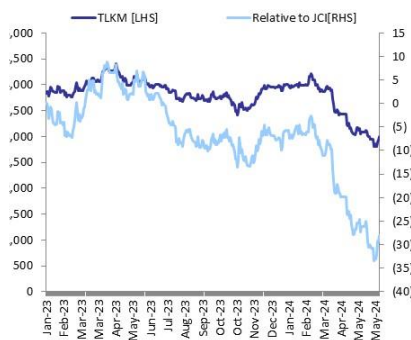


BUY

(Maintain)

Last Price (Rp)	3,050		
Target Price (Rp)	4,400		
Previous Target Price (Rp)	4,400		
Upside/Downside	+44.3%		
No. of Shares (mn)	100,800		
Mkt Cap (Rpbn/US\$mn)	307,440/18,908		
Avg, Daily T/O (Rpbn/US\$mn)	466.5/28.7		
Free Float (%)	47.9		
Major Shareholder (%)	Indonesia Govt. 52.1		
EPS Consensus (Rp)	2024F	2025F	2026F
BRIDS	254.7	266.3	279.3
Consensus	265.4	282.7	294.9
BRIDS/Cons (%)	(4.0)	(5.8)	(5.3)

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 meeting with TSEL CFO: reaffirmed defensive mode with profitability as top priority

- TSEL's CFO reiterated its defensive stance amid peers' expansions by positioning in new segments and empowering sales.
- TSEL launches 'EZnet' product under Indihome at lower price points to tap new markets and maintain ~70% market share amid shift to FMC.
- Maintain BUY rating on TLKM and TP of Rp4,400, as we see TSEL's FMC grand plan to be taking shape in 2H24.

New CFO reiterates TSEL's defensive stance amid competition in ex-Java.

As a nationwide player with 1Q24's 49.0% mobile revenue share/ 52.4% EBITDA share/ 45.0% subscribers share, TSEL is laying out its strategy with TSEL Lite amid increased competition from peers in ex-Java. Although TSEL Lite is an acquisition starter pack by nature (as showed in TSEL's positioning on 30day small quotas with Sakti and Hot Promos in our [tracker](#)), TSEL does not guide on subscriber growth and instead aims to defend its market shares and to compensate rotational churners in ex-Java. TSEL guides for stable ARPU in FY24 at current level Rp45.3k. Additionally, the new HR Director in TSEL is in coordination with the CFO for plans to empower the sales teams in ex-Java and counter the threat from peers.

En-route to for 800k-1mn new Indihome subs in FY24.

As part of the Indihome initiative, TSEL has recently launched 'EZnet' the new home BB internet product EZnet based on FTTH. The product is designated to be available in 450+cities (as per website) with max. 10mbps speed at Rp150k/month in Java, Rp170k in Sumatra, and Rp200k for the rest of country. As previously guided, TSEL aims for subscriber growth ("the next new ~10mn Indihome accounts") through exploring new segments with lower price points to maintain its ~70% subs market share amid its move to FMC.

FMC masterplan set to take shape in 2H24 with billing integration due.

We see pathway for TSEL's two key initiatives (i.e., strategic mobile positioning in the mass market and Indihome's new EZnet FTTH product) to converge and support its aim to build robust new subscriber base. TSEL guides that the integration of billing systems for mobile (incl. prepaid) and Indihome will be completed in 3Q24 - early 2025, to bind the unification of these FMC efforts.

Maintain Buy rating with unchanged TP of Rp4,400

We see the CFO's primary goals (ie, efficiently manage the legacy decline, achieve 45-46% EBITDA margin upon acquiring new spectrum, streamline Indihome's revenue reporting by 2Q24) to be aligned with goals to preserve TLKM's profitability. Key risks are FMC implementation delays.

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)	14.6	12.3	12.0	11.5	10.9
PBV (x)	2.3	2.2	2.1	2.0	1.8
Dividen yield (%)	4.9	5.4	5.7	5.8	6.1
EV/EBITDA	4.2	4.3	4.1	3.9	3.7

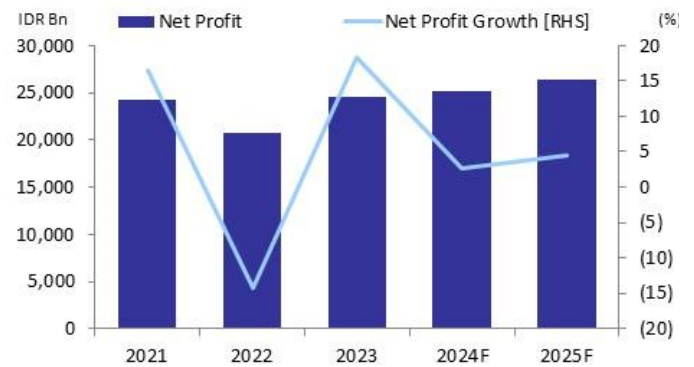
Source: TLKM, BRIDS Estimates

Exhibit 1. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 2. Net Profit and Growth



