

October Alpha Picks: Earnings Delivery Amid Macro Uncertainty

Highlights

- **September sell-off:** The JCI fell 7.9% mom; our picks declined 9.5%, underperforming by 1.6%.
- **October recovery hinges on macro stability and earnings:** The Fed meeting, 3Q26 results and market-structure changes are key watchpoints.
- **Rotate towards company-specific catalysts:** Add TLKM, AADI and GOTO; remove AMMN, ARCI, and BMRI. Our picks: AADI, ASII, BBCA, BULL, CMRY, ELSA, GOTO, INKP, TLKM, and EXCL.

What's New

- **September: Macro-led sell-off.** The JCI fell 7.9% mom in Sep 26 while the rupiah weakened 1.0% against the US dollar. Technology (-15.1%), infrastructure (-12.0%) and property (-11.5%) led the declines, while industrials (+0.6%) was the only sector to gain. Amid higher global yields (US 10-year Treasury yield above 5%), stubbornly high oil prices and persistent currency pressure, along with the implementation of a lower minimum share price (Rp1/share, down from Rp50/share) introduced additional price-discovery risk for low-priced stocks and may have further amplified market volatility. Our 10 September picks fell 9.5% on a simple-average basis, underperforming the JCI by 1.6%. AMMN (+3.2%) was the only positive performer, while BULL (-24.7%) and EXCL (-15.5%) recorded the largest declines.
- **October outlook: Recovery depends on macro stability and earnings delivery.** The JCI is likely to remain volatile in Oct 26. A rebound is possible if global bond yields stabilise, rupiah pressure eases and foreign selling moderates. Higher oil prices and potential El Niño-related food inflation could constrain BI's policy flexibility and weigh on household purchasing power, limiting the breadth of any rebound. The 3Q26 results season will test commodity earnings, consumer resilience, infrastructure contract delivery, and banks' margins and asset quality, while the October Fed meeting (27-28 October) will shape global yields and foreign flows. A sustained market-wide re-rating requires clearer improvement in currency stability, foreign flows and policy confidence, so we expect an uneven recovery led by companies that beat earnings expectations, although greater clarity on Indonesia's MSCI outcome ahead of the November deadline should broadly support flows.
- **Market structure is an October watch item.** BEI is phasing short selling back in, with initial eligible-stock lists featuring only five highly liquid large-cap stocks: ASII, BBCA, BRPT, BUMI, and INDF. This is due to take effect in October, adding downside-volatility risk. The planned cut in the minimum share price to Rp1 from Rp50 was implemented on 28 September, which mainly affects illiquid stocks (with the exception of GOTO) and is a small-cap price-discovery issue. Note that GOTO's recent trading value is Rp2.7t, significantly the highest in JCI.

Actions

- **October positioning: We rotate from macro beta to company-specific earnings catalysts.** We remove AMMN, ARCI, BBCA and BMRI and add TLKM, AADI, and GOTO, retaining ASII, BULL, CMRY, ELSA, INKP and EXCL. The revised portfolio shifts towards diversified domestic businesses, consumer growth, energy services, exports and telecommunications. TLKM adds a more defensive franchise, although earnings delivery, capex discipline and shareholder returns remain important. EXCL has a separate catalyst in post-merger synergy delivery. ASII and CMRY carry domestic-demand exposure and must show cost pass-through in 3Q26, ELSA and

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Alpha Picks Recommendations

Company	Ticker	Rec	Share Price (Rp)	Target Price (Rp)
Adaro Andalan	AADI	BUY	11,525	14,300
Astra International	ASII	BUY	4,630	7,100
Bank Central Asia	BBCA	BUY	6,150	8,150
Buana Lintas Lautan	BULL	BUY	346	770
Cisarua Mountain Dairy	CMRY	BUY	4,420	6,400
Elnusa	ELSA	BUY	625	1,450
Gojek Tokopedia	GOTO	BUY	30	60
Indah Kiat Pulp & Paper	INKP	BUY	8,050	15,700
Telkom Indonesia	TLKM	BUY	2,250	3,300
XLSMART Telecom	EXCL	BUY	2,380	3,600

