

Resilient '25F growth despite rising costs

12 February 2025



ISAT's FY24 results were mixed, with revenue & EBITDA meeting expectations (ranging from 98.6% to 102.8%), but net profit falling below estimates (95.0%) due to rising expenses. Despite a 4.1% yoy decline in subscribers, data-usage rose 12.2%, supported by service expansion, which was reflected in a substantial 17.0% increase in avg. data consumption per user. Maintain our BUY call with a target price of IDR2,700, based on a 3.2x '25F EV/EBITDA, or within 5yrs avg. historical mean.

ISAT IJ

Sector	Telecomm.
Price at 11 Feb 2025 (IDR)	1,625
Price target (IDR)	2,700
Upside/Downside (%)	66.2

Stock Information

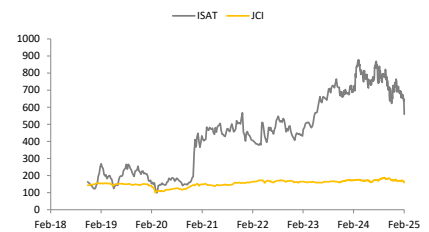
PT Indosat Tbk, trading as Indosat Ooredoo Hutchison, is a telecommunications provider in Indonesia which is owned by Ooredoo Hutchison Asia, a joint venture between Ooredoo and Hutchison Asia Telecom Group since 2022.

Market cap (IDR bn)	52,403
Shares outstanding (mn)	32,248
52-week range (IDR)	1,580-3,063
3M average daily vol. ('000)	13,829
3M average daily val. (IDR mn)	32,963

Shareholders (%)

Ooredoo Asia Pte. Ltd.	65.7
PPA	9.6
TTI	10.8
Public	14.0

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	-18.64	-12.73	-21.63

Analyst

Steven Gunawan
Steven.gunawan@kbvalbury.com

Revenue up, Profits down in FY24

ISAT reported FY24 revenue of IDR55.9 tn, a 9.1% yoy increase driven by data-revenue growth, while 4Q24 EBITDA declined 3.2% qoq to IDR6.4 tn. FY24 EBITDA reached IDR26.4 tn, up 10.2% yoy, but 4Q24 EBITDA margin contracted due to rising expenses. Despite 9.0% yoy growth, FY24 net profit of IDR4.9 tn missed estimates, while 4Q24 net profit fell 9.7% qoq to IDR1.0 tn.

FY24 expense overrun, '25F outlook revised

FY24 total expenses exceeded our forecast by 4.4%, due to a 7.9% rise in CoS from operational expansion and customer acquisition initiatives. This led to an upward revision of our '25F total expense estimate to IDR47.4 tn, a 4.3% increase from our previous projection.

Despite this adjustment, we revised our '25F EBIT forecast downward by only 2.1% to IDR12.2 tn, as higher costs are offset by a 3.1% upward revision in revenue, driven by accelerated BTS expansion and subscriber acquisition efforts, particularly in rural areas.

We project an 11.1% yoy surge in '25F data usage to 17,965PB, exceeding our previous data usage forecast by 2.5%. Consequently, we now project '25F revenue to grow 6.6% yoy, reaching IDR59.6 tn, aligning with management's guidance, which anticipates growth outpacing the industry's mid-single digit expectations. EBITDA is expected to grow by 8.7%, slightly more conservative than the company's guidance.

A strong balance sheet and robust operating cash flow should minimize the need for new debt. Average debt decreased in FY24 compared to FY23, reinforcing the company's financial discipline. Accordingly, we lowered our '25F interest cost estimate by 3.2% to IDR4.6 tn, resulting in a 14.4% yoy increase in net profit to IDR5.6 tn, though still below consensus estimates.

Reiterate BUY with TP of IDR2,700

Maintain our BUY call with a lower target price of IDR2,700 as we revise downward our EBIT and net profit forecasts by 2.1% and 3.6% for '25F. Our TP of IDR2,700 implies 3.2x '25F EV/EBITDA, while it is currently trading at 2.2x EV/EBITDA, representing 30.6% disc. to its 5yrs mean. The strong operational and financial outlook underscores the company's resilience amid rising expenses and higher investments in network expansion.

