

BUY | TP : IDR4,200
Stock Price Data

Last Price	:	IDR3,750
52wk High	:	IDR4,770
52wk Low	:	IDR3,570
Share Out	:	99.1 bn
Market Cap	:	IDR371.5 tn

Stock Price Performance

1-Day	:	+0.3%
1-Week	:	-2.1%
1-Month	:	-3.9%
3-Month	:	-8.3%
Year-to-Date	:	+0.0%

Shareholders

Government of Indonesia	:	52.1%
Public	:	47.9%

PT Telkom Indonesia Tbk (TLKM IJ)
Eyeing the Ramification of the Synergy
Steady Topline Growth with Higher Traffic

TLKM reported a decreased -4.2% YoY in net profit for 1H23 to IDR12.8 tn (vs IDR13.3 tn 1H22), which fell slightly inline from our estimates, reaching 49.5%/48.6% of MNCS/Cons. As a result, the company's margin contracted to 17.4% in 1H23 (vs 18.5% in 1H22), largely due to increase in the finance expense (+15.0% YoY) amidst high interest rate period. Additionally, its EBITDA margin contracted to 52.2% (vs 54.8% in 1H22), where this is attributable to the acquisition of 2.1 GHz and 2.3 GHz spectrum thus increasing TLKM's operation and maintenance expense by +7.4% YoY. Despite this, TLKM managed to record a steady revenue growth by +2.1% YoY to IDR73.5 tn (vs IDR72.0 tn in 1H22), boosted from the data, internet and IT service segment (+6.1% YoY) as mobile data traffic rose to 8.5k Petabytes (+9.4% YoY). Note, IndiHome integration to Telkomsel was not included in the 1H23 financial statement.

Potential Benefit from the Integration

In 2Q23, Telkomsel reported a revenue increase of +4.7% QoQ, reaching IDR22.5 tn. This was driven by a substantial +7.7% QoQ hike in data revenue, which amounted to IDR19.5 tn. Conversely, there was an -11.4% QoQ decline in voice & SMS revenue, settling at IDR2.9 tn. Despite the -11.4% QoQ drop in legacy revenue (now at 13.2% of the overall revenue), Telkomsel successfully added 2.2 mn subscribers to 153.3 mn subs in 2Q23. The company recorded a +9.7% QoQ increase in ARPU, amounting to IDR49.7k (vs IDR45.3k in 1Q23), attributable to a steady data yield and a +7.0% QoQ surge in data traffic. Cumulatively, Telkomsel's revenue contributed a reduced 59.9% of TLKM's revenue in 1H23 (vs 60.6% contribution in 1H22) as total subscribers fell -1.1% YoY. On the other hand, IndiHome recorded a +4.0% YoY revenue growth in 1H23, amounting to IDR14.4 tn, resulted from a +7.2% YoY increase in subscribers, bringing the total to 9.5 mn subs. However, there was a slight decrease in 2Q23's ARPU at IDR260k as the management proclaimed for more dual play package subscriptions. IndiHome contributed 19.6% towards TLKM's overall revenue in 1H23 (vs 19.2% contribution in 1H22). Per [our Jul-2023 TLKM report](#), Telkomsel spin-off might not immediately boost TLKM's profits. Yet, with expected 700k IndiHome subscriber growth by FY23E and integrated cross-selling, we estimate a CAGR of 5.6% (FY22-FY27F) in the consolidated ARPU.

2023 Outlook: Strong Growth Expected

We project revenue in FY23E to reach IDR153.3 tn (+4.0% YoY) amidst the synergy of IndiHome and Telkomsel. We expect the data, internet and IT services segment to still be the main contributor of TLKM's revenue, comprising 55.7% of the overall revenue with a stable +1.1% YoY increase of Telkomsel subscribers. Furthermore, we project a +6.2% YoY EBITDA growth amidst lower depreciation and amortization cost (-6.6% YoY) after the recognition of accelerated depreciation, as stated in the 1H23 info memo, as well as lower marketing expense (-1.2% YoY).

Recommendation: BUY with TP IDR4,200/share

We recommend BUY for TLKM with TP: IDR4,200/share (+12.0% upside), implying 5.2x FY23E EV/EBITDA. We notice IndiHome's spin-off to Telkomsel will increase IndiHome's subscriber base and ARPU while also reducing its operational cost and lower capex. Downside risks: 1) data tariff war; 2) limited subscriber growth.

