

Telekomunikasi Indonesia Tbk (TLKM)

Lonjakan Kontribusi Fixed Line

Company Report | Dec 22, 2017

Buy

Dec 2018 TP (IDR)	5,450
Consensus Price (IDR)	4,777
TP to Consensus Price	+14.1%
vs. Last Price	+30.1%

Shares data

Last Price (IDR)	4,190
Price date as of	Dec 19, 2017
52 wk range (Hi/Lo)	4,840 / 3,654
Free float	48.8%
Outstanding sh.(mn)	100,800
Market Cap (IDR bn)	422,352
Market Cap (USD mn)	31,099
Avg. Trd Vol - 3M (mn)	118.92
Avg. Trd Val - 3M (bn)	511.26
Foreign Ownership	30.7%

Infrastructure

Telecommunication

Bloomberg	TLKM.IJ
Reuters	TLKM.JK

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Keberlanjutan Kinerja yang Mumpuni

Pada 3Q17, TLKM mencatatkan pertumbuhan pendapatan, EBITDA, dan laba bersih berturut-turut sebesar 10,9%, 6,2%, dan 15,4%. Segmen **Data, Internet, dan Jasa IT** yang mencatatkan pendapatan Rp15,3 triliun (+55,1% y-y) mengalami kenaikan kontribusi **revenue** dari 43% pada 2Q17 menjadi 46,5% pada 3Q17. Pertumbuhan ini didorong oleh kinerja Telkomsel yang mencatatkan pendapatan data Rp9 triliun (+27% y-y).

Komitmen TLKM untuk pengembangan infrastruktur dan intensifnya kegiatan promosi menyebabkan biaya operasional dan biaya *marketing* pada 3Q17 masing-masing sebesar Rp8,7 triliun (+16,9% y-y), dan Rp1,3 triliun (+52,4% y-y). Walaupun demikian, **kenaikan pendapatan dapat menutupi kenaikan biaya** sehingga *EBITDA margin* dan *net margin* pada 3Q17 juga masih terjaga di 50,2% dan 16,8%, yang lebih baik dari 2Q17.

Kenaikan biaya *marketing* pada 3Q17 juga menghasilkan **kenaikan customer base** sebesar 16,3% y-y (vs 1Q17 10% y-y; 2Q17 13,1 y-y). Ke depan, TLKM memperkirakan bahwa **pergeseran fokus menjadi perusahaan digital dan investasi pengembangan infrastruktur** akan terus menekan EBITDA dan *net margin*.

Rasionalisasi Harga dan Peningkatan Kualitas

Pada 3Q17, *data yield* Telkomsel yang turun menjadi Rp14,5 per MB bersaing ketat dengan *data yield* EXCL Rp10,3 dan ISAT Rp11,9. **Penurunan harga diperkirakan mulai terbatas** karena EXCL yang pada 2Q17 mencatatkan *data yield* Rp9/MB mulai melakukan monetisasi. Peraturan mengenai registrasi SIM di Indonesia diperkirakan akan mendorong penerapan harga yang lebih rasional meski akan mengurangi *customer base*.

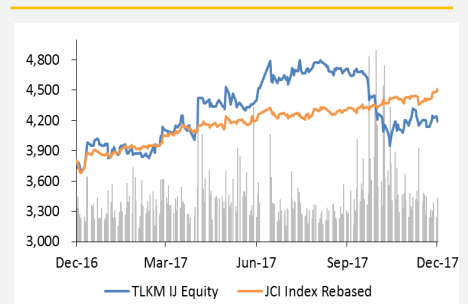
Telekomunikasi Indonesia, Tbk | Summary (IDR bn)

	2016/12A	2017/12E	2018/12E	2019/12E
Revenue	116,333	128,531	143,025	156,375
<i>Revenue growth</i>	13.5%	10.5%	11.3%	9.3%
EBITDA	59,498	65,037	73,333	80,029
Net profit	19,352	22,036	26,054	28,772
EPS (IDR)	192	219	258	285
<i>EPS growth</i>	24.9%	13.9%	18.2%	10.4%
BVPS (IDR)	1,047	1,183	1,338	1,506
EBITDA margin	51.1%	50.6%	51.3%	51.2%
NPM	16.6%	17.1%	18.2%	18.4%
ROE	19.5%	19.6%	20.5%	20.1%
ROA	11.2%	11.6%	12.3%	12.3%
ROIC	22.6%	22.5%	22.6%	23.7%
P/E	20.7x	19.2x	16.2x	14.7x
P/BV	3.8x	3.5x	3.1x	2.8x
EV/EBITDA	7.1x	6.9x	6.0x	5.6x
DPS (IDR)	92	115	131	155
<i>Dividend yield</i>	2.3%	2.8%	3.1%	3.7%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	5.3%	1.0%	-11.0%	10.3%
Rel. Ret.	-11.2%	-0.9%	-15.6%	-8.5%

