1.4 GHz Spectrum Auction: A High-Stakes Bet for Indonesia's Telco Giants

NEUTRAL

Return (%)	-1D	-1W	-1M
JCI	2.4	-1.1	-7.0
LQ45	3.0	-0.0	-6.8
EXCL IJ	2.3	1.3	0.0
TLKM IJ	2.9	-2.8	-6.5
TOWR IJ	-1.6	0.8	-3.8
MTEL IJ	1.9	-4.4	-13.5

EPS Growth (%)	FY25F	FY26F
EXCL IJ	46.7	30.8
TLKM IJ	4.2	3.8
TOWR IJ	10.7	8.8
MTEL IJ	7.1	11.5

Fixed Broadband in Indonesia: Growth and Challenges

The number of fixed broadband subscribers in Indonesia grew by 1.7% in FY24, largely due to its cost-effectiveness, enabling entire households to access the internet at lower prices. Meanwhile, the number of non-subscribers declined due to high subscription costs and limited-service availability. With fixed broadband penetration at only 27.4% (APJII, 2024), the market holds significant growth potential. However, high service costs remain a major barrier to broader adoption.

Indonesia's Internet Speed Trails Behind Regional Peers

In FY24, internet penetration in Indonesia reached 79.5%, with an estimated 225mn users (+2% YoY) projected for FY25E. This growth is driving service providers to enhance offerings while reducing costs. However, Indonesia ranks #121 globally in internet speed, averaging only 32 Mbps. Several structural issues hinder performance, including limited network capacity, outdated fiber-optic infrastructure, and high investment costs. To address these challenges, the Ministry of Communication & Digital plans to release 700 MHz, 1.4 GHz, 2.6 GHz, and 26 GHz spectrums to boost connectivity and encourage greater broadband investment.

The 1.4 GHz Spectrum Auction: A Game Changer or a Risky Bet?

The Indonesian government is set to auction the 1.4 GHz frequency spectrum to revolutionize internet access, offering speeds of up to 100 Mbps at affordable prices of IDR 100k–250k per month. With 80 MHz allocated for Broadband Wireless Access (BWA), this initiative has the potential to greatly strengthen the foundation, and if fully implemented across three regions, it could have a nationwide impact. The auction is open to all operators with local packet-switched network licenses, presenting a valuable opportunity for telco players to expand their broadband services. However, government must ensure efficient spectrum utilization and avoid past pitfalls as operators work to meet this ambitious targets.

Opportunities and Risks: A Double-Edged Sword

While the government views this initiative as a crucial toward digital inclusion, some stakeholders remain skeptical. We see several potential benefits of this initiative, including: 1) Faster and more affordable internet; 2) Increased competition among providers and 3) Stronger digital infrastructure. These advantages could significantly reshape Indonesia's digital landscape, making reliable internet access more widely available. There are risks and challenges also associated with this initiative, including: 1) Indonesia has a history of underutilized spectrum allocations due to inadequate infrastructure and weak execution due to company financial and technical readiness; 2) Uncertainty regarding market readiness; 3) Economic feasibility concerns and 4) Potential network congestion. According to the draft ministerial regulation on the use of the 1.4 GHz frequency, the regional allocation will be divided into three groups (Java, Maluku, Papua), (Sumatra, Bali, Nusa Tenggara), and (Kalimantan, Sulawesi). Given the significant demographic and geographic differences between these regions, a clear scheme is needed to ensure effective utilization in each area. Drawing from past experiences, a similar regional allocation was previously implemented for the 2.3 GHz frequency. However, it faced challenges in gaining traction within the industry, leading license holders to return the frequency to the state.

Who's Interested? The Key Players to Watch

Several major telco players are closely monitoring the upcoming spectrum auction, with some already confirming participation. Telkomsel (TLKM) has officially confirmed its bid, strengthening its market leadership, while XL Axiata (EXCL) and Indosat (ISAT) have also expressed interest in joining the auction. Emerging players like Surge (WIFI), a key fiber-optic infrastructure player, could also explore entry into the wireless broadband market, while Remala (DATA) may seize the opportunity to expand into wireless broadband. However, securing bandwidth requires a significant financial commitment, as companies bidding in spectrum auctions must allocate three times the auction price to cover the upfront fee and annual licensing costs. Given these high financial barriers, the likely auction winner will be a well-capitalized company capable of not only acquiring the spectrum but also executing a scalable deployment strategy with a high take-up rate, ensuring long-term commercial viability.

Ticker	Mkt Cap (IDR tn)	P/E (x)		PBV (x)		Rec	TP (IDR/sh)
		FY25E	FY26F	FY25E	FY26F		
EXCL IJ	29.7	11.1	8.5	1.1	1.0	BUY	2,850
TLKM IJ	240.7	10.0	9.6	1.6	1.6	BUY	3,500
TOWR IJ	27.8	7.1	6.5	1.3	1.1	BUY	1,050
MTEL IJ	52.2	24.3	21.8	1.5	1.5	BUY	820

