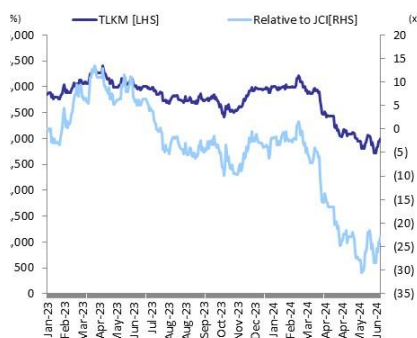


# Buy

(Maintained)

|                              |                   |
|------------------------------|-------------------|
| Last Price (Rp)              | 2,990             |
| Target Price (Rp)            | 4,400             |
| Previous Target Price (Rp)   | 4,400             |
| Upside/Downside              | +47.2%            |
| No. of Shares (mn)           | 100,800           |
| Mkt Cap (Rpbn/US\$mn)        | 301,392/18,406    |
| Avg, Daily T/O (Rpbn/US\$mn) | 474.3/29.0        |
| Free Float (%)               | 47.9              |
| Major Shareholder (%)        |                   |
| Indonesia Govr               | 52.1              |
| EPS Consensus (Rp)           |                   |
|                              | 2024F 2025F 2026F |
| BRIDS                        | 254.7 266.3 279.3 |
| Consensus                    | 265.4 282.7 294.9 |
|                              | (4.0) (5.8) (5.3) |

## TLKM relative to JCI Index



Source: Bloomberg

## Telkom Indonesia (TLKM IJ)

### Robust traffic growth on the cards for 2Q24; upside from WIB strategic positioning

- We reiterate our view of ARPU stabilization in 2Q24 reflecting CVM efforts and robust traffic growth thanks to TSEL's latest product strategy.
- We see growth upside as TLKM leverages its fiber, DCs, towers and satellites portfolio, while WIB investments drive its strategic position.
- We maintain our Buy rating with an unchanged TP of Rp4,400 as we view that the pessimistic growth expectations are priced in.

#### Healthy market conditions intact; expect stable ARPU & robust 2Q24 traffic.

We reiterate our view that TSEL's latest product strategy is not in direct competition with its peers, as highlighted in our Jun24 Telco price tracker (pls. see sector report [here](#)). This concurs with TSEL's assertion that little cannibalization is taking place as new plans are offered only to new IMEI phones. Instead, we note that the 1Q24 quarterly traffic rose by 14.4%yoy due to the new Lite launches raising productivity. We expect robust traffic growth to ensue in 2Q24, with stable ARPU possible in FY24 thanks to CVM efforts geared to pricing improvements.

#### Revenue upside and strategic positioning from the WIB expansion.

Telin is the key driver in TLKM's WIB portfolio and beneficiary of the increased activity from hyperscalers / Sosmed based platforms. WIB contributed 11.3%/12.7% to Telkom's FY23/1Q24 revenue while Telin alone contributed ~7.0%/7.7%. The management expects Telin to grow by 8% cagr In FY24-26, based on existing cable capacity (80%+ utilization) and 51%+ for presales of new cables in the 2024-25F pipeline, with a changing revenue mix from legacy to data. Telin's investments in the new ICE cables capacity (with ~16% participation in US\$2.7bn capex) shall cement a leading market share beyond FY26 in APAC-US-Asia-Europe traffic routes. This is aligned with TLKM's TDE initiatives to manage the flow / storage in its DCs in Indonesia and SEA.

#### View on Starlink: enabler to establish new markets in remote areas.

Telkom sees Starlink's D2C as an inferior proposition from the consumer and commercial standpoint, adding value only in the 3T and non-3T remote areas. Starlink added value is unlocked for Telkom with a B2B backhaul agreement that can generate ~Rp500bn revenue upside in FY24E in markets with limited data services. KDDI, UST-Mobile and Rogers operators also partner with Starlink to provide direct to cell LTE services targeting remote areas.

#### Maintain Buy rating on possible growth upside and discounted valuation.

We reiterate our Buy rating on TLKM with a DCF-based target price of Rp4,400, implying 5.7x EV/EBITDA. TLKM currently trades at 3.6x EV/EBITDA (below -2SD to its 5-year mean) which we think ignores possible value upside from Telin, DCs, Mitratel, and Telkomsat. Key risks to our view include delays in FMC programs.

#### Key Financials

| Year to 31 Dec    | 2022A   | 2023A   | 2024F   | 2025F   | 2026F   |
|-------------------|---------|---------|---------|---------|---------|
| Revenue (Rpbn)    | 147,306 | 149,216 | 156,528 | 164,446 | 173,339 |
| EBITDA (Rpbn)     | 78,992  | 77,579  | 82,190  | 86,229  | 91,007  |
| EBITDA Growth (%) | 4.3     | (1.8)   | 5.9     | 4.9     | 5.5     |
| Net Profit (Rpbn) | 20,753  | 24,560  | 25,232  | 26,383  | 27,668  |
| EPS (Rp)          | 209.5   | 247.9   | 254.7   | 266.3   | 279.3   |
| EPS Growth (%)    | (14.3)  | 18.3    | 2.7     | 4.6     | 4.9     |
| BVPS (Rp)         | 1,304.8 | 1,370.3 | 1,468.6 | 1,556.5 | 1,649.4 |
| DPS (Rp)          | 150.0   | 165.0   | 173.5   | 178.3   | 186.4   |
| PER (x)           | 14.3    | 12.1    | 11.7    | 11.2    | 10.7    |
| PBV (x)           | 2.3     | 2.2     | 2.0     | 1.9     | 1.8     |
| Dividen yield (%) | 5.0     | 5.5     | 5.8     | 6.0     | 6.2     |
| EV/EBITDA         | 3.9     | 4.1     | 3.8     | 3.6     | 3.4     |

Source: TLKM, BRIDS Estimate

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### Telkom International wholesale business becoming more meaningful doubling down on the regional opportunities

We take a deep dive into one of Telkom's four core segments: the Wholesale International Business (WIB). WIB contributed 10.4%, 11.3%, and 12.7% to Telkom's total revenue in FY22 / FY23 / 1Q24, respectively. This segment comprises primarily of Telin, Mitratel, Telkomsat, and Technology Digital Ecosystem (TDE), the new umbrella company of data centers in Telkom.

