

## TLKM

### PT Telkom Indonesia (Persero) Tbk

#### Connecting Growth

- 3Q25 performance driven by higher ARPU, supporting strong EBITDA and resilient operating cash flow despite softer IndiHome and legacy segments.
- Capex prioritized digital expansion across fiber, towers, satellites, and data centers, while TLKM remains confident on tax positions.
- Planned TIF spin-off to unlock asset value, reduce Group capex, and increase free cash flow, with potential divestment funding strategic investments.
- BUY maintained at Rp4,100, supported by efficiency gains, ARPU uplift, and accelerated monetization of digital infrastructure.

#### 3Q25 Growth Fueled by ARPU and Data Services

TLKM posted solid sequential growth in 3Q25 with revenue of Rp36.6tn (+0.7% QoQ; -0.9% YoY), driven by higher ARPU of Rp43.4k (+5.2% QoQ), which supported EBITDA growth to Rp12.5tn (+6.2% QoQ; -4.0% YoY) and net income of Rp4.71tn (-6.9% QoQ; -18.7% YoY). Performance was supported by robust Data, Internet & IT Services at Rp64.8tn (+5.5% QoQ; -4.6% YoY) and Network & Other Telco Services at Rp11.3tn (+0.6% QoQ; +13.6% YoY), offset by softer IndiHome revenue of Rp19.7tn (-1.6% QoQ; +0.5% YoY) and ongoing legacy declines. Prudent cost control kept operating expenses at Rp55.2tn (-0.9% QoQ; -0.7% YoY), sustaining resilient profitability and driving stronger operating cash flow of Rp49.6tn (+7.9% YoY) in 9M25.

#### Capex Priorities Drive Digital Expansion While Tax Risks Are Managed

TLKM maintained capital allocation in 9M25 with Capex realization of Rp15.4tn, equivalent to 14.1% of total revenue (-11.7% YoY). Over 80% of Capex was directed toward expanding digital connectivity – including fiber-optic networks, towers, satellites, and subsea cables – reinforcing TLKM's leadership in high-speed broadband infrastructure and nationwide digital inclusion. The remainder supported digital platforms such as data centers, cloud, and digital services. Despite the subsequent issuance of tax underpayment assessment letters totaling Rp14.6tn for TLKM's 2023 fiscal year and Rp507bn for 2021–2022, company maintains a strong legal and technical stance that its transactions, particularly the IndiHome spin-off, complied with prevailing tax laws. No additional provisions have been made beyond recognized penalties, reflecting management's confidence in the company's tax positions.

#### Fiber Spin-Off Set to Unlock Value

In 3Q25, Telkom announced the planned spin-off of its wholesale fiber connectivity assets into PT Telkom Infrastruktur Indonesia (TIF), valued at Rp35.8tn (~11% of total assets). Having obtained regulatory clearance, the company will seek shareholder approval on December 12, 2025 for Phase 1, which covers 56% of its total fiber network assets, including 83,000 km of terrestrial backbone and 500,000 km of access fiber connecting FTTX customers. The initiative represents a key milestone toward establishing a dedicated FiberCo to improve asset utilization—currently estimated ~40%—and enable TIF to pursue third-party clients more flexibly. Upon full completion in Phase 2 by end-2026, TIF is projected to generate Rp25–26tn in revenue and Rp9–10tn in EBITDA (margin of 35–40%), while Group capex could decline by Rp3–4tn annually, lifting free cash flow by Rp2–2.5tn from FY26 onward. A potential 20% divestment at ~5–6x EV/EBITDA could yield Rp7–9tn in cash proceeds, providing funding headroom for strategic investments in data centers, cloud, and AI infrastructure. Overall, the spin-off is expected to reduce Group capex-to-revenue to ~12%, enhance EBITDA margin by 40–60bps, and position TIF's valuation in the range of Rp40–45tn by 2026.

#### BUY Call & Re-Rating Potential

We upgrade our target price to **Rp4,100** (from Rp3,200 previously) and maintain our **BUY** call on TLKM, based on 4.8x EV/EBITDA 2026F (-0.5 standard deviation 5-years average). We expect valuation to re-rate as operating efficiency improves and earnings visibility strengthens, underpinned by the TIF spin-off, continued ARPU uplift at Telkomsel, and accelerating monetization of data center and infrastructure assets. **Key risks:** slower-than-expected fiber asset transfer, muted consumer spending recovery, and policy uncertainty in telecom regulation.

