

Thursday, 25 November 2021

**BUY**  
**Maintain**

Last price (IDR) 3,900  
Target Price (IDR) 4,600  
Upside/Downside +17.9%  
Previous Target Price (IDR) -

#### Stock Statistics

Sector Telco  
Bloomberg Ticker TLKM IJ  
No of Shrs (mn) 100,800  
Mkt. Cap (IDRbn/USDmn) 393,120/27,611  
Avg. daily T/O (IDRbn/USDmn) 312.8/22.0

#### Major shareholders (%)

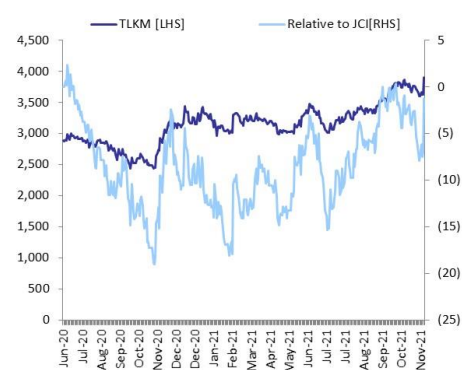
Indonesian Govt. 52.1

Estimated free float 47.9

#### EPS Consensus (IDR)

	2021F	2022F	2023F
Danareksa	263.3	285.5	301.2
Consensus	232.9	258.5	288.0
Danareksa/Cons	13.1	10.5	4.6

#### TLKM relative to JCI Index



Source : Bloomberg



**Niko Margaronis**

(62-21) 5091 4100 ext. 3512

niko.margaronis@danareksa.co.id

## Telkom Indonesia (TLKM IJ)

### Showing strength in all cylinders

**Telkom's enterprise and consumer segments exhibited 2-digit QoQ & YoY growth rates in 3Q, while TSEL laid the foundations for a turnaround and digital momentum. The 3Q21 group EBITDA margin expanded to a record level, and 3Q21 net profits remained resilient at a high level too. The YTD 9M Telkom net profits beat estimates. Maintain strong BUY.**

**Showing strength in all key segments.** Telkom group reported 3Q21 revenues of Rp36.6tn (+2.9%qoq and +10.5% yoy). The growth was backed by the Enterprise revenues which reached Rp5.14tn (+12.5%qoq, +37.8%yoy). The consumer segment has now recorded consistent growth every quarter in the last 2 years. Consumer revenues of Rp6.43tn in 3Q21 (+4.8%qoq, +18.3%yoy) were supported by growth in subscribers reaching 8.5mn in 3Q and Indihome's steady growth in ARPU.

Telkomsel (TSEL) revenues were Rp21.2tn, remaining stable on a qoq basis. TSEL achieved digital business growth (data and digital revenues), but Legacy biz revenues continued their structural decline eating away the quarterly growth in digital. Mobile blended ARPU weakened in 3Q, but TSEL picked up an additional 3.4mn subscribers in 3Q21 investing for the 4<sup>th</sup> quarter with seasonally more festive days and leisure time included for more data/digital consumption; thus, we expect ARPU to recover accordingly.

**EBITDA and earnings: material contributions from non-mobile segments.** Group cash OPEX only increased by 1.1%qoq in 3Q21 to Rp16.4tn with significant OPEX improvements in the enterprise and consumer segments. These led to expansion of the group's EBITDA margin to 55.2%, the highest level in recent years. The consumer EBITDA margin improved by ~600bps in 3Q21, while the Enterprise EBITDA margin improved in the range of over 1,000bps, we gather. Enterprise OP became positive in 3Q21.

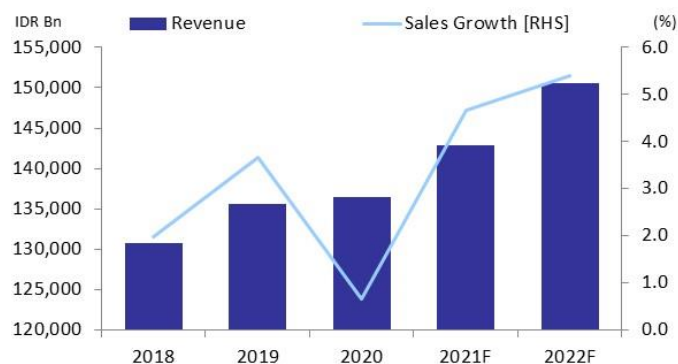
Mitratel acquired external debt to acquire tower assets effectively increasing group finance costs in 3Q, offsetting the aforementioned improvements. This should be normalized with the use of Mitratel's IPO proceeds in the foreseeable future. Overall, net profits were flattish at Rp6.4tn (-0.2%qoq) showing resiliency at record high levels.

