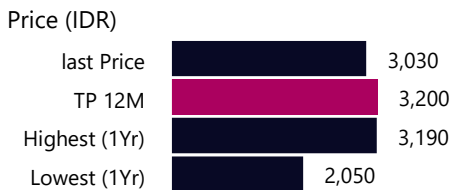
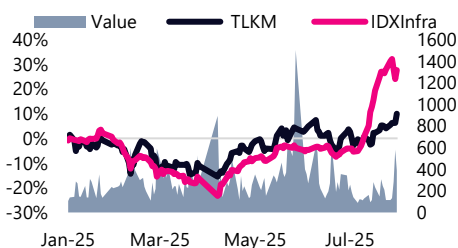
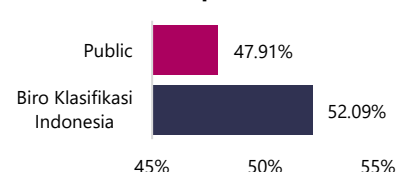




PT Telkom Indonesia (Persero) Tbk (TLKM)

Profitability Under Pressure, Yet Data Growth Offers Hope

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Industry **Hold**
OverweightTP 12M **IDR 3,200**
vs. Last Price **+5.6%****Stock Data**
Ticker Code **TLKM**
Sub Sector **Telecommunications**
Sector **Infrastructures**Market Cap (IDR.Tn) **295.21**
Shares Issued (Bn) **99.06**
AVG 3M Turnover (Bn) **309.94****Price Performance, YTD(%), Turnover(Bn)****Shareholders Composition****ESG Rating**Environmental **1.97**
Social **4.30**
Governance **5.66**

Telkom 1H25: Soft Revenue Decline, Margin Pressures Persist. In 1H25, Telkom posted consolidated revenue of IDR 73.0 trillion, down -3.0% y/y from IDR 75.3 trillion in 1H24, driven by declines in the Data, Internet & IT Services segment (-6.5% y/y) and SMS, Fixed & Cellular Voice (-7.3% y/y). EBITDA decreased -4.0% y/y to IDR 36.1 trillion, with a margin of 27.2% (vs 28.5% in 1H24). Meanwhile, net profit dropped -6.7% y/y to IDR 11.0 trillion, accompanied by a lower net profit margin of 15.0%. In the second quarter (2Q25), revenue reached IDR 36.4 trillion, declining slightly by -0.7% q/q and -4.0% y/y. Net profit came in at IDR 5.2 trillion, falling -11.1% q/q and -9.5% y/y, mainly due to a drop in operating profit and EBITDA, which decreased -9.1% q/q and -4.7% q/q, respectively. Quarterly EBITDA margin declined to 26% (vs 28% in 2Q24), indicating continued profitability pressures.

Telkomsel: Pressured by ARPU and Legacy Services. Telkomsel remains the main contributor to revenue, although it continues to face headwinds from declining mobile ARPU, which fell -7.5% y/y to IDR 42 thousand. On a positive note, IndiHome B2C recorded strong growth of +10.0% y/y, reaching 10,061 thousand subscribers, supporting overall consolidated performance. However, revenue from legacy services such as SMS, Fixed & Cellular Voice still contracted significantly (-7.3% y/y). Meanwhile, Interconnection and Network & Other Telco Services grew by +2.4% and +9.8% y/y, respectively, providing partial offsets to the weakness in core segments.

Operational Stability, Strong Data Payload Growth. The mobile customer base edged down -0.9% y/y to 158,428 thousand, reflecting stability with only a slight increase of +0.2% q/q. BTS on Air rose by +5.5% y/y to 280,434 units, highlighting continued expansion of network infrastructure. Data payload grew significantly by +20.1% y/y and +3% q/q to 11.7 million TB, indicating a sustained increase in data consumption, which remains the main growth driver. Meanwhile, IndiHome ARPU declined -8.8% y/y to IDR 220 thousand, reflecting pricing pressure and intensified competition.

Key Takeaways

- **Revenue and Profit Declined Amid Legacy Service Weakness.** Consolidated revenue fell -3.0% y/y to IDR 73.0T, and net profit declined -6.7% y/y, mainly dragged down by Data & IT Services and SMS/Voice segments.
- **EBITDA Margin Under Pressure.** EBITDA dropped -4.0% y/y to IDR 36.1T with margin contracting to 27.2% in 1H25 (vs 28.5% in 1H24), reflecting rising cost pressures.
- **Telkomsel ARPU Continued to Decline.** Mobile ARPU fell -7.5% y/y to IDR 42K, highlighting monetization challenges in the mobile segment despite stable user base.
- **IndiHome B2C Remains a Growth Driver.** Subscribers grew +10.0% y/y to 10.1M, supporting overall topline resilience amid pressure from traditional services.