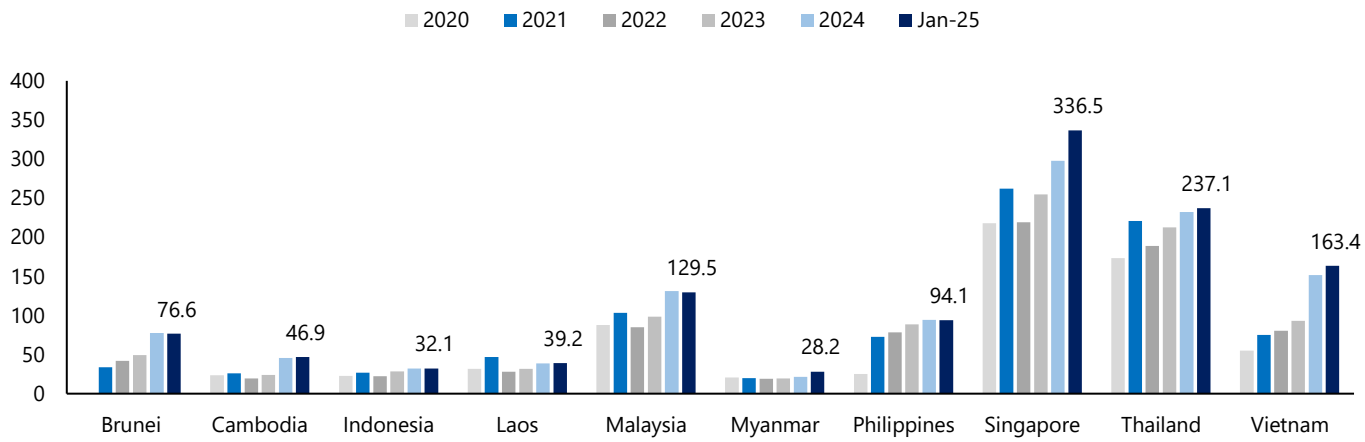
Sources : Bloomberg, MNCS Research

Research Analyst
Christian Sitorus
christian.sitorus@mncgroup.com

Fixed Broadband Adoption in Indonesia Edges Up

According to the APJII 2024 Survey, the **number of fixed broadband subscribers increased by 1.7% in FY24**. This growth is mainly driven by the fact that fixed broadband can be accessed by all family members at a lower price, with a stable connection. On the other hand, the decline in non-subscribers is due to the high subscription costs and the limited availability of fixed broadband services. This presents a great opportunity for new customers to offer more affordable prices with high-speed connections. Additionally, the spectrum auction is expected to further boost the number of fixed broadband subscribers. In the other hand, most people in Indonesia use internet speeds ranging from 10 Mbps to 30 Mbps (42.4%), while only 1.7% use speeds above 100 Mbps. The remaining users are spread across the following speed ranges: 1 Mbps - 10 Mbps (26.5%), 31 Mbps - 50 Mbps (17.1%), 51 Mbps - 70 Mbps (7.9%), and 71 Mbps - 100 Mbps (4.3%).

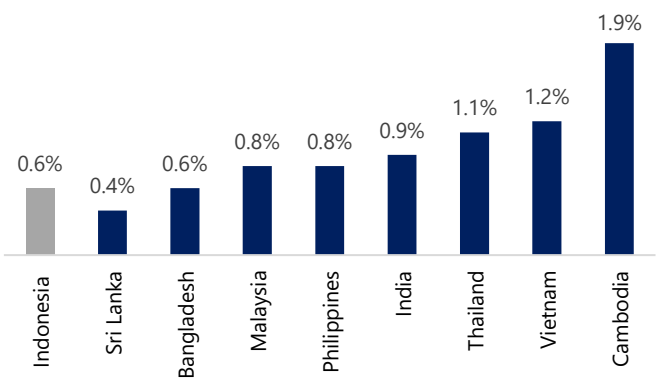
Exhibit 01. Fixed broadband internet speeds as of Jan-25 (Mbps)



Sources : Ookla Speedtest Global Index (2020-2025), MNCS Research

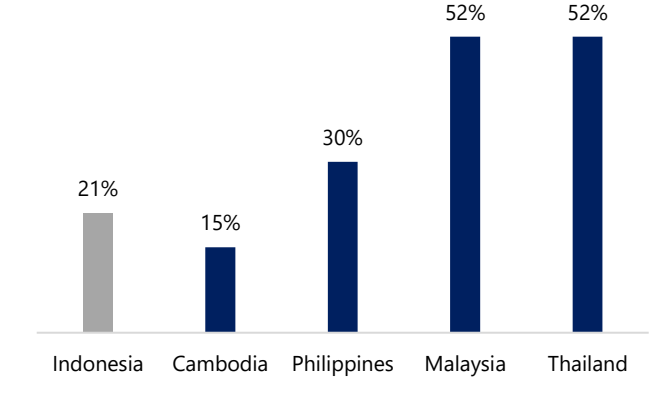
According to Ministry of Communication and Information Technology of the Republic of Indonesia (Komdigi), **Indonesia's fixed broadband penetration remains relatively low at 27.4%** of approximately 70 Mn households (APJII, 2024), highlighting significant growth potential in the sector. However, the high cost of fixed broadband services remains a barrier to wider adoption. For instance, a 100 Mbps plan is priced between IDR400k-Rp500k/month, positioning it as a premium service rather than a mass-market utility. This pricing structure underscores the need for greater infrastructure investment and competitive market dynamics to drive affordability and adoption.

