Buy

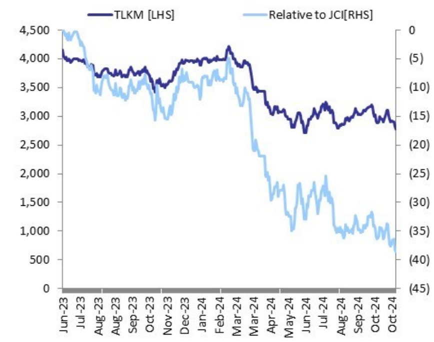
(Maintained)

Last Price (Rp)	**2,750**
Target Price (Rp)	**4,250**
Previous Target Price (Rp)	***4,250***
Upside/Downside	**+54.5%**
No. of Shares (mn)	**100,800**
Mkt Cap (Rpbn/US$mn)	**277,200/17,461**
Avg, Daily T/O (Rpbn/US$mn)	**339.9/21.4**
Free Float (%)	**47.8**
Major Shareholder (%)	
Indonesia Govr	52.1

EPS Consensus (Rp)

	2024F	2025F	2026F
BRIDS	236.0	260.7	271.2
Consensus	245.1	261.3	274.0
BRIDS/Cons (%)	**(3.7)**	**(0.2)**	**(1.0)**

TLKM relative to JCI Index



Source: Bloomberg

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Telkom Indonesia (TLKM IJ)

FMC strategy poised to gain further momentum; near-term catalyst from improving prices

- **TSEL FMC strategy, through single billing, is set to gain further momentum amid stronger data traffic and improving outlook catalysts.**
- **We expect TLKM's network convergence and infra investments to help sustain EBITDA margins at >51%, despite recent OPEX volatilities.**
- **We believe TLKM is significantly undervalued at 4x EV/EBITDA (-2sd of 5-year mean). We maintain Buy with ST catalyst from price increases.**

Telkomsel: FMC Convergence to Drive Future Growth
To broaden and deepen market engagement, TSEL has launched several initiatives, including Super Seru (2H23), TSEL Lite, ByU, and new data plans. These efforts have driven increased traffic market share in 3Q24 (exh. 4). Furthermore, the company launched Telkomsel One (early 2H23) and EZnet (Jun24). We anticipate similar fixed broadband success and expect strong cross-selling potential with its FMC (Fixed-Mobile Convergence) offerings, further enabled by the planned single billing system launch in 4Q24/1Q25.

Catalysts in place for the FMC strategy to start bearing fruits
TLKM's 3Q24 revenue decreased 2.7% qoq, with core EBITDA margin contracting 140bps to 50.6%, reflecting weak macro conditions. However, several catalysts suggest a potential 4Q24 recovery: a) stabilizing consumer spending in Oct24 (per TSEL and industry peers); b) we noted price increases for short-validity Ketengan, Hot Promos and 28-day Super Seru packages (aligning with TSEL's 5-10% near-term guidance); c) strong seasonality (elections, holidays, Lebaran FY25). We project 2% qoq revenue growth for Telkomsel and the sector in 4Q24, setting a positive stage for FY25.

The best long-term growth play in the sector amid its FMC and Infraco
We believe TSEL's FMC strategy offers the greatest upside potential, leveraging its substantial captive market and network traffic consolidation. Furthermore, unlike competitors, TLKM retains ownership of fiber assets, with Infraco poised for monetization in FY25-26. We forecast EBITDA margin to remain at a minimum of 51%, with a relatively unleveraged balance sheet.

