

Telekomunikasi Indonesia Tbk (TLKM)

Upaya Cost Control Terealisasi dalam Performa 3Q19

Segmen data, internet, dan pendapatan jasa IT membukukan kenaikan penjualan 12,8% YoY, diikuti dengan penurunan *cost control* dari beban operasi dan jasa telekomunikasi 7,1% YoY. Kami mengestimasi pendapatan FY19 mencapai Rp144,3 triliun sementara rasio P/E FY20 di level 17,1x dengan *leverage* rendah memungkinkan Perseroan memperkuat jaringannya. Kami berdasarkan fakta tersebut merekomendasikan BUY dengan target harga Rp4.330.

Kinerja 3Q19. Perseroan mencatat penjualan pada 3Q19 sebesar Rp102,6 triliun, naik Rp3,4 triliun atau 3,5% YoY. Kenaikan tersebut ditopang oleh peningkatan pendapatan interkoneksi menjadi Rp4,8 triliun atau naik 25,6% dari pendapatan 3Q18 sebesar Rp3,8 triliun dan peningkatan penjualan segmen data, internet, dan pendapatan jasa IT menjadi Rp66,1 triliun atau naik 12,8% YoY. Upaya *cost control* tercermin dari penurunan beban operasi, pemeliharaan, dan jasa telekomunikasi menjadi Rp31,1 triliun atau turun 7,1% YoY dan penurunan biaya umum menjadi Rp9,7 triliun atau turun 5,4% YoY. *Cost control* yang terjaga terbukti mampu meningkatkan nilai OPM Perseroan yang meningkat menjadi 49,5% dari OPM pada 3Q18 sebesar 48,3%.

Bisnis data tetap andalan. Pendapatan Perseroan pada 3Q19 mendapatkan sumbangan terbesar senilai 64,5% dari penjualan segmen data, internet dan jasa servis IT. Seiring dengan peningkatan penjualan dari segmen tersebut, Perseroan membangun 20.000 BTS 4G di Pulau Jawa maupun di luar Pulau Jawa untuk memperkuat jaringannya.

Neraca solid untuk ekspansi jaringan. Perseroan memiliki neraca terkuat dibandingkan dengan kompetitornya dengan membuktikan *net gearing* 0,4x atau lebih kecil dari rata-rata *net gearing* kompetitornya di level 1-2x. *Leverage* rendah membuktikan ekspansi jaringan Perseroan lebih fleksibel dibandingkan kompetitornya. Kami memperkirakan belanja modal Perseroan FY20 akan berada di kisaran Rp30 triliun yang bisa didanai secara internal melalui arus kas operasi.

Valuasi. Kami optimis bahwa kinerja Perseroan pada 2020 akan tumbuh, terlihat jelas dari kemampuan Perseroan untuk mempertahankan posisi pemimpin di sektor telekomunikasi dengan basis pengguna terbesar di Indonesia. Sebagai catatan pelanggan Perseroan pada 3Q19 tumbuh 1,9%. Kami merekomendasikan BUY dengan target harga Rp4.330 berbasis *Discounted Cash Flow* (DCF) yang setara dengan 17,1x rasio *forward* P/E FY20. Saat ini, TLKM diperdagangkan di level P/E 11,1x dan EV/EBITDA 4,0x. Kami tetap optimis atas prospek kinerja Perseroan yang memiliki jaringan infrastruktur ekspansif akan berdampak positif, yaitu pertumbuhan jumlah pelanggan pada FY20.

