



BUY

Target Price : IDR4,900

Stock Data

| | |
|-----------------------------|-----------------|
| Current Price | : 4,300 |
| 52wk Range H-L | : 4,850 – 3,000 |
| Share Outstanding | : 99.06 Bn |
| Free Float | : 47.90% |
| Mkt Capitalization (IDR tn) | : 425.97 |

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

Challenging Market Dynamics

In-line with Our Expectations, Revenue Returned Single Digit

TLKM IJ managed to book revenues of IDR35.2tn in 1Q22 (-5.3% QoQ; +3.7% YoY), slightly in-line with our estimates (reaching 23.35%/23.37% MNCS/Cons.) as mobile data and IndiHome continued to be the growth driver. Data, internet, and IT service remain as the major contributor (53.5%) with revenue amounting to IDR18.9tn (+3.3% YoY). IndiHome and interconnections revenues grew by 7.9% YoY and 16.8% YoY. The number of IndiHome subscribers remains to grow to 8.7mn (+136k subs. or +7.2% YoY) and higher ARPU (+0.8% YoY) was largely driven by adds-on package. Based on segment, consumer and Wholesale & International Business (WIB) segments were increased, while cellular business remained flat due to seasonality.

EBITDA Margin Remained Stable

EBITDA rose by +8.9% QoQ; +3.1% YoY in 1Q22 to IDR19.4tn, in-line with our and consensus estimates. This implies EBITDA margin of 55.1% (vs 55.2% in 1Q21). Opex grew by 4.5% YoY partly due to higher O&M expenses (+5.7% YoY) and interconnection expenses (+19.4% YoY). Meanwhile, G&A expenses continued to decline by 7.2% YoY to IDR1.2tn, reflecting the successful effort in managing collection performance during this period.

Earnings Figure Looked Fairly Soft

Net profit stood at IDR6.1tn (+3.9% QoQ, +1.7% YoY) in 1Q22, in-line with our estimates (reaching 23.86%/23.17% of our/cons FY22E estimates) while maintaining a net margin at 17.4% level. Note that TLKM booked an unrealized loss on changes in fair value of investments of IDR893bn, mainly on the back of IDR881bn unrealized loss from Telkomsel's investment in GoTo. By factoring out the unrealized loss from investment in GoTo, the normalized net profit figure would have been IDR6.7tn or grew by 11.3% YoY.

Huge Potential of Big Data in Indonesia

Having 27 data centers, TLKM is currently expanding its data center business by constructing a 75MW Hyperspace Data Center (HDC) with its first phase of completing 22MW data center planned to be finished in 2Q22. Furthermore, with the huge prospect of data center business, TLKM formed a strategic partnership with Singtel to develop its regional data center business, as well as Fixed Mobile Convergence (FMC) integration with a target to become a global scale data center player. TLKM's consolidation of the data center business was in line with the growing trend of the data center demand in the world, including in Southeast Asia where TLKM projected a yearly increase of 20% of data center growth up to FY24. Moreover, TLKM's collaboration with Singtel was also hoped to boost Indonesia's digitalization through the data center market process with Indonesia having only 10.4% of Southeast Asia data center market share, far below Singapore with market share of 43.4% by 1Q22.

Maintain BUY with TP of IDR4,900

We maintain our **BUY** rating on **TLKM** with a **TP of IDR4,900** which implied **5.39x** FY22E EV/EBITDA (close to mean of its 5-years mean). With the rising demand of data such as the development of metaverse and 5G network, we see that TLKM will book higher data revenue, while its cellular revenue remains stable. Furthermore, with TLKM's expansion on its data center business and the rising trend of data center demand, TLKM is expected to maintain its stance as the leading telecommunication company in Indonesia.

