KIWOOM SEKURITAS INDONESIA

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PT Telkom Indonesia (Persero) Tbk (TLKM)

Digital Growth Takes Over as Earnings Inflection Emerges

Data & IT Services Drive Growth, while Legacy Businesses Remain Under Pressure. TLKM posted 1H26 revenue of IDR 75.9 trillion (+4% y/y), primarily supported by strong growth in Data, Internet & IT Services (+13% y/y), which helped offset declines in IndiHome (-3%), SMS & Fixed Cellular Voice (-29%), Interconnection (-10%), and Network & Other Telco Services (-6%). Operationally, the mobile customer base declined 3.1% y/y to 153.5 million, while IndiHome B2C subscribers fell 5.4% to 9.5 million, although mobile ARPU increased 9.1% y/y to IDR 45k, indicating improving monetization. BTS on-air expanded 7.3% y/y to 301,000 units, while data payload remained broadly stable at 11.5 million TB. Profitability remained resilient, with EBITDA rising 3% y/y to IDR 37.1 trillion, although EBITDA margin eased slightly to 48.8% from 49.4%, net profit rose 3% y/y to IDR 10.6 trillion.

2Q26 Showed Improving Earnings Momentum. Revenue reached IDR 38.7 trillion (+6% y/y; +4% q/q), while EBITDA rose a stronger (11% y/y & q/q) to IDR 19.5 trillion, lifting EBITDA margin to 50.5%. Net profit also accelerated to IDR 6.3 trillion (+28% y/y; +45% q/q), supported by lower finance costs and stronger operating leverage.

TLKM - Wholesale Fiber Connectivity Spin-off. TLKM plans to transfer its Phase 2 Wholesale Fiber Connectivity business, valued at IDR 49.86tn or around 33% of FY25 equity, to TIF/InfraNexia through a non-cash transaction, while TLKM will retain 99.9% ownership of TIF. We view the impact on TLKM's consolidated fundamentals as largely neutral in the near term, as the assets and earnings remain within the Group through TIF consolidation. Strategically, however, the transaction is positive as it strengthens InfraCo's focus, improves fiber asset management efficiency, and creates potential for future monetization and value unlocking. It also supports TLKM's transformation toward a Strategic Holding and provides greater flexibility for future capital allocation.

KEY TAKEAWAYS:

- **Data & IT Services Drive Growth**: Revenue +4% y/y to IDR75.9tn, supported by Data, Internet & IT Services (+13%), while legacy businesses declined. Mobile ARPU rose 9% y/y, supporting monetization.
- **2Q26 Earnings Momentum Improved**: EBITDA and net profit grew 11% and 28% y/y, respectively, with EBITDA margin rising to 50.5%, driven by lower finance costs and operating leverage.
- **Fiber Spin-off Positive Strategically**: The IDR49.86tn fiber spin-off is neutral to near-term earnings as assets remain consolidated, but supports asset optimization, potential value unlocking, and TLKM's Strategic Holding transformation.

RECOMMENDATION "BUY"

We revised our target price for **TLKM at IDR 3,450 per share** (from IDR 3,630), 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 18.8x, EV/EBITDA of 4.8x, and PBV of 2.1x. At the current price of IDR 2,610, the stock is trading at an estimated P/E of 14.23x (vs. peers' average of 12.5x) and a PBV of 1.59x (vs. peers' average of 1.95x). *Downside risks: ARPU pressure, intensifying mobile competition, higher spectrum and network capex, slower data center/digital infrastructure monetization, execution risks, and regulatory intervention.*

FINANCIAL HIGHLIGHTS

End 31 Dec	2023A	2024A	2025A	2026F	2027F	2028F
Revenue (IDR Bn)	149,216	149,967	146,742	150,807	155,294	160,249
Net Profit (IDR Bn)	24,560	22,403	17,814	18,174	19,700	21,161
EPS (IDR Full)	248	226	180	183	199	214
EBITDA Margin	52%	50%	49%	49%	49%	50%
NPM	16.5%	14.9%	12.1%	12.1%	12.7%	13.2%
Div. Yield (%)	3.4%	6.6%	4.5%	6.4%	4.3%	4.6%
ROE	16%	14%	12%	11%	12%	12%
P/E (x)	19.6	11.98	19.35	18.81	17.35	16.15
P/BV (x)	3.1	1.65	2.29	2.10	2.04	1.97
EV/EBITDA (x)	6.8	4.10	5.31	4.88	4.54	4.20

Source: Company, KSI Research estimates.

