

Solid Surge in Indihome Contribution

TLKM booked 1.3% QoQ increase in quarterly income. The income growth cannot be separated from the solid Indihome contribution that booked 16.1% growth YoY and 8.5% QoQ. We see the company continue to focus on efficiency, proven by the increase in operating profit margin, and net profit to 52.9% and 11.0%.

Net Income Surged 11.0% QoQ. The company recorded income growth of IDR33.1 trillion (+1.3% QoQ) vs IDR32.7 trillion in the second quarter of 2020. Income from the Indihome segment booked a growth of 16.1% YoY, 8.5% QoQ in July-September period, reaching IDR5.7 trillion vs 5.3 trillion in Q2/2020. Efficiency efforts continued, where on a quarterly basis the company recorded a decline in general and administrative expenses by 28.1% and 35.2% on a yearly basis. This boosted operating profit margin and net profit by 52.9% QoQ and 11.0% QoQ vs 49.7% and -12.5% in Q2/2020.

Focuses on Digital Business Service, Telkomsel Sells Tower to Mitratel. The company's subsidiary, Telkomsel, entered a tower sale agreement, selling 6,050 towers to Mitratel with the agreed total sales at IDR10.3 trillion. With this corporate action, Telkomsel can focus on expanding its digital business and tower maintenance cost can be more efficient. Until now, Telkomsel is still the biggest contributor to TLKM's income. Telkomsel booked 10.6% YoY income growth in the third quarter to IDR47.7 trillion vs IDR43.1 trillion in 9M19 with the digital business segment contributing 73.2% to Telkomsel's income. Meanwhile, the transfer of towers from Telkomsel to Mitratel will strengthen Mitratel's future tower business. With this addition, Mitratel owns 28,075 towers. As a note, income from the Wholesale and International Business (WIB) increased by 24.9% YoY to IDR10.2 trillion in the third quarter. The largest contribution was booked from Telkomsel's tower business. We are optimistic that with this arrangement of subsidiaries' portfolio, it can optimize the business and assets owned to ensure optimal value for shareholders.

We Maintain BUY with Target Price of IDR3,800. We continue to maintain our BUY recommendation for TLKM with the same target price at IDR 3,800. Considering the solid income growth from the Indihome segment, we are optimistic the company will have solid growth until the end of 2020. Our target price reflects EV/EBITDA at 5.5x FY21. Currently, the company's shares are traded at 5.0x EV/EBITDA with a 5-year average of 4.9x.

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	69,660	75,480
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%	50.2%	50.8%
NPM	13.8%	13.8%	14.1%	14.2%
ROE	15.4%	15.9%	15.7%	15.9%
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	5.9x	5.5x
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

BUY

Target Price (IDR)	3,800
Consensus Price (IDR)	3,868
TP to Consensus Price	-1.8%
vs. Last Price	+25.0%

Shares data

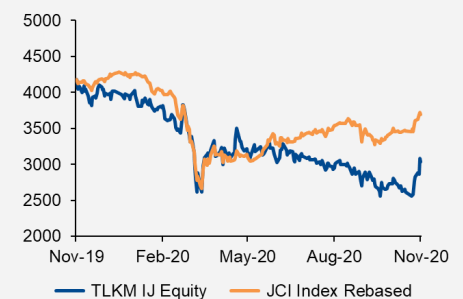
Last Price (IDR)	3,040
Price date as of	Nov. 12, 2020
52 wk range (Hi/Lo)	4,114 / 2,417
Free float	47.9%
Outstanding Shares (mn)	99,062
Market Cap (IDR bn)	296,196
Market Cap (USD mn)	20,824
Avg. Trd Vol - 3M (mn)	153.2
Avg. Trd Val - 3M (bn)	427.3
Foreign Ownership	27.3%

Infrastructure

Telecommunication

Bloomberg	TLKM IJ
Reuters	TLKM.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	-23.4%	11.4%	3.1%	-27.3%
Rel. Ret	-10.1%	4.2%	-1.3%	-15.6%

