

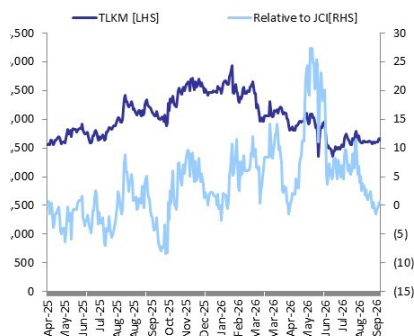
Buy

(Maintained)

Tactical (3M): **OW**

Last Price (Rp)	2,120
Target Price (Rp)	3,500
Previous TP (Rp)	3,500
Upside/Downside	+60.4%
No. of Shares (mn)	99,062
Mkt Cap (Rpbn/US\$mn)	213,696/11,869
Avg, Daily T/O (Rpbn/US\$mn)	407.3/22.6
Free Float (%)	47.3
Major Shareholder (%)	
Indonesia Govr	52.1
EPS Consensus (Rp)	
	2026F 2027F 2028F
BRIDS	194.4 214.1 225.9
Consensus	204.9 222.5 231.5
BRIDS/Cons (%)	(5.1) (3.8) (2.4)

TLKM relative to JCI Index



Source: Bloomberg

Telkom Indonesia (TLKM IJ)

Data Centers and Subsea Cables: Scaling Up to Meet Growing Demand

- TLKM's NeutraDC Batam is re-scoping from 54MW of colocation to a 118MW AI-ready site, though new utility rules lift capex per MW.
- Telin's near-sold-out subsea network and Rp40-45tr EV target make it an under-appreciated proxy for connectivity upcycle.
- Maintain Buy with TP of Rp3,500; FY27 capex faces upside risk but is directed toward higher-valuation DC and subsea assets.

NeutraDC Batam goes bigger and AI-ready

TLKM's NeutraDC Batam has expanded the plan from three 18MW colocation campuses into a 118MW AI-ready site: BTM-1 (18MW) is fully contracted, with the first 6MW ready for service in 4Q26, while the 100MW BTM-2 targets RFS in FY28. While the broader Batam market remains attractive, its 1.5GW DC pipeline would require 2GW of power against 1GW of installed generation, and its rain-fed water reservoirs offer limited headroom. As a result, BP Batam now requires DC operators to self build power plants and desalination facilities. We estimate this adds US\$1.1mn/MW to BTM-2's capex (14% above US\$7-9mn/MW guidance), although NeutraDC Batam is better placed given its 90MW of secured power and Medco as a JV partner.

Telin: Sold-out capacity, bigger ambitions

Telin's own subsea cables are over 85% sold, with even the newly launched Bifrost expected to sell out by 1Q27, driven by AI and cloud demand. Telin is midway through a transition from legacy international voice to connectivity, which management guides to lift FY26 EBITDA to Rp2tr. Looking ahead, TLKM targets connectivity to account for 80% of Telin's revenue and aims to drive Telin's enterprise value to Rp40-45tr by FY30, supported by Rp32tr in planned capex through FY31.. We view Telin as an under-appreciated value pocket within TLKM and a direct proxy for data center growth.

Buy rating maintained; capex may shift to expansion

We now see scope for FY27 to shift away from FY26's emphasis on containing capex intensity. Telin's Rp32tr plan implies Rp6.4tr of annual capex, potentially lifting group capex from our FY27F assumption of Rp29tr to ~Rp35tr, before BTM-2's ~Rp13-17tr capex plan. The latter remains subject to NeutraDC's divestment, though management has begun sourcing loans, supported by TLKM's low 0.6x ND/EBITDA. We maintain our Buy rating with a TP of Rp3,500. While near-term FCF may see pressure, but the shift toward high-valuation DC and subsea assets improves long-term growth visibility. Key risk: under-investment in 5G.