Exhibit 02. Indonesia ARPU as % of GDP/capita, 2023



Sources : EXCL, MNCS Research

Exhibit 03. Fixed broadband penetration



Sources : EXCL, MNCS Research

Indonesia's Internet Speed Lags Behind Regional Competitors

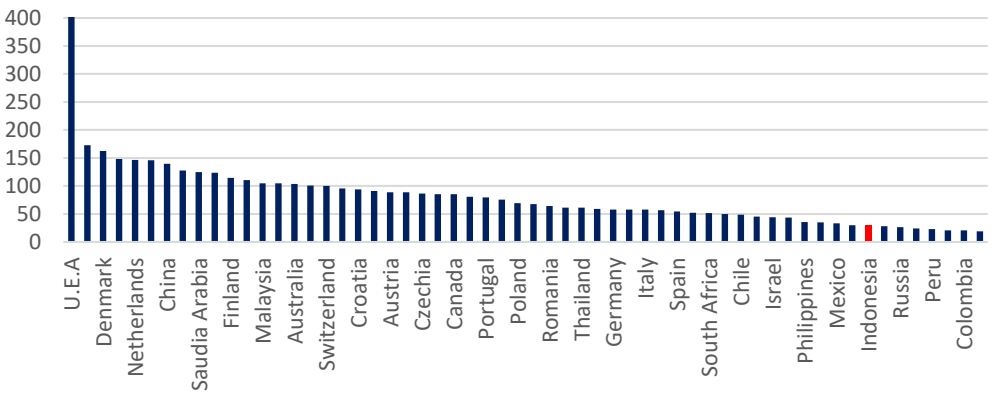
Advancements in information and communication technology have made modern activities increasingly reliant on IT for efficiency. The internet serves as a versatile tool for knowledge, communication, income generation, and daily tasks. Its accessibility drives widespread use due to its effectiveness. In Indonesia, internet penetration reached 79.5% in FY24, with an estimated 225 Mn users (+2.0% YoY) by FY25E, prompting operators to enhance services and reduce costs.

Indonesia's internet speed remains far behind its S.E.A. neighbours. According to Ookla's Speedtest, Indonesia ranked #121 globally with an average speed of 32 Mbps as of Jan-25. The country lags behind regional peers such as Malaysia (129 Mbps), Vietnam (163 Mbps), Thailand (237 Mbps), and even Laos (39 Mbps). In contrast, Singapore leads the world with a 336 Mbps average speed, underscoring Indonesia's competitiveness gap in digital infrastructure.

Several structural challenges contribute to Indonesia's sluggish internet performance, including limited network capacity, inadequate infrastructure, outdated fiber optic networks, and high investment costs. The country's complex geography further complicates broadband expansion, while reliance on older or incompatible equipment, such as routers and modems, continues to hinder optimal speeds. These issues pose significant obstacles to Indonesia's digital transformation and economic competitiveness.

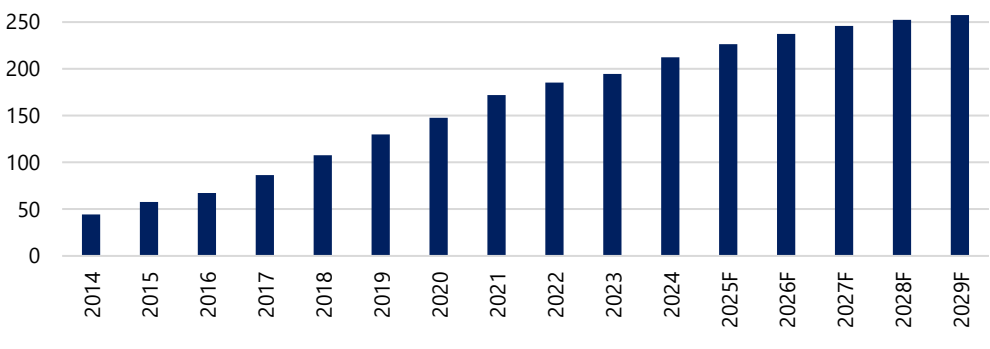
To bridge the gap, the government is set to **auction new frequency spectrums** aimed at improving speed and coverage. **The Ministry of Communication & Digital plans to release 700 MHz, 1.4 GHz, 2.6 GHz, and 26 GHz spectrums,** paving the way for better connectivity and increased investment in broadband infrastructure.

Exhibit 04. Mobile internet connection speeds (Mbps)



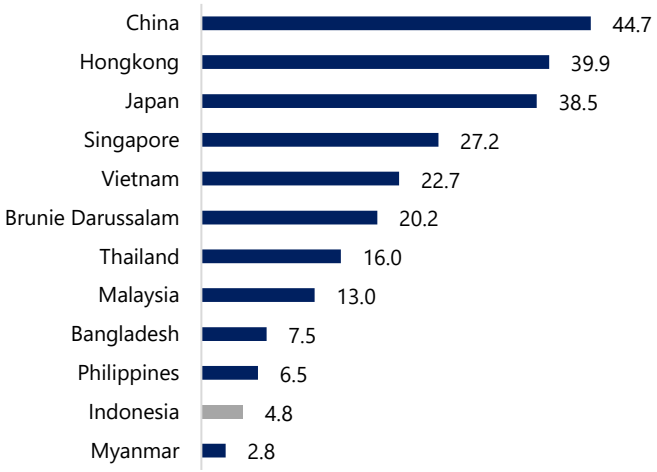
Sources : We are social, MNCS Research

Exhibit 05. # of Internet users in Indonesia (Mn)



Sources : Statista, MNCS Research

Exhibit 06. Fixed Broadband Penetration 2023 (Subscriptions per 100 people)



