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Research Center

# Morning KISI/

## ■ Company Update

Telkom Indonesia, Tbk (TLKM) : Recent drop offers attractive entry point

## ■ Market Commentary

## ■ Macro Calendar

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## Telkom Indonesia (TLKM)

### Recent drop offers attractive entry point

#### Transformation remains on track, expecting improved growth ahead

TLKM's management shared that the undergoing transformation to boost future growth remains on track. Those initiatives include fixed mobile convergence (FMC), infraco, data centers, B2B digital services, and digico. Consequently, the management guided revenue/EBITDA/NPAT to grow by mid-to-high single digits for FY23-25F as opposed to mid-to-low single digits in prior years. We currently forecast a 5.1%/5.4%/7.4% CAGR FY23-25F growth for TLKM's revenue, EBITDA, and core net profit, respectively.

#### Keeping its focus on productive subscribers

From the mobile segment, TSEL will maintain healthy conduct and concentrate on the high-value subs. Despite the quarterly loss of 10mn subs in 9M22, ARPU and data yield continued to trend positively (both +4.5% QoQ). To add, given that only one-third of them were acquired by the other MNOs, it might mostly come from the promo seekers or inactive subs. This decline in inactive subs would persist through the upcoming quarters with its mobile subs anticipated to be at 150mn (vs. 160mn as 9M22) by FY23F. Nonetheless, this should be compensated by rising data consumption and ARPU ahead.

#### GOTO investment and a potential FY23F dividend yield

One big concern on TLKM lately was the unrealized losses from GOTO investments and their prospective impact on the dividend policy. Management addressed this issue by planning to increase dividend payout to maintain dividend yield in-line with previous years. If GOTO closes at IDR 100/sh by the end of 2022, TLKM should incur unrealized losses of IDR 6.5tn, lowering its NPAT to IDR 19.3tn. With an assumed DPR of 80%-85% (vs 60% this year), DPS will be between IDR 156-165, implying to a still-attractive dividend yield of 4.3%-4.5%.

#### Upgrade to BUY – excessive sell-off provides attractive entry point

TLKM share price has fallen sharply by 17% since its 9M22 earnings announcement on several concerns: 1) a sizable drop in subs, and 2) a significant decline in GOTO. Additionally, pressure came from heavy foreign outflow of IDR 2.5tn during the past month. We believe the selloff is excessive, hence offering an attractive entry point for TLKM. Given the stable fundamentals and decent dividend yield, we raise our call to BUY with TP of IDR 4,900 (+34.2% upside). Valuation is still undemanding as TLKM now trades at 4.8x FY23F EV/EBITDA (-1SD of its 5-yr mean). Downside risks to our call include the return of price wars and lower-than-expected growth on weak purchasing power.

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	136,462	143,210	147,556	155,094	164,391
EBITDA (IDR bn)	72,080	75,723	80,314	84,818	90,581
OP (IDR bn)	43,188	43,907	46,241	48,841	52,968
NP (IDR bn)	20,804	24,760	25,791	26,720	29,182
Net debt/(cash) (IDR bn)	29,256	14,380	12,100	114	(12,425)
EBITDA margin (%)	52.8	52.9	54.4	54.7	55.1
OP margin (%)	31.6	30.7	31.3	31.5	32.2
ROE (%)	20.6	22.1	20.5	20.0	20.7
Dividend yield (%)	4.2	4.6	4.1	4.5	5.0
EPS (IDR)	210.0	249.9	260.4	2697	294.6
chg. (% YoY)	3.7	1.7	5.3	5.6	8.4
BPS (IDR)	1,035.0	1,228.0	1,316.4	1,420.8	1,533.3
DPS (IDR)	154.1	168.0	150.0	165.3	182.1
PE (x)	17.4	14.6	14.0	13.5	12.4
PB (x)	3.5	3.0	2.8	2.6	2.4
EV/EBITDA (x)	5.9	5.5	5.2	4.8	4.4

12M rating **BUY (Upgrade)**

12M TP **IDR 4,900**

Upside **34.2%**

#### Stock Data

JCI (Sep 19)	6,715
Stock price (Sep 19, IDR)	3,650
Market cap (IDR bn)	361,577
Shares outstanding (mn)	99,062
52-week high/low (IDR)	4,850 / 3,570
6M avg. daily turnover (IDR bn)	503.2
Free float (%)	47.9

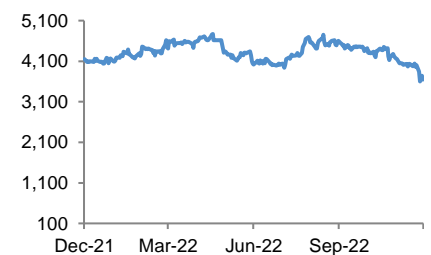
#### Major shareholders (%)

Republic of Indonesia	52.1
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#### Performance

	1M	6M	12M
Absolute (%)	(11.4)	(8.8)	(5.2)
Relative to JCI (%p)	(8.3)	(3.6)	(13.0)