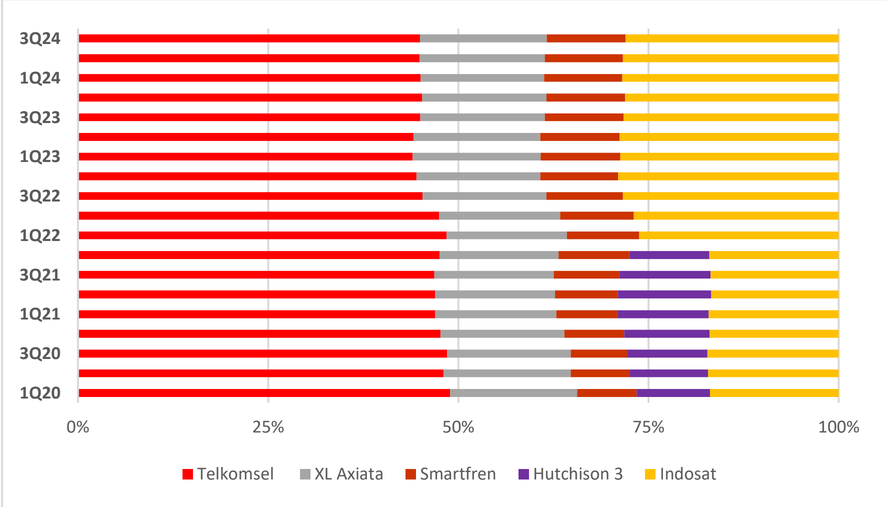
BUY rating on Telkom's FMC and infrastructure plays
Telkom currently trades at 4x EV/EBITDA at -2SD from its 5yr and 7yr mean. We believe this is significantly undervalued, given TSEL's recent transformation and Telkom's strategic investments in data centers, fiber, and towers, positioning it for further monetization. We maintain our BUY rating with a DCF-based TP of Rp4,250. Illegal internet proliferation remains key risk.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	147,306	149,216	152,214	159,268	167,169
EBITDA (Rpbn)	78,992	77,579	77,050	82,858	87,165
EBITDA Growth (%)	4.3	(1.8)	(0.7)	7.5	5.2
Net Profit (Rpbn)	20,753	24,560	23,383	25,825	26,862
EPS (Rp)	209.5	247.9	236.0	260.7	271.2
EPS Growth (%)	(14.3)	18.3	(4.8)	10.4	4.0
BVPS (Rp)	1,304.8	1,370.3	1,428.1	1,501.2	1,575.7
DPS (Rp)	150.0	181.9	178.5	187.4	196.8
PER (x)	13.3	11.2	11.8	10.7	10.3
PBV (x)	2.1	2.0	1.9	1.9	1.8
Dividen yield (%)	5.4	6.5	6.4	6.7	7.1
EV/EBITDA	4.1	4.2	4.3	4.0	3.8