Telkomsel sebagai **pemenang lelang spektrum 2,3 Ghz** akan mendorong peningkatan kapasitas dan kualitas jaringan. Kami memperkirakan bahwa kecepatan pelayanan yang lebih baik akan meningkatkan konsumsi data. Hingga 3Q17, **ruang pertumbuhan masih terbuka** karena pengguna perangkat 3G/4G TLKM yang masih 51% serta *traffic* 4G yang mencapai 50% dari total *data traffic*.

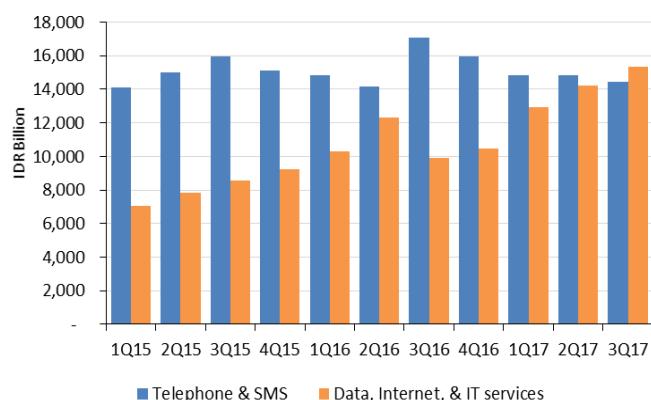
Indihome: Sumber Pendapatan Baru yang Signifikan

Dari bisnis *fixed line*, produk Indihome, yaitu Dual Play menjadi **pendorong peningkatan jumlah pelanggan** meski terdapat risiko penurunan ARPU di mana ARPU Indihome pada 3Q17 tercatat Rp308 ribu (vs 2Q17 Rp344 ribu). Walaupun demikian, TLKM melihat adanya tren pergeseran pelanggan 2P menjadi 3P yang dipacu oleh fitur yang ditawarkan. Pada 9M17, **pelanggan Indihome mencapai 2,34 juta (53,5% y-y)** dengan pendapatan Rp5,9 triliun (+49,7% y-y).

Target Harga Rp5.450

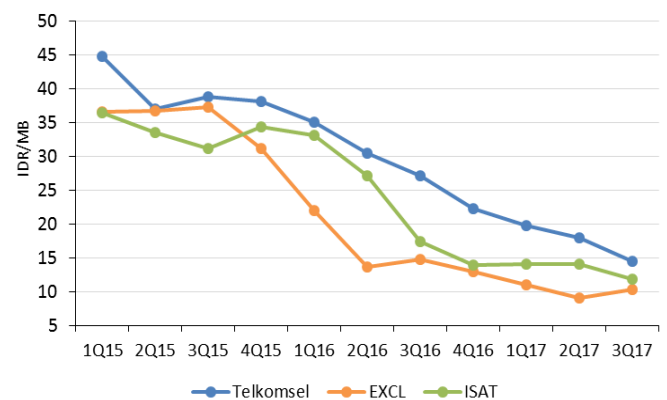
Kami menggunakan estimasi *forward P/E* sebesar 19,2x (+1SD dari rata-rata 3 tahun) untuk memperoleh target harga pada Desember 2018. Target harga ini mengimplikasikan P/E 2018/E sebesar 21,1x. Saat ini, TLKM diperdagangkan pada P/E 2017E sebesar 19,2x.

