

Telekomunikasi Indonesia Tbk (TLKM) NeutraDC-Singtel Develops Data Center

TLKM posted positive performance during 1H22. EBITDA and Net Profit grew 4.5% and 6.9% YoY to IDR39.4 trillion and IDR13.3 trillion, respectively, supported by revenue which grew 3.6% YoY to IDR72.0 trillion. NHKSI Research is optimistic that TLKM's topline and bottom line will be more solid in FY22, as 1H22 TLKM is undergoing a transformation. The contribution of digital business revenue increased, while the contribution of legacy business revenue declined.

EBITDA Grows 4.5% YoY

- TLKM revenue growth, which is supported by the Data, Internet & IT Services segment as the largest contributor at 54.4%, recorded a growth of 4.4% to IDR39.2 Trillion. Followed by IndiHome with a share of 19.2% and growth of 7.4% to IDR13.8 trillion, jumped during the pandemic. Meanwhile, SMS, Fixed & Cellular Voice booked IDR9.3 trillion (-11.7%); Interconnection booked IDR4.2 trillion (+9.8%) and Network & Other Telco Services booked IDR5.4 trillion (+16.4%).
- Data Traffic and 3G/4G/5G BTS on Air grew 21.4% and 9.5% YoY, respectively. Meanwhile, Operation, Maintenance & Telco Services slightly increased by 2.1% YoY. In 1H22, TLKM managed to record EBITDA and Net Profit of IDR39.4 trillion (+4.5%) and IDR13.3 trillion (+6.9% YoY) respectively.

Adopt IoT, AI and 5G

- TLKM through NeutraDC has established a strategic partnership with Singtel for a collaboration in the development of the Data Center business, as well as the integration of Fixed Mobile Convergence (FMC) services, which are supported by the infrastructure owned by these two data center market leaders.
- NHKSI Research sees the demand for Data Centers will increase, in line with the aggressive digitalization business with increased adoption of Internet of Things, Artificial Intelligence and 5G technology throughout Indonesia. TLKM and Singtel have also implemented FMC business integration, through the synergy of IndiHome services with Telkomsel.
- Currently, TLKM is completing a Hyperscale Data Center which has a maximum capacity of 75 MW, to later build in Batam, Manado and New Capital City (IKN), or in accordance with TLKM's grand strategy called Five Bold Moves. This expansion, is as the region has a strategic position bordering the external, and supported by the limited supply of electricity in Singapore.

Buy Recommendation with Target Price IDR5,300

- NHKSI Research maintains a BUY Rating for TLKM shares with a higher price target of IDR5,300 for the next 12 months. This is in consideration of solid TLKM business that is in line with estimates, and Data Center business development.
- We project more solid top and bottom line growth in FY22. Our Price Target reflects the EV/EBITDA value at the level of 4.5x; lower than the 3-year average of 5.7x. Currently, TLKM shares are traded at the level of IDR4,600, and have an upside potential of more than 15%.

Telekomunikasi Indonesia Tbk | Summary (IDR bn)

	2021/12A	2022/12F	2023/12F	2024/12F
Sales	143,210	152,281	161,792	167,440
<i>Sales growth</i>	4.9%	6.3%	6.2%	3.5%
EBITDA	83,423	85,284	92,720	101,538
Net profit	24,760	27,545	31,262	35,660
EPS (IDR)	316	360	271	279
<i>EPS growth</i>	12.4%	0.0%	0.0%	0.0%
BVPS (IDR)	1,468	1,561	1,673	1,792
EBITDA margin	58.3%	56.0%	57.3%	60.6%
NPM	17.3%	18.1%	19.3%	21.3%
ROE	18.9%	20.1%	14.4%	14.1%
ROA	8.9%	9.2%	9.9%	11.4%
ROIC	18.6%	17.5%	18.2%	20.0%
P/E	12.8x	14.7x	22.2x	24.6x
P/BV	2.8x	3.4x	3.6x	3.8x
EV/EBITDA	4.7x	4.5x	4.0x	3.7x
DPS (IDR)	154	206	227	266
<i>Dividend yield</i>	3.8%	3.9%	3.8%	3.9%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

BUY

Target Price (IDR)	5,300
Consensus Price (IDR)	5,130
TP to Consensus Price	+3.3%
vs. Last Price	+15.2%

