

# Telekomunikasi Indonesia (TLKM)

One step ahead towards convergence

3 April 2023



TLKM IJ	BUY
Sector	Telecom.
Price at 30 Mar 2023 (IDR)	4,060
Price target (IDR)	5,000
Upside/Downside (%)	23.2

## Stock Information

Telekomunikasi Indonesia is the largest telecommunication company in Indonesia, covering over 90% of Indonesian population. The company is largely owned by state and operates through various subsidiaries, ranging from telecommunication to property.

Market cap (IDR bn)	406,155
Shares outstanding (mn)	99,062
52-week range (IDR)	3,650-4,680
3M average daily vol. ('000)	76,140
3M average daily val. (IDR mn)	297,575

## Shareholders (%)

Government of Indonesia	52.0
Public	48.0

## Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	5.9	8.7	(9.9)

TLKM's 4Q22 net profit increased 27.5% qoq to IDR4.2tn, mostly on the back of declined non-controlling interest pertaining to unrealized loss of GOTO investment. Despite loss of subs, TSEL maintains healthy growth in digital business as data yield improves better than industry, also followed by higher ARPU. Indihome 4Q22 subs growth was 2.2% qoq, higher than expected, leading to FY22 growth of 7.1% yoy, higher than management's target. Maintain BUY call with target price of IDR5,000.

## FY22 EBITDA in line with estimates

TLKM FY22 core profit jumped 27.4% yoy, achieving 106.1%/110.6% of ours/consensus. 4Q22 EBITDA was slightly down 2.4% qoq to IDR19.53tn due to surging O&M and interconnection on seasonality, although FY22 EBITDA was at IDR79.0tn, representing 98.6%/99.6% of ours/consensus. Furthermore, TLKM's revenue grew 4.2% qoq to IDR38.4 tn in 4Q22, driven by network and other telco +34.5% qoq boosted by tower business; and interconnection +20.7% qoq.

## Focused on high valued subs

TSEL's revenue increased 1.3% qoq to IDR22.9tn in 4Q22, driven by continued growth in digital business +4.8% qoq as data yield ticked up 1.2% qoq or better than industry's. This was also followed by higher ARPU of 48K (7.8% qoq) or the highest in over 5 years, reflecting the company's initiative to lead market repair. Meanwhile, subs loss decelerated to -1.9% qoq/-10.9% yoy, in line with TSEL's strategy to maintain high valued subs. On the flip side, TSEL's EBITDA margin plunged 340bps to 55.5% in 4Q22 due to high O&M in line with efforts to strengthen 4G network service. On Indihome, revenue grew 1.03% qoq although ARPU was down to IDR265K or -0.4% qoq. Nevertheless, subs growth accelerated by 2% qoq in 4Q22, which is in line with management's target yoy subs growth of c.7%.

## The next upside story from FMC

On mobile, management expects the growth driver will be coming from digital services amid economic normalization, higher data demands and growing digital economy. We also see that spectrum refarming of 2.1Ghz concluded last year could also bring improvement in capacity and quality, which is imperative for data payload boost. Meanwhile, management's focus on high valued customers may mean subs deceleration could still continue, although TSEL strives to maintain c. 50% market share.

To kick start FMC initiative, TLKM have rolled out IndiHome Halo bundling, allowing subs to purchase mobile quota under a single billing system, in addition to Orbit, a fixed wireless product on TSEL network. We are sanguine Indihome-Telkomsel integration, due in July '23, could be a strong upside story for TLKM given strong leadership in both segments.

## Reiterate BUY on improving pricing and transformation initiatives

We reiterate our BUY call with a lower DCF-based target price of IDR5,000 (previously: IDR5,200), implying 6.0x '23F EV/EBITDA, while it is trading at 5.0x '23F EV/EBITDA or fairly undemanding. Encouraging signs of data repricing and ARPU should lead to healthier growth for mobile consumer segment in addition to transformation initiatives under 5 bold moves. We refine our '23 and '24 figures on continuous decline on legacy, while expecting strong drivers from Indihome, and enterprise segments.

