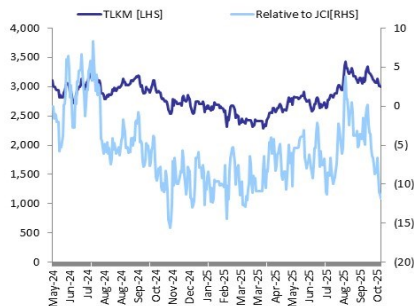


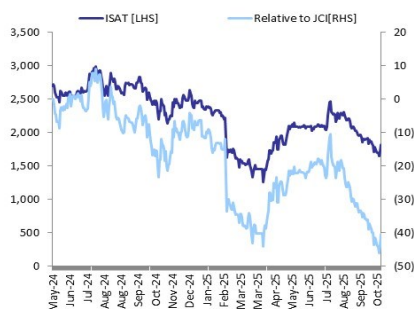
# Overweight

(Maintained)

## TLKM relative to JCI Index



## ISAT relative to JCI Index



Source: Bloomberg

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# Telco

## 1.4 GHz Spectrum Auction Nears; 5G FWA Could Reshape Industry Dynamics

- The 1.4 GHz spectrum opening for 5G FWA may disrupt mobile economics, with an estimated effective cost per GB ~14× below mobile.
- Recent media reports suggest the 1.4 GHz spectrum fee may come in lower, easing cost pressures and enabling low-priced FWA plans.
- Mobile faces risk, but open access could be a game changer; Maintain OW on 2H25 recovery from price repair and industry consolidation.

### 1.4 GHz spectrum dedicated for FWA; Three bidders left standing

The 1.4 GHz band is allocated exclusively for 5G FWA to expand fixed broadband (FBB) reach in fiber-underserved regions. The planned FWA offering at Rp100-150k/month aims to deliver affordable high-speed access, supported by lower deployment costs versus FTTH due to the absence of civil works and household fiber drops. TLKM, along with affiliated entities of WIFI and DSSA, remain the final bidders, with flexible outcomes (Komdigi allows winners to secure one or multiple regions depending on auction results).

### Potential risks surface as FWA redraws the competition map

We believe the launch of this FWA could reshape competition across FBB and mobile, as it directly addresses key barriers to low FBB penetration namely high prices and limited coverage. We believe risks to incumbent FTTH should remain limited if zoning is properly enforced, while mobile could face greater exposure given FWA's much lower effective cost/GB. Indonesia's FBB traffic averages 522GB/sub, or ~145GB/person, far above mobile's 16GB usage. At a planned price of Rp100k/month, FWA's effective cost of Rp191/GB is roughly 14× cheaper than mobile (Rp2,610/GB, avg. 3 major MNOs in 2Q25). While affordability constraints remain, we believe affordable FWA in underserved fiber areas offers a compelling alternative, partially shifting high-bandwidth activities away from mobile.

### Government pricing signals relief in 1.4 GHz spectrum auction

Media reports indicate the 1.4 GHz auction's starting price (though still unconfirmed) that offers major relief from high spectrum costs, hence supporting low-priced FWA plans. The indicative fee is Rp463mn-2.9bn/MHz, far below prior 2.3 GHz (Rp17.7bn/Mhz) and 2.1 GHz (Rp60.5bn/Mhz) auctions, reflecting the government's push to rebalance broadband economics and expand inclusion outside Java. We think cheaper spectrum does not guarantee cheaper rollout, as rural density and limited infrastructure could keep cost/subs elevated.

### Maintain overweight; Open access may redefine competition

We see potential risks for MNOs' mobile segments, particularly in fiber-underserved regions. Nonetheless, the proposed open-access framework could be a game changer, requiring winners to share spectrum and fiber backhaul, though execution remains uncertain as the implementation is still subject to Komdigi's approval. We maintain Overweight on the telco sector, expecting recovery in 2H25 driven by price repair and ongoing industry consolidation.