**Net profits beat; Strong BUY call.** Telkom's YTD 9M revenues of Rp106tn (+6.1%yoy) and EBITDA results have trended inline with our FY21 estimate and the consensus. Telkom and TSEL's YTD 9M operating earnings were enhanced with gains in the fair value of Gojek (Rp350bn). Telkom's YTD 9M net profits reached Rp18.9tn (+13.1%yoy) or trending inline with our FY21 estimate but beating the consensus.

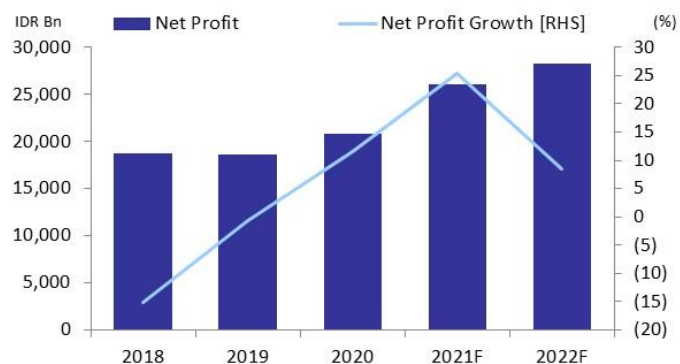
#### Key Financials

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Revenue (IDRbn)	135,567	136,462	142,817	150,520	158,660
EBITDA (IDRbn)	64,832	72,080	75,690	79,678	84,014
EBITDA Growth (%)	9.5	11.2	5.0	5.3	5.4
Net profit (IDRbn)	18,664	20,804	26,086	28,283	29,841
EPS (IDR)	188.4	210.0	263.3	285.5	301.2
EPS growth (%)	(0.6)	11.5	25.4	8.4	5.5
BVPS (IDR)	1,005.0	1,035.0	1,100.6	1,139.4	1,174.5
DPS (IDR)	163.8	170.3	189.0	237.0	257.0
PER (x)	20.7	18.6	14.8	13.7	12.9
PBV (x)	3.9	3.8	3.5	3.4	3.3
Dividend yield (%)	4.2	4.4	4.8	6.1	6.6
EV/EBITDA (x)	6.4	5.8	5.6	5.3	5.0

Source : TLKM, Danareksa Estimates

**Exhibit 1. Revenues and Growth**


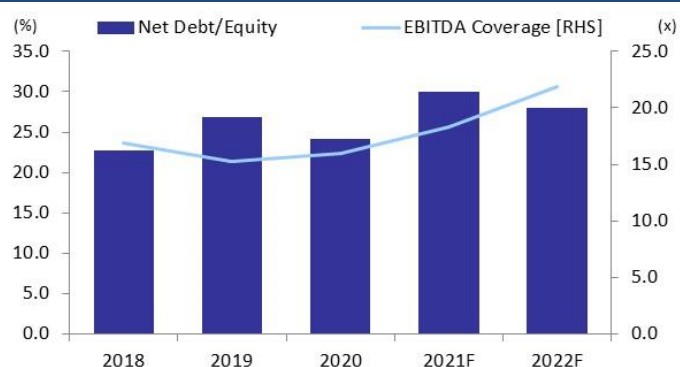
Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**


Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. Margins**


Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**


Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. Telkom group (TLKM IJ) 3Q/9M21 revenues breakdown by service**

