



**BUY**

Target Price : IDR4,600

## Stock Data

Current Price : 4,190  
 52wk Range H-L : 4,400 – 3,000  
 Share Outstanding : 99.06 Bn  
 Free Float : 47.90%  
 Mkt Capitalization : 416.06 (IDR tn)

## Major Shareholders

Government : 54.09%  
 Public : 43.02%  
 The Bank of New York Mellon Corporation : 4.89%



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## PT Telkom Indonesia Tbk (TLKM IJ)

Telco Sector

### Foreseeing Big Transformation

#### Improved Performance and Maintaining Dominance in Network Supply

- In 9M21, TLKM booked a revenue of IDR106.04 tn (+6.1% YoY), EBITDA of IDR57.93 tn (+8.1% YoY) and net income of IDR18.87 tn (+13.1% YoY) with the EBITDA margin of 54.6%.
- By 9M21, TLKM data traffic has grown 50.4% YoY to 9,812 PB through the 'Unlimited Max' plan, which takes up to 77.5% of Telkom's total revenue. Moreover, it is expected that TLKM's data traffic grows 53.6% YoY to 14,832 PB in FY21E and 40.2% YoY to 20,801 PB in FY22E. Moreover, in 9M21, TLKM recorded revenue of IDR1.10 tn or +19.7% YoY through data center.
- Furthermore, in 9M21, TLKM through MTEL has 28,079 towers or 52.0% increase from FY20 with 1.5x tenancy ratio. In addition, TLKM recorded a total BTS on air to 245,710 units in 9M21 or +7.6% YoY with 132,293 units being 4G BTS or 53.84% of total BTS on air. Moreover, with Indonesia's accelerating digital transformation, TLKM plans to upgrade their 3G BTS to 4G to improve Indonesia's digital economy in FY22.
- We believe that FY22E revenue to reach IDR151.13 tn (+6.09% YoY) and EBITDA at IDR79.80 tn (+7.44% YoY) with EBITDA margin of 53%, mainly driven by the expansion of BTS distribution ex-Java, data center business opportunity and investment on digital platform.

#### Seizing Opportunity of the Rise of Data Center

- With the increasing demand of data, particularly robust data center and cloud infrastructure in FY21, TLKM plans to consolidate several data centers and digital business companies in FY22F up to FY25F into one entity through TelkomSigma. With this consolidation, TLKM hopes that it maximizes the data center value by integrating data centers into TLKM network and becomes the market leader of the data center sector.
- Furthermore, TLKM will collaborate with PT Sigma Tata Sadaya (STS) in order to maximize the value of the data center business. TelkomGroup's data center business consolidation will be carried out in stages over the next 2-3 years. Looking at the IPO of other data center business, DCII valuation recorded an increase of 8,276.2% since IPO, while at the global market, Global X Data Center REITs (VPN) recorded an increase of 29.0% since IPO.
- Moreover, TLKM had built Hyperscale Data Center (HDC) and is planned to be operated in 2Q22E. HDC is certified as tier 3 and 4 data center and reported to have total capacity of 75MW, surpassing DCI's total capacity of 37MW. With HDC, Telkom is also expected to accommodate more 5G networks all over Indonesia and to have edge blockchain technology.

#### Dive into the Digital World

- TLKM forms PT Telekomunikasi Ekosistem Digital (TED) and Leap Telkom Digital which the former covers emerging portfolio of Telkom's vertical business in digital sector, particularly edu-tech, health-tech and gaming, and the latter acts as the umbrella brand of TLKM's digital products and services. Leap will feature several TLKM digital products, including PaDi UMKM, BigBox, MySooltan, Agree, Logee and Pijar during its presentation in Feb-2022.
- With the accelerating digitization of Indonesia, TLKM had invested on GoTo in Nov-2020 and May-2021 to assist in the digitization of micro, small and medium enterprises (MSMEs). Its initiatives are: 1) able to collaborate Telkom's users within GoTo ecosystem; 2) conveniently make GoTo's MSMEs to be Telkom's reseller partners; 3) easy access for Telkom's outlets and retailers via GoShop; 4) number masking features to improve customer experience in GoTo. From this investment, TLKM recorded a capital gain of IDR350 bn in 9M21.