#### Key Financial Highlights

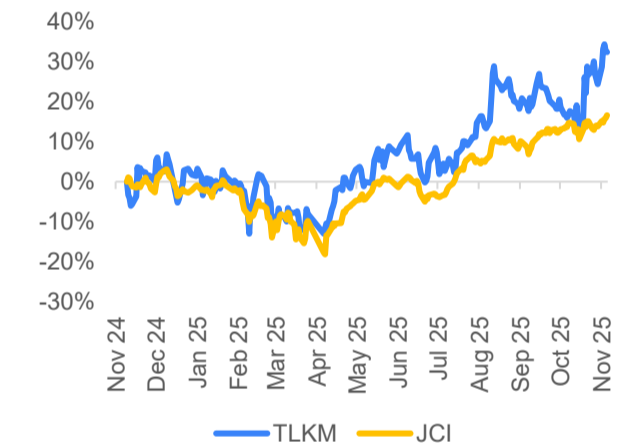
Key Metrics	2023	2024	2025F	2026F	2027F
Revenue (Rp bn)	149,216	149,967	148,191	151,484	155,297
EBITDA (Rp bn)	77,579	75,029	73,531	75,404	77,545
Net Profit (Rp bn)	24,560	23,649	21,544	22,405	23,323
EPS Growth (%)	18.3	-3.7	-8.9	4.0	4.1
P/E (x)	14.9	15.5	17.0	16.4	15.7
P/BV (x)	2.7	2.6	2.6	2.5	2.5
EV/EBITDA (x)	5.2	5.5	5.6	5.4	5.3

**BUY**

#### Stock Information (as of November 11 2025)

Last Price (Rp)	3,520
Target Price (Rp)	4,100
Potential Upside	16.5%
Previous TP (Rp)	3,200
Market Cap (Rp tn)	348.7
52 Week Range (Rp)	3,630 – 2,050
Free Float	47.9%
Share Out. (bn)	99.1

#### 1-Year Stock Performance Comparison vs JCI



#### Shareholders

TLKM's Shareholders	%
Government of Indonesia	52.1
Public	47.9

#### Company Description

##### TLKM's Company Profile

PT Telkom Indonesia (Persero) Tbk is an Indonesia-based telecommunication company. The Company is engaged in information and communication technology (ICT) services and telecommunications networks. Its segments include mobile, consumer, enterprise, wholesale and international business, and other.

#### Analyst

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**Telkomsel, IndiHome & Mitratel Drive Strong 3Q25 Top-Line Performance**

Telkomsel posted revenue of Rp27.5tn (+3.4% QoQ) in 3Q25, driven by higher ARPU of Rp43.4k (+5.2% QoQ), offsetting a modest decline in subscribers to 157.6mn (-0.5% YoY) due to ongoing starter pack rationalization. Profitability remained solid with an EBITDA margin of ~45%, supported by disciplined pricing, product simplification, and network expansion, with total sites reaching 288,295 BTS (+7.1% YoY), including 235,627 4G and 4,009 5G units. IndiHome sustained its growth trajectory, adding 649K new subscribers to reach 10.3mn (+9.4% YoY) users, with 55% convergence penetration, reflecting the success of Telkom’s affordability-led bundling strategy to defend ARPU of Rp217K and deepen household engagement. On the infrastructure side, Mitratel recorded Rp6.9tn in revenue (+0.9% YoY) with an industry-leading 83.8% EBITDA margin, while NeutraDC and Telin maintained strong utilization levels – 89% for NeutraDC and 77% overall across 35 data centers – supported by solid demand from hyperscalers and enterprise clients. Combined, Telkom’s data center and cloud services generated Rp1.4tn in revenue during 9M25, reinforcing its strategic pivot toward high-value digital infrastructure.

**Dividends and Buybacks Highlight Shareholder Focus**

TLKM maintains a robust ordinary dividend payout ratio of 89%, underscoring consistent cash generation and commitment to stable shareholder returns. In parallel, the share buyback program—with a budget of Rp3 trillion and validity through May 2026—adds an incremental layer of shareholder accretion, signaling management’s confidence in intrinsic value amid current market undervaluation. With 1.75 million treasury shares already repurchased, the initiative is poised to support earnings per share (EPS) uplift and capital structure efficiency.