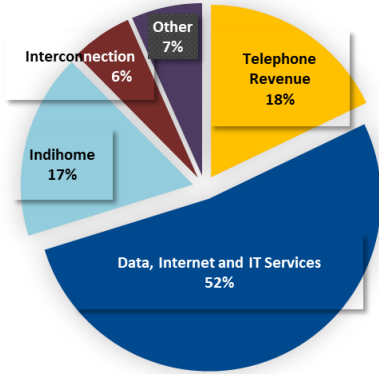
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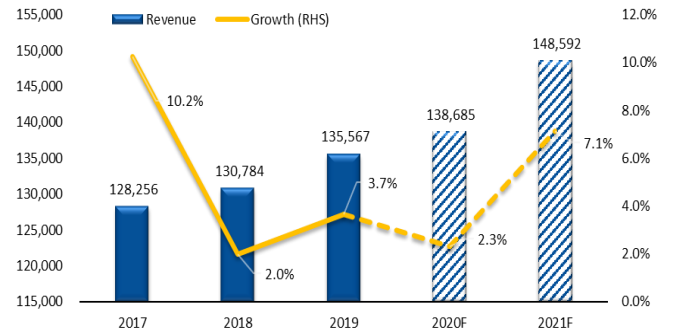
Performance Highlights

Revenue Contribution 3Q20



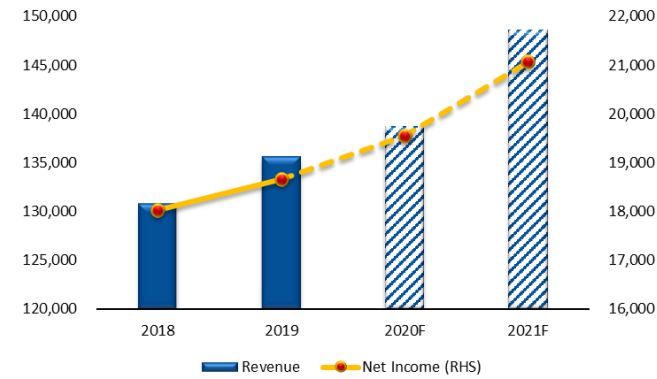
Source: Company, NHKSI Research

Revenue Projections (bn)



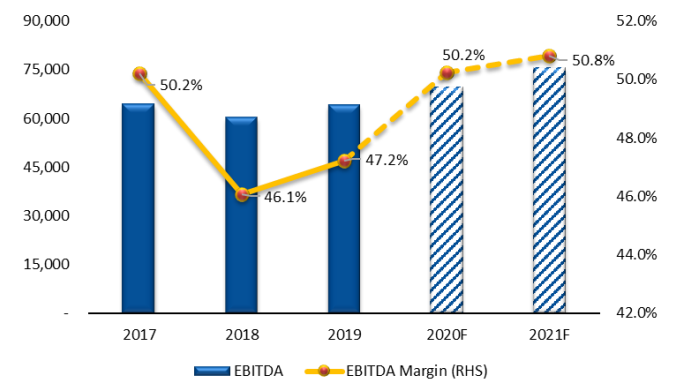
Source: Company, NHKSI Research

Revenue & Net Income (bn)



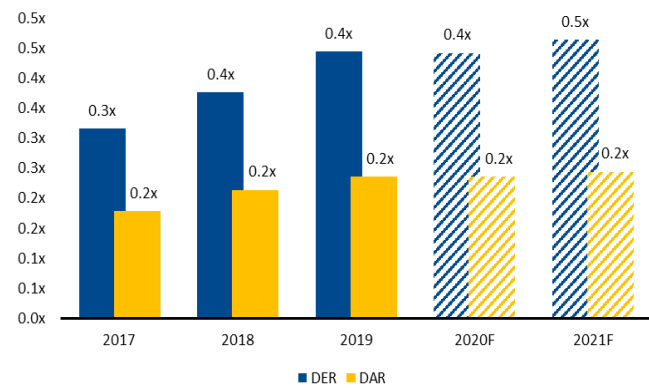
Source: Company, NHKSI Research

EBITDA & EBITDA Margin (bn)



