

BUY

Telecommunication
30 March 2023

Price IDR. 4,100
Target IDR. 5,600
JKSE Index 6,839.436



Stock code

Bloomberg code TLKM IJ
Market cap (in Bn) 406,155
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

2022 15,592
2023F (6m-avg) 15,294

Analyst:
Eka Rahmawati Rahman

Investment Considerations

Stable revenue

- TLKM booked stable revenue in 4Q2022, with Indihome and Telkomsel continuing to be the engines of growth. TLKM revenue reached IDR 38.4 trillion, up +3.4% YoY or +4.2% QoQ. For 2022FY TLKM revenue grew +2.9% YoY to IDR 147.3 trillion.
- IndiHome recorded +6.6% YoY growth to IDR 7.13 trillion in 4Q2022, the highest quarterly revenue in 2022. For 2022, IndiHome revenue reached IDR 28.0 trillion with +6.4% YoY growth, inline with the increase in IndiHome new subscribers and a stable ARPU at IDR 268 thousand in 4Q2022. Indihome's total subscribers are now 9.2 million and the target is to add 1 million more subscribers in 2023.
- Data, Internet & IT service revenue increased +5.1% YoY to IDR 86.4 trillion in 2022 and +2.7% YoY in 4Q2022, boosted by higher cellular data internet revenue, +7% YoY in 2022.
- Going forward, we are targeting TLKM revenues to reach IDR 159 trillion this year as we expect demand will continue to grow due to higher data consumption and price increases in 2023.

4Q2022 Results: More losses from GOTO

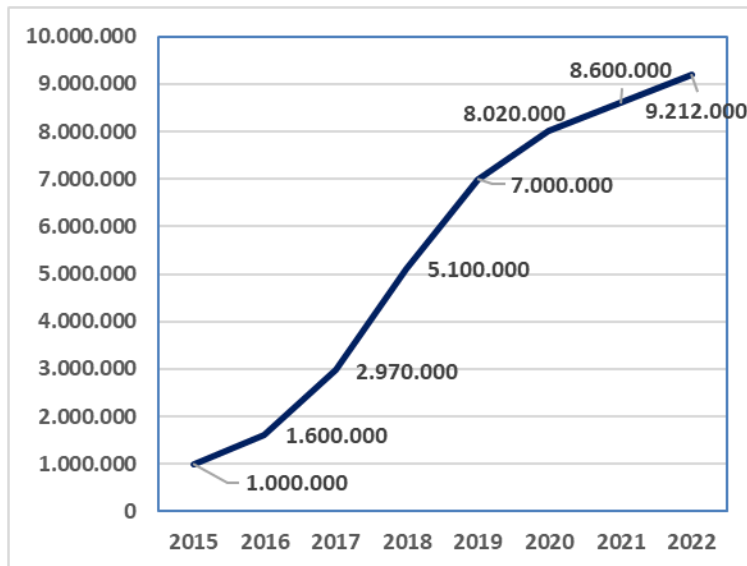
- After a drop in 3Q2022 due to losses from GOTO, TLKM's bottom line recovered with 27.5% QoQ growth in 4Q2022 to IDR 4.17 trillion, but was still lower than a year ago, by -29.1%. As a result, TLKM NPM reached 10.9% from 8.9% in 3Q2022. For 2022FY, TLKM bottom line decreased -16.2% YoY to IDR 20.7 trillion.
- The unrealized loss from the change in fair value of the investment in GOTO reached IDR 6.4 trillion by the end of 2022FY. As of 31 December 2022, GOTO market price was IDR 91 per share from previously IDR 375 per share as of 31 December 2021.
- Operating profit also decreased -28.9% YoY or -7.3% QoQ to IDR 8 trillion with a lower OPM of 20.8% from 30.3% in 4Q2021.
- Going forward, we expect a merger of IndiHome and Telkomsel will help make capex more efficient and there will be IPOs of TLKM subsidiaries PT Sigma Tata Sadaya and PT Telkom Data Ekosistem on to the IDX.

Valuation: Maintain BUY with TP 5,600

- We are targeting TLKM to reach IDR 5,600, 37% upside, which is a 20x PE valuation within one year. We maintain our recommendation to BUY.

