

Telekomunikasi Indonesia Tbk (TLKM)

Planned Corporate Actions to Boost Company Value

TLKM booked a positive performance in 2020, where net profit grew by double digits at 11.5%. It was supported by revenue that grew 0.7% yoy and lower cost margin at 68.1%. Meanwhile, corporate action done by a subsidiary will continue the positive trend for TLKM. We are optimistic that both top and bottom line will be more solid in 2021.

Satisfying Performance in 2020.

- TLKM booked revenue of IDR136.5 trillion, grew by 0.7% yoy/10.4% qoq vs IDR135.6 trillion in 2019.
- Data, Internet and IT service segments had the biggest contribution to TLKM's revenue at 52.0%.
- During the Covid-19 pandemic, Indihome segment soared. It increased 21.2% yoy/6.2% qoq to IDR22.2 trillion in 2020.
- Data traffic and Base Transceiver Station (BTS) grew 43.8% yoy dan 8.9% yoy.
- Operating, maintenance and telco service costs that fell 18.1% yoy helped reduce expense ratio to 68.1% in 2020.
- In FY20, TLKM successfully booked a net profit of IDR20.8 trillion, grew by 11.5% yoy.

Strong Business Strategy in 2021.

- TLKM will benefit from its investment in PT Aplikasi Karya Anak bangsa (Gojek) after PT Telekomunikasi Selular (Telkomsel/ TLKM subsidiary) invested USD150 million in 4Q20.
- If realized, the estimated IPO value of PT Dayamitra Telekomunikasi (Mitratel/ TLKM subsidiary); which is planned at the end of 2021; will increase the enterprise value for TLKM.
- Telkomsel's balance sheet will be stronger in 2021, after the conditional sale and purchase agreement of 6,050 Telkomsel towers to Mitratel is completed in the first quarter of 2021 with an investment value of IDR10.3 trillion.
- We expect the number of subscribers to increase after Telkomsel won the auction bid for 2.3 Ghz radio frequency bands to support 5G networks.

Maintain BUY with Target Price of 4,400.

- We maintain BUY for TLKM with a higher target price at IDR4,400 for the next 12 months.
- Considering the solid business performance in 2020 being in line with our estimates, we project both top and bottom line growth will be more solid in 2021.
- Our Target Price reflects an EV/EBITDA value of 5.8x; higher than the one year average of 5.2x/lower than the 5-year EV/EBITDA at 6.3x.
- Currently, TLKM is traded at EV/EBITDA of 5.0x.

Telekomunikasi Indonesia Tbk | Summary (IDR bn)

	2019A	2020A	2021F	2022F
Revenue	135,567	136,462	143,274	152,457
Growth	3.7%	0.7%	5.0%	6.4%
Net Profit	18,663	20,804	23,716	24,973
Growth	3.5%	11.5%	14.0%	5.3%
EPS (IDR)	188	210	239	252
P/E	20.3x	15.8x	18.4x	17.5x
P/BV	3.2x	2.7x	3.4x	3.2x
EV/EBITDA	6.5x	5.3x	6.3x	5.8x
ROE	15.9%	17.2%	18.4%	18.1%
DER	0.4x	0.5x	0.6x	0.6x
Dividend yield	4.3%	4.7%	3.9%	4.2%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

BUY

Target Price (IDR)	4,400
Consensus Price (IDR)	4,144
TP to Consensus Price	+6.2%
vs. Last Price	+37.1%

Shares data

Last Price (IDR)	3,210
Price date as of	May 04, 2020
52 wk range (Hi/Lo)	3,640 / 2,540
Free float	47.9%
Outstanding Shares (mn)	99,062
Market Cap (IDR bn)	316,008
Market Cap (USD mn)	21,905
Avg. Trd Vol - 3M (mn)	99.4
Avg. Trd Val - 3M (bn)	332.3
Foreign Ownership	27.5%

Infrastructure

Telecommunication

Bloomberg	TLKM IJ
Reuters	TLKM.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	-9.2%	-5.7%	-9.2%	-4.5%
Rel. Ret	-3.7%	-0.3%	-6.7%	-33.8%

