Thursday, **Aug 29th, 2024**

PT Telkom Indonesia Tbk

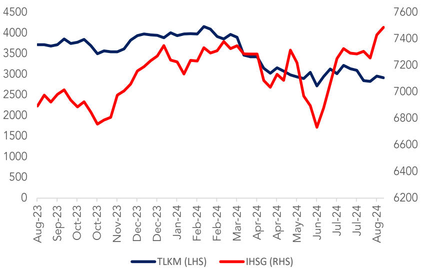
(TLKM.JK / TLKM.IJ)

BUY

Price (Aug 28th, 24)	2,980
Target Price	3,440
Potential Upside	15.40%
Market Cap	292.23 T
Number of Share	99.06 B
52w Lo/Hi	2700/4240

Source : IDX | Phintraco Sekuritas Research | as of Aug 28th, 2024

IHSG vs TLKM



Source : IDX

Shareholder	%
Government Indonesia	52.10
Public	47.90

Source : Company | as of fin. statement FY2023

EPS Consensus vs Forecast

	AT	Consensus*	%Diff
2024F	236	255	-7.45
2025F	234	270	-13.33

Source : *marketscreener | as of Aug 28th, 2024

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ERP Pressure Hit TLKM's EBITDA in 2Q24

TLKM recorded an increase in revenue of 1.27% YoY (+1.16% QoQ) to IDR37.86 trillion in 2Q24. The data, internet, and IT services segment driven growth, which increased by 7.17% YoY (+5.26% QoQ) to IDR45.45 Trillion. However, IndiHome segment performance came under pressure with a decline of -15.12% YoY to IDR6.11 trillion (vs IDR7.20 trillion, 2Q23). On the other hand, Early Retirement Program (ERP) and investment in GOTO also weighed on EBITDA, which fell by 4.86% YoY (-5.02% QoQ) to IDR18.47 trillion with EBITDA Margin declining by 3.20bps to 48.70%. This decline in EBITDA also affected net profit, which shrank by 9.85% YoY (-5.70% QoQ) to IDR5.70 trillion in 2Q24.

Telkomsel Lite contributed positively to subscriber growth in 2Q24. Since its launch at the end of March 2024, Telkomsel has recorded a 4.30% YoY growth in the number of subscribers, reaching 159k (vs 101k ISAT 59k EXCL). However, this increase was not accompanied by an increase in ARPU as Telkomsel Lite targets the low-cost market segment. Telkomsel's combined ARPU fell by 4.84% YoY (-0.22% QoQ), to IDR45.20k (vs IDR47.50k, 1H23). In addition, the yield also decreased by 6.78% YoY (+1.61% QoQ). Despite the decline in ARPU and yield, revenue continued to grow at a single-digit level due to a 9.27% YoY (+2.20% QoQ) surge in data traffic, reaching 4,929 petabytes.

EZNet enlivens the fixed broadband market in Indonesia. Telkom introduced EZNet service with a speed of 10 Mbps and a price of IDR150 thousand/month. EZNet will operate in Java and Bali. With more "competitive" tariffs than other providers, we expect an increase in subscribers. On the other hand, we expect the user experience to be satisfactory, as EZNET will utilize Telkom's reliable infrastructure. However, lower pricing will likely result in lower ARPU and yield, given the lower subscription fees compared to competitors.

Management has indicated that personnel costs will return to normal in 2H24 as there are no plans for another ERP implementation soon. This decision aligns with TLKM's strategy to improve the quality of its workforce to suit future business development plans better. Management set a conservative growth target for this year, with revenue increasing in the lower single-digit range while maintaining EBITDA in the 50% range.

We maintain our BUY recommendation for TLKM with a lower target price of IDR3,440 per share, reflecting a potential upside of 15.40%. This valuation is based on DCF with terminal growth of 2%. This upside potential implies a PER and EV/EBITDA valuation of 14.56x and 4.80x, respectively, for FY24F.