**Guidance Adjusted Amid Legacy Headwinds, Profitability Intact**

The company now anticipates a slight revenue contraction versus the previous guidance of flat growth, reflecting softer performance from legacy segments and transitional impacts from the IndiHome–Telkomsel integration. Nonetheless, TLKM aims to sustain profitability with EBITDA margin guidance maintained at around 50%, supported by cost discipline, portfolio streamlining, and efficiency gains in network operations. Meanwhile, capex-to-revenue ratio is retained at 17–19%, indicating continued investment in growth verticals such as data centers, fiber infrastructure, and digital platforms while preserving balance sheet prudence.

Figure 1. TLKM’s 9M25 Financial Results

Key Metrics (Rp bn)	9M25	9M24	YoY	3Q25	2Q25	QoQ	3Q24	YoY	2025F	% to Est
Revenue	109,617	112,219	-2.3%	36,613	36,365	0.7%	36,927	-0.9%	154,341	71.0%
Operating Profit	29,321	32,377	-9.4%	9,418	9,726	-3.2%	10,638	-11.5%		
Operating Margin	26.7%	28.9%		25.7%	26.7%					
EBITDA	54,388	56,627	-4.0%	18,287	17,869	2.3%	18,759	-2.5%	80,709	67.4%
EBITDA Margin	49.6%	50.5%		49.9%	49.1%					
Net Profit	15,784	17,675	-10.7%	4,809	5,165	-6.9%	5,914	-18.7%	25,194	62.6%
Net Margin	14.4%	15.8%		13.1%	14.2%					

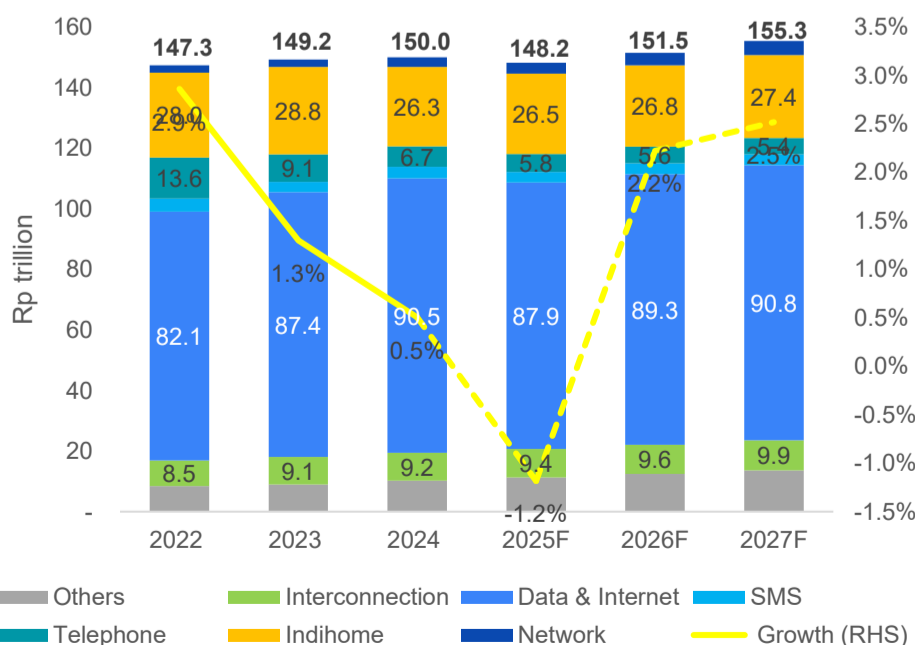
Source: Company, Ajaib Research

Figure 2. TLKM’s Earnings Revision

Key Metrics (Rp bn)	2025F		2026F		Changes	
	Old	New	Old	New	2025F	2026F
Revenue	154,341	148,191	160,455	151,484	-4.0%	-5.6%
EBITDA	80,709	73,531	85,020	75,404	-8.9%	-11.3%
Net Profit	25,194	21,544	26,620	22,405	-14.5%	-15.8%

