

# Telekomunikasi Indonesia Tbk (TLKM)

## Still Shows a Good Performance & Waiting For Catalyst

TLKM recorded a pretty good performance, where revenue grew 2.5% to IDR 36,090 T on a year-on-year basis (1Q22: IDR 35,208 T), and so did the increase in Operating Profit 7.7% to 11,431 YoY (1Q22: IDR 10,611 T). Net profit grew 5% YoY to IDR 6,424 T (1Q22: IDR 6,118 %). Moreover, Net Profit Margin in 1Q 2023 stood at 24.8%, an increase of 3.2% YoY. EBITDA decreased by 2.4% YoY to IDR 11,968 T (1Q22: IDR 12,268 T), where the EBITDA margin level stood at 55.7% (2% YoY decrease).

### Revenue Grows 2.5% YoY and Net Profit Grows 5.0% YoY

- The most significant contributors to revenue for 1Q23 include the Data, Internet & IT Services segment, which continued to grow 5.5% YoY to IDR 19,892T (1Q22: IDR 18,856T), followed by the Indihome segment, which acts as a growth driver for TLKM, growing 5% YoY to IDR 7,192T (1Q22: IDR 7,192T). The Interconnection segment grew 4% YoY to IDR 2,219T (1Q22: IDR 2,133T), and Network and Other Services grew 5.2% to IDR 2,757T YoY (1Q22: IDR 2,621T). Meanwhile, the segment that experienced a decline was the SMS, Fixed, and Cellular Voice segment. This segment declined by 15.1% YoY to IDR 4,030T (1Q22: IDR 4,747T) due to cannibalization by OTT (Instant Messaging).
- Based on operational performance related to the number of subscribers, Telkomsel (TSEL) subscribers decreased by 13.7% YoY to 151,066 million (1Q22: 174,955 million) due to customer cleansing aimed at optimizing the number of more productive customers. Meanwhile, Indihome customers increased by 7% YoY to 9,352 million (1Q22: 8,737 million).
- As for total operating expenses, it increased by 0.25% YoY to IDR 24,659T (1Q22: 24,597T), where the most significant increase was contributed by salary expenses which grew 6.3% to IDR 3,739T (1Q22: IDR3,516T) and general administration expenses which grew 53.5% YoY to IDR 1,842T (1Q22: IDR 1,200T) where higher business activities and consulting services drove the increase for TLKM transformation.

### Five Bold Moves

- TLKM launched the Five Bold Moves strategy to build a competitive advantage in digital connectivity, digital platforms, and digital services. This strategy aims to strengthen the Company's position as a world-class digital telecommunications company, with the long-term goal of creating higher value for the Company's stakeholders. With this strategy, Telkom Group is expected to diversify and expand the market share of B2B business while maintaining its position as the market leader of B2C Telco. Currently, TLKM focuses on FMC (currently through CSA between Telkom and TSEL), InfraCo (Infrastructure), and DC Co (Data Center) while still developing fundamentals for B2B Digital initiatives IT Service Co and DigiCo.

### Buy Recommendation with Target Price at IDR 5,000 (+22.9%)

- NHKSI Research maintains a BUY rating on TLKM with a higher target price of IDR5,000 and a 22.9% upside over the next 12 months. Our Target Price reflects FY23 F EV/EBITDA value at 6.7x.
- The interesting catalyst for TLKM is the unlock value due to the spin-off of the Indihome segment to Telkomsel, in which TLKM's stake in Telkomsel will be 69.9% after the transaction, leaving the remaining stake owned by Singtel at 30.1%. It is expected that after the merger of Indihome and TSEL, there will be an improvement in the quality of products and services due to changes in the telecommunications industry business strategy in the form of convergence synergies by telecommunications players after COVID (Previously, in June 2022 EXCL carried out a similar transaction and business strategy, acquiring Link Net Tbk. (LINK)). The risk of this call is tighter and more intense competition in the telecommunications industry.

