

PT. Telekomunikasi Indonesia (Persero) Tbk.

BUY

Investment Considerations

Strong Indihome and mobile growth

- TLKM recorded a revenue increase of +9% YoY and +5% QoQ to IDR 35.5 trillion in 2Q2021. Indihome maintained double-digit growth of 23% to IDR 6.53 trillion. The growth is inline with the increase in IndiHome new subscribers and better ARPU. Indihome successfully added +152k new subscribers in 2Q2021, compared to 1Q2021's +133k new subscribers. ARPU also increased +1.5% QoQ to IDR 270 thousand in 2Q2021.
- For 1H2021, TLKM booked 4% YoY revenue growth to IDR 69.48 trillion. The results is on track to meet our forecast (98%).
- Data, Internet & IT service revenue increased +9% YoY or 7% QoQ to IDR 20.4 trillion in 2Q2021, inline with higher data traffic of 3,306 petabyte on strong demand for mobile data services.
- Network and other telecommunication service revenue increased +29% YoY to IDR 2.36 trillion in 2Q2021 mainly due to higher business volume in managed services and tower leases.
- SMS, Fixed and Cellular voice revenue and Interconnection revenue declined in line with declining legacy international voice business and a transition from legacy to data.
- As demand is still growing, we expect TLKM's revenue in 2021F will grow by a single digit +4.4% YoY to IDR 142.5 trillion.

Margin Continue to Improved

- As TLKM's revenue grew in 2Q2021, TLKM's net income recorded double-digit growth of +25.5% YoY and +7% QoQ to IDR 6.43 trillion with a higher NPM of 18.1% from 15.7% due to cost efficiencies in mobile and fixed line. Operating profit margins also showed an improvement from 31.6% to 33.5% in 2Q2021.
- For 1H2021, TLKM posted net income of IDR 12.5 trillion, up 13.3% YoY with a better NPM of 17.9% compared to 16.4% last year.
- EBITDA also grew +4.7% YoY to IDR 37.8 trillion in 1H2021, and the EBITDA margin expanded to 54.4% from 54.0%.
- As the cost efficiencies are resulting in improvements in 1H2021, we revise our TLKM bottom line target from single-digit growth to double-digit growth of 16% YoY to IDR 24.15 trillion in 2021F.

Valuation: Maintain BUY with TP 5,260

- We are targeting TLKM to reach IDR 5,260, 56% upside, which is a 20x PE valuation within one year. We maintain our recommendation to BUY.

Telecommunication
3 September 2021

Price	IDR.	3,370
Target	IDR.	5,260
JKSE Index		6,078.229



Stock code

Bloomberg code	TLKM IJ
Market cap (in Bn)	333,840
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

Financial Highlights	2017A	2018A	2019A	2020A	2021F	2022F
Revenue (IDR Bn)	128.256	130.784	135.567	136.462	142.500	148.794
EBITDA (IDR Bn)	67.309	61.318	70.105	72.084	76.127	81.352
Net Income (IDR Bn)	22.146	18.032	18.663	20.804	24.154	26.028
EPS (IDR)	224	182	188	210	244	263
ROE (%)	24%	18%	19%	20%	22%	23%
ROA (%)	11%	9%	8%	8%	9%	9%
Tot. Debt / Equity (x)	0,9	0,9	1,0	1,2	1,4	1,4
Current Ratio (X)	1,0	0,9	0,7	0,7	0,7	0,7

