

Telekomunikasi Indonesia Tbk (TLKM)

Positive Outlook on Cellular and Digital Business

TLKM displayed positive performance on multiple revenue streams in 9M21. Data and internet segment posted +6.1% YoY growth to IDR 60,245 billion, supported by strong market share (59.2% of total domestic market) and steady growth of subscribers (2.2% YoY) to 173.5 million. Furthermore, IndiHome segment increased by 21.9% YoY to reach IDR 19.6 trillion. Also, traffic data increased 50.4% YoY to 9.812 Petabytes.

Earnings Rose Despite Growth on Operational Cost

- 9M21 revenue grew to IDR 104.6 trillion (6.1% YoY), supported by steady growth in Data and Internet and IndiHome segments which comprise of 75.1% of total revenue. Net earnings rose 13.1% to IDR18.8 trillion.
- Other lower revenue contributors, such as telecommunication service, grew by 38.1% YoY.
- Although operating expense grew by 4.5% YoY to IDR 23.8 trillion, EBIT increased by 10.4% YoY to IDR12.8 trillion. We believe this is due to higher growths on multiple revenue streams than expenses.

Growth Drivers for TLKM's Operation

- TLKM owns 245,710 unit Base Transceiver Station (BTS), up to September 2021, growing 7.6% YoY with 192,047 unit as 3G/4G BTS. It is the largest BTS owners domestically.
- As of 9M21, Indihome remains second largest contributor on revenue with 22.1% of total revenue
- Additional 450,000 new users through 9-months to reach 8.4 million users with ARPU rising 2.2% QoQ to IDR270,000 per user.
- Since early 2021, TLKM has strengthened its Digital Business (cloud computing and e-payment) by consolidating 26 data centers spread through Asia, in order to facilitate better data transfer via its cloud software for corporate clients. Also since November 2020, it has invested in Go-Jek (Aplikasi Karya Anak Bangsa) for a total of USD450 million and has gained IDR350 billion on 1-year holding period return.

Preparing MTEL's Asset Before Spin-off

- Mitratel planned to use fund receive from IPO for purchasing another 6000 unit of telecommunication towers. We believe this will propel organic growth of MTEL and improving their tenancy ratio. MTEL owns more than 28,000 telecommunication tower, the largest tower owner domestically. As planned after IPO, MTEL will be a separate entity focusing on tower-renting businesses.

BUY Recommendation with target price of IDR4,940

- Current TLKM 's Price Earnings Ratio (17.8x) is below our implied FY22 forecast of 21.4x but we believe the prospective Mitratel spin-off and growth on Indihome segment have justified TLKM's price growth.
- The target price reflects an implied EV/EBITDA of 5.4x for we believe TLKM's steady revenue growth is the result of recurring income from its asset with forecasted FY 22 ROE and EPS of TLKM to be at 15.8% and IDR228 per share.

Telekomunikasi Indonesia Tbk | Summary (IDR bn)

	2020A	2021A	2022F	2023F
Revenue	136,645	142,325	145,716	146,055
Growth	0.8%	4.2%	2.4%	0.2%
Net Profit	20,725	22,922	22,539	22,404
Growth	17.8%	13.2%	13.3%	13.7%
EPS (IDR)	209	225	228	226
P/E	19.6x	18.1x	21.4x	19.5x
P/BV	2.7x	3.0x	3.2x	2.9x
EV/EBITDA	5.5x	5.4x	5.3x	5.3x
ROE	17.0%	16.4%	15.7%	14.9%
ROA	8.3%	8.6%	8.4%	8.0%
Dividend yield	4.6%	4.0%	4.0%	4.0%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

BUY

Target Price (IDR)	4,940
Consensus Price (IDR)	4,670
TP to Consensus Price	+5.7%
Potential Upside	+19.9%

Shares data

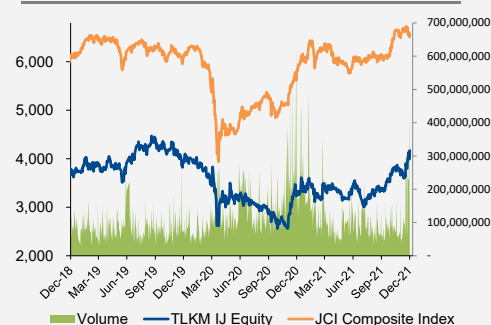
Last Price (IDR)	4,120
Price date as of	Dec 3, 2021
52 wk range (Hi/Lo)	4,190 / 3,000
Free float	47.9%
Outstanding Shares (mn)	99,062
Market Cap (IDR bn)	410,117
Market Cap (USD mn)	28,462
Avg. Trd Vol - 3M (mn)	95.9
Avg. Trd Val - 3M (bn)	381.2
Foreign Ownership	26.7%