(Rp bn)	3Q20	2Q21	3Q21	YoY, %	YoY, %	9M20	9M21	YoY, %
<b>Operating Revenue</b>	<b>33,085</b>	<b>35,535</b>	<b>36,563</b>	<b>2.9</b>	<b>10.5</b>	<b>99,941</b>	<b>106,043</b>	<b>6.1</b>
<b>Legacy business</b>	<b>5,920</b>	<b>5,301</b>	<b>5,431</b>	<b>2.5</b>	<b>(8.3)</b>	<b>18,945</b>	<b>15,985</b>	<b>(15.6)</b>
Voice	4,686	4,199	4,206	0.2	(10.2)	15,139	12,756	(15.7)
Voice Cellular	4,139	3,744	3,685	(1.6)	(11.0)	13,448	11,283	(16.1)
Voice Fixed	547	455	521	14.5	(4.8)	1,691	1,473	(12.9)
SMS	1,234	1,102	1,225	11.2	(0.7)	3,806	3,229	(15.2)
<b>Interconnection</b>	<b>1,909</b>	<b>2,018</b>	<b>1,904</b>	<b>(5.6)</b>	<b>(0.3)</b>	<b>6,030</b>	<b>5,748</b>	<b>(4.7)</b>
<b>Data, Internet &amp; IT</b>	<b>17,309</b>	<b>19,327</b>	<b>19,444</b>	<b>0.6</b>	<b>12.3</b>	<b>52,647</b>	<b>57,016</b>	<b>8.3</b>
Cellular	14,972	16,121	16,209	0.5	8.3	45,364	47,860	5.5
IT	1,910	2,603	2,507	(3.7)	31.3	6,101	7,196	17.9
Other	427	603	728	20.7	70.5	1,182	1,960	65.8
<b>Indihome</b>	<b>5,744</b>	<b>6,532</b>	<b>6,759</b>	<b>3.5</b>	<b>17.7</b>	<b>16,113</b>	<b>19,638</b>	<b>21.9</b>
<b>Network</b>	<b>238</b>	<b>442</b>	<b>595</b>	<b>34.6</b>	<b>150.0</b>	<b>1,076</b>	<b>1,393</b>	<b>29.5</b>
<b>Other</b>	<b>1,278</b>	<b>1,309</b>	<b>1,802</b>	<b>37.7</b>	<b>41.0</b>	<b>3,527</b>	<b>4,429</b>	<b>25.6</b>
Manage service and Terminal	422	266	721	171.1	70.9	714	1,432	100.6
Call center service	230	269	267	(0.7)	16.1	610	739	21.1
E-Health	133	147	165	12.2	24.1	408	458	12.3
E-payment	127	124	126	1.6	(0.8)	362	364	0.6
Others	366	503	523	4.0	42.9	1,433	1,436	0.2
<b>Revenue from lease transactions (Mitratel external revenue)</b>	<b>687</b>	<b>606</b>	<b>628</b>	<b>3.6</b>	<b>(8.6)</b>	<b>1,603</b>	<b>1,834</b>	<b>14.4</b>

**Exhibit 6. Telkom group (TLKM IJ) 3Q/9M21 revenues breakdown by segment**

(Rp bn)	3Q20	2Q21	3Q21	YoY, %	YoY, %	9M20	9M21	YoY, %
<b>Group Revenue</b>	<b>33,085</b>	<b>35,535</b>	<b>36,563</b>	<b>2.9</b>	<b>10.5</b>	<b>99,941</b>	<b>106,043</b>	<b>6.1</b>
Mobile revenue	20,301	21,066	21,180	0.5	4.3	62,603	62,628	0.0
Consumer revenue	5,435	6,135	6,431	4.8	18.3	15,206	18,539	21.9
Enterprise revenue	3,731	4,572	5,142	12.5	37.8	11,465	13,816	20.5
Wholesale Int. (WIB) revenue	3,418	3,550	3,605	1.5	5.5	10,233	10,502	2.6
Other/eliminations revenue	200	212	-119	(156.1)	(159.5)	434	234	(46.1)

