

PT. Telekomunikasi Indonesia (Persero) Tbk.

BUY

Telecommunication
11 May 2023

Price	IDR.	4,130
Target	IDR.	5,600
JKSE Index		6,811.905



Stock code

Bloomberg code	TLKM IJ
Market cap (in Bn)	406,155
52-week high	4,770
52-week low	3,590
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)	15,294

Analyst:
Eka Rahmawati Rahman

Investment Considerations

Revenue Stable

- TLKM maintained stable revenue in 1Q2023, with Indihome and Telkomsel continuing to be the engines of growth. TLKM revenue reached IDR 36.01 trillion, up +2.5 YoY but lower -6.1% QoQ.
- IndiHome recorded +7.9% YoY or +0.9% QoQ growth to IDR 7.19 trillion in 1Q2023, inline with the increase in IndiHome new subscribers which grew +7% to 9.35 million. The target is to add 1 million more subscribers in 2023.
- Data, Internet & IT service revenue increased +5.5% YoY to IDR 19.89 trillion in 1Q2023 boosted by higher cellular data internet revenue, +5.6% YoY in 1Q2023.
- As of April 6, 2023, TLKM has signed a conditional spin-off agreement with Telkomsel to reposition Telkom Business into B2B and B2C. TLKM will concentrate on B2B while Telkomsel will defend its dominance in B2C telecommunications. The value of IndiHome which will be spun off by TLKM to Telkomsel is IDR 58.2 trillion.
- As we expect demand will continue to grow due to higher data consumption and price increases in 2023, We are targeting TLKM revenues to reach IDR 159 trillion this year.

1Q2023 Results: Gain from GOTO

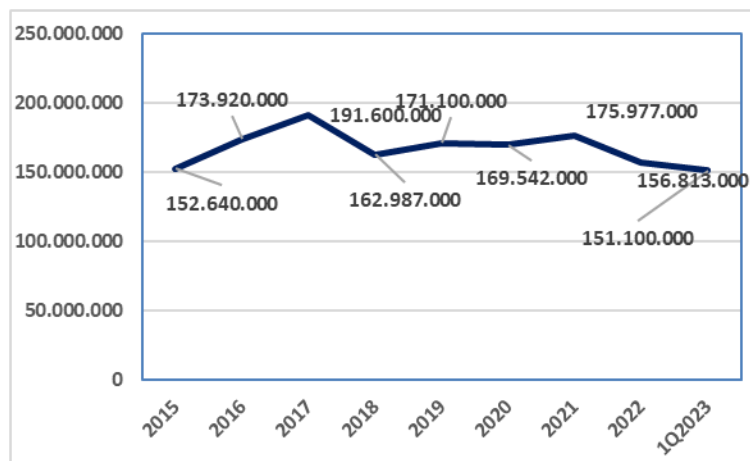
- After a drop due to losses from GOTO, TLKM's bottom line continued to improve with +54% QoQ or +5% YoY growth in 1Q2023 to IDR 6.4 trillion. As a result, TLKM margin improved with the NPM reaching 17.8% from 10.9% in 4Q2022.
- The unrealized gain from the change in fair value of the investment in GOTO was positive IDR 430 billion in 1Q2023. As of March 2023, GOTO market price was IDR 109 per share.
- Operating profit increased +7.7% YoY or +42.3% QoQ to IDR 11.4 trillion with a higher OPM of 31.7%.
- Going forward, we expect a merger of IndiHome and Telkomsel will help make capex more efficient. We expect double digit bottom profit growth of +34% this year to IDR 27.8 trillion.

Valuation: Maintain BUY with TP 5,600

- We are targeting TLKM to reach IDR 5,600, 36% upside, which is a 20x PE valuation within one year. We maintain our recommendation to BUY.