			Target Price	Market Cap.	P/E (x)		P/BV (x)		ROE (%)
Company	Ticker	Rec	(Rp)	(RpBn)	2025F	2026F	2025F	2026F	2026F
Telkom	TLKM IJ	BUY	3,500	296,196.0	14.2	13.4	2.1	2.0	15.3
IOH	ISAT IJ	BUY	2,600	58,696.5	10.8	8.9	1.6	1.5	17.5
XLSmart Telecom Sejahtera	EXCL IJ	BUY	3,310	45,328.7	n/m	85.3	1.9	1.8	2.2

## 1.4 GHz Spectrum Auction Nears; 5G FWA Could Reshape Industry Dynamics

### 1.4 GHz spectrum dedicated for FWA; Three bidders left standing

The 1.4 GHz spectrum is specifically allocated for 5G Fixed Wireless Access (FWA) to accelerate fixed broadband (FBB) penetration in Indonesia, particularly in regions underserved by fiber networks. The service is expected to be offered at an affordable price point of Rp100-150k per month, delivering speeds of up to 100Mbps. FWA's lower price point is supported by its cost advantage over fiber-to-the-home (FTTH) deployment. According to GSMA, 5G FWA can generate cost savings of 30-55% for MNOs and 25-45% for ISPs, driven by the absence of civil works and household fiber installations.

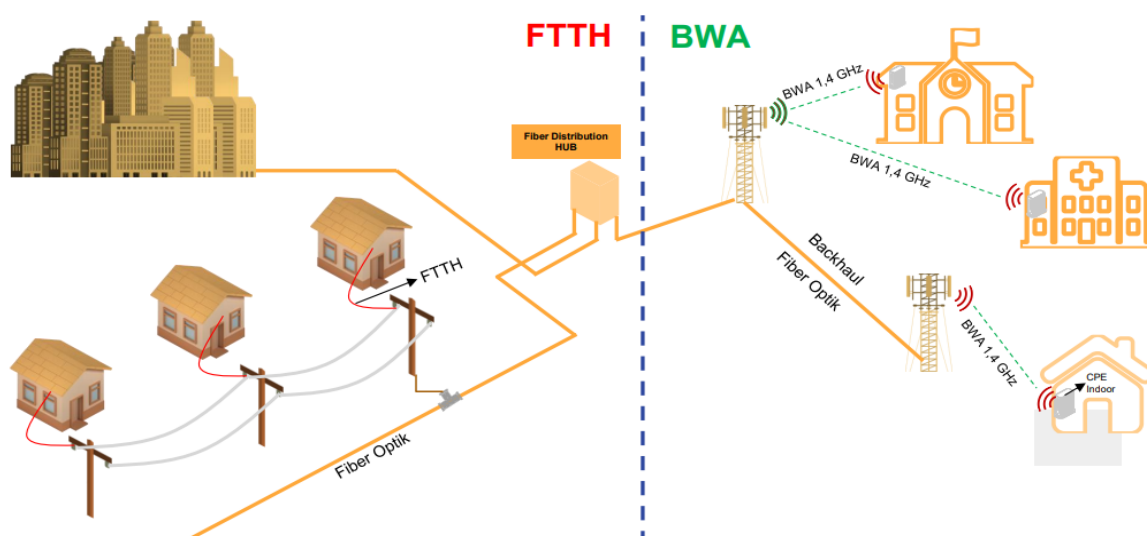
TLKM, WIFI (through its subsidiary PT Telemedia Komunikasi Pratama), and DSSA (through PT Eka Mas Republik, known as MyRepublic) are the three remaining participants that passed the administrative selection stage. Meanwhile, ISAT and EXCL have withdrawn from the auction, citing misalignment with their business strategies. The price bidding (e-Auction) is scheduled for 13 October 2025, covering three regional blocks — each offering 80 MHz of bandwidth. The outcome remains open and highly flexible, as Komdigi allows bidders to win one or multiple regions, depending on auction results and regulatory discretion.

### Exhibit 1. Key cost drivers in 5G FWA deployment

Main Cost Items	Drivers
Passive infrastructure (tower, shelter)	Fixed cost depending on coverage and capacity needs
Active infrastructure (including gNodeB, baseband, backhaul and software fees)	Fixed cost depending on spectrum band used and coverage and capacity needs
Customer premises equipment (CPE)	Number of subscribers, use of outdoor units

