

PT. Telekomunikasi Indonesia (Persero) Tbk.

BUY

Telecommunication
17 November 2022

Price IDR. 4,050
Target IDR. 5,730
JKSE Index 7,014.384



Stock code

Bloomberg code TLKM IJ
Market cap (in Bn) 400,211
52-week high 4,850
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

2021 14,310
2022F (6m-avg) 15,597

Analyst:
Eka Rahmawati Rahman

Investment Considerations

TLKM new strategies

- TLKM plans to merge Telkomsel and Indihome in early 2023. With this merger, there is potential for fixed cellular network convergence (fixed mobile convergence / FMC), and synergy between mobile and fixed networks.
- The FMC strategy would increase TLKM's value by distinguishing TLKM's unique competitive advantage in the market. Also, with FMC, TLKM is expecting greater efficiency in capex and data integration.
- TLKM also has another strategic initiative, InfraCo, data center, cloud and B2B digital IT service Co.
- TLKM has already unlocked infrastructure value starting with Towers. With this new initiative, TLKM aims at further capex efficiency with improvements in coverage, service and asset utility.
- TLKM is also in the process of consolidating data center (DC) assets.

Stable revenue

- TLKM booked stable revenue in 3Q2022, with Indihome and Telkomsel continuing to be the engines of growth. TLKM revenue reached IDR 36.89 trillion up +0.3% YoY. For 9M2022 TLKM maintained single digit growth of +2.7% YoY to IDR 108.87 trillion.
- IndiHome recorded +4.4% YoY growth to IDR 7.05 trillion in 3Q2022 or +6.4% growth in 9M2022 to reach IDR 20.88 trillion. The growth is inline with the increase in IndiHome new subscribers and a stable ARPU. Indihome's total subscribers are now 9 million from 8,6 million last year.
- Data, Internet & IT service revenue increased +6.1% YoY to IDR 60.47 trillion in 9M2022 and +7.9% YoY in 3Q2022 boosted by higher cellular data internet revenue +6.2% YoY in the 9M2022.
- We are targeting TLKM revenues to reach IDR 150.3 trillion this year as we expect demand will continue to grow.

3Q2022 Results: More losses from GOTO

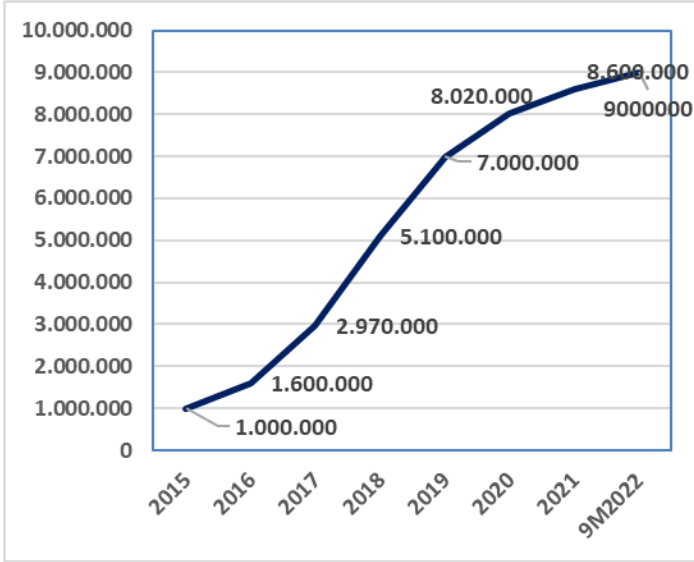
- TLKM booked a lower bottom line profit, -54.5% QoQ to IDR 3.27 trillion with a lower NPM of 8.9% due to an unrealized loss from the change in fair value of the investment in GOTO of IDR 3.38 trillion from a gain in 3Q2021 of IDR 53 billion. For 9M2022, TLKM net income reached IDR 16.58 trillion, a decrease of -12.1% YoY.
- After the eight-month lock up period for pre-IPO investors, GOTO's share price is expected to fall further due to fears of a sell-off, and it will likely be a negative factor for TLKM 2022's performance.

Valuation: Maintain BUY with TP 5,750

- With more expansion strategies and efficiencies, we are targeting TLKM to reach IDR 5,750, 42% upside, which is a 21x PE valuation within one year. We maintain our recommendation to BUY.

