

Telekomunikasi Indonesia Tbk (TLKM)

Performance Optimization after Tsel-Indihome Synergy

As of 9M23, TLKM's revenue grew 2.2% to IDR 111.24 T YoY (9M22: IDR 108.87T). Operating Profit increased significantly by 10.8% YoY to IDR 34.98 T (9M22: IDR 31.57T). EBITDA decreased by -0.7% YoY to IDR 59.063 T (9M22L IDR 59.459 T). TLKM's year-on-year Net Profit increased by 17.6% YoY to IDR 19.50 T (9M22: IDR 16.58 T). The merger of Tsel and Indihome has contributed positively to the performance of Telkomsel and Indihome, which is quite reflected in the efficiency shown by TLKM and the operational performance of Tsel and Indihome.

TLKM's Optimal Performance After Tsel-Indihome Merger

- Revenue growth in 9M23 was mostly contributed by Data, Internet & IT Services segment which grew 4.8% YoY to IDR 63.37T (9M22: IDR 60.47T) and Indihome segment which still grew 4.3% YoY to IDR 21.79T (9M22: IDR 20.89T). The segment that experienced a drastic decline and downward trend was the SMS, Fixed & Cellular Voice segment which decreased 20.8% YoY to IDR 10.81T (9M22: IDR 13.66T) due to a shift in consumer behavior which was the result of cannibalization due to the changing trend towards Instant Messaging (OTT) applications. Other segments such as Interconnection experienced 7.8% YoY growth to IDR 6.63T and Other segments such as Network and other services (Tower Rental) experienced 12.2% YoY growth to IDR 8.64T.
- As of 9M23, Opex (Operating expenses) rose 5.6% YoY to IDR 52.17T (9M22: IDR 49.42T). This was mainly triggered by an increase in O&M (Operation and Maintenance) costs as the largest contributor to Opex which increased 6.4% YoY to IDR 28.86T (9M22: IDR 27.17T) where this cost was due to the use of higher spectrum frequencies to maintain capacity & improve the quality of TLKM's network. In addition, another cost that contributed to increase TLKM's Opex in 9M23 was Interconnection segment cost, +17.1% YoY to IDR 4.52T (9M22: IDR 3.86T) which was intended to grow the wholesale voice segment on an international scale. Post Tsel-Indihome merger, G&A expenses only increased 1.6% YoY to IDR 4.52T (9M22: 4.45T) and marketing expenses managed to decline -6.9% YoY to IDR 2.59T in 9M23 (9M22: IDR 2.78T) due to post-merger efficiency and more selective promotions.

Tsel's Improved Operational Performance

- Tsel's revenue in 9M23 experienced stagnant growth of 0.6% YoY and 0.3% QoQ to IDR 66.59T (9M22: IDR 66.16T & 2Q23: IDR 22.51T). This growth was still supported by the Digital Business segment which posted +7.0% YoY and +0.5% QoQ growth to offset the downward trend of Tsel's business in the Legacy Segment (-26.5% YoY & -0.7% QoQ) due to behavioral changes and communication transitions towards Data & Instant Messaging (OTT) effects.
- Based on Tsel's operational performance related to the number of customers, Telkomsel's customers has decreased by -1.0% YoY but began to back on track, as it increased by +3.3% QoQ to 158.3 million (9M22: 159.836 million & 6M23: 153.27 million) due to consumer cleansing that aimed at optimizing the number of productive customers. The stabilized customer base also supported the improvement of productivity and customer quality as shown by the solid increase in ARPU post Tsel-Indihome synergy, which increased by 11.4% YoY to 47.8k/User (9M22: 42.3k/User).

Buy Recommendation with Target Price IDR 4,800 (+29.0%)

- NHKS Research maintains BUY rating for TLKM stock. Our target price reflects FY23 F EV/EBITDA value at 6.5x. This recommendation is supported by TLKM's sustainable growth and performance efficiency. The risk of this call is the competitive pressure in the Telecommunication industry which is getting more intense and tighter.

Telekomunikasi Indonesia Tbk | Summary (IDR bn)

	2022/12A	2023/12F	2024/12F	2025/12F
Revenue	147,306	155,393	166,931	185,034
Sales growth	5.5%	7.4%	10.8%	12.9%
EBITDA	78,992	80,546	87,904	97,046
Net profit	20,753	26,366	28,381	31,912
EPS (IDR)	209	266	286	322
EPS growth	-16.2%	27.0%	7.6%	12.4%
BVPS (IDR)	1,507	1,579	1,663	1,764
EBITDA margin	53.6%	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	17.8x	18.0x	18.2x	17.1x
P/BV	2.5x	3.0x	3.1x	3.1x
EV/EBITDA	5.6x	6.4x	6.3x	5.8x
DPS (IDR)	168	212	221	243
Dividend yield	4.5%	4.4%	4.3%	4.4%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

