



HOLD

Target Price : IDR4,900

Stock Data

Current Price : 4,550
 52wk Range H-L : 4,850 – 3,190
 Share Outstanding : 99.06 bn
 Free Float : 47.91%
 Mkt Capitalization : 440.83 (IDRtn)

Major Shareholders

Government : 52.09%
 Public : 43.35%
 The Bank of New York Mellon Corporation : 4.56%



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PT Telkom Indonesia Tbk (TLKM IJ)

Telco Sector

Better Results Amidst Inflation Risk

Stagnant Revenue with Mobile Data Price Hike

TLKM booked a revenue of IDR36.78tn in 2Q22 (+3.49% YoY), making the accumulated 1H22 revenue to be IDR71.98tn (+3.60% YoY), which slightly below our estimates (reaching 47.79%/47.74% MNCS/cons). This revenue growth was driven by its data, internet & IT services segment (+5.38% YoY) in the 2Q22 to IDR20.37tn. This was further seen from the increase on its data traffic by 21.4% YoY to 4,182TB in 2Q22 (+23.55% YoY). Meanwhile, Indihome was reported to book a revenue of IDR6.98tn (+6.86% YoY) supported by its number of subscribers which increased by 7.1% YoY to 8.87 mn subscribers, as well as stable ARPU at around IDR250k. While in the mobile segment, Telkomsel recorded a revenue of IDR22.32tn (+4.99% YoY) with its subscribers increased by +0.27% YoY or equivalent to 470,000 additional users to 169.67mn subscribers. Digital business segment grew by +7.03% YoY to IDR18.14tn, which contributed to 81.24% of Telkomsel's total revenue (vs 79.69% in 2Q22). Furthermore, Telkomsel was reported to have increased its data packages/bundles prices following other MNOs' price hike of their bundles, thus liable on its ARPU growth to IDR43k in 2Q22 (vs IDR41,000 in 1Q22).

EBITDA Margin Remained Stable

Moreover, EBITDA was booked at IDR20.06tn in 2Q22 (+5.85% YoY), or equivalent to IDR39.45tn of the accumulated revenue in 1H22 (+4.47% YoY), slightly in-line with our estimates and consensus (reaching 48.10%/49.40% MNCS/cons), while implying EBITDA margin to slightly increase to 54.55% in 2Q22 (vs 53.33% in 2Q21) or 54.80% in 1H22 (vs 54.35% in 1H21). The catalyst of this improved EBITDA came from the decrease in the G&A expense by -4.82% YoY in 2Q22 while its depreciation & amortization increased by 21.56% YoY, driven from the company's determination for improvement and expansion both in mobile and fixed line businesses.

Net Income Returned Double Digits

TLKM booked a net income of IDR7.19tn in 2Q22 (+11.73% YoY; +17.55% QoQ), or IDR13.31tn in 1H21 (+6.90% YoY), in-line with our estimates (reaching 50.29%/51.91% MNCS/cons). Therefore, this translates to net margin of 19.56% in 2Q22 (vs 18.11% in 2Q21) or 18.49% in 1H22 (vs 17.92% in 1H21). This was driven from the unrealized gain from TLKM's investment of GOTO IJ for IDR1.19tn in 2Q22 after previously, the company experienced a loss from the investment for IDR294bn in 1Q22, which dragged down the 1Q22 net income of IDR6.12tn.

Maintain HOLD with TP of IDR4,900

We maintain our **HOLD** rating on **TLKM IJ** with a **TP of IDR4,900** which implied **5.60x FY22E EV/ EBITDA (close to mean of its 5-years mean)**. The positive catalyst in FY22E being: 1) Mobile data packages price hike; 2) HyperScale Data Center. Meanwhile, the downside risk include: 1) Rising USD currency; 2) Interest rate hike; 3) Net income mainly supported from GOTO IJ investment.

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	26,468	27,718
EPS (IDR)	188.40	210.01	249.94	267.19	279.80
PE (x)	23.62	21.19	17.80	16.66	15.90
BVS (IDR)	1,005.04	1,034.98	1,227.98	1,296.33	1,355.62
PBV (x)	4.43	4.30	3.62	3.43	3.28
EV/EBITDA (x)	7.17	6.56	6.09	5.60	5.08
ROA (%)	8.73	8.89	9.45	9.25	9.12
ROE (%)	18.81	20.59	22.09	21.17	21.10

Sources: Bloomberg, MNCS

Exhibit 01. TLKM 2Q22 & 1H22 Financial Highlights

IDR (bn)	2Q21	1Q22	2Q22	1H22	QoQ	YoY	FY22E Consensus	FY22E MNCS	% Consensus	% MNCS
Revenue	35,535	35,208	36,775	71,983	4.45%	3.49%	150,783	150,623	47.74%	47.79%
Operating Expense	23,619	24,597	24,450	49,047	-0.60%	3.52%				
EBIT	11,916	10,611	12,325	22,936	16.15%	3.43%	48,597	50,007	47.20%	45.87%
EBIT Margin	33.53%	30.14%	33.51%	31.86%						
EBITDA	18,950	19,388	20,059	39,447	3.46%	5.85%	79,850	82,006	49.40%	48.10%
EBITDA Margin	53.33%	55.07%	54.55%	54.80%						
PBT	10,978	9,862	11,567	21,429	17.29%	5.37%	45,033	46,753	47.59%	45.83%
Net Profit - reported	6,437	6,118	7,192	13,310	17.55%	11.73%	25,643	26,468	51.91%	50.29%
Net Margin	18.11%	17.38%	19.56%	18.49%						