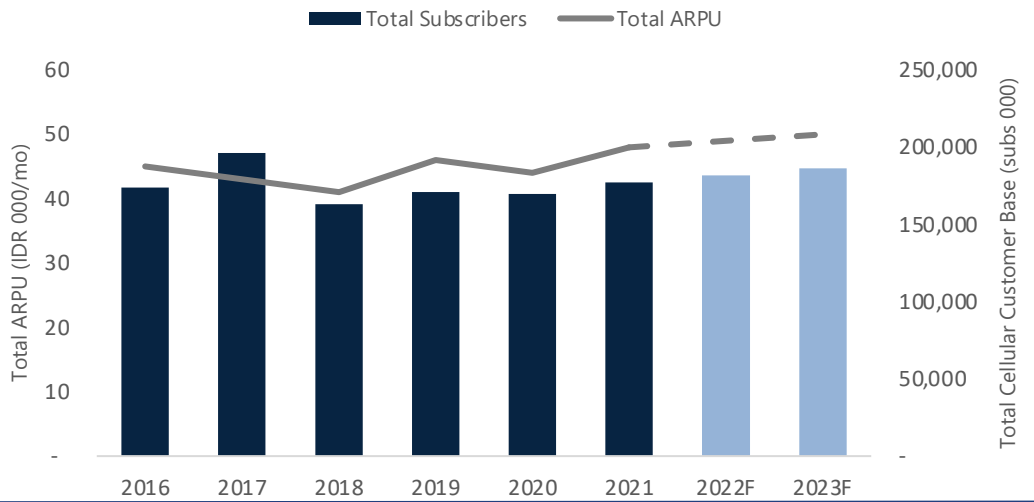
#### Valuation and Recommendation: BUY at Target Price IDR4,600

We transfer our coverage on telco sector, especially **TLKM** from Victoria Venny to Andrew Sebastian Susilo. We recommend **BUY** with **target price** of **IDR4,600** due to the positive movement in 9M21, data center IPO and digital ecosystem expansion. The risks are: 1) potential return of overlap spectrum; 2) increased competition due to M&A of competitors.

Billion IDR	FY18	FY19	FY20	FY21E	FY22F
Revenue	130,784	135,567	136,462	142,526	151,209
Net Income	18,032	18,663	20,804	24,634	26,271
EPS (IDR)	182.03	188.40	210.01	248.67	265.19
PE (x)	23.02	22.24	19.95	16.85	15.80
BVS (IDR)	998.46	1,005.04	1,034.98	1,095.27	1,154.70
PBV (x)	4.20	4.17	4.05	3.83	3.63
EV/EBITDA	7.55	6.92	6.27	6.11	5.69
ROA (%)	8.91	8.73	8.89	10.02	10.48
ROE (%)	18.82	18.81	20.59	23.35	23.57

