

Telekomunikasi Indonesia

BUY (unchanged)

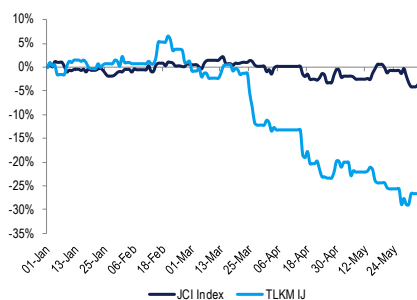
Company Update | Telecommunications | TLKM IJ | 3 June 2024

Stock Data

Target price	Rp4,100
Prior TP	Rp4,200
Current price	Rp2,930
Upside/downside	+40%
Shares outstanding (mn)	99,062
Market cap (Rp bn)	288,271
Free float	48%
Avg. 6m daily T/O (Rp bn)	636

Price Performance

	3M	6M	12M
Absolute	-26.0%	-24.3%	-25.8%
Relative to JCI	-21.9%	-23.6%	-22.2%
52w low/high (Rp)	2,810–4,210		



Major Shareholders

Republic of Indonesia	52.1%
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KTA from TLKM's media and analyst day

- TLKM's management corroborated our view that Starlink shall be a complementary service but not a substitute for FTTH.
- AI and govt incentives are key drivers for DC demand; NeutraDC is making adjustments to accommodate the higher demand for GPU usage.
- Tsel will continue to focus on profitability but also aiming to maintain stable revenue and subscriber market share at c.50-51%. Reaffirm Buy.

Starlink took the center stage during discussions with management

We recently joined TLKM's media and analyst gathering in Semarang on 30-31st Mar24. Many participants seemed to have concerns on Starlink as it recently forayed into the B2C business in Indonesia. However, TLKM's management shares our view that generally, LEO satellites services (like Starlink) seem unlikely to replace the need for FTTH, especially in urban areas, given its significant premium TCO and inferior quality vs. fiber. Instead, it could complement FTTH services in rural areas (specifically 3T – daerah tertinggal, terdepan, dan terluar) (see our previous [note](#)).

Data center: AI implementation and government incentives will be key drivers for Indonesia's DC demand in the long run

We also noticed growing interests on TLKM's data center (DC) business, NeutraDC. Many questions revolved around the impact of AI and the competitiveness of Indonesia as a key market for DC in ASEAN. First, management noted that AI could potentially become a key driver for DC demand growth in the long run, as GPU uses about 3-4x more power. Thus, wholesale demand could increase from 1-2MW typically to 3-7MW, and management believes that AI's contribution to DC demand in the country may increase from c.1% to c.17% by FY30. It is also making the necessary adjustments to its DC in order to accommodate the use of GPU, including supplying liquid cooling, as well as strengthening building structures. Second, management believes that government incentives and regulation would play a key role in determining Indonesia's competitiveness against other key DC markets, like Johor Bahru and Singapore. Note that Johor is seeing a rise in DC demand, given the incentives that the Malaysian government introduced, including discounts on electricity tariff and tax incentives.

Tsel plans to focus on profitability and maintaining stable market share

Tsel focuses on profitability but concurrently aims to maintain stable revenue and subs market share at c.50-51% (1Q24: 50/50%). This, we believe, implies limited further subs growth and thus, could allow the impact of price hikes to become more visible at ARPU level. Recall that Tsel selectively hiked the price of its data packages by c.3-5% on average, through personalized offerings in mid-May24 (see our previous [note](#)). Separately, management highlighted that Tsel-IndiHome integration is well on-track and synergies should transpire in the coming months. It also believes that FWA (fixed wireless access) could be key in driving fixed broadband penetration in the country, given its lower prices and prepaid nature (see our previous [note](#)).

Maintain Buy with an unchanged TP of Rp4,100

We reaffirm our Buy rating on TLKM, with an unchanged blended valuation-based (DCF and EV/EBITDA) TP of Rp4,100. Risk/reward seems attractive at 4.2x FY24F EV/EBITDA, as we continue to like TLKM's long-term growth story. Risk is competition.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
EBITDA	147,306	149,216	154,039	159,135	164,422
EBITDA growth	78,992	77,579	79,894	82,302	84,772
Net profit	4.3%	-1.8%	3.0%	3.0%	3.0%
EPS (Rp)	20,753	24,560	26,203	27,217	28,826
EPS growth	209	248	265	275	291
ROE	-16.2%	18.3%	6.7%	3.9%	5.9%
PER (x)	13.9%	15.7%	16.0%	16.0%	16.3%
EV/EBITDA (x)	15.7	13.2	12.4	11.9	11.3
Dividend yield	4.8	4.9	4.7	4.6	4.4
Forecast changes	4.6%	5.1%	6.0%	6.5%	6.7%
IPS vs. consensus			98%	96%	96%

