

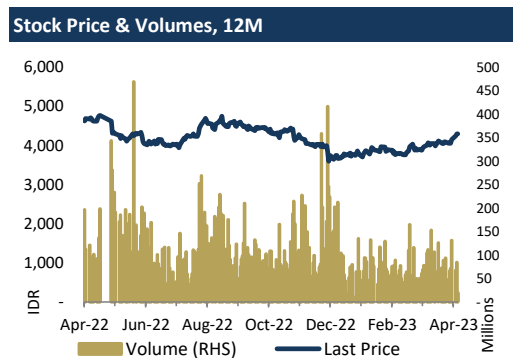
## BUY (Maintain)

**Target Price (IDR)** 5,100 (from 5,000)  
**Potential Upside (%)** 18.1

Price Comparison	
Cons. Target Price (IDR)	4,930
SSI vs. Cons. (%)	103.5

Stock Information	
Last Price (IDR)	4,320
Shares Issued (Mn)	99,062
Market Cap. (IDR Bn)	426,958
52-Weeks High/Low (IDR)	4,850/3,570
3M Avg. Daily Value (IDR Bn)	314.5
Free Float (%)	47.9
Shareholder Structure:	
Indonesian Govt. (%)	52.1
Public (%)	47.9

Stock Performance				
(%)	YTD	1M	3M	12M
Absolute	14.9	7.5	11.7	(6.9)
JCI Return	(0.8)	0.5	2.5	(5.8)
Relative	15.7	7.0	9.1	(1.1)



**Company Background**  
 PT Telkom Indonesia Tbk is the largest telecommunications and network provider in Indonesia. It is a state-owned enterprise, the company offers fixed-line telephony, mobile communication, broadband internet, data communication, and other network-related services.

**Jonathan Guyadi**  
 +62 21 2854 8332  
 jonathan.guyadi@samuel.co.id

**Brandon Boedhiman**  
 +62 21 2854 8100  
 brandon.boedhiman@samuel.co.id

## FMC as the Key to Prosperity

**TLKM's stake in TSEL increases to 70%.** TLKM had signed a Conditional Spin-off Agreement with TSEL on 6 Apr 2023 regarding the spin-off of Indihome (valued at ~IDR 58.3 trillion) to TSEL. After the integration, Singtel will exercise its right to take ~4.5% of TSEL's new shares for ~IDR 2.7 trillion, while TSEL will issue ~33 thousand new shares for TLKM, which will boost TLKM's stake in TSEL to ~69.9% (current: 65%) while Singtel's stake will decline to ~30.1% (current: ~35%). We believe the transaction will boost TLKM's enterprise value by ~IDR 5.7tn. The final decision regarding the spin-off will be made at TLKM GMS on 30 May 2023.

**Impact on profitability.** We believe the Indihome spin-off will increase TSEL's EBITDA by ~+9-10% in 2023-2025F with an EBITDA margin of ~47%, while its impact on TLKM's EPS might be relatively insignificant. However, in the long run, we believe TLKM's FMC strategy (including the Indihome spin-off) will positively impact TLKM's overall blended ARPU and reduce its churn rate, given TSEL's (~IDR 44k) and Indihome's (~IDR 268k) blended ARPU figures and their position as market leaders in their respective industries. The company estimates that the synergies established with the FMC strategy will boost its revenue by ~IDR 5.6tn and EBITDA by ~IDR 5.3tn in 2027F.

**BUY on TLKM.** In light of the potential spike in its enterprise value following its corporate actions, we decided to reiterate our BUY rating on TLKM and raise our TP to IDR 5,100/share (previously: IDR 5,000/share), implying 8.1x 2023F EV-to-EBITDA. We believe that TLKM's corporate actions and initiatives will provide added value and positively impact the company's profitability in the long term. Risk: tighter competition.

