

PT. Telekomunikasi Indonesia (Persero) Tbk.

BUY

Investment Considerations

IndiHome and Mobile Digital Services Drive Growth

- During the covid-19 outbreak and Indonesia's stay at home order, IndiHome and mobile data services became the growth drivers of TLKM revenues.
- IndiHome added new subscribers in 1Q2020 (+252k) and 2Q2020 (+195k).
- As a result IndiHome revenue grew by 19.1% YoY to IDR 10.4 trillion in 1H2020, line with the increased in subscribers of 24.2% YoY to 7.45 million.
- Mobile also grew by +13.5% YoY to IDR 31.9 trillion and increased its share of revenue to 72.4%. Data traffic grew by +40.3% YoY to 4,156 petabyte (PB) in 1H2020 despite a slight fall in data customers by -5.5% to 105.1 million.
- During covid-19 outbreak and Indonesia implements stay at home order, IndiHome and mobile digital services become the growth driver of TLKM revenues.

Expecting Positive Income Growth

- Despite growing IndiHome and mobile digital services, TLKM revenue decreased slightly by -3.6% YoY to IDR 66.8 trillion in 1H2020.
- This is because of the still high portion of legacy business which is in decline and still has an impact despite the transition to data. Legacy declined by -28.7% YoY while data posted growth of +13.5%.
- TLKM is managing expenses well, total expense in 1H2020 decreased by 5.4% YoY to IDR 44.6 trillion. Operation, Maintenance & Telecommunication Services costs declined significantly by 25.5% YoY to IDR 16.2 trillion due to the impact of PSAK 73 PSAK 72 adoption.
- EBITDA grew by 8.9% YoY to IDR 36.1 trillion in 1H2020, with an EBITDA margin of 54%.
- Net Income declined slightly by -0.8% YoY to IDR 11 trillion with a better Net Income Margin of 51.1% due to cost efficiency.
- We are expecting flat to slightly positive growth in 2020F net income as we estimate the current trends will likely continue until the end of 2020 and will drive more growth of mobile and consumer broadband.

Valuation: BUY with TP 4,200

- As we estimate there will be growth in mobile and consumer broadband which will offset slower other business in 2020F, we are targeting TLKM to reach IDR 4,200, 45% upside, which is a 20x PE valuation within one year. We recommend to BUY.

Telecommunication
2 September 2020

Price IDR. 2,900
Target IDR. 4,200
JKSE Index 5,310.679



Stock code

Bloomberg code TLKM IJ
Market cap (in Bn) 283,317.9
52-week high 4,390
52-week low 2,417
6-m avg.daily.val (IDR) 3,111
Free Float (%) 30.00%

Major Share Holders (%)

