

Telekomunikasi Indonesia Tbk (TLKM)

Company Focus

Jan 22, 2021

Broadband business improves during Covid-19

Background. Telekomunikasi Indonesia (TLKM) is the leading telco. company that has the largest, widespread infrastructure in Indonesia. In term of number of subscriber, TLKM has the largest market share with the total subscriber at 171mn customers or representing 59.6% of the total market share in Indonesia. The top three of revenue contributor is coming from data with (48% of revenue), Voice and SMS (26% of revenue), Indiehome /broadband services (14% of revenue).

Revenue improves on the back of the higher data business. This was as the result of the growing active subscriber and the data payload while the ARPU has been stabilize amid the price competition among the operators. Data, internet and IT services has become the engine of growth while the voice and SMS or the legacy business has been diminished by 29.1%yoy to IDR18.9tn which we think as natural due the technology and behavior shifting . The data business is expected to reach IDR68tn by th end of 2021.

The data usage has been increase as shown its resiliency despite of the covid-19 impact. This business segment revenue was up by 7.2%yoy to IDR52.6tn as the result of the mobile data revenue. The data payload jumped by 39.6% yoy to 6,681,637 TB in the first nine month of 2020 while the data user consumption also soared by 42.5% to at 7,260 MB per Data user. The intensive usage of the data gains its momentum amid the social restriction measure during pandemic. We believe the trend would continue this year.

Covid-19 has positive impact on the improvement of the indie home subscriber on the back of the massive demand to work and school at home. The internet broadband such as IndieHome recorded 19%yoy growth of its new subscriber in the first nine month to 7.76mn or close the company's target of 8 mn subscriber this year. This has contributed to the revenue from this segment that up by 17% to IDR16.1tn. The higher revenue was also posted by the company as part of the strategy to encourage the customer to use the premium services with the higher speed services. This made the contribution of the IndieHome to the total revenue increase to 16% in the 9M 2020 from 13% at the same period for the previous year. Amid the social restriction measure during pandemic, we believe the trend would continue this year.

Resilience earning. The company posted decent earning on its EBITDA In 9M20 that slightly increased by 7.1% resulted in the improvement of the EBITDA margin to 53.6% despite of the lower data yield due to the data competition. The increase in EBITDA reflected successful cost efficiency.

Valuation. Straightening the digital data business as the engine of growth couple with the improvement of the data usage and higher subscriber is expected to maintain the financial performance ahead. The company is trading at 6.8x of 2021 EV/EBITDA. We value the company at ID4100/share or implying the EV/EBITDA at 7x for 2022 or 1xsd.

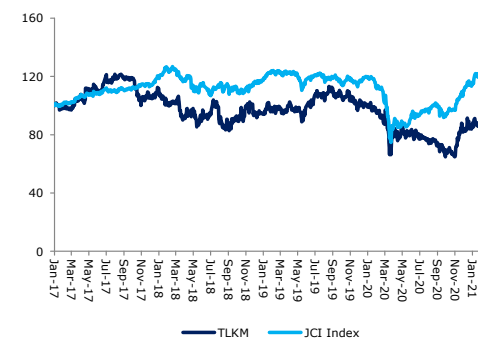
Year to Dec.	Sales	OP	Pre-tax	NP	EPS	BPS	PER	EV/EBITDA	PBV	ROAE
	(bn IDR)	(bn IDR)	(bn IDR)	(bn IDR)	(IDR)	(IDR)	(x)	(x)	(x)	(%)
2017	128,256	43,201	42,659	32,701	224	1,132	19.7	7.4	3.9	30%
2018	130,784	36,397	36,405	26,979	182	1,184	20.6	7.1	3.2	24%
2019	135,567	41,837	37,908	27,592	188	1,184	17.6	6.1	2.8	24%
2020F	142,546	45,615	41,338	30,089	304	1,496	11.2	6.8	2.3	23%
2021F	145,503	46,125	46,852	34,102	344	1,789	9.8	6.4	1.9	21%

Source: Company, Shinhan Sekuritas Indonesia

Overweight

Current Price (IDR) (1/22)	3,390
Target price (IDR)	4,100
Upside/Downside (%)	21%
52 Week High (IDR)	3,930
52 Week Low (IDR)	2,450
Major Shareholders:	
Negara Republik Indonesia	52.09%