Telekomunikasi Indonesia Tbk | Summary (IDR bn)

	2018	2019 E	2020 F	2021 F
Sales	130,784	144,276	157,093	169,782
<i>Sales growth</i>	2.0%	10.3%	8.9%	8.1%
EBITDA	60,251	66,464	74,148	80,155
Net profit	18,032	25,293	25,030	27,611
EPS (IDR)	182	255	253	279
<i>EPS growth</i>	-17.1%	24.1%	14.4%	12.4%
BVPS (IDR)	1,184	1,289	1,395	1,508
EBITDA margin	46.1%	46.1%	47.2%	47.2%
NPM	13.8%	17.5%	15.9%	16.3%
ROE	15.4%	19.8%	18.1%	18.5%
ROA	8.7%	11.5%	10.4%	10.6%
ROIC	17.8%	21.6%	20.3%	20.1%
P/E	20.6x	15.0x	17.1x	15.5x
P/BV	3.2x	3.0x	3.1x	2.9x
EV/EBITDA	6.6x	6.1x	6.0x	5.5x
DPS (IDR)	168	167	164	186
<i>Dividend yield</i>	4.5%	4.4%	3.8%	4.3%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

Buy

Dec 2020 TP (IDR)	4,330
Consensus Price (IDR)	4,577
TP to Consensus Price	-5.4%
vs. Last Price	+54.1%

Shares data

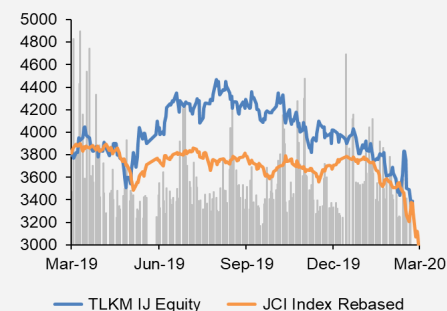
Last Price (IDR)	2,810
Price date as of	March 18, 2020
52 wk range (Hi/Lo)	4,500 / 2,620
Free float	47.9%
Outstanding sh.(mn)	99,062
Market Cap (IDR bn)	335,821
Market Cap (USD mn)	23,030
Avg. Trd Vol - 3M (mn)	82.4
Avg. Trd Val - 3M (bn)	311.1
Foreign Ownership	29.3%

Infrastructure

Telecommunication

Bloomberg	TLKM IJ
Reuters	TLKM.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	-29.2%	-22.4%	-29.6%	-26.6%
Rel. Ret	2.0%	4.1%	1.5%	6.8%

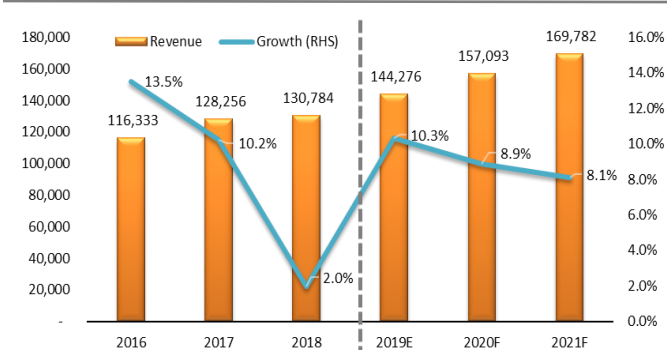
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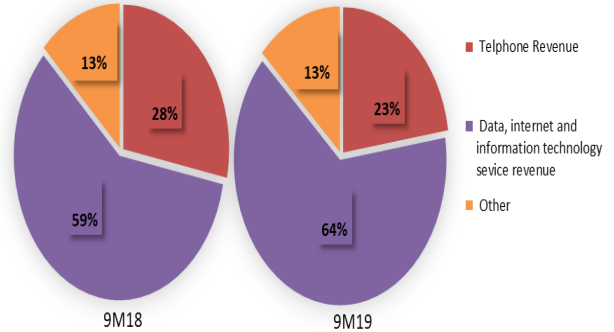
Performance Highlights

