KSI Research

TLKM Equity Update FY25

KIWOOM SEKURITAS INDONESIA

PT Telkom Indonesia (Persero) Tbk (TLKM)

TLKM FY25: ARPU Pressure and Margin Compression Weigh on Earnings

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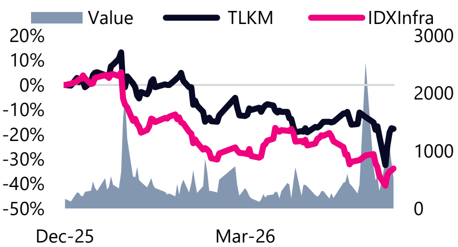
Stock Rate	**Buy**
Industry	Neutral
TP 12M	IDR 3,630
vs. Last Price	+27%

Stock Data

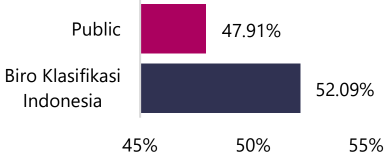
Ticker Code	TLKM
Sub Sector	Telecommunications
Sector	Infrastructures
Market Cap (IDR.Tn)	283.32
Shares Issued (Bn)	99.06
AVG 3M Turnover (Bn)	426.10

Price (IDR)

Price Performance, YTD(%), Turnover(Bn)



Shareholders Composition



ESG Rating

Environmental	1.20
Social	4.22
Governance	5.40

TLKM FY25: Revenue Remained Weak, Profitability Under Pressure. In FY25, TLKM posted consolidated revenue of IDR 146.7T, down 2.0% y/y and below our forecast of IDR 151.5T (96.8% of estimate). The decline was mainly driven by weaker Data, Internet & IT Services (-1.0% y/y), IndiHome (-1.0% y/y), SMS, Fixed & Cellular Voice (-23.0% y/y), and Interconnection (-2.0% y/y), partially offset by Network & Other Telco Services (+0.2% y/y). EBITDA declined 4.4% y/y to IDR 72.3T, while EBIT fell 20.0% y/y to IDR 34.5T, reflecting margin pressure from intense competition and higher operating costs. Consequently, net profit dropped 25.0% y/y to IDR 17.8T, well below our forecast of IDR 24.2T (73.5% of estimate). NPM declined to 12.1%, while EBITDA margin contracted to 49.3%.

4Q25: Sequential Recovery, but Earnings Remained Weak. In 4Q25, revenue reached IDR 37.1T, down 2.0% y/y but up 1.0% q/q, supported by growth in Data, Internet & IT Services (+12.0% y/y; +13.0% q/q). However, profitability remained under pressure, with EBIT falling 48.0% y/y and 41.0% q/q to IDR 5.4T, while net profit plunged 66.0% y/y and 58.0% q/q to IDR 2.0T. Margins also weakened, with OPM at 14.6%, NPM at 5.5%, and EBITDA margin at 48.5%.

Telkomsel & IndiHome: Subscriber Growth Offset by ARPU Pressure. Mobile subscribers remained stable at 159.1mn (-0.2% y/y), while IndiHome B2C subscribers grew 7.4% y/y to 10.3mn. However, monetization remained challenging, with mobile ARPU declining 3.2% y/y to IDR 43k and IndiHome ARPU falling 9.9% y/y to IDR 214k.

Operational Performance: Network Expansion Amid Softer Data Traffic. BTS on Air increased 8.1% y/y to 293k units, supporting network capacity expansion. However, data payload declined 14.3% y/y to 17.47mn TB, indicating softer data consumption. Combined with declining ARPU and intense competition, this continued to weigh on revenue growth and profitability.

Key Takeaways

- **Revenue Below Expectations.** FY25 revenue declined 2.0% y/y to IDR 146.7T, reaching only 96.8% of our forecast amid weakness in data, IndiHome, and legacy services.
- **Profitability Under Significant Pressure.** Net profit fell 25.0% y/y to IDR 17.8T, equivalent to just 73.5% of our estimate, driven by margin compression and higher operating costs.
- **ARPU Decline Outweighed Subscriber Growth.** IndiHome subscribers grew 7.4% y/y, but declining mobile ARPU (-3.2% y/y) and IndiHome ARPU (-9.9% y/y) continued to weigh on monetization.
- **Operational Expansion Yet to Drive Earnings.** Despite BTS on Air rising 8.1% y/y, weaker data payload and intense competition limited revenue growth and profitability improvement.

