

Solid yearly, weaker quarterly

9 August 2024



EXCL IJ

BUY

Sector	Telecomm.
Price at 8 Aug 2024 (IDR)	2,140
Price target (IDR)	2,600
Upside/Downside (%)	21.6

Stock Information

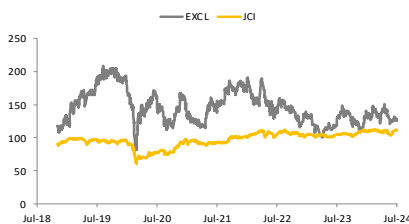
XL Axiata is a telecommunication company in Indonesia, covering around 95% of Indonesian population as of 2019. It is subsidiary of Malaysia-based Axiata Group, in which its business lines are focused on mobile communication, fixed broadband and IT business solution.

Market cap (IDR bn)	28,094
Shares outstanding (mn)	13,128
52-week range (IDR)	1,885-2,650
3M average daily vol. ('000)	20,130
3M average daily val. (IDR mn)	53,877

Shareholders (%)

Axiata Investments	66.2
Public	33.3

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	-5.73	-13.71	-8.15

Analyst

Steven Gunawan

Steven.gunawan@kbvalbury.com

1H24 EXCL net profit significantly exceeded both our and consensus expectations at 63.4% and 56.8%. EBITDA also slightly surpassed ours at 53.2% but aligned closely with cons' at 50.0%. EXCL's optimized digital sales channels mix contributed to an 8.4% yoy reduction in S&M expenses, boosting profitability. Revenue met ours/cons' at 49.8%/48.9%, while subs growth of 1.0% yoy drove a 12.2% yoy increase in avg. monthly data usage per subs. Maintain our BUY call with a target price of IDR2,600, based on 2.6x 2024F EV/EBITDA, which is at -1SD of 7yrs EV/EBITDA mean. Currently, EXCL is trading at 2.1x EV/EBITDA, representing 37.7% disc. to its 7yrs mean.

Solid 1H24, growth slows in 2Q24

In 1H24, EXCL recorded revenue of IDR17.05 tn (+8.2% yoy), driven by a 9.9% yoy increase in data revenue, leading to a 10.0% yoy expansion in ARPU. While data traffic grew 13.2% yoy, quarterly growth was more modest at 2.0% qoq, contributing to softer 2Q24 results. Due to a 3.1% qoq rise in interest costs and a higher effective tax rate, 2Q24 net profit declined 9.9% qoq. Meanwhile, 2Q24 revenue grew modestly by 2.1% qoq to IDR8.61 tn, likely impacted by the earlier Eid Al-Fitr holiday this year. Notably, EXCL significantly expanded its FBB business through XL Satu in 1H24, achieving an 81% convergence penetration rate (from 19% in 1Q22) and doubling FBB subs to 267k (from 123k in FY22).

1H24 net profit grew by 57.5% yoy due to an optimized digital sales channel mix

EXCL's EBITDA increased by 1.0% qoq to IDR4.42 tn in 2Q24, resulting in a 1H24 EBITDA of IDR8.79 tn (+17.4% yoy). EBITDA margin contracted from 51.8% in 1Q24 to 51.3% in 2Q24 (-52.2 bps). This decline was attributed to a 3.2% qoq increase in cash costs, driven by a 28.9% qoq surge in personnel expenses and a 7.7% qoq rise in interconnection costs. EXCL reported a net profit of IDR485.85 bn (-9.9% qoq) in 2Q24, but still resulting in a 1H24 net profit to IDR1.03 tn (+57.5% yoy).

Revising up FY24 EBITDA and net profit forecasts, maintaining revenue outlook

Due to lower-than-expected S&M expenses in 1H24, we have reduced our FY24 S&M expense estimate from IDR2.61 tn to IDR2.18 tn. Consequently, our FY24 EBITDA forecast has been revised upward by 4.5% from IDR16.52 tn to IDR17.27 tn. Similarly, we have increased our FY24 net profit estimate by 26.3% from IDR1.62 tn to IDR2.04 tn. Given the inline revenue performance, our revenue forecast remains unchanged.