The management provided guidance that TDE will work as an entry point to Telkom's wholesale B2B connectivity services portfolio for large business partners (to offer international/domestic capacity/connectivity, fiber & satellite backhaul, collocation and public cloud). TDE's revenue is reported under WIB reaching Rp449bn in 1Q24. As reiterated by the management, Telkom is in search of a strategic investor such as a leading foreign DC player or a hyperscaler to complement and leverage TDE in more than one way:

#### Exhibit 1. Telco Potential synergies through partnership with a strategic investor

- *Capture spillover demand and business customer portfolio hence faster go-to-market:*
  - *capturing spillover from APAC and Singapore's DC demand,*
  - *expand the customer base*
- *make DC capacity expansion more efficient, rapid and larger at scale; a strategic partner will allow faster expansion of DC capacity across SE Asia gaining a foothold in new markets and help meet the specific demands of clients on a larger scale.*
- *Adopt the latest technologies and innovative cooling solutions for DCs.*
- *Meet the latest DC sustainability standards, achieving green building certification, energy efficiencies and practices towards net-zero emissions.*
- *Develop talent and provide skill enhancements to build AI-ready data centers, offer AI-cloud services.*

*Source: Telin Company*

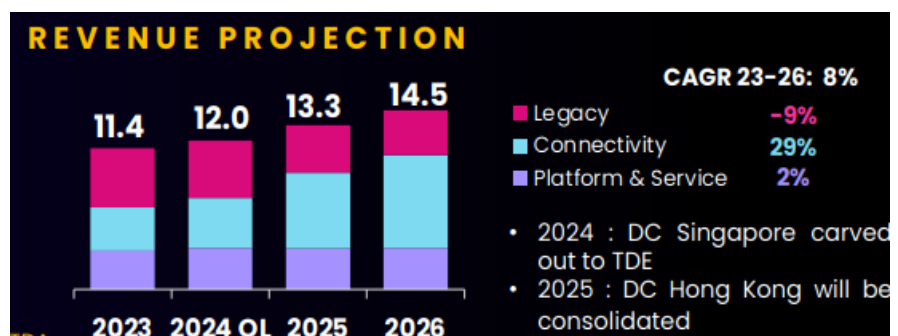
#### **Key regional DC developments.**

Telekom Malaysia (TM) has partnered with NXera (the regional data center arm of Singtel's Digital Infraco in a JV (51%/49%) to develop a DC campus in Johor with 64-200MW IT load capacity operational in 2026 and host large computing and AI capabilities to meet requirements of hyperscalers and AlaaS providers (valuation of ~30x EV/EBITDA we estimate). We believe this development was incentivized after a series of tax and green energy related investment incentives offered by the Malaysian government. Telkom has been in talks with the Indonesian authorities to build an investment conducive framework.

### Telin's transformational growth: a strategic shift

Telin, Telkom's subsidiary for international wholesale cables, was primarily focused on carrying and terminating international voice and SMS traffic on behalf of Telkomsel (TSEL) through ownership of undersea cables via consortiums across international waters. As data traffic multiplies with time, Telin is shifting exposure toward wholesale data connectivity offered to international partners who seek cable connections with certain bandwidth or dark fiber itself.

Exhibit 2. Telin revenue breakdown and projection



Source: Telin Company

### From a Telkom support function unit to becoming a revenue driver.

Telin's consortium ownership in a 27 global submarine cable system spanning a total length of 250,140 kms, allows the company to connect with continents and major locations to support Telkom - TSEL international legacy traffic as well as data from major OTT players (Youtube, Facebook etc). In recent years however, Telin entered into the capacity trading business building a sales team with 10 global offices reaching out to major business partners. In FY23, Telin generated total revenues of Rp11.4tn (closer to ~Rp12.3tr if including revenue from the Singaporean data center reported as income from held – for - sale, then transferred to the TDE Technology Digital Ecosystem subsidiary). Telin reached a milestone when Rp10.6tr of the revenue was generated from 3<sup>rd</sup> parties (92% of its total revenues) or 7.0% of Telkom's total revenue of Rp149.2tr (up 7.7% in 1Q24).

### Telin approaching full utilization of its cables.

Given the high demand for connectivity, key cables such as AAG, BSCS, SMW5, and SJC operate at above 80%+ capacity which underscores the robust demand for Telin's services (*Indefeasible Right of Use (IRUs for long-term lease), leased capacity for shorter term and bandwidth*). with Telin managing to sell additional 5-6 Tbps of incremental capacity on an annual basis.

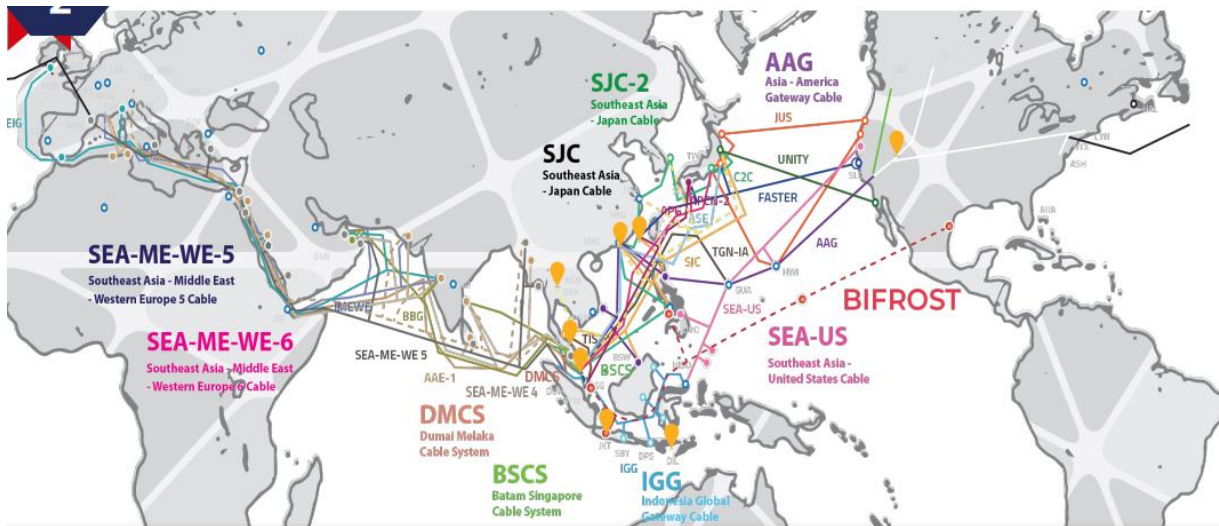
### Stable growth amid a changing revenue mix from wholesale legacy to data.