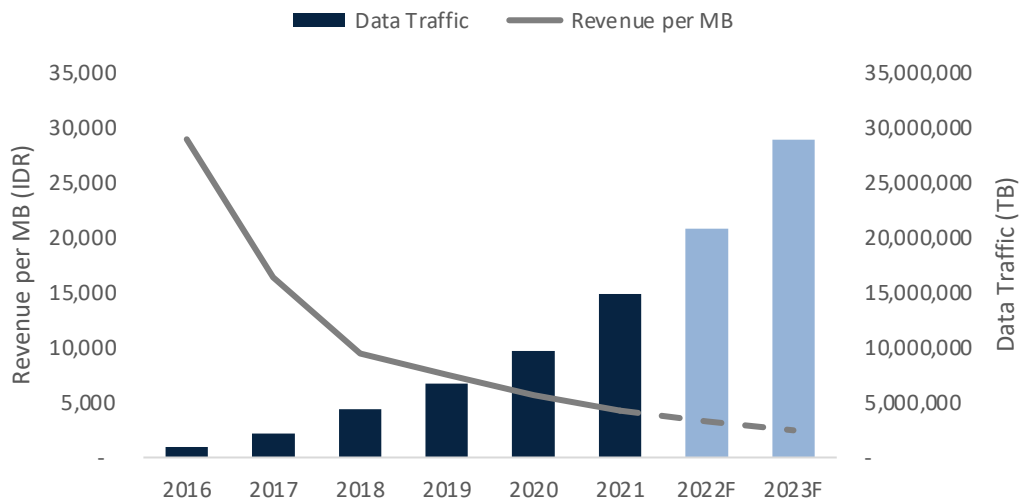
Sources: Bloomberg, MNCS

Exhibit 01. Total Subscribers and ARPU



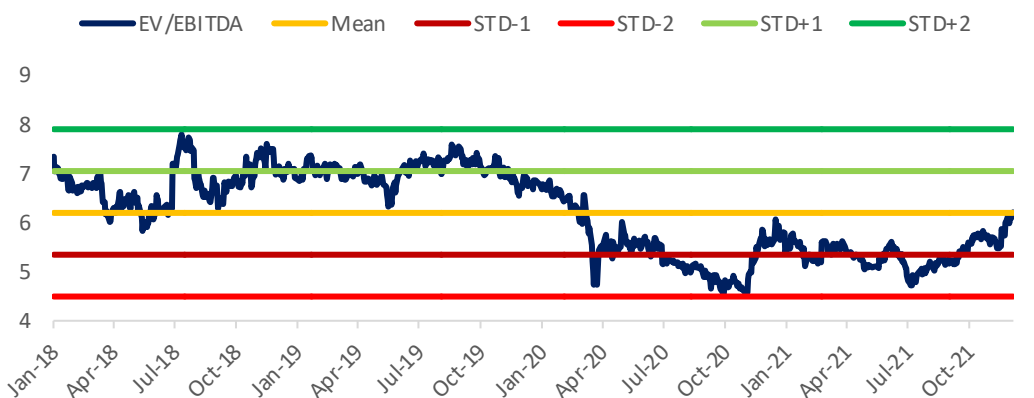
Source : Company, MNCS

Exhibit 02. TLKM Data Traffic and Revenue per MB



Source : Company, MNCS

Exhibit 03. EV/EBITDA Band of TLKM



Source : Bloomberg, MNCS

With the steady increase of subscribers from 2016 to 2021, the total ARPU also steadily increases.

With the increasing data traffic trend, TLKM experiences decrease in revenue per MB.

TLKM is currently trading at the mean of EV/EBITDA.

Exhibit 04. Financial Projections

Income Statement						Balance Sheet					
IDR Billion	2018	2019	2020	2021E	2022F	IDR Billion	2018	2019	2020	2021E	2022F
<b>Revenues</b>	<b>130.784</b>	<b>135.567</b>	<b>136.462</b>	<b>142.526</b>	<b>151.209</b>	Cash and cash equivalents	17.439	18.242	20.589	18.428	24.091
Data	77.153	88.603	91.379	103.529	112.698	Trade Receivables	12.141	12.089	11.553	9.562	12.039
Non-data	53.631	46.964	45.083	38.997	38.511	Inventory	717	585	983	382	1.046
<b>Operating Expense</b>	<b>(70.601)</b>	<b>(69.909)</b>	<b>(63.979)</b>	<b>(68.251)</b>	<b>(71.406)</b>	Other Current Assets	12.971	10.806	13.378	13.512	13.647
Operational & Maintenance Expense	(61.252)	(63.794)	(59.831)	(58.418)	(61.292)	<b>Total Current Assets</b>	<b>43.268</b>	<b>41.722</b>	<b>46.503</b>	<b>41.884</b>	<b>50.824</b>
Selling & GA Expense	(10.351)	(9.637)	(9.964)	(9.833)	(10.114)	Fixed Assets-net	143.248	156.973	160.923	165.893	171.825
<b>EBIT</b>	<b>38.777</b>	<b>42.480</b>	<b>43.591</b>	<b>44.183</b>	<b>46.875</b>	Other Non-Current Assets	19.680	22.513	39.517	36.887	34.096
<b>EBITDA</b>	<b>60.183</b>	<b>65.658</b>	<b>72.483</b>	<b>74.276</b>	<b>79.803</b>	<b>Total Non-Current Assets</b>	<b>162.928</b>	<b>179.486</b>	<b>200.440</b>	<b>202.780</b>	<b>205.921</b>
Interest Expense	(3.507)	(4.240)	(4.520)	(4.279)	(3.999)	<b>TOTAL ASSETS</b>	<b>206.196</b>	<b>221.208</b>	<b>246.943</b>	<b>244.663</b>	<b>256.745</b>
Interest Income	1.014	1.092	799	1.605	1.582	Trade Payables	14.766	13.897	16.999	10.301	18.261
Other	53	(166)	(246)	-	-	Short-term Debt	4043	8705	9934	9934	9934
<b>Profit Before Tax</b>	<b>36.405</b>	<b>37.908</b>	<b>43.188</b>	<b>44.183</b>	<b>46.875</b>	Other current liabilities	27.452	35.767	42.160	42.160	42.160
Tax Expense (Benefit)	(9.426)	(10.316)	(9.212)	(10.963)	(11.462)	<b>Total Current Liabilities</b>	<b>46.261</b>	<b>58.369</b>	<b>69.093</b>	<b>62.395</b>	<b>70.355</b>
Net Income Before MI	26.979	27.592	29.563	33.220	35.413	Long-term Debt	22.145	29.686	30.561	27.061	23.561
Minority Interest	(8.947)	(8.929)	(8.759)	(8.587)	(9.143)	Other Long-term liabilities	20.487	15.903	26.400	30.578	34.689
<b>Net Income</b>	<b>18.032</b>	<b>18.663</b>	<b>20.804</b>	<b>24.634</b>	<b>26.271</b>	<b>Total Long-term Liabilities</b>	<b>42.632</b>	<b>45.589</b>	<b>56.961</b>	<b>57.639</b>	<b>58.250</b>
EPS (full amount)	182.03	188.40	210.01	248.67	265.19	<b>Total Equity</b>	<b>98.910</b>	<b>99.561</b>	<b>102.527</b>	<b>108.500</b>	<b>114.387</b>
						<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>206.196</b>	<b>221.208</b>	<b>246.943</b>	<b>244.663</b>	<b>256.745</b>

