

Operational efficiency should continue in '25F

22 November 2024



EXCL IJ

BUY

Sector	Telecomm.
Price at 22 Nov 2024 (IDR)	2,180
Price target (IDR)	2,600
Upside/Downside (%)	19.3

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)	28,495
Shares outstanding (mn)	13,128
52-week range (IDR)	1,885-2,650
3M average daily vol. ('000)	25,105
3M average daily val. (IDR mn)	57,018

Shareholders (%)

Axiata Investments	66.2
Public	33.3

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	-2.64	-2.21	6.25

Analyst

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EXCL's 9M24 performance was largely inline with our and consensus expectations (arriving within a range of 73.2% to 75.7%0, with subscriber growth modest at 1.2% yoy but data usage surging 10.0% due to strong network quality. However, net profit significantly underperformed due to increased interest costs. Maintain our BUY call with a target price of IDR2,600, based on a 2.7x '25F EV/EBITDA (-0.5SD 7yrs-historical mean), while currently trading at 2.4x EV/EBITDA, representing 22.3% disc. to its 7yrs mean.

9M24 revenue grows 6.3% yoy, but 3Q24 sees decline

In 9M24, EXCL reported a 6.3% yoy revenue increase. However, revenue declined 3.5% qoq in 3Q24 due to a 4.0% decrease in data-payload. Despite this, EBITDA margin improved to 52.1% in 3Q24, driven by a 3.4% qoq decrease in cash-costs. However, EBITDA itself declined 2.0% qoq. While net profit for 9M24 increased 30.3% yoy, it fell sharply by 39.9% qoq in 3Q24, mirroring the revenue decline.

Better cost-controls offset interest-cost increases in '25F

After EXCL's 9M24 revenue and EBITDA met our expectations, we maintained our '24F revenue and EBITDA forecasts. However, due to unexpectedly high interest charges resulting from additional loans taken to enhance network reliability, we revised our '24F net profit forecast downwards to IDR1.80 tn, reflecting a 3.5% increase in estimated interest-costs to IDR3.13 tn.

Looking ahead, we project EXCL's '25F revenue to grow by 6.3%, driven by a 7.9% increase in data-usage, supported by improved network infrastructure, aligning with the industry's mid-single digit growth expectations. Reflecting management's emphasis on optimizing distribution strategies through a stronger digital sales channel mix and improved operational efficiency, we have revised our '25F S&M costs down to IDR1.92 tn, marking a significant 13.8% reduction from previous estimates. This revised S&M figure represents a 10.5% yoy decline from '24F levels, contrasting with a 3.4% average annual increase over the past 5yrs. As a result, cash-costs are expected to grow by 6.2% yoy, leading to a projected '25F EBITDA margin of 50.6%.

Considering the potential need for additional loans taken to expand network capacities, we increased our '25F interest-cost forecast by 3.7% to IDR3.33 tn, resulting in a 9.8% downward adjustment to our '25F net profit forecast, now estimated at IDR2.06 tn.

BUY reiterated, improved yoy operational efficiency

Maintain our BUY call with a target price of IDR2,600, based on a 2.7x '25F EV/EBITDA (-0.5SD 7yrs-historical mean), while currently trading at 2.4x EV/EBITDA, representing 22.3% disc. to its 7yrs mean. While we anticipate improved yoy cost management to drive growth, challenges in the industry such as intensified competition in FBB, rising opex and network rollout difficulties may constrain potential gains.