Data connectivity will be the key growth driver for Telin as it continues its transformation from a legacy to data connectivity wholesaler, expected to post CAGR growth of 8% in the 2023-26F period as per management guidance (+29% cagr in data, -9% cagr in legacy). Additionally, Telin provides guidance that its EBITDA margin will progressively expand by 300bp from 16% in 2023.

### Telin strategically positioned to integrate data flows in key continents.

Telin's wholesale connectivity forms a critical part of the value chain for major hyperscalers such as Google Cloud and Meta connecting SE Asia with the United States seeking reliable links to data centers in Singapore and potentially Indonesia, hence IGG SEA cables (capacity at 61%) becoming an important revenue driver for Telin.

Exhibit 3. Telin's submarine cable portfolio map



Source: Telin Company

### New cables in the 2024-25 pipeline with impressive presales.

In response to this growing demand, Telin has invested in four new cables in the pipeline. The PEACE cable, available for use in 3Q24, has achieved 30% presales, while BIFROST has 50% presales, and SMW6 and SJC2, both available in 2025, have 5% presales each. Client companies are essentially financing these fixed assets (25-year useful life) through presales, committing to buy the capacity leases, and hence Telin is supplied with liquidity for future investments.

### Indonesia's positioning offers redundancy options to clients.

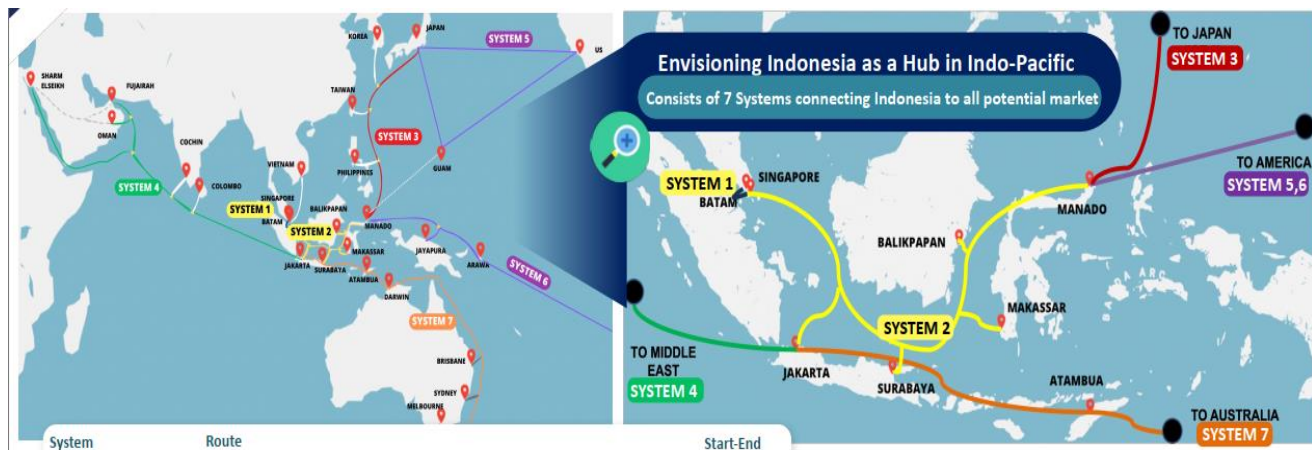
Indonesia's strategic position in the map offers redundancy routes to the Middle East, Europe, APAC, and US corridors, by using Telin's undersea cables. This is particularly valuable given geopolitical tensions and geographic risks, such as the Houthi conflict and the earthquake-prone APAC region.

### Telin bridges continents with new ICE cables available after 2026

Leveraging Indonesia's strategic position, Telin is committed to building more cables under the ICE series (Indonesia Cable Express) that span over 100,000kms interconnecting Asia - Middle East - Europe, Australasia – APAC – North America to be finished by 2028, as companies seek redundancy cable routes. As a result, Telin is expected to become a sustainable and significant revenue driver for Telkom. Telin's budget for the planned deployment of these cables will not heavily burden Telkom Group's finances, especially after the proceeds received of USD222mn for the Singapore DC.



#### Exhibit 4. Telin's Indonesia Cable Express (ICE) system



| System       | Route  | Start-End |
|--------------|--|-----------|
| ICE System 1 | Indonesia – Singapore - Malaysia   | 2023-2025 |
| ICE System 2 | Singapore - Indonesia  | 2023-2026 |
| ICE System 3 | Singapore – Indonesia – Malaysia – Vietnam – Philippines - Korea - Japan | 2024-2027 |
| ICE System 4 | Singapore – India – Egypt  | 2024-2027 |
| ICE System 5 | Japan - USA  | 2024-2027 |
| ICE System 6 | China (Hong Kong) - Indonesia – PNG - Chile                              | 2025-2028 |
| ICE System 7 | Indonesia - Australia  | 2025-2028 |

