

# Telekomunikasi Indonesia Tbk (TLKM)

## Strengthening Data Center Business

TLKM posted -0.7% YoY top-line decline in 1Q21, as revenues from non data segment softened. However, revenue from IndiHome and internet data remained solid with +25.0% YoY and +2.2% YoY growth. Financial costs fell 19.2% YoY resulted in strong NPM at 17.7%. TLKM is currently building a Data Center in West Java, which can potentially be the new growth driver moving forward.

### Solid Net Profit Margin at 17.7%

- TLKM posted -0.7% YoY decline in revenue to IDR33.9 trillion in 1Q21 vs IDR34.2 trillion in 1Q20.
- Lower contribution from the revenue of non-data segment was the main factor of TLKM's revenue decline in 1Q21. Voice and SMS revenue fell -25.4% YoY, and Interconnection revenue declined -11.0% YoY.
- Revenue from the internet data segment was still strong. Indihome grew +25.0% YoY and Data, Internet, and IT Services increased by +2.2% YoY.
- Operating Profit Margin (OPM) was posted at 34.5%, boosted by declining Interconnection Expenses by -25.2% YoY, and General and Administrative Expenses by -17.7% YoY.
- Financial Costs fell 19.2% YoY, with Net Profit Margin (NPM) grew to 17.7% vs 17.1% di 1Q20. Net profit booked an increase of 2.6% YoY to IDR6.0 trillion.

### Data Center Business as a Future Growth Driver

- Telkom HyperScale Data Center (HDC) will bring a massive opportunity for TLKM in the future. Currently, demand for Data Center continues to increase as companies decide to adopt digital transformation.
- Telkom HDC is currently under construction in Cikarang, Bekasi, on a 65 thousand square meter land, with a total capacity of up to 10,000 rack, and a power of 75MW.
- Telkom HDC is claimed to have international scale supporting facility, neutral carrier and multiservices which will appeal international or domestic businesses.
- We believe the construction of Telkom HDC will increase TLKM's presence in the data center business and can potentially be the source of future growth.

### Maintain BUY with Target Price of 4,400.

- We maintain BUY for TLKM with a target price at IDR4,400 for the next 12 months.
- Top and Bottom Line are in line with our estimation, TLKM's revenue is 23.7% and net profit is 25.5% of the FY21E target.
- Our Target Price reflects an EV/EBITDA value of 5.8x; higher than the one year average of 5.2x; yet lower than the 5-year EV/EBITDA at 6.3x.
- Currently, TLKM is traded at EV/EBITDA of 4.6x.

### 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)	4,156
TP to Consensus Price	+5.9%
Potential Upside	+43.3%

### Shares data

Last Price (IDR)	3,070
Price date as of	July 13, 2021
52 wk range (Hi/Lo)	3,590 / 2,510
Free float	47.9%
Outstanding Shares (mn)	99,062
Market Cap (IDR bn)	301,149
Market Cap (USD mn)	20,776
Avg. Trd Vol - 3M (mn)	98.4
Avg. Trd Val - 3M (bn)	320.2
Foreign Ownership	26.7%

### Infrastructure

#### Telecommunication

Bloomberg	TLKM IJ
Reuters	TLKM.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	-12.0%	-3.8%	-7.8%	-0.6%
Rel. Ret	-7.5%	-6.8%	-9.2%	-19.4%

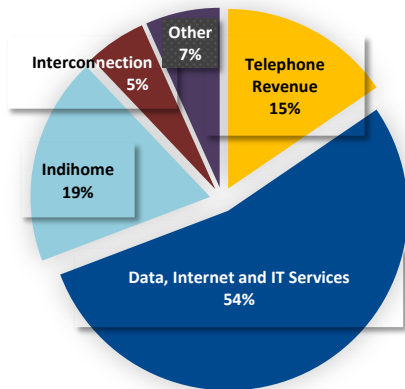
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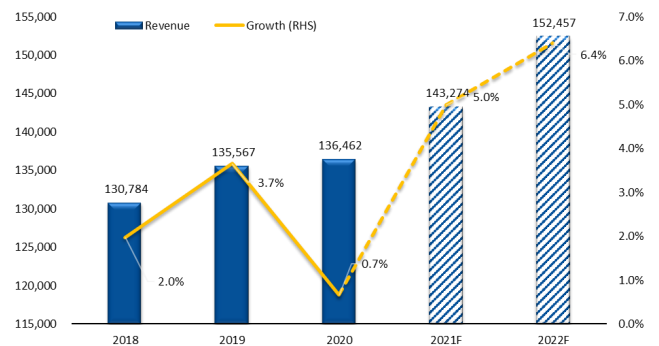
# Performance Highlights

