

BUY (Maintain)

Target Price (IDR)	4,500
Potential Upside (%)	21.6

Price Comparison

Cons. Target Price (IDR)	4,696
SSI vs. Cons. (%)	95.9

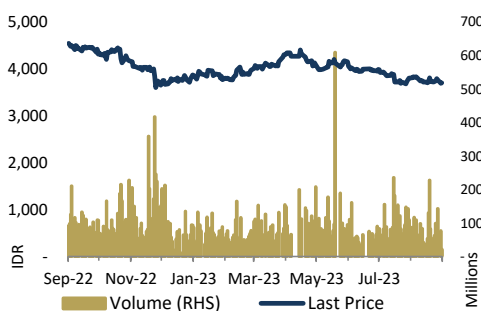
Stock Information

Last Price (IDR)	3,700
Shares Issued (Mn)	99,062
Market Cap. (IDR Bn)	367,521
52-Weeks High/Low (IDR)	4,600/3,570
3M Avg. Daily Value (IDR Bn)	345.9
Free Float (%)	47.9
Shareholder Structure:	
Indonesian Govt. (%)	52.1
Public (%)	47.9

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	(1.1)	(2.6)	(8.4)	(18.3)
JCI Return	1.3	0.9	3.2	(4.4)
Relative	(2.4)	(3.5)	(11.6)	(13.9)

Stock Price & Volumes, 12M



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.

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Telkom Investor Day 2023 Notes

Indonesia remains lucrative for telco players. With a population of approximately 275 million, Indonesia has the fourth largest population in the world, and 77% of them (212.9 million) are internet users. However, in terms of internet penetration, Indonesia still ranks behind many Asian countries (Indonesia: ~67%; China: 74.9%; Thailand: 85.3; Philippines: 73.1%). The low penetration rate indicates ample room for growth for Indonesia's telco sector, whose value is projected to reach USD 17.8 bn in 2027F (2022-2027F CAGR: +5%). Indonesia's 5G market is expected to grow at a CAGR of +138% in 2022-2027F, reaching USD 6.2bn in size in 2027F, while the FTTP/H broadband market size is expected to reach USD 4.9 bn in 2027F (2022-2027F CAGR: +13%). From the B2B side, enterprise ICT spending is expected to reach USD 16.6bn in 2027F (2022-2027F CAGR: +14%), giving a huge room for growth for ICT and cloud businesses in Indonesia. Today, Indonesia's B2B tech spending-to-GDP ratio comes in at ~0.7%, lower than its peers (China: 1.27%; India: 1.8%; Singapore: 7.36%; Malaysia 2.6%), while cloud spending's comes in at 0.07% (China: 0.14%; India: 0.08%; Singapore: 0.46%; Thailand: 0.08%). We believe that digital enablement will become more popular in Indonesia since it is projected to be able to help a company cut its cost by ~5-10% and increase its overall productivity significantly, tackling the problem of low productivity in Indonesia (output/hour estimate: USD 13/hour, Malaysia: USD 26/hour; Singapore: USD 74/hour).

