested due to mass layoff. However, this was rejected by ISAT. The problem occurred was the increasing number of foreign workers in the ISAT organization.	Indosat would plan a reorganization, one of which is a change in the composition of the board of directors that will be discussed at the upcoming GMS (General Meeting of Shareholders).	Stock price was stagnant.
9	14-Mar-18	ISAT developed the MyIM3 application to strengthen customer loyalty. This MyIM3 application includes package purchases, quota checks, and also online item sales to meet the customer's digital lifestyle. For example, buying a cell phone or gadget through the MyIM3 application.	In developing this MyIM3 application, ISAT did not use capital expenditure, but partnered with other companies.	Stock price was stagnant.
10	24-Apr-18	Indosat distributed dividend of Rp 73 per share in accordance with the results of the RUPS. In addition, the results of the RUPS also agreed on the determination of the remuneration of the board of commissioners with report on the realization of bond funds and the reorganization of the board of directors and commissioners.	The results of the General Meeting of Shareholders stipulated that the distribution of total dividends was equivalent to 35% of profit in the financial year of 2017. In addition, they agreed to honorably dismiss Johny Ingemar Svedberg, and appointed Haroon Shahul Hameed and Irsyad Sahroni as directors.	Stock price declined.

Source: Kontan, 2017–2018 in RTI Business Application (2019)

Based on the table above, the news or fact released by media has aligned to the price of share in the market. Most investors react negatively toward the policy run and selected by the company. For an instance, on 14 November 2018, ISAT has trusted and selected a new director, nevertheless on that day, the investors react negatively by dropping the price of shares.

Conclusion

TLKM and ISAT are the two largest telecommunication companies in Indonesia. In 2017–mid 2018, there was a significant decline in stock prices for TLKM shares approximately 30% and for ISAT approximately 50%. This was due to a decrease in the number of mobile phone users, SMS and people began to switch to the use of internet quota (mobile data).

Furthermore, from the fundamental analysis result, overall TLKM and ISAT shares were corrected in 2017, when compared to 2016. In 2016, the ratios of the two companies were better than in 2017. However, when compared between these two telecommunication companies, TLKM showed better fundamentals compared to ISAT. None of ISAT financial ratios obtained showed that ISAT was better than TLKM.

In technical analysis, at the beginning until July 2017 showed a bullish trend. Whereas in July 2017–May 2018, both companies showed a bearish trend. However, the TLKM showed bullish changes in mid-2018 (in May). This was evidenced by the ADX line and parabolic stop and reversal (PSR), which showed a positive trend. While ISAT shares still showed a bearish trend for the coming months in 2018.

Therefore, the result of this research based on fundamental and technical analysis also policies implemented, it can be concluded that overall TLKM shares has better growth to be invested than ISAT. This result can be used for suggestion factor for individual investor only either to select TLKM shares rather than ISAT.

Recommendations

For future research, it is recommended to examine deeper scope of fundamental analysis, not only using simple ratios, but also take into account other financial ratios such as profitability ratios that include Gross Profit Ratio, Net Profit Ratio, Liquidity Ratios and others. In addition, it is also recommended to expand the research time frame to 5 years.

Limitation

This study used a historical qualitative data approach, where researchers use data obtained from secondary data from Indonesian Stock Exchange (IDX)

without performing manual calculations by the researchers. The researchers have
carried out an independent calculation of the financial ratios, but the results of
the calculations are not the same as the results of the information obtained from
IDX.

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