### Telekomunikasi Indonesia Tbk | Summary (IDR bn)

	2022/12F	2023/12F	2024/12F	2025/12F
Revenue	147,306	155,393	166,931	185,034
<i>Sales growth</i>	5.5%	7.4%	10.8%	12.9%
EBITDA	72,836	80,546	87,904	97,046
Net profit	20,753	26,366	28,381	31,912
EPS (IDR)	209	266	286	322
<i>EPS growth</i>	-16.2%	27.0%	7.6%	12.4%
BVPS (IDR)	1,507	1,579	1,663	1,764
EBITDA margin	49.4%	51.8%	52.7%	52.4%
NPM	14.1%	17.0%	17.0%	17.2%
ROE	13.9%	16.9%	17.2%	18.3%
ROA	7.5%	9.3%	9.5%	10.1%
ROIC	14.4%	16.2%	16.7%	17.8%
P/E	19.9x	18.0x	18.2x	17.1x
P/BV	2.8x	3.0x	3.1x	3.1x
EV/EBITDA	6.1x	6.4x	6.3x	5.8x
DPS (IDR)	168	212	221	243
<i>Dividend yield</i>	4.0%	4.4%	4.3%	4.4%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

## BUY

Target Price (IDR)	5,000
Consensus Price (IDR)	4,937
TP to Consensus Price vs. Last Price	+1.26%
	+22.9%

### Shares data

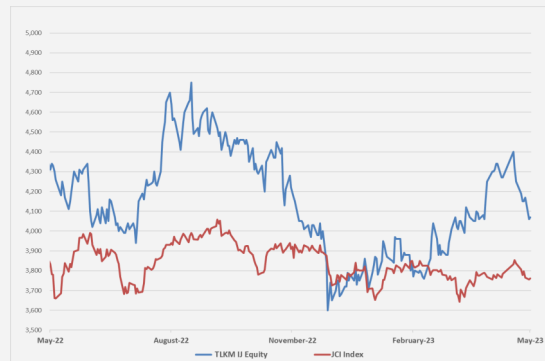
Last Price (IDR)	4,070
Price date as of	May 9, 2023
52 wk range (Hi/Lo)	4,770 / 3,570
Free float	47.9%
Outstanding Shares (mn)	99,062
Market Cap (IDR bn)	403,183
Market Cap (USD mn)	27,329
Avg. Trd Vol - 3M (mn)	86.7
Avg. Trd Val - 3M (bn)	352.92
Foreign Ownership	28.6%

### Infrastructure

#### Telecommunication

Bloomberg	TLKM IJ
Reuters	TLKM.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	7.1%	-5.3%	8.0%	-5.6%
Rel. Ret	8.1%	-5.5%	9.7%	-3.7%

