

Telekomunikasi Indonesia Tbk (TLKM)

Data Segment Still Solid in 1Q20

In 1Q20, the Data, Internet, and IT Services grew 7.2% YoY. However, the company's income and net profit dropped as the SMS, Fixed and Cellular Voice segment fell by 21.4% YoY. The 1Q20 performance still achieved our expectations with income estimation of FY20 amounting to IDR138.7 trillion (composing 24.7% of our estimation).

Income declined, 1Q20 performance still as expected. The company booked 1.9% YoY income decline to IDR34.2 trillion in the first quarter of 2020. However, as we expected, the income from the Data, Internet, and IT Services grew by 7.2% YoY to IDR17.8 trillion. It is followed by the IndiHome and interconnection segments that each grew by 19.7% and 27.1% YoY. The highest decline came from the SMS, Fixed & Cellular Voice each declined by 35.6% YoY, 21.4% YoY making the company net income decreasing to IDR5.9 trillion or down by 5.8%.

Digital services still the highlight as PSBB continues. The ever increasing COVID-19 pandemic cases made the government implement continuous Large Scale Social Restriction (PSBB). This situation allowed the company to up its digital acceleration. In the first quarter, TLKM has allocated IDR3.7 trillion funds for capital expenditure used to expand 4G networks and IT system improvement to support digital services. The company's capital expenditure reached 10.6% of our FY20 estimation.

Telkomsel Performance. In 1Q20, Telkomsel recorded positive performance, as income and net profit grew to IDR22.4 trillion (1.1% YoY) and IDR7.1 trillion (9.0% YoY). Growth is supported by the increase of data segment by 16.7% YoY and digital services of 13.6% YoY.

Currently, there are 162.6 million customers, down by 3.6% YoY, 5.0% QoQ. However, ARPU still grew as the income of the data segment was still solid. With the unblocking of Netflix, we estimate that the number of customers will grow again in FY20.

Opportunity to BUY, TLKM traded at level -2SD Forward EV/EBITDA. We still recommend BUY with the same 12-month target price at IDR3,800 or equal to Forward EV/EBITDA at a level of 5.1x. We believe that the company performance in the second quarter will grow in line with the high internet data usage as PSBB is continued.

Telekomunikasi Indonesia Tbk | Summary (IDR bn)

	2018	2019	2020 F	2021 F
Sales	130,784	135,567	138,685	148,592
<i>Sales growth</i>	2.0%	3.7%	2.3%	7.1%
EBITDA	60,251	63,991	69,366	74,747
Net profit	18,032	18,663	19,550	21,062
EPS (IDR)	182	188	197	213
<i>EPS growth</i>	-17.1%	24.1%	14.4%	12.4%
BVPS (IDR)	1,184	1,184	1,260	1,338
EBITDA margin	46.1%	47.2%	50.0%	50.3%
NPM	13.8%	13.8%	14.1%	14.2%
ROE	15.4%	15.9%	15.7%	15.9%
ROA	8.7%	8.4%	8.4%	8.4%
ROIC	17.8%	18.3%	17.9%	17.8%
P/E	20.6x	20.3x	19.3x	17.9x
P/BV	3.2x	3.2x	3.0x	2.8x
EV/EBITDA	6.6x	6.5x	5.6x	5.1x
DPS (IDR)	168	164	137	153
<i>Dividend yield</i>	4.5%	4.3%	3.6%	4.0%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia



Company Report | July 22, 2020

Buy

Target Price (IDR)	3,800
Consensus Price (IDR)	3,983
TP to Consensus Price	-4.6%
vs. Last Price	+23.8%

Shares data

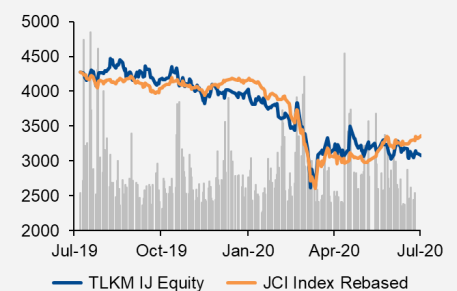
Last Price (IDR)	3,070
Price date as of	July 22, 2020
52 wk range (Hi/Lo)	4,440 / 2,417
Free float	47.9%
Outstanding sh.(mn)	99,062
Market Cap (IDR bn)	303,130
Market Cap (USD mn)	20,614
Avg. Trd Vol - 3M (mn)	143.7
Avg. Trd Val - 3M (bn)	455.9
Foreign Ownership	28.2%