Infrastructure

Telecommunication

Bloomberg	TLKM IJ
Reuters	TLKM.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	25.7%	11.8%	22.7%	26.6%
Rel. Ret	15.6%	11.4%	15.3%	13.4%

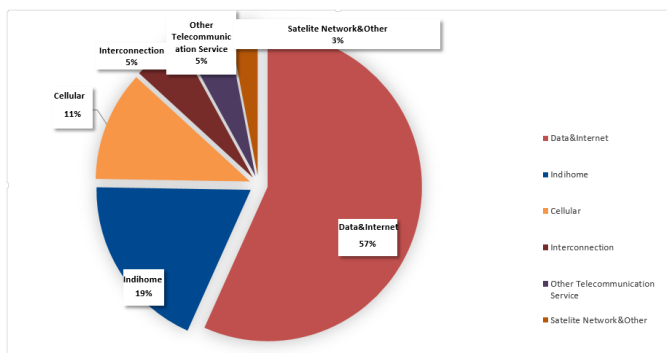
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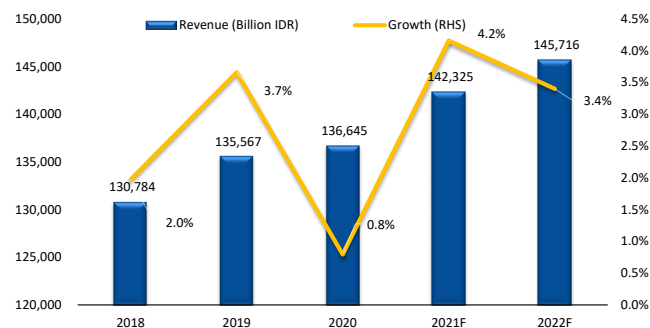
Performance Highlights

Revenue Breakdown 3Q21



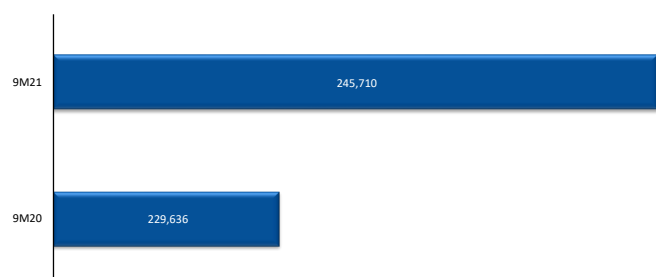
Source: Company, NHKSI Research

Revenue Projections



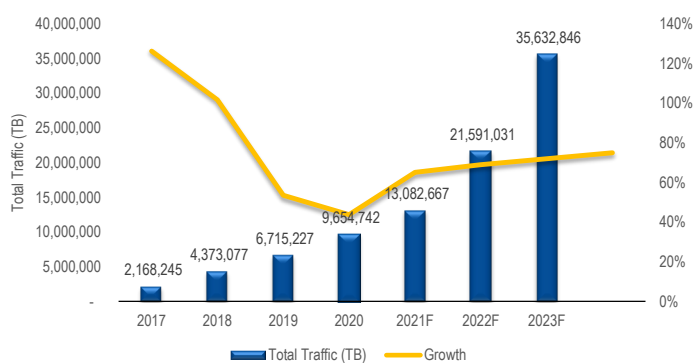
Source: Company, NHKSI Research

9M21 Base Transceiver Station (BTS)



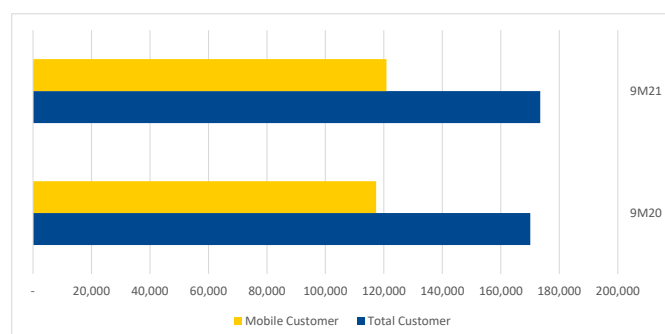
Source: Company, NHKSI Research

Traffic Data (in Terabytes)