Source: Telin Company

#### Exhibit 5. Telin's submarine cable portfolio

| No | Code        | Name  | Coverage Area   | Length of Cable (km) | Capacity | List of Consortium  | Notes   | RFS    |
|----|-------------|---|---|----------------------|----------|---|---|--------|
| 1  | SEA-ME-WE-5 | Southeast Asia - Middle East - Western Europe 5 Cable | Indonesia, Singapore, Malaysia, Myanmar, Bangladesh, Sri Lanka, Pakistan, UAE, Oman, Qatar, Djibouti, Saudi Arabia, Egypt, Turkey, Italy, and France. | 20,000               | 24 Tbps  | BSCCL, China Mobile International, China Telecom Global, China Unicom, Djibouti Telecom, Du, Myanmar Post and Telecom, Orange, Ooredoo, Telin, Saudi Telecom, SingTel, Sri Lanka Telecom, Telecom Italia Sparkle, Telecom Egypt, Telekom Malaysia, Telecom Yemen, Turk Telecom and Transworld | - Coherent 200G DWDM technology<br>- 50% improvement in the design capacity<br>- The 100G unit cost reduced closed to 70%   | Dec-16 |
| 2  | DMCS        | Dumai Melaka Cable System                             | Indonesia and Malaysia  | 159                  | 20 Gbps  | Telkom Malaysia, Telkom Indonesia   |   | Feb-05 |
| 3  | BSCS        | Batam Singapore Cable System                          | Indonesia and Singapore   | 98                   | 4*10Gbps | Telkom Indonesia  | In July, 2011, Huawei Marine was selected to complete an upgrade of the BSCS cable system with 40*40G DWDM solution with optical line protection. And it was further upgraded with 100G DWDM solution in 2017 by Huawei Marine. | 2009   |
| 4  | IGG         | Indonesia Global Gateway Cable                        | Indonesia (Bali, Balikpapan, Batam, Dumai, Jakarta, Madura, Makassar, Manado)   | 5,300                | 32 Tbps  | Telkom Indonesia  |   | 2009   |
| 5  | SEA-US      | Southeast Asia - United States Cable                  | Guam, Indonesia, Micronesia, Palau, Philippines   | 14,500               | 20 Tbps  | GTA TeleGuam, Globe Telecom, Hawaiian Telcom, RTI, Telin  | The SEA-US cable system consists of two optical fiber pairs on each segment, with an initial configuration capacity of 1.6Tbps and a total design capacity of 20Tbps using 100-gigabit wavelength technology.                   | May-18 |
| 6  | SJC         | Southeast Asia - Japan Cable                          | Brunei, China, Japan  | 8,900                | 28 Tbps  | China Mobile, China Telecom, Chunghwa Telecom, Globe Telecom, Google, KDDI, National Telecom, Singtel, Telkom Indonesia, Unified National Networks (UNN)  |   | Jun-13 |
| 7  | AAG         | Asia - America Gateway Cable                          | Brunei, China, Gua, Malaysia, Philippines, Singapore, Thailand, US  | 20,000               |          | AT&T, BT, Bharti Airtel, Eastern Telecom, Ezecom, Globe Telecom, Indosat Ooredoo, National Telecom, PLDT, Saigon Postel Corporation, Spark New Zealand, Starhub, Telekom Malaysia, Telkom Indonesia, Telstra, Unified National Networks (UNN), VNPT International, Viettel Corporation        |   | Nov-09 |

Source: Company, Submarine Networks, Submarine Cable

**Exhibit 6. Telin's new growth submarine cable portfolio**

| No | Code        | Name  | Coverage Area  | Length of Cable (km) | Capacity  | List of Consortium   | Notes  | RFS (Est) | Presales |
|----|-------------|---|--|----------------------|-----------|--|--|-----------|----------|
| 1  | BIFROST     | Bifrost Cable System                                  | Guam, Indonesia, Mexico, Philippines, Singapore  | 19,888               | 10.4 Tbps | Keppel T&T, Meta, Telin  | - Design capacity: 12 FP x 15 Tbps<br>- Investment: consortium ~ US\$521m, Telin's portion: US\$94m (1 FP ~ 15 Tbps)<br>- Progress: Marine laying in Indonesia water<br>- Ongoing construction for Jakarta and Manado landing  | 1Q25      | 50%      |
| 2  | SEA-ME-WE-6 | Southeast Asia - Middle East - Western Europe 6 Cable | Singapore and France (Marseille), crossing Egypt through terrestrial cables.                   | 21,700               | 126 Tbps  | BSCCL, Bharti Airtel Ltd. (India), Dhivehi Raajjeyge Gulhun Public Limited Company (Dhiraagu Maldives), China Unicom (China), Djibouti Telecom, Mobily (Saudi Arabia), Orange (France), Singtel (Singapore), Sri Lanka Telecom, Telecom Egypt, Telekom Malaysia, Telin (Indonesia), Trans World Associates (Pakistan), and Batelco | - On April 27, 2024, SMW6 had its first landing in Marseille. SMW6 is expected to deliver a Round-Trip Latency (RTD) of 130ms between Marseille and Singapore, with a cable length of approximately 11500 kilometers.<br>- Design capacity: 8 FP x 12 Tbps<br>- Investment: consortium ~US\$750m, Telin's portion: US\$36M (0.5 FP ~ 6 Tbps)<br>- Progress: Cable laying in Asia to Europe segment | 4Q25      | 5%       |
| 3  | SJC-2       | Southeast Asia - Japan Cable                          | China, Japan, Singapore, South Korea, Taiwan   | 10,500               | 144 Tbps  | China Mobile, Chunghwa Telecom, DongHwa Telecom, KDDI, Meta, SK Broadband, Singtel, Telin, True Corporation, VNPT-Vinaphone  | - Design capacity: 8 FP x 12 Tbps<br>- Investment: consortium ~ US\$400m, Telin's portion: US\$15.6M (9 Tbps)<br>- Progress: Marine laying in Vietnam Water  | 1Q25      | 11%      |
| 4  | PEACE       | Pakistan & East Africa                                | Singapore, Pakistan, Kenya, Egypt and France and branches to the Maldives, Malta, Cyprus, etc. | 25,000               | 16 Tbps   | PEACE CABLE INTERNATIONAL NETWORK CO., LIMITE  | - Pakistan & East Africa Connecting Europe (PEACE) is initially a 15,000 km submarine cable from Pakistan to France, extended from Pakistan to Singapore for an additional 6,500km,<br>- Design capacity: 8 FP x 12 Tbps<br>- Investment: consortium ~US\$640m, Telin's portion: US\$22.4m (3 Tbps)<br>- Progress: Agressive presales  | 3Q24      | 30%      |

Source: Company, Submarine Networks, Submarine Cable

## View on Starlink

### Starlink's complementary role.

Leo Satellite backhaul is highly useful in Indonesia's vast archipelago where cables cannot reach remote areas (there are 12,548 rural areas (3T and non-3T) where 4G services are not available as per Q3 2019. Telcos incl. TSEL have committed to provide such services in a number of those locations. The Telkom Group (TSEL, Telkomsat, Mitratel) have been in direct partnership with Starlink since 2022 to provide aerial backbone connectivity means based on a certain minimum service level SLA (in the absence of cables).

So far, Telkom group is providing guidance to realize ~Rp500bn of revenue in FY24 due to backhaul upside from Starlink. In addition, Mitratel has ~1,200 of those remote locations that can convert their existing VSAT service to a faster connection using a cell service supported with Starlink backhaul.

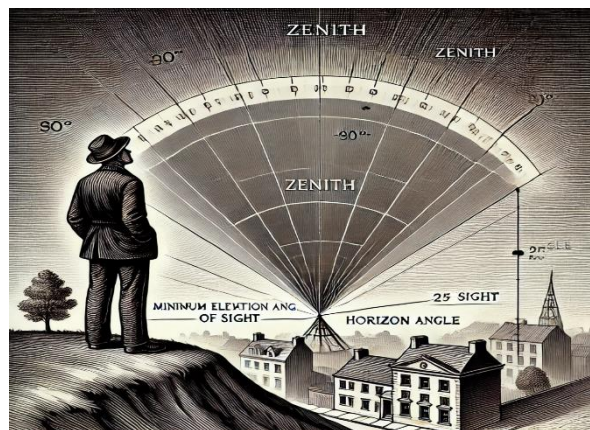
### Telkomsat and Starlink service offered to neighbor countries.