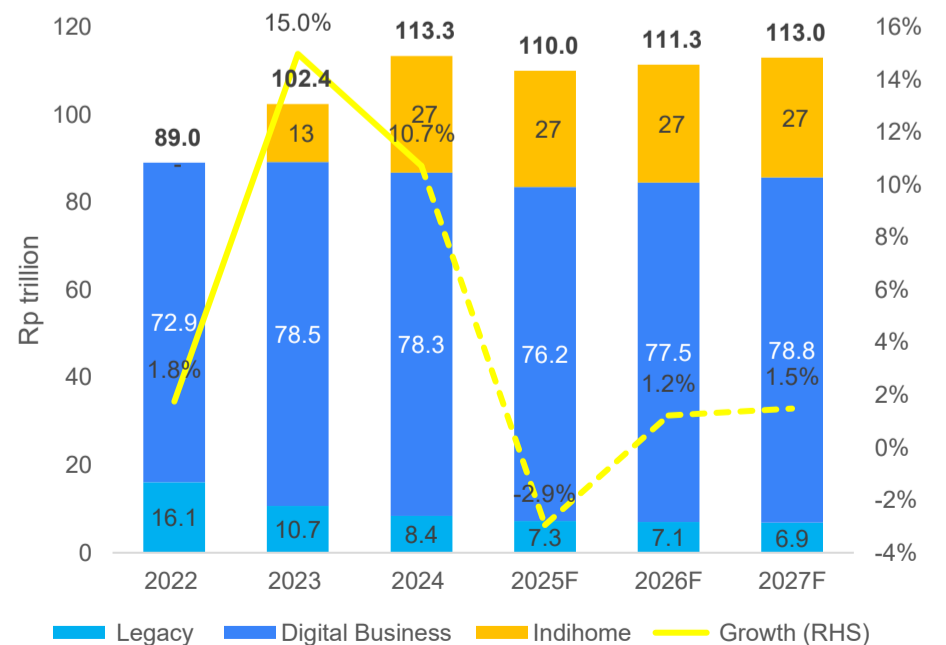
Source: Ajaib Research

Figure 3. TLKM’s Revenue Breakdown



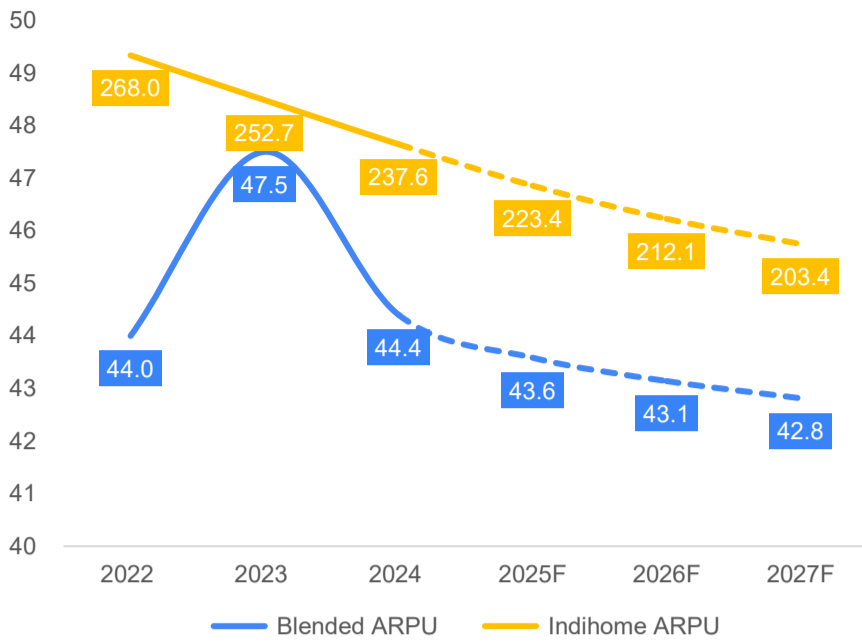
Source: Company, Ajaib Research

Figure 4. Telkomsel’s Revenue Breakdown



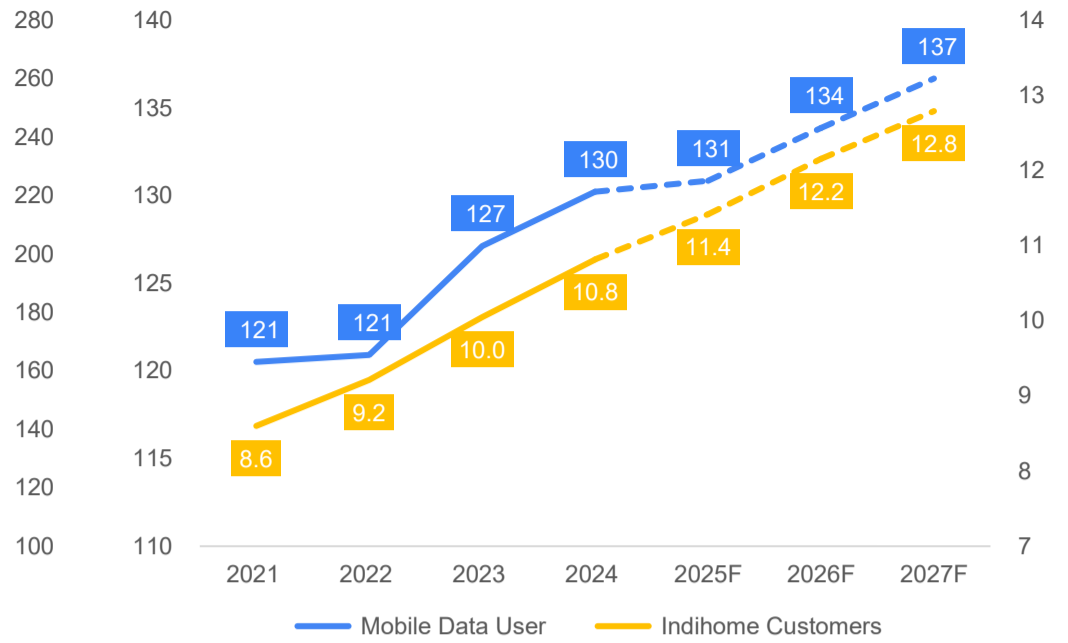