## Exhibit 1: Key Statistics

Year end Dec	2021A	2022A	2023F	2024F	2025F
Revenue (IDR bn)	143,210	147,306	155,499	163,270	168,860
EBITDA (IDR bn)	75,723	78,992	83,804	88,902	92,237
Net profit (IDR bn)	24,760	20,753	27,581	29,117	30,415
Core profit (IDR bn)	21,182	26,996	27,369	28,730	29,658
Core EPS (IDR)	214	273	276	290	299
ROAE (%)	9.4	7.5	9.7	9.5	9.5
PER (x)	15.3	18.2	13.7	13.0	12.4
PBV (x)	2.6	2.5	2.3	2.1	2.0
EV/EBITDA (x)	5.3	5.1	4.8	4.4	4.3
Div Yield (%)	4.4	3.9	5.1	5.8	6.4

Source: Company, KBVS Research

## Analyst

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## Telekomunikasi Indonesia (TLKM)

## Exhibit 2: Financial Summary

(IDRbn)	FY2022	FY2021	YoY (%)	4Q22	4Q21	YoY (%)	3Q22	QoQ (%)	2022F	% to '22F	Cons'	% of Cons'
<b>Revenue</b>	<b>147,306</b>	<b>143,210</b>	<b>2.9</b>	<b>38,432</b>	<b>37,167</b>	<b>3.4</b>	<b>36,891</b>	<b>4.2</b>	<b>150,355</b>	<b>98.0</b>	<b>148,223</b>	<b>99.4</b>
Costs	(107,725)	(95,647)	12.6	(30,424)	(25,905)	17.4	(28,254)	7.7				
<b>EBIT</b>	<b>39,581</b>	<b>47,563</b>	<b>(16.8)</b>	<b>8,008</b>	<b>11,262</b>	<b>(28.9)</b>	<b>8,637</b>	<b>(7.3)</b>	<b>47,167</b>	<b>83.9</b>	<b>45,952</b>	<b>86.1</b>
<b>EBITDA</b>	<b>78,992</b>	<b>75,723</b>	<b>4.3</b>	<b>19,533</b>	<b>17,796</b>	<b>9.8</b>	<b>20,012</b>	<b>(2.4)</b>	<b>80,094</b>	<b>98.6</b>	<b>79,290</b>	<b>99.6</b>
Other income (exp.)	(3,242)	(3,885)	(16.6)	(866)	(844)	2.6	(869)	(0.3)				
<b>Pre-tax income</b>	<b>36,339</b>	<b>43,678</b>	<b>(16.8)</b>	<b>7,142</b>	<b>10,418</b>	<b>(31.4)</b>	<b>7,768</b>	<b>(8.1)</b>				
Taxes	(8,659)	(9,730)	(11.0)	(2,278)	(2,133)	6.8	(2,507)	(9.1)				
<b>Net Income</b>	<b>20,753</b>	<b>24,760</b>	<b>(16.2)</b>	<b>4,172</b>	<b>5,888</b>	<b>(29.1)</b>	<b>3,271</b>	<b>27.5</b>	<b>25,445</b>	<b>81.6</b>	<b>24,414</b>	<b>85.0</b>
<b>Core net income</b>	<b>26,996</b>	<b>21,182</b>	<b>27.4</b>	<b>7,553</b>	<b>2,763</b>	<b>173.4</b>	<b>6,613</b>	<b>14.2</b>	<b>25,445</b>	<b>106.1</b>	<b>24,414</b>	<b>110.6</b>
<b>Margins (%)</b>												
EBIT margin	26.9	33.2	(19.1)	20.8	30.3	(31.2)	23.4	(11.0)				
EBITDA margin	53.6	52.9	1.4	50.8	47.9	6.1	54.2	(6.3)				
Net margin	14.1	17.3	(18.5)	10.9	15.8	(31.5)	8.9	22.4				
<b>Operational KPI</b>												
Telkomsel's number of subs	156,812	175,977	(10.9)									
Telkomsel's ARPU	44	44	-	48	43	11.6	45	6.7				
Telkomsel's data payload	16,427	13,837	18.7	4,298	3,789	13.4	4,147	3.6				
Data yields	4.4	4.9	(10.0)	4.5	4.7	(3.6)	4.5	1.2				
Indihome ARPU	268.0	270.0	(0.7)	268.0	270.0	(0.7)	269.0	(0.4)				
Indihome number of subs	9,212	8,601	7.1									