Exhibit 1: Key Statistics

Year end Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
Revenue (IDR bn)	51,229	55,887	59,571	62,863	66,904
EBITDA (IDR)	23,938	26,375	28,664	30,336	32,821
Net profit (IDR)	4,506	4,911	5,620	6,152	7,495
Normalized net profit (IDR)	3,561	4,911	5,620	6,152	7,495
EPS (IDR)	140	152	174.3	190.8	232.4
EPS growth	-4.6	9.0	14.4	9.5	21.8
ROA	3.9	4.3	4.8	5.1	6.0
ROE	3.8	3.8	4.0	4.0	4.5
PER (x)	11.6	10.7	9.3	8.5	7.0
PBV (x)	2.9	2.6	2.4	2.3	2.1
EV/EBITDA (x)	2.6	2.4	2.2	2.1	1.9

Source: Company, KBVS Research

Exhibit 2: Financial Summary

ISAT's FY24 results (IDR bn)	FY24	FY23	YoY (%)	4Q24	4Q23	YoY (%)	3Q24	QoQ (%)	2024F	% to '24F	Cons'	% of Cons'
Revenue	55,887	51,229	9.1	14,075	13,766	2.2	13,836	1.7	54,365	102.8	55,550	100.6
Cellular & Data	47,036	43,750	7.5	11,801	11,576	1.9	11,634	1.4				
Data	44,196	41,207	7.3	10,881	10,976	(0.9)	11,208	(2.9)				
Voice & SMS	899	1,089	-17.5	199	276	(28.0)	221	(9.9)				
Others	4,830	4,591		1,338	920		960					
Discount	-2,889	-3,138		-617	-596		-755					
MIDI	7,987	6,473		2,079	1,935		1,991					
Fixed telecom.	864	1,006		194	255		211					
Expenses	-45,049	-40,801		-11,705	-10,405		-11,120					
EBIT	10,838	10,428	3.9	2,370	3,361	(29.5)	2,716	(12.7)				
EBITDA	26,375	23,938	10.2	6,375	6,471	(1.5)	6,588	(3.2)	26,327	100.2	26,752	98.6
Other income (exp.)	-4,105	-4,496		-935	-1,032		-1,139					
Pre-tax income	6,733	5,932	13.5	1,434	2,329	(38.4)	1,577	(9.0)				
Taxes	-1,460	-1,156		-321	-540		-342					
Reported net profit	4,911	4,506	9.0	1,033	1,719	(39.9)	1,143	(9.7)	5,168	95.0	5,169	95.0
Normalized net profit	4,911	3,561	37.9	1,033	1,346	(23.3)	1,143	(9.7)				
Margins (%)												
EBIT Margin	19.4	20.4		16.8	24.4		19.6					
EBITDA margin	47.2	46.7		45.3	47.0		47.6					
Net Margin	8.8	8.8		7.3	12.5		8.3					
Operational metrics												
# of subs	94,700	98,800	-4.1	94,700	98,800	(4.1)	98,700	-4.1				
Blended ARPU (IDR/subs)	38,000	35,600	6.7	38,500	38,500	-	37,200	3.5				
Data traffic (TB)	16,170,000	14,417,000	12.2	4,119,000	3,716,000	10.8	4,085,000	0.8				
Avg. data usage/subs	14.2	12.2	17.0	14.5	12.5	15.6	13.8	5.1				
Data yields (IDR/MB)	2.7	2.9	-4.4	2.6	3.0	(10.6)	2.7	-3.7				

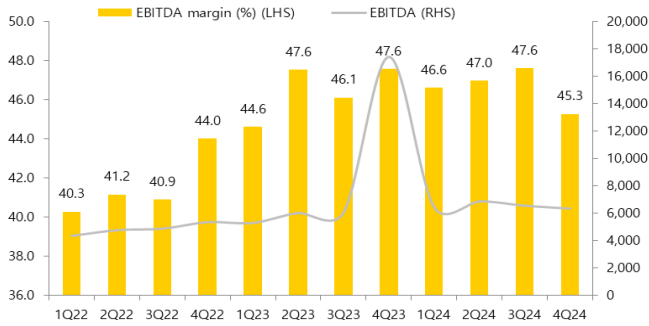
Source: Company, Bloomberg, KBVS Research

