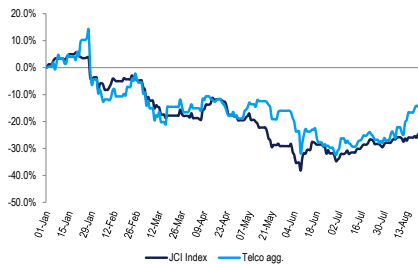


Sector Index Performance

	3M	6M	12M
Absolute	18.8	-4.7	0.5
Relative to JCI	-6.3	7.2	14.4



Summary Valuation Metrics

Adjusted	2026F	2027F	2028F
EV/EBITDA (x)			
TLKM IJ	4.6	4.2	3.8
ISAT IJ	4.6	4.6	3.9
EXCL IJ	5.7	4.7	4.3
P/E (x)			
TLKM IJ	17.5	13.5	11.5
ISAT IJ	14.8	15.1	12.4
EXCL IJ	-20.2	13.5	10.2
P/B			
TLKM IJ	1.8	1.8	1.7
ISAT IJ	1.8	1.7	1.6
EXCL IJ	1.8	1.6	1.5

Aurelia Barus

PT Indo Premier Sekuritas
aurelia.barus@ipc.co.id
 +62 21 5088 7168 ext. 719

Belva Monica

PT Indo Premier Sekuritas
belva.monica@ipc.co.id
 +62 21 5088 7168 ext. 716

Indonesia: from emerging hub to APAC growth story; AI to drive the next leg

- AI-driven demand positions Indonesia for the next APAC data center growth wave.
- Power availability is the key bottleneck, with Greater Jakarta and Batam are best positioned near term.
- Economics remain viable despite softer rents and potentially higher power costs; DMAS, TOTL, ISAT, and TOWR are our preferred proxy.

AI is accelerating global data center demand, positioning Indonesia for the next APAC growth wave

Global data center demand is expected to rise from 82GW in 2025 to c.220GW by 2030F, with AI accounting for c.70%. As inference workloads grow, demand should increasingly favor metro locations with strong fiber, low latency and reliable power. APAC is benefiting, with Indonesia among emerging hubs gaining share as established markets face capacity constraints. Indonesia's operational IT capacity has reached c.580MW in 1H26, with a multi-GW project pipeline, supporting potential market capacity of 3GW+ by 2030F.

Power availability, rather than generation capacity, is the key bottleneck

In FY25, Indonesia has c.9GW of excess generation capacity, mainly in Java and Sumatra, but site-level power connections can take 3-12+ months. PLN's RUPTL 2025-34 adds 69.5GW of generation/storage and 47,758 ckm of transmission, although major inter-island projects are only targeted toward 2031. Greater Jakarta ranks first for readiness, followed by Batam and West/Central Java, with Bintan and East Kalimantan as the next-wave opportunities. Sulawesi remains longer-term given higher seismic risk and a less-developed power and DC ecosystem.

Indonesia's data center economics remain attractive despite softer rents

APAC and Indonesian rental rates have moderated as new capacity comes online, although industry checks suggest Indonesian rates may have bottomed and started to recover. (Fig 15) While potential PLN tariff hikes could add pressure, Indonesia's electricity costs remain competitive with Johor and Singapore. At US\$90–200/kW/month hyperscale and US\$250–400/kW/month colocation rates, with US\$7mn–10mn/MW investment costs, our sensitivity analysis indicates median project IRRs of 11–14% and 20–28%, respectively. We remain constructive, with rental rates and electricity costs as key risks to monitor. (Fig 17)

Multiple proxies to data center theme

We see multiple sectors as proxies for the theme, including industrial estates (DMAS > SSIA), power utilities (POWR), contractors (TOTL), AI ecosystem (ISAT, IFT), fiber plays (TOWR), and data center players (DSSA, DCII). TLKM also offers exposure to data centers and fiber infrastructure. Among industrial estate names, DMAS is our preferred pick among industrial estate players for this theme, given its strong data center inquiries, sufficient power infrastructure, and potential for additional industrial landbank to support faster monetization. We like DMAS, TOTL, ISAT, and TOWR, given clearer monetization potential from rising data center demand, while valuations remain undemanding. Other players with potential future data center expansions include MGLV, MDIA, and INET.

Global: AI drives a power-intensive data center cycle

The global data center market is entering a materially different phase from the previous cloud-led expansion. Historically, demand was primarily driven by enterprise digitization, cloud migration, internet traffic and hyperscaler expansion. AI is now becoming the primary growth engine, fundamentally changing both the scale and location of data center infrastructure. AI workloads require substantially higher computing density than conventional cloud workloads, driving greater power consumption per rack and increasing the need for advanced electrical, cooling and network infrastructure.

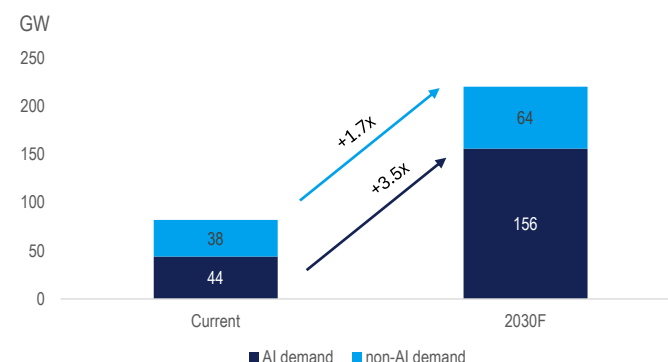
McKinsey estimates that global data center capacity demand will increase from 82GW in 2025 to 219–220GW by 2030, implying a 22% CAGR. Within this, AI-related demand is expected to increase 3.5x from 44GW to 156GW, accounting for around 70% of total data center demand by 2030, while non-AI demand grows at a significantly slower pace from 38GW to 64GW.