BUY reiterated, accelerated FBB growth

Maintain our BUY call with a target price of IDR2,600, based on 2.6x 2024F EV/EBITDA, which is at -1SD of 7yrs EV/EBITDA mean. EXCL's rapid fiber optic expansion coupled with its enhanced XL Satu convergence offering has fueled FBB growth. Nonetheless, heightened competition within the FBB market and an uncertain FBB subs acquisition timeline pose risks to our outlook.

Exhibit 1: Key Statistics

Year end Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Net Revenue (Rp)	29,142	32,323	34,694	37,201	39,088
EBITDA (Rp)	13,879	15,529	17,272	18,573	19,668
Operating profit	3,658	4,380	5,474	5,923	6,372
Net profit (Rp)	1,109	1,271	2,040	2,259	2,473
EPS (Rp)	85.8	98.3	157.7	174.7	191.2
ROA	1.4	1.5	2.3	2.5	2.6
ROE	4.9	4.9	7.7	8.1	8.5
PER (x)	24.2	21.2	13.2	11.9	10.9
PBV (x)	1.1	1.0	1.0	0.9	0.9
EV/EBITDA (x)	2.8	2.4	2.2	2.0	2.0

Source: Company, KBVS Research

Exhibit 2: Financial Summary

EXCL's 1H24 results	1H24	1H23	YoY (%)	2Q24	2Q23	YoY (%)	1Q24	QoQ (%)	2024F	% 24F	Cons	% of Cons
Net Revenue	17,052	15,765	8.2	8,613	8,217	4.8	8,438	2.1	34,694	49.1	34,864	48.9
Data	15,838	14,410	9.9	8,016	7,501	6.9	7,823	2.5				
Legacy	482	534	-9.6	242	275	(12.1)	240	0.8				
Interconnection service	592	592		162	337		211					
Other telecommunication	139	237		1,003	109		166					
(-) Discount	0	-8		1	-5		-1					
Expenses/Income	-14,104	-13,520	4.3	-7,136	-6,913	3.2	-6,968	2.4				
Operating profit	2,784	2,084	33.6	1,394	1,242	12.2	1,390	0.3				
EBITDA	8,794	7,491	17.4	4,420	4,007	10.3	4,374	1.0	17,272	50.9	17,574	50.0
Other income/expenses	-1,446	-1,280		-733	-677		-713					
Pre-tax income	1,338	803		661	566		677					
Taxes	-301	-146		-171	-112		-130					
Attributable profit	1,025	651	57.5	486	450	8.0	539	(9.9)	2,040	50.2	1,822	56.3
Recurring profit	1,087	734	48.0	518	482	7.5	569	(8.9)				
Margins (%)												
Operating margin	16.3	13.2		16.2	15.1		16.5					
EBITDA margin	51.6	47.5		51.3	48.8		51.8					
Net Margin	6.0	4.1		5.6	5.5		6.4					
Operational KPI												
# of subs	58.5	57.9	1.0	58.5	57.9	1.0	57.6	1.6				
Blended ARPU	44	40	10.0	44	40	10.0	44	0.0				
Data traffic (PB)	5,269	4,656	13.2	2,660	2,452	8.5	2,609	2.0				
Data yields	3.0	3.1	-2.9	3.0	3.1	-1.5	3.0	0.5				
Avg. data-usage (GB/month/user)	15.0	13.4	12.2	15.2	14.1	7.6	15.1	0.4				

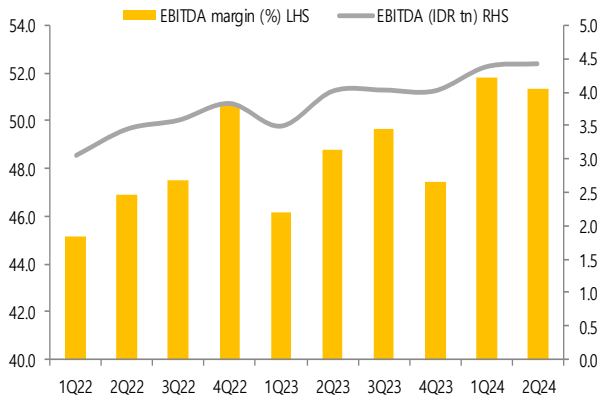
Source: Company, Bloomberg, KBVS Research