Overall, TLKM's performance was slightly below our and consensus projection with the net profit is in-line with the projection

Source : Bloomberg, MNCS

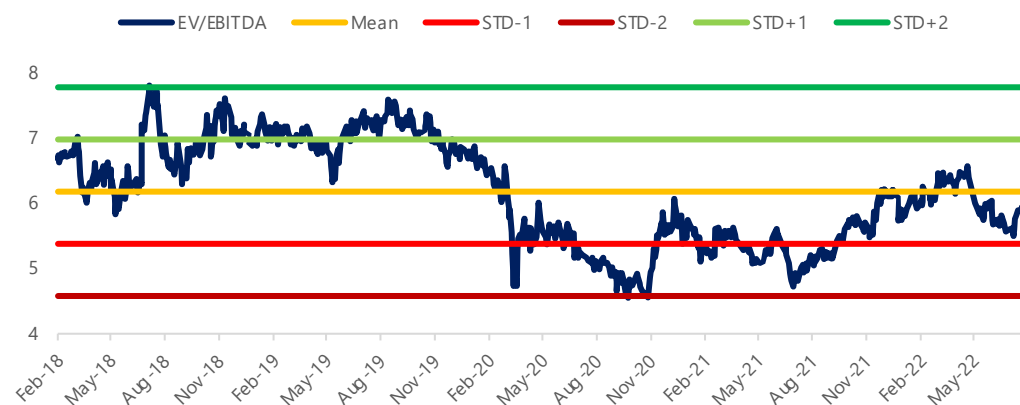
Exhibit 02. Data Plan Prices in 1Q22 vs 2Q22

Company	Package	Plan Size (GB)	1Q22	2Q22
TLKM	Internet MAX	51	105,000	115,000
		70	125,000	138,000
ISAT	Freedom Internet	5	13,900	14,500
		7	19,900	20,500
EXCL	Kartu Perdana	63	110,000	125,000
		144	180,000	205,000
FREN	1ON+	9	35,000	35,000
		18	55,000	55,000
Tri	Happy	12	50,000	55,000
		52	70,000	77,000

Data package prices of TLKM and its peers appear to have risen in 2Q22, excluding FREN who appears to still maintain its prices.

Source : Company, MNCS

Exhibit 03. TLKM is currently trading below 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	48,844	68,507
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	14,345	14,552
Operational & Maintenance Expense	(63,794)	(59,831)	(65,289)	(64,211)	(65,831)	Total Current Assets	41,722	46,503	61,277	76,595	92,946
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)	(4,836)	(5,437)	TOTAL ASSETS	221,208	246,943	277,184	295,115	312,437
Interest Income	1,092	799	558	1,582	1,583	Trade Payables	13,897	16,999	17,170	12,028	13,227
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	46,753	49,287	Other current liabilities	35,767	42,160	45,279	46,071	44,036
Tax Expense (Benefit)	(10,316)	(9,212)	(9,730)	(10,480)	(11,246)	Total Current Liabilities	58,369	69,093	69,131	64,782	63,944
Net Income Before MI	27,592	29,563	33,948	36,273	38,041	Long-term Debt	29,686	30,561	36,319	45,208	51,977
Minority Interest	(8,929)	(8,759)	(9,188)	(9,805)	(10,324)	Other Long-term liabilities	15,903	26,400	26,335	31,974	36,459
Net Income	18,663	20,804	24,760	26,468	27,718	Total Long-term Liabilities	45,589	56,961	62,654	77,182	88,436
EPS (full amount)	188.40	210.01	249.94	267.19	279.80	Total Equity	99,561	102,527	121,646	128,418	134,291
						TOTAL LIABILITIES & EQUITY	221,208	246,943	277,184	295,115	312,437
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	59,706	75,287	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%	6.90%	4.72%
Change in Working Capital	4,330	2,543	4,123	(8,566)	2,474	Current Ratio (%)	0.71	0.67	0.89	1.18	1.45
Change in others	(15,039)	(9,623)	(15,149)	(13,734)	(15,099)	Quick Ratio (%)	0.52	0.47	0.68	0.95	1.21
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 Intangibles	(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	0.53	0.55
Change in other	2,167	(473)	1,883	-	-	Net Debt to EBITDA (x)	(0.45)	(0.48)	(0.27)	(0.23)	(0.07)
CFF Total	(25,788)	(89)	(2,872)	(27,937)	(30,669)	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%	17.57%	17.47%
Dividend	(16,229)	(15,262)	(16,643)	(19,696)	(21,845)	ROA (%)	8.73%	8.89%	9.45%	9.25%	9.12%
Other	59	22,951	27,013	-	-	ROE (%)	18.81%	20.59%	22.09%	21.17%	21.10%
Net Cash Increase	911	2,308	17,664	10,533	19,662						
Closing Balance	18,242	20,589	38,311	48,844	68,507						

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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