

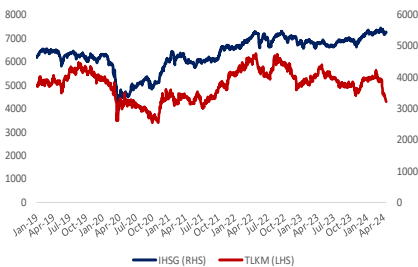


## Buy

Price (Apr 19 <sup>th</sup> , 24)	Rp3,150
Target Price	Rp4,471
Potential Upside	41.90%
Market Cap	312.04 T
Number of Share	99 B
52w Lo/Hi	3,150 / 4,500

Source : IDX | Phintraco Sekuritas Research  
| as of Apr 19<sup>th</sup>, 2024

### IHSG vs TLKM



Source : IDX

Shareholder	%
Government Republic of Indonesia	52.09
Public	43.98

Source : Company | as of fin. statement FY2023

### EPS Consensus vs Forecast

	AT	Consensus*	%Diff
2024F	259.87	266.43	-2.46%
2025F	255.29	280.31	-8.93%

Source : \*marketscreener | as of Apr 16<sup>th</sup>, 2024

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## PT Telkom Indonesia Tbk

(TLKM.JK / TLKM.IJ)

### Prudent Growth Strategy Amidst Connectivity Boom and Digitalization

**TLKM reported revenue growth of 3.71% YoY (1.45% QoQ) to IDR37.43 trillion in 1Q24.** The increase in revenue was contributed by the growth of data, internet and IT services group by 11.3% YoY or IDR22.15 trillion considering that during 1Q24 the demand for connectivity was high due to the ongoing elections, despite a 2.58% decrease in ARPU in to IDR45.60k in 1Q24. The increase in the data group was driven by an increase in data traffic by 3.81% YoY as well as the number of subscribers which grew by 5.69% YoY (0.21% QoQ) to 159 million users. EBITDA generated in 1Q24 amounted to Rp19.09 trillion or grew 5.64% YoY (-1.13% QoQ). This resulted in a net profit of Rp6.5 trillion or an increase of 1.23% YoY (28.49% QoQ)

**The increase in revenue was accompanied by an increase in operating expenses which increased by 5.30% YoY.** The majority of the increase in operating expenses was due to an increase in interconnection costs which grew 22.80% YoY, the increase in interconnection items was in line with the company's expansion in the international wholesale voice business line. Employee expenses recorded a growth of 10.40% YoY to IDR4.13 trillion. The increase in this component was due to an increase in income tax related to the distribution of THR at the end of 1Q24. Another component of operating expenses, marketing increased by 4.10% YoY or reached IDR 794 million. The surge in marketing expenses in 1Q24 was a result of promotions carried out to welcome the Fastang and Lebaran moments.

**TLKM projects revenue growth in the single-digit range, while still maintaining EBITDA Margin in the 50-52% range by 2024.** We believe the future will see a surge in demand for connectivity, business digitalization, and the adoption of Internet of Things (IoT) technology will be key factors in maintaining the margin. We expect a surge in demand given that the number of internet users as well as Indonesia's internet penetration is on an increasing trend every year (Figure 1). With 4G BTS infrastructure ready almost all over Indonesia (Figure 2), we are optimistic that TLKM can fulfill the growing connectivity needs and be the answer. In addition, TLKM plans to allocate 22-24% of its revenue for capital expenditure. These funds will be used to develop mobile, fixed broadband, as well as other telecommunication sectors such as data center, cloud and backbone infrastructure.

**We estimate an increase in revenue in FY24E of IDR154.82 trillion (vs IDR149.22 trillion FY23).** With the main contributors of the revenue group growing in the range of 5%-10% and operating expenses cost efficiency falling in the range of 1%-5%, we expect net profit to grow 8.02% YoY (vs 18.34% FY23). We expect ARPU to decline in the last two quarters due to management adjustments. However, we believe in the future ARPU will stabilize in the range of ~Rp46-Rp47k. We also expect the company to be able to improve cost efficiency, especially in operating expenses.

**Using Discounted Free Cash Flow method with Required Return of 8.80% and Terminal Growth of 3.00% as terminal value.** We assess that TLKM has an upside potential of 41.90% or IDR4,471 per share (Expected PBV at 2.5X and PE at 16.5x in FY24F), thus we give TLKM a BUY rating.