**Exhibit 7. Telkom group (TLKM IJ) 3Q/9M21 P&L statement**

Rp bn	3Q20	2Q21	3Q21	YoY, %	YoY, %	9M20	9M21	YoY, %	2021F	Achiev, %	2021 Cons	Achiev, %
<b>Operating Revenue</b>	<b>33,085</b>	<b>35,535</b>	<b>36,563</b>	<b>2.9</b>	<b>10.5</b>	<b>99,941</b>	<b>106,043</b>	<b>6.1</b>	<b>141,625</b>	<b>74.9%</b>	<b>141,456</b>	<b>75.0%</b>
<b>Total Cash OPEX</b>	<b>(15,576)</b>	<b>(16,585)</b>	<b>(16,395)</b>	<b>(1.1)</b>	<b>5.3</b>	<b>(46,355)</b>	<b>(48,116)</b>	<b>3.8</b>				
Total Operating Expense	(22,327)	(23,619)	(23,877)	1.1	6.9	(66,930)	(69,742)	4.2				
O&M	(8,871)	(9,021)	(9,505)	5.4	7.1	(25,098)	(26,978)	7.5				
D&A	(7,111)	(7,412)	(7,485)	1.0	5.3	(21,038)	(22,183)	5.4				
Personnel	(3,390)	(3,870)	(3,648)	(5.7)	7.6	(10,406)	(11,018)	5.9				
Marketing	(900)	(774)	(842)	8.8	(6.4)	(2,356)	(2,371)	0.6				
Others	(2,055)	(2,542)	(2,397)	(5.7)	16.6	(8,032)	(7,192)	(10.5)				
<b>Operating Profit</b>	<b>10,758</b>	<b>11,916</b>	<b>12,686</b>	<b>6.5</b>	<b>17.9</b>	<b>33,011</b>	<b>36,301</b>	<b>10.0</b>				
Operating margin (%)	32.5	33.5	34.7	1.2	2.2	33.0	34.2	1.2				
<b>EBITDA</b>	<b>17,509</b>	<b>18,950</b>	<b>20,168</b>	<b>6.4</b>	<b>15.2</b>	<b>53,586</b>	<b>57,927</b>	<b>8.1</b>	<b>74,741</b>	<b>77.5%</b>	<b>74,713</b>	<b>77.5%</b>
EBITDA margin (%)	52.9	53.3	55.2	1.8	2.2	53.6	54.6	1.0				
Total other income (expenses)	(1,019)	(938)	(1,220)	30.1	19.7	(3,257)	(3,041)	(6.6)				
<b>Pre-tax profit</b>	<b>9,739</b>	<b>10,978</b>	<b>11,466</b>	<b>4.4</b>	<b>17.7</b>	<b>29,754</b>	<b>33,260</b>	<b>11.8</b>				
<b>Net profit</b>	<b>5,690</b>	<b>6,437</b>	<b>6,421</b>	<b>(0.2)</b>	<b>12.8</b>	<b>16,679</b>	<b>18,872</b>	<b>13.1</b>	<b>24,421</b>	<b>77.3%</b>	<b>22,569</b>	<b>83.6%</b>
Net profit margin (%)	17.2	18.1	17.6	(0.6)	0.4	16.7	17.8	1.7				
Total debt	61,768	78,983	68,502	(13.3)	10.9	61,768	68,502					
Net debt	44,348	42,370	51,011	20.4	15.0	44,348	51,011					
Net debt/EBITDA (x)	0.6	0.6	0.7	-	-	0.6	0.7					
Capex	5,912	6,084	6,751	-	-	17,922	18,568	-				
Capex intensity (%)	17.9	17.1	18.5	-	-	17.9	17.5	-				

**Exhibit 8. Telkomsel (TSEL) 3Q/9M21 P&L statement**

(Rp bn)	3Q20	2Q21	3Q21	QoQ, %	YoY, %	9M20	9M21	YoY, %
<b>Revenues (Rp bn)</b>	<b>21,125</b>	<b>21,958</b>	<b>21,976</b>	<b>0.1</b>	<b>4.0</b>	<b>65,134</b>	<b>65,148</b>	<b>0.0</b>
Legacy business	5,334	4,923	4,827	(2.0)	(9.5)	17,475	14,641	(16.2)
Digital business	15,791	17,035	17,149	0.7	8.6	47,659	50,508	6.0
Data	13,628	14,262	14,969	5.0	9.8	41,450	43,146	4.1
Digital	2,163	2,773	2,180	(21.4)	0.8	6,209	7,362	18.6
<b>Expenses</b>	<b>(13,811)</b>	<b>(13,743)</b>	<b>(13,151)</b>	<b>(4.3)</b>	<b>(4.8)</b>	<b>(40,993)</b>	<b>(39,403)</b>	<b>(3.9)</b>
OPEX	(9,048)	(9,104)	(9,427)	3.5	4.2	(26,646)	(27,244)	2.2
D&A	(4,780)	(5,009)	(5,062)	1.1	5.9	(14,463)	(15,102)	4.4
Other - net	17	370	1,338	261.6	7770.6	116	2,943	2437.1
<b>EBITDA</b>	<b>12,077</b>	<b>12,854</b>	<b>12,549</b>	<b>(2.4)</b>	<b>3.9</b>	<b>38,488</b>	<b>37,906</b>	<b>(1.5)</b>
EBITDA margin (%)	57.2	58.5	57.1	(1.4)	0.0	59.1	58.2	(0.9)
<b>Net income</b>	<b>5,306</b>	<b>6,025</b>	<b>6,674</b>	<b>10.8</b>	<b>25.8</b>	<b>18,016</b>	<b>19,423</b>	<b>7.8</b>
Net income margin (%)	25.1	27.4	30.4	2.9	0.0	27.7	29.8	2.2