Exhibit 1: Key Statistics

Year end Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Net Revenue (Rp)	29,142	32,323	34,123	36,285	38,407
EBITDA (Rp)	13,879	15,529	17,332	18,362	19,324
Operating profit	3,658	4,380	5,373	5,771	5,996
Net profit (Rp)	1,109	1,271	1,800	2,060	2,174
EPS (Rp)	85.8	98.3	138.7	159.3	168.1
ROA	1.4	1.5	2.0	2.2	2.3
ROE	4.9	4.9	6.8	7.5	7.6
PER (x)	25.4	22.2	15.7	13.7	13.0
PBV (x)	1.1	1.1	1.0	1.0	1.0
EV/EBITDA (x)	2.9	2.5	2.4	2.3	2.2

Source: Company, Bloomberg, KBVS Research

Exhibit 2: Financial Summary

EXCL's 9M24 results	9M24	9M23	YoY (%)	3Q24	3Q23	YoY (%)	2Q24	QoQ (%)	2024F	% 24F	Cons	% of Cons
Net Revenue	25,361	23,868	6.3	8,310	8,103	2.5	8,613	(3.5)	34,123	74.3	34,657	73.2
Data	23,377	21,722	7.6	7,539	7,311	3.1	8,016	(5.9)				
Legacy	692	779		210	246		242					
Interconnection service	592	429		409	1,430		162					
Other telecommunication	700	951		152	(880)		192					
(-) Discount	0	-12		0	-4		1					
Expenses/Income	-21,132	-20,399	3.6	-7,029	-6,879	2.2	-7,136	(1.5)				
Operating profit	4,058	3,230	25.6	1,274	1,146	11.2	1,394	(8.6)				
EBITDA	13,126	11,516	14.0	4,332	4,025	7.6	4,420	(2.0)	17,332	75.7	17,543	74.8
Other income/expenses	-2,304	-1,979		-859	-699		-733					
Pre-tax income	1,754	1,251		416	447		661					
Taxes	-419	-232		-118	-86		-171					
Attributable profit	1,317	1,011	30.3	292	360	(18.9)	486	(39.9)	1,800	73.1	1,845	71.4
Margins (%)												
Operating margin	16.0	13.5		15.3	14.1		16.2					
EBITDA margin	51.8	48.2		52.1	49.7		51.3					
Net Margin	5.2	4.2		3.5	4.4		5.6					
Operational KPI												
# of subs	58.6	57.9	1.2	58.6	57.9	1.2	58.5	0.2				
Blended ARPU	43	40	7.5	41	40	2.5	44	(6.8)				
Data traffic (PB)	7,823	7,109	10.0	2,554	2,453	4.1	2,660	(4.0)				
Data yields	3.0	3.1	-2.2	3.0	3.0	-1.0	3.0	(2.1)				
Avg. data-usage (GB/month/user)	14.4	13.7	4.9	14.1	14.2	-0.7	15.2	(6.9)				

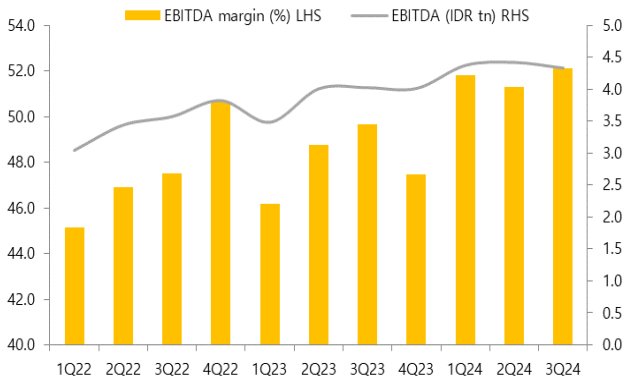
Source: Company, Bloomberg, KBVS Research

Exhibit 3: Forecast Revision

	New		Old		Changes		BBG consensus		New VS BBG	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	34,123	36,285	34,694	37,201	(1.6)	(2.5)	34,657	36,930	(1.5)	(1.7)
EBITDA	17,332	18,362	17,272	18,573	0.3	(1.1)	17,543	18,724	(1.2)	(1.9)
Net profit	1,800	2,060	2,061	2,283	(12.6)	(9.8)	1,845	2,154	(2.4)	(4.4)

