

BUY | TP : IDR3,500
TLKM Stock Price Data

Last Price	:	IDR2,880
52wk High	:	IDR4,240
52wk Low	:	IDR2,700
Share Out	:	99.06bn
Market Cap	:	IDR285.3tn

TLKM Stock Price Performance

1-Day	:	0.0%
1-Week	:	-6.8%
1-Month	:	-2.7%
3-Month	:	-7.1%
Year-to-Date	:	-27.1%

Shareholders

Government of Indonesia	:	52.1%
Public	:	47.9%

PT Telkom Indonesia Tbk (TLKM IJ)
Mid-Year Review: Challenges Persist, Target Updated
Key Insights from 1H24 Results

- TLKM booked a revenue of IDR75.3trillion in 1H24 (+2.5% YoY), translating into IDR37.9trillion in 2Q24 (+1.2% QoQ/+1.3% YoY). This performance fell slightly below our target, meeting only 47.9%/48.7% of MNCS/Consensus estimates. The growth driver was the Data, Internet, & IT Service segment which saw a +9.2% YoY hike to IDR45.5trillion in 1H24 (+5.2% QoQ/ +7.2% YoY in 2Q24), contributing 60.4% to total revenue. Meanwhile, the pressure came from the Indihome segment (-11.0% QoQ/-15.1% YoY in 2Q24 or -9.8% YoY in 1H24) and the SMS, Fixed and Cellular Voice (+8.3% QoQ/-21.9% YoY in 2Q24 or -30.4% YoY in 1H24), due to shifting from legacy to data.
- The top-line performance was in line with the flat increase of mobile customers (+214,000 users from 1Q24 to 2Q24 vs +2.2mn users from 1Q23 to 2Q23), resulting in flattish mobile ARPU of IDR45.2k in 1H24 (vs IDR45.3k in 1Q24).
- Additionally, the same trend was seen in the IndiHome segment, where ARPU decreased to IDR241.5k (vs. IDR242.7k in 1Q24). Although the transfer of IndiHome B2C to Telkomsel since 3Q23 was a contributing factor to the decline in this revenue segment, we might still need stronger justification, given that Telkomsel recorded only a +0.3% QoQ revenue change from IndiHome B2C in 2Q24.
- Even so, we note a positive improvement of +5.0% QoQ in internet and data revenue/GB in 2Q24, supported by a +2.2% QoQ increase in data payload. We view this as an indication that the launch of Telkomsel Lite did not hurt the pricing yield as the market had previously concerned.
- From earnings perspective, EBITDA was reported at IDR18.4trillion in 2Q24 (-5.0% QoQ/-4.9% YoY), with a margin of 48.7%, down from 51.9% in 1Q24. Additionally, net income contracted by -5.7% QoQ/-9.9% YoY to IDR5.7trillion in 2Q24 or -7.8% YoY to IDR11.8trillion in 1H24. This narrowed the NPM to 15.1% in 2Q24 (vs 16.2% in 1Q24).
- We observed two factors that further contributed to this decline: 1) the increase in unrealized loss from investment in GOTO to IDR854billion (vs IDR403billion loss in 1Q24), which if we excluded this factor, EBITDA would have seen a +2.1% YoY growth and net income would have increased by +2.5% YoY in 1H24 ([exhibit 03](#)); 2) the notable one-off transaction for Early Retirement Program (ERP) amounted to IDR1.2trillion, which if we factor out would result in +1.9% YoY growth for both EBITDA and net profit in 1H24. While this package hurt the earnings in the short-term, we anticipate a positive impact on more efficient personnel expenses in the long term. If both metrics were removed, we would have seen a +5.4% YoY EBITDA growth and +12.6% YoY jump of net profit in 1H24.

Still a BUY, despite further lowering our TP to IDR3,500/share

We maintain a BUY recommendation for TLKM, despite further lowering our TP to IDR 3,500/share (vs. IDR 4,010/share previously), reflecting a +21.5% upside and implying 5.0x/4.9x FY24E/FY25F EV/EBITDA. The justification for our lower TP stems from the sustained soft performance, particularly in the IndiHome segment, which we initially expected to be one of the key growth drivers aligning with the FMC execution. Reflecting its 5-year EV/EBITDA, TLKM is currently trading near the STD-2.