Key Operational Highlight

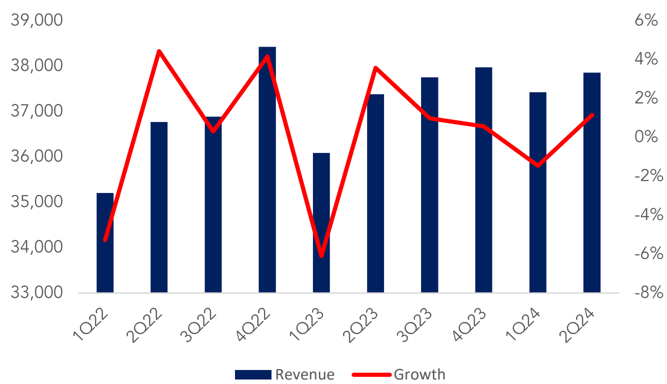
PT Telkom Indonesia Tbk								
(in Billion IDR)	1H23	1H24	YoY	1Q24	2Q24	QoQ	Phintas	%Phintas
Income Statement								
Revenue	73,478	75,292	**2.47%**	37,429	37,863	**1.16%**	151,847	**50%**
Operating Income	22,436	21,739	**-3.11%**	11,336	10,403	**-8.23%**	46,178	**47%**
EBITDA	38,384	37,868	**-1.34%**	19,421	18,447	**-5.02%**	79,508	**48%**
Net Income	12,756	11,761	**-7.80%**	6,053	5,708	**-5.70%**	25,743	**46%**
Profitability Ratios								
Operating Profit Margin (%)	30.53%	28.87%		30.29%	27.48%			
EBITDA Margin (%)	52.24%	50.29%		51.89%	48.72%			
Net Profit Margin (%)	17.36%	15.62%		16.17%	15.08%			
Operational Data								
Total Customer	153,269	159,882						
ARPU Blended	47.50	45.20						
IndiHome Customer (in thousands)	9,528	10,563						
Indihome ARPU (in thousands)	260	240						

Source : Company | Phintraco Sekuritas Research

Projection Change	New		Old		Change (%)	
PT Telkom Indonesia Tbk	24F	25F	24F	25F	24F	25F
Revenue	151,469	153,786	151,847	154,059	-0.25%	-0.18%
Operating Profit	43,725	43,746	46,178	45,980	-5.31%	-4.86%
EBITDA	77,194	78,733	79,508	81,241	-2.91%	-3.09%
Net Income	23,401	23,159	25,743	25,289	-9.10%	-8.42%
Ratio (%)	New		Old		Change (bps)	
Operating Profit Margin	29%	28%	30%	30%	(2)	(1)
EBITDA Margin	51%	51%	52%	53%	(1)	(2)
Net Profit Margin	15%	15%	17%	16%	(2)	(1)

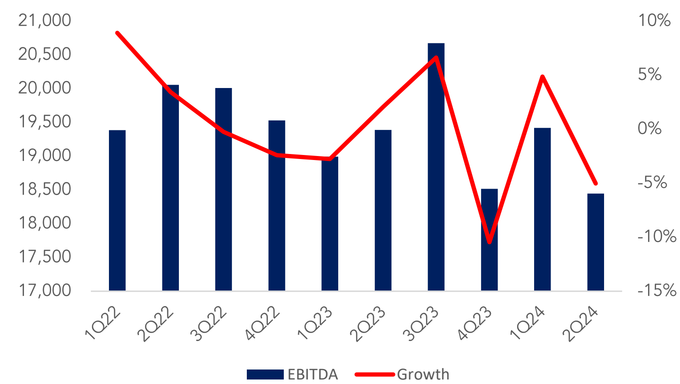
Source : Company | Phintraco Sekuritas Research

Figure 4. Revenue Trajectory



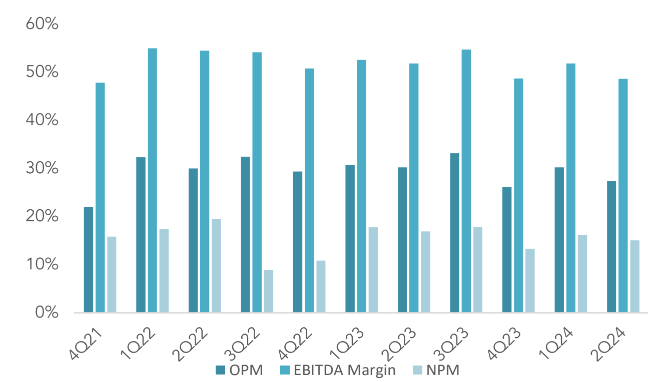
Source : Company | Phintraco Sekuritas Research

Figure 5. EBITDA Trajectory



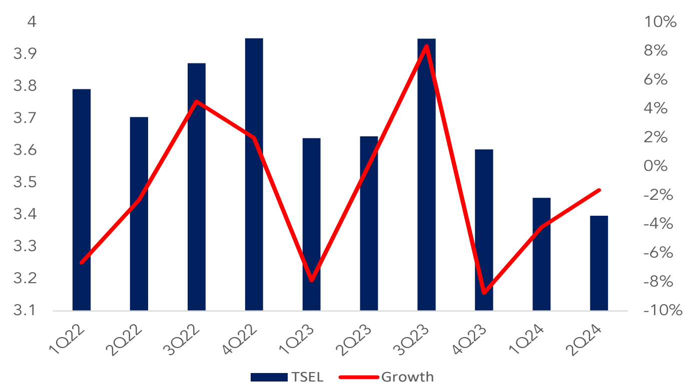
Source : Company | Phintraco Sekuritas Research

