

PT. Telekomunikasi Indonesia (Persero) Tbk.

BUY

Telecommunication
14 August 2023

Price IDR. 3,810
Target IDR. 5,300
JKSE Index 6,811.905



Stock code

Bloomberg code TLKM IJ
Market cap (in Bn) 375,445.8
52-week high 4,770
52-week low 3,570
6-m avg.daily.val (IDR) 4,317
Free Float (%) 30.00%

Major Share Holders (%)

Government 70.00%
Public 30.00%

USD/IDR-YE

2022 15,592
2023F (6m-avg) 15,077

Analyst:
Eka Rahmawati Rahman

Investment Considerations

Single digit revenue growth

- TLKM has maintained stable revenue of IDR 73.47 trillion, showing a 2% YoY growth in the first half of 2023.
- The growth is primarily driven by the Data, Internet & IT service and Indihome segments. In the second quarter of 2023, TLKM recorded revenue of IDR 37.7 trillion, representing a 2% YoY growth and a 4% QoQ growth. The Data, Internet & IT service revenue increased by 5% YoY to IDR 22.5 trillion in 2Q2023, mainly due to higher cellular data internet revenue. Mobile data traffic also saw a significant increase of 9.4% YoY.
- IndiHome, on the other hand, experienced a 3% YoY growth to IDR 7.19 trillion in 2Q2023, driven by an increase in new subscribers by 7.2% to 9.5 million. However, the ARPU slightly declined to IDR 260 thousand in 2Q2023, possibly due to customers opting for the dual package subscription.

IndiHome Spin off

- Telkom and Telkomsel have signed a spin-off agreement to integrate IndiHome into Telkomsel, with the official integration starting in July 2023. This integration is expected to strengthen Telkomsel's position in the telecommunication and digital industry while also potentially increasing revenue through commercial synergies, operational efficiency, and capital expenditure optimization. In the first half of 2023, Telkomsel recorded positive revenue growth of 1% YoY and 4.7% QoQ, amounting to IDR 44 trillion. However, the net income decreased by -5.8% to IDR 10.28 trillion.
- Despite the decrease in net income, Telkomsel has maintained a stable customer base of 153.3 million users.

2Q2023 Results: Margin decline

- In the second quarter of 2023, TLKM experienced a decline in its bottom line profit, with a decrease of -1.4% QoQ and -12% YoY, resulting in a total of IDR 6.3 trillion. The decline can be attributed to higher operating and maintenance expenses, which increased by 12% due to an increase in spectrum usage fees. As a result, TLKM's NPM decreased from 19.6% in 2Q2022 to 16.9% in 2Q2023.
- Additionally, TLKM incurred an unrealised loss of IDR 18 billion from the change in the fair value of its investment in GOTO in 2Q2023, compared to an unrealised gain of IDR 430 million in 1Q2023. The operating profit also decreased by -6% YoY and 1.4% QoQ to IDR 11.6 trillion, resulting in a lower OPM of 31%.

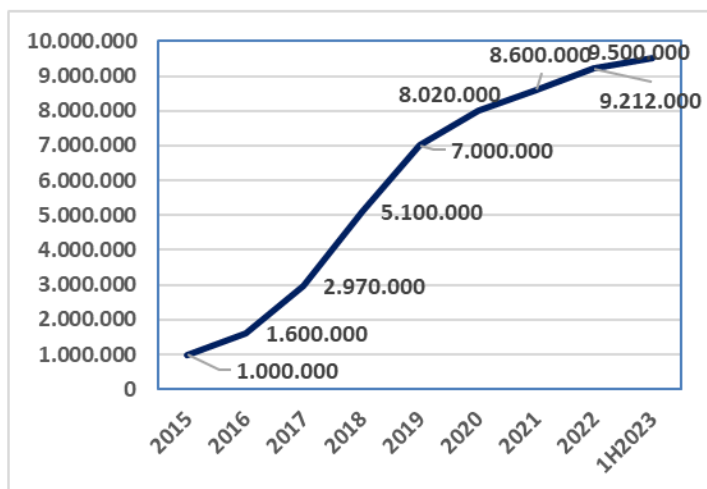
Valuation: Maintain BUY with TP 5,300

- We expect lower expenses in the second half of 2023 due to anticipated improvements in operating and capital expenditure efficiency. This is expected to have a positive impact on the profit margin.
- Our target price for TLKM is IDR 5,300, which represents 39% upside. This target is based on a 21X PE valuation within one year. Our recommendation to BUY is maintained.