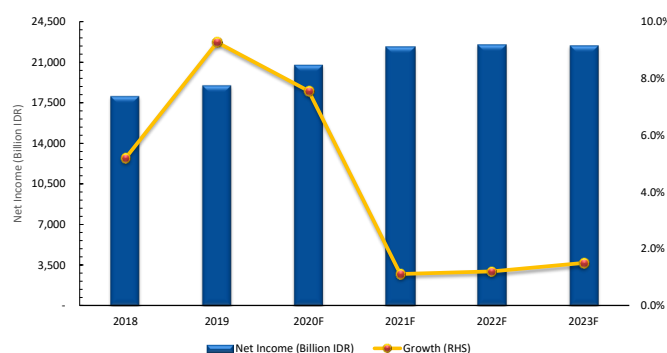
Source: Company, NHKSI Research

Number of Customers



Source: Company, NHKSI Research

Net Earnings & Growth



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 YTD (USD mn)	Net Profit YTD (USD mn)	Net Profit Growth LTM	Net Profit Margin	ROE	EV/ EBITDA LTM	P/BV
Indonesia									
TLKM	25,531	17,217	7,394	1,841	12.81%	17.5%	22.8%	5.5x	3.4x
EXCL	2,265	4,795	1,371	69	-9.3%	4.4%	-3.3%	4.6x	1.6x
ISAT	2,527	4,878	1,676	402	25.14%	2.5%	36.5%	3.0x	2.0x
Singapore									
Singtel	28,138	35,713	11,457	406	-48.47%	3.5%	2.08%	16.2x	1.4x
Malaysia									
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
Thailand									
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
Phillipine									
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 3-Year PE Ratio



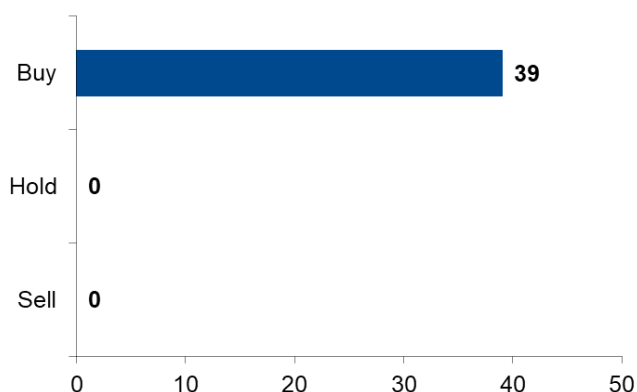
Source: NHKSI Research

TLKM 3-Year EV/EBITDA



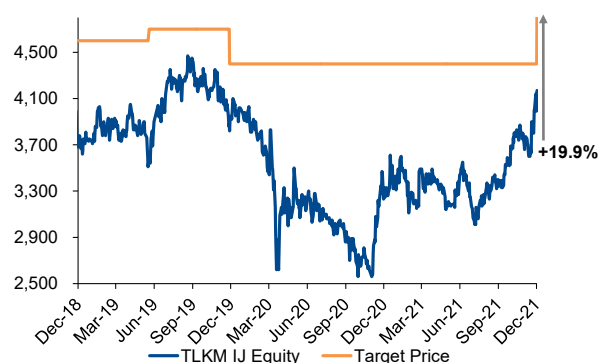
Source: Bloomberg, NHKSI Research

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%
2/12/2021	Buy	4,940 (12 Month)	4,160	4,676	+19.9%	+5.7%