Source: Bloomberg

Alpha Picks Performance In Sep 26

Company	Rec	Sep 26 (%)	To Date (%)
AMMN	BUY	3.2	-47.5
ARCI	BUY	-9.5	-42.4
ASII	BUY	-5.1	-32.8
BBCA	BUY	-7.1	-28.9
BMRI	HOLD	-6.2	-25.2
BULL	BUY	-24.7	-17.9
CMRY	BUY	-10.9	-24.9
ELSA	BUY	-11.4	28.5
INKP	BUY	-7.5	-12.0
EXCL	BUY	-15.5	-42.7
USD-IDR X-Rate		1.0	7.8
JCI		-7.9	-28.7
UOBKH Portfolio		-9.5	

Source: Bloomberg

Portfolio Return

(%)	2025	1Q26	2Q26	3Q26
JCI return	22.1	-18.5	-19.9	7.6
Alpha Picks Return				
- Price-weighted	-2.3	-6.1	-17.4	7.9
- Market cap-weighted	-5.5	-6.8	-11.4	6.8
- Equal-weighted	16.5	-6.0	-17.5	13.8

Assumptions for the 3 methodologies:

- 1) Price-weighted: Assuming the same number of shares for each stock, a higher share price will have a higher weighting.
- 2) Market cap-weighted: Weighting is based on the market cap at date of inclusion, a higher market cap will have a higher weighting.
- 3) Equal-weighted: Assuming the same investment amount for each stock, every stock will have the same weighting.

Source: UOB Kay Hian

BULL give energy-linked exposure, and INKP adds export earnings. We also add GOTO on renewed buying interest following the IDX price-floor cut, improving fundamentals, and corporate-action support from its treasury cancellation plan and buyback.

Analysts' Alpha Picks

Analyst	Company	Rec	Performance (%) [*]	Catalyst
Benyamin Mikael, Alden Gabriel	Adaro Andalan Indonesia	BUY	n.a.	a) Winter seasonal demand, b) Additional income from Kaltara power plant rental, and c) Kestrel divestment.
Willinoy Sitorus & Alden Gabriel	Astra International	BUY	-5.1	Rp8t buyback budget for the next 12 months.
Posmarito Pakpahan	Bank Central Asia	BUY	-7.1	Having the most resilient NIM among our coverage during rate hikes and tighter liquidity.
Willinoy Sitorus & Audrey Celia	Buana Lintas Lautan	BUY	-24.7	a) 3Q26 results confirming sticky freight rates, b) timely commissioning of new vessels, and c) clarity on the potential corporate action.
Willinoy Sitorus & Audrey Celia	Cisarua Mountain Dairy	BUY	-10.9	Continued strong growth momentum in dairy, New consumer food lines to operate in 3Q26.
Benyamin Mikael, Alden Gabriel	Elnusa	BUY	-11.4	New contracts secured in late-25 and early-26, government support, clear earnings visibility for 2026-27.
Willinoy Sitorus & Audrey Celia	Gojek Tokopedia	BUY	n.a.	EGM approval of the treasury share cancellation (14 Oct), progressive buyback deployment, renewed buying traction following the IDX price-floor cut.
Willinoy Sitorus & Audrey Celia	Indah Kiat Pulp & Paper	BUY	-7.5	New Karawang plant commercial start-up, pulp price recovery.
Willinoy Sitorus & Andrew Agita	Telkom Indonesia	BUY	n.a.	Announcement of value unlocking progress.
Willinoy Sitorus & Andrew Agita	XLSMART Telecom Sejahtera	BUY	-15.5	Proper EBITDA margin improvement.

^{*}Denotes a timeframe of 1-3 months and not UOB Kay Hian's usual 12-month investment horizon for stock recommendation