Figure 6. Margin Ratios



Source : Company | Phintraco Sekuritas Research

Figure 7. Yield Data TSEL



Source : Company | Phintraco Sekuritas Research

Figure 9. Sensitivity Analysis

		Terminal Growth				
		1.00%	1.50%	2.00%	2.50%	3.00%
WACC	9.14%	3,570	3,770	4,000	4,260	4,570
	9.64%	3,330	3,500	3,700	3,920	4,180
	10.14%	3,110	3,270	**3,440**	3,630	3,850
	10.64%	2,920	3,060	3,210	3,370	3,560
	11.14%	2,750	2,870	3,000	3,150	3,310

Source : Company | Phintraco Sekuritas Research

Performance Highlight

(in Billion Rupiah)

BALANCE SHEET	FY21	FY22	FY23	FY24F	FY25F
Asset					
Cash	38,311	31,947	29,007	30,662	31,100
Accounts Receivable	8,510	8,634	10,667	9,569	9,908
Inventories	779	1,144	997	1,004	1,024
Total Current Assets	61,277	55,057	55,613	55,674	57,060
Fixed Assets	165,026	173,329	180,755	188,674	194,182
Total Non Current Assets	215,907	220,135	231,429	238,912	246,139
Total Asset	277,184	275,192	287,042	294,586	303,200
Liabilities					
Trade Payables	17,170	18,457	18,608	18,715	19,220
Short Term Bank Loans	6,682	8,191	9,650	9,315	9,287
Current Maturities of Long-terr	9,690	8,858	10,276	9,919	9,889
Current maturities of lease liab	5,961	4,925	5,575	5,381	5,365
Total Current Liabilities	69,131	70,388	71,568	72,796	72,952
Long-term Loan	36,319	27,331	27,773	26,808	26,728
Lease Liabilities	10,426	13,736	14,850	14,334	14,291
Total Non Current Liabilities	62,654	55,542	58,912	57,552	57,957
Total Liabilities	53,094	82,265	81,013	81,848	81,205
Equity	145,399	149,262	156,562	164,238	172,290

Source : Company | Phintraco Sekuritas Research

(in Billion Rupiah)

CASH FLOW	FY21	FY22	FY23	FY24F	FY25F
Cash Flow from Operating					
Net Income	24,760	20,753	24,560	23,401	23,159
Depreciation & Amortization	15,694	14,326	9,165	25,404	26,787
Working Capital	3,204	798	(1,735)	1,198	147
Others	2,129	674	(4,108)	2,511	(867)
Net-CFFO	45,787	36,551	27,882	52,514	49,227
Cash Flow from Investing					
CAPEX	(19,797)	(22,629)	(16,591)	(33,323)	(32,295)
Others	(11,364)	4,075	(3,868)	436	(1,720)
Net-CFFI	(31,161)	(18,554)	(20,459)	(32,887)	(34,015)
Cash Flow from Financing					
Short Term Debt	(2,347)	(359)	3,527	(886)	(73)
Long Term Debt	5,963	(5,678)	1,556	(1,481)	(122)
Equity Financing	-	-	-	-	-
Dividend	(14,662)	(13,443)	(18,016)	(15,964)	(15,211)
Other	14,142	(4,881)	2,570	359	632
Net-CFFF	3,096	(24,361)	(10,363)	(17,972)	(14,774)
NET CASH FLOW	17,722	(6,364)	(2,940)	1,655	437

Source : Company | Phintraco Sekuritas Research

(in Billion Rupiah)

INCOME STATEMENT		FY21	FY22	FY23	FY24F	FY25F
Revenue		143,210	147,306	149,216	151,469	153,786
	Growth (YoY)	*4.94%*	*2.86%*	*1.30%*	*1.51%*	*1.53%*
Cost of Service		(69,949)	(71,439)	(72,381)	(73,786)	(74,971)
Gross Profit		73,261	75,867	76,835	77,683	78,815
	GPM	*51.16%*	*51.50%*	*51.49%*	*51.29%*	*51.25%*
EBITDA		79,379	72,836	77,047	77,194	78,733
	EBITDA Margin	*55.43%*	*49.45%*	*51.63%*	*50.96%*	*51.20%*
EBIT		47,563	39,581	44,384	43,725	43,746
	EBIT Margin	*33.21%*	*26.87%*	*29.74%*	*28.87%*	*28.45%*
Finance Cost		(4,365)	(4,033)	(4,652)	(5,022)	(5,397)
Profit Before Tax		43,678	36,339	40,794	39,806	39,497
	EBT Margin	*30.50%*	*24.67%*	*27.34%*	*26.28%*	*25.68%*
Net Profit After Tax		24,760	20,753	24,560	23,401	23,159
	NPM	*17.29%*	*14.09%*	*16.46%*	*15.45%*	*15.06%*