TLKM Revenue Trend | 1Q15 - 3Q17



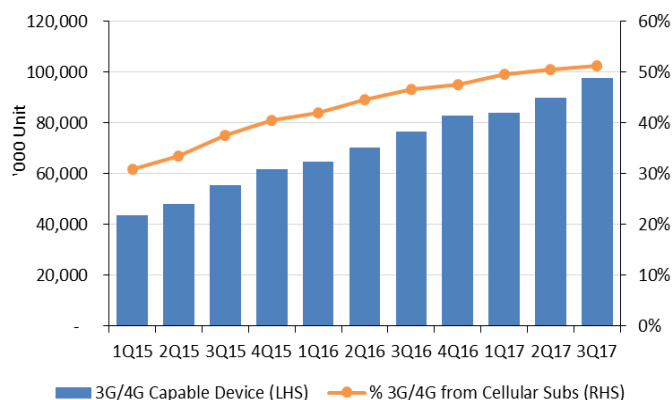
Source: Company, NHKS research

Data Yield | 1Q15 - 3Q17



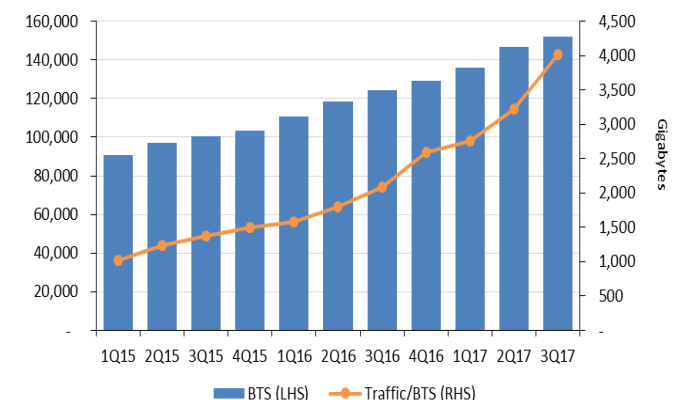
Source: Company, NHKS research

3G/4G Capable Device | 1Q15 - 3Q17



Source: Company, NHKS research

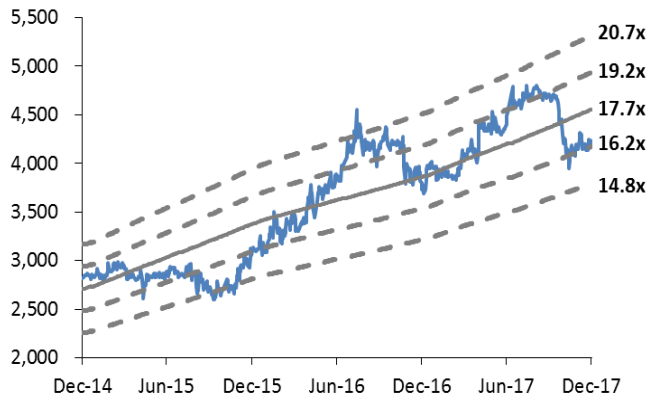
Coverage | 1Q15 - 3Q17



Source: Company, NHKS research

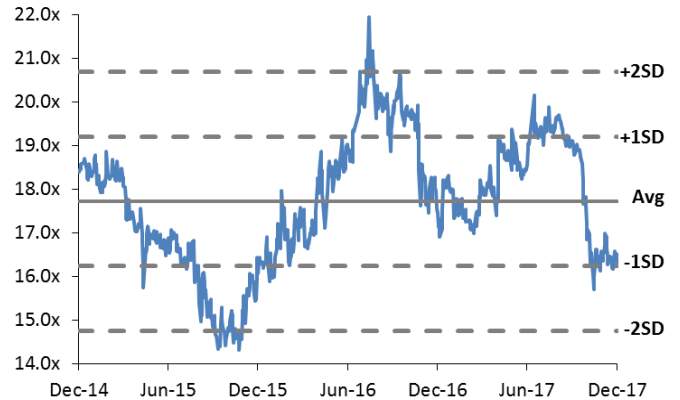
Multiple Valuation

Forward P/E band | Last 3 years



Source: NHKS research

Dynamic Forward P/E band | Last 3 years



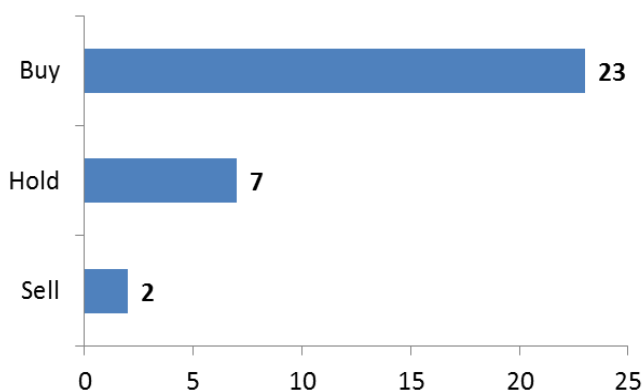
Source: NHKS research

Rating and target price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
3/16/2017	Buy	4,750 (Dec 2017)	4,050	4,646	17.3%	2.2%
5/16/2017	Buy	5,000 (Dec 2017)	4,340	4,783	15.2%	4.5%
9/8/2017	Buy	5,450 (Dec 2018)	4,720	5,113	15.5%	-2.2%
12/22/2017	Buy	5,450 (Dec 2018)	4,190	4,777	30.1%	14.1%

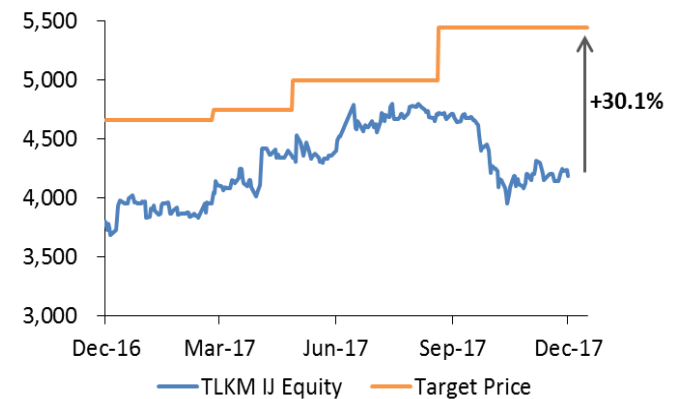
Source: Bloomberg, NHKS research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

- Period: End of year target price
- Rating system based on a stock's absolute return from the date of publication
 - Buy : Greater than +15%
 - Hold : -15% to +15%
 - Sell : Less than -15%

Summary of Financials

TLKM Summary		
Last Price (IDR)	December 22, 2017	4,190
Target Price (IDR)	Dec 2018	5,450
Analyst: Arnold Sampeling	Rating:	Buy

INCOME STATEMENT

In IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Revenue	116,333	128,531	143,025	156,375
Growth (% y/y)	13.5%	10.5%	11.3%	9.3%
Operating Expenses	(77,138)	(84,043)	(92,939)	(101,594)
EBIT	39,195	44,488	50,086	54,781
EBIT Margin	33.7%	34.6%	35.0%	35.0%
Depreciation	18,532	20,440	22,775	24,314
EBITDA	59,498	65,037	73,333	80,029
EBITDA Margin	51.1%	50.6%	51.3%	51.2%
Interest - net	(1,006)	(1,235)	(1,169)	(1,402)
EBT	38,189	43,253	48,917	53,380
Income Tax	(9,017)	(10,801)	(11,697)	(12,277)
Minority Interest	(9,820)	(10,416)	(11,166)	(12,331)
Net Profit	19,352	22,036	26,054	28,772
Growth (% y/y)	24.9%	13.9%	18.2%	10.4%
Net Profit Margin	16.6%	17.1%	18.2%	18.4%

BALANCE SHEET

In IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Cash	29,767	37,722	48,981	58,156
Receivables	7,363	10,766	8,810	12,344
Inventories	584	556	530	534
Total Current Assets	47,701	60,397	69,834	83,392
Net Fixed Assets	114,498	126,425	135,065	145,953
Other Non Current Assets	17,412	15,075	16,036	16,829
Total Assets	179,611	201,897	220,935	246,174
Payables	13,518	12,645	13,130	13,322
ST Bank Loan	911	1,561	968	1,144
Curr Maturities of LT Debt	4,521	5,266	6,056	7,559
Other Current Liab.	20,812	22,195	21,435	21,802
LT Debt	26,367	33,037	36,087	41,590
Other Non Current Liab.	7,938	7,906	8,399	9,001
Total Liabilities	74,067	82,612	86,074	94,418
Shareholders' Equity	105,544	119,286	134,860	151,756