Infrastructure

Telecommunication

Bloomberg	TLKM IJ
Reuters	TLKM.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	-23.3%	-6.7%	-0.3%	-28.3%
Rel. Ret	-4.5%	-10.2%	-13.9%	-7.5%

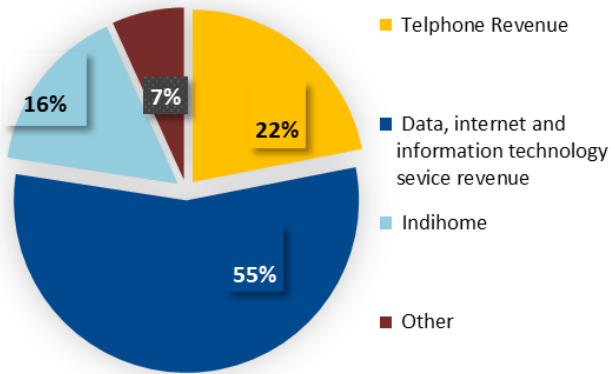
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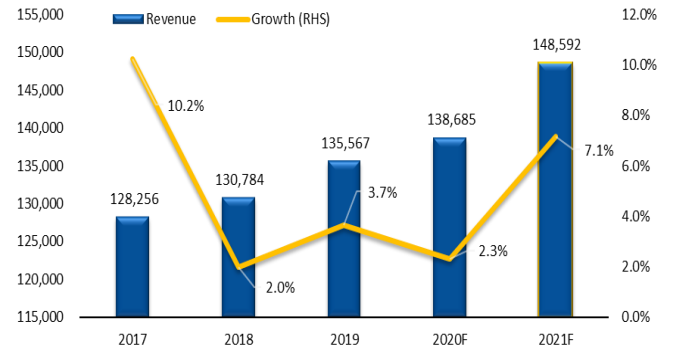
Performance Highlights

Revenue Contribution 1Q20



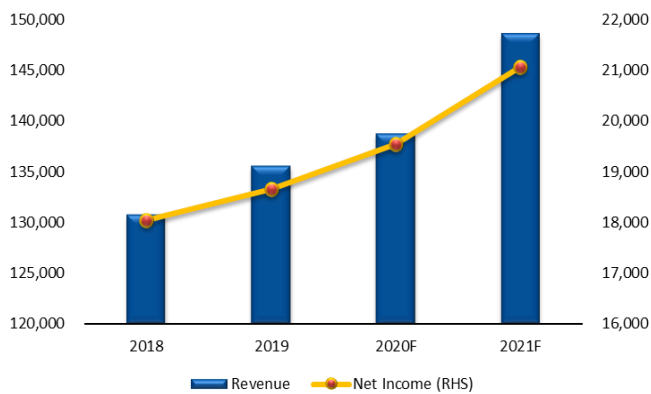
Source: Company, NHKSI Research

Revenue Projections (bn)



