

Telkom Indonesia ID SDR 1to5

(SGX: ITKD)

Riding Indonesia’s Digital Growth Wave

- **Company Overview:** PT Telkom Indonesia (Persero) Tbk, 52% owned by the Indonesian government, is the country's largest telecommunications and network service provider, and the parent company of Telkomsel – Indonesia's biggest mobile operator.
- **Telkomsel – Core Earnings Driver:** Telkomsel contributed 74% of PT Telkom's total revenue in 1H25 and remains the market leader with over 50% mobile subscriber share. After an intense price war in 2024, Indonesia's telcos have shifted focus toward profitability.
- **Growing Digital Ecosystem:** Telkomsel's digital business now accounts for over 90% of mobile revenue, driven by content, gaming, advertising, and enterprise solutions.
- **Data Centre Expansion and Infrastructure Growth:** Telkom's data centre arm, NeutraDC, operates 35 facilities with a total capacity of 44MW, spanning 30 domestic and 5 overseas locations. Utilisation stands at around 76%.
- **Partnership with SingTel:** Telkomsel is a joint venture between PT Telkom (70%) and SingTel (30%), combining local market reach with international expertise. Both groups are collaborating on hyperscale-ready data centre developments, aimed at supporting regional AI and cloud demand.
- **Financial Performance and Outlook:** Telkom reported 2Q25 revenue of IDR36.4 trillion, down 4% year-on-year, as weak mobile ARPU and slower digital growth weighed on performance. EBITDA margin contracted slightly to 49.1%. Management has revised FY25 revenue guidance to flat, with expected EBITDA margin of about 50%.
- **Dividend and Shareholder Initiatives:** Telkom offers a trailing yield of 6.9% and a targeted payout ratio of around 80% for FY2025. Additionally, a Rp 3 trillion share buyback program was approved at the latest AGM to enhance shareholder value.
- **Beneficiary of digital transformation.** PT Telkom is a key beneficiary of Indonesia's digital transformation. Its market dominance through Telkomsel, expanding data centre presence, and strong dividend policy provide resilience, while continued execution of digital initiatives will be crucial for long-term growth.
- **Key Risks:** Earnings could be impacted by a weaker macroeconomic backdrop, persistent ARPU pressure, and rising capital expenditure for fibre, 5G, and data centres. Competition from over-the-top (OTT) service providers such as WhatsApp and Netflix also continues to pressure margins.

Ticker	ITKD
Rating	Not Rated

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PT Telkom Indonesia

Company Overview

PT Telkom Indonesia (Persero) Tbk, 52% owned by the Indonesian government, is the country’s largest telecommunications and network service provider. It is also the parent of Telkomsel, Indonesia’s biggest cellular operator.

Figure 1: Shareholder Composition and Ownership Summary



Public Ownership



As of 30 June 2025

Source: Company Data

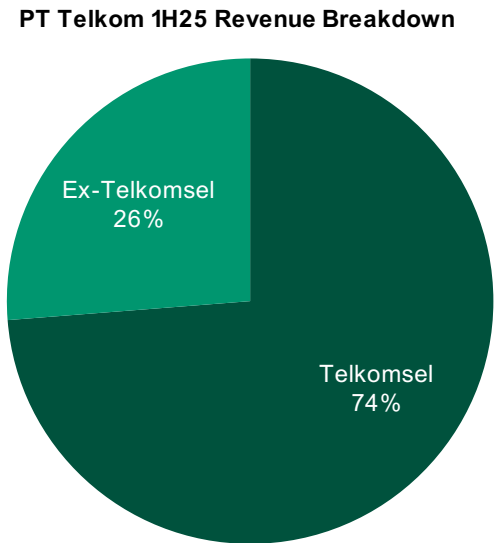
Figure 2: Telkom, as a holding company, focuses on strategic direction and managing subsidiaries

Telkom Strategic Holding State				
B2C Business	B2B Infrastructure	B2B International	B2B IT Services	Others
Mobile Fixed Broadband Provides a massive customer base and network reach to enable cross-selling opportunities, driving customer loyalty and revenue growth.	Tower Fiber DC Satellite Serve as digital infrastructure provider consisting of: DC, Tower, Backbone Fiber and Satellite	International Connectivity Expands Telkom Group's global footprint through subsea cable network, international connectivity, and wholesale services.	System Integration, IT Services, Others Connects disparate software applications systems, & data sources into a single, cohesive IT environment to improve efficiency, reduce data silos, & meet business objectives.	The other Entities Currently undergoing streamlining to optimize resource and ecosystem collaboration, ensuring stronger alignment and operational efficiency.