Key Financials

Year to 31 Dec	2024A	2025A	2026F	2027F	2028F
Revenue (Rpbn)	149,967	146,742	150,349	153,930	160,206
EBITDA (Rpbn)	75,029	72,240	73,216	76,820	80,905
EBITDA Growth (%)	(3.3)	(3.7)	1.4	4.9	5.3
Net Profit (Rpbn)	22,403	17,814	19,257	21,213	22,381
EPS (Rp)	226.2	179.8	194.4	214.1	225.9
EPS Growth (%)	(8.8)	(20.5)	8.1	10.2	5.5
BVPS (Rp)	1,350.7	1,319.2	1,279.7	1,271.2	1,274.0
DPS (Rp)	178.5	212.5	222.0	223.5	222.7
PER (x)	11.6	14.6	13.5	12.3	11.6
PBV (x)	1.9	2.0	2.1	2.1	2.1
Dividen yield (%)	6.8	8.1	8.4	8.5	8.5
EV/EBITDA	3.2	3.3	3.3	3.1	3.0

Source: TLKM, BRIDS Estimates

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Data Centers and Subsea Cables: Scaling Up to Meet Growing Demand

We visited TLKM's NeutraDC Batam campus at Kabil Industrial Park and Telin's new cable landing station. Both sites underscore TLKM's ambition to scale its digital infrastructure across data center and subsea connectivity.

NeutraDC Batam goes bigger and AI-ready

From a 54MW colocation plan to a 118MW AI campus

NeutraDC has revised its Batam campus plan at Kabil Industrial Park to align with rising AI demand. The original plan for three separate 18MW campuses (totaling 54MW) has been reshaped: BTM-1 remains at 18MW, while the second and third campuses have been merged into a single 100MW AI-ready campus, BTM-2. This lifts the site's total planned IT capacity to 118MW.

BTM-1's structure has been topped off, with water and power secured. The initial 6MW of IT load is expected to be ready for service (RFS) in 4Q26, with the full 18MW capacity following in 1H27. Gorilla Technology has contracted the entire 18MW capacity as the anchor tenant.

BTM-2 is designed five data halls with direct liquid cooling, supporting AI-ready workloads with rack densities from 83kW to 250kW. Management plans to adopt modular and prefabricated construction, targeting completion within one year and RFS in 2028. The campus will require a 2 × 145 MVA power allocation.

Exhibit 1. NeutraDC Batam campus



Source: Company, BRIDS

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See important disclosure at the back of this report

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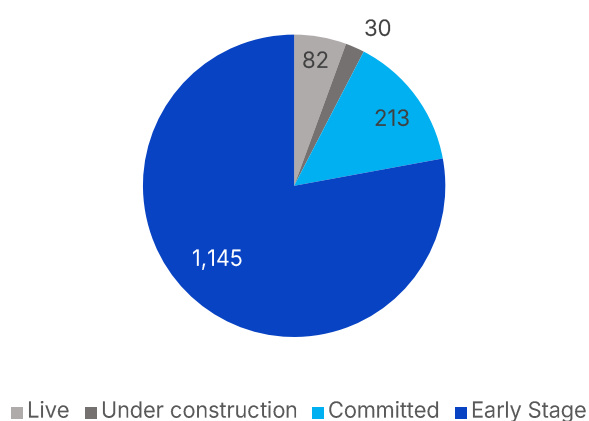
Batam's DC appeal grows, but power & water constraints are emerging

Batam's DC market remains weighted toward future supply: only 82MW of IT load is live and 30MW is under construction, while committed and early-stage projects total ~1.4GW. Despite Batam's advantages in connectivity, power tariffs and fiscal incentives, we expect converting this early-stage pipeline into committed or under-construction capacity to become more challenging as power and water constraints tighten.

For power, demand is set to outgrow the grid. Batam's installed generation capacity stands at ~1GW with a reserve margin of 20%, and PLN Batam aims to expand supply capacity to 1.2-1.3GW. Data centers alone, however, would require 2GW of power if the full 1.5GW pipeline is built, assuming a PUE of 1.4. In response, BP Batam now requires DC operators to self-build and fund their power plant, which is transferred to PLN Batam after 10 years. This raises effective capex per MW for DC owners, with management indicating a cost of Rp25bn per MW.

For water, the binding constraint is the reservoir system. Batam's public supply of 4,200 L/s (363k m³/day) comes entirely from rain-fed reservoirs with a total potential of only 5,000 L/s, leaving headroom of 800 L/s (69k m³/day). We estimate the full ~1.5GW pipeline would require 64k m³/day under conventional evaporative cooling (1.8 liters per kWh), absorbing 92% of that headroom. In response, BP Batam now requires DC developers to build and operate their own seawater desalination (SWRO) plants, at a production cost of Rp25,000 per m³.

