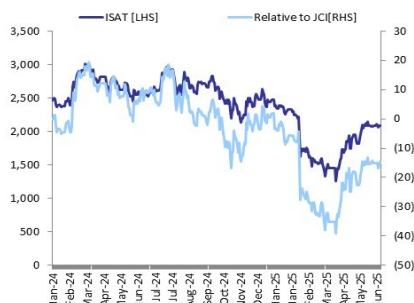


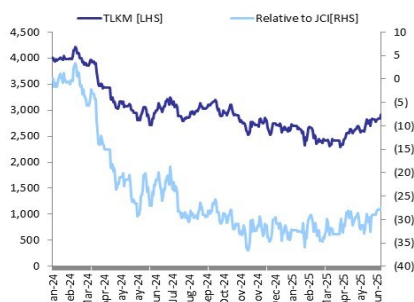
# Overweight

(Maintained)

## ISAT relative to JCI Index



## TLKM relative to JCI Index



Source: Bloomberg

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# Telco

## Tracking the Progress of Product Simplification Plan

- We see TLKM with the greatest product simplification potential, EXCL with room to streamline, and ISAT well-positioned for price increases.
- Simpati, IM3, and XL have room to improve ARPU by shifting away from high-volume, low-yield packages toward mid-range offerings.
- We reiterate our OW rating on the sector amid momentum in price repair; ISAT remains our preferred pick.

### TLKM, EXCL: Potential for simplification; ISAT: room for price upside

TLKM, EXCL, and ISAT are set to implement product simplification strategies aimed at reducing price cannibalization. By tracking the data and combo packages (exc. add-on & short duration packages), we note that TLKM currently has the highest SKUs at 214, followed by ISAT with 154 SKUs (Hutch + IM3) and EXCL with 139 SKUs (including Smartfren). As a result, we see TLKM to have the largest upside potential for product simplification. We believe that post the merger EXCL has room to streamline its portfolio by eliminating overlapping products, especially in Smartfren's combo packages. Meanwhile, ISAT appears to be better positioned to raise prices as IM3, as its first-tier brand still offers discounts of 29% to Simpati's data yield.

### Targeting the elimination of high-volume data packages

Based on our observation, Simpati, IM3, and XL rely heavily on low-yield, high-volume packages (>100GB), which is understandable as they serve as the flagship brands. We think these large data packages are likely to be reduced under the product simplification strategy. A >100GB package for 30 days is excessive, given Indonesia's average monthly consumption of 14GB, and could also cannibalize their fixed broadband. With >100GB packages making up 21% of Telkomsel's, 26% of IM3's, and 29% of XL's portfolios, phasing out some of these low-yield plans in favor of more efficient mid-range offerings (5–50GB) could be a potent strategy to lift ARPU.

### Starter pack rationalization lowers cannibalization risk from second brands

All operators currently manage multi-brand structures, with second brands like Axis, Hutch, and By.U targeting mass or youth segments, typically offering a ~30% discount compared to their flagship brands. Post merger, EXCL-Smartfren, now still operates three brands (XL, Axis, Smartfren) with no plans yet to phase out any of them. Despite similar data yield to the second brands (of around Rp2.9k), By.U is at a slight premium (Rp3k) but with a 41% discount to Simpati, potentially posing a significant internal cannibalization risk. However, we believe the starter pack rationalization to Rp35k for 3GB creates a strong switching barrier and helps mitigate churn. Meanwhile, Simpati's bundling strategy, which includes 105 combo SKUs and 113 short-duration packages, offers better value compared to By.U which only focuses on core data package, hence should reinforce customer loyalty and ARPU retention.

### Reiterate OW rating on the sector

We reiterate our Overweight rating on the Telco sector, supported by ongoing price repair and further upside potential from continued product simplification. Our top pick remains on ISAT (Buy, TP Rp2,600) on the back of the potential higher ARPU uplift compared to its peers.

Company	Ticker	Rec	Target Price	Market Cap.	P/E (x)		P/BV (x)		ROE (%)
			(Rp)	(RpBn)	2025F	2026F	2025F	2026F	2026F
IOH	ISAT IJ	BUY	2,600	67,404.2	11.6	10.1	1.8	1.7	17.6
Telkom	TLKM IJ	BUY	3,500	288,271.1	12.1	11.6	2.0	2.0	17.0
XL Axiata	EXCL IJ	BUY	2,800	29,281.2	15.8	13.5	1.1	1.1	8.0

**Exhibit 1. No. of SKUs portfolio by operators**

	Core Data Package	Combo	Total
Simpati	88	105	193
ByU	21	0	21
Hutch	83	0	83
IM3	52	19	71
Axis	54	18	72
XL	27	0	27
Smartfren	22	18	40

\* Only pure internet data packages and combo packages are included in the calculation, excluding add-ons, app-based bundles, and night packages.

