Telkom Indonesia (TLKM IJ)

3Q26: Recovery Ahead, With TIF Monetisation As A Key Catalyst

Highlights

- **4Q26 recovery expected as pricing pressure eases.** Seasonal ARPU recovery, new campaigns and network improvements should support stronger performance, while capex remains within guidance.
- **TIF monetisation remains the key value-unlocking catalyst.** Further BUMN asset consolidation could strengthen TIF's scale ahead of a strategic stake sale, although management changes may introduce near-term execution risks and delay monetisation.
- **Maintain BUY** with an unchanged target price of Rp3,300.

3Q26 Results

Year to 31 Dec (Rpb)	9M26	9M25	yoy (%)	3Q26	2Q26	3Q25	qoq (%)	yoy (%)
Revenue	113,502	109,617	3.5	37,624	38,689	36,613	-2.8	2.8
Revenue	53,769	54,240	-0.9	16,433	19,709	18,141	-16.6	-9.4
EBITDA	27,999	28,244	-0.9	7,866	11,204	8,963	-29.8	-12.2
EBIT	25,726	25,493	0.9	6,928	10,550	7,976	-34.3	-13.1
Net Income	14,446	15,031	-3.9	3,823	6,279	4,558	-39.1	-16.1
Margins (%)								
EBITDA Margin	47.4	49.5		43.7	50.9	49.5		
EBIT Margin	24.7	25.8		20.9	29.0	24.5		
EBT Margin	22.7	23.3		18.4	27.3	21.8		
Net Income Margin	12.7	13.7		10.2	16.2	12.4		

Source: TLKM, UOB Kay Hian

Analysis

- **Operating trends should improve in 4Q26, although macro headwinds and restructuring remain near-term risks.** Telkom Indonesia's (TLKM) 3Q26 revenue declined 2.8% qoq, weighed by a 3.6% drop in mobile revenue as ARPU fell to Rp44,900 from Rp46,000 in 2Q26 and mobile subscribers declined 1.6% qoq. Higher operating costs, including spectrum acquisition and personnel expenses, alongside around Rp1.3t in unrealised investment losses, further pressured profitability, bringing EBITDA margin to 43.7%. Management expects margin pressure to ease in 4Q26 as pricing pressure moderates, supported by seasonal ARPU recovery, new campaigns and network improvements. TLKM is maintaining its 2026 guidance and targeting a stronger 4Q26 performance at Telkomsel. Capex is expected to remain within 17-19% of revenue, with spending increasingly directed toward B2B infrastructure, including subsea cables and data centres. NeutraDC also targets 400MW of capacity by 2030, with an aspirational target of 1GW, providing additional long-term growth opportunities.

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)	8.4	9.6	8.6	8.5	8.3
P/B (x)	1.2	1.2	1.3	1.3	1.3
EV/EBITDA (x)	3.0	3.1	3.1	2.9	2.7
Dividend yield	9.5	11.3	11.8	13.1	13.9
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			19,820	21,571	22,470
UOBKH/Consensus (x)			0.99	0.97	1.00

Source: TLKM, Bloomberg, UOB Kay Hian

Analyst(s)

Willinoy Sitorus
willinoysitorus@kh.co.id
+6221 2993 3845

Andrew Agita Buntoro, CFA
andrewagita@kh.co.id
+6221 2993 3907

BUY (Maintained)

Share Price	Rp1,880
Target Price	Rp3,300
Upside	+75.5%

Stock Data

Sector	Communication Services
Bloomberg ticker	TLKM IJ
Shares issued (m)	99,062
Market cap (Rpb)	185,742
Market cap (US$m)	10,228
3-mth avg daily t'over (US$m)	23.6

Price Performance (%)

52-week high/low				Rp3,990/Rp1,770
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(16.7)	(31.6)	(33.3)	(41.6)	(46.1)