Source: Company Data

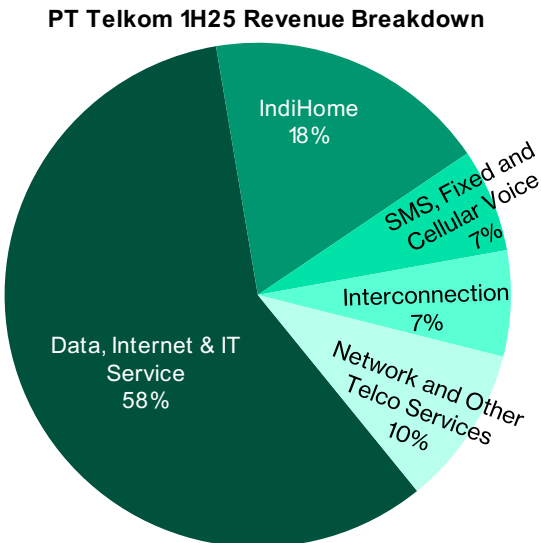
Telkomsel – The Crown Jewel

Figure 3: Telkomsel is 74% of 1H25 Telkom revenue



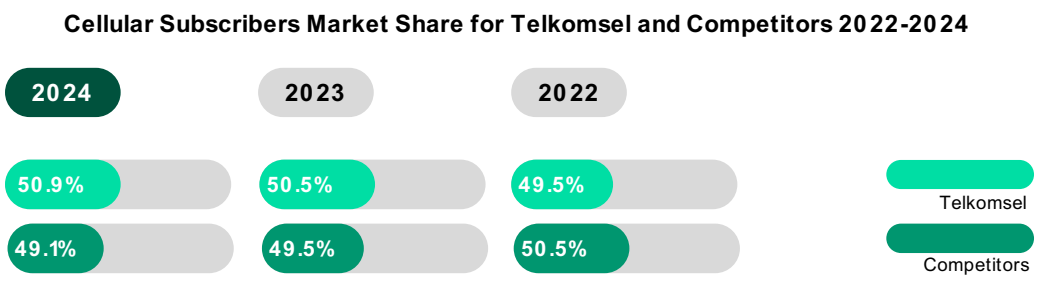
Source: Company Data

Figure 4: PT Telkom 1H25 Revenue Breakdown by segment



In 1H25, Telkomsel contributed 74% of PT Telkom's total revenue. It is the market leader in Indonesia with >50% mobile subscriber share as of end-2024.

Figure 5: Telkomsel is the market leader with >50% of mobile subscriber share



Source: Company Data

By the end of 2024, 5G adoption in Indonesia was still in its early stages, with a 3% adoption rate, while 4G dominated the market. Telkomsel have led by building nearly 1,000 5G base stations in 56 cities/regencies at end of 2024. 5G rollout is expected to enable advanced digital use cases (AR/VR, IoT, autonomous vehicles).

Sector Consolidation & ARPU Recovery

In 2024, Indonesia telco operators engaged in an aggressive price war, offering ultra-low-cost starter packs, with some selling 3GB of data for as little as IDR10,000 to drive subscriber growth.

By mid-2025, the situation improved as prices had been significantly revised, with entry-level packs typically ranging from IDR25,000-35,000 depending on the operator and data quota. These pricing moves marked a shift in industry strategy toward revenue recovery and improved average revenue per user (ARPU) following heavy promotional activity the previous year.