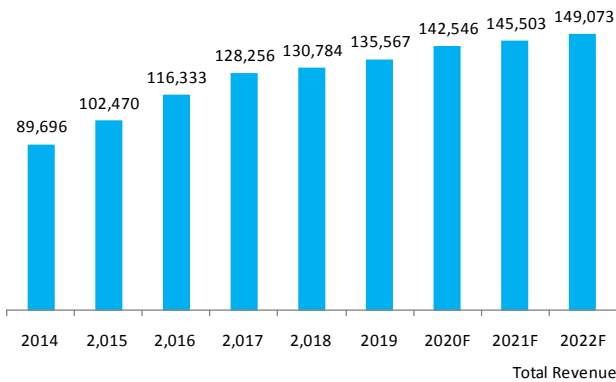
Stock Price Movement



Source: Bloomberg, Shinhan Sekuritas Indonesia

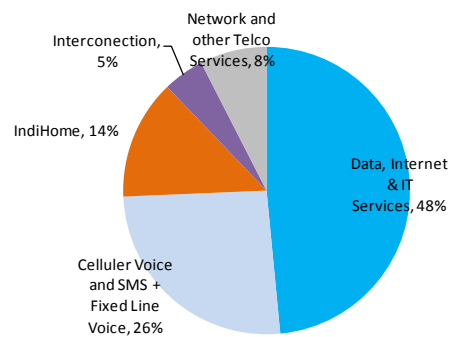
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Improving Revenue



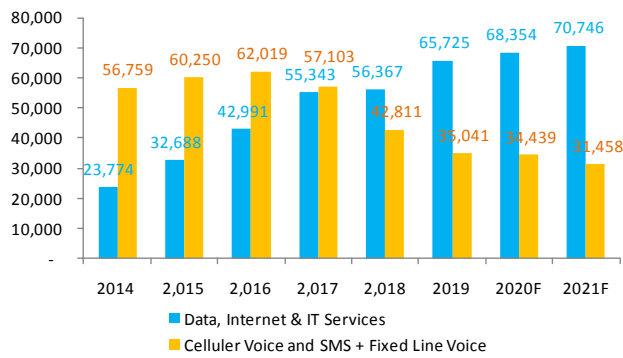
Source: Company, Shinhan Sekuritas Indonesia Estimates

Revenue composition



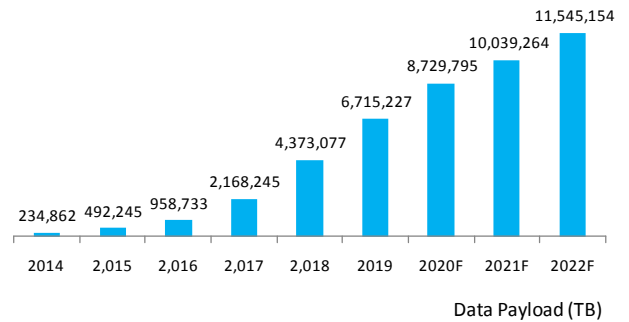
Source: Company, Shinhan Sekuritas Indonesia Estimates

Data & internet business keep rising while the voice naturally downward



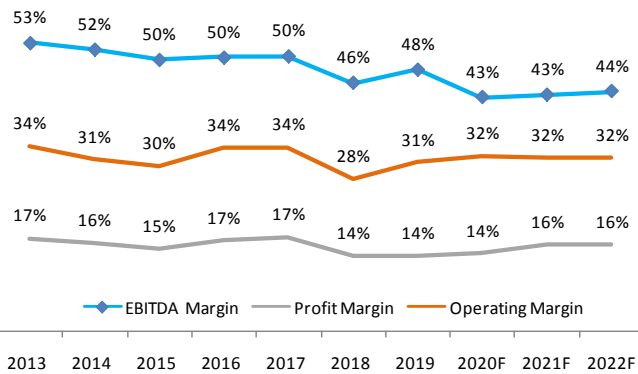
Source: Company, Shinhan Sekuritas Indonesia Estimates

Upward data payload (in TB)



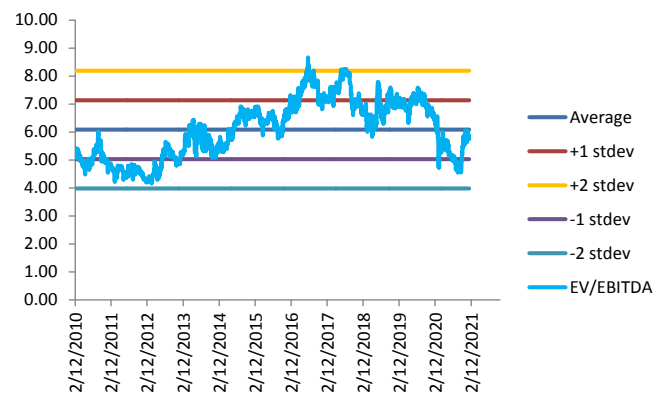
Source: Company, Shinhan Sekuritas Indonesia Estimates