Source: Company, Bloomberg, KBVS Research

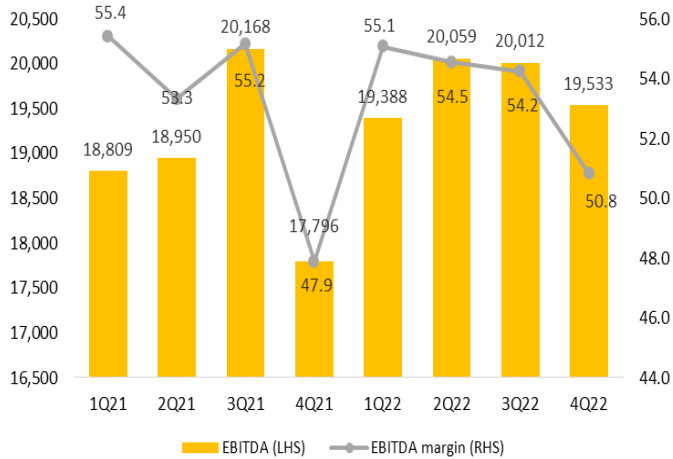
## Exhibit 3: Forecast Changes

	New		Old		Changes		Bloomberg Cons'		New VS Bloomberg Cons'	
	2023E	2024F	2023E	2024F	2023E	2024F	2023E	2024F	2023E	2024F
Revenue	155,499	163,270	159,256	167,881	-2.4	-2.7	155,538	163,308	0.0	0.0
Opt. Profit	50,734	53,219	51,841	56,050	-2.1	-5.1	50,655	53,738	0.2	-1.0
EBITDA	83,804	88,902	85,592	91,338	-2.1	-2.7	84,076	88,545	-0.3	0.4
Net profit	27,581	29,117	28,447	30,453	-3.0	-4.4	27,731	29,754	-0.5	-2.1
Core Net profit	27,369	28,730	28,235	30,066	-3.1	-4.4	27,731	29,754	-1.3	-3.4

Source: Company, Bloomberg, KBVS Research

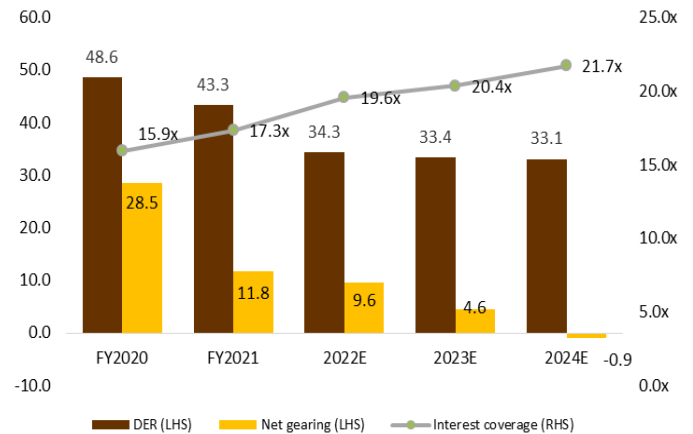
# Telekomunikasi Indonesia (TLKM)

