

# Telekomunikasi Indonesia Tbk. (TLKM)

## Scored a Stable & Sustainable Growth



Company Report | 02 April, 2024

For the FY23 period, TLKM's revenue grew +1.3% YoY to IDR 149.22T (FY22: IDR 147.31T). Operating Profit increased by +12.1% YoY to IDR 44.38T (FY22: IDR 39.58T). EBITDA decreased by -1.79% YoY to IDR 77.58T (FY22: IDR 78.99T). TLKM's net profit increased by +18.3% YoY to IDR 24.56T in FY23 (FY22: IDR 20.75T). TLKM's revenue was supported by the growth of Data segment, which grew after the successful Tsel-IndiHome merger and the fruitful FMC initiative as well as upselling and cross-selling of Tsel services. Moreover, due to the Tsel-Indihome merger, several cost items were helped due to post-merger efficiencies.

### TLKM's Revenue is at a Stable Level

- Revenue growth in FY23 was mostly contributed by Data, Internet & IT Services segment which grew +6.5% YoY to IDR 87.44T (FY22: IDR 82.10T) and Indihome segment grew +2.7% YoY to IDR 28.78T (FY22: IDR 28.02T). Legacy segment (SMS, Fixed & Cellular Voice) decreased -30.3% YoY to IDR 12.47T (FY22: IDR 17.90T) due to the shift in consumer behavior towards Instant Messaging (OTT) applications. Based on management's review, Legacy Segment is predicted to still experience -28-30% YoY decline and start to stabilize in the next 1-2 years. Other segments in FY23 such as Interconnection experienced +7.0% YoY growth to IDR 9.07T and Other segments (Network and other services (Tower Rental)) experienced +5.9% YoY growth to IDR 11.45T.
- TLKM's Operating Expenses per FY23 period rose +4.9% YoY to IDR 71.64T (FY22: IDR 68.31T) where O&M (Operation and Maintenance) costs as the largest contributor of Opex increased 4% YoY to IDR 39.72T (FY22: IDR 38.18T) due to the use of higher spectrum frequencies to improve TLKM's network quality. Other costs that contributed to TLKM's Opex increase in FY23 were Interconnection segment costs, +17% YoY to IDR 6.1T (FY22: IDR 5.85T) aimed at developing the wholesale voice segment on an international scale. Marketing expenses managed to be reduced by -10% YoY to IDR 3.53T in FY23 (FY22: IDR 3.93T) due to successful efficiencies from the post-Tsel-Indihome merger and the effect of FMC synergy by TLKM.

### Tsel Operating Performance: Stable Profitability & Continued Digital Business Improvement

- Telkomsel's revenue in FY23 (Exc Indihome B2C) was relatively stable at IDR 89.14T (FY22: IDR 89.04T). Revenue was still supported by Digital Business segment which posted +7.6% YoY growth to IDR 78.47T in FY23. This was driven by healthy data usage growth and supported by digital service enhancement and upselling. The increase in the Digital segment helped offset the impact of the decline in the Legacy segment (SMS and Phonecall) which began to be abandoned due to the shift in communication behavior phase as well as the IFRS implementation (IFRS 15) on the post integration process of the old business. The integration of IndiHome into Telkomsel also began to take place in FY23, which posted a revenue of IDR 13.22T in FY23. Net Profit of Telkomsel grew 19% YoY after the integration of IndiHome into Telkomsel to IDR 21.88T in FY23 (FY22: IDR 18.37T).
- Based on Telkomsel's operational performance in customer numbers, Telkomsel's customer numbers increased by +1.6% YoY and +0.7% QoQ to 159.3 million (FY22: 156.81 million & 3Q23: 158.3 million) which was helped by FMC's upselling-cross-selling activities. The stabilized subscriber base post Tsel-IndiHome merger is also reflected in improved productivity and customer quality as shown by Tsel's ARPU (Average Revenue Per User) which increased solidly by 7.5% YoY to 47.5k/User (FY22: 44.2k/User).

### Buy Recommendation with Target Price at IDR 4,550 (+31.9% Upside Potential)

- NHKSI Research maintains BUY rating for TLKM in the next 12 months. Our target price reflects FY23 F EV/EBITDA value at 6.2x (Average last 3 Years). This recommendation is supported by a more efficient performance, stable growth of Tsel-IndiHome consolidation with stronger ARPU numbers (both Tsel and IndiHome ARPU). The risk of this call is the intensity of competitive risk and competition in the Telecommunications industry, which is getting tighter.