STOCK RATING

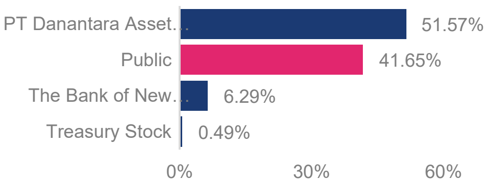
BUY

REITERATED

TP 12M (IDR)	**3,450**
vs. Last Price	**+32%**
Previous TP	*IDR 3,630*

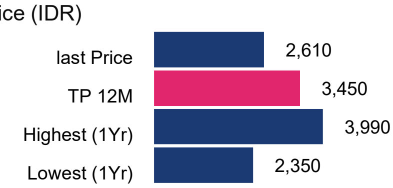
Ticker	**TLKM**
Sub-Sector	**Telecommunications**
Last Price (IDR)	**2,610**
Market Cap (IDR Tn)	**258.6**
Shares Issued (Bn)	**99.06**
AVG 3M Turnover (Bn)	**349.89**

SHAREHOLDER STRUCTURE

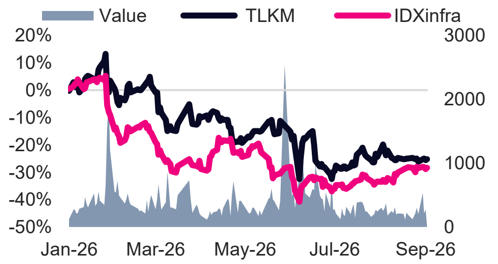


Sukarno Alatas
Senior Equity Analyst
sukarno@kiwoom.co.id

Price (IDR)



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



ESG Rating

Environmental	**1.33**
Social	**4.19**
Governance	**5.74**

PERFORMANCE OVERVIEW

Stable Earnings Growth Despite Margin Recovery

IDR Bn	1H25	1H26	y/y	Q2-25	Q1-26	Q2-26	y/y	q/q
Data, Internet & IT Service	42,483	48,184	13%	21,152	23,646	24,538	16%	4%
IndiHome	13,251	12,798	-3%	6,588	6,378	6,420	-3%	1%
SMS, Fixed & Cellular Voice	4,846	3,443	-29%	2,276	1,506	1,937	-15%	29%
Interconnection	4,962	4,445	-10%	2,566	2,217	2,228	-13%	0%
Network & Other Telco Services	7,462	7,008	-6.1%	3,783	3,442	3,566	-6%	4%
Revenue	**73,004**	**75,878**	4%	**36,365**	**37,189**	**38,689**	6%	4.0%
Selling, General & Adm. Exp.	3,903	4,242	9%	2,001	1,854	2,388	19%	29%
EBIT	19,870	19,851	0%	9,461	8,836	11,015	16%	25%
Finance Cost	2,647	2,079	-21%	1,331	1,021	1,058	-21%	4%
Pre-Tax Income	18,137	18,798	4%	8,547	8,248	10,550	23%	28%
EBITDA	36,068	37,054	3%	17,604	17,534	19,520	11%	11%
Net income	**10,473**	**10,623**	1%	**4,924**	**4,344**	**6,279**	28%	45%
EPS (Full IDR)	105.7	108	2%	49.706	43.851	63.384	28%	45%
	1H25	**1H26**		**Q2-25**	**Q1-26**	**Q2-26**		
Cash and Cash Equivalents	33,186	54,580	64%	33,186	37,550	54,580	64%	45%
Short Term Debt	41,257	34,948	-15%	41,257	26,726	34,948	-15%	31%
Long Term Debt	43,542	45,937	6%	43,542	42,009	45,937	6%	9%
Liabilities	145,435	168,239	15.7%	145,435	134,145	168,239	16%	25%
Equity	148,362	134,848	-9.1%	148,362	155,810	134,848	-9%	-13%
Total Asset	293,797	303,087	3%	293,797	289,955	303,087	3%	5%
	1H25	**1H26**		**Q2-25**	**Q1-26**	**Q2-26**		
OPM %	*27.22%*	*26.16%*	-1%	*26.02%*	*23.76%*	*28.47%*	2%	5%
NPM %	*14.35%*	*14.00%*	0%	*13.54%*	*11.68%*	*16.23%*	3%	5%
EBITDA %	*49.41%*	*48.83%*	-1%	*48.41%*	*47.15%*	*50.45%*	2%	3%
ROE (%)	14.1%	15.8%	2%	13.3%	11.2%	18.6%	5%	7%
ROA (%)	7.1%	7.0%	0%	6.7%	6.0%	8.3%	2%	2%
	FY2024	**1H26**		**Q2-25**	**Q1-26**	**Q2-26**		
Debt to Equity (x)	0.57x	0.60x	0.03	0.57x	0.44x	0.60x	0.03	0.16
DER (x)	0.98x	1.25x	0.27	0.98x	0.86x	1.25x	0.27	0.39
DAR (x)	0.50x	0.56x	0.06	0.50x	0.46x	0.56x	0.06	0.09
ICR (x)	13.63x	17.82x	4.20	13.23x	17.17x	18.45x	5.22	1.28
Current Ratio (x)	0.71x	0.79x	0.08	0.71x	0.92x	0.79x	0.08	(0.13)
Cash Ratio (%)	39%	53%	14%	39%	52%	53%	14%	1%