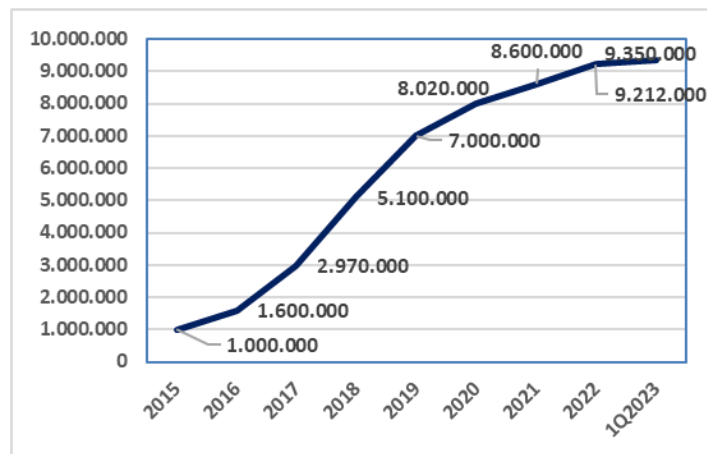
Financial Highlights	2020A	2021A	2022A	2023F	2024F
Revenue (IDR Bn)	136.462	143.210	147.306	159.290	169.153
EBITDA (IDR Bn)	72.084	80.267	71.250	81.333	86.635
Net Income (IDR Bn)	20.804	24.760	20.753	27.818	29.541
EPS (IDR)	210	250	209	281	298
PBV (x)	3	3	3	4	4
PER (x)	16	16	18	20	19
ROE (%)	20%	20%	16%	22%	22%
ROA (%)	8%	9%	8%	10%	10%
Tot. Debt / Equity (x)	1,2	1,1	1,0	1,1	1,1
Current Ratio (X)	0,7	0,9	0,8	0,6	0,5

Chart: IndiHome Subscribers YoY



Source: Company

Chart: Cellular Subscribers YoY



Source: Company

Table: Revenue Breakdown YoY

Revenue Breakdown (IDR Bn)	1Q2022	1Q2023	YoY	4Q2022	QoQ
Data, Internet & IT Services	18.856	19.892	5,5%	22.578	-11,9%
SMS, Fixed and Cellular Voice	4.747	4.030	-15,1%	3.287	22,6%
IndiHome	6.851	7.192	5,0%	7.131	0,9%
Interconnection	2.133	2.219	4,0%	2.324	-4,5%
Network and Other Telco Services	2.621	2.757	5,2%	3.112	-11,4%
Total Revenue	35.208	36.090	2,5%	38.432	-6,1%

Source: Company

Table: Income Statement QoQ and YoY

Income Statement (IDR. Bn)	1Q2022	1Q2023	YoY	4Q2022	QoQ
Revenue	35.208	36.090	2,5%	38.432	-6,1%
Cost of revenue	-24.597	-24.659	0,3%	-30.424	-18,9%
Operating Profit	10.611	11.431	7,7%	8.008	42,7%
Others income/ (Expense)	-749	-834	11,3%	-866	-3,7%
Profit Before Tax	9.862	10.597	7,5%	7.142	48,4%
Taxes	-2.006	-2.149	7,1%	-2.278	-5,7%
NIAT	7.856	8.448	7,5%	4.864	73,7%
Non-controlling Interest	-1.738	-2.024	16,5%	-692	192,5%
Net Income	6.118	6.424	5,0%	4.172	54,0%
EPS (in IDR)	62	65	5,0%	42	54,0%
OPM	30,1%	31,7%		20,8%	
NPM	17,4%	17,8%		10,9%	

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	159.290	169.153
Cost of revenue	-93.173	-92.957	-95.647	-107.725	-109.910	-116.716
Operating Profit	42.394	43.505	47.563	39.581	49.380	52.438
Others income/ (Expense)	-4.486	-4.730	-3.885	-3.242	-3.504	-3.721
Profit Before Tax	37.908	38.775	43.678	36.339	45.875	48.716
Taxes	-10.316	-9.212	-9.730	-8.659	-10.093	-10.718
NIAT	27.592	29.563	33.948	27.680	35.783	37.999
Non-controlling Interest	-8.929	-8.759	-9.188	-6.927	-7.964	-8.458
Net Income	18.663	20.804	24.760	20.753	27.818	29.541
EPS (in IDR)	188,4	210,0	249,9	209,5	280,8	298,2
EBITDA	70.105	72.084	80.267	71.250	81.333	86.635