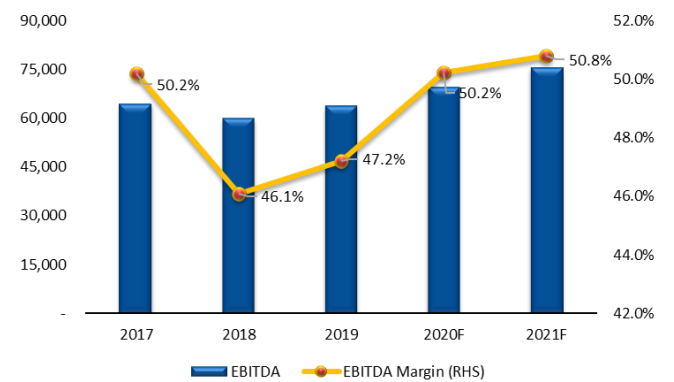
Source: Company, NHKSI Research

Revenue & Net Income



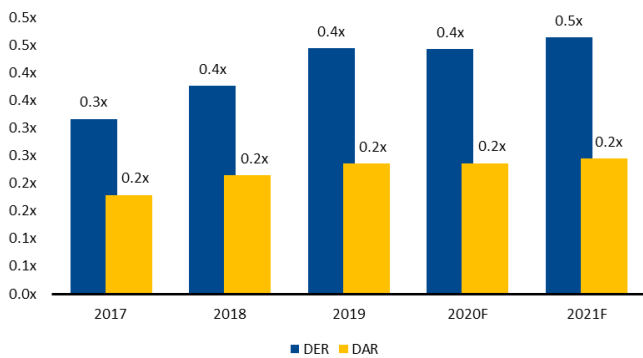
Source: Company, NHKSI Research

EBITDA & EBITDA Margin



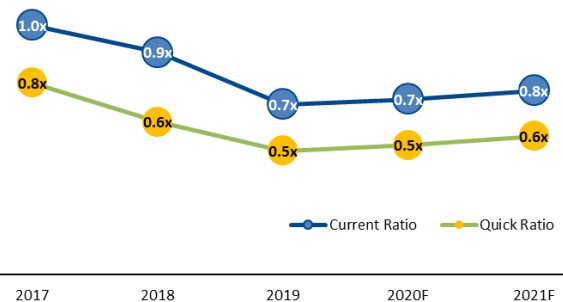
Source: Company, NHKSI Research

DER and DAR



Source: Company, NHKSI Research

Current Ratio and Quick Ratio



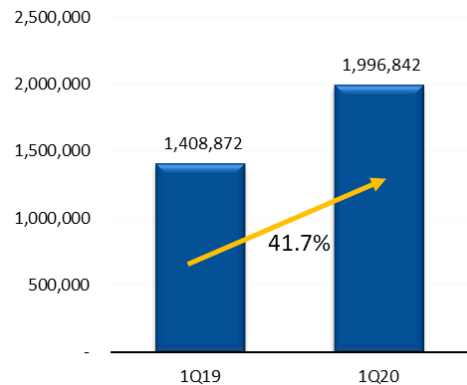
Source: Company, NHKSI Research



PT Telekomunikasi Indonesia (Persero) Tbk (Telkom) is a State-Owned Enterprise (BUMN) that has business lines in the field of telecommunications and network services in the territory of Indonesia. Telkom's majority shareholder, namely the Government of the Republic of Indonesia, is 52.1% and 47.9% is controlled by the public. Telkom listings in two countries, on the Indonesia Stock Exchange, are traded with the code "TLKM" while on the New York Stock Exchange with the code "TLK".

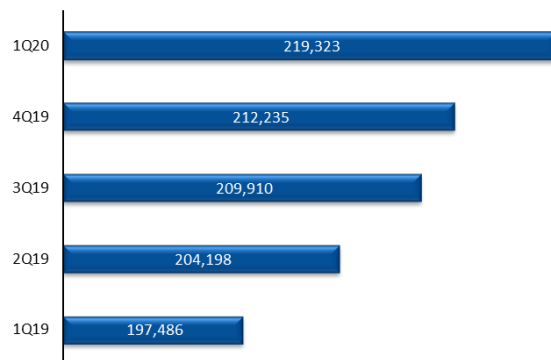
Telkom categorizes its businesses into 3 Digital Business Domains as follows 1) Digital Connectivity (Fiber to the x (FTTx), 5G, Software Defined Networking (SDN)/ Network Function Virtualization (NFV)/ Satellite); 2) Digital Platform (Data Center, Cloud, Internet of Things (IoT), Big Data/ Artificial Intelligence (AI), Cybersecurity); and 3) Digital Services (Enterprise, Consumer). It, until March 2020, accounted for 162.96 million subscribers

Traffic Data (TB)



Source: Company, NHKSI Research

Base Transceiver Station (BTS)



Source: Company, NHKSI Research

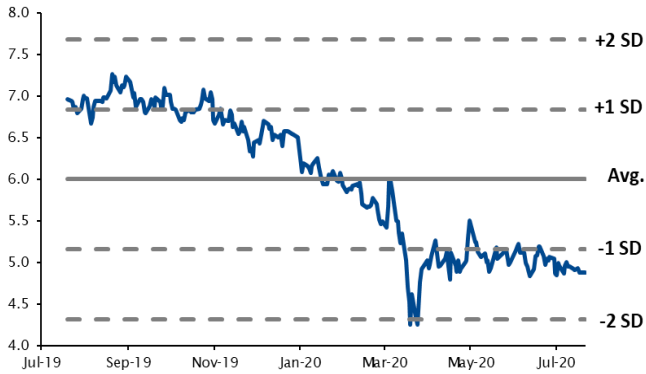
1Q20 Review (IDR bn)