Financial Highlights	2020A	2021A	2022A	2023F	2024F
Revenue (IDR Bn)	136.462	143.210	147.306	156.378	164.160
EBITDA (IDR Bn)	72.084	80.267	71.250	77.146	81.572
Net Income (IDR Bn)	20.804	24.760	20.753	24.870	26.108
EPS (IDR)	210	250	209	251	264
PBV (x)	3	3	3	4	4
PER (x)	16	16	18	21	20
ROE (%)	20%	20%	16%	20%	20%
ROA (%)	8%	9%	8%	9%	9%
Tot. Debt / Equity (x)	1,2	1,1	1,0	1,1	1,1
Current Ratio (x)	0,7	0,9	0,8	0,8	0,7

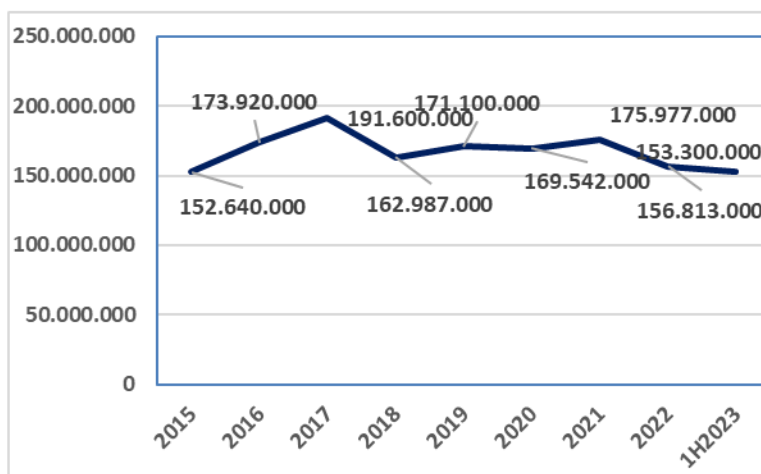
Source: Company and Binaartha

Chart: IndiHome Subscribers YoY



Source: Company

Chart: Cellular Subscribers YoY



Source: Company

Table: Revenue Breakdown YoY

Revenue Breakdown (IDR Bn)	1Q2023	2Q2023	QoQ	2Q2022	YoY	1H2022	1H2023	YoY
Data, Internet & IT Services	19.892	21.738	9,3%	20.366	6,7%	39.222	41.630	6,1%
SMS, Fixed and Cellular Voice	4.030	3.476	-13,7%	4.570	-23,9%	9.317	7.506	-19,4%
IndiHome	7.192	7.197	0,1%	6.639	8,4%	13.831	14.389	4,0%
Interconnection	2.219	2.244	1,1%	2.003	12,0%	4.222	4.463	5,7%
Network and Other Telco Services	2.757	2.733	-0,9%	2.634	3,8%	5.391	5.490	1,8%
Total Revenue	36.090	37.388	3,6%	36.212	3,2%	71.983	73.478	2,1%

Source: Company

Table: Income Statement QoQ and YoY

Income Statement (IDR. Bn)	1Q2023	2Q2023	QoQ	2Q2022	YoY	1H2022	1H2023	YoY
Revenue	36.090	37.388	3,6%	36.775	1,7%	71.983	73.478	2,1%
Cost of revenue	-24.659	-25.800	4,6%	-24.450	5,5%	-49.047	-50.459	2,9%
Operating Profit	11.431	11.588	1,4%	12.325	-6,0%	22.936	23.019	0,4%
Others income/ (Expense)	-834	-883	5,9%	-758	16,5%	-1.507	-1.717	13,9%
Profit Before Tax	10.597	10.705	1,0%	11.567	-7,5%	21.429	21.302	-0,6%
Taxes	-2.149	-2.332	8,5%	-1.868	24,8%	-3.874	-4.481	15,7%
NIAT	8.448	8.373	-0,9%	9.699	-13,7%	17.555	16.821	-4,2%
Non-controlling Interest	-2.024	-2.041	0,8%	-2.507	-18,6%	-4.245	-4.065	-4,2%
Net Income	6.424	6.332	-1,4%	7.192	-12,0%	13.310	12.756	-4,2%
EPS (in IDR)	65	64	-1,4%	73	-12,0%	134	129	-4,2%
OPM	31,7%	31,0%		33,5%		31,9%	31,3%	
NPM	17,8%	16,9%		19,6%		18,5%	17,4%	

Source: Company

Table: Income Statement in IDR. Billion YoY

Income Statement (IDR. Bn)	2019A	2020A	2021A	2022A	2023F	2024F
Revenue	135.567	136.462	143.210	147.306	156.378	164.160
Cost of revenue	-93.173	-92.957	-95.647	-107.725	-111.028	-116.554
Operating Profit	42.394	43.505	47.563	39.581	45.350	47.606
Others income/ (Expense)	-4.486	-4.730	-3.885	-3.242	-3.440	-3.612
Profit Before Tax	37.908	38.775	43.678	36.339	41.909	43.995
Taxes	-10.316	-9.212	-9.730	-8.659	-9.220	-9.679
NIAT	27.592	29.563	33.948	27.680	32.689	34.316
Non-controlling Interest	-8.929	-8.759	-9.188	-6.927	-7.819	-8.208
Net Income	18.663	20.804	24.760	20.753	24.870	26.108
EPS (in IDR)	188,4	210,0	249,9	209,5	251,1	263,6
EBITDA	70.105	72.084	80.267	71.250	77.146	81.572

