

22 April 2025

Communications | Telecommunications

Telkom Indonesia (TLKM IJ)

Buy (Maintained)

Dividend Play; Keep BUY

Target Price (Return): IDR3,280 (+28%)
Price (Market Cap): IDR2,570 (USD15,148m)
ESG score: 3.2 (out of 4)
Avg Daily Turnover (IDR/USD) 256,434m/15.6m

- **Keep BUY, with new SOP-derived IDR3,280 TP from IDR4,780, 28% upside and c.7% yield.** We cut our FY25F-26F EBITDA by 5.5% and 5.4% due to low single-digit growth on Telkomsel, lower IndiHome and data centre EBITDA margin vs its peers. As such, we expect consolidated EBITDA margin to reach only 49.5% vs 50% in FY24. Our new TP implies 4.8x FY25F EV/EBITDA. Despite low single-digit growth and challenging industry, Telkom Indonesia is still committed to maintaining or giving higher DPS vs FY24.
- **ARPU stabilisation and growth through better offerings.** While structural decline in data yield on the back of competition and weakening purchasing power could potentially shrink ARPU, TLKM would offer more on larger data bundles utilising growing data payload, more segmented offering, bundling with other product such as digital offerings and fixed broadband (FBB) package. We believe this strategy would offset declining data yield, thereby stabilising ARPU and growth as consumers move forward cheaper price/GB due to higher data consumption. We expect Telkomsel's revenue to grow by 2.9% YoY supported mainly by the cellular data segment while IndiHome growth by 4% mainly on additional subscribers instead of ARPU growth. Additionally, we expect Telkomsel's EBITDA margin to reach 45.5% in FY25F vs 45.3% in FY24 (vs 44.2% - our previous FY24 expectations).
- **Expect FY25F EBITDA margin at 49.5%.** Our expectation on TLKM's EBITDA margin at 49.5% which is below the company's guidance at 50-52% was due to tightening competition in the mobile and FBB markets which could potentially hinder aggressive price increment and higher marketing expense at the same time. We remain cautious on the aggressive expansion of an FBB player that is offering a cheaper package at IDR100k/month for 200mbps speed vs IndiHome at IDR265k/month for 30mbps speed. The pricing would potentially shrink IndiHome's potential market share, hence, cheaper offerings should be introduced to remain competitive in the market.
- **FY25 topline growth at 1.8% YoY.** Topline growth is expected to be limited to a low-single digit at 1.8% YoY (company guidance: Low single digit), driven by pressure from the declining legacy segment and lower ARPU for IndiHome, which aims to boost market share and attract more mobile users. The legacy segment is projected to shrink by 20% annually. Meanwhile, IndiHome's ARPU is anticipated to decline by 1-2% YoY due to ongoing promotions and discounts to tackle incoming competition.
- **ESG.** Based on our 3.2 ESG score for TLKM, we apply a 4% ESG premium to derive our new IDR3,280 TP. Key downside risks: i) Tighter competition outside Java may further pressure TLKM's market share, ii) slower spectrum deployment, and iii) tight competition in the FBB market.

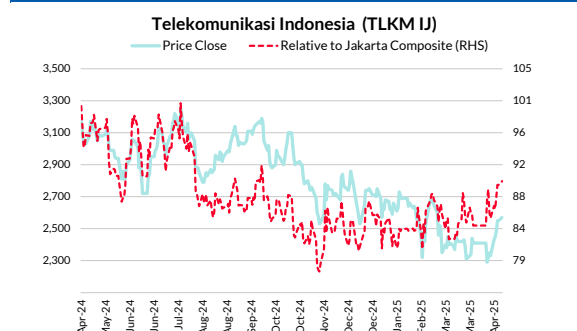
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(5.2)	11.3	(2.3)	(17.1)	(18.4)
Relative	3.8	8.3	8.0	0.0	(9.3)
52-wk Price low/high (IDR)				2,290	3,250