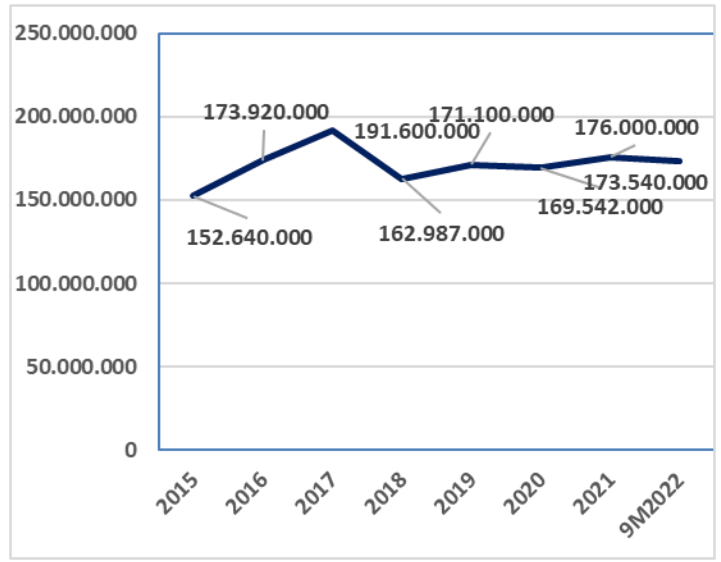
Financial Highlights	2018A	2019A	2020A	2021A	2022F	2023F
Revenue (IDR Bn)	130.784	135.567	136.462	143.210	150.312	160.393
EBITDA (IDR Bn)	61.318	70.105	72.084	80.267	79.780	85.295
Net Income (IDR Bn)	18.032	18.663	20.804	24.760	25.359	27.060
EPS (IDR)	182	188	210	250	256	273
PBV (x)	4	4	3	3	5	5
PER (x)	21	21	16	16	22	21
ROE (%)	18%	19%	20%	20%	22%	22%
ROA (%)	9%	8%	8%	9%	9%	9%
Tot. Debt / Equity (x)	0,9	1,0	1,2	1,1	1,1	1,2
Current Ratio (X)	0,9	0,7	0,7	0,9	0,7	0,6

Chart: IndiHome Subscribers YoY



Source: Company

Chart: Cellular Subscribers YoY



Source: Company

Table: Revenue Breakdown YoY

Revenue Breakdown (IDR Bn)	1Q2021	1Q2022	(%)	2Q2021	2Q2022	(%)	1H2021	1H2022	(%)	3Q2021	3Q2022	(%)	9M2021	9M2022	(%)
Data, Internet & IT Services	18.245	18.856	3,3%	19.327	20.366	5,4%	37.572	39.222	4,4%	19.444	21.249	9,3%	57.016	60.471	6,1%
SMS, Fixed and Cellular Voice	5.253	4.747	-9,6%	5.301	4.570	13,8%	10.554	9.317	11,7%	5.431	4.345	-20,0%	15.985	13.662	14,5%
IndiHome	6.347	6.851	7,9%	6.532	6.980	6,9%	12.879	13.831	7,4%	6.759	7.058	4,4%	19.638	20.889	6,4%
Interconnection Network and Other Telco Services	1.826	2.133	16,8%	2.018	2.089	3,5%	3.844	4.222	9,8%	1.904	1.926	1,2%	5.748	6.148	7,0%
Total Revenue	33.945	35.208	3,7%	35.535	36.775	3,5%	69.480	71.983	3,6%	36.563	36.891	0,9%	106.043	108.874	2,7%

Source: Company

Table: Income Statement QoQ and YoY

Income Statement (IDR. Bn)	1Q2022	2Q2022	3Q2022	QoQ	3Q2021	YoY	9M2021	9M2022	YoY
Revenue	35.208	36.775	36.891	0,3%	36.563	0,9%	106.043	108.874	2,7%
Cost of revenue	-24.597	-24.450	-28.254	15,6%	-23.877	18,3%	-69.742	-77.301	10,8%
Operating Profit	10.611	12.325	8.637	-29,9%	12.686	-31,9%	36.301	31.573	-13,0%
Others income/ (Expense)	-749	-758	-869	14,6%	-1.220	-28,8%	-3.041	-2.376	-21,9%
Profit Before Tax	9.862	11.567	7.768	-32,8%	11.466	-32,3%	33.260	29.197	-12,2%
Taxes	-2.006	-1.868	-2.507	34,2%	-2.723	-7,9%	-7.597	-6.381	-16,0%
NIAT	7.856	9.699	5.261	-45,8%	8.743	-39,8%	25.663	22.816	-11,1%
Non-controlling Interest	-1.738	-2.507	-1.990	-20,6%	-2.322	-14,3%	-6.791	-6.235	-8,2%
Net Income	6.118	7.192	3.271	-54,5%	6.421	-49,1%	18.872	16.581	-12,1%
EPS (in IDR)	62	73	33	-54,5%	65	-49,1%	191	167	-12,1%
OPM	30,1%	33,5%	23,4%		34,7%		34,2%	29,0%	
NPM	17,4%	19,6%	8,9%		17,6%		17,8%	15,2%	

Source: Company

Table: Income Statement in IDR. Billion YoY

Income Statement (IDR. Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Revenue	128.256	130.784	135.567	136.462	143.210	150.312	160.393
Cost of revenue	-84.322	-91.939	-93.173	-92.957	-95.647	-103.716	-110.671
Operating Profit	43.934	38.845	42.394	43.505	47.563	46.597	49.722
Others income/ (Expense)	-1.274	-2.440	-4.486	-4.730	-3.885	-3.157	-3.368
Profit Before Tax	42.660	36.405	37.908	38.775	43.678	43.440	46.354
Taxes	-9.958	-9.426	-10.316	-9.212	-9.730	-9.513	-10.151
NIAT	32.702	26.979	27.592	29.563	33.948	33.927	36.202
Non-controlling Interest	-10.556	-8.947	-8.929	-8.759	-9.188	-8.568	-9.142
Net Income	22.146	18.032	18.663	20.804	24.760	25.359	27.060
EPS (in IDR)	223,6	182,0	188,4	210,0	249,9	256,0	273,2
EBITDA	67.309	61.318	70.105	72.084	80.267	79.780	85.295