Revenue Projection | 2016 - 2021F



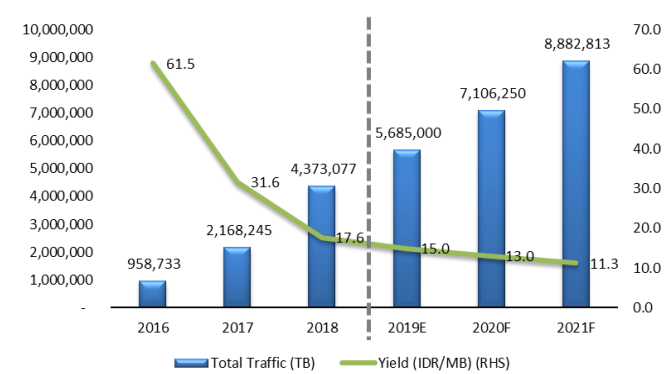
Source: Company, NHKSI Research

Revenue Contributions YoY | 9M18 - 9M19



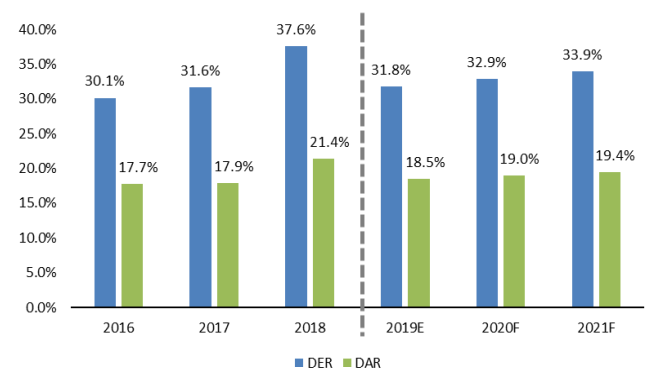
Source: Company, NHKSI Research

Traffic (TB) and Yield (IDR/MB) | 2016 - 2021F



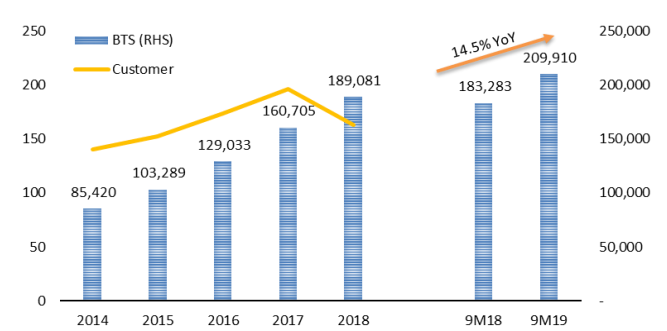
Source: Company, NHKSI Research

DER and DAR | 2016 - 2021F



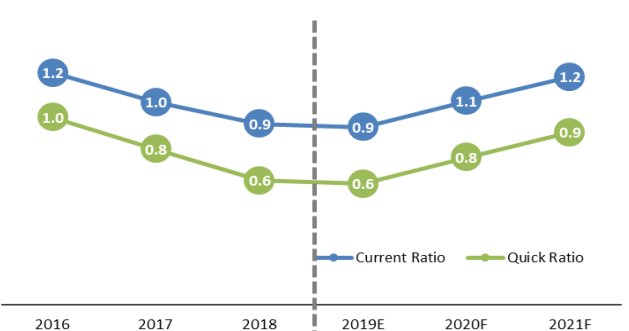
Source: Company, NHKSI Research

Infrastructure BTS and Customers | 2014 - 9M19



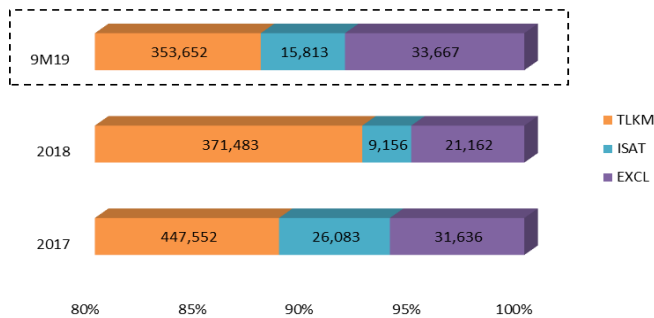
Source: Company, NHKSI Research

Current Ratio and Quick Ratio | 2016 - 2021F



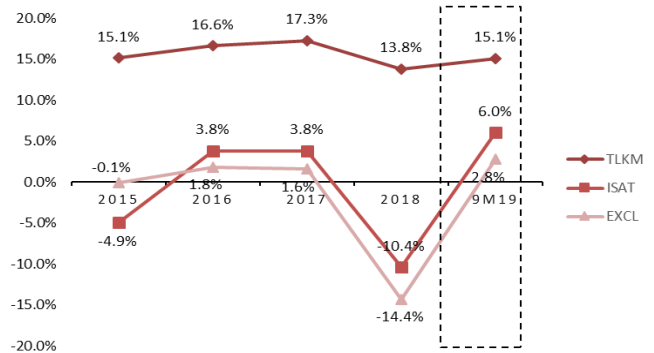
Source: Company, NHKSI Research

Market Cap. | 2017 - 9M19



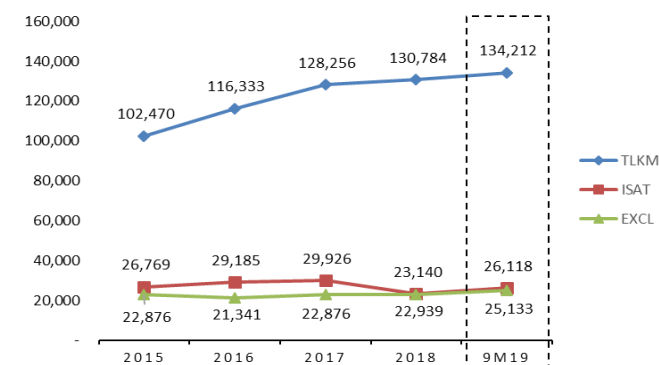
Source: Company, NHKSI Research

Net Profit Margin | 2015 - 9M19



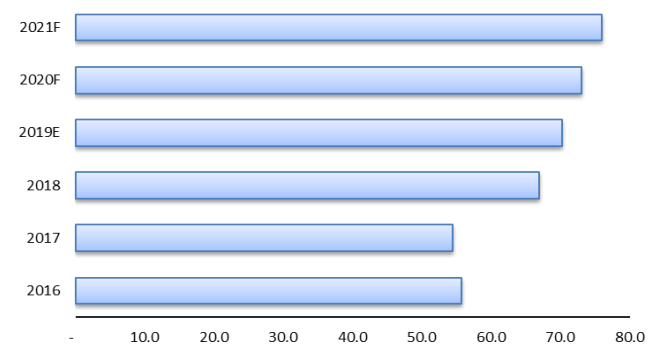
