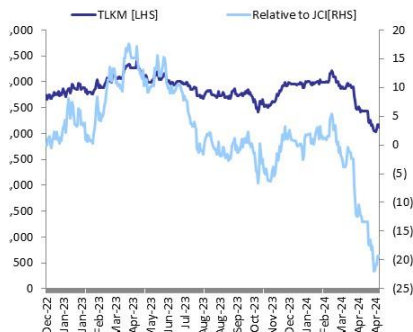


# BUY

(Maintain)

Last Price (Rp)	3,120
Target Price (Rp)	4,400
Previous Target Price (Rp)	4,400
Upside/Downside	+41.0%
No. of Shares (mn)	100,800
Mkt Cap (Rpbn/US\$mn)	314,496/19,431
Avg, Daily T/O (Rpbn/US\$mn)	425.7/26.3
Free Float (%)	47.9
Major Shareholder (%)	
Indonesia Govt.	52.1
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	254.7 266.3 279.3
Consensus	267.5 283.0 295.8
BRIDS/Cons (%)	(4.8) (5.9) (5.6)

## TLKM relative to JCI Index



Source: Bloomberg

## BRI Danareksa Sekuritas Analysts

Niko Margaronis

(62-21) 5091 4100 ext. 3512

Niko.margaronis@brids.co.id

# Telkom Indonesia (TLKM IJ)

## KTA from call with Telkomsel Directors: optimizing its market position to drive FMC monetization

- Positive traction on TSEL Lite through incentivizing users from the mass segments into becoming potentially productive FMC users.
- TSEL reaffirms its market leadership, highlighting its 98% network coverage surpassing its peers who are still building infra ex-Java.
- Buy rating on TLKM maintained; the intact growth outlook (albeit lower vs. peers) implies the current valuation discount (-2SD) is unwarranted.

### Declaring positive traction in retention rate and traffic for TSEL Lite and ByU.

We hosted a call with TSEL Directors with positive takeaways. TSEL's renewal rates improved since its introduction of TSEL Lite, while traffic increased by 15% yoy, successfully onboarding users to the customer value engine (CVM) to engage/retain users, with TSEL looking to upsell/cross-sell. TSEL asserts that little cannibalization has taken place as new plans are offered only to new IMEI phones. TSEL sees ongoing ARPU stabilization possibly to last through to 2024, balanced between the new sales and existing subs.

### TSEL's differentiated strategy: FMC as the end-game.

TSEL's differentiated strategy prioritizes households, targeting members across various segments with tailored incentives to maximize ARPA (account) for their FMC. While they might not be active mobile users for any telco (TSEL, IOH, XL), TSEL aims to convert them into productive users without incurring OPEX. Reactivating these users gives TSEL a potential edge over its rivals. It's critical for TSEL, as an incumbent, to maintain a 50%+ market share in KPIs. This dominance translates to higher revenue share, growth, and profitability.

### TSEL reaffirms its market leadership in Indonesia.

TSEL has countered recent Opensignal findings by highlighting their 98% network coverage in the country. Their reach surpasses its competitors who are still building infra and capacity in ex-Java areas. Additionally, TSEL is optimizing its multi-segment offerings (incl. youth and mass markets) to drive FMC monetization. TSEL's 8.5mn Indihome base further strengthens TSEL's FMC position vs. its peers.

### Reiterate Buy rating with a TP of Rp4,400.

We reiterate our Buy rating on TLKM with a TP of Rp4,400. We believe TLKM's FY24 EPS growth outlook of 3-5% is intact (albeit lower than its peers). As such, we think the current valuation discount (-2SD) is unwarranted. Key catalysts are the steady TSEL 46-48% EBITDA margin with additional S&M OPEX needed to support Indihome acquisitions (target: 800k-1mn new accounts in FY24), and the high FY24 Lebaran seasonality reflected by 20-25%/75-80% in 1Q/2Q24, respectively.

## Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	147,306	149,216	156,528	164,446	173,339
EBITDA (Rpbn)	78,992	77,579	82,190	86,229	91,007
EBITDA Growth (%)	4.3	(1.8)	5.9	4.9	5.5
Net Profit (Rpbn)	20,753	24,560	25,232	26,383	27,668
EPS (Rp)	209.5	247.9	254.7	266.3	279.3
EPS Growth (%)	(14.3)	18.3	2.7	4.6	4.9
BVPS (Rp)	1,304.8	1,370.3	1,468.6	1,556.5	1,649.4
DPS (Rp)	150.0	165.0	173.5	178.3	186.4
PER (x)	14.9	12.6	12.2	11.7	11.2
PBV (x)	2.4	2.3	2.1	2.0	1.9
Dividen yield (%)	4.8	5.3	5.6	5.7	6.0
EV/EBITDA	4.1	4.2	4.0	3.8	3.5

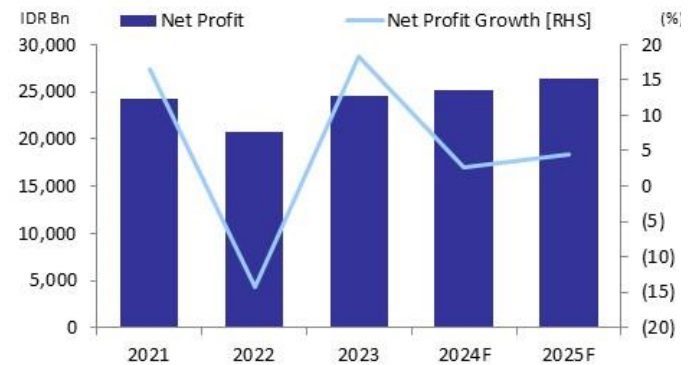
Source: TLKM, BRIDS Estimate

**Exhibit 1. Revenue and Growth**



Source: Company, BRIDS Estimates

**Exhibit 2. Net Profit and Growth**



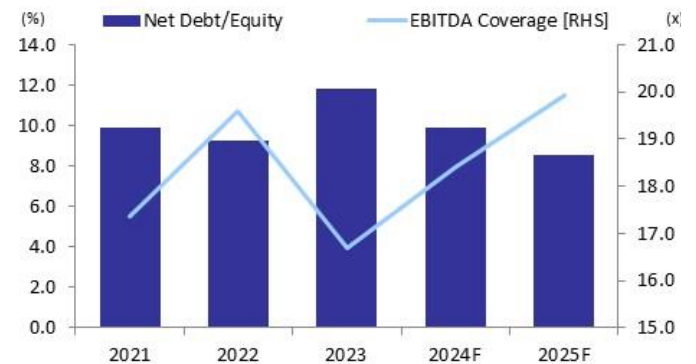
Source: Company, BRIDS Estimates

**Exhibit 3. Margins**



Source: Company, BRIDS Estimates

**Exhibit 4. Gearing Level**



Source: Company, BRIDS Estimates

**Exhibit 5. Income Statement**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
<b>Revenue</b>	<b>147,306</b>	<b>149,216</b>	<b>156,528</b>	<b>164,446</b>	<b>173,339</b>
COGS	(89,055)	(91,918)	(98,901)	(104,327)	(110,087)
<b>Gross profit</b>	<b>58,251</b>	<b>57,298</b>	<b>57,627</b>	<b>60,119</b>	<b>63,252</b>
<b>EBITDA</b>	<b>78,992</b>	<b>77,579</b>	<b>82,190</b>	<b>86,229</b>	<b>91,007</b>
<b>Oper. profit</b>	<b>39,581</b>	<b>44,384</b>	<b>46,405</b>	<b>48,260</b>	<b>50,702</b>
Interest income	878	1,061	621	783	913
Interest expense	(4,033)	(4,652)	(4,470)	(4,330)	(4,389)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	(87)	1	0	0	0
Other Income (Expenses)	0	0	0	0	0
<b>Pre-tax profit</b>	<b>36,339</b>	<b>40,794</b>	<b>42,557</b>	<b>44,714</b>	<b>47,226</b>
Income tax	(8,659)	(8,586)	(9,575)	(10,061)	(10,626)
Minority interest	(6,927)	(7,648)	(7,749)	(8,271)	(8,932)
<b>Net profit</b>	<b>20,753</b>	<b>24,560</b>	<b>25,232</b>	<b>26,383</b>	<b>27,668</b>
<b>Core Net Profit</b>	<b>20,753</b>	<b>24,560</b>	<b>25,232</b>	<b>26,383</b>	<b>27,668</b>

