

Company Update

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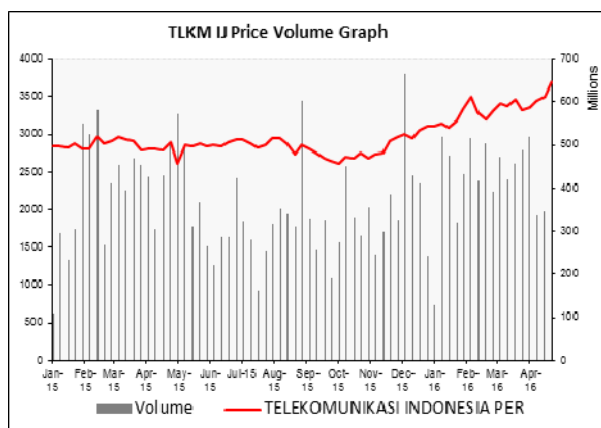
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PT Telekomunikasi Indonesia (Persero) Tbk is a telecommunication company that provides a variety of domestic telecommunication services such as telephone, telex, telegram, satellite, and leased line services. The company also offers electronic mail, mobile communication, and cellular phone services.

Current Price: IDR 3,685
52-Week Target Price: IDR 4,315
Previous Target Price: IDR 3,895


Share Price Performance	
Price (IDR)	3,685
52-Week High (04/22/16)	3,745
52-Week Low (09/29/15)	2,485
52-Week Beta	0.82
YTD Change/%	580.0/18.7%

Stock Information	
Market Cap (IDR)	371,448.0 Bn
Shares Out/Float (Mn)	100.8 Bn/49.2 Bn

PT Telekomunikasi Indonesia Tbk (TLKM)
1Q16 Earnings Update
BUY

We reiterate our BUY call on PT Telekomunikasi Indonesia (Persero) Tbk (TLKM) with 52-week target price of IDR 4,315, deriving via DCF valuation with 10.7% WACC and 3.0% terminal growth. Our 52-week target price represents FY16E EV/EBITDA of 7.52x, slight re-rating from current EV/EBITDA of 7.00x. With the macro economic uncertainty, we view TLKM is a darling stock to collect. Not to mention its strong balance sheet will come in handy in this 3G/4G modernization era. Despite the recent share price rally, growing EBITDA will continue to make Telkom's valuation looks attractive.

Data, Internet, & IT Services led Telkom to 16.6% increase in revenue and 25.1% increase in net profit as of 1Q16. As we mentioned in our previous report, Data segment will continue to be the driving factor when it comes to growth. As of 1Q16, TLKM booked IDR 27.5 Tn in revenue and IDR 6.9 Tn in net profit (up 16.6% YoY and 25.1% YoY respectively). Telkom's 1Q16 total revenue accounted for 22.7% of our FY16E, whereas 1Q16 net profit accounted for 24.7% of our FY16E.

Data, Internet, & IT Services grew by 42.6% YoY, while Cellular Voice and SMS grew by 5.0% YoY and 15.4% YoY respectively. Having this trend running for the past couple of years, Data segment has been taking other segments contribution much more aggressively. The percentage of contribution coming from Cellular Voice went down by 3.6% to 32.4%, losing its place to Data segment, which as of 1Q16, its contribution is amounted to 36.4% of the total revenue (up 6.6% YoY). We view with the accelerating smartphone penetrations, and uptrend in data pricing, Telkom will continue to enjoy strong earnings.

We rate TLKM as BUY with 52-week target price of 4,315, implying a potential upside of 17.1% and FY16E EV/EBITDA of 7.52x, slight re-rating from current EV/EBITDA of 7.00x.

Highlights (IDR Bn)	1Q15	1Q16	2015	2016E	% of FY16E
Revenue	23,616	27,542	102,470	121,592	22.7%
% growth		16.6%		18.7%	
EBITDA	12,546	13,977	51,415	61,215	22.8%
% growth		11.4%		19.1%	
Net Profit	5,508	6,893	23,317	27,908	24.7%
% growth		25.1%		19.7%	
Return on Equity	21.6%	21.0%	21.7%	21.1%	
Return on Asset	10.6%	9.5%	10.1%	9.5%	
EV/EBITDA	6.55	7.00	6.54	7.52	

Source: Company Data, SinarMas Investment Research

Valuations and Forecasts

Balance Sheet (IDR Bn)	2014	2015	2016E	2017F	2018F
Cash	17,672	28,117	33,909	37,743	42,889
Account Receivables	6,465	7,517	8,920	10,210	11,636
Inventory	474	528	569	609	662
Other Current Assets	9,151	11,750	11,750	11,750	11,750
Fixed Assets	94,809	103,700	115,416	128,618	143,306
Other Non-Current Assets	12,324	14,561	15,289	16,054	16,856
Total Assets	140,895	166,173	185,854	204,985	227,100
Short-Term Borrowings	11,830	13,994	17,087	19,254	21,421
Account Payables	5,211	8,247	9,703	12,019	15,242
Other Current Liabilities	14,745	13,172	13,831	14,522	15,248
Long-Term Borrowings	15,743	30,168	34,549	38,929	43,310
Other Non-Current Liabilities	7,241	7,164	7,164	7,164	7,164
Total Liabilities	54,770	72,745	82,334	91,888	102,384
Total Equity	86,125	93,428	103,520	113,096	124,715

Income Statement (IDR Bn)	2014	2015	2016E	2017F	2018F
Revenue	89,696	102,470	121,592	139,186	158,626
Operating Expense	43,852	51,055	60,377	70,659	82,034
Depreciation and Amortization	17,131	18,534	22,022	24,541	27,343
Operating Profit	28,713	32,881	39,193	43,986	49,249
EBITDA	45,844	51,415	61,215	68,527	76,592
Financing Income	1,238	1,407	1,194	1,567	1,645
Financing Expense	1,814	2,481	2,874	3,295	3,687
Income Before Tax Expense	28,784	31,342	37,513	42,259	47,207
Tax Expense	7,338	8,025	9,605	10,820	12,087
Net Income	21,446	23,317	27,908	31,439	35,120

Business Segment Contributions	2014	2015	2016E	2017F	2018F
Cellular Voice	38.2%	36.4%	32.7%	30.5%	28.6%
Data, Internet, and IT services	26.3%	31.3%	39.2%	44.2%	48.3%
SMS	15.6%	14.8%	13.3%	12.3%	11.5%
Fixed Line Voice	9.9%	8.3%	6.5%	5.2%	4.3%
Interconnection	5.2%	4.2%	3.7%	3.3%	2.8%
Network	1.4%	1.2%	1.0%	0.9%	0.8%
Other	3.3%	3.8%	3.7%	3.6%	3.7%

Ratios	2014	2015	2016E	2017F	2018F
ROE	22.8%	21.7%	21.1%	19.9%	20.2%
ROA	10.9%	10.1%	9.5%	8.8%	8.9%
EV/EBITDA	6.79	6.54	7.52	7.52	7.52

Source: Company Data, Sinarmas Investment Research

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