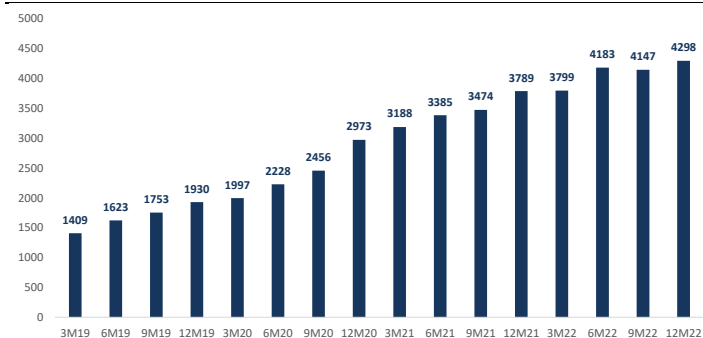
Forecast and Valuation (at closing price IDR 4,320 per share)					
Y/E Dec (IDR Bn)	19A	20A	21A	22A	23F
Revenue (IDR Bn)	135.567	136.462	143.210	147.306	152.070
EBITDA (IDR Bn)	64.832	72.080	75.723	78.992	81.618
Net Profit (IDR Bn)	18.663	20.804	24.760	20.753	31.106
EPS (IDR)	188	210	250	209	314
EPS Growth (%)	3,5%	11,5%	19,0%	-16,2%	49,9%
BVPS (IDR)	1183,6	1220,3	1467,8	1506,8	1691,3
BVPS Growth (%)	0,0%	3,1%	20,3%	2,7%	12,3%
Net gearing (x)	0,4	0,4	0,4	0,3	0,3
P/E Ratio (x)	22,9	20,6	17,3	20,6	13,8
P/BV (x)	3,6	3,5	2,9	2,9	2,6
EV/EBITDA (x)	9,5	8,3	7,5	7,0	7,0
ROAE (%)	15,9	17,5	18,6	14,1	19,6
ROAA (%)	8,7	8,9	9,4	7,5	11,2

**Table 1. Peers Comparison**

Company Ticker	Market Cap (IDR Bn)	PER (x)		EV/EBITDA (x)		PBV (x)		ROE (%)	
		2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
SINGAPORE TELECO	457.8	18.2	15.7	12.7	12.2	1.4	1.4	7.9	9.0
STARHUB LTD	19.7	15.2	12.4	6.1	5.5	3.2	3.0	22.6	25.5
AXIATA GROUP BER	93.2	20.9	19.3	5.9	5.6	1.1	1.1	4.8	5.6
DIGI.COM BHD	174.1	28.4	25.7	12.1	11.8	3.9	5.1	10.8	43.1
MAXIS BHD	108.8	22.9	21.9	10.3	10.1	5.1	5.2	21.8	22.8
TELEKOM MALAYSIA	63.7	14.3	14.0	4.9	4.9	2.1	2.0	15.4	14.0
PLDT INC	73.3	9.5	9.4	5.1	4.9	2.0	1.9	23.2	22.0
GLOBE TELECOM	70.0	13.3	11.8	6.4	6.2	1.8	1.7	15.5	14.7
ADVANCED INFO	272.8	21.8	19.9	7.9	7.5	6.9	6.6	32.4	33.9
TOTAL ACCESS COM	123.1	37.3	31.4	21.7	22.5	5.6	5.5	13.7	17.6
TELKOM INDONESIA	425.0	15.3	14.2	5.6	5.3	3.1	2.9	20.4	20.9
PT XL AXIATA TBK	23.7	16.7	13.1	4.1	3.8	0.8	0.8	5.7	6.4
INDOSAT TBK PT	53.4	17.9	13.1	4.6	4.3	1.8	1.6	8.3	10.5
		<b>19.9</b>	<b>17.8</b>	<b>9.4</b>	<b>9.1</b>	<b>3.3</b>	<b>3.3</b>	<b>16.5</b>	<b>20.2</b>

