

PT. Telekomunikasi Indonesia (Persero) Tbk.

BUY

Telecommunication
14 August 2024

Price IDR. 2,850
Target IDR. 4,150
JKSE Index 7,356.638



Stock code

Bloomberg code TLKM IJ
Market cap (in Bn) 284,308.6
52-week high 4,240
52-week low 2,700
6-m avg.daily.val (IDR) 4,317
Free Float (%) 30.00%

Major Share Holders (%)

Government 70.00%
Public 30.00%

USD/IDR-YE

2023 15,439
2024F (6m-avg) 16,050

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Source: Company and Binaartha

Investment Considerations

Stable Revenue

- TLKM reported flat revenue of IDR 37.8 trillion in Q2 2024, reflecting a +2.5% year-over-year (YoY) growth to IDR 75.3 trillion for 1H 2024.
- The data, internet, and IT services segment remains TLKM's largest revenue contributor, accounting for 64% of total revenue, or IDR 24.2 trillion, which represents a +7% YoY increase. This growth was driven by a robust increase in mobile data services and a 2.2% quarter-over-quarter (QoQ) rise in data traffic. However, the Average Revenue Per User (ARPU) remained steady at IDR 45 thousand, influenced by the recent launch of Telkomsel Lite.
- IndiHome's revenue surged by +18.2% QoQ to IDR 8.11 trillion in Q2 2024, reflecting growth following the reclassification of IndiHome enterprise (B2B) revenue into the Data, Internet & IT services category starting in Q1 2024. Despite this, ARPU slightly decreased by -1% QoQ to IDR 240 thousand, while subscriber numbers grew by 2.5% QoQ, reaching 9.14 million.
- Network revenues rose by +47% YoY to IDR 852 billion in Q2 2024, supported by TLKM's expanding network business and increased tower and digital services revenue. We believe TLKM's efforts to defend its market share and competitiveness will result in further subscriber growth, coupled with a gradual ARPU increase ahead. Due to current market conditions, TLKM is targeting low-single-digit revenue growth for FY2024.

Q2 2024 Results: Decline QoQ and YoY due to one off cost

- TLKM's bottom line declined both QoQ and YoY, driven by higher personnel and general administration expenses. The company's profit for Q2 2024 was IDR 5.71 trillion, reflecting a -5.7% QoQ and -9.9% YoY decline. This was primarily due to a +30.5% YoY increase in personnel expenses to IDR 5.36 trillion, as TLKM implemented an Early Retirement Program (ERP), incurring a one-off cost of IDR 1.24 trillion. General and administrative expenses also rose by +23.2% to IDR 1.83 trillion, leading to a decrease in TLKM's Net Profit Margin (NPM) to 15.1% in Q2 2024, down from 16.2% in Q1 2024.
- However, excluding ERP costs, mark-to-market GOTO, and one-off gains from asset unlocking, core net income grew by +4.2% YoY to IDR 13 trillion in 1H 2024, with a core net income margin of 17.4%. Operating profit decreased by -8.3% YoY or -3.5% QoQ to IDR 10.6 trillion, resulting in a lower Operating Profit Margin (OPM) of 28.1% in Q2 2024.
- Additionally, in 1H 2024, TLKM incurred an unrealized loss of IDR 857 billion from the change in the fair value of its investment in GOTO, valued at IDR 50 per share, compared to an unrealized gain of IDR 412 million in 1H 2023.

Valuation: Maintain BUY with TP 4,150

- We maintain our target price for TLKM at IDR 4,150, representing a 45% upside potential. This target is based on a one-year forward P/E ratio of 16x. Our recommendation to BUY is maintained based on these projections.

Financial Highlights	2021A	2022A	2023A	2024F	2025F
Revenue (IDR Bn)	143.210	147.306	149.216	154.966	161.228
EBITDA (IDR Bn)	79.301	72.749	77.048	81.351	84.681
Net Income (IDR Bn)	24.760	20.753	24.561	24.907	25.914
EPS (IDR)	250	209	248	251	262
PBV (x)	3	3	3	3	3
PER (x)	16	18	16	17	16
ROE (%)	20%	16%	18%	19%	19%
ROA (%)	9%	8%	9%	8%	8%
Tot. Debt / Equity (x)	1,1	1,0	1,0	1,1	1,1
Current Ratio (X)	0,9	0,8	0,8	0,7	0,6