RECOMMENDATION "HOLD"

We maintain our target price for TLKM at IDR 3,200 per share, based on a blended valuation approach using EV/EBITDA and DCF methods, and supported by the company's long-term prospects. This target implies a forward P/E of 12.7x, EV/EBITDA of 4.5x, and PBV of 2.10x. At the current price of IDR 3,030, the stock is trading at an estimated P/E of 12x (vs. peers' average of 16x) and a PBV of 1.98x (vs. peers' average of 1.9x). *Downside risks: Pressure on ARPU, intense competition, high capital expenditures, technological changes, and government regulations and interventions.*

Financial Highlight

End 31 Dec	2022A	2023A	2024A	2025F	2026F	2027F
Revenue (IDR Tn)	147.3	149.2	150.0	152.8	156.1	160.0
Net Profit (IDR Tn)	20.8	24.6	23.6	24.7	25.3	26.6
EPS (IDR Full amount)	209	248	239	252	259	271
EBITDA Margin	49%	52%	50%	51%	51%	51%
NPM	14.1%	16.5%	15.8%	16.1%	16.2%	16.6%
ROE	14%	16%	15%	14%	14%	14%
Dividen yield	5.0%	3.4%	6.6%	5.2%	5.5%	5.7%
Interest Coverage (x)	18.1	16.6	14.5	13.3	14.2	14.2
P/E (x)	14.22	19.64	11.35	12.70	12.37	11.79
P/BV (x)	2.28	3.55	1.89	2.10	2.00	1.90
EV/EBITDA (x)	4.47	6.75	4.10	4.53	4.23	4.19

Source: Company and KSI Research



Financial Exhibits

Result 2Q25 - 1H25

IDR Bn	1H24	1H25	yoy	2Q24	1Q25	2Q25	q/q	y/y
Data, Internet & IT Service	45,455	42,483	-6.5%	22,911	21,331	21,152	-1%	-8%
IndiHome	12,972	13,251	2.2%	6,531	6,663	6,588	-1%	1%
SMS, Fixed & Cellular Voice	5,225	4,846	-7.3%	2,716	2,570	2,276	-11%	-16%
Interconnection	4,846	4,962	2.4%	2,271	2,396	2,566	7%	13%
Network & Other Telco Services	6,794	7,462	9.8%	3,434	3,679	3,783	3%	10%
Revenue	75,292	73,004	-3.0%	37,863	36,639	36,365	-0.7%	-4.0%
Operating profit	21,446	19,870	-7.3%	10,515	10,409	9,461	-9.1%	-10.0%
EBITDA	37,575	36,068	-4.0%	18,559	18,464	17,604	-4.7%	-5.1%
Net income	11,761	10,975	-6.7%	5,708	5,810	5,165	-11.1%	-9.5%
EPS (Full IDR)	119	111	-6.7%	58	59	52	-11.1%	-9.5%
Liabilities	137,185	145,435	6%	138,718	129,244	145,435	13%	5%
Equity	162,490	148,362	-9%	147,274	170,302	148,362	-13%	1%
Total Asset	299,675	293,797	-2%	285,992	299,546	293,797	-2%	3%
OPM %	28%	27%	-1%	28%	28%	26%	-2%	-2%
NPM %	15.6%	15.0%	-1%	15%	16%	14%	-2%	-1%
EBITDA %	28.5%	27.2%	-1%	49%	50%	48%	-2%	-1%
ROE (%)	14%	15%	0%	16%	14%	14%	0.3%	-1.6%
ROA (%)	8%	7%	0%	8%	8%	7%	-0.7%	-1.0%

Source : KSI Research & Bloomberg

Operational Performance

	1H24	1H25	yoy	2Q24	1Q25	2Q25	q/q	y/y
Mobile Customer Base	159,882	158,428	-0.9%	159,882	158,811	158,428	-0.2%	-0.9%
IndiHome B2C (Tho)	9,143	10,061	10.0%	9,143	9,842	10,061	2%	10%
ARPU Mobile (IDR Tho)	45	42	-7.5%	45	42	41	-3%	-8%
ARPU IndiHome (IDR Tho)	242	220	-8.8%	243	224	217	-3%	-11%
BTS on Air (units)	265,904	280,434	5.5%	265,904	278,100	280,434	1%	5%
Data Payload (TB)	9,753,659	11,715,570	20.1%	4,929,849	5,778,048	5,937,521	3%	20%

Source : KSI Research & Company

Telkom's financial performance in 1H25 reflected moderate weakness, with year-on-year and quarter-on-quarter declines in revenue, EBITDA, and net income. These declines were primarily driven by continued pressure on legacy services (SMS and voice), as well as stagnant growth in key segments such as Data & Internet. Both operating and EBITDA margins contracted, indicating pressures on efficiency and profitability.