Exhibit 3: Forecast revisions

	New		Old		Changes		Consensus		New vs. consensus	
	2025F	2026F	2025F	2026F	2025F	2026F	2025F	2026F	2025F	2026F
Revenue	59,571	62,863	57,914	61,146	2.9	2.8	59,048	62,677	0.9	0.3
EBITDA	28,664	30,336	28,272	29,996	1.4	1.1	28,675	30,688	0.0	-1.1
Net profit	5,620	6,152	5,829	6,598	-3.6	-6.8	6,258	7,216	-10.2	-14.7

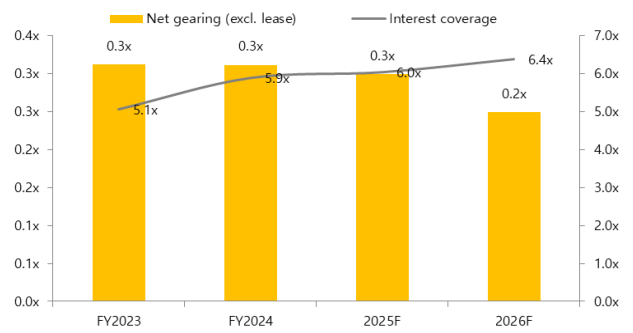
Source: Company, Bloomberg, KBVS Research