Source: Company & Binaartha

Table: Cash Flow in IDR. Billion YoY

Cash Flow (In IDR Bn)	2020A	2021A	2022A	2023F	2024F
Net Income	20.804	24.760	20.753	24.870	26.108
Depreciation	21.943	24.718	25.576	25.576	27.463
Change in WC	8.290	2.986	1.113	4.810	4.590
Cash From Operating Activities	51.037	52.464	47.442	55.256	58.161
Change in Non-current Asset	-42.897	-40.185	-29.804	-28.519	-43.034
Cash From Investing Activities	-42.897	-40.185	-29.804	-28.519	-43.034
Long-term Debts	-3.308	5.758	-8.988	0	0
Others Noncurrent Liabilities	14.680	-65	1.876	719	1.440
Equity	-17.165	-250	-16.890	-25.534	-20.945
Cash From Financing Activities	-5.793	5.443	-24.002	-24.815	-19.506
Net Changes in Cash	2.347	17.722	-6.364	1.922	-4.379
Beginning Balance	18.242	20.589	38.311	31.947	33.869
Ending Balance	20.589	38.311	31.947	33.869	29.490

Source: Company & Binaartha

Table: Statement of Financial Position in IDR. Billion YoY

Statement of Financial Position (In IDR Bn)	2020A	2021A	2022A	2023F	2024F
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	20.589	38.311	31.947	33.869	29.490
Trade Accounts Receivable	11.339	8.510	8.634	9.383	9.850
Others Current Assets	14.575	14.456	14.476	14.074	13.954
Total Current Assets	46.503	61.277	55.057	57.326	53.293
NONCURRENT ASSETS					
Fixed Assets	160.923	165.026	173.329	186.117	199.848
Intangible Assets	6.846	7.506	8.302	8.813	9.252
Other Noncurrent Assets	32.671	43.375	38.504	28.148	29.549
Total Noncurrent Assets	200.440	215.907	220.135	223.078	238.649
TOTAL ASSETS	246.943	277.184	275.192	280.404	291.942
LIABILITIES AND EQUITY					
LIABILITIES					
CURRENT LIABILITIES					
Short-term Bank Loans	19.284	20.248	17.049	15.049	15.801
Trade Payables	16.999	17.170	24.321	26.584	29.549
Accruals	14.265	15.885	15.445	16.263	17.073
Others Current Liabilities	18.545	15.828	13.573	17.648	18.058
Total Current Liabilities	69.093	69.131	70.388	75.544	80.481
NONCURRENT LIABILITIES					
Long-term bank	30.561	36.319	27.331	27.331	27.331
Others Noncurrent Liabilities	26.400	26.335	28.211	28.930	30.370
Total Noncurrent Liabilities	56.961	62.654	55.542	56.261	57.701
TOTAL LIABILITIES	126.054	131.785	125.930	131.805	138.181
Non-controlling interest	18.362	23.753	20.004	23.587	23.527
EQUITY	102.527	121.646	129.258	125.012	130.235
TOTAL LIABILITIES & EQUITY	246.943	277.184	275.192	280.404	291.942

Source: Company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2020A	2021A	2022A	2023F	2024F
Revenue	1%	5%	3%	6%	5%
OP	3%	9%	-17%	15%	5%
EBITDA	3%	11%	-11%	8%	6%
NP	11%	19%	-16%	20%	5%
EPS	11%	19%	-16%	20%	5%
Profitability					
Operating Margin(%)	32%	33%	27%	29%	29%
EBITDA margin(%)	53%	56%	48%	49%	50%
NET Profit margin(%)	15%	17%	14%	16%	16%
ROA(%)	8%	9%	8%	9%	9%
ROE(%)	20%	20%	16%	20%	20%
Stability					
Tot debt/ equity (x)	1,2	1,1	1,0	1,1	1,1
Current Ratio (x)	0,7	0,9	0,8	0,8	0,7
Cash Ratio (x)	0,3	0,6	0,5	0,4	0,4
Per Share data					
EPS (IDR)	210	250	209	251	264
PBV (x)	3	3	3	4	4
PER (x)	16	16	18	21	20
EBITDA/share	728	810	719	779	823

Source: Company & Binaartha

Stock Ratings:

Buy : a recommendation to purchase the security with upside potential of **20% or greater**

Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.

Sell : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

RESEARCH TEAM
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