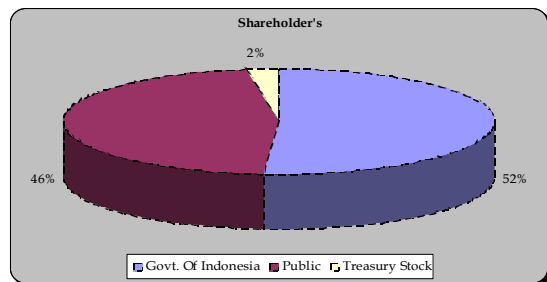


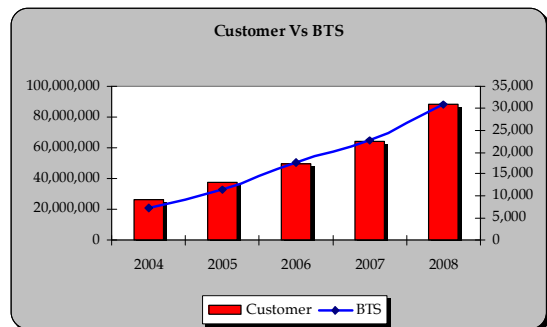
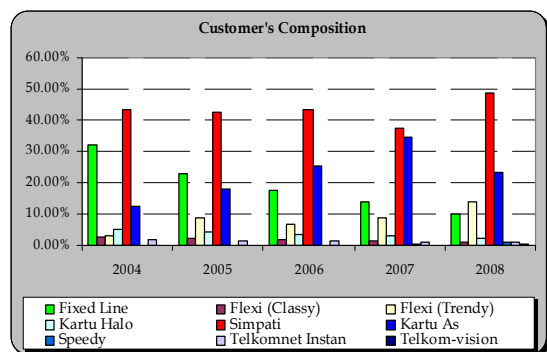
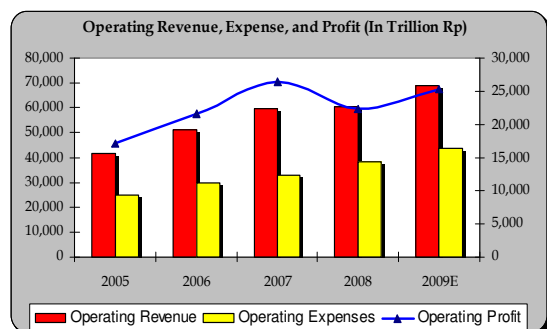
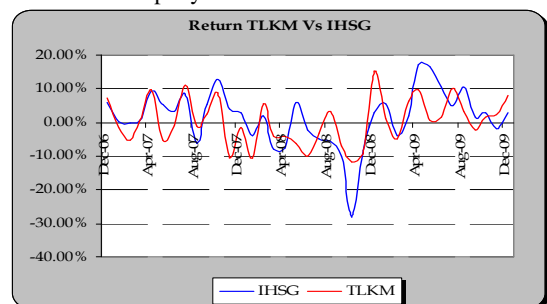
Target Price:
Rp 10,900 – Rp 11,300 / Share

PT. Telekomunikasi Indonesia Tbk (TLKM)

Telecommunication Sector



Source: Company



Source: Research Department PT. FBI

Company Profile:

- PT. Telekomunikasi Indonesia Tbk is a state owned company with the Government of Indonesia as the majority shareholder's with proportion 52% followed by public for 46% and treasury stock for 2% as of September, 2009.

Company Highlight:

- As of year end December 2008, TLKM was at first position for telecommunication sector with total customers 88,1 million which is an increased of 37,8% from 2007. To support it they've built BTS tower for 30,926 units in 2008 and made them the largest provider that had coverage area for 353 towns in Indonesia.
- In 2009, the company has spent an enormous amount of capex for around Rp 20 trillion and expected to more less the same nominal in 2010. With lots of capex, it is possible that in 2009 their based customer will likely to touch level 95 million. Therefore, we also expected that year end 2009 their operating revenue will increased lightly to Rp 11,05 trillion.
- Their revenue mainly contributed from cellular business line with proportion 45%, followed by data and internet for 26%, and fixed wireless for 14% as of September 2009.
- We identify that TLKM strength laid at their human resources, applied cost efficiency strategy, network infrastructure, after sales service, and loyal customers. To maintain this strength will be TLKM homework in the future.
- The year 2010 will be a challenging year for TLKM because of the business cycle that already in mature period. A need to expand actively outside telecommunication sector or boosting R&D for newly technology is highly important.
- TLKM stock is one of must a buy for investor. As of December 2009, it's perform well above IHSG with an average return 7,93% while IHSG only at 2,91%. Though in aggregate yearly return in 2008-2009 TLKM stock performance at 43,42% and still below IHSG at 92,01%.
- After a careful consideration, we made a simulation how if the fund for capex obtain from debt and/or right issue and an assumption that TLKM will growth in stable mode 10%. If it from debt then by using Cash Flow method the forecasted WACC is 9,57%, the target price will be at Rp 11,300 per share. If by right issue using the same method then the forecasted WACC is 10,11% with target price at Rp 10,900 per share.
- Currently March 11th, 2010 TLKM traded at price Rp 8,650 per share. Therefore our conclusion is that TLKM target price will be at range Rp 10,900 - Rp 11,300

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FORECASTS AND VALUATION

Key Forecast

	2008A	2009E	2010F	2011F	2012F
EPS	527	598	659	727	801
PER	12.54	15.84	17.45	19.24	21.20
ROE	30.95%	31.89%	31.89%	31.89%	31.89%
ROA	12.25%	13.51%	14.88%	16.40%	18.08%
Net Profit Margin	17.50%	19.28%	21.25%	23.42%	25.82%
Current Ratio	1.85	2.03	2.24	2.47	2.72
Leverage Ratio	1.97	2.17	2.39	2.64	2.91
Gearing Ratio	0.17	0.19	0.21	0.23	0.25
Gross Margin	36.76%	40.51%	44.65%	49.21%	54.23%
EV/EBITDA	4.43	5.36	5.91	6.51	7.18
EV/Sales	2.44	2.95	3.25	3.58	3.95
EV/FCFF	6.86	7.10	7.83	8.63	9.51

Source: Research Department PT. Finansial Bisnis Informatika

Proforma Balance Sheet

(Expressed in million Rupiah)

	2008A	2009E	2010F	2011F	2012F
Current Asset	14,622,310	16,115,425	17,761,006	19,574,621	21,573,427
Non-Current Asset	76,633,940	84,459,196	93,083,506	102,588,463	113,063,991
Total Asset	91,256,250	100,574,622	110,844,512	122,163,083	134,637,418
Current Liabilities	26,998,151	29,754,990	32,793,336	36,141,934	39,832,464
Non-Current Liabilities	20,260,248	22,329,065	24,609,134	27,122,026	29,891,514
Minority Interest	9,683,780	10,672,612	11,762,415	12,963,500	14,287,231
Equity	34,314,071	37,817,954	41,679,627	45,935,623	50,626,208
Total Liabilities & Equity	91,256,250	100,574,622	110,844,512	122,163,083	134,637,418

Source: Research Department PT. Finansial Bisnis Informatika

Proforma Income Statement

(Expressed in million Rupiah)

	2008A	2009E	2010F	2011F	2012F
Operating Revenue	60,689,784	68,918,395	75,955,800	83,711,810	92,259,802
Operating Expense	38,382,309	43,586,366	48,037,063	52,942,231	58,348,276
Operating Profit	22,307,475	25,332,029	27,918,737	30,769,579	33,911,527
Other Income (Interest)	1,994,667	2,265,113	2,496,409	2,751,323	3,032,266
Income Before Income Taxes	20,312,808	23,066,916	25,422,328	28,018,256	30,879,261
Income Taxes	5,639,695	6,404,352	7,058,314	7,779,053	8,573,389
Income Before Minority Interest	14,673,113	16,662,564	18,364,014	20,239,203	22,305,871
Minority Interest	4,053,643	4,603,255	5,073,304	5,591,349	6,162,294
Net Income	10,619,470	12,059,308	13,290,710	14,647,853	16,143,577

Source: Research Department PT. Finansial Bisnis Informatika

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