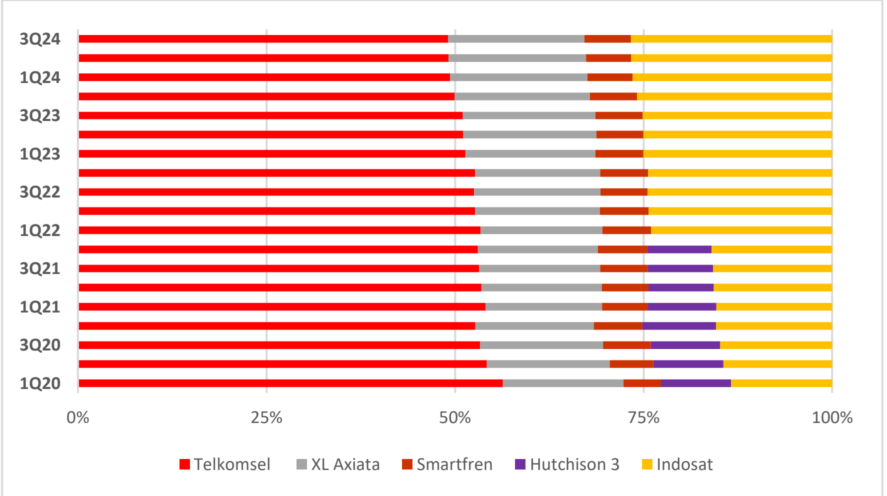
Source: TLKM, BRIDS Estimates

Exhibit 1. Mobile subscribers market share



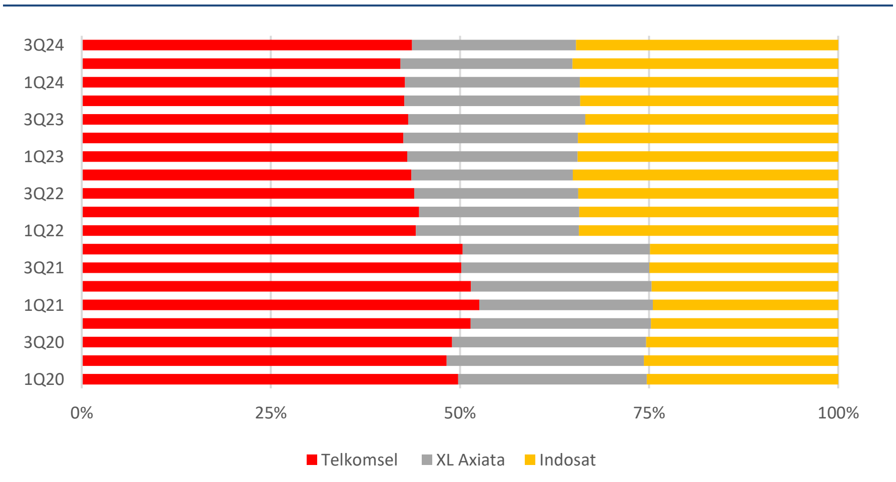
Source: Bloomberg, BRIDS

Exhibit 2. Mobile service revenue market share



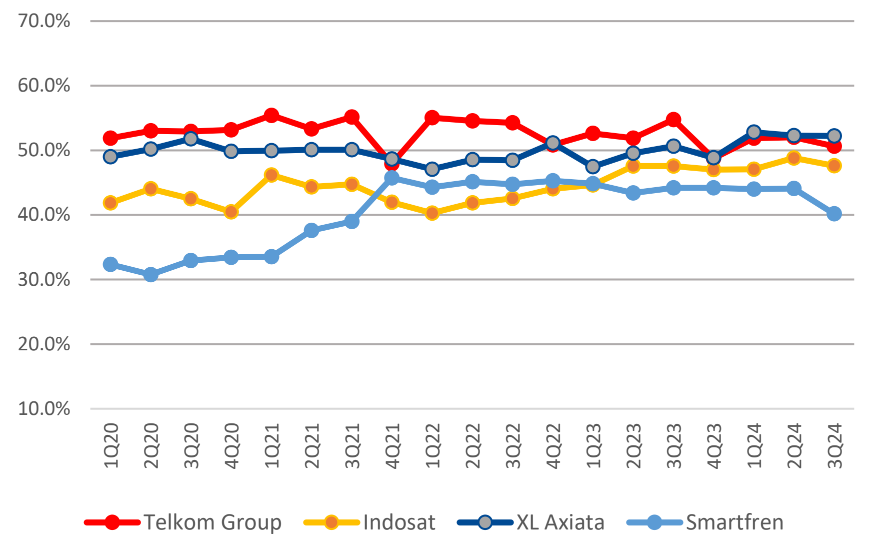
Source: Bloomberg, BRIDS

Exhibit 3. Data payload (does not include FREN, Hutch traffic)



Source: Bloomberg, BRIDS

Exhibit 4. Telkom EBITDA margin compared to peers



Source: Bloomberg, BRIDS

Exhibit 5. Tracking Telkomsel Hot Promo data plans – Nov. 2024

Telkomsel (key offerings)	total GB Oct'24	total GB Nov'24	Prices Oct-24	Prices Nov-24	Δ % Oct-Nov'24	yield/gb Oct'24	yield/gb Nov'24
Hot Promos in Telkomsel Lite starter packs.							
Hot Promo Bulanan 6GB 30day	6.0	6.0	21,900	21,900	0%	3,650	3,650
Hot Promo Bulanan 7GB 30day	10.0	10.0	25,000	25,000	0%	2,500	2,500
Hot Promo Bulanan 10GB 30day	10.0	10.0	26,000	26,000	0%	2,600	2,600
Hot Promo Bulanan (& Prime Video) 11GB 30d	11.0	11.0	35,000	35,000	0%	3,182	3,182
Hot Promo Bulanan 15GB 30day	15.0	15.0	31,000	31,000	0%	2,067	2,067
Hot Promo Bulanan 24GB 30day	24.0	24.0	43,000	43,000	0%	1,792	1,792
Hot Promo Bulanan 40GB 30day	40.0	40.0	68,000	68,000	0%	1,700	1,700
Hot Promo Bulanan 60GB 30day	60.0	60.0	86,000	86,000	0%	1,433	1,433
Hot Promo Mingguan 2GB 7day	2.0	2.0	10,000	**11,000**	**10%**	5,000	5,500
Hot Promo Mingguan 5GB 7day	5.0	5.0	17,000	**19,000**	**12%**	3,400	3,800
Hot Promo Mingguan 13GB 7day	13.0	13.0	32,000	**35,500**	**11%**	2,462	2,731
Hot Promo Mingguan 20GB 7day	20.0	20.0	42,000	**46,500**	**11%**	2,100	2,325
Hot Promo Mingguan 27GB 7day	27.0	27.0	52,000	**57,500**	**11%**	1,926	2,130
Hot Promo 3Harian 1.5GB 3day	1.5	1.5	8,000	n/a	**n/a**	5,333	n/a
Hot Promo 3Harian 2.5GB 3day	2.5	2.5	10,000	**11,000**	**10%**	4,000	4,400
Hot Promo 3Harian 6.5GB 3day	6.5	6.5	17,000	**19,000**	**12%**	2,615	2,923
Hot Promo 3Harian 9GB 3day	9.0	9.0	22,000	**24,500**	**11%**	2,444	2,722
Hot Promo 3Harian 12GB 3day	12.0	12.0	27,000	**30,000**	**11%**	2,250	2,500