Source: NHKSI Research, Bloomberg

Summary of Financials

INCOME STATEMENT				
(IDR bn)	2020/12	2021/12F	2022/12F	2023/12F
Revenue	136,645	142,325	145,716	146,055
Growth	0.8%	4.2%	2.4%	0.2%
COGS	-	-	-	-
Gross Profit	136,645	142,325	145,716	146,055
Gross Margin	-	-	-	-
Operating Expenses	(92,919)	(96,781)	(99,087)	(99,317)
EBIT	43,726	45,544	46,629	46,738
EBIT Margin	32.0%	32.0%	32.0%	32.0%
Depreciation	25,281	27,931	30,739	33,457
EBITDA	69,008	73,475	77,369	80,195
EBITDA Margin	50.5%	51.6%	53.1%	54.9%
Interest Expenses	(4,414)	(4,110)	(4,866)	(5,154)
EBT	39,313	41,434	41,763	41,583
Income Tax	(9,828)	(10,359)	(10,441)	(10,396)
Minority Interest	(8,759)	(8,784)	(8,784)	(8,784)
Net Profit	20,725	22,292	22,539	22,404
Growth	17.8%	13.2%	13.2%	13.2%
Net Profit Margin	15.2%	15.7%	15.5%	15.3%

BALANCE SHEET				
(IDR bn)	2020/12	2021/12F	2022/12F	2023/12F
Cash	21,786	19,399	24,547	28,837
Receivables	14,424	15,023	15,381	15,417
Inventories	710	738	756	762
Total Current Assets	47,833	46,527	52,322	56,680
Net Fixed Assets	165,692	175,761	180,021	186,564
Other Non Current Assets	34,692	36,134	36,995	37,081
Total Assets	248,217	258,237	270,472	281,235
Payables	34,555	33,907	34,385	34,366
ST Bank Loan	24,780	21,501	22,693	24,039
LT Debt	40,782	39,979	42,196	44,698
Total Liabilities	122,975	122,320	126,848	130,741
Capital Stock	7,664	7,664	7,664	7,664
Retained Earnings	94,000	100,372	106,206	111,038
Shareholders' Equity	122,242	135,917	143,624	150,495

CASH FLOW STATEMENT				
(IDR bn)	2020/12	2021/12F	2022/12F	2023/12F
Operating Cash Flow	65,717	64,222	53,354	55,797
Investing Cash Flow	(35,862)	(39,442)	(35,861)	(40,086)
Financing Cash Flow	(27,753)	(17,618)	(11,026)	(11,646)
Net Changes in Cash	2,102	7,162	6,467	4,065

Source: Company Data, NHKSI Research

PROFITABILITY & STABILITY				
	2020/12	2021/12F	2022/12F	2023/12F
ROE	17.0%	16.4%	15.7%	14.9%
ROA	8.3%	8.6%	8.3%	8.0%
ROIC	17.4%	17.3%	17.0%	16.5%
Cash Dividend (IDR bn)	15,399	14,321	13,319	12,386
Dividend Yield	4.6%	4.0%	4.0%	4.0%
Payout Ratio	74.3%	64.2%	59.1%	55.3%
DER	53.6%	45.2%	45.2%	45.7%
LT Debt to Equity	33.4%	29.4%	29.4%	29.7%
Equity Ratio	49.2%	52.6%	53.1%	53.5%
Debt Ratio	50.8%	47.4%	46.9%	46.5%
Current Ratio	69.1%	70.8%	77.4%	82.2%
Par Value (IDR)	50	50	50	50
Total Shares (mn)	99,062	99,062	99,062	99,062
Share Price (IDR)	3,360	4,075	4,940	4,503
Market Cap (IDR tn)	333	346	346	346

VALUATION INDEX				
	2020/12	2021/12F	2022/12F	2023/12F
Price/Earnings	19.6x	18.1x	21.7x	19.9x
Price/Book Value	2.7x	3.0x	3.4x	3.0x
Price/Sales	2.4x	2.5x	2.5x	2.5x
PE/EPS Growth	1.1x	1.4x	1.6x	1.5x
EV/EBITDA	5.5x	5.4x	5.4x	5.4x
EV/EBIT	8.6x	9.8x	8.4x	8.4x
EV (IDR bn)	376,625	445,781	393,994	393,551
Basic EPS (IDR)	209	225	228	226
Diluted EPS (IDR)	209	228	228	228
BVPS (IDR)	1,234	1,372	1,450	1,519
Sales PS (IDR)	1,379	1,437	1,471	1,474
DPS (IDR)	155	145	134	125

OWNERSHIP		
By Geography	% Shareholders	%
Indonesia	72.6 Republic of Indonesia	52.1
United States	16.0 Bank of New York Mellon	4.8
Luxembourg	3.6 Vanguard Group	1.8
Ireland	1.9 Black Rock Inc	1.7

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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