Key Financial Highlight	FY21	FY22	FY23	FY24E	FY25F
Revenue (IDR Bn)	143,210.0	147,306.0	149,216.0	151,205.0	154,493.6
Net Income (IDR Bn)	24,760.0	20,753.0	24,560.0	23,268.0	24,244.2
EPS (IDR)	249.9	209.5	247.9	234.9	244.7
PE (x)	11.52	13.75	11.62	12.26	11.77
BVS (IDR)	1,228.0	1,304.8	1,370.3	1,426.7	1,497.3
PBV (x)	2.35	2.21	2.10	2.02	1.92
EV/EBITDA (x)	4.6	4.4	4.5	4.6	4.5
ROA (%)	9.4	7.5	8.7	8.0	8.3
ROE (%)	22.1	16.5	18.5	16.8	16.7

Sources : Bloomberg, MNCS Research


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1H24 Results Prompt Revision of Projections

- Following the muted result in 1H24, management lowered the top-line target for FY24E, from aiming for mid-single digit before to low-single digit currently. Meanwhile, the guidance for EBITDA margin is maintained at the range of ~50-52% and capex to revenue ratio remained at ~22-24%.
- Given the reduced optimism from management and the earnings evidenced in 1H24, we have revised our projections accordingly. We now estimate revenue to increase modestly by +1.3% YoY to IDR 151.2 trillion (vs. +5.2% YoY previously) in FY24E and by +2.2% YoY in FY25F, with the cellular data and internet segment, as well as network and other telco services, remaining the main growth drivers.
- Our new projections on EBITDA to contract by -2.0% YoY in FY24E, considering the ERP expenses and unrealized loss from investment in GOTO, resulting in a margin of ~50%. We anticipate the net profit to slow down by -5.3% YoY with an NPM of 15.4%.

Exhibit 01. TLKM's Performance vs our previous and consensus estimates

	2Q23	1Q24	2Q24	%QoQ	%YoY	1H23	1H24	%YoY	MNCS (Old)	Cons	%MNCS (Old)	%Cons
Revenue	37,388	37,429	37,863	1.2%	1.3%	73,478	75,292	2.5%	157,034	154,486	47.9%	48.7%
Opex	(25,800)	(26,421)	(27,236)	3.1%	5.6%	(50,459)	(53,657)	6.3%	(107,415)	(107,414)	50.0%	50.0%
Operating Profit	11,588	11,008	10,627	-3.5%	-8.3%	23,019	21,635	-6.0%	49,298	47,071	43.9%	46.0%
OPM	31.0%	29.4%	28.1%			31.3%	28.7%		31.4%	30.5%		
EBITDA	19,390	19,421	18,447	-5.0%	-4.9%	38,384	37,868	-1.3%	80,636	80,509	47.0%	47.0%
EBITDA Margin	51.9%	51.9%	48.7%			52.2%	50.3%		51.3%	52.1%		
PBT	10,705	10,143	9,780	-3.6%	-8.6%	21,302	19,923	-6.5%	45,970	43,525	43.3%	45.8%
Net Income	6,332	6,053	5,708	-5.7%	-9.9%	12,756	11,761	-7.8%	27,096	25,753	43.4%	45.7%
NPM	16.9%	16.2%	15.1%			17.4%	15.6%		17.3%	16.7%		