Source: Company, BRIDS

Exhibit 6. Tracking Telkomsel Ketengan data plans – Nov. 2024

Telkomsel Ketengan packages (selected)	Total GBs, Jun'24	Total GBs, Jul'24	Total GBs, Oct'24	Total GBs, Nov'24	Oct-24	Nov-24	Δ % Oct-Nov24	yield/GB Oct'24	yield/GB Nov'24
Kuota Utama Ketengan									
Ketengan ~~0.5GB~~ 0.7GB 1day	0.7	0.7	0.7	0.7	4,000	4,500	12.5%	5,714	6,429
Ketengan ~~5GB~~ 6GB 1day	6.0	6.0	6.0	6.0	17,000	18,000	5.9%	2,833	3,000
Ketengan ~~0.5GB~~ 0.7GB 3day	0.7	0.7	0.7	0.7	12,500	13,500	8.0%	17,857	19,286
Ketengan ~~20GB~~ 22GB 3day	23.0	23.0	23.0	23.0	55,000	59,000	7.3%	2,391	2,565
Ketengan 0.5GB 7day	1.0	1.0	1.0	1.0	22,000	24,000	9.1%	22,000	24,000
Harian Sepuasnya 1GB 1day	1.0	1.0	1.0	1.0	6,500	7,500	15.4%	6,500	7,500
Harian Sepuasnya 4GB 1day	4.0	4.0	4.0	4.0	12,500	13,500	8.0%	3,125	3,375
Ketengan ~~35GB~~ 40.5GB 7day	40.5	40.5	40.5	40.5	77,500	82,500	6.5%	1,914	2,037
Kuota Ketengan (YTB/IG/~~FB~~/Tktk/TW/WA)									
Ketengan Sosmed 1GB 1day	1.0	1.0	1.0	1.0					
Ketengan Sosmed 1GB 3day	1.0	1.0	1.0	1.0	5,800	6,800	17.2%	5,800	6,800
Ketengan Sosmed ~~2GB~~ 2.5GB 3day	2.5	2.5	2.5	2.5	8,000	9,000	12.5%	3,200	3,600
Ketengan Sosmed 1GB 7day	1.0	1.0	1.0	1.0	9,500	10,500	10.5%	9,500	10,500
Ketengan Sosmed ~~2GB~~ 2.5GB 7day	2.5	2.5	2.5	2.5	11,800	13,800	16.9%	4,720	5,520
Ketengan Sosmed ~~3GB~~ 3.5GB 7day	3.5	3.5	3.5	3.5	13,500	15,500	14.8%	3,857	4,429
Ketengan Sosmed ~~5GB~~ 5.5GB 30day	5.5	5.5	5.5	5.5	34,000	36,000	5.9%	6,182	6,545
Ketengan Sosmed 11GB 30day	11.0	11.0	11.0	11.0	54,000	58,000	7.4%	4,909	5,273
Kuota Ketengan Education Ilmupedia atau Ruangguru ***: Quipper, Zenius, Cakap, Bahaso, Sekolah.mu, 202 universities e-learning and institutions***									
Ketengan Ilmu / Rgru 1day 1GB	1.0	1.0	1.0	1.0	1,100	1,500	36.4%	1,100	1,500
Ketengan Ilmu / Rgru 10GB 1day	10.0	10.0	10.0	10.0	3,300	3,500	6.1%	330	350
Ketengan Ilmu / Rgru 5GB 3day	5.0	5.0	5.0	5.0	3,300	3,500	6.1%	660	700
Ketengan Ilmu / Rgru ~~10GB~~ 11GB 3day	11.0	11.0	11.0	11.0	5,500	6,500	18.2%	500	591
Ketengan Ilmu / Rgru ~~15GB~~ 17GB 3day	17.0	17.0	17.0	17.0	7,700	8,000	3.9%	453	471
Ketengan Ilmu / Rgru ~~10GB~~ 11GB 7day	11.0	11.0	11.0	11.0	9,300	9,500	2.2%	845	864
Ketengan Ilmu / Rgru ~~15GB~~ 17GB 7day	17.0	17.0	17.0	17.0	11,500	12,500	8.7%	676	735
Ketengan Ilmu / Rgru ~~25GB~~ 28GB 7day	28.0	28.0	28.0	28.0	13,100	13,500	3.1%	468	482