Additionally, 1 of the 9 geostations currently available for Starlink is located near Malaysia, and Telkom will use Starlink's backhaul to provide connectivity to 500 Malaysian tower locations, which suggests FY24 revenue upside could be higher than Rp500bn.

### Starlink's direct-to-consumer D2C service is TSEL's pathfinder for new markets.

Starlink's LEO satellite is a major improvement in terms of: a) lower latency (found in a lower altitude of 550km) and b) in bandwidth capacity due to a constellation of satellites compared to GEO and MEO satellites found at higher altitudes. However, the LEO satellite still requires the dish receiver to be in a 25 degrees clear line of sight above the horizon to zenith **to meet starlink's recommendation that the dish achieves a 100 degree field of view.**

#### Exhibit 7. Starlink's dish ideal position to have 100 degrees field of view



Source: Starlink, Chatgpt

### Inferior LEO consumer proposition in principle.

In principle, Telkom's management pointed out that the LEO satellite offers an inferior consumer proposition compared to cellular/fixed internet given the: a) line of sight limitations, b) high price points, c) limited consumer ecosystem.

### The satellite business model has greater costs to cover.

From a commercial standpoint, the LEO satellite is by no means ready to compete against conventional telco services mainly because there is: a) a higher cost for satellite investments and scalability compared to telcos and hence more costly and time needed to reach economies of scale, b) more mature technology improvements in telcos vs. satellite, c) there is better spectrum efficiency from telcos without interference; hence higher added value for a scarce resource and d) a limited LEO satellite ecosystem.

### Satellite literature points towards LEO complementary qualities to terrestrial networks.

The increasing level of investments in the LEO sector, and higher upside from an ecosystem perspective will create new opportunities. Satellite literature point to 2 main connectivity upsides in relation to cellular: a) creation of new markets (there are 3.4bn people globally without a connectivity service in remote areas while enterprise applications/solutions can potentially be supported and b) LEO satellites can complement 5G networks where terrestrial services cannot be offered, hence returning back to point a. Those are medium term positives for the telco industry, operating as a pathfinder for creation of new cellular markets when LEO builds enough consumer awareness and scale.

### Increased interest in LEO, but even lower atmospheric coverage is sought.

Mitratel is currently examining the adoption of flying BTS using drones, which can circumvent challenges in the terrestrial footprint at even lower latency vs. LEO satellites found at 550km+ above ground. This use case is currently developing, to be commercial when drones can be sustained on-air for 6 months minimum.

### Operators in advanced economies seek upside in remote areas with Starlink.

We examine a number of countries in relation to Starlink operations and the approach taken from involved parties. Three countries and KDDI, US T-Mobile and Rogers operators in particular seek to work with Starlink to offer a direct to cell service initially for voice & SMS and later with LTE data (made possible as the satellites will be equipped with LTE modems). The context of these collaborations is to support connectivity in remote areas with no service. Additionally, it appears Starlink also benefits by relying on operators to market the connectivity products.

#### Exhibit 8. Starlink in Southeast Asia countries

| Country    | Launch Date   | Price  | Related Regulation  | Wholesale Agreement                          |
|------------|---------------|--|---|--|
| Philippine | February 2023 | <ul style="list-style-type: none"> <li>Hardware: PHP28,000 - PHP153,942 / US\$477 - US\$2,622</li> <li>Monthly subscription: PHP2,700 - PHP307,885 / US\$46 - US\$5,243</li> </ul>     | <p><b>Senate Bill No. 814</b></p> <ul style="list-style-type: none"> <li>The bill promotes the <b>expansion of satellite-based networks</b>, particularly in underserved and unserved areas, by allowing internet service and value-added services providers to own and operate their own network using satellite technology <u>without the need for a franchise and a provisional authority</u> of Certificate of Public Convenience and Necessity (CPCN) from the National Telecommunications Commission (NTC).</li> <li>The bills which have been filed/refiled both in the upper and lower houses are all pending in the Committee.</li> </ul> <p><b>Executive Order No. 12</b></p> <ul style="list-style-type: none"> <li>Allows Starlink PH to <b>register as an SSPO to get bandwidth from its own satellites</b>, and as a VAS provider which could sell internet services directly to end users, without the need of a congressional franchise.</li> <li>Further, under the recently approved Public Service Act amendment (R.A. No. 11659), both telcos and VAS providers are no longer subject to the 60-40 nationality requirement. <u>This allows Starlink PH to be a 100% foreign-owned company.</u></li> </ul> | Not found yet, only reseller agreement       |
| Malaysia   | July 2023     | <ul style="list-style-type: none"> <li>Hardware: RM1,150 - RM11,613 / US\$244 - US\$2,466</li> <li>Monthly subscription: RM220 - RM23,447 / US\$47 - US\$4,979</li> </ul>              | <p><b>Communications and Multimedia Act 1998 (Act 588)</b></p> <ul style="list-style-type: none"> <li>The foreign equity holding of the NFP (I) and NSP (I) licence holders was limited to 49%.</li> <li><b>The exemption was given to Starlink</b> by the Communications and Digital Ministry through the Malaysian Communications and Multimedia Commission (MCMC) to provide satellite internet services to Malaysian users, which will be <u>valid for 10 years.</u></li> </ul>   | Not found yet, only reseller agreement       |
| Indonesia  | May 2024      | <ul style="list-style-type: none"> <li>Hardware: Rp5,900,000- Rp43,721,590 / US\$361 - US\$2,673</li> <li>Monthly subscription: Rp750,000-Rp86,130,000 / US\$46 - US\$5,265</li> </ul> | <p><b>Starlink has secured five primary permissions.</b> Permits for data exchange, storage, and management services between customers and closed communication systems (JARTUP), authorization from an Internet Service Provider (ISP), and so on. Starlink has also completed the Operational Worthiness Test (ULO).</p>  | Telkomsat and Starlink Agreement in May 2024 |