**Exhibit 6. Balance Sheet**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	30,530	29,261	27,349	29,587	33,350
Receivables	8,634	10,667	10,123	10,636	11,211
Inventory	1,144	997	1,123	1,180	1,244
Other Curr. Asset	11,983	13,281	13,251	13,921	14,674
Fixed assets - Net	201,967	212,070	223,941	235,369	244,722
Other non-curr.asset	18,168	19,359	18,764	19,061	18,912
<b>Total asset</b>	<b>273,775</b>	<b>287,296</b>	<b>295,518</b>	<b>310,679</b>	<b>325,228</b>
ST Debt	17,049	19,926	15,769	16,216	16,133
Payables	18,457	24,871	22,726	23,875	25,166
Other Curr. Liabilities	34,882	26,771	32,337	33,973	35,810
Long Term Debt	27,331	27,773	28,190	28,612	29,042
Other LT. Liabilities	28,211	31,139	29,675	30,407	30,041
<b>Total Liabilities</b>	<b>125,930</b>	<b>130,480</b>	<b>128,696</b>	<b>133,084</b>	<b>136,192</b>
Shareholder's Funds	129,258	135,744	145,484	154,189	163,397
Minority interests	20,004	20,818	22,755	24,823	27,056
<b>Total Equity &amp; Liabilities</b>	<b>275,192</b>	<b>287,042</b>	<b>296,935</b>	<b>312,096</b>	<b>326,645</b>

**Exhibit 7. Cash Flow**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	20,753	24,560	25,232	26,383	27,668
Depreciation and Amort.	33,255	32,663	35,785	37,969	40,305
Change in Working Capital	436	(5,193)	4,562	1,588	1,545
Other Oper. Cash Flow	3,155	3,591	3,848	3,546	3,476
<b>Operating Cash Flow</b>	<b>57,599</b>	<b>55,621</b>	<b>69,427</b>	<b>69,486</b>	<b>72,995</b>
Capex	(35,381)	(28,977)	(47,656)	(49,396)	(49,658)
Others Inv. Cash Flow	7,616	(130)	1,217	486	1,062
<b>Investing Cash Flow</b>	<b>(27,765)</b>	<b>(29,107)</b>	<b>(46,439)</b>	<b>(48,910)</b>	<b>(48,597)</b>
Net change in debt	(6,435)	6,247	(5,205)	1,602	(20)
New Capital	0	0	0	0	0
Dividend payment	(14,860)	(16,345)	(17,192)	(17,662)	(18,468)
Other Fin. Cash Flow	(7,480)	(3,896)	(2,503)	(2,276)	(2,149)
<b>Financing Cash Flow</b>	<b>(28,775)</b>	<b>(13,994)</b>	<b>(24,900)</b>	<b>(18,336)</b>	<b>(20,636)</b>
<b>Net Change in Cash</b>	<b>1,059</b>	<b>12,520</b>	<b>(1,912)</b>	<b>2,239</b>	<b>3,762</b>
Cash - begin of the year	38,311	30,530	29,261	27,349	29,587
Cash - end of the year	30,530	29,261	27,349	29,587	33,350

**Exhibit 8. Key Ratio**

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth (%)</b>					
Sales	2.9	1.3	4.9	5.1	5.4
EBITDA	4.3	(1.8)	5.9	4.9	5.5
Operating profit	(16.8)	12.1	4.6	4.0	5.1
Net profit	(14.3)	18.3	2.7	4.6	4.9
<b>Profitability (%)</b>					
Gross margin	39.5	38.4	36.8	36.6	36.5
EBITDA margin	53.6	52.0	52.5	52.4	52.5
Operating margin	26.9	29.7	29.6	29.3	29.3
Net margin	14.1	16.5	16.1	16.0	16.0
ROAA	7.5	8.8	8.7	8.7	8.7
ROAE	16.5	18.5	17.9	17.6	17.4
<b>Leverage</b>					
Net Gearing (x)	0.1	0.1	0.1	0.1	0.1
Interest Coverage (x)	9.8	9.5	10.4	11.1	11.6

