

PT. Telekomunikasi Indonesia (Persero) Tbk.

BUY

Investment Considerations

IndiHome Double-digit growth

- In 1Q2021, TLKM recorded a revenue decrease of -0.7% YoY to IDR 33.9 trillion. Data, internet & IT service contributed the most with 53.5% of total revenue and +2.2% YoY growth.
- IndiHome maintained double-digit growth of 25% YoY to IDR 6.3 trillion, with a higher revenue contribution of 18.7% from 14.8% in the same period last year.
- The growth is inline with the increase in IndiHome new subscribers. Indihome added +133 thousand new subscribers, +12.3% YoY to 8.15 million in 1Q2021. ARPU also increased +1.5% QoQ to IDR 266 thousand in 1Q2021.
- SMS, Fixed and Cellular voice revenue declined by -25.4% YoY to IDR 5.3 trillion.
- Interconnection revenue also declined -11% YoY to IDR 1.8 trillion in line with declining legacy international voice business.
- Telkomsel officially launched a 5G service on May 27, 2021, the first cellular operator to offer 5G in Indonesia.
- We expect demand from data centers, Cloud, Application services, fixed broadband, interconnection will increase this year as work from home and school from home continue.

1Q2021FY Results: Margin Continue to Improved

- Despite lower revenue, TLKM maintained positive profit growth +2.6% YoY in 1Q2021 to IDR 6.01 trillion with a higher NPM of 17.7% from 17.1% due to cost efficiency in 1Q2021.
- EBITDA also grew +0.3% YoY to IDR 18.8 trillion in 1Q2021, with EBITDA margins expanding to 55.4% from 54.9%.
- Operating expenses declined by -1.9% YoY to IDR 15.1 trillion in line with lower interconnection expenses down by -25.2% due to the declining wholesale voice business. G&A expenses also decreased by -17.7% YoY due to improved collection of receivables.
- We still expect flat to slightly positive-growth in 2021F net income as the current trends continue and drive growth of mobile and broadband.

Valuation: Maintain BUY with TP 4,030

- We are targeting TLKM to reach IDR 4,030, 27.5% upside, which is a 16.4x PE valuation within one year. We maintain our recommendation to BUY.

Financial Highlights	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Revenue (IDR Bn)	116.333	128.256	130.784	135.567	136.462	140.593	144.780
EBITDA (IDR Bn)	59.871	67.309	61.318	70.105	72.084	74.054	78.906
Net Income (IDR Bn)	19.352	22.146	18.032	18.663	20.804	22.537	24.323
EPS (IDR)	195	224	182	188	210	228	243
ROE (%)	23%	24%	18%	19%	20%	21%	22%
ROA (%)	11%	11%	9%	8%	8%	9%	9%
Tot. Debt / Equity (x)	0,9	0,9	0,9	1,0	1,2	1,2	1,2
Current Ratio (X)	1,2	1,0	0,9	0,7	0,7	0,7	0,6

Source: Company and Binaartha

Telecommunication
30 June 2021

Price	IDR.	3,160
Target	IDR.	4,030
JKSE Index		5,949.050



Stock code

Bloomberg code	TLKM IJ
Market cap (in Bn)	317,000
52-week high	3,595
52-week low	2,508
6-m avg.daily.val (IDR)	3,303
Free Float (%)	30.00%

Major Share Holders (%)