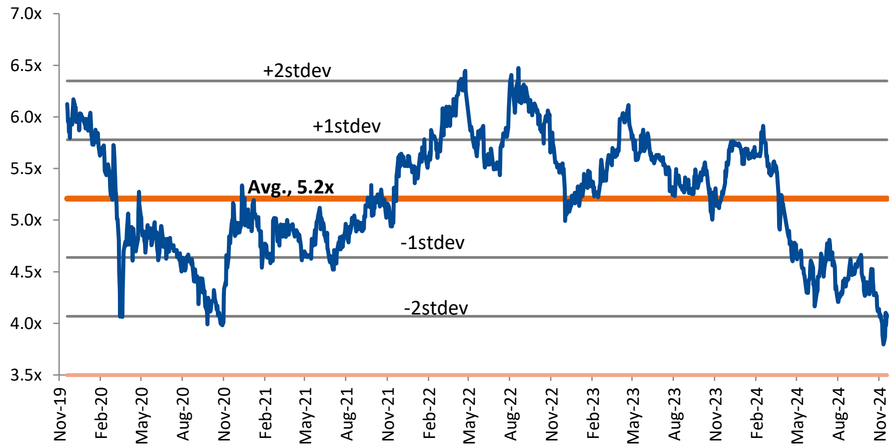
Source: Company, BRIDS

Exhibit 7. Tracking Telkomsel Super Seru data plans – Nov. 2024

Telkomsel (key offerings)	total GB Oct'24	total GB Nov'24	Prices Oct-24	Prices Nov-24	Δ % Oct-Nov'24	yield/gb Oct'24	yield/gb Nov'24
Paket Super Seru							
Super seru 10GB, 28day	10.0	10.0	25,000	25,000	0%	2,500	2,500
Super seru 18GB, 28day	20.0	20.0		40,000	n/a	-	2,000
Super seru 25GB, 28day	25.0	25.0	50,000	50,000	0%	2,000	2,000
Super seru 50GB, 28day	30.0	30.0	75,000	75,000	0%	2,500	2,500
Super seru 80GB, 28day	80.0	80.0	100,000	100,000	0%	1,250	1,250
Super seru 80GB +viu+weTV+prime , 28day	80.0	80.0	110,000	110,000	0%	1,375	1,375
Super seru 125GB, 28day	125.0	125.0	150,000	150,000	0%	1,200	1,200
Super seru 125GB +viu+weTV+prime , 28day	125.0	125.0	160,000	160,000	0%	1,280	1,280
Super seru 150GB, 28day	150.0	150.0	180,000	180,000	0%	1,200	1,200
Super seru 170GB, 28day	170.0	170.0	200,000	200,000	0%	1,176	1,176
Super seru 170GB +viu+weTV+prime , 28day	170.0	170.0	210,000	250,000	19%	1,235	1,471
Super seru 100GB, 28day	100.0	100.0	120,000	120,000	0%	1,200	1,200
Super seru 210GB +viu+weTV+prime , 28day	210.0	210.0	260,000	300,000	15%	1,238	1,429