Key Financial Highlight

| Billion IDR | FY19 | FY20 | FY21 | FY22E | FY23F |
|---------------|----------|----------|----------|----------|----------|
| Revenue | 135,567 | 136,462 | 143,210 | 150,623 | 158,627 |
| Net Income | 18,663 | 20,804 | 24,760 | 26,409 | 28,090 |
| EPS (IDR) | 188.40 | 210.01 | 249.94 | 266.59 | 283.56 |
| PE (x) | 22.98 | 20.62 | 17.32 | 16.24 | 15.27 |
| BVS (IDR) | 1,005.04 | 1,034.98 | 1,227.98 | 1,296.18 | 1,356.26 |
| PBV (x) | 4.31 | 4.18 | 3.53 | 3.34 | 3.19 |
| EV/EBITDA (x) | 6.98 | 6.40 | 5.93 | 5.39 | 4.86 |
| ROA (%) | 8.73 | 8.89 | 9.45 | 9.35 | 9.61 |
| ROE (%) | 18.81 | 20.59 | 22.09 | 21.12 | 21.38 |

Sources: Bloomberg, MNCS

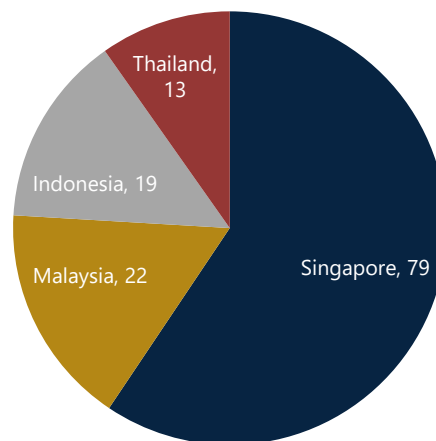
Overall, TLKM's Financial Performance was Slightly Inline from our Projection

Exhibit 01. TLKM 1Q22 Financial Highlights

| IDR (bn) | 1Q21 | 4Q21 | 1Q22 | QoQ | YoY | FY22E Consensus | FY22E MNCS | %Consensus | % MNCS |
|------------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|----------------|---------------|---------------|
| Revenues | 33,945 | 37,167 | 35,208 | -5.27% | 3.72% | 150,783 | 150,623 | 23.35% | 23.37% |
| Operating Expense | 22,246 | 25,905 | 24,597 | -5.05% | 10.57% | | | | |
| EBIT | 11,699 | 11,262 | 10,611 | -5.78% | -9.30% | 48,597 | 50,007 | 21.83% | 21.22% |
| EBIT Margin | 34.46% | 30.30% | 30.14% | | | | | | |
| EBITDA | 18,809 | 17,796 | 19,388 | 8.95% | 3.08% | 79,850 | 82,006 | 24.28% | 23.64% |
| EBITDA Margin | 55.41% | 47.88% | 55.07% | | | | | | |
| PBT | 10,816 | 10,418 | 9,862 | -5.34% | -8.82% | 45,033 | 46,082 | 21.90% | 21.40% |
| Net Profit - reported | 6,014 | 5,888 | 6,118 | 3.91% | 1.73% | 25,643 | 26,409 | 23.86% | 23.17% |
| Net Margin | 17.72% | 15.84% | 17.38% | | | | | | |

