



BUY

Target Price : IDR4,650

Stock Data

Current Price : 4,150
 52wk Range H-L : 4,850 – 3,570
 Share Outstanding : 99.06 bn
 Free Float : 47.91%
 Mkt Capitalization : 411.11 (IDR tn)

Major Shareholders

Government of Indonesia : 52.09%
 Public : 43.74%
 The Bank of New York Mellon Corporation : 4.17%



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PT Telkom Indonesia Tbk (TLKM IJ)

Telco Sector

Strategizing Growth in the Digital Frontier

Data Segment Spurs Top Line Growth

TLKM reported a FY22 revenue growth of IDR147.3 tn (+2.9% YoY), slightly in line with our estimates and consensus 97.8%/99.4%, respectively. This was primarily driven by the data, internet, and IT services segment, which contributed 55.7% of the total revenue at IDR82.1 tn (+6.0% YoY). IndiHome's revenue reached IDR28.0 tn (+6.4% YoY), bolstered by a 7.1% increase in subscribers to 9.2 mn, with 90% of its revenue coming from the consumer segment and 10% from the enterprise segment. Telkomsel also experienced positive revenue growth at IDR89.0 tn (+1.8% YoY), driven by the consistent growth of its Digital Business (+6.9% YoY), which contributed 81.9% of Telkomsel's total revenue. Despite a decline in subscribers to 156.8 mn (-10.9% YoY), Telkomsel recorded higher data payload by 18.7% YoY and solid ARPU growth (+1.3% YoY). This aligns with Telkomsel's strategy of expanding its existing digital ecosystem and leading the industry's rationalization, which is exemplified by the company's position as the first 5G operator in Indonesia.

GOTO Investment Clouds EBITDA

EBITDA dropped 8.2% YoY to IDR72.8 tn, indicating a margin of 49.5% (vs 55.4% in FY21), and below our estimate/consensus 88.8%/91.9%, respectively. This decrease was primarily attributable to the IDR6.7 tn unrealized loss from TLKM's 2% ownership in GOTO at which its share price stood at IDR91 as of Dec 31, 2022. Excluding the GOTO unrealized loss, EBITDA experienced a marginal increase to IDR79.6 tn (+0.2% YoY), yielding a margin of 54.0% and narrowly in line with our/consensus estimates 97.0%/100.4%, respectively. Furthermore, core net income came in at IDR20.7 tn (-16.2% YoY), translating to a margin of 14.1% (vs 17.3% in FY21) and missing our/consensus estimates (78.4%/85.0% of MNCS/cons). However, when excluding GOTO's investment, net income reached IDR27.5 tn (+11.0% YoY) with a margin of 18.7%, slightly in line with our estimates yet exceeding the consensus (103.9%/112.6% of MNCS/cons).

Unlocking Value through TLKM's Five Bold Moves Strategy

TLKM has initiated the Five Bold Moves strategy that is aimed at creating new revenue streams and strengthening the company's position in the digital telco market. The strategy focuses on five segments which include: 1) Fixed-Mobile Convergence (FMC); 2) InfraCo-FiberCo; 3) Data Center (DC) Co; 4) B2B Digital IT Services Co; 5) DigiCo. By integrating IndiHome and Telkomsel through the FMC initiative, TLKM is expected to tap into a wider market, taking advantage of cross-selling, an expanded customer base, and reduced operational expenses due to improved efficiency. Moreover, the management expects to launch the FMC services in the 3Q23E, which is expected to increase IndiHome's total subscribers by 1 million and boost IndiHome's revenue by 18.9% YoY. In FY23E, we forecast TLKM to book a revenue and core net profit of IDR154.9 tn (+5.1% YoY) and IDR28.3 tn (+3.9% YoY), respectively, in FY23E. The EBITDA is projected to reach IDR82.1 tn (+12.7% YoY) with a margin of 53.0%, while maintaining its market share at ~50%. Moreover, we forecast the unrealized profit to be IDR1.8 tn with a target price of IDR168/share, as per [our GOTO initiate report](#).

Maintain BUY with TP of IDR4,650

We maintain our **BUY** rating on **TLKM IJ** with a **TP of IDR4,650 (+13.3% upside)** which implies 5.1x FY23E EV/EBITDA. While TLKM's FY22 revenue growth was primarily driven by data, internet, and IT services, and its Five Bold Moves strategy shows potential for growth, uncertainties still remain especially with the unrealized loss in GOTO investment. Downside risks: 1) limited growth of Telkomsel's subscribers; 2) interest rate hike; 3) GOTO investment; 4) data tariff war.