Source: Starlink and various sources



**Exhibit 9. Starlink operation in other countries**

| Country | Launch Date  | Price  | Related Regulation   | Wholesale Agreement  |
|---------|--|--|--|--|
| US      | May 2020: The U.S. Army started to experiment using Starlink broadband                       | · Hardware: US\$499-US\$2,500  | <b>T-Mobile and SpaceX launched six Starlink satellites for direct-to-cell capabilities</b> , aiming to provide mobile services globally. SpaceX plans to launch 840 satellites, with text messaging enabled this year and voice, data, and IoT connectivity in 2025.  | TMUS and Starlink Agreement  |
|         | January 2024: First SpaceX Satellites Launch for Direct-to-Cell Service with TMUS            | · Monthly subscription: US\$120-US\$5,000                                      |  |  |
| Canada  | Sarlink began operating in 2020 in the US and simultaneously in the northern part of Canada. | · Hardware: US\$499-US\$3,170<br><br>· Monthly subscription: US\$140-US\$6,390 | <b>Rogers Communications Inc. is partnering with SpaceX and Lynk Global to deliver satellite-to-phone connectivity</b> across Canada and bolster coverage in remote regions. The companies plan to start with satellite coverage for SMS text and will eventually provide voice and data access across areas such as national parks and rural highways that are currently unconnected.   | Rogers signed Agreement with Starlink in April 2023                              |
| Japan   | January 2024: First SpaceX Satellites Launch for Direct to Cell Service with KDDI            | · Hardware: ¥ 55,000- ¥ 365,000 /US\$349 - US\$2,313                           | <b>Japan Self-Defense Forces is experimenting with SpaceX's Starlink satellite</b> internet service to provide personal internet access to deployed crew on its maritime vessels. The MSDF plans to install the system on 90% of its surface vessels within three years to attract young recruits, particularly those on long missions, who would benefit from off-duty internet access.<br><br><b>KDDI, Starlink's exclusive partner in Japan, plans to offer direct-to-cell text services later this year, with voice and data services expected in 2025.</b> The service aims to provide LTE mobile broadband connectivity in hard-to-reach areas and "connect the unconnected." KDDI is working on pricing and go-to-market models, and the new service will be offered through KDDI's mobile brand. | KDDI and Starlink Agreement since 2022 for a satellite-to-phone service in Japan |
|         | June 2024: testing for Maritime Self-Defense Force use                                       | · Monthly subscription: ¥ 6,600 - ¥ 668,160 / US\$42 - US\$4,233               |  |  |
| China   | n.a  | n.a  | <b>China is preparing two LEOsat networks to cover the globe with high-speed internet.</b> Construction of the commercial spacecraft launch for China's proposed Starlink rival has started near the Wenchang Space Launch Site in Hainan. The China Satellite Network Group, wholly owned by the Chinese government, plans to launch 1,300 satellites from 2024 to 2029, supporting high-speed 6G communications domestically and internationally.<br>The Shanghai municipal government-owned space company plans to launch 12,000 satellites into low Earth orbit by the end of 2025. Private company GalaxySpace plans to launch 1,000 LEOsats with government support.   |  |

Source: Starlink and various sources

## Reiterate Buy rating

We reiterate our Buy rating on TLKM with a DCF-based target price of Rp4,400, implying 5.7x EV/EBITDA. TLKM currently trades at 3.6x EV/ EBITDA (-2SD to its 5-year mean) which we think ignores possible value upside from Telin, DCs, Mitratel, and Telkomsat.

## Investor positioning in Telkom Indonesia (TLKM IJ)

Based on available disclosures, domestic mutual funds appear to have accumulated the TLKM stock in the months of April and May and adding to their overall OW position.

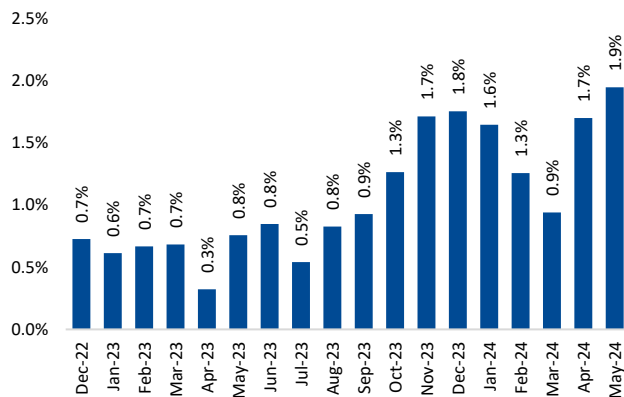
On the other hand, foreign mutual funds continued to reduce their position in TLKM albeit at a lower rate.

On a positive note, we see that foreign insurance and pension funds added to their positions in TLKM. Additionally, we note there were net positive foreign flows in the 1<sup>st</sup> week of June.

## Key risks to our rating.

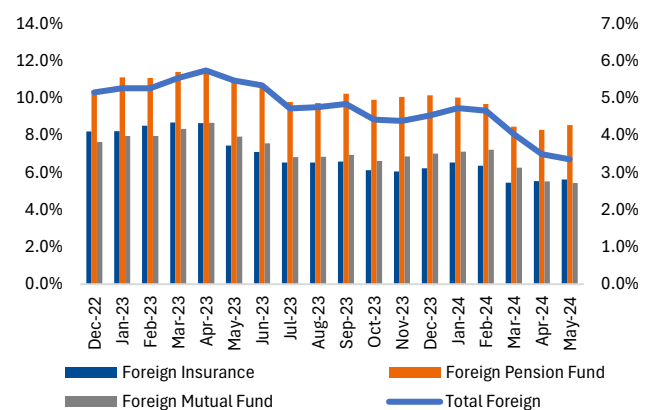
Key risks to our view are implementation delays in TSEL marketing strategies in relation to Telkomsel Lite, EZnet launches, billing and FMC integration. SE Asia is an increasingly dynamic market that may lead to changes in the checks and balances in data centers and AI market.