Source: Company, Ajaib Research

Figure 5. Blended ARPU & Indihome ARPU (Rp '000)



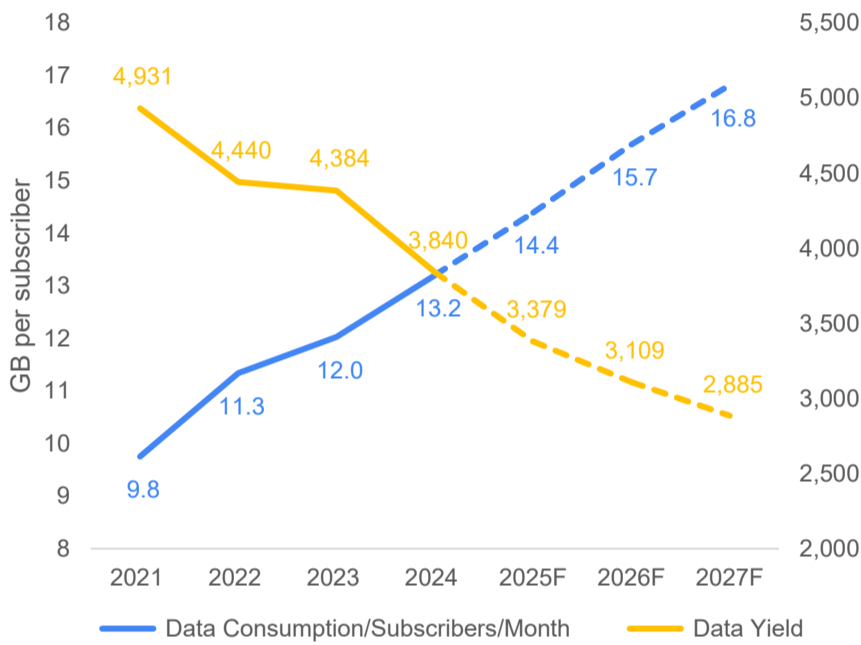
Source: Company, Ajaib Research

Figure 6. Mobile Data Users & Indihome Customers (million)



