Telkom Indonesia (TLKM IJ)

Guidance Maintained With Dividend Upside

BUY (Maintained)	
Share Price	Rp2,650
Target Price	Rp3,600
Upside	35.8%

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Highlights

- **Guidance maintained despite slightly stronger revenue growth.** Management continues prioritising EBITDA margin expansion through pricing discipline and cost optimisation despite 1H26 revenue exceeding guidance.
- **Dividend upside remains supported.** The stock offers an attractive potential 9.3% dividend yield, with further potential from value realisation dividends backed by ongoing asset monetisation.
- **Maintain BUY with an unchanged target price at Rp3,600** based on 5.4x EV/EBITDA, in line with the five-year historical average.

2Q26 Results

Year to 31 Dec (Rpb)	1H26	1H25	yoy (%)	2Q26	1Q26	2Q25	qoq (%)	yoy (%)
Revenue	75,878	73,004	3.9	38,689	37,189	36,365	4.0	6.4
EBITDA	37,336	36,099	3.4	19,709	17,627	17,556	11.8	12.3
EBIT	20,133	19,281	4.4	11,204	8,929	9,115	25.5	22.9
EBT	18,798	17,517	7.3	10,550	8,248	8,249	27.9	27.9
Net Income	10,623	10,473	1.4	6,279	4,344	4,924	44.5	27.5
Margins (%)								
EBITDA Margin	49.2	49.4		50.9	47.4	48.3		
EBIT Margin	26.5	26.4		29.0	24.0	25.1		
EBT Margin	24.8	24.0		27.3	22.2	22.7		
Net Income Margin	14.0	14.3		16.2	11.7	13.5		

Source: TLKM, UOB Kay Hian

Analysis

- **Guidance maintained though operationally improving.** Telkom Indonesia's (TLKM) management maintained its 2026 guidance despite 1H26 revenue growing 3.9% yoy, above its 1-3% target, as the company remains focused on improving profitability rather than maximising revenue growth. Mobile average revenue per user (ARPU) increased 2.0% qoq and 11.6% yoy to Rp46,000 in 2Q26, more than offsetting a 0.1% qoq (3.1% yoy) decline in mobile subscribers to 153.5m, reflecting continued pricing discipline. Meanwhile, the reported 8% qoq decline in fixed broadband subscribers was driven by a one-off clean-up of inactive IndiHome accounts rather than weaker demand. Management also retained its guidance as capex is expected to remain at the higher end of the guidance following the recent spectrum acquisition. Separately, early retirement programme (ERP)-related restructuring costs may continue to pressure near-term earnings, although we expect the programme to improve operating efficiency over time, particularly as Telkomsel contributes around 72% of group revenue while accounting for only about 30% of TLKM's workforce.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net turnover	149,967	146,742	149,606	153,887	157,967
EBITDA	75,634	72,297	74,212	78,175	81,511
Operating profit	41,453	34,648	36,889	38,955	41,388
Net profit (rep./act.)	22,403	17,814	19,712	21,014	22,506
Net profit (adj.)	22,272	19,310	21,675	21,804	22,506
EPS (Rp)	225	195	219	220	227
PE (x)	11.8	13.6	12.1	12.0	11.7
P/B (x)	1.7	1.7	1.8	1.8	1.8
EV/EBITDA (x)	4.0	4.2	4.1	3.8	3.7
Dividend yield (%.)	6.7	8.0	8.4	9.3	9.9
Net margin (%)	14.9	12.1	13.2	13.7	14.2
Net debt/(cash) to equity (%)	27.9	27.0	28.2	25.1	23.7
Interest cover (x)	8.0	6.7	7.9	8.6	9.0
ROE (%)	14.5	11.8	13.2	14.3	15.6
Consensus net profit (rep./act.)			19,903	21,970	22,996
UOBKH/Consensus (x)			0.99	0.96	0.98

Source: TLKM, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Telecommunications
Bloomberg ticker:	TLKM IJ
Shares issued (m):	99,062
Market cap (Rpb):	264,496
Market cap (US$m):	14,757
3-mth avg daily t'over (US$m):	24.2

Price Performance (%)

52-week high/low: Rp3990/Rp2350

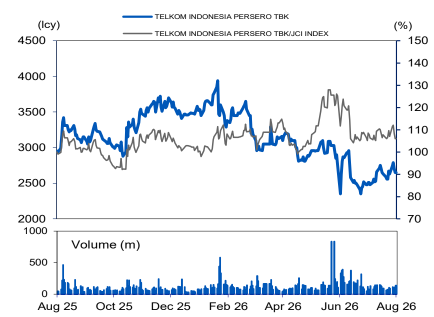
1mth	3mth	6mth	1yr	YTD
6.9	(8.6)	(23.2)	(12.5)	(23.9)