RECOMMENDATION "BUY"

We downgrade our target price for TLKM at IDR 3,630 per share (Prev. IDR 4,000), based on a blended valuation approach using EV/EBITDA and DCF methods, and supported by the company's long-term prospects and potential. This target implies a forward P/E of 13.7x, EV/EBITDA of 4.4x, and PBV of 2.2x. At the current price of IDR 2,860, the stock is trading at an estimated P/E of 10.85x (vs. peers' average of 14.25x) and a PBV of 1.70x (vs. peers' average of 1.59x). *Downside risks: Pressure on ARPU, intense competition, high capital expenditures, technological changes, and government regulations and interventions.*

Financial Highlight

End 31 Dec	2023A	2024A	2025A	2026F	2027F	2028F
Revenue (IDR Tn)	149.2	150.0	146.7	150.8	155.3	160.2
Net Profit (IDR Tn)	24.6	22.4	17.8	25.8	19.1	20.4
EPS (IDR Full)	248	226	180	264	196	209
EBITDA Margin	52%	50%	49%	56%	49%	50%
NPM	16.5%	14.9%	12.1%	17.1%	12.3%	12.7%
Div. Yield (%)	3.4%	6.6%	4.5%	6.1%	5.8%	4.3%
ROE	16%	14%	12%	16%	11%	12%
P/E (x)	19.6	11.98	19.35	13.77	18.53	17.38
P/BV (x)	3.1	1.65	2.29	2.16	2.10	2.03
EV/EBITDA (x)	6.8	4.10	5.31	4.43	4.69	4.34

Source: Company and KSI Research

Financial Exhibits

Result FY25 - 4Q25

IDR Bn	FY24	FY25	y/y	Q4-24	Q3-25	Q4-25	y/y	q/q
Data, Internet & IT Service	90,533	90,044	-1%	22,625	22,319	25,242	12%	13%
IndiHome	26,262	26,119	-1%	6,636	6,480	6,388	-4%	-1%
SMS, Fixed & Cellular Voice	10,544	8,135	-23%	2,652	1,862	1,427	-46%	-23%
Interconnection	9,187	8,972	-2%	2,312	2,145	1,865	-19%	-13%
Network & Other Telco Services	13,441	13,472	0.2%	3,523	3,807	2,203	-37%	-42%
Revenue	**149,967**	**146,742**	-2%	**37,748**	**36,613**	**37,125**	-2%	1%
Selling, General & Adm. Exp.	9,145	8,423	-8%	2,683	2,030	2,490	-7%	23%
EBIT	**42,855**	**34,468**	**-20%**	**10,380**	**9,166**	**5,432**	-48%	-41%
Finance Cost	5,208	5,206	0%	1,351	1,384	1,175	-13%	-15%
Pre-Tax Income	39,153	31,102	-21%	9,536	8,285	4,680	-51%	-44%
EBITDA	**75,634**	**72,297**	**-4%**	**18,773**	**18,035**	**18,014**	-4%	0%
Net income	**23,649**	**17,814**	**-25%**	5,974	4,809	2,030	-66%	-58%
EPS (Full IDR)	238.729	179.826	-25%	60.306	48.545	20.492	-66%	-58%
	FY24	**FY25**		**Q4-24**	**Q3-25**	**Q4-25**		
Cash and Cash Equivalents	33,906	34,229	1%	33,906	31,555	34,229	1%	8%
Short Term Debt	32,882	30,265	-8%	32,882	33,844	30,265	-8%	-11%
Long Term Debt	43,986	44,646	2%	43,986	43,834	44,646	2%	2%
Liabilities	137,185	137,222	0.0%	137,185	136,885	137,222	0%	0%
Equity	162,490	150,537	-7.4%	162,490	155,012	150,537	-7%	-3%
Total Asset	299,675	287,759	-4%	299,675	291,897	287,759	-4%	-1%
	FY24	**FY25**		**Q4-24**	**Q3-25**	**Q4-25**		
OPM %	*28.58%*	*23.49%*	-5%	*27.50%*	*25.03%*	*14.63%*	-13%	-10%
NPM %	*15.77%*	*12.14%*	-4%	*15.83%*	*13.13%*	*5.47%*	-10%	-8%
EBITDA %	*50.43%*	*49.27%*	-1%	*49.73%*	*49.26%*	*48.52%*	-1%	-1%
ROE (%)	14.6%	11.8%	-3%	14.7%	12.4%	5.4%	-9%	-7%
ROA (%)	7.9%	6.2%	-2%	8.0%	6.6%	2.8%	-5%	-4%
	FY2024	**FY25**		**Q4-24**	**Q3-25**	**Q4-25**		
Debt to Equity (x)	0.47x	0.50x	0.02	0.47x	0.50x	0.50x	0.02	(0.00)
DER (x)	0.84x	0.91x	0.07	0.84x	0.88x	0.91x	0.07	0.03
DAR (x)	0.46x	0.48x	0.02	0.46x	0.47x	0.48x	0.02	0.01
ICR (x)	14.52x	13.89x	(0.64)	13.90x	13.03x	15.33x	1.44	2.30
Current Ratio (x)	0.82x	0.77x	(0.05)	0.82x	0.77x	0.84x	0.01	0.06
Cash Ratio (%)	44%	42%	-2%	44%	42%	46%	2%	5%

