

FROM EQUITY REPORT

Telkom Indonesia: Sustainable layers of growth – Call takeaways (TLKM.IJ.IDR. 3,510 BUY TP. IDR. 4,600)

Telkom offered a positive preview of the 4Q20 performance. Tsel improved in 4Q amassing the data opportunities, Indihome and Consumer segment are found in a sustainable growth path, while recovery is due in the Enterprise segment. The group will experience cost hiccup in 4Q20 affecting FY20 margins but should not affect our view. Maintain strong BUY.

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KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	6.396	0,2	7,0	1.743
Thailand	1.540	0,2	6,2	2.989
Philippines	7.258	(0,6)	1,7	196
Malaysia	1.612	(0,3)	(0,9)	1.371
Singapore	2.977	(0,2)	4,7	1.077
Regional				
China	3.608	2,2	3,9	106.352
Hong Kong	28.277	1,3	3,8	25.687
Japan	28.164	0,1	2,6	16.162
Korea	3.126	(0,7)	8,8	40.396
Taiwan	15.501	(0,4)	5,2	13.086
India	49.517	0,5	3,7	662
Nasdaq	13.072	0,3	1,4	259.602
Dow Jones	31.069	0,2	1,5	13.780

CURRENCY AND INTEREST RATE

		Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah	Rp/1US\$	14.130	(1,5)	(0,2)	(0,6)
BI7DRRR	%	3,75	-	(0,3)	(1,3)
10y Gov	Indo bond	6,23	0,3	0,1	0,3

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	87	2,4	11,3	7,5
Gold	US\$/toz	1.856	0,0	0,9	(2,3)
Nickel	US\$/mt.ton	17.033	(3,3)	(1,2)	2,9
Tin	US\$/mt.ton	20.900	(1,6)	7,5	1,7

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	198	5,2	22,4	6,4
Corn	US\$/mt.ton	53	0,2	14,5	9,9
Oil (WTI)	US\$/barrel	57	1,7	13,2	9,2
Oil (Brent)	US\$/barrel	3.960	(0,4)	8,0	4,5
Palm oil	MYR/mt.ton	155	0,2	0,2	2,9
Rubber	US\$/kg	1.205	N/A	2,8	20,5
Pulp	US\$/tonne	436	(0,4)	10,2	3,6
Coffee	US\$/60kgbag	181	4,8	8,2	3,8
Sugar	US\$/MT	43	-	9,0	(0,5)
Wheat	US\$/ton	1.422	3,5	22,5	8,1
Soy Oil	US\$/lb	198	5,2	22,4	6,4
SoyBean	US\$/by	53	0,2	14,5	9,9

Wednesday, 13 January 2021

BUY
Maintain

Last price (IDR) 3,510
Target Price (IDR) 4,600
Upside/Downside +31.1%
Previous Target Price (IDR) 3,800

Stock Statistics

Sector Telco
Bloomberg Ticker TLKM IJ
No of Shrs (mn) 100,800
Mkt. Cap (IDRbn/USDmn) 353,808/25,039
Avg. daily T/O (IDRbn/USDmn) 535.0/37.9

Major shareholders (%)

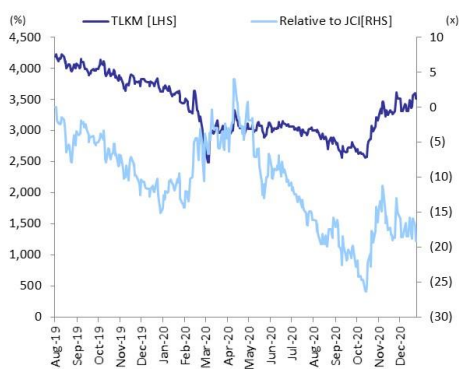
Indonesian Govt. 52.1

Estimated free float 47.9

EPS Consensus (IDR)

	2020F	2021F	2022F
Danareksa	208.5	247.4	266.5
Consensus	207.9	221.2	243.1
Danareksa/Cons	0.3	11.8	9.6

TLKM relative to JCI Index



Source : Bloomberg



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Telkom Indonesia(TLKM IJ)

Sustainable layers of growth – Call takeaways

Telkom offered a positive preview of the 4Q20 performance. Tsel improved in 4Q amassing the data opportunities, Indihome and Consumer segment are found in a sustainable growth path, while recovery is due in the Enterprise segment. The group will experience cost hiccup in 4Q20 affecting FY20 margins, but should not affect our view. Maintain strong BUY.

