

Telekomunikasi Indonesia

BUY (unchanged)

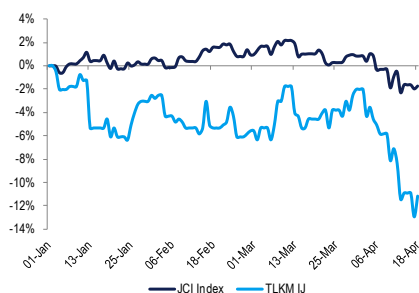
Company Update | Telecommunications | TLKM IJ | 26 April 2024

Stock Data

Target price	Rp4,200
Prior TP	
Current price	Rp3,250
Upside/downside	+29%
Shares outstanding (mn)	99,062
Market cap (Rp bn)	321,952
Free float	48%
Avg. 6m daily T/O (Rp bn)	500

Price Performance

	3M	6M	12M
Absolute	-6.2%	-17.9%	-20.5%
Relative to JCI	-3.6%	-15.5%	-15.6%
52w low/high (Rp)	3,420 – 4,420		



Major Shareholders

Republic of Indonesia	52.1%
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1Q24 results: in-line core profit and EBITDA; better cellular performance

- 1Q24 core profit was formed 25% of our FY24F – in-line.
- EBITDA improved by +2% yoy in the quarter and in-line with ours/consensus; amidst solid topline delivery and better cost discipline.
- Revenue (+4% yoy) also met our expectations; we fine-tune TLKM's FY24-25F EBITDA by 2-3% but reaffirm Buy.

In-line core profit and EBITDA

TLKM booked 1Q24 net profit of Rp6.1tr (-6% yoy/+20% qoq) – in-line with consensus (23% of FY24F). Stripping off the impact from unrealized gain on change in fair value of investments (Rp403bn), 1Q24 core profit reached Rp6.5tr (+5% yoy/+13% qoq) and is in-line with our forecasts (25% of our FY estimates). Meanwhile, EBITDA came in at Rp19.4tr (+2% yoy/+5% qoq) in the quarter, in-line with our/cons forecasts (at 24%). This implies EBITDA margin of 51.9% (-74bps yoy/+313bps qoq). Notably, cash opex rose by +5% yoy, though declined by -8% qoq, in-line with seasonality.

Revenue met our/consensus estimates; Tsel posted better performance

1Q24 revenue came in at Rp37.4tr (+4% yoy/-1% qoq) – in-line at 24% of our/consensus FY24F. Cellular revenue rose by +2% yoy, likely supported by a full-quarter impact from its c.6% selective price hikes in Nov23, though still declined by -3% qoq due to seasonal factors. We await more details from TLKM's info memo for operational data, but the initial read-through looks largely positive for Tsel, and hence the sector. Consumer revenue was flat yoy, but declined by -16% qoq, while enterprise revenue decline by -1% yoy, but rose by +23% qoq. WIB revenue increased by +18% yoy/+4% qoq.

Maintain BUY, with slightly lower TP of Rp4,200

Despite the in-line results, we fine-tuned our model and trimmed TLKM's FY24-25F EBITDA by 2-3%, mainly to factor-in FY23 and 1Q24 data points, as well as a slightly higher cost base. Note that we left our Tsel's assumptions largely unchanged, as we continue to believe that the monetization narrative remains intact. As such, we see the recent share price pullback as an opportunity to accumulate telco names, including TLKM (see our previous [note](#)). We maintain our BUY rating on TLKM with a slightly lower blended valuation-based (DCF and EV/EBITDA multiple) 12-month TP of Rp4,200 (vs. Rp4,400 previously). We await more details from TLKM's info memo and earnings call on 23rd Apr. Downside risk is intensifying competition.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	147,306	149,216	154,039	159,135	164,422
EBITDA	78,992	77,579	79,894	82,302	84,772
EBITDA growth	4.3%	-1.8%	3.0%	3.0%	3.0%
Net profit	20,753	24,560	26,203	27,217	28,826
EPS (Rp)	209	248	265	275	291
EPS growth	-16.2%	18.3%	6.7%	3.9%	5.9%
ROE	13.9%	15.7%	16.0%	16.0%	16.3%
PER (x)	15.7	13.2	12.4	11.9	11.3
EV/EBITDA (x)	4.8	4.9	4.7	4.6	4.4
Dividend yield	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: 18 April 2024

Fig. 1: TLKM 1Q24 results

(Rp bn)	1Q24	1Q23	% YoY	4Q23	% QoQ	3M24	3M23	% YoY	IP FY24F	% of IP	% of Cons.
Revenue	37,429	36,090	3.7%	37,978	-1.4%	37,429	36,090	3.7%	155,204	24.1%	24.0%
Operating expenses	(26,093)	(24,977)	4.5%	(28,044)	-7.0%	(26,093)	(24,977)	4.5%			
Operating profit	11,336	11,113	2.0%	9,934	14.1%	11,336	11,113	2.0%			
EBITDA	19,421	18,994	2.2%	18,516	4.9%	19,421	18,994	2.2%	81,874	23.7%	23.8%
Other income/(expense)	(1,193)	(516)	131.2%	(1,422)	-16.1%	(1,193)	(516)	131.2%			
Pre-tax profit	10,143	10,597	-4.3%	8,512	19.2%	10,143	10,597	-4.3%			
Taxes	(2,323)	(2,149)	8.1%	(1,693)	37.2%	(2,323)	(2,149)	8.1%			
Net profit	6,053	6,424	-5.8%	5,061	19.6%	6,053	6,424	-5.8%			22.7%
Core profit	6,456	6,145	5.1%	5,739	12.5%	6,456	6,145	5.1%	25,952	24.9%	N/A
Margin (%)											
EBITDA margin	51.9%	52.6%		48.8%		51.9%	52.6%				
Net margin	16.2%	17.8%		13.3%		16.2%	17.8%				
Operational data											
Consumer revenue	6,656	6,656	0.0%	7,965	-16.4%	6,656	6,656	0.0%			
Enterprise revenue	4,472	4,507	-0.8%	3,640	22.9%	4,472	4,507	-0.8%			
WIB revenue	4,760	4,040	17.8%	4,597	3.5%	4,760	4,040	17.8%			
Cellular revenue	21,091	20,635	2.2%	21,705	-2.8%	21,091	20,635	2.2%			

Source: Company, Indo Premier

Fig. 2: Forecast changes

TLKM		Previous			Current			Changes (%)		
(Rp bn)		FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Revenue	155,204	161,072	N/A	154,039	159,135	164,422		-0.8	-1.2	N/A
EBITDA	81,874	85,049	N/A	79,894	82,302	84,772		-2.4	-3.2	N/A
Net profit	25,952	27,256	N/A	26,203	27,217	28,826		1.0	-0.1	N/A

Source: Company, Indo Premier

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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