Key Financial Highlight (IDR bn)	FY20	FY21	FY22	FY23E	FY24F
Revenue	136,462.0	143,210.0	147,306.0	153,251.0	163,416.2
Net Income	20,804.0	24,760.0	20,753.0	25,777.1	27,221.0
EPS (IDR)	210.0	249.9	209.5	241.8	274.8
P/E (x)	17.9	15.0	17.9	15.5	13.6
BVS (IDR)	1,035.0	1,228.0	1,304.8	1,384.4	1,460.2
P/B (x)	3.6	3.1	2.9	2.7	2.6
EV/EBITDA (x)	5.8	5.3	5.5	5.2	4.8
ROA (%)	8.9	9.4	7.5	8.7	9.7
ROE (%)	20.6	22.1	16.5	18.0	19.3

Source : MNCS


Research Analyst

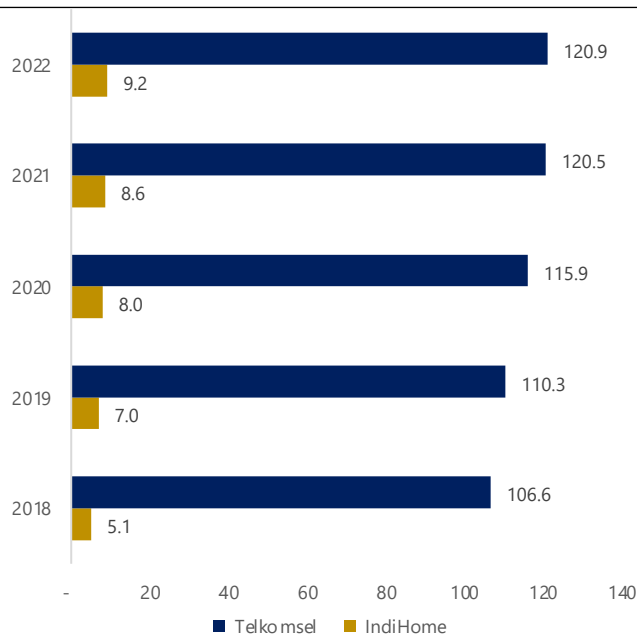
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Exhibit 01. FY23E MNCS Estimate vs Bloomberg Consensus

IDR bn	2Q22	1Q23	2Q23	% QoQ	% YoY	1H22	1H23	% YoY	MNCS	Cons.	MNCS %	Cons %
Revenue	36,775	36,090	37,388	3.6%	1.7%	71,983	73,478	2.1%	153,251	152,769	47.9%	48.1%
Opex	(24,450)	(24,659)	(25,800)	4.6%	5.5%	(49,047)	(50,459)	2.9%	(106,619)	(105,209)		
EBIT	12,325	11,431	11,588	1.4%	-6.0%	22,936	23,019	0.4%	46,632	47,560	49.4%	48.4%
EBIT Margin (%)	33.5%	31.7%	31.0%			31.9%	31.3%		30.4%	31.1%		
EBITDA	20,059	18,994	19,390	2.1%	-3.3%	39,447	38,384	-2.7%	80,385	80,756	47.8%	47.5%
EBITDA Margin (%)	54.5%	52.6%	51.9%			54.8%	52.2%		52.5%	52.9%		
PBT	11,567	10,597	10,705	1.0%	-7.5%	21,429	21,302	-0.6%	42,810	44,396	49.8%	48.0%
Net Income	7,192	6,424	6,332	-1.4%	-12.0%	13,310	12,756	-4.2%	25,777	26,232	49.5%	48.6%
Net Margin (%)	19.6%	17.8%	16.9%			18.5%	17.4%		16.8%	17.2%		