Fig. 1: Installed hyperscaler data center and colocation capacity in 2025, by country

Country	Installed capacity (GW, 2025)	Region being examined
United States	36	Northern Virginia
China	20	Beijing and Shanghai
United Kingdom	2.2	London
Sweden	0.8	Northern Sweden
Singapore	1.4	Singapore
Global	83	

Source: Indo Premier, McKinsey

Fig. 2: Global data center capacity could grow at a 22% CAGR over 2025–30F



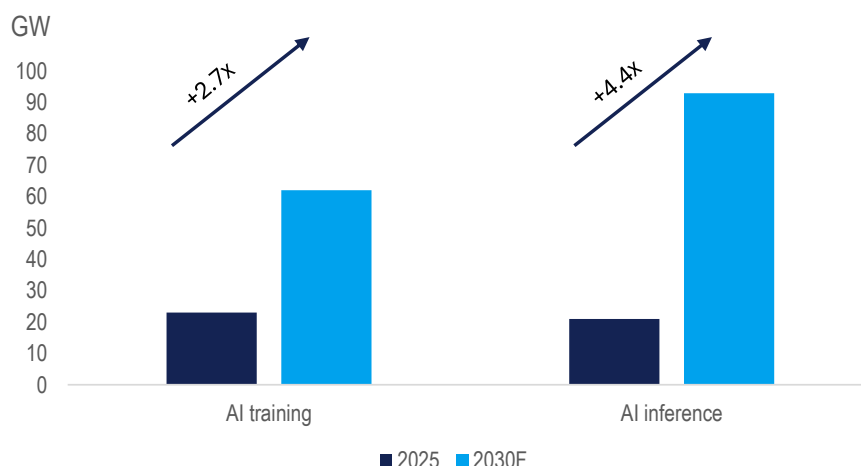
Source: Indo Premier, McKinsey

More importantly, the composition of AI demand is changing rapidly. Training currently represents a significant portion of AI infrastructure demand and is driving the construction of very large, power-intensive campuses.

McKinsey estimates AI training demand will increase from 23GW in 2025 to 62GW by 2030, equivalent to approximately 22% CAGR. Training workloads require very high-density computing, with power densities of 100–200kW or more per rack and can therefore be concentrated in large campuses where land and power are available.

Inference is expected to grow substantially faster. McKinsey estimates inference capacity will increase from 21GW in 2025 to 93GW by 2030, representing approximately 35% CAGR. By 2030, inference will surpass training and account for more than half of AI compute and roughly 40% of total global data center demand.

Fig. 3: AI inference capacity is expected to grow faster than training capacity



Source: Indo Premier, McKinsey

The distinction is important for the next phase of data center development. Training drives large, centralized campuses, as workloads are less sensitive to latency and can be located in power-rich areas. Inference requires a broader and more distributed infrastructure footprint, as AI models increasingly need to serve users and enterprise applications in real time. This favours data centers in metro and near-metro locations with strong fiber connectivity, low latency and reliable power.

As AI density rises, an increasing share of the infrastructure requirement moves into the physical layer supporting compute: electricity generation, high-voltage transmission, substations, transformers, cooling, backup power and connectivity. AI training is already driving the construction of hundreds-of-megawatts campuses, while the subsequent growth in inference will extend demand toward a larger number of distributed facilities.

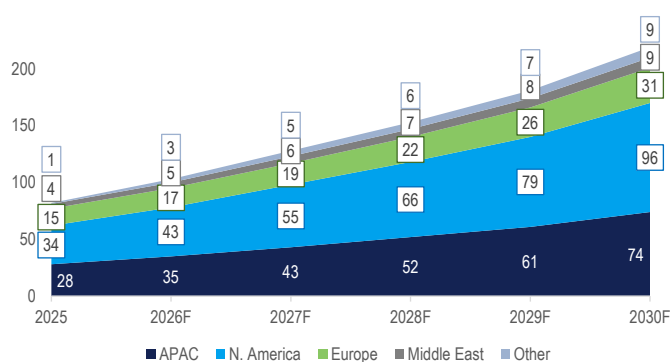
This is also why power availability is becoming one of the key constraints to data center growth globally. Grid limitations and connection delays are increasingly influencing where hyperscalers build, while demand for transformers, switchgear, cooling equipment and other critical infrastructure is rising alongside AI capacity. The scarcity is therefore shifting from simply having access to hardware towards having sufficient power and infrastructure to deploy that computing capability at scale.

Overall, the global AI data center cycle to progress from training toward inference, with training continuing to drive large-scale hyperscale campuses and demand for high-capacity power infrastructure. Based on our channel checks, Indonesia is already seeing stronger demand from inference-related workloads, favoring metro data centers, connectivity and fiber infrastructure. As this demand scales, broader transmission networks, sufficient high-voltage substation capacity and fiber connectivity across key regions will be increasingly important to support a more distributed data center footprint.

APAC: data center growth shifts to emerging hubs, favouring colocation

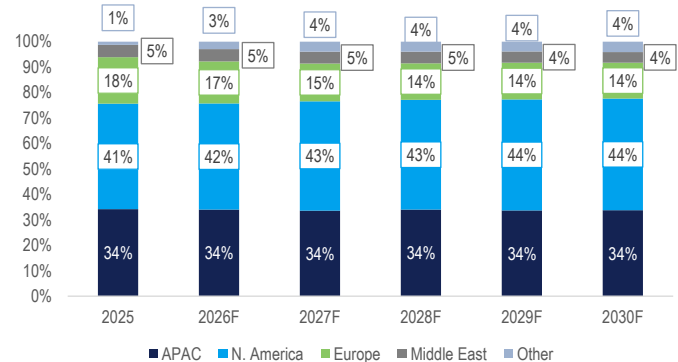
APAC is emerging as one of the main beneficiaries of the global AI and cloud infrastructure build-out. McKinsey estimates that the region could sustain a c.34% market share of global data center demand by 2030F, with AI workloads approaching half of regional demand by the end of the decade. Hyperscaler spending is already supporting this outlook, with AWS, Google, Microsoft and Oracle collectively committing more than US\$160bn to AI infrastructure across APAC between January 2024 and May 2026, alongside increasing investment from Asian and Chinese technology companies.