Sources : World Bank, MNCS Research

Exhibit 07. Internet Package/Month

	2023	2024
< Rp 100.000	5.20%	7.80%
Rp 100.000 - Rp. 300.000	66.30%	67.40%
Rp 300.001 - Rp. 500.000	26.20%	22.50%
> Rp 500.000	1.00%	1.10%
Not Available	1.30%	1.20%

Sources : APJII, MNCS Research

Exhibit 08. FTTH Market Landscape and Pricing

Product	Home Pass/ Home Connect	Competitive Advantage	Internet Package Prices
Indihome	20 mn Home passed 10,7 mn Home connect	5 Bold Moves strategy, integrated services (telephone, internet, TV), strong focus on digital innovation.	Rp 370,000/month (50 Mbps - Inet + Handphone) Rp 480,000/month (100 Mbps - Inet + Handphone) Rp 888,000/month (300 Mbps - Inet + Handphone) Rp 405,000 (50 Mbps Inet + Handphone + Orbit) Rp 515,000 (100 Mbps Inet + Handphone + Orbit) Rp 620,000 (50 Mbps Inet + Handphone + Orbit) Rp 730,000 (100 Mbps Inet + Handphone + Orbit) Rp 150,000/month (10 Mbps)
Indosat Hi-Fi	2 mn Home Passed 350k Home connect	Expanded network post-merger, competitive price packages, strong collaborative in digital services and IoT.	Rp 245,000/month (50Mbps) Rp 275,000/month (75Mbps) Rp 345,000/month (300Mbps)
XLHome	6 mn Home passed 1 mn Home connect	Affordable packages, digital innovations XL Satu, XL Business, strong nationwide network.	Rp 249,000/month (75 Mbps) Rp 269,000/month (100 Mbps) Rp 369,000/month (200 Mbps) Rp 1,999,999/month (1 Gbps)
TBIG		One of the largest tower providers, co-location services for operators, expanding network to support data growth.	Not applicable (provides infrastructure for operators)
Nethome & Tachyon	162.390 Home passed 17.744 Home connect	Internet Service Provider (ISP) that provides high-quality dedicated internet connection services through Fiber Optic (FO) or Wireless.	Rp 201,802/month (50 Mbps) - Nethome Rp 255,856/month (100 Mbps) - Nethome Rp 354,955/month (250 Mbps) - Nethome Rp 2,500,000 (100 Mbps) - Tachyon Rp 3,500,000 (200 Mbps) - Tachyon Rp 4,500,000 (300 Mbps) - Tachyon Rp 5,500,000 (400 Mbps) - Tachyon Rp 6,500,000 (500 Mbps) - Tachyon Rp 7,500,000 (600 Mbps) - Tachyon Rp 8,350,000 (700 Mbps) - Tachyon Rp 9,200,000 (800 Mbps) - Tachyon Rp 10,000,000 (900 Mbps) - Tachyon Rp 10,750,000 (1 Gbps) - Tachyon
Iforte	1,5mn Home passed 158,620 Home connect	One of the largest independent digital infrastructure and Dedicated Internet connection service	Rp 2,500,000 (10 Mbps) Rp 6,000,000 (50 Mbps) Rp 8,000,000 (100 Mbps) Rp 13,000,000 (200 Mbps) Rp 30,000,000 (1 Gbps)
BALI	246,288 Home passed	Biggest tower in Bali and bigger MCP provider in jakarta, ICT services provider, focused in tourism and hospitality connectivity	Not applicable (provides infrastructure for operators)
Starlite	200k Home passed 150k Home Connect	Public and business WiFi services, expanding high-speed internet access in urban areas, Affordable price	Rp 250,000/month (500 Mbps) Rp 100,000/month (100 Mbps)
MORA	692,090 Home passed	One of the largest telecommunications infrastructure and network providers in Indonesia, wholesale and retail internet services.	Not applicable (provides infrastructure for operators)
MyRepublic	5,5 mn Home passed	Affordable pricing, fast service dan fast fiber ultra	Rp 260,850/month (30 Mbps) Rp 277,500/month (50 Mbps) Rp 360,750/month (100 Mbps) Rp 499,500/month (250 Mbps)
Biznet	3 Mn Home passed	One of the largest fiber optic providers, stable high-speed internet.	Rp 250,000/month (65 Mbps) Rp 375,000/month (200 Mbps) Rp 575,000/month (325 Mbps) Rp 700,000/month (400 Mbps)

Sources : Various Sources, MNCS Research

FTTH Captive Market: Unlocking Indonesia's Broadband Potential

To expand internet access, providers have invested in fiber-optic networks, increasing home pass coverage and broadband connections. As of 2023, Indonesia had 70.6 mn households, with 58.5% concentrated in Java (41.3 mn), followed by Sumatra (20.6%) with 14.5 mn. Meanwhile, the average fixed broadband penetration rate stands at 27.4% (APJII, 2024). This presents a promising market opportunity, as the captive FTTH segment remains largely untapped. However, only 17.4% (19.3 million) of the 51.3 million households can afford broadband, assuming they allocate 20% of their income to costs above IDR100k. According to industry interviews, Indonesia's average take-up rate ranges between 15%-20%, while our findings indicate an industry-wide rate of 22.4%-33.7%.

What's Hot? The 1.4 GHz Auction—A Game Changer or a Risky Move?