Major Shareholders	%
PT. Danantara Asset Management	54.5

Balance Sheet Metrics

FY26 NAV/Share (Rp)	1,504.2
FY26 Net Cash/Share (Rp)	(423.6)

Price Chart



Source: Bloomberg

Company Description

Telkom Indonesia is a leading state-owned telecommunications company that provides a range of services outside of mobile and fixed broadband, including enterprise business and leasing their infrastructure to other telecommunication companies in Indonesia.

- **Attractive dividend yield with further upside from value realisation.** TLKM is expected to offer a dividend yield of around **9.3%** in 2027 if assuming same payout ratio with 2025 earnings, supported by the non-cash nature of its higher depreciation expense and resilient free cash flow generation. Management also reiterated its ability to give out elevated dividends going forward, while additional upside could come from future **value realisation dividends (VRD)** funded by asset monetisation. Following the AdMedika divestment, which contributed a one-off after-tax gain of Rp410bn in 1H26, management now targets the completion of Telkom Infranexia (TIF) Phase 2 in 2H26 before progressing with a strategic partnership. Meanwhile, the planned stake sale of the data centre business remains under evaluation as capacity expansion continues, leaving several asset monetisation opportunities in the pipeline to potentially support future VRD.
- **Improving quarterly profitability despite restructuring.** TLKM reported a stronger 2Q26, with revenue increasing 4.0% qoq, driven primarily by mobile revenue (+5.3% qoq), supported by growth in network (+4.4% qoq) and other businesses (+3.3% qoq), while IndiHome consumer revenue declined slightly (-0.7% qoq) following the revision to its FBB subscriber definition. EBITDA margin improved to 50.9% from 47.4% in 1Q26, supported by higher revenue and a 2.4% qoq decline in operating expenses, partly offset by higher depreciation. Lower fair value losses and higher other income also contributed to earnings, resulting in EBIT margin increasing to 29.0% from 24.0% and net profit rising 44.5% qoq, further supported by the Rp410b after-tax gain from the AdMedika divestment. On a 1H26 basis, revenue grew 3.9% yoy, above management's full-year guidance, while EBITDA margin remained broadly stable at 49.2%.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of Rp3,600 based on 5.4x 2026 EV/EBITDA** (in line with five-year historical average). Industry pricing discipline, an attractive dividend yield with potential upside from future VRDs, and the ongoing asset monetisation pipeline remain key catalysts. TLKM currently trades at 4.1x 2026 EV/EBITDA, around 1.8SD below its five-year historical average.

Earnings Revision/Risk

- **Earnings revision**: None.
- **Downside risks**: a) Weaker-than-expected ARPU recovery, b) slower-than-expected unlocking of subsidiaries' value, c) higher forex impact on capex, and d) higher restructuring costs.

Share Price Catalyst

- Newsflow of restructuring efforts.
- Announcement of a potential investor in subsidiaries.

Depreciation Impact From 2026 Onwards

(x) In 2025, the Company classified drop cable assets with a useful life of 5 years. This change in accounting policy has been applied restrospectively (Note 2z.iii). The impact of the increase in depreciation expense (before intercompany eliminations and adjustments) for the year ended December 31, 2025 is Rp1,352 billion. Meanwhile, the estimate for the increase (decrease) in depreciation expense for at least the next 5 (five) years is as follows:

Years	Increase (Decrease)
2026	880
2027	419
2028	55
2029	(298)
2030	(642)

(xi) In 2025, the Company determined changes in the estimated useful lives for several assets owned by the Company (Note 2z.ii.(b)). The impact of the increase in depreciation expense (before intercompany eliminations and adjustments) for the year ended December 31, 2025 is Rp1,684 billion. The estimate for the increase (decrease) in depreciation expense for at least the next 5 (five) years is as follows:

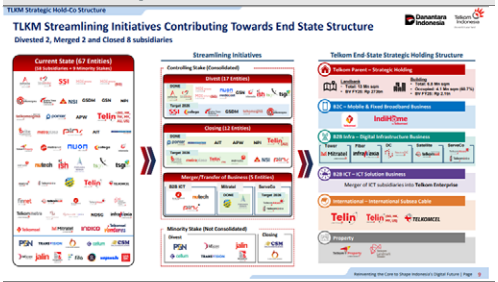
Years	Increase (Decrease)
2026	1,446
2027	653
2028	228
2029	(96)
2030	(381)

(xii) In 2025, the Company conducted an evaluation of the physical condition of its assets and recognized an accelerated depreciation of Rp1,945 billion for several types of assets that were assessed to no longer be optimally utilized.