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Net Income	19,352	22,036	26,054	28,772
Deprec & Amortization	18,532	20,440	22,775	24,314
Chg. In Working Capital	9,347	4,078	1,546	(3,825)
CFO	47,231	46,553	50,376	49,261
Capex	(30,160)	(29,551)	(31,816)	(35,367)
CFI	(27,557)	(32,630)	(31,884)	(35,392)
Dividends Paid	(9,293)	(11,626)	(13,221)	(15,633)
Net Borrowing (PMT)	(2,813)	8,066	3,246	7,182
CFF	(17,905)	(9,017)	(7,234)	(7,234)
Net Changes in Cash	1,769	4,906	11,258	9,175

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	69.4	Rep. of Indonesia
United States	18.8	Bank of New York
Luxembourg	4.1	Vanguard Group
Norway	1.3	Blackrock
		51.2
		6.4
		1.7
		1.5

PROFITABILITY & STABILITY

	2016/12A	2017/12E	2018/12E	2019/12E
ROE	19.5%	19.6%	20.5%	20.1%
ROA	11.2%	11.6%	12.3%	12.3%
ROIC	22.6%	22.5%	22.6%	23.7%
EBITDA/Equity	58.0%	57.8%	57.3%	55.2%
EBITDA/Assets	33.4%	34.0%	34.5%	33.9%
Cash Dividend (IDR bn)	9,293	11,626	13,221	15,633
Dividend Yield (%)	2.3%	2.8%	3.1%	3.7%
Payout Ratio (%)	60.0%	60.1%	60.0%	60.0%
DER	30%	33%	32%	33%
Net Gearing	39%	43%	41%	43%
LT Debt to Equity	29%	32%	31%	32%
Capitalization Ratio	23%	24%	24%	24%
Equity Ratio	59%	59%	61%	62%
Debt Ratio	18%	20%	20%	20%
Financial Leverage	174%	170%	166%	163%
Current Ratio	120%	145%	168%	190%
Quick Ratio	118%	144%	167%	189%
Cash Ratio	75%	91%	118%	133%
Par Value (IDR)	50	50	50	50
Total Shares (mn)	100,800	100,800	100,800	100,800
Share Price (IDR)	3,980	4,190	4,190	4,190
Market Cap (IDR tn)	401.2	422.4	422.4	422.4

VALUATION INDEX

	2016/12A	2017/12E	2018/12E	2019/12E
Price /Earnings	20.7x	19.2x	16.2x	14.7x
Price /Book Value	3.8x	3.5x	3.1x	2.8x
Price/Revenue	3.4x	3.3x	3.0x	2.7x
PE/EPS Growth	0.8x	1.4x	0.9x	1.4x
EV/EBITDA	7.1x	6.9x	6.0x	5.6x
EV/EBIT	10.8x	11.4x	11.3x	10.0x
EV (IDR bn)	424,376	448,706	443,422	445,195
Revenue CAGR (3-Yr)	12%	13%	12%	10%
EPS CAGR (3-Yr)	11%	15%	19%	14%
Basic EPS (IDR)	192	219	258	285
Diluted EPS (IDR)	192	219	258	285
BVPS (IDR)	1,047	1,183	1,338	1,506
Revenue PS (IDR)	1,154	1,275	1,419	1,551
DPS (IDR)	92	115	131	155

DCF, RIM & EVA

	2016/12A	2017/12E	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	29,940	33,378	38,110	42,182
+Depr./Amor.	18,532	20,440	22,775	24,314
-CAPEX	(30,160)	(29,551)	(31,816)	(35,367)
-Incr. (Decr.) in Working Cap.	9,347	4,078	1,546	(3,825)
(Unlevered) FCFF	27,659	28,344	30,615	27,304
WACC				
Cost of Debt (Tax Adj.)	8.2%	7.4%	7.7%	7.1%
Cost of Equity (COE)	9.7%	9.0%	9.1%	8.6%
WACC (%)	9.6%	8.9%	9.0%	8.4%
RIM				
Spread (FROE-COE) (%)	11.0%	11.9%	12.7%	12.8%
Residual Income (IDR)	10,312	12,541	15,145	17,234
Equity Charge	9,040	9,494	10,909	11,538
EVA				
Invested Capital (IDR bn)	128,040	137,343	159,150	177,971
ROIC-WACC (%)	13.8%	15.4%	14.9%	15.3%
EVA (IDR bn)	17,700	21,180	23,757	27,194

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