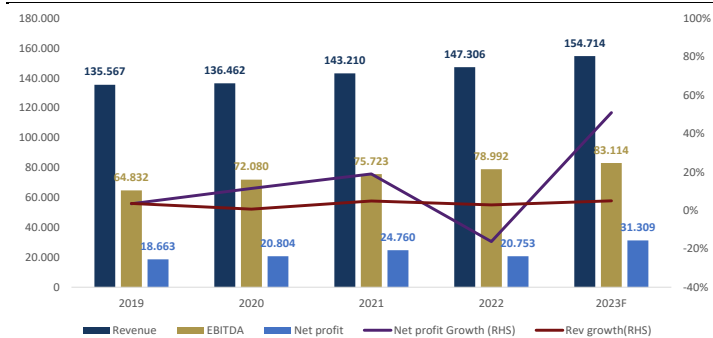
Source: Bloomberg, SSI Research

**Figure 1. TLKM's Data traffic (in petabytes)**



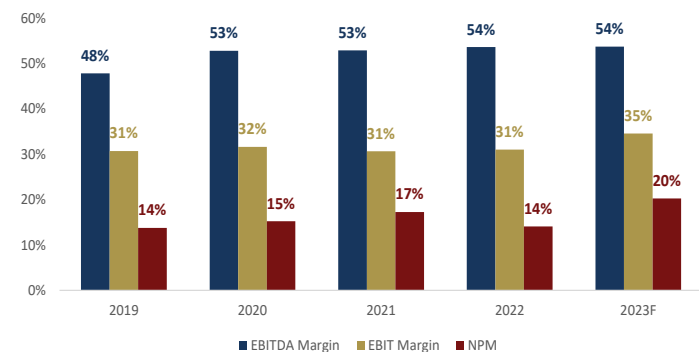
Source: Company, SSI research

**Figure 2. TLKM's Profitability margin**



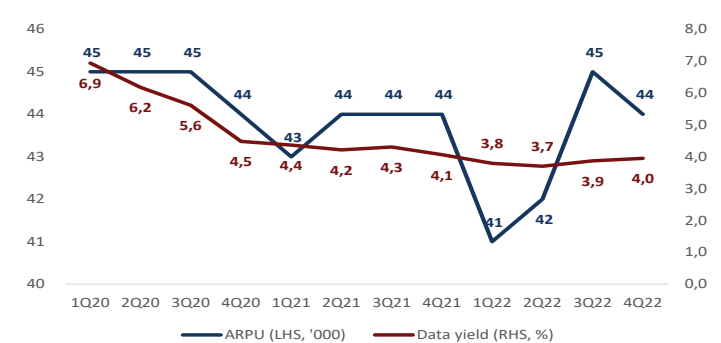
Source: Company, SSI research

**Figure 3. TLKM's EBIT, EBITDA, NP margin**



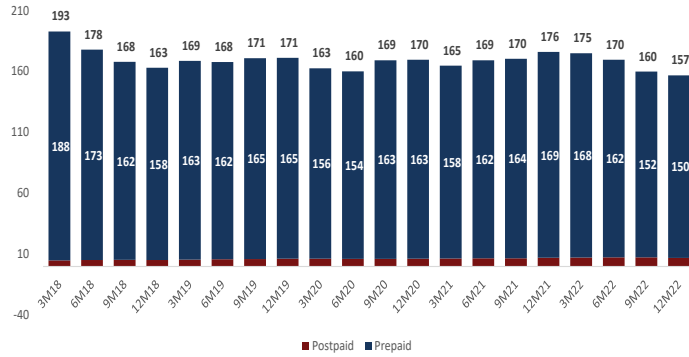
Source: Company, SSI research

**Figure 4. TLKM ARPU vs Data yield**



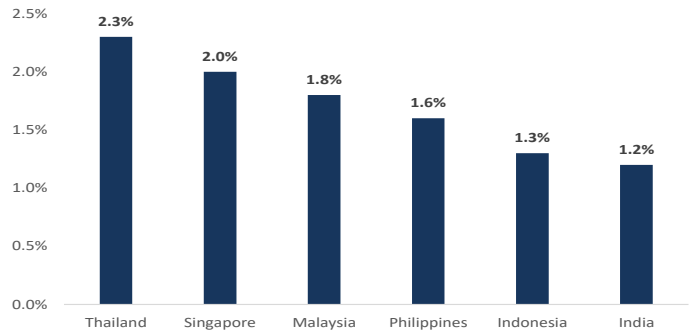
Source: Company, SSI research

**Figure 5. TLKM Subscriber count (in mns)**



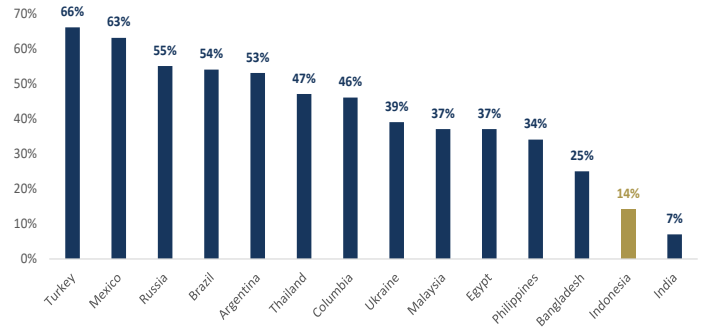
Source: Company, SSI research

**Figure 7. Cellular Spend as a % of GDP (2021)**



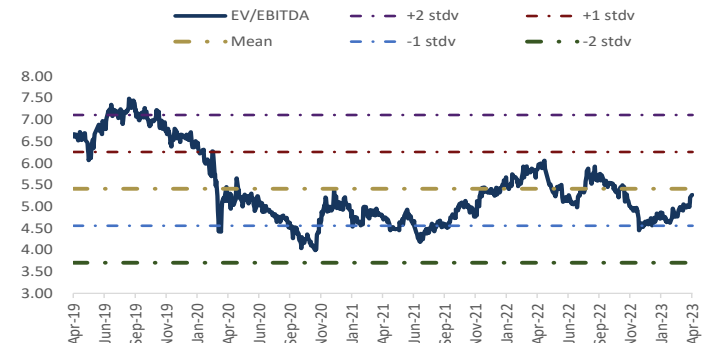
Source: APJII, KOMINFO, Company, SSI Research

**Figure 6. Fixed broadband penetration rates in ASEAN countries (2021)**



Source: McKinsey Analysis, Oxford Economics, Analysis Mason, SSI research

**Figure 8. TLKM's 5 Year EV/EBITDA band**



Source: Bloomberg SSI research

Research Team			
Prasetya Gunadi	Head of Equity Research, Strategy, Banking, Digital Banks	prasetya.gunadi@samuel.co.id	+6221 2854 8320