The Indonesian government is gearing up for the auction of the 1.4 GHz frequency spectrum, aiming to revolutionize internet access by **delivering speeds up to 100 Mbps at a highly competitive price of IDR100k – 250k/month.** With 80 MHz of spectrum allocated for Broadband Wireless Access (BWA), this initiative could significantly improve connectivity across the regional—if executed correctly. The auction will be open to all operators with local packet-switched network licenses, presenting a lucrative opportunity for telecom players eager to expand their broadband services. The promise of affordable, high-speed internet is exciting, but Indonesia must ensure efficient frequency utilization and avoid past pitfalls while operators work to deliver on these ambitious goals.

Exhibit 09. Roadmap for the Spectrum Provision Plan for Broadband in Indonesia 2025 – 2029

2025	2026	2027	2028	2029
MBB 3,5 GHz - Finalization of Technical Study for VSAT, TT&C, and Gateway Mitigation. - Preparation of the study for the implementation stages of 5G based on cities in the 3.5 GHz band.	**MBB 3,5 GHz** - Establishment of KM on Technical Guidelines for 5G FSS Coexistence in the 3.5 GHz Band. - Establishment of KM on the Reframing Process of the 3.5 GHz Band in Phases. - Finalization of the Legal Study for the provision of the 3.5 GHz band for IMT. - Finalization of the Financial Study as an option for the financing scheme for providing the 3.5 GHz band for 5G implementation. - Preparation of the project management team for the process of migrating satellite services out of the C-Band while overseeing the phased deployment of 5G in the 3.5 GHz frequency band.	**MBB 3,5 GHz** - Implementation of the 3.5 GHz frequency band auction. - Designation of a business entity as a KPBU partner for the project management team. - Pilot project for 5G implementation in the 3.5 GHz band at several locations, such as major cities with high traffic.	**MBB 3,5 GHz** The start of 5G network implementation using the 3.5 GHz band (stage 1).	**MBB 3,5 GHz** Continuing the implementation of the 5G network using the 3.5 GHz band (stage 2).
MBB 2,6 GHz - Establishment of PM related to the use of the 2.6 GHz band. - Implementation of the 2.6 GHz band auction.			**MBB Upper 6 GHz** Identifying the Upper 6 GHz band (6425-7025 MHz) as an IMT band in Indonesia at WRC-27	**NTN** Establishment of PM related to the use of radio frequency spectrum for NTN using the IMT Terrestrial frequency band
MBB 700 MHz & 26 GHz Implementation of the 700 MHz and 26 GHz band			**5G Private Network** Study on the implementation of 5G private networks in limited areas	- Evaluation of the impact of radio frequency spectrum provision for the years 2025-2029. - Conducting a spectrum demand study to anticipate broadband services for the years 2030-2034
BWA 1,4 GHz & 3,3 GHz - Establishment of PM for BWA in the 1.4 GHz and 3.3 GHz bands. - Designation of the frequency license holder for 1.4 GHz for BWA.		**NTN** Establishment of PM related to the use of radio frequency spectrum for NTN using the IMT-MSS frequency band		
RLAN Lower 6 GHz (WiFi-7) - Establishment of the revision of PM 2/2023 regarding Class Licenses. - Establishment of KM for RLAN technical standards.		**WRC-27 Session** Discussion on candidate frequency bands for IMT & NTN.		
Disclaimer: The spectrum provision roadmap for broadband services is a plan, and it may continue to change in line with the dynamics at each stage of its realization. Constructive input from relevant stakeholders is welcome.				

Sources : Komdigi

The Benefits and Risks—A Double-Edged Sword?

While the government sees this as a key step toward digital inclusion, some stakeholders are not entirely convinced. We see several **potential benefits** of this initiative, including: 1) Faster and cheaper internet -if successful, this initiative could provide millions of Indonesians with access to high-speed, low-cost broadband; 2) More competition-the entry of new players into the market could foster increased competition, driving innovation and ultimately reducing prices for consumers; 3) Stronger digital infrastructure-enhanced investment in network expansion is expected to strengthen the digital infrastructure, helping to bridge connectivity gaps, particularly in underserved regions. Together, these advantages could transform the digital landscape in Indonesia, making reliable internet access more accessible to all.

However, we recognize there are **risks and challenges** associated with this initiative, including: 1) Indonesia has a history of underutilized spectrum allocations due to inadequate infrastructure and weak execution, raising concerns that this auction might face similar issues due to company financial and technical readiness; 2) Market readiness: the Indonesian Telecommunications Providers Association (ATSI) questions whether the current ecosystem is sufficiently developed to utilize the spectrum effectively; 3) Economic feasibility: while offering 100 Mbps for IDR100k seems appealing, operators may struggle to sustain such pricing while covering infrastructure and operational costs; 4) Network congestion: limited spectrum capacity requires operators to carefully manage traffic to prevent slow speeds and service disruptions. Industry experts argue that success hinges on proper infrastructure deployment in strategic locations. While the pricing is competitive, even IDR100k/month might still be out of reach for low-income consumers. And if operators fail to attract a large customer base, they could struggle to recoup their investment.