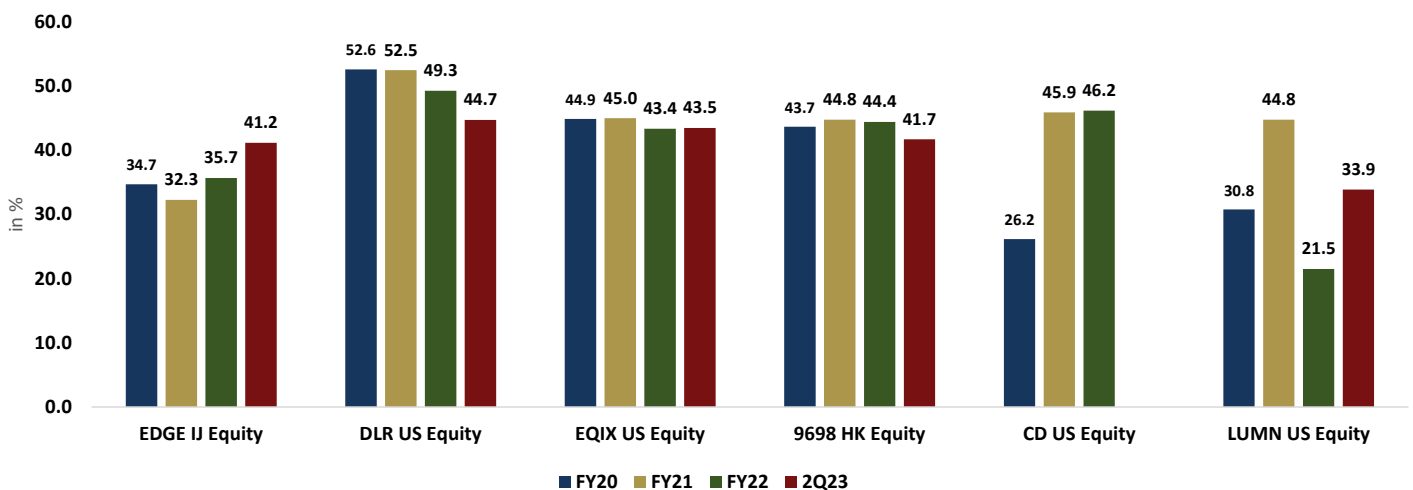
Updates on TLKM's businesses. At the moment, TSEL's Customer Value Management (CVM) contributes ~64% of its data package revenue, and customers on its CVM plan post higher ARPU (~2x higher) and lower churn rate (~10% higher propensity to keep using TSEL). It is worth noting that today, ~30% of TSEL's subscribers contribute ~70% of its overall revenue; thus, we believe that further developments of the company's CVM plan should positively impact its overall profitability. Regarding its pricing strategy, TSEL plans to continue its current pricing discipline for the foreseeable future, which should help create a better pricing environment in the MNO market. As for its FBB business, we expect Indihome to maintain its dominance amid fierce competition in the FTTH market, supported by a strong subscriber base and positive feedback regarding its service quality, with an NPS of 35 (industry avg: ~29). For information, Indihome's customer market share and traffic share both came in at ~70% in 1H23. Regarding its FMC business, TLKM's FMC penetration rate is recorded at ~30%, with the potential for ~8mn additional household customers from both Indihome and TSEL users. For its B2B business, TLKM noticed massive growth room for the business, particularly in healthcare industry, government digitalization, education, logistics, and financial sectors. Regarding its data center business (NeutraDC), the company expects its EBITDA margin will normalize in 2 years as the company is still focusing on the consolidation of Telkomsigma (in 1H23, NeutraDC posted an EBITDA margin of ~20% [industry avg: ~40%]). As for its midterm business guidance, the company took a somewhat conservative stance, with revenue, EBITDA, and net profit all projected to grow by mid-single digit.

BUY on TLKM. We maintain our positive view on TLKM, as we believe that its dominance will help support its earnings growth and profitability in the long term. We maintain our BUY rating for TLKM with a TP of 4,500, implying a 2024F EV to EBITDA of 7.1x. Risk: tighter competition in the telco sector.

Table 1. TLKM's forecast and valuation

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	153,105
EBITDA (IDR Bn)	64,832	72,080	75,723	78,992	80,120
Net Profit (IDR Bn)	18,663	20,804	24,760	20,753	26,639
EPS (IDR)	188	210	250	209	269
EPS Growth (%)	3.5%	11.5%	19.0%	-16.2%	28.4%
BVPS (IDR)	1183.6	1220.3	1467.8	1506.8	1647.8
BVPS Growth (%)	0%	3%	20%	3%	9%
Net gearing (x)	0.5	0.4	0.2	0.1	0.2
P/E Ratio (x)	19.6	17.6	14.8	17.7	13.8
P/BV (x)	3.1	3.0	2.5	2.5	2.2
EV/EBITDA (x)	9.8	8.6	7.8	7.3	7.4
ROAE (%)	16%	17%	19%	14%	17%
ROAA (%)	9%	9%	9%	8%	10%