**Exhibit 4: TLKM EBITDA margin (%)**



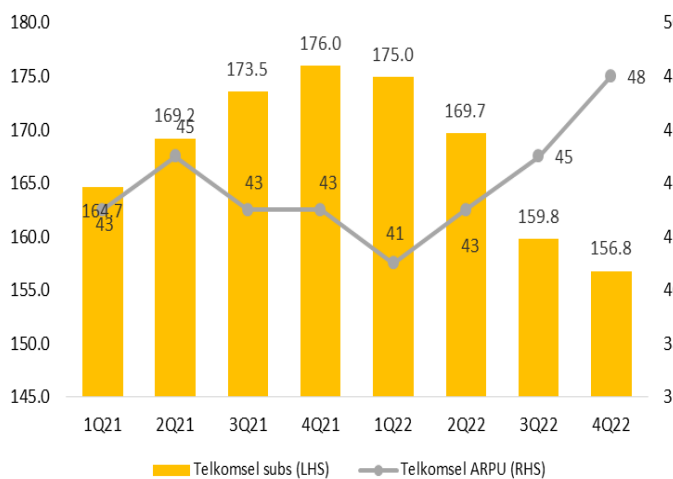
Source: Company

**Exhibit 5: Leverage ratio**



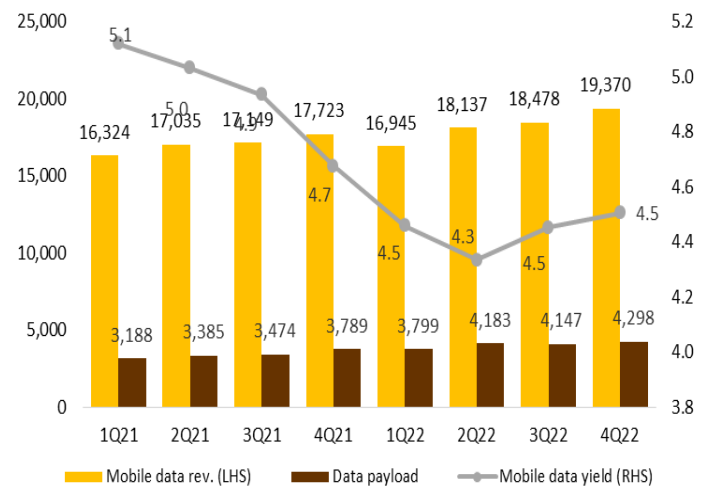
Source: Company

**Exhibit 6: Telkomsel ARPU reaches the highest in years**



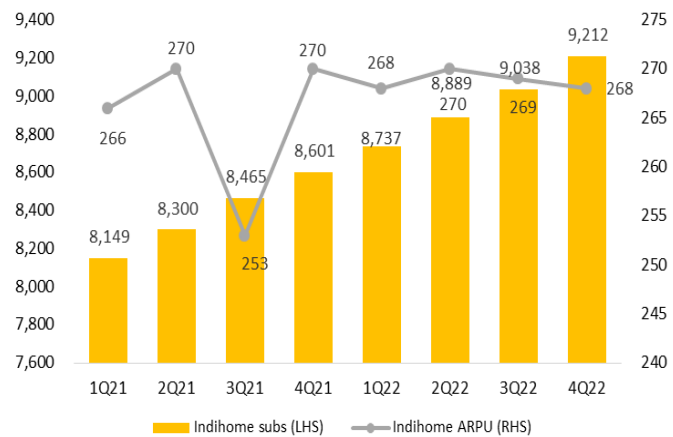
Source: Company

**Exhibit 7: Data yields manage to bounce back**



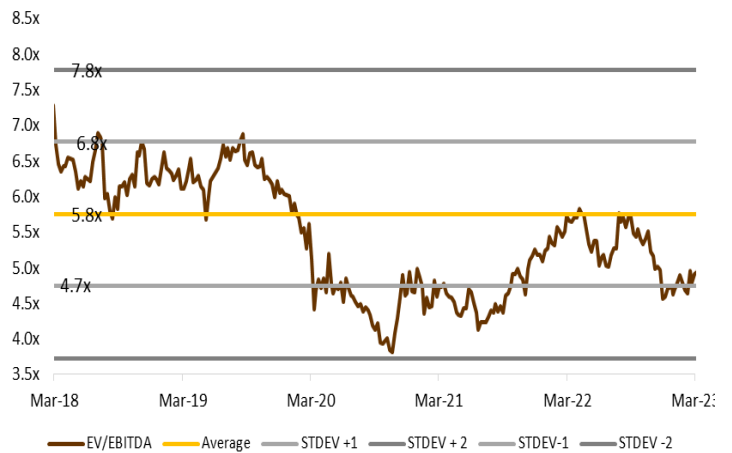
Source: Company

**Exhibit 8: Indihome subs grow while ARPU decreases**



Source: Company

**Exhibit 9: EV/EBITDA currently trades above 5Y -1SD**



Source: Company

# Telekomunikasi Indonesia (TLKM)

## FINANCIAL TABLES

### Exhibit 7: Profit & loss summary

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
<b>Revenue</b>	<b>143,210</b>	<b>147,306</b>	<b>155,499</b>	<b>163,270</b>	<b>168,860</b>
Costs	(95,647)	(107,725)	(104,766)	(110,051)	(112,927)
<b>Operating profit</b>	<b>47,563</b>	<b>39,581</b>	<b>50,734</b>	<b>53,219</b>	<b>55,933</b>
<i>Operating profit margin</i>	30.7%	31.0%	32.4%	32.3%	32.6%
<b>EBITDA</b>	<b>75,723</b>	<b>78,992</b>	<b>83,804</b>	<b>88,902</b>	<b>92,237</b>
<i>EBITDA margin</i>	52.9%	53.6%	53.9%	54.5%	54.6%
Other income/expenses	(3,885)	(3,242)	(3,267)	(3,108)	(3,589)
<b>Profit before income tax</b>	<b>43,678</b>	<b>36,339</b>	<b>47,467</b>	<b>50,110</b>	<b>52,344</b>
Tax benefit (expenses)	(9,730)	(8,659)	(10,680)	(11,275)	(11,777)
<b>Profit after tax</b>	<b>33,948</b>	<b>27,680</b>	<b>36,787</b>	<b>38,836</b>	<b>40,567</b>
Minority interests	9,188	6,927	9,206	9,719	10,152
<b>Net profit</b>	<b>24,760</b>	<b>20,753</b>	<b>27,581</b>	<b>29,117</b>	<b>30,415</b>
<i>Net profit margin</i>	17.3%	14.1%	17.7%	17.8%	18.0%