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (IDRb)	149,216	149,967	152,657	155,101	158,301
Recurring net profit (IDRb)	24,952	23,281	23,025	22,000	22,132
Recurring net profit growth (%)	(2.7)	(6.7)	(1.1)	(4.4)	0.6
Recurring P/E (x)	10.20	10.94	11.06	11.57	11.50
P/B (x)	1.9	1.8	1.7	1.6	1.6
P/CF (x)	4.76	4.43	4.48	4.43	4.53
Dividend Yield (%)	6.5	6.9	6.6	6.6	6.6
EV/EBITDA (x)	3.53	3.58	3.60	3.55	3.52
Return on average equity (%)	18.5	17.0	16.1	14.8	14.3
Net debt to equity (%)	4.3	1.1	2.5	3.3	5.3

Source: Company data, RHB

Overall ESG Score: 3.2 (out of 4)

E Score: 3.0 (GOOD)

S Score: 3.0 (GOOD)

G Score: 3.7 (EXCELLENT)

Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
In FY23, TLKM has significantly reduce its GHG emissions to 1.7mtCO2e from 1.9mtCO2e in 2022.	Scope 1	1,854,099	1,724,335	na	na
	Scope 2	na	na	na	na
	Scope 3	na	na	na	na
	Total emissions	1,854,099	1,724,335	na	na

Source: Company data, RHB

Latest ESG-Related Developments

TLKM reduce GHG emissions through several initiatives such as mangrove tree planting, green energy usage on 830 sites, revegetation of 62k trees in 10 locations, decrease energy usage by 709k GJ and 4 to 21% reduction of paper, water and electricity usage.

ESG Unbundled

Overall ESG Score: 3.2 (out of 4)

Last Updated:

E Score: 3.0 (GOOD)

Aside from keeping equipment up to date and utilising greener equipment, TLKM has provided digital services to clients to cut energy costs through digital platforms (eg INTANK, an Internet of Things (IoT) system developed by Telkomsel, that is able to track and monitor liquid inventories).

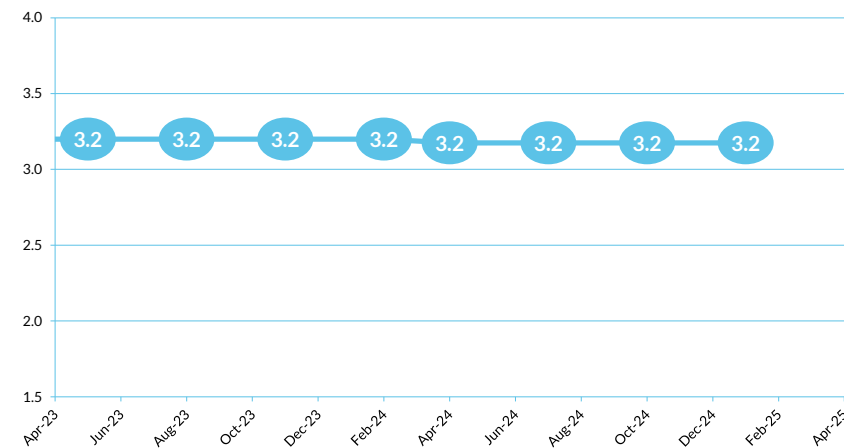
S Score: 3.0 (GOOD)

CSR initiatives that include giving free data packages to students during the pandemic. TLKM has provided free online access to educational platforms, extra bandwidth capacity for universities to accommodate online lecturing, and distributed subsidised data packages to teachers and students. The initiatives were started in late 2020, by the Ministry of Education.

G Score: 3.7 (EXCELLENT)

TLKM is a state-owned enterprise, most board members are professionals that were brought in without a conflict of interest. Corporate decision-making rules/authority in the board charter and the company's articles of association. Most companies follow the general guidelines for proper and timely disclosure.