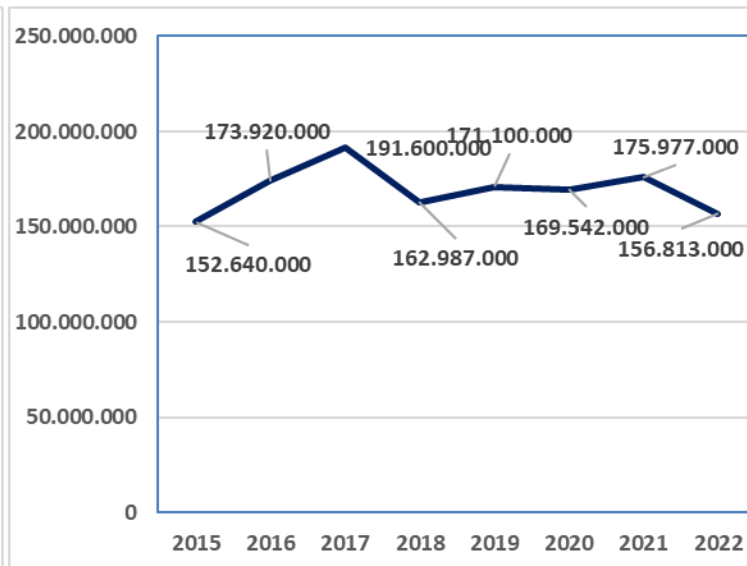
Financial Highlights	2018A	2019A	2020A	2021A	2022A	2023F	2024F
Revenue (IDR Bn)	130.784	135.567	136.462	143.210	147.306	159.380	169.339
EBITDA (IDR Bn)	61.318	70.105	72.084	80.267	71.250	82.485	88.620
Net Income (IDR Bn)	18.032	18.663	20.804	24.760	20.753	27.388	29.760
EPS (IDR)	182	188	210	250	209	276	300
PBV (x)	4	4	3	3	3	4	4
PER (x)	21	21	16	16	20	20	19
ROE (%)	18%	19%	20%	20%	16%	22%	23%
ROA (%)	9%	8%	8%	9%	8%	10%	10%
Tot. Debt / Equity (x)	0,9	1,0	1,2	1,1	1,0	1,1	1,1
Current Ratio (X)	0,9	0,7	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	2Q2022	3Q2022	4Q2022
Data, Internet & IT Services	18.856	20.366	21.249	22.578
SMS, Fixed and Cellular Voice	4.747	4.570	4.345	3.287
IndiHome	6.851	6.980	7.058	7.131
Interconnection	2.133	2.089	1.926	2.324
Network and Other Telco Services	2.621	2.770	2.313	3.112
Total Revenue	35.208	36.775	36.891	38.432

Source: Company

Table: Income Statement QoQ and YoY

Income Statement (IDR. Bn)	1Q2022	2Q2022	3Q2022	4Q2022	QoQ	4Q2021	YoY
Revenue	35.208	36.775	36.891	38.432	4,2%	37.167	3,4%
Cost of revenue	-24.597	-24.450	-28.254	-30.424	7,7%	-25.905	17,4%
Operating Profit	10.611	12.325	8.637	8.008	-7,3%	11.262	-28,9%
Others income/ (Expense)	-749	-758	-869	-866	-0,3%	-844	2,6%
Profit Before Tax	9.862	11.567	7.768	7.142	-8,1%	10.418	-31,4%
Taxes	-2.006	-1.868	-2.507	-2.278	-9,1%	-2.133	6,8%
NIAT	7.856	9.699	5.261	4.864	-7,5%	8.285	-41,3%
Non-controlling Interest	-1.738	-2.507	-1.990	-692	-65,2%	-2.397	-71,1%
Net Income	6.118	7.192	3.271	4.172	27,5%	5.888	-29,1%
EPS (in IDR)	62	73	33	42	27,5%	59	-29,1%
OPM	30,1%	33,5%	23,4%	20,8%		30,3%	
NPM	17,4%	19,6%	8,9%	10,9%		15,8%	

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	159.380	169.339
Cost of revenue	-93.173	-92.957	-95.647	-107.725	-111.566	-117.690
Operating Profit	42.394	43.505	47.563	39.581	47.814	51.648
Others income/ (Expense)	-4.486	-4.730	-3.885	-3.242	-3.506	-3.725
Profit Before Tax	37.908	38.775	43.678	36.339	44.308	47.923
Taxes	-10.316	-9.212	-9.730	-8.659	-9.748	-10.543
NIAT	27.592	29.563	33.948	27.680	34.560	37.380
Non-controlling Interest	-8.929	-8.759	-9.188	-6.927	-7.172	-7.620
Net Income	18.663	20.804	24.760	20.753	27.388	29.760
EPS (in IDR)	188,4	210,0	249,9	209,5	276,5	300,4
EBITDA	70.105	72.084	80.267	71.250	82.485	88.620