Chart: IndiHome Subscribers YoY

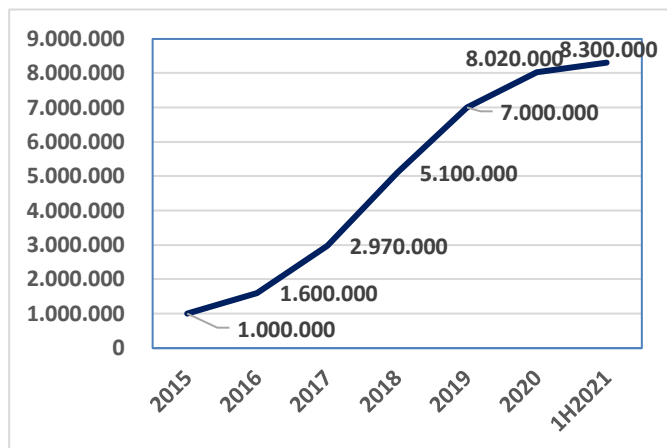
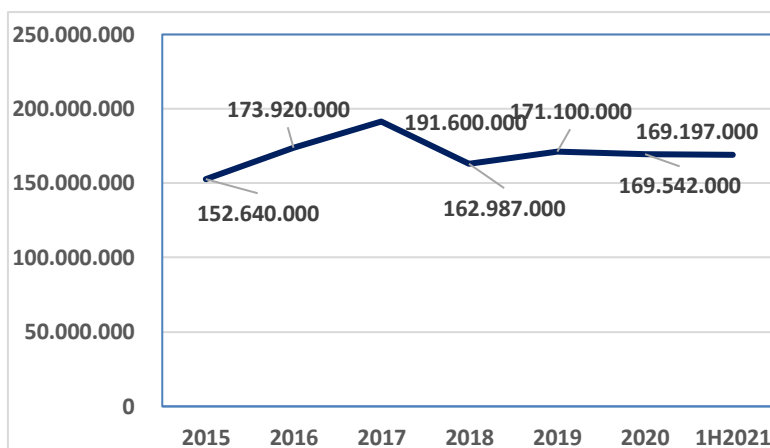


Chart: Cellular Subscribers YoY



Source: Company

Table: Revenue Breakdown 1H2020 vs 1H2021 in IDR Bn

Revenue Breakdown (IDR Bn)	1H2020	1H2021	(%)
Data, Internet & IT Services	35.338	37.572	6,3%
SMS, Fixed and Cellular Voice	13.025	10.554	-19,0%
IndiHome	10.369	12.879	24,2%
Interconnection	4.121	3.844	-6,7%
Network and Other Telco Services	4.003	4.631	15,7%
Total Revenue	66.856	69.480	3,9%

Source: Company

Table: Income Statement QoQ and YoY

Income Statement (IDR. Bn)	1Q21	2Q21	QoQ	1H2020	1H2021	YoY
Revenue	33.945	35.535	4,7%	66.857	69.480	3,9%
Cost of revenue	-22.246	-23.619	6,2%	-44.603	-45.865	2,8%
Operating Profit	11.699	11.916	1,9%	22.254	23.615	6,1%
Others income/ (Expense)	-883	-938	6,2%	-2.238	-1.821	-18,6%
Profit Before Tax	10.816	10.978	1,5%	20.016	21.794	8,9%
Taxes	-2.429	-2.445	0,7%	-4.582	-4.874	6,4%
NIAT	8.387	8.533	1,7%	15.434	16.920	9,6%
Non-controlling Interest	-2.373	-2.096	-11,7%	-4.444	-4.469	0,6%
Net Income	6.014	6.437	7,0%	10.990	12.451	13,3%
EPS (in IDR)	61	65	7,0%	111	126	13,3%

Source: Company

Table: Income Statement in IDR. Billion YoY

Income Statement (IDR. Bn)	2017A	2018A	2019A	2020A	2021F	2022F
Revenue	128.256	130.784	135.567	136.462	142.500	148.794
Cost of revenue	-84.322	-91.939	-93.173	-92.957	-95.475	-98.948
Operating Profit	43.934	38.845	42.394	43.505	47.025	49.846
Others income/ (Expense)	-1.274	-2.440	-4.486	-4.730	-4.275	-4.166
Profit Before Tax	42.660	36.405	37.908	38.775	42.750	45.680
Taxes	-9.958	-9.426	-10.316	-9.212	-9.619	-10.278
NIAT	32.702	26.979	27.592	29.563	33.131	35.402
Non-controlling Interest	-10.556	-8.947	-8.929	-8.759	-8.977	-9.374
Net Income	22.146	18.032	18.663	20.804	24.154	26.028
EPS (in IDR)	223,6	182,0	188,4	210,0	243,8	262,7
EBITDA	67.309	61.318	70.105	72.084	76.127	81.352