Source: GSMA Intelligence

### Exhibit 2. FWA illustration



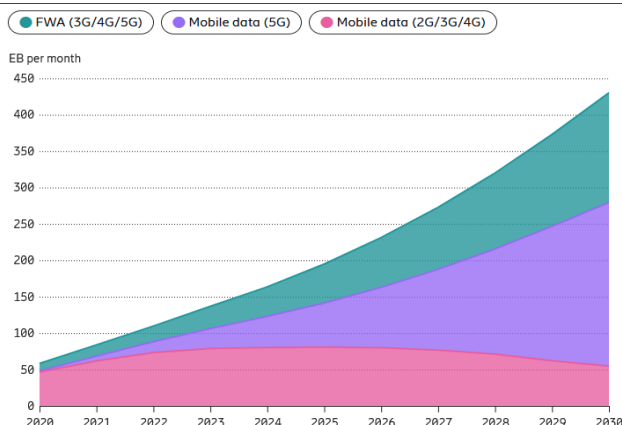
Source: Komdigi

### Potential risks surface as FWA redraws the competition map

While the FWA rollout aims to accelerate FBB penetration, we believe it will also reshape competition across both FBB and mobile segments. APJII's 2025 survey shows 31% of non-FBB users cite high prices and 12% cite limited coverage—gaps FWA could address with more affordable, accessible broadband. Risks to incumbent FTTH players should remain limited if regulators enforce clear geographic separation between FWA and fiber areas. However, the greater impact may fall on mobile, given FWA's significantly lower effective cost per GB.

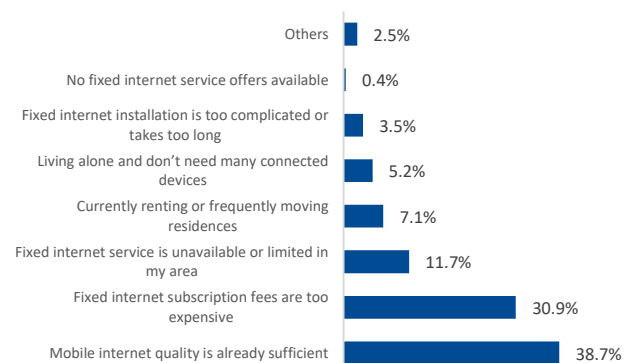
Based on the International Telecommunication Union (ITU), Indonesia's average monthly FBB traffic/subs reached 522GB, implying ~145GB/person, higher than mobile data usage of ~16GB across the three major MNOs. At a Rp100k monthly plan, FWA would deliver an effective data yield of ~Rp191/GB, or 14× cheaper than the mobile (Rp2,610/GB). While this creates an attractive value proposition for households, affordability constraints remain, as Indonesian consumers allocate only 3% of their expenditure toward internet & communication. We believe the introduction of affordable FWA in underserved fiber areas will provide an appealing alternative and partially impact the mobile segment, as high-bandwidth activities (e.g., streaming, gaming, and video consumption) are likely to shift from mobile networks to FWA connections.

**Exhibit 3. Global mobile network data traffic**



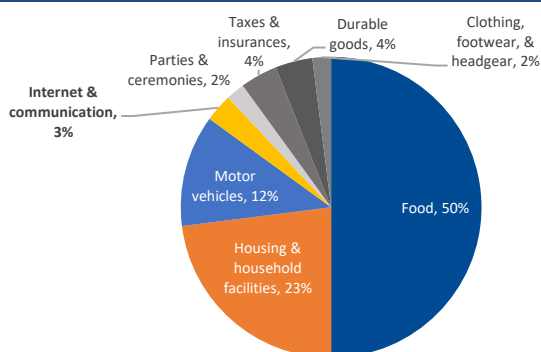
Source: Ericsson

**Exhibit 4. Reasons for not subscribing to fixed broadband**



Source: APJII

**Exhibit 5. Monthly average expenditure per capita**



Source: BPS

**Exhibit 6. Data yield comparison between FWA & mobile**

	Fixed Broadband (FWA proxy)	Mobile Data
Monthly traffic per sub (GB)	522	16
No. of people per Indonesian household	3.6	-
Traffic per person (GB)	145.1	16.1
Effective price plan (Rp / month)	100,000	41,964
Effective cost / GB (Rp)	191	2,610
Internet spending (% of total expenditure)	2.7%*	4.1%

\*Calculated as Rp100k divided by total expenditure per capita, then adjusted by household size (3.6 people / household)

Source: ITU, BPS, Company, BRIDS Estimates

### Government pricing signals relief in 1.4 GHz spectrum auction

The recent news on the indicative pricing of the 1.4 GHz auction addresses concerns over high spectrum costs and the feasibility of offering low-priced FWA plans at Rp100-150k/month. Compared with previous auctions (2.3 GHz and 2.1 GHz), the indicative 1.4 GHz fee is significantly lower at Rp463mn-2.9bn/MHz vs. Rp17.7bn and Rp60.5bn, respectively. Region 1 (Java) carries the highest rate, while Regions 2-3 are priced lower, reflecting the government's intent to rebalance broadband economics and drive inclusion outside Java. However, we think cheaper spectrum in rural does not guarantee cheaper deployment due to low population density and limited infrastructure could still lift cost/subscriber.