Government	70.00%
Public	30.00%

USD/IDR-YE

2020	14,175
2021F (6m-avg)	14,445

Analyst:
Eka Rahmawati Rahman

Chart: IndiHome Subscribers YoY

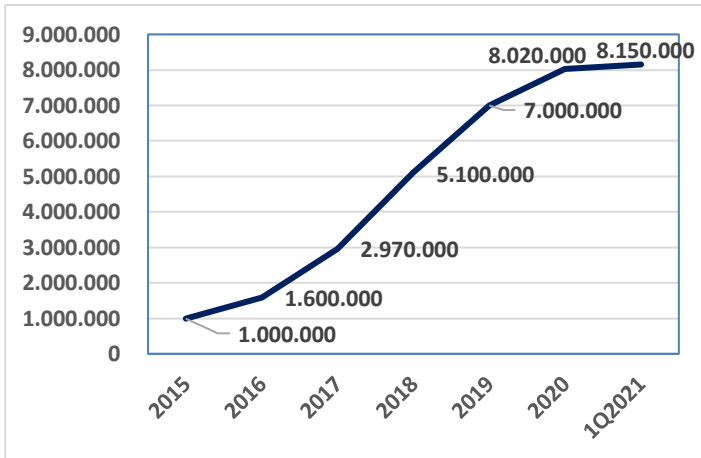
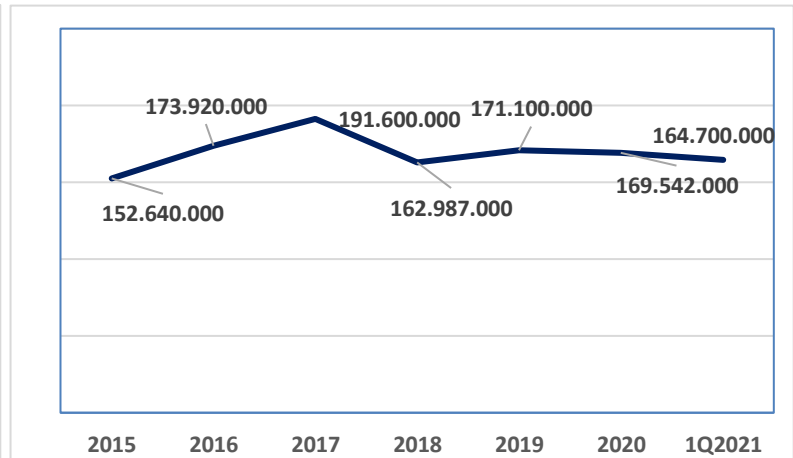


Chart: Cellular Subscribers YoY



Source: Company

Table: Revenue Breakdown 1Q2020 vs 1Q2021 in IDR Bn

Revenue Breakdown (IDR Bn)	1Q2020	1Q2021	(%)
Data, Internet & IT Services	17.847	18.245	2,2%
SMS, Fixed and Cellular Voice	7.045	5.253	-25,4%
IndiHome	5.077	6.347	25,0%
Interconnection	2.051	1.826	-11,0%
Network and Other Telco Services	2.174	2.274	4,6%
Total Revenue	34.194	33.945	-0,7%

Source: Company

Table: Income Statement 1Q2021

Key Indicators (IDR Bn)	1Q2020	1Q2021	% YoY	4Q2020	% QoQ
Revenues	34.194	33.945	-0,7%	36.521	-7,1%
Expenses incl. Depr. And others	22.265	22.246	-0,1%	26.027	-14,5%
Operating Profit	11.929	11.699	-1,9%	10.494	11,5%
EBITDA	18.759	18.809	0,3%	18.494	1,7%
EBITDA Margin (%)	54,90%	55,40%	0,5%	50,64%	4,8%
Net Income	5.862	6.014	2,6%	4.125	45,8%
Net Income Margin (%)	17,10%	17,70%	0,6%	11,29%	6,4%

Source: Company

Table: Income Statement in IDR. Billion YoY

Income Statement (IDR. Bn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Revenue	116.333	128.256	130.784	135.567	136.462	140.593	144.780
Cost of revenue	-77.138	-84.322	-91.939	-93.173	-92.957	-94.900	-96.279
Operating Profit	39.195	43.934	38.845	42.394	43.505	45.693	48.501
Others income/ (Expense)	-1.006	-1.274	-2.440	-4.486	-4.730	-4.921	-5.067
Profit Before Tax	38.189	42.660	36.405	37.908	38.775	40.772	43.434
Taxes	-9.017	-9.958	-9.426	-10.316	-9.212	-9.378	-9.990
NIAT	29.172	32.702	26.979	27.592	29.563	31.394	33.444
Non-controlling Interest	-9.820	-10.556	-8.947	-8.929	-8.759	-8.857	-9.121
Net Income	19.352	22.146	18.032	18.663	20.804	22.537	24.323
EPS (in IDR)	195,4	223,6	182,0	188,4	210,0	227,5	243,1
EBITDA	59.871	67.309	61.318	70.105	72.084	74.054	78.906

