

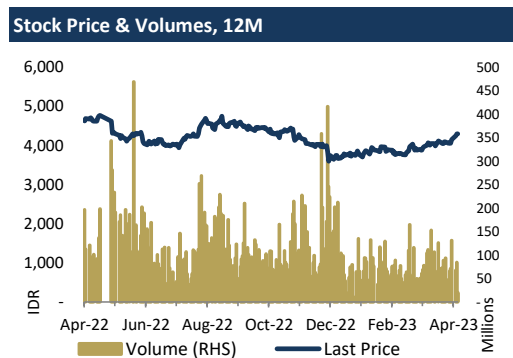
BUY (maintain)

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)	4,300
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

Kepemilikan TLKM di TSEL naik menjadi 70%. TLKM sebelumnya telah melakukan penandatanganan Conditional Spin-off Agreement dengan TSEL pada 6 Apr 2023 terkait *spin-off* bisnis Indihome ke TSEL, dengan valuasi ~IDR 58.3 triliun. Pasca integrasi ini, Singtel akan menggunakan haknya untuk mengambil ~4,5% saham baru di TSEL dengan melakukan penambahan dana ~IDR 2.7 triliun, sedangkan TSEL akan melakukan penerbitan ~33 ribu saham baru untuk TLKM, yang akan meningkatkan kepemilikan TLKM di TSEL menjadi ~69.9% (saat ini: 65%) sedangkan kepemilikan Singtel akan menurun menjadi ~30.1% (saat ini: ~35%). Kami memperkirakan transaksi ini dapat meningkatkan enterprise value TLKM sebesar ~IDR 5.7tn. Keputusan final terkait spin off ini akan diambil dalam RUPS TLKM pada tanggal 30 Mei 2023.

Dampak terhadap profitabilitas. Kami melihat spin-off Indihome akan mendongkrak EBITDA TSEL hingga ~+9-10% pada 2023-2025F dengan margin EBITDA sebesar ~47%, sementara dampaknya terhadap EPS TLKM relatif minim. Namun, dalam jangka panjang, kami meyakini strategi FMC TLKM (termasuk spin-off Indihome) akan berdampak positif bagi *overall blended* ARPU TLKM serta menurunkan *churn rate*, mengingat angka blended ARPU TSEL (~IDR 44k) dan Indihome (~IDR 268k) serta posisi keduanya sebagai market leader di industrinya masing-masing. Perseroan memperkirakan sinergi yang akan tercipta dari strategi FMC akan mendorong kenaikan pendapatan hingga ~IDR 5.6tn pada 2027F, serta meningkatkan EBITDA sebesar ~IDR 5.3tn.

BUY untuk TLKM. Kami tetap mempertahankan rating BUY di TLKM dan meningkatkan TP ke IDR 5,100/saham (sebelumnya: IDR 5,000/share), menyiratkan 8.1x EV to EBITDA 2023F, dengan memperhitungkan potensi dari peningkatan enterprise value dari aksi korporasi TLKM. Kami meyakini aksi korporasi dan inisiatif yang diambil TLKM akan memberikan nilai tambah serta berdampak positif bagi profitabilitas perseroan dalam jangka panjang. Risiko: kompetisi yang makin ketat.

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
		19.9	17.8	9.4	9.1	3.3	3.3	16.5	20.2