Who's Interested? The Key Players to Watch

Big telecom companies are eyeing this auction with keen interest, but who will actually take the leap? Several major players are closely monitoring the upcoming spectrum auction, with some already confirming their participation. Telkomsel (TLKM) has officially confirmed its bid, strengthening its market leadership, while XL Axiata (EXCL) and Indosat (ISAT) have also expressed interest in joining the auction. Potential entrants like Remala (DATA) may consider leveraging this opportunity to expand into the wireless broadband space, while Surge (WIFI), a key player in fiber-optic expansion, could also explore entering the wireless broadband market. These developments highlight growing interest and competition as companies position themselves to capitalize on Indonesia's evolving digital landscape.

The Rise and Fall of BWA in Indonesia

Spectrum auctions have traditionally favored large operators, but the government previously supported BWA services by issuing 30 licenses across 15 zones for the 2.3 GHz frequency to eight companies, including PT Berca Hardaya Perkasa, PT Telkom Indonesia, and PT Indosat Mega Media. However, companies like Internux, Jasnita, and First Media faced payment defaults, leading to license revocations in Dec-2018, with First Media shutting down Bolt while repaying IDR708bn in debt. According to the draft ministerial regulation on the use of the 1.4 GHz frequency, the regional allocation will be divided into three groups: (Java, Maluku, Papua), (Sumatra, Bali, Nusa Tenggara), and (Kalimantan, Sulawesi). Given the significant demographic and geographic differences across these regions, a well-defined strategy is essential to ensure effective utilization. Drawing from past experiences, a similar regional allocation was previously implemented for the 2.3 GHz frequency. However, it faced challenges in gaining traction within the industry, ultimately leading license holders to return the frequency to the state.

The financial commitment for securing bandwidth is substantial, as companies participating in spectrum auctions must allocate **three times** the auction price to cover the upfront fee and annual licensing costs. Over the past decade, spectrum auction prices have averaged between **IDR400-500 bn**, requiring companies to set aside at least **IDR1.2-1.5 tn** in initial investment. Beyond acquisition costs, significant capital is needed for network deployment, including last-mile fiber installation and infrastructure expansion. Given these high financial barriers, the likely auction winner will be a well-capitalized company capable of not only acquiring the spectrum but also executing a scalable deployment strategy with a high take-up rate, ensuring long-term commercial viability.

Exhibit 10. Historical spectrum auction price

Years	Operator	Frequency	Bandwidth	Price (IDR Bn)
2022	Telkomsel	2.1 GHz	10	605.1
2021	Telkomsel	2.3 GHz	20	353.8
2021	Smartfren	2.3 GHz	10	176.5
2017	Indosat	2.1 GHz	10	423.0
2017	Hutchison 3	2.1 GHz	10	423.0
2017	Telkomsel	2.3 GHz	30	1,007.0

Sources : Various sources, MNCS Research

Exhibit 11. Financial highlight

	Market Cap	PER (x)	PBV (x)	Cash (IDR Bn)	EBITDA Margin (%)	NPM (%)	ROE (%)	EV/EBITDA (x)	Revenue Growth (%)		EPS Growth (%)	
									FY23	FY24	FY23	FY24
TLKM	241,712	10.0	1.6	24,540	51.7	16.0	16.8	4.0	1.3	0.3	18.3	-4.0
ISAT	50,150	10.2	1.5	4,454	47.3	7.3	14.7	4.0	9.6	9.1	-4.6	9.0
EXCL	29,670	11.1	1.1	1,440	53.0	5.3	6.9	4.1	10.9	6.4	-6.8	44.8
TBIG	49,619	30.8	4.3	806	77.7	23.5	14.5	15.0	1.8	3.1	-6.0	1.4
TOWR	27,548	7.1	1.3	464	78.7	27.7	19.2	8.0	6.4	6.5	-5.3	-4.7
DATA	2,489	22.2	9.9	12	51.0	27.7	52.1	14.2	38.1	20.2	-99.9	286.8
WIFI	5,285	28.0	5.9	40	52.2	13.3	24.5	15.4	-4.8	60.4	-8.2	182.9
LINK	5,054	- 4.3	1.0	436	25.5	-47.0	-25.4	17.4	-41.6	-1.2	-530.6	-122.2

Sources : Bloomberg, MNCS Research

PT Solusi Sinergi Digital Tbk - Surge (WIFI - Not Rated) will join the hype

Surge, which conducted its IPO in December 2020, operates in the fields of advertising, internet infrastructure, and digital platforms. As of 3Q24, advertising revenue contributes 54.3% of total revenue, followed by telecommunications revenue at 31.1%. Recently, Surge has emerged as a potential dark horse in the anticipated auction for the 1.4GHz spectrum. With management's optimistic outlook on expanding its internet infrastructure business, Surge, through its subsidiary PT Integrasi Jaringan Ekosistem (IJE), has partnered with PT KAI (Persero) to deploy fiber optic cables along Indonesia's railway network via the Weave project. This initiative includes a 6,900 km railway fiber backbone with a capacity of 144 cores and bandwidth reaching up to 64Tbps. This project requires additional capex to finance infrastructure development, driven by the need to bridge the distance between residential areas and the KAI railway backbone.