Controlling the mobile traffic achieving turnaround in 4Q20. At this market juncture, volume growth is the only way for mobile growth in the short-medium term. 4Q20 offered volume opportunities induced by the school subsidy and year-end festivities, which apparently Tsel exploited to the fullest driving to its 4Q20 quarterly revenue growth. The school subsidy generated out of ordinary data volumes driving wholesale data traffic higher, which implies telco peers resorted to bandwidth leases from Telkom to address surge in volumes. Nonetheless, we were assured that Tsel was able to capture majority of the volumes generated from school subsidy. Moreover the latest marketing efforts with Unlimiteds in combination with good cluster and channel management execution led to satisfactory monetization in the current circumstances. 3rd party measurements suggest that Tsel experienced relatively heavier network utilization but still maintaining significant over other peers' networks. We expect Singtel to be offering via Tsel a more casual approach into gaming with "Storms" as a game publisher and gaming super-app expecting to launch in Indonesia in coming months. This is in-line with our thesis that telco products will increasingly become attractive.

Enterprises and towers upbeat. Enterprise 3Q20 recovery is sustainable with a view to grow by high single digit yoy in 2021. The growth from solutions services including security, cloud and data centers are potent replacing older revenue enterprise model that relied on merchandise sales. Telkom is upbeat on Mitratel's prospects following towers acquisition from Tsel. Moreover Telkom is very keen to conducting IPO for Mitratel either in 4Q21 or early 2022, to unlock valuation multiple higher than what Telkom currently is priced with.

Consumer business. Consumer business is upbeat with sustainable outlook as Telkom looks to penetrate further an identified 20-25mn households addressable market. The latest target for 8mn subscribers YE 2020 is likely to be reached, and Telkom guides for additional 1.5-1.6mn new subscribers in 2021. Moreover a key use case that is expected to gain importance in 5G tech. is fixed wireless access to complement the fixed broadband access. Tsel's Orbit is at its early stages gaining subs, but we expect it to complement the Indihome deployment. Orbit commands higher ARPU than Tsel blended ARPU but lower the Indihome ARPU, bridging the gap and addressing all relevant segments.

Strong BUY. Expect OPEX to climb in 4Q20 we suspect due to one-off item(s); thus adjusting down 2020 earnings. This should not affect our recommendation. Dividend will still be in-line with past year pay-outs. Maintain strong BUY.

Key Financials

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Revenue (IDRbn)	130,784	135,567	134,926	142,540	150,253
EBITDA (IDRbn)	59,181	64,832	69,526	75,390	79,381
EBITDA Growth (%)	(8.4)	9.5	7.2	8.4	5.3
Net profit (IDRbn)	18,782	18,664	20,659	24,510	26,395
EPS (IDR)	189.6	188.4	208.5	247.4	266.5
EPS growth (%)	(15.2)	(0.6)	10.7	18.6	7.7
BVPS (IDR)	998.5	1,005.0	1,025.8	1,065.3	1,089.8
DPS (IDR)	167.7	163.8	169.6	187.7	222.7
PER (x)	18.5	18.6	16.8	14.2	13.2
PBV (x)	3.5	3.5	3.4	3.3	3.2
Dividend yield (%)	4.8	4.7	4.8	5.3	6.3
EV/EBITDA (x)	6.3	5.9	5.6	5.2	4.9

MARKET NEWS

SECTOR

Nickel: President of the Philippines orders a halt in mining activities in a southern island

The President of the Philippines ordered a halt in all mining activities on an island in a southern province due to reports that the Tumbagan Island in Languyan in the province of Tawi-Tawi has been completely devastated by mining activities. Nonetheless, the President's order does not include the country's mining hub in the Caraga region. (Source: Reuters)

CORPORATE

EMTK: To seek approval for 9.75% NPRI

As the company plan to seek approval from EGM in 18th February 2021 to undertake a NPRI of 9.75% of new shares, implying dilution of 8.8% and raising IDR10.2tn at this price. The use of proceed is still vague at this point, but the figure is enough to take SCMA to go private, as with the rumor. We also view that SCMA the take private rumor is not far fetch and as we mentioned in the report the likelihood is a private placement rather than Pre-Emptive one. Source Company

TOWR gives guidance on its 2021 revenues growth and capex

TOWR will allocate CAPEX of around Rp3.25tn for 2021 excluding inorganic corporate actions. This should support 8% yoy revenues growth in 2021. "About 40% of the capital expenditure will be used for non-tower business development such as tower fiberization and connectivity". (Investor Daily)

Comment: TOWR will close the year with ~47,000km of fiber intended for towers and other fiber connectivity. The latest capex allocation implies TOWR will continue to roll-out fiber in 2021. This bodes well with expected higher demand in fiber capacity in the coming years. Moreover, if the news is confirmed, the budgeted capex of Rp3.25tn is a strong sign that TOWR receives high actual orders from telcos which is expected to support the revenues growth in 2021. Our 2021 revenues growth target is about 150bps higher than the revenues growth guidance provided by TOWR's Deputy CEO. Maintain BUY with a TP of IDR1,400.