## Key Operational Highlight

PT Telkom Indonesia Tbk					
(in Billion IDR)	1Q23	4Q23	1Q24	QoQ	YoY
Revenue	36,090	37,978	37,429	-1.4%	3.71%
Cost of Revenue	(17,055)	(19,436)	(17,710)	-8.9%	3.84%
Gross Profit	19,035	18,542	19,719	6.3%	3.59%
Operating Income	11,431	9,492	11,008	16.0%	-3.70%
Net Income	6,424	5,061	6,503	28.5%	1.23%
EPS (IDR)	64.8	51.1	65.6	28.5%	1.23%
Gross Profit Margin (%)	52.74%	48.82%	52.68%	386 bps	-6 bps
Operating Income Margin (%)	31.67%	24.99%	29.41%	442 bps	-226 bps
Net Profit Margin (%)	17.80%	13.33%	17.37%	405 bps	-43 bps

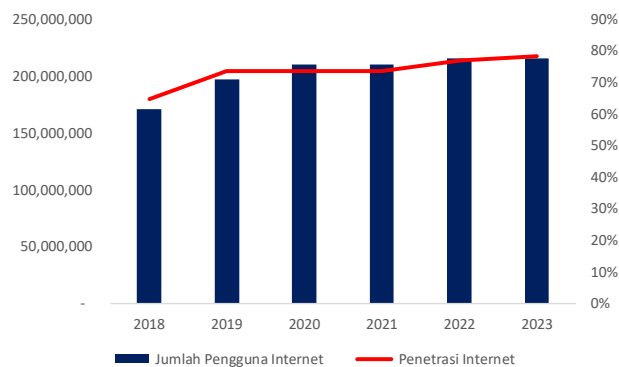
Source : Company | Phintraco Sekuritas Research

PT Telkom Indonesia Tbk					
	1Q23	4Q23	1Q24	QoQ	YoY
ARPU Mobile in Thousand	45.30	46.50	45.30	-2.6%	0.00%
Mobile Customer Base in Thousand	151,067	159,340	159,668	0.2%	5.69%
ARPU Indihome in Thousand	-	249	243	-2.5%	0.00%
BTS on Air (Units)	258,929	247,472	257,349	4.0%	-0.61%
Data Payload (TB)	4,217,405	4,646,549	4,823,809	3.8%	14.38%

Source : Company | Phintraco Sekuritas Research

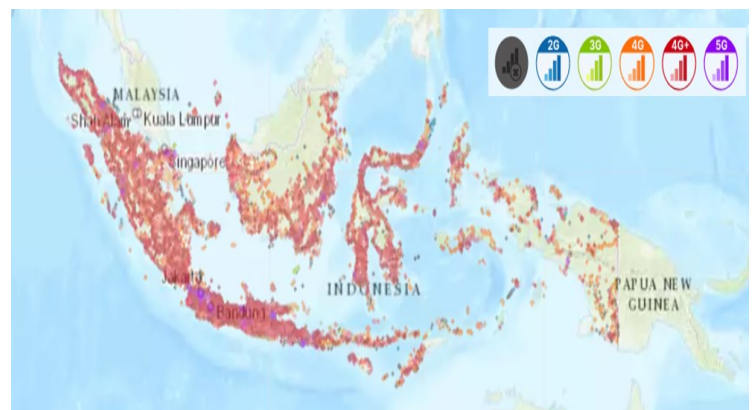
## Performance Highlight

Figure 1. Users vs Internet Penetration



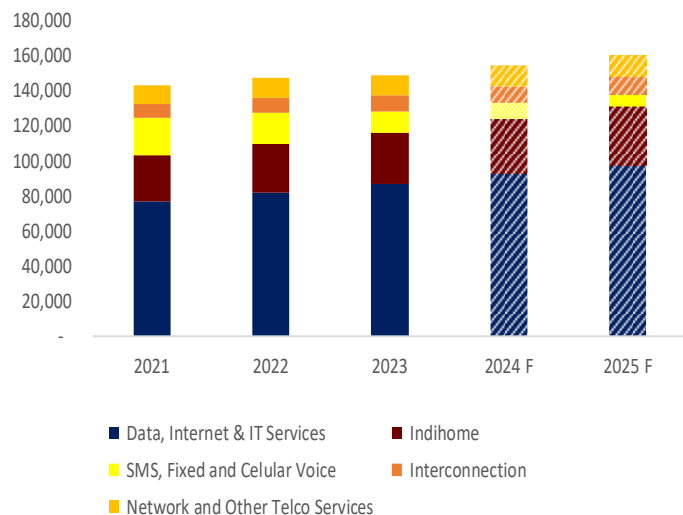
Source : Company | Phintraco Sekuritas Research