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	27.818	29.541
Depreciation	21.943	24.718	25.576	25.576	27.463
Change in WC	8.290	2.986	1.113	6.759	3.927
Cash From Operating Activities	51.037	52.464	47.442	60.153	60.931
Change in Non-current Asset	-42.897	-40.185	-29.804	-42.172	-42.402
Cash From Investing Activities	-42.897	-40.185	-29.804	-42.172	-42.402
Long-term Debts	-3.308	5.758	-8.988	0	0
Others Noncurrent Liabilities	14.680	-65	1.876	1.258	1.825
Equity	-17.165	-250	-16.890	-27.453	-23.415
Cash From Financing Activities	-5.793	5.443	-24.002	-26.195	-21.591
Net Changes in Cash	2.347	17.722	-6.364	-8.214	-3.061
Beginning Balance	18.242	20.589	38.311	31.947	23.733
Ending Balance	20.589	38.311	31.947	23.733	20.672

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	23.733	20.672
Trade Accounts Receivable	11.339	8.510	8.634	9.557	10.149
Others Current Assets	14.575	14.456	14.476	14.336	14.378
Total Current Assets	46.503	61.277	55.057	47.627	45.199
NONCURRENT ASSETS					
Fixed Assets	160.923	165.026	173.329	186.117	199.848
Intangible Assets	6.846	7.506	8.302	8.977	9.533
Other Noncurrent Assets	32.671	43.375	38.504	41.636	42.288
Total Noncurrent Assets	200.440	215.907	220.135	236.731	251.670
TOTAL ASSETS	246.943	277.184	275.192	284.357	296.869
LIABILITIES AND EQUITY					
LIABILITIES					
CURRENT LIABILITIES					
Short-term Bank Loans	19.284	20.248	17.049	17.901	18.797
Trade Payables	16.999	17.170	24.321	25.486	27.496
Accruals	14.265	15.885	15.445	16.566	17.592
Others Current Liabilities	18.545	15.828	13.573	17.976	18.607
Total Current Liabilities	69.093	69.131	70.388	77.930	82.492
NONCURRENT LIABILITIES					
Long-term bank	30.561	36.319	27.331	27.331	27.331
Others Noncurrent Liabilities	26.400	26.335	28.211	29.469	31.293
Total Noncurrent Liabilities	56.961	62.654	55.542	56.800	58.624
TOTAL LIABILITIES	126.054	131.785	125.930	134.730	141.116
Non-controlling interest	18.362	23.753	20.004	24.026	24.242
EQUITY	102.527	121.646	129.258	125.602	131.511
TOTAL LIABILITIES & EQUITY	246.943	277.184	275.192	284.357	296.869

Source: Company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2020A	2021A	2022A	2023F	2024F
Revenue	1%	5%	3%	8%	6%
OP	3%	9%	-17%	25%	6%
EBITDA	3%	11%	-11%	14%	7%
NP	11%	19%	-16%	34%	6%
EPS	11%	19%	-16%	34%	6%

Profitability					
Operating Margin(%)	32%	33%	27%	31%	31%
EBITDA margin(%)	53%	56%	48%	51%	51%
NET Profit margin(%)	15%	17%	14%	17%	17%
ROA(%)	8%	9%	8%	10%	10%
ROE(%)	20%	20%	16%	22%	22%

Stability					
Tot debt/ equity (x)	1,2	1,1	1,0	1,1	1,1
Current Ratio (x)	0,7	0,9	0,8	0,6	0,5
Cash Ratio (x)	0,3	0,6	0,5	0,3	0,3

Per Share data					
EPS (IDR)	210	250	209	281	298
PBV (x)	3	3	3	4	4
PER (x)	16	16	18	20	19
EBITDA/share	728	810	719	821	875

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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