Fig. 4: APAC data center demand capacity growth is expected to be 22% CAGR in 2025-30F, or in line with the global growth



Source: Indo Premier, McKinsey

Fig. 5: APAC is estimated to maintain a c.34% share of global data center demand capacity by 2030F



Source: Indo Premier, McKinsey

APAC data center growth is increasingly shifting toward emerging hubs, i.e. Johor, Indonesia, and Thailand. According to Cushman & Wakefield, the APAC data center pipeline reached a record 26.5GW in 1H26, up from 19.4GW at end-2025, with 4.8GW under construction and 21.7GW planned. Despite 1.4GW of new operational capacity added during the period, colocation vacancy declined from 10.9% in H2 2025 to 10.3% in H1 2026. In 2Q26, DatacenterHawk recorded c.2GW of APAC capacity absorption, led by Sydney at 515MW, Jakarta at 505MW, Johor at 216MW, Thailand's EEC at 200MW and Batam at 158MW.

Fig. 6: Across APAC, several markets recorded notable gains in development activity during the 1H26

Market	Development pipeline (MW)	Growth, yoy	Other key metrics
Johor	3,088	28%	- U/C: 602MW (+91% yoy) - Operational: 1,110MW (+24% yoy)
Sydney	2,134	65%	- Planned: 2,018MW (+83% yoy) - Operational: 917MW (+17% yoy)
Bangkok	2,084	99%	- U/C: 859MW (+148% yoy) - Operational: 134MW (+19% yoy)
Mumbai	1,726	31%	- Operational: 890MW (+16% yoy)
Jakarta	1,699	56%	- U/C: 395MW (+112% yoy)

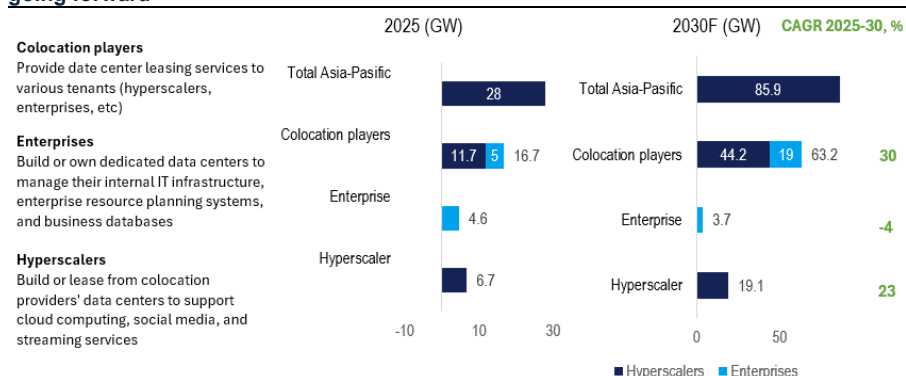
Source: Indo Premier, Cushman and Wakefield

Increasing resource constraints are supporting this shift. Limited power and land availability in Singapore has driven expansion into Johor, while Johor is now facing growing power and water requirements as data center capacity increases. This should support further diversification into markets with greater room to develop supporting infrastructure. Southeast Asia accounted for around 50% of APAC's under-construction capacity in 1H26, up from 31% at

end-2025. Within this context, Indonesia offers a sizeable land base and greater scope to expand power, water and fiber infrastructure, supporting its potential to capture the next phase of regional data center growth.

The fragmented nature of APAC's power systems, land markets and regulatory frameworks also supports the role of colocation operators. McKinsey estimates that colocation providers could account for more than 70% of APAC data center capacity by 2030F, while around 78% of the construction pipeline through 2027 is already precommitted, according to McKinsey citing JLL.

Fig. 7: Asia Pacific data center demand is likely to be met by different player archetypes going forward



Source: Indo Premier, McKinsey

Indonesia: data center demand accelerates beyond previous expectation

Indonesia's data center market is developing faster than our previous estimates. In our Sep25 report ([link](#)), we estimated installed IT capacity at c.520MW by end-2025F, rising from c.420MW in mid-2025, with potential total capacity of 1.5–1.8GW over the following 5–7 years. We also estimated potential incremental demand of 1.1–1.5GW by 2030F, bringing total potential demand to c.1.3–1.75GW, driven primarily by data sovereignty, digital economy growth and 5G/IoT edge computing.

The market has since moved ahead of these estimates. Indonesia's operational data center IT capacity reached c.580MW in 1H26, already above our previous end-2025F estimate. The government also disclosed in Jul26 that global investors had expressed interest in developing an additional 1.3GW of data center capacity, implying potential investment of US\$15–20bn. Separately, our bottom-up data gathering indicates a multi-GW development pipeline from 2026F onwards (Fig. 8), led by large-scale hyperscalers and AI projects. Mordor Intelligence estimates Indonesia's data center IT load capacity could reach 3.56GW by 2030F. While estimates vary depending on market definitions, we believe a multi-GW market by 2030F is increasingly achievable given the scale of the current project pipeline. Within this, Jakarta alone had c.1.6GW of pipeline in 1H26, according to Cushman & Wakefield.