Overall profitability ratios weakened, with declines in operating margin (OPM), net profit margin (NPM), and EBITDA margin, signaling reduced operational efficiency and leverage. Return on Assets (ROA) also declined, reflecting lower asset efficiency. The only improvement was seen in Return on Equity (ROE), Though this was mainly due to a decrease in equity rather than an increase in earnings, which is an aspect that warrants caution.



Valuation

We assign a "Buy" rating for TLKM. We calculate the fair value of TLKM using blended valuation methods (EV/Ebitda and DCF), with an equal weighting of 40% & 60%. Based on our assessment, we maintain the fair value target at Rp 3,200, reflecting a balanced view of TLKM's earnings potential and capital structure. The current fair value implies a P/E ratio of 12.7x and a PBV of 2.10x.

Fair Value

Multiple Valuation	Base Amount	Target Multiple	Value (Bn)	Weight (%)	The Value of the firm
EV/Ebitda	78,160	5.0x	390,799	40%	156,320
DCF	487,881	1.0x	487,881	60%	292,729
Total Value (Bn)					449,048
Share (Bn)					97.87
<i>Margin of safety</i>					30%
Fair Value (IDR)					3,200
Last Price (4 August)					IDR 3,030
Potential Upside (%)					5.6%

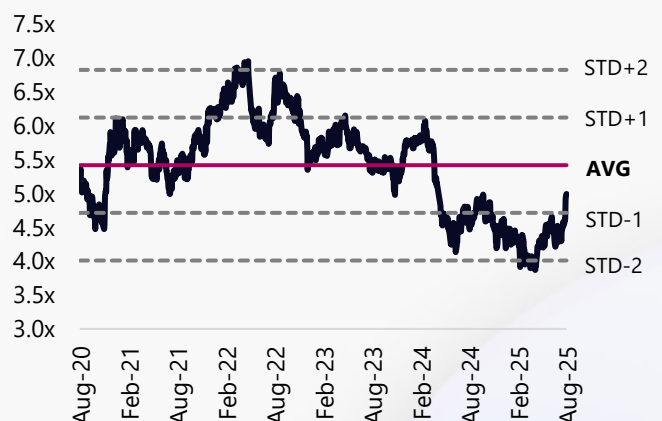
Source : KSI Research

Historical PBV 5Y (Below AVG)



Source : KSI Research & Bloomberg

Historical EV/EBITDA 5Y (Below AVG)



Source : KSI Research & Bloomberg



Financial Exhibits

Year-end 31 Dec (IDR Bn)	2022A	2023A	2024A	2025F	2026F	2027F
Revenue	147,306	149,216	149,967	152,786	156,134	159,982
Costs of revenue	76,879	78,744	80,725	80,870	82,642	84,678
Gross profit	70,427	70,472	69,242	71,916	73,492	75,303
Operating profit	39,581	44,384	42,991	44,903	45,802	46,921
EBITDA	72,836	77,047	75,634	78,160	79,787	81,744
Income before tax	36,339	40,794	39,153	40,601	41,643	43,473
Tax expenses	8,659	8,586	8,410	8,721	8,945	9,338
Minority interests	6,927.0	7,648.0	7,094.0	7,227.3	7,385.7	7,567.7
Net income	20,753	24,560	23,649	24,653	25,313	26,568
EPS (Full IDR)	209	248	239	252	259	271

Balance sheet

Year-end 31 Dec (IDR Bn)	2022A	2023A	2024A	2025F	2026F	2027F
Cash and equivalents	32,882	30,428	35,022	32,475	51,333	47,534
Account receivables	8,634	10,667	12,193	12,485	12,758	13,073
Unbilled Revenues	3,128	3,357	3,583	3,444	3,519	3,606
Inventories	1,144	997	1,096	1,052	1,075	1,101
Fixed assets	193,665	203,339	207,476	224,203	239,316	252,830
Other assets	35,739	38,254	40,305	39,857	40,731	41,734
Total assets	275,192	287,042	299,675	313,516	348,732	359,878
S-T liabilities	21,974	25,501	32,882	28,544	29,873	31,235
Other S-T liabilities	48,414	46,067	43,885	49,642	73,500	72,850
L-T liabilities	41,067	42,623	43,986	44,954	45,405	45,785
Other L-T liabilities	14,475	16,289	16,432	17,940	18,843	19,791
Total liabilities	125,930	130,480	137,185	141,081	167,620	169,660
Equity	149,262	156,562	162,490	172,435	181,111	190,217
BVPS (Full IDR)	1,305	1,370	1,434	1,527	1,604	1,684