Exhibit 10. TLKM's Domestic Fund Positioning



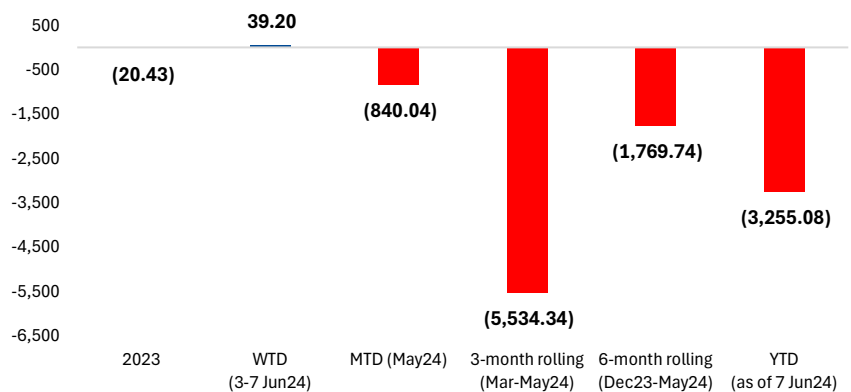
Source: KSEI, BRIDS

Exhibit 11. TLKM's Foreign Investors' Ownership



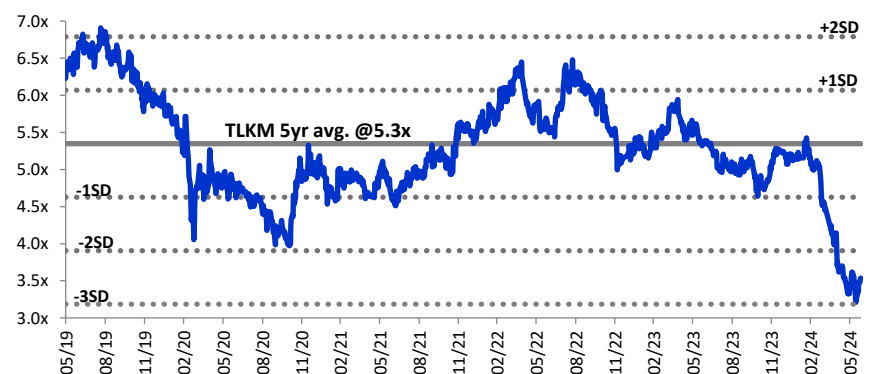
Source: KSEI, BRIDS

Exhibit 12. TLKM's Foreign Flows



Source: IDX, Bloomberg, BRIDS

Exhibit 13. TLKM's forward EV/EBITDA multiple valuation 5-year band



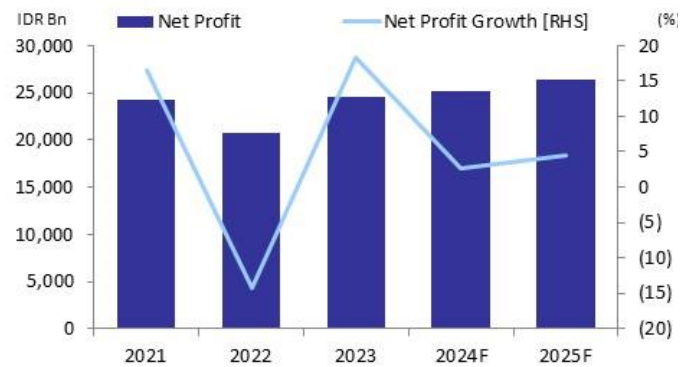
Source: IDX, Bloomberg, BRIDS

**Exhibit 14. Revenue and Growth**



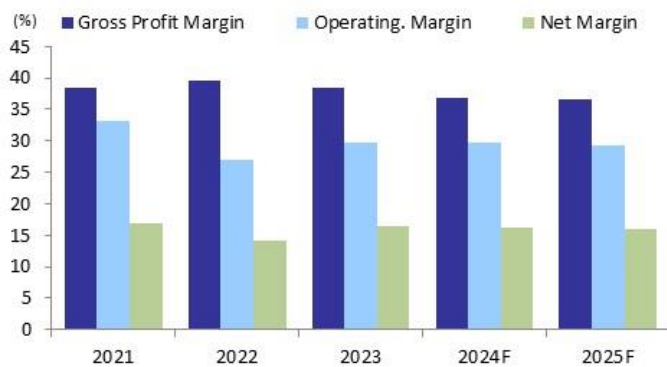
Source: Company, BRIDS Estimates

**Exhibit 15. Net Profit and Growth**



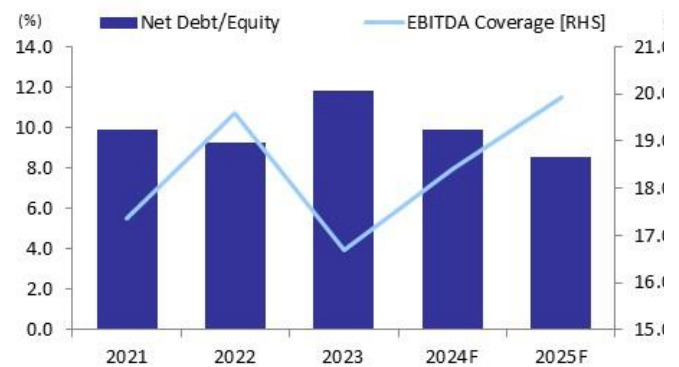
Source: Company, BRIDS Estimates

**Exhibit 16. Margins**



Source: Company, BRIDS Estimates

**Exhibit 17. Gearing Level**



Source: Company, BRIDS Estimates

**Exhibit 18. Income Statement**

| Year to 31 Dec (Rpbn)   | 2022A          | 2023A          | 2024F          | 2025F          | 2026F          |
|-------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Revenue</b>          | <b>147,306</b> | <b>149,216</b> | <b>156,528</b> | <b>164,446</b> | <b>173,339</b> |
| COGS                    | (89,055)       | (91,918)       | (98,901)       | (104,327)      | (110,087)      |
| <b>Gross profit</b>     | <b>58,251</b>  | <b>57,298</b>  | <b>57,627</b>  | <b>60,119</b>  | <b>63,252</b>  |
| <b>EBITDA</b>           | <b>78,992</b>  | <b>77,579</b>  | <b>82,190</b>  | <b>86,229</b>  | <b>91,007</b>  |
| <b>Oper. profit</b>     | <b>39,581</b>  | <b>44,384</b>  | <b>46,405</b>  | <b>48,260</b>  | <b>50,702</b>  |
| Interest income         | 878            | 1,061          | 621            | 783            | 913            |
| Interest expense        | (4,033)        | (4,652)        | (4,470)        | (4,330)        | (4,389)        |
| Forex Gain/(Loss)       | 0              | 0              | 0              | 0              | 0              |
| Income From Assoc. Co's | (87)           | 1              | 0              | 0              | 0              |
| Other Income (Expenses) | 0              | 0              | 0              | 0              | 0              |
| <b>Pre-tax profit</b>   | <b>36,339</b>  | <b>40,794</b>  | <b>42,557</b>  | <b>44,714</b>  | <b>47,226</b>  |
| Income tax              | (8,659)        | (8,586)        | (9,575)        | (10,061)       | (10,626)       |
| Minority interest       | (6,927)        | (7,648)        | (7,749)        | (8,271)        | (8,932)        |
| <b>Net profit</b>       | <b>20,753</b>  | <b>24,560</b>  | <b>25,232</b>  | <b>26,383</b>  | <b>27,668</b>  |
| <b>Core Net Profit</b>  | <b>20,753</b>  | <b>24,560</b>  | <b>25,232</b>  | <b>26,383</b>  | <b>27,668</b>  |

