

PT. Telekomunikasi Indonesia (Persero) Tbk.
BUY

 Telecommunication
 18 November 2020

Price	IDR.	3,200
Target	IDR.	4,300
JKSE Index		5,529.940


Stock code

Bloomberg code	TLKM IJ
Market cap (in Bn)	317,000
52-week high	4,055
52-week low	2,417
6-m avg.daily.val (IDR)	3,213
Free Float (%)	30.00%

Major Share Holders (%)

Government	70.00%
Public	30.00%

USD/IDR-YE

2019	13,970
2020F (6m-avg)	14,585

 Analyst:
 Eka Rahmawati Rahman

Investment Considerations
Enterprise business improved

- Enterprise revenue of IDR 11.5 trillion in 9M2020, declined by -23% YoY but that's better than a -35% decline in 1H2020, or growth of 9.4% QoQ. The improvement is in line with TLKM's strategy to reduce low margin businesses.
- The demand for Data Centers, Cloud, Application services and Fixed Broadband increased in 9M2020 in line with the rising trend of digital businesses.
- Corporate clients are still the biggest contributors to enterprise business revenue at 56%, followed by government 23% and small and medium-sized businesses, 21%.

Indihome keeps Growing

- IndiHome kept their growth momentum in 9M2020 and the revenue contribution increased to 16% from 13%. Indihome recorded revenue of IDR 16.1 trillion up 17.1% YoY.
- The growth is inline with the increase in IndiHome new subscribers in 9M2020, +752k and +304k in 3Q2020. With 9M2020 new additions we expect TLKM can reach the 2020 subscriber target.
- TLKM's total Indihome subscribers reached 7.76 million, and only needs an additional +240k subscribers to reach the 2020 target of 8 million.

Margin Improved

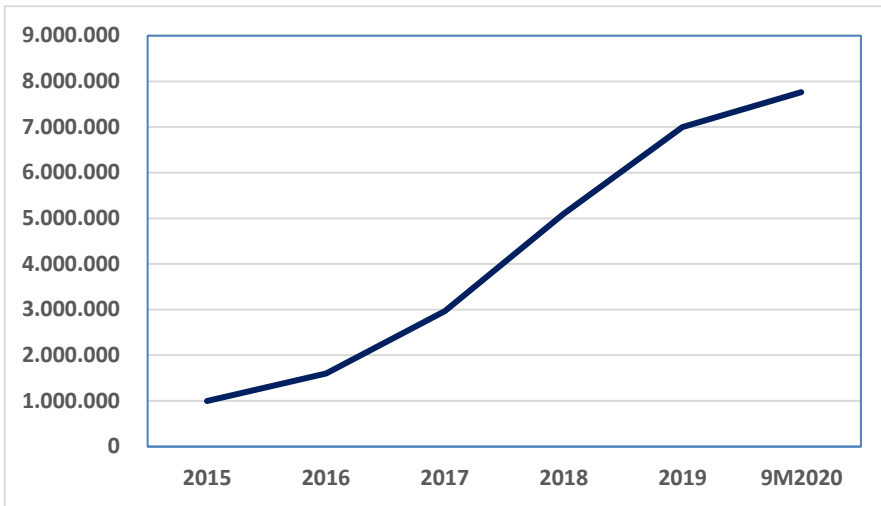
- As of 9M2020, TLKM revenue decreased slightly by -2.6% YoY to IDR 99.94 trillion in 9M2020.
- TLKM is maintaining expenses well and total expenses in 9M2020 decreased by 3.2% YoY to IDR 66.9 trillion with Operation, Maintenance & Telecommunication Services costs down significantly by 19.2% YoY.
- EBITDA grew 7.1% YoY to IDR 53.6 trillion in 9M2020, with an EBITDA margin of 53.6%.
- Net Income recorded +1.3% YoY growth to IDR 16.7 trillion with an improved Net Income Margin of 16.7% due to cost efficiency and the impact of PSAK 72 and 73 adoption.
- We are still 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 growth of mobile and consumer broadband.
- A new positive catalyst is Telkomsel's investment in Gojek after selling their telecommunication towers to Mitratel for IDR 10.3 trillion. Telkomsel will now focus on its core business of creating a digital ecosystem and providing digital services.