Exhibit 3: Forecast revisions

	New		Old		Changes		BBG consensus		New VS BBG	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	34,694	37,201	34,269	36,238	1.2	2.7	34,921	37,180	(0.6)	0.1
EBITDA	17,272	18,573	16,523	17,506	4.5	6.1	17,583	18,736	(1.8)	(0.9)
Net profit	2,040	2,259	1,616	1,764	26.3	28.1	1,822	2,166	12.0	4.3

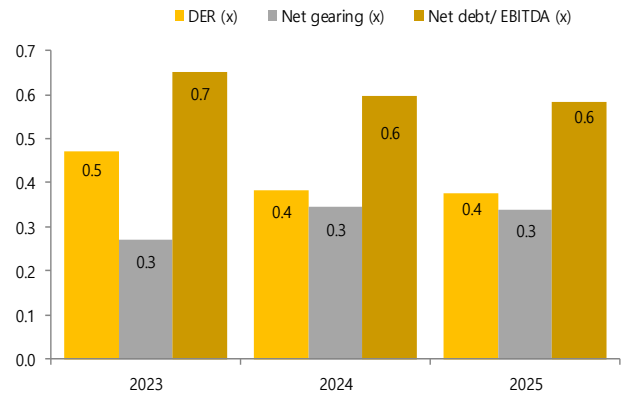
Source: Company, Bloomberg, KBVS Research