Source: UOB Kay Hian

Valuation Of Analysts' Alpha Picks

Company	Ticker	Rec	Price	Target	Upside	Market	3M Avg	P/E	P/B	ROE	Div.Yield	Net
			2 Oct 26	Price	To TP	Cap	Turnover	2026F	2026F	2026F	2026F	Gearing
			(Rp)	(Rp)	(%)	(US\$m)	(US\$m)	(x)	(x)	(%)	(%)	(%)
Adaro Andalan Indonesia	AADI	BUY	11,525	14,300	24.1	5,013	5.7	4.6	1.3	30.2	10.6	(3.6)
Astra International	ASII	BUY	4,630	7,100	53.3	10,470	12.7	6.6	0.8	11.9	8.2	19.4
Bank Central Asia	BBCA	BUY	6,150	8,150	32.5	42,345	25.7	12.6	2.5	20.1	5.5	(30.9)
Buana Lintas Lautan	BULL	BUY	346	770	122.5	300	0.1	0.0	0.9	24.7	n.a.	53.6
Cisarua Mountain Dairy	CMRY	BUY	4,420	6,400	44.8	1,959	0.7	15.2	4.6	31.2	4.3	(25.1)
Elnusa	ELSA	BUY	625	1,450	132.0	255	0.9	5.3	0.8	15.6	7.1	(39.9)
Gojek Tokopedia	GOTO	BUY	30	60	100.0	1,994	2.6	30	1.0	4.3	-	(49.9)
Indah Kiat Pulp & Paper	INKP	BUY	8,050	15,700	95.0	2,461	2.0	4.1	0.3	8.1	0.4	21.6
Telkom Indonesia	TLKM	BUY	2,250	3,300	46.7	12,453	15.7	10.3	1.6	13.2	9.1	26.2
XLSMART Telecom Sejahtera	EXCL	BUY	2,380	3,600	51.3	2,420	1.0	n.a.	1.5	(6.0)	3.3	200.3

Source: Bloomberg, UOB Kay Hian

Adaro Andalan Indonesia – BUY (Benyamin Mikael/Alden Gabriel Lam)

- **AADI's mines sit in South Kalimantan, away from the constrained upstream Barito.** Adaro Andalan Indonesia (AADI)'s coal deliveries remain uninterrupted as of 6 Sep 26. Its major producing assets and the Adaro Indonesia (AI) coal mine are all in South Kalimantan and feed Kelanis via AADI's own 80km hauling road rather than by river. AADI only enters the river at the mid-Barito loading station and controls dredging on the stretch below through Sarana Daya Mandiri. We expect AADI to achieve 48% growth in net profit on higher coal prices.
- **Coal prices to stay elevated as supply disruption meets seasonal demand.** Newcastle coal price is up 37.7% since the US-Iran conflict began in Feb 26, while seasonal demand and El Niño supply disruption should keep

Share Price Catalyst

- **Event:** a) Winter seasonal demand, b) Additional income from Kaltara power plant rental, and c) Kestrel divestment.
- **Timeline:** 2026.

prices supported into 2H26. On the supply side, El Niño-driven low water levels have made parts of the upper Barito in Central Kalimantan unnavigable, with force majeure already declared by some shippers and Apindo estimating around 3.9 mt per month of barging at risk. On the demand side, the July to October window typically prices at the upper end of the range as Northern Hemisphere cooling demand overlaps with restocking ahead of winter, and this year the same El Niño is cutting Indian hydro output and monsoon replenishment, which pulls India back into the seaborne market.

- **Potential special dividend from Kestrel divestment.** The Kestrel divestment is still ongoing and could be completed in 1Q27. Once completed, AADI may distribute a special dividend from the proceeds. Assuming 100% payout and only the US\$640m upfront cash is paid out, the dividend could reach Rp1,450/share, implying an over 12% yield. AADI also remains attractive from a core dividend perspective, with its 2025 payout ratio at 59.2%.
- **Maintain BUY with target price of Rp14,300.** Our target price of Rp14,300 is based on 6.3x 2027F PE, which is ADRO's 2019-24 average PE prior to the spin-off of AADI. We increase our target price as coal prices continue to sustain at an elevated level with the upcoming winter seasonal demand and potential supply disruption from the El Nino effect. Additionally, AADI is expected to receive US\$60m in rental income for 2026.
- **Key risks:** a) Supply disruption from El Nino, and b) lower-than-expected coal prices.