Revenue Breakdown YoY

Revenue Breakdown (IDR Bn)	1H2023	1H2024	%	1Q2024	2Q2024	%
Data, Internet & IT Services	41.630	45.455	9,2%	22.148	23.307	5,2%
SMS, Fixed and Cellular Voice	7.506	5.225	-30,4%	2.509	2.716	8,3%
IndiHome	14.389	14.972	4,1%	6.863	8.109	18,2%
Interconnection	4.463	4.846	8,6%	2.575	2.271	-11,8%
Network and Other Telco Services	5.490	6.794	23,8%	3.334	3.460	3,8%
Total Revenue	73.478	77.292	5,2%	37.429	39.863	6,5%

Source: Company

TLKM Operation Performance

Key Indicators	YoY			QoQ		
	1H2023	1H2024	%	1Q2024	2Q2024	%
Mobile Customer Base (000)	153.269	159.882	4,3%	159.668	159.882	0,1%
IndiHome B2C (000)	8.269	9.143	10,6%	8.916	9.143	2,5%
ARPU Mobile (000)	48	45	-4,8%	45	45	-0,7%
ARPU IndiHome B2C (000)	0	242		243	240	-1,0%
BTS on Air (Units)	228.377	265.904	16,4%	257.349	265.904	3,3%
Data Payload (TB)	8.728.935	9.753.659	11,7%	4.823.809	4.929.849	2,2%

Source: Company

Income Statement in IDR. Billion QoQ

Income Statement (IDR. Bn)	1Q2024	2Q2024	QoQ	2Q2023	YoY	1H2023	1H2024	YoY
Revenue	37.429	37.863	1,2%	37.388	1,3%	73.478	75.292	2,5%
Cost of revenue	-26.421	-27.236	3,1%	-25.800	5,6%	-50.459	-53.657	6,3%
Operating Profit	11.008	10.627	-3,5%	11.588	-8,3%	23.019	21.635	-6,0%
Others income/ (Expense)	-865	-847	-2,1%	-883	-4,1%	-1.717	-1.712	-0,3%
Profit Before Tax	10.143	9.780	-3,6%	10.705	-8,6%	21.302	19.923	-6,5%
Taxes	-2.323	-2.176	-6,3%	-2.332	-6,7%	-4.481	-4.499	0,4%
NIAT	7.820	7.604	-2,8%	8.373	-9,2%	16.821	15.424	-8,3%
Non-controlling Interest	-1.767	-1.896	7,3%	-2.041	-7,1%	-4.065	-3.663	-9,9%
Net Income	6.053	5.708	-5,7%	6.332	-9,9%	12.756	11.761	-7,8%
EPS (in IDR)	61	58	-5,7%	64	-9,9%	129	119	-7,8%
Core Net Income	6.377	6.729	5,5%	6.350	6,0%	12.582	13.106	4,2%
OPM	29,4%	28,1%		31,0%		31,3%	28,7%	
NPM	16,2%	15,1%		16,9%		17,4%	15,6%	
Core NPM	17,0%	17,8%		17,0%		17,1%	17,4%	

Source: Company & Binaartha

Income Statement in IDR. Billion YoY

Income Statement (IDR. Bn)	2021A	2022A	2023A	2024F	2025F
Revenue	143.210	147.306	149.216	154.966	161.228
Cost of revenue	-95.647	-107.725	-104.832	-110.026	-114.472
Operating Profit	47.563	39.581	44.384	44.940	46.756
Others income/ (Expense)	-3.885	-3.242	-3.590	-3.564	-3.708
Profit Before Tax	43.678	36.339	40.794	41.376	43.048
Taxes	-9.730	-8.659	-8.585	-9.185	-9.557
NIAT	33.948	27.680	32.209	32.190	33.491
Non-controlling Interest	-9.188	-6.927	-7.648	-7.283	-7.578
Net Income	24.760	20.753	24.561	24.907	25.914
EPS (in IDR)	249,9	209,5	247,9	251,4	261,6
EBITDA	79.301	72.749	77.048	81.351	84.681