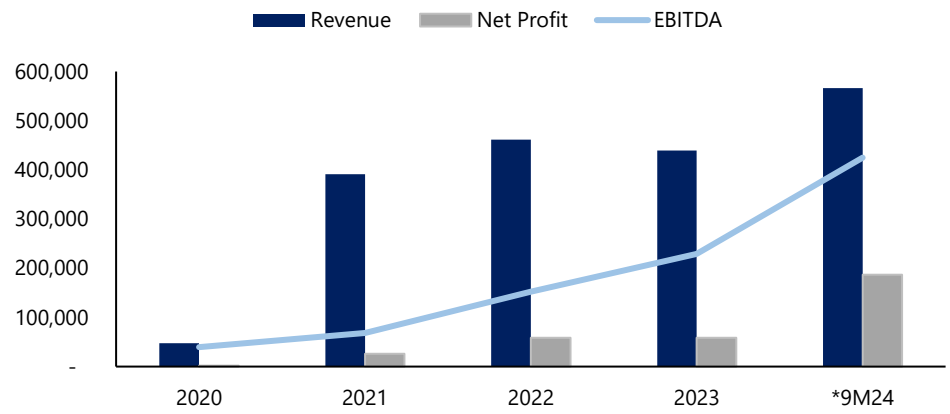
In its latest public disclosure, Surge announced its plan to offer affordable internet services at IDR100k per month, providing speeds of up to 100 Mbps with unlimited data, free device rental, and free installation. Currently, the company has approximately 160,000 broadband subscribers, implying that it still needs to establish connectivity for an additional households within the next five years. The management aims to deliver broadband connectivity to 40mn households in Indonesia within the next five years, leveraging FTTH and 5G FWA technologies. This strategy could be sustained through cost-efficient infrastructure—if the company owns its fiber network, it avoids leasing fees from Telkom or XL Axiata, which many ISPs rely on, in our view. Additionally, deploying cost-effective fiber technologies like micro-trenching and aerial fiber in high-density areas helps minimize expenses. However, if the ISP leases network capacity, future price hikes may be inevitable.

However, the ambitious goal of reaching 40mn households in five years appears highly exaggerated. For comparison, Indihome, has only reached approximately 10.3mn home connections by FY24 with ~50% take up rate, nearly a decade after its initial launch in 2015. Even compared to First Media, MyRepublic, Vision, Biznet and XLHome, Surge's current home connection base since the company launched remains significantly lower than major competitors.

Surge has an advantage with its existing fiber optic backbone network along railway lines, yet it still requires substantial funds to build additional infrastructure to reach residential areas. Building fiber optic networks from the backbone to new locations and constructing telecommunication towers requires substantial investment, given the complexity and high costs of infrastructure development. If Surge opts not to develop its own infrastructure, it will continue to incur high rental costs for utilizing existing towers and networks. Given the substantial capital investment required for infrastructure expansion, offering internet services at IDR100K/month with a speed of 100 Mbps presents a considerable challenge. This scenario poses a significant financial and operational risk, highlighting the importance of strategic management and planning.

Additionally, brand awareness for Surge's ISP business under the name Viberlink remains low. Viberlink is a relatively new brand, having previously operated under the ISP name Starlite. While there is significant business growth potential if the strategy is executed effectively, the successful penetration of its ISP business remains a key challenge. A well-executed market expansion could drive short-term performance growth. However, long-term prospects remain uncertain due to the increasingly competitive ISP landscape, with major telecom operators integrating bundled convergence packages.

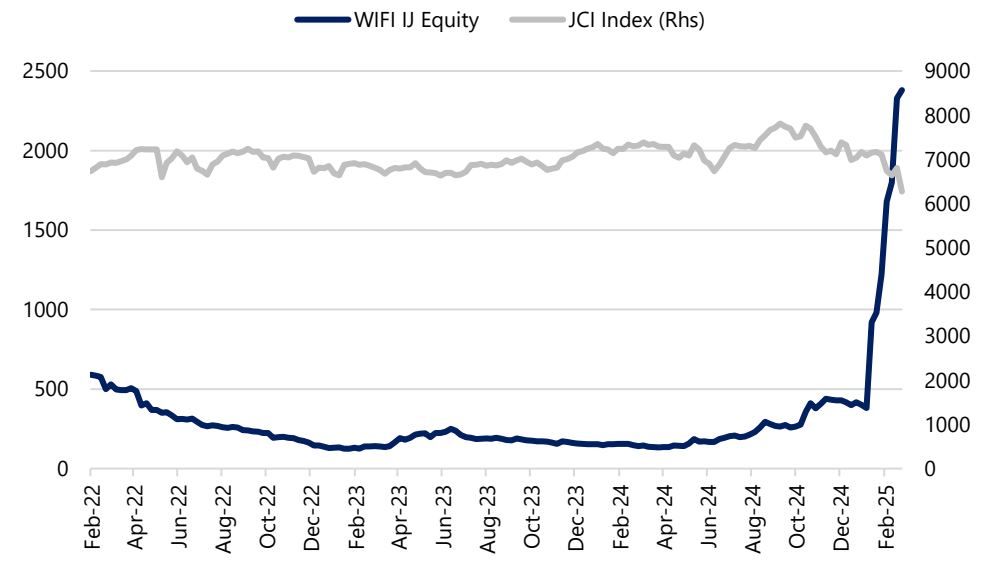
Exhibit 12. WIFI's Financial Performance (in Rp mn)



Sources : Bloomberg, MNCS Research

From a financial perspective, following a recent loan facility of approximately IDR978bn from BBNI, Surge plans to initiate its expansion project in 2025. As of 3Q24, total assets stand at IDR2.76 tn with a debt-to-equity ratio (DER) rising to approximately 2.6x after securing the additional loan from BNI. This leverage level appears relatively high, posing financial risks unless a major investor steps in to strengthen the company's capital position.