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

	2023/12A	2024/12F	2025/12F	2026/12F
<b>Revenue</b>	149,216	156,653	163,748	170,323
<b>Revenue growth</b>	1.3%	5.0%	4.5%	4.0%
<b>EBITDA</b>	77,579	82,186	88,039	93,469
<b>Net profit</b>	24,560	26,864	27,919	28,716
<b>EPS (IDR)</b>	248	271	282	290
<b>EPS growth</b>	18.3%	9.4%	3.9%	2.9%
<b>BVPS (IDR)</b>	1,580	1,654	1,737	1,828
<b>EBITDA margin</b>	52.0%	52.5%	53.8%	54.9%
<b>NPM</b>	16.5%	17.1%	17.1%	16.9%
<b>ROE</b>	15.7%	16.4%	16.2%	15.9%
<b>ROA</b>	8.6%	9.1%	9.1%	9.0%
<b>ROIC</b>	15.7%	16.1%	16.3%	16.4%
<b>P/E</b>	14.0x	16.8x	17.7x	19.0x
<b>P/BV</b>	2.2x	2.8x	2.9x	3.0x
<b>EV/EBITDA</b>	5.8x	6.3x	6.2x	6.0x
<b>DPS (IDR)</b>	198	216	219	221
<b>Dividend yield</b>	5.7%	4.8%	4.4%	4.0%

Source: Company Data, Bloomberg, NHKSI Research

## Buy

<b>Target Price (IDR)</b>	<b>4,550</b>
Consensus Price (IDR)	4,459
TP to Consensus Price vs. Last Price	+2.0%
	+31.5%

### Shares data

Last Price (IDR)	3,460
Price date as of	01 April 2024
52 wk range (Hi/Lo)	4,500 / 3,390
Free float	47.86%
Outstanding Shares (mn)	99,062
Market Cap (IDR bn)	340,774
Market Cap (USD mn)	21,413
Avg. Trd Vol - 3M (mn)	102.49
Avg. Trd Val - 3M (bn)	400.31
Foreign Ownership	27.39%

### Infrastructure

#### Telecommunication

Bloomberg	TLKM.IJ
Reuters	TLKM.JK

### Share Price Performance



	YTD	1M	3M	12M
<b>Abs. Ret</b>	-13.3%	-11.7%	-13.3%	-14.8%
<b>Rel. Ret</b>	-11.0%	-9.6%	-11.0%	-19.9%

