Eyes B2B & FMC for '25F growth after modest '24

22 April 2025

Sector	Telecomm.
Price at 21 April 2025 (IDR)	2,570
Price target (IDR)	3,400
Upside/Downside (%)	32.3

Stock Information

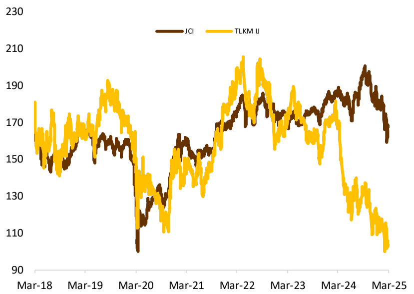
Telekomunikasi Indonesia is the largest telecommunication company in Indonesia, covering over 90% of Indonesian population. The company is largely owned by state and operates through various subsidiaries, ranging from telecommunication to property.

Market cap (IDR bn)	254,584
Shares outstanding (mn)	99,062
52-week range (IDR)	2,050-3,280
3M average daily vol. ('000)	125,420
3M average daily val. (IDR mn)	307,420

Shareholders (%)

Government of Indonesia	52.0
Public	48.0

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	9.83	-2.28	-17.10

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TLKM's '24 overall results mostly met our expectations but came in slightly below consensus, arriving within a range of 96.8% to 100.7%. In 4Q24, subscriber growth of 0.6% qoq, driven by reliable network quality, led to a 5.9% increase in monthly data consumption per subscriber. However, data yield declined by 4.7%, indicating a shift toward more affordable data packages. Maintain our BUY call with a target price of IDR3,400, based on a 4.2x '25F EV/EBITDA (-1.5SD 7yrs-historical mean), while currently trading at 3.5x EV/EBITDA, representing 36.8% disc. to its 7yrs mean.

Posts 2.2% qoq revenue growth in 4Q24; FY24 up 0.5%

TLKM's 4Q24 revenue rose 2.2% qoq to IDR37.7 tn, supported by modest growth in data revenue, bringing '24 revenue to IDR150.0 tn, up 0.5% yoy. However, EBITDA margin declined to 50.0% from 52.0% in '23, pressured by higher O&M expenses.

Lowering '25F forecasts, but FMC & B2B offer upside

Aligning with management's guidance of low single-digit revenue growth for '25F, we revised our financial forecasts down by 1.2%-3.4%. While '24 data usage surpassed expectations at 109.2% of the projection, we remain cautious due to competitive pressure on Indihome from expanding FBB providers, leading us to lower our '25F ARPU estimate by 6.8% to IDR247.0k. Despite these challenges, low FBB penetration and Indihome's strong presence in key cities present continued monetization opportunities.

TLKM's revenue grew by just 0.5% yoy in '24, but we forecast a 2.6% increase in '25F, supported by its growing B2B segment, which expanded by an average of 6.0% in '24, outpacing B2C data revenue growth of 3.5%. The FMC segment is expected to expand by 5.8% in '25F, fueled by an 11.6% rise in data usage and network expansion. Meanwhile, standalone Indihome B2C is projected to grow by 3.1%, and B2B by 4.0% on average. Though B2B currently contributes a smaller share of revenue, it is poised to become a key growth engine amid the saturated MBB and FBB markets.

Operational synergies from FMC integration (one-billing systems, bundled OTT offerings & streamlined services) are expected to slow opex growth to 1.6% yoy, down from the 4.0% pre-FMC average (1Q21-2Q23), supporting an improved '25F EBITDA margin of 50.5%. Similarly, total expenses are forecasted to rise by just 2.3%, below the 6.8% pre-FMC average.

Due to expected additional loans for network deployment, the '25F interest cost forecast is raised by 2.0% to IDR5.4 tn. Consequently, '25F net profit is projected to rise slightly by 0.6% to IDR23.8 tn, recovering from a 3.7% decline in '24.

Reiterate BUY with TP of IDR3,400

Maintain our BUY call with a target price of IDR3,400, based on a 4.2x '25F EV/EBITDA (-1.5SD 7yrs-historical mean), while currently trading at 3.5x EV/EBITDA, representing 36.8% disc. to its 7yrs mean.