Source: Company, NHKSI Research

Revenue Growth | 2015 - 9M19



Source: Company, NHKSI Research

TLKM Blended ARPU '000/mth | 2016 - 2021F



Source: Company, NHKSI Research

3Q19 review (IDR bn)

	3Q18	4Q18	1Q19	2Q19	3Q19					4Q19E
					Actual	Estimate	y-y	q-q	surprise	
Sales	34,835	31,581	34,840	34,505	33,286	33,286	-4.4%	-3.5%	-1.6%	41,645
Gross Profit	34,835	31,581	34,840	34,505	33,286	33,286	-4.4%	-3.5%	-1.6%	41,645
EBIT	11,342	8,612	10,878	7,222	11,244	11,694	-0.9%	10.4%	-3.8%	15,600
EBIT Margin	32.6%	27.6%	33.6%	22.6%	33.8%	34.6%	3.7%	14.5%	-2.3%	37.5%
EBITDA	16,884	14,830	16,116	12,227	17,036	15,545	0.9%	6.4%	9.6%	15,751
EBITDA Margin	48.5%	47.5%	49.8%	38.2%	51.2%	46.0%	5.6%	10.3%	11.4%	37.8%
Net Profit	5,534	3,800	10,784	4,854	5,381	3,539	-2.8%	10.9%	52.0%	8,834
Net Margin	15.9%	14.4%	17.7%	9.3%	16.2%	10.5%	1.8%	14.9%	54.5%	21.2%