Figure 1. Company's Datacenter EBITDA Margin



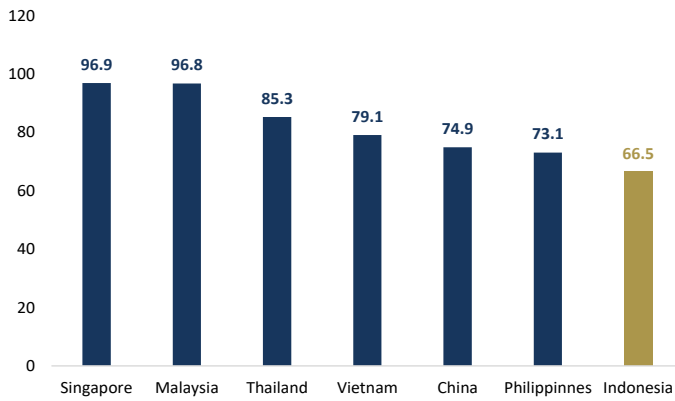
Source: Bloomberg, SSI Research

Table 3. Peers Comparison

Company Ticker	Country	Company Ticker	Market Cap (IDR Bn)	PER (x)		EV/EBITDA (x)		PBV (x)		ROE (%)	
				2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
SINGAPORE TELECO	SG	ST SP	435.6	16.3	14.1	12.7	12.2	1.4	1.4	9.0	9.9
STARHUB LTD	SG	STH SP	20.6	14.1	12.2	6.3	5.9	3.2	2.9	23.2	24.7
AXIATA GROUP BER	MY	AXIATA MK	73.8	36.6	23.3	6.0	5.7	0.9	0.9	2.4	3.6
CELCOMDIGI BHD	MY	CDB MK	169.5	29.5	25.7	11.1	10.8	3.1	3.1	10.5	12.1
MAXIS BHD	MY	MAXIS MK	106.5	23.8	23.3	10.5	10.3	5.1	5.2	20.9	21.6
TELEKOM MALAYSIA	MY	T MK	63.4	13.4	13.1	5.1	5.0	2.2	2.0	16.9	15.2
PLDT INC	PH	TEL PM	69.9	8.2	7.8	5.4	5.1	2.4	2.2	27.8	27.0
GLOBE TELECOM	PH	GLO PM	69.7	13.6	12.9	7.0	6.7	1.6	1.6	13.5	11.9
ADVANCED INFO	TH	ADVANC TB	280.2	22.7	20.6	8.2	7.7	7.2	6.8	32.1	33.3
TRUE CORP PCL	TH	TRUE TB	104.5	N/A	304.3	8.5	7.9	2.6	2.6	-4.4	2.0
TELKOM INDONESIA	ID	TLKM IJ	366.5	14.2	13.2	5.2	4.9	2.7	2.5	18.7	19.2
PT XL AXIATA TBK	ID	EXCL IJ	31.4	22.8	17.7	4.7	4.4	1.1	1.0	5.1	6.2
INDOSAT TBK PT	ID	ISAT IJ	79.4	22.9	15.9	5.6	5.0	2.6	2.4	11.8	13.8
				18.2	32.8	8.5	8.2	3.1	2.9	15.5	16.6

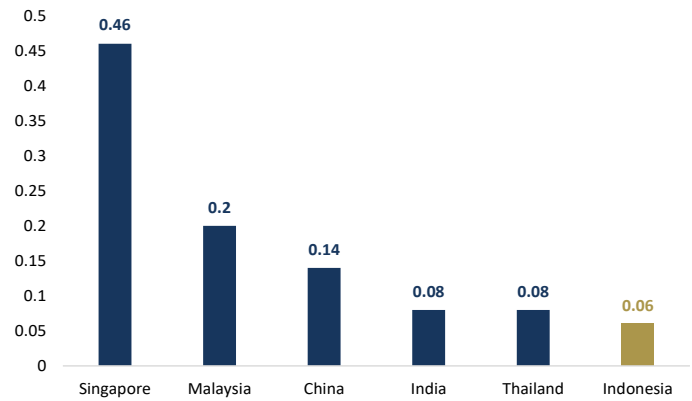
Source: Bloomberg, SSI Research

Figure 1. Internet penetration rate 2023 (%)



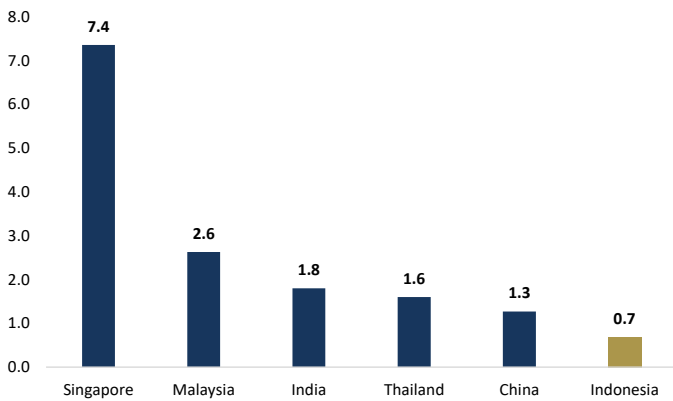
Source: Statista, SSI research

Figure 2. Cloud spending as portion of GDP (%)