Key Financial Highlights

IDR bn	FY21	FY22	FY23E	FY24F	FY25F
Revenue	143,210	147,306	154,856	163,512	174,027
Net Income	24,760	20,753	30,090	30,134	33,425
EPS (IDR)	249.94	209.49	285.31	304.20	337.42
PE (x)	16.60	19.81	14.55	13.64	12.30
BVS (IDR)	1,228	1,305	1,366	1,450	1,538
PBV (x)	3.38	3.18	3.04	2.86	2.70
EV/EBITDA (x)	5.29	5.77	5.12	4.77	4.44
ROA (%)	9.45	7.51	10.06	10.06	10.17
ROE (%)	22.09	16.54	21.36	21.60	22.59

Sources: Bloomberg, MNCS

Exhibit 01. TLKM Realized FY22 vs MNCS vs Consensus

IDR bn	FY21	FY22	% YoY	MNCS	Cons.	MNCS %	Cons %
<i>Including GOTO Investment</i>							
Revenue	143,210	147,306	2.9%	150,623	148,223	97.8%	99.4%
Opex	-63,831	-74,470	16.7%				
EBITDA	79,379	72,836	-8.2%	82,006	79,290	88.8%	91.9%
<i>EBITDA Margin (%)</i>	55.4%	49.4%		54.4%	53.5%		
EBIT	47,563	39,581	-16.8%	50,007	45,952	79.2%	86.1%
<i>EBIT Margin (%)</i>	33.2%	26.9%		33.2%	31.0%		
PBT	43,678	36,339	-16.8%				
Net Income	24,760	20,753	-16.2%	26,468	24,414	78.4%	85.0%
<i>Net Margin (%)</i>	17.3%	14.1%		17.6%	16.5%		
<i>Excluding GOTO Investment</i>							
EBITDA	79,379	79,577	0.2%	82,006	79,290	97.0%	100.4%
<i>EBITDA Margin (%)</i>	55.4%	54.0%		54.4%	53.5%		
EBIT	47,563	46,322	-2.6%	50,007	45,952	92.6%	100.8%
<i>EBIT Margin (%)</i>	33.2%	31.4%		33.2%	31.0%		
PBT	43,678	43,080					
Net Income	24,760	27,494	11.0%	26,468	24,414	103.9%	112.6%
<i>Net Margin (%)</i>	17.3%	18.7%		17.6%	16.5%		

Sources : Bloomberg, Company, MNCS

Exhibit 02. Projected Unrealized Profit from GOTO's Investment in FY23E

IDR bn	FY22	FY23E
Owned Shares (bn)	23.72	23.72
Average Price (IDR)	270	270
Previous Year Price (IDR)	375	91
Total Value	8,896	2,159
(Target) Price (IDR)	91	168
Total Value	2,159	3,985
Unrealized Profit (Loss)	(6,741)	1,827
<i>Growth</i>		127.10%