Source: Company & Binaartha

Cash Flow in IDR. Billion YoY

Cash Flow (In IDR Bn)	2021A	2022A	2023A	2024F	2025F
Net Income	24.760	20.753	24.561	24.907	25.914
Depreciation	24.718	25.576	24.838	24.838	26.388
Change in WC	2.986	1.113	-2.316	11.803	-1.903
Cash From Operating Activities	52.464	47.442	47.083	61.548	50.399
Change in Non-current Asset	-40.185	-29.804	-36.132	-34.725	-40.366
Cash From Investing Activities	-40.185	-29.804	-36.132	-34.725	-40.366
Long-term Debts	5.758	-8.988	442	1.070	1.166
Others Noncurrent Liabilities	-65	1.876	2.928	-921	1.221
Equity	-250	-16.890	-17.261	-26.660	-19.790
Cash From Financing Activities	5.443	-24.002	-13.891	-26.510	-17.404
Net Changes in Cash	17.722	-6.364	-2.940	312	-7.370
Beginning Balance	20.589	38.311	31.947	29.007	29.319
Ending Balance	38.311	31.947	29.007	29.319	21.949

Source: Company & Binaartha

Statement of Financial Position in IDR. Billion YoY

Statement of Financial Position (In IDR Bn)	2021A	2022A	2023A	2024F	2025F
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	38.311	31.947	29.007	29.319	21.949
Trade Accounts Receivable	8.510	8.634	10.667	9.710	10.102
Others Current Assets	14.456	14.476	15.939	17.046	17.735
Total Current Assets	61.277	55.057	55.613	56.076	49.787
NONCURRENT ASSETS					
Fixed Assets	165.026	173.329	180.755	192.037	204.023
Intangible Assets	7.506	8.302	8.731	8.988	9.351
Other Noncurrent Assets	43.375	38.504	41.943	40.291	41.919
Total Noncurrent Assets	215.907	220.135	231.429	241.316	255.293
TOTAL ASSETS	277.184	275.192	287.042	297.392	305.080
LIABILITIES AND EQUITY					
LIABILITIES					
CURRENT LIABILITIES					
Short-term Bank Loans	20.248	17.049	19.926	29.889	26.900
Trade Payables	17.170	24.321	18.608	19.325	20.106
Accruals	15.885	15.445	13.079	13.583	14.132
Others Current Liabilities	15.828	13.573	19.955	20.724	21.561
Total Current Liabilities	69.131	70.388	71.568	83.521	82.699
NONCURRENT LIABILITIES					
Long-term bank	36.319	27.331	27.773	28.843	30.009
Others Noncurrent Liabilities	26.335	28.211	31.139	30.218	31.440
Total Noncurrent Liabilities	62.654	55.542	58.912	59.061	61.448
TOTAL LIABILITIES	131.785	125.930	130.480	142.582	144.148
Non-controlling interest	23.753	20.004	20.818	23.245	24.184
EQUITY	121.646	129.258	135.744	131.564	136.748
TOTAL LIABILITIES & EQUITY	277.184	275.192	287.042	297.392	305.080

Source: Company & Binaartha

Ratio Highlights YoY

Growth (% YoY)	2021A	2022A	2023A	2024F	2025F
Revenue	5%	3%	1%	4%	4%
OP	9%	-17%	12%	1%	4%
EBITDA	10%	-8%	6%	6%	4%
NP	19%	-16%	18%	1%	4%
EPS	19%	-16%	18%	1%	4%

Profitability

Operating Margin(%)	33%	27%	30%	29%	29%
EBITDA margin(%)	55%	49%	52%	52%	53%
NET Profit margin(%)	17%	14%	16%	16%	16%
ROA(%)	9%	8%	9%	8%	8%
ROE(%)	20%	16%	18%	19%	19%

Stability

Tot debt/ equity (x)	1,1	1,0	1,0	1,1	1,1
Current Ratio (x)	0,9	0,8	0,8	0,7	0,6
Cash Ratio (x)	0,6	0,5	0,4	0,4	0,3

Per Share data

EPS (IDR)	250	209	248	251	262
PBV (x)	3	3	3	3	3
PER (x)	16	18	16	17	16
EBITDA/share	801	734	778	821	855

Source: Company & Binaartha

Stock Ratings:

- Buy : a recommendation to purchase the security with upside potential of **12,50% or greater**
- Hold : a recommendation to neither buy nor sell a security with upside potential of **6,25%-12,49%**.
- Sell : a recommendation to close out a long position in a security with upside potential **below 6,25% or negative**.

RESEARCH TEAM
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