Shares data

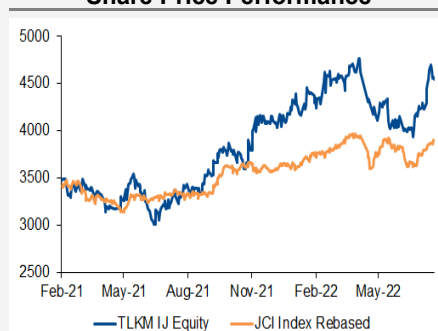
Last Price (IDR)	4,600
Price date as of	Aug. 19, 2022
52 wk range (Hi/Lo)	4,850 / 3,290
Free float	47.9%
Outstanding Shares (mn)	99,062
Market Cap (IDR bn)	446,770
Market Cap (USD mn)	30,402
Avg. Trd Vol - 3M (mn)	124.9
Avg. Trd Val - 3M (bn)	529.7
Foreign Ownership	28.6%

Infrastructure

Telecommunication

Bloomberg	TLKM IJ
Reuters	TLKM.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	12.6%	13.5%	5.8%	35.8%
Rel. Ret	4.3%	7.3%	-2.2%	19.7%

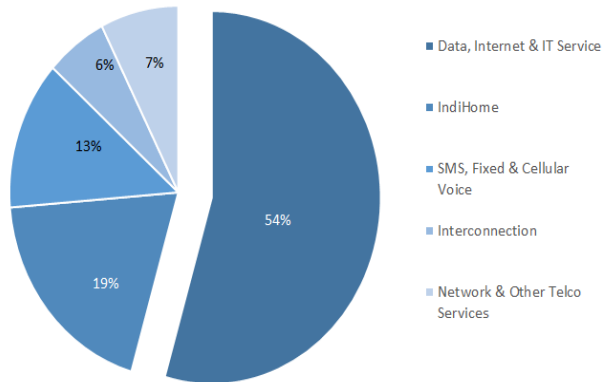
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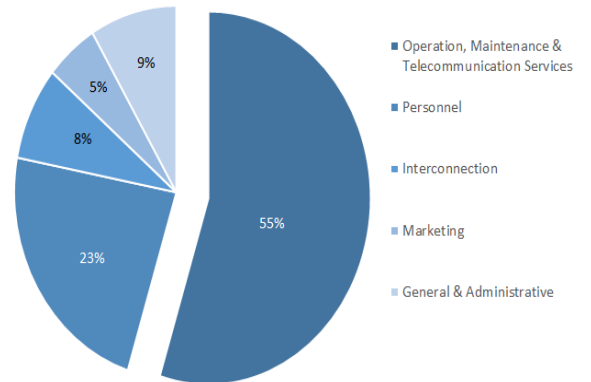
Performance Highlights

Revenue Breakdown 1H22



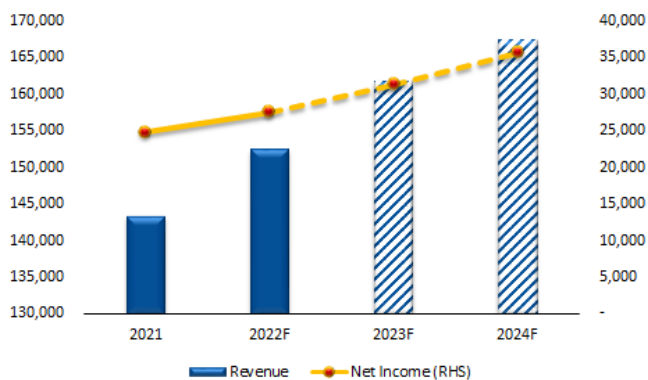
Source: Company, NHKSI Research

Operating Expenses Breakdown 1H22



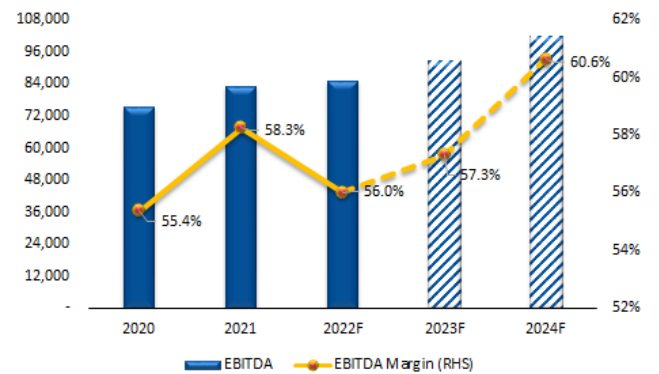
Source: Company, NHKSI Research

Revenue & Net Income (IDR Bn)



Source: Company, NHKSI Research

EBITDA & EBITDA Margin (IDR Bn)