Digital business: the anchor of mobile revenue

The proportion of digital business to Telkomsel's mobile revenue has grown from 89.9% in June'24 to 90.6% June this year, as Telkomsel deepens its transition away from legacy services towards a more value-aligned portfolio.

Its digital business is focused on 3 pillars.

- Digital Lifestyle Services (content, gaming, entertainment, financial services).
- Digital Advertising & Enterprise Solutions.
- Digital Platforms & Ecosystems (through its subsidiary INDICO).

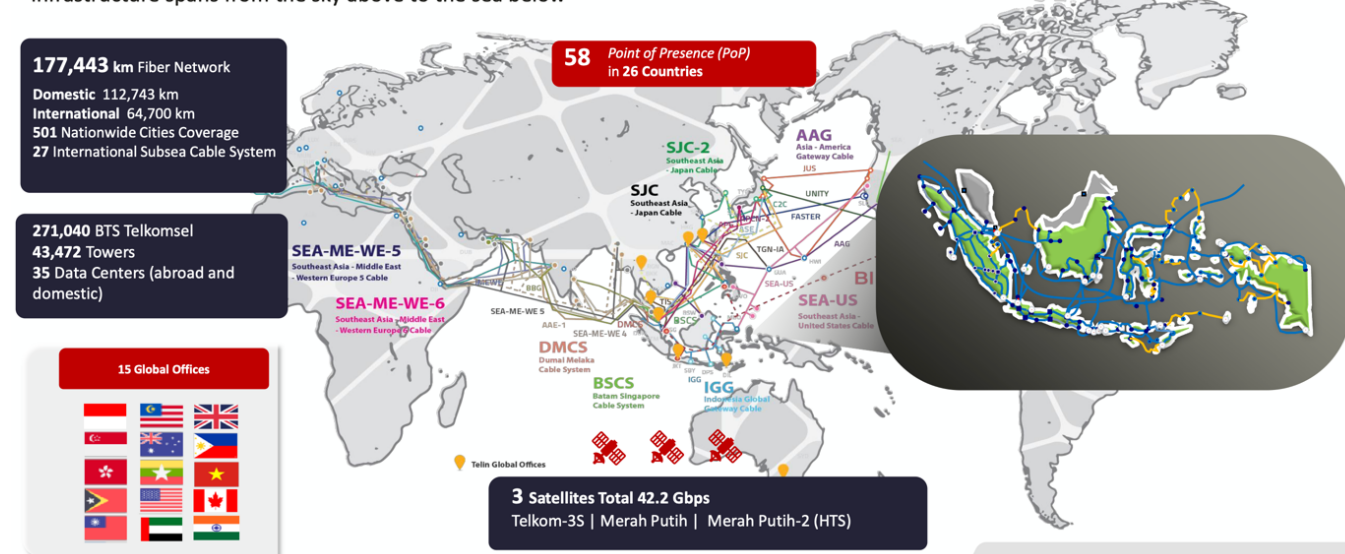
Expanding Digital Infrastructure

PT Telkom is expecting its aggregate non-consumer business growth to outpace through its diversification efforts.

As part of its “5 Bold Moves” strategy, PT Telkom is aggressively scaling its digital infrastructure and data centres.

Figure 6: Telkom’s digital infrastructure footprint

Numerically, apart from Telkomsel, our next-largest value creation shall come from unlocking our infra business category since our infrastructure spans from the sky above to the sea below



Source: Company Data

Data Centre Network (NeutraDC)

In 2024, Indonesia's data center industry solidly grew with a total business value of US\$3 billion, encouraged by the increasing demand for reliable digital and data storage services. Telkom experienced competition in this industry from several major players, such as DCI Indonesia and Dian Swastika Sentosa. DCI Indonesia is the current market leader in this sector with a target capacity of 119 MW by the end of 2024.

Telkom operates 35 data centres with total capacity of 44MW (enterprise + hyperscale) and 2,420 racks for edge computing.

Its data centre footprint spans 30 Indonesian locations plus 5 international sites (Singapore, Hong Kong, Timor Leste).

The utilization rate of NeutraDC's data center capacity currently stands at approximately 76%, supported by a diverse customer base encompassing government, banking, large enterprises, and global cloud service providers.