Exhibit 4: ISAT's EBITDA margin



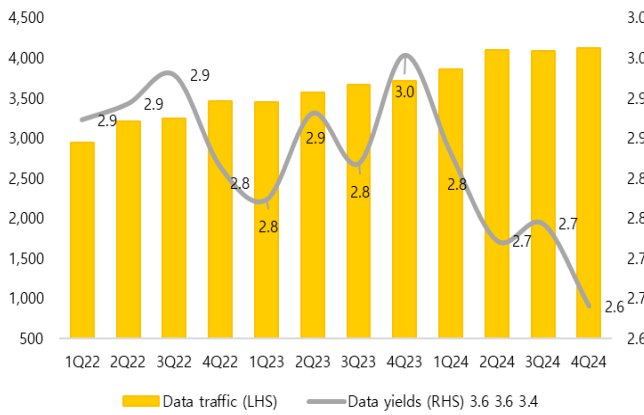
Source: Company, KBVS Research

Exhibit 5: Leverage metrics



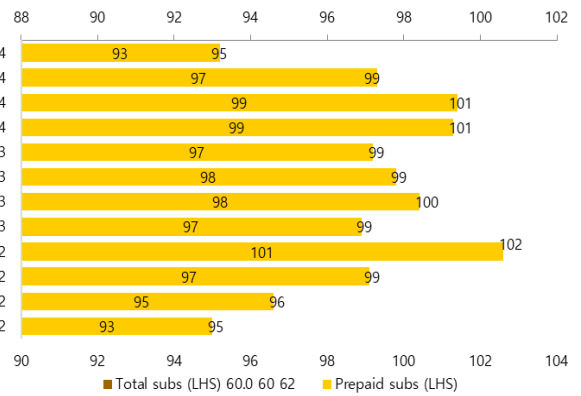
Source: Company, KBVS Research

Exhibit 6: Data traffic and yields qoq



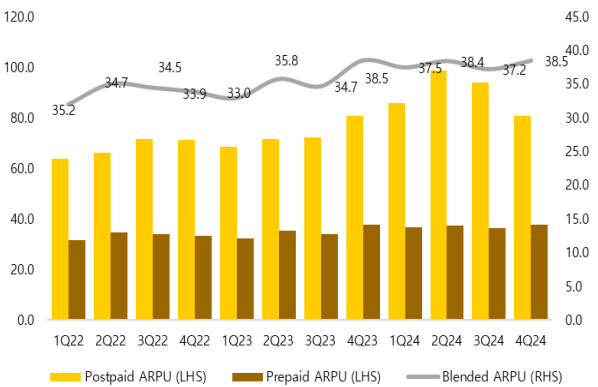
Source: Company, KBVS Research

Exhibit 7: Number of subscribers



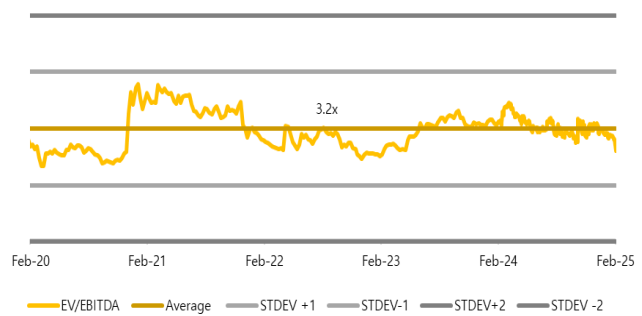
Source: Company, KBVS Research

Exhibit 8: Postpaid, prepaid and blended ARPUs



Source: Company, KBVS Research

Exhibit 9: Currently trading below 5-year mean



Source: Company, Bloomberg

FINANCIAL TABLES

Exhibit 10: Profit & Loss summary

Year End Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
Revenue	51,229	55,887	59,571	62,863	66,904
Costs	-40,801	-45,049	-47,358	-49,823	-52,073
Operating profit	10,428	10,838	12,213	13,040	14,831
EBITDA	23,938	26,375	28,664	30,336	32,821
Net finance income/ cost	(4,394)	(4,115)	(4,293)	(4,510)	(4,437)
Other income/ expenses	(103)	9	9	9	9
Pretax profit	5,932	6,733	7,930	8,539	10,404
Income tax	(1,156)	(1,460)	(1,720)	(1,852)	(2,257)
Net profit	4,506	4,911	5,620	6,152	7,495
Normalized net profit	3,561	4,911	5,620	6,152	7,495

Source: Company, KBVS Research

Exhibit 11: Balance sheet

Year End Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
Current assets					
Cash and cash equivalents	5,190	4,454	3,737	3,443	3,128
Trade receivables	3,139	3,267	3,742	4,370	4,859
Other current assets	7,133	7,139	7,626	7,411	7,848
Total current assets	15,480	14,878	15,121	15,239	15,849
Non current assets					
Fixed assets	72,861	74,143	78,832	81,986	85,265
Other non current assets	26,382	25,366	25,279	25,375	25,474
Total non current assets	99,243	99,509	104,112	107,361	110,739
Total assets	114,722	114,387	119,232	122,600	126,588
Current liabilities					
Trade payables	746	912	969	923	1,029
Accrued expenses	4,088	3,819	3,895	3,973	4,053
Short term debts	2,487	3,869	3,958	3,963	3,975
Other current liabilities	26,814	22,409	23,418	24,019	24,642
Total current liabilities	34,134	31,009	32,241	32,879	33,700
Non current liabilities					
Long term debts	12,295	11,030	10,488	9,393	8,423
Other non current liabilities	34,584	35,696	36,762	37,510	38,274
Total non-current liabilities	46,879	46,726	47,249	46,903	46,697
Shareholder equity	33,709	36,652	39,743	42,818	46,191
Total liabilities and equity	114,722	114,387	119,232	122,600	126,588

Source: Company, KBVS Research

Exhibit 12: Cash flow

Year End Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
Net profit	4,506	4,911	5,620	6,152	7,495
Depreciation	14,621	15,558	16,470	17,315	18,007
Changes in working capital	(937)	(4,180)	(468)	(137)	(492)
CF from operating activities	18,191	16,289	21,622	23,329	25,011
Investment in fixed assets	(18,300)	(16,841)	(21,160)	(20,468)	(21,287)
Others	(590)	1,016	87	(96)	(99)
CF from investing activities	(18,890)	(15,825)	(21,073)	(20,564)	(21,386)
Dividends paid	(2,062)	(2,164)	(2,529)	(3,076)	(4,122)
Debt raised/ repaid	(6,648)	(344)	197	(731)	(582)
Others	3,028	(856)	(1,463)	(2,328)	(3,358)
CF from financing activities	(3,620)	(1,200)	(1,266)	(3,059)	(3,940)
Change in cash flow	(4,318)	(735)	(717)	(294)	(315)
Cash and cash equivalent, beginning	9,508	5,190	4,454	3,737	3,443
Cash and cash equivalent, ending	5,190	4,454	3,737	3,443	3,128

