

BUY | TP : IDR4,010
TLKM Stock Price Data

Last Price	:	IDR3,120
52wk High	:	IDR4,500
52wk Low	:	IDR2,960
Share Out	:	99.06bn
Market Cap	:	IDR309.1tn

TLKM Stock Price Performance

1-Day	:	+1.0%
1-Week	:	-1.3%
1-Month	:	-8.8%
3-Month	:	-21.0%
Year-to-Date	:	-21.0%

Shareholders

Government of Indonesia	:	52.1%
Public	:	47.9%

PT Telkom Indonesia Tbk (TLKM IJ)
Weathering The Storm: Positive Outlook Remains Perceptible
Starlink's Arrival: To Compete or Complete?

Officially obtained business permits of VSAT (Very-Small-Aperture Terminal) closed fixed network and ISP in Indonesia, Starlink has inevitably become a debatable topic on the market regarding its potential impact on established local telecommunication companies. From our perspective, Starlink's entry into domestic market is unlikely to pose immediate threats to any of the existing broadband service providers for at least the next few years, but rather serves as a complement. The rationales to our view include:

- The advent of Starlink, with its LEO (Low-Earth Orbit) satellites, opens up possibilities for fair partnerships with existing ISP companies like TLKM. Despite TLKM's extensive coverage across Indonesia, the challenges of network infrastructure deployment in 3T areas remain due to Indonesia's geography as a vast archipelago. We studied similar scenarios in other countries where Starlink operates and found that it has posed no threats to local players but has provided positive outcomes. For example: 1) The Philippines' government successfully leveraged Starlink to equip remote schools and villages with internet connectivity, indicating that similar partnerships in Indonesia could amplify TLKM's reach. 2) In Malaysia, the aim to achieve 100% internet coverage in populated areas (currently at 97%) with Starlink's assistance demonstrates the potential for enhancing national coverage through such collaborations. 3) Additionally, in the US, Starlink's partnership with T-Mobile to provide coverage in remote areas shows how TLKM can also benefit from satellite technology to extend its service areas. This complementary approach can help TLKM maintain and even expand its market share by leveraging Starlink's technology to reach previously inaccessible regions.
- Starlink's package prices are premium compared to the current services offered by existing companies, starting at IDR750k/month with high up-front cost for standardized hardware priced at IDR7.8mn (vs IndiHome's plan starting at IDR350k/month). We anticipate that its prices are unlikely to decrease in the near future, given that the deployment of an extensive and large LEO satellites constellation is very costly and complex. Hence, we foresee that Starlink packages will be less preferable in areas where other types of connectivity providers, especially fiber optic, are already enhanced. (See Exhibit 1)

Maintaining a BUY rating, with pruned TP: IDR4,010/Share

We maintain a BUY recommendation for TLKM with a lower TP of IDR4,010/share (+28.5% upside), implying 5.10x of FY24E EV/EBITDA. Our adjustment to the TP stems on the modest performance in FY23 and 1Q24, which softens our outlook for FY24E and onwards. Reflecting from its 5-year EV/EBITDA, TLKM is currently trading below the STD-1 of its 5-Year EV/EBITDA. The downside risks to our call include: 1) intense competition in the MNO industry; 2) changes in government regulations affecting fair competition between local and international providers.