**Exhibit 9. Telkom group (TLKM IJ) 3Q/9M21 operational KPIs**

	3Q20	2Q21	3Q21	YoY, %	QoQ,%	9M20	9M21	YoY, %
<b>Mobile segment (mn)</b>								
Cellular Subscribers (mn)	170.1	169.2	173.5	2.6	2.0	170.1	173.5	2.0
3G/4G capable devices	132.2	118.7	130.7	10.1	(1.1)	132.2	130.7	(1.1)
Data users	117.3	117.7	120.9	2.7	3.1	117.3	120.9	3.1
<b>Data KPIs</b>								
Data Traffic (Petabytes)	2,426	3,385	3,474	2.6	43.2	6,682	10,048	50.4
Average data usage (in gb)	7.3	9.7	9.7	0.0	33.5			-
Data Yield Rp('000)	6.5	5.0	4.9	(1.9)	(24.2)			-
<b>Legacy KPIs</b>								
MoU (Total / Bn Minutes)	38.0	31.2	30.3	(2.9)	(20.3)	114.7	94.6	(17.5)
Revenue/minute (Rp)	123	135	139	3.1	12.6			-
Monthly MOU/sub	74	61	58	(5.3)	(21.8)			-
SMS (Total / Bn Units)	11.3	7.9	6.2	(21.5)	(45.1)	30.9	20.7	(33.0)
Revenue/SMS (Rp)	109	139	198	41.6	80.9			-
Monthly SMS/Sub	22.1	15.6	11.9	(23.5)	(46.2)			-
<b>ARPU Blended (Rp'000/month)</b>	<b>44</b>	<b>45</b>	<b>43</b>	<b>(4.4)</b>	<b>(2.3)</b>	<b>45</b>	<b>44</b>	<b>(2.2)</b>
<b>Network KPIs ('000)</b>								
3G & 4G	178.1	187.0	195.5	4.5	9.7	178.1	195.5	9.7
4G BTS	100.2	123.9	132.3	6.8	32.0	100.2	132.3	32.0
3G BTS	77.9	63.2	63.2	(0.0)	(18.9)	77.9	63.2	(18.9)
2G BTS	50.3	50.3	50.3	0.0	(0.1)	50.3	50.3	(0.1)
Total BTS	228.4	237.3	245.7	3.5	7.6	228.4	245.7	7.6
<b>Fixed broadband segment</b>								
Indihome subs (mn)	7.8	8.3	8.5	1.9	9.0	7.8	8.5	9.0
Indihome ARPU (Rp'000/month)	253	270	274	1.5	8.3			-

### Exhibit 10. Income Statement

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
<b>Revenue</b>	<b>135,567</b>	<b>136,462</b>	<b>142,817</b>	<b>150,520</b>	<b>158,660</b>
COGS	(81,144)	(80,405)	(84,102)	(88,671)	(93,833)
<b>Gross profit</b>	<b>54,423</b>	<b>56,057</b>	<b>58,716</b>	<b>61,848</b>	<b>64,828</b>
<b>EBITDA</b>	<b>64,832</b>	<b>72,080</b>	<b>75,690</b>	<b>79,678</b>	<b>84,014</b>
<b>Oper. profit</b>	<b>42,394</b>	<b>43,505</b>	<b>46,936</b>	<b>49,268</b>	<b>51,426</b>
Interest income	1,092	799	1,029	750	750
Interest expense	(4,240)	(4,520)	(4,128)	(3,648)	(3,570)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	(1,338)	(246)	0	0	0
Other Income (Expenses)	0	(763)	0	0	0
<b>Pre-tax profit</b>	<b>37,908</b>	<b>38,775</b>	<b>43,837</b>	<b>46,370</b>	<b>48,606</b>
Income tax	(10,316)	(9,212)	(9,206)	(9,274)	(9,721)
Minority interest	(8,928)	(8,759)	(8,545)	(8,813)	(9,044)
<b>Net profit</b>	<b>18,664</b>	<b>20,804</b>	<b>26,086</b>	<b>28,283</b>	<b>29,841</b>
<b>Core Net Profit</b>	<b>18,664</b>	<b>20,804</b>	<b>26,086</b>	<b>28,283</b>	<b>29,841</b>