Astra International – BUY (Willinoy Sitorus/Alden Gabriel Lam)

- **Another delay in BEV incentives.** The battery electric vehicle (BEV) incentives, which were supposed to be released on 1 Aug 26, have been delayed again. There is no update yet on the timing of the BEV incentive announcement, but the latest indication is that the incentive package will cover 500,000 BEVs and 500,000 electric motorcycles, for a total of 1m units. The incentive being prepared is a government-borne VAT (PPN-DTP) ranging from 40% to 100%, though the scheme is still being finalised and may treat nickel-based and lithium-based batteries differently. Surprisingly, we saw many BEV launches priced at lucrative value-for-money levels, especially in the Rp200m-500m/unit range during the event. If demand remains strong, the risk of the incentives not being extended is plausible in our view.
- **2H26 outlook.** The 4W industry recovery is expected to continue, with the industry maintaining its 2026 sales target of 850,000 units and ASII still targeting a solid 50% market share target. Manufacturing margins are expected to soften in 2H26, especially toward year-end, as forex and raw material cost pressures flow through and price increases stay gradual amid competitive conditions. Sales margins, however, should stay resilient on a better product mix, disciplined discounting, and higher after-sales contribution. In financial services, higher interest rates should have limited near-term impact as funding costs adjust gradually, with longer-term repricing managed through funding optimisation, risk-based pricing, and a preference for profitability over aggressive loan growth. Heavy equipment, mining, construction and energy (HEMCE) will improve in 2H26, with the geothermal impairment already booked in 1H26 and Martabe gold volumes normalising toward a full-year target of 60,000 oz. There is upside for the coal segment, as the coal RKAB budget has been raised from 7.5mt to 12.4mt.
- **Maintain BUY with an SOTP-based target price of Rp7,100.** Our valuation implies 10.1x 2026 PE.
- **Key risks:** a) further rate hikes, which would make financing costlier; and b) weaker purchasing power.

Share Price Catalyst

- **Event:** a) GIIAS event, b) Rp8t buyback programme, and c) continued delay in the rollout of BEV incentives.
- **Timeline:** Jul 26-Jul 27.

Bank Central Asia – BUY (Posmarito Pakpahan)

- **Resilient NIM during rate hikes and in a tighter liquidity environment.** Among the banks under our coverage, Bank Central Asia (BBCA) stands out as the most resilient in a rate hike cycle and a tighter liquidity environment, supported by its high exposure to floating-rate loans and bonds while its CASA-dominated funding structure renders it less sensitive to interest rate changes. Following the aggressive rate hikes, bond yields have moved higher, which should support asset yield expansion given BBCA's sizeable holdings of government bonds and SRBI.
- **Prudent lending stance amid soft demand and elevated retail risks.** The bank remains selective in the corporate segment despite continued lending opportunities, while demand in the commercial and SME segments continues to be weak, reflecting subdued underlying economic activity. Meanwhile, asset quality in the retail segment remains elevated, particularly in auto loans, where NPLs have risen to nearly 3% from a normal level of around 2%. Looking ahead, higher interest rates could further pressure loan demand in the already-weak commercial and SME segments, while also weighing on asset quality. As a result, we expect BBCA to remain prudent in loan origination, prioritising asset quality and risk-adjusted returns over volume growth despite its ample liquidity position.
- **Maintain BUY with a target price of Rp8,150.** At 2.6x P/B against a through-cycle ROE of 23-25%, BBCA's valuation is increasingly compelling following a de-rating driven more by foreign outflows and sovereign risk repricing than by any meaningful deterioration in fundamentals. Currently, BBCA is trading at -2SD to its 20-year historical P/B. Our Gordon Growth Model assumptions are ROE of 20.5%, growth of 8% and cost of equity of 11.9%, implying 3.2x P/B.
- **Key risks:** a) adverse macro development(s); b) rupiah instability that could impact rate cuts; c) uncertainty in geopolitical issues; d) a slowing economy, which would affect loan growth and worsen asset quality; e) NIM compression, and f) changes in regulations.

Share Price Catalyst

- **Event:** a) Having the most resilient NIM among our coverage during rate hikes, and b) tighter liquidity.
- **Timeline:** 2026.