(xiii) In 2025 and 2024, the total fair values of land rights and buildings of the Group amounted to Rp54,474 billion and Rp53,262 billion.

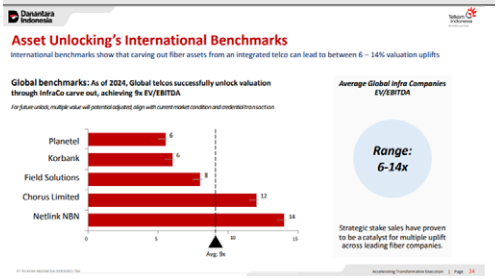
Source: TLKM

Streamlining Plan



Source: TLKM

Methodology For TIF's Valuation



Source: TLKM

Full-Year Guidance

Source: TLKM

Profit & Loss

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Net turnover	146,742	149,606	153,887	157,967
EBITDA	72,297	74,212	78,175	81,511
Deprec, & amort	(37,649)	(37,323)	(39,219)	(40,123)
EBIT	34,648	36,889	38,955	41,388
Associate Contributions	(1)	(143)	-	-
Net interest income/(expense)	(3,545)	(3,206)	(3,199)	(3,092)
Pre-tax profit	31,102	33,541	35,756	38,296
Tax	(6,644)	(7,044)	(7,509)	(8,042)
Minorities	(6,644)	(6,785)	(7,233)	(7,747)
Net profit	17,814	19,712	21,014	22,506

Balance Sheet

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Fixed assets	165,453	161,136	156,355	151,046
Other LT assets	60,540	64,313	63,899	64,076
Cash/ST investment	34,228	32,288	37,311	42,181
Other current assets	27,538	27,512	28,121	29,124
Total assets	287,759	285,251	285,686	286,427
ST debt	30,265	27,628	28,359	29,985
Other current liabilities	43,683	43,175	44,914	44,565
LT debt	44,646	46,619	45,793	46,420
Other LT liabilities	18,628	18,816	19,798	20,833
Shareholders' equity	130,685	129,020	126,380	123,670
Minority interest	19,852	19,993	20,441	20,955
Total liabilities & equity	287,759	285,251	285,686	286,427

Cash Flow

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Operating	63,842	63,338	68,597	69,024
Net profit before MI	24,458	26,497	28,247	30,254
Deprec, & amort,	37,649	37,323	39,219	40,123
Working capital changes	1,922	(1,183)	1,222	(1,219)
Other operating cashflows	(187)	701	(92)	(133)
Investing	(26,095)	(36,592)	(33,041)	(33,956)
Capex (growth)	(27,136)	(30,322)	(26,535)	(27,481)
ROU	(6,712)	(6,706)	(6,706)	(6,711)
Others	7,753	436	200	236
Financing	(37,743)	(28,685)	(30,533)	(30,198)
Dividend payments	(28,406)	(28,021)	(30,440)	(32,450)
Proceeds & repay borrowings	8,744	(1,957)	(665)	(94)
Others	(7,380)	-	-	-
Net cash inflow (outflow)	4	(1,940)	5,022	4,870
Beginning cash & cash equivalent	33,905	34,228	32,288	37,311
Change due to forex impact	319	-	-	-
Ending cash & cash equivalent	34,228	32,288	37,311	42,181

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	49.3	49.6	50.8	51.6
Pre-tax margin	21.2	22.4	23.2	24.2
Net margin	12.1	13.2	13.7	14.2
ROA	6.2	6.9	7.4	7.9
ROE	13.6	15.3	16.6	18.2
Growth				
Turnover	(2.2)	2.0	2.9	2.7
EBITDA	(4.4)	2.6	5.3	4.3
Pre-tax profit	(17.3)	7.8	6.6	7.1
Net profit	(20.5)	10.7	6.6	7.1
EPS	(13.3)	12.2	0.6	3.2
Leverage				
Debt to total capital (x)	0.3	0.3	0.3	0.3
Debt to equity (x)	0.5	0.5	0.5	0.5
Net debt/(cash) to equity (x)	27.0	28.2	25.1	23.7
Interest cover (x)	6.7	7.9	8.6	9.0