Source: Company & Binaartha

Table: Cash Flow in IDR. Billion YoY

Cash Flow (In IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Net Income	22.146	18.032	18.663	20.804	24.760	25.359	27.060
Depreciation	19.352	20.122	21.511	21.943	24.718	24.718	26.569
Change in WC	1.132	-2.528	14.457	8.290	2.986	8.465	3.622
Cash From Operating Activities	42.630	35.626	54.631	51.037	52.464	58.542	57.251
Change in Non-current Asset	-38.365	-32.127	-38.069	-42.897	-40.185	-35.799	-43.180
Cash From Investing Activities	-38.365	-32.127	-38.069	-42.897	-40.185	-35.799	-43.180
Long-term Debts	1.607	5.774	121	-3.308	5.758	-6.257	2.016
Others Noncurrent Liabilities	5.066	-4.120	2.836	14.680	-65	1.473	1.865
Equity	-15.560	-12.859	-18.716	-17.165	-250	-27.406	-19.933
Cash From Financing Activities	-8.887	-11.205	-15.759	-5.793	5.443	-32.190	-16.052
Net Changes in Cash	-4.622	-7.706	803	2.347	17.722	-9.447	-1.982
Beginning Balance	29.767	25.145	17.439	18.242	20.589	38.311	28.864
Ending Balance	25.145	17.439	18.242	20.589	38.311	28.864	26.882

Source: Company & Binaartha

Table: Statement of Financial Position in IDR. Billion YoY

Statement of Financial Position (In IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	25.145	17.439	18.242	20.589	38.311	28.864	26.882
Trade Accounts Receivable	9.222	11.414	11.797	11.339	8.510	9.019	9.624
Others Current Assets	13.194	14.415	11.683	14.575	14.456	12.777	13.633
Total Current Assets	47.561	43.268	41.722	46.503	61.277	50.659	50.139
NONCURRENT ASSETS							
Fixed Assets	130.171	143.248	156.973	160.923	165.026	177.385	190.670
Intangible Assets	3.530	5.032	6.446	6.846	7.506	7.516	8.020
Other Noncurrent Assets	17.222	14.648	16.067	32.671	43.375	42.087	44.910
Total Noncurrent Assets	150.923	162.928	179.486	200.440	215.907	226.988	243.599
TOTAL ASSETS	198.484	206.196	221.208	246.943	277.184	277.647	293.739
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	7.498	10.339	18.215	19.284	20.248	21.261	22.324
Trade Payables	15.791	14.766	13.897	16.999	17.170	16.985	18.445
Accruals	12.630	12.769	13.736	14.265	15.885	15.632	16.681
Others Current Liabilities	9.457	8.387	12.521	18.545	15.828	22.547	24.059
Total Current Liabilities	45.376	46.261	58.369	69.093	69.131	76.425	81.509
NONCURRENT LIABILITIES							
Long-term bank	27.974	33.748	33.869	30.561	36.319	30.062	32.079
Others Noncurrent Liabilities	13.004	8.884	11.720	26.400	26.335	27.808	29.673
Total Noncurrent Liabilities	40.978	42.632	45.589	56.961	62.654	57.870	61.751
TOTAL LIABILITIES	86.354	88.893	103.958	126.054	131.785	134.296	143.260
Non-controlling interest	19.417	18.393	17.689	18.362	23.753	25.553	27.267
EQUITY	92.713	98.910	99.561	102.527	121.646	117.799	123.212
TOTAL LIABILITIES & EQUITY	198.484	206.196	221.208	246.943	277.184	277.647	293.739

Source: Company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2018A	2019A	2020A	2021A	2022F	2023F
Revenue	2%	4%	1%	5%	5%	7%
OP	-12%	9%	3%	9%	-2%	7%
EBITDA	-9%	14%	3%	11%	-1%	7%
NP	-19%	3%	11%	19%	2%	7%
EPS	-19%	3%	11%	19%	2%	7%

Profitability						
Operating Margin(%)	30%	31%	32%	33%	31%	31%
EBITDA margin(%)	47%	52%	53%	56%	53%	53%
NET Profit margin(%)	14%	14%	15%	17%	17%	17%
ROA(%)	9%	8%	8%	9%	9%	9%
ROE(%)	18%	19%	20%	20%	22%	22%

Stability						
Tot debt/ equity (x)	0,9	1,0	1,2	1,1	1,1	1,2
Current Ratio (x)	0,9	0,7	0,7	0,9	0,7	0,6
Cash Ratio (x)	0,4	0,3	0,3	0,6	0,4	0,3

Per Share data						
EPS (IDR)	182	188	210	250	256	273
PBV (x)	4	4	3	3	5	5
PER (x)	21	21	16	16	22	21
EBITDA/share	619	708	728	810	805	861

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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