Source: Company & Binaartha

Table: Cash Flow in IDR. Billion YoY

Cash Flow (In IDR Bn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Net Income	19.352	22.146	18.032	18.663	20.804	22.537	24.323
Depreciation	17.464	19.352	20.122	21.511	21.943	21.943	23.439
Change in WC	6.210	1.132	-2.528	14.457	8.290	-2.545	172
Cash From Operating Activities	43.026	42.630	35.626	54.631	51.037	41.935	47.934
Capex	-31.113	-38.365	-32.127	-38.069	-42.897	-28.546	-39.101
Cash From Investing Activities	-31.113	-38.365	-32.127	-38.069	-42.897	-28.546	-39.101
Long-term Debts	1.434	1.607	5.774	121	-3.308	3.056	5.043
Others Noncurrent Liabilities	-4.461	5.066	-4.120	2.836	14.680	313	1.520
Equity	-7.236	-15.560	-12.859	-18.716	-17.165	-17.058	-19.358
Cash From Financing Activities	-10.263	-8.887	-11.205	-15.759	-5.793	-13.690	-12.796
Net Changes in Cash	1.650	-4.622	-7.706	803	2.347	-300	-3.963
Beginning Balance	28.117	29.767	25.145	17.439	18.242	20.589	20.289
Ending Balance	29.767	25.145	17.439	18.242	20.589	20.289	16.326

Source: Company & Binaartha

Table: Statement of Financial Position in IDR. Billion YoY

Statement of Financial Position (In IDR Bn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	29.767	25.145	17.439	18.242	20.589	20.289	16.326
Trade Accounts Receivable	7.363	9.222	11.414	11.797	11.339	11.247	11.582
Others Current Assets	10.571	13.194	14.415	11.683	14.575	15.465	15.926
Total Current Assets	47.701	47.561	43.268	41.722	46.503	47.001	43.834
NONCURRENT ASSETS							
Fixed Assets	114.498	130.171	143.248	156.973	160.923	171.895	183.614
Intangible Assets	3.089	3.530	5.032	6.446	6.846	7.030	7.239
Other Noncurrent Assets	14.323	17.222	14.648	16.067	32.671	28.119	31.852
Total Noncurrent Assets	131.910	150.923	162.928	179.486	200.440	207.043	222.705
TOTAL ASSETS	179.611	198.484	206.196	221.208	246.943	254.044	266.539
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	5.432	7.498	10.339	18.215	19.284	20.248	21.261
Trade Payables	13.690	15.791	14.766	13.897	16.999	16.871	17.374
Accruals	11.283	12.630	12.769	13.736	14.265	13.356	13.754
Others Current Liabilities	9.357	9.457	8.387	12.521	18.545	16.871	15.926
Total Current Liabilities	39.762	45.376	46.261	58.369	69.093	67.347	68.314
NONCURRENT LIABILITIES							
Long-term bank	26.367	27.974	33.748	33.869	30.561	33.617	38.660
Others Noncurrent Liabilities	7.938	13.004	8.884	11.720	26.400	26.713	28.232
Total Noncurrent Liabilities	34.305	40.978	42.632	45.589	56.961	60.330	66.892
TOTAL LIABILITIES	74.067	86.354	88.893	103.958	126.054	127.676	135.206
Non-controlling interest	21.160	19.417	18.393	17.689	18.362	19.683	20.269
EQUITY	84.384	92.713	98.910	99.561	102.527	106.685	111.064
TOTAL LIABILITIES & EQUITY	179.611	198.484	206.196	221.208	246.943	254.044	266.539

Source: Company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Revenue	14%	10%	2%	4%	1%	3%	3%
OP	21%	12%	-12%	9%	3%	5%	6%
EBITDA	11%	12%	-9%	14%	3%	3%	7%
NP	25%	14%	-19%	3%	11%	8%	8%
EPS	27%	14%	-19%	3%	11%	8%	7%
Profitability							
Operating Margin(%)	34%	34%	30%	31%	32%	33%	34%
EBITDA margin(%)	51%	52%	47%	52%	53%	53%	55%
NET Profit margin(%)	17%	17%	14%	14%	15%	16%	17%
ROA(%)	11%	11%	9%	8%	8%	9%	9%
ROE(%)	23%	24%	18%	19%	20%	21%	22%
Stability							
Tot debt/ equity (x)	0,9	0,9	0,9	1,0	1,2	1,2	1,2
Current Ratio (x)	1,2	1,0	0,9	0,7	0,7	0,7	0,6
Cash Ratio (x)	0,7	0,6	0,4	0,3	0,3	0,3	0,2
Per Share data (IDR)							
EPS	195	224	182	188	210	228	243
EBITDA/share	604	679	619	708	728	748	789

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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