Source: Bloomberg, NHKSI research

Sekilas tentang TLKM

PT Telkom Indonesia (Persero) Tbk (Telkom) adalah Badan Usaha Milik Negara (BUMN) yang bergerak di bidang jasa layanan teknologi informasi dan komunikasi (TIK) dan jaringan telekomunikasi di Indonesia. Pemegang saham mayoritas Telkom adalah Pemerintah Republik Indonesia dengan proporsi kepemilikan 52,09% sementara sisanya (47,91%) dikuasai oleh publik. Saham Telkom diperdagangkan di Bursa Efek Indonesia (BEI) dengan kode "TLKM" dan New York Stock Exchange (NYSE) dengan kode "TLK".

Telkom Group sebagai upaya transformasi menjadi perusahaan telekomunikasi digital mengimplementasikan strategi bisnis dan operasional yang berorientasi kepada pelanggan. Transformasi tersebut akan membuat organisasi Telkom Group menjadi lebih ramping dan lincah dalam beradaptasi dengan perubahan cepat di industri telekomunikasi.

Telkom mulai saat ini membagi bisnisnya menjadi 3 Digital Business Domain: Digital Connectivity (Fiber to the x (FTTx), 5G, Software Defined Networking (SDN)/ Network Function Virtualization (NFV)/ Satellite); Digital Platform (Data Center, Cloud, Internet of Things (IoT), Big Data/ Artificial Intelligence (AI), Cybersecurity), dan Digital Services (Enterprise, Consumer). Telkom hingga September 2019 telah melayani 170,9 juta pelanggan atau kenaikan 1,9% YoY dan 6,5 juta pelanggan IndiHome atau peningkatan 38,3% YoY.

Daya Saing Telkom di Asia Tenggara

Telkom merupakan pemimpin industri Telekomunikasi di Indonesia dan memiliki *market cap.* terbesar kedua di Asia Tenggara setelah Singtel Singapore. TLKM memiliki P/E di level 16,2x dan ROE 21,3% masih berada di kisaran rata-rata industri operator telekomunikasi ASEAN yang memiliki rata-rata P/E di level 18,9x dan ROE 34,4%. Pencapaian tersebut menunjukkan performa TLKM masih berada di kisaran rata-rata kinerja industri operator telekomunikasi ASEAN. Selain itu, TLKM masih mampu mempertahankan margin laba bersih hingga *double digit* sebesar 15,1%.

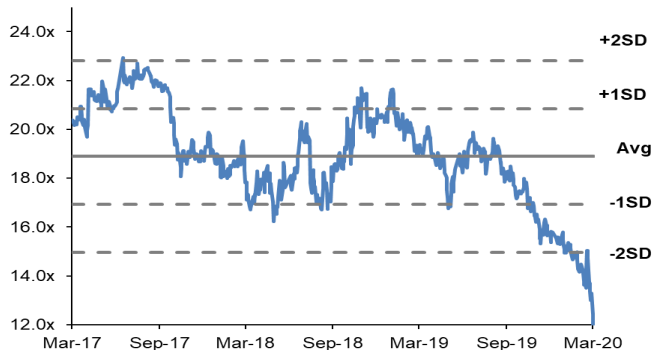
ASEAN Telecommunication Operators

Company	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Margin	ROE LTM	P/E LTM	P/BV
Indonesia									
TLKM	22,539	14,292	9,372	1,415	9.8%	15.1%	21.3%	16.2x	3.3x
EXCL	1,370	4,530	1,777	50	NA	2.8%	3.8%	28.1x	1.0x
ISAT	641	4,536	1,847	111	NA	6.0%	13.1%	5.9x	0.7x
Singapore									
Singtel	31,928	36,094	12,452	933	-58.8%	7.5%	4.6%	35.1x	1.7x
Malaysia									
Maxis	9,628	5,241	2,248	367	-14.7%	16.3%	21.4%	27.1x	5.8x
DiGi.Com	7,676	1,992	1,520	346	-7.0%	22.8%	214.9%	22.8x	49.6x
Axiata Group	8,467	16,290	5,935	330	NA	5.6%	8.1%	26.4x	2.2x
Thailand									
Advanced Info Service	16,029	9,735	5,829	1,005	5.1%	17.2%	49.2%	16.2x	7.3x
True Corp	2,828	17,610	4,541	182	-19.9%	4.0%	4.4%	15.2x	0.7x
Total Access Comm.	2,246	5,624	2,615	175	NA	6.7%	23.1%	13.1x	2.8x
Phillipine									
PLDT	4,135	10,355	3,268	428	17.0%	13.1%	19.8%	9.6x	1.9x
Globe Telecom	4,524	6,002	3,219	430	21.8%	13.4%	28.8%	10.7x	2.9x