Exhibit 1 : Key Statistics

Year end Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
Revenue (Rp)	149.216	149.967	153.888	159.932	163.095
EBITDA (Rp)	77.579	75.029	77.762	80.649	81.731
Net profit (Rp)	24.560	23.649	23.801	24.446	25.139
Core EPS	253	233	236	242	249
ROA (%)	8,7	8,1	7,8	7,7	7,6
PER (x)	10,4	10,8	10,7	10,4	10,1
PBV (x)	1,6	1,6	1,4	1,4	1,4
EV/EBITDA (x)	3,7	3,9	3,7	3,7	3,6
Div. yield (%)	6,5	6,9	7,5	7,7	7,9

Source: Company, KBVS Research

Exhibit 2: Financial Summary

TLKM's FY24 results *(IDR bn)*	FY24	FY23	YoY (%)	4Q24	4Q23	YoY (%)	3Q24	QoQ (%)	2024F	% to 24F	Cons'	% of Cons'
Revenue	149.967	149.216	0,5	37.748	37.978	(0,6)	36.927	2,2	149.007	100,6	152.258	98,5
Costs	(106.976)	(104.832)	2,0	(27.208)	(28.576)	(4,8)	(26.111)	4,2				
EBIT	42.991	44.384	(3,1)	10.540	9.402	12,1	10.816	(2,6)	42.883	100,3	44.184	97,3
EBITDA	75.029	77.579	(3,3)	18.401	18.516	(0,6)	18.760	(1,9)	76.247	98,4	77.524	96,8
Other income (exp.)	(3.838)	(3.590)	6,9	(1.005)	(890)	12,9	(1.121)	(10,3)				
Pre-tax income	39.153	40.794	(4,0)	9.535	8.512	12,0	9.695	(1,7)				
Taxes	(8.410)	(8.586)	(2,0)	(1.814)	(1.693)	7,1	(2.097)	(13,5)				
Net Income	23.649	24.560	(3,7)	5.973	5.061	18,0	5.915	1,0	23.485	100,7	24.074	98,2
Margins (%)												
EBIT margin	28,7	29,7		27,9	24,8		29,3					
EBITDA margin	50,0	52,0		48,7	48,8		50,8					
Net margin	15,8	16,5		15,8	13,3		16,0					
Operational KPI												
Telkomsel's number of subs	159.389	159.340	0,0	159.389	159.340	0,0	158.416	0,6				
Telkomsel's ARPU	44,4	47,5	(6,5)	44,0	46,5	(5,4)	43,1	2,1				
Telkomsel's data payload (PB)	20.386	17.901	13,9	5.484	4.647	18,0	5.149	6,5				
Data yields (IDR/MB)	3,8	4,4	(12,4)	3,6	4,6	(21,8)	3,7	(4,7)				
Indihome B2C number of subs	9.612	8.694	10,6	9.612	8.694	10,6	9.376	2,5				
Indihome ARPU	237,6	252,7	(6,0)	237,6	252,7	(6,0)	239,2	(0,7)				
Avg. data usage/subs	10,7	9,4	13,8	11,5	9,7	18,0	10,8	5,9				

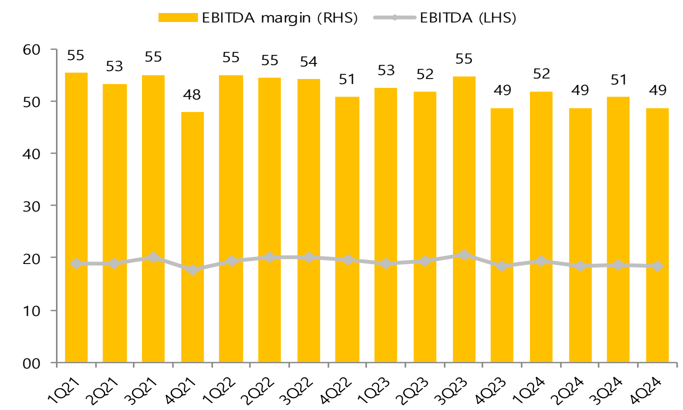
Source: Company, Bloomberg, KBVS Research

Exhibit 3: Forecast revisions

	New		Old		Changes		Consensus		New vs. consensus	
	2025F	2026F	2025F	2026F	2025F	2026F	2025F	2026F	2025F	2026F
Revenue	153.888	159.932	155.775	166.006	-1,2	-3,7	155.000	160.181	-0,7	-0,2
EBITDA	77.762	80.649	80.501	87.964	-3,4	-8,3	78.912	82.362	-1,5	-2,1
Net profit	23.801	24.446	24.113	28.211	-1,3	-13,3	25.298	26.498	-5,9	-7,7

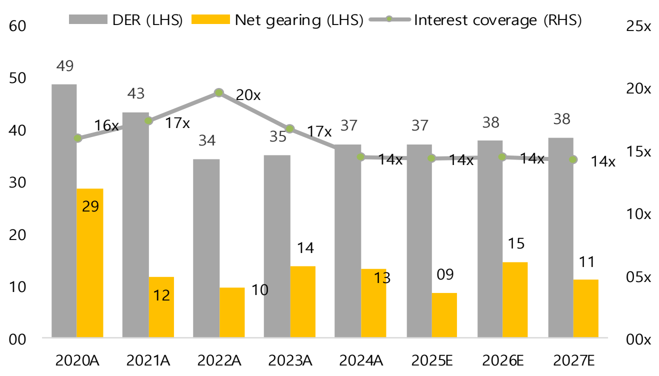
Source: Company, Bloomberg, KBVS Research