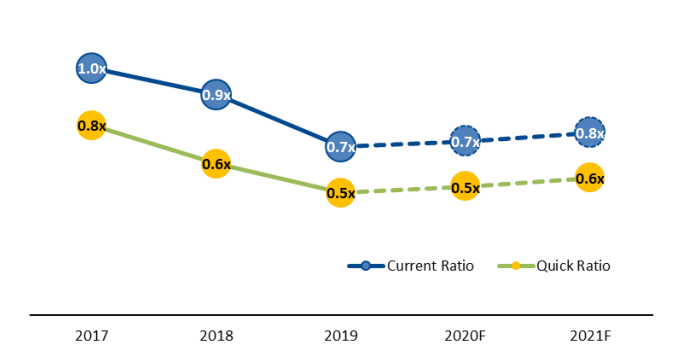
Source: Company, NHKSI Research

DER and DAR



Source: Company, NHKSI Research

Current Ratio and Quick Ratio



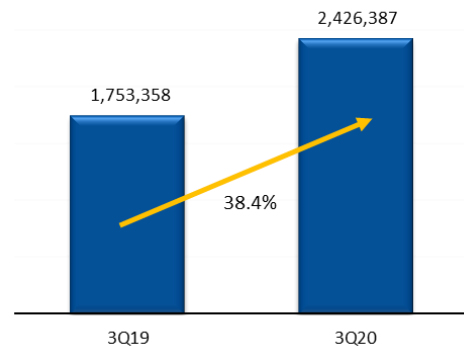
Source: Company, NHKSI Research



PT Telekomunikasi Indonesia (Persero) Tbk (Telkom) is a State Owned Enterprise (BUMN) whose business line is on telecommunication services in Indonesia. The majority of stock is owned by Government of Indonesia at 52.1%, while 47.9% is owned by the public. Telkom is listed in two countries, in the Indonesia Stock Exchange it is traded under “TLKM” and in the New York Stock Exchange under “TLK”.

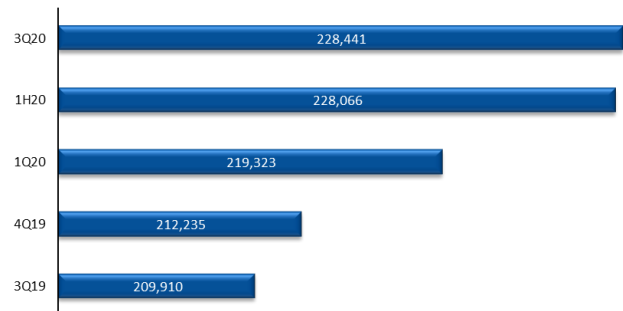
Telkom is currently dividing its business to 3 Digital Business Domain: Digital Connectivity (Fiber to the x (FTTx), 5G, Software Defined Networking (SDN)/ Network Function Virtualization (NFV)/ Satellite); Digital Platform (Data Center, Cloud, Internet of Things (IoT), Big Data/ Artificial Intelligence (AI), Cybersecurity), and Digital Services (Enterprise, Consumer). Telkom until September 2020 has served 170.1 million subscribers.

Traffic Data (TB)



Source: Company, NHKSI Research

Base Transceiver Station (BTS)



Source: Company, NHKSI Research

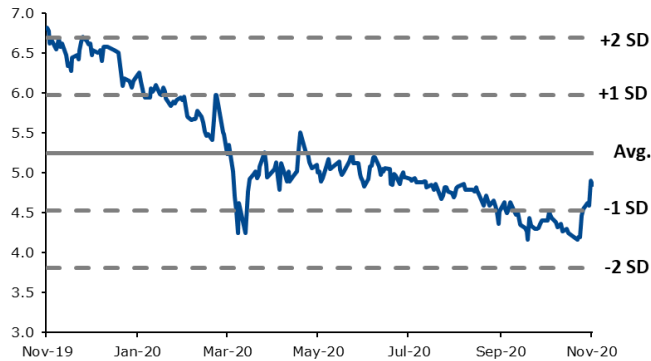
3Q20 Review (IDR bn)