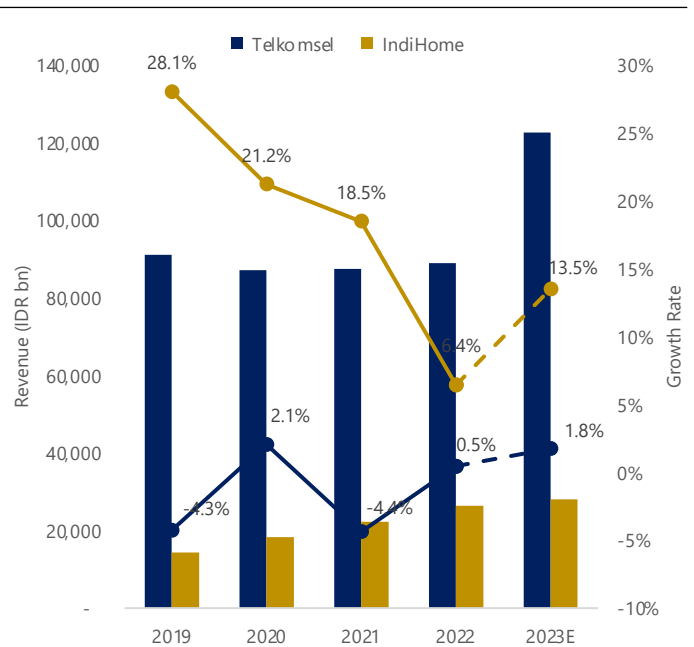
Sources: Bloomberg, MNCS

Exhibit 02. Telkomsel and IndiHome Total Subscribers (mn subs)



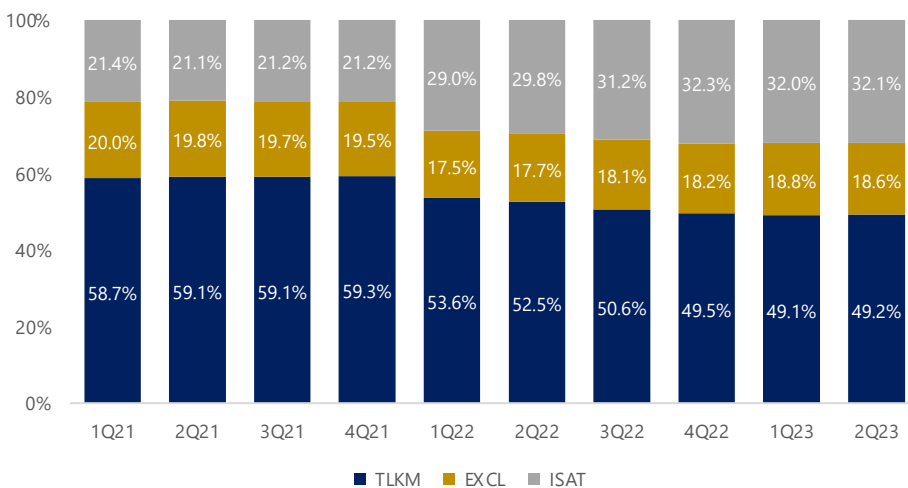
Sources : Company, MNCS

Exhibit 03. Telkomsel and IndiHome Revenue and YoY Growth



Sources : Company, MNCS

Exhibit 04. Market Share with Peers



Source : MNCS

Exhibit 05. FMC Plans Comparison with XL Satu

Telkomsel One	Price (IDR)	Broadband	Mobile	Notes
Easy Silver Lite	120,000	25 Gb (Orbit)	10 Gb	50 Telkomsel points 30 minutes call within operator, 30 SMS within operator, free video streaming subscription (MAXsteam, Disney+ Hotstar, IndiHome TV)
Dynamic Silver 1P	888,000	300 Mbps	15 Gb	
Dynamic Gold 2P	1,499,000	1 Gbps	35 Gb	50 minutes call within operator, 50 SMS within operator, free video streaming subscription (MAXsteam, Disney+ Hotstar, Vidio Diamond, IndiHome TV), free IPTV subscription (IndiHome TV Entry, IndiMovie 2), 40GB backup Orbit

Note: Include 50k minutes call within member, 50k SMS within member

XL Satu Fiber	Price (IDR)	Broadband	Mobile	Notes
Value	259,250	50 Mbps	15 Gb	Ideal for 5 devices
Smart	303,200	100 Mbps	25 Gb	Ideal for 10 devices
Super User	577,150	300 Mbps	100 Gb	Ideal for 20 devices