Exhibit 2. Data supply IT load capacity in Batam (MW)



Source: Company, BRIDS

Exhibit 3. NeutraDC Batam location and surrounding infrastructure



Source: Company, BRIDS

Exhibit 4. Batam data center pipeline by operator

DC Player	MW Planned	MW Live
DayOne	72	72
DayOne x Firmus	450	-
Range Technology x Equator	360	-
Altiva	200	-
STT Global Data Center	160	-
BW Digital	120	-
NeutraDC Nxera Batam	118	-
Priceton Digital Group	96	-
Racks Central	95	-
Gaw Capital	25.2	5.2

Source: Company, BRIDS

Higher capex per MW for BTM-2

NeutraDC Batam has secured 90MW of power from PLN Batam, but the full 118MW campus requires 165MW at a PUE of 1.4, leaving a 75MW gap to be met by self-built generation. At Rp25bn per MW, this implies Rp1.9tr (US\$114mn), or US\$1.1mn/MW of BTM-2 IT load, on top of management's US\$7-9mn/MW guidance. Water adds little: BTM-1 draws on Kabil's existing supply, while BTM-2 will need its own SWRO plant to meet ~850-1,000m³/day, costing only Rp8-9bn a year. All in, we estimate BTM-2's total capex at US\$0.8-1.0bn (Rp14.5-18tr).

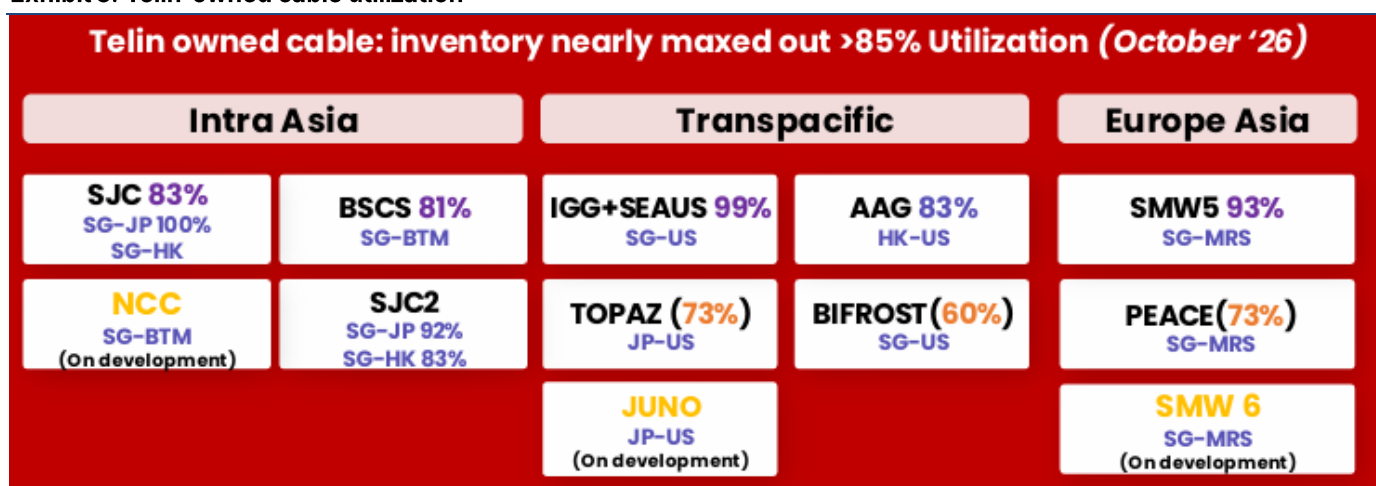
On financing, NeutraDC is currently undergoing a divestment process, and we expect a portion of the proceeds to be allocated toward its capex commitments. That said, management is not relying solely on the transaction, as NeutraDC has already begun sourcing loans, supported by TLKM low leverage profile.

Telin: Sold-out capacity, bigger ambitions

Telin's subsea network is nearing full utilization. Its own cable systems are over 85% sold as of Oct26, with the Trans-Pacific IGG–SEA-US route at 99%, SJC2 (Singapore–Japan) at 92% and BSCS (Singapore–Batam) at 81%. Even Bifrost, launched only at end-2025, is expected to sell out by 1Q27. To keep growing, Telin is upgrading capacity on existing cables in the short term and building new subsea systems through consortium, including SMW6, ICE Cables, and DRACO.