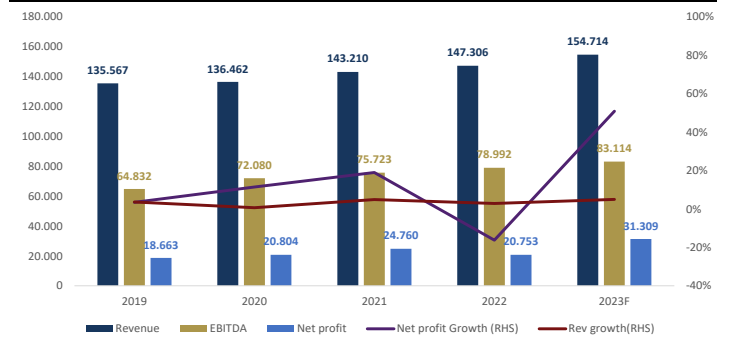
Source: Bloomberg, SSI Research

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



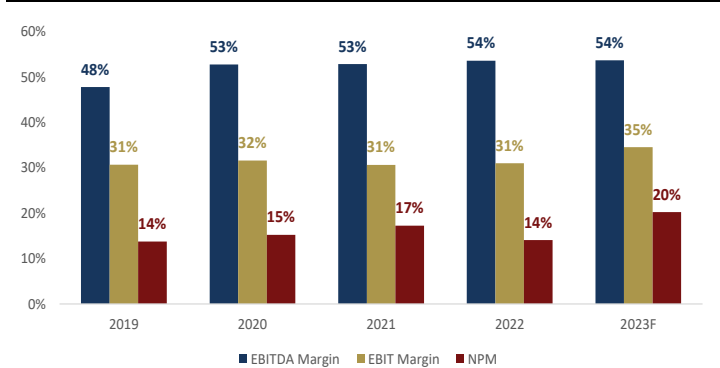
Source: Company, SSI research

Figure 2. TLKM's Profitability margin



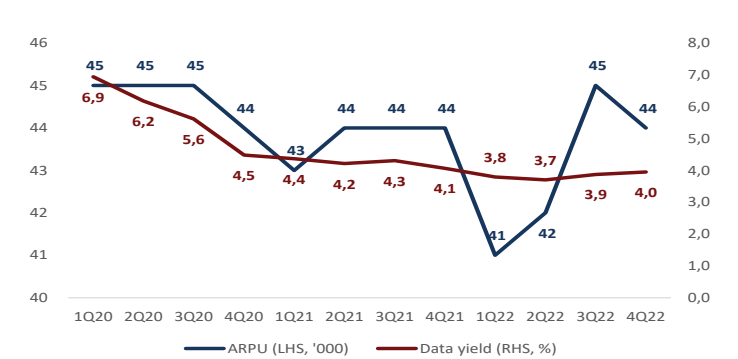
Source: Company, SSI research

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



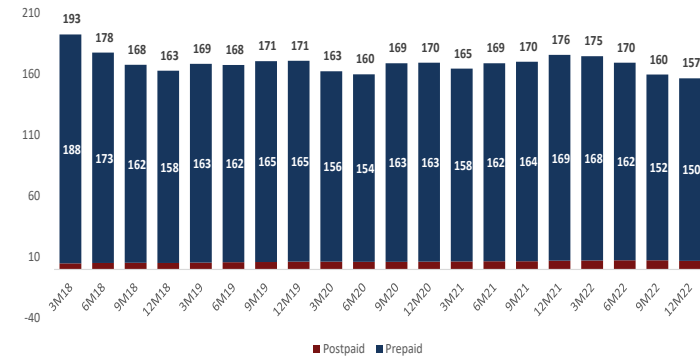
Source: Company, SSI research

Figure 4. TLKM ARPU vs Data yield



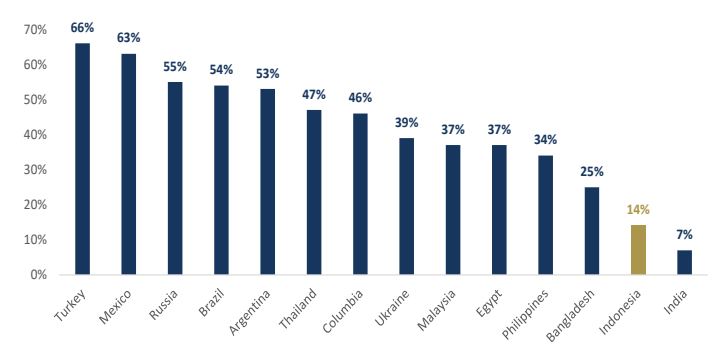
Source: Company, SSI research

Figure 5. TLKM Subscriber count (in mns)



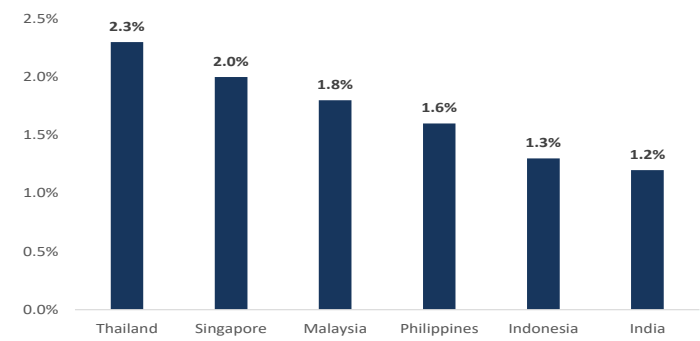
Source: Company, SSI research

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



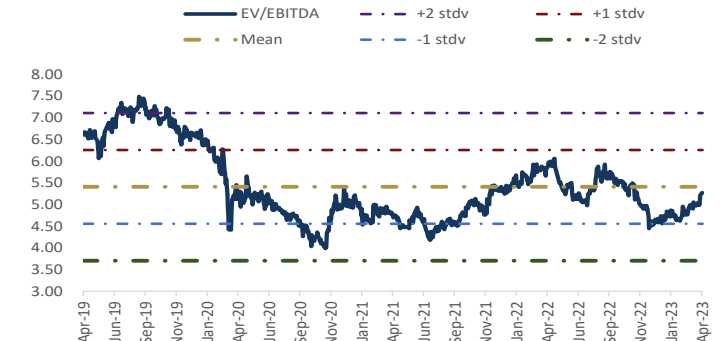
Source: McKinsey Analysis, Oxford Economics, Analysis Mason, SSI research

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



Source: APJII, KOMINFO, Company, 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

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