BUY

Target Price (IDR)	4,800
Consensus Price (IDR)	4,659
TP to Consensus Price vs. Last Price	+3.03% +29.0%

Shares data

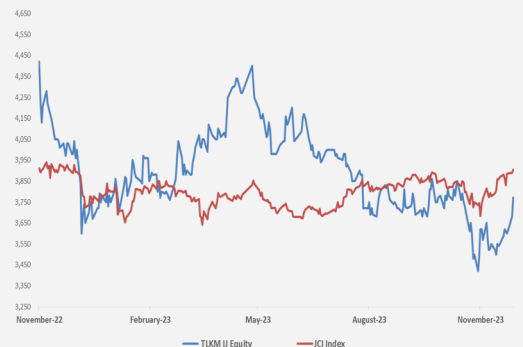
Last Price (IDR)	3,720
Price date as of	November 29, 2023
52 wk range (Hi/Lo)	4,770 / 3,570
Free float	47.86%
Outstanding Shares (mn)	99,062
Market Cap (IDR bn)	373,464
Market Cap (USD mn)	24,589
Avg. Trd Vol - 3M (mn)	102,967
Avg. Trd Val - 3M (bn)	408.142
Foreign Ownership	23.20%

Infrastructure

Telecommunication

Bloomberg	TLKM.IJ
Reuters	TLKM.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	-2.1%	8.8%	0.0%	-6.5%
Rel. Ret	-4.8%	4.3%	-2.0%	-6.9%

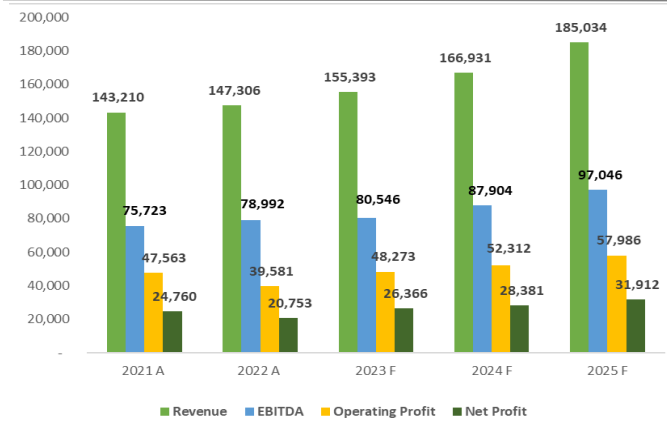
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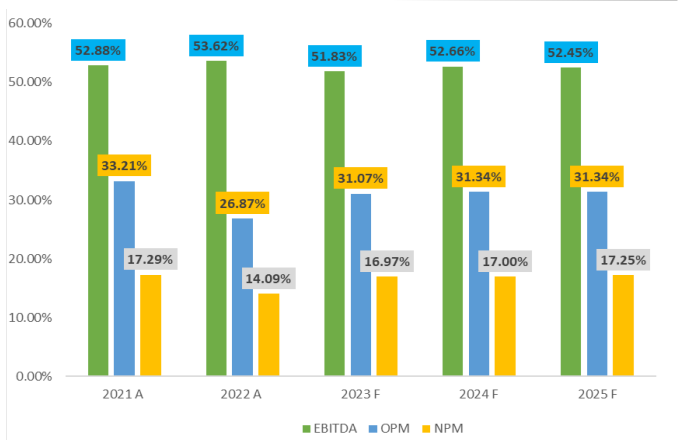
Performance Highlights

TLKM Profitability (IDR Billion)



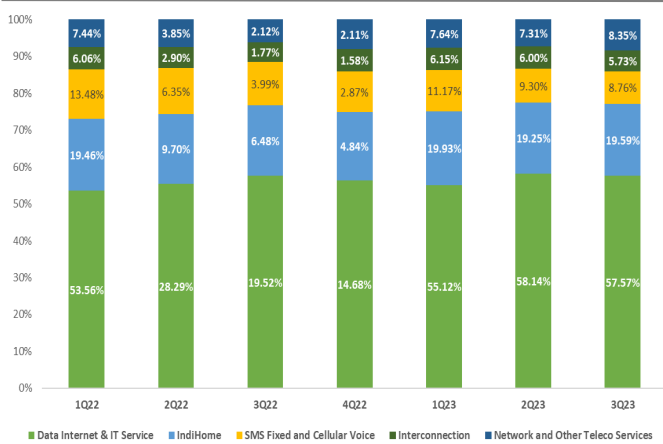
Source: Company, NHKSI Research

TLKM Profitability Margin (%)