Sustainability & Innovation

NeutraDC utilizes solar panels for renewable energy and employs water-based cooling technology to boost energy efficiency. Its data centers are also designed to meet

future demands, including the high-power density required for advancements in Artificial Intelligence (AI).

This supports Telkom’s goal to be a leading regional digital infrastructure provider.

Diversification into Digital Platforms

The increasing technology adoption and expansion of internet access have resulted in digital business growth in Indonesia. E-commerce continues to dominate the digital economy, with a projected Gross Merchandise Value (GMV) of US\$110 billion in 2025. Indonesia’s digital economy is projected to reach US\$210–360bn by 2030.¹

PT Telkom through Telkomsel’s subsidiary, INDICO, is focused on driving the development of Indonesia’s digital ecosystem and operates in various business lines in multiple sectors, including Fita (health-tech), Kuncie (edu-tech), Majamojo (gaming), and Digital Food Ecosystem (agri-tech).

Value Unlocking Initiatives

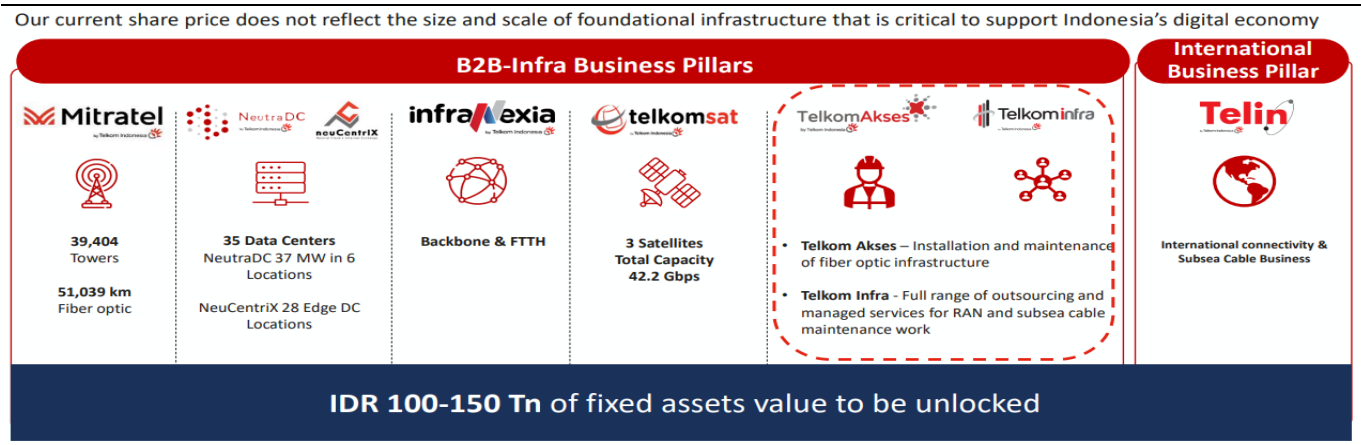
PT Telkom is looking to restructure/divest non-core units to focus on core telecom & digital infra.

Monetisation targets include Infranexia (fibre) and NeutraDC (data centres) via stake sales or strategic investors.

It also plans to cut the number of subsidiaries from 55 to 22 for efficiency.

Management currently values the InfraCo (which includes data centres, wholesale, infra) at IDR100tn, targeting IDR100–150tn value unlock.

Figure 7: Telkom - unlocking value of existing digital infrastructure assets



Source: Company Data

¹ PT Telkom 2024 Annual Report

Telkomsel & SingTel Strategic Alliance

Telkomsel is a joint venture between PT Telkom Indonesia (70% ownership) and SingTel (30%).

Established in 1995, the partnership combines Telkom's local reach and government backing with SingTel's global telecom expertise.

In the most recent quarter, Telkomsel contribute close to 25% of SingTel's regional associates' total profit after tax, the 2nd largest contributor.