Source: Company, KBVS Research

Exhibit 13: Ratio analysis

Year End Dec	2023A	2024A	2025F	2026F	2027F
Operating profit margin	20.4	19.4	20.5	20.7	22.2
EBITDA margin	46.7	47.2	48.1	48.3	49.1
Net profit margin	8.8	8.8	9.4	9.8	11.2
ROA	3.9	4.3	4.8	5.1	6.0
ROE	3.8	3.8	4.0	4.0	4.5
ROCE	5.6	5.9	6.5	6.9	8.1
ROIC	13.1%	12.9%	13.7%	14.1%	15.4%
Debt/Equity	1.8	1.6	1.5	1.4	1.3
Net debt/Equity	1.6	1.5	1.4	1.3	1.2
Net debt/EBITDA	2.0	1.9	1.8	1.7	1.6
Interest coverage (x)	5.1	5.9	6.2	6.5	7.1
EPS (Rp)	139.7	152.3	174.3	190.8	232.4
BV/Share (Rp)	1,045.3	1,136.6	1,232.4	1,327.8	1,432.4

Source: Company, KBVS Research

Disclaimer

This report is prepared by PT KB Valbury Sekuritas, a member of the Indonesia Stock Exchange, or its subsidiaries or its affiliates ("KBVS"). All the material presented in this report is under copyright to KBVS. None of the parts of this material, nor its contents, may be copied, photocopied, or duplicated in any form or by any means or altered in any way, or transmitted to, or distributed to any other party without the prior written consent of KBVS.

The research presented in this report is based on the information obtained by KBVS from sources believed to be reliable, however KBVS do not make representations as to their accuracy, completeness or correctness. KBVS accepts no liability for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from the use of the material presented in this report and further communication given or relied in relation to this document. The material in this report is not to be construed as an offer or a solicitation of an offer to buy or sell any securities or financial products. This report is not to be relied upon in substitution for the exercise of independent judgement. Past performance and no representation or warranty, express or implied, is made regarding future performance. Information, valuations, opinions, forecasts and estimates contained in this report reflects a judgement at its original date of publication by KBVS and are subject to change without notice, its accuracy is not guaranteed or it may be incomplete.

The Research Analyst(s) primarily responsible for the content of this research report, in part or as a whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The Analyst also certifies that no part of his/her compensation was, is or will related to specific recommendation views expressed in this report. It also certifies that the views and recommendations expressed in this report do not and will not take into account client circumstances, objectives, needs and no intentions involved as a use for recommendations for sale or buy any securities or financial instruments.

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. (021) 25098300
F. (021) 25098400

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. Boulevard Barat Raya Blok A1 No. 10
Jakarta Utara 14240
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. Abdul Rivai No. 1A, Kel. Pasirkaliki,
Kec. Cicendo Bandung 40171
T. (022) 3003133

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) 2005050

Surabaya

Pakuwon Center Lt 21
Jl. Embong Malang No.1
Surabaya 60261
T. (031) 21008080

Padang

Jl. Proklamasi No. 60A
Padang Timur 25121
T. (0751) 8688080

Yogyakarta

Jl. Magelang KM 5.5 No. 75
Yogyakarta 55000
T. (0274) 8099090

Semarang

Jl. Gajahmada 23A,
Kecamatan Semarang Tengah,
Kelurahan Kembang Sari 50241
T. (024) 40098080

Makassar

Komplek Ruko Citraland City Losari
Business Park, Blok B2 No. 09
Jl. Citraland Boulevard Makassar 90111
T. (0411) 6000818

Medan

Komplek Golden Trade Center
Jl. Jenderal Gatot Subroto No. 18-19
Medan 20112
T. (061) 50339090

Denpasar

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

Pontianak

Jl. Prof. M Yamin No. 14
Kotabaru, Pontianak Selatan
Kalimantan Barat 78116
T. (0561) 8069000

Investment Gallery

Jakarta

Citra Garden 6 Ruko Sixth Avenue
Blok J1 A/18, Cengkareng
Jakarta Barat 11820
T. (021) 52392181

Tangerang

Ruko Aniva Junction Blok D No. 32
Gading Serpong, Tangerang,
Banten 15334
T. (021) 35293147

Semarang

Jl. Jati Raya No. D6,
Srandol Wetan, Banyumanik,
Semarang 50263
T. (024) 8415195

Salatiga

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

Solo

Jl. Ronggowarsito No. 34
Surakarta 57118
T. (0271) 3199090

Jambi

Jl. Orang Kayo Hitam No. 48 B
Jambi Timur 36123
T. (0741) 3068533