	3Q19	4Q19	1Q20	2Q20	3Q20				
					Actual	Estimate	y-y	q-q	surprise
Revenue	33,286	32,936	34,194	32,662	33,085		-0.6%	1.3%	
Gross Profit	33,286	20,609	34,840	32,662	33,085		-0.6%	1.3%	
EBIT	11,244	8,940	11,929	10,324	10,758		-4.3%	4.2%	
EBIT Margin	33.8%	27.1%	34.9%	31.6%	32.5%				
EBITDA	17,036	14,859	18,778	17,402	17,869		4.9%	2.7%	
EBITDA Margin	51.2%	45.1%	54.9%	53.3%	54.0%				
Net Profit	5,381	2,204	5,862	5,127	5,690		5.7%	11.0%	
Net Margin	16.2%	6.7%	17.1%	15.7%	17.2%				

Source: Bloomberg, NHKSI Research

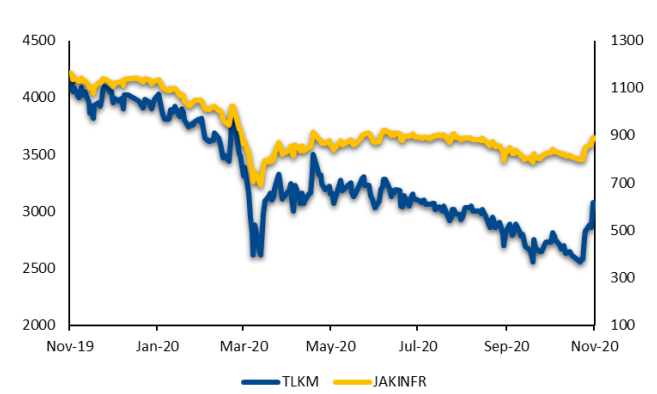
Multiple Valuation

TLKM is traded at area -1SD Forward EV/EBITDA band



Source: NHKSI Research

TLKM vs JAKINF



Source: Bloomberg, NHKSI Research

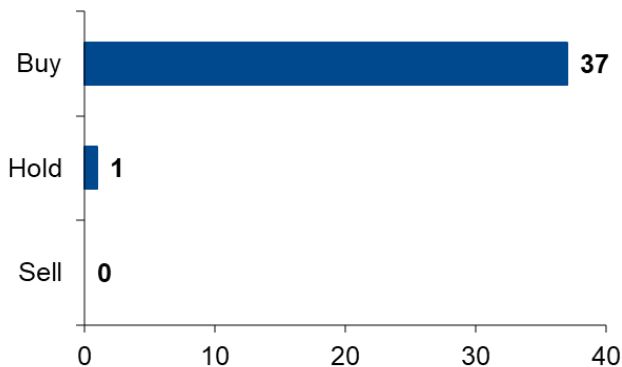
Rating and Target Price Update

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%
08/19/2020	Buy	3,800 (12 Month)	3,050	3,926	+24.6%	-3.2%
11/13/2020	Buy	3,800 (12 Month)	3,040	3,868	+25.0%	-1.8%

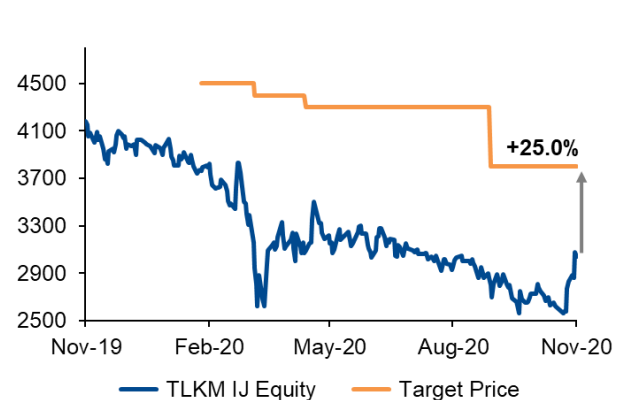
Source: NHKSI Research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI Research

Summary of Financials

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	5.9x	5.5x
EV/EBIT	10.2x	9.7x	9.3x	8.7x
EV (IDR bn)	397,303	412,979	413,173	414,969
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	72.7	Rep. of Indonesia 52.1
United States	13.9	Bank of New York 4.1
Luxembourg	4.6	Vanguard Group Inc 1.7
Ireland	2.2	Blackrock 1.3

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to +15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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