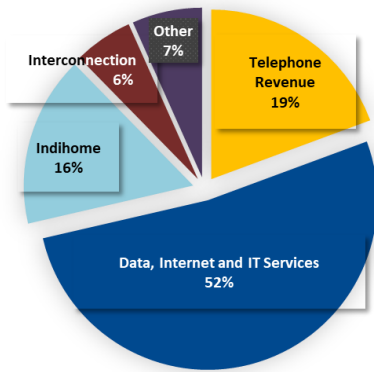
Restu Pamungkas

+62 21 5088 9133

restu.pamungkas@nhsec.co.id

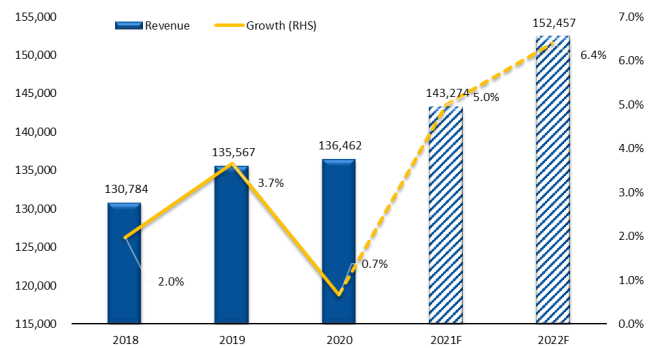
Performance Highlights

Revenue Contribution FY20



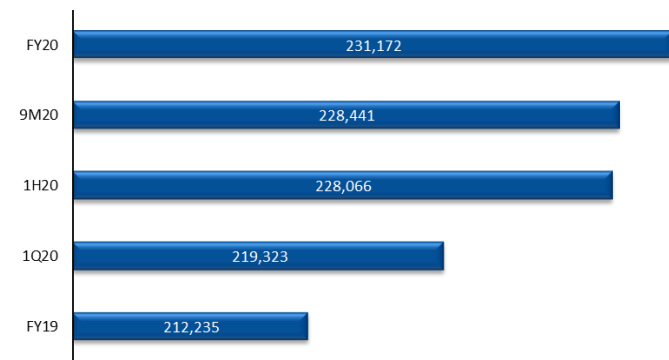
Source: Company, NHKSI Research

Revenue Projections (bn)



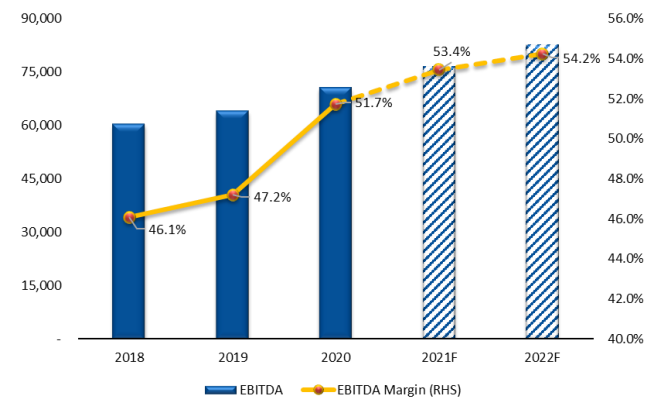
Source: Company, NHKSI Research

Base Transceiver Station (BTS)



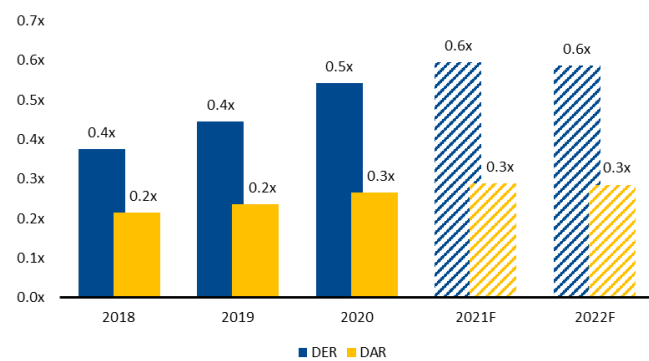
Source: Company, NHKSI Research

EBITDA & EBITDA Margin (bn)



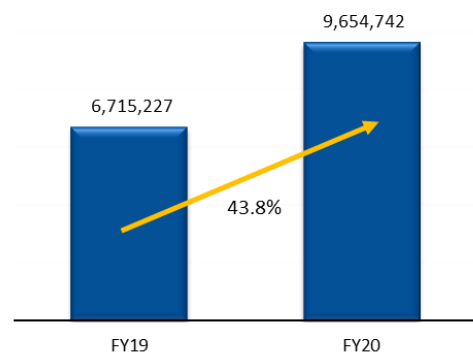
Source: Company, NHKSI Research

DER and DAR



Source: Company, NHKSI Research

Traffic Data (TB)



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 the end of 2020 has served 169.5 million subscribers.