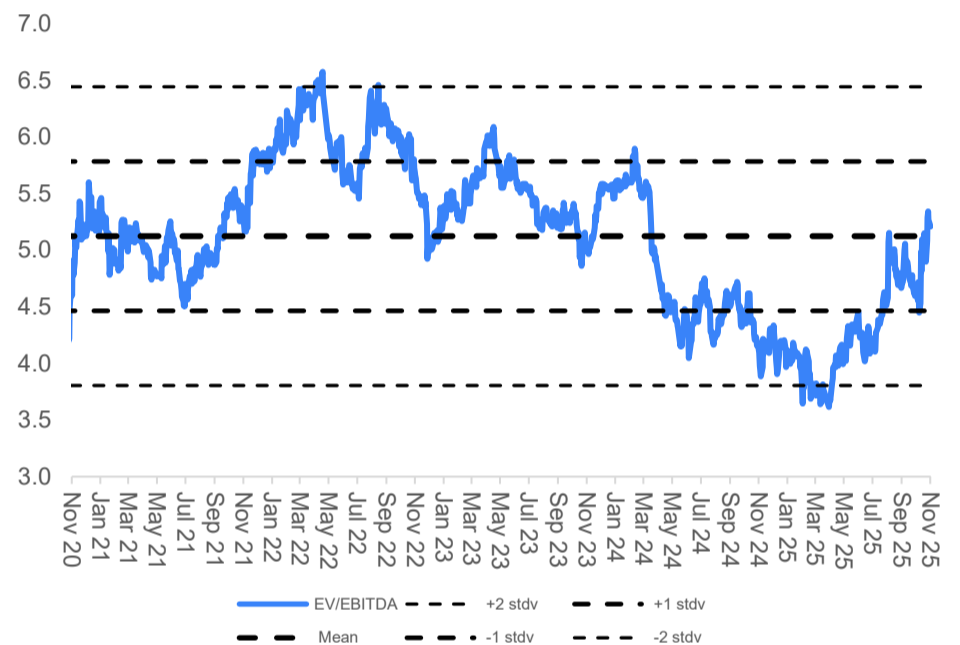
Source: Company, Ajaib Research

Figure 7. Data Consumption & Data Yield



Source: Company, Ajaib Research

Figure 8. TLKM's 5-Year Forward EV/EBITDA Band



Source: Bloomberg, Ajaib Research

Figure 9. Telco Peers Comparison

Ticker	Mkt Cap (Rp tn)	PE (x)		EV/EBITDA (x)		ROE (%)		PB (x)	Div Yield (%)	PE Gth (%)	EPS Gth (%)
		2025F	2026F	2025F	2026F	2025F	2026F				
TLKM IJ	345.7	15.3	14.5	5.5	5.3	15.0	15.4	2.4	5.8	-4.9	0.7
EXCL IJ	49.5	N.A	32.1	5.8	5.0	-2.3	3.8	1.3	1.7	N.A	32.9
ISAT IJ	70.3	14.6	12.8	4.7	4.4	13.6	14.1	2.0	5.0	-12.3	1.7
CDB MK	175.2	24.9	22.3	9.5	9.3	11.1	12.4	2.7	4.3	-10.2	1.4
AXIATA MK	101.7	46.6	37.7	6.4	6.8	3.4	4.3	1.2	3.7	-19.2	2.7
MAXIS MK	130.0	21.2	20.1	9.5	9.4	25.2	25.8	5.3	4.3	-5.4	0.7
T MK	113.6	16.6	15.8	6.6	6.5	16.2	15.8	2.6	3.9	-4.5	0.6
TEL PM	71.5	7.0	6.9	5.3	4.9	28.1	26.5	2.0	8.6	-2.3	0.3
GLO PM	59.7	10.0	9.1	6.4	6.3	13.2	14.2	1.2	7.3	-8.7	1.2
TRUE TB	211.7	28.0	21.6	7.9	7.5	18.0	23.3	5.2	2.5	-22.7	3.2
ADVANC TB	484.0	21.5	19.7	9.4	9.1	43.8	45.2	9.1	4.6	-8.5	1.2
<b>Average</b>		<b>20.6</b>	<b>19.3</b>	<b>7.0</b>	<b>6.8</b>	<b>16.8</b>	<b>18.2</b>	<b>3.2</b>	<b>4.7</b>	<b>-9.9</b>	<b>4.2</b>
<b>Median</b>		<b>18.9</b>	<b>19.7</b>	<b>6.4</b>	<b>6.5</b>	<b>15.0</b>	<b>15.4</b>	<b>2.4</b>	<b>4.3</b>	<b>-8.6</b>	<b>1.2</b>

Source: Bloomberg, Ajaib Research



**Rating for Sectors:**

Overweight : We expect the industry to perform better than the primary market index (JCI) over the next 12 months.

Neutral : We expect the industry to perform in line with the primary market index (JCI) over the next 12 months.

Underweight : We expect the industry to underperform the primary market index (JCI) over the next 12 months.

**Rating for Stocks:**

Buy : The stock is expected to give total return (price appreciation + dividend yield) of > +10% over the next 12 months.

Hold : The stock is expected to give total return of > 0% to ≤ +10% over the next 12 months.

Sell : The stock is expected to give total return of < 0% over the next 12 months.

Outperform : The stock is expected to do slightly better than the market return. Equal to “moderate buy”

Underperform : The stock is expected to do slightly worse than the market return. Equal to “moderate sell”

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