Source : TLKM, BRIDS Estimates

**BRI Danareksa Equity Research Team**

Erindra Krisnawan, CFA	Head of Equity Research, Strategy, Coal	<a href="mailto:erindra.krisnawan@brids.co.id">erindra.krisnawan@brids.co.id</a>
Natalia Sutanto	Consumer, Cigarettes, Pharmaceuticals, Retail	<a href="mailto:natalia.sutanto@brids.co.id">natalia.sutanto@brids.co.id</a>
Niko Margaronis	Telco, Tower, Technology, Media	<a href="mailto:niko.margaronis@brids.co.id">niko.margaronis@brids.co.id</a>
Hasan Barakwan	Metal, Oil and Gas	<a href="mailto:hasan.barakwan@brids.co.id">hasan.barakwan@brids.co.id</a>
Victor Stefano	Banks, Poultry	<a href="mailto:victor.stefano@brids.co.id">victor.stefano@brids.co.id</a>
Ismail Fakhri Suweleh	Healthcare, Property, Industrial Estate	<a href="mailto:ismail.suweleh@brids.co.id">ismail.suweleh@brids.co.id</a>
Richard Jerry, CFA	Automotive, Cement	<a href="mailto:richard.jerry@brids.co.id">richard.jerry@brids.co.id</a>
Ni Putu Wilastita Muthia Sofi	Research Associate	<a href="mailto:wilastita.sofi@brids.co.id">wilastita.sofi@brids.co.id</a>
Naura Reyhan Muchlis	Research Associate	<a href="mailto:naura.muchlis@brids.co.id">naura.muchlis@brids.co.id</a>
Sabela Nur Amalina	Research Associate	<a href="mailto:sabela.amalina@brids.co.id">sabela.amalina@brids.co.id</a>
Christian Immanuel Sitorus	Research Associate	<a href="mailto:christian.sitorus@brids.co.id">christian.sitorus@brids.co.id</a>

**BRI Danareksa Economic Research Team**

Helmy Kristanto	Chief Economist, Macro Strategy	<a href="mailto:helmy.kristanto@brids.co.id">helmy.kristanto@brids.co.id</a>
Dr. Telisa Aulia Falianty	Senior Advisor	<a href="mailto:telisa.falianty@brids.co.id">telisa.falianty@brids.co.id</a>
Kefas Sidauruk	Economist	<a href="mailto:kefas.sidauruk@brids.co.id">kefas.sidauruk@brids.co.id</a>

**BRI Danareksa Institutional Equity Sales Team**

Yofi Lasini	Head of Institutional Sales and Dealing	<a href="mailto:yofi.lasini@brids.co.id">yofi.lasini@brids.co.id</a>
Novrita Endah Putrianti	Institutional Sales Unit Head	<a href="mailto:novrita.putrianti@brids.co.id">novrita.putrianti@brids.co.id</a>
Ehrlich Suhartono	Institutional Sales Associate	<a href="mailto:ehrliech@brids.co.id">ehrliech@brids.co.id</a>
Yunita Nababan	Institutional Sales Associate	<a href="mailto:yunita@brids.co.id">yunita@brids.co.id</a>
Adeline Solaiman	Institutional Sales Associate	<a href="mailto:adeline.solaiman@brids.co.id">adeline.solaiman@brids.co.id</a>
Andreas Kenny	Institutional Sales Associate	<a href="mailto:andreas.kenny@brids.co.id">andreas.kenny@brids.co.id</a>
Christy Halim	Institutional Sales Associate	<a href="mailto:christy.halim@brids.co.id">christy.halim@brids.co.id</a>
Jason Joseph	Institutional Sales Associate	<a href="mailto:jason.joseph@brids.co.id">jason.joseph@brids.co.id</a>

**BRI Danareksa Sales Traders**

Mitcha Sondakh	Head of Sales Trader	<a href="mailto:mitcha.sondakh@brids.co.id">mitcha.sondakh@brids.co.id</a>
Suryanti Salim	Sales Trader	<a href="mailto:suryanti.salim@brids.co.id">suryanti.salim@brids.co.id</a>

**INVESTMENT RATING**

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

**Disclaimer**

The information contained in this report has been taken from sources which we deem reliable. However, none of PT BRI Danareksa Sekuritas and/or its affiliated and/or their respective employees and/or agents makes any representation or warrant (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of PT BRI Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitations for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as results of acting in reliance upon the whole or any part of the contents of this report and neither PT BRI Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in the report is not to be taken as any recommendation made by PT BRI Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regards to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.