#### TLKM stock price (IDR)



Source: Bloomberg

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## Market Commentary

### Market Commentary

- JCI ended the day on high note, the index gained 19 pts on Monday after closed lower for seven-straight sessions.
- Global stocks retreated at the start of a pivotal week for markets, with rate outlook in focus.
- The market opened with weakness dragged by GOTO IJ and BYAN IJ, but managed to close in the green thanks to smart recovery in large-cap stocks.
- Large-cap banks rebounded led by BBCA IJ and BBRI IJ after a series of sell-off last week.
- Coal miners rose in wake of an explosion at a coal mine in Indonesian's Sumatra island on Friday. ADRO IJ +3.26%, UNTR IJ +2.87%, PTBA IJ +4.97%
- Top Gainers : BBCA (+1.46%), BBRI (+1.04%), TLKM (+1.37%)
- Top Losers: GOTO (-6.45%), BYAN (-4.06%), MDKA (-2.97%)

## News

### Macroeconomic, Sector and Corporate News

- Ceramic – Indonesia ceramic association (Asaki) asks for zero over dimension & overload (ODOL) implementation to be postponed to 2025. (Investor daily)
- SMRA – Signed MoU with KCIC to develop area surrounding Tegalluar station (last station of Jakarta – Bandung fast train). (Investor daily)
- DOID – To distribute interim dividend of IDR 9/shs (~3% yield). Cum date:15Dec2022. (Kontan)
- PPRE – Secured new contracts of IDR 1.8tn for nickel mining services in Weda Bay Nickel project, Halmahera; bringing its YTD new contracts to IDR5tn (86% of its FY22 target). (Kontan)
- SMDR – Postpones its 1:5 stock split plan to Jan 2023. (Kontan)
- AGII – Plans to build a new factory in the Batang Integrated Industrial Estate (KIT), Central Java. (Kontan)
- ALDO – Targets to commercially operate new lines by early next year increasing its production capacity to 220,000 tons p.a. (from currently 80,000 tons p.a). (Kontan)

## Outliers

### Outlier Stocks

- Sharp Movers (Up) : MTPS (+34.7%), CHEM (+26.3%), WAPO (+25%)
- Sharp Movers (Down) : NINE (-8.5%), CLEO (-7%), GULA (-6.9%)

**Macro Calendar**

December 13, 2022

Mon	Tue	Wed	Thu	Fri
<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
Korea > <b>Market closed (National Foundation Day)</b> September exports and imports (announced October 1) US> September ISM manufacturing PMI China> <b>Market closed (National Day)</b>	US> August durable goods (F) China> <b>Market closed (National Day)</b>	<b>OPEC+ ministerial meeting</b> Korea> September CPI US> September ISM services PMI MBA mortgage applications China> <b>Market closed (National Day)</b>	US> New jobless claims China> <b>Market closed (National Day)</b>	US> September non-farm payrolls September jobless rate China> <b>Market closed (National Day)</b> September FX reserves
<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>
Korea> <b>Market closed (substitute holiday for Hangul Day)</b> US> <b>Market closed (Columbus Day)</b> China> September Caixin services PMI (announced October 8) Japan> <b>Market closed (Sports Day)</b>	<b>OECD leading economic index</b>	<b>The OPEC Monthly Oil Market Report</b> Korea> <b>MPC meeting</b> US> <b>FOMC minutes release</b> MBA mortgage applications September PPI	Korea> <b>Stock options expiry</b> US> September CPI Initial jobless claims	Korea> September jobless rate US> September retail sales October Michigan Consumer Confidence (P) China> September PPI September CPI September exports and imports September trade balance
<b>17</b>	<b>18</b>	<b>19</b>	<b>20</b>	<b>21</b>
US> October manufacturing index (New York) China> September mining and manufacturing production September retail sales September fixed asset investment 3Q22 GDP Japan> August mining and manufacturing production (F)	US> September industrial production	US> <b>Fed Beige Book release</b> MBA mortgage applications September housing starts Europe> September CPI (F)	US> Initial jobless claims September existing home sales China> <b>PBOC LPR release</b>	Japan> September CPI
<b>24</b>	<b>25</b>	<b>26</b>	<b>27</b>	<b>28</b>
	US> October Conference Board Consumer Expectations Index	US> September new home sales	Korea> 3Q22 GDP (A) US> Initial jobless claims September durable goods orders (P) 3Q22 GDP (A) Europe> <b>ECB MPC meeting</b>	US> September PCE October Michigan Consumer Confidence (F) Japan> <b>BoJ MPC meeting</b>
<b>31</b>				
Korea> September mining and manufacturing production China> October manufacturing PMI October services PMI Europe> October CPI (P) Japan> September manufacturing production (P)				

Note: 1) Figures in parentheses represent the latest reported figures, Bloomberg estimates and previous reported figures

in that order. For example: Data (actual reported figures, Bloomberg estimate, previous reported figures). Bloomberg estimates are subject to change 2) Earnings release date is from Bloomberg or company announcement

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