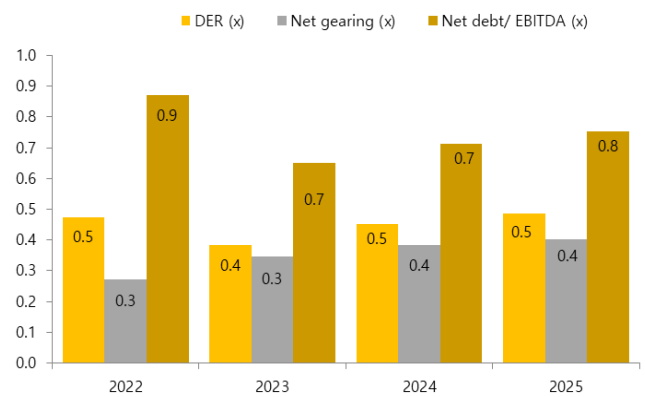
Source: Company, Bloomberg, KBVS Research

Exhibit 4: EXCL's EBITDA margin



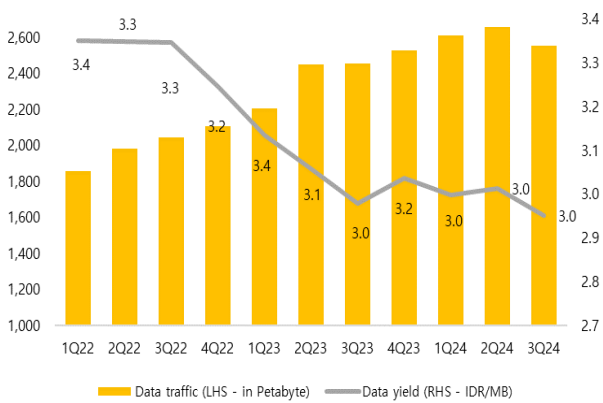
Source: Company, KBVS Research

Exhibit 5: Leverage profile



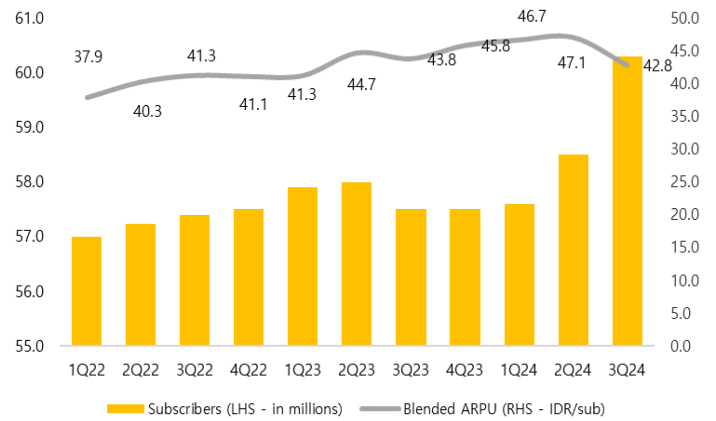
Source: Company, KBVS Research

Exhibit 6: Quarterly data yield and traffic



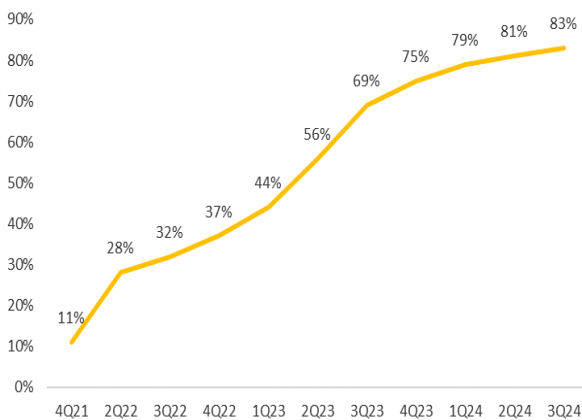
Source: Company, KBVS Research

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	34,123	36,285	38,407
Costs	(25,127)	(27,587)	(28,430)	(30,081)	(31,953)
Operating profit	3,658	4,380	5,373	5,771	5,996
EBITDA	13,879	15,529	17,332	18,362	19,324
Net finance income/ cost	(2,666)	(2,840)	(3,053)	(3,265)	(3,352)
Other income/expenses	(2,305)	(2,675)	(2,955)	(2,995)	(3,067)
Pretax profit	1,353	1,705	2,417	2,776	2,929
Income tax	(232)	(420)	(604)	(694)	(732)
Net profit	1,109	1,271	1,800	2,060	2,174