Sources : Company, MNCS Research

Exhibit 02. The changes in our projections, following the 1H24 results

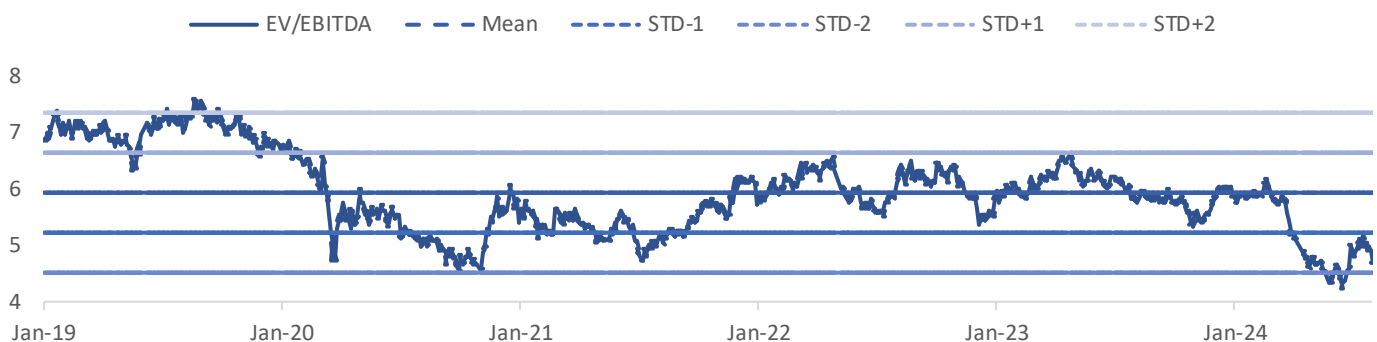
	Previous	New	%Change
Revenue	157,034	151,205	-3.7%
Opex	(107,415)	(108,560)	
Operating Profit	49,298	43,304	-12.2%
OPM	31.4%	28.6%	
EBITDA	80,636	76,065	-5.7%
EBITDA Margin	51.3%	50.3%	
PBT	45,970	39,427	-14.2%
Net Income	27,096	23,268	-14.1%
NPM	17.3%	15.4%	

Sources : Company, MNCS Research

Exhibit 03. The earnings comparison if we factor in/out the unrealized gain (loss) from investment in GOTO

	IDR Billion	Incl. GOTO			Excl. GOTO		
		1H23	1H24	Growth	1H23	1H24	Growth
Revenue	73,478	75,292	2.5%	73,478	75,292	2.5%	
Operating Profit	23,019	21,635	-6.0%	22,568	22,489	-0.4%	
OPM	31.3%	28.7%		30.7%	29.9%		
EBITDA	38,384	37,868	-1.3%	37,933	38,722	2.1%	
EBITDA Margin	52.2%	50.3%		51.6%	51.4%		
PBT	21,302	19,923	-6.5%	20,851	20,777	-0.4%	
Net Profit	12,756	11,761	-7.8%	12,305	12,615	2.5%	
NPM	17.4%	15.6%		16.7%	16.8%		

Sources : Company, MNCS Research

Exhibit 04. TLKM is currently trading near the STD-2 of 5-Year EV/EBITDA


Sources : Bloomberg, MNCS Research

Exhibit 05. Financial Projections

Income Statement						Balance Sheet					
IDR Billion	2021	2022	2023	2024E	2025F	IDR Billion	2021	2022	2023	2024E	2025F
Revenue	143,210.0	147,306.0	149,216.0	151,205.0	154,493.6	Total Current Assets	61,277.0	55,057.0	55,613.0	58,053.1	54,900.7
Operating Expenses	(63,831.0)	(74,470.0)	(72,169.0)	(75,798.5)	(76,280.9)	Cash and Cash Equivalents	38,311.0	31,947.0	29,007.0	25,035.7	24,526.9
EBIT	47,563.0	39,581.0	44,384.0	43,303.8	44,651.2	Trade Receivables	8,705.0	8,634.0	10,667.0	15,926.5	13,132.4
EBITDA	75,723.0	78,992.0	77,579.0	76,065.1	77,291.8	Inventory	779.0	1,144.0	997.0	1,102.2	1,075.2
Interest Expense	(4,365.0)	(4,033.0)	(4,652.0)	(4,895.0)	(4,620.1)	Other Current Assets	13,482.0	13,332.0	14,942.0	15,988.7	16,166.2
Interest Income	558.0	878.0	1,061.0	1,017.0	887.3	Total Non-Current Assets	215,907.0	220,135.0	231,429.0	234,118.6	240,341.1
Profit Before Tax	43,678.0	36,339.0	40,794.0	39,426.8	40,919.5	Fixed Assets - net	165,026.0	173,329.0	180,755.0	184,247.7	185,398.3
Tax Expense	(9,730.0)	(8,659.0)	(8,586.0)	(8,871.0)	(9,189.9)	Other Non-Current Assets	50,881.0	46,806.0	50,674.0	49,870.9	54,942.8
Minority Interest	(9,188.0)	(6,927.0)	(7,648.0)	(7,287.8)	(7,485.4)	Total Assets	277,184.0	275,192.0	287,042.0	292,171.7	295,241.8
Net Profit	24,760.0	20,753.0	24,560.0	23,268.0	24,244.2	Total Current Liabilities	69,131.0	70,388.0	71,568.0	75,844.5	75,786.7
EPS (Full Amount)	249.9	209.5	247.9	234.9	244.7	Trade Payables	17,170.0	18,457.0	18,608.0	13,752.1	18,097.0
						Short-term Debt	6,682.0	8,191.0	9,650.0	10,756.5	9,891.4
						Other Current Liabilities	45,279.0	43,740.0	43,310.0	51,335.9	47,798.3
						Total Long-Term Liabilities	62,654.0	55,542.0	58,912.0	53,812.8	49,571.9
						Long-Term Debt	36,319.0	27,331.0	27,773.0	25,328.9	23,291.8
						Other Long-Term Liabilities	26,335.0	28,211.0	31,139.0	28,483.9	26,280.1
						Total Equity	121,646.0	129,258.0	135,744.0	141,332.0	148,326.5
						Total Liabilities & Equity	277,184.0	275,192.0	287,042.0	292,171.7	295,241.8