Buana Lintas Lautan – BUY (Willinoy Sitorus/Audrey Celia)

- **1H26 results are well above expectations.** Buana Lintas Lautan's (BULL) 1H26 revenue grew 84.0% yoy to US\$128.7m, entirely driven by spot vessel charters (+100.2% yoy to US\$126.3m), which captured the higher freight rates that followed the US-Iran tensions. Direct costs grew 23.6% yoy accordingly, driven by the two vessels added 1H26, as depreciation (+17.0%) and port charges (+15.4%) scaled with fleet size, while fuel (+47.7%) rose on higher Brent. EBITDA surged +191.1% yoy to US\$71.2m, with the EBITDA margin seen expanding to 55.3% (1H25: 35.0%), while net profit jumped 736.5% yoy to US\$58.4m.
- **Balance sheet remains manageable despite the fleet build-up.** BULL spent US\$55.7m on vessel additions in 1H26, taking the fleet from 10 to 12 vessels. Gross debt rose 48.3% yoy to US\$156.2m, though cash also increased to US\$18.8m (1H25: US\$3.8m) on stronger cash flows, leaving net debt at US\$137.4m and net gearing at 52.4% (vs 49.6% in 1Q26). Retained earnings of US\$58.4m lifted equity broadly in line with net debt, leaving net gearing almost flat despite the vessel purchases.
- **Maintain BUY with a target price of Rp770,** based on 6.0x 2026F EV/EBITDA, still in line with peers. The multiple comes down from 7x in our July report as peer valuations have de-rated, not because of any change in our view on the company.
- **Key risks:** a) delays in commissioning new vessels, b) execution on the remaining additions, and c) freight rates normalising faster than we assume.

Share Price Catalyst

- **Event:** a) 3Q26 results confirming sticky freight rates, b) timely commissioning of new vessels, and c) clarity on the potential corporate action.
- **Timeline:** 4Q26.

Cisarua Mountain Dairy – BUY (Willinoy Sitorus/Audrey Celia)

- **Solid 2Q26 results.** CMRY continued to deliver solid results in 2Q26, with revenue and net profit growing 23.4% yoy and 20.0% yoy, respectively. Dairy remained the key growth driver, extending its strong momentum from 1Q26 with sales up a further 11.6% qoq. Gross margin remained healthy at 43.5%, within management's guidance of 42-44%. Overall, 1H26 earnings are in line at Rp1.17t (+18% yoy), representing 51% of our forecast and 52% of consensus.
- **Strong growth story remains intact.** We remain positive on CMRY, underpinned by continued product innovation, expanding distribution channels, and the ongoing rollout of the Free Meal Programme (MBG), which should indirectly support growth by driving traffic across its GT and Miss Cimory channels. Looking ahead, the new consumer foods facility, scheduled to commence operations in 3Q26, should provide an additional growth catalyst and accelerate consumer foods growth in 2H26.
- **Maintain BUY with a target price of Rp6,400**, based on 22x forward PE (its three-year historical average).
- **Key risks:** a) Fluctuation in raw material costs, b) rupiah depreciation, c) weak purchasing power, and d) intensifying competition.

Share Price Catalyst

- **Event:** a) Continued strong growth momentum in dairy, and b) new consumer food lines beginning operations in 3Q26.
- **Timeline:** 2026.

Elnusa – BUY (Benyamin Mikael/Alden Gabriel Lam)

- **Upstream recovery driving earnings visibility, supported by strong backlog conversion.** Elnusa's (ELSA) upstream activity is entering an upcycle, supported by: a) Indonesia's accelerating oil and gas development, and b) firmer global oil prices. ELSA booked new contracts worth Rp16.1t in 2025 (60% upstream), lifting the backlog to Rp21.9t (1.4x revenue) and providing clear earnings visibility for 2026-27.
- **Three-year CAGR of 19.5% in net profit over 2025-28.** With the government pushing for energy self-sufficiency, ELSA stands to benefit as a key supporting player working towards this goal. This underpins our forecast of net income growing at a three-year CAGR of 19.5% over 2025-28, supported by upstream project revenue, which we expect to grow at an 11.5% CAGR over the same period.
- **Expect earnings to improve from 2Q26 onwards**, supported by stronger revenue recognition as seismic project execution ramps up. Notably, several contracts secured in late-25 and early-26 including 3D Marine Seismic Kandawulo (PHE), 3D Mangatal (PEP), 3D OBN Zulu (PHE), and 2D/3D Tedong (PEP), are scheduled for execution through Jun-Jul 26. This should drive higher utilisation and a meaningful pick-up in seismic revenue from 2Q26 onwards.
- **Maintain BUY with target price of Rp1,450.** Its current valuation is undemanding at below that of regional peers, and offers re-rating potential driven by stronger contract wins, an improving earnings mix, and possible corporate actions.