Exhibit 4: TLKM's EBITDA margin



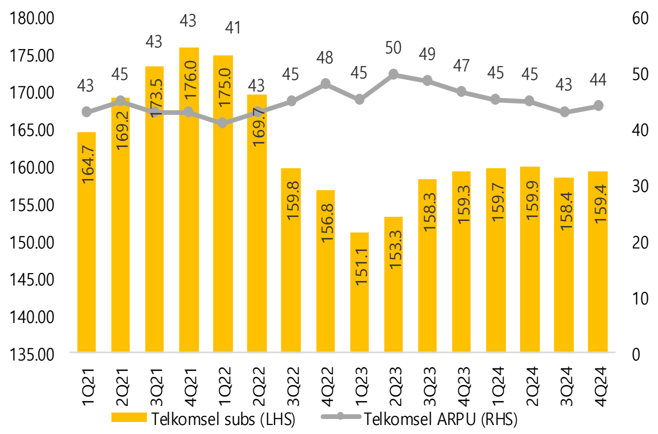
Source: Company, KBVS Research

Exhibit 5: Leverage ratio remains manageable



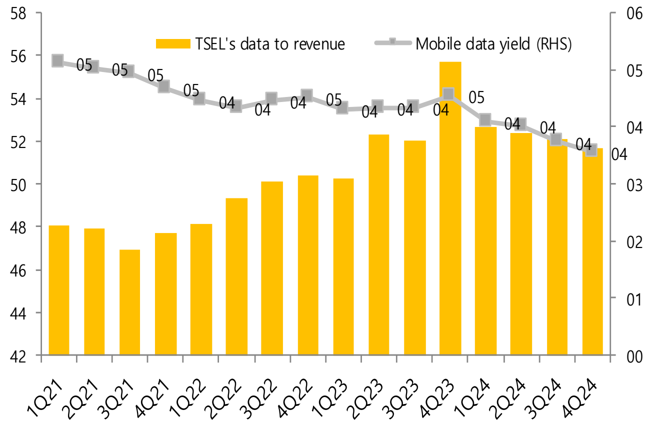
Source: Company, KBVS Research

Exhibit 6: Telkomsel ARPU and subs growth



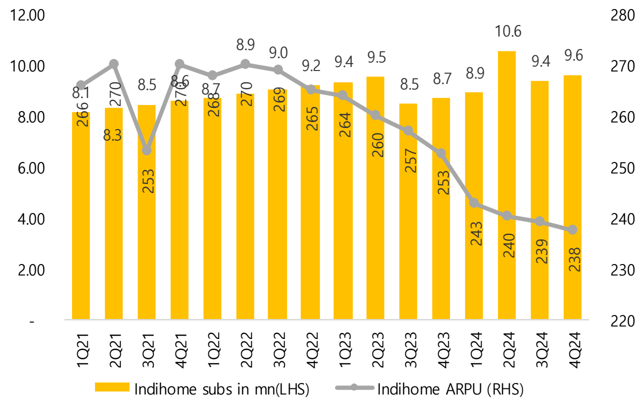
Source: Company, KBVS Research

Exhibit 7: Telkomsel mobile data yield



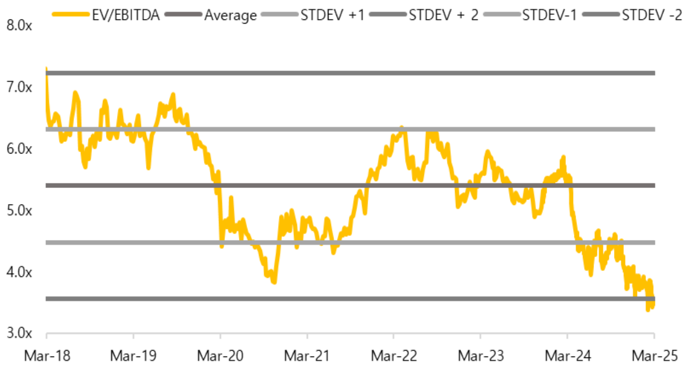
Source: Company, KBVS Research

Exhibit 8: Indihome subs grow while ARPU decreases



Source: Company, KBVS Research

Exhibit 9: EV/EBITDA currently trades at -1.0sd 7yrs



Source: Company, Bloomberg

FINANCIAL TABLES

Exhibit 10: Profit & Loss summary

Year End Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
Revenue	149.216	149.967	153.888	159.932	163.095
Costs	-104.832	-106.976	-109.456	-114.692	-118.452
Operating profit	44.384	42.991	44.432	45.240	44.643
EBITDA	77.579	75.029	77.762	80.649	81.731
Other income/net	-3.590	-3.838	-3.974	-3.955	-3.833
Pretax profit	40.794	39.153	40.458	41.285	40.810
Income tax	-8.586	-8.410	-9.508	-9.495	-9.386
After tax profit	32.208	30.743	30.950	31.789	31.423
Non-controlling shareholders	7.648	7.094	7.150	7.343	6.285
Net profit	24.560	23.649	23.801	24.446	25.139

Source: Company, KBVS Research

Exhibit 11: Balance sheet

Year End Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
Current assets					
Cash and cash equivalents	29.007	33.905	41.951	35.249	43.207
Trade receivables	10.667	12.193	6.348	12.921	6.729
Other current assets	15.939	16.982	17.815	18.832	19.364
Total current assets	55.613	63.080	66.113	67.001	69.300
Non current assets					
Fixed assets	180.755	180.566	189.776	199.348	208.767
Other non current assets (*)	50.674	56.029	57.617	59.248	60.465
Total non current assets	231.429	236.595	247.393	258.596	269.232
Total assets	287.042	299.675	313.507	325.597	338.532
Current liabilities					
Trade payables	18.608	15.336	15.114	15.400	16.238
Taxes payable	4.525	3.293	3.359	4.350	5.633
Accrued expenses	13.079	14.192	13.656	14.309	14.778
Short term debts	25.501	32.882	34.781	36.383	38.061
Other current liabilities	9.855	11.064	9.987	10.292	10.474