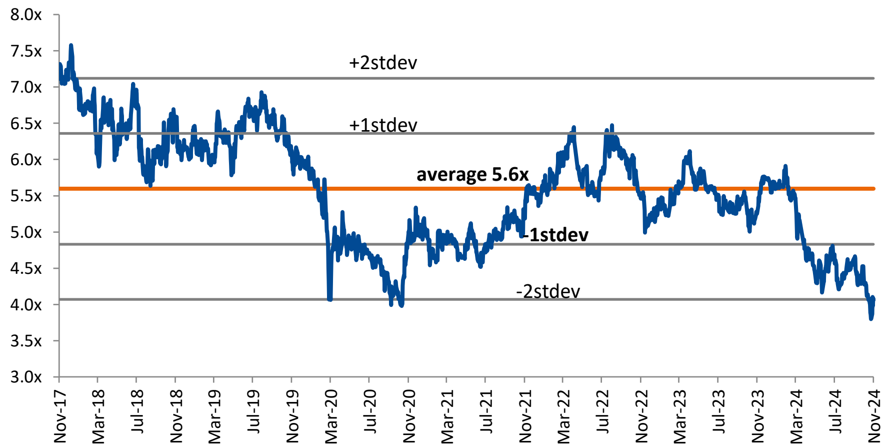
Source: Company, BRIDS

Exhibit 8. TLKM 5-year forward EV/EBITDA multiple band



Source: Bloomberg, BRIDS

Exhibit 9. TLKM 7-year forward EV/EBITDA multiple band



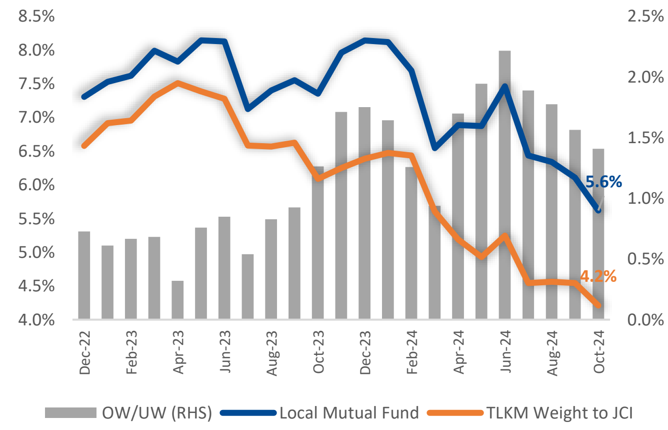
Source: Bloomberg, BRIDS

Exhibit 10. Sector multiples valuations

Company	Rec.	Target Price (Rp)	Market Cap. (RpBn)	Net debt	P/E (x)		EV/EBITDA (x)		P/BV (x)		ROAE %		Dividend yield %	
					'24F	'25F	'24F	'25F	'24F	'25F	'24F	'25F	'24F	'25F
XL Axiata	BUY	3,500	28,497	44,809	13.8	10.8	4.2	4.0	1.1	1.0	7.9	9.8	2.3	3.6
Indosat Ooredoo Hutchison	BUY	3,800	78,692	49,253	14.8	12.5	4.7	4.3	2.3	2.1	16.3	17.4	3.4	5.6
Telkom Indonesia	BUY	4,250	272,421	48,599	12.2	11.3	4.3	4.0	1.9	1.9	16.1	16.9	6.5	6.8