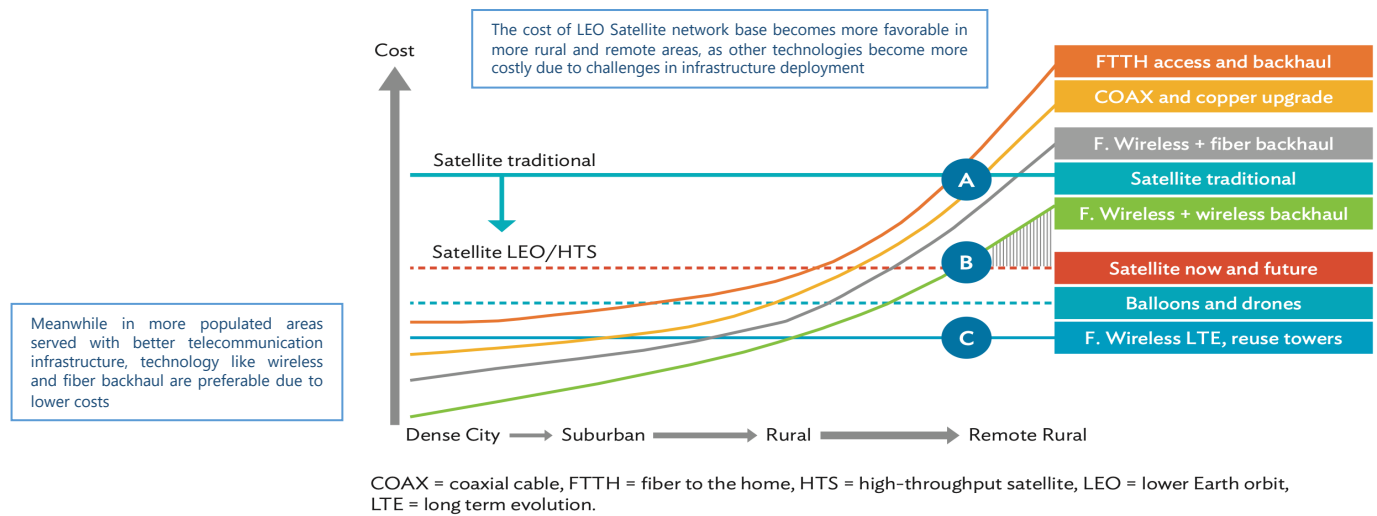

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Key Financial Highlight	FY21	FY22	FY23	FY24E	FY25F
Revenue (IDR Bn)	143,210.0	147,306.0	149,216.0	157,034.3	166,443.4
Net Income (IDR Bn)	24,760.0	20,753.0	23,873.0	27,095.5	30,794.8
EPS (IDR)	249.9	209.5	247.9	273.5	310.9
PE (x)	12.36	14.75	12.46	11.30	9.94
BVS (IDR)	1,228.0	1,304.8	1,370.3	1,465.3	1,561.7
PBV (x)	2.52	2.37	2.25	2.11	1.98
EV/EBITDA (x)	5.2	5.0	5.1	4.9	4.7
ROA (%)	9.4	7.5	8.7	9.4	10.4
ROE (%)	22.1	16.5	18.5	19.3	20.5

Sources : Bloomberg, MNCS Research

Exhibit 01. Network provider Technologies Compared by Costs and Population Density