Source: Company, Indo Premier

Share price closing as of: 3 June 2024

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net Revenue	147,306	149,216	154,039	159,135	164,422
Cost of Sales	-	-	-	-	-
Gross Profit	147,306	149,216	154,039	159,135	164,422
SG&A Expenses	(101,569)	(104,300)	(106,811)	(110,529)	(113,615)
Operating Profit	45,737	44,916	47,229	48,606	50,806
EBITDA	78,992	77,579	79,894	82,302	84,772
Net Interest	(3,155)	(3,591)	(3,901)	(4,217)	(4,062)
Forex Gain (Loss)	256	(36)	77	80	82
Others-Net	(6,499)	(495)	(293)	(302)	(312)
Pre-Tax Income	36,339	40,794	43,112	44,166	46,514
Income Tax	(8,659)	(8,586)	(9,054)	(8,833)	(9,303)
Minority interest	(6,927)	(7,648)	(7,856)	(8,116)	(8,386)
Net Income	20,753	24,560	26,203	27,217	28,826

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalents	31,947	29,007	30,156	31,124	32,386
Receivables	8,879	10,667	10,129	10,464	10,811
Other current assets	14,231	15,939	17,607	20,113	22,982
Total current assets	55,057	55,613	57,891	61,701	66,180
Fixed assets	173,329	180,755	180,755	180,755	180,755
Other non-current assets	46,806	50,674	54,728	59,106	63,835
Total non-current assets	220,135	231,429	235,483	239,861	244,590
Total assets	275,192	287,042	293,374	301,562	310,769
Payable	24,292	23,574	24,581	25,437	26,147
Other Payables	17,827	15,645	14,393	13,674	12,990
Current Portion of LT Loans	28,269	32,349	12,413	12,904	13,456
Total Current Liab.	70,388	71,568	51,387	52,015	52,593
Long Term Loans	27,331	27,773	49,651	51,616	53,825
Other LT Liab.	28,211	31,139	29,011	28,141	27,297
Total Liabilities	125,930	130,480	130,049	131,772	133,715
Equity	17,361	17,303	17,303	17,303	17,303
Retained Earnings	111,897	118,441	124,996	131,251	138,303
Minority interest	20,004	20,818	21,026	21,236	21,449
Total SHE + Minority Int.	149,262	156,562	163,325	169,790	177,055
Total Liabilities & Equity	275,192	287,042	293,374	301,562	310,769

Sources: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net Income	20,753	24,560	26,203	27,217	28,826
Depr. & Amortization	35,728	33,973	33,034	32,879	32,713
Changes in Working Capital	1,972	(6,396)	(1,374)	(2,705)	(3,190)
Others	12,878	6,708	1,674	2,867	2,813
Cash Flow From Operating	71,331	58,845	59,537	60,258	61,162
Capital Expenditure	(41,558)	(40,089)	(32,976)	(32,821)	(32,655)
Others	(2,473)	(1,310)	(58)	(58)	(58)
Cash Flow From Investing	(44,031)	(41,399)	(33,034)	(32,879)	(32,713)
Loans	(9,847)	4,522	1,941	2,457	2,761
Equity	(10,374)	(6,892)	(7,648)	(7,906)	(8,173)
Dividends	(14,856)	(16,603)	(19,648)	(20,962)	(21,774)
Others	-	-	-	-	-
Cash Flow From Financing	(35,077)	(18,973)	(25,354)	(26,411)	(27,186)
Changes in Cash	(6,364)	(2,940)	1,149	968	1,262

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	100.0%	100.0%	100.0%	100.0%	100.0%
EBITDA margin	53.6%	52.0%	51.9%	51.7%	51.6%
Pre-tax margin	24.7%	27.3%	28.0%	27.8%	28.3%
Net margin	14.1%	16.5%	17.0%	17.1%	17.5%
ROA	7.5%	8.6%	8.9%	9.0%	9.3%
ROE	13.9%	15.7%	16.0%	16.0%	16.3%
ROIC	12.0%	13.6%	13.7%	13.7%	13.9%

Acct. receivables TO (days)	22	24	24	24	24
Acct. payables - other TO (days)	83	84	84	84	84

Net debt/EBITDA (inc. leases) (x)	0.3	0.4	0.4	0.4	0.4
Net debt/EBITDA (ex. leases) (x)	0.1	0.2	0.2	0.3	0.3
Interest coverage (x)	11.3	9.7	10.1	10.0	10.8

Sources: Company, Indo Premier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

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