## Revenue Contribution 1Q21



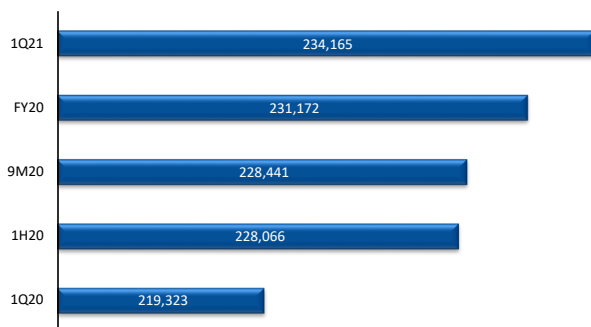
Source: Company, NHKSI Research

## Revenue Projections (bn)



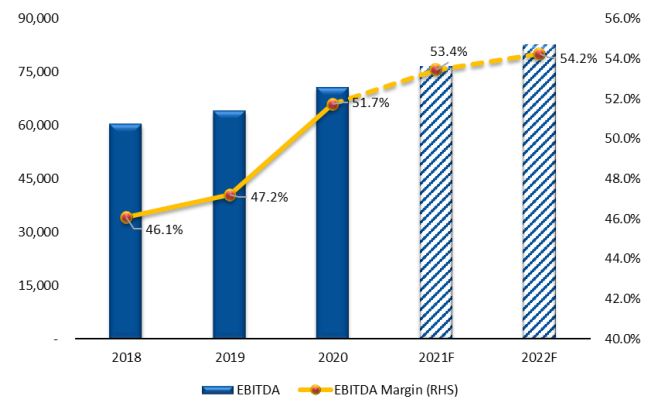
Source: Company, NHKSI Research

## Base Transceiver Station (BTS)



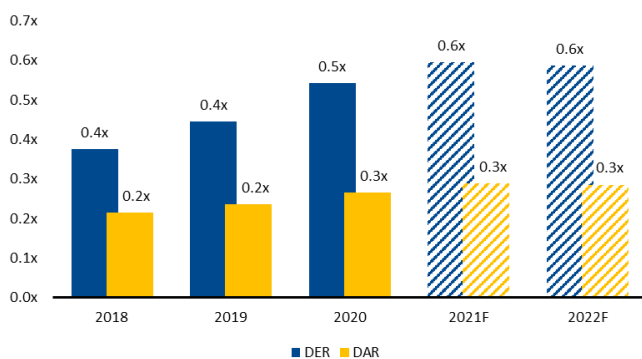
Source: Company, NHKSI Research

## EBITDA & EBITDA Margin (bn)



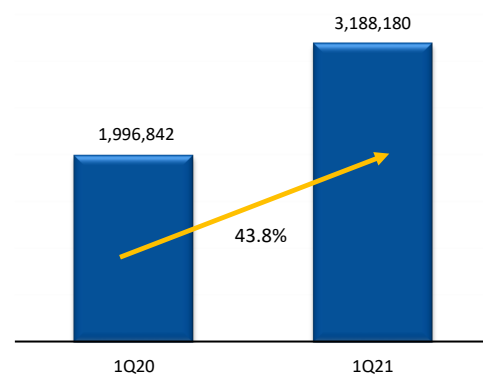
Source: Company, NHKSI Research

## Leverage Ratio



Source: Company, NHKSI Research

## Traffic Data (in Terabytes)



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 first quarter of 2021 has served 164,7 million subscribers.

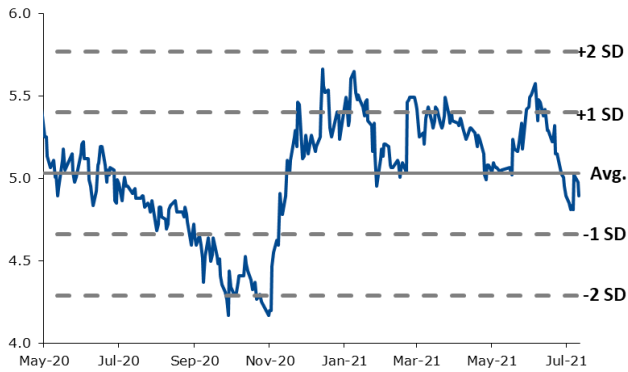
#### ASEAN Telecommunication Operators

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
<b>Indonesia</b>									
TLKM	20,709	17,734	9,364	1,441	14.51%	15.4%	19.5%	5.4x	2.8x
EXCL	1,754	4,865	1,771	(57)	N/A	-3.2%	-4.1%	3.9x	1.3x
ISAT	2,287	4,508	1,976	4	-95.14%	0.2%	0.5%	4.7x	2.7x
<b>Singapore</b>									
Singtel	28,138	35,713	11,457	406	-48.47%	3.5%	2.08%	16.2x	1.4x
<b>Malaysia</b>									
Maxis	8,178	5,455	2,122	326	-7.10%	15.4%	19.38%	11.9x	4.9x
DiGi.Com	7,773	2,036	1,472	277	-18.94%	18.8%	186.00%	10.8x	55.3x
Axiata Group	8,297	16,904	5,807	61	-72.56%	1.0%	1.53%	5.7x	2.0x
<b>Thailand</b>									
Advanced Info Service	15,529	11,674	5,670	881	-10.05%	15.5%	40.13%	7.3x	7.1x
True Corp	3,125	20,588	4,474	20	-84.16%	0.5%	0.75%	7.3x	1.2x
Total Access Comm.	2,139	5,810	2,555	143	-16.99%	5.6%	20.64%	5.1x	3.5x
<b>Phillipine</b>									
PLDT	5,496	11,993	3,784	494	11.28%	13.0%	22.21%	5.5x	2.5x
Globe Telecom	5,258	7,077	3,312	394	-12.72%	11.9%	22.23%	6.2x	3.1x