Source : KSI Research & Bloomberg

Operational Performance

	FY24	FY25	yoy	1Q25	2Q25	3Q25	4Q25
Mobile Customer Base	159,389	159,060	-0.2%	158,811	158,428	157,587	159,060
IndiHome B2C (000)	9,612	10,324	7.4%	9,842	10,061	10,261	10,324
ARPU Mobile (Rp 000)	44	43	-3.2%	42	41	43	45
ARPU IndiHome (Rp 000)	238	214	-9.9%	224	217	210	204
BTS on Air (units)	271,040	293,000	8.1%	278,100	280,434	288,295	293,100
Data Payload (TB)	20,386,475	17,472,811	-14.3%	5,832,000	5,937,521	5,757,242	5,832,000

Source : KSI Research & Company

Valuation

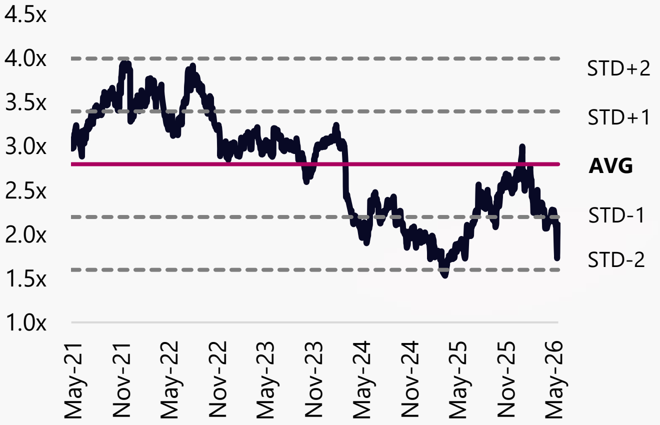
We assign a "BUY" rating for TLKM. We calculate the fair value of TLKM using blended valuation methods (DCF & EV/Ebitda), with an equal weighting of 60% & 40%. Based on our assessment, we revised the target price at IDR 3,630 (Prev. 4,000), reflecting a balanced view of TLKM's earnings potential and capital structure. The fair value implies a P/E ratio of 13.77x and a PBV of 2.16x.