Figure 2. Indonesia TLKM's Signal Maps

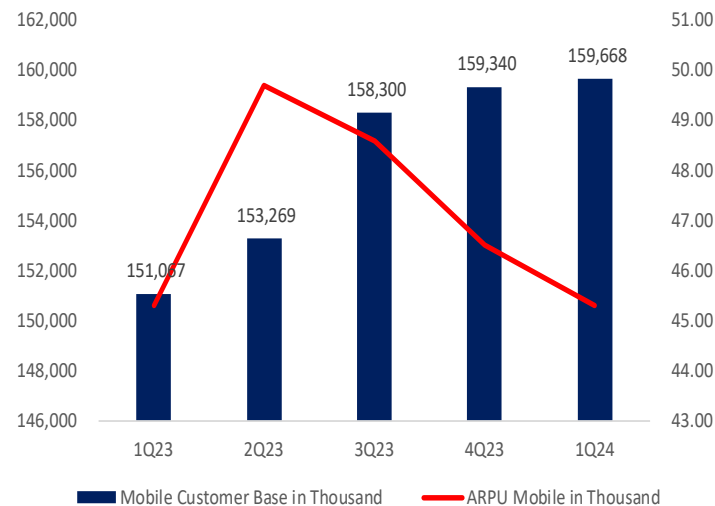


Source : Nperf

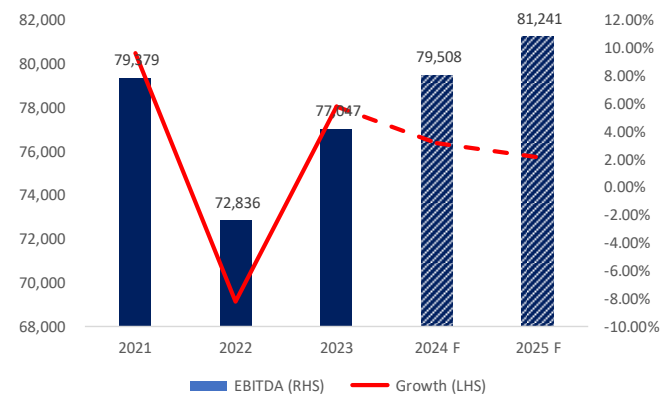
**Figure 3. Revenue Breakdown FY23**



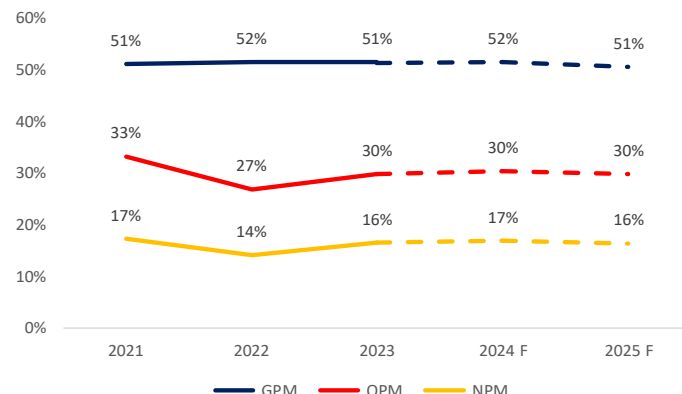
**Figure 4. Customer vs ARPU**



**Figure 5. EBITDA Trajectory**



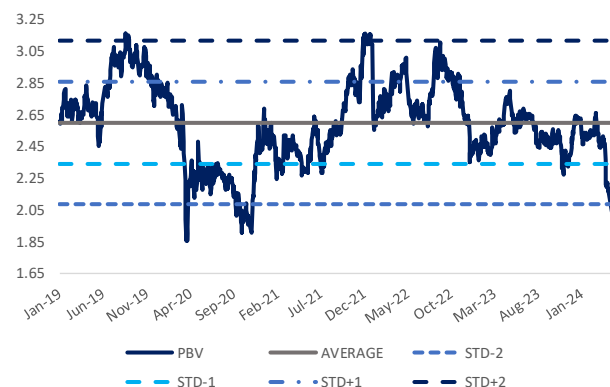
**Figure 6. Margin Ratios**



Source : Company | Phintraco Sekuritas Research

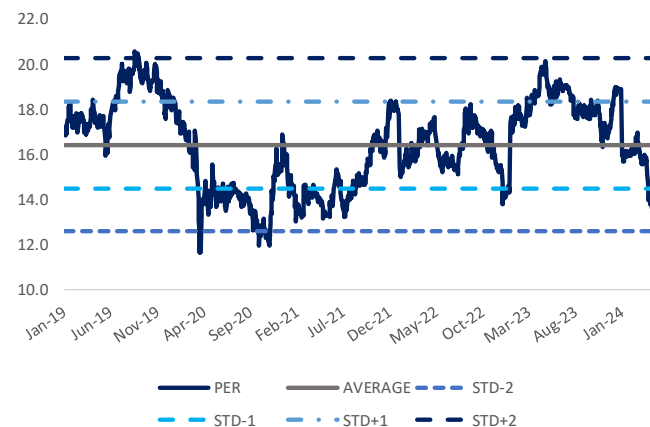
Source : Company | Phintraco Sekuritas Research