Exhibit 4: EXCL's EBITDA margin



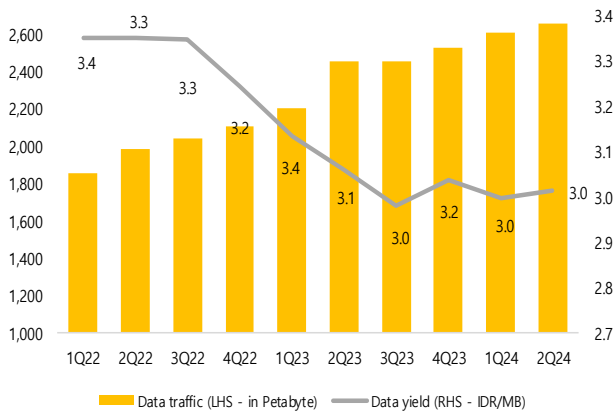
Source: Company, KBVS Research

Exhibit 5: Leverage profile



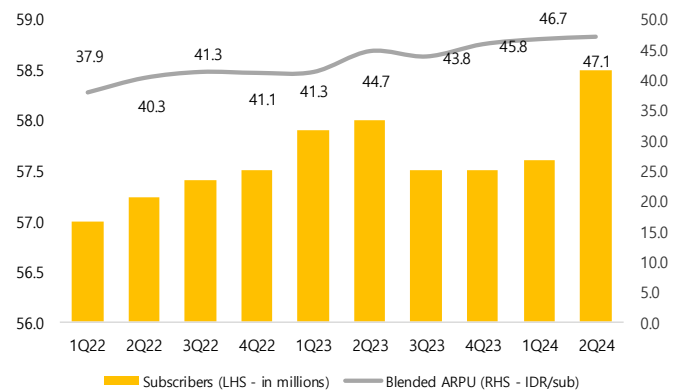
Source: Company, KBVS Research

Exhibit 6: Quarterly data yield and traffic



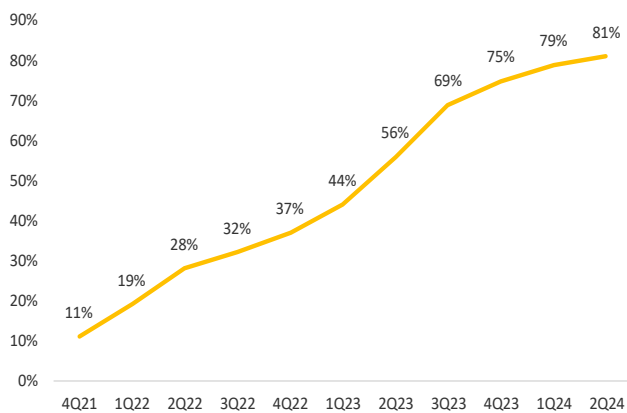
Source: Company, KBVS Research

Exhibit 7: EXCL's subscribers and ARPU



Source: Company, KBVS Research

Exhibit 8: Convergence penetration rate



Source: Company, KBVS Research

Exhibit 9: Currently trading below -1SD 7-year mean



Source: Company, Bloomberg

FINANCIAL TABLES

Exhibit 10: Profit & Loss summary

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Net Revenue	29,142	32,323	34,694	37,201	39,088
Costs	(25,127)	(27,587)	(28,815)	(30,842)	(32,259)
Operating profit	3,658	4,380	5,474	5,923	6,372
EBITDA	13,879	15,529	17,272	18,573	19,668
Net finance income/ cost	(2,666)	(2,840)	(2,948)	(3,146)	(3,321)
Other income/expenses	(2,305)	(2,675)	(2,725)	(2,879)	(3,039)
Pretax profit	1,353	1,705	2,749	3,044	3,333
Income tax	(232)	(420)	(687)	(761)	(833)
Net profit	1,109	1,271	2,040	2,259	2,473

Source: Company, KBVS Research

Exhibit 11: Balance sheet

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Current assets					
Cash and cash equivalents	5,184	966	996	1,011	1,505
Trade receivables	738	1,386	894	1,232	1,002
Other current assets	4,486	4,822	3,166	3,100	3,313
Total current assets	10,408	7,174	5,056	5,343	5,819
Non current assets					
Fixed assets	60,474	63,890	67,654	72,541	76,221
Other non current assets	16,396	16,624	17,215	17,140	17,137
Total non current assets	76,869	80,515	84,869	89,681	93,359
Total assets	87,278	87,688	89,925	95,024	99,178
Current liabilities					
Trade payables	11,337	9,383	10,027	10,396	10,538
Taxes payable	154	187	197	211	221
Accrued expenses	563	633	659	707	743
Short term debts	10,919	6,877	9,113	9,709	10,137
Other current liabilities	3,377	3,063	3,352	3,582	3,752
Total current liabilities	26,351	20,142	23,348	24,605	25,391
Non current liabilities					
Long term debts	33,041	39,041	36,429	38,875	40,782
Other non current liabilities	2,112	2,000	2,533	2,666	2,762
Total non-current liabilities	35,153	41,041	38,962	41,541	43,544
Shareholder equity	25,643	26,360	27,465	28,721	30,078
Total liabilities and equity	87,278	87,688	89,925	95,024	99,178

Source: Company, KBVS Research

Exhibit 12: Cash flow

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Net profit	1,109	1,271	2,040	2,259	2,473
Depreciation	10,577	11,505	12,204	13,085	13,754
Changes in working capital	599	(3,150)	3,118	389	375
CF from operating activities	12,285	9,626	17,362	15,734	16,602
Investment in fixed assets	(19,131)	(14,765)	(15,806)	(17,800)	(17,248)
Others	(3,295)	(386)	(753)	(98)	(183)
CF from investing activities	(22,427)	(15,150)	(16,558)	(17,898)	(17,431)
Dividends paid	(544)	(549)	(931)	(998)	(1,111)
Debt raised/ repaid	8,311	1,958	(376)	3,042	2,335
Others	4,894	(104)	534	135	99
CF from financing activities	12,661	1,306	(773)	2,179	1,322
Change in cash flow	2,520	(4,218)	30	15	494
Cash and cash equivalent, beginning	2,664	5,184	966	996	1,011
Cash and cash equivalent, ending	5,184	966	996	1,011	1,505