Exhibit 13. WIFI's stock price to JCI index



Sources : Bloomberg, MNCS Research

PT Remala Abadi Tbk - Remala (DATA - Not rated) strengthening its position in the ISP Industry

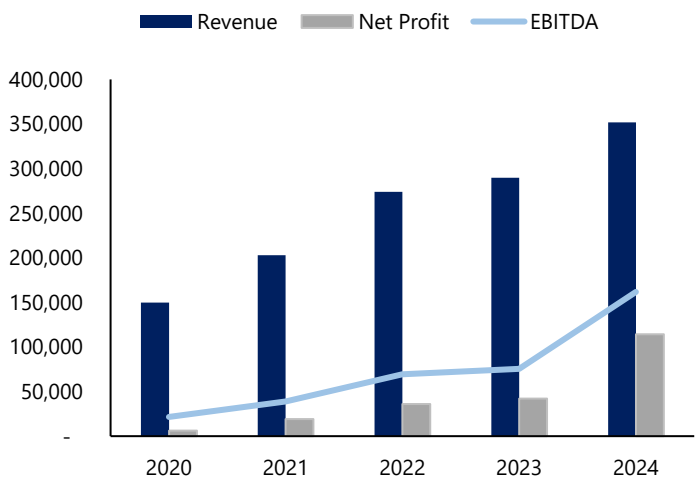
Founded in 2004, PT Remala Abadi Tbk (DATA) operates in the Internet Service Provider (ISP) sector, offering a wide range of services, including broadband internet, local link connectivity, managed services, server colocation, and fiber optic infrastructure for the business-to-business (B2B) segment. Currently, approximately 70% of DATA's revenue is derived from the B2B market, with the remaining share coming from retail consumers. In the retail segment, DATA provides competitively priced internet packages, starting at 100 Mbps for IDR200K/month. The company has successfully connected 70% of its data centers in the Greater Jakarta area while maintaining a low churn rate of below 2%. Its business portfolio is divided into four key segments: 10% from the government sector, 23% from corporate clients, 23% from residential customers, and 44% from business partnerships.

In May 2024, Remala launched its Initial Public Offering (IPO) under the ticker "DATA." Later, in December 2024, the Djarum Group, through IForte, acquired a 40% stake in the company. This strategic acquisition enhances Djarum Group's extensive infrastructure network across Indonesia by integrating DATA's intercity fiber routes. The collaboration is expected to accelerate network expansion while optimizing existing infrastructure to support growth in new areas.

The company delivered strong financial performance in FY24, reporting a 21.6% YoY increase in revenue and an impressive 169.9% YoY surge in net profit. This profitability improvement was driven by cost efficiencies in infrastructure and network enhancements. However, FY24 expenses increased by 186.1% YoY due to IPO-related costs. Liquidity remains robust, with a current ratio and quick ratio of 211.1% and 102.2%, respectively, reflecting a solid ability to meet both short-term and long-term obligations. Although the cash ratio declined to 19.31%, it remains at a healthy level. From a solvency perspective, DATA achieved its lowest DER and DAR level since 2020, standing at 36.7% and 26.8%, respectively.

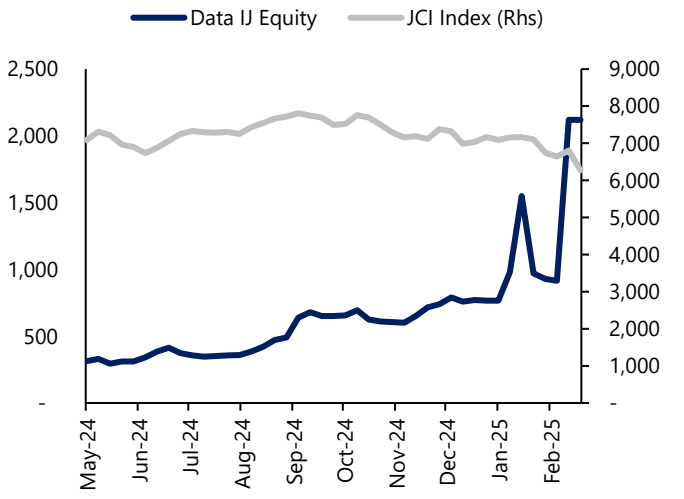
Moving forward, the company is focused on enhancing operational efficiency and aims to achieve 100% YoY revenue growth in FY25E. Additionally, DATA is accelerating its network expansion strategy, targeting the deployment of 500,000 new home connections to strengthen its market position and drive long-term growth. Additionally, EBITDA margin is expected to improve to 46.17% from 45.94% in the same period.

Exhibit 14. DATA's Financial Performance (in Rp mn)



Sources : Company, MNCS Research

Exhibit 15. DATA's stock price to JCI index



Sources : Bloomberg, MNCS Research

MNC Research Industry Ratings Guidance

- **OVERWEIGHT :** Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL :** Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT :** Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

- **BUY** : Share price may exceed 10% over the next 12 months
- **HOLD** : Share price may fall within the range of +/- 10% of the next 12 months
- **SELL** : Share price may fall by more than 10% over the next 12 months
- **Not Rated** : Stock is not within regular research coverage

PT MNC SEKURITAS
MNC Bank Tower Lt. 15 – 16
Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340
Telp : (021) 2980 3111
Fax : (021) 3983 6899
Call Center : 1500 899