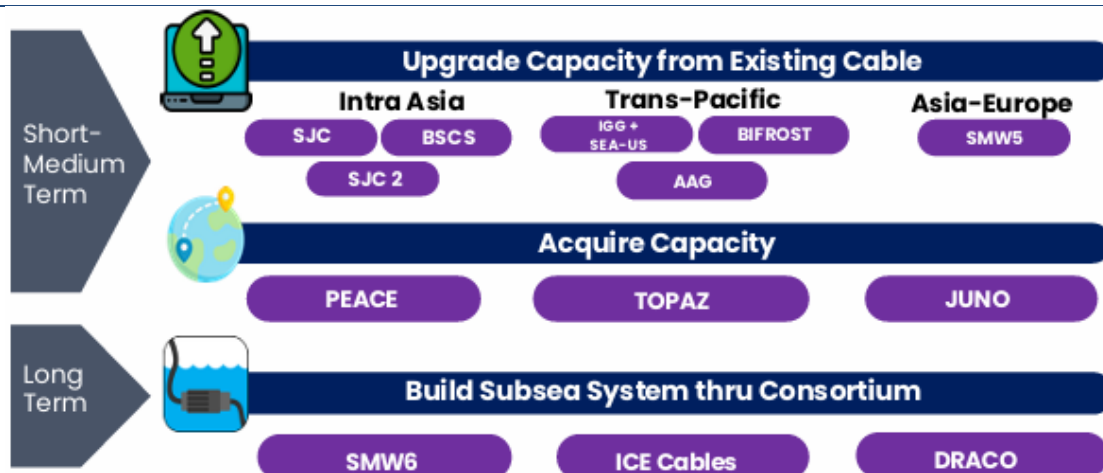
Telin is midway through a transition from legacy international voice, which still accounts for 43% of revenue but is in structural decline, toward connectivity. Management guides FY26 EBITDA at Rp2tr (Rp823bn in 1H26). Looking ahead, it targets connectivity to reach 80% of Telin's revenue and a Telin enterprise value of Rp40-45tr by FY30. To expand beyond its near-exhausted capacity, Telin plans of Rp32tr of capex through FY31. In our view, Telin is an under-appreciated value pocket within TLKM and a direct proxy for the growth of the data center industry.

Exhibit 5. Telin-owned cable utilization



Source: Company

Exhibit 6. Telin subsea strategy



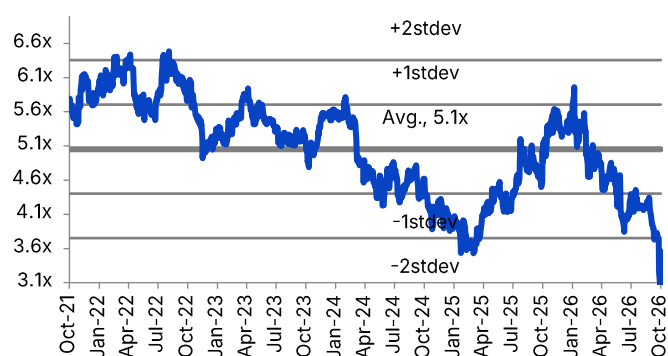
Source: Company

Exhibit 7. Telco peers valuation

Company	Rec.	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		EV/EBITDA (x)		PBV (x)		ROE (%)		Div. yield (%)
				'26F	'27F	'26F	'27F	'26F	'27F	'26F	'27F	
EXCL	BUY	3,600	32,032	n.a	9.8	4.0	3.8	1.1	1.0	-4.4	10.8	n.a
ISAT	BUY	3,430	57,568	10.0	11.2	3.9	3.5	1.5	1.4	15.3	13.0	5.2
TLKM	BUY	3,500	210,012	10.9	9.9	3.3	3.1	1.7	1.7	15.0	16.8	10.5
Weighted average				8.2	10.1	3.5	3.3	1.5	1.5	10.9	14.7	7.9