**Exhibit 19. Balance Sheet**

| Year to 31 Dec (Rpbn)                 | 2022A          | 2023A          | 2024F          | 2025F          | 2026F          |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Cash & cash equivalent                | 30,530         | 29,261         | 27,349         | 29,587         | 33,350         |
| Receivables                           | 8,634          | 10,667         | 10,123         | 10,636         | 11,211         |
| Inventory                             | 1,144          | 997            | 1,123          | 1,180          | 1,244          |
| Other Curr. Asset                     | 11,983         | 13,281         | 13,251         | 13,921         | 14,674         |
| Fixed assets - Net                    | 201,967        | 212,070        | 223,941        | 235,369        | 244,722        |
| Other non-curr.asset                  | 18,168         | 19,359         | 18,764         | 19,061         | 18,912         |
| <b>Total asset</b>                    | <b>273,775</b> | <b>287,296</b> | <b>295,518</b> | <b>310,679</b> | <b>325,228</b> |
| ST Debt                               | 17,049         | 19,926         | 15,769         | 16,216         | 16,133         |
| Payables                              | 18,457         | 24,871         | 22,726         | 23,875         | 25,166         |
| Other Curr. Liabilities               | 34,882         | 26,771         | 32,337         | 33,973         | 35,810         |
| Long Term Debt                        | 27,331         | 27,773         | 28,190         | 28,612         | 29,042         |
| Other LT. Liabilities                 | 28,211         | 31,139         | 29,675         | 30,407         | 30,041         |
| <b>Total Liabilities</b>              | <b>125,930</b> | <b>130,480</b> | <b>128,696</b> | <b>133,084</b> | <b>136,192</b> |
| Shareholder's Funds                   | 129,258        | 135,744        | 145,484        | 154,189        | 163,397        |
| Minority interests                    | 20,004         | 20,818         | 22,755         | 24,823         | 27,056         |
| <b>Total Equity &amp; Liabilities</b> | <b>275,192</b> | <b>287,042</b> | <b>296,935</b> | <b>312,096</b> | <b>326,645</b> |

**Exhibit 20. Cash Flow**

| Year to 31 Dec (Rpbn)      | 2022A           | 2023A           | 2024F           | 2025F           | 2026F           |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net income                 | 20,753          | 24,560          | 25,232          | 26,383          | 27,668          |
| Depreciation and Amort.    | 33,255          | 32,663          | 35,785          | 37,969          | 40,305          |
| Change in Working Capital  | 436             | (5,193)         | 4,562           | 1,588           | 1,545           |
| Other Oper. Cash Flow      | 3,155           | 3,591           | 3,848           | 3,546           | 3,476           |
| <b>Operating Cash Flow</b> | <b>57,599</b>   | <b>55,621</b>   | <b>69,427</b>   | <b>69,486</b>   | <b>72,995</b>   |
| Capex                      | (35,381)        | (28,977)        | (47,656)        | (49,396)        | (49,658)        |
| Others Inv. Cash Flow      | 7,616           | (130)           | 1,217           | 486             | 1,062           |
| <b>Investing Cash Flow</b> | <b>(27,765)</b> | <b>(29,107)</b> | <b>(46,439)</b> | <b>(48,910)</b> | <b>(48,597)</b> |
| Net change in debt         | (6,435)         | 6,247           | (5,205)         | 1,602           | (20)            |
| New Capital                | 0               | 0               | 0               | 0               | 0               |
| Dividend payment           | (14,860)        | (16,345)        | (17,192)        | (17,662)        | (18,468)        |
| Other Fin. Cash Flow       | (7,480)         | (3,896)         | (2,503)         | (2,276)         | (2,149)         |
| <b>Financing Cash Flow</b> | <b>(28,775)</b> | <b>(13,994)</b> | <b>(24,900)</b> | <b>(18,336)</b> | <b>(20,636)</b> |
| <b>Net Change in Cash</b>  | <b>1,059</b>    | <b>12,520</b>   | <b>(1,912)</b>  | <b>2,239</b>    | <b>3,762</b>    |
| Cash - begin of the year   | 38,311          | 30,530          | 29,261          | 27,349          | 29,587          |
| Cash - end of the year     | 30,530          | 29,261          | 27,349          | 29,587          | 33,350          |

**Exhibit 21. Key Ratios**

| Year to 31 Dec           | 2022A  | 2023A | 2024F | 2025F | 2026F |
|--------------------------|--------|-------|-------|-------|-------|
| <b>Growth (%)</b>        |        |       |       |       |       |
| Sales                    | 2.9    | 1.3   | 4.9   | 5.1   | 5.4   |
| EBITDA                   | 4.3    | (1.8) | 5.9   | 4.9   | 5.5   |
| Operating profit         | (16.8) | 12.1  | 4.6   | 4.0   | 5.1   |
| Net profit               | (14.3) | 18.3  | 2.7   | 4.6   | 4.9   |
| <b>Profitability (%)</b> |        |       |       |       |       |
| Gross margin             | 39.5   | 38.4  | 36.8  | 36.6  | 36.5  |
| EBITDA margin            | 53.6   | 52.0  | 52.5  | 52.4  | 52.5  |
| Operating margin         | 26.9   | 29.7  | 29.6  | 29.3  | 29.3  |
| Net margin               | 14.1   | 16.5  | 16.1  | 16.0  | 16.0  |
| ROAA                     | 7.5    | 8.8   | 8.7   | 8.7   | 8.7   |
| ROAE                     | 16.5   | 18.5  | 17.9  | 17.6  | 17.4  |
| <b>Leverage</b>          |        |       |       |       |       |
| Net Gearing (x)          | 0.1    | 0.1   | 0.1   | 0.1   | 0.1   |
| Interest Coverage (x)    | 9.8    | 9.5   | 10.4  | 11.1  | 11.6  |

Source: TLKM, BRIDS Estimates



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|             |   |
|-------------|---|
| <b>BUY</b>  | Expected total return of 10% or more within a 12-month period       |
| <b>HOLD</b> | Expected total return between -10% and 10% within a 12-month period |
| <b>SELL</b> | Expected total return of -10% or worse within a 12-month period     |

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