Government 70.00%
Public 30.00%

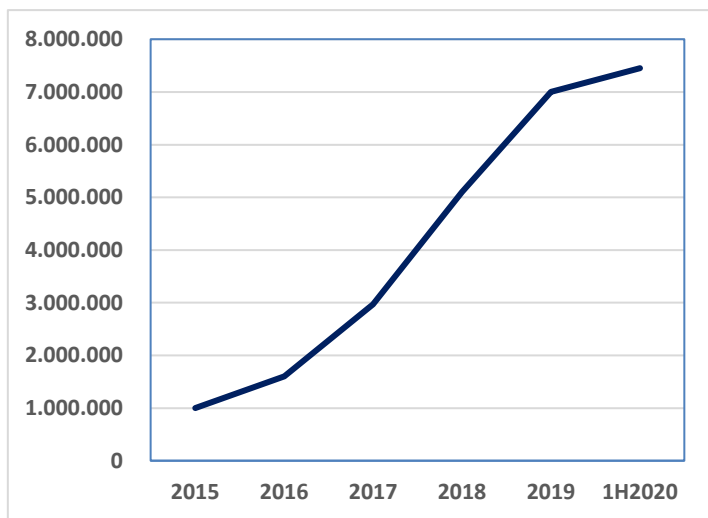
USD/IDR-YE

2019 14,390
2020F (6m-avg) 14,334

Analyst:
Eka Rahmawati Rahman

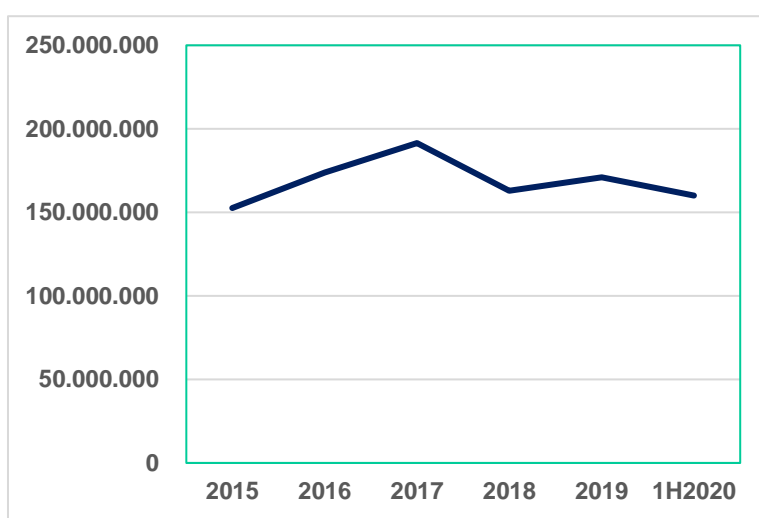
Financial Highlights	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (IDR Bn)	116.333	128.256	130.784	135.567	135.010	139.663
EBITDA (IDR Bn)	59.871	67.309	61.318	65.326	65.632	71.285
Net Income (IDR Bn)	19.352	22.146	18.032	18.663	18.793	21.256
EPS (IDR)	195	224	182	188	190	212
ROE (%)	23%	24%	18%	19%	18%	20%
ROA (%)	11%	11%	9%	8%	7%	8%
Tot. Debt / Equity (x)	0,9	0,9	0,9	1,0	1,3	1,2
Current Ratio (X)	1,2	1,0	0,9	0,7	0,6	0,6

Chart: IndiHome Subscribers YoY



Source: Company

Chart: Cellular Subscribers YoY



Source: Company

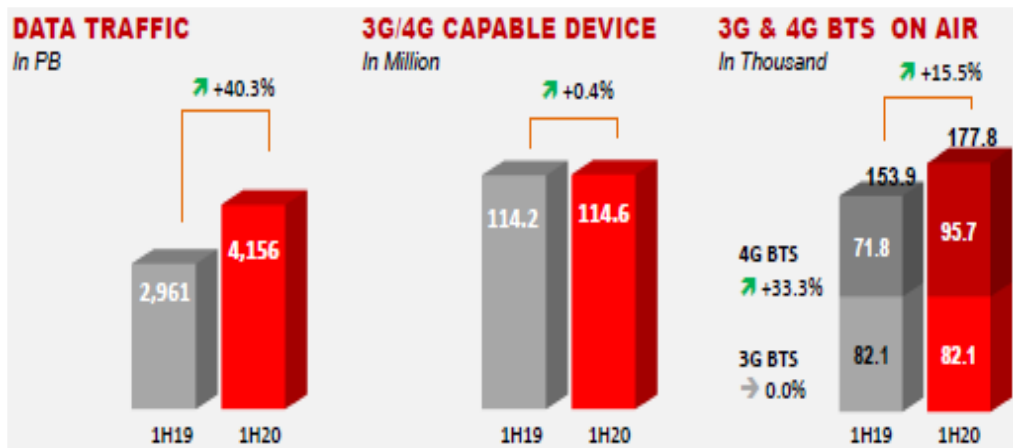
Table: Revenue Breakdown 1H2020 vs 1H2019 in IDR Bn

Revenue Breakdown 1H2020 (IDR Bn)	1H2020	1H2019	(%)
Data, Internet & IT Services	35.338	33.087	6,8%
SMS, Fixed and Cellular Voice	13.025	17.960	-27,5%
IndiHome	10.369	8.706	19,1%
Interconnection	4.121	3.300	24,9%
Network and Other Telco Services	4.003	6.292	-36,4%

Source: Company

Pictures: Telkomsel Digital Business and Performance

Digital Business



Source: Company

Table: Income Statement in IDR. Billion YoY

Income Statement (IDR. Bn)	2016A	2017A	2018A	2019A	2020F	2021F
Revenue	116.333	128.256	130.784	135.567	135.010	139.663
Cost of revenue	-77.138	-84.322	-91.939	-93.173	-93.157	-94.971
Operating Profit	39.195	43.934	38.845	42.394	41.853	44.692
Others income/ (Expense)	-1.006	-1.274	-2.440	-4.486	-5.400	-5.168
Profit Before Tax	38.189	42.660	36.405	37.908	36.453	39.525
Taxes	-9.017	-9.958	-9.426	-10.316	-8.749	-9.051
NIAT	29.172	32.702	26.979	27.592	27.704	30.474
Non-controlling Interest	-9.820	-10.556	-8.947	-8.929	-8.911	-9.218
Net Income	19.352	22.146	18.032	18.663	18.793	21.256
EPS (in IDR)	195,4	223,6	182,0	188,4	189,7	212,4
EBITDA	59.871	67.309	61.318	65.326	65.632	71.285