In our last call with WIFI, the company indicated that it already has agreements with several TowerCos to lease existing tower assets for FWA sites, allowing WIFI to install radio and CPE equipment, hence minimizing incremental capex and speeding up deployment.

### Exhibit 7. Estimated 1.4 GHz spectrum fees vs. previous auctions

2020: Spectrum 2.3Ghz - Bandwith 30Mhz				
Winner	Bandwith (Mhz)	Annual Fee (Rpbn)	First year fee (Rpbn)	Fee (Rpbn)/Mhz
Telkomsel	20	354	1,061	17.7
Smartfren	10	177	531	17.7
2022: Spectrum 2.1Ghz - Bandwith 5Mhz				
Winner	Bandwith (Mhz)	Annual Fee (Rpbn)	First year fee (Rpbn)	Fee (Rpbn)/Mhz
Telkomsel	10	605	1,815	60.5
2025: Spectrum 1.4Ghz - Bandwith 80Mhz / Region				
Region	Bandwith (Mhz)	Annual Fee (Rpbn)	First year fee (Rpbn)	Fee (Rpbn)/Mhz
1 - Jawa & Papua	80	230	690	2.9
2 - Sumatera & Bali	80	40	120	0.5
3 - Sulawesi & Kalimantan	80	37	111	0.5

Source: Public media sources

### Open access: A game changer in the making

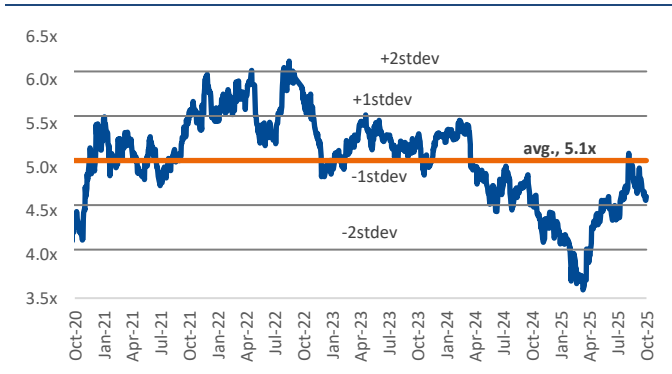
We see Komdigi's open-access mandate as a potential game changer in shaping Indonesia's 5G FWA landscape. Under this framework, spectrum winners are required to open both their spectrum and fiber backhaul to third parties through wholesale access, effectively removing the traditional exclusivity of spectrum ownership. Komdigi's intention is clear, to accelerate broadband inclusion and avoid asset duplication by promoting shared infrastructure efficiency. However, the execution remains uncertain, as spectrum and fiber sharing arrangements are still subject to Komdigi's approval.

Exhibit 8. Telco Peers Valuation

Company	Rec.	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		EV/ EBITDA (x)		P/BV (x)		ROE (%)		Dividend yield (%)		ROIC (%)	
				'25F	'26F	'25F	'26F	'25F	'26F	'25F	'26F	'25F	'26F	'25F	'26F
EXCL	BUY	3,310	44,131	n.a	83.1	5.5	4.6	1.8	1.8	-1.5	2.2	n.a	0.6	2.9	3.8
ISAT	BUY	2,600	61,115	11.3	9.3	4.2	3.8	1.7	1.6	15.5	17.5	5.3	6.5	11.1	13.3
TLKM	BUY	3,500	298,177	14.3	13.5	4.8	4.5	2.1	2.1	14.7	15.3	6.2	6.6	18.3	19.5
<b>Weighted average</b>				<b>11.1</b>	<b>25.3</b>	<b>4.8</b>	<b>4.4</b>	<b>2.0</b>	<b>1.9</b>	<b>11.9</b>	<b>13.4</b>	<b>4.9</b>	<b>5.5</b>	<b>14.0</b>	<b>15.4</b>