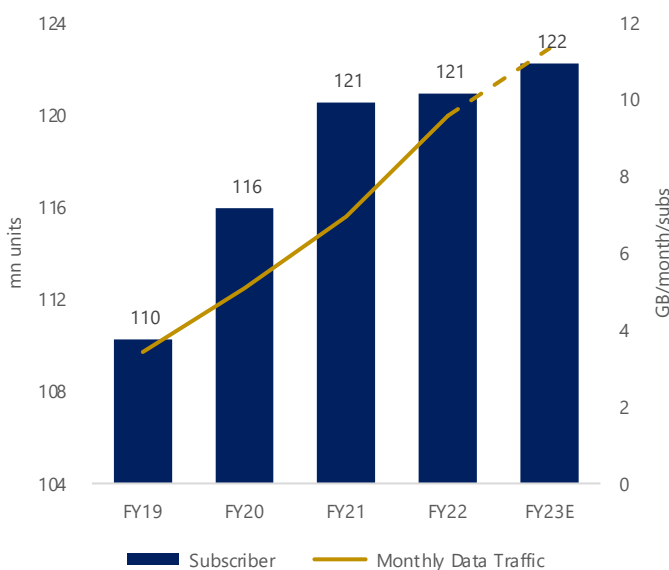
Note: Free 2 XL Prabayar numbers, unlimited broadband data, free call and SMS within XL & Axis users, free 12 months Vidio Platinum, Vidio Premier League and Catchplay

XL Satu Lite	Price (IDR)	Broadband	Mobile	Notes
Value	129,000	FUP 30 Gb	15 Gb	Mobile data for 2 numbers
Smart	199,000	FUP 60 Gb	25 Gb	Mobile data for 2 numbers
Family	299,000	FUP 120 Gb	50 Gb	Mobile data for 3 numbers

Note: Free 2 XL Prabayar numbers, unlimited broadband data, free call and SMS within XL & Axis users

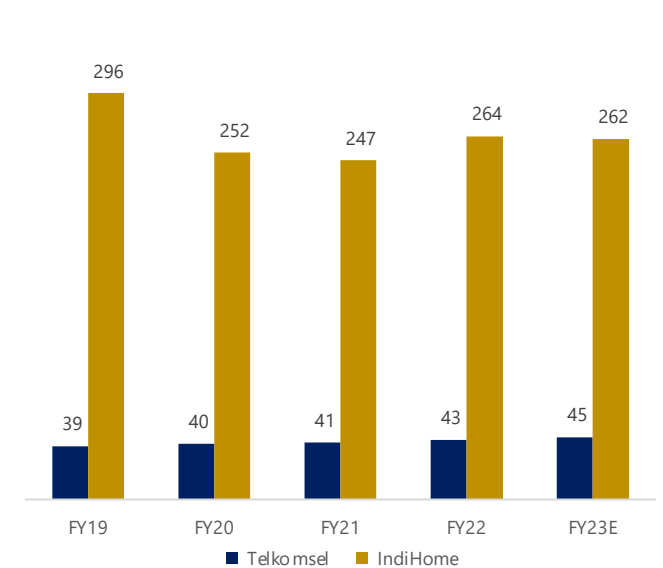
Sources : Company, MNCS

Exhibit 06. Telkomsel Subscriber Growth vs Monthly Data Traffic



Sources : Company, MNCS

Exhibit 07. ARPU of Telkomsel and IndiHome (IDR k)



Sources : Company, MNCS

Exhibit 08. TLKM is currently traded between near the mean of the 5-Year EV/EBITDA