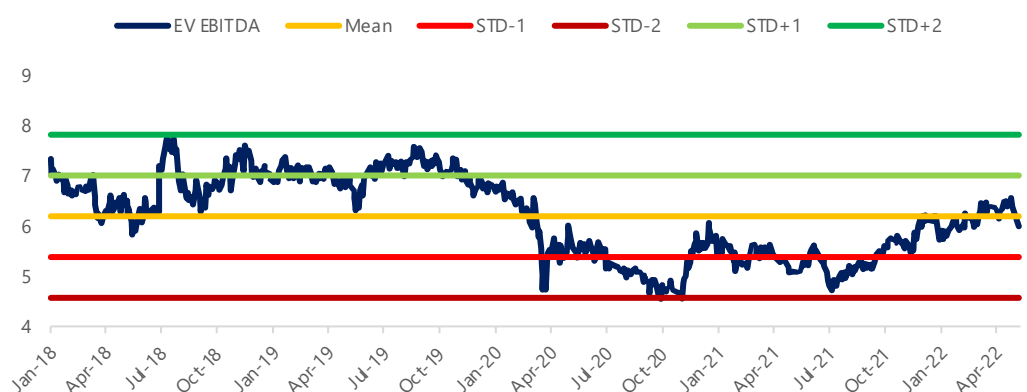
Source : Bloomberg, MNCS

Exhibit 02. Data Center Number of Units in Southeast Asia (units)



Source : Baxtel

Exhibit 03. TLKM is currently trading at the mean of EV/EBITDA.