Fair Value

Valuation Method	Base Amount	Target Multiple	Value (Bn)	Weight (%)	The Value of the firm
DCF	423,206	1	423,206	60%	253,924
EV/EBITDA	84,370	5	421,852	40%	168,741
			Total Value (Bn)		422,664
			Share (Bn)		99.1
			Margin of Safety		15%
			Target Price		3,630
			Last Price (12 Jun.26)		2,860
			Potential Upside (%)		27%

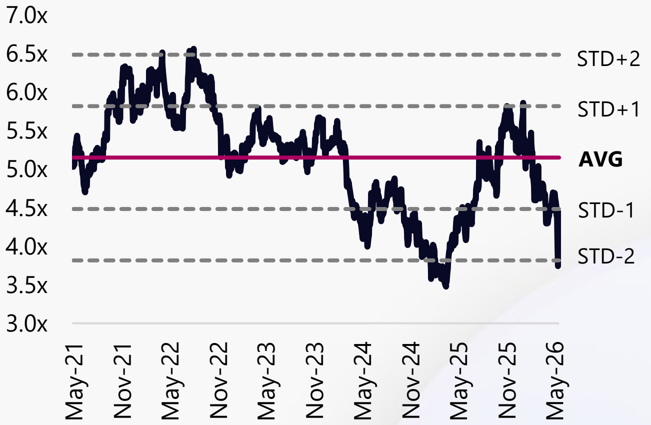
Source : KSI Research

Historical PBV 5Y (Below AVG & STD -1)



Source : KSI Research & Bloomberg

Historical EV/EBITDA 5Y (Below AVG & STD -1)



Source : KSI Research & Bloomberg

Financial Exhibits

End 31 Dec (IDR Bn)	2023A	2024A	2025A	2026F	2027F	2028F
Revenue	**149,216**	**149,967**	**146,742**	**150,807**	**155,294**	**160,249**
Costs of revenue	78,744	82,263	85,901	88,280	90,907	93,808
Gross profit	**70,472**	**67,704**	**60,841**	**62,526**	**64,387**	**66,441**
Operating profit	**44,384**	**41,453**	**34,648**	**45,679**	**36,868**	**38,235**
Interest expense	4,652.0	5,208.0	5,206.0	5,109.3	4,951.9	4,682.6
Interest income	1,061.0	1,367.0	1,661.0	885.7	1,054.6	1,072.5
EBITDA	**77,047**	**75,634**	**72,297**	**84,370**	**76,711**	**79,349**
Income before tax	**40,794**	**37,615**	**31,102**	**41,456**	**33,291**	**35,181**
Tax expenses	8,586	8,118	6,644	8,856	7,043	7,397
Minority interests	7,648	7,094	6,644	6,828	7,031	7,256
Net income	**24,560**	**22,403**	**17,814**	**25,772**	**18,897**	**19,974**
EPS (IDR)	247.9	226.2	179.8	263.7	195.9	208.8

Balance sheet

End 31 Dec (IDR Bn)	2023A	2024A	2025A	2026F	2027F	2028F
Cash and equivalents	30,428	35,022	35,426	54,951	65,084	76,239
Account receivables	10,667	12,193	11,223	11,534	11,877	12,256
Fixed assets	203,339	207,476	193,414	185,121	175,806	165,490
Other assets	41,611	43,888	46,795	60,799	62,356	64,032
Total assets	287,042	299,675	287,759	313,331	316,077	319,001
S-T liabilities	25,501	32,882	30,265	29,916	28,411	26,744
Other S-T liabilities	46,067	43,885	43,683	44,119	44,677	45,367
L-T liabilities	42,623	43,986	44,646	44,132	41,911	39,452
Other L-T liabilities	16,289	16,432	18,628	30,902	31,822	32,837
Total liabilities	130,480	137,185	137,222	149,070	146,822	144,400
Equity	156,562	162,490	150,537	164,261	169,256	174,602
BVPS (IDR)	1,580	1,640	1,520	1,681	1,732	1,787

Cash Flows Statement

End 31 Dec (IDR Bn)	2023A	2024A	2025A	2026F	2027F	2028F
Net Income	24,560	22,403	17,814	25,772	19,148	20,410
Depreciation	14,325	9,518	31,979	32,422	34,161	35,956
Change in working capital	(40,715)	(29,595)	(50,894)	(67,143)	(55,309)	(58,506)
Operating cash flow	**(1,830)**	**2,326**	**(1,101)**	**(8,948)**	**(2,000)**	**(2,140)**
Capital expenditure	(23,999)	(13,655)	(17,917)	(24,129)	(24,847)	(25,640)
Others	12,705	8,489	28,519	27,119	33,286	35,033
Investing cash flow	**(11,294)**	**(5,166)**	**10,602**	**2,990**	**8,439**	**9,393**
Dividend paid	(17,683)	(15,682)	(21,911)	(20,618)	(15,319)	(16,328)
Net change in debt	1,556	962	660	(514)	(2,221)	(2,459)
Others	26,797	22,154	12,154	46,616	21,233	22,689
Financing cash flow	**10,670**	**7,434**	**(9,097)**	**25,484**	**3,694**	**3,902**
Effect of Foreign Exc. Rates	-	-	-	-	-	-
Change in cash	**(2,454)**	**4,594**	**404**	**19,525**	**10,133**	**11,155**
Beginning cash flow	32,882	30,428	35,022	35,426	54,951	65,084
Ending cash flow	30,428	35,022	35,426	54,951	65,084	76,239