Source : Company | Phintraco Sekuritas Research

(in Billion Rupiah)

RATIOS	FY21	FY22	FY23	FY24F	FY25F
Profitability Ratio (%)					
GPM	51.16%	51.50%	51.49%	51.29%	51.25%
EBITDA Margin	55.43%	49.45%	51.63%	50.96%	51.20%
OPM	33.21%	26.87%	29.74%	28.87%	28.45%
NPM	17.29%	14.09%	16.46%	15.45%	15.06%
ROA	8.93%	7.54%	8.56%	7.94%	7.64%
ROE	20.35%	16.06%	18.09%	16.32%	15.29%
ROIC	8.64%	6.86%	7.76%	7.05%	6.70%
Activity Ratio (X)					
Inventory Turnover	183.84	128.76	149.66	150.85	150.26
Payables Turnover	4.07	3.87	3.89	3.94	3.90
Days of Inventory	1.96	2.80	2.41	2.39	2.40
Days of Receivables	21.39	21.10	25.74	22.74	23.19
Days of Payables	4.07	3.87	3.89	3.94	3.90
Cash Operating Cycle	(65.02)	(69.11)	(64.41)	(66.18)	(66.70)
Leverage Ratio (%)					
Debt to Asset Ratio	29.23%	26.40%	27.03%	25.27%	24.46%
Debt to Equity Ratio	43.41%	38.94%	39.95%	36.76%	34.94%
Net Gearing Ratio	20.39%	20.25%	24.71%	20.72%	19.21%
Interest Coverage Ratio (ICR)	10.90X	9.81X	9.54X	8.71X	8.11X
Net Debt / EBITDA	31.25%	35.93%	43.53%	38.49%	36.96%
Interest Rate	7.09%	6.65%	7.71%	7.96%	7.46%
Liquidity Ratio (X)					
Current Ratio	1.13	1.28	1.29	1.31	1.28
Quick Ratio	0.88	0.77	0.76	0.75	0.77
Cash Ratio	0.55	0.45	0.41	0.42	0.43
Price Ratio					
Price per Share at the end of the year	4,040	3,750	3,950	3,440	3,440
Outstanding Shares (in Billion)	99.06	99.06	99.06	99.06	99.06
EPS (IDR) (annualized)	250	209	248	236	234
BVPS (IDR)	1,228	1,305	1,370	1,448	1,529
PER(X)	16.16	17.90	15.93	14.56	14.71
PBV(X)	3.29	2.87	2.88	2.38	2.25
EV/EBITDA (annualized)	5.35	5.46	5.51	4.80	4.70
Dividends					
DPS	168.01	149.97	167.60	161.15	153.55
DPR	60%	80%	65%	65%	65%
Div. Yield	4.16%	4.00%	4.24%	4.68%	4.46%

Source : Company | Phintraco Sekuritas Research

Glossarium

BVPS	: *Book Value per Share*
CFFF	: *Cash Flow from Financing*
CFFI	: *Cash Flow from Investing*
CFFO	: *Cash Flow from Operating*
DPR	: *Dividend Payout Ratio*
DPS	: *Dividend per Share*
EBIT	: *Earning Before Interes & Tax*
EBITDA	: *Earning Before Interest, Tax, Depreciation & Amortization*
EBT	: *Earning Before Tax*
EPS	: *Earning per Share*
EV	: *Enterprise Value*
FBB	: *Fixed Broadband*
FMC	: *Fixed Mobile Convergence*
FTTH	: *Fiber to the Home*
FTTT	: *Fiber to the Tower*
NPM	: *Net Profit Margin*
NPM	: *Net Profit Margin*
OPM	: *Operating Profit Margin*
PBV	: *Price to Book Value*
PER	: *Price to Earning Ratio*
ROA	: *Return on Asset*
ROE	: *Return on Equity*

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Rating for Stocks :

Buy	: The stock is expected to give total return (price appreciation + dividend yield) of > +10% over the next 12 months.
Hold	: The stock is expected to give total return of > 0% to ≤ +10% over the next 12 months.
Sell	: The stock is expected to give total return of < 0% over the next 12 months.
Outperform	: The stock is expected to do slightly better than the market return. Equal to "moderate buy"
Underperform	: The stock is expected to do slightly worse than the market return. Equal to "moderate sell"

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