Fig. 8: Our bottom-up data gathering indicates a multi-GW data center development pipeline from 2026 onwards

Company	Investment size	Year	Status	Installed capacity	Year launched	Location	Remarks
EDGENEX - backed by DAMAC	\$2.3bn	2025	Planned	144MW	2026F	Cikarang	
DAMAC	N/A	N/A	Planned	up to 2,000MW	N/A	N/A	Based on our discussion and research, DAMAC potentially plans to build up to 2GW of capacity, with 19.3MW currently under construction and 144MW in the planned pipeline
Digital Edge	\$4.5bn	2026	Planned	500MW	N/A	Bekasi	
DCI Indonesia (DCII)	N/A	N/A	Planned	up to 1,000MW	N/A	Bintan	
Sinergi Inti Data Indonesia (INET)	N/A	N/A	Planned	300MW	2026F	Purwakarta	
DSST Mas Gemilang (DSST)	N/A	N/A	Under construction	21	4Q26F	Jakarta	Fully sold; in collaboration with SM+
DSST Mas Gemilang (DSST)	N/A	N/A	Under construction	12	4Q26F	Tangerang	in collaboration with SM+
DSST Mas Gemilang (DSST)	N/A	N/A	Planned	up to 1,000MW	N/A	N/A	Based on our discussion and research
DSST Mas Gemilang (DSST)	N/A	N/A	Under construction	12	4Q26F	Tangerang	in collaboration with SM+
Pipeline based on Cushman and Wakefield	N/A	N/A	Planned	1,699MW	N/A	Jakarta	

Source: Indo Premier, various sources

The demand pool is also broadening beyond our previous assumptions. While our earlier framework was largely based on data sovereignty, digital economy growth and edge computing, the current investment cycle is increasingly being driven by hyperscaler and AI workloads. KPMG's latest Indonesia data center assessment highlights the industry's shift toward AI-ready infrastructure, including high-density compute, AI training and inference, and more sophisticated power and cooling requirements.

Fig. 9: Separately, our bottom-up data gathering indicates a multi-GW AI factory and cloud development pipeline from 2026 onwards

Company	Investment size	Year	Status	Installed capacity	Year launched	Location	Remarks
NVIDIA x Firmus Tech x DayOne	N/A	2026	Planned	360 MW	2027F	Batam	
Ooredoo x NVIDIA x Indosat x Nokia - Zankore	~\$5bn	2026	Planned	200MW	2027F	N/A	Assumed total investment of US\$5bn for 200MW, based on capex of US\$25mn/MW
Coreweave	N/A	2026	Planned	360 MW	2028F	N/A	Installed capacity of 360MW across 3 data centers

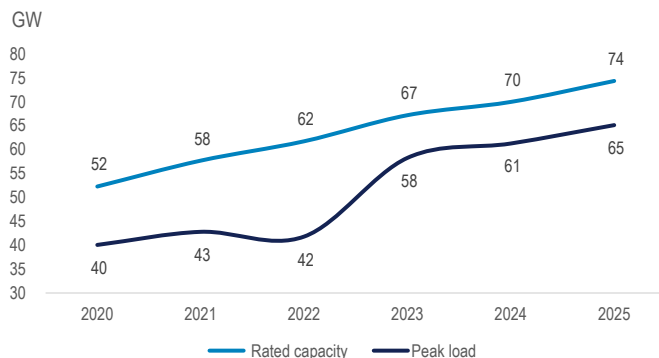
Source: Indo Premier, various sources

We are therefore more constructive on Indonesia's data center demand outlook than in our previous report. The market is transitioning from a predominantly domestic cloud and enterprise-driven model toward a broader hyperscale and AI infrastructure market, which should support substantially larger capacity requirements. The key constraint is increasingly not demand, but the ability to secure electricity, high-voltage substations, transmission capacity and suitable land quickly enough to convert the announced pipeline into operational data center.

Indonesia: national power is adequate, but but grid delivery and reliability remain key constraints

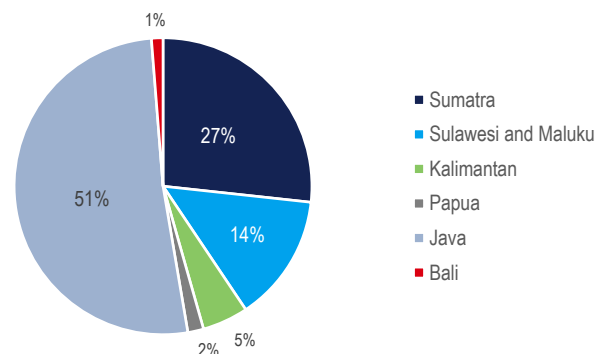
Indonesia does not currently face a structural shortage of generation capacity at the national level. At the national level, comparing rated capacity with peak load, Indonesia has c.9GW of excess electricity capacity as of 2025, primarily concentrated in Java and Sumatra islands (Figs. 10–11).

Fig. 10: Indonesia's rated capacity currently stands at 74GW, while peak load stands at 65GW, resulting in a national excess capacity of c.9GW



Source: Indo Premier, PLN

Fig. 11: Based on 2025 data, Java remained the region with the biggest electricity excess capacity, at c.4.7GW



Source: Indo Premier, PLN

The key constraint is therefore not aggregate generation, but the ability to deliver firm and reliable power to individual data center sites. Large AI and hyperscale campuses require hundreds of MW of firm capacity, supported by adequate transmission and high-voltage substation infrastructure. Our discussions with industry players suggest that high-voltage substation availability is generally manageable in well-developed areas such as Greater Jakarta and major industrial complexes, but electricity delivery can still take approximately 3 to over 12 months from the initial request, potentially delaying project commissioning.

Reliability is an additional consideration. The May-26 Sumatra blackout, which was triggered by a disruption on the 275kV Muara Bungo–Sungai Rumbai transmission line, affected multiple provinces and required several days for full restoration. While this was not caused by insufficient generation, it highlights the importance of transmission redundancy for mission-critical data center loads. We therefore view grid resilience and redundancy, rather than headline reserve margins, as increasingly important in data center site selection.

RUPTL materially expands the power system, but timing remains the key risk. PLN's RUPTL 2025–34 plans for 69.5GW of additional generation and storage capacity, including 52.9GW, or 76%, from renewable energy and storage, alongside 47,758 ckm of new transmission and 107,950MVA of additional substation capacity. Importantly, PLN's demand planning already incorporates the rapid expansion of data centers, with data center electricity requirements expected to increase from 1.1GW in 2025 to 5.2GW by 2034, implying c.4.1GW of incremental demand.