Source : KSI Research & Bloomberg

Financial Ratio

Key Ratios	2023A	2024A	2025A	2026F	2027F	2028F
Revenue Growth (%)	1%	-2%	-2%	3%	3%	3%
Gross Profit Growth (%)	0%	-4%	-10%	3%	3%	3%
Operating Profit Growth (%)	12%	-7%	-16%	32%	-19%	4%
EBITDA Growth (%)	6%	-2%	-4%	17%	-9%	3%
Net Profit Growth (%)	18%	-9%	-20%	45%	-26%	7%
EPS Growth (%)	18%	-9%	-20%	47%	-26%	7%
Gross margin (%)	47%	45%	41%	41%	41%	41%
EBITDA margin (%)	52%	50%	49%	56%	49%	50%
EBIT margin (%)	30%	28%	24%	30%	24%	24%
Pretax margin (%)	0%	0%	0%	27%	21%	22%
Net margin (%)	16%	15%	12%	17%	12%	13%
ROE (%)	16%	14%	12%	16%	11%	12%
ROA (%)	9%	7%	6%	8%	6%	6%
Current ratio (x)	0.8x	0.8x	0.8x	1.2x	1.4x	1.6x
Quick ratio (x)	0.8x	0.8x	0.8x	1.2x	1.4x	1.6x
LT D/Equity (x)	0.27x	0.27x	0.30x	0.27x	0.25x	0.23x
DER (x)	0.83x	0.84x	0.91x	0.91x	0.87x	0.83x
DAR (x)	0.45x	0.46x	0.48x	0.48x	0.46x	0.45x
Interest Coverage (x)	10x	8x	7x	9x	7x	8x
Receivables turnover (x)	15.5	13.1	12.5	13.3	13.3	13.3
Receivables (days)	24	28	29	28	28	27
Cash Ratio	43%	46%	48%	74%	89%	106%
Sustainable Growth (%)	16%	14%	12%	16%	11%	12%
Earning Yield (%)	5%	8%	5%	7%	5%	6%
Dividend Yield (%)	3.44%	6.59%	4.55%	6.09%	5.81%	4.32%
PE (x)	19.6x	12.0x	19.4x	13.8x	18.5x	17.4x
PBV (x)	3.1x	1.7x	2.3x	2.2x	2.1x	2.0x
P/Sales (x)	3.2x	1.8x	2.3x	2.4x	2.3x	2.2x
EV/Ebitda (x)	6.8x	4.1x	5.3x	4.4x	4.7x	4.3x

Source : KSI Research & Bloomberg

Kiwoom Sekuritas Guide to Sector/Industry/Stock Ratings

Sector/Industry

OVERWEIGHT	: Sector & Industry Outlook has potential and good condition
NEUTRAL	: Sector & Industry Outlook Stable or tend to be stagnant
UNDERWEIGHT	: Sector & Industry Outlook has challenges and bad condition

Stock

BUY	: Stock Performance > +15%	Over the next 12 month (excluding dividend)
TRADING BUY	: Stock Performance, range between +5% to +15%	Minor to Medium Term
HOLD	: Stock Performance, range between -10% to +15%	Over the next 12 month (excluding dividend)
SELL	: Stock Performance > -15%	Over the next 12 month (excluding dividend)
TRADING SELL	: Stock Performance, range between -5% to -15%	Minor to Medium Term
NOT RATED	: Stock is not within regular research coverage	Over the next 12 month (excluding dividend)

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