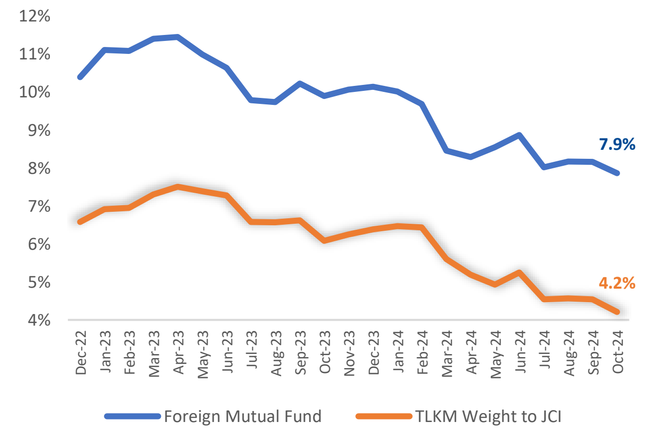
Source: Bloomberg, BRIDS

Exhibit 11. TLKM's Domestic Fund Positioning



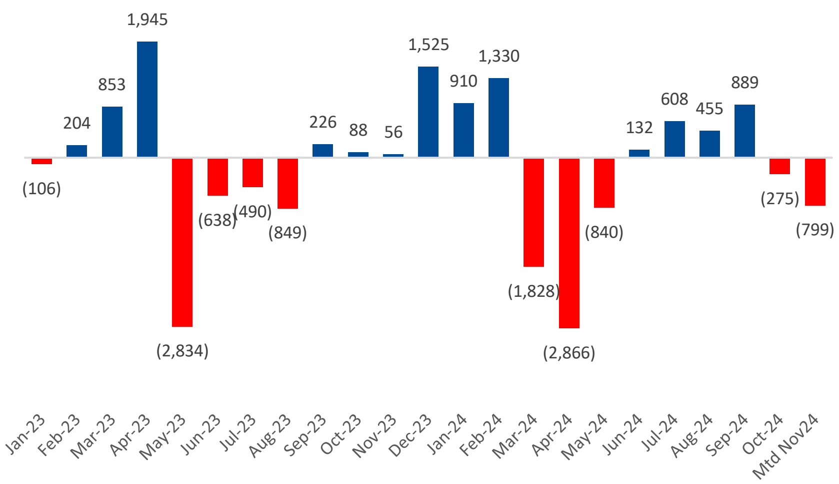
Source: KSEI, BRIDS

Exhibit 12. TLKM's Foreign Ownership



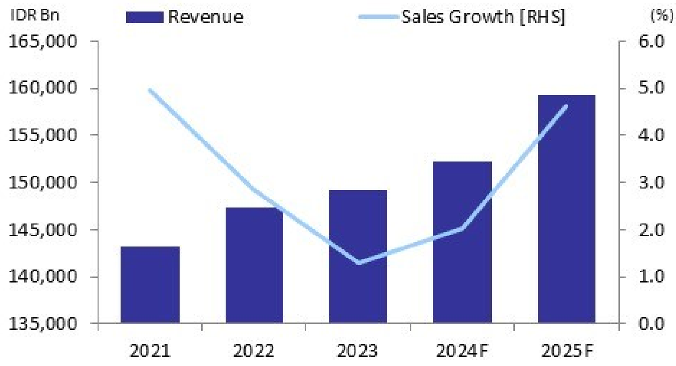
Source: KSEI, BRIDS

Exhibit 13. TLKM's Monthly Foreign Flow (Rpbn)



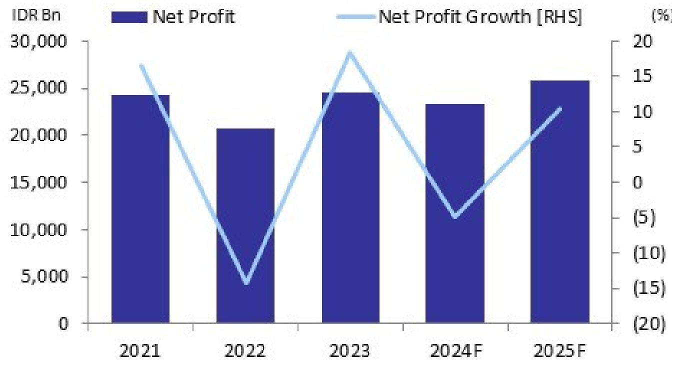
Source: IDX, Bloomberg, BRIDS

Exhibit 14. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 15. Net Profit and Growth