Source : KSI Research & Bloomberg

In 2025, the Group revised its componentization policy by separately identifying drop cables as a distinct asset component, given their customer-specific, last-mile characteristics. Drop cables were assigned a 5-year useful life. The voluntary accounting policy change was applied retrospectively in accordance with PSAK 208, including the restatement of the 1H25 comparative financial statements.

1H25 was restated from IDR 10,975bn to IDR 10,473bn, down 4.6%.

OPERATIONAL PERFORMANCE

	1H25	1H26	yoy	2Q25	1Q26	2Q26	q/q	y/y
Mobile Customer Base	158,428	153,545	-3.1%	158,428	153,672	153,545	-0.1%	-3.1%
IndiHome B2C (000)	10,061	9,513	-5.4%	10,061	10,327	9,513	-7.9%	-5.4%
ARPU Mobile (Rp 000)	41.8	45.6	9.1%	41	45	46	2.0%	11.7%
ARPU IndiHome (Rp 000)	220.0	207.0	-5.9%	217	204	211	3.4%	-2.7%
BTS on Air (units)	280,400	301,000	7.3%	280,400	297,300	301,000	1.2%	7.3%
Data Payload (TB)	11,528,000	11,528,000	0.0%	5,696,000	5,770,000	5,758,000	-0.2%	1.1%

Source : KSI Research & Bloomberg

VALUATION

Revised TP IDR 3,450; Rated BUY

BUY TP 12M: IDR 3,450

vs. Last Price (IDR 2,610, 04 September 2026): +32% upside | Previous TP: IDR 3,630

DCF (IDR Bn)	2026F	2027F	2028F	2029F	2030F	2031F
EBIT	35,679	36,868	38,235	39,799	41,582	43,609
marginal tax rate	21%	21%	21%	21%	21%	21%
EBIT (1-tax)	28,057	28,992	30,067	31,297	32,699	34,293
+ D & A	32,422	34,161	35,956	37,812	39,736	41,735
- Capex	(24,129)	(24,847)	(25,640)	(26,515)	(27,482)	(28,550)
Changes in working capital	(9,599)	8,092	11	12	13	15
Free Cash Flow	**26,751**	**46,399**	**40,395**	**42,606**	**44,967**	**47,493**
Terminal Value						**436,994**
Discount Factor	1.00	0.89	0.79	0.70	0.62	0.55
Firm Value	426,308	**Key Assumption**				
Cash	53,059					
Interest Bearing Debt	74,048	**Perpetuity Growth**		**1.5%**	**W.E**	65.5%
Equity Value	**405,318**	Beta		1.03	**W.D**	34.5%
Share	99.1	RF		7.05%		
Fair Value (IDR)	**4,100**	RP		7.92%		
Last Price	IDR 2,610	Cost of Equity		15.21%		
Potential Upside (%)	57.1%	Cost of Debt		7.46%		
		WACC		12.53%		