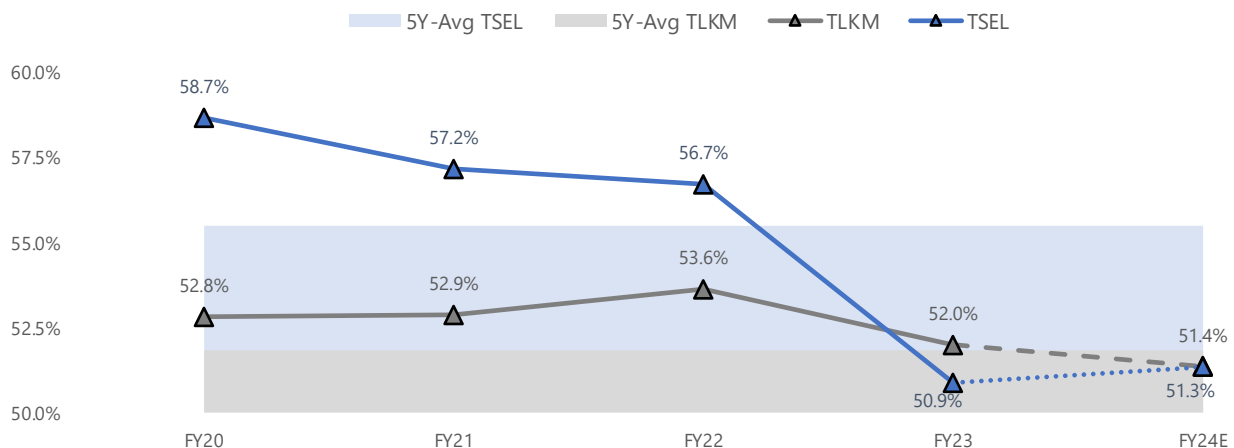
Sources: Asian Development Bank, MNCS

1Q24 was quite stormy, but calmer days await

TLKM posted a modest revenue growth (+3.7% YoY) at IDR37.4tn in 1Q24, while its net profit contracted -5.8% YoY to IDR6.1tn. From the top-line standpoint, the Data, Internet & IT Service segment (+11.3% YoY), the Interconnection segment (+16.0% YoY), and the network and other telco services (+20.9% YoY) contributed as upward incentives. Meanwhile, the SMS, Fixed and Cellular Voice revenue plunged by -37.7% YoY due to continuous migration from legacy to data services, and the IndiHome segment declined by -4.6% YoY following the convergence of IndiHome B2C to Telkomsel as of 3Q23 and the IndiHome enterprise (B2B) has been recognized under Data, Internet & IT services since 1Q24. From the bottom-line stance, TLKM's performance was pressured by the rising operating expenses +5.3% YoY, with EBITDA margin maintained at 51.9%. Our perspective on TLKM remains positive, with a forecast of revenue improving by +5.2% YoY, net income growing by +10.3% YoY in FY24E and EBITDA margin at 51.4%, driven by the Data, Internet & IT Service and Network and Other Telco Services segments.

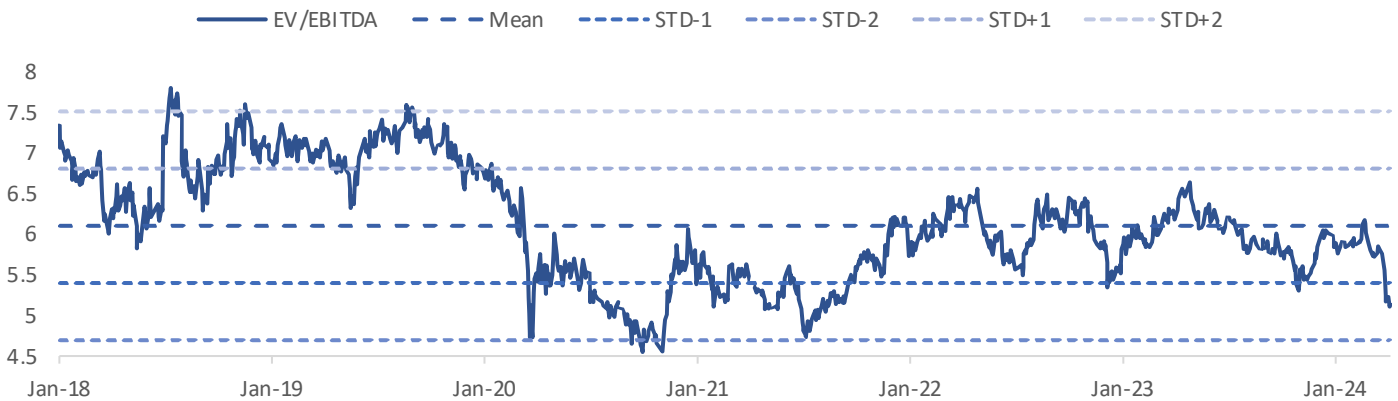
Telkomsel booked a +32.7% YoY growth in revenue and stable net income (+0.9%), driven by the digital business and the acquisition of IndiHome B2C from the parent company. The number of mobile customers grew by +5.7% YoY to 159.7k subscribers with flat ARPU at IDR45.3k/month, while the IndiHome B2C subscribers reached a total of 8.9k (+2.6% QoQ) with ARPU of IDR242.7k/month (-2.5% QoQ). We forecast Telkomsel's performance to continue throughout the year with revenue growing at +15.73% YoY and EBITDA margin improving by 51.3% (vs 50.9% in FY23), supported by sturdy ARPU and a growing subscribers base, following the FMC service initiatives.