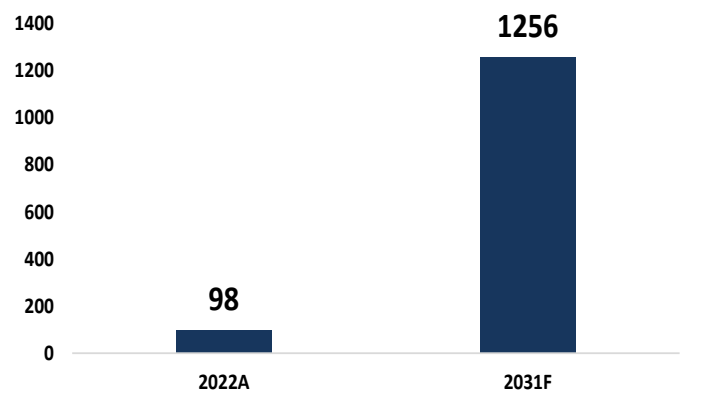
Source: IMF, Gartner, McKinsey analysis, SSI Research

Figure 3. B2B Tech spending as portion of GDP (%)



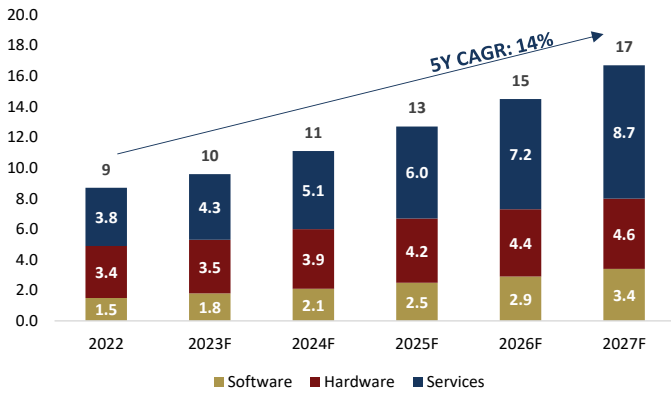
Source: IMF, Gartner, McKinsey analysis, SSI Research

Figure 4. Indonesia Data Center Demand (IT Load, MW)



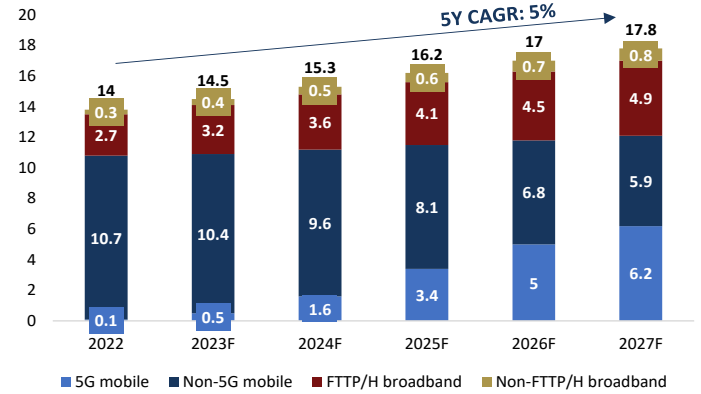
Source: Company, SSI research

Figure 5. Enterprise ICT Spending (USD, bn)



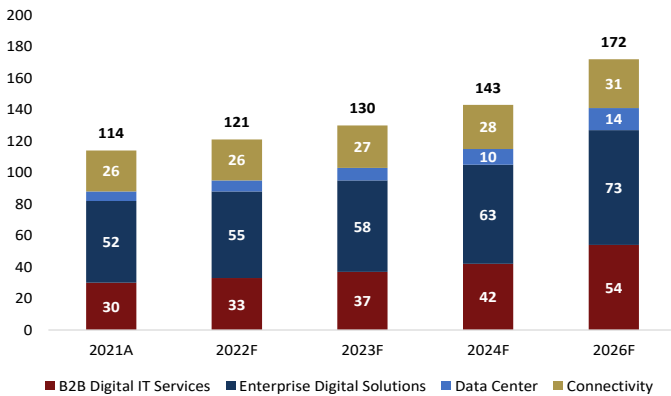
Source: McKinsey analysis, SSI Research

Figure 6. Indonesia's Telecom Revenue (USD bn)



Source: McKinsey analysis, SSI Research

Figure 7. B2B Services market size in Indonesia (IDR, Tn)



Source: McKinsey analysis, SSI Research

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



Source: Bloomberg, SSI research

Figure 9. Telco Industry 5 Year EV/EBITDA band



Source: Bloomberg, SSI research

Figure 10. Leap Telkom Digital showcase (site visit)



Source: SSI research

Figure 11. MTEL miniature tower placement (site visit)



Source: SSI research

Figure 9. Telkom's Neutradc marketing stand (site visit)



Source: SSI research

Figure 10. Telkom's Orbit FMC 5G router showcase (site visit)



Source: SSI research

Figure 11. Telkomsel's Indihome and Orbit router showcase (site visit)



Source: SSI research

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