Valuation: Maintain BUY with TP 4,300

- We are targeting TLKM to reach IDR 4,300, 35% upside, which is a 18x PE valuation within one year. We recommend to BUY.

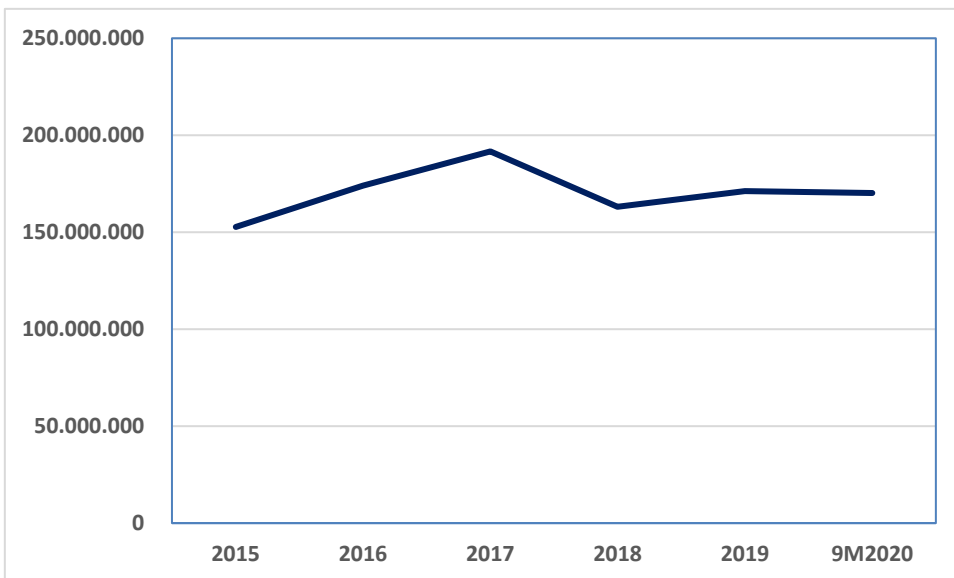
Financial Highlights	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (IDR Bn)	116.333	128.256	130.784	135.567	135.010	139.663
EBITDA (IDR Bn)	59.871	67.309	61.318	65.326	66.943	71.089
Net Income (IDR Bn)	19.352	22.146	18.032	18.663	20.914	23.290
EPS (IDR)	195	224	182	188	211	235
ROE (%)	23%	24%	18%	19%	20%	22%
ROA (%)	11%	11%	9%	8%	9%	9%
Tot. Debt / Equity (x)	0,9	0,9	0,9	1,0	1,1	1,1
Current Ratio (X)	1,2	1,0	0,9	0,7	0,7	0,7

Chart: IndiHome Subscribers YoY



Source: Company

Chart: Cellular Subscribers YoY



Source: Company

Table: Revenue Breakdown 9M2020 vs 9M2019 in IDR Bn

Revenue Breakdown 9M2020 (IDR Bn)	9M2020	9M2019	(%)
Data, Internet & IT Services	52.647	49.116	7,2%
SMS, Fixed and Cellular Voice	18.945	26.702	-29,1%
IndiHome	16.113	13.764	17,1%
Interconnection	6.030	4.767	26,5%
Network and Other Telco Services	6.206	8.282	-25,1%
Total Revenue	99.941	102.631	-2,6%

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	-91.807	-92.876
Operating Profit	39.195	43.934	38.845	42.394	43.203	46.787
Others income/ (Expense)	-1.006	-1.274	-2.440	-4.486	-4.995	-5.168
Profit Before Tax	38.189	42.660	36.405	37.908	38.208	41.620
Taxes	-9.017	-9.958	-9.426	-10.316	-8.788	-9.531
NIAT	29.172	32.702	26.979	27.592	29.420	32.089
Non-controlling Interest	-9.820	-10.556	-8.947	-8.929	-8.506	-8.799
Net Income	19.352	22.146	18.032	18.663	20.914	23.290
EPS (in IDR)	195,4	223,6	182,0	188,4	211,1	235,1
EBITDA	59.871	67.309	61.318	65.326	66.943	71.089