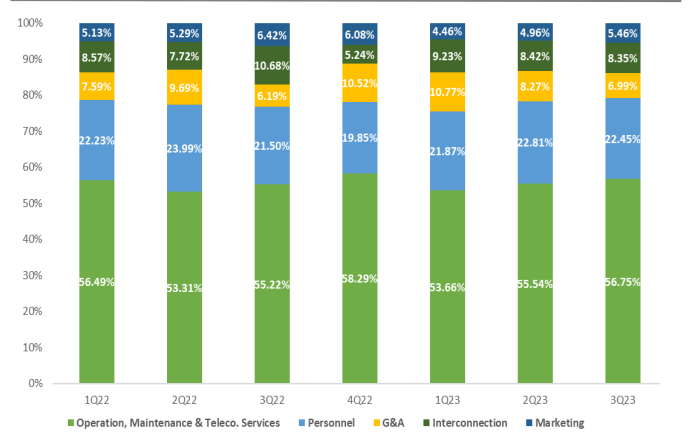
Source: Company, NHKSI Research

Revenue Contribution Per Segment (Quarterly)



Source: Company, NHKSI Research

Opex Breakdown Per Category (Quarterly)



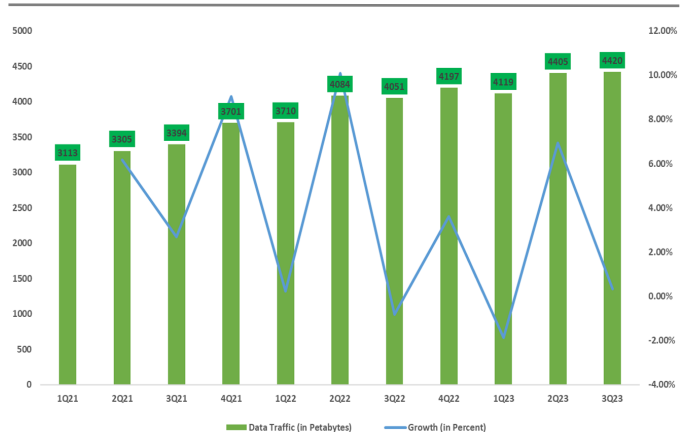
Source: Company, NHKSI Research

F-EV/EBITDA | Last 3-Years



Source: Company, NHKSI Research

Tsel Traffic Mobile Data (In Petabytes)



Source: Company, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR Bn)	2022/12A	2023/12F	2024/12F	2025/12F
Revenue	147,306	155,393	166,931	185,034
<i>Growth</i>	5.5%	7.4%	10.8%	12.9%
Gross Profit	147,306	155,393	166,931	185,034
Operating Expenses	(107,725)	(107,120)	(114,618)	(127,047)
EBIT	39,581	48,273	52,312	57,986
<i>EBIT Margin</i>	26.9%	31.1%	31.3%	31.3%
Depreciation	33,255	32,273	35,592	39,060
EBITDA	78,992	80,546	87,904	97,046
<i>EBITDA Margin</i>	53.6%	51.8%	52.7%	52.4%
Interest Expenses	(3,242)	(3,942)	(4,672)	(5,001)
EBT	36,339	44,330	47,640	52,985
Income Tax	(8,659)	(10,563)	(11,352)	(12,626)
Minority Interest	(6,927)	(7,401)	(7,907)	(8,448)
Net Profit	20,753	26,366	28,381	31,912
<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

	2022/12A	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	4.5%	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)	3,720	4,800	5,200	5,500
Market Cap (IDR tn)	368.5	475.5	515.1	544.8

BALANCE SHEET

(IDR Bn)	2022/12A	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
Total Current Assets	55,057	56,344	66,936	84,238
Net Fixed Assets	189,809	195,535	197,943	193,883
Other Non Current Assets	30,326	31,991	34,366	38,093
Total Assets	275,192	283,870	299,245	316,215
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
Total Liabilities	125,930	127,483	134,463	141,444
Capital Stock	7,664	7,664	7,664	7,664
Retained Earnings	111,897	117,238	123,689	131,561
Shareholders' Equity	149,262	156,387	164,782	174,771

VALUATION INDEX

	2022/12A	2023/12F	2024/12F	2025/12F
Price/Earnings	17.8x	18.0x	18.2x	17.1x
Price/Book Value	2.5x	3.0x	3.1x	3.1x
Price/Sales	2.5x	3.1x	3.1x	2.9x
PE/EPS Growth	-1.1x	0.7x	2.4x	1.4x
EV/EBITDA	5.6x	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)	2022/12A	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)
Net Changes in Cash	(9,825)	(884)	8,252	13,791

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	73.51	Rep. of Indonesia 52.09
United States	14.56	Bank of New York 3.76
Luxembourg	3.58	Vanguard Group Inc. 2.01
Others	8.35	Others 42.14

Source: : Bloomberg, 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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