Source: Company, KBVS Research

### Exhibit 8: Balance sheet

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
<b>Current assets</b>					
Cash and cash equivalents	38,311	31,947	39,754	49,412	48,991
Trade receivables	8,510	8,634	10,101	9,570	10,774
Other current assets	14,456	14,476	14,427	15,565	15,733
<b>Total current assets</b>	<b>61,277</b>	<b>55,057</b>	<b>64,282</b>	<b>74,547</b>	<b>75,499</b>
<b>Non-current assets</b>					
Fixed assets	165,026	173,329	181,927	189,484	195,513
Other non-current assets	50,881	46,806	50,014	51,690	53,109
<b>Total non-current assets</b>	<b>215,907</b>	<b>220,135</b>	<b>231,941</b>	<b>241,174</b>	<b>248,621</b>
<b>Total assets</b>	<b>277,184</b>	<b>275,192</b>	<b>296,223</b>	<b>315,722</b>	<b>324,120</b>
<b>Current liabilities</b>					
Trade payables	17,170	18,457	16,407	19,947	13,382
Taxes payables	3,923	5,372	8,703	9,138	11,833
Accrued expenses	15,885	15,445	14,982	15,737	15,471
Short term debts	22,333	21,974	22,244	23,350	24,422
Other current liabilities	9,820	9,140	9,485	9,856	10,133
<b>Total current liabilities</b>	<b>69,131</b>	<b>70,388</b>	<b>71,820</b>	<b>78,028</b>	<b>75,242</b>
<b>Non-current liabilities</b>					
Long-term debts	46,745	41,067	42,836	44,156	46,083
Other non-current liabilities	15,909	14,475	15,527	17,112	17,411
<b>Total non-current liabilities</b>	<b>62,654</b>	<b>55,542</b>	<b>58,363</b>	<b>61,267</b>	<b>63,494</b>
Minority interests	23,753	20,004	27,094	28,789	30,251
<b>Shareholders' equity</b>	<b>145,399</b>	<b>149,262</b>	<b>166,040</b>	<b>176,427</b>	<b>185,384</b>
<b>Total liabilities and equity</b>	<b>277,184</b>	<b>275,192</b>	<b>296,223</b>	<b>315,722</b>	<b>324,120</b>