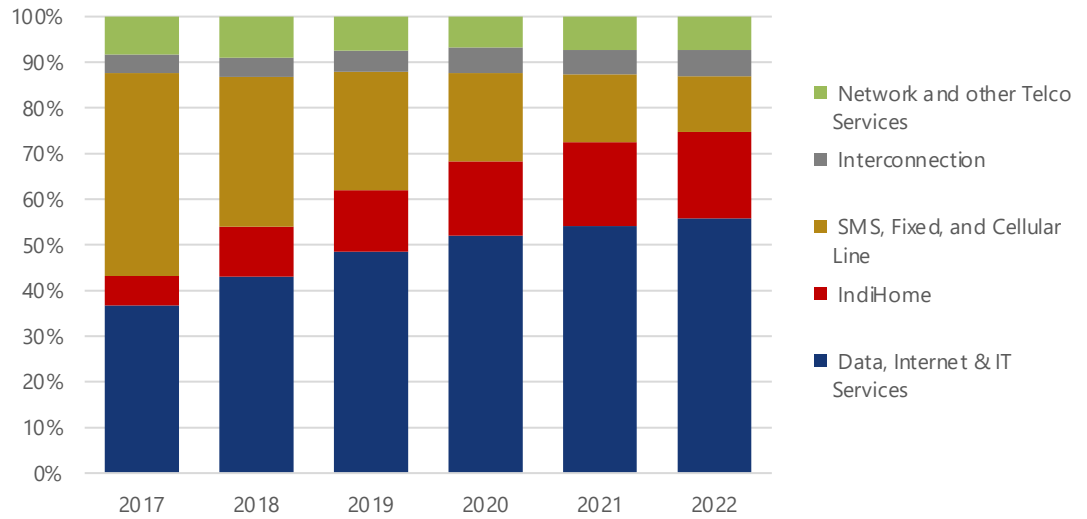
Sources : Company, MNCS

Exhibit 03. FY23E Projection Excluding and Including GOTO Investment

IDR bn	Excl. GOTO	Incl. GOTO	% Difference
Revenue	154,856	154,856	0%
Data	85,404	85,404	
Non-Data	69,452	69,452	
Operating Expenses	(72,789)	(70,962)	-3%
Operational & Maintenance Expense	(39,692)	(39,692)	
Selling & GA Expense	(6,291)	(6,291)	
Investment	-	1,827	
Operating Profit	47,708	49,535	4%
<i>Operating Margin</i>	31%	32%	
EBITDA	82,067	83,894	2%
<i>EBITDA Margin</i>	53%	54%	
Profit Before Tax	44,430	46,257	4%
Net Profit	28,264	30,090	6%
<i>Net Margin</i>	18%	19%	
EPS (Full Amount)	285.31	303.75	