The scale of the transmission program reflects a structural issue in Indonesia's power system: generation potential and electricity demand are not always located in the same areas. PLN has been discussing a national *Green Super Grid* for several years, with the concept of interconnecting Indonesia's

previously fragmented power systems already highlighted in PLN's 2023 planning. The latest RUPTL formalizes this ambition through 47,758 ckm of transmission and four major inter-island connections, including Sumatra–Batam–Bintan, Sumatra–Java, Java–Bali and Kalimantan–Tarakan.

However, the long planning history also highlights the execution risk. The Sumatra–Java interconnection, for example, has been identified by PLN as a priority for years as part of the broader super-grid concept, particularly to connect Sumatra's renewable resources to Java. Yet the current RUPTL still targets the 1,174 ckm Sumatra–Java interconnection for 2031, indicating that major cross-island transmission infrastructure remains a long-dated project rather than an immediate solution to power constraints. PLN's latest 2026 stakeholder materials similarly put both Sumatra–Java and Sumatra–Batam interconnections at 2031.

This creates a potential timing mismatch between data center demand and grid development. Data center customers can commit capacity and developers can begin construction within a relatively short period, while major transmission lines and substations require longer permitting, procurement and construction timelines. As a result, the RUPTL should materially improve power availability over the medium term, but planned transmission capacity should not be treated as immediately available capacity for new data centers.

For investors, we therefore see the RUPTL as supportive of Indonesia's long-term data center capacity, but not sufficient to remove near-term connection risk. The critical variable remains whether the relevant transmission line, high-voltage substation and project connection are already in place before the data center is scheduled to commence operations.

Behind-the-meter generation (or on-site generation) could provide an alternative for large campuses where grid expansion is not yet ready. The most practical configuration would combine PLN supply with on-site gas generation, solar and/or BESS, with the grid retained as a source of firm capacity and redundancy.

The model is already being explored in Indonesia, although adoption remains limited. Existing data centers typically use on-site diesel generators for backup rather than as their primary power source. In Batam, BP Batam and PLN Batam are also studying more than 200MWp of solar capacity, while ESDM has disclosed a joint study between Medco Power and PLN on solar PV for a data center. These projects indicated increasing interest in renewable augmentation, but not yet represent large-scale off-grid data centers.

A more distinctive potential model is geothermal. PGEO is evaluating a green data center based on geothermal power in Lahendong, following its collaboration with IDPRO and Universitas Indonesia. The initiative remains at the study stage, but illustrates how Indonesia's resource-rich regions could potentially support power-intensive data centers without relying entirely on incremental transmission capacity.

The main hurdles remain on: 24/7 firm power requirements, redundancy, capex, fuel availability for gas generation, BESS requirements, emissions and permitting. Solar or wind alone cannot provide the reliability required by hyperscale facilities, while a fully off-grid configuration would require significant firming capacity. We therefore do not assume a material contribution from behind-the-meter generation in our base-case capacity outlook, although its role could increase as grid constraints become more binding.

Indonesia: Jakarta and Batam lead near-term demand, while West/Central Java and Kalimantan expand the addressable market

Indonesia's data center market is increasingly expanding beyond Greater Jakarta, but power, fiber connectivity and seismic exposure create meaningful differences in site readiness across regions. We rank Greater Jakarta first, followed by Batam and the West/Central Java corridor, with Bintan and East Kalimantan representing the next wave of development. The key distinction is that the first four markets already have sufficient connectivity and either existing or project-specific power infrastructure, while the latter two remain more dependent on new grid investment.

Fig. 12: Location attractiveness varies by power readiness, connectivity and demand concentration, with Greater Jakarta and Batam leading near-term data center development

Location	Power generation	Connectivity	Demand	Key remarks
Greater Jakarta	Constrained	Very strong terrestrial & international	Very high	Core domestic demand centre; c.1.6GW pipeline in 1H26; power connection is the key constraint
West & Central Java	Improving / strong	Strong domestic fiber	High	Closest greenfield extension of Jakarta; Purwakarta–Karawang and Batang are most actionable near-term areas
Batam	Strong / established	Very strong international & submarine	High	Most established regional hyperscale hub; 511MVA PJBTJ with DayOne; preferred for Singapore-linked demand
Bintan	Limited / developing	Strong submarine & Singapore-linked	High potential	Next-wave hyperscale opportunity; 700ha data center park with >1GW potential; power remains key constraint
Sumatra	Moderate	Good international	Moderate / fragmented	Secondary market; reasonable connectivity but less concentrated demand and higher seismic exposure
East Kalimantan	High potential	Improving	Emerging	Strong long-term greenfield potential; abundant land, lower seismic exposure and renewable potential; power/transmission-led
Sulawesi	Limited / developing	Strong / improving international	Emerging	Medium-term opportunity; strong international fiber but constrained by power, seismic exposure and less-developed DC ecosystem

Source: Indo Premier

Greater Jakarta remains the most ready market and the core domestic demand centre. It has the country's deepest concentration of enterprise, cloud and digital demand, as well as the strongest terrestrial and international connectivity. Jakarta is a landing point for multiple international submarine systems, including Bifrost, IGG, INDIGO-West, Matrix, B2JS and B3JS. The Java network is also supported by domestic systems connecting Jakarta with other major cities, including JAYABAYA and JaSuKa. The main constraint is power rather than connectivity or demand. With a c.1.6GW pipeline in 1H26, the ability to secure high-voltage connections and bring capacity online should determine the pace for further expansion. We expect Greater Jakarta to remain the primary location for domestic cloud, enterprise and AI inference workloads.

West and Central Java are the most credible near-term extensions of Greater Jakarta. Purwakarta and Karawang are set to benefit from proximity to Jakarta demand while offering large industrial sites and more scope for dedicated power infrastructure. The development of a new 150kV Jatiluhur substation to support BDx's CGK4 campus, together with PLN's broader power commitments to BDx, provides evidence that large data center loads can increasingly be accommodated outside Jakarta. Batang is also gaining traction, with PLN preparing up to 1,000MVA of electricity supply for Nextier's planned data center development. The combination of industrial land, existing Java-grid infrastructure and relatively dense terrestrial fiber makes Purwakarta–Karawang and Batang the most actionable greenfield areas in the near term. Their main disadvantage versus the BBK corridor is less direct access to Singapore's international connectivity ecosystem.