Lionel Priyadi	Macro Equity Strategist	lionel.priyadi@samuel.co.id	+6221 2854 8854
Muhamad Alfatih, CSA, CTA, CFTe	Senior Technical Analyst	m.alfatih@samuel.co.id	+6221 2854 8129
William Mamudi, CFTe, CMT, CCT	Senior Technical Analyst	william.mamudi@samuel.co.id	+6221 2854 8382
Yosua Zisokhi	Cement , Cigarette, Paper, Plantation,Telco Infra, Chemicals	yosua.zisokhi@samuel.co.id	+6221 2854 8387
M. Farras Farhan	Media, Poultry, Oil & Gas, Technology	farras.farhan@samuel.co.id	+6221 2854 8346
Pebe Peresia	Automotive, Consumer Staples, Retail	pebe.peresia@samuel.co.id	+6221 2854 8339
Juan Oktavianus Harahap	Coal, Metal Mining	juan.oktavianus@samuel.co.id	+6221 2854 8846
Jonathan Guyadi	Banking, Healthcare, Telco	jonathan.guyadi@samuel.co.id	+6221 2854 8321
Adolf Richardo	Editor	adolf.richardo@samuel.co.id	+6221 2864 8397
Ashalia Fitri Yuliana	Research Associate	ashalia.fitri@samuel.co.id	+6221 2854 8389
Abraham Timothy	Research Associate	abraham.timothy@samuel.co.id	+6221 2854 8322
Daniel Aditya Widjaja	Research Associate	daniel.aditya@samuel.co.id	+6221 2854 8322
Laurencia Hiemas	Research Associate	laurencia.hiemas@samuel.co.id	+6221 2854 8392
Brandon Boedhiman	Research Associate	brandon.boedhiman@samuel.co.id	+6221 2854 8392