Cash Flow						Ratios					
IDR Billion	2018	2019	2020	2021E	2022F	IDR Billion	2018	2019	2020	2021E	2022F
<b>CFO Total</b>	<b>45,671</b>	<b>54,949</b>	<b>61,358</b>	<b>56,400</b>	<b>70,608</b>	Revenue Growth (%)	1.97	3.66	0.66	4.44	6.09
EBIT	38.777	42.480	43.591	44.183	46.875	EBITDA Growth (%)	-6.85	9.10	10.39	2.47	7.44
Depreciation	21.406	23.178	28.892	30.093	32.928	Net Profit Growth (%)	-18.57	3.50	11.47	18.41	6.65
Change in Working Capital	(3.759)	4.330	2.543	(4.240)	4.683	Current Ratio (%)	0.94	0.71	0.67	0.67	0.72
Change in others	(10.753)	(15.039)	(13.668)	(13.636)	(13.879)	Quick Ratio (%)	0.64	0.52	0.47	0.45	0.51
<b>CFI Total</b>	<b>(35,090)</b>	<b>(35,791)</b>	<b>(29,400)</b>	<b>(28,505)</b>	<b>(30,242)</b>	Receivable Days	30.29	27.04	27.65	27.04	26.07
Change in Intangibles	(2,972)	(2,008)	-	-	-	Inventory Days	3.48	3.51	3.65	3.65	3.65
Change in Investment	(337)	(732)	-	-	-	Payable Days	78.43	73.00	81.11	73.00	73.00
Capex	(31,562)	(35,218)	(29,400)	(28,505)	(30,242)	Debt to Equity (x)	0.33	0.48	0.54	0.48	0.42
Change in other	(219)	2,167	-	-	-	Net Debt to EBITDA (x)	(0.25)	(0.45)	(0.48)	(0.45)	(0.30)
<b>CFF Total</b>	<b>(29,709)</b>	<b>(25,788)</b>	<b>(22,850)</b>	<b>(26,555)</b>	<b>(31,203)</b>	EBIT Margin (%)	29.65	31.34	31.94	31.00	31.00
Debt Proceeds (Repayment)	(3,000)	-	-	-	-	EBITDA Margin (%)	46.02	48.43	53.12	52.11	52.78
Dividend to MI	(10,134)	(9,618)	(7,455)	(7,895)	(10,819)	Net Profit Margin (%)	13.79	13.77	15.25	17.28	17.37
Dividend	(16,609)	(16,229)	(15,395)	(18,661)	(20,384)	ROA (%)	8.91	8.73	8.89	10.02	10.48
Other	34	59	-	-	-	ROE (%)	18.82	18.81	20.59	23.35	23.57
<b>Net Cash Increase</b>	<b>(7,877)</b>	<b>911</b>	<b>2,308</b>	<b>(2,161)</b>	<b>5,663</b>						
<b>Closing Balance</b>	<b>17,439</b>	<b>18,242</b>	<b>20,589</b>	<b>18,428</b>	<b>24,091</b>						

Sources : Company, MNCS

### MNC Research Industry Ratings Guidance

**OVERWEIGHT:** Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

**NEUTRAL:** Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

**UNDERWEIGHT:** Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

### MNC Research Investment Ratings Guidance

**BUY :** Share price may exceed 10% over the next 12 months

**HOLD :** Share price may fall within the range of +/- 10% of the next 12 months

**SELL :** Share price may fall by more than 10% over the next 12 months

**Not Rated :** Stock is not within regular research coverage

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