	1Q19	2Q19	3Q19	4Q19	1Q20				
					Actual	Estimate	y-y	q-q	surprise
Revenue	34,840	34,505	33,286	32,936	34,194		-1,9%	3,8%	
Gross Profit	34,840	34,505	33,286	20,609	34,840		-1,9%	3,8%	
EBIT	12,029	10,181	11,244	8,940	11,929		-0,8%	33,4%	
<i>EBIT Margin</i>	33.6%	22.6%	33.8%	27.1%	34.9%				
EBITDA	16,116	12,227	17,036	14,859	18,778		6,3%	26,4%	
<i>EBIT Margin</i>	49.8%	38.2%	51.2%	45.1%	54,9%				
Net Profit	6,224	4,854	5,381	2,204	5,862		-5,8%	166,0%	
<i>Net Margin</i>	17.7%	9.3%	16.2%	6.7%	17,1%				

Source: Bloomberg, NHKSI research

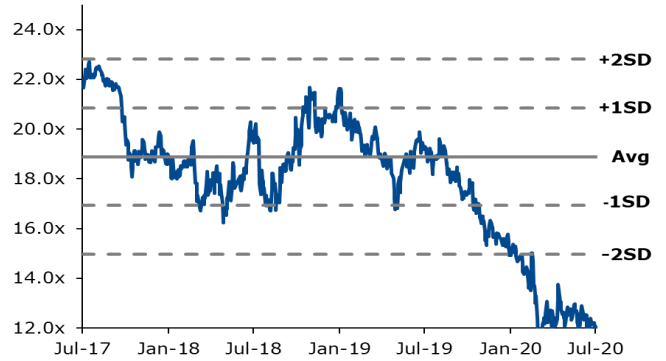
Multiple Valuation

TLKM is trade at -2SD Forward EV/EBITDA band



Source: NHKSI Research

TLKM is trade at -2SD Forward P/E band



Source: NHKSI Research

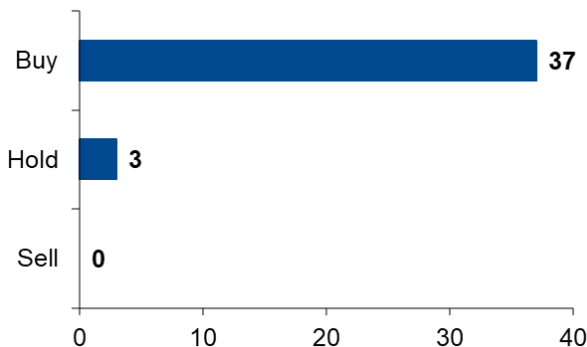
Rating and Target Price Update

Target Price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
03/18/2020	Buy	4,330 (Dec 2020)	2,810	4,577	+54.1%	-5.4%
06/03/2020	Buy	3,800 (Dec 2020)	3,250	4,179	+16.9%	-9.1%
07/22/2020	Buy	3,800 (12 Month)	3,070	3,983	+23.8%	-4.6%

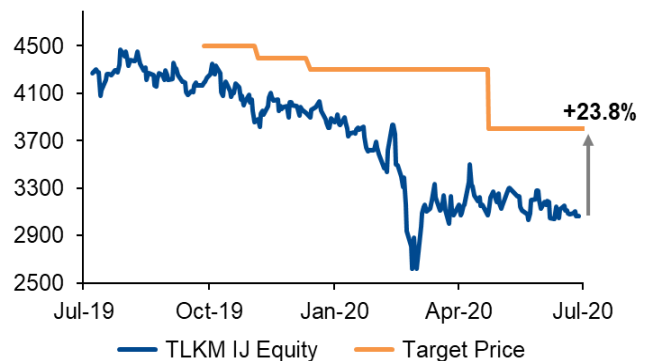
Source: NHKSI Research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) stock ratings

1. Period: End of year target price
2. 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%

Financial Summary

INCOME STATEMENT

(IDR bn)	2018/12	2019/12	2020/12E	2021/12F
Revenue	130,784	135,567	138,685	148,592
<i>Growth</i>	2.0%	3.7%	2.3%	7.1%
COGS	-	-	-	-
Gross Profit	130,784	135,567	138,685	148,592
<i>Gross Margin</i>	-	-	-	-
Operating Expenses	(91,939)	(93,087)	(94,306)	(101,043)
EBIT	38,845	42,480	44,379	47,550
<i>EBIT Margin</i>	29.7%	31.3%	32.0%	32.0%
Depreciation	21,406	21,511	25,281	27,931
EBITDA	60,251	63,991	69,660	75,480
<i>EBITDA Margin</i>	46.1%	47.2%	50.2%	50.8%
Interest Expenses	(2,440)	(4,572)	(4,414)	(4,610)
EBT	36,405	37,908	39,965	42,940
Income Tax	(9,426)	(10,316)	(10,876)	(11,685)
Minority Interest	(8,947)	(8,929)	(9,540)	(10,192)
Net Profit	18,032	18,663	19,550	21,062
<i>Growth</i>	-18.6%	1.7%	4.8%	7.7%
<i>Net Profit Margin</i>	13.8%	13.8%	14.1%	14.2%