ESG Rating History



Source: RHB

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Financial Exhibits

Asia	Financial summary (IDR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Indonesia	Recurring EPS	251.88	235.01	232.43	222.09	223.42
Communications	DPS	167.60	178.50	168.45	169.63	169.37
Telkom Indonesia	BVPS	1,370.29	1,434.39	1,502.09	1,558.26	1,616.02
TLKM IJ	Return on average equity (%)	18.5	17.0	16.1	14.8	14.3
Buy						
Valuation basis	Valuation metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
SOP	Recurring P/E (x)	10.20	10.94	11.06	11.57	11.50
	P/B (x)	1.9	1.8	1.7	1.6	1.6
	FCF Yield (%)	8.1	9.1	9.2	9.9	9.0
	Dividend Yield (%)	6.5	6.9	6.6	6.6	6.6
Key drivers	EV/EBITDA (x)	3.53	3.58	3.60	3.55	3.52
i. Faster-than-expected asset monetisation;	EV/EBIT (x)	6.10	6.33	6.37	6.43	6.47
ii. Strong growth from fixed broadband business;						
iii. Strong balance sheet to pursue inorganic growth.						
Key risks	Income statement (IDRb)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
i. Tighter competition outside Java might pressure TLKM's dominant market share;	Total turnover	149,216	149,967	152,657	155,101	158,301
ii. Faster-than-expected slowdown in legacy revenues;	Gross profit	109,498	108,765	110,294	111,914	114,214
iii. Unfavourable spectrum regulation which supports M&A of other telco players.	EBITDA	77,579	75,029	75,571	77,232	79,170
	Depreciation and amortisation	(32,663)	(32,643)	(32,887)	(34,614)	(36,119)
	Operating profit	44,916	42,386	42,684	42,618	43,051
	Net interest	(3,591)	(3,841)	(4,219)	(5,864)	(6,077)
	Pre-tax profit	40,794	39,153	39,070	37,359	37,579
	Taxation	(8,586)	(8,410)	(8,392)	(8,025)	(8,072)
	Reported net profit	24,560	23,649	23,393	22,369	22,501
	Recurring net profit	24,952	23,281	23,025	22,000	22,132
Company Profile	Cash flow (IDRb)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Telkom Indonesia is a telecommunication company that provides a variety of domestic telecommunications services such as telephone, telex, telegram, satellite, and leased lines services. The company also offers electronic mail, mobile communication, and cellular phone services.	Change in working capital	(2,616)	1,611	1,887	1,880	(1,126)
	Cash flow from operations	53,511	57,424	56,803	57,441	56,146
	Capex	(32,968)	(34,172)	(33,290)	(32,331)	(33,297)
	Cash flow from investing activities	(44,269)	(37,433)	(50,896)	(49,855)	(51,634)
	Dividends paid	(16,603)	(17,683)	(16,687)	(16,804)	(16,778)
	Cash flow from financing activities	(12,182)	(15,093)	(9,293)	(16,694)	(10,465)
	Cash at beginning of period	31,947	29,007	33,905	30,520	21,412
	Net change in cash	(2,940)	4,898	(3,385)	(9,107)	(5,953)
	Ending balance cash	29,007	33,905	30,520	21,412	15,460
	Balance sheet (IDRb)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Total cash and equivalents	30,668	35,190	31,869	22,829	16,947
	Tangible fixed assets	203,339	207,476	223,753	237,309	251,068
	Total investments	8,162	8,335	8,485	8,620	8,798
	Total assets	287,042	299,675	315,229	322,202	332,721
	Short-term debt	9,650	11,525	11,227	8,892	8,288
	Total long-term debt	27,773	25,518	24,859	19,689	18,350
	Total liabilities	130,480	137,185	144,859	145,541	149,494
	Total equity	156,562	162,490	170,369	176,660	183,228
	Total liabilities & equity	287,042	299,675	315,229	322,202	332,721
	Key metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Revenue growth (%)	1.3	0.5	1.8	1.6	2.1
	Recurrent EPS growth (%)	(2.7)	(6.7)	(1.1)	(4.4)	0.6
	Gross margin (%)	73.4	72.5	72.2	72.2	72.1
	Operating EBITDA margin (%)	52.0	50.0	49.5	49.8	50.0
	Net profit margin (%)	16.5	15.8	15.3	14.4	14.2
	Dividend payout ratio (%)	67.6	74.8	71.3	75.1	74.6
	Capex/sales (%)	22.1	22.8	21.8	20.8	21.0
	Interest cover (x)	9.66	8.14	7.60	7.27	7.08

Source: Company data, RHB

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Figure 1: Changes to earnings estimates