Source: Company, NHKSI Research

EV/EBITDA | Last 3-Years



Source: Company, NHKSI Research

PER | Last 3-Years



Source: Company, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F
Revenue	143,210	152,281	161,792	167,440
<i>Growth</i>	4.9%	6.3%	6.2%	3.5%
COGS	-	-	-	-
Gross Profit	143,210	152,281	161,792	167,440
<i>Gross Margin</i>	-	-	-	-
Operating Expenses	(91,603)	(97,405)	(101,929)	(102,138)
EBIT	51,607	54,876	59,863	65,302
<i>EBIT Margin</i>	36.0%	36.0%	37.0%	39.0%
Depreciation	31,816	30,408	32,857	36,237
EBITDA	83,423	85,284	92,720	101,538
<i>EBITDA Margin</i>	58.3%	56.0%	57.3%	60.6%
Interest Expenses	(7,929)	(6,806)	(6,147)	(5,003)
EBT	43,678	48,070	53,716	60,299
Income Tax	(9,730)	(10,708)	(11,966)	(13,432)
Minority Interest	(9,188)	(9,817)	(10,488)	(11,206)
Net Profit	24,760	27,545	31,262	35,660
<i>Growth</i>	19.0%	11.2%	13.5%	14.1%
<i>Net Profit Margin</i>	17.3%	18.1%	19.3%	21.3%

PROFITABILITY & STABILITY

	2021/12A	2022/12F	2023/12F	2024/12F
ROE	18.9%	20.1%	14.4%	14.1%
ROA	8.9%	9.2%	9.9%	11.4%
ROIC	18.6%	17.5%	18.2%	20.0%
Cash Dividend (IDR bn)	15,262	20,450	22,482	26,357
Dividend Yield	3.8%	3.9%	3.8%	3.9%
Payout Ratio	61.6%	74.2%	71.9%	73.9%
DER	48.4%	57.2%	54.6%	43.0%
Net Gearing	0.6	0.7	0.7	0.6
LT Debt to Equity	35.4%	37.2%	35.5%	28.0%
Capitalization Ratio	32.6%	36.4%	35.3%	30.1%
Equity Ratio	52.5%	51.9%	52.7%	56.5%
Debt Ratio	25.4%	29.7%	28.7%	24.3%
Financial Leverage	196.8%	191.7%	191.3%	183.2%
Current Ratio	88.6%	98.4%	104.3%	107.6%
Par Value (IDR)	50	50	50	50
Total Shares (mn)	99,062	99,062	99,062	99,062
Share Price (IDR)	4,040	5,300	6,015	6,862
Market Cap (IDR tn)	400.2	525.0	595.9	679.7

BALANCE SHEET

(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F
Cash	38,311	43,419	49,524	47,072
Receivables	11,528	16,074	17,078	17,674
Inventories	779	792	839	869
Total Current Assets	61,277	72,258	80,162	78,781
Net Fixed Assets	165,026	168,618	173,761	172,525
Other Non Current Assets	50,881	57,154	60,724	62,844
Total Assets	277,184	298,030	314,647	314,149
Payables	44,382	36,121	38,524	39,582
ST Bank Loan	18,788	30,937	31,619	26,698
LT Debt	51,529	57,525	58,792	49,642
Total Liabilities	131,785	143,418	148,947	136,632
Capital Stock	7,664	7,664	7,664	7,664
Retained Earnings	104,587	111,681	120,461	129,765
Shareholders' Equity	145,399	154,612	165,700	177,517

VALUATION INDEX

	2021/12A	2022/12F	2023/12F	2024/12F
Price/Earnings	12.8x	14.7x	22.2x	24.6x
Price/Book Value	2.8x	3.4x	3.6x	3.8x
Price/Sales	2.8x	3.4x	3.7x	4.1x
PE/EPS Growth	0.7x	1.3x	1.6x	1.7x
EV/EBITDA	4.7x	4.5x	4.0x	3.7x
EV/EBIT	7.6x	7.0x	6.3x	5.7x
EV (IDR bn)	394,540	382,920	374,854	372,195
Sales CAGR (3-Yr)	3.1%	4.0%	5.8%	5.3%
EPS CAGR (3-Yr)	20.1%	24.1%	-0.8%	-4.0%
Basic EPS (IDR)	316	360	271	279
Diluted EPS (IDR)	316	360	271	279
BVPS (IDR)	1,468	1,561	1,673	1,792
Sales PS (IDR)	1,446	1,537	1,633	1,690
DPS (IDR)	154	206	227	266

CASH FLOW STATEMENT

(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F
Operating Cash Flow	62,082	44,196	65,118	72,120
Investing Cash Flow	(47,283)	(40,273)	(41,570)	(37,120)
Financing Cash Flow	(6,698)	1,185	(17,444)	(37,451)
Net Changes in Cash	8,101	5,108	6,105	(2,451)

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	71.4	Rep. of Indonesia 52.1
United States	15.8	Bank of New York 4.4
Luxembourg	3.4	Vanguard Group Inc 1.9
Others	9.4	Others 41.7

Source: Company Data, NHKSI Research

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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