Batam remains the second-favored destination after Greater Jakarta and the most established regional hyperscale location outside Java. Its connectivity position is particularly strong: the island is a landing point for a

broad range of submarine systems, including BSCS, B3JS, IGG, Matrix, MIC-1, SEAX-1, TIS and TGCS, with additional systems under development. Batam also has the strongest evidence of large-scale power availability among Indonesia's emerging hubs. In Apr26, PLN Batam signed a 511MVA PJBTCL with DayOne, the largest data center electricity agreement disclosed in Indonesia at the time. With c.158MW of absorption in 2Q26, Batam is already attracting meaningful regional demand. We therefore continue to view Batam as the preferred location for Singapore-linked hyperscale workloads, although additional generation, transmission and water infrastructure will become increasingly important as the market scales.

Bintan is the most credible next-wave hyperscale opportunity within the BBK corridor. Unlike Batam, Bintan is still at an early development stage, but its strategic characteristics are attractive for large greenfield campuses. Bintan is already connected to the B3JS submarine cable, which links Jakarta, Bintan, Batam and Singapore, while the broader IGG and BBK connectivity ecosystem provides additional routes into the regional network. DCI and Gallant Venture are developing a 700ha data center park with planned scalability of more than 1GW of IT load, with the site positioned specifically to capture Singapore-related demand. DCI currently describes H5 Bintan as a planned 1GW+ campus with power, water and subsea connectivity incorporated into the park infrastructure.

Bintan also has a relatively favourable disaster-risk profile compared with Java and Sulawesi. Indonesia's long-term development plan identifies Bintan as having low earthquake vulnerability, although site-specific seismic and geotechnical assessment remains necessary for any hyperscale campus. The key weakness is power: unlike Batam, where large customer-specific power commitments have already been signed, Bintan's ability to scale to GW capacity will depend on further power infrastructure. PLN's RUPTL 2025–34 includes the Sumatra–Batam–Bintan interconnection, with PLN targeting the Sumatra–Batam connection in 2031. We therefore see Bintan as the strongest potential next regional hyperscale cluster after Batam, but not yet as ready as Batam for immediate large-scale deployment.

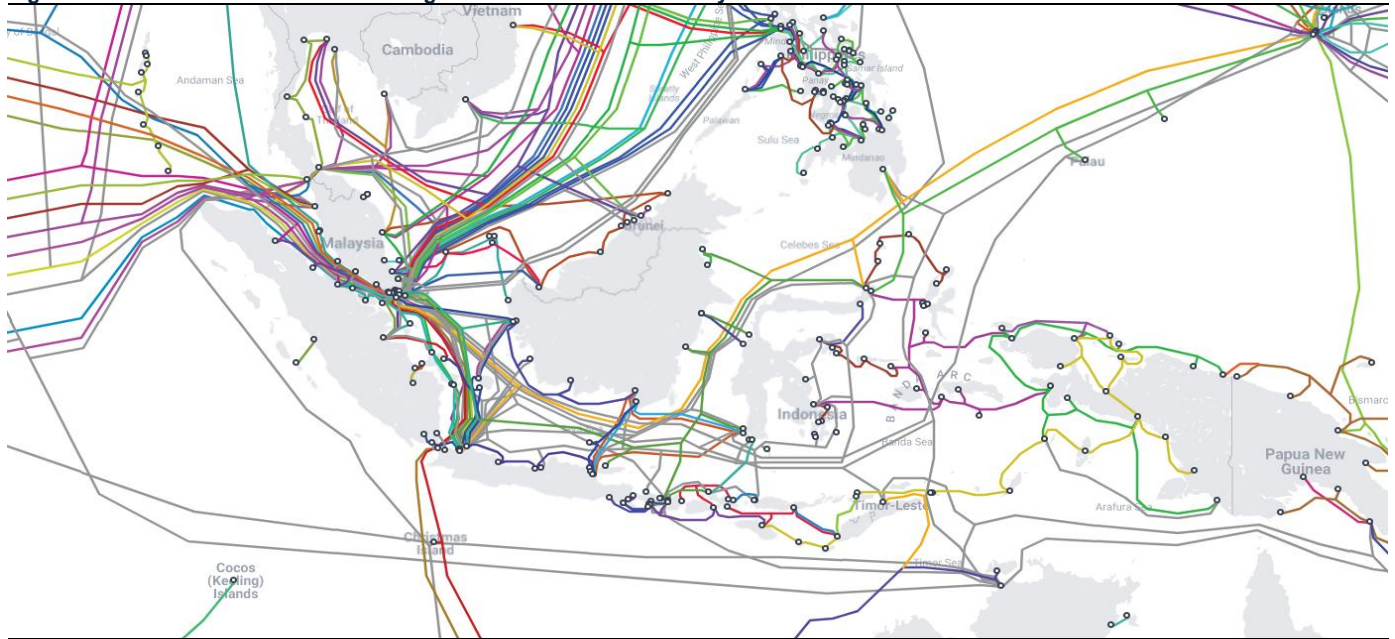
Sumatra has reasonable connectivity but a less compelling near-term data center proposition. Medan is connected to the international network through DAMAI and SeaMeWe-5, while Dumai also serves as a landing point for SeaMeWe-5 and IGG. The island is therefore not structurally isolated from international connectivity. However, demand is more fragmented than Java or the BBK corridor, while western Sumatra has higher seismic exposure. We see Sumatra as a secondary, site-specific market, rather than a likely next national hyperscale hub.

