

Buy

Telkom Indonesia (TLKM IJ)

Earnings call KTA: Conservative Positioning Amid Soft Macro & FMC Expansion

Last Price (Rp)	2,570
Target Price (Rp)	3,900
Upside/Downside	+51.8%
No. of Shares (mn)	100,800
Mkt Cap (Rpbn/US\$mn)	257,040/15,277
Avg, Daily T/O (Rpbn/US\$mn)	295.6/17.6

Key Financials:

	2025F	2026F	2027F
EPS (Rp)	246.0	250.3	257.3
PER (x)	10.4	10.2	9.9
PBV (x)	1.7	1.6	1.6
EV/EBITDA (x)	3.7	3.6	3.5
Dividend yield (%)	7.4	7.7	8.1
ROAE (%)	16.8	16.5	16.4

- TLKM maintains low single-digit FY25 rev. growth outlook, with cost/capex discipline to support EBITDA margin normalization at 50-52%.
- IndiHome remains central to group strategies, targeting 1mn new subs in 2025, though progress is ongoing amid ARPU bundling pressures
- Lower capex intensity strengthens the FCF outlook and underpinned our recent TP upgrade to Rp3,900 and our maintaining Buy rating.

IndiHome remains core to Telkom strategies, but progress is still ongoing
Fixed broadband remains TSEL's main growth strategy, with IndiHome bundling at the core and EZNet targeting the value segment. TSEL aims to grow IndiHome subs by another 1mn in 2025 with single billing, cross-product bundling incl. content/IPTV offerings and supported by rising convergence ratio 57% as of Dec24 (+400bps qoq).

We expect IndiHome ARPU to moderate further in 1H25 as bundling expands amid weak macro conditions.

Mobile monetization hinges on macro and inventory clearance

TSEL reiterated its FY25 ARPU growth guidance to be aligned with inflation and adjusted for legacy decline. TSEL aims for product simplification across starter packs and renewals (we see hot promo packs not available anymore). We also see TSEL Lite starter pack still offered at Rp20k for 6GB, vs peers at Rp35k for 3GB, but mgmt. advises that inventories in the market will clear by 2Q25, hence, expecting benefits to be seen in 2H25.

We expect ARPU to remain volatile in 1H25 amid softness; seasonal promotions - S&M supported sales in 4Q, waiting to see lasting effects.

Cost discipline supports margin resilience normalizing in the 50-52% range
4Q24 EBITDA margin declined to 48.7%; the elevated 4Q24 selling & marketing was necessary for Indihome and seasonal promos but it remained within 2–3% of revenue on FY24 basis; the higher O&M was driven by digital content in FMC and e-payment support under Enterprise but enough to manage FY24 EBITDA margin within guidance range of 50–52% (actual: 50.5%). This guidance now is also for FY25, and has been built into our forecast.

Maintaining our estimates amid the current macro conditions

Telkom guides for low single-digit revenue growth in FY25. Management highlights ongoing macro weakness, with recovery expected in 2H25 as Lite/ByU pack inventories clear. Our FY25 growth forecast is already revised to +3%yoy remains in line, conservative with the outlook. We believe downside risk may persist for Telkom to reach the lower end of its growth guidance.

Lower Capex intensity strengthens FCF outlook and Telkom valuation

Telkom is implementing a Group Procurement Initiative to consolidate orders and negotiate better vendor pricing. Network Capex is also being optimized with improved technologies, designs, and topologies. We observe that lower capex intensity in FY24 helped control D&A charges, supporting profitability. Mgmt. plans to maintain this strategy in FY25 and beyond, which is already built into our forecast with a 19% capex-to-sales ratio. This approach strengthens the FCF and underpinned our latest TP upgrade TP to Rp3,900 and our maintaining Buy rating (pls see: [BRIDS estimates and new TP](#)).

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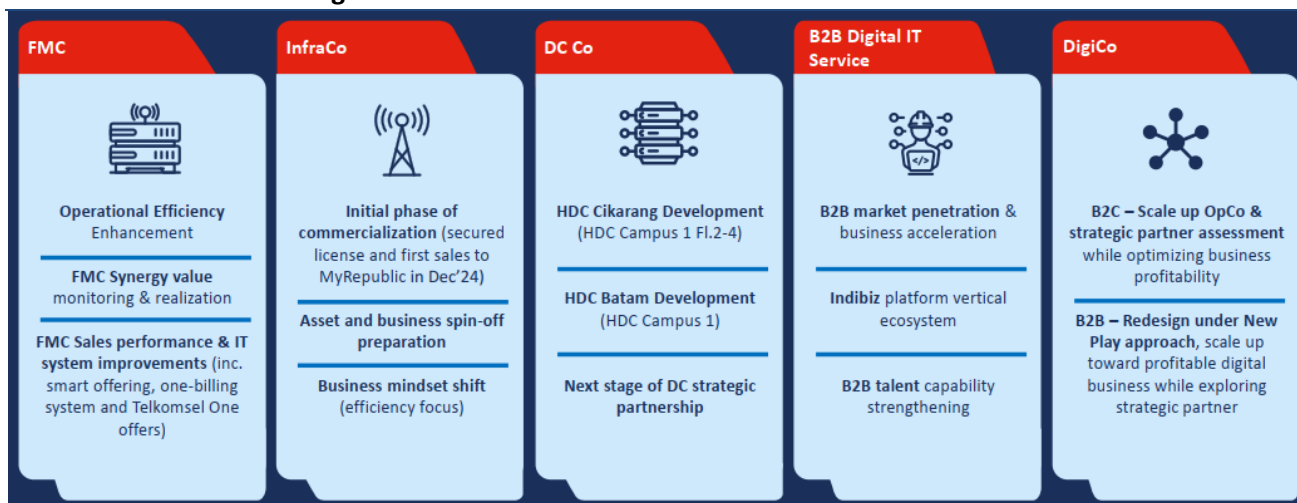
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Exhibit 1. TLKM product ecosystem



Source: Company

Exhibit 2. TLKM business segment overview



Source: Company

Exhibit 3. TLKM 2025 guidance

2025 Guidance		2024 Actual	2024 Guidance
Revenue: Low single digit		Revenue: 0.5%	Revenue: Low single digit
EBITDA Margin: c50-52%	←	EBITDA Margin: 50.0%	EBITDA Margin: c50-52%
Capex/Sales ratio: c17-19%		Capex/Sales ratio: 16.3%	Capex/Sales ratio: c22-24%

Source: Company

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INVESTMENT RATING

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

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