Source : Bloomberg, MNCS

Exhibit 04. Financial Projections

| Income Statement | | | | | | Balance Sheet | | | | | |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| IDR Billion | 2019 | 2020 | 2021 | 2022E | 2023F | IDR Billion | 2019 | 2020 | 2021 | 2022E | 2023F |
| Revenues | 135,567 | 136,462 | 143,210 | 150,623 | 158,627 | Cash and cash equivalents | 18,242 | 20,589 | 38,311 | 42,414 | 53,588 |
| Data | 91,113 | 98,030 | 108,549 | 115,307 | 124,703 | Trade Receivables | 12,089 | 11,553 | 8,705 | 12,813 | 9,067 |
| Non-data | 44,454 | 38,432 | 34,661 | 35,316 | 33,923 | Inventory | 585 | 983 | 779 | 593 | 821 |
| Operating Expense | (69,909) | (63,979) | (67,487) | (68,616) | (70,715) | Other Current Assets | 10,806 | 13,378 | 13,482 | 13,617 | 13,753 |
| Operational & Maintenance Expense | (63,794) | (59,831) | (65,289) | (64,211) | (65,831) | Total Current Assets | 41,722 | 46,503 | 61,277 | 69,436 | 77,229 |
| Selling & GA Expense | (9,637) | (9,964) | (10,419) | (10,421) | (11,068) | Fixed Assets-net | 156,973 | 160,923 | 165,026 | 171,825 | 176,957 |
| EBIT | 42,480 | 43,505 | 47,563 | 50,007 | 53,140 | Other Non-Current Assets | 22,513 | 39,517 | 50,881 | 46,695 | 42,534 |
| EBITDA | 65,658 | 72,483 | 75,723 | 82,006 | 87,912 | Total Non-Current Assets | 179,486 | 200,440 | 215,907 | 218,520 | 219,491 |
| Interest Expense | (4,240) | (4,520) | (4,365) | (5,507) | (5,168) | TOTAL ASSETS | 221,208 | 246,943 | 277,184 | 287,957 | 296,720 |
| Interest Income | 1,092 | 799 | 558 | 1,582 | 1,583 | Trade Payables | 13,897 | 16,999 | 17,170 | 18,018 | 18,813 |
| Other | (166) | (1,009) | (78) | - | - | Short-term Debt | 8,705 | 9,934 | 6,682 | 6,682 | 6,682 |
| Profit Before Tax | 37,908 | 38,775 | 43,678 | 46,082 | 49,555 | Other current liabilities | 35,767 | 42,160 | 45,279 | 45,895 | 45,895 |
| Tax Expense (Benefit) | (10,316) | (9,212) | (9,730) | (9,869) | (11,142) | Total Current Liabilities | 58,369 | 69,093 | 69,131 | 70,595 | 71,390 |
| Net Income Before MI | 27,592 | 29,563 | 33,948 | 36,213 | 38,414 | Long-term Debt | 29,686 | 30,561 | 36,319 | 32,819 | 29,319 |
| Minority Interest | (8,929) | (8,759) | (9,188) | (9,805) | (10,324) | Other Long-term liabilities | 15,903 | 26,400 | 26,335 | 31,407 | 35,891 |
| Net Income | 18,663 | 20,804 | 24,760 | 26,409 | 28,090 | Total Long-term Liabilities | 45,589 | 56,961 | 62,654 | 64,226 | 65,210 |
| EPS (full amount) | 188.40 | 210.01 | 249.94 | 266.59 | 283.56 | Total Equity | 99,561 | 102,527 | 121,646 | 128,403 | 134,354 |
| | | | | | | TOTAL LIABILITIES & EQUITY | 221,208 | 246,943 | 277,184 | 287,957 | 296,720 |
| Cash Flow | | | | | | Ratios | | | | | |
| IDR Billion | 2019 | 2020 | 2021 | 2022E | 2023F | IDR Billion | 2019 | 2020 | 2021 | 2022E | 2023F |
| CFO Total | 54,949 | 65,317 | 68,353 | 65,620 | 77,362 | Revenue Growth (%) | 3.66% | 0.66% | 4.94% | 5.18% | 5.31% |
| EBIT | 42,480 | 43,505 | 47,563 | 50,007 | 53,140 | EBITDA Growth (%) | 9.10% | 10.39% | 4.47% | 8.30% | 7.20% |
| Depreciation | 23,178 | 28,892 | 31,816 | 31,999 | 34,772 | Net Profit Growth (%) | 3.50% | 11.47% | 19.02% | 6.66% | 6.37% |
| Change in Working Capital | 4,330 | 2,543 | 4,123 | (2,593) | 4,176 | Current Ratio (%) | 0.71 | 0.67 | 0.89 | 0.98 | 1.08 |
| Change in others | (15,039) | (9,623) | (15,149) | (13,793) | (14,726) | Quick Ratio (%) | 0.52 | 0.47 | 0.68 | 0.78 | 0.88 |
| CFI Total | (35,791) | (35,256) | (37,703) | (30,125) | (31,725) | Receivable Days | 27.04 | 27.65 | 27.04 | 26.07 | 25.17 |
| Change in Intagibles | (2,008) | (2,538) | (2,845) | - | - | Inventory Days | 3.51 | 3.65 | 3.65 | 3.65 | 3.65 |
| Change in Investment | (732) | (2,809) | (6,400) | - | - | Payable Days | 73.00 | 81.11 | 73.00 | 73.00 | 91.25 |
| Capex | (35,218) | (29,436) | (30,341) | (30,125) | (31,725) | Debt to Equity (x) | 0.48 | 0.54 | 0.48 | 0.43 | 0.38 |
| Change in other | 2,167 | (473) | 1,883 | - | - | Net Debt to EBITDA (x) | (0.45) | (0.48) | (0.27) | (0.16) | 0.02 |
| CFF Total | (25,788) | (89) | (2,872) | (27,893) | (30,962) | EBIT Margin (%) | 31.34% | 31.88% | 33.21% | 33.20% | 33.50% |
| Debt Proceeds (Repayment) | - | - | - | - | - | EBITDA Margin (%) | 48.43% | 53.12% | 52.88% | 54.44% | 55.42% |
| Dividend to MI | (9,618) | (7,778) | (13,242) | (8,240) | (8,824) | Net Profit Margin (%) | 13.77% | 15.25% | 17.29% | 17.53% | 17.71% |
| Dividend | (16,229) | (15,262) | (16,643) | (19,652) | (22,138) | ROA (%) | 8.73% | 8.89% | 9.45% | 9.35% | 9.61% |
| Other | 59 | 22,951 | 27,013 | - | - | ROE (%) | 18.81% | 20.59% | 22.09% | 21.12% | 21.38% |
| Net Cash Increase | 911 | 2,308 | 17,664 | 4,103 | 11,175 | | | | | | |
| Closing Balance | 18,242 | 20,589 | 38,311 | 42,414 | 53,588 | | | | | | |

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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