Exhibit 02. EBITDA Margin for both TLKM and Telkomsel sit above 50%



Sources : Company, MNCS Research

Exhibit 03. TLKM is currently trading below the STD-1 of 5-Year EV/EBITDA



Sources : Bloomberg, MNCS Research

Telkomsel Lite: shedding the light on Telkomsel’s path in competition


Freshly launched in Feb-2024, Telkomsel Lite has ignited concerns within the market regarding potential cannibalization of its by.U product and disruptions to the blended ARPU, owing to its competitive pricing, ranging from IDR25k-IDR90k. During the 1Q24 earnings call, the management expressed an early positive outlook on Telkomsel Lite, emphasizing its strategic focus on targeted segments with localized quota domination to minimizing the impact of competition, particularly within Java Island. Meanwhile, by.U remains tailored for the younger customer base. Both products serve a crucial role in extending the market potential for Telkomsel's FMC service, IndiHome. We expect the company to demonstrate positive and sustainable performance through this strategic execution in the upcoming quarters.


Exhibit 04. Telkomsel Lite vs by.U Prices Comparison, both offer economical prices but designated for different market segments


Telkomsel Lite			by.U		
Plan	Price (IDR)	Price/GB (IDR)	Plan	Price (IDR)	Price/GB (IDR)
6GB- 30 Days	25,000	4,167	7GB- 30 Days	20,000	2,857
10GB- 30 Days	28,000	2,800	50GB- 30 Days	126,199	2,524
15GB- 30 Days	35,000	2,333	75GB- 30 Days	156,499	2,087
24GB- 30 Days	50,000	2,083			
40GB- 30 Days	75,000	1,875			
60GB- 30 Days	90,000	1,500			

Sources : Company, MNCS Research

Exhibit 05. Starlink offers premium services compared to IndiHome and XL Satu

 STARLINK				
		Plan	Subscription Price/Month (IDR)	Hardware Price (IDR)
Personal	Residential	Standard (Unlimited Quota)	750,000	7,800,000.00
		Explore	Mobile - Regional (Unlimited Quota in the interior)	
	Mobile - Global (Unlimited Quota in the interior)		6,995,480	
	Ship	Priority Mobile - 50GB	4,345,000	
		Priority Mobile - 1TB	17,160,000	
		Priority Mobile - 5TB	86,130,000	
Business	Fixed Location	Unlimited Standard Quota + Priority - 40GB	1,100,000	43,721,590.00
		Unlimited Standard Quota + Priority - 1TB	3,025,000	
		Unlimited Standard Quota + Priority - 2TB	6,116,000	
		Unlimited Standard Quota + Priority - 5TB	12,320,000	
	Land Mobility	Unlimited Standard Global Mobile Quota + Mobile Priority - 50GB	4,345,000	
		Unlimited Standard Global Mobile Quota + Mobile Priority - 1TB	17,160,000	
		Unlimited Standard Global Mobile Quota + Mobile Priority - 5TB	86,130,000	
	Maritime	Unlimited Standard Global Mobile Quota + Mobile Priority - 50GB	4,345,000	
		Unlimited Standard Global Mobile Quota + Mobile Priority - 1TB	17,160,000	
		Unlimited Standard Global Mobile Quota + Mobile Priority - 5TB	86,130,000	