**Figure 7 . TLKM PBV Band 5 Years**



Source : Company | IDX | Phintraco Sekuritas Research

**Figure 8. TLKM PER Band 5 Years**



Source : Company | IDX | Phintraco Sekuritas Research

## Key Financial Figures

(in Billion Rupiah)						(in Billion Rupiah)					
BALANCE SHEET	FY21	FY22	FY23	FY24F	FY25F	CASH FLOW	FY21	FY22	FY23	FY24F	FY25F
<b>Asset</b>						<b>Cash Flow from Operating</b>					
Cash	38,311	31,947	29,007	30,586	30,268	Net Income	24,760	20,753	24,560	25,743	25,289
Accounts Receivable	8,510	8,634	10,667	10,180	9,733	Depreciation & Amortization	4,103	8,303	7,426	7,684	5,924
Inventories	779	1,144	997	1,033	1,021	Working Capital	3,204	798	(1,735)	764	836
Total Current Assets	61,277	55,057	55,613	56,654	56,141	Others	2,129	674	(4,108)	4,628	(92)
Fixed Assets	165,026	173,329	180,755	188,439	194,363	<b>Net-CFFO</b>	<b>34,196</b>	<b>30,528</b>	<b>26,143</b>	<b>38,820</b>	<b>31,957</b>
Total Non Current Assets	215,907	220,135	231,429	239,551	248,093	<b>Cash Flow from Investing</b>					
<b>Total Asset</b>	<b>277,184</b>	<b>275,192</b>	<b>287,042</b>	<b>296,205</b>	<b>304,234</b>	CAPEX	(8,206)	(16,606)	(14,852)	(15,368)	(11,849)
<b>Liabilities</b>						Others	(11,364)	4,075	(3,868)	(438)	(2,618)
Trade Payables - third parties	17,170	18,457	18,608	18,922	19,298	<b>Net-CFFI</b>	<b>(19,570)</b>	<b>(12,531)</b>	<b>(18,720)</b>	<b>(15,806)</b>	<b>(14,466)</b>
Short Term Bank Loans	6,682	8,191	9,650	9,594	10,045	<b>Cash Flow from Financing</b>					
Current Maturities of Long-term borrowings	9,690	8,858	10,276	10,216	10,697	Short Term Debt	(2,347)	(359)	3,527	(148)	1,193
Current maturities of lease liabilities	5,961	4,925	5,575	5,543	5,803	Long Term Debt	5,963	(5,678)	1,556	(248)	1,994
Total Current Liabilities	69,131	70,388	71,568	76,275	78,016	Equity Financing	-	-	-	-	-
LT Debt Bond	36,319	27,331	27,773	27,611	28,911	Dividend	(14,662)	(13,443)	(18,016)	(20,876)	(21,882)
Obligations under finance lease	10,426	13,736	14,850	14,764	15,458	Other	14,142	(4,881)	2,570	(162)	885
Total Non Current Liabilities	62,654	55,542	58,912	57,761	60,319	<b>Net-CFFF</b>	<b>3,096</b>	<b>(24,361)</b>	<b>(10,363)</b>	<b>(21,435)</b>	<b>(17,809)</b>
<b>Total Liabilities</b>	<b>131,785</b>	<b>125,930</b>	<b>130,480</b>	<b>134,035</b>	<b>138,336</b>	<b>NET CASH FLOW</b>	<b>17,722</b>	<b>(6,364)</b>	<b>(2,940)</b>	<b>1,579</b>	<b>(318)</b>
<b>Equity</b>	<b>145,399</b>	<b>149,262</b>	<b>156,562</b>	<b>162,170</b>	<b>165,899</b>						