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	1,848	2,425	1,558
Trade receivables	738	1,386	856	1,217	978
Other current assets	4,486	4,822	3,109	3,028	3,256
Total current assets	10,408	7,174	5,813	6,670	5,792
Non current assets					
Fixed assets	60,474	63,890	68,074	72,206	76,430
Other non current assets	16,396	16,624	17,045	16,889	16,960
Total non current assets	76,869	80,515	85,120	89,095	93,390
Total assets	87,278	87,688	90,933	95,765	99,182
Current liabilities					
Trade payables	11,337	9,383	9,775	10,139	10,597
Taxes payable	154	187	193	206	218
Accrued expenses	563	633	648	689	730
Short term debts	10,919	6,877	9,463	9,821	9,282
Other current liabilities	3,377	3,063	3,298	3,495	3,688
Total current liabilities	26,351	20,142	23,378	24,350	24,514
Non current liabilities					
Long term debts	33,041	39,041	37,580	40,179	42,120
Other non current liabilities	2,112	2,000	2,491	2,600	2,714
Total non-current liabilities	35,153	41,041	40,071	42,780	44,834
Shareholder equity	25,643	26,360	27,334	28,479	29,672
Total liabilities and equity	87,278	87,688	90,933	95,765	99,182

Source: Company, KBVS Research

Exhibit 12: Cash flow

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Net profit	1,109	1,271	1,800	2,060	2,174
Depreciation	10,577	11,505	12,279	13,024	13,787
Changes in working capital	599	(3,150)	2,891	335	714
CF from operating activities	12,285	9,626	16,971	15,420	16,674
Investment in fixed assets	(19,131)	(14,765)	(16,301)	(16,985)	(17,829)
Others	(3,295)	(386)	(583)	(15)	(253)
CF from investing activities	(22,427)	(15,150)	(16,884)	(17,000)	(18,082)
Dividends paid	(544)	(549)	(822)	(910)	(976)
Debt raised/ repaid	8,311	1,958	1,126	2,957	1,401
Others	4,894	(104)	491	111	115
CF from financing activities	12,661	1,306	795	2,157	541
Change in cash flow	2,520	(4,218)	882	577	(867)
Cash and cash equivalent, beginning	2,664	5,184	966	1,848	2,425
Cash and cash equivalent, ending	5,184	966	1,848	2,425	1,558

Source: Company, KBVS Research

Exhibit 13: Ratio analysis

Year End Dec	2022A	2023A	2024F	2025F	2026F
Operating profit margin	12.6	13.6	15.7	15.9	15.6
EBITDA margin	47.6	48.0	50.8	50.6	50.3
Net profit margin	3.8	4.0	5.3	5.7	5.7
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	2.0	2.2	2.3
ROE	4.9	4.9	6.8	7.5	7.6
ROIC	2.9	2.9	4.0	4.4	4.4
Debt/Equity	1.7	1.7	1.7	1.8	1.7
Net debt/Equity	1.5	1.7	1.7	1.7	1.7
Net debt/EBITDA	2.8	2.9	2.6	2.6	2.6
Interest coverage (x)	5.0	5.3	5.5	5.5	5.7
EPS (Rp)	85.8	98.3	138.7	159.3	168.1
BV/Share (Rp)	1,961.8	2,016.7	2,091.2	2,178.8	2,270.0

Source: Company, KBVS Research

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