Efficiency to contain the profitability margin



Source: Company, Shinhan Sekuritas Indonesia Estimates

EV to EBITDA



Source: Company, Shinhan Sekuritas Indonesia Estimates

Income Statement

(Bn IDR)	2018	2019	2020F	2021F	2022F
Revenue	130,784	135,567	142,546	145,503	149,073
COGS	-	-	-	-	-
Gross Profit	-	142,546	145,503	149,073	154,897
EBITDA	59,555	65,015	61,132	63,039	65,602
Operating Expense	94,387	93,730	85,528	87,302	89,444
Operating Profit	36,397	41,837	45,615	46,125	47,256
Pre-Tax Profit	36,405	37,908	41,338	46,852	48,002
Tax Expense (Benefit)	(9,426)	(10,316)	(11,250)	(12,750)	(13,063)
Net Profit	26,979	27,592	30,089	34,102	34,939
EPS (IDR)	182	188	304	344	353

Source: Company, Shinhan Sekuritas Indonesia

Balance Sheet

(Bn IDR)	2018	2019	2020F	2021F	2022F
Assets					
Cash and Equivalent	17,439	18,242	21,382	21,826	24,736
Receivables	11,414	11,797	35,637	34,921	40,250
Inventories	717	585	-	-	-
Others	13,698	11,098	11,655	11,892	12,177
Total Current Assets	43,268	41,722	68,674	68,638	77,162
Net Fixed Assets	143,248	156,973	155,710	167,897	179,366
Other Assets	19,680	22,513	25,353	28,569	32,210
Total Assets	206,196	221,208	249,737	265,104	288,739
Liabilities and Equities					
Payables	14,766	13,897	14,255	16,005	16,398
Other Short-Term Liabilities	31,495	44,472	46,761	37,831	37,268
Total Current Liabilities	46,261	58,369	61,016	53,836	53,666
LT. Debt	33,748	33,869	28,779	22,339	16,446
Other Long Term Liabilities	8,884	11,720	11,720	11,720	11,720
Total Liabilities	88,893	103,958	101,515	87,895	81,832
Shareholders' Equity	117,303	117,250	148,222	177,209	206,906
BVPS (IDR)	1,184	1,184	1,496	1,789	2,089

Source: Company, Shinhan Sekuritas Indonesia

Cash Flow

(Bn IDR)	2018	2019	2020F	2021F	2022F
CFs from Operation					
Net Profit	26,979	27,592	30,089	34,102	34,939
Change in Working Capital	(2,528)	14,457	(21,165)	(6,700)	(5,784)
CFs from Operation	24,451	42,049	8,924	27,402	29,155
CFs from Investments	(12,005)	(16,558)	(1,577)	(15,402)	(15,111)
CFs from Financing	(1,933)	2,509	(26,597)	(3,747)	(4,742)
Net Inc./ (Dec.) in Cash	10,513	28,000	(19,250)	8,252	9,302
Cash at End Period	17,439	18,242	21,382	21,826	24,736

Source: Company, Shinhan Sekuritas Indonesia

Key Ratio

	2018	2019	2020F	2021F	2022F
Profitability					
Blended ARPU	41	46	48	42	38
Operating Margin	27.8%	30.9%	32.0%	31.7%	31.7%
EBITDA Margin	45.5%	48.0%	42.9%	43.3%	44.0%
Net Income Margin	20.6%	20.4%	21.1%	23.4%	23.4%
ROAA	13.3%	12.9%	12.8%	13.2%	12.6%
ROAE	23.5%	23.5%	22.7%	21.0%	18.2%
Growth					
Revenue	2.0%	3.7%	5.1%	2.1%	2.5%
Operating Profit	-15.7%	14.9%	9.0%	1.1%	2.5%
EBITDA	-7.9%	9.2%	-6.0%	3.1%	4.1%
Net Income	-17.5%	2.3%	9.0%	13.3%	2.5%
Solvability					
Current Ratio (x)	0.9	0.7	1.1	1.3	1.4
Quick Ratio (x)	0.9	0.7	1.1	1.3	1.4
Debt to Equity (x)	0.8	0.9	0.7	0.5	0.4
Interest Coverage (x)	0.0	0.0	0.0	0.0	0.0

Source: Company, Shinhan Sekuritas Indonesia



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