Source: Company & Binaartha

Table: Cash Flow in IDR. Billion YoY

Cash Flow (In IDR Bn)	2019A	2020A	2021A	2022A	2023F	2023F
Net Income	18.663	20.804	24.760	20.753	27.388	29.760
Depreciation	21.511	21.943	24.718	25.576	25.576	27.463
Change in WC	14.457	8.290	2.986	1.113	6.779	3.950
Cash From Operating Activities	54.631	51.037	52.464	47.442	59.743	61.172
Change in Non-current Asset	-38.069	-42.897	-40.185	-29.804	-42.200	-42.430
Cash From Investing Activities	-38.069	-42.897	-40.185	-29.804	-42.200	-42.430
Long-term Debts	121	-3.308	5.758	-8.988	0	0
Others Noncurrent Liabilities	2.836	14.680	-65	1.876	1.274	1.842
Equity	-18.716	-17.165	-250	-16.890	-27.095	-23.577
Cash From Financing Activities	-15.759	-5.793	5.443	-24.002	-25.821	-21.735
Net Changes in Cash	803	2.347	17.722	-6.364	-8.278	-2.993
Beginning Balance	17.439	18.242	20.589	38.311	31.947	23.669
Ending Balance	18.242	20.589	38.311	31.947	23.669	20.676

Source: Company & Binaartha

Table: Statement of Financial Position in IDR. Billion YoY

Statement of Financial Position (In IDR Bn)	2019A	2020A	2021A	2022A	2023F	2024F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	18.242	20.589	38.311	31.947	23.669	20.676
Trade Accounts Receivable	11.797	11.339	8.510	8.634	9.563	10.160
Others Current Assets	11.683	14.575	14.456	14.476	14.344	14.394
Total Current Assets	41.722	46.503	61.277	55.057	47.576	45.230
NONCURRENT ASSETS						
Fixed Assets	156.973	160.923	165.026	173.329	186.117	199.848
Intangible Assets	6.446	6.846	7.506	8.302	8.982	9.544
Other Noncurrent Assets	16.067	32.671	43.375	38.504	41.660	42.335
Total Noncurrent Assets	179.486	200.440	215.907	220.135	236.759	251.727
TOTAL ASSETS	221.208	246.943	277.184	275.192	284.336	296.957
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	18.215	19.284	20.248	17.049	17.901	18.797
Trade Payables	13.897	16.999	17.170	24.321	25.501	27.526
Accruals	13.736	14.265	15.885	15.445	16.576	17.611
Others Current Liabilities	12.521	18.545	15.828	13.573	17.987	18.627
Total Current Liabilities	58.369	69.093	69.131	70.388	77.964	82.561
NONCURRENT LIABILITIES						
Long-term bank	33.869	30.561	36.319	27.331	27.331	27.331
Others Noncurrent Liabilities	11.720	26.400	26.335	28.211	29.485	31.328
Total Noncurrent Liabilities	45.589	56.961	62.654	55.542	56.816	58.659
TOTAL LIABILITIES	103.958	126.054	131.785	125.930	134.781	141.220
Non-controlling interest	17.689	18.362	23.753	20.004	24.039	24.269
EQUITY	99.561	102.527	121.646	129.258	125.516	131.468
TOTAL LIABILITIES & EQUITY	221.208	246.943	277.184	275.192	284.336	296.957

Source: Company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2018A	2019A	2020A	2021A	2022A	2023F	2024F
Revenue	2%	4%	1%	5%	3%	8%	6%
OP	-12%	9%	3%	9%	-17%	21%	8%
EBITDA	-9%	14%	3%	11%	-11%	16%	7%
NP	-19%	3%	11%	19%	-16%	32%	9%
EPS	-19%	3%	11%	19%	-16%	32%	9%

Profitability							
Operating Margin(%)	30%	31%	32%	33%	27%	30%	31%
EBITDA margin(%)	47%	52%	53%	56%	48%	52%	52%
NET Profit margin(%)	14%	14%	15%	17%	14%	17%	18%
ROA(%)	9%	8%	8%	9%	8%	10%	10%
ROE(%)	18%	19%	20%	20%	16%	22%	23%

Stability							
Tot debt/ equity (x)	0,9	1,0	1,2	1,1	1,0	1,1	1,1
Current Ratio (x)	0,9	0,7	0,7	0,9	0,8	0,6	0,5
Cash Ratio (x)	0,4	0,3	0,3	0,6	0,5	0,3	0,3

Per Share data							
EPS (IDR)	182	188	210	250	209	276	300
PBV (x)	4	4	3	3	3	4	4
PER (x)	21	21	16	16	20	20	19
EBITDA/share	619	708	728	810	719	833	895

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**.

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