Source: Bloomberg

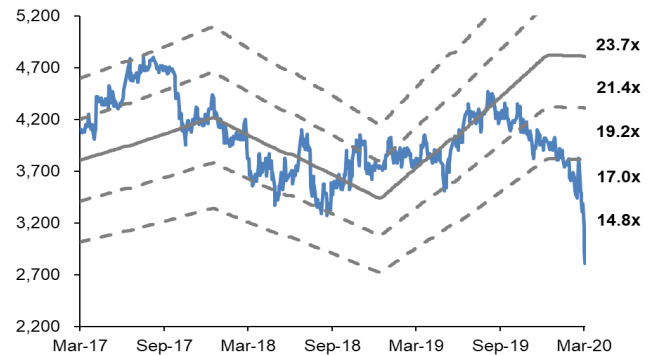
Multiple Valuation

Forward P/E band | Last 3 years



Source: NHKSI research

Dynamic Forward P/E band | Last 3 years



Source: NHKSI research

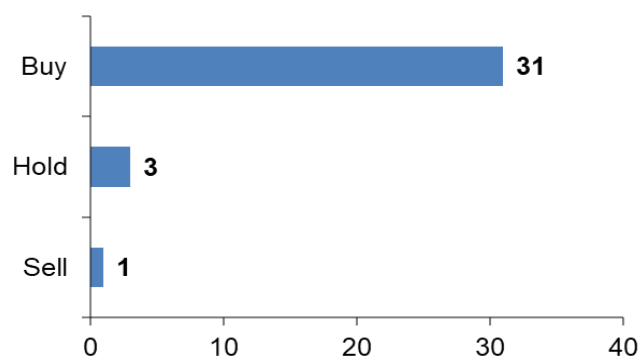
Rating and Target Price Update

Target Price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
03/18/2020	Buy	4,330 (Dec 2020)	2,810	4,577	+54.1%	-5.4%

Source: NHKSI research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI research

NH Korindo Sekuritas Indonesia (NHKSI) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
 - Buy : Greater than +15%
 - Hold : -15% to +15%
 - Sell : Less than -15%

Financial Summary

INCOME STATEMENT				
(IDR bn)	2018/12A	2019/12E	2020/12F	2021/12F
Revenue	130,784	144,276	157,093	169,782
Growth	2.0%	10.3%	8.9%	8.1%
COGS	-	-	-	-
Gross Profit	130,784	144,276	157,093	169,782
Gross Margin	-	-	-	-
Operating Expenses	(91,939)	(95,222)	(106,823)	(115,452)
EBIT	38,845	49,054	50,270	54,330
EBIT Margin	29.7%	34.0%	32.0%	32.0%
Depreciation	21,406	17,410	23,878	25,825
EBITDA	60,251	66,464	74,148	80,155
EBITDA Margin	46.1%	46.1%	47.2%	47.2%
Interest Expenses	(2,440)	(2,024)	(2,713)	(2,348)
EBT	36,405	47,029	47,557	51,982
Income Tax	(9,426)	(12,177)	(12,313)	(13,459)
Minority Interest	(8,947)	(9,559)	(10,213)	(10,912)
Net Profit	18,032	25,293	25,030	27,611
Growth	-18.6%	40.3%	-1.0%	10.3%
Net Profit Margin	13.8%	17.5%	15.9%	16.3%