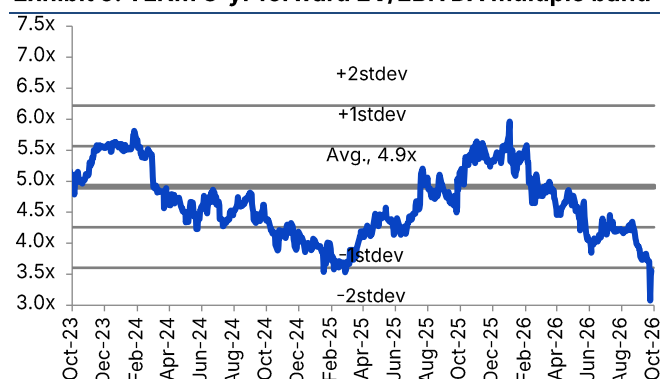
Source: Company, BRIDS Estimates

Exhibit 8. TLKM 5-yr forward EV/EBITDA multiple band



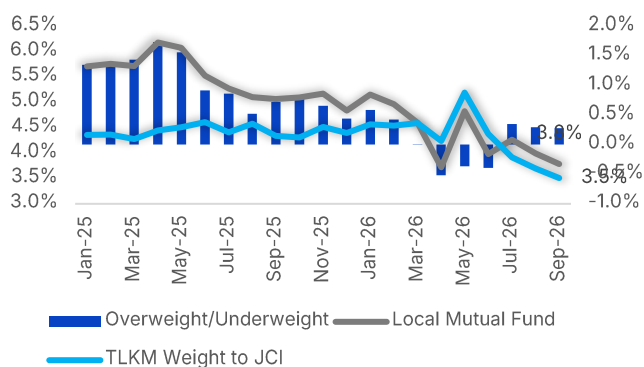
Source: Bloomberg, BRIDS Estimates

Exhibit 9. TLKM 3-yr forward EV/EBITDA multiple band



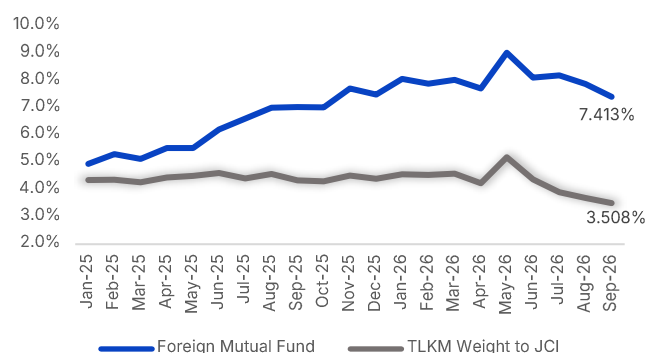
Source: Bloomberg, BRIDS Estimates

Exhibit 10. TLKM's domestic fund positioning



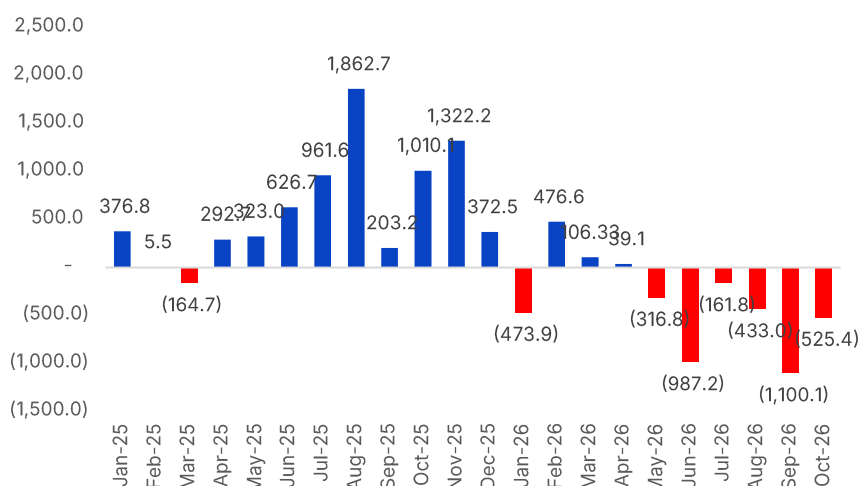
Source: KSEI, BRIDS

Exhibit 11. TLKM's foreign ownership



Source: KSEI, BRIDS

Exhibit 12. TLKM's monthly foreign flow (Rpbn)