Sources : Company, MNCS

Exhibit 04. Revenue Contributor of TLKM FY17-FY22



Sources : Company, MNCS

Exhibit 05. IndiHome Coverage in Indonesia

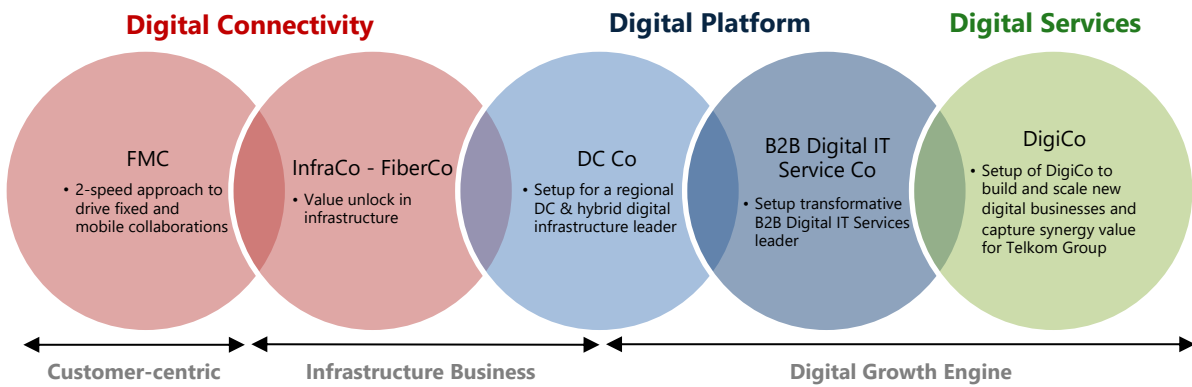
IndiHome for Indonesia

IndiHome services cover **501 (97.5%) districts/cities** throughout Indonesia



Source : Company

Exhibit 06. Five Bold Move Strategy



Sources : Company, MNCS

Exhibit 07. TLKM is Currently Traded at STD+0.5 of 5-Year EV/EBITDA



Sources : Bloomberg, MNCS

Exhibit 08. Financial Projections

Income Statement						Balance Sheet					
IDR bn	FY21	FY22	FY23E	FY24F	FY25F	IDR bn	FY21	FY22	FY23E	FY24F	FY25F
Revenues	143,210	147,306	154,856	163,512	174,027	Current Assets	61,277	55,057	46,164	54,161	65,217
Data	77,470	82,101	85,404	91,751	98,431	Cash and Cash Equivalents	38,311	31,947	24,216	31,898	40,401
Non-Data	65,740	65,205	69,452	71,761	75,596	Trade Receivable	8,705	8,879	8,247	8,304	9,053
Operating Expense	(63,831)	(74,470)	(72,789)	(75,393)	(79,412)	Inventories	779	1,144	1,080	1,104	1,194
Operational & Maintenance Expense	(38,133)	(38,184)	(39,692)	(40,855)	(43,305)	Others current Assets	13,482	13,087	12,620	12,855	14,569
Selling & GA Expense	(5,016)	(5,854)	(6,291)	(6,466)	(6,956)	Non-Current Assets	215,907	220,135	240,785	257,782	280,188
Operating Profit	47,563	39,581	47,708	50,915	54,745	Fix Asset - net	165,026	173,329	194,557	211,941	230,372
EBITDA	79,379	72,836	82,067	88,119	94,615	Other Non-Current Assets	50,881	46,806	46,229	45,841	49,816
Interest Expense	(4,365)	(4,033)	(3,992)	(4,331)	(4,620)	Total Assets	277,184	275,192	286,949	311,943	345,406
Other income (expense)	558	878	811	823	941	Current Liabilities	69,131	70,388	67,806	70,914	76,545
Profit Before Tax	43,678	36,339	44,430	47,311	50,962	Account Payable	17,170	18,457	17,330	19,003	23,354
Tax Expense	(9,730)	(8,659)	(9,622)	(10,246)	(11,037)	Short Term Debt	6,682	8,191	8,191	8,191	8,191
Minority Interest	(9,188)	(6,927)	(6,544)	(6,930)	(6,500)	Other current liabilities	45,279	43,740	42,285	43,720	45,000
Core Net Income	21,328	27,191	28,264	30,134	33,425	Non-Current Liabilities	62,654	55,542	63,129	76,006	94,544
Net Income	24,760	20,753	30,090	30,134	33,425	Long-term Liabilities - Net	36,319	27,331	17,833	11,923	11,498
EPS (full amount)	249.94	209.49	285.31	304.20	337.42	Other Non-Current Liabilities	26,335	28,211	45,296	64,083	83,046
						Total Equity	121,646	129,258	135,356	143,671	152,315
Cash Flow						Ratios					
IDR bn	FY21	FY22	FY23E	FY24F	FY25F		FY21	FY22	FY23E	FY24F	FY25F
CFO Total	71,271	60,412	68,104	76,945	82,249	Revenue Growth (%)	4.94	2.86	5.13	5.59	6.43
Net Income	47,563	39,581	47,708	50,915	54,745	EBITDA Growth (%)	9.64	-8.24	12.67	7.37	7.37
Depreciation	31,816	33,255	34,359	37,204	39,870	Net Profit Growth (%)	19.02	-16.18	36.19	6.62	10.92
Change in Working Capital	4,123	23	(1,420)	2,793	3,078	Current Ratio (%)	0.89	0.78	0.68	0.76	0.85
Change in others	(12,231)	(12,447)	(12,543)	(13,967)	(15,443)	Quick Ratio (%)	0.68	0.58	0.48	0.57	0.65
CFI Total	(37,703)	(39,250)	(32,062)	(30,373)	(36,949)	Receiveable Days	22.19	22.00	19.44	18.54	18.99
Capex	(30,341)	(34,156)	(32,640)	(30,760)	(32,974)	Inventory Days	1.99	2.83	2.55	2.46	2.50
Change in Others	(7,362)	(5,094)	577	388	(3,975)	Payable Days	98.18	90.46	86.90	92.00	107.34
CFF Total	(12,986)	(40,837)	(43,773)	(39,012)	(36,932)	Debt to Equity (x)	1.08	0.97	0.97	1.02	1.12
Dividend to MI	(13,242)	(10,103)	(10,745)	(10,938)	(11,583)	Debt to EBITDA (x)	1.66	1.73	1.60	1.67	1.81
Dividend payment	(16,643)	(14,856)	(22,165)	(21,501)	(24,391)	EBITDA Margin (%)	55.43	49.45	53.00	53.89	54.37
Net Change in Debt	46,612	35,958	48,505	54,251	60,456	Net Profit Margin (%)	17.29	14.09	18.25	18.43	19.21
Equity Fund Raised	(43,740)	(44,304)	(58,003)	(60,161)	(60,881)	ROA (%)	9.45	7.51	10.06	10.06	10.17
Others	14,027	(7,532)	(1,365)	(663)	(533)	ROE (%)	22.09	16.54	21.36	21.60	22.59
Net Cash Increase	17,722	(6,364)	(7,731)	7,681	8,503						
Closing Balance	38,311	31,947	24,216	31,898	40,401						

Sources : Bloomberg, 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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