Source: Company, KBVS Research

Exhibit 13: Ratio analysis

Year End Dec	2022A	2023A	2024F	2025F	2026F
Operating profit margin	12.6	13.6	15.8	15.9	16.3
EBITDA margin	47.6	48.0	49.8	49.9	50.3
Net profit margin	3.8	4.0	5.9	6.1	6.4
Receivables turnover (x)	46.2	30.4	30.4	35.0	35.0
Payable turnover (x)	2.3	2.7	3.0	3.0	3.1
ROA	1.4	1.5	2.3	2.5	2.6
ROE	4.9	4.9	7.7	8.1	8.5
ROIC	2.9	2.9	4.6	4.8	5.1
Debt/Equity	1.7	1.7	1.7	1.7	1.7
Net debt/Equity	1.5	1.7	1.6	1.7	1.6
Net debt/EBITDA	2.8	2.9	2.6	2.6	2.5
Interest coverage (x)	5.0	5.3	5.7	5.8	5.9
EPS (Rp)	85.8	98.3	157.7	174.7	191.2
BV/Share (Rp)	1,961.8	2,016.7	2,101.2	2,197.3	2,301.2

Source: Company, KBVS Research

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 **KB Valbury Sekuritas**
Head Office

Sahid Sudirman Center 41st Floor Unit A-C
Jalan Jenderal Sudirman No. 86 Kelurahan Karet Tengsin,
Kecamatan Tanah Abang, Jakarta Pusat 10220, Indonesia
T. +62 21 – 250 98 300
F. +62 21 – 255 33 778

Branch Office

Jakarta – Sudirman

Sahid Sudirman Center 41st Floor Unit A-C
Jalan Jenderal Sudirman No. 86 Karet Tengsin,
Tanah Abang, Jakarta Pusat 10220
T. (021) 25098300/301

Jakarta - Kelapa Gading

Rukan Plaza Pasifik
Jl. Raya Boulevard Barat Blok A1 No. 10
Jakarta Utara 11620
T. (021) 29451577

Jakarta - Puri Indah

Rukan Grand Aries Niaga Blok E1 No. IV
Jl. Taman Aries, Kembangan
Jakarta Barat 11620
T. (021) 22542390

Jakarta – Pluit

Jl. Pluit Putra Raya No. 2
Jakarta Utara 14450
T. (021) 6692119

Bandung

Jl. HOS Cokroaminoto No. 82
Bandung 40171
T. (022) 87255800

Malang

Jl. Pahlawan Trip No. 7
Malang 65112
T. (0341) 585888

Banjarmasin

Jl. Gatot Subroto No. 33
Banjarmasin 70235
T. (0511) - 3265918

Pekanbaru

Jl. Tuanku Tambusai, Komplek CNN
Blok A No. 3 Pekanbaru 28291
T. (0761) 839393

Palembang

Komplek PTC Mall Blok I No. 7
Jl. R. Sukanto
Palembang 30114
T. (0711) 5700281

Surabaya

Pakuwon Center Lt 21
Jl. Embong Malang No.1
Surabaya 60261
T. (031) 2955788

Padang

Jl. Kampung Nias II No. 10,
Padang 25211
T. (0751) 8955747

Yogyakarta

Jl. Magelang KM 5.5 No. 75
Yogyakarta 55000
T. (0274) 623111

Semarang

Candi Plaza Building Lt. Dasar
Jl. Sultan Agung No. 90-90A
Semarang 50252
T. (024) 8501122

Makassar

Komplek RUKO Citraland City Losari
Business Park, Blok B2 No. 09
Jl. Citraland Boulevard Makassar 90111
T. (0241) 16000818

Medan

Komplek Jati Junction No. P5-5A
Jl. Perintis Kemerdekaan
Medan 20218
T. (061) 88816222

Denpasar

Jl. Teuku Umar No. 177
Komplek Ibis Styles Hotel
Denpasar Bali 80114
T. (0361) 225229

Investment Gallery

Jakarta

Citra Garden 6 Ruko Sixth Avenue
Blok J.1 A/18, Cengkareng
Jakarta Barat 11820
T. (021) 522392181

Semarang

Jl. MT Haryono 637
Semarang 50242
T. (024) 8415195

Salatiga

Jl. Diponegoro No. 68
Salatiga 50711
T. (0298) 313007

Solo

Jl. Ronggowarsito No. 34
Surakarta 57118
T. (0271) 6726306