Equity Institutional Team			
Benny Bambang Soebagjo	Head of Institutional Equity Sales	benny.soebagjo@samuel.co.id	+6221 2854 8312
Ronny Ardianto	Institutional Equity Sales	ronny.ardianto@samuel.co.id	+6221 2854 8399
Anthony Yunus	Institutional Equity Sales	anthony.yunus@samuel.co.id	+6221 2854 8314
Widya Meidrianto	Institutional Equity Sales	widya.meidrianto@samuel.co.id	+6221 2854 8317
Fachruly Fiater	Institutional Sales Trader	fachruly.fiater@samuel.co.id	+6221 2854 8325
Lucia Irawati	Institutional Sales Trader	lucia.irawati@samuel.co.id	+6221 2854 8173
Alexander Tayus	Institutional Equity Dealer	alexander.tayus@samuel.co.id	+6221 2854 8319
Leonardo Christian	Institutional Equity Dealer	leonardo.christian@samuel.co.id	+6221 2854 8147

Equity Retail Team			
Joseph Soegandhi	Head of Equity	joseph.soegandhi@samuel.co.id	+6221 2854 8872
Damargumilang	Head of Equity Retail	damargumilang@samuel.co.id	+6221 2854 8309
Denzel Obaja	Head of Community & Partnership	denzel.obaja@samuel.co.id	+6221 2854 8342
Clarice Wijana	Head of Equity Sales Support	clarice.wijana@samuel.co.id	+6221 2854 8395
Gitta Wahyu Retnani	Equity Sales & Trainer	gitta.wahyu@samuel.co.id	+6221 2854 8365
Vincentius Darren	Equity Sales	darren@samuel.co.id	+6221 2854 8348
Michael Alexander	Equity Sales	michael.alexander@samuel.co.id	+6221 2854 8369
Sylviawati	Equity Sales	sylviawati@samuel.co.id	+6221 2854 8112
Wandha Ahmad	Equity Sales	wandha.ahmad@samuel.co.id	+6221 2854 8316
Handa Sandiawan	Equity Sales	handa.sandiawan@samuel.co.id	+6221 2854 8302
Wahyudi Budiyo	Dealer	wahyudi.budiyo@samuel.co.id	+6221 2854 8152

Fixed Income Sales Team			
R. Virine Tresna Sundari	Head of Fixed Income	virine.sundari@samuel.co.id	+6221 2854 8170
Rudianto Nugroho	Fixed Income Sales	rudianto.nugroho@samuel.co.id	+6221 2854 8306
Sany Rizal Keliobas	Fixed Income Sales	sany.rizal@samuel.co.id	+6221 2854 8337
Safitri	Fixed Income Sales	safitri@samuel.co.id	+6221 2854 8376
Khairanni	Fixed Income Sales	khairanni@samuel.co.id	+6221 28548104
Nadya Attahira	Fixed Income Sales	nadya.attahira@samuel.co.id	+6221 2854 8305

**DISCLAIMER:** Analyst Certification: The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s) principally responsible for the preparation of this research has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations. This document is for information only and for the use of the recipient. It is not to be reproduced or copied or made available to others. Under no circumstances is it to be considered as an offer to sell or solicitation to buy any security. Any recommendation contained in this report may not be suitable for all investors. Moreover, although the information contained herein has been obtained from sources believed to be reliable, its accuracy, completeness and reliability cannot be guaranteed. All rights reserved by PT Samuel Sekuritas Indonesia.