INDICO (Telkomsel's digital subsidiary) and SingTel's regional associates (Airtel, AIS, Globe, Optus) collaborate through the SingTel Group Digital Ecosystem, sharing insights on fintech, healthtech, and edtech.

In 2024, Telkom and SingTel announced plans to expand data center collaboration via STT GDC (Singtel's data center arm). This includes developing hyperscale-ready capacity in Indonesia under NeutraDC, aimed at serving global cloud providers and AI workloads.

Recent Financial Performance

2Q25 Results

Telkom reported a 2Q25 revenue of IDR36.4trillion, down 4% compared to a year ago, mainly due to weak mobile ARPU and continued softness in digital revenue.

2Q25 EBITDA (earnings before interest, taxes, depreciation and amortisation) was IDR17.9trillion, down 3% from last year, with margins compressing to 49.1% (from 49.8% in 1Q25).

FY2025 Guidance Revision

Management has revised its FY25 revenue guidance to flat from low single digit growth previously and has reduced its EBITDA margin expectation to 50% from its previous guidance of 50-52%.

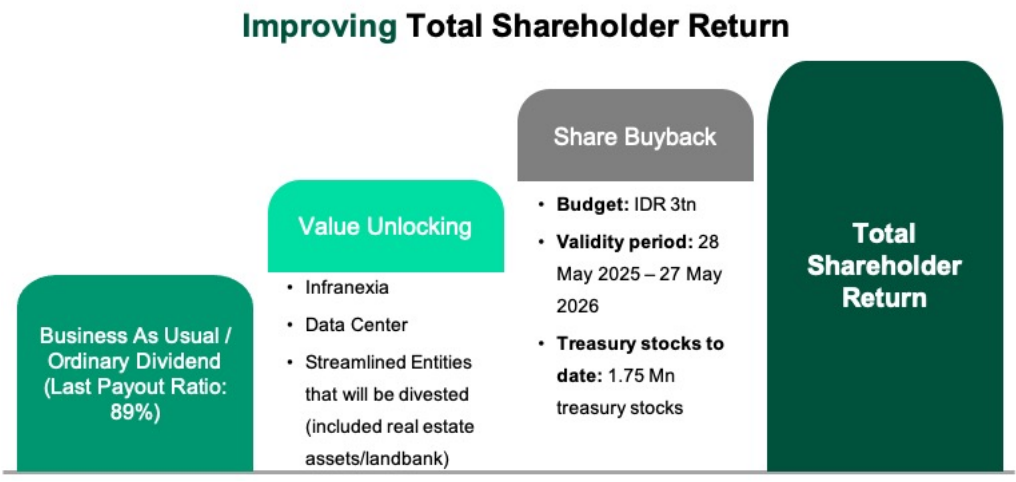
Dividend Appeal

Telkom has one of the highest dividend yields among Indonesian blue chips. The company has a consistent dividend track record and management has committed to a payout ratio of 60–90%. Telkom offers a trailing dividend yield of 6.9%.

In 2025, the management has guided that it intends to pay out approx. 80% of earnings as dividends for FY 2025.

Furthermore, at the recent AGM, PT Telkom announced the approval of a share buyback program of up to Rp 3 trillion, which could potentially further enhance shareholder value.

Figure 7: Improving total shareholder return



Source: Company Data

Key Risks

Despite earlier expectations for a stronger rebound, recent macroeconomic indicators reflect an uneven and fragile recovery. The recent softer FY2025 guidance reflects continued pressure from subdued consumer spending and broader macroeconomic conditions.

Weak ARPU remains a drag, though stabilisation is underway as the impact from aggressive promotions fade.

Transmission charges and spectrum fees remained critical investments to support the network connectivity and sustained traffic growth, however this high infrastructure outlay for fibre, 5G, and data centres may weigh on free cash flow.

There is a shift from traditional voice and SMS services to Over-the-top (OTT) services such as WhatsApp, Line and Skype which would impact revenue growth.

Other OTT services such as Netflix and Youtube deliver attractive content over telco operators' networks without providing proportional contributions to infrastructure maintenance costs, adding to the telco operator's capex burden.

Disclosure Appendix

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