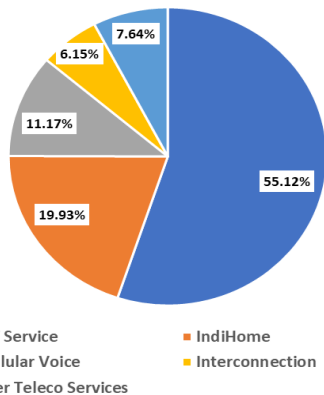
### Leonardo Lijuwardi

+62 21 5088 9127

Leonardo.lijuwardi@nhsec.co.id

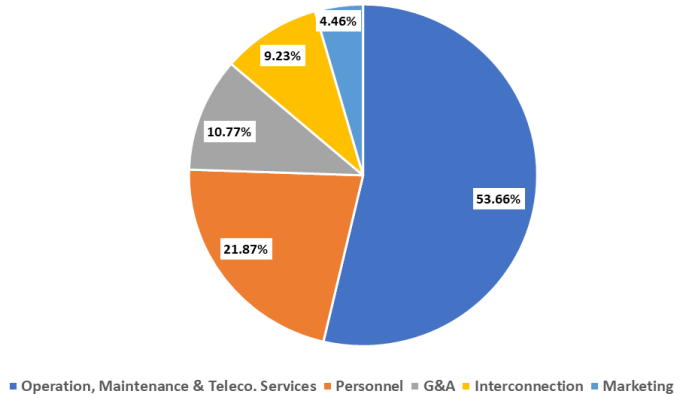
# Performance Highlights

## Revenue Breakdown 1Q23



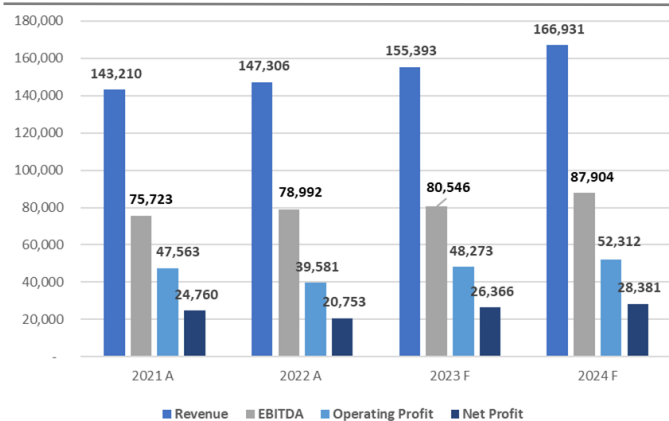
Source: Company, NHKSI Research

## Operating Expenses Breakdown 1Q23



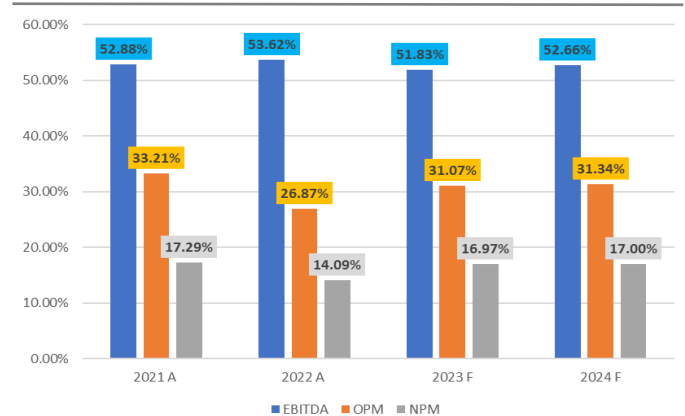
Source: Company, NHKSI Research

## Revenue & Net Income (IDR Bn)



Source: Company, NHKSI Research

## Profitability Margin (%)



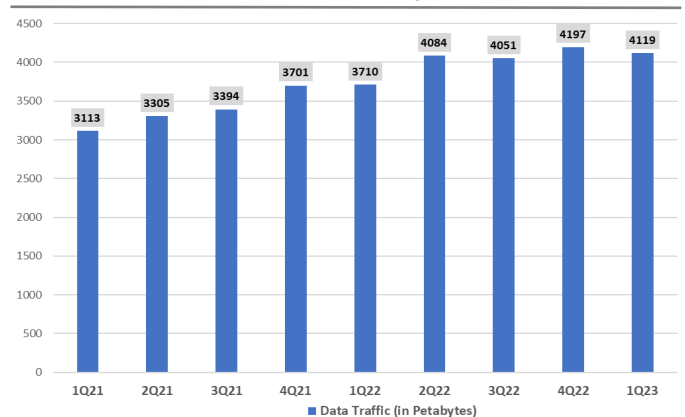
Source: Company, NHKSI Research

## F-EV/EBITDA | Last 3-Years



Source: Company, NHKSI Research

## TLKM Traffic Mobile Data (In Petabytes)



Source: Company, NHKSI Research

## Summary of Financials

### INCOME STATEMENT

(IDR Bn)	2022/12F	2023/12F	2024/12F	2025/12F
<b>Revenue</b>	<b>147,306</b>	<b>155,393</b>	<b>166,931</b>	<b>185,034</b>
<i>Growth</i>	5.5%	7.4%	10.8%	12.9%
<b>Gross Profit</b>	<b>147,306</b>	<b>155,393</b>	<b>166,931</b>	<b>185,034</b>
Operating Expenses	(107,725)	(107,120)	(114,618)	(127,047)
<b>EBIT</b>	<b>39,581</b>	<b>48,273</b>	<b>52,312</b>	<b>57,986</b>
<i>EBIT Margin</i>	26.9%	31.1%	31.3%	31.3%
Depreciation	33,255	32,273	35,592	39,060
<b>EBITDA</b>	<b>72,836</b>	<b>80,546</b>	<b>87,904</b>	<b>97,046</b>
<i>EBITDA Margin</i>	49.4%	51.8%	52.7%	52.4%
Interest Expenses	(3,242)	(3,942)	(4,672)	(5,001)
<b>EBT</b>	<b>36,339</b>	<b>44,330</b>	<b>47,640</b>	<b>52,985</b>
Income Tax	(8,659)	(10,563)	(11,352)	(12,626)
Minority Interest	(6,927)	(7,401)	(7,907)	(8,448)
<b>Net Profit</b>	<b>20,753</b>	<b>26,366</b>	<b>28,381</b>	<b>31,912</b>
<i>Growth</i>	-16.2%	27.0%	7.6%	12.4%
<i>Net Profit Margin</i>	14.1%	17.0%	17.0%	17.2%