East Kalimantan has the strongest long-term greenfield proposition outside the Java/BBK corridor but remains power-led rather than demand-led. The region benefits from abundant land, relatively lower seismic exposure and significant renewable-energy potential. Connectivity is also improving: the IGG system already lands in Balikpapan and Tarakan, alongside Jakarta, Batam, Makassar and Manado, providing a national backbone into Kalimantan. PLN's RUPTL 2025–34 plans approximately 9,812 ckm of transmission and 8,080MVA of substation capacity in Kalimantan, providing the infrastructure base required for future large-scale power loads. The Balikpapan–Samarinda/IKN corridor is therefore the most credible starting point. We see the region as a potential destination for large AI training campuses, DRCs and other power-intensive workloads, but its development pace will depend on transmission and substation delivery.

Sulawesi has relatively strong international fiber connectivity, but remains less ready for near-term data center development due to power availability, seismic exposure, and less developed data center ecosystem. Makassar is connected to IGG, while Bifrost and IGG provide

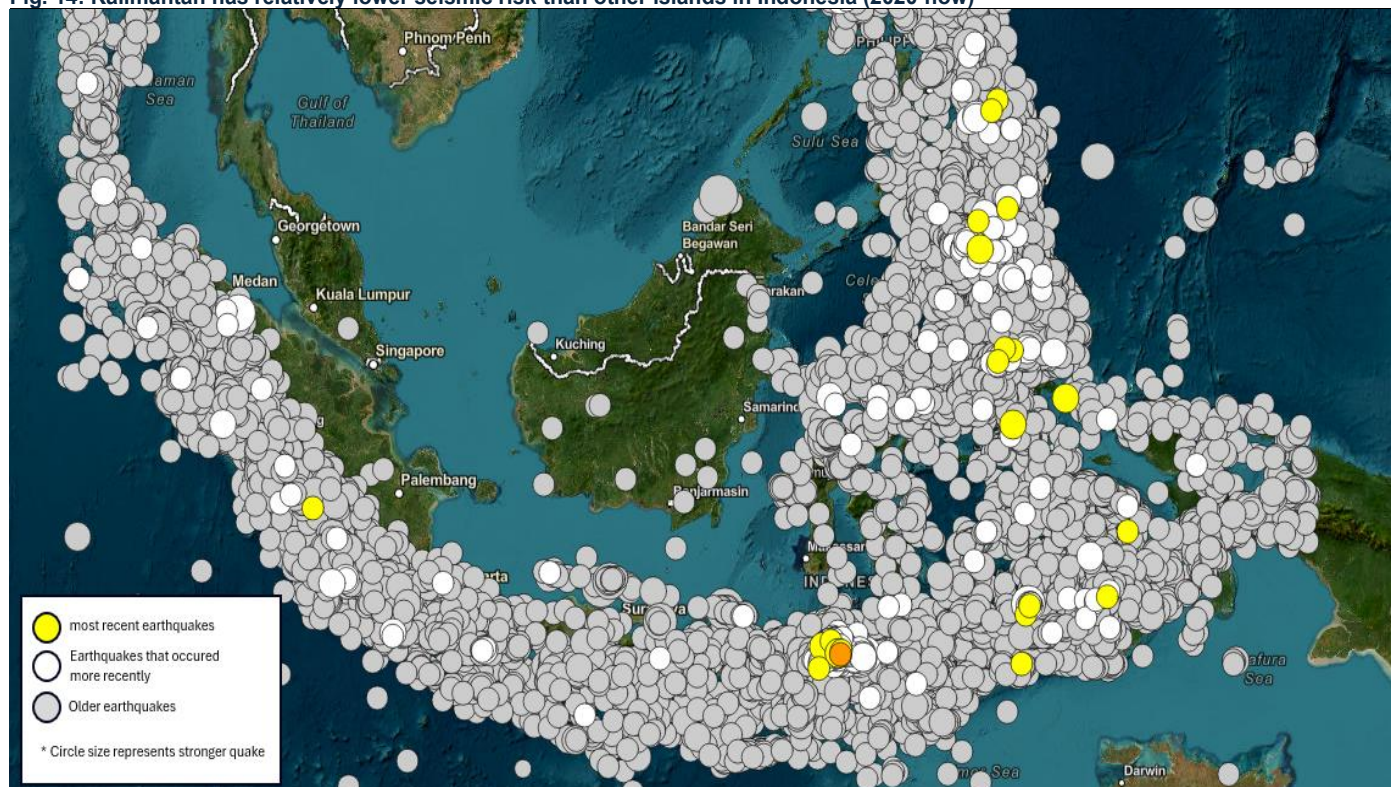
international connectivity into Manado. Additional systems such as Indonesia Tengah, targeted for 2027, are expected to further strengthen connectivity across Central and Eastern Indonesia. However, seismic exposure is materially higher than in the Riau Islands and much of Kalimantan, while power availability and the data center ecosystem remain less developed. We therefore see Sulawesi as a medium-term opportunity, particularly for renewable-energy-driven development, rather than the least-ready region from a connectivity perspective.

Fig. 13: Java and Sumatra have the strongest subsea fiber connectivity



Source: Submarine cable map, Indo Premier

Fig. 14: Kalimantan has relatively lower seismic risk than other islands in Indonesia (2020-now)

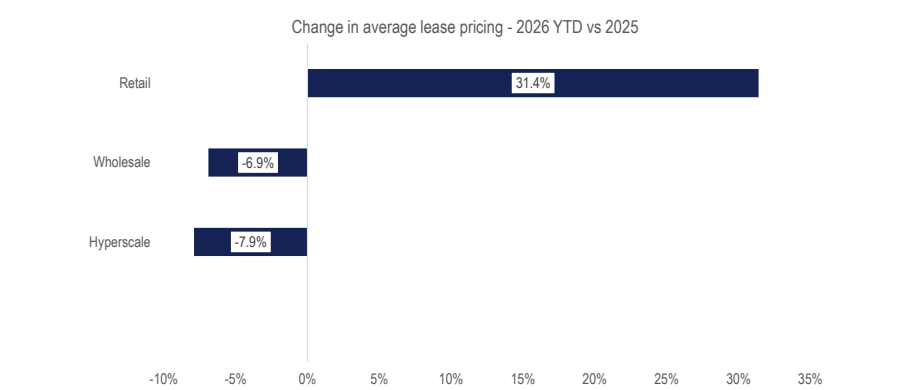


Source: USGS, Indo Premier

Indonesia's data center remains attractive despite potential higher electricity prices and lower rental rates

APAC wholesale and hyperscale pricing have started to moderate as a wave of new capacity enters the market. DatacenterHawk's 2026 YTD data show average lease rates down 7.9% for hyperscale and 6.9% for wholesale, while retail pricing increased 31.4%. This reflects greater pricing pressure on large-scale capacity, while smaller retail capacity remains relatively tight.