Sources : Bloomberg, MNCS

Exhibit 09. Financial Projections

Income Statement						Balance Sheet					
IDR bn	2020	2021	2022	2023E	2024F	IDR bn	2020	2021	2022	2023E	2024F
Revenues	136,462.0	143,210.0	147,306.0	153,251.0	163,416.2	Current Assets	46,503.0	61,277.0	55,057.0	51,947.0	54,838.5
Operating Expense	(64,065.0)	(63,831.0)	(74,470.0)	(70,612.7)	(73,431.4)	Cash & Cash Equivalents	20,589.0	38,311.0	31,947.0	30,125.9	28,729.6
EBIT	43,505.0	47,563.0	39,581.0	46,632.5	50,133.0	Account Receivable	11,553.0	8,705.0	8,879.0	9,068.8	10,616.0
EBITDA	72,080.0	78,992.0	75,723.0	80,384.9	85,956.8	Inventories	983.0	779.0	1,144.0	1,117.3	1,129.0
Interest Expense	(4,520.0)	(4,365.0)	(4,033.0)	(4,761.3)	(4,300.8)	Others current Assets	13,378.0	13,482.0	13,087.0	11,635.1	14,364.0
Interest Income	799.0	558.0	878.0	1,034.6	847.6	Non-Current Assets	200,440.0	215,907.0	220,135.0	225,023.3	229,345.1
Profit Before Tax	38,775.0	43,678.0	36,339.0	42,809.9	46,583.9	Fixed Asset-net	160,923.0	165,026.0	173,329.0	178,794.6	183,574.6
Tax Expense (Benefit)	(9,212.0)	(9,730.0)	(8,659.0)	(11,963.3)	(11,498.5)	Other Non-Current Assets	39,517.0	50,881.0	46,806.0	46,228.7	45,770.4
Minority Interest	(8,759.0)	(9,188.0)	(6,927.0)	(6,896.2)	(7,864.4)	TOTAL ASSETS	246,943.0	277,184.0	275,192.0	276,970.3	284,183.6
Core Net Profit	20,675.0	21,328.0	27,191.0	23,950.5	27,221.0	Current Liabilities	69,093.0	69,131.0	70,388.0	72,485.3	68,907.2
Net Profit	20,804.0	24,760.0	20,753.0	25,777.1	27,221.0	Account Payable	16,999.0	17,170.0	18,457.0	16,811.9	17,534.4
EPS (full amount)	210.0	249.9	209.5	241.8	274.8	ST Debt	9,934.0	6,682.0	8,191.0	9,010.1	7,928.9
						Other current liabilities	42,160.0	45,279.0	43,740.0	46,663.3	43,443.9
						Non-Current Liabilities	56,961.0	62,654.0	55,542.0	46,997.4	49,884.8
						LT Debt	30,561.0	36,319.0	27,331.0	25,419.5	26,042.8
						Other Non-Current Liabilities	26,400.0	26,335.0	28,211.0	21,577.9	23,842.0
						TOTAL EQUITY	102,527.0	121,646.0	129,258.0	137,138.8	144,649.5
						TOTAL LIABILITIES & EQUITY	246,943.0	277,184.0	275,192.0	276,970.3	284,183.6
Cash Flow						Ratios					
IDR bn	2020	2021	2022	2023E	2024F	IDR bn	2020	2021	2022	2023E	2024F
CFO Total	68,206.0	70,884.0	63,299.0	61,309.3	63,170.0	Revenue Growth (%)	0.7	4.9	2.9	4.0	6.6
EBIT	43,505.0	47,563.0	39,581.0	46,632.5	50,133.0	EBIT Growth (%)	2.6	9.3	(16.8)	17.8	7.5
Depreciation	28,892.0	31,816.0	33,255.0	36,005.9	39,851.8	EBITDA Growth (%)	11.2	9.6	(4.1)	6.2	6.9
Change in Working Capital	2,543.0	4,123.0	23.0	(3,221.8)	(3,848.9)	Net Profit Growth (%)	11.5	19.0	(16.2)	15.4	13.7
Change in Others	(6,734.0)	(12,618.0)	(9,560.0)	(18,107.3)	(22,965.9)	Current Ratio (x)	0.7	0.9	0.8	0.7	0.8
CFI Total	(35,256.0)	(37,703.0)	(39,250.0)	(26,623.8)	(27,972.9)	Quick Ratio (x)	0.5	0.7	0.6	0.5	0.6
Capex	(29,436.0)	(30,341.0)	(34,156.0)	(27,201.1)	(28,431.2)	Receivable Days	30.9	22.2	22.0	21.6	23.7
Change in Others	(5,820.0)	(7,362.0)	(5,094.0)	577.3	458.3	Inventory Days	2.6	2.0	2.8	2.7	2.5
CFF Total	(27,753.0)	(12,986.0)	(40,837.0)	(36,506.6)	(36,593.4)	Payable Days	96.8	98.2	90.5	86.9	87.2
Net Change in Debt	2,104.0	2,506.0	(7,479.0)	(1,092.4)	(457.9)	Debt to Equity (x)	1.2	1.1	1.0	0.9	0.8
Dividend payment	(23,040.0)	(29,885.0)	(24,959.0)	(30,124.4)	(33,857.8)	Debt to EBITDA (x)	1.7	1.7	1.7	1.5	1.4
Others	(4,713.0)	16,899.0	(15,878.0)	(6,382.2)	(2,735.6)	Operating Margin (%)	31.9	33.2	26.9	30.4	30.7
Net Cash Increase	2,347.0	17,722.0	(6,364.0)	(1,821.1)	(1,396.3)	EBITDA Margin (%)	52.8	55.2	51.4	52.5	52.6
Closing Balance	20,589.0	38,311.0	31,947.0	30,125.9	28,729.6	Net Margin (%)	15.2	17.3	14.1	15.6	16.7
						ROA (%)	8.9	9.4	7.5	8.7	9.7
						ROE (%)	20.6	22.1	16.5	18.0	19.3

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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