Source : Company | Phintraco Sekuritas Research

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(in Billion Rupiah)						(in Billion Rupiah)					
RATIOS	FY21	FY22	FY23	FY24F	FY25F	INCOME STATEMENT	FY21	FY22	FY23	FY24F	FY25F
<b>Profitability Ratio (%)</b>						<b>Revenue</b>	<b>143,210</b>	<b>147,306</b>	<b>149,216</b>	<b>151,847</b>	<b>154,059</b>
<i>GPM</i>	51.16%	51.50%	51.49%	51.55%	50.61%	<i>Growth</i>	4.94%	2.86%	1.30%	1.76%	1.46%
<i>OPM</i>	33.21%	26.87%	29.74%	30.41%	29.85%	<b>Cost of Service</b>	<b>(69,949)</b>	<b>(71,439)</b>	<b>(72,381)</b>	<b>(73,569)</b>	<b>(76,086)</b>
<i>NPM</i>	17.29%	14.09%	16.46%	16.95%	16.42%	<b>Gross Profit</b>	<b>73,261</b>	<b>75,867</b>	<b>76,835</b>	<b>78,278</b>	<b>77,972</b>
<i>ROA</i>	8.93%	7.54%	8.56%	8.69%	8.31%	<i>GPM</i>	51.16%	51.50%	51.49%	51.55%	50.61%
<i>ROE</i>	20.35%	16.06%	18.09%	18.21%	17.43%	<b>EBITDA</b>	<b>79,379</b>	<b>72,836</b>	<b>77,047</b>	<b>79,508</b>	<b>81,241</b>
<b>Activity Ratio (X)</b>						<i>EBITDA Margin</i>	55.43%	49.45%	51.63%	52.36%	52.73%
<i>Inventory Turnover</i>	183.84	128.76	149.66	146.99	150.85	<b>EBIT</b>	<b>47,563</b>	<b>39,581</b>	<b>44,384</b>	<b>46,178</b>	<b>45,980</b>
<i>Receivables Turnover</i>	16.83	17.06	13.99	14.92	15.83	<i>EBIT Margin</i>	33.21%	26.87%	29.74%	30.41%	29.85%
<i>Payables Turnover</i>	4.07	3.87	3.89	3.89	3.94	<b>Net Interest Income (Expenses)</b>	(3,885)	(3,242)	(3,590)	(3,885)	(4,263)
<i>Days of Inventory</i>	1.96	2.80	2.41	2.45	2.39	<b>Profit Before Tax</b>	<b>43,678</b>	<b>36,339</b>	<b>40,794</b>	<b>42,293</b>	<b>41,718</b>
<i>Days of Receivables</i>	21.39	21.10	25.74	24.14	22.74	<i>EBT Margin</i>	30.50%	24.67%	27.34%	27.85%	27.08%
<i>Days of Payables</i>	88.37	93.01	92.55	92.59	91.31	<b>Net Profit After Tax</b>	24,760	20,753	24,560	25,743	25,289
<i>Cash Operating Cycle</i>	196.59	141.95	159.76	158.02	162.74	<i>NPM</i>	17.29%	14.09%	16.46%	16.95%	16.42%
<b>Leverage Ratio (%)</b>											
<i>Debt to Asset Ratio</i>	29.2%	26.4%	27.0%	26.0%	26.2%						
<i>Debt to Equity Ratio</i>	43.4%	38.9%	40.0%	38.3%	39.2%						
<i>Interest Rate</i>	7.09%	6.65%	7.71%	8.06%	8.58%						
<b>Liquidity Ratio (X)</b>											
<i>Current Ratio</i>	0.89	0.78	0.78	0.74	0.72						
<i>Quick Ratio</i>	0.88	0.77	0.76	0.73	0.71						
<i>Cash Ratio</i>	0.63	0.58	0.52	0.54	0.54						
<b>Price Ratio</b>											
<i>EPS (IDR) (annualized)</i>	250	209	248	260	255						
<i>BVPS (IDR)</i>	1,468	1,507	1,580	1,637	1,675						
<i>RPS (IDR)</i>	1,446	1,487	1,506	1,533	1,555						
<i>PER(X)</i>	16.16	17.90	15.93	15.20	15.47						
<i>PBV(X)</i>	2.75	2.49	2.50	2.41	2.36						
<i>EV/EBITDA (annualized)</i>	0.31	0.36	0.44	0.40	0.43						
<b>Dividend</b>											
<i>DPS</i>	16,643	14,856	16,603	20,876	21,882						
<i>DPR</i>	67.22%	71.58%	67.60%	85.00%	85.00%						
<i>Div. Yield</i>	24.05	25.01	23.57	18.74	17.88						

Source : Company | Phintraco Sekuritas Research

## Glossarium

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



# PHINTRACO SEKURITAS

## 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  $\leq +10\%$  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"

**PHINTRACO SEKURITAS**  
Kantor Cabang & Mitra GI BEI



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