	New			Old			New/old (%)		
	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F
Income statement (IDRbn)									
Total turnover	152,657	155,101	158,301	155,401	158,062	-	(1.8)	(1.9)	n.a.
EBITDA	75,571	77,232	79,170	79,989	81,640	-	(5.5)	(5.4)	n.a.
EBIT	42,684	42,618	43,051	44,399	44,493	-	(3.9)	(4.2)	n.a.
Net Profit	23,393	22,369	22,501	24,519	24,731	-	(4.6)	(9.6)	n.a.
Key metrics									
EPS (IDR)	236	226	227	248	250	-			
Revenue growth (%)	1.8	1.60	2.06	3.6	1.7	-			
EBITDA margin (%)	49.5	49.8	50.0	51.5	51.7	-			
EBIT margin (%)	28.0	27.5	27.2	28.6	28.1	-			
Net profit margin (%)	15.3	14.4	14.2	15.8	15.6	-			

Source: Company data, RHB

Figure 2: RHB vs Street estimates

	RHB			Street			RHB/Street (%)		
	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F
Income statement (IDRbn)									
Total turnover	152,657	155,101	158,301	155,680	161,253	166,243	(1.9)	(3.8)	(4.8)
EBITDA	75,571	77,232	79,170	80,746	83,238	86,887	(6.4)	(7.2)	(8.9)
EBIT	42,684	42,618	43,051	47,375	48,458	51,516	(9.9)	(12.1)	(16.4)
Net profit	23,393	22,369	22,501	25,179	26,405	26,952	(7.1)	(15.3)	(16.5)

Source: Company data, Bloomberg, RHB

Figure 3: Telkomsel's DCF

IDRbn	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F
EBIT	31,772	31,788	31,888	31,771	34,266	33,592	39,792	39,180	38,410	37,460	36,307
EBIT (1-t)	25,082	25,095	25,174	25,082	27,051	26,519	31,414	30,930	30,323	29,573	28,662
Depreciation & amortisation	21,263	22,311	23,271	24,296	22,255	23,362	17,565	18,540	19,623	20,826	22,163
Change in working capital	470	323	349	349	253	270	286	301	314	327	339
Capex	(13,108)	(11,997)	(12,811)	(14,230)	(15,807)	(17,558)	(19,504)	(21,664)	(24,064)	(26,731)	(29,692)
Net free cash flow to firm	33,707	35,732	35,984	35,496	33,752	32,593	29,761	28,107	26,196	23,996	21,472
Terminal value											213,472
PV	33,707	31,521	28,002	24,367	20,439	17,411	14,024	11,684	9,606	7,762	67,043
WACC	13.2%										
Total discounted firm value	265,565										
Less: Debt	(3,215)										
Less: Minority interest	-										
Equity value	262,351										