BLENDED VALUATION

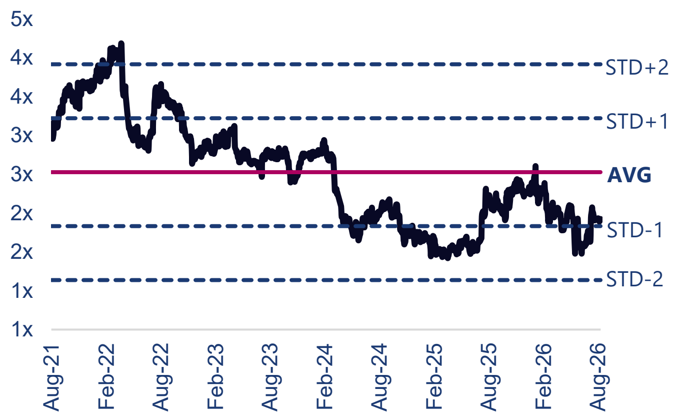
Multiple Valuation	Base Amount	Target Multiple	Value (Bn)	Weight (%)	The Value of the firm
DCF	405,318	1	405,318	60%	243,191
EV/EBITDA	74,370	5	397,881	40%	159,153

Total Value (Bn)	402,343
Share (Bn)	99.1
Margin of safety	*15%*
Target Price (IDR)	3,450

Blended fair value: IDR3,450/share (Total Value IDR405,318bn ÷ 99.1Bn shares), combining DCF valuation (60% weight) and EV/EBITDA valuation (40% weight). DCF assumptions use a 12.53% WACC, 1.03 beta, and 1.5% perpetual growth.

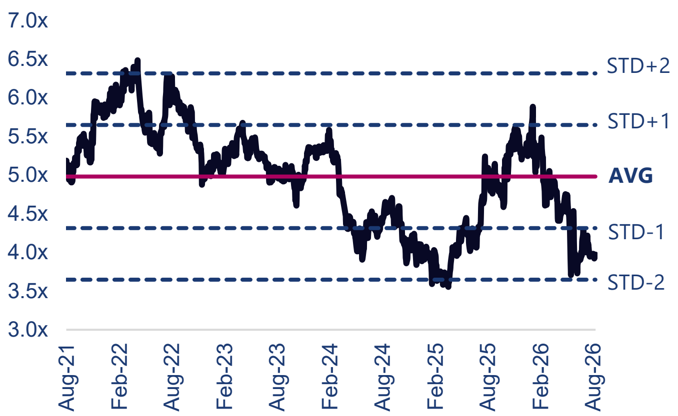
Source : KSI Research & Bloomberg

HISTORICAL PBV 5Y (BELOW AVG)



Source : KSI Research & Bloomberg

HISTORICAL EV/EBITDA 5Y (BELOW AVG)



Source : KSI Research & Bloomberg

FINANCIAL EXHIBITS

Income Statement, Balance Sheet & Cash Flow

Income Stetement

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**	**35,679**	**36,868**	**38,235**
Interest expense	4,652.0	5,208.0	5,206.0	5,556.2	5,385.0	5,092.1
Interest income	1,061.0	1,367.0	1,661.0	1,670.5	2,508.7	2,992.5
EBITDA	**77,047**	**75,634**	**72,297**	**74,370**	**76,711**	**79,349**
Income before tax	**40,794**	**37,615**	**31,102**	**31,794**	**33,993**	**36,136**
Tax expenses	8,586	8,118	6,644	6,792	7,262	7,719
Minority interests	7,648	7,094	6,644	6,828	7,031	7,256
Net income	**24,560**	**22,403**	**17,814**	**18,174**	**19,700**	**21,161**
EPS (IDR)	247.9	226.2	179.8	183.5	198.9	213.6

Balance sheet

End 31 Dec (IDR Bn)	2023A	2024A	2025A	2026F	2027F	2028F
Cash and equivalents	30,428	35,022	35,426	53,201	63,461	74,789
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	311,580	314,454	317,551
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	162,511	167,632	173,152
BVPS (IDR)	1,580	1,640	1,520	1,640	1,692	1,748

Cash Flows Statement

End 31 Dec (IDR Bn)	2023A	2024A	2025A	2026F	2027F	2028F
Net Income	24,560	22,403	17,814	18,174	19,700	21,161
Depreciation	14,325	9,518	31,979	32,422	34,161	35,956
Change in working capital	(40,715)	(29,595)	(50,894)	(59,545)	(55,861)	(59,258)
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)	(14,539)	(15,760)	(16,929)
Net change in debt	1,556	962	660	(514)	(2,221)	(2,459)
Others	26,797	22,154	12,154	38,787	21,801	23,464
Financing cash flow	**10,670**	**7,434**	**(9,097)**	**23,734**	**3,821**	**4,075**
Effect of Foreign Exc. Rates	-	-	-	-	-	-
Change in cash	**(2,454)**	**4,594**	**404**	**17,775**	**10,260**	**11,328**
Beginning cash flow	32,882	30,428	35,022	35,426	53,201	63,461
Ending cash flow	30,428	35,022	35,426	53,201	63,461	74,789
Net Income	24,560	22,403	17,814	18,174	19,700	21,161