Share Price Catalyst

- **Event:** Earnings expected to improve from 2Q26 onwards.
- **Timeline:** 2Q26-3Q26.

Gojek Tokopedia – BUY (Willinoy Sitorus/Audrey Celia)

- **New price floor lifts trading traction.** The IDX floor cut from Rp50 to Rp1/share (28 September) has enabled proper price discovery after nearly five months pinned at Rp50. The stock hit limit down for four sessions to a low of Rp26 in the last trading day (in line with its one-month average nego), before buying interest lifted it to a Rp30 close on strong Rp2.7t liquidity. Sentiment is further underpinned by the proposed cancellation of 32b treasury shares (2.7%), up for approval at the 14 October EGM, and the ongoing Rp3.5t buyback (Jun 26 to Jun 27).

Share Price Catalyst

- **Event:** a) EGM approval of the treasury share cancellation (14 October), b) progressive buyback deployment, c) renewed buying traction following the IDX price-floor cut, and d) continuous profitability improvement.

- **Fundamentals intact, fintech as the core driver.** GOTO maintains its FY26 adjusted EBITDA guidance of Rp3.2t-3.4t, trimming on-demand (ODS) on the lower 2W take rate (8% vs 20%) but raising fintech on stronger volumes and loan growth. We expect it to stay profitable in 3Q26 despite the mild 2W drag (~7% of revenue), the main risk being an extension of the cap to food delivery, though that business is structurally less vulnerable given its diversified monetisation (commissions, delivery fees, in-app ads). Fintech remains the core driver, with lending penetration still at about 7% of its 28.8m monthly transacting users (+29% yoy), leaving ample runway to monetise. Its loan book stands at Rp11t (+58% yoy) as of 2Q26, with manageable NPLs below 1% (>90 days overdue).
- **Maintain BUY with a target price of Rp60**, based on a blended 2.7x EV/sales. GOTO now trades at around 30x PE (vs Grab 19x and Sea 22x) but at a lower 1.7x P/S (vs Grab 3x and Sea 2x). A re-rating hinges on continued earnings delivery, particularly from its ecosystem moat and fintech-led margin expansion.
- **Key risks:** a) Across-the-board ODS implementation of the 8% take rate, b) weak purchasing power, and c) NPLs from the fintech business.
- **Timeline:** 4Q26.

Indah Kiat Pulp & Paper – BUY (Willinoy Sitorus/Audrey Celia)

- **Industry tailwinds coincide with capacity ramp-up.** We continue to like Indah Kiat Pulp & Paper (INKP) as it enters a key earnings inflection point. Earnings should be supported by firm pulp prices (9M26 average at ~US\$580/tonne vs US\$540/tonne in 9M25), rising demand for paper-based packaging amid higher plastic prices, and the gradual ramp-up of the Karawang plant, which began commercialisation in Apr 26 and should contribute more meaningfully from 3Q26 onwards. Importantly, after around US\$2.5b of capex over the past two years, INKP is now entering its monetisation phase, with new capacity ramping up while capex normalises, supporting stronger free cash flow generation and balance sheet deleveraging. Combined with its integrated low-cost structure, we forecast core profit growth of 50% in 2026, with ROE improving from 6.6% to 8.0%.
- **Maintain BUY with a target price of Rp15,700**, based on 8.3x 2026F PE, (+1SD above INKP's five-year trailing average).
- **Key risks:** a) High affiliated-party exposure, with around 75% of receivables from Cakrawala Mega Indah, which may affect collection timing; b) earnings sensitivity to volatile pulp prices; and c) delays or slower ramp-up in the Karawang expansion impacting volumes and utilisation.

Share Price Catalyst

- **Event:** a) Firm pulp prices, b) higher paper demand and ASP adjustments, and c) new capacity additions.
- **Timeline:** 2026.