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	24.154	26.028
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	23.382	82
Cash From Operating Activities	43.026	42.630	35.626	54.631	51.037	69.478	49.549
Capex	-31.113	-38.365	-32.127	-38.069	-42.897	-36.147	-35.559
Cash From Investing Activities	-31.113	-38.365	-32.127	-38.069	-42.897	-36.147	-35.559
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	675	1.940
Equity	-7.236	-15.560	-12.859	-18.716	-17.165	-17.634	-19.940
Cash From Financing Activities	-10.263	-8.887	-11.205	-15.759	-5.793	-13.903	-12.958
Net Changes in Cash	1.650	-4.622	-7.706	803	2.347	19.428	1.032
Beginning Balance	28.117	29.767	25.145	17.439	18.242	20.589	40.017
Ending Balance	29.767	25.145	17.439	18.242	20.589	40.017	41.049

Source: Company & Binaartha

Table: Statement of Financial Position in IDR. Billion YoY

Statement of Financial Position (In IDR Bn)	2017A	2018A	2019A	2020A	2021F	2022F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	25.145	17.439	18.242	20.589	40.017	41.049
Trade Accounts Receivable	9.222	11.414	11.797	11.339	11.400	11.904
Others Current Assets	13.194	14.415	11.683	14.575	12.825	13.391
Total Current Assets	47.561	43.268	41.722	46.503	64.242	66.344
NONCURRENT ASSETS						
Fixed Assets	130.171	143.248	156.973	160.923	171.895	183.614
Intangible Assets	3.530	5.032	6.446	6.846	7.125	7.440
Other Noncurrent Assets	17.222	14.648	16.067	32.671	35.625	35.711
Total Noncurrent Assets	150.923	162.928	179.486	200.440	214.644	226.764
TOTAL ASSETS	198.484	206.196	221.208	246.943	278.886	293.109
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	7.498	10.339	18.215	19.284	20.248	21.261
Trade Payables	15.791	14.766	13.897	16.999	14.250	14.879
Accruals	12.630	12.769	13.736	14.265	13.537	14.135
Others Current Liabilities	9.457	8.387	12.521	18.545	42.750	41.662
Total Current Liabilities	45.376	46.261	58.369	69.093	90.786	91.938
NONCURRENT LIABILITIES						
Long-term bank	27.974	33.748	33.869	30.561	33.617	38.660
Others Noncurrent Liabilities	13.004	8.884	11.720	26.400	27.075	29.015
Total Noncurrent Liabilities	40.978	42.632	45.589	56.961	60.692	67.674
TOTAL LIABILITIES	86.354	88.893	103.958	126.054	151.478	159.612
Non-controlling interest	19.417	18.393	17.689	18.362	19.950	20.831
EQUITY	92.713	98.910	99.561	102.527	107.459	112.665
TOTAL LIABILITIES & EQUITY	198.484	206.196	221.208	246.943	278.886	293.109

Source: Company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2017A	2018A	2019A	2020A	2021F	2022F
Revenue	10%	2%	4%	1%	4%	4%
OP	12%	-12%	9%	3%	8%	6%
EBITDA	12%	-9%	14%	3%	6%	7%
NP	14%	-19%	3%	11%	16%	8%
EPS	14%	-19%	3%	11%	16%	8%
Profitability						
Operating Margin(%)	34%	30%	31%	32%	33%	34%
EBITDA margin(%)	52%	47%	52%	53%	53%	55%
NET Profit margin(%)	17%	14%	14%	15%	17%	17%
ROA(%)	11%	9%	8%	8%	9%	9%
ROE(%)	24%	18%	19%	20%	22%	23%
Stability						
Tot debt/ equity (x)	0,9	0,9	1,0	1,2	1,4	1,4
Current Ratio (x)	1,0	0,9	0,7	0,7	0,7	0,7
Cash Ratio (x)	0,6	0,4	0,3	0,3	0,4	0,4
Per Share data (IDR)						
EPS	224	182	188	210	244	263
EBITDA/share	679	619	708	728	768	821

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
(62 21) 520 6678 ext. 611

Disclaimer; PT Binaartha Sekuritas has compiled this report in good faith, using information believed to be reliable. PT Binaartha Sekuritas and its analysts take no responsibility for the accuracy of the information contained in this report. This report has been produced for distribution to clients of PT Binaartha Sekuritas only. This report is not an invitation to buy or sell any security. PT Binaartha Sekuritas may have used the information in this report prior to publication. The company or its clients may have positions in or may from time to time buy or sell the securities mentioned in this report or other related securities.