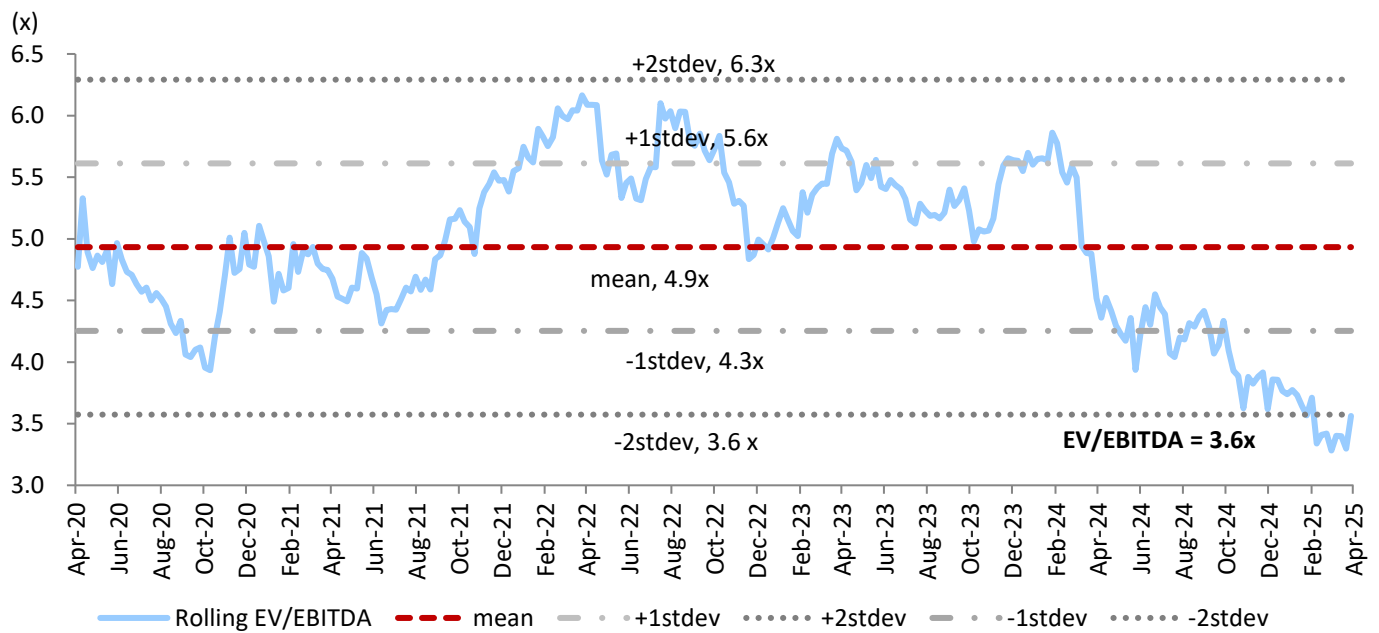
Source: RHB

Figure 4: TLKM's SOP valuation

Subsidiaries	2025F EBITDA	Methodology	2025F (EBITDA x)	Equity value	TLKM's Stake	Effective equity value
Telkomsel	51,336	10-year DCF	5.1	262,351	70.0%	183,619
Mitratel	8,020	Current market valuation	8.4	67,328	71.8%	48,366
Data center	720	12x EV/EBITDA, at par with peers	12.0	8,640	100.0%	8,640
Enterprise & others	15,495	5x EV/EBITDA	5.0	77,476	100.0%	77,476
Total equity value						318,101
Total outstanding no. of shares (bn)						99,062
Implied price per share (IDR)						3,155
ESG Premium						4%
TP (IDR)						3,281

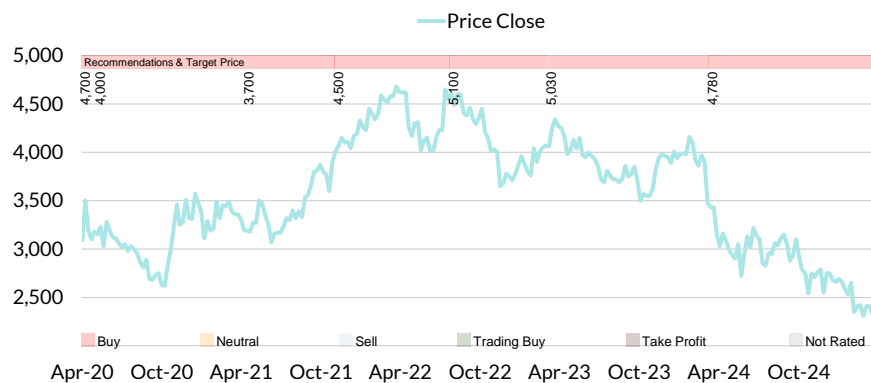
Source: RHB

Figure 5: TLKM's 5-year EV/EBITDA band



Source: Bloomberg, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-04-01	Buy	4,780	3,510
2023-03-28	Buy	5,030	4,050
2022-08-22	Buy	5,100	4,650
2022-08-16	Buy	5,100	4,410
2021-11-25	Buy	4,500	4,000
2021-05-03	Buy	3,700	3,170
2020-07-01	Buy	4,000	3,040
2020-05-28	Buy	4,000	3,130
2019-11-06	Buy	4,700	4,120
2019-11-01	Buy	4,700	4,080
2019-10-31	Buy	4,700	4,110
2019-08-01	Buy	4,700	4,280
2019-07-12	Buy	4,700	4,180
2019-03-27	Buy	4,300	3,820
2017-03-08	Buy	5,000	3,880

Source: RHB, Bloomberg

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