**Leonardo Lijuwardi**

+62 21 5088 9127

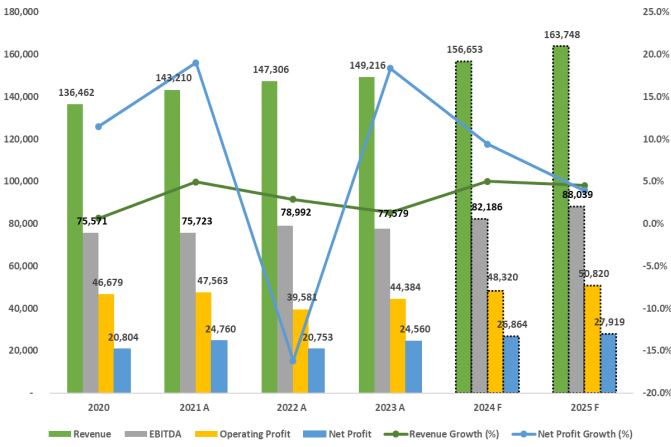
Leonardo.lijuwardi@nhsec.co.id

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

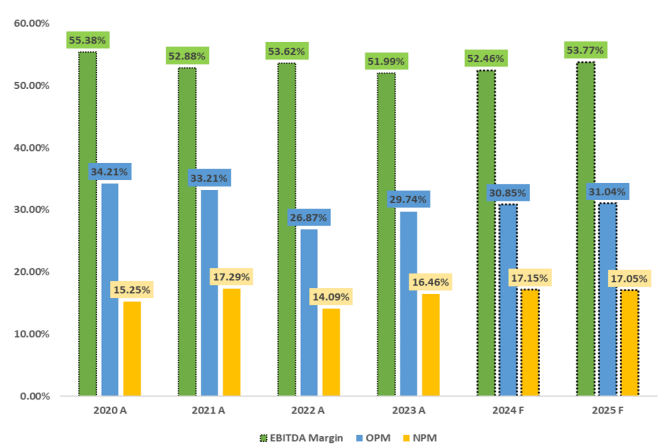
# Performance Highlights

## TLKM Profitability (In IDR Billion)



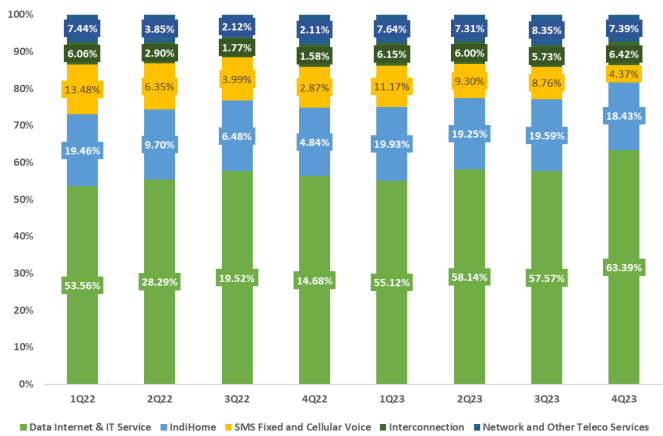
Source: Company, NHKSI Research

## TLKM Profitability Margin (In %)



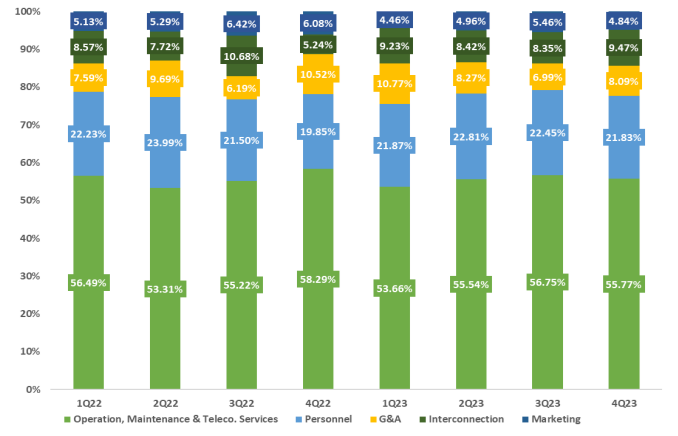
Source: Company, NHKSI Research

## Revenue Contribution Per Segment (Quarterly)



Source: Company, NHKSI Research

## Opex Breakdown Per Category (Quarterly)



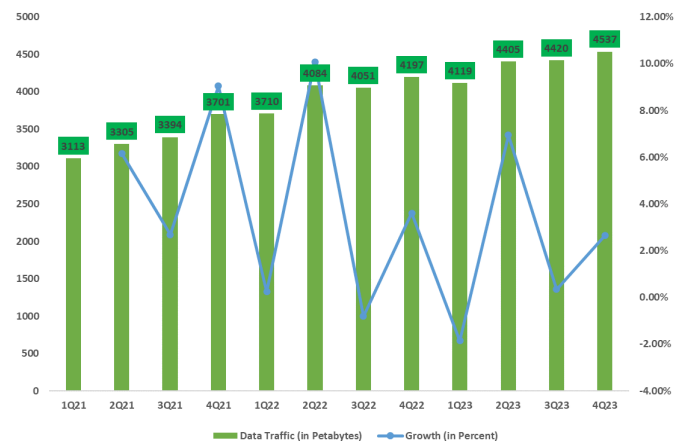
Source: Company, NHKSI Research

## 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)	2023/12A	2024/12F	2025/12F	2026/12F
<b>Revenue</b>	<b>149,216</b>	<b>156,653</b>	<b>163,748</b>	<b>170,323</b>
<i>Growth</i>	1.3%	5.0%	4.5%	4.0%
<b>Gross Profit</b>	<b>149,216</b>	<b>156,653</b>	<b>163,748</b>	<b>170,323</b>
Operating Expenses	(104,832)	(108,334)	(112,928)	(117,548)
<b>EBIT</b>	<b>44,384</b>	<b>48,320</b>	<b>50,820</b>	<b>52,776</b>
<i>Growth</i>	12.1%	8.9%	5.2%	3.8%
<i>EBIT Margin</i>	29.7%	30.8%	31.0%	31.0%
Depreciation	32,663	33,866	37,219	40,693
<b>EBITDA</b>	<b>77,579</b>	<b>82,186</b>	<b>88,039</b>	<b>93,469</b>
<i>Growth</i>	-1.8%	5.9%	7.1%	6.2%
<i>EBITDA Margin</i>	52.0%	52.5%	53.8%	54.9%
Interest Expenses	(3,590)	(3,945)	(4,401)	(4,591)
<b>EBT</b>	<b>40,794</b>	<b>44,375</b>	<b>46,420</b>	<b>48,185</b>
Income Tax	(8,586)	(9,340)	(9,770)	(10,142)
Minority Interest	(7,648)	(8,171)	(8,730)	(9,327)
<b>Net Profit</b>	<b>24,560</b>	<b>26,864</b>	<b>27,919</b>	<b>28,716</b>
<i>Growth</i>	18.3%	9.4%	3.9%	2.9%
<i>Net Profit Margin</i>	16.5%	17.1%	17.1%	16.9%