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	20.914	23.290
Depreciation	17.464	19.352	20.122	21.511	22.299	22.252
Change in WC	6.210	1.132	-2.528	14.457	3.222	-3.226
Cash From Operating Activities	43.026	42.630	35.626	54.631	46.435	42.316
Capex	-31.113	-38.365	-32.127	-38.069	-37.257	-33.284
Cash From Investing Activities	-31.113	-38.365	-32.127	-38.069	-37.257	-33.284
Long-term Debts	1.434	1.607	5.774	121	6.175	8.009
Others Noncurrent Liabilities	-4.461	5.066	-4.120	2.836	-784	377
Equity	-7.236	-15.560	-12.859	-18.716	-14.372	-18.548
Cash From Financing Activities	-10.263	-8.887	-11.205	-15.759	-8.981	-10.163
Net Changes in Cash	1.650	-4.622	-7.706	803	197	-1.131
Beginning Balance	28.117	29.767	25.145	17.439	18.242	18.439
Ending Balance	29.767	25.145	17.439	18.242	18.439	17.309

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	18.439	17.309
Trade Accounts Receivable	7.363	9.222	11.414	11.797	11.080	13.966
Others Current Assets	10.571	13.194	14.415	11.683	11.746	12.570
Total Current Assets	47.701	47.561	43.268	41.722	41.265	43.845
NONCURRENT ASSETS						
Fixed Assets	114.498	130.171	143.248	156.973	156.641	167.767
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	31.052	30.726
Total Noncurrent Assets	131.910	150.923	162.928	179.486	194.444	205.476
TOTAL ASSETS	179.611	198.484	206.196	221.208	235.709	249.321
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	5.432	7.498	10.339	18.215	18.724	19.660
Trade Payables	13.690	15.791	14.766	13.897	15.398	15.363
Accruals	11.283	12.630	12.769	13.736	13.313	13.828
Others Current Liabilities	9.357	9.457	8.387	12.521	13.501	12.570
Total Current Liabilities	39.762	45.376	46.261	58.369	60.936	61.421
NONCURRENT LIABILITIES						
Long-term bank	26.367	27.974	33.748	33.869	40.044	48.053
Others Noncurrent Liabilities	7.938	13.004	8.884	11.720	10.936	11.313
Total Noncurrent Liabilities	34.305	40.978	42.632	45.589	50.980	59.366
TOTAL LIABILITIES	74.067	86.354	88.893	103.958	111.916	120.786
Non-controlling interest	21.160	19.417	18.393	17.689	20.400	20.950
EQUITY	84.384	92.713	98.910	99.561	103.393	107.585
TOTAL LIABILITIES & EQUITY	179.611	198.484	206.196	221.208	235.709	249.321

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%	2%	8%
EBITDA	11%	12%	-9%	7%	2%	6%
NP	25%	14%	-19%	3%	12%	11%
EPS	27%	14%	-19%	3%	12%	11%
Profitability						
Operating Margin(%)	34%	34%	30%	31%	32%	34%
EBITDA margin(%)	51%	52%	47%	48%	50%	51%
NET Profit margin(%)	17%	17%	14%	14%	15%	17%
ROA(%)	11%	11%	9%	8%	9%	9%
ROE(%)	23%	24%	18%	19%	20%	22%
Stability						
Tot debt/ equity (x)	0,9	0,9	0,9	1,0	1,1	1,1
Current Ratio (x)	1,2	1,0	0,9	0,7	0,7	0,7
Cash Ratio (x)	0,7	0,6	0,4	0,3	0,3	0,3
Per Share data (IDR)						
EPS	195	224	182	188	211	235
EBITDA/share	604	679	619	659	676	718

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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