Cash Flows Statement

Year-end 31 Dec (IDR Bn)	2022A	2023A	2024A	2025F	2026F	2027F
Net Income	20,753	24,560	23,649	24,653	25,313	26,568
Depreciation	26,817	31,915	32,831	33,448	34,181	35,023
Change in working capital	(1,661)	4,970	5,003	(5,311)	(23,324)	1,263
Others	(44,282)	(63,275)	(59,157)	(51,886)	(11,531)	(62,772)
Operating cash flow	1,627	(1,830)	2,326	905	24,639	82
Capital expenditure	(16,164)	(23,999)	(13,655)	(20,102)	(20,543)	(21,049)
Others	811	(2,097)	(857)	870	(439)	(504)
Investing cash flow	(4,228)	(11,294)	(5,166)	(16,011)	(15,735)	(14,230)
Dividend paid	(16,603)	(17,683)	(16,554)	(17,257)	(17,719)	(18,597)
Net change in debt	(5,678)	1,556	1,363	968	451	381
Others	19,032	26,797	22,625	28,849	27,222	28,564
Financing cash flow	(3,249)	10,670)	7,434)	12,560)	9,954)	10,348)
Effect of Foreign Exc. Rates	-	-	-	-	-	-
Change in cash	(5,850)	(2,454)	4,594	(2,547)	18,858	(3,800)
Beginning cash flow	38,732	32,882	30,428	35,022	32,475	51,333
Ending cash flow	32,882	30,428	35,022	32,475	51,333	47,534

Source : KSI Research & Bloomberg



Financial Ratio

Key Ratios	2022A	2023A	2024A	2025F	2026F	2027F
Revenue Growth (%)	3%	1%	0.5%	1.9%	2.2%	2.5%
Gross Profit Growth (%)	3%	0%	-1.7%	3.9%	2.2%	2.5%
Operating Profit Growth (%)	-17%	12%	-3.1%	4.4%	2.0%	2.4%
EBITDA Growth (%)	-8%	6%	-1.8%	3.3%	2.1%	2.5%
Net Profit Growth (%)	-16%	18%	-3.7%	4.2%	2.7%	5.0%
EPS Growth (%)	-16%	18%	-3.7%	5.5%	2.7%	5.0%
EBITDA margin (%)	49%	52%	50%	51%	51%	51%
EBIT margin (%)	27%	30%	29%	29%	29%	29%
Pretax margin (%)	25%	27%	26%	27%	27%	27%
Net margin (%)	14%	16%	15.8%	16.1%	16%	17%
ROE (%)	14%	16%	15%	14%	14%	14%
ROA (%)	8%	9%	8%	8%	7%	7%
Current ratio (x)	0.78x	0.78x	0.82x	0.78x	0.78x	0.74x
Quick ratio (x)	0.77x	0.76x	0.81x	0.77x	0.77x	0.73x
Gearing (%)	0.42	0.44	0.47	0.43	0.42	0.40
Interest Bearing Debt to equity (x)	0.42x	0.44x	0.47x	0.43x	0.42x	0.40x
DER (x)	0.84x	0.83x	0.84x	0.82x	0.93x	0.89x
DAR (x)	0.46x	0.45x	0.46x	0.45x	0.48x	0.47x
Interest Coverage (x)	18.06x	16.56x	14.52x	13.30x	14.20x	14.20x
Receivables turnover (x)	17	15	13	12	12	12
Receivables (days)	21	24	28	29	30	29
Cash Ratio	47%	43%	46%	42%	50%	46%
Sustainable Growth (%)	3%	4%	4%	4%	4%	4%
Earning Yield (%)	7.0%	5.1%	8.8%	7.9%	8.1%	8.5%
Dividend Yield (%)	5.0%	3.4%	6.6%	5.2%	5.5%	5.7%
PE (x) (RHS)	14.2x	19.6x	11.4x	12.7x	12.4x	11.8x
PBV (x)	2.28x	3.55x	1.89x	2.10x	2.00x	1.90x
P/Sales	2.00x	3.23x	1.79x	2.05x	2.01x	1.96x
EV/Ebitda (RHS)	4.47x	6.75x	4.10x	4.53x	4.23x	4.19x

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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