BALANCE SHEET

(IDR bn)	2018/12	2019/12	2020/12E	2021/12F
Cash	18,267	18,513	18,450	22,947
Receivables	11,414	11,797	14,639	15,685
Inventories	717	585	721	770
Total Current Assets	43,268	41,722	44,885	51,269
Net Fixed Assets	143,248	156,973	165,692	175,761
Other Non Current Assets	19,680	22,513	23,031	24,676
Total Assets	206,196	221,208	233,608	251,706
Payables	29,163	31,513	32,751	35,400
ST Bank Loan	10,339	18,215	19,300	21,501
LT Debt	33,748	33,869	35,887	39,979
Total Liabilities	88,893	103,958	108,767	119,197
Capital Stock	7,408	7,664	7,664	7,664
Retained Earnings	90,995	91,489	97,502	103,451
Shareholders' Equity	117,303	117,250	124,841	132,509

CASH FLOW STATEMENT

(IDR bn)	2018/12	2019/12	2020/12E	2021/12F
Operating Cash Flow	32,724	46,198	43,041	50,387
Investing Cash Flow	(33,411)	(38,069)	(34,518)	(39,645)
Financing Cash Flow	(15,701)	(5,844)	(8,587)	(6,244)
Net Changes in Cash	(16,388)	2,285	(63)	4,498

Source: Company Data, NHKSI Research

PROFITABILITY & STABILITY

	2018/12	2019/12	2020/12E	2021/12F
ROE	15.4%	15.9%	15.7%	15.9%
ROA	8.7%	8.4%	8.4%	8.4%
ROIC	17.8%	18.3%	17.9%	17.8%
Cash Dividend (IDR bn)	16,609	16,229	13,537	15,112
Dividend Yield	4.5%	4.3%	3.6%	4.0%
Payout Ratio	92.1%	87.0%	69.2%	71.8%
DER	37.6%	44.4%	44.2%	46.4%
Net Gearing	0.4	0.5	0.5	0.6
LT Debt to Equity	28.8%	28.9%	28.7%	30.2%
Capitalization Ratio	27.3%	30.8%	30.7%	31.7%
Equity Ratio	56.9%	53.0%	53.4%	52.6%
Debt Ratio	21.4%	23.5%	23.6%	24.4%
Financial Leverage	176.4%	182.2%	187.9%	188.6%
Current Ratio	93.5%	71.5%	73.7%	77.2%
Par Value (IDR)	50	50	50	50
Total Shares (mn)	99,062	99,062	99,062	99,062
Share Price (IDR)	3,750	3,830	3,800	3,800
Market Cap (IDR tn)	371.5	379.4	376.4	376.4

VALUATION INDEX

	2018/12	2019/12	2020/12E	2021/12F
Price/Earnings	20.6x	20.3x	19.3x	17.9x
Price/Book Value	3.2x	3.2x	3.0x	2.8x
Price/Sales	2.8x	2.8x	2.7x	2.5x
PE/EPS Growth	-1.1x	12.3x	4.1x	2.3x
EV/EBITDA	6.6x	6.5x	5.6x	5.2x
EV/EBIT	10.2x	9.7x	8.8x	8.2x
EV (IDR bn)	397,303	412,979	390,389	392,185
Sales CAGR (3-Yr)	8.5%	5.2%	2.6%	4.3%
EPS CAGR (3-Yr)	5.2%	-1.2%	-4.1%	5.3%
Basic EPS (IDR)	182	188	197	213
Diluted EPS (IDR)	182	188	197	213
BVPS (IDR)	1,184	1,184	1,260	1,338
Sales PS (IDR)	1,320	1,369	1,400	1,500
DPS (IDR)	168	164	137	153

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	71.8 Rep. of Indonesia	52.1
United States	14.3 Bank of New York	4.5
Luxembourg	4.9 Vanguard Group Inc	1.7
Ireland	2.2 Blackrock	1.2

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