 XL SATU			
		Plan	Subscription Price/Month (IDR)
Fiber	Value	30 Days (Unlimited Wi-Fi Fiber up to 75 Mbps* + 8GB quota)	304,000
	Smart	30 Days (Unlimited Wi-Fi Fiber up to 100 Mbps* + 15GB quota)	349,000
	Family	30 Days (Unlimited Wi-Fi Fiber up to 150 Mbps* + 25GB quota)	429,000
Lite	Value	30 Days (Unlimited Home Wi-Fi up to 30GB+ 15GB quota)	159,000
	Smart	30 Days (Unlimited Home Wi-Fi up to 60 GB + 25GB quota)	244,000
	Family	30 Days (Unlimited Home Wi-Fi up to 120GB+ 50GB quota)	359,000
BIZ	Starter	30 Days (Unlimited Wi-Fi Fiber up to 100Mbps + 50GB quota for 5 numbers)	469,000
	Prime	30 Days (Unlimited Wi-Fi Fiber up to 300GB + 100GB quota for 10 numbers)	679,000

 IndiHome by Telkomsel			
		Plan	Subscription Price/Month (IDR)
Jitu 1P		30 Days (Unlimited Quota up to 50 Mbps, max 5 devices)	350,000
		30 Days (Unlimited Quota up to 100 Mbps, max 10 devices)	425,000
Jitu 2P		30 Days (Unlimited Quota up to 50 Mbps Internet+TV, max 5 devices)	505,000
		30 Days (Unlimited Quota up to 50 Mbps Internet+Phone, max 5 devices)	545,000
Jitu 3P		30 Days (Unlimited Quota up to 50 Mbps Internet+tv+Phone, max 5 devices)	515,000