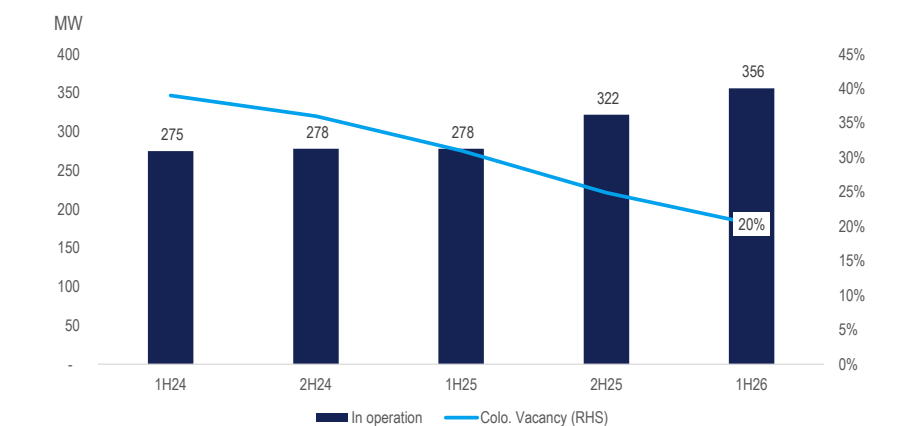
Fig. 15: Change in average lease pricing as of 1H26



Source: Indo Premier, DatacenterHawk

In Indonesia, based on our discussions with some industry players, rental rates have also trended down, with some reaching US\$90–120/kW/month from US\$130–140/kW/month last year for hyperscale. We believe this was primarily driven by stronger demand, which has increased tenants' bargaining power. Meanwhile, data center occupancy in Greater Jakarta has continued to improve despite rising operating capacity. (Fig 16) However, some players noted that rental rates bottomed last year and have since started to recover as demand strengthens.

Fig. 16: Data center capacity in operation increased by 81MW from 1H24 to 1H26, with occupancy continuing to rise



Source: Indo Premier, DatacenterHawk

Separately, some experts believe the recent decline in rental rates partly reflects expectations that higher electricity costs will be passed on to customers. PLN-supplied electricity for data centers in Indonesia is currently priced at Rp1,035/kWh (c.US\$0.58/kWh), below direct electricity from IPPs at c.US\$0.13–0.14/kWh and neighboring markets at c.US\$0.14/kWh in Johor and c.US\$0.25/kWh in Singapore. Our channel checks suggest PLN may raise data center tariffs amid rising demand, although the magnitude and timing remain unclear.

Even with higher power prices, we believe Indonesia remains competitive with Johor, with lease rates of US\$90–200/kW/month and electricity costs potentially rising to the low-teens US\$/kWh. Johor, meanwhile, has lease rates of US\$80–130/kW/month and electricity costs of c.US\$0.14/kWh.

Overall, our discussions with industry players suggest that hyperscaler rental rates range from US\$120–200/kW/month in Jakarta and US\$90–130/kW/month in Batam. Meanwhile, colocation rates range from US\$250–300/kW/month for capacity >1MW, while smaller capacities (<1MW) command US\$300–400/kW/month.

With the lease rates mentioned above and investment costs of US\$7mn–10mn/MW, our sensitivity analysis suggests that data center development remains attractive, with median project IRRs of 11–14% for hyperscale and 20–28% for colocation in Indonesia. (Fig. 17)

Fig. 17: The median range of new data center developments in Indonesia remain attractive

Lease rate (US\$/kW/month)	250	325	400	Lease rate (US\$/kW/month)	90	145	200
Colocation - smaller capacity				Hyperscale			
Investment cost (US\$ mn/MW)	7			Investment cost (US\$ mn/MW)	7		
IRR	23.0%	28.4%	33.6%	IRR	9.9%	14.9%	19.3%
Investment cost (US\$ mn/MW)	8.5			Investment cost (US\$ mn/MW)	8.5		
Total investment cost (US\$ mn)	2,550			Total investment cost (US\$ mn)	2,550		
IRR	19.7%	24.3%	28.7%	IRR	8.2%	12.6%	16.5%
Investment cost (US\$ mn/MW)	10			Investment cost (US\$ mn/MW)	10		
Total investment cost (US\$ mn)	3,000			Total investment cost (US\$ mn)	3,000		
IRR	17.3%	20.0%	25.2%	IRR	6.9%	11.0%	14.4%
	634	824	1,014	EBITDA (US\$ mn)	228	367	507
Assumption							
Installed capacity (MW)	300						
Utilisation / occupancy	80%						
PUE	1.4						
Electricity tariff (US\$/kWh)	0.12						
Other opex ex-electricity (% revenue)	12%						
Depreciation life (years)	20						
Tax rate	22.0%						
Risk-free rate	5.5%						
Market risk premium	4.5%						
Equity beta	1.5						
Cost of equity	12.3%						
Cost of debt (pre-tax)	6.0%						
Target debt weight	70.0%						
Target equity weight	30.0%						
WACC	7.0%						
Perpetual growth	0.5%						

Source: Indo Premier

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