Telkom Indonesia – BUY (Willinoy Sitorus/Andrew Agita)

- **TIF remains the key value-unlocking catalyst, with a 10.4% dividend yield.** TIF Phase 2 is expected to be completed in early-4Q26, paving the way for a potential 20-30% strategic stake sale at an 8-9x EV/EBITDA target versus around 3.7x for TLKM. Management is also evaluating additional fibre consolidation before bringing in a strategic investor, which could increase TIF's scale and valuation but extend the monetisation timeline. Further upside could come from data centre, property and GOTO asset monetisation, supporting additional value realisation on top of the attractive dividend yield.
- **Management changes could create near-term execution risks.** The previous 30 September EGM included changes to some of TLKM's Board of Directors including new CEO, Nanang Hendarno, which could slow ongoing initiatives as the new management team resets priorities. Meanwhile, the planned use of Graha Merah Putih (GMP) by Badan Gizi Nasional (BGN) requires the relocation of several TelkomGroup units, adding another layer of operational changes. These developments come as TLKM is

Share Price Catalyst

- **Event:** Announcement of value unlocking progress.
- **Timeline:** 2026.

simultaneously executing TIF separation, organisational streamlining and asset monetisation, increasing the risk of delays across some initiatives.

- **Maintain BUY with a target price of Rp3,300**, based on 5.1x 2026F EV/EBITDA, or -0.5SD to its five-year mean. TLKM currently trades at around 3.7x 2026F EV/EBITDA, while we see improving mobile ARPU, ERP-led efficiency gains and 5G expansion supporting the core business.
- **Key risks:** a) Weaker-than-expected ARPU recovery; b) slower-than-expected unlocking of TIF and other subsidiaries' value; c) higher-than-expected capex and forex impact; and d) execution risks from the ERP, management changes and ongoing asset reorganisation.

XLSMART Telecom Sejahtera – BUY

(Willinoy Sitorus/Andrew Agita)

- **Accelerated depreciation is expected to keep EXCL loss-making in 2026 though we could see a possible turnaround in 4Q26.** In 2025, the company booked Rp7.4t in post-tax one-off charges related to site consolidation, asset retirement, workforce alignment, and network integration. Accelerated depreciation charges are expected to reach Rp5t-6t this year, while integration costs should decline sharply to only around Rp500b as up to 70-80% of the post-merger integration spending has already been recognised. Management expects elevated depreciation costs to continue through 3Q26, while targeting 4Q26 results to be largely free from accelerated depreciation charges. Despite accounting losses, core earnings should continue improving on stronger ARPU and rising synergy realisation.
- **EXCL may follow Indosat's post-merger re-rating path, with potential ownership upside from Sinarmas.** Indosat (ISAT) re-rated after its EBITDA margin expanded from 40.3% in 1Q22 to 44.1% by 4Q22 as merger synergies materialised. XLSMART Telecom Sejahtera (EXCL) is beginning to show similar profitability improvement as integration costs taper, ARPU recovers, and management maintains FY26 guidance for EBITDA growth to outpace revenue alongside US\$250m-300m of merger synergies. Separately, Dian Swastika Sentosa (DSSA) is actively consolidating Sinarmas Group's digital infrastructure assets, including the transfer of Sinarmas Group's EXCL stake in Bali Media Telekomunikasi, the acquisition of Mora Telematika Indonesia (MORA), and Ketrosden Triasmitra (KETR). This supports the view that Sinarmas may seek to further strengthen its connectivity platform by increasing its 32.0% stake in EXCL should Axiata be interested in divesting their 34.7% holding.
- **Maintain BUY with an unchanged target price of Rp3,600**, based on 5.8x 2026F EV/EBITDA, -0.5SD from its post-merger average EV/EBITDA multiple. EXCL currently trades at 4.7x 2026F EV/EBITDA, approximately 1.5SD below its post-merger historical mean.
- **Key risks:** a) Weaker-than-expected ARPU recovery; b) unfavourable changes in regulation; c) longer-than-expected merger duration; and d) although we expect core profit growth, we forecast a reported loss this year, front-loaded in 9M26, which may pressure the share price up till 3Q26 results. We view this weakness as a buying opportunity over a 6-12-month horizon.

Share Price Catalyst

- **Event:** a) Proper EBITDA margin improvement, and b) Sinarmas Group increasing its stake.
- **Timeline:** 2026.

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