Cash Flow						Ratios					
IDR Billion	2021	2022	2023	2024E	2025F	IDR Billion	2021	2022	2023	2024E	2025F
CFO	47,768.0	37,964.0	26,469.0	32,506.6	49,645.0	Revenue Growth	4.9	2.9	1.3	1.3	2.2
Net Income	47,563.0	39,581.0	44,384.0	43,303.8	44,651.2	EBIT Growth	9.3	(16.8)	12.1	(2.4)	3.1
Depreciation	31,816.0	33,255.0	32,663.0	32,102.8	33,561.5	EBITDA Growth	5.1	4.3	(1.8)	(2.0)	1.6
Change in Working Capital	2,739.0	814.0	(4,784.0)	(8,602.4)	5,254.4	Net Income Growth	19.0	(16.2)	18.3	(5.3)	4.2
Change in Others	(34,350.0)	(35,686.0)	(45,794.0)	(34,297.5)	(33,822.1)	Current Ratio (x)	0.9	0.8	0.8	0.8	0.7
CFI	(31,161.0)	(18,554.0)	(20,459.0)	(23,412.1)	(26,234.7)	Quick Ratio (x)	0.7	0.6	0.6	0.5	0.5
Capex	(30,341.0)	(34,156.0)	(32,968.0)	(35,501.9)	(33,257.0)	Receivables Days	22.2	21.4	26.1	38.4	31.0
Change in Others	(820.0)	15,602.0	12,509.0	12,089.9	7,022.3	Inventory Days	2.0	2.8	2.4	2.7	2.5
CFF	1,115.0	(25,774.0)	(8,950.0)	(13,065.9)	(23,919.1)	Payable Days	98.2	90.5	94.1	66.2	86.6
Short-Term Debt	(2,347.0)	(359.0)	3,527.0	9,348.9	(2,802.8)	Debt to Equity (x)	1.1	1.0	1.0	0.9	0.8
Long-Term Debt	5,758.0	(8,988.0)	442.0	(2,444.1)	(2,037.1)	Debt to EBITDA (x)	1.7	1.6	1.7	1.7	1.6
Change in Equity	-	-	-	-	-	EBIT Margin	33.2	26.9	29.7	28.6	28.9
Dividend	(16,643.0)	(14,856.0)	(16,603.0)	(17,680.0)	(17,249.7)	EBITDA Margin	52.9	53.6	52.0	50.3	50.0
Other	14,347.0	(1,571.0)	3,684.0	(2,290.7)	(1,829.5)	Net Profit Margin	17.3	14.1	16.5	15.4	15.7
Closing Balance	38,311.0	31,947.0	29,007.0	25,035.7	24,526.9	ROA	9.4	7.5	8.7	8.0	8.3
						ROE	22.1	16.5	18.5	16.8	16.7

Sources : Company, MNCS Research

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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