BALANCE SHEET				
(IDR bn)	2018/12A	2019/12E	2020/12F	2021/12F
Cash	18,267	16,599	26,081	36,557
Receivables	11,414	15,229	16,582	17,921
Inventories	717	769	817	880
Total Current Assets	43,268	46,795	58,939	72,066
Net Fixed Assets	143,248	150,838	156,960	163,135
Other Non Current Assets	19,680	21,710	23,639	25,548
Total Assets	206,196	219,343	239,537	260,749
Payables	29,163	33,912	37,099	40,448
ST Bank Loan	10,339	9,504	10,658	11,874
LT Debt	33,748	31,024	34,790	38,757
Total Liabilities	88,893	91,697	101,336	111,386
Capital Stock	7,408	7,408	7,408	7,408
Retained Earnings	90,995	99,697	108,465	117,681
Shareholders' Equity	117,303	127,646	138,201	149,363

CASH FLOW STATEMENT				
(IDR bn)	2018/12A	2019/12E	2020/12F	2021/12F
Operating Cash Flow	32,724	42,955	50,096	54,789
Investing Cash Flow	(33,411)	(27,030)	(31,929)	(33,909)
Financing Cash Flow	(15,701)	(17,593)	(8,685)	(10,404)
Net Changes in Cash	(16,388)	(1,668)	9,482	10,476

Source: Company Data, NHKSI Research

PROFITABILITY & STABILITY				
	2018/12A	2019/12E	2020/12F	2021/12F
ROE	15.4%	19.8%	18.1%	18.5%
ROA	8.7%	11.5%	10.4%	10.6%
ROIC	17.8%	21.6%	20.3%	20.1%
Cash Dividend (IDR bn)	16,609	16,591	16,262	18,395
Dividend Yield	4.5%	4.4%	3.8%	4.3%
Payout Ratio	92.1%	65.6%	65.0%	66.6%
DER	37.6%	31.8%	32.9%	33.9%
Net Gearing	0.4	0.4	0.4	0.4
LT Debt to Equity	28.8%	24.3%	25.2%	25.9%
Capitalization Ratio	27.3%	24.1%	24.7%	25.3%
Equity Ratio	56.9%	58.2%	57.7%	57.3%
Debt Ratio	21.4%	18.5%	19.0%	19.4%
Financial Leverage	176.4%	173.7%	172.6%	174.0%
Current Ratio	93.5%	92.0%	105.5%	118.0%
Par Value (IDR)	50	50	50	50
Total Shares (mn)	99,062	99,062	99,062	99,062
Share Price (IDR)	3,750	3,830	4,330	4,330
Market Cap (IDR tn)	371.5	379.4	428.9	428.9

VALUATION INDEX				
	2018/12A	2019/12E	2020/12F	2021/12F
Price/Earnings	20.6x	15.0x	17.1x	15.5x
Price/Book Value	3.2x	3.0x	3.1x	2.9x
Price/Sales	2.8x	2.6x	2.7x	2.5x
PE/EPS Growth	-1.1x	0.4x	-16.5x	1.5x
EV/EBITDA	6.6x	6.1x	6.0x	5.5x
EV/EBIT	10.2x	8.2x	8.9x	8.2x
EV (IDR bn)	397,303	403,337	448,306	443,013
Sales CAGR (3-Yr)	8.5%	7.4%	7.0%	9.1%
EPS CAGR (3-Yr)	5.2%	9.3%	4.2%	15.3%
Basic EPS (IDR)	182	255	253	279
Diluted EPS (IDR)	182	255	253	279
BVPS (IDR)	1,184	1,289	1,395	1,508
Sales PS (IDR)	1,320	1,456	1,586	1,714
DPS (IDR)	168	167	164	186

OWNERSHIP		
By Geography	% Shareholders	%
Indonesia	71.5	Rep. of Indonesia 52.1
United States	16.0	Bank of New York 4.9
Luxembourg	4.9	Blackrock 1.7
Ireland	1.3	Vanguard Group Inc 1.7

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