### PROFITABILITY & STABILITY

	2023/12A	2024/12F	2025/12F	2026/12F
ROE	15.7%	16.4%	16.2%	15.9%
ROA	8.6%	9.1%	9.1%	9.0%
ROIC	15.7%	16.1%	16.3%	16.4%
Cash Dividend (IDR bn)	19,648	21,434	21,702	21,880
Dividend Yield	5.7%	4.8%	4.4%	4.0%
Payout Ratio	80.0%	79.8%	77.7%	76.2%
DER	83.3%	80.5%	78.8%	75.8%
Net Gearing	0.53	0.56	0.54	0.51
LT Debt to Equity	28.0%	31.4%	30.4%	28.5%
Capitalization Ratio	29.7%	30.9%	30.2%	28.9%
Equity Ratio	54.5%	55.4%	55.9%	56.9%
Debt Ratio	23.1%	24.8%	24.2%	23.1%
Financial Leverage	183.8%	181.9%	179.6%	177.3%
Current Ratio	77.7%	90.7%	102.1%	121.5%
Par Value (IDR)	50	50	50	50
Total Shares (mn)	99,062	99,062	99,062	99,062
Share Price (IDR)	3,460	4,550	5,000	5,500
Market Cap (IDR tn)	342.8	450.7	495.3	544.8

### BALANCE SHEET

(IDR Bn)	2023/12A	2024/12F	2025/12F	2026/12F
Cash	29,007	32,589	40,478	53,946
Receivables	15,685	14,795	15,920	17,032
Inventories	997	821	858	894
<b>Total Current Assets</b>	<b>55,613</b>	<b>58,625</b>	<b>68,147</b>	<b>83,200</b>
Net Fixed Assets	198,974	203,108	203,889	198,196
Other Non Current Assets	32,455	34,073	35,616	37,046
<b>Total Assets</b>	<b>287,042</b>	<b>295,805</b>	<b>307,651</b>	<b>318,442</b>
Payables	43,501	36,859	38,340	40,151
ST Bank Loan	22,492	21,915	22,256	21,966
LT Debt	43,772	51,434	52,233	51,552
<b>Total Liabilities</b>	<b>130,480</b>	<b>131,956</b>	<b>135,562</b>	<b>137,314</b>
Capital Stock	7,664	7,664	7,664	7,664
Retained Earnings	118,441	123,871	130,088	136,924
<b>Shareholders' Equity</b>	<b>156,562</b>	<b>163,849</b>	<b>172,089</b>	<b>181,128</b>

### VALUATION INDEX

	2023/12A	2024/12F	2025/12F	2026/12F
Price/Earnings	14.0x	16.8x	17.7x	19.0x
Price/Book Value	2.2x	2.8x	2.9x	3.0x
Price/Sales	2.3x	2.9x	3.0x	3.2x
PE/EPS Growth	0.8x	1.8x	4.5x	6.7x
EV/EBITDA	5.8x	6.3x	6.2x	6.0x
EV/EBIT	10.1x	10.7x	10.8x	10.7x
EV (IDR bn)	450,346	516,258	549,135	564,414
Sales CAGR (3-Yr)	3.0%	3.0%	3.6%	4.5%
EPS CAGR (3-Yr)	5.7%	2.8%	10.4%	5.3%
Basic EPS (IDR)	248	271	282	290
Diluted EPS (IDR)	248	271	282	290
BVPS (IDR)	1,580	1,654	1,737	1,828
Sales PS (IDR)	1,506	1,581	1,653	1,719
DPS (IDR)	198	216	219	221

### CASH FLOW STATEMENT

(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Operating Cash Flow	51,846	54,937	65,251	69,880
Investing Cash Flow	(43,957)	(39,618)	(39,543)	(36,430)
Financing Cash Flow	(12,403)	(11,737)	(17,820)	(19,981)
<b>Net Changes in Cash</b>	<b>(4,514)</b>	<b>3,582</b>	<b>7,889</b>	<b>13,468</b>

### OWNERSHIP

By Geography	% Shareholders	%	
Indonesia	72.61	Rep. of Indonesia	52.09
United States	15.92	Bank of New York	3.76
Luxembourg	3.17	Vanguard Group Inc.	2.00
Others	8.30	Others	42.15

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%

**DISCLAIMER**

This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein. All rights reserved by PT NH Korindo Sekuritas Indonesia.