Source: Company, BRIDS

**Exhibit 2. Comparison of data yield across brands**

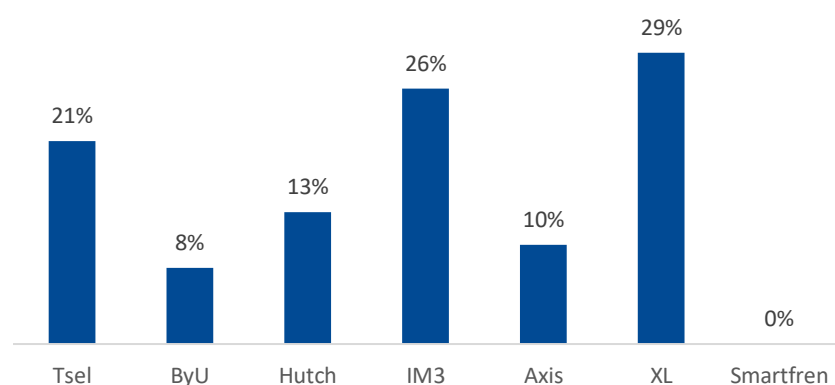
	Simpati	ByU	Hutch	IM3	Axis	XL	Smartfren
Average data yield	5,113	3,018	2,996	3,643	2,699	4,277	3,211
Median data yield	3,571	2,778	2,500	2,475	2,750	3,000	2,133

Source: Company, BRIDS

**Exhibit 3. Data yield breakdown by GB offering**

	Tsel	Hutch	IM3	Axis	XL	Smartfren	Average
<5GB	14,222	11,247	6,413	-	12,500	-	<b>7,397</b>
5-20GB	7,184	4,139	5,252	4,180	4,112	3,703	<b>4,762</b>
21-50GB	3,340	2,553	2,222	2,608	3,321	1,584	<b>2,605</b>
51-100GB	2,392	1,572	1,613	1,597	2,627	1,722	<b>1,920</b>
>100GB	1,601	1,264	863	1,303	1,888	-	<b>1,153</b>

Source: Company, BRIDS

**Exhibit 4. >100GB data package contribution to total SKUs portfolio**


Source: Company, BRIDS

Exhibit 5. Simpati data yield by GB offering

Simpati	% Share	Data yield
<b>Type of Package</b>		
<5GB	4%	14,222
5-20GB	33%	7,184
21-50GB	23%	3,340
51-100GB	19%	2,392
>100GB	21%	1,601

Source: Company, BRIDS

Exhibit 6. By.U data yield by GB offering

ByU	% contribution	Data yield
<b>Type of Package</b>		
<5GB	0%	-
5-20GB	46%	3,421
21-50GB	23%	2,867
51-100GB	23%	1,786
>100GB	8%	1,600

Source: Company, BRIDS

Exhibit 7. IM3 data yield by GB offering

IM3	% Share	Data yield
<b>Type of Package</b>		
<5GB	10%	6,413
5-20GB	35%	5,252
21-50GB	16%	2,222
51-100GB	13%	1,613
>100GB	26%	863

Source: Company, BRIDS

Exhibit 8. Hutch data yield by GB offering

Hutch	% Share	Data yield
<b>Type of Package</b>		
<5GB	9%	11,247
5-20GB	27%	4,139
21-50GB	29%	2,553
51-100GB	22%	1,572
>100GB	13%	1,264

Source: Company, BRIDS

Exhibit 9. XL data yield by GB offering

XL	% contribution	Data yield
<b>Type of Package</b>		
<5GB	6%	12,500
5-20GB	18%	4,112
21-50GB	35%	3,321
51-100GB	12%	2,627
>100GB	29%	1,888

Source: Company, BRIDS

Exhibit 10. Axis data yield by GB offering

Axis	% Share	Data yield
<b>Type of Package</b>		
<5GB	-	-
5-20GB	45%	4,180
21-50GB	35%	2,608
51-100GB	10%	1,597
>100GB	10%	1,303

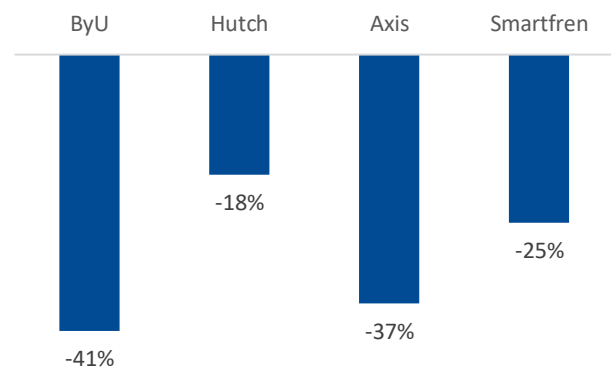
Source: Company, BRIDS

Exhibit 11. Smartfren data yield by GB offering

Smartfren	% contribution	Data yield
<b>Type of Package</b>		
<5GB	0%	-
5-20GB	27%	3,703
21-50GB	36%	1,584
51-100GB	36%	1,722
>100GB	0%	-

Source: Company, BRIDS

Exhibit 12. Second brand data yield discount to flagship brand



Source: Company, BRIDS

Exhibit 13. Telco Peers Valuation

Company	Rec.	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		EV/ EBITDA (x)		P/BV (x)		ROE %		Dividend yield %	
				'25F	'26F	'25F	'26F	'25F	'26F	'25F	'26F	'24A	'25F
EXCL	BUY	2,800	29,020	15.6	13.3	4.2	4.0	1.1	1.1	7.1	8.1	3.9	4.6
ISAT	BUY	2,600	67,404	11.4	10.1	4.1	3.8	1.9	1.7	17.0	17.7	4.0	6.1
TLKM	BUY	3,500	274,402	11.3	11.1	4.0	3.9	1.9	1.8	16.8	16.5	7.7	7.0
<b>Weighted average</b>				<b>11.9</b>	<b>11.2</b>	<b>4.1</b>	<b>3.9</b>	<b>1.7</b>	<b>1.7</b>	<b>15.4</b>	<b>15.5</b>	<b>6.3</b>	<b>6.4</b>

Source: Company, 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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