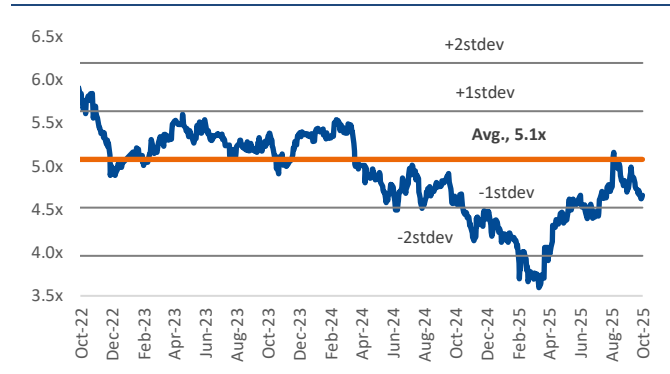
Source: Company, BRIDS Estimates

Exhibit 9. Sector forward 5-yr EV/EBITDA band



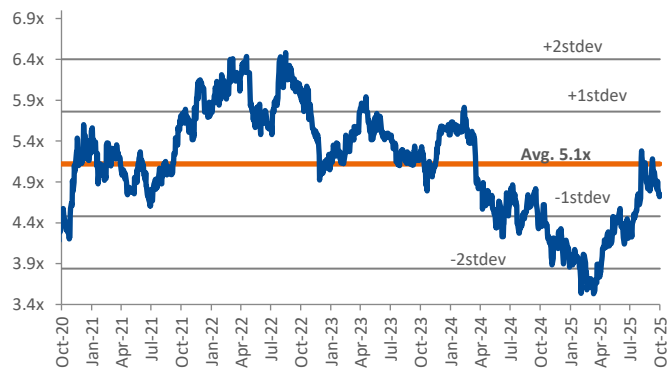
Source: Bloomberg, BRIDS Estimates

Exhibit 10. Sector forward 3-yr EV/EBITDA band



Source: Bloomberg, BRIDS Estimates

**Exhibit 11. TLKM 5-year forward EV/EBITDA multiple band**



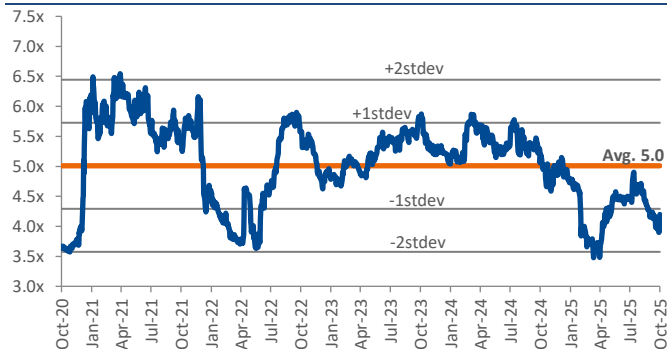
Source: Bloomberg, BRIDS Estimates

**Exhibit 12. TLKM 3-year forward EV/EBITDA multiple band**



Source: Bloomberg, BRIDS Estimates

**Exhibit 13. ISAT 5-year forward EV/EBITDA multiple band**



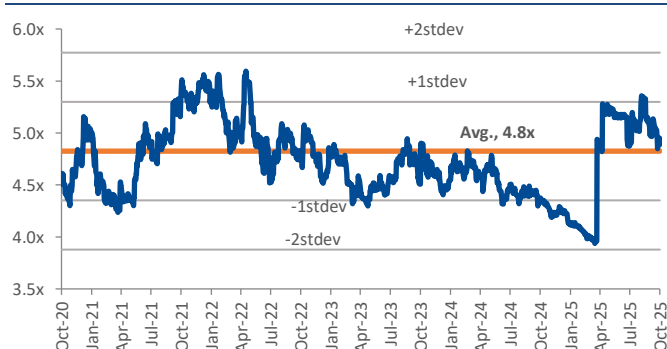
Source: Bloomberg, BRIDS Estimates

**Exhibit 14. ISAT 3-year forward EV/EBITDA multiple band**



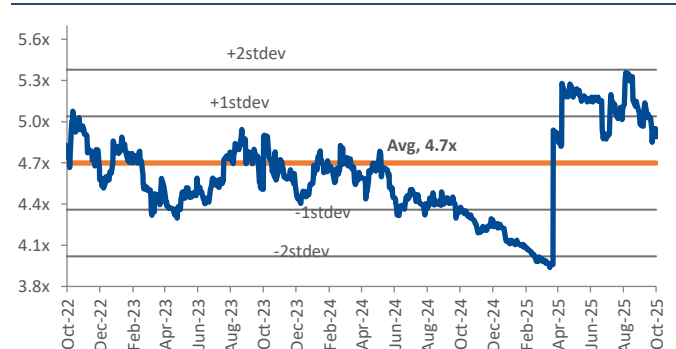
Source: Bloomberg, BRIDS Estimates

**Exhibit 15. EXCL 5-year forward EV/EBITDA multiple band**



Source: Bloomberg, BRIDS Estimates

**Exhibit 16. EXCL 3-year forward EV/EBITDA multiple band**



Source: Bloomberg, 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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