ASEAN Telecommunication Operators

Company	Market Cap (USD mn)	Asset (USD mn)	Revenue LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Profit Margin	ROE LTM	EV/ EBITDA LTM	P/BV
Indonesia									
TLKM	21,905	17,734	9,378	1,430	11.47%	15.2%	20.6%	5.4x	3.1x
EXCL	1,509	4,865	1,771	(57)	N/A	-3.2%	-4.1%	3.9x	1.1x
ISAT	2,345	4,508	1,919	(49)	N/A	-2.6%	-5.8%	4.4x	2.8x
Singapore									
Singtel	30,439	34,378	11,354	1,206	13.54%	10.6%	6.13%	9.5x	1.5x
Malaysia									
Maxis	8,715	5,455	2,122	326	-7.10%	15.4%	19.38%	11.9x	5.1x
DiGi.Com	7,944	2,036	1,472	277	-18.94%	18.8%	186.00%	10.8x	55.4x
Axiata Group	8,259	16,904	5,763	87	-74.95%	1.5%	2.16%	6.3x	1.9x
Thailand									
Advanced Info Service	16,305	11,674	5,670	881	-10.05%	15.5%	40.13%	7.3x	7.1x
True Corp	3,486	20,588	4,421	34	-81.40%	0.8%	1.00%	7.3x	1.3x
Total Access Comm.	2,487	5,810	2,555	143	-16.99%	5.6%	20.64%	5.1x	3.9x
Phillipine									
PLDT	5,668	11,993	3,650	490	7.83%	13.4%	21.40%	5.8x	2.4x
Globe Telecom	5,070	7,077	3,237	375	-16.57%	11.6%	22.50%	6.2x	3.0x

Source: Bloomberg, NHKSI Research

Multiple Valuation

TLKM is trade at area average (5.0x) Forward EV/EBITDA



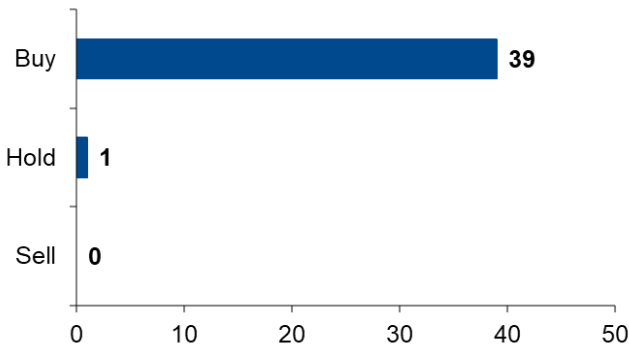
Source: NHKSI Research

TLKM & IDXINFRA



Source: Bloomberg, NHKSI Research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



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%
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%
05/05/2021	Buy	4,400 (12 Month)	3,210	4,144	+37.1%	+6.2%

Source: NHKSI Research, Bloomberg

Summary of Financials

INCOME STATEMENT

(IDR bn)	2019/12	2020/12	2021/12F	2022/12F
Revenue	135,567	136,462	143,274	152,457
<i>Growth</i>	3.7%	0.7%	5.0%	6.4%
COGS	-	-	-	-
Gross Profit	135,567	136,462	143,274	152,457
<i>Gross Margin</i>	-	-	-	-
Operating Expenses	(93,087)	(92,871)	(94,561)	(100,621)
EBIT	42,480	43,591	48,713	51,835
<i>EBIT Margin</i>	31.3%	31.9%	34.0%	34.0%
Depreciation	21,511	26,996	27,841	30,839
EBITDA	63,991	70,587	76,554	82,674
<i>EBITDA Margin</i>	47.2%	51.7%	53.4%	54.2%
Interest Expenses	(4,572)	(4,816)	(5,333)	(5,966)
EBT	37,908	38,775	43,381	45,869
Income Tax	(10,316)	(9,212)	(10,306)	(10,897)
Minority Interest	(8,929)	(8,759)	(9,358)	(9,998)
Net Profit	18,663	20,804	23,716	24,973
<i>Growth</i>	3.5%	11.5%	14.0%	5.3%
<i>Net Profit Margin</i>	13.8%	15.2%	16.6%	16.4%