Source: Bloomberg, NHKSI Research

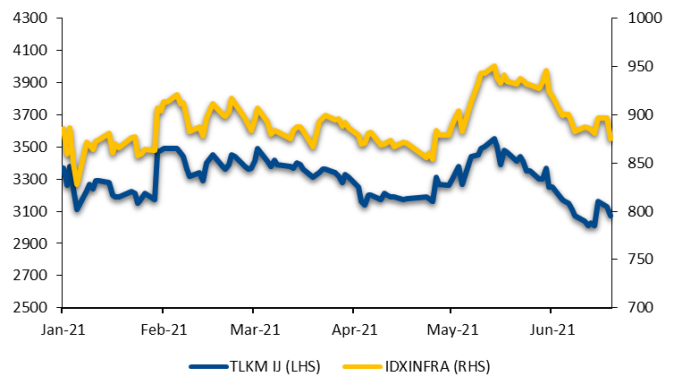
## Multiple Valuation

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



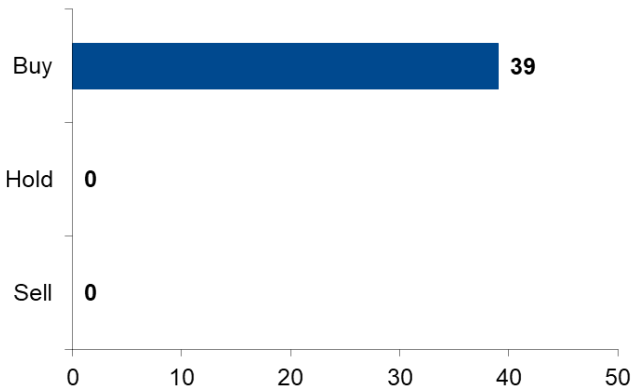
Source: NHKSI Research

### 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%
07/14/2021	Buy	4,400 (12 Month)	3,070	4,156	+43.3%	+5.9%

Source: NHKSI Research, Bloomberg

## Summary of Financials

### INCOME STATEMENT

(IDR bn)	2019/12	2020/12	2021/12F	2022/12F
<b>Revenue</b>	<b>135,567</b>	<b>136,462</b>	<b>143,274</b>	<b>152,457</b>
<i>Growth</i>	3.7%	0.7%	5.0%	6.4%
COGS	-	-	-	-
<b>Gross Profit</b>	<b>135,567</b>	<b>136,462</b>	<b>143,274</b>	<b>152,457</b>
<i>Gross Margin</i>	-	-	-	-
Operating Expenses	(93,087)	(92,871)	(94,561)	(100,621)
<b>EBIT</b>	<b>42,480</b>	<b>43,591</b>	<b>48,713</b>	<b>51,835</b>
<i>EBIT Margin</i>	31.3%	31.9%	34.0%	34.0%
Depreciation	21,511	26,996	27,841	30,839
<b>EBITDA</b>	<b>63,991</b>	<b>70,587</b>	<b>76,554</b>	<b>82,674</b>
<i>EBITDA Margin</i>	47.2%	51.7%	53.4%	54.2%
Interest Expenses	(4,572)	(4,816)	(5,333)	(5,966)
<b>EBT</b>	<b>37,908</b>	<b>38,775</b>	<b>43,381</b>	<b>45,869</b>
Income Tax	(10,316)	(9,212)	(10,306)	(10,897)
Minority Interest	(8,929)	(8,759)	(9,358)	(9,998)
<b>Net Profit</b>	<b>18,663</b>	<b>20,804</b>	<b>23,716</b>	<b>24,973</b>
<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
<b>Total Current Assets</b>	<b>41,722</b>	<b>46,503</b>	<b>58,788</b>	<b>66,412</b>
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
<b>Total Assets</b>	<b>221,208</b>	<b>246,943</b>	<b>266,578</b>	<b>282,783</b>
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
<b>Total Liabilities</b>	<b>103,958</b>	<b>126,054</b>	<b>137,547</b>	<b>145,119</b>
Capital Stock	7,664	7,664	7,664	7,664
Retained Earnings	91,489	94,489	100,993	107,842
<b>Shareholders' Equity</b>	<b>117,250</b>	<b>120,889</b>	<b>129,031</b>	<b>137,664</b>

### 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)
<b>Net Changes in Cash</b>	<b>2,014</b>	<b>4,923</b>	<b>7,966</b>	<b>5,688</b>

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

<b>Top Shareholders</b>	%
Rep. of Indonesia	52.1
Bank of New York	3.9
Vanguard Group Inc	1.7
Blackrock	1.3
<b>By Geography</b>	%
Indonesia	73.3
United States	13.5
Luxembourg	4.8
Ireland	1.9
Others	6.5

**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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