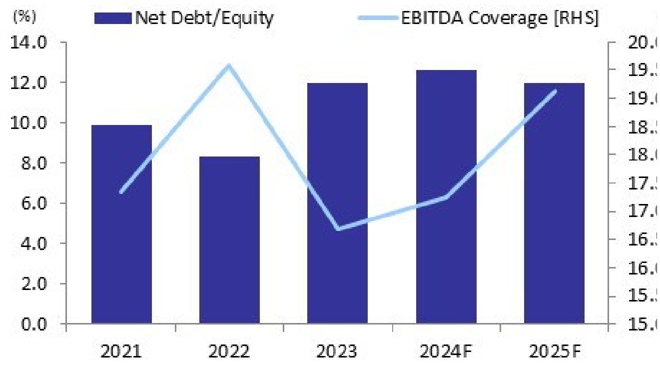


Source: Company, BRIDS Estimates

Exhibit 16. Margins

Source: Company, BRIDS Estimates

Exhibit 17. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 18. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	**147,306**	**149,216**	**152,214**	**159,268**	**167,169**
COGS	(89,055)	(91,918)	(97,614)	(100,625)	(105,646)
Gross profit	**58,251**	**57,298**	**54,600**	**58,643**	**61,523**
EBITDA	**78,992**	**77,579**	**77,050**	**82,858**	**87,165**
Oper. profit	**39,581**	**44,384**	**42,046**	**45,406**	**47,495**
Interest income	878	1,061	1,185	1,148	1,164
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	2	0	0
Other Income (Expenses)	0	0	0	0	0
Pre-tax profit	**36,339**	**40,794**	**38,764**	**42,225**	**44,270**
Income tax	(8,659)	(8,586)	(8,528)	(9,289)	(9,739)
Minority interest	(6,927)	(7,648)	(6,853)	(7,110)	(7,669)
Net profit	**20,753**	**24,560**	**23,383**	**25,825**	**26,862**
Core Net Profit	**20,753**	**24,560**	**23,383**	**25,825**	**26,862**

Exhibit 19. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	31,947	29,007	23,277	24,114	26,089
Receivables	8,634	10,667	9,844	10,301	10,812
Inventory	1,144	997	1,092	1,143	1,199
Other Curr. Asset	11,983	13,281	12,886	13,483	14,152
Fixed assets - Net	201,967	212,070	224,352	235,262	244,058
Other non-curr.asset	18,168	19,359	18,764	19,061	18,912
Total asset	**275,192**	**287,042**	**291,183**	**304,288**	**316,339**
ST Debt	17,049	19,926	15,769	16,216	16,133
Payables	18,457	24,871	22,099	23,123	24,271
Other Curr. Liabilities	34,882	26,771	31,446	32,903	34,535
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**	**127,178**	**131,262**	**134,022**
Shareholder'sFunds	129,258	135,744	141,473	148,717	156,091
Minority interests	20,004	20,818	22,531	24,309	26,226
Total Equity & Liabilities	**275,192**	**287,042**	**291,183**	**304,288**	**316,339**

Exhibit 20. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	20,753	24,560	23,383	25,825	26,862
Depreciation and Amort.	33,255	32,663	35,374	37,451	39,670
Change in Working Capital	436	(5,193)	3,720	1,420	1,352
OtherOper. Cash Flow	3,155	3,591	3,285	3,182	3,225
Operating Cash Flow	**57,599**	**55,621**	**65,760**	**67,878**	**71,109**
Capex	(35,381)	(28,977)	(47,656)	(48,361)	(48,467)
Others Inv. Cash Flow	7,616	(130)	1,781	850	1,312
Investing Cash Flow	**(27,765)**	**(29,107)**	**(45,875)**	**(47,511)**	**(47,155)**
Net change in debt	(6,435)	6,247	(5,205)	1,602	(20)
New Capital	0	0	0	0	0
Dividend payment	(14,860)	(18,016)	(17,683)	(18,567)	(19,495)
Other Fin. Cash Flow	(7,480)	(3,896)	(2,727)	(2,567)	(2,465)
Financing Cash Flow	**(28,775)**	**(15,665)**	**(25,615)**	**(19,531)**	**(21,979)**
Net Change in Cash	**1,059**	**10,849**	**(5,729)**	**836**	**1,975**
Cash - begin of the year	38,311	31,947	29,007	23,277	24,114
Cash - end of the year	31,947	29,007	23,277	24,114	26,089

Exhibit 21. Key Ratios

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	2.9	1.3	2.0	4.6	5.0
EBITDA	4.3	(1.8)	(0.7)	7.5	5.2
Operating profit	(16.8)	12.1	(5.3)	8.0	4.6
Net profit	(14.3)	18.3	(4.8)	10.4	4.0
Profitability (%)					
Gross margin	39.5	38.4	35.9	36.8	36.8
EBITDA margin	53.6	52.0	50.6	52.0	52.1
Operating margin	26.9	29.7	27.6	28.5	28.4
Net margin	14.1	16.5	15.4	16.2	16.1
ROAA	7.5	8.7	8.1	8.7	8.7
ROAE	16.5	18.5	16.9	17.8	17.6
Leverage					
Net Gearing (x)	0.1	0.1	0.1	0.1	0.1
Interest Coverage (x)	9.8	9.5	9.4	10.5	10.8

Source: TLKM, BRIDS Estimates

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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