Source: Company, KBVS Research

## Telekomunikasi Indonesia (TLKM)

## Exhibit 9: Cash flow

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Net profit	24,760	20,753	27,581	29,117	30,415
Depreciation & amortization	17,896	12,146	12,688	13,248	13,719
Changes in working capital	5,333	1,472	(256)	4,494	(5,230)
<b>CF from operating activities</b>	<b>47,989</b>	<b>34,371</b>	<b>40,013</b>	<b>46,859</b>	<b>38,904</b>
Investment in fixed assets	(19,797)	(22,629)	(23,640)	(23,282)	(22,330)
Others	(13,566)	6,255	(854)	801	1,163
<b>CF from investing activities</b>	<b>(33,363)</b>	<b>(16,374)</b>	<b>(24,494)</b>	<b>(22,481)</b>	<b>(21,167)</b>
Debts raised/(repaid)	(16,643)	(14,856)	(19,306)	(21,838)	(24,332)
Dividends paid	(2,142)	2,951	672	991	1,493
Others	21,881	(12,456)	10,922	6,127	4,680
<b>CF from financing activities</b>	<b>3,096</b>	<b>(24,361)</b>	<b>(7,712)</b>	<b>(14,720)</b>	<b>(18,158)</b>
<b>Change in cash flow</b>	<b>17,722</b>	<b>(6,364)</b>	<b>7,807</b>	<b>9,658</b>	<b>(421)</b>
<b>Cash and cash equivalents, beginning</b>	<b>20,589</b>	<b>38,311</b>	<b>31,947</b>	<b>39,754</b>	<b>49,412</b>
<b>Cash and cash equivalents, ending</b>	<b>38,311</b>	<b>31,947</b>	<b>39,754</b>	<b>49,412</b>	<b>48,991</b>

Source: Company, KBVS Research

## Exhibit 10: Ratio analysis

Year End Dec	2021A	2022A	2023F	2024F	2025F
Operating profit margin (%)	33.2	26.9	32.6	32.6	33.1
EBITDA margin (%)	52.9	53.6	53.9	54.5	54.6
Net profit margin (%)	17.3	14.1	17.7	17.8	18.0
Receivables turnover (x)	14.43	17.18	16.60	16.60	16.60
Inventory turnover (x)	108.6	112.0	108.0	108.0	108.0
Payable turnover (x)	5.6	6.0	6.0	6.0	6.8
ROAA (%)	9.4	7.5	9.7	9.5	9.5
ROAE (%)	18.6	14.1	17.5	17.0	16.8
ROIC (%)	16.9	12.9	16.8	17.6	17.2
Debt/ Equity (x)	0.6	0.5	0.5	0.5	0.5
Net debt/Equity (x)	0.3	0.2	0.2	0.1	0.1
Net debt/ EBITDA (x)	0.9	0.8	0.8	0.8	0.8
Interest coverage (x)	17.3	19.6	20.4	21.9	20.1
BV/share (x)	1,228.0	1,304.8	1,402.6	1,490.4	1,566.1
Dividend Yield	4.4	3.9	5.1	5.8	6.4

Source: Company, KBVS Research

# Telekomunikasi Indonesia (TLKM)

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