BALANCE SHEET

(IDR bn)	2019/12	2020/12	2021/12F	2022/12F
Cash	18,242	20,589	28,555	34,243
Receivables	11,797	11,339	15,123	16,093
Inventories	585	983	745	791
Total Current Assets	41,722	46,503	58,788	66,412
Net Fixed Assets	156,973	179,489	185,648	192,809
Other Non Current Assets	22,513	20,951	22,142	23,561
Total Non Current Assets	179,486	200,440	207,790	216,371
Total Assets	221,208	246,943	266,578	282,783
Payables	31,513	34,555	33,835	36,276
ST Bank Loan	18,215	24,680	28,726	29,996
Total Current Liabilities	58,369	69,093	72,980	77,358
LT Debt	33,869	40,782	47,468	49,566
Total Liabilities	103,958	126,054	137,547	145,119
Capital Stock	7,664	7,664	7,664	7,664
Retained Earnings	91,489	94,489	100,993	107,842
Shareholders' Equity	117,250	120,889	129,031	137,664

CASH FLOW STATEMENT

(IDR bn)	2019/12	2020/12	2021/12F	2022/12F
Operating Cash Flow	45,927	49,625	47,079	56,985
Investing Cash Flow	(38,069)	(47,950)	(35,191)	(39,419)
Financing Cash Flow	(5,844)	3,248	(3,922)	(11,877)
Net Changes in Cash	2,014	4,923	7,966	5,688

Source: Company Data, NHKSI Research

PROFITABILITY & STABILITY

	2019/12	2020/12	2021/12F	2022/12F
ROE	15.9%	17.2%	18.4%	18.1%
ROA	8.4%	8.4%	8.9%	8.8%
Inventory Turnover	187.5x	192.4x	192.4x	192.8x
Receivables Turnover	9.5x	9.2x	9.5x	9.5x
Payables Turnover	4.3x	4.2x	4.2x	4.2x
Dividend Yield	4.3%	4.7%	3.9%	4.2%
Payout Ratio	87.0%	73.4%	72.6%	72.6%
DER	0.4x	0.5x	0.6x	0.6x
Net Gearing	0.5x	0.6x	0.7x	0.7x
Equity Ratio	0.5x	0.5x	0.5x	0.5x
Debt Ratio	0.2x	0.3x	0.3x	0.3x
Financial Leverage	1.8x	2.0x	2.1x	2.1x
Current Ratio	0.7x	0.7x	0.8x	0.9x
Quick Ratio	0.5x	0.5x	0.6x	0.7x
Par Value (IDR)	50	50	50	50
Total Shares (mn)	99,062	99,062	99,062	99,062
Share Price (IDR)	3,830	3,310	4,400	4,400
Market Cap (IDR tn)	379	328	436	436

VALUATION INDEX

	2019/12	2020/12	2021/12F	2022/12F
Price/Earnings	20.3x	15.8x	18.4x	17.5x
Price/Book Value	3.2x	2.7x	3.4x	3.2x
PE/EPS Growth	5.8x	1.4x	1.3x	3.3x
EV/EBITDA	6.5x	5.3x	6.3x	5.8x
EV (IDR bn)	413,250	372,769	483,513	481,192
Revenue CAGR (3-Yr)	5.2%	2.1%	3.1%	4.0%
Net Profit CAGR (3-Yr)	-1.2%	-2.1%	9.6%	10.2%
Basic EPS (IDR)	188	210	239	252
BVPS (IDR)	1,184	1,220	1,303	1,390
DPS (IDR)	164	154	174	183

OWNERSHIP

Top Shareholders	%
Rep. of Indonesia	52.1
Bank of New York	4.1
Vanguard Group Inc	1.5
JPMorgan Chase & Co	1.4
By Geography	%
Indonesia	72.5
United States	13.8
Luxembourg	5.0
Ireland	2.0
Others	6.8

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%

DISCLAIMER

This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein. All rights reserved by PT NH Korindo Sekuritas Indonesia.