### Exhibit 11. Balance Sheet

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Cash & cash equivalent	18,242	20,589	12,455	10,509	15,036
Receivables	11,797	11,339	13,724	14,464	15,246
Inventory	585	983	746	786	829
Other Curr. Asset	10,544	12,289	11,901	15,972	16,836
Fixed assets - Net	156,973	160,923	166,689	171,432	175,055
Other non-curr.asset	22,513	39,517	29,698	34,608	32,153
<b>Total asset</b>	<b>221,208</b>	<b>246,943</b>	<b>236,551</b>	<b>248,923</b>	<b>256,267</b>
ST Debt	17,451	19,284	19,863	16,659	16,765
Payables	13,897	16,999	11,901	15,972	16,836
Other Curr. Liabilities	27,021	32,810	28,563	27,644	30,380
Long Term Debt	32,293	30,561	31,478	31,950	32,429
Other LT. Liabilities	13,296	26,400	15,150	20,775	17,962
<b>Total Liabilities</b>	<b>103,958</b>	<b>126,054</b>	<b>106,955</b>	<b>113,000</b>	<b>114,372</b>
Shareholder's Funds	99,561	102,527	109,029	112,871	116,346
Minority interests	17,689	18,362	20,567	23,052	25,549
<b>Total Equity &amp; Liabilities</b>	<b>221,208</b>	<b>246,943</b>	<b>236,551</b>	<b>248,923</b>	<b>256,267</b>

### Exhibit 12. Cash Flow

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Net income	18,664	20,804	26,086	28,283	29,841
Depreciation and Amort.	23,178	28,892	28,753	30,410	32,588
Change in Working Capital	7,345	6,457	(11,139)	(1,515)	1,951
Other Oper. Cash Flow	3,148	3,721	3,099	2,898	2,820
<b>Operating Cash Flow</b>	<b>52,335</b>	<b>59,874</b>	<b>46,800</b>	<b>60,077</b>	<b>67,201</b>
Capex	(28,558)	(11,710)	(32,751)	(33,562)	(34,620)
Others Inv. Cash Flow	(1,741)	(16,205)	10,848	(4,159)	3,205
<b>Investing Cash Flow</b>	<b>(30,299)</b>	<b>(27,915)</b>	<b>(21,903)</b>	<b>(37,721)</b>	<b>(31,415)</b>
Net change in debt	10,069	13,205	(9,755)	2,894	(2,228)
New Capital	256	0	0	0	0
Dividend payment	(16,230)	(16,875)	(18,724)	(23,477)	(25,455)
Other Fin. Cash Flow	(6,983)	(4,810)	(2,784)	(2,126)	(1,985)
<b>Financing Cash Flow</b>	<b>(12,888)</b>	<b>(8,480)</b>	<b>(31,263)</b>	<b>(22,709)</b>	<b>(29,667)</b>
<b>Net Change in Cash</b>	<b>9,148</b>	<b>23,479</b>	<b>(6,366)</b>	<b>(354)</b>	<b>6,119</b>
Cash - begin of the year	17,439	18,242	20,589	12,455	10,509
Cash - end of the year	18,242	20,589	12,455	10,509	15,036

### Exhibit 13. Key Ratios

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
<b>Growth (%)</b>					
Sales	3.7	0.7	4.7	5.4	5.4
EBITDA	9.5	11.2	5.0	5.3	5.4
Operating profit	7.1	2.6	7.9	5.0	4.4
Net profit	(0.6)	11.5	25.4	8.4	5.5
<b>Profitability (%)</b>					
Gross margin	40.1	41.1	41.1	41.1	40.9
EBITDA margin	47.8	52.8	53.0	52.9	53.0
Operating margin	31.3	31.9	32.9	32.7	32.4
Net margin	13.8	15.2	18.3	18.8	18.8
ROAA	8.7	8.9	10.8	11.7	11.8
ROAE	18.8	20.6	24.7	25.5	26.0
<b>Leverage</b>					
Net Gearing (x)	0.3	0.2	0.3	0.3	0.2
Interest Coverage (x)	10.0	9.6	11.4	13.5	14.4

Source : TLKM, Danareksa Estimates

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