Sources : Companies, MNCS Research

Exhibit 06. Financial Projections

Income Statement						Balance Sheet					
IDR Billion	2021	2022	2023	2024E	2025F	IDR Billion	2021	2022	2023	2024E	2025F
Revenue	143,210.0	147,306.0	149,216.0	157,034.3	166,443.4	Total Current Assets	61,277.0	55,057.0	55,613.0	62,581.5	64,664.7
Operating Expenses	(63,831.0)	(74,470.0)	(72,169.0)	(76,076.8)	(79,947.0)	Cash and Cash Equivalents	38,311.0	31,947.0	29,007.0	35,840.1	36,660.3
EBIT	47,563.0	39,581.0	44,384.0	49,297.9	54,341.8	Trade Receivables	8,705.0	8,634.0	10,667.0	9,699.1	10,522.5
EBITDA	75,723.0	78,992.0	77,579.0	80,636.0	85,221.8	Inventory	779.0	1,144.0	997.0	1,053.6	1,108.4
Interest Expense	(4,365.0)	(4,033.0)	(4,652.0)	(4,083.7)	(3,998.3)	Other Current Assets	13,482.0	13,332.0	14,942.0	15,988.7	16,373.5
Interest Income	558.0	878.0	1,061.0	848.4	767.9	Total Non-Current Assets	215,907.0	220,135.0	231,429.0	228,938.4	233,775.2
Profit Before Tax	43,678.0	36,339.0	40,794.0	45,970.4	51,011.3	Fixed Assets - net	165,026.0	173,329.0	180,755.0	179,114.9	178,872.6
Tax Expense	(9,730.0)	(8,659.0)	(8,586.0)	(10,113.5)	(11,371.4)	Other Non-Current Assets	50,881.0	46,806.0	50,674.0	49,823.5	54,902.6
Minority Interest	(9,188.0)	(6,927.0)	(7,648.0)	(8,761.4)	(8,845.1)	Total Assets	277,184.0	275,192.0	287,042.0	291,519.8	298,439.9
Net Profit	24,760.0	20,753.0	24,560.0	27,095.5	30,794.8	Total Current Liabilities	69,131.0	70,388.0	71,568.0	69,216.8	68,630.4
EPS (Full Amount)	249.9	209.5	247.9	273.5	310.9	Trade Payables	17,170.0	18,457.0	18,608.0	18,403.4	19,933.7
						Short-term Debt	6,682.0	8,191.0	9,650.0	8,886.2	8,476.7
						Other Current Liabilities	45,279.0	43,740.0	43,310.0	41,927.2	40,219.9
						Total Long-Term Liabilities	62,654.0	55,542.0	58,912.0	55,887.4	53,406.2
						Long-Term Debt	36,319.0	27,331.0	27,773.0	26,305.4	25,093.4
						Other Long-Term Liabilities	26,335.0	28,211.0	31,139.0	29,582.0	28,312.8
						Total Equity	121,646.0	129,258.0	135,744.0	145,159.5	154,705.0
						Total Liabilities & Equity	277,184.0	275,192.0	287,042.0	291,519.8	298,439.9
Cash Flow						Ratios					
IDR Billion	2021	2022	2023	2024E	2025F	IDR Billion	2021	2022	2023	2024E	2025F
CFO	47,768.0	37,964.0	26,469.0	46,489.8	48,679.2	Revenue Growth	4.9	2.9	1.3	5.2	6.0
Net Income	47,563.0	39,581.0	44,384.0	49,297.9	54,341.8	EBIT Growth	9.3	(16.8)	12.1	11.1	10.2
Depreciation	31,816.0	33,255.0	32,663.0	31,659.6	32,154.6	EBITDA Growth	5.1	4.3	(1.8)	3.9	5.7
Change in Working Capital	2,739.0	814.0	(4,784.0)	844.7	(223.4)	Net Income Growth	19.0	(16.2)	18.3	10.3	13.7
Change in Others	(34,350.0)	(35,686.0)	(45,794.0)	(35,312.3)	(37,593.8)	Current Ratio (x)	0.9	0.8	0.8	0.9	0.9
CFI	(31,161.0)	(18,554.0)	(20,459.0)	(17,788.7)	(23,469.5)	Quick Ratio (x)	0.7	0.6	0.6	0.7	0.7
Capex	(30,341.0)	(34,156.0)	(32,968.0)	(35,764.5)	(36,356.2)	Receivables Days	22.2	21.4	26.1	22.5	23.1
Change in Others	(820.0)	15,602.0	12,509.0	17,975.8	12,886.7	Inventory Days	2.0	2.8	2.4	2.4	2.4
CFF	1,115.0	(25,774.0)	(8,950.0)	(21,868.0)	(24,389.5)	Payable Days	98.2	90.5	94.1	88.3	91.0
Short-Term Debt	(2,347.0)	(359.0)	3,527.0	(1,601.5)	(1,101.2)	Debt to Equity (x)	1.1	1.0	1.0	0.9	0.8
Long-Term Debt	5,758.0	(8,988.0)	442.0	(1,467.6)	(1,212.0)	Debt to EBITDA (x)	1.7	1.6	1.7	1.6	1.4
Change in Equity	-	-	-	-	-	EBIT Margin	33.2	26.9	29.7	31.4	32.6
Dividend	(16,643.0)	(14,856.0)	(16,603.0)	(17,680.0)	(21,249.4)	EBITDA Margin	52.9	53.6	52.0	51.3	51.2
Other	14,347.0	(1,571.0)	3,684.0	(1,118.9)	(826.9)	Net Profit Margin	17.3	14.1	16.5	17.3	18.5
Closing Balance	38,311.0	31,947.0	29,007.0	35,840.1	36,660.3	ROA	9.4	7.5	8.7	9.4	10.4
						ROE	22.1	16.5	18.5	19.3	20.5

Sources : Company, MNCS Research

MNC Research Industry Ratings Guidance

- **OVERWEIGHT** : Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL** : Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT** : Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

- **BUY** : Share price may exceed 10% over the next 12 months
- **HOLD** : Share price may fall within the range of +/- 10% of the next 12 months
 - **SELL** : Share price may fall by more than 10% over the next 12 months
 - **Not Rated** : Stock is not within regular research coverage

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