### PROFITABILITY & STABILITY

	2022/12F	2023/12F	2024/12F	2025/12F
ROE	13.9%	16.9%	17.2%	18.3%
ROA	7.5%	9.3%	9.5%	10.1%
ROIC	14.4%	16.2%	16.7%	17.8%
Cash Dividend (IDR bn)	16,602	21,025	21,930	24,040
Dividend Yield	4.0%	4.4%	4.3%	4.4%
Payout Ratio	80.0%	79.7%	77.3%	75.3%
DER	84.4%	81.5%	81.6%	80.9%
Net Gearing	0.61	0.71	0.72	0.66
LT Debt to Equity	27.6%	31.7%	31.3%	29.5%
Capitalization Ratio	28.9%	31.1%	30.9%	29.6%
Equity Ratio	54.2%	55.1%	55.1%	55.3%
Debt Ratio	22.0%	24.9%	24.6%	23.3%
Financial Leverage	182.2%	196.6%	196.8%	187.5%
Current Ratio	78.2%	89.6%	100.5%	117.3%
Par Value (IDR)	50	50	50	50
Total Shares (mn)	99,062	99,062	99,062	99,062
Share Price (IDR)	4,170	4,800	5,200	5,500
Market Cap (IDR tn)	413.1	475.5	515.1	544.8

### BALANCE SHEET

(IDR Bn)	2022/12F	2023/12F	2024/12F	2025/12F
Cash	31,947	31,063	39,315	53,106
Receivables	12,685	14,676	16,229	18,503
Inventories	1,144	815	874	971
<b>Total Current Assets</b>	<b>55,057</b>	<b>56,344</b>	<b>66,936</b>	<b>84,238</b>
Net Fixed Assets	189,809	195,535	197,943	193,883
Other Non Current Assets	30,326	31,991	34,366	38,093
<b>Total Assets</b>	<b>275,192</b>	<b>283,870</b>	<b>299,245</b>	<b>316,215</b>
Payables	46,032	36,563	39,053	43,627
ST Bank Loan	19,431	21,098	21,989	22,002
LT Debt	41,218	49,516	51,607	51,637
<b>Total Liabilities</b>	<b>125,930</b>	<b>127,483</b>	<b>134,463</b>	<b>141,444</b>
Capital Stock	7,664	7,664	7,664	7,664
Retained Earnings	111,897	117,238	123,689	131,561
<b>Shareholders' Equity</b>	<b>149,262</b>	<b>156,387</b>	<b>164,782</b>	<b>174,771</b>

### VALUATION INDEX

	2022/12F	2023/12F	2024/12F	2025/12F
Price/Earnings	19.9x	18.0x	18.2x	17.1x
Price/Book Value	2.8x	3.0x	3.1x	3.1x
Price/Sales	2.8x	3.1x	3.1x	2.9x
PE/EPS Growth	-1.2x	0.7x	2.4x	1.4x
EV/EBITDA	6.1x	6.4x	6.3x	5.8x
EV/EBIT	11.2x	10.7x	10.5x	9.8x
EV (IDR bn)	441,791	515,050	549,405	565,374
Sales CAGR (3-Yr)	2.8%	4.4%	5.2%	7.9%
EPS CAGR (3-Yr)	3.6%	8.2%	4.7%	15.4%
Basic EPS (IDR)	209	266	286	322
Diluted EPS (IDR)	209	266	286	322
BVPS (IDR)	1,507	1,579	1,663	1,764
Sales PS (IDR)	1,487	1,569	1,685	1,868
DPS (IDR)	168	212	221	243

### CASH FLOW STATEMENT

(IDR bn)	2022/12F	2023/12F	2024/12F	2025/12F
Operating Cash Flow	54,478	47,269	64,509	72,639
Investing Cash Flow	(37,483)	(39,664)	(40,375)	(38,727)
Financing Cash Flow	(26,820)	(8,489)	(15,882)	(20,121)
<b>Net Changes in Cash</b>	<b>(9,825)</b>	<b>(884)</b>	<b>8,252</b>	<b>13,791</b>

### OWNERSHIP

By Geography	% Shareholders	%
Indonesia	71.38	Rep. of Indonesia 52.09
United States	14.50	Bank of New York 4.17
Luxembourg	4.53	Vanguard Group Inc 1.92
Others	9.59	Others 41.82

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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