Source: Bloomberg, Company & KSI Research estimates

2026F Net Profit Estimate Revision : Following the 1H26 performance, our 2026F net profit estimate has been revised down to IDR 18.81T from IDR 25.8T, representing a 27.1% downward revision. The adjustment reflects weaker-than-expected 1H26 performance and a more conservative outlook for 2H26. FY2026 Net Profit: IDR 25.8T → 18.81T (-27.1%).

FINANCIAL RATIOS

Gradual Earnings Recovery, Strengthening Financial Position

Key Ratios	2023A	2024A	2025A	2026F	2027F	2028F
Growth (%)						
Revenue Growth (%)	1%	-2%	-2%	3%	3%	3%
Gross Profit Growth (%)	0%	-4%	-10%	3%	3%	3%
Operating Profit Growth (%)	12%	-7%	-16%	3%	3%	4%
EBITDA Growth (%)	6%	-2%	-4%	3%	3%	3%
Net Profit Growth (%)	18%	-9%	-20%	2%	8%	7%
EPS Growth (%)	18%	-9%	-20%	2%	8%	7%
Profitability / Margin (%)						
Gross margin (%)	47%	45%	41%	41%	41%	41%
EBITDA margin (%)	52%	50%	49%	49%	49%	50%
EBIT margin (%)	30%	28%	24%	24%	24%	24%
Pretax margin (%)	27%	25%	21%	21%	22%	23%
Net margin (%)	16%	15%	12%	12%	13%	13%
ROE (%)	16%	14%	12%	11%	12%	12%
ROA (%)	9%	7%	6%	6%	6%	7%
Liquidity (x)						
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	1.5x
Leverage (x)						
LT D/Equity (x)	0.27x	0.27x	0.30x	0.27x	0.25x	0.23x
DER (x)	0.83x	0.84x	0.91x	0.92x	0.88x	0.83x
DAR (x)	0.45x	0.46x	0.48x	0.48x	0.47x	0.45x
Interest Coverage (x)	10x	8x	7x	6x	7x	8x
Activity Ratio						
Inventory turnover (x)	15.5	13.1	12.5	13.3	13.3	13.3
AP turnover (days)	24	28	29	28	28	27
Shareholder Return (%)						
Cash Ratio	43%	46%	48%	72%	87%	104%
Sustainable Growth (%)	16%	14%	12%	11%	12%	12%
Earning Yield (%)	5%	8%	5%	5%	6%	6%
Dividend Yield (%)	3.44%	6.59%	4.55%	6.41%	4.25%	4.61%
Multiple Valuation (x)						
PE (x)	19.6x	12.0x	19.4x	18.8x	17.3x	16.2x
PBV (x)	3.1x	1.7x	2.3x	2.1x	2.0x	2.0x
P/Sales	3.2x	1.8x	2.3x	2.3x	2.2x	2.1x
EV/Ebitda	6.8x	4.1x	5.3x	4.9x	4.5x	4.2x

Source: Bloomberg, Company & KSI Research estimates

Rating Guide, Disclaimer & Contact

KIWOOM SEKURITAS GUIDE TO SECTOR / STOCK RATINGS

SECTOR / INDUSTRY

OVERWEIGHT	Sector & Industry outlook has potential and good condition
NEUTRAL	Sector & Industry outlook stable or tends to be stagnant
UNDERWEIGHT	Sector & Industry outlook has challenges and bad condition

STOCK

BUY	Performance > +15% over the next 12 months (ex-dividend)
TRADING BUY	Performance +5% to +15%, minor to medium term
HOLD	Performance -10% to +15% over the next 12 months (ex-dividend)
SELL	Performance < -15% over the next 12 months (ex-dividend)
TRADING SELL	Performance -5% to -15%, minor to medium term
NOT RATED	Stock not within regular research coverage

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HEAD OFFICE

Treasury Tower 27th Floor Unit A, District 8
Kawasan SCBD Lot 28, Jl. Jend. Sudirman Kav 52-53, Jakarta Selatan 12190

Tel: (021) 5010 5800 | Fax: (021) 5010 5820 | Email: cs@kiwoom.co.id

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