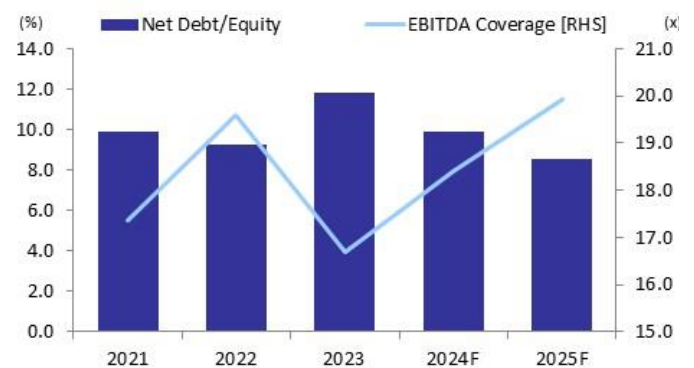
Source: Company, BRIDS Estimates

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
Revenue	147,306	149,216	156,528	164,446	173,339
COGS	(89,055)	(91,918)	(98,901)	(104,327)	(110,087)
Gross profit	58,251	57,298	57,627	60,119	63,252
EBITDA	78,992	77,579	82,190	86,229	91,007
Oper. profit	39,581	44,384	46,405	48,260	50,702
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
Pre-tax profit	36,339	40,794	42,557	44,714	47,226
Income tax	(8,659)	(8,586)	(9,575)	(10,061)	(10,626)
Minority interest	(6,927)	(7,648)	(7,749)	(8,271)	(8,932)
Net profit	20,753	24,560	25,232	26,383	27,668
Core Net Profit	20,753	24,560	25,232	26,383	27,668

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
Total asset	273,775	287,296	295,518	310,679	325,228
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
Total Liabilities	125,930	130,480	128,696	133,084	136,192
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
Total Equity & Liabilities	275,192	287,042	296,935	312,096	326,645

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
Operating Cash Flow	57,599	55,621	69,427	69,486	72,995
Capex	(35,381)	(28,977)	(47,656)	(49,396)	(49,658)
Others Inv. Cash Flow	7,616	(130)	1,217	486	1,062
Investing Cash Flow	(27,765)	(29,107)	(46,439)	(48,910)	(48,597)
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)
Financing Cash Flow	(28,775)	(13,994)	(24,900)	(18,336)	(20,636)
Net Change in Cash	1,059	12,520	(1,912)	2,239	3,762
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
Growth (%)					
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
Profitability (%)					
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
Leverage					
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	erindra.krisnawan@brids.co.id
Natalia Sutanto	Consumer, Cigarettes, Pharmaceuticals, Retail	natalia.sutanto@brids.co.id
Niko Margaronis	Telco, Tower, Technology, Media	niko.margaronis@brids.co.id
Timothy Wijaya	Metal, Oil and Gas	timothy.wijaya@brids.co.id
Victor Stefano	Banks, Poultry	victor.stefano@brids.co.id
Ismail Fakhri Suweleh	Healthcare, Property, Industrial Estate	ismail.suweleh@brids.co.id
Richard Jerry, CFA	Automotive, Cement	richard.jerry@brids.co.id
Ni Putu Wilastita Muthia Sofi	Research Associate	wilastita.sofi@brids.co.id
Naura Reyhan Muchlis	Research Associate	naura.muchlis@brids.co.id
Sabela Nur Amalina	Research Associate	sabela.amalina@brids.co.id
Christian Immanuel Sitorus	Research Associate	christian.sitorus@brids.co.id

BRI Danareksa Economic Research Team

Helmy Kristanto	Chief Economist, Macro Strategy	helmy.kristanto@brids.co.id
Dr. Telisa Aulia Falianty	Senior Advisor	telisa.falianty@brids.co.id
Kefas Sidauruk	Economist	kefas.sidauruk@brids.co.id

BRI Danareksa Institutional Equity Sales Team

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

BRI Danareksa Sales Traders

Mitcha Sondakh	Head of Sales Trader	mitcha.sondakh@brids.co.id
Suryanti Salim	Sales Trader	suryanti.salim@brids.co.id

INVESTMENT RATING

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

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