COVID-19

The vaccination program starts today: A more detailed timeline

As the Food and Medicine Oversight Board (BPOM) has released the EUA and confirmed a 65% efficacy rate for Sinovac's vaccines, the vaccination program will start today, with the President of the Republic of Indonesia as the first official beneficiary. The vaccination will be shown on air today. The Ministry of Health stated that there will be around 1.5 million healthcare workers who are targeted to be vaccinated in Jan-Feb this year. Around 566k of them will be vaccinated in January and the other 914k will be vaccinated in February. Since 3 January the govt has started to distribute 1.2 million doses of vaccines for healthcare workers. These healthcare workers include: healthcare and assistance officers, support staff, and on-the-job education medical students in various healthcare facilities.

After healthcare workers, the vaccination program will be held for public officers (17.4 million people) and the elderly (21.5 million people). Vaccines from Pfizer and Astrazeneca will arrive in April and have been tested for beneficiaries aged above 59 years old. Hence, the vaccination timeline for the elderly is from March to April.

Yesterday the raw materials for 15 million doses of Sinovac's vaccine arrived. This is the third stage of vaccines delivery from Sinovac, after 1.2 million finished vaccine products arrived on 6 Dec 2020, and 1.8 million finished vaccine products arrived on 31 Dec 2020.

For the storage of the vaccines, Bio Farma stated that it had prepared production facilities for 250 million doses of vaccines from Sinovac per year. It has also prepared cold storage for the vaccines to be stored at 2-8 degree Celsius. Currently there are 10 cold rooms with each room having capacity of 8 million doses. Hence, the total cold room capacity may reach around 80 million doses of vaccines. Bio Farma plans to start vaccines production on 14 January 2021.

Period	Beneficiaries	Target	Implied target per day	Vaccines used
January	Healthcare officers	566,000	31,444	Sinovac
February	Healthcare officers	914,000	19,870	Sinovac
Mar-Apr	Public officers	17,400,000	162,617	Sinovac, Pfizer, Astrazeneca
	Elderly	21,500,000	200,935	Sinovac, Pfizer, Astrazeneca

Source: Kontan, Danareksa Sekuritas

COVERAGE PERFORMANCE

LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		12-Jan-21	11-Jan-21					
Bumi Serpong Damai	BSDE	1.335	1.220	9,4	4,3	19,7	9,0	BUY
Kimia Farma	KAEF	6.975	6.450	8,1	36,1	67,3	64,1	HOLD
Ramayana	RALS	835	775	7,7	8,4	9,9	7,7	BUY
Aneka Tambang	ANTM	2.770	2.580	7,4	24,2	91,0	43,2	BUY
Summarecon Agung	SMRA	880	830	6,0	5,4	8,6	9,3	BUY
Matahari Department Store	LPPF	1.335	1.260	6,0	6,0	(4,6)	4,7	HOLD
Ciputra Development	CTRA	1.080	1.025	5,4	3,3	18,0	9,6	BUY
Alam Sutera	ASRI	278	264	5,3	6,9	9,4	14,9	HOLD
Pakuwon Jati	PWON	570	550	3,6	8,6	3,6	11,8	BUY
Vale Indonesia	INCO	6.475	6.250	3,6	12,6	23,9	27,0	BUY

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		12-Jan-21	11-Jan-21					
Kalbe Farma	KLBF	1.680	1.760	(4,5)	14,3	14,7	13,5	BUY
Surya Citra Media	SCMA	2.400	2.500	(4,0)	(0,8)	34,8	4,8	BUY
PP London Sumatra	LSIP	1.400	1.450	(3,4)	(0,4)	15,2	1,8	BUY
Adaro Energy	ADRO	1.475	1.525	(3,3)	3,5	(3,9)	3,1	BUY
Indonesia Kendaraan Terminal	IPCC	535	550	(2,7)	1,9	23,8	0,9	BUY
Bank Central Asia	BBCA	35.800	36.725	(2,5)	1,0	6,3	5,8	HOLD
Telekomunikasi Indonesia	TLKM	3.510	3.600	(2,5)	1,2	7,0	6,0	BUY
Mitra Adi Perkasa	MAPI	795	815	(2,5)	(5,4)	(11,2)	0,6	BUY
Harum Energy	HRUM	4.030	4.130	(2,4)	32,1	37,1	35,2	HOLD
Media Nusantara Citra	MNCN	1.220	1.250	(2,4)	1,7	16,7	7,0	BUY

Sources: Bloomberg

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