Source: Company & Binaartha

Table: Cash Flow in IDR. Billion YoY

Cash Flow (In IDR Bn)	2016A	2017A	2018A	2019A	2020F	2021F
Net Income	19.352	22.146	18.032	18.663	18.793	21.256
Depreciation	17.464	19.352	20.122	21.511	22.299	23.883
Change in WC	6.210	1.132	-2.528	14.457	24.940	-11.958
Cash From Operating Activities	43.026	42.630	35.626	54.631	66.033	33.181
Capex	-31.113	-38.365	-32.127	-38.069	-47.388	-35.684
Cash From Investing Activities	-31.113	-38.365	-32.127	-38.069	-47.388	-35.684
Long-term Debts	1.434	1.607	5.774	121	5.844	7.943
Others Noncurrent						
Liabilities	-4.461	5.066	-4.120	2.836	-784	1.145
Equity	-7.236	-15.560	-12.859	-18.716	-12.632	-16.880
Cash From Financing Activities	-10.263	-8.887	-11.205	-15.759	-7.572	-7.793
Net Changes in Cash	1.650	-4.622	-7.706	803	11.072	-10.296
Beginning Balance	28.117	29.767	25.145	17.439	18.242	29.314
Ending Balance	29.767	25.145	17.439	18.242	29.314	19.018

Source: Company & Binaartha

Table: Statement of Financial Position in IDR. Billion YoY

Statement of Financial Position (In IDR Bn)	2016A	2017A	2018A	2019A	2020F	2021F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	29.767	25.145	17.439	18.242	29.314	19.018
Trade Accounts Receivable	7.363	9.222	11.414	11.797	11.080	11.462
Others Current Assets	10.571	13.194	14.415	11.683	13.468	12.570
Total Current Assets	47.701	47.561	43.268	41.722	53.862	43.049
NONCURRENT ASSETS						
Fixed Assets	114.498	130.171	143.248	156.973	168.123	180.064
Intangible Assets	3.089	3.530	5.032	6.446	6.750	6.983
Other Noncurrent Assets	14.323	17.222	14.648	16.067	29.702	29.329
Total Noncurrent Assets	131.910	150.923	162.928	179.486	204.575	216.377
TOTAL ASSETS	179.611	198.484	206.196	221.208	258.437	259.426
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	5.432	7.498	10.339	18.215	24.614	28.306
Trade Payables	13.690	15.791	14.766	13.897	15.398	15.803
Accruals	11.283	12.630	12.769	13.736	13.313	13.828
Others Current Liabilities	9.357	9.457	8.387	12.521	31.052	13.966
Total Current Liabilities	39.762	45.376	46.261	58.369	84.377	71.903
NONCURRENT LIABILITIES						
Long-term bank	26.367	27.974	33.748	33.869	39.713	47.656
Others Noncurrent Liabilities	7.938	13.004	8.884	11.720	10.936	12.081
Total Noncurrent Liabilities	34.305	40.978	42.632	45.589	50.649	59.736
TOTAL LIABILITIES	74.067	86.354	88.893	103.958	135.026	131.639
Non-controlling interest	21.160	19.417	18.393	17.689	20.400	20.950
EQUITY	84.384	92.713	98.910	99.561	103.011	106.837
TOTAL LIABILITIES & EQUITY	179.611	198.484	206.196	221.208	258.437	259.426

Source: Company & Binaartha

Source: Company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2016A	2017A	2018A	2019A	2020F	2021F
Revenue	14%	10%	2%	4%	0%	3%
OP	21%	12%	-12%	9%	-1%	7%
EBITDA	11%	12%	-9%	7%	0%	9%
NP	25%	14%	-19%	3%	1%	13%
EPS	27%	14%	-19%	3%	1%	12%
Profitability						
Operating Margin(%)	34%	34%	30%	31%	31%	32%
EBITDA margin(%)	51%	52%	47%	48%	49%	51%
NET Profit margin(%)	17%	17%	14%	14%	14%	15%
ROA(%)	11%	11%	9%	8%	7%	8%
ROE(%)	23%	24%	18%	19%	18%	20%
Stability						
Tot debt/ equity (x)	0,9	0,9	0,9	1,0	1,3	1,2
Current Ratio (x)	1,2	1,0	0,9	0,7	0,6	0,6
Cash Ratio (x)	0,7	0,6	0,4	0,3	0,3	0,3
Per Share data (IDR)						
EPS	195	224	182	188	190	212
EBITDA/share	604	679	619	659	663	712

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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