Source: IDX, Bloomberg, BRIDS

Exhibit 13. Income Statement

Year to 31 Dec (Rpbn)	2024A	2025A	2026F	2027F	2028F
Revenue	149,967	146,742	150,349	153,930	160,206
COGS	(96,165)	(99,480)	(100,015)	(101,298)	(105,175)
Gross profit	53,802	47,262	50,334	52,632	55,031
EBITDA	75,029	72,240	73,216	76,820	80,905
Oper. profit	41,453	34,648	37,045	39,470	41,265
Interest income	1,367	1,661	1,552	1,478	1,554
Interest expense	(5,208)	(5,206)	(4,864)	(4,633)	(4,870)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	3	(1)	0	0	0
Other Income (Expenses)	0	0	0	0	0
Pre-tax profit	37,615	31,102	33,733	36,316	37,949
Income tax	(8,118)	(6,644)	(7,421)	(7,989)	(8,349)
Minority interest	(7,094)	(6,644)	(7,055)	(7,113)	(7,219)
Net profit	22,403	17,814	19,257	21,213	22,381
Core Net Profit	22,403	17,814	19,257	21,213	22,381

Exhibit 14. Balance Sheet

Year to 31 Dec (Rpbn)	2024A	2025A	2026F	2027F	2028F
Cash & cash equivalent	33,905	34,228	24,896	29,549	36,536
Receivables	12,193	11,223	11,996	12,282	12,782
Inventory	1,096	901	1,023	1,047	1,090
Other Curr. Asset	14,601	13,994	14,649	14,998	15,609
Fixed assets - Net	206,687	203,380	203,559	202,897	201,137
Other non-curr.asset	21,622	22,613	22,118	22,365	22,241
Total asset	291,389	287,759	279,492	284,381	290,765
ST Debt	27,391	24,675	21,350	22,400	23,592
Payables	15,336	16,184	16,582	16,977	17,669
Other Curr. Liabilities	34,040	33,089	34,389	35,209	36,644
Long Term Debt	25,518	26,099	22,748	23,868	25,137
Other LT. Liabilities	34,900	37,175	36,038	36,606	36,322
Total Liabilities	137,185	137,222	131,107	135,060	139,364
Shareholder's Funds	133,808	130,685	126,769	125,927	126,202
Minority interests	20,396	19,852	21,616	23,394	25,199
Total Equity & Liabilities	291,389	287,759	279,492	284,381	290,765

Exhibit 15. Cash Flow

Year to 31 Dec (Rpbn)	2024A	2025A	2026F	2027F	2028F
Net income	22,403	17,814	19,257	21,213	22,381
Depreciation and Amort.	34,181	37,649	35,828	37,350	39,641
Change in Working Capital	(4,835)	1,534	317	564	848
Other Oper. Cash Flow	3,841	3,545	3,312	3,155	3,316
Operating Cash Flow	55,590	60,542	58,713	62,281	66,186
Capex	(18,388)	(27,215)	(36,007)	(36,688)	(37,880)
Others Inv. Cash Flow	756	670	2,047	1,230	1,678
Investing Cash Flow	(17,632)	(26,545)	(33,960)	(35,457)	(36,203)
Net change in debt	8,971	140	(7,814)	2,739	2,176
New Capital	(401)	0	0	0	0
Dividend payment	(17,683)	(21,047)	(21,992)	(22,145)	(22,061)
Other Fin. Cash Flow	(4,845)	(5,640)	(4,280)	(2,764)	(3,111)
Financing Cash Flow	(13,958)	(26,547)	(34,086)	(22,170)	(22,996)
Net Change in Cash	24,000	7,450	(9,332)	4,653	6,988
Cash - begin of the year	29,007	33,905	34,228	24,896	29,549
Cash - end of the year	33,905	34,228	24,896	29,549	36,536

Exhibit 16. Key Ratio

Year to 31 Dec	2024A	2025A	2026F	2027F	2028F
Growth (%)					
Sales	0.5	(2.2)	2.5	2.4	4.1
EBITDA	(3.3)	(3.7)	1.4	4.9	5.3
Operating profit	(6.6)	(16.4)	6.9	6.5	4.5
Net profit	(8.8)	(20.5)	8.1	10.2	5.5
Profitability (%)					
Gross margin	35.9	32.2	33.5	34.2	34.4
EBITDA margin	50.0	49.2	48.7	49.9	50.5
Operating margin	27.6	23.6	24.6	25.6	25.8
Net margin	14.9	12.1	12.8	13.8	14.0
ROAA	7.8	6.2	6.8	7.5	7.8
ROAE	17.1	13.5	15.0	16.8	17.8
Leverage					
Net Gearing (x)	0.1	0.1	0.1	0.1	0.1
Interest Coverage (x)	8.0	6.7	7.6	8.5	8.5

Source: TLKM, BRIDS Estimates

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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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