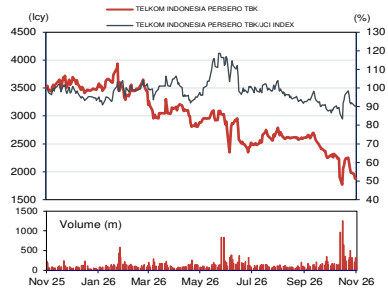
Major Shareholders (%)

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

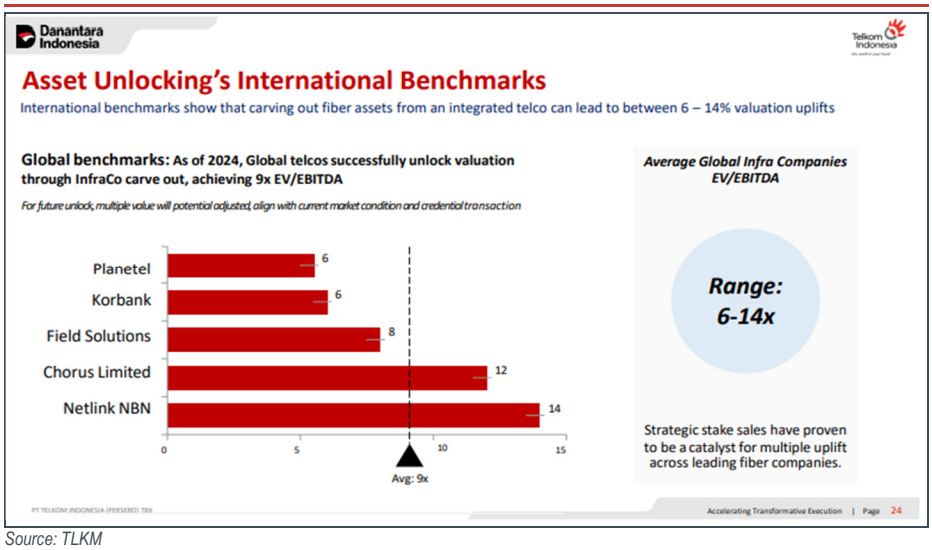
Company Description

Telkom 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.

- **TIF as the main value-unlocking catalyst with normal dividend yield at an attractive level.** Telkom InfraCo (TIF) remains a key value-unlocking catalyst, with the potential sale of a stake in TIF representing the next major catalyst. However, management highlighted that further asset consolidation within state-owned enterprises (BUMN), including coordination with Danantara, will be prioritised in 2026 before proceeding with a strategic investor sale. This could strengthen TIF's scale but potentially delay monetisation. At a targeted 8-9x EV/EBITDA valuation, vs around 3.1x for TLKM currently, TIF could command a meaningful premium upon reaching its targeted revenue and EBITDA of around Rp26t and Rp9t-10t, respectively.

  Beyond TIF, data centre (DC) stake sales, property assets and a potential GOTO share divestment remain additional monetisation avenues, supporting value realisation beyond the expected 2027 dividend yield of 13.1%. However, recent changes to its board of directors, including the appointment of Nanang Hendarno as CEO, may introduce short-term execution risks and uncertainty around the divestment timeline.

TLKM's Methodology For TIF's Valuation



Source: TLKM

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of Rp3,300 rolled over to 2027** based on 4.7x 2026F EV/EBITDA, or -1SD to its five-year mean.

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) restructuring execution risk.

Share Price Catalyst

- Corporate action progress announcements.

Full-Year Guidance



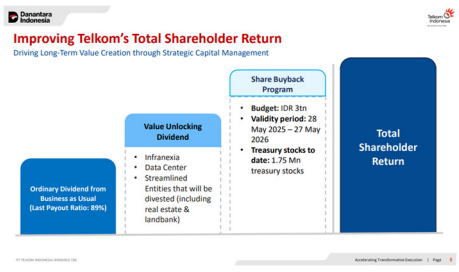
Source: TLKM

New Board Of Directors Line-up



Source: TLKM

Total Shareholder Return Plan



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
Total other non-operating income	(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
Operating	63,842	63,338	68,597	69,024

Key Metric

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

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