Total current liabilities	71.568	76.767	76.898	80.734	85.185
Non current liabilities					
Long term debts	42.623	43.986	44.810	46.690	48.654
Other non current liabilities (*)	16.289	16.432	16.159	16.541	16.904
Total non-current liabilities	58.912	60.418	60.969	63.231	65.558
Minority interests	20.818	20.396	28.661	29.639	30.643
Shareholder equity	156.562	162.490	175.640	181.632	187.790
Total liabilities and equity	287.042	299.675	313.507	325.597	338.532

Source: Company, KBVS Research

Exhibit 12: Cash flow

Year End Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
Net profit	24.560	23.649	23.801	24.446	25.139
Depreciation	12.643	12.792	13.136	13.943	14.673
Changes in working capital	-5.843	-4.751	3.244	-5.356	8.432
CF from operating activities	31.360	31.690	40.182	33.033	48.243
Investment in fixed assets	-22.418	-15.109	-24.891	-26.047	-26.698
Others	-1.519	-2.849	956	901	1.390
CF from investing activities	-23.937	-17.958	-23.935	-25.146	-25.309
Dividends paid	-16.603	-17.683	-19.041	-19.557	-20.111
Debt raised/ repaid	4.641	10.999	1.447	2.143	2.235
Others	1.603	-2.150	9.393	2.824	2.900
CF from financing activities	-10.359	-8.834	-8.201	-14.590	-14.976
Change in cash flow	-2.936	4.898	8.046	-6.703	7.958
Cash and cash equivalent, beginning	31.943	29.007	33.905	41.951	35.249
Cash and cash equivalent, ending	29.007	33.905	41.951	35.249	43.207

Source: Company, KBVS Research

Exhibit 13: Ratio analysis

Year End Dec	2023A	2024A	2025F	2026F	2027F
Operating profit margin	29,7	28,7	28,9	28,3	27,4
EBITDA margin	52,0	50,0	50,5	50,4	50,1
Net profit margin	16,5	15,8	15,5	15,3	15,4
Receivables turnover (x)	15,46	13,12	16,60	16,60	16,60
Inventory turnover (x)	97,9	102,2	108,0	108,0	108,0
Payable turnover (x)	5,7	6,3	7,2	7,5	7,5
ROA	8,7	8,1	7,8	7,7	7,6
ROE	16,1	14,8	14,1	13,7	13,6
ROIC	14,0	12,8	12,9	12,2	12,5
Debt/Equity	0,5	0,5	0,5	0,5	0,6
Net debt/Equity	0,3	0,3	0,3	0,3	0,3
Net debt/EBITDA	0,9	1,0	1,0	1,0	1,1
Interest coverage (x)	16,7	14,4	14,4	14,5	14,5
BV/Share (Rp)	1.370,3	1.434